Foreclosures: A Closer Look at Nebraska and the Region

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Foreclosure Inventory, Nebraska and the United States, 2002 q4 – 2007 q2

Source: Mortgage Bankers Association
New Foreclosures, Nebraska and the United States

Source: Mortgage Bankers Association
Where Nebraska Stands:
State Foreclosure Rates, 2nd Quarter 2007

1. Ohio 3.60
2. Indiana 3.01
3. Michigan 2.77

United States 1.40

25. Nebraska 1.18

Source: Mortgage Bankers Association
Nebraska Foreclosures
(Foreclosures / Mortgages)

Rate of new foreclosures by zip code: November, 2006 – April, 2007
Omaha Hotspots
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
Lower Interest Rates Propel Mortgage Originations
“Nonprime” Mortgage Originations

Source: Inside Mortgage Finance
## 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>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>
</tbody>
</table>

*Source: Mortgage Bankers Association*
Foreclosure Rates by Mortgage Type
1998 – 2007 q2

Source: Mortgage Bankers Association

Percent of Loans Serviced


Prime FRM
Prime ARM
Subprime FRM
Subprime ARM
ARM Indexes, 2000 – Present

- 1YR CM Treasury
- Cost of Funds Index
- LIBOR

Month

Rate


0.0
1.0
2.0
3.0
4.0
5.0
6.0
7.0
8.0
Home Price Appreciation Outpaces Personal Income Growth
ARM Share of Mortgage Originations

Source: Inside Mortgage Finance
Alternative Mortgage Originations

Source: Inside Mortgage Finance
## Payment Structure, by Mortgage Type

### $200,000, June, 2004

<table>
<thead>
<tr>
<th>Loan Product</th>
<th>Initial Payment</th>
<th>Reset Payment</th>
<th>Reset Date</th>
<th>Payment Increase</th>
<th>Increase (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-Year FRM</td>
<td>$1,237</td>
<td>$1,237</td>
<td>None</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td>3/1 ARM</td>
<td>$1,039</td>
<td>$1,420</td>
<td>June, 2007</td>
<td>$381</td>
<td>37%</td>
</tr>
<tr>
<td>3/1 I-O ARM</td>
<td>$786</td>
<td>$1,462</td>
<td>June, 2007</td>
<td>$676</td>
<td>86%</td>
</tr>
<tr>
<td>Option ARM</td>
<td>$643</td>
<td>$1,555</td>
<td>August, 2007</td>
<td>$912</td>
<td>142%</td>
</tr>
</tbody>
</table>

Assumptions: Option ARM has a 7.5% annual increase limit and a 110% negative amortization cap; Option ARM interest accrual is based off 1 year ARM rate as reported by Fannie Mae; Option ARM Minimum Payment is equivalent to a 1% interest rate; FRM is from Fannie Mae 30 Year FRM Index; ARM is set from LIBOR plus a 2.25% margin; 3/1 Interest Only ARM amortizes in 30 Years.
Cash-Out Refinances

Source: Freddie Mac
## Annual Change in Home Prices

<table>
<thead>
<tr>
<th>Region</th>
<th>2004-05</th>
<th>2005-06</th>
<th>2006-07 (QI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>12.2</td>
<td>1.3</td>
<td>(1.8)</td>
</tr>
<tr>
<td>Midwest</td>
<td>11.1</td>
<td>(2.1)</td>
<td>(2.8)</td>
</tr>
<tr>
<td>Omaha MSA</td>
<td>3.7</td>
<td>1.6</td>
<td>0.5</td>
</tr>
<tr>
<td>Lincoln MSA</td>
<td>2.1</td>
<td>0.2</td>
<td>(0.4)</td>
</tr>
</tbody>
</table>

*Source: National Association of REALTORS®*
Existing Home Sales

Source: National Association of REALTORS®