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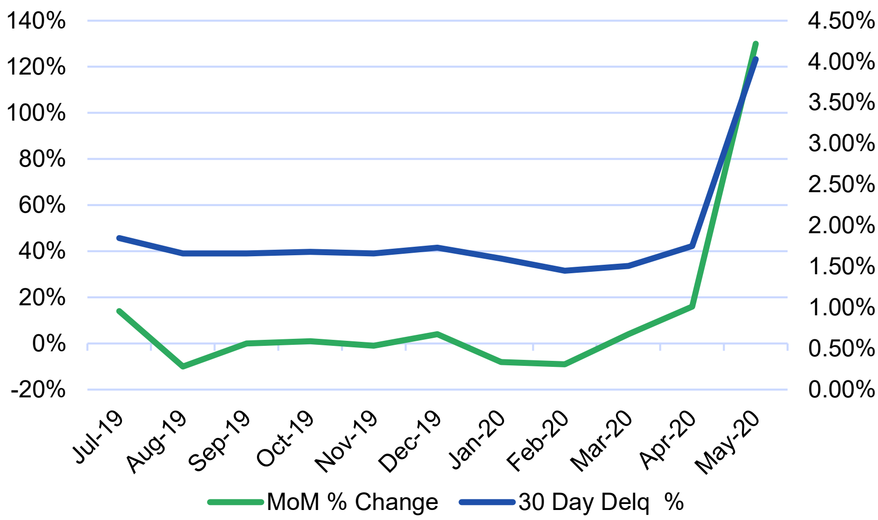
Continued Signs of Weakness in US Non-Agency RMBS

As the United States navigates the coronavirus pandemic, historic unemployment, and gradual reopening, the negative impact on the US mortgage market continues. This paper takes a look at delinquency trends that are now becoming clearer.

Last month's report in this series highlighted that the nominal amount of 30-day delinquencies in the United States remained low, but trended upward when looking at the month-to-month percentage change. This upward trend continued, significantly, as this month's 30-day delinquencies increased approximately 130% from 1.75% to 4.03% in the US non-agency RMBS securitization universe (Figure 1). New York, one of the most affected areas, saw its nominal 30-day delinquencies increase from 3.03% to 7.35%.

Figure 1 US non-agency RMBS 30-day delinquency



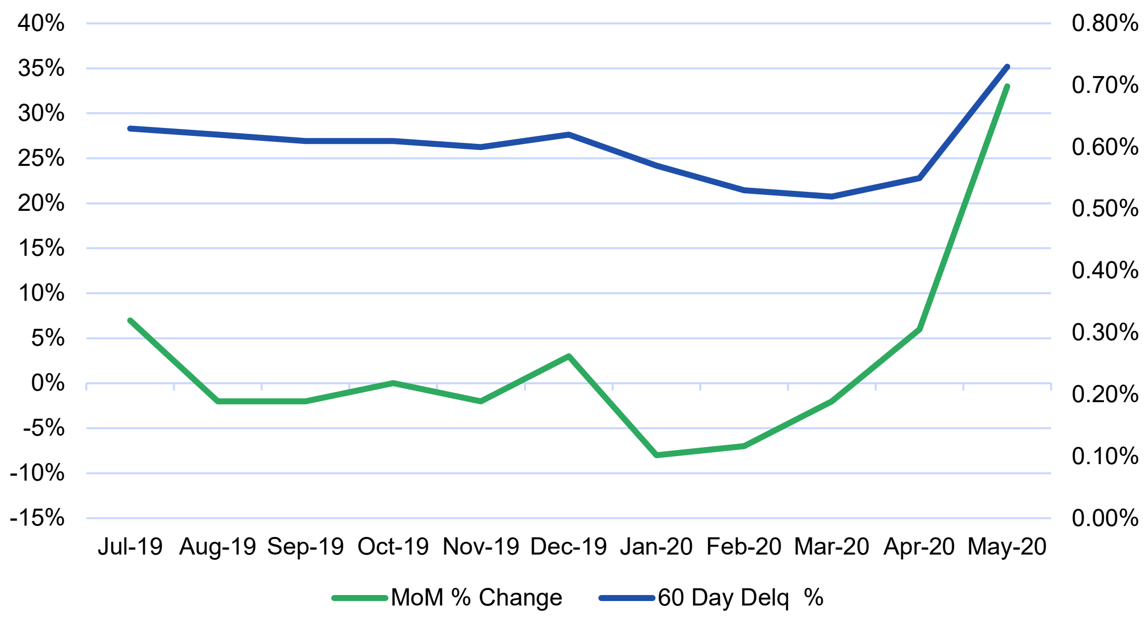
While the delinquency increases are meaningful across the United States, they are especially pronounced in states hardest hit by the unemployment increases associated with the COVID-19 pandemic. As seen in Figure 2, these states experienced 30-day delinquency increases of as much as 330% (as in the case of Hawaii, which is heavily dependent on tourism).

Figure 2 US non-agency RMBS 30-day delinquencies for states with highest COVID-19-based unemployment

	JUN-19	JUL-19	AUG-19	SEP-19	OCT-19	NOV-19	DEC-19	JAN-20	FEB-20	MAR-20	APR-20	MAY-20
CA	1.83%	2.09%	1.86%	1.89%	1.89%	1.86%	1.88%	1.74%	1.61%	1.67%	2.03%	5.53%
HI	1.41%	1.62%	1.47%	1.62%	1.56%	1.54%	1.59%	1.40%	1.37%	1.46%	1.55%	5.10%
NV	1.34%	1.51%	1.43%	1.42%	1.51%	1.47%	1.57%	1.50%	1.30%	1.33%	1.67%	4.95%
IL	1.70%	1.71%	1.51%	1.47%	1.58%	1.52%	1.56%	1.45%	1.29%	1.34%	1.52%	3.43%
RI	1.96%	2.22%	1.93%	2.26%	2.02%	1.96%	2.11%	1.98%	1.74%	1.86%	1.92%	3.19%
MI	1.43%	1.65%	1.48%	1.49%	1.45%	1.47%	1.45%	1.31%	1.24%	1.25%	1.38%	2.90%
VT	1.08%	1.92%	1.76%	1.15%	1.02%	1.04%	1.08%	1.04%	0.78%	0.93%	1.08%	2.70%
NH	1.66%	2.20%	1.95%	1.63%	1.71%	1.70%	1.74%	1.71%	1.33%	1.39%	1.66%	2.67%
OH	1.93%	1.71%	1.58%	1.52%	1.48%	1.52%	1.51%	1.35%	1.22%	1.24%	1.37%	2.48%
IN	1.73%	1.60%	1.54%	1.45%	1.54%	1.52%	1.52%	1.51%	1.27%	1.24%	1.35%	2.13%

Not surprisingly, given the environment, last month's 30-day delinquency profile of low nominal amounts with high month-to-month percentage changes rolled into this month's 60-day delinquencies as borrowers continue to struggle (Figure 3).

Figure 3 US non-agency RMBS 60-day delinquency



The increase in 60-day delinquencies appears to have been less affected by unemployment trends, as the increase in delinquency rate in states with the highest COVID-19 unemployment is more in line with increases experienced by the rest of the country (Figure 4).

Figure 4 US non-agency RMBS 30-day delinquencies for states with highest COVID-19-based unemployment

	JUN-19	JUL-19	AUG-19	SEP-19	OCT-19	NOV-19	DEC-19	JAN-20	FEB-20	MAR-20	APR-20	MAY-20
CA	0.70%	0.75%	0.74%	0.72%	0.73%	0.71%	0.72%	0.67%	0.63%	0.63%	0.68%	0.95%
NV	0.46%	0.49%	0.50%	0.48%	0.48%	0.49%	0.53%	0.48%	0.45%	0.46%	0.45%	0.77%
RI	0.79%	0.86%	0.80%	0.77%	0.78%	0.79%	0.76%	0.79%	0.70%	0.67%	0.73%	0.75%
IL	0.59%	0.61%	0.63%	0.62%	0.60%	0.60%	0.58%	0.53%	0.51%	0.48%	0.50%	0.65%
HI	0.53%	0.60%	0.51%	0.60%	0.68%	0.59%	0.61%	0.55%	0.50%	0.50%	0.54%	0.63%
NH	0.57%	0.66%	0.61%	0.59%	0.56%	0.54%	0.53%	0.50%	0.50%	0.51%	0.49%	0.60%
MI	0.51%	0.53%	0.51%	0.49%	0.49%	0.48%	0.51%	0.45%	0.40%	0.40%	0.40%	0.49%
OH	0.55%	0.57%	0.56%	0.56%	0.51%	0.52%	0.52%	0.47%	0.43%	0.41%	0.43%	0.48%
IN	0.45%	0.54%	0.49%	0.49%	0.45%	0.46%	0.50%	0.49%	0.40%	0.41%	0.40%	0.45%
VT	0.34%	0.37%	0.38%	0.32%	0.42%	0.31%	0.36%	0.36%	0.33%	0.32%	0.31%	0.38%

With trustees identifying more forbearance plans in the data that becomes available, the volume of loans on forbearance plans has increased substantially (Figure 5). As more trustees report COVID-19–related forbearance information, we expect the total number of loans in forbearance to grow.

Figure 5 Total balance of loans in forbearance by states where employment was most affected by COVID-19 (April and May 2020)

	APR-20	MAY-20
CA	$8,984,026.28	$412,232,816.85
HI	$1,528,749.72	$7,774,708.56
IL	$2,599,384.40	$106,692,184.35
IN	$3,025,173.09	$14,247,085.39
MI	$3,338,491.38	$56,333,243.23
NH	$844,760.08	$12,149,635.91
NV	$1,127,414.78	$27,749,419.80
OH	$3,253,931.07	$32,294,849.22
RI	$281,609.45	$3,379,385.21
VT	$516,194.09	$9,133,215.96

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 the DataViewer are temporarily available to the public on a complimentary basis. Visit www.moodysanalytics.com/product-list/structured-finance-portal-data-viewer-module to access the 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.