

# ***Mortgage Meltdown: The Saga Continues***

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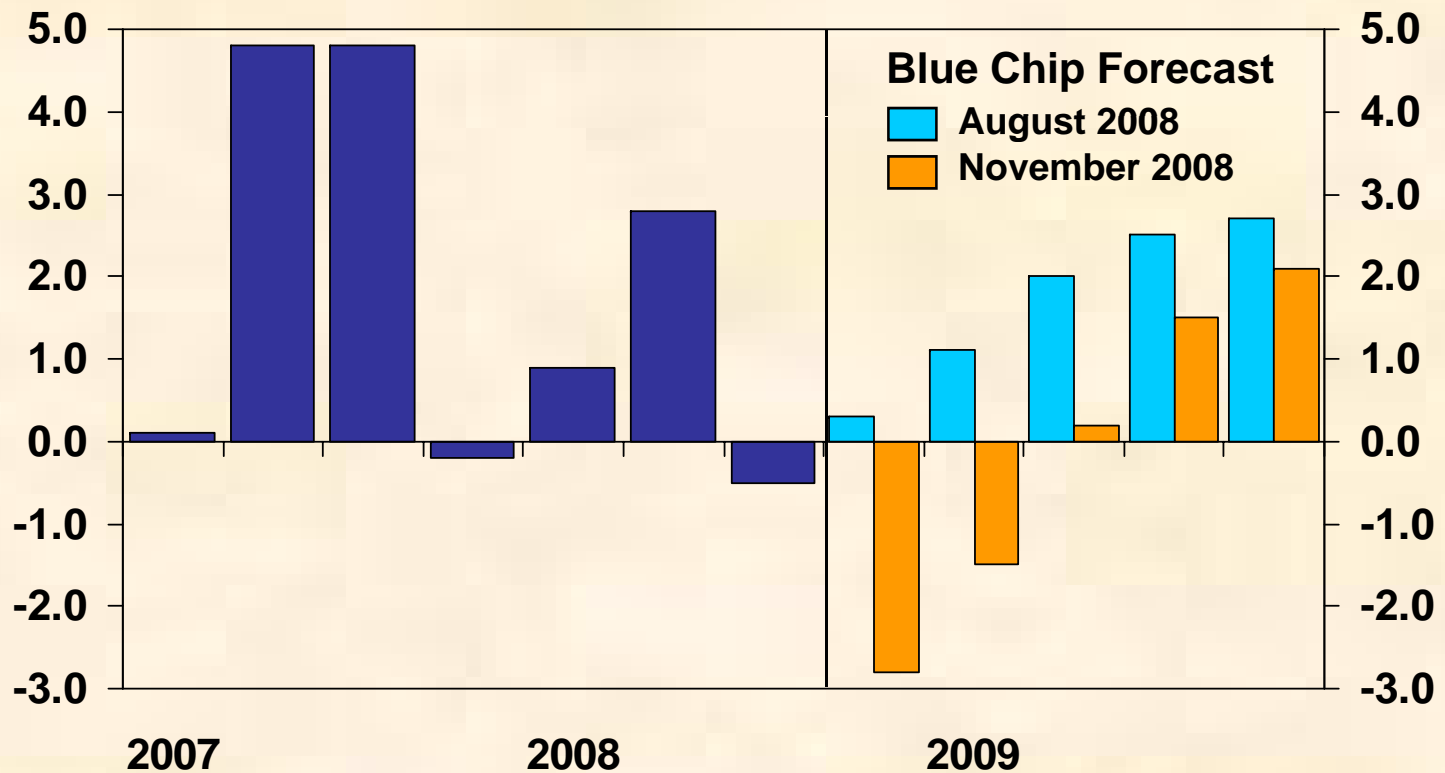
**December 4, 2008**

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

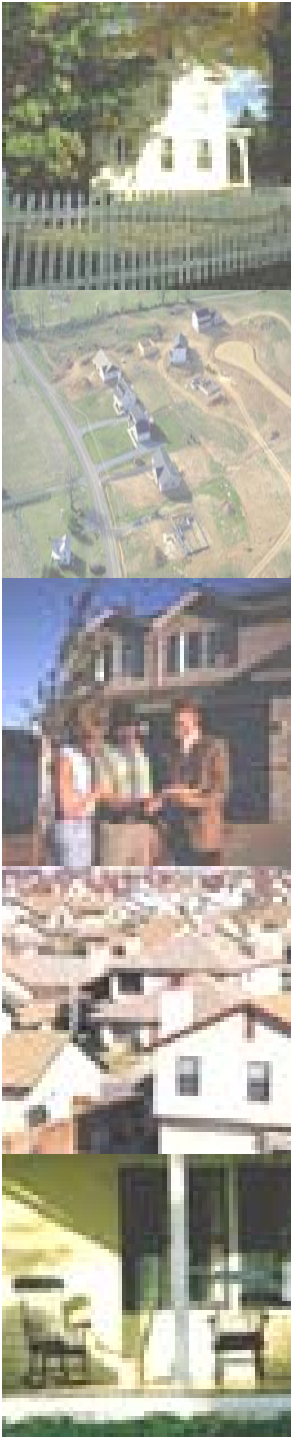
# *The U.S. economy is in recession.*

## Real GDP Growth

Annualized percent change from previous quarter



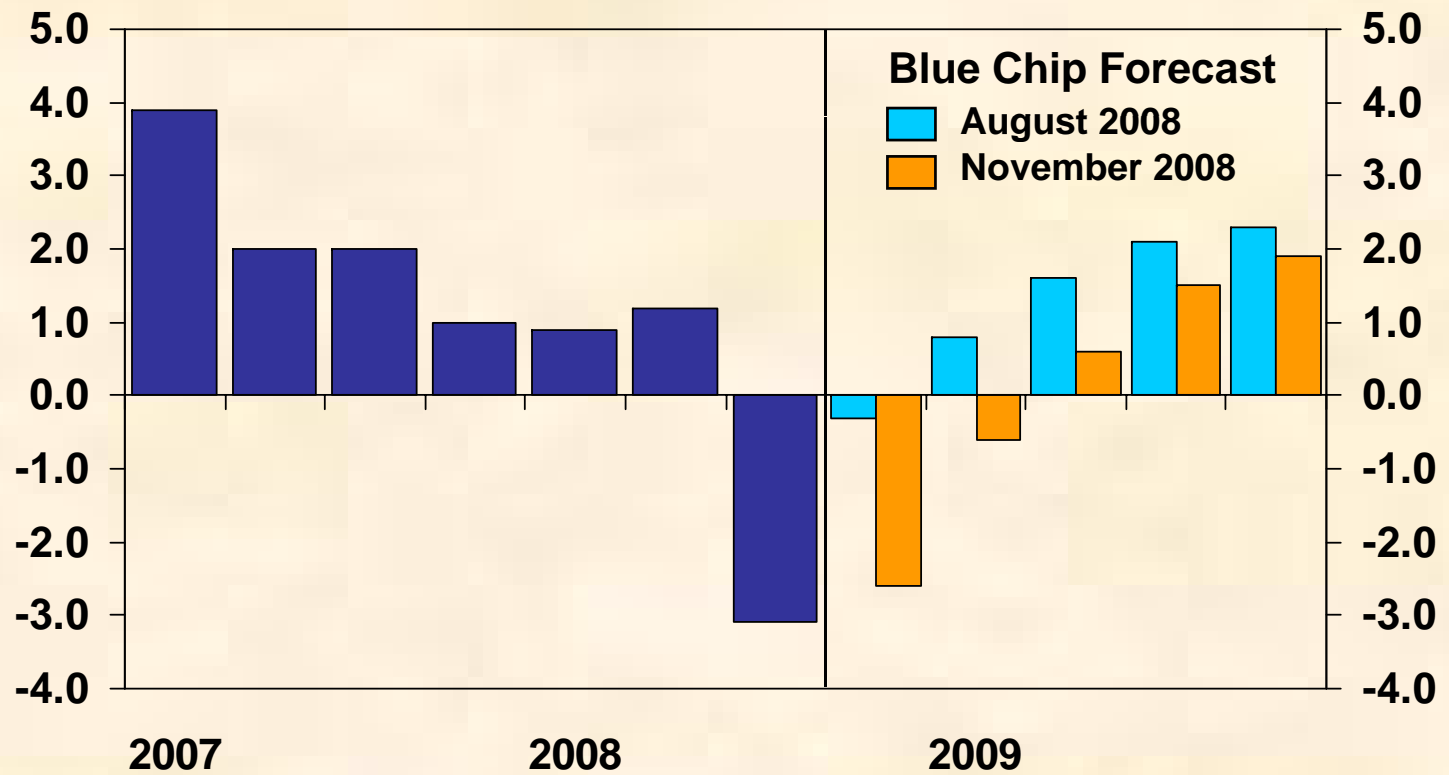
Source: Bureau of Economic Analysis and Blue Chip Economic Indicators



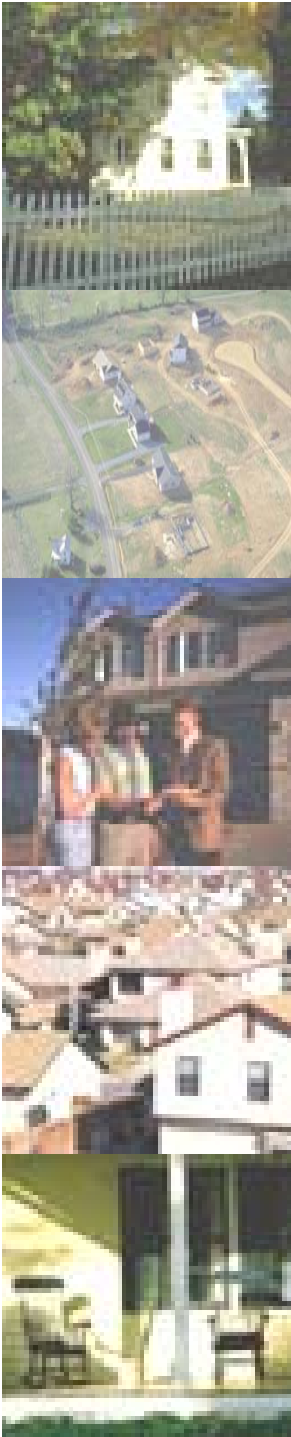
# ***Aggregate demand will need to rebound.***

## **Personal Consumption Expenditures**

Annualized percent change from previous quarter



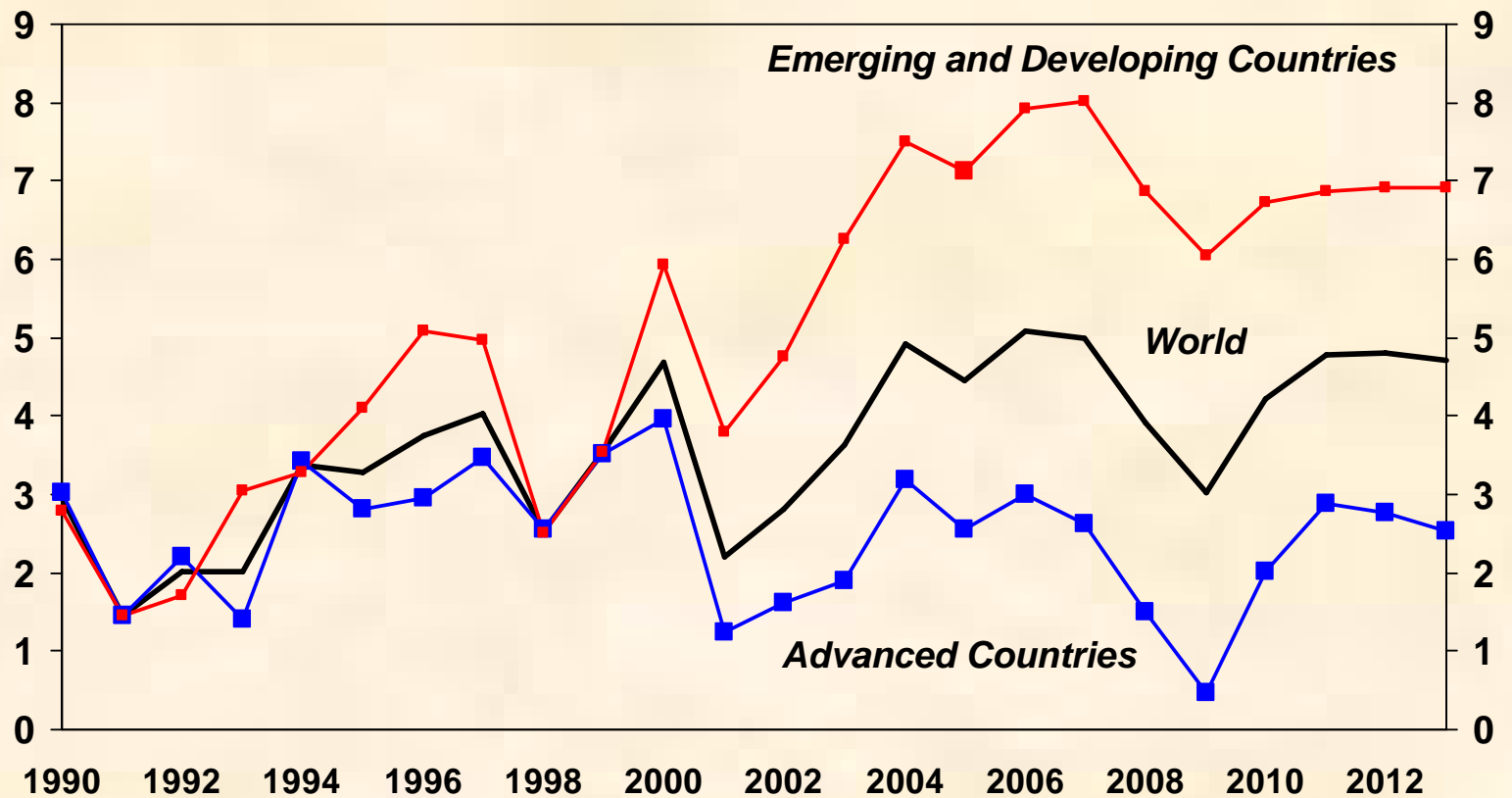
Source: Bureau of Economic Analysis and Blue Chip Economic Indicators



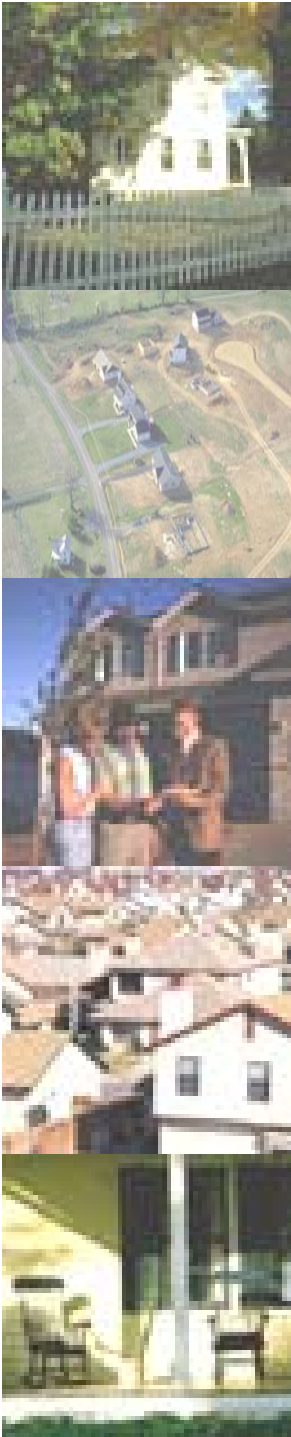
# Will World Growth Rebound as Expected?

## World GDP Growth

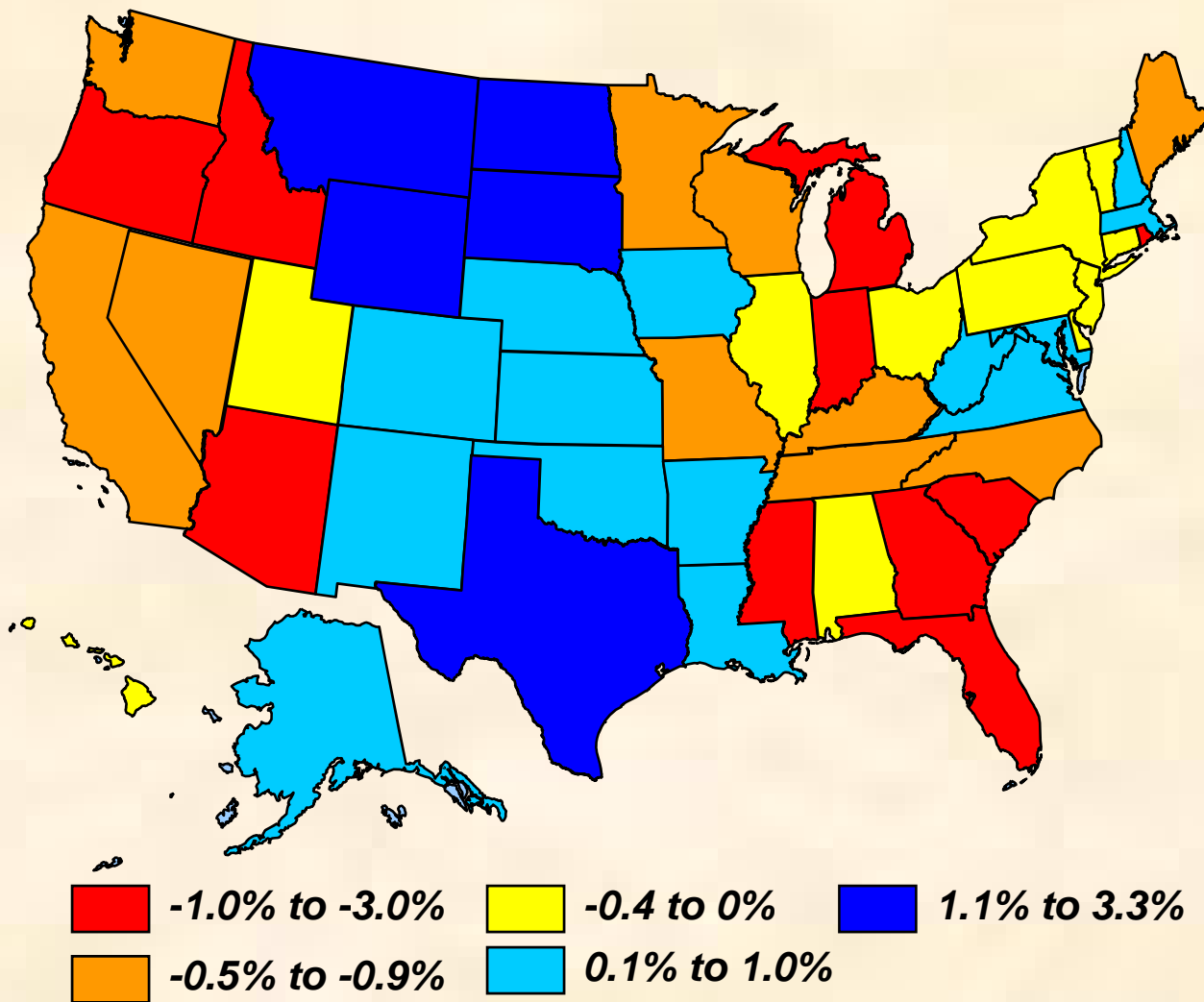
Annual Percent Change



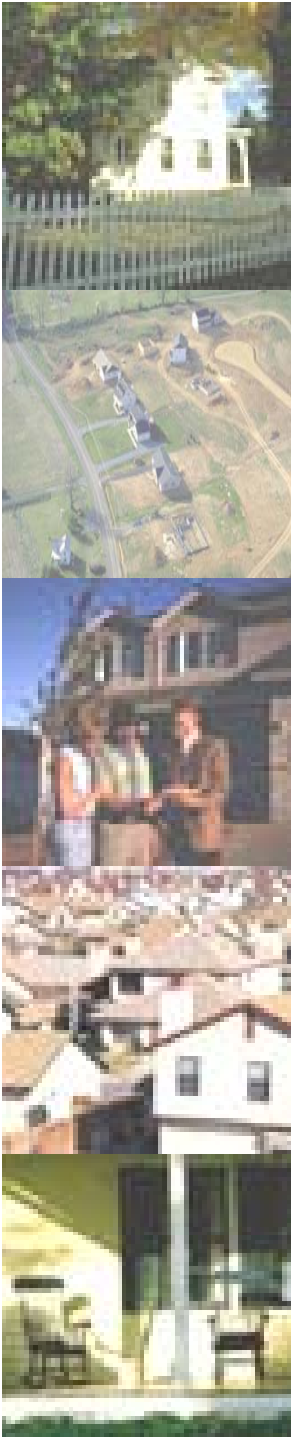
Source: International Monetary Fund, October 2008



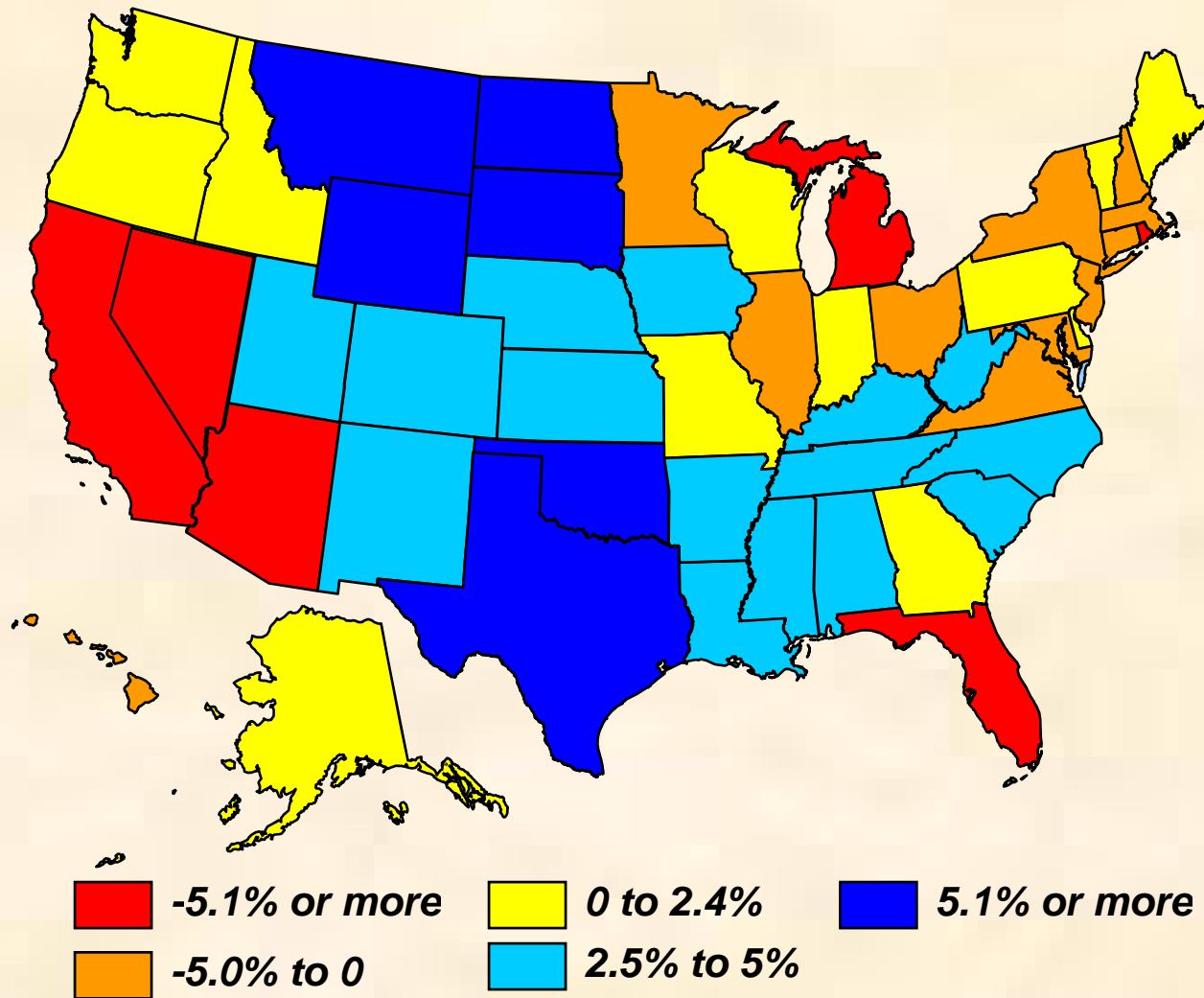
# Total Employment Growth (October 2007 to October 2008)



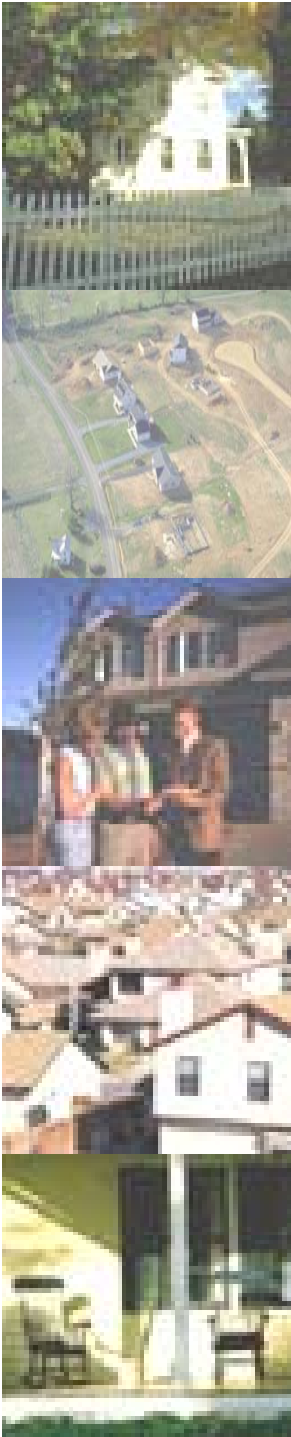
Source: BLS



# U.S. Single-Family Home Price Appreciation (Percent change 2007:Q1 to 2008:Q3)



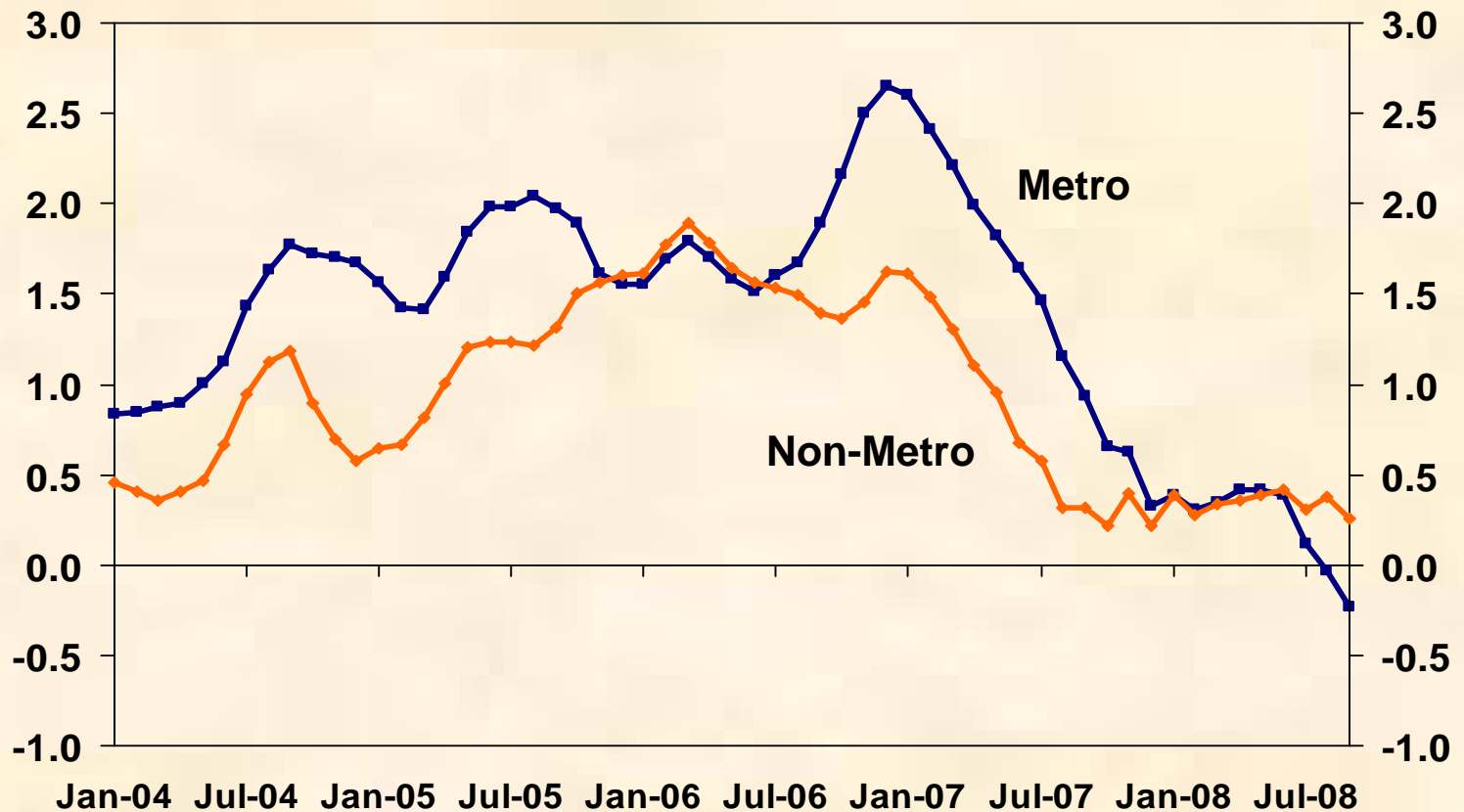
Source: OFHEO



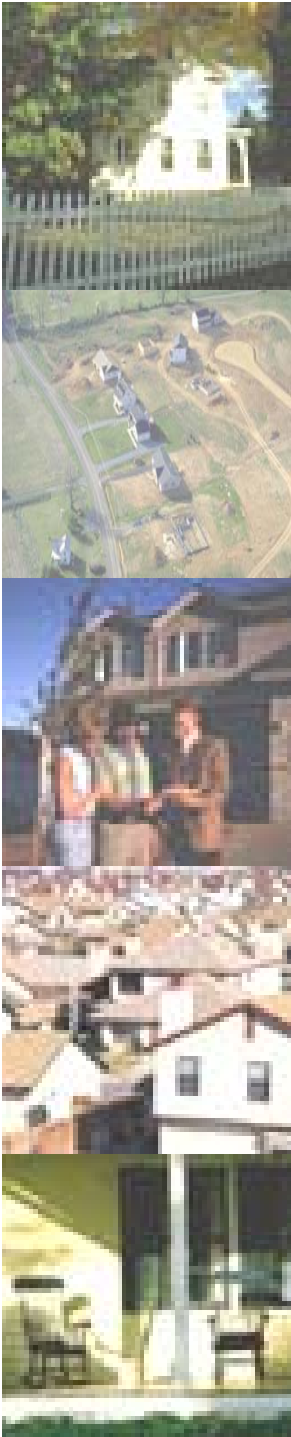
# *Rural areas are fairing better than their metro peers.*

## *Metro and Non-Metro Employment Growth*

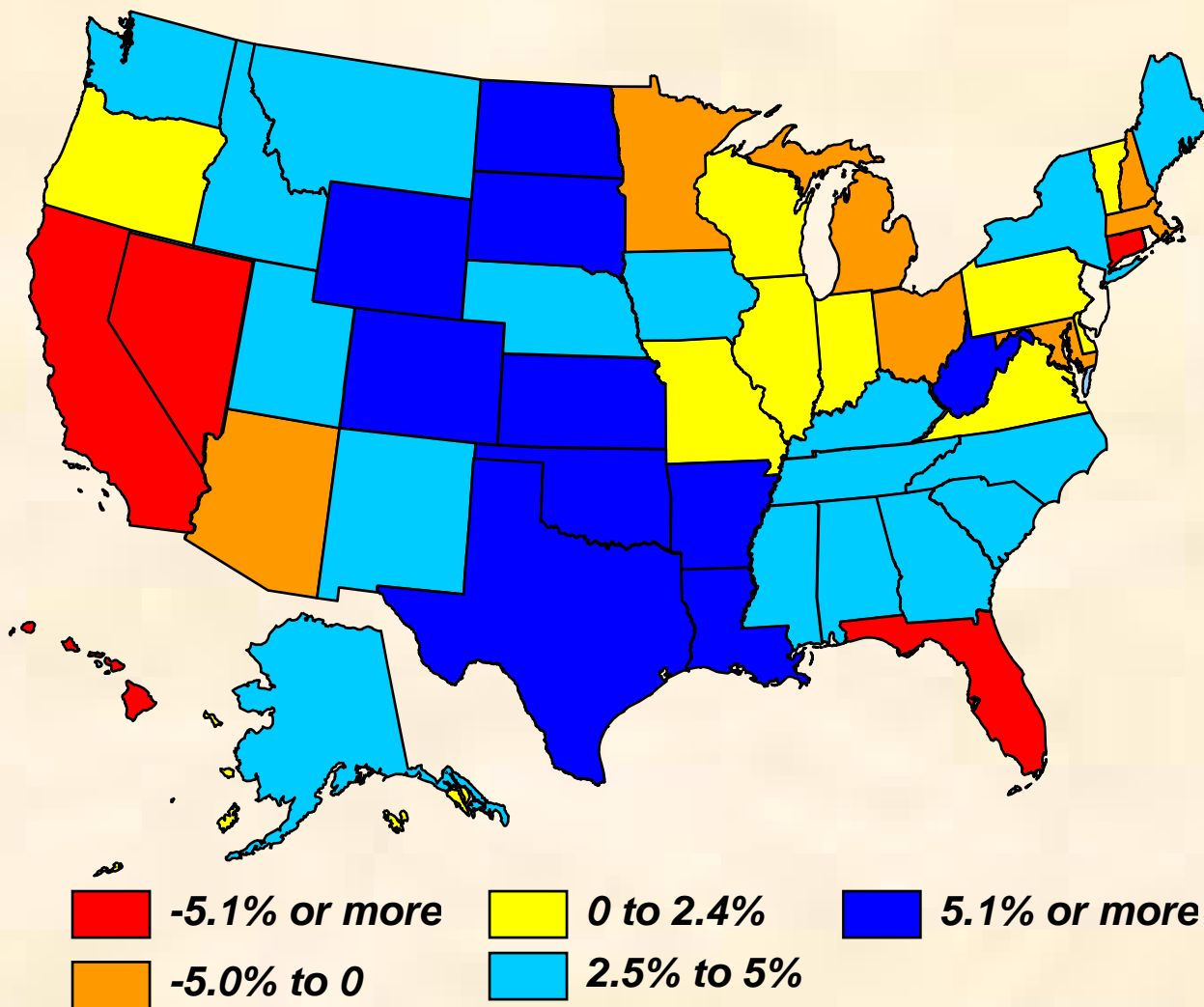
Annual Percent Change (three month moving average)



Source: BLS



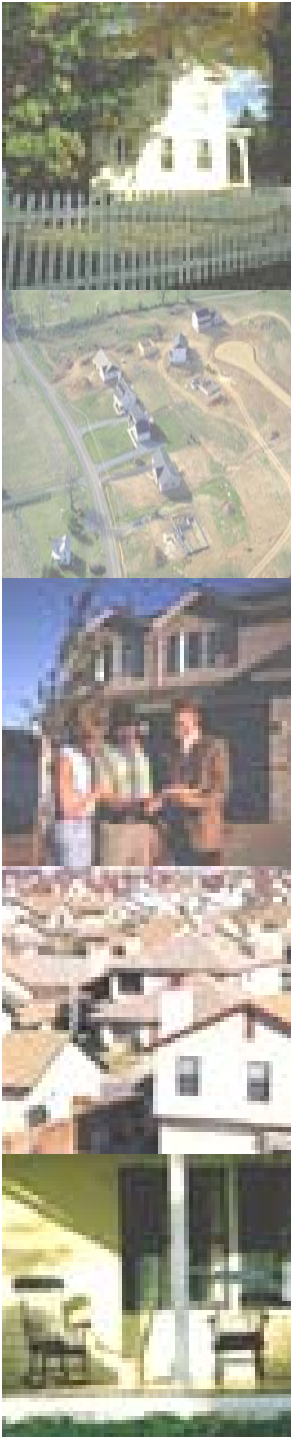
# Rural Home Price Appreciation since Q1:2007 (Existing Single-Family Homes)



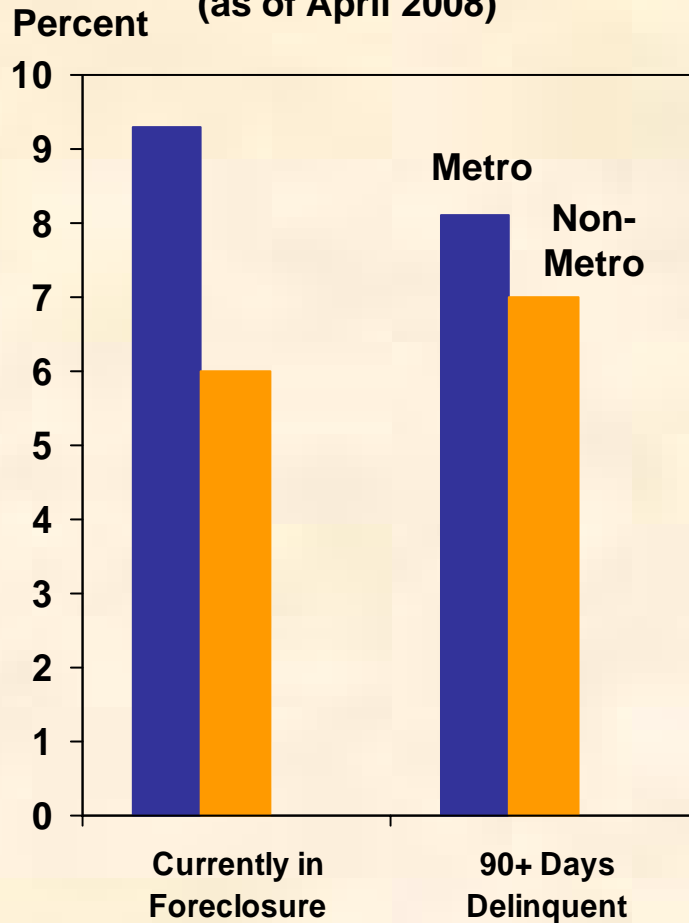
Source: OFHEO



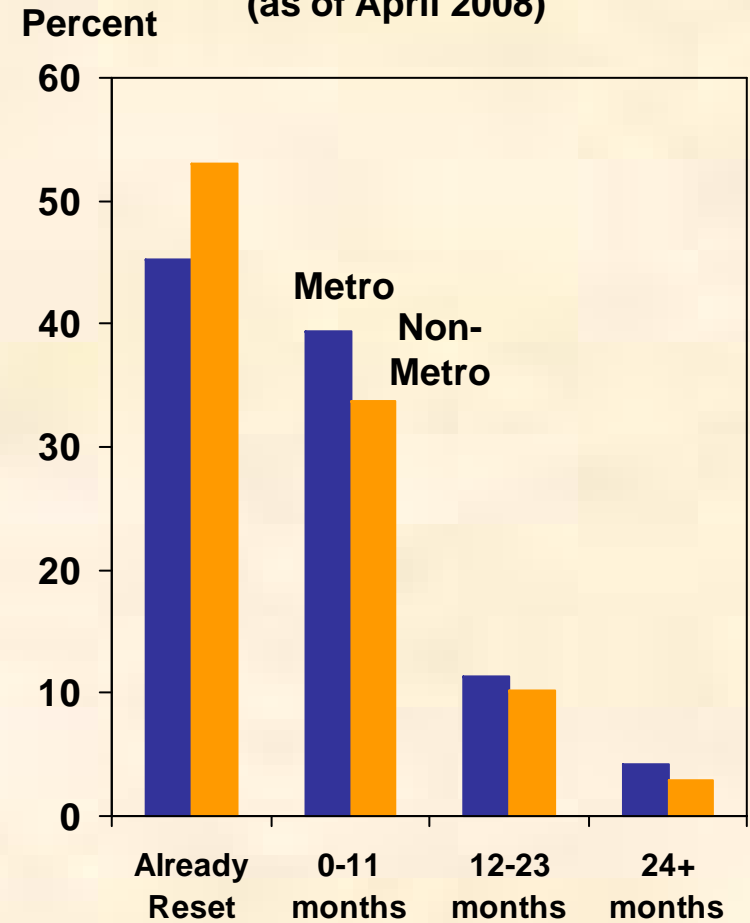
# *Rural areas have fewer foreclosures and are further along in resets.*



**Total Subprime Loans**  
(as of April 2008)



**Subprime ARM Loans**  
(as of April 2008)

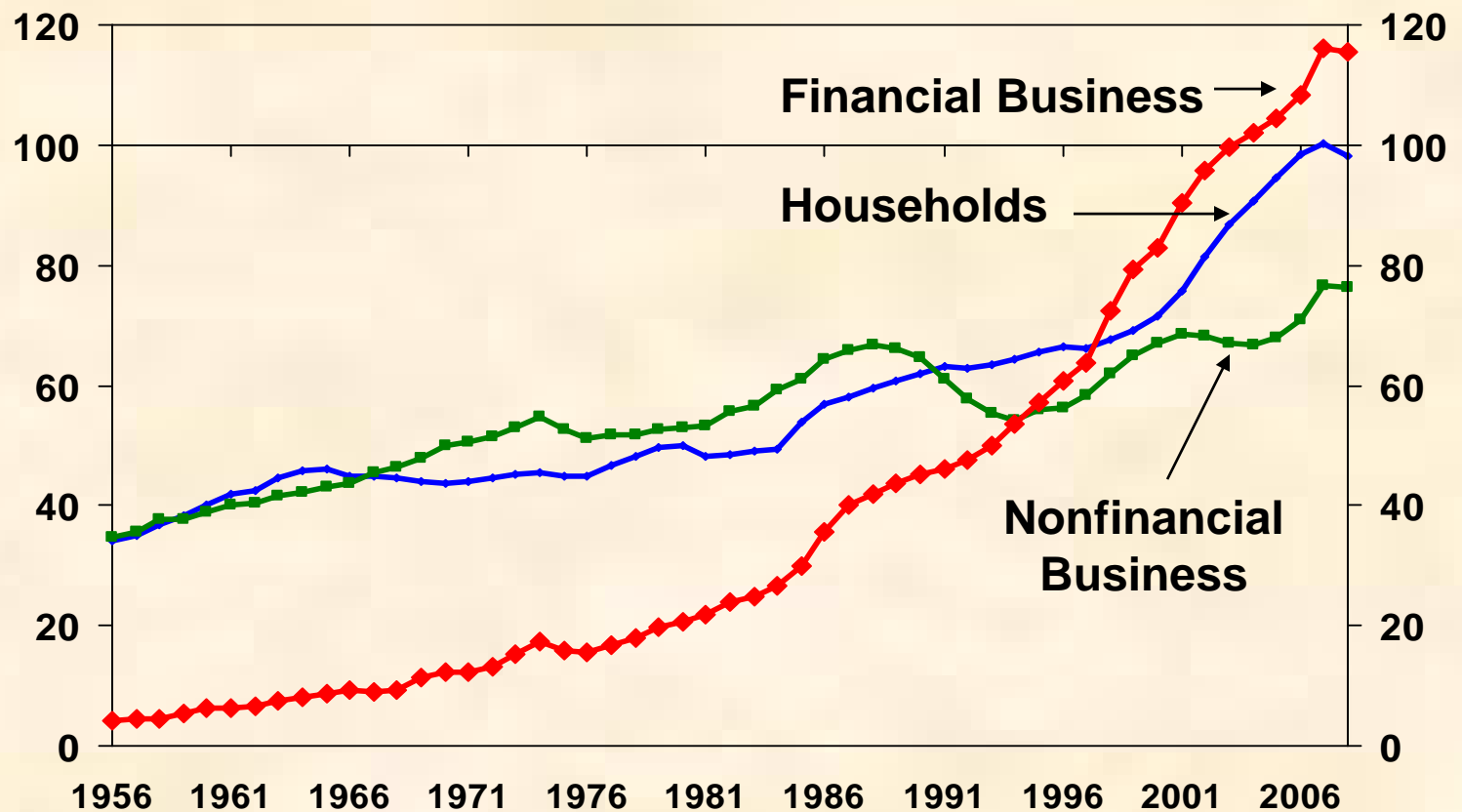


Source: Federal Reserve Board of Governors

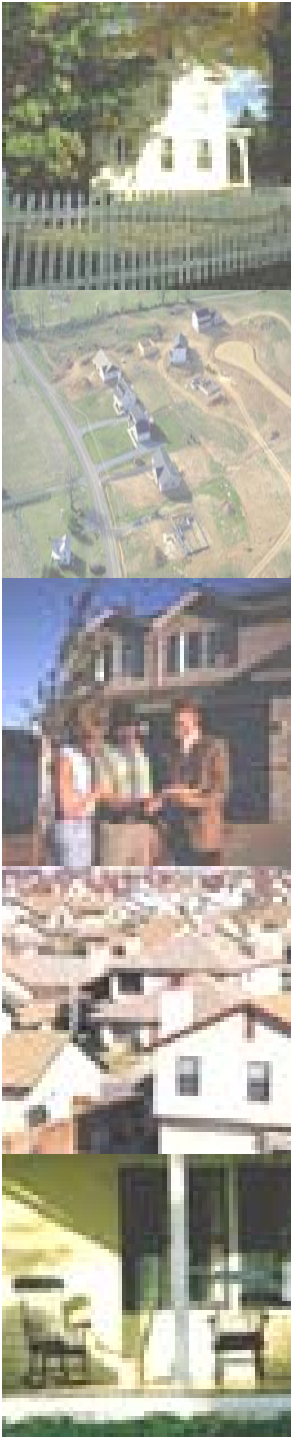
# *Falling Asset Prices and High Debt Levels are a Recipe for Bankruptcy.*

## *Domestic Business Debt Outstanding*

Percent of GDP



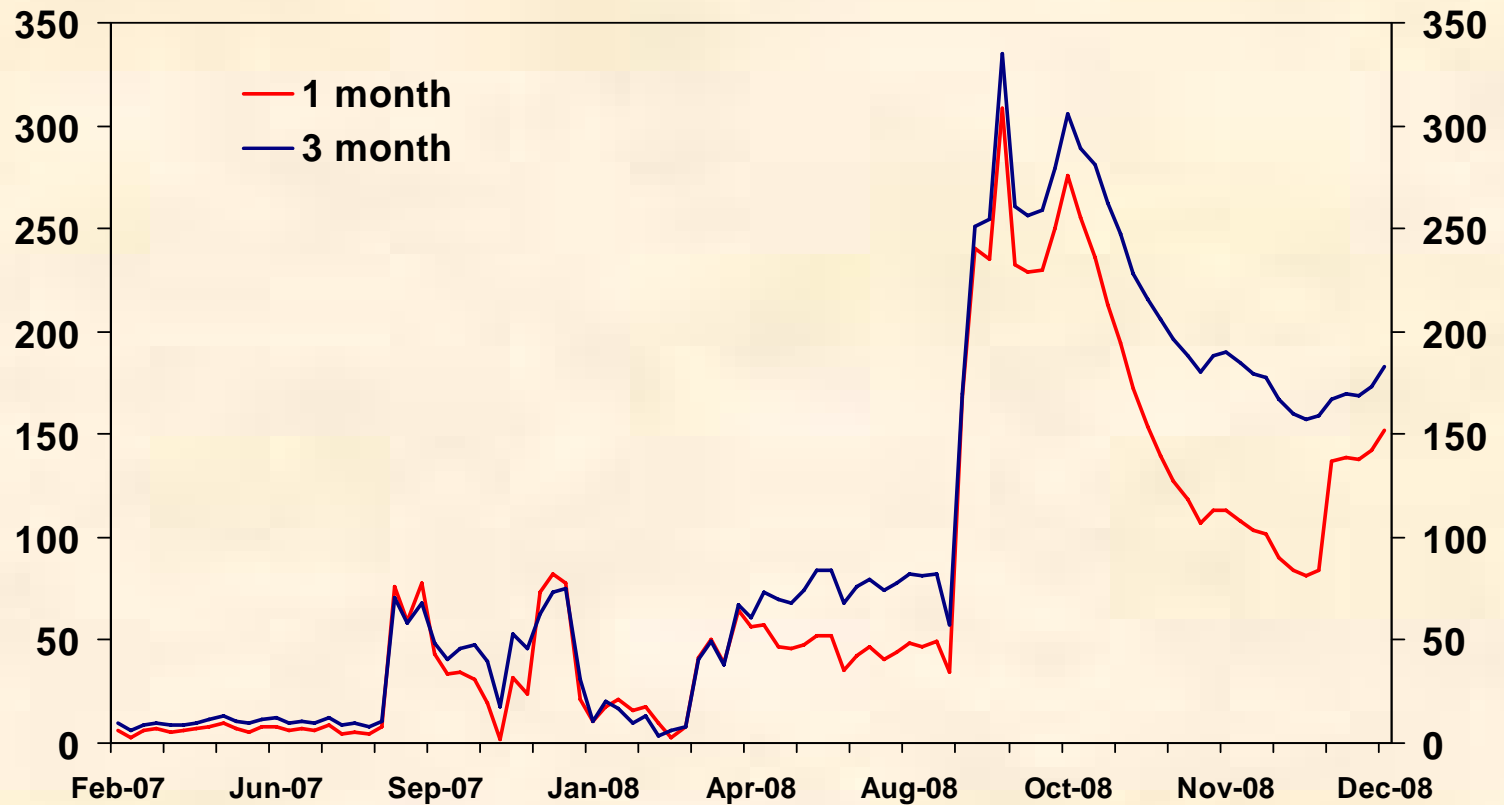
Source: Federal Reserve Board of Governors



# *Financial market stress remains elevated.*

## LIBOR-OIS Spread

Basis Points



Source: Federal Reserve Board of Governors

# ***Federal Reserve Bank of Kansas City Omaha Branch***

Presentation available at  
[www.kansascityfed.org/omaha](http://www.kansascityfed.org/omaha)

