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Coronavirus Mortgage

Pandemic may lead to foreclosure crisis, CoreLogic says

Millions of American families could lose their homes amid COVID-19 pandemic, report says

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A surge in the share of mortgages 90 days or more overdue in June is a signal the U.S. could be heading toward a foreclosure crisis, according to a **CoreLogic** report on Wednesday.

The share of loans with payments 90 days to 119 days late quadrupled between May and June, rising to 2.3%, the highest level in more than 21 years, said Frank Nothaft, CoreLogic's chief economist.

Measuring all loans 90 days or more overdue, including loans already in foreclosure – a gauge known as the serious delinquency rate – the share was the highest since 2015, the report said.

"If there are new government programs, maybe that alleviates some of the risks, but given what we know today, we could be looking at a serious delinquency rate that is four times higher at the end of 2021 as it was before the start of the pandemic," Nothaft said in an interview.

A rate that high could result in a foreclosure crisis, the report said.

"Not only could millions of families potentially lose their home, through a short sale or foreclosure, but this also could create downward pressure on home prices – and consequently home equity –

as distressed sales are pushed back into the for-sale market," the report said.

Mortgage delinquencies have soared in recent months as Americans who lost income because of the pandemic sought forbearance agreements that allow them to suspend their home-loan payments without penalties. While they have permission to miss their payments, the mortgage industry still counts the loans as delinquent.

The CARES Act passed by **Congress** at the end of May gave homeowners with a government-backed loan the right to up to 12 months of forbearance. Currently, about 3.6 million Americans are in forbearance, according to the **Mortgage Bankers Association**.

The **House of Representatives** passed the Heroes Act in May with additional support for homeowners and renters, but the **Senate** left for its summer vacation last month without addressing it.

This week, Senate Leader Mitch McConnell (R-KY) proposed a "skinny bill" with a fraction of the funding in the Heroes Act and a provision Democrats have said is a non-starter: Blanket protection for businesses and medical professionals from being sued for pandemicrelated issues.

The main factor that could push the housing market over the edge, even as it struggles with a shortage of available properties, is the labor market weakness, according to the CoreLogic report.

While the unemployment rate fell to 8.4% in June, a government report showed on Friday, the economy has gained back fewer than half the jobs lost since the beginning of the pandemic.

"Sustained unemployment has pushed many homeowners further down the delinquency funnel," the report said. "With unemployment projected to remain elevated through the remainder of 2020, we may see further impact on late-stage delinquencies and, eventually, foreclosure."

Almost 10 million American families lost their homes to foreclosure in the U.S. between 2006 and 2014 in a tally that counts forced evictions as well as short sales in which lenders agree to let homeowners sell properties at a loss.

The foreclosure crisis uprooted families, created trauma – especially for children who didn't understand why they had lost their homes – and destroyed neighborhoods that became dominated with vacant houses.