

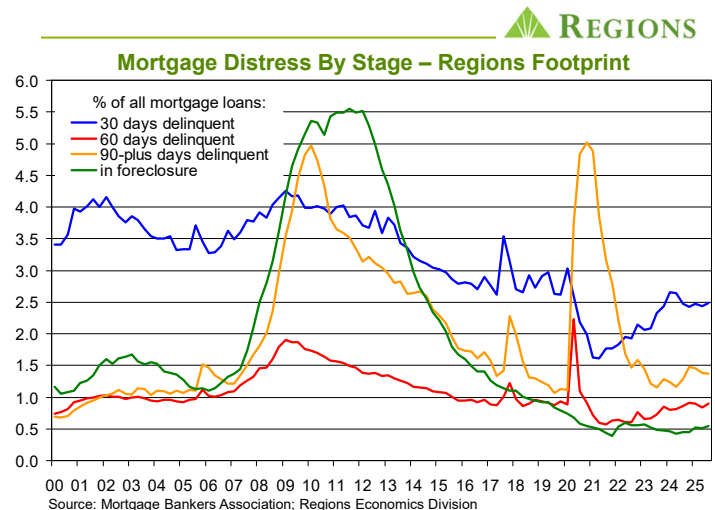
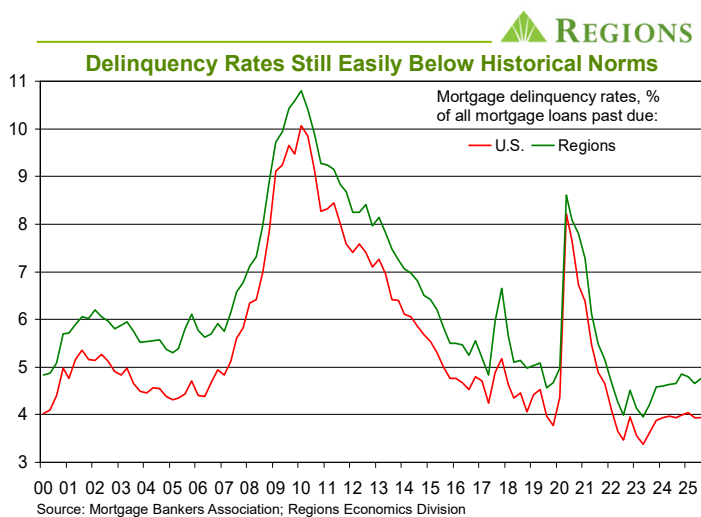


This Economic Outlook may include opinions, forecasts, projections, estimates, assumptions, and speculations (the "Contents") based on currently available information, which is believed to be reliable and on past, current, and projected economic, political, and other conditions. There is no guarantee as to the accuracy or completeness of the Contents of this Economic Outlook. The Contents of this Economic Outlook reflect judgments made at this time and are subject to change without notice, and the information and opinions herein are for general information use only. Regions specifically disclaims all warranties, express or implied, with respect to the use of or reliance on the Contents of this Economic Outlook or with respect to any results arising therefrom. The Contents of this Economic Outlook shall in no way be construed as a recommendation or advice with respect to the taking of any action or the making of any economic, financial, or other plan or decision.

Q3 2025 Mortgage Delinquencies & Foreclosures: Regions Footprint

- For the U.S. as a whole the mortgage delinquency rate was unchanged at 3.93 percent in Q3 2025
- Within the Regions footprint, the mortgage delinquency rate rose to 4.76 percent in Q1 2025 from 4.65 percent in Q2
- Foreclosure starts were up 41.8 percent year-on-year for the U.S. in Q3 and up 53.2 percent within the Regions Footprint

The Mortgage Bankers Association (MBA) recently released Q3 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, was unchanged in Q3 2025, holding at 3.93 percent. 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 rose to 4.76 percent in Q3 from 4.65 percent in Q2. The increase in the delinquency rate for the footprint was split amongst increases in thirty-day and sixty-day delinquency rates, each of which rose modestly as the ninety-day delinquency rate was virtually flat. It is useful to note that in the not seasonally adjusted delinquency data there tend to be distinct seasonal patterns in delinquencies in the first and last quarters of a given year but far less so in the middle two quarters, making seasonal adjustment in these cases somewhat tricky. This can make interpreting sequential changes in the seasonally adjusted data more difficult. A more straightforward approach is to compare changes in the same quarters across years, and on that basis the increases in delinquencies in the not seasonally adjusted data between Q3 2024 and Q3 2025 are fairly modest in most of the in-footprint states. What does stand out in the data, however, are the substantial over-the-year increases in foreclosure starts, nationally and within the footprint. To some extent, this reflects the ongoing effects of the end of the voluntary VA foreclosure moratorium which first impacted the data in Q1 2025, while the expiration of a foreclosure moratorium on FHA loans in areas impacted by natural disasters has also skewed the over-the-year comparisons. As of Q3, the MBA survey covers roughly 41.133 million first- lien mortgage loans for the U.S. and roughly 16.172 million first-lien mortgage loans within the Regions footprint.

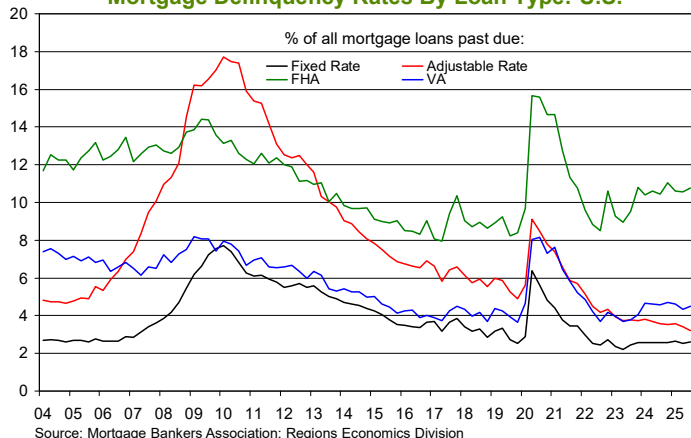


On a not seasonally adjusted basis, the thirty-day delinquency rate fell modestly in Missouri and Mississippi between the second and third quarters of 2025, was flat in Tennessee, and rose in each of the remaining in-footprint states and for the U.S. as a whole. Florida and Louisiana each saw their thirty-day delinquency rate rise by nine basis points in Q3, while Georgia and Illinois saw increases of only a single basis point and for the U.S. as a whole the increase was three basis points. Florida, North Carolina, and South Carolina saw their ninety-day delinquency rates fall in Q3 but each of the remaining in-footprint states and the U.S. as a whole saw increases. Compared to Q3 2024, however, thirty-day delinquency rates were virtually unchanged nationally and across the footprint, the exceptions being a twelve-basis point decline in South Carolina and a thirteen-basis point decline in Louisiana. As indicated by the sizable year-on-year increases in foreclosure starts, foreclosure rates (i.e., the share of mortgage loans at some point in the foreclosure process) were higher in Q3 2025 than in Q3 2024. Florida (sixteen basis points), South Carolina (eleven basis points) and Georgia and Iowa (ten basis points) saw the largest increases while Illinois (two basis points) and Indiana (three basis points) saw the smallest increases; nationally, the foreclosure rate rose by five basis points between the third quarter of 2024 and the third quarter of 2025.

As we have discussed in past editions of these write-ups, there are clear variations in loan performance across the four loan types for which MBA reports data – conventional fixed-rate, conventional adjustable-rate, FHA, and VA loans. Both nationally and within the Regions footprint, FHA loans tend to far and away exhibit the highest incidence of delinquency, while conventional fixed-rate loans tend to post the best performance. The Q3 data show that for the U.S. as a whole and within the Regions footprint delinquency rates on fixed-rate loans were flat in Q3 while the delinquency rate on adjustable-rate loans pushed lower and delinquency rates on VA loans ticked higher. Though delinquency little changed in Q3, the past several quarters have seen delinquency rates on FHA loans push meaningfully higher nationally and across the Regions footprint. To that point, the spread between delinquency rates on FHA loans and fixed-rate loans widened to 818 basis points nationally while holding at 829 basis points within the Regions footprint. In each case, the spread is considerably wider than had been the case prior to the pandemic.

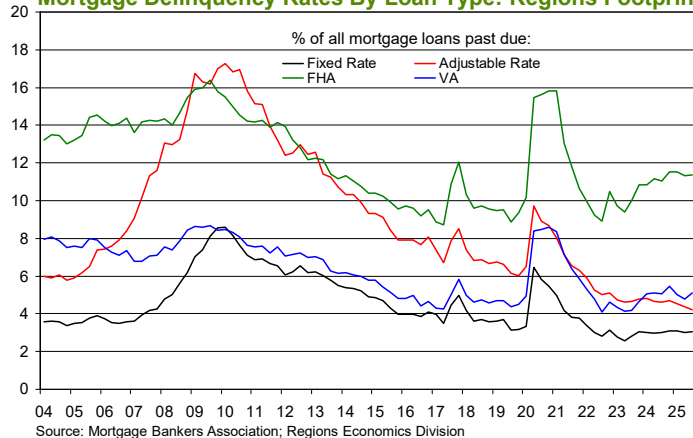
REGIONS

Mortgage Delinquency Rates By Loan Type: U.S.



REGIONS

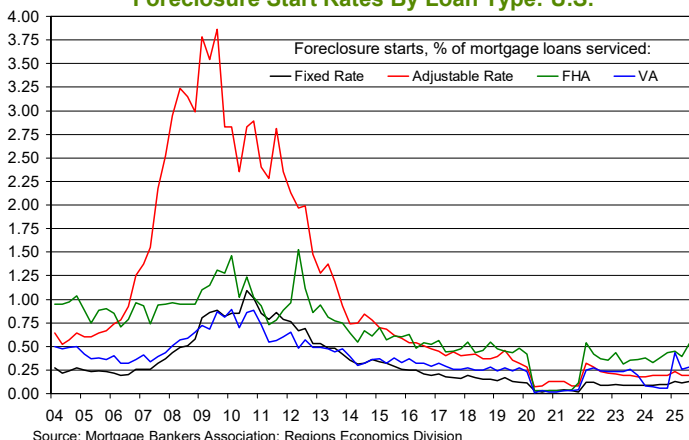
Mortgage Delinquency Rates By Loan Type: Regions Footprint



As can be seen in the above charts, delinquency rates on VA loans jumped in 2024, in part reflecting the end of the VA's mortgage forbearance program tied to COVID, but the moratorium on foreclosures of VA loans remained in place for some time longer before that too expired. That, as we discussed at the time, led to a spike in foreclosures on VA loans in Q1 2025. While foreclosures on VA loans have come down from the level seen in Q1, they nonetheless remain considerably higher than over the same quarters of 2024, and the year-on-year increase in VA foreclosures accounts for a considerable portion of the year-on-year increase in total foreclosure starts, both nationally and within the Regions footprint. That is not, however, the only factor behind the increases in foreclosure starts.

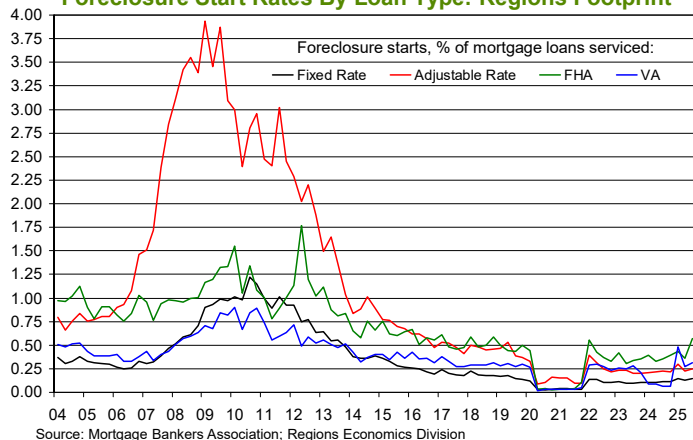
REGIONS

Foreclosure Start Rates By Loan Type: U.S.



REGIONS

Foreclosure Start Rates By Loan Type: Regions Footprint



As seen in the charts above, the foreclosure rate on FHA loans bumped up in Q3, both nationally and within the Regions footprint. As was the case with VA loans, there was also a moratorium in place on foreclosures of FHA loans in those areas impacted by last year's hurricanes, most notably Beryl, Helene, and Milton. While that moratorium expired on April 11 of this year, there was effectively an extension granted which ran through July 10. The expiration triggered foreclosure starts on FHA loans in several states, including Florida, Georgia, and the Carolinas which is reflected in the Q3 data and which helps account for the bump in the FHA foreclosure rate in the above charts. For instance, in Florida there were, by our calculation, 4,159 foreclosure starts on FHA loans in Q3, compared to 651 in Q2, and while that number was held down by the moratorium, a look back shows 1,496 foreclosure starts on FHA loans in Florida in Q3

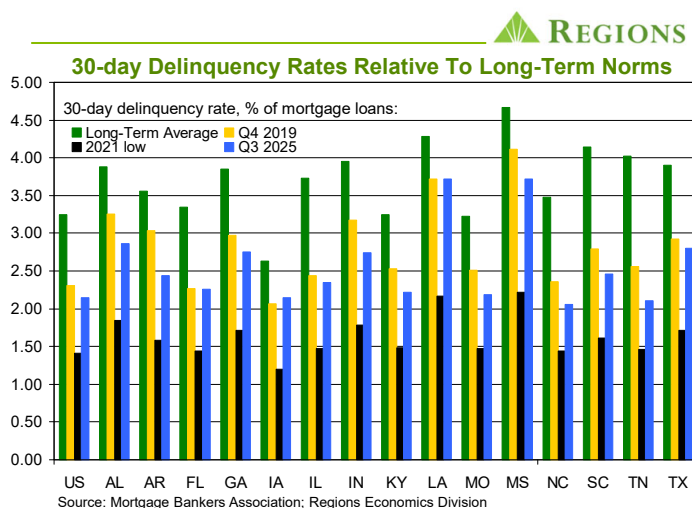
2024. One has to go all the way back to Q1 2013, when the foreclosure crisis triggered by the mid-2000s housing market bust was in its final stages, to find a quarter with more FHA foreclosure starts in Florida than there were in Q3 2025, and for the footprint as a whole there were more FHA foreclosure starts in Q3 2025 than in any quarter since Q1 2016.

This is not to say that there are no purely economic triggers behind the rise in foreclosure starts. For instance, with house prices declining in several parts of the footprint and the U.S., including many of the larger Florida and Texas metro areas which over recent years had seen some of the nation's most robust house price appreciation, there are growing numbers of homeowners underwater on their mortgage loans, i.e., carrying a mortgage loan obligation that exceeds the value of their home. This can be a trigger for mortgage loan delinquencies that ultimately end in foreclosure, but it would figure that any such instances are mostly confined to those who purchased a home over the past two-to-three years, as longer-tenured homeowners will have built up more sizable equity positions and, if need be, could sell the home to avoid a foreclosure action. Additionally, with the labor market having softened, job losses may be playing a part in the increase in foreclosure starts, though at this point we would not expect this to be a substantial contributor given that the slowing pace of job growth has thus far been more a function of less hiring than rising layoffs.

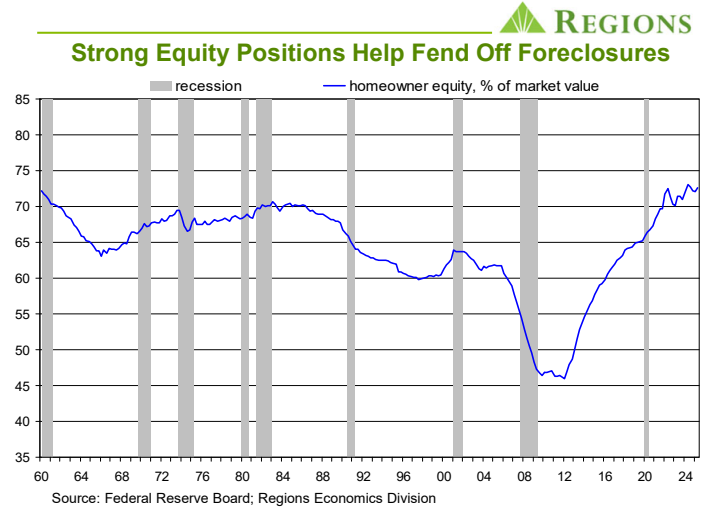
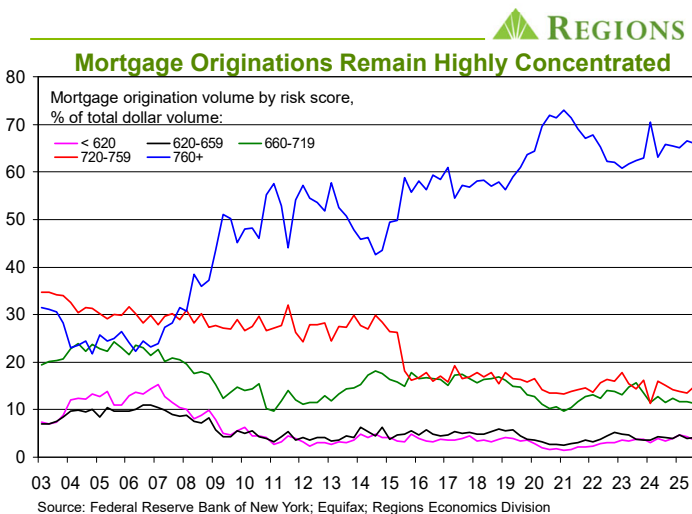
This is one of the frustrating elements of the interruption in the flow of economic data brought about by the recently ended government shutdown, as the lack of data makes it much more difficult to break down the root causes of what we're seeing in the data. Then again, if you're willing to settle for superficial takes tied to convenient narratives, the lack of data poses no real hurdles for you. For instance, it is convenient to attribute the substantial year-on-year increase in foreclosures to softening labor market conditions or falling house prices, as we've seen done in more than one media accounts. While seemingly plausible, these accounts completely ignore the factors – such as the VA and FHA moratoria – that were holding down foreclosure starts in 2024 and through much of 2025. Obviously, we're not arguing that softening in labor market/housing market conditions are not playing a part, we're simply saying there are other factors in play that are being overlooked by those not willing to dig into the details of the data. This is a point worth making in light of recent media accounts highlighting the year-on-year increase in foreclosure starts in Florida and, lacking any insight into the drivers of that increase, simply attributing the increase in total starts to eroding housing market conditions. Instead, higher starts on FHA and VA loans account for three-quarters of the over-the-year increase in total foreclosure starts in Florida between Q3 2024 and Q3 2025, and we can make similar points about Georgia, North Carolina, South Carolina, and Texas.

As the temporary drivers of increased foreclosures on VA and FHA loans seen thus far in 2025 run their course we think the two most important determinants of where overall foreclosures go from here will be labor market conditions and early-stage delinquency rates, particularly thirty-day delinquency rates. As we've noted, prior to the pandemic thirty-day delinquency rates had fallen to what at the time were the lowest in the life of the data, easily below the longer-term average rates seen over the Q1 1980-Q4 2006 period. Even so, thirty-day delinquency rates fell further through mid-2021, largely thanks to the generous financial transfers to the household sector in response to the pandemic. Thirty-day delinquency rates then began to push higher, which we saw as "normalizing" to pre-pandemic levels that, again, were at the time the lowest on record. Nationally and in most of the in-footprint states, thirty-day delinquency rates remain below where they were in Q4 2019. This suggests that while some number of late-stage delinquencies (i.e., delinquent ninety days or longer) now in the system will progress to foreclosure, inflows into delinquency remain low which, in turn, will limit subsequent flows into foreclosure. The one clear caveat here is that if labor market conditions deteriorate further, particularly in the form of a significant and sustained increase in the rate at which workers are being laid off, that could easily trigger a round of defaults on mortgage loans, particularly amongst the shortest-tenured of homeowners. Though not our base case, this is a downside risk not to be overlooked.

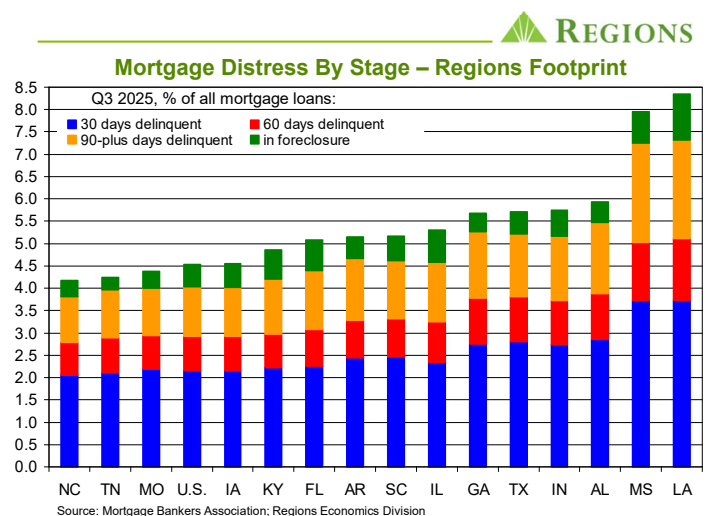
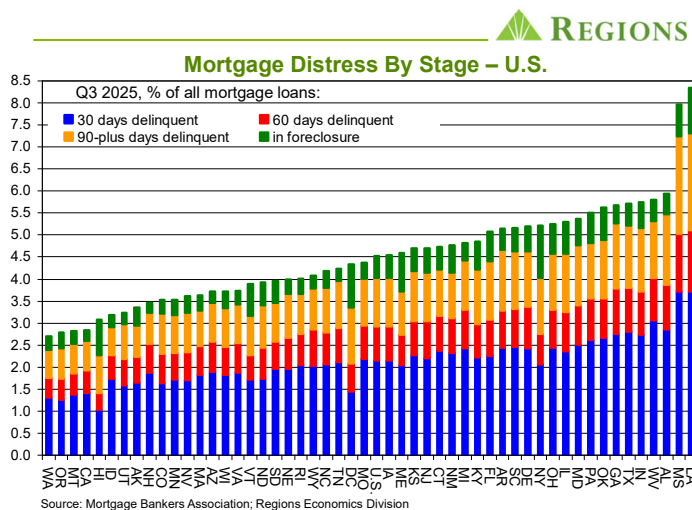
We can point to two other factors that should also mitigate an increase in foreclosure starts triggered by economic factors. One factor is the extent to which more stringent underwriting standards have altered the flow of mortgage credit over the past several years, which is something we've highlighted many times in our regular analysis of trends in household debt. Though taking root in the immediate aftermath of the 2007-09 recession, this concentration has become even more pronounced since the onset of the pandemic, to the point that over the past five years two-thirds of mortgage originations, on a dollar basis, have gone to borrowers with credit scores of at least 760. Though obviously not immune to disruptions in income brought about by job losses or hits to net worth due to drops in equity prices or falling house prices, this group of borrowers is nonetheless better equipped financially to deal with such disruptions. The second factor we can point to is the strength of equity positions, which remains the case even amid declines in house prices across many parts of the U.S. In the aggregate, owner equity positions over the past several quarters were stronger than at any point since the early-1960s, and this was still the case as of Q2 2025, the latest available data as of this writing. This is another example of how a little context can go a long way, in that recent declines in house prices are coming on the heels of notably rapid house price appreciation



over recent years and, as noted above, it is generally the case that the metro areas now seeing the biggest drops in house prices are the markets that had seen the most robust price appreciation in years prior. On net, then, many owners have still seen sizable increases in their equity positions despite recent drops in house prices, the one exception being shorter-tenured owners. This matters given that, should a homeowner run into financial distress and no longer be able to make their mortgage payments, favorable equity positions make selling the home a better option than foreclosure, an option not available to many during the mid-2000s when little-to-no equity made simply walking away from the home the, if not better then at least more feasible, option.



We'll close with our usual comparisons of mortgage distress rates for the nation as a whole and the footprint. In the third quarter of 2025, Louisiana had the nation's highest incidence of mortgage distress (combined delinquency and foreclosure rates) at 8.35 percent with Mississippi second at 7.96 percent and Alabama third at 5.93 percent. In contrast, at 2.71 percent, Washington state had the nation's lowest incidence of mortgage distress in Q3 2025. At 3.72 percent in each state, Louisiana and Mississippi had the nation's highest thirty-day delinquency rates in Q3, while Louisiana's sixty-day delinquency rate of 1.39 percent was the highest in the nation and Mississippi's ninety-day delinquency rate of 2.22 percent was the highest of all states. As has been the case for some time, New York again posted the highest foreclosure rate in the nation, with 1.18 percent of all mortgage loans in some stage of foreclosure.



Clearly, the over-the-year jumps in foreclosure starts seen thus far in 2025 are unsettling. That said, it is important to understand the factors behind those jumps which, as we've discussed, are more a regulatory story – expiring foreclosure moratoria – than an economic story. That doesn't mean economic factors such as a cooling labor market and falling house prices in certain markets haven't played a role, they have but those factors thus far have been supporting, not leading, factors. We are of course mindful that they could become stronger drivers of mortgage delinquencies and foreclosures over coming quarters. But, with early-stage delinquency rates still low and what for most homeowners remain strong equity positions, we'd push back on the argument that there is a wave of foreclosures currently in the pipeline.

Mortgage Distress, Regions Footprint

as of Q3 2025

<u>STATE</u>	<u>30-day delinquency rate</u>	<u>60-day delinquency rate</u>	<u>90-day delinquency rate</u>	<u>foreclosure inventory</u>	<u>total mortgage distress rate</u>	<u>"early stage" delinquency rate</u>	<u>"serious" delinquency rate</u>
Alabama	2.86	1.02	1.59	0.46	5.93	3.88	2.05
Arkansas	2.44	0.85	1.38	0.48	5.15	3.29	1.86
Florida	2.26	0.82	1.32	0.68	5.08	3.08	2.00
Georgia	2.75	1.03	1.48	0.41	5.67	3.78	1.89
Iowa	2.15	0.78	1.09	0.53	4.55	2.93	1.62
Illinois	2.35	0.90	1.33	0.72	5.30	3.25	2.05
Indiana	2.74	0.98	1.44	0.58	5.74	3.72	2.02
Kentucky	2.22	0.76	1.23	0.64	4.85	2.98	1.87
Louisiana	3.72	1.39	2.21	1.03	8.35	5.11	3.24
Missouri	2.19	0.76	1.06	0.36	4.37	2.95	1.42
Mississippi	3.72	1.31	2.22	0.71	7.96	5.03	2.93
North Carolina	2.06	0.73	1.02	0.37	4.18	2.79	1.39
South Carolina	2.46	0.86	1.30	0.54	5.16	3.32	1.84
Tennessee	2.11	0.78	1.07	0.28	4.24	2.89	1.35
Texas	2.80	1.01	1.41	0.49	5.71	3.81	1.90
U.S.	2.15	0.77	1.11	0.50	4.53	2.92	1.61

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

Source: Mortgage Bankers Association; Regions Economics Division