Pandemic Data Insights

January 2021

Reality Check

We have a problem that feels somewhere between the Great Recession of 2008 and a natural disaster, bigger than an asset class and impacting everyone. **We know this problem will be unique (and there will be a problem).**

There is a **default surge coming** and while hard to dimension, all signs suggest that it's going to be a **large-scale** surge.

This wave started, not as an asset problem, but rather a **labor problem.** Recovery continues to be **dependent** on human behavior to control COVID 19 and economic stimulus.

The clock is ticking: the first wave of 90-day deferments **have ended or been extended** and the timing of impact is unclear. It is **critical for banks to prepare**. Future Federal stimulus **remains unclear,** especially with the recent government turmoil. The limited additional stimulus that was authorized in December **will not currently be sufficient to get struggling borrowers out of hardship.**

Hardship length is key to treatment strategies (locale/county-level as the economy reopens, coupled with income impacts relative to pre-crisis debt obligations)

1.5X

Initial **unemployment claims** in December 2020 are still more than **1.5X greater** than in the worst month in the **2008 recession, surging again in January 2021**

Employment Indicators – Preliminary Data

The COVID-19 Recession was marked by a near immediate and sharp increase in unemployment claims

2008 Recession					COVID-19	
	Start of Recession	Peak / Valley			Recent Data Points	
Metric	December 2007	Date	Value	Recovery Date	December 2020	November 2020
Unemployment Rate	4.7%	Oct 2009	10.0%	Sep 2015	6.7%	6.7%
New UI Claims	1,741,000	Mar 2009	2,637,000	Apr 2013	3,342,000	2,962,000
Total on Unemployment	2,760,000	May 2009	6,635,000	Mar 2014	5,072,000	5,781,000
Total Non-Farm Job Openings	4,400,000	July 2009	2,264,000	Apr 2014	6,527,000 (Nov)	6,632,000 (Oct)

Positive Indicators Relative to 2008

1. **Unemployment leading into the COVID-19** pandemic was **lower than 2008** – and this low unemployment has been sustained over several years
2. **Improvement in Unemployment Rate** by ~53% in just five months from the April 2020 peak – much steeper recovery than 2008
3. **Improvement in Job Openings** of 1.5M since April, nearly fully rebounded from pre-pandemic levels.

Negative Indicators Relative to 2008

1. Initial unemployment claims have exceeded **700,000 claims per week every week since mid-March**. This never happened in any week in the 2008 recession.
2. Total number of people **unemployed** at once remains **above the peak of the 2008 recession**
3. **New Unemployment Claims increased in December**. This is the first time they've increased month-over-month since the start of the pandemic.

Peak Date represents the month where the worst value during the recession was observed

Recovery Date represents the month where the value first recovered to December 2007 levels

Consumer Indicators – Preliminary Data

The consumer today is financially stronger, and better-positioned for the COVID-19 recession

2008 Recession					COVID-19	
	Start of Recession	**Peak**			**Recent Data Points**	
Metric	**December 2007**	**Value**	**Date**	**Recovery Date**	**November 2020**	**October 2020**
Personal Savings Rate	3.6%	3.4%	April 2008	N/A	12.9%	13.6%
Home Price Index	174.35	136.53	Feb 2012	Nov 2015	Update Pending	229.93
Mortgage Delinquency Rate[1]	3.67%	11.54%	Jan 2010	Apr 2017	6.33%	6.44%
Data Updated Quarterly					**Q3 2020**	**Q2 2020**
Household Debt as % of GDP	99.83%	99.83%	Dec 2007	N/A	Update Pending	84.51%
Credit Card Delinquency Rate	4.77%	6.77%	Apr 2009	July 2010	2.00%	2.42%
Household Debt Payments as % of Income	13.13%	13.13%	Dec 2007	N/A	9.12%	8.69%

[1] *As reported in the Black Knight Mortgage Monitor*

Positive Indicators Relative to 2008

1. Average personal **savings** rates are **over 4X** now what they were in **2008,** and remain high despite lack of continued stimulus
2. Consumer debt payments as a % of income are at **historic lows**
3. Consumer **delinquencies** going into the COVID-19 recession were **significantly lower than 2008**

Negative Indicators Relative to 2008

1. **Mortgage Delinquency Rates more doubled** from March to August
2. **Serious Delinquency Rate over 5X greater than 6 months ago –** over 2.2 million properties are 90+ days past due – close to the 2008 peak. Due to foreclosure moratoriums, foreclosures are less than 8% of what they were at the 2008 peak. [1]

Peak Date represents the month where the worst value during the recession was observed

Recovery Date represents the month where the value first recovered to December 2007 levels

Economic Indicators – Preliminary Data

The consumer today is financially stronger, and better positioned for the COVID-19 recession

	2008 Recession				COVID-19	
	Start of Recession	Peak			Recent Data Points	
Metric	December 2007	Value	Date	Recovery Date	December 2020	November 2020
S&P 500	1468.76	735.09	Feb 2009	Jan 2013	3756.07	3621.63
Industrial Production	105.34	87.07	June 2009	June 2014	105.72	103.98
WTI Oil Price	91.69	39.09	Feb 2009	March 2011	47.02	40.94
Retail Sales % Change	-1.40%	-4.30%	Nov 2008	Feb 2013	- 0.7%	- 1.1%
Consumer Sentiment	75.5	55.3	Nov 2008	Feb 2013	76.9 (Nov)	81.8 (Oct)
% of Banks Tightening Credit Standards	9.80%	66.70%	Jul 2008	July 2010	+ 26.7% (Q4)	+ 71.7% (Q3)

Positive Indicators Relative to 2008

1. **Banks were tightening credit standards** in the run up to the COVID-19 crisis, and were loosening them in the run up to 2008
2. **Retail Sales** posted a near immediate rebound in May from the lows in April
3. **S&P 500 has recovered to record highs.** In 2008, it took four years to achieve the same recovery. The recovery may be largely attributable to robust early government interventions.

Negative Indicators Relative to 2008

1. **Consumer Sentiment** experienced **sharpest drop in history** in April and has only recovered slightly into November
2. **Retail Sales Recovery** has slowed in the last four months
3. **Banks tightening credit standards hit a record in Q3.** This exceeds 2008, and indicates the worst is yet to come.

Peak Date represents the month where the worst value during the recession was observed
Recovery Date represents the month where the value first recovered to December 2007 levels

Signs Suggest Massive Downstream Scale Needs

The post forbearance period will necessarily entail tightly time-bound surges for additional treatment assessment and handling. These volume spikes will have to be handled along with new hardship cases as the recession evolves, requiring **major change to handle the throughput**. For example:

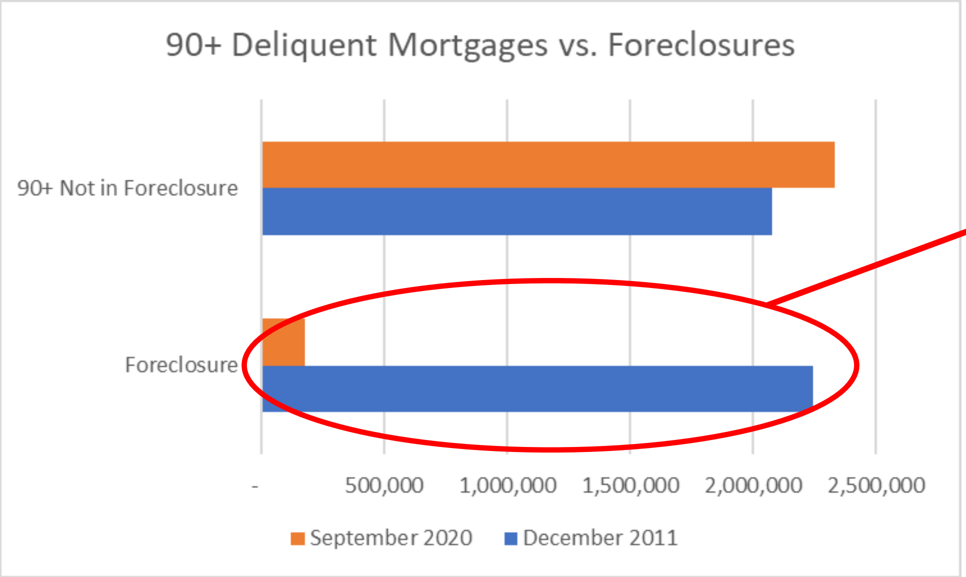
As of January 11, 2021, **mortgages in forbearance are 5.5%** (compared to only 0.2% the week of March 2nd, 2020).

81% of active forbearances are on **an extension** of the original forbearance term**.**

Sources: Black Knight; Mortgage Bankers Association

The number of 90+ delinquent accounts has surged to levels not seen since the 2008 recession; foreclosures are at historic lows due to COVID protections.

Once those protections expire, expect a significant foreclosure wave to follow.

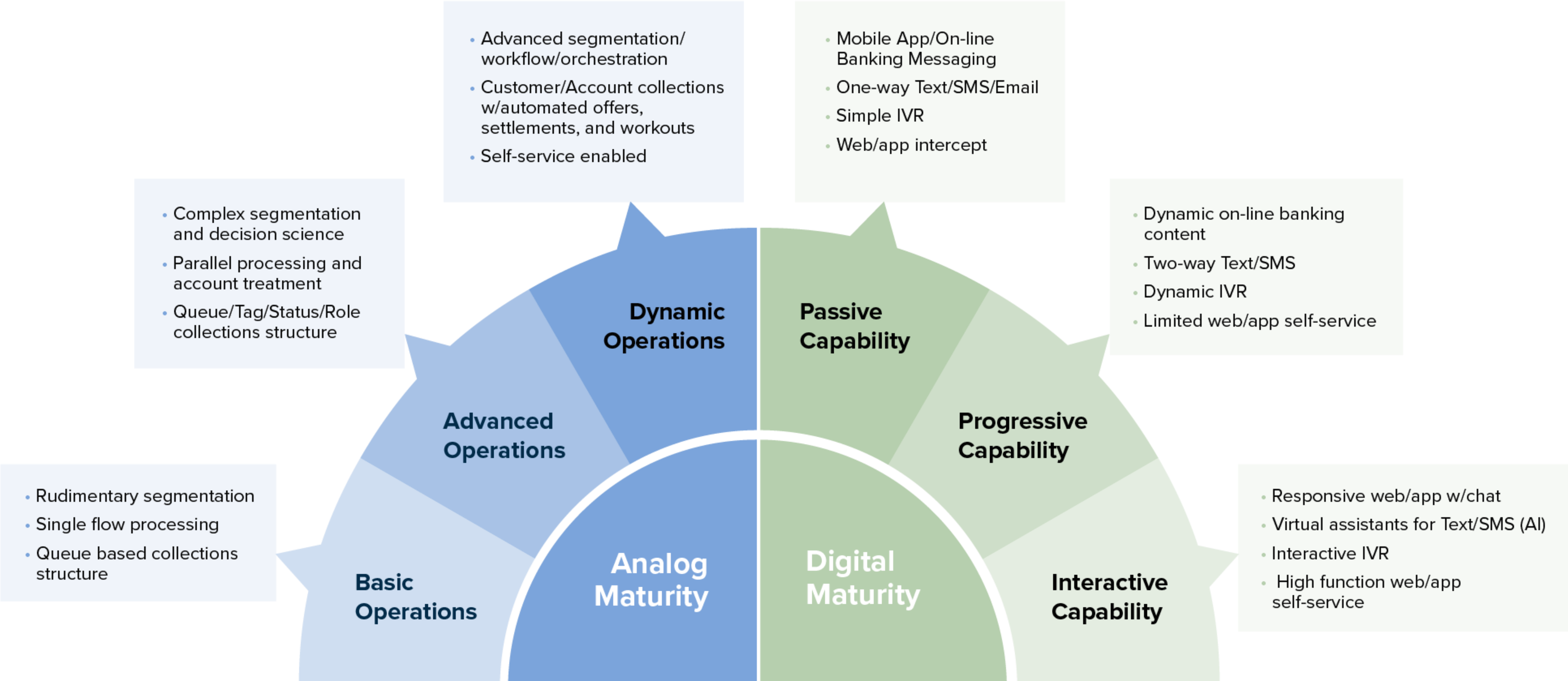


Without foreclosure moratoriums in place, **600,000 – 1 million additional borrowers may be in foreclosure***

**Based on historic ratios of 90+ delinquent accounts to active foreclosures from 2005-2019*

Effective Response Requires a Tailored Approach

Your default/collection environment’s current maturity levels drive a best fit approach for your engagement needs. It is the art of determining what is possible within known constraints and deriving the best actions.



How We Can Help

BRIDGEFORCE® 20 YEARS STRONG

Bridgeforce's consulting experience and IP enables us to **hit the ground running** with proven accelerators.

Our capabilities cover **all aspects of loss prevention.**

We can **"plug into"** any area of support as an extension of your team or do the heavy lifting.

How We Can Help

AUTOMATED PAYMENT PROGRAM RECONCILIATION

Account Mapping Between Source and Metro 2 for May

SOR.Special Comment Code Alias	M2.Special Comment Code AW	CP	AZ	Null	Grand Total
Accounts present in Source with SCC=AW	68	2	8	7	74
Accounts Present in Source with SCC=CP	5	4			8
Not present in Source	5	1			6
Grand Total	78	7	8	7	88

Data Inspection and Compliance

- Reduce compliance risk and improve customer experience by proactively detecting data issues
- Prioritize your improvement efforts based upon a comprehensive view of your reporting files
- Reduce costs through automated reconciliation and fewer disputes

Data Insights and Analytics

- Speed up your decision cycles by seeing what matters for the decisions you need to make
- Experience and interact with your own data in minutes rather than weeks
- Enhance your business insights more cost-effectively than through fully in-house efforts

BRIDGEFORCE®
DATA SOLUTIONS

Bridgeforce Data Solutions enables you to **ensure accuracy of credit reporting** for new pandemic payment programs.

We can also **rapidly delivery credit risk data insights** and analytics needs.

Connect with our team

bridgeforce.com | datasolutions.bridgeforce.com

Brian Reiss, Board Chairman	breiss@bridgeforce.com	917-446-4030
John Sanders, Bridgeforce Consulting	jsanders@bridgeforce.com	302-438-1382
Matt Scarborough, Bridgeforce Data Solutions	mscarborough@bridgeforce.com	302-230-6872

