

Securitization in Focus

October 2023

Residential Mortgage-Backed Securities (RMBS)

Mortgage Market Headlines

3.29% National delinquency rate in Sep 2023

The national delinquency rate is up 0.13% YoY, but remains 0.71% below the September 2019, pre-pandemic level.

- Mortgage companies are growing desperate – laying off workers, merging or exiting the business. The mantra from the Mortgage Bankers Association’s annual conference in late October was, “Stay alive until 2025.”
- Boom to bust – historically low rates during the pandemic prompted millions of homeowners to refinance or upsize their homes. Lenders grew their loan books exponentially and hired staff to handle the rush. With the Fed raising rates at a historic pace, mortgage application activity is at its lowest level in 30 years, with little hope for a rebound anytime soon.

Bankrate.com US Home Mortgage 30Y Fixed Rate National Average and 10Y US Treasury Yield (%)



As of 31 Oct 2023.

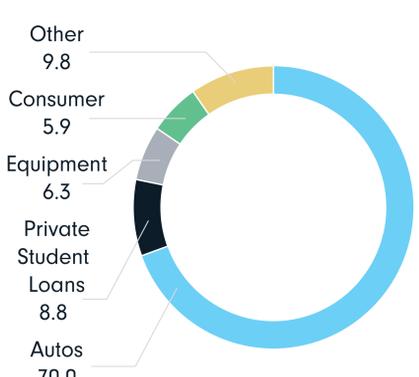
- Bankrate.com’s 30-year mortgage rate is at the highest level since June 2000, only 29 basis points below the peak level of 8.38% since the turn of the century.
- The spread between the 10-year US Treasury and 30-year mortgage rate remains near historic highs, roughly 313 bps (3.13%) at month-end.

Asset-Backed Securities (ABS)

\$24.1B Total ABS Issuance in Oct 2023

ABS issuance remains strong in 2023, despite the lull brought on by the ABS East conference near the end of the month.

ABS October Issuance (%)



As of 31 Oct 2023.

	YTD 2023	YTD 2022	% change
Auto	132.0	102.0	29.4
Student Loan	6.6	7.0	-6.4
Credit Card	17.4	25.6	-31.9
Equipment	19.3	18.8	2.7
Other	47.9	63.4	-24.4
Total	223.2	216.8	3.0

30+ Day Delinquencies (MoM) (%)

Credit Cards



Delinquencies

Up from 0.6 to 2.9

Bank Cards



Delinquencies

Up from 0.09 to 1.4

Prime Auto Loans



Delinquencies

Up from 0.06 to 1.7

Traditional Personal Loans



Delinquencies

Up from 0.01 to 5.7

Marketplace Lending (loans generated online)



Delinquencies

Up from 0.03 to 6.0

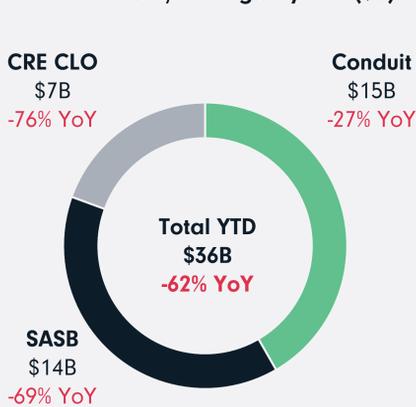
Commercial Mortgage-Backed Securities (CMBS)

White House Efforts

- New guidance to states, localities and developers on how the Transportation Infrastructure Finance and Innovation Act as well as the Railroad Rehabilitation & Improvement Financing programs can be used to finance housing developments near transportation, including conversion projects.
- Community Development Block Grant fund can be used to boost housing supply, including the acquisition, rehabilitation and conversion of commercial properties to residential uses.
- General Services Administration expanding on the Good Neighbor Program to promote the sale of surplus federal properties that buyers could potentially redevelop for residential use.
- American Planning Association is expanding its existing work with the planning directors of the 30 largest cities to include new programs on commercial to residential conversion.

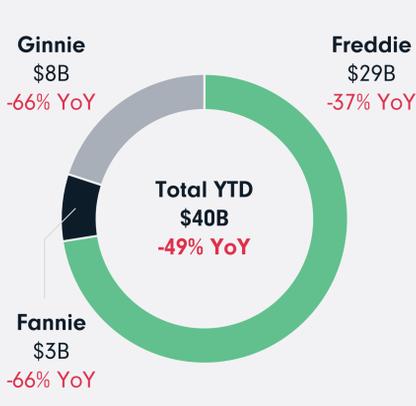
Issuance Update

Private Label/Non-Agency YTD (\$B)



As of 31 Oct 2023.

Agency YTD (\$B)



As of 31 Oct 2023.

Maturity Wall on the Horizon

\$2.78T CRE loans maturing by 2027

	Total (\$B)
2023	536.93
2024	540.58
2025	534.73
2026	562.02
2027	601.09
2023 – 2027	2,775.35

- The current wall eclipses the most recent maturity wall of \$1.08 trillion during 2015-2017.
- The 2015-2017 wall was resolved through a combination of super-low rates, an abundance of debt capital, a healthy real estate market and an influx of new lenders (mortgage REITs).
- The 10-year Treasury average was 2.10% from 2015-2017 with a high of 2.63% and a low of 1.36%. Quite a different environment from today with the 10-year Treasury flirting with 5% and short-term rates even higher.

Sources: JPMorgan, Deutsche Bank, Barclays, White House Fact Sheet, Trepp 3Q Review, Bankrate.com.

SASB – Single asset, single borrower. CRE CLO – Commercial real estate collateralized loan obligation.

The views expressed are those of Diamond Hill as of October 2023 and are subject to change without notice. These opinions are not intended to be a forecast of future events, a guarantee of future results or investment advice. Investing involves risk, including the possible loss of principal. Past performance is not a guarantee of future results.