NEWS RELEASE

ICE Mortgage Monitor: As Market Gradually Shifts to Higher Rates, Latest Data Identifies Possible Refinance Tipping Point

7/2/2024

- According to ICE Mortgage Technology data and analytics, as of May, 24% of mortgage holders had current interest rates of 5% or higher, up from 10% two years ago
- Four million loans originated since 2022 have rates of 6.5% or higher – 1.9M at 7%+ – providing modest opportunity for growth in the number of mortgage holders with incentive to refinance as rates ease
- An average of ~240K mortgages sit in each 1/8th of a percent rate band from 7-7.625% providing only modest increases to the number of in-the-money mortgages as those loans gain refinance incentive
- There's a spike of 690K loans with rates just below 7%, driven in part by borrowers buying down their rates for the comfort of an interest rate that starts with a 6, which could be a tipping point to more meaningful, albeit still modest, refi activity as those borrowers gain incentive to refinance
- The VA share of rate/term refi activity experienced a noticeable upswing in recent weeks, accounting for more than 30% of recent rate locks, according to ICE originations data, up from less than 10% last year
- The average VA refinance borrower is early into their 30-year term (average prior loan age of ~1 year) and benefitting from a 1pp cut in their first lien mortgage rate, for an average savings of $230 per month
- Refinance retention hit its highest level in 18 months in Q1, driven in part by a tripling of rate/term retention – from 15% in Q4 to 46% in Q1 – among borrowers refinancing their VA and FHA loans

ATLANTA & NEW YORK--(BUSINESS WIRE)-- Intercontinental Exchange, Inc. (NYSE:ICE), a leading global provider of technology and data, today released its July 2024 **ICE Mortgage Monitor Report**, based on the company's industry-leading mortgage, real estate and public records data sets.

This month's Mortgage Monitor looks into the dynamics behind the changing makeup of the active mortgage market, which is gradually shifting toward higher average rates. As Andy Walden, ICE's Vice President of Research and Analysis notes, the overall market remains heavily skewed toward lower-rate mortgages, but that is changing.

"As of May, 24% of homeowners with mortgages now have a current interest rate of 5% or higher," said Walden. "As recently as two years ago an astonishing nine of every 10 mortgage holders were below that threshold.

"All in, there are 5.8M fewer sub-5% mortgages in the market today than there were at this time in 2022. This has been a slow-moving change, as borrowers with lower rates have sold their homes or, to a smaller degree, refinanced to withdraw equity. The entire market is acutely aware of how elevated rates have been constraining origination volumes. But seen from another angle, the same dynamic is also serving to gradually enlarge the population of folks with high-rate mortgages, who are actively waiting for the moment a refinance makes sense. This would benefit both a growing number of homeowners and lenders."

As noted in the report, 4M first lien mortgages originated since 2022 have 30-year rates above 6.5%, with 1.9M having rates of 7% or higher. On average, there are ~240K active mortgages in each 1/8th of a percentage point bracket in the 7-7.625% range; however, there's a noticeable spike of 690K loans with rates just below 7%. Walden explains:

"The concentration of active loans just below 7% has more to do with borrower psychology than concrete savings. There's clearly something appealing in today's market for a homeowner to see a 6-handle in front of their mortgage rate. From a rate/term refinance lending perspective, this group is worth watching as they represent a potential tipping point for a return to more meaningful, albeit historically modest, refi volumes."

For now, refi volumes remain at a fraction of historical levels. That said, we have seen some notable shifts in who is taking out refis in today's market. Consider, for example, the recent rise in VA market share, from less than 10% of rate/term refis a year ago to more than 30% in recent weeks, according to ICE origination data.

The rise in VA refinance share seems to be due, in large part, to streamline refinances. Some veterans, especially those who had taken out mortgages within the past year, availed themselves of the streamlined refinancing program to lower their interest rate by more than a full percentage point, for an average savings of $230 per month among April originations, according to a before-and-after analysis of ICE McDash +Property data.

That makes sense, considering the ICE U.S. VA 30-Year fixed rate mortgage index is down nearly a full percentage point from its peak in late October, with the average rate offering among such loans notably below that of FHA and conforming mortgage counterparts. VA refinances also helped improve the servicing retention rate in Q1 to its highest level in 18 months, with retention of FHA and VA refinances tripling from 15% in Q4 to 46% in Q1.

Those lower payments come at a cost, however, as the average borrower increased their loan balance to buy down their rate and/or finance closing costs. The quick turn also resulted in unusually high prepay speeds, which can negatively impact investors in VA loan backed securities.

The recent activity among VA loans supports the findings of the recently released 2024 ICE Borrower Insights Survey, which showed that finding the lowest mortgage rate trumped all other concerns when choosing a lender, with a 20-point delta between that and the next most frequent choice. But, while borrowers want the lowest rate, they typically don't consider many options.

In fact, 84% of borrowers surveyed considered only one (36%) or two (48%) options before selecting a lender. This, as well as the successful proactive retention of FHA/VA borrowers in Q1, shows how important it is for lenders to stay attuned to their borrowers' needs and make first contact when a beneficial refi opportunity arises.

Much more information on these and other topics can be found in **this month's Mortgage Monitor.**

About Mortgage Monitor

ICE manages the nation's leading repository of loan-level residential mortgage data and performance information covering the majority of the overall market, including tens of millions of loans across the spectrum of credit products and more than 160 million historical records. The combined insight of the ICE Home Price Index and Collateral Analytics' home price and real estate data provides one of the most complete, accurate and timely measures of home prices available, covering 95% of U.S. residential properties down to the ZIP-code level. In addition, the company maintains one of the most robust public property records databases available, covering 99.9% of the U.S. population and households from more than 3,100 counties.

ICE's research experts carefully analyze this data to produce a summary supplemented by dozens of charts and graphs that reflect trend and point-in-time observations for the monthly Mortgage Monitor Report. To review the full report, visit: **https://www.icemortgagetechnology.com/resources/data-reports**

About Intercontinental Exchange

Intercontinental Exchange, Inc. (NYSE: ICE) is a Fortune 500 company that designs, builds, and operates digital networks that connect people to opportunity. We provide financial technology and data services across major asset classes helping our customers access mission-critical workflow tools that increase transparency and efficiency. ICE's futures, equity, and options **exchanges** -- including the **New York Stock Exchange** -- and **clearing houses** help people invest, raise capital and manage risk. We offer some of the world's largest markets to trade and clear energy and environmental products. Our fixed income, **data services** and execution capabilities provide information, analytics and platforms that help our customers streamline processes and capitalize on opportunities. At **ICE Mortgage Technology**, we are transforming U.S. housing finance, from initial consumer engagement through loan production, closing, registration and the long-term servicing relationship. Together, ICE transforms, streamlines, and automates industries to connect our customers to opportunity.

Source: Intercontinental Exchange

Category: Mortgage Technology

ICE-CORP

ICE Media Contact

Mitch Cohen

mitch.cohen@bkfs.com

+1 (704) 890-8158

ICE Investor Contact:

Katia Gonzalez

katia.gonzalez@ice.com

+1 (678) 981-3882

Source: Intercontinental Exchange