ECONOMIC UPDATE
REGIONS
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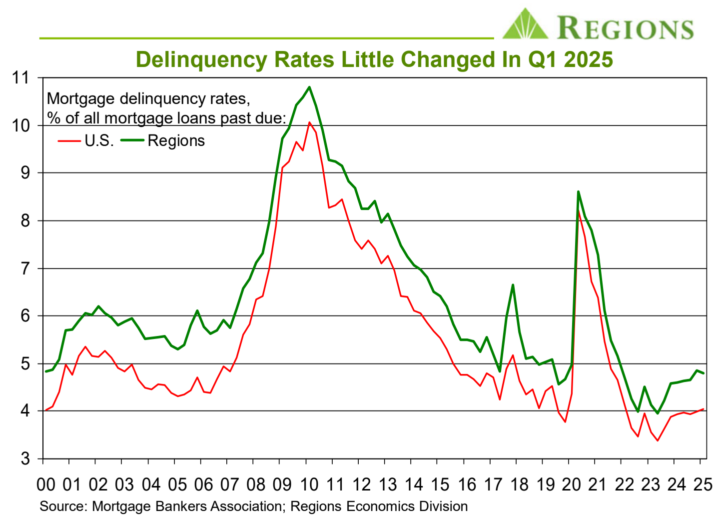
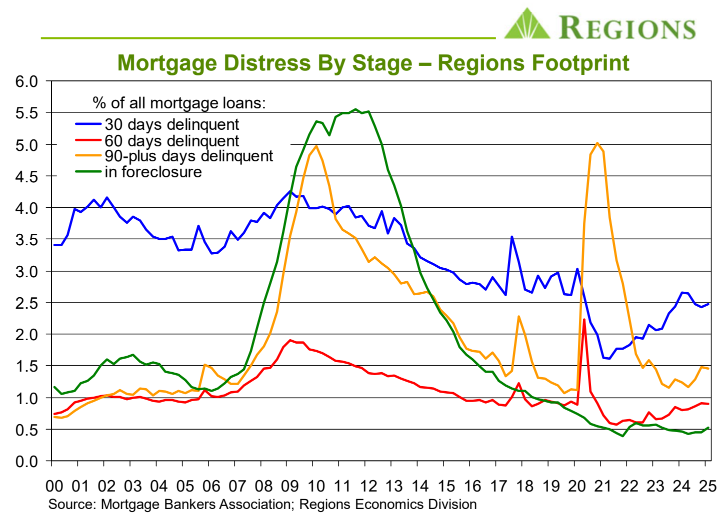
Q1 2025 Mortgage Delinquencies & Foreclosures: Regions Footprint

- For the U.S. as a whole the mortgage delinquency rate rose to 4.04 percent in Q1 2025 from 3.98 percent in Q4 2024
- Within the Regions footprint, the mortgage delinquency rate fell to 4.80 percent in Q1 2025 from 4.85 percent in Q4 2024
- Foreclosure starts were up 46.3 percent year-on-year for the U.S. in Q1 and up 51.0 percent within the Regions Footprint

The Mortgage Bankers Association (MBA) recently released Q1 2025 data on mortgage delinquencies and foreclosures. For the U.S. as a whole the mortgage delinquency rate, which encompasses all stages of delinquency but not those loans in some stage of foreclosure, rose to 4.04 percent in Q1 2025 from 3.98 percent in Q4 2024. Utilizing the MBA data, we calculate a comparable delinquency rate for the 15-state Regions footprint, which is a weighted average (based on the number of total mortgage loans serviced in each state) of the delinquency rates reported for the individual states. The delinquency rate for the Regions footprint fell to 4.80 percent in Q1 2025 from 4.85 percent in Q4 2024. The divergent paths of delinquency rates in Q1 largely reflects seasonal adjustment, as the decline in the 30-day delinquency rate for the U.S. was a bit smaller than the typical Q1 decline which, in the seasonally adjusted data, yielded a modest increase which not fully offset by declines in later-stage delinquency rates. While the seasonally adjusted 30-day delinquency rate within the Regions footprint rose for the same reason, i.e., a smaller than typical decline on a not seasonally adjusted basis, that was more than fully offset by declines in later-stage delinquency rates. Either way, there is little to suggest a material increase in the degree of mortgage payment stress either nationally or within the Regions footprint in Q1. What does stand out in the Q1 data, however, is that foreclosure starts spiked, nationally and within the Regions footprint. That spike, however, largely reflets a "catch-up" effect tied to the expiration of a voluntary VA foreclosure moratorium. That the level of foreclosure starts was below the level in Q1 2019, nationally and within the footprint, and that 30-day delinquency rates remain well below pre-pandemic norms suggest that Q1 2025 did not mark the start of a sustained period of significant increases in foreclosures. As of Q1, the MBA survey covers roughly 41.298 million first- lien mortgage loans for the U.S. and roughly 16.325 million first-lien mortgage loans within the Regions footprint.





On a not seasonally adjusted basis, the thirty-day delinquency rate fell in Q1 2025, nationally and in each of the in-footprint states. This is in keeping with typical seasonal patterns, but in most of the in-footprint states, the decline this Q1 was smaller than typical, which was also the case nationally. As such, the seasonally adjusted data show the thirty-day delinquency rate rising in thirteen of the fifteen in-footprint states – Florida and Louisiana were the exceptions – as well as nationally. Even so, the increase in the thirty-day delinquency rate for the footprint as a whole was a modest four basis points, though nationally the increase was eleven basis points. Additionally, with the exception of Iowa, the not seasonally adjusted thirty-day delinquency rate was lower in Q1 2025 than in Q1 2024, with Louisiana seeing the largest decline – forty basis points – of the in-footprint states. We see a similar pattern in sixty-day and ninety-day delinquency rates, i.e., the not seasonally data show sequential declines in both rates in Q1 2025 in each of the in-footprint states, but in many cases these declines were smaller than the typical Q1 declines. Moreover, compared to Q1 2024, not seasonally adjusted sixty-day delinquency rates were higher in each in-footprint state save for Louisiana and Mississippi, while not seasonally adjusted ninety-day delinquency rates were higher in each in-footprint state.

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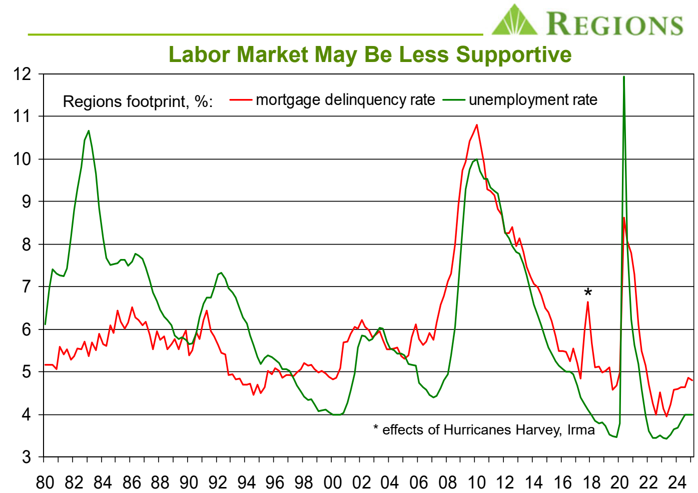
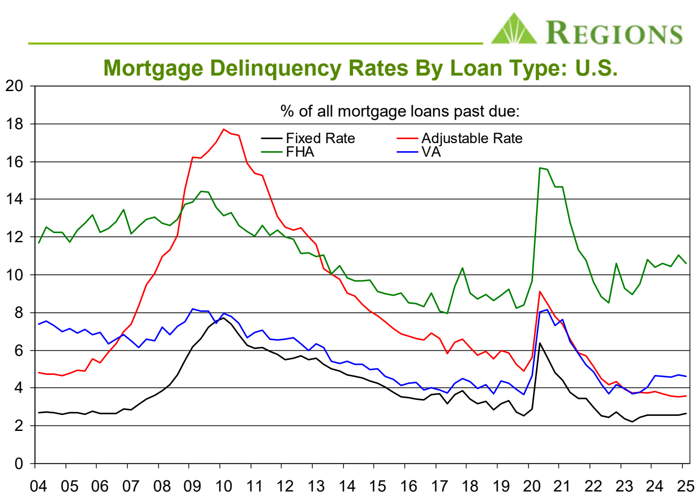
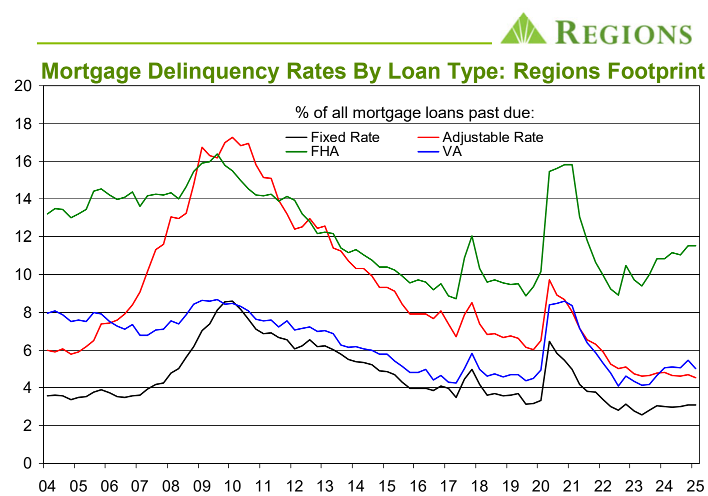
The patterns in the not seasonally adjusted data on mortgage delinquency rates suggest at least modestly less supportive financial conditions but do not suggest significant and broadly based stress. Going forward, however, the combination of slowing job growth, and in turn slowing growth in aggregate labor earnings, elevated interest rates, and the likelihood that, at least for a time, higher U.S. tariffs will push inflation higher could result in rising financial stress across a wider swath of households. If so, early-stage delinquency rates on all forms of consumer debt, including mortgage debt, could begin to rise. Historically, there has been a fairly strong link between the unemployment rate and mortgage delinquency rates, as illustrated in the chart to the side. Note that as the unemployment rate for the Regions footprint began to drift higher over the second half of 2023 and into 2024, the mortgage delinquency rate within the footprint followed it higher. While the unemployment rate within the footprint has held at four percent over the past three quarters, we do anticipate it pushing higher over the next few quarters as job growth slows further. To the extent we are correct in that forecast, it would follow that the mortgage delinquency rate will also increase, at least modestly. As a side point, one factor that helped push the jobless rate higher was the notably rapid growth in the supply of labor seen in 2023 and 2024. With a much slower pace of labor supply growth already in evidence, it could be that the unemployment rate will, in the face of further deceleration in job growth, not rise as much as would have been the case had growth in the labor supply not slowed. This would, in turn, mean that the jobless rate may not be as reliable as an indicator of financial stress going forward as has been the case in the past.



Source: Bureau of Labor Statistics; Mortgage Bankers Association; Regions Economics Division



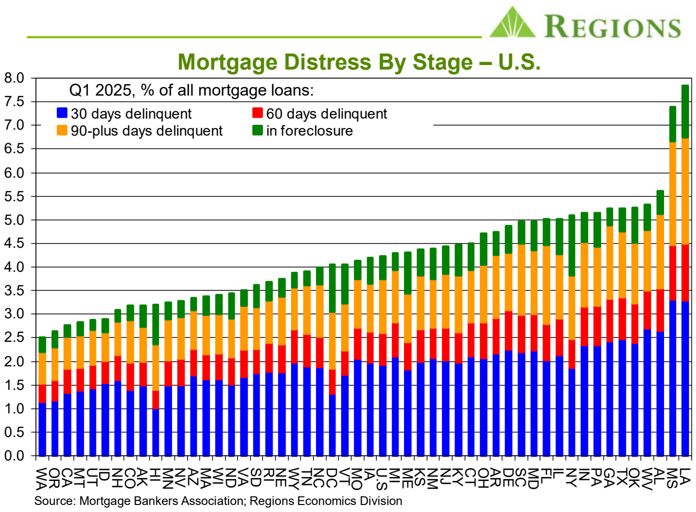
Source: Mortgage Bankers Association; Regions Economics Division

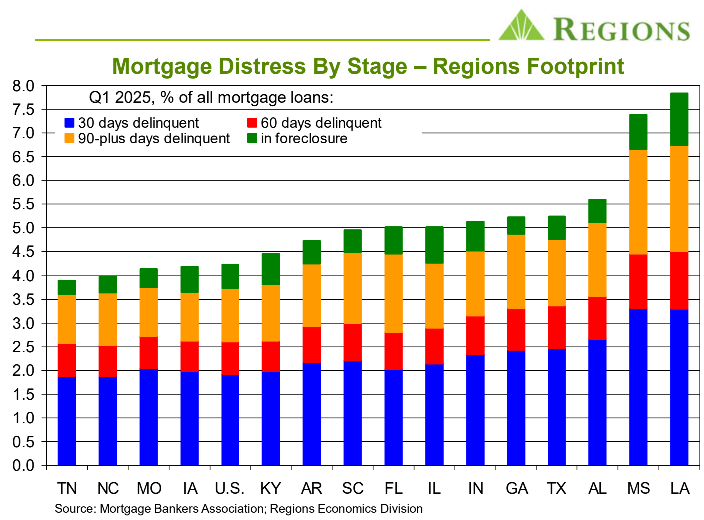


Source: Mortgage Bankers Association; Regions Economics Division

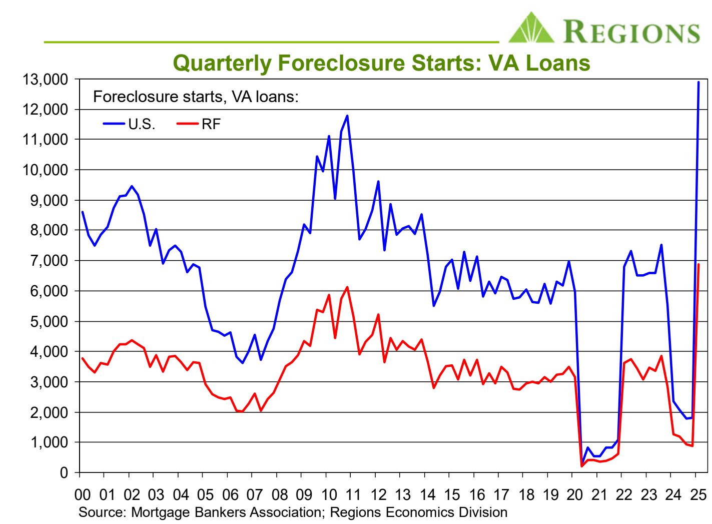
Performance across the main loan types was mixed in Q1 2025, nationally and within the Regions footprint. Nationally, delinquency rates on fixed-rate and adjustable-rate loans rose modestly, while delinquency rates on FHA and VA loans fell modestly. Within the footprint, delinquency rates on fixed-rate loans and FHA loans were flat while delinquency rates on adjustable-rate loans and VA loans fell. The spread between delinquency rates on FHA loans and fixed-rate loans fell to 795 basis points nationally but held at 841 basis points within the footprint. To the extent that labor market conditions deteriorate meaningfully, inflation accelerates, and interest rates remain elevated, however, these spreads could widen further, as borrowers on FHA loans may be more prone to financial stress than would be the case with conventional borrowers.

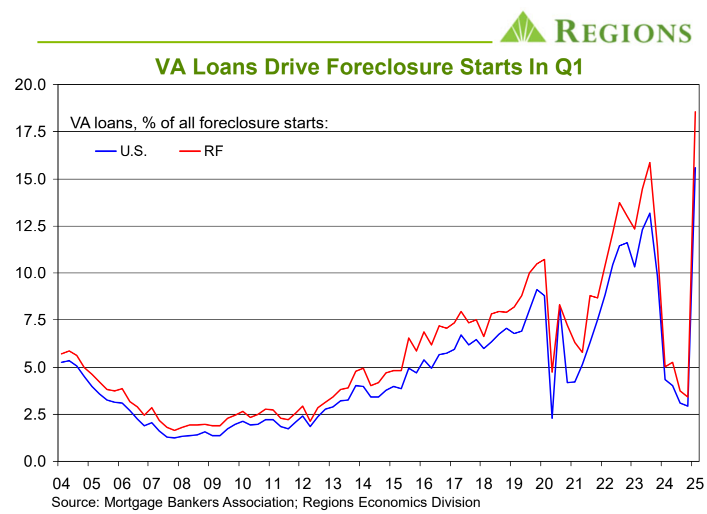
At 7.84 percent, Louisiana had the highest rate of mortgage distress (combined delinquency rates and foreclosure rates) in Q1 2025, followed by Mississippi at 7.39 percent and Alabama (5.60 percent). While Mississippi had the nation's highest 30-day delinquency rate, at 3.31 percent, Louisiana had the highest 60-day (1.20 percent) and 90-day (2.25 percent) delinquency rates, with New York again posting the highest foreclosure rate (i.e., the share of loans at some stage of the foreclosure process), at 1.28 percent. At 3.90 percent, Tennessee had the lowest rate of mortgage distress within the Regions footprint in Q1. Given the clear seasonal patterns in the data, it is useful to compare changes in delinquency rates in a given quarter to those in the same quarter of the prior year. Nationally, the rate of total mortgage distress – delinquency plus foreclosure – was fourteen basis points higher in Q1 2025 than in Q1 2024. There is wide variance within the Regions footprint, with Mississippi's "all-in" rate of mortgage distress eighteen basis points lower in Q1 2025 than in Q1 2024 and Florida's all-in rate forty-five basis points higher. That raises a point that applies to a number of the in-footprint states, even if not to the same extent as in Florida. MBA reporting conventions call for lenders to report as delinquent any loan on which payment is not being made according to the original terms of the mortgage loan, including those loans in forbearance due to factors such as natural disasters. Recall that a number of states, including Florida, Georgia, Louisiana, North Carolina, and Texas, were impacted by hurricanes in 2024, leading to disruptions in loan payments and sizable numbers of loans being placed in forbearance. In many, if not most, cases, these loans will ultimately be reworked and return to current status, and as this happens delinquency rates will fall. For instance, Florida's 90-day delinquency rate was fifty-two basis points higher in Q1 2025 than in Q1 2024, but part of this increase reflects loans in forbearance being classified as seriously delinquent under MBA reporting conventions. Georgia, Louisiana, the Carolinas, and Texas are other states in which 90-day delinquency rates were meaningfully higher in Q1 2025 than in Q1 2024 due to similar circumstances. As such, elevated 90-day delinquency rates are not necessarily a harbinger of looming spikes in foreclosure starts.



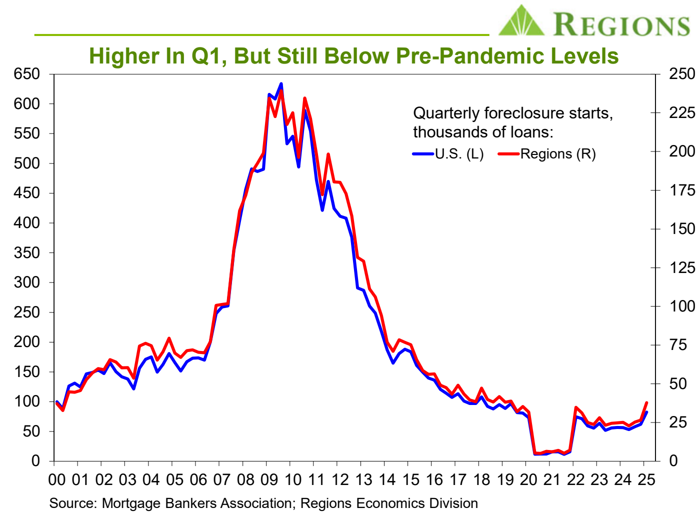


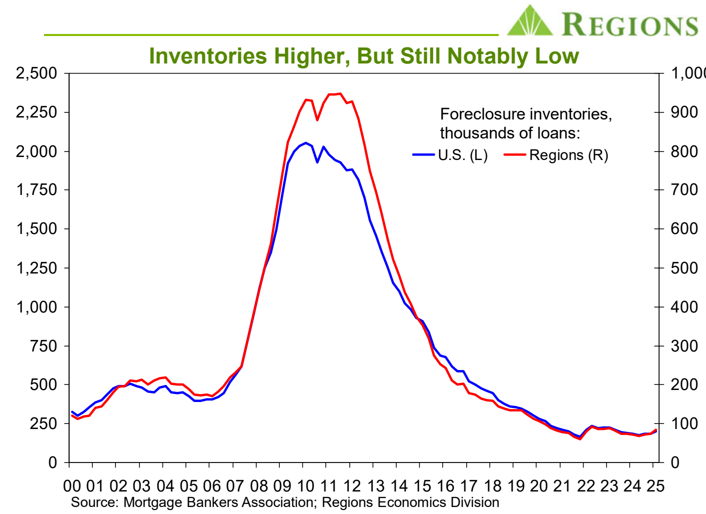
As for foreclosure starts in Q1 2025, the spikes seen nationally and within the Regions footprint are significantly exaggerated by the expiration of a voluntary moratorium on foreclosures of VA loans. Nationally, there were 82,597 foreclosure starts in Q1 2025, up from 62,210 in Q4 2024 and up 46.3 percent year-on-year. Within the Regions footprint, there were 37,868 foreclosure starts in Q1 2025, up from 26,471 in Q4 2024 and up 51.0 percent year-on-year. Of the sequential increase (+20,386) in starts nationally, just over 12,000 were foreclosure starts on VA loans, and of the sequential increase (+11,396) in starts within the footprint, 6,000 were foreclosure starts on VA loans. In other words, VA loans accounted for significantly higher shares of total foreclosure starts than is typical.





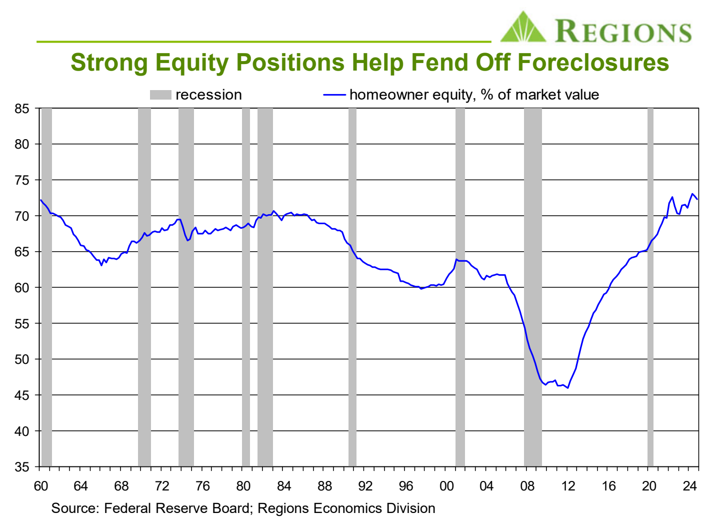
Recall that in 2022, the Department of Veterans Affairs (VA) abruptly ended a portion of its COVID mortgage forbearance program, which left several thousand borrowers trapped in delinquency on their VA loan obligations. That led to a subsequent self-imposed moratorium on foreclosures of loans backed by the VA, but with that moratorium having ended, foreclosure starts on VA loans spiked in Q1 2025. In a sense, that spike is evening out foreclosure starts after the significant dips seen in prior quarters when foreclosure moratoriums were in effect. While this is by no means intended to downplay the significance of these foreclosure starts, we do think it important to point out to help put the Q1 numbers of total foreclosure starts in context. We have seen others point to the surge in foreclosure starts as evidence of growing and broadly based financial stress in the household sector, without actually accounting for the details of the Q1 data. Our point here is simply that there is little, if any, evidence in the data to suggest that the spike in foreclosure starts seen in Q1 was the start of a sustained spike in foreclosure starts. Moreover, even with the spike seen in Q1, the number of foreclosure starts nationally and within the Regions footprint was lower than the number in Q1 2019.





By the same token, foreclosure inventories remain notably low, and while off the (somewhat artificial) troughs seen in late-2021 they nonetheless remain below pre-pandemic levels nationally and within the Regions footprint. If we are correct in thinking of the Q1 spike in foreclosures on VA loans as evening out the path, then the number of foreclosure starts – on VA loans and, in turn, total starts – should fall off sharply in the Q2 2025 data. We continue to point to 30-day delinquency rates remaining well below historical norms, and also below rates seen immediately prior to the onset of the pandemic which at the time reflected all-time lows, to support our contention that there is little in the data to suggest a significant and sustained spike in foreclosures over coming quarters.

We also continue to point to notably strong equity positions as a factor that, even should there be a meaningful increase in mortgage delinquency rates, will hold down the incidence of foreclosure. Compared to the anemic equity positions of many homeowners in the mid-2000s, stronger equity positions change the incentive set of those borrowers no longer able to remain current on their mortgage loan obligations. Even with house price appreciation having either slowed sharply or given way to house price declines in many markets across the U.S., including the large Florida and Texas metro areas, that still leaves the majority of homeowners in strong equity positions, the most likely exceptions being those who have purchased their home over the past few quarters. As we've noted, strong equity positions are the flip side of the affordability constraints made more binding by robust house price appreciation over prior quarters, and these strong equity positions can be a powerful deterrent to foreclosures, particularly in conjunction with still-lean inventories of existing homes for sale.



We do, as noted earlier, have concerns around deteriorating labor market conditions over coming quarters and the potential impact any such deterioration would have on credit performance. That said, even should our worst fears come to pass, that would still leave us far short of the massive wave of foreclosures seen in the mid-to-late 2000s. We will, of course, continue to closely monitor both labor market conditions and mortgage loan performance, with our focus being on changes in what we believe to be the underlying trends in what we expect will be a period of considerable volatility in the economic data.

Mortgage Distress, Regions Footprint

as of Q1 2025

STATE	30-day delinquency rate	60-day delinquency rate	90-day delinquency rate	foreclosure inventory	total mortgage distress rate	"early stage" delinquency rate	"serious" delinquency rate
Alabama	2.65	0.90	1.57	0.48	5.60	3.55	2.05
Arkansas	2.17	0.76	1.32	0.49	4.74	2.93	1.81
Florida	2.03	0.77	1.66	0.56	5.02	2.80	2.22
Georgia	2.43	0.89	1.56	0.35	5.23	3.32	1.91
Iowa	1.98	0.65	1.02	0.54	4.19	2.63	1.56
Illinois	2.14	0.76	1.37	0.75	5.02	2.90	2.12
Indiana	2.34	0.82	1.37	0.61	5.14	3.16	1.98
Kentucky	1.98	0.64	1.20	0.64	4.46	2.62	1.84
Louisiana	3.30	1.20	2.25	1.09	7.84	4.50	3.34
Missouri	2.05	0.67	1.03	0.38	4.13	2.72	1.41
Mississippi	3.31	1.15	2.20	0.73	7.39	4.46	2.93
North Carolina	1.88	0.65	1.10	0.35	3.98	2.53	1.45
South Carolina	2.20	0.79	1.50	0.47	4.96	2.99	1.97
Tennessee	1.89	0.69	1.03	0.29	3.90	2.58	1.32
Texas	2.47	0.89	1.40	0.48	5.24	3.36	1.88
U.S.	1.92	0.68	1.14	0.49	4.23	2.60	1.63

NOTE: all rates expressed as a percentage of outstanding mortgage loans, not seasonally adjusted

Source: Mortgage Bankers Association; Regions Economics Division

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