CoreLogic® | Webinars

Your Servicing Playbook for the Market Ahead

Webinar Executive Summary

Economic Overview:

- **Historically low rates are driving a purchase and refi boom: perhaps to $3T in originations**
- **Distressed Sales will be driven by a "Double Trigger"**
  - **Trigger 1:** a sudden loss of household income that causes borrowers to go delinquent
  - **Trigger 2:** a decrease in home values which erases the equity cushion that borrowers have built up
  - Double Trigger Example: Nevada
    - Trigger 1: COVID-19 has decimated Nevada's hospitality-based economy: 15% unemployment
    - Trigger 2: CoreLogic is predicting a 10% decline in Nevada* home prices over next 12 months
      - This will result in 6% of the mortgages having negative equity
    - These 2 triggers may signal increased distressed sales and foreclosure proceedings in Nevada
- **Delinquency Rates**
  - In April, the **30-day delinquent transition rate** saw the highest spike in 20 years
  - The next month, the **30–60-day delinquent transition rate** also saw the highest spike in 20 years
    - Higher than at any point during the Great Recession
  - When looking at post 2008 Residential Mortgage Backed Securities, we see similar trends:
    - April: a spike in the 30-day delinquency rate
    - May: a spike in the 60-day delinquency rate
    - June: a spike in the 90-day delinquency rate
  - We could see 3 million homes in serious delinquency by the end of 2021
- **Positive Economic Trends**
  - We started the Pandemic at a 25-year generational low in the serious delinquency rate
  - We have an extremely low vacancy rate which helps sustain prices and home values
    - This is very different than the high vacancy rates experienced in 2006 and 2007
  - We have a record level of home equity right now, provides an important cushion if home values fall
    - Again, more equity than 2006 and 2007

** A 10% decline for Nevada was the HPI Forecast released August 4 for 12 months ended June 2021. This decline was reduced to 6% in the HPI Report released September 1 for the 12 months ended July 2021*

Servicer Perspective

- **If you remove loans in forbearance, delinquency in our portfolio has either remained steady or decreased since the Pandemic started**
- **First-time forbearance requests are down since May**
  - Many homeowners are asking for extensions on their current forbearance
  - Lots of homeowner uncertainty: employment prospects, length of the pandemic, etc.
  - Some homeowners are using forbearance as a hedge—but many are making some form of payment
    - 10–25% are actually making mortgage payments (partial or full) each month
- **When it comes to forbearance, each borrower is a unique case—and this means customized timelines based on their unique circumstances**
  - We are having conversations daily with consumers about their options as they come out of forbearance: letters, emails, billing statements, phone calls

Policy Insights

- **We are not through the worst of this yet**
  - While there is still a lot of uncertainty, we have learned some things—and these learnings will be reflected in our policies going forward
  - Servicers need to implement nimble workflows that can be updated as the GSEs and federal housing agencies revise their reporting obligations, legal and regulatory requirements, and options for helping consumers enter and exit forbearance.

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