

The Mortgage Corner

MORTGAGE DELINQUENCIES DECLINE

The third-quarter 2005 National Delinquency Survey (NDS), released by the Mortgage Bankers Association (MBA), shows that the seasonally adjusted delinquency rate for mortgage loans on single-family residential properties stood at 4.44 percent at the end of the third quarter, down 10 basis points from the third quarter of 2004 but up 10 basis points from the second quarter of 2005.

The increase in the third quarter delinquencies reflects the impact of Hurricane Katrina – higher delinquency rates in Louisiana and Mississippi resulting from the destruction and dislocation caused by the storm. Delinquencies for all loan types were lower once the hurricane effects are eliminated. If the effects of Hurricane Katrina are removed, the total delinquency rate decreases 13 basis points rather than increasing 10 basis points. (A basis point is 1/100th of a percent.)

Total delinquencies increased in Louisiana from 6.67 percent to 24.63 percent between the end of June and the end of September, and in Mississippi increased from 8.53 percent to 17.44 percent. The non-Katrina national percentages were calculated by using second quarter numbers for Louisiana and Mississippi, instead of their third quarter numbers. The hurricane's impact will likely result in higher delinquency rates and somewhat higher foreclosure rates for at least the next few quarters.

The percentage of loans in the foreclosure process was 0.97 percent at the end of the third quarter, a drop of 19 basis points from the previous year and a drop of 3 basis points from the second quarter of 2005. The seasonally adjusted rate of loans entering the foreclosure process was 0.41 percent in the third quarter, up 1 basis point from the previous year and 2 basis points from the second quarter of 2005. The foreclosure percentages are not yet impacted by Katrina.

“Hurricane Katrina was the largest natural disaster this country has faced in the last few generations, and obviously has had a major effect on the local housing markets in Louisiana and Mississippi. In addition, we have the impacts of Rita in Texas and Louisiana and Wilma in Florida to consider. However, the overall U.S. economy grew at almost 4.3 percent in annualized real terms during the third quarter of 2005, adding 147,000 payroll jobs per month,” said Doug Duncan, MBA's chief economist and senior vice president.

“The percentage of homeowners making their mortgage payments on time is nearly 96 percent, although it is likely that rising short-term rates will impact some borrowers with adjustable rates. In addition, natural gas prices have roughly doubled from where they were this time last year. That and the higher costs of home heating oil are driving up home heating bills this winter and will likely strain the ability of some borrowers to make their mortgage payments“, Duncan said.

Since last quarter, the SA delinquency rate for prime ARM loans increased 11 basis points (from 2.19 percent to 2.30 percent), whereas the rate for prime FRM loans increased 9 basis points (from 2.02 percent to 2.11 percent). Compared with second quarter of 2005, the SA delinquency percentage among subprime ARM loans increased

51 basis points (from 10.04 percent to 10.55 percent), while the rate for subprime FRM loans decreased 27 basis points (from 9.06 percent to 8.79 percent).

Since the third quarter of 2004, the SA delinquency rate increased 2 basis points for prime loans (from 2.32 percent to 2.34 percent), 2 basis points for subprime loans (from 10.74 percent to 10.76 percent), 51 basis points for FHA loans (from 12.24 percent to 12.75 percent), while decreasing 17 basis points for VA loans (from 7.29 percent to 7.12 percent). Since second quarter of 2005, the SA delinquency rate increased for all loans types: 14 basis points for prime loans, 43 basis points for subprime loans, 38 basis points for FHA loans and 21 basis points for VA loans.

The foreclosure inventory percentage decreased for all loan types over the year: 7 basis points for prime loans (from 0.48 percent to 0.41 percent), 56 basis points for subprime loans (from 3.87 percent to 3.31 percent), 59 basis points for FHA loans (from 2.84 percent to 2.25 percent) and 41 basis points for VA loans (from 1.60 percent to 1.19 percent). In addition, the foreclosure inventory percentage declined from last quarter among all loan types except for subprime: down 1 basis point for prime loans, 4 basis points for FHA loans, 6 basis points for VA loans and up 2 basis points for subprime loans.

Over the last year, the SA percentage of new foreclosures was down 10 basis points for FHA loans (from 0.98 percent to 0.88 percent) and 12 basis points for VA loans (from 0.51 percent to 0.39 percent), while the percentage increased 4 basis points for subprime loans (from 1.35 percent to 1.39 percent) and remained unchanged among prime loans (0.18 percent). Since the last quarter, the percent of new foreclosures increased 13 basis points for subprime loans and 12 basis points for FHA loans, while remaining unchanged for prime loans and VA loans.