

The Devil's in the Data – Identifying Risks that Impact Default Servicing and Property Disposition

February 6, 2025



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Moderator:

Rick Sharga, SVP Industry Relations, Hello Solutions

Panelists:

Daren Blomquist, EVP Market Economics, Auction.com

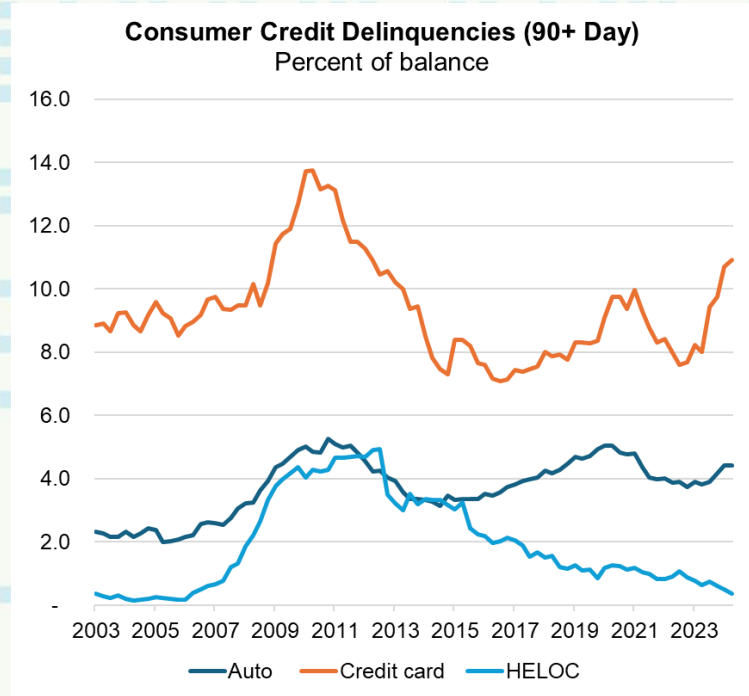
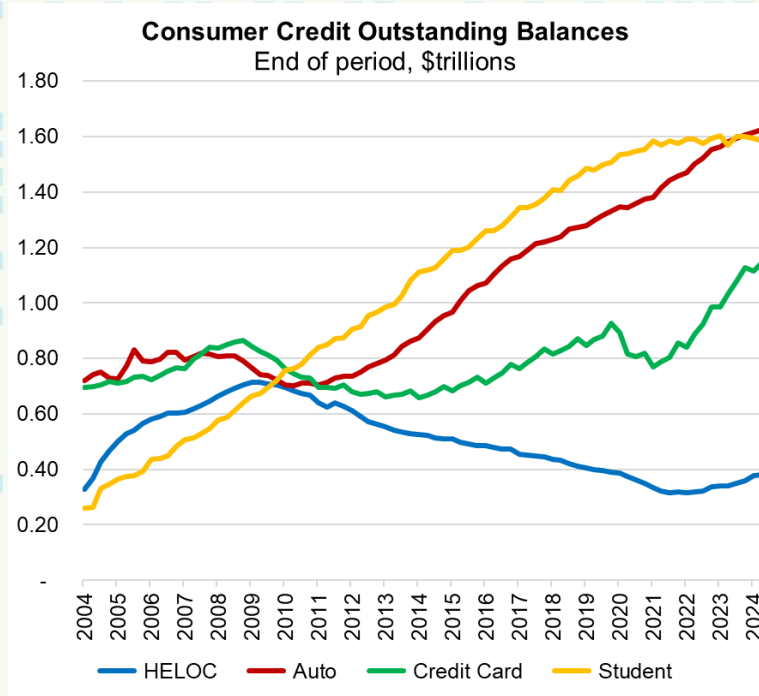
Jeri Ji, Senior Director Servicing Portfolio Analytics and Liquidation Strategy, Freddie Mac

Brandon Lawler, Director of Real Estate Marketing & Sales, Fannie Mae

Marina Walsh, VP Industry Analysis, Mortgage Bankers Association



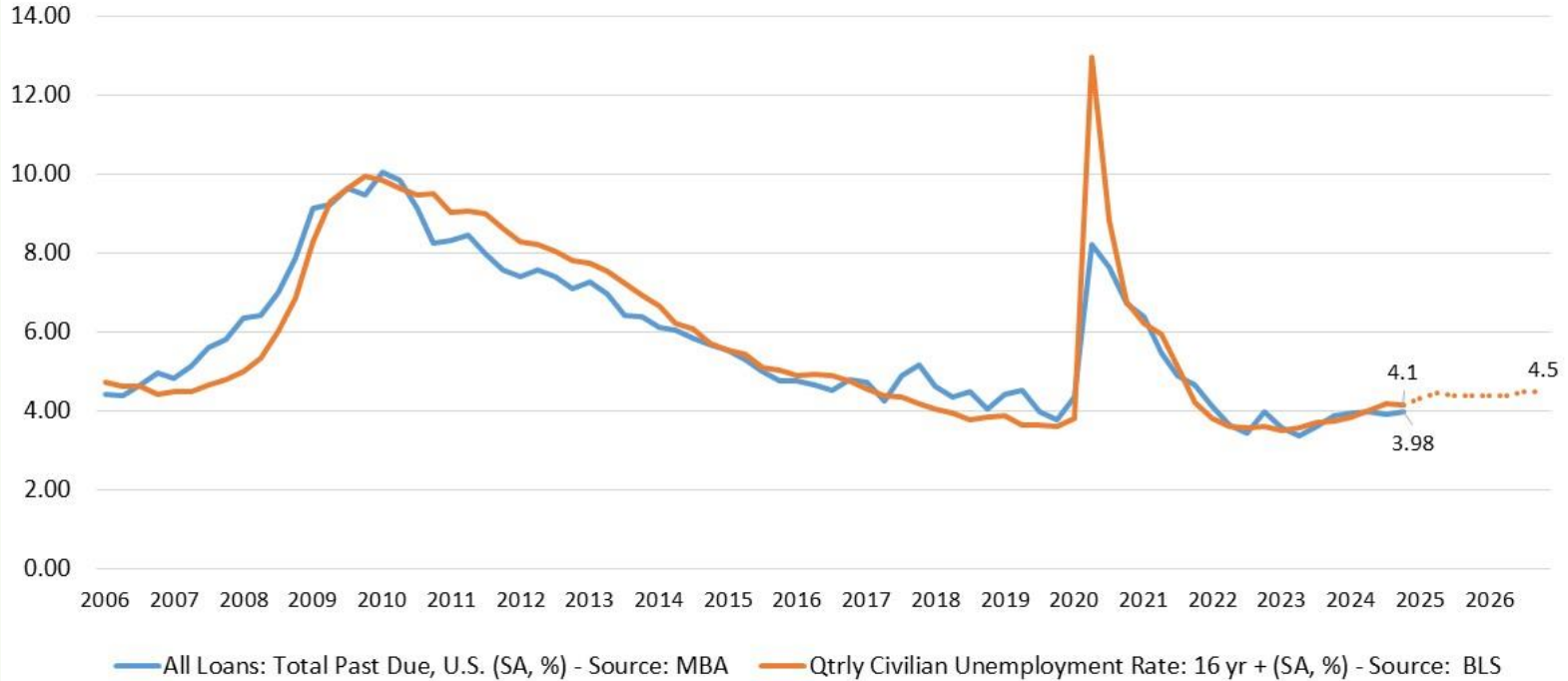
Non-Mortgage Credit: Household Balances and Delinquencies Up



Source: Federal Reserve Bank of New York

Mortgage Delinquency Rate Tracking with Unemployment Rate

Mortgage Delinquency Rate and Unemployment Rate
Seasonally adjusted, percent

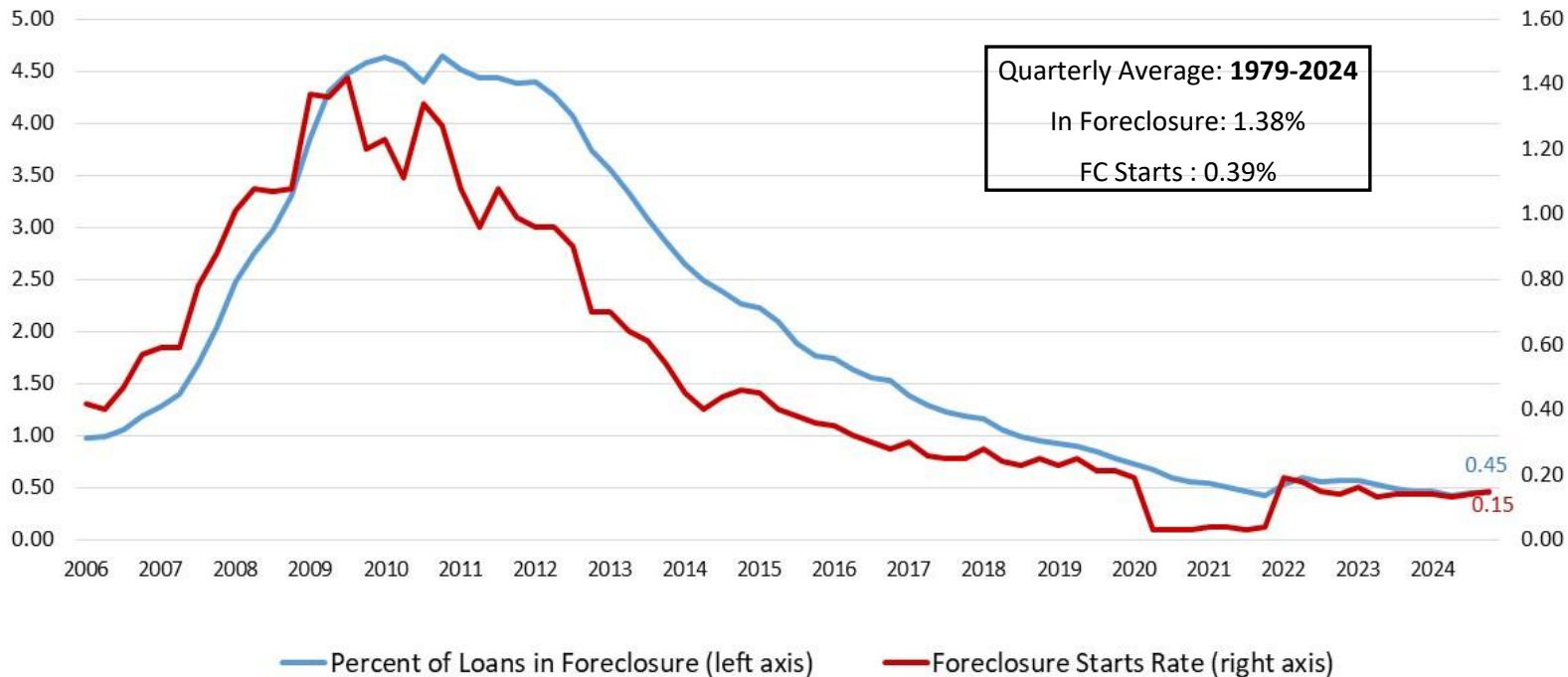


Source: MBA's National Delinquency Survey: www.mba.org/nds; BLS

Foreclosure Starts and Foreclosure Inventory Still Below Historical Averages

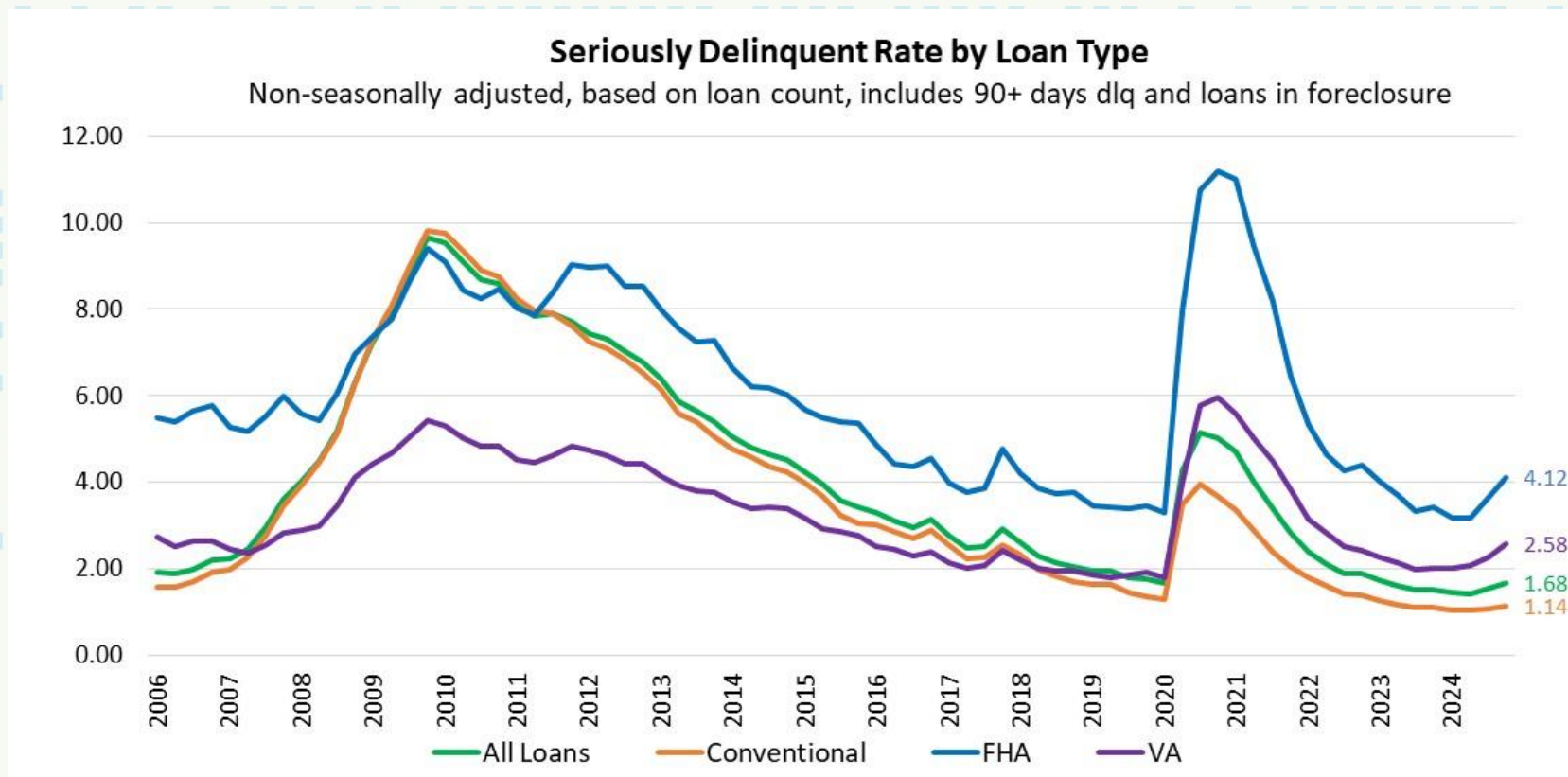
Loans in Foreclosure and New Foreclosures Started

Non- seasonally adjusted, percent



Source: NDS: MBA's National Delinquency Survey: www.mba.org/nds

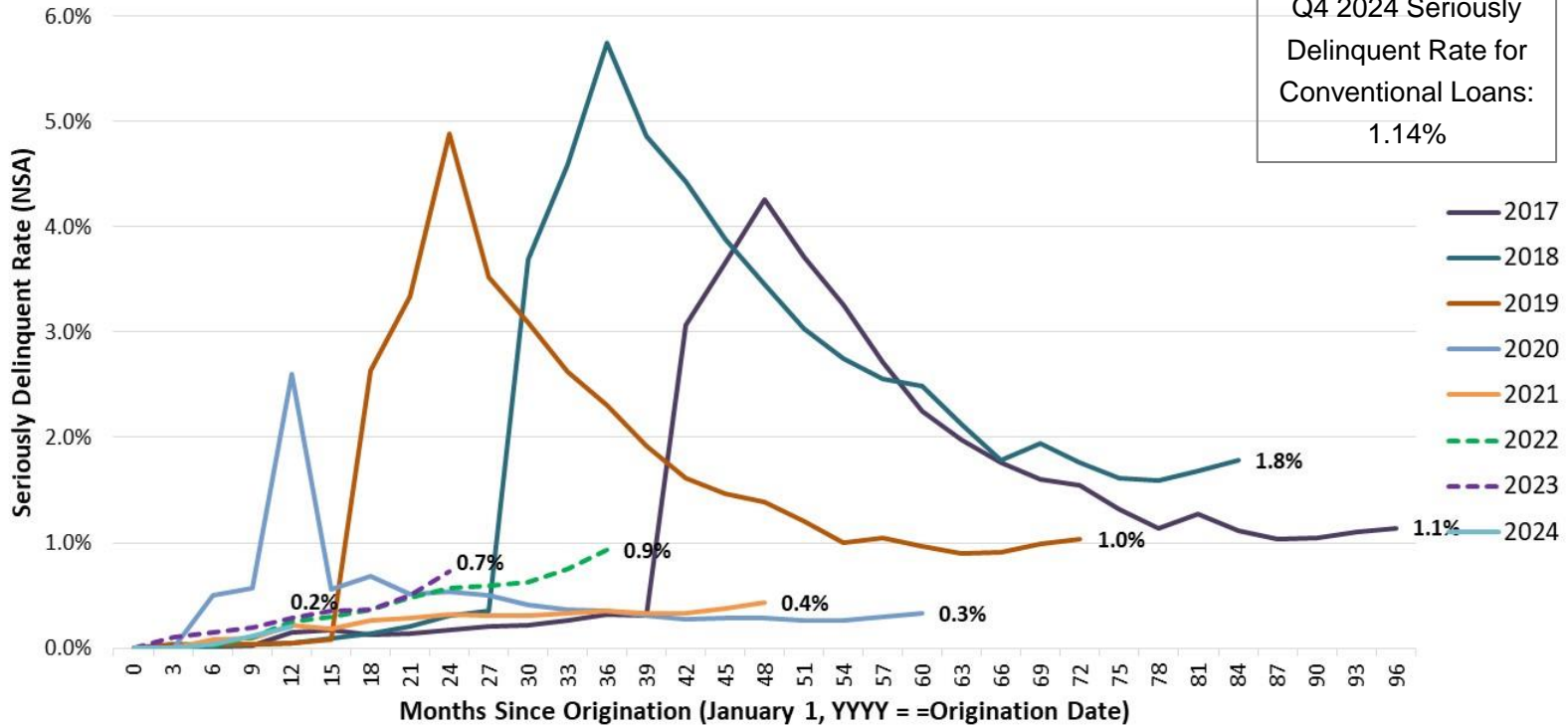
Serious Delinquencies are Up, as Loans in 90+ Day Delinquency Grow



Source: NDS: MBA's National Delinquency Survey: www.mba.org/nds

Conventional Seriously Delinquent Rates: Recent Vintages Higher

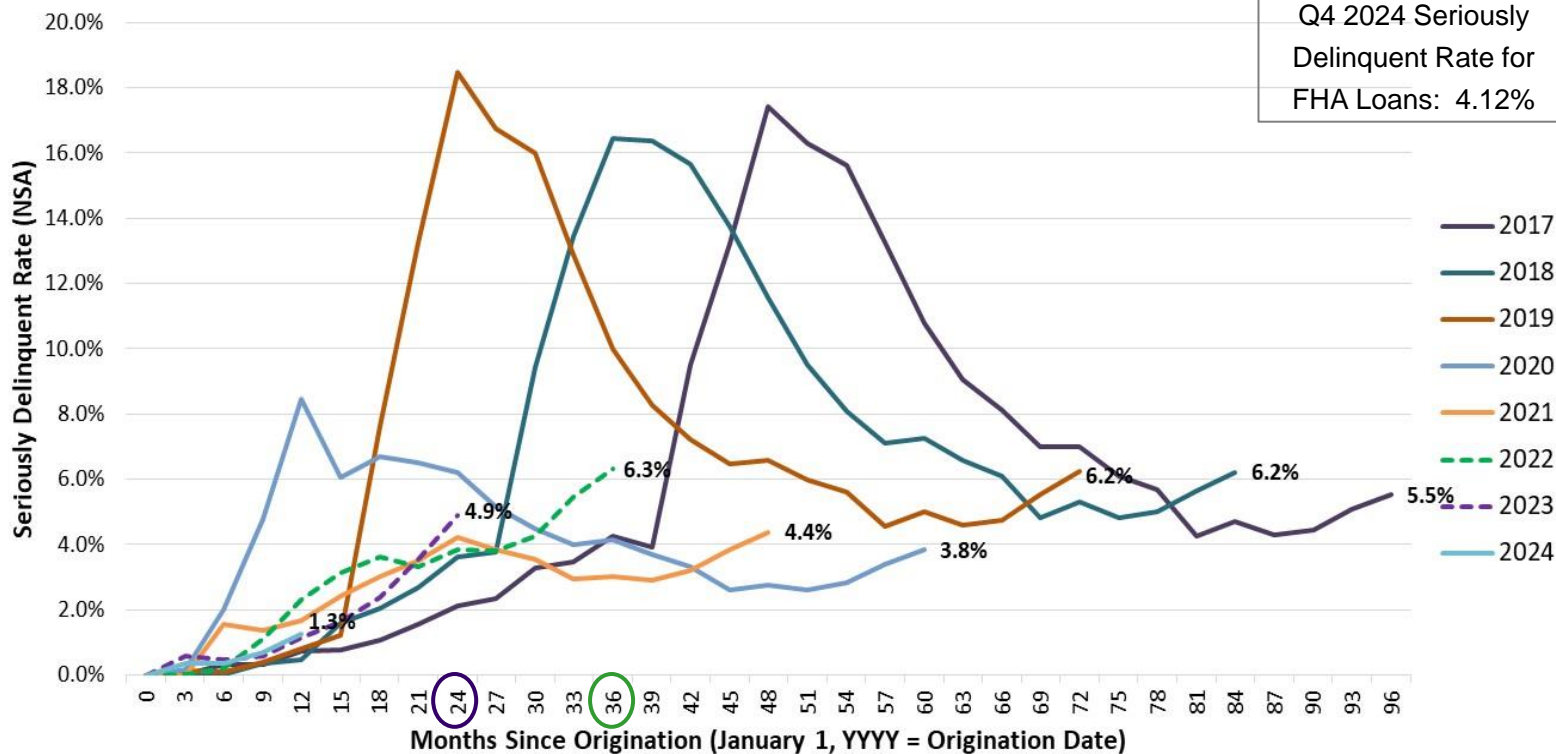
Conventional Loans: Trend in Seriously Delinquent Rate



Source: NDS: MBA's National Delinquency Survey: www.mba.org/nds

FHA Seriously Delinquent Rates: Differences in Vintage Year Performance

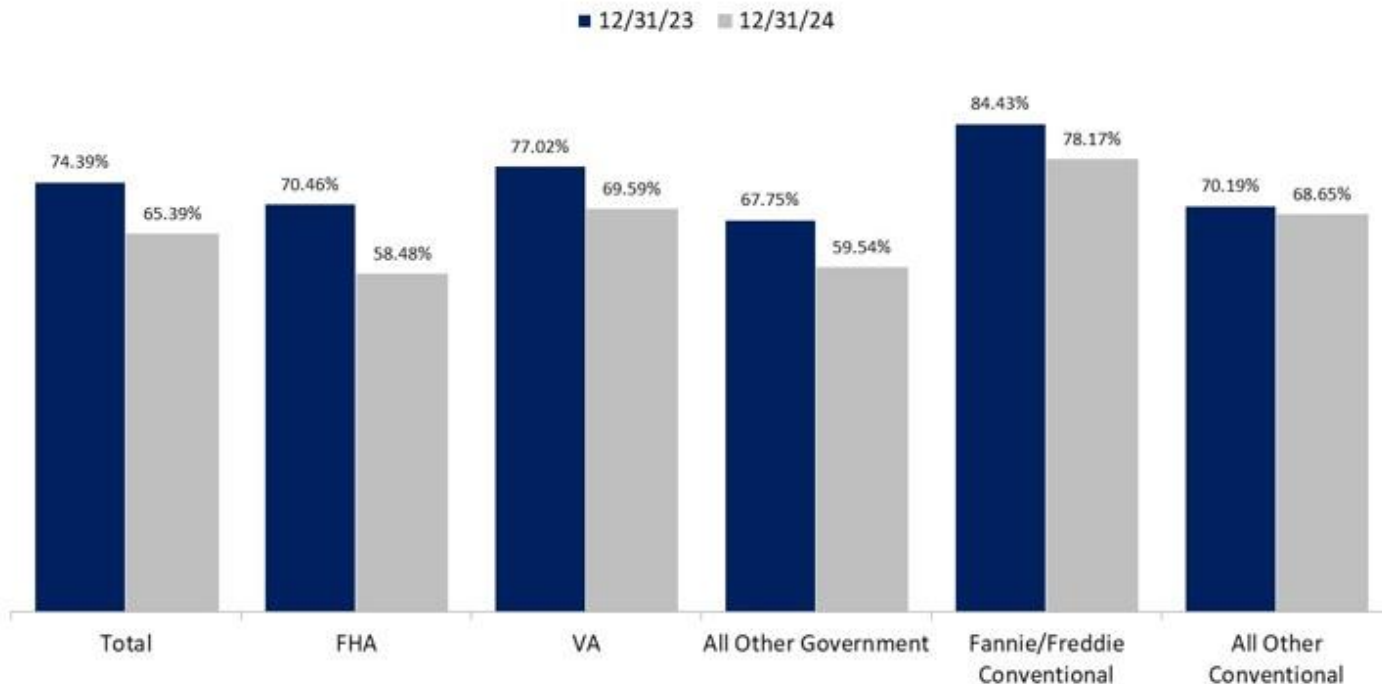
FHA Loans: Trend in Seriously Delinquent Rate



Source: NDS: MBA's National Delinquency Survey: www.mba.org/nds

Total Completed Loan Workouts in 2020 or After: % Current

Chart of the Week – January 24, 2025
Completed Loan Workouts from 2020 and Onward: % Current



Source: MBA's Monthly Loan Monitoring Survey; www.mba.org/lms

Distressed Market Trends

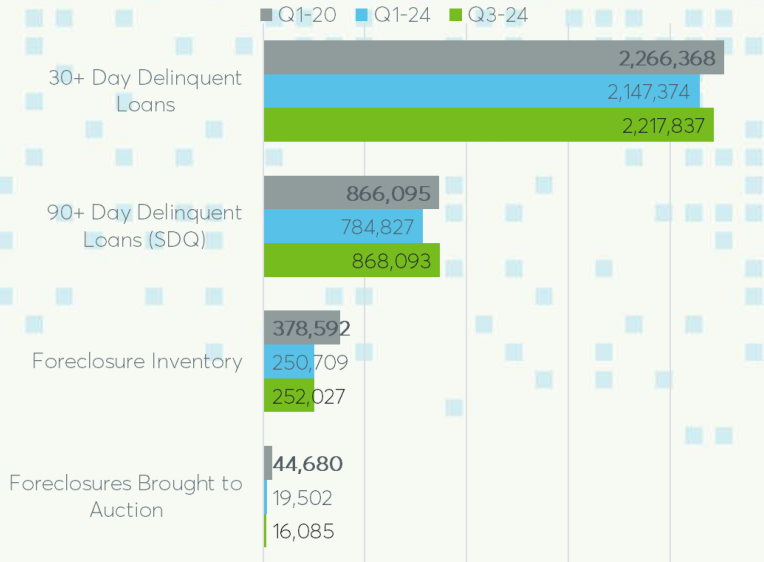
Supply, Demand, Pricing & Outlook

Supply: distress cascading to SDQ but not to foreclosure

Highlights

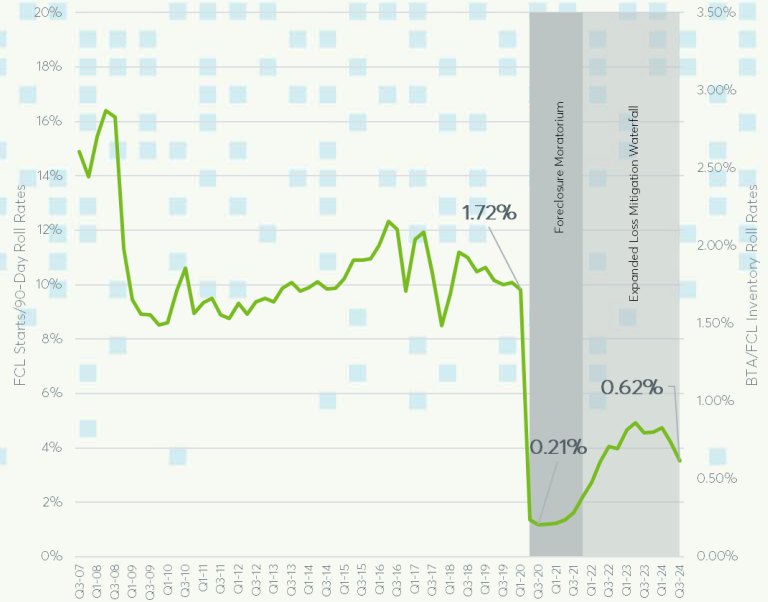
- Six-quarter high in SDQ inventory in Q3 2024. First time since Q1 2023 that SDQ inventory has exceeded pre-pandemic levels, and first annual increase after 13 quarters of declines
- But foreclosure inventory still at just 67% of pre-pandemic levels, and foreclosure BTA at just 36% of pre-pandemic levels
- Roll rate from SDQ to BTA has decreased in last two quarters, not continuing the upward trend that started after the foreclosure moratorium ended at the end of 2021

Distressed Market Waterfall



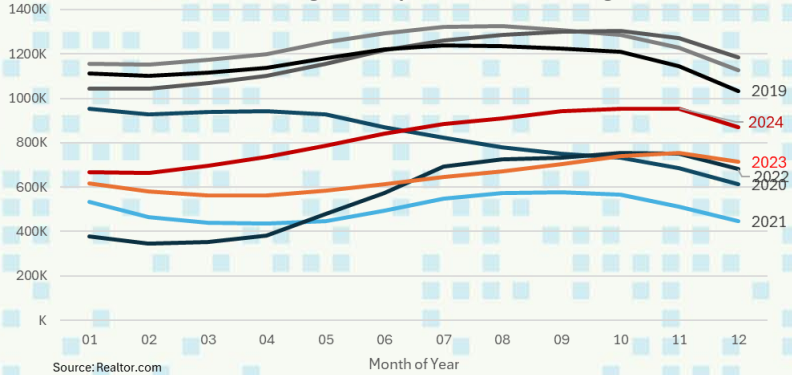
Sources: MBA, ATTOM Data Solutions

The Devil in the Data: Roll Rate from SDQ to Foreclosure Auction

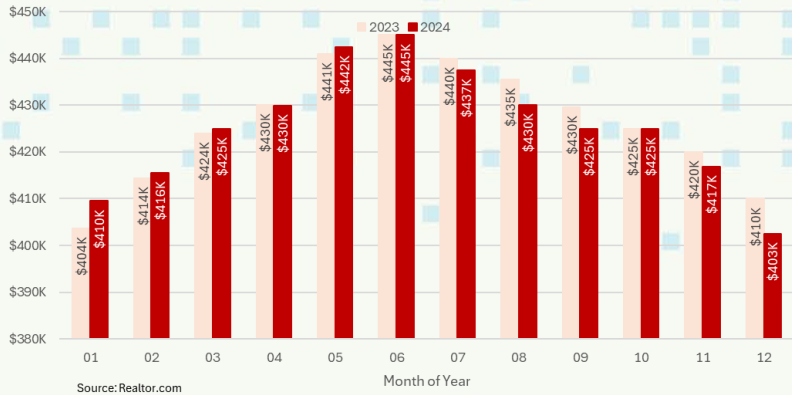


Demand: rising retail inventory putting some pressure on demand at auction, but post election rebound

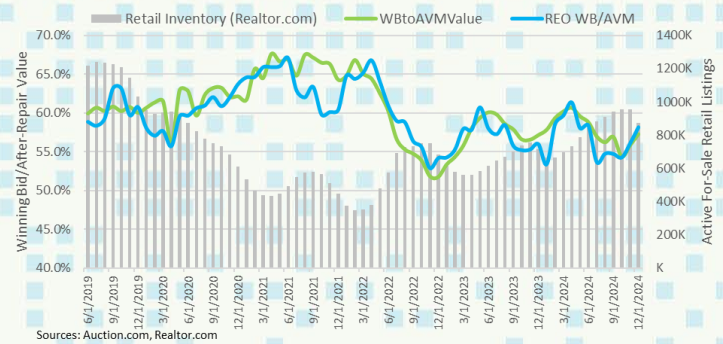
Retail Housing Inventory Close to Five-Year High



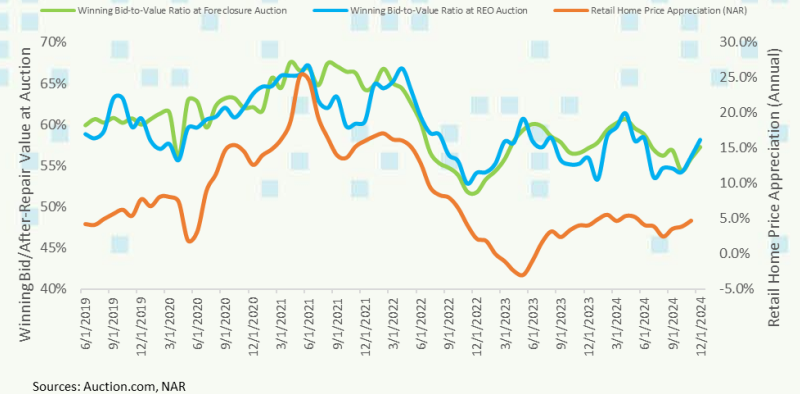
Median Listing Price Down for Sixth Consecutive Month



Auction.com Price Demand Rebounds Post-Election



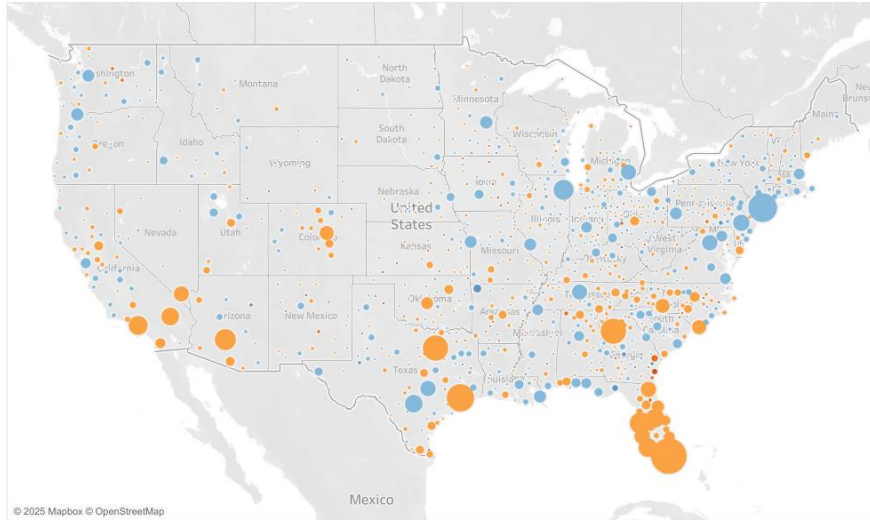
Auction Price Demand Leads Retail Home Price Appreciation



Demand by market

December 2024 Housing Inventory by Metro

Year-over-Year Pct Change in Active Listings



© 2025 Mapbox © OpenStreetMap

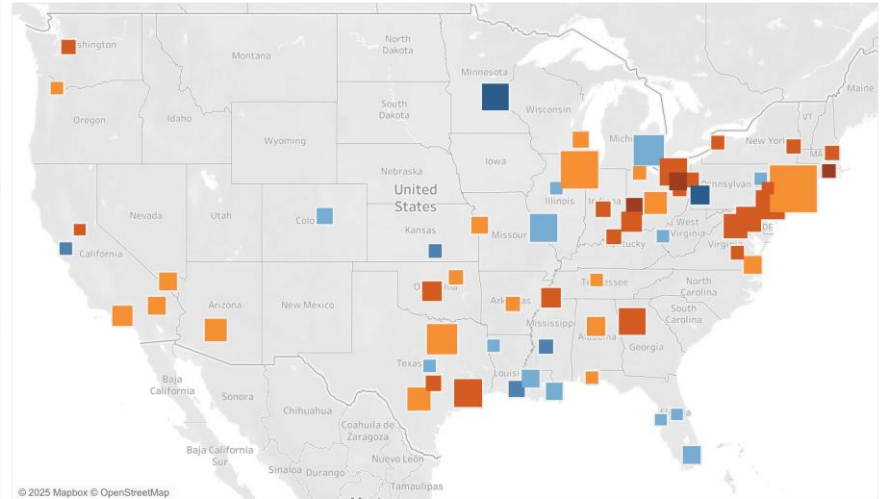
December 2024 Active Listings



Source: Realtor.com

Q4 2024 Foreclosure Auction Demand by Metro

Q4 2024 Foreclosure Auction Sales Rate



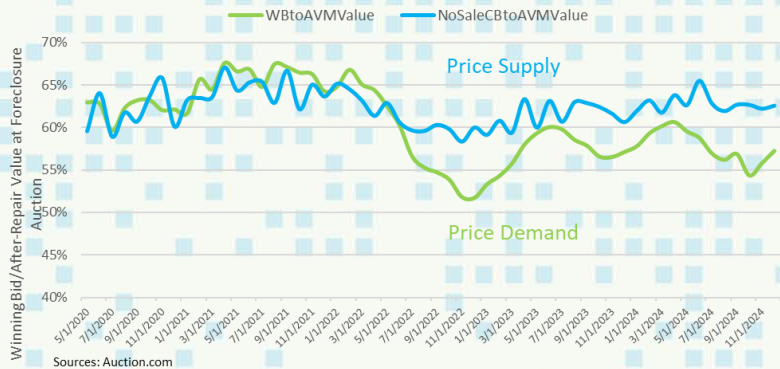
© 2025 Mapbox © OpenStreetMap

Q4 2024 Foreclosure Auction Volume

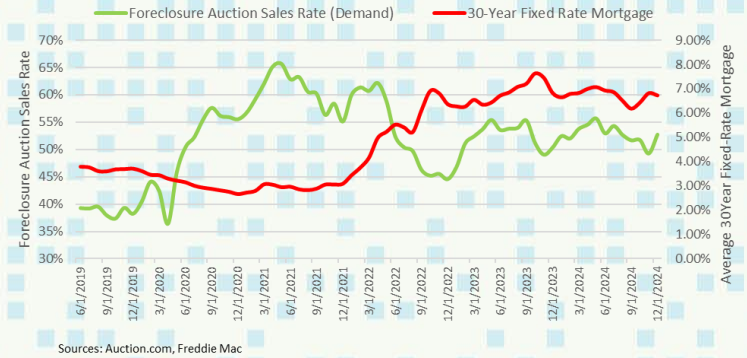


Pricing: bid-ask spread narrowed in late 2024 after widening, hopeful sign for sales rates

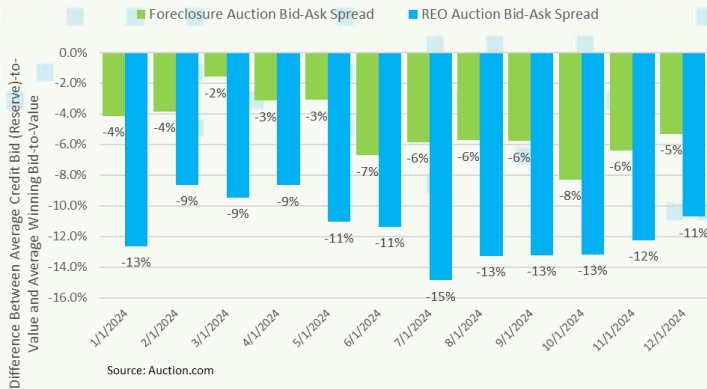
FCL Auction Price Supply Flat, Price Demand Up in December



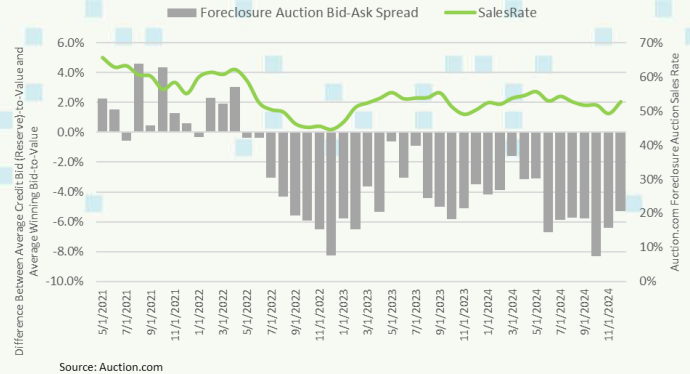
Foreclosure Auction Demand up Despite High Mortgage Rates



Bid-Ask Spread Narrows to End 2024

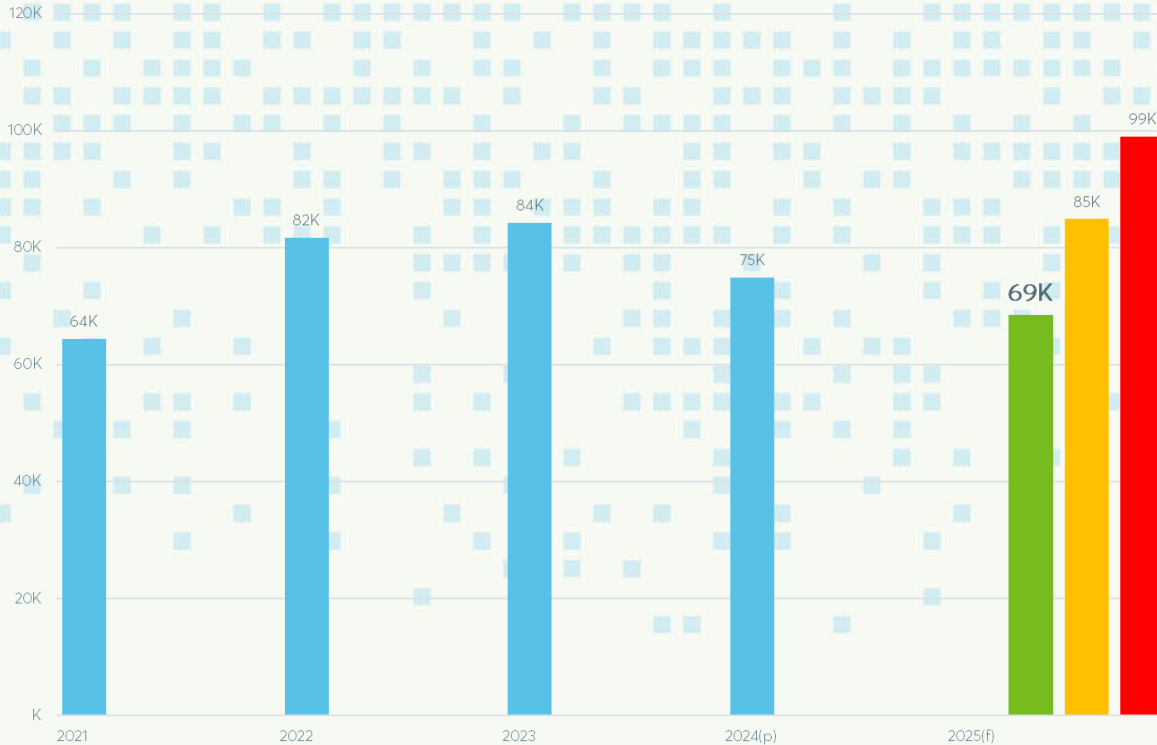


Sales Rate Rebounds in December as Bid-Ask Spread Narrows



Foreclosure outlook for 2025: three scenarios

U.S. Completed Foreclosure Auctions



2025 Scenarios

- **Green scenario (most likely):** soft landing with 4% home price appreciation for 2025 (similar to 2024) and an average SDQ rate of 1.57% (up slightly from an average of about 1.50% in 2024)
- **Yellow scenario:** same home price appreciation of 4.0% in 2025 but with SDQ rate inching up to 1.70% for the year.
- **Red scenario:** home price appreciation slowing to 2.0% in 2025 and SDQ rate rising to 1.80% for the year.

Devils in the Data

Equity cushion, expanded loss mitigation & pre-foreclosure sales

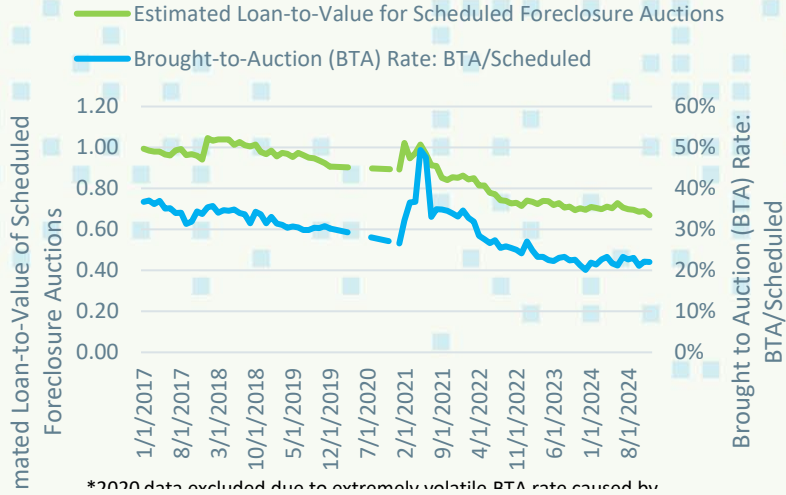


Equity cushion remains, but not as much for recent vintages

Highlights

- The Auction.com BTA rate (roll rate from scheduled to BTA) tracks closely with scheduled LTVs, and has come down as LTVs have come down (meaning more equity)
- Overall, most properties entering foreclosure in Q4 2024 appear to have ample equity, assuming property in good condition. 11% have marginal or negative equity.
- But 31% of Q4 2024 foreclosure starts on 2022+ vintages have marginal or negative equity. Those vintages account for about one-fifth of all Q4 foreclosure filings.
- Analysis of future scheduled auctions on ADC shows similar numbers using standard AVM (assumes the property in good condition): 9% with marginal or negative equity
- But using the seller values provided to ADC (which are more reflective of actual property condition) paints a different picture: 23% with marginal or negative equity

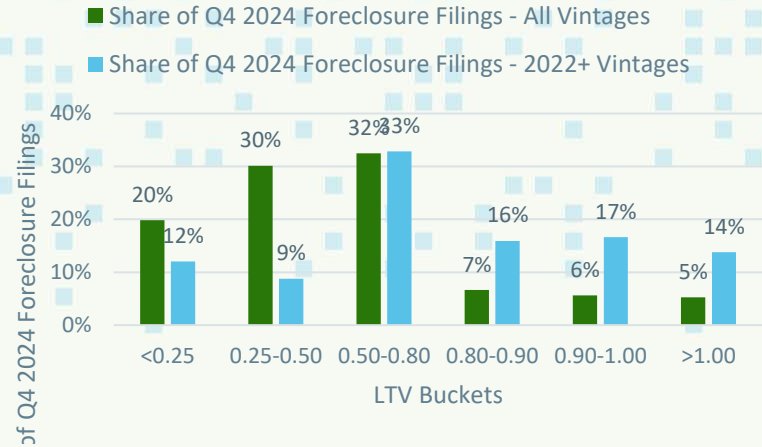
More Equity Means Fewer Foreclosures



Source: ATTOM Data Solutions

*Subset of filings where loan and equity data were available

The Devil in the Data: Recent Vintages Have Less Equity

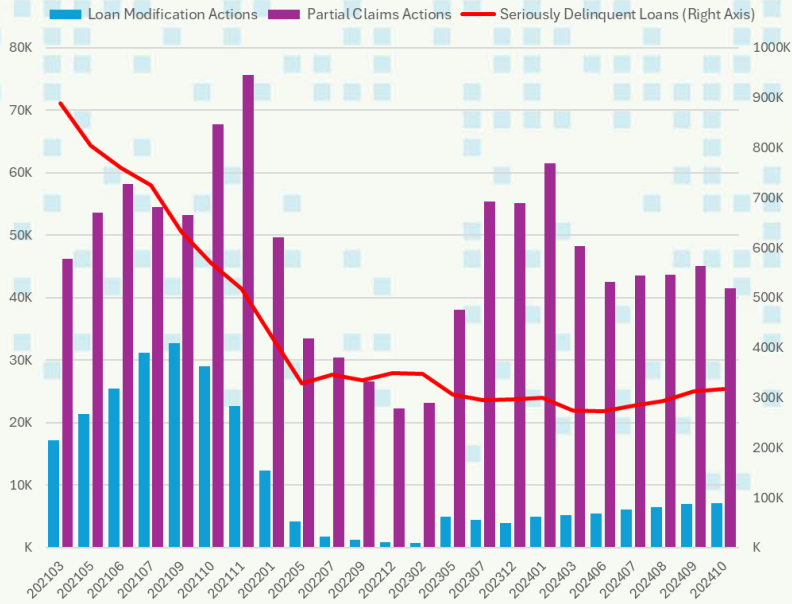


Expanded loss mitigation preventing more foreclosures, but at the expense of equity

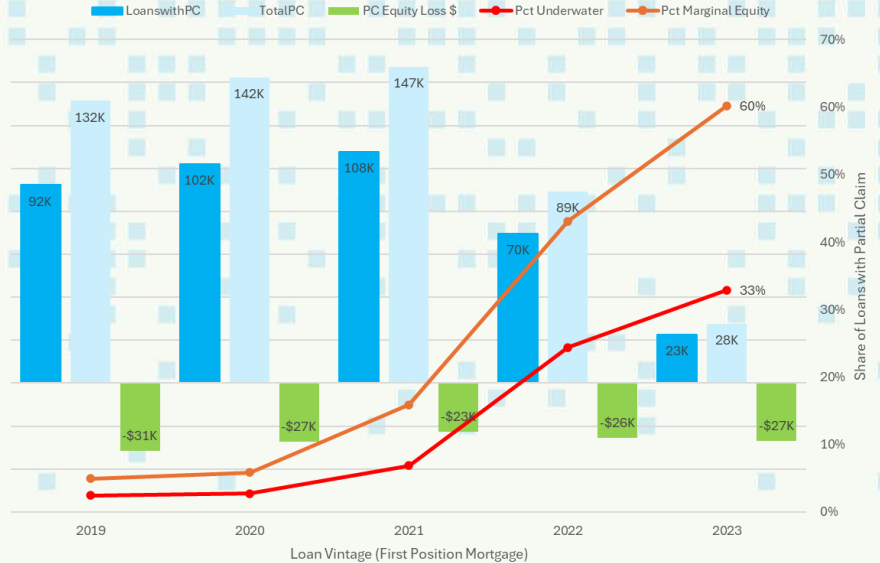
Highlights

- Partial claims averaging 47K a month in 2024 compared to 42K in 2023 and 32K in 2022. FHA Loan mods averaging 5.6K a month in 2024 compared to 3.5K in 2023 and 4.0K in 2022
- But loans with partial claim have equity reduced by an average of \$26,000, and 12% of loans with a partial claim have marginal equity or are underwater
- The marginal equity and underwater rates are much higher on more recently originated mortgages

FHA Loss Mitigation Attempts



The Devil in the Data: Partial Claim Impact on Equity



Source: Auction.com analysis of public record data

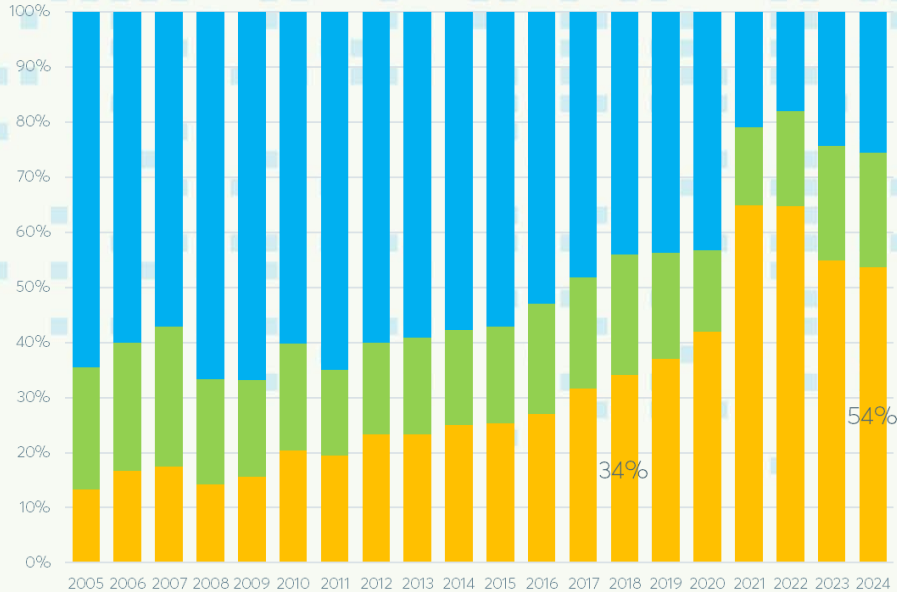
Pre-foreclosure sales preventing more foreclosures, but in opaque marketplace

Highlights

- Pre-foreclosure sales accounted for 54% of all distressed sales in 2024 compared to 38% in 2018. Most of these represent foreclosures that have been prevented.

Distressed Sale Trends: Share of Total Distressed Sales

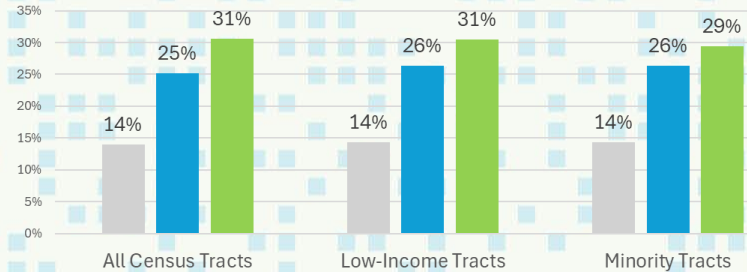
Pre-Foreclosure Sales Foreclosure Sales REO Sales



Source: Auction.com analysis of public record data from ATTOM Data Solutions

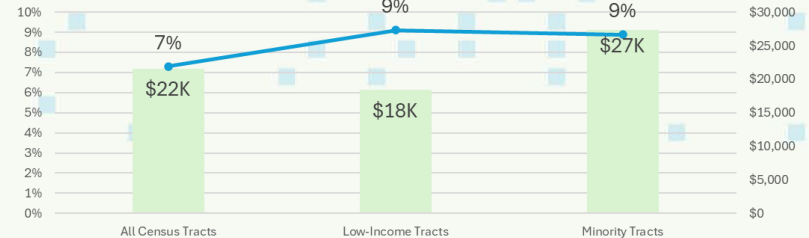
Devil in the Data: Pre-Foreclosure Sale Discounts

All Pre-Foreclosure Sales Cash Buyers Institutional Buyers



Devil in the Data: Potential Pre-Foreclosure Sale Equity Stripping

Avg Change in Price (\$) Share of Pre-Foreclosure Sales Resold Within 30 Days



Source: Analysis of 10K properties scheduled for foreclosure auction on Auction.com where the auction was canceled and the properties subsequently sold in 2024 according to public record data. Discount based on sale price to estimated after-repair value.

