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Uptick Reported in Forbearance Re-Entries

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With an estimated 2.1 million homeowners currently in forbearance plans, the Mortgage Bankers Association (MBA) reports [1] that the total number of loans now in forbearance decreased by one basis point, marking the 13th straight week of declines, from 4.19% of servicers' portfolio volume [2] the prior week to 4.18%.

With overall volume on a slight downturn, 5.6% of the total loans in forbearance represented homeowners re-entering phases of forbearance, as more homeowners who had initially canceled their forbearance needed assistance again.

According to the MBA's latest Forbearance and Call Volume Survey [1], the share of Fannie Mae and Freddie Mac loans in forbearance decreased two basis points from 2.21% to 2.19%. Ginnie Mae loans in forbearance decreased four basis points from 5.59% to 5.55%, while the forbearance share for portfolio loans and private-label securities (PLS) increased 11 basis points from 8.26% to 8.37%. The percentage of loans in forbearance for independent mortgage bank (IMB) servicers decreased two basis points to 4.36%, and the percentage of loans in forbearance for depository servicers declined 1one basis point to 4.34%.

"The share of loans in forbearance slightly declined, dropping by only one basis point, due to a slower pace of forbearance exits. This was the 13th straight week of declines," said Mike Fratantoni [3], MBA's SVP and Chief Economist. "Forbearance re-entries increased to almost 5.6%, as more homeowners who had canceled forbearance needed assistance again. There was also an increase in the share of PLS and portfolio loans in forbearance, while the share for Fannie Mae, Freddie Mac, and Ginnie Mae loans decreased."

By stage, 11.6% of total loans in forbearance are in the initial forbearance plan stage, while 82.8% are in a forbearance extension, while the remaining 5.6% represent forbearance re-entries.

Of the cumulative forbearance exits, for the period from June 1, 2020, through May 23, 2021:

27.3% resulted in a loan deferral/partial claim.
24.7% represented borrowers who continued to make their monthly payments during their forbearance period.
15% represented borrowers who did not make all of their monthly payments and exited forbearance without a loss mitigation plan in place yet.
14.1% resulted in reinstatements, in which past-due amounts are paid back when exiting forbearance.
9.9% resulted in a loan modification or trial loan modification.
7.5% resulted in loans paid off through either a refinance or by selling the home.
The remaining 1.5% resulted in repayment plans, short sales, deed-in-lieus or other reasons.
In terms of call center volume, the percentage of servicing portfolio volume decreased from the previous week, from 8.4% to 6.5%, the average length of a phone call remaining the same as last week [2] at 7.7 minutes.

"Housing market data continue to paint a picture of strong demand and constrained supply [4]," said Fratantoni. "The resulting rapid growth in home equity will benefit homeowners, whether they choose to retain or sell their properties."

According to a new report by Redfin [5], 51% of homes sold for more than their list price—up from 26% the same period a year earlier, marking a new record for this metric.

Another sign pointing toward a possible increase in those exiting forbearance plans is last week's report from the U.S. Department of Labor [6], which found that for the week ending May 22, initial unemployment claims dropped to 406,000. That figure marked a decrease of 38,000 from the previous week's level of 444,000, the lowest level of initial claims since March 14, 2020, when unemployment claims stood at 256,000 nationwide.

As evidenced by a recent Legal League 100 webinar [7], servicers are prepared to assist borrowers as they begin to exit their forbearance plans.

"Every servicer's main goal at the moment is to help anyone who had a hardship due to COVIID have the opportunity to have that hardship resolved," said Sasha Cohen [8], First VP of Default Administration for Community Loan Servicing during the webinar [7]. "Once we do all of that and foreclosure is the only option we then seek, we are going to then, review all of the documents and files extensively. The name of the game is 'document, document, document.'"

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[1] Mortgage Bankers Association (MBA) reports: **https://www.mba.org/2021-press-releases/june/share-of-mortgage-loans-in-forbearance-slightly-decreases-to-418-percent**
[2] 4.19% of servicers' portfolio volume: **https://dsnews.com/daily-dose/05-24-2021/forbearances-fall-with-job-market-in-recovery-mode**
[3] Mike Fratantoni: **https://www.mba.org/who-we-are/management/michael-fratantoni**
[4] strong demand and constrained supply: **https://dsnews.com/daily-dose/06-01-2021/more-boomers-opting-to-stay-put**
[5] According to a new report by Redfin: **https://themreport.com/daily-dose/05-28-2021/supply-imbalance-forces-rise-in-list-prices**
[6] week’s report from the U.S. Department of Labor: **https://www.dol.gov/sites/dolgov/files/OPA/newsreleases/ui-claims/20210963.pdf**
[7] recent Legal League 100 webinar: **https://dsnews.com/daily-dose/05-20-2021/servicers-and-regulators-map-out-post-moratoria-framework**
[8] Sasha Cohen: **https://www.linkedin.com/in/sasha-cohen-736a8b49/**