

Business and Information Services

Mortgage agency forecasts: focus shifts to 2024

Industry Overview

Tracking mortgage trends for credit bureaus

We track Fannie Mae and the Mortgage Bankers Association mortgage origination forecasts as a directional guide for Equifax (EFX) and TransUnion's (TRU) mortgage revenues. In 2022, mortgages comprised 23% and 6.5% of EFX and TRU's revenues, down from 31% and 11.5% in 2021. We estimate mortgages are 19% and 7% of 2023 revenues. Equifax and TransUnion's mortgage credit check revenues are a function of inquiries, which should outperform origination volumes near-term as borrowers shop different lenders. Equifax's Workforce Solutions mortgage revenues (15% of total revenues) are linked to origination trends and do not benefit from shopping.

FNMA reduces 4Q23 outlook; 2024 revised upwards

On January 18th, Fannie Mae (FNMA) released its January Housing Forecast. Compared to its December forecast, FNMA's 2023E origination outlook (in \$'s) was lowered by 2%, implying a 37% y/y decline. Its 4Q23 origination outlook was lowered by 8% and now implies an 20% decline y/y. FNMA's 2024 outlook was raised by 5%, and FNMA is now projecting 32% growth in 2024. Also, in this edition of our report we are breaking out FNMA's 2024 quarterly outlooks. FNMA is projecting (3)/20/44/69% y/y growth in 1Q/2Q/3Q/4Q24 originations.

MBA's 2023/2024 forecast unchanged

On January 19th, the Mortgage Bankers Association (MBA) released its January Mortgage Origination Forecast. MBA's 2023/4Q23 unit origination forecast is unchanged compared to December's forecast and implies 36/6% y/y declines. Meanwhile, MBA's application data for 4Q23 was down 13.7% and is running down 8.3% for the first three weeks of January. MBA's 1Q/2Q/3Q/4Q unit origination forecasts are for 12/2/23/34% growth y/y. For 2024, MBA kept its forecast unchanged for 17% y/y growth.

MBA's 2023E dollar volume origination forecast for a 29% y/y decline was unchanged from December's. This includes (2)% y/y for 4Q23. 1Q/2Q/3Q/4Q growth is forecasted to be 17/8/28/38% y/y. For 2024, MBA is forecasting 22% growth, unchanged from its December outlook.

See below for MBA weekly mortgage application growth data.

26 January 2024

Equity
United States
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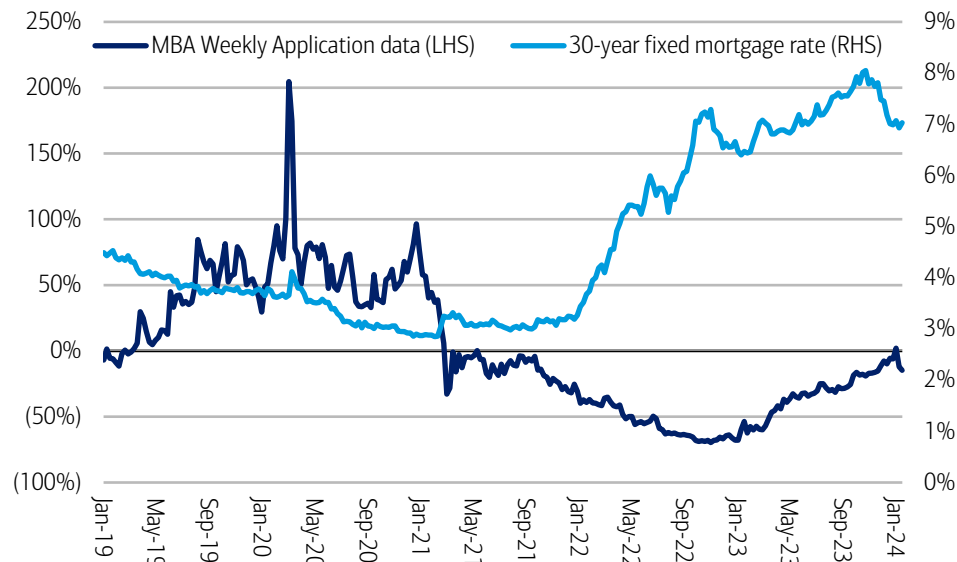
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Exhibit 1: MBA weekly mortgage application growth (y/y) compared to 30-year fixed mortgage

MBA weekly mortgage applications for the first three weeks of the year are down 8% y/y



Source: Bankrate.com, Mortgage Bankers Association, Bloomberg, BofA Global Research

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Exhibit 2: Fannie Mae & MBA January 2024 forecast

In January, MBA/FNMA's 2024 dollar volume forecasts were revised 0/5%, implying (29)/(32)% y/y

			January 2024 forecast vs.					
			forecasted	December	November	October	September	August
			y/y	2023	2023	2023	2023	2023
	\$bn	change	forecast	forecast	forecast	forecast	forecast	forecast
Fannie Mae origination forecast - as of January 2024								
4Q23 Purchases	\$277	(19%)	(7%)	(9%)	(15%)	(16%)		
4Q23 Refinancing	\$51	(24%)	(9%)	(14%)	(18%)	(19%)		
4Q23 Total	\$328	(20%)	(8%)	(9%)	(15%)	(16%)		
2023 Purchases	\$1,252	(24%)	(2%)	(2%)	(4%)	(4%)		
2023 Refinancing	\$246	(66%)	(2%)	(2%)	(2%)	(2%)		
2023 Total	\$1,498	(37%)	(2%)	(2%)	(4%)	(4%)		
1Q24 Purchases	\$266	(5%)	3%	3%	3%	2%		
1Q24 Refinancing	\$63	7%	0%	(2%)	(13%)	(16%)		
1Q24 Total	\$329	(3%)	2%	2%	(0%)	(2%)		
2Q24 Purchases	\$405	13%	3%	5%	4%	4%		
2Q24 Refinancing	\$111	56%	4%	11%	5%	9%		
2Q24 Total	\$516	20%	3%	6%	4%	5%		
3Q24 Purchases	\$422	25%	4%	7%	1%	1%		
3Q24 Refinancing	\$156	140%	11%	16%	11%	13%		
3Q24 Total	\$577	44%	6%	9%	3%	4%		
4Q24 Purchases	\$394	42%	4%	6%	5%	7%		
4Q24 Refinancing	\$160	214%	13%	23%	17%	25%		
4Q24 Total	\$555	69%	7%	11%	9%	12%		
2024 Purchases	\$1,487	19%	3%	6%	3%	4%		
2024 Refinancing	\$489	99%	9%	14%	7%	11%		
2024 Total	\$1,976	32%	5%	8%	4%	5%		
MBA origination forecast - as of January 2024								
4Q23 Purchases	\$324	(5%)	0%	0%	0%	(9%)	(13%)	(5%)
4Q23 Refinancing	\$75	10%	0%	0%	0%	(9%)	(20%)	(30%)
4Q23 Total	\$399	(2%)	0%	0%	0%	(9%)	(14%)	(11%)
2023 Purchases	\$1,325	(18%)	0%	0%	0%	(3%)	(3%)	(2%)
2023 Refinancing	\$314	(54%)	0%	0%	0%	(2%)	(6%)	(13%)

Exhibit 2: Fannie Mae & MBA January 2024 forecast

In January, MBA/FNMA's 2024 dollar volume forecasts were revised 0/5%, implying (29)/(32)% y/y

January 2024 forecast vs.								
	\$1,63							
2023 Total	9	(29%)	0%	0%	0%	(2%)	(4%)	(4%)
1Q24 Purchases	\$304	14%	(6%)	(8%)	(3%)	(6%)	(6%)	349%
1Q24 Refinancing	\$86	30%	(13%)	(13%)	(9%)	(18%)	(18%)	335%
1Q24 Total	\$390	17%	(8%)	(9%)	(5%)	(9%)	(9%)	345%
2Q24 Purchases	\$389	5%	(3%)	(5%)	(1%)	(4%)	(4%)	250%
2Q24 Refinancing	\$110	20%	(5%)	(5%)	(3%)	(13%)	(13%)	277%
2Q24 Total	\$499	8%	(3%)	(5%)	(2%)	(6%)	(6%)	256%
3Q24 Purchases	\$432	19%	6%	6%	10%	7%	7%	274%
3Q24 Refinancing	\$135	67%	0%	0%	2%	(8%)	(8%)	228%
3Q24 Total	\$567	28%	4%	4%	8%	3%	3%	261%
4Q24 Purchases	\$411	27%	8%	8%	11%	8%	8%	263%
4Q24 Refinancing	\$140	87%	0%	0%	1%	(8%)	(8%)	222%
4Q24 Total	\$551	38%	6%	6%	8%	3%	3%	251%
2024 Purchases	\$1,536	16%	2%	0%	4%	1%	1%	(5%)
2024 Refinancing	\$471	50%	(4%)	(4%)	(1%)	(11%)	(11%)	(10%)
	\$2,00							
2024 Total	7	22%	0%	(1%)	3%	(2%)	(2%)	(6%)
		forecasted y/y change	December 2023 forecast	November 2023 forecast	October 2023 forecast	September 2023 forecast	August 2023 forecast	July 2023 forecast
MBA originations forecast - as of January 2024								
4Q23 Purchases	804	(9%)	0%	0%	(2%)	(12%)	(15%)	(10%)
4Q23 Refinancing	230	6%	0%	0%	(2%)	(11%)	(23%)	(28%)
4Q23 Total	1,034	(6%)	0%	0%	(2%)	(11%)	(17%)	(15%)
2023 Purchases	3,350	(24%)	0%	0%	(1%)	(3%)	(4%)	2%
2023 Refinancing	983	(50%)	0%	0%	(1%)	(3%)	(7%)	(2%)
2023 Total	4,333	(36%)	0%	0%	(1%)	(3%)	(5%)	1%
1Q24 Purchases	743	8%	(6%)	(8%)	(6%)	(10%)	(10%)	(7%)
1Q24 Refinancing	260	24%	(13%)	(13%)	(12%)	(21%)	(22%)	(22%)
1Q24 Total	1,003	12%	(8%)	(9%)	(8%)	(13%)	(13%)	(11%)
2Q24 Purchases	938	(1%)	(3%)	(5%)	(5%)	(9%)	(9%)	(10%)
2Q24 Refinancing	328	13%	(5%)	(5%)	(7%)	(17%)	(18%)	(16%)
2Q24 Total	1,266	2%	(4%)	(5%)	(6%)	(11%)	(12%)	(12%)
3Q24 Purchases	1,030	13%	6%	6%	5%	0%	(0%)	5%
3Q24 Refinancing	398	58%	0%	(0%)	(3%)	(14%)	(14%)	(12%)
3Q24 Total	1,428	23%	4%	4%	2%	(4%)	(5%)	(0%)
4Q24 Purchases	970	21%	9%	7%	5%	0%	(0%)	(4%)
4Q24 Refinancing	410	78%	0%	(0%)	(4%)	(15%)	(15%)	(11%)
4Q24 Total	1,380	34%	6%	5%	2%	(5%)	(5%)	(6%)
2024 Purchases	3,682	10%	2%	0%	(0%)	(4%)	(5%)	(4%)
2024 Refinancing	1,397	42%	(4%)	(4%)	(6%)	(16%)	(17%)	(15%)
2024 Total	5,079	17%	0%	(1%)	(2%)	(8%)	(8%)	(7%)

Source: Fannie Mae Economic & Strategic Research, Mortgage Bankers Association, BofA Global Research

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We reiterate our Buy recommendation and \$300 price objective on Equifax. We maintain our Underperform and \$47 price objective on TransUnion.

Stocks mentioned

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
EFX	EFX US	Equifax	US\$ 247.76	B-1-7
TRU	TRU US	TransUnion	US\$ 68.69	B-3-7

Source: BofA Global Research

Price objective basis & risk

Equifax (EFX)

Our \$300 Price Objective is based on 27x our 2025 adjusted EPS. This is a premium to the company's 24x 5-year average, but below the 32-33x recent peak. We assume the multiple expands as EPS re-rates higher and more investors hone in on 2025's profitability potential.

Downside risks are 1) US mortgage market recovery weaker than expected amid higher for longer rates, 2) weakening US or international credit trends due to a worse than expected economic environment and tighter than expected consumer lending standards, 3) risks associated with Equifax's ongoing technology transformation (cost pressure, delayed timing of completion), and 4) market share losses at Workforce Solutions due to increased competition and reduced pricing power

Upside risks are 1) faster rate cuts leading to better mortgage performance, 2) faster than expected sales traction from its cloud migration, 3) a better than expected labor market benefitting Workforce Solution's sales growth, and 4) better than expected international momentum.

TransUnion (TRU)

Our \$47 price objective is based on 13x our 2024E EPS (adjusting out stock comp, our multiple is 15x). We are assuming valuation retrenches to late 2022 levels (13x 2024 P/E) as sales and margins remain weak amid a challenging consumer lending environment.

Downside risks are 1) a worse-than-expected consumer lending environment, 2) greater-than-expected mortgage market headwinds, 3) worse than expected deleveraging on higher sales, and 4) greater regulations (and potential) fines.

Upside risks are 1) a stronger-than-expected consumer environment, 2) greater-than-expected expense cuts, and 3) faster mortgage market recovery.

Analyst Certification

I, Heather Balsky, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Business, Education & Professional Services Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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	Aramark	ARMK	ARMK US	Heather Balsky
	Cintas	CTAS	CTAS US	Heather Balsky
	CoStar Group	CSGP	CSGP US	Heather Balsky
	Dun & Bradstreet Holdings, Inc.	DNB	DNB US	Heather Balsky
	Equifax	EFX	EFX US	Heather Balsky
	Gartner	IT	IT US	Heather Balsky
	Moody's Corp.	MCO	MCO US	Heather Balsky
	S&P Global	SPGI	SPGI US	Heather Balsky
	Strategic Education	STRA	STRA US	Heather Balsky
	Thomson Reuters	YTRI	TRI CN	Heather Balsky
	Thomson Reuters	TRI	TRI US	Heather Balsky
NEUTRAL				
	FactSet Research Systems Inc	FDS	FDS US	Heather Balsky
	First Advantage Corporation	FA	FA US	Heather Balsky
	Verisk Analytics	VRSK	VRSK US	Heather Balsky
UNDERPERFORM				
	ASGN Inc.	ASGN	ASGN US	Heather Balsky
	Clarivate PLC	CLVT	CLVT US	Heather Balsky
	ManpowerGroup	MAN	MAN US	Heather Balsky
	MSCI Inc	MSCI	MSCI US	Heather Balsky
	Robert Half	RHI	RHI US	Heather Balsky
	TransUnion	TRU	TRU US	Heather Balsky

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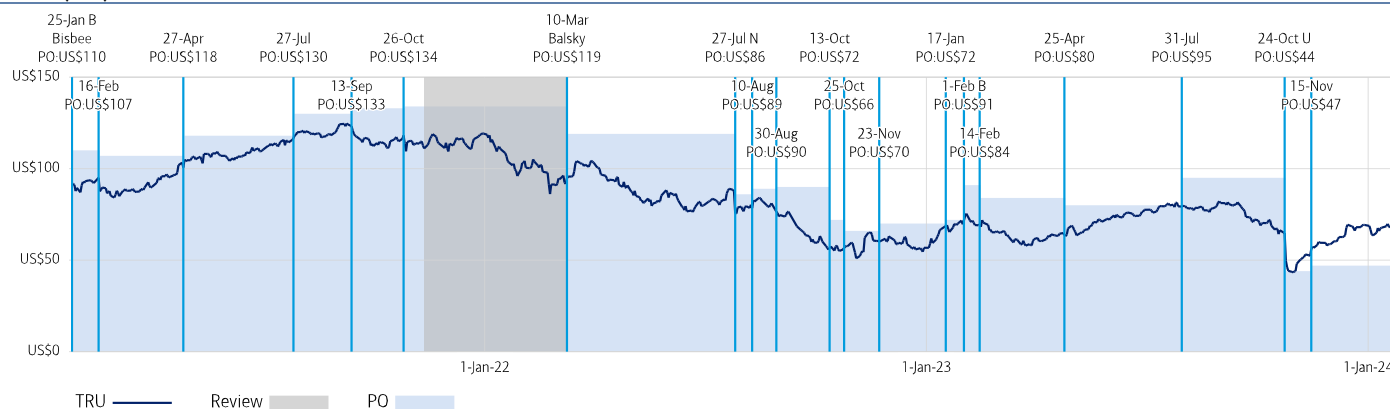
Equifax (EFX) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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TransUnion (TRU) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	26	55.32%	Buy	17	65.38%
Hold	8	17.02%	Hold	3	37.50%
Sell	13	27.66%	Sell	11	84.62%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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