Delinquencies Growing; More Government Assistance Needed

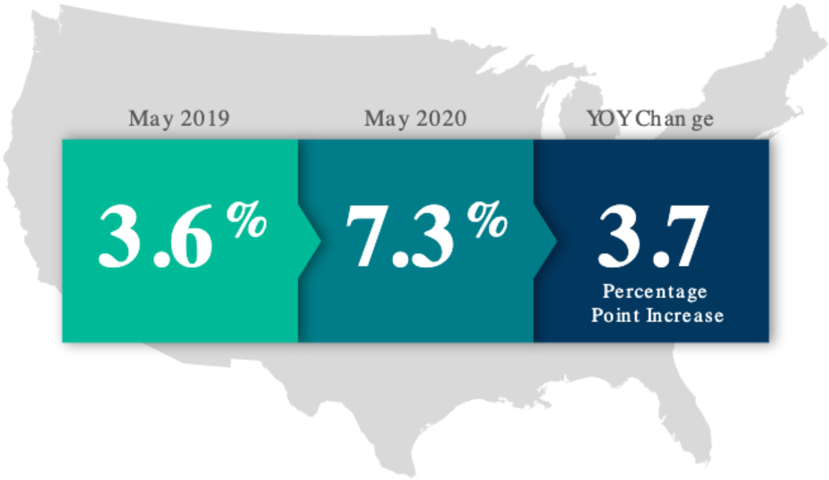
By: Jann Swanson | Tue, Aug 11 2020, 11:22 AM

COVID-19 continued to impact mortgage performance in May. CoreLogic said the number of loans in each stage of delinquency, with the exception of those in foreclosure, grew in May, the second straight month that early-stage (loans 30 to 59 days past due) and adverse (loans 60 to 89 days past due) **delinquencies were up on an annual basis.** The company's monthly *Loan Performance Insights* report, notes year-over-year **increases in overall delinquencies in all 50 states with the geography of the increases highly correlated with the pandemic's impact.**

The national **foreclosure rate, which includes all post due loans including those in foreclosure, more than doubled compared to May 2019**, rising from 3.6 percent to 7.3 percent of all mortgages. Early stage delinquencies increased from 1.7 percent a year earlier to 3.0 percent and adverse delinquencies jumped from 0.6 percent to 2.8 percent.

May marked the third month since the first COVID-19 cases began to spread and serious delinquencies were affected for the first time. Loans that were 90 days or more past due, including those in foreclosure posted the first year-over-year increase since November 2010, ticking up from 1.3 percent in May 2019 to 1.5 percent. CoreLogic said 75 percent of metropolitan areas saw growth in the serious delinquency rate.

With a foreclosure moratorium in affect, the foreclosure inventory (loans in process of foreclosure) dipped to 0.3 percent from 0.4 percent. It was the second month in a row that the foreclosure rate marked a new post-1999 low.



The transition rate, which measures the share of mortgages that moved from current in April to past due in May was 2.2 percent compared to 0.8 percent the prior year. 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 shift in loan performance in recent months is virtually unprecedented. Prior to the pandemic, overall delinquencies had declined for 27 straight months and the national unemployment rate had spent several months at an all-time low. However, by May 2020, just two months after COVID-19 was declared a global pandemic, U.S. unemployment surged past 13 percent. **This left more than 4 million homeowners, who hold more than 8 percent of all mortgages, little choice but to enter a COVID-19 mortgage forbearance program.**

"The national unemployment rate soared from a 50-year low in February 2020, to an 80-year high in April," said Dr. Frank Nothaft, chief economist at CoreLogic. "With the sudden loss of income, many homeowners are struggling to stay on top of their mortgage loans, resulting in a jump in non-payment."

Absent further government programs and support, CoreLogic forecasts the U.S. serious delinquency rate will quadruple by the end of 2021, pushing 3 million homeowners into serious delinquency.

"**Government and industry relief programs have helped to cushion the initial financial blow of the pandemic** for millions of U.S. homeowners," said Frank Martell, president and CEO of CoreLogic. "COVID-19 and the resulting pressures continue to influence the economic activity of many households. Barring additional intervention from the Federal and State governments, we are likely to see meaningful spikes in delinquencies over the short to medium term."

All states logged increases in overall delinquency rates in May from a year earlier. New Jersey and Nevada, both hot spots for the virus, experienced the largest overall delinquency gains, each were up 6.4 percentage-point from the previous May. New York again remained atop the list with a 6.1 percentage-point increase, while Florida experienced a gain of 5.8 percentage points.

On the metro level, nearly every U.S. metropolitan area posted at least a small annual increase in their overall delinquency rate, with tourism destinations such as Miami (up 9.2 percentage points), and Kahului, Hawaii (up 8.8 percentage points), posting two of the largest increases. Odessa, Texas, with a local economy strongly tied to the oil industry, posted an annual gain of 9 percentage points. Odessa also tied with Laredo for the largest increase in serious delinquencies, each were up 1.1 percentage points.

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