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Press Release

Default risk for government-sponsored mortgages increases for first time since Milliman began tracking quarterly index

Mortgage volume in Q1 2021 decreased compared to prior quarter, but remains elevated

SEATTLE – AUGUST 4, 2021 – Milliman, Inc., a premier global consulting and actuarial firm, today announced the first quarter (Q1) 2021 results of the Milliman Mortgage Default Index (MMDI), which shows the latest monthly estimate of the lifetime default risk of U.S.-backed mortgages.

During Q1 2021, the default risk for government-sponsored enterprise (GSE) acquisitions (purchased and refinanced loans backed by Freddie Mac and Fannie Mae) increased for the first time since Milliman began tracking its mortgage default index in 2019. The MMDI rate for Freddie and Fannie loans grew from 1.38% in Q4 2020 to 1.52% for acquisitions originating in Q1 2021. Meanwhile, mortgage volume for GSE originations remains elevated, but decreased compared to the prior quarter as interest rates increased and mortgage refinancing dipped early in the year.

“For Freddie and Fannie mortgages that originated in early 2021, we’re seeing an increase in the potential for default primarily because of economic risk,” says Jonathan Glowacki, a principal at Milliman and author of the MMDI. “Home-price appreciation for these loans is more pessimistic compared to previous quarters, despite underwriting and borrower risk remaining fairly consistent.”

While the current level of robust home price growth is certainly a function of the pandemic and supply/demand imbalances, it is difficult to estimate how home prices may react “post-pandemic.” The MMDI reflects a baseline forecast of future home prices.

For Ginnie Mae loans in Q1 2021, the MMDI rate also increased from 8.27% to 9.30% between Q4 2020 to Q1 2021. This is predominantly due to the decrease in volume of refinance loans in Q1 compared to last quarter.

For more on the MMDI, go to www.milliman.com/mmdi/. To access additional mortgage market thought leadership, go to <https://www.milliman.com/en/products/milliman-m-pire>.

About Milliman

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