

BUSINESS OPERATIONS: The Impact of the Market on Foreclosure Volumes & Disposition Strategies

February 23, 2022

Moderator:

Marcia Griffin, Founder & President, HomeFree USA

Panelists:

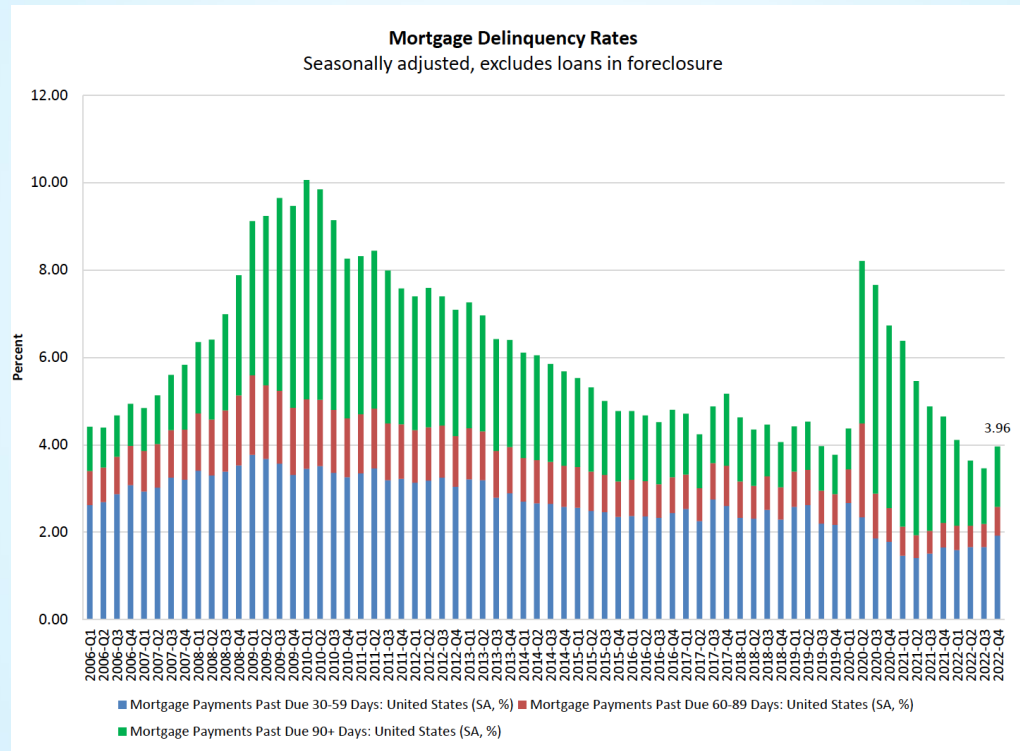
Daren Blomquist, Vice President of Market Economics, Auction.com

Sacha Rosenthal, Vice President, Servicing Portfolio Analytics and Strategy Freddie Mac

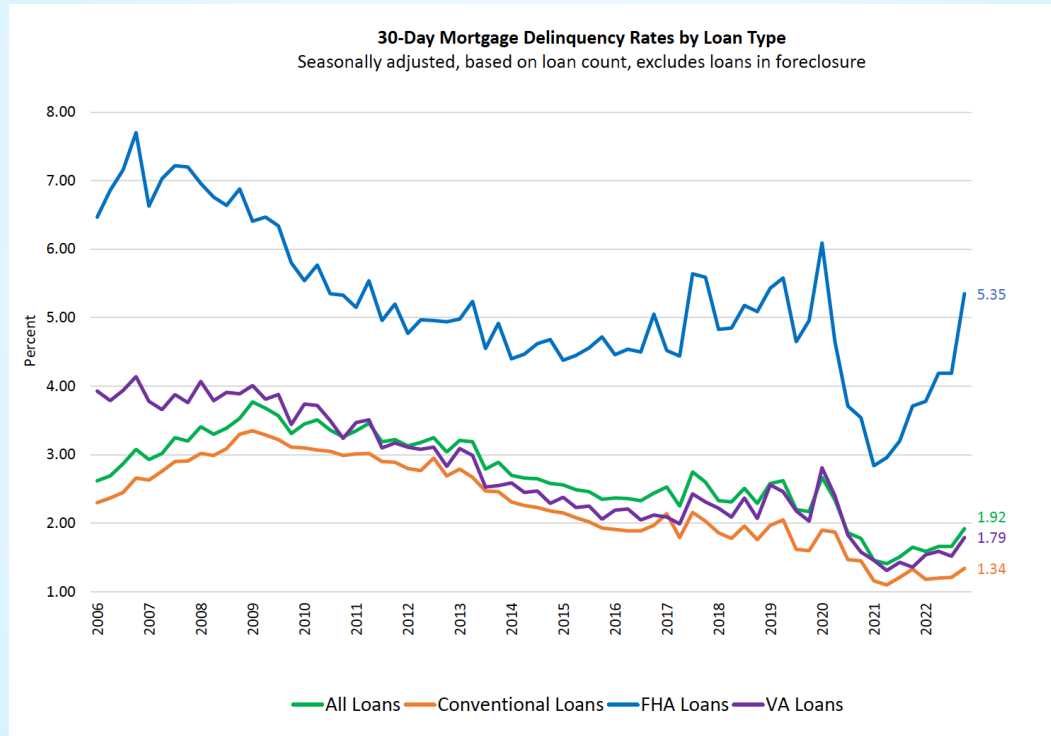
Jake Williamson, Senior Vice President, Single-Family Risk, Fannie Mae

Delinquencies & Foreclosure Activity

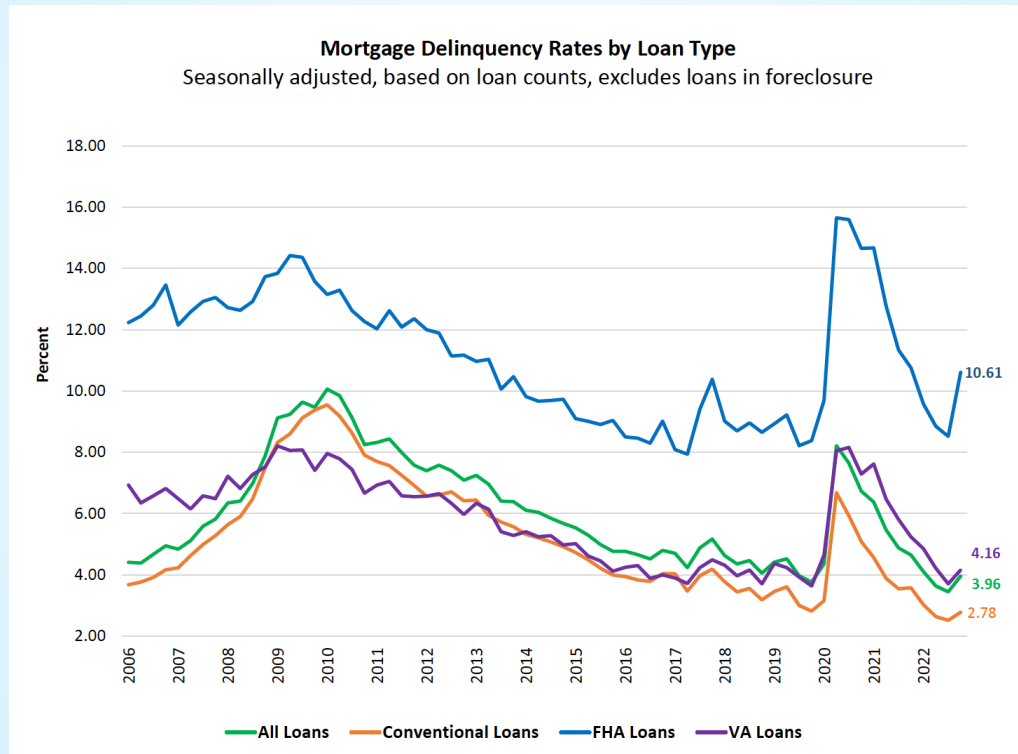
Mortgage Delinquency Rates Rise Slightly in Q4



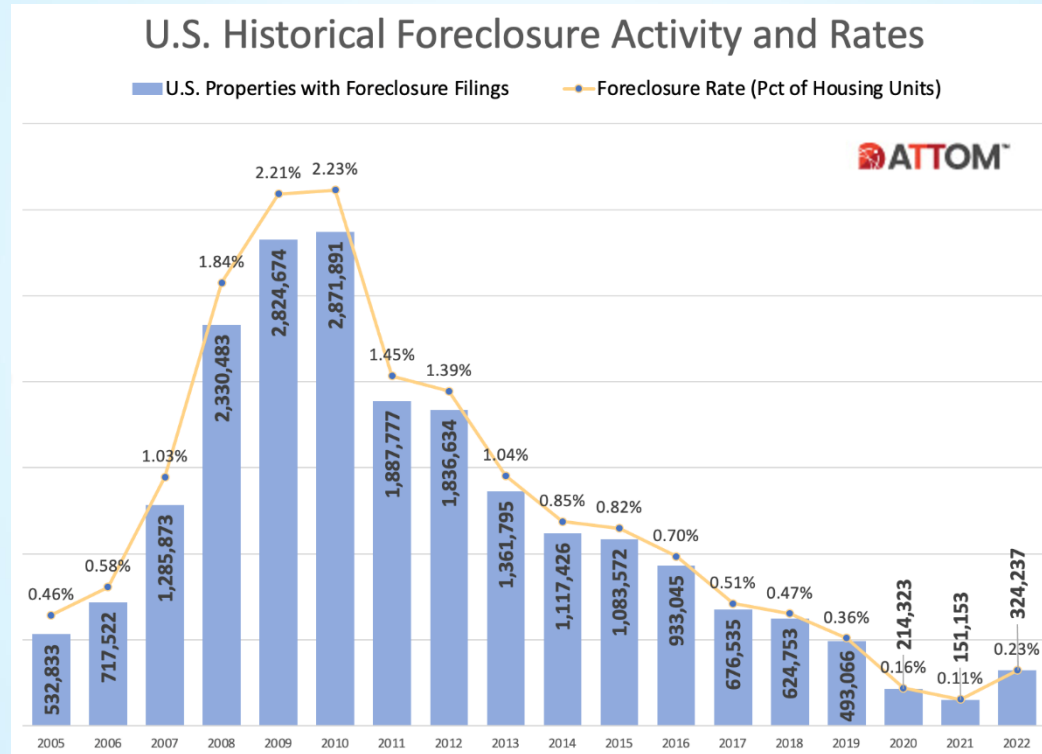
Early Stage Delinquencies Driving Increase



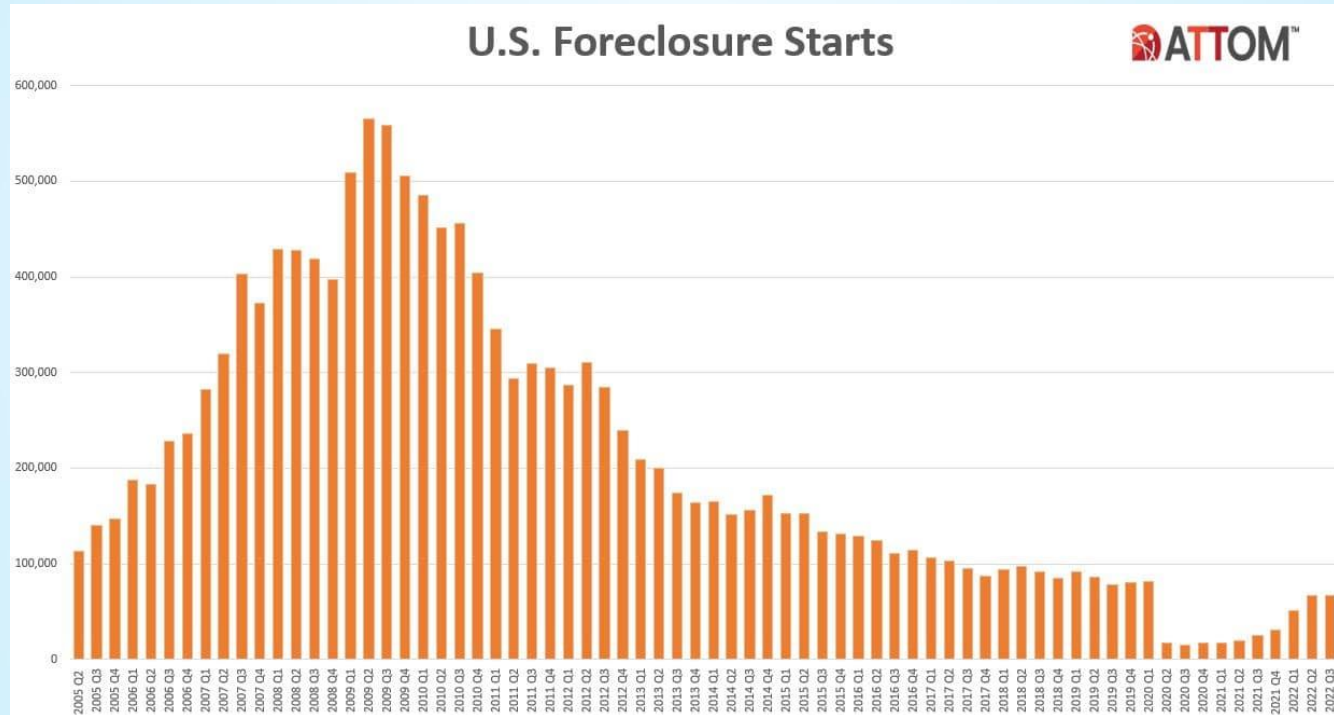
FHA Portfolio Seems Most Vulnerable



Foreclosure Activity at 59% of 2019 Levels



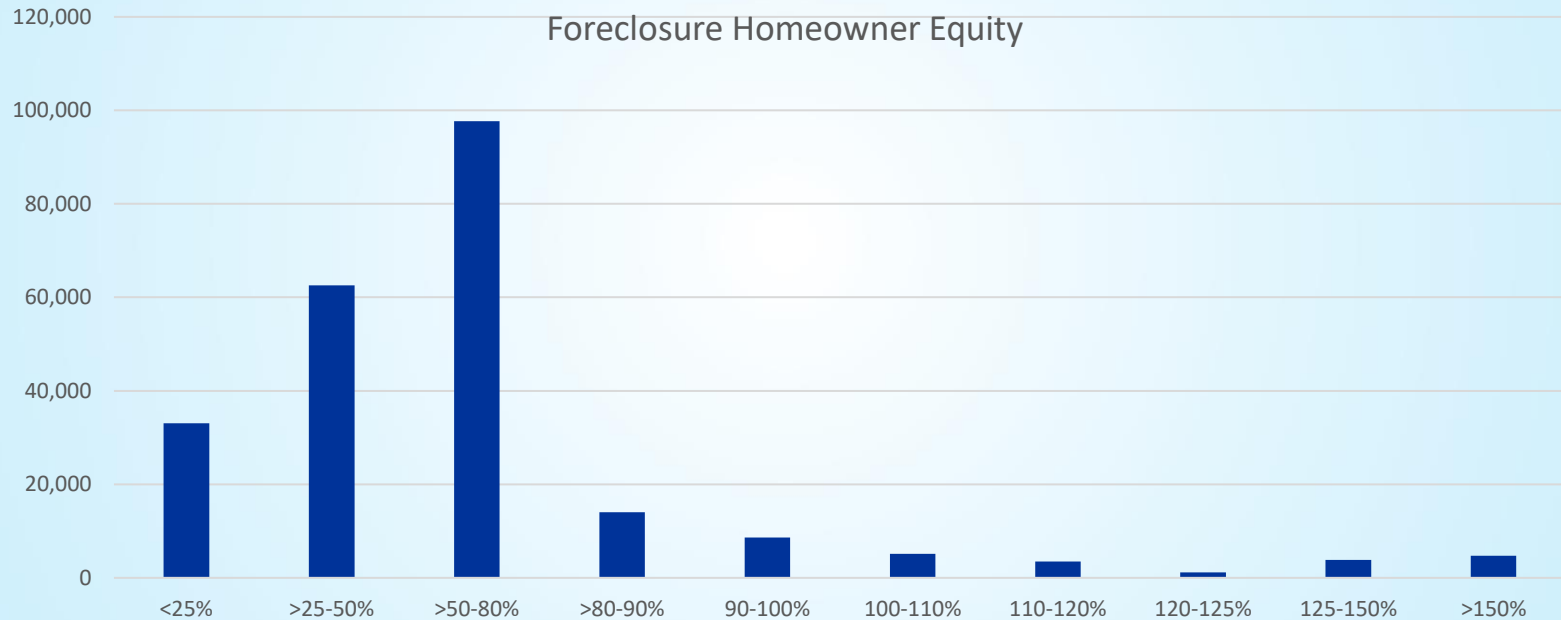
Foreclosure Starts Showing Signs of Growth



But REO Activity Lags Far Behind Pre-Pandemic Levels



And 92% of Borrowers in Foreclosure Have Equity

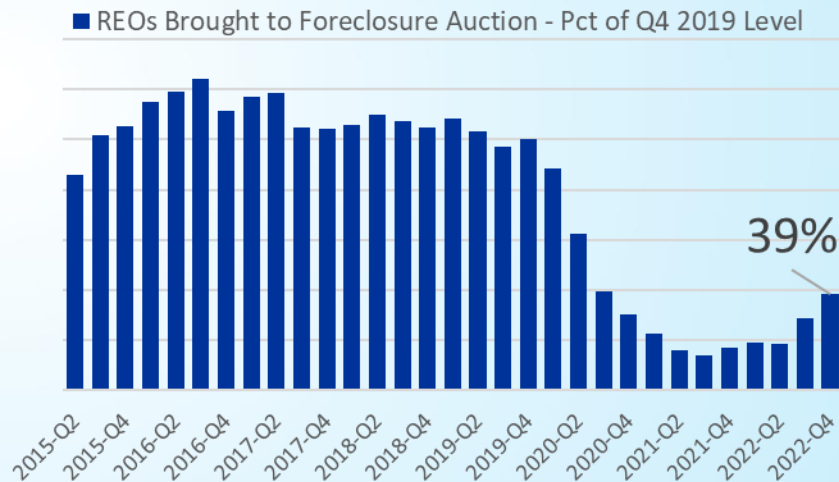
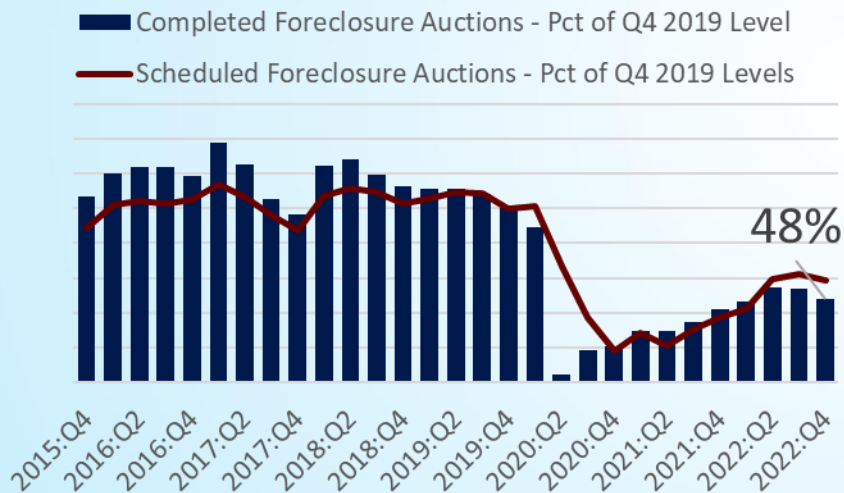


Distressed Market Outlook

Distressed Market Supply

Plateaued in late 2022, poised to continue gradual increase in 2023

- Foreclosure auction volume plateaued at 48% of pre-pandemic level
- REO auction volume at 39% of pre-pandemic level
- Foreclosure starts up 169 percent in 2022, foreshadowing 2023 increase (but likely not as sharp)

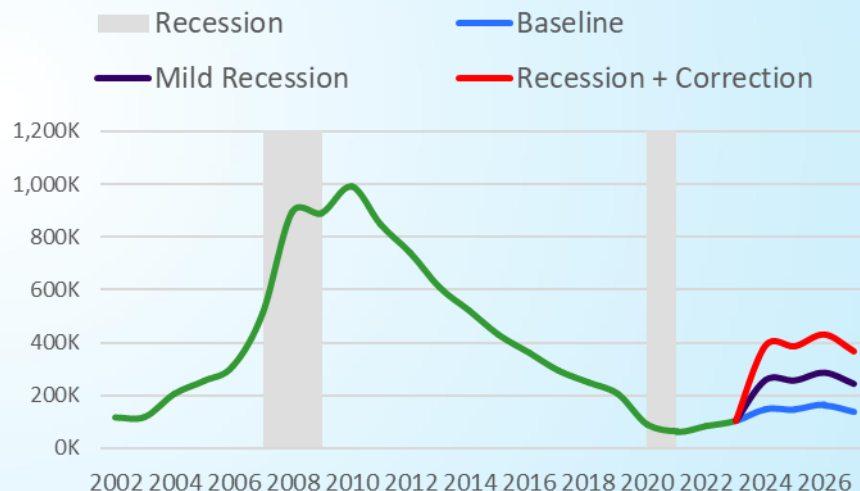
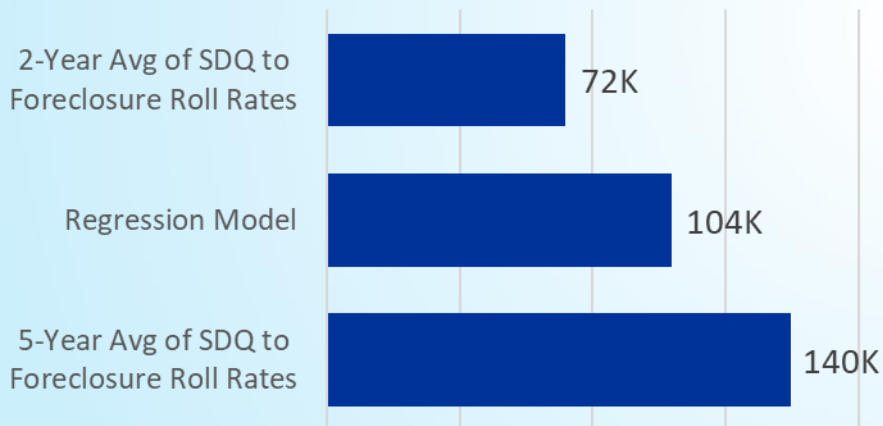


Sources: Auction.com, ATTOM Data Solutions

Distressed Market Outlook: 2023 and Beyond

- 2023 forecast calls for 104K completed foreclosure auctions, up 24% from 2022 but still about half of 2019 level
- Long range forecast calls for volume to remain below 2019 levels with soft landing, as high as 2015 levels with recession and home price correction

2023 Forecast Models

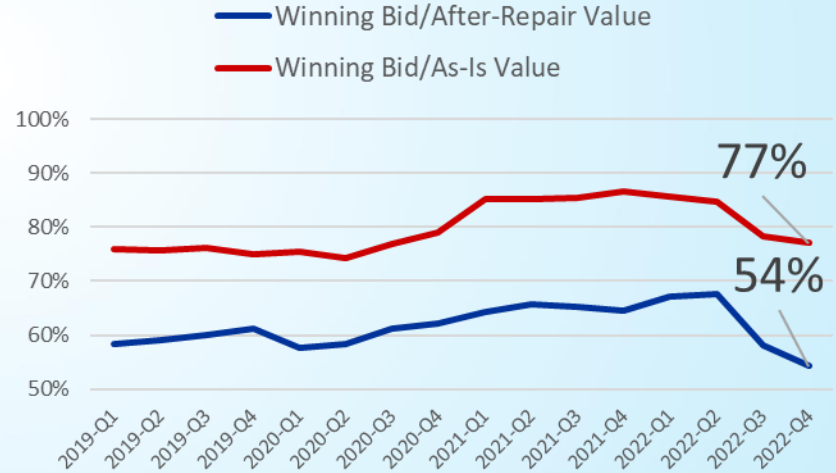
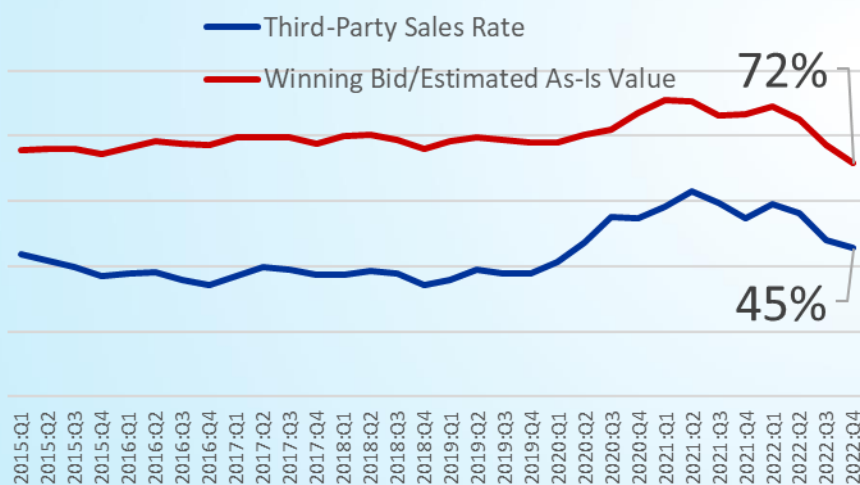


Sources: Auction.com, ATTOM Data Solutions

Distressed Market Demand

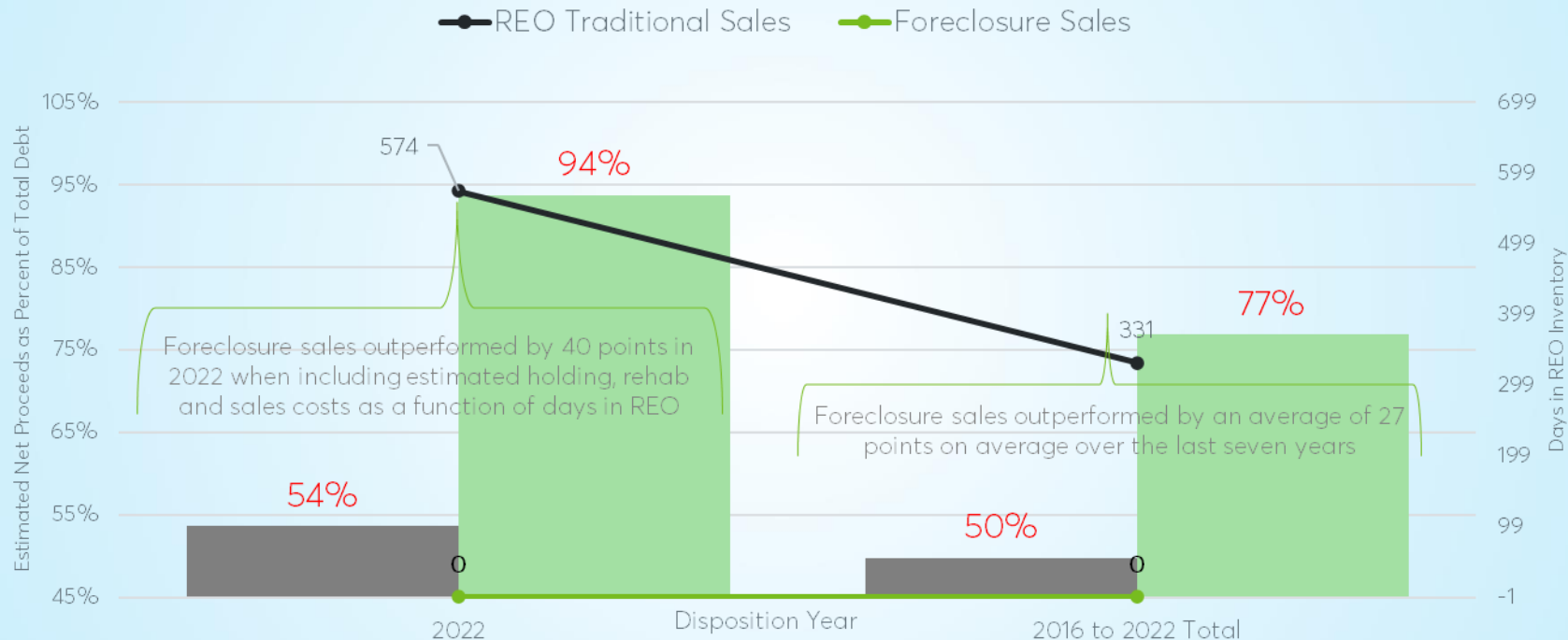
Demand shifting lower as buyers bid more conservatively, adjusting to a slowing housing market

- Buyer interest in terms of online saves, bids per asset still above pre-pandemic levels
- Average winning bid/value ratio at foreclosure auction at record low (data going back to 2015)
- Average winning bid/value ratio at REO auction lowest since Q3 2020 (or Q2 2018)



Sources: Auction.com

Disposition Outcomes: Net Proceeds (Loss Severity)

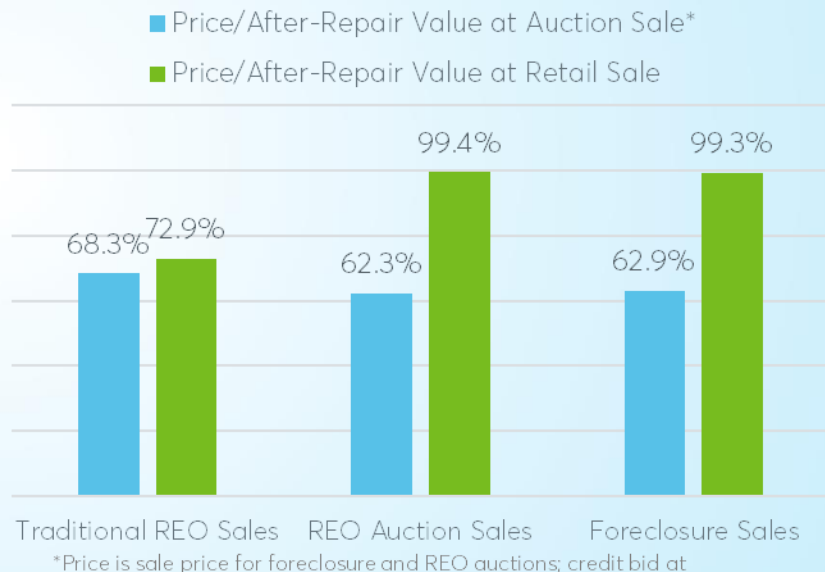
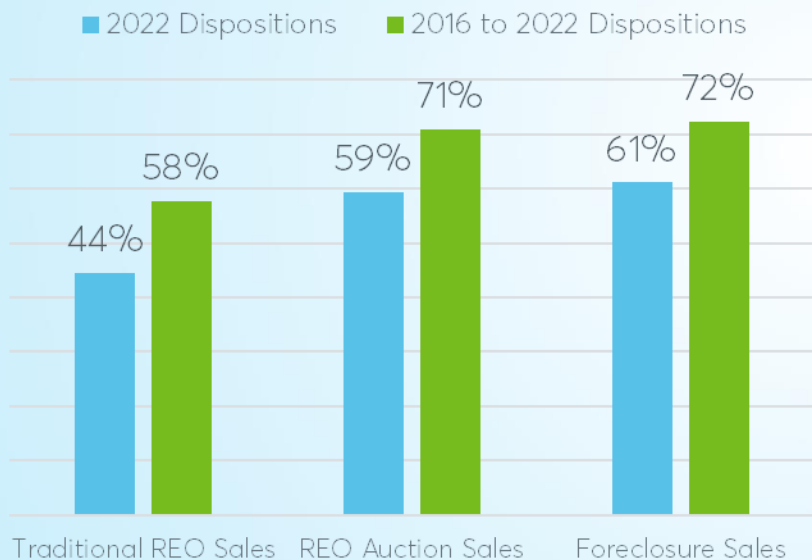


Net proceeds calculation subtracts estimated holding, rehab and sales costs from sales price execution. Calculation assumes 10% annual holding costs, 10% annual rehab costs, and sales costs of 5% for foreclosure sale and 7.5% for traditional REO sale.

Sources: Auction.com, ATTOM Data Solutions

Disposition Outcomes: Neighborhood Impact

- Retail homeownership rate 14 points higher for foreclosure sales than MLS sales
- Third-party auction buyers add 36 to 37 points in value with renovation



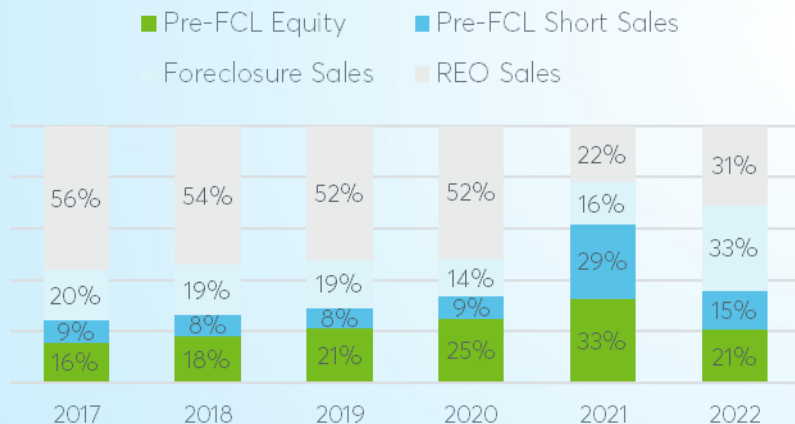
Sources: Auction.com, ATTOM Data Solutions

Optimal & Responsible Disposition Mix: Outcomes

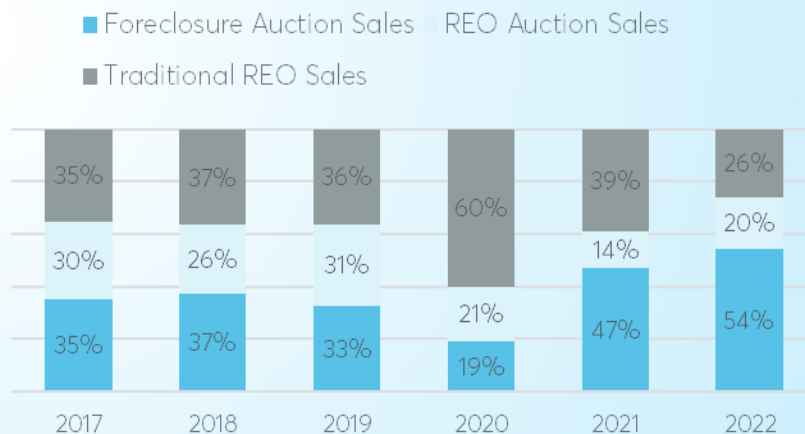
Outcomes from Optimal Mix of 50% foreclosure auction, 25% REO auction, 25% traditional REO sale:

- 64% net proceeds as percent of total debt at time of foreclosure auction
- 130 days in REO inventory on average
- 68% retail homeownership rate
- 93% retail price as percent of estimated “after-repair” value

Total Market Disposition Mix



Auction.com Disposition Mix



Sources: Auction.com, ATTOM Data Solutions

Property Disposition Options

Property Disposition Channels

Fannie Mae's best-in-class property disposition functions balance loss recoveries with mission focused outcomes.

