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Press Release

Milliman analysis: Mortgage originations decrease 73% year-over-year in Q1 2023; mortgage default risk declines slightly

Refinance originations at their lowest levels since 2014

SEATTLE – JUNE 1, 2023 – Milliman, Inc., a premier global consulting and actuarial firm, today announced the first quarter (Q1) 2023 results of the Milliman Mortgage Default Index (MMDI), which shows Milliman’s latest monthly estimate of the lifetime default risk of U.S.-backed mortgages.

Between the fourth quarter (Q4) 2022 and Q1 2023, default risk for government-sponsored enterprise (GSE) acquisitions (purchased and refinanced loans backed by Freddie Mac and Fannie Mae) ticked downward from 3.53% to 3.44%. This means that, for mortgage loans originating in Q1 of this year, the expectation is that 3.44% will become delinquent (180 days or more) over their lifetimes.

Mortgage originations for Q1 2023 were at their lowest levels since 2019, with refinance originations at their lowest levels since 2014, when Milliman started tracking this data. This is the fifth consecutive quarter that mortgage originations have decreased and represents a 73% decrease in mortgage origination volume year-over-year.

Looking at the components of default risk, borrower risk remained steady in Q1 2023, while there was a slight decrease in overall economic risk between Q4 2022 and Q1 of this year. Underwriting risk remains low for purchase originations, though the increasing interest rate environment is having an impact on refinance originations.

“With interest rates increasing, only 30% of refinance loans were rate/term refinance for the most recent quarter. This compares to 40% in the year prior,” said Jonathan Glowacki, a principal at Milliman and co-author of the MMDI. “Because cash-loans are assigned a greater default risk, they continue to drive up overall risk for refinance originations in Q1.”

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

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