

Navigating a Shifting Mortgage Market:

Data and Tools for Smarter Lending Decisions

CIC CREDIT

Trends shaping smarter approvals, portfolio monitoring, and borrower outreach in an evolving mortgage market.

Executive Summary

The mortgage market is rewarding precision more than volume. Delinquencies are rising, but unevenly across loan types. Refinance activity continues to create pockets of opportunity, yet remains concentrated among borrowers whose circumstances make current rates and loan options worthwhile.

For lenders and credit teams, success depends on having the right data, insights, and tools to identify opportunity, assess risk, and act with confidence in the market as it stands rather than waiting for conditions to become more predictable.

What follows is a closer look at the forces shaping mortgage credit and why informed decision-making matters more than ever. From understanding borrower potential and property-level risk to monitoring portfolio exposure, lenders with a clearer view of the full credit picture are better positioned to identify opportunities, manage risk, and make stronger lending decisions.



Mortgage Landscape: *Where Things Stand*

Delinquency Rates

What the Numbers Show

According to the Mortgage Bankers Association's National Delinquency Survey released August 2026, the seasonally adjusted delinquency rate for one-to-four unit residential mortgages stood at 4.37% at the end of the second quarter of 2026, down slightly from 4.44% in Q1, but still up 44 basis points from a year earlier. Foreclosure inventory rose to 0.67%, up nearly 20 basis points year-over-year. While the quarter-over-quarter dip is encouraging, MBA's own Marina Walsh, Vice President of Industry Analysis, noted that 'the broader trend is that both delinquencies and foreclosures have increased over the past year.'

Why the Breakdown Matters

That divergence matters for portfolio strategy. A single aggregate delinquency number can mask very different risk pictures depending on loan type, and it suggests that credit teams reassessing exposure this summer should be looking at performance by loan type and by vintage, not just at the headline rate.

DELINQUENCY RATES

4.37%

OVERALL DELINQUENCY RATE

–7 BASIS POINTS

FROM Q1 2026

+ 44 BASIS POINTS

YEAR OVER YEAR

Refinance Activity

Opportunity Is Selective

Refinance activity continues to shift with the rate environment, creating pockets of opportunity rather than a broad-based return of refinance demand.

With many homeowners still holding mortgage rates below current market levels, refinancing won't make sense for everyone. The borrowers most likely to benefit are those whose circumstances have changed, whether through improved credit, increased equity, a different loan structure, or evolving financial goals.

For lenders, the opportunity is less about waiting for refinance volume to return and more about identifying the borrowers who have a compelling reason to act. That makes timely, accurate borrower data increasingly important to finding opportunity in a selective market.

Who's Actually Refinancing

The refinance market is being driven by borrowers with a clear financial reason to make a move. That could mean improved credit, increased home equity, a need to change loan terms, consolidate debt, access cash, or replace a loan that no longer fits their financial situation.

For lenders, the opportunity lies in recognizing these signals early. The borrowers most likely to benefit may be those approaching key credit or eligibility thresholds, making accurate, timely data essential to identifying potential opportunities.

In a selective refinance market, success is increasingly a data problem, not a volume problem.

Finding the Borrowers on the Margin:

FICO® Score Mortgage Simulator

In a market defined by a narrow band of refinance-eligible and approval-eligible borrowers, the difference between a declined application and a closed loan is often a relatively small movement in a FICO® Score.

Mortgage Simulator

The FICO® Score Mortgage Simulator (FSMS), the only mortgage simulator built by FICO analytic scientists to model real FICO® Score impacts, is built for exactly this margin, with capabilities that help lenders more efficiently identify and support borrowers with the potential to improve their scores.

This kind of capability helps shift credit optimization from a reactive exercise to a more targeted pipeline strategy.

Score Potential

FICO® Score Potential gives loan officers a preview of an applicant's approximate potential FICO® Score increase before a full simulation is ordered. It functions as a triage step, helping teams prioritize the applicants most likely to see real movement, rather than spending equal time on every file regardless of the upside.

Smart Plans

FICO® Smart Plans then takes that prioritization a step further. Instead of a loan officer manually testing scenario after scenario, Smart Plans automatically generates a recommended credit action plan based on a target score or budget, evaluating actions like adjusting balances, removing authorized user accounts, or resolving third-party medical collections. Three plan types (default score, target score, and target paydown) give teams a structured starting point for borrower conversations, rather than an open-ended 'see what you can do' recommendation.

The Bigger Picture

In practice, this kind of capability helps shift credit optimization from a reactive exercise to a more targeted pipeline strategy, helping lenders identify near-threshold borrowers who may be able to qualify without loosening credit standards.

A Note on Income and Employment Verification: For lenders focused on borrower qualification, Equifax's Income Qualifier product, available through The Work Number (TWN), now delivers income and employment insights at the prequalification and pre-approval stage, alongside the Equifax credit file. For lenders working to identify near-threshold borrowers earlier in the pipeline, this kind of income verification data can complement the credit score picture FSMS provides. Ask your CIC Credit representative about accessing Income Qualifier through your Equifax credit report order.



Closing the Data Gap on Flood Risk:

ServiceLink CertMap™

Flood risk is a quieter but persistent factor in both underwriting and long-term loan performance, and it's one where the conventional **'in the zone or not'** framing can understate real exposure.

According to **FEMA's FloodSmart program,** nearly one-third of National Flood Insurance Program claims over the past decade came from properties outside high-risk flood zones, areas where flood insurance typically isn't required, and where borrowers and lenders alike may not be thinking about flood exposure at all.

ServiceLink's CertMap™ enhancement addresses this directly. Rather than a binary in-zone or out-of-zone determination, CertMap can provide aerial imagery when a property sits close to a FEMA Special Flood Hazard Area (SFHA), visually showing how near the boundary actually is.

When a structure is technically outside the zone but the SFHA runs close to the property line, that proximity becomes visible at a glance, providing additional context that can help borrowers evaluate whether voluntary flood insurance coverage may be appropriate.

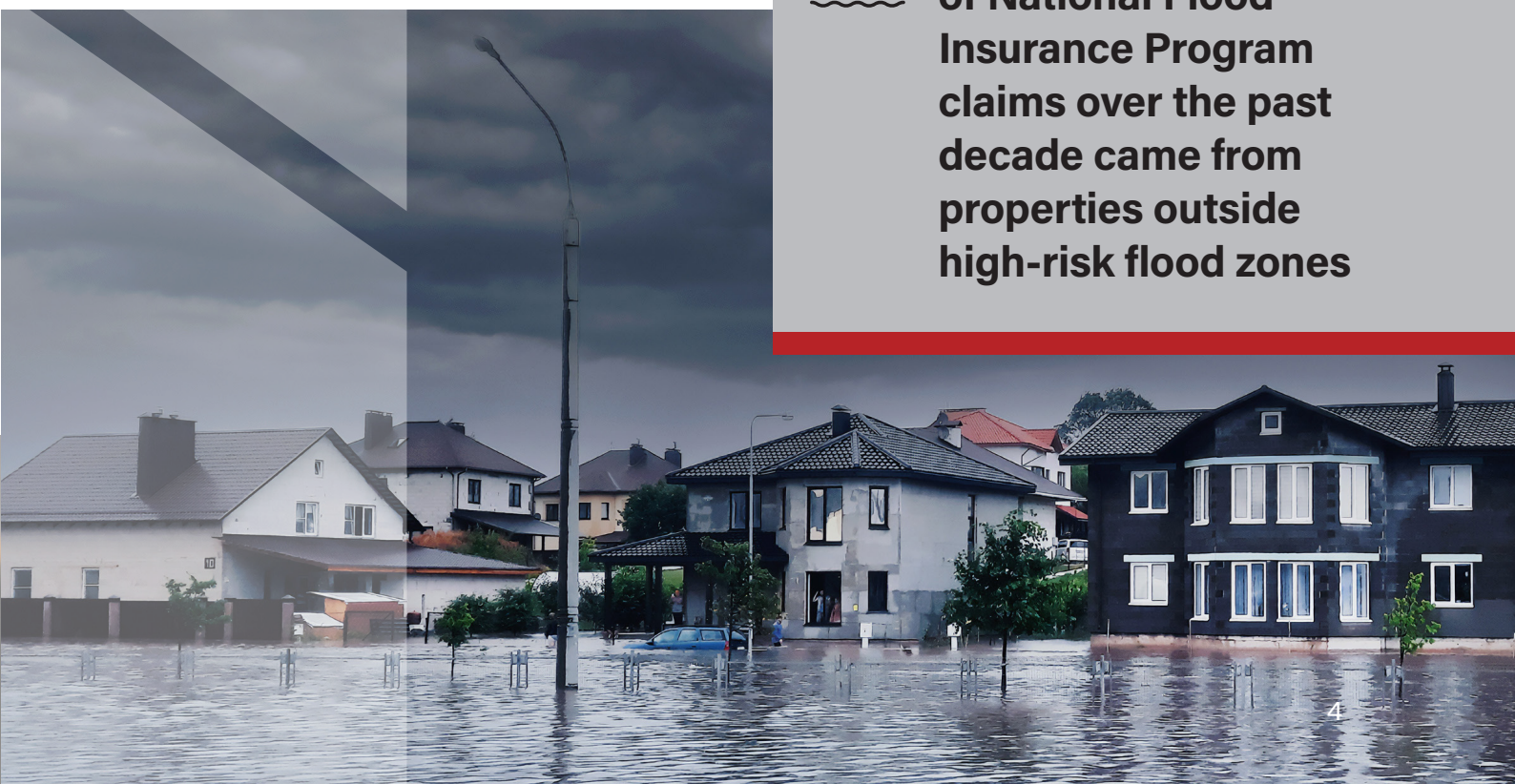
Configurable by Lender

This is available at no additional fee, and lenders can configure how they receive it: when a property is in a zone, when it's in or close to one, always, or never.

The Portfolio Angle

From a portfolio-management standpoint, a property with under-recognized flood exposure is a property with under-recognized loss risk. This can make flood determinations a useful input for broader portfolio risk assessment, particularly in a market where credit stress is already uneven across loan types.

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Bringing It Together:

Limits, Approvals, and Collections

Connecting these tools to today's market comes down to one idea: when eligibility, risk, and opportunity are tightly constrained, incremental insight can have an outsized impact.



Limits and Approvals

FICO® Score Potential and Smart Plans help credit teams identify which borrowers are closest to qualifying thresholds and give them a concrete path to get there, rather than relying on broad eligibility cutoffs that may miss borrowers who are genuinely close.



Risk Visibility

CertMap™'s close-proximity flood data surfaces a category of risk that a strict in-zone/out-zone view could miss, particularly given that nearly a third of nFIP claims come from outside high-risk flood zones.



Collections Strategy

With credit stress varying across loan types and borrower segments, having a clearer picture of both borrower credit trajectory and property-level risk factors can support earlier-stage interventions, segmentation of at-risk borrowers, and more informed prioritization of outreach.

None of these tools change the underlying market. Rates, borrower behavior, and delinquency trends will continue to shift in response to broader economic forces beyond any single lender's control. What these tools can change is how a lender acts within that market: which borrowers to prioritize, which properties carry hidden risk, and which accounts deserve a closer look before a small issue becomes a larger one.



Looking Ahead

As market conditions evolve, it's worth asking whether the tools and processes you rely on are keeping pace with the market in front of you.

The market continues to favor a sharper focus over broad strategies: identifying near-threshold borrowers, improving visibility into property-level risk, and monitoring a portfolio where performance can vary meaningfully by loan type.

CIC Credit works with lenders to put that focus to work through tools like the FICO® Score Mortgage Simulator and ServiceLink's CertMap™ enhancement, as well as the broader range of credit, verification, and flood determination products built for the mortgage lifecycle. If your team is reassessing its approach to limits, approvals, or collections, we'd welcome the conversation.



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