NationalMI

ECONOMIC MARKET SNAPSHOT

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NATIONAL MI IS PLEASED TO BRING YOU OUR

Spring 2025 Edition of the Economic Market Snapshot

Markets are weathering policy uncertainty and rising costs, reflected in a subdued outlook for the housing sector.

John Burns Research and Consulting (JBREC) reports some favorable current conditions. The 30-year fixed mortgage rate fell to 6.7% in March — and a further drop is expected to 6.3% by year-end. Unemployment is historically low. Overall, consumer credit profiles are improving; Just 16% of consumers have FICO score below 600. In 4Q24, 79% of mortgages went to 720+ credit scores. Government-backed lending standards are focused on credit and documentation, with more flexibility on DTI and LTV. A large portion of all home buyers are putting 5% or less down. And legislation to restore a private mortgage insurance tax deduction has been proposed in Congress.

However, despite average economic growth, affordability is outpaced by inflated home prices and 30-year fixed still

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PLEASE REFER TO OUR Economic Market Snapshot webpage for previous editions of this report

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Despite average economic growth, affordability is outpaced by inflated home prices and a 30-year fixed rate above 5.5%.

elevated above JBREC's "magic mortgage rate" of 5.5%. Housing cost-to-income ratio is near an all-time high (per Burns Affordability Index). JBREC finds the cost difference is widening between purchasing an entry-level home and renting an apartment. The number of first-time buyers is at its lowest point in nearly 40 years, with 24% of the housing market share.

Activity in top 50 US housing markets shows 33% have slowed, compared to 13% in April 2024. Only 12% are strong or very strong, down YOY from 29% in 2024.

Home sales are likely to remain low. 72% of outstanding mortgages are locked in at rates under 5%.

JBREC future forecasts also include:

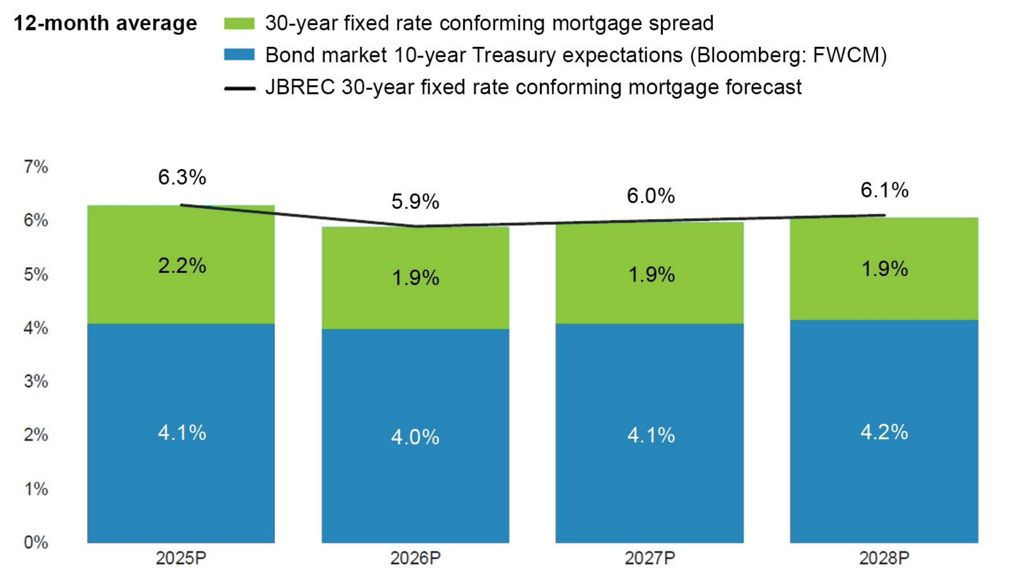
- Mortgage rates may ease further to 6.3%
- A slight YOY home sales increase in 2025
- Lower predicted YOY job growth than Fannie Mae and NAR expectations
- Single-family permits to dip -2% in 2025 before rising through 2028.

Policy impacts will remain a central theme, reflected in consumer sentiment and economic growth indicators.

JBREC Mortgage Rate Forecast on Market Pricing

We base our mortgage rate forecast on market pricing for 10-year treasuries and our view of the mortgage premium.

ANNUAL AVERAGE 30-YEAR FIXED CONFORMING MORTGAGE RATE FORECAST

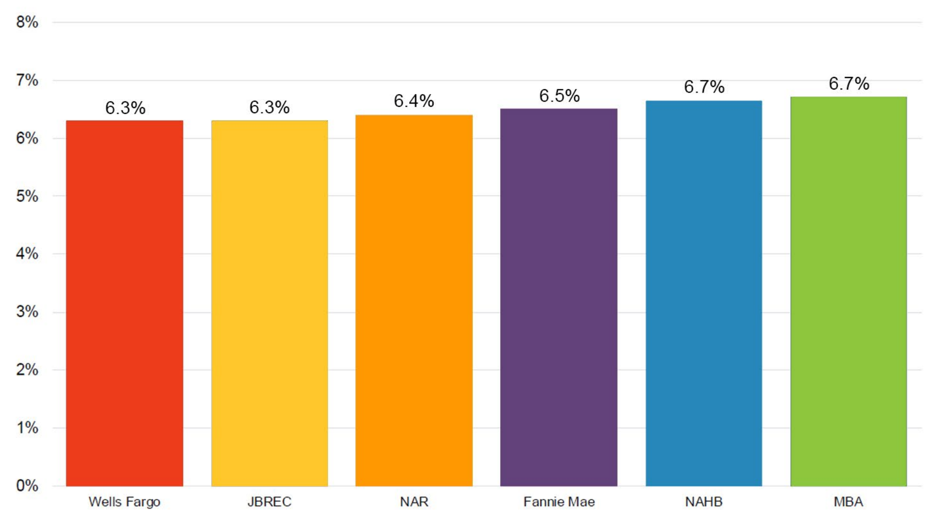


SOURCES: Bloomberg; John Burns Research & Consulting, LLC (Data: Apr-25, Pub: Apr-25)

Industry Rate Forecasts for 2025

JBREC is below most other forecasters on mortgage rates.

2025 ANNUAL AVERAGE 30-YEAR FIXED MORTGAGE RATES



Wells Fargo (Apr-25); NAR (Mar-25); Fannie Mae (Mar-25); NAHB (Mar-25); MBA (Mar-25)

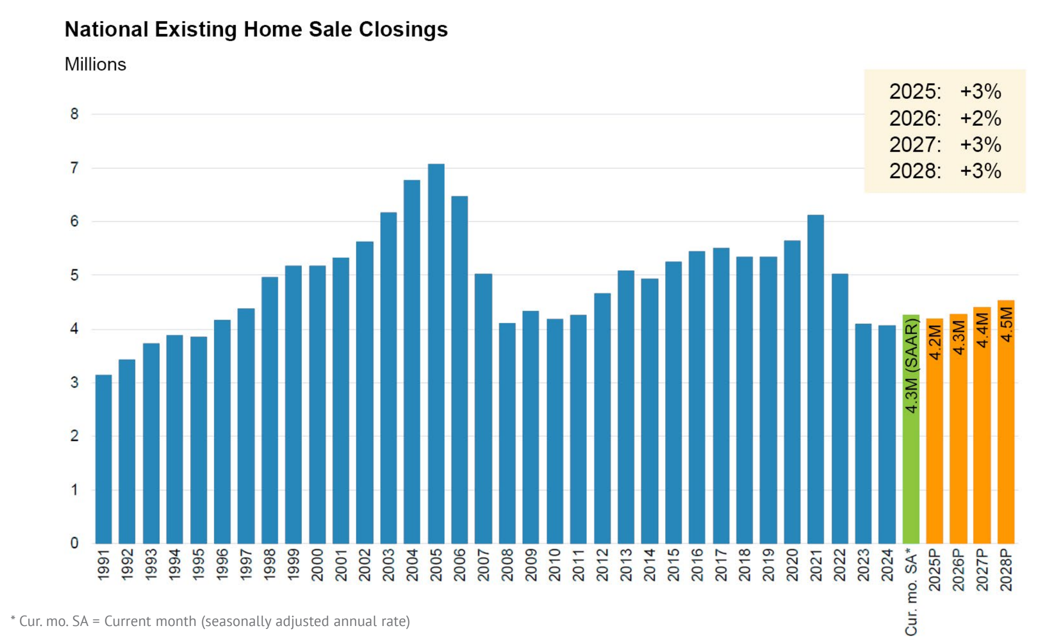
SOURCE: John Burns Research & Consulting, LLC (Pub: Apr-25)

JBREC's 2025 Forecast for Existing Home Sales Will Remain Low Relative to History

JBREC forecasts that existing home sales will increase slightly YOY in 2025 due to:

- Gradually waning lock-in effect
- Easy comparison to the historic low for home sales in 2024

NATIONAL EXISTING HOME SALE CLOSINGS



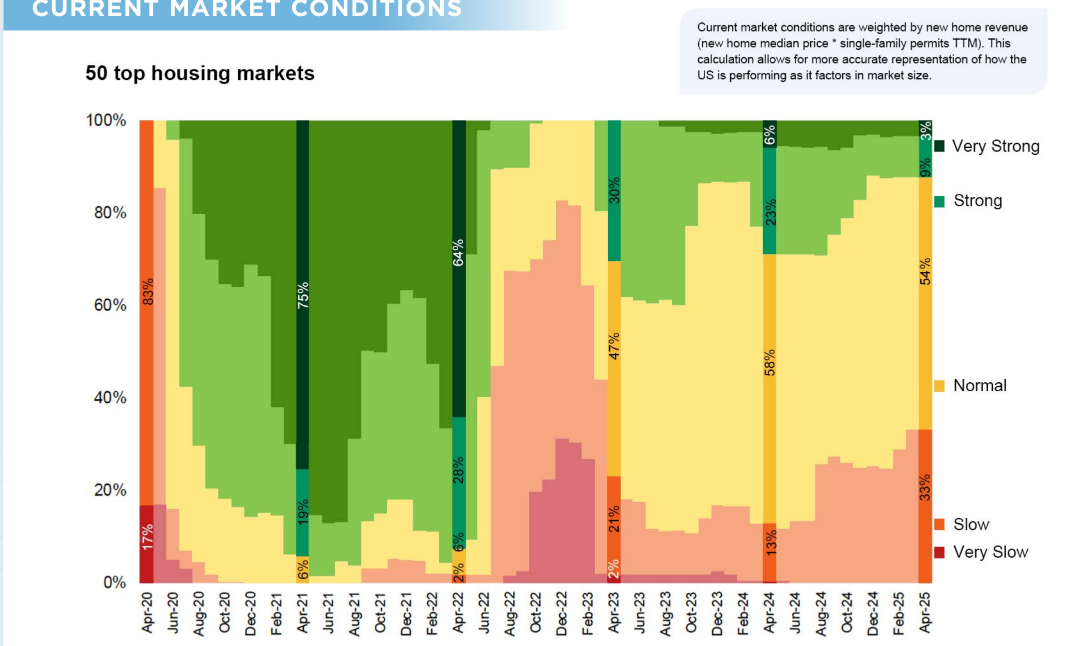
* Cur. mo. SA = Current month (seasonally adjusted annual rate)

SOURCES: ©2020 National Association of REALTORS®; John Burns Research & Consulting, LLC (Data: Feb-25, Pub: Apr-25)

Current Market Conditions: 66% of markets are Normal, Strong or Very Strong

Activity in top 50 US housing markets shows 33% have slowed, compared to 13% in April 2024. Only 12% are strong or very strong, down YOY from 29% in 2024.

CURRENT MARKET CONDITIONS



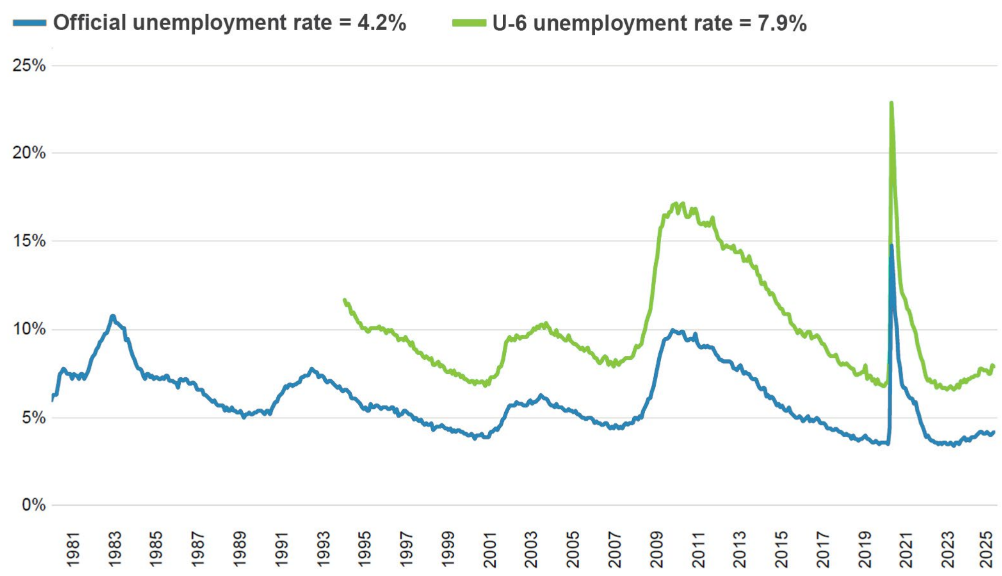
Percentages may not add up to 100% due to rounding, as some months less than 50 markets are rated.

SOURCE: John Burns Research & Consulting, LLC (Pub: Apr-25)

Unemployment is Still Historically Low But has Risen from 2023 Levels

The unemployment rate rose to 4.2% in March. The U-6, a broader measure of unemployment that captures underemployment and discouraged workers, is at 7.9%, the highest level since Jan 2019.

LABOR FORCE UNEMPLOYMENT RATE (SA)



The U-6 unemployment rate is a broader measure of unemployment that covers part-time workers who would like full-time work and those who have given up looking for work.

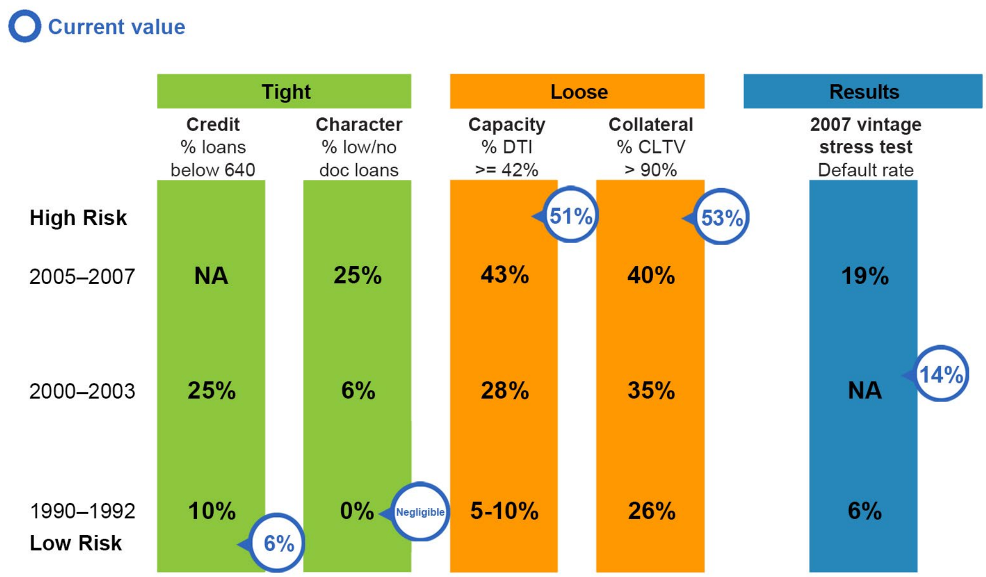
SOURCE: Bureau of Labor Statistics (Data: Mar-25, Pub: Apr-25)

Lending Standards

Current lending standards are tight on credit and documentation, but not on DTI and LTV.

This chart only includes primary purchase loans guaranteed by the five government agencies (Fannie Mae®, Freddie Mac, FHA, VA, and RHS). These loans currently account for 64% of all primary purchase loans (by count). Our current percentage of low/no document loans is based on JBREC analysis. The DTI numbers shown include only back-end DTI percentages.

LENDING STANDARDS



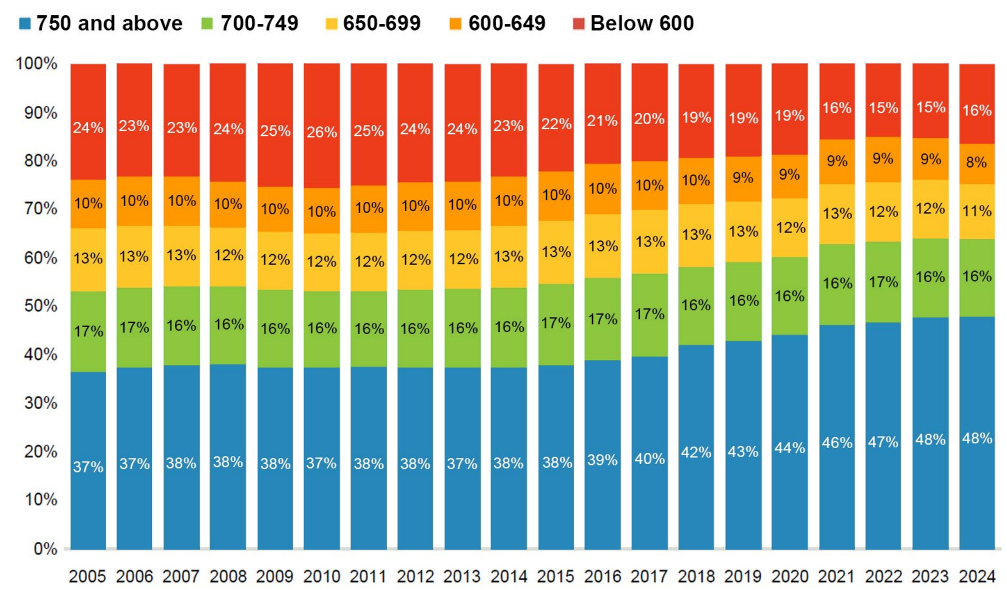
SOURCES: American Enterprise Institute; John Burns Research & Consulting, LLC (Data: Oct-24, Pub: Apr-25)

Just 16% of Consumers Have a Credit Score Below 600

Consumers have slowly rebuilt their credit profiles. In 2024, 64% had FICO scores above 700, and 84% had FICO scores above 600.

Scores are based on the following five categories in order of weighting: payment history (35%), amounts owed (30%), length of credit history (15%), new credit (10%), and types of credit used (10%).

NATIONAL FICO® SCORE DISTRIBUTION FOR ALL CONSUMERS

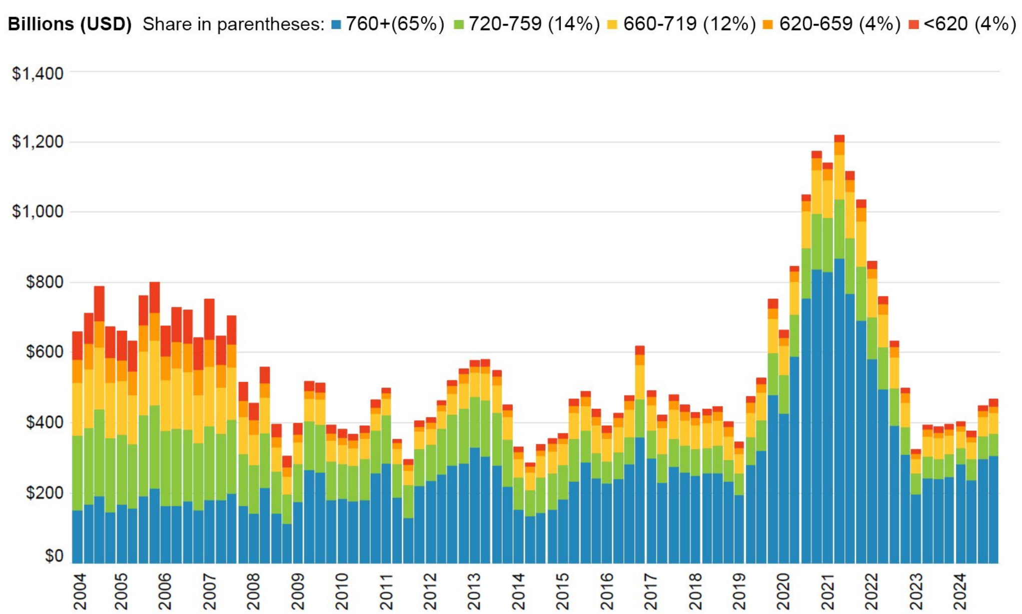


SOURCE: FICO® Banking Analytics Blog (Data: 2024, Pub: Apr-25)

79% of Mortgages Originated in 4Q24 Went to Borrowers with 720+ Credit Scores

In 1Q2007, 15% of mortgage originations were to borrowers with a credit score of less than 620. As of 4Q2024, only 4% of mortgages went to borrowers with a credit score less than 620.

MORTGAGE ORIGINATIONS BY CREDIT SCORE*



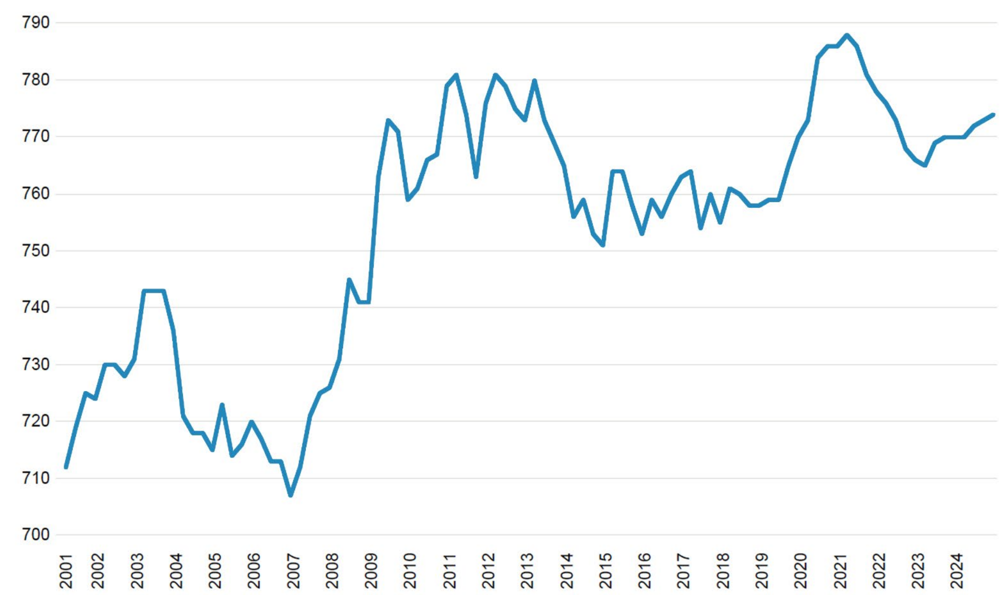
* Credit Score is Equifax Riskscore 3.0

SOURCE: FRBNY Consumer Credit Panel/Equifax (Data: 4Q24, Pub: Apr-25)

Median Credit Scores at Origination are Much Higher Today Than Pre-Global Financial Crisis

The median credit score at mortgage origination fell to 707 during the heyday of 2006. Since then, creditors have tightened standards. As of 4Q24, the median score at origination was 774.

MEDIAN CREDIT SCORE AT MORTGAGE ORIGINATION*



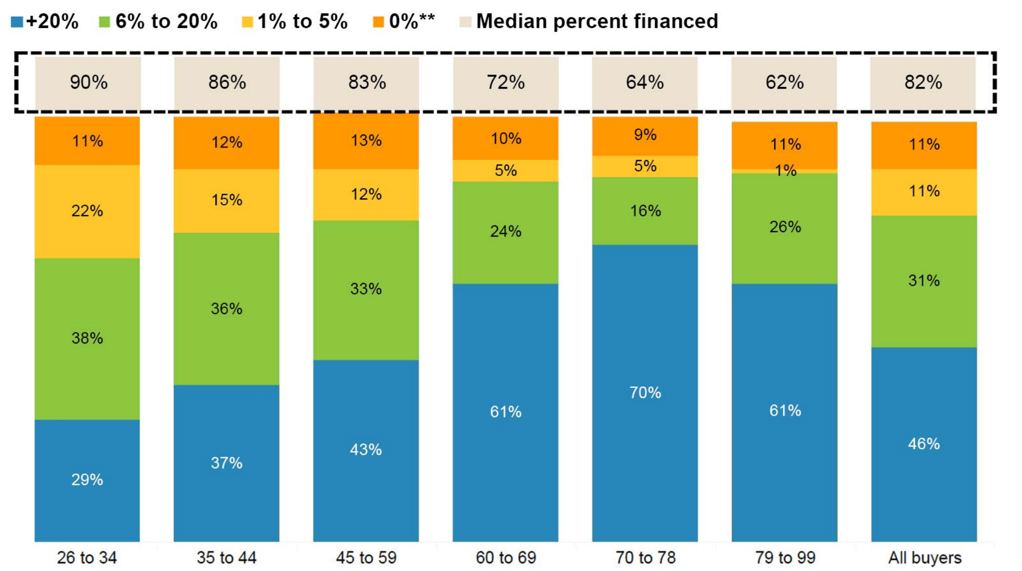
* Credit Score is Equifax Riskscore 3.0; mortgage include first liens only.

SOURCE: FRBNY Consumer Credit Panel/Equifax (Data: 4Q24, Pub: Apr-25)

Older Buyers Tend to Make Larger Down Payments

22% of all home buyers who use a mortgage are putting 5% or less down. The figure jumps to 33% among those 34 and younger. Only 14% of 70-to-78-year-olds have an LTV of +95%.

DOWN PAYMENT AS PERCENT OF HOME VALUE BY AGE OF HOME BUYER*



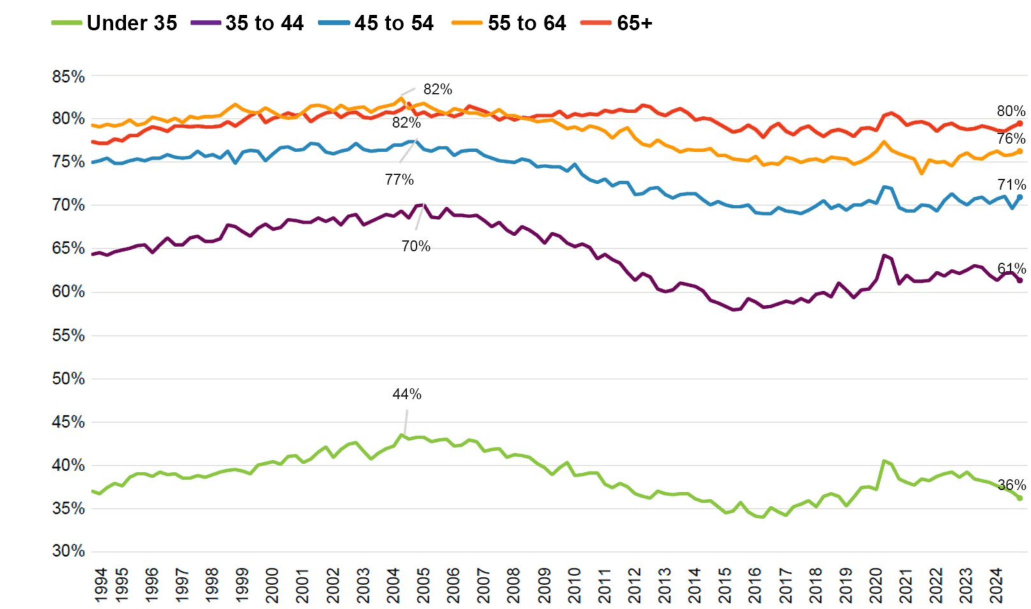
* Percentages only include homes that were purchased with a mortgage.
** 0%: Financed the entire purchase price with a mortgage

SOURCE: ©2024 National Association of REALTORS® Home Buyer and Seller Generational Trends (Data: 2025, Pub: Apr-25)

Homeownership Has Been Flat in Recent Years for Most Groups

Note: The pandemic complicated the Census Bureau's collection process in 2020. We advise using caution in comparing data from this time period.

HOMEOWNERSHIP RATE BY AGE

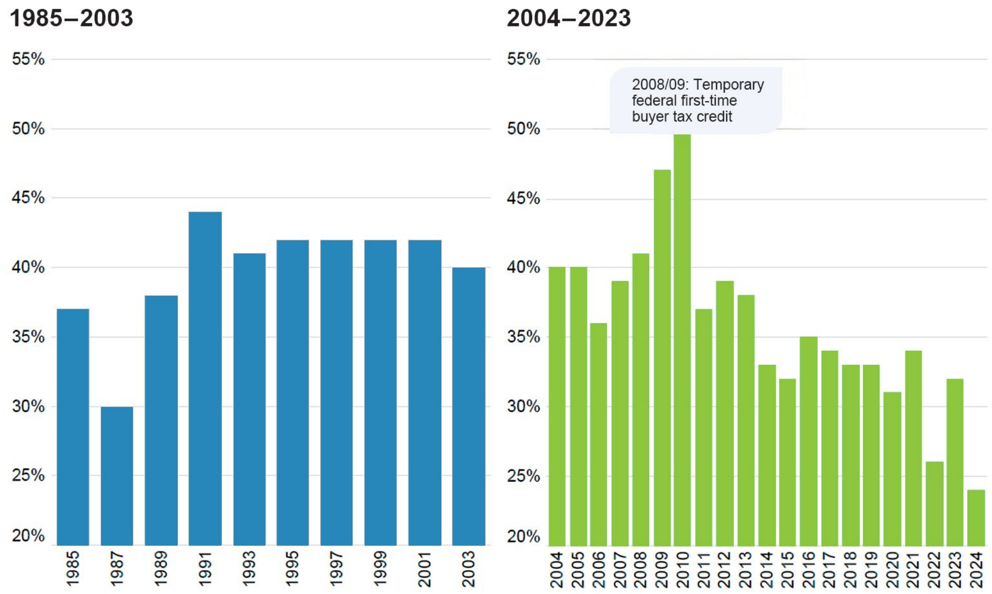


SOURCE: Census Bureau, Housing Vacancies and Homeownership Survey (Data: 4Q24, updated quarterly, Pub: Apr-25)

The Share of Existing Homes Sold to First-Time Buyers Fell to 24% in 2024

Peak share was reached in 2010 when 50% of buyers were first-time buyers due to temporary tax credits.

SHARE OF EXISTING HOMES SOLD TO FIRST-TIME BUYERS



SOURCES: NAR; John Burns Research & Consulting, LLC (Data: 2024, Pub: Apr-25)

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