

Economic and Mortgage Market Outlook

Prepared for MBA's Chairmans Conference

June 2025

Presented by:

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Macro Outlook

1. Tariffs and trade
2. Deficits, debt, and the Treasury market
3. Job market
4. Consumer financials
5. Rates and spreads

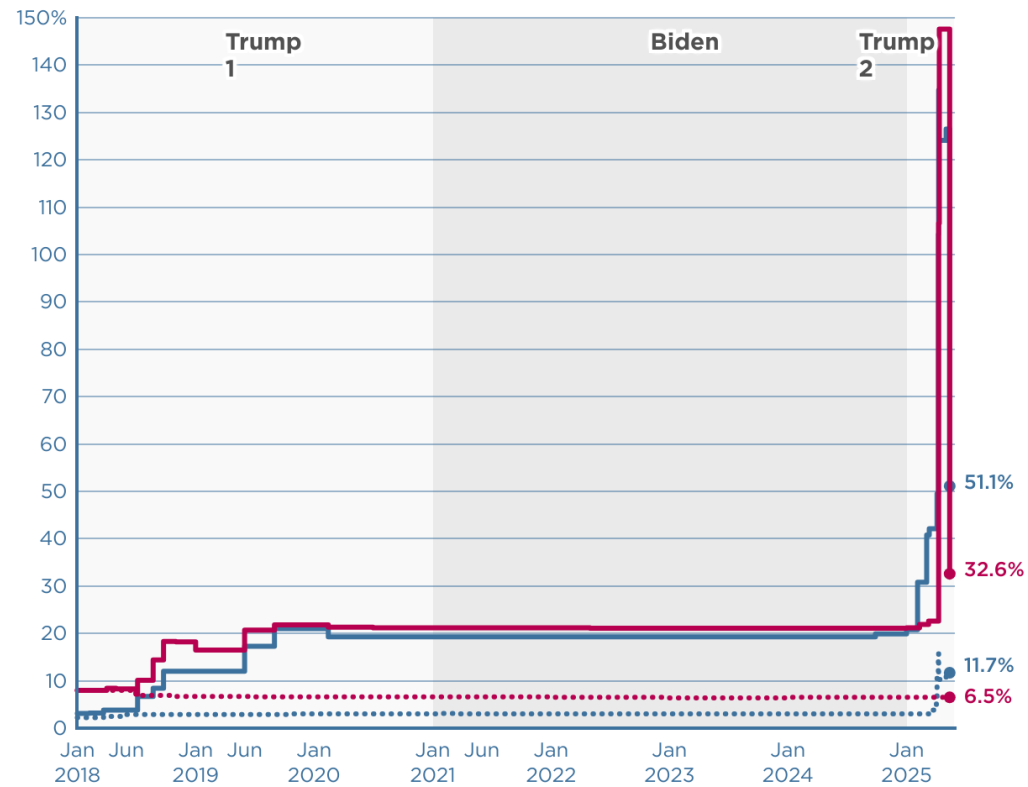
Tariff Shock...and Then Relief...For a Time?

US-China trade war tariffs: An up-to-date chart

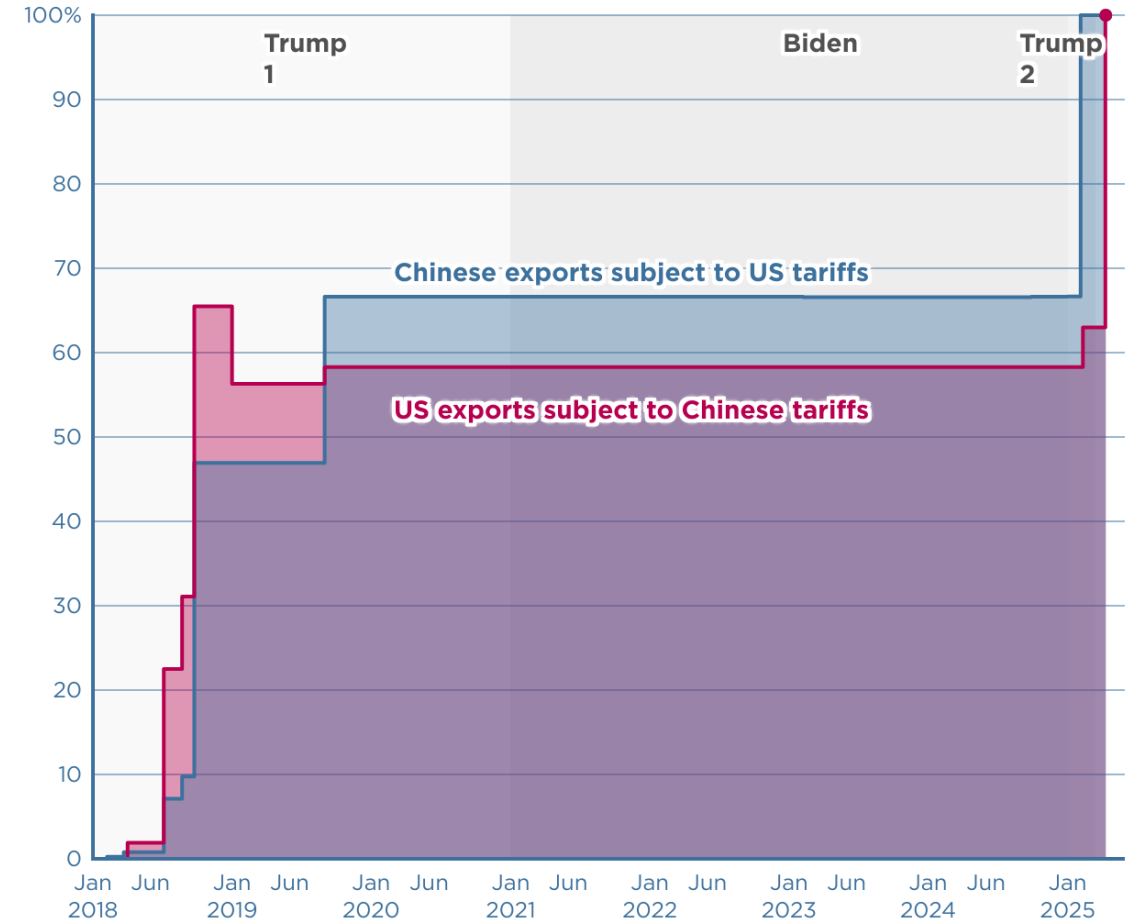
Last updated May 14, 2025

a. US-China tariff rates toward each other and rest of world (ROW)

— Chinese tariffs on US exports — US tariffs on Chinese exports ... Chinese tariffs on ROW exports ... US tariffs on ROW exports

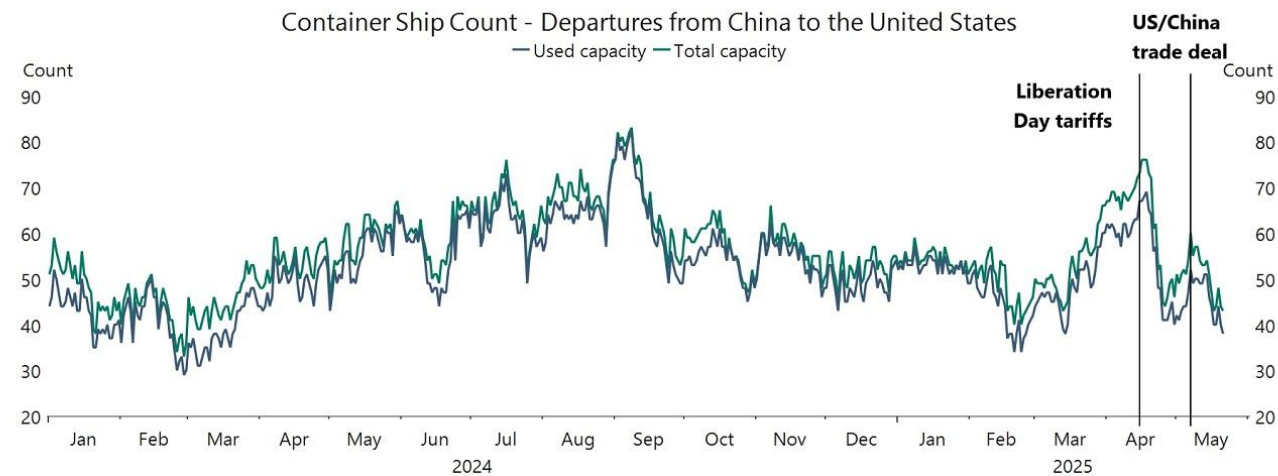


b. Percent of US-China trade subject to trade war tariffs



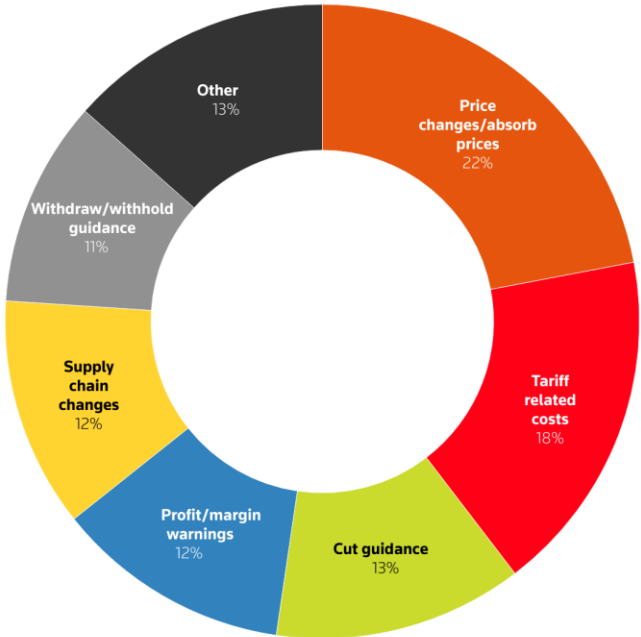
Volume of Trade is Dropping, Companies are Adjusting

Container departures from China to the US



How global companies are navigating US tariff uncertainty

Most companies have disclosed plans to adjust product pricing as costs rise



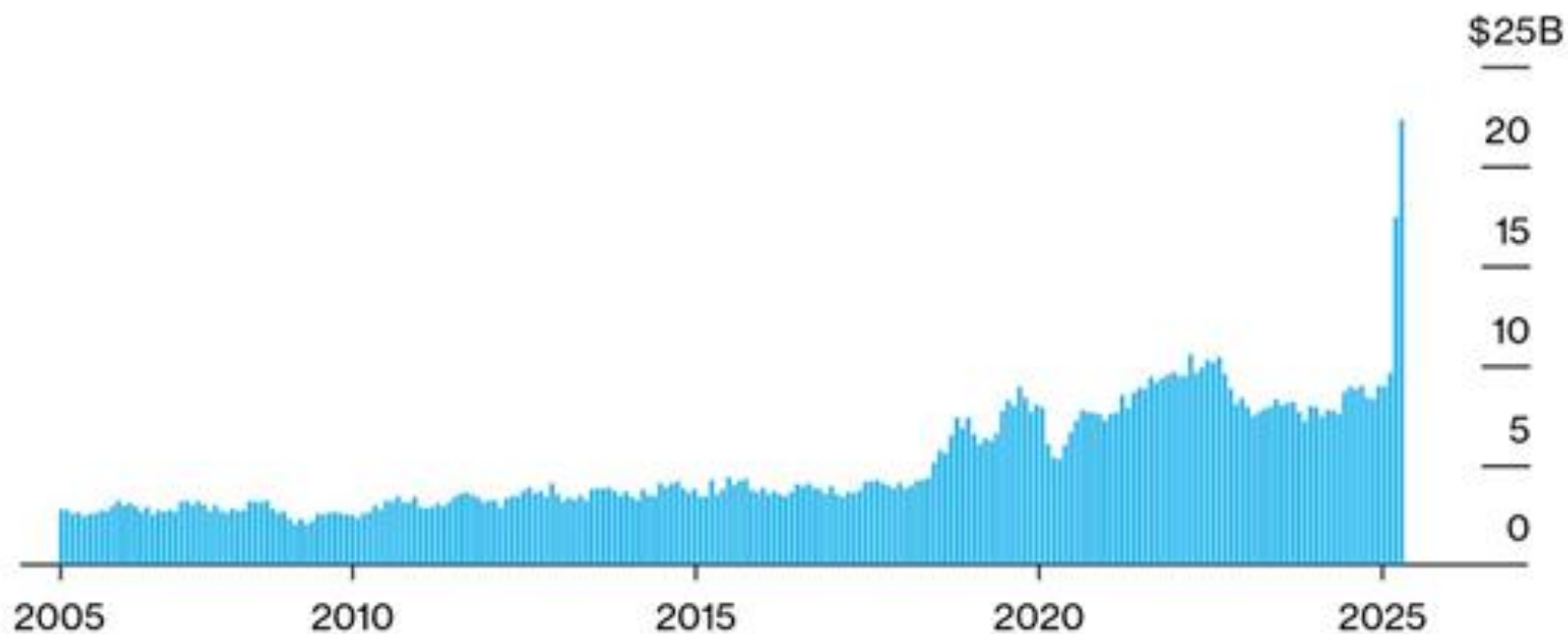
By Akash Sriram • Source: Reuters analysis of quarterly results of over 300 companies across regions

Graphics are provided by Reuters.

Tariff Revenues Are Up: 4x?

US Customs Duties Hit All-Time High in May

Customs and certain excise taxes collected surged in April and May

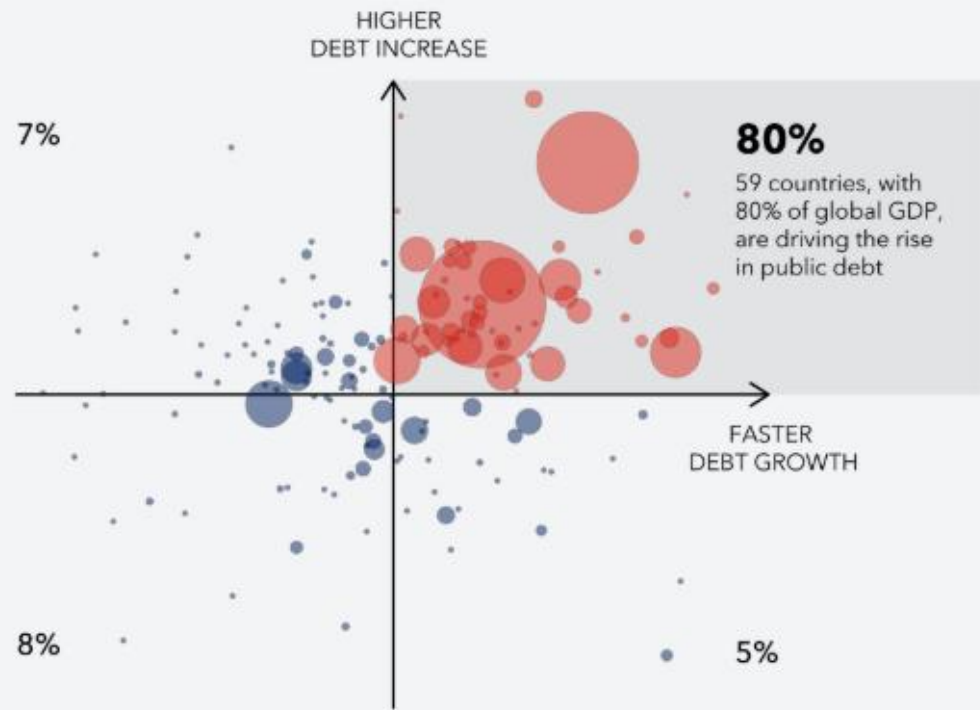


Source: US Department of the Treasury
Note: Data through May 22

Bloomberg

Rising Debt Levels Push Up Term Premiums Globally

Public debt is higher and growing faster than before the pandemic, propelled by the largest economies

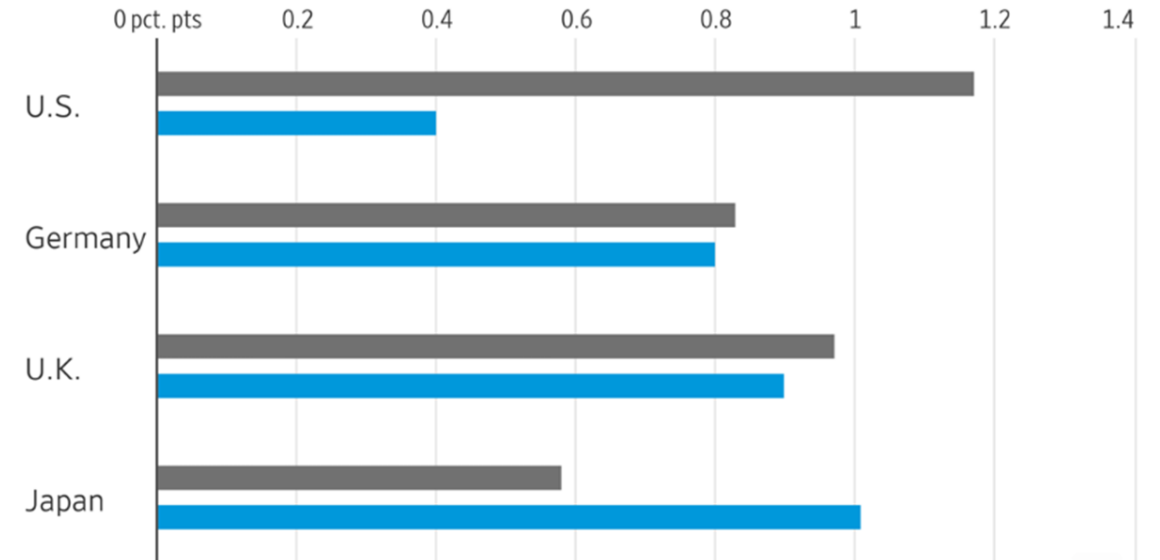


Sources: IMF staff calculations; and IMF, World Economic Outlook. Note: Y-axis shows change in debt to GDP between 2019 and 2025. X-axis shows the projected growth in debt to GDP from 2014-19 to 2024-29. Bubble size = 2024 share of world GDP.

IMF

Difference between 10-year and 1-year government-bond yields

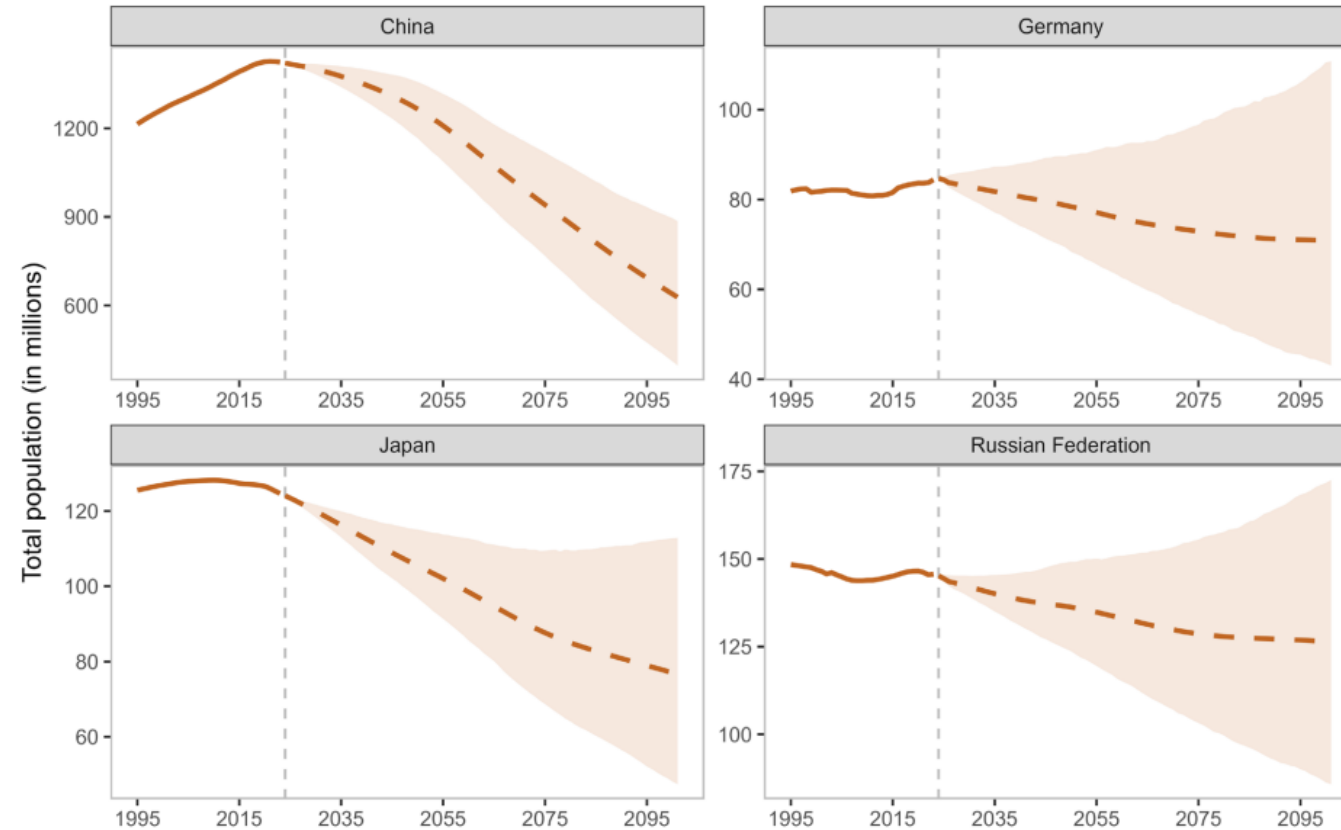
■ 20-year average ■ Now



Source: FactSet

Demographic Pressures Will Have Economic Implications

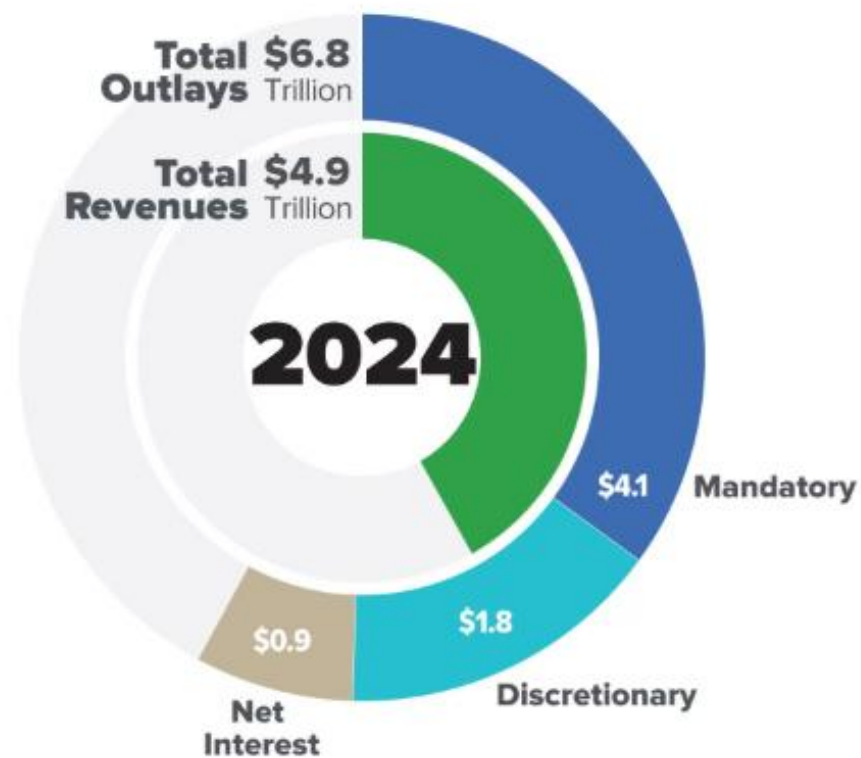
Total population for selected countries and areas with populations that have already peaked, estimates, 1995–2023, and projections (medium scenario) with prediction intervals, 2024–2100



Source: United Nations (2024a).

Notes: Prediction intervals are represented as shaded areas around a projected trend. For a given year, the future trend is expected to lie within the predicted range with an estimated probability of 95 per cent. The scale of the y axis differs between locations.

The US Federal Budget Picture

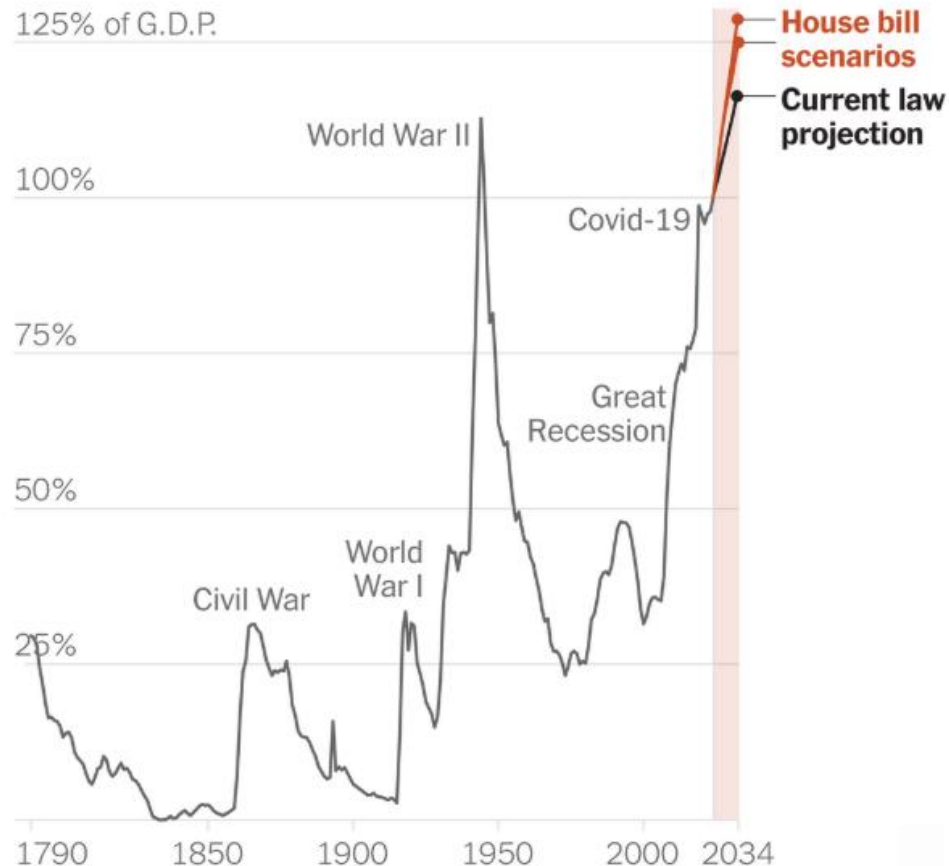


The Long-Term Budget Outlook, by Fiscal Year

Percentage of GDP	Average, 1995–2024	Actual, 2024	2025	2035	2045	2055
Revenues	17.2	17.1	17.1	18.3	18.9	19.3
Individual income taxes	8.1	8.4	8.7	10.0	10.5	10.9
Payroll taxes	6.0	5.9	5.8	5.9	5.9	5.9
Corporate income taxes	1.7	1.8	1.7	1.2	1.2	1.2
Other	1.4	0.9	0.9	1.1	1.2	1.3
Outlays	21.1	23.4	23.3	24.4	25.3	26.6
Mandatory	12.3	14.1	14.0	15.1	15.6	16.1
Social Security	4.5	5.0	5.2	6.0	5.9	6.1
Major health care programs	4.4	5.6	5.8	6.7	7.6	8.1
Medicare	2.6	3.0	3.1	4.0	4.8	5.2
Medicaid, CHIP, and premium tax credits and related spending	1.8	2.6	2.7	2.7	2.8	2.9
Other mandatory	3.3	3.4	3.0	2.4	2.1	1.9
Discretionary	7.0	6.3	6.1	5.3	5.1	5.1
Net interest	1.8	3.1	3.2	4.1	4.6	5.4
Total deficit (-)	-3.9	-6.4	-6.2	-6.1	-6.4	-7.3
Primary deficit (-)	-2.1	-3.3	-3.0	-2.1	-1.8	-1.9
Debt held by the public at the end of each period	60	98	100	118	136	156

Tax Bill and Debt Ceiling Pressures

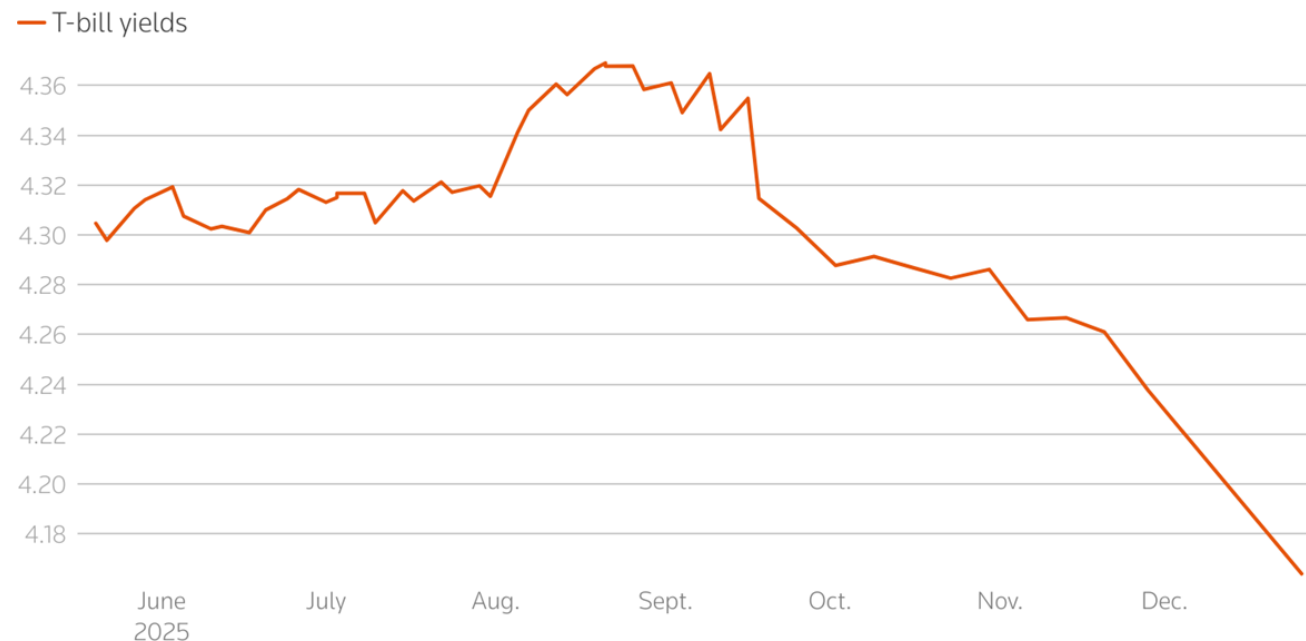
U.S. federal debt as a share of G.D.P.



Sources: Congressional Budget Office (historical); Committee for a Responsible Federal Budget (projections) | By The New York Times

US debt ceiling anxiety is creating dislocations in the T-bill yield curve

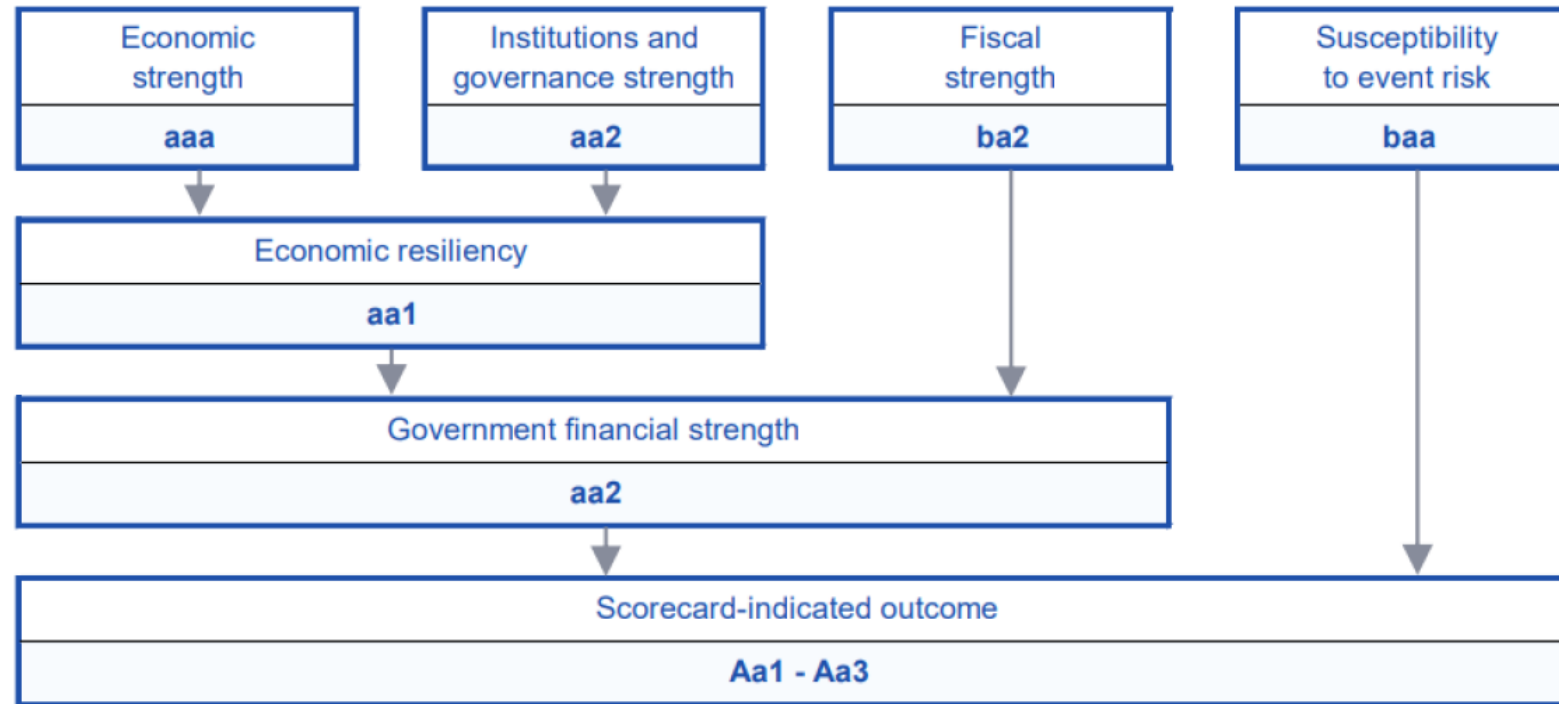
The average yield on Treasury bills due in August is higher than yields on T-bills with adjacent maturities, in a sign investors are demanding higher returns for the risk of holding those securities



By Davide Barbuscia • Source: Tradeweb data via LSEG

The Downgrade

US' Aa1 credit profile is determined by four key factors









Source: Moody's Ratings

MOODY'S

Sovereign Credit Today - United States

Who is AAA?

The triple A-rated bond club is getting smaller

	S&P	Fitch	Moody's
 Germany	AAA	AAA	Aaa
 Australia	AAA	AAA	Aaa
 Singapore	AAA	AAA	Aaa
 Switzerland	AAA	AAA	Aaa
 Denmark	AAA	AAA	Aaa
 Sweden	AAA	AAA	Aaa
 Norway	AAA	AAA	Aaa
 Luxembourg	AAA	AAA	Aaa
 Netherlands	AAA	AAA	Aaa
 Canada	AAA	AA+	Aaa

By Dhara Ranasinghe • Source: LSEG

Safe Haven?

Exhibit 2: Rate changes before and after Liberation Day (bp)

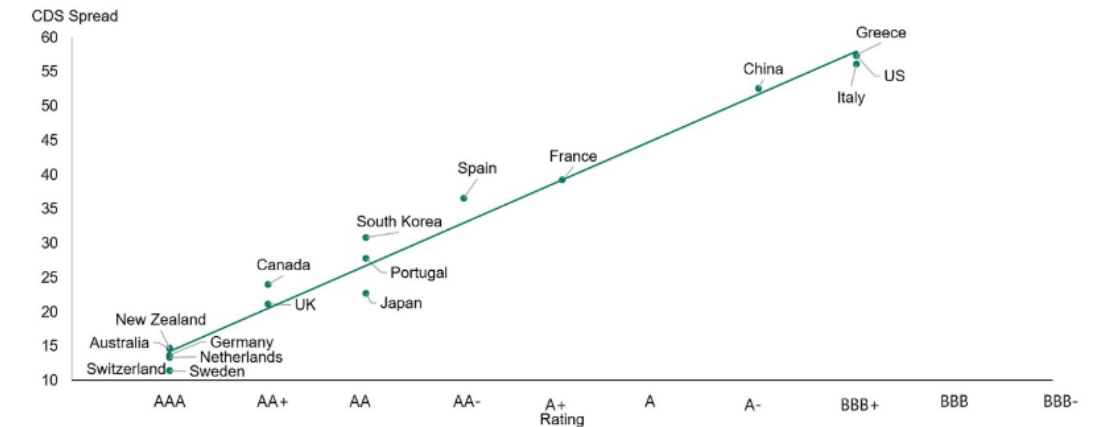
Geography	Indicator	Jan 1-Apr 2	Apr 2-May 8
US	10-year	(0.40)	0.25
	5-year	(0.47)	0.10
	2-year	(0.38)	0.01
Germany	10-year	0.36	(0.19)
	5-year	0.18	(0.25)
	2-year	(0.04)	(0.27)
Japan	10-year	0.38	(0.14)
	5-year	0.35	(0.21)
	2-year	0.23	(0.21)

Source: Bloomberg, Santander US Capital Markets

RESERVE SWITCH: Just over half of 88 central bank reserve managers said they expected the pace of reserve diversification to accelerate over the next 12 months, according to the annual HSBC Reserve Management Trends survey. [Almost 80% of respondents thought de-dollarisation was increasing, though on a gradual basis.](#)

Source: Reuters

Sovereign CDS spreads vs sovereign credit rating

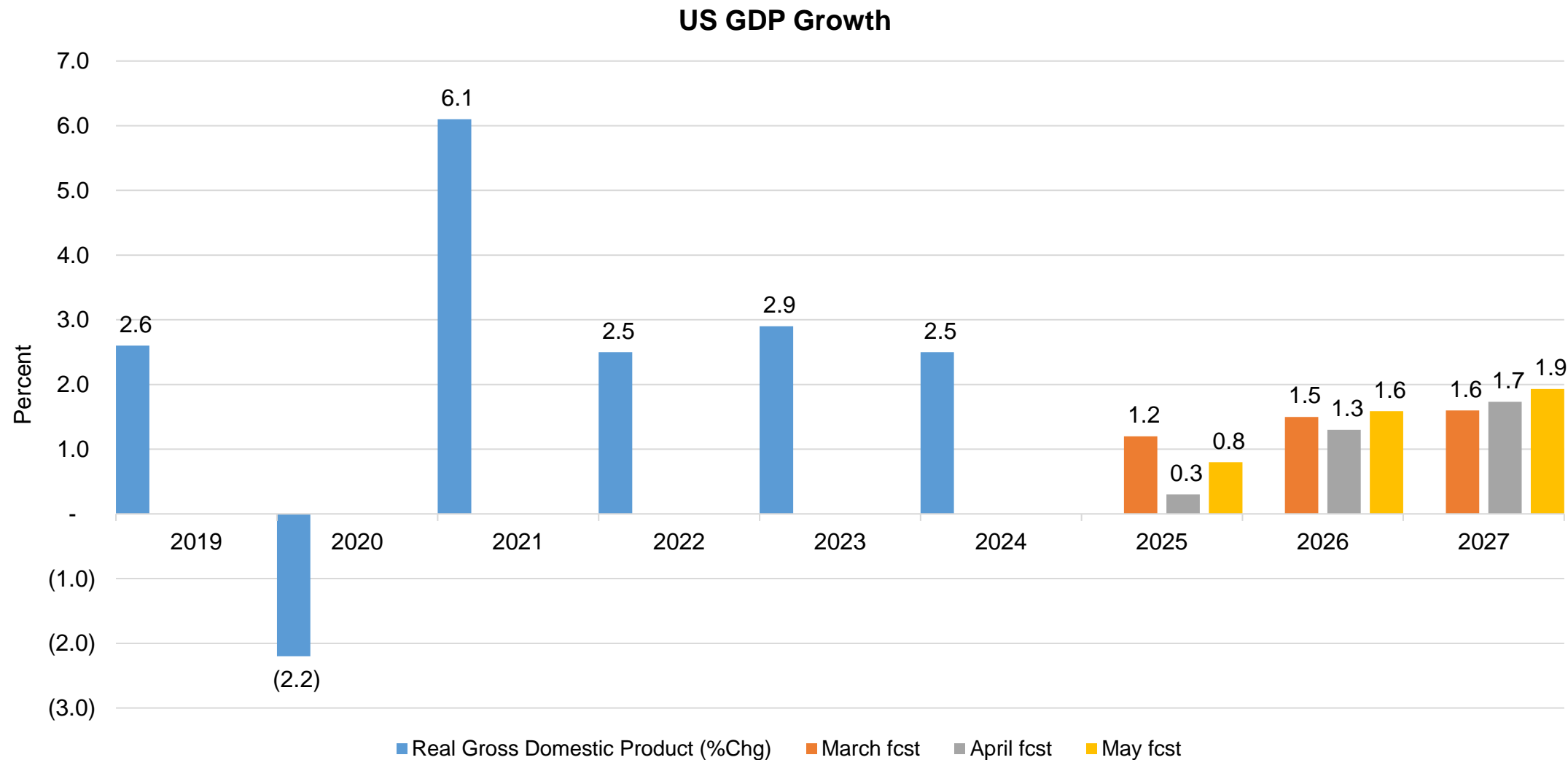


Data as of May 27, 2025. Sources: S&P Capital IQ, Bloomberg, Apollo Chief Economist

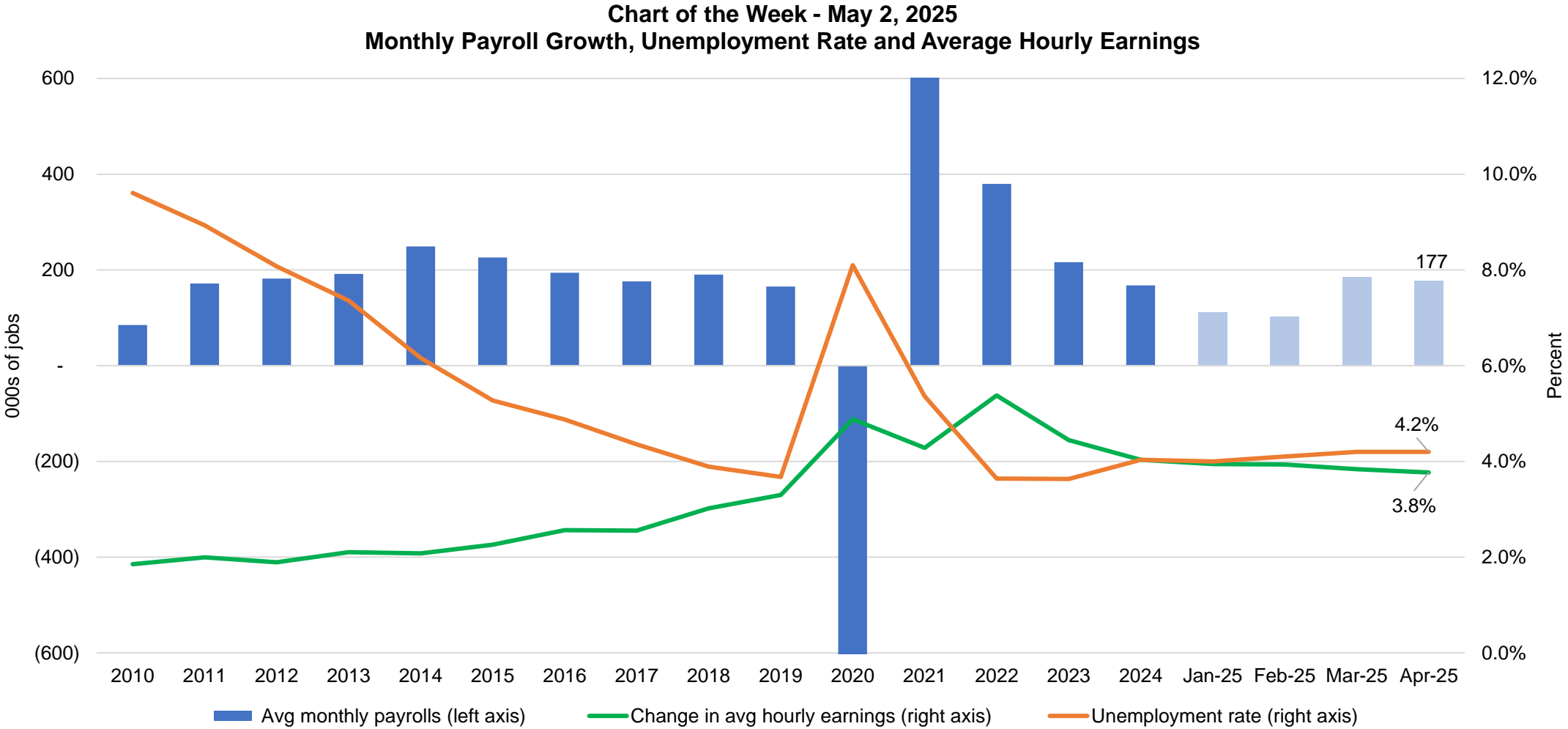
Global government issuance of US dollar debt tumbling in 2025, data shows

Governments in Asia and Europe are raising far less debt in U.S. dollars than usual, preferring to issue at home as they avoid exposure to rising U.S. yields, currency volatility and broader concerns about U.S. government finances. According to Dealogic data, issuance of dollar bonds by non-U.S. sovereigns dropped 19% to \$86.2 billion in the first five months of this year compared with the same period last year, marking the first decline in three years. The January-May dollar bond issuance by the governments of Canada and Saudi Arabia fell 31% and 29% to \$10.9 billion and \$11.9 billion, respectively, while issuance by Israel and Poland declined 37% and 31% to \$4.9 billion and \$5.4 billion. At the same time, Dealogic data showed global sovereigns' local currency bond issuance had climbed to a five-year high of \$326 billion so far this year. Source: Reuters

Expected Slowdown in U.S. Economy, Extent Has Shifted with Tariff News



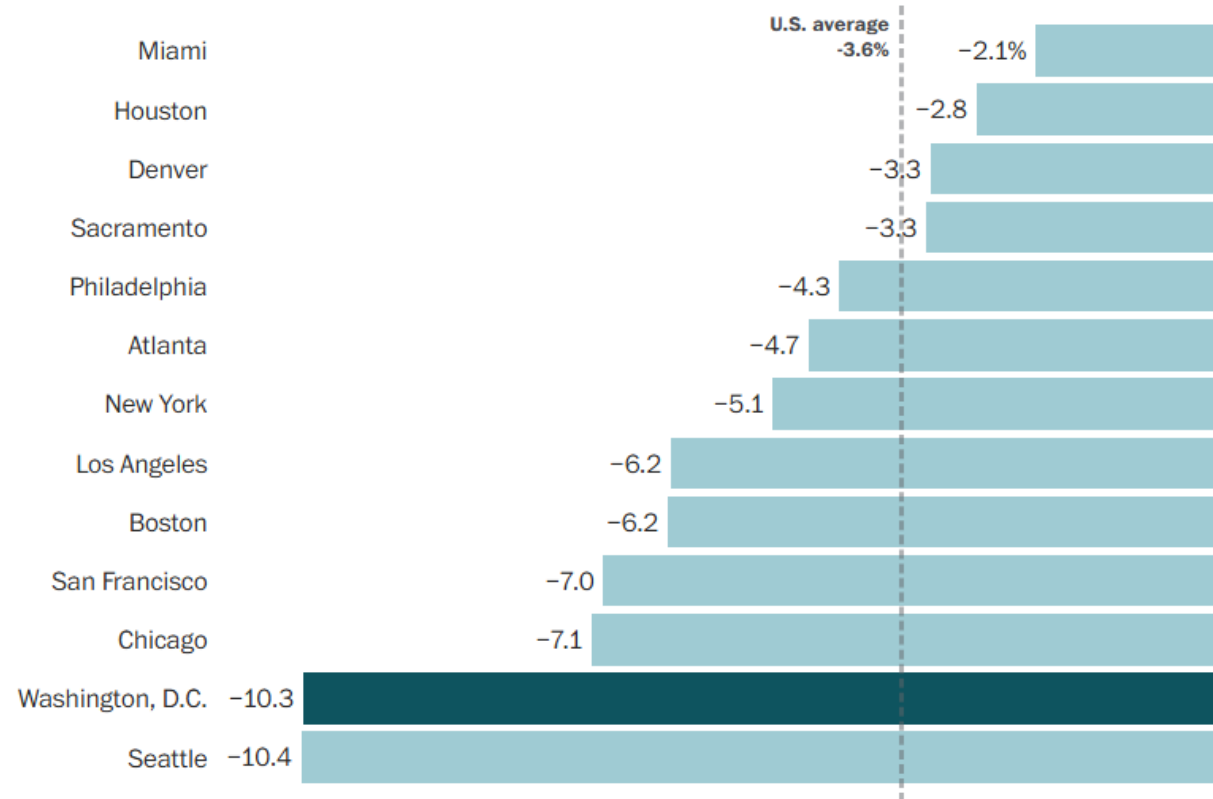
U.S. Job Market: A Changing Picture?



Not Just DOGE...Job Market Is Slowing

Most big cities are seeing fewer job postings; D.C.'s decline is among the steepest

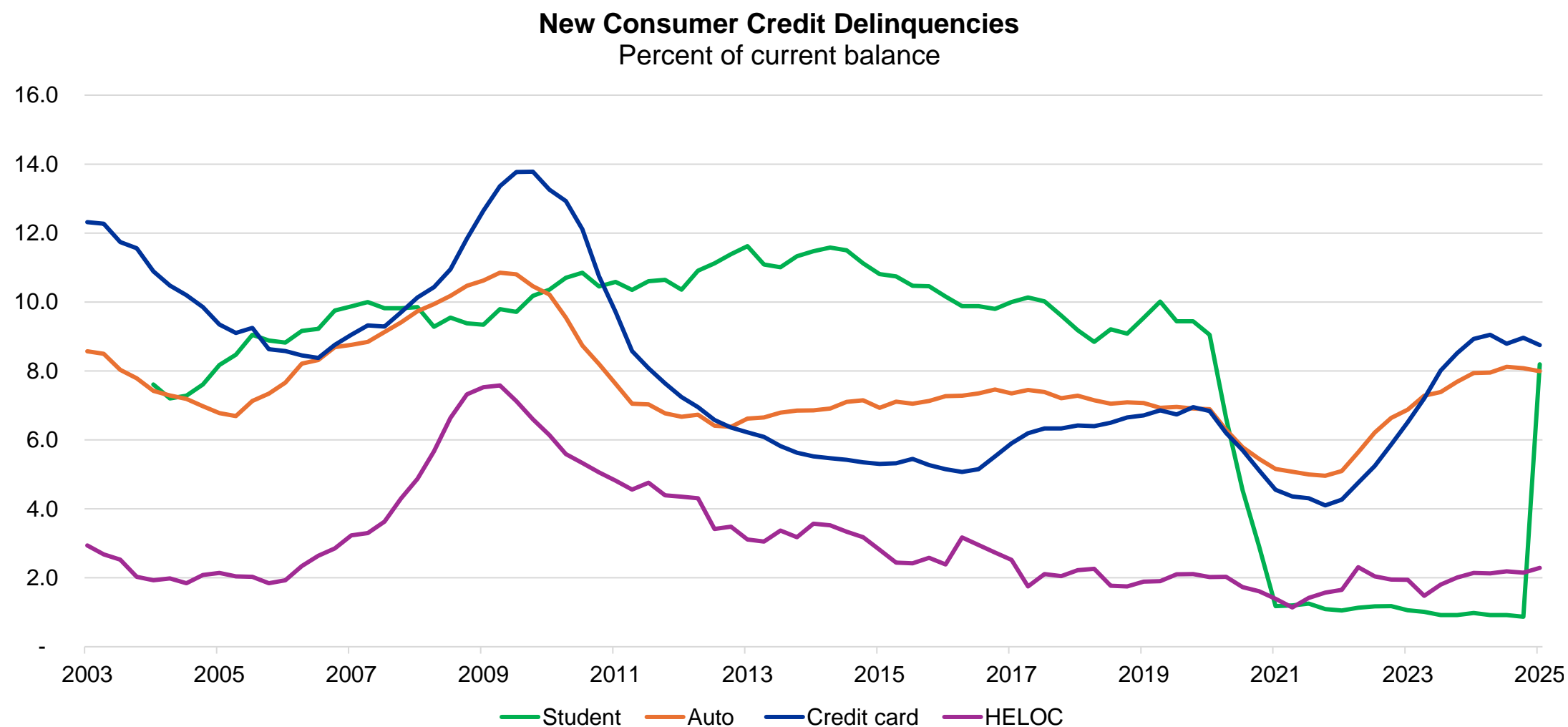
Percentage change in Indeed job vacancies since Jan. 20, 2025, selected metro areas



Source: Indeed

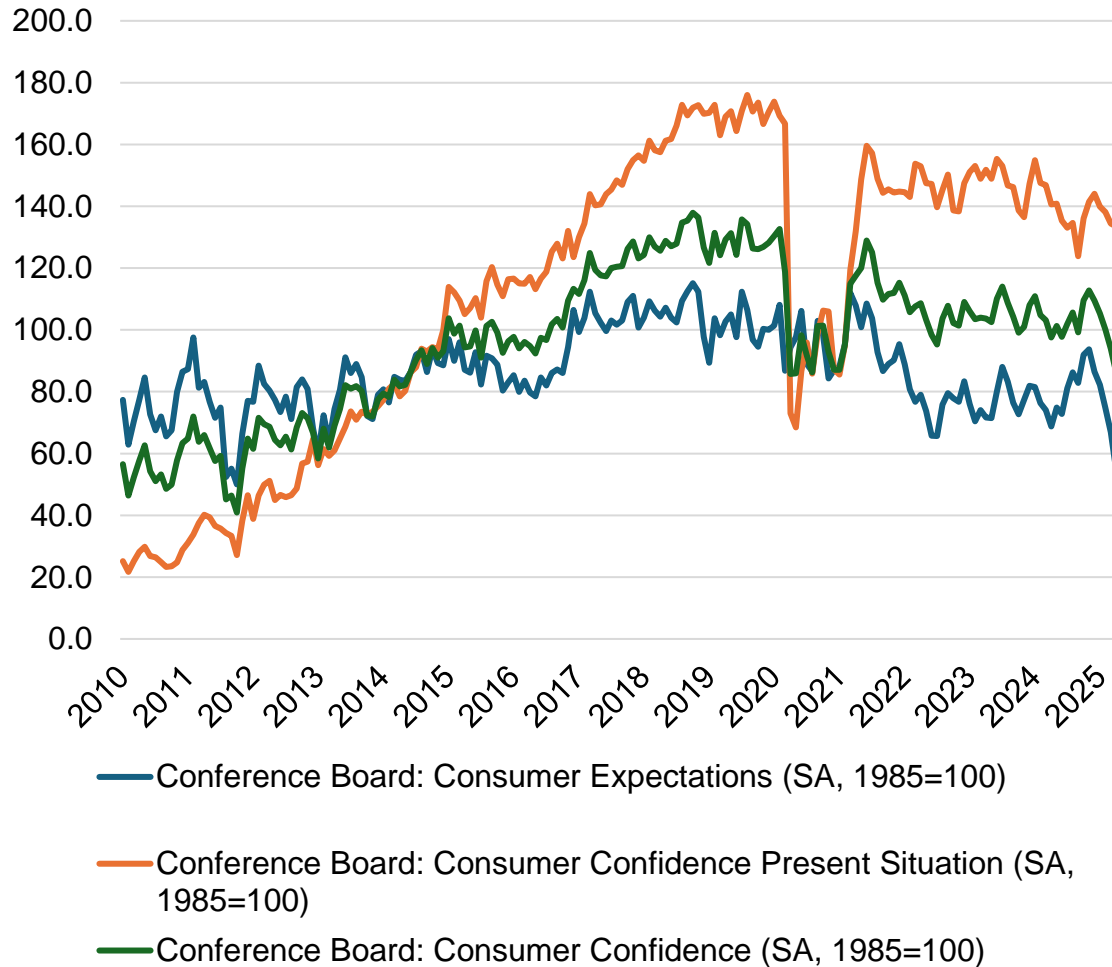
FEDERICA COCCO / THE WASHINGTON POST

Households Facing Financial Strains

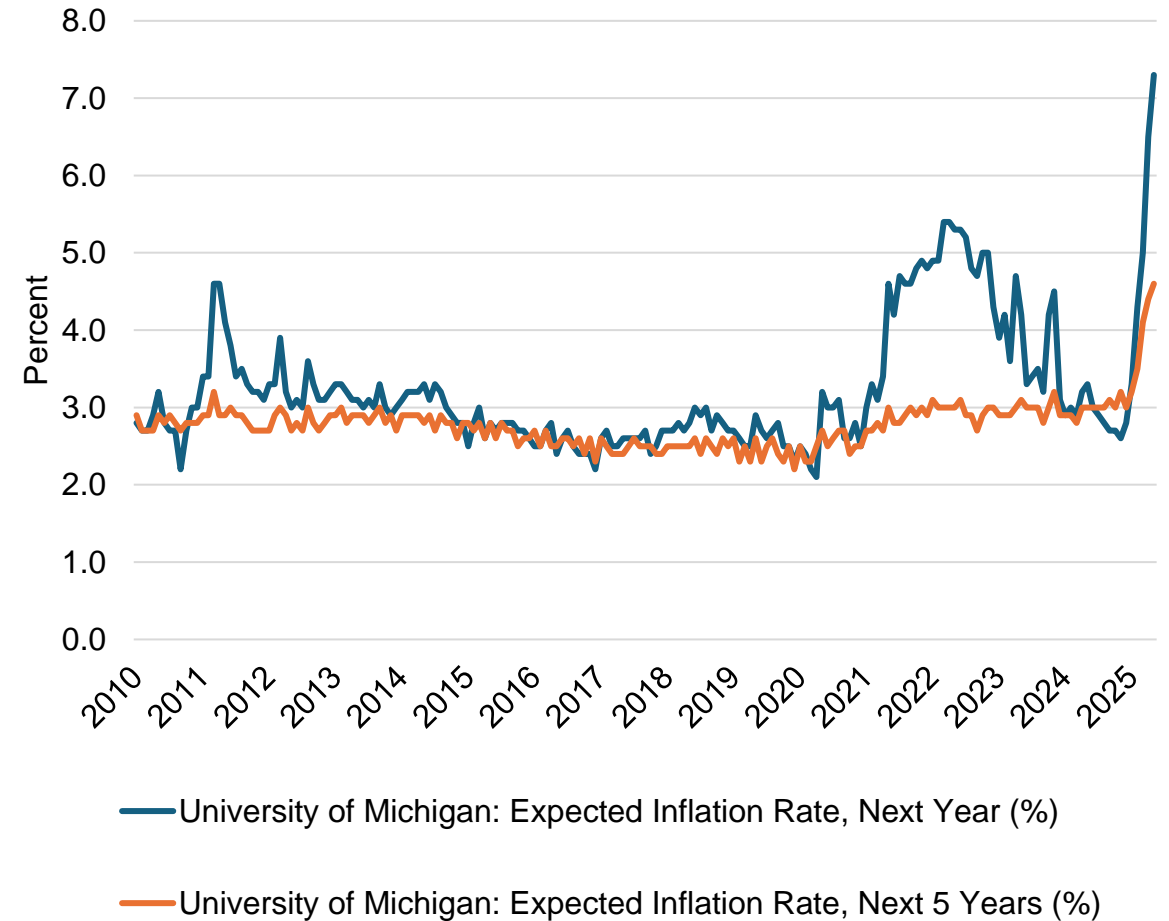


Consumer Confidence Declining, Inflation Expectations Spiking

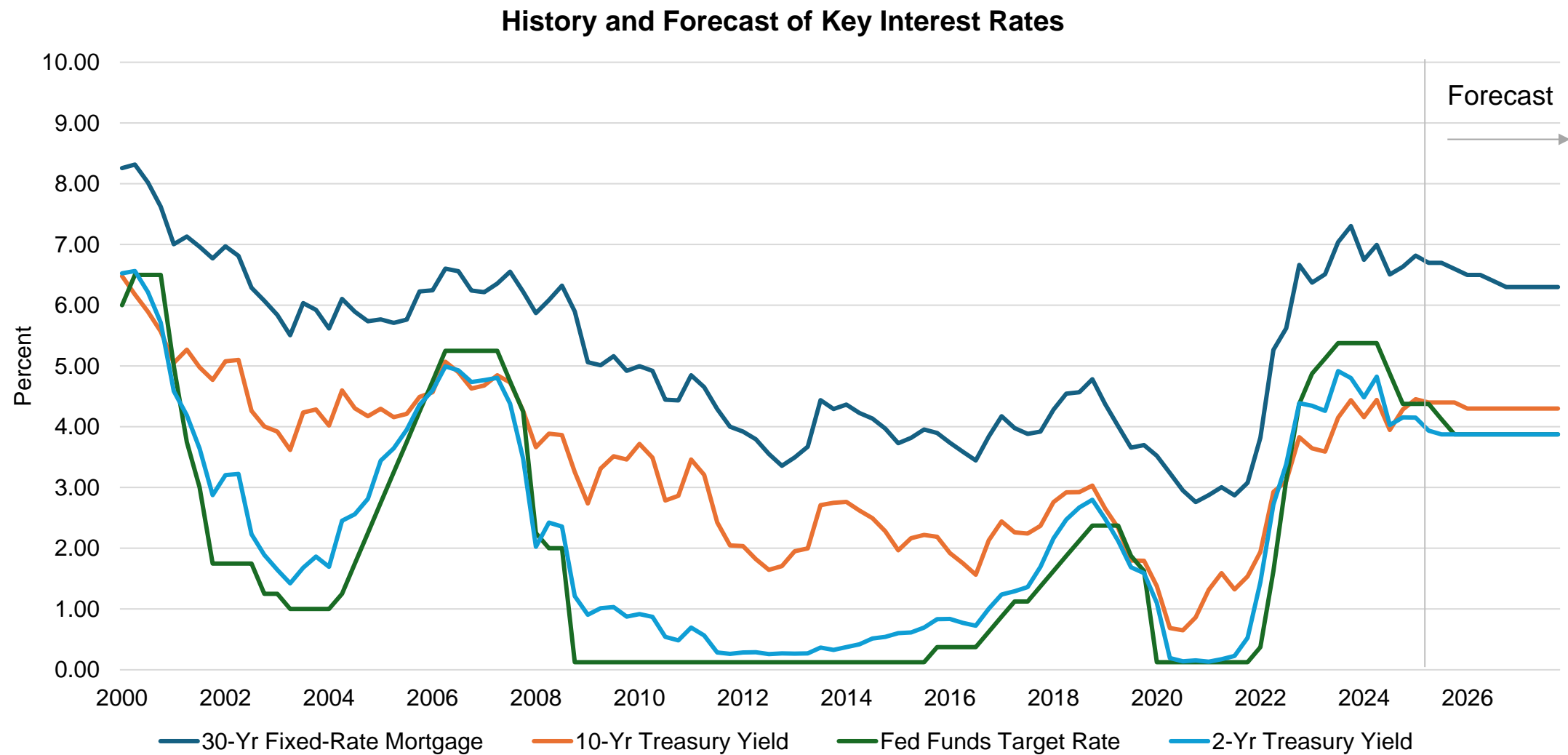
Consumer Confidence Indexes



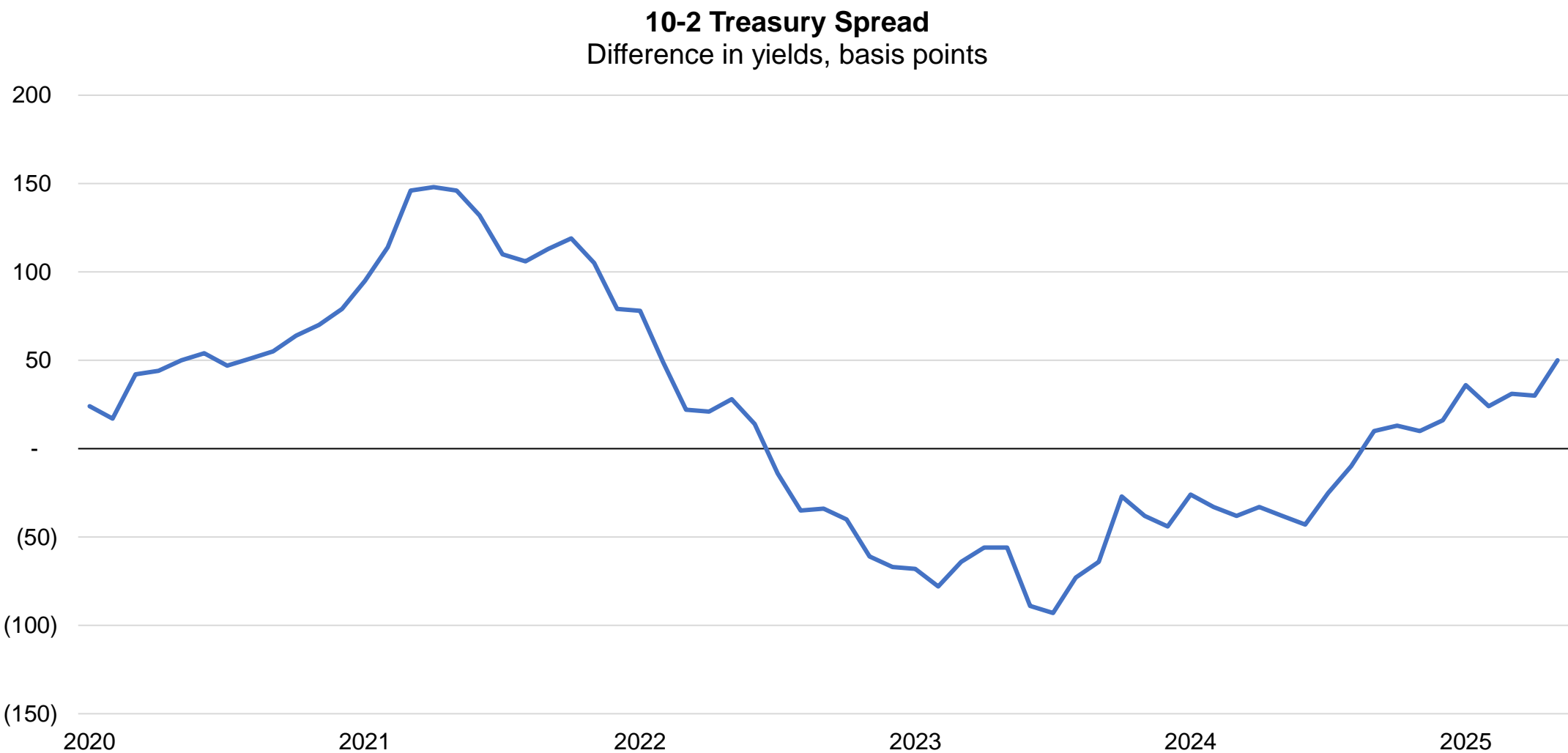
Consumer Inflation Expectations



Rate Outlook: How Much More Will the Fed Cut?

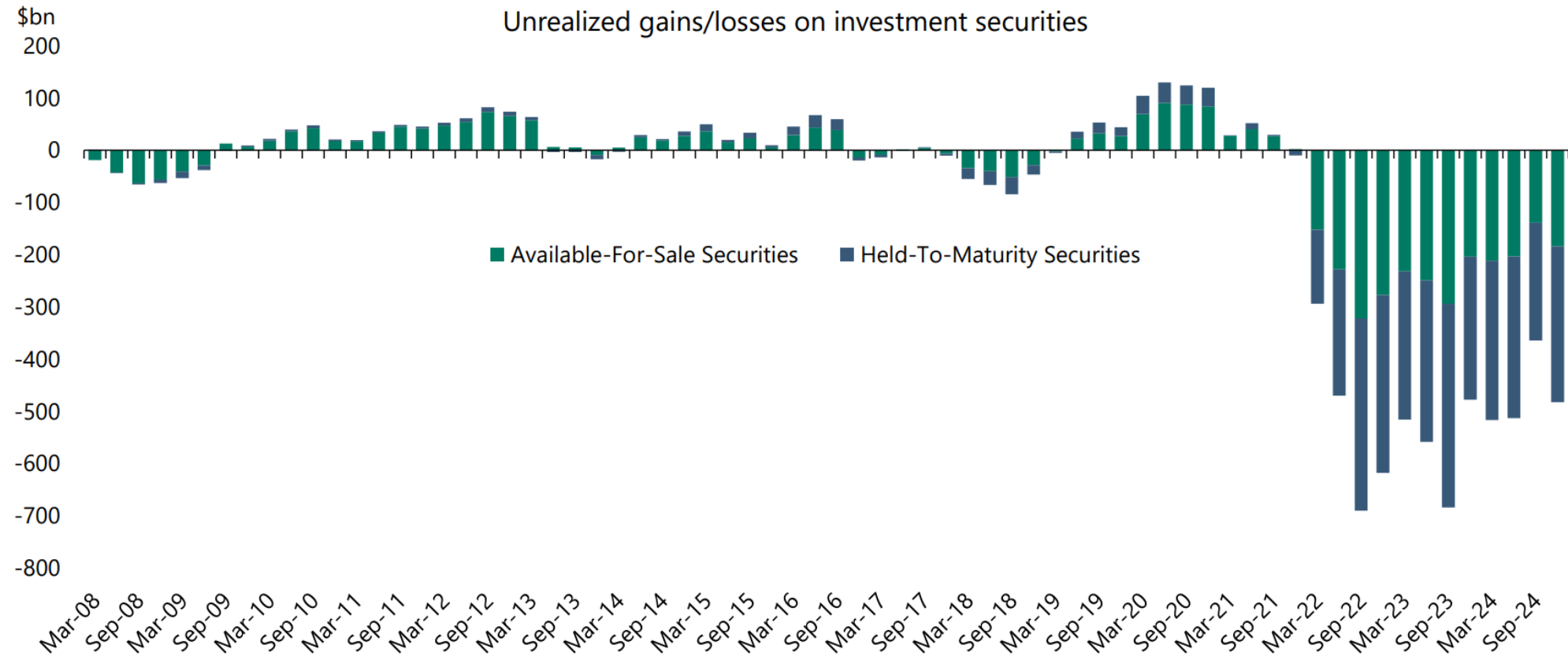


Steeper Yield Curve



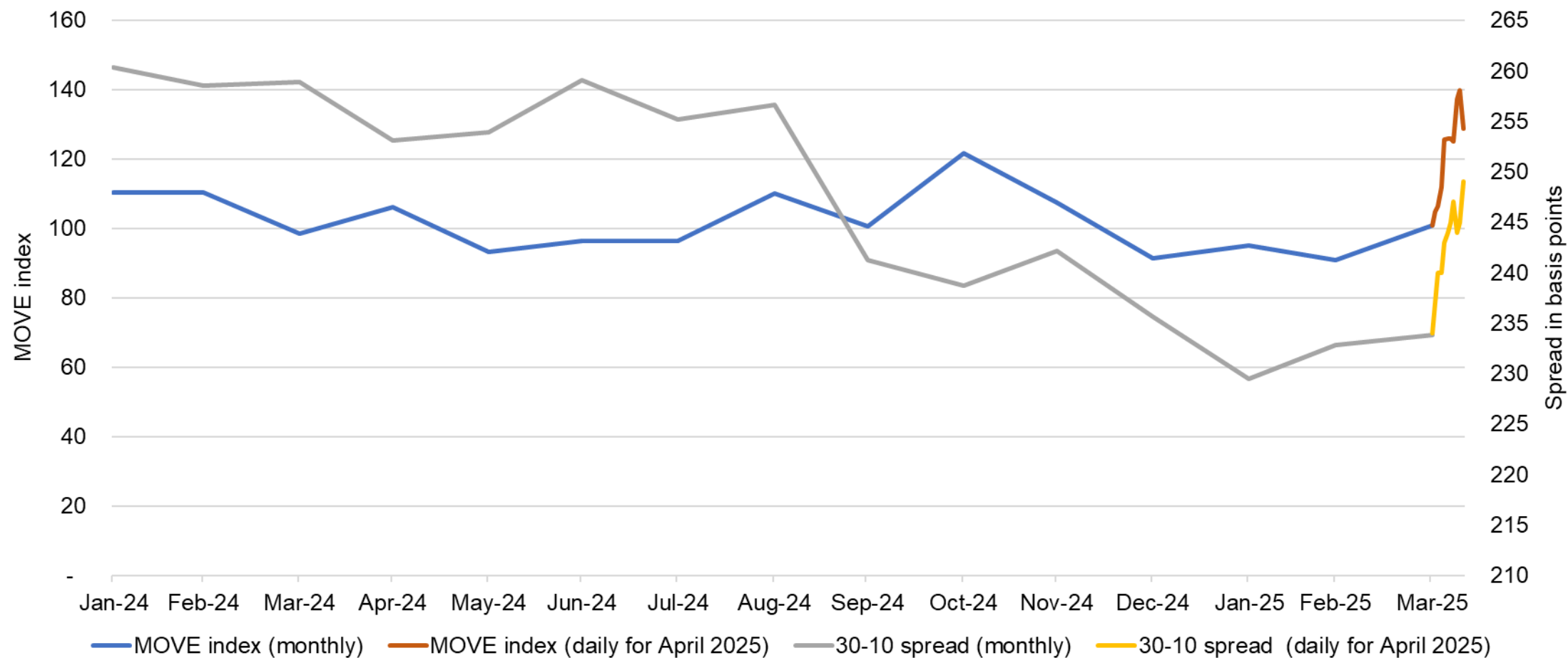
Banks Still Face Challenges

Banks currently holding almost \$500 billion in unrealized losses on securities

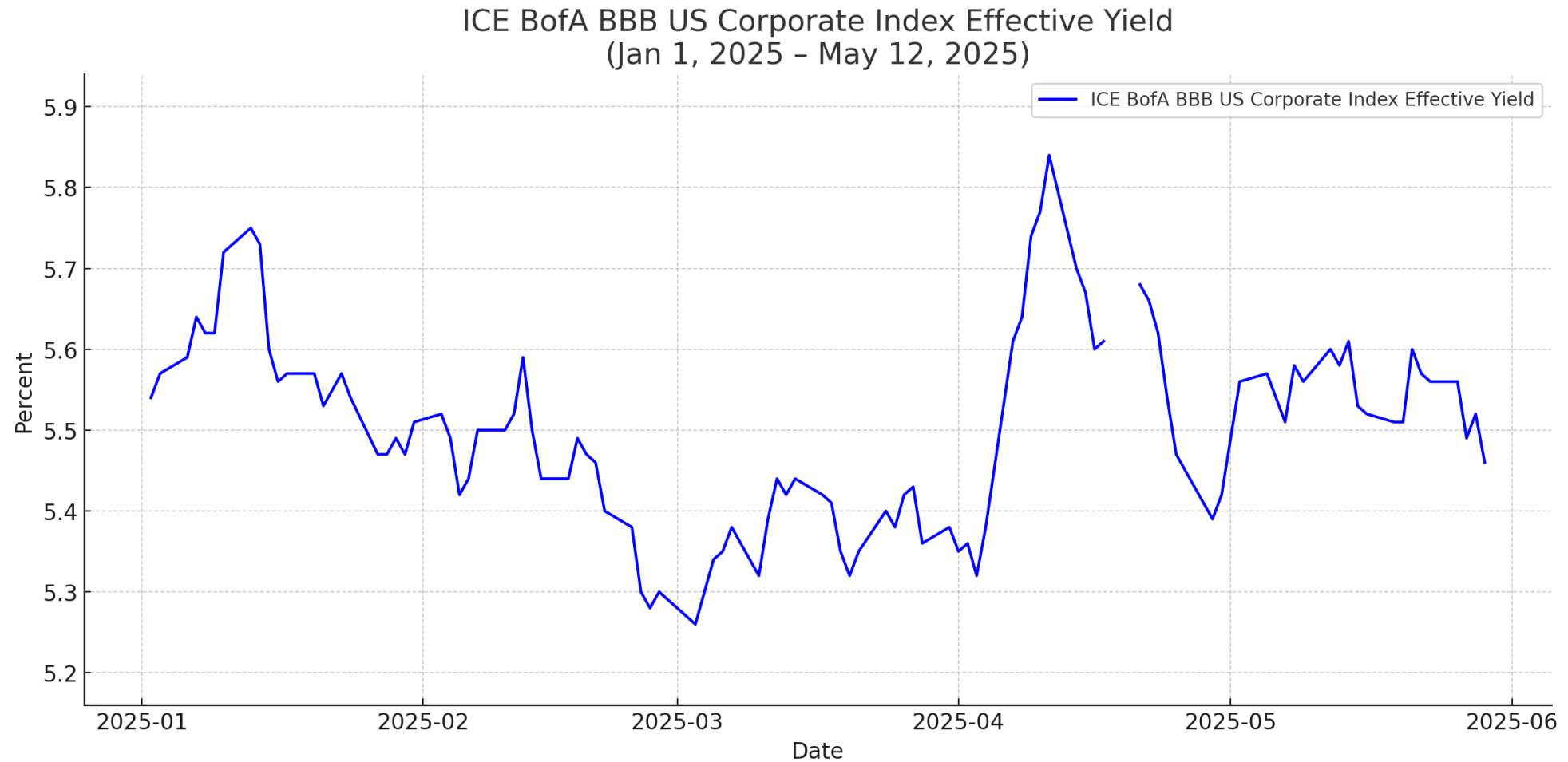


Wider Mortgage-Treasury Spread

Chart of the Week - April 11, 2025
MOVE Volatility Index and Mortgage-Treasury Spread



Credit Spreads Tightening

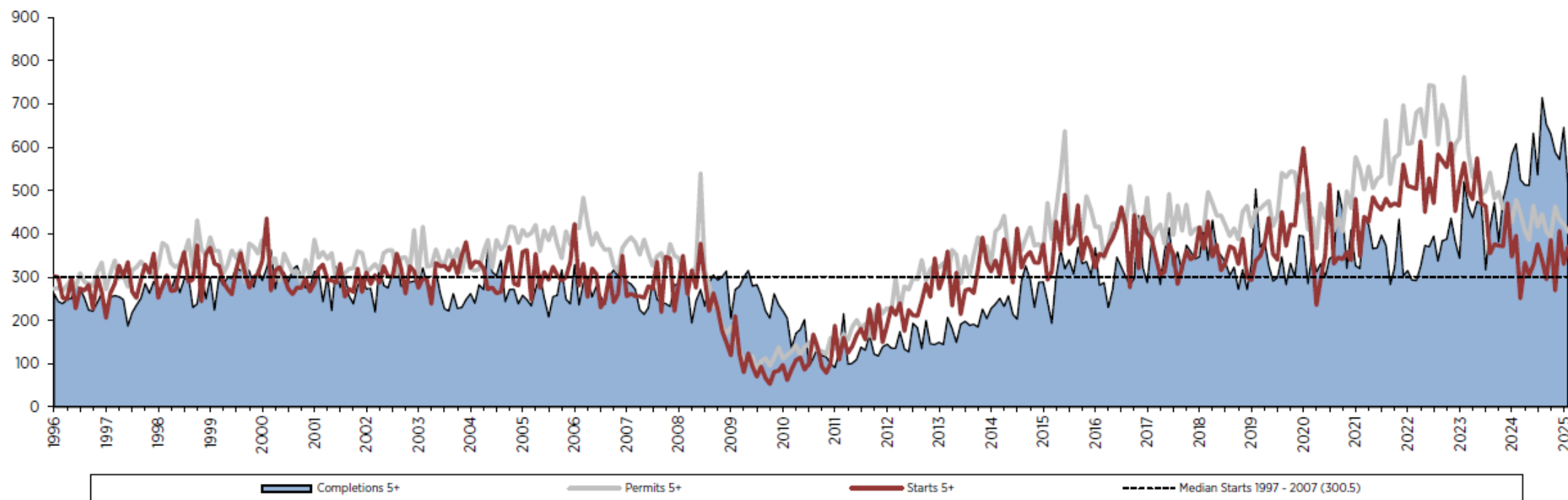


Source: Ice Data Indices, LLC via FRED (<https://fred.stlouisfed.org/series/BAMLC0A4CBBBEY>)

CREF Session

Multifamily Permits, Starts, and Completions

1996 to present

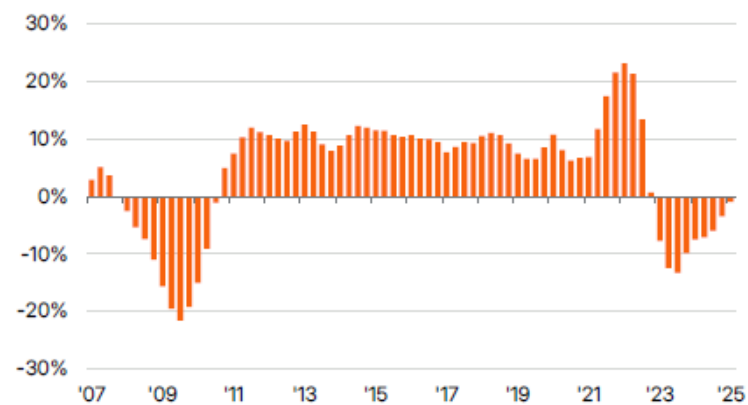


Source: U.S. Census Bureau

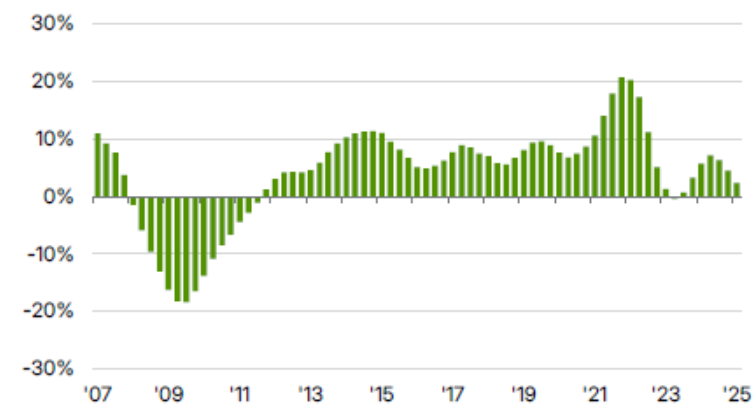
CRE Property Values Stabilizing?

Year-Over-Year Change by Property Type

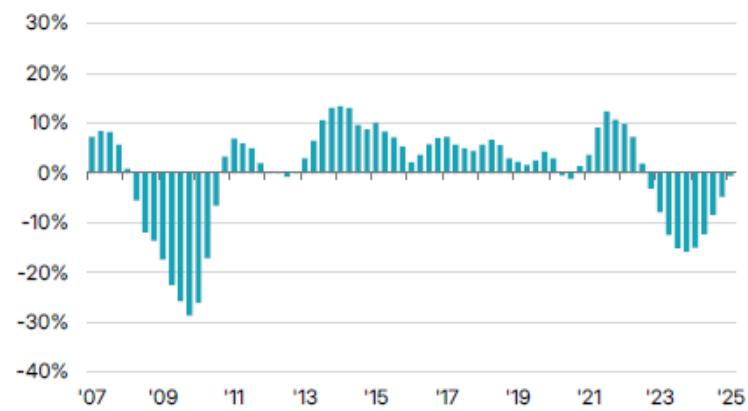
Apartment



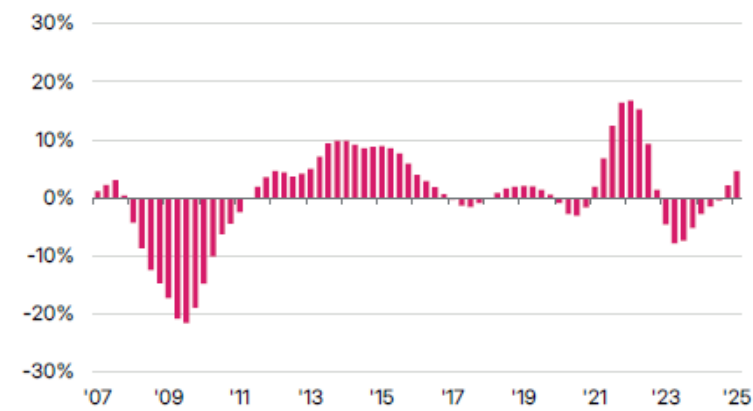
Industrial



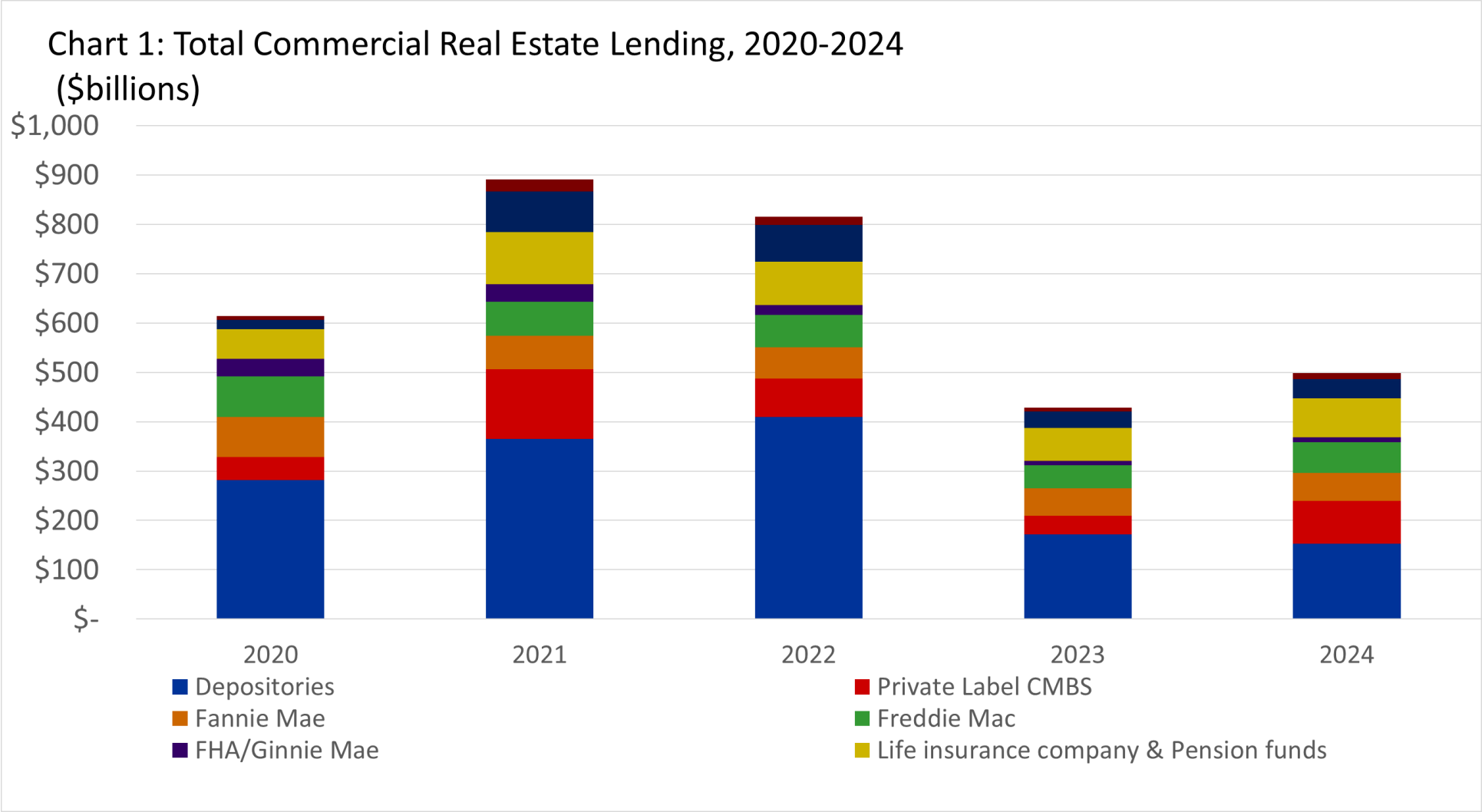
Office



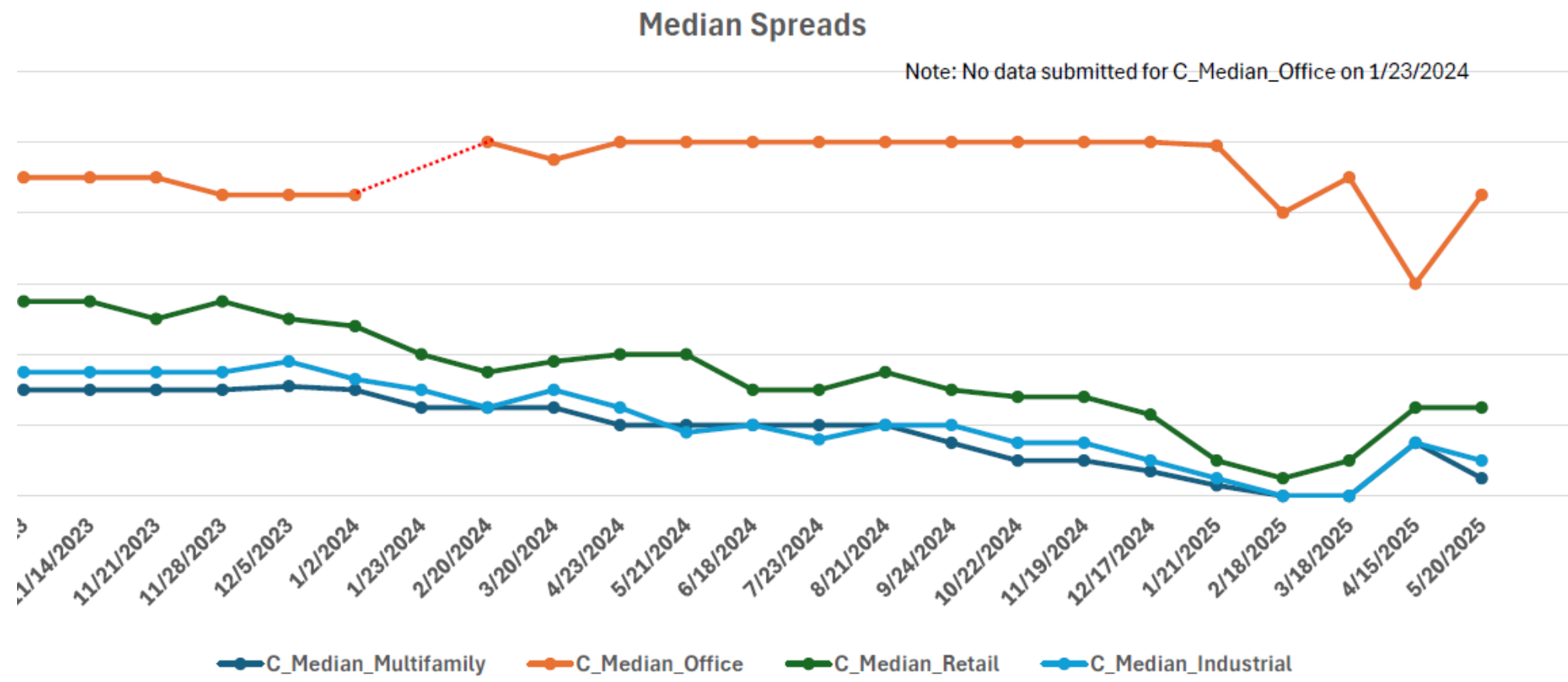
Retail



MBA's 2024 Origination Estimates: 16% Increase in 2024, Expecting Similar Growth in 2025



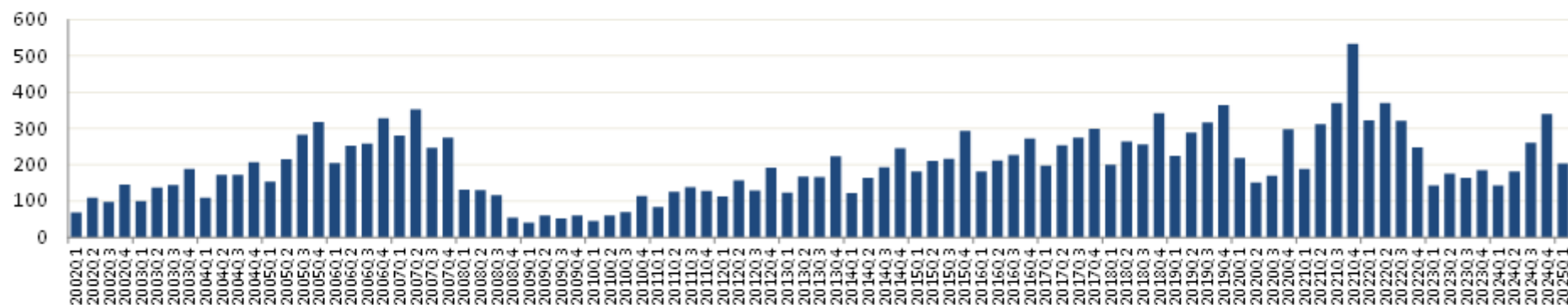
CREF Credit Availability



Originations Strong in Q1

Commercial/Multifamily Mortgage Bankers Originations Index

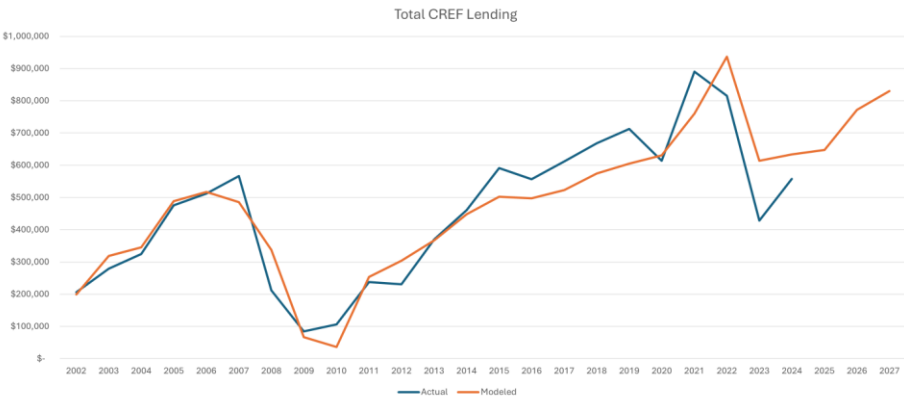
2001 quarterly average = 100



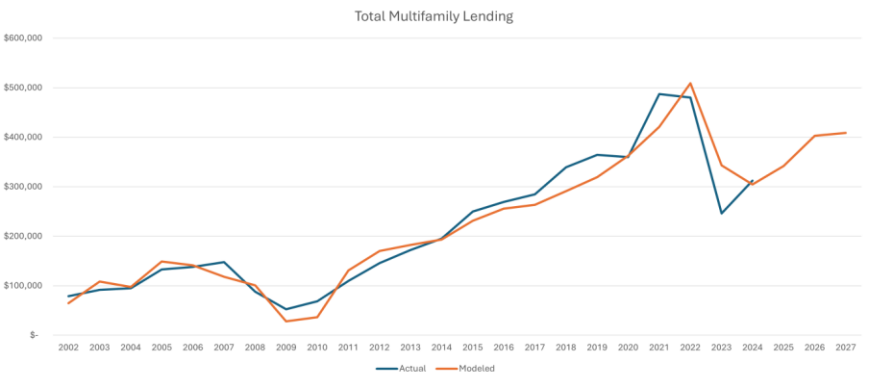
MBA 2025Q2 CREF and Multifamily Forecasts

		All Property Types		Multifamily Lending Only	
		Total Mortgage Lending (\$ Bil)	% Change	Total Mortgage Lending (\$ Bil)	% Change
Actual	2020	\$614		\$360	
	2021	\$891	45%	\$487	35%
	2022	\$816	-8%	\$480	-1%
	2023	\$429	-47%	\$246	-49%
	2024	\$558	30%	\$312	27%
Forecast	2025	\$647	20%	\$342	10%
	2026	\$772	19%	\$403	18%
	2027	\$830	8%	\$409	1%

Total CREF Lending (annualized)

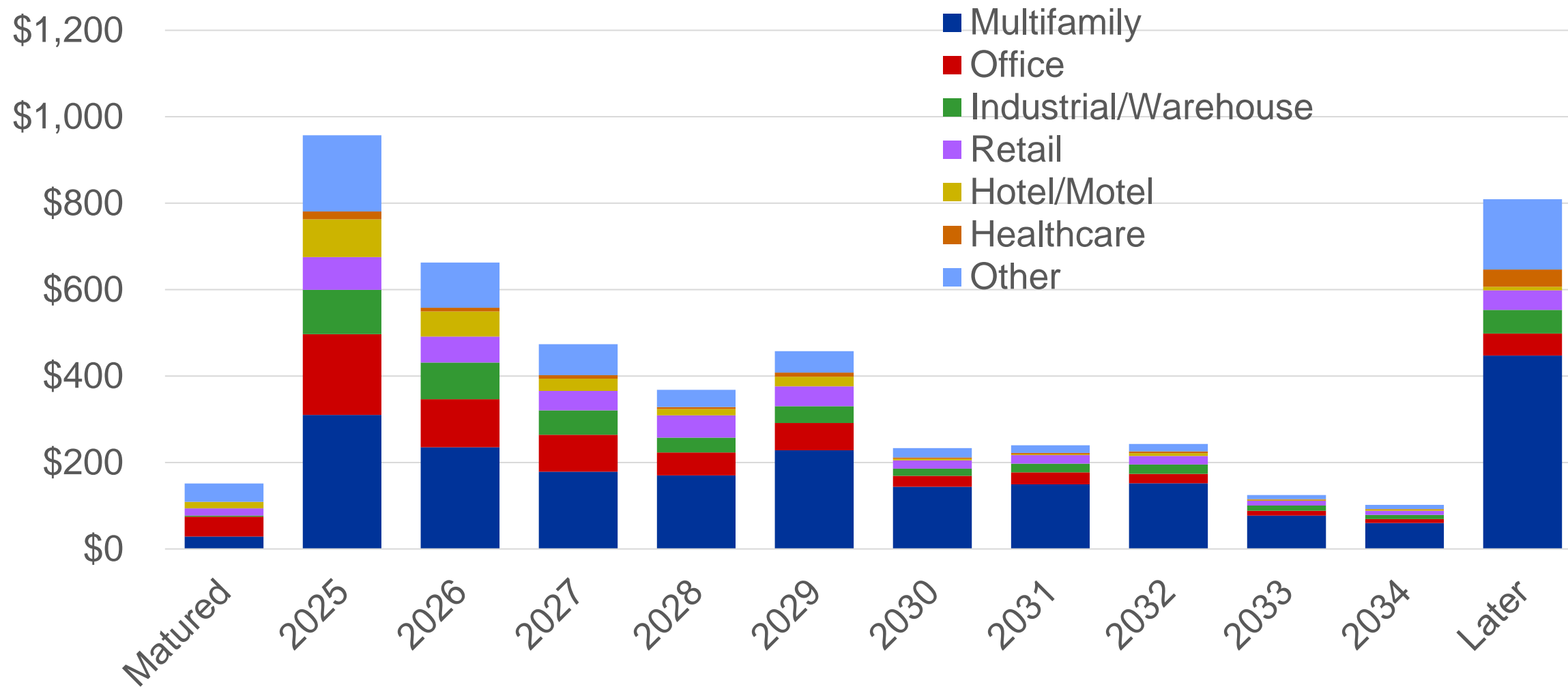


Multifamily Lending (annualized)



\$957 billion of CRE mortgages maturing in 2025, 20% of total

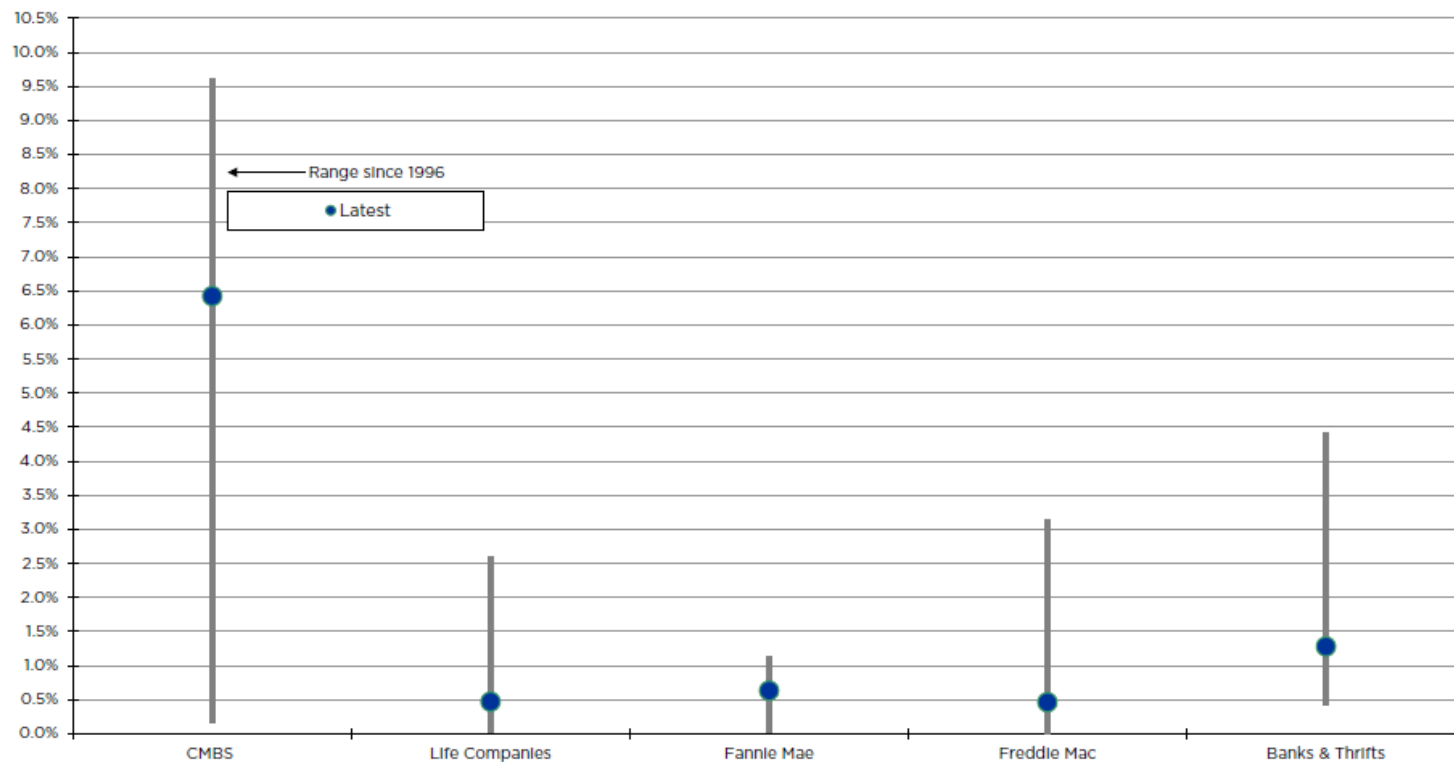
Estimated Total Commercial Mortgage Maturities (\$billions)



Delinquency Rates Low Relative to History, But Rising

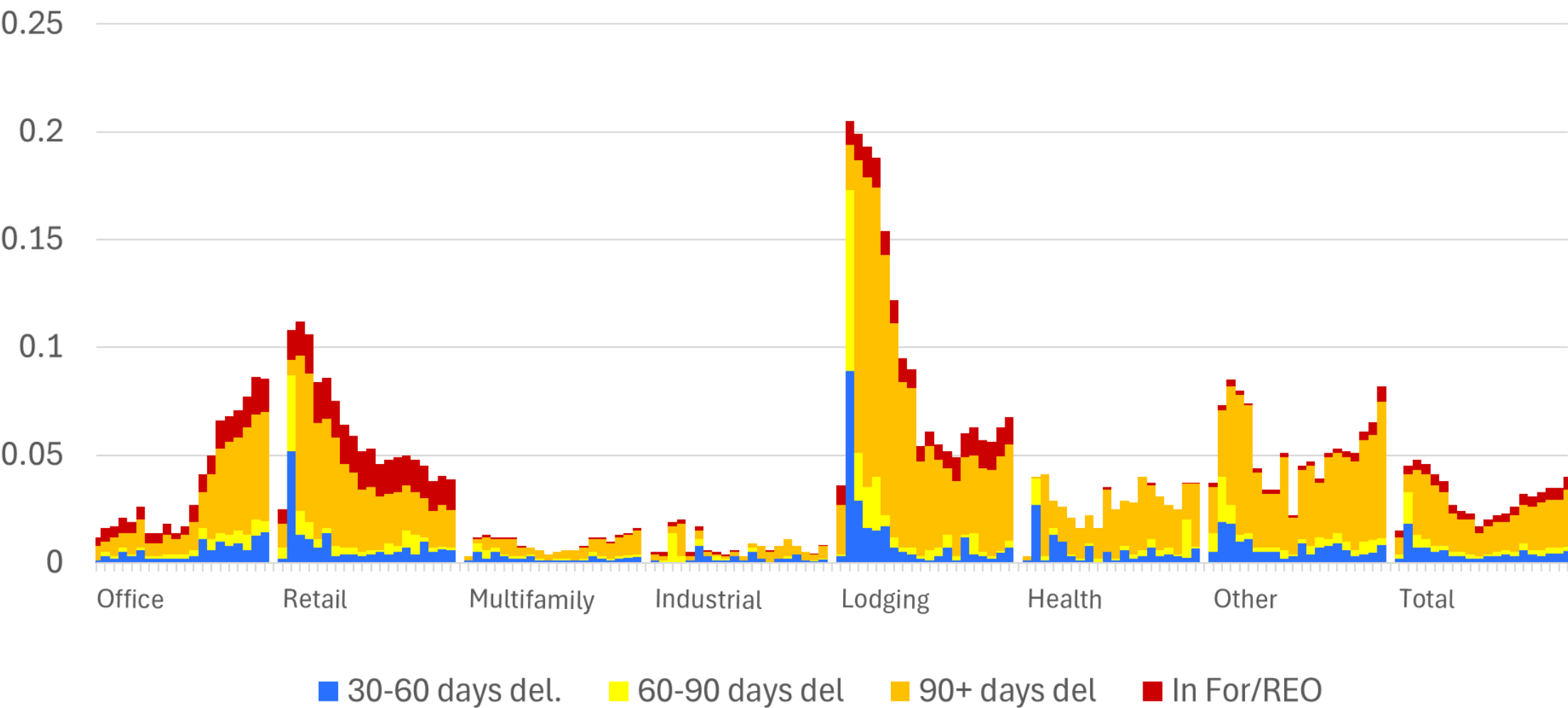
CHART 3. Latest Delinquency Rates and Range Since 1996

NOTE: Delinquency rates shown are NOT comparable between investor groups. These rates show how performance of loans for each investor groups has varied over time, but cannot be used to compare one investor group to another.



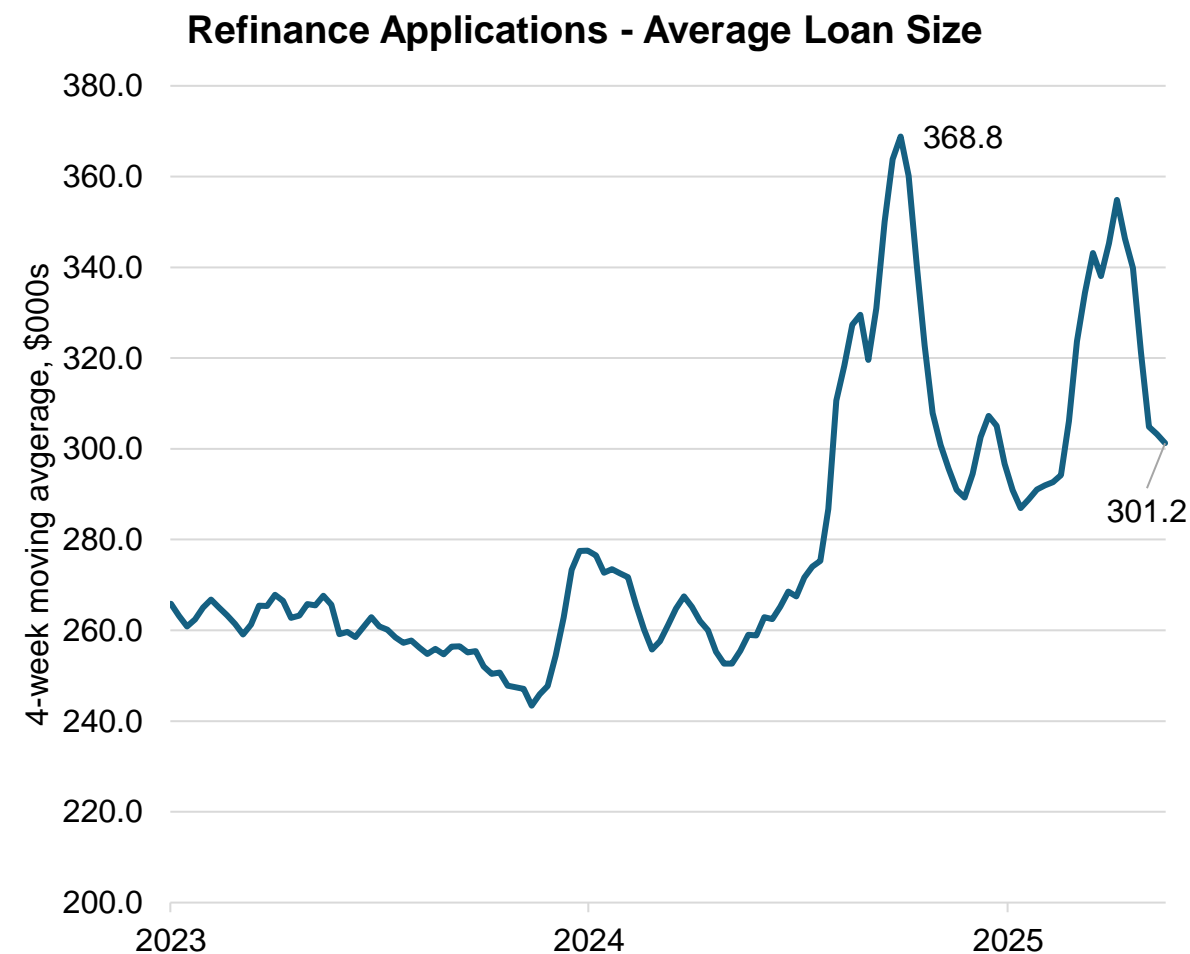
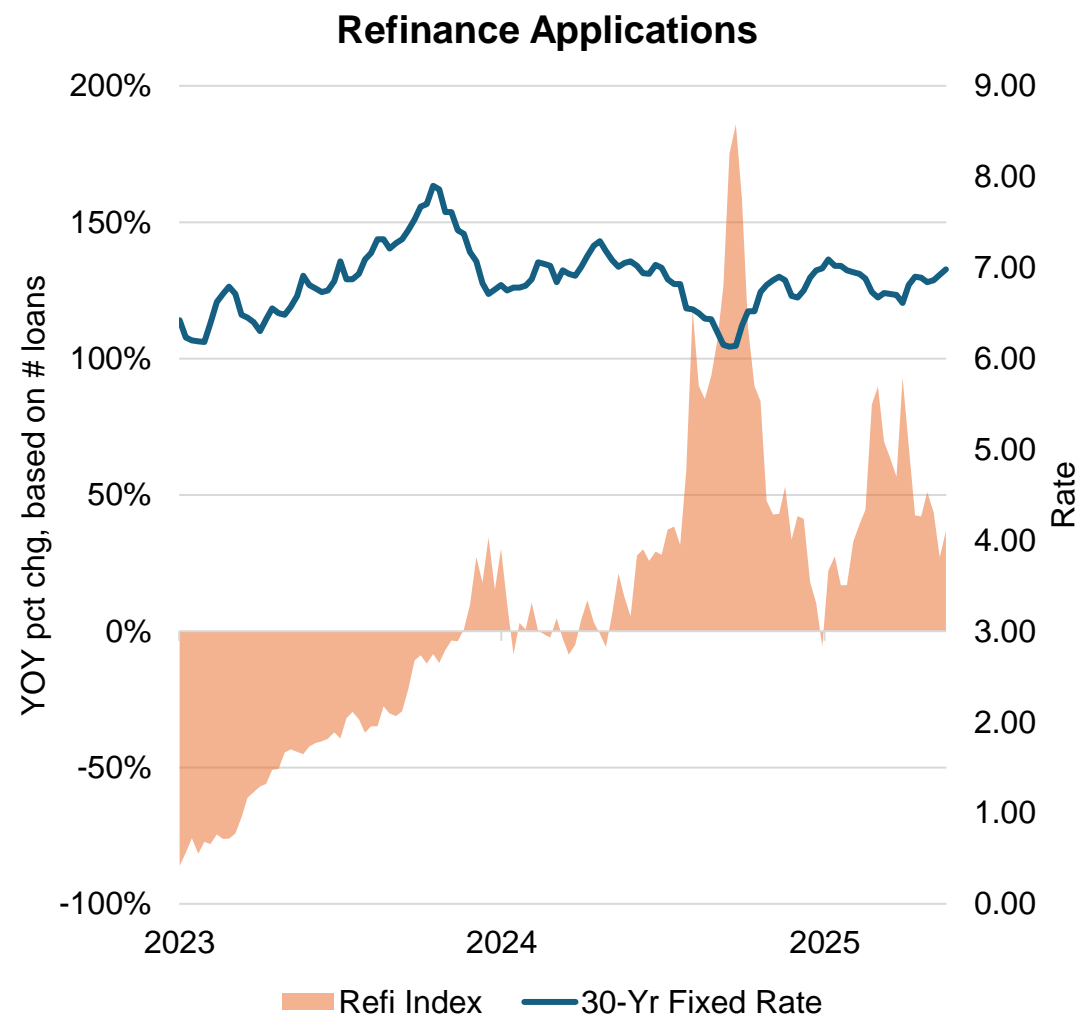
Sources: Trepp LLC, American Council of Life Insurers, Fannie Mae, Freddie Mac, OFHEO and Fannie Mae, Freddie Mac, OFHEO and Federal Deposit Insurance Corporation

CREF Delinquency Rates Generally Increased in Q1 2025

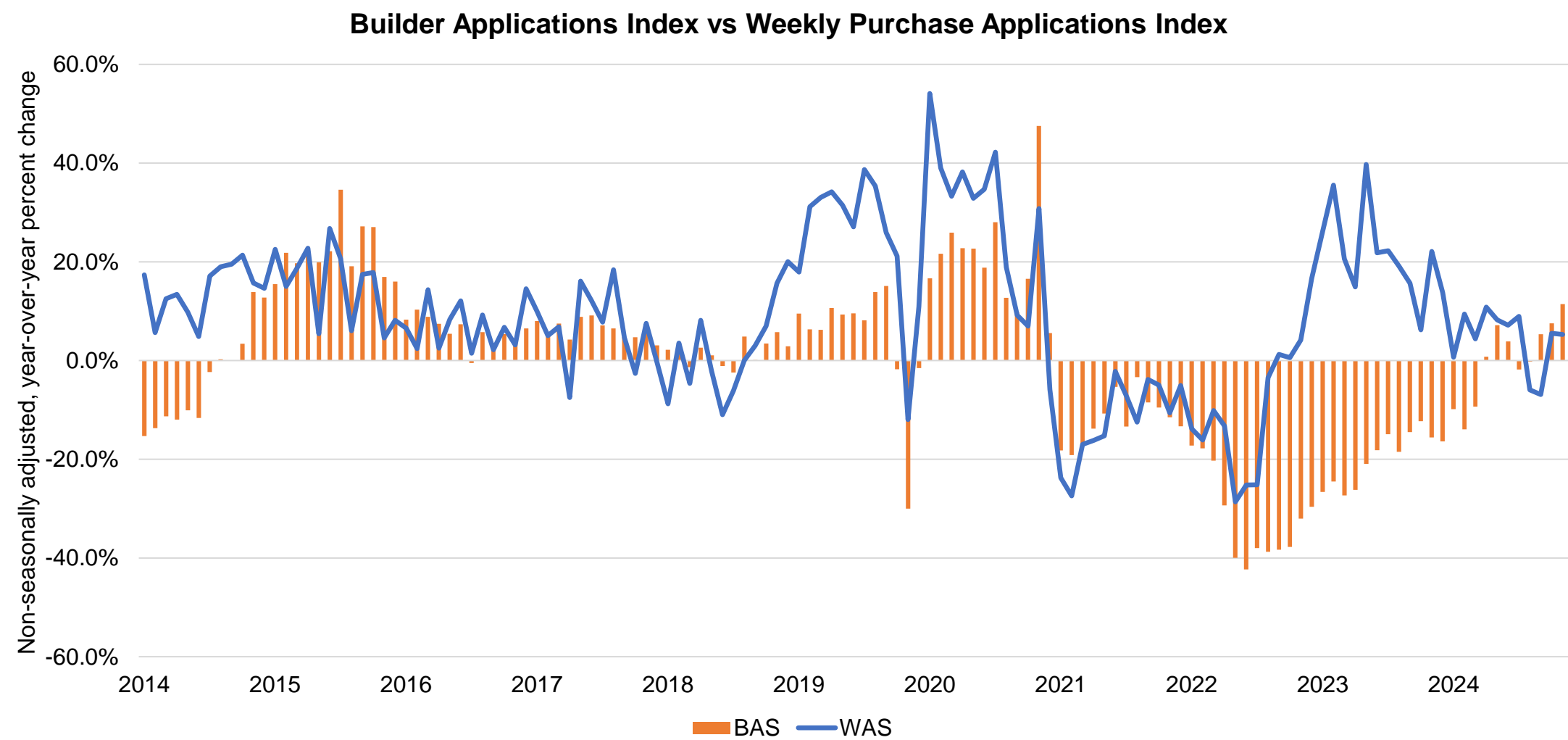


Residential Lending Session

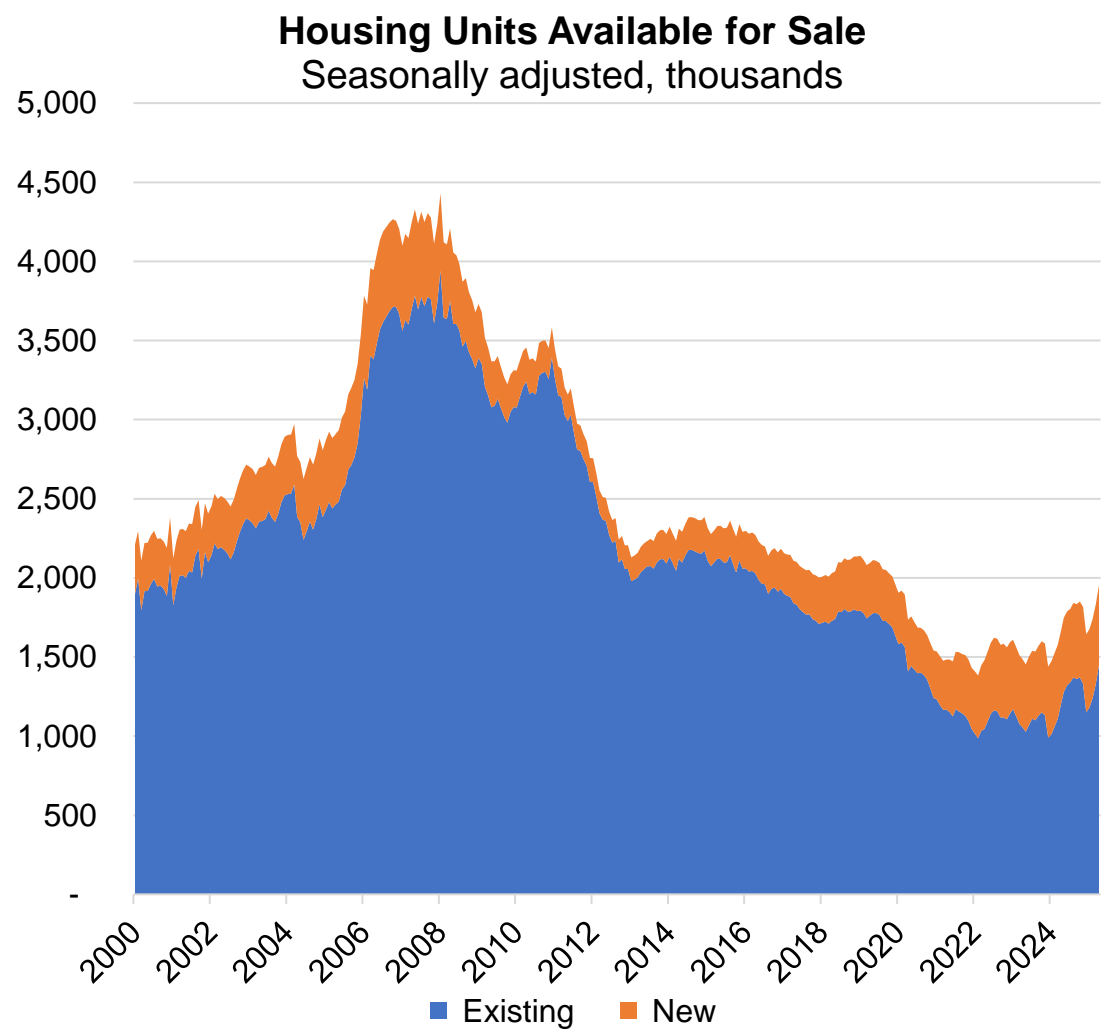
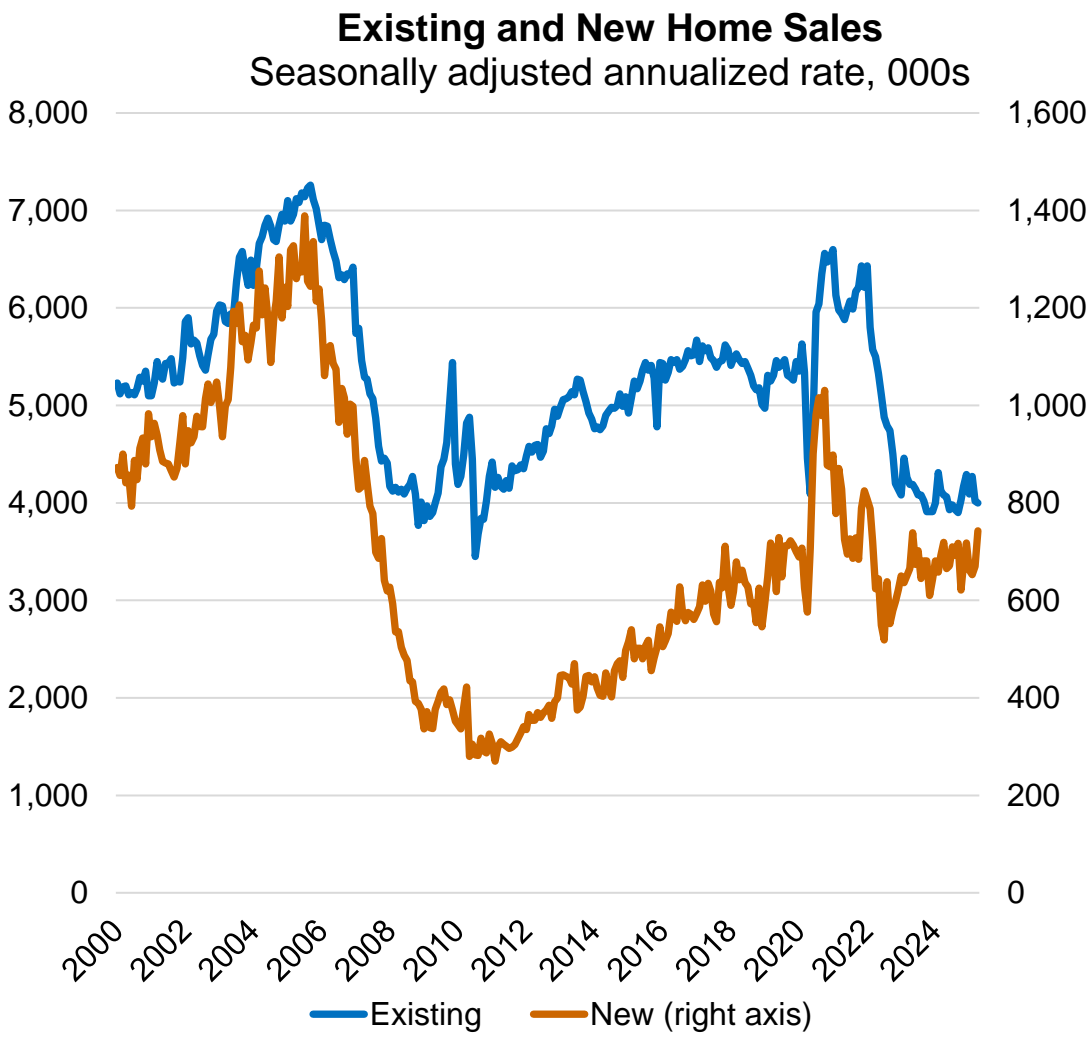
Refinance Opportunities Appearing With Rate Volatility



Purchase Applications – Some Growth



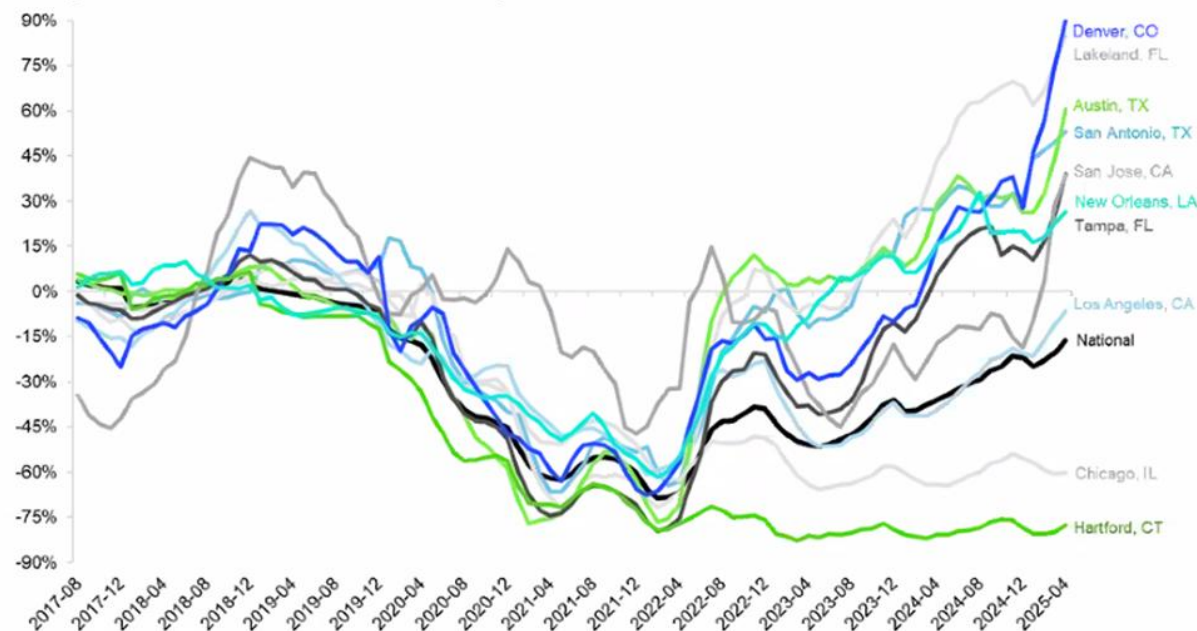
Home Sales Impacted by Uncertainty; Inventory Increasing



Inventory Varies By Geography and Property Type

Deficit of homes listed for sale by market

Change from 2017-2019 same month average



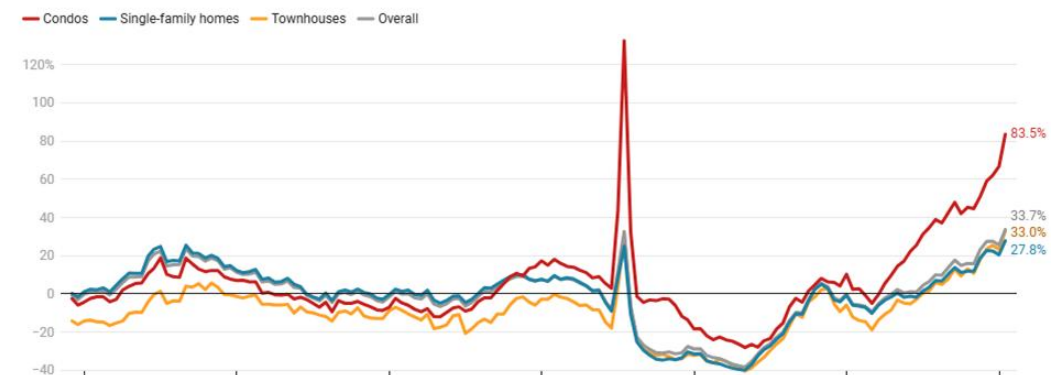
Source: ICE, Realtor.com

The Condo Market Is Tilted Strongly in Favor of Buyers

There are an estimated 259,137 condo sellers in the U.S. housing market and an estimated 141,223 condo buyers. In other words, there are 83.5% more condo sellers than buyers.

There are 83% More Condo Sellers Than Buyers

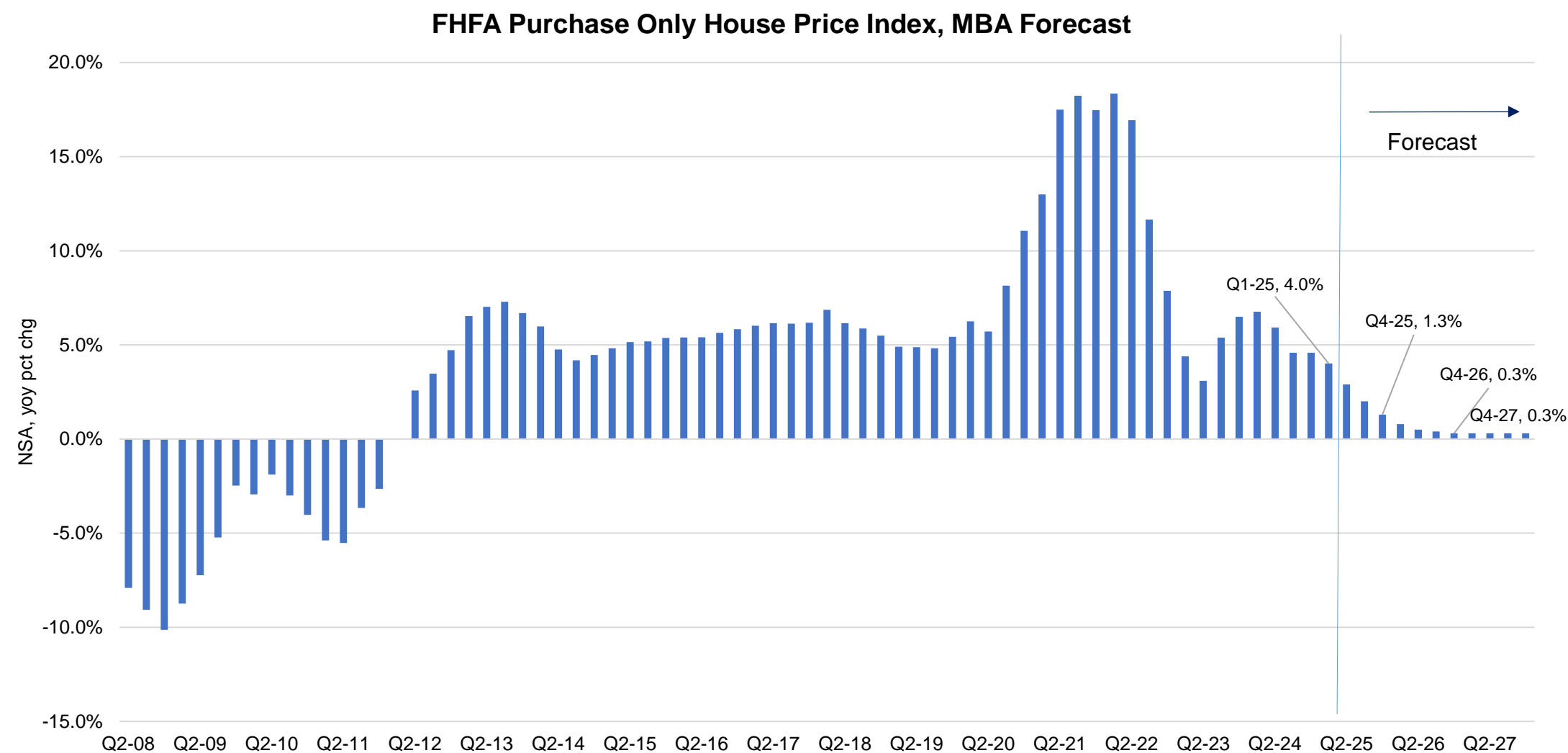
% difference between estimated number of sellers and buyers actively in the market



By comparison, there are 27.8% more single-family-home sellers than single-family-home buyers, and 33% more townhouse sellers than buyers.

Many condo owners are trying to offload their properties because HOA fees and insurance costs have been soaring, and some homeowners associations are doling out hefty special assessments. Florida is the epicenter of the condo slowdown, but condo markets in many other parts of the U.S. have also been cooling.

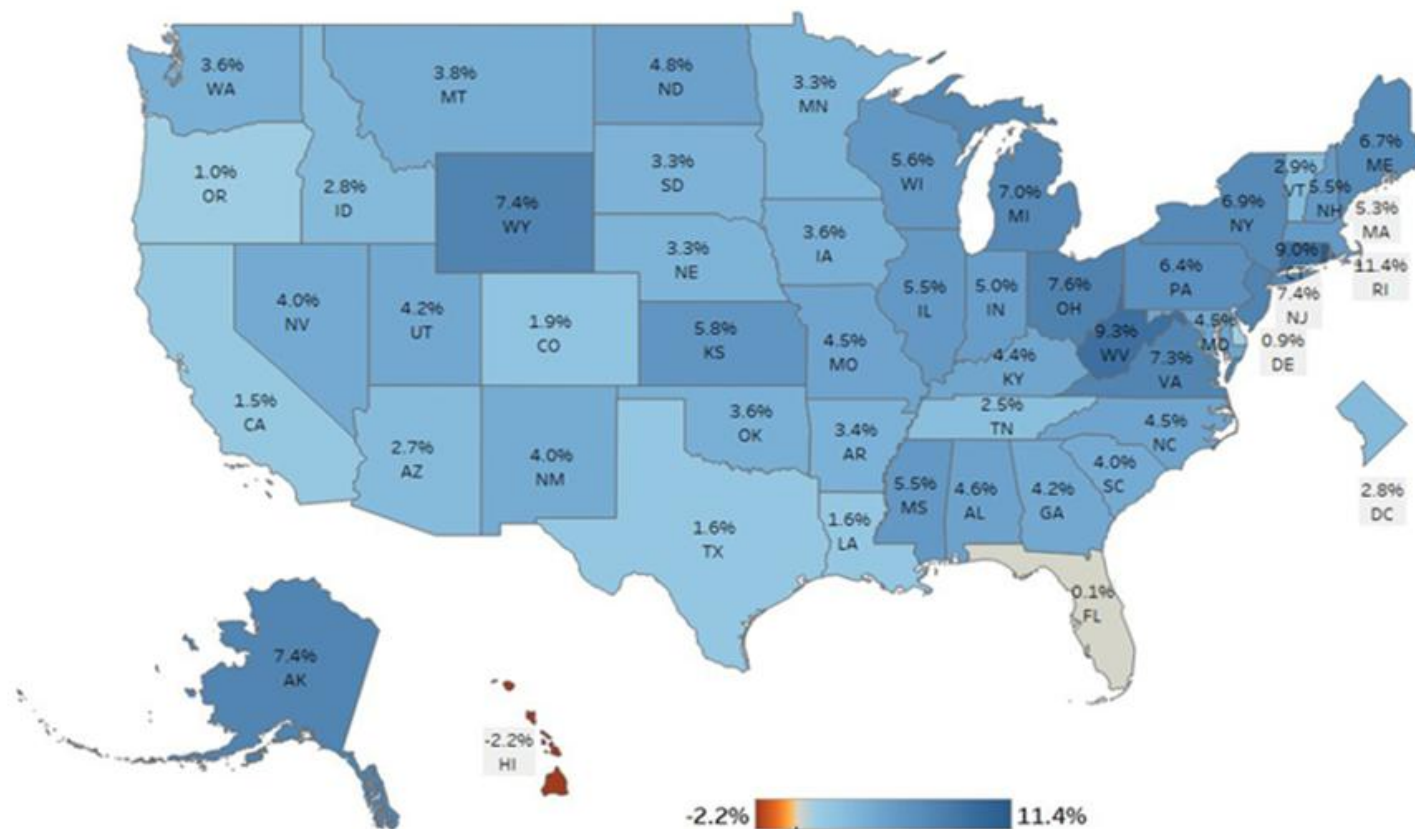
House Price Appreciation Moderating



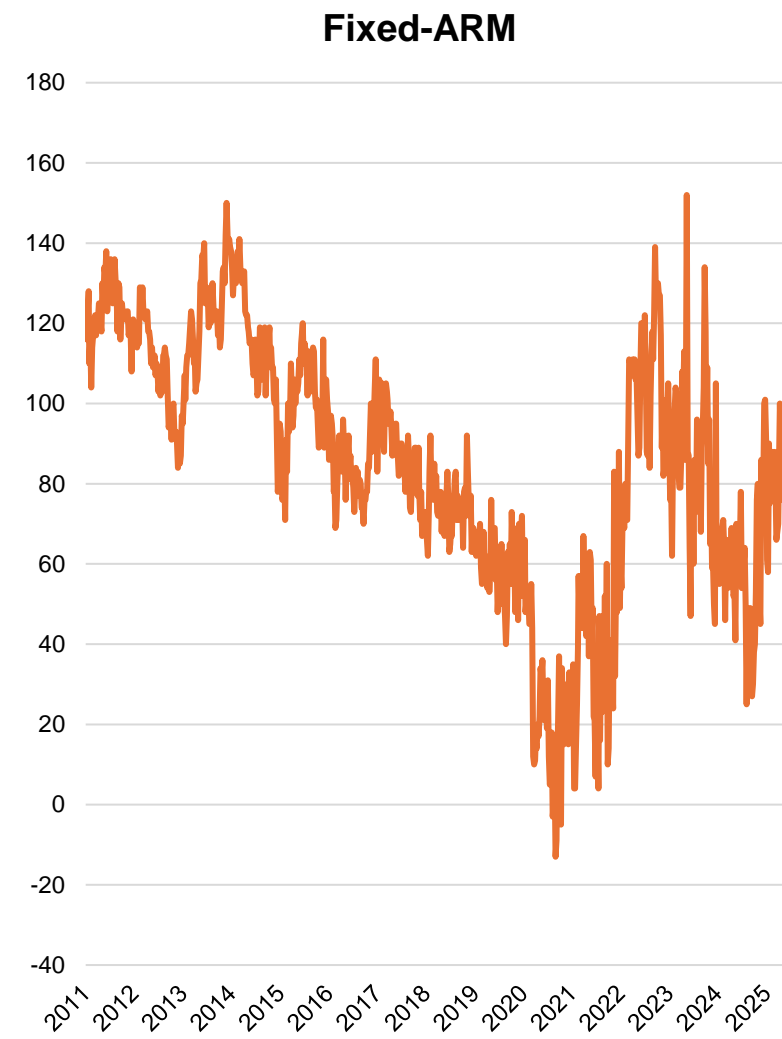
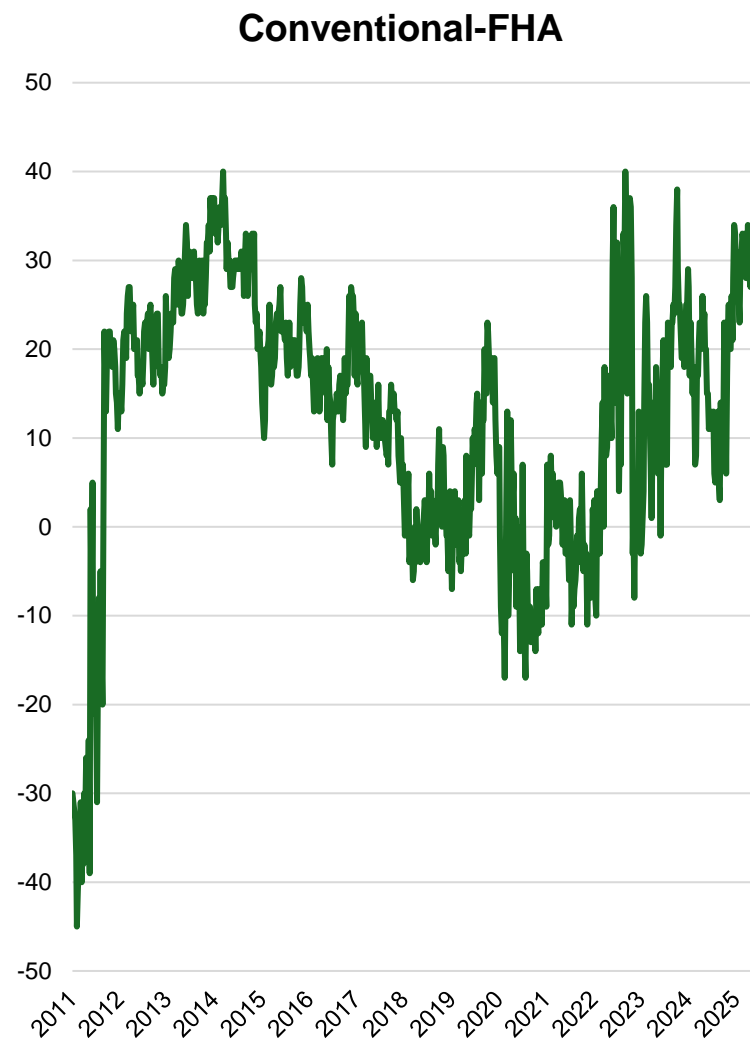
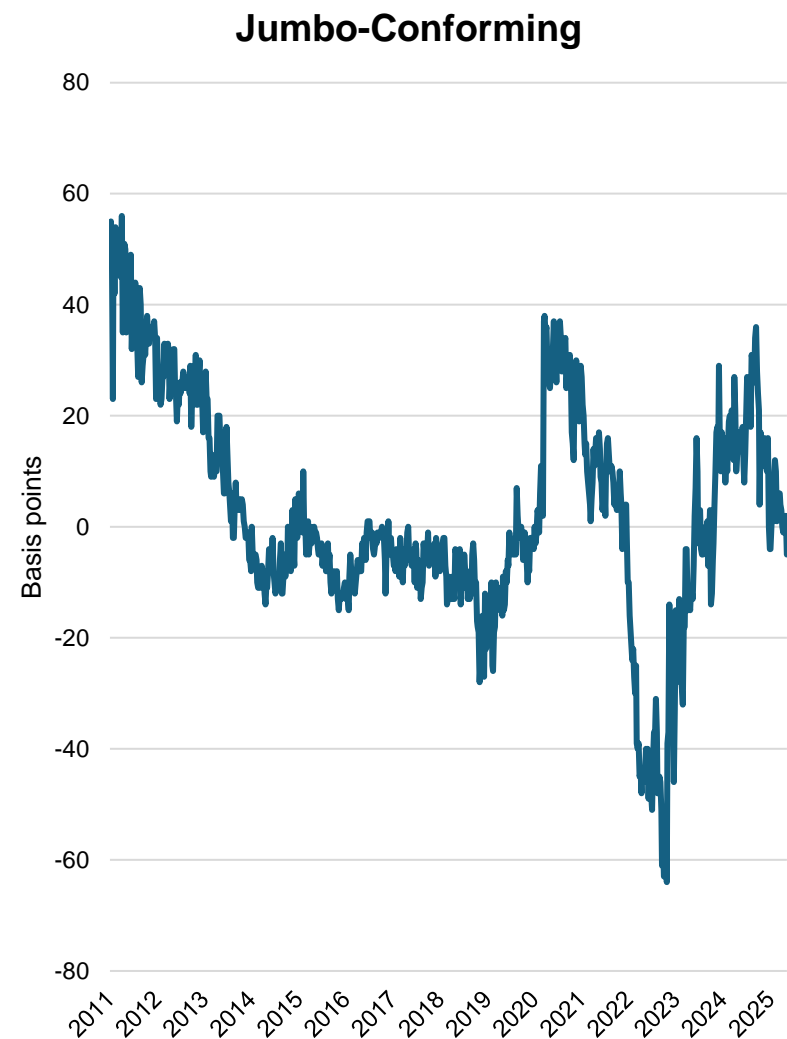
HPA Slowing

Chart of the Week – May 30, 2025
Four-Quarter House Price Change by State, as of Q1 2025
Purchase-Only FHFA HPI

US House Price Change = 4.0%

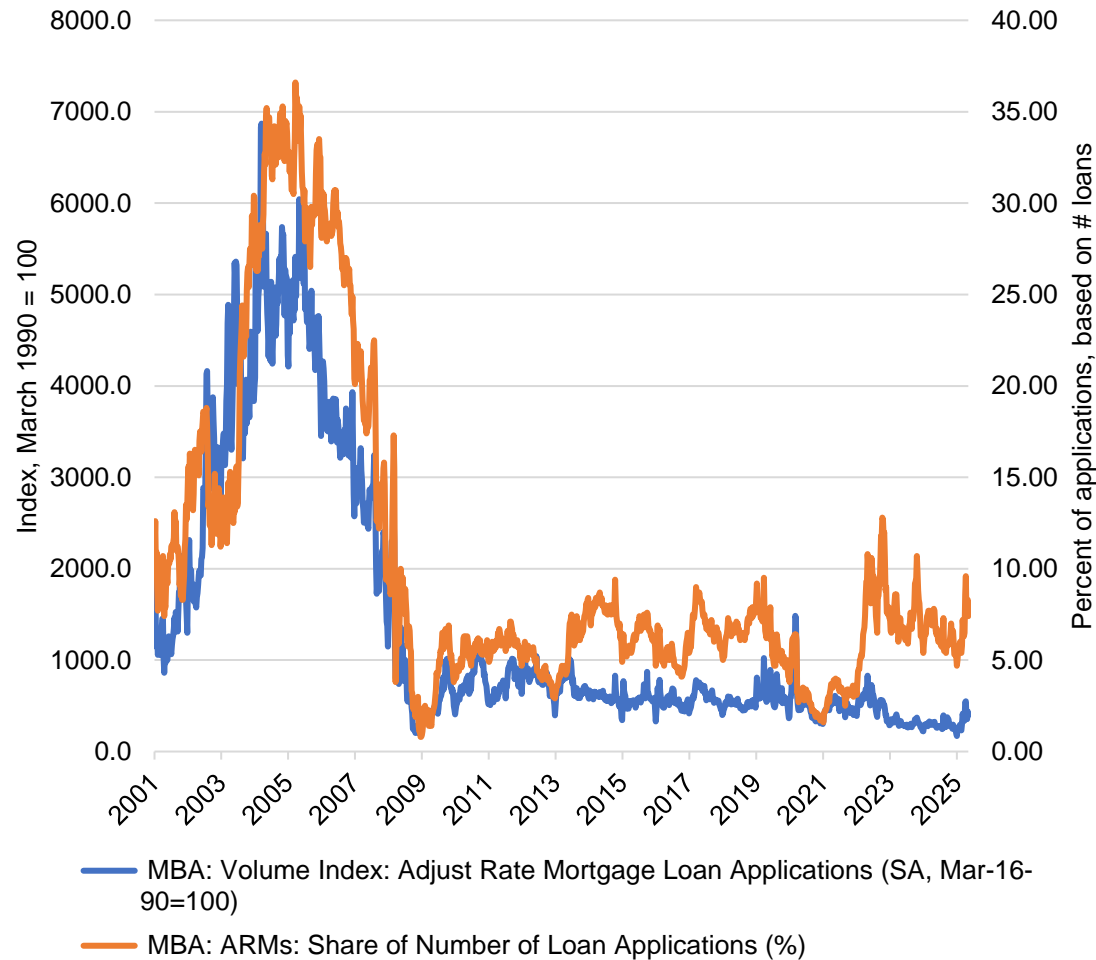


Other Spreads to Watch – FHA Share at 18% in May, Highest Since 2015

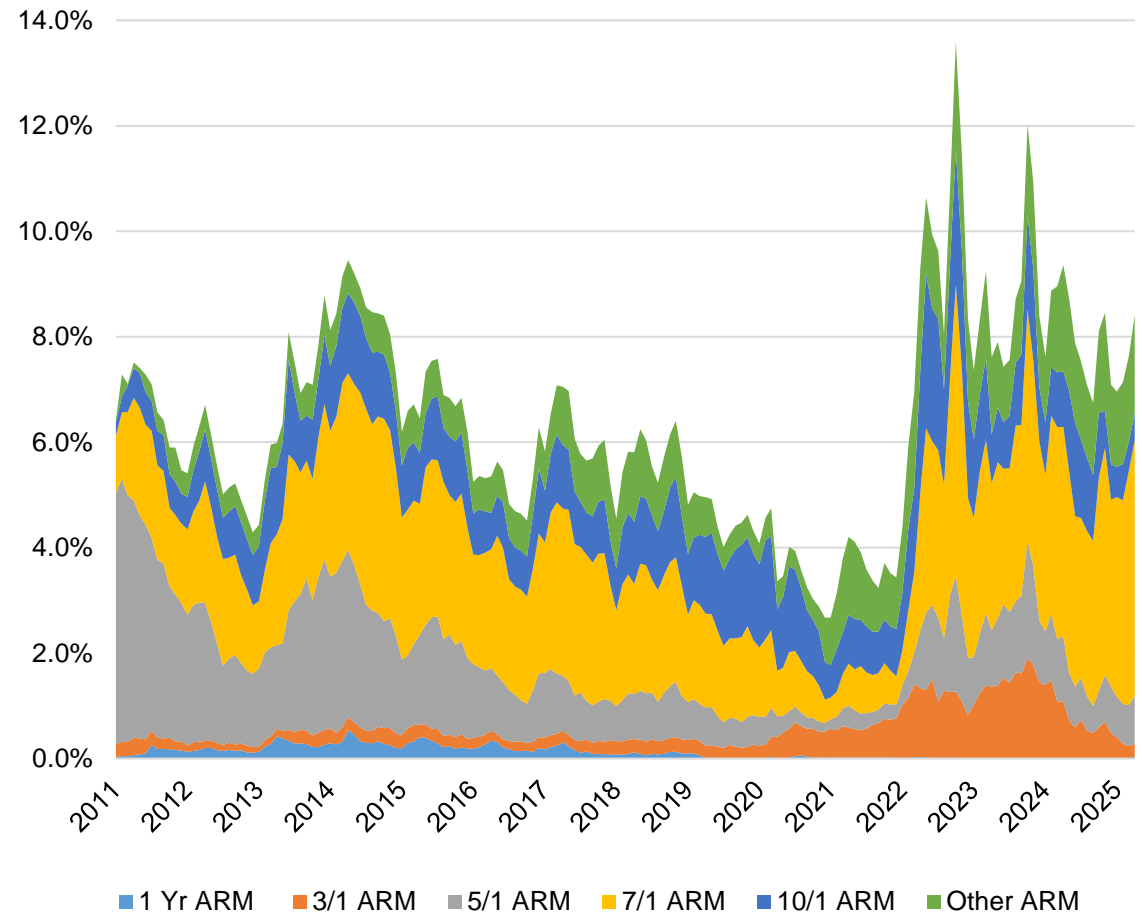


Increasing ARM Volume

ARM Applications Index and ARM Share of Applications



ARM Loans as Share of Home Purchase Applications

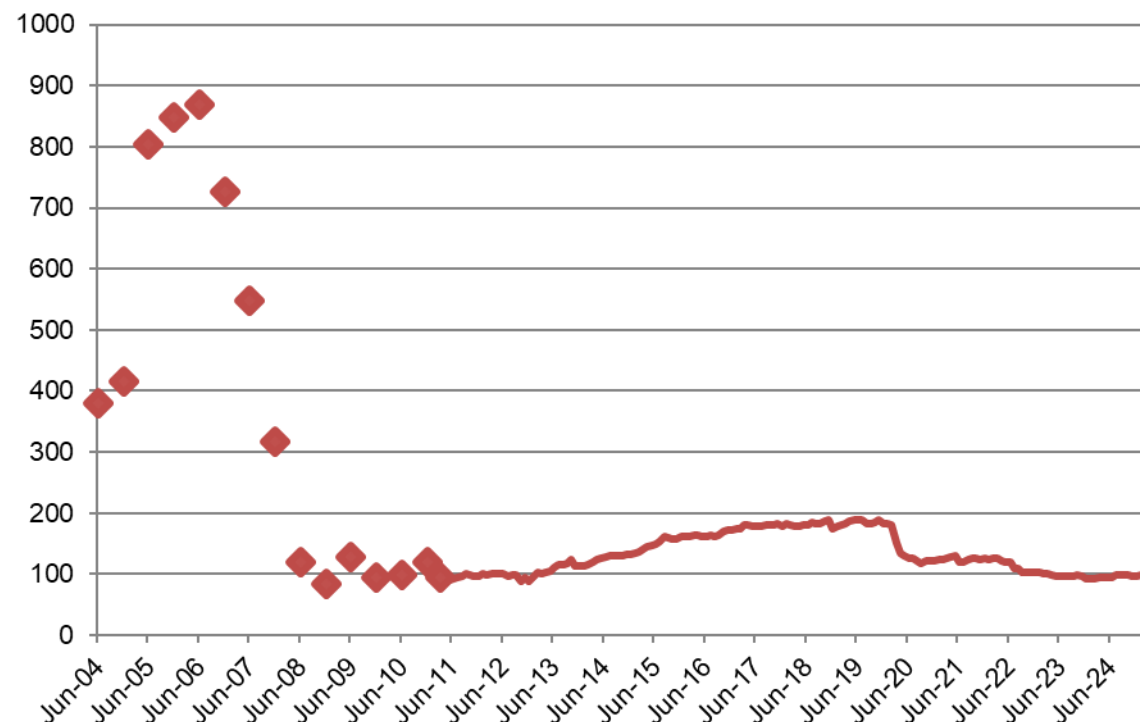


Credit Availability Tight, Non-agency Volume Increasing

Figure 1: RMBS credit issuance to date...

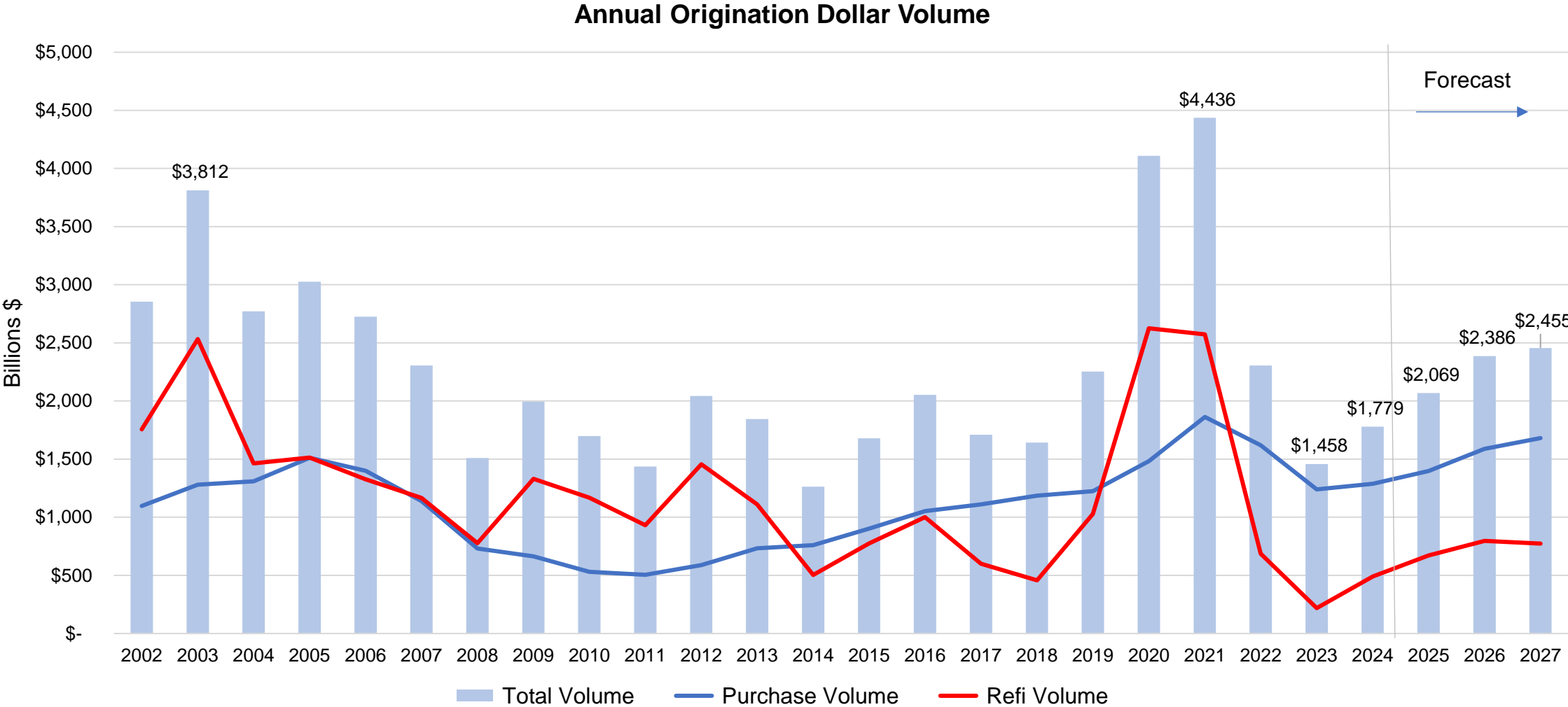
Issuance \$mn	2024 FY	2024 YTD	2025 YTD
Jumbo 2.0	26,940	9,381	13,949
Agency Investor	6,070	1,370	3,106
CRT	7,188	4,361	3,677
Rental	8,672	3,595	2,751
RPL	20,046	6,940	7,086
NPL	6,688	1,435	4,485
Non-QM	46,605	18,885	26,576
Seasoned CRT	999	467	661
HELOC/CES	15,252	5,463	7,423
Other	21,385	7,451	8,890
Total	159,844	59,349	78,604

Expanded Historical Series: Mortgage Credit Availability Index, Index Level by Month
(NSA, 3/2012=100)

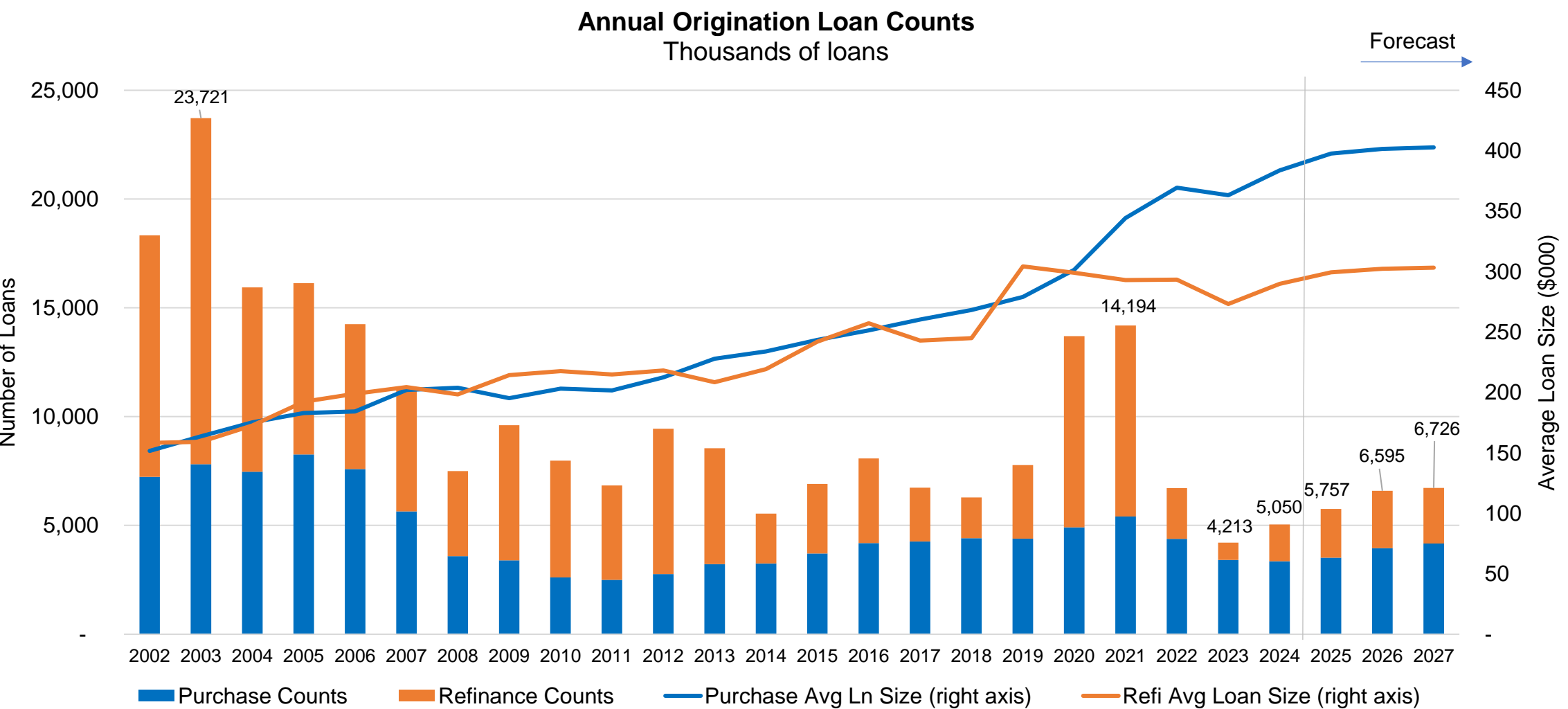


Source: Mortgage Bankers Association; Powered by ICE Mortgage Technology
Data prior to 3/31/2011 was generated using less frequent and less complete data measured at 6-month intervals and extrapolated in the months between for charting purposes.

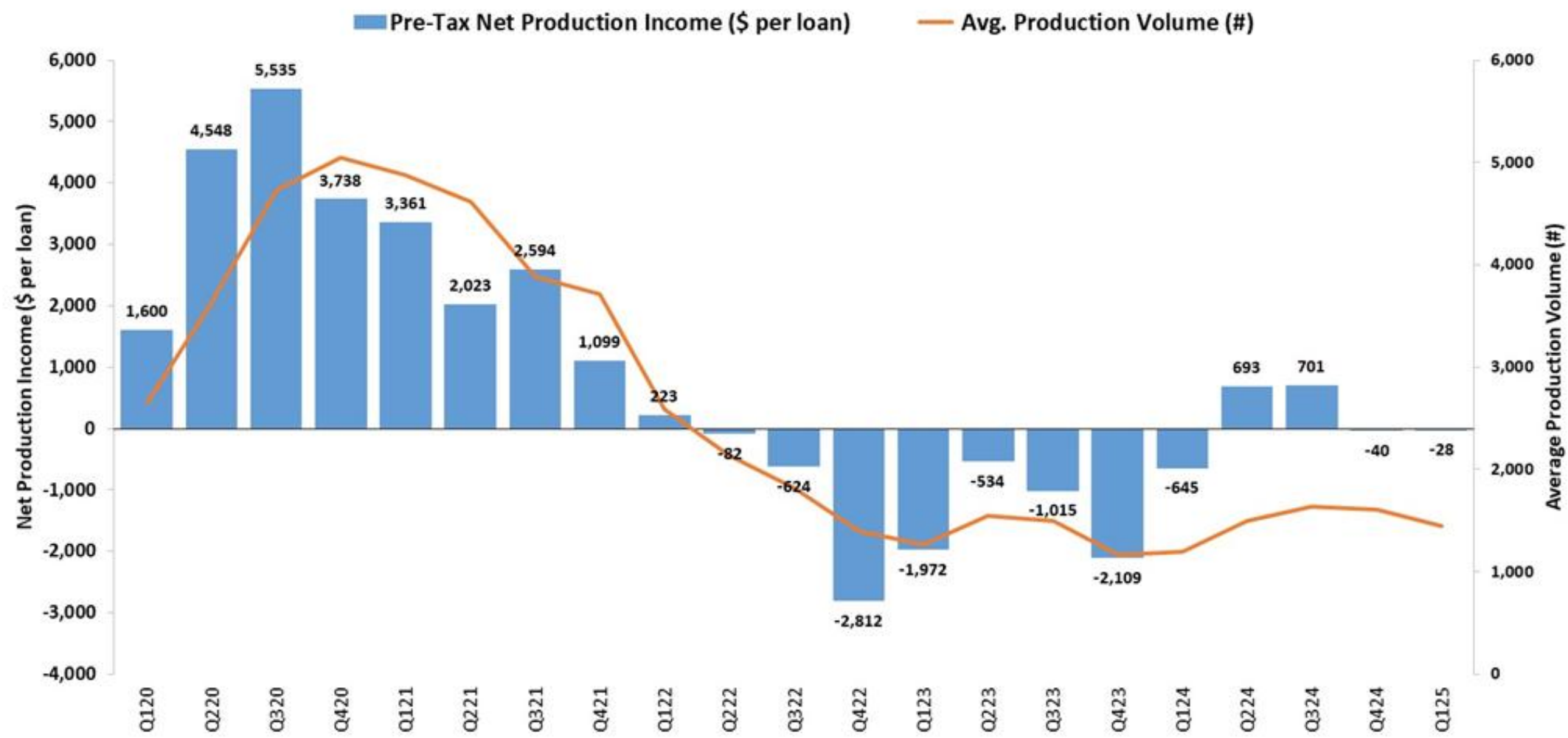
Mortgage Origination Dollar Volume to Increase 16% in 2025



Mortgage Origination Units to Increase 14% in 2025

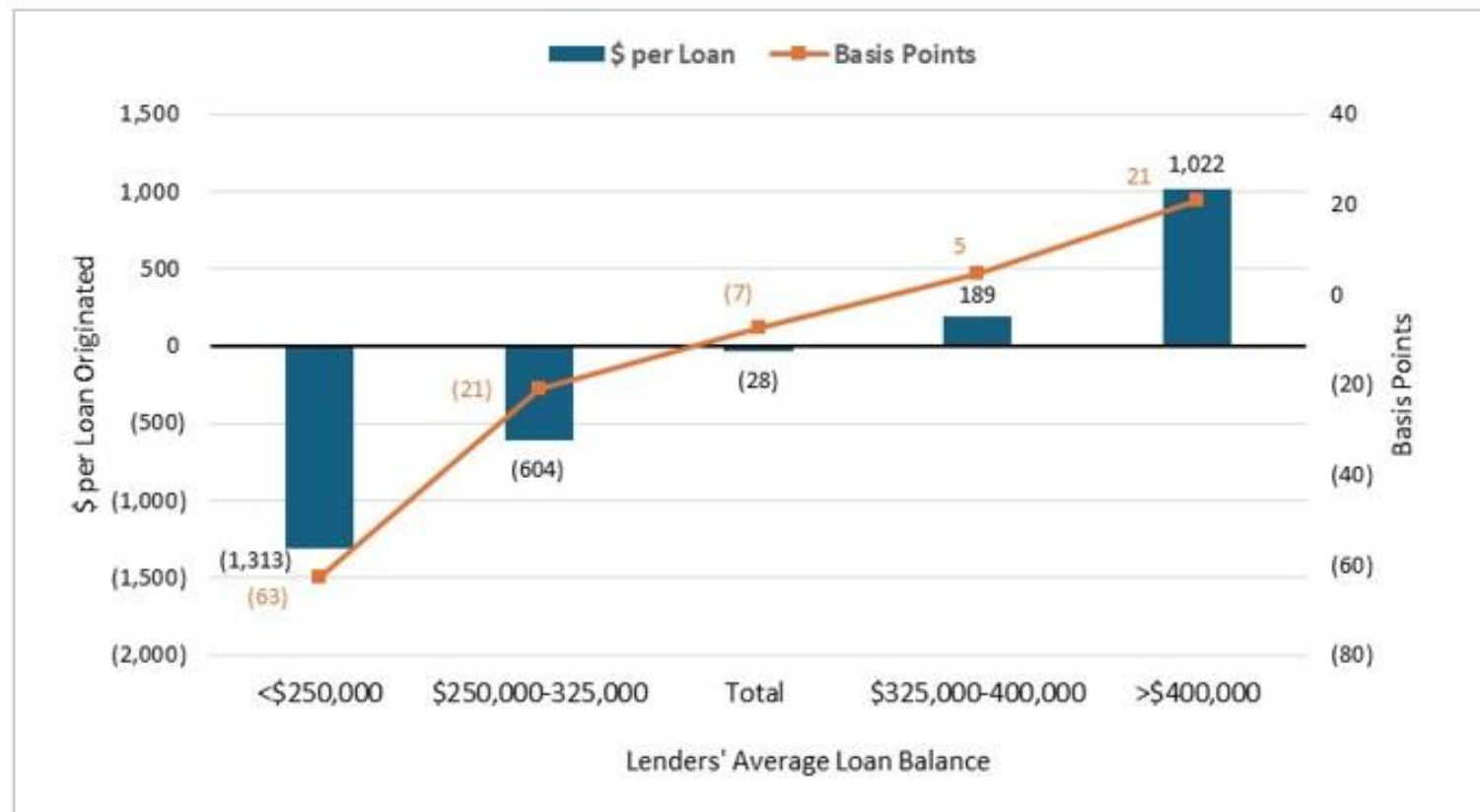


Pre-Tax Net Production Income (\$) for IMBs

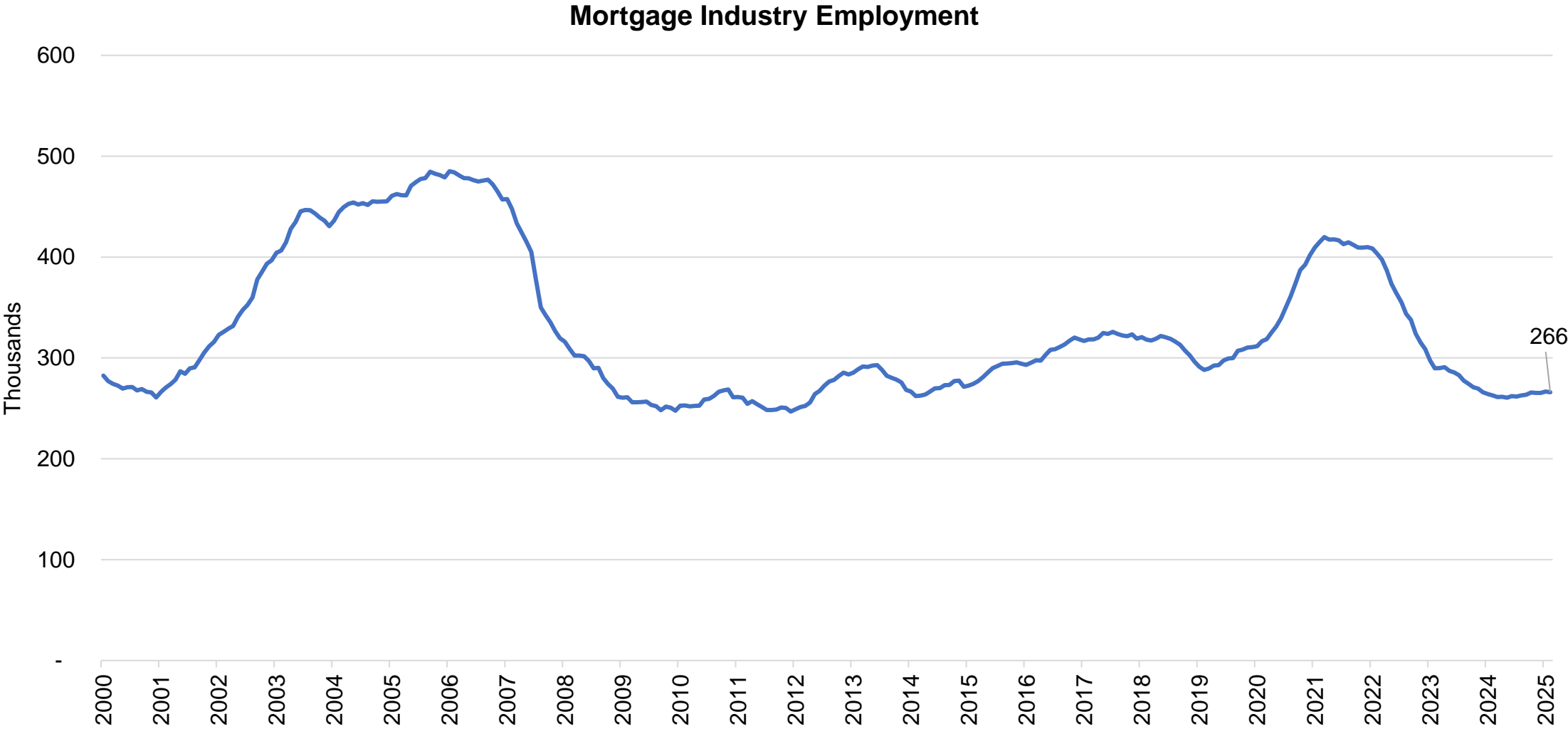


IMB Profitability Driven by Firm Size, Product Mix

Chart of the Week – May 23, 2025
IMB Pre-Tax Net Production Income by Average Loan Balance
in the First Quarter of 2025

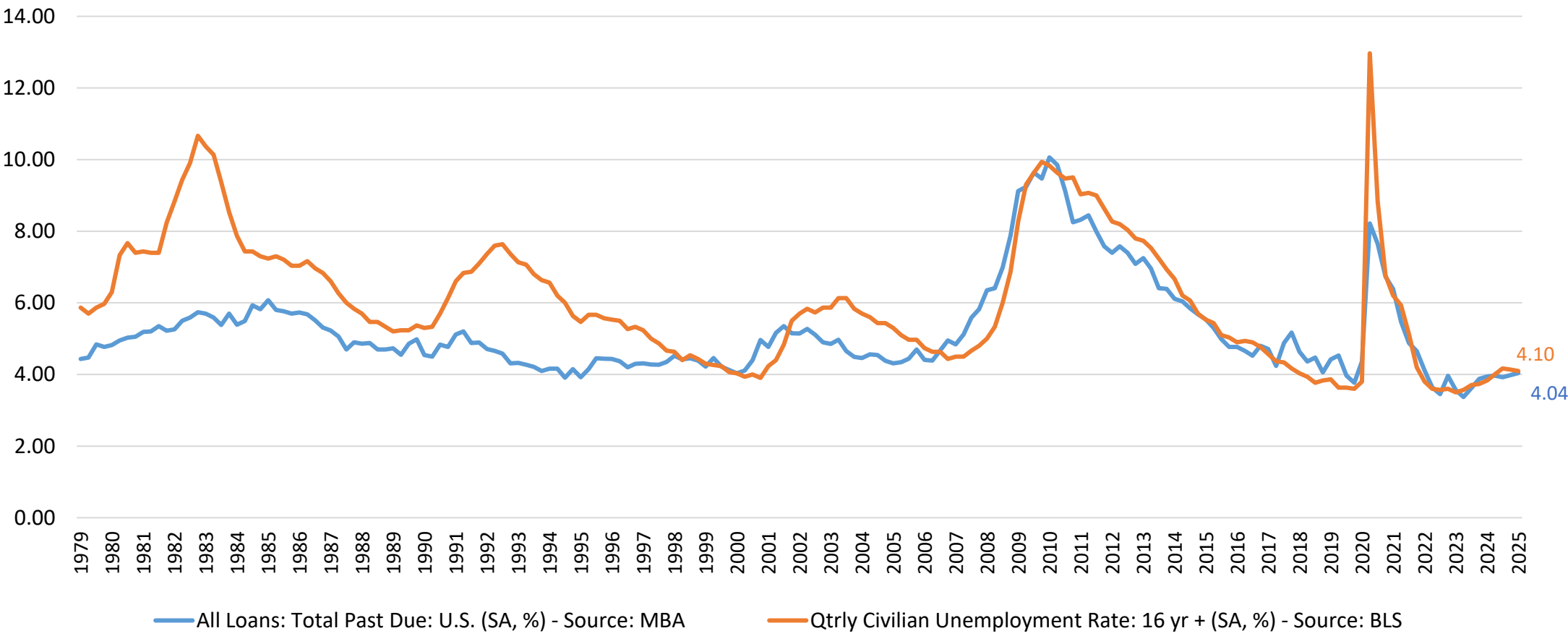


Industry Employment Has Stabilized

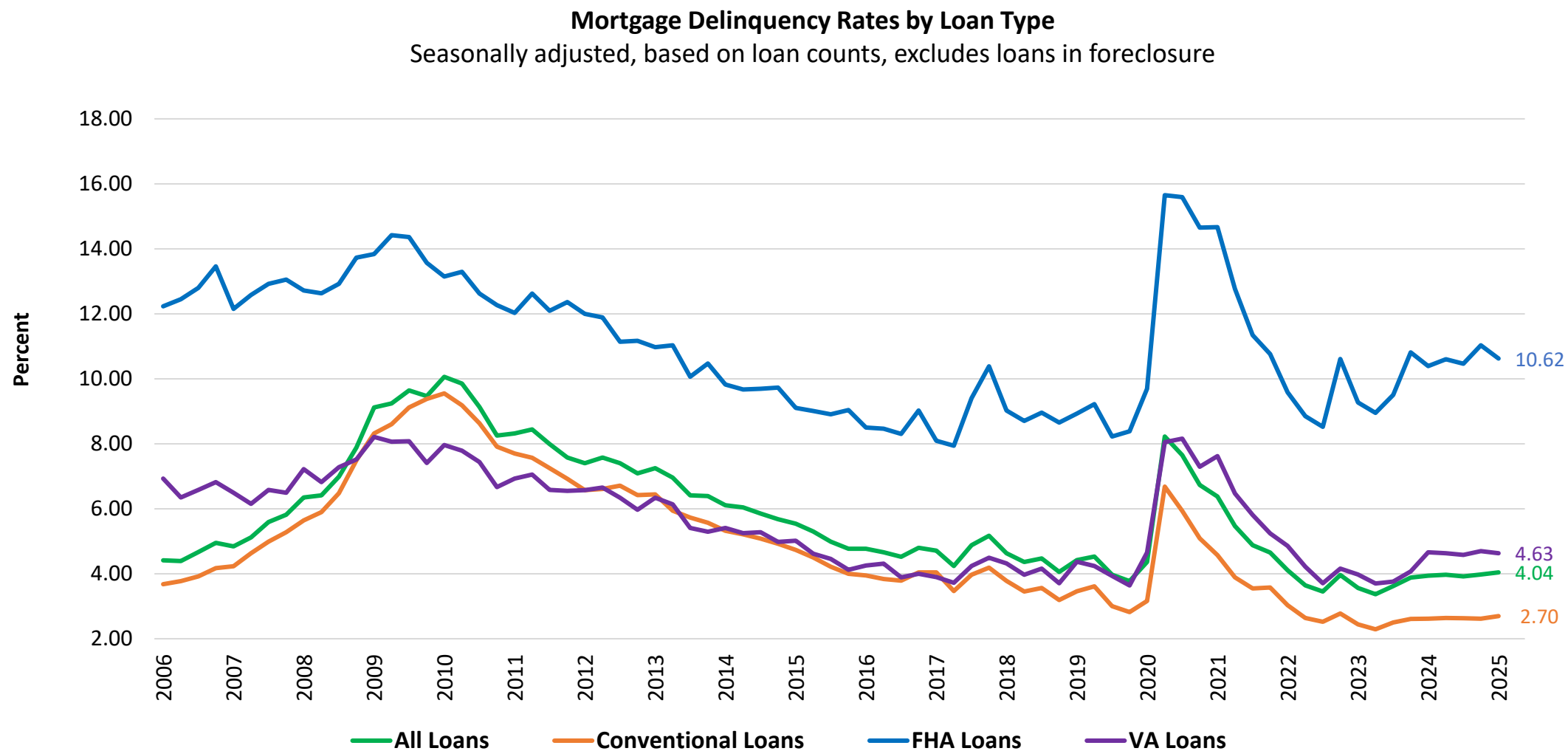


Mortgage Delinquency Rate Tracking with Unemployment Rate

Mortgage Delinquency Rate and Unemployment Rate
Through the First Quarter of 2025
Seasonally adjusted, percent

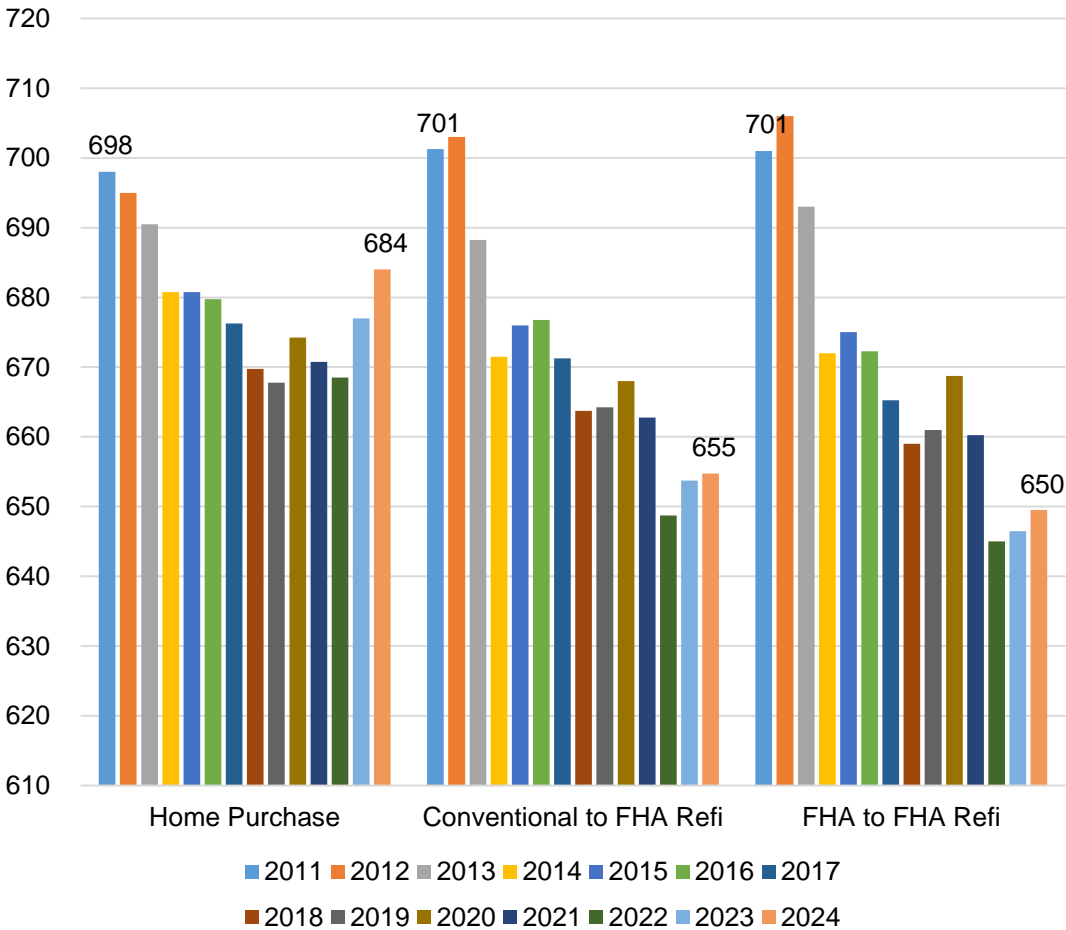


FHA and VA Delinquency Rates Increasing More

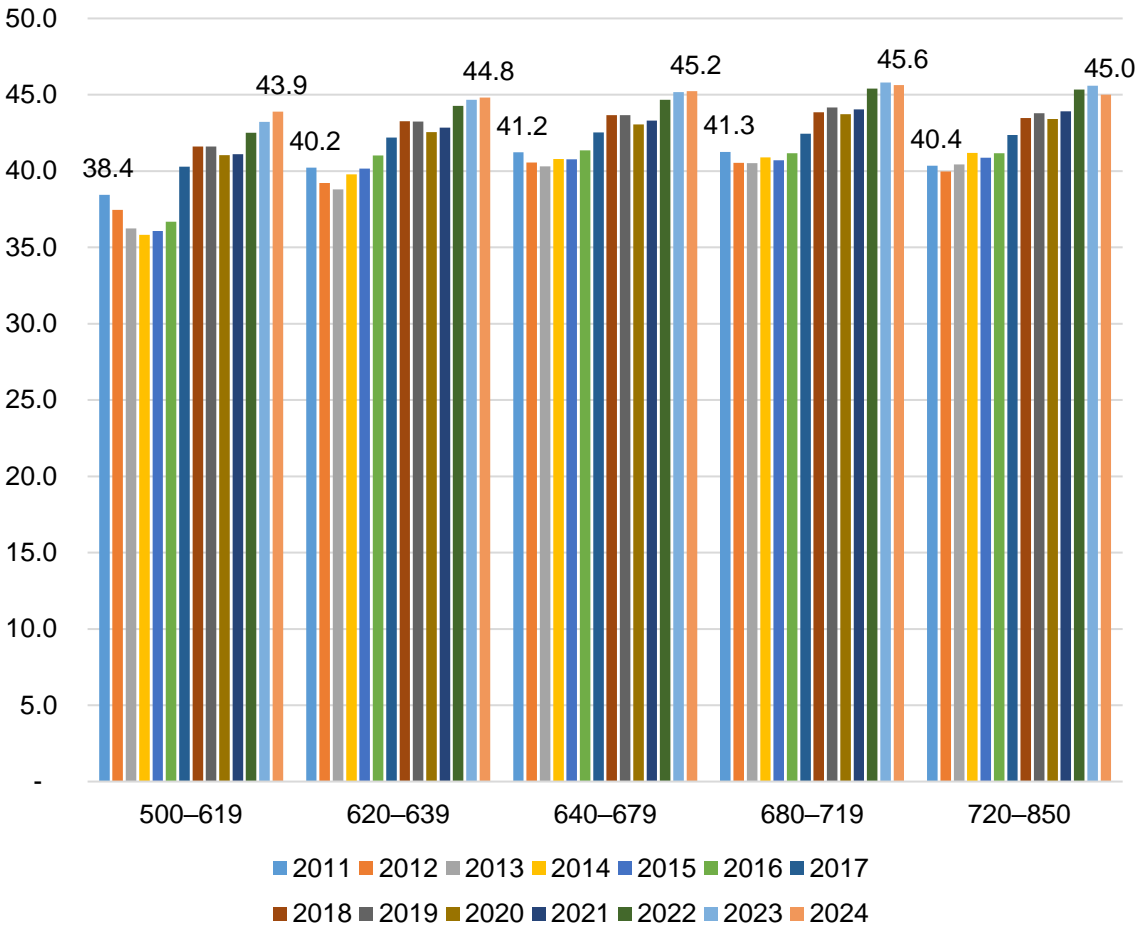


Recent Loan Cohorts Driving Uptick in FHA Delinquencies

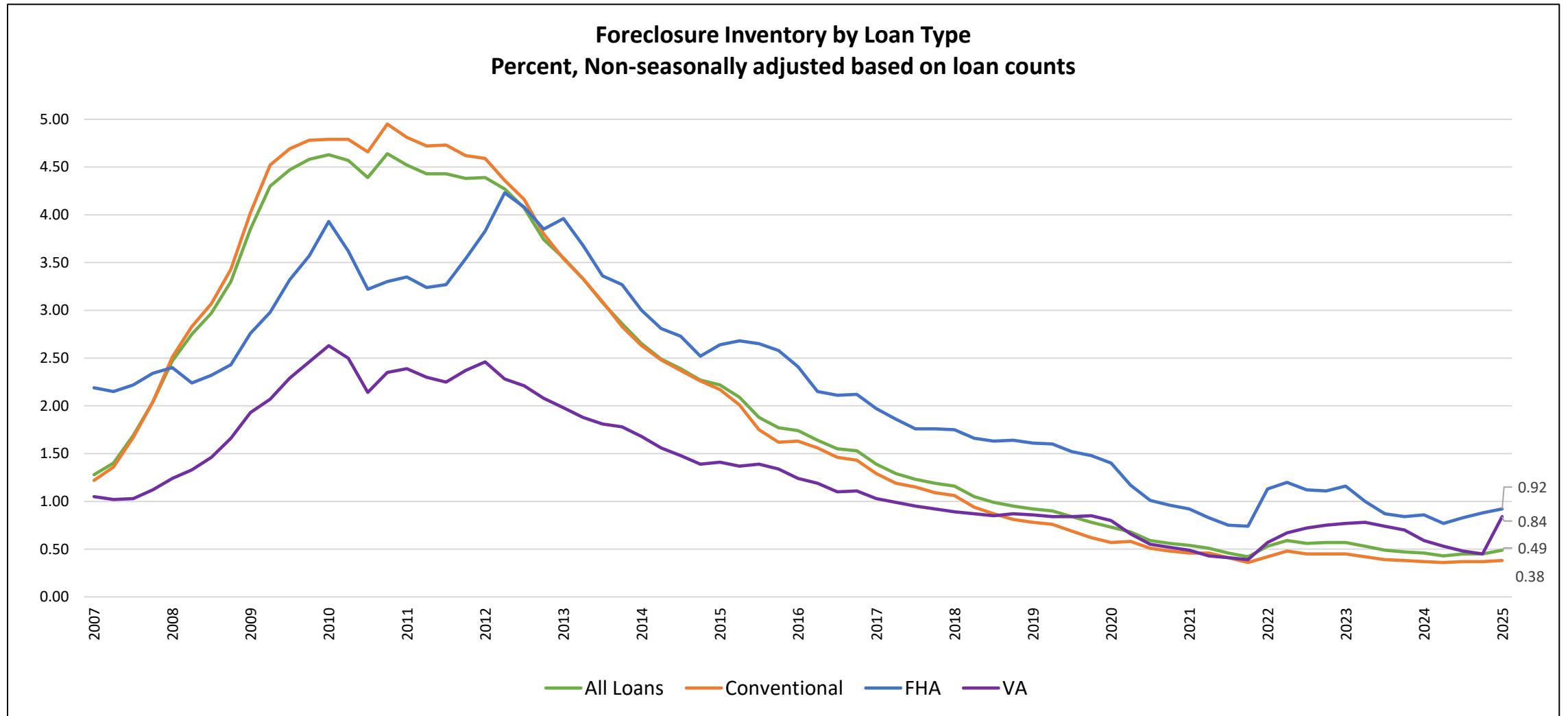
FHA Average Credit Scores on New Endorsements
Fully underwritten only, excludes streamlines



FHA Purchase Endorsement Average DTI by Credit Score Range



VA Foreclosures Jumped in Q1

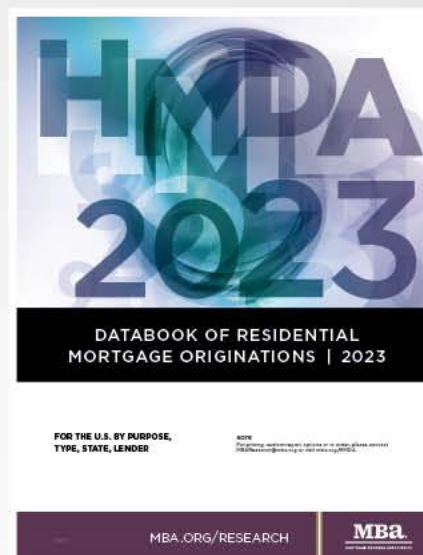


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Alabama		
Data as of First Quarter 2024, unless otherwise noted.		
Homeownership Rate ¹	Alabama	United States
Q1 2023	74.2%	68.6%
Q1 2022	72.9%	65.7%
Q1 2021	73.9%	63.6%
Total Purchase & Refinance Originations in 2023		
Number of Loans	184,156	8,340,865
Loan Volume (\$ thousands)	\$ 25,136,892	\$ 2,213,645,214
Average Loan Amount	\$ 136,500	\$ 268,060
Total Purchase & Refinance Originations in 2022		
Number of Loans	18,826	812,176
Loan Volume (\$ thousands)	\$ 3,428,720	\$ 219,507,685
Average Loan Amount	\$ 182,100	\$ 268,060
Seasonal Weighted Average Rate (30-yr, 2023-2024)		
Total Housing Units	3,248,820	142,606,142
Owner Units	965,770	15,580,751
Occupied Units	1,803,192	128,658,011
Owner-Occupied	89%	89%
Renter-Occupied	11%	11%
Median Family Income	22.2%	1.79%
Series Delinquency Rate (HSA)	Q1 2023	1.89%
Q1 2022	1.89%	1.82%
Q1 2021	1.90%	1.42%
Foreclosure Rate (HSA)	Q1 2023	0.19%
Q1 2022	0.19%	0.14%
Q1 2021	0.19%	0.14%
Unemployment Rate (SA)	2.18%	3.80%
Population (SA)	5,036,470	334,614,000
YOY Change in Home Prices	3.96%	8.65%
YOY Change in Population	0.10%	0.10%



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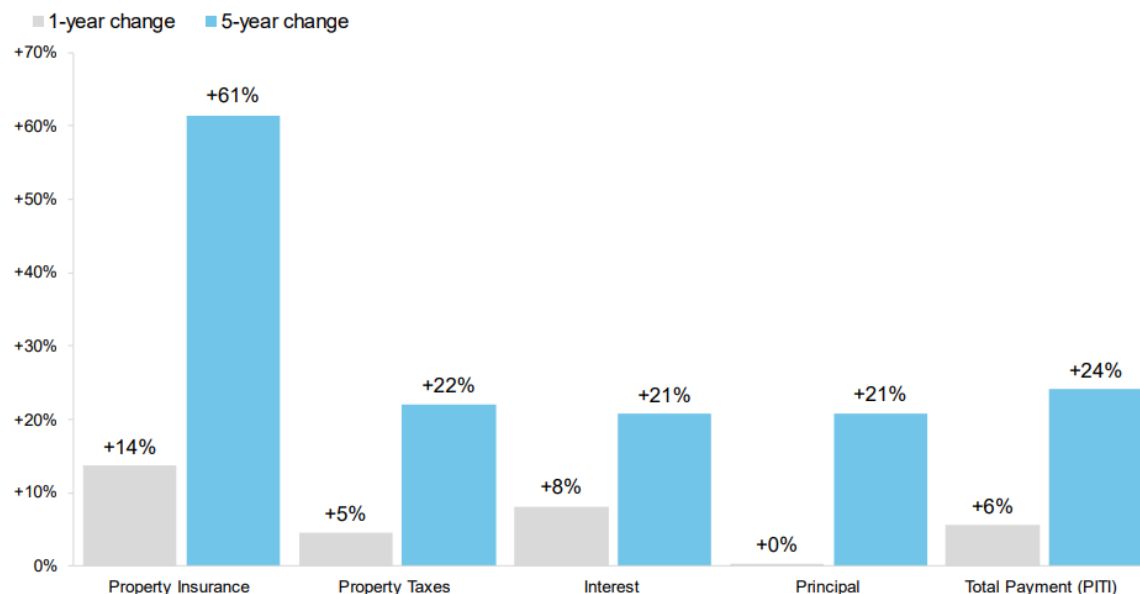
Chart of the Week: <https://www.mba.org/news-and-research/research-and-economics/chart-of-the-week>

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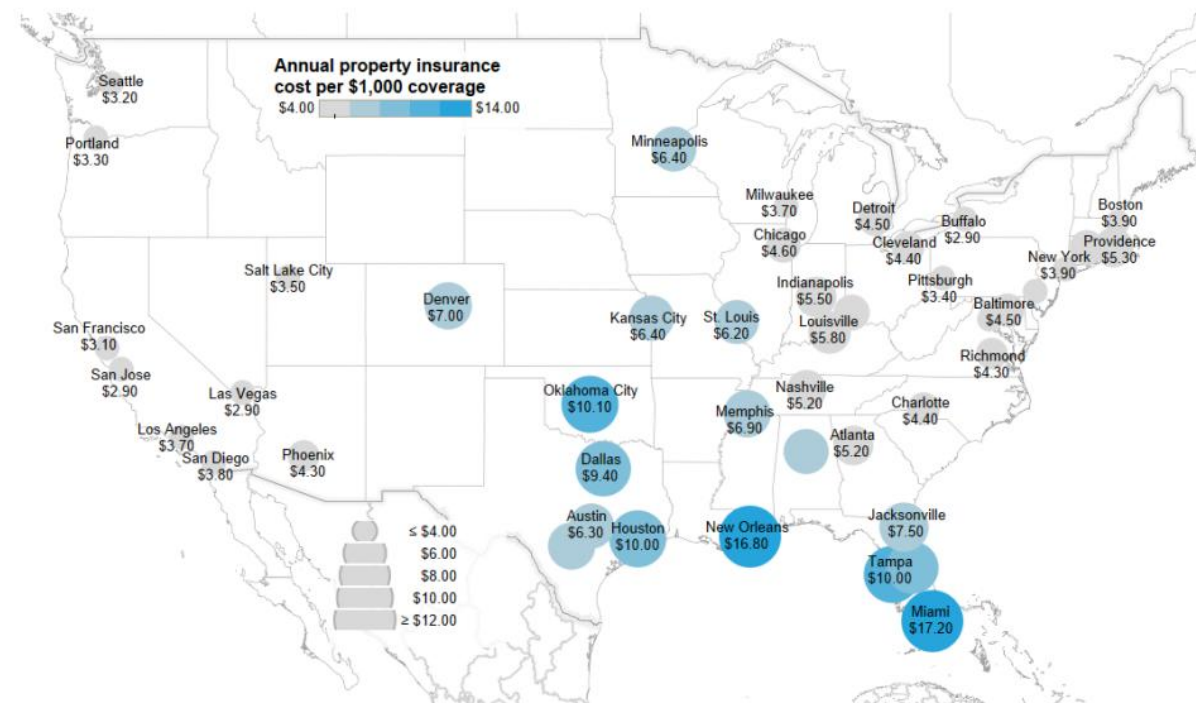
Appendix

Taxes and Insurance Impacting Affordability for Owners

Change in principal, interest, tax, and insurance payment
(Mortgaged single family residences)



Average annual insurance premium per \$1,000 of coverage



- While existing owners have benefited from low interest rates and accumulating home equity, real estate taxes have increased.
- Moreover, as natural disasters and climate related events have increased in frequency and severity, homeowners' insurance premiums—both for hazard and flood insurance—have added to the burden of homeownership.