# Foreclosure Rates Are Increasing BUT...

July 28, 2026 - Foreclosure activity is rising across the United States, and the increase is large enough to get the attention of economists and housing analysts.
According to ATTOM's Mid-Year 2026 U.S. Foreclosure Market Report, lenders initiated foreclosure filings on 227,548 properties during the first six months of the year. That represents a 21 percent increase compared with the first half of 2025. Foreclosure starts rose 18 percent over the same period, while homes that completed the foreclosure process and were repossessed by lenders increased by an even steeper 33 percent.

Those are significant year-over-year increases, suggesting that more homeowners are beginning to experience financial stress. At the same time, most housing experts caution against viewing these numbers as evidence of another housing collapse. Foreclosure activity is increasing, but it is increasing from unusually low levels that followed pandemic-era foreclosure moratoriums and mortgage assistance programs.
The more important question is not whether foreclosures are rising. They clearly are.

The real question is: Who is falling behind?

The answer appears to be borrowers with the least financial cushion.

Data from the Mortgage Bankers Association shows conventional mortgages remain relatively healthy, with a delinquency rate of 2.75 percent during the first quarter of 2026. VA-backed mortgages posted a higher delinquency rate of 4.99 percent. FHA-insured loans, however, stand apart from the rest of the market. Nearly 11.9 percent of FHA borrowers were delinquent on their mortgages during the first quarter, meaning FHA borrowers are falling behind at more than four times the rate of conventional borrowers.

That disparity is not entirely surprising.

FHA loans were created to help borrowers who might not otherwise qualify for conventional financing. They allow down payments as low as 3.5 percent and generally accept borrowers with lower credit scores than conventional lenders. While today's FHA underwriting standards are much stronger than they were before the financial crisis, FHA borrowers still tend to have higher debt-to-income ratios, smaller emergency savings, and less accumulated home equity than homeowners with conventional mortgages.

That does not make FHA loans inherently risky. For millions of Americans, they provide an important path to homeownership. It does, however, mean that FHA borrowers often have less room to absorb rising costs.

Over the past several years, homeowners across the country have faced rapidly increasing insurance premiums, higher property taxes, rising homeowners association dues, and the lingering effects of inflation on household budgets. Even borrowers with fixed mortgage payments have watched the total monthly cost of owning a home climb significantly. For households already operating on tight budgets, those additional expenses can become the tipping point.

The Mortgage Bankers Association says foreclosure inventory among FHA loans has now reached its highest level since late 2018. Foreclosure inventory for VA loans is at its highest level since mid-2017. Conventional mortgages, meanwhile, continue to perform considerably better.

That concentration among lower-down-payment borrowers is one of the reasons some housing analysts are watching these numbers so closely.

If that pattern sounds familiar, it should.

One of the earliest warning signs before the housing collapse nearly two decades ago was not falling home prices. It was rising financial stress among borrowers who had made relatively small down payments and had weaker credit profiles. As more of those homeowners began missing payments, mortgage delinquencies increased. Foreclosure filings followed. Bank repossessions increased shortly afterward. Only later did falling home prices turn a growing problem into a nationwide housing crisis.

The similarities should not be overstated.

Today's housing market is fundamentally different from the one that existed before the financial crisis. Mortgage underwriting is substantially stronger. The no-documentation and exotic loan products that fueled much of the previous housing bubble are largely gone. Most homeowners now have fixed-rate mortgages rather than adjustable-rate loans that reset to dramatically higher payments. Perhaps most important, years of rising home prices have left the vast majority of homeowners with significant equity.

That equity changes everything.

During the housing crash, millions of borrowers found themselves owing more than their homes were worth. Selling was no longer an option, leaving foreclosure as the only realistic outcome for many families. Today, homeowners experiencing financial hardship can often sell their homes before reaching that point because they still have equity built into their properties.

The numbers illustrate just how different today's market remains.

If foreclosure activity continues at its current pace, approximately 455,000 properties would receive foreclosure filings during 2026. That amounts to roughly one-third of one percent of the nation's housing units, or about one out of every 300 homes.

At the height of the foreclosure crisis in 2010, roughly 2.9 million properties received foreclosure filings. About 2.2 percent of all housing units were affected, or approximately one out of every 45 homes. In other words, today's foreclosure rate remains only about one-sixth of what the nation experienced during the worst year of the housing collapse.

Those differences explain why virtually no mainstream housing economist is predicting another 2008.

Still, history suggests that housing problems rarely appear all at once. Financial stress typically emerges first among borrowers with the smallest financial margins before spreading more broadly if economic conditions continue to deteriorate.

That does not mean today's foreclosure increase is the beginning of another housing crisis but it does mean the trend deserves attention.

The sharp rise in delinquencies, foreclosure starts, and lender repossessions among borrowers with lower down payments and weaker financial profiles may simply reflect the financial pressures created by inflation, higher insurance costs, and rising housing expenses. Or it may represent an early warning that more American households are beginning to feel the strain.

A canary in a coal mine never predicted a disaster. It served as an early warning that conditions had changed before people could detect the danger themselves.

The latest foreclosure data may be sending that same message to the housing market.

by Jim Malmberg