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Black Knight Notes Slowdown in Forbearance Improvement

A month end wave of plan expirations in December led to a **substantial decline in the number of active forbearances** during the first week of 2021. Black Knight says there were 92,000 fewer active plans as the week ended, a decline of 3 percent and the largest weekly drop since early November. Many of the plans that expired were reaching the 9-month mark. Program removals totaled 146,000, offset by new plan starts, which were the lowest since spring, and restarts which were at their lowest level since early October.

The company said however, that the decline was still a **troubling slowdown in the rate of improvement**. When the first wave of quarterly expirations hit in early July the number of active plans fell by 9 percent. Then, when plans began to hit their six-month expiration in October, there was an 18 percent reduction. While the monthly rate of decline has varied due to the schedule of expirations, the month-to-month improvement averaged 7.5 percent from June through November. Over the last 30 days that rate has dropped to 1.0 percent. Further, **only 35 percent of the plans that expired in December were removed from forbearance last week.** The average over the first weeks of October, November, and December was 60 percent.

The December set of expirations will be the last large group before the first plans begin to reach the current maximum 12-month term in late March. Black Knight says it is likely there will be only modest improvement in the total numbers until then.

After the last week's changes, approximately 2.74 million loans remain in forbearance. This is 5.2 percent of the 53 million active mortgage in the country and represents an aggregate of $547 billion in unpaid principal.

All investor groups improved during the week. FHA/VA forbearances were down 33,000, leaving 1.131 million loans, or 9.3 percent of those portfolios in plans. GSE plans decreased by 3.3 percent or 32,000 loans. A total of 932,000 loans remain in plans, 3.3 percent of Fannie Mae and Freddie Mac's combined portfolios. There were 27,000 fewer bank portfolio or private label securities (PLS) loans at 673,000 or 5.2 percent of those loans.

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