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June 15, 2022


Quarterly Mortgage Pipeline Hedging Update

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Speakers



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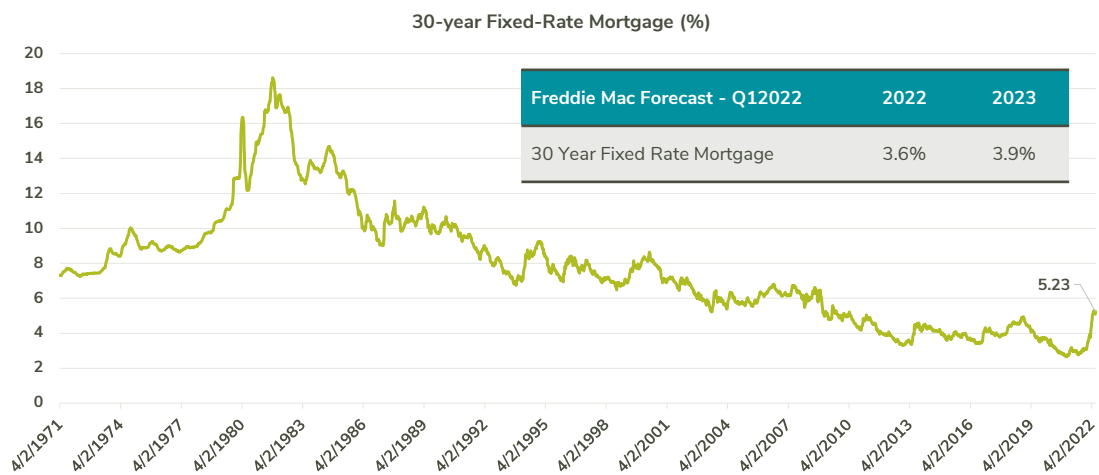
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Agenda

- Rising rates
- Pipeline performance
- Treasury rates
- Mortgage & TBA pricing
- P/S spread

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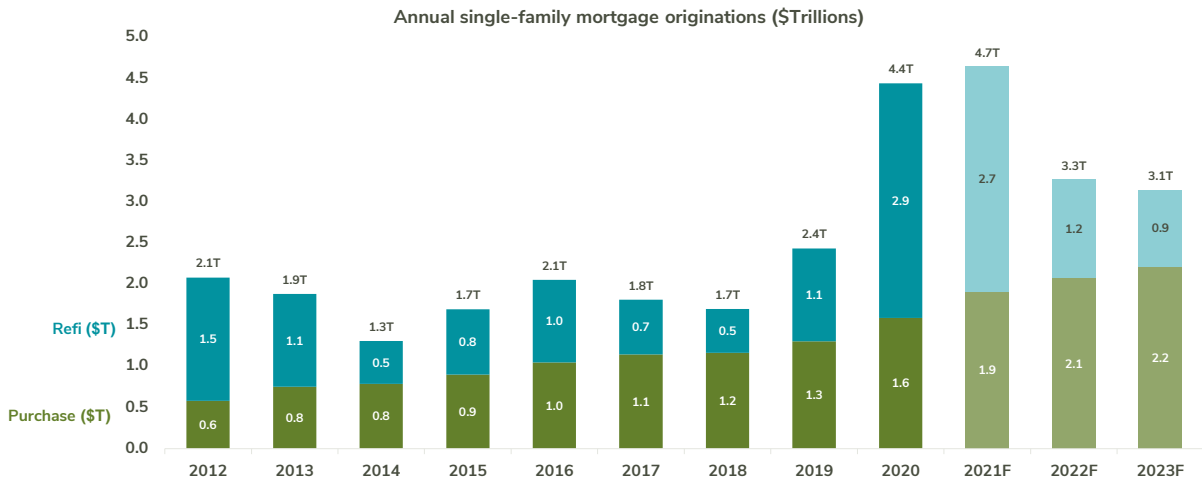
Rates Are Increasing but Still Low Compared to History



Source: Freddie Mac, MBA

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Purchase Originations are Expected to Remain Strong in 2022 and 2023 on Solid Demand for Housing due to Low Rates and Demographic Tailwinds



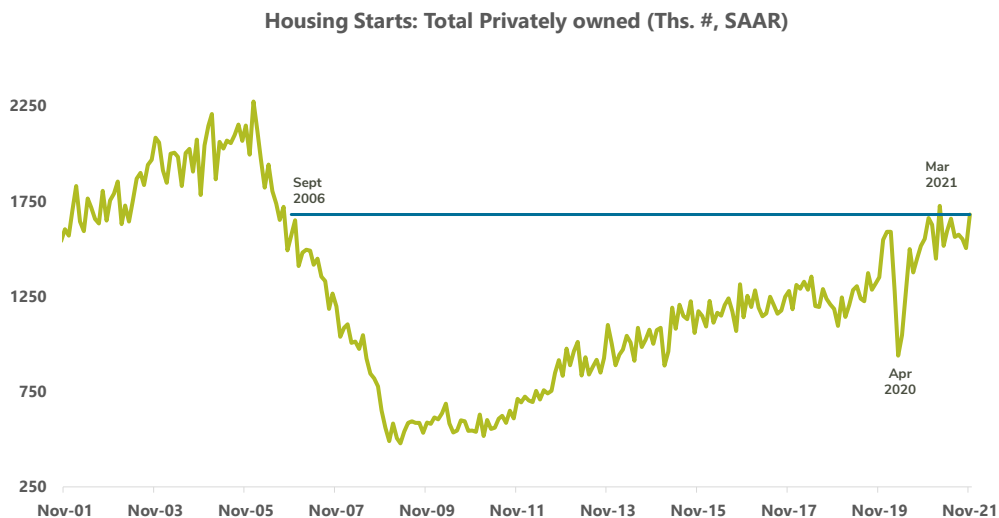
Source: Freddie Mac Q12022 Economic and Housing Research Outlook
Note: Totals may not add due to rounding ; * Includes only 1st liens

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Housing Starts Surge is the Second Highest Since September 2006 but not Enough For Growing Demand



Source: US Census Bureau

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Aggregated Client Hedge Cost

Period	R-Squared	Hedge Cost (%)	Avg Monthly Hedge Cost (%)
May	97.7%	-0.42%	NA
Quarter to Date	98.4%	-0.40%	-0.20%
April 2022	98.6%	-0.01%	-0.01%
March 2022	99.4%	-0.24%	-0.25%
Quarter 1, 2022	98.9%	-0.79%	-0.27%
Quarter 4, 2021	98.3%	-0.59%	-0.20%
Year to Date	98.7%	-1.22%	-0.24%
Last 12 Months	98.5%	-2.52%	-0.21%
Year 2021	97.7%	-2.65%	-0.22%
Since Inception	96.7%	-11.25%	-0.16%

Source: ALM First



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Current Market Rates

Market Rates								
Index	Maturity	Rate				Change		
		Cur	Mth	Qtr	1 Yr	MTD	QTD	1 Yr
CMT	2 Year	3.35	2.56	2.31	0.15	0.79	1.03	3.20
	5 Year	3.50	2.82	2.45	0.75	0.68	1.05	2.76
	10 Year	3.38	2.86	2.33	1.46	0.52	1.05	1.92
	10/2 Sprd	0.03	0.30	0.02	1.31	-0.27	0.02	-1.27
CMS	2 Year	3.72	2.90	2.53	0.22	0.83	1.20	3.50
	5 Year	3.55	2.87	2.51	0.82	0.68	1.04	2.73
	10 Year	3.45	2.94	2.39	1.43	0.51	1.06	2.01
	10/2 Sprd	-0.28	0.04	-0.14	1.21	-0.32	-0.14	-1.49

Source: Bloomberg



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TBA Pricing Changes

Index	Cpn	Price		Change		
		Current	Month	MTD	QTD	1 Yr
FNCI	2	94.51	93.71	0.92	-2.33	-7.06
	2.5	96.81	95.71	1.26	-1.68	-6.37
	3	98.68	98.04	0.80	-1.57	-5.69
	3.5	100.64	100.08	0.83	-0.75	-5.24
FNCL	2.5	91.98	91.20	0.95	-3.08	-9.22
	3	95.28	94.27	1.21	-2.11	-7.62
	3.5	98.00	96.96	1.26	-1.57	-6.27
	4	99.97	99.41	0.86	-1.42	-6.26
	4.5	101.70	101.67	0.51	-1.21	-6.03
	5	103.26	103.48	0.26	-1.43	-6.77

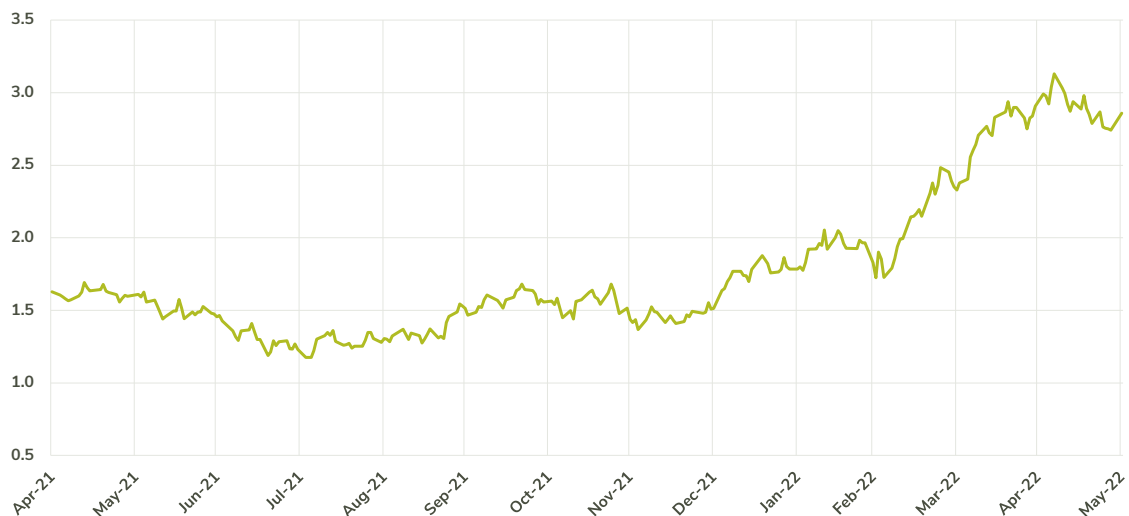
Source: Bloomberg



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10-Year Treasury Rate History



Source: Bloomberg

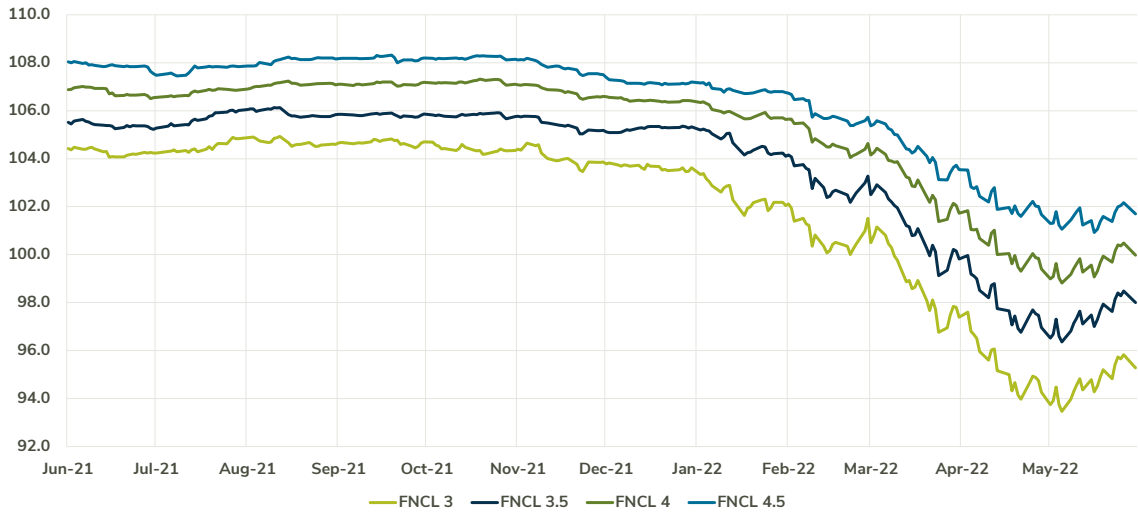


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FNCL Prices



Source: Bloomberg



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Quarterly Change in TBA Pricing – 30 Year



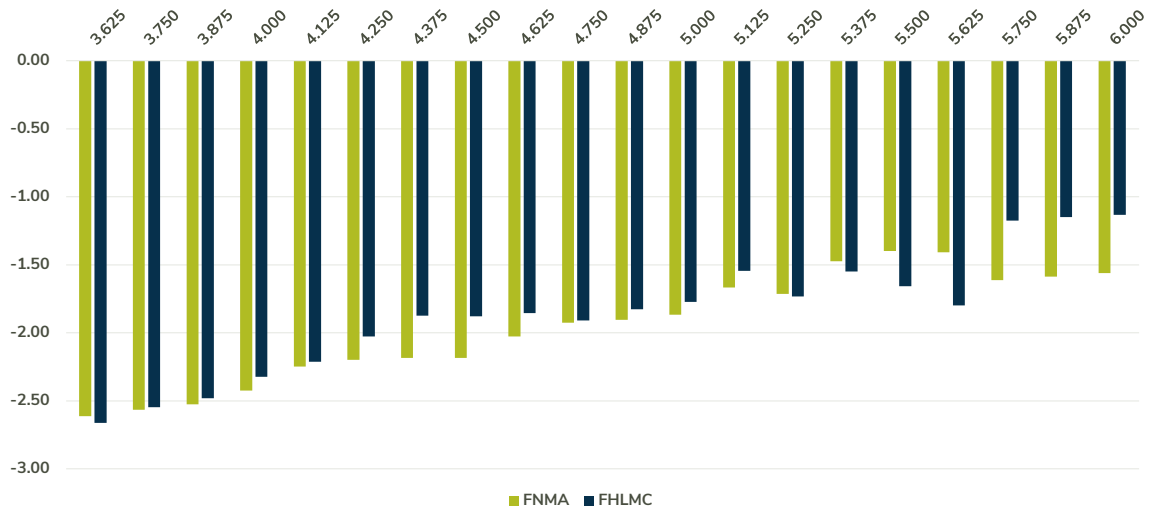
Source: Bloomberg



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QTD Change in Cash Window Loan Pricing – 30 Year



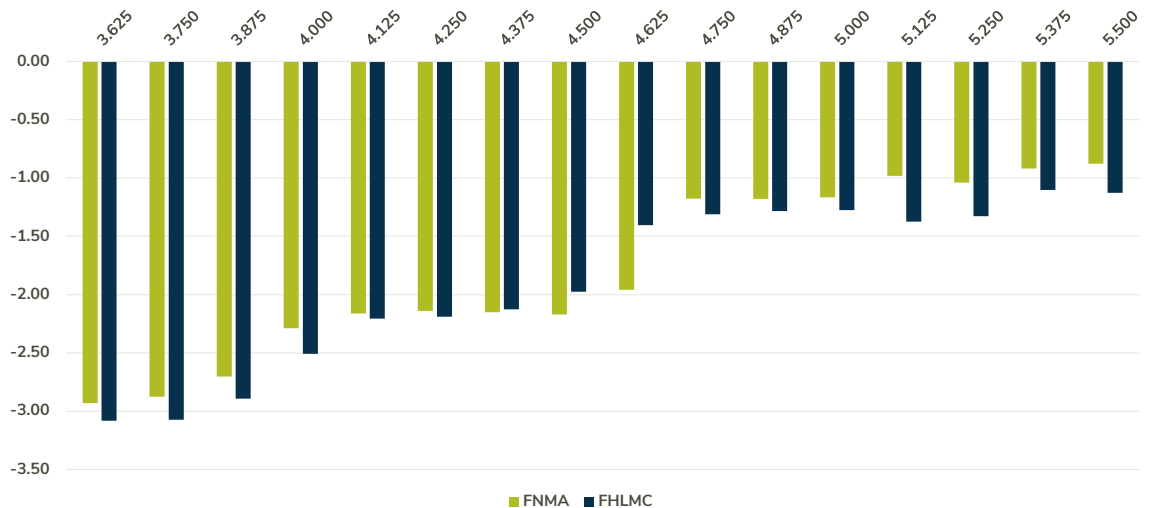
Source: Fannie Mae & Freddie Mac



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QTD Change in Cash Window Loan Pricing – 20 Year



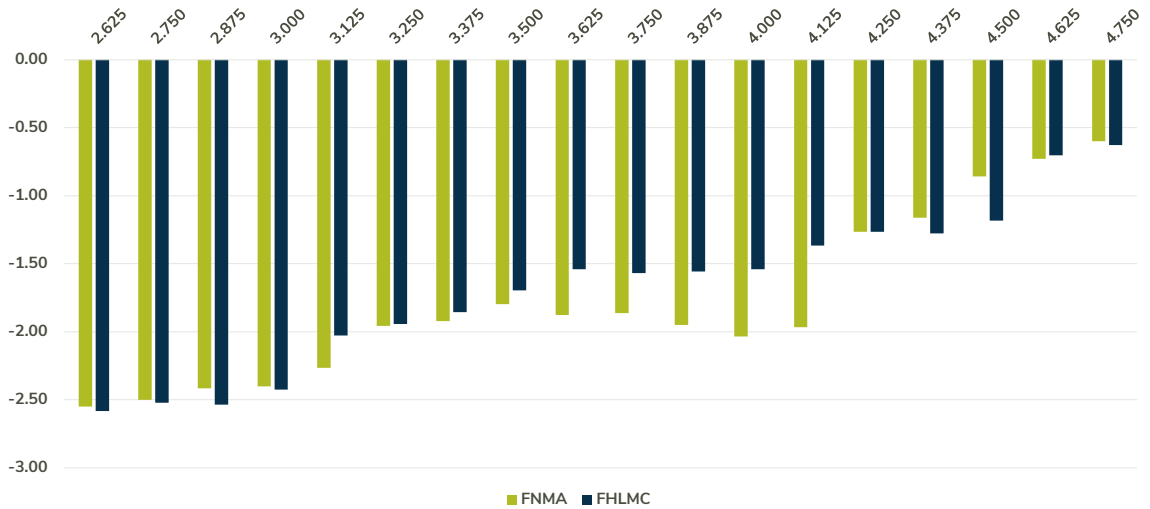
Source: Fannie Mae & Freddie Mac



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QTD Change in Cash Window Loan Pricing – 15 Year



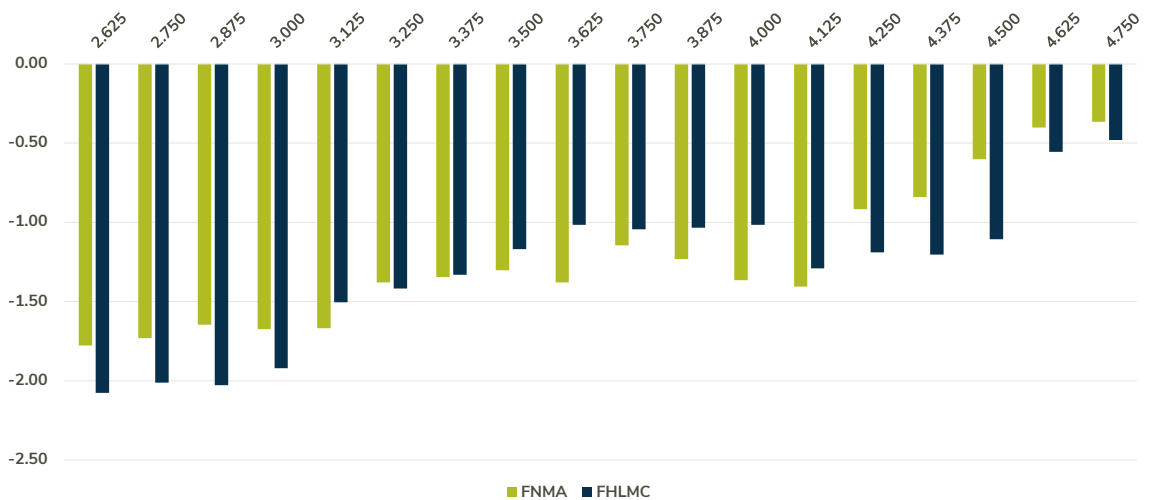
Source: Fannie Mae & Freddie Mac



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QTD Change in Cash Window Loan Pricing – 10 Year



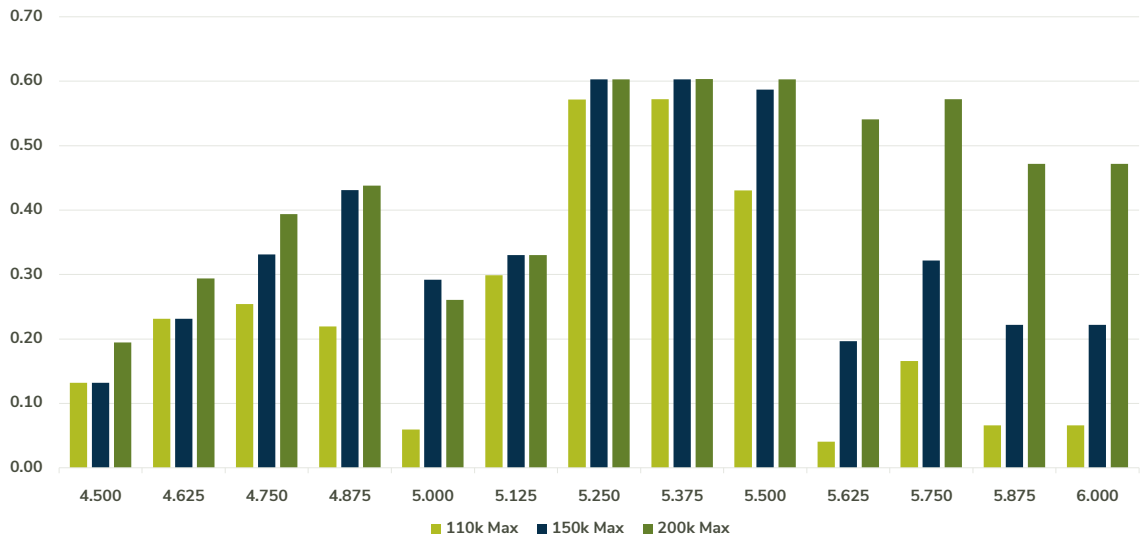
Source: Fannie Mae & Freddie Mac



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Low Loan Balance Spec Pay-up Changes (April - May)



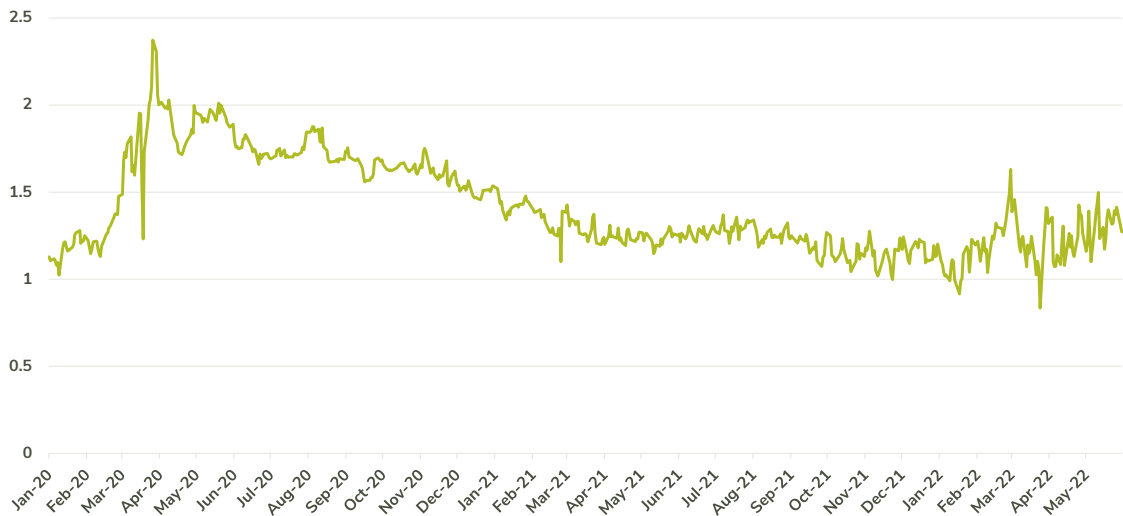
Source: Fannie Mae

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Primary/Secondary Spread



Source: Bloomberg

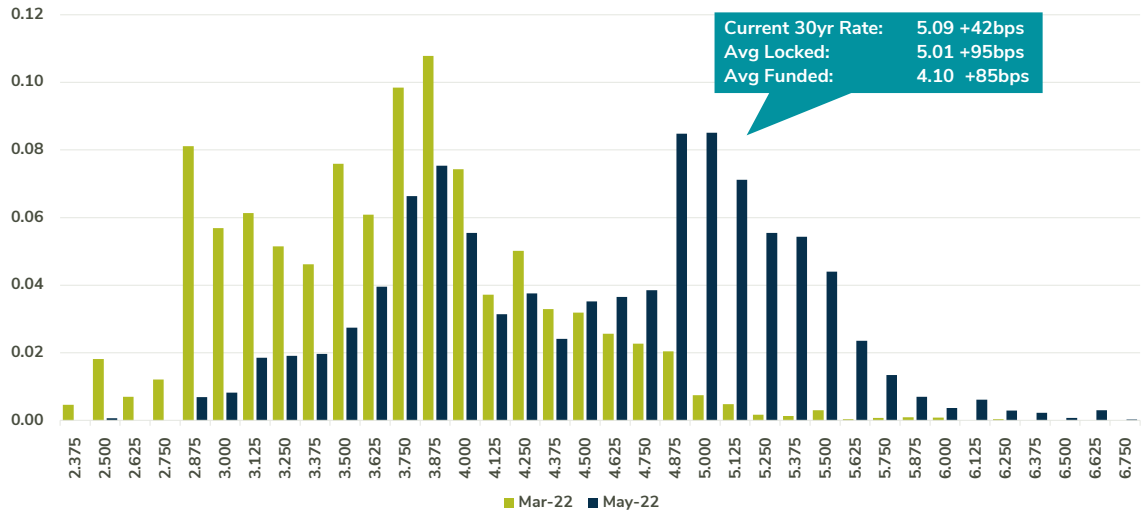
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Coupon Distribution – 30-Year Fixed Rate



Source: ALM First



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Business Mix

Pipeline Position	Total	Locked	Funded	Committed
Gross WAC	4.52	5.01	4.10	3.15
Days in Pipeline	59	19	93	209
Days Since Appraisal	23	3	40	27
Credit Score	744	744	743	756
LTV	75.79	78.76	73.34	57.27
CLTV	75.93	78.83	73.56	57.33
Percent Refinance	32%	19%	43%	90%
Percent Purchase	68%	81%	57%	10%

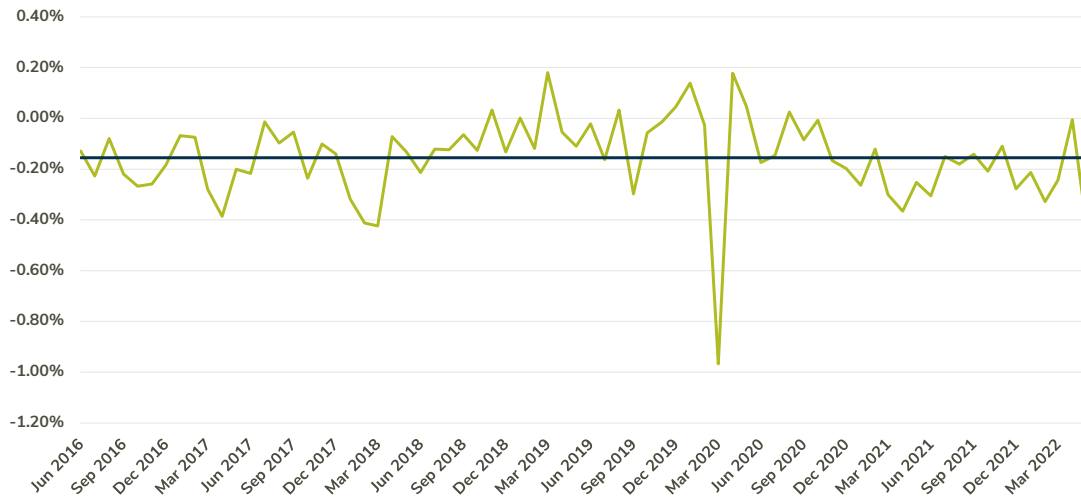
Source: ALM First



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Historical Hedge Cost (Percent of Hedged Pipeline)



Source: ALM First



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General Thoughts / Questions?

- Rates continue to increase on inflation concerns and Fed tapering
- FNMA adjusts market forecast for purchase and refi volume
 - Purchase market expected remain flat from last year
 - Refi volume expected to fall by 70% 2022 vs 2021
- Disparity between jumbo loan rate and conforming continues to grow
- ARM volume continues to increase but a lack of investor appetite



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Questions?

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