Despite Disaster Impacts, Loans are Performing Historically Well

By: Jann Swanson | Tue, Jan 8 2019, 11:10 AM

Some housing market analysts have found recent trends in construction, home sales, and diminishing affordability disquieting and perhaps **early warning signs of another housing-led recession**. They may find loan performance metrics reassuring. CoreLogic's report for October indicates that, except for the impact of several recent natural disasters, those metrics are exceptional.

CoreLogic's CEO Frank Martell says, "Despite some regional spikes related to hurricane and fire impacted areas, overall **delinquency rates are near or at historic lows**."

The national delinquency rate, a measure of the percentage of loans that are 30 or more days past due, including those in foreclosure, was 4.1 percent. This is a significant change from the rate in September which was 4.4 percent. In October 2017, 5.1 percent of mortgage loans were delinquent.

Serious delinquencies have fallen on an annual basis as well. The 30 to 60-day rate dropped from 2.3 to 1.9 percent and the serious delinquency rate (loans that are 90 or more days past due, including those in foreclosure) fell to 1.2 from 1.5 percent. The foreclosure inventory rate is now 0.5 percent compared to 0.6 percent in October 2017. With the exception of North Dakota where there was no change, every state saw its serious delinquency rate decline year-over-year. Among the 100 largest metro areas only three saw serious delinquency rate increase. In 15 the serious delinquency rate was unchanged while in the remainder the rate declined.

Hurricane Irma and Hurricane Florence (2017 and 2018, respectively) **continue to impact some metropolitan areas**, with mortgages transitioning from current to 30 days past due. This October, 18 metropolitan areas posted an annual increase in overall delinquency rate, seven of which were either in North or South Carolina.

CoreLogic's Chief Economist Frank Nothaft said "While the strong economy has helped families stay current and pushed overall delinquency rates lower, areas that were hit hard by natural disasters have seen a rise in loan defaults. The 30-day delinquency rate in the Panama City Florida metro area tripled between September and October 2018 as a result of Hurricane Michael. **Two months after Hurricane Florence made landfall in the Carolinas, 60-day delinquency rates doubled** in the Jacksonville, Wilmington, New Bern, and Myrtle Beach metro areas. And buffeted by Kilauea's eruption in the Hawaiian Islands, serious delinquency rates on the big island jumped by 9 percent between June and October 2018, while falling by 4 percent in the rest of the islands.

CoreLogic also monitors transition rates that indicate the percent of mortgages moving from one stage of delinquency to the next. The share of mortgages that transitioned from current to 30-days past due was 0.8 percent in October 2018, down 1.1 percentage point from October 2017. By comparison, in January 2007, just before the start of the financial crisis, the current-to-30-day transition rate was 1.2 percent and peaked in November 2008 at 2 percent.

The report concludes that the 30-plus delinquency rate, the most comprehensive measure of mortgage performance, is near a 10-year low and the share of mortgages that transitioned from current to 30-days past due was 0.8 percent in October 2018, down from 1.1 in October 2017. By comparison, in January 2007, just before the start of the financial crisis, the current-to-30-day transition rate was 1.2 percent and peaked in November 2008 at 2 percent.

The continued improvement in mortgage performance bodes well for the health of the U.S. market in 2018.

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