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Mortgage Delinquencies Continue to Rise Nationally, Says MBA



Posted by Michael Gerrity 11/19/09 10:55 AM EST

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(WASHINGTON, D.C.) -- The delinquency rate for mortgage loans on one-to-four-unit residential properties rose to a seasonally adjusted rate of 9.64 percent of all loans outstanding as of the end of the third quarter of 2009, up 40 basis points from the second quarter of 2009, and up 265 basis points from one year ago, according to the Mortgage Bankers Association's (MBA) National Delinquency Survey. The non-seasonally adjusted delinquency rate increased 108 basis points from 8.86 percent in the second quarter of 2009 to 9.94 percent this quarter.

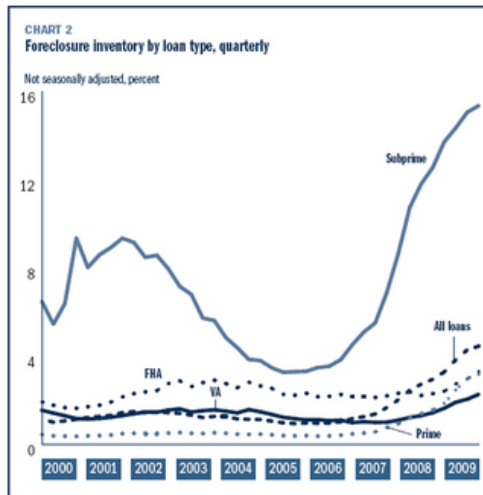
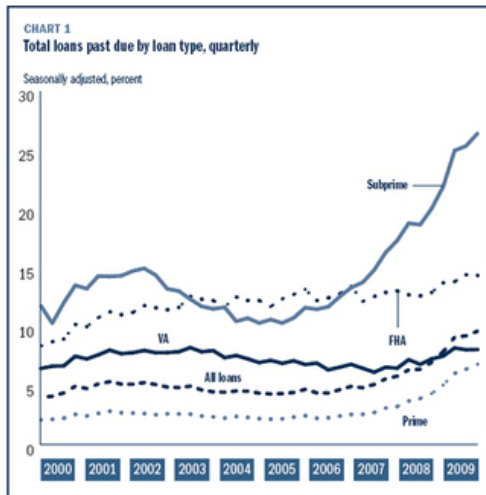
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The delinquency rate breaks the record set last quarter. The records are based on MBA data dating back to 1972.

The delinquency rate includes loans that are at least one payment past due but does not include loans somewhere in the process of foreclosure. The percentage of loans in the foreclosure process at the end of the third quarter was 4.47 percent, an increase of 17 basis points from the second quarter of 2009 and 150 basis points from one year ago. The combined percentage of loans in foreclosure or at least one payment past due was 14.41 percent on a non-seasonally adjusted basis, the highest ever recorded in the MBA delinquency survey.

The percentage of loans on which foreclosure actions were started during the third quarter was 1.42 percent, up six basis points from last quarter and up 35 basis points from one year ago.

The percentages of loans 90 days or more past due, loans in foreclosure, and foreclosures started all set new record highs. The percentage of loans 30 days past due is still below the record set in the second quarter of 1985.



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Increases Driven by Prime and FHA Loans

"Despite the recession ending in mid-summer, the decline in mortgage performance continues. Job losses

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continue to increase and drive up delinquencies and foreclosures because mortgages are paid with paychecks, not percentage point increases in GDP. Over the last year, we have seen the ranks of the unemployed increase by about 5.5 million people, increasing the number of seriously delinquent loans by almost 2 million loans and increasing the rate of new foreclosures from 1.07 percent to 1.42 percent," said Jay Brinkmann, MBA's Chief Economist.

"Prime fixed-rate loans continue to represent the largest share of foreclosures started and the biggest driver of the increase in foreclosures. 33 percent of foreclosures started in the third quarter were on prime fixed-rate and loans and those loans were 44 percent of the quarterly increase in foreclosures. The foreclosure numbers for prime fixed-rate loans will get worse because those loans represented 54 percent of the quarterly increase in loans 90 days or more past due but not yet in foreclosure.

"The performance of prime adjustable rate loans, which include pay-option ARMs in the MBA survey, continue to deteriorate with the foreclosure rate on those loans for the first time exceeding the rate for subprime fixed-rate loans. In contrast, both subprime fixed-rate and subprime adjustable rate loans saw decreases in foreclosures.

"The foreclosure rate on FHA loans also increased, despite having a large increase in the number of FHA-insured loans outstanding. The number of FHA loans outstanding has increased by about 1.1 million over the last year. This increase in the denominator depresses the delinquency and foreclosure percentages. If we assume these newly-originated loans are not the ones defaulting and remove the big denominator increase from the calculation results, the foreclosure rate would be 1.76 percent rather than 1.31 percent reported.

"Once again the states of Florida, California, Arizona and Nevada have a disproportionate share of the mortgage problems. They had 43 percent of all foreclosures started in the third quarter, down only slightly from 44 percent both last quarter and the third quarter last year. They had 37 percent of the nation's prime fixed-rate loan foreclosure starts and 67 percent of the prime ARM foreclosure starts. As of the end of September, 25 percent of the mortgages in Florida were at least one payment past due or in foreclosure.

"The outlook is that delinquency rates and foreclosure rates will continue to worsen before they improve. First, it is unlikely the employment picture will get better until sometime next year and even then jobs will increase at a very slow pace. Perhaps more importantly, there is no reason to expect that when the economy begins to add more jobs, those jobs will be in areas with the biggest excess housing inventory and the highest delinquency rates. Second, the number of loans 90 days or more past due or in foreclosure is now a little over 4 million as compared with 3.9 million new and previously occupied homes currently for sale, although there is likely some overlap between the two numbers. The ultimate resolution of these seriously delinquent loans will put added pressure on the hardest hit sections of the country."



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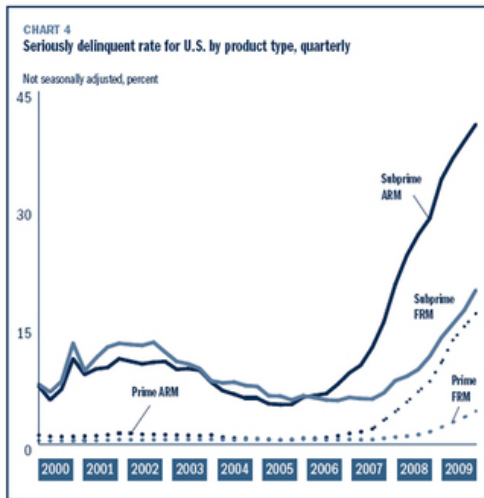
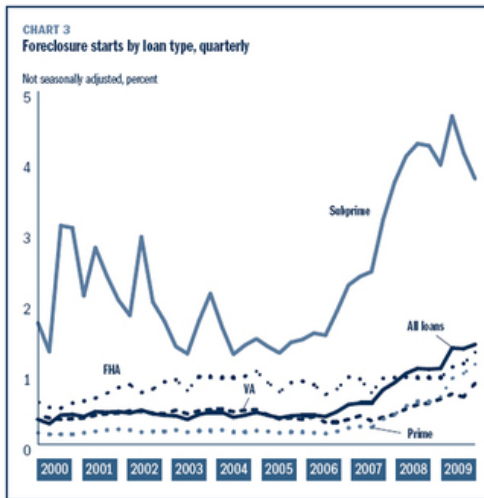
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Change from last quarter (second quarter of 2009)

- The seasonally adjusted delinquency rate increased 43 basis points for prime loans (from 6.41 percent to 6.84 percent), 107 basis points for subprime loans (from 25.35 percent to 26.42 percent), and two basis points for VA loans (from 8.06 percent to 8.08 percent). The delinquency rate for FHA loans decreased six basis points (from 14.42 percent to 14.36 percent). The non-seasonally adjusted delinquency rate for FHA loans however, increased 134 basis points this quarter (from 13.70 percent to 15.04 percent).
- The non-seasonally adjusted percentage of loans in the foreclosure process increased 20 basis points for prime loans (from 3.00 percent to 3.20 percent), and increased 30 basis points for subprime loans (from 15.05 percent to 15.35 percent). FHA loans saw a 34 basis point increase in foreclosure inventory rate (from 2.98 percent to 3.32 percent), while the foreclosure inventory rate for VA loans increased 22 basis points (from 2.07 percent to 2.29 percent).

- The non-seasonally adjusted foreclosure starts rate increased 13 basis points for prime loans (from 1.01 percent to 1.14 percent), increased 16 basis points for FHA loans (from 1.15 percent to 1.31 percent), and increased 19 basis points for VA loans (from 0.68 percent to 0.87 percent). This rate decreased 37 basis points for subprime loans (from 4.13 percent to 3.76 percent).
- The seriously delinquent rate, the non-seasonally adjusted percentage of loans that are 90 days or more delinquent, or in the process of foreclosure, was up from both last quarter and from last year. This measure is designed to account for inter-company differences on when a loan enters the foreclosure process.
- Compared with last quarter, the rate increased 82 basis points for prime loans (from 5.44 percent to 6.26 percent), 216 basis points for subprime loans (from 26.52 percent to 28.68 percent), 89 basis points for FHA loans (from 7.78 percent to 8.67 percent), and 37 basis points for VA loans (from 4.69 percent to 5.06 percent).

Change from last year (third quarter of 2008)

- The seasonally adjusted delinquency rate increased 250 basis points for prime loans, 639 basis points for subprime loans, 144 basis points for FHA loans, and 80 basis points for VA loans.
- The foreclosure inventory rate increased 162 basis points for prime loans, 280 basis points for subprime loans, 100 basis points for FHA loans, and 83 basis points for VA loans.
- The foreclosure starts rate increased 35 basis points overall, 53 basis points for prime loans, 36 basis points for FHA loans, and 28 basis points for VA loans. The starts rate decreased 47 basis points for subprime loans.
- The seriously delinquent rate increased 339 basis points for prime loans, 912 basis points for subprime loans, 262 basis points for FHA loans, and 161 basis points for VA loans.

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