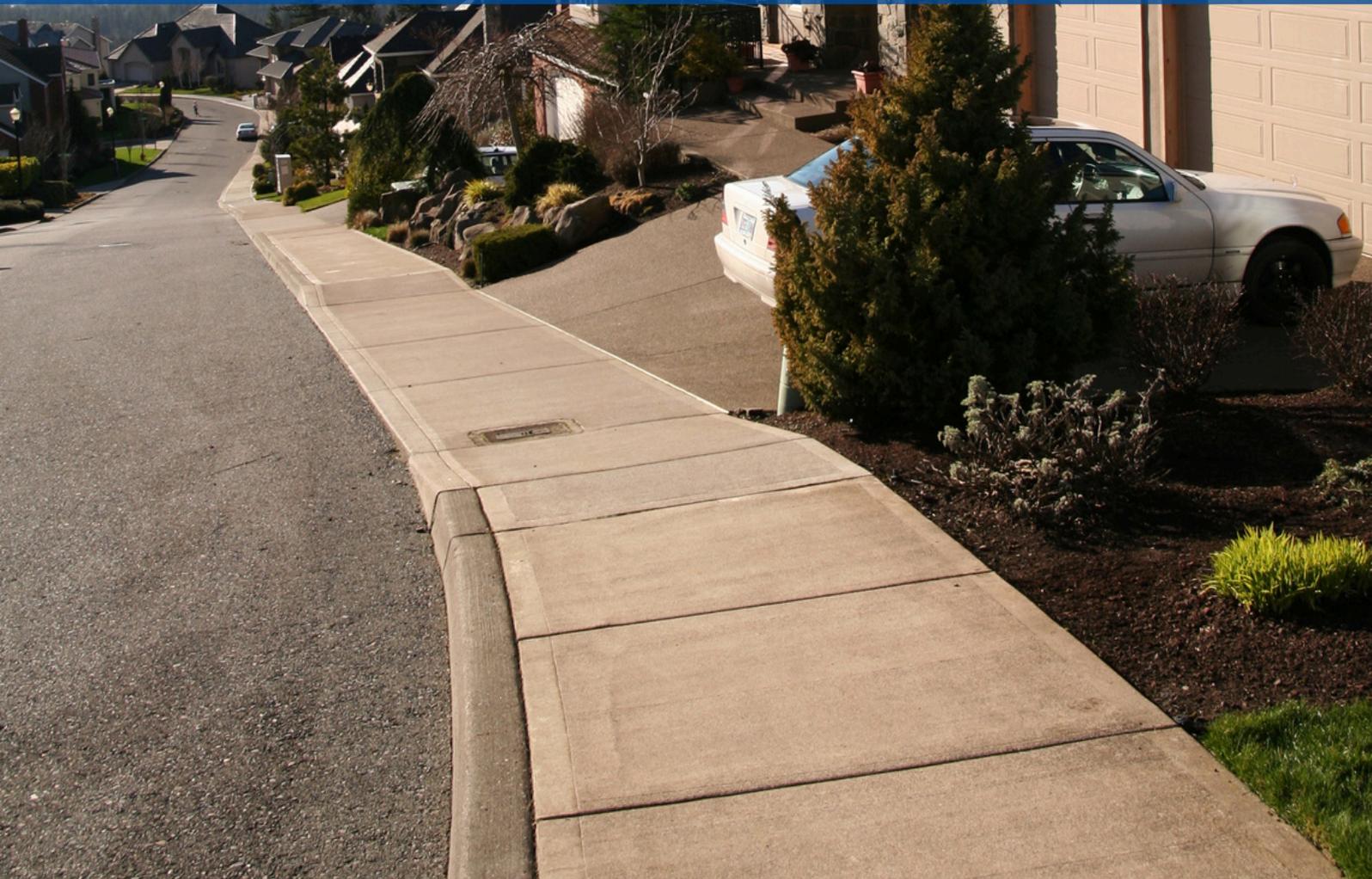




A Volatile Market: Housing Shows Signs of Stress





A Volatile Market: Housing Shows Signs of Stress

Michael Umscheid, ARCSys President and CEO

The U.S. housing market is showing signs of instability in some markets with interest rates staying high, inventory increasing in more and more cities, price pressures from more sellers than buyers, and increasing prices (PPI and CPI) raising concerns for financial institutions that rely on accurate property valuations to assess portfolio risk.

The Crumbling Foundations: A National View

The U.S. housing market is experiencing a significant shift away from the seller-driven environment of previous years. This is compounded by an increase in homes for sale in some regions above historic averages, which creates downward pressure on prices and signals oversupply. Furthermore, data from June 2025 shows rising foreclosure rates, signaling a potential wave of defaults and additional homes hitting the market at distressed prices that could impact financial institutions nationwide. The challenges faced by several key markets highlight these trends.

The Great Imbalance: More Sellers Than Buyers

The housing market has reached a critical turning point with a historic imbalance of nearly **500,000 more sellers than buyers** across the country. This surplus is a strong indicator of a cooling market and is likely to cause home prices to fall. It has already **shifted 31 of the 50 most populous metro areas** into a buyer's market, signaling that buyers now have more negotiating power. This fundamental shift at the national level serves as a crucial warning for lenders and financial institutions about the changing dynamics of collateral value.



Current Worse Case State Analysis: Examples of Instability

The following states lead the country in either foreclosures or the number of homes for sale. The national trends are clearly visible in key state-level data that are currently showing the most stress. The challenges faced by these markets serve as specific examples of the broader instability. The top 25 states by foreclosure rates are as follows:

U.S. Foreclosure Rates by State:

RANK	STATE	FORECLOSURE RATE (1 IN EVERY X HU)	TOTAL FORECLOSURE FILINGS	% CHANGE FROM MAY 2025	% CHANGE FROM JUNE 2024
1	South Carolina	2,426	990	27.74	40.23
2	Nevada	2,615	500	5.04	42.45
3	Florida	2,716	3,712	-6.64	19.86
4	Illinois	2,766	1,968	-3.53	10.25
5	Delaware	3,074	149	-24.75	246.51
6	Connecticut	3,600	425	-16.01	2.66
7	Iowa	3,641	392	-9.05	41.52
8	North Carolina	3,753	1,283	9.75	62.20
9	New Jersey	3,818	989	-16.47	-19.92
10	Ohio	3,856	1,367	-14.51	-2.91
11	Indiana	3,907	756	-23.64	15.42
12	Texas	3,961	3,002	-15.13	23.54
13	California	4,019	3,616	-12.55	0.42
14	Utah	4,044	295	-13.49	35.32
15	Maryland	4,153	613	2.34	-15.56
16	Arizona	4,201	748	-5.20	66.22
17	Alabama	4,234	547	2.82	68.83
18	Louisiana	4,282	489	6.30	6.30
19	New York	4,613	1,851	-4.44	10.31
20	Pennsylvania	4,691	1,232	3.18	3.27
21	Alaska	4,832	66	6.45	214.29
22	Hawaii	4,955	114	-21.38	111.11
23	Michigan	4,973	925	-21.88	40.79
24	Minnesota	5,090	495	10.74	44.31
25	Georgia	5,226	858	-7.44	13.19



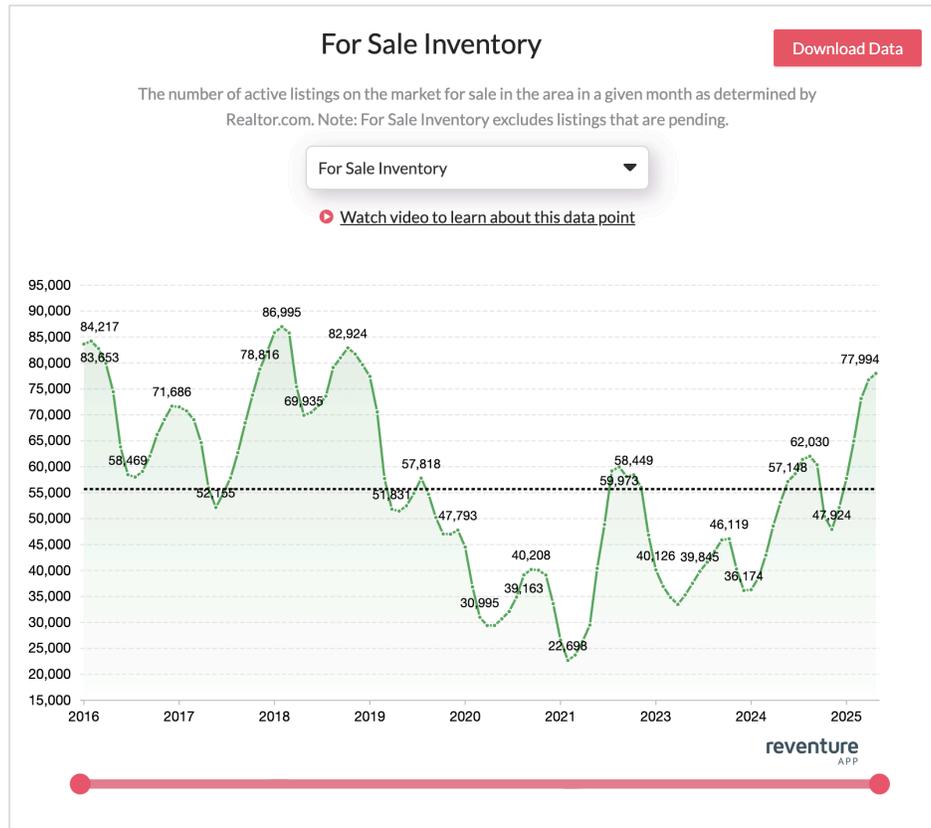
States at Highest Risk For Valuation Issues:

State	Number of Homes For sale	Home Value Growth (YoY)	Overvalued %	Home Price to Income Ratio	Price Cut % (NUMBER OF HOMES SOLD WITH A PRICE CUT)	STATE POPULATION
Florida	174,584	-4.30%	16.90%	5	26.30%	22,610,726
Texas	140,980	-2.10%	16.10%	3.9	31.10%	30,503,301
California	77,994	-0.50%	13.00%	7.9	25.20%	38,965,193
Georgia	48,667	-1.70%	24.80%	4.3	31.70%	11,029,227
North Carolina	42,574	-0.50%	18.40%	4.6	28.50%	10,835,491
New York	38,489	4.60%	15.40%	5.9	12.10%	19,571,216
Tennessee	33,046	0.00%	25.10%	4.7	31.10%	7,126,489
Colorado	32,276	-1.50%	15.00%	5.7	35.20%	5,877,610
Arizona	29,089	-2.70%	16.50%	5.3	34.00%	7,431,344



California

Yearly Monthly Share  



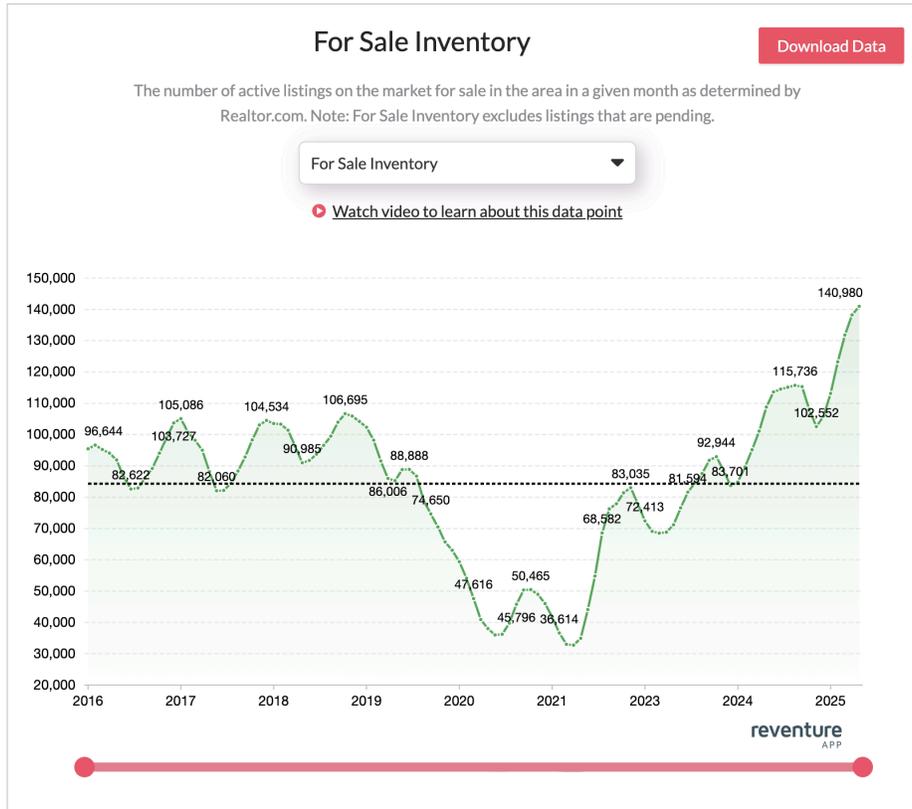
California: Volatile Inventory, Rising Risk

California has **77,994 homes for sale**, with home values **down 0.50%** year-over-year. The state is considered **13%** overvalued, and **25.20%** of homes sold had a price cut. The state ranks **13th in the nation for foreclosure rate**. For context, California has seen a housing price bubble in both the previous recession in 2008 and after COVID in 2022 to 2024. Historical losses may be representative of future losses assuming LTV's are consistently applied.



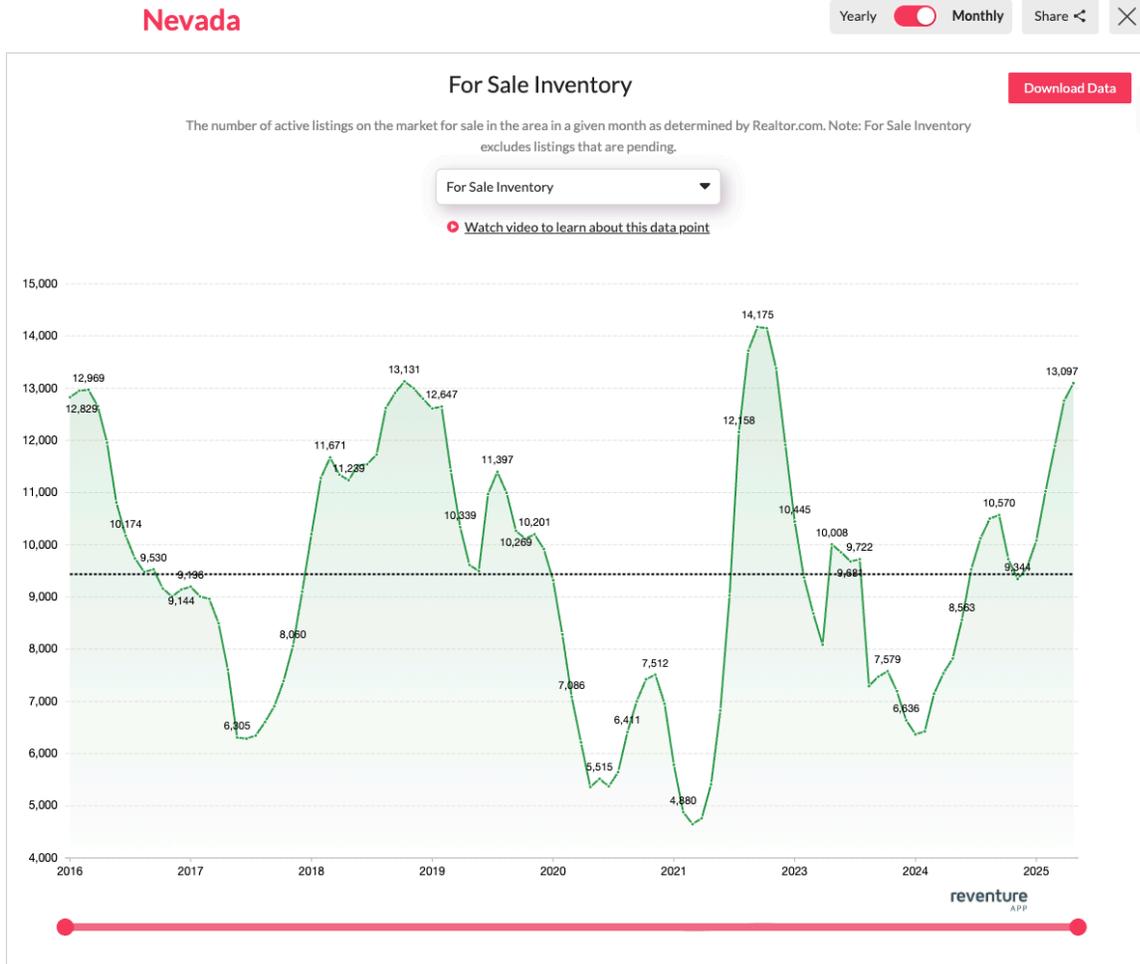
Texas

Yearly Monthly Share  



Texas: Inventory Surge Signals Oversupply Concerns

Texas has **140,980 homes for sale**, with home values **down 2.10%** year-over-year. The state is considered **16.10%** overvalued, and **31.10%** of homes sold had a price cut. The state ranks **12th in the nation for foreclosure rate**. For context, Texas did not see a housing price bubble in the previous recession in 2008, however, after COVID in 2022 to 2024 Texas saw a significant housing price bubble occur. Therefore, Texas has not seen a substantial decrease in housing prices and loss history may need to be adjusted to reflect additional risks.



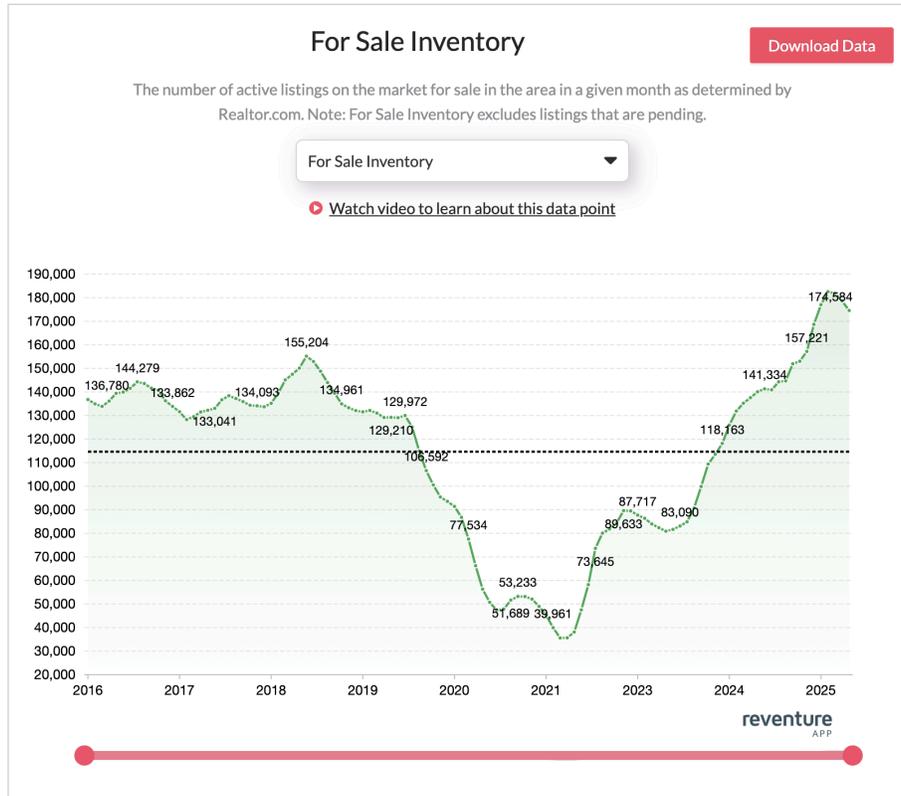
Nevada: Market Cooldown After Rapid Growth

Nevada has **13,097 active listings** and a median home price of **\$485,000**. The data reinforces this instability, with Nevada ranking **2nd in the nation for foreclosure rate**. For context, Nevada has seen a housing price bubble in both the previous recession in 2008 and after COVID in 2022 to 2024. Historical losses may be representative of future losses assuming LTV's are consistently applied.



Florida

Yearly Monthly [Share](#) [X](#)



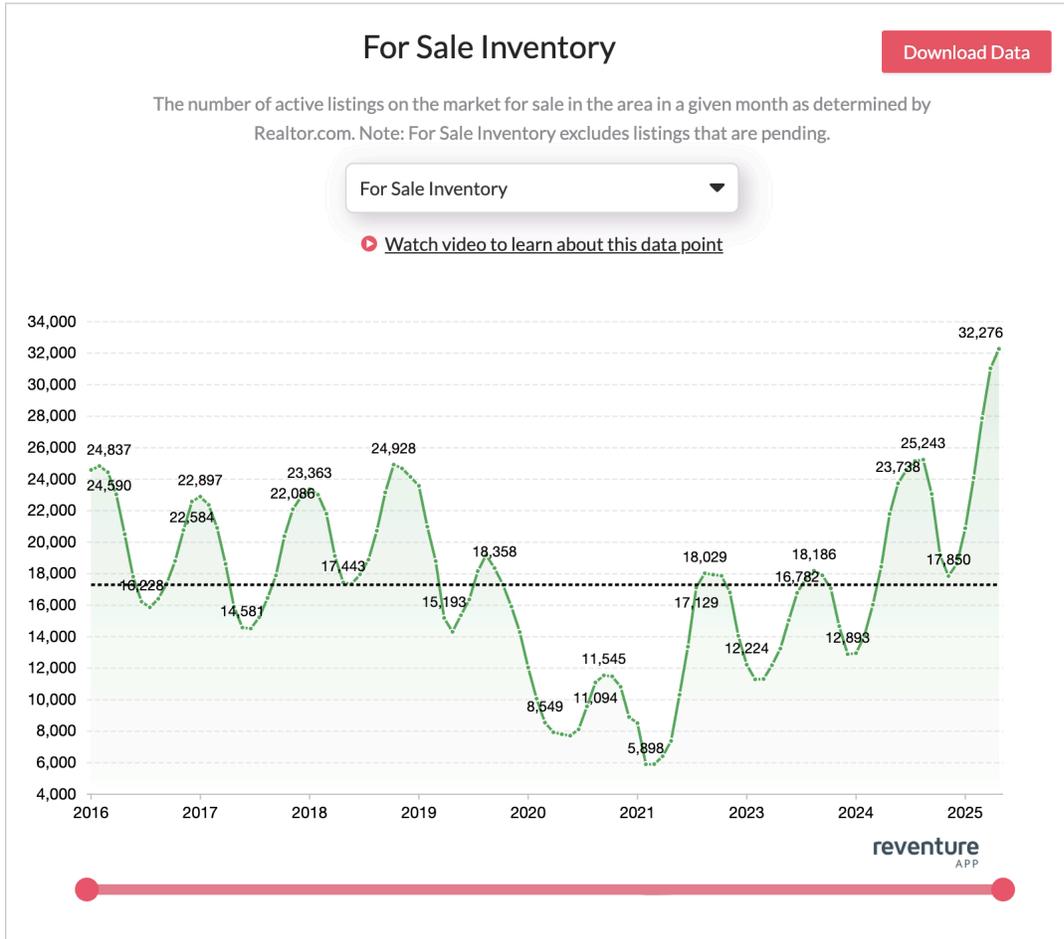
Florida: Storm Clouds on the Horizon

Florida has **174,584 homes for sale**, with home values **down 4.30%** year-over-year. The state is considered **16.90%** overvalued, and **26.30%** of homes sold had a price cut. The state ranks **3rd in the nation for foreclosure rate**. For context, Florida has seen a housing price bubble in both the previous recession in 2008 and after COVID in 2022 to 2024. Historical losses may be representative of future losses assuming LTV's are consistently applied. In addition, Florida is experiencing other cost issues with increasing insurance premiums and increased real estate taxes.



Colorado

Yearly Monthly Share  



Colorado: Listing Surge and Price Pressure

Colorado has **32,276 homes for sale**, with home values **down 1.50%** year-over-year. The state is considered **15.00%** overvalued, and **35.20%** of homes sold had a price cut. For context, Colorado had a similar housing price change during the 2008 recession as Texas and like Texas, never experienced a housing bubble until the prices grew after COVID. Therefore, historical losses may not be representative of future losses.



Arizona

Yearly Monthly

Share <



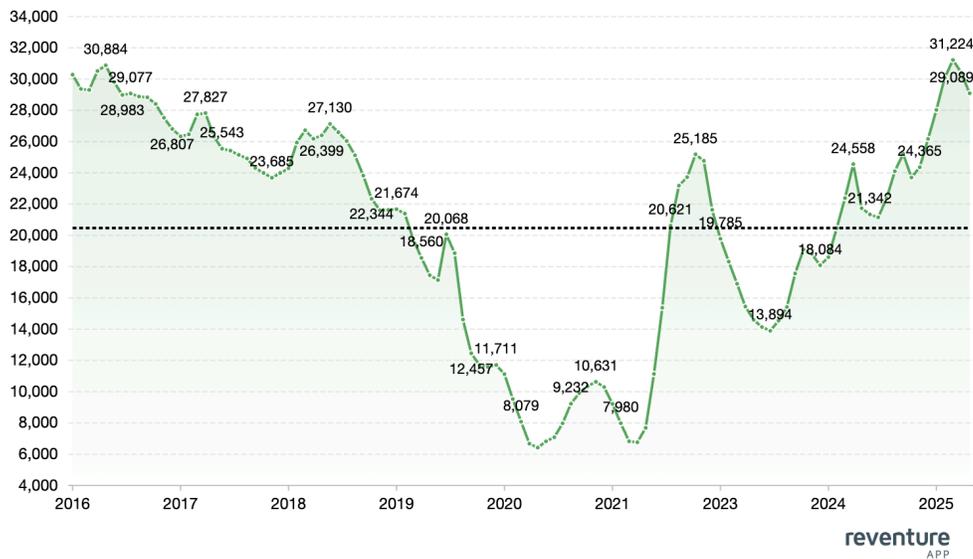
For Sale Inventory

Download Data

The number of active listings on the market for sale in the area in a given month as determined by Realtor.com. Note: For Sale Inventory excludes listings that are pending.

For Sale Inventory

[Watch video to learn about this data point](#)



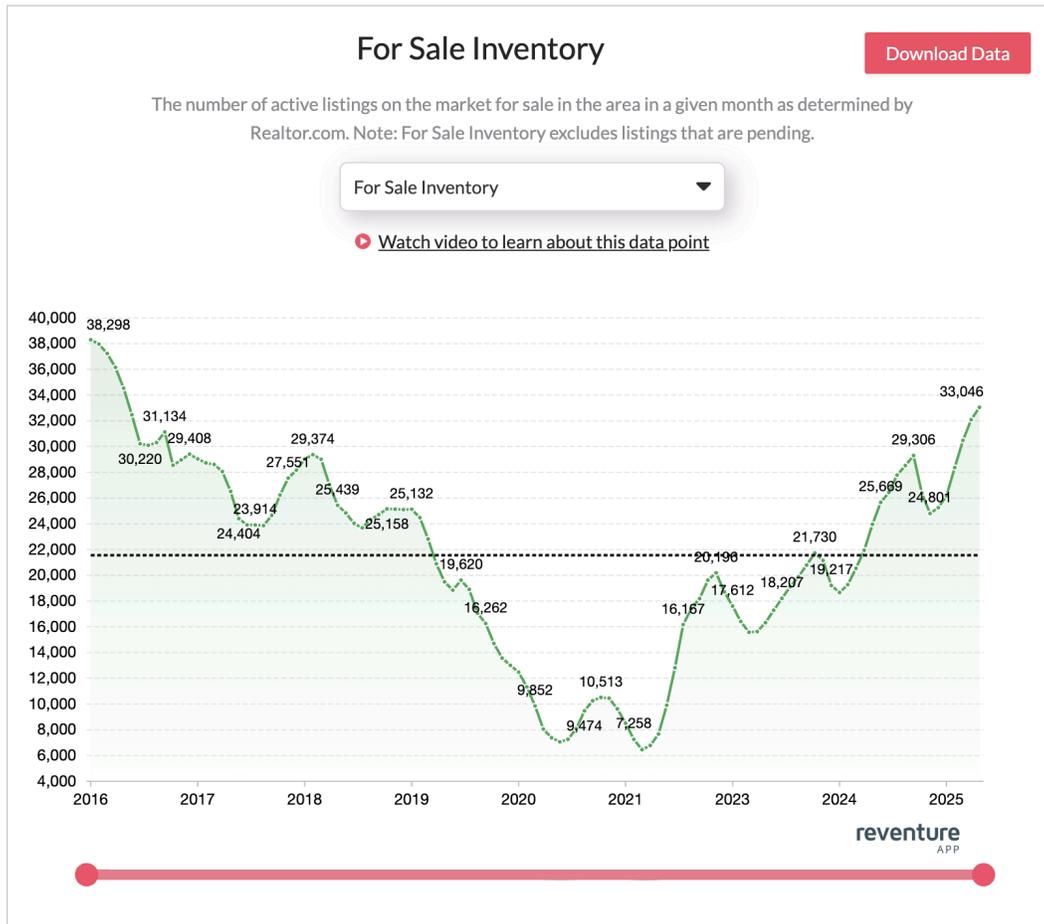
Arizona: Price Drops on the Rise

Arizona has **29,089 homes for sale**, with home values **down 2.70%** year-over-year. The state is considered **16.50%** overvalued, and **34.00%** of homes sold had a price cut. The state ranks **16th in the nation for foreclosure rate**. For context, Arizona has seen a housing price bubble in both the previous recession in 2008 and after COVID in 2022 to 2024. Historical losses may be representative of future losses assuming LTV's are consistently applied.



Tennessee

Yearly Monthly Share



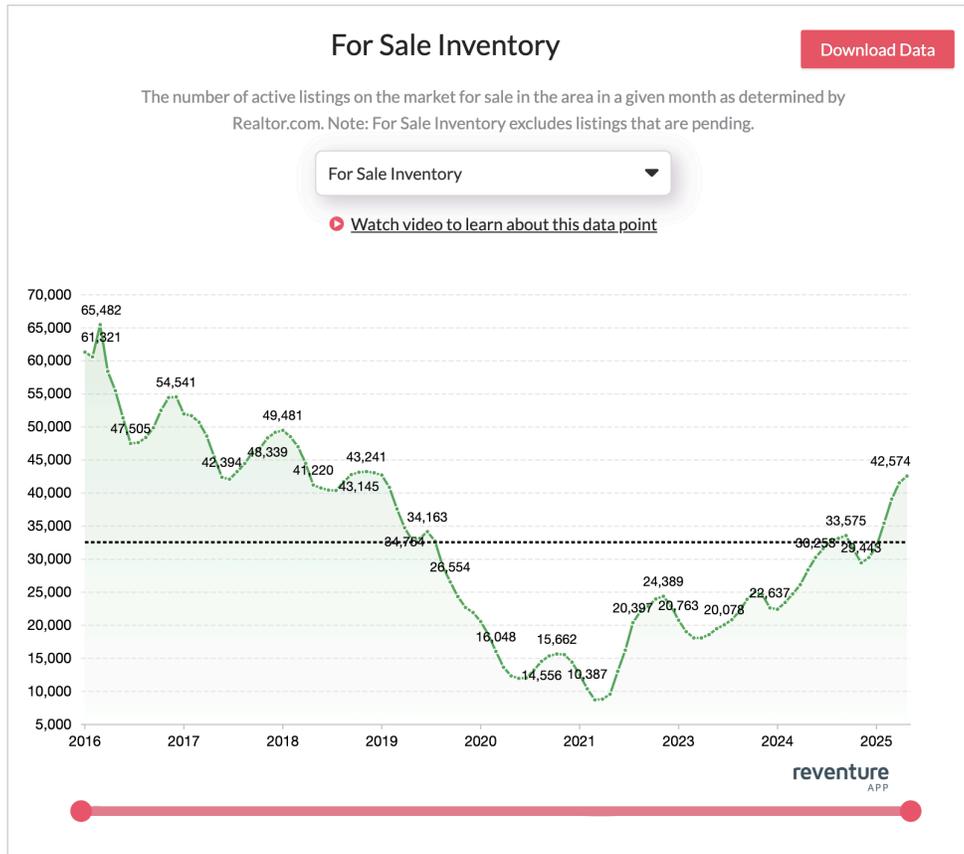
Tennessee: Rapid Inventory Growth

Tennessee has **33,046 homes for sale**, with home values showing **0.00%** year-over-year growth. The state is considered **25.10%** overvalued, and **31.10%** of homes sold had a price cut. For context, Tennessee had a similar housing price change during the 2008 recession as Texas and Colorado and like those states, never experienced a housing bubble until the prices grew after COVID. Therefore, historical losses may not be representative of future losses.



North Carolina

Yearly Monthly Share



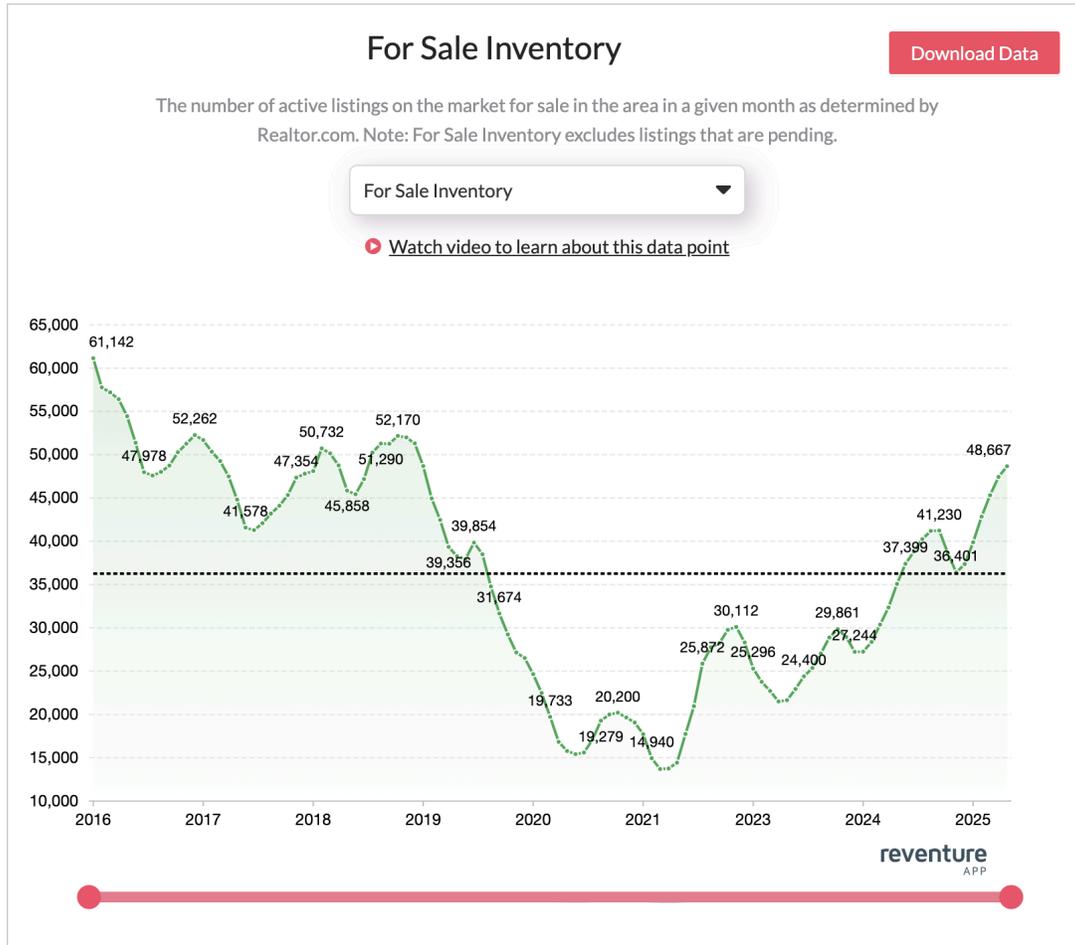
North Carolina: Inventory and Price Slowdown

North Carolina has **42,574 homes for sale**, with home values **down 0.50%** year-over-year. The state is considered **18.40%** overvalued, and **28.50%** of homes sold had a price cut. The state ranks **8th in the nation for foreclosure rate**. For context, North Carolina had a similar housing price change during the 2008 recession as Texas, Colorado, and Arizona and like those states, never experienced a housing bubble until the prices grew after COVID. Therefore, historical losses may not be representative of future losses.



Georgia

Yearly Monthly [Share](#) [X](#)



Georgia: Inventory and Foreclosure Concerns

Georgia has **48,667 homes for sale**, with home values **down 1.70%** year-over-year. The state is considered **24.80%** overvalued, and **31.70%** of homes sold had a price cut. The state ranks **25th in the nation for foreclosure rate**. For context, Georgia was similar to those states that had a housing bubble in 2008 and the loss rates may be representative of future losses if LTV's are consistent.



What You Should Do Right NOW:

We strongly recommend all clients take stock of current LTV's and stay informed about changes in the real estate local environment. Right now, not every state or city is experiencing the same issues. However, the switch to a buyer's market has changed the playing field and should concern lenders about future housing prices. List of things to do:

- **Review your data** to make sure you can track collateral values and loan to values of all real estate loans.
- **Prepare an LTV analysis** through time and look at weighted average or average LTV's of each pool. Monitor changes at least quarterly, along with the changes in HPI, for your local environments.
- Consider having an **Automated Valuation analysis** prepared. ARCSys has already had two clients where the examiners have requested the client perform an AVM Analysis.

How ARCSys AVM Protects Your Portfolio

Our **Automated Valuation Modeling (AVM)** system is built to give financial institutions the clarity and confidence they need—even when housing markets are volatile. ARCSys delivers **real-time, data-driven valuations** as a faster, more accurate, and cost-effective alternative to traditional appraisals.

By integrating ARCSys AVM into your CECL and risk modeling workflow, your institution gains:

- **Real-Time Accuracy:** AVM continuously ingests market and property data, ensuring valuations reflect current conditions rather than outdated figures.
- **Scalable Efficiency:** The automated system processes thousands of loans quickly, minimizing delays inherent in manual appraisal processes.
- **Regulatory Confidence:** Our transparent methodologies support defensible valuation outcomes, easing CECL compliance and audit readiness.
- **Portfolio Insight:** AVM lets you dissect risk at the property-level, enabling proactive identification of vulnerable segments within your portfolio.

At ARCSys, we know that **housing market uncertainty translates directly into credit risk.** Implementing our AVM allows you to:

- **Improve credit loss forecasting** using accurate, current collateral values.
- **Ensure defensible regulatory compliance** with audit-trail clarity and methodological transparency.
- **Actively manage portfolio risk** by spotting weak links before downturns escalate.

The housing market may be unstable—but your valuations don't have to be.

Alongside our Automated Valuation Modeling, ARCSys offers a full range of services to strengthen your institution's risk management, including **benchmarking, sensitivity analysis, backtesting, commercial concentration risk assessments, training, and ongoing expert support.**

We are dedicated to helping financial institutions **navigate model risk and feel confident in their models.**