

**MBA Economic and Mortgage Market Outlook
Spring 2015**

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MBA Economic Outlook

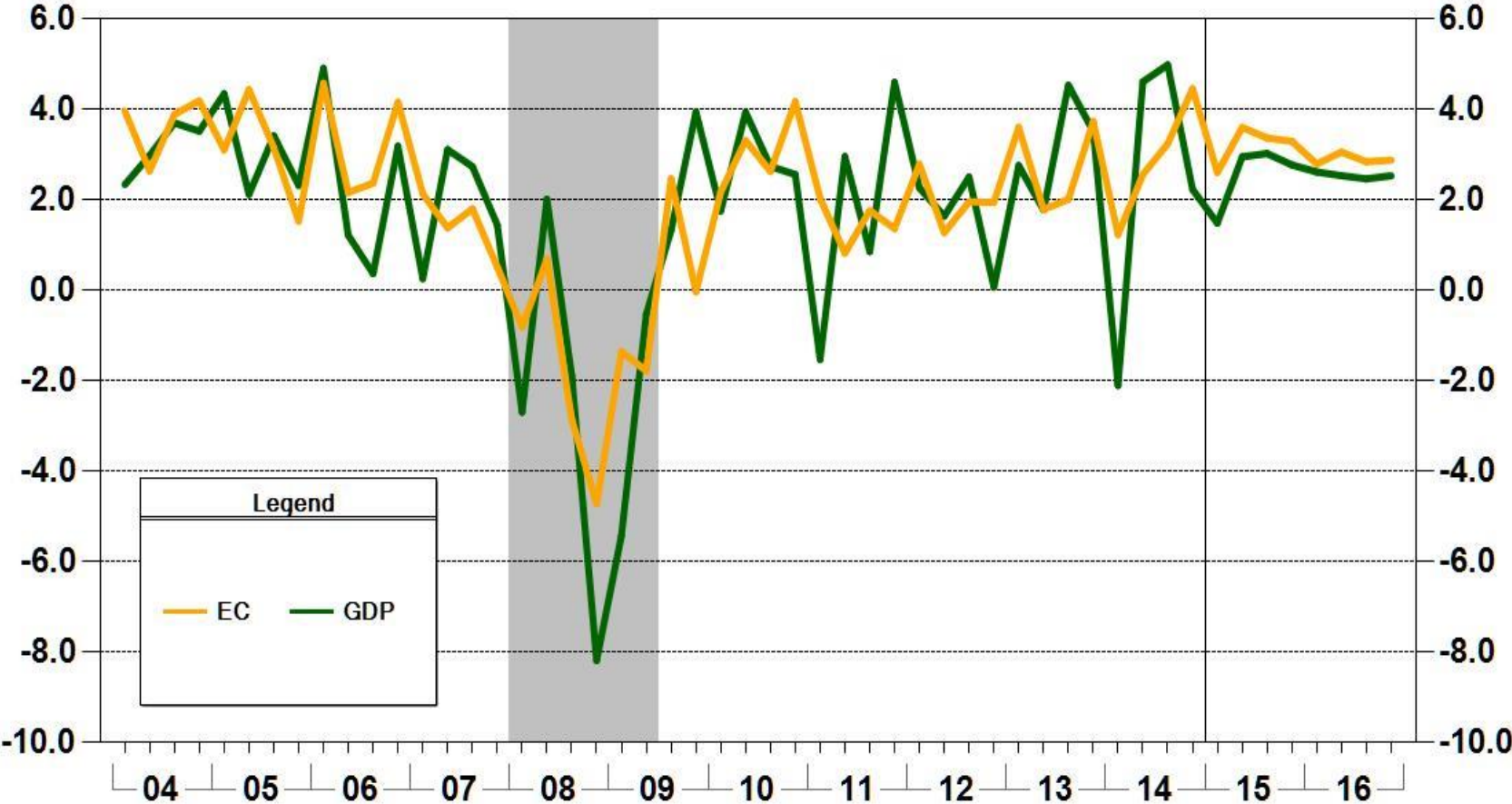
	<u>2014</u>	<u>2015</u>	<u>2016</u>
GDP Growth	2.4%	2.5%	2.5%
Inflation	1.6%	0.5%	2.4%
Unemployment	6.2%	5.4%	5.1%
Fed Funds	0.1%	0.3%	1.7%
10-year Treasury	2.5%	2.2%	3.0%
30-year Mortgage	4.2%	4.0%	4.9%
Refi originations (\$ B)	484	512	379
Purchase originations (\$B)	638	729	791
New home sales (thousand)	443	517	560
Existing home sales (thousand)	4,920	5,069	5,411

The Economy

Economic Growth Still Dependent on Consumers

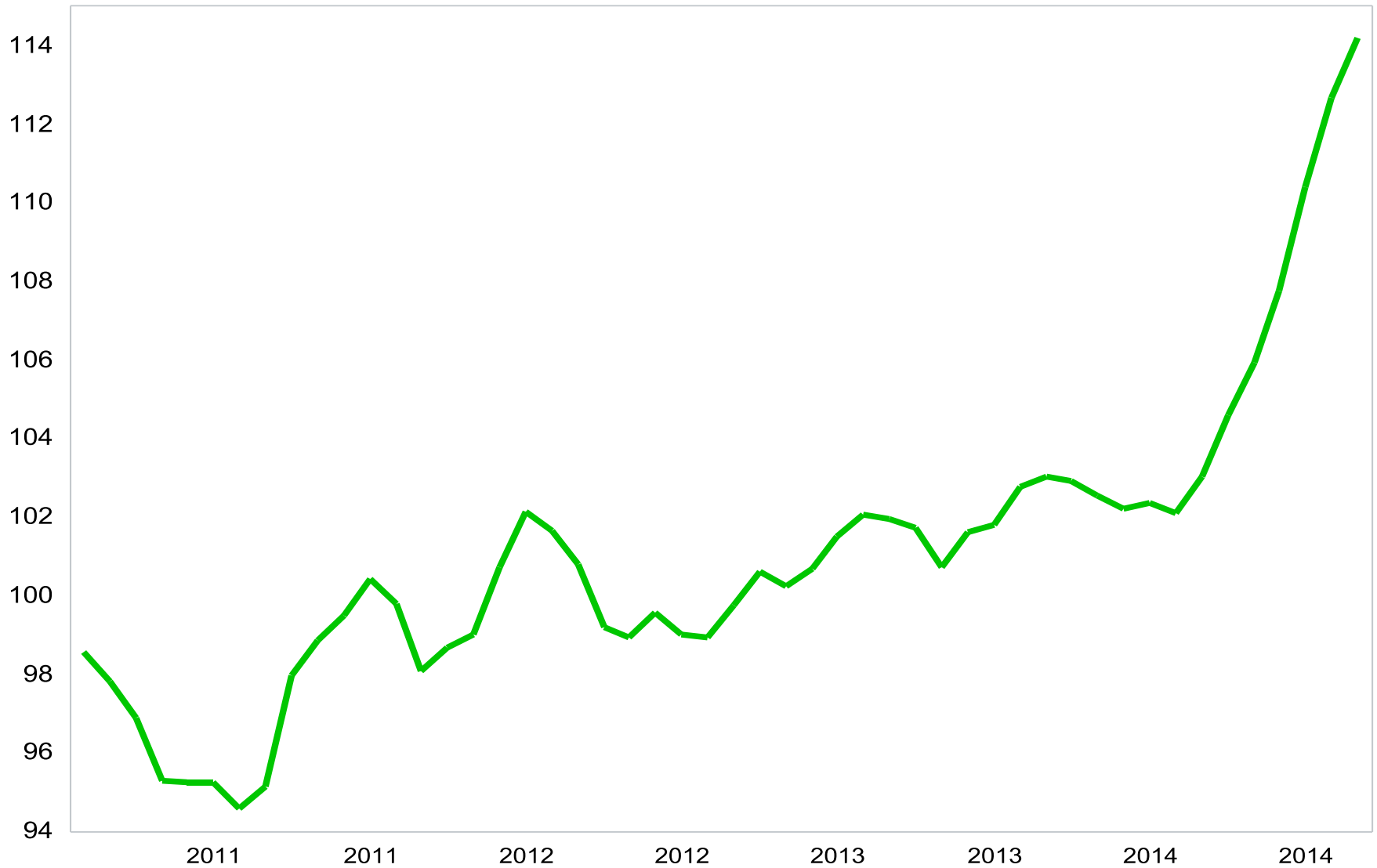
Real GDP and PCE Growth

Percent change, annual rate



Source: BEA, MBA

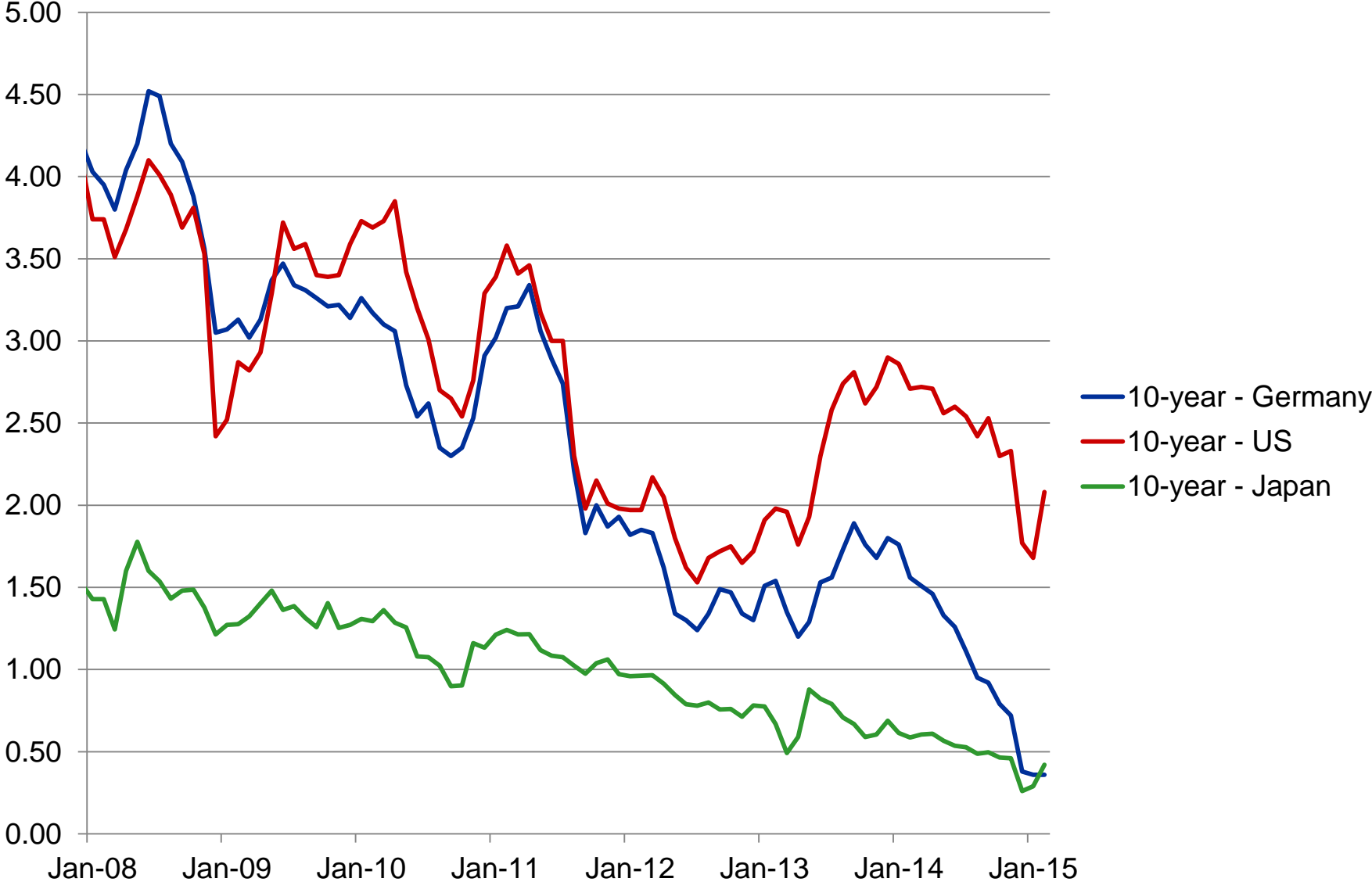
Risk to Growth - Trade-weighted Dollar



Source: Federal Reserve

MBA

Global Rates: Divergent?



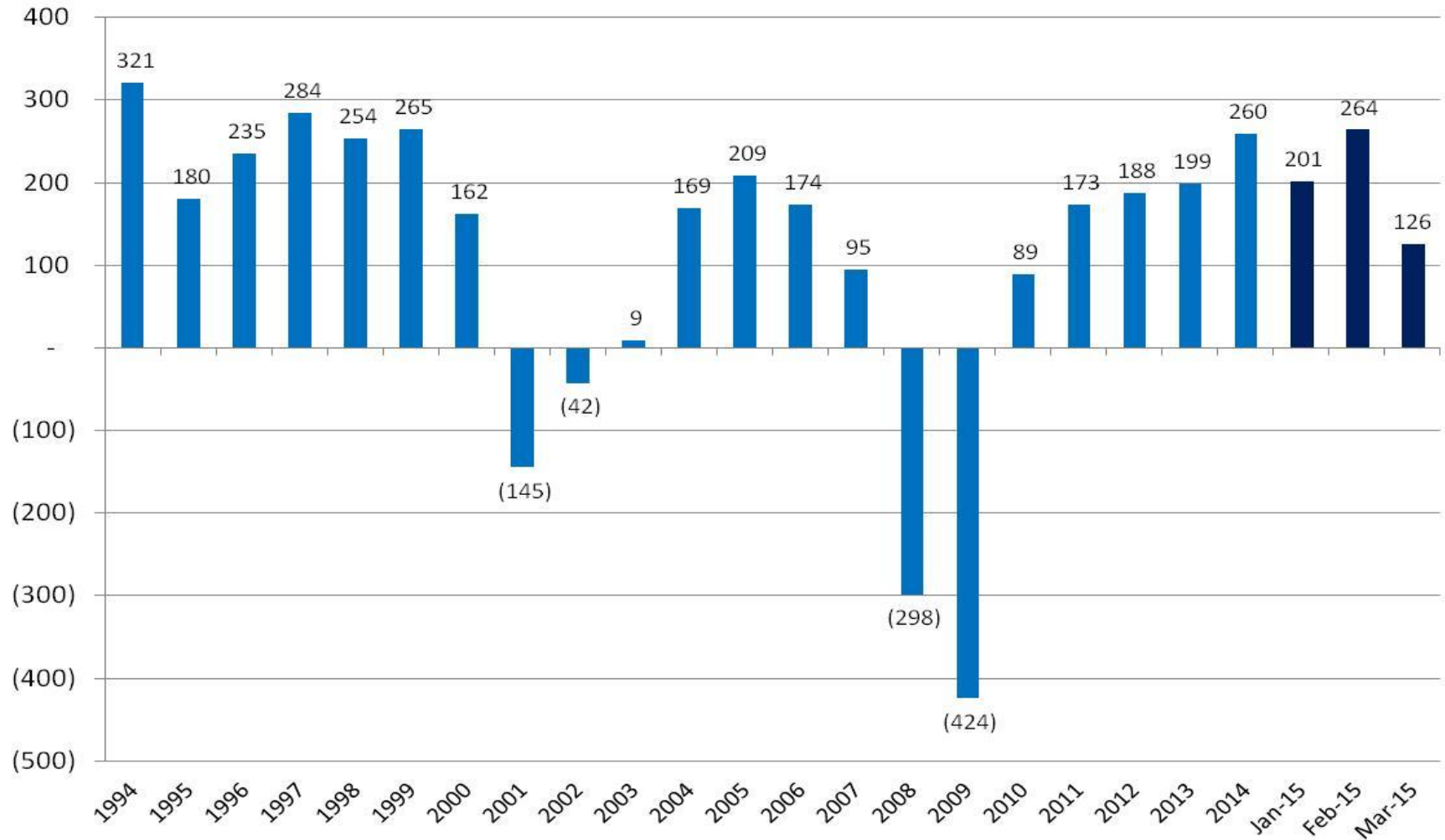
Source: Federal Reserve (FRED), CNBC



Job Growth Robust

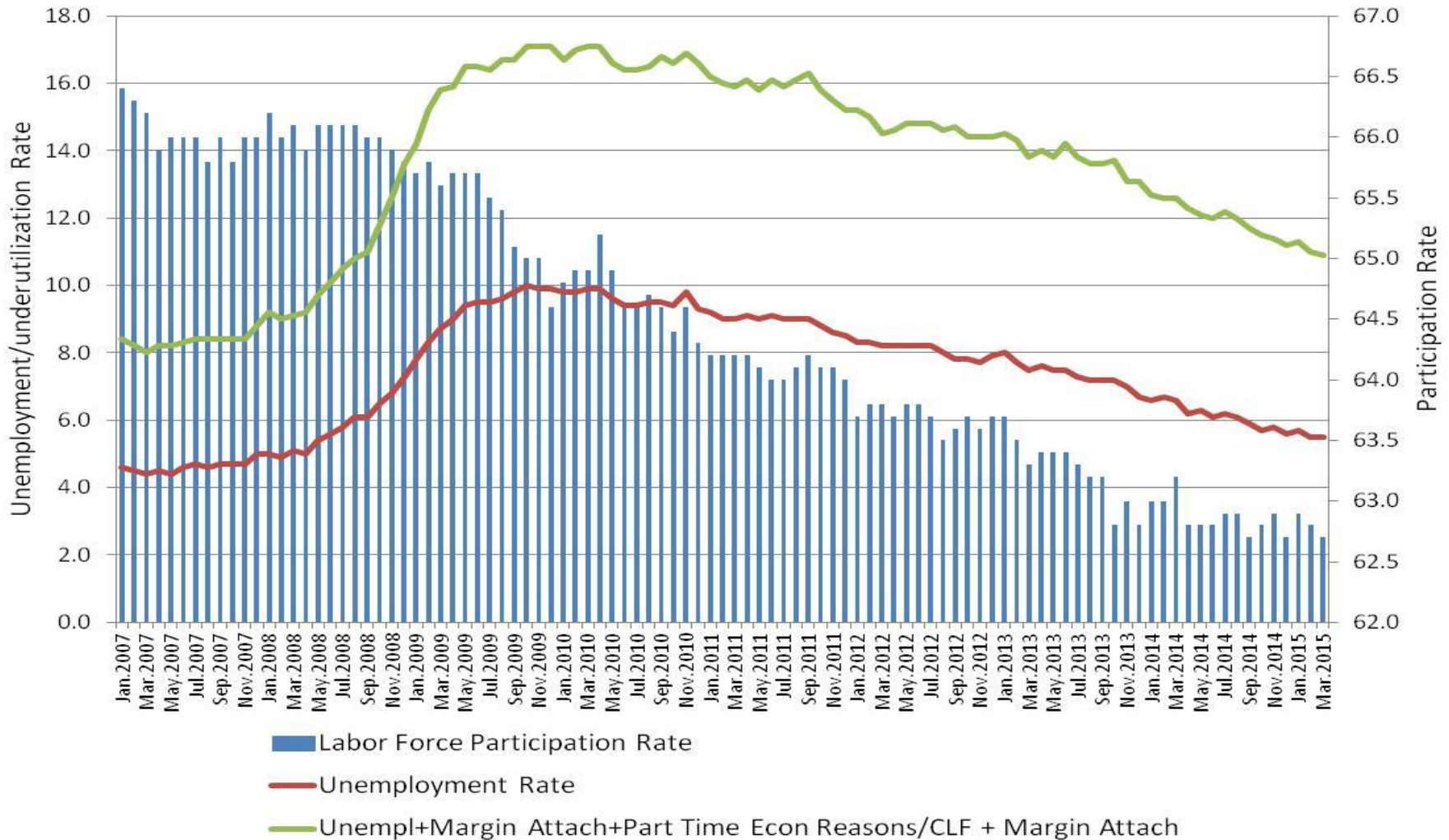
Average Monthly Payroll Growth

Seasonally adjusted, 000s of jobs



Declining Unemployment, Participation Leveling

Unemployment and Labor Force Participation



Increasing Demand for Labor

Ratio of Unemployed Workers Per Job Opening

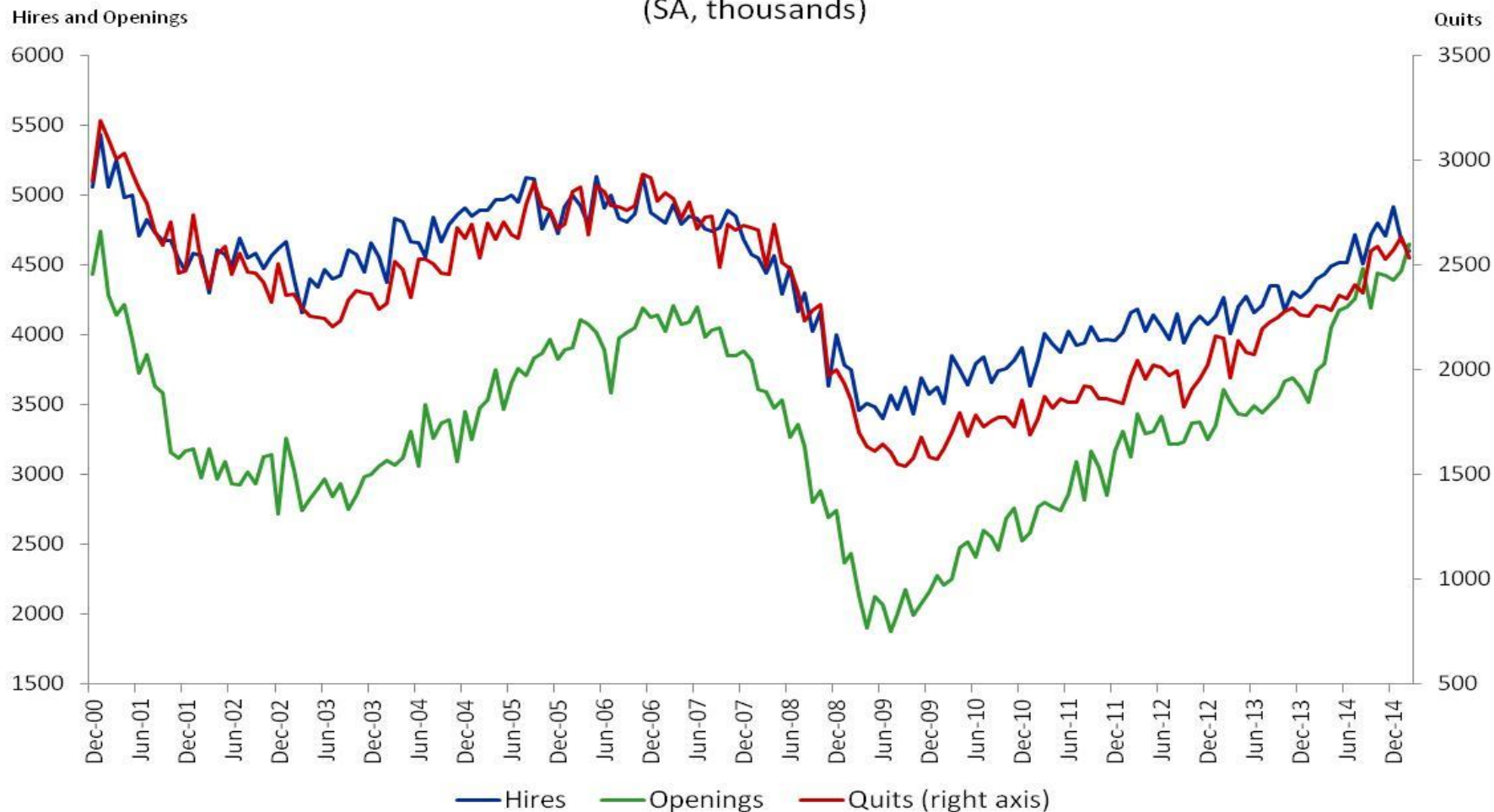


Source: BLS

MBA

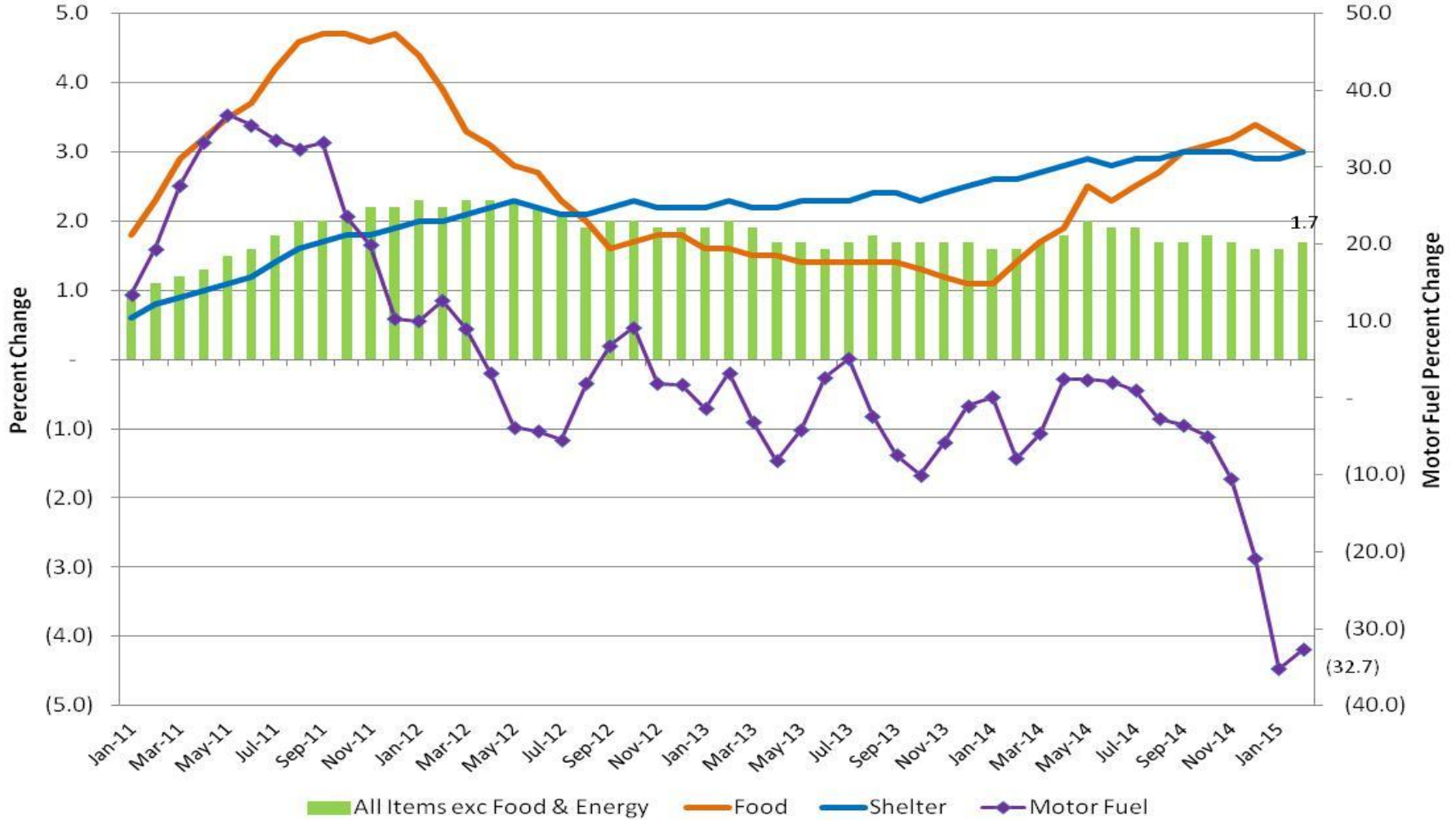
More Wage Growth in the Works?

Chart of the Week - April 10, 2015
Private Job Openings, Hires and Quits
(SA, thousands)



Fuel Prices Driving Down Headline Inflation

Inflation Trends
Year over year percent change

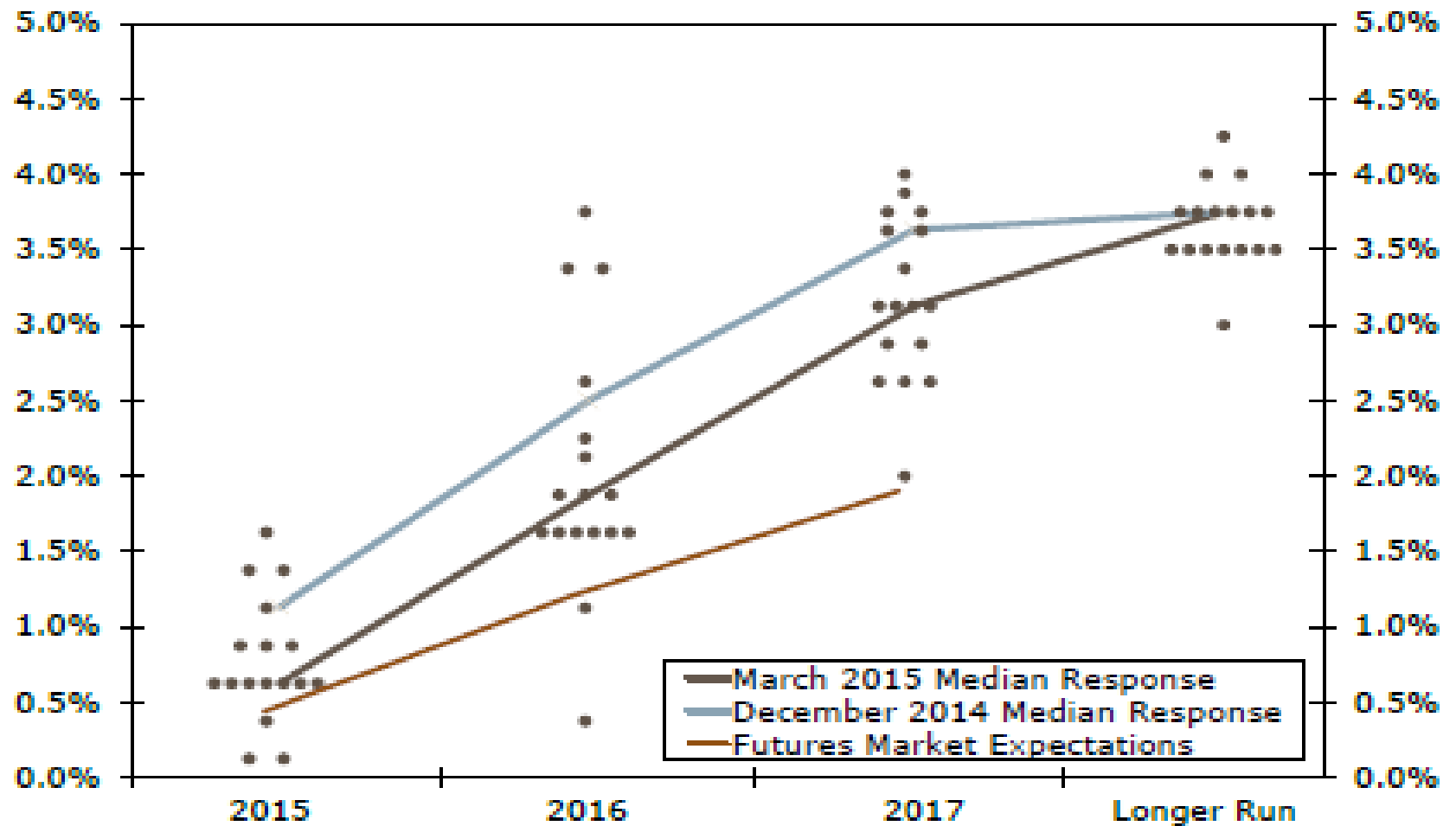


FOMC Statement - March 2015

- The door is open to an increase in the fed funds rate at the June meeting. However, it was iterated that the Committee does not want the market to lock in on the June date. Still a reasonable chance that they will wait until September or later for the first hike.
- Use of the term “data dependent” means that the Committee is paying particular attention to the job market and inflation reports over the next two months.
- Markets viewed this announcement as relatively dovish, i.e. the Fed could move more slowly to raise rates than had been anticipated.
- No change in expectations with respect to holdings of MBS and longer-term Treasuries.

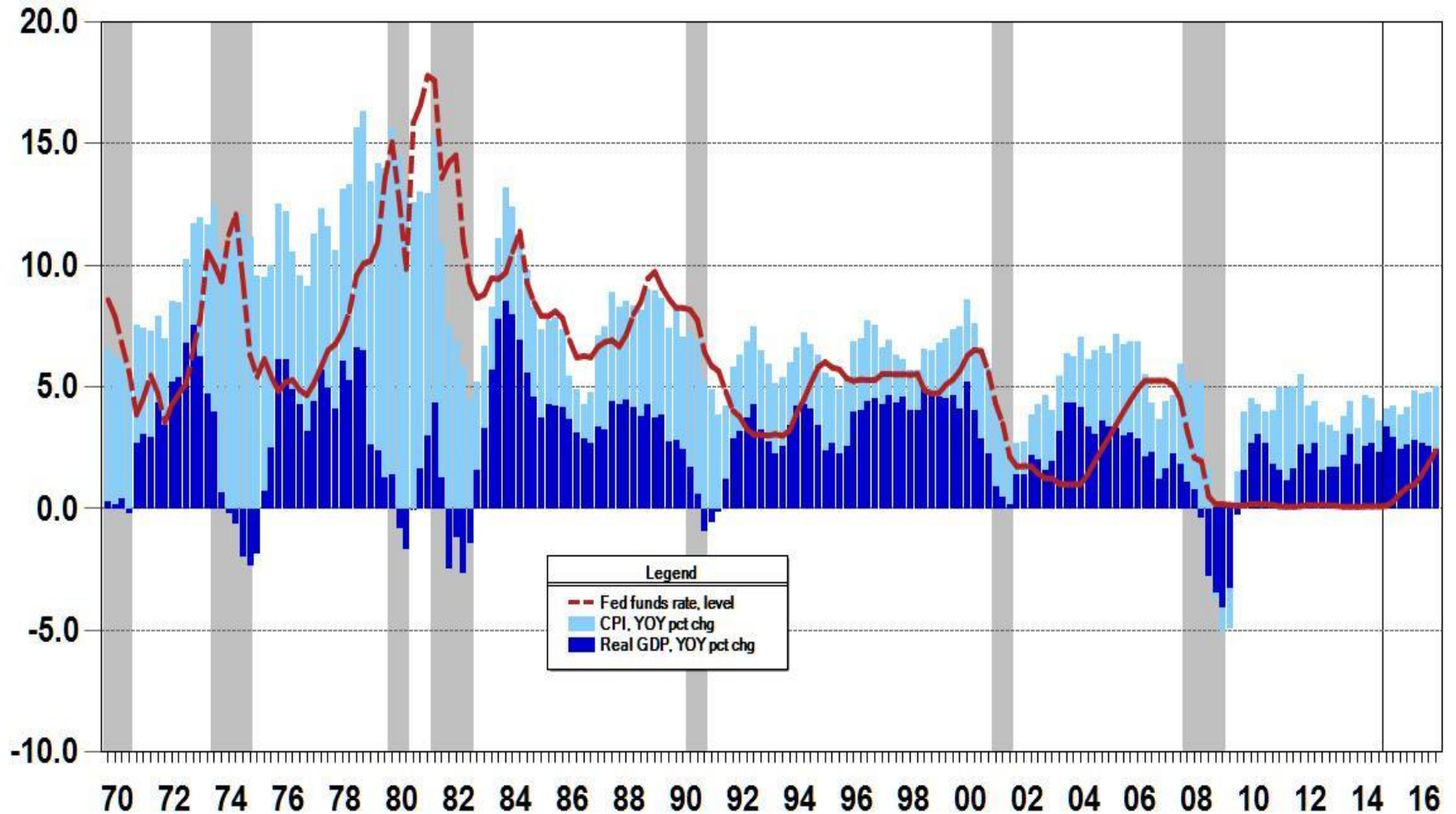
Fed Funds & Market Expectations

Appropriate Pace of Policy Firming Target Federal Funds Rate at Year-End



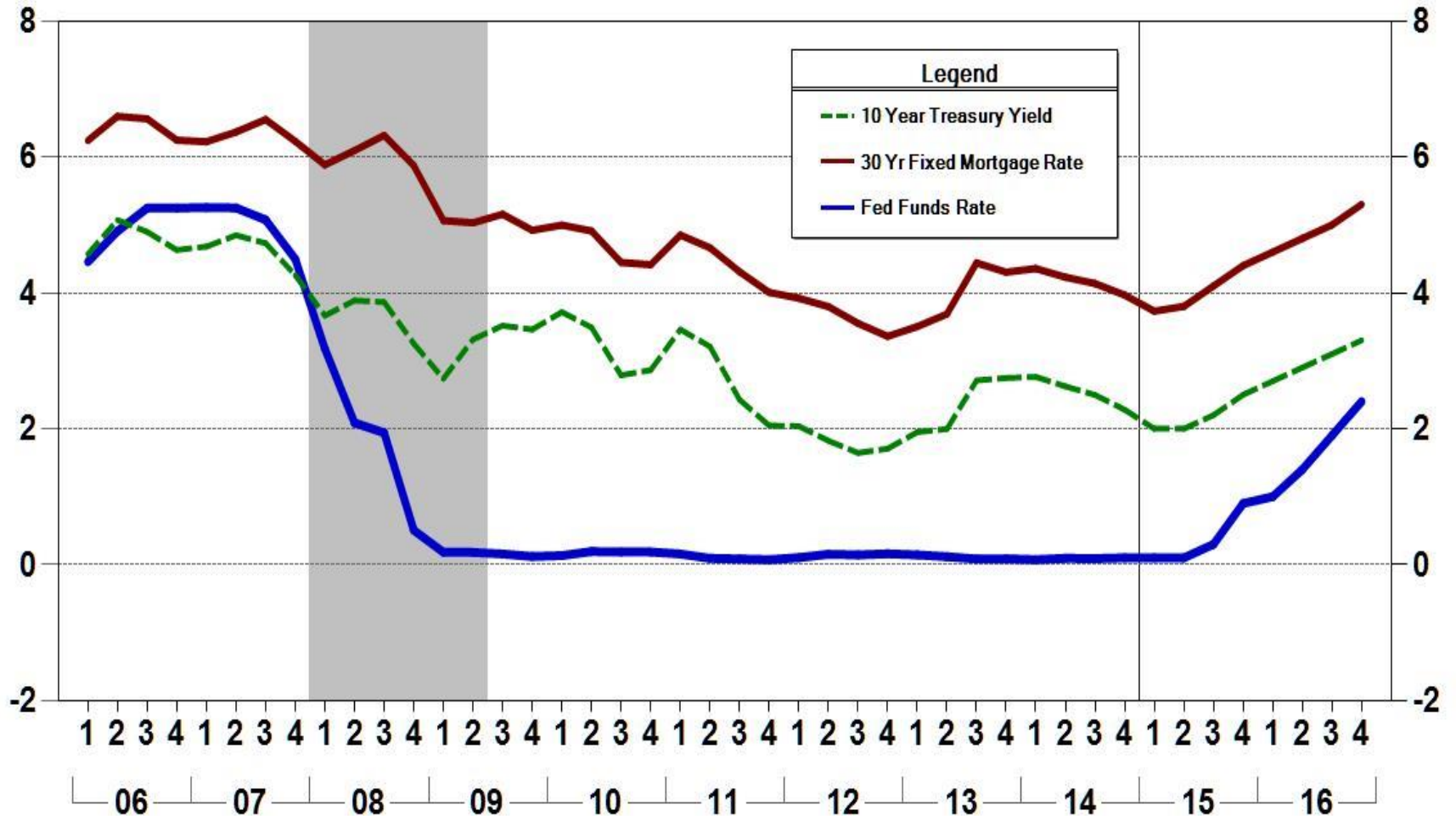
GDP, Inflation, and the Fed Funds Rate

Percent change



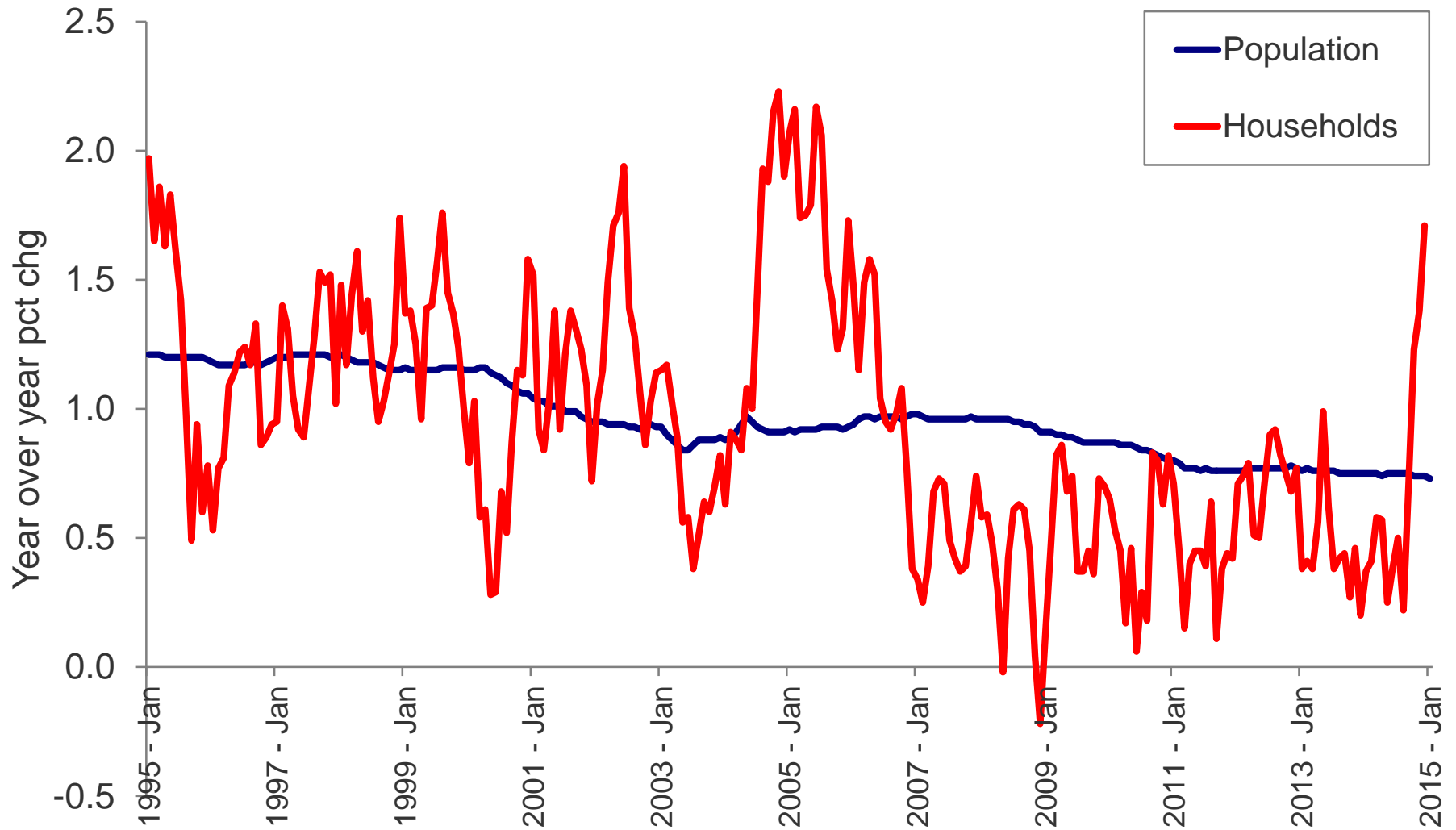
Rate History and Forecast

Percent



Demographics

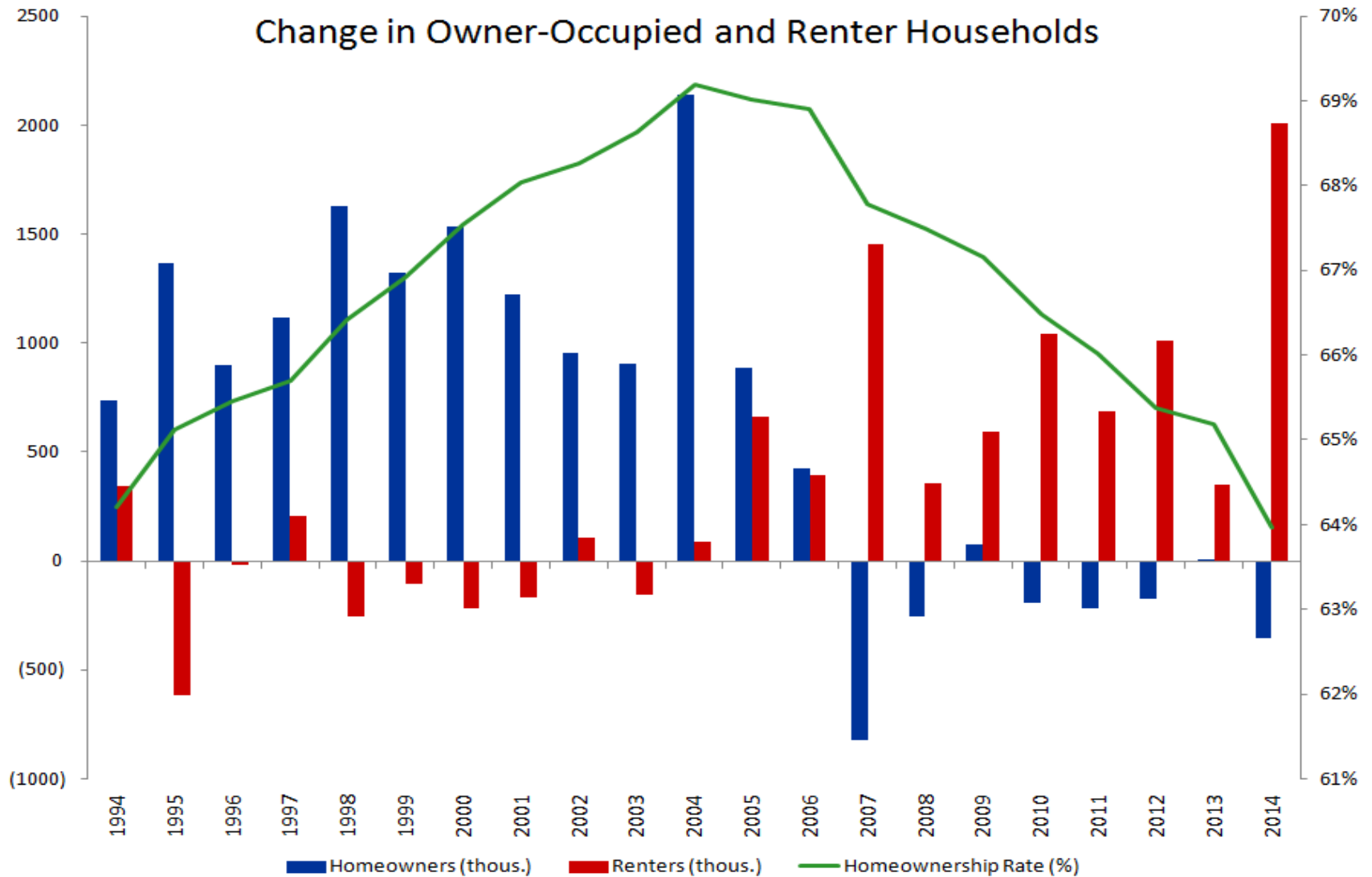
Growth in Total Households Recovering?



Source: Census

MBA

What About Owner Households?

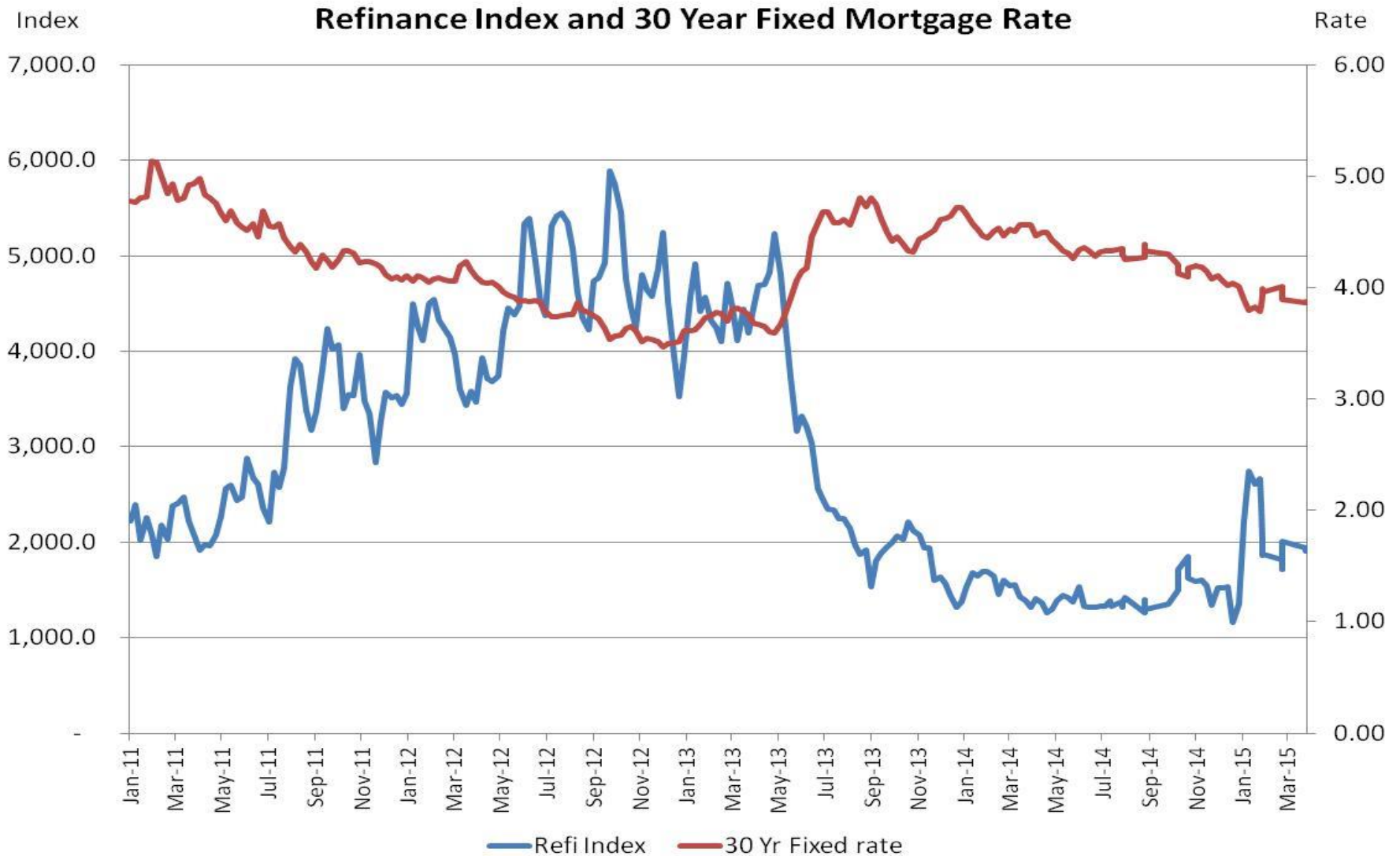


Source: Census

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Mortgage Market Data

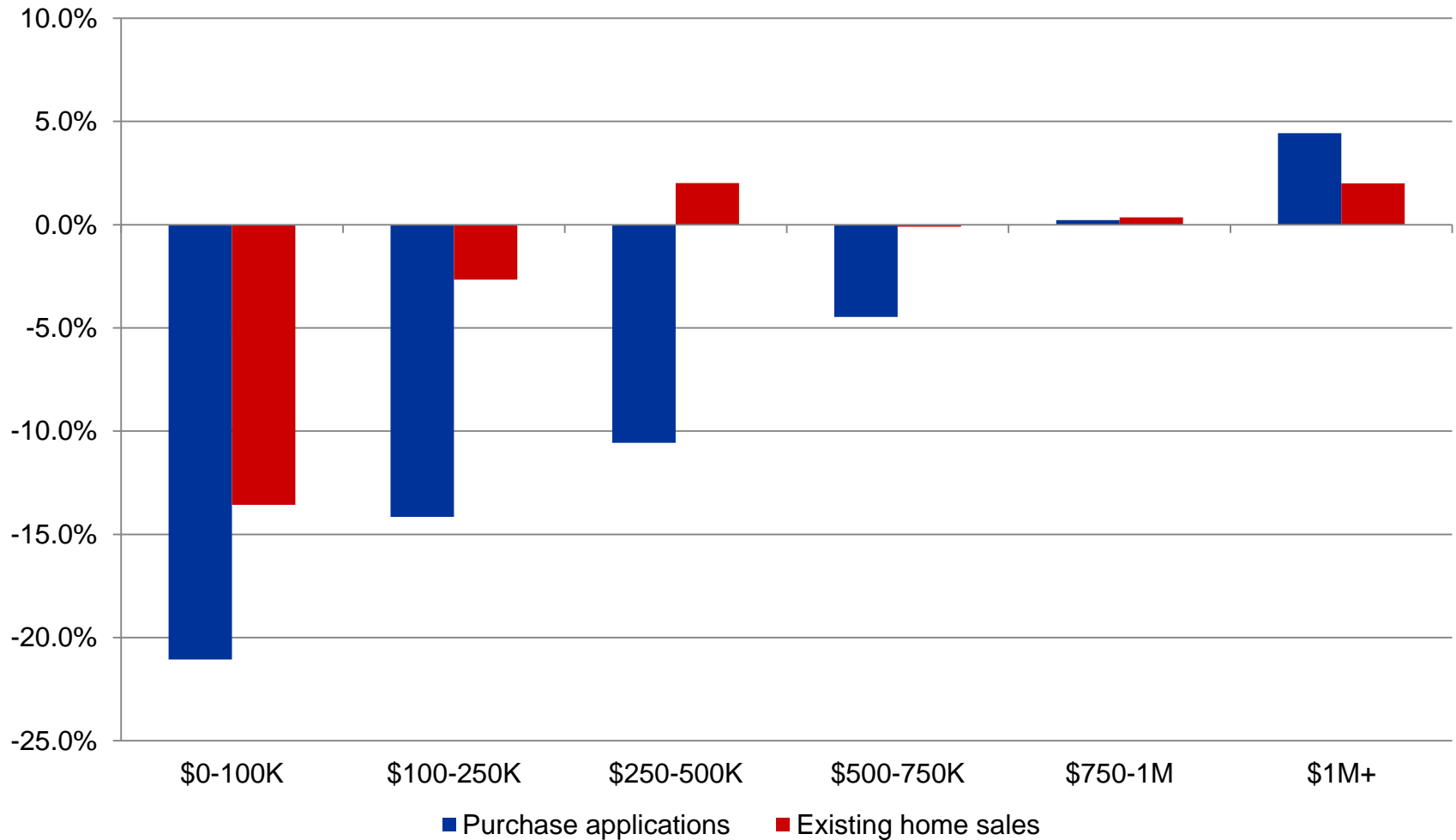
Refinance Activity Slowing Again



Lower Price Tiers Saw Slow Growth in 2014

Purchase Applications vs Existing Home Sales

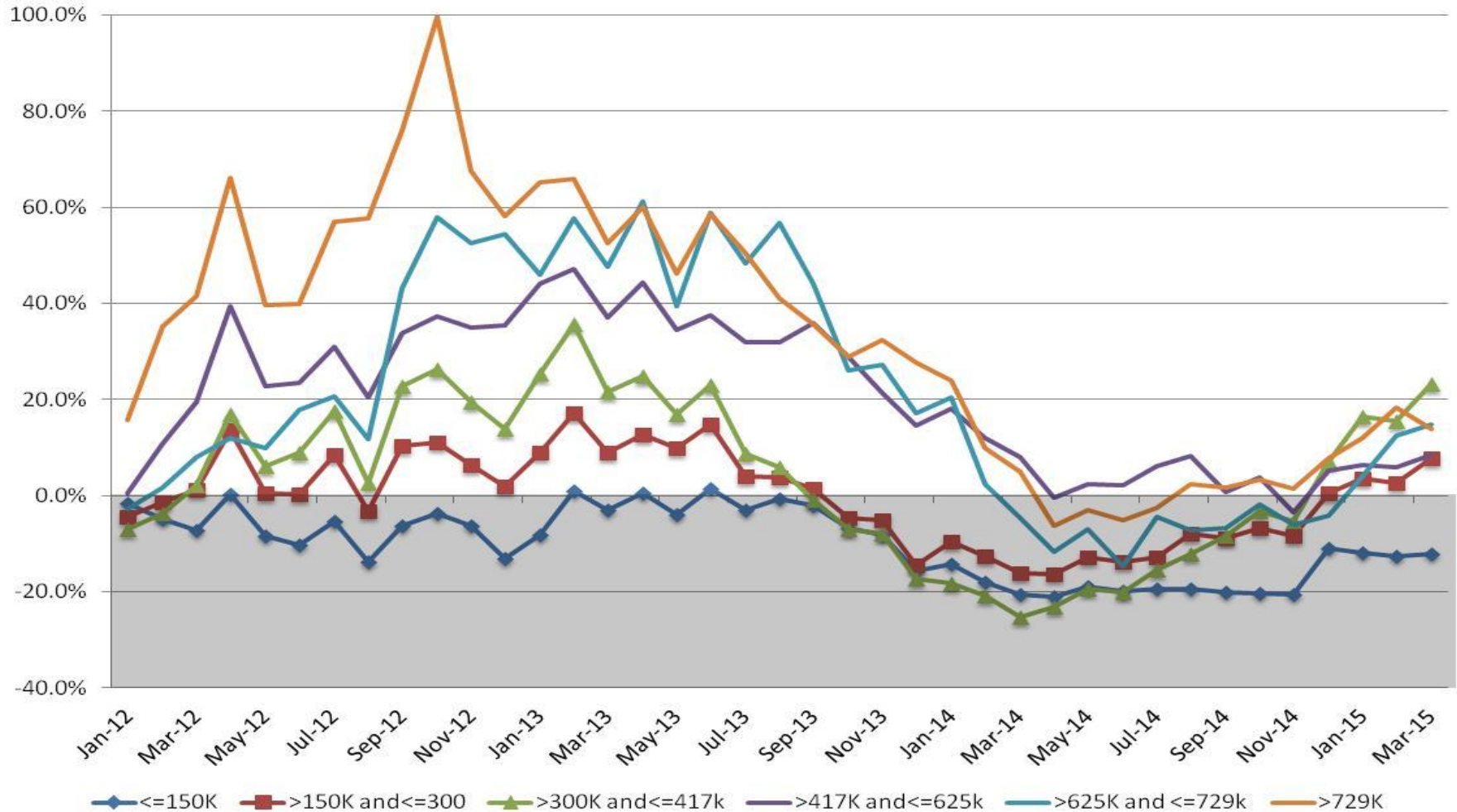
Pct chg, full year 2014



Lower Price Tiers Seeing Signs of Life in 2015

Change in Purchase Applications, By Loan Size

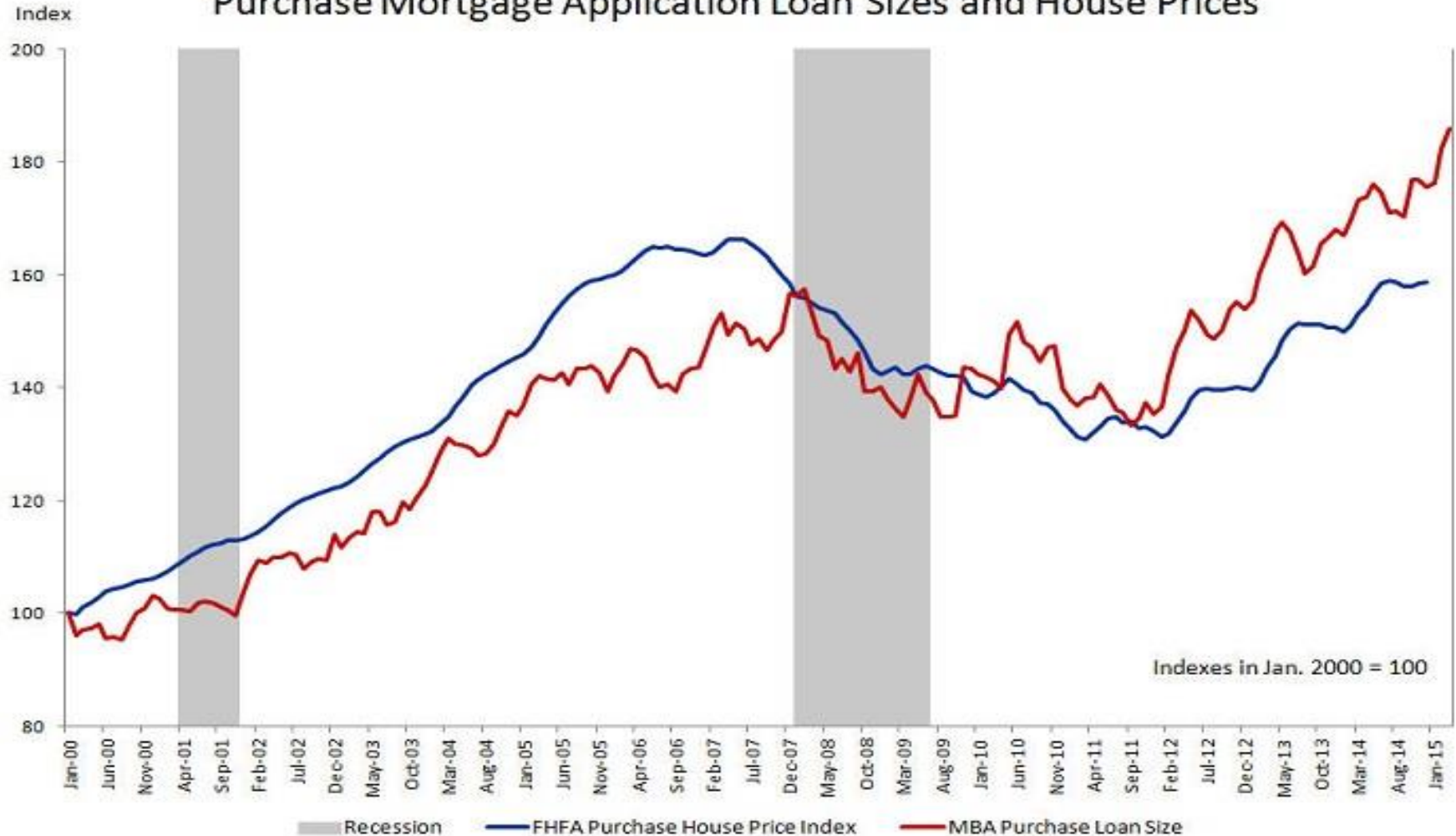
Year over year percent change, non-seasonally adjusted



Purchase Loan Size Growth Indicating Jumbo Dominance

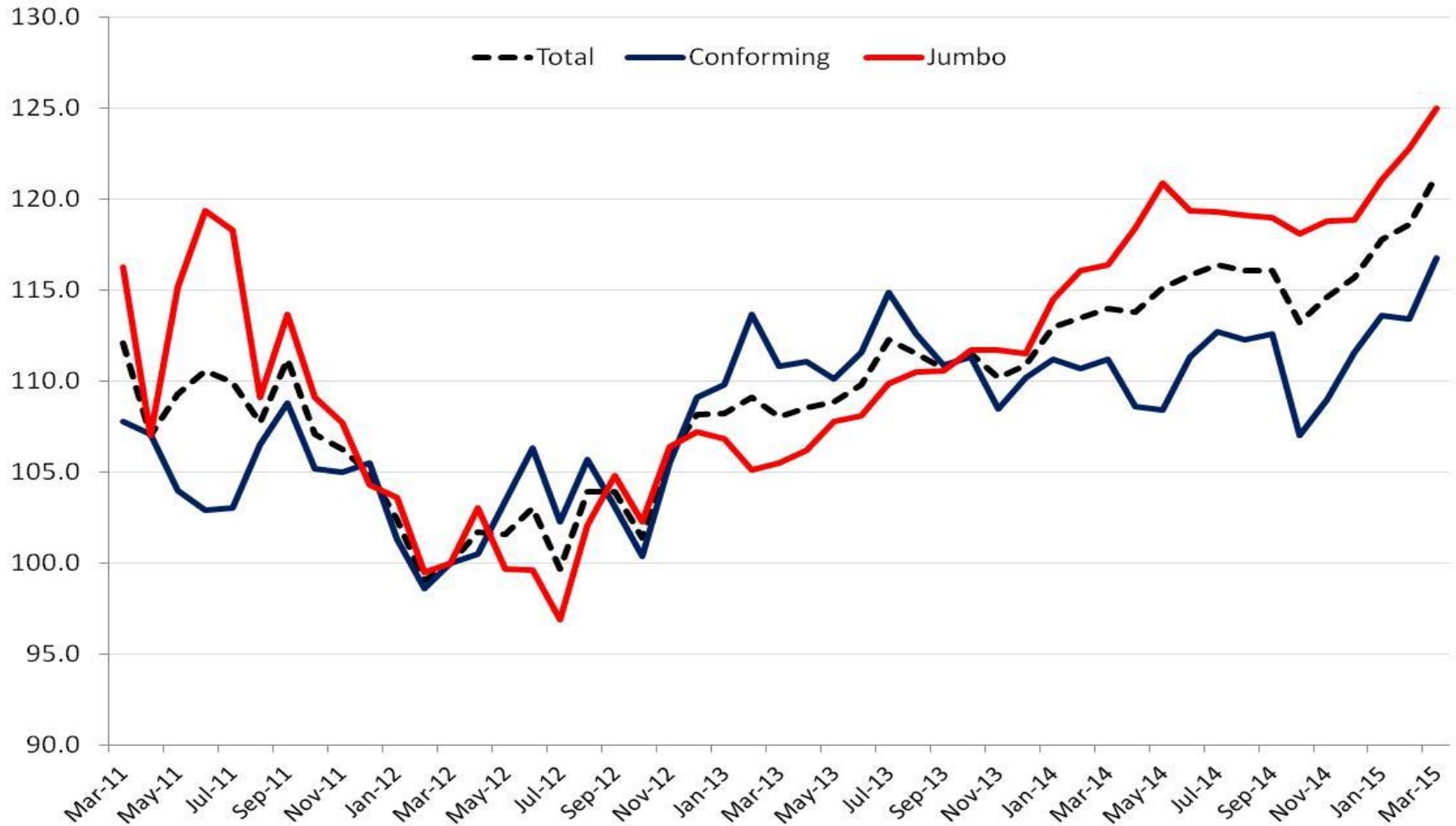
Chart of the Week - March 13, 2015

Purchase Mortgage Application Loan Sizes and House Prices

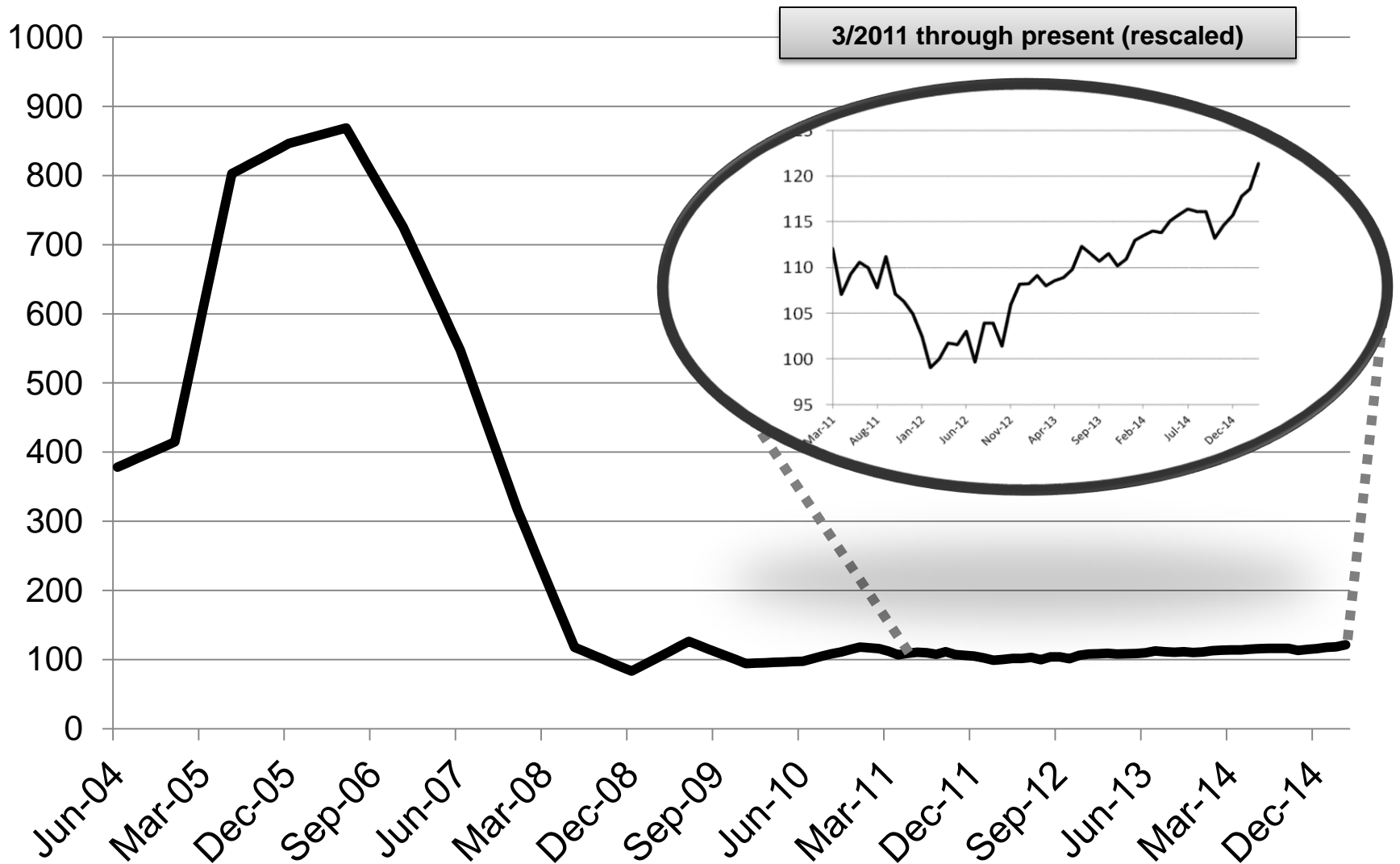


Credit Becoming More Available...Slightly

Mortgage Credit Availability by Component Index
(March 2012 = 100)

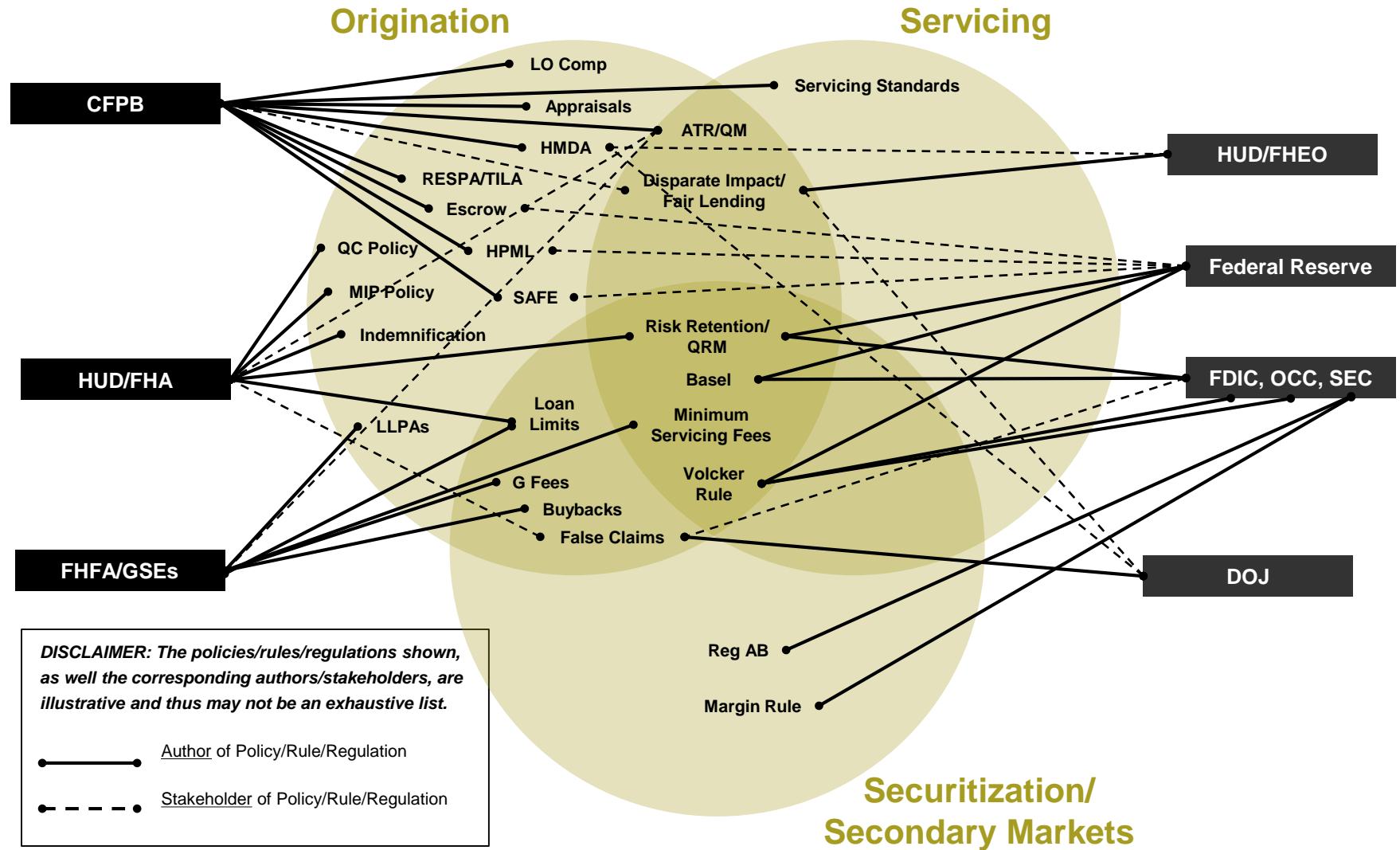


Credit Availability In Historical Context



Overlapping Federal Agencies & Regulations

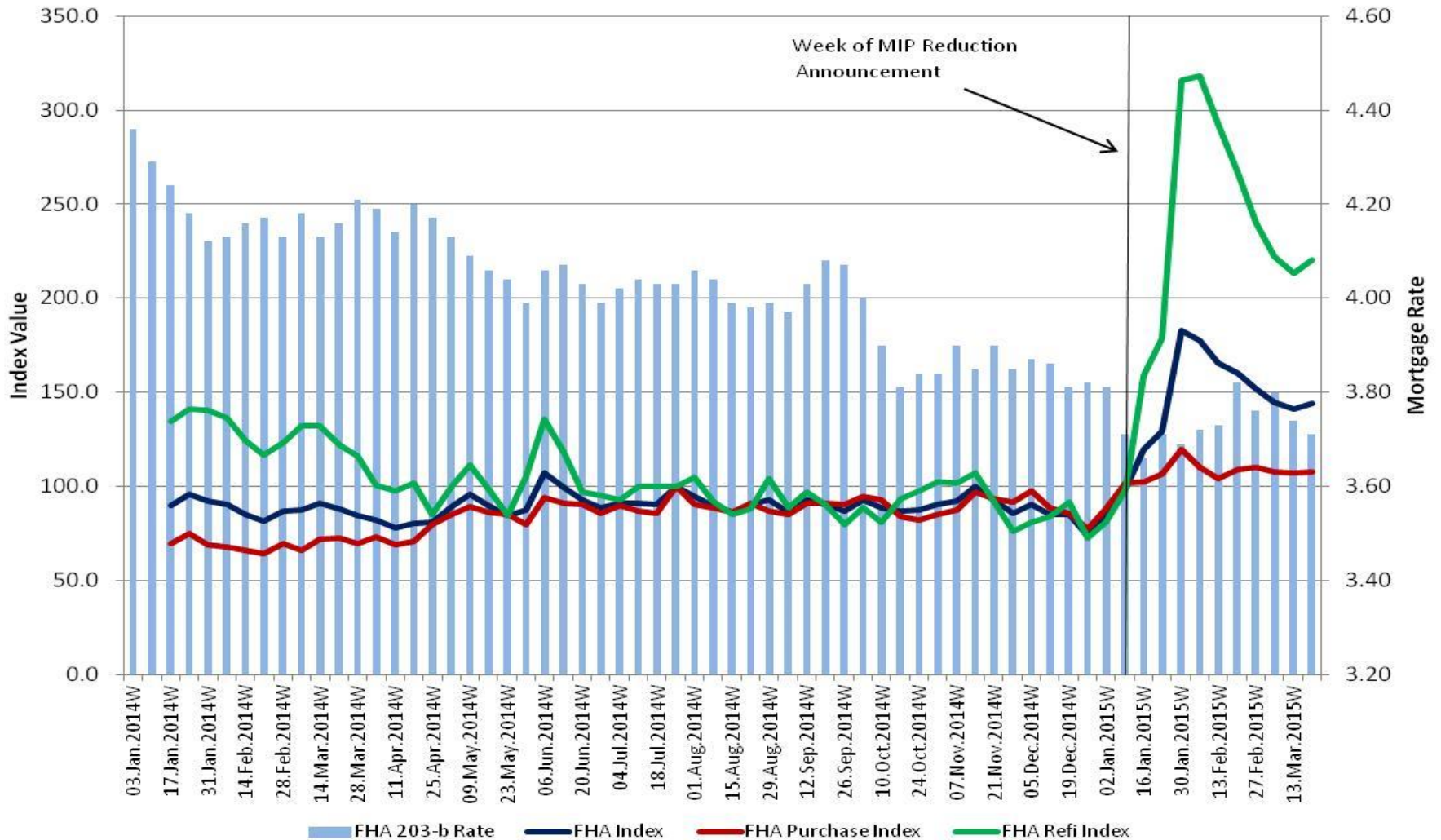
...holding back market growth.



DISCLAIMER: The policies/rules/regulations shown, as well the corresponding authors/stakeholders, are illustrative and thus may not be an exhaustive list.

Impact of MIP Reduction

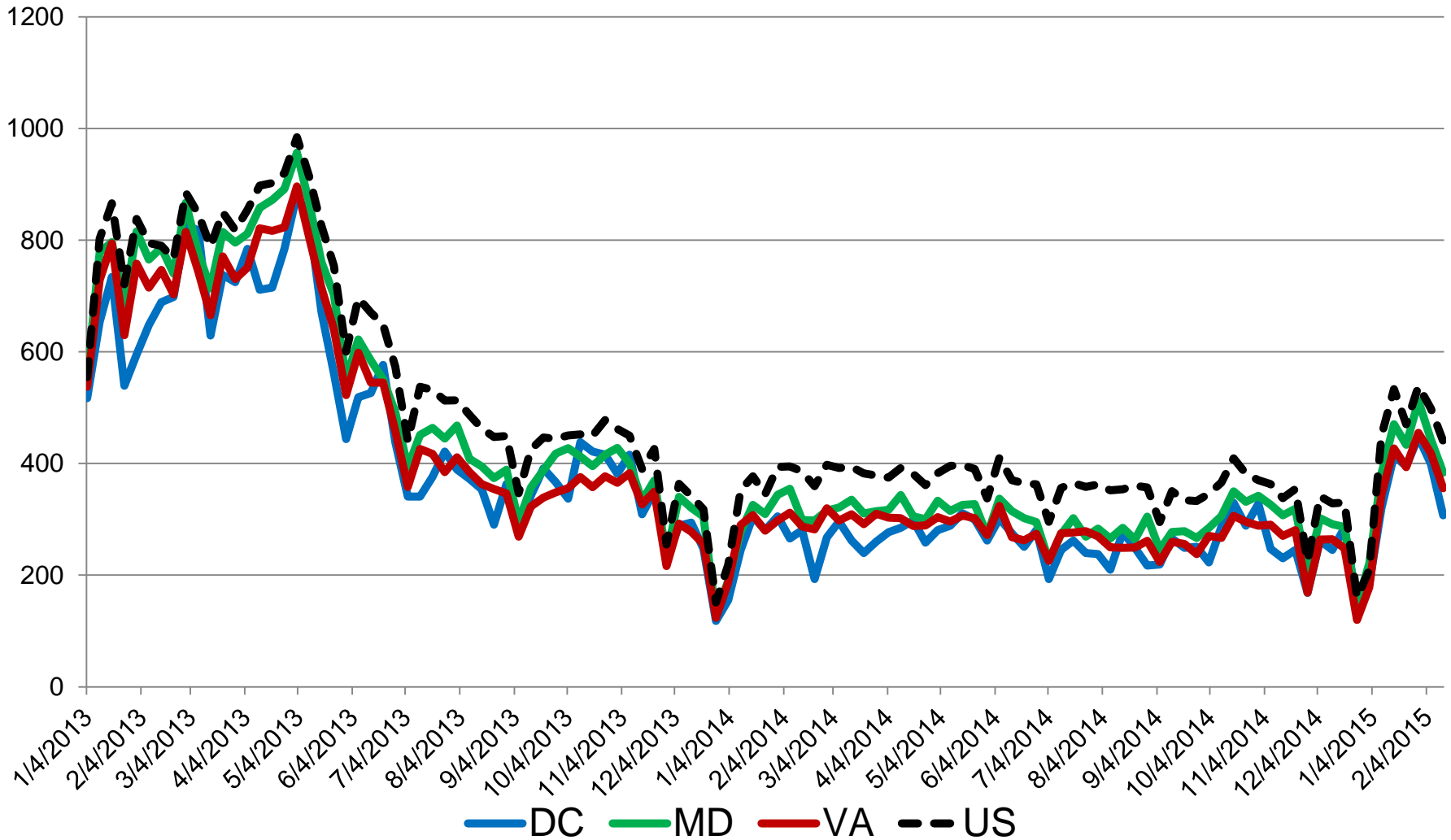
FHA Application Indexes and Rate



Source: MBA Weekly Applications Survey

Use of State Level Application Data

DC, MD, VA - Total Index NSA



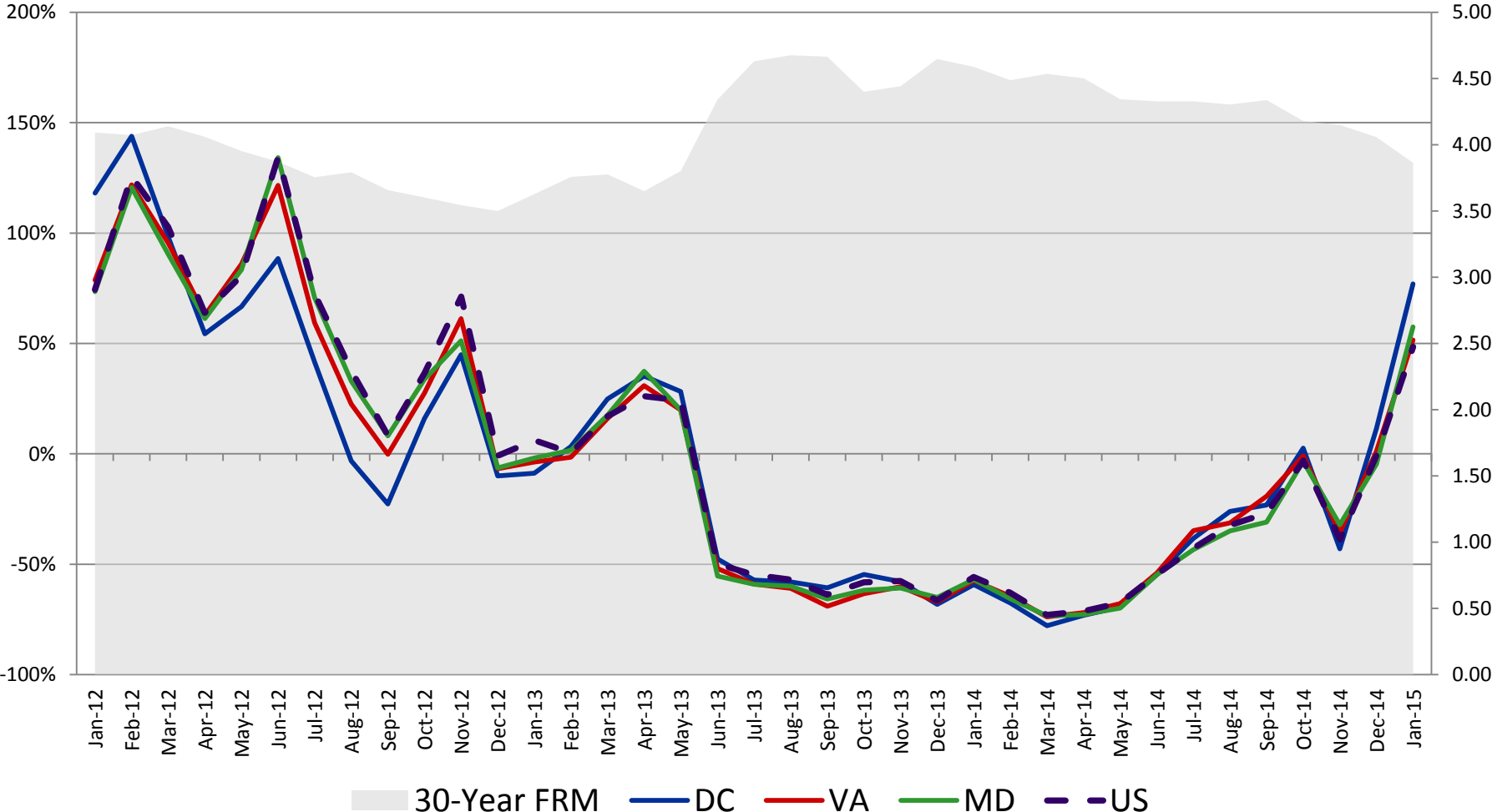
Source: MBA's State Applications Index Series (SAIS), NSA, 1/13/2012 = 100

MBA

Use of State Level Application Data

Refinance Application Volume and Rates

Year over year pct chg based on loan count, NSA

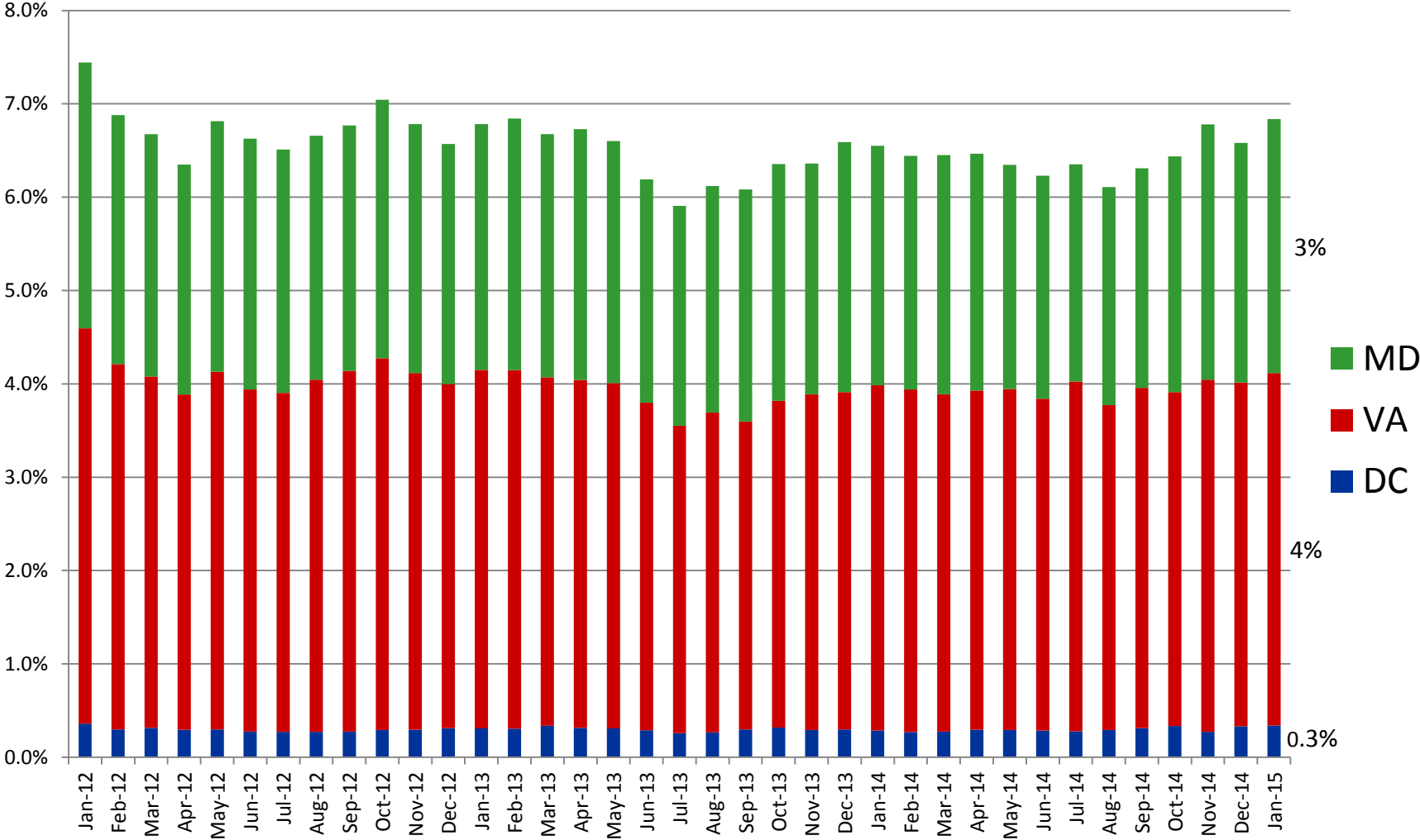


Source: MBA Weekly Applications Survey / Monthly Profile of State and National Mortgage Activity



Use of State Level Application Data

DC, VA, MD Share of National Refi Applications

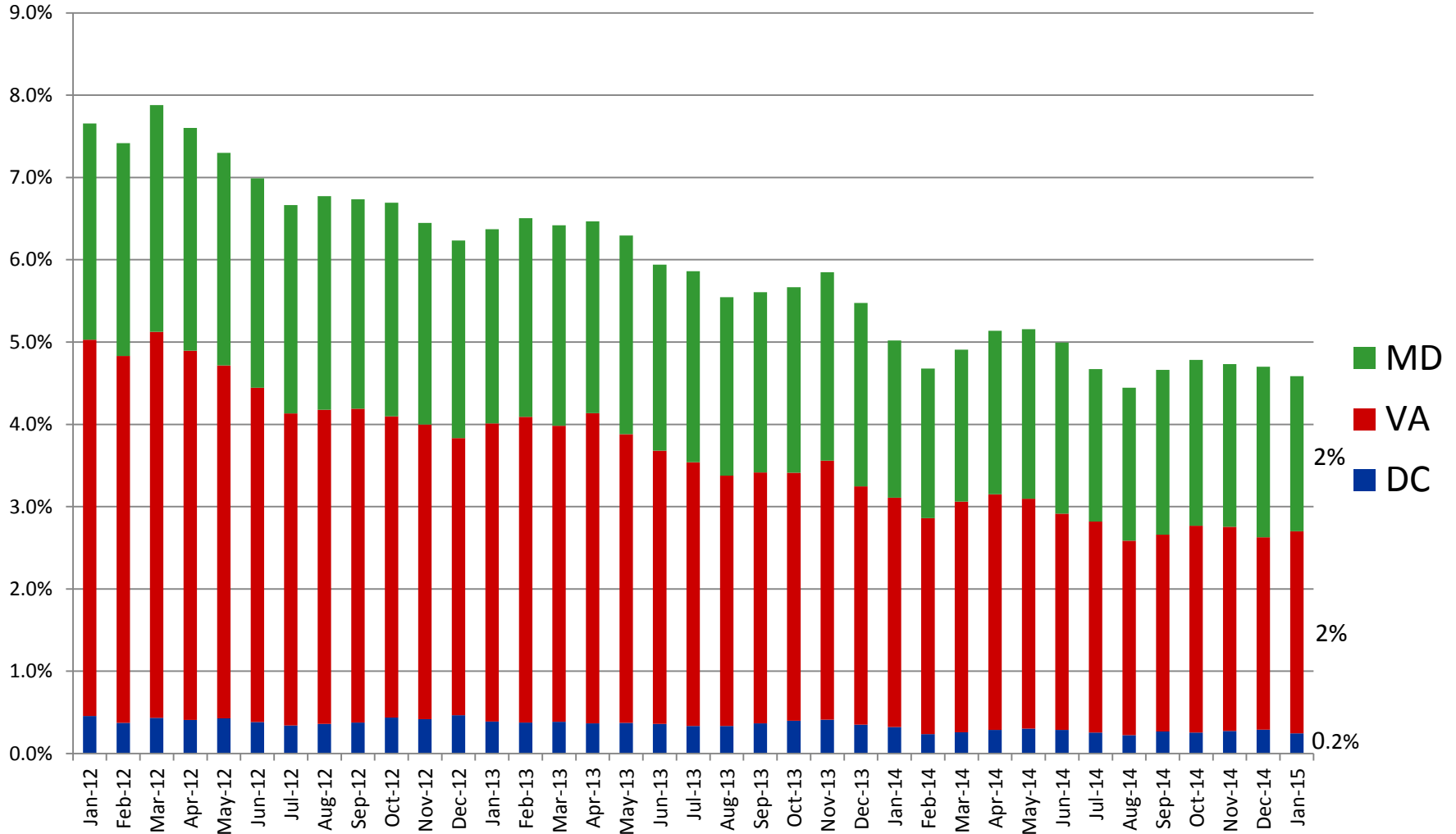


Source: MBA Weekly Applications Survey / Monthly Profile of State and National Mortgage Activity



Use of State Level Application Data

DC, VA, MD Share of National Purchase Applications



Source: MBA Weekly Applications Survey / Monthly Profile of State and National Mortgage Activity



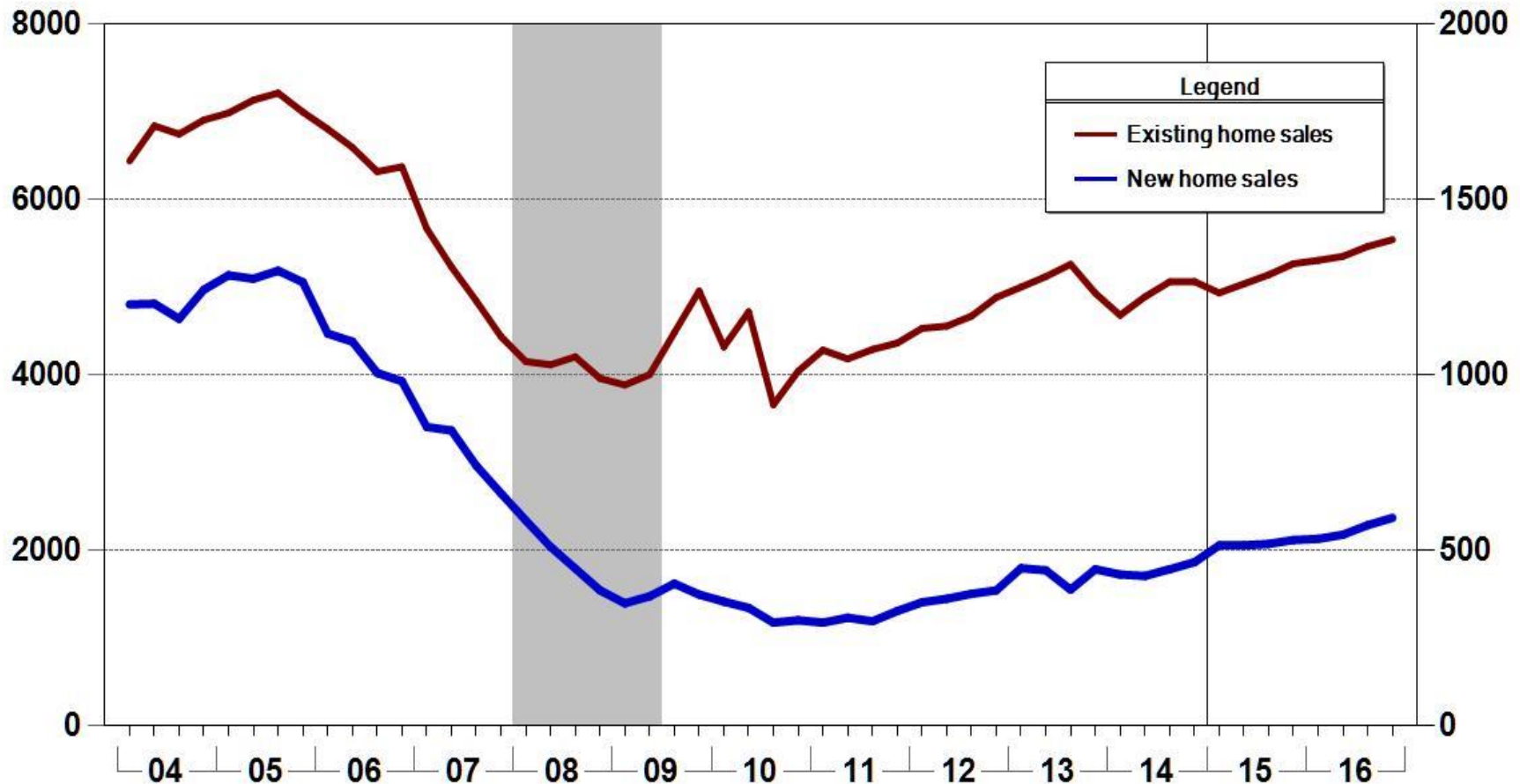
Compositional Trends of Home Purchase Apps

Jan 2015

	DC	MD	VA	US
30-Year Fixed	84%	90%	89%	87%
15-Year Fixed	6%	5%	5%	5%
Fixed - Other	1%	1%	1%	2%
Hybrid ARM	8%	5%	4%	6%
Traditional ARM	0%	0%	0%	1%

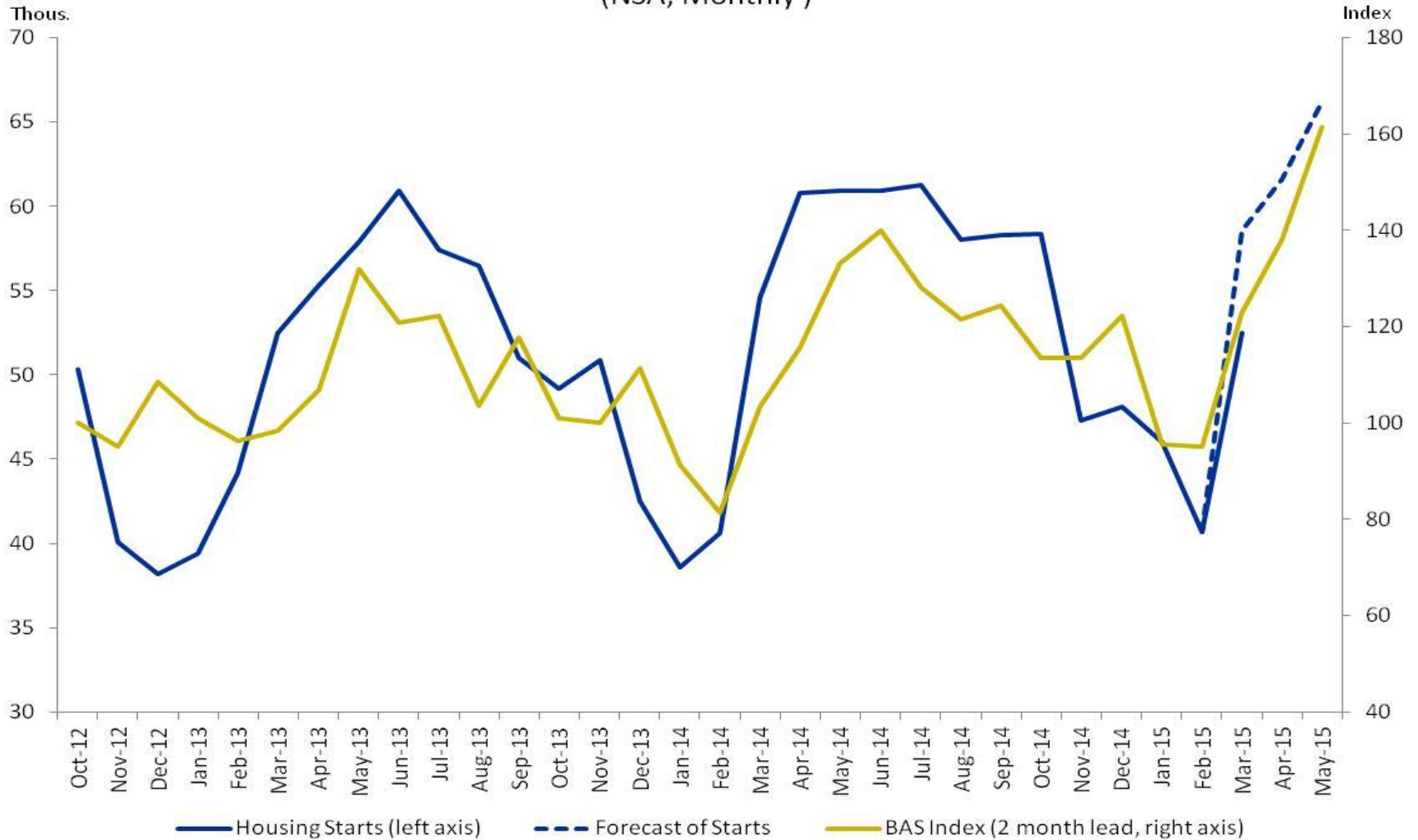
Home Sales Still Below Potential

Home Sales - Historical and Forecast (SAAR, thousands of units)



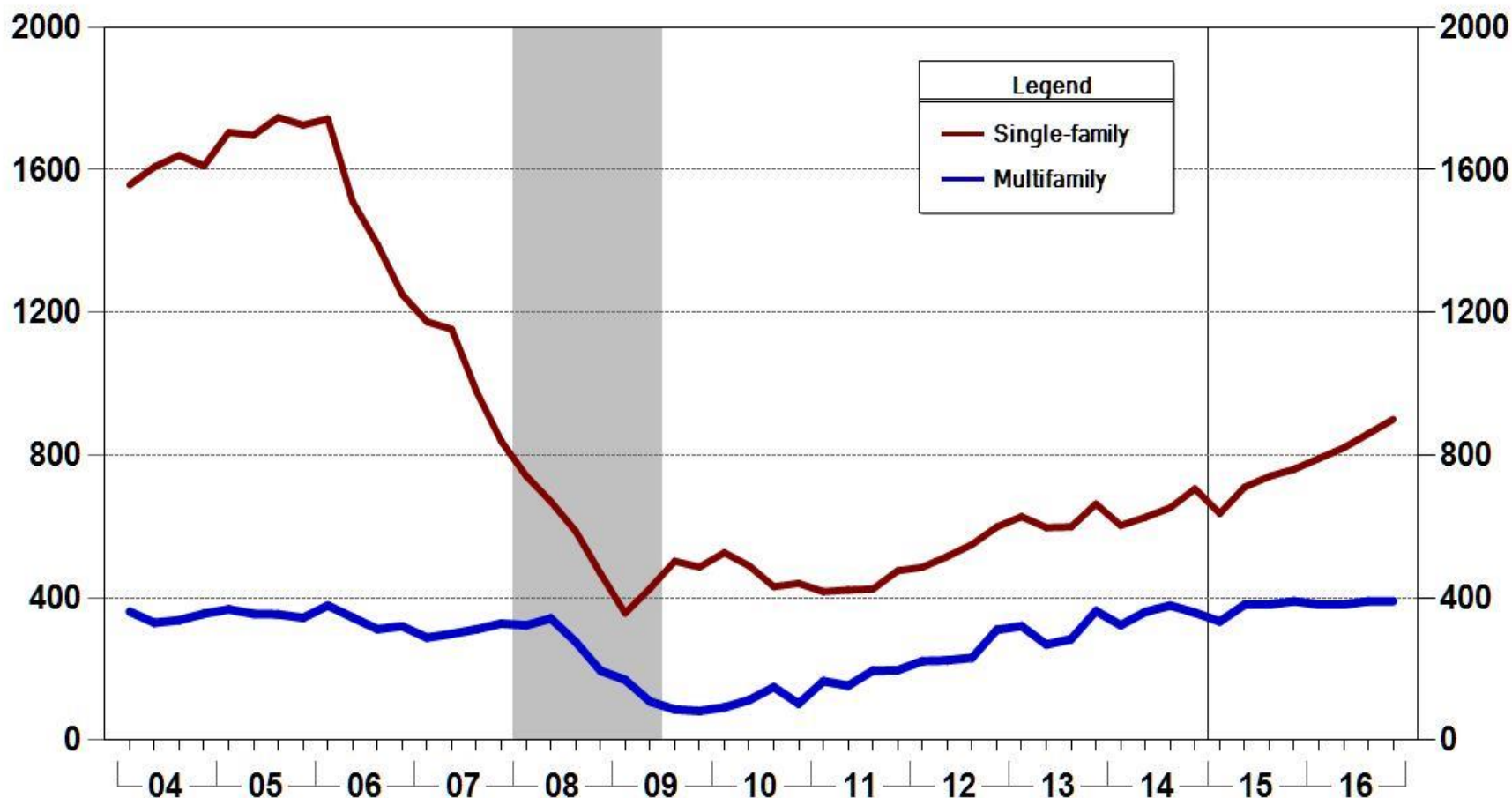
Builder Applications As Leading Indicator of Housing Starts

MBA Builder Application Survey and New Housing Starts
(NSA, Monthly)

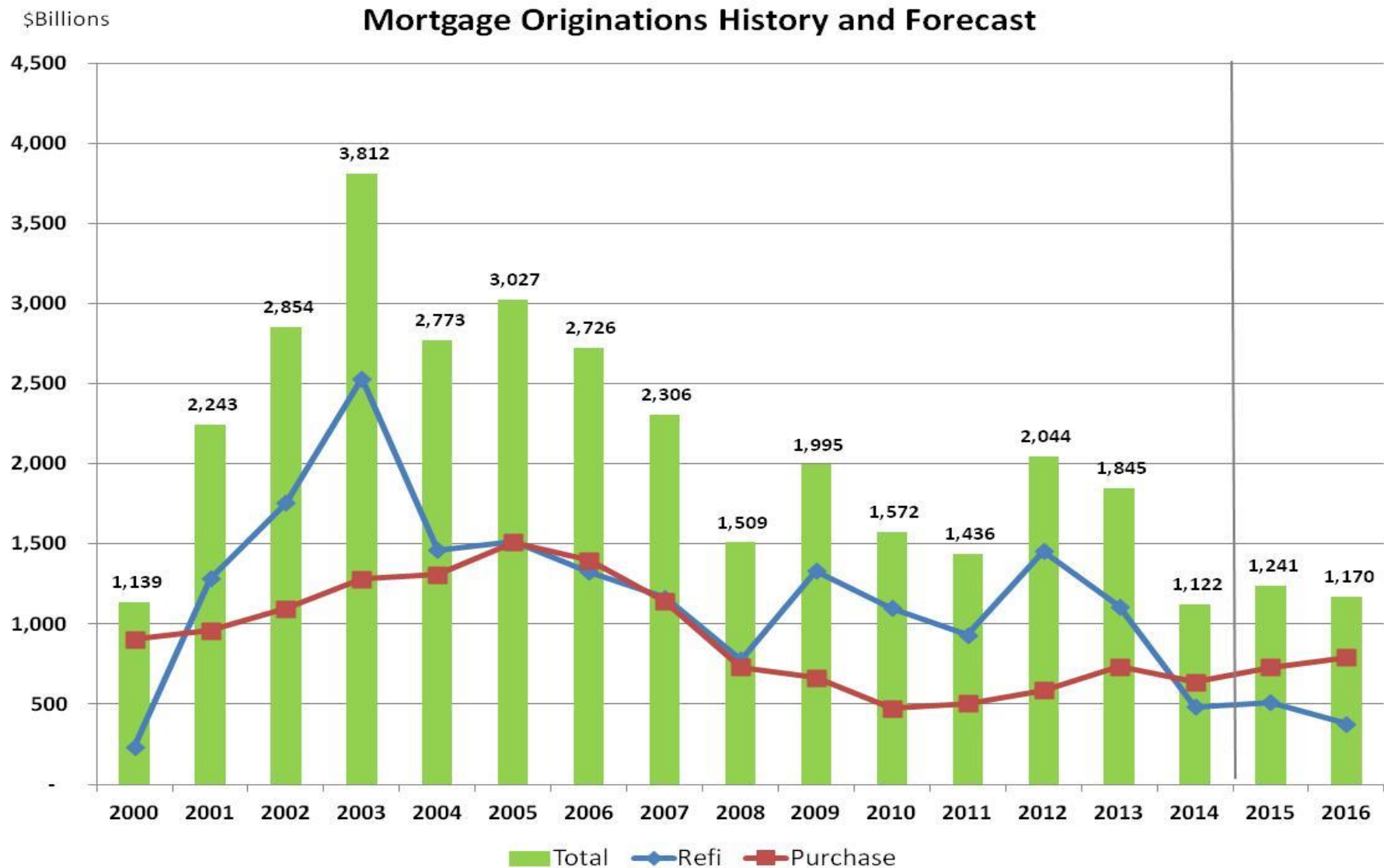


Multifamily Starts Back To Trend, Single Family Lagging

Housing Starts Historical and Forecast (SAAR, thousands of units)



Shift to Purchase Dominated Market



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MBA Research page:

www.mba.org/research

Research Institute for Housing America:

<http://www.housingamerica.org>

MBA Newslink:

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