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Press Release

Milliman analysis: Mortgage volume hits record high in Q3 2020 while default risk continues to drop

In Q3 2020, refinance loans made up approximately 75% of GSE mortgage volume

SEATTLE – FEBRUARY 4, 2021 – Milliman, Inc., a premier global consulting and actuarial firm, today announced the third quarter (Q3) 2020 results of the Milliman Mortgage Default Index (MMDI), which shows the latest monthly estimate of the lifetime default risk of U.S.-backed mortgages.

During Q3 2020, mortgage demand remained strong, with mortgage volume for government-sponsored enterprise (GSE) acquisitions (purchased and refinanced loans backed by Freddie Mac and Fannie Mae) increasing more than 125% year-over-year and setting a record high. Approximately 75% of GSE mortgage volume for the quarter was refinance loans, while approximately 50% of Ginnie Mae loans originated in Q3 were the result of refinancing.

“Mortgage refinance loans during the third quarter of 2020 were so high, we’ve heard anecdotally originators couldn’t keep pace with demand,” says Jonathan Glowacki, a principal at Milliman and author of the MMDI. “This is one potential driver of the historically low levels of borrower and underwriting risk we’re seeing for the quarter, since it’s easier and more efficient to underwrite low-risk refinance loans compared with higher-risk loans.”

During Q3 2020, Milliman’s mortgage default risk rate for GSE loans decreased from 1.54% in Q2 to 1.50% in Q3, as interest rates continued to decline and home prices improved. The MMDI rate for Ginnie Mae loans also decreased, from 8.99% in Q2 to 8.69% in Q3.

The models used in Milliman’s MMDI analysis rely on home prices to forecast default rates, and do not rely on unemployment rates, nor do they have specific adjustments for special legislative actions or programs such as the CARES Act. For more information go to <http://us.milliman.com/mmdi/>.

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.

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