

ECONOMIC MARKET SNAPSHOT

FALL 2025 | ISSUE NO. 31

NATIONAL MI IS PLEASED TO BRING YOU OUR Fall 2025 Edition of the Economic Market Snapshot

As Q4 unfolds, the housing market is stable, though muted.

Inflation remains above the Fed's 2% target. September's Consumer Price Index showed a slight inflation uptick for the month, rising 3.1% year-over-year. Looking ahead, John Burns Research and Consulting (JBREC) expects a slight decline in mortgage rates in 2026.

High inventory – the most homes on the market since 2019 – is leading builders to pull back on starts while increasing incentives/dropping prices.

The government shutdown that began on Oct. 1 adds a layer of uncertainty to the picture. Reporting on employment, home sales, and construction is suspended. Despite potential FHA and IRS delays, conventional loans remain largely unaffected.

JBREC forecast highlights include:

- Mortgage rates expected to average 6.6% in 2025 and dip in 2026 to average 6.3%.
- Employment growth to remain under 1% over the next few years. This is below historical norms during a strong economy, due to softening labor market and effects of reduced immigration.

(continued on page 2)



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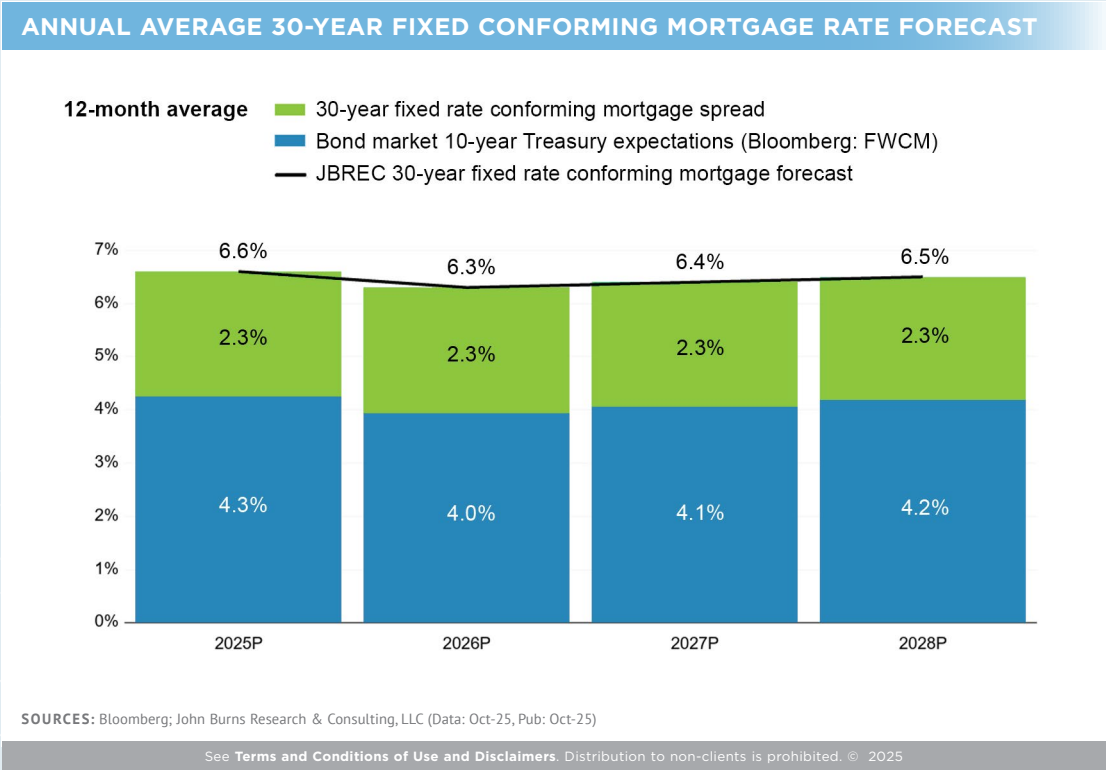
Mortgage rates are expected to average 6.6% in 2025 and dip in 2026 to average 6.3%.

Employment growth to remain under 1% over the next few years.

- JBREC forecasts single-family permits will decline 8% in 2025 and continue another – 4% in 2026.
- Existing home sales to remain flat in 2025, with a slight bounce back to a forecasted 4.6 M unit sales in 2028.
- Homeownership is flat or falling for most age groups. Yet at 65.6%, the homeownership rate is still slightly above its historical average.
- A survey of the 50 top US new housing markets shows 86% are Slow or Very Slow. The remaining 13% are Normal, with 2-3 sales per community/month.
- JBREC reports current existing home sale closings are around 4.0 M unit and expected to remain low.
- Current lending standards on government-backed purchase loans are tight on credit and loose on DTI and CLTV. The share of high DTI loans (>43%) has been trending up over the past decade, accounting for 34% at Fannie and 33% at Freddie.
- Less than 1/4 of first-time buyers use down payment of 15% or more of the purchase price. Most first-time buyers (31%) put down 3.0%–3.5%.
- First-time buyers remained just 24% of the market for existing homes. Compare to 2010, when 50% of buyers were first timers, incentivized with temporary tax credits.

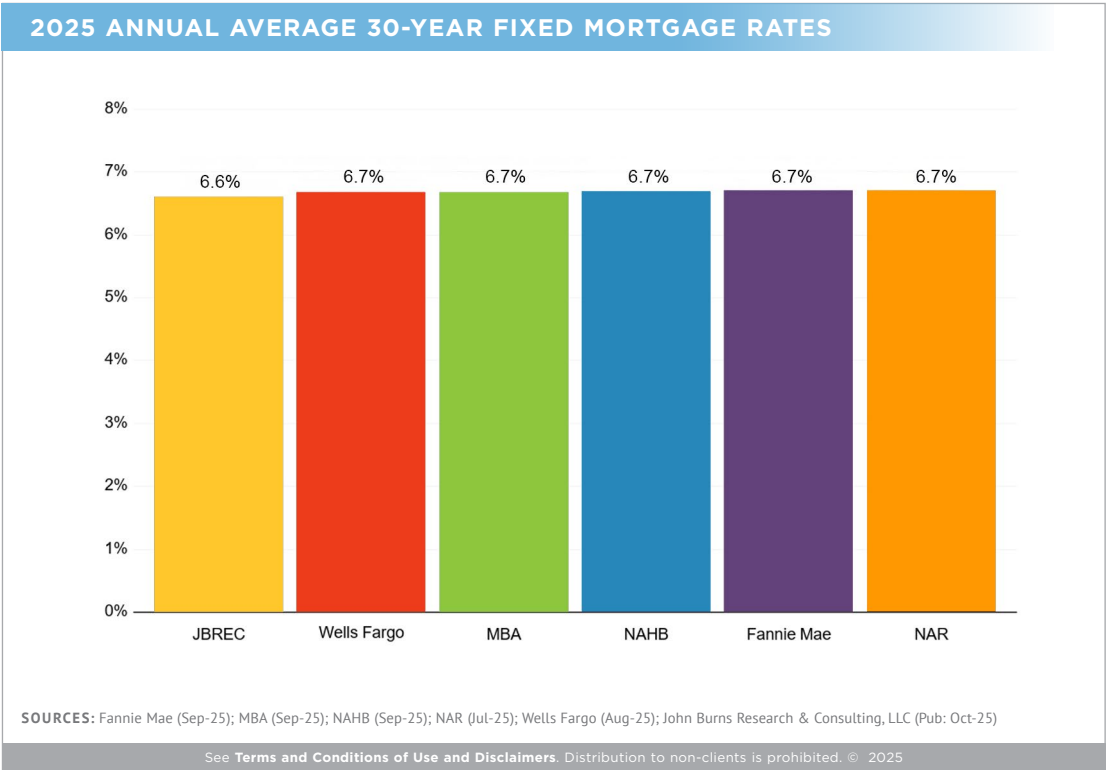
JBREC Mortgage Rate Forecast on Market Pricing

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



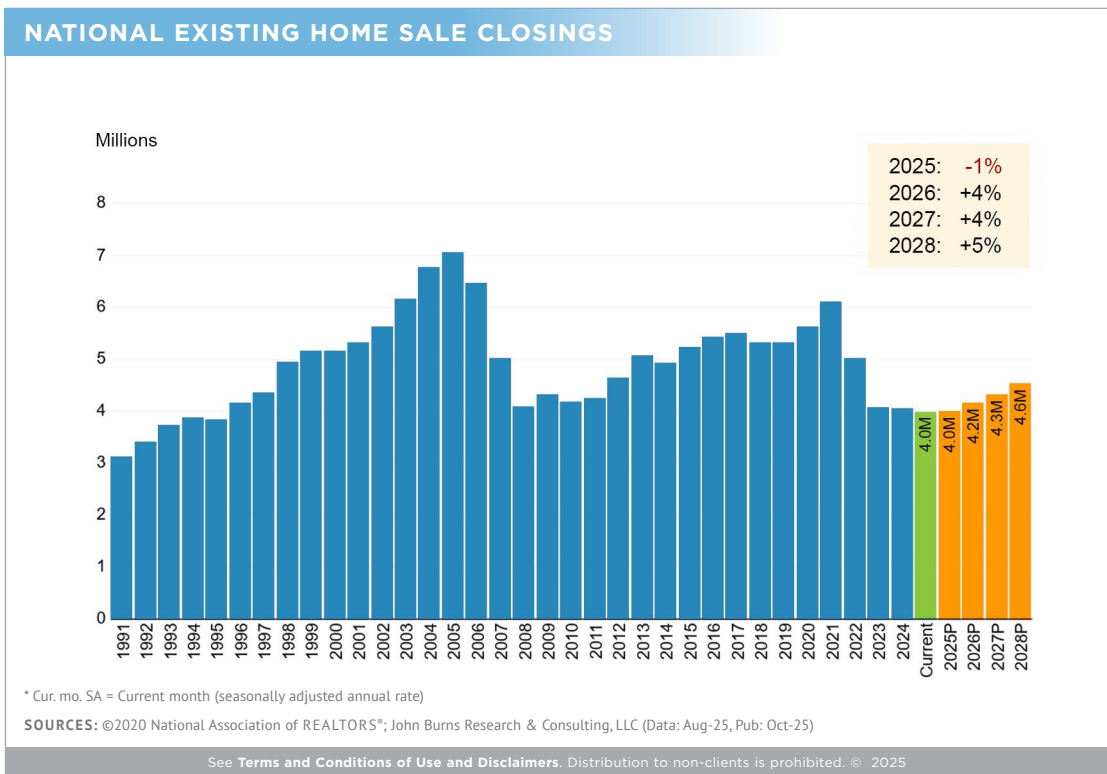
Industry Rate Forecasts for 2025

We are in line with most other forecasters and do not expect a significant decline in mortgage rates in 2025. Our mortgage rate forecast is informed by bond market expectations of the 10-year treasury yield, plus a spread.



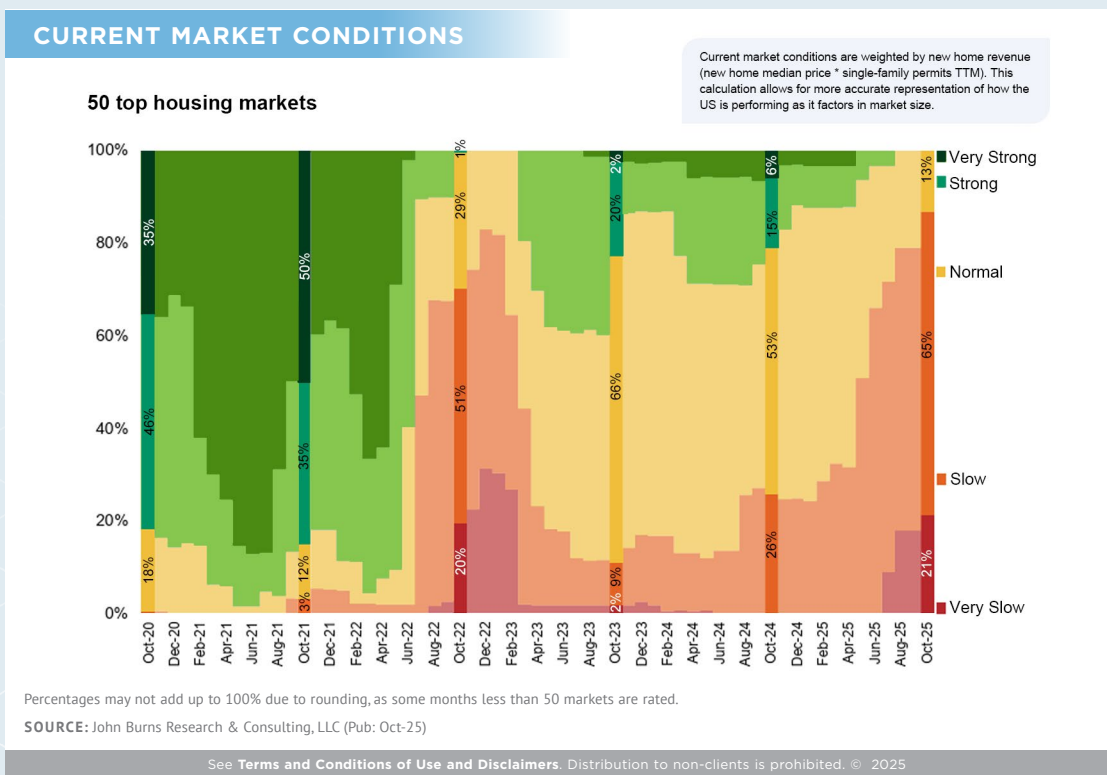
JBREC's 2025 Forecast for Existing Home Sales Will Remain Low Relative to History

We forecast that existing home sales will remain roughly flat in 2025 and will see minimal growth in the near-term as affordability stays poor.



Current Market Conditions: 21% of Markets are Very Slow

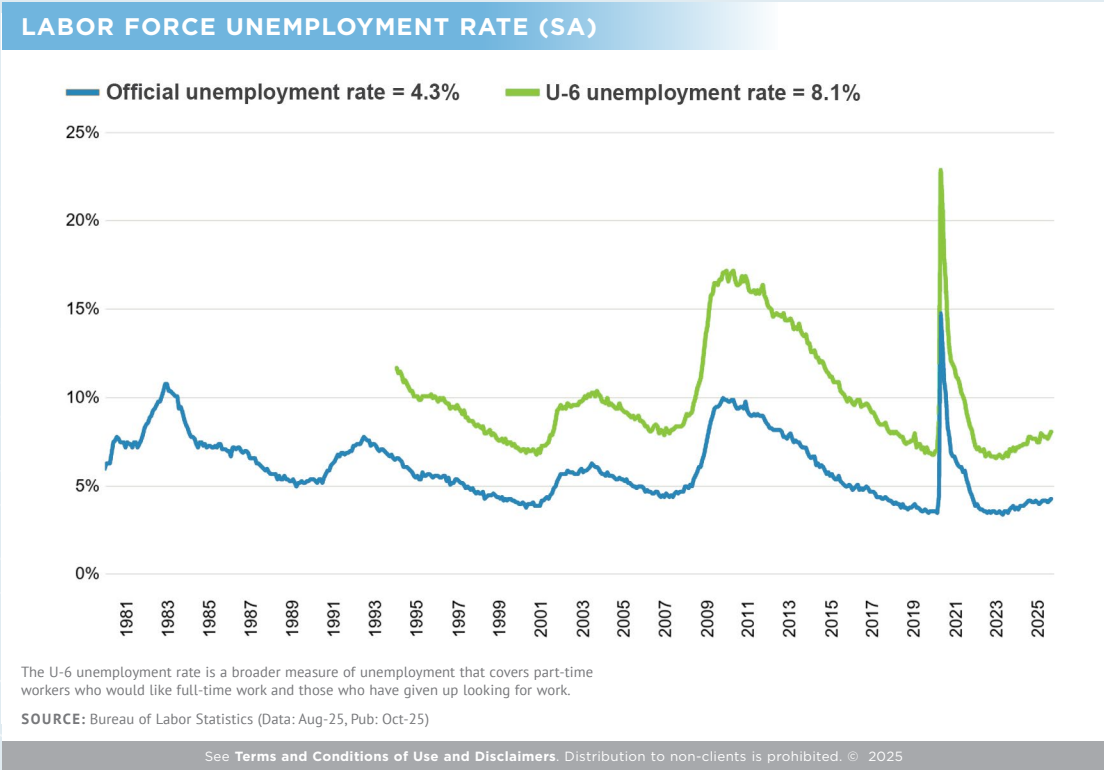
New home sales and pricing conditions are Slow in 65% of markets. 13% of markets are Normal, which reflects 2-3 sales per community per month with rising net prices.



Unemployment is Still Historically Low But has Risen from 2023 Levels

The unemployment rate rose to 4.3% in August. The U-6, a broader measure of unemployment that captures underemployment and discouraged workers, rose to 8.1%.

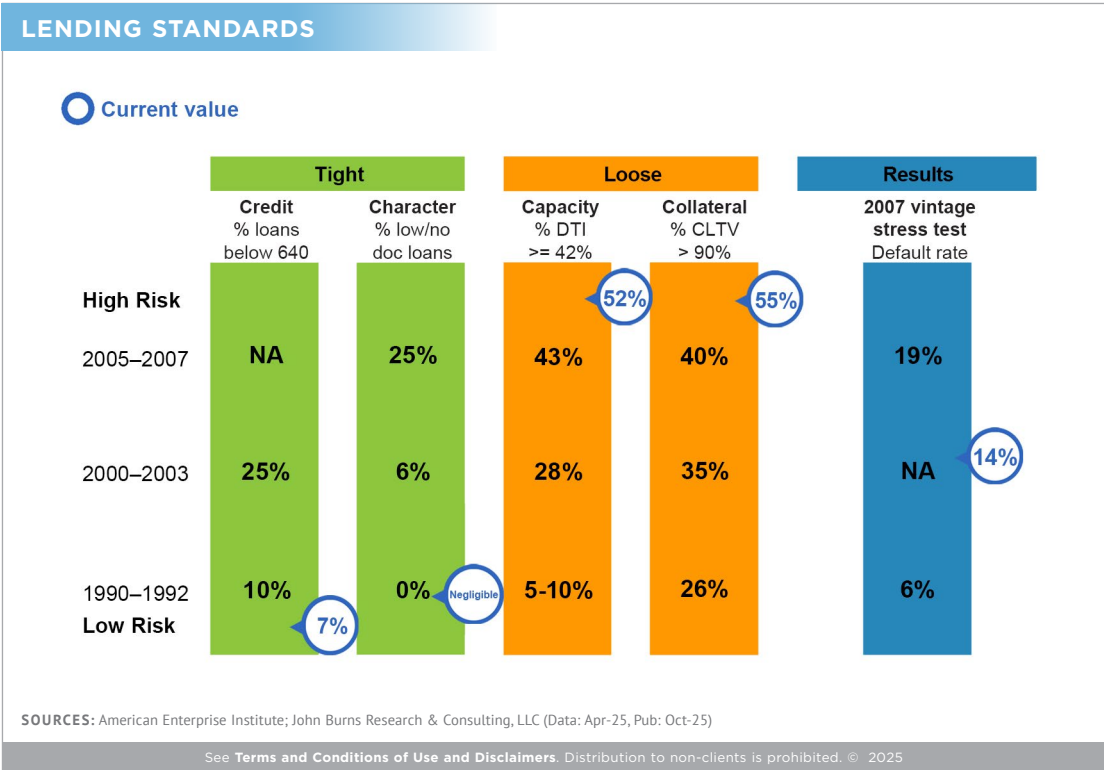
No new data due to government shutdown



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 72% 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.

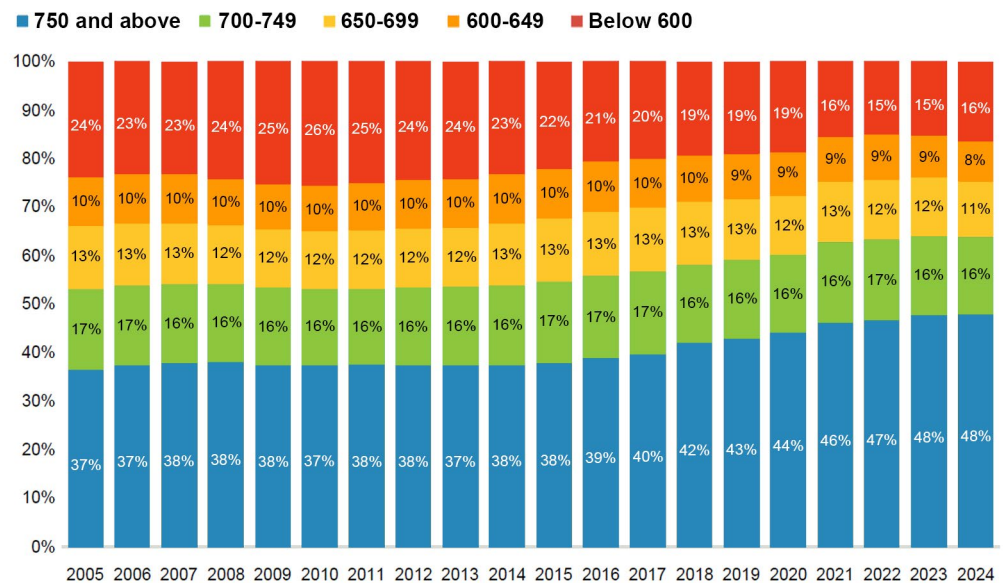


Just 16% of Consumers Have a Credit Score Below 600

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: Oct-25)

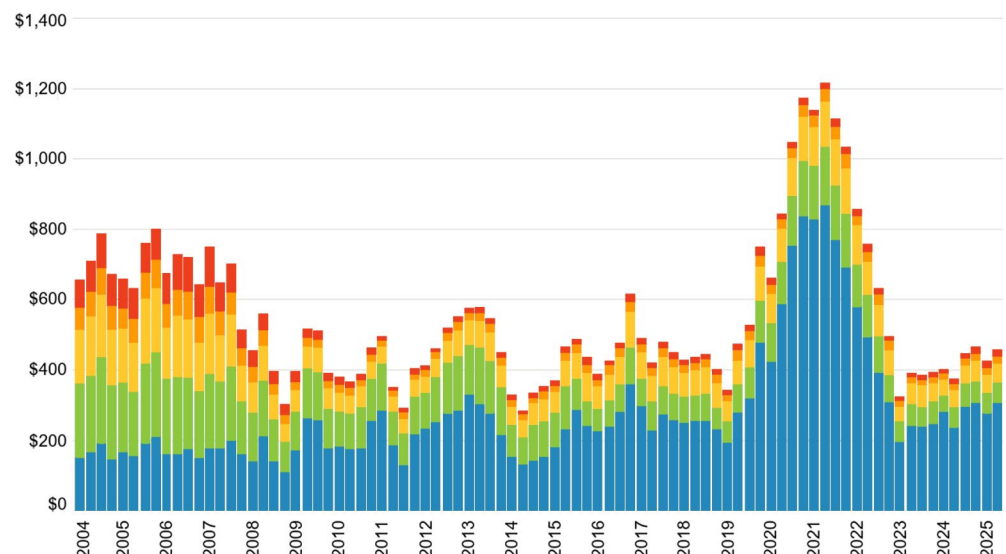
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81% of Mortgages Originated in 2Q25 Went to Borrowers with 720+ Credit Scores

In 1Q2007, 15% of mortgage originations were to borrowers with a credit score of less than 620. As of 2Q2025, only 4% of mortgages went to borrowers with a credit score less than 620.

MORTGAGE ORIGINATIONS BY CREDIT SCORE*

Billions (USD) Share in parentheses: 760+(67%) 720-759 (14%) 660-719 (12%) 620-659 (4%) <620 (4%)



* Credit Score is Equifax Riskscore 3.0

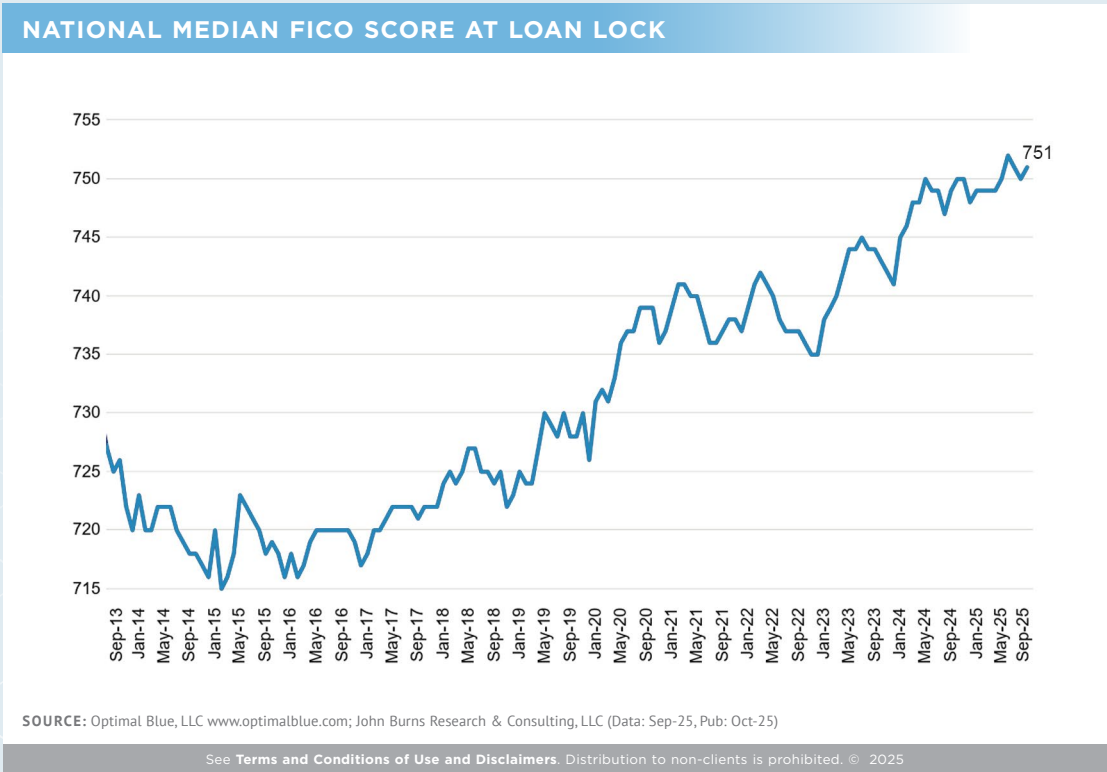
SOURCE: FRBNY Consumer Credit Panel/Equifax (Data: 2Q25, Pub: Oct-25)

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FICO Scores are Near an All-Time High Among Borrowers Who Locked in their Mortgage

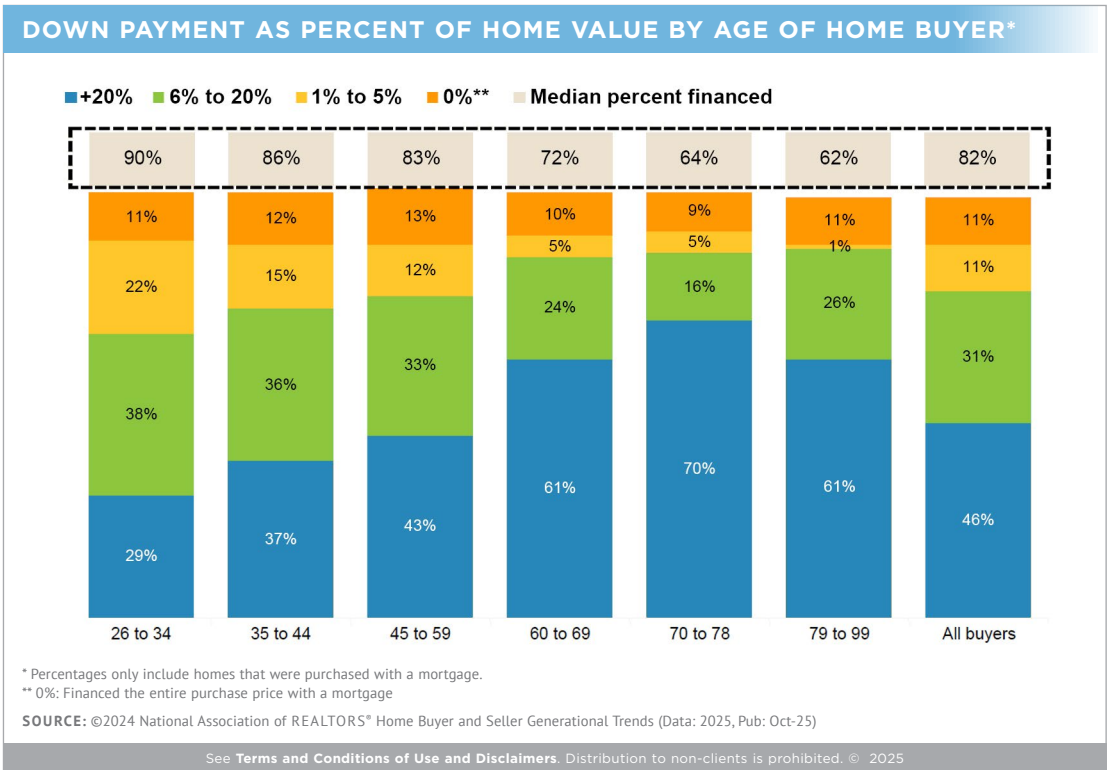
The median FICO score of purchase loan locks is 751, up from 715 in 2015.

National Median FICO is the median representative FICO (as defined by Optimal Blue) of purchase loan locks Optimal Blue tracks, representing about 40% of all loan origination, for single-family and townhomes.



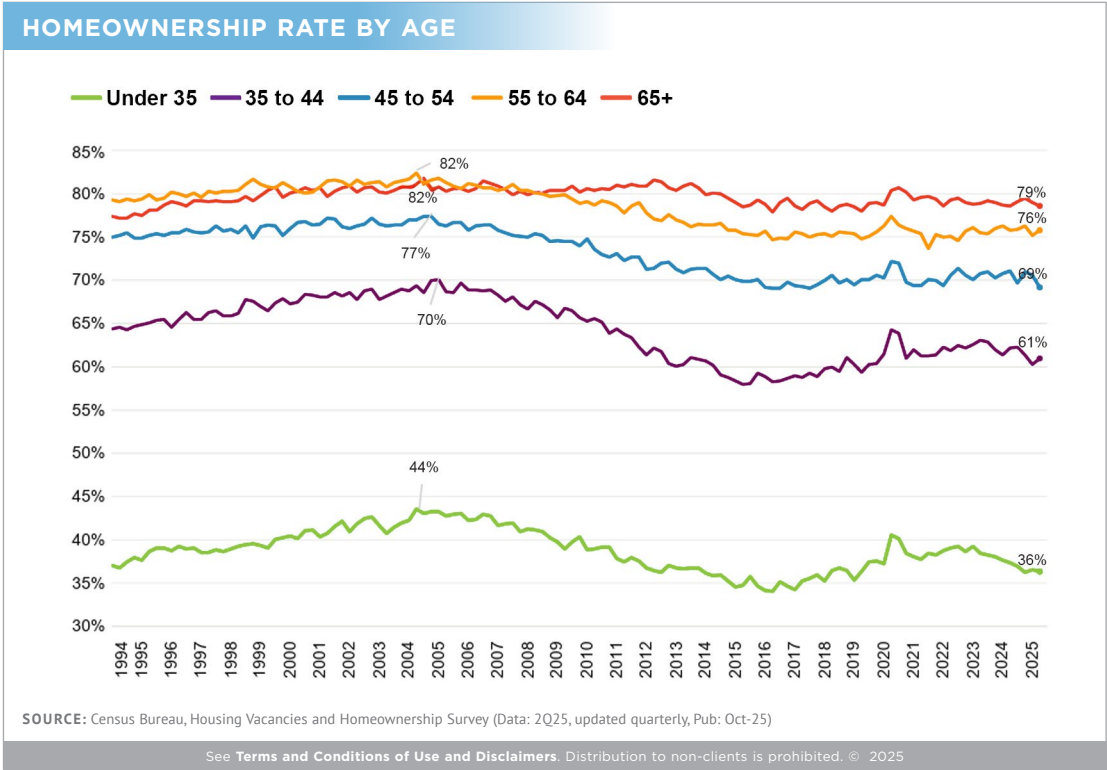
Older Buyers Tend to Make Larger Down Payments

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%.



Homeownership Has Been Flat in Recent Years for Most Groups

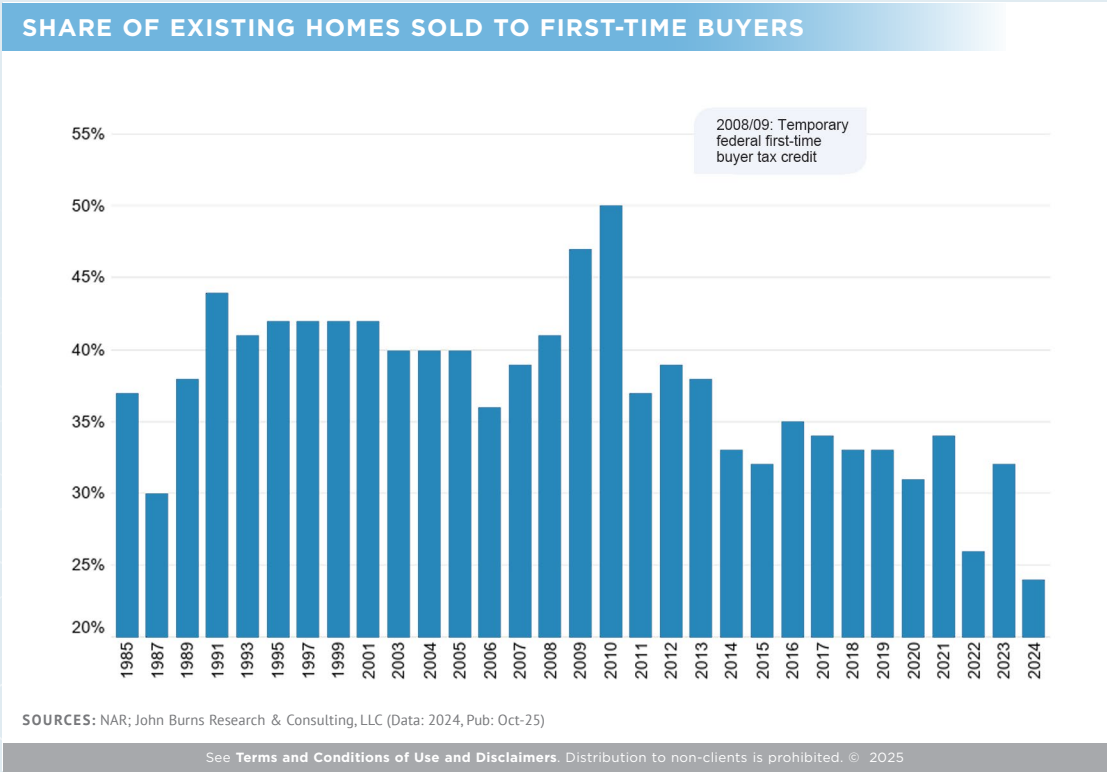
Note: The pandemic complicated the Census Bureau's collection process in 2020. We advise using caution in comparing data from this time period.



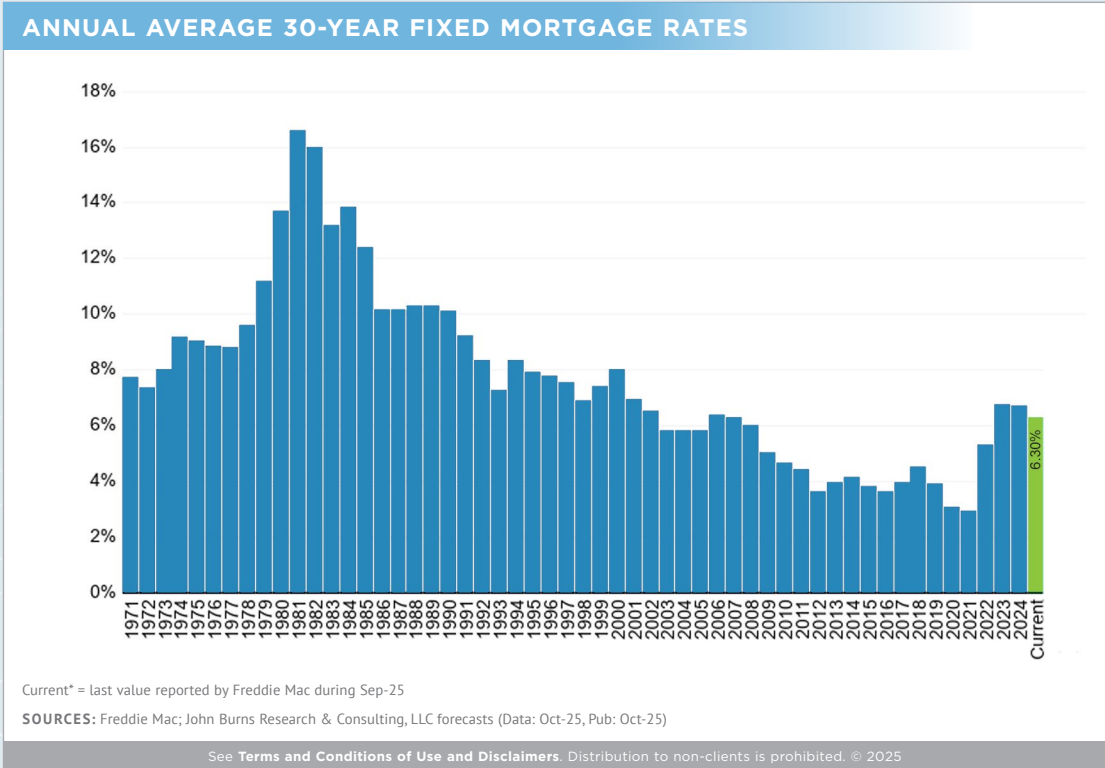
The Share of Existing Homes Sold to First-Time Buyers Fell to 24% in 2024

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

NAR only collected first-time buyer data every other year until 2003.

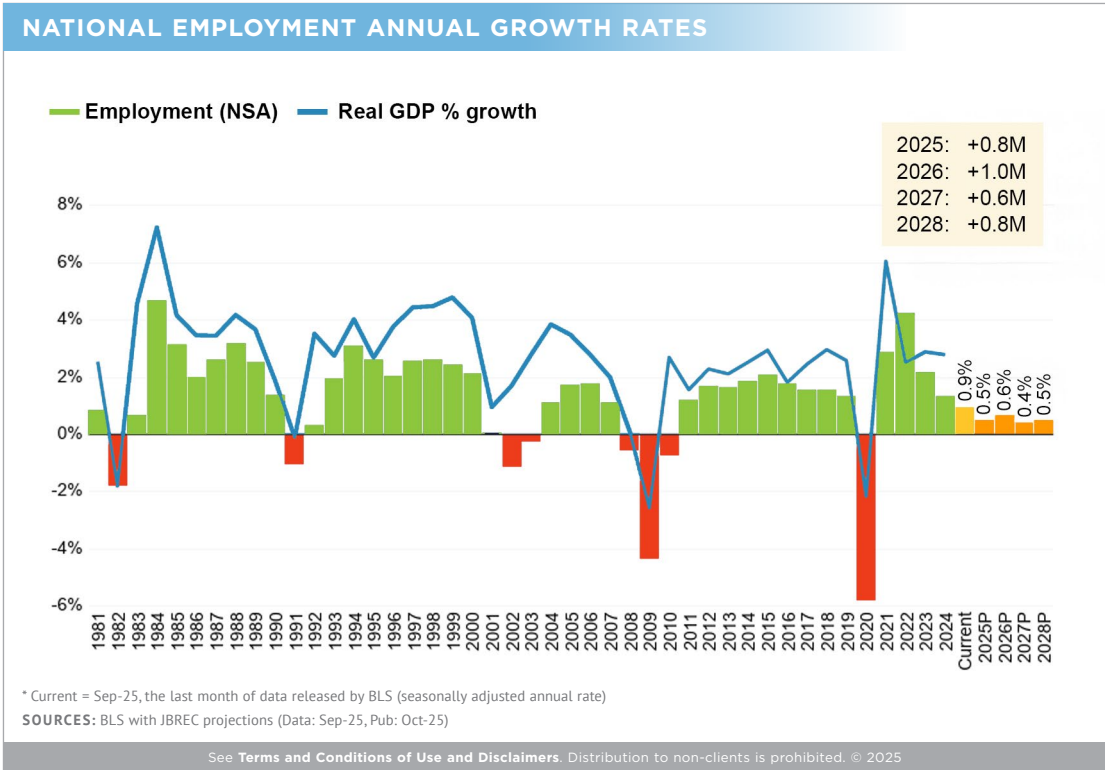


The Bond Market Expects Mortgage Rates to Average 6.6% in 2025



National Employment Annual Growth Rates

JBREC expects employment will rise +0.5% in 2025, below historical norms during a strong economy, as the labor market softens and reduced immigration slows hiring.



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