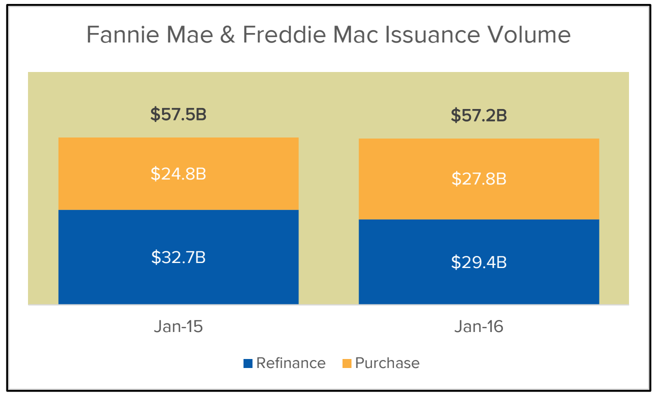
# 5 THINGS TO KNOW ABOUT AGENCY ISSUANCES – JANUARY 2016

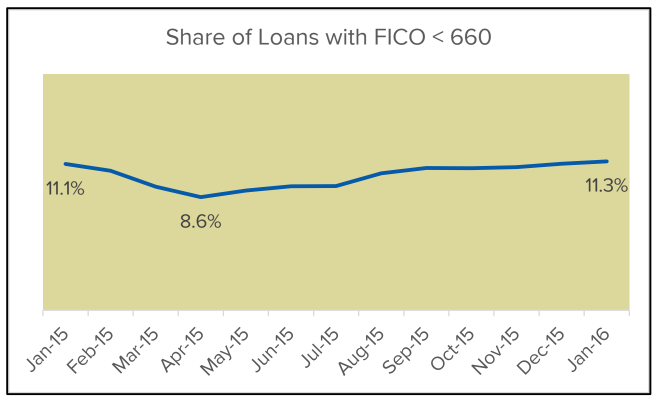
## 1 An Uneventful Month…

At first glance, January 2016 was about as plain-vanilla as a month can get. With issuances of $57.2B, down less than 1% from January 2015, the first month of 2016 was generally unexciting, and fit itself nicely into the normal pattern of winter issuance slowdown. However, the refinance vs. purchase split did provide some color to this month, with purchase volume up $3B over January 2015, while refinance volume was conversely down $3.3B.



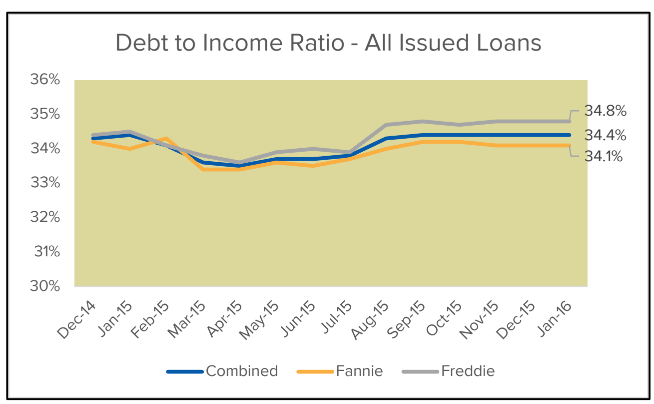

## 2 Lower FICOs Continue to Gain

The start of 2016 saw yet another small loosening of FICO standards. Even though the average FICO of issued loans has remained virtually flat since November 2015, the distribution of these loans continues to shift toward lower FICOs. Loans with a credit score greater than 740 lost 1.2% as a share of all loans issued when compared to January 2015, with Freddie Mac leading the charge (down 2.6% year-over-year). The share of loans with a FICO score below 660, a component of the RiskSpan VQI, also saw a small gain in January 2016. After a small dip in early 2015, this risk layer saw steady gains through the end or 2015, and started 2016 higher than any month in 2015.

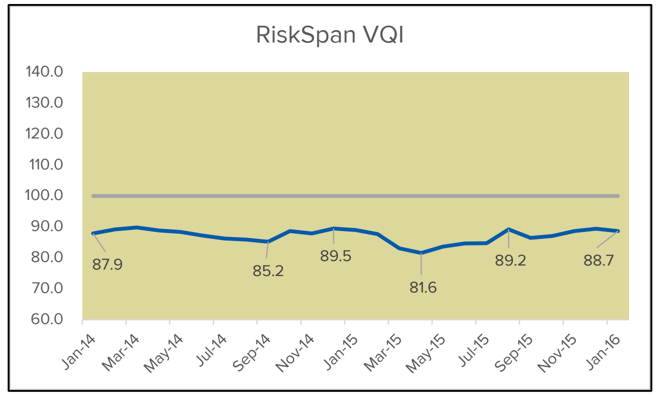



## 3 DTI Levels Off

After hitting a 2015 low of 33.5% in April, average Debt-to-Income has leveled off at 34.4% over the last few months. Flat average DTIs from both Agencies, with Freddie Mac delivering loans with slightly higher debt ratios, has frozen the total agency average since September 2015, with generally very little volatility through 2015.

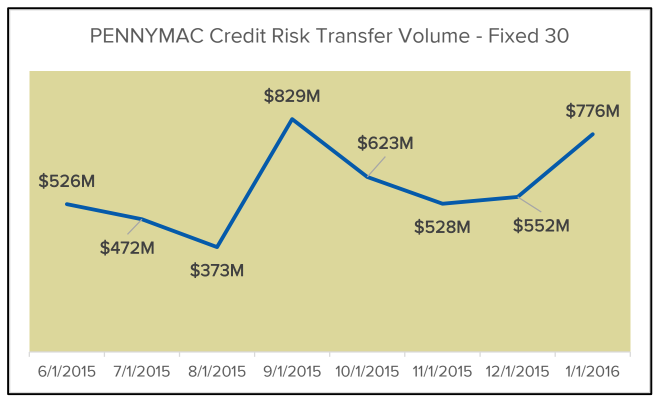


## 4 RiskSpan VQI




The RiskSpan VQI fell slightly in January to 88.70. Only slightly higher than the 87.92 from January 2014, the VQI has been mostly flat for the last two years. This belies a plateauing for underwriting standards, which have only partially expanded from their tightest months in 2012 (May 2012 – 62.98). Though we have seen some movement during this two year span, highlighted by some interesting changes in individual risk layers, overall underwriting standards seem to be stuck in neutral.

## 5 PENNYMAC Risk Sharing




You have to go back to April of 2015 to find the last month PENNYMAC delivered any significant amount of Fixed 30 loans outside their current credit risk transfer trusts (2015-1 and 2015-2). Since then, PENNYMAC has sold almost $4.7B in Fixed 30 loans through these two trusts. While other sellers delivered loans through similar structures in 2015, no individual entity has been as consistent as PMAC, delivering large volumes in every month starting in June 2015. Since then, PMAC has grown their risk transfer volume, 100% of which is non-retail, landing them in the top 10 sellers of Fixed 30 for the last five months. January 2016 was no different, with PENNYMAC delivering their second highest risk transfer volume to date.

Data Source: Fannie Mae PoolTalk® and Freddie Mac Loan Level Disclosure



info@riskpan.com | riskspan.com
Connect On LinkedIn
Follow Us @RiskSpan