

Mortgage Performance Summary



THE FEDERAL RESERVE BANK OF RICHMOND

RICHMOND ■ BALTIMORE ■ CHARLOTTE

An Update on Housing Market and Mortgage Performance in North Carolina 3rd Quarter, 2009 Summary of Findings

This report analyzes the size, composition, and performance of prime and subprime home mortgages in North Carolina. It also provides information on trends in the region's housing market and charts with metropolitan and county level data.

Highlights:

- Mortgage delinquencies and foreclosures continue to increase in North Carolina, although North Carolina's mortgages are generally performing better than the national average.
- From September 2008 to September 2009, the 90+ day prime delinquency rate in North Carolina increased from 1.6 percent to 3.4 percent. Over the same period, the state's prime foreclosure rate doubled from 0.6 percent to 1.2 percent. (Table 6)
- The share of subprime mortgages with payments more than 90 days past due in North Carolina reached 22.3 percent in September 2009 from 11.6 percent one year earlier. The subprime foreclosure rate in North Carolina increased to 7.4 percent in September 2009 from 5.1 percent in September 2008. (Table 7)
- North Carolina ranks 32nd in the nation in its share of subprime mortgages. Subprime mortgages account for 8.6 percent of all mortgages in the state, compared to 10.6 percent in the nation. (Table 3)
- Homes with subprime loans make up a smaller share of the foreclosure inventory in North Carolina (30.8 percent) than they do in the nation (36.3 percent). (Figure 2)
- House prices did not appreciate, or subsequently depreciate, as starkly in North Carolina as in other parts of the nation.

Further Analysis and Looking Forward

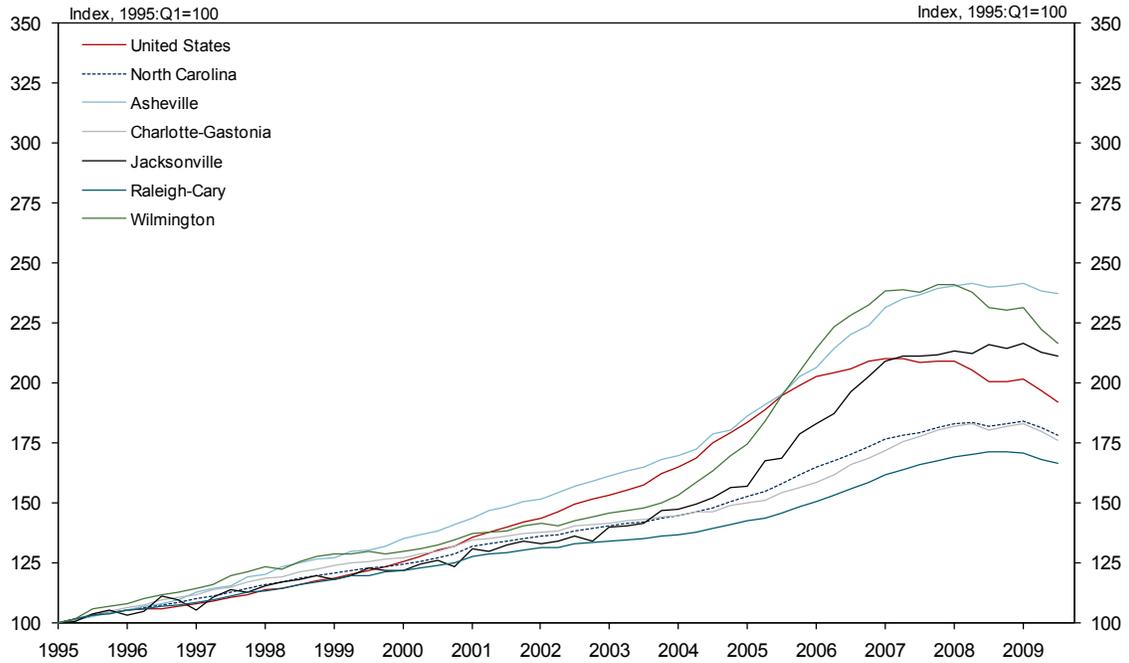
- Unemployment rates have increased dramatically throughout the state, which suggests that North Carolina will continue to experience increasing mortgage foreclosures for some time.
- Third quarter house prices in North Carolina declined on a year-over-year basis (2.1 percent) for the second consecutive quarter – the first two-quarter decline in series' history. Research indicates that declining house prices are the most important factor in mortgage delinquencies and foreclosures.
- Some parts of North Carolina – particularly areas along the coast – have relatively high shares of second homes and investment properties.
- Although the higher income and credit scores of non-owner-occupied borrowers means that most of those mortgages are in the prime market, investor-owned properties tend to have higher rates of foreclosure than owner-occupied properties. In North Carolina, 1.4 percent of owner-occupied properties are in foreclosure compared to 2.8 percent of investor-owned properties.
- One explanation for the higher foreclosure rate for investor properties is that investors do not face some of the noninvestment losses of default, such as moving costs or emotional stress, and therefore are more likely to respond to profit incentives. Declines in house prices, then, could lead to particularly high default rates among these borrowers.

For more information on foreclosures, please visit the Richmond Fed's Foreclosure Center at http://www.richmondfed.org/community_development/foreclosure_resource_center/

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.

Graphs and Charts

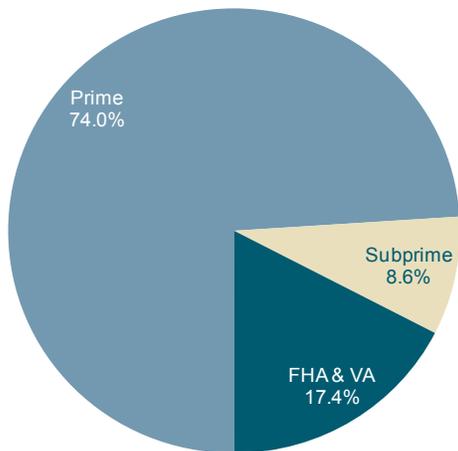
Figure 1
FHFA House Price Index: North Carolina



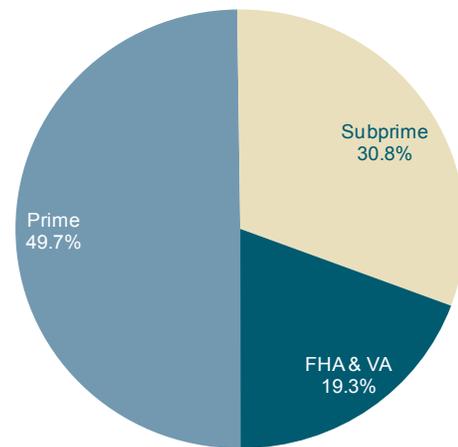
Source: Federal Housing Finance Agency (2009:Q3)/Haver Analytics

Figure 2
Mortgage Distribution: North Carolina

2a: Mortgages Outstanding

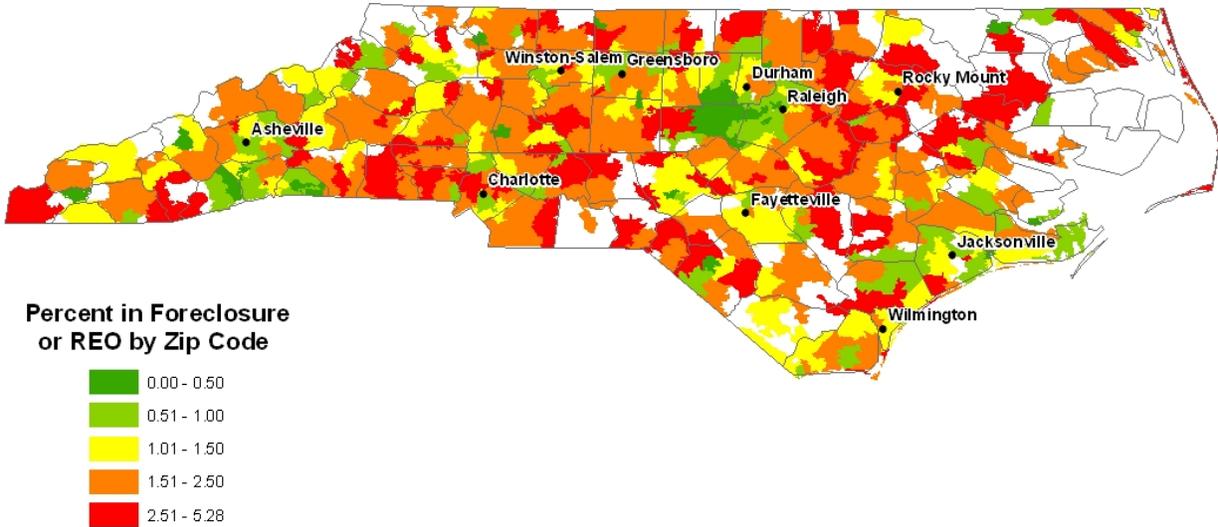


2b: Foreclosure Inventory



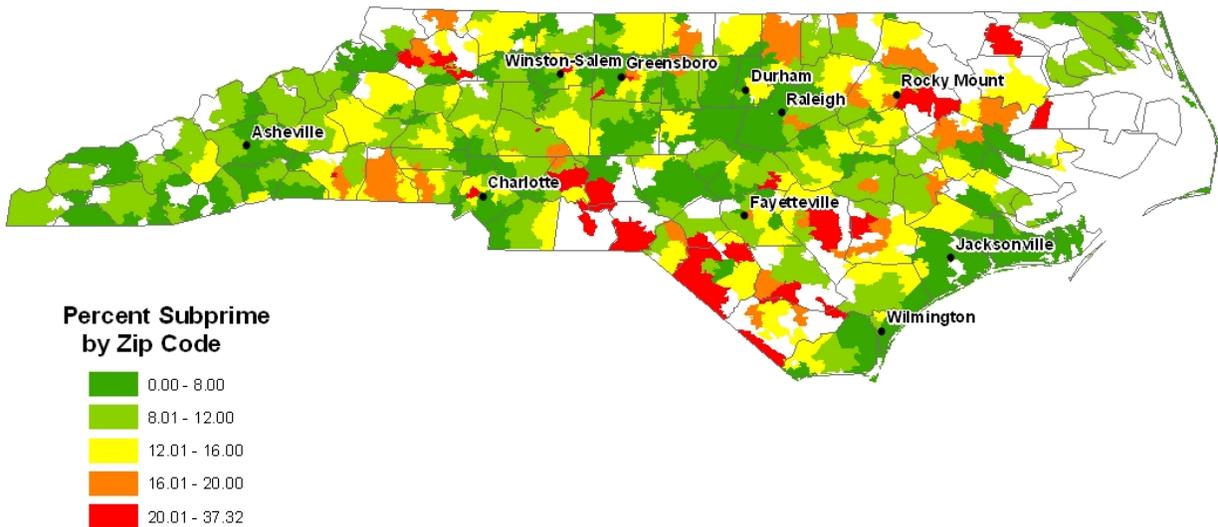
Source: Mortgage Bankers Association (2009:Q3)/Haver Analytics. Percentages may not sum to 100 due to rounding.

Figure 3
Percentage of Owner-Occupied Prime Loans in Foreclosure or REO¹:
North Carolina



Notes: FHA and VA loans are included in the count of prime loans. Uncategorized zip codes have fewer than 100 loans or no data available.
 Source: Federal Reserve Bank of Richmond estimates using data from Lender Processing Services (LPS) Applied Analytics (September 2009), Mortgage Bankers Association (2009:Q3)/Haver Analytics

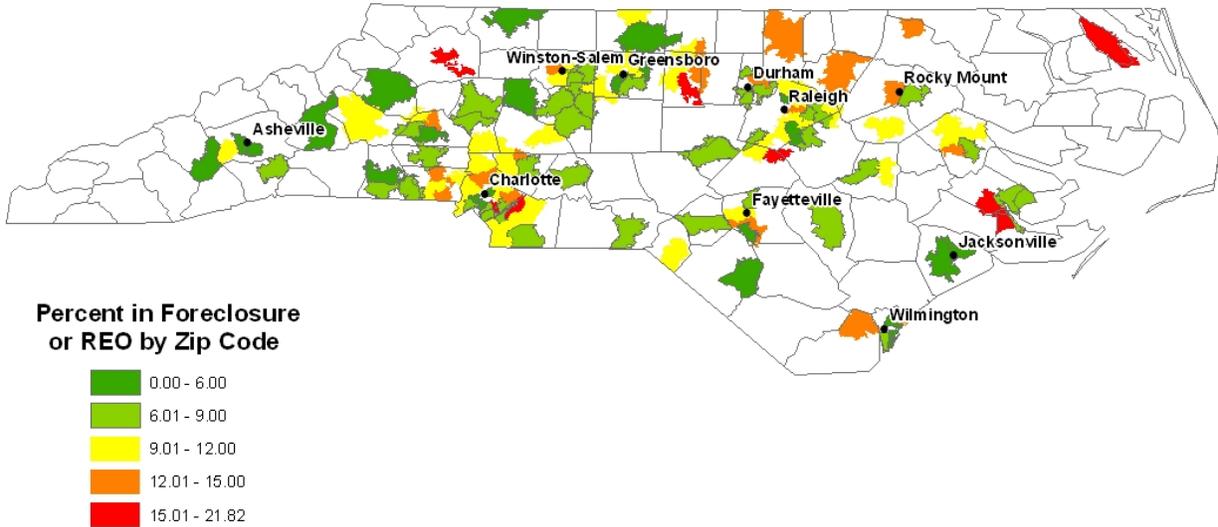
Figure 4
Percentage of Owner-Occupied Mortgages with Subprime Loans:
North Carolina



Notes: FHA and VA loans are included in the count of prime loans. Uncategorized zip codes have fewer than 100 loans or have no data available.
 Source: Federal Reserve Bank of Richmond estimates using data from Lender Processing Services (LPS) Applied Analytics (September 2009), Mortgage Bankers Association (2009:Q3)/Haver Analytics

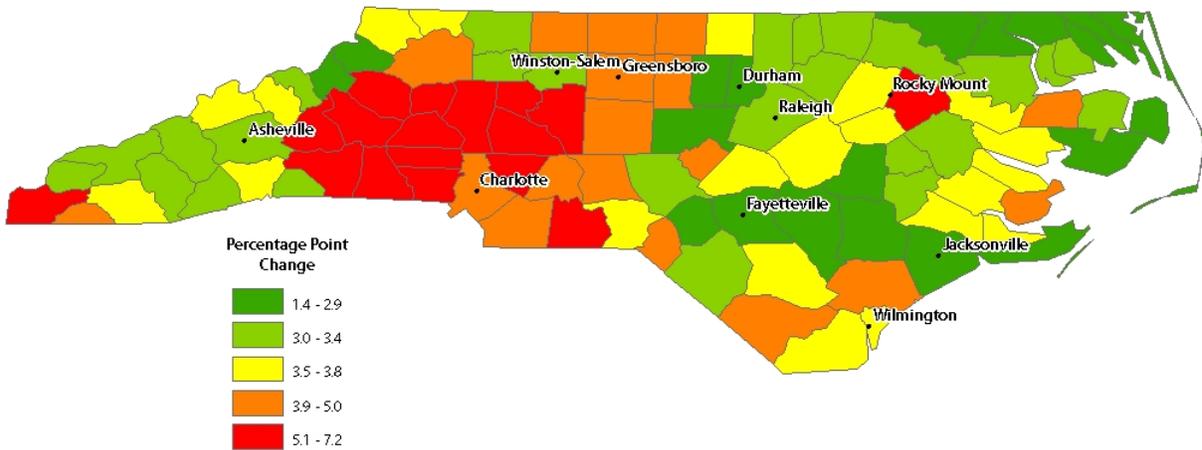
¹ Real Estate Owned (REO) properties are in the possession of the lender due to foreclosure or forfeiture.

Figure 5
Percentage of Owner-Occupied Subprime Loans in Foreclosure or REO:
North Carolina



Notes: FHA and VA loans are included in the count of prime loans. Uncategorized zip codes have fewer than 100 loans, fewer than 50 subprime loans, or have no data available.
 Source: Federal Reserve Bank of Richmond estimates using data from Lender Processing Services (LPS) Applied Analytics (September 2009), Mortgage Bankers Association (2009:Q3)/Haver Analytics

Figure 6
Change in the Unemployment Rate: North Carolina



Notes: Twelve-month change is between September 2008 and September 2009
 Source: Bureau of Labor Statistics

Table 1
Foreclosure Rates by Mortgage Type: North Carolina

Loan Type	North Carolina		United States
	Percent in Foreclosure	National Rank	Percent in Foreclosure
Prime Fixed-Rate	1.09	42	1.95
Prime Adjustable-Rate	3.84	47	10.09
Subprime Fixed-Rate	5.17	42	8.41
Subprime Adjustable-Rate	11.89	47	24.70

Source: Mortgage Bankers Association (2009:Q3)/Haver Analytics

Table 2
Prime Mortgage Delinquency Rates: Fifth District

Geographic Area	Percent 90+ Days Past Due	National Rank	Percent in Foreclosure	National Rank
District of Columbia	2.19	28	1.86	27
Maryland	2.98	10	2.51	13
North Carolina	2.25	23	1.39	43
South Carolina	2.43	16	2.39	17
Virginia	2.12	30	1.59	35
West Virginia	2.19	28	1.54	37
United States	3.06	--	3.20	--

Source: Mortgage Bankers Association (2009:Q3)/Haver Analytics

Table 3
Subprime Share of All Loans: Fifth District

Geographic Area	Percent Subprime	National Rank
District of Columbia	7.52	42
Maryland	10.13	20
North Carolina	8.63	32
South Carolina	9.91	24
Virginia	7.72	40
West Virginia	10.70	15
United States	10.55	--

Source: Mortgage Bankers Association (2009:Q3)/Haver Analytics

Table 4
Subprime Mortgage Delinquency Rates: Fifth District

Geographic Area	Percent 90+ Days Past Due	National Rank	Percent in Foreclosure	National Rank
District of Columbia	11.49	30	15.42	14
Maryland	15.23	6	15.25	16
North Carolina	11.77	28	7.40	44
South Carolina	11.46	31	10.97	27
Virginia	12.51	23	9.67	35
West Virginia	11.29	32	6.95	48
United States	13.33	--	15.35	--

Source: Mortgage Bankers Association (2009:Q3)/Haver Analytics

Table 5
General Housing Statistics: North Carolina

Geographic Area	Housing Units					Percent of Owner-Occupied Mortgages			
	Total	Vacant	Occupied	Owner-Occupied		Prime Loan	Subprime Loan	Adjustable Rate	Interest Only
				Total	Mortgage				
Asheville	202,053	25,915	176,138	122,858	71,657	92.11	7.89	8.72	4.39
Burlington	65,197	5,315	59,882	39,533	26,535	89.53	10.47	7.64	2.09
Charlotte-Gastonia									
Entire MSA	729,678	68,286	661,392	451,165	354,251	-	-	-	-
NC Portion	-	-	-	-	-	91.47	8.53	12.97	5.68
Durham	216,221	21,864	194,357	117,763	87,303	91.99	8.01	13.16	4.26
Fayetteville	153,270	20,704	132,566	81,530	62,058	90.51	9.49	6.66	0.68
Goldsboro	50,914	5,719	45,195	28,540	18,703	89.89	10.11	7.51	0.68
Greensboro	316,480	37,287	279,193	190,826	136,240	90.61	9.39	9.20	2.58
Greenville	81,017	10,633	70,384	41,059	28,697	89.39	10.61	7.47	1.78
Hickory-Lenoir	158,469	21,991	136,478	98,389	62,643	88.60	11.40	6.18	1.65
Jacksonville	67,011	10,394	56,617	35,246	24,338	95.30	4.70	5.42	1.47
Kill Devil Hills	-	-	-	-	-	92.98	7.02	15.45	10.34
Raleigh-Cary	441,188	39,776	401,412	275,515	221,965	93.58	6.42	11.67	4.35
Rocky Mount	66,720	7,299	59,421	38,026	24,867	83.08	16.92	8.54	1.32
Wilmington	201,149	53,228	147,921	103,075	70,151	93.24	6.76	10.33	6.10
Winston-Salem	209,823	25,027	184,796	129,061	89,350	90.52	9.48	9.04	2.23
North Carolina	4,200,447	605,272	3,595,175	2,451,157	1,685,967	91.11	8.89	10.05	3.72
Fifth District	13,068,131	1,717,299	11,350,832	7,801,889	5,427,813	90.75	9.25	13.19	7.86

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

Source: Housing units are 2008 estimates from the Census Bureau. Mortgage estimates are Federal Reserve Bank of Richmond calculations using data from Lender Processing Services (LPS) Applied Analytics (September 2009) and Mortgage Bankers Association (2009:Q3)/Haver Analytics.

Definitions of the metropolitan areas are provided later in the document.

Table 6
Owner-Occupied Prime Loan Statistics: North Carolina

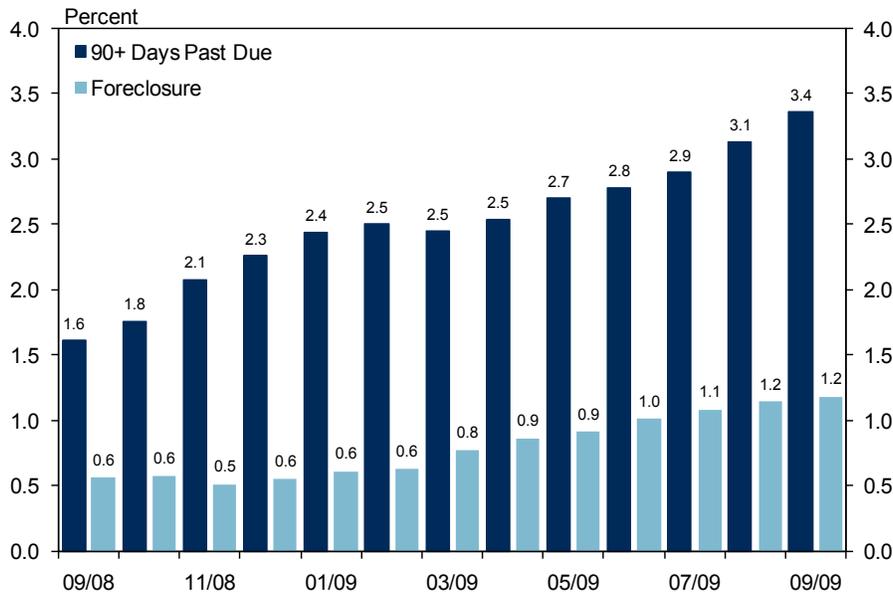
Geographic Area	September 2008		September 2009		
	Percent 90+ Days Past Due	Percent in Foreclosure	Percent 90+ Days Past Due	Percent in Foreclosure	Percent in REO
Asheville	0.90	0.37	2.36	0.99	0.24
Burlington	1.69	0.82	3.63	1.27	0.39
Charlotte-Gastonia*	1.69	0.63	3.76	1.40	0.41
Durham	1.59	0.41	3.03	0.88	0.31
Fayetteville	1.82	0.53	2.63	0.95	0.36
Goldsboro	2.45	0.53	3.70	1.09	0.57
Greensboro	1.81	0.62	3.76	1.16	0.45
Greenville	1.71	0.61	3.22	1.29	0.34
Hickory-Lenoir	1.61	0.63	3.42	1.39	0.48
Jacksonville	1.07	0.66	1.97	0.96	0.27
Kill Devil Hills	1.18	0.92	3.12	2.36	0.92
Raleigh-Cary	1.12	0.40	2.50	0.86	0.29
Rocky Mount	2.72	1.00	4.50	1.42	0.69
Wilmington	1.03	0.47	3.12	1.12	0.34
Winston-Salem	1.86	0.67	3.58	1.15	0.43
North Carolina	1.61	0.57	3.36	1.19	0.41
Fifth District	1.46	0.73	3.21	1.50	0.51

Only the North Carolina portion of this MSA is included here.

Notes: FHA and VA loans as well as interest only loans are included in the count of prime loans. REO numbers for 2008 are not included due to changes in coverage.

Source: Federal Reserve Bank of Richmond estimates using data from Lender Processing Services (LPS) Applied Analytics (September 2009) and Mortgage Bankers Association (2009:Q3)/Haver Analytics

Figure 7
Owner-Occupied Prime Loan Statistics: North Carolina



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

Source: Federal Reserve Bank of Richmond estimates using data from Lender Processing Services (LPS) Applied Analytics (September 2009)

Table 7
Owner-Occupied Subprime Loan Statistics: North Carolina

Geographic Area	September 2008		September 2009		
	Percent 90+ Days Past Due	Percent in Foreclosure	Percent 90+ Days Past Due	Percent in Foreclosure	Percent in REO
Asheville	7.92	3.63	19.57	5.50	1.92
Burlington	13.40	4.68	26.54	9.83	1.97
Charlotte-Gastonia*	11.72	6.38	22.71	8.49	1.98
Durham	14.88	5.42	26.04	6.73	2.08
Fayetteville	9.64	3.95	16.44	6.48	2.90
Goldsboro	16.14	4.33	20.81	8.60	1.36
Greensboro	12.41	5.31	21.90	7.22	1.54
Greenville	14.04	6.48	23.95	10.37	1.73
Hickory-Lenoir	10.71	3.53	22.55	6.44	1.07
Jacksonville	7.12	4.49	15.84	6.33	0.90
Kill Devil Hills	9.90	6.93	32.95	11.36	3.41
Raleigh-Cary	11.54	5.35	23.80	8.19	1.52
Rocky Mount	13.09	5.64	23.38	6.75	3.12
Wilmington	9.77	4.46	23.81	6.93	1.88
Winston-Salem	12.27	4.09	22.76	6.69	1.74
North Carolina	11.59	5.12	22.34	7.39	1.87
Fifth District	11.85	6.34	21.80	9.39	3.08

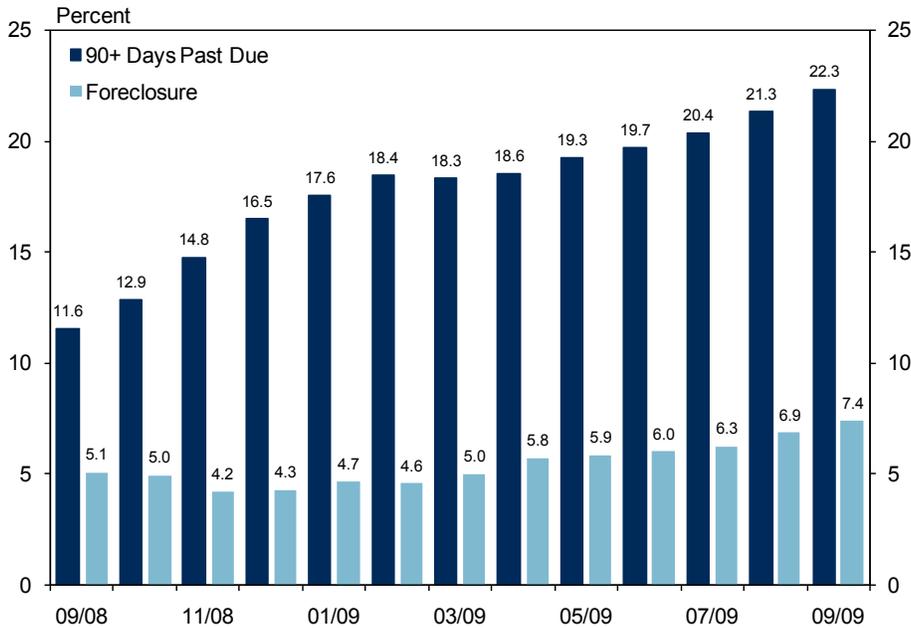
*O

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Notes: FHA and VA loans as well as interest only loans are included in the count of prime loans. REO numbers for 2008 are not included due to changes in coverage.

Source: Federal Reserve Bank of Richmond estimates using data from Lender Processing Services (LPS) Applied Analytics (September 2009) and Mortgage Bankers Association (2009:Q3)/Haver Analytics

Figure 8
Owner-Occupied Subprime Loan Statistics: North Carolina



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

Source: Federal Reserve Bank of Richmond estimates using data from Lender Processing Services (LPS) Applied Analytics (September 2009)

Table 8
Owner-Occupied Interest Only Loan Statistics: North Carolina

Geographic Area	September 2008		September 2009		
	Percent 90+ Days Past Due	Percent in Foreclosure	Percent 90+ Days Past Due	Percent in Foreclosure	Percent in REO
Asheville	1.57	1.09	4.26	3.27	0.76
Burlington	5.07	1.45	7.00	4.12	0.82
Charlotte-Gastonia*	1.63	1.27	5.52	3.03	1.21
Durham	1.84	0.85	4.67	1.87	0.56
Fayetteville	4.38	1.82	5.45	2.73	0.91
Goldsboro	1.67	1.67	4.44	0.00	2.22
Greensboro	1.47	1.17	4.72	2.61	1.30
Greenville	3.29	2.06	8.96	6.47	0.50
Hickory-Lenoir	3.11	1.30	5.26	5.26	0.31
Jacksonville	0.00	1.10	2.71	4.07	1.81
Kill Devil Hills	2.63	2.63	9.49	6.15	2.31
Raleigh-Cary	1.73	0.83	4.49	2.76	0.76
Rocky Mount	6.25	2.08	12.94	5.88	1.18
Wilmington	1.76	0.94	5.84	3.18	1.20
Winston-Salem	2.22	1.11	5.53	3.07	1.60
North Carolina	1.85	1.16	5.36	3.15	1.11
Fifth District	2.73	2.28	6.84	4.91	1.81

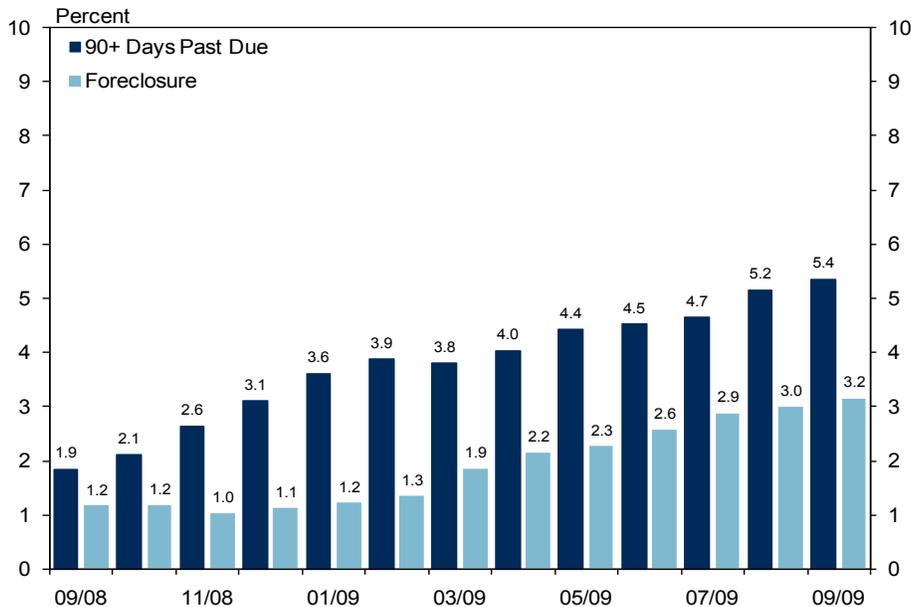
*Only the North Carolina portion of this MSA is included here.

**This area has fewer than 100 interest only loans.

Notes: FHA and VA loans as well as interest only loans are included in the count of prime loans. REO numbers for 2008 are not included due to changes in coverage.

Source: Federal Reserve Bank of Richmond estimates using data from Lender Processing Services (LPS) Applied Analytics (September 2009) and Mortgage Bankers Association (2009:Q3)/Haver Analytics

Figure 9
Owner-Occupied Interest Only Loan Statistics: North Carolina



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

Source: Federal Reserve Bank of Richmond estimates using data from Lender Processing Services (LPS) Applied Analytics (September 2009)

Table 9
Unemployment Rates: North Carolina

Geographic Area	Unemployment Rate	Percentage Point Change from Sept. 2008
Asheville	8.4	3.4
Burlington	11.8	5.0
Charlotte-Gastonia	11.8	5.1
Durham	7.8	2.8
Fayetteville	9.0	2.6
Goldsboro	8.8	2.7
Greensboro	11.1	4.5
Greenville	10.0	3.2
Hickory-Lenoir	14.1	6.2
Jacksonville	8.3	2.5
Kill Devil Hills	6.8	2.6
Raleigh-Cary	8.6	3.5
Rocky Mount	13.5	4.3
Wilmington	9.7	3.9
Winston-Salem	9.8	3.7
North Carolina	10.4	4.0
5th District	8.8	3.3

Note: Data are not seasonally adjusted.
Source: Bureau of Labor Statistics (September 2009)

Table 10
Percent of Loans by Occupancy Type: North Carolina

Geographic Area	All Loans		Prime Loans		Subprime Loans	
	Percent	Percent Non-	Percent	Percent Non-	Percent	Percent Non-
	Second Homes	Owner/ Investment	Second Homes	Owner/ Investment	Second Homes	Owner/ Investment
Asheville	7.33	6.36	7.45	6.44	1.94	2.66
Burlington	1.54	4.21	1.54	4.27	1.62	2.31
Charlotte-Gastonia*	2.60	5.70	2.63	5.73	1.56	4.60
Durham	2.59	5.79	2.63	5.75	0.88	7.30
Fayetteville	1.44	6.02	1.44	6.05	1.42	5.13
Goldsboro	1.49	2.70	1.47	2.72	2.14	2.14
Greensboro	1.58	5.02	1.60	5.03	0.95	4.70
Greenville	3.48	7.20	3.54	7.32	1.85	3.46
Hickory-Lenoir	2.39	3.44	2.45	3.46	0.64	2.96
Jacksonville	9.20	9.95	9.27	10.02	3.60	4.80
Kill Devil Hills	41.13	13.31	41.43	13.26	22.45	16.33
Raleigh-Cary	2.16	4.56	2.17	4.57	1.74	4.20
Wilmington	15.10	8.33	15.27	8.38	4.74	5.00
Winston-Salem	1.45	4.50	1.47	4.51	0.65	4.33
North Carolina	5.12	5.68	5.20	5.73	1.85	4.11
Fifth District	3.69	5.31	3.77	5.35	1.12	3.85

*Only the North Carolina portion of this MSA is included here.

Notes: (1) FHA and VA loans as well as interest only loans are included in the count of prime loans.

(2) Percentages do not sum to 100 due to the occupancy status on some observations being unknown.

Source: Federal Reserve Bank of Richmond estimates using data from Lender Processing Services (LPS) Applied Analytics (September 2009)

Table 11

Owner- and Non-Owner-Occupied Total Loan Statistics: North Carolina

Geographic Area	Owner-Occupied Homes			Second Homes			Non-Owner/ Investment Properties		
	Percent			Percent			Percent		
	90+ Days Past Due	Percent in Foreclosure	Percent in REO	90+ Days Past Due	Percent in Foreclosure	Percent in REO	90+ Days Past Due	Percent in Foreclosure	Percent in REO
Asheville	2.30	0.96	0.24	0.74	0.57	0.14	2.21	2.62	0.37
Burlington	3.51	1.22	0.38	0.95	1.43	0.00	2.79	1.74	0.35
Charlotte-Gastonia*	3.77	1.35	0.42	2.93	2.31	0.27	2.50	2.80	0.86
Durham	2.95	0.85	0.30	0.95	0.60	0.43	2.16	1.16	0.62
Fayetteville	2.55	0.92	0.35	1.73	1.38	0.00	1.41	1.08	0.74
Goldsboro	3.57	1.05	0.55	1.82	0.91	0.00	2.51	1.51	2.01
Greensboro	3.64	1.13	0.43	2.43	1.22	0.43	2.21	2.00	1.18
Greenville	3.11	1.25	0.33	1.68	0.63	0.42	2.95	2.13	0.91
Hickory-Lenoir	3.29	1.34	0.46	0.90	0.90	0.00	1.88	2.13	0.50
Jacksonville	1.94	0.94	0.27	1.05	1.00	0.50	4.45	4.30	0.61
Kill Devil Hills	3.05	2.31	0.90	0.87	0.92	0.39	2.84	2.84	0.97
Raleigh-Cary	2.45	0.84	0.28	1.58	1.21	0.44	1.65	1.67	0.46
Wilmington	3.06	1.09	0.33	1.20	1.07	0.41	2.33	2.20	0.57
Winston-Salem	3.47	1.11	0.41	2.05	2.20	0.31	2.48	4.16	0.91
North Carolina	3.92	1.37	0.45	1.51	1.24	0.34	2.69	2.75	0.80
Fifth District	3.82	1.76	0.59	1.39	1.53	0.36	2.46	3.05	1.13

*Only the North Carolina portion of this MSA is included here.

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

Source: Federal Reserve Bank of Richmond estimates using data from Lender Processing Services (LPS) Applied Analytics (September 2009)

Table 12
Non-Owner-Occupied Prime Loan Statistics: North Carolina

Geographic Area	Second Homes			Non-Owner/ Investment Properties		
	Percent 90+			Percent 90+		
	Days Past Due	Percent in Foreclosure	Percent in REO	Days Past Due	Percent in Foreclosure	Percent in REO
Burlington	0.99	1.48	0.00	2.84	1.77	0.35
Charlotte-Gastonia*	2.97	2.35	0.27	2.56	2.86	0.88
Greensboro	2.48	1.24	0.44	2.28	2.05	1.21
Winston-Salem	2.07	2.23	0.32	2.55	4.27	0.94
North Carolina	1.43	1.15	0.33	2.50	2.58	0.77
Fifth District	1.31	1.45	0.35	2.29	2.86	1.05

Source: Federal Reserve Bank of Richmond estimates using data from Lender Processing Services (LPS) Applied Analytics (September 2009)

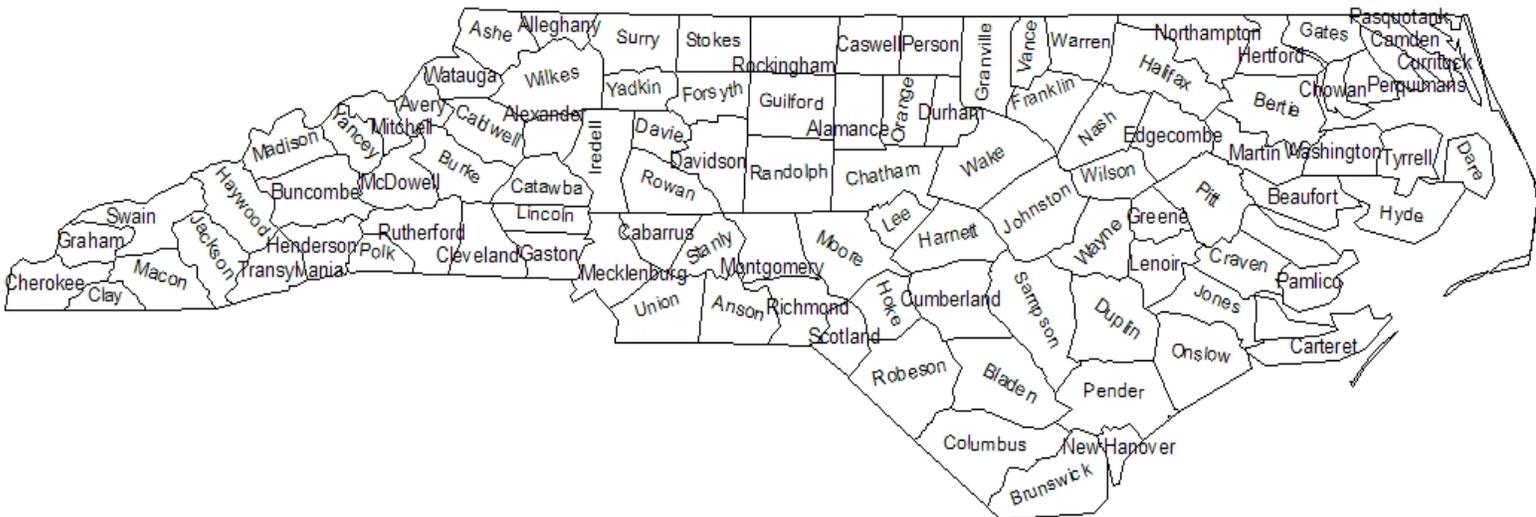
MSA Definitions

1. **Asheville, NC MSA** – Buncombe County, NC; Haywood County, NC; Henderson County, NC; Madison County, NC
2. **Burlington, NC MSA** – Alamance County, NC
3. **Charlotte-Gastonia-Concord, NC MSA** – Anson County, NC; Cabarrus County, NC; Gaston County, NC; Mecklenburg County, NC; Union County, NC; York County, SC
4. **Durham-Chapel Hill, NC MSA** – Chatham County, NC; Durham County, NC; Orange County, NC; Person County, NC
5. **Fayetteville, NC MSA** – Cumberland County, NC; Hoke County, NC
6. **Goldsboro, NC MSA** – Wayne County, NC
7. **Greensboro-High Point, NC MSA** – Guilford County, NC; Randolph County, NC; Rockingham County, NC
8. **Greenville, NC MSA** – Greene County, NC; Pitt County, NC
9. **Hickory-Lenoir-Morganton, NC MSA** – Alexander County, NC; Burke County, NC; Caldwell County, NC; Catawba County, NC
10. **Jacksonville, NC MSA** – Onslow County, NC
11. **Kill Devil Hills*, NC MSA** – Dare County, NC
12. **Raleigh-Cary, NC MSA** – Franklin County, NC; Johnston County, NC; Wake County, NC
13. **Rocky Mount, NC MSA** – Edgecombe County, NC; Nash County, NC
14. **Wilmington, NC MSA** – Brunswick County, NC; New Hanover County, NC; Pender County, NC
15. **Winston-Salem, NC MSA** – Davie County, NC; Forsyth County, NC; Stokes County, NC; Yadkin County, NC

*Indicates a micropolitan statistical area

Source: Office of Management and Budget, 2008

North Carolina Counties



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

Metropolitan Statistical Area Definitions

Office of Management and Budget, 2008

Loan Distribution and Loan Performance

(1) Mortgage Bankers' Association/Haver Analytics

(2) Loan Processing Services Inc. Applied Analytics Mortgage Data

Loan Processing Services, Inc. Applied Analytics Mortgage Data (LPS Data) does not have as complete coverage of subprime loans as it does of prime loans. To compensate for this, we scaled the LPS subprime and prime data for each locality by common factors such that the LPS totals matched the MBA data at the state level. While this method of dealing with LPS's underrepresentation of loans is far from perfect, it only impacts the figures and tables that report the prevalence of subprime loans within geographic areas of North Carolina. It has no impact on the subprime performance numbers.

The LPS data in this document is subject to revision.