Foreclosures in the Tenth District
Understanding the Current Storm

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Federal Reserve Bank of Kansas City
Outline

• U.S. Foreclosure Trends
• Trends in the 10\textsuperscript{th} District
• 10\textsuperscript{th} District in a National Perspective
• 10\textsuperscript{th} 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
United States 1.40
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

Legend
- No Foreclosures
- Less than .5% of Mortgages
- .5% - 1% of Mortgages
- 1% to 2% of Mortgages
- 2% to 5% of Mortgages
- More than 5% of Mortgages
- Data not Available

Source: RealtyTrac and U.S. Census
Median Household Income and Foreclosure Rates
(Oklahoma City Example)

Median Income by Census Tract

Foreclosure Rate by Census Tract

Legend
- Less than $20,000
- $20,000 to $40,000
- $40,000 to $60,000
- $60,000 to $90,000
- More than $90,000

Legend
- Less than .5% of Mortgages
- .5% to 1% of Mortgages
- 1% to 2% of Mortgages
- 2% to 5% of Mortgages
- More than 5% of Mortgages

Source: 2000 U.S. Census

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

Source: Inside Mortgage Finance
Subprime and ARMs in the Tenth District
(2nd Quarter, 2007)

Source: Mortgage Bankers Association
Foreclosure Rates by Type of Mortgage  
Second Quarter, 2007

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

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

Source: Inside Mortgage Finance
Subprime and ARMs in the Tenth District (2nd Quarter, 2007)

Source: Mortgage Bankers Association
Alternative Mortgage Originations

Source: Inside Mortgage Finance

- 40YR balloon
- Option ARM
- IO FRM
- IO ARM
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

Source: National Association of REALTORS®
## Annual Change in Home Prices – 10th District

### Table A.1
Home Price Appreciation in the Tenth Federal Reserve District, 2004-07
Selected MSAs

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

N/A indicates that data are not available

