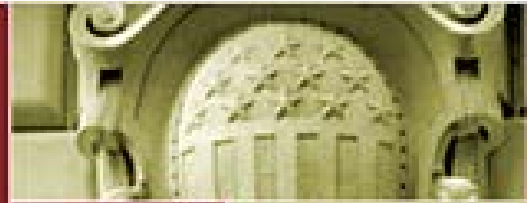


2022 PHFA Housing Forum

SOS—Helping Homeowners in Distress

May 12, 2022

Larry Cordell, SVP, RADAR Group, Federal Reserve Bank of Philadelphia



Disclaimer

These views are my own and do not reflect the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

The Latest News...

Why the Lehigh Valley will soon see a flood of home foreclosures

By Evan Jones

The Morning Call

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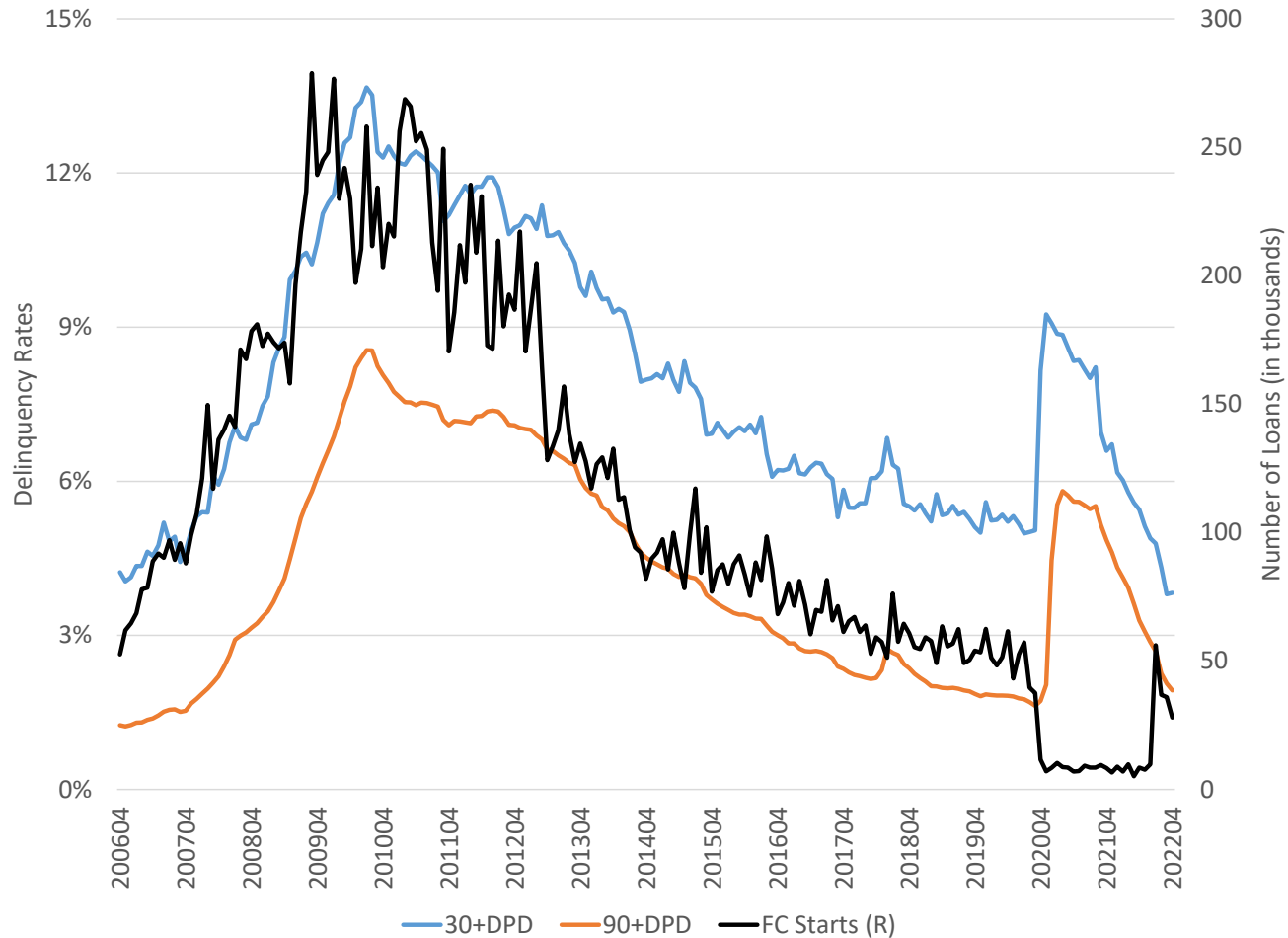
May 02, 2022 at 3:22 pm

Dale Kessler, a Realtor who specializes in selling foreclosed homes, thinks business will be picking up this year.

With the end of the foreclosure moratorium last year, Kessler, the CEO of [Realty 365](#) in Allentown, sees a trickle turning into a flood as a backlog of cases starts making its way toward completion. He said the numbers could rise into the hundreds.

We are not seeing a flood of foreclosures

Delinquency Rates and Foreclosure Starts as of April 30, 2022



Source: RADAR Group [Monthly Report](#), "Examining Resolution of Mortgage Forbearances and Delinquencies", April 22, 2022

House Price Growth Will Help Prevent Most Foreclosures

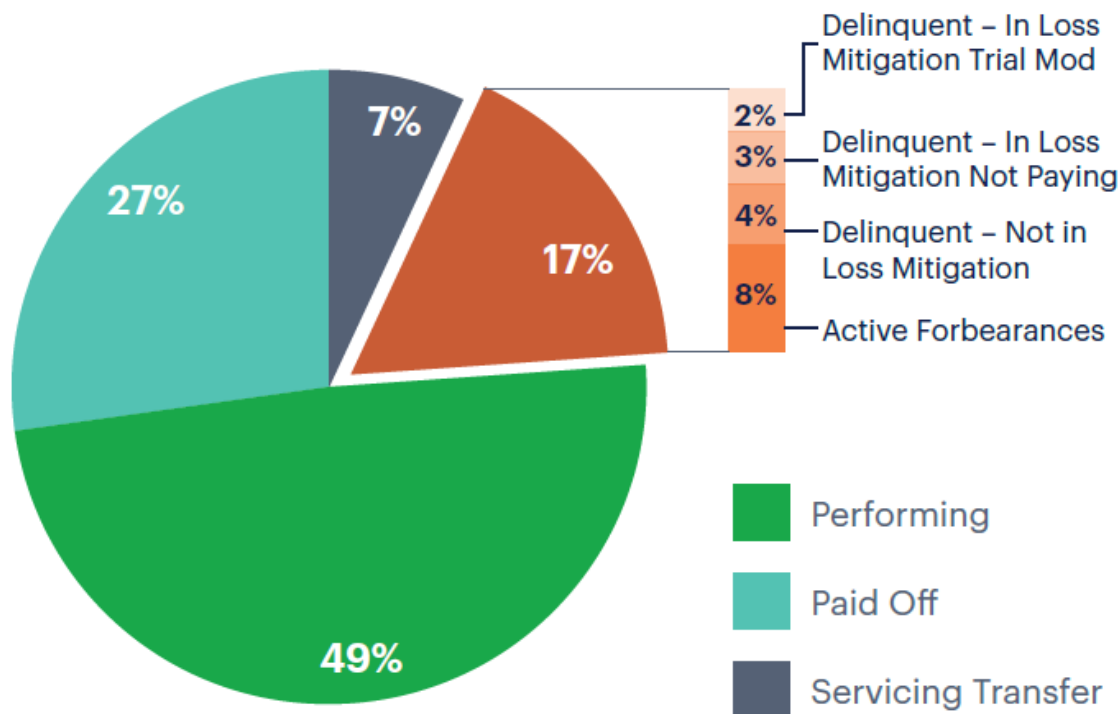
Payment Behavior	Mark-to-Market LTVs		Total
	≤80%	>80% or Missing	
High Risk	591,447	183,367	774,815
	1.1%	0.3%	1.5%
= 90+ DPD & Not in FB or Loss Mit	\$90	\$36	\$126
+ In FB & 90+ DPD Prior to Pandemic	0.8%	0.3%	1.2%
+ 90+ DPD & in Loss Mit & Not Paying			
Moderate Risk	930,495	119,499	1,049,994
	1.8%	0.2%	2.0%
= COVID-19 FB	\$146	\$29	\$175
+ 30-89 DPD & not in FB or Loss Mit	1.4%	0.3%	1.6%
+ 90+ DPD & in Loss Mit & Paying			
Low Risk	47,029,255	4,145,937	51,175,192
	88.7%	7.8%	96.6%
= 30-89 DPD & in Loss Mit	\$9,338	\$1,143	\$10,480
+ Current	86.6%	10.6%	97.2%
Total	48,551,197	4,448,803	53,000,000
	91.6%	8.4%	100%
	\$9,574	\$1,207	\$10,781
	88.8%	11.2%	100.0%

Source: Figures updated from An, Cordell, Geng and Lee (2022) "Inequality in the Time of COVID-19: Evidence from Mortgage Delinquency and Forbearance." Federal Reserve Bank of Philadelphia Working Paper [21-09/R](#).

Most COVID-19 Forbearances Have Performed

Status of Loans Ever in a COVID-19 Forbearance as of April 7, 2022

8.65 Million Forbearances



Source: RADAR Group [Monthly Report](#), "Examining Resolution of Mortgage Forbearances and Delinquencies", April 22, 2022

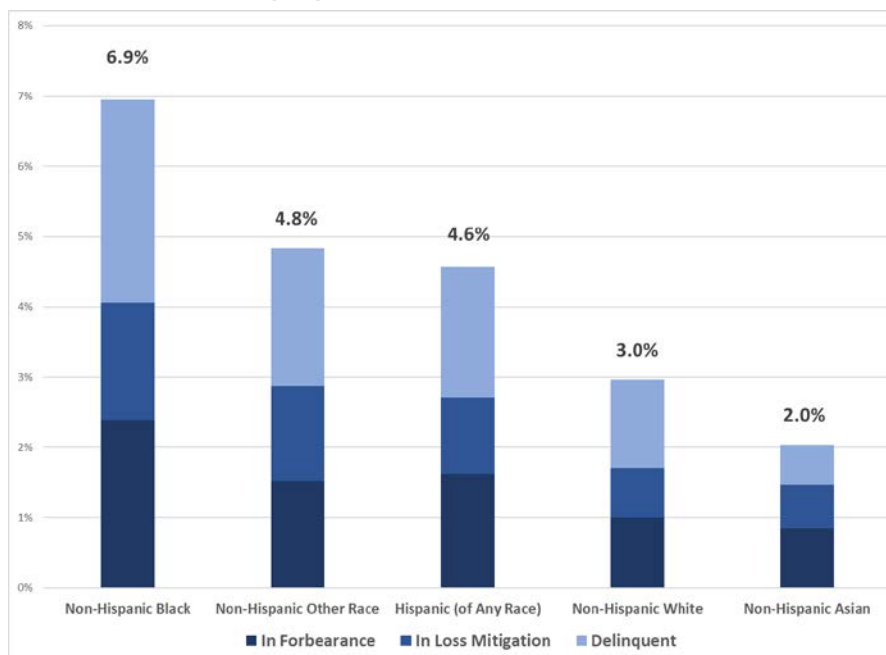
But Clusters of Borrowers Remain at Risk

Counts/Shares Serious Delinquencies, Not in Forbearance by Investor as of April 7, 2022

Counts of Serious Delinquencies

Not in Forbearance	FHA/VA	GSEs	PLMBS	Portfolio	Total
90+DPD	333,305	132,466	123,203	262,647	851,621
Not in Loss Mitigation	149,510	47,062	91,995	177,336	465,903
Share Never in Forbearance	53%	45%	61%	75%	62%
In Loss Mitigation	183,795	85,404	31,208	85,311	385,718
Share Never in Forbearance	18%	11%	21%	23%	18%
Share of Not Paying	77%	59%	81%	70%	72%

Past Due Mortgage Shares by Race and Ethnicity



Source: RADAR Group [Monthly Report](#), "Examining Resolution of Mortgage Forbearances and Delinquencies", April 22, 2022

Modification Programs Offered by GSEs and FHA

Target/Steps	GSE Flex Mod	FHA COVID-19 Recovery Modification
Target	Minimum 20% reduction in P&I payment	Minimum 25% reduction in P&I payment
Step 1	Capitalize arrears in loan balance	Apply arrears to a partial claim up to 25% of current loan balance
Step 2	Set interest rate to lower of contractual rate or modification interest rate*	Set interest rate to lower of contractual rate or PMMS rate, rounded to nearest one-eighth
Step 3	Extend maturity to 480 months from mod effective date	Extend maturity to 360 months from mod effective date, 480 months later in this year
Step 4	If post-mod MTMLTV > 100%, forbear principal until MTMLTV = 100% up to 30% of post-capitalized loan cap	If 25% P&I reduction not met, apply principal deferral until 25% reduction reached up to 25% of current loan cap; place additional arrearages above cap into loan
Step 5	If 20% P&I reduction and PMHTI ratio \leq 40% not met, forbear principal until met or 80% MTMLTV is met up to 30% post-capitalized balance	If 25% payment reduction not met, offer borrower the terms from Step 4

Source: RADAR Group [Monthly Report](#), “Examining Resolution of Mortgage Forbearances and Delinquencies”, April 22, 2022

As Rates Rise, Fewer Borrowers Meet Mod Goals With Current Program

**Shares of GSE Flex Mods Meeting Targets
At Select Interest Rates
Including 80% MTM LTV Floor**

Mod rate = 2.0%	Share	PI Reduction	PITI Reduction
Meet Target	97%	40%	28%
Not Meet Target	3%	21%	12%
Total	100%		
Mod rate =3.0%	Share	PI Reduction	PITI Reduction
Meet Target	73%	34%	24%
Not Meet Target	27%	15%	10%
Total	100%		
Mod rate = 5.0%	Share	PI Reduction	PITI Reduction
Meet Target	23%	33%	23%
Not Meet Target	77%	9%	7%
Total	100%		
Mod rate = 6.0%	Share	PI Reduction	PITI Reduction
Meet Target	22%	31%	22%
Not Meet Target	78%	9%	6%
Total	100%		
Mod rate = 7.0%	Share	PI Reduction	PITI Reduction
Meet Target	21%	31%	21%
Not Meet Target	79%	9%	6%
Total	100%		

**Shares of GSE Flex Mods Meeting Targets
At Select Interest Rates
Excluding 80% MTM LTV Floor**

Mod rate = 2.0%	Share	PI Reduction	PITI Reduction
Meet Target	100%	40%	28%
Not Meet Target	0%	52%	30%
Total	100%		
Mod rate =3.0%	Share	PI Reduction	PITI Reduction
Meet Target	99%	36%	25%
Not Meet Target	1%	42%	24%
Total	100%		
Mod rate = 5.0%	Share	PI Reduction	PITI Reduction
Meet Target	98%	36%	25%
Not Meet Target	2%	22%	13%
Total	100%		
Mod rate = 6.0%	Share	PI Reduction	PITI Reduction
Meet Target	98%	35%	24%
Not Meet Target	2%	21%	12%
Total	100%		
Mod rate = 7.0%	Share	PI Reduction	PITI Reduction
Meet Target	97%	35%	24%
Not Meet Target	3%	21%	12%
Total	100%		

Sources: RADAR estimates using data from Black Knight Data & Analytics, LLC. PI = Principal & Interest; PITI = Principal, Interest, Taxes & Insurance

As Rates Rise, More FHA Borrowers Meet Mod Goals With 40-Year Mortgage

Shares of FHA COVID Mods Meeting Targets At Select Interest Rates With 30-Year Maturities

Mod rate = 5.0%	Share	PI Reduction	PITI Reduction
Meet Target	35%	28%	18%
Not Meet Target	65%	19%	12%
Total	100%		
Mod rate = 5.5%	Share	PI Reduction	PITI Reduction
Meet Target	34%	28%	18%
Not Meet Target	66%	19%	12%
Total	100%		
Mod rate = 6.0%	Share	PI Reduction	PITI Reduction
Meet Target	33%	28%	17%
Not Meet Target	67%	19%	12%
Total	100%		
Mod rate = 7.0%	Share	PI Reduction	PITI Reduction
Meet Target	33%	27%	17%
Not Meet Target	67%	19%	12%
Total	100%		
Mod rate = 8.0%	Share	PI Reduction	PITI Reduction
Meet Target	33%	27%	17%
Not Meet Target	67%	19%	12%
Total	100%		

Shares of FHA COVID Mods Meeting Targets At Select Interest Rates With 40-Year Maturities

Mod rate = 5.0%	Share	PI Reduction	PITI Reduction
Meet Target	90%	27%	17%
Not Meet Target	10%	17%	11%
Total	100%		
Mod rate = 5.5%	Share	PI Reduction	PITI Reduction
Meet Target	89%	27%	17%
Not Meet Target	11%	17%	11%
Total	100%		
Mod rate = 6.0%	Share	PI Reduction	PITI Reduction
Meet Target	89%	27%	17%
Not Meet Target	11%	17%	11%
Total	100%		
Mod rate = 7.0%	Share	PI Reduction	PITI Reduction
Meet Target	89%	27%	17%
Not Meet Target	11%	17%	11%
Total	100%		
Mod rate = 8.0%	Share	PI Reduction	PITI Reduction
Meet Target	89%	27%	17%
Not Meet Target	11%	17%	11%
Total	100%		

Sources: RADAR estimates using data from Black Knight Data & Analytics, LLC. PI = Principal & Interest; PITI = Principal, Interest, Taxes & Insurance