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Client Alert: Tampa Bay and Florida's Foreclosure Wave: What It Means for Regional Lenders' Commercial Portfolios

Florida leads the nation in foreclosure activity, and Tampa Bay is one of the regions sitting at the epicenter. The data is unambiguous: foreclosure filings are surging, timelines are compressing, and the structural forces driving distress, including insurance cost escalation, elevated interest rates, and softening property values, show no signs of near-term reversal.

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While published foreclosure statistics predominantly capture residential filings, regional lenders with commercial real estate exposure should recognize that these numbers are a leading indicator of broader market stress. The same economic headwinds compressing residential borrowers are equally capable of impairing commercial property net operating income (NOI), stressing debt service coverage, and eroding collateral values. And critically, the same legal framework—Florida's judicial foreclosure process, its five-year statute of limitations under Fla. Stat. § 95.11(2)(c), and its court capacity constraints—governs commercial mortgage enforcement.

This article outlines the critical legal timing issues lenders must understand, early intervention strategies, the remedial toolkit available beyond judicial foreclosure, and the concrete steps institutions should take now, before default volumes overwhelm internal capacity.

What Is Driving the Foreclosure Surge

Florida leads the nation in foreclosure activity. Three converging dynamics explain the surge:

Insurance cost escalation. Florida's property insurance crisis is a frontline driver of both residential and

commercial distress. Cumulative statewide premium increases directly erode commercial property NOI by inflating operating expenses without corresponding revenue growth. For commercial borrowers, replacement cost policies, wind and flood coverage, and general liability premiums have all risen sharply, compressing debt service coverage ratios.

The rate environment. Commercial borrowers facing balloon maturities or adjustable-rate resets are absorbing significantly higher debt service, in many cases doubling the rate locked during 2020-2022 origination. Properties that underwrote at 3-4 percent fixed rates now face refinancing at 6.4-7.0 percent, often without proportional NOI growth to support the increased carry. The result is a growing population of performing but stressed loans that may tip into default if occupancy, rents, or valuations soften further.

Market normalization and valuation softening. Tampa's residential market saw the highest rate of canceled pending home sales among major U.S. metros in September 2025, a leading indicator of buyer retreat and price resistance. The parallel for commercial assets is direct: cap rate expansion, higher vacancy, and reduced buyer pools are translating into lower collateral coverage for lenders.

LENDER ACTION BRIEF

Key Concept

Residential foreclosure filing data is a leading indicator for commercial real estate distress. The same structural forces driving residential defaults—insurance cost escalation, elevated debt service costs, and softening valuations—are compressing NOI and eroding collateral coverage across commercial real estate (CRE) asset classes in the Tampa Bay region.

Next Steps

- Run a portfolio-wide geographic concentration analysis to quantify exposure to Hillsborough, Pinellas, and surrounding counties where foreclosure rates are some of the highest in the nation.
- Stress test commercial loan debt service coverage ratio (DSCR) projections against current insurance premiums and current debt service assumptions at 6.4-7.0 percent refinancing rates.
- Cross reference borrower insurance records for nonrenewal, lapse, or premium increases exceeding 20 percent year over year (YoY)—a direct signal of carrying cost pressure that may precede default.
- Monitor collateral valuations against the Tampa market's inflated contract cancellation rate and rising days-on-market as indicators of softening exit values.

The Five-Year Statute of Limitations: A Ticking Clock

Under Fla. Stat. § 95.11(2)(c), an action to foreclose a mortgage must be commenced within five years. For installment obligations, each missed payment generally creates a separate default and a new five-year window. However, when a lender exercises an acceleration clause, the entire balance becomes due, and the five-year clock begins running from the acceleration date.

The practical implications for commercial portfolio management are significant:

- **Dismissal resets.** An involuntary dismissal of a foreclosure action returns the parties to their pre-acceleration status, and a new default occurring after that dismissal creates a fresh five-year period. This is a critical safety valve for lenders whose earlier actions were dismissed, but only if a new default is properly documented.
- **Stale installment risk.** Even where the foreclosure action itself is timely, installments that fell due more

than five years before filing may be unrecoverable. Depending on the jurisdiction in which the foreclosure action is pending, Florida's statute of limitations can bar recovery of individual installments that are time-barred, even if the overarching foreclosure claim survives. For commercial loans with large periodic installments, this can represent hundreds of thousands of dollars in lost recovery.

- **Deficiency limitations.** Separately, Florida imposes a one-year statute of limitations (SOL) on deficiency judgment actions following a foreclosure sale. For commercial loans where collateral value has deteriorated, this truncated window adds urgency to post-sale collection strategy. Accordingly, guarantor pursuit, receivership proceeds, and cross-collateralization enforcement must be teed up before sale, not after.

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Key Concept
Florida's five-year SOL on mortgage foreclosure (Fla. Stat. § 95.11(2)(c)) is an absolute bar, not merely a defense of convenience. For commercial lenders, delay in enforcement caused by internal bottlenecks, extended workout negotiations, or court congestion can permanently extinguish the right to foreclose and limit recoverable amounts. Acceleration elections and case dismissals must be tracked with the same rigor as payment status.

Next Steps
- Immediately audit all delinquent and previously accelerated commercial loans for SOL exposure. Prioritize any file where acceleration occurred more than three years ago without refiling as these are in the danger zone.
- Implement servicing system alerts that flag the four-year anniversary of any acceleration or default date, triggering mandatory legal review of enforcement posture.
- For any loan where a prior foreclosure was dismissed, confirm whether a new default has occurred post-dismissal and document it contemporaneously.

Early Warning Signs: Intervening Before Formal Default

Lenders should not wait until a payment is 90 or 120 days past due to engage. For commercial loans, the following triggers should be built into servicing protocols as early detection mechanisms:

- **Debt Service Coverage Ratio (DSCR)/NOI deterioration:** Quarterly or annual financial reporting that shows DSCR trending below covenant thresholds—even if not yet in technical breach—should prompt proactive outreach. A loan at 1.10x DSCR in a market with rising insurance and softening rents is one tenant departure from nonperformance.
- **Insurance nonrenewal or premium spikes:** Given Florida's insurance environment, any lapse, nonrenewal notice, or year-over-year premium increase exceeding 20–25 percent warrants immediate borrower contact. A property without adequate coverage is both a collateral risk and a potential loan document default.
- **Tenant vacancy and lease rollover risk:** Significant tenant departures or upcoming lease expirations without executed renewals signal potential cash flow disruption. For multi-tenant retail and office assets in Tampa Bay's softening market, this is a primary concern.
- **Tax delinquency or deferred maintenance:** Unpaid property taxes or visible deterioration of collateral suggest borrower liquidity strain and may independently constitute loan document defaults triggering acceleration rights.
- **Borrower entity distress signals:** Guarantor financial deterioration, related entity defaults, Uniform Commercial Code (UCC) filings by other creditors, or corporate restructuring activity at the borrower level.
- **Covenant defaults:** Nonfinancial covenant breaches (failure to provide financials, unauthorized

transfers, changes in property management, or encumbrance of collateral) are often the earliest measurable signal and create immediate legal optionality for the lender.

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Key Concept

For commercial real estate loans, early intervention—well before formal default—is the single most effective tool for preserving recovery options and avoiding SOL exposure. The goal is not merely to detect distress earlier but to create optionality: borrowers contacted at the covenant breach or NOI deterioration stage are far more likely to engage constructively in modifications, forbearance, or consensual resolutions than borrowers who have already stopped communicating.

Next Steps

- Implement automated, quarterly DSCR and NOI monitoring for all CRE loans in the Tampa Bay/Florida portfolio; flag any loan trending below 1.20x for immediate asset management outreach.
- Integrate real time insurance data feeds (policy status, premium changes, nonrenewal notices) into the loan servicing platform. Any Florida CRE loan showing a lapse or 20 percent+ premium increase should trigger a collateral risk review within 30 days.
- Establish a cross-functional "watch list" committee (credit, workout, legal, and appraisal) that meets monthly to review loans exhibiting two or more early warning signals simultaneously.

Judicial Foreclosure Versus Alternative Remedies

Florida is a judicial foreclosure state where every foreclosure requires a civil action in circuit court. A typical uncontested case runs roughly eight-14 months from default to sale, though contested or complex cases run considerably longer.

From the perspective of counsel advising commercial lender clients, the remedy selection should be driven by a triage analysis that considers the borrower's posture, collateral dynamics, and recovery economics:

- **Forbearance or modification** is appropriate where the borrower is cooperative, the asset is performing or near performing, and the default is driven by a temporary condition (rate reset shock, insurance spike, lease rollover gap) that a restructured payment schedule or maturity extension can bridge. Forbearance agreements should include clear milestones, enhanced reporting requirements, and pre-negotiated remedies upon breach.
- **Deed-in-lieu of foreclosure** is appropriate where collateral value is declining, the borrower lacks resources or motivation to contest, and the lender's priority position is clear. A deed-in-lieu can transfer title in weeks rather than months and avoids both judicial uncertainty and the reputational cost of protracted litigation.
- **Receivership** is appropriate where the property needs active management during enforcement, where waste or mismanagement is occurring, or where the judicial foreclosure timeline will be extended. A court-appointed receiver preserves collateral value, generates operating income, and provides the court with reliable property reporting.
- **Note sales** are appropriate where internal capacity or risk appetite favors a clean exit or where the enforcement complexity (contested priority, environmental issues, guarantor litigation) makes the loan uneconomical to work out internally. Distressed debt purchasers transfer the enforcement burden entirely and generate immediate liquidity.
- **Judicial foreclosure** should be reserved for cases where alternatives have been exhausted, the borrower is uncooperative or has engaged in bad acts (waste, diversion, fraud), collateral is at risk, or a

deficiency judgment is strategically important to the lender's overall recovery.

Note that under federal servicing rules, such as requiring servicers to wait until a borrower is more than 120 days delinquent and offer loss mitigation options prior to initiating foreclosure actions, apply to residential properties, not CRE. However, for all foreclosure actions, the plaintiff must certify possession of the original promissory note or file a lost note affidavit with a clear chain of endorsements before proceeding—a procedural requirement that should be confirmed well in advance of filing.

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Judicial foreclosure is not the default remedy but rather should be the remedy of last resort. In Florida's current environment of rising filings and historically constrained court capacity, lenders who reflexively litigate every default will face longer timelines, higher costs, and deteriorating collateral. A deliberate triage framework that matches the enforcement tool to the borrower's posture, collateral condition, and recovery economics will consistently outperform a one-size-fits-all litigation approach.

Next Steps

- Develop and formalize a written decision matrix for your workout team: when to offer forbearance/modification, when to pursue deed-in-lieu, when receivership is appropriate, and when judicial foreclosure is the only viable path. Tie the criteria to objective metrics (borrower responsiveness, Loan-to-Value Ratio (LTVR), collateral condition, guarantor capacity).
- For loans where judicial foreclosure is initiated, consider contemporaneously petitioning for appointment of a receiver to preserve collateral value and generate operating income during the eight-14+ month judicial timeline.
- Evaluate note sale opportunities for non-strategic or sub-performing loans before filing suit. In today's market, distressed debt purchasers are actively bidding on Florida commercial paper, and a clean sale avoids 12+ months of litigation carrying cost.
- Engage local foreclosure counsel early—before formal default—so that procedural strategy is addressed proactively.

What Lenders Should Be Doing Now

Institutions with Florida commercial real estate exposure should take the following steps immediately:

- **Audit SOL exposure.** Review every delinquent or previously accelerated loan for SOL compliance. Identify any files where acceleration occurred more than three years ago and no refiling has been made as these demand immediate legal attention and strategic decision making.
- **Scale workout capacity before volume peaks.** If current trends continue, internal special assets and workout teams will be overwhelmed within 12-18 months. Invest now in staffing, technology, and triage protocols that prioritize the highest-risk, highest-exposure loans.
- **Integrate insurance and appraisal data into credit monitoring.** Florida's insurance environment is a leading indicator of borrower distress. Build automated alerts for insurance nonrenewal, premium spikes, and lapse notifications. Pair these with updated appraisal and valuation data to maintain accurate LTVR and collateral coverage metrics across the portfolio.
- **Engage local foreclosure counsel early.** Practice varies materially between Florida circuits. Various Florida counties have distinct procedural expectations, mediation requirements, and case management practices. Counsel familiar with local judicial preferences can meaningfully affect timelines and outcomes and should be engaged before formal default, not after.
- **Document acceleration and deceleration decisions rigorously.** Given the unsettled state of deceleration

law in Florida, every decision to accelerate should be documented with contemporaneous written notices to the borrower (if required by the loan documents), reviewed by counsel, and logged in the servicing system with precision. The cost of poor documentation is permanent loss of enforcement rights.

- **Develop a tiered enforcement playbook.** Not every default warrants immediate judicial foreclosure. Establish clear criteria—driven by objective metrics including borrower responsiveness, LTVR, collateral condition, guarantor capacity, and recovery economics—for when each tool (forbearance, modification, receivership, deed-in-lieu, note sale, or litigation) is the appropriate first response, and empower workout officers to move quickly within those guidelines.

LENDER ACTION BRIEF

Key Concept

The institutions that emerge from this cycle with the strongest portfolios will be those that invested in capacity and process before volume peaked. Reactive responses, such as hiring workout staff after defaults surge, engaging counsel after SOL periods are threatened, and updating valuations after collateral has deteriorated, consistently produce worse outcomes. The window for proactive preparation is now, while filing volumes are rising but have not yet reached crisis-era levels.

Next Steps

- Within the next 90 days, complete a portfolio-wide readiness assessment: SOL exposure audit, workout team capacity gap analysis, insurance/appraisal data integration status, and local counsel engagement for the Florida jurisdictions where you hold CRE exposure.
- Budget for an increase in special assets and workout staffing (or outside counsel spend) over the next 12-18 months to match projected filing growth trajectories.
- Establish or refresh a formal tiered enforcement playbook with board or senior management approval, ensuring workout officers have pre-authorized decision-making parameters for forbearance, modification, deed-in-lieu, receivership, and note sale remedies.

Conclusion

Tampa Bay and Florida's foreclosure surge is not merely a residential housing story. It is a market-wide stress signal driven by structural cost increases—particularly insurance and interest rates—that are equally capable of impairing CRE performance. The legal framework governing enforcement is complex, time sensitive, and unforgiving of delay. Regional lenders that treat today's filing statistics as an early warning, build proactive monitoring and triage systems, and invest in workout capacity and local legal relationships now, rather than reactively after defaults surge, will be far better positioned to protect their portfolios. The time to act is before the wave crests, not after.

If you have questions or would like more information, please contact Elizabeth Brusa.

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