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Hurricanes, Timing Issues, Push Delinquencies Higher

Mortgage delinquencies surged higher in the third quarter of 2017. Most of the increase came in the early stages of non-performance, and much of it **appeared to be driven** by the late summer hurricanes. The Mortgage Bankers Association (MBA) reported the changes as were gathered in its National Delinquency Survey (NDS).

The delinquency rate for mortgages jumped 64 basis points (bps) compared to the second quarter, to 4.88 percent of all outstanding loans. This was an increase of 36 bps from the same quarter in 2016. The delinquency rate includes loans that are at least one payment past due, but not loans for which the foreclosure process has begun.

Hurricanes Harvey, Irma and Maria caused a huge amount of damage in Texas, Louisiana, Florida, and Georgia and devastated Puerto Rico. Marina Walsh, MBA's Vice President of Industry Analysis, said that, while most guarantors had announced forbearance for their borrowers affected by the storms, the NDS asks servicers to **report loans as delinquent** if the payment was not made according to the original terms of the mortgage.

Walsh says delinquencies were up for all loan types on a seasonally adjusted basis. The FHA rate rose from 7.94 percent in the second quarter to 9.40 percent. The 146-bps gain was the largest in in the history of the NDS. The VA delinquency rate jumped 52 basis points to 4.24 percent and the conventional rate posted a 50-bps change to 3.97 percent.

"Most of the major variances from the second to third quarter of 2017 are tied to early delinquencies for all loan types," Walsh said. "In the third quarter of 2017, there was little movement in the seriously delinquent rate, which rose just 3 basis points and was down 44 basis points from a year ago. **Foreclosure starts were down** one basis point from the previous quarter. In future surveys, we may see a temporary drop in foreclosure starts in hurricane-impacted states due to storm-related foreclosure moratoria, as was seen during Hurricane Katrina in 2005."

The rate of foreclosure starts during the quarter declined from 0.26 to 0.25 percent and was 5 bps lower than a year earlier. The percentage of loans in foreclosure dropped by 6 bps from the previous quarter to 1.23 percent and was 32 bps below the foreclosure inventory in the third quarter of 2016.

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.27%	-0.02	0.00
15YR Fixed	6.92%	-0.03	0.00
30YR FHA	6.90%	-0.01	0.00
30YR Jumbo	7.55%	0.00	0.00
7/6 SOFR	6.78%	-0.10	0.00
30YR VA	6.91%	-0.01	0.00

Rates as of: 10/30

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.98	+0.17
10 YR Treasury	4.8868	-0.0431
30 YR Treasury	5.2581	-0.0501

Pricing as of: 11/2 9:56AM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Oct 21	195	+3.39%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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The **serious delinquency rate**, the percentage of loans that are 90 days or more past due or in the process of foreclosure, was 2.52 percent in the third quarter, up 3 basis points from the previous quarter, but 44 basis points lower than one year ago.

While the storms were a critical factor, others also that contributed to the increase in the delinquency rate. Walsh said some states which were not directly impacted also saw rates rise. "First, there were timing issues associated with the last day of the month being a Saturday. Processing for mortgage payments made over the weekend did not occur until Monday, October 2 and thus these mortgage payments were identified as 30-days delinquent per NDS definitions.

"Second, delinquency rates were **already at historic lows** in the second quarter of 2017. The FHA and VA delinquency rates were at their lowest levels since 1996 and 1979 respectively, while the conventional delinquency rate reached its lowest level since 2005. It would not be unexpected for delinquencies to eventually increase from these levels.

"Other factors to consider include seasonality, rising loan-to-value and debt-to-income ratios for certain product types, normal loan aging, and declining average credit scores on new FHA endorsements since 2014 as the agency has withdrawn from its counter-cyclical role during the crisis."

She concluded, "It will likely take about **three or four more quarters** for the effects of the most recent hurricanes on the survey results to dissipate. That said, we see loan performance as still healthy and strong, supported by a positive employment and wage outlook. Thus far in 2017, job growth is averaging 169,000 jobs per month, unemployment rate has decreased from 4.8 to 4.1 percent, and wage growth is 3.8 percent on a year over year basis."

The NDS has been conducted since 1953. It covers 39 million loans on one- to four-unit residential properties and information was reported by over 100 lenders, including mortgage banks, commercial banks, and thrifts.

Experienced. Trusted. Local.

The Arizona Loan Baron is at your service!

I would appreciate the opportunity to share with you my extensive mortgage lending experience. My client focused approach has allowed me to build long lasting relationships and partnerships throughout Arizona. I know this market. I live here and work here. Please allow me to be your mortgage lending partner.

Timothy Baron 

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