AUCTION.COM
MARKET RESEARCH & ANALYSIS

2024

SELLER INSIGHTS

- Executive Summary
- Market Outlook
- Foreclosure Outlook
- Loss Mitigation Landscape
- Emerging Risks

Survey of Default Servicing Leaders Provides Outlook for Economy, Home Prices and Distressed Market

- Consensus expectation is for a soft landing in economy with continued low unemployment rates through the end of 2024
- 76% expect home price increases to continue through the end of 2024
- 57% expect gradual rise in foreclosure volumes through the end of 2024
- Half of loans in loss mitigation expected to permanently perform
- Highest risk of rising delinquencies assigned to rising "hidden" homeownership costs

Irvine, Calif. – July 15, 2024 – Auction.com, the nation's leading distressed real estate marketplace, today released its 2024 Seller Insights Report, which shows that most default servicing leaders surveyed in Q2 2024 expect a soft landing in the economy, a continued rise in home prices and a gradual increase in foreclosure volumes in the second half of the year.

Survey respondents identified the rising "hidden" homeownership costs of homeowners insurance and property taxes as the biggest potential risk for triggering higher delinquency rates in 2024.

Slightly more than half (51 percent) of loans in loss mitigation at the time of the survey were expected to permanently perform, according to respondents.

The report was based on a survey of more than 30 key default servicing leaders at the eighth annual Auction.com Disposition Summit in late April.

Respondents included leaders from banks, nonbanks, mortgage asset owners, government agencies and government-sponsored enterprises.

"The default servicing industry is on the frontlines of any emerging risk in the mortgage market that could not only lead to higher delinquencies and foreclosures, but that could also potentially ripple out to the housing market and broader economy," said **Jason Allnutt, CEO at Auction.com**. "Nearly halfway through the year, leaders in this industry are telling us that the risk of rapidly rising delinquencies and foreclosures this year remains low and that they expect a soft landing in the housing market and broader economy despite an expectation that mortgage rates will remain relatively high throughout the remainder of the year."

Other report highlights

- Survey respondents on average expect the unemployment rate to end 2024 at 3.6 percent
- Survey respondents on average expect the 30-year fixed mortgage rate to end the year at 6.3 percent
- Survey respondents estimated that the average combined loan-to-value ratio of seriously delinquent loans in their portfolio is 65 percent

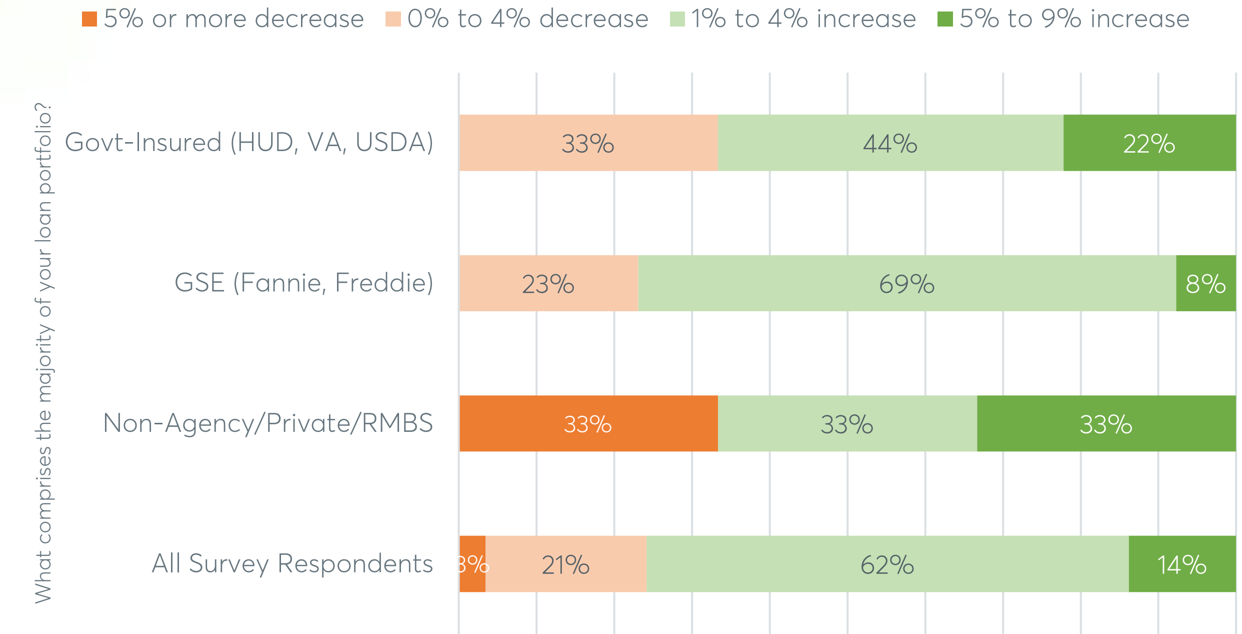
Download the 2024 Buyer Insights Report to read about the market outlook of local community developers purchasing at foreclosure and bank-owned (REO) auctions via Auction.com.

Most Default Servicing Leaders Expect Soft Landing Despite Persistently High Mortgage Rates

- 76% expect home prices to continue increasing through end of 2024
- 3.6% average expectation for unemployment rate to end 2024
- 6.3% average expectation for mortgage rate to end 2024

> **"Despite the stress of higher-for-longer mortgage rates, demand and pricing for distressed properties sold at auction remains strong, an indication that retail home prices will continue to rise in the next three to six months.**
>
> **-Ali Haralson, Auction.com President**

How much home price appreciation do you expect for 2024 (December to December)?



Most default servicing leaders surveyed expect continued low unemployment and continued home price appreciation through at least the end of 2024.

On average respondents expected the unemployment rate to end 2024 at 3.6 percent, although non-bank servicers were slightly less optimistic at 4.1 percent and bank servicers were more optimistic at 3.1 percent.

More than three-fourths of respondents (76 percent) expect positive home price appreciation to end 2024 while 21 percent expect a decrease of less than 5 percent and just 3 percent expect a decrease of 5 percent or more.

This soft-landing outlook came despite most survey respondents expecting mortgage rates to remain persistently high to end 2024 – 6.3 percent on average.

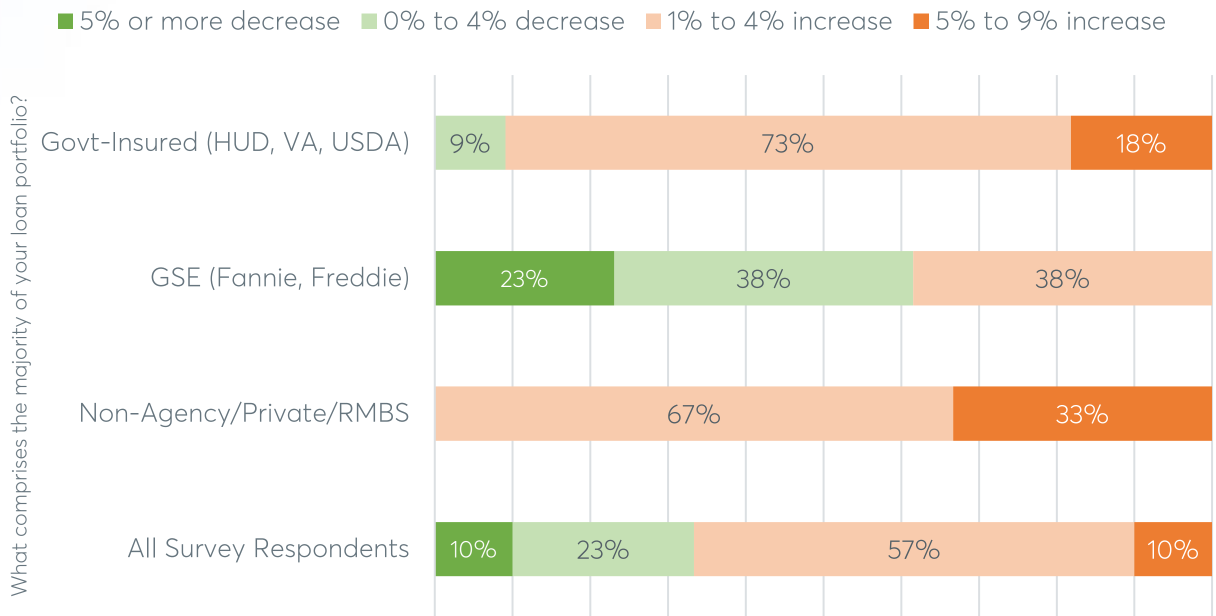
Watch this video to learn why local community developers purchasing on Auction.com are still aggressive in their property acquisition expectations despite becoming increasingly bearish about retail home prices.

Most Default Servicing Leaders Expect Gradual Rise in Foreclosure Volume Through End of 2024

- 57% expect increase of between 1% and 4%
- 10% expect increase of 5% or more
- 10% expect a decrease of 5% or more

> **"Completed foreclosure volumes have remained at about half of their 2019 levels this year thanks in large part to more robust loss mitigation options coming out of the pandemic.**
>
> **-Joe Cutrona, Auction.com Chief Business Officer**

How do you expect your organization's completed foreclosure volumes to trend between now and the end of 2024?

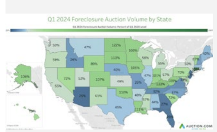


The majority of default servicing leaders surveyed (57 percent) said they expect a gradual rise of between 1 percent and 4 percent in their organization's foreclosure volumes through the end of 2024.

Ten percent surveyed expect an increase of 5 percent or more in foreclosure volumes while another 10 percent expect a decrease of 5 percent or more.

Nearly one in four surveyed (23 percent) said they expect their organization's foreclosure volumes to decrease less than 5 percent through the rest of the year.

Those servicing a portfolio of mostly non-agency loans were a bit more bearish about foreclosure volumes, with 33 percent expecting an increase of 5 percent or more through the end of the year, as were those servicing a portfolio of mostly government-insured loans – 18 percent expect an increase of 5 percent or more in their organization's foreclosure volumes through the end of the year.



Read the latest Auction Market Dispatch to learn about the most recent trends in foreclosure supply, demand and pricing based on proprietary data from the Auction.com marketplace.

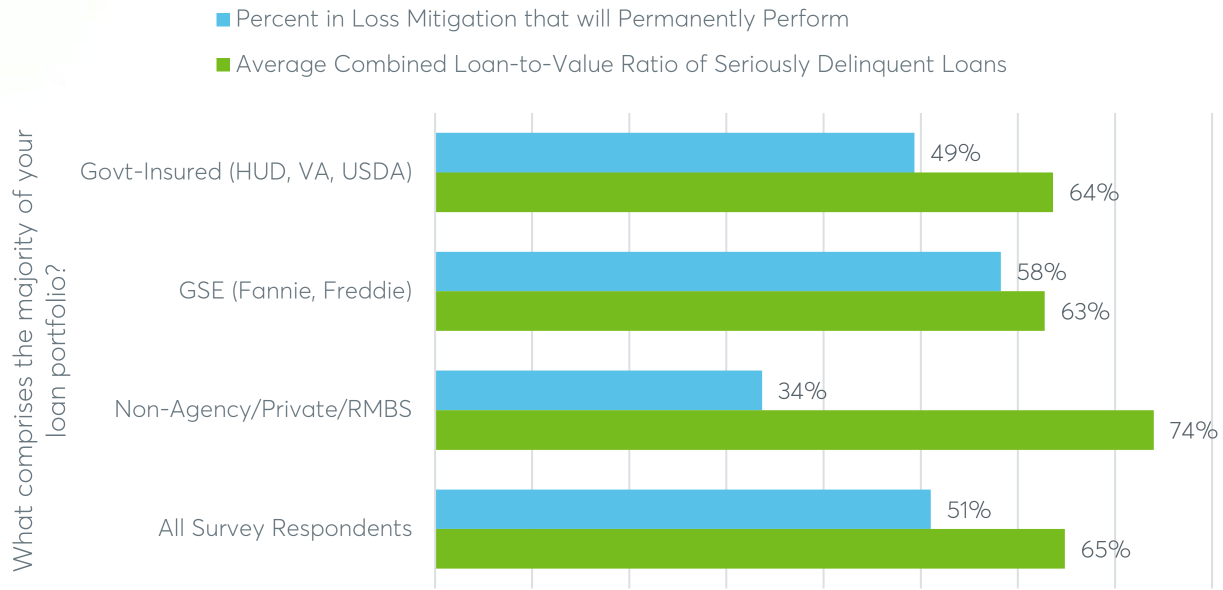
Half of Loans in Loss Mitigation Expected to Permanently Perform as Equity Cushion Persists

- 58% of GSE loans in loss mitigation expected to permanently perform
- 49% of government-insured loans expected to permanently perform
- 34% of non-agency loans expected to permanently perform

"The home equity cushion is being creatively leveraged by mortgage servicers and policymakers to help distressed homeowners avoid foreclosure.

-Elan Chambers, Auction.com SVP

Loss Mitigation Landscape



Slightly more than half of all loans in loss mitigation (51 percent) are expected to permanently perform, according to survey respondents.

That permanent performance rate is in part thanks to an ample equity cushion for seriously delinquent loans entering the loss mitigation waterfall. Survey respondents estimated that seriously delinquent loans in their portfolio had an average combined loan-to-value (CLTV) ratio of 65 percent.

The permanent performance rate varied by loan type, from 58 percent for conventional loans backed by the government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac to 49 percent for government-insured loans to 34 percent for non-agency loans.

That performance rate tended to track with the estimated CLTV ratio for each loan type, which ranged from 63 percent GSE loans to 64 percent for government-insured loans to 74 percent for non-agency loans. The higher the CLTV, the lower the equity.

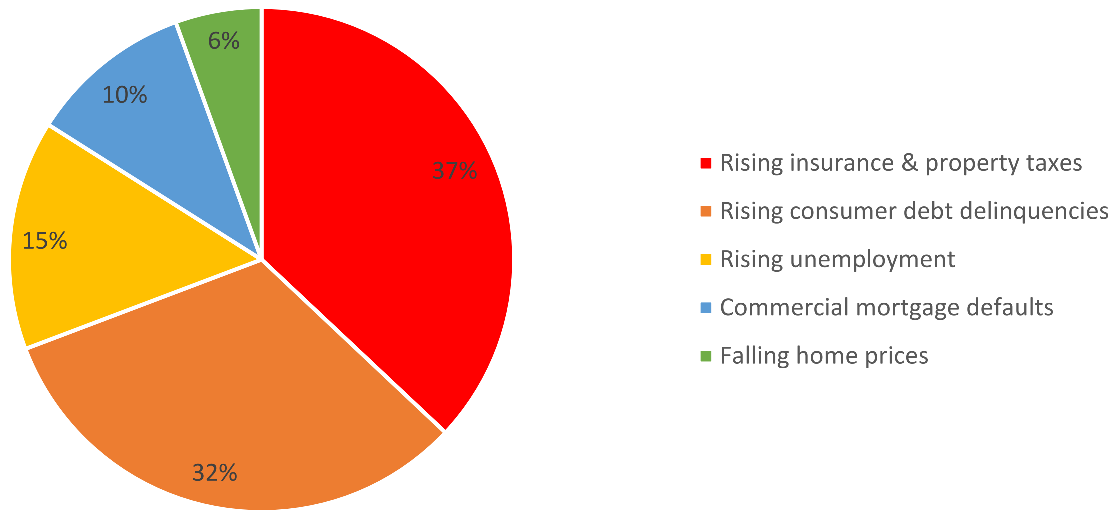
Watch this episode of Disposition Download to learn how home equity trends could impact disposition strategies in 2024 and how different disposition strategies protect home equity for distressed homeowners.

Rising "Hidden" Homeownership Costs Top Risk Factor for Higher Delinquencies

- 37% out of 100 points of risk assigned to rising insurance and property taxes
- 32% of risk assigned to rising consumer debt delinquencies
- 15% of risk assigned to rising unemployment

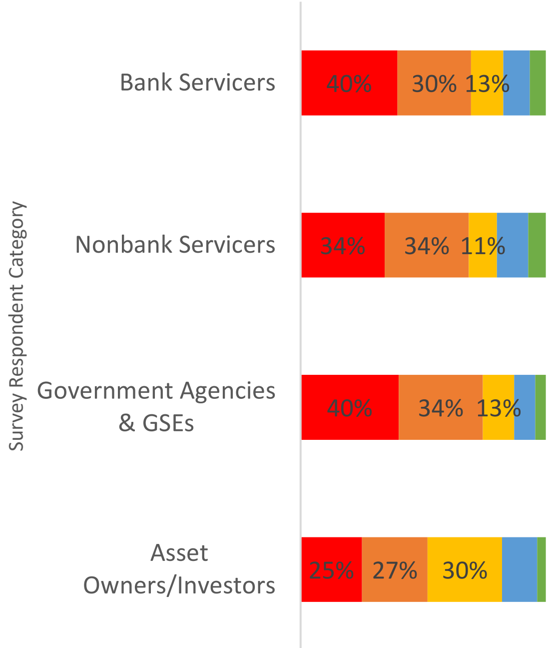
> "Although the risk of rapidly rising delinquencies in the near term remains low, there are some signs of consumer and homeowner stress emerging.
>
> Daren Blomquist, Auction.com VP of Market Economics

Given 100 points of risk, how much would you assign each of the following in terms of risk of higher delinquencies between now and the end of 2024?



Survey respondents ranked rising "hidden" costs of homeownership – namely homeowners insurance and property taxes – as the highest risk factor for potentially triggering higher mortgage delinquencies for the remainder of 2024.

Respondents assigned 37 percent of a theoretical 100 points of risk to those hidden homeownership costs, followed by rising consumer debt delinquencies with 32 percent of risk and rising unemployment with 15 percent of risk. Commercial mortgage defaults received 10 percent of risk while falling home prices received only 6 percent of risk.



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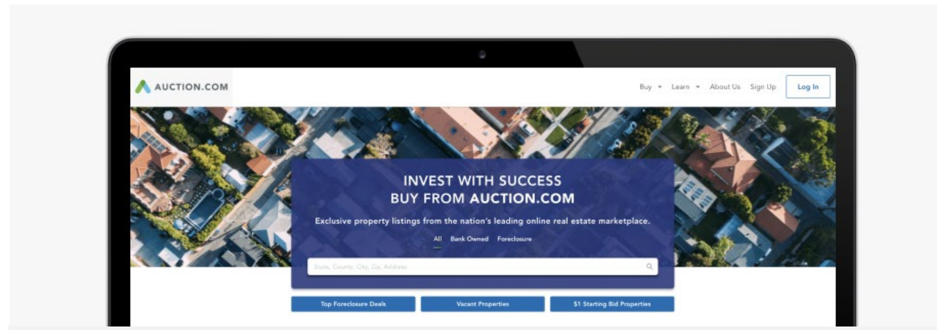

Daren Blomquist

Survey results were analyzed and summarized for this report by the Auction.com Market Research & Analysis team. Led by VP of Market Economics Daren Blomquist, this team leverages proprietary Auction.com data along with public record data to provide data-driven insights on distressed housing trends to the marketplace.

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Report Methodology

The Auction.com 2024 Seller Insights report is based on an Q2 2024 survey of more than 30 key leaders in the default servicing industry at the eighth annual Auction.com Disposition Summit, including leaders from banks, nonbanks, mortgage asset owners, government agencies and government-sponsored enterprises.

For more Market Research & Analysis, visit www.Auction.com/InTheNews

About Auction.com

Auction.com is the nation's leading online marketplace for the disposition of distressed residential properties. The company goes beyond traditional disposition programs, offering tools and services that stabilize neighborhoods, expand homeownership, maximize sales, shorten the sales cycle, yield higher returns, mitigate risks and elevate results. Our seller strategy includes customized and flexible programs, data intelligence and buyer insights, and pioneering technology. This includes Remote Bid®, which expands the buyer base nationwide by letting buyers bid on and win select foreclosure sales from anywhere, and Portfolio Interact™, featuring Bid Interact™. The national footprint for online and in-person auctions includes all 50 states, as well as Washington, DC, and Puerto Rico. Auction.com is headquartered in Irvine, CA, with offices in key markets nationwide.

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