# Identifying Issues in the Subprime Mortgage Market: Oregon

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# Overview of Presentation

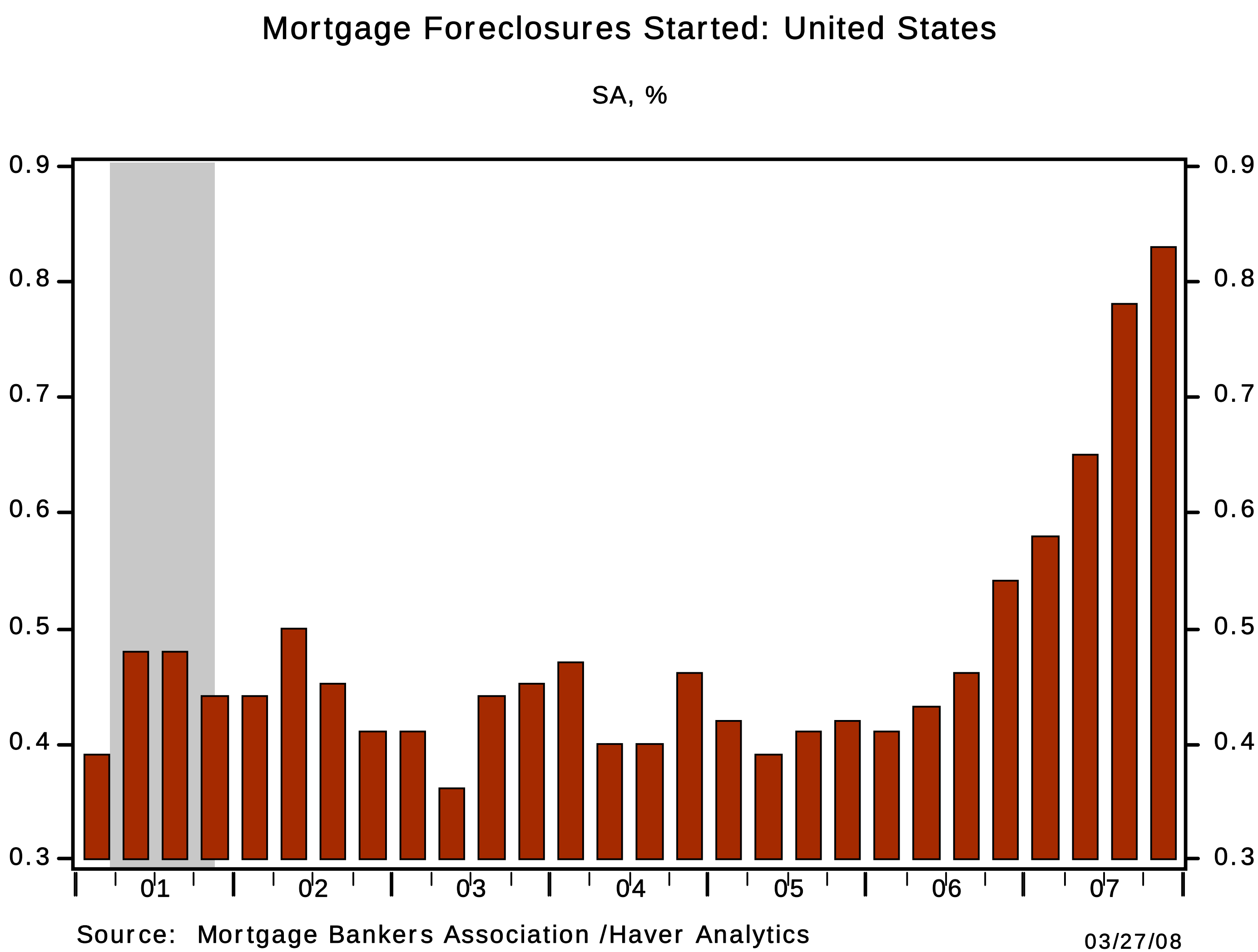
- What are current trends in delinquencies and foreclosures?
  - Mortgage Bankers Association data on delinquencies and foreclosures
- What are the primary drivers of foreclosures?
  - Declining house values
  - Declines in underwriting standards
    - First American Loan Performance data on subprime loans
  - Impending resets may trigger further borrower distress and increased rates of delinquency
- What is happening in Oregon?

# Data Caveats

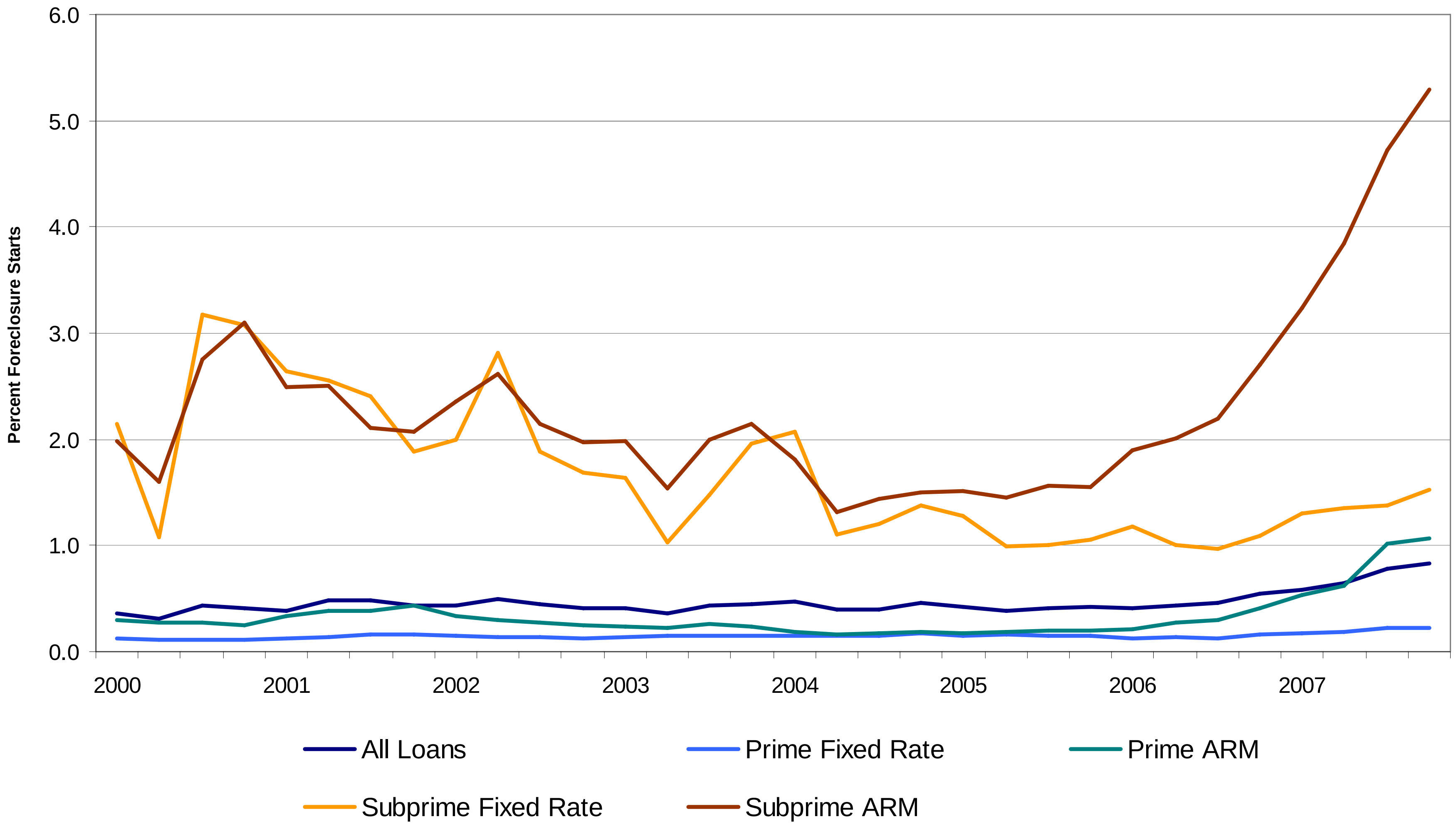
- Data on the real estate and mortgage markets are collected by many different sources, some proprietary and some public
- As a result, it is important to consider the limitations of data presented
  - Different definitions of subprime may affect the reporting of rates of delinquencies and foreclosures
  - Different methodologies and different sampling methods may affect the reports
  - Median property values are influenced significantly by the characteristics of the homes sold
  - Aggregated data at the zip code level can mask significant geographic variation and the types of borrowers affected

# Trends in Delinquencies and Foreclosures

# Significant Increase in National Foreclosure Starts

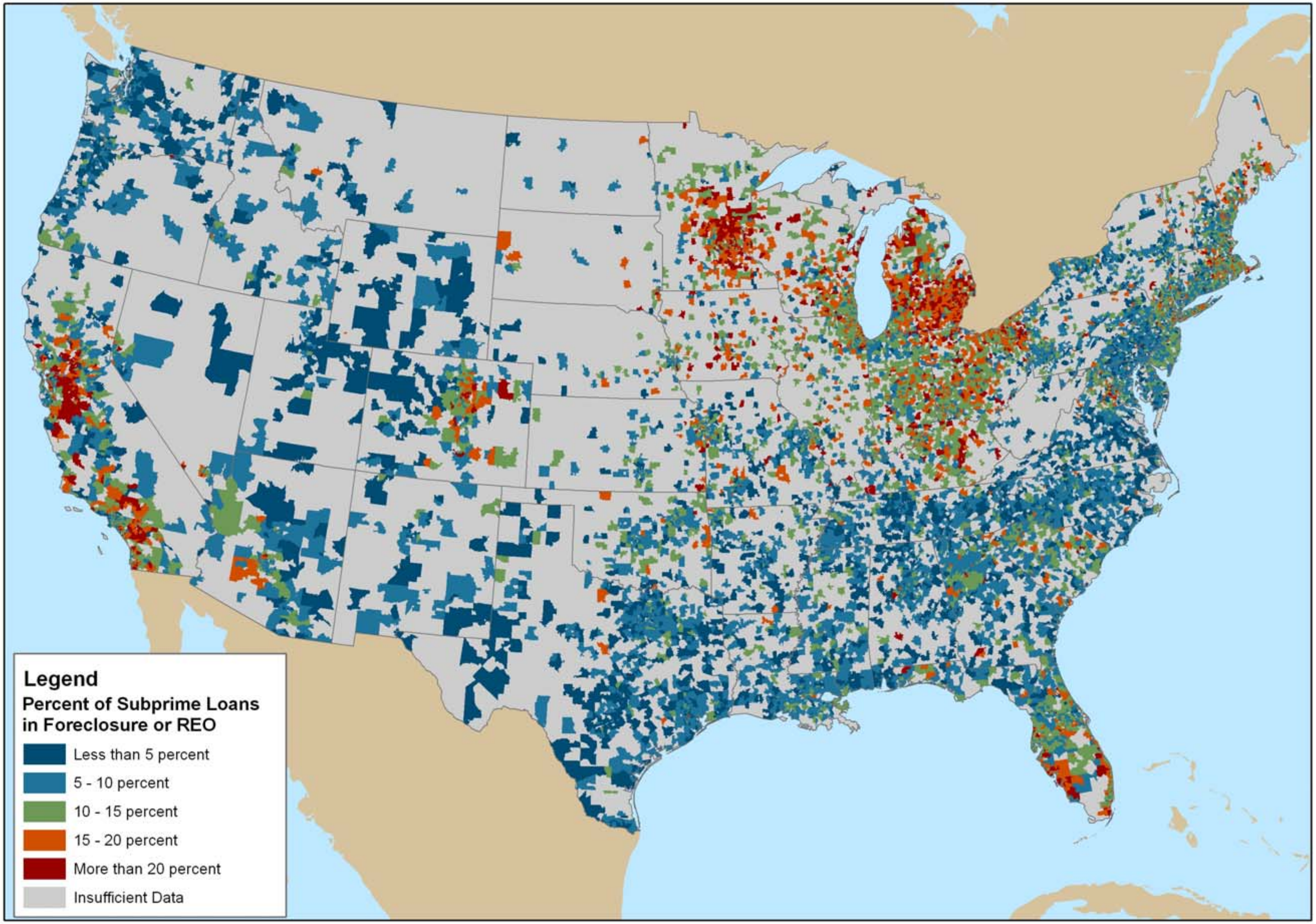


# Foreclosures Concentrated in Subprime Market



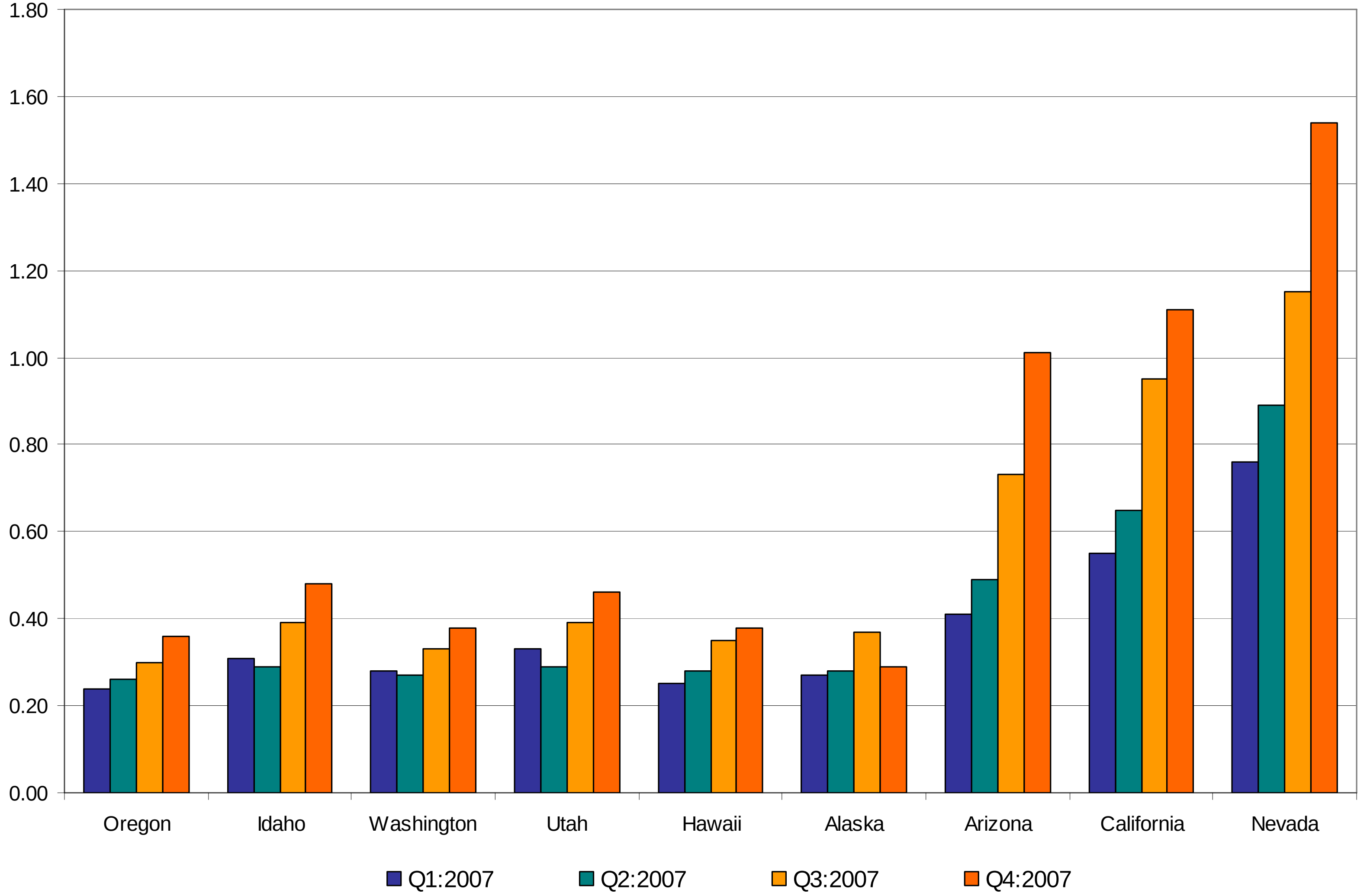

Source: Mortgage Bankers Association, National Delinquency Survey, 4th Quarter 2007

# Foreclosure Rates Among Subprime Loans




Source: Analysis by Federal Reserve Board of Governors, First American LoanPerformance Data, December 2007. Data represent a sample of subprime loans, approximating 70 percent of subprime loan volume. Data aggregated at the zip code level.

# Oregon has seen a recent increase in foreclosure starts, but rates remain low




Source: Mortgage Bankers Association, National Delinquency Survey, 4th Quarter 2007.

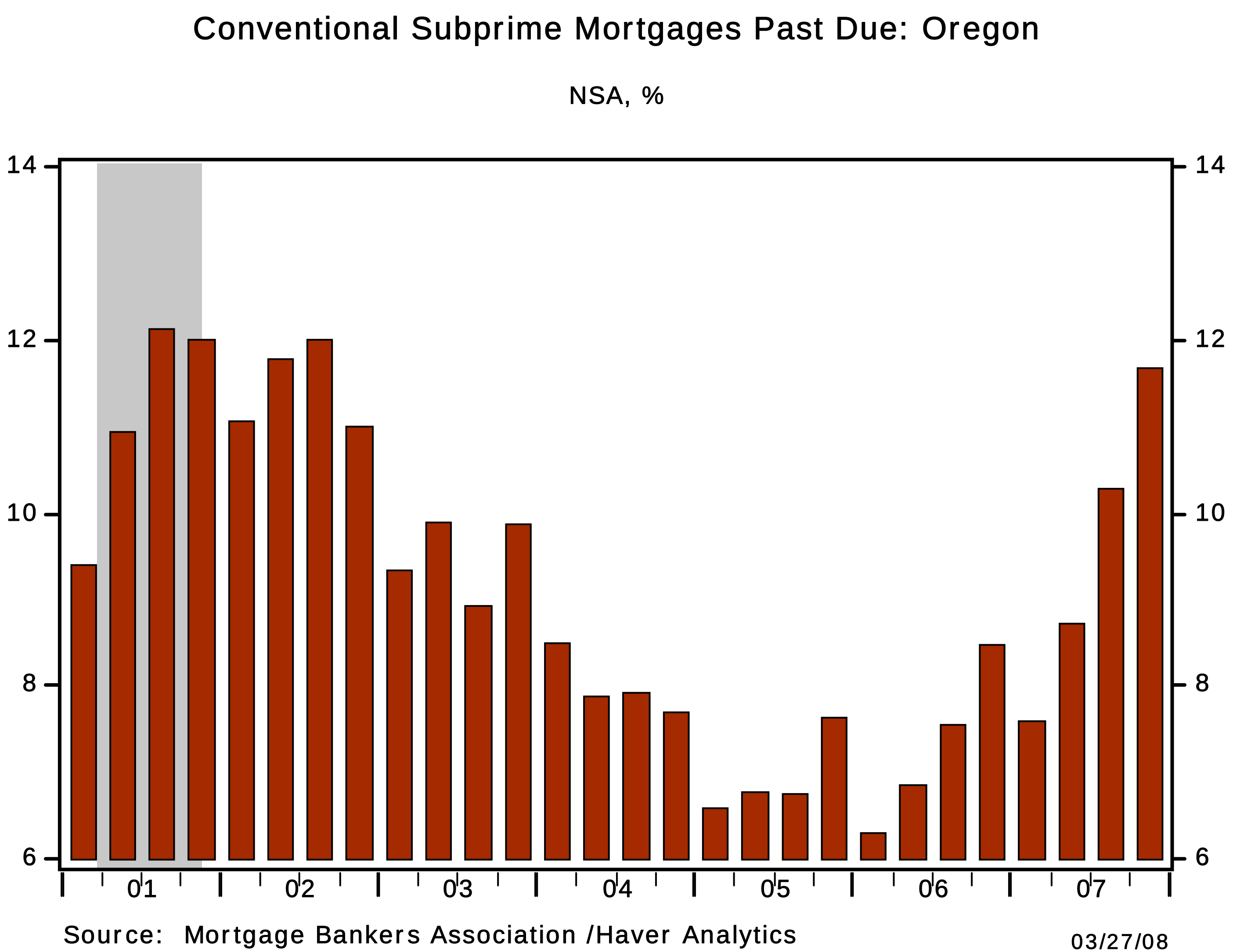
# Delinquency Rates Vary Significantly by Mortgage Type

**Oregon: Delinquency and Foreclosure Rates, 4th Qtr 2007**

| Mortgage Type | Percent Past Due | Foreclosures Started |
|---|---:|---:|
| Prime Fixed | 1.40 | 0.08 |
| Prime ARM | 3.32 | 0.50 |
| Subprime Fixed | 8.76 | 1.07 |
| Subprime ARM | 14.08 | 2.99 |
| FHA | 7.21 | 0.44 |

Source: Mortgage Bankers Association, National Delinquency Survey, 4th Quarter 2007

# Subprime Market in Oregon Shows Rising Rates of Delinquencies

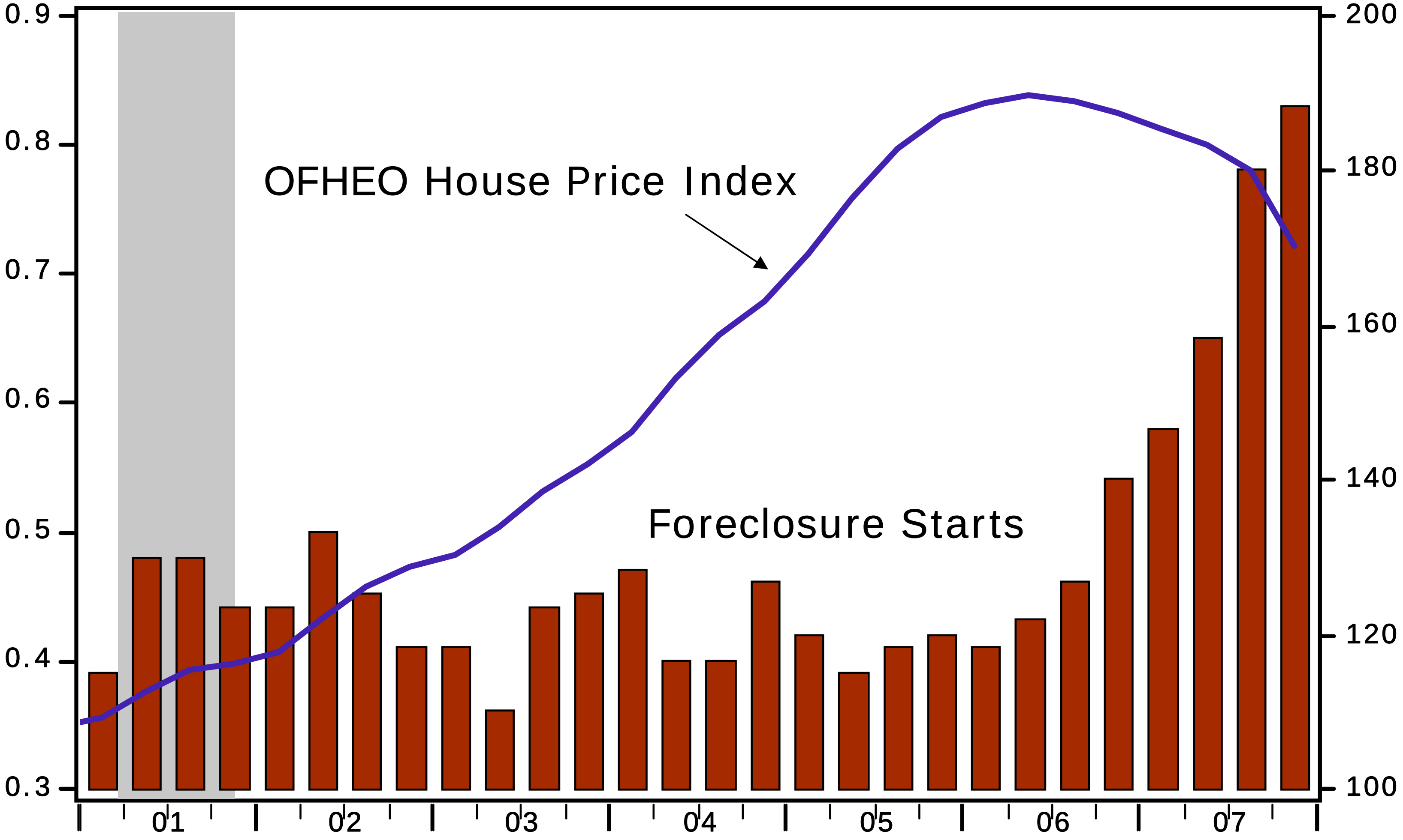


# LoanPerformance Data on Subprime Loans in Oregon

- Data are from December 2007
- Among owner occupied, first lien subprime loans
  - 4.8 percent were in foreclosure
  - 1.1 percent were in REO
  - These numbers are relatively low compared to states like California and Nevada, yet signs of borrower distress are evident
    - 4.6 percent of loans were 90 days or more past due
    - 4.0 percent of loans were 60 – 90 days past due
    - 8.5 percent of loans were 30 – 60 days past due

# Trends in House Values

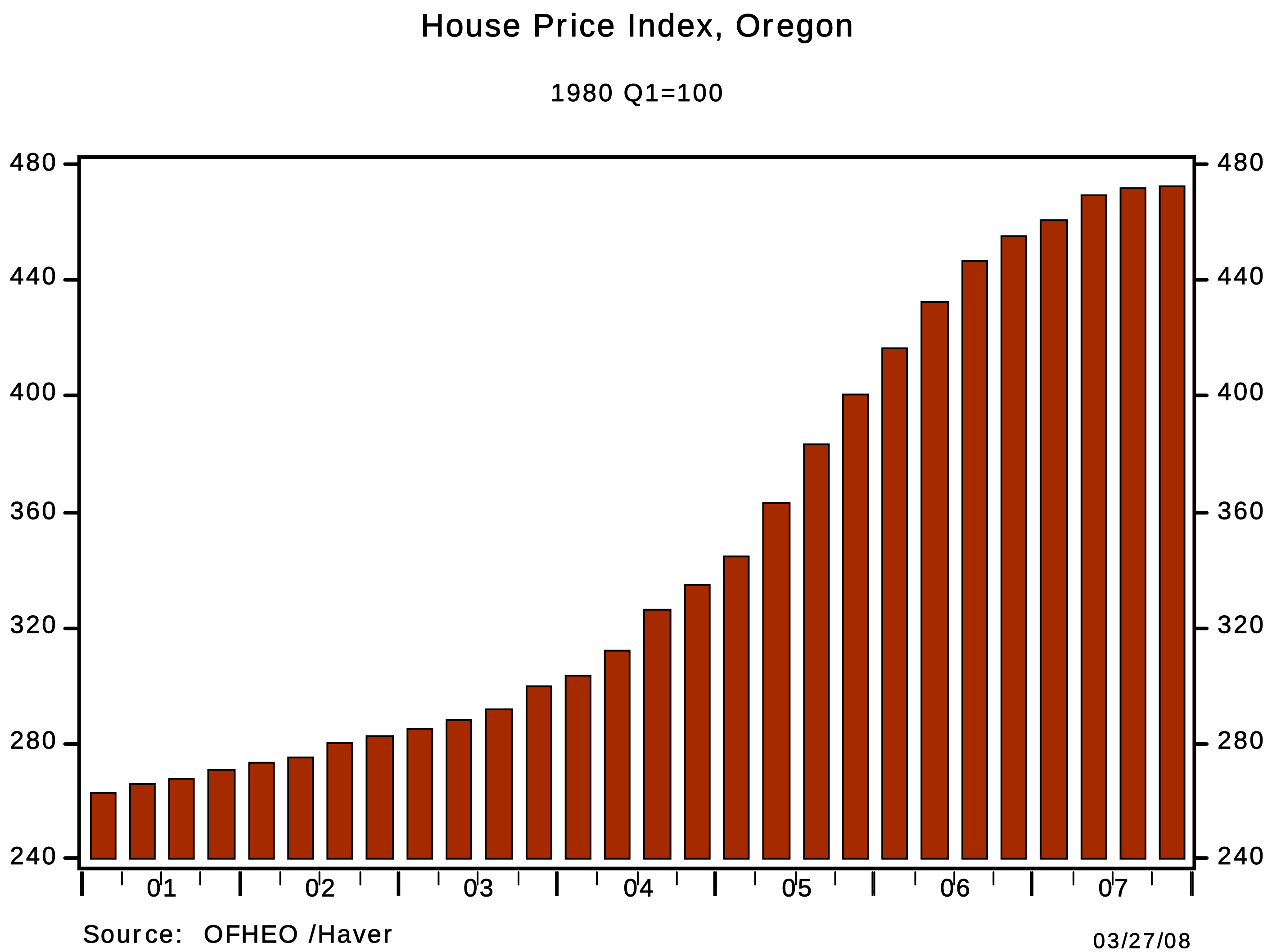
# Nationally, Subprime Foreclosure Rates Closely Track Declines in House Values



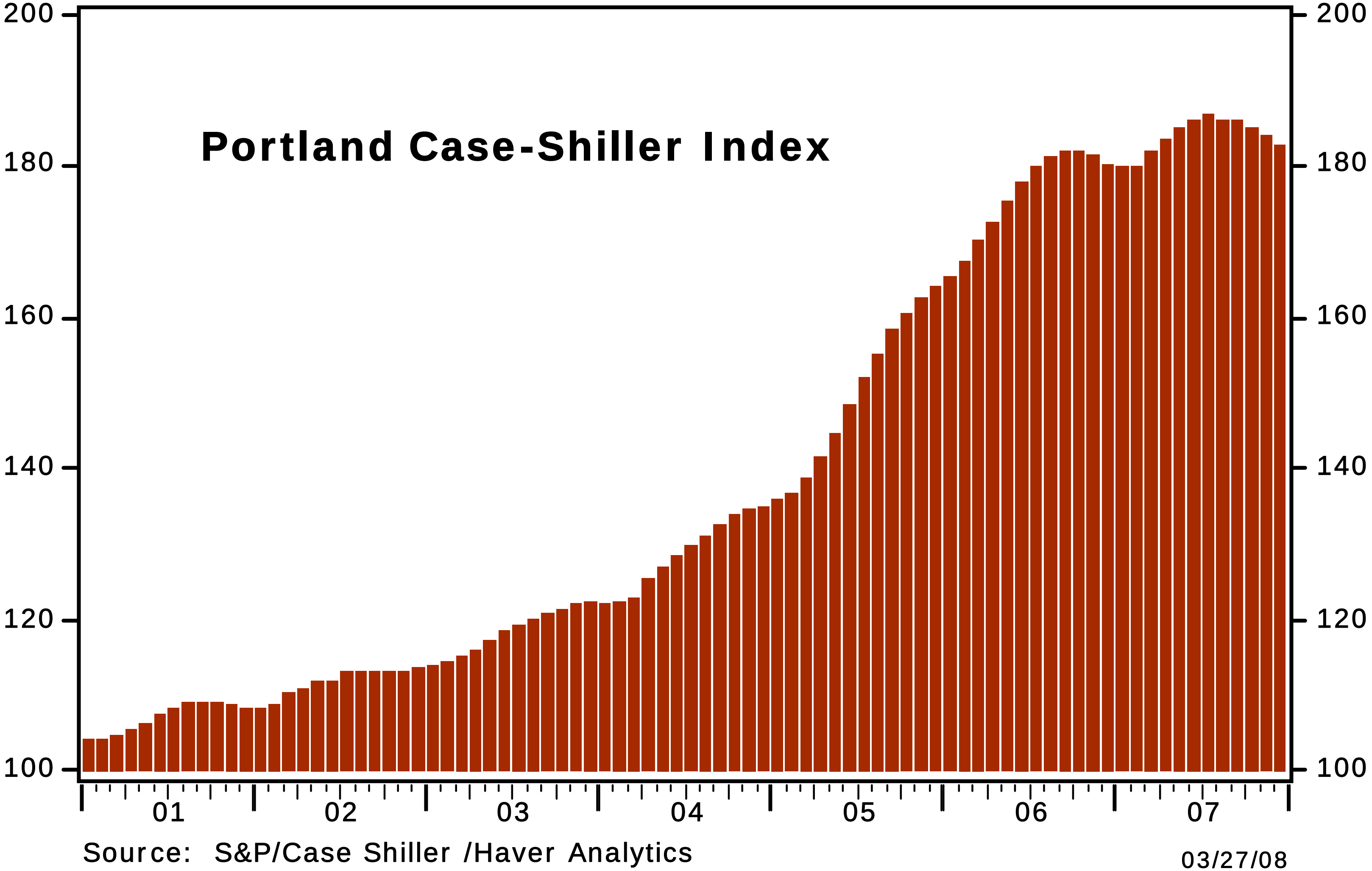

Sources: MBA, SNPCAS /Haver

03/27/08

# Oregon's Housing Market Softening

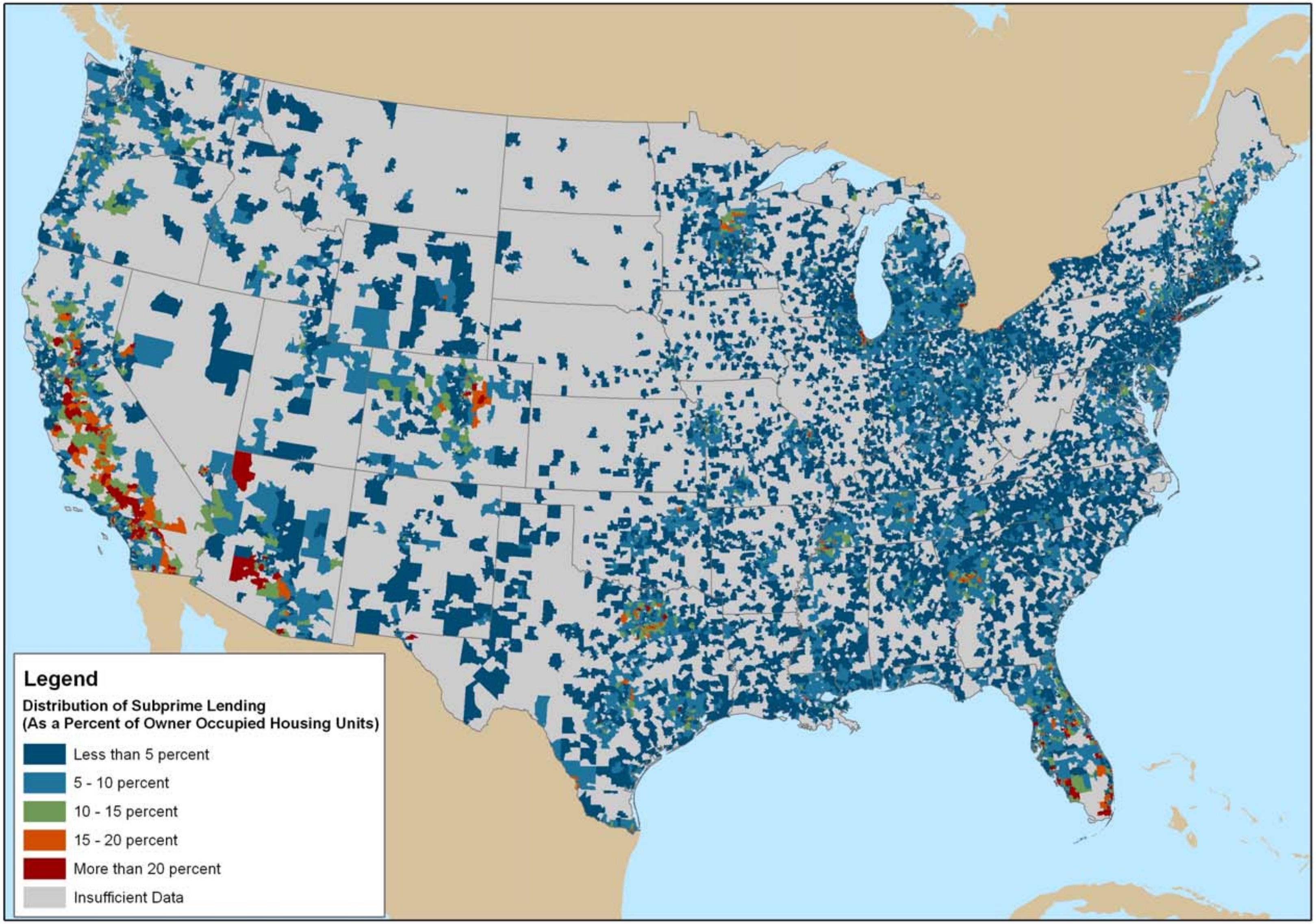


# Case-Shiller Shows Declines in Portland



# Subprime Loan Characteristics

# Distribution of Subprime Lending in the United States




Source: Analysis by Federal Reserve Board of Governors, First American LoanPerformance Data, December 2007. Data represent a sample of subprime loans, approximating 70 percent of subprime loan volume. Data aggregated at the zip code level.

# Characteristics of Subprime Loans in Oregon

| Subprime Loan Characteristics | Oregon | California |
|---|---:|---:|
| Average Balance | $178,000 | $342,000 |
| Percent “Interest-only” | 18.1 | 33.4 |
| Percent Full Documentation | 72.8 | 52.5 |
| Percent with a Variable Interest Rate | 67.2 | 73.8 |
| Percent Cash-Out Refinance | 51.4 | 54.5 |

Source: Analysis by Federal Reserve Board of Governors, First American LoanPerformance data, December 2007.

# Interest-Rate Resets

- Economic research has shown that house value declines are more important than “resets” in predicting foreclosure
  - Resets do not appear to be the trigger for foreclosure
  - Current patterns of delinquency and foreclosure are being seen even before resets are occurring
- But coupled with house price declines, resets may increase borrower difficulties and increase the volume of delinquencies and foreclosures
  - In Oregon, for loans with a variable interest rate
    - 44.3 percent, more than 10,000 loans in LoanPerformance sample, will reset in 2008

# Conclusion

- Oregon may see an increase in delinquencies and foreclosures
  - If house values decline, delinquencies and foreclosures will likely rise, and families may have a more difficult time refinancing loans
- Reaching these borrowers now may help to prevent unnecessary foreclosures
  - FHASecure
  - HOPE NOW Alliance
- Encourage borrowers to call **(888) 995-HOPE** or visit [www.995HOPE.org](http://www.995HOPE.org)