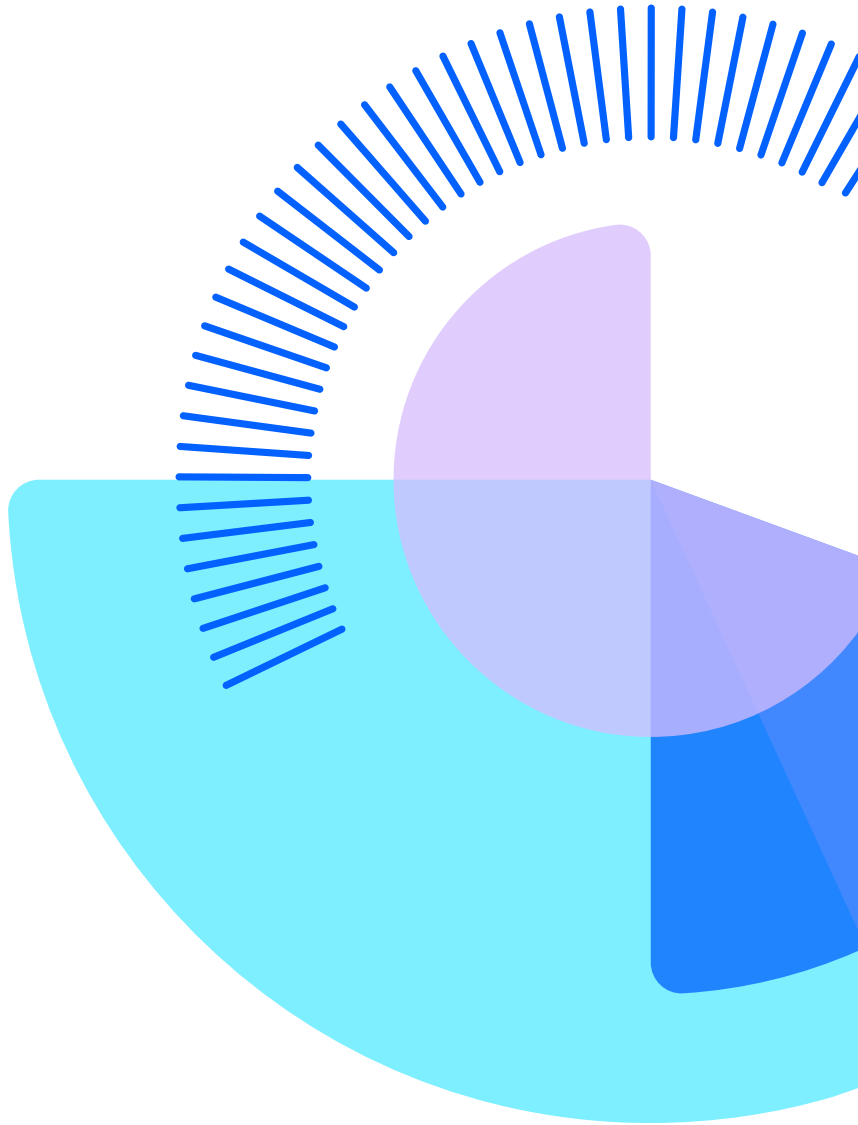
Foreclosures on the Rise: What's in Store for 2027?

2026 Recap and 2027 Market Outlook

November 12, 2026



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Introduction



Matthew Zoldowski

Account Executive, Verisk



Rick Sharga

Founder and CEO, CJ Patrick Company



Daren Blomquist

Vice President of Market Economics, Auction.com

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PPW



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Current comprehensive property data at your fingertips

PropX

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Today's agenda

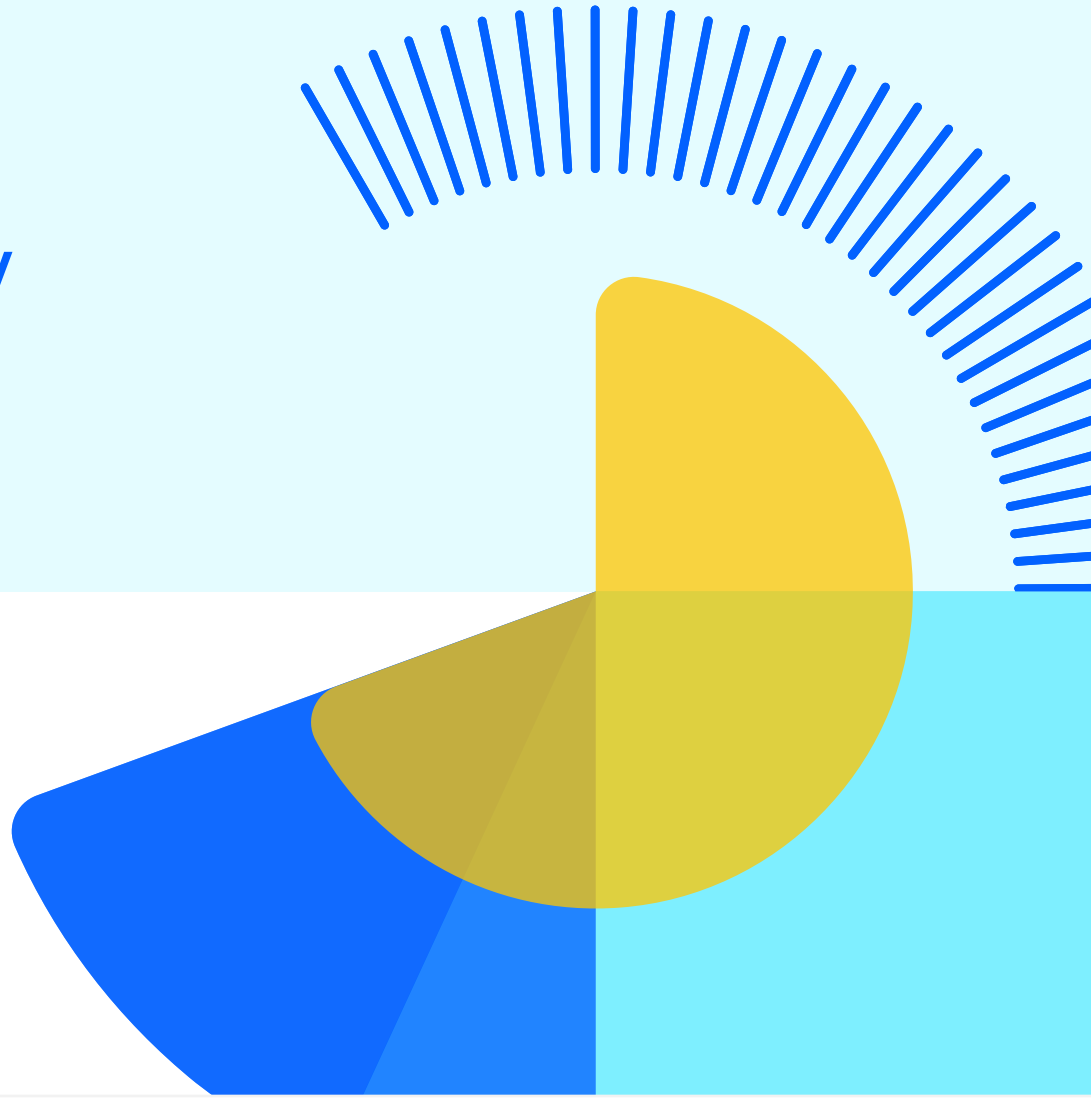
1 **The Economy**

2 **Consumer Finances**

3 **Delinquencies & Defaults**

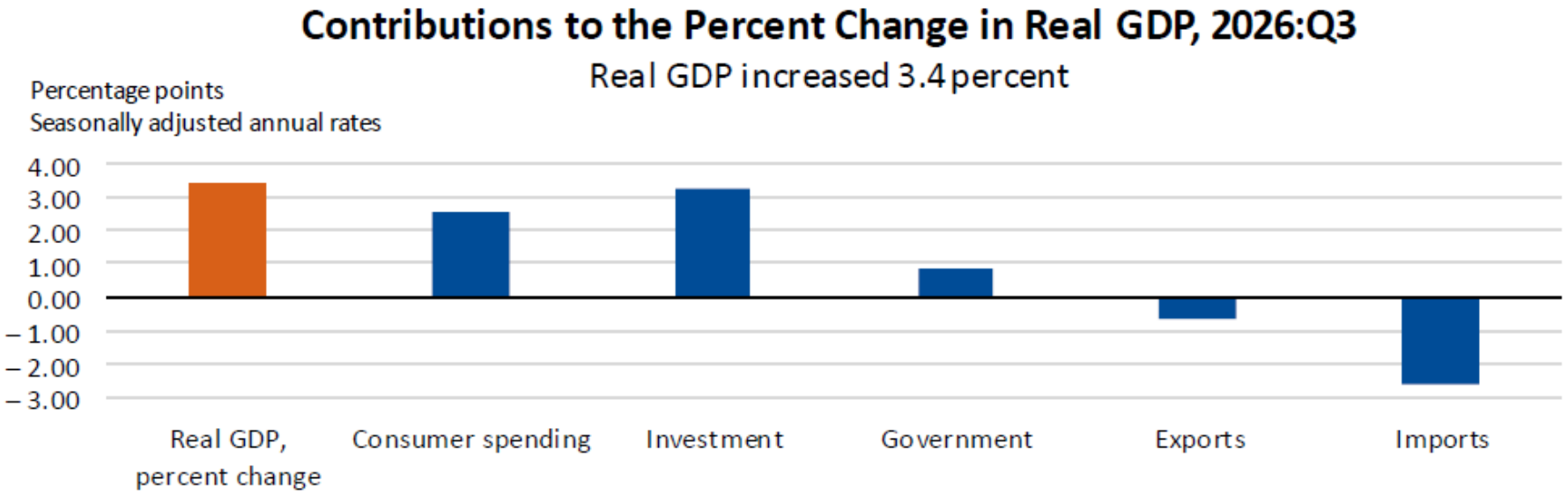
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1 The U.S. Economy



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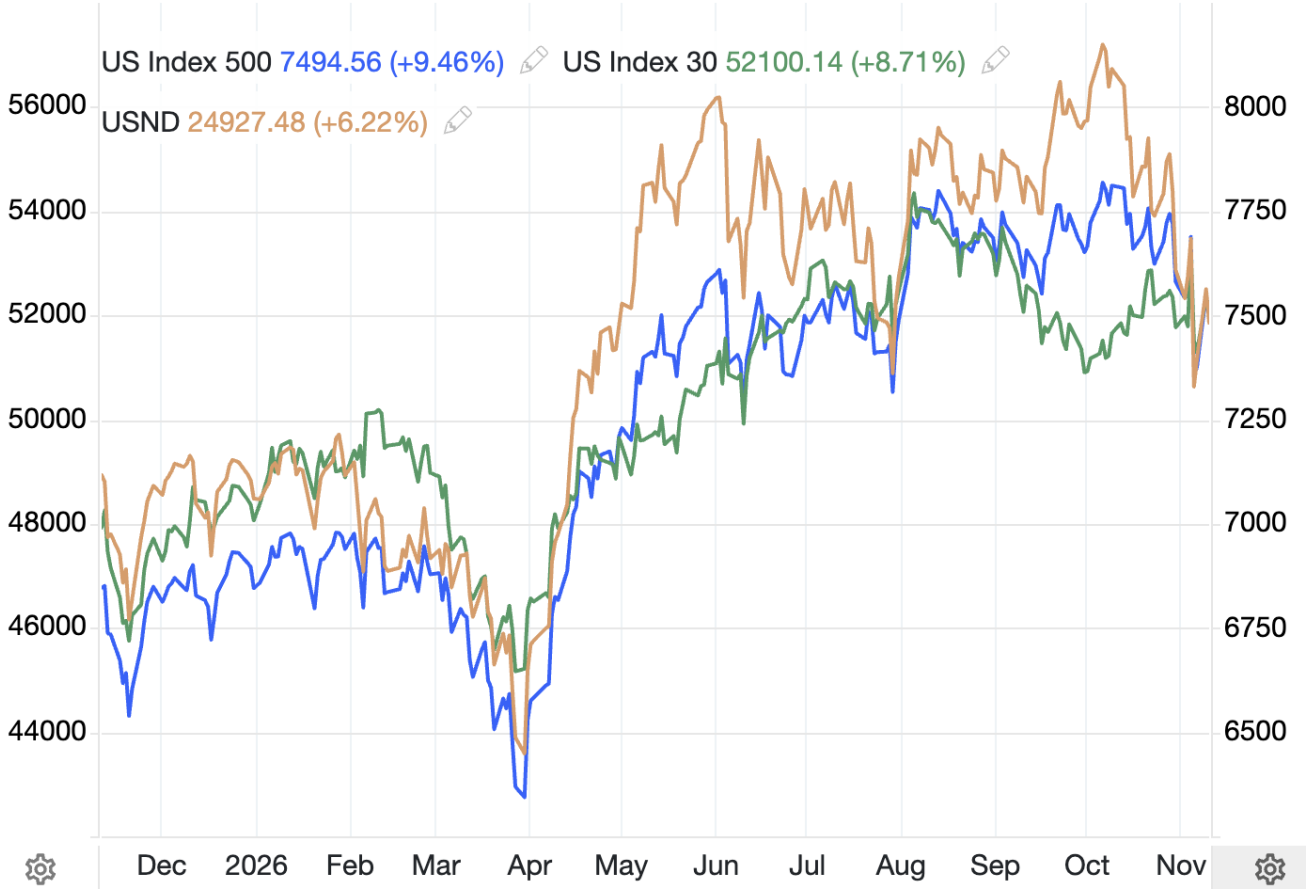
GDP Continues to Outperform Expectations



GDP Gross domestic product
Note. Imports are a subtraction in the calculation of GDP. An increase in imports results in a negative contribution to GDP, and a decrease in imports results in a positive contribution to GDP.
U.S. Bureau of Economic Analysis

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Stock Markets Up Year-to-Date Despite Extreme Volatility



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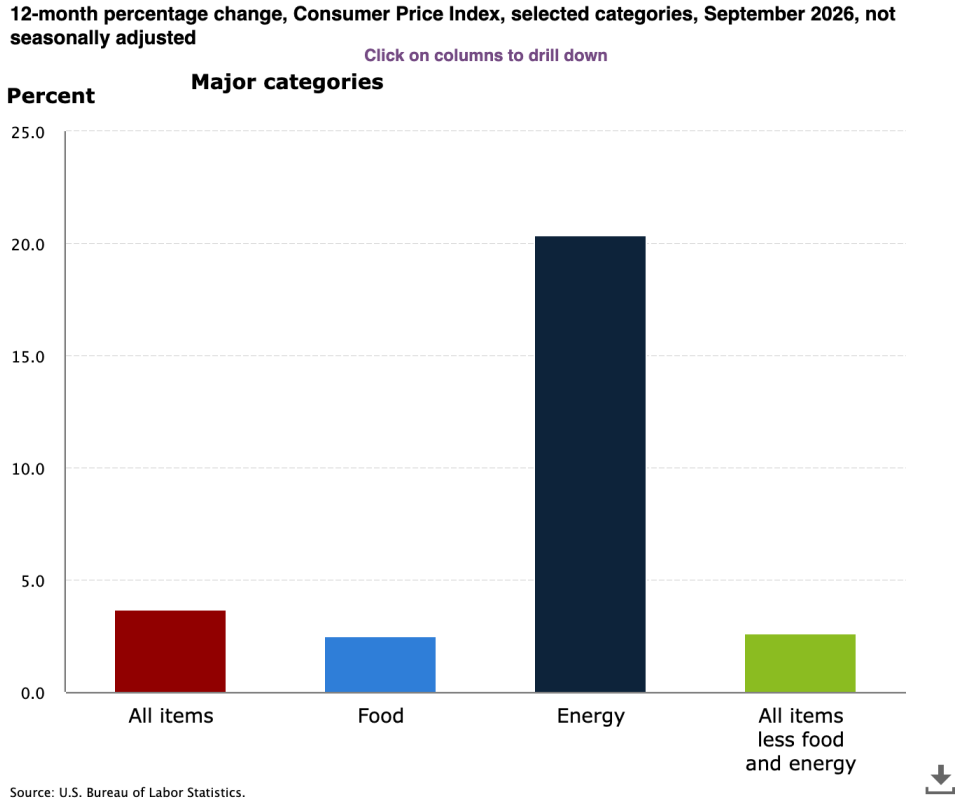
Gas Below $4/Gallon as Oil Prices Dip Below $100/Barrel

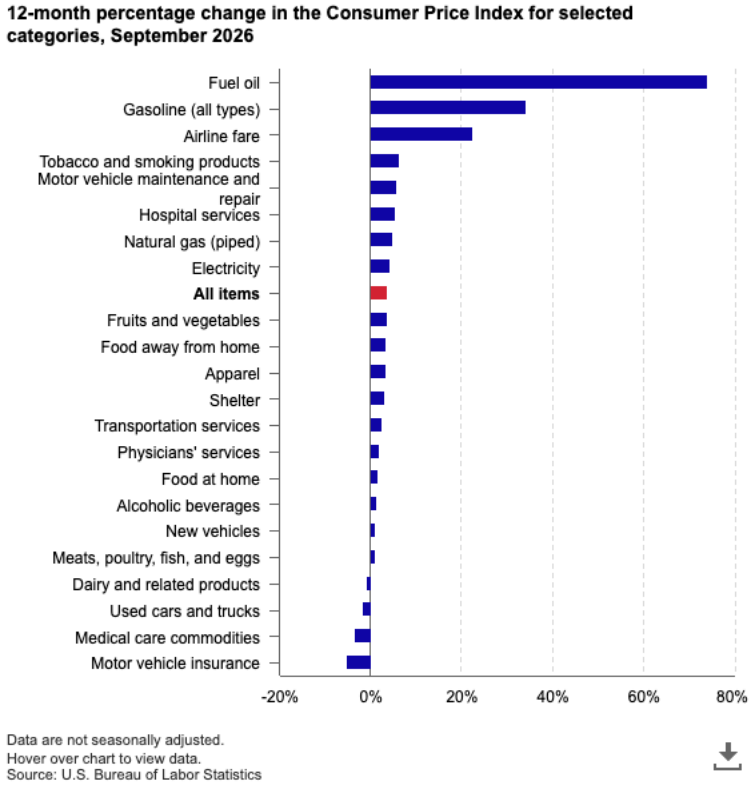


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Inflation Rises at 3.7%

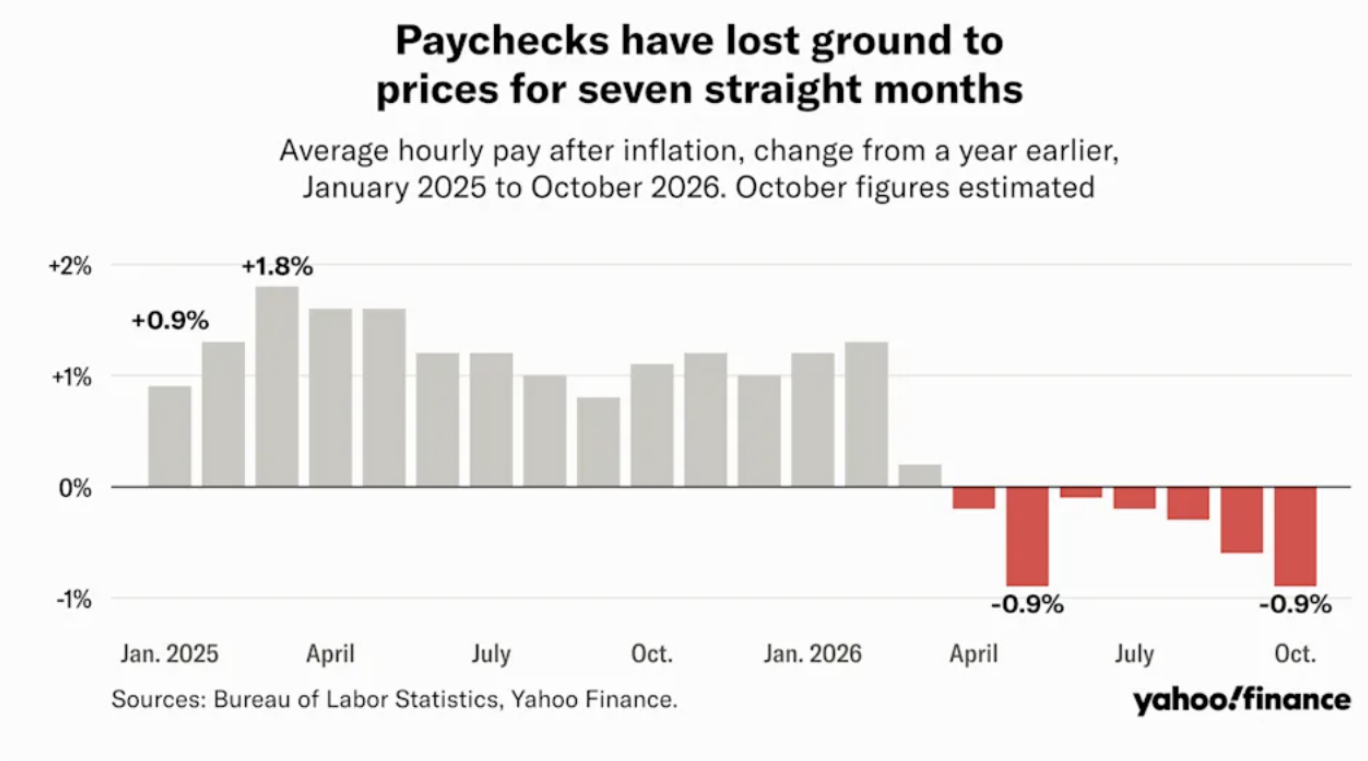
Driven by 34% Hike in Gas, 74% Increase in Fuel Oil





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Inflation Continues to Outpace Annual Wage Growth



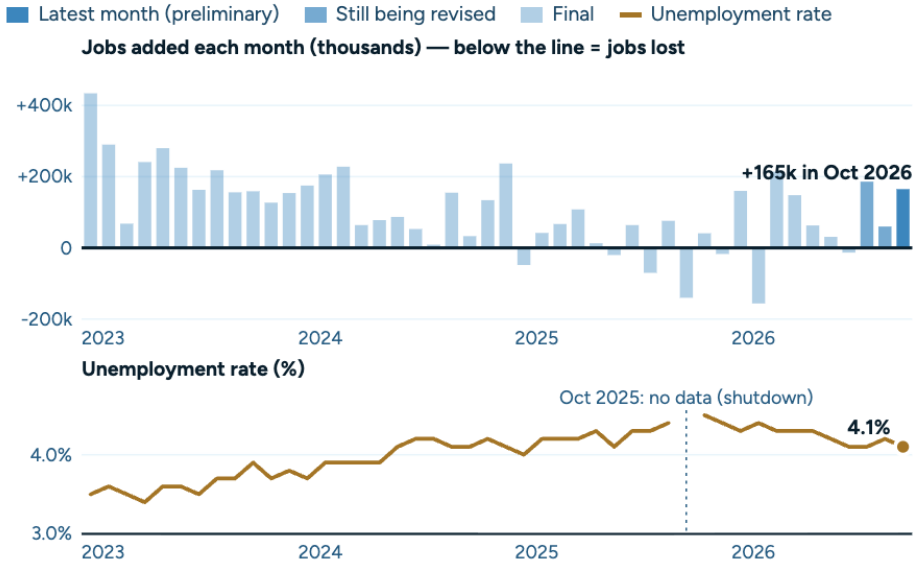
Bureau of Labor Statistics, Yahoo Finance

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Job Numbers Stronger Than Expected, Unemployment Down Slightly

Employers added 165,000 jobs in Oct 2026; unemployment 4.1%

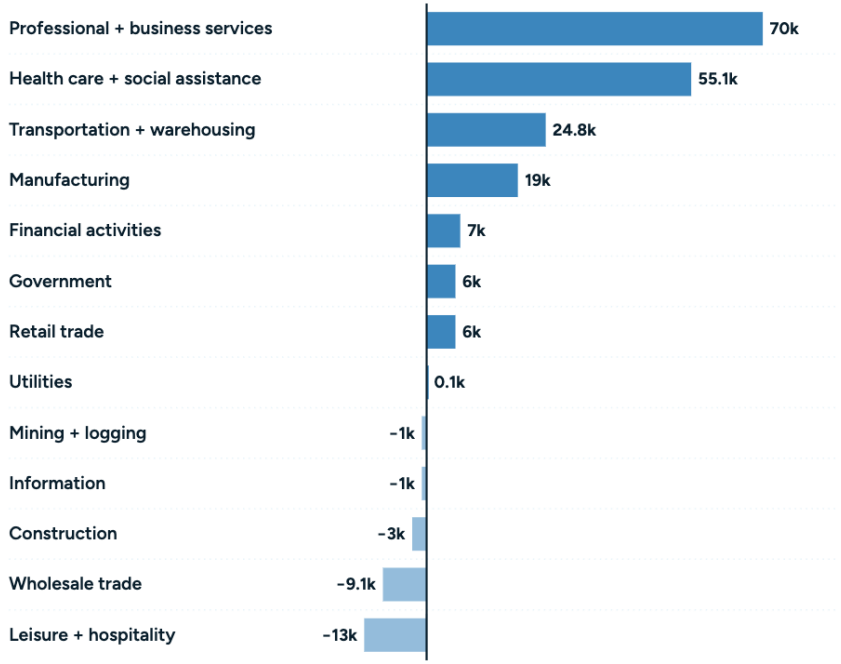
Each bar is one month: the taller it is, the more jobs employers added. The newest month is a first estimate that BLS revises twice. Hover or tap for the numbers.



Measured (BLS survey estimates); latest two months will be revised. Source: BLS (newest months direct from BLS: CES0000000001, LNS14000000; history via FRED: PAYEMS, UNRATE). Seasonally adjusted.

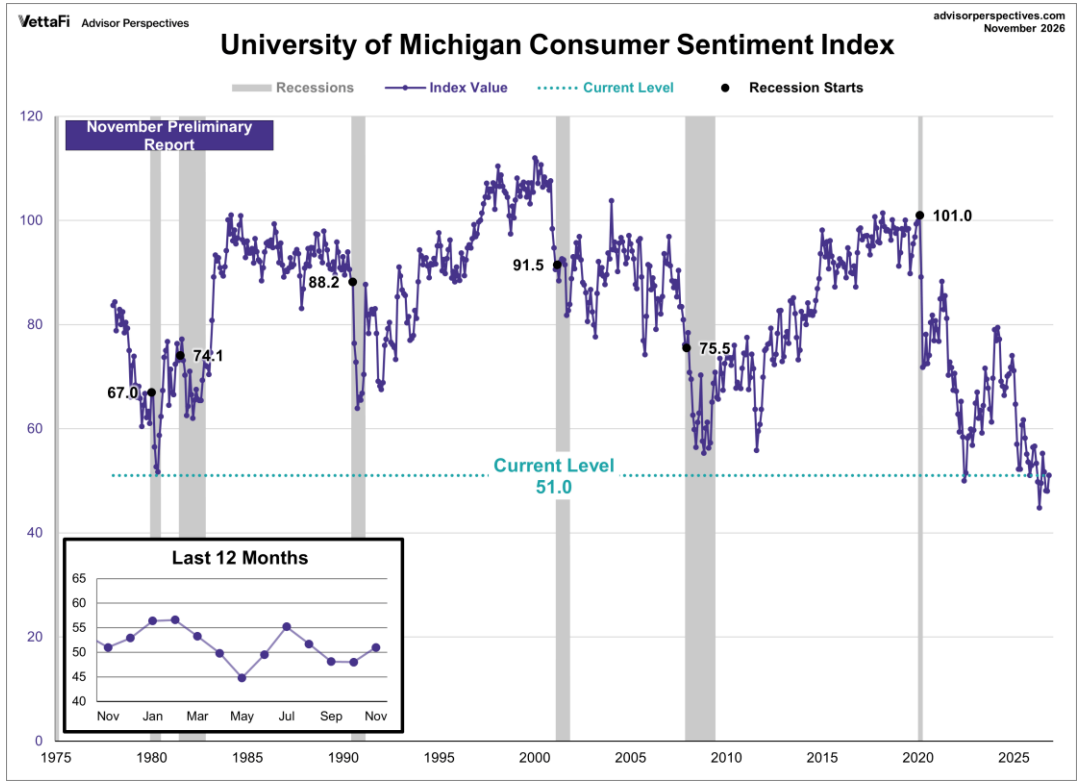
Professional and business services added the most jobs in Oct 2026; leisure and hospitality lost the most

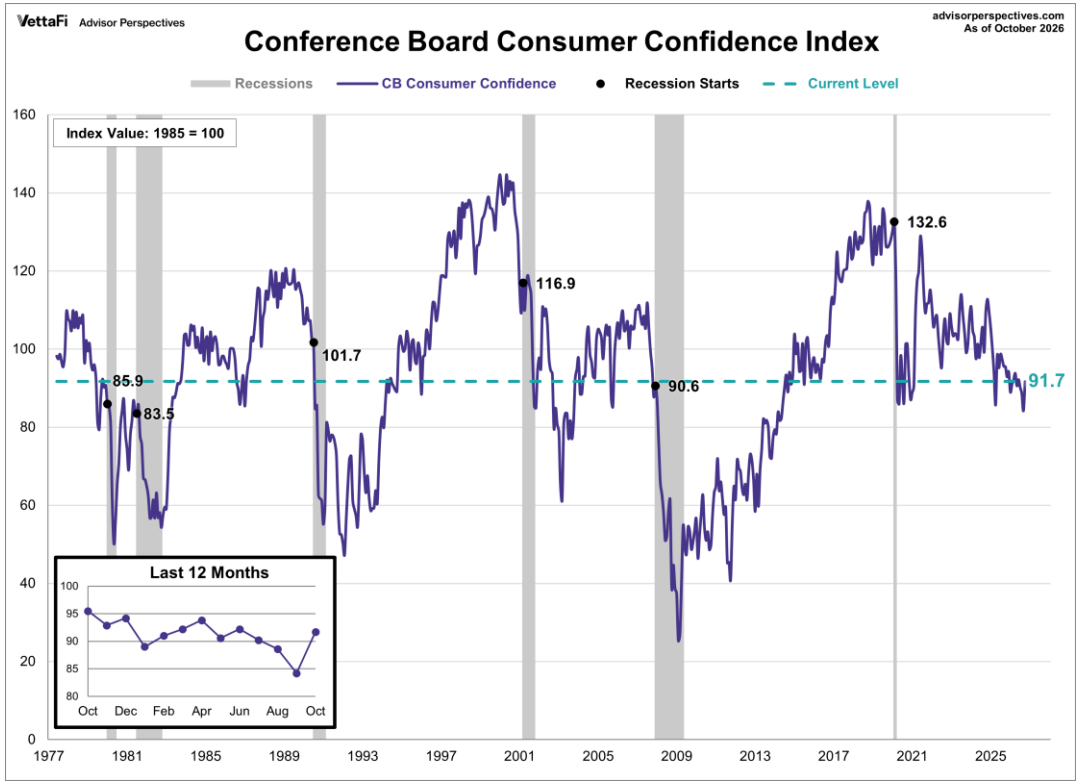
Net change in jobs from the previous month, by industry, in thousands. The newest month is a first estimate that BLS revises twice.



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Consumer Sentiment, Consumer Confidence Improve Modestly



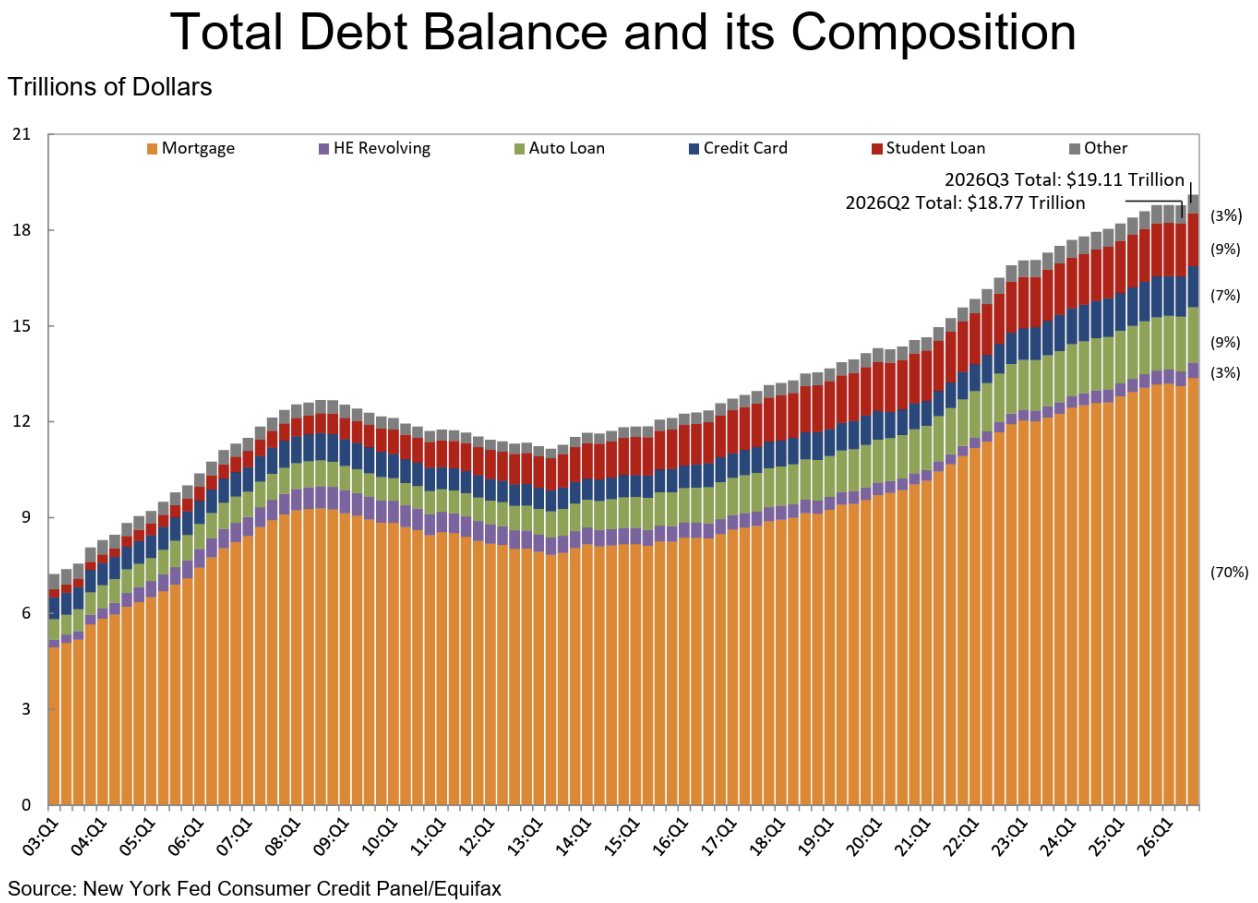


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2 Consumer Finances

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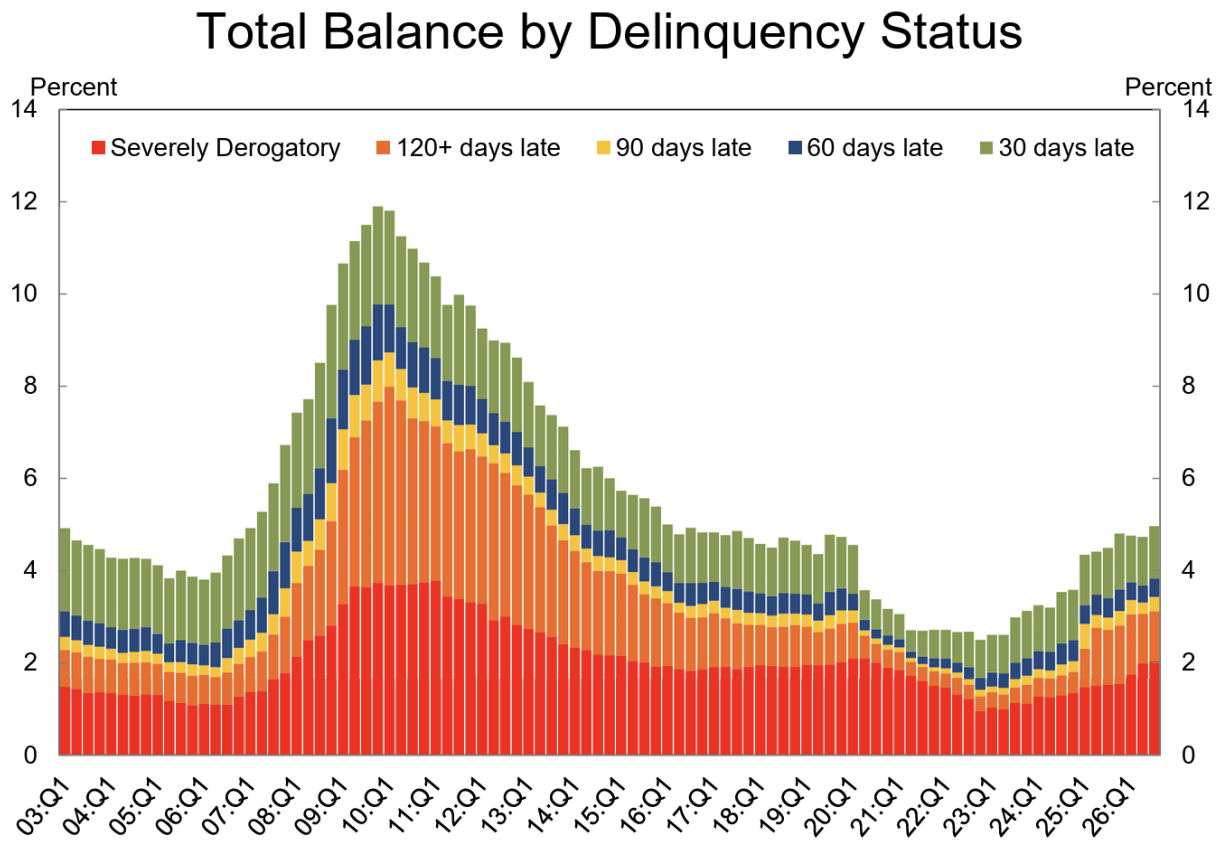
Consumer Debt at All-Time Record of $19.1 Trillion



Source: New York Fed Consumer Credit Panel/Equifax

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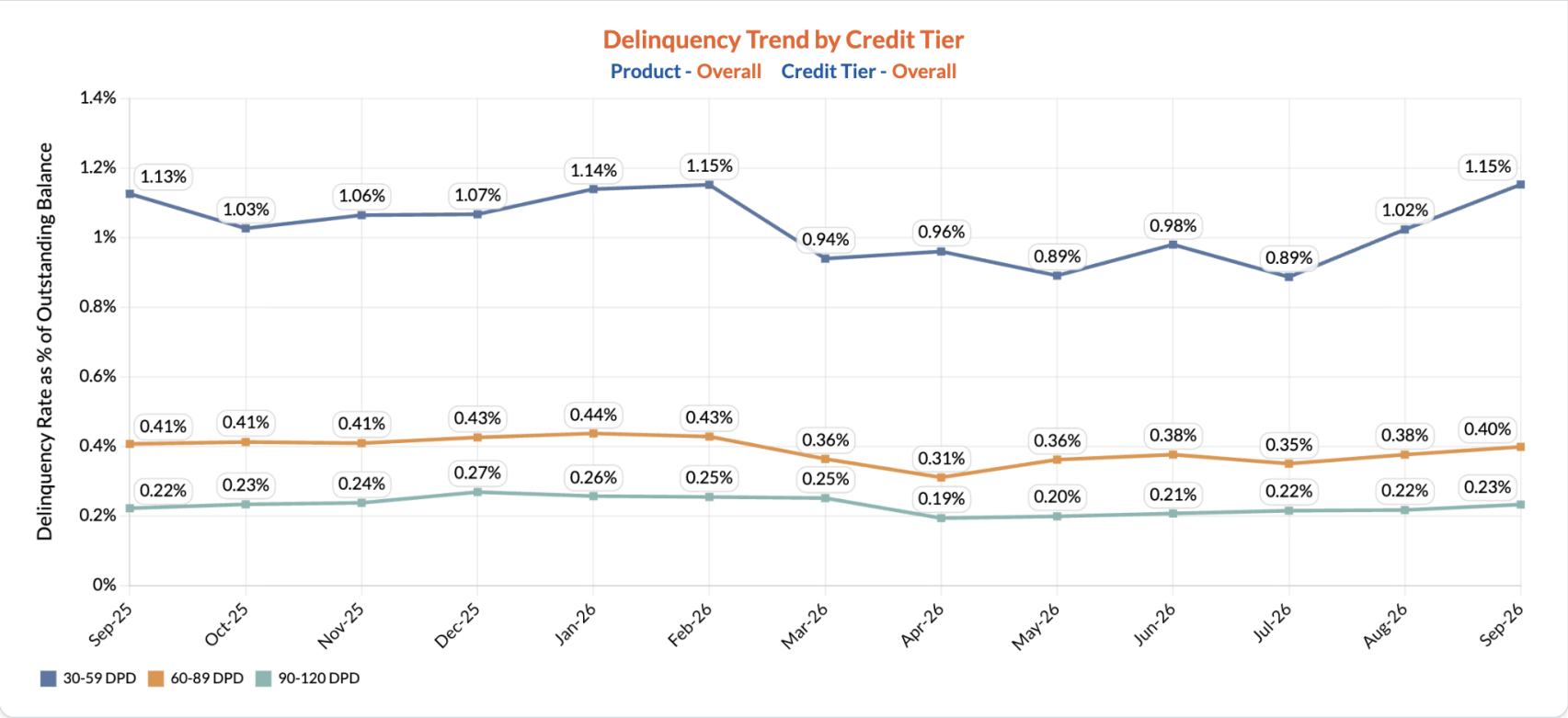
Delinquencies Rise After Two Quarterly Declines



Source: New York Fed Consumer Credit Panel/Equifax

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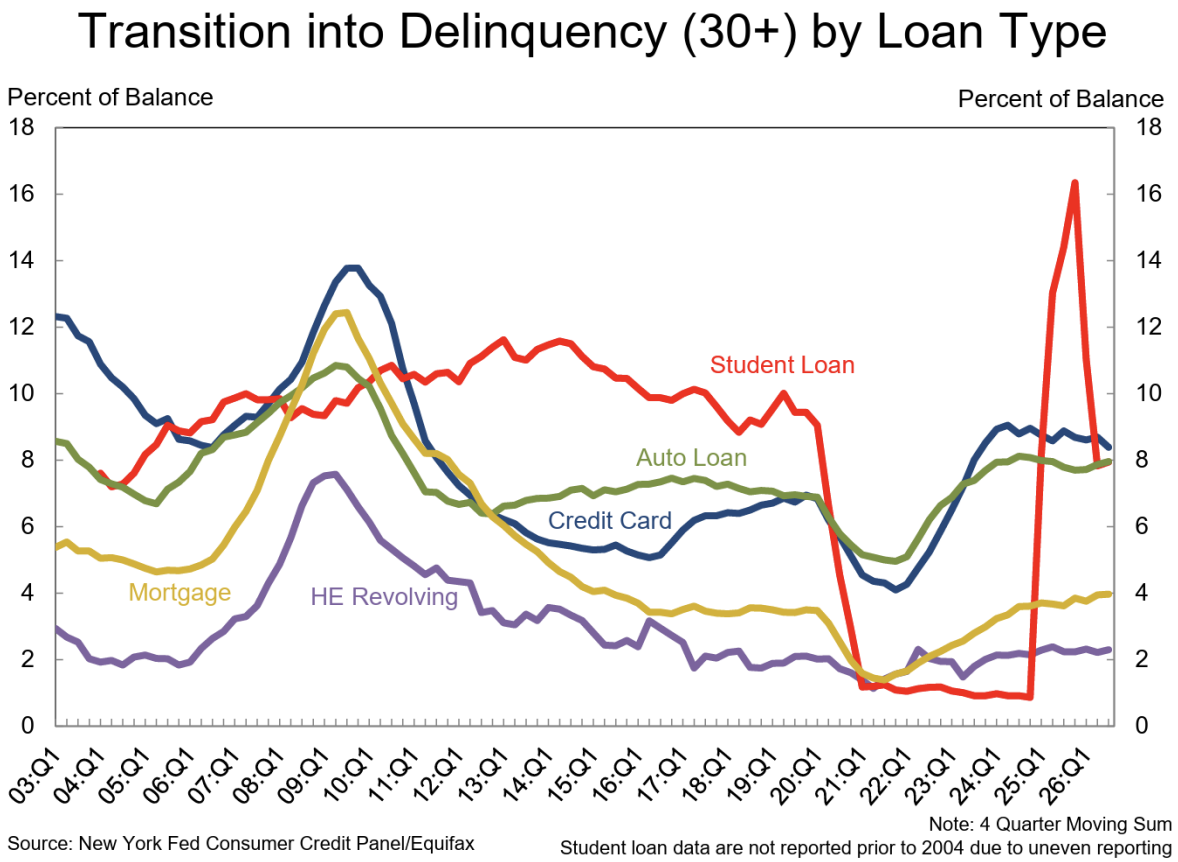
Biggest Increase is in New Delinquencies



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But More Loans are Becoming Delinquent in Most Categories



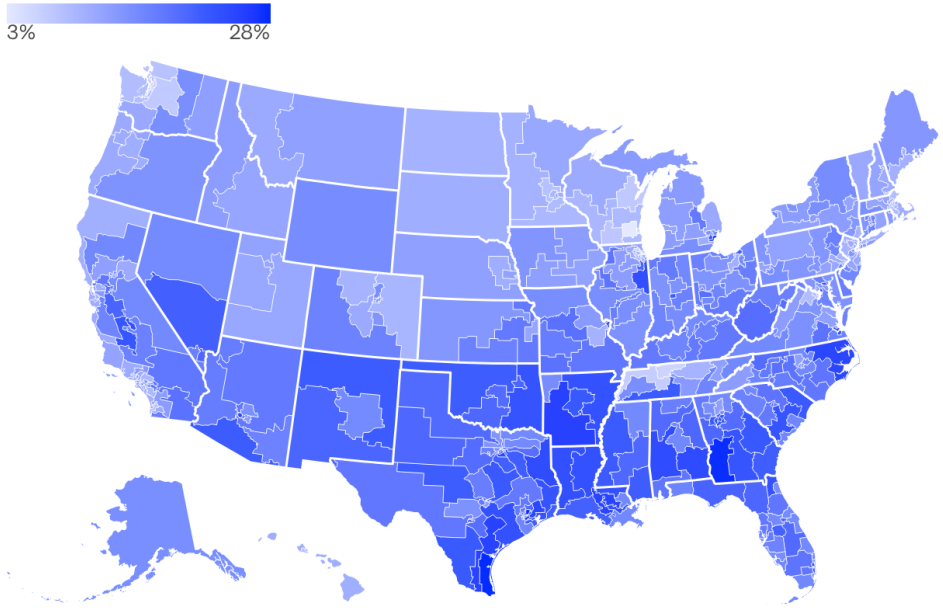
Source: New York Fed Consumer Credit Panel/Equifax

Note: 4 Quarter Moving Sum
Student loan data are not reported prior to 2004 due to uneven reporting

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Over 20% of Student Loan Borrowers are in Default

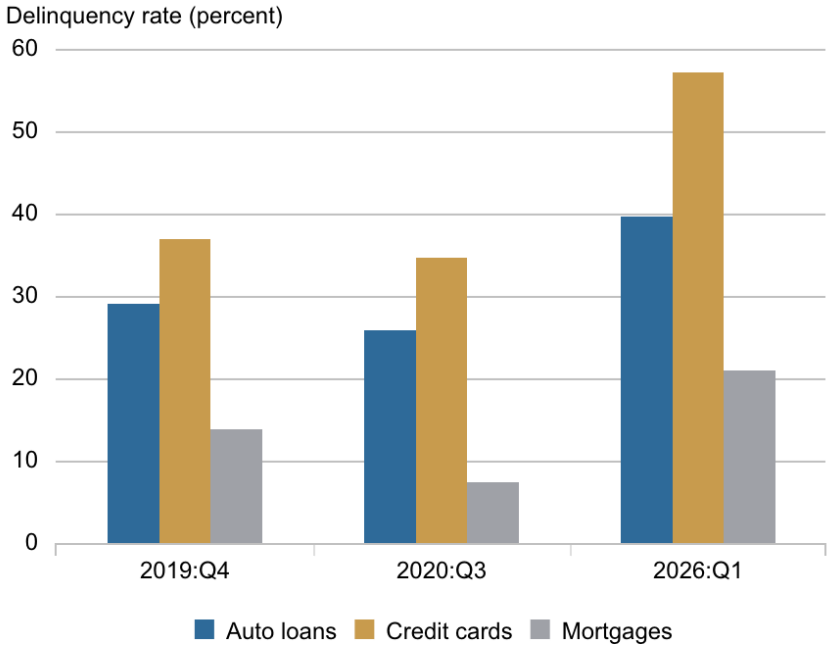
Student loan delinquency rates in August 2026 by congressional district



Source: Urban Institute

Madison Hoff/BI

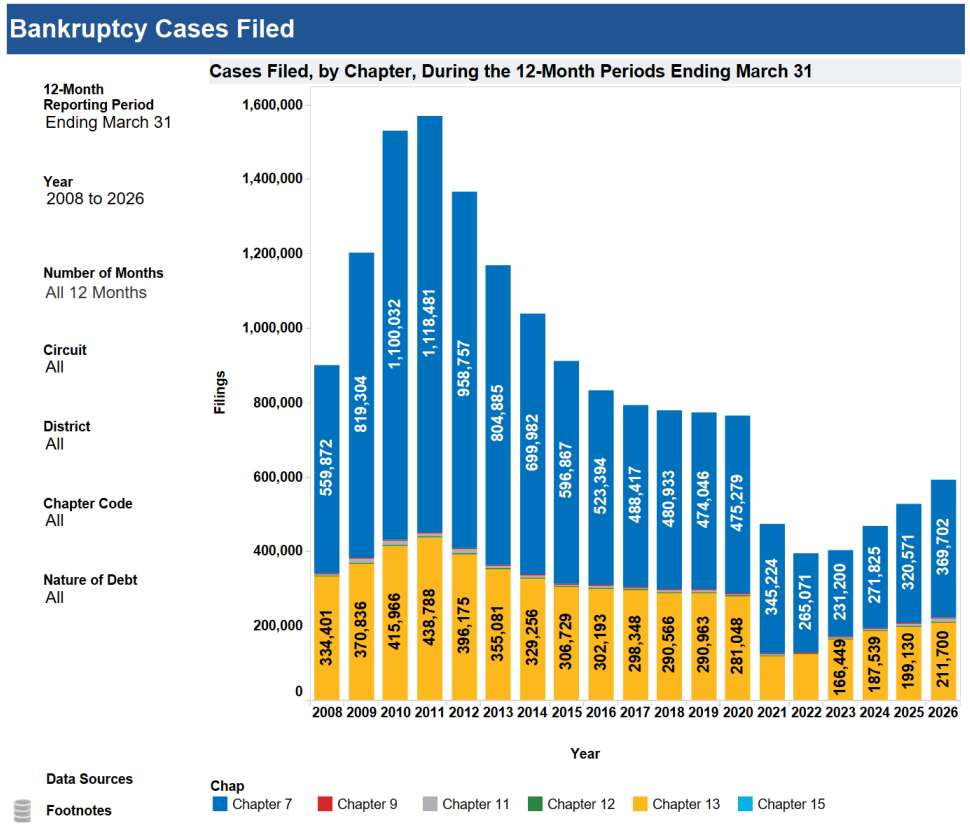
Newly Defaulted Student Loan Borrowers Also Tend t Be Behind on Other Debts



Source: New York Fed Consumer Credit Panel/Equifax

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Consumer & Commercial Bankruptcy Filings Increase by 14% in 2026

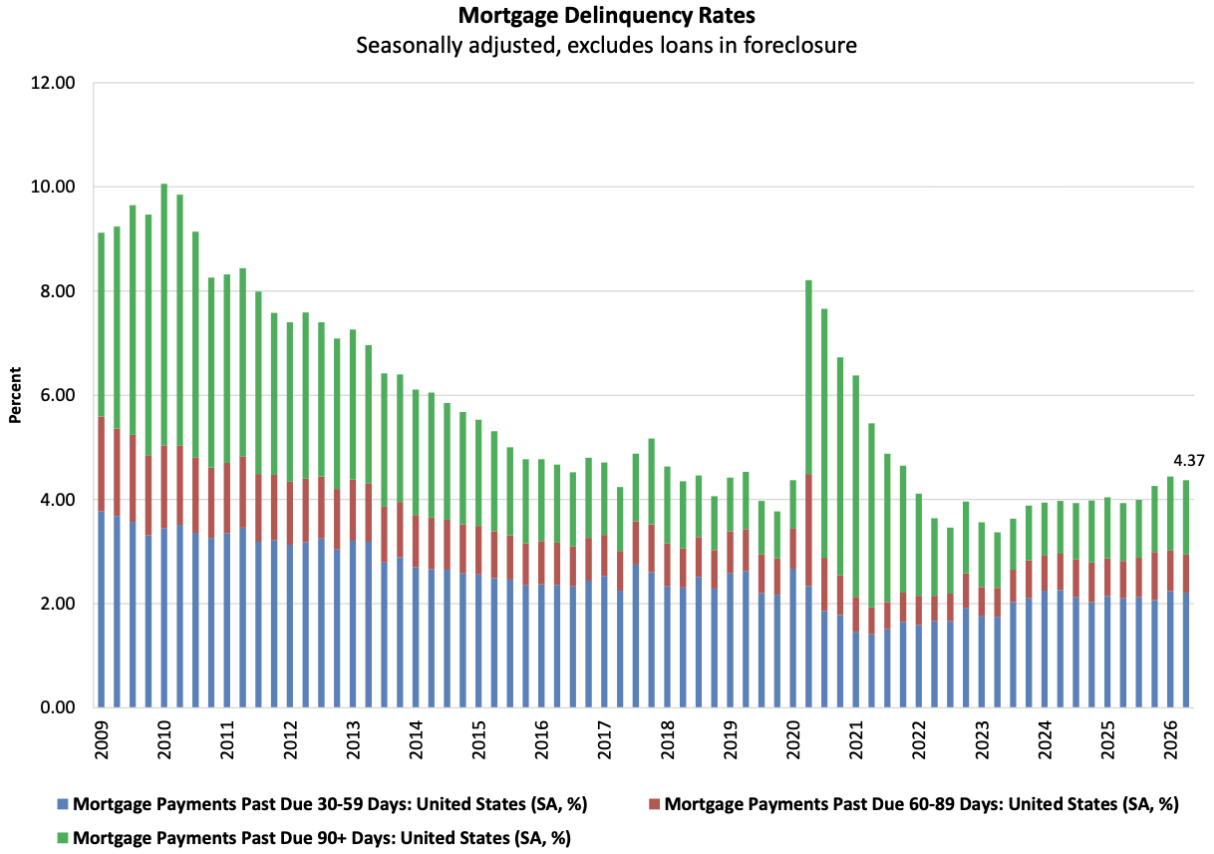


- **Consumer Filings:** Reached 141,573, up 14% from Q1 2025. Individual Chapter 7 liquidations saw a notable 17% increase to 89,259.
- **Commercial Filings:** Total commercial bankruptcies hit 8,436 (a 14% year-over-year increase). Chapter 11 corporate filings jumped 37% to 2,422 cases.

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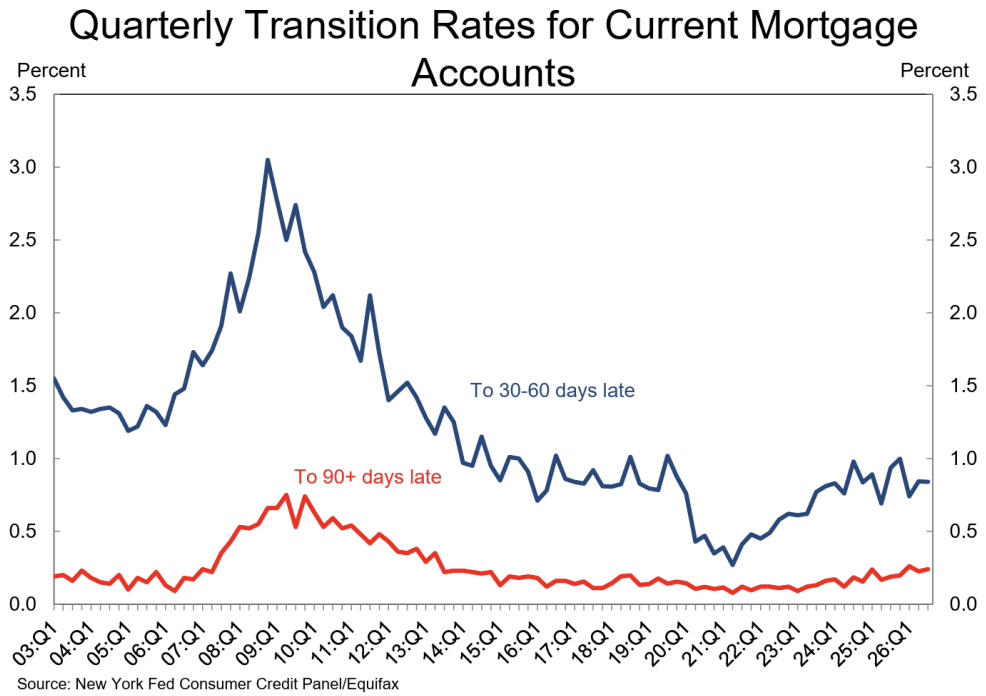
Mortgage Delinquencies Decline in Q2

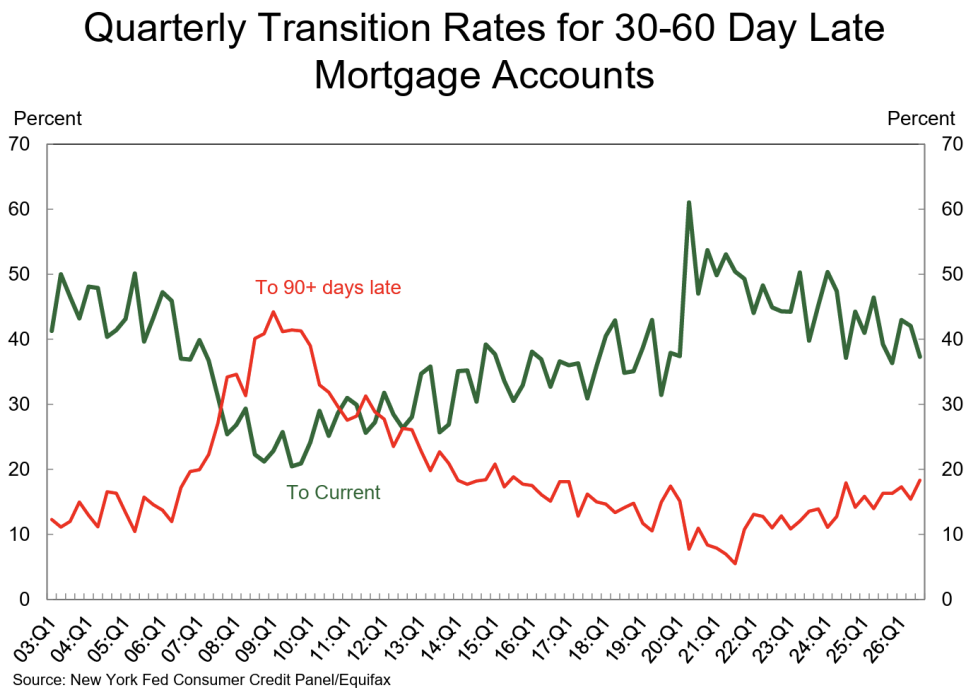
After Rising for Three Consecutive Quarters



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But Mortgage Delinquencies are Inching Up as Cure Rates Decline





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Non-QM Loan Performance Slipping

Losses Minimal, but Worth Noting

Key Delinquency Trends (90+ Day DQs)

- **Prime Jumbo:** Currently at **0.42%**, representing an increase of 8 basis points (bps) year-over-year.
- **Non-Prime / Non-QM:** Currently at **2.73%**, showing a modest rise of 2 bps year-over-year.
- **Closed-End Second Lien:** Currently at **0.48%**, marking an increase of 21 bps year-over-year.

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3 Delinquency & Foreclosure Trends

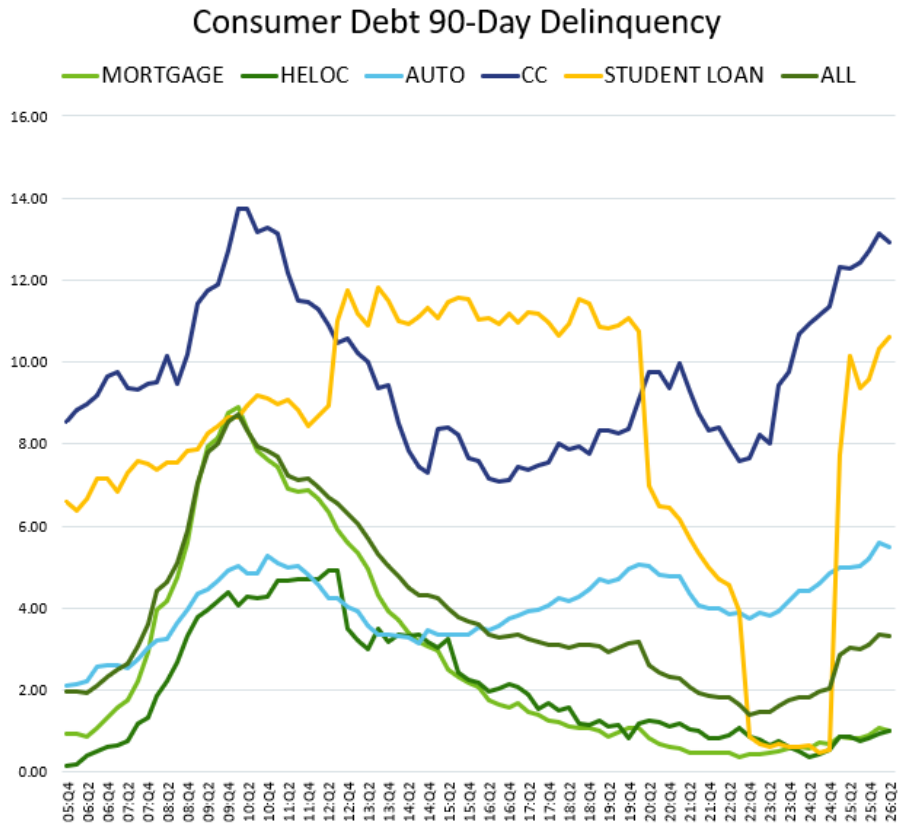


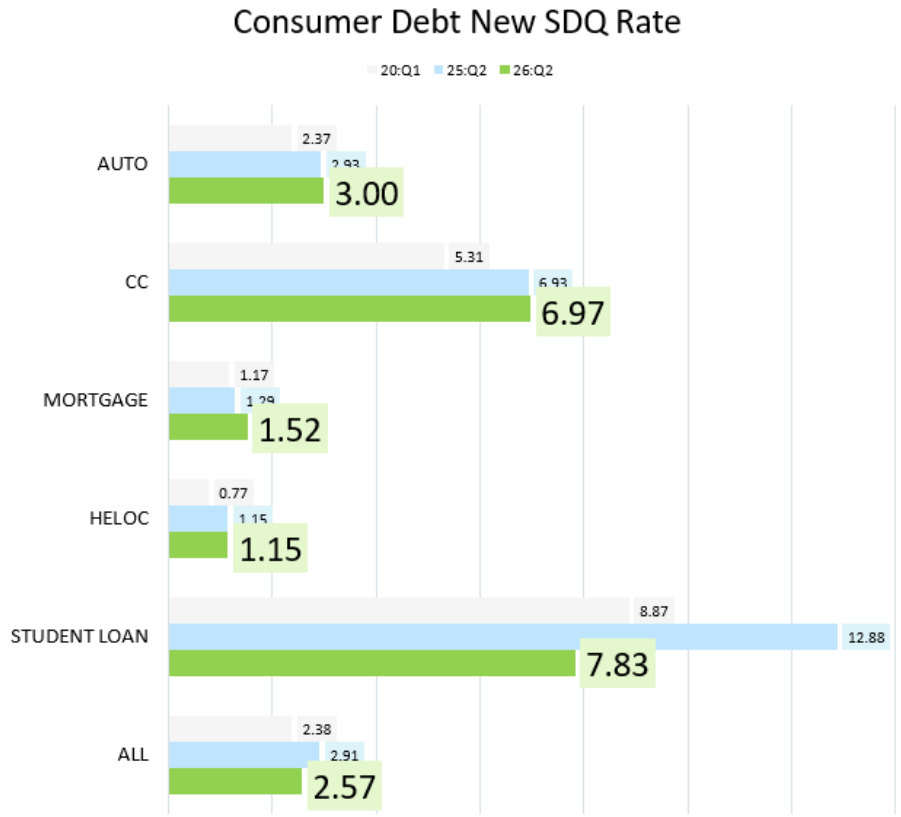
A change in the FHA loss mitigation waterfall last year shifted an upward trend in distress into high gear, but there are signs the trend will be downshifting. Meanwhile foreclosure volume continues to climb, driven mostly by FHA and recent loan vintages.

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Consumer Debt Delinquency Rates Above Pre-Pandemic Level

For Every Category, Including Mortgage

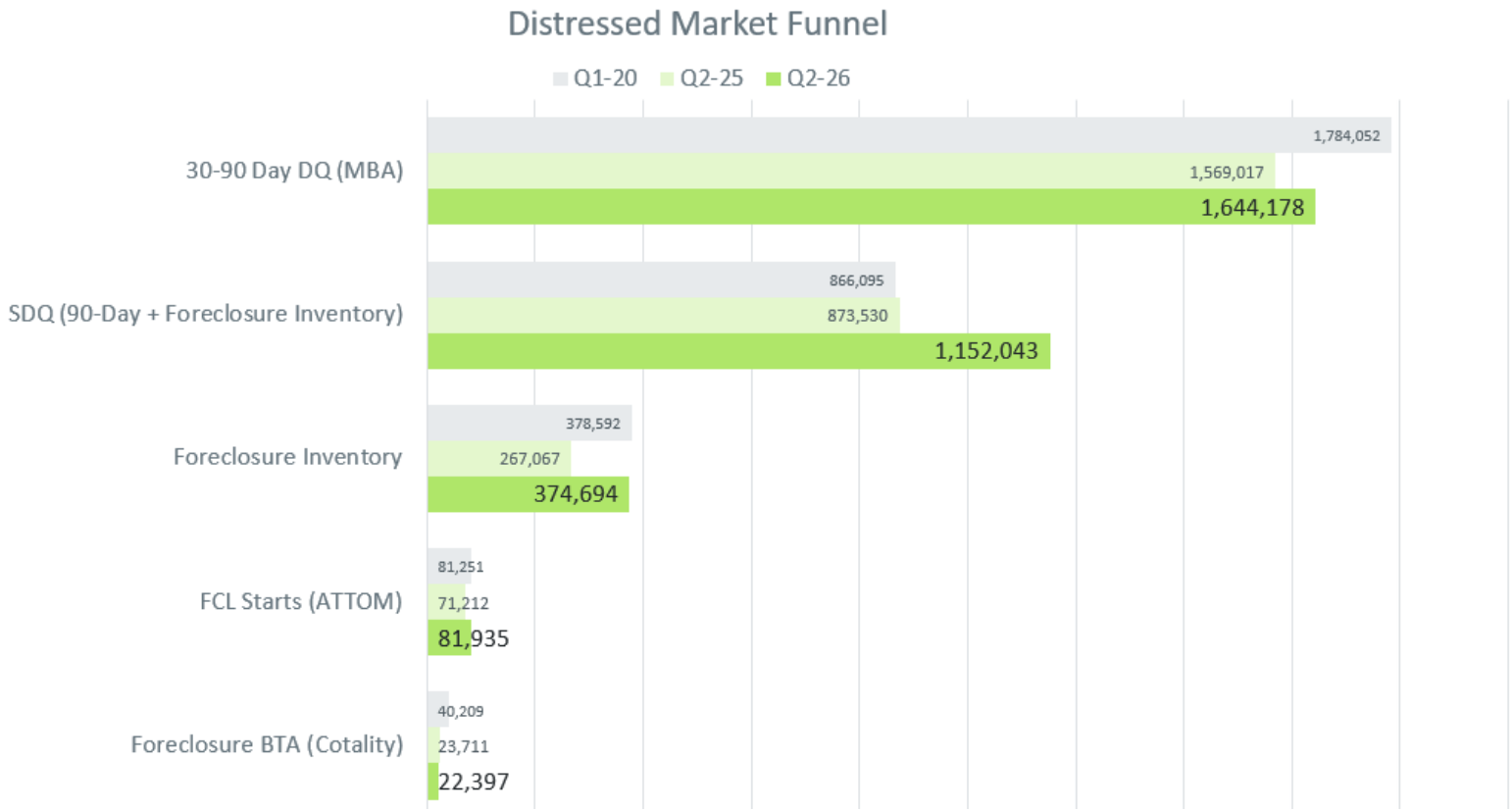




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SDQ and FCL Inventory is The Pig In The Python

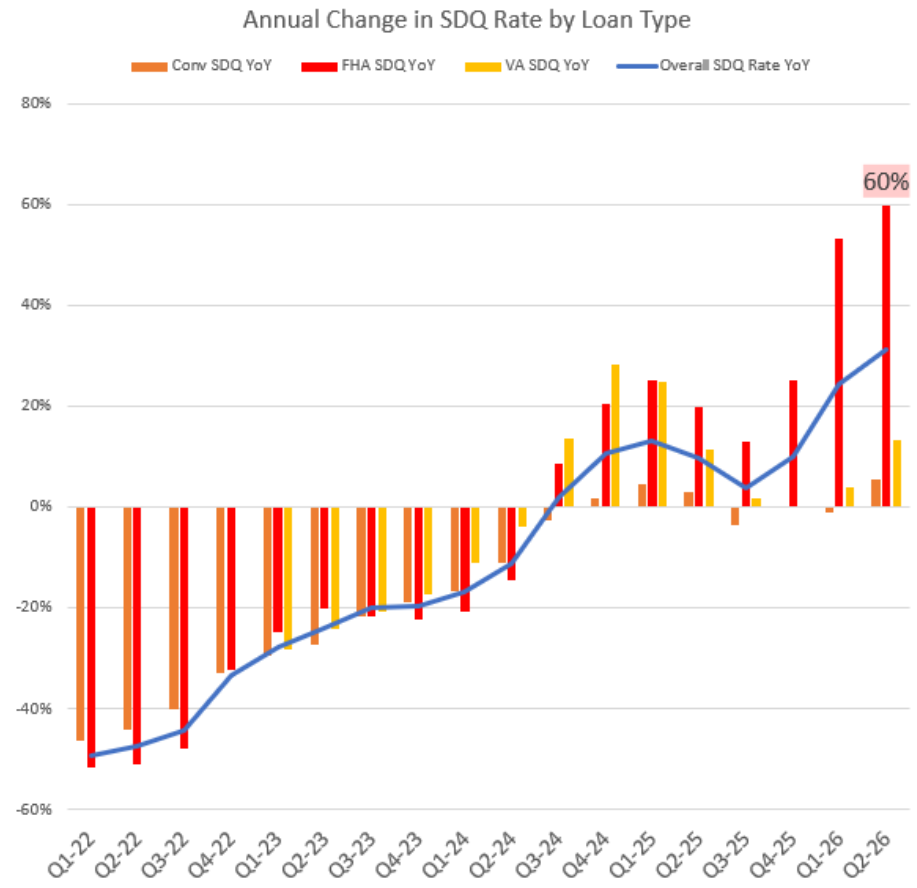
Completed Foreclosures Still 45% Below Q1 2020 Level

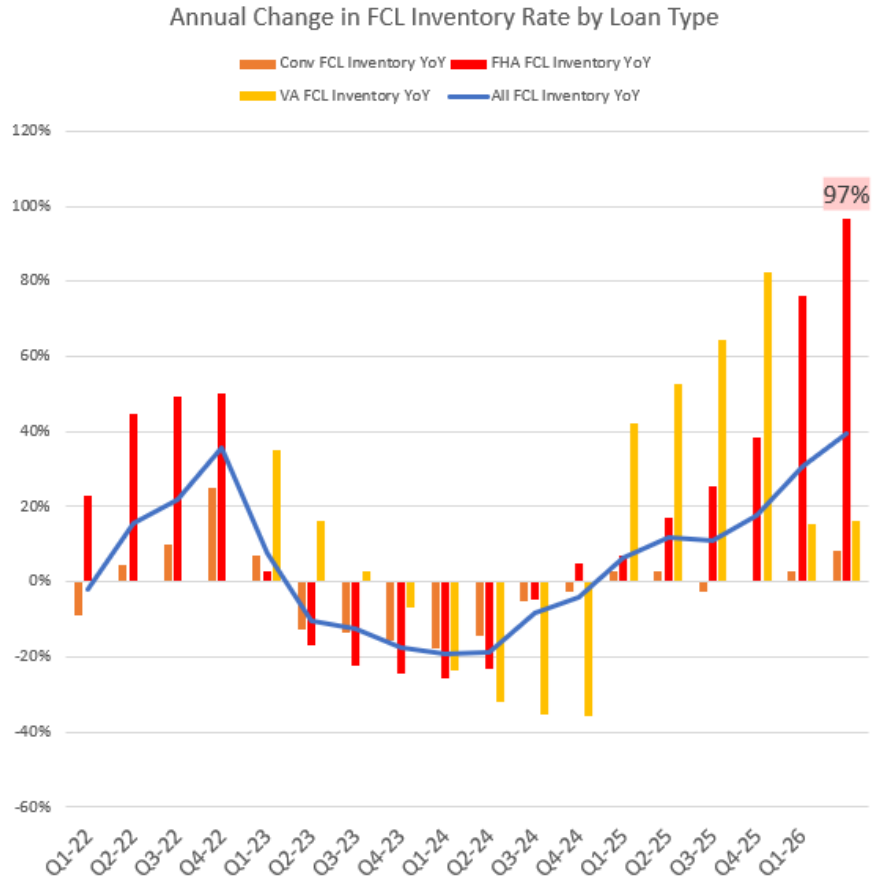


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FHA Driving Much Of The SDQ & Foreclosure Increase

But Conventional and VA Also Rising

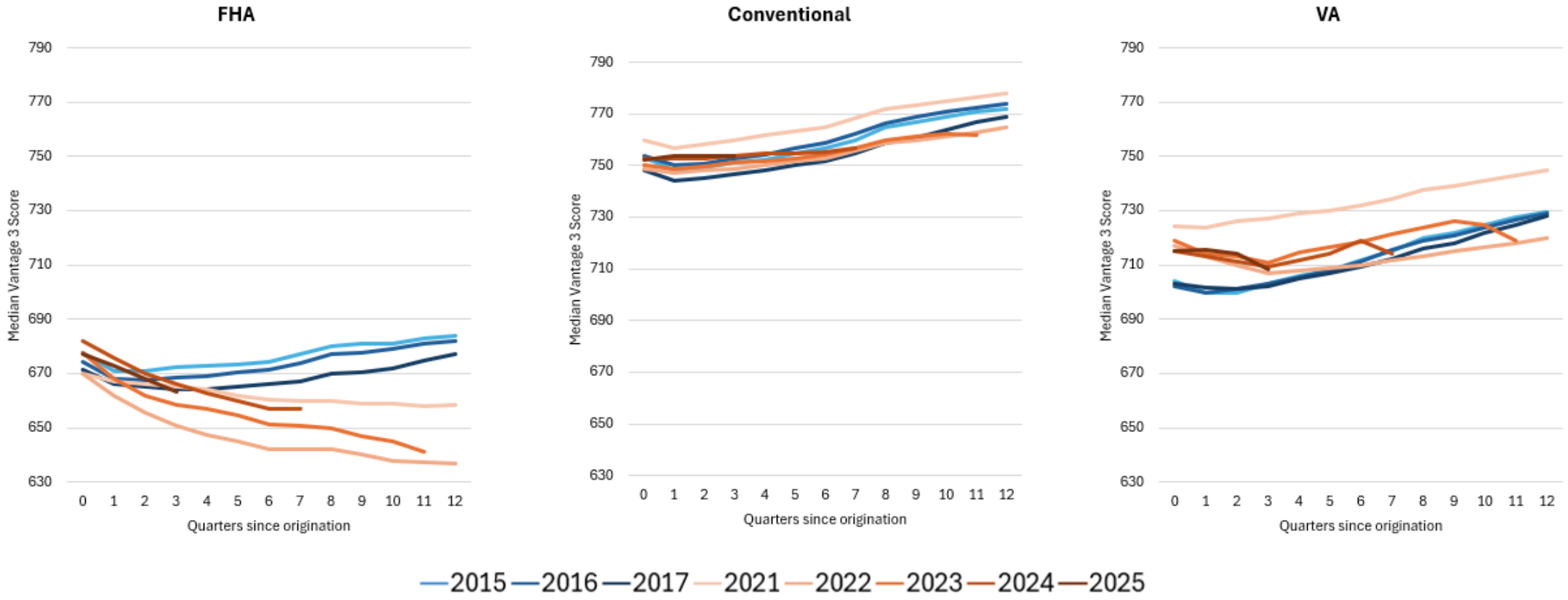




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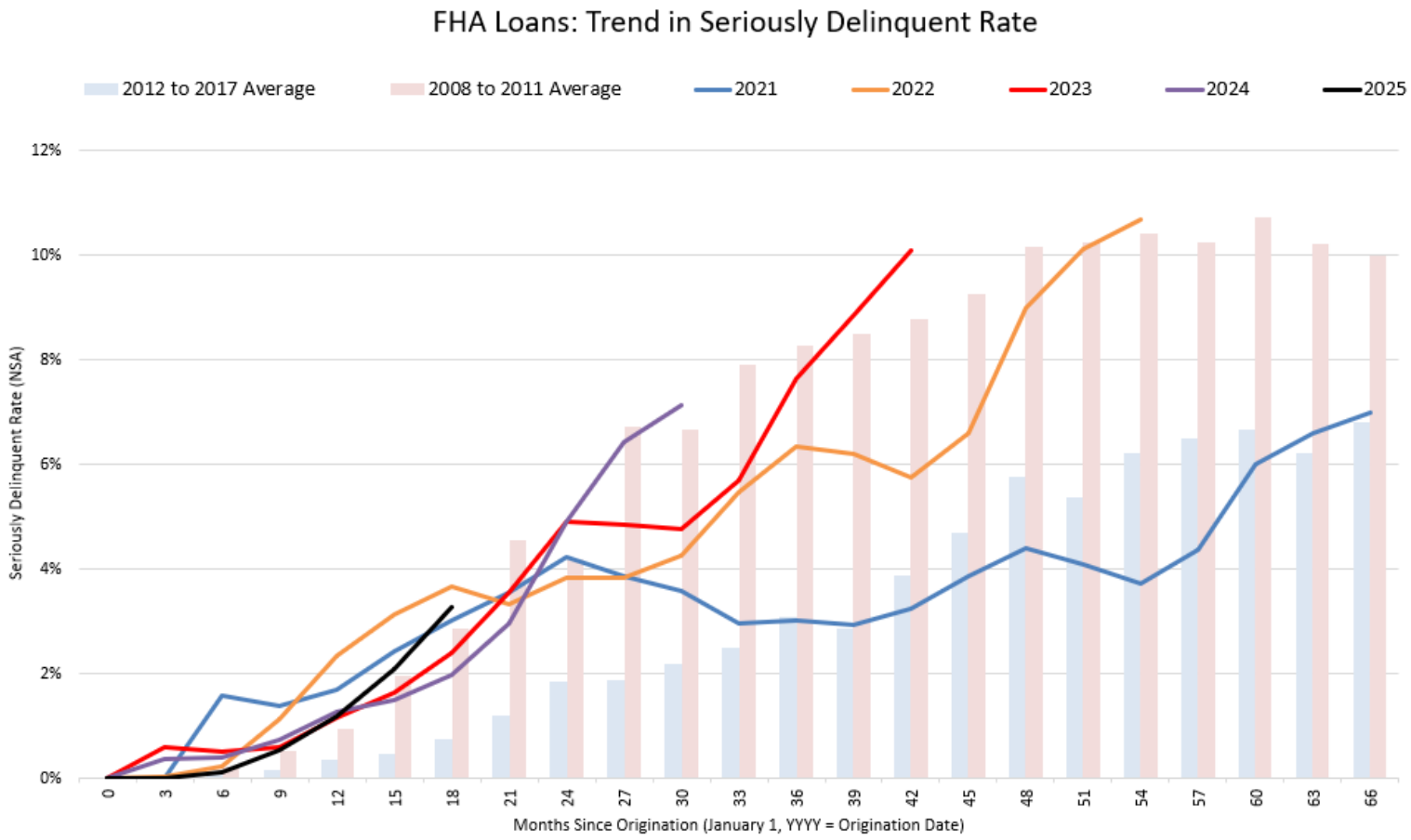
Credit Scores Falling for FHA Homeowners Who Took Out Mortgages in 2022+

For recent FHA cohorts, credit scores continually decline post-origination*



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FHA SDQ rates on recent vintages approaching 2008-2011 levels



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Affordability (not unemployment yet) is Main Driver of Distress

HOMEBUYER AFFORDABILITY · SEPT 2026

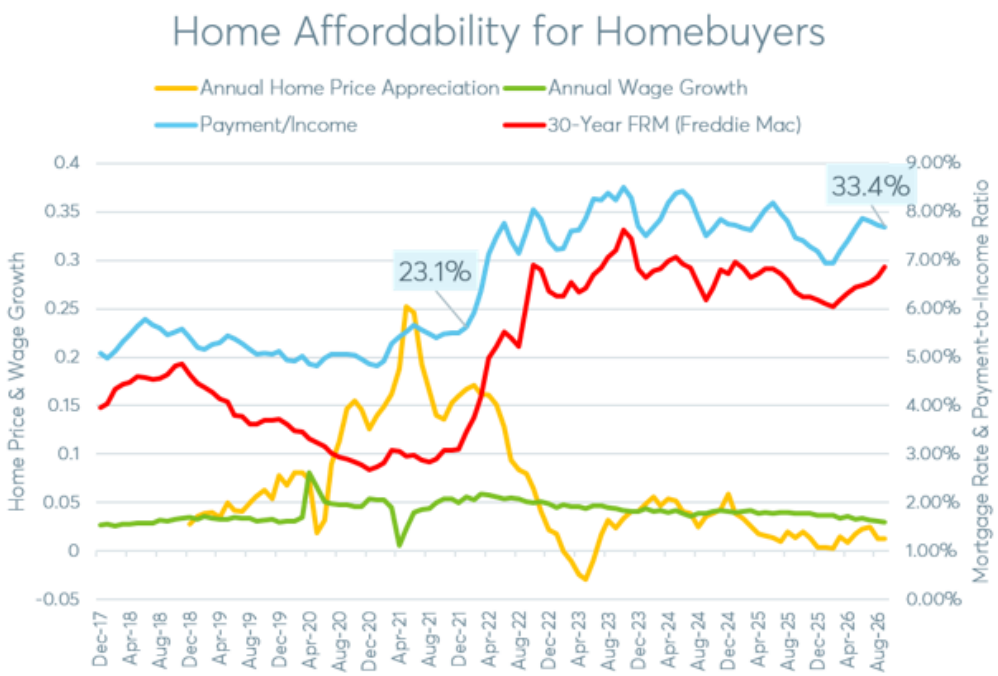
33.4% ⬆ **+10.3 pts** from 23.1% in Jan 2022

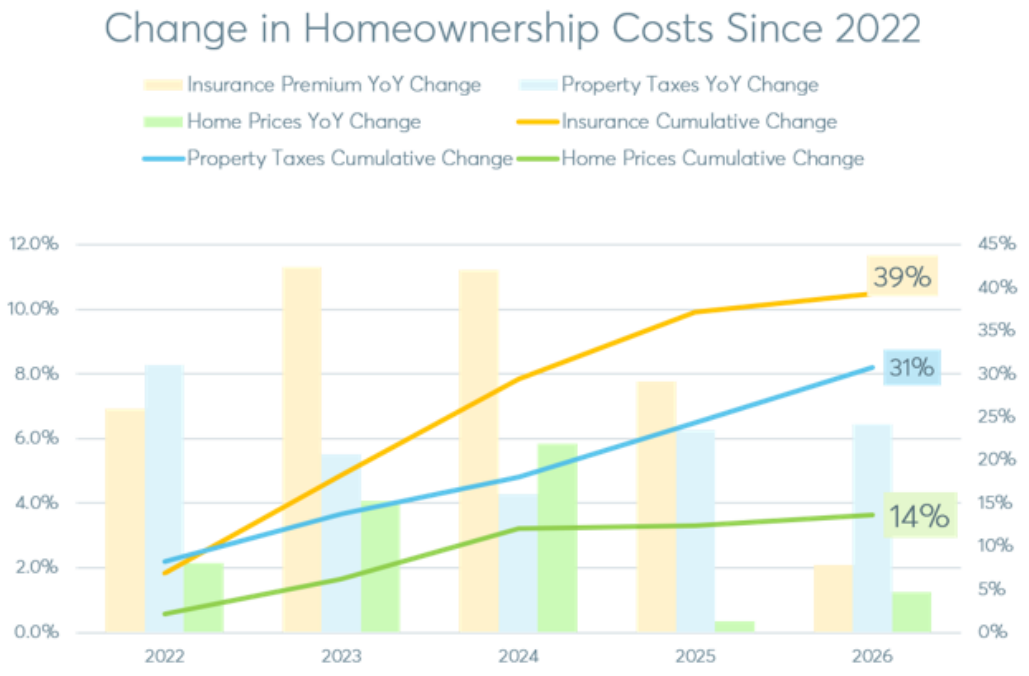
of average income to buy a median-priced home

HOMEOWNER AFFORDABILITY · 2026

39% ⬆ insurance premiums since 2022

31% ⬆ property taxes since 2022



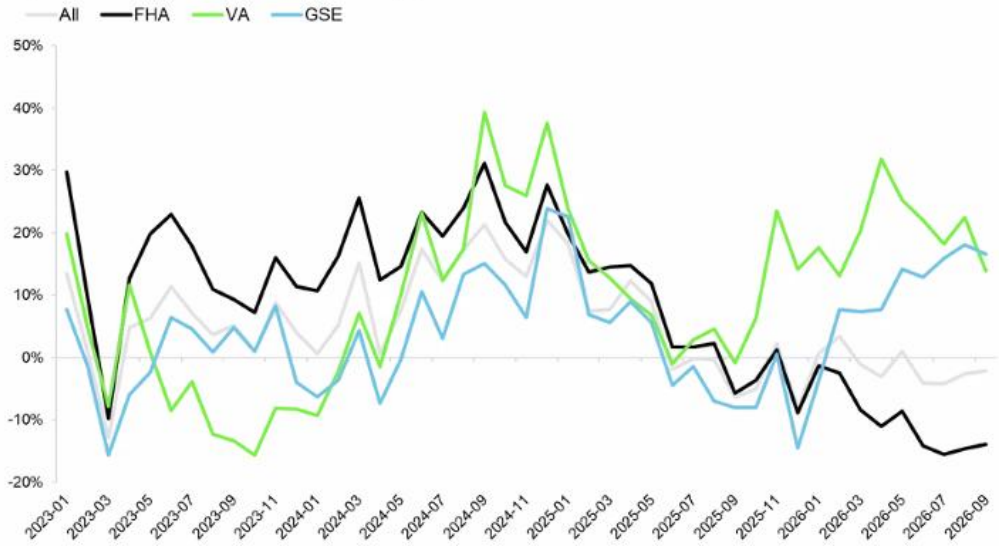


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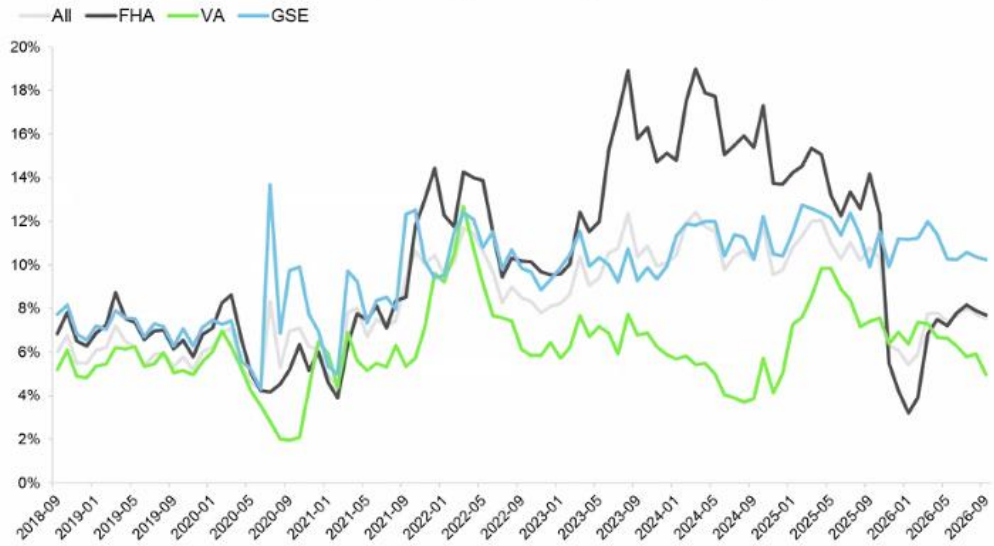
New Default Trend Suggests That Recent FHA SDQ Surge Will Be Decelerating

New defaults were down 2% YoY in September with annual declines in 6 of past 7 months; Cures from 90+ DQ beginning to settle

1-year change in default rate by product



Cure rate from serious delinquency (including foreclosures)



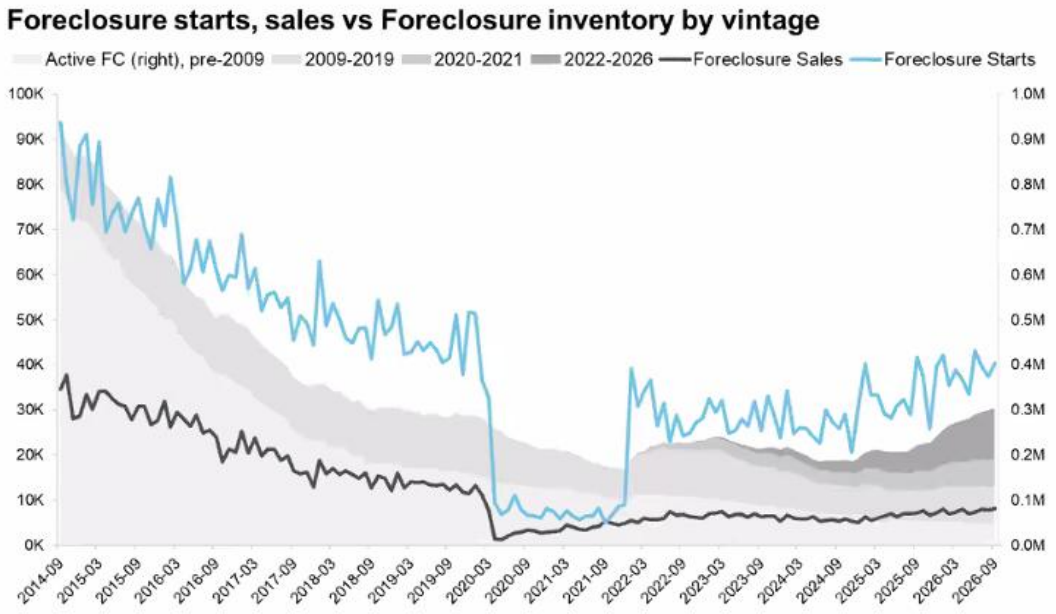
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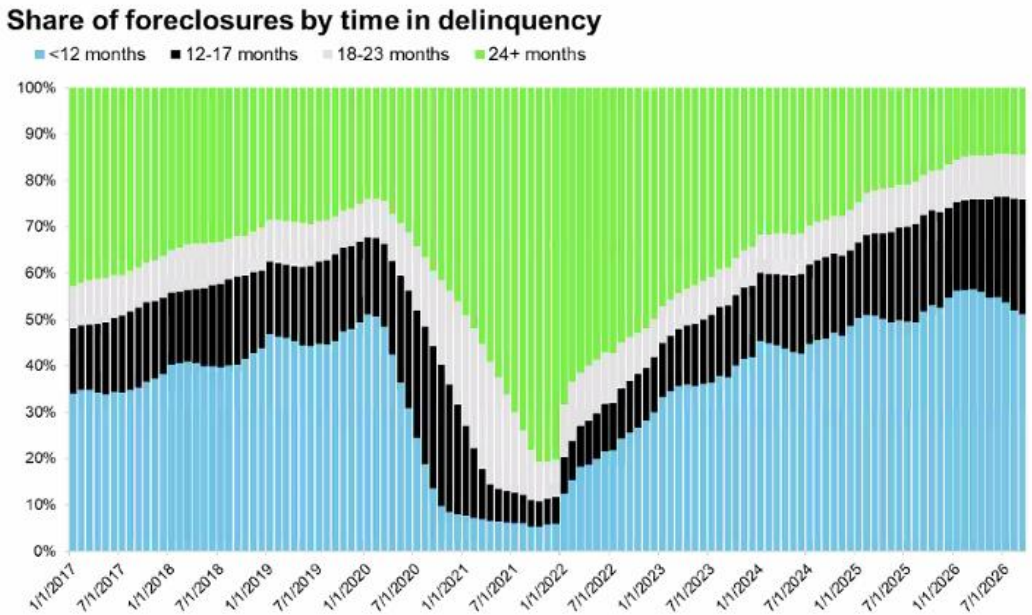
But Numbers Are Still Rising When it Comes To Foreclosure Starts

Inventory And Completions

Foreclosure inventory reached its highest level since January 2019

Recent originations now drive the foreclosure pipeline as aging falls to a 15-year low

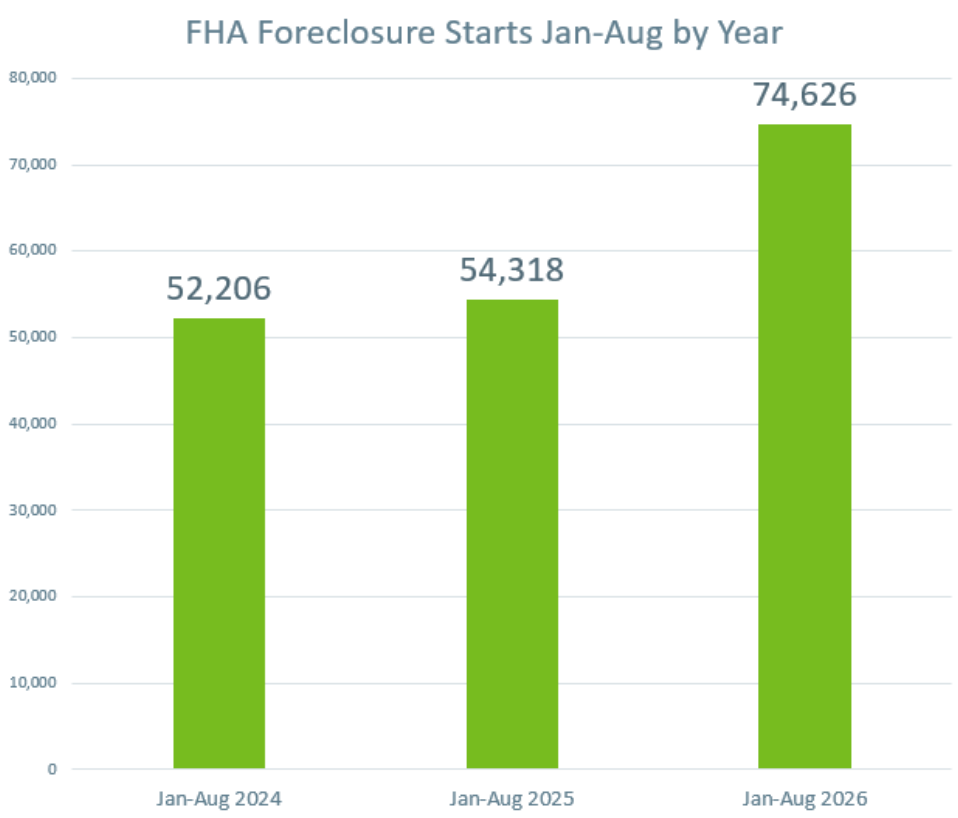


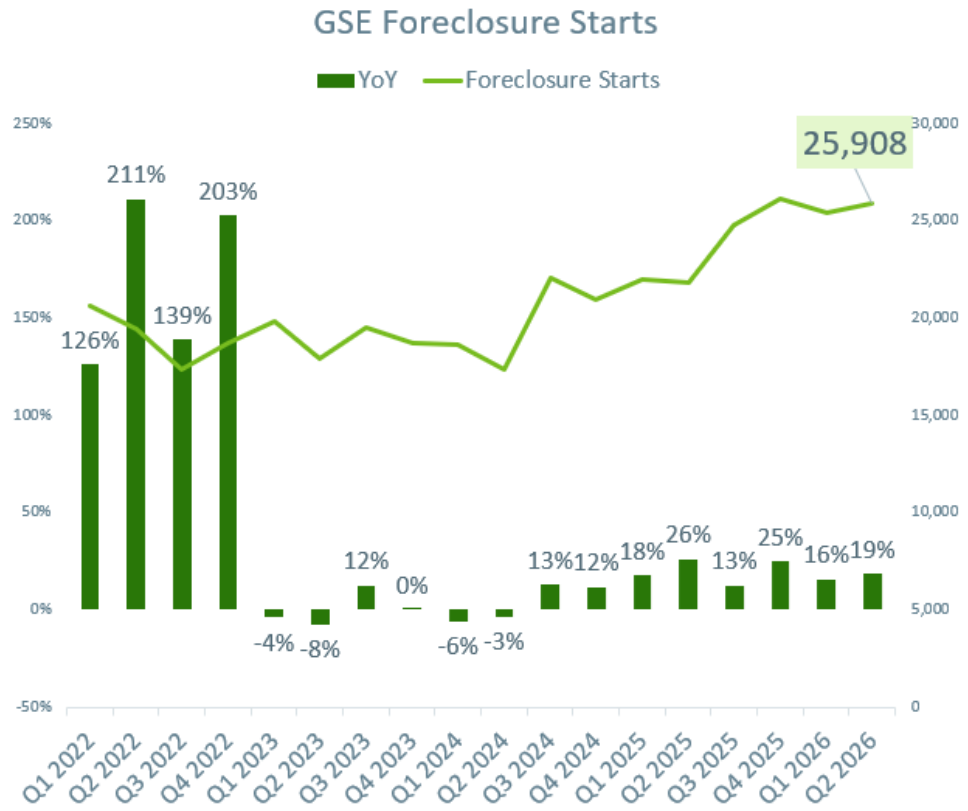


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Both FHA And GSE Foreclosure Starts Trending Higher

- FHA foreclosure starts on track to be up 37 percent in 2026 compared to 2025
- GSE foreclosure starts up 19% from a year ago in Q2 2026, eighth consecutive quarter with a year-over-year increase





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Foreclosure Auction Volume Increase

Concentrated in “Smile States” and Recent Mortgage Vintages

STATES WITH RISING AUCTION VOLUME · Q3 2026

31

−7 states
from 38 a year ago

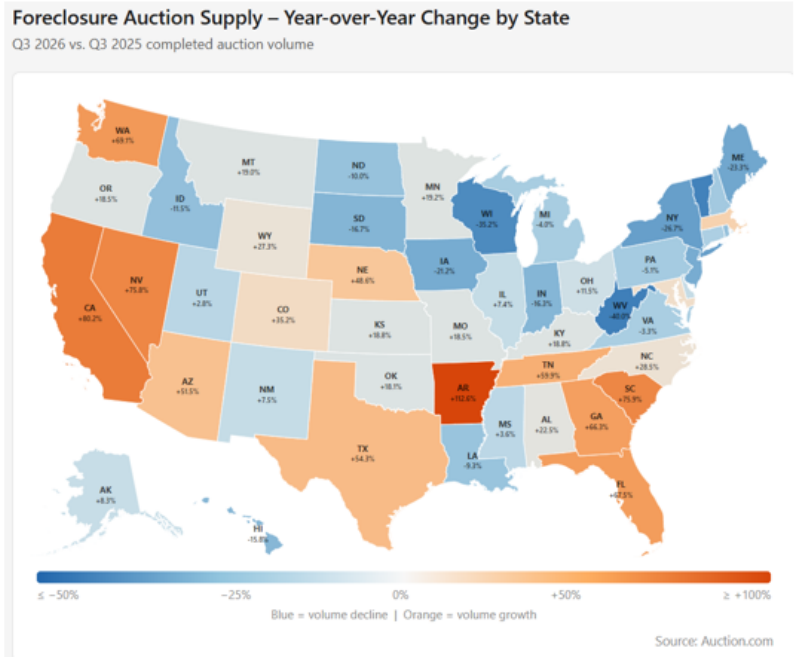
including Texas, Florida, California, Ohio and Illinois

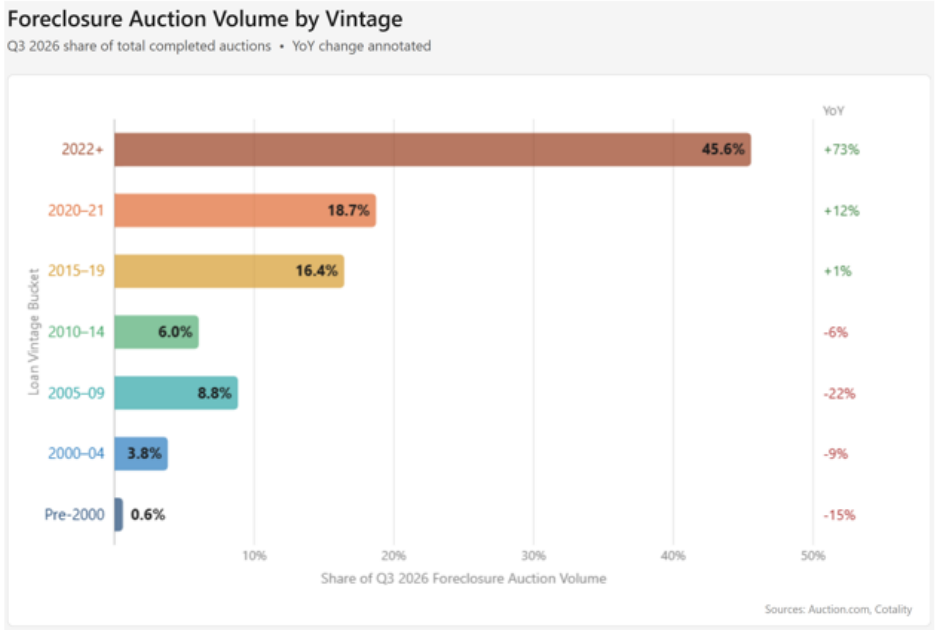
2022+ VINTAGES · Q3 2026

45.6%

+73%
from a year ago

share of foreclosure auction volume





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Profile of Foreclosure Auction Volume in 2026

Less Equity, Higher Roll Rate, Higher Loss Severity Risk

Foreclosure Auction Metrics by Loan Vintage — Q3 2026

Completed auctions (BTA) only • Vintage = origination year of first-position mortgage • Source: Auction.com / Cotality

Vintage Bucket	BTA Share % of total	BTA Rate BTA / Sched	Total Debt / AVM LTV proxy	CB / AVM Credit bid	Sales Rate Sold / BTA	WB / AVM Buyer price
Pre-2000	0.6%	19.9%	68.5%	50.2%	70.6%	54.1%
2000–2004	3.8%	21.9%	69.3%	57.1%	54.4%	67.1%
2005–2009	8.8%	21.3%	79.1%	64.3%	48.3%	63.0%
2010–2014	6.0%	19.5%	55.4%	48.0%	64.2%	59.5%
2015–2019	16.4%	21.9%	67.8%	58.6%	53.0%	64.5%
2020–2021	18.7%	24.8%	77.0%	64.4%	45.8%	66.7%
2022+	45.6%	32.1%	118.2%	70.5%	39.4%	69.2%
All Vintages	**100.0%**	**26.9%**	**92.8%**	**64.9%**	**45.9%**	**66.6%**

BTA Rate = BTA / Scheduled | CB/AVM = credit bid to AVM for all BTA auctions | WB/AVM = winning bid to AVM for sold auctions only | Total BTA = 7,626

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Higher Loss Severity Driven Mostly by Loss on Collateral

Home Values Flat Or Declining

FHA REO LOSS RATE · Q1 2026

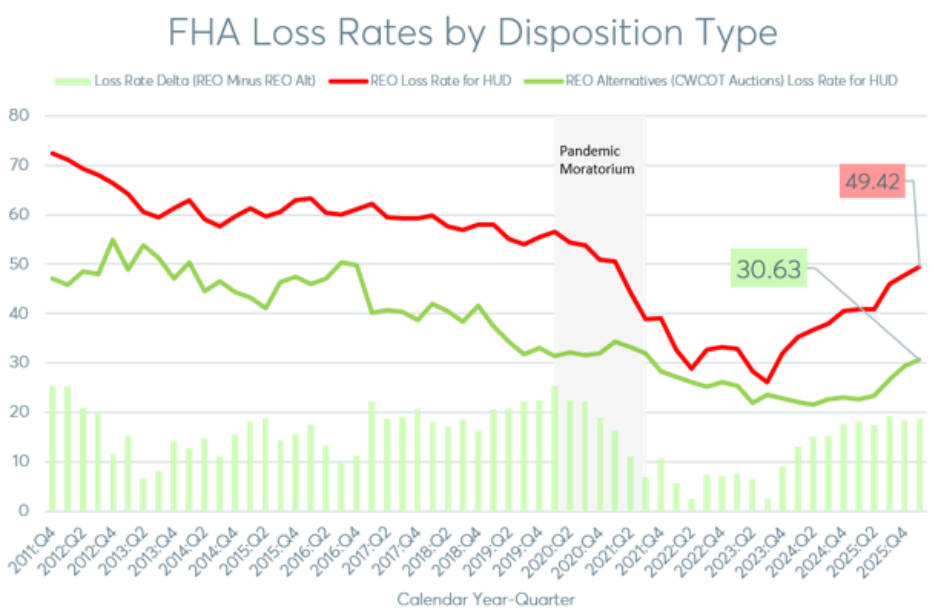
49.42% ↑ **+23.3 pts** from 26.12% in Q3 2023

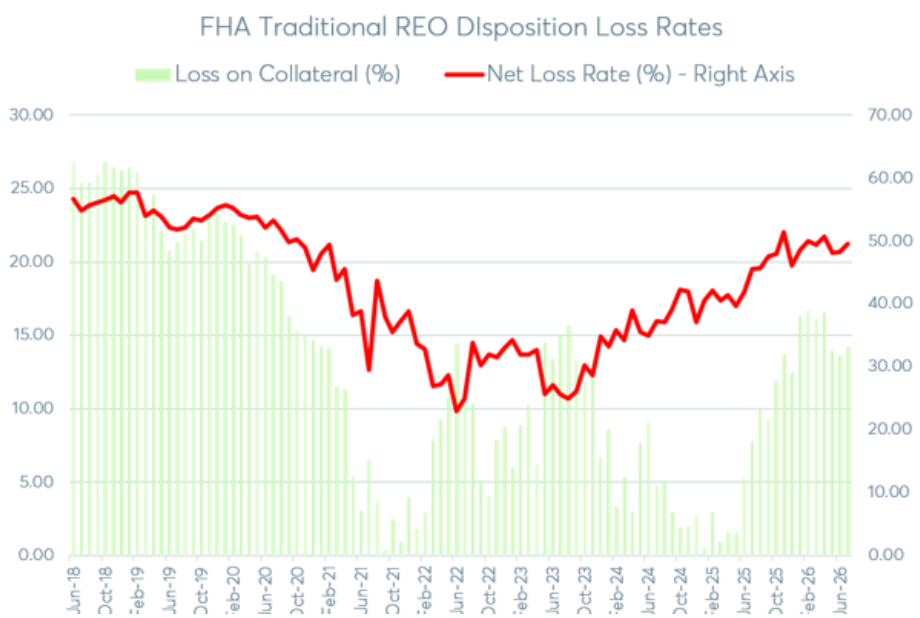
loss rate on FHA traditional REO dispositions

LOSS ON COLLATERAL · JUL 2026

14.23% ↑ **+6.5 pts** from 7.77% a year ago

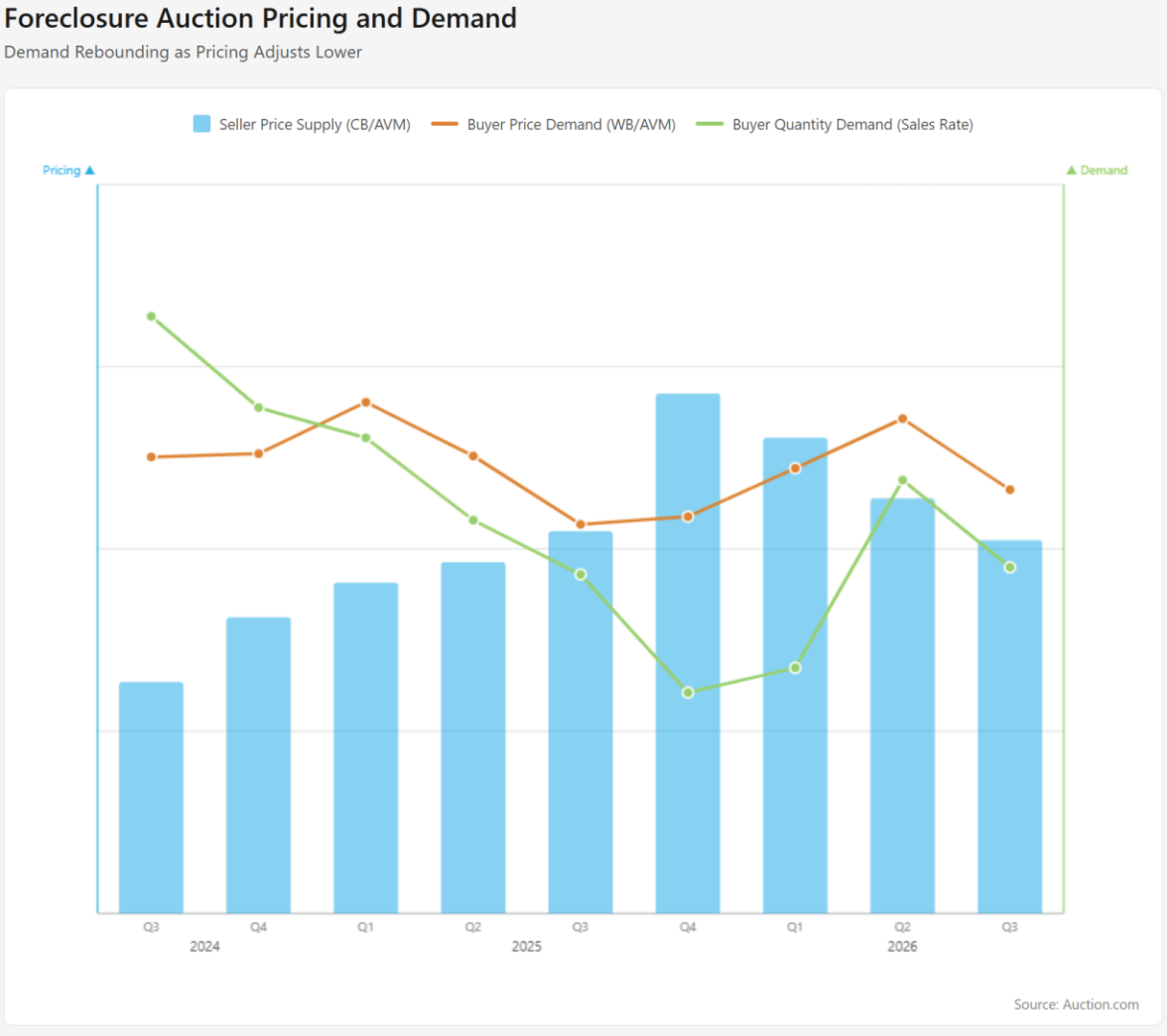
loss on collateral, traditional REO dispositions





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But Market-attentive Pricing Adjustments at Auction Are Helping to Minimize Loss Severity

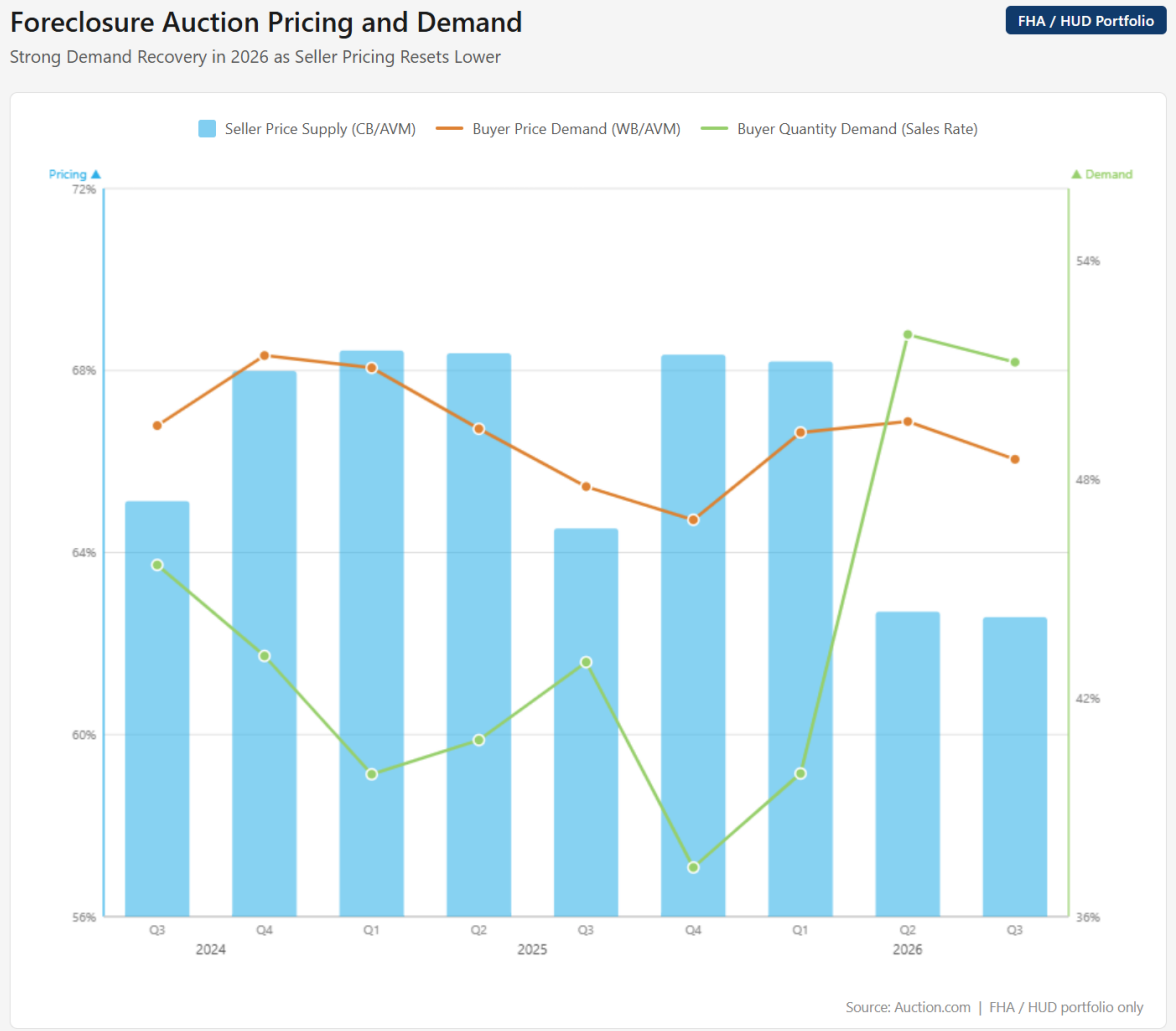


From Q4 2025 to Q3 2026:

- Pricing (CB/AVM) down 3 percentage points
- Sales rate up 4 points
- Price execution flat

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FHA Has Been On the Forefront of Market-attentive Pricing

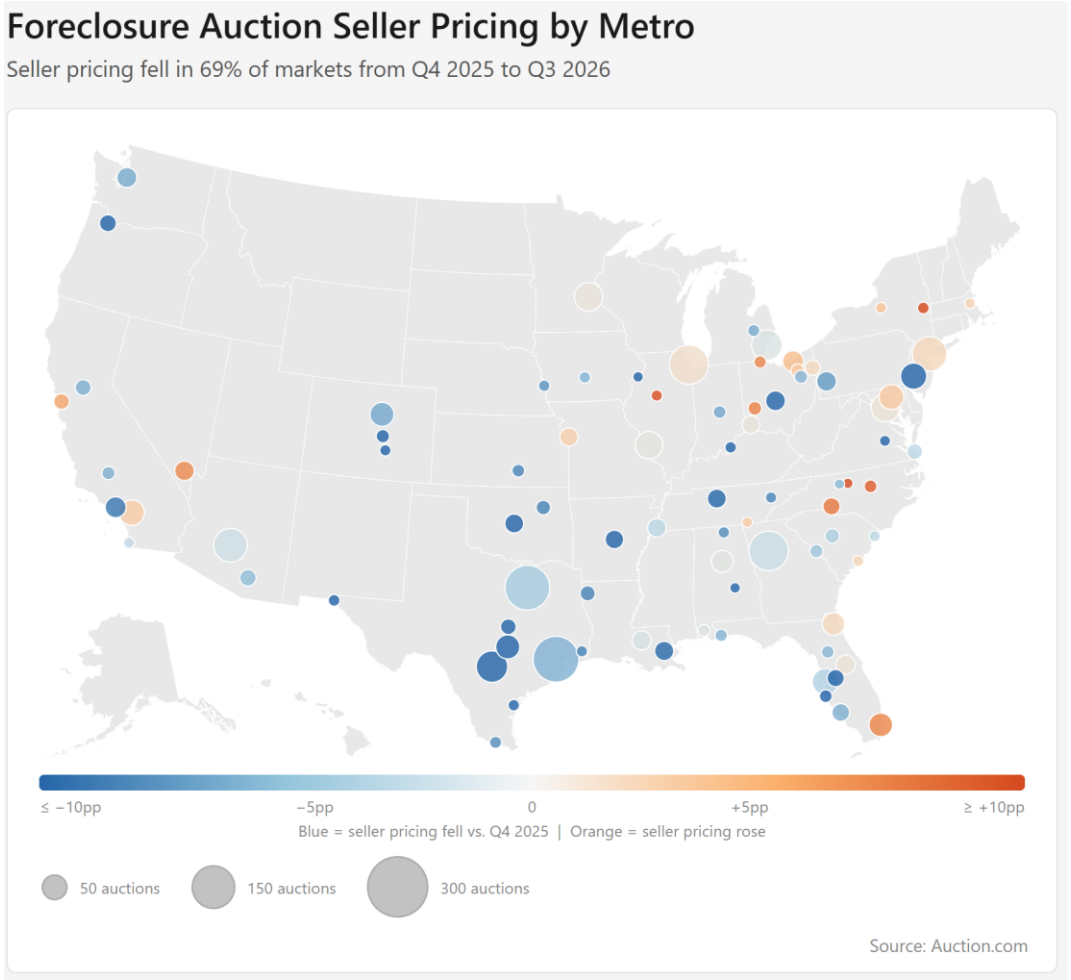


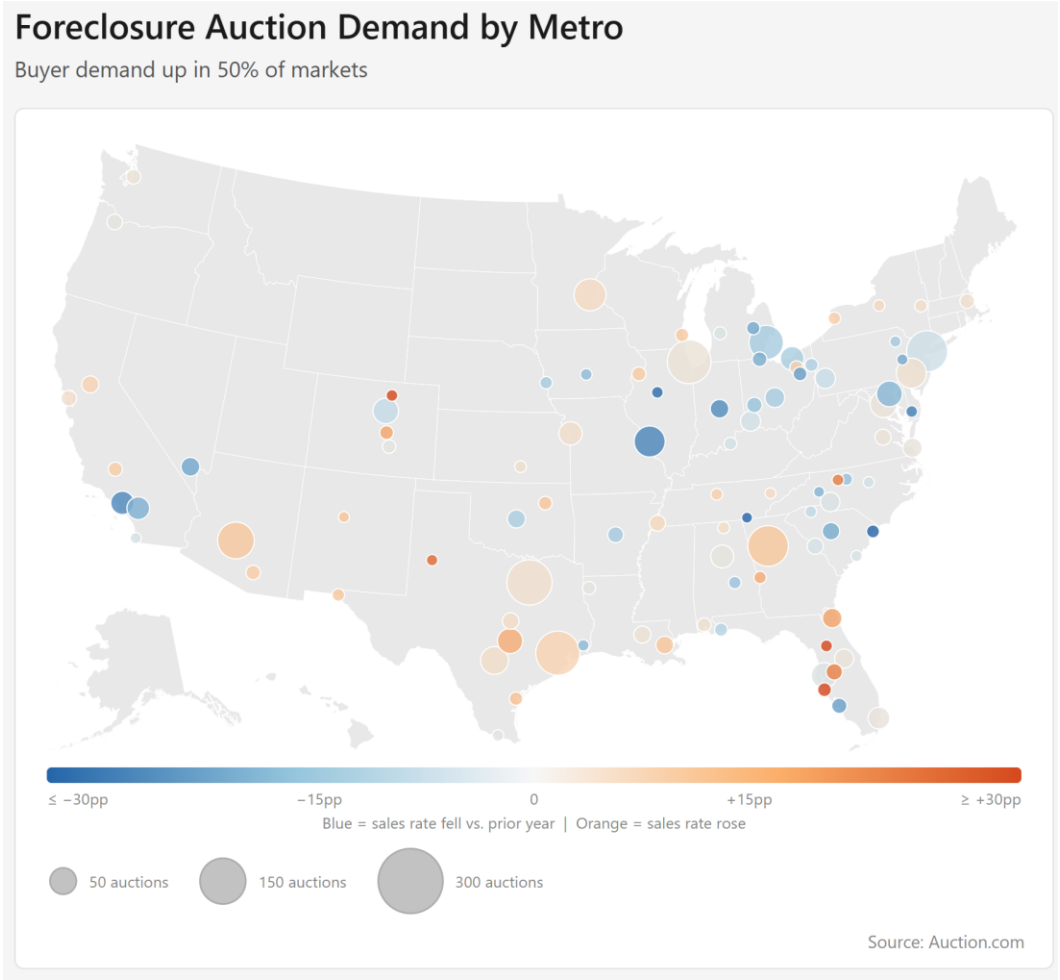
From Q4 2025 to Q3 2026:

- Pricing (CB/AVM) down 5 percentage points
- Sales rate up 14 points
- Price execution up 1 point

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Auction Buyers Are Responding to Pricing Adjustments in Texas, Florida and Other Markets





Full report (published Oct. 22): https://www.auction.com/lp/auction-market-dispatch/

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Underwater Mortgage Rising, Foreshadowing Increased Short Sales in 2027

HOMES UNDERWATER · AUG 2026

813K

+250K
up 44% from a year ago

homes with a mortgage worth more than the home

UNDERWATER AND DELINQUENT · AUG 2026

320K

+157K
up 96% from a year ago

underwater homes with a delinquent mortgage

The bifurcated housing market is leading to a growing negative equity population despite broad equity cushions remaining strong

2.0% of mortgage holders are underwater marking highest Q3 level since 2018

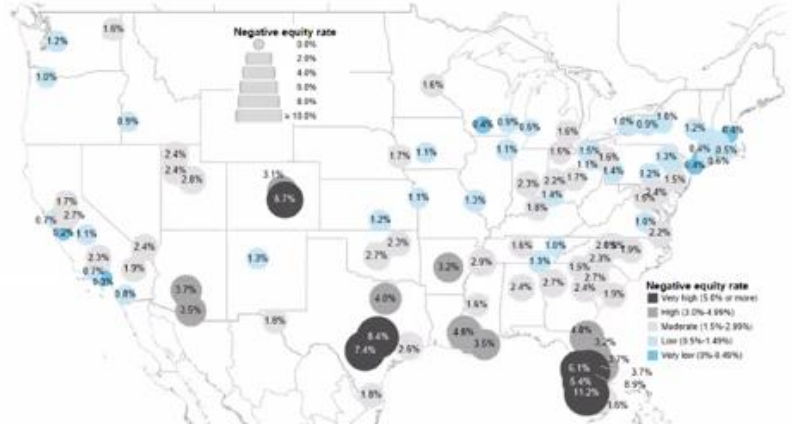
Negative equity rate and volume



Negative equity rates

Product	2022-2026 Vintages	All Vintages
Conventional	1.2%	0.5%
FHA	12.9%	6.0%
VA	19.1%	8.6%
All Mortgages	**4.9%**	**2.0%**

Negative equity rate by market – September 2026



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Loss Severity by Disposition Type: Generally, Your First Loss is Your Best Loss

EST. NET PROCEEDS · YTD 2026

52.2%

−44.6 pts
vs. FCL auction sales

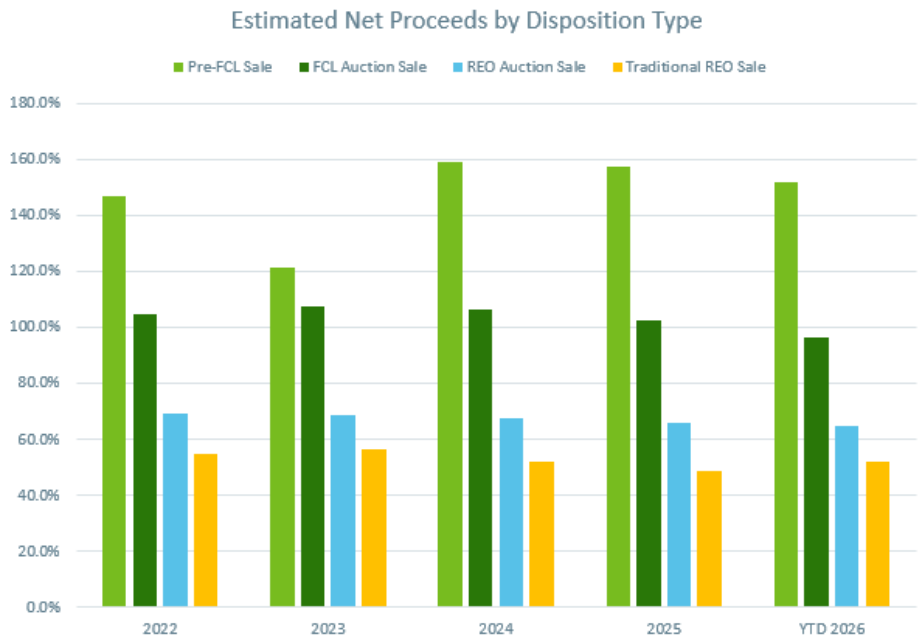
estimated net proceeds for traditional REO sales

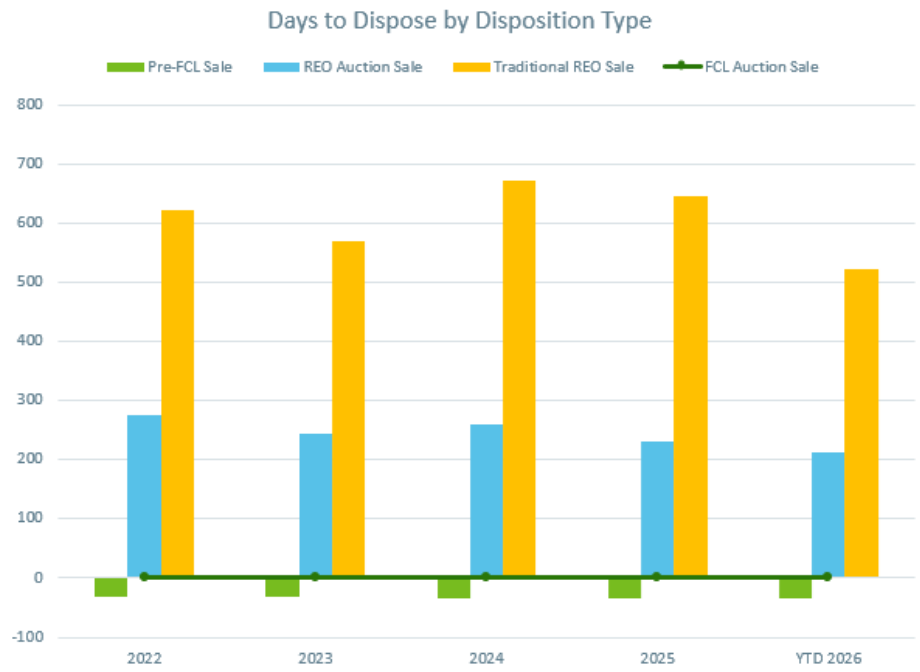
FORECLOSURE TO DISPOSITION · YTD 2026

522 days

−123 days
from 645 days in 2025

for traditional REO sales





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A Ready Buyer, A Better Offer, and $24,090 Left On The Table

CASE STUDY • SHORT SALE VS. FORECLOSURE

A $255,000 short sale would have netted $218,690 and saved $24,090. Because short sale allows for financing and clear title a broader market of buyers exists; properly marketed short sales generate higher offers than foreclosure sales. Due to the complexity of the requirements, the offer review ran up against the foreclosure sale date so the short sale could not close. The home sold at the foreclosure auction for $194,600.

WHAT THE DELAY COST



+$24,090 Recovery would have been 78.7% of value instead of 70.0%

HOW THE CLOCK RAN OUT (2026)

- **May 27** — Offer accepted at $255,000. **Foreclosure sale postponed**
- **Jun 23** — Servicer flags missing documents. Full package resubmitted
- **Jul 16** — **Auction.com and the agent resubmit** the full package. Negotiator assigned
- **41 days** — **Waiting on review and confirmation the package is complete**
- **Aug 27** — Servicer acknowledged complete file. Servicer stated "not enough time to order an appraisal"
- **Sep 1** — **Sold at foreclosure for $194,600**

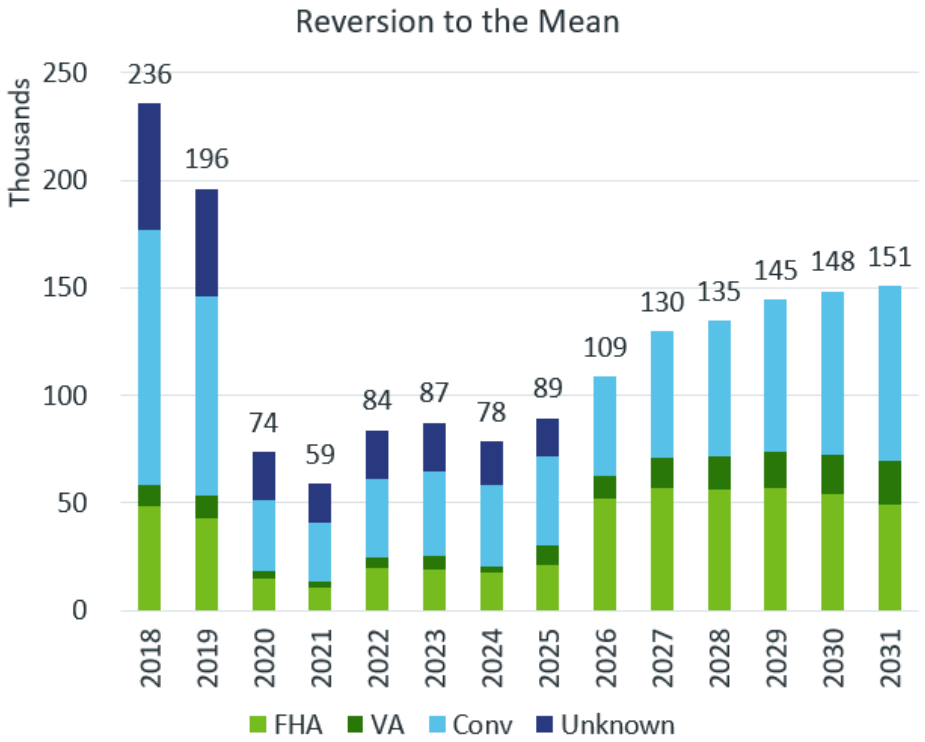
The value was there. The process wasn't.

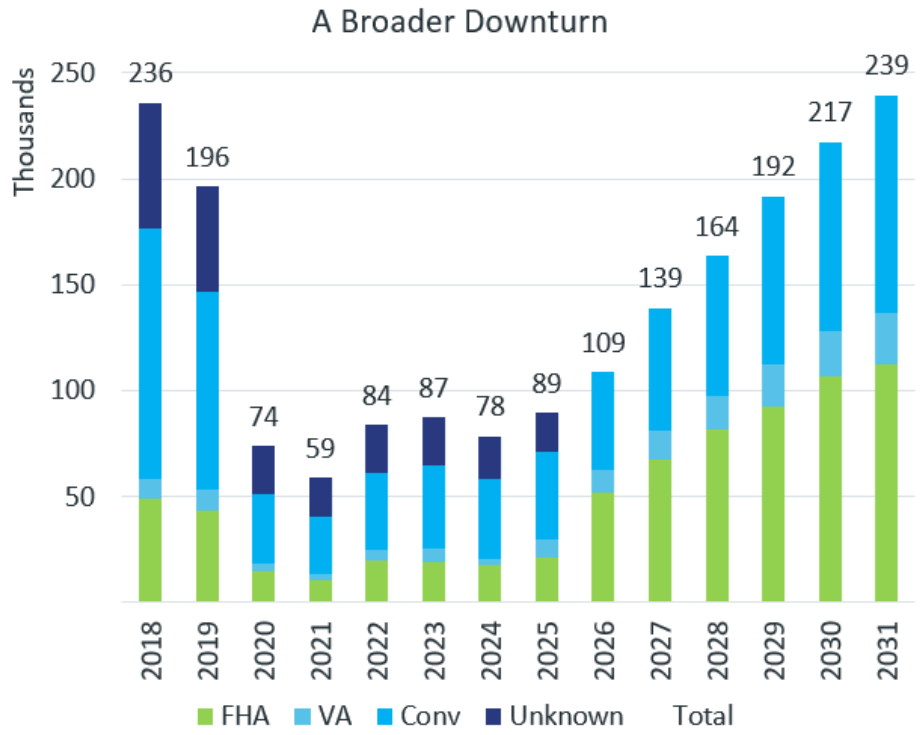
*Case Study is an illustration of instances where a valid short sale offer was in process but could not be completed prior to Foreclosure sale.

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Two Plausible Foreclosure Volume Scenarios Going Forward

Which One Is Most Likely?





- A reversion-to-the-mean scenario sees the recent rise in distress as relatively contained to recent-vintage and government-insured loans
- A broader-downturn scenario see broader economic weakness and affordability challenges leading to a more widespread increase in distress

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Thank you

We hope you enjoyed today's webinar! Discover more through our website on how Verisk solutions for advanced property management and preservation can benefit your business.

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Manage property decisions and processes with real-time insight and gain unique insights that keep you ahead of the real estate market and your competition!

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