

# Identifying Issues in the Subprime Mortgage Market: Idaho



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Analysis of First American LoanPerformance data provided by  
the Federal Reserve Board of Governors. Do not cite or reproduce without permission.

# Overview of Presentation

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- ❑ What are current trends in delinquencies and foreclosures in Idaho?
  - Mortgage Bankers Association data on delinquencies and foreclosures
  - HOPE NOW Alliance Servicer Data
- ❑ What are the primary drivers of foreclosures?
  - Declining house values
  - Declines in underwriting standards
    - ❑ First American Loan Performance data on subprime loans
- ❑ What neighborhoods in Idaho are witnessing increased issues with foreclosures?
- ❑ What responses are needed?

# Data Caveats

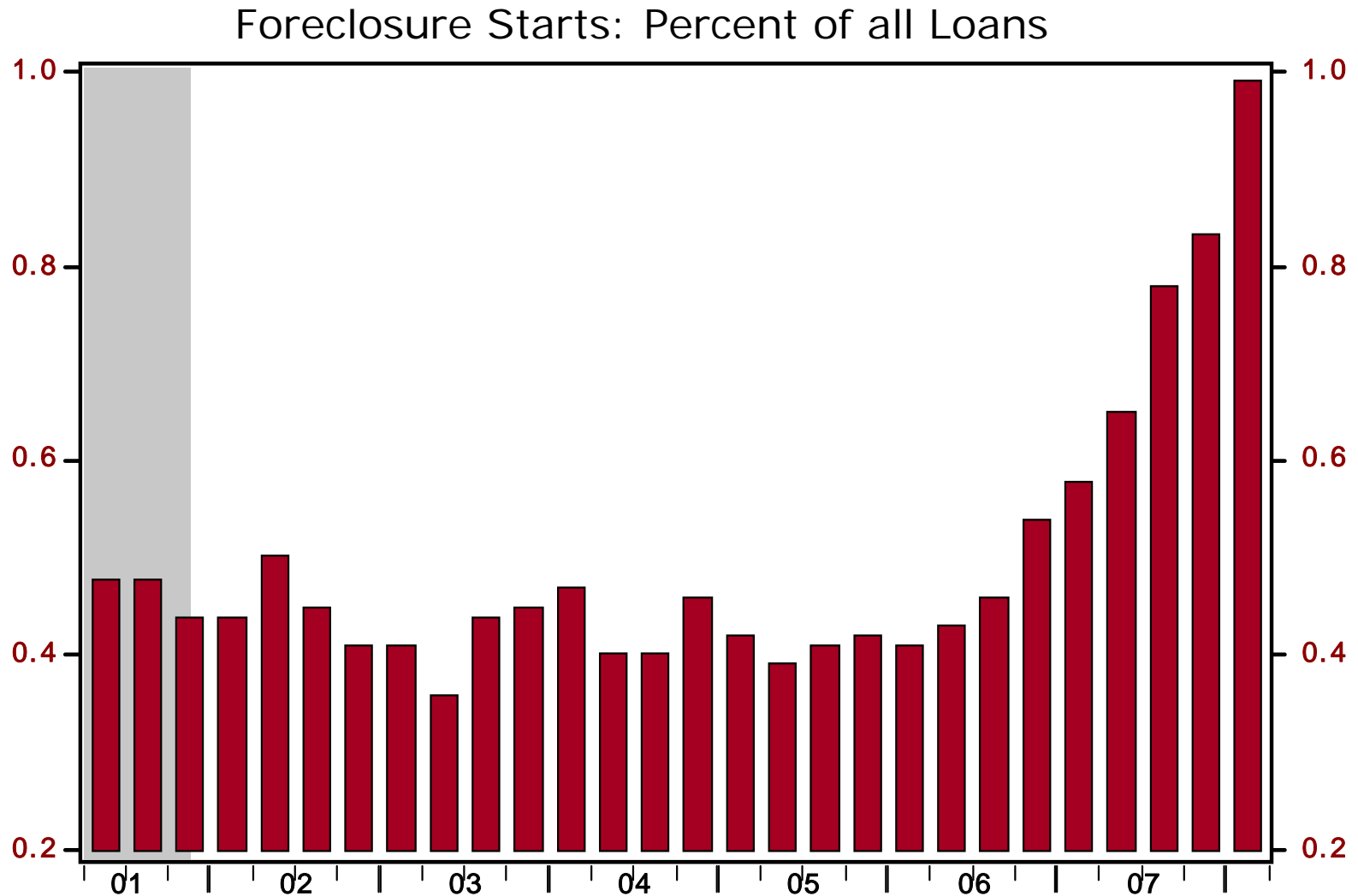
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- ❑ Data on the real estate and mortgage markets are collected by many different sources, most costly and proprietary
- ❑ As a result, it is important to consider the limitations of data presented
  - Different definitions of subprime may affect the 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

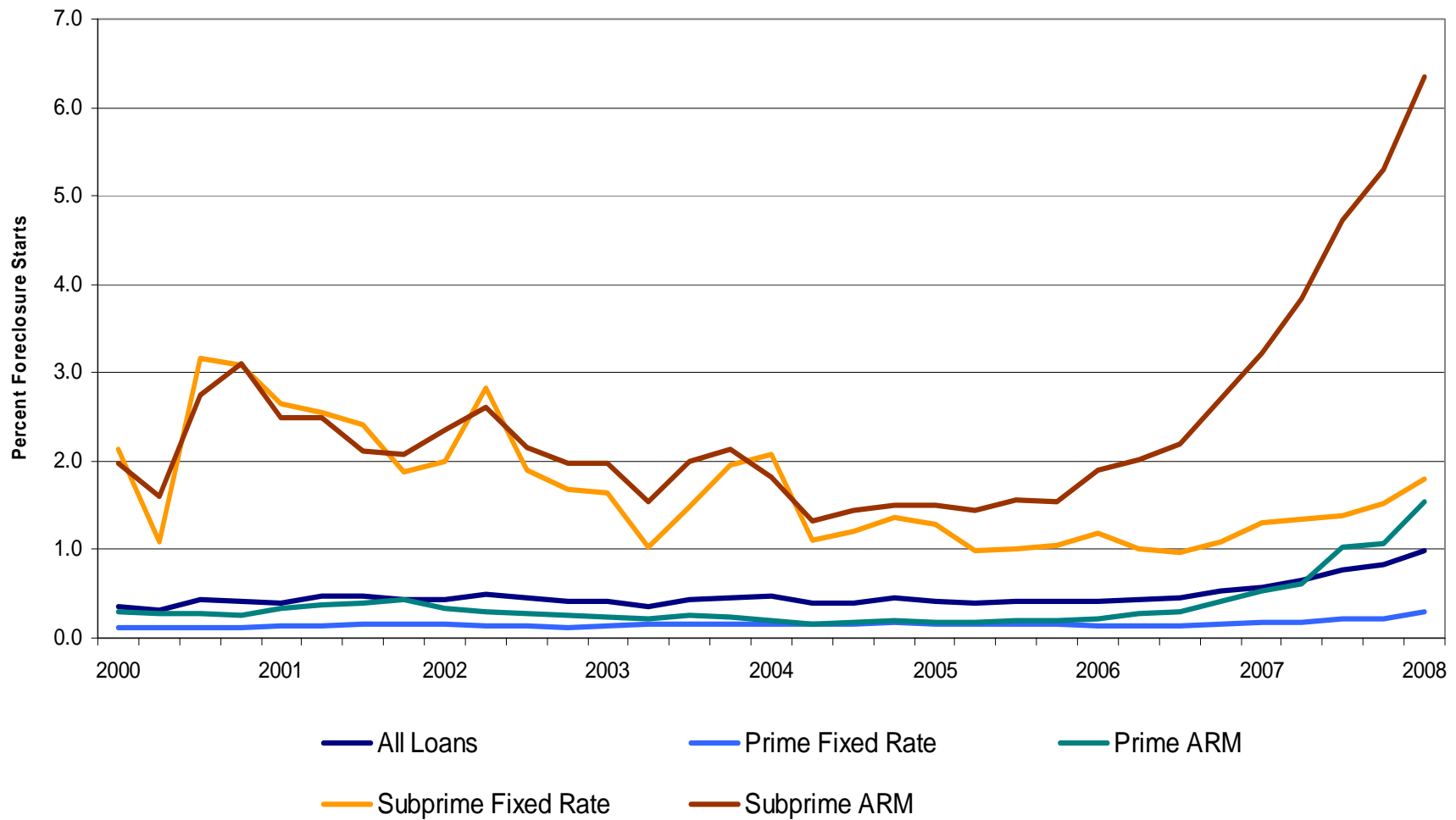


# Significant Increase in National Foreclosure Starts



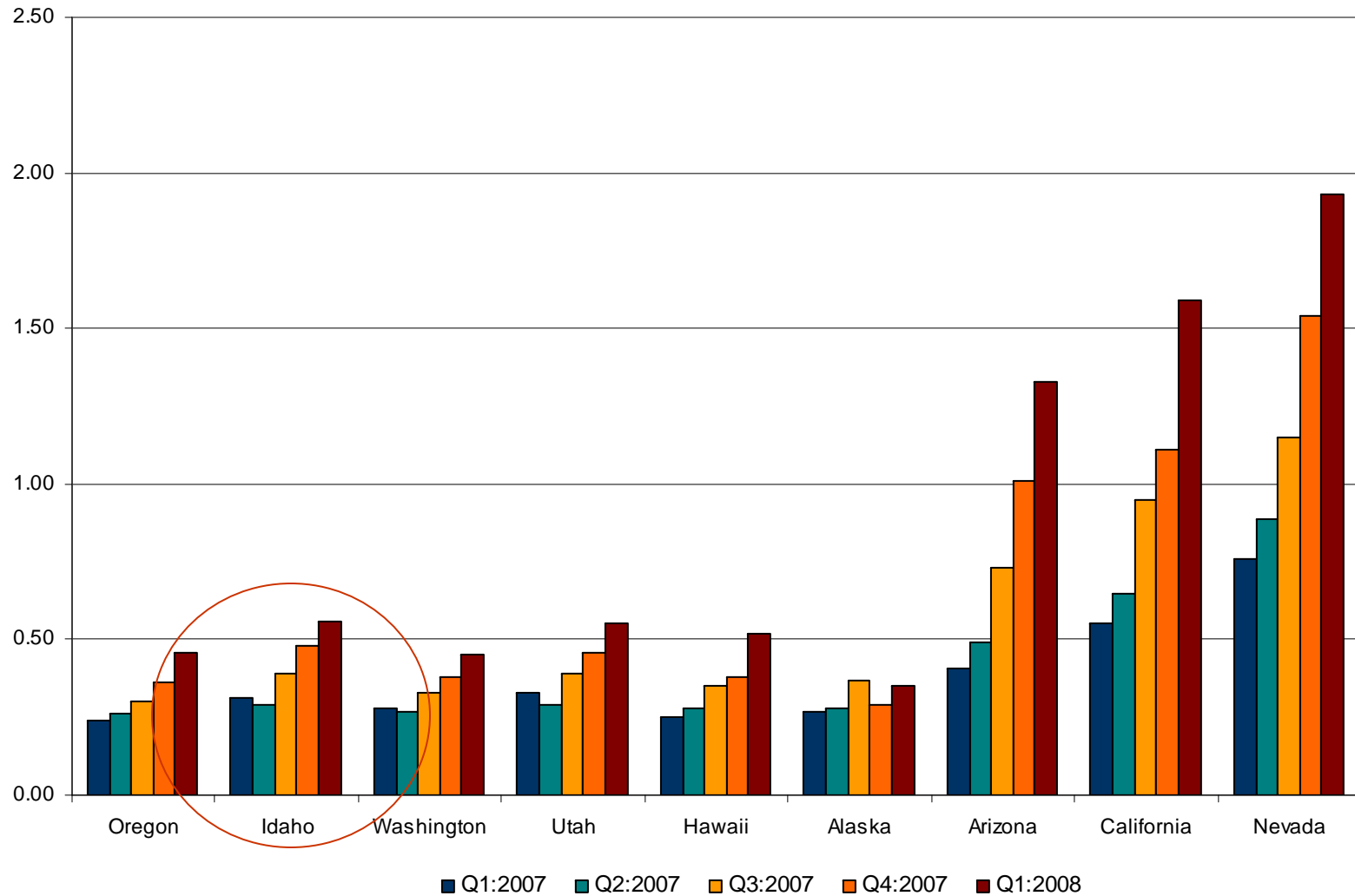
Source: Mortgage Bankers Association, National Delinquency Survey, 1st Quarter 2008

# Foreclosures Concentrated in Subprime ARM Market



Source: Mortgage Bankers Association, National Delinquency Survey, 1st Quarter 2008

# Idaho has seen an increase in foreclosure starts, but rates remain low



Source: Mortgage Bankers Association, National Delinquency Survey, 1st Quarter 2008.

## Jan/Feb 2008 Servicer Data Also Show Increasing Rates of Foreclosure and Delinquency in Idaho

<b>Idaho, 60+ Delinquencies, Prime and Subprime Loans</b>				
Q1-2007	Q2-2007	Q3-2007	Q4-2007	Jan/Feb 2008
2,026 (1.01%)	2,144 (1.04%)	2,448 (1.17%)	2,861 (1.4%)	<b>6,530</b> <b>(3.3%)</b>
<b>Idaho, Foreclosure Starts, Prime and Subprime Loans</b>				
Q1-2007	Q2-2007	Q3-2007	Q4-2007	Jan/Feb 2008
137	131	177	202	<b>655</b>

Source: Hope Now Servicing Data, February 2008, [http://www.fsround.org/hope\\_now/pdfs/FebruaryStateData.pdf](http://www.fsround.org/hope_now/pdfs/FebruaryStateData.pdf)



# Delinquency Rates Vary Significantly by Mortgage Type

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Idaho: Delinquency and Foreclosure Rates, 1st Qtr 2008

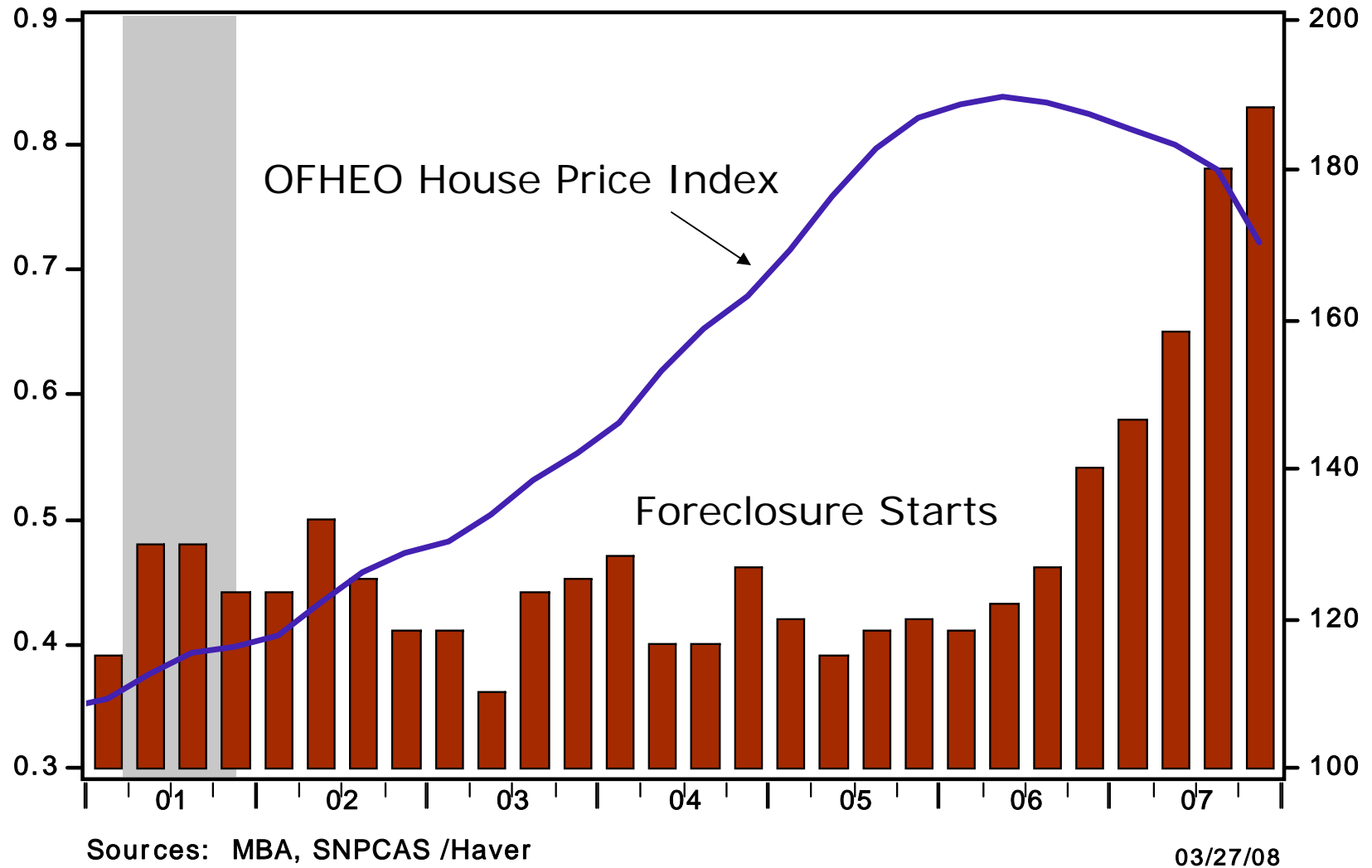
<b>Mortgage Type</b>	<b>Percent Past Due</b>	<b>Foreclosures Started</b>
<b>Prime Fixed</b>	<b>2.82</b>	<b>.29</b>
<b>Prime ARM</b>	<b>6.78</b>	<b>1.55</b>
<b>Subprime Fixed</b>	<b>15.38</b>	<b>1.80</b>
<b>Subprime ARM</b>	<b>22.07</b>	<b>6.35</b>
<b>FHA</b>	<b>12.72</b>	<b>0.87</b>

Source: Mortgage Bankers Association, National Delinquency Survey, 1<sup>st</sup> Qtr 2008

# Trends in House Values

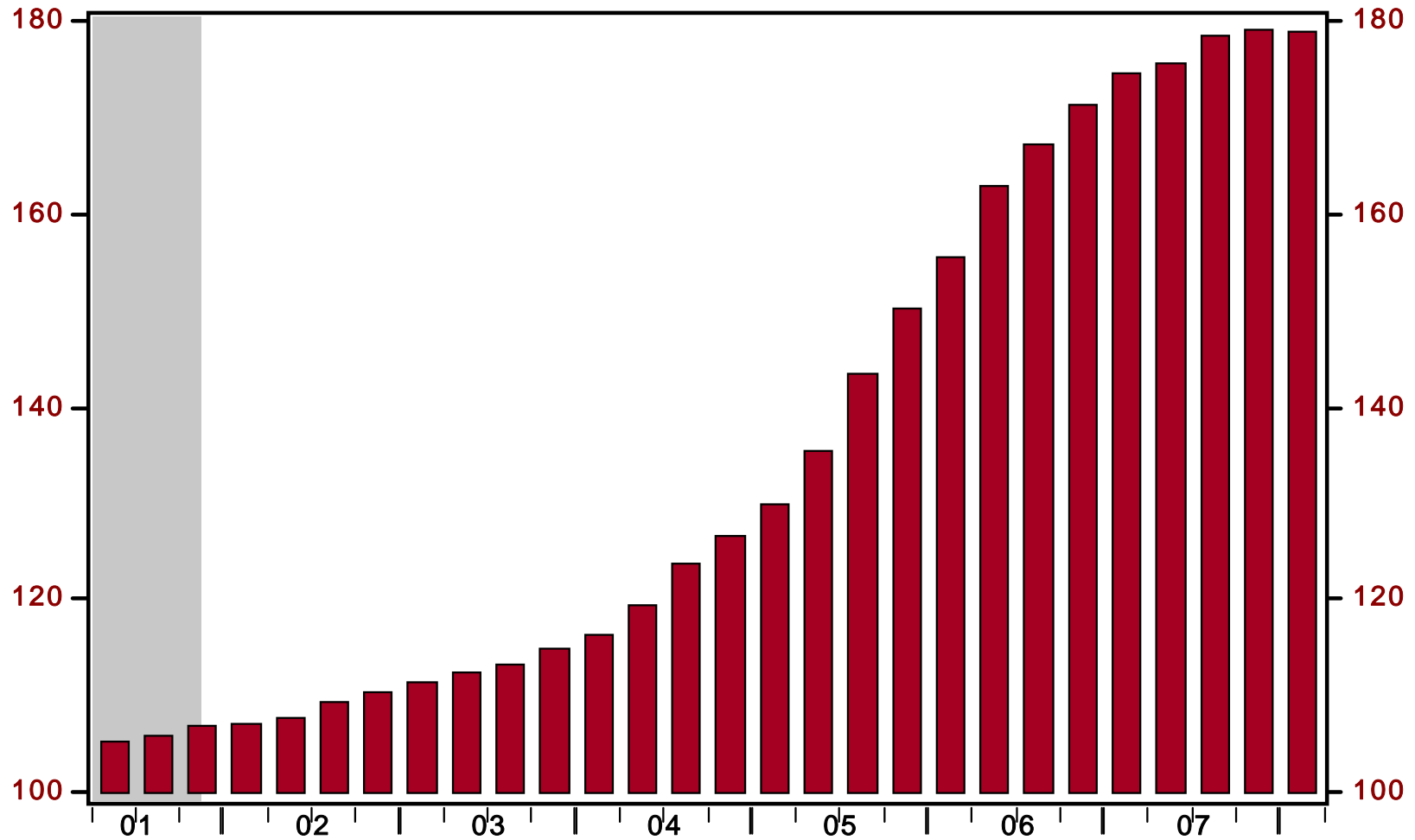


# Nationally, Subprime Foreclosure Rates Closely Track Declines in House Values

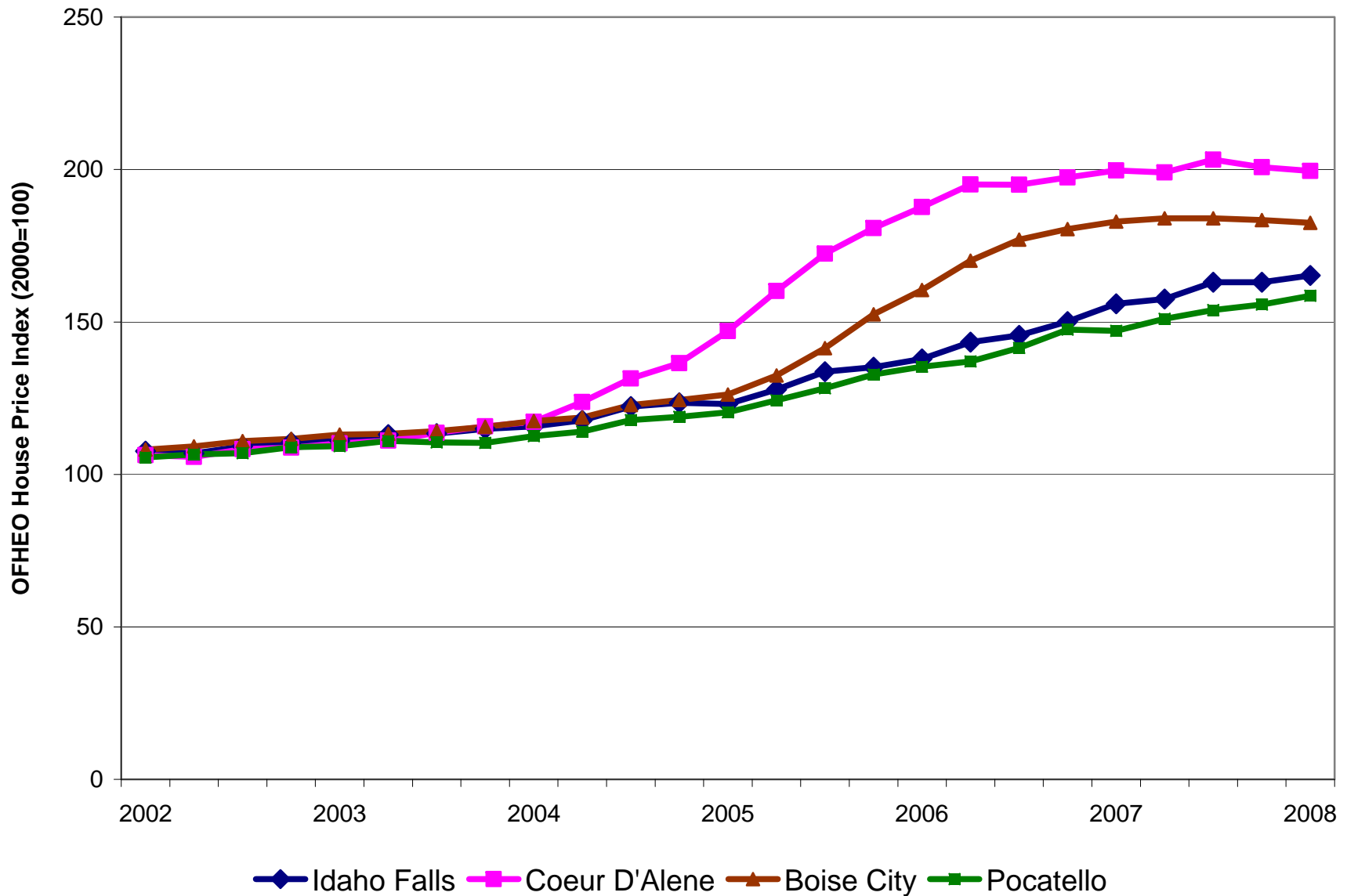


# Idaho's Housing Market Softening Slightly

OFHEO House Price Index (2000=100)



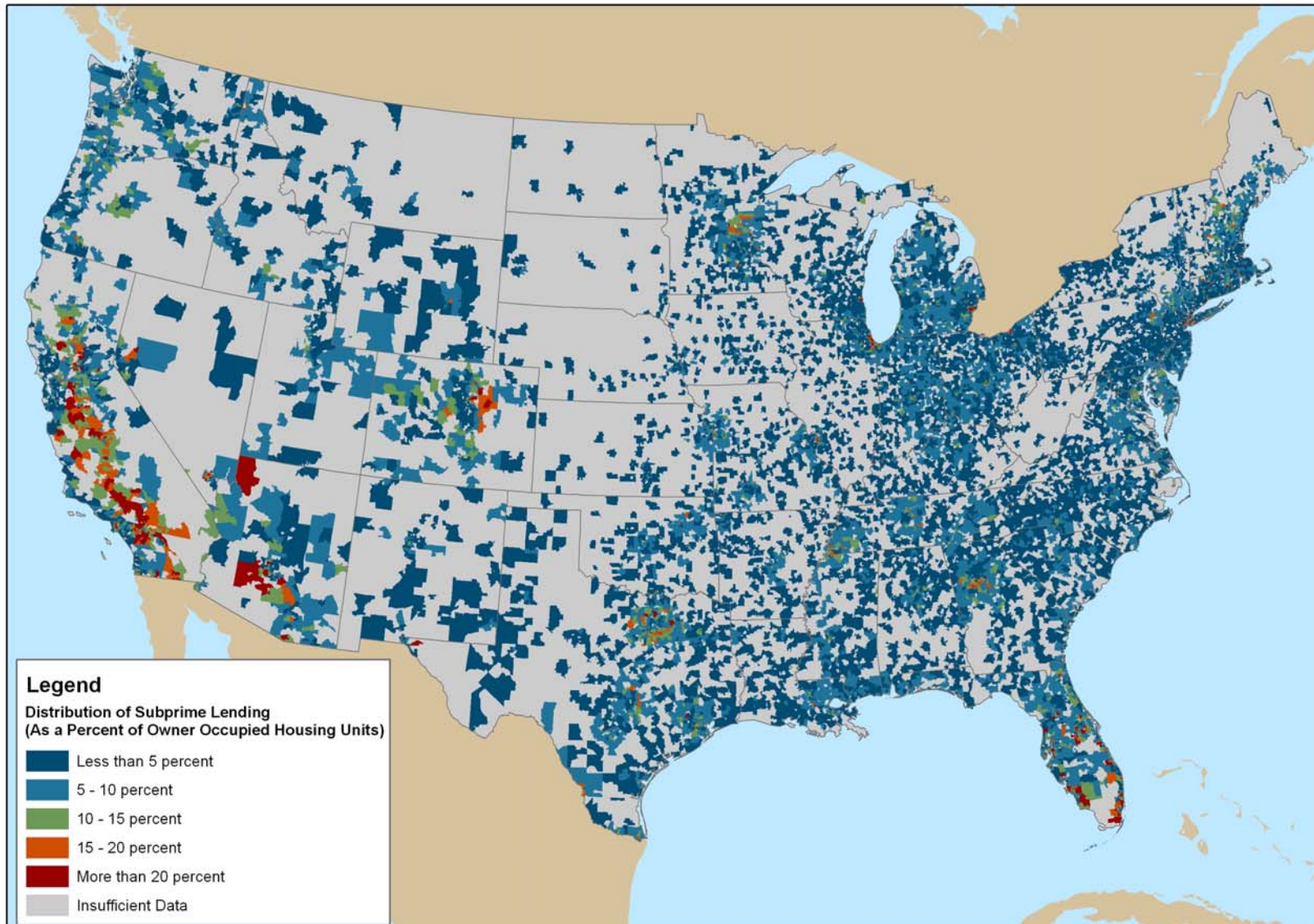
# Metropolitan Area House Values – Coeur D’Alene and Boise City Markets Softening



# 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 Idaho

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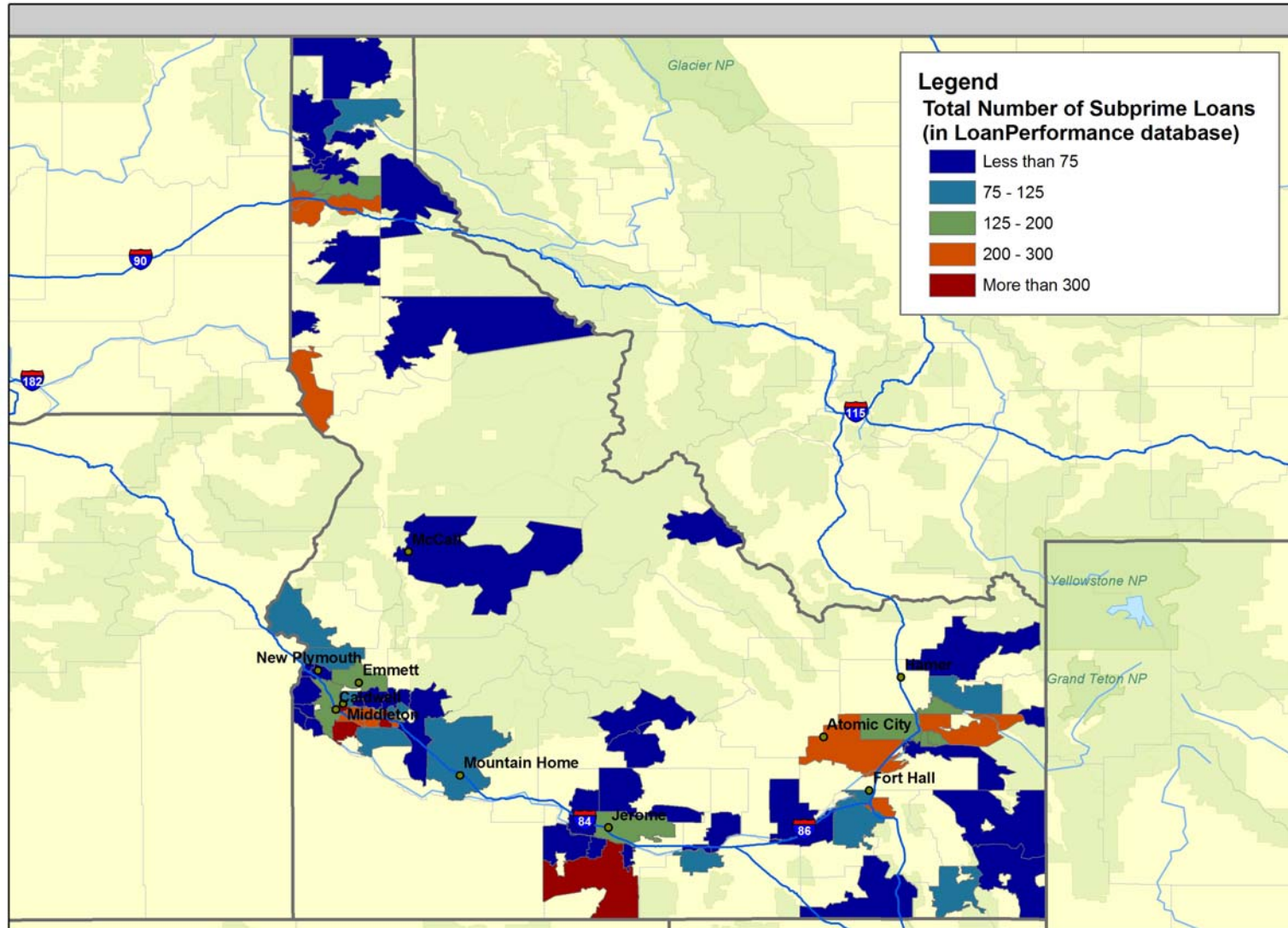
LoanPerformance – February 2008

<b>Subprime Loan Characteristics</b>	<b>Idaho</b>	<b>California</b>
<b>Average Balance</b>	<b>\$130,700</b>	<b>\$342,000</b>
<b>Percent “Interest-only”</b>	<b>8.75</b>	<b>33.4</b>
<b>Percent Full Documentation</b>	<b>75.9</b>	<b>52.5</b>
<b>Percent with a Variable Interest Rate (ARM)</b>	<b>66.0</b>	<b>73.8</b>
<b>Percent Cash-Out Refinance</b>	<b>53.2</b>	<b>54.5</b>

Source: Analysis by Federal Reserve Board of Governors, First American LoanPerformance data, February 2008.

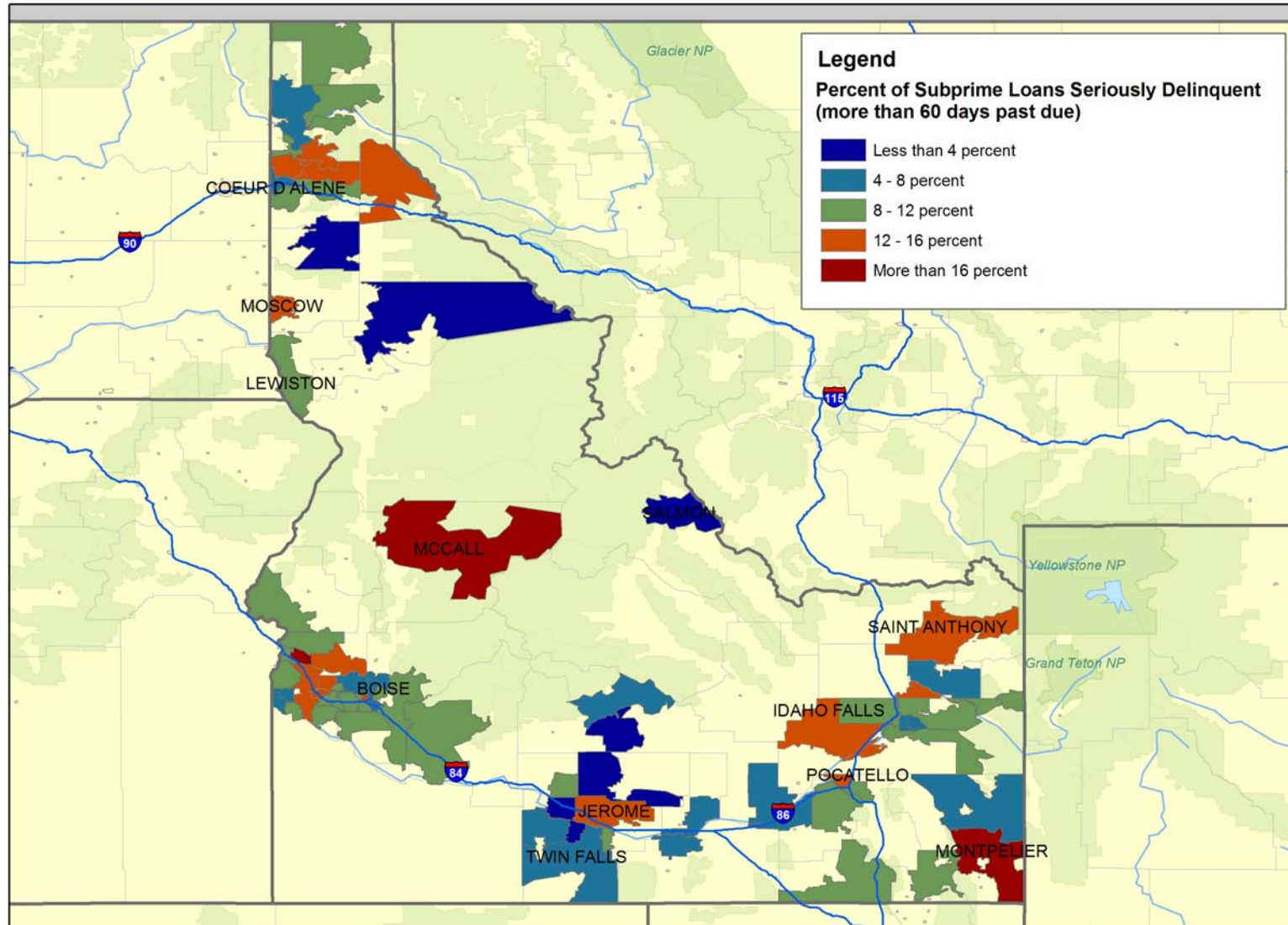


# Number of Subprime Loans in LoanPerformance Sample



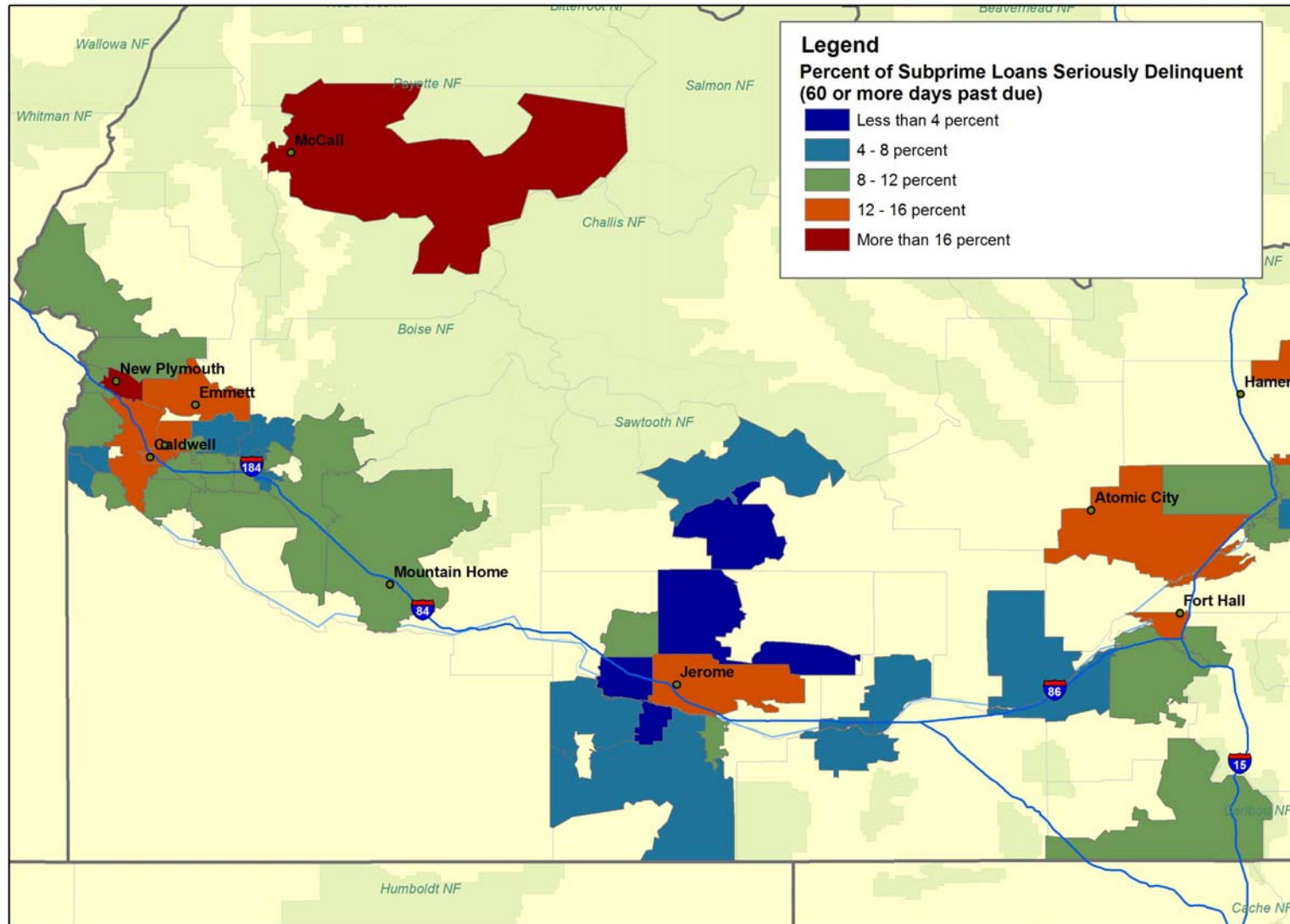
Source: Analysis by Federal Reserve Board of Governors, First American LoanPerformance Data, February 2008. Data represent a sample of subprime loans, approximating 70 percent of subprime loan volume. Data aggregated at the zip code level.

# Percent of Subprime Loans Seriously Past Due



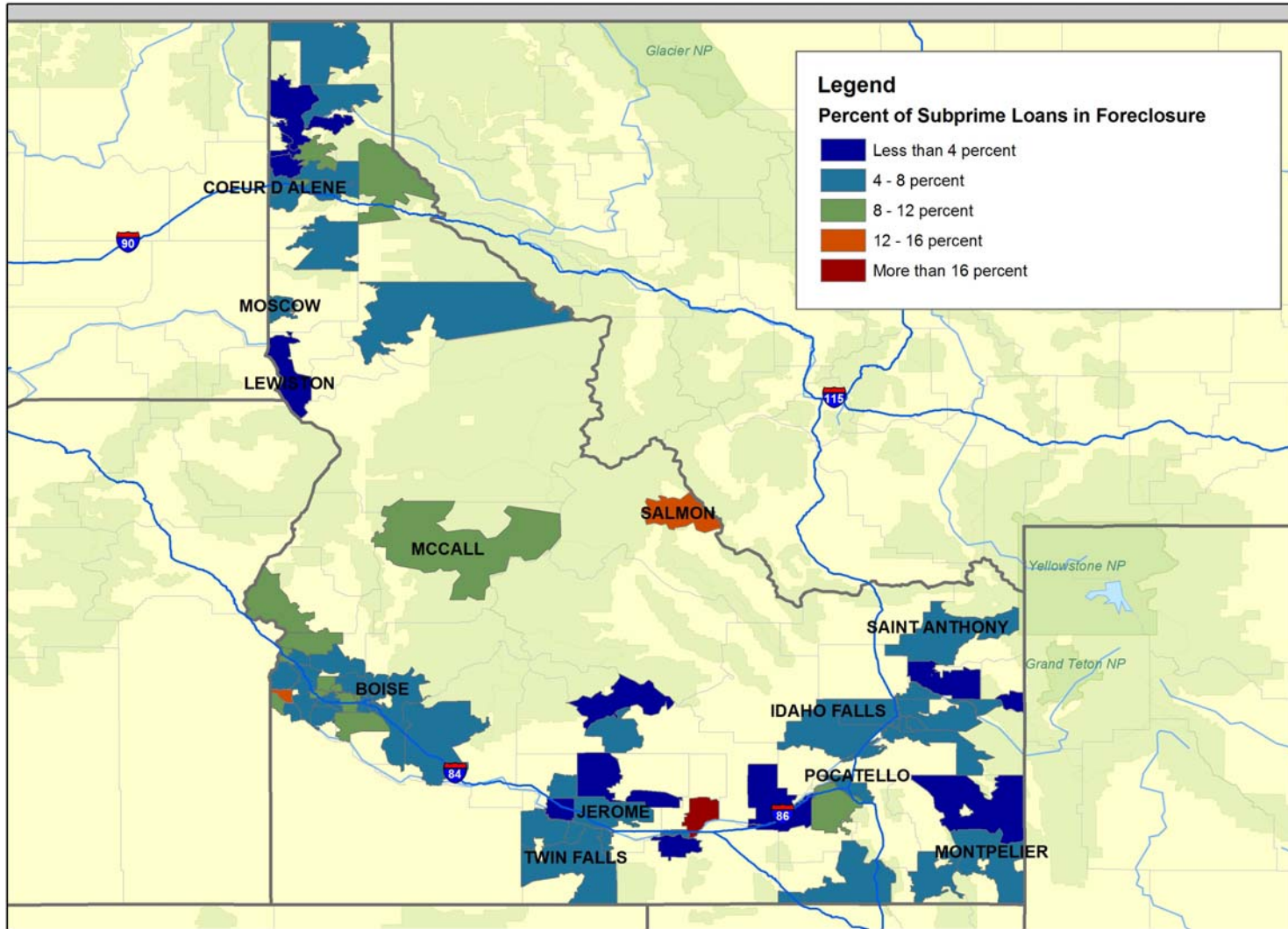
Source: Analysis by Federal Reserve Board of Governors, First American Loan Performance Data, February 2008. Data represent a sample of subprime loans, approximating 70 percent of subprime loan volume. Data aggregated at the zip code level.

# Percent of Subprime Loans Seriously Past Due



Source: Analysis by Federal Reserve Board of Governors, First American Loan Performance Data, February 2008. Data represent a sample of subprime loans, approximating 70 percent of subprime loan volume. Data aggregated at the zip code level.

# Percent of Subprime Loans in Foreclosure



Source: Analysis by Federal Reserve Board of Governors, First American Loan Performance Data, February 2008. Data represent a sample of subprime loans, approximating 70 percent of subprime loan volume. Data aggregated at the zip code level.

# Conclusions

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- ❑ Idaho may see an increase in delinquencies and foreclosures
  - If house values continue to soften and decline, delinquencies and foreclosures will likely rise, and families may have a more difficult time refinancing loans
- ❑ Multi-pronged strategy is needed to stem the foreclosure crisis
  - Foreclosure Prevention: borrower outreach, refinance and loan modification
    - ❑ Reaching these borrowers now may help to prevent unnecessary foreclosures
    - ❑ Encourage borrowers to call **(888) 995-HOPE** or visit [www.995HOPE.org](http://www.995HOPE.org)

# Conclusions

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- Multi-pronged strategy is needed to stem the foreclosure crisis
  - Foreclosure Prevention: borrower outreach, loan modification (including principal reduction)
  - Addressing Vacant Properties: ensuring that servicers maintain properties
  - REO Property Disposition: working with nonprofits and city governments to redevelop REO properties into affordable housing units
  - Ensuring continued access to credit and homeownership: financial education, responsible lending