



A Look Into the Crystal Ball

Wednesday, December 2, 2020

12:00-1:15 PM Central Time

Presented By



Attendee Questions

If you have a question during the webinar today, you can type your question using the Questions feature of the GoToWebinar control panel. In the event we aren't able to get to all of your questions today, one of our presenters will be in touch with you in the next few days so that we can properly address any of your unanswered questions.



*Select the ? to type your question
to our presenters*

ALFN Webinar Presenters

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Polling Question

What do you expect the 30-year mortgage rate to be in 6 months (note: the Nov. 19 Freddie Mac survey rate was 2.72%)?

- a. Above 3%
- b. Between 2.75% and 3%
- c. Between 2.5% and 2.75%
- d. Below 2.5%

There is no correct answer



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The Economy and the Fed

Is it still a “V-shaped recovery”?

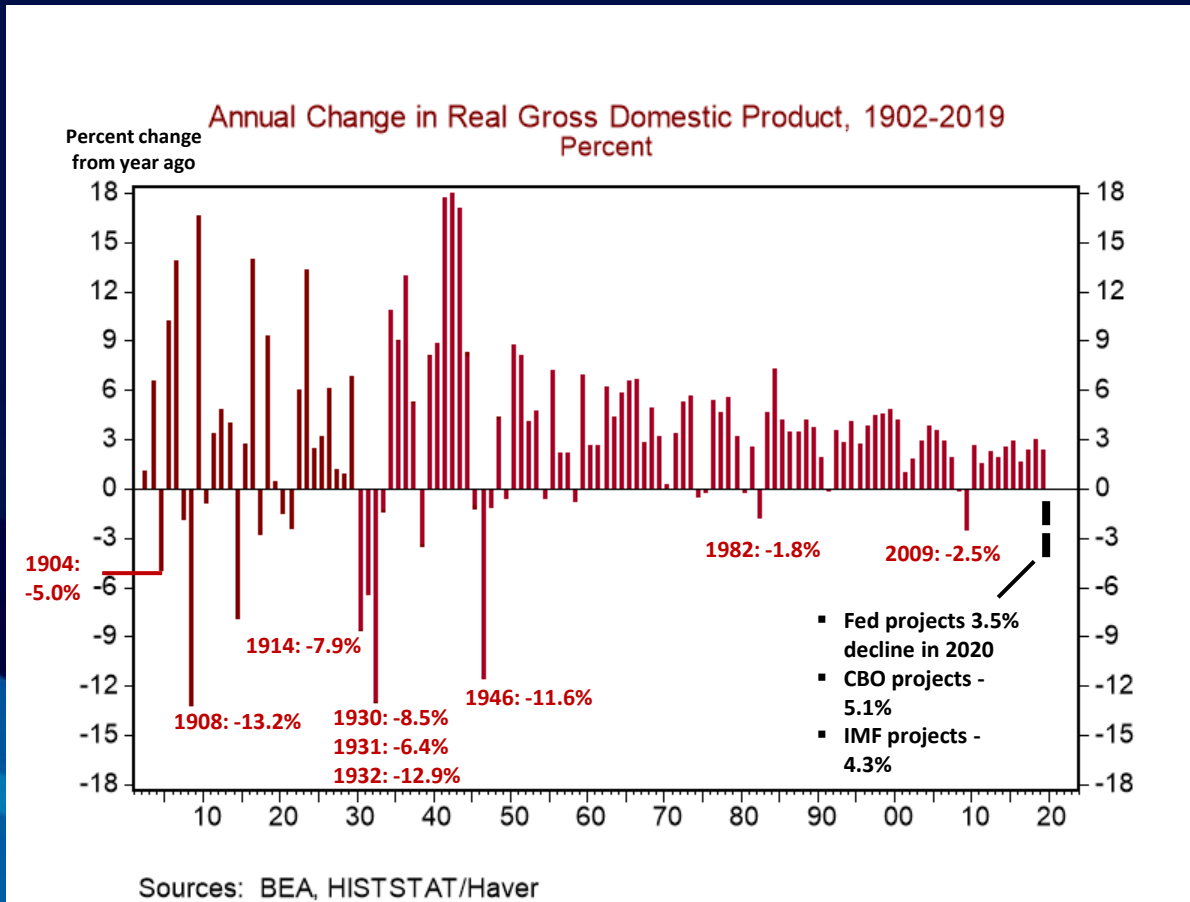
- The economy is growing but slowing.
- A resurgence in virus spread and lack of federal income support jeopardize the recovery while we deploy the vaccine.

The Fed: Out of ammunition?

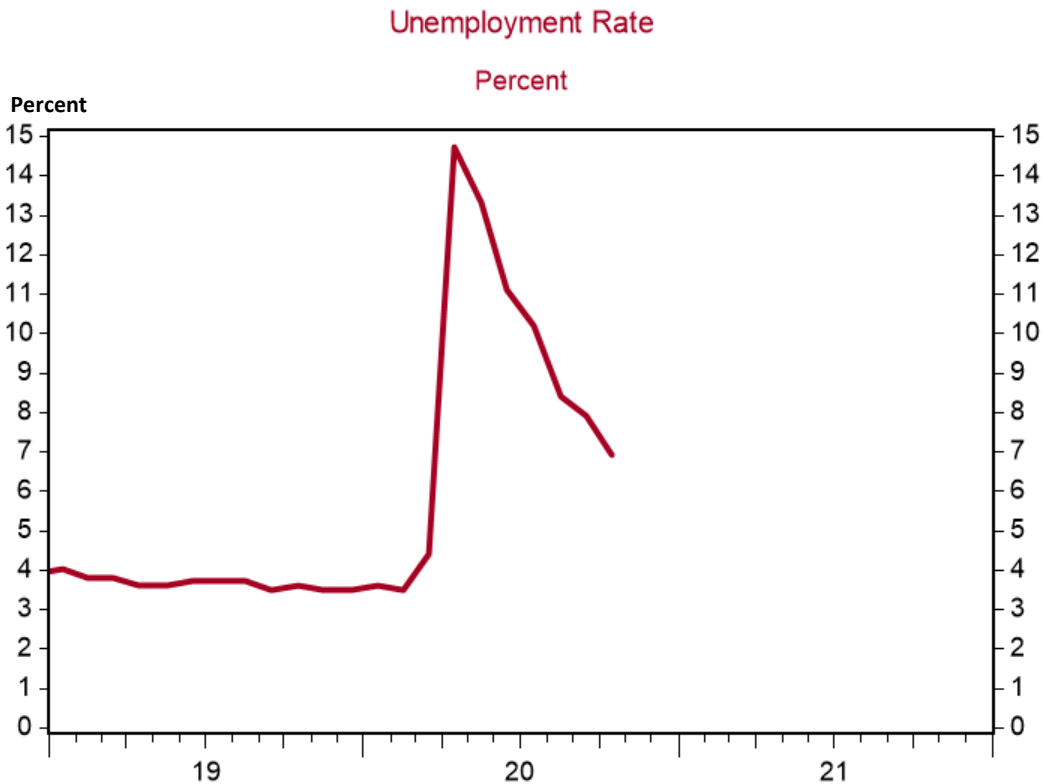
- Monetary policy is “amped up to 11” already.
- Fed credit-market policies not adding much because markets are OK.

A resurgence in virus spread and failure to provide a federal income-support package could push us into a double-dip recession in 2021.

2020 Economy Will Be Worst Year Since 1946

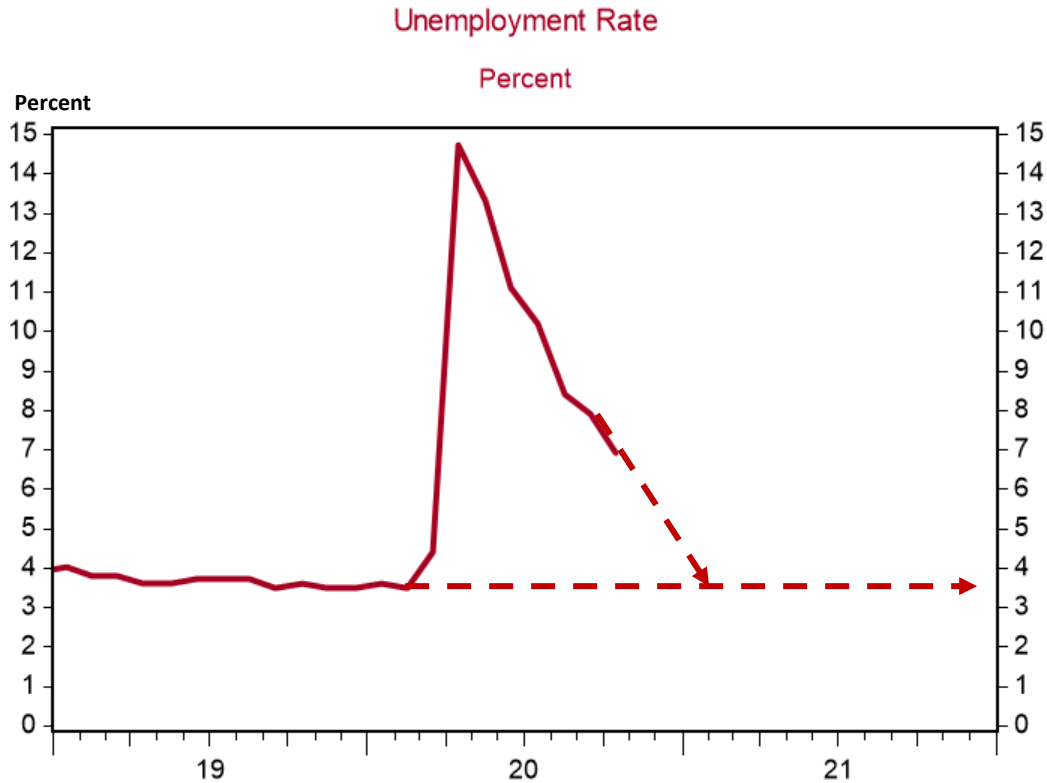


The Good News: Unemployment is Dropping Fast



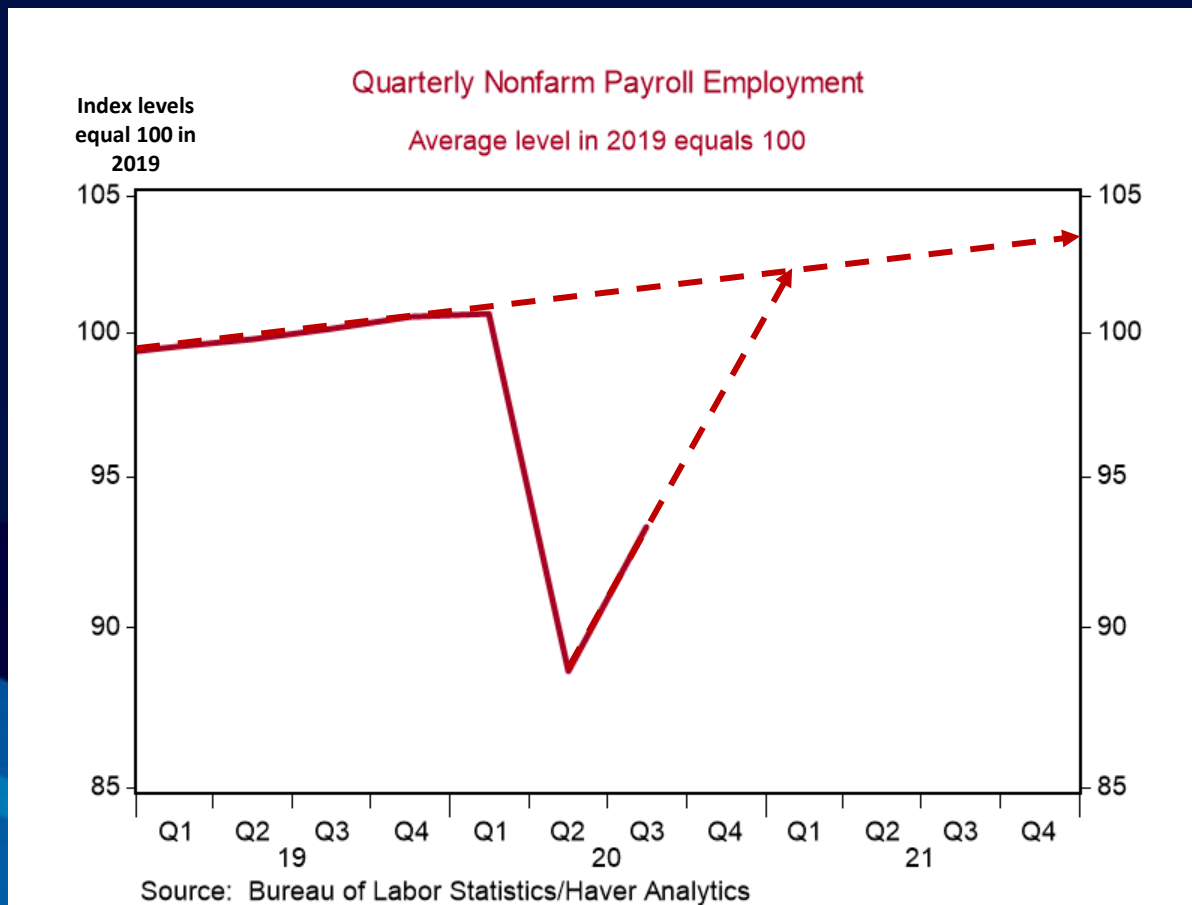
Source: Bureau of Labor Statistics/Haver Analytics

Return to Pre-COVID Unemployment in early 2021?

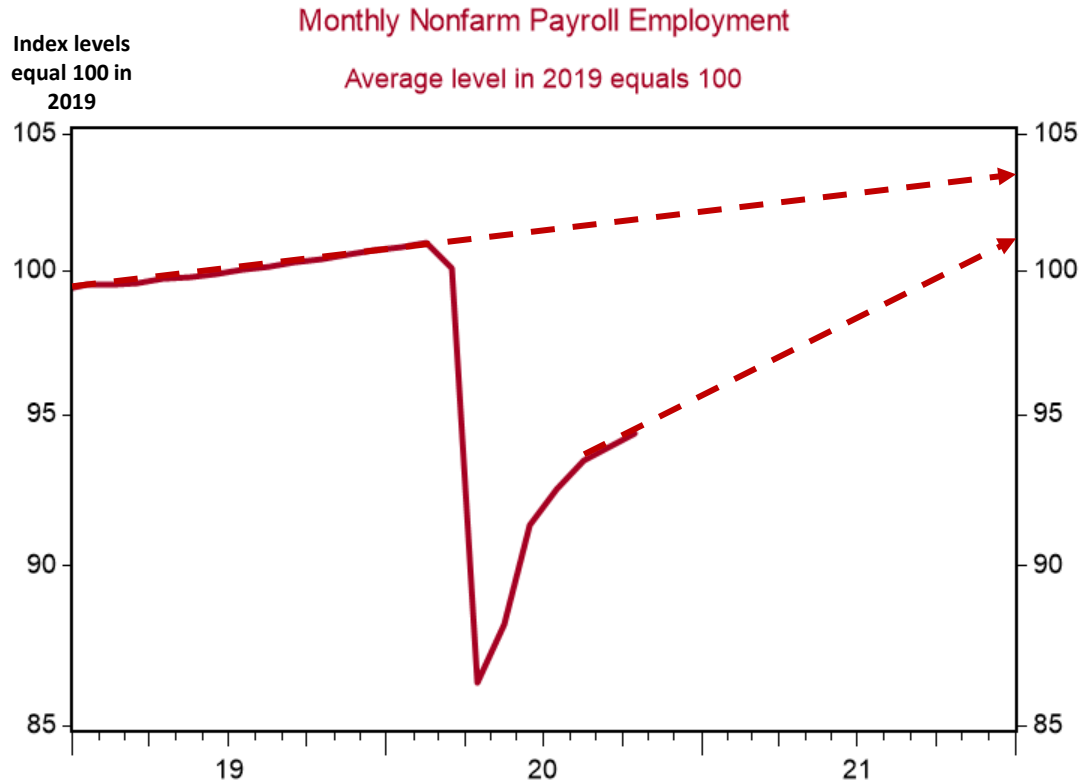


Source: Bureau of Labor Statistics/Haver Analytics

The Bad News: What Looked Like A V-Shaped Recovery...

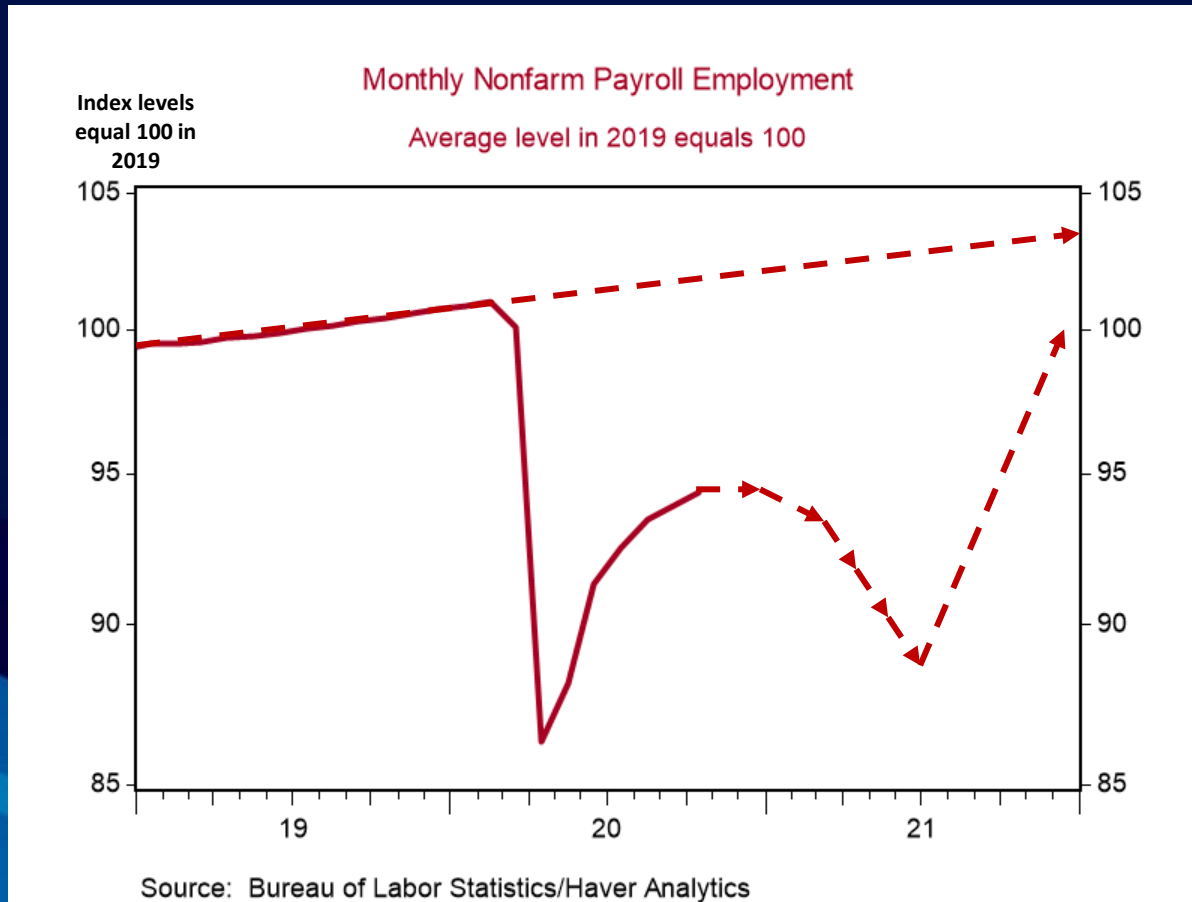


... Actually Slowed During Summer and Fall

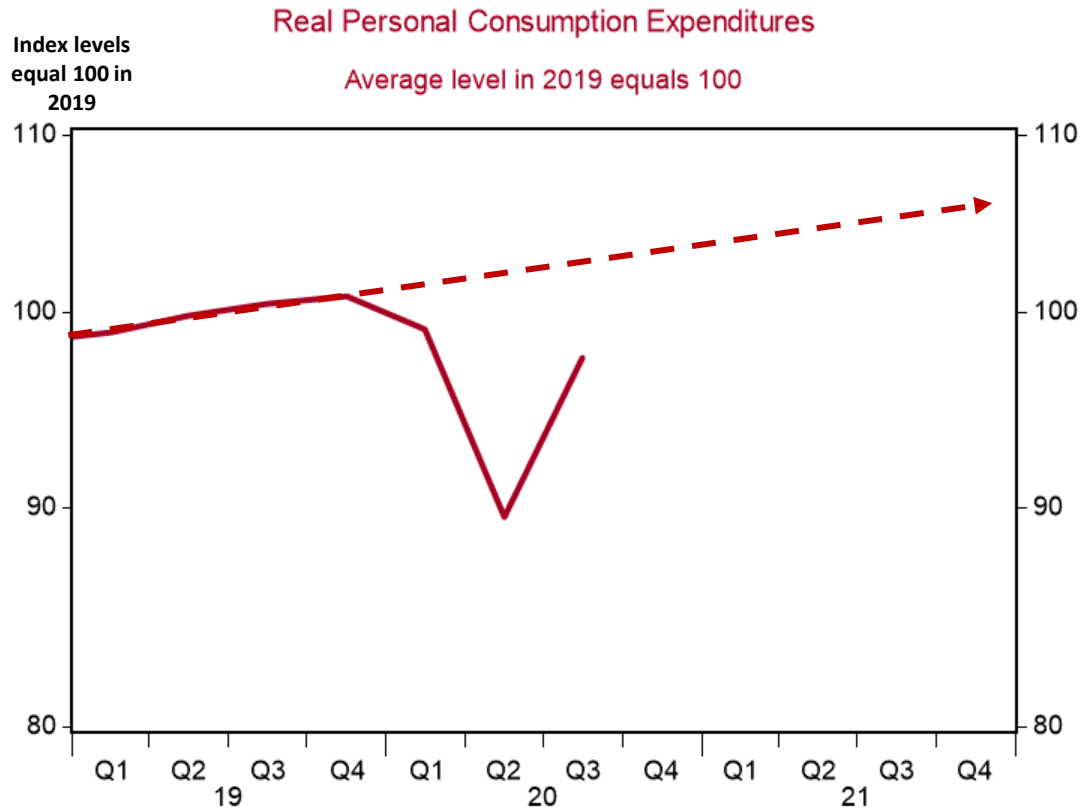


Source: Bureau of Labor Statistics/Haver Analytics

A Double-Dip Recession is Possible before Everyone is Vaccinated

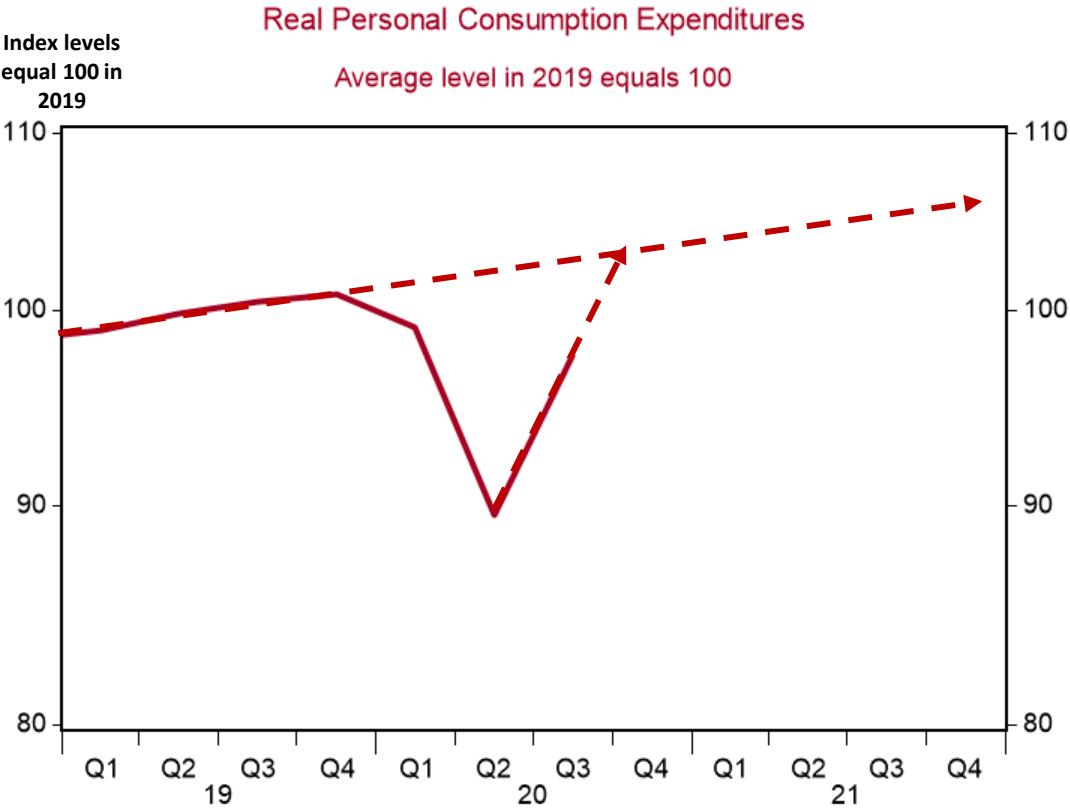


Consumer Spending Was Boosted by Stimulus



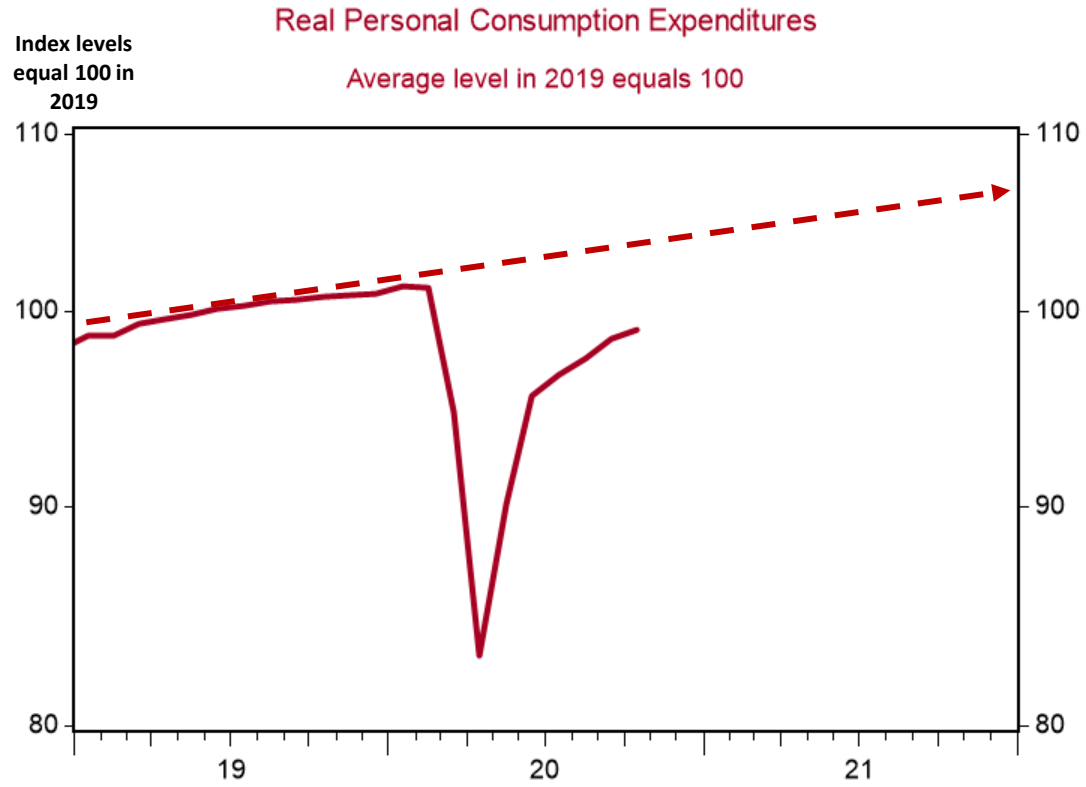
Source: Bureau of Economic Analysis/Haver Analytics

Consumer Spending Also Looked Like A “V”



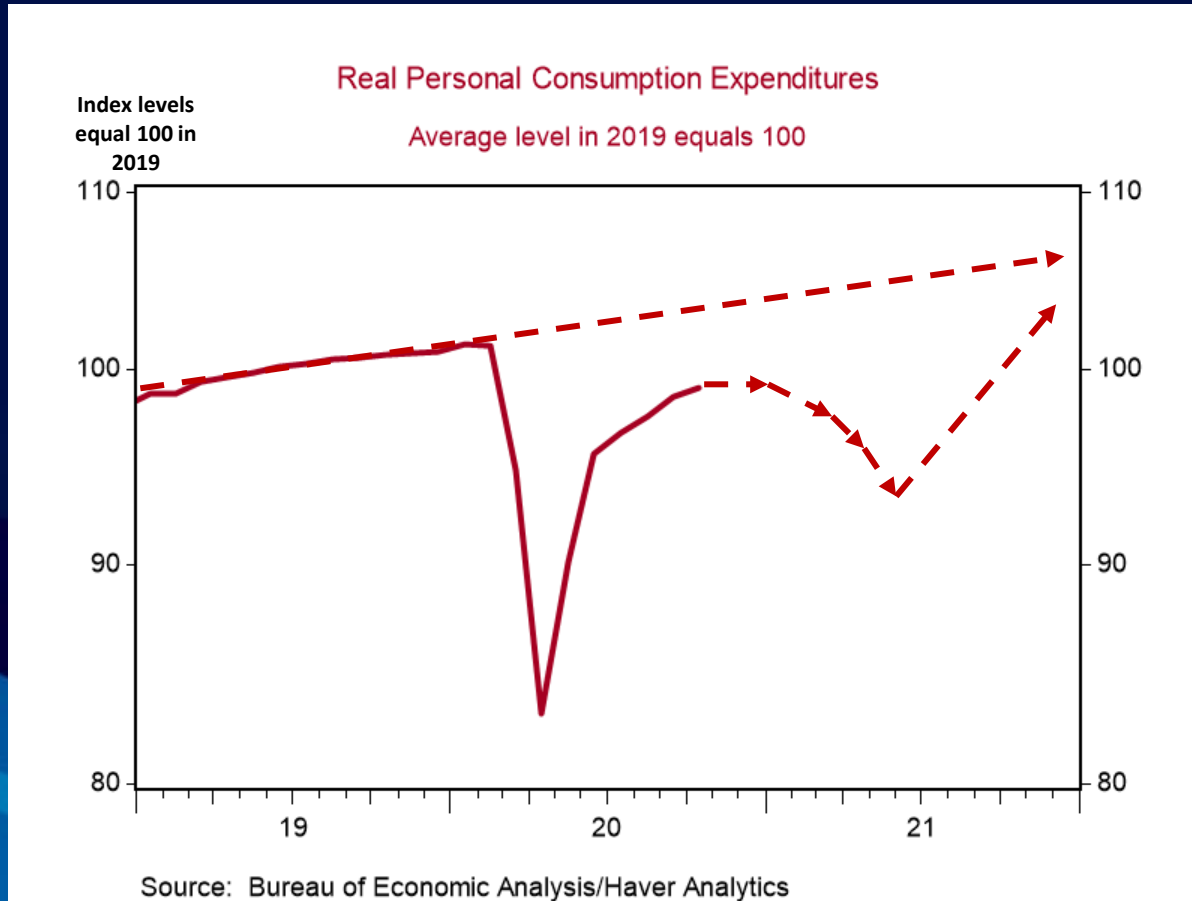
Source: Bureau of Economic Analysis/Haver Analytics

But Federal Income Support Faded Away

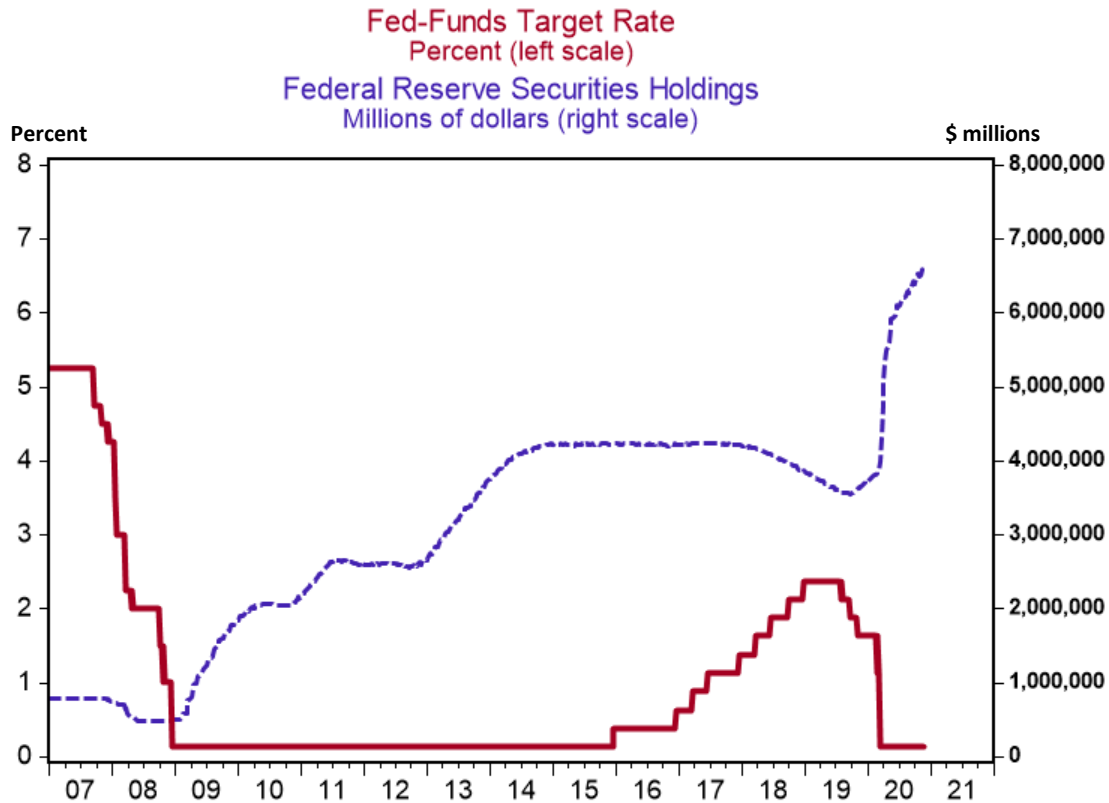


Source: Bureau of Economic Analysis/Haver Analytics

Without New Fiscal Package and Control of COVID, Spending May Stall

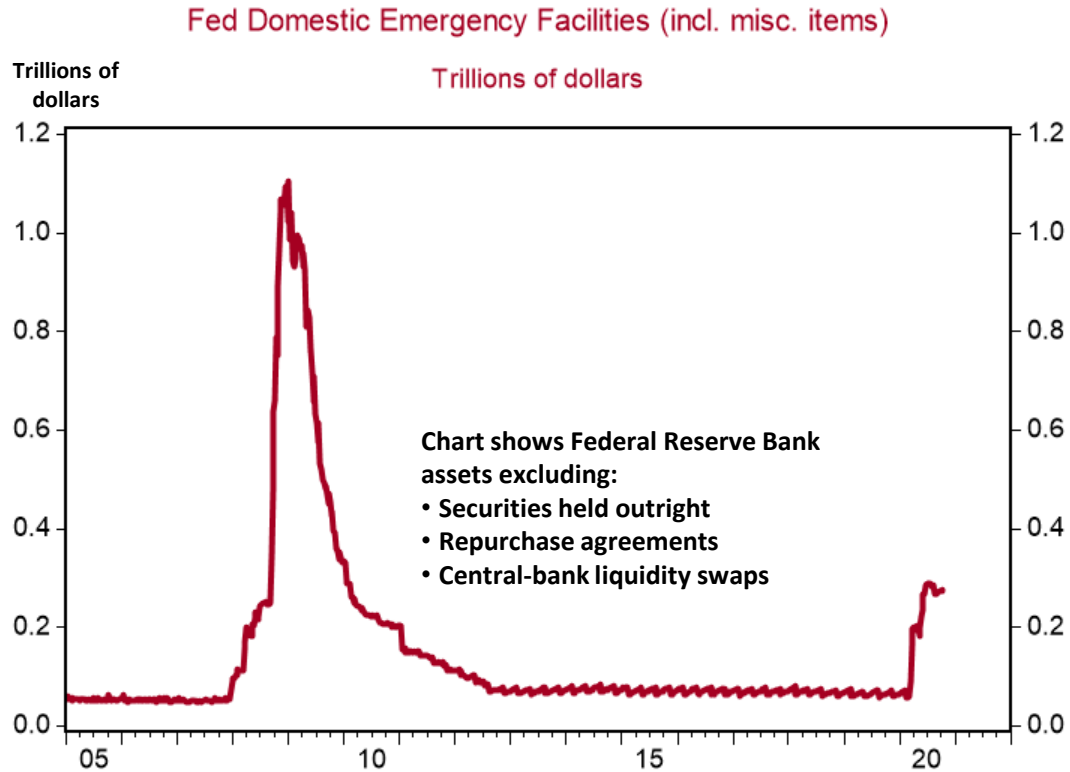


What More Can Monetary Policy Do?



Sources: FRB, FRBNY/Haver

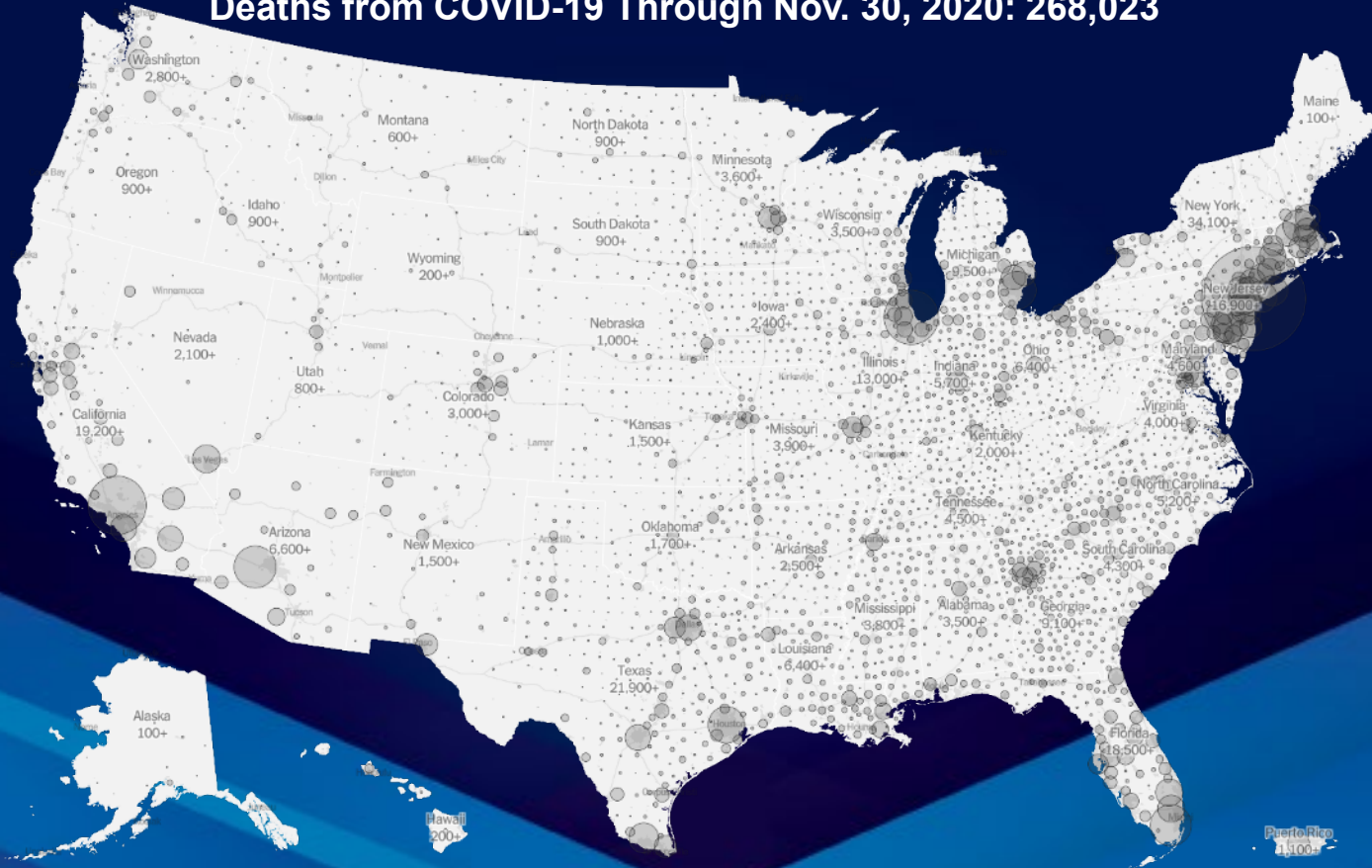
Fed Credit-Market Facilities Are Doing Little; Markets Don't Need Them



Source: Federal Reserve Board

COVID Remains Biggest Risk: Deaths Could Exceed 300,000 by Year-End

Deaths from COVID-19 Through Nov. 30, 2020: 268,023



Source: New York Times, <https://www.nytimes.com/interactive/2020/us/coronavirus-us-cases.html>

In Sum: The Fed is doing what it can but that isn't enough

- What we thought was a “V-shaped recovery” is fading fast.**
- Large-scale fiscal stimulus is waning.**
- COVID is surging again.**
- The Fed has done about everything it can do.**
- If we don't get better control of COVID and there is not a second federal income-support package, we're at risk of a double-dip recession in early 2021.**

Polling Question

Are you or your clients processing foreclosures on loans that are not specifically covered by the CARES Act or other moratoria?

- a. Yes
- b. No
- c. Yes, but only vacant/abandoned properties



Rick Sharga

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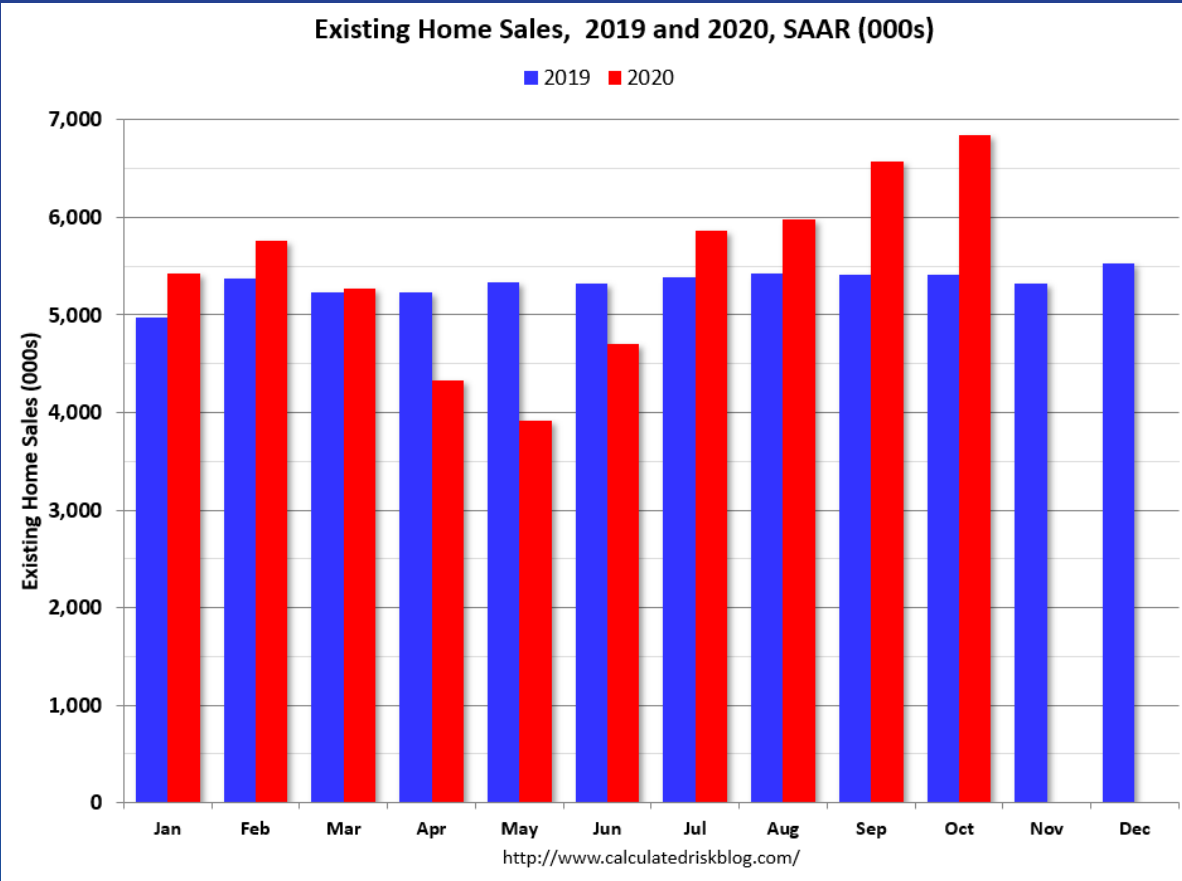


The U.S. Economy and Commercial Real Estate

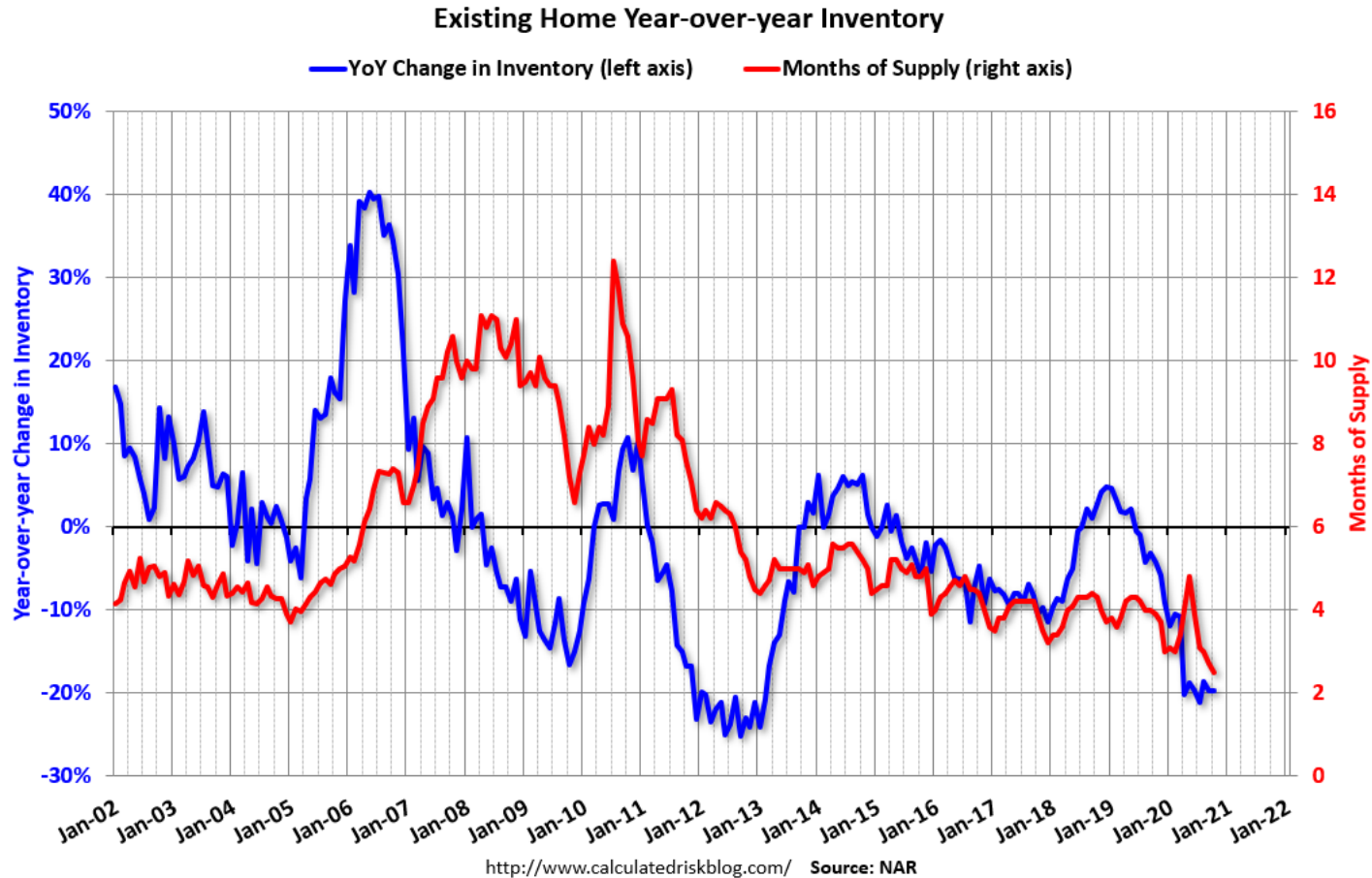
November 19, 2020

The Housing Market

Existing Home Sales Surpass 2019 Sales



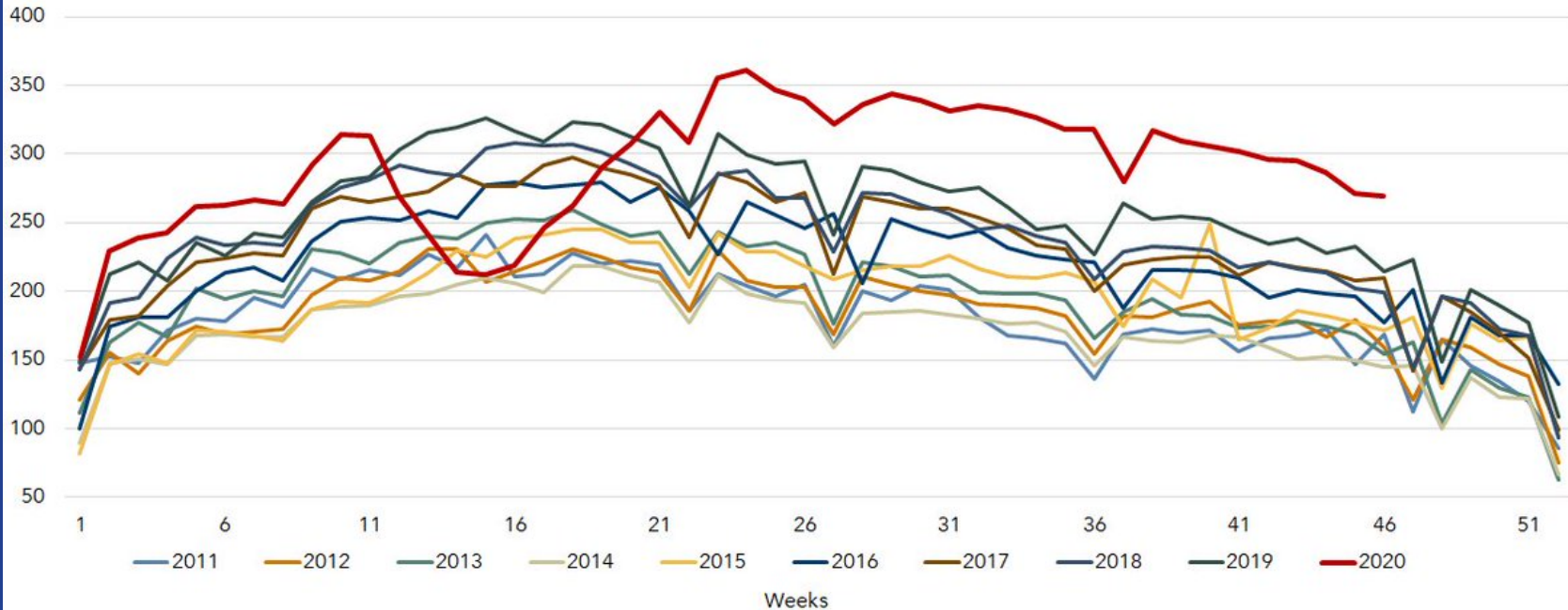
Despite Historically Low Inventory



But Demand Remains Strong

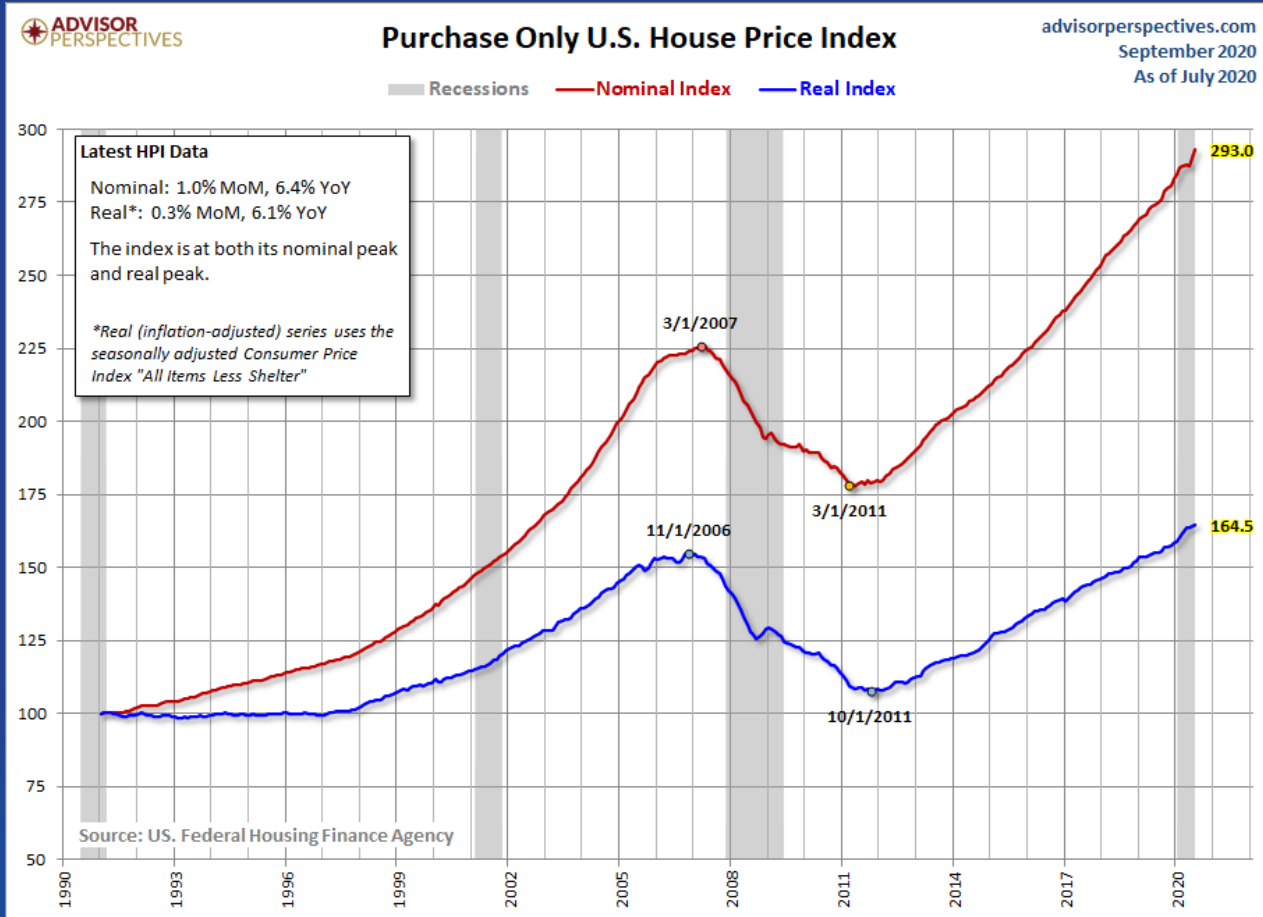
Purchase Apps 25.7% Higher Than One Year Ago

MBA: Volume Index: Mortgage Loan Applications for Purchase (NSA, Mar-16-90=100)



Source: MBA, Nov. 2020

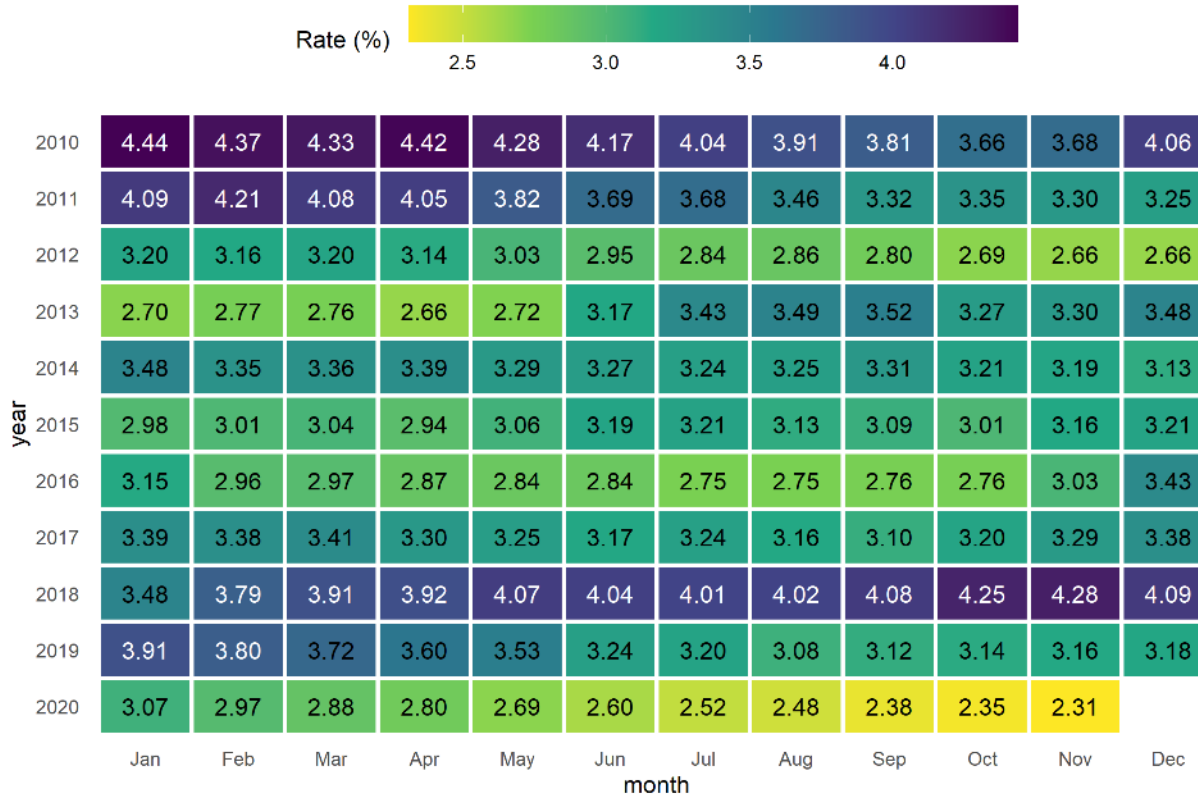
Driving Prices to Record Highs



But Low Mortgage Rates Help Offset Costs

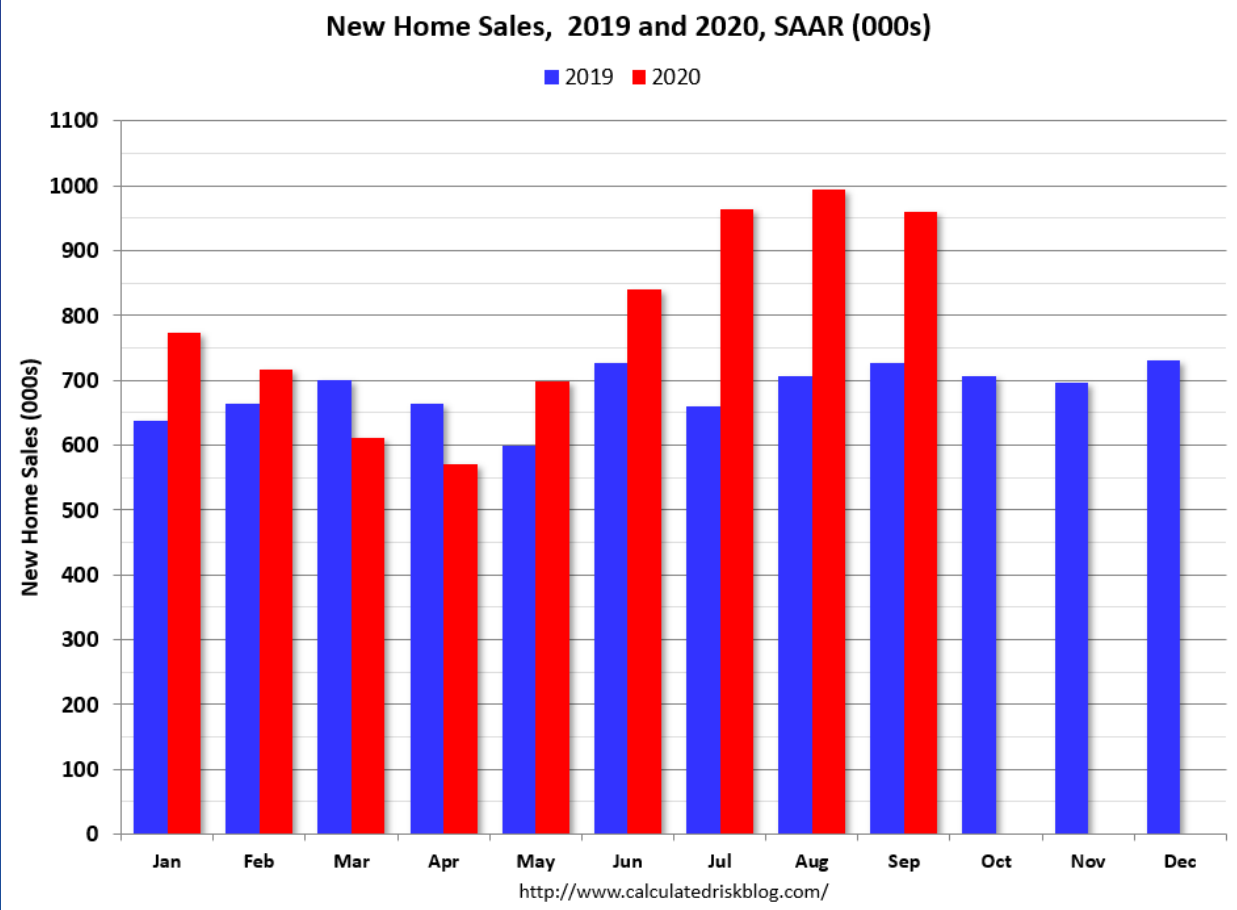
Monthly average mortgage rates by year

U.S. average 15-year fixed mortgage rate (%)

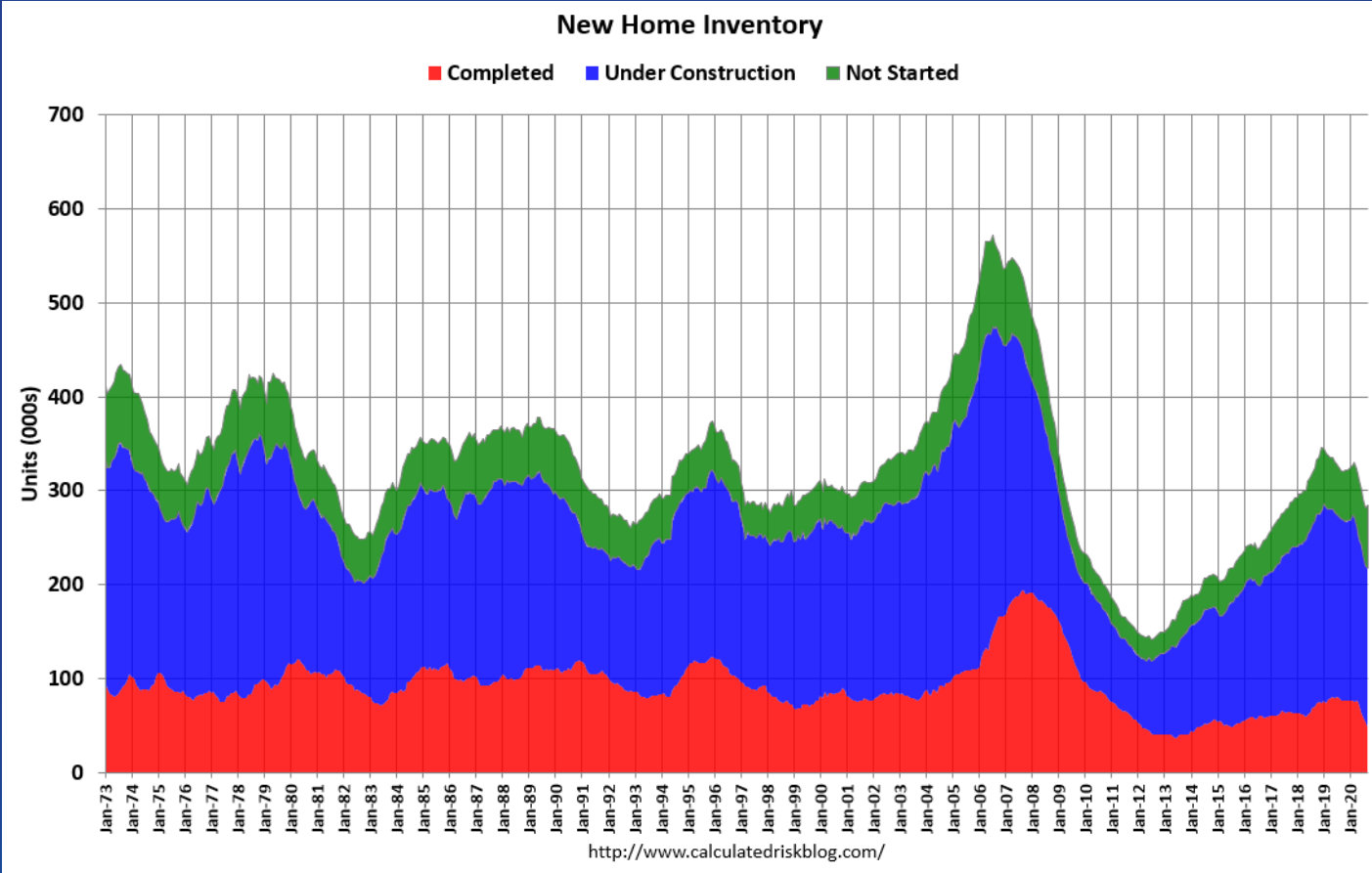


@lenkiefier Source: Freddie Mac Primary Mortgage Market Survey through November 19, 2020

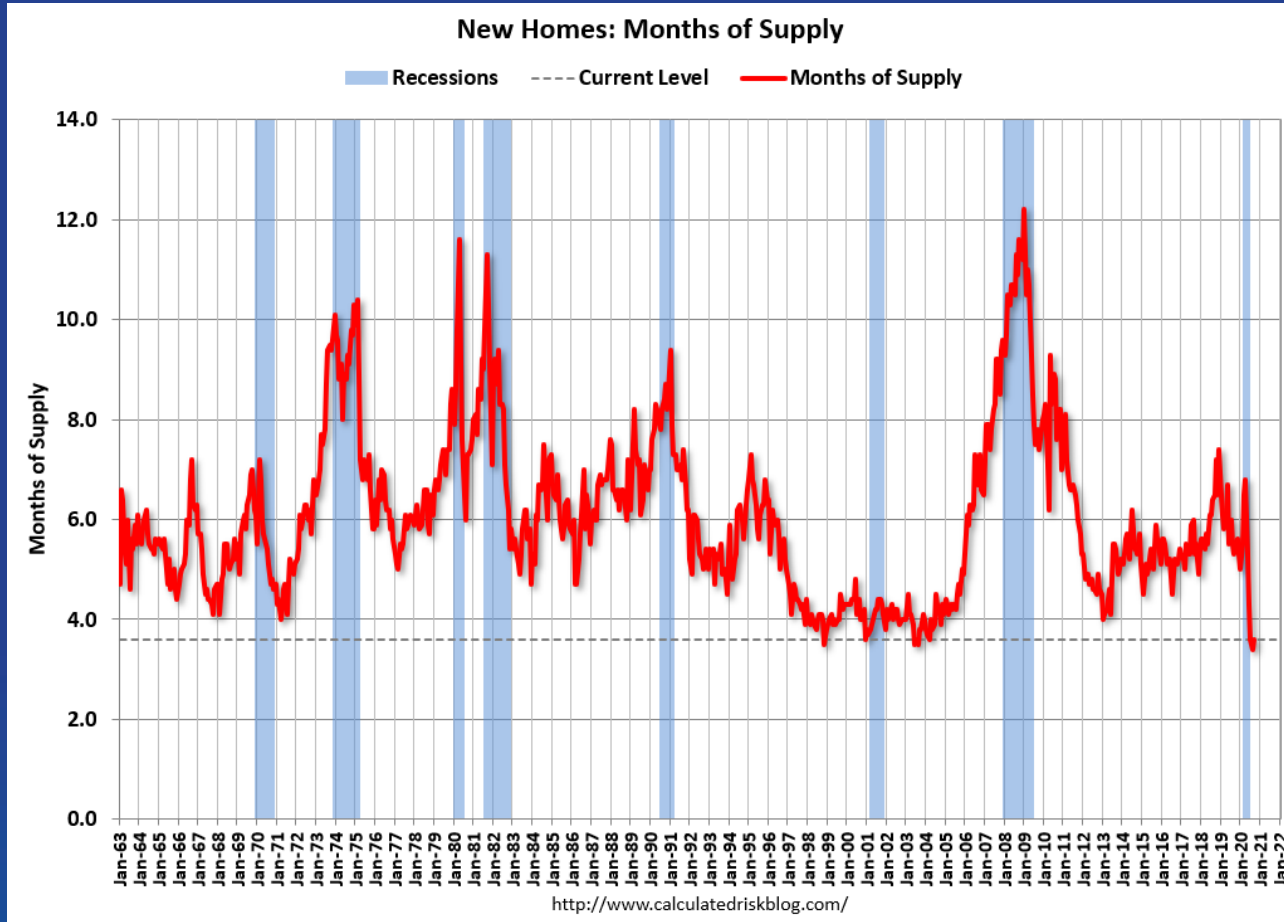
New Home Sales Exceptionally Strong



Inventory Struggling to Keep Pace

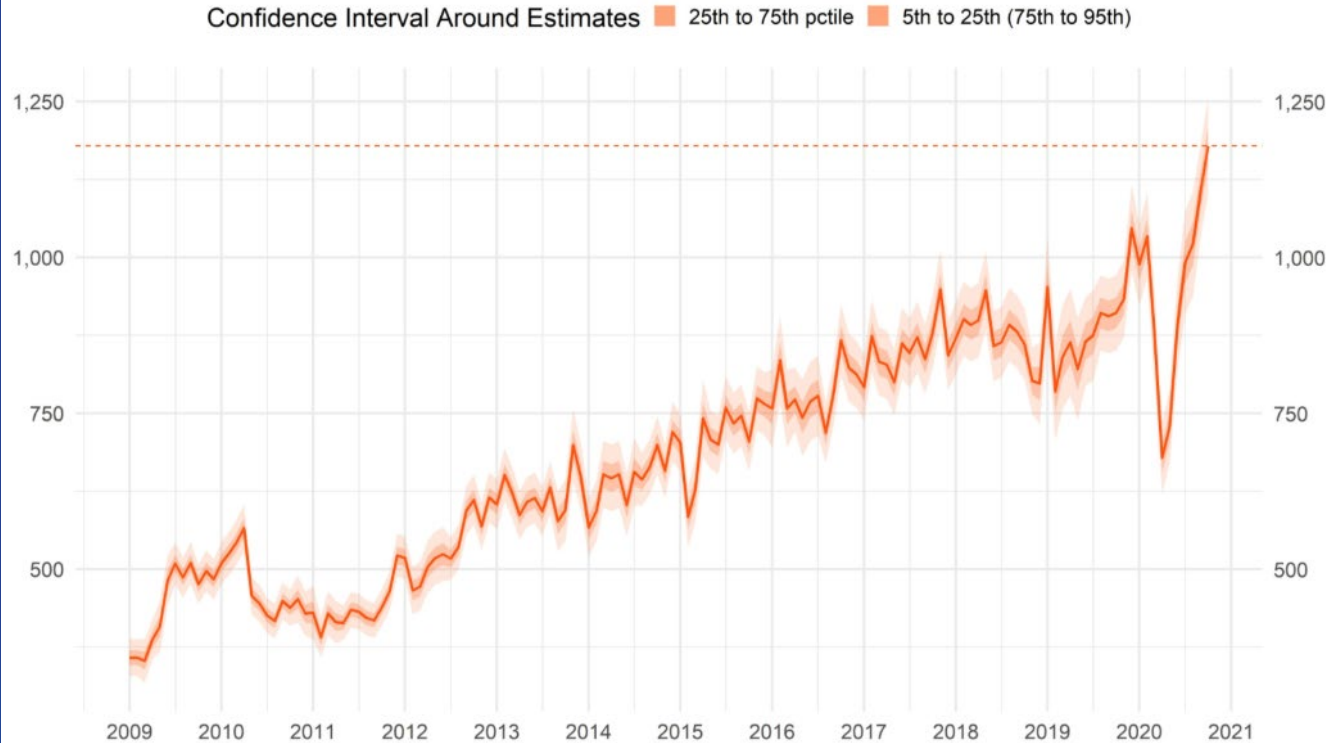


And Months of Supply at All-Time Low



But Housing Starts Offer a Glimmer of Hope

U.S. Single-family Housing Starts (1000s, SAAR)

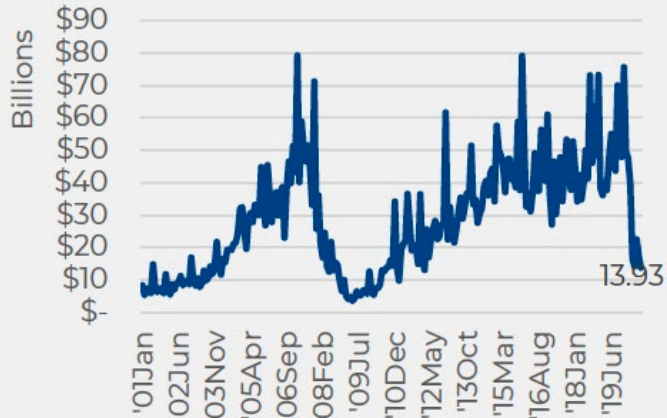


Source: U.S. Census Bureau and Department of Housing and Urban Development
Confidence interval based on normal distribution given relative standard error.
Dotted line at October 2020 estimate

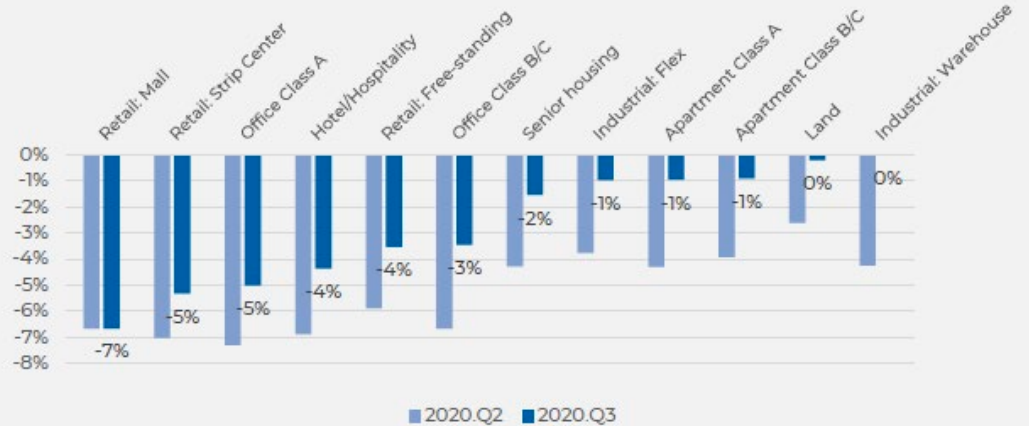
The CRE Market

CRE Sales Have Suffered from COVID-19

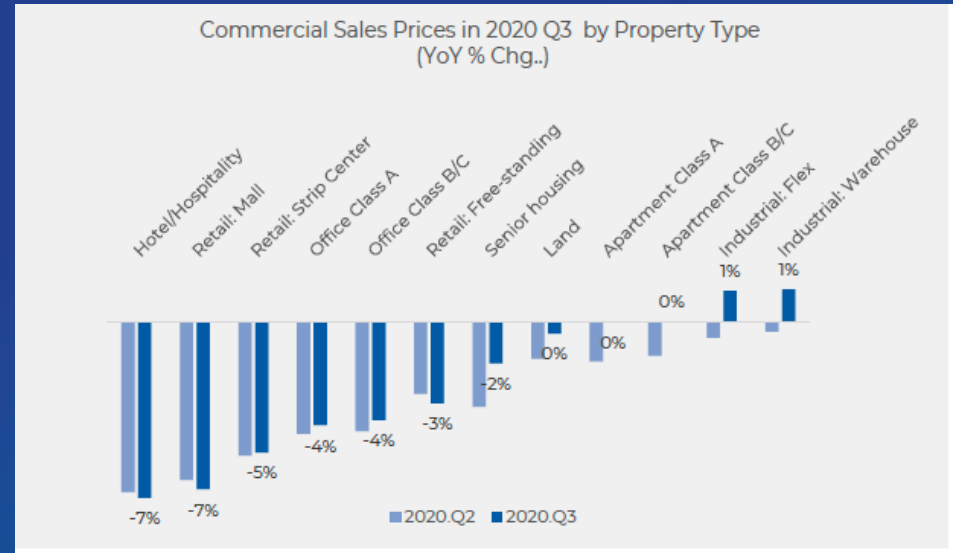
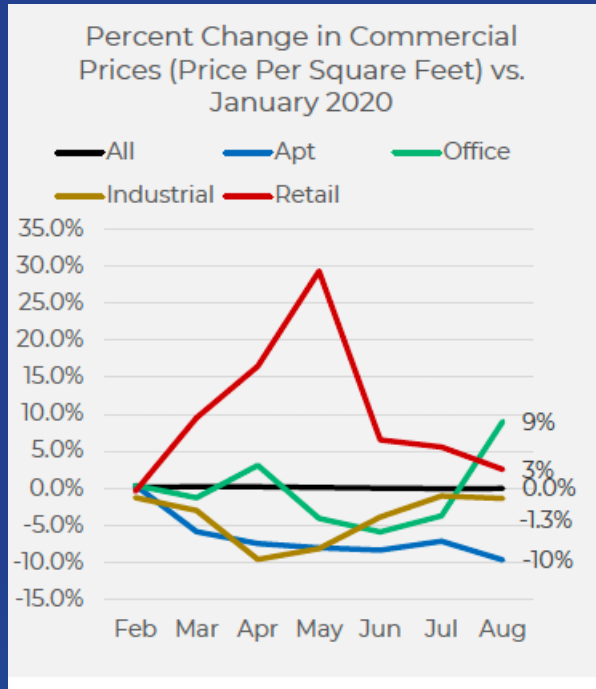
Dollar Volume of Acquisitions
\$2.5M and Above in Billion
Dollars



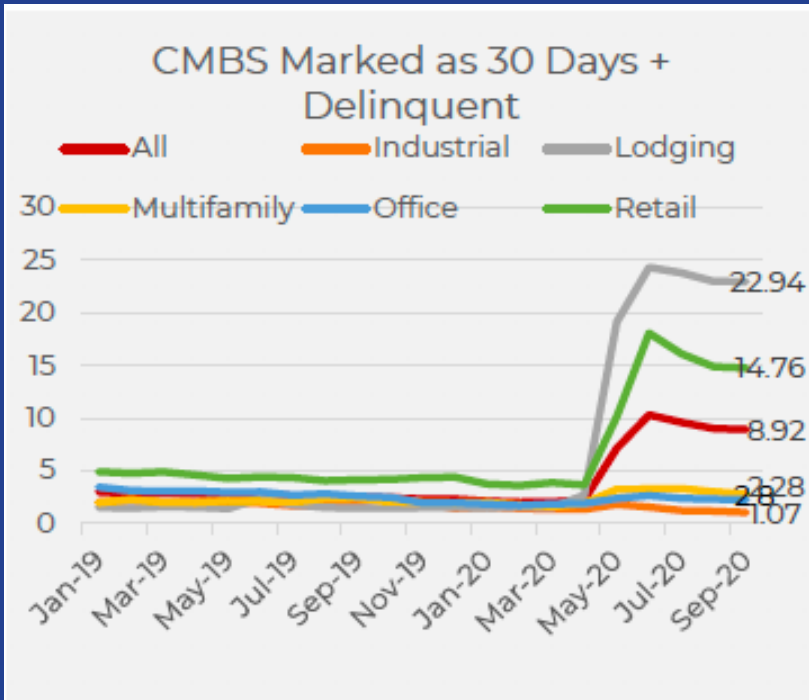
Dollar Commercial Sales Volume (YoY % Chg..) by Property Type in
2020 Q3 of REALTOR® Respondents



Prices Have Also Dropped in Most Sectors



Delinquencies Up, But May Be Improving



Source: Trepp

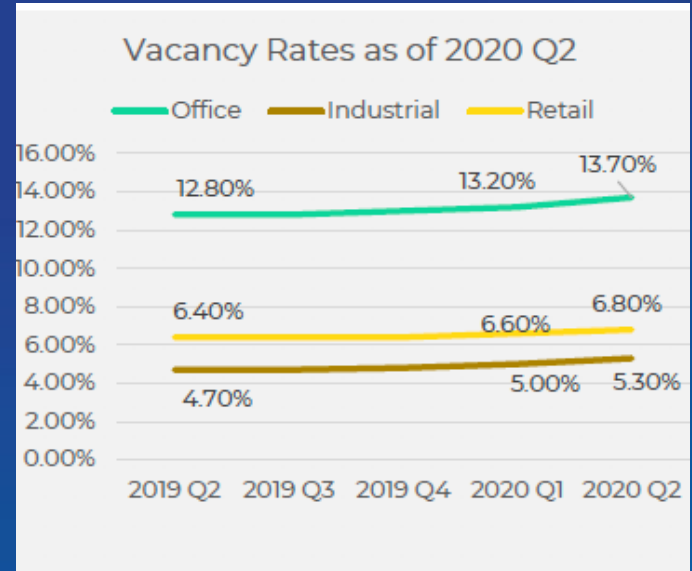
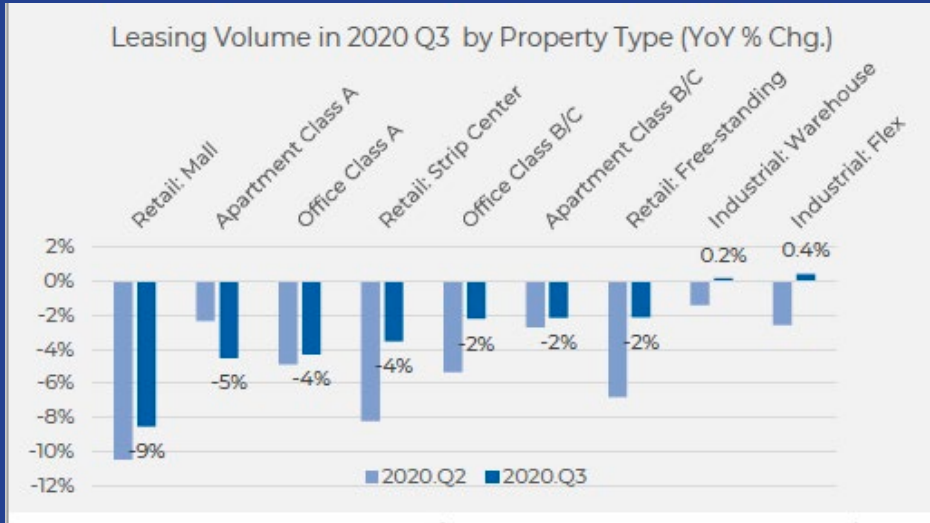
53% of respondents reported an increase in tenants with missed/late/partial residential apartment rent (48% in 2020 Q2)

54% of respondents reported an increase in missed/late/partial rent payment for office, retail, industrial space (55% in 2020 Q2)

65% of respondents reported an increase in tenants who get rent concessions (53% in 2020 Q2)

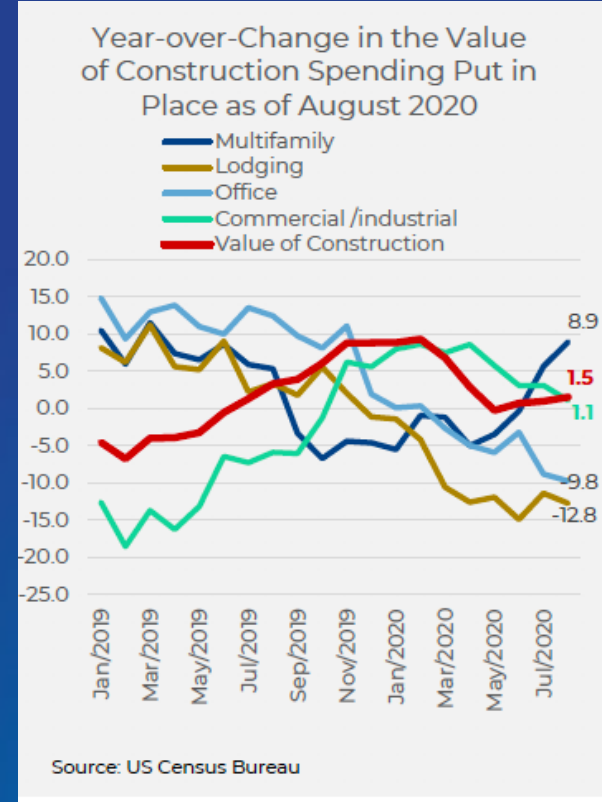
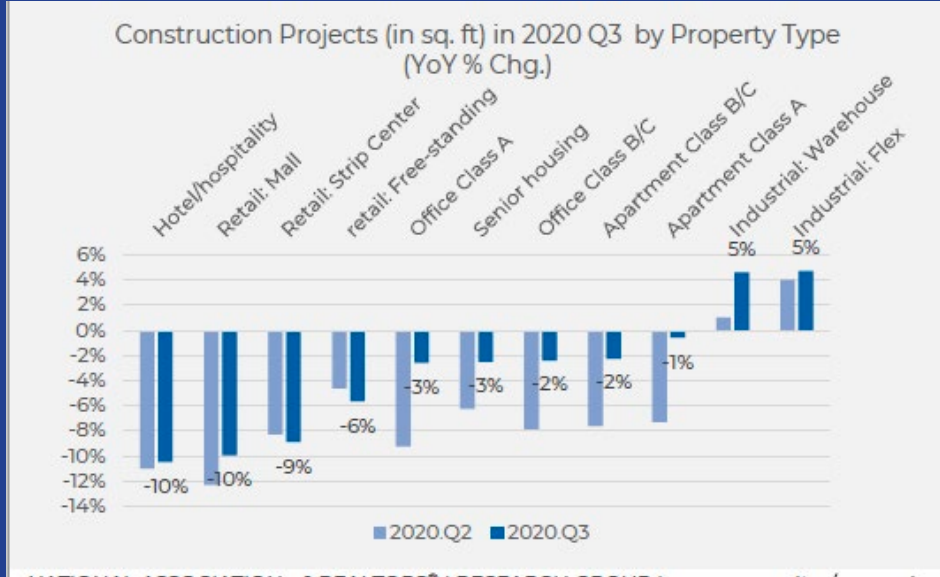
37% of respondents reported an increase in co-tenancy clauses in retail properties (20% in 2020 Q2)

Leasing Volume Down, Vacancy Rates Up



Cushman and Wakefield U.S. Office MarketBeat Reports,
<https://www.cushmanwakefield.com/en/united-states/insights/us-marketbeats/us-office-marketbeat-reports>

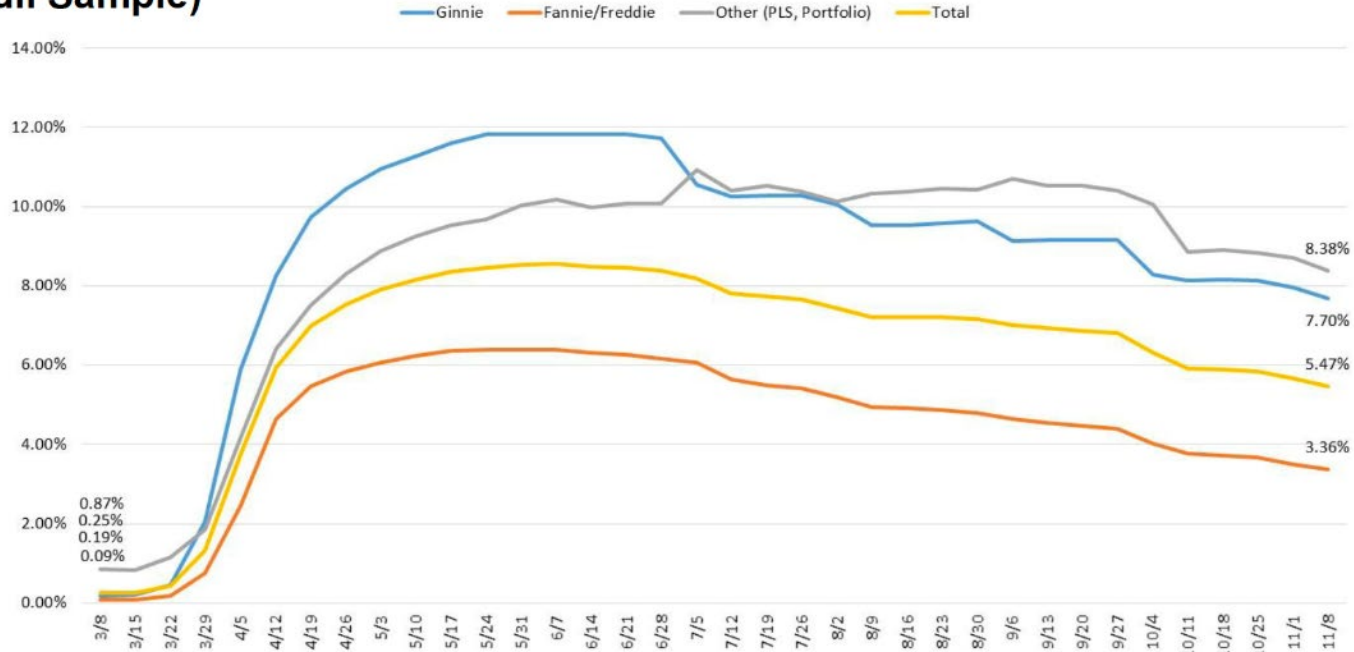
Construction Delayed, But Showing Life



Distressed Inventory: Forbearance & Foreclosures

<5.5% of Mortgages are in Forbearance

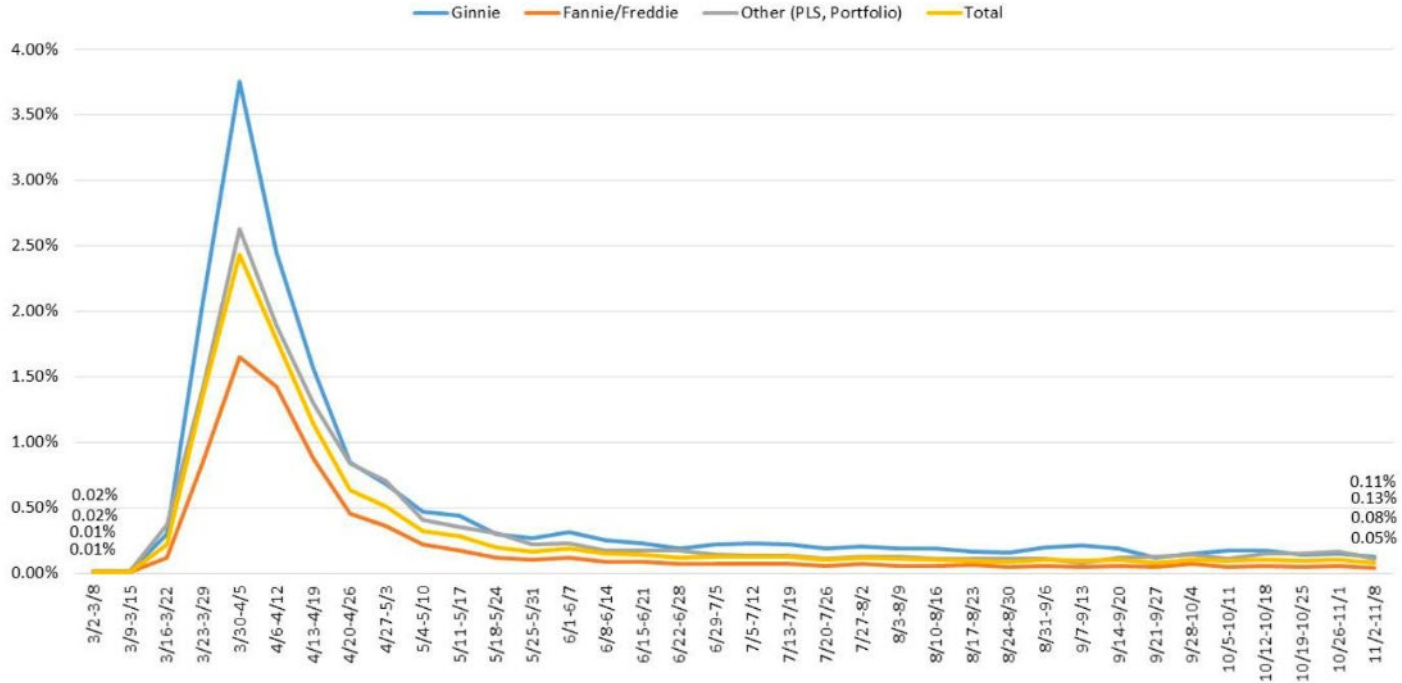
% of Servicing Portfolio Volume in Forbearance by Investor Type over Time (Full Sample)



Source: MBA's Weekly Forbearance and Call Volume Survey, as of 11/8/20
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Forbearance Requests Peaked in March

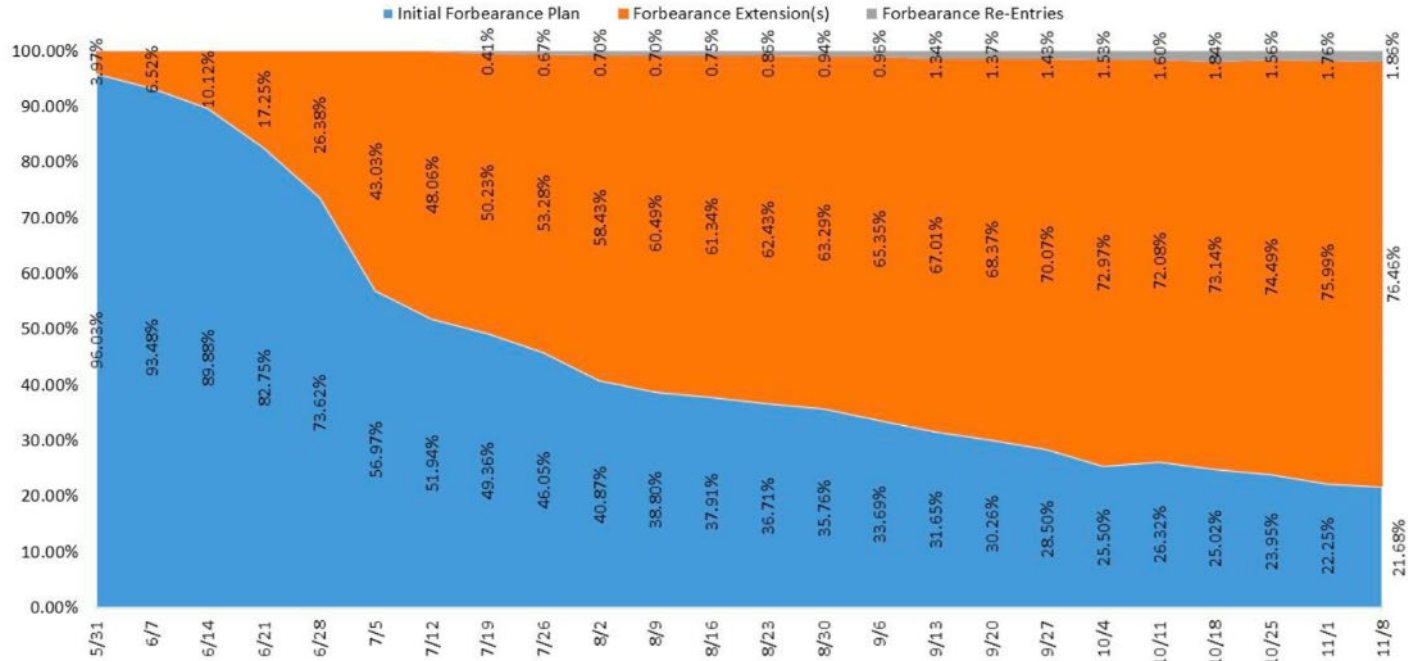
Weekly Borrower Forbearance Requests as % of Servicing Volume (#)



Source: MBA's Weekly Forbearance and Call Volume Survey, as of 11/8/20
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76% of Forbearances are Extensions

% Loans in Forbearance by Stage

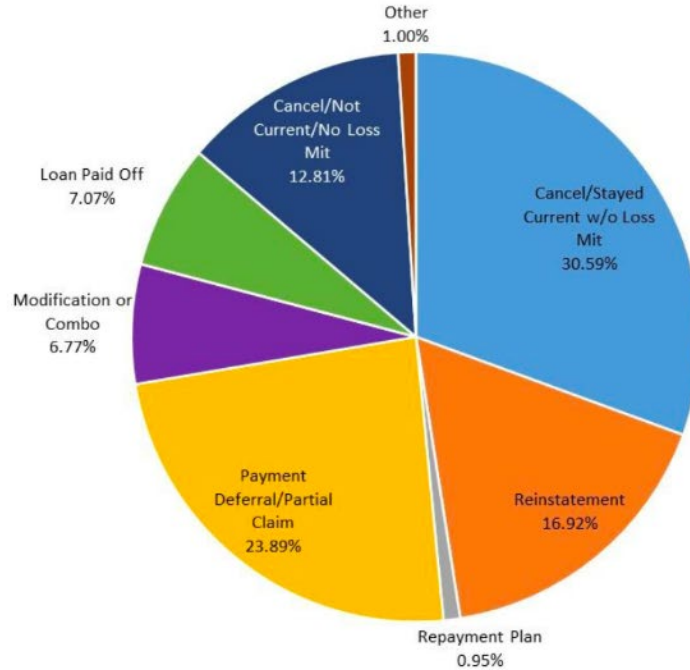


Source: MBA's Weekly Forbearance and Call Volume Survey, as of 11/8/20
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81% of Exits are Successful

% of Cumulative Forbearance Exits by Reason

6/1/2020-11/8/2020

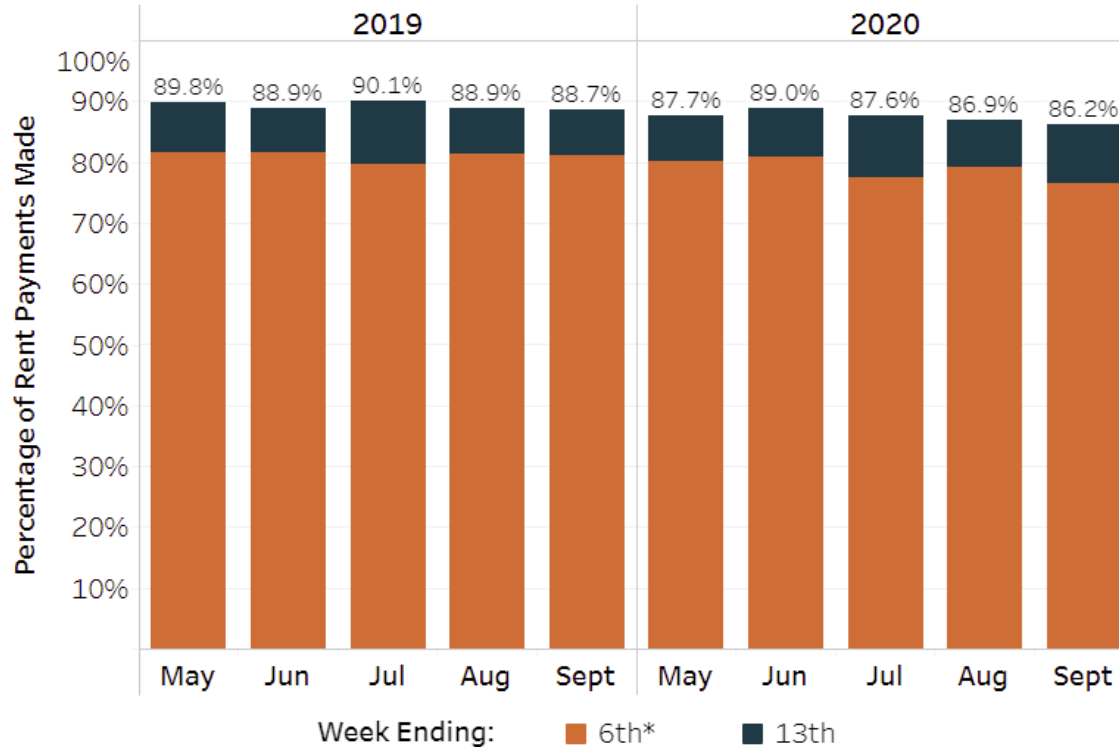


Cumulative Forbearance Exits as a % of Average Servicing Portfolio: 4.90%

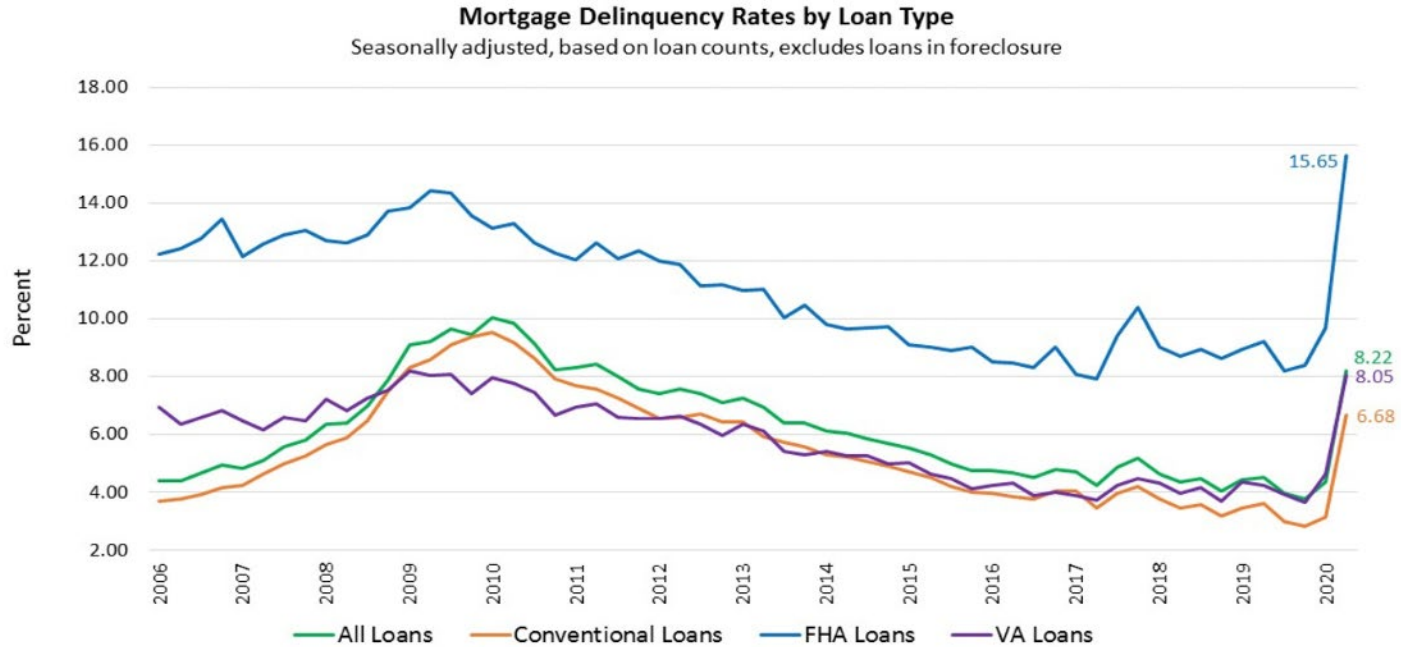
Rent Payments off by ~2% from 2019

Rent Payment Tracker: Weekly Results

**Data collected from between 11.1 - 11.5 million apartment units each month

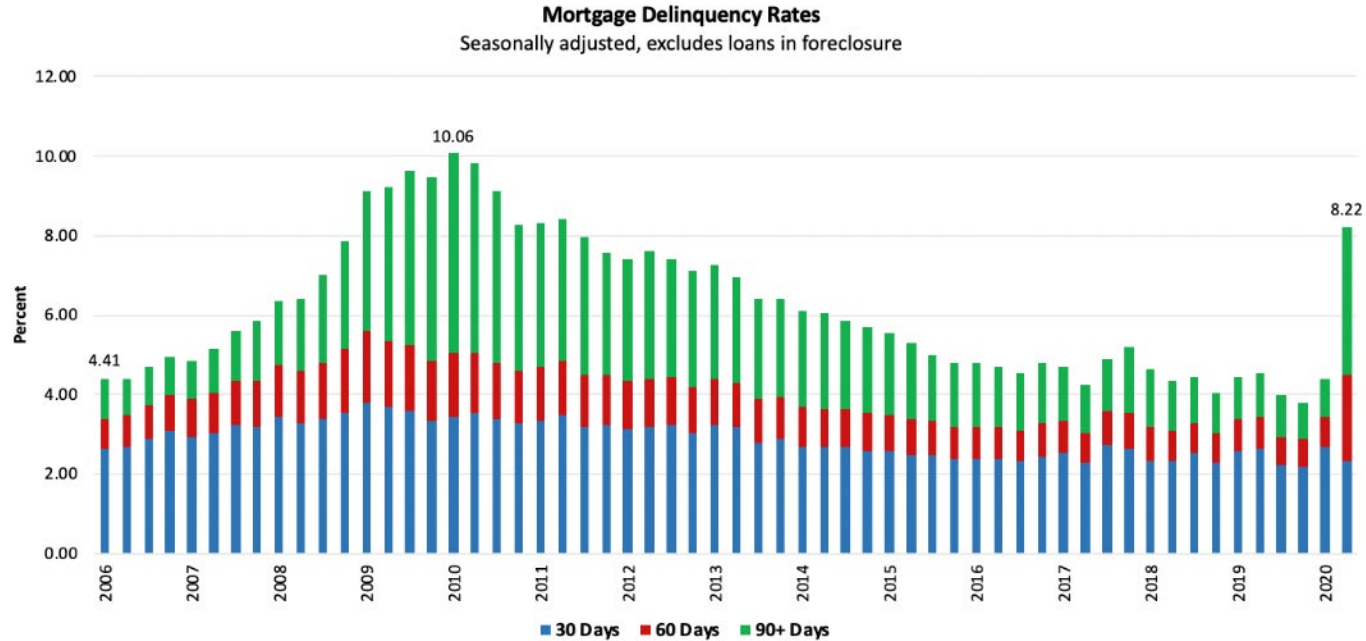


Mortgage Delinquencies Spiked in Q2 2020



Loans in Forbearance = Longer Delinquency

Delinquency Increases Driven by 60 and 90+ Day

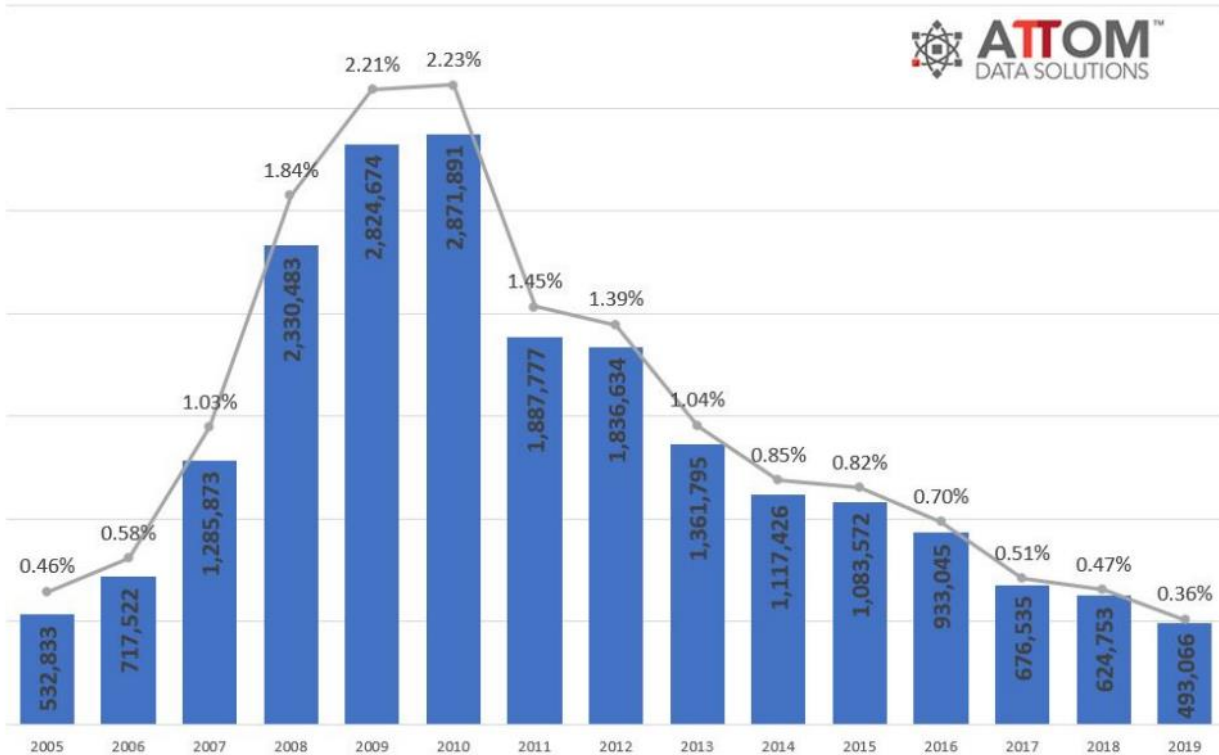


Source: MBA National Delinquency Survey

Foreclosure Activity at Pre-Recession Low

U.S. Historical Foreclosure Activity and Rates

■ U.S. Properties with Foreclosure Filings — Foreclosure Rate (Pct of Housing Units)



Polling Question

How do you expect your organization's foreclosure volumes in 2021 to compare to 2020?

- a. No change
- b. 1% to 10% increase
- c. 11% to 30% increase
- d. 31% to 50% increase
- e. Increase more than 50%



Thank You!

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Sizing Present & Future Foreclosure Volume

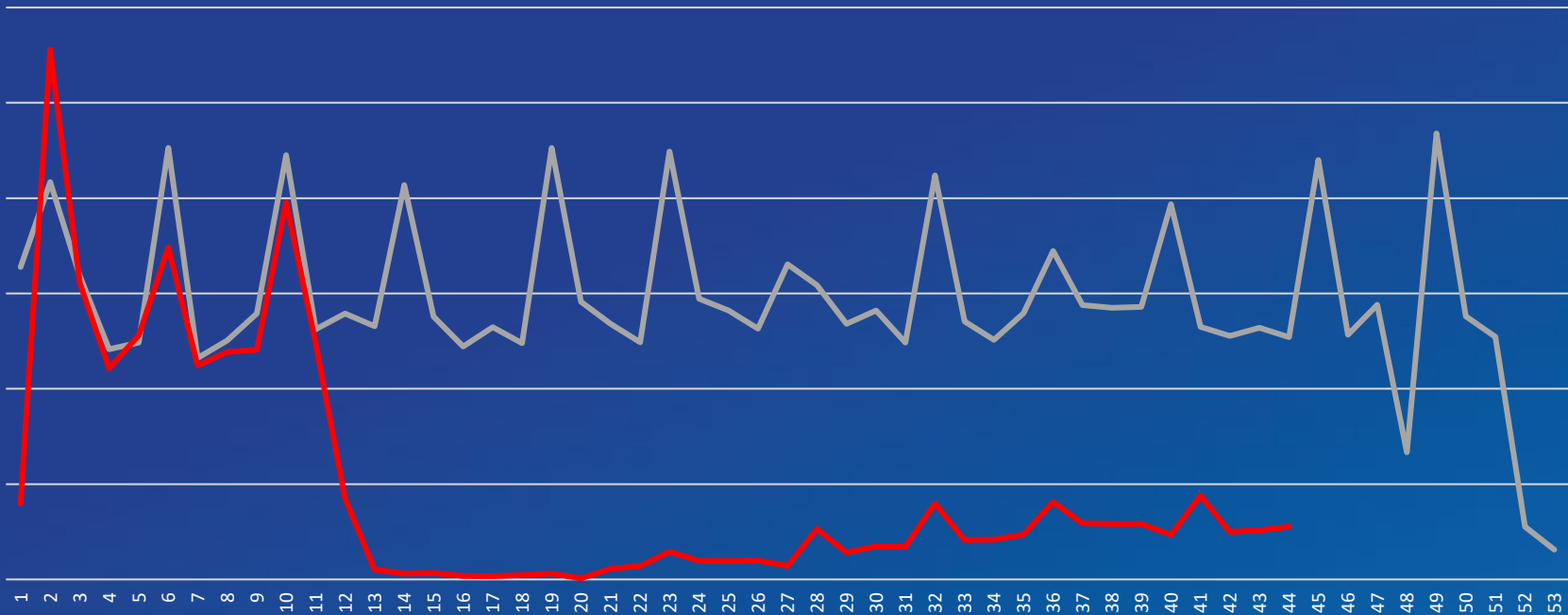
Through the prism of three questions:

- How big is the building foreclosure backlog?
- Where and what type of foreclosure volume is already returning?
- What could the next five years look like?

How Big is the Foreclosure Backlog?

85,000 non-forbearance delayed foreclosures

— 2019 — 2020

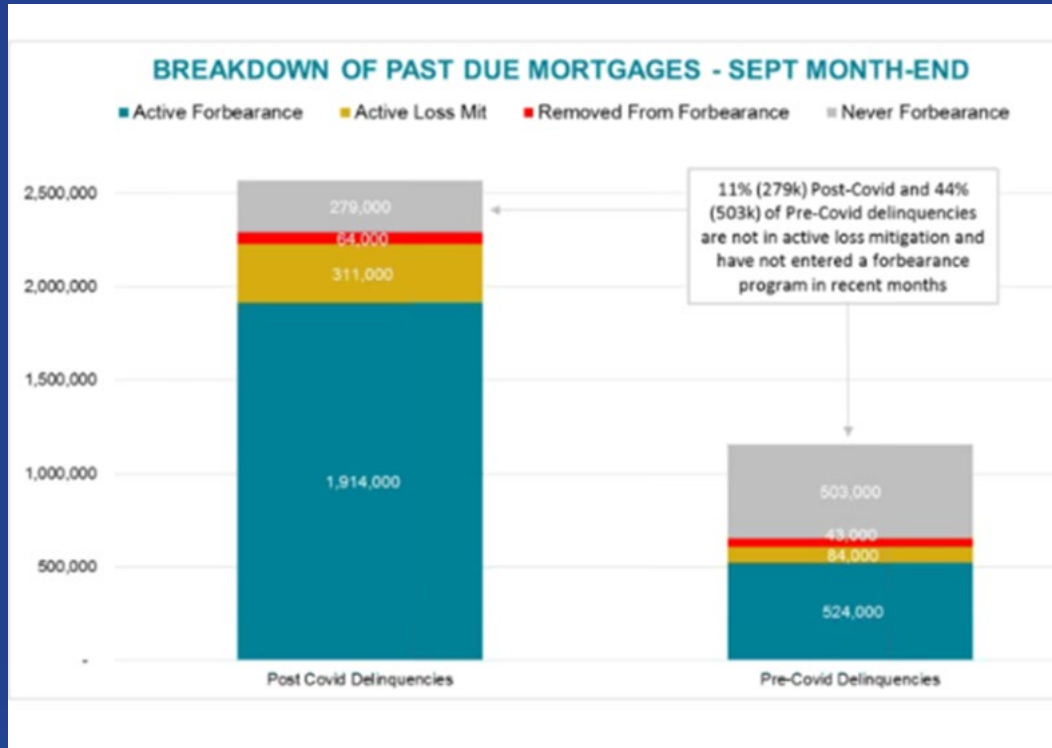


Source: Auction.com

How Big is the Foreclosure Backlog?

900,000 non-forbearance delinquencies

3.7 million loans 30 days or more past due



2.4 million in active forbearance (65 percent)

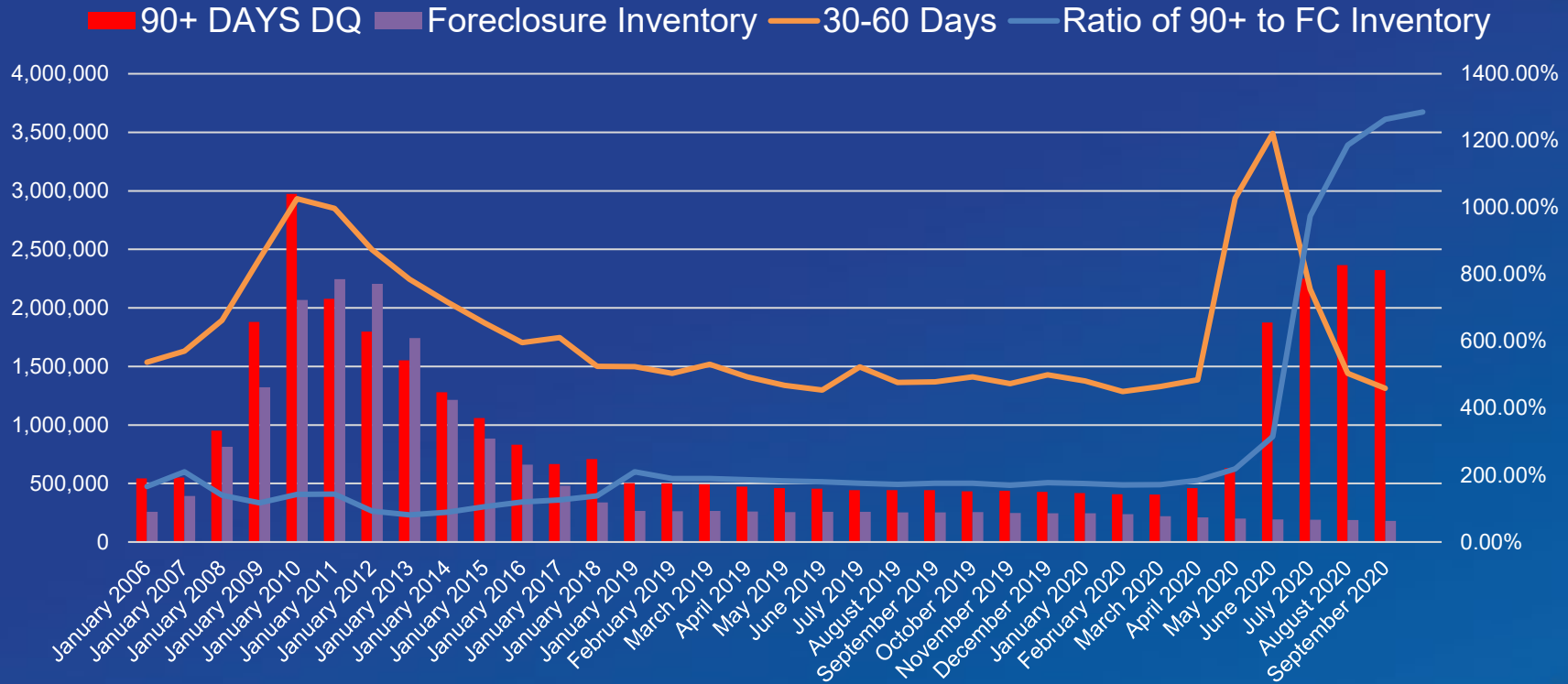
782K never in forbearance (21 percent)

395K exited in loss mitt (11 percent)

107K exited no loss mitt (3 percent)*

How Big is the Foreclosure Backlog?

1.8 million seriously delinquent in forbearance



Source: Black Knight

How Big is the Foreclosure Backlog?

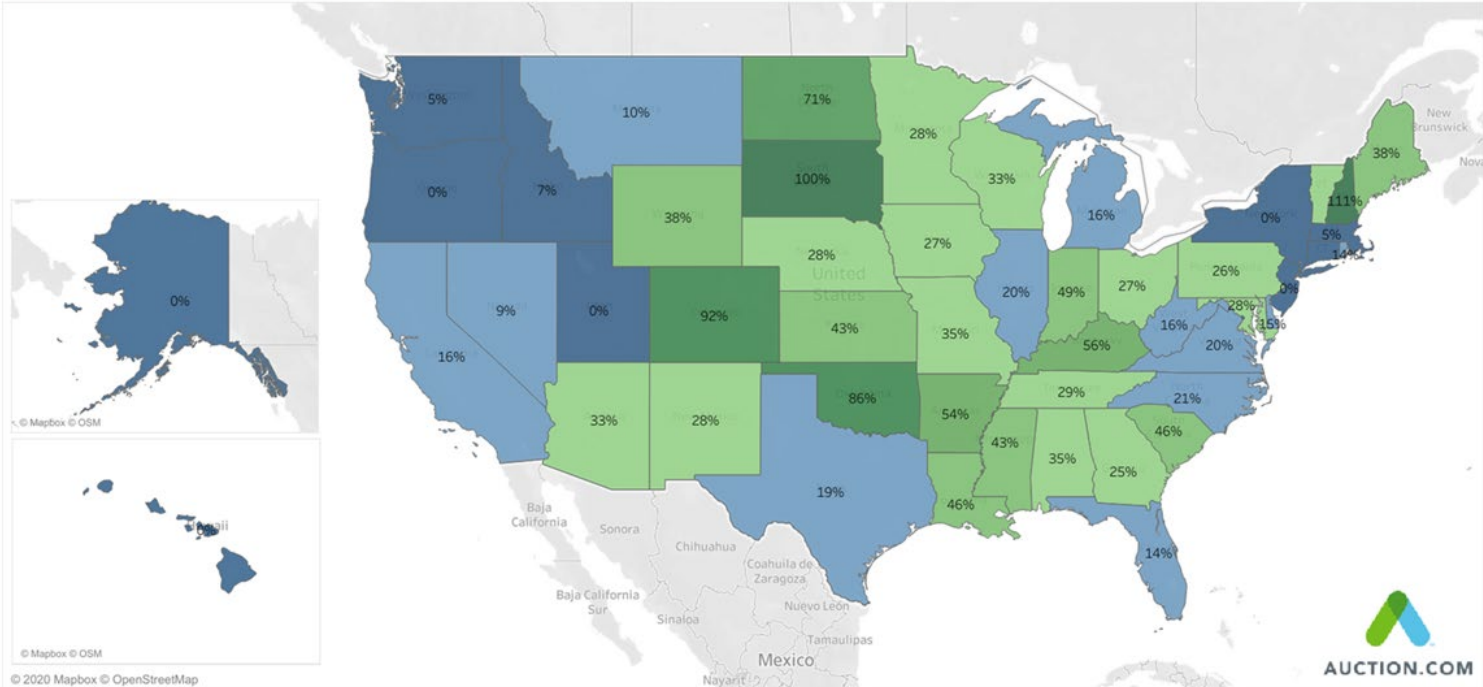
1.1 million total backlog of properties likely to start foreclosure soon after foreclosure moratoria are lifted

- 85,000+ non-forbearance foreclosures likely to restart foreclosure process soon after moratoria are lifted
- ~900K of the 1.2 million non-forbearance DQ (those not in loss mitigation) likely to move into foreclosure process within 120 days after moratoria are lifted
- Based on to-date forbearance exit outcomes from MBA, 160,000 of 1.8 million SDQ in forbearance (9%) likely to exit still in default with no loss mitigation by Q2 2021

Where Are Foreclosure Volumes Already Returning?

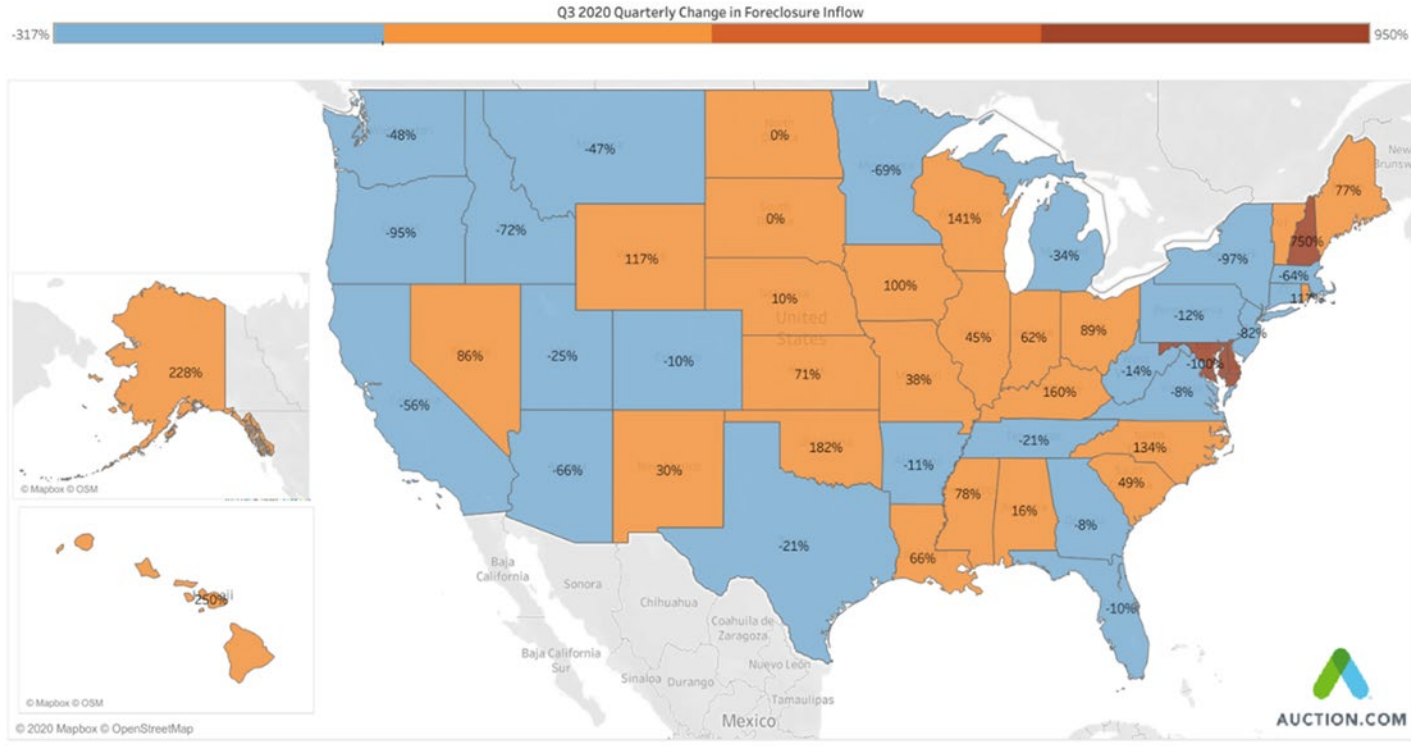
The Return of Foreclosure Auctions by State

September 2020 Foreclosure Auctions: Pct of Year-Ago Levels



Where Are Foreclosure Volumes Already Returning?

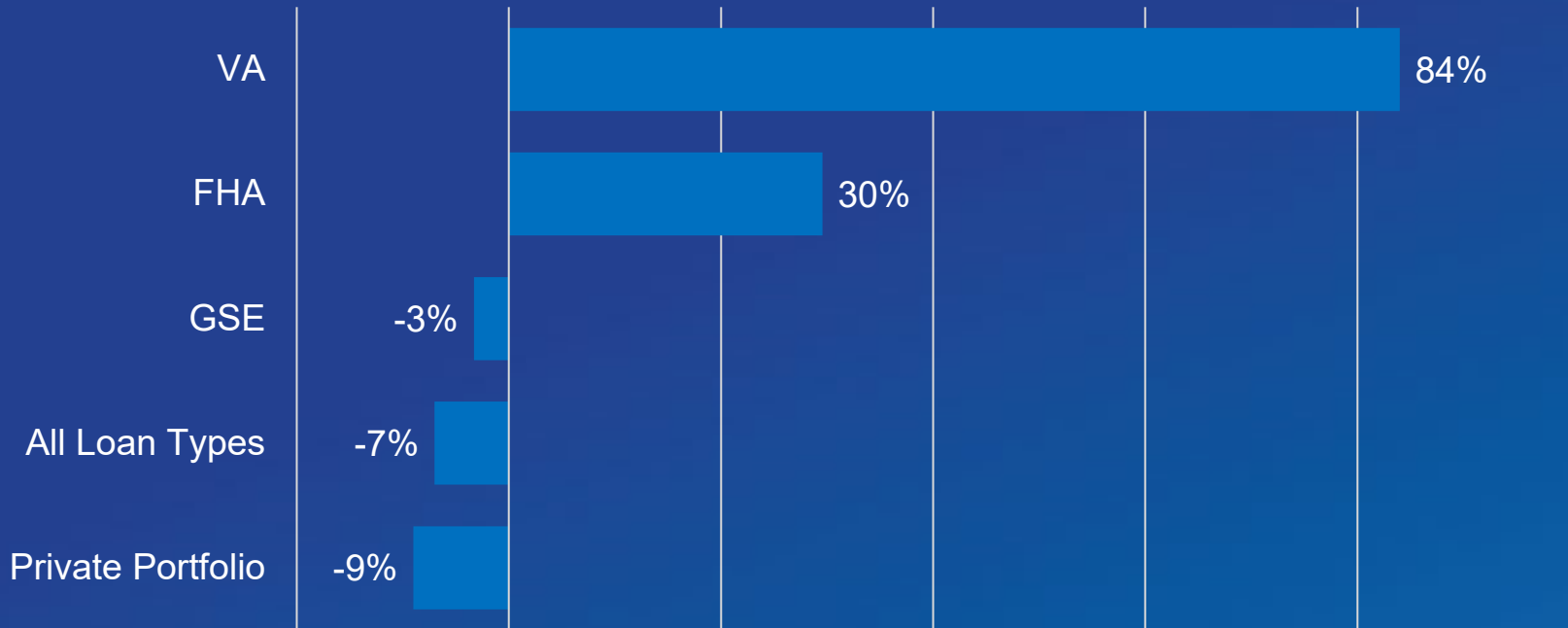
Q3 2020 Foreclosure Inflow Trends by State



Where Are Foreclosure Volumes Already Returning?

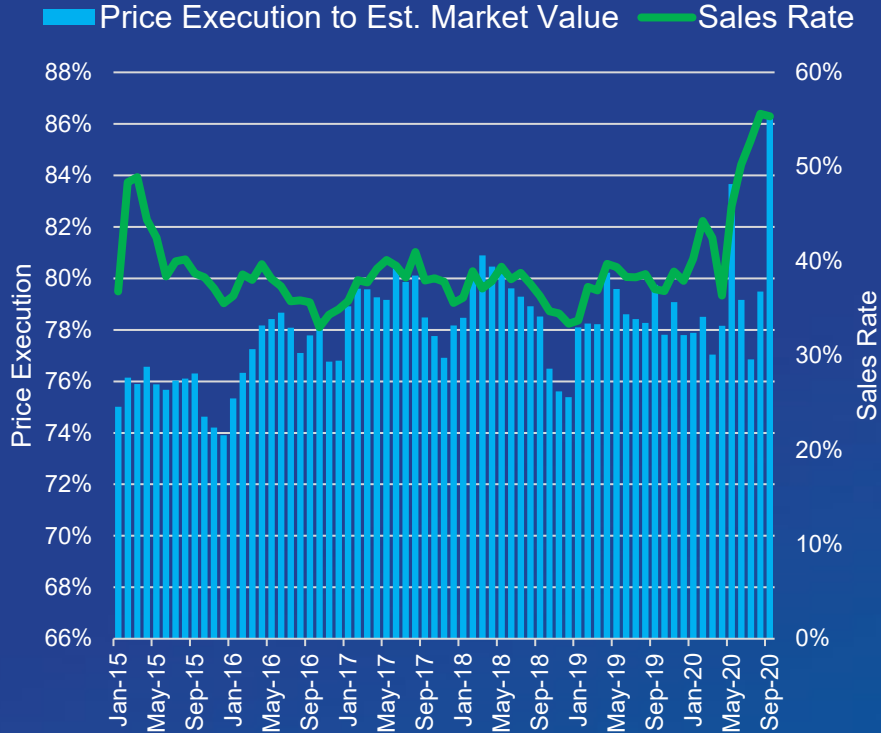
Foreclosure Inflow Trends by Loan Type

■ Q3 2020 QoQ Change in Foreclosure Inflow

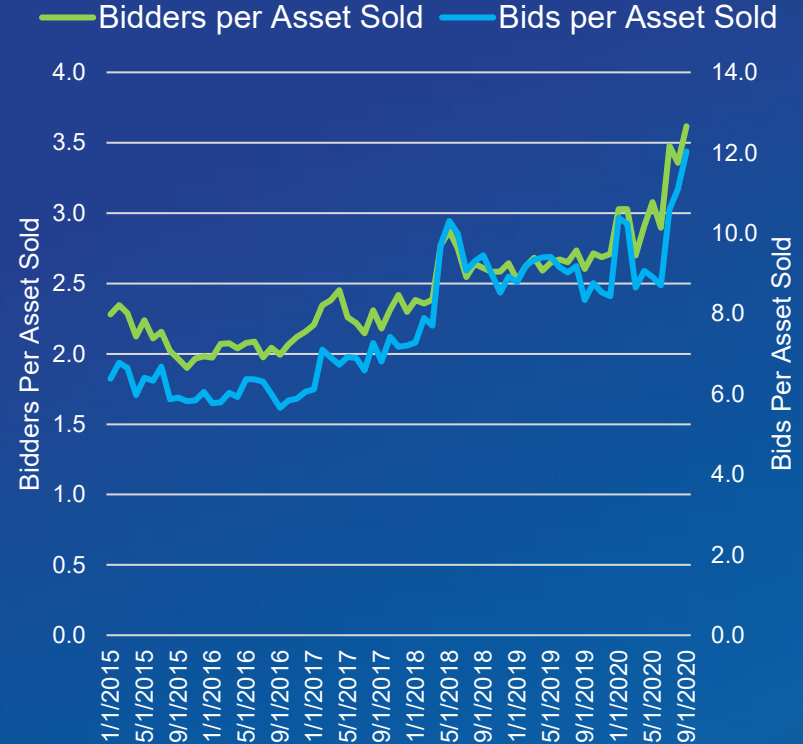


Where Are Foreclosure Volumes Already Returning?

Foreclosure Auction Demand Trends



REO Auction Demand Trends

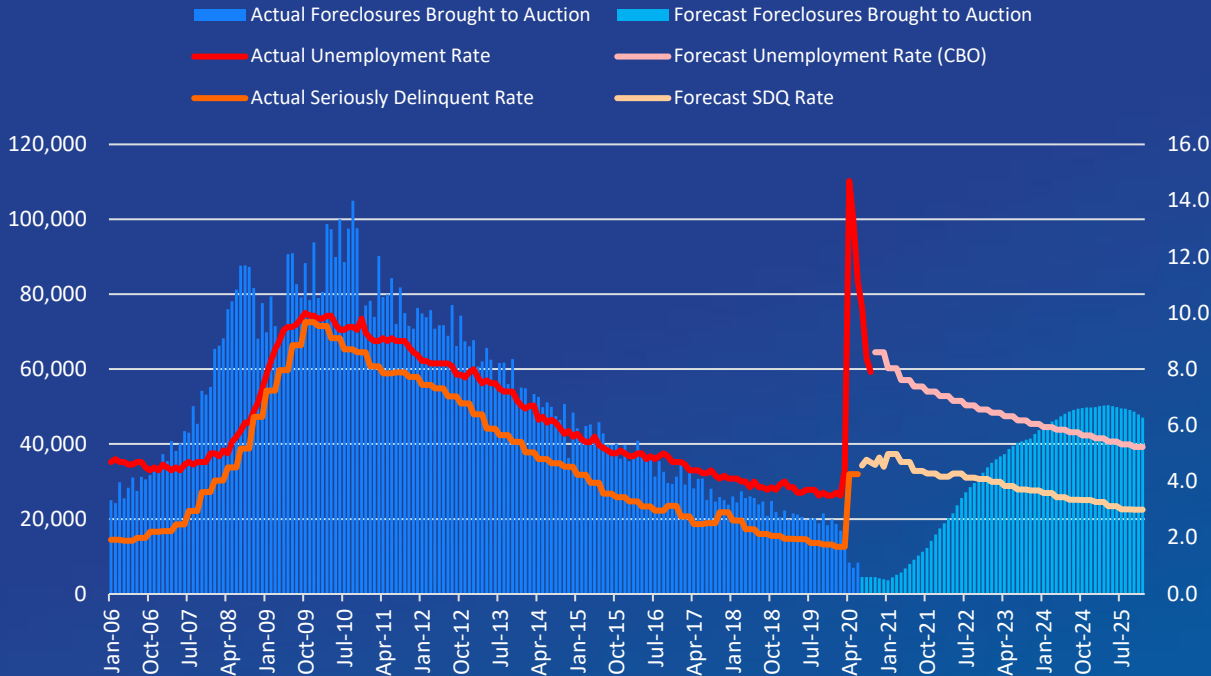


Source: Auction.com

What Could the Next Five Years Look Like?

1.5 to 2 million completed foreclosures in next five years

Foreclosure Forecast by Month



2008 to 2012
(Actual)

4,764,548

2021 to 2025
(Forecast)

2,055,236

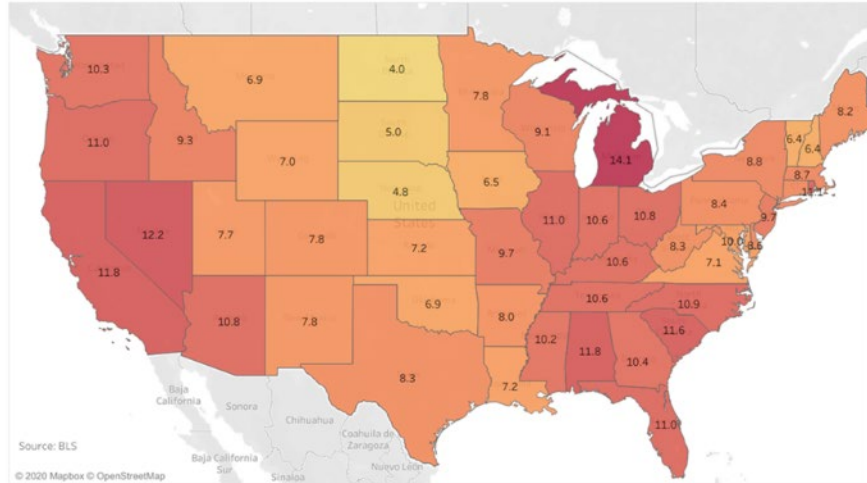
Source: Source: Auction.com analysis using data from Congressional Budget Office, Black Knight, MBA and ATTOM Data Solutions

What Could the Next Five Years Look Like?

Unemployment Rate by State:
Great Recession Peak Compared to 2020

Select a Year-Month

- 2009-10-01
- 2020-09-01



Source: BLS

© 2020 Mapbox © OpenStreetMap

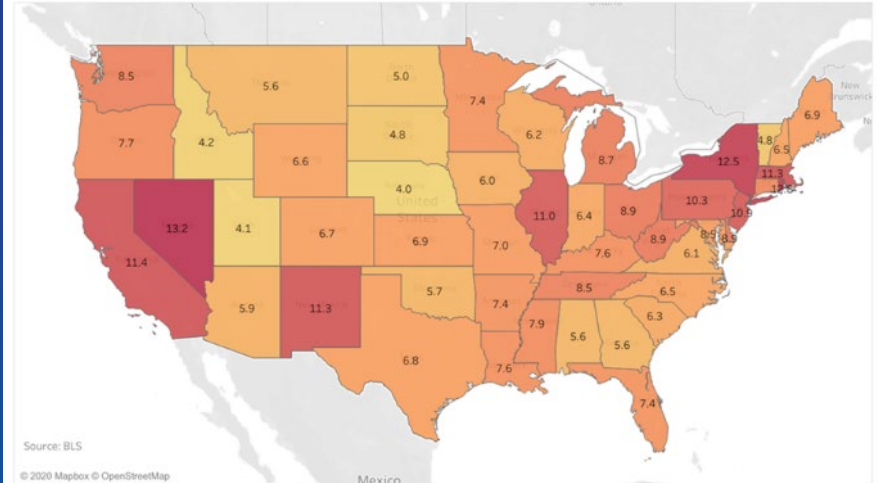
Unemployment Rate



Unemployment Rate by State:
Great Recession Peak Compared to 2020

Select a Year-Month

- August 2020
- October 2009



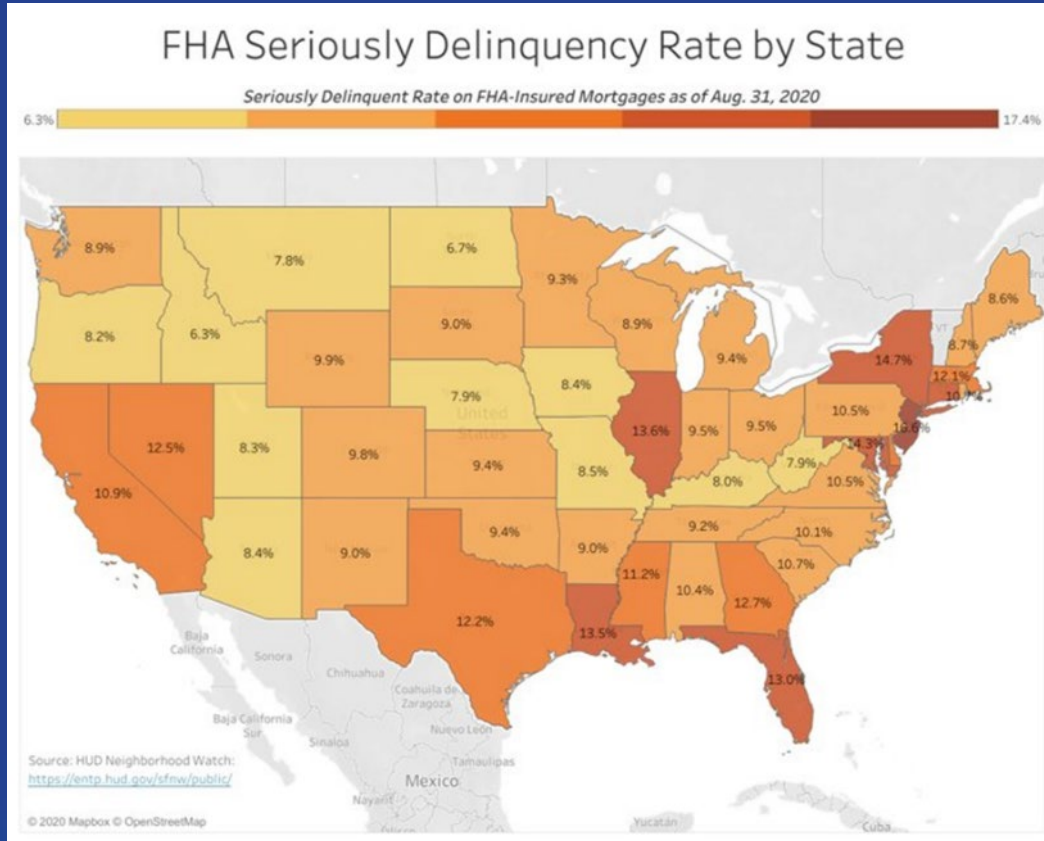
Source: BLS

© 2020 Mapbox © OpenStreetMap

Unemployment Rate



What Could the Next Five Years Look Like?



Highest SDQ rates in DC, NJ, PR, HI, NY

Highest volume of SDQ FHA-insured loans TX, FL, CA, GA, NY



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President/CEO

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Webinar Wrap-Up

Questions

If you have a question regarding today's presentation, please contact the ALFN or any of the presenters directly.

ALFN

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Webinar Survey

Please complete our short webinar survey that you will be taken to at the conclusion of today's presentation. Your feedback is always important to us.

THANK YOU!

Upcoming ALFN Foreclosure Intersect Webinars

Register at alfn.org/fcintwebinars

Statute of Limitations in a Post-COVID World

Friday, December 4, 2020

12-1:15 Central Time (10-11:15 Pacific, 11-12:15 Mountain, 1-2:15 Eastern)

Legislation & Litigation Hot Topics

Friday, December 11, 2020

12-1:15 Central Time (10-11:15 Pacific, 11-12:15 Mountain, 1-2:15 Eastern)

Law Firm & Service Provider Readiness – Planning for the Unknown

Thursday, December 17, 2020

12-1:15 Central Time (10-11:15 Pacific, 11-12:15 Mountain, 1-2:15 Eastern)

Impact of COVID-19 on Foreclosure Filings and Detailed Information on State Holds for Select States

Wednesday, December 9, 2020

12-1:15 Central Time (10-11:15 Pacific, 11-12:15 Mountain, 1-2:15 Eastern)

COVID-19 Restrictions and Borrower Defenses

Tuesday, December 15, 2020

12-1:15 Central Time (10-11:15 Pacific, 11-12:15 Mountain, 1-2:15 Eastern)

Post-Foreclosure Issues

Monday, December 21, 2020

12-1:15 Central Time (10-11:15 Pacific, 11-12:15 Mountain, 1-2:15 Eastern)

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Bankruptcy Intersect 2021

March 2021

www.alfn.org

WILLPOWER 2021

April 29-30, 2021 – The Ritz-Carlton Dallas
Dallas, TX

www.alfn.org

Registration Opens December 2020

ANSWERS 2021

July 18-21, 2021 – Hyatt Regency Coconut Point
Resort Bonita Springs, FL

www.alfnanswers.org

Registration Opens February 2021

Foreclosure Intersect 2021

November 18, 2021 – Marriott Dallas Las Colinas
Irving, TX

www.alfn.org

Registration Opens August 2021

ANSWERS 2022

July 17-20, 2022 – Hyatt Regency Tamaya Resort,
Santa Ana Pueblo, NM

www.alfnanswers.org

Registration Opens February 2022

ANSWERS 2023

July 16-19, 2023 – Park Hyatt Beaver Creek
Resort, Beaver Creek, CO

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