HOUSING CONNECTION
Mortgage and Real Estate News That Matters

Foreclosure Activity Rises in First Post-Moratorium Month

The other shoe didn't drop last month, but maybe the laces did start to unravel.

ATTOM reports that, within a month after the government's pandemic-related moratorium lifted, foreclosure filings nationwide rose 27 percent and were **60 percent higher than in August 2020 when the moratorium was in full force**. There were a total of 15,838 properties that received a foreclosure filing during the month, either a notice of default, scheduled auction, or bank repossession.

"As expected, foreclosure activity increased as the government's foreclosure moratorium expired, but this doesn't mean we should expect to see a flood of distressed properties coming to market," said Rick Sharga, Executive Vice President at RealtyTrac, an ATTOM company. "We'll continue to see foreclosure activity increase over the next three months as loans that were in default prior to the moratorium re-enter the foreclosure pipeline, and states begin to catch up on months of foreclosure filings that simply haven't been processed during the pandemic. But it's likely that foreclosures will remain **below normal levels at least through the end of the year**."

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Still, there is a huge backlog of loans that are not performing as servicers work with homeowners to determine their post-forbearance direction. Independent of the ATTOM report, Black Knight says that, as of September 7, over 1.6 million loans remain in forbearance, 400,000 of them with final expiration dates this month. That latter number are loans that have been in the program since the early days of the pandemic and have months of past due mortgage payments and in many cases months of past due tax payments and insurance premiums.

While those who exited forbearance last year have generally performed well, Black Knight says **performance is not as good among those who have left more recently**, probably because of their larger arrearages and possibly because of greater impacts from the pandemic on their overall financial condition.

Further, Black Knight says that in mid-August there were 36,000 loans that had been in forbearance now flagged as in active foreclosure. Eight-eight percent were already delinquent prior to the forbearance program

ATTOM reports that one in every 8,677 U.S. housing units had a foreclosure filing in August 2021 with the highest rates in Illinois (one in every 3,848 housing units); Nevada (one in every 4,738 units); New Jersey (one in 4,868); Delaware and Ohio, (one in every 5,348 and 5,517 units, respectively.)

Among the 220 metropolitan statistical areas with a population of at least 200,000, the highest filing rates were in Bakersfield, Atlantic City, Cleveland, Rockford, Illinois, and Las Vegas.

Lenders started foreclosure proceedings on 8,348 U.S. properties in August 2021, up 27 percent from last month and up 49 percent from a year ago. Completed foreclosures totaled 2,472 during the month, a 2 percent increase from July and up 22 percent year-over-year.

Sharga noted that the increases in all three categories of foreclosure filings are being compared to artificially low numbers in July 2021 and August 2021, when the moratoria were in effect. "But in August of 2019, the last year we had 'normal' foreclosure activity, there were almost 28,000 foreclosure starts - over three times more than this year."

That may be true, but it is also the case that the **most seriously delinquent loans are still under forbearance protection**, working through exit strategies and the loss mitigation process. It may also take servicers some time to resume foreclosure operations that were largely suspended 18 months ago.