HOUSING CONNECTION
Mortgage and Real Estate News That Matters

The Refi Boom is Keeping Elevated Delinquencies in Check

While the rate of non-current loans remained sharply higher than a year ago, CoreLogic reports that **serious delinquencies**, loans more than 89 days past due, **began to level off in September for the first time since the start of the pandemic.** The company's Loan Performance Report puts the national delinquency rate, loans 30 or more days past due including those in foreclosure, at 6.3 percent. This is 2.5 points higher than the 3.8 percent rate in September 2019.

Loans in the earliest stage of distress, 30 to 59 days past due, accounted for 1.5 percent of active mortgages, down from 1.9 percent in September 2019 and 4.2 percent in April when early stage delinquencies spiked due to the COVID-19 pandemic. The rate for loans 60 to 89 days delinquent is 0.1 percentage point higher than a year earlier at 0.7 percent but has declined from 2.8 percent last May when that delinquency bucket hit a recent high. The serious delinquency rate, 4.2 percent, is more than 3 times its rate in September 2019 (1.3 percent) but is down slightly from August's 4.3 percent.

The Foreclosure Inventory Rate (the share of mortgages in some stage of the foreclosure) has remained at 0.3 percent, **the lowest rate since at least January 1999**, for six consecutive months. It has remained stable throughout the pandemic crisis partially because of the foreclosure moratorium imposed by Congress through the CARES Act. In September of last year, the foreclosure inventory rate was 0.4 percent.

"Although delinquencies remain high, **it's clear the economy has passed an initial stress test.** High home equity balances and structural protections put in place as a result of the Great Recession contributed to surviving this test," said Frank Martell, president and CEO of CoreLogic. "Housing demand remains strong, and rates low, which provides optimism that **the housing market will continue to be a bright spot in this COVID-ravaged economy.**"

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The transition rate, (the share of mortgages that moved from current to 30 days past due) was 0.8 percent, unchanged from September 2019. This represents a substantial slowdown since April 2020 when the transition rate peaked at 3.4 percent.

Every state saw its delinquency rate increase in September compared to a year earlier. As has been the case since the pandemic crisis hit, those **states that rely heavily on tourism were hardest hit.** Nevada's rate was up 4.9 percentage points, Hawaii's rose 4.7 points, and Florida's was 4 points higher.

Nearly all U.S. metro areas also logged increases, led by Lake Charles, Louisiana where Hurricane Laura hit in August at a 10.7 percentage point annual growth. That area, however, barely topped Odessa, Texas which was up 10.3 points.

"Our analysis of CoreLogic public records shows that more than one-half of all home mortgage loans created since the onset of the pandemic have been no-cash-out refinance," said Dr. Frank Nothaft, chief economist at CoreLogic. "By reducing their mortgage rate with these types of loans, homeowners have been **lowering both their interest expense and risk of delinquency.**"