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FOR IMMEDIATE RELEASE

Press Release

Milliman analysis: Mortgage origination volume returns to pre-pandemic levels in Q2 2023 while default risk declines slightly

Borrower risk for Fannie Mae loans decreased, while increasing for Freddie loans

SEATTLE – September 13, 2023 – Milliman, Inc., a premier global consulting and actuarial firm, today announced the second quarter (Q2) 2023 results of the Milliman Mortgage Default Index (MMDI), which shows Milliman’s latest monthly estimate of the lifetime default risk of U.S.-backed mortgages.

Mortgage default risk declined to 3.02% for loans acquired in Q2 2023, compared to 3.12% for loans acquired during Q1 2023. Interestingly, the default risk for government-sponsored enterprise (GSE) acquisitions (purchased and refinanced loans backed by Freddie Mac and Fannie Mae) did not follow typically observed patterns during Q2. The default risk for Freddie acquisitions increased from 3.04% to 3.09% due to an increase in borrower risk, whereas the default risk for Fannie acquisitions decreased from 3.17% to 2.96% due to a decrease in borrower risk. But because Fannie Mae had a greater volume of acquisitions in Q2 2023 – mostly purchase loans – the default risk for GSEs decreased overall by ten percentage points.

The market saw continued low mortgage volume in Q2 as interest rates climbed to about 7%, with purchase loans making up 87% of total originations.

“Mortgage originations for both refinance and purchase loans are in line with 2019, similar to volume we saw pre-pandemic,” said Jonathan Glowacki, a principal at Milliman and co-author of the MMDI. “The recent increases in interest rates have made rate/term refinance loans less attractive to home buyers, and about 68% of refinance originations in Q2 were cash-out refinance loans.”

The MMDI reflects a baseline forecast of future home prices. For more on the MMDI, go to www.milliman.com/mmdi/. To access additional mortgage market thought-leadership, analytics, and technology go to <https://www.milliman.com/en/products/milliman-m-pire>.

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