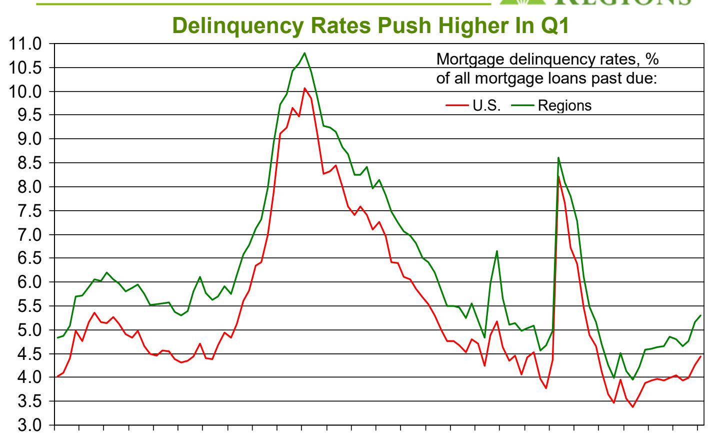
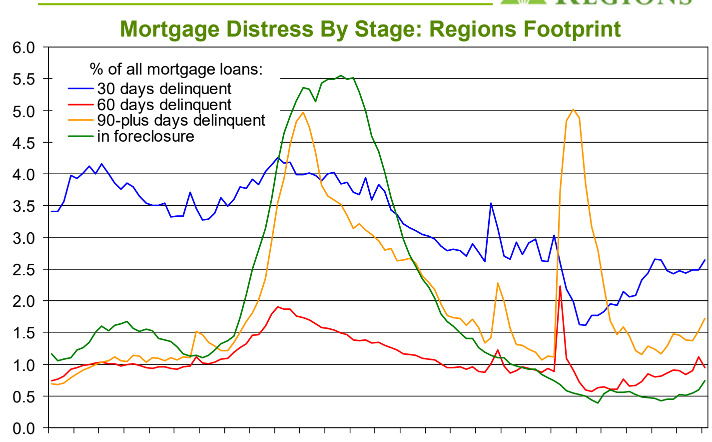
Q1 2026 Mortgage Delinquencies & Foreclosures: Regions Footprint

- For the U.S. as a whole the mortgage delinquency rate rose to 4.44 percent in Q1 2026 from 4.26 percent in Q4 2025
- Within the Regions footprint, the mortgage delinquency rate rose to 5.30 percent in Q1 2026 from 5.15 percent in Q4 2025
- Foreclosure starts were up 23.3 percent year-on-year for the U.S. in Q3 and up 20.9 percent within the Regions Footprint

The Mortgage Bankers Association (MBA) recently released their data on mortgage delinquencies and foreclosures for Q1 2026. For the U.S. as a whole the mortgage delinquency rate, which encompasses all stages of delinquency but not those loans in some stage of foreclosure, rose to 4.44 percent in Q1 2026 from 4.26 percent in Q4 2025. Utilizing the MBA data, we calculate a comparable delinquency rate for the 15-state Regions footprint, which is a weighted average (based on the number of total mortgage loans serviced in each state) of the delinquency rates reported for the individual states. The delinquency rate for the Regions footprint rose to 5.30 percent in Q1 2026 from 5.15 percent in Q4 2025. Both nationally and within the footprint, increases in thirty-day and ninety-day delinquency rates more than offset a drop in the sixty-day delinquency rate to push the overall delinquency rate higher. It is useful to note that there tend to be distinct seasonal patterns in delinquencies and that deviations from these patterns can lead to issues with seasonal adjustment. For instance, the not seasonally adjusted data show thirty-day delinquency rates tend to decline in the first quarter of any given year, and while that was the case in Q1 2026 nationally and in each in-footprint state, the declines were smaller than the typical Q1 declines. As such, the seasonally adjusted data show increases in thirty-day delinquency rates nationally and in each in-footprint state. This isn't to say that the increases reported in the seasonally adjusted data can be dismissed as no more than statistical noise, as unadjusted thirty-day delinquency rates in Q1 2026 are higher than those seen in Q1 2025, again nationally and in each in-footprint state. Foreclosure starts rose further in Q1 2026, though this to some extent reflects ongoing catching up after various foreclosure moratoria expired, with the level of foreclosure starts more or less normalizing back to what were notably low pre-pandemic levels. While that seems a fairly innocuous interpretation, one glaring element of the Q1 data is the extent to which delinquencies and foreclosure starts are concentrated amongst FHA and VA loans, while performance on conventional fixed-rate mortgage loans remains steady. This dichotomy will be a point of emphasis in our discussion here. As of Q1, the MBA survey covers roughly 41.604 million first-lien mortgage loans for the U.S. and roughly 16.509 million first-lien mortgage loans within the Regions footprint.



Source: Mortgage Bankers Association; Regions Economics Division



Source: Mortgage Bankers Association; Regions Economics Division

As noted above, on a not seasonally adjusted basis thirty-day delinquency rates declined in each in-footprint state in Q1, with declines ranging from ten basis points (North Carolina, Tennessee) to forty-two basis points (Indiana), whereas the U.S. as a whole saw a decline of twenty basis points. Each in-footprint state also saw a sequential decline in the sixty-day delinquency rate on a not seasonally adjusted basis. These lower early-stage delinquency rates were partially offset by increases in ninety-day delinquency rates, with the exception of a six basis-point decline in Iowa, while foreclosure rates also increased in each in-footprint state as well as nationally. On net, the not seasonally adjusted data show the overall incidence of mortgage distress – delinquencies plus foreclosures – fell sequentially in each in-footprint state in Q1. At the same time, however, each in-footprint state saw an increase in the overall incidence of mortgage distress compared to the first quarter of 2025. Missouri (48 basis points) and Florida (49 basis points) saw the smallest over-the-year increases,

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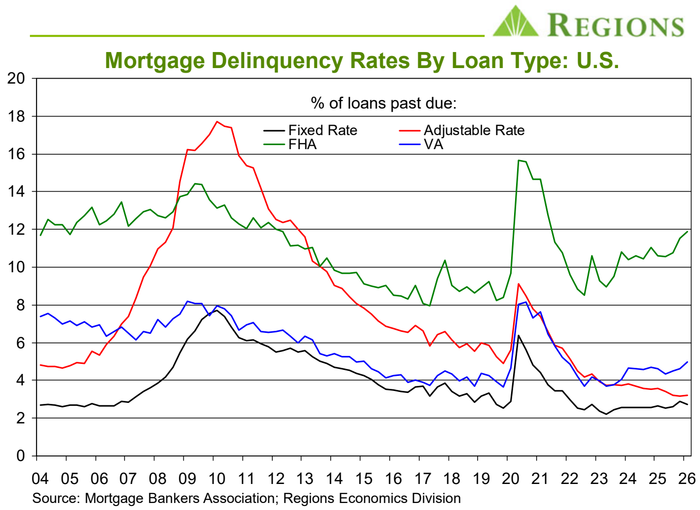
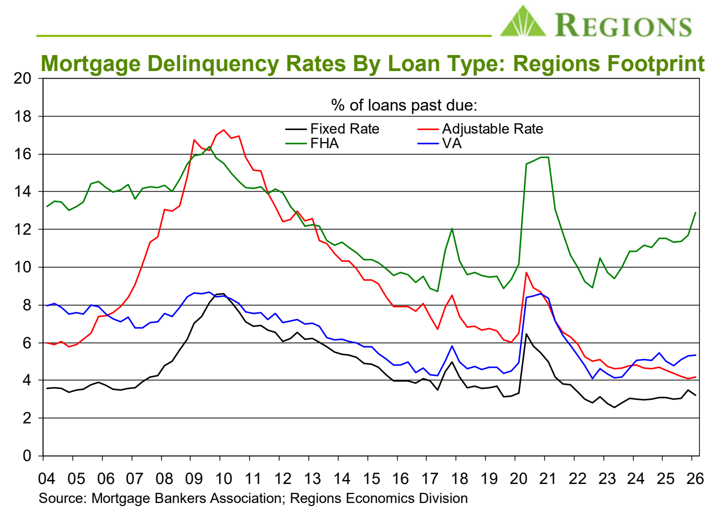
with Georgia (102 basis points), Louisiana (116 basis points), and Mississippi (149 basis points) seeing the largest over-the-year increases in the incidence of mortgage distress, while for the U.S. as a whole the over-the-year increase was 56 basis points. What stands out in Georgia, Louisiana, and Mississippi is that jumps in the ninety-day delinquency rate were the biggest driver of the increase in the overall rate of mortgage distress. Nationally, the over-the-year increase in the foreclosure rate (the percentage of first lien mortgage loans in some stage of foreclosure) was 15 basis points, while within the footprint Missouri and Tennessee (11 basis points) saw the smallest over-the-year increases and Florida (33 basis points) saw the largest.



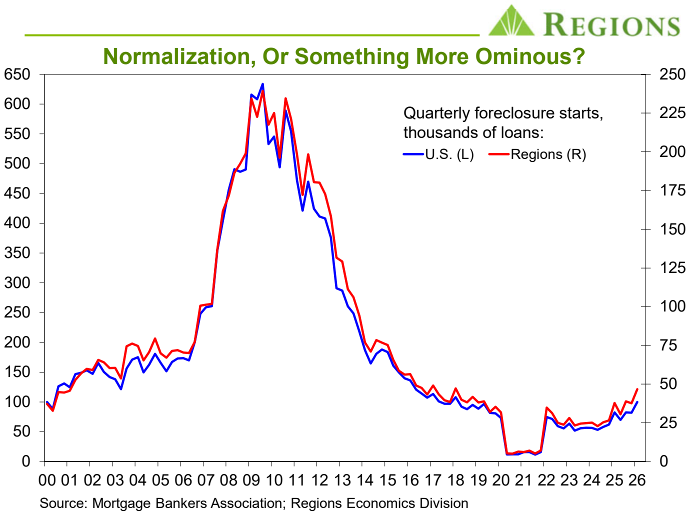


The charts above break out mortgage delinquency rates by loan type for the U.S. as a whole and for the Regions footprint as a whole. To our earlier point, while delinquency rates on FHA loans had been trending higher since 2023, FHA loan performance has deteriorated at a faster pace over the past few quarters. Nationally, the delinquency rate on FHA loans rose to 11.88 percent in Q1, up 36 basis points from Q4 2025 and up 126 basis points from Q1 2025; within the Regions footprint, the delinquency rate on FHA loans rose to 12.90 percent in Q1, up 121 basis points from the prior quarter and up 138 basis points from Q1 2025. Within the footprint, Mississippi saw the most significant deterioration in FHA loan performance over the past year, with the delinquency rate on FHA loans up 321 basis points over that span, leaving it at 14.89 percent as of Q1 2026. This is not the highest rate within the footprint, however, as the FHA delinquency rate for Louisiana was 16.08 percent as of Q1 2026. Arkansas, Florida, Kentucky, Missouri, and Tennessee all posted FHA delinquency rates below the national average in Q1. Nationally, the spread between delinquency rates on conventional fixed rate loans and FHA loans stood at 914 basis points as of Q1, with a spread of 970 basis points within the Regions footprint, which are the widest spreads since the height of the pandemic. Though far more subtle than the increase in the delinquency rates on FHA loans, delinquency rates on VA loans have ticked higher over the past few quarters. Nationally, the delinquency rate on VA loans rose to 4.99 percent in Q1, 82 basis points higher than a year prior, while within the Regions footprint the delinquency rate on VA loans rose to 5.35 percent in Q1, up 34 basis points from a year prior. As a point of reference, the delinquency rate on conventional fixed-rate loans increased by 15 points year-on-year for the U.S. as a whole, with an increase of 9 basis points within the Regions footprint.

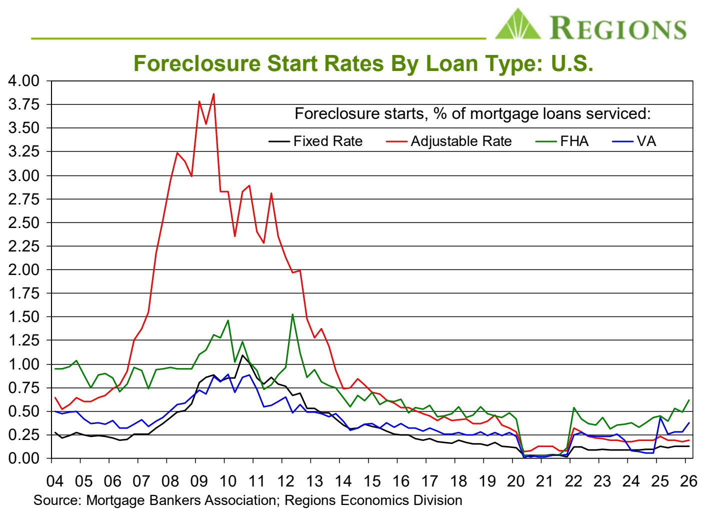
To some extent, the increases in delinquency rates on FHA and VA loans reflect the expiration of pandemic-era supports. For instance, the expiration of pandemic-era FHA relief programs at the end of September 2025 and the implementation of mandatory trial payment plans – during which FHA loans are still considered delinquent until a permanent workout has been put in place – have basically led to reporting catching up with performance. The same effect, though to a much lesser degree, has been seen with VA loans; in prior editions of these write-ups, we discussed the effects of pandemic-era supports for VA loans expiring and subsequent efforts being applied somewhat inconsistently, with the end result being higher delinquency rates on VA loans. Either way, the reality is that delinquency rates on FHA loans have historically been significantly higher than delinquency rates on conventional fixed-rate loans, in part reflecting what are more lenient underwriting standards on FHA loans. That the spread between conventional loan and FHA loan delinquency rates has been widening for the past several quarters could reflect FHA borrowers having less capacity to withstand the cumulative increases in prices over this same span particularly if they have seen a decline in labor earnings in the form of a job loss or diminished hours worked. It remains to be seen whether FHA delinquency rates will continue to push higher or level off and remain elevated, and while we'd normally point to labor market conditions as being the key determinant, at present we also have to point to the path of inflation as this figures to be a more persistent source of financial stress than had been expected coming into this year.

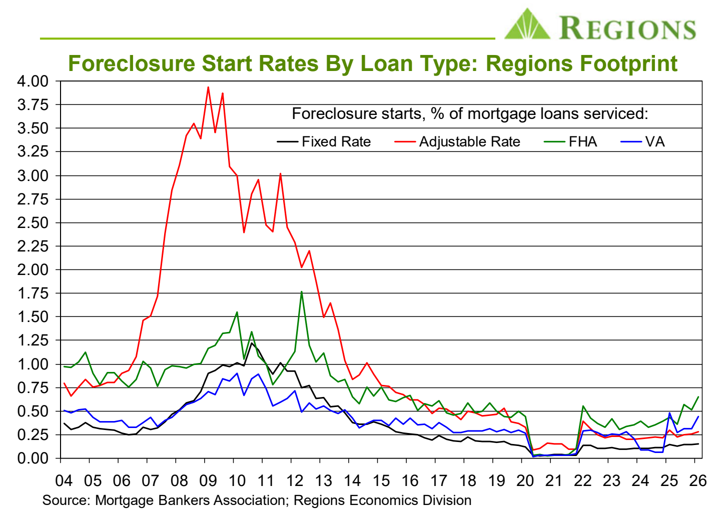
The upward trend in late-stage mortgage delinquencies over the past several quarters has been translating into increases in foreclosure starts, particularly in conjunction with expiring pandemic-era programs aimed at stemming foreclosures on VA and FHA loans. During the first quarter of 2026, there were 99,850 foreclosure starts nationally, up 21.8 percent from Q4 2025 and the most in any quarter since the first quarter of 2018. Within the Regions footprint, there were 46,693 foreclosure starts in Q1, up 23.9 percent from Q4 2025 and also the most in any quarter since Q1 2018. Over the past four quarters, there have been 334,067 foreclosure starts nationally and

153,699 foreclosure starts within the Regions footprint. These numbers, however, have to be put in the context of the various pandemic-era supports and foreclosure moratoria, many of which outlived the pandemic by a wide margin, that served to hold down foreclosure activity over the prior several years. It isn't necessarily that there is suddenly significantly more mortgage distress than had for years been the case but rather than how that distress is now being reported and acted upon is different than had for years been the case.



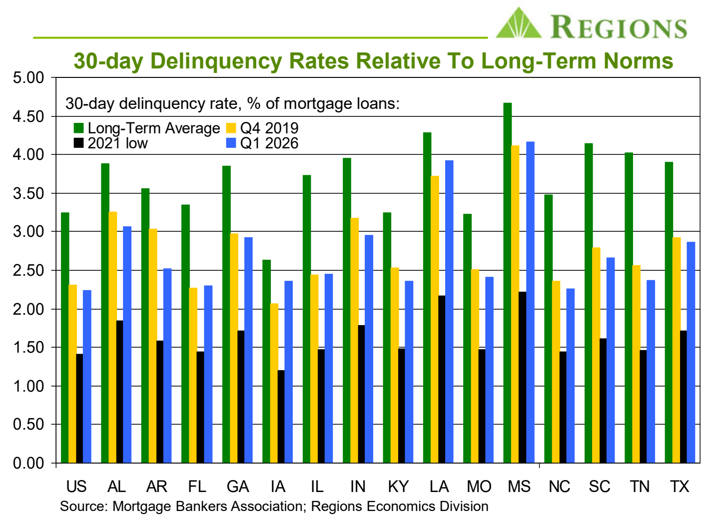
The chart to the side can help illustrate this point. The numbers of foreclosure starts, nationally and within the footprint, seen in Q1 2026 would not have been very noteworthy in the years prior to the pandemic, particularly if we're correct in thinking that the Q1 2026 figures are at least somewhat inflated by foreclosure starts on FHA and VA loans having been deferred over prior quarters. We'll have a better sense of that as we process the data over the next quarter or two, but the point here is that there is little in the MBA's data, particularly the data on early-stage delinquencies, to suggest that we are in the early phases of a prolonged and significant increase in foreclosure starts. If you accept the premise that delinquency rates are normalizing, it follows that foreclosures would also be normalizing even if the expirations of various pandemic-era supports are clouding the picture at present. Clearly, a marked deterioration in labor market conditions looms as a risk, and further deceleration in inflation adding to financial stress looms as an additional risk. That said, it will be in the data on early-stage delinquencies, not foreclosure starts counts, that we'll see the first signs of any such stresses.

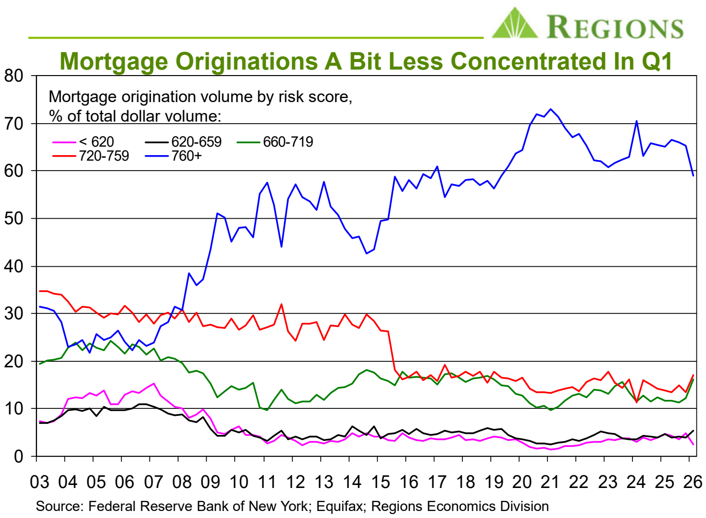




The charts above break down foreclosure starts rates, i.e., the number of foreclosure starts as a percentage of outstanding first lien mortgage loans, by loan types, first for the U.S. as a whole then for the Regions footprint. The charts are a follow up to the previous discussion on delinquency rates by loan type and reinforce the point that the increases in mortgage distress implied by the MBA data over recent quarters has been heavily concentrated amongst FHA and VA loans. Note that while foreclosure rates on FHA and VA loans have risen over recent quarters, both nationally and within the Regions footprint, foreclosure rates on conventional fixed-rate and ARM loans have been notably steady. In terms of numbers, there were 20,855 foreclosure starts on FHA loans within the footprint in Q1, up 66.6 percent year-on-year and the most in any quarter since Q1 2015. There were 6,997 foreclosure starts on VA loans within the footprint in Q1, and while that is only a 1.6 percent year-on-year increase, recall that it was Q1 2025 when foreclosure starts on VA loans ramped up after the abrupt end of the VA's COVID mortgage forbearance program. There were 17,009 foreclosure starts on conventional fixed-rate loans within the Regions footprint in Q1, up 4.4 percent year-on-year and the most in any quarter since Q2 2019. Georgia, South Carolina, Florida, and Arkansas saw the largest year-on-year percentage increases in foreclosure starts in Q1, with Illinois and Mississippi logging the smallest year-on-year percentage increases.

One factor that could lead to increasing shares of delinquent loans progressing into foreclosure is that house prices are declining in many markets across the U.S. and within the Regions footprint, including many of the larger Florida and Texas metro areas. These are the markets that had seen some of the fastest house price appreciation in the nation in the post-pandemic years, with the flip side of that being that these markets were amongst the most vulnerable to higher mortgage interest rates making affordability constraints more binding on prospective buyers. Though not necessarily putting longer-tenured owners at risk, declining house prices have either already left, or could over coming quarters leave, shorter-tenured owners underwater on their mortgage loans, i.e., carrying a mortgage loan on which the outstanding balance exceeds the value of their home. With a trigger in the form of an adverse economic event, such as a job loss, or in the form of rising financial stress that leaves them with less capacity for servicing debt, underwater homeowners may be more inclined to surrender their home to foreclosure after falling into delinquency. Unlike a distressed but still above water homeowner, for whom selling their home is a way around foreclosure, an underwater homeowner is unlikely to be able to fulfill their outstanding mortgage obligation via the sale of their home. Not to belabor the obvious, but a meaningful deterioration in labor market conditions could lead to a larger spike in foreclosures, including on conventional fixed-rate loans, in those markets which have been seeing the most significant declines in house prices.





As was the case with many strands of the economic data, the policy response to the pandemic had a significant impact on mortgage delinquencies and foreclosures. As with household debt more broadly, one important question over recent quarters has been whether mortgage delinquencies were normalizing back to pre-pandemic rates or whether there was a more fundamental deterioration in household financial conditions that would push delinquency rates above pre-pandemic rates. Since such questions were first raised, we and most others have leaned toward the former, i.e., that delinquency rates were normalizing, and thus far we've seen nothing to suggest the latter is the case. Clearly, that could change, particularly with downside risks to the economic outlook gathering force. At present, however, there is little evidence of broadly based deterioration in household financial conditions. The first chart above can help shed some light on this topic. The chart compares the long-term historical average 30-day mortgage delinquency rate based on the period from Q1 1980 through Q4 2006, the rate as of Q4 2019, the historical lows seen in 2021 when pandemic relief programs pushed both debt levels and delinquency rates far below pre-pandemic norms, and the 30-day delinquency rate in the latest quarter, i.e., Q1 2026. Nationally and in the majority of in-footprint states, the Q1 2026 rate is below the Q4 2019 rate and in all cases well below the longer-term historical average. It also helps to recall that the pre-pandemic rates were at that point the lowest on record.

One key factor pushing delinquency rates to those lows is that mortgage underwriting standards were far more stringent after the housing market bust of the mid-2000s than had been the case in the years leading up to the bust. This can be seen in the second chart above, which shows that mortgage originations became heavily concentrated amongst borrowers with credit scores of 760 or above. This can also be seen in the quarterly Federal Reserve surveys of senior commercial bank lending officers which show little net change in mortgage lending standards over the past several years, i.e., once lending standards were raised, they stayed raised, allowing for small changes here and there in both directions. That said, FHA loans are underwritten with less stringent standards – lower credit scores, lower down payments, higher debt-to-income ratios – and while this doesn't mean the loans are destined for failure it does suggest borrowers taking out FHA loans have less capacity to deal with financial stress/financial shocks. It is, as the data show, also the case that the performance of FHA loans has deteriorated significantly over the past several quarters while the performance of conventional fixed-rate loans has been more or less stable. It could also be the case that once the rush of delinquencies/foreclosures seen after the expiration of pandemic-era supports has abated, delinquency rates on FHA and VA loans will turn lower.

It is also worth noting that while falling house prices in many markets across the U.S. and the Regions footprint mean shorter-tenured owners who fall behind on their mortgage loans will be more prone to progressing to foreclosure, that will not be the case, at least not to nearly the same degree, for longer-tenured owners. Aggregate equity positions, though having been dinged by falling house prices, are nonetheless still stronger than at any time since the early-1960s, making it more likely that longer-tenured owners would be able to sell their home, pay off their mortgage obligation, and still come away with cash in hand, while limiting the impact on their credit ratings, as an alternative to foreclosure. Obviously not ideal, but we've argued for some time now that stronger equity positions would act as a mitigant against foreclosure, in stark contrast to what we experienced in the mid-2000s. This will be something to keep in mind should we see early-stage mortgage delinquency rates start to push meaningfully higher over coming quarters.

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Mortgage Distress, Regions Footprint

as of Q1 2026

STATE	30-day delinquency rate	60-day delinquency rate	90-day delinquency rate	foreclosure inventory	total mortgage distress rate	"early stage" delinquency rate	"serious" delinquency rate
Alabama	2.85	0.95	2.05	0.65	6.50	3.80	2.70
Arkansas	2.25	0.81	1.71	0.65	5.42	3.06	2.36
Florida	2.18	0.81	1.63	0.89	5.51	2.99	2.52
Georgia	2.68	0.97	1.99	0.61	6.25	3.65	2.60
Iowa	2.02	0.66	1.30	0.72	4.70	2.68	2.02
Illinois	2.19	0.79	1.62	0.90	5.50	2.98	2.52
Indiana	2.52	0.89	1.81	0.80	6.02	3.41	2.61
Kentucky	2.08	0.68	1.48	0.84	5.08	2.76	2.32
Louisiana	3.57	1.27	2.79	1.37	9.00	4.84	4.16
Missouri	2.16	0.69	1.27	0.49	4.61	2.85	1.76
Mississippi	3.83	1.32	2.82	0.91	8.88	5.15	3.73
North Carolina	2.06	0.70	1.27	0.50	4.53	2.76	1.77
South Carolina	2.40	0.81	1.66	0.72	5.59	3.21	2.38
Tennessee	2.13	0.75	1.34	0.40	4.62	2.88	1.74
Texas	2.60	0.91	1.80	0.70	6.01	3.51	2.50
U.S.	2.04	0.72	1.39	0.64	4.79	2.76	2.03

NOTE: all rates expressed as a percentage of outstanding mortgage loans, not seasonally adjusted

Source: Mortgage Bankers Association; Regions Economics Division

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