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News & Information

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Mortgage Delinquencies Rising, Says New MBA Report

According to the latest data from the Mortgage Bankers Association (MBA), delinquency rates for commercial mortgages went up in Q1 2023.

The MBA report, which is based on data collected from major lenders, notes that delinquencies have grown in "every major capital source" surveyed. That includes commercial banks, commercial mortgage-backed securities (CMBS) and, life insurance companies, as well as federally-backed 'Fannie Mae' and 'Freddie Mac.'

Results by Lender

A breakdown of the delinquency rates by lender showed that:

- Delinquency rate for CMBS increased to 3.00% (0.1 percentage point increase)
- Banks: 0.58% (0.13 percentage points)
- Life insurer portfolios: 0.21% (0.11 percentage points)
- Fannie Mae: 0.35% (0.11 percentage points)
- Freddie Mac: 0.13% (0.01 percentage points)

MBA notes that these figures should not be considered directly comparable, as different lenders track their loans and delinquencies in different ways.

Also worth noting is that while there has been an increase across the board, the magnitude of that increase is still low compared to historical figures, even as recently as 2021.

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However, the rising trend is still a potential cause for concern. As MBA's Head of Commercial Real Estate Research, Jamie Woodwell sums up: "Delinquency rates increased for every major capital source during the first quarter, foreshadowing additional strains that are likely to work their way through the system."

Bank Concerns

One of the major concerns we've seen in recent news is that, as loans come due, defaults on struggling CRE assets may precipitate a broader banking crisis. But while some large numbers have been floated in that regard: 65-80% of CRE lending has been attributed to regional banks – it's worth pointing out that not all experts agree on those figures.

In a recent Moody's analysis, for example, analysts make the case that the numbers being floated are "overstated."

Moody's points out: "When examining the real cross-exposures of the sectors and structural differences between now and 15 years ago during the Global Financial Crisis (GFC), the conclusions are less sensationalistic and more nuanced than some headlines suggest, though both banking and CRE face challenges of a rapidly rising rate environment."

CRE Outlook

Though large-scale market trends have a strong impact, for CRE professionals it's worth remembering that the challenges faced as a result will vary according to the different sectors and regions.

Our top advice, therefore, is to keep a sharp eye on local nuances when figuring out the true impacts of broader events on brokerages and clients.