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**FOR IMMEDIATE RELEASE**

**Press Release**

## **Milliman analysis: Mortgage default risk drops in Q2 2020, despite pandemic, due to home price growth and refinance volume**

**Mortgage refinance volume in 2020 exceeds \$1 trillion, total volume greater than 2018 and 2019 combined**

SEATTLE – NOVEMBER 5, 2020 – Milliman, Inc., a premier global consulting and actuarial firm, today announced the second quarter 2020 results of the Milliman Mortgage Default Index (MMDI), which shows the latest monthly estimate of the lifetime default risk of U.S.-backed mortgages.

During 2020 Q2, the economic component of default risk for government-sponsored enterprise (GSE) acquisitions (purchased and refinanced loans backed by Freddie Mac and Fannie Mae) defied expectations, decreasing for the first time since at least Q3 2019 as a result of home price growth and robust refinance volume. In Q2, approximately 70% of mortgage volume was refinance loans, which are considered lower risk relative to purchase loans. Because of this, and an increased demand for housing, overall default risk for GSE loans decreased, from 1.99% in Q1 2020 to 1.74% in Q2.

“Low interest rates have driven homeowners to refinance in record numbers, with 2020 refinance volume exceeding \$1 trillion and totaling more than the volume of 2018 and 2019 combined,” says Jonathan Glowacki, co-author of the MMDI. “That, coupled with home price growth, has resulted in an improvement in mortgage default risk in Q2, despite the economic stressors from the COVID-19 pandemic.”

For Ginnie Mae acquisitions, the MMDI rate increased from 10.33% in 2020 Q1 to 10.61% in 2020 Q2 driven mainly by increased refinance volume. Many of these loans were originated through streamlined refinance programs, where a credit score is not provided. A credit score of 600 is conservatively assigned, which increases borrower default risk during heavy refinance periods

The models used in Milliman’s MMDI analysis rely on home prices to forecast default rates, and do not rely on unemployment rates, nor do they have specific adjustments for special legislative actions or programs such as the CARES Act. For more information go to <http://us.milliman.com/mmdi/>.

### **About Milliman**

Milliman is among the world’s largest providers of actuarial and related products and services. The firm has consulting practices in healthcare, property & casualty insurance, life insurance and financial services, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe. For further information, visit [milliman.com](http://milliman.com).

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