

ESCROW ESSENTIALS TRACK: Beyond the Dashboard Hidden Risks in Your Servicing Portfolio You Can't Afford to Miss

Wednesday, February 18, 2026

Moderator:

Kim Yowell, EVP – Servicing, Fairway Home Mortgage

Panelists:

Daren Blomquist, VP – Market Economics, Auction.com

Praveen Chandramohan, SVP – Mortgage Data Solutions, Cotality

Alex Cutsforth, Product Manager, Experian Information Solutions, Inc.

Delinquency and Default

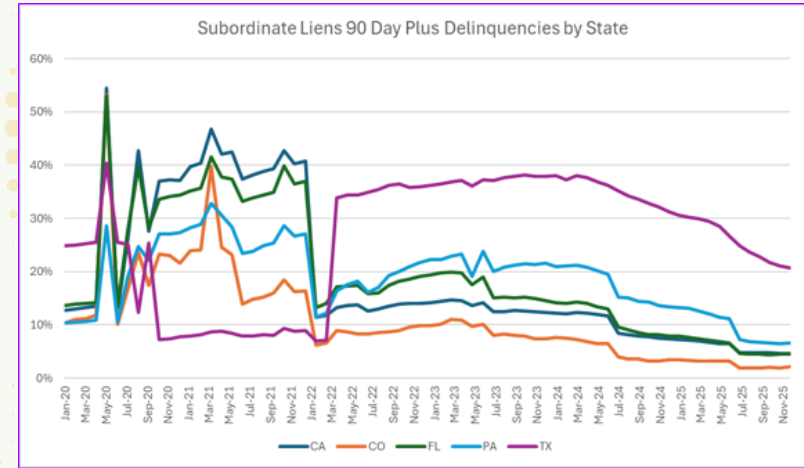
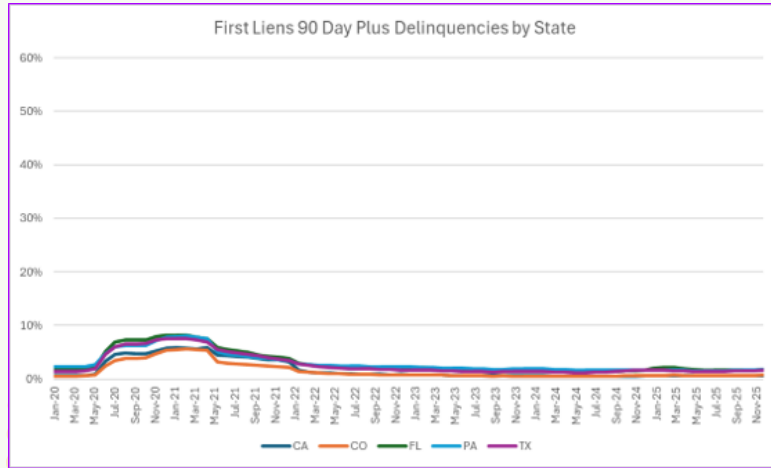


Praveen Chandramohan
SVP – Mortgage Data Solutions
Cotality

Leading Indicators of Delinquency & Default Risk

- Macro & Micro economic factors
- Credit
- Employment
- Liens (Voluntary & Involuntary)
- Rising property taxes & Insurance
- Climate risk & Weather hazards

Subordinate Liens introduces higher risk



Source: Cotality's Loan Performance dataset



Presence of Subordinate Liens increases Risk

Source: FHFA Working Paper 14-3



Subordinate Liens are risky

Source: Cotality Loan Performance



Delinquent Subordinate Liens correlate to delinquent primary lien

Source: TransUnion Rise in PTI clear indicator for potential mtg delinquency

Rising Risk: Property Insurance Costs Are Surging, Up 40% Since 2019, and Impact Housing Affordability

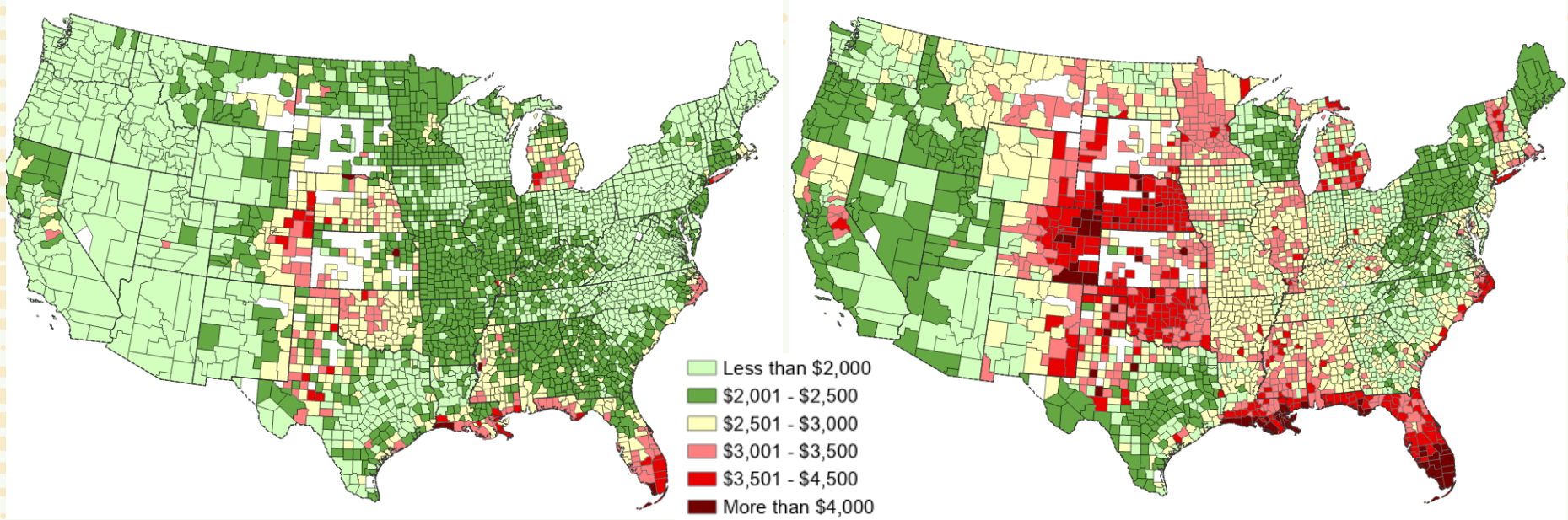
Change in Insurance Cost

Insurance Cost = Total Monthly payment - principal - interest - tax

Avg. Cost of Insurance 2022

Avg. Cost of Insurance 2024

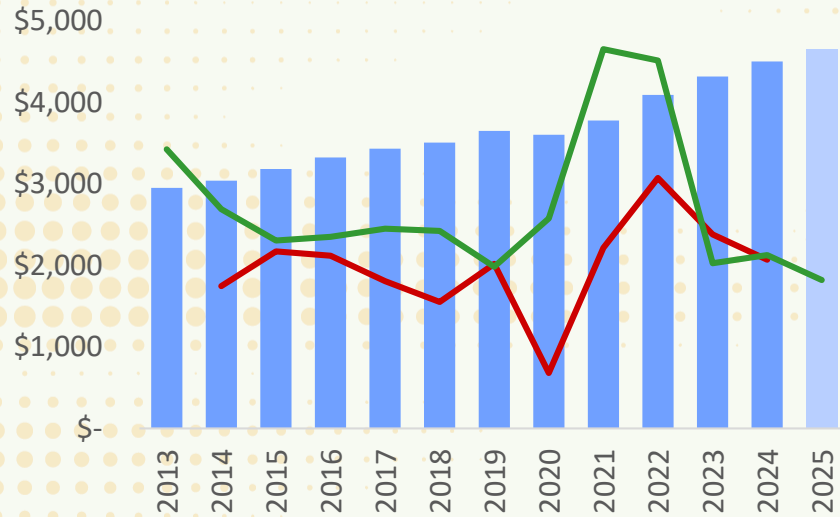
Source: Loan-Level Market Analytics, and Cotality Property Records



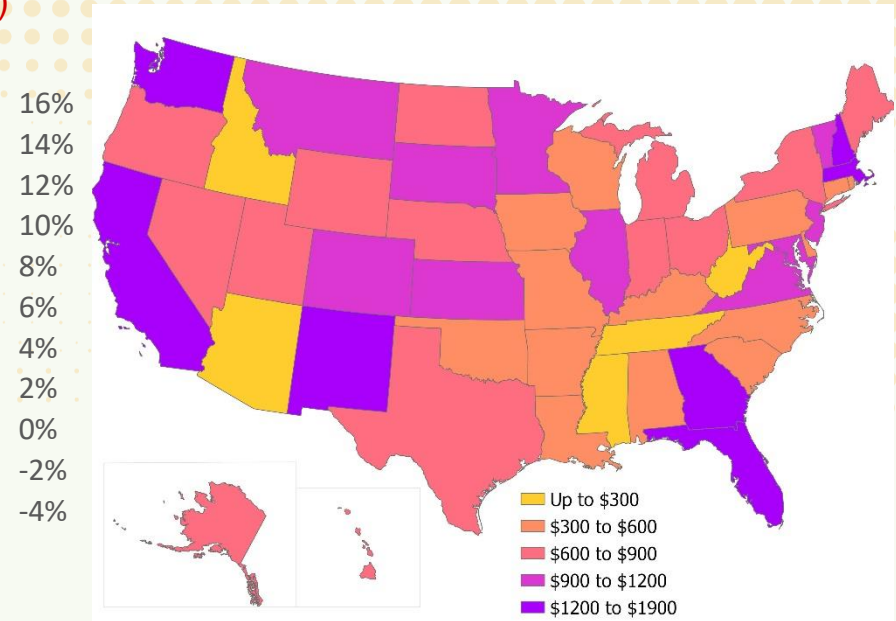
Rising Property Taxes Impact Housing Affordability

Property tax increases return to pre-pandemic trends when averaged 3.7% increase annually

Average Tax Obligation Per Property (2025 Forecast)
 Annual % Change in Property Tax Obligations (right axis)
 Average % Annual Home Price Appreciation (right axis)



Change in Annual Tax Obligations from 2019 to 2024



States Experiencing The Highest Increases In Escrow Payments Often Showed Rising Delinquency Rates

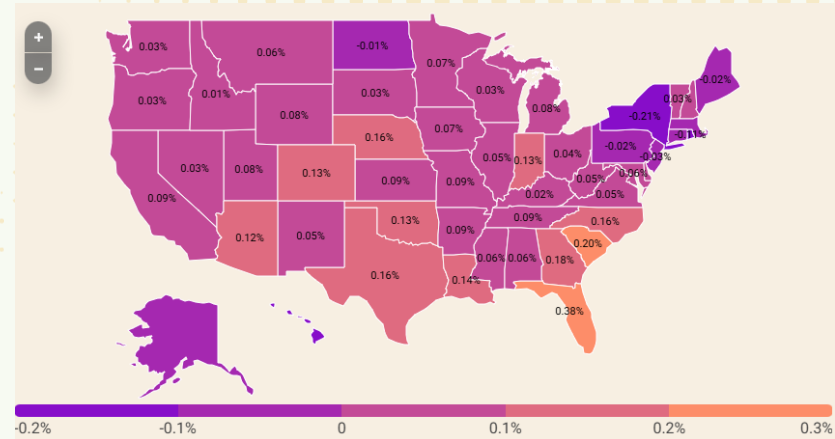
10 States with the Highest Change in YOY Overall Serious Delinquency Rate

Source: Cotality TrueStandings Servicing and Loan-Level Market Analytics

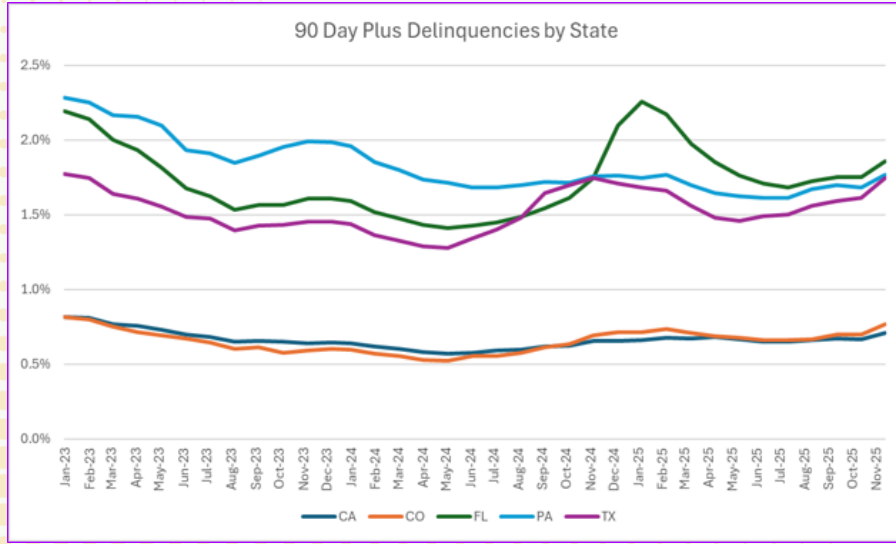
Delinquency Rates by Loan Type

State	Overall	Conv	FHA	VA	Change in SDQ (Basis points)	Change in Escrow Amount
Florida	1.43%	1.05%	3.09%	4.11%	38 bps	62%
South Carolina	1.05%	0.67%	2.55%	3.96%	20 bps	37%
Georgia	1.12%	0.71%	2.66%	3.71%	18 bps	38%
Nebraska	0.81%	0.48%	1.75%	3.68%	16 bps	43%
Texas	1.11%	0.74%	2.54%	3.41%	16 bps	21%
North Carolina	0.83%	0.57%	1.88%	3.18%	15 bps	49%
Louisiana	1.87%	1.25%	3.96%	5.44%	14 bps	52%
Colorado	0.55%	0.41%	1.73%	2.56%	13 bps	62%
Indiana	1.09%	0.66%	2.62%	4.01%	13 bps	49%
Oklahoma	1.24%	0.70%	2.72%	3.53%	13 bps	38%

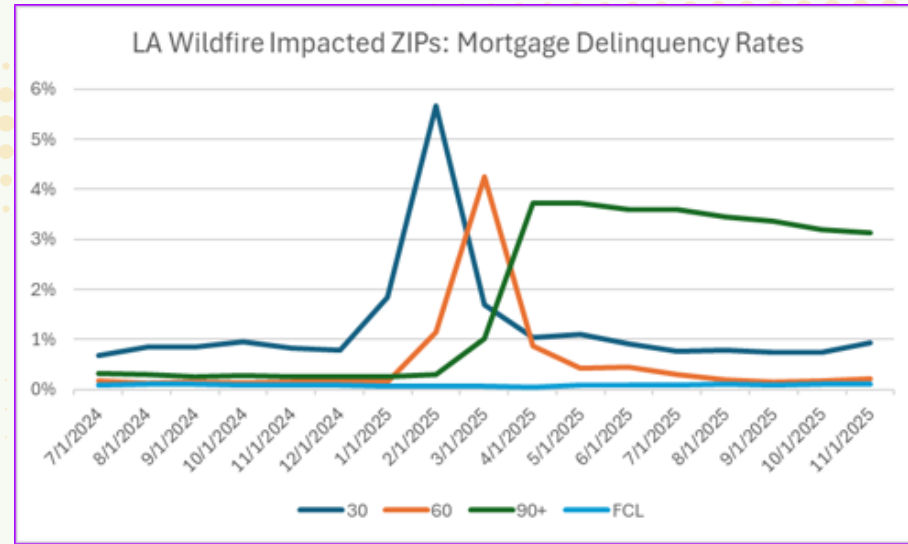
YOY Change in Overall Serious Delinquency Rate by States



Catastrophic weather events increases delinquency



Florida Sept/Oct 2024: Hurricanes Helene and Milton



Los Angeles Jan 2025: Wildfire

Source: Cotality's Loan Performance dataset

Call to Action



Credit Account Monitoring & Employment Monitoring



Voluntary & Involuntary lien monitoring



Advanced Analytics for Escrow Optimization -
Property Tax & Insurance Forecasting



Climate Risk models to identify property level risk. Homeowner engagement & education to make their homes resilient

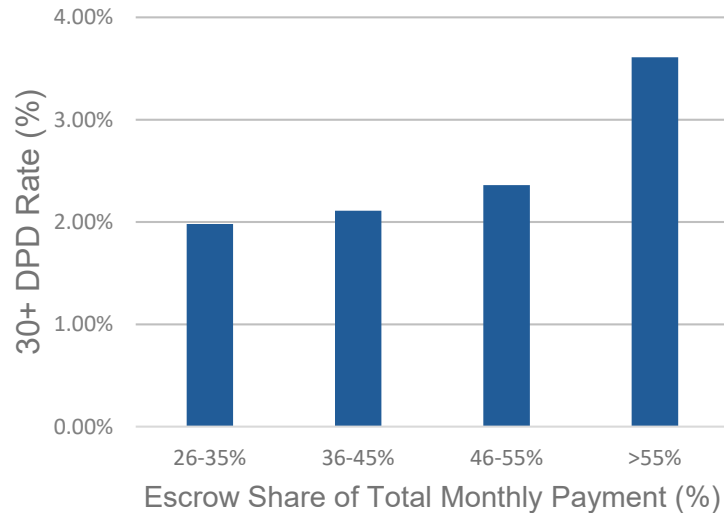
Delinquency and Escrows



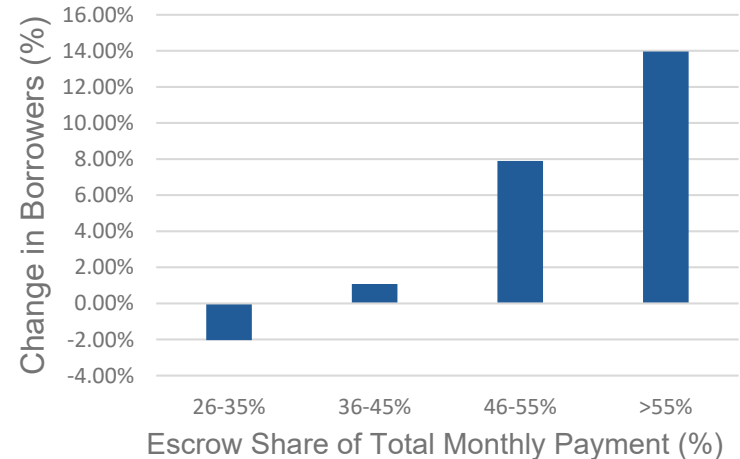
Alex Cutsforth
Product Manager
Experian Information Solutions, Inc.

Delinquency Rates and Borrower Population Shifts by Escrow Share of Total Monthly Payment

Delinquency Rate by Escrow Share of Total Monthly Payment

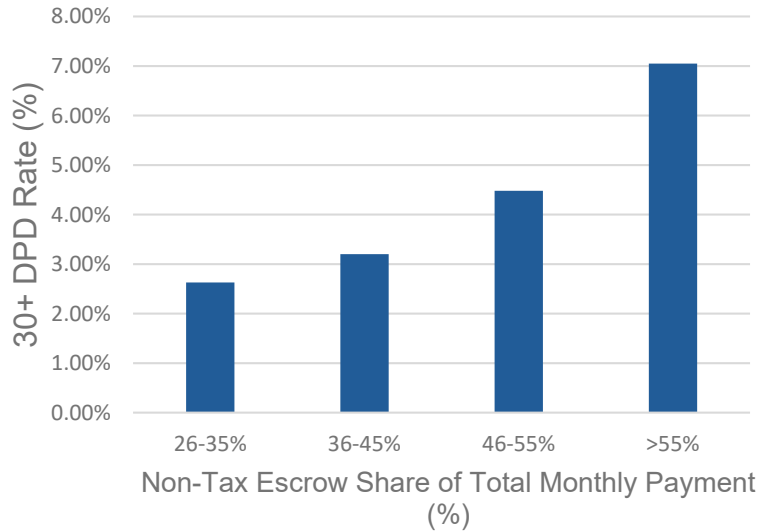


Borrower Migration by Escrow Payment Ratio Bucket (Q1→Q4)

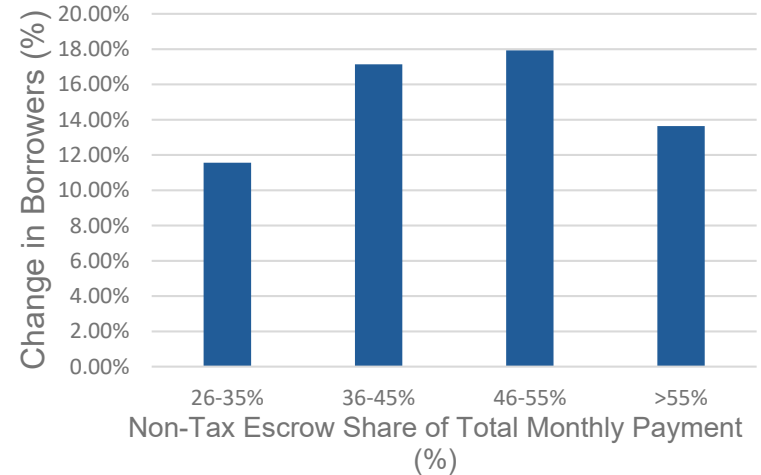


Delinquency Rates and Borrower Population Shifts by Non-Tax Escrow Share of Total Monthly Payment

Delinquency Rate by Non-Tax Escrow Share of Total Monthly Payment

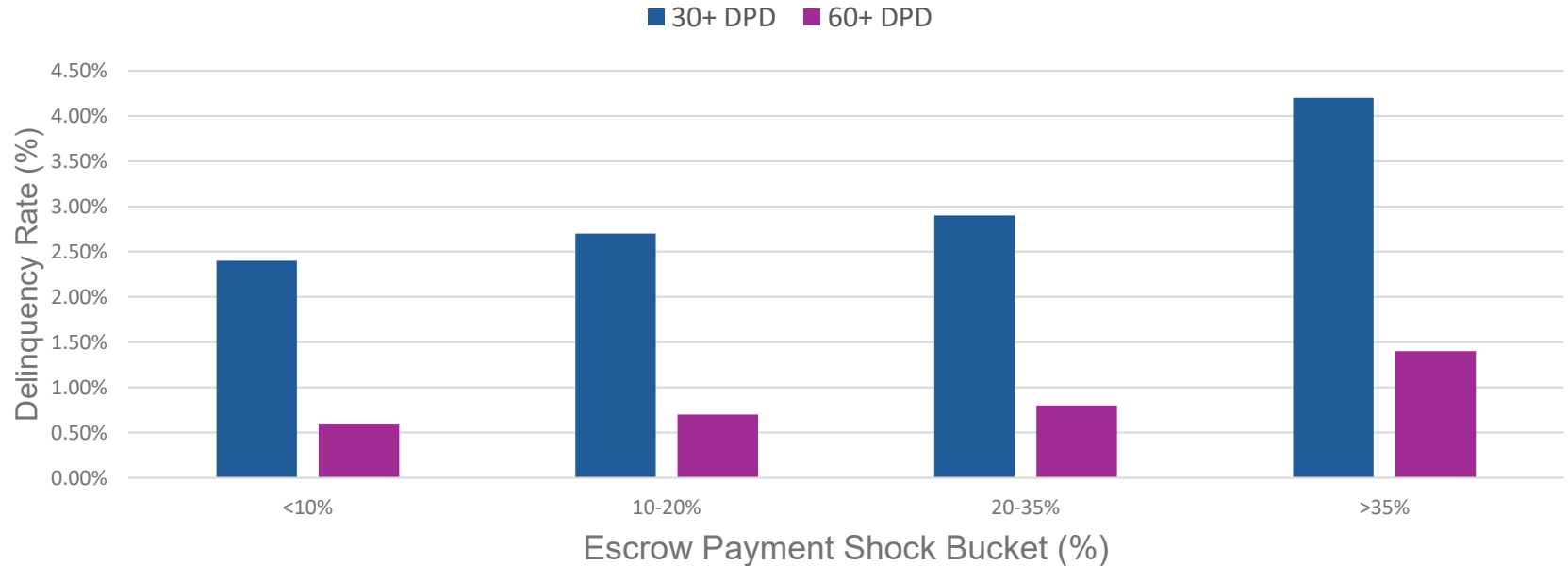


Borrower Migration by Non-Tax Escrow Payment Ratio Bucket (Q1→Q4)



Delinquency Rate Following Escrow Payment Shocks

Delinquency Rate Within 180 Days of Escrow Payment Shocks



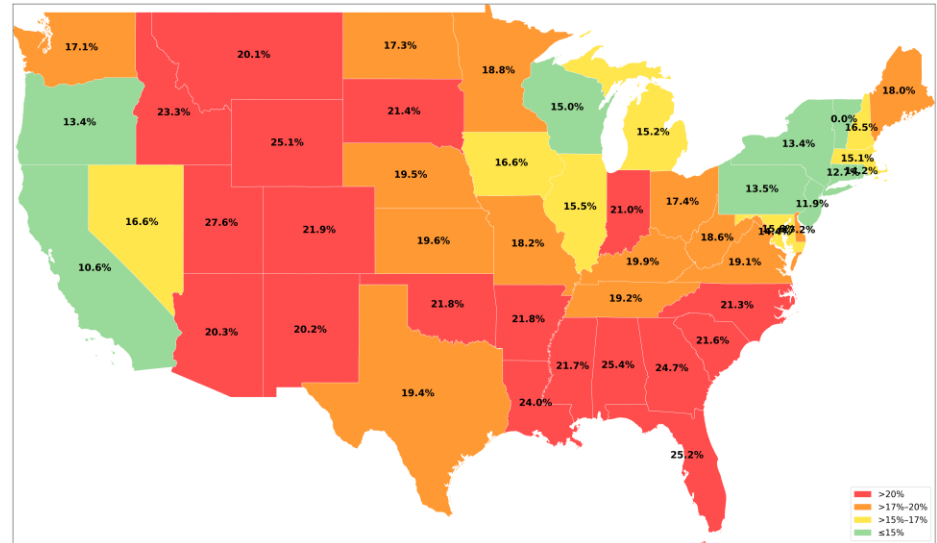
Share of Borrowers Experiencing $\geq 20\%$ Escrow Increases by State

States with the highest percent of borrowers experiencing shocks

- UT — 27.6%
- AL — 25.4%
- FL — 25.2%
- WY — 25.1%
- GA — 24.7%

States with the highest number of borrowers experiencing shocks

- FL — 1,093,054
- TX — 908,718
- CA — 721,234
- GA — 477,144
- NC — 425,472

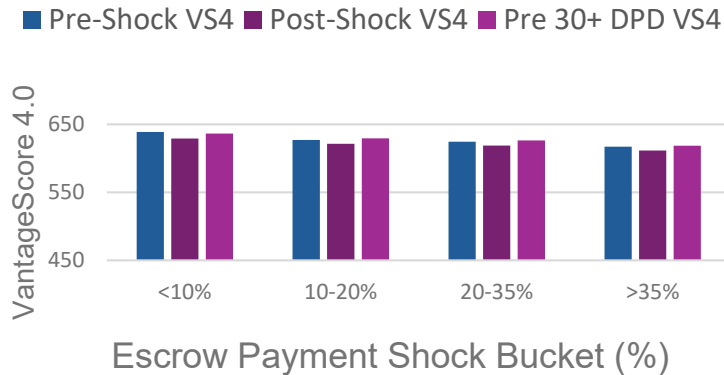


Percent of active 1st-lien mortgages that experienced a $\geq 20\%$ escrow increase by state (Jan 2023–Jun 2025).

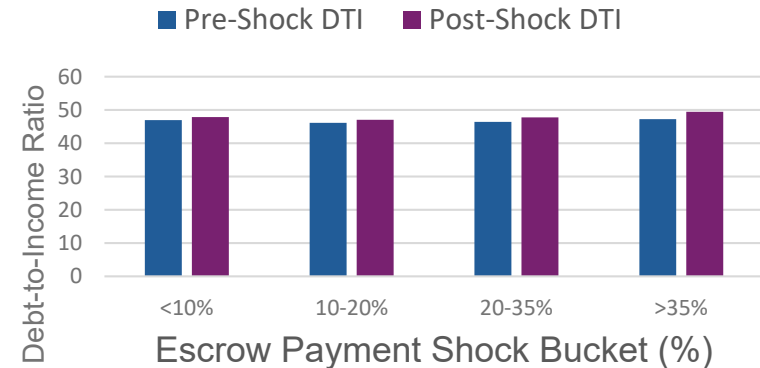
Source: Experian Mortgage Loan Performance dataset

Credit Score & DTI Patterns Among Delinquent Borrowers Across Escrow Shock Levels

Credit Scores by Shock Level (Delinquent Borrowers)



DTI by Shock Level (Delinquent Borrowers)



Shock = % escrow increase.

Pre-Shock = one month before increase

Post-Shock = one month after increase

Pre-30+ DPD = last clean month before delinquency

Data = delinquent borrowers only.

Operational Implications



Identify borrowers most exposed to escrow-driven payment shocks



Forecast future escrow increases and impacted borrowers



Flag loans ahead of material escrow recast notices



Equip at-risk borrowers with education and tools to manage insurance costs

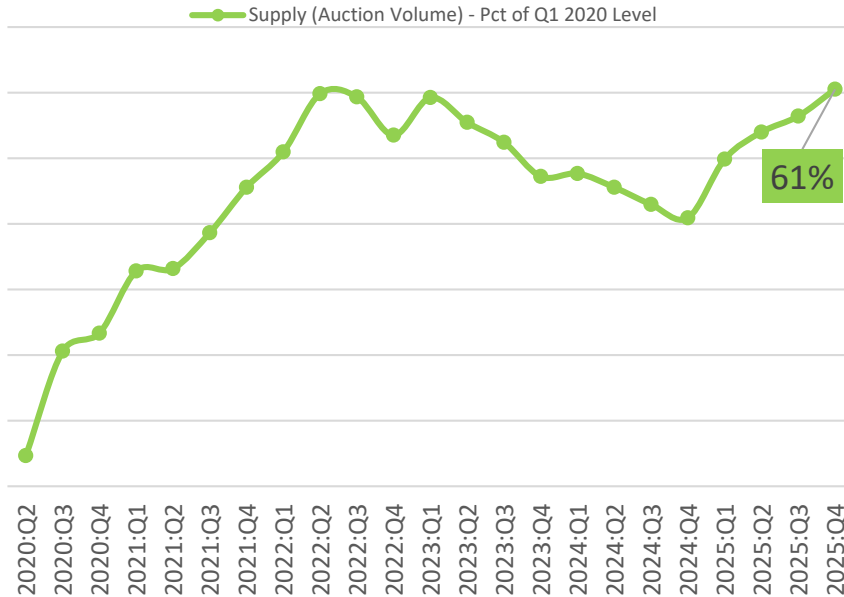
Mitigating Disposition Risk



Daren Blomquist
VP – Market Economics
Auction.com

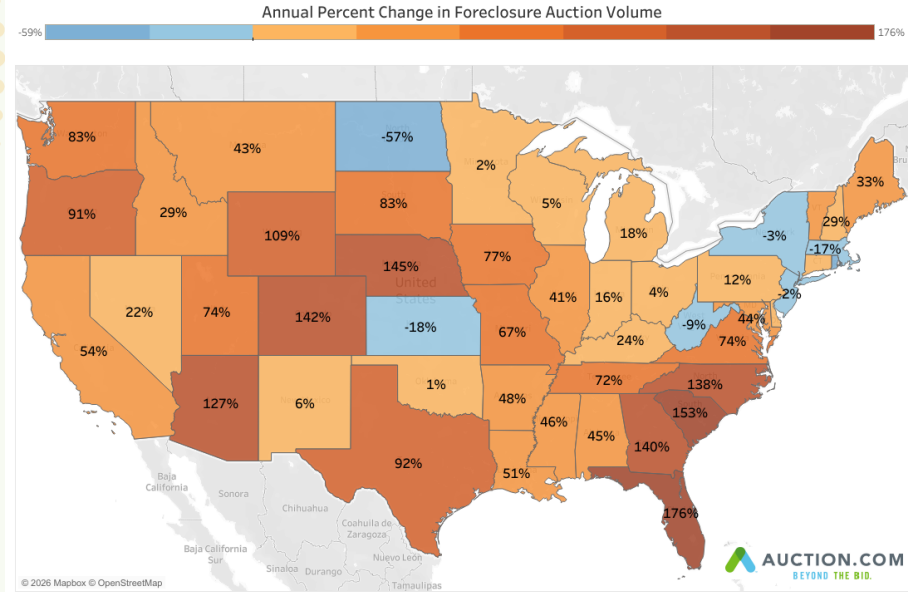
Foreclosure auction volume rising

Foreclosure Auction Volume at Highest Level in Nearly 6 Years

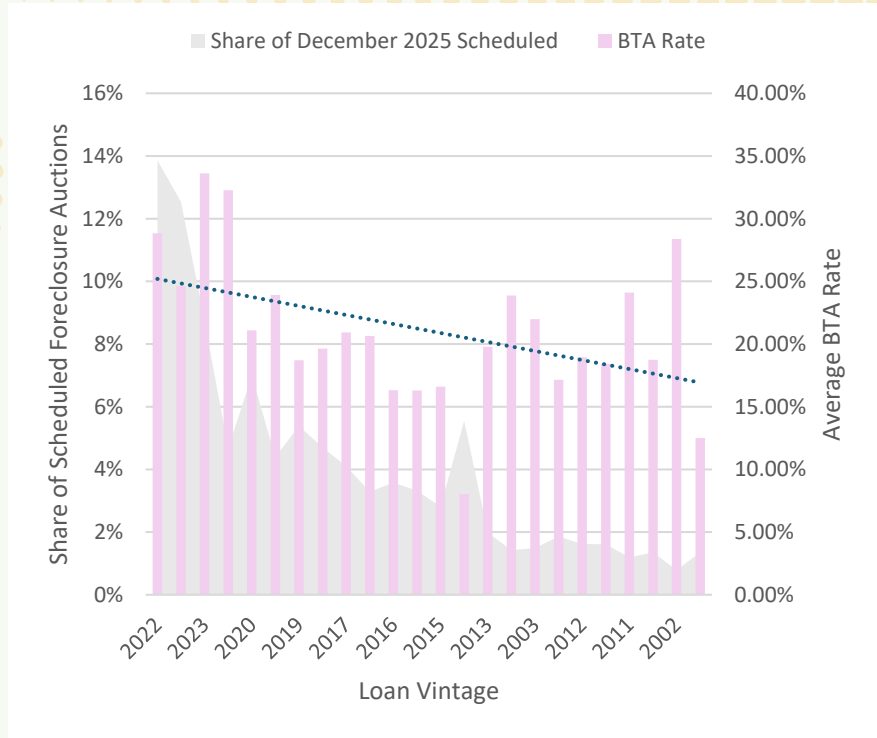
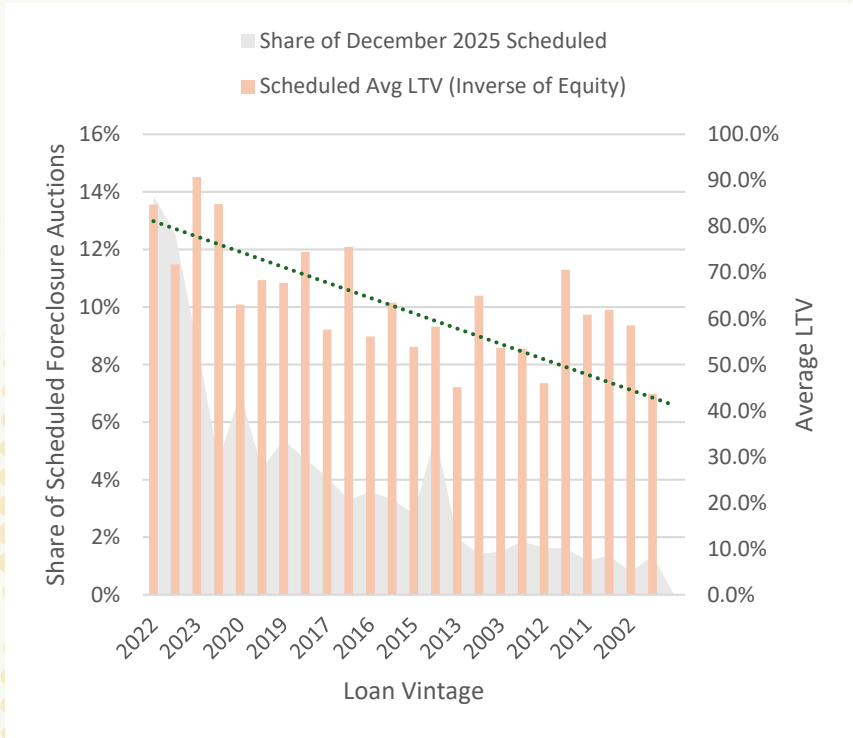


Source: Auction.com

Q4 2025 Foreclosure Auction Volume by State

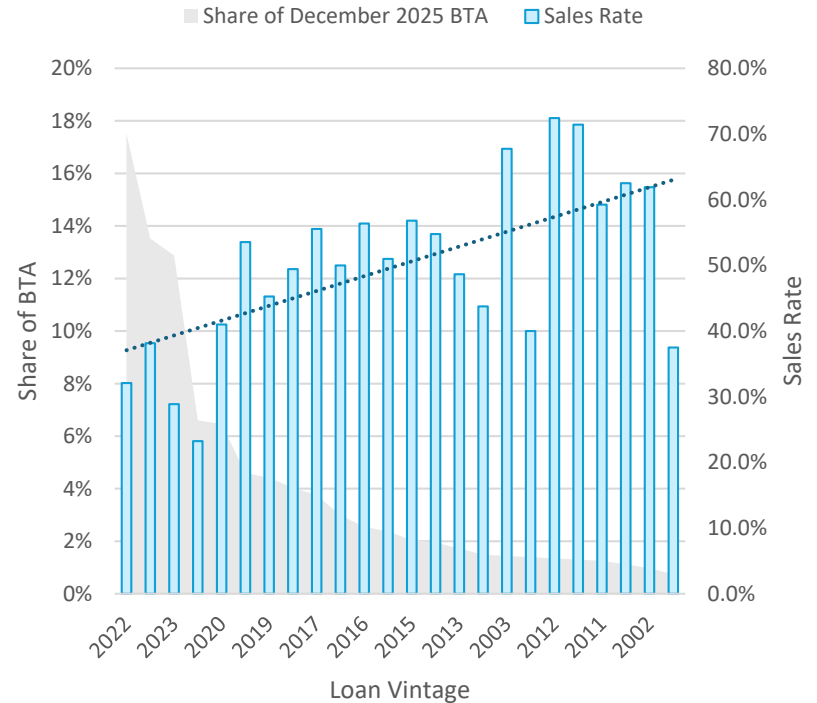
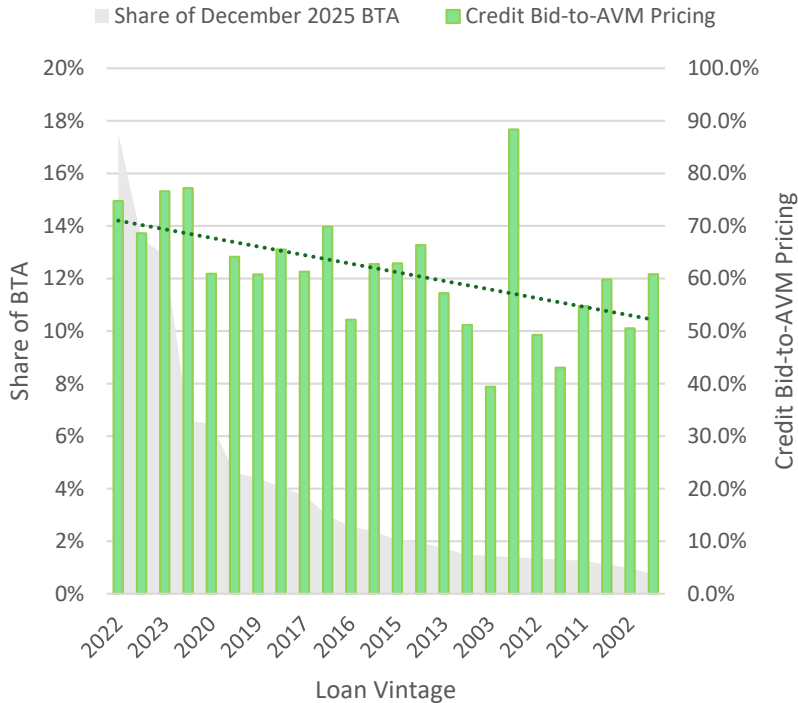


Eroding equity means higher roll rate to auction



Source: Auction.com, public record data from Cotality

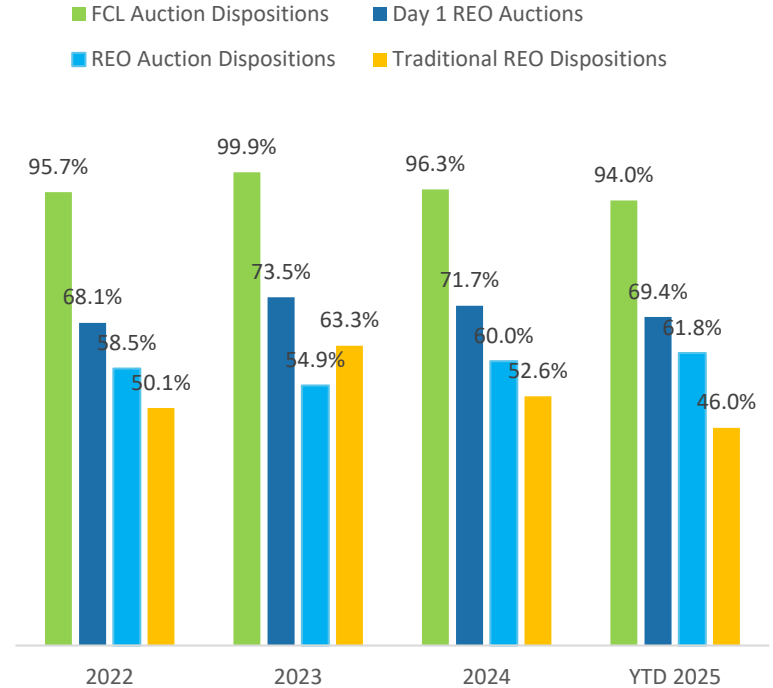
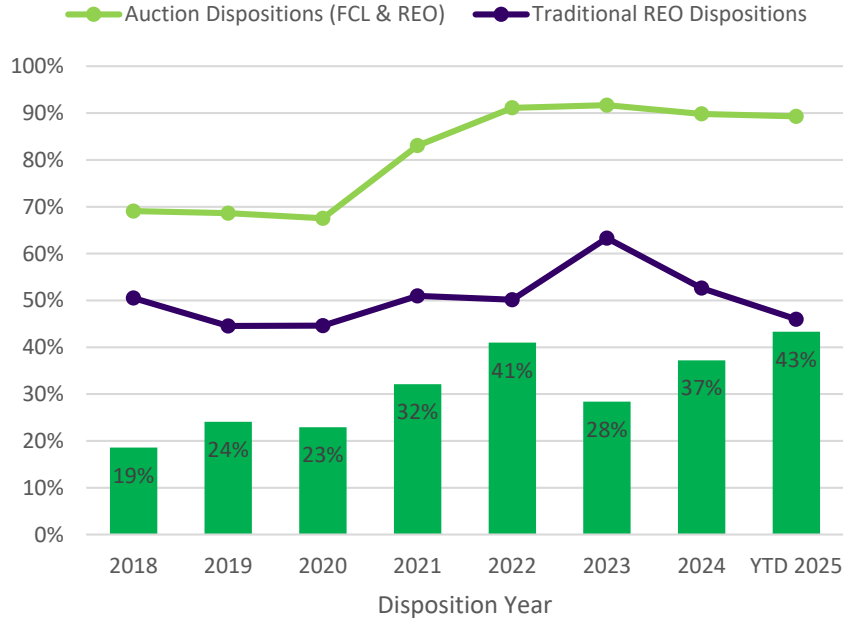
Eroding equity means lower sales rate at auction



Source: Auction.com, public record data from Cotality

Eroding equity + slowing market = risk of higher losses

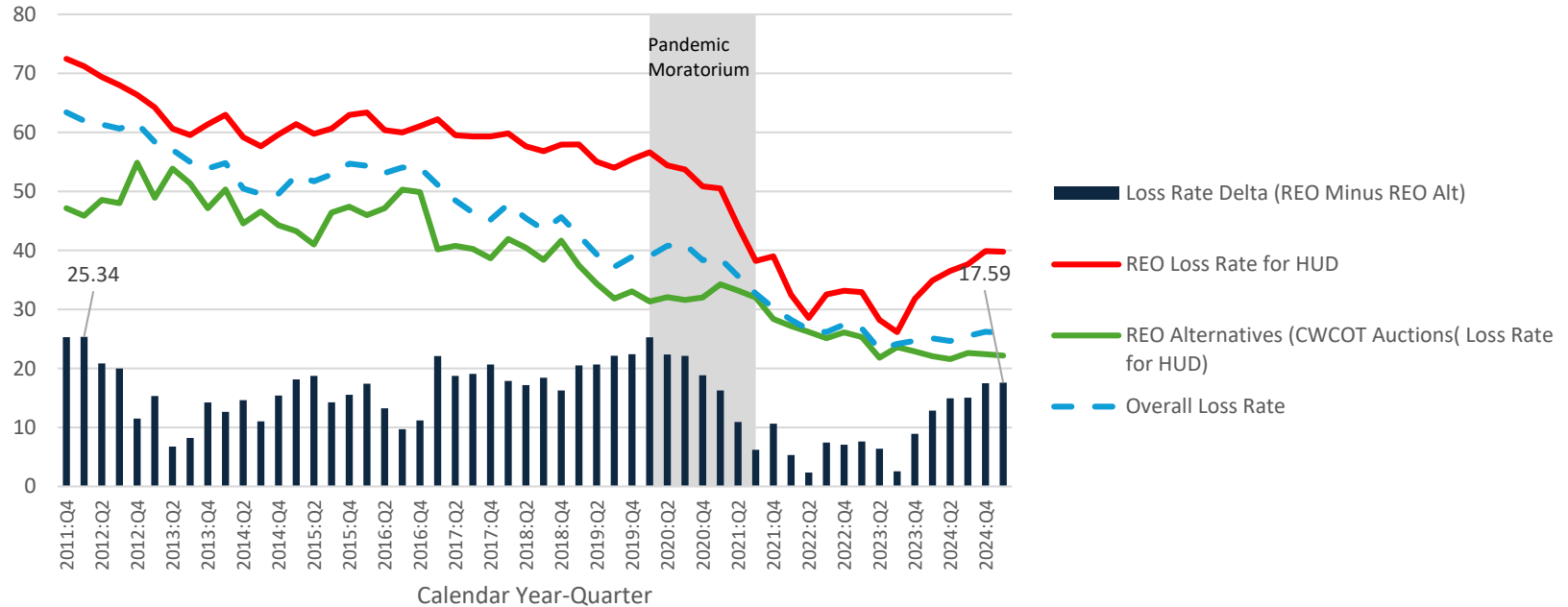
Estimated Net Proceeds by Disposition Type



Source: Auction.com, public record data

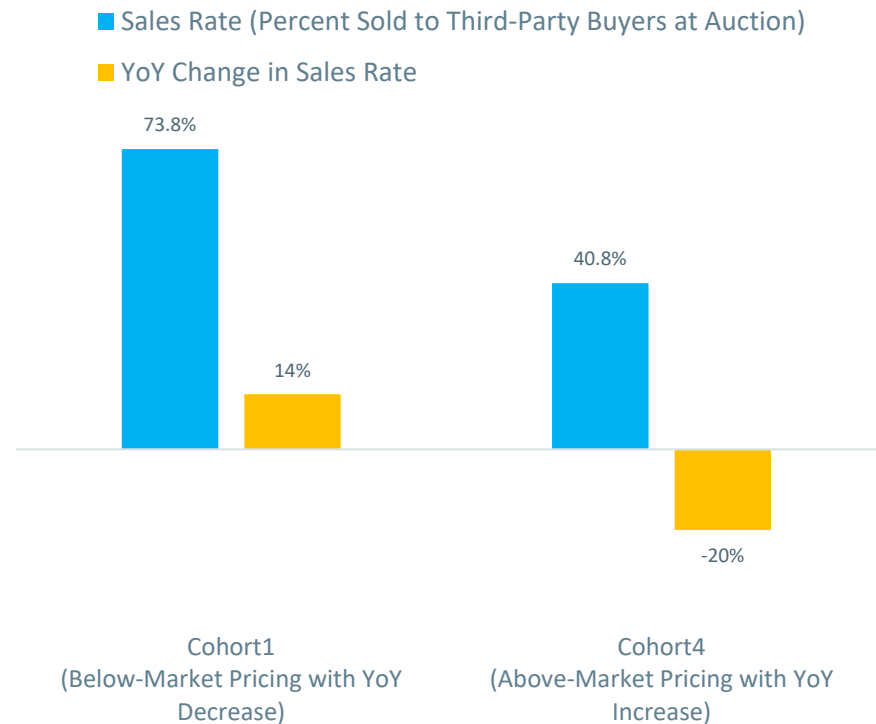
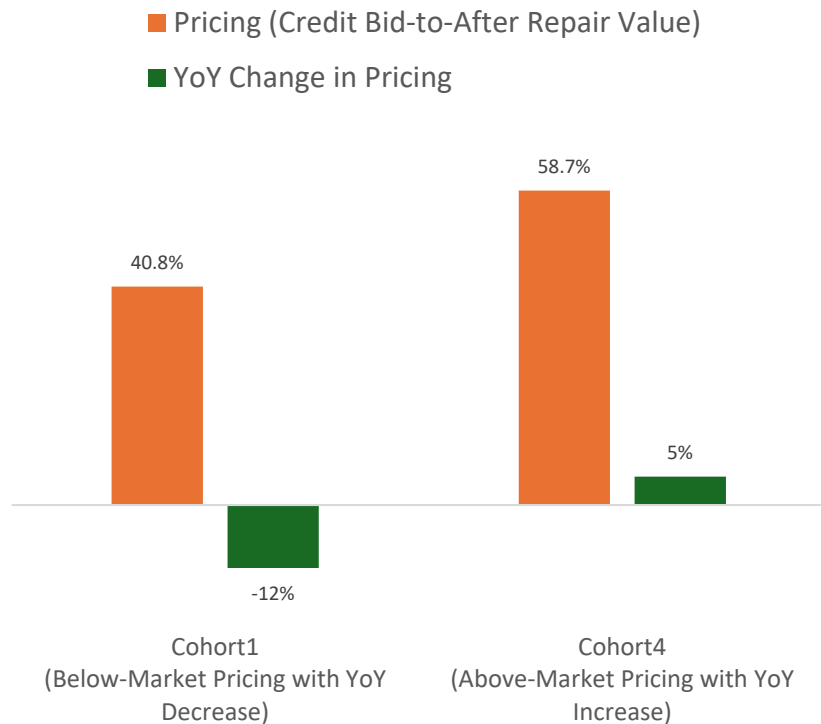
Eroding equity + slowing market = risk of higher losses

FHA Loss Rates by Disposition Type



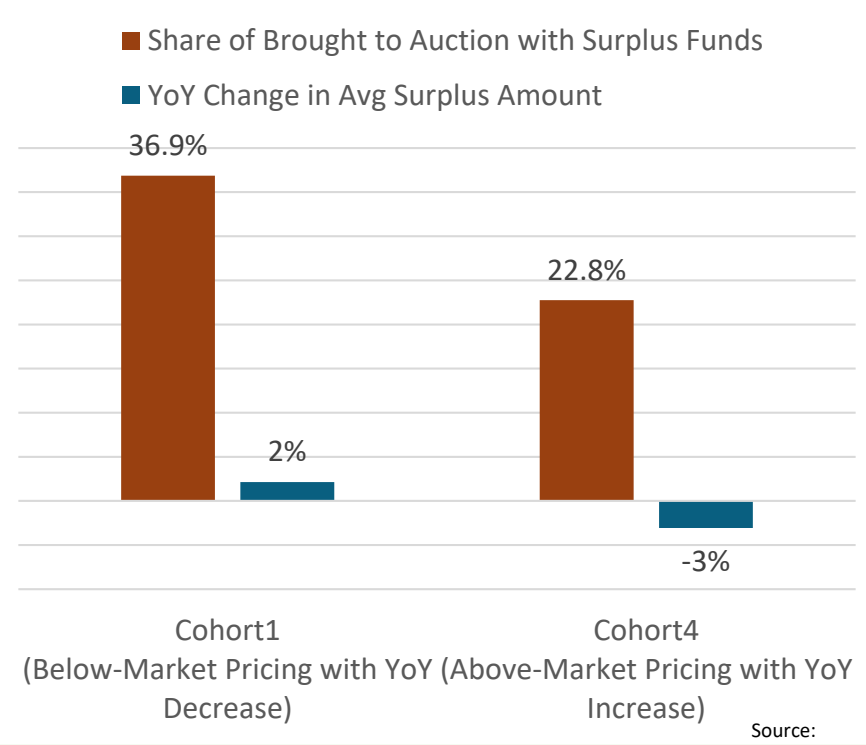
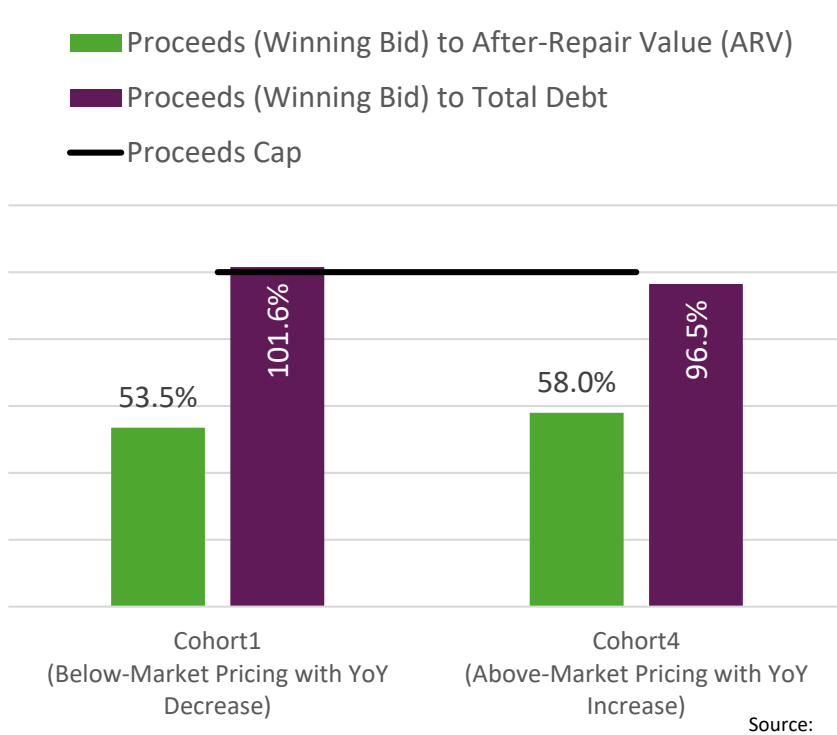
Source: FHA Quarterly MMI Report

How to mitigate the risk: Proactive pricing

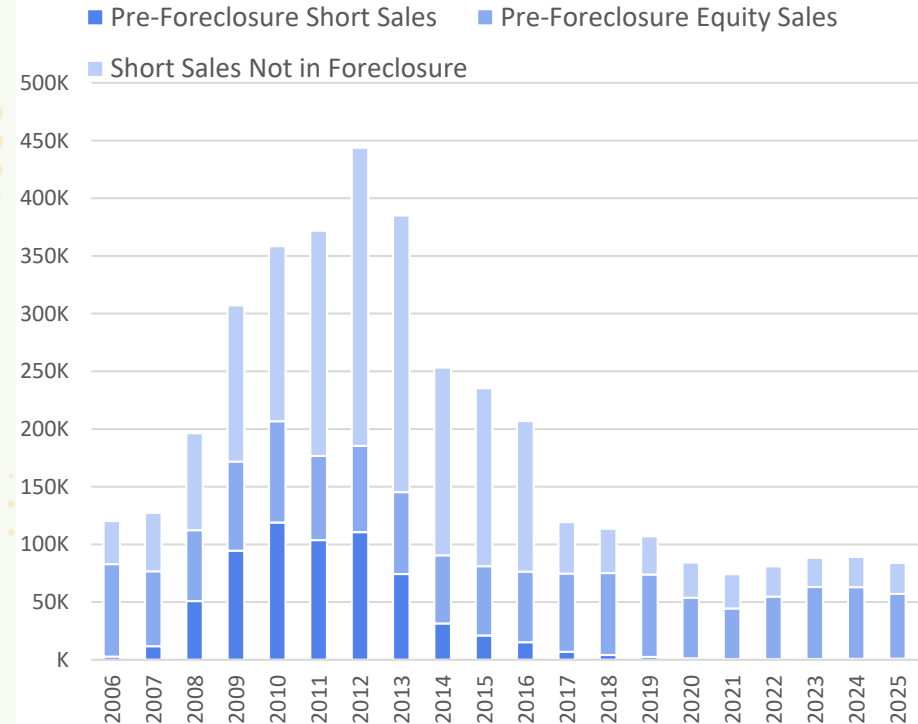
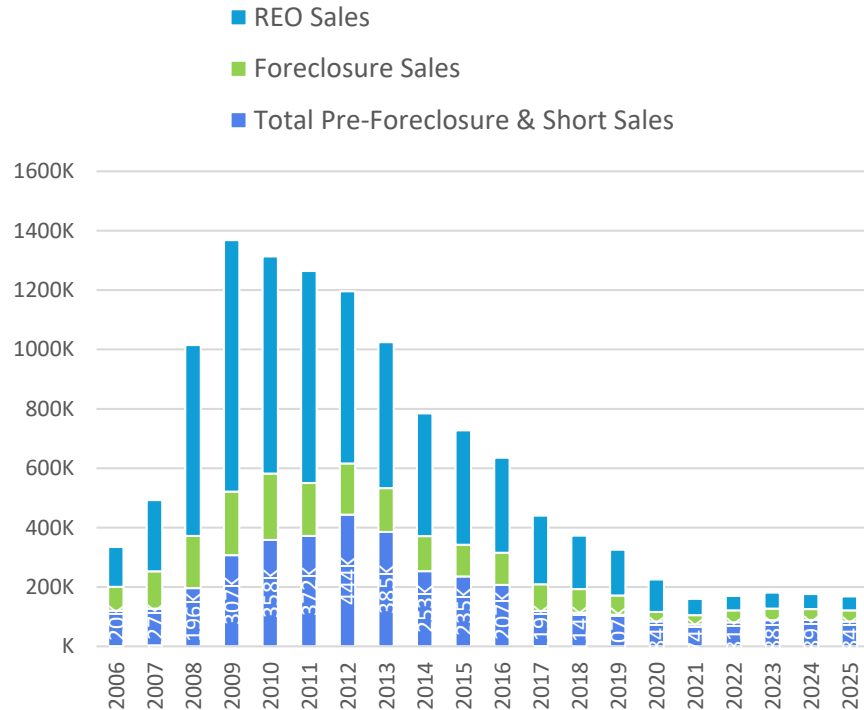


Source: Auction.com

How to mitigate the risk: Proactive pricing



How to mitigate the risk: Pre-Foreclosure Sales



Source: Auction.com

How to mitigate the risk: Pre-Foreclosure Sales

From Short Sale to Equity Sale

St. Louis resident Pam Mormino had a home that was listed on the MLS for about \$30,000 less than what she owed.

"I needed to do a short sale because it didn't appraise out enough for what I owed, which was \$165,000. So, I listed it with the Realtor for \$134,900," Mormino said.

Mormino received an offer and then enlisted the services of Auction.com's pre-foreclosure sales program through her mortgage servicer.

An Auction.com buyer beat the highest MLS offer by \$45,000, and Mormino also walked away with about **\$40,000 in equity**.

"Elated. It really relieved so much stress on me," she said.



[Watch the full story](#)

Auction to Avoid Foreclosure

An Orlando homeowner was facing foreclosure and wanted to sell quickly while avoiding the hassle of listing and showing the property.

"It was at a point where I didn't have the time to sell (on the traditional retail market)," he said. "That is a pain, a real pain. The showings, the getting ready."

The property received a winning bid above the seller's reserve price after just three days of bidding on Auction.com. Five bidders competed against each other during those three days of bidding.

The owner avoided foreclosure (and lowball offers from predatory investors) while walking away with **\$546,000 in equity**.

"I would say I felt very comfortable with the whole process, and I would do it again," he said.



[Watch the full story](#)

A Graceful Exit

A Pensacola-area homeowner proactively contacted her mortgage servicer, letting them know she would not be able to make her mortgage payments. The servicer reached out to Auction.com to help the homeowner sell her home. The property was listed both on the MLS and on Auction.com.

"It just happened all by itself, which is wonderful in its own way," she said.

The competitive and transparent marketplace attracted multiple offers, but the highest offer was still below what was owed on the property, meaning it would need to be a short sale approved by the mortgage servicer. That approval was streamlined thanks to Auction.com's relationship with the servicer.

The servicer avoided a costly foreclosure process while the owner was able to **gracefully exit** into senior housing on her own terms.

"There's brand new ... senior apartments here in the town," she said. "There's only 38 units and I managed to snag one. I'm moving in tomorrow so I'm very excited."

Questions for our Panelists?



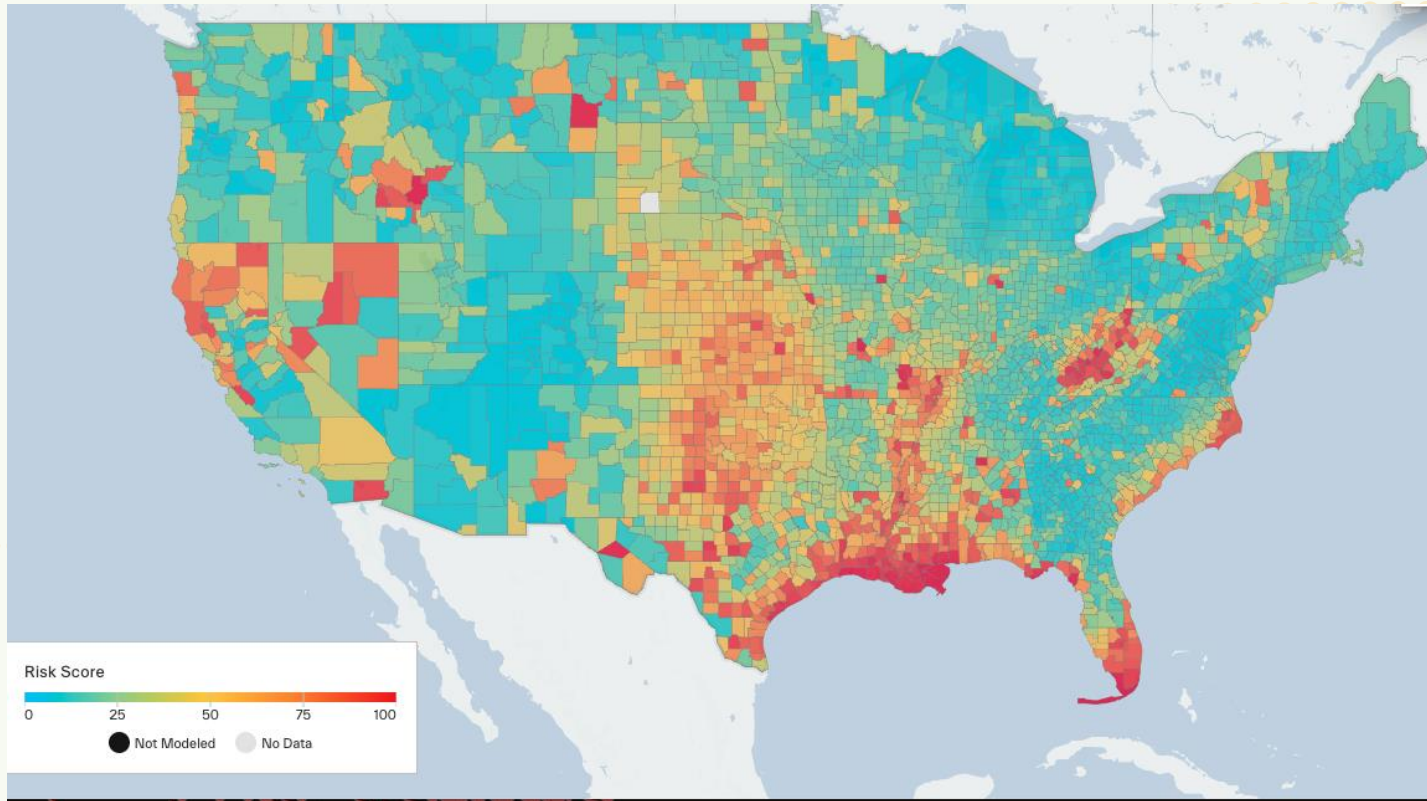
Thank you for your participation.



Appendix



Advanced Analytics – Climate Risk Scores



Source: Cotality's Araya Platform