

## Business and Information Services

# Expert call reinforces view on a mortgage market recovery

Industry Overview

### Recent call with BofA's Structured Finance team

On January 17, we hosted a call with Chris Flanagan, BofA's Head of US Mortgage and Structured Finance Research to discuss his mortgage origination outlook amid lower rates and mortgage spread. Flanagan's views were incorporated in our recent upgrade of Equifax ([see note here](#)). We outline key takeaways from the call below.

### Issuance should trend higher as 10-year rates fall

Mortgage issuance volumes typically follow the 10-year treasury rate. With BofA's Rate Strategy team projecting that the 10-year treasury will be 4.25-4.40% in 2024, Flanagan estimates origination volumes could be \$1.75tn, +9% y/y. He also sees a potential path to \$1.95tn of issuance, +22% y/y, if 10-year rates fall to 4.0%. A key takeaway was that the risk to overall rates is to the downside, with a drop to the 3.25%-area a possibility, which would provide a considerable uplift to origination volumes.

### Home purchasing & refi activity expected to trend higher

Flanagan forecasts both home purchase and refinancing-related mortgage issuance picking up in 2024. While rates are still at a comparable level to a year ago, he thinks home purchase activity can improve. Last year, he thinks there was "sticker shock" as rates moved into the 6-7% range. But today, homebuyers are used to higher rates and have built up additional savings. Therefore, Flanagan sees 5-10% increase in purchase originations y/y. In addition, refinancing activity could rise 10-20% y/y as reduced rates unlock a wave of refinancings from homes purchased over the last year.

### Mortgage recovery is a multi-year story

Flanagan sees opportunity for material growth in purchase and refinance activity in 2025. The drivers are lower rates, pent-up demand for home purchases, and multiple iterations of refinancings. Flanagan estimated there could be 50/10% increases in refinance/purchase activity in 2025 y/y, leading to ~15% increase in overall volumes from 2024 levels.

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Equity  
United States  
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