

# Prepared for Digital Mortgage 2025 Economic and Market Outlook

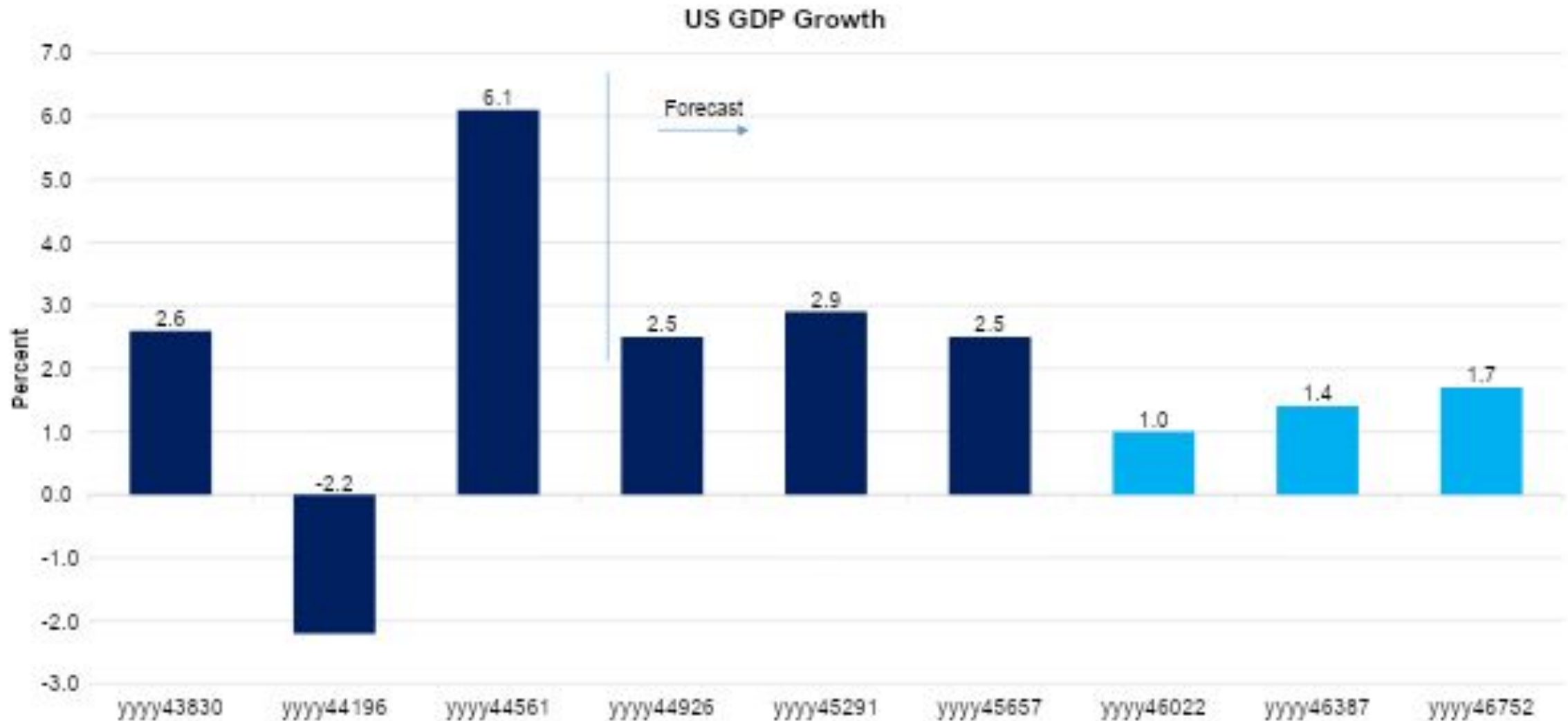
September 2025

**Presented by:**

Joel Kan, Deputy Chief Economist



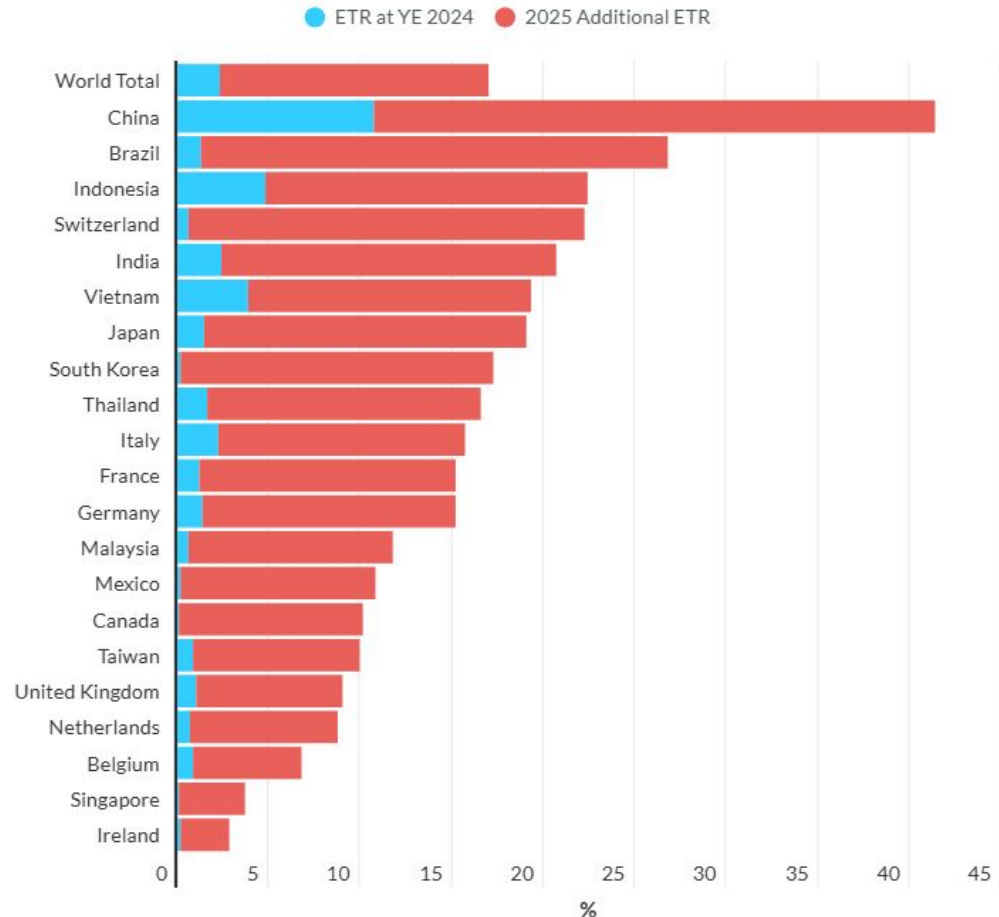
# Slower Growth Expected in 2025 and 2026



# Tariff Picture Possibly Becoming More Clear

## U.S. Effective Tariff Rate by Country

Major trading partners, ordered by 2024 U.S. import amount (USD)



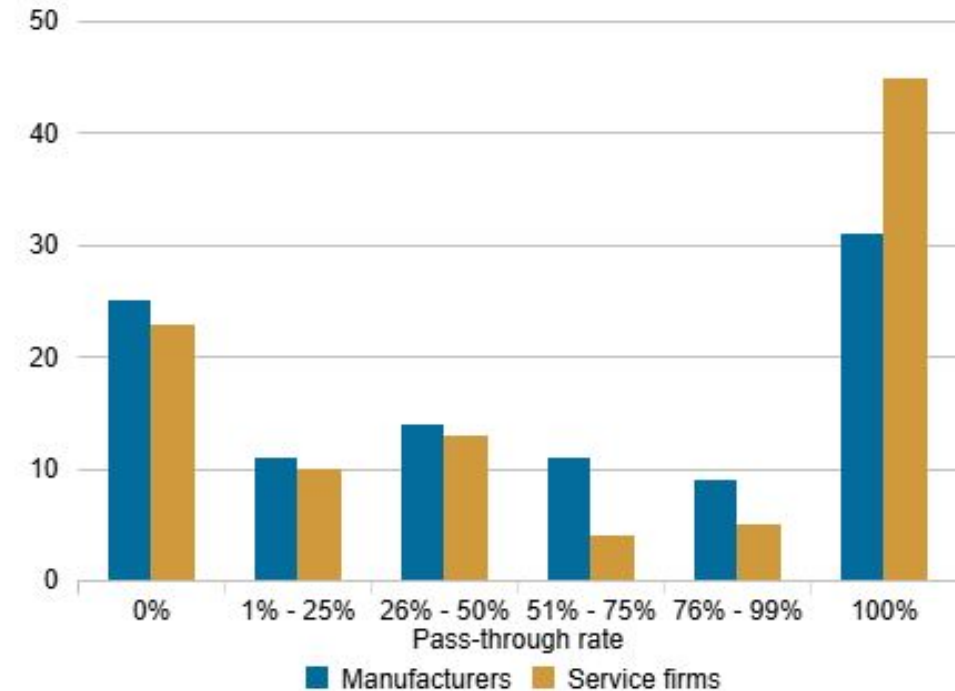
As of Aug. 1, 2025

Source: Fitch Ratings, U.S. Census

FitchRatings

## Most Businesses Passed Through Some or All of the Tariffs

Share of businesses

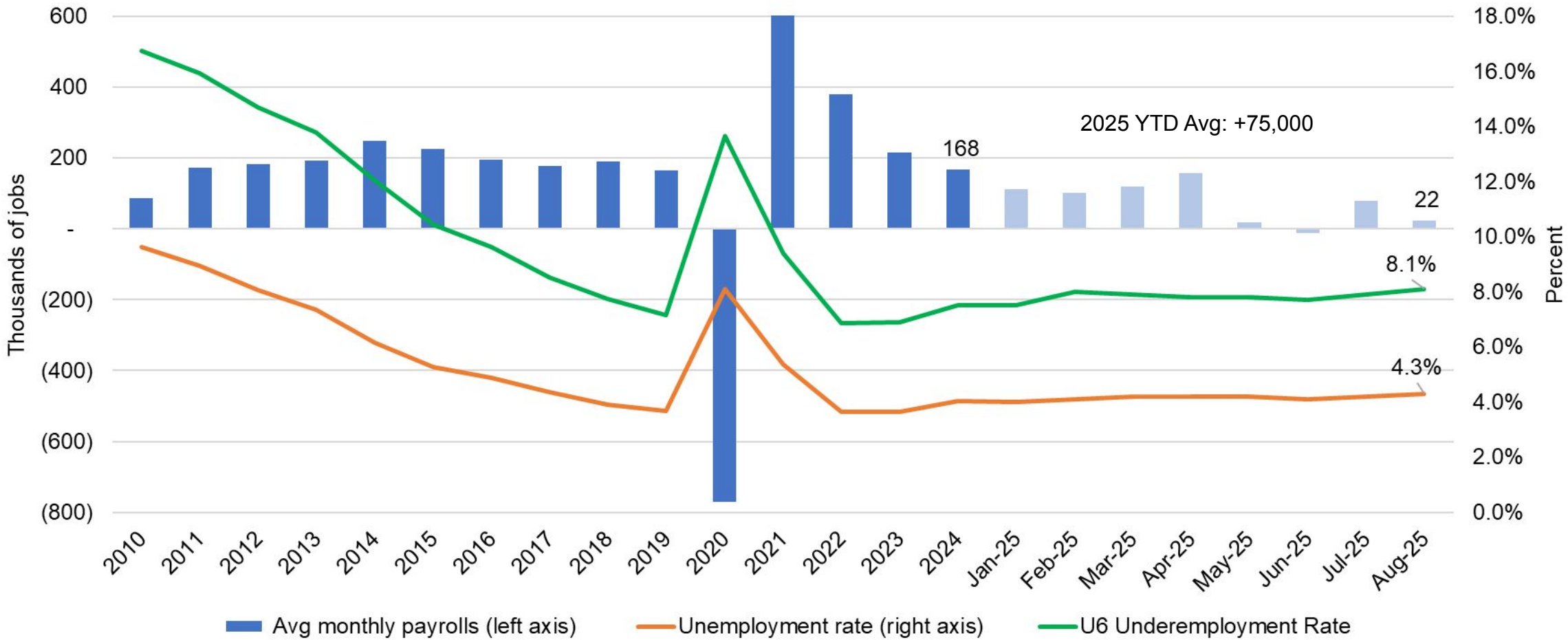


Source: Federal Reserve Bank of New York, Regional Business Surveys, May 2025.

Note: Figures are based on businesses that reported an increase in the cost of their imported goods owing to tariffs over the past six months.

# Job Growth Slowing, U6 Underemployment Highest Since 2021

Chart of the Week - September 5, 2025  
Monthly Payroll Growth and Unemployment Rates



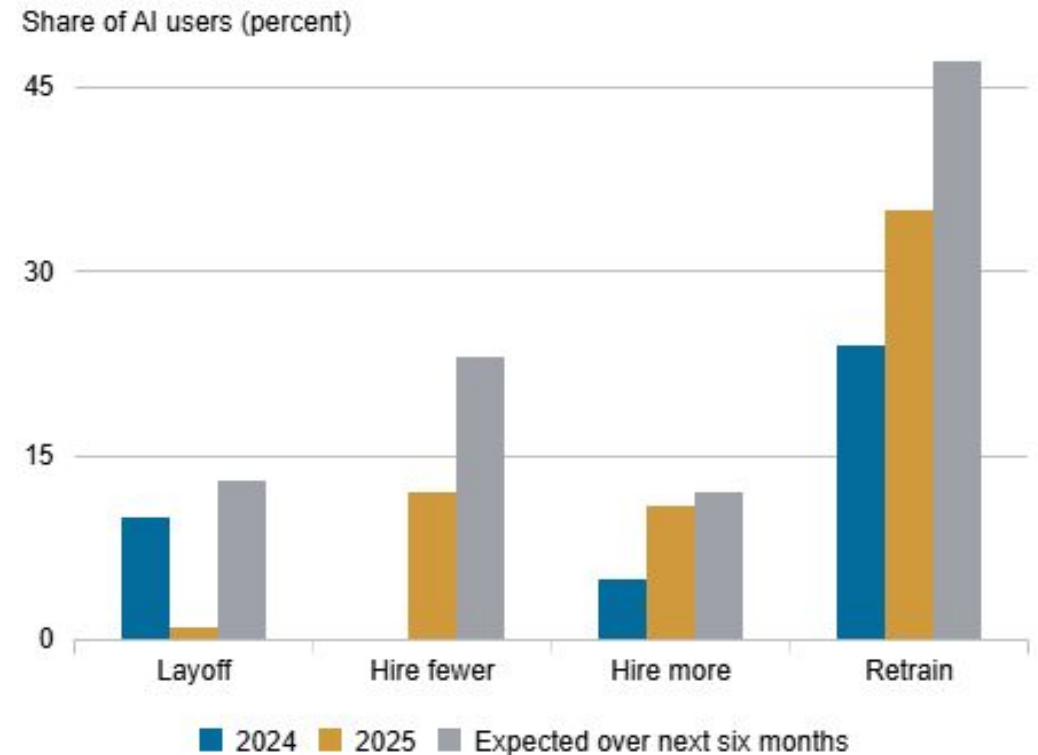
# AI Adoption Changing Hiring Decisions

How Firms are Using AI



Source: Federal Reserve Bank of New York, Regional Business Surveys, August 2025.

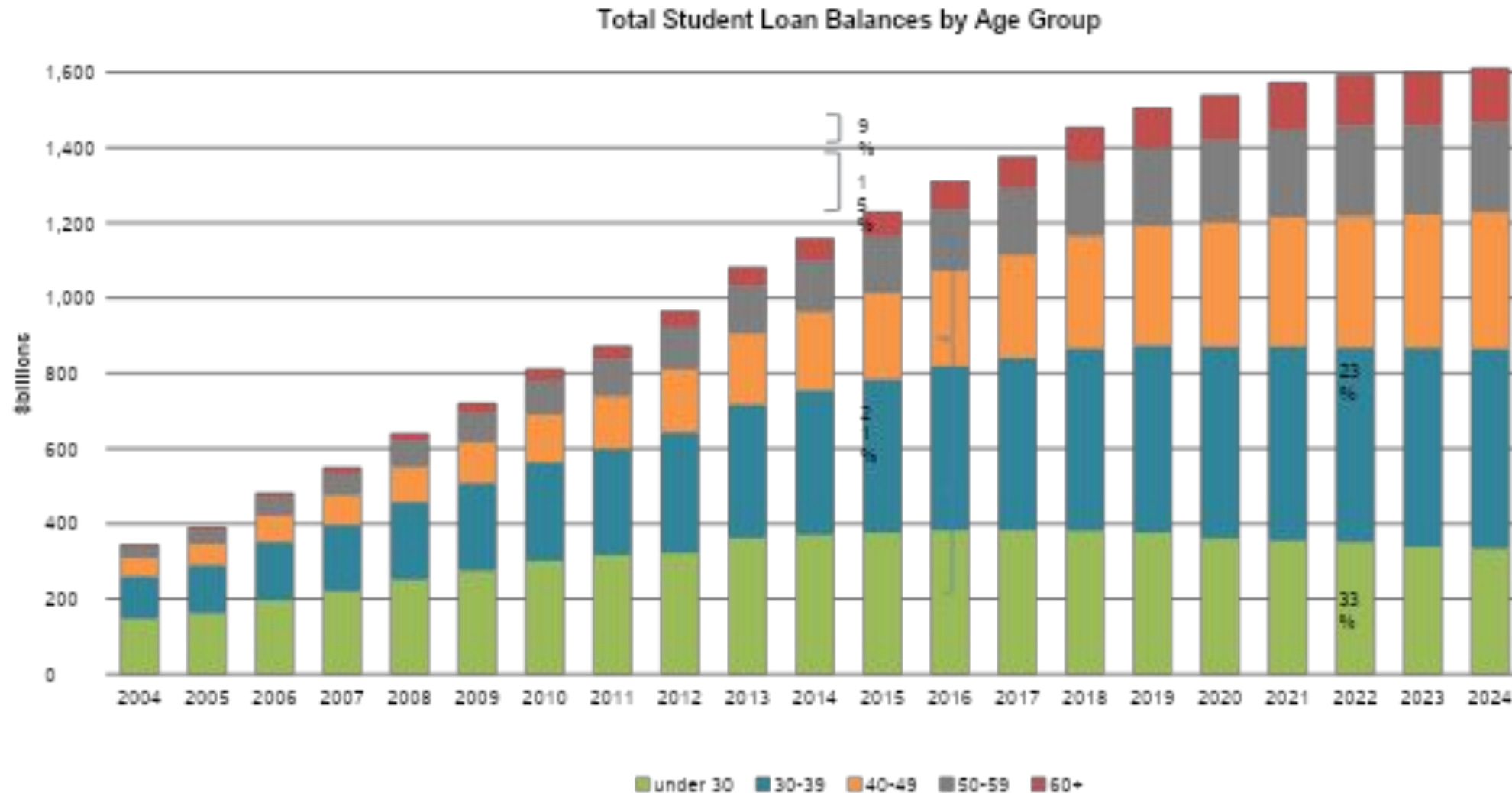
Ways Service Firms Are Adjusting Their Workforces



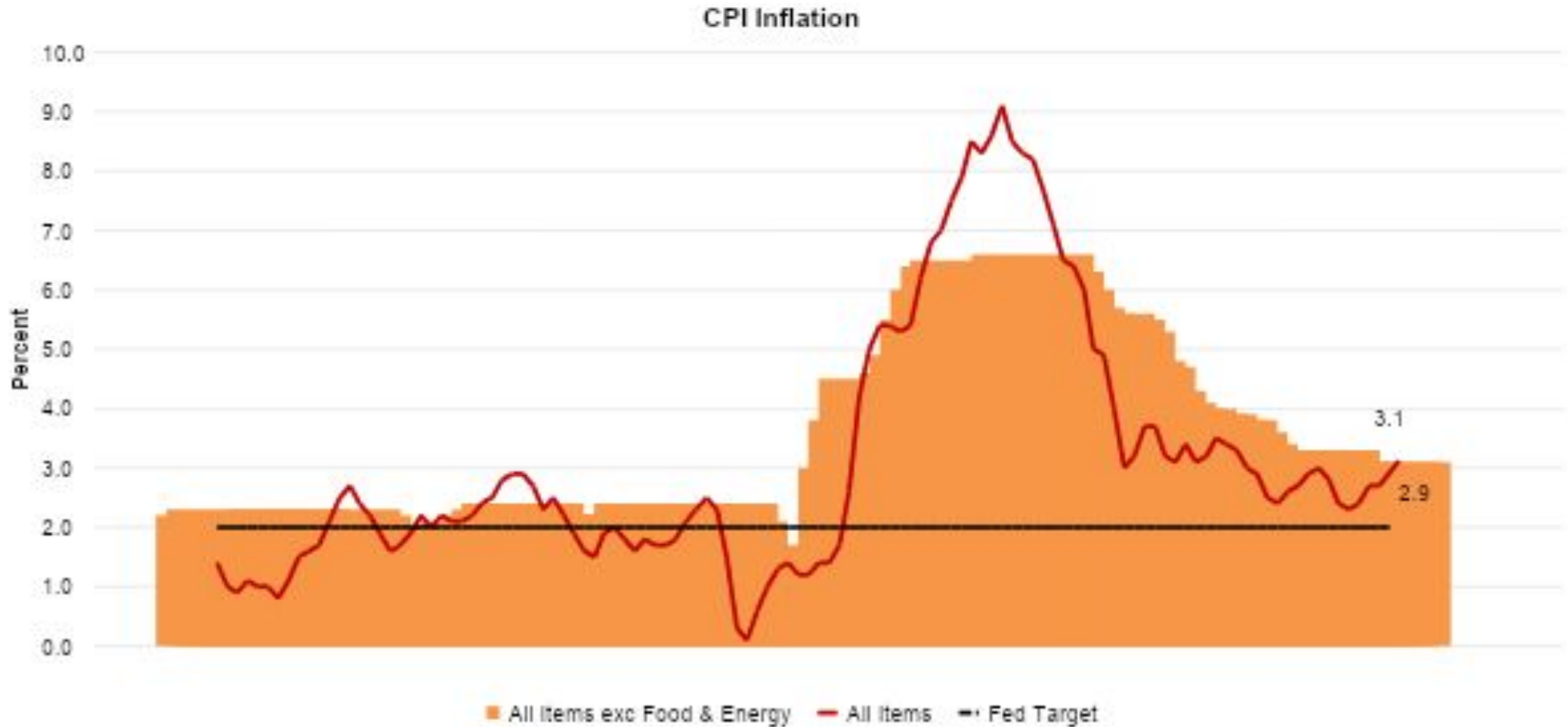
Source: Federal Reserve Bank of New York, Regional Business Surveys, August 2025.

Note: Firms were not asked whether they hired fewer workers in 2024.

# Student Loan Debt Repayment Impacting Households

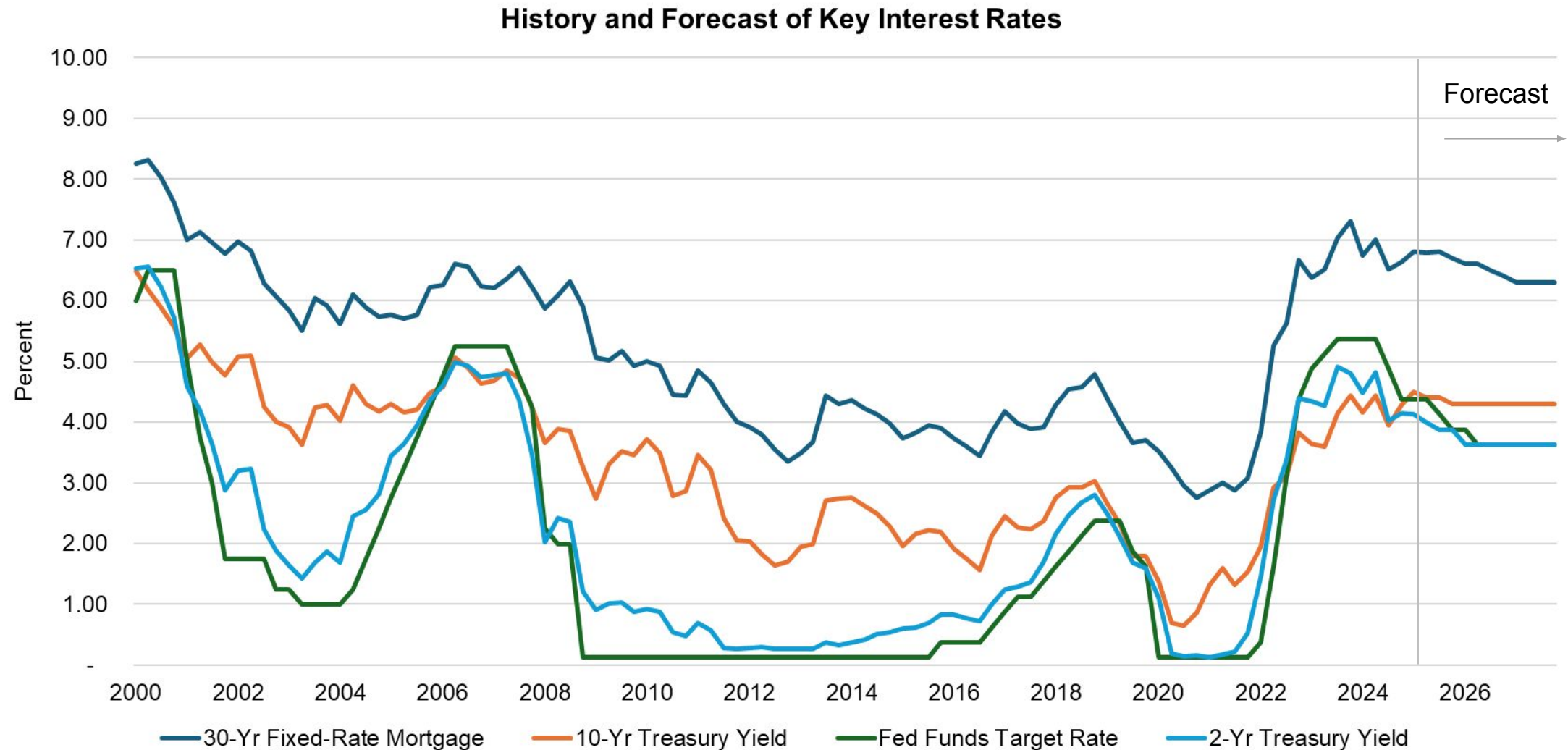


# Inflation Moderating...But Expectations Elevated



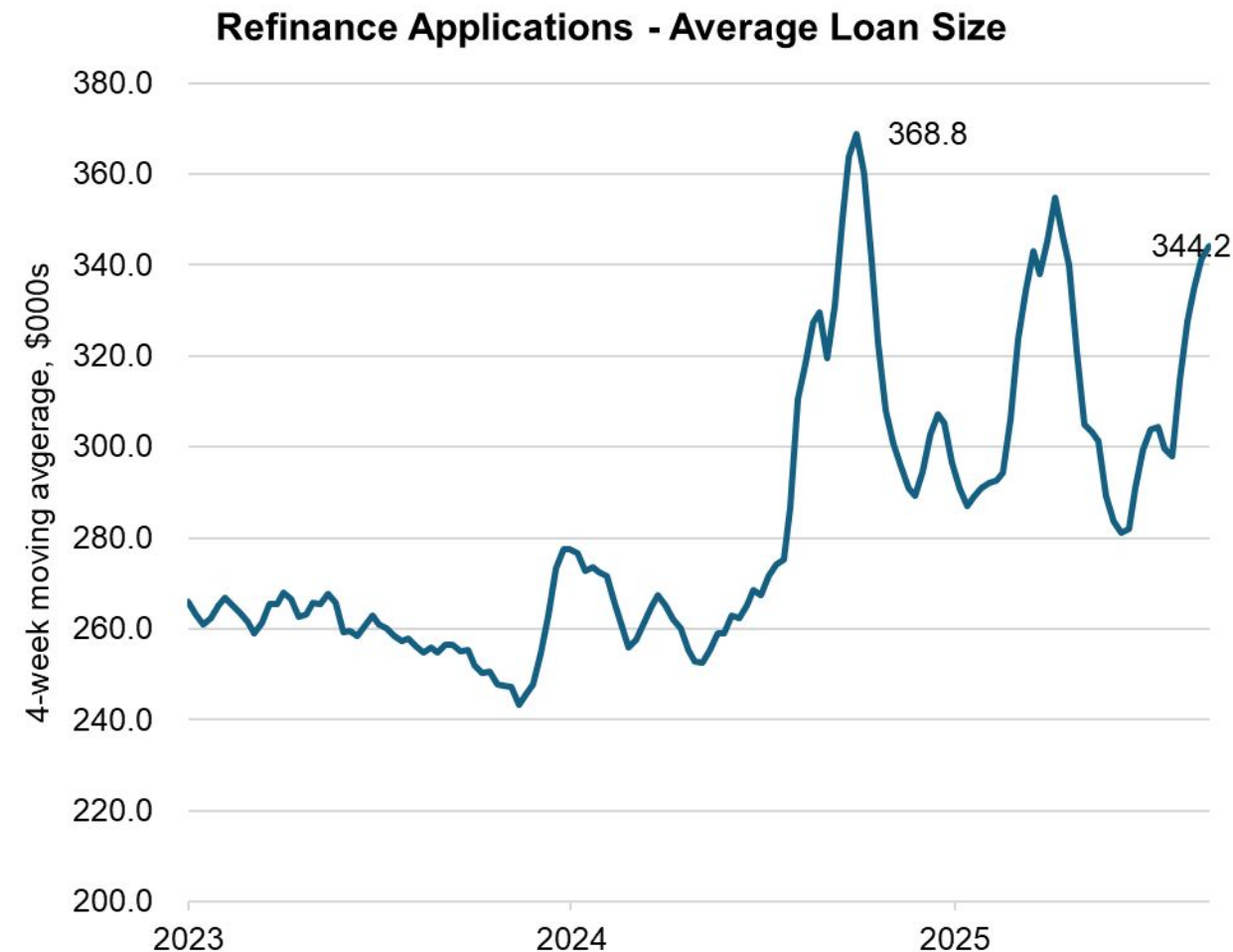
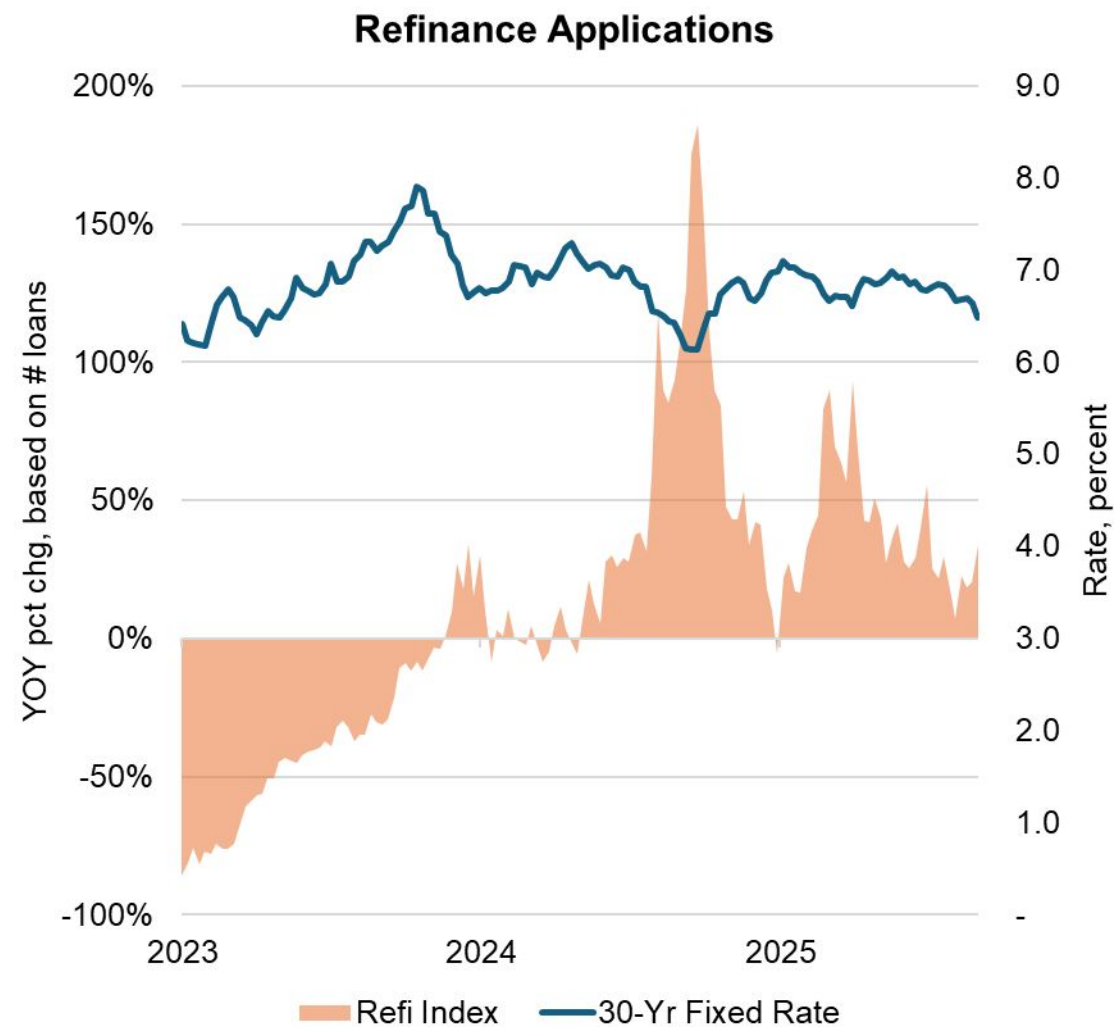


# Rate Outlook





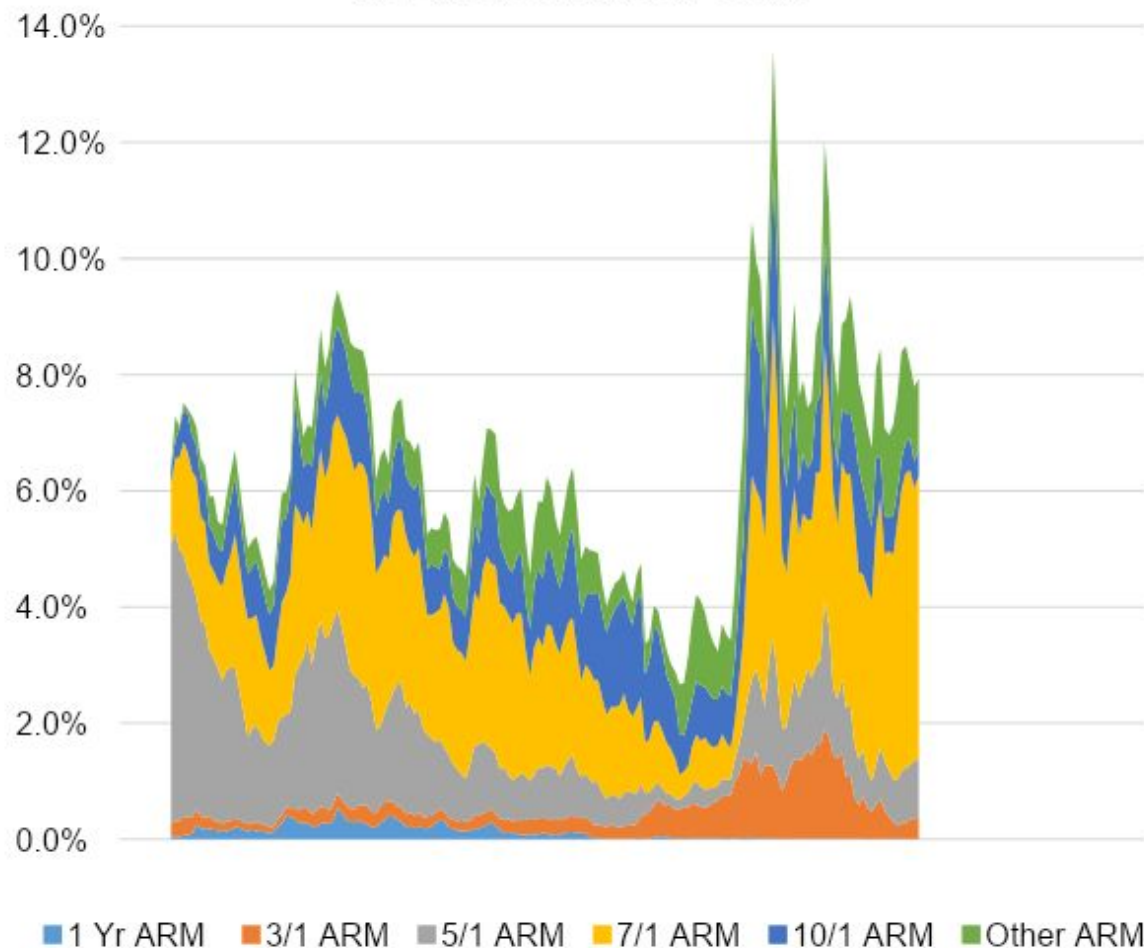
# Refinance Opportunities Still Appearing



# Demand for ARMs Growing

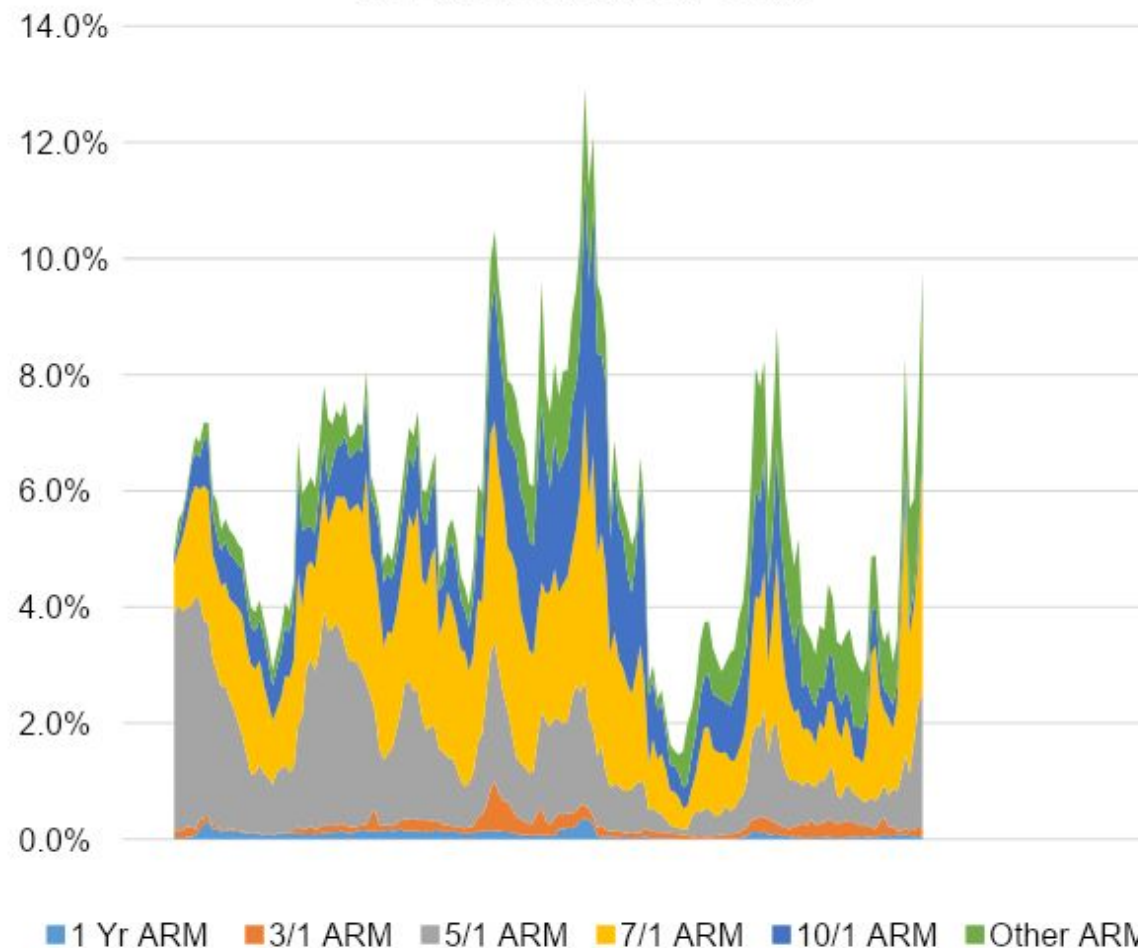
**ARM Loans as Share of Purchase Applications**

NSA, based on loan count

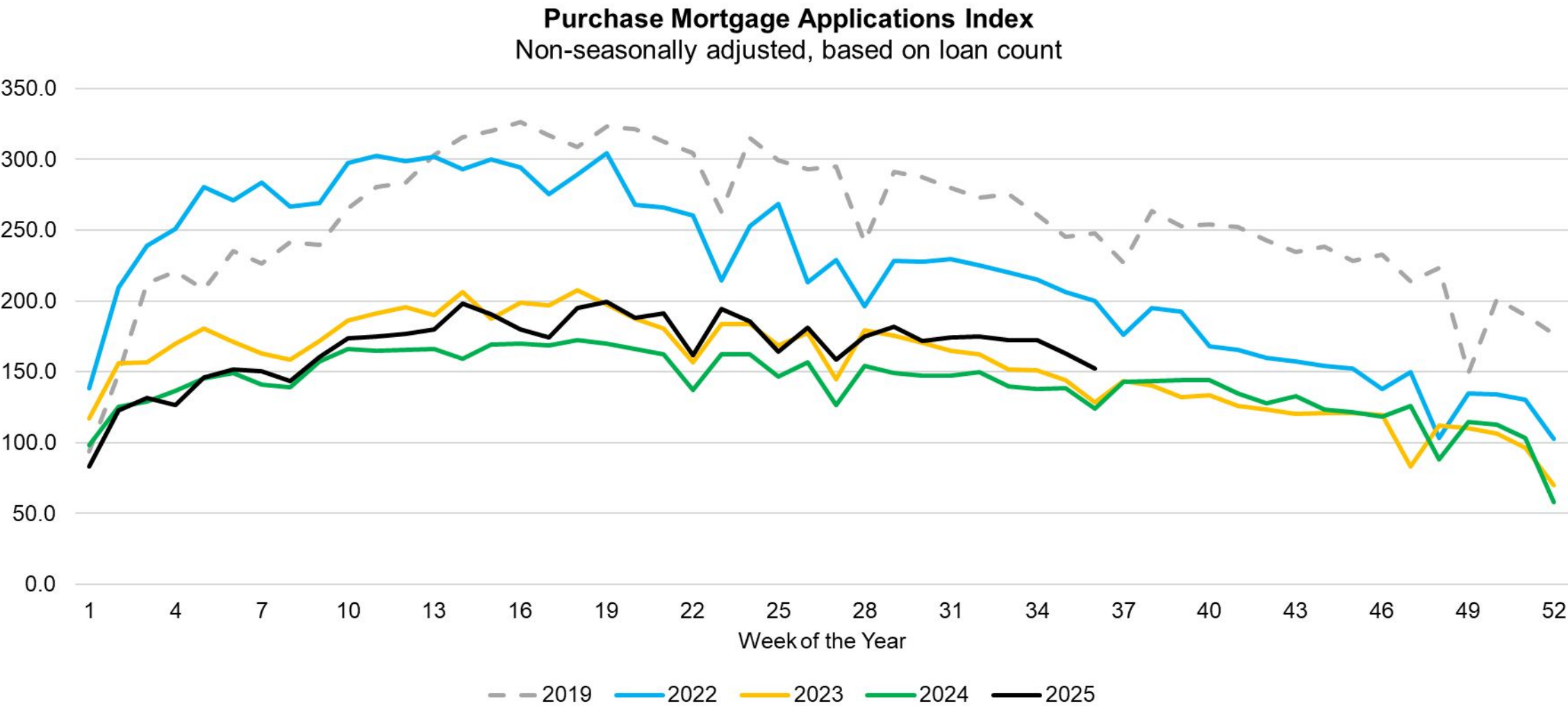


**ARM Loans as Share of Refinance Applications**

NSA, based on loan count

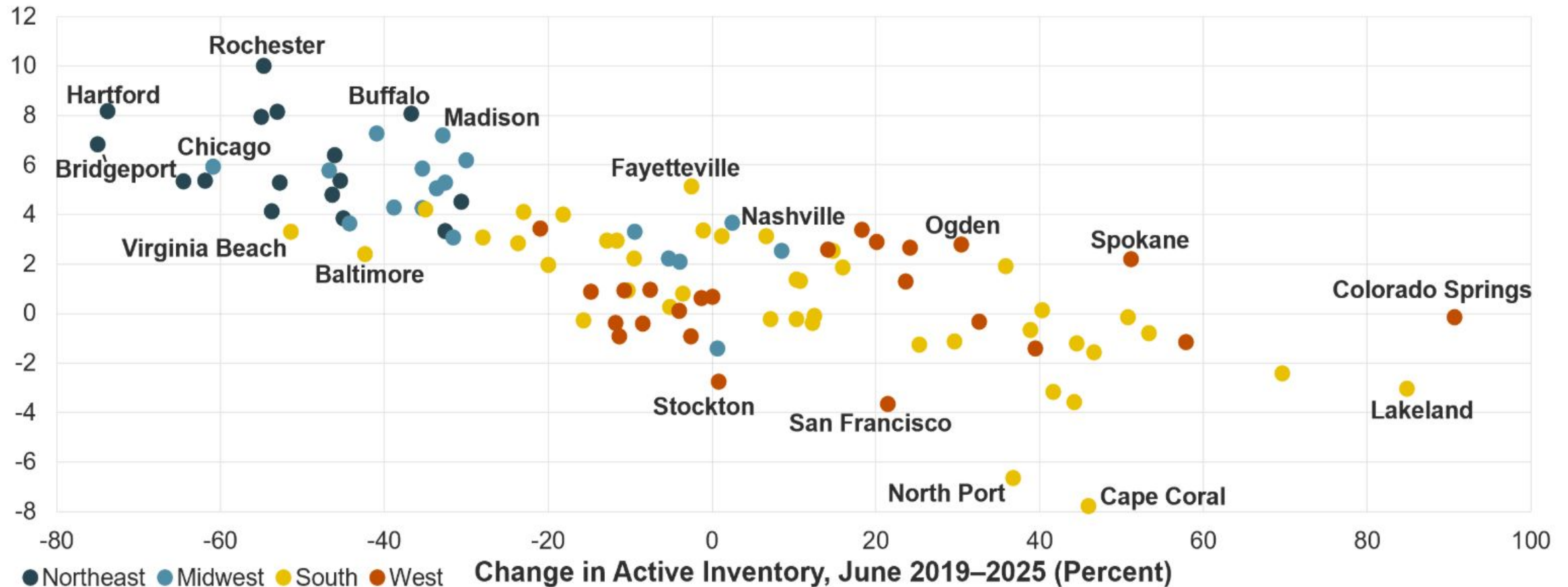


# Purchase Applications Continue to Run Ahead of 2024's Pace



# Home Price Growth Slowing Where Inventory Is Increasing

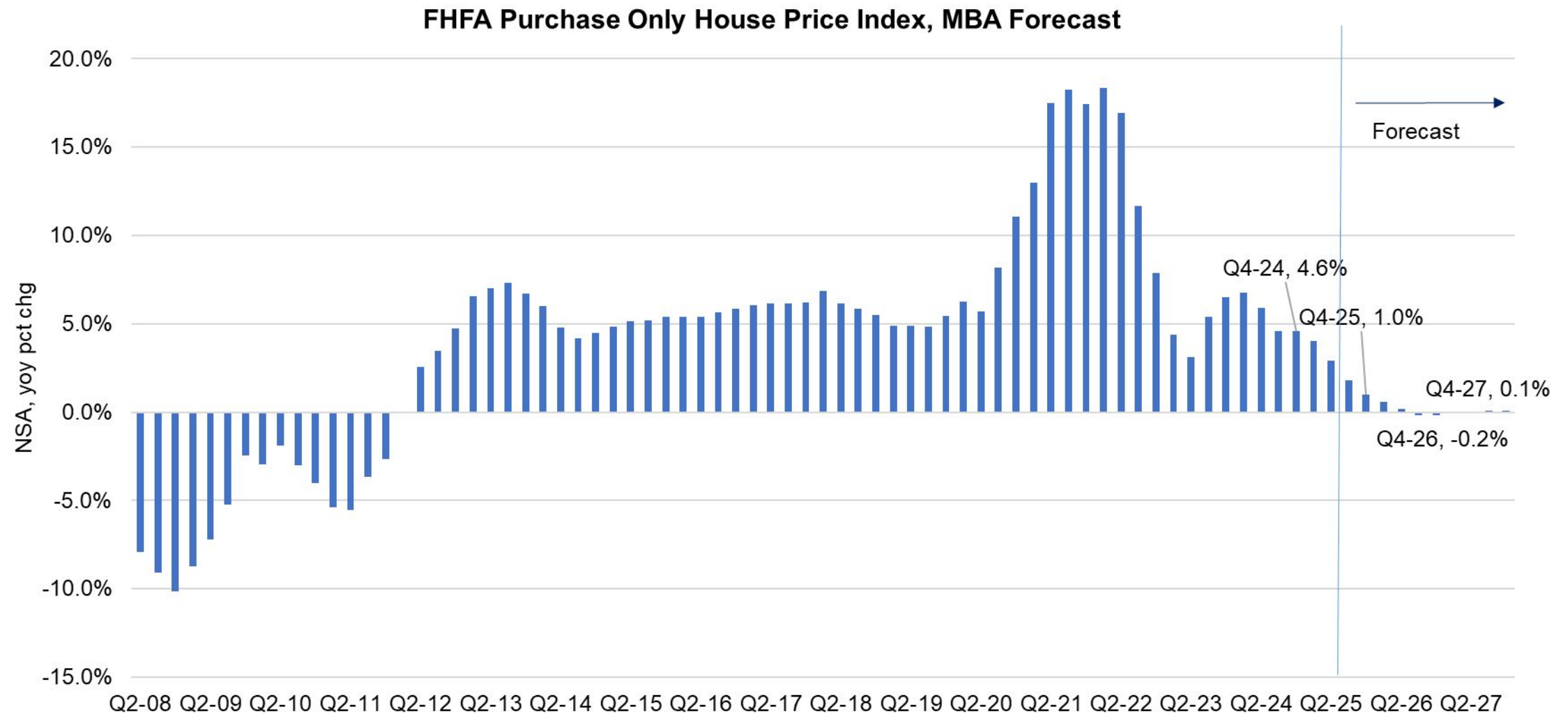
Change in Home Price Index, June 2024–2025 (Percent)



Note: Data are for the 100 largest metros by population.

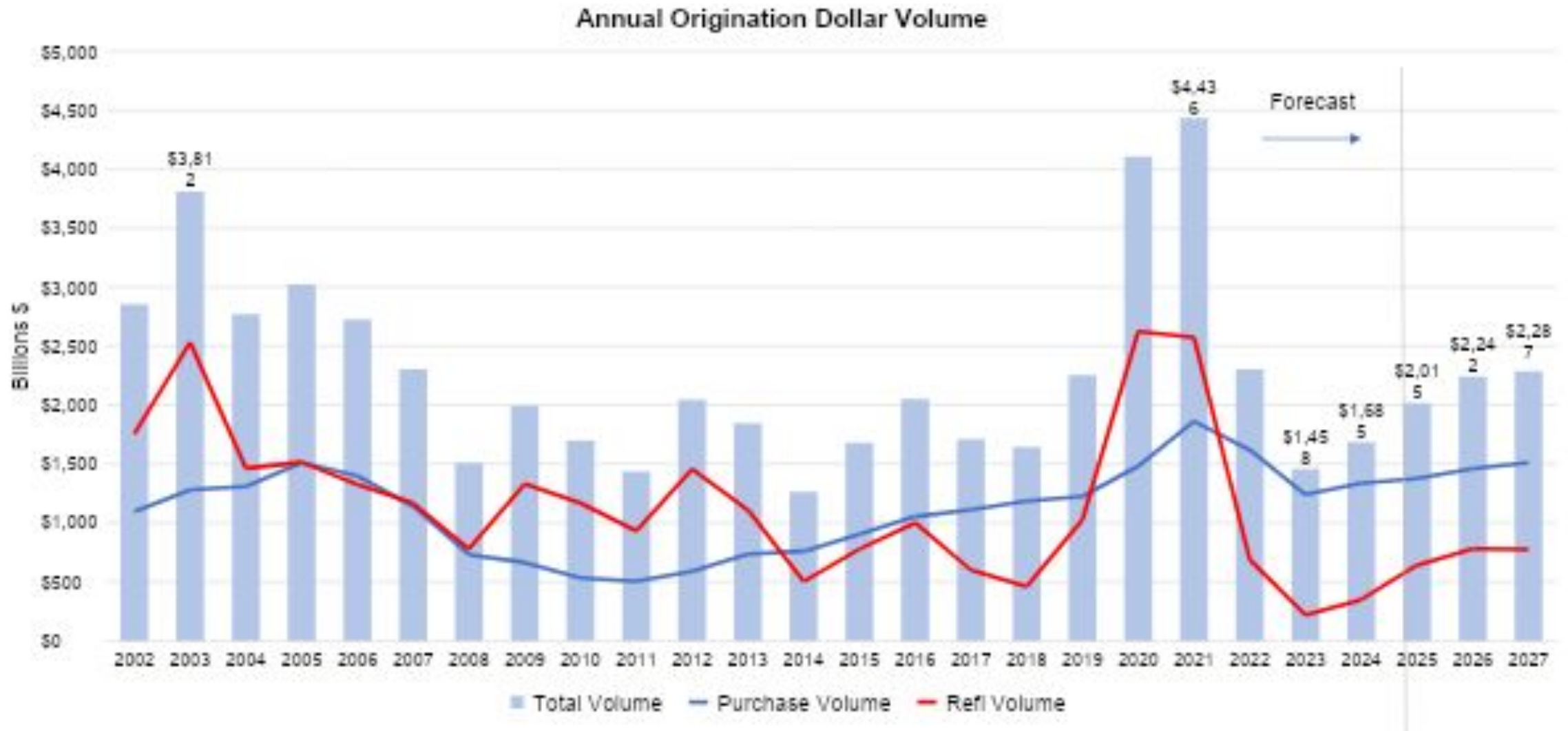
Source: JCHS tabulations of Realtor.com data; Freddie Mac House Price Index.

# House Price Appreciation Moderating

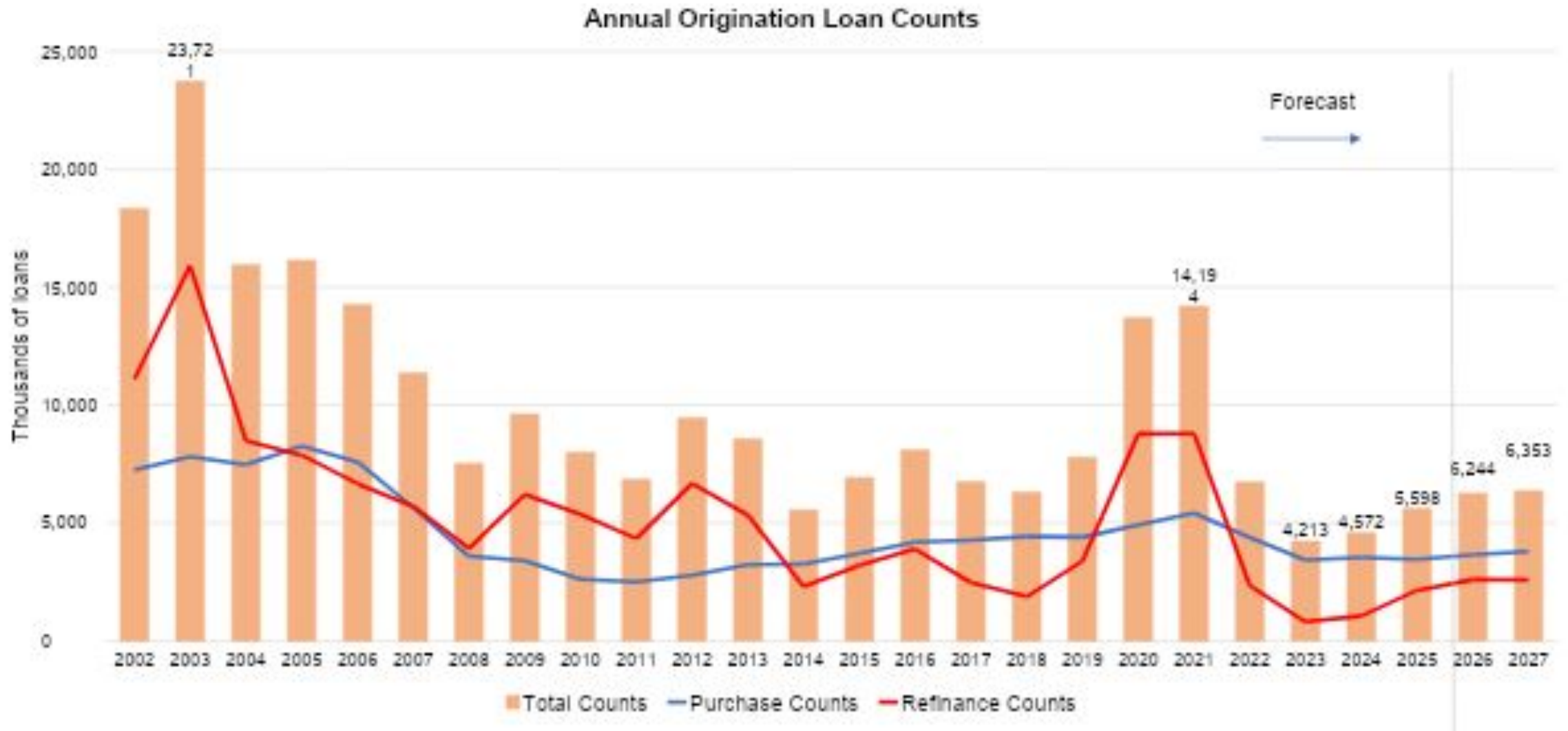




# Mortgage Origination Dollar Volume to Increase 11% in 2026

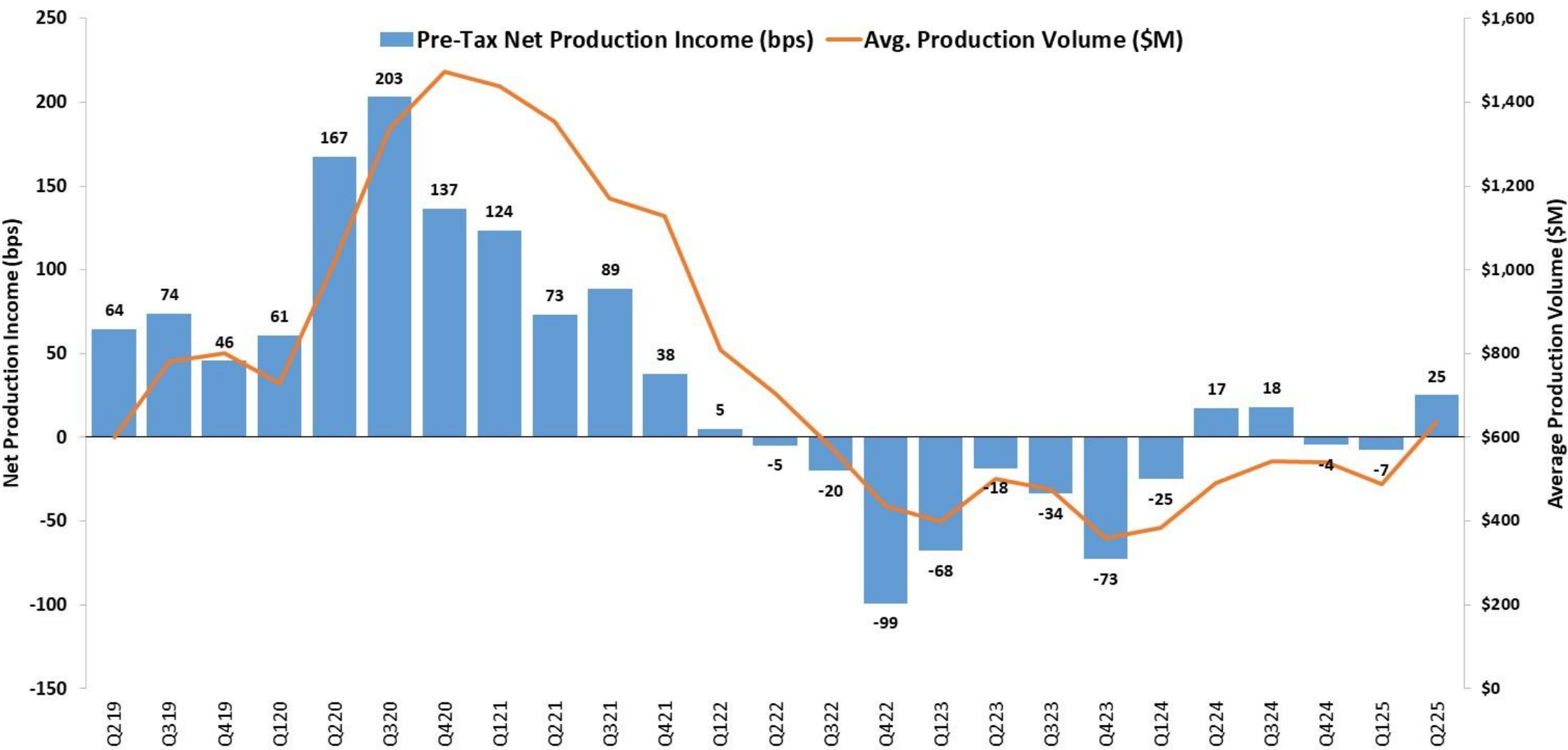


# Unit Volume Forecast to Increase 12% in 2026

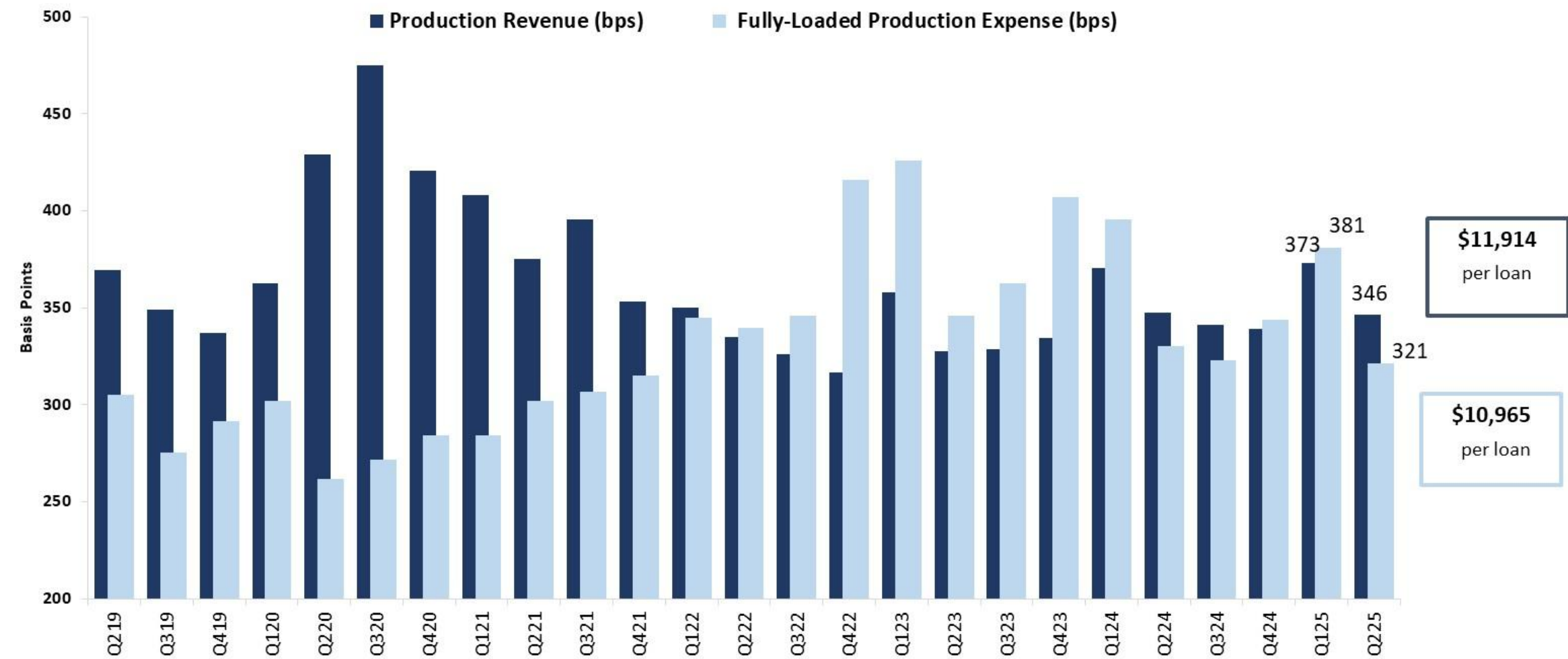




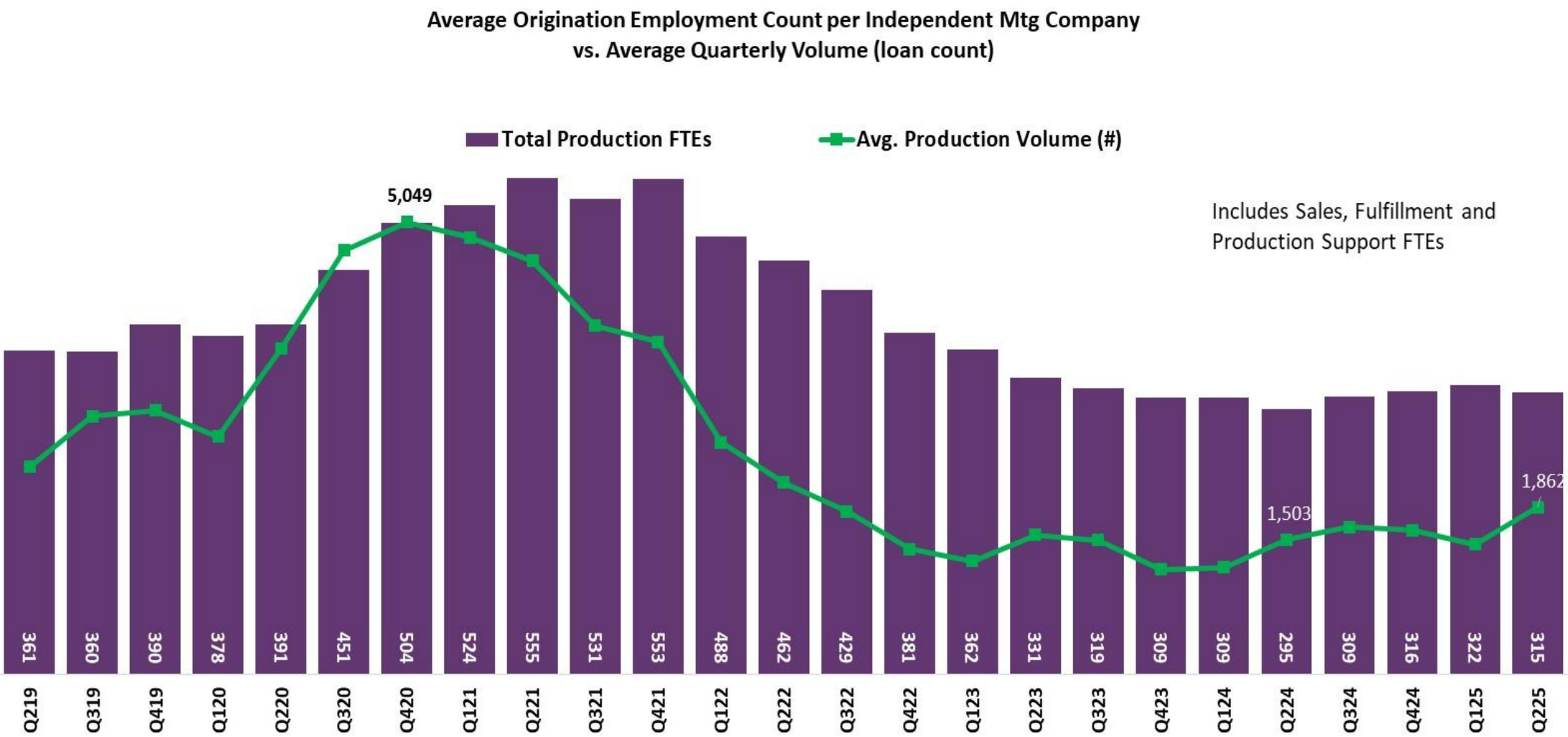
# IMB Net Production Income (bps): Latest Results are Highest Since 2021



# Expenses Dropped by 60 Basis Points (Over \$1,600 per Loan) in Q2 2025



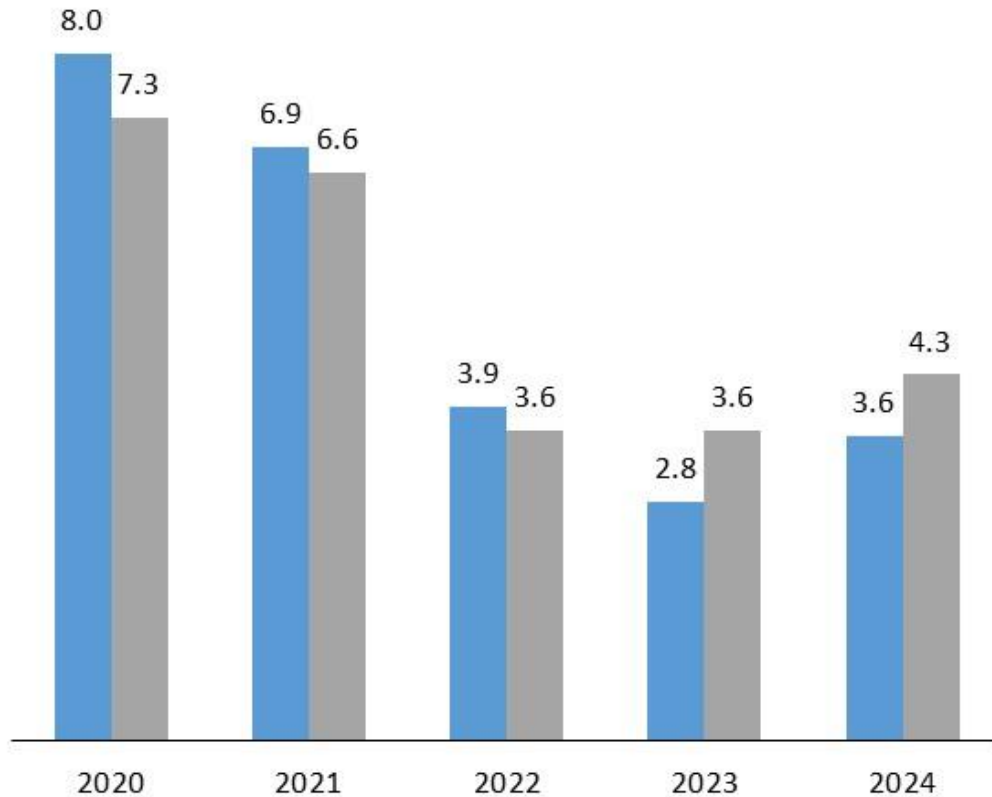
# Stabilization on IMB Mortgage Employment; Slight Drop in Q2 2025



# Incremental Improvement in Sales and Fulfillment Productivity

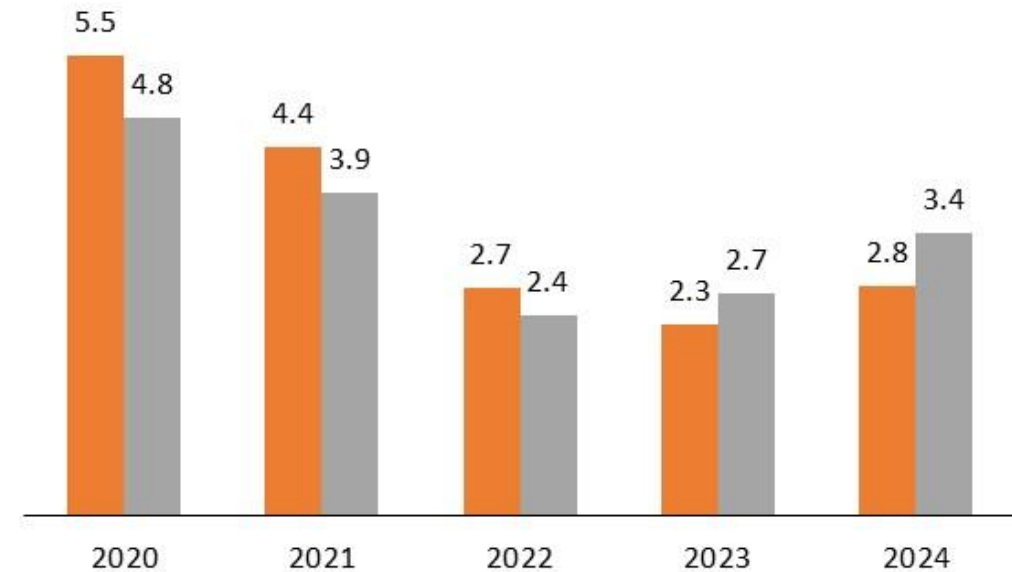
Retail Loans Closed per Loan Officer (per month)

■ All Banks ■ All Independents

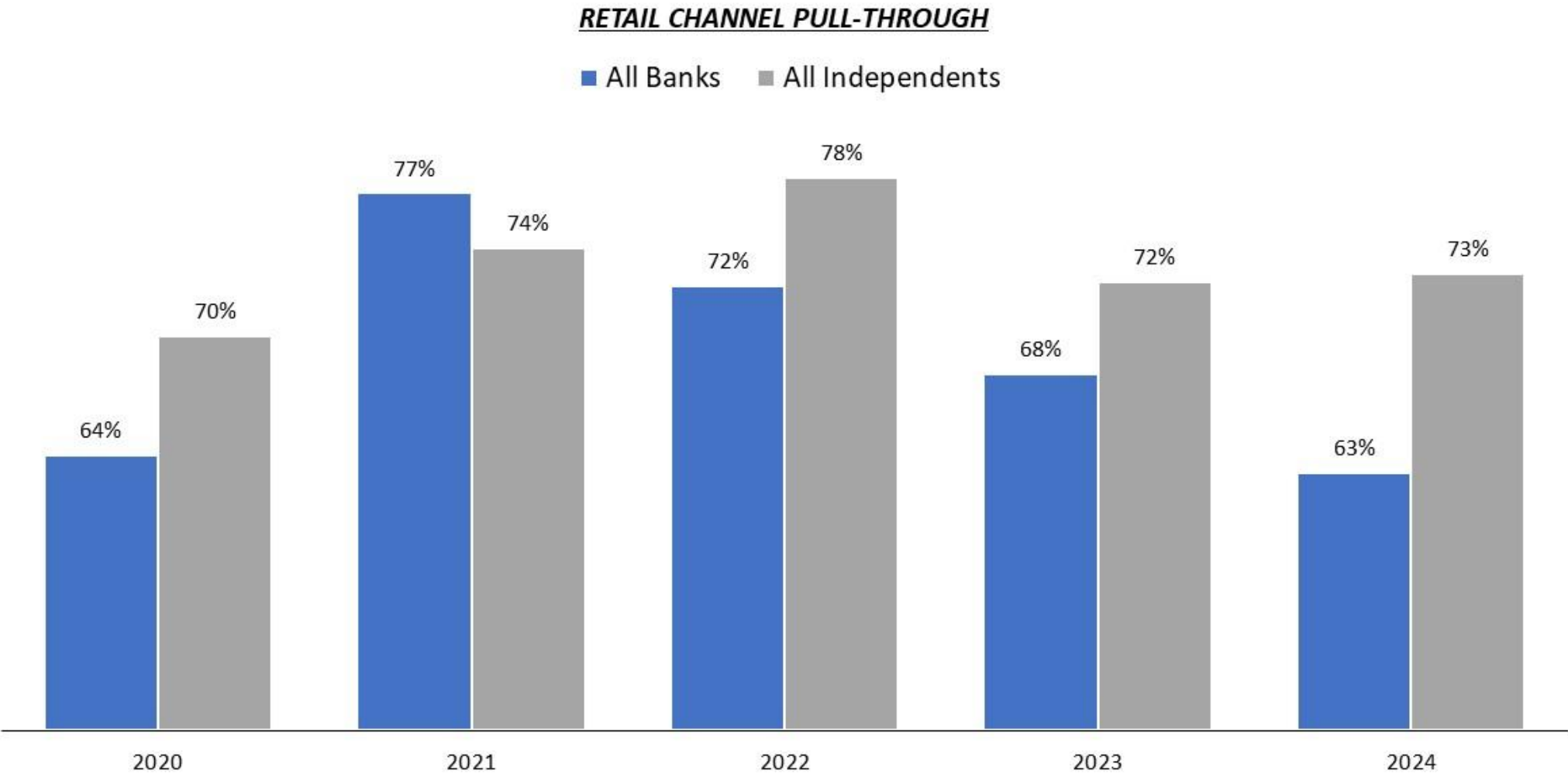


Retail Loans Closed per Non-Producing Direct FTE (per month)

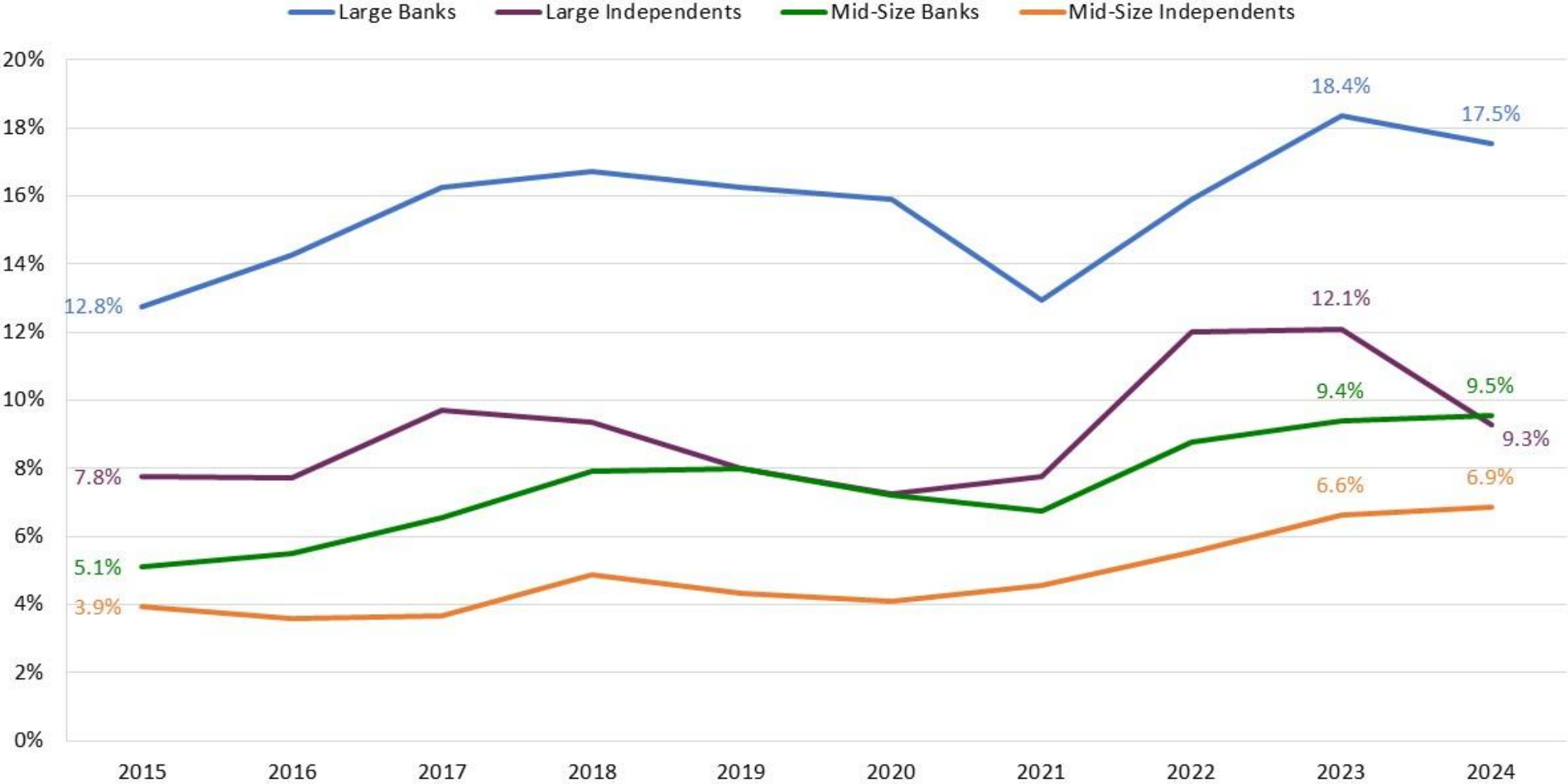
■ All Banks ■ All Independents



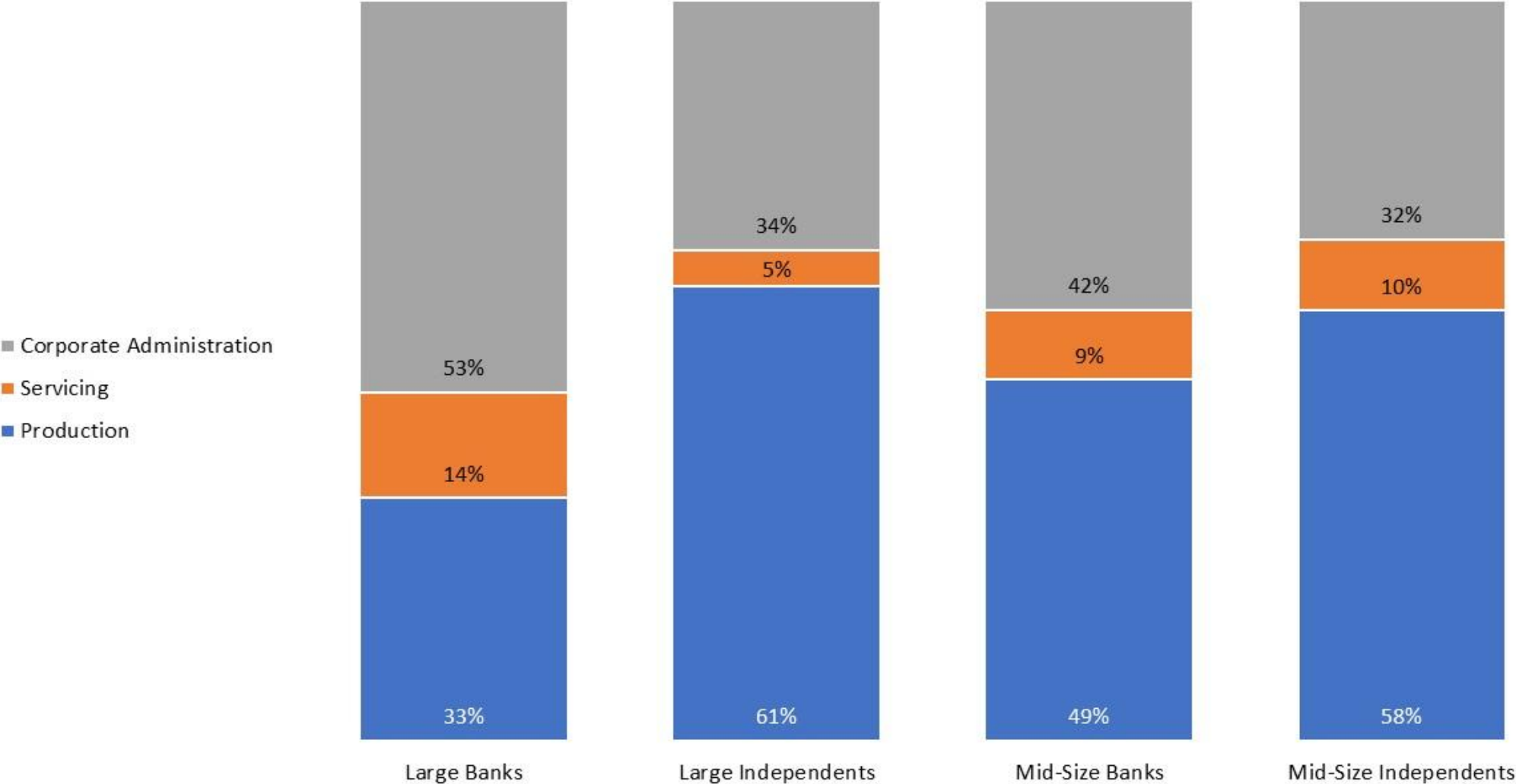
# Mortgage Pull-Through (# Closings/Applications): Big Determinant of Costs per Closed Loan, and Sales and Fulfillment Productivity



# Technology Expenses as a Percentage of Total Mortgage Expenses

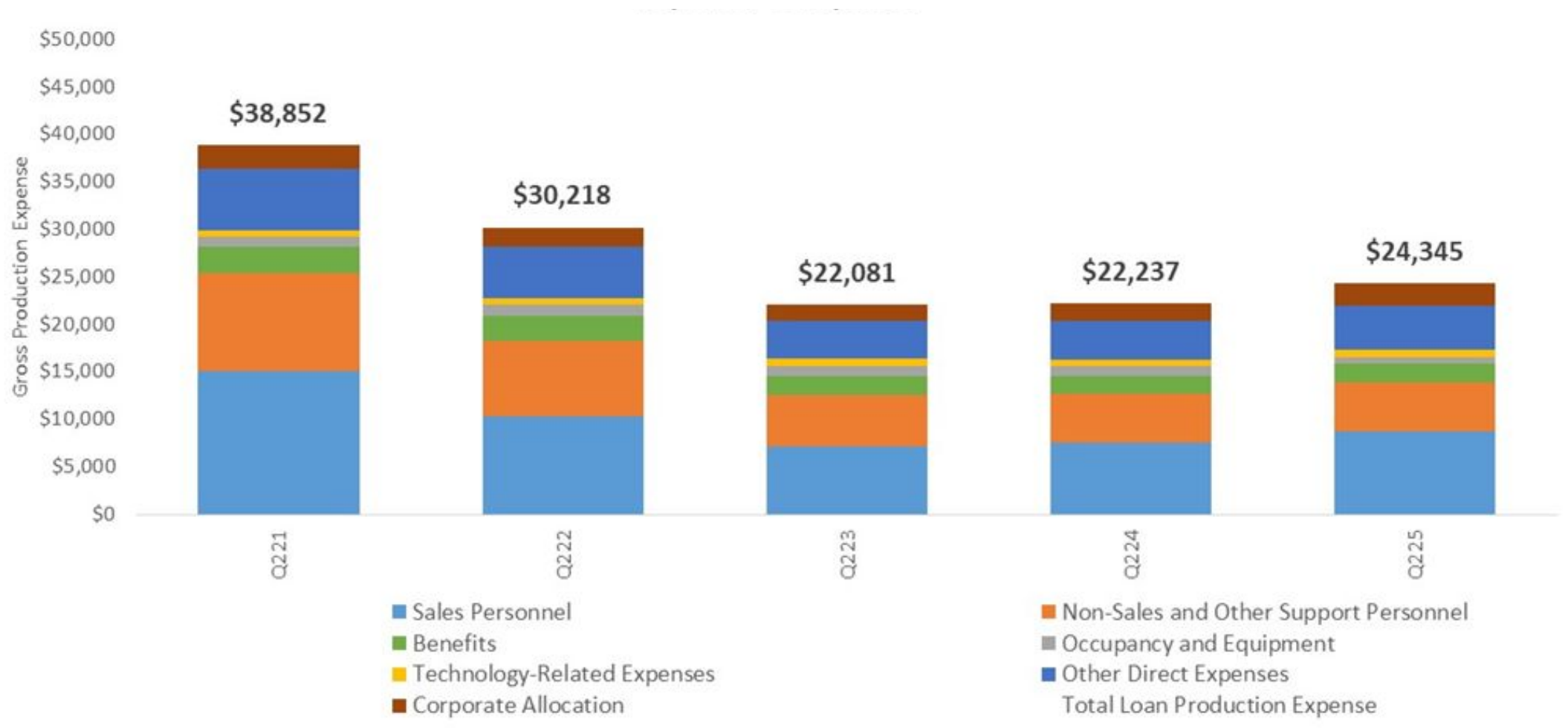


# Share of Total Technology Expenses





# IMB Year Per Firm Production Expense (\$000s) – Repeater Companies, Second Quarter Numbers

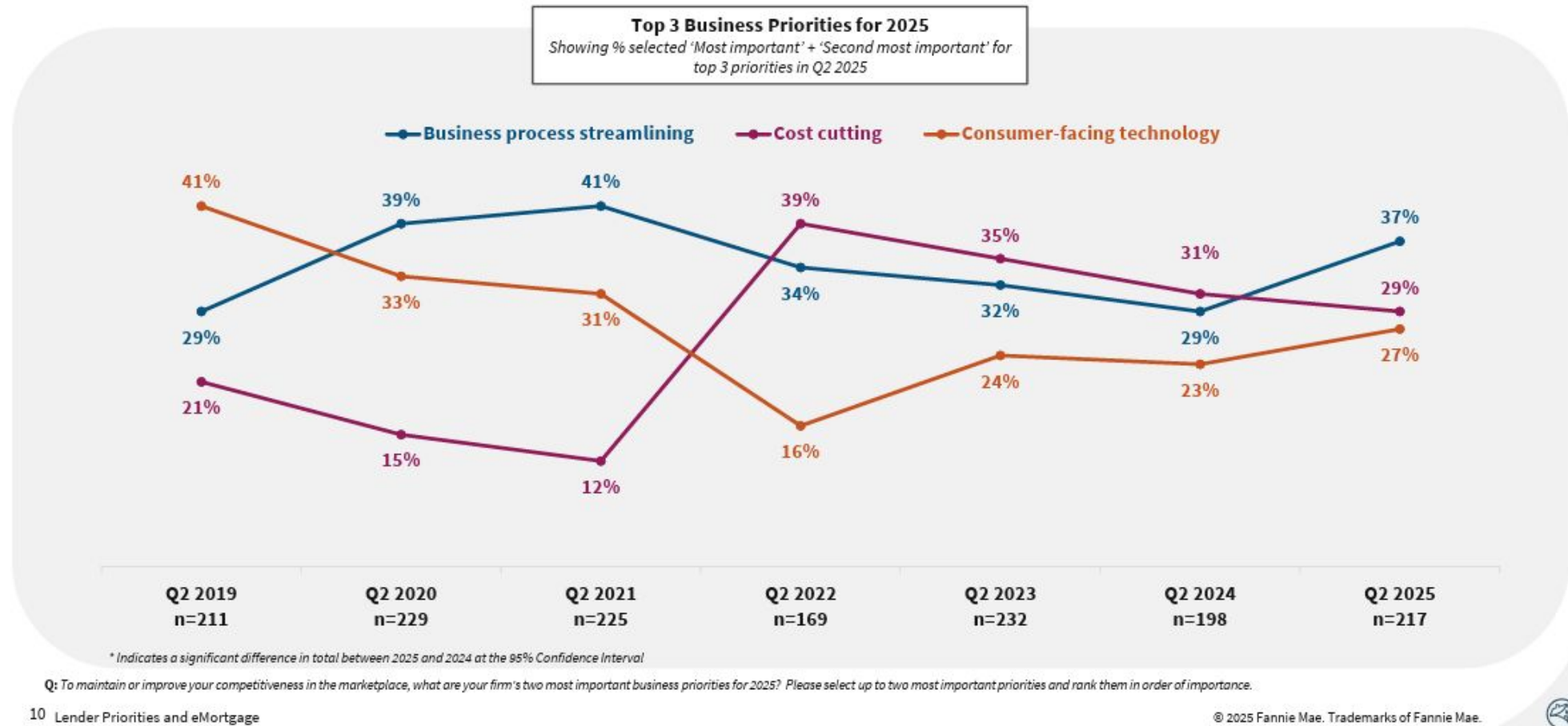


Source: MBA's Quarterly Mortgage Bankers Performance Report [www.mba.org/performance-report](http://www.mba.org/performance-report)

# Where Are Lenders Looking to Focus Tech Investment

## Top 3 Business Priorities for 2025

Since 2019, the share of lenders who consider consumer-facing technology as an important business priority declined, while the share who consider business process streamlining and cost-cutting as top priorities grew.



# Artificial Intelligence - Industry Uses & Risks

## Common uses

- Chatbots
  - Consumer Facing: process incoming calls, complete simple tasks, etc.
  - Employee/Internal: guideline support, business rules, legal, etc.
- Capture tech
  - Optical Character Recognition (OCR)
  - Background AI – capturing data on behalf of MLO
- Algorithms
  - Automated Underwriting Systems (AUS)
  - Internal overlay / Quality assurance
  - Calculators

## Risks

- Bad data/training = bad output
  - Hallucinations
  - Errors
  - Consumer protection / biases
- Data protection & Vendor management
- “Cowboy use”
  - MLO marketing
  - Unauthorized AI
  - Data privacy
- Regulatory concerns
  - Documentation
  - Consumer rights & disclosures
  - Licensing restrictions

# Where do we stand? Current regulatory environment...

## Federal & State Laws already in place

- FCRA – right to correct
- ECOA – right to “specific reason” for denial
- SAFE Act/State Licensing– requires an ‘individual’ be licensed/federally registered to conduct “origination activity”
- State & Federal anti-discrimination laws (including ECOA)

## State activity to be aware of:

- Colorado Anti-Discrimination in Artificial Intelligence – Only state to enact broad AI law (eff. 6/30/2026)
- Utah – SB 226 requires disclosure the consumer is interacting with AI
- California:
  - 2024’s AB 2013 – disclosing training data
  - 2024’s AB 2930 now 2025’s AB 1018 – broad data privacy bill

For more Information: <https://mba.org/stateai>

# Contact Information and MBA Resources

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**MBA Research:** [www.mba.org/research](http://www.mba.org/research)

**Research Institute of Housing America (RIHA):** [www.housingamerica.org](http://www.housingamerica.org)

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