



Contact: Johnathan Glowacki
Milliman, Inc.
Tel: +262 641 3560
Email: Johnathan.Glowacki@milliman.com

FOR IMMEDIATE RELEASE

Press Release

Milliman analysis: Mortgage default risk remained flat at 2022 year-end; Mortgage originations at lowest levels since 2019

Refinance originations at their lowest levels since 2014

SEATTLE – MARCH 8, 2023 – Milliman, Inc., a premier global consulting and actuarial firm, today announced the fourth quarter (Q4) 2022 results of the Milliman Mortgage Default Index (MMDI), which shows the latest monthly estimate of the lifetime default risk of U.S.-backed mortgages.

Between the third quarter (Q3) and Q4 2022, default risk for government-sponsored enterprise (GSE) acquisitions (purchased and refinanced loans backed by Freddie Mac and Fannie Mae) remained steady at 3.53%. This means that for mortgage loans originating in Q4, the expectation is that 3.53% will become delinquent (180 days or more) over their lifetimes.

For Q4, mortgage originations are at their lowest levels since 2019 (pre-pandemic) with refinance originations at their lowest levels since 2014, when Milliman started tracking this data. This is the fourth consecutive quarter that mortgage originations have decreased.

Looking at the components of default risk, borrower risk decreased from 1.61% in Q3 2022 to 1.57% in Q4. Mortgage loans during this quarter had better FICO scores and a better loan-to-value (LTV) ratio, compared to recent quarters. Economic risk inched up from 1.90% in 2022 Q3 to 1.96% in 2022 Q4 overall, though newer originations may face a steeper increase.

“The slight uptick in economic risk from 2022 Q3 to Q4 was offset by a decrease in borrower and underwriting risk, leading to the overall default risk remaining flat,” said Jonathan Glowacki, a principal at Milliman and author of the MMDI. “We also expect to see a drop in future home price growth, which is contributing to a fairly sharp increase in economic risk for newer mortgage loans.”

The MMDI reflects a baseline forecast of future home prices. For more on the MMDI, go to www.milliman.com/mmdi/. To access additional mortgage market thought-leadership, analytics, and technology go to <https://www.milliman.com/en/products/milliman-m-pire>.

About Milliman

Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in healthcare, property & casualty insurance, life insurance and financial services, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe. For further information visit milliman.com.

####