

ISSUE NO. 185 | February 2024 | SPECIAL SFVEGAS EDITION

Welcome to the Pipeline

Andrew Davidson & Co., Inc.'s newsletter is a "pipeline" of relevant and useful information, focused on recent trends, changes and advances in the mortgage investor's market.

LEAPING INTO 2024

On this leap day edition of the Pipeline, we present four articles.

Our first article outlines recent macro developments that impact potential interest rate scenarios over the next year. I look at the ongoing convergence between market views as captured by Fed Fund futures/the yield curve and Fed views from the last dot plot, risks from the CRE space and finish with implications for the agency coupon stack.

In our second article, Connor looks at recent developments in the auto market, the rise in delinquencies in auto, credit card and consumer loan balances and the prospects of a "return to normal" year for the auto market. The article concludes that the outlook primarily depends on two things: supply and the evolution of unemployment.

Our third article, by Alex and Daniel, is on the topic of the Fed's CCAR scenarios for 2024, the eleventh time. They begin by discussing how the Fed scenarios, which lack certain indices, geographical granularity and time periods sufficient for modeling purposes, are transformed to be able to produce useful results. They go on to look at results on two pairs of FHA and FNMA loans and compare scenario results against our 20-scenario grid.

We finish this special SFVegas edition with an article by Andy on financial education. He highlights the gap between the financial decisions consumers have to make as risks have shifted from corporations to individuals and the type of education that is needed to effectively make them. He shows that shifting away from financial literacy focused on budgets and financial products towards financial education, combining a conceptual understanding of finance (wealth, time, and risk) with mathematics is likely to result in much better decision-making. His article also contains external links to a plethora of work on this topic that I found very interesting.

– *Ek Nath Belbase, Director, MBS Strategy, eknath@ad-co.com*

AD&CO NEWS

SFVegas 2024, February 25 – 28

AD&Co is a proud silver sponsor of Structured Finance Association (SFA) SFVegas 2024.

Members of our Alliances & Policies, Behavioral Modeling, Business Development, Client Support, Data & Technology and Marketing teams will be attending SFVegas. Please stop by Booth #102 to learn about our latest developments, [schedule](#) an appointment with a team member or just say hi!

Andy Davidson will be speaking on Tuesday, February 27th at 4:10PM PT on a panel titled "*An Epidemic of Financial Illiteracy: Challenges and Opportunities.*"

Richard Cooperstein will be speaking on Tuesday, February 27th at 4:10PM PT on a panel titled "*Market Beat: Mortgage Servicing Rights.*"

Click [here](#) for more details.

Live Webinar: 2024 CCAR Scenarios: Mandatory & Exploratory Stress-Testing Through AD&Co's Analytics

Join **Alex Levin** and **Daniel Swanson** for a live webinar moderated by **Laura Silberg**, demonstrating how our industry-leading models and analytics for all types of US residential mortgage loans and mortgage-backed securities can be leveraged to facilitate your 2024 CCAR reporting. AD&Co has been providing direct analytic support of stress-testing for over a decade!

Click [here](#) to register.

AD&Co to Sponsor AmeriCatalyst's 'Going to Extremes' Leadership Summit, April 18 - 19

AD&Co is proud to sponsor AmeriCatalyst's 'Going to Extremes: The Extreme Climate, Housing and Finance Summit,' on April 18 to 19 at the Gaylord National Resort & Convention Center in Washington DC.

Andy Davidson to deliver a keynote address on Thursday, April 18th at 10:00AM ET in a session titled "*The Coal Mine: The Dynamics of Risk Transfer in Housing Finance and the Consequences of Shifting Risk.*"

Ek Nath Belbase to join industry leaders in discussing the climate change challenges and generating potential sustainable solutions on Thursday, April 18th at 12:00PM ET in a session titled "*You Can't Manage (or Price) What You Can't Measure: Aggregating Loan and Property Level Data - How Mortgage Analytics Must Evolve to Account for Climate Risk.*"

Click [here](#) for more details.

AD&Co Released LoanKinetics-Climate Impact Suite (LK-CIS)

The alpha version of LK-CIS is a truly granular solution that quantifies the impact of future increases in borrower insurance costs due to rising hazard insurance rates on individual mortgage loans and house prices. It is most useful to originators, whole loan holders, servicers, and mortgage insurers with property-level information.

If interested in joining our CIS alpha testing advisory group, contact Eknath Belbase (eknath@ad-co.com).

Click [here](#) for more details.