



NEWS RELEASE

# ICE Mortgage Monitor: First-Time Homebuyers Make Up Record 47% of GSE Purchase Loans, 39% of All GSE Securitizations in 2023

3/4/2024

- Though originations hit a 30-year low in 2023, ICE eMBS data shows first-time homebuyers (FTHB) made up the highest share of agency purchase security issuance in at least 10 years
- In 2023's 80%+ purchase-driven market, FTHBs account for an exceptionally high share (44%) of overall agency securities issuance, raising the specter of performance risk for MBS investors
- The impact is most pronounced among GSE securities, in which FTHB purchase loans account for 39% of all 2023 issuance, a 12 pp higher share than any other vintage in the past decade
- ICE data shows FTHBs have higher average front-end debt-to-income (DTI) ratios, but back-end DTIs similar to repeat buyers, spending more on housing but less on other forms of debt
- While demand in the mortgage market continues to track closely with interest rate movements, recent periods of easing have highlighted the potential for a rebound in refinance lending if rates move lower
- With the **ICE US Conforming 30-year Fixed Mortgage Rate Lock Index** showing January rates averaging 6.6%, rate/term refis returned to make up 24% of the month's refinance activity, a nearly two year high
- **As noted last month**, industry rate predictions would have millions of recent borrowers in the money for a refi by the end of 2024, yet servicers' retention of such borrowers hit a 17-year low in Q4 2023



- According to ICE Market Trends data, the number of days from rate lock to close matched a 4.5 year low in January, shortening secondary market hedging times

ATLANTA & NEW YORK--(BUSINESS WIRE)-- Intercontinental Exchange, Inc. (NYSE:ICE), a leading global provider of technology and data, released its **March 2024 ICE Mortgage Monitor Report**, based on the company's industry-leading mortgage, real estate and public records data sets. Drawing from ICE's eMBS agency securities database and ICE Market Trends originations data, the report notes just 4.3 million mortgages were originated in 2023, the fewest in the 30 years ICE has been tracking the metric.

Andy Walden, ICE Vice President of Enterprise Research Strategy, explains that one byproduct of such low volumes is a significantly altered makeup of recent agency mortgage-backed security (MBS) issuance.

"Since 1995, only two quarters have seen fewer than 1 million first lien mortgages originated," Walden said. "The first was Q1 2023, and Q4 the second. Looking back, last year's market was dominated by purchase lending, with loans to buy homes making up 82% of a historically low number of originations. While it remains a tough market for prospective purchasers, our eMBS agency securities database revealed that first-time homebuyers actually made up 55% of all agency purchase mortgages last year. That's the highest share in the 10 years we've been tracking the metric."

"In fact, FTHB purchase loans accounted for an exceptionally high share of all issuance activity last year. They made up 39% of all GSE securitizations in 2023 – 12 percentage points higher than any other vintage in the past decade. The market in which these folks purchased their first home was one of record house prices, ballooning down payments, rising rates and elevated DTIs. Given record exposure to first-time homebuyer loans, it'll be worth watching the performance of this cohort very closely moving forward, particularly for those invested in 2023 agency MBS."

Leveraging ICE Market Trends origination data sheds further light on FTHB trends. While on average, FTHBs have higher front-end DTIs than repeat buyers, their back-end DTIs are more comparable. FTHBs spend a greater share of their income on housing than repeat buyers but pay less on other forms of debt in comparison. While credit scores remain elevated among conventional purchase loans overall, the average FTHB has a 9-point lower credit score than the average repeat buyer. The delta widens among VA purchase loans, with the average FTHB credit score (709) in January 23 points below that of the average repeat buyer (732). Interestingly, FHA loans, the choice for many lower credit score buyers, have broadly the same average credit scores among both first time and repeat buyers.

Demand in the mortgage market continues to closely follow rate movements and remains largely purchase driven. With interest rates averaging 6.6% for the month according to the **ICE US Conforming 30-year Fixed Mortgage Rate**

**Lock Index**, rate/term refinances – which have been effectively nonexistent for some time – made up 24% of January refinance activity, the highest such share in nearly two years.

“We noted last month that if industry rate projections hold firm, we could see a mini surge of refi activity around the 2023 vintage by the end of 2024,” Walden continued. “Even the relatively slight rate pullbacks of December and January spurred a growing number of homeowners to refinance. Demand is clearly there when rates cross certain thresholds and, if current rate forecasts hold true, we expect that demand to increase throughout the year. Unfortunately, when it comes to retaining the business of refinancing homeowners, the industry has a lot of ground to make up. Servicers retained just one of every five such borrowers in Q4 2024, a 17-year low.

“Providing an exemplary servicing experience is critical to reversing this trend, as is effectively identifying and engaging with customers likely to refinance. And when they have the opportunity to serve that customer, lenders need to be sure the front-end of the process is smooth as well. To that point, we did see the number of days from rate lock to close hit a 4.5 year low in January. In addition to enhancing the consumer experience, that also reduces hedging timelines. Those dynamics are tied tightly to the rate environment and can turn on a dime. Should rates fall, and the market shifts more heavily to refis, hedging times could increase as well – raising associated hedge duration risk. Industry participants would do well to develop a deep understanding the complexities of this evolving market to capitalize on opportunity and minimize risk.”

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.

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Source: Intercontinental Exchange

Category: Mortgage Technology

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