

## Business and Information Services

# Mortgage agency forecasts: rates give us whiplash, but outlook changes

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 2023, mortgages comprised 19.3% and 7.3% of EFX and TRU's revenues, compared to 23% and 6.5% in 2022. Equifax and TransUnion's mortgage credit check revenues are a function of inquiries, which have been outperforming origination volumes as borrowers shop different lenders. Equifax expects that relationship to reverse as shopping normalizes. Equifax's Workforce Solutions mortgage revenues (11% of total revenues) are linked to origination trends and do not benefit from shopping. Maintain ratings on covered companies.

## FNMA lowers 2024 outlook modestly; raises 1Q target

On February 26<sup>th</sup>, Fannie Mae (FNMA) released its February Housing Forecast. Compared to its January forecast, FNMA's 2024 origination outlook (in \$'s) was lowered by 3% and now implies 28% y/y growth. Its 1Q24 forecast was raised by 2%, implying a 1% y/y decline. However, FNMA lowered its 2Q/3Q/4Q24 outlook by 2/3/8%, but it still expects sequential improvement in y/y growth. FNMA is forecasting 2Q/3Q/4Q24 origination +18/40/54% y/y.

## 2024 MBA forecast unchanged; growth expected in all Q's

On February 20<sup>th</sup>, the Mortgage Bankers Association (MBA) released its February Mortgage Origination Forecast. MBA's 2024 unit origination forecast for +17% y/y was unchanged from January's outlook. MBA maintained its 1Q24 outlook and adjusted its 2Q/3Q/4Q outlooks by (1)/(1)/1%. The agency is now projecting +12/1/22/34% growth in 1Q/2Q/3Q/4Q24. Meanwhile, MBA's weekly application data year -to-date is tracking down 7.5% y/y compared to (13.7)% in 4Q and (59.8)% in the year-ago period.

MBA's 2024E dollar volume origination forecast for a +22% y/y was also unchanged from January's. MBA is projecting +17/7/27/39% 1Q/2Q/3Q/4Q24 y/y growth.

**See below for MBA weekly mortgage application growth data.**

27 February 2024

Equity  
United States  
Business & Information Services

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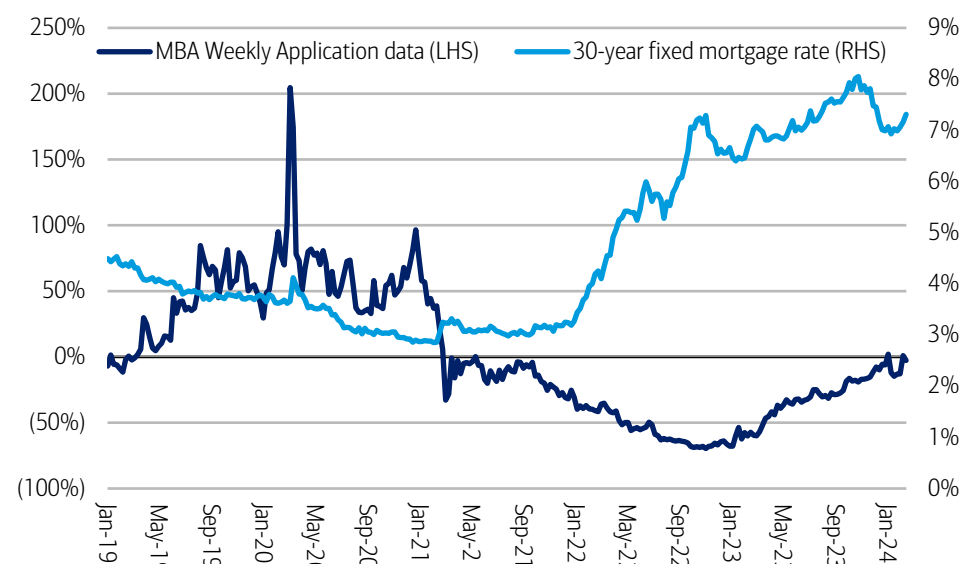
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Timestamp: 27 February 2024 12:30AM EST

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

MBA weekly mortgage applications in 2024 year-to-date are down 7.5% y/y



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

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**Exhibit 2: Fannie Mae & MBA February 2024 forecast**

In February, MBA/FNMA's 2024 dollar volume forecasts were revised 0/(3)% , implying 22/28% y/y

	February 2024 forecast vs.								
	forecasted	January	December	November	October	September	August	July	
	y/y	2024	2023	2023	2023	2023	2023	2023	
	\$bn	change	forecast	forecast	forecast	forecast	forecast	forecast	forecast
Fannie Mae origination forecast - as of February 2024									
1Q24 Purchases	\$264	(6%)	(1%)	2%	2%	2%	2%		
1Q24 Refinancing	\$70	19%	11%	11%	9%	(3%)	(7%)		
1Q24 Total	\$334	(1%)	2%	4%	4%	1%	(0%)		
2Q24 Purchases	\$404	13%	(0%)	3%	5%	3%	4%		
2Q24 Refinancing	\$104	46%	(6%)	(3%)	4%	(2%)	2%		
2Q24 Total	\$508	18%	(2%)	1%	5%	2%	4%		
3Q24 Purchases	\$420	25%	(0%)	3%	6%	0%	1%		
3Q24 Refinancing	\$143	117%	(8%)	2%	6%	1%	4%		
3Q24 Total	\$562	40%	(3%)	3%	6%	0%	1%		
4Q24 Purchases	\$369	34%	(6%)	(3%)	(0%)	(1%)	0%		
4Q24 Refinancing	\$143	151%	(11%)	1%	10%	4%	12%		
4Q24 Total	\$512	54%	(8%)	(2%)	2%	0%	3%		
2024 Purchases	\$1,457	17%	(2%)	1%	3%	1%	2%		
2024 Refinancing	\$459	81%	(6%)	2%	7%	1%	4%		
	\$1,916								
2024 Total	6	28%	(3%)	1%	4%	1%	2%		
MBA origination forecast - as of February 2024									
1Q24 Purchases	\$304	14%	0%	(6%)	(8%)	(3%)	(6%)	(6%)	(10%)
1Q24 Refinancing	\$86	30%	0%	(13%)	(13%)	(9%)	(18%)	(18%)	(30%)
1Q24 Total	\$390	17%	0%	(8%)	(9%)	(5%)	(9%)	(9%)	(15%)
2Q24 Purchases	\$384	4%	(1%)	(4%)	(6%)	(3%)	(5%)	(5%)	(12%)
2Q24 Refinancing	\$110	20%	0%	(5%)	(5%)	(3%)	(13%)	(13%)	(22%)
2Q24 Total	\$494	7%	(1%)	(4%)	(6%)	(3%)	(7%)	(7%)	(14%)
3Q24 Purchases	\$428	18%	(1%)	5%	5%	9%	6%	6%	5%
3Q24 Refinancing	\$135	67%	0%	0%	0%	2%	(8%)	(8%)	(17%)
3Q24 Total	\$563	27%	(1%)	4%	4%	7%	2%	2%	(1%)
4Q24 Purchases	\$414	28%	1%	9%	8%	12%	8%	8%	(1%)
4Q24 Refinancing	\$140	87%	0%	0%	0%	1%	(8%)	(8%)	(15%)
4Q24 Total	\$554	39%	1%	7%	6%	9%	4%	4%	(5%)

**Exhibit 2: Fannie Mae & MBA February 2024 forecast**

In February, MBA/FNMA's 2024 dollar volume forecasts were revised 0/(3)%, implying 22/28% y/y

February 2024 forecast vs.									
2024 Purchases	\$1,530	15%	(0%)	1%	0%	4%	1%	1%	(4%)
2024 Refinancing	\$471	50%	0%	(4%)	(4%)	(1%)	(11%)	(11%)	(20%)
	<b>\$2,001</b>								
<b>2024 Total</b>	<b>1</b>	<b>22%</b>	<b>(0%)</b>	<b>0%</b>	<b>(1%)</b>	<b>3%</b>	<b>(2%)</b>	<b>(2%)</b>	<b>(8%)</b>
		forecasted y/y change	January 2024 forecast	December 2023 forecast	November 2023 forecast	October 2023 forecast	September 2023 forecast	August 2023 forecast	July 2023 forecast
MBA originations forecast - as of February 2024									
1Q24 Purchases	743	8%	0%	(6%)	(8%)	(6%)	(10%)	(10%)	(7%)
1Q24 Refinancing	260	24%	0%	(13%)	(13%)	(12%)	(21%)	(22%)	(22%)
<b>1Q24 Total</b>	<b>1,003</b>	<b>12%</b>	<b>0%</b>	<b>(8%)</b>	<b>(9%)</b>	<b>(8%)</b>	<b>(13%)</b>	<b>(13%)</b>	<b>(11%)</b>
2Q24 Purchases	926	(2%)	(1%)	(4%)	(6%)	(6%)	(10%)	(11%)	(11%)
2Q24 Refinancing	328	13%	0%	(5%)	(5%)	(7%)	(17%)	(18%)	(16%)
<b>2Q24 Total</b>	<b>1,254</b>	<b>1%</b>	<b>(1%)</b>	<b>(4%)</b>	<b>(6%)</b>	<b>(7%)</b>	<b>(12%)</b>	<b>(13%)</b>	<b>(12%)</b>
3Q24 Purchases	1,021	12%	(1%)	5%	5%	4%	(1%)	(1%)	5%
3Q24 Refinancing	398	58%	0%	0%	(0%)	(3%)	(14%)	(14%)	(12%)
<b>3Q24 Total</b>	<b>1,419</b>	<b>22%</b>	<b>(1%)</b>	<b>4%</b>	<b>3%</b>	<b>2%</b>	<b>(5%)</b>	<b>(5%)</b>	<b>(1%)</b>
4Q24 Purchases	977	22%	1%	9%	8%	5%	1%	1%	(3%)
4Q24 Refinancing	410	78%	0%	0%	(0%)	(4%)	(15%)	(15%)	(11%)
<b>4Q24 Total</b>	<b>1,387</b>	<b>34%</b>	<b>1%</b>	<b>6%</b>	<b>5%</b>	<b>3%</b>	<b>(4%)</b>	<b>(5%)</b>	<b>(6%)</b>
2024 Purchases	3,667	9%	(0%)	1%	(0%)	(1%)	(5%)	(5%)	(4%)
2024 Refinancing	1,397	42%	0%	(4%)	(4%)	(6%)	(16%)	(17%)	(15%)
<b>2024 Total</b>	<b>5,064</b>	<b>17%</b>	<b>(0%)</b>	<b>(0%)</b>	<b>(1%)</b>	<b>(2%)</b>	<b>(8%)</b>	<b>(9%)</b>	<b>(7%)</b>

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

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**Exhibit 3: Stock Mentioned**

Stock prices and ratings mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
EFX	EFX US	Equifax	US\$ 265.25	B-1-7
TRU	TRU US	TransUnion	US\$ 76.46	C-3-7

Source: BofA Global Research

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## Price objective basis & risk

### Equifax (EFX)

Our \$300 price objective is based on 27x our 2025 adjusted EPS estimate. 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 \$65 price objective is based on 15x our 2025E EPS (adjusting out stock comp, our multiple is 17x). We're assuming valuation is above but near late 2022 levels (13-14x FY2 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.

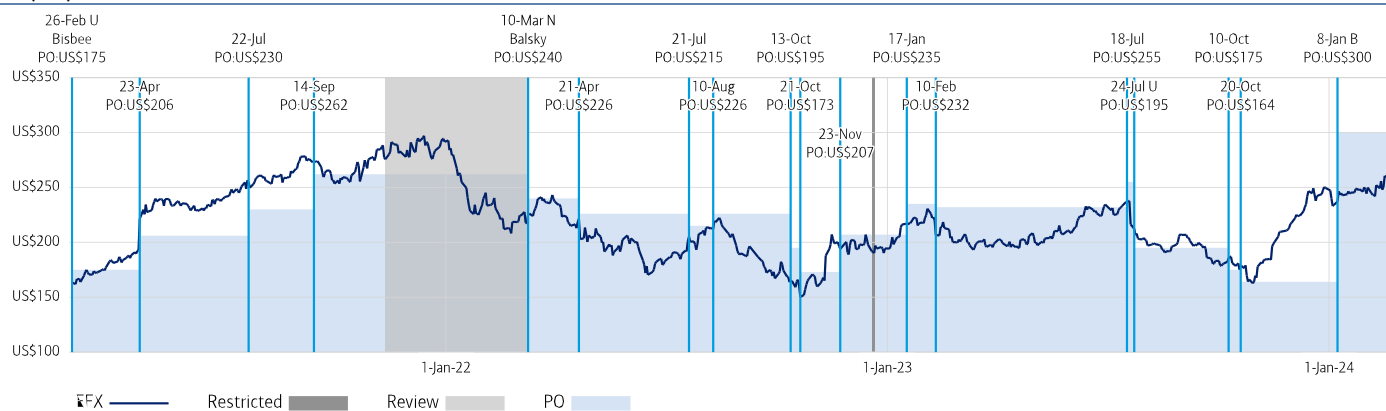
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Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
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	Aramark	ARMK	ARMK US	Heather Balsky
	Cintas	CTAS	CTAS US	Heather Balsky
	CoStar Group	CSGP	CSGP US	Heather Balsky
	Dun & 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
<b>NEUTRAL</b>				
	FactSet Research Systems Inc	FDS	FDS US	Heather Balsky
	First Advantage Corporation	FA	FA US	Heather Balsky
	Verisk Analytics	VRSK	VRSK US	Heather Balsky
<b>UNDERPERFORM</b>				
	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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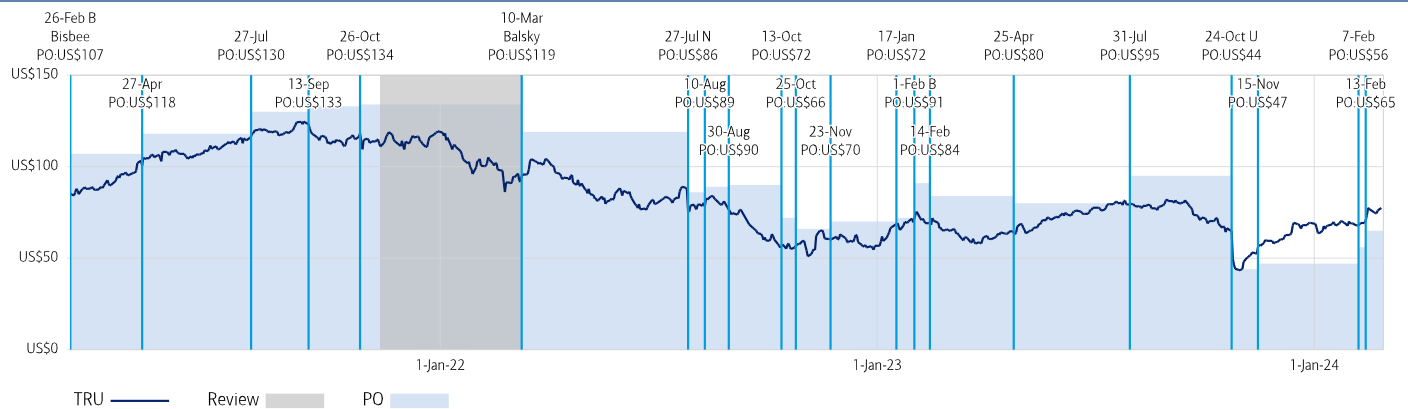
## Important Disclosures

## Equifax (EFX) Price Chart



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

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

**TransUnion (TRU) Price Chart**

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

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

**Equity Investment Rating Distribution: Business Services Group (as of 31 Dec 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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 <sup>R1</sup>	Count	Percent
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Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Underperform	N/A	≥ 20%

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