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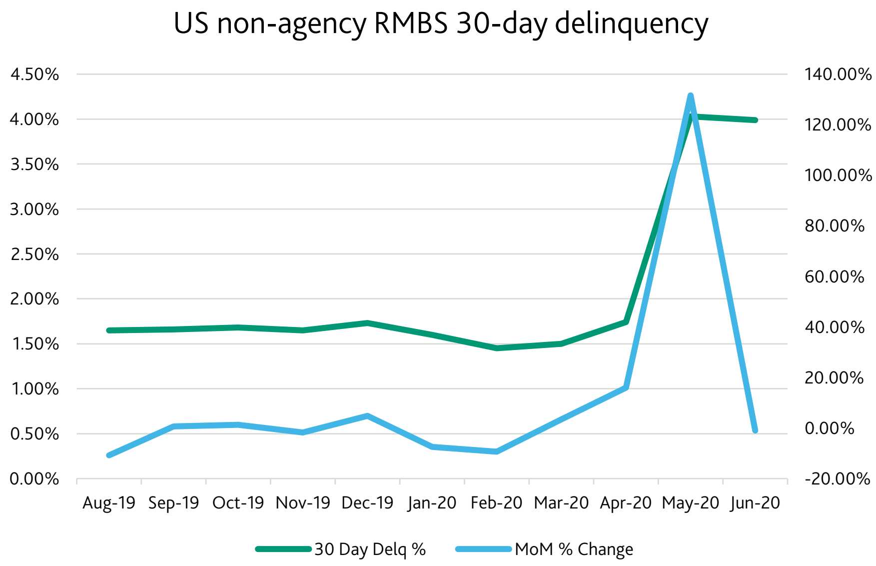
COVID-19 Continues to Affect US Non-Agency RMBS

With COVID-19 infection rates increasing as states reopen, the delinquency trends in US non-agency RMBS are now becoming clearer.

Last month's report in this series highlighted that the nominal amount of 30-day delinquencies in the United States trended upward, together with 60-day delinquencies. This month, 30-day delinquencies remained around 4% (Figure 1), while we observed continued growth in 60-day and 90-day delinquencies. Though the nominal amount of 60-day and 90-day delinquencies are low historically, the month-over-month growth is higher than usual. We additionally explore COVID-19 forbearances as reported by some trustees.

Figure 1 US non-agency RMBS 30-day delinquency



The growth of 30-day delinquency appeared to have stalled for this month, though delinquencies have not rebounded since the COVID-19 crisis started. However, not surprisingly, 60-day and 90-day delinquencies (Figure 2 and Figure 3) have continued to grow at paces similar to 30-day and 60-day delinquencies a month prior, respectively.

Figure 2 US non-agency RMBS 60-day delinquency

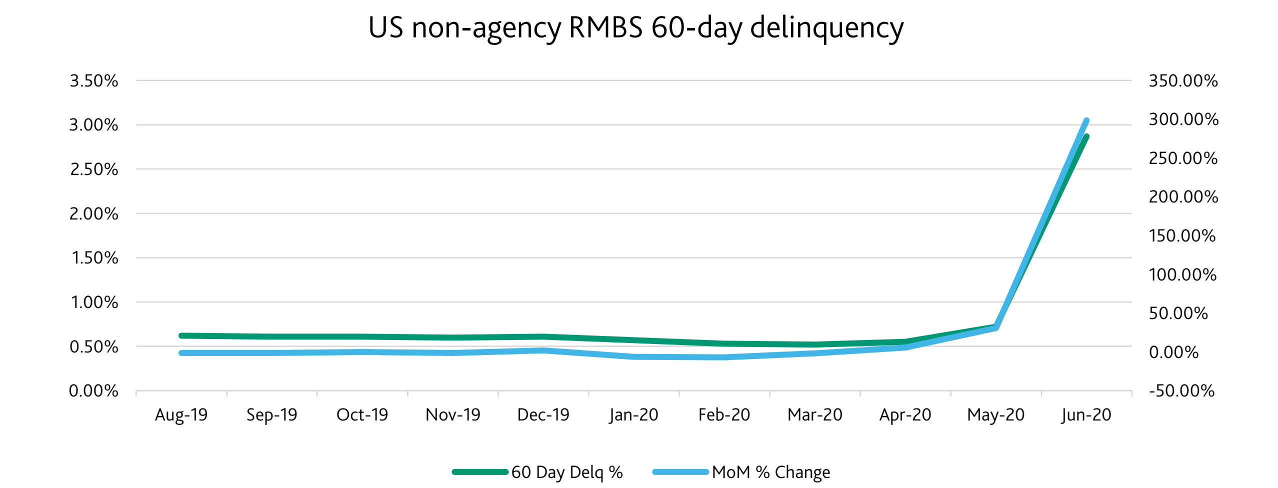
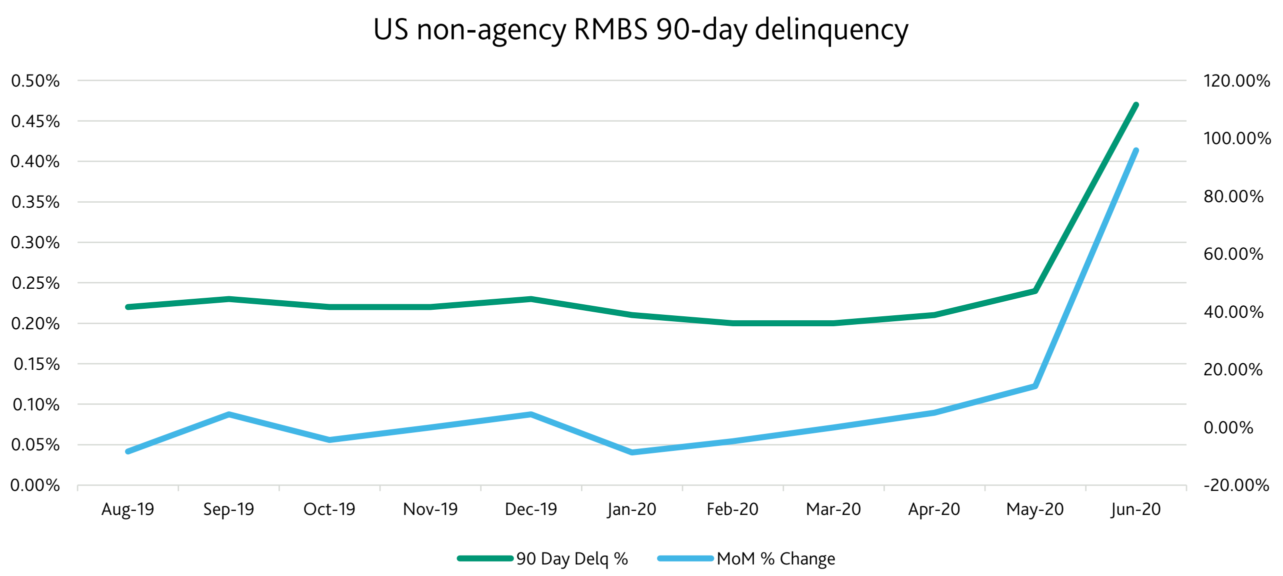
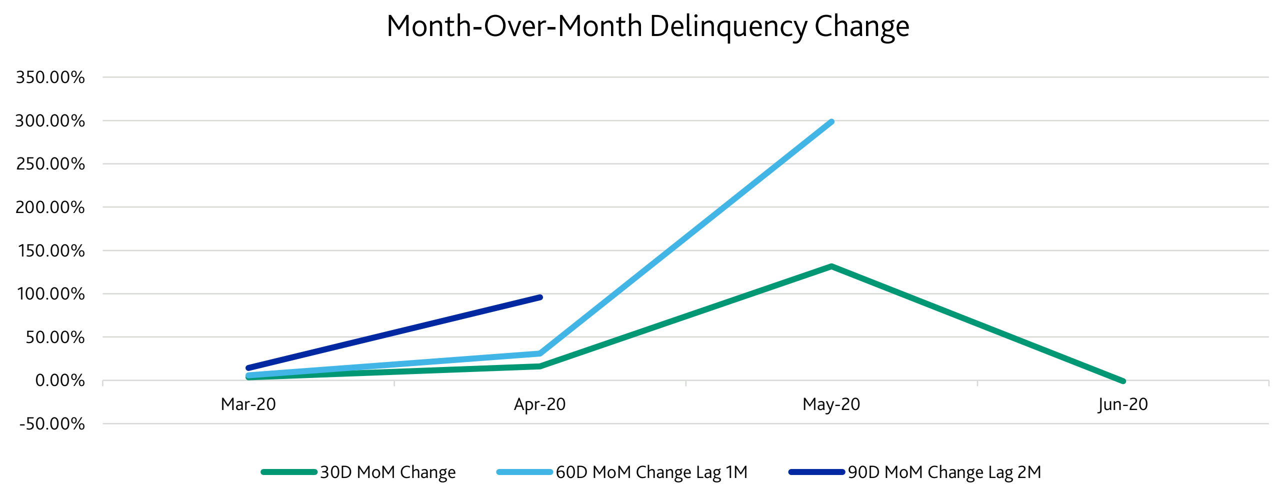


Figure 3 US non-agency RMBS 90-day delinquency



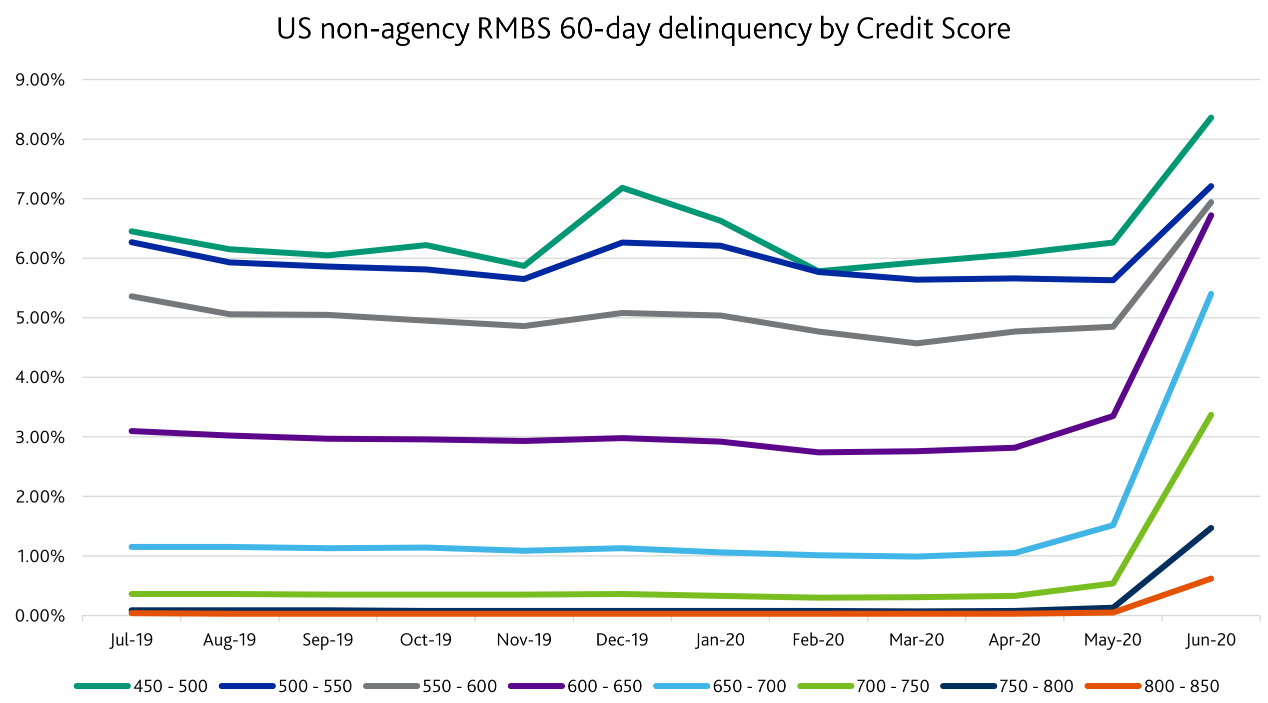
The similarity in delinquency growth is better seen by lagging 60-day and 90-day performance by 30 days and 60 days, respectively (Figure 4). Here, it is likely that a substantial number of borrowers who missed payments at the beginning of the COVID-19 crisis are continuing to move through delinquency buckets.

Figure 4 Month-over-month delinquency change



We further see that the 60-day delinquency trend is similar across credit score categories (Figure 5), as borrowers across the credit spectrum were negatively affected by COVID-19.

Figure 5 US non-agency RMBS 60-day delinquency by credit score



As trustee reporting of forbearance related flags is limited, we use the information provided to analyze loans in forbearance status due to the COVID-19 crisis. Figure 6 shows the percentage of loans entering forbearance to unemployment growth rates from February 2020 to May 2020. As seen in Figure 7, limited correlation exists between unemployment and forbearance. This may be due to other economic factors as well as the self-selection of servicers around forbearance reporting.

Figure 6 Forbearance and unemployment rates for top 10 states with the highest unemployment growth

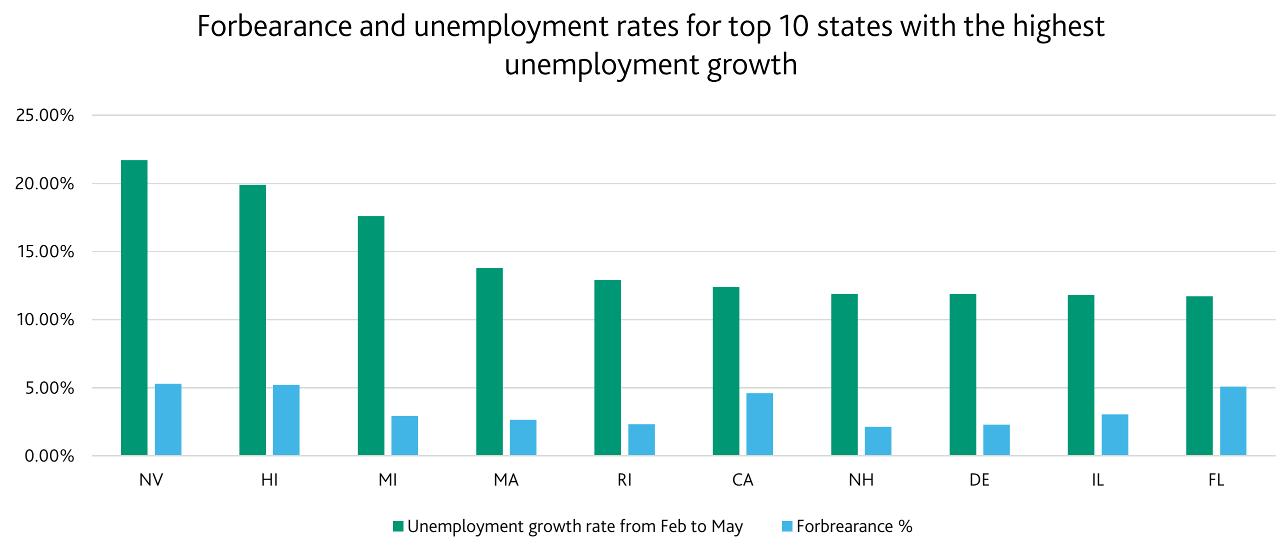
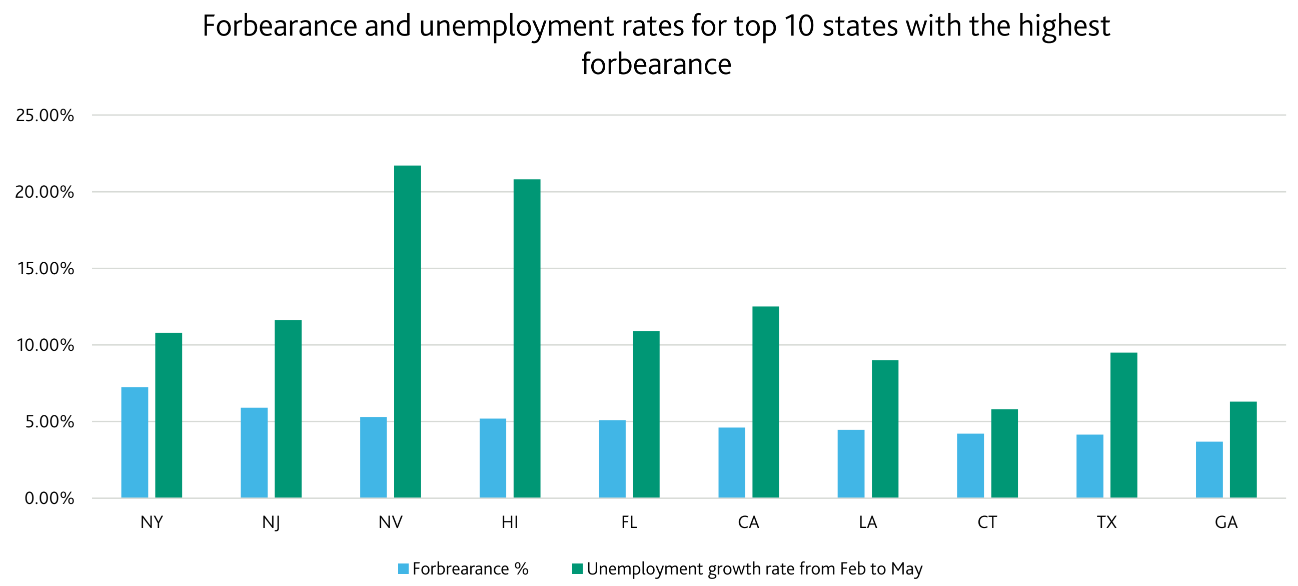


Figure 7 Forbearance and unemployment rates for top 10 states with the highest forbearance



Our analysis was derived from the Moody's Analytics Universal RMBS Dataset and analyzed using the Moody's Analytics DataViewer. Both the underlying data and DataViewer are available to the public on a complimentary basis for a limited time. Click here to access DataViewer. If you have any questions about the product, do not hesitate to reach out to the authors of this article.

As additional data is reported, Moody's Analytics will provide further analysis on the impact of the COVID-19 pandemic on US non-agency RMBS performance.