National Mortgage News

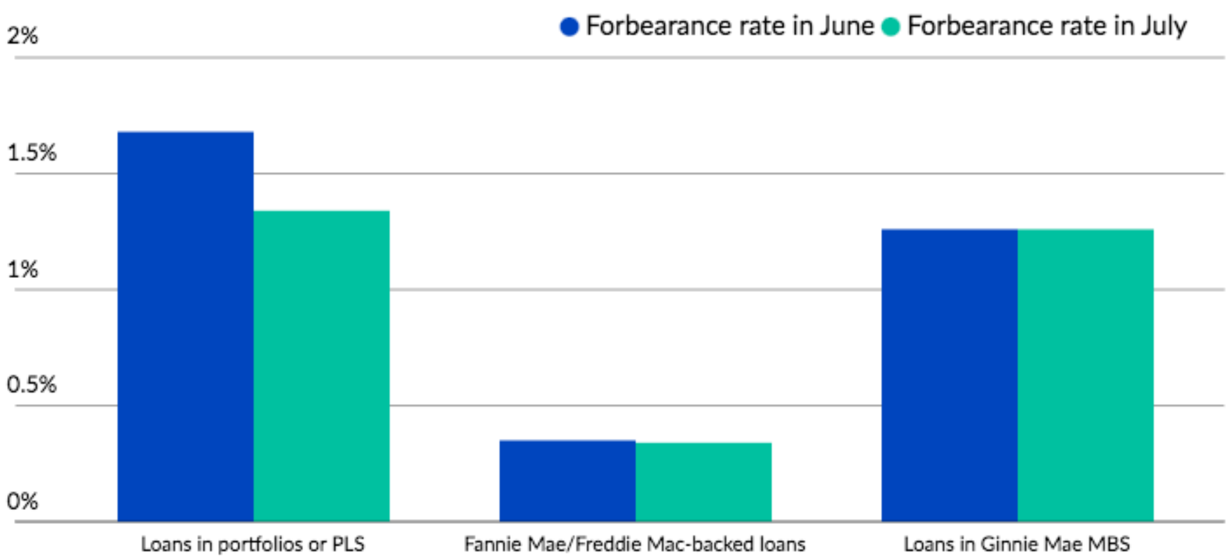
Fannie, Freddie and Ginnie forbearances may have 'reached a floor'

By Bonnie Sinnock August 15, 2022, 4:23 p.m. EDT 1 Min Read

Overall forbearance dropped further in the past month, driven primarily by the ongoing decline in private-market activity, according to the Mortgage Bankers Association's latest Loan Monitoring Survey.

The share of loans with payment suspensions went down to 0.74% from 0.81% [the previous month](#) due largely to a 14 basis-point drop in forbearance rate for loans held in private-label securities or bank portfolios to 1.34%. In contrast, the forbearance rate for certain securitized government-insured or guaranteed loans remained unchanged at 1.26%. The forbearance rate for mortgages that two government-sponsored enterprises backed fell by just a basis point to 0.34%.

July's consecutive-month declines by loan type



Source: Mortgage Bankers Association

The progressive flattening in government-related sectors appears to be confirming that declines in forbearance activity there are bottoming out.

"There has been very little change in the forbearance rate for Fannie Mae, Freddie Mac, and Ginnie Mae loans during the past three months, perhaps indicating that we have reached a floor," said Marina Walsh, MBA's vice president of industry analysis.

Government-related sectors have seen new entrants into forbearance offset declines, Walsh added.

However, overall distress in the mortgage market still is relatively limited. Seasonally-adjusted delinquencies remain at a record low despite new indications of short-term distress according to the MBA.

Most of the 8.9 million borrowers who got payment suspensions for pandemic hardships have exited, according to a recent Federal Reserve Bank of Philadelphia study, which reflects activity through July 7.

That suggests that overall loan performance may not be deteriorating so much as returning to more of a status quo with the rollback of pandemic-related relief.

"We may have reached a new normal for mortgage markets," researchers at the Philadelphia Fed said in their recent report. "It is characterized by 2 million delinquent mortgages, with foreclosure starts around 30,000."