Housing Market and Mortgage Performance in the Fifth District

2nd Quarter, 2014
Jamie Feik
Lisa Hearl
Joseph Mengedoth
An Update on Housing Market and Mortgage Performance in the Fifth District
2nd Quarter, 2014
Summary of Findings

This report analyzes the size, composition, and performance of prime and subprime home mortgages in the Fifth District. It also provides information on trends in the District’s housing market and charts with state level data.

Fifth District Delinquency and Foreclosure Rates
• The percentage of mortgages in foreclosure in the Fifth District fell to 1.8 percent in the second quarter of 2014, which was 0.1 percentage point lower than the prior quarter and 0.7 percentage point lower than the rate in the second quarter of 2013. (Table 1)
• The 90+ day delinquency rate was 2.3 percent in the second quarter of 2014, a decrease of 0.1 percentage point from its level in the first quarter of 2014 and 0.2 percentage point lower than its level one year ago. (Table 2)
• The prime foreclosure rate in the Fifth District edged down 0.1 percentage point to 1.1 percent in the second quarter of 2014. Over the year, it fell 0.5 percentage point. (Table 3)
• In the second quarter of 2014, the subprime mortgage foreclosure rate fell 0.2 percentage point to 7.9 percent, which was 2.0 percentage points lower than in the second quarter of 2013. (Table 5)
• Subprime mortgages make up approximately 7.1 percent of all loans in the Fifth District but 30.7 percent of all loans in foreclosure. (Table 4, Figure 2)

State Highlights
• Among Fifth District jurisdictions, Maryland had the highest foreclosure rate (3.2 percent) and Virginia had the lowest rate of 0.9 percent—one of the lowest in the nation. (Table 2)
• Similarly, Maryland had the highest prime foreclosure rate in the Fifth District (2.1 percent) and Virginia had the lowest prime foreclosure rate (0.5 percent). (Table 3)
• The District of Columbia had the highest subprime foreclosure rate in the Fifth District (13.8 percent) followed closely by Maryland (13.1 percent) while Virginia and West Virginia nearly tied for the lowest subprime foreclosure rate (4.2 percent). (Table 5)
• Finally, South Carolina had the highest share of subprime mortgages (8.2 percent) in the Fifth District and Virginia had the lowest share (6.3 percent). (Table 4)

Fifth District Economic Conditions and Looking Forward
• Rising house prices can help to reduce the possibility of mortgage default. According to the Federal Housing and Finance Agency, Fifth District home values appreciated 1.9 percent in the second quarter of 2014 and 3.2 percent on a year-over-year basis.
• Lower rates of unemployment can also reduce the likelihood of mortgage delinquency since the loss of a job can affect a household’s ability to repay. The unemployment rate (NSA) in the Fifth District declined from 7.4 percent in June 2013 to 6.0 percent in June 2014. (Table 7, Figure 10)

For more information on foreclosures, please visit the Richmond Fed’s Foreclosure Center at http://www.richmondfed.org/community_development/foreclosure_resource_center/
For recent data on the Fifth District economy, please visit the Richmond Fed’s Snapshot publication at http://www.richmondfed.org/research/regional_economy/reports/snapshot/index.cfm

The views expressed in this article are those of the authors and do not necessarily reflect the views of the Federal Reserve Bank of Richmond or the Federal Reserve System.
Figure 1
FHFA House Price Index: Fifth District

Source: Federal Housing Finance Agency (2014:Q2)/Haver Analytics

Figure 2
Mortgage Distribution: Fifth District

Source: Mortgage Bankers Association (2014:Q2)/Haver Analytics. Percentages may not sum to 100 due to rounding
Figure 3
Percentage of Owner-Occupied Loans in Foreclosure or REO¹: Fifth District

Notes: FHA and VA loans are included in the count of prime loans. Uncategorized zip codes have fewer than 100 total loans or no data available.
Source: Federal Reserve Bank of Richmond/Lender Processing Services (LPS) Applied Analytics (June 2014)

Figure 4
Percentage of Owner-Occupied Loans with 90+ Day Delinquency: Fifth District

Notes: FHA and VA loans are included in the count of prime loans. Uncategorized zip codes have fewer than 100 total loans or no data available.
Source: Federal Reserve Bank of Richmond/Lender Processing Services (LPS) Applied Analytics (June 2014)

¹ Real Estate Owned (REO) properties are in the possession of the lender due to foreclosure or forfeiture.
Figure 5
Percentage of Owner-Occupied Prime Loans in Foreclosure or REO: Fifth District

Notes: FHA and VA loans are included in the count of prime loans. Uncategorized zip codes have fewer than 100 total loans or no data available.
Source: Federal Reserve Bank of Richmond/Lender Processing Services (LPS) Applied Analytics (June 2014)

Figure 6
Percentage of Owner-Occupied Prime Loans with 90+ Day Delinquency: Fifth District

Notes: FHA and VA loans are included in the count of prime loans. Uncategorized zip codes have fewer than 100 total loans or no data available.
Source: Federal Reserve Bank of Richmond/Lender Processing Services (LPS) Applied Analytics (June 2014)
Figure 7
Percentage of Owner-Occupied Subprime Loans in Foreclosure or REO:
Fifth District

Notes: FHA and VA loans are included in the count of prime loans. Uncategorized zip codes have fewer than 100 total loans or no data available.
Source: Federal Reserve Bank of Richmond/Lender Processing Services (LPS) Applied Analytics (June 2014)

Figure 8
Percentage of Owner-Occupied Subprime Loans with 90+ Day Delinquency:
Fifth District

Notes: FHA and VA loans are included in the count of prime loans. Uncategorized zip codes have fewer than 100 total loans or no data available.
Source: Federal Reserve Bank of Richmond/Lender Processing Services (LPS) Applied Analytics (June 2014)
Figure 9
Percentage of Owner-Occupied Mortgages with Subprime Loans: Fifth District

Notes: FHA and VA loans are included in the count of prime loans. Uncategorized zip codes have fewer than 100 total loans or no data available.
Source: Federal Reserve Bank of Richmond/Lender Processing Services (LPS) Applied Analytics (June 2014)

Figure 10
Unemployment Rate: Fifth District

Notes: Unemployment Rate in June 2014
Source: Bureau of Labor Statistics/Haver Analytics
### Table 1
**Foreclosure Rates by Mortgage Type: Fifth District**

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Fifth District</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percent in Foreclosure Rank</td>
<td>Percent in Foreclosure Rank</td>
</tr>
<tr>
<td>Total</td>
<td>1.82 - 2.49</td>
<td>2.49</td>
</tr>
<tr>
<td>Prime Total</td>
<td>1.14 - 1.58</td>
<td>1.58</td>
</tr>
<tr>
<td>Prime Fixed-Rate</td>
<td>0.99 - 1.37</td>
<td>1.37</td>
</tr>
<tr>
<td>Prime Adjustable-Rate</td>
<td>2.36 - 3.26</td>
<td>3.26</td>
</tr>
<tr>
<td>Subprime Total</td>
<td>7.91 - 9.67</td>
<td>9.67</td>
</tr>
<tr>
<td>Subprime Fixed-Rate</td>
<td>6.98 - 8.36</td>
<td>8.36</td>
</tr>
<tr>
<td>Subprime Adjustable-Rate</td>
<td>10.28 -</td>
<td>13.38</td>
</tr>
</tbody>
</table>

Source: Mortgage Bankers Association (2014:Q2)/Haver Analytics

### Table 2
**Mortgage Delinquency Rates: Fifth District**

<table>
<thead>
<tr>
<th>Geographic Area</th>
<th>90 + Days Past Due Rank</th>
<th>National Days Past Due Rank</th>
<th>Percent in Foreclosure Rank</th>
<th>National Percent in Foreclosure Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>District of Columbia</td>
<td>2.86 - 11</td>
<td>2.59 - 16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maryland</td>
<td>3.13 - 6</td>
<td>3.24 - 9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>North Carolina</td>
<td>2.26 - 24</td>
<td>1.44 - 31</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Carolina</td>
<td>2.16 - 26</td>
<td>2.41 - 19</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Virginia</td>
<td>1.81 - 35</td>
<td>0.91 - 43</td>
<td></td>
<td></td>
</tr>
<tr>
<td>West Virginia</td>
<td>1.98 - 30</td>
<td>1.12 - 37</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fifth District</td>
<td>2.31 -</td>
<td>1.82 -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>2.31 -</td>
<td>2.49 -</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Mortgage Bankers Association (2014:Q2)/Haver Analytics

### Table 3
**Prime Mortgage Delinquency Rates: Fifth District**

<table>
<thead>
<tr>
<th>Geographic Area</th>
<th>90 + Days Past Due Rank</th>
<th>National Days Past Due Rank</th>
<th>Percent in Foreclosure Rank</th>
<th>National Percent in Foreclosure Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>District of Columbia</td>
<td>1.84 - 6</td>
<td>1.61 - 16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maryland</td>
<td>1.74 - 7</td>
<td>2.13 - 9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>North Carolina</td>
<td>1.14 - 28</td>
<td>0.87 - 29</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Carolina</td>
<td>1.24 - 22</td>
<td>1.51 - 18</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Virginia</td>
<td>0.86 - 38</td>
<td>0.49 - 45</td>
<td></td>
<td></td>
</tr>
<tr>
<td>West Virginia</td>
<td>1.23 - 23</td>
<td>0.76 - 34</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fifth District</td>
<td>1.22 -</td>
<td>1.14 -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>1.28 -</td>
<td>1.58 -</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Mortgage Bankers Association (2014:Q2)/Haver Analytics
## Table 4
### Subprime Share of All Loans: Fifth District

<table>
<thead>
<tr>
<th>Geographic Area</th>
<th>Percent Subprime</th>
<th>National Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>District of Columbia</td>
<td>7.14</td>
<td>34</td>
</tr>
<tr>
<td>Maryland</td>
<td>8.11</td>
<td>26</td>
</tr>
<tr>
<td>North Carolina</td>
<td>6.58</td>
<td>43</td>
</tr>
<tr>
<td>South Carolina</td>
<td>8.21</td>
<td>24</td>
</tr>
<tr>
<td>Virginia</td>
<td>6.31</td>
<td>44</td>
</tr>
<tr>
<td>West Virginia</td>
<td>6.94</td>
<td>37</td>
</tr>
<tr>
<td>Fifth District</td>
<td>7.08</td>
<td>-</td>
</tr>
<tr>
<td>United States</td>
<td>8.67</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Mortgage Bankers Association (2014:Q2)/Haver Analytics

## Table 5
### Subprime Mortgage Delinquency Rates: Fifth District

<table>
<thead>
<tr>
<th>Geographic Area</th>
<th>Percent 90+ Days Past Due</th>
<th>National Rank</th>
<th>Percent in Foreclosure</th>
<th>National Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>District of Columbia</td>
<td>12.13</td>
<td>4</td>
<td>13.80</td>
<td>8</td>
</tr>
<tr>
<td>Maryland</td>
<td>11.94</td>
<td>6</td>
<td>13.10</td>
<td>9</td>
</tr>
<tr>
<td>North Carolina</td>
<td>9.76</td>
<td>14</td>
<td>5.68</td>
<td>27</td>
</tr>
<tr>
<td>South Carolina</td>
<td>7.84</td>
<td>31</td>
<td>9.69</td>
<td>16</td>
</tr>
<tr>
<td>Virginia</td>
<td>9.26</td>
<td>18</td>
<td>4.18</td>
<td>37</td>
</tr>
<tr>
<td>West Virginia</td>
<td>8.27</td>
<td>28</td>
<td>4.21</td>
<td>36</td>
</tr>
<tr>
<td>Fifth District</td>
<td>9.87</td>
<td>-</td>
<td>7.91</td>
<td>-</td>
</tr>
<tr>
<td>United States</td>
<td>8.68</td>
<td>-</td>
<td>9.67</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Mortgage Bankers Association (2014:Q2)/Haver Analytics
### Table 6
**General Housing Statistics: Fifth District**

<table>
<thead>
<tr>
<th>Geographic Area</th>
<th>Total Vacant</th>
<th>Occupied</th>
<th>Owner-Occupied</th>
<th>Percent of Owner-Occupied Mortgages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>With a Mortgage</td>
<td>Prime Loan</td>
</tr>
<tr>
<td>District of Columbia</td>
<td>296,719</td>
<td>30,012</td>
<td>266,707</td>
<td>112,055</td>
</tr>
<tr>
<td>Maryland</td>
<td>2,378,814</td>
<td>2,156,411</td>
<td>222,403</td>
<td>1,455,775</td>
</tr>
<tr>
<td>North Carolina</td>
<td>4,327,528</td>
<td>582,373</td>
<td>3,745,155</td>
<td>2,497,900</td>
</tr>
<tr>
<td>South Carolina</td>
<td>2,137,683</td>
<td>336,502</td>
<td>1,801,181</td>
<td>1,248,805</td>
</tr>
<tr>
<td>Virginia</td>
<td>3,364,939</td>
<td>308,881</td>
<td>3,056,058</td>
<td>2,055,186</td>
</tr>
<tr>
<td>West Virginia</td>
<td>881,917</td>
<td>118,086</td>
<td>763,831</td>
<td>561,013</td>
</tr>
<tr>
<td>Fifth District</td>
<td>13,387,600</td>
<td>1,598,257</td>
<td>11,789,343</td>
<td>7,930,734</td>
</tr>
<tr>
<td>United States</td>
<td>131,704,730</td>
<td>14,988,438</td>
<td>116,716,292</td>
<td>75,986,074</td>
</tr>
</tbody>
</table>

Notes: FHA and VA loans as well as interest only loans are included in the count of prime loans.

Source: Housing units are reported in the 2010 Census. Mortgage estimates are Federal Reserve Bank of Richmond calculations using data from Lender Processing Services (LPS) Applied Analytics (June 2014).

*The figure for owner-occupied units with a mortgage at the national level is calculated by summing the totals for the states.

### Table 7
**Unemployment Rates: Fifth District**

<table>
<thead>
<tr>
<th>Geographic Area</th>
<th>Unemployment Rate</th>
<th>Percentage Point Change from June 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>District of Columbia</td>
<td>7.6</td>
<td>-1.3</td>
</tr>
<tr>
<td>Maryland</td>
<td>6.2</td>
<td>-0.9</td>
</tr>
<tr>
<td>North Carolina</td>
<td>6.5</td>
<td>-2.1</td>
</tr>
<tr>
<td>South Carolina</td>
<td>5.7</td>
<td>-2.6</td>
</tr>
<tr>
<td>Virginia</td>
<td>5.4</td>
<td>-0.6</td>
</tr>
<tr>
<td>West Virginia</td>
<td>5.9</td>
<td>-0.8</td>
</tr>
<tr>
<td>Fifth District</td>
<td>6.0</td>
<td>-1.4</td>
</tr>
<tr>
<td>United States</td>
<td>6.3</td>
<td>-1.5</td>
</tr>
</tbody>
</table>

Note: Data are not seasonally adjusted.

Source: Bureau of Labor Statistics/Haver Analytics (June 2014)
Sources and Notes

House Price Index
*Federal Housing Finance Agency/Haver Analytics*
Weighted repeat sales index, measuring the average price changes in repeat sales or refinancing on the same single family properties. Based on transactions involving conforming, conventional mortgages purchased or securitized by Fannie Mae or Freddie Mac.

Unemployment Rate
*Bureau of Labor Statistics/Haver Analytics*

General Housing Statistics
*Census Bureau*

Loan Distribution and Loan Performance
(1) *Mortgage Bankers’ Association/Haver Analytics*
(2) *Loan Processing Services Inc. Applied Analytics Mortgage Data*

Loan Processing Services, Inc. periodically enhances the LPS mortgage data by adding servicers. Additional servicers can change past performance numbers. Therefore, rates in this edition of the Mortgage Performance Summaries may differ from those in previous editions.