

Mortgage Delinquency on the Decline, According to MBA report



A new report from the Mortgage Bankers Association (MBA) shows that mortgage delinquency rates dropped in Q3 2022. According to the data, “98.3% of outstanding [commercial and multifamily] loan balances were current or less than 30 days late at the end of the third quarter, up from 97.6% at the end of the first quarter.”

MBA’s Vice President of Commercial Real Estate Research, Jamie Woodwell, added: “A much smaller share of loans backed by the property types hardest hit at the onset of the pandemic – lodging and retail – were delinquent.”

Findings by Sector

Some key findings from the report were that:

- Only 5.5% of lodging loans were delinquent by 30 or more days, compared to 9.0% in Q1
- Retail showed a similar downward shift, from 5.9% (Q1) to 5.3% (Q3)
- Office delinquencies dropped from 1.8% (Q1) to 1.5% (Q3)
- Industrial showed a slight uptick in delinquency, with 0.6% in Q3, compared to only 0.4% in Q1.

Continuing Trends

The improvements follow the trend seen for Q2, when MBA reported delinquency rates at nearly pre-pandemic levels, saying these were “some of the lowest delinquency rates on record.”

Overall, the effects of the pandemic on delinquency rates through the past two years have generally varied by property type and capital sources, according to earlier MBA data. To some extent, that is still the case as the CRE space and financial markets undergo significant transitions.

Woodwell notes: “As those forces unfold, they will no doubt have an impact on commercial mortgage loan performance in coming quarters and years. Given recent years’ growth in property values and incomes, the impacts will likely vary considerably.”

Lending Outlook

In the face of this uncertainty, MBA has predicted that commercial lending for 2023 should see a rebound in lending activity driven by strong CRE fundamentals, and the proven income and valuation returns generated by commercial property in recent years.

One word of caution is that: “Should the economy enter a recession, which has become considerably more likely, commercial and multifamily borrowing and lending would likely be further constrained.”