

Foreclosures in the Tenth District

Understanding the Current Storm

Federal Reserve Bank of Kansas City

Annual Regional Economic Roundtable

Federal Reserve Bank of Kansas City – OKC Branch

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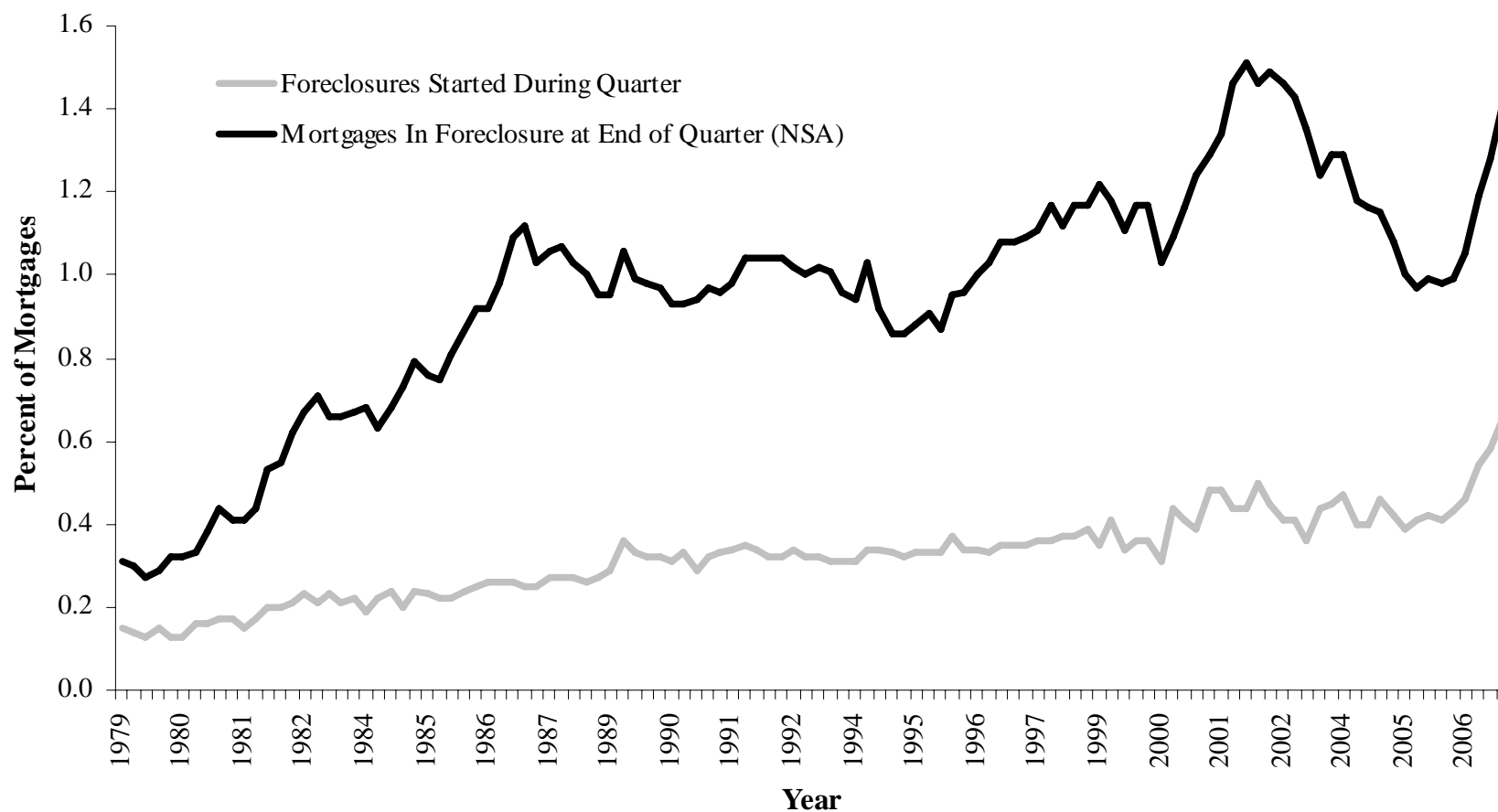
Regional, Public, and Community Affairs Division

Federal Reserve Bank of Kansas City

Outline

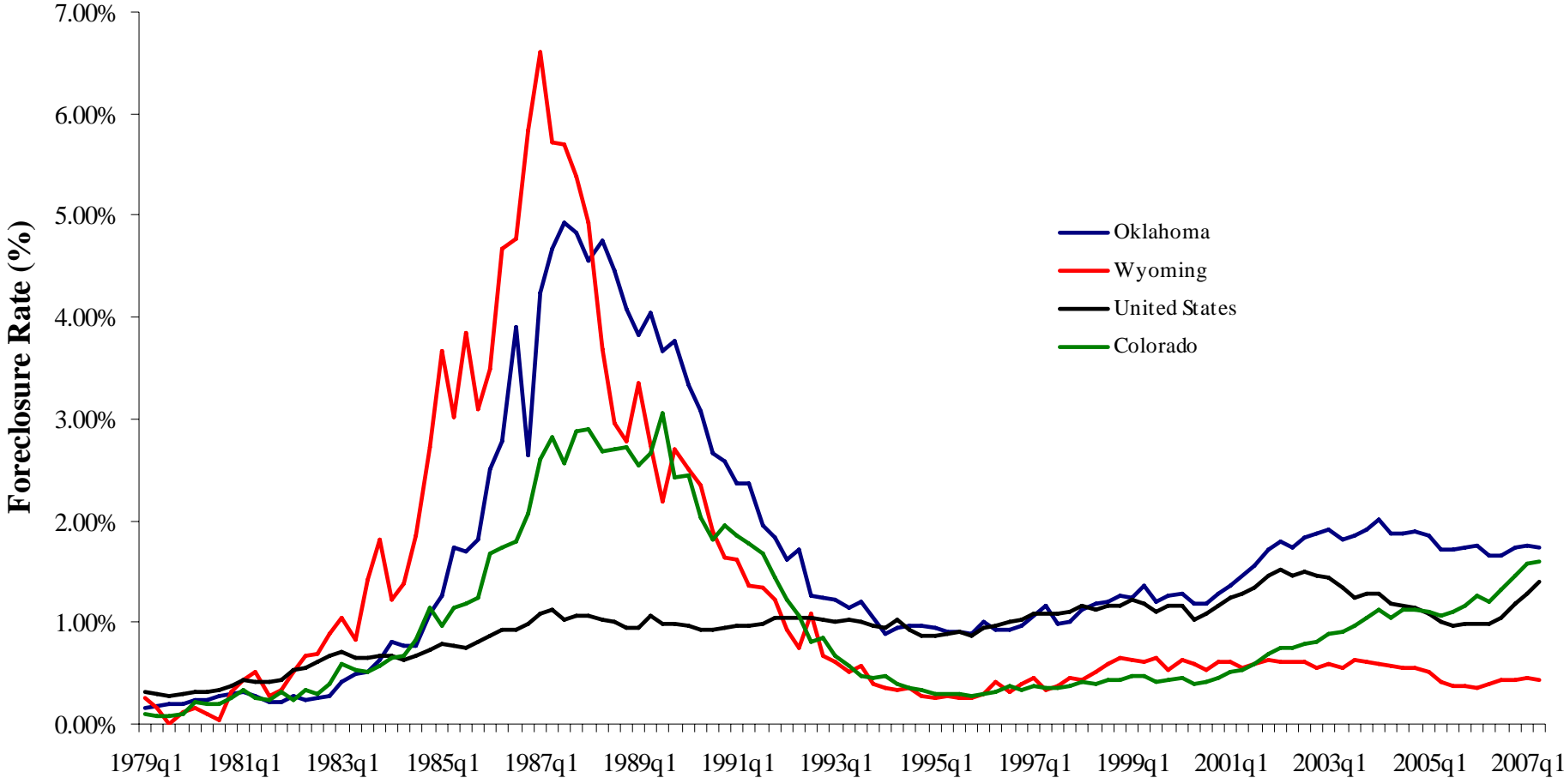
- U.S. Foreclosure Trends
- Trends in the 10th District
- 10th District in a National Perspective
- 10th District Hotspots
- The “Perfect Storm”

Foreclosure Rates and Initiation Rates in the United States, 1979 to Present

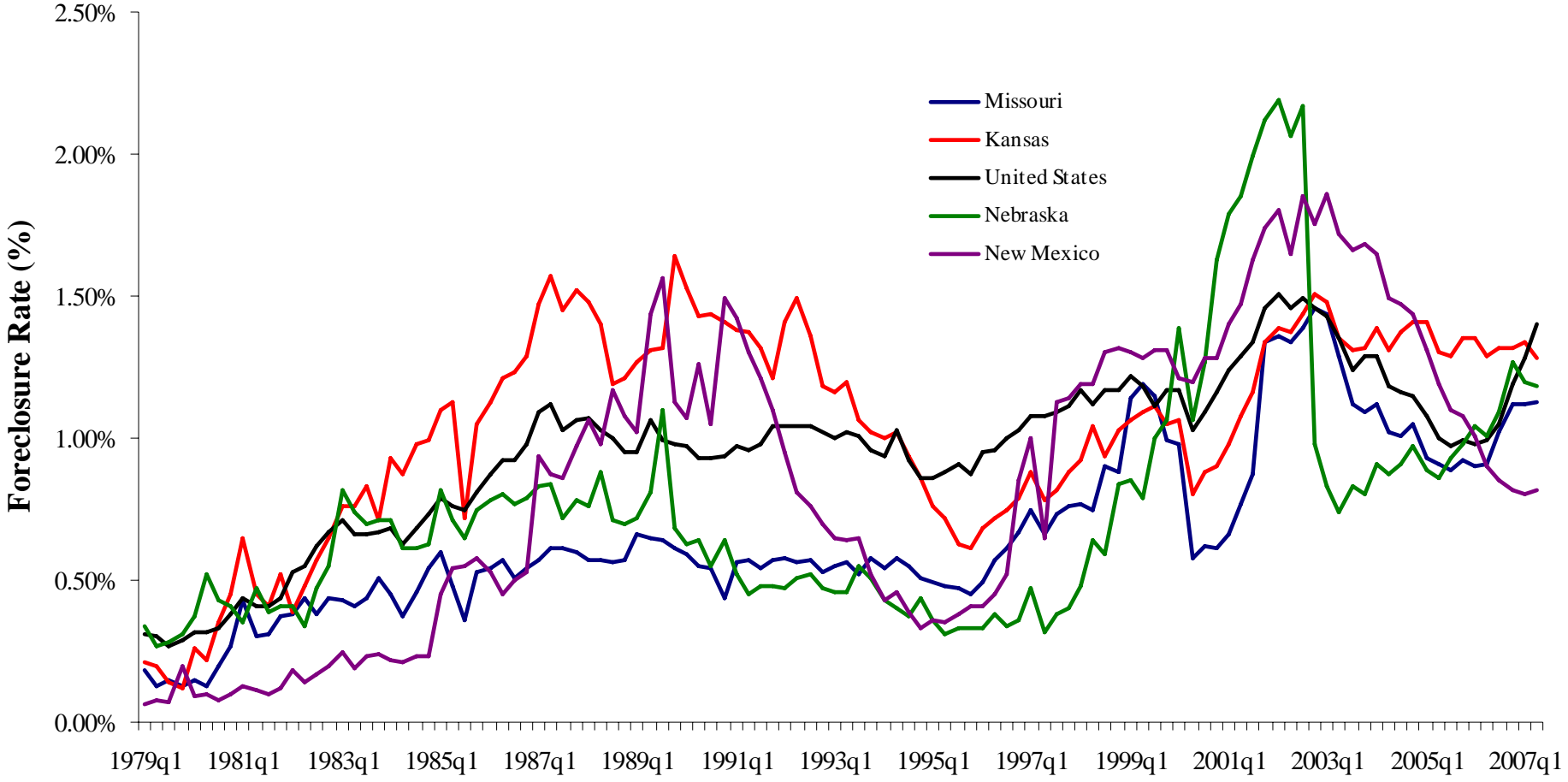


Source: Mortgage Bankers Association

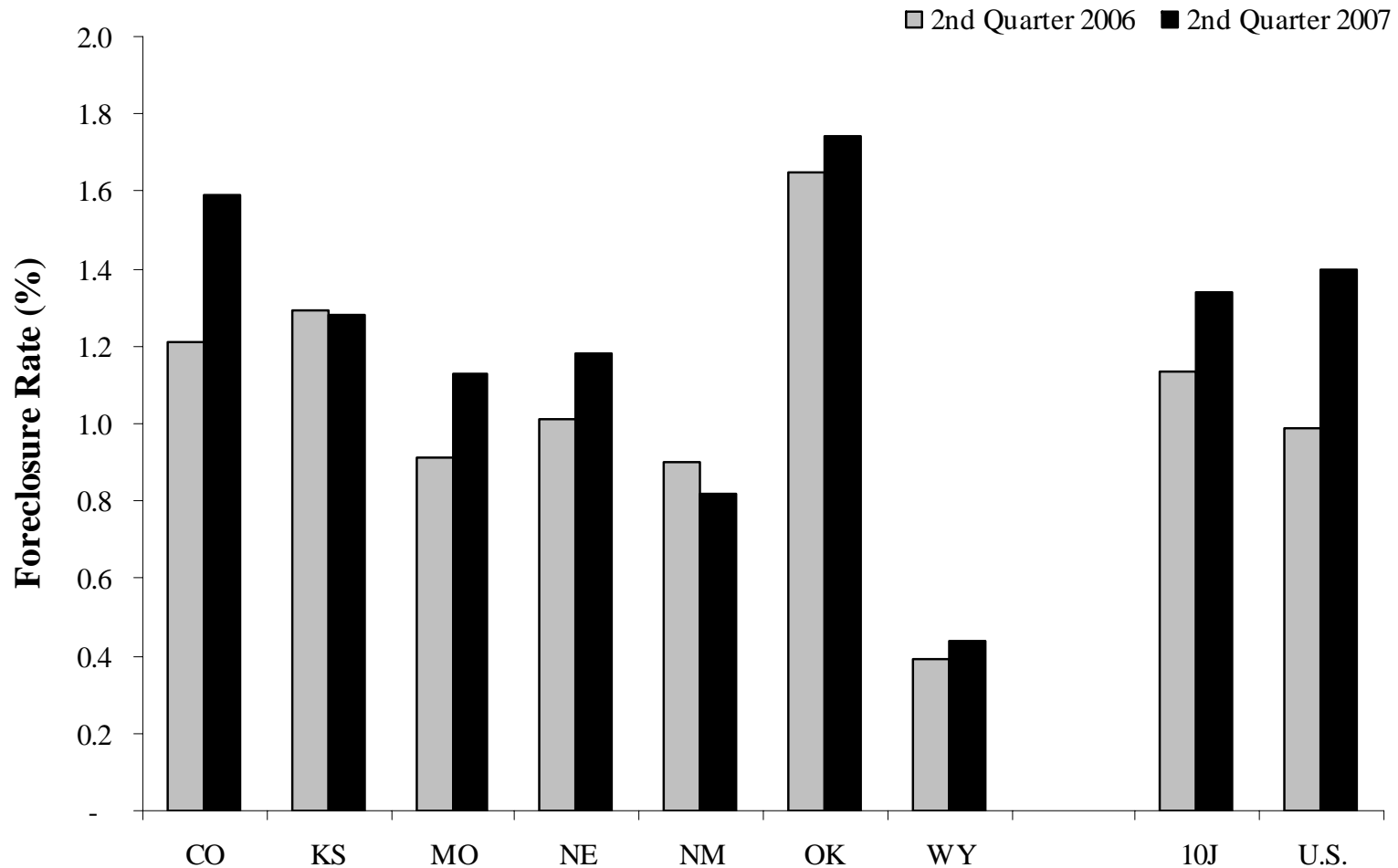
10th District Foreclosure Trends (1)



10th District Foreclosure Trends (2)



Foreclosure Rates in the Tenth District (2nd Quarter, 2007)



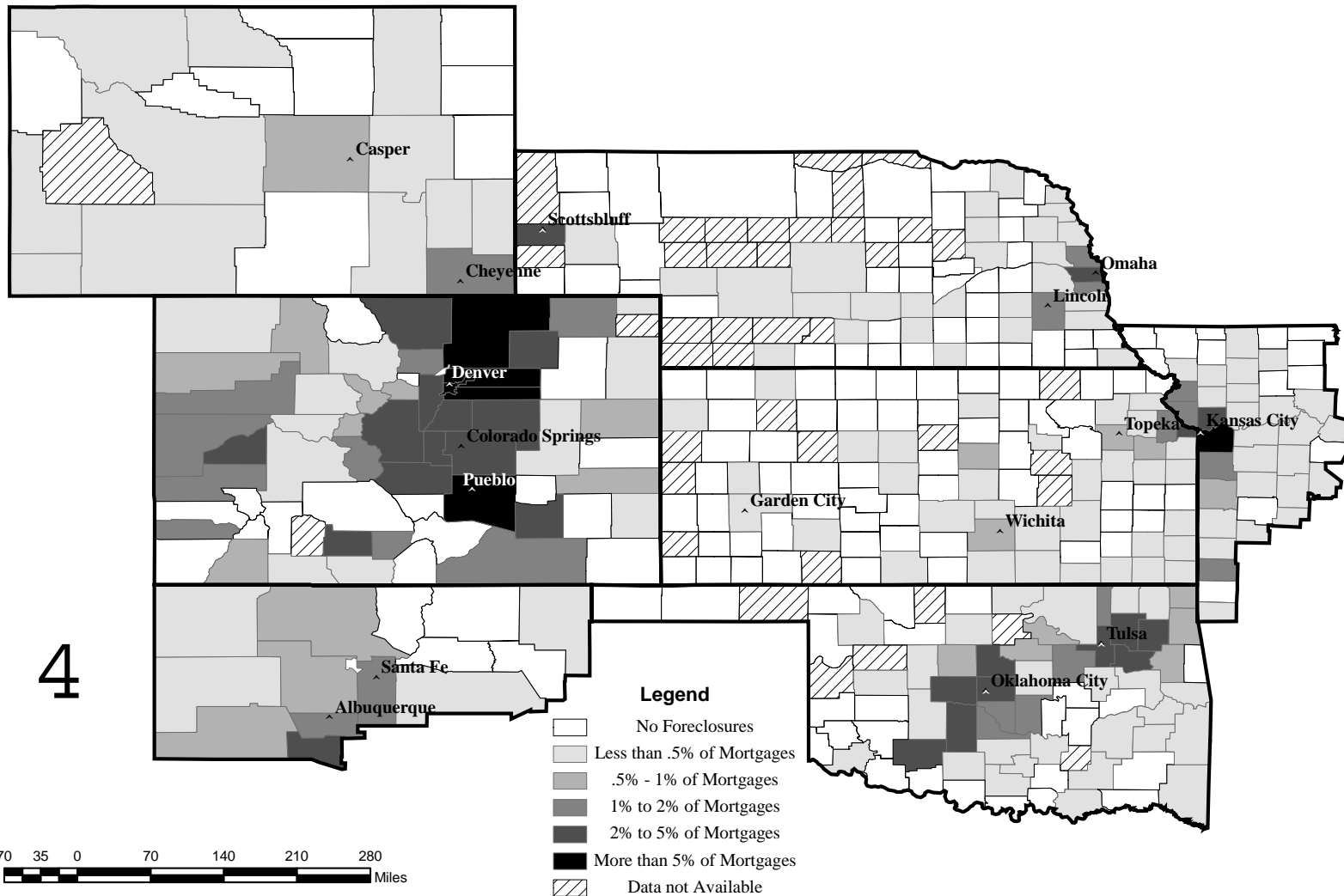
Source: Mortgage Bankers Association

Where the Tenth District Stands: State Foreclosure Rates, 2nd Quarter 2007

7.	Oklahoma	1.74
12.	Colorado	1.59
	<i>United States</i>	<i>1.40</i>
21.	Kansas	1.28
25.	Nebraska	1.18
28.	Missouri	1.13
38.	New Mexico	0.82
51.	Wyoming	0.44

Source: Mortgage Bankers Association

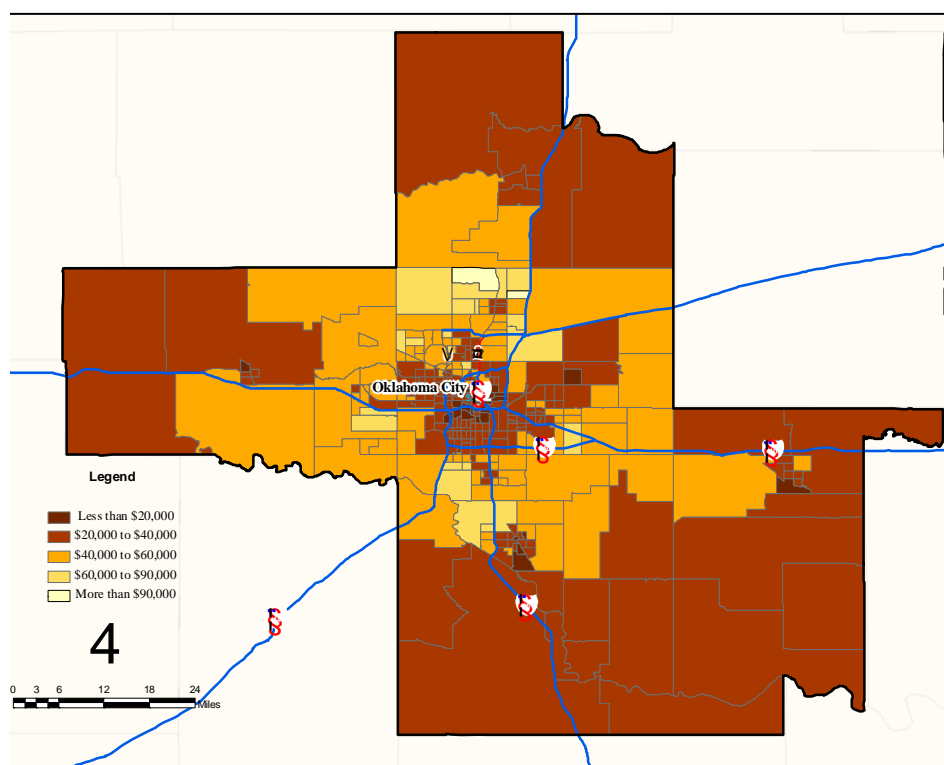
Foreclosures in the Tenth District



Source: RealtyTrac and U.S. Census

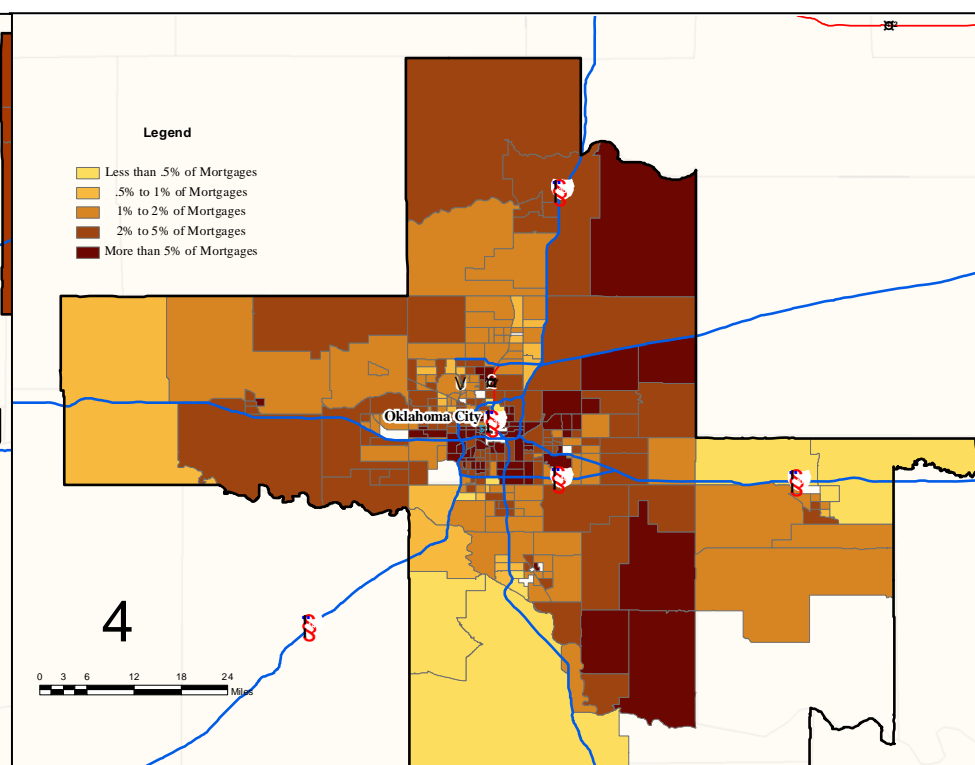
Median Household Income and Foreclosure Rates (Oklahoma City Example)

Median Income by Census Tract



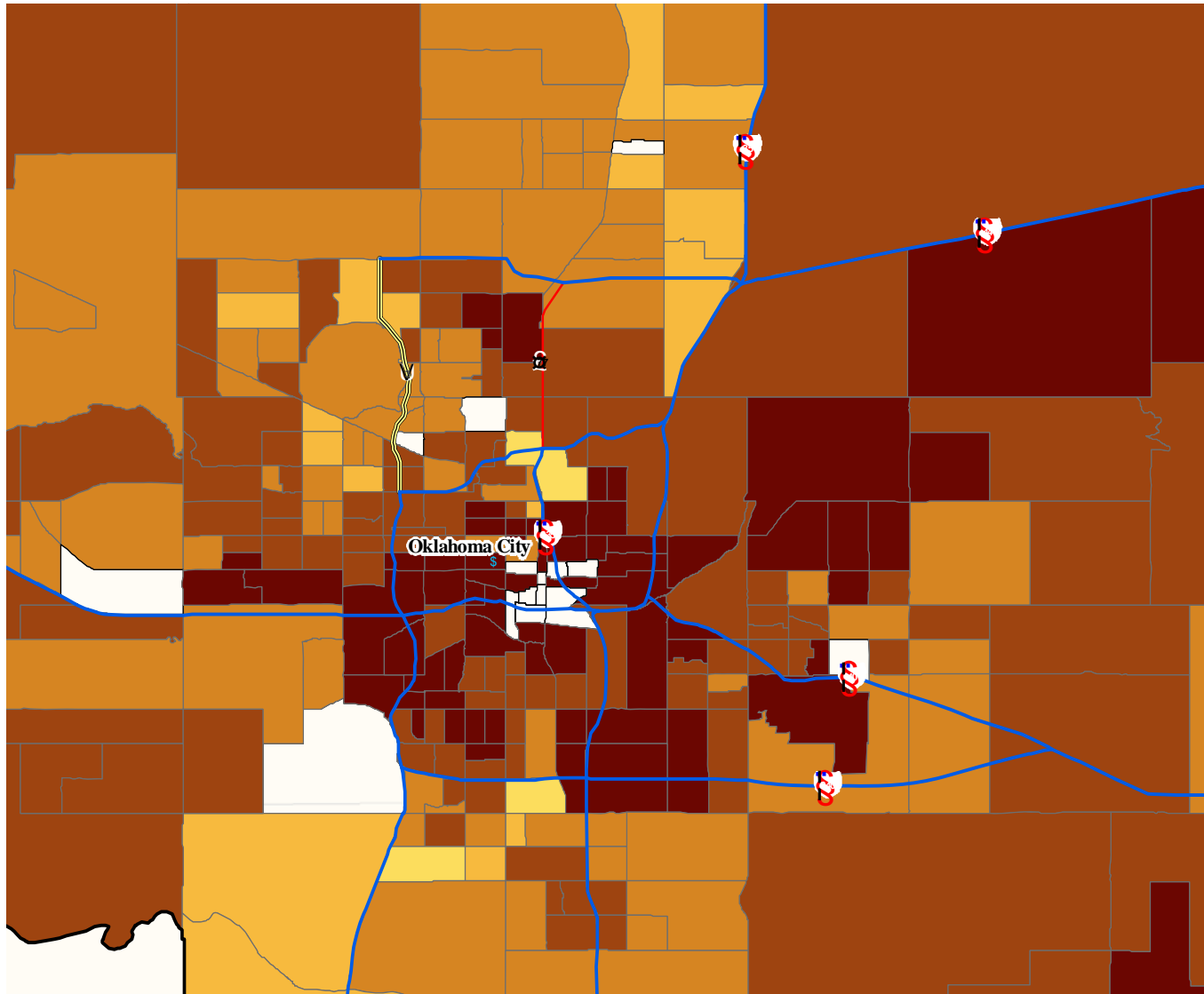
Source: 2000 U.S. Census

Foreclosure Rate by Census Tract



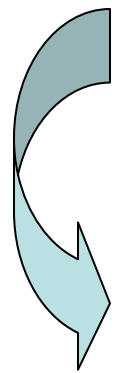
Normalized per number of mortgages outstanding by Census Tract
Source: 2000 U.S. Census and RealtyTrac Survey of New Foreclosures

Central Oklahoma City MSA Foreclosure Rates



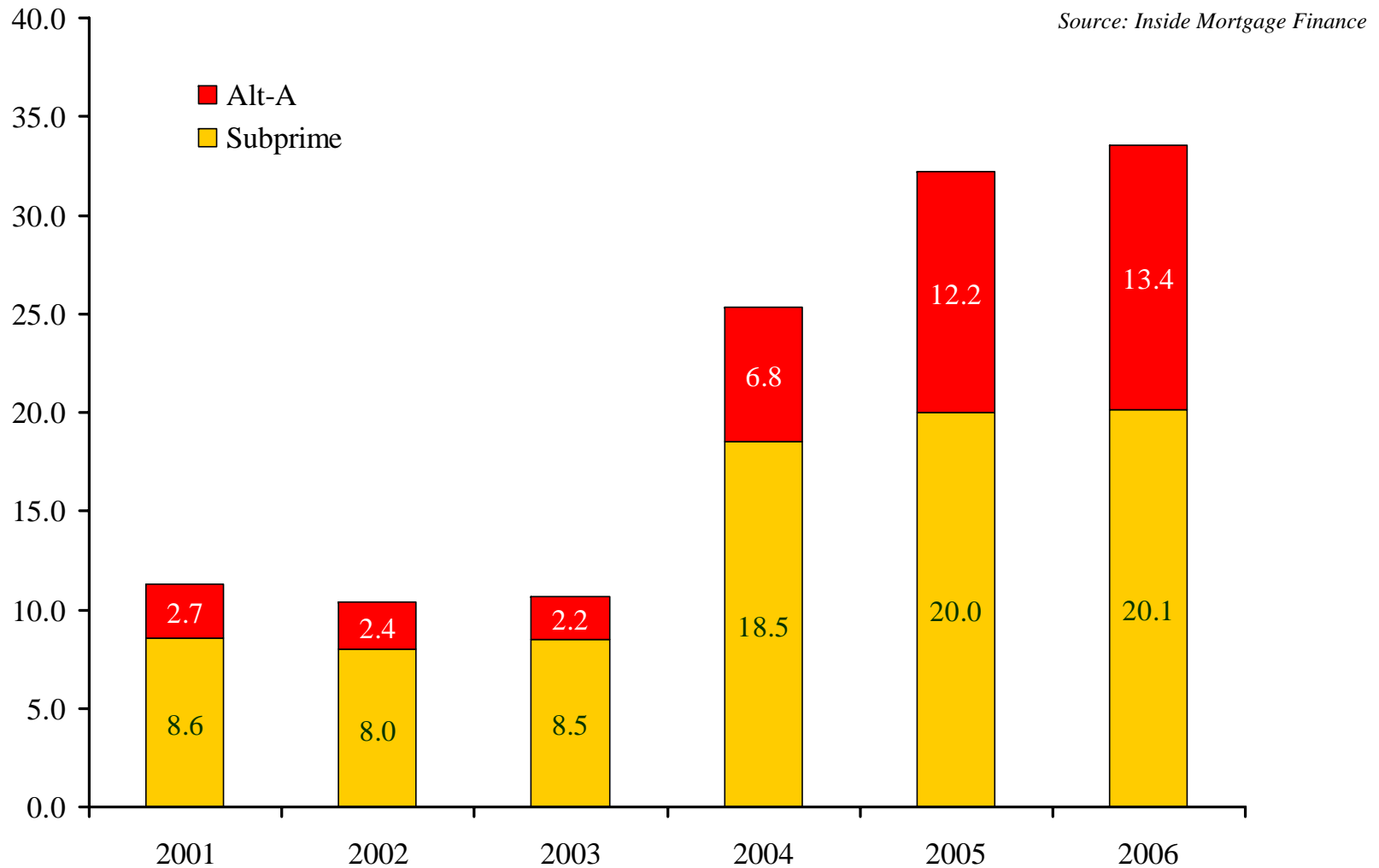
Normalized per number of mortgages outstanding by Census Tract
Source: 2000 U.S. Census and RealtyTrac Survey of New Foreclosures

The Current Foreclosure Storm

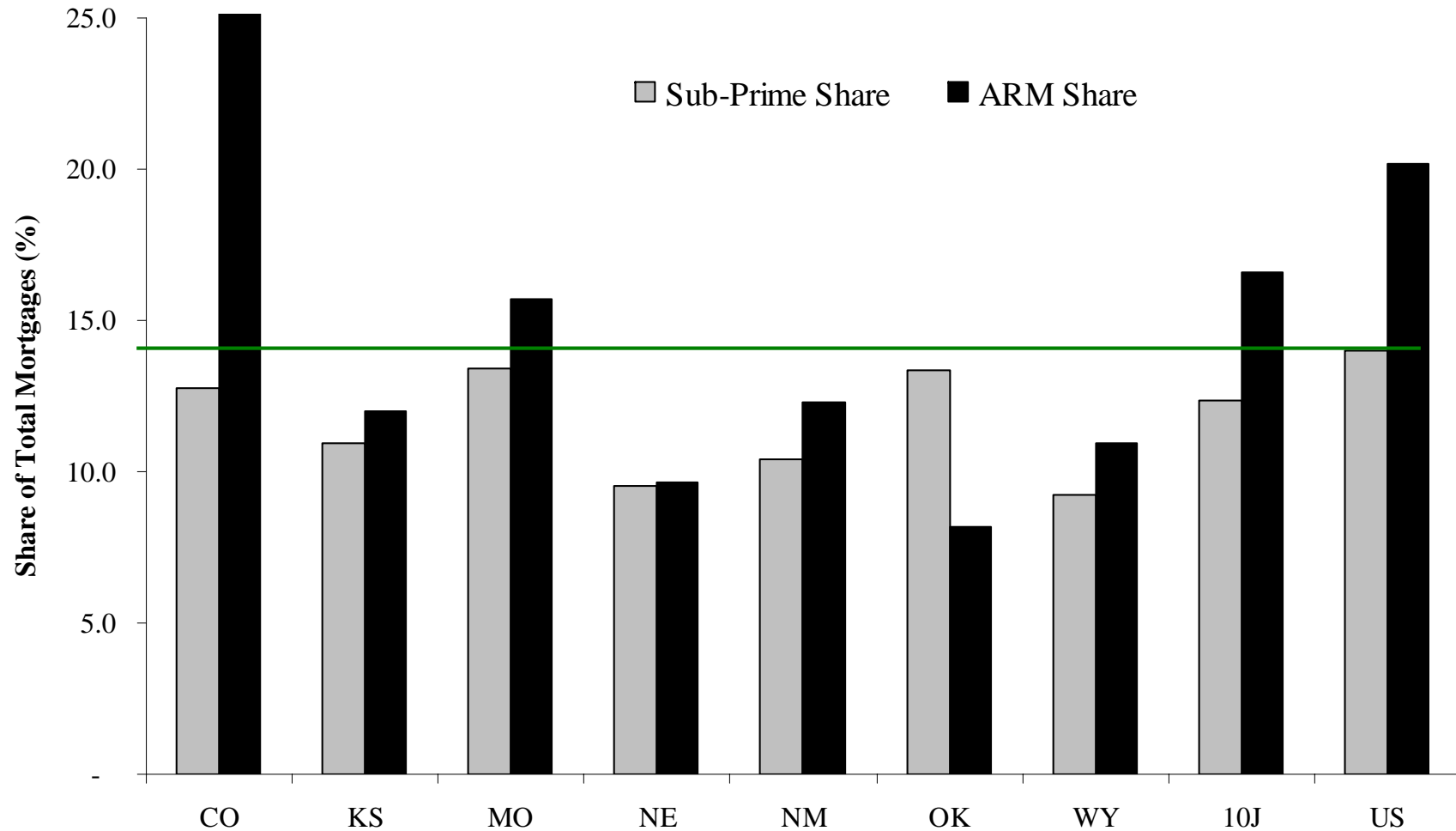


- “Nonprime” Mortgage Share
 - Subprime Mortgages
 - Alt-A Mortgages
- Payment Shock for Non-Traditional Mortgages
 - Adjustable-Rate Mortgages (ARMs)
 - Interest-Only Mortgages
 - Payment Option ARMs
- Adverse Equity Position
 - Declining Home Price Appreciation (or Depreciation)
 - High LTV originations
 - Cash-Out Refinancing

“Nonprime” Mortgage Originations



Subprime and ARMs in the Tenth District (2nd Quarter, 2007)



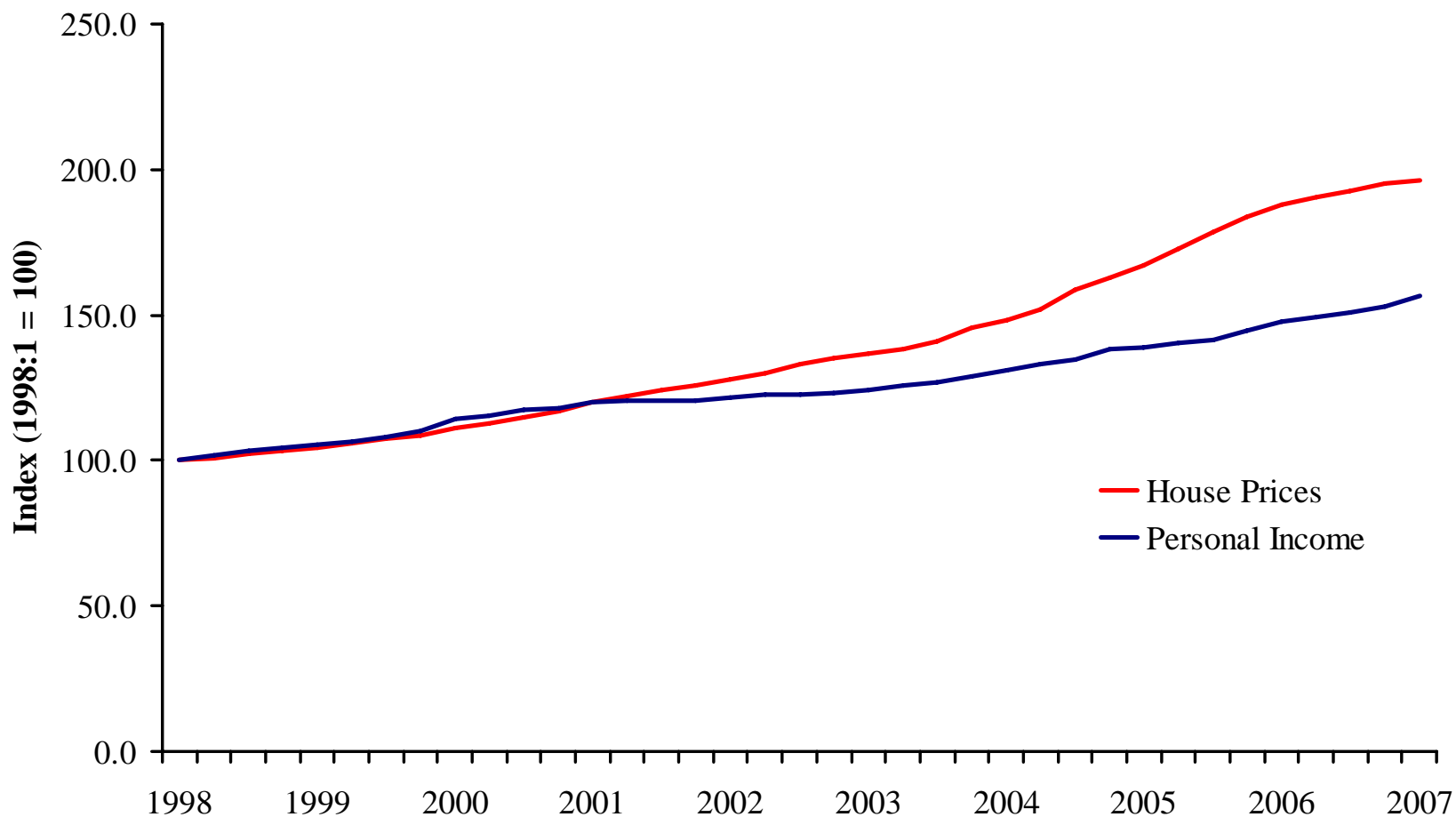
Source: Mortgage Bankers Association

Foreclosure Rates by Type of Mortgage Second Quarter, 2007

Loan Type	In Foreclosure	Foreclosures Started	Past Due (30+ Days)
<i>United States</i>			
Prime	0.59	0.25	2.63
Subprime	5.52	2.45	14.54
<i>10th District</i>			
Prime	0.59	0.24	2.37
Subprime	5.31	2.29	13.36

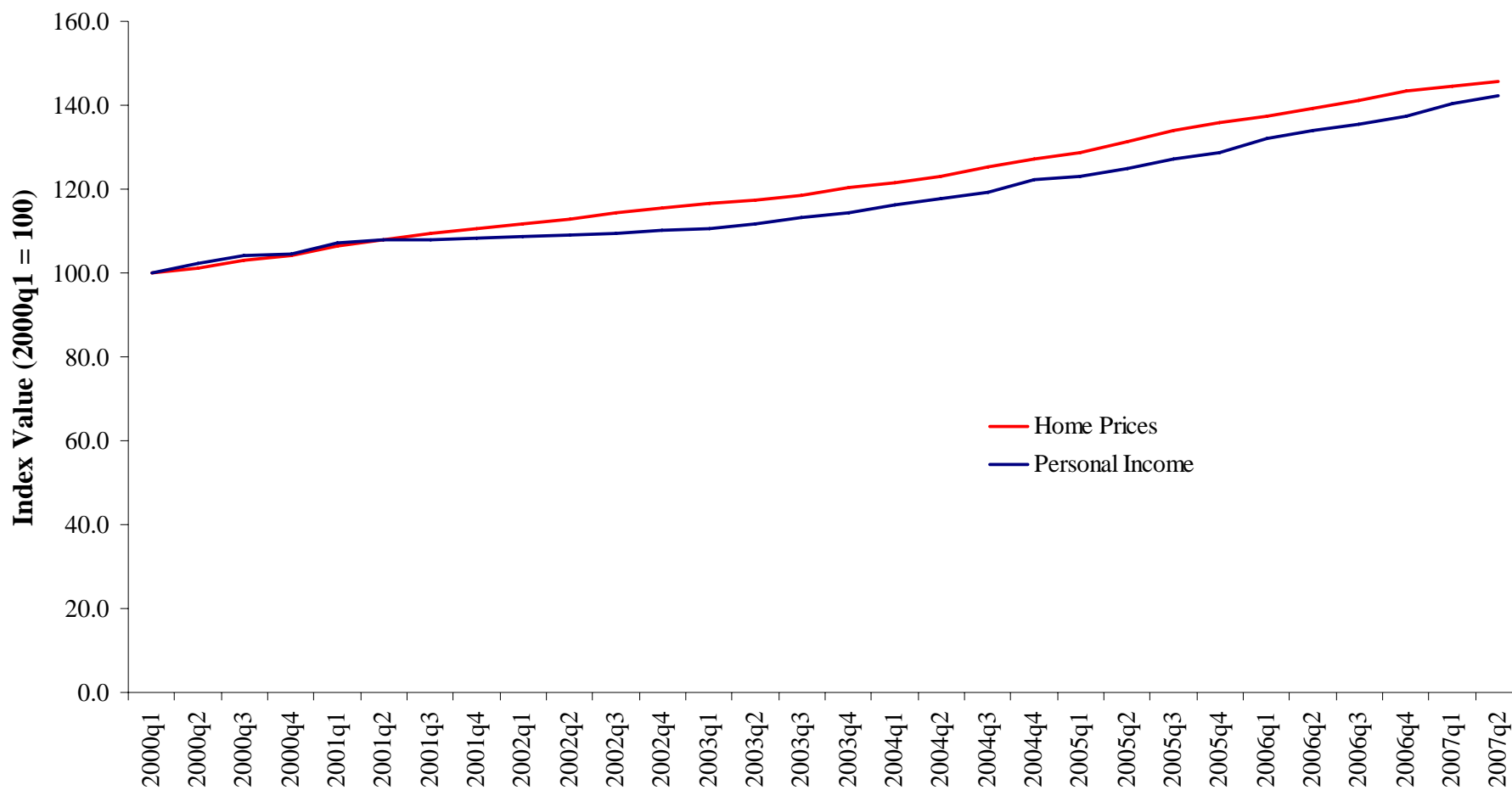
Source: Mortgage Bankers Association

Home Price Appreciation Outpaces Personal Income Growth (U.S.)



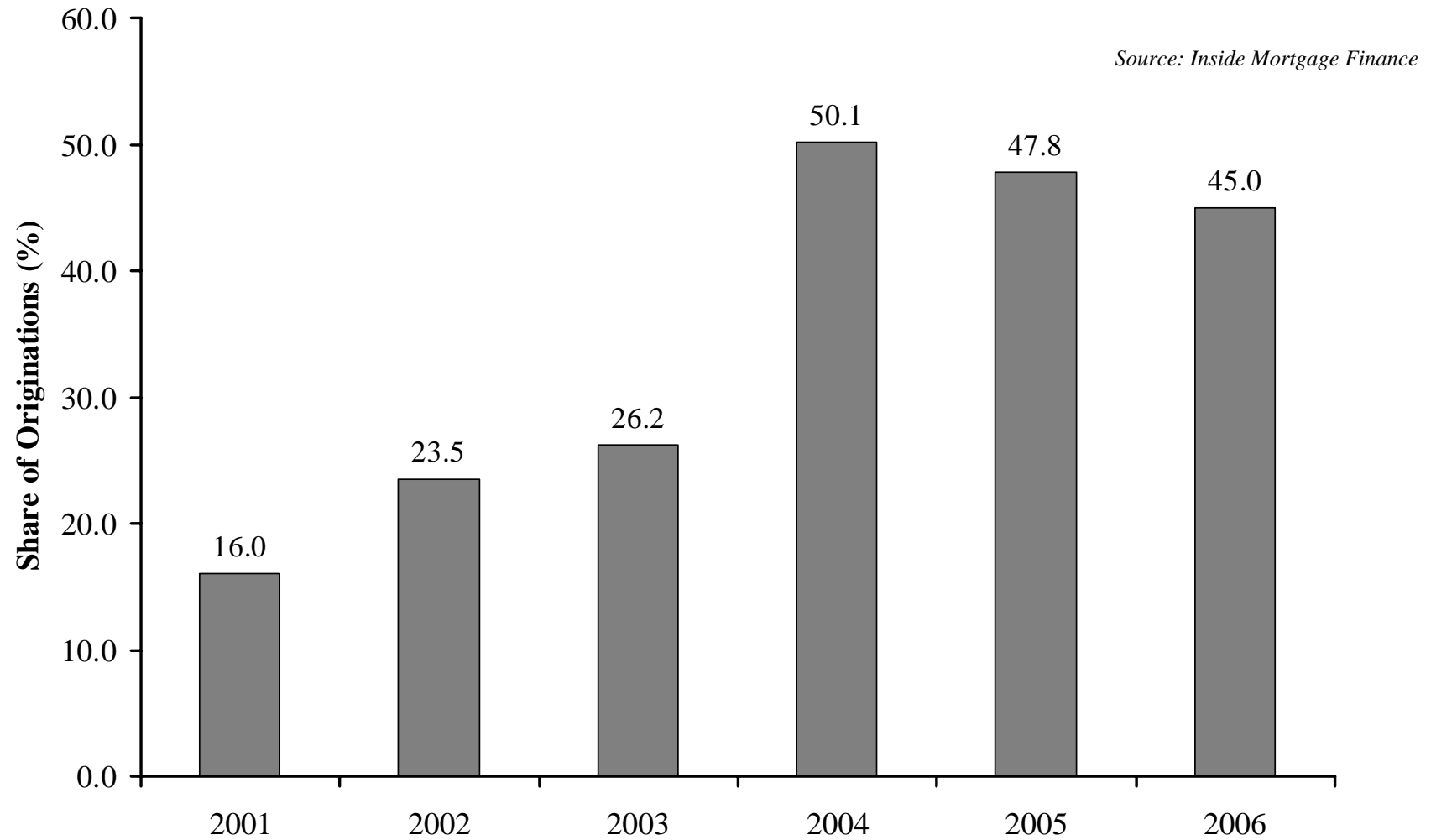
Sources: Office of Housing Enterprise Oversight (OFHEO) Housing Price Index and U.S. Bureau of Economic Analysis.

Home Price Appreciation Outpaces Personal Income Growth (10J)

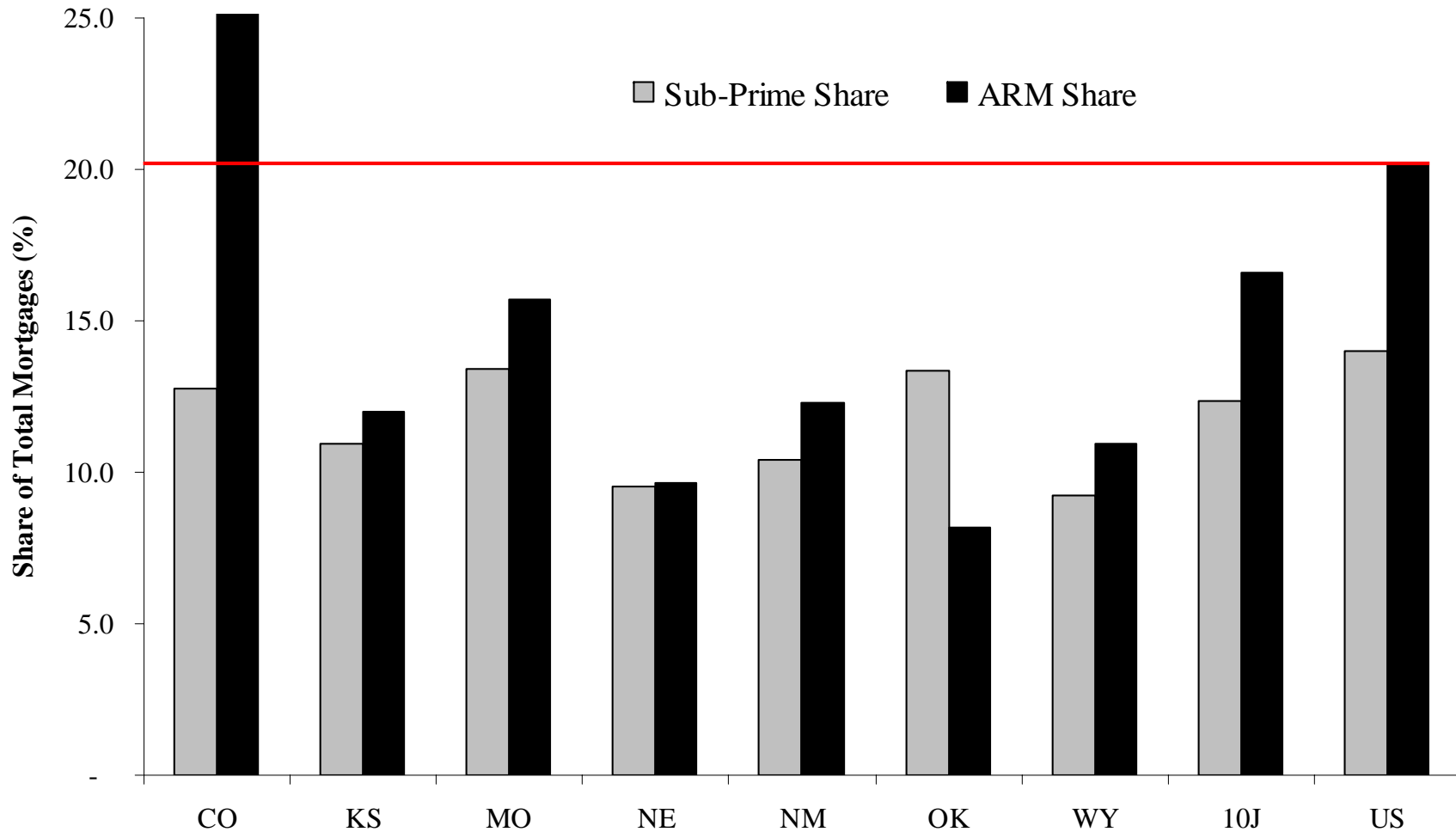


Sources: Office of Housing Enterprise Oversight (OFHEO) Housing Price Index; U.S. Bureau of Economic Analysis; U.S. Census Bureau.

ARM Share of Mortgage Originations

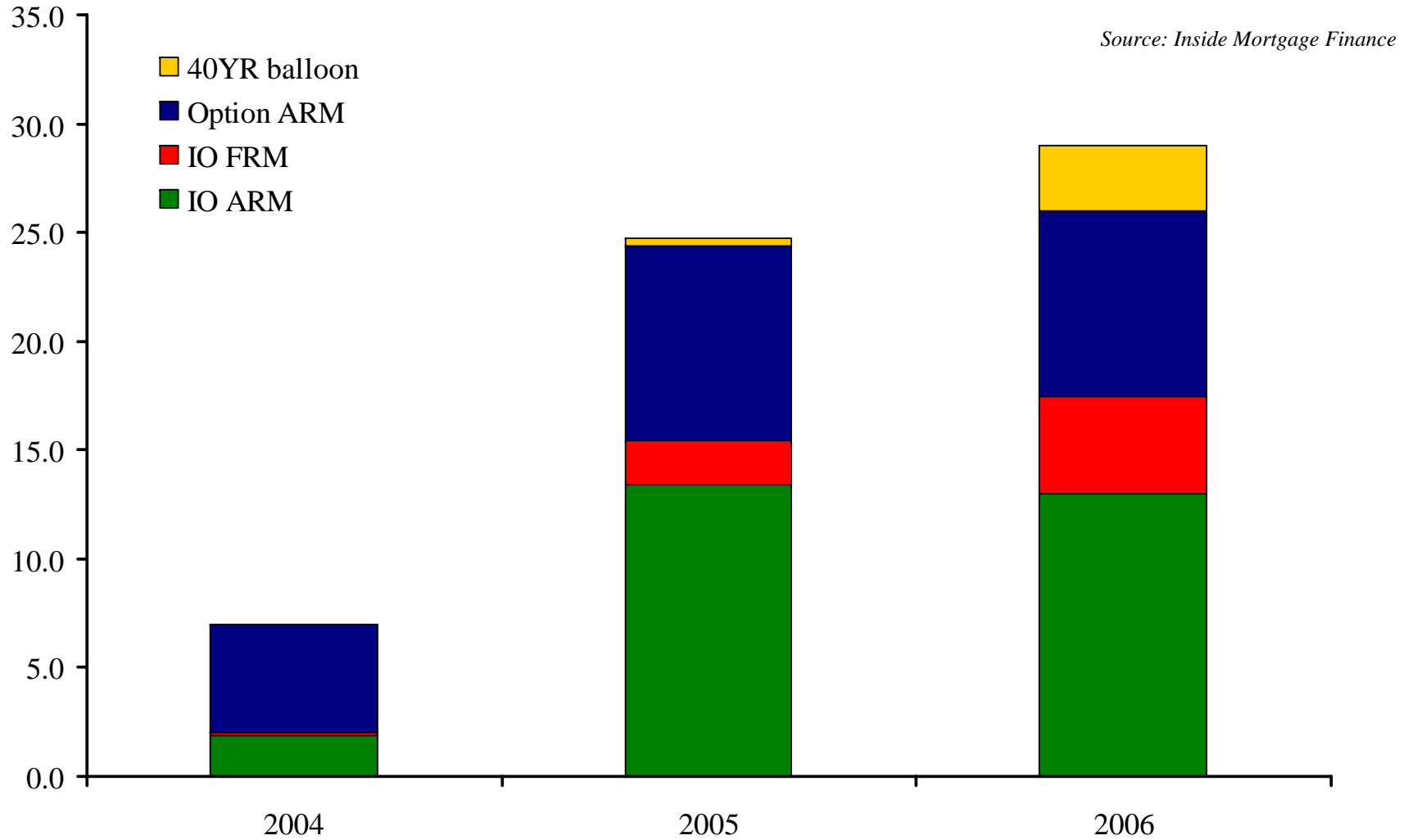


Subprime and ARMs in the Tenth District (2nd Quarter, 2007)

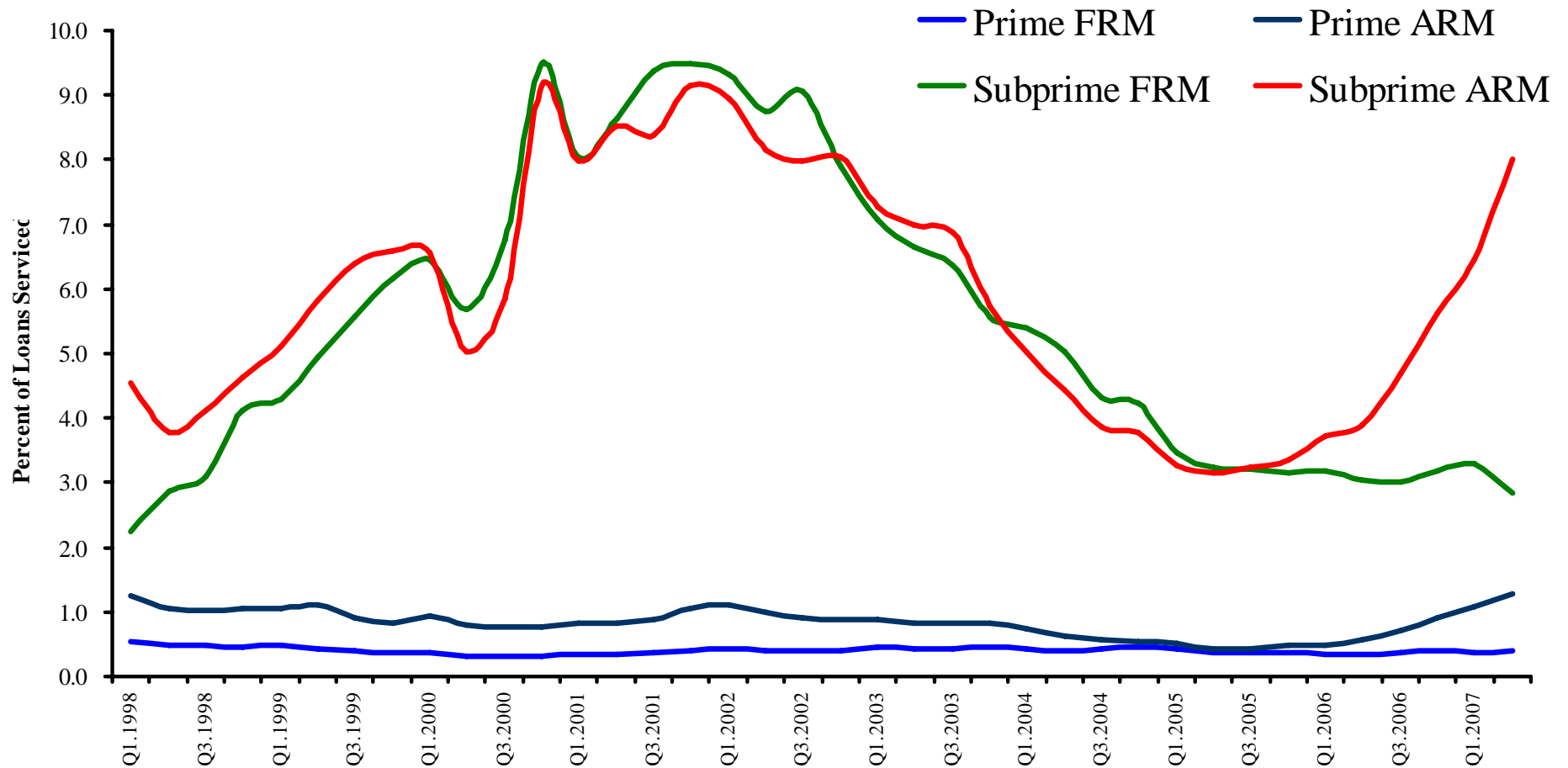


Source: Mortgage Bankers Association

Alternative Mortgage Originations



Foreclosure Rates by Mortgage Type 1998 – Present



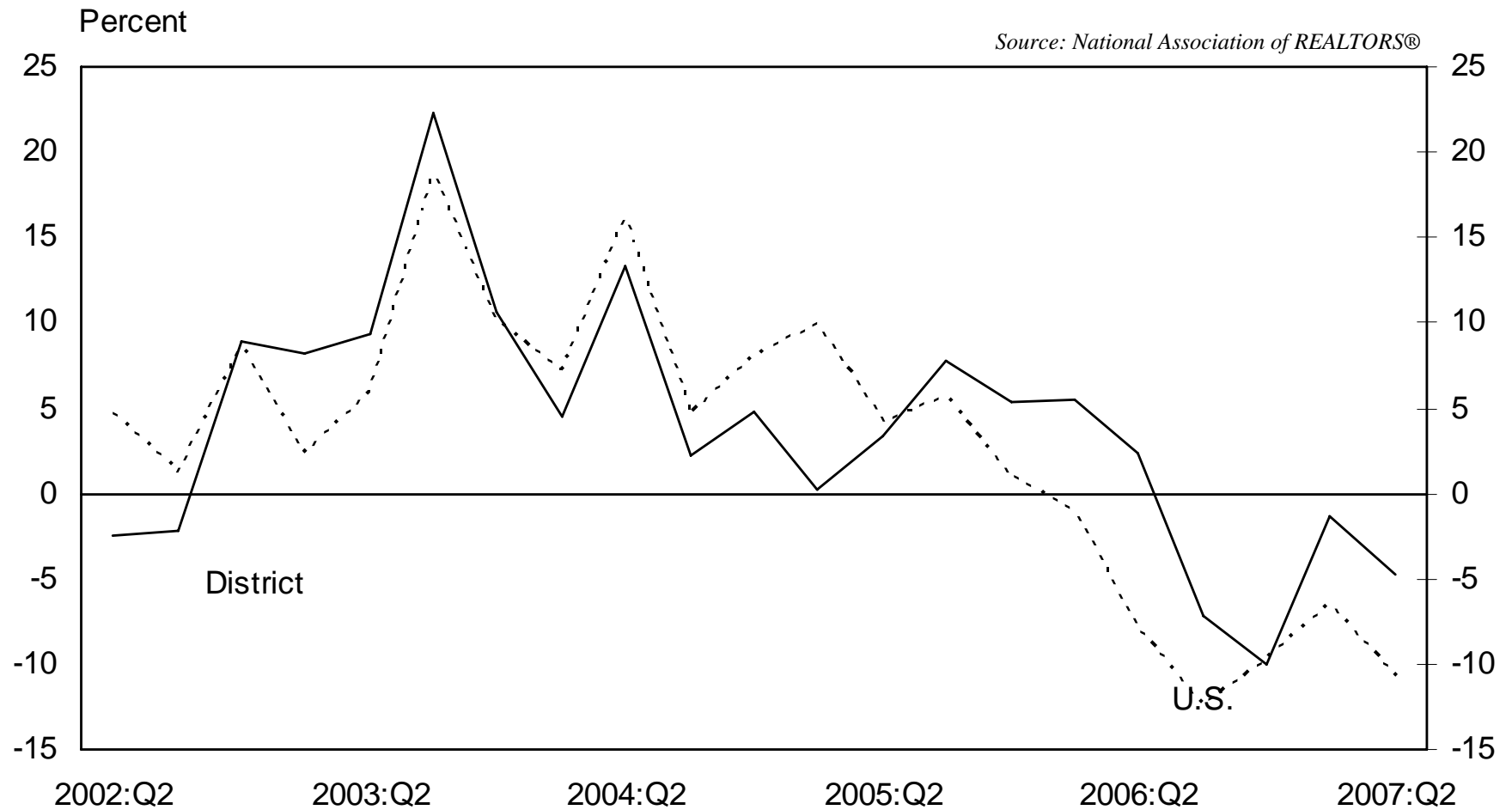
Source: Mortgage Bankers Association

Options if Can't Make the Payment

- Work-Out
 - Foreclosure is a two-step process
 - More difficult if securitized
- Prepay
 - Sell
 - Requires sufficient equity (significantly greater than 0)
 - Selling costs
 - Possible pre-payment penalty (especially subprime)
 - Refinance
 - Requires sufficient equity
 - Closing costs
 - Possible pre-payment penalty (especially subprime)
- Default

Existing Home Sales

Sales of Existing Single-Family Homes Year-Over-Year Change, SAAR



Annual Change in Home Prices – 10th District

Table A.1

Home Price Appreciation in the Tenth Federal Reserve District, 2004-07
Selected MSAs

MSA	Annual Appreciation			
	National Association of REALTORS /a/			OFHEO HPI /b/
	2004-05	2005-06	2006-07(Q2)	2006-07(Q2)
Albuquerque, NM	16.4	8.9	7.7	9.0
Boulder, CO	7.1	5.2	2.3	2.3
Colorado Springs, CO	9.8	6.0	1.4	3.3
Denver-Aurora, CO	3.3	1.0	0.0	0.8
Farmington, NM	15.2	11.1	14.0	N/A
Kansas City, MO-KS	4.5	(0.6)	(0.7)	3.6
Lincoln, NE	2.1	0.2	(0.5)	2.7
Oklahoma City, OK	2.0	9.0	3.1	3.4
Omaha, NE-IA	3.7	1.6	(4.3)	1.4
Springfield, MO	6.1	3.1	1.3	5.9
Topeka, KS	3.5	0.4	6.3	5.0
Tulsa, OK	N/A	N/A	N/A	4.4
Wichita, KS	3.9	6.4	(0.7)	5.4
United States	12.2	1.3	(1.5)	3.2

N/A indicates that data are not available

/a/ The National Association of REALTORS Median Sales Price of Existing Single-Family Homes; Available from <http://www.realtor.org>. For more information on house price indexes, see Jordan Rappaport, 2007, "A Guide to Aggregate House Price Measures," *Federal Reserve Bank of Kansas City Economic Review*, 92(2), 41 – 72.

/b/ Office of Housing Enterprise Oversight (OFHEO) Housing Price Index (HPI); Available from <http://www.ofheo.gov>.



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