**Loans & Mortgages Market 2022**

**Economic Conditions Affect Loan Activity**

As the prices for goods and services increase, lower- and middle-income households are most affected, which is restricting those seeking a mortgage or vehicle loan. They may have sufficient credit, but the monthly payments are unaffordable.

According to the U.S. Federal Reserve, the total outstanding consumer credit of $4.54 trillion during Q1 2022 increased moderately at 2.4% from Q4 2021. Loan delinquency rates remained very low during Q1 2022, or 2.7% of outstanding debt.

The change in the rate of consumer credit increased significantly throughout Q1 2022, averaging 9.7%, compared to 7.0% for Q4 2021. The rate was double-digits for February at 10.2% and increased substantially more for March at 14.0%.

**Banks’ Willingness to Make Consumer Installment Loans\*, Q1 2022**

|  |  |  |  |
| --- | --- | --- | --- |
| Willingness Level | All Banks | Large Banks | Other Bands |
| Much more willing | 0.0% | 0.0% | 0.0% |
| Somewhat more willing | 20.3% | 22.2% | 18.8% |
| Unchanged | 78.0% | 74.1% | 81.2% |
| Somewhat less willing | 1.7% | 3.7% | 0.0% |
| Much less willing | 0.0% | 0.0% | 0.0% |

US Federal Reserve, April 2022 \*auto, student and personal loans

**Cooling Housing Market Is a Good Sign**

As a major contributor to the US economy, the housing market is starting to show signs of returning to a typical supply-and-demand pattern. According to Redfin, the number of homes for sale during May increased the most since the beginning of the year.

Redfin also reports 20% of home sellers have reduced their asking prices; however, those prices still remain high as well as mortgage rates. The buyers’ market will remain restricted during the short term, but should restart to recover throughout the year.

More single-family homes were built during April 2022 than since November 2006, leading many analysts to predict a reduction in prices throughout 2022.

**Comparison of US Housing Starts, by Region, April 2022 vs. April 2021**

|  |  |  |  |
| --- | --- | --- | --- |
| Metrics | April 2021 | April 2022 | Change |
| United States (total) | * 1,505,000 | 1,724,000 | +14.6% |
| Northeast (total) | * 156,000 | * 182,000 | * +16.7% |
| Midwest | * 180,000 | * 184,000 | * +2.2% |
| South | * 782,000 | * 926,000 | * +18.4% |
| West | * 387,000 | * 432,000 | * +11.6% |

US Census Bureau, May 2022

**Mortgage Rates Have Likely Peaked**

According to Bankrate, the average rate for a 30-year, fixed-mortgage was 5.45% as of 6/6/22, a 21-basis-point increase from 5/30/22. That rate is the largest for more than a decade. The National 15-year, fixed-refinance rate was 4.64%.

Another sign of an easing housing market was the 1.2% decrease of mortgage applications for the week ending 5/20/22, as reported by the Mortgage Bankers Association (MBA).

The MBA also reported the mortgage loan delinquency rate decreased 4.11% during Q1 2022, the seventh consecutive quarterly decrease; however, credit availability decreased slightly during April as the average mortgage rate increased.

**Mortgage Finance Forecast, Q1–Q4 2022, 2023 and 2024**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Forecast Metric | Q1 2022 | Q2 2022 | Q3 2022 | Q4 2022 | 2022 | 2023 | 2024 |
| 30-year, fixed-rate mortgage | 3.8% | 5.2% | 5.1% | 5.0% | 5.0% | 4.8% | 4.4% |
| Total mortgage originations\* | $689 B | $683 B | $579 B | $562 B | $2.51 T | $2.36 T | $2.53 T |
| Purchase | $381 B | $482 B | $421 B | $410 B | $1.69 T | $1.75 T | $1.81 T |
| Refinance | $308 B | $201 B | $158 B | $152 B | $819 B | $608 B | $712 B |
| Mortgage debt outstanding | $12.17 T | $12.92 T | $13.14 T | $13.34 T | $13.34 T | $14.04 T | $14.65 T |

Mortgage Bankers Association, May 2022 \*for one-to-four-unit residential properties

(color represents change from previous quarter)

**Few Vehicles, Higher Prices and Interest Rates**

An extreme scarcity of new-vehicle inventory is reflected in the more than 80% of Honda-brand vehicles that arrives at a dealership are already sold. Consumer demand remains robust, but of the four reporting manufacturers, May 2022 sales decreased 31.4% YOY.

The new-vehicle loan rate for consumers with the highest credit score was 7.41%, which, combined with low inventory, resulted in the average price for a new car at $45,232 during May and the average monthly payment of approximately $650 for 70 months.

According to a March 2022 Morning Consult survey, 30% of all survey respondents financed their vehicle. Millennials of four major generational groups had the largest percentage at 34% and all adults with incomes of $100,000 or more had the largest by income at 32%.

**Indices of Adults 18+ Who Have a Vehicle Loan,**

**by Household Income, in Selected Markets, 2021**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Household Income | * Tampa-St. Petersburg | * Cincinnati | * Little Rock | * Denver | * Monterey-Salinas, CA |
| Less than $35,000 | * 54 | * 48 | * 44 | * 35 | * 78 |
| $35,000–$49,999 | * 97 | * 104 | * 183 | * 67 | * 70 |
| $50,000–$74,999 | * 138 | * 105 | * 126 | * 102 | * 64 |
| $75,000–$99,999 | * 119 | * 144 | * 124 | * 151 | * 156 |
| $100,000–$149,999 | * 126 | * 165 | * 195 | * 142 | * 112 |
| $150,000 or more | * 136 | * 93 | * 103 | * 141 | * 123 |

Based on The Media Audit’s 2021 surveys

**Student Loan Trends**

The Biden administration may forgive $10,000 of federal student loan debt, which could be announced during late summer 2022. During late June 2022, all federal student loans were canceled for those who attended the now-closed Corinthian Colleges chain.

The administration’s extended student payment pause has saved 41 billion borrowers billions of dollars in monthly payments. The average monthly student loan payment was approximately $460 during March 2022.

The Federal Reserve Bank of New York reported outstanding student loan debt as of Q1 2022 totaled $1.59 trillion, with approximately 5% of all student debt in default.

**High-End, Low-End and Average Monthly Student**

**Loan Payment, by Type of Degree, March 2022**

|  |  |  |  |
| --- | --- | --- | --- |
| Degree Type | High-End | Average | Low-End |
| Associate’s | * $384 | $333 | $281 |
| Bachelor’s | * $541 | * $448 | * $354 |
| Master’s | * $1,039 | * $695 | * $350 |
| Doctoral | * $1,844 | * $1,210 | * $575 |
| Professional | * $2,553 | * $1,537 | * $521 |

Education Data Initiative, March 2022

**Business and Commercial Loans Are Still Available**

According to the US Federal Reserve’s April 2022 Senior Loan Officer Opinion Survey on Bank Lending Practices, lending standards for commercial and industrial loans were mostly the same during Q1 2022, following four quarters of flexible standards.

The changes for construction, land development and nonfarm nonresidential loans were also unchanged during Q1 2022. The MBA reported a significant increase of 72% for commercial and multifamily mortgage loan originations during the quarter.

Because the commercial and multifamily market has rebounded from its pandemic lows and properties have increased their valuations, delinquency rates for their mortgages decreased during Q1 2022.

**Demand for Commercial and Industrial Loans During Q1 2022, by Size of Firms**

|  |  |  |
| --- | --- | --- |
| Demand Level | Large & Middle-Market Firms\* | Small Firms† |
| Substantially stronger | 1.5% | 0.0% |
| Moderately stronger | 24.6% | 29.0% |
| Unchanged | 60.0% | 59.7% |
| Moderately weaker | 13.8% | 11.3% |
| Substantially weaker | 0.0% | 0.0% |

US Federal Reserve, April 2022

\*annual sales $50 million or more †annual sales less than $50 million

**More Valuable Insights**

The J.D. Power 2022 U.S. Consumer Lending Satisfaction Study reported an increase in personal loans as rates are more competitive and lenders are offering more options to consumers. Nonetheless, more consumers with lower credit ratings and spending/savings ratios as measured by J.D. Power are requesting these loans, primarily because of inflationary pressures and the end of relief funding from the government.

**Customer Personal Loan Lending Satisfaction Index Ranking, January–March 2022**

|  |  |  |  |
| --- | --- | --- | --- |
| Lender | Score\* | Lender | Score\* |
| #1: Marcus by Goldman Sachs | * 776 | * #12: Lightstream | * 719 |
| #2: U.S. Bank | * 757 | * #13: Prosper | * 705 |
| #3: American Express | * 754 | * #14: Security Finance | * 697 |
| #4: Lafayette Federal Credit Union | * 753 | * #15: Upgrade | * 693 |
| #5: Discover | * 745 | * #16: Avant | * 683 |
| #6: PenFed Credit Union | * 743 | * #17: Best Egg | * 681 |
| #7: Upstart | * 741 | * #18: OneMain Financial | * 679 |
| #8: SoFi | * 738 | * #19: Oportun | * 678 |
| #9: Wells Fargo | * 731 | * #20: LendingPoint | * 668 |
| Segment average | * 730 | * #21: PayOff | * 667 |
| #10: Lending Club | * 723 | * #22: OppLoans | * 657 |
| #11: Citi | * 721 |  |  |

J.D. Power, May 2022

*Sources:* U.S. Federal Reserve Website, 5/22; Federal Reserve Bank of New York Website, 5/22; Redfin Website, 5/22; US Census Bureau Website, 5/22; Bankrate Website, 5/22; Mortgage Bankers Association Website, 5/22; *Automotive News* Website, 5/22; *U.S. News & World Report* Website, 5/22; CNBC Website, 5/22; Morning Consult Website, 5/22; The Media Audit Website, 5/22; CBS News Website, 5/22; US Department of Education Website, 5/22; Education Data Initiative Website, 5/22; American Bankers Association Banking Journal Website, 5/22; J.D. Power Website, 5/22.

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**Local Market and Station Information**