



Federal Reserve  
Bank of Dallas

---

# Mortgage Market Under Economic Uncertainty

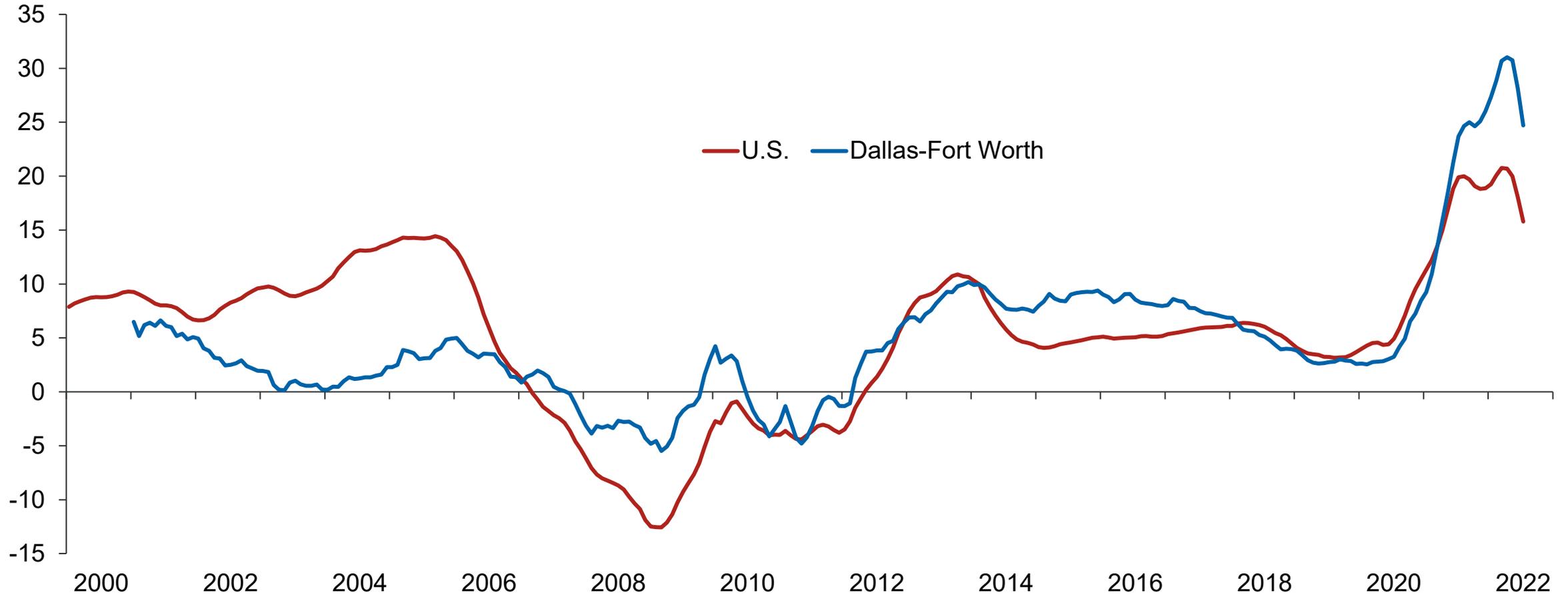
10/21/2022

Wenhua Di

DFW Association of Business Economics meeting

# Home price growth decelerating after the pandemic boom

Y/Y percent change, SA

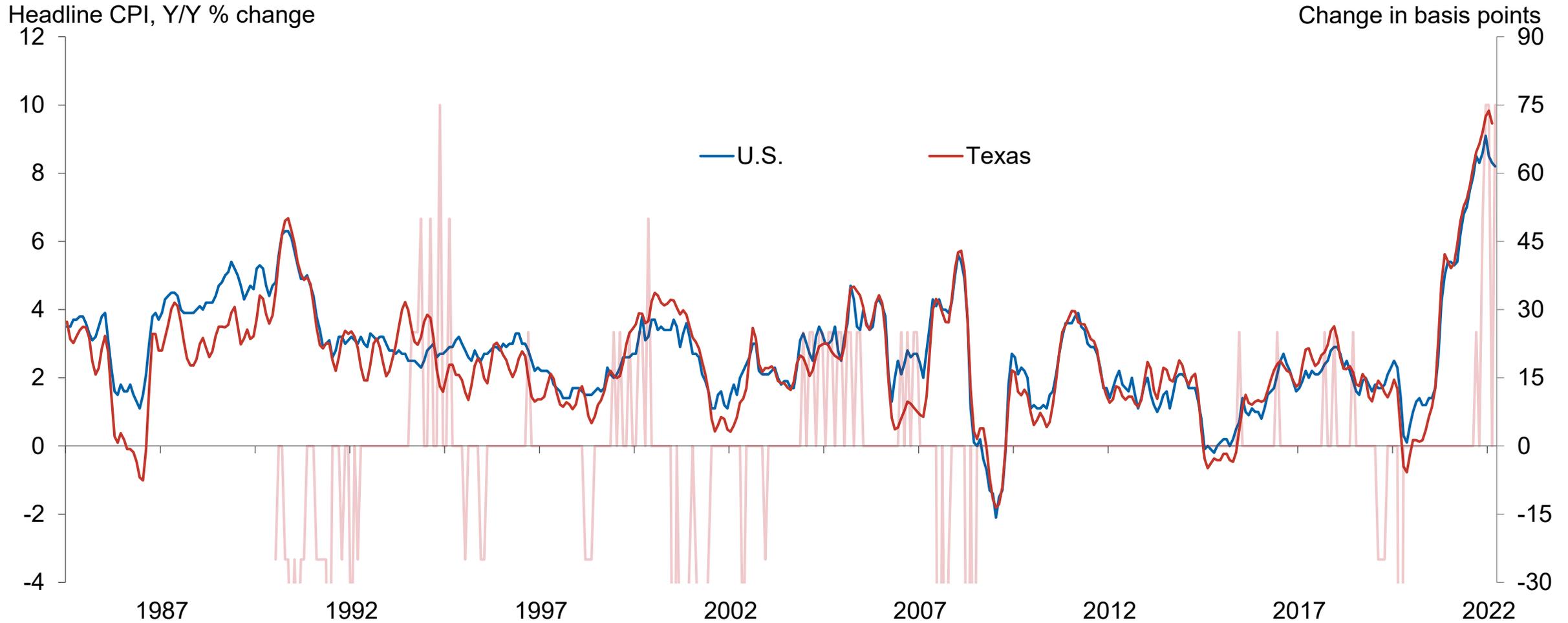


NOTE: Case Shiller Home Price Index through July 2022.

SOURCE: Standard & Poor's.

# Economic Conditions

# Inflation moderating but still elevated

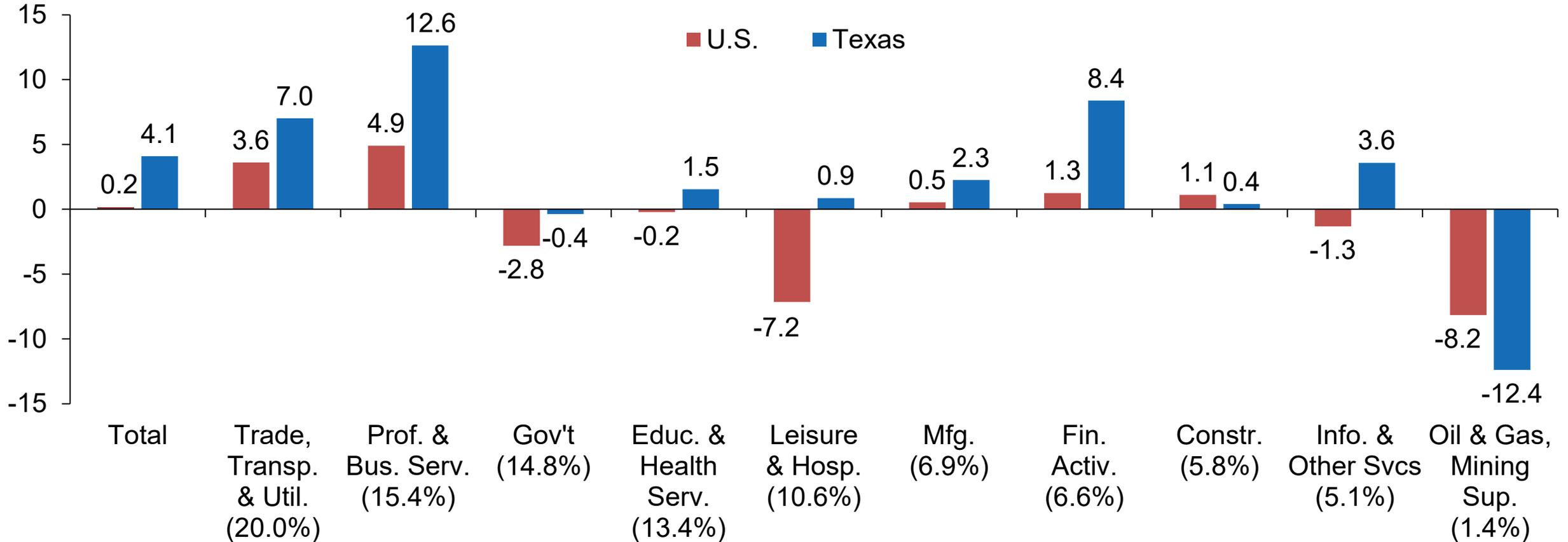


NOTE: Red lines represent changes in the Target Federal Funds Rate.

SOURCES: Bureau of Labor Statistics, Federal Reserve.

# Return to pre-pandemic employment levels in most sectors

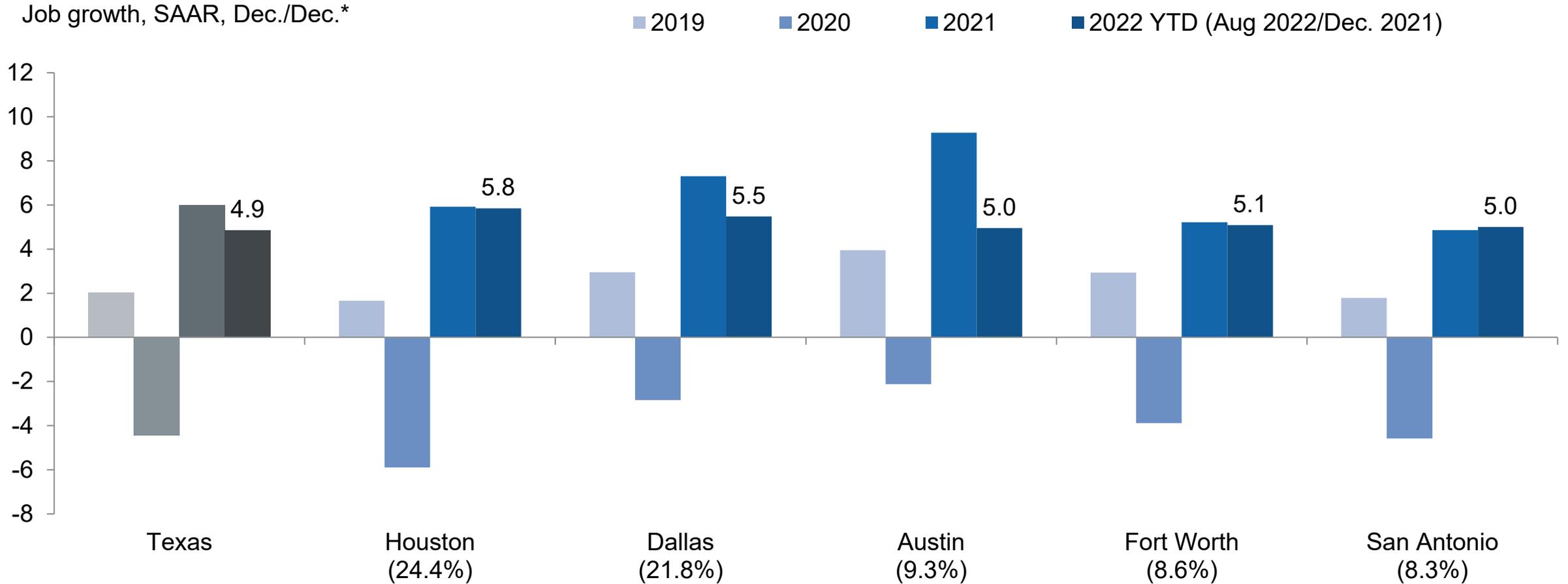
Job growth Aug. 2022/Feb. 2020 (percent)



NOTES: Data show Aug. 2022/Feb. 2020 non-annualized job growth. Numbers in parenthesis indicate share of total state employment in August.

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; FRB Dallas.

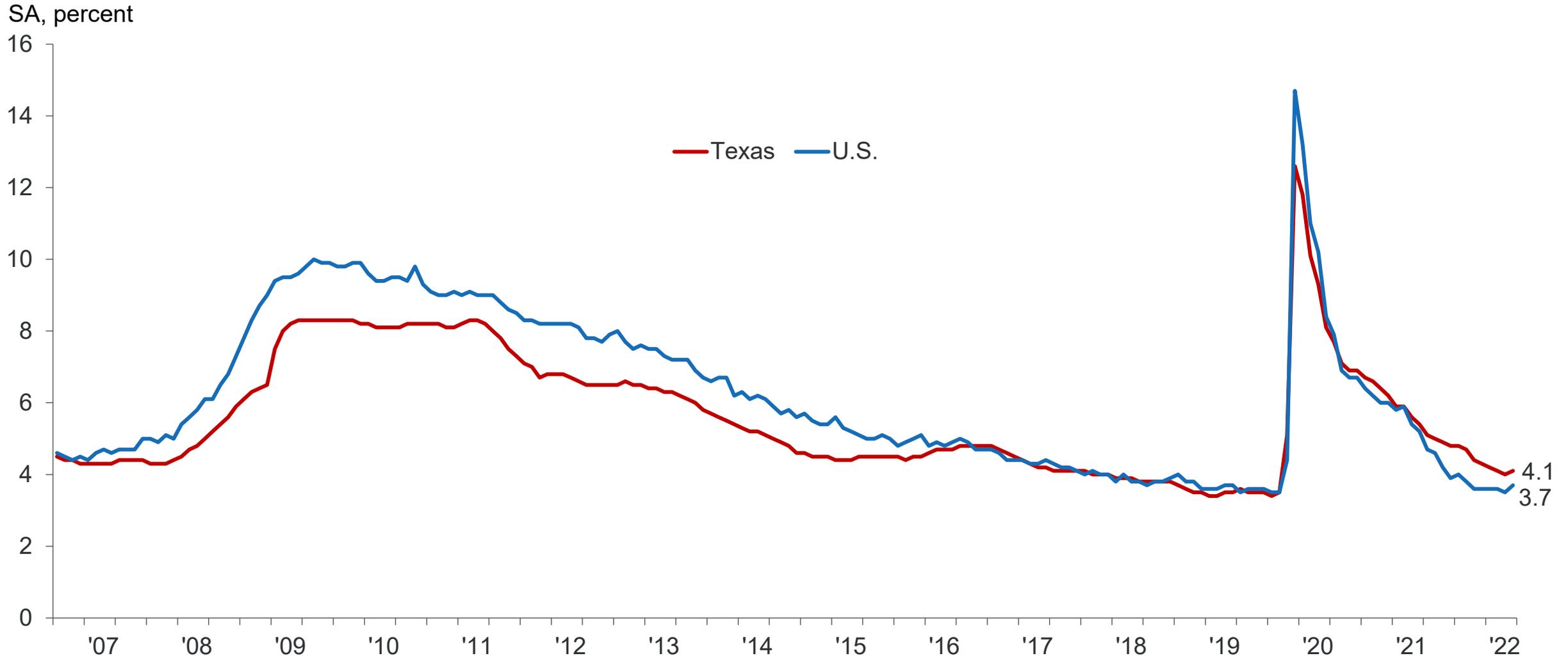
# Year-to-date job growth strong across metros



NOTE: Numbers in parenthesis indicate share of state employment for most recent monthly data.

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by FRB Dallas.

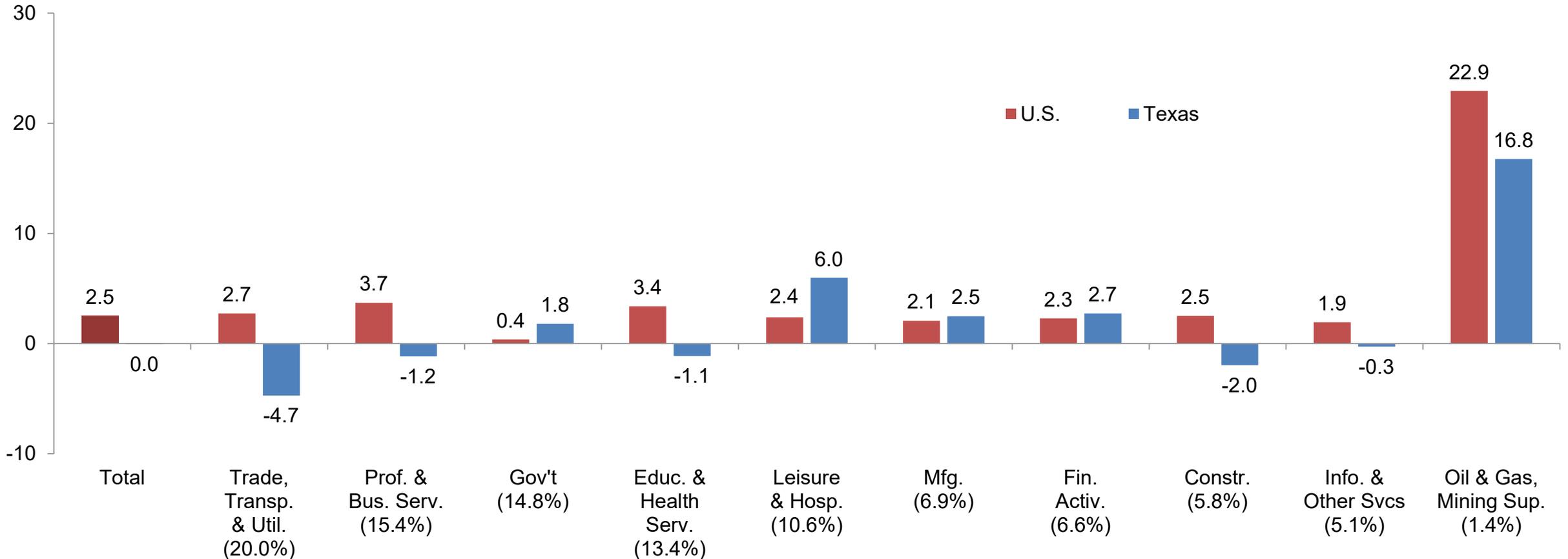
# Unemployment remains low



SOURCE: Bureau of Labor Statistics.

# Top Texas sectors suffered employment losses in August

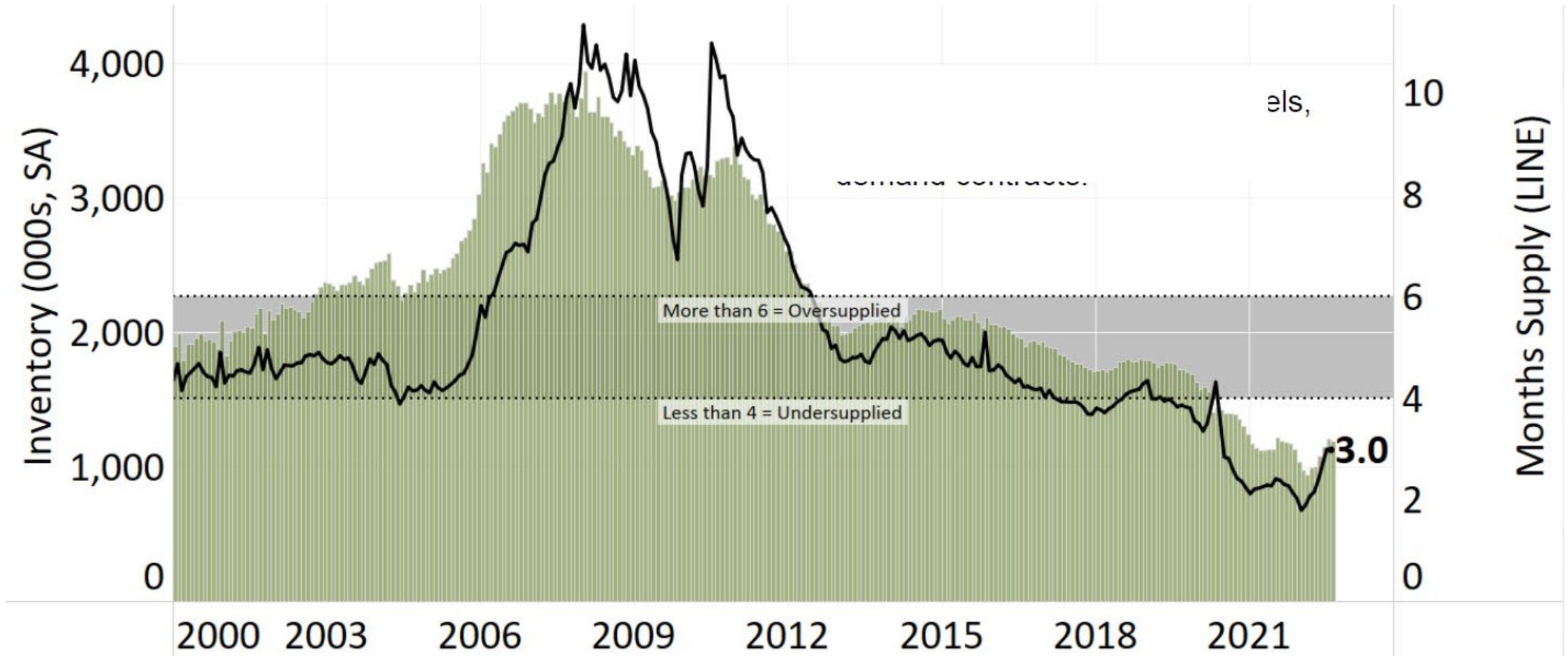
Job growth Aug. 2022/Jul. 2022 (percent)



NOTES: Data show Aug. 2022/Jul. 2022 annualized growth. Numbers in parentheses indicate share of total state employment for August.

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; FRB Dallas.

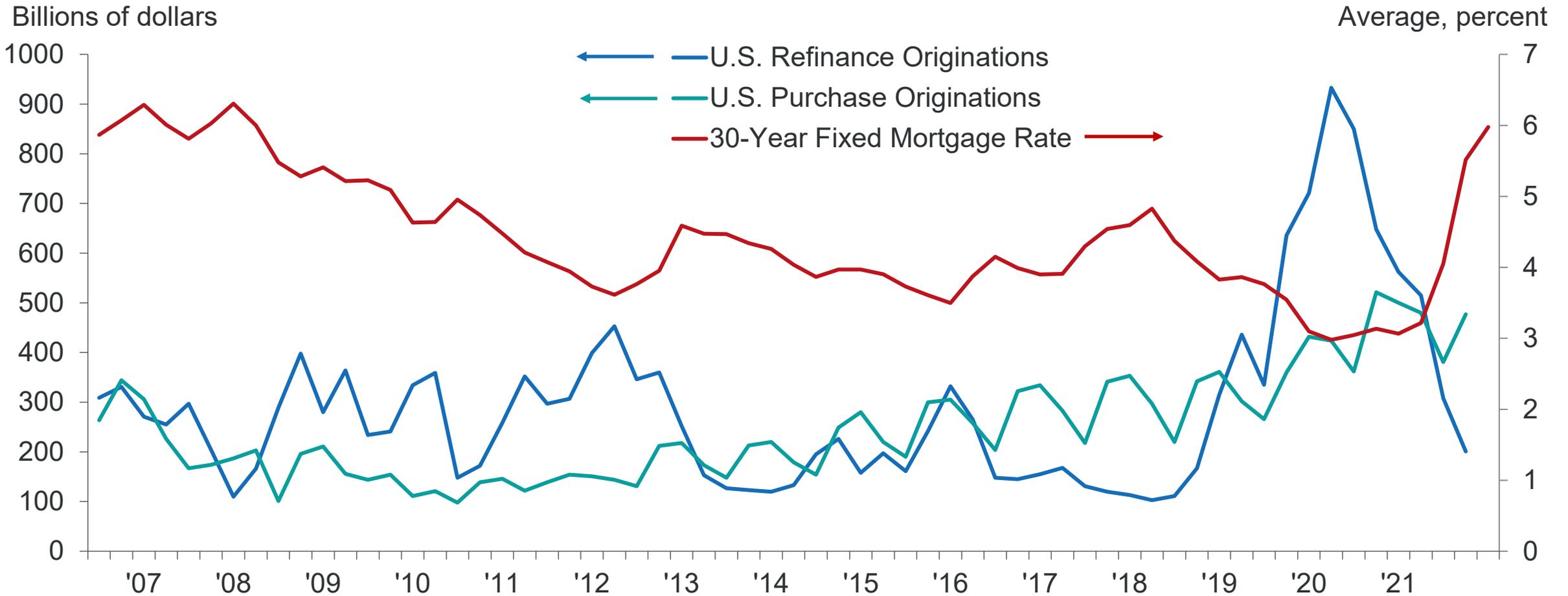
# Housing supply catching up



Source: National Association of Realtors; Federal Reserve Bank of Atlanta

# Mortgage Market

# Sharp fall in mortgage refinances as rate spikes

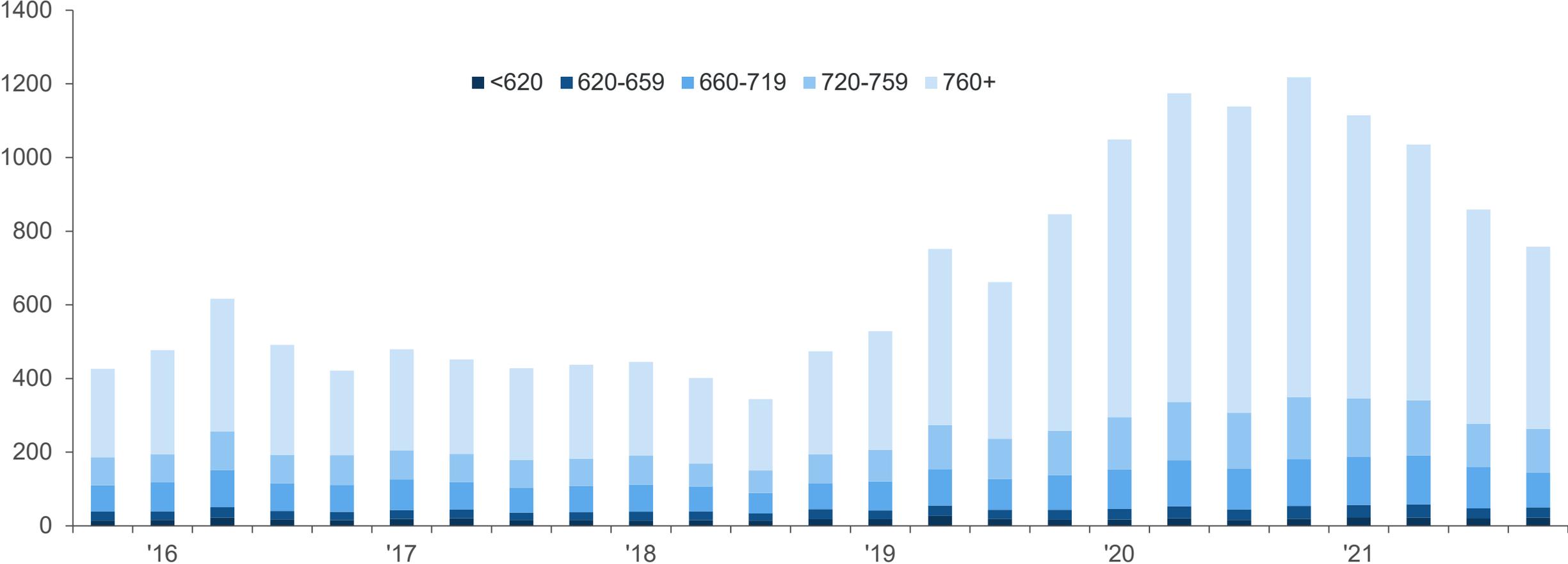


NOTE: Mortgage originations data are restricted to 1-4 family properties.

SOURCES: Mortgage Bankers Association, Wall Street Journal.

# Share of mortgage originations by credit score

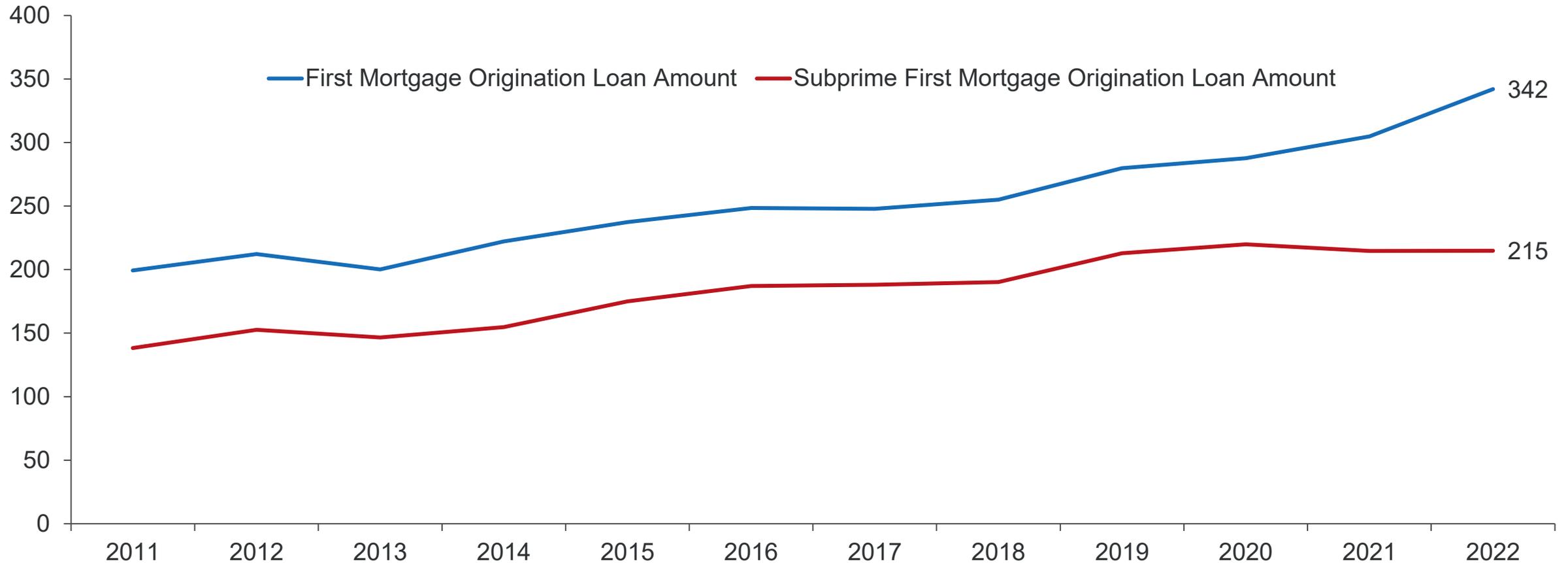
Billions of dollars



NOTE: Credit Score is Equifax Riskscore 3.0.  
SOURCES: New York Fed Consumer Credit Panel, Equifax.

# Average mortgage origination balances not rising for subprime

Balance, NSA, thousands of dollars

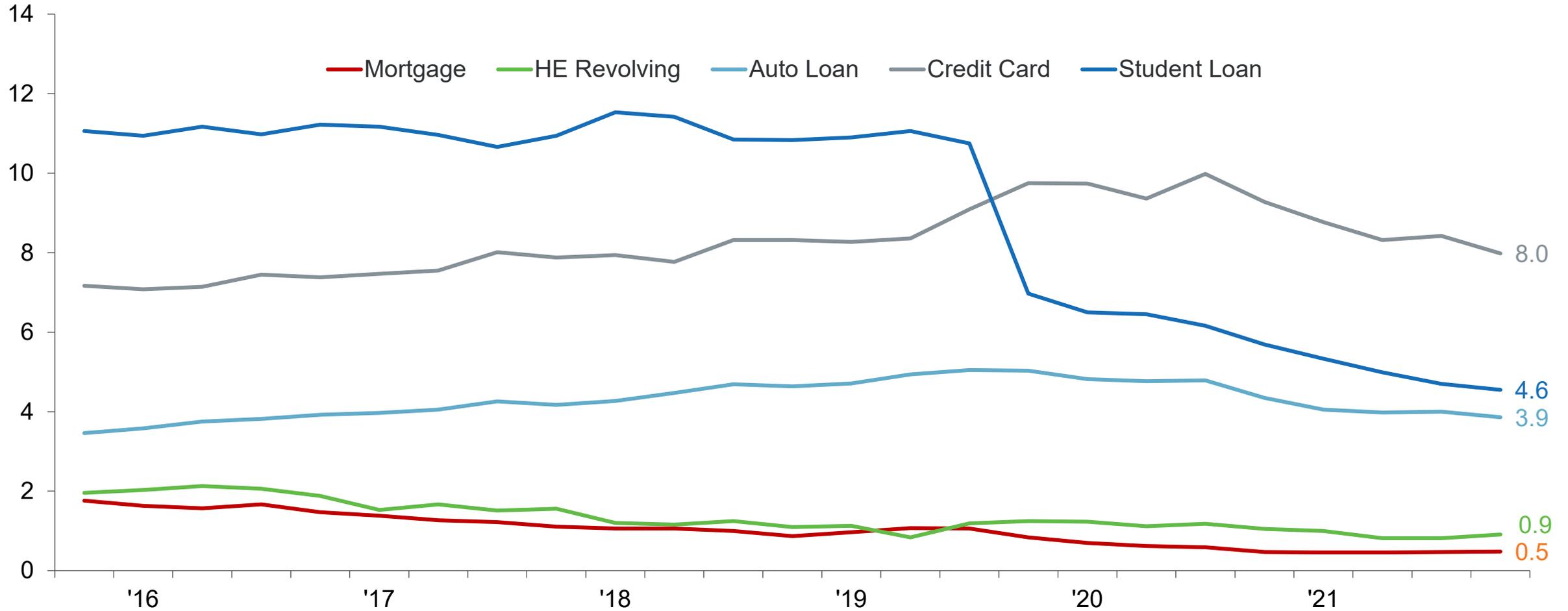


NOTE: Originations through June 2022 reported as of August 2022.

SOURCE: Equifax Inc.

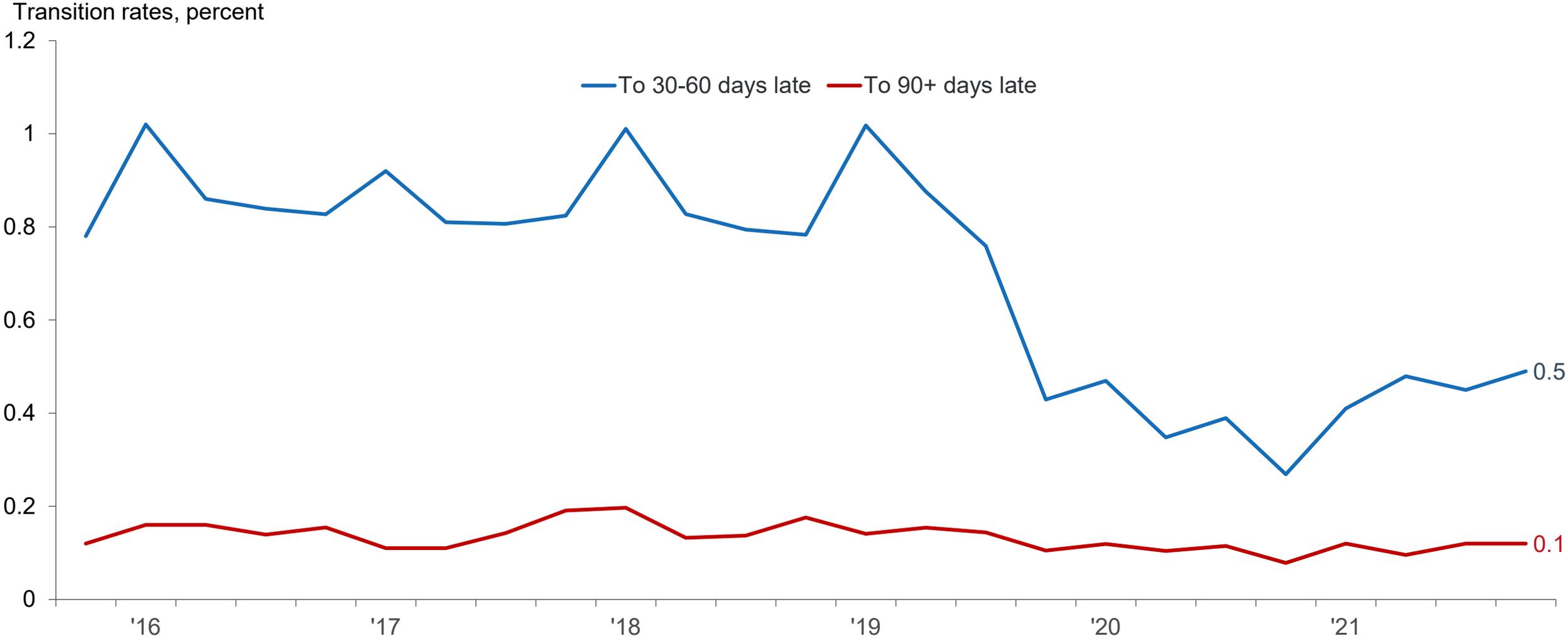
# Percent of balance 90+ days delinquent

Delinquent balance, percent



SOURCES: New York Fed Consumer Credit Panel, Equifax.

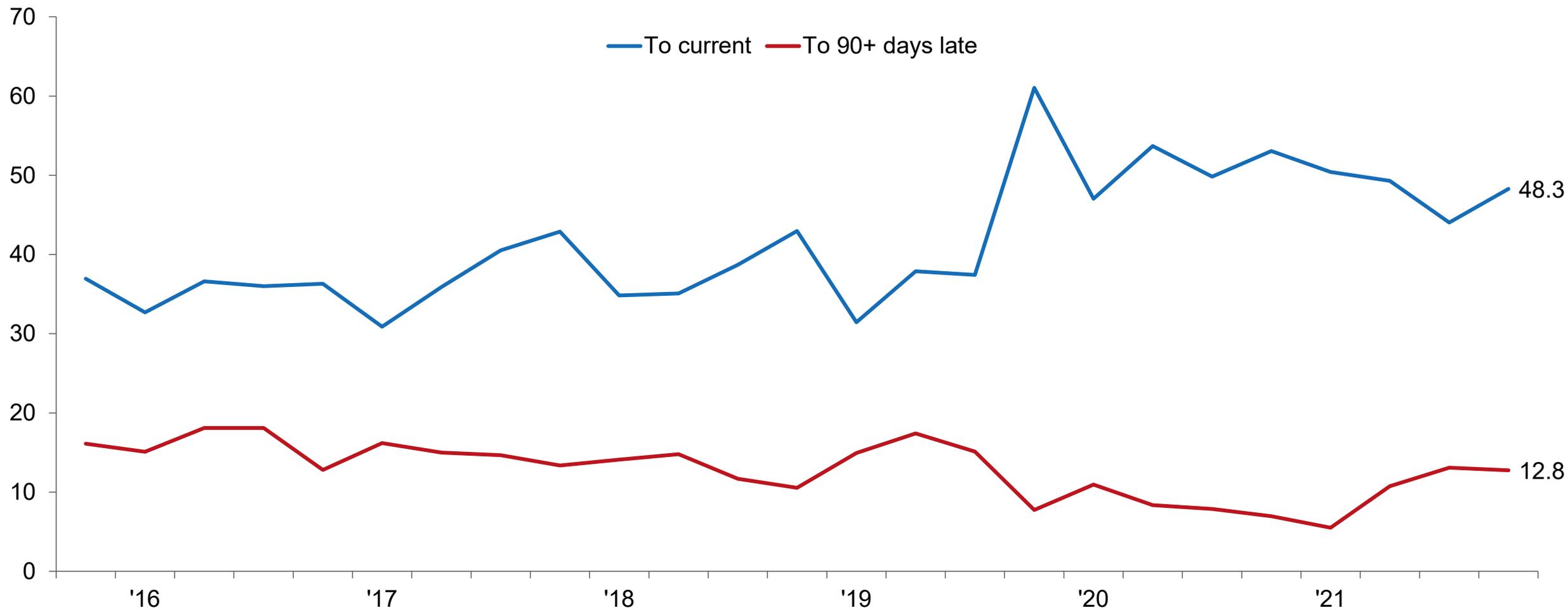
# Quarterly Transition Rates for Current Mortgage Accounts



SOURCES: New York Fed Consumer Credit Panel, Equifax.

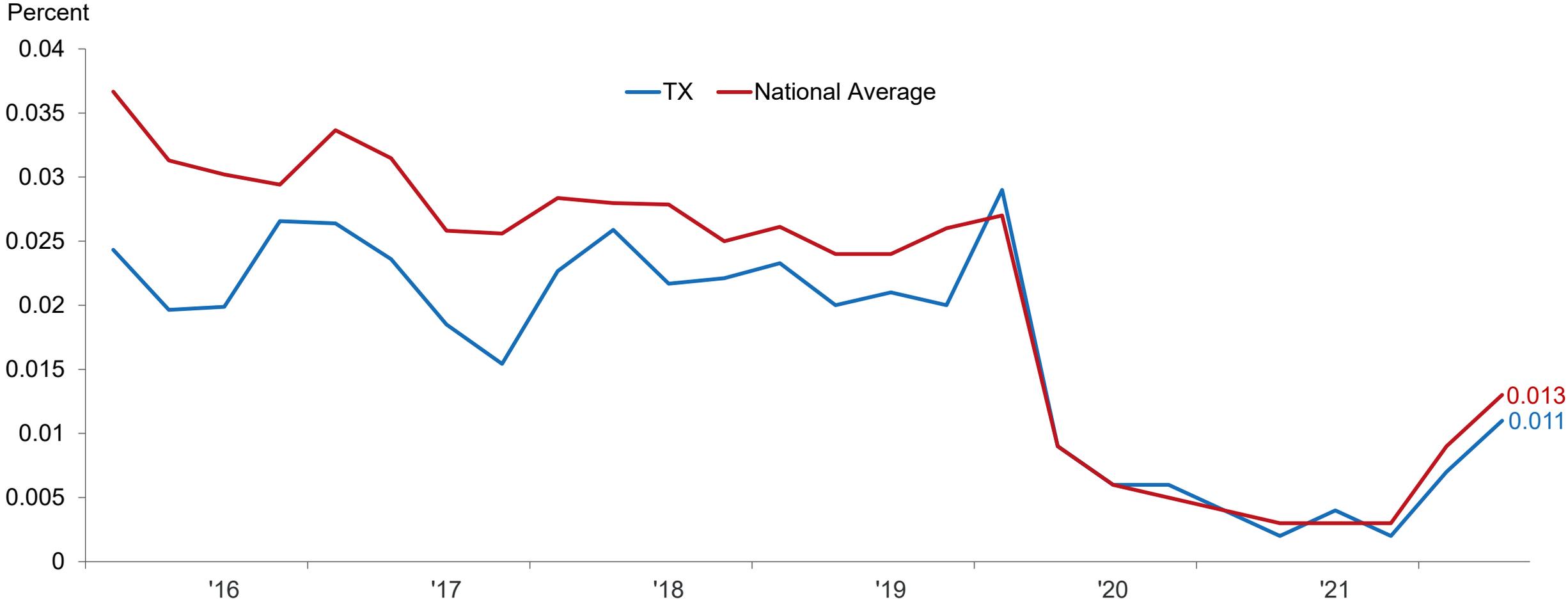
# Quarterly Transition Rates for 30-60 Day Late Mortgage Accounts

Transition rates, percent



SOURCES: New York Fed Consumer Credit Panel, Equifax.

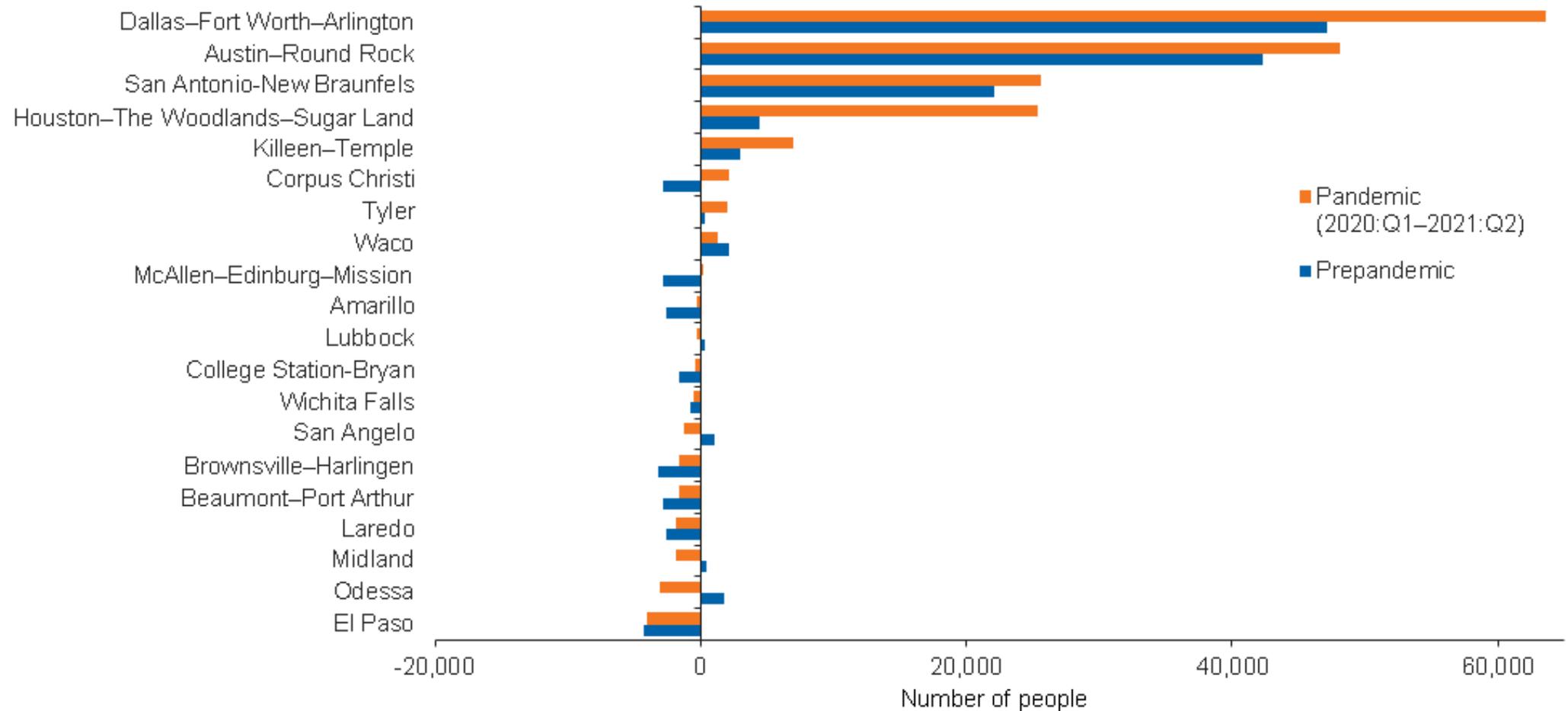
# Percent of consumers with new foreclosures



NOTE: Based on the population with a credit report.  
SOURCES: New York Consumer Credit Panel/Equifax.

**Texas**

# Migration to Texas metros heightened during the pandemic



NOTES: Data shown are net in-migration (out-migration) figures for Texas metros. Residents living in micropolitan areas or rural areas are dropped due to the quality of the geocoding in the data.

SOURCE: Federal Reserve Bank of New York Consumer Credit Panel/Equifax.

Federal Reserve Bank of Dallas

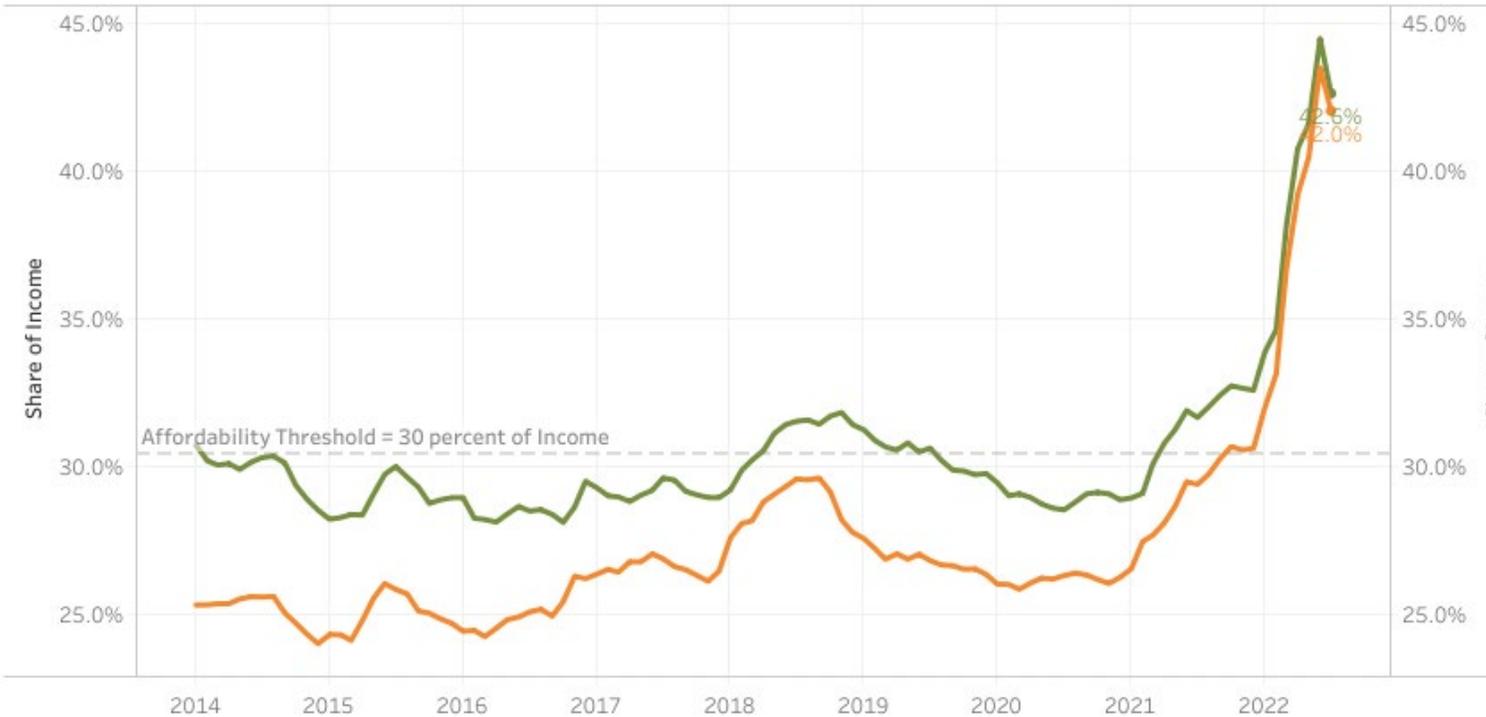
# Fading Housing Affordability

Nation vs Dallas-Fort Worth-Arlington, TX

Share of Income Needed to Own the Median Priced Home

Federal Reserve Bank of Atlanta Home Ownership Affordability Monitor

Data through July 2022



Metro Area Share of Income  
U.S. Share of Income

July 2022 Dallas-Fort Worth-Arlington, TX

Median Income: **\$74,454**

Median Home Price: **\$406,878**

Interest Rate: **5.3%**

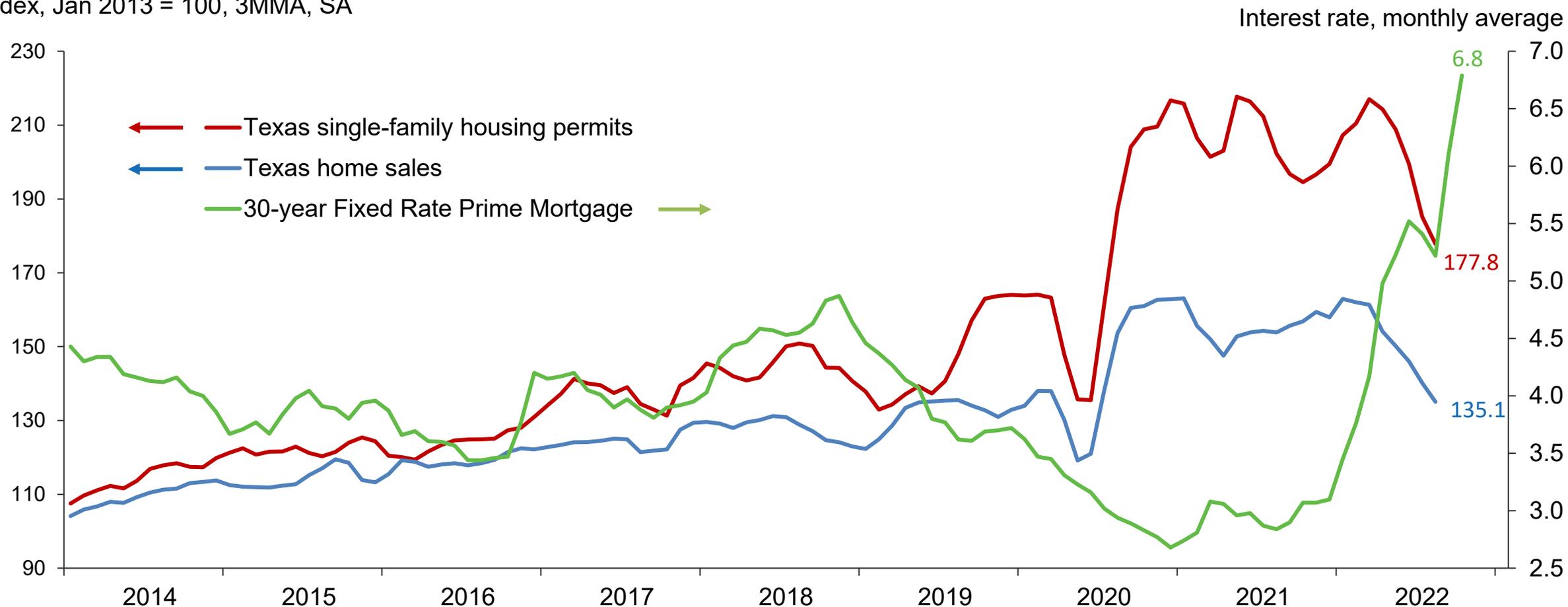
Med. Monthly P&I Payment: **\$2,033**

Total Median Monthly Payment: **\$2,597**

Annual Total Payment Share of Med. Income: **41.9%**

# Single-family building permits and sales decline with mortgage rate shooting high

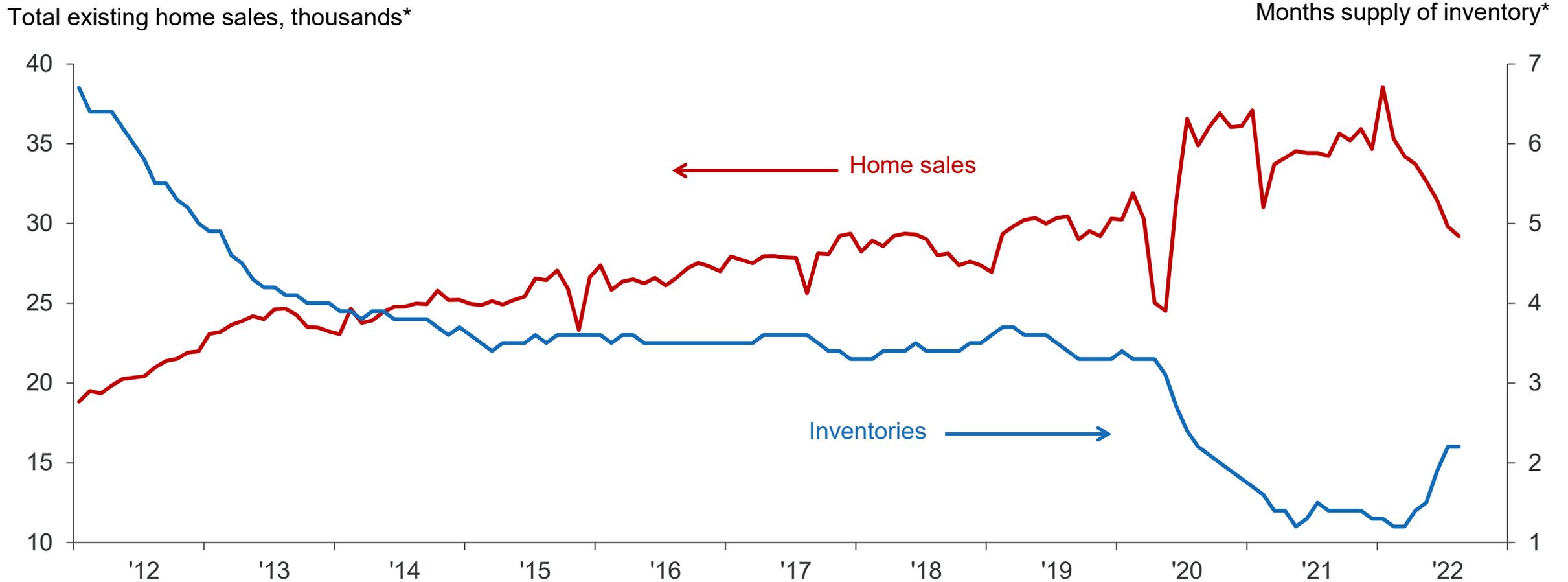
Index, Jan 2013 = 100, 3MMA, SA



NOTES: Texas single-family housing permits and home sales data through August 2022; mortgage data through October 2022.

SOURCES: MLS; A&M Real Estate Center; Freddie Mac Primary Mortgage Market Survey; U.S. Census.

# Texas home sales slow as inventories recover



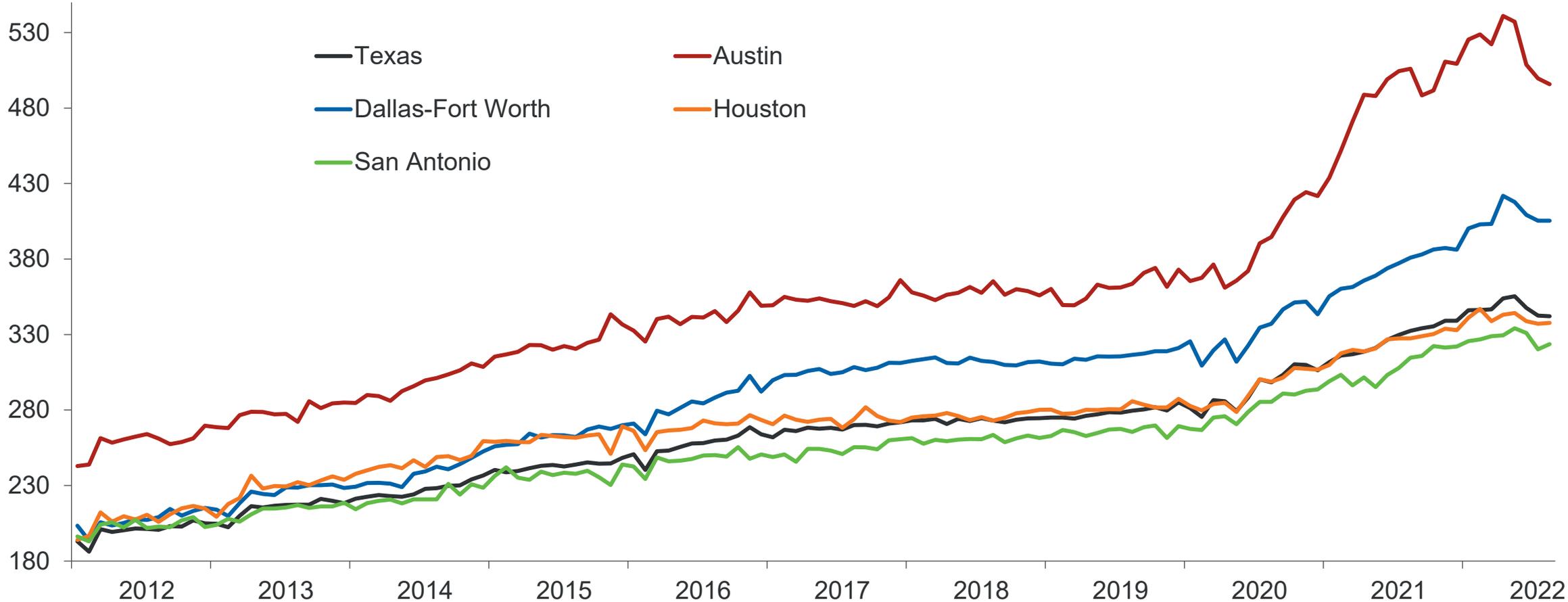
\*Seasonally adjusted.

NOTE: Data through August 2022.

SOURCES: Multiple Listing Service; seasonal and other adjustments by FRB Dallas.

# Home prices buckle across metros as high mortgage rates slow sales

Thousands of 2022 dollars, SA

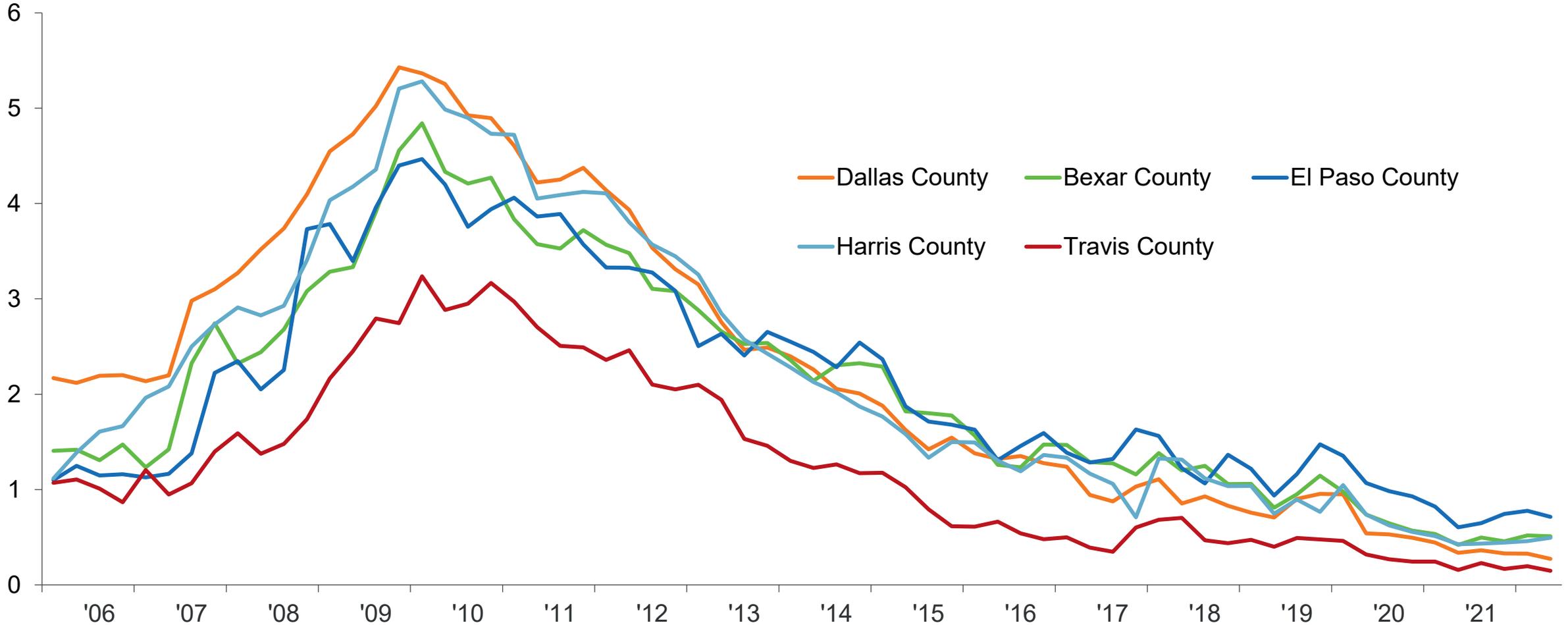


NOTES: Seasonally adjusted sales price presented in August 2022 dollars. Data through August 2022.

SOURCES: Multiple Listing Service, seasonal and other adjustments by FRB Dallas.

# Texas mortgage delinquencies hit lowest levels since 2006

Rate, percent



SOURCE: Equifax Consumer Credit Panel, Federal Reserve Bank of New York.

# Summary

- Housing market weakening undeniable
- Housing boom contributes to inflation, and rate hikes will slow it down
  - Housing affordability plummeted
  - Inventory buildup
- Mortgage market remains resilient despite potential risks
  - Credit quality
  - Home price depreciation
  - Labor market weakening
  - Secondary market liquidity

**Thank you!**