



ORIGINATIONS
MARKET MONITOR



ORIGINATIONS MARKET MONITOR

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FEBRUARY 2024 OVERVIEW

Each month, the Optimal Blue [Originations Market Monitor](#) reviews a series of key market indicators to help provide clarity on mortgage lending activity. By drawing information directly from origination pipelines, we provide a comprehensive and timely view into origination activity.

The spring homebuying season has kicked off with a jump in monthly purchase mortgage locks. The seasonal spike in purchase locks propelled a net increase in origination activity, even as higher interest rates led to steep declines in mortgage refinances.

Key findings, reflecting month-over-month changes in mortgage lock data, show:

- **Lock activity up despite steep decline in refinances:** Rate lock volumes saw a 5% increase due to a notable 8.3% increase in purchase activity. The rise in purchase activity outpaced the decrease in refinancing activity, which fell by 22.5% for rate/term refinances and 3.1% for cash-out refinances.
- **Purchase market nearing its floor:** Purchase lock counts, which control for changing home prices, rose 7%, a significant growth compared to the 2% increase in the same period last year during a similar uptick in interest rates. The 7% year-over-year decline in lock activity was the smallest such drop since the Fed began hiking interest rates in March 2022.
- **Interest rate trend reverses:** The benchmark Optimal Blue Mortgage Market Indices (OBMMI) observed an end to three consecutive months of rate declines — the result of strong economic readings, which significantly lowered market expectations of a near-term rate cut. The OBMMI 30-year conforming rate index rose 36 bps to 6.89%, FHA rose 28 bps to 6.66%, VA rose 41 bps to 6.50%, and jumbo rose 37 bps to 7.35%.
- **Non-conforming products see gains:** Non-conforming loan products, including jumbo and non-QM loans, claimed an additional 183 basis points of market share, ending the month with 11% of the total volume. Meanwhile, conforming loans maintained a steady 57%, with slight decreases in FHA and VA loans.
- **ARMs become slightly more popular:** The rate increase nudged the share of ARM loans up, though they still account for only 6% of total production volume. The current economic scenario, particularly the inverted yield curve, will likely constrain further demand growth for these products.
- **Credit quality and loan amounts continue upward trend:** Credit quality continued to improve across all loan products, except VA loans, which held steady. The average loan amount increased from \$355.6K to \$359.3K, while the average home purchase price climbed from \$444.9K to \$454.1K.

In producing the Originations Market Monitor, Optimal Blue aggregates and reports the latest available monthly rate lock data drawn from the Optimal Blue PPE — the most widely used product, pricing, and eligibility engine in the industry. Optimal Blue provides additional market insight by way of its market-leading hedging platform.

For more information on Optimal Blue's secondary marketing solutions, contact Sales@OptimalBlue.com.



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FEBRUARY 2024 NATIONAL RATE LOCK METRICS

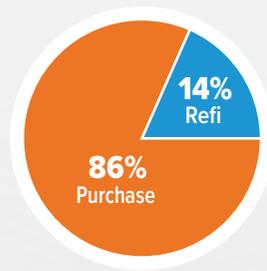
Here, we look at national origination numbers to give a high-level overview of the month's activity. This information is drawn from the [Optimal Blue® PPE](#).

FEBRUARY NATIONAL STATS



RATE LOCK VOLUME

Month over month, purchase locks increased 8.3%, cash-out refis decreased 3.1%, and rate/term refis decreased 22.5%.



MARKET MIX

The refi share of the market dropped 266 bps month over month.



AVERAGE LOAN AMOUNT

Month over month, the average loan amount increased from \$355.6K to \$359.3K, while the average home purchase price climbed from \$444.9K to \$454.1K.



MONTH-END CONFORMING RATE

Our [Optimal Blue Mortgage Market Indices](#) tracked a 36-bps climb in 30-year rate offerings, month over month.

February brought a seasonal spike in purchase locks, propelling a net increase in origination activity, even as higher interest rates led to steep declines in mortgage refinances.





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FEBRUARY 2024 TOP 20 METROPOLITAN AREAS

Here, we look at the top 20 metropolitan statistical areas (MSAs) by share of origination volume. This information is derived from daily rate lock data from the [Optimal Blue PPE](#).

Metropolitan Statistical Area (MSA)	% of Lock Volume	MoM Change	Avg Loan Amount (\$)	Avg Rate	Avg Credit Score	Avg LTV	Purchase	Refi
NATIONAL	100.0%	4.9%	\$359,251	6.706	731	81	86%	14%
1 New York-Newark-Jersey City, NY-NJ-PA	4.3%	5.7%	\$530,622	6.860	742	75	81%	19%
2 Dallas-Fort Worth-Arlington, TX	3.9%	3.5%	\$376,537	6.593	734	81	89%	11%
3 Washington-Arlington-Alexandria, DC-VA-MD-WV	3.8%	9.1%	\$514,900	6.670	746	82	91%	9%
4 Chicago-Naperville-Elgin, IL-IN-WI	3.3%	4.6%	\$331,985	6.902	738	82	89%	11%
5 Phoenix-Mesa-Scottsdale, AZ	3.1%	4.5%	\$425,279	6.590	733	80	89%	11%
6 Atlanta-Sandy Springs-Roswell, GA	2.8%	5.9%	\$365,682	6.631	718	81	84%	16%
7 Houston-The Woodlands-Sugar Land, TX	2.6%	0.9%	\$322,781	6.469	724	84	92%	8%
8 Los Angeles-Long Beach-Anaheim, CA	2.6%	11.7%	\$734,796	6.934	747	71	76%	24%
9 Seattle-Tacoma-Bellevue, WA	2.0%	10.6%	\$597,471	6.820	750	77	87%	13%
10 Denver-Aurora-Lakewood, CO	2.0%	0.0%	\$498,494	6.518	744	78	88%	12%





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FEBRUARY 2024 TOP 20 METROPOLITAN AREAS

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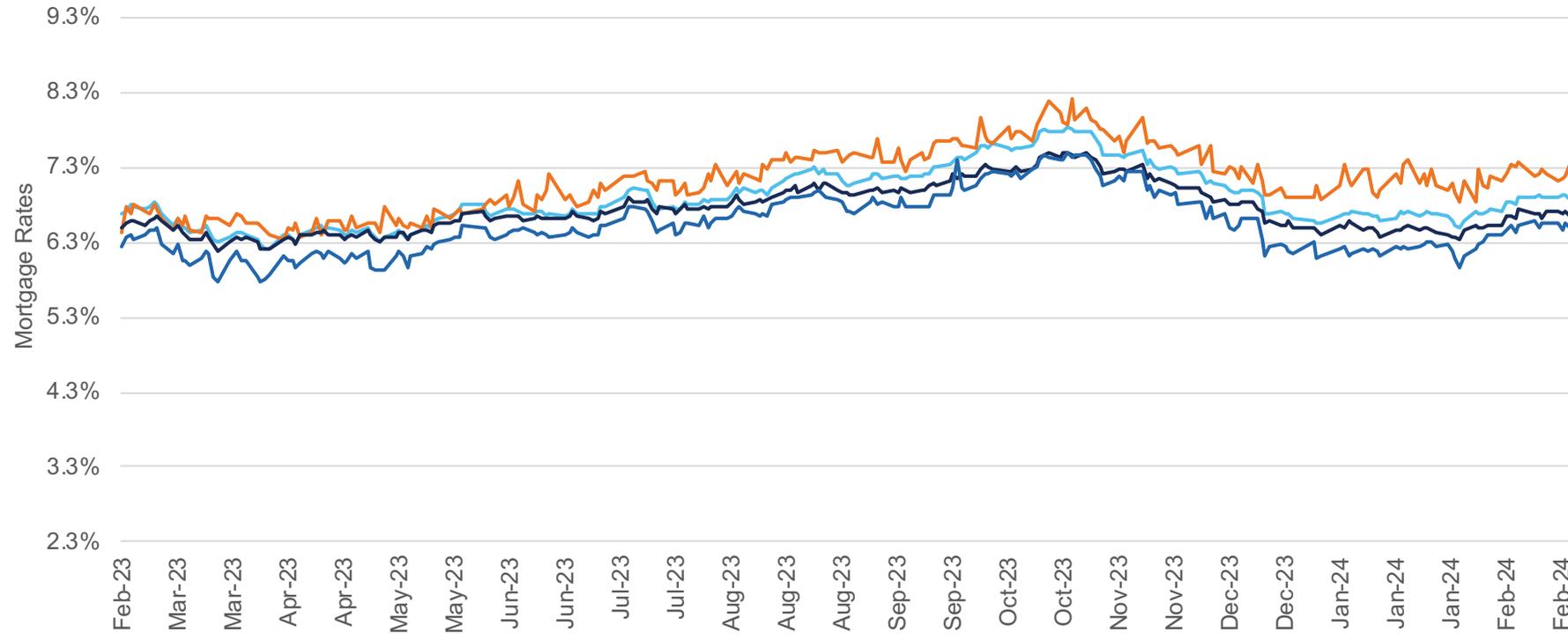
Metropolitan Statistical Area (MSA)	% of Lock Volume	MoM Change	Avg Loan Amount (\$)	Avg Rate	Avg Credit Score	Avg LTV	Purchase	Refi
NATIONAL	100.0%	4.9%	\$359,251	6.706	731	81	86%	14%
11 Miami-Fort Lauderdale-West Palm Beach, FL	1.8%	7.5%	\$479,386	6.740	733	77	84%	16%
12 Boston-Cambridge-Newton, MA-NH	1.8%	1.0%	\$564,778	6.790	748	75	86%	14%
13 Austin-Round Rock, TX	1.7%	9.3%	\$411,362	6.281	743	80	93%	7%
14 Tampa-St. Petersburg-Clearwater, FL	1.6%	2.4%	\$369,194	6.471	731	81	89%	11%
15 Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	1.6%	12.0%	\$335,729	6.795	737	80	86%	14%
16 Riverside-San Bernardino-Ontario, CA	1.5%	-11.6%	\$479,863	6.507	720	80	84%	16%
17 San Antonio-New Braunfels, TX	1.4%	7.4%	\$304,984	5.912	722	88	90%	10%
18 Charlotte-Concord-Gastonia, NC-SC	1.3%	3.3%	\$386,560	6.774	737	81	82%	18%
19 Orlando-Kissimmee-Sanford, FL	1.2%	12.4%	\$397,934	6.603	733	80	88%	12%
20 Las Vegas-Henderson-Paradise, NV	1.2%	-8.9%	\$405,739	6.503	734	82	90%	10%



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FEBRUARY 2024 MARKET RATE INDICES

Pulling data from the [Optimal Blue Mortgage Market Indices \(OBMMI\)](#), the chart below shows average 30-year rates across various loan products.



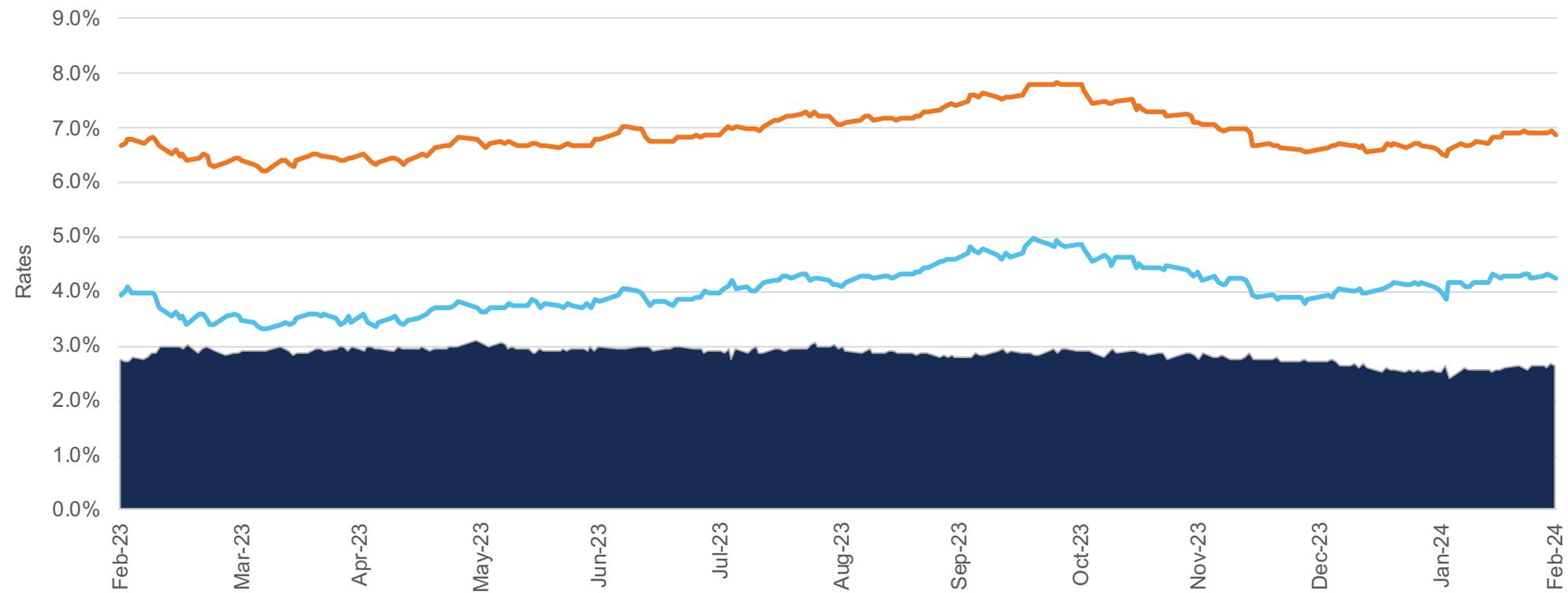
Market Index	Current Rate	1-Month Delta	3-Month Delta	12-Month Delta
 30-Year Conforming	6.89%	36 bps	(22 bps)	20 bps
 30-Year Jumbo	7.35%	37 bps	(26 bps)	92 bps
 30-Year FHA	6.66%	28 bps	(24 bps)	17 bps
 30-Year VA	6.50%	41 bps	(29 bps)	25 bps



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FEBRUARY 2024 30-YEAR TO 10-YEAR TREASURY SPREAD

Mortgage rates are loosely tied to 10-year Treasury bond rates, but the spread between the two can vary. Below, we look at the current spread and trends over the past year. This information is pulled from Optimal Blue's [secondary market hedging platform](#).



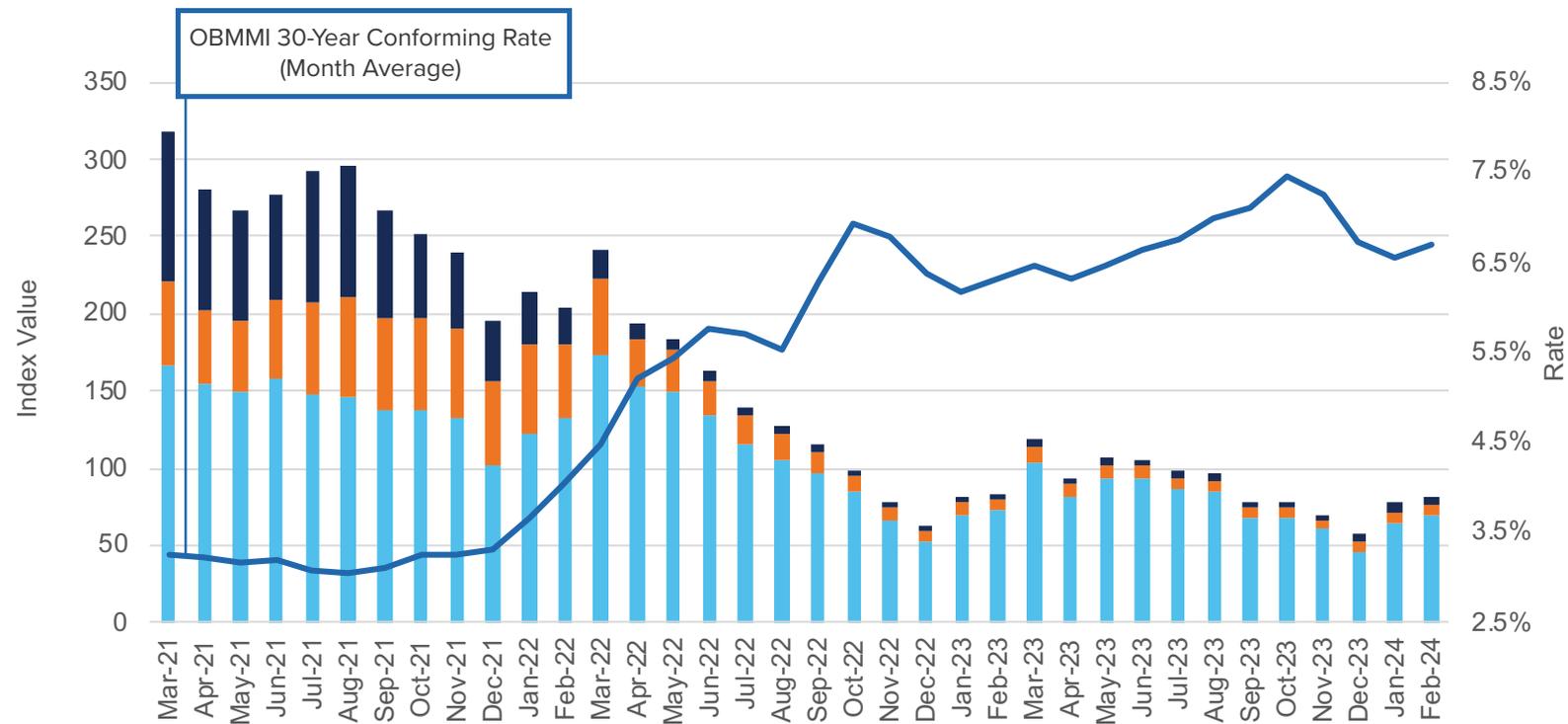
	Market Index	Current Value	1-Month Delta	3-Month Delta	12-Month Delta
	10-Year Treasury	4.25%	26 bps	(12 bps)	33 bps
	30-Year Conforming	6.89%	36 bps	(22 bps)	20 bps
	10-Year to 30-Year Spread	2.64%	10 bps	(10 bps)	(13 bps)



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FEBRUARY 2024 LOCK VOLUME BY LOAN PURPOSE

Here, we break down the rate lock volumes by loan purpose.
This information is pulled from daily rate lock tracking data from the [Optimal Blue PPE](#).



Market Volume Index (Total volume indexed to 100 in January 2018)		Current Value	1-Month % Change	3-Month % Change	12-Month % Change
Purchase		69	8.3%	15.2%	(3.9%)
Cash-Out Refinance		7	(3.1%)	14.3%	(4.4%)
Rate/Term Refinance		4	(22.5%)	32.5%	8.3%
Total		81	4.9%	15.9%	(3.3%)
Refinance Share*		14%	(266 bps)	54 bps	48 bps

*Refinance share changes reflect inter-period delta

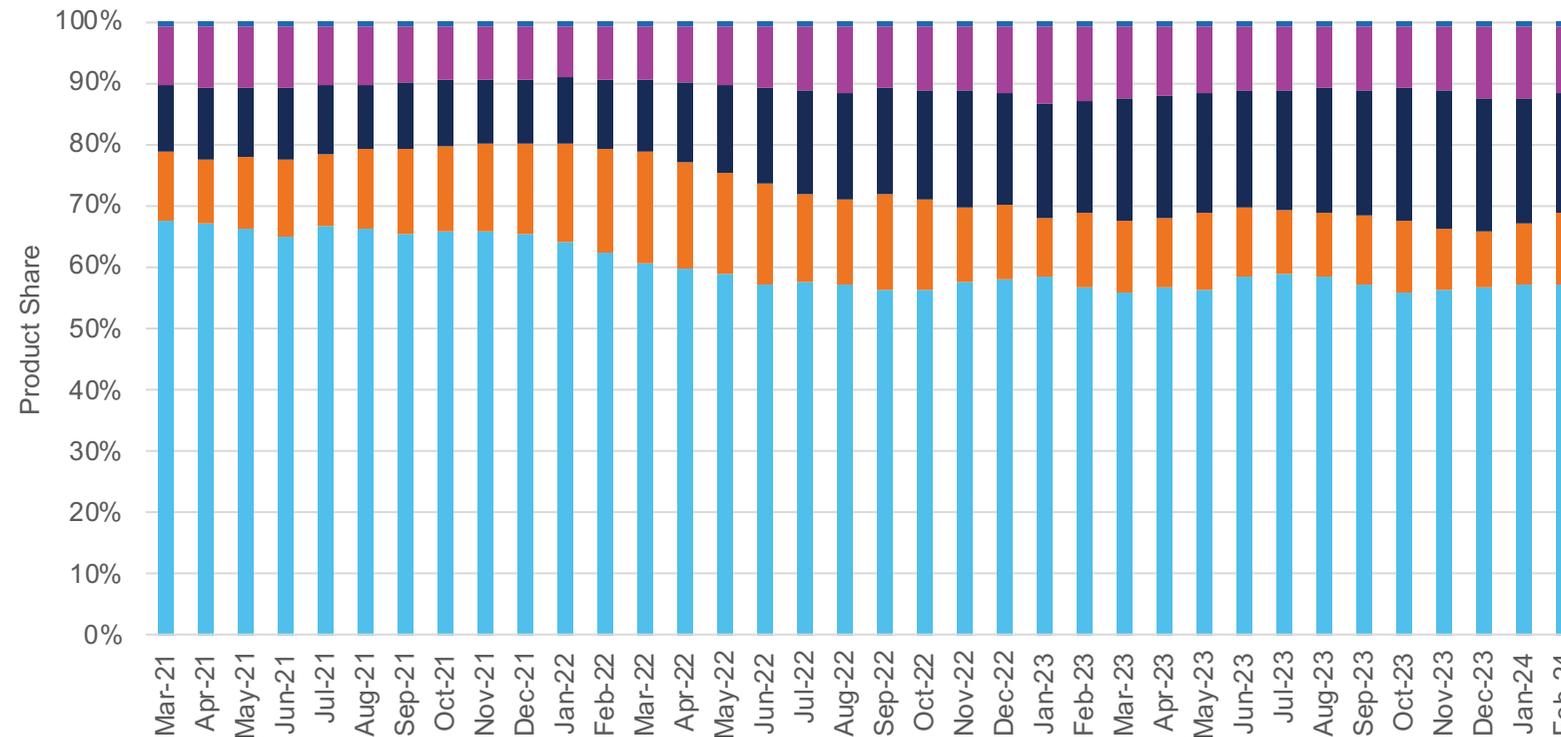


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FEBRUARY 2024 MIX OF BUSINESS BY LOAN PRODUCT

Here, we break down the rate lock volumes by loan product.

This information is pulled from daily rate lock tracking data from the [Optimal Blue PPE](#).



Loan Product Mix		Current Value	1-Month Delta	3-Month Delta	12-Month Delta
	Conforming	57.4%	8 bps	117 bps	78 bps
	Nonconforming	11.5%	183 bps	137 bps	(67 bps)
	FHA	19.7%	(92 bps)	(285 bps)	133 bps
	VA	10.7%	(98 bps)	27 bps	(128 bps)
	USDA	0.6%	(1 bps)	4 bps	(17 bps)

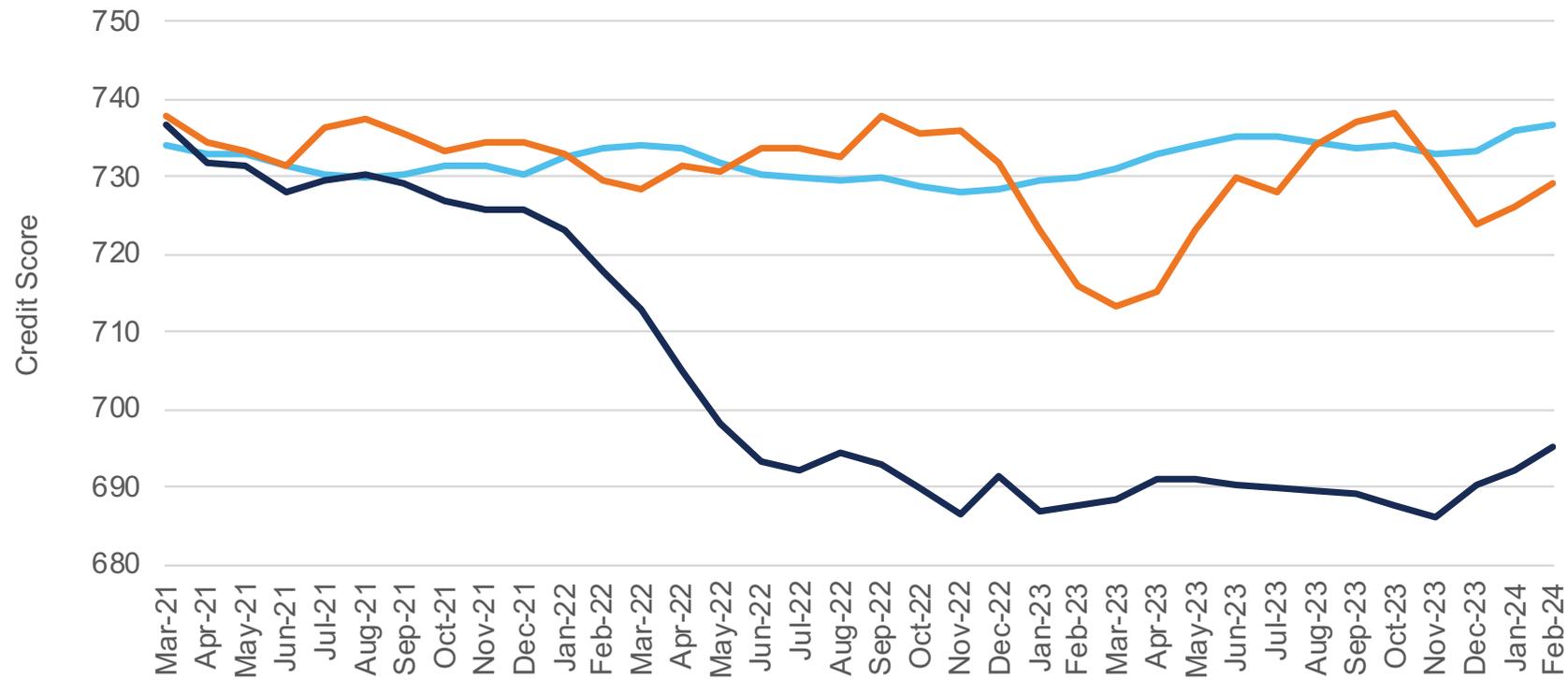


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FEBRUARY 2024 AVERAGE CREDIT SCORES

Here, we look at average credit scores by loan purpose.

This information is pulled from daily rate lock tracking data from the [Optimal Blue PPE](#).



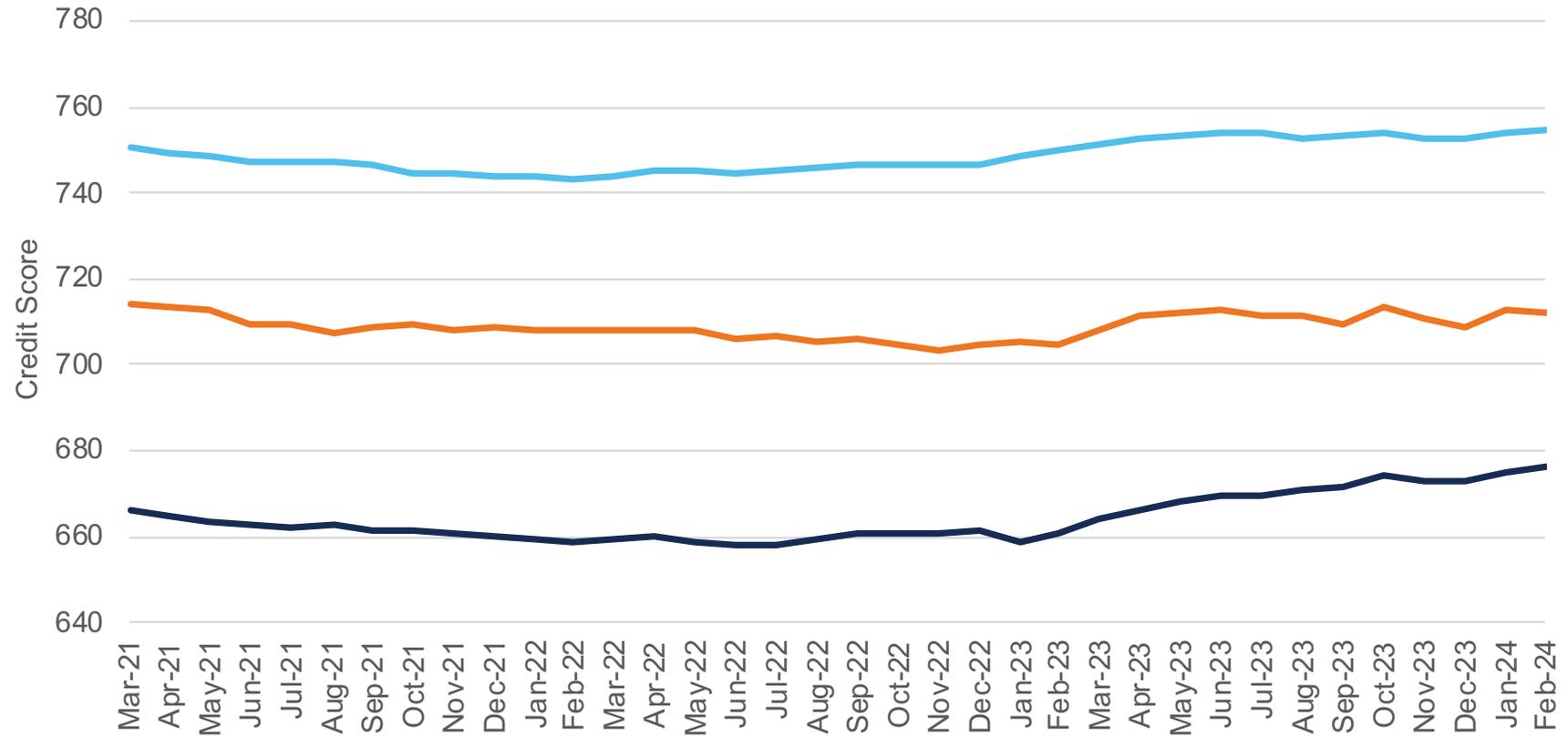
Credit Score by Purpose		Current Score	1-Month Delta	3-Month Delta	12-Month Delta
	Purchase	737	1	4	7
	Rate/Term Refi	729	3	-3	13
	Cash-Out Refi	695	3	9	7



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FEBRUARY 2024 AVERAGE CREDIT SCORES

Here, we look at average credit scores for conforming, FHA, and VA loans.
This information is pulled from daily rate lock tracking data from the [Optimal Blue PPE](#).



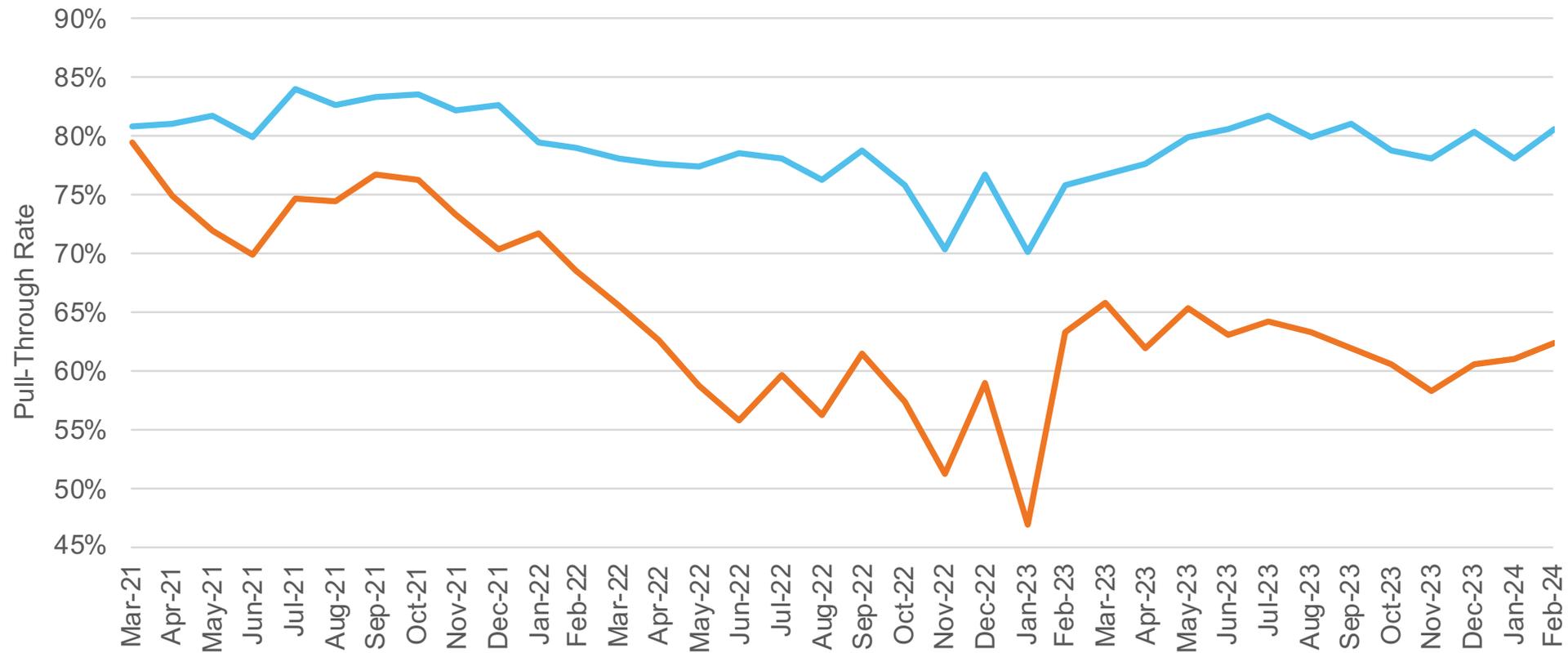
Credit Score by Product		Current Score	1-Month Delta	3-Month Delta	12-Month Delta
	Conforming	755	1	2	5
	VA	712	0	2	8
	FHA	676	2	4	15



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FEBRUARY 2024 PURCHASE & REFI PULL-THROUGH

Below, we look at pull-through rates – the percentage of locks that become funded loans. This information is pulled from daily rate lock tracking data from the [Optimal Blue PPE](#).



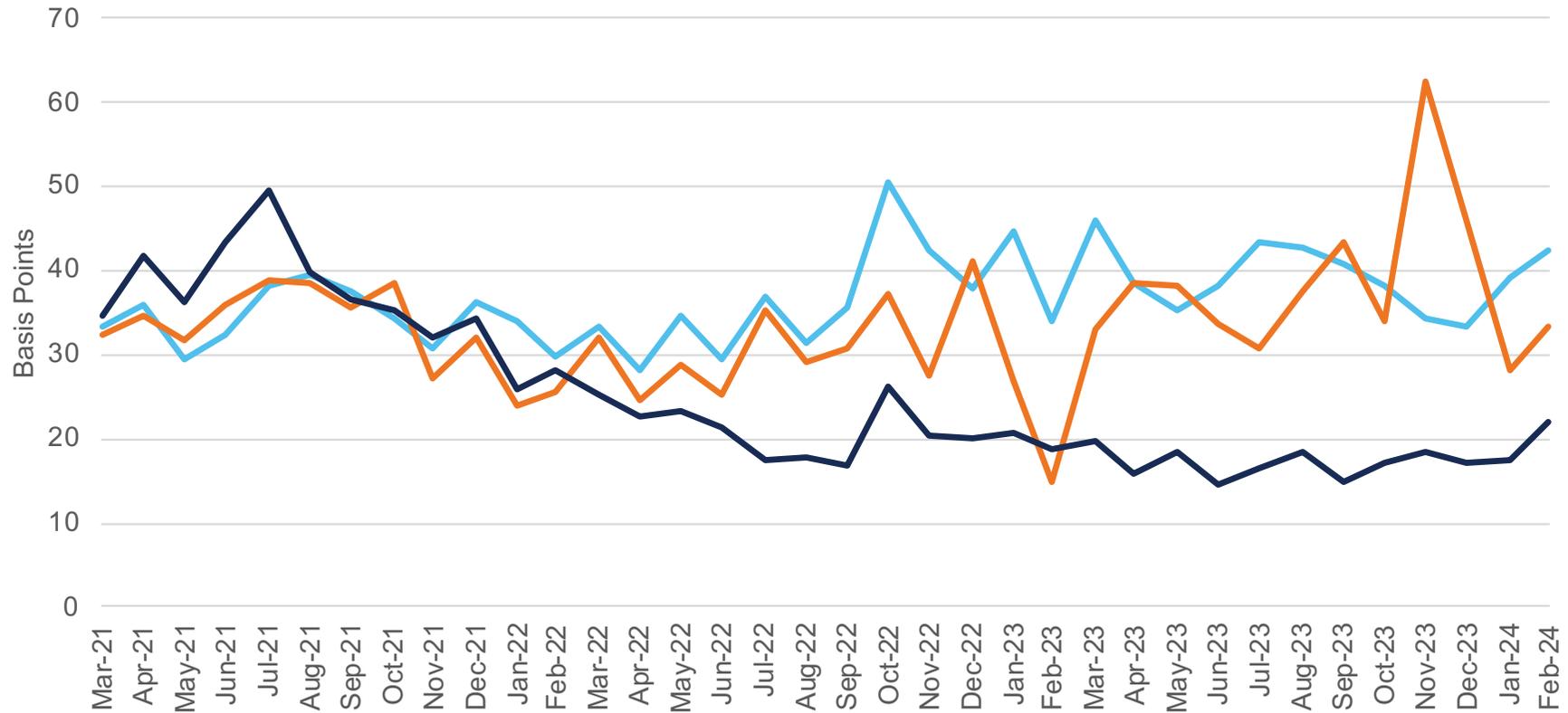
Pull-Through Rate		Current Rate	1-Month Delta	3-Month Delta	12-Month Delta
	Purchase Pull-Through	80.7%	263 bps	264 bps	488 bps
	Refinance Pull-Through	62.3%	126 bps	410 bps	(103 bps)



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FEBRUARY 2024 BEST EFFORTS TO MANDATORY SPREAD

A lender will typically see greater yields by selling loans via mandatory delivery, while best efforts delivery carries less risk. Below, we look at the current margin spread between the two. This information has been pulled from Optimal Blue's [secondary market hedging platform](#).



Best Efforts vs. Mandatory		Current Spread	1-Month Delta	3-Month Delta	12-Month Delta
	30-Year Conforming	42 bps	3 bps	8 bps	8 bps
	15-Year Conforming	33 bps	5 bps	(29 bps)	19 bps
	30-Year Government	22 bps	4 bps	4 bps	3 bps

