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Press Release

Milliman analysis: Default risk for U.S.-backed mortgages increases in Q4 2021, driven by expected slowdown in home price growth

Refinance and purchase mortgage origination volume declined in Q4

SEATTLE – MARCH 10, 2022 – Milliman, Inc., a premier global consulting and actuarial firm, today announced the fourth quarter (Q4) 2021 results of the Milliman Mortgage Default Index (MMDI), which shows the latest monthly estimate of the lifetime default risk of U.S.-backed mortgages.

During Q4 2021, the default risk for government-sponsored enterprise (GSE) acquisitions (purchased and refinanced loans backed by Freddie Mac and Fannie Mae) increased to 1.98%, from 1.65% the previous quarter. This means that for loans originating Q4 2021, we expect nearly 2% to become delinquent (180 days or more) over their lifetimes.

“While U.S. mortgage default risk is still quite low, we’ve seen it tick upward as economic forecasts anticipate a slowdown in home price growth,” says Jonathan Glowacki, a principal at Milliman and author of the MMDI. “Refinance volume – which is typically seen as lower risk – is also expected to slow compared to previous quarters, due in large part to rising interest rates predicted for 2022.”

Both refinance and purchase mortgage volume were down in Q4 2021; purchase loans are typically lower during Q4, while rising interest rates may have resulted in the lower refinance volume seen at the end of 2021.

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, go to <https://www.milliman.com/en/products/milliman-m-pire>.

About Milliman

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