

2021 NAMFS VIRTUAL CONFERENCE FOR MORTGAGE FIELD SERVICES



Emerging Distress as Foreclosure Protections Fade

PRESENTER:

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AUCTION.COM

More FB exiting to DQ, 1.2 million final FB exits to come in 2021

222K forbearance exits are now delinquent with no loss mitigation

This is up from 195K in the previous month and up from 171K at the beginning of 2021

Another 369K forbearance exits are delinquent but in loss mitigation

Up from 333K in previous month and up from 282K at the beginning of 2021

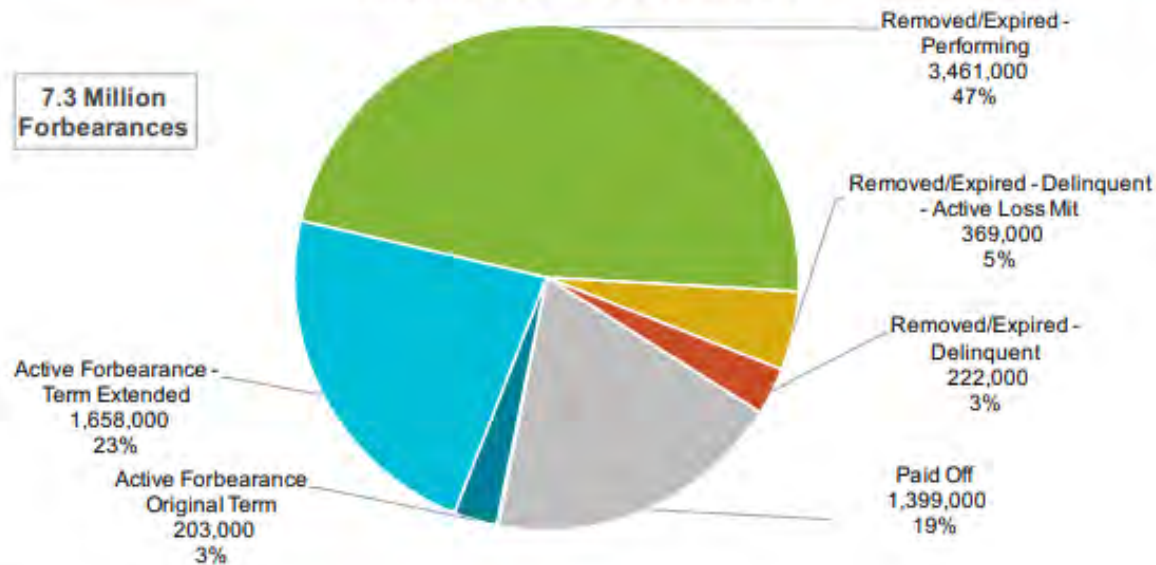
An estimated 1.2 million “final” forbearance exits in the second half of 2021 (65 percent of active plans)

80 percent of all FHA and VA loans in active forbearance will hit final forbearance exit in 2021

These estimates have been revised upward from 950K based on clarifying guidance on allowable forbearance periods

CURRENT STATUS OF COVID-19 RELATED FORBEARANCES

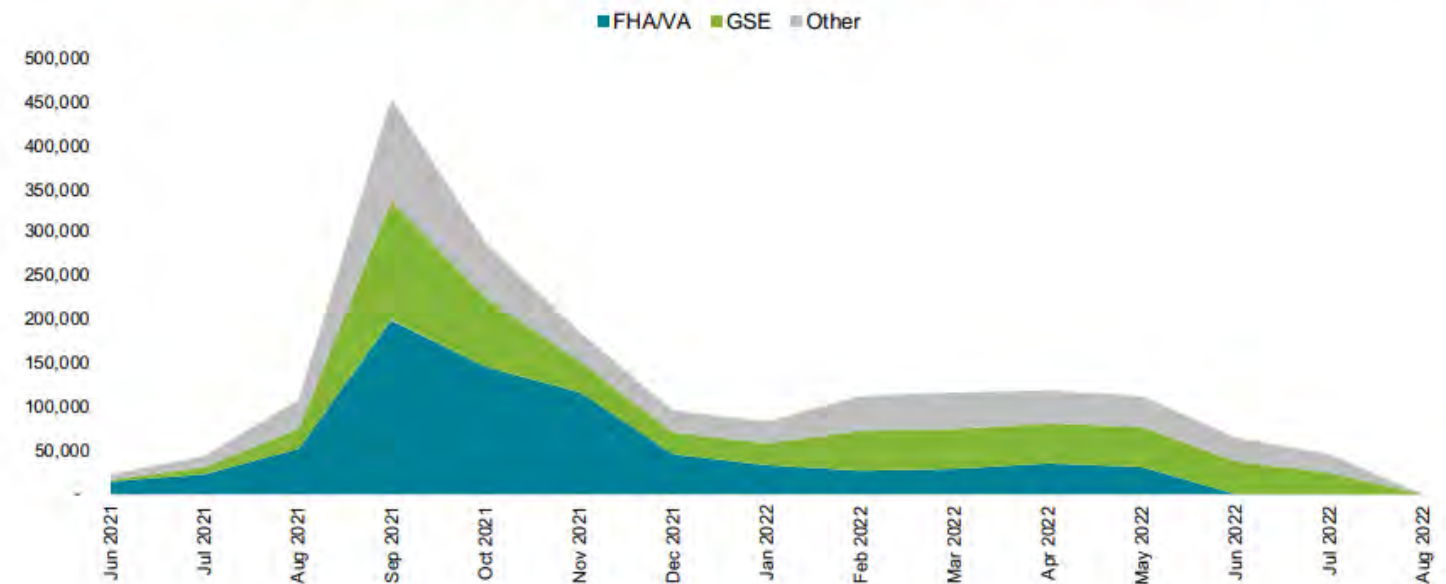
(STATUS AS OF JULY 13TH 2021)



Source: McDash Flash

ESTIMATED FINAL EXPIRATION MONTH OF ACTIVE FORBEARANCE PLANS

(BASED ON FHFA, FHA, VA, USDA FORBEARANCE TERM MATRICES)



Source: Black Knight

Estimated expiration volumes above are based on maximum forbearance terms by start month published by FHFA, FHA, VA and USDA along with forbearance volumes by start month reported through Black Knight's McDash Flash dataset. Maximum allowable forbearance terms for portfolio and PLS loans may vary by servicer. For this analysis, FHFA guidelines were used to estimate expiration volumes and timing for portfolio and PLS loans

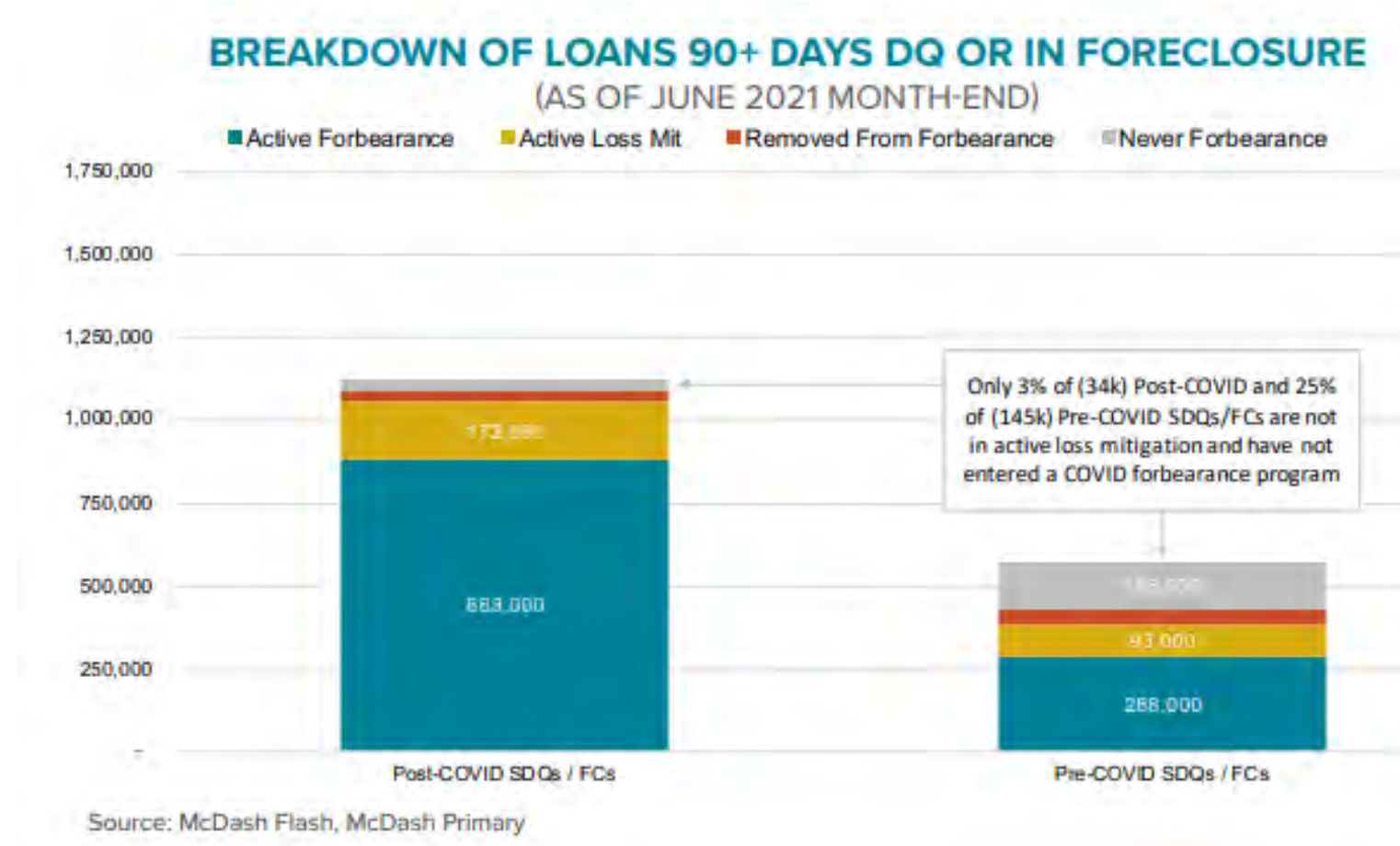
Fewer pre-COVID SDQ not protected by FB or loss mitigation

~175K pre-COVID SDQ not in forbearance or loss mitigation

Down from ~200K in previous month

This appears to be due to more pre-COVID SDQ curing (or selling) rather than more taking advantage of FB

The recent spike in pre-foreclosure sales in public record data suggests some of these homeowners are pro-actively selling given their protection under moratorium has run out



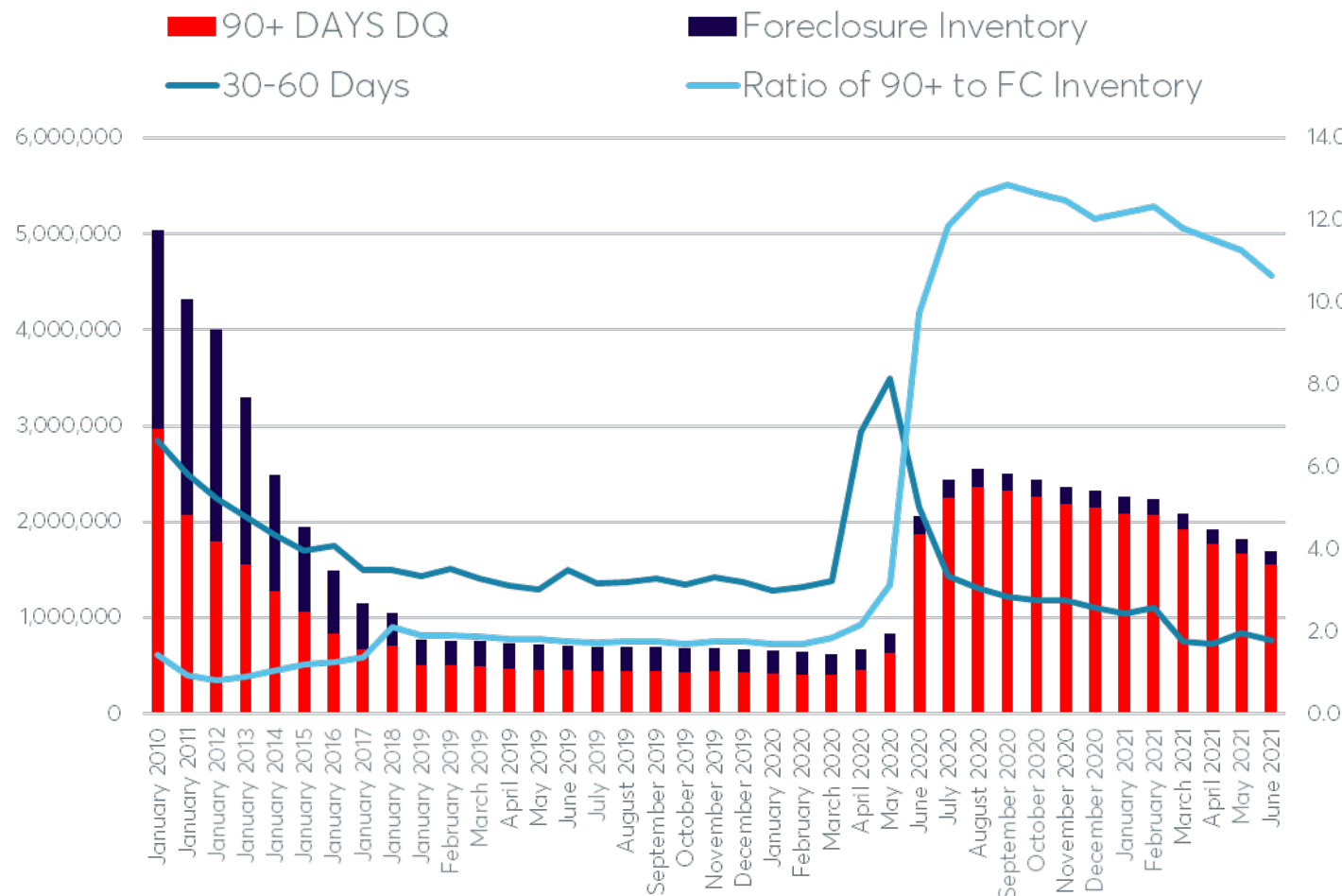
Fewer pre-COVID SDQ not protected by FB or loss mitigation

1.7 million SDQ & Foreclosure still 1 million more than pre-pandemic (2.6 times)

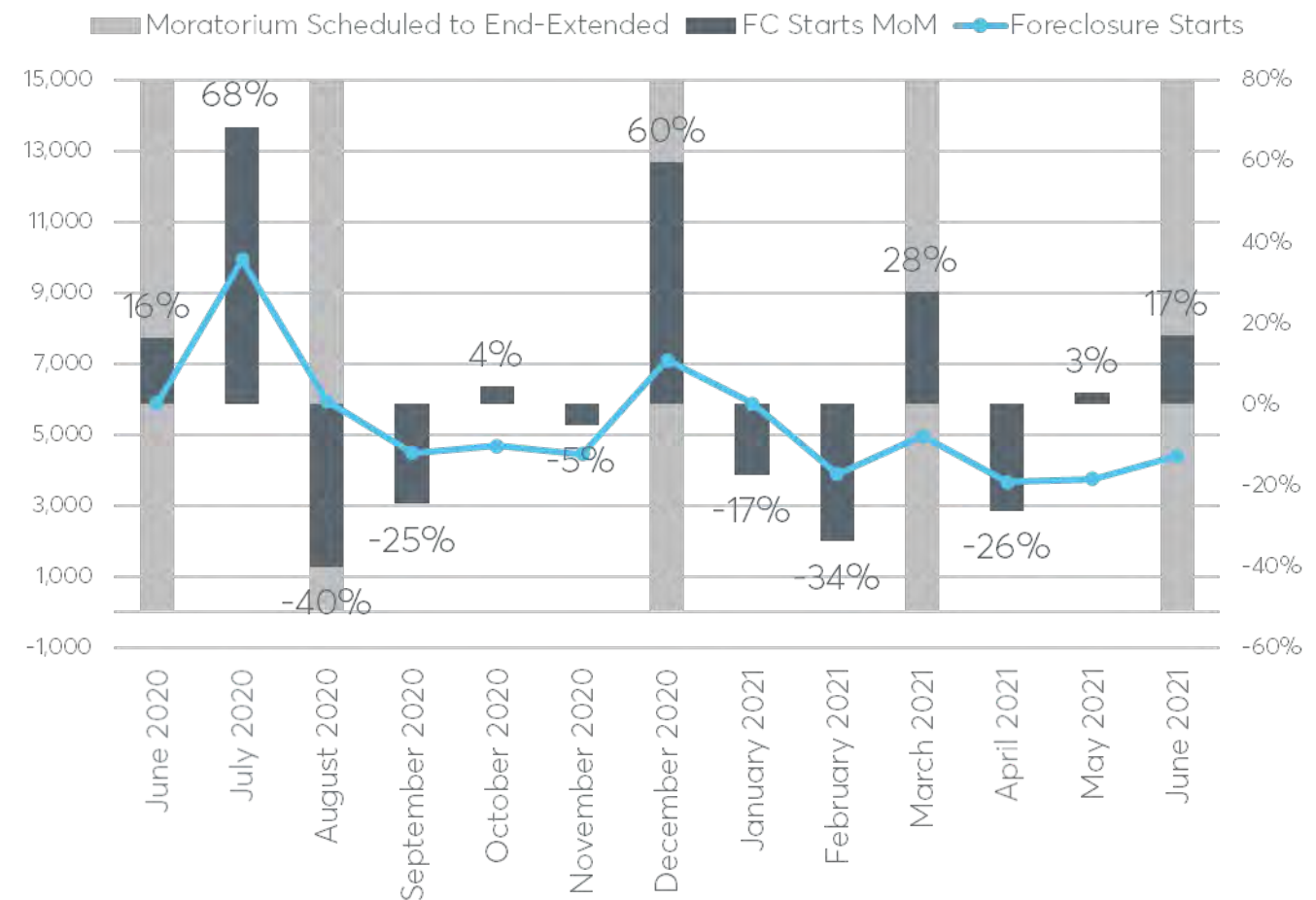
10.7 SDQ for every 1 foreclosure. Pre-pandemic ratio was 1.7 SDQ for every one foreclosure

Early signs of SDQ logjam loosening with two consecutive months of increasing foreclosure starts

SDQ Still the Pig in the Python



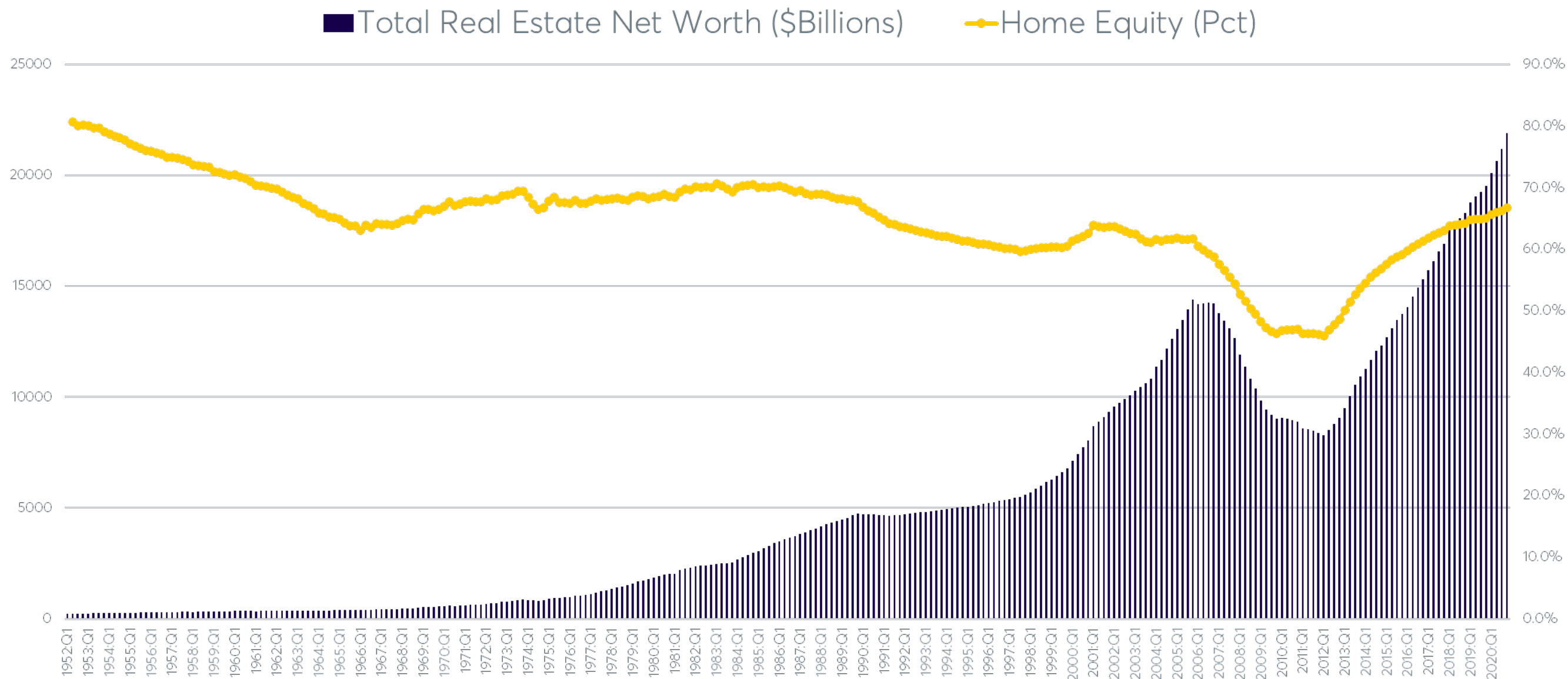
Foreclosure Starts Up for Second Consecutive Month in June (First Time Since July 2020)



Home equity at 31-year high

Record high real estate net worth of \$22.7 trillion

Net worth is 67.3 percent of total real estate assets, highest equity percentage since Q4 1989

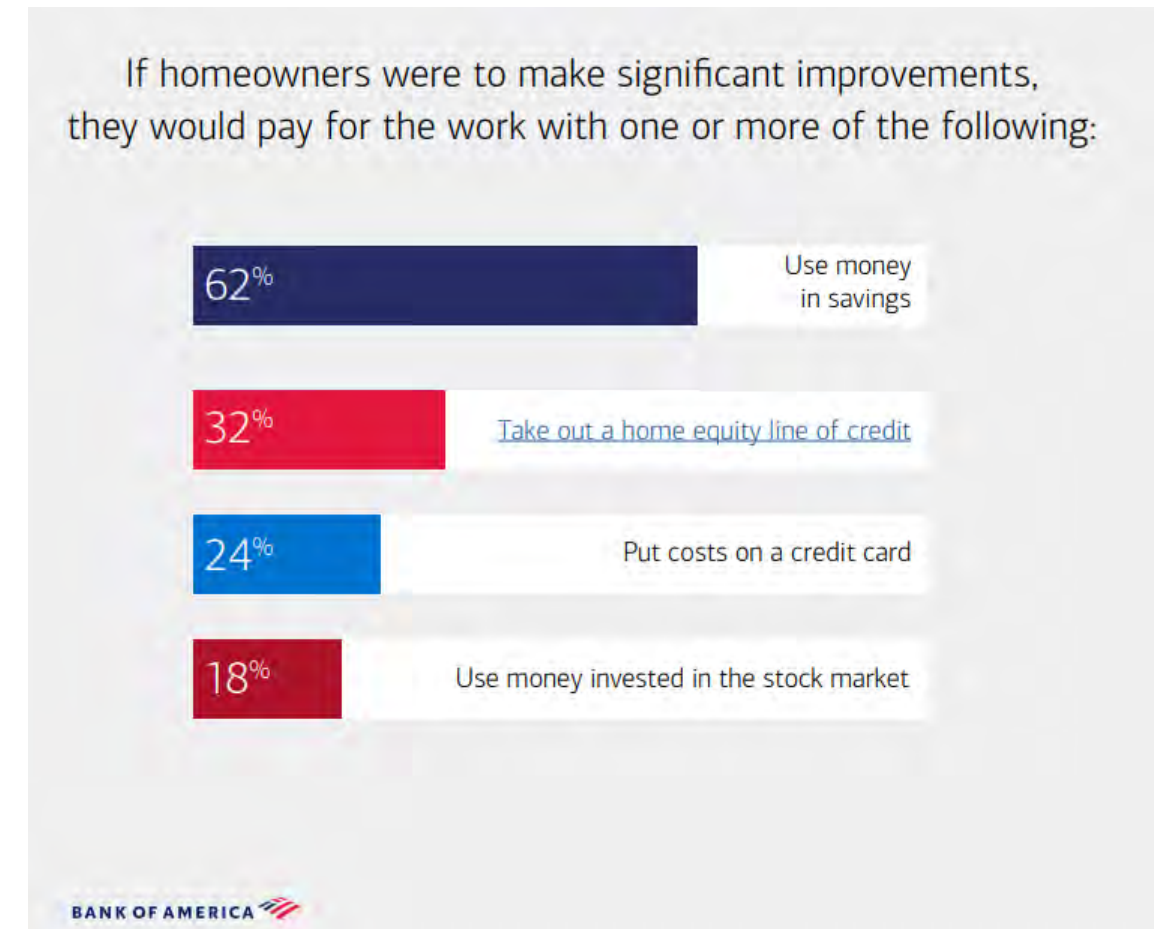
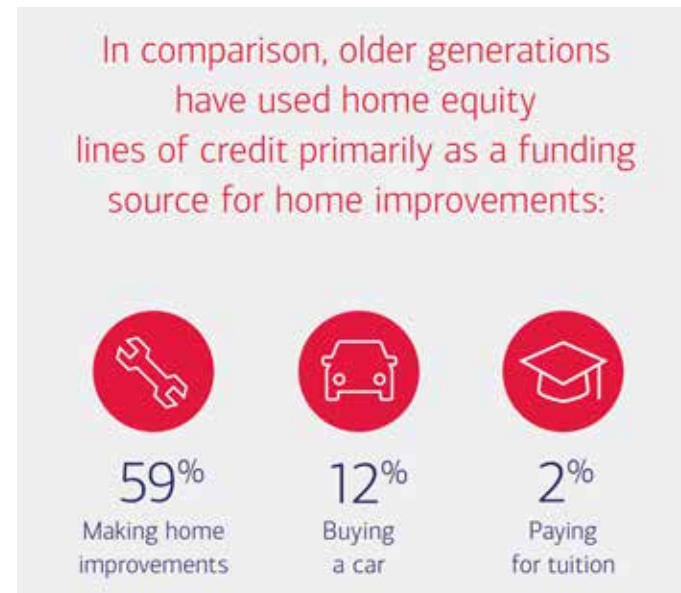
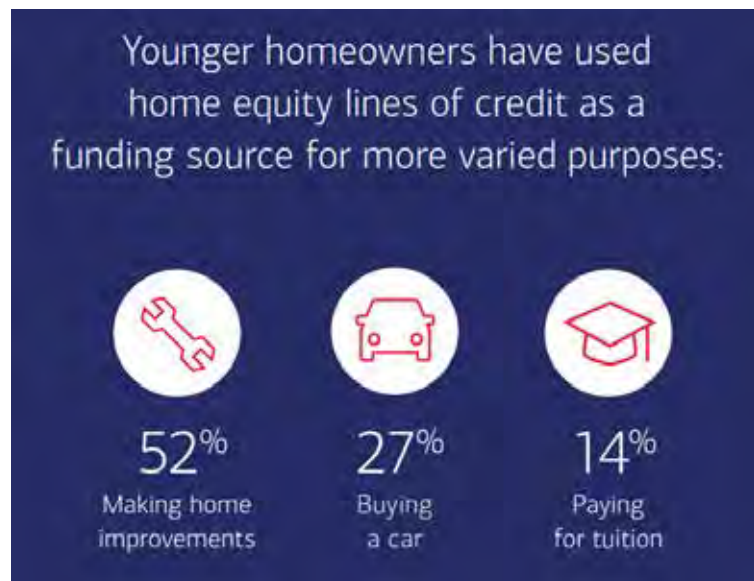
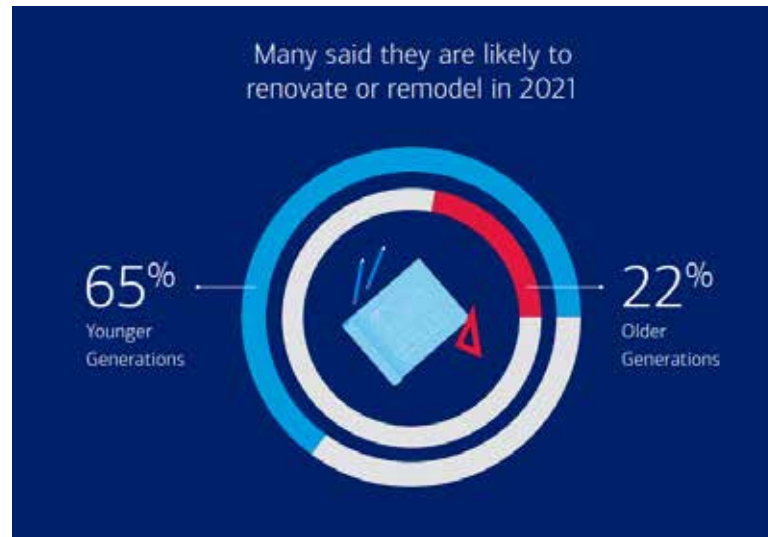


Prospective buyers and current homeowners planning to tap home equity

65 percent of younger homeowners and prospective buyers plan to remodel their home in 2021

Younger homeowners prefer fixer-uppers

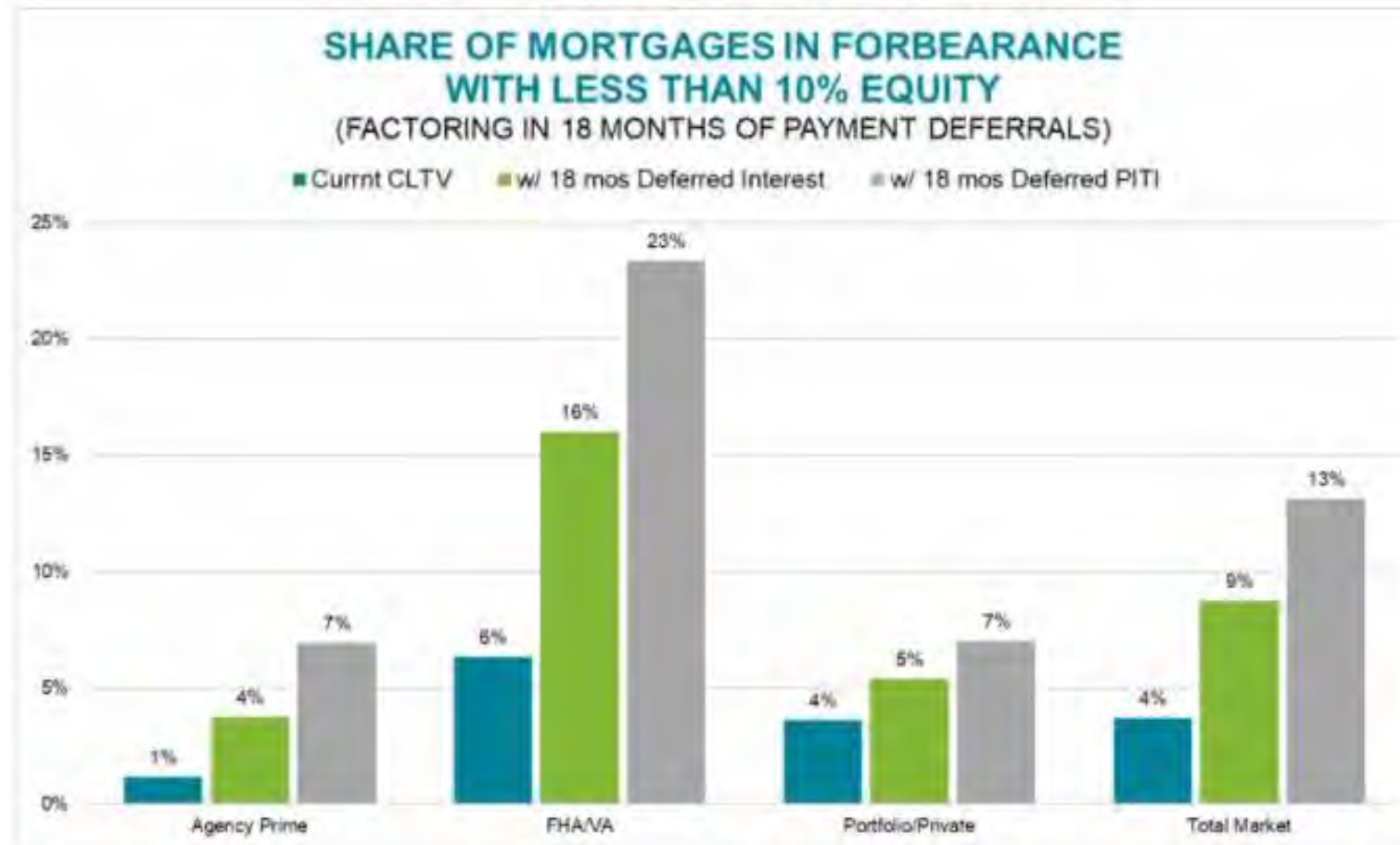
41 percent of younger homeowners would use HELOC on something other than home improvement (14 percent for older)



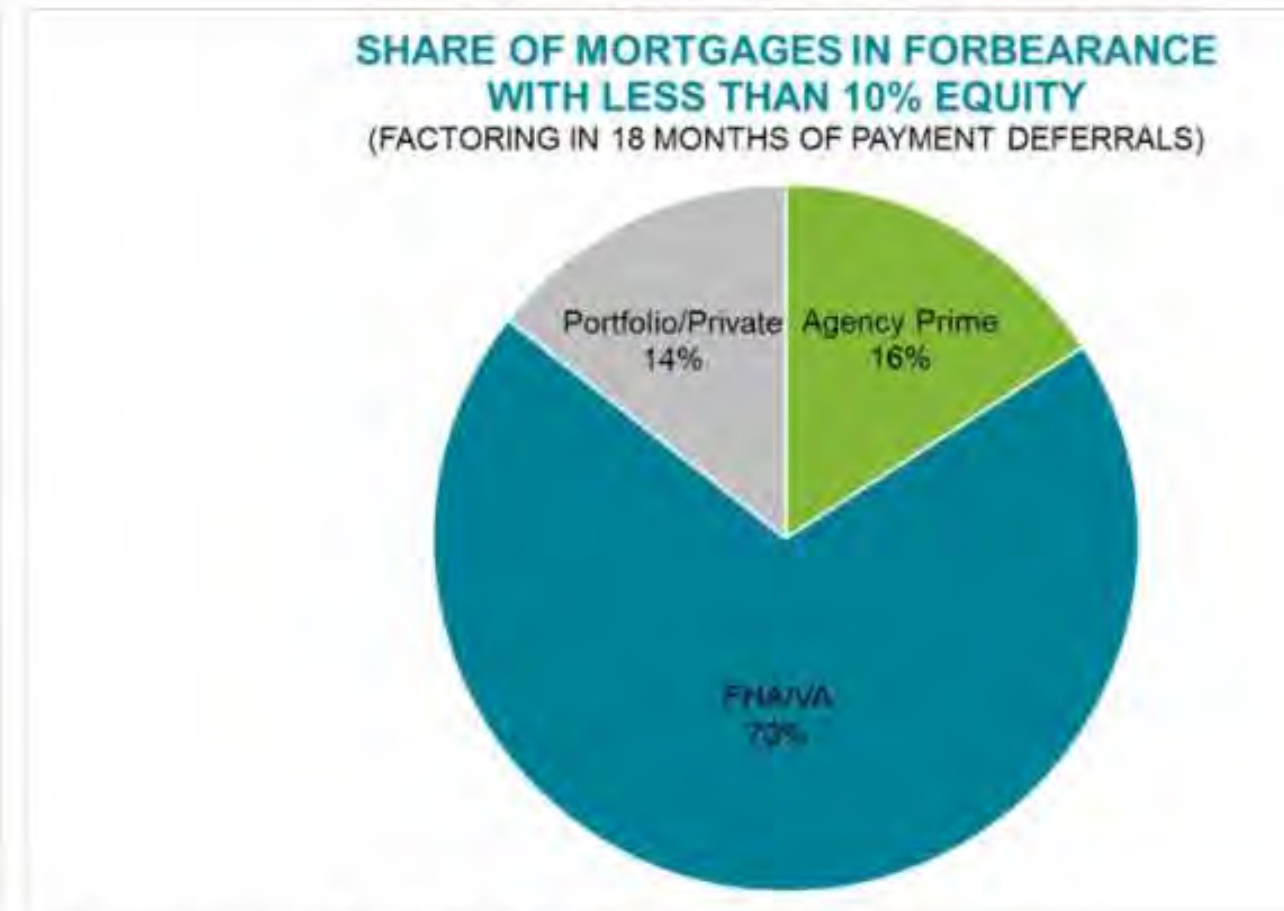
But forbearance is eroding equity – especially for FHA

18 months of forbearance results in a tripling of the share of mortgages with low equity (less than 10 percent)

290K total low equity mortgages in forbearance by end of 18 months – 203K are FHA-backed mortgages



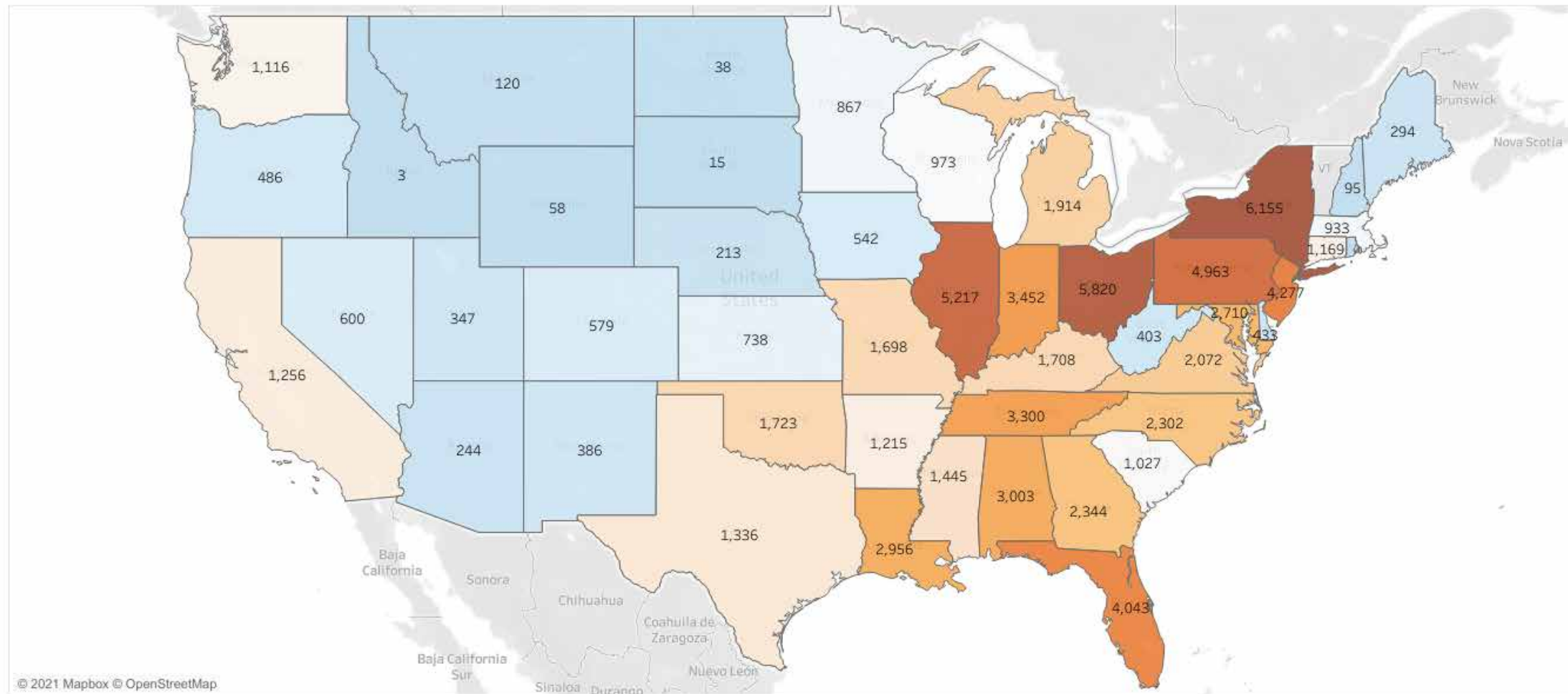
Source: Black Knight, McDash Flash, McDash Property Module
Equity estimates are based on loan level observations of mortgages in active forbearance as of April 30th with mark-to-market property values as of February 2021 using Black Knight's Home Price Index



Source: McDash Flash, McDash Property Module

FHA Seriously Delinquent Loans Not in Forbearance or Loss Mitigation (May 2021)

FHA SDQ Not in Forbearance or Loss Mitigation



Source: HUD Neighborhood Watch <https://entp.hud.gov/sfnw/public/>

Servicers & states with June uptick in FHA foreclosure inventory

Likely an early indicator of where to expect more FHA foreclosure volume initially after moratorium lifts

Servicer	Sum of Active Portfolio	Sum of Total Delinquent Loans as of 06/30/2021	Sum of Seriously Delinquent Loans	Sum of In Foreclosure Count	May In Foreclosure	MoM Change
WELLS FARGO BANK NA	928,671	119,412	86,037	1,102	1,102	0%
FREEDOM MORTGAGE CORPORATION	546,927	94,593	72,009	589	586	1%
MIDFIRST BANK	232,236	76,293	59,655	1,260	1,087	16%
US BANK NA	346,350	55,025	42,043	1,107	1,037	7%
M AND T BANK	331,440	52,428	37,541	544	534	2%
CARRINGTON MORTGAGE SERVICES LLC	293,191	54,204	37,180	1,690	1,688	0%
FLAGSTAR BANK FSB	199,768	38,827	29,285	258	253	2%
CENLAR FEDERAL SAVINGS BANK	368,806	41,381	26,854	599	598	0%
RUSHMORE LOAN MANAGEMENT SERVICES LLC	80,216	16,001	11,797	1,160	523	122%
TRUIST BANK	107,548	12,197	9,183	142	134	6%
CALIBER HOME LOANS INC	120,272	12,735	8,522	69	62	11%
IDAHO HOUSING AND FINANCE ASSN	74,793	11,765	8,279	189	111	70%
BANK OF AMERICA NA CHARLOTTE	78,856	10,688	7,212	42	41	2%
BANCO POPULAR DE PUERTO RICO	74,257	9,148	6,381	980	970	1%
JPMORGAN CHASE BANK NA	104,567	6,711	2,573	201	194	4%
ORIENTAL BANK	21,992	3,187	2,401	193	192	1%
ALABAMA HOUSING FINANCE AUTH	29,999	4,065	2,311	20	19	5%
GATEWAY FIRST BANK	19,053	2,806	1,876	27	26	4%
SUN WEST MORTGAGE CO INC	20,266	2,222	1,670	24	23	4%
BOKF NA	19,798	2,148	1,241	23	22	5%
KENTUCKY HOUSING CORPORATION	18,624	1,496	1,143	64	60	7%
JAMES B NUTTER AND COMPANY	10,480	1,323	894	12	11	9%
SELECT PORTFOLIO SERVICING INC	1,611	395	293	30	29	3%
FAY SERVICING LLC	1,784	434	255	16	15	7%
VANDERBILT MORTGAGE FINANCE	6,324	512	229	7	6	17%
FIDELITY BANK, NATIONAL ASSOCIATION	1,830	290	208	6	5	20%
MONTANA BOARD OF HOUSING	2,444	393	199	3	2	50%
MASSHOUSING	820	164	123	4	3	33%
NORWICH COMMERCIAL GROUP INC	752	145	102	3	2	50%
ASSOCIATED BANK	1,305	131	88	2	1	100%
KONDAUR CAPITAL, LLC	1,041	115	57	4	3	33%
ARVEST CENTRAL MORTGAGE COMPANY	287	71	44	3	2	50%
COMMERCE BANK NA	901	44	25	2	1	100%
STOCKMAN BANK OF MONTANA	411	45	23	2	1	100%
PEOPLE'S UNITED BANK, NATIONAL ASSOCIATI	236	45	19	3	2	50%
FIRST FEDERAL SAVINGS BANK	788	60	18	7	5	40%
Grand Total	7,595,315	1,074,695	759,840	16,550	16,018	3%

State	Sum of Active Portfolio	Sum of Total Delinquent Loans as of 06/30/2021	Sum of Seriously Delinquent Loans	Sum of In Foreclosure Count	May In Foreclosure	MoM Change
ARIZONA	166438	19181	13187	48	41	17%
CALIFORNIA	463505	61778	45586	238	225	6%
CONNECTICUT	91265	14239	10454	384	379	1%
DELAWARE	29833	4880	3487	62	60	3%
FLORIDA	566916	76983	57372	1014	982	3%
GEORGIA	356209	55178	39087	259	247	5%
IDAHO	30631	3355	2229	17	9	89%
ILLINOIS	288371	48051	35542	1269	1244	2%
INDIANA	207663	28215	18826	592	580	2%
IOWA	42590	5495	3740	146	134	9%
LOUISIANA	114901	20591	14811	273	195	40%
MASSACHUSETTS	82413	12634	9094	156	151	3%
MISSISSIPPI	64700	9557	6318	107	94	14%
NEBRASKA	31195	3399	2282	32	27	19%
NEW JERSEY	212754	37816	28675	570	511	12%
NEW MEXICO	54956	7309	5134	237	203	17%
NEW YORK	278742	46143	34838	1917	1757	9%
NORTH CAROLINA	213593	28680	19454	251	250	0%
OKLAHOMA	107713	14673	10416	384	347	11%
OREGON	53341	5962	4406	49	46	7%
PENNSYLVANIA	326930	44822	30277	801	785	2%
PUERTO RICO	114998	14243	10191	1382	1380	0%
SOUTH CAROLINA	124352	18126	12509	197	189	4%
SOUTH DAKOTA	5661	718	515	28	22	27%
TENNESSEE	183614	24119	15830	175	165	6%
TEXAS	810814	127400	89835	481	372	29%
VIRGINIA	212077	29353	20872	172	166	4%

Servicer Data

State Data

Servicers & states with June uptick in FHA loss mitigation failures

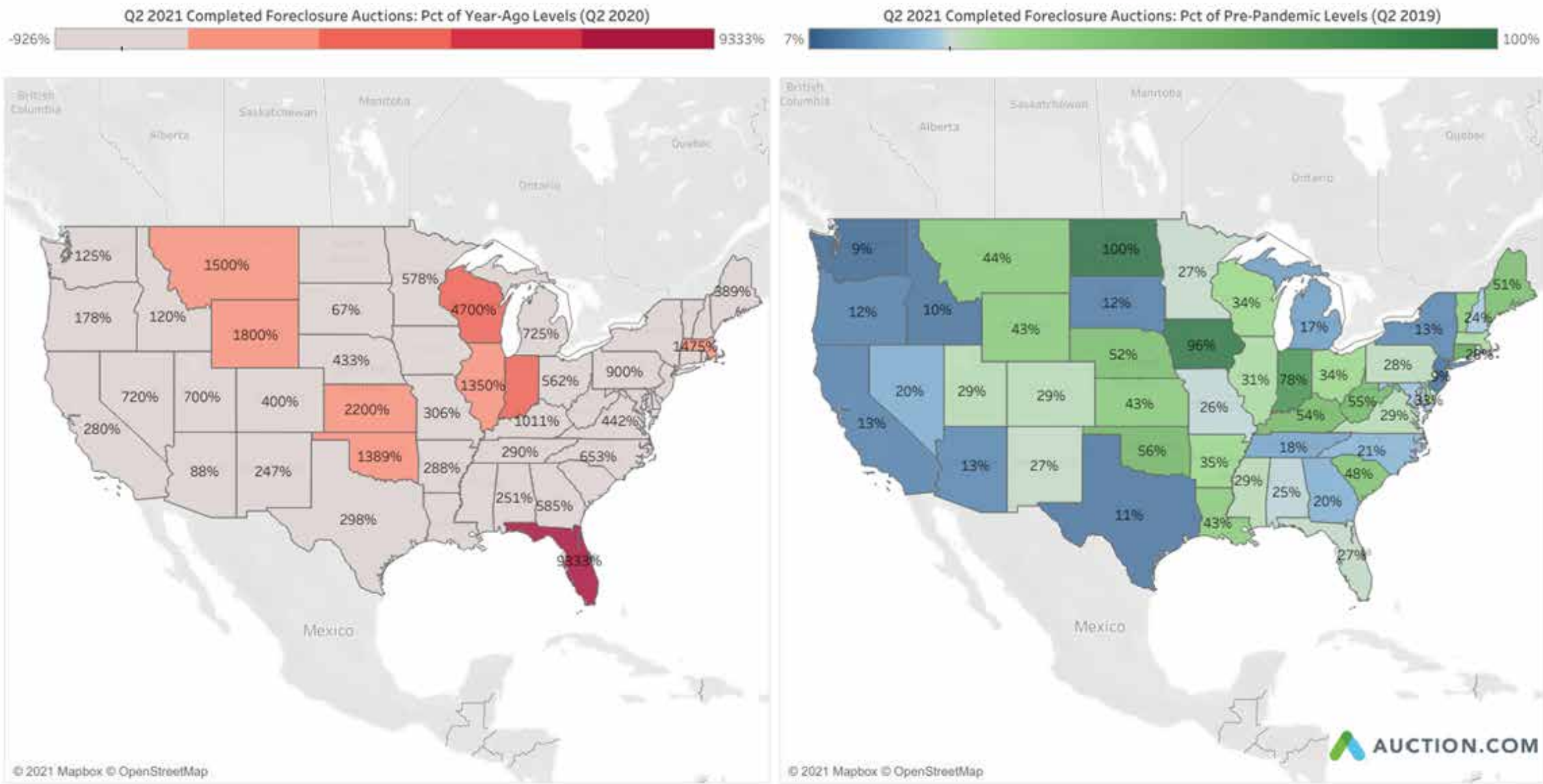
Likely an early indicator of where to expect more FHA foreclosure volume after CFPB rule lifts Jan. 1

Servicer	June Loss Mitigation Failures	May Loss Mitigation Failures	MoM Change
US BANK NA	2277	2257	1%
PHH MORTGAGE CORPORATION	1763	1707	3%
WELLS FARGO BANK NA	1373	1030	33%
FLAGSTAR BANK FSB	1266	1247	2%
MIDFIRST BANK	1083	810	34%
PENNYMAC LOAN SERVICES LLC	832	819	2%
CARRINGTON MORTGAGE SERVICES LLC	768	635	21%
DOVENMUEHLE MORTGAGE INC	430	237	81%
RUSHMORE LOAN MANAGEMENT SERVICES LLC	404	312	29%
PNC BANK, NATIONAL ASSOCIATION	314	277	13%
NATIONSTAR MORTGAGE LLC	304	288	6%
THE MONEY SOURCE INC	262	211	24%
CENLAR FEDERAL SAVINGS BANK	253	236	7%
LOANCARE LLC	251	239	5%
FIFTH THIRD BANK, NATIONAL ASSOCIATION	169	154	10%
PLANET HOME LENDING LLC	129	115	12%
M AND T BANK	98	78	26%
JPMORGAN CHASE BANK NA	91	52	75%
BANCO POPULAR DE PUERTO RICO	88	74	19%
MCCUE MORTGAGE COMPANY	81	77	5%
QUICKEN LOANS, LLC	73	61	20%
CALIBER HOME LOANS INC	73	69	6%
GUILD MORTGAGE COMPANY LLC	72	49	47%
FREEDOM MORTGAGE CORPORATION	65	60	8%
NORTH DAKOTA HOUSING FIN AGENCY	62	56	11%
KENTUCKY HOUSING CORPORATION	56	43	30%
ORIENTAL BANK	55	47	17%
IDAHO HOUSING AND FINANCE ASSN	53	46	15%
HOME POINT FINANCIAL CORPORATION	52	40	30%
SERVICEMAC, LLC	43	37	16%
MYCUMORTGAGE LLC	40	37	8%
HUNTINGTON NATIONAL BANK	37	19	95%
BROKER SOLUTIONS INC	33	16	106%
GATEWAY FIRST BANK	32	20	60%
REGIONS BANK	31	28	11%
FIRST BANK OF PR	23	22	5%
TRUSTMARK NATIONAL BANK	21	4	425%
UTAH HOUSING CORPORATION	19	11	73%
AMERIFIRST FINANCIAL CORP	19	18	6%
TENNESSEE HOUSING DEV AGENCY	18	17	6%

State	June Loss Mitigation Failures	May Loss Mitigation Failures	MoM Change
TEXAS	1536	1291	19%
OHIO	786	669	17%
ILLINOIS	763	711	7%
GEORGIA	696	670	4%
PENNSYLVANIA	650	580	12%
NEW YORK	615	545	13%
CALIFORNIA	606	591	3%
MARYLAND	559	455	23%
INDIANA	489	430	14%
NEW JERSEY	475	444	7%
NORTH CAROLINA	387	359	8%
MICHIGAN	366	320	14%
MISSOURI	356	321	11%
VIRGINIA	330	284	16%
ARIZONA	306	265	15%
CONNECTICUT	273	232	18%
LOUISIANA	272	262	4%
ALABAMA	262	199	32%
OKLAHOMA	261	239	9%
TENNESSEE	261	222	18%
MINNESOTA	236	233	1%
SOUTH CAROLINA	229	182	26%
COLORADO	211	174	21%
MASSACHUSETTS	188	146	29%
NEVADA	183	150	22%
KENTUCKY	178	144	24%
PUERTO RICO	170	145	17%
MISSISSIPPI	143	110	30%
ARKANSAS	133	118	13%
WISCONSIN	122	100	22%
UTAH	94	68	38%
IOWA	82	59	39%
OREGON	75	70	7%
NORTH DAKOTA	63	57	11%
NEW HAMPSHIRE	22	15	47%
IDAHO	16	10	60%
MAINE	13	9	44%

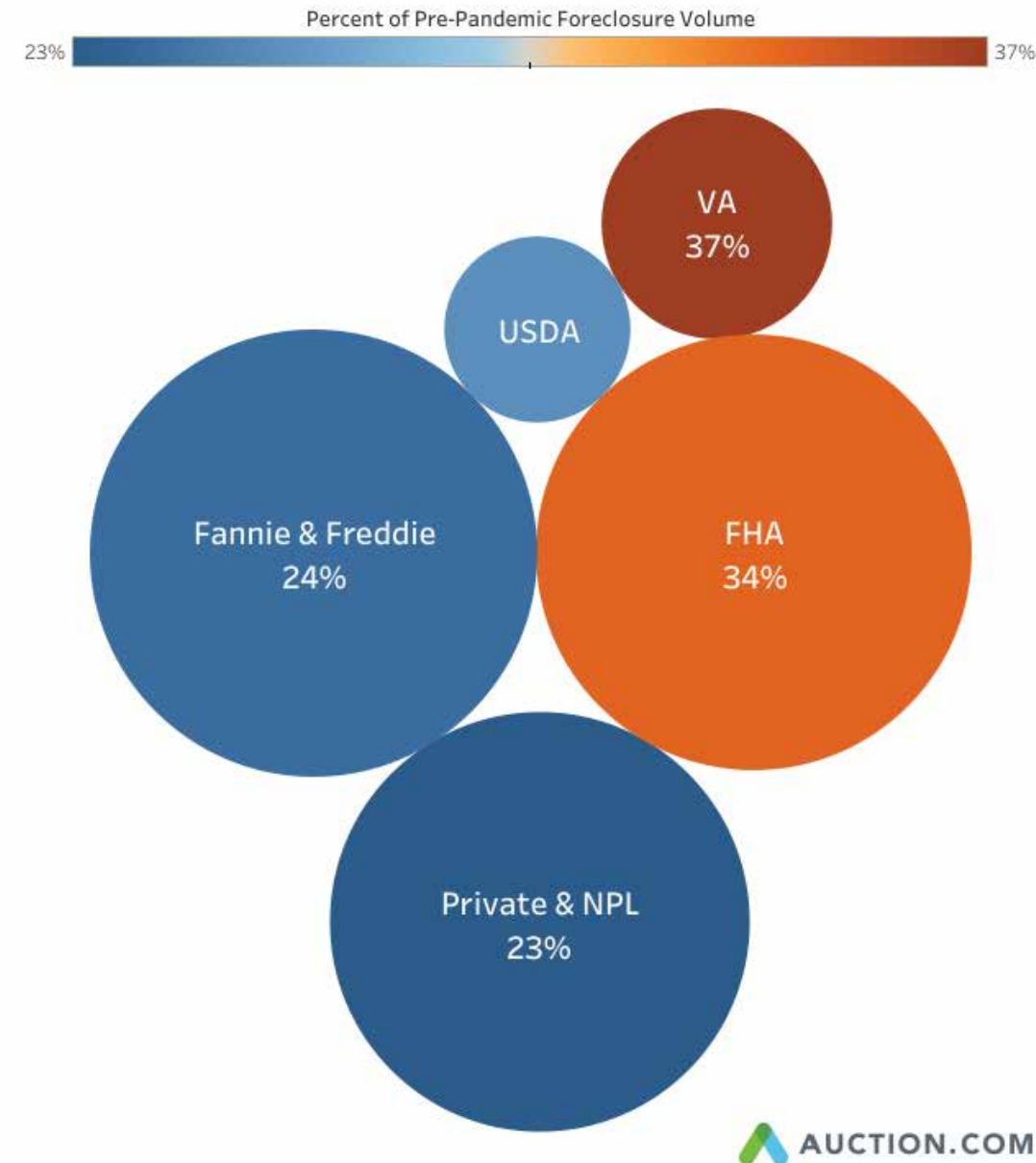
Where foreclosure activity is already returning

Q2 2021 Foreclosure Auction Activity



What type of foreclosure activity is already returning

Q2 2021 Completed Foreclosures by Loan Type



§ FHA 29% of total Q2 volume

Up 1600% from year ago

34% of pre-pandemic levels

§ Fannie & Freddie 30% of volume

Up 375% from year ago

24% of pre-pandemic levels

§ Private & NPL 27% of total volume

Up 487% from year ago

23% of pre-pandemic levels

§ VA 8% of total volume

Up 545% from year ago

37% of pre-pandemic levels

§ USDA 5% of total volume

Up 1600% from year ago

26% of pre-pandemic levels

Recent spike in pre-foreclosure sales and short sales

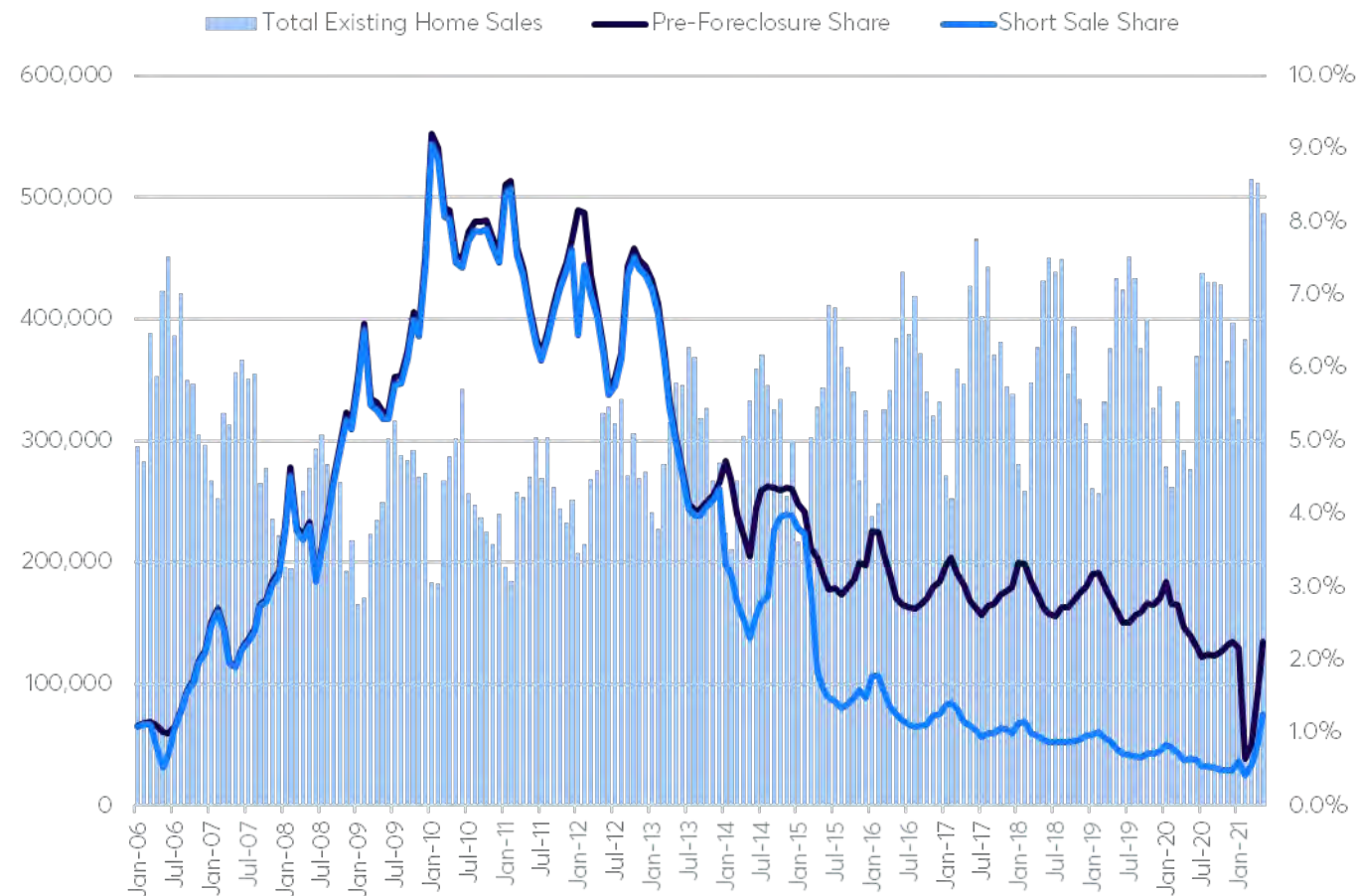
More than 10,000 pre-foreclosure sales in May, a 19-month high

More than 6,000 of these were short sales (no equity), a nearly 6-year high

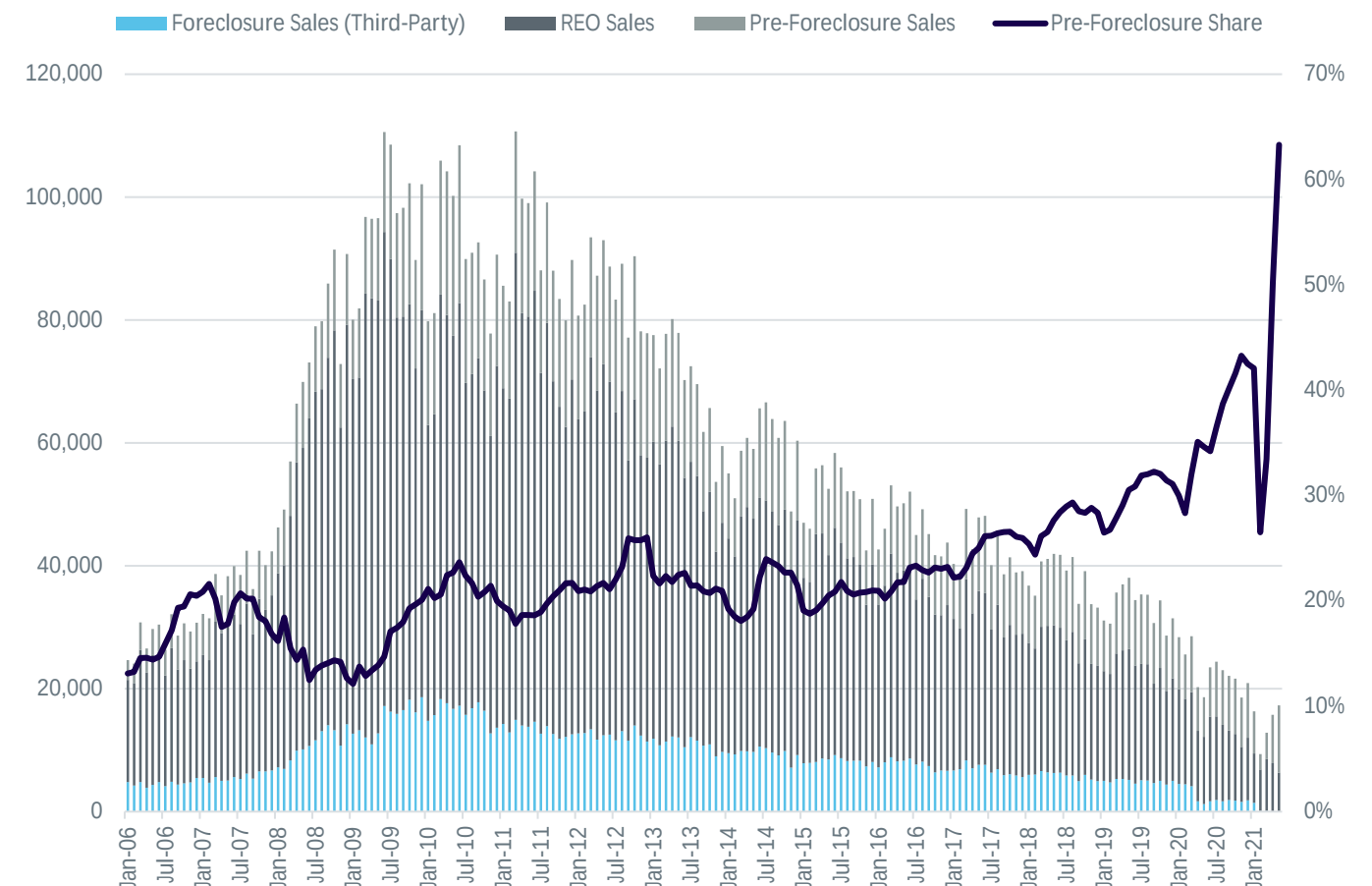
Pre-foreclosure sales were 63 percent of distressed dispositions in May, and short sales were 56 percent of pre-foreclosure sales

41 percent of all pre-foreclosure sales were on properties with FHA loans, 10 percent VA, and 48 percent other (conventional etc)

Share of Total Existing Home Sales



Share of Distressed Dispositions



Hot housing market continues to turn a corner

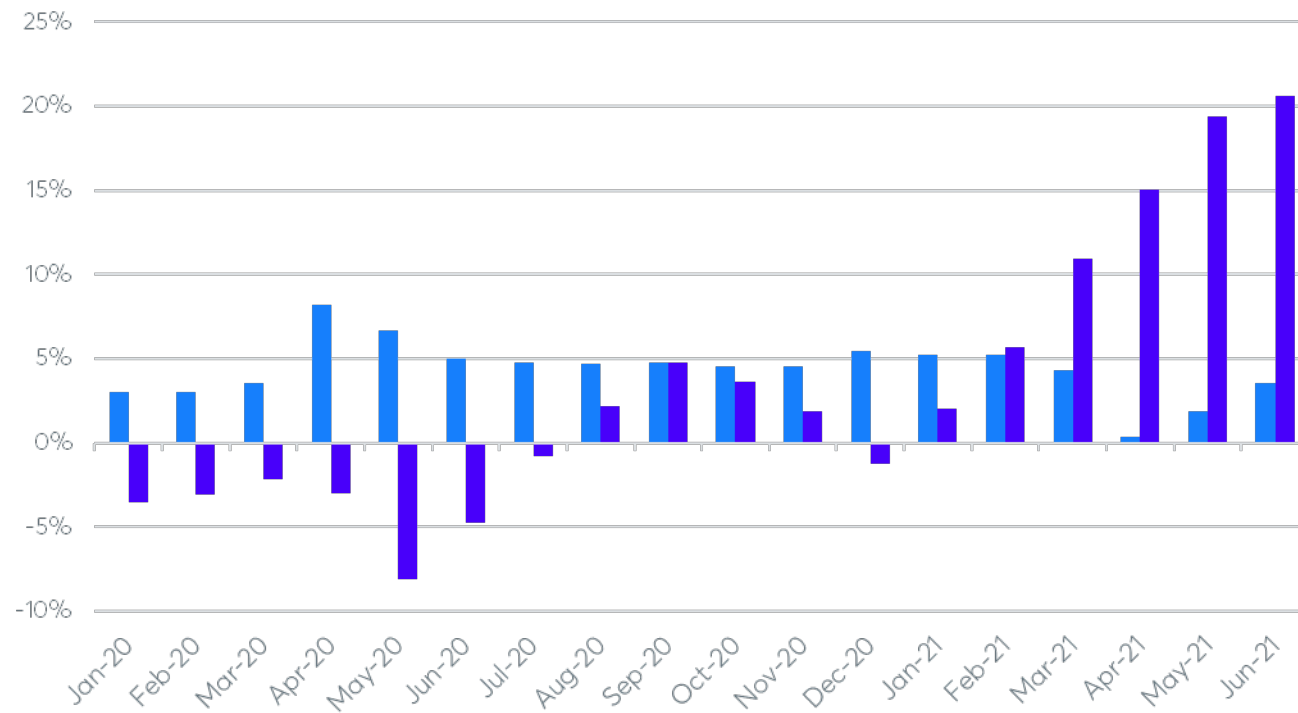
Affordability has worsened for five straight months (monthly payments going up faster than wages)

Inventory has increased for four straight months

Still hot though: record-high price of \$363,300 in June

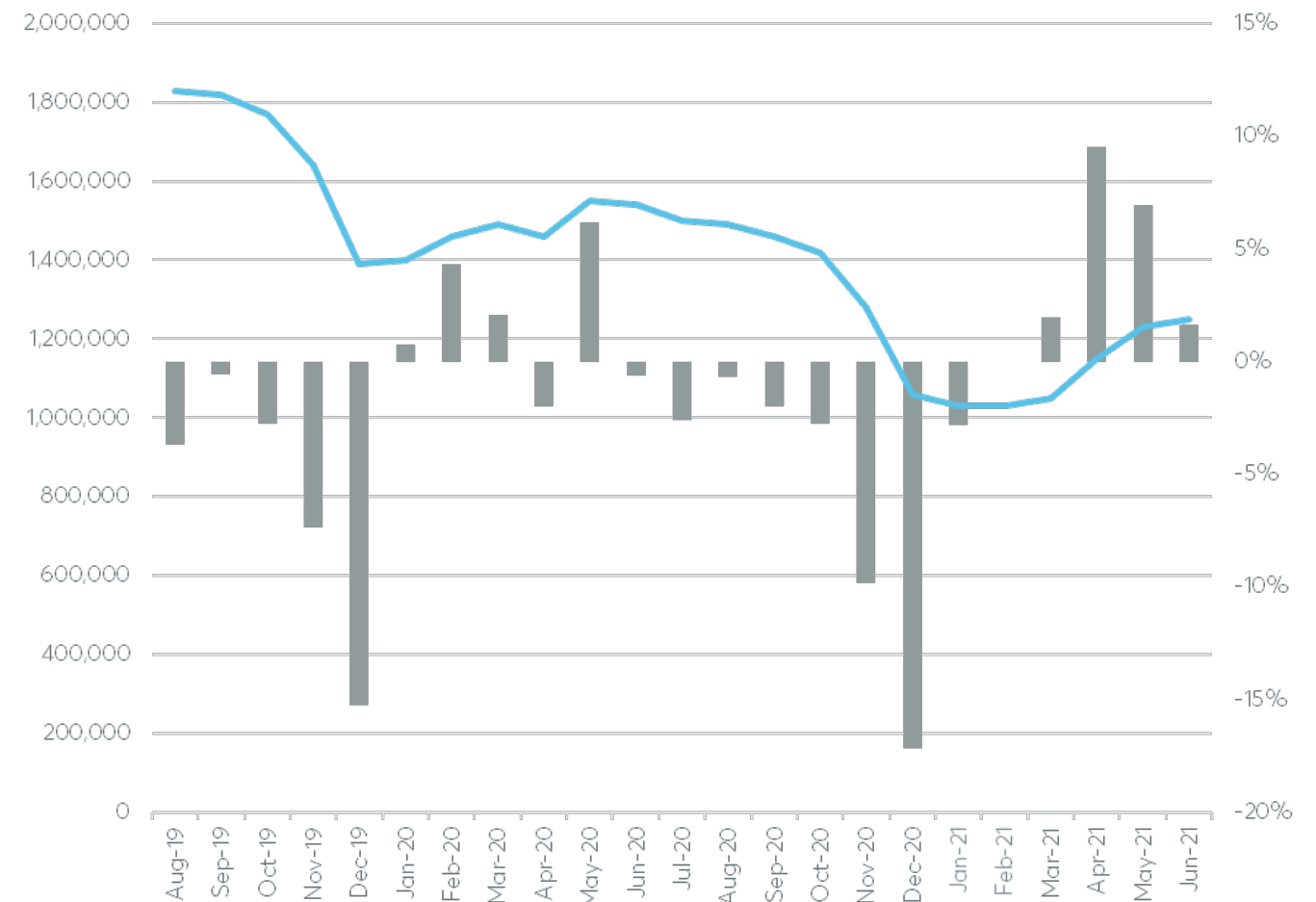
Affordability Turned Corner in February 2021

■ Avg Hourly Earnings YoY Pct Change ■ Monthly Payment YoY Change



Supply Turned Corner in March 2021

■ Inventory MoM ■ Existing Homes For Sale Inventory



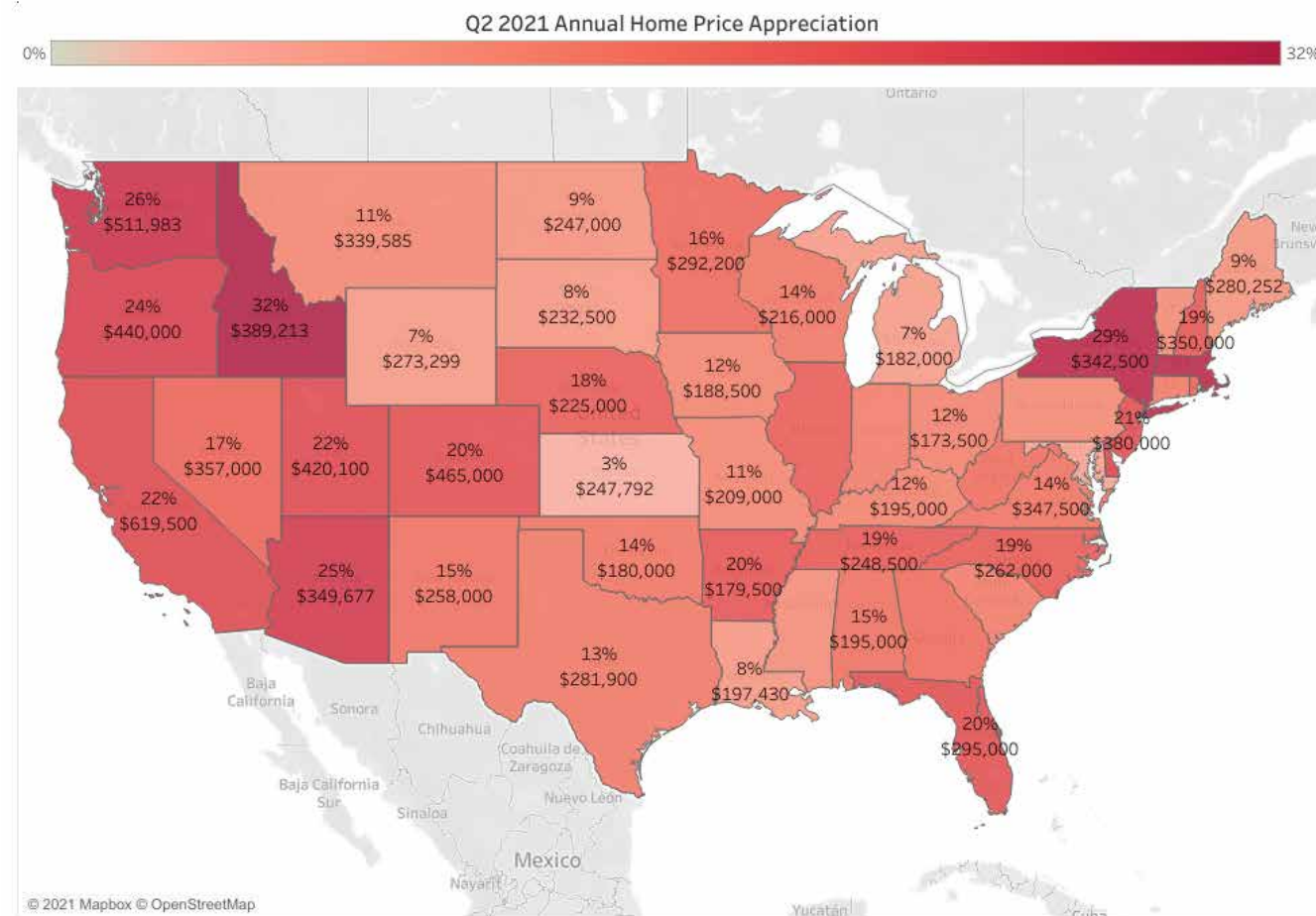
Still a seller's market in most areas

Double-digit home price appreciation in 40 states, and home prices up in every state in Q2

Double-digit home price appreciation in 245 out of 352 metro areas, and home prices up in 337 of 352 metros

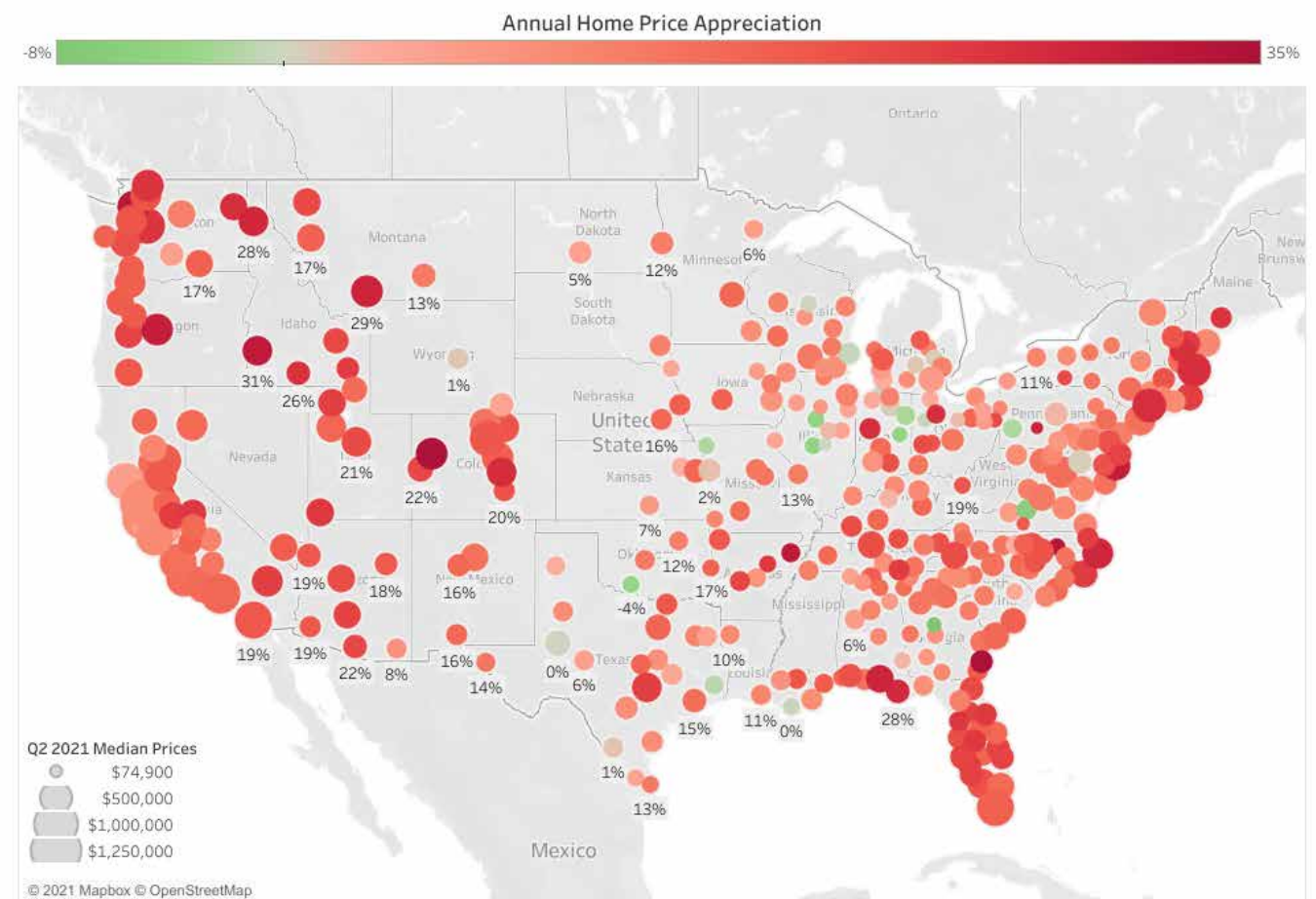
Metros with falling prices included Milwaukee, Pittsburgh, Fort Wayne, Peoria and Beaumont, Texas

Q2 2021 Median Home Prices by State



Source: ATTOM Data Solutions

Q2 2021 Median Home Prices by Metro



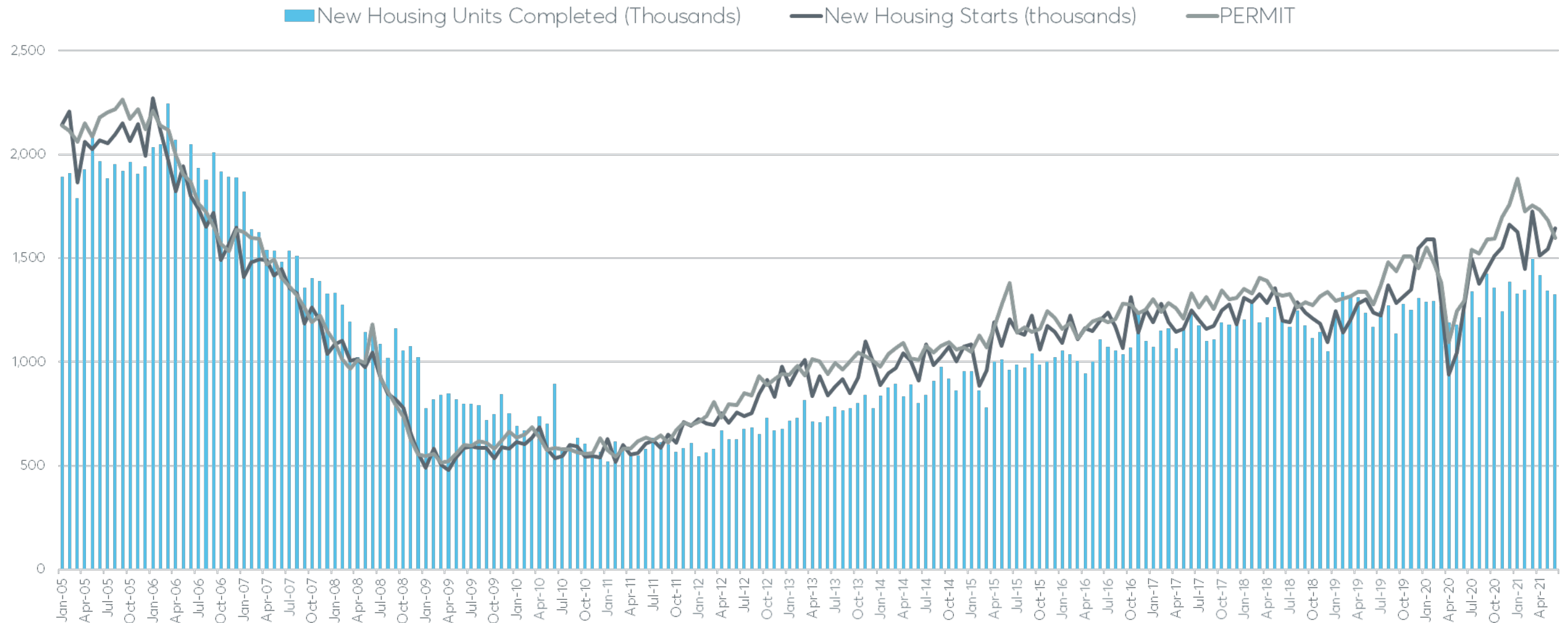
Source: ATTOM Data Solutions

New inventory on its way

Building permits averaging 1.7 million annualized pace so far this year and hit a 15-year high of 1.8 million in January

Housing starts averaging 1.6 million annualized pace so far this year and hit a nearly 15-year high of 1.7 million in March

Housing completions averaging 1.4 million annualized pace so far this year, hit a nearly 14-year high of 1.5 million in March

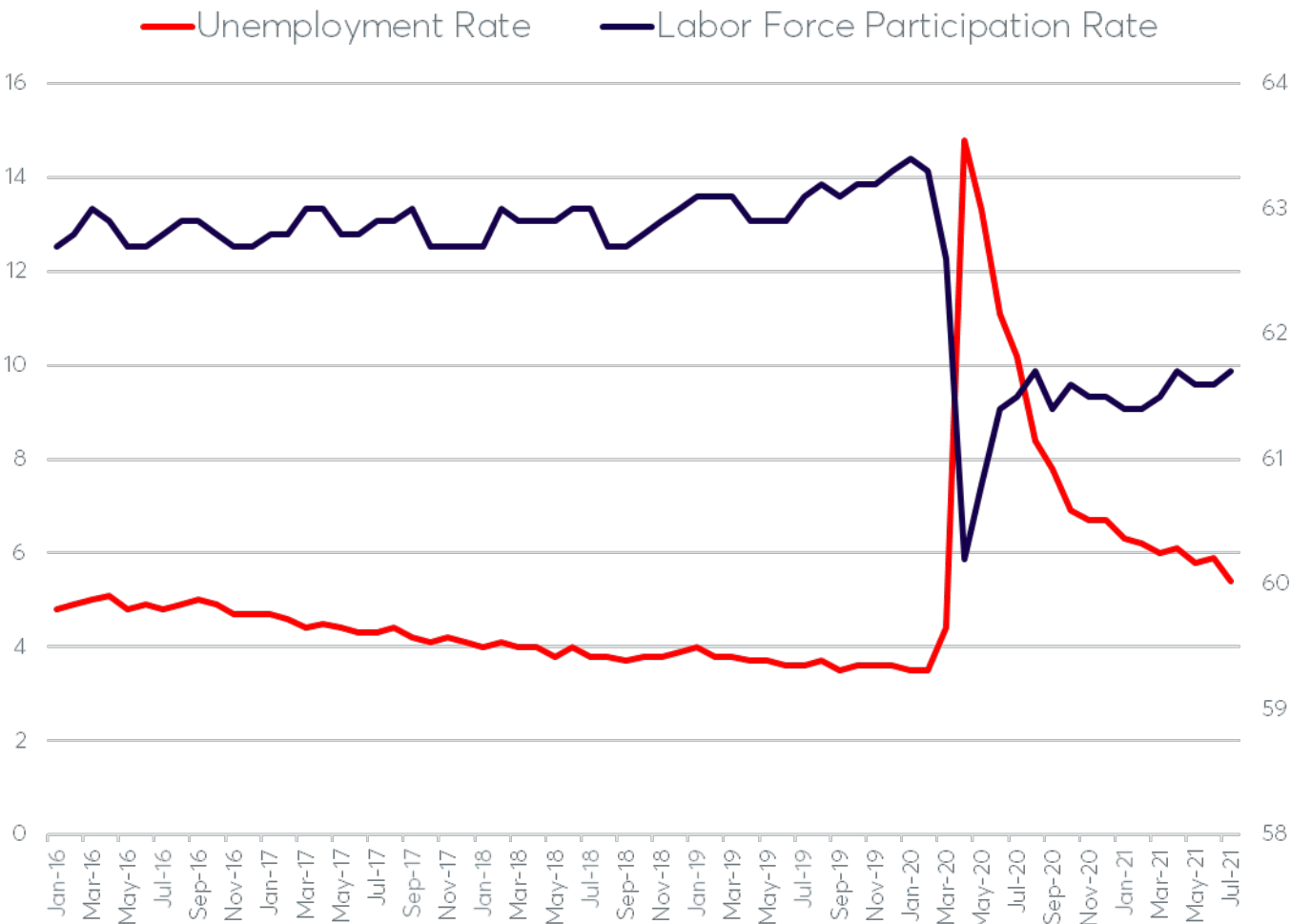
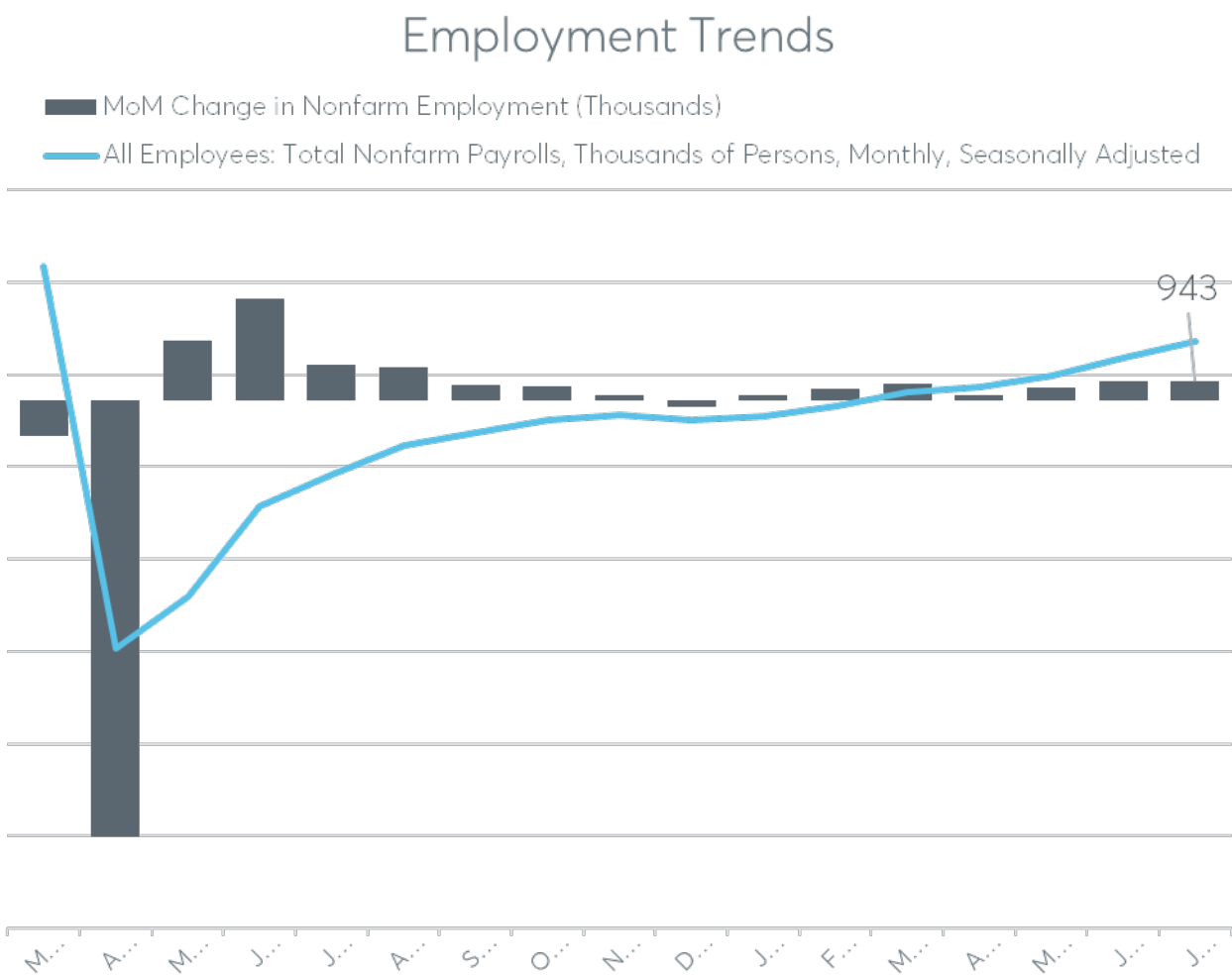


Acceleration of job gains should accelerate Fed stimulus pullback

943,000 jobs added in July, highest in 11 months and third straight month above half a million

Still 5.7 million fewer jobs than pre-pandemic

Unemployment rate down to 5.4 percent, post-pandemic low

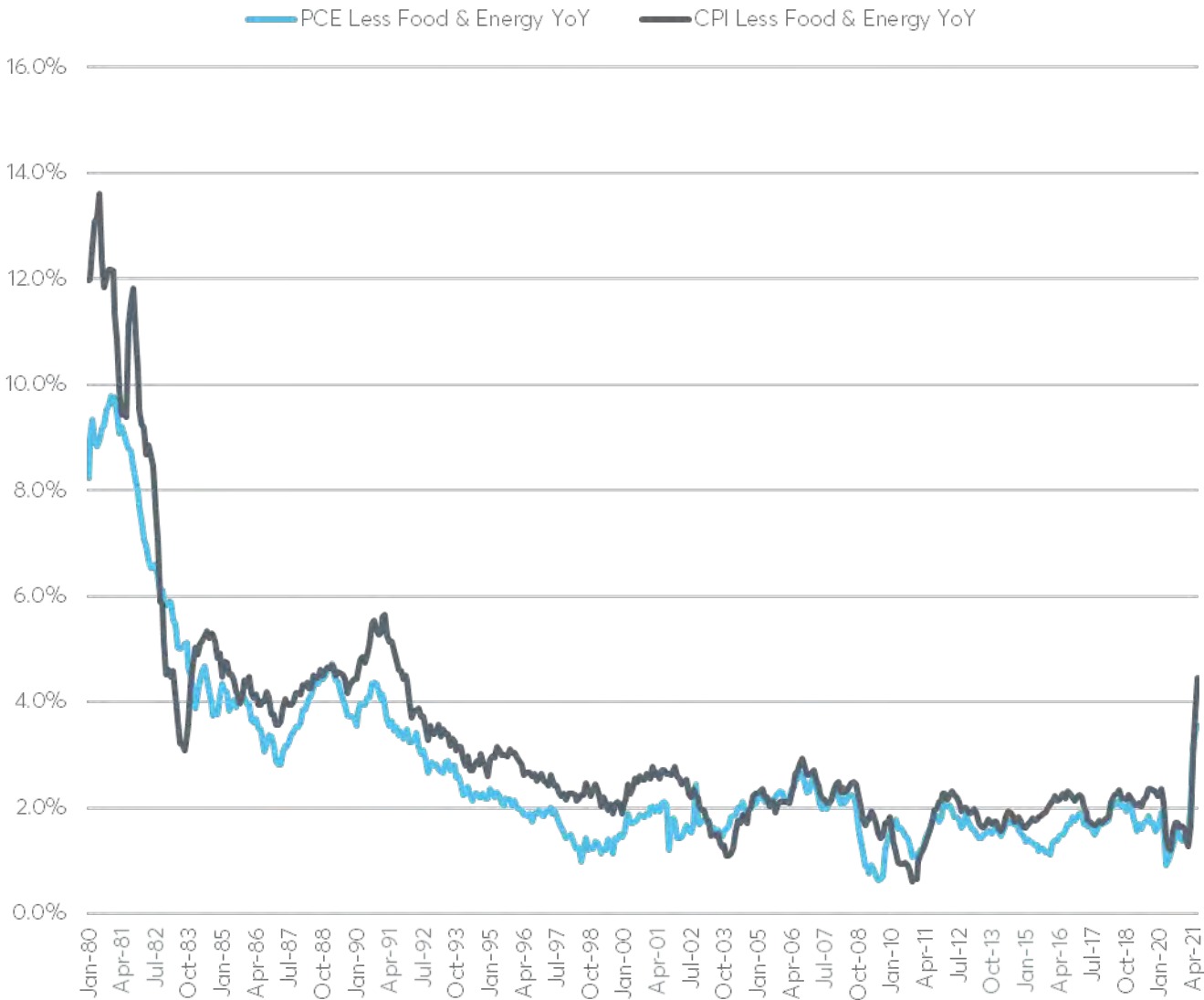


Accelerating inflation also should put pressure on Fed to raise rates sooner

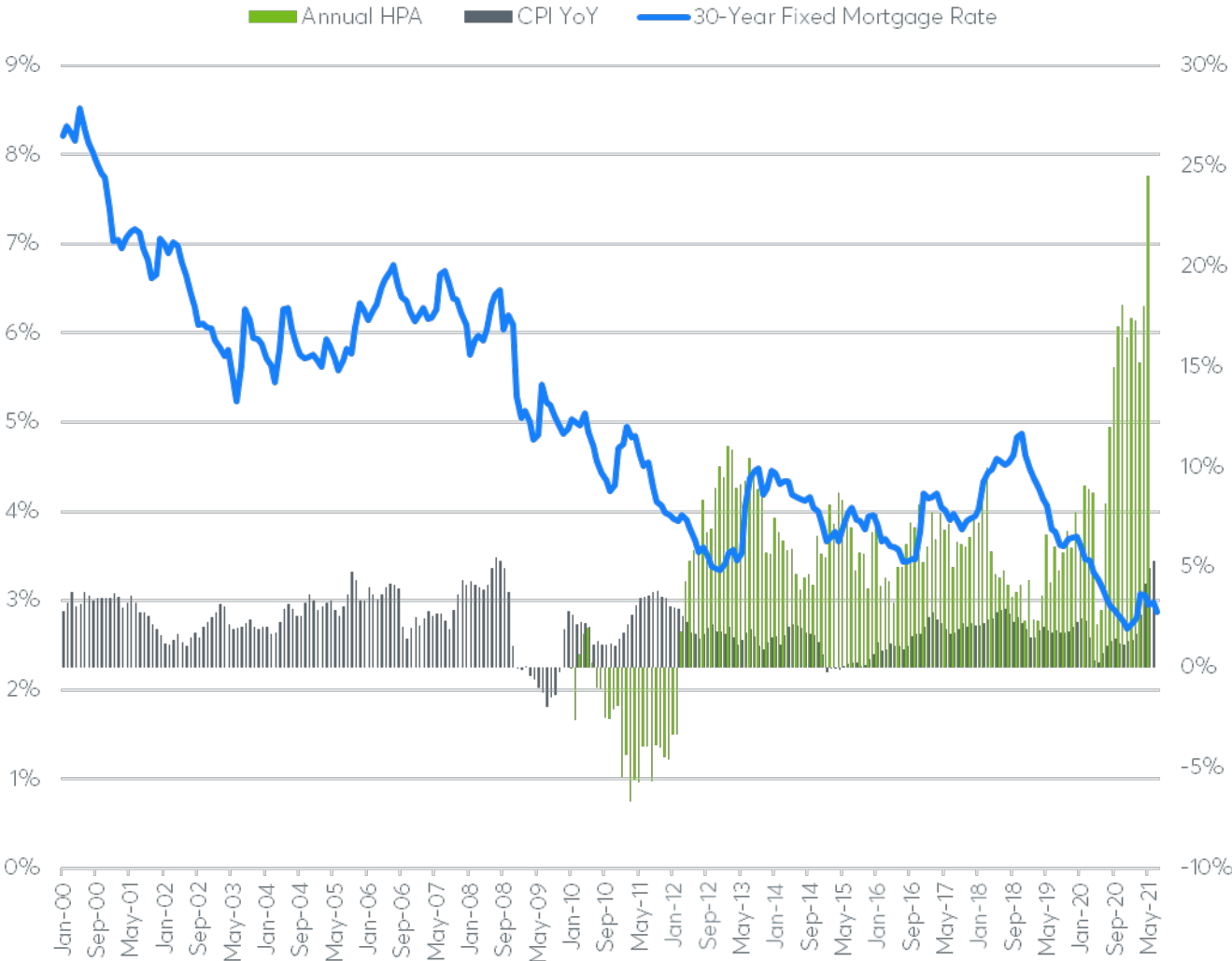
PCE less food and energy (preferred Fed measure) at highest level since May 1991: 3.5 percent

CPI less food and energy at highest level since Sept. 1991 (4.5 percent)

Inflation at 30-Year High



HPA Accelerating Also



CoreLogic predicting sharp drop off in HPA over next year

CoreLogic home price index up 17.2 percent in June 2021, highest since 1979

Predicting that their home price index will increase just 3.2 percent in June 2022

Predicting most major markets will drop to single-digit appreciation or go negative in June 2022 (except San Diego)

Houston down 1 percent, Phoenix up less than 1 percent

Classify 6 of 10 major metros as “Overvalued”: Denver, Houston, Las Vegas, Miami, Phoenix, DC

Figure 1: HPI and HPI Forecast Percentage Change Year over Year

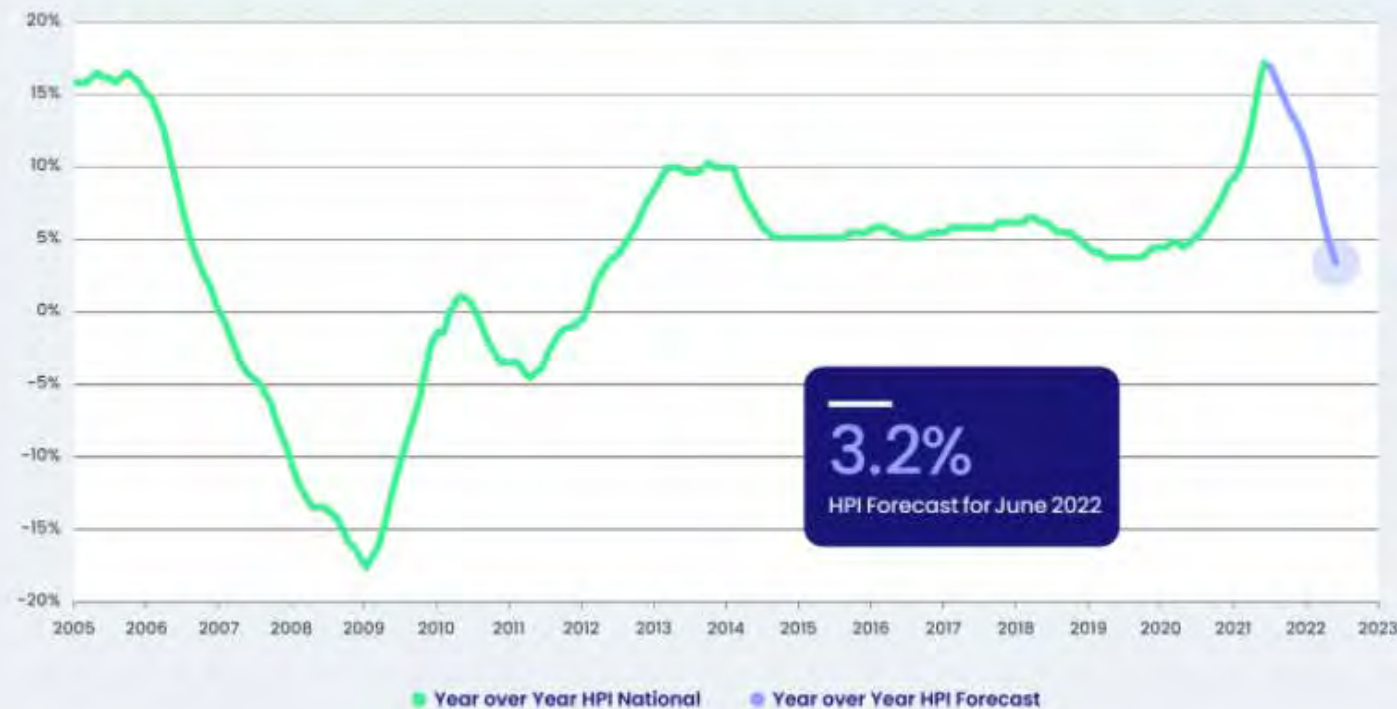


Table 1: Single-Family Combined HPI Percent Change and Market Condition Indicators for Select Metros*

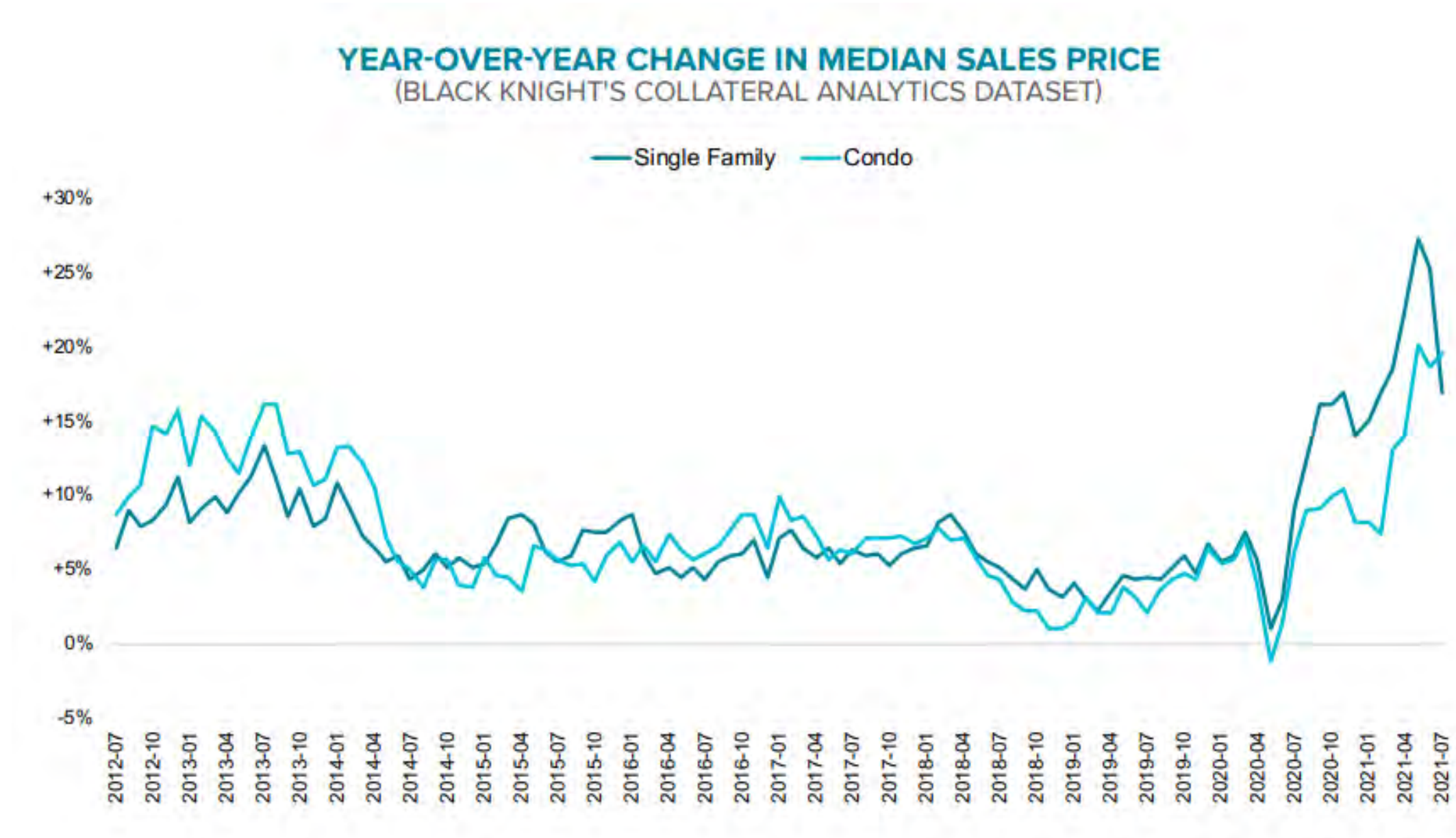
Select Metropolitan Areas	Year-over-Year Percent Change	Forecasted Year-over-Year Percent Change	Market Condition Indicators
Boston MA	11.6%	3.3%	Normal
Chicago-Naperville-Arlington Heights IL	7.8%	4.3%	Normal
Denver-Aurora-Lakewood CO	18.4%	3.0%	Overvalued
Houston-The Woodlands-Sugar Land TX	9.7%	-0.9%	Overvalued
Las Vegas-Henderson-Paradise NV	18.3%	4.3%	Overvalued
Los Angeles-Long Beach-Glendale CA	13.8%	4.3%	Normal
Miami-Miami Beach-Kendall FL	10.9%	4.6%	Overvalued
Phoenix-Mesa-Scottsdale AZ	26.9%	0.9%	Overvalued
San Diego-Carlsbad CA	22.4%	11.5%	Normal
Washington-Arlington-Alexandria DC-VA-MD-WV	13.8%	3.0%	Overvalued

* The above listing is not intended to be a forecast of future results. It is only a summary of the current market conditions. The actual results may vary. The forecast is based on the current market conditions and is subject to change. The forecast is not a guarantee of future results. The forecast is not a recommendation of any specific investment. The forecast is not a recommendation of any specific investment. The forecast is not a recommendation of any specific investment.

Early signs of HPA slowdown showing up in preliminary July numbers

Median sales price in first three weeks of July up 17 percent year-over-year

Down from 25 percent increase in first three weeks of June



Investor impact on housing supply

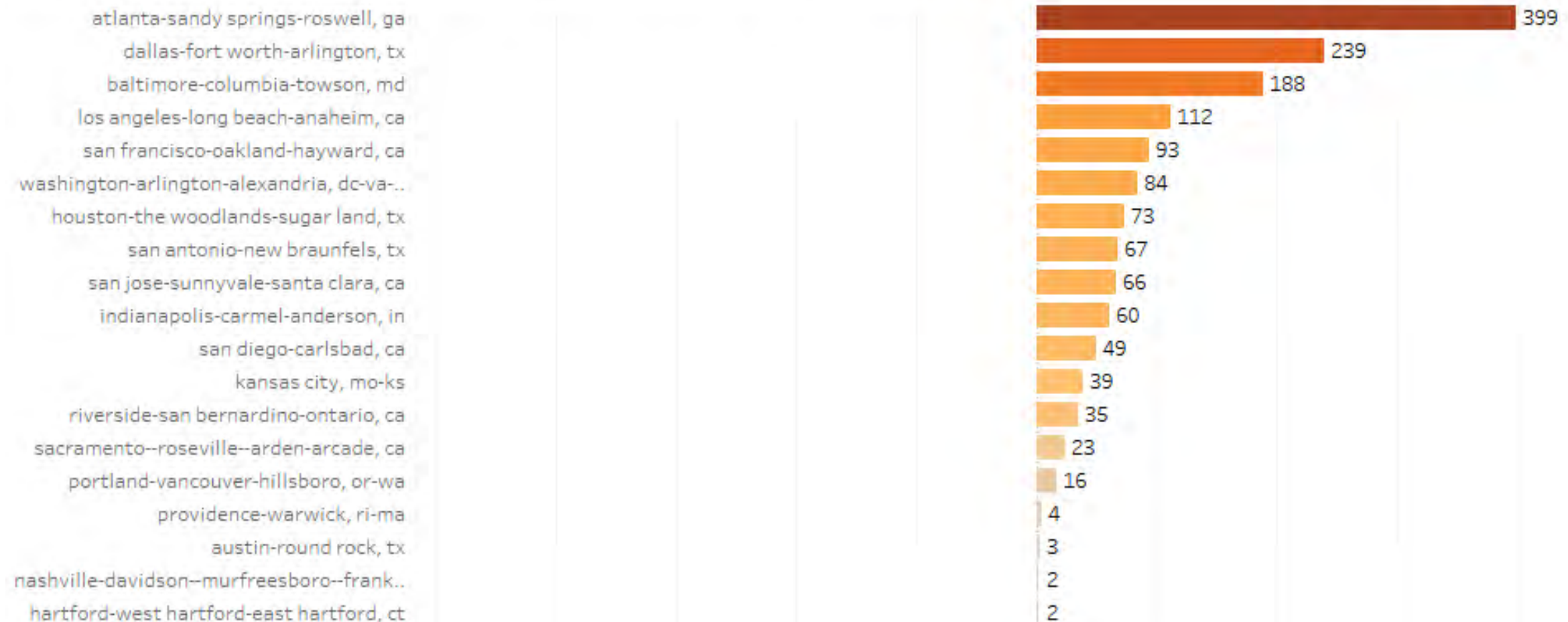
Analysis looking at whether real estate investors are soaking up supply (hold) or adding to supply (flip)

In recent months the net effect of investors has been to soak up supply

But the opposite is true in some markets, including Atlanta, Dallas, Baltimore, LA, San Francisco, DC, Houston

April 2021 Investor Net Contribution by Metro

realtor.com®



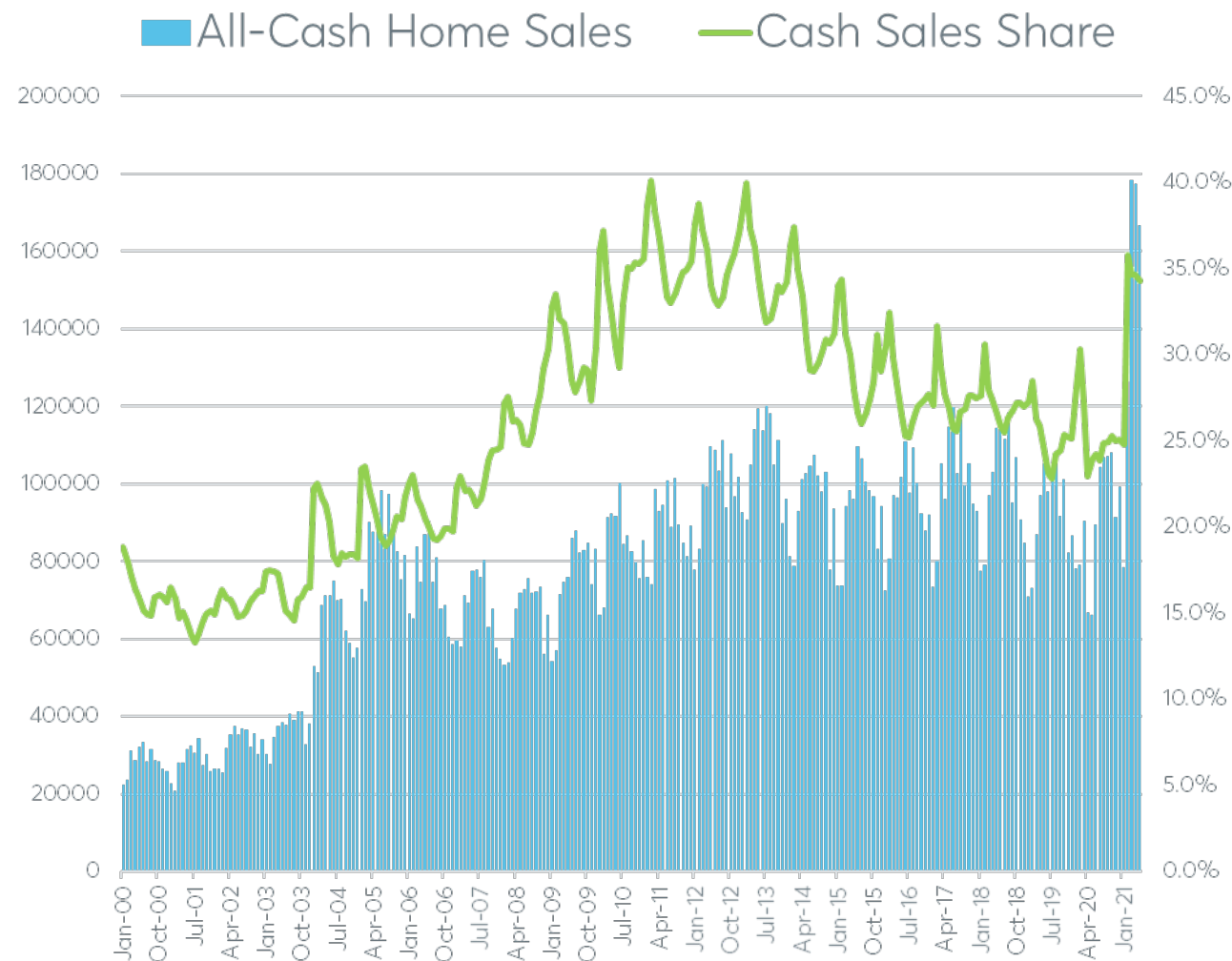
Spike in cash sales

All-time high in number of cash sales in March 2021

More than 7-year high in cash sales share of all home sales in February 2021 (highest since February 2014)

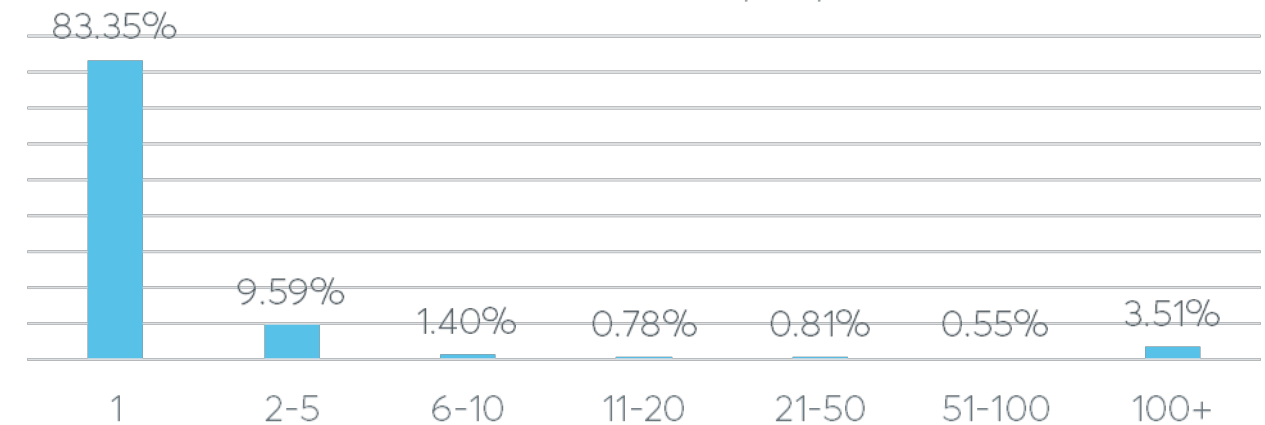
83 percent of all-cash buyers were single-property buyers, 92 percent purchased five or fewer so far in 2021

76 percent of all-cash distressed property buyers were single property buyers, 89 percent purchased five or fewer

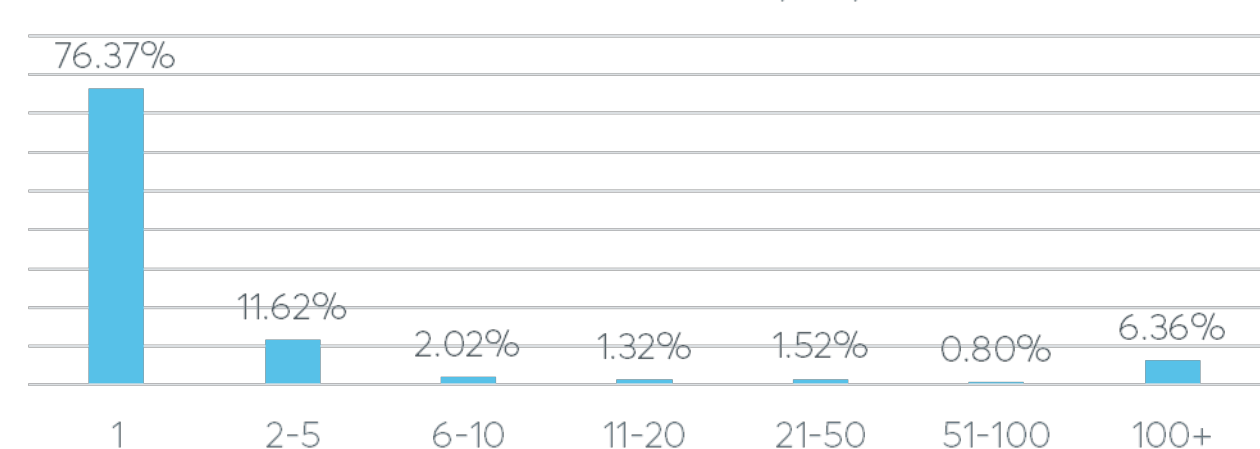


Source: ATTOM Data Solutions

YTD 2021 All-Cash Home Sales by Buyer Volume Band



YTD 2021 All-Cash Distressed Sales by Buyer Volume Band

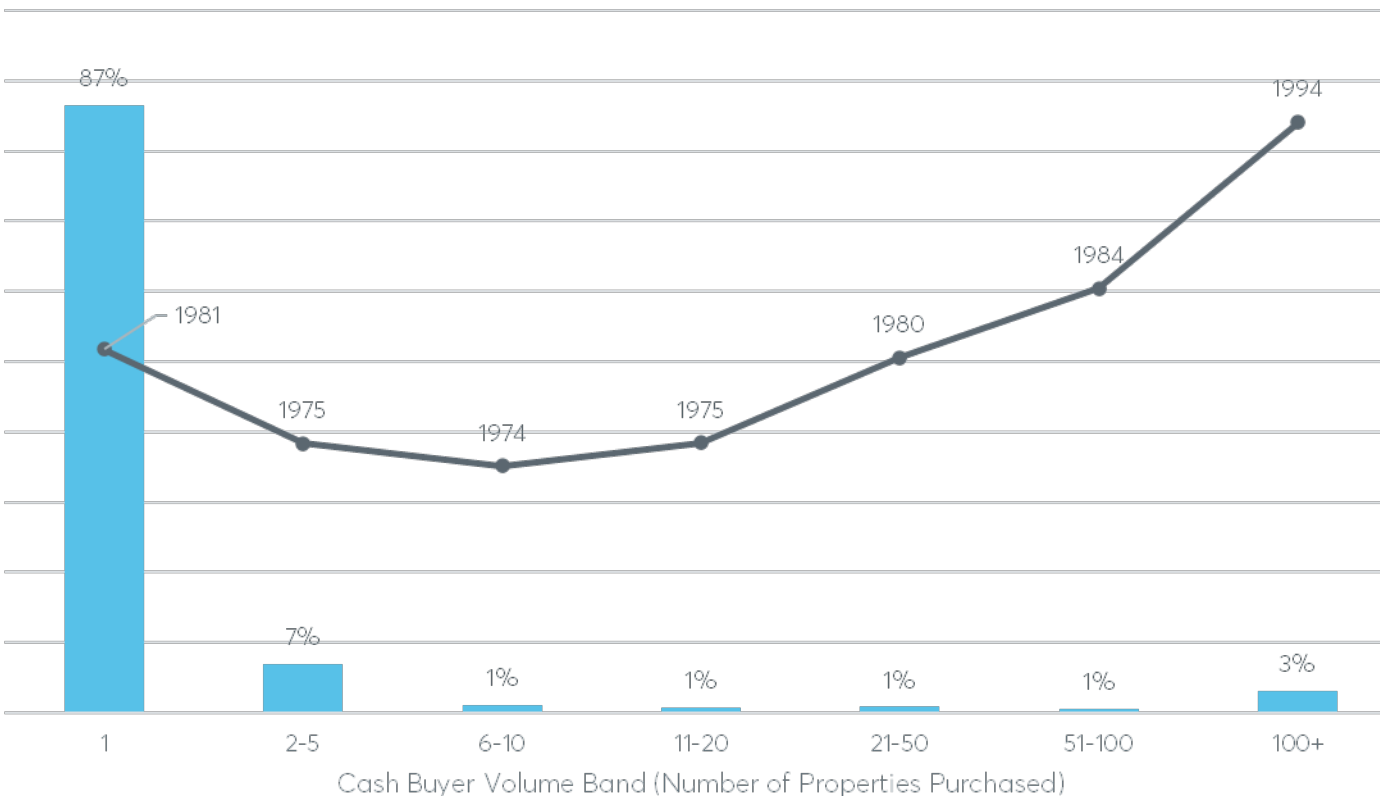


Most cash buyers are individuals, not institutions

Purchase Volume Band	In-Foreclosure Cash Purchases	Other Cash Purchases	Pct Distress
1	14,056	803,216	1.7%
2-5	1,435	64,671	2.2%
6-10	292	10,849	2.7%
11-20	262	7,369	3.6%
21-50	267	7,705	3.5%
51-100	125	5,159	2.4%
100+	1,051	28,919	3.6%
Grand Total	17,488	927,888	1.9%

Profile of Cash Buyers in 2021

Pct of Cash Sales YTD 2021 Avg Year Built of Properties Purchased



87 percent of all cash buyers YTD in 2021 purchased just one property during that time

80 percent of all in-foreclosure cash buyers YTD in 2021 purchased just one property during that time

The average age of properties purchased by individuals and smaller investors (five or fewer purchases YTD 2021) is 40 to 45 years old

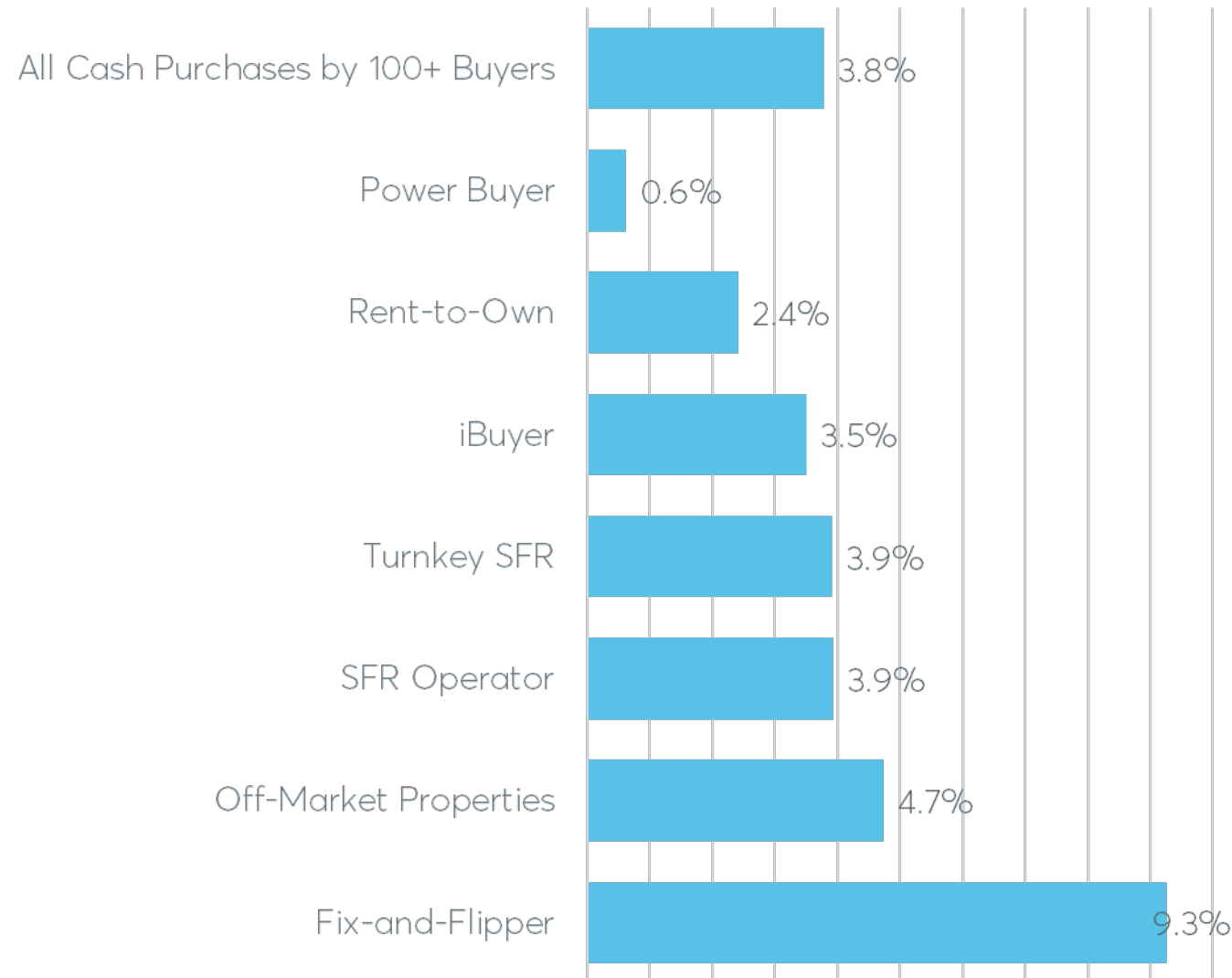
The average age of properties purchased by institutions (100+ cash purchases YTD 2021) is 27 years old

Institutional buyers and their buy box

Most purchases are non-distressed

Average purchase price is nearly \$300K

Share of Purchases in Foreclosure



Avg Age of Properties Purchased

