

3 charts showing that we're not repeating the housing bubble: Morning Brief

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·Contributor

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Mortgage rates have surged to their [highest level since October 2008](#). Meanwhile, [Tuesday's release](#) of the FHFA House Price Index and S&P CoreLogic Case-Shiller Home Price Indices are likely to confirm that home prices [remain near record highs](#).

This dynamic has caused mortgage costs for newly purchased homes to explode, shutting out many prospective buyers and causing the [housing market to go cold](#). For example, the [average monthly mortgage payment](#) in the Boise metropolitan area is \$2,592, up 139% from its pandemic-era low of \$1,084.

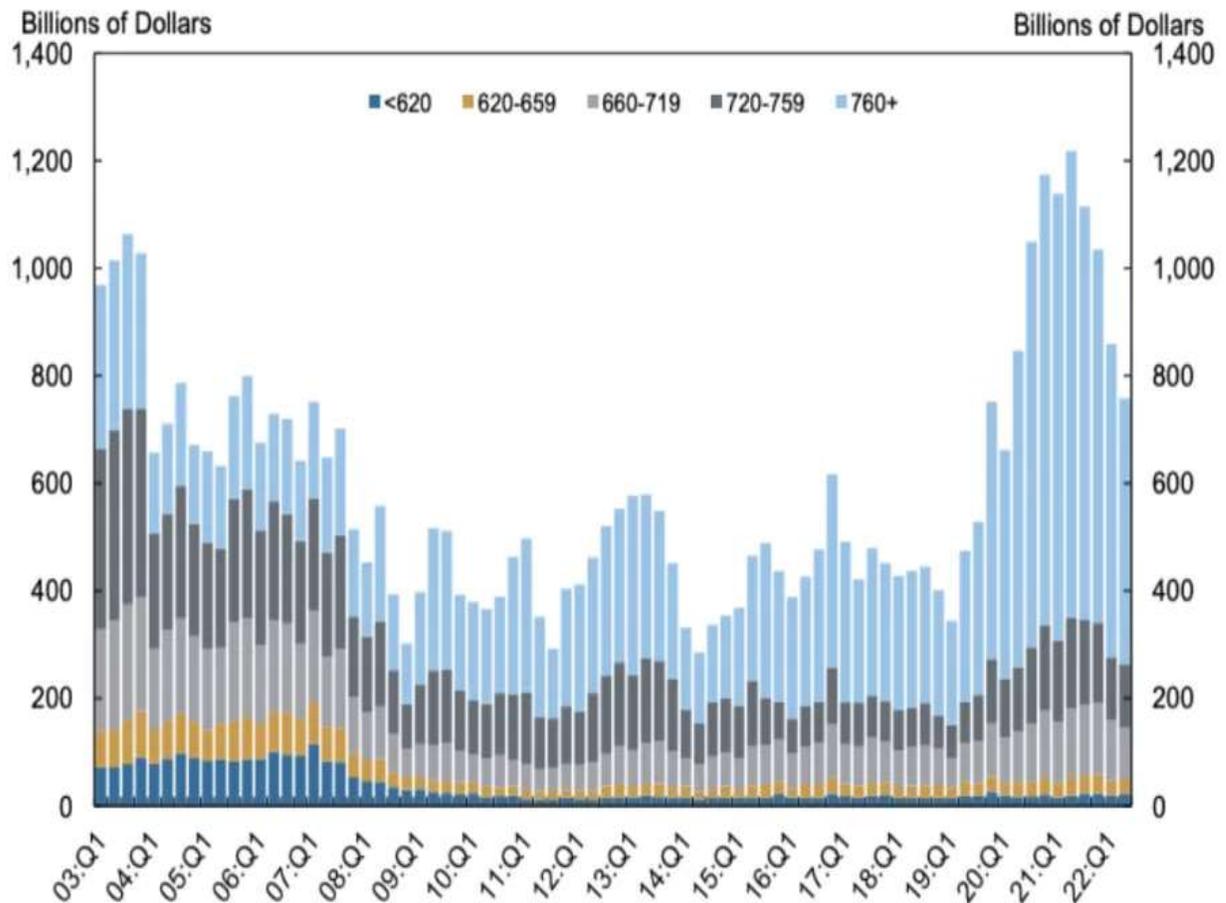
These extreme moves undoubtedly have some of us remembering the housing boom and [crash of the mid-2000s](#) that was largely responsible for triggering the global financial crisis.

But back then, there was a near-universal optimism about home prices, which made way for unreasonably [lax lending practices](#) and [high-risk financial innovations](#) that made the towering mortgage market much more fragile than many experts believed.

Things are very different today.

First, lenders have been [much more disciplined with their lending practices](#). According to [New York Fed data](#), the vast majority of new mortgage loans in recent years have gone to prime borrowers with the highest credit scores.

Mortgage Originations by Credit Score*



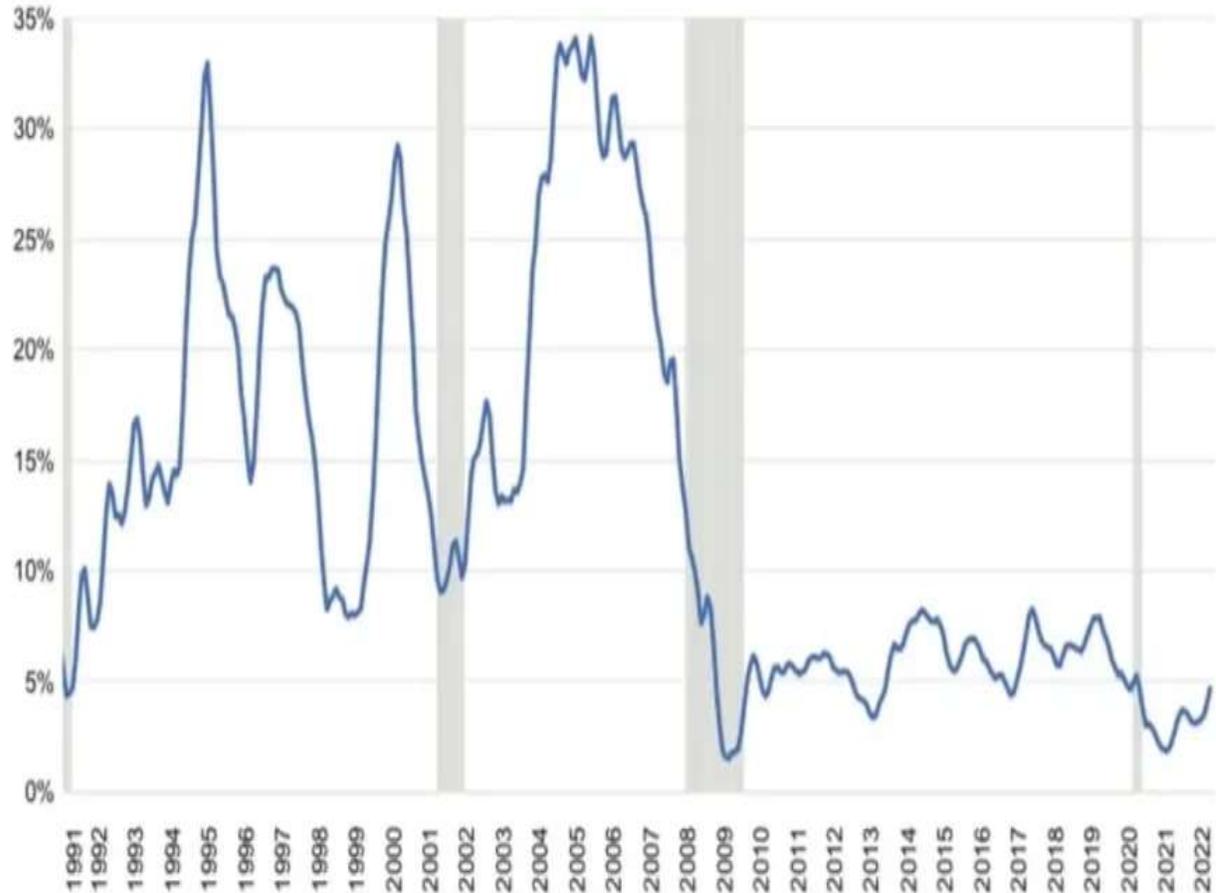
Source: New York Fed Consumer Credit Panel/Equifax
* Credit Score is Equifax Riskscore 3.0

Image courtesy of Sam Ro

Second, adjustable rate mortgages are [nowhere near as popular](#) as they were during the housing bubble. This means very few new buyers are vulnerable to interest rate volatility.

Percent of Adjustable Loans

3-month average — Recession — Current percent of adjustable loans = 4.7%



Source: MBA (Data: Mar-22, Pub: Mar-22)

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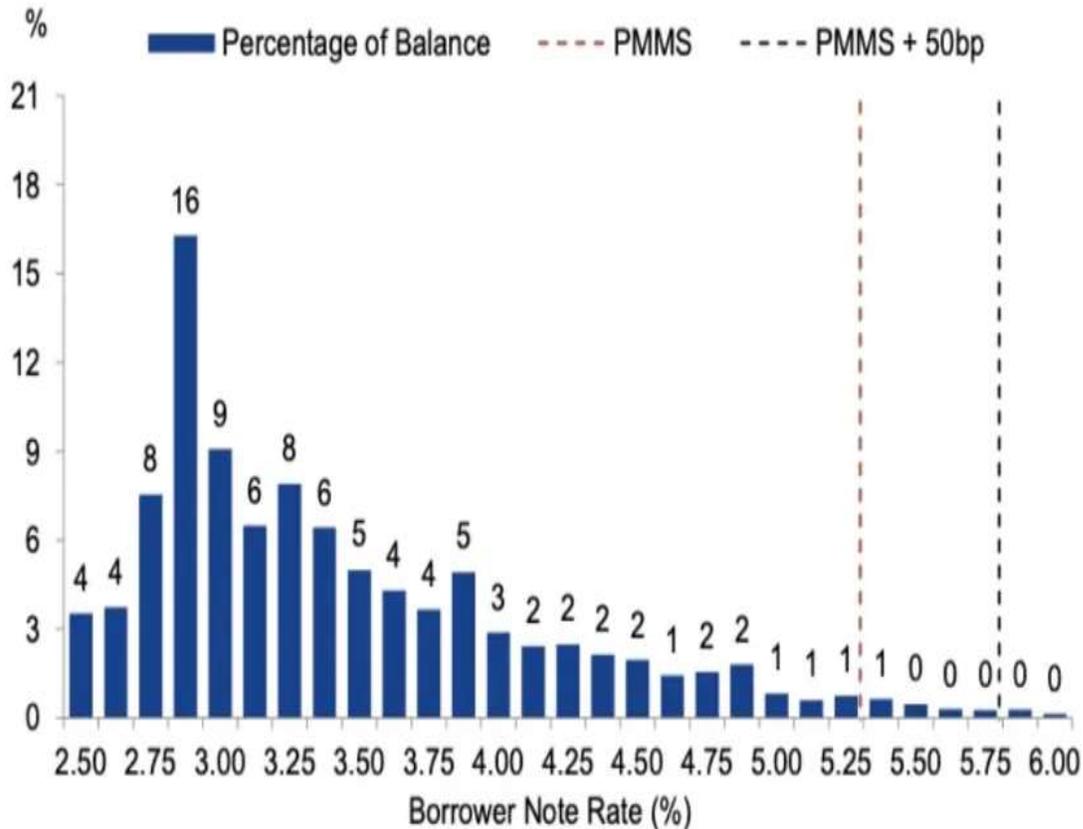
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Third — and this is related to the chart above — about 99% of outstanding mortgages have a locked-in rate that's [lower than the current market rate](#), according to Goldman Sachs analysts. In other words, the vast majority of homeowners are not materially affected by rising mortgage rates.

Exhibit 58: 99% of outstanding mortgages have interest rates below PMMS

Distribution of outstanding 30-year conventional mortgage borrower interest rates



Source: eMBS, Goldman Sachs Global Investment Research

Image courtesy of Sam Ro

With the Federal Reserve [increasingly tightening monetary policy](#), mortgage rates are likely to stay high and housing market activity is likely to [continue cooling](#).

However, we do not appear to be set up for a repeat of the housing market crash.

Today's newsletter is by [Sam Ro](#), the author of [TKer.co](#). Follow him on Twitter at [@SamRo](#).