



## MORTGAGE FORECLOSURES AND REPOSSESSIONS ON THE RISE AGAIN

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**(13Oct2022)** ... According to ATTOM, in their Q3-22 U.S. Foreclosure Market Report, there were a total of 92,634 U.S. properties with foreclosure filings — default notices, scheduled auctions or bank repossessions — up 3 percent from the previous quarter and 104 percent from a year ago. The report also shows there were a total of 31,836 U.S. properties with foreclosure filings in September 2022, down 8 percent from the previous month but up 62 percent from September 2021.

### Foreclosure starts close to pre-pandemic levels nationwide

Lenders started the foreclosure process on 67,249 U.S. properties in Q3 2022, up 1 percent from the previous quarter and up 167 percent from a year ago — nearly reaching pre-pandemic levels. Foreclosure activity is reflecting other aspects of the economy, as unemployment rates continue to be historically low, and mortgage delinquency rates are lower than they were before the COVID-19 outbreak.

States that posted the greatest number of foreclosure starts in Q3 2022, included California (7,368 foreclosure starts); Florida (6,671 foreclosure starts); Texas (6,217 foreclosure starts); Illinois (4,702 foreclosure starts); and New York (3,997 foreclosure starts).

Among the 223 metropolitan statistical areas analyzed in the report those that posted the greatest number of foreclosure starts in Q3 2022, included New York, New York (4,621 foreclosure starts); Chicago, Illinois (3,950 foreclosure starts); Los Angeles, California (2,275 foreclosure starts); Philadelphia, Pennsylvania (1,991 foreclosure starts); and Miami, Florida (1,990 foreclosure starts).

### Bank repossessions increase nationwide

Lenders repossessed 10,515 U.S. properties through foreclosure (REO) in Q3 2022, up 18 percent from the previous quarter and up 39 percent from a year ago. But very few of the properties entering the foreclosure process have reverted to the lender at the end of the foreclosure. In fact, nearly three times more homes were repossessed by lenders in the second quarter of 2019 than in the second quarter of 2022. We believe that this may be an indication that borrowers are leveraging their equity and selling their homes rather than risking the loss of their equity in a foreclosure auction.

### Average time to foreclose decreases 4 percent from last year

Properties foreclosed in Q3 2022 had been in the foreclosure process an average of 885 days, down from 948 days in the previous quarter and down 4 percent from 924 days in Q3 2021. States with the longest average foreclosure timelines for homes foreclosed in Q3 2022 were Hawaii (2,121 days); New Jersey (2,002 days); Louisiana (1,963 days); Kansas (1,848 days); and New York (1,808 days). States with the shortest average foreclosure timelines for homes foreclosed in Q3 2022 were Minnesota (113 days); Mississippi (167 days); Texas (168 days); Nebraska (168 days); and Missouri (172 days).

### Risk exposure remains in current mortgage portfolios

As first discussed more than a year ago, many mortgage portfolio retain a higher degree of volatility today than the beginning of 2022. Average home prices had experienced double-digit gains for a couple years and most portfolio'd mortgages have been originated at relatively low market rates. This has elevated most portfolios market valuations making them prone to a potential 15% to 18% devaluation should the economy slide into a deeper recession - that would adversely impact relative loan-to-value metrics as the relationship between loan values and loan balances explode upward. Moreover, IRR risk metrics are prone to adversely increase as rate shock protocol will include higher discount rates and slower prepayment speeds.

Still, the relative value of mortgages remain more beneficial than any other category of loans that most lenders offer today.