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Mortgage Forbearance Rates Slide Again

By Amy Connolly

The number of U.S. homeowners in forbearance plans dropped in December to 115,000 from 130,000 the previous month, the Mortgage Bankers Association said.

WASHINGTON – The Mortgage Bankers Association's (MBA) said 115,000 homeowners are in forbearance plans as of Dec. 31, with the total number of loans in forbearance decreasing from 0.26% of servicers' portfolio volume in the prior month to 0.23%.

The share of Fannie Mae and Freddie Mac loans in forbearance in December declined 1 basis point to 0.15%. Ginnie Mae loans in forbearance decreased 8 basis points to 0.39%, and the forbearance share for portfolio loans and private-label securities (PLS) decreased 3 basis points to 0.27%. Mortgage servicers have provided forbearance to approximately 8.1 million borrowers since March 2020.

"Forbearance as a loss mitigation option is diminishing," said Marina Walsh, CMB, MBA's vice president of industry analysis. "While forbearance is a powerful tool for delinquency surges resulting from natural disasters or major disruptions such as a pandemic, today's borrowers are not experiencing widespread financial distress. The overall performance of servicing

portfolios – particularly government loans – declined in December. Factors such as seasonality, a changing labor market, resumption of student loan payments, and the rise in balances on other forms of consumer debt are likely at play."

Walsh also noted that MBA anticipates that the unemployment rate, a leading indicator of mortgage performance, is expected to increase gradually to 4.5% by the end of 2024 from 3.7% at year-end 2023.

Other key findings from the MBA's December Loan Monitoring Survey (https://www.mba.org/news-and-research/newsroom/news/2024/01/22/share-of-mortgage-loans-in-forbearance-decreases-to-0.23-in-december):

- 61.2% of borrowers are in forbearance for reasons such as a temporary hardship caused by job loss, death, divorce or disability.
- 26.8% of borrowers are in forbearance because of COVID-19.
- 12.0% are in forbearance because of a natural disaster.

- 51.7% of total loans in forbearance are in the initial forbearance plan stage.
- 31.5% are in a forbearance extension.
- 16.8% are forbearance re-entries, including re-entries with extensions.

Of the cumulative forbearance exits for the period from July 1, 2020, through December 31, 2023, at the time of forbearance exit:

- 29.4% resulted in a loan deferral/partial claim.

- 17.7% represented borrowers who continued to make their monthly payments during their forbearance period.

- 18.5% represented borrowers who did not make all of their monthly payments and exited forbearance without a loss mitigation plan in place yet.

- 16.0% resulted in a loan modification or trial loan modification.

- 10.7% resulted in reinstatements, in which past-due amounts are paid back when exiting forbearance.

- 6.5% resulted in loans paid off through either a refinance or by selling the home.

- The remaining 1.2% resulted in repayment plans, short sales, deed-in-lieus or other reasons.

- Total loans serviced that were current (not delinquent or in foreclosure) as a percent of servicing portfolio volume (#) decreased to 95.44% (on a non-seasonally adjusted basis) in December 2023 from 95.71% in November 2023.

- The five states with the highest share of loans that were current as a percent of servicing portfolio: Washington, Colorado, Idaho, Oregon and Montana.

- The five states with the lowest share of loans that were current as a percent of servicing portfolio: Louisiana, Mississippi, Indiana, New York and Illinois.

- Total completed loan workouts from 2020 and onward (repayment plans, loan deferrals/partial claims, loan modifications) that were current as a percent of total completed workouts were 74.39% in December 2023, which was 21 basis points below the percentage of total loans serviced that were current for the month.

MBA's monthly Loan Monitoring Survey covers the period from December 1 through December 31, 2023 and represents 64% of the first-mortgage servicing market (31.9 million loans).

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