

Early Stage Delinquencies Sink to All-Time Lows

By: Jann Swanson | Mon, May 10 2021, 11:28 AM

The Mortgage Bankers Association (MBA) reports that the percentage of non-current mortgages dropped by 35 basis points (bps) in the first quarter of 2021. According to MBA vice president Marina Walsh, it was the **largest quarterly decline in delinquencies** in the history of the Association's National Delinquency Survey.

The national delinquency rate for mortgage loans on one-to-four unit residences was at a seasonally adjusted rate of 6.38 percent at the end of the quarter. The rate includes loans in forbearance if borrowers are not making payments as agreed but does not include loans in the process of foreclosure.

The delinquency rate peaked at 8.22 percent in the second quarter of 2020 and within three quarters has dropped by 184 bps to 6.38 percent. Despite the improvements, however, the overall rate is **still 202 bps higher than it was at the same point in 2020**.

"Mortgage delinquency rates continued to decrease in the first quarter of 2021, as a rebounding job market and stimulus checks helped borrowers stay current on their mortgage payments," Walsh said. "Mortgage delinquencies track closely to the U.S. unemployment rate, and with unemployment dropping from last year's spike, many households appear to be doing better."

Early stage delinquencies declined on a quarter-over-quarter basis. The 30-day rate was down 32 bps to 1.46 percent, the lowest rate since the survey began in 1979. The 60-day delinquency rate decreased 10 bps to 0.67 percent, the lowest rate since the second quarter of 2000. The total of delinquencies in the two early stages is also the smallest in MBA's records. The 90-day delinquency bucket, however, rose 7 bps to 4.25 percent.

By loan type, the total delinquency rate for conventional loans decreased from 5.09 percent to 4.57 percent, the FHA rate rose 2 bps to 14.67 percent, and the VA delinquency rate increased by 33 bps to 7.62 percent. On a year-over-year basis, total mortgage delinquencies increased for conventional loans by 141 bps, FHA loans by 498 bps, and 297 bps for VA loans.

The percentage of loans on which foreclosure actions were started in the first quarter rose by 1 bp to 0.04 percent. The foreclosure inventory held 0.54 percent of all loans, down 2 bps and 19 bps from the prior quarter and Q1 2020, respectively. This is the lowest foreclosure inventory rate since the first quarter of 1982. The seriously delinquent rate, the percentage of loans that are 90 days or more past due or in the process of foreclosure, was 4.70 percent, down 33 bps for the quarter but up 303 bps for the year.

"Notwithstanding the welcome improvement in mortgage delinquencies and the positive job outlook, the delinquency rate this past quarter still remains 105 basis points higher than its historical quarterly average of 5.33 percent," added Walsh. "We continue to see seriously delinquent loans - those loans that are over 90 days past due or in the process of foreclosure - at elevated levels, **particularly for FHA and VA borrowers**. With extended forbearance and foreclosure moratoria still in effect, many of these borrowers are reaching later stages of delinquency. Upon exiting long-term forbearance, some borrowers - regardless of their improving employment prospects - may need more complex workout options, such as loan modifications, to remain in their homes."

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