CoreLogic: No Foreclosure Wave in Sight

By: Jann Swanson | Tue, Aug 10 2021, 10:51 AM

While the national delinquency rate has not returned to the 3.5 percent rate it had reached before the onset of the pandemic, CoreLogic says the percentage of loans 30 or more days past due has declined 2.6 points since May 2020. The company says the rate in May 2021 was 4.7 percent compared to 7.3 percent in May of last year.

Frank Martell, president and CEO of Corelogic says, "The pandemic has created many challenges **but, in the case of delinquencies, the impacts have been relatively muted** thanks to numerous government support programs and the sharp snapback in economic activity over the past several quarters. Looking forward, we expect a robust economy and near-zero interest rates to hold delinquency levels at reasonable levels."

Early stage delinquencies, those homeowners 30 to 59 days past due on their payments, and adverse delinquencies, 60 to 89 days past due, account for most of the year-over-year decline. The earlier bucket, which represented 3.0 percent of all mortgage loans in May 2020 had dropped to 1.2 percent by May of this year while the adverse delinquency bucket has improved from 2.8 percent to 0.3 percent.

Seriously delinquent loans, those 90 or more days past due including those in foreclosure, are still elevated at 3.2 percent compared to 1.5 percent a year earlier, **but this is still the lowest rate since June 2020**. Serious delinquencies peaked at 4.3 percent in August 2020.

The foreclosure inventory, loans in process of foreclosure, is unchanged year-over-year at 0.3 percent. **This is due to the continued moratorium on foreclosures** of GSE and federally guaranteed loans.

In addition, fewer loans are becoming delinquent. CoreLogic put the transition rate, the share of mortgages that moved from current to 30 days past due in May, at 0.7%, down from 2.2% in May 2020.

The company says, "**Many are concerned about a pending foreclosure crisis when government provisions lift.** Fortunately, the average homeowner in forbearance has sizeable equity in their home, which has helped create an additional financial buffer for those struggling to make mortgage payments. Thanks to these strong equity gains, and the availability of loan modifications and federal resources, we expect most borrowers have had enough support to stave off a foreclosure wave. Additionally, a recent CoreLogic survey of mortgage holders reports 85 percent of respondents said they maintained employment through the pandemic, which has helped many homeowners avoid delinquency and prevented a broad-scale mortgage crisis.

The improvement in overall delinquency numbers was seen across all U.S. states and metro areas. The greatest declines among states were in New Jersey (down 4.8 percentage points), New York (4.2 points) and Florida (4 points.) For metros, Miami led with a 6.5 point drop followed by Kingston, New York and Atlantic City, New Jersey down 5.5 and 5.4 points, respectively.

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