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Why RMBS Could Feel Housing Policy Before Housing Does

New housing policies may not reset home prices quickly, but they could reshape the mechanics that drive mortgage lending, RMBS spreads, cash flows, and relative value.

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Key takeaways

Whereas housing policy strategy is focused on affordability, the more direct near-term investment story is about the mechanics that sit between borrowers, lenders, banks, and bond investors, which can adjust much faster than housing stock.

For securitized credit, the key questions are how soon and to what degree executive orders and regulatory capital changes can lower origination friction, expand bank balance sheet capacity, influence refinancing incentives, and support a deeper market for mortgage risk.

If those channels work, the result could be a yet more actionable opportunity set for residential mortgage-backed securities (RMBS) better liquidity, faster transaction de-leveraging, more issuance, and greater dispersion across coupons, collateral types, geographies, originators, and structures.

That dispersion may create room for relative-value selection, but it also puts more importance on quantifying risks such as prepayment behavior, collateral quality, and macro sensitivity with greater precision—all dimensions for alpha production.

Policy urgency builds to address affordability

In the past few years, housing affordability has evolved from a periodic, cyclical concern to an enduring structural force and now a political pressure point. Rents have skyrocketed and homeownership has become increasingly out of reach (Exhibits 1-2) at a time when other living expenses such as food, fuel, insurance, and student loan repayments are also reducing a household's bottom line. These growing pressures on consumers have made the cost of living a key voter issue in 2026, creating a rare moment of bipartisan alignment on the affordability crisis.

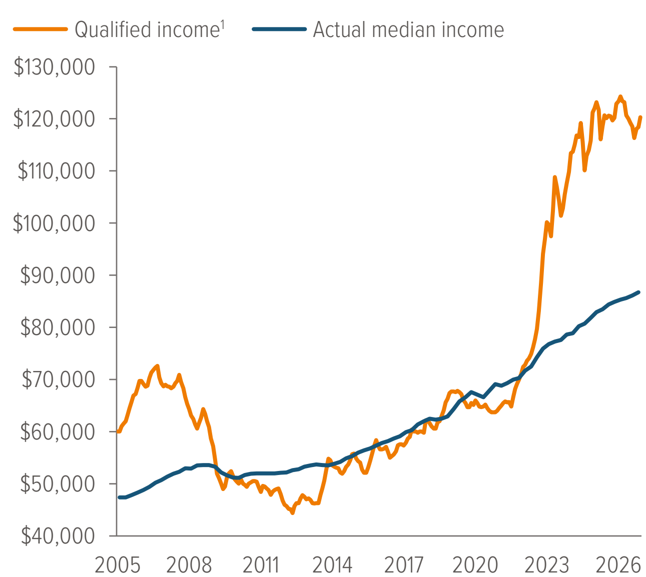
Exhibit 1: Housing costs taking a greater share of income

At current mortgage rates, a typical buyer would need to devote 37% of their income to buy a median-priced home

As of 09/30/25. Source: NAR, Haver Analytics.

Exhibit 2: Homeownership increasingly out of reach

Gap between actual median household income and qualified income



As of 03/31/26. Source: Federal Reserve Bank of Atlanta.

[1] Qualified income = income needed for annual homeownership cost to equal no more than 30% of annual income.

As a result, Washington has rarely been this busy on housing. This year alone, three major housing-related executive orders (EOs) have been enacted, the 21st Century ROAD to Housing Act became law, and federal agencies are set to announce a final ruling on bank capital requirements (Exhibit 3). While these are positive developments, supply-focused policies won't solve the affordability crisis overnight. Years of underbuilding, low vacancy rates, and a higher-for-longer rate environment suggest that the supply/demand imbalance could take years to resolve.

Fortunately, investors could see policy benefits long before the effects show up in housing data. The question is how and when policies may help to unclog the plumbing of mortgage markets, affecting factors such as origination costs, bank lender participation, mortgage-backed security (MBS) spread dispersion, refinancing activity, and prepayment speeds.

Mortgage markets can adjust faster than supply

The policy backdrop is remarkable and broad, but not every channel matters to RMBS markets in the same way or on the same timeline. Some measures can affect market technicals almost immediately, while others require further rulemaking, bank balance sheet re-allocations, state and local implementation, and new construction before the effects become visible.

Exhibit 3: Policy is moving on multiple fronts at different speeds

	Jan. 8	March 13	March 13	July 11	Final ruling due 2H26
Policy	**GSE purchase directive**	**Mortgage EO**	**Construction EO**	**21st Century ROAD to Housing Act**	**Basel III Endgame re-proposal**
Transmission speed	Already in motion	Near-to-medium term	Longer term	Medium-to-longer term	Medium term
What it does	Directs GSEs to purchase $200bn of MBS	Instructs regulators to ease access to mortgage finance, review capital rules, and streamline processes	Initiates rulemaking process to ease regulation (e.g., land use, permitting, building codes, supply constraints)	Changes zoning and land-use incentives, creates Low-Income Housing Tax Credit, and constrains institutional buyers of single-family homes, along with other financing adjustments	Fed, OCC, and FDIC ruling on loosening restrictions on capital requirements, dependent on collateral, borrower characteristics, and exposure size
Potential relevance	Support for agency MBS spreads and mortgage-rate compression	Lower origination costs, higher lender competition, increased refinancing activity, and tighter RMBS spreads	Important for affordability over time, with eventual transmission into RMBS pricing	Broadly supportive of housing market dynamics and much of the ecosystem: lenders, builders, MBS investors	Greater willingness of banks to originate, hold, or finance mortgage exposure

Source: Federal Housing Finance Agency; Executive Order 14393, "Promoting Access to Mortgage Credit"; Executive Order 14394, "Removing Regulatory Barriers to Affordable Home Construction"; H.R. 6644, 21st Century ROAD to Housing Act; Federal Reserve; Voya IM analysis as of 07/31/26.

The government-sponsored enterprise (GSE) purchase directive issued on January 8 is already operating in the market, with new MBS purchases underway for the better part of the year. Early trading suggested a positive influence, as spreads compressed and agency RMBS outperformed, coinciding with mortgage rates briefly rallying below 6%. The rate relief proved temporary, as Treasury yields later rose with the rise in energy prices. But the mortgage-rate spread to Treasuries remained measurably tighter through July—evidence that policy can influence market technicals even when the broader affordability challenge remains unresolved.

The mortgage EO and capital proposals also hold the possibility of having a shorter path to investor relevance, as they target frictions in mortgage origination. The origination process is like passing through a series of toll booths. None of the tolls are prohibitive individually, but together they slow everything down and raise costs for originators, manifesting as higher rates to borrowers. Reducing those frictions may not solve housing affordability, but it can change the flow of mortgage markets and decrease mortgage rates—a clear win for consumers when realized.

As implementation lowers origination costs, broadens lender participation, and makes refinancing easier, the effects may show up in MBS yields, spreads, and borrower prepayment behavior before they appear in home prices. We categorize these effects through four transmission mechanisms:

- **Institutional demand:** How will the investor base evolve, and to what extent will it drive lower/tighter spreads for RMBS risk?
- **Prepayment optionality:** The risk that borrowers pay you back at the worst time—how will this get priced by investors as the mortgage rate backdrop evolves?
- **Non-prepayment risk premium:** The risk that the loan itself is bad or the house isn't worth it; also, how will credit behavior change as the economy cycles?
- **Lending competition:** How will mortgage loan pricing change as competition potentially increases with reduced liability and lower origination costs?

Exhibit 4 shows how this could play out across various provisions of the order.

Exhibit 4: How mortgage EO provisions could reduce origination frictions

	What it does	How it could work	Potential rate/spread movement
Appraisal modernization	Expands use of automated valuation models and reduces appraisal requirements for lower-risk transactions	Lowers costs, shortens processing time, and makes refinancing and new origination easier	Directionally lower; potential dispersion by subsector and issuer
Construction and lending supervisory classification	Excludes certain 1-4 family residential development and construction lending from CRE concentration screens	Frees bank balance sheet capacity for residential construction and mortgage-related lending	Directionally lower; longer-term risk if looser constraints weaken credit discipline
Supervisory enforcement models	Correction-first treatment for good-faith technical compliance issues	Lowers supervisory friction for lenders and servicers	Directionally lower; longer-term risk if softer enforcement promotes weaker practices
Digital mortgage standardization	Standardizes e-signatures, data standards, and reduced wet-signature requirements	Reduces operational friction in application, closing and refinancing workflows	Directionally lower
Mortgage loan officer licensing overlap	Reduces duplicative licensing and registration requirements, especially for smaller banks	May lower compliance costs and broaden lender participation in mortgage origination	Directionally lower

Source: Executive Order 14393, "Promoting Access to Mortgage Credit"; Voya IM analysis as of 07/31/26.

Taken together, the net directional bias of these five provisions is for lower mortgage rates for borrowers and improved housing affordability. However, the magnitude and timing are uncertain and, as they do emerge in markets, there is likely to be meaningful dispersion across pool types, originator quality, and (as always) geography. This dispersion may create alpha opportunities for investors while influencing efficient lending and improved housing affordability over time.

The portfolio story is dispersion and optionality

Supporting a healthier RMBS market

We believe the broad direction of housing policy across executive, regulatory, and legislative channels should lead to more efficient mortgage lending and more opportunities across the RMBS market. Lower origination costs, greater bank participation, and sustained demand from the GSEs are all constructive for market participants, at least by design. But the impact is unlikely to be uniform or automatic. Implementation timing, underlying Treasury rate levels, ultimate investor demand, and other prevailing macro conditions will all matter.

If these channels work as intended, the opportunity is not only tighter MBS spreads but a deeper mortgage market, particularly on the non-agency side—one with more issuance, broader collateral supply, and more relative-value dispersion for active investors to underwrite. The investable implication is that a healthier issuance environment can make RMBS opportunities more actionable across a broader range of collateral types, not simply more attractive in theory (Exhibit 5).

A deeper market does not mean a uniform one

Effects are likely to vary across agency and non-agency RMBS, premium and discount coupons, collateral type, geography, borrower cohorts, originator quality, deal structure, and credit support. In that environment, the opportunity is identifying where policy effects are mispriced and getting “in front of” potential unintended consequences. Loan-level analysis and security selection become more important as policy channels affect different parts of the mortgage market unevenly.

Lower friction also affects the value of the mortgage prepayment option

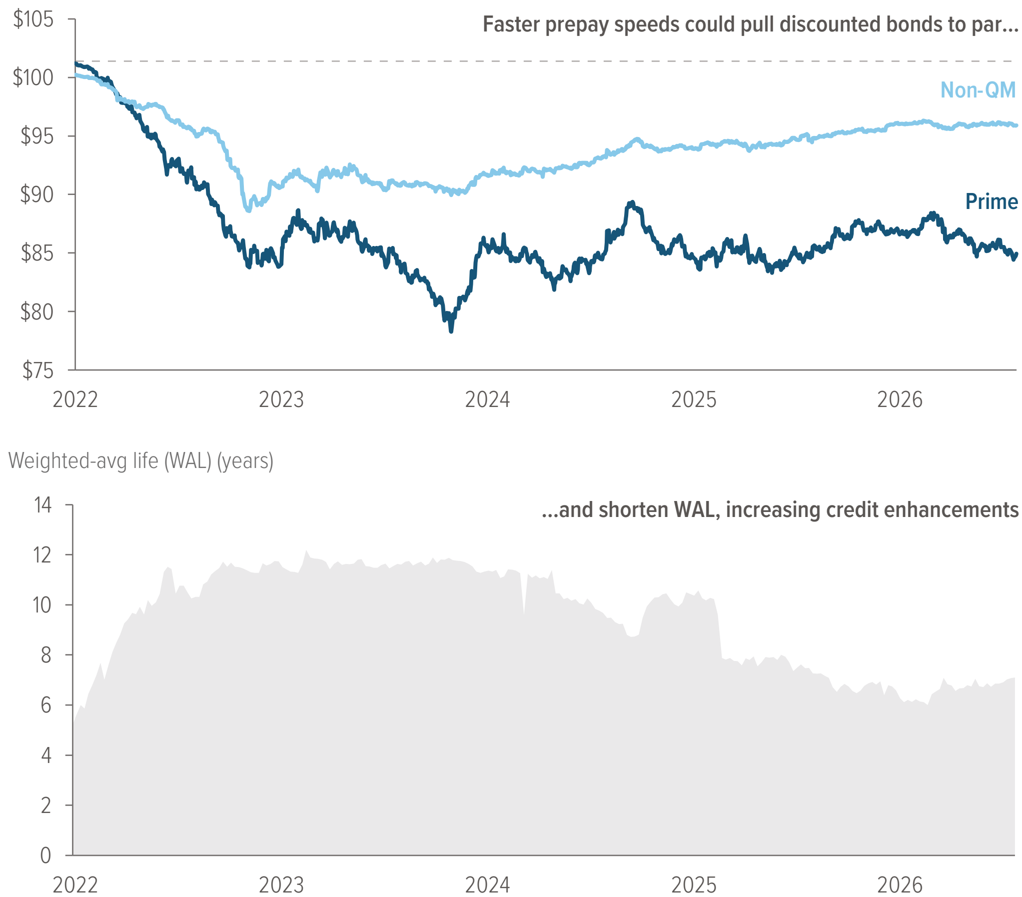
If policy reduces the cost of a mortgage and refinancing, prepayment assumptions become even more important.

Faster-than-expected prepayments can make premium-coupon securities less attractive, support lower-coupon discount-priced bonds through repayment at par, and improve credit enhancement in non-agency structures (via transaction de-leveraging). Assumptions for conditional prepayment rates (CPR) become more central as refinancing costs, borrower responsiveness, and rate incentives shift.

The less affordable, more restrictive backdrop has likely suppressed what would otherwise be “natural” transaction activity. As households grow, needs change, and workers relocate, the demand for housing and mortgage financing builds. If lower rates and a more efficient financing process release this potential pent-up demand, borrower behavior could shift quickly, changing prepayment speeds and relative value across coupons and structures. Exhibit 6 shows how elevated rates have restricted affordability and turnover, creating the conditions for that optionality to reemerge (move “in the money”) if financing conditions improve.

Exhibit 5: How faster prepayments benefit RMBS

Bond price ($100 = par)



As of 07/29/26. Source: Federal Reserve, J.P. Morgan, Voya IM.

Exhibit 6: Delayed moves are building pressure

30-year mortgage rate

As of 07/29/26. Source: Freddie Mac, Voya IM.

Dispersion increases the need for precise underwriting

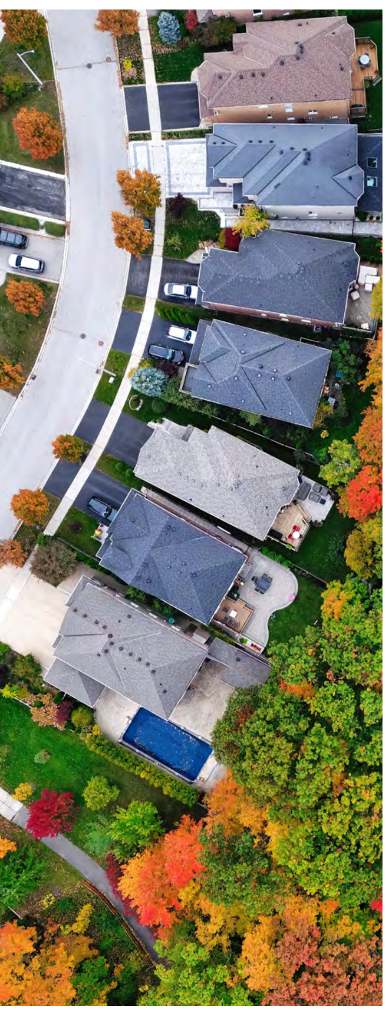
Deregulation isn't today's base-case credit risk, but it is the risk to monitor

The housing setup is very different from the pre-financial-crisis period: Supply is constrained, vacancy is low, and post-crisis underwriting standards remain categorically stronger. Still, the direction of travel—a streamlined process, more appraisal flexibility, lower risk-based capital requirements, and potentially looser supervisory treatment—could gradually blur underwriting discipline if future rule changes reach areas such as ability to repay, qualified mortgage treatment, or lender oversight.

None of the near-term changes are inherently destabilizing. But over time, they increase the importance of surveillance, testing for risk layering, and originator-level differentiation. In this environment, granularity in bond selection becomes both a risk-management tool and a potential source of sustained alpha.

Prepayment risk cuts both ways

As discussed above, lower rates and increased origination efficiency make refinancing easier, magnifying prepayment risk. This has implications for strategies that focus on prepayment risk and can offer a diversifying strategy in fixed income portfolios. Processes that are designed to take advantage of shifting prepayment risk across both agency and non-agency RMBS markets may offer an attractive option as this collection of policy changes embeds further into the housing ecosystem.



Macro conditions remain the final filter

Rate uncertainty, labor market outcomes, consumer finances, and housing demand will determine whether technical support translates into durable performance. Current mortgage credit delinquency data remain broadly supportive of risk-taking. However, a more deregulated and policy-sensitive market will require internal strategies and governance frameworks built for a more multidimensional risk assessment. That means scrutinizing more precisely where policy improves market functioning and where it merely shifts credit, prepayment, or structural risk. A balanced, top-down approach with both quantitative and qualitative inputs will be key in assessing this piece of the puzzle.

Keys to remember

- Housing policy may take years to meaningfully improve available supply and more definitively impact home prices, but mortgage market mechanics can adjust sooner and impact the cost of financing.
- For both agency and non-agency securitized strategies, the key is how policy affects origination, bank participation, prepayments, spreads, and collateral dispersion along the way.
- The ROAD Act adds important legislative context and reinforces the breadth of the policy push, but the near-term RMBS story remains rooted in regulatory and capital markets transmission.

A note about risk

The principal risks are generally those attributable to bond investing. Holdings are subject to market, issuer, credit, prepayment, extension, and other risks, and their values may fluctuate. Market risk is the risk that securities may decline in value due to factors affecting the securities markets or particular industries. Issuer risk is the risk that the value of a security may decline for reasons specific to the issuer, such as changes in its financial condition. The strategy invests in mortgage-related securities, which can be paid off early if the borrowers on the underlying mortgages pay off their mortgages sooner than scheduled. If interest rates are falling, the strategy will be forced to reinvest this money at lower yields. Conversely, if interest rates are rising, the expected principal payments will slow, thereby locking in the coupon rate at below-market levels and extending the security's life and duration while reducing its market value.

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