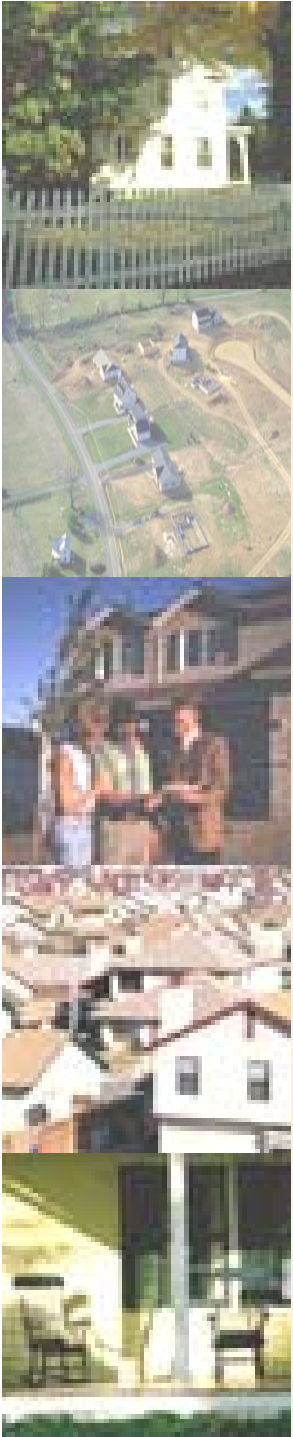


Rural Nebraska Housing Trends and Issues

**Jason Henderson
Branch Executive
Federal Reserve Bank of Kansas City
Omaha Branch**

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The views expressed are those of the author and do not necessarily reflect the positions of Federal Reserve Bank of Kansas City or the Federal Reserve System.



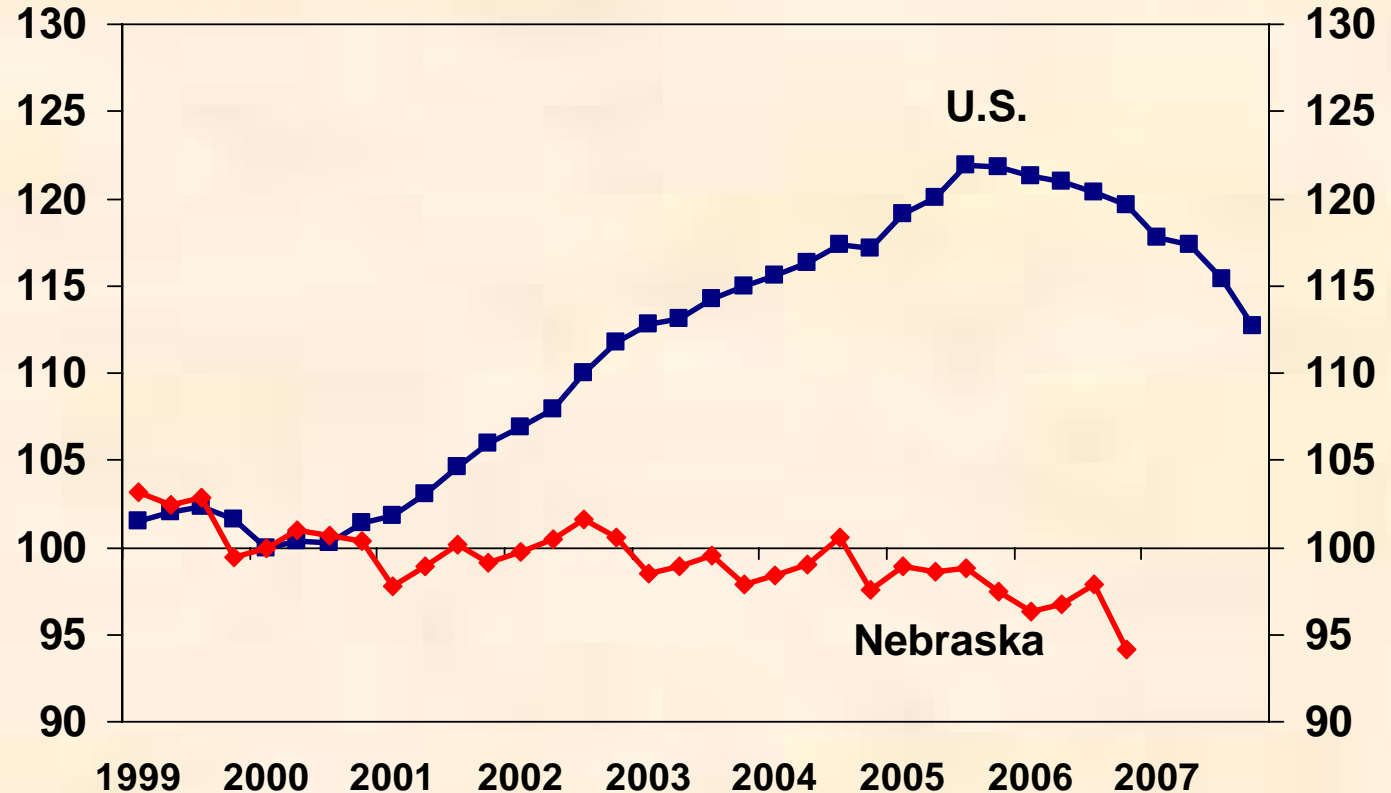
Housing Trends and Issues

- Housing weakness leads to an economic slowdown.
- Rural areas face different challenges.
 - Quality of homes
 - Abandoned homes
 - Access to rental units

Home prices outpace income gains nationally, but not in Nebraska.

U.S. and Nebraska Home Price-to-Income Ratio

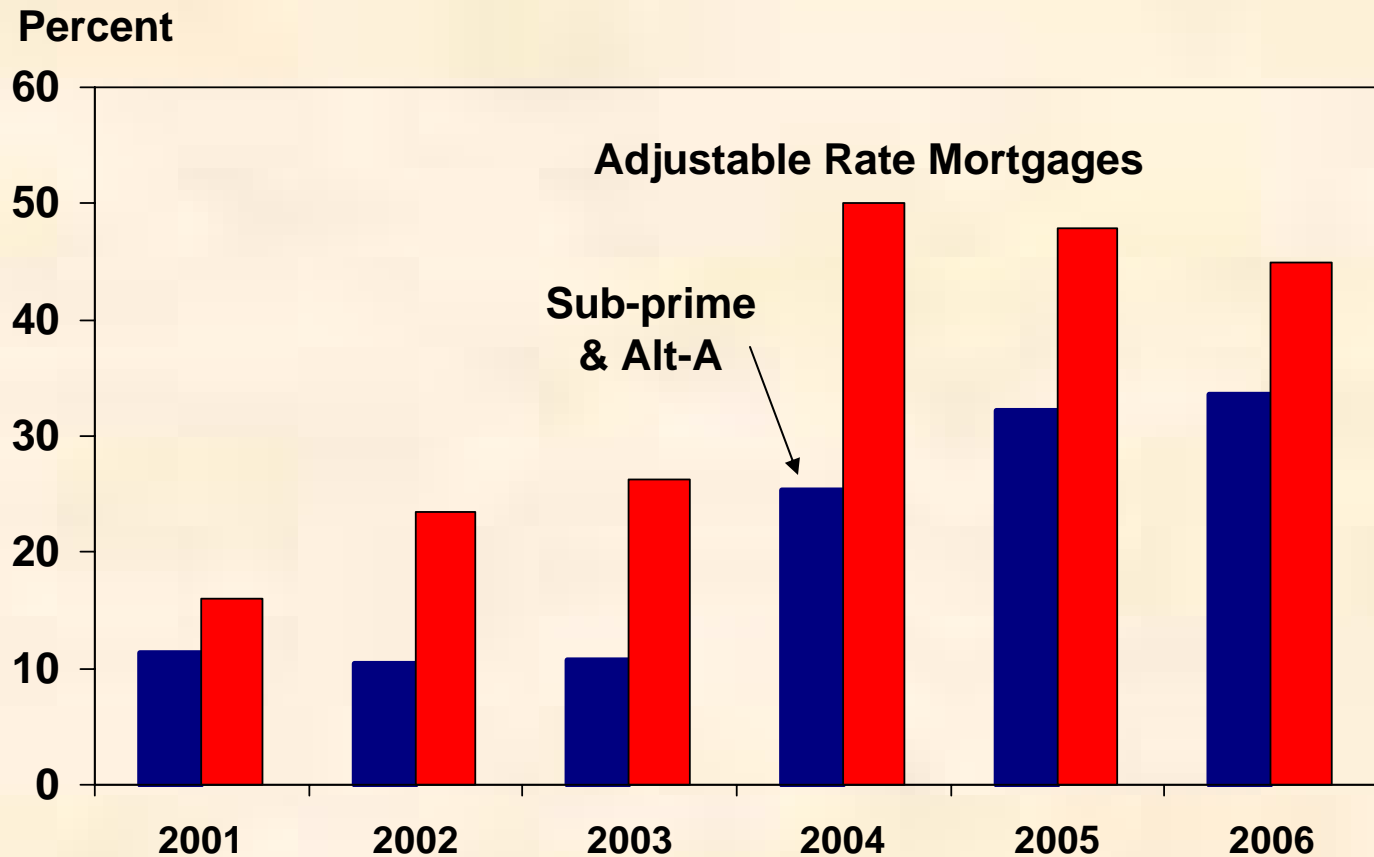
Index (2000:Q1=100)



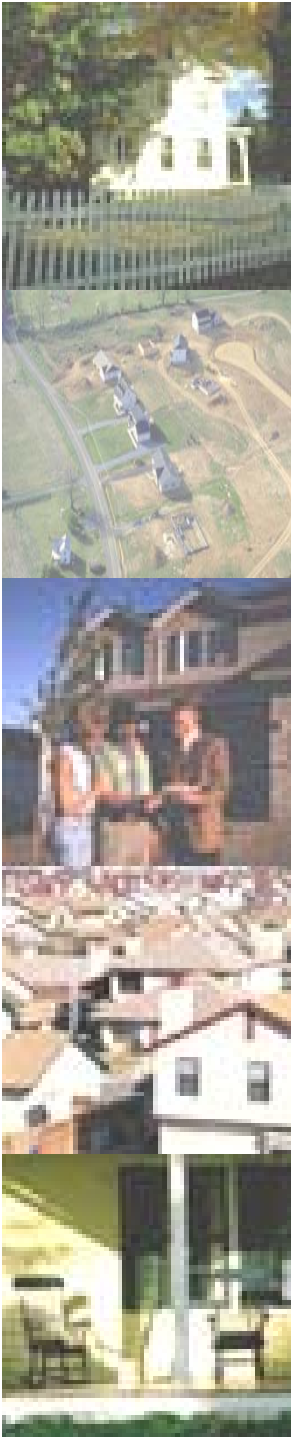
Source: Census Bureau and Bureau of Economic Analysis

As a result, the use of ARMs and Sub-prime loans accelerated.

Mortgage Origination Shares



Source: Inside Mortgage Finance

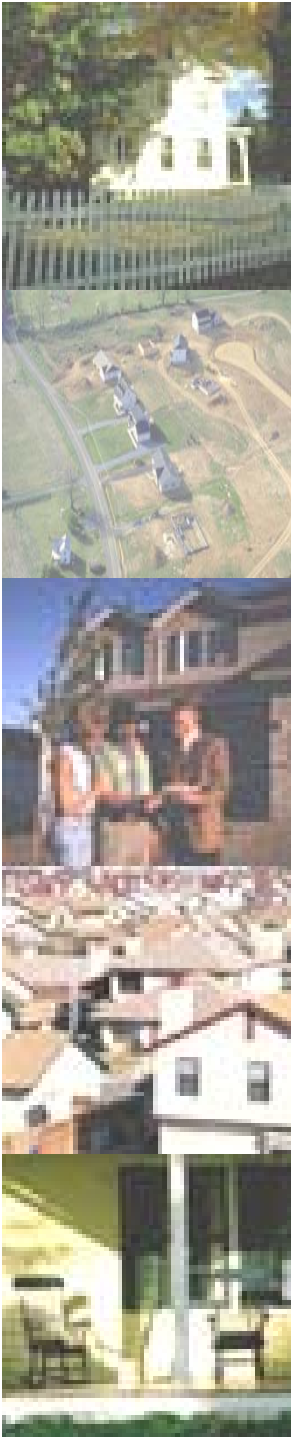


Hypothetical Initial and Reset Mortgage Payments by Loan Type

(\$200,000 first mortgage initiated in June 2004)

Loan Type	Initial Payment	Payment at Reset	Payment Increase
30-Yr FRM	\$1237	\$1237	-
3/1 Prime ARM	\$1039	\$1420	37%
3/1 Prime Interest-Only ARM	\$786	\$1462	86%
3/27 Sub-prime ARM	\$790	\$1741	120%
3/1 Sub-prime Option ARM	\$643	\$1907	196%

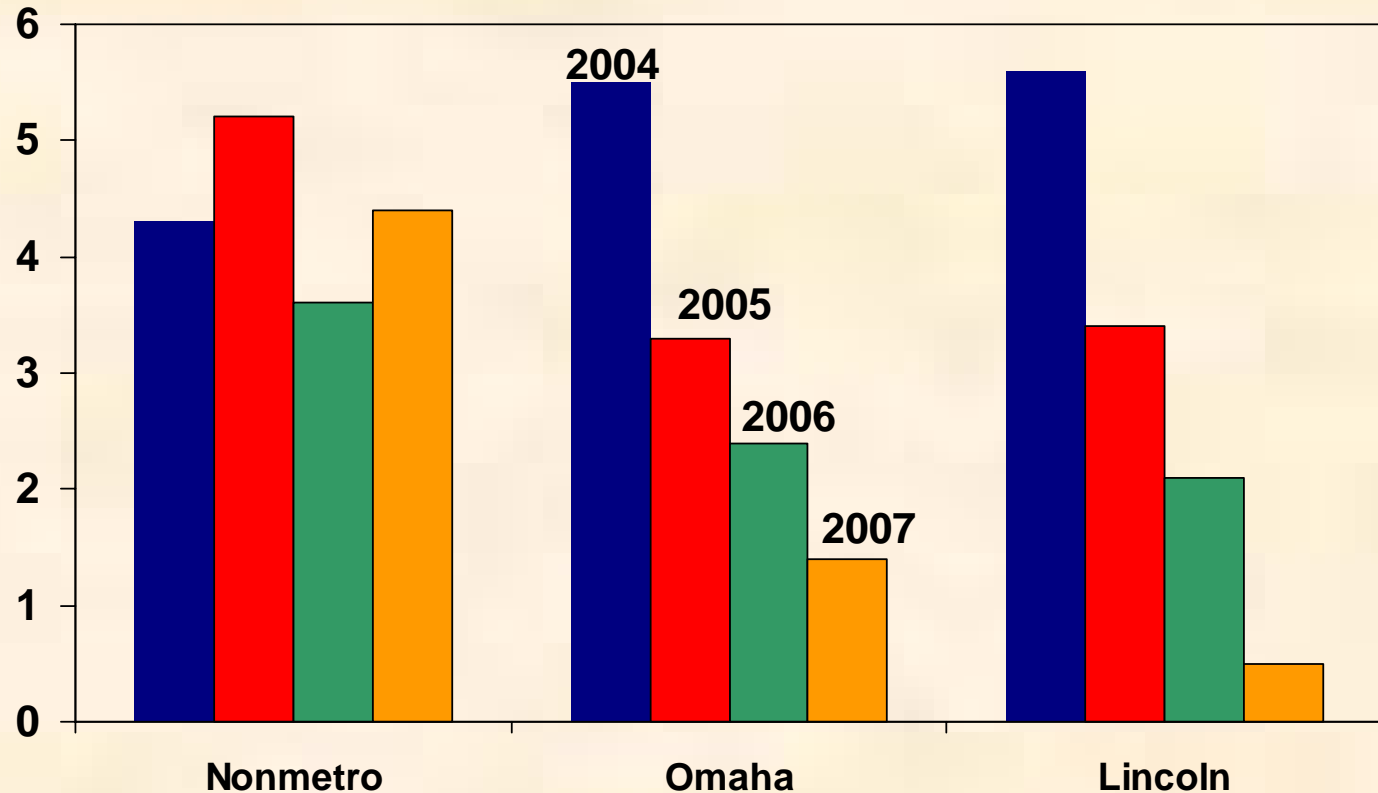
Source: Edmiston (2007)



Home price appreciation has slowed more in urban areas than in rural Nebraska.

Fourth Quarter Repeat-Sales Home Price Index

Percent change year-over-year

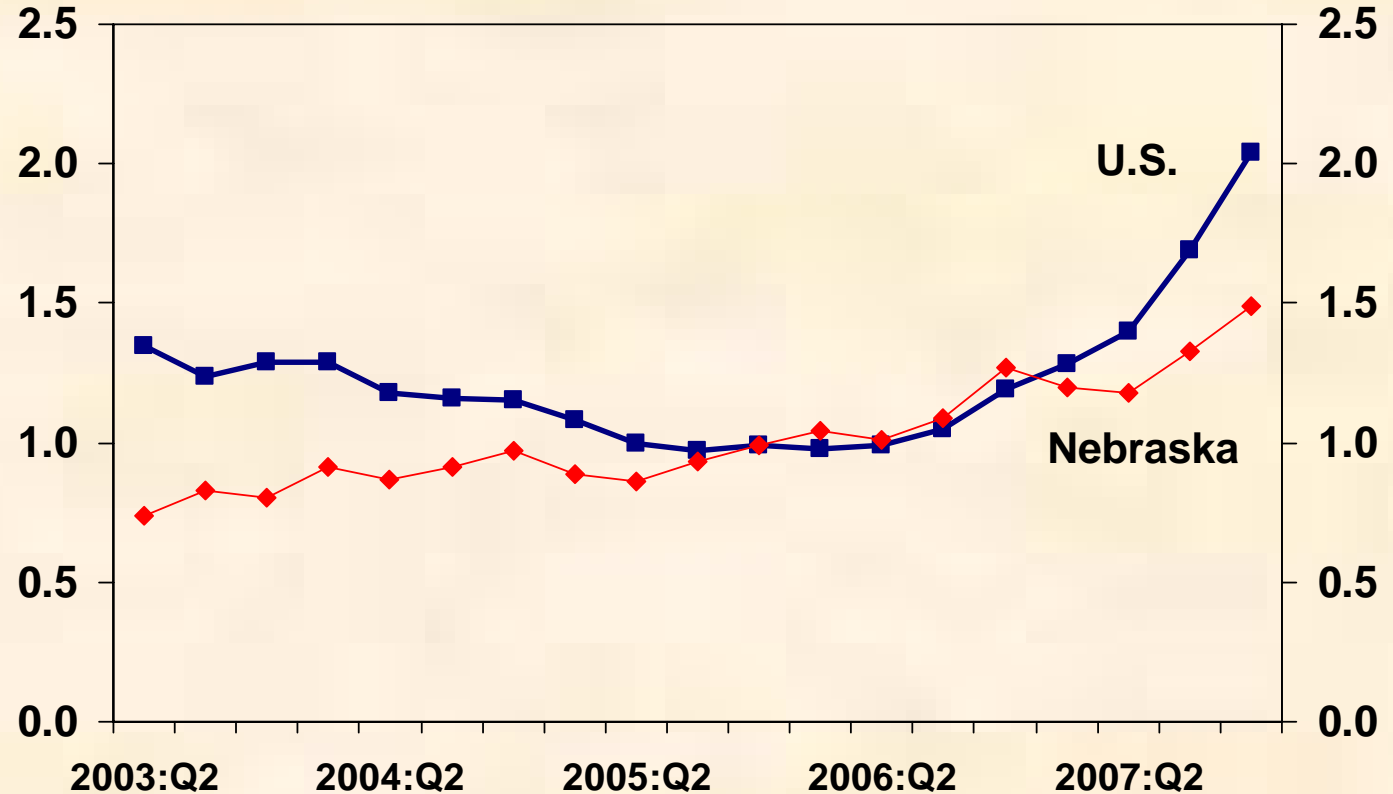


Source: OFHEO

Foreclosures accelerated in 2007 ...

Home Foreclosure Inventory

Percent of loans serviced



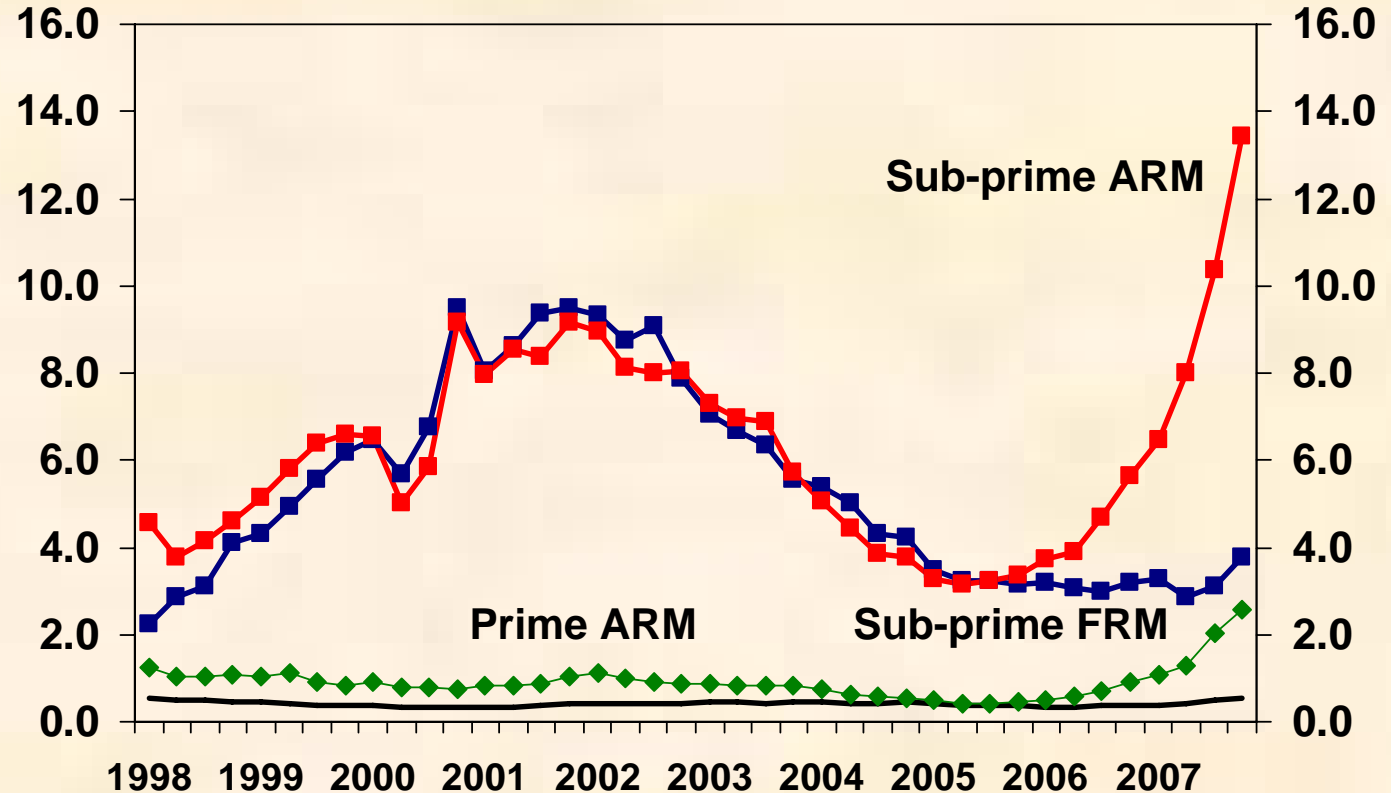
Source: Mortgage Bankers Association



Led by rising foreclosures of ARMs and Sub-prime loans.

Foreclosure Rates by Mortgage Type

Percent of loans serviced



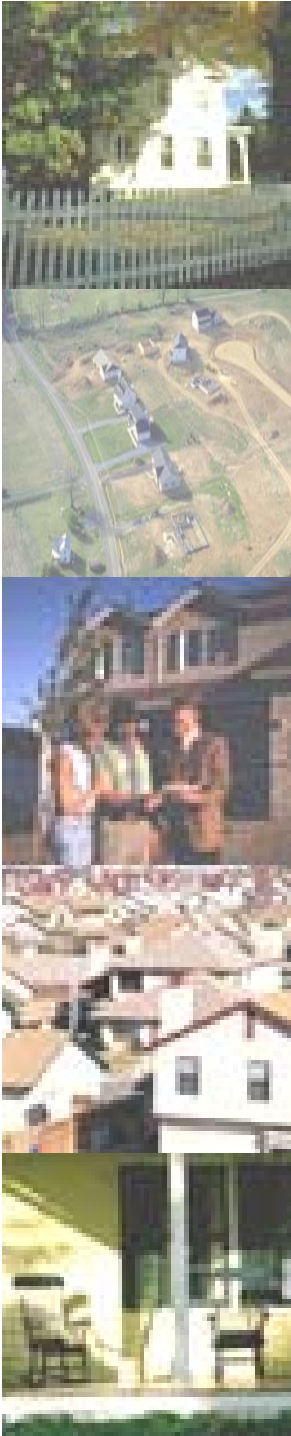
Source: Mortgage Bankers Association

Subprime Adjustable Rate Mortgage Resets

Fourth Quarter 2007

	Percent of Subprime ARMs Already Reset	Percent of Subprime ARMs Resetting in the next 11 Months	Percent of Subprime ARMs Resetting in 12-23 Months	Percent of Subprime ARMs Resetting in 24+ Months
United States	41.1	39.0	19.5	5.7
Wyoming	37.8	41.3	23.9	3.1
Nebraska	53.6	37.4	13.5	1.8
Missouri	49.7	36.0	17.0	4.9
New Mexico	36.0	35.8	25.3	8.4
Oklahoma	51.8	34.9	14.7	2.8
Colorado	51.4	32.6	15.4	4.4
Kansas	52.7	31.6	15.4	4.1

Source: Federal Reserve Board of Governors

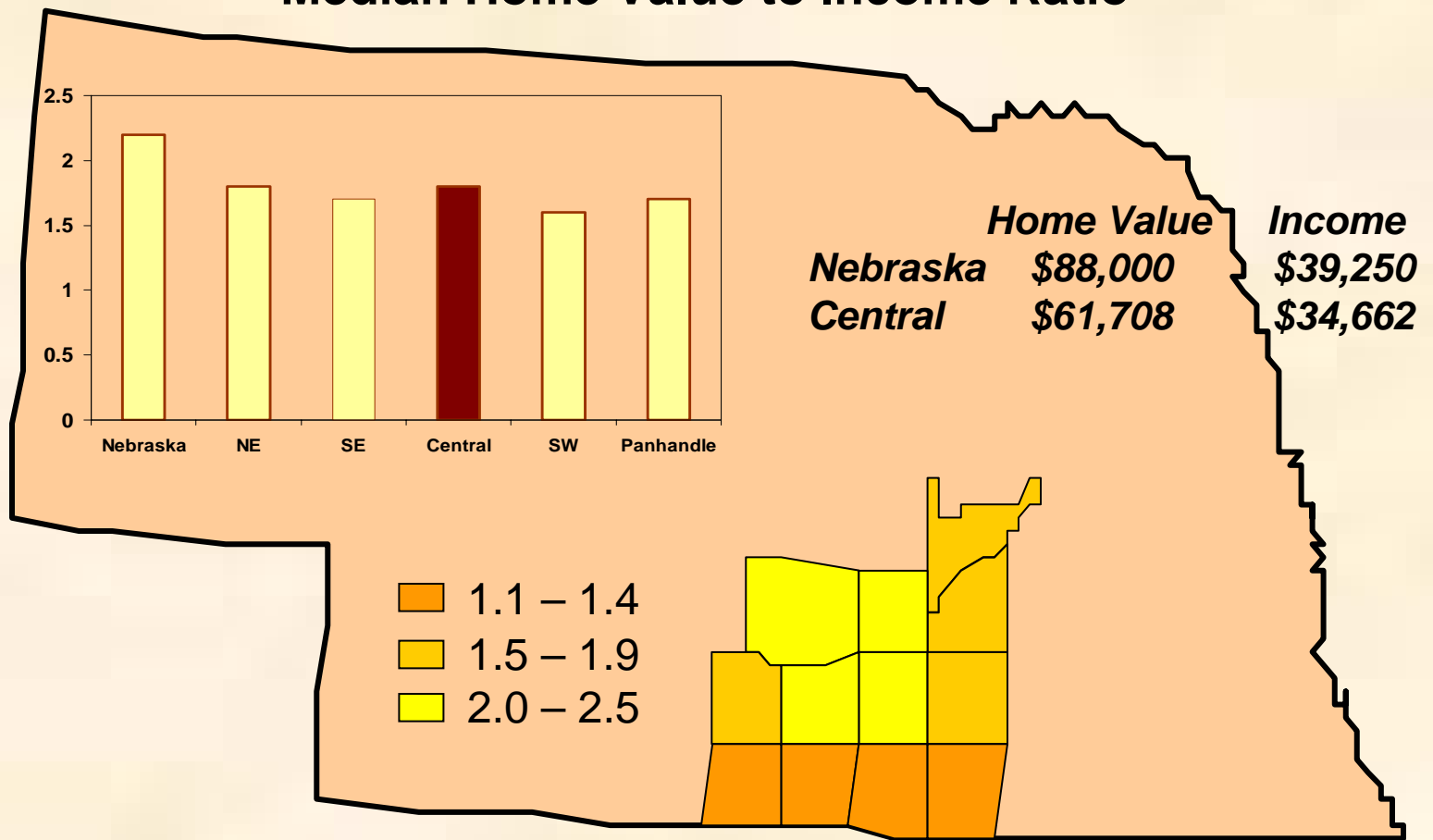


Housing Trends and Issues

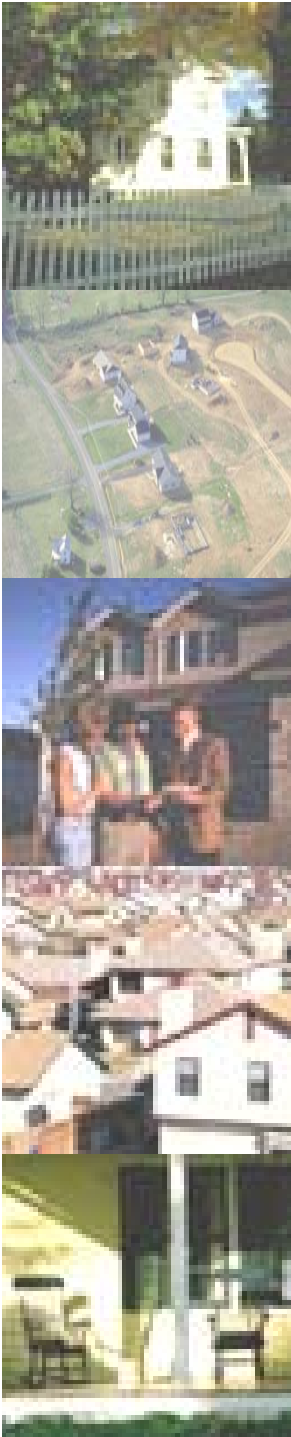
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Rural Nebraska has More Affordable Homes

Median Home Value to Income Ratio

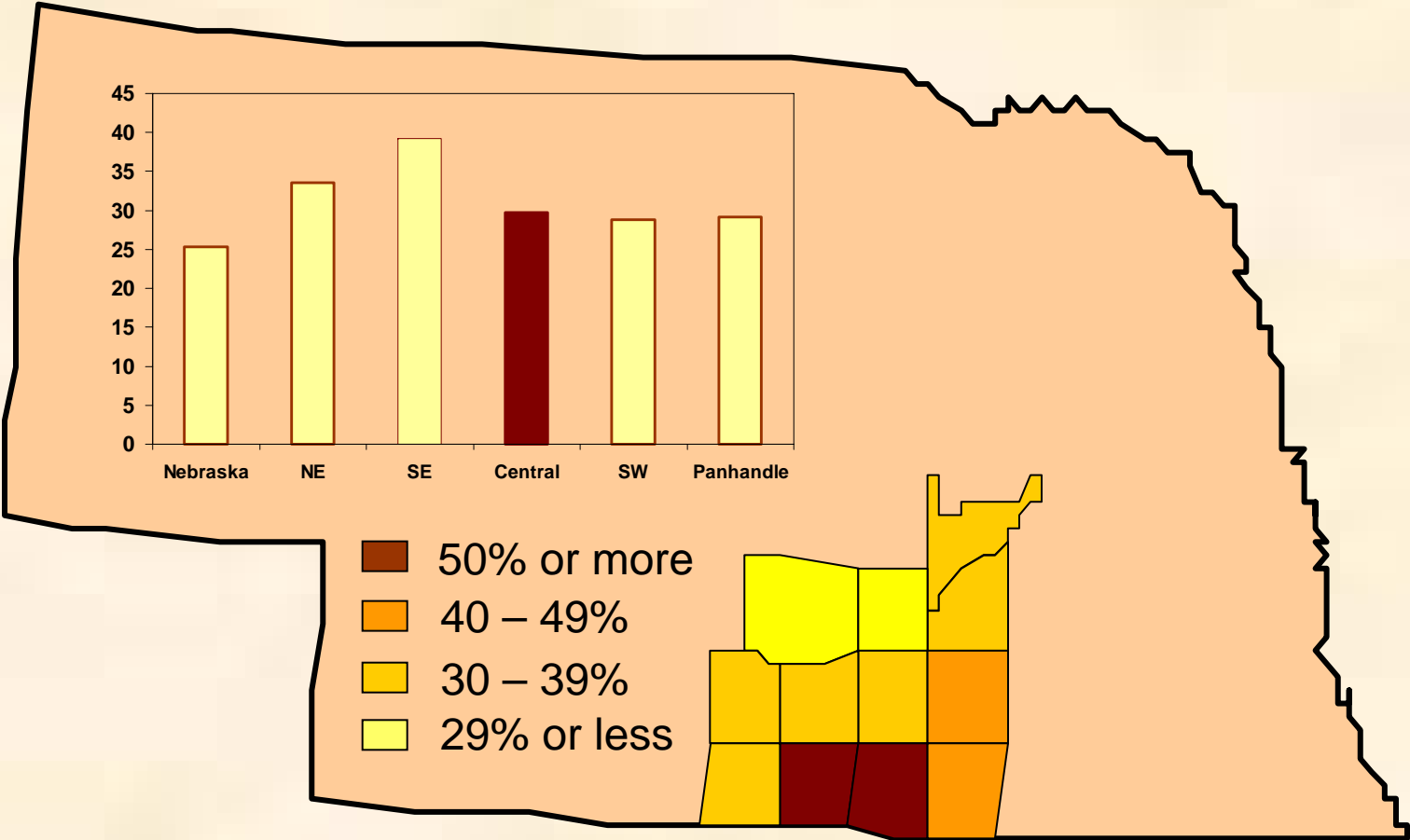


Source: U.S. Census Bureau

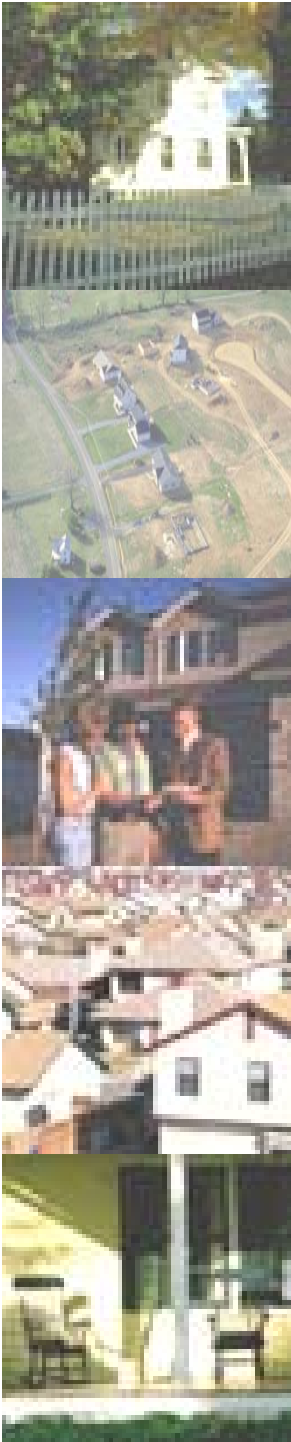


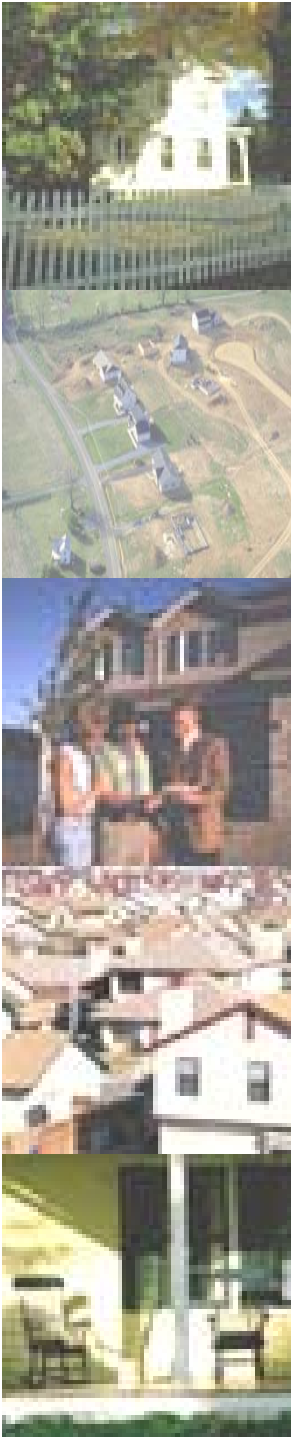
Rural Nebraska Tends to Have Older Homes

Percent of Homes Built Before World War II



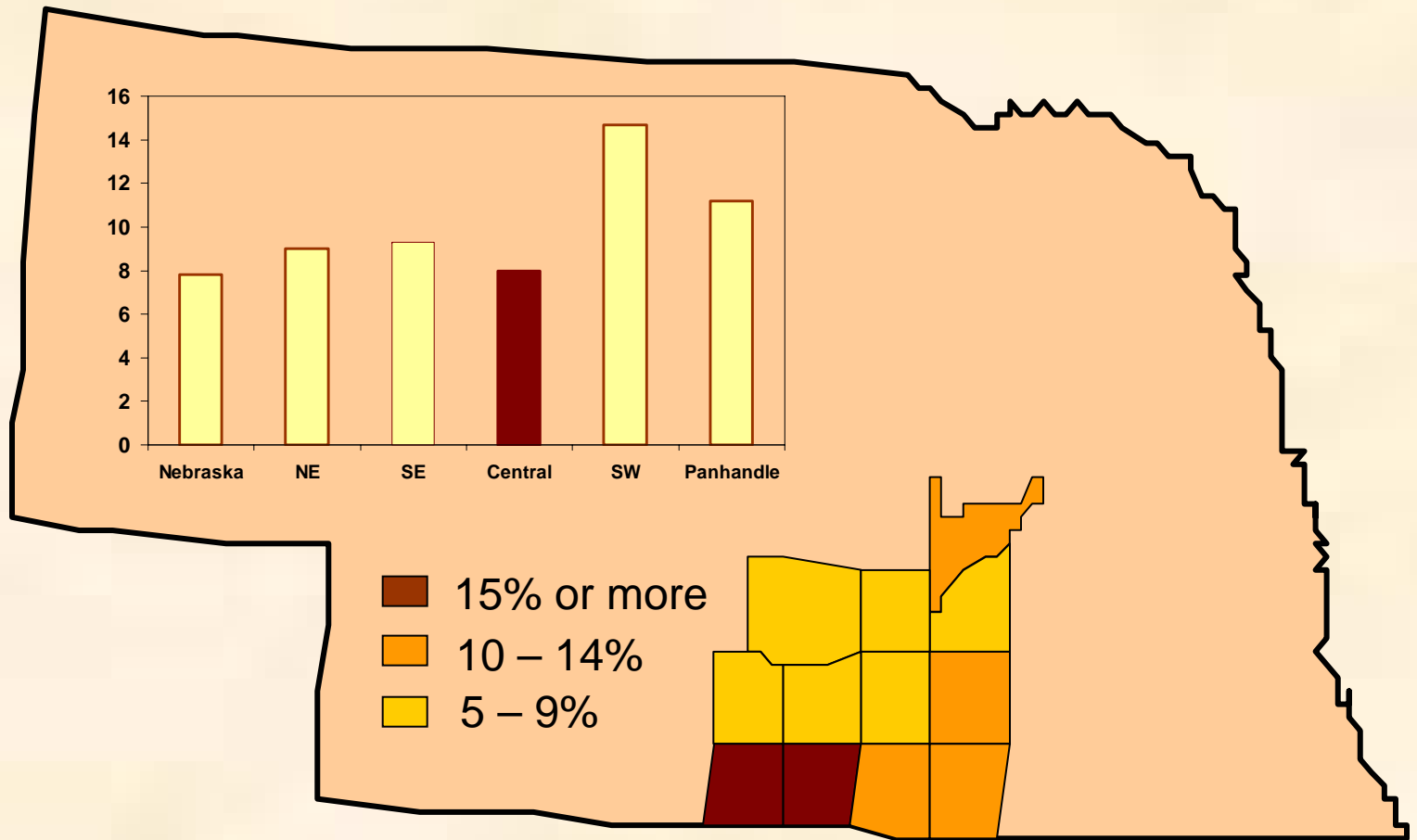
Source: U.S. Census Bureau



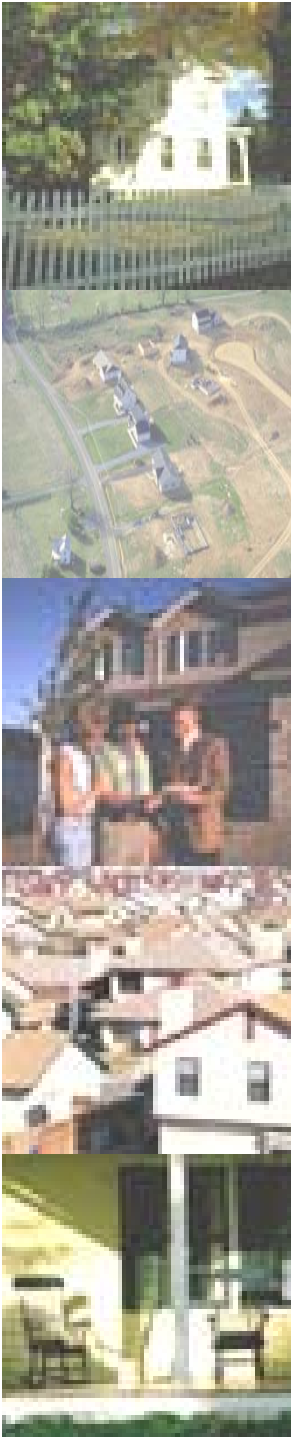


Rural Nebraska has more Abandoned Homes

Percent of Homes that are Abandoned

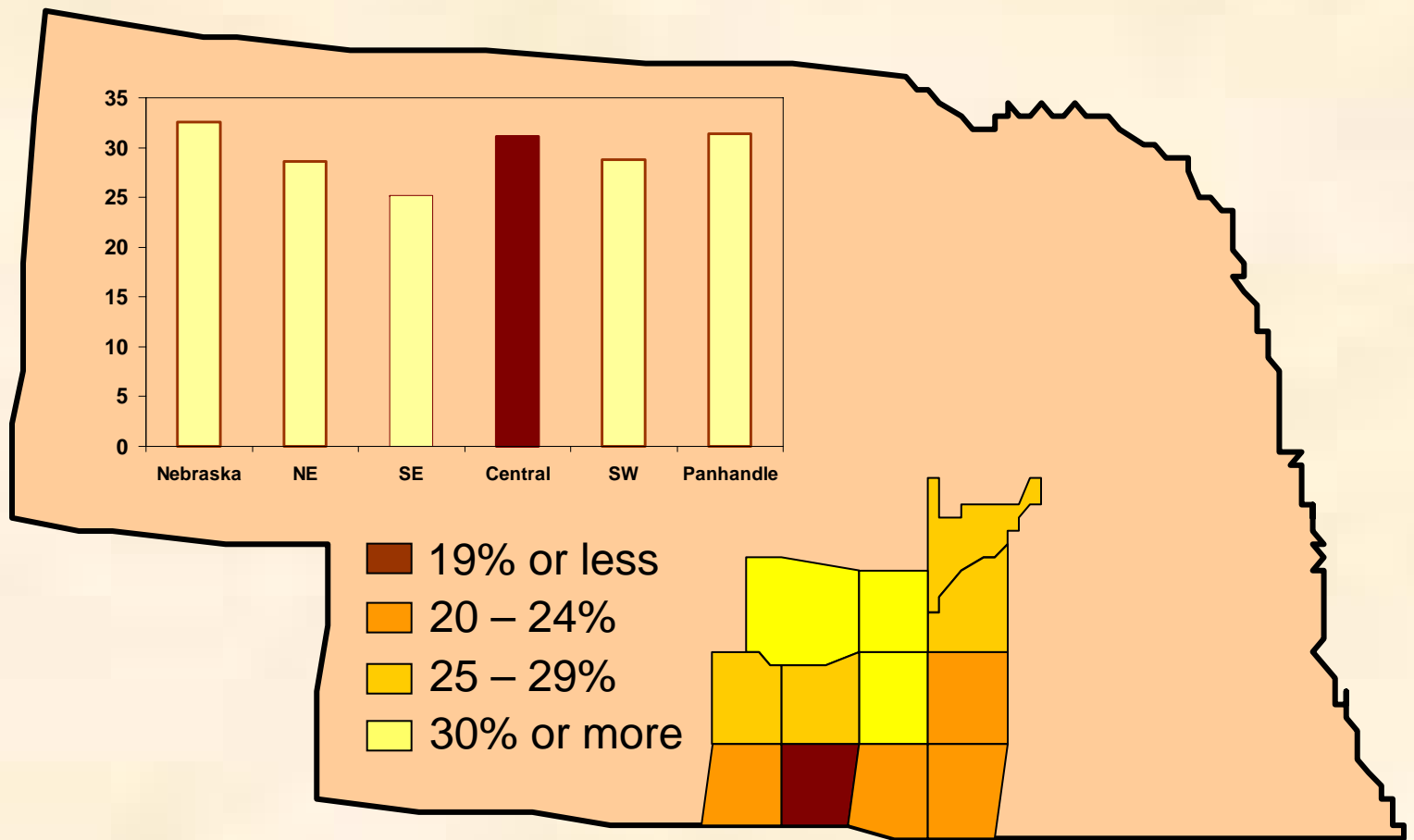


Source: U.S. Census Bureau

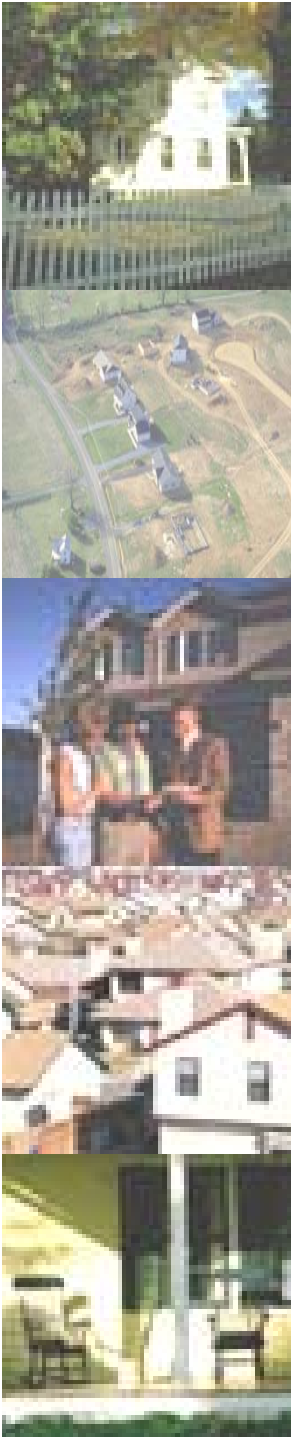


Rural Nebraska has Fewer Rental Homes

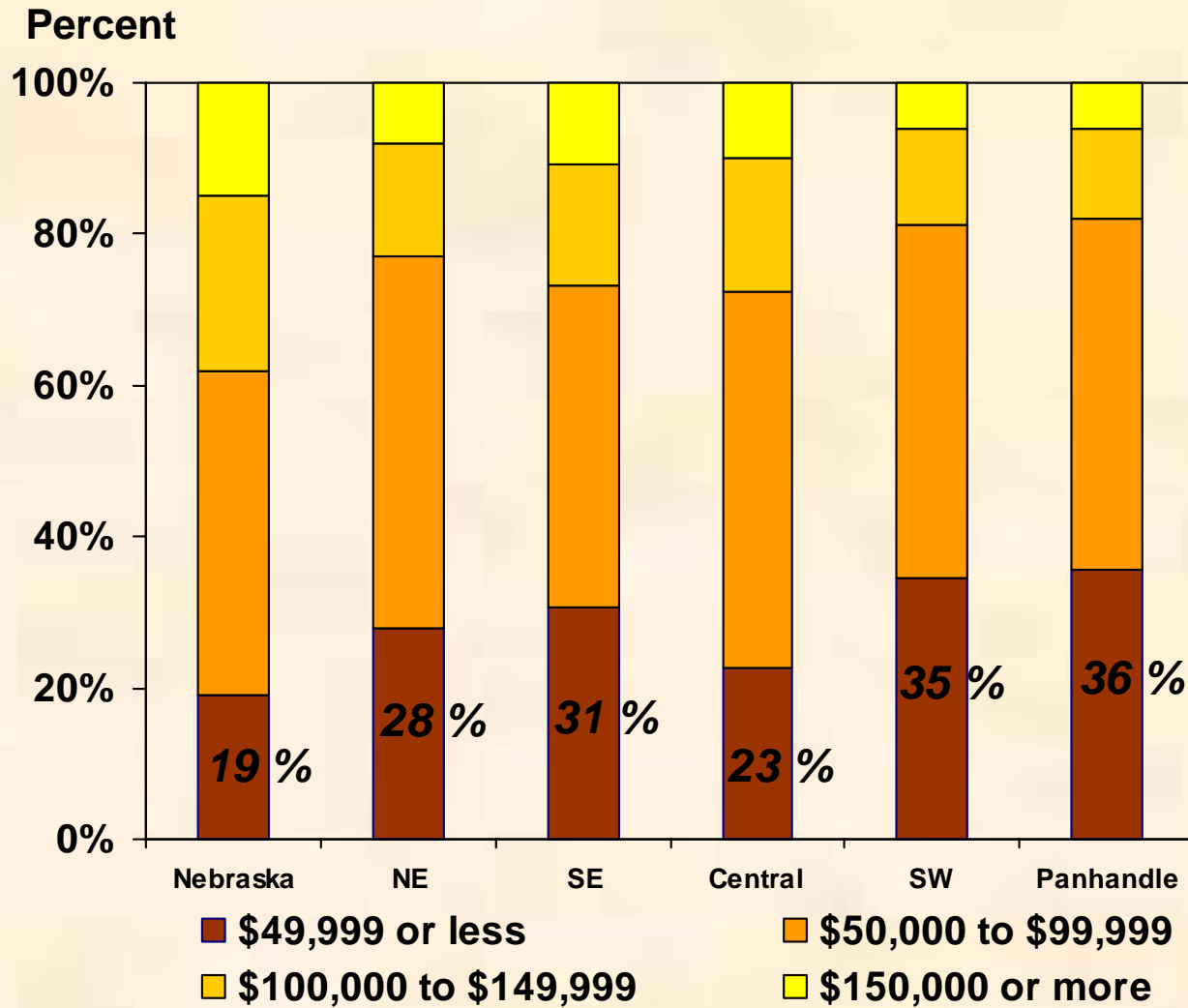
Percent of Homes that are Renter-Occupied



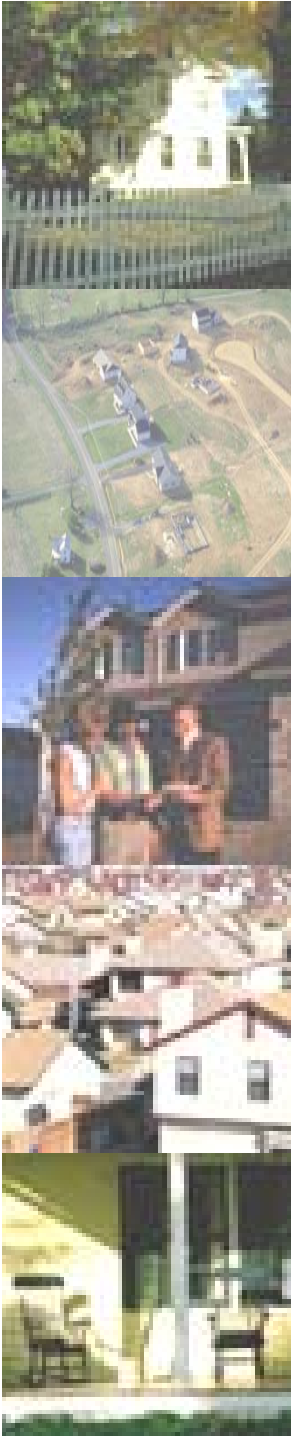
Source: U.S. Census Bureau



Central Nebraska has a smaller percentage of low-priced homes



Source: U.S. Census Bureau



Housing Trends and Issues

- Nebraska takes a glancing blow from a weak housing market
- Housing issues are vary by location.
 - Rural housing is affordable.
 - But the quality of homes and
 - Access to rental and low- to mid-priced homes is a challenge.