Spring/Summer 2008

MarketWise

COMMUNITY ECONOMIC DEVELOPMENT PUBLICATION

FEDERAL RESERVE BANK OF RICHMOND

RIDING THE FORECLOSURE WAVE:

Resources & Analysis to Help Anchor Communities

MARKETWISE

SPRING/SUMMER 2008

The mission of *MARKETWISE* is to provide both progressive and practical information about community economic development that supports economic growth in the Fifth District. The Fifth District consists of Maryland, North Carolina, South Carolina, Virginia, most of West Virginia and the District of Columbia.

MARKETWISE is published two times a year by the Federal Reserve Bank of Richmond. Free subscriptions and additional copies are available upon request.

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President's Message

The recent downturn in the housing market leaves many with the question—what went wrong? According to the Case-Shiller Repeat Sales Index, in 2005, homeownership rates reached a historic high at 69 percent. The interest-rate environment for mortgages had remained relatively low for a decade. New housing starts increased by more than 50 percent between 1995 and 2005. Yet, over the course of the last few years, the housing picture changed dramatically, and the nation's homeownership rates turned down, and mortgage foreclosures have risen sharply.

The Federal Reserve System views the high rate of mortgage foreclosures as an urgent problem. We are collaborating with other regulators, community groups, counseling agencies, policy organizations, financial institutions and public officials to help identify solutions to prevent avoidable foreclosures and their negative effects. Many of our research resources have been deployed to provide detailed analysis that can aid efforts to help distressed borrowers and communities.

There is no single factor we can point to as the cause for the rise in foreclosures. Although Fifth District states have been largely spared from the worst of foreclosures and house depreciation, there are several pockets of significantly elevated foreclosure rates.

This issue of *MARKETWISE* builds on our efforts to provide informative resources, outreach support and data analysis related to foreclosure conditions in the Fifth District. Although there is no easy fix to the foreclosure problem, we believe a comprehensive strategy that involves information and outreach will help to mitigate foreclosures and stabilize communities.

JEFFREY M. LACKER, President
Federal Reserve Bank of Richmond

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Photo: AP Wide World Photos

Mortgage Foreclosures: How Did We Get Here?

By Ned Prescott

Vonda Hopkins of High Point, N.C., pauses as she talks about her home being under foreclosure during a news conference in Charlotte, N.C., on April 22, 2008. On the same day, in Chicago, Bank of America announced it will tighten its morgage lending standards after it completes its acquisition of Countrywide Financial Corp. later this year.

Photo: AP Wide World Photos/Chuck Burton

At the end of 2005, the U.S. housing market was very strong. House prices were increasing in many areas, while stabilizing in others. Residential investment remained strong. Mortgages were easy to obtain, even for people who traditionally did not qualify for them. Ironically, these mortgages also performed very well. Less than 1 percent of mortgages were in foreclosure, which was near the lowest level of the last decade.[1]

Since then, the picture has drastically changed. House prices have dropped in many areas.[2] Residential investment has declined. Furthermore, the fraction of mortgages in foreclosure doubled to over 2 percent. Many types of mortgage loans, particularly those to riskier borrowers, are no longer being made.

What caused such a rapid change in foreclosure rates and other housing market indicators, even when the labor market was robust? The answers to this question seem to depend on several connected developments in the housing and mortgage markets. These developments include the growth of mortgage lending to high-risk individuals; the rapid appreciation in housing prices, followed by its decline; and, possibly, changes in how financial markets funded mortgages.

Subprime Lending

Mortgages are typically divided into three classes: prime, Alt-A or near prime, and subprime. Prime mortgages are considered the safest; the borrower has a high credit score and the ratio of the loan amount to the value of the house is not too high. Alt-A loans are likewise made to borrowers with a good credit history, but they are riskier than prime loans because of other factors. The loan may have a higher loan-to-value ratio, the borrower's income may not have been verified or the loan may allow for a period of payments that only cover interest.[3] Subprime loans are considered the riskiest class. What makes a loan subprime are the characteristics of the borrower. These loans are typically made to a person with a weaker credit history (e.g., a FICO credit score of less than 620) as well as a high debt-to-income ratio or loan-to-value ratio. To compensate the lender for the risks, the loans will have a high interest rate. The number of these loans greatly increased over the last decade. In 2000, about 750,000 subprime mortgages were made. In 2005, the number increased to 2.2 million.[4] Subprime loans are an important part of the foreclosure wave, because even though they comprise only 12 percent of all mortgages, they make up over half of all foreclosures.[5]

Even under normal housing market conditions, foreclosure and delinquency rates on subprime loans are significantly higher than on

COMMONLY USED MORTGAGE DATA SETS

LoanPerformance: data on mortgage finance, servicing and securitization. LoanPerformance aggregates several levels of information on securities to evaluate and predict mortgage performance.

McDash Analytics, LLC: data on the mortgage banking industry. McDash Analytics aggregates loan level data and mortgage assets provided directly by servicers into a single anonymous database that tracks all aspects of LoanPerformance.

Standard and Poor's Case-Shiller Index: data on residential housing. The S&P/Case Shiller Indices keep track of changes in the value of homes across 20 metropolitan regions in the United States. The information is calculated monthly and published with a two-month lag.

Geolytics: data on demographics, the Census, market research and geocoding for social researchers.

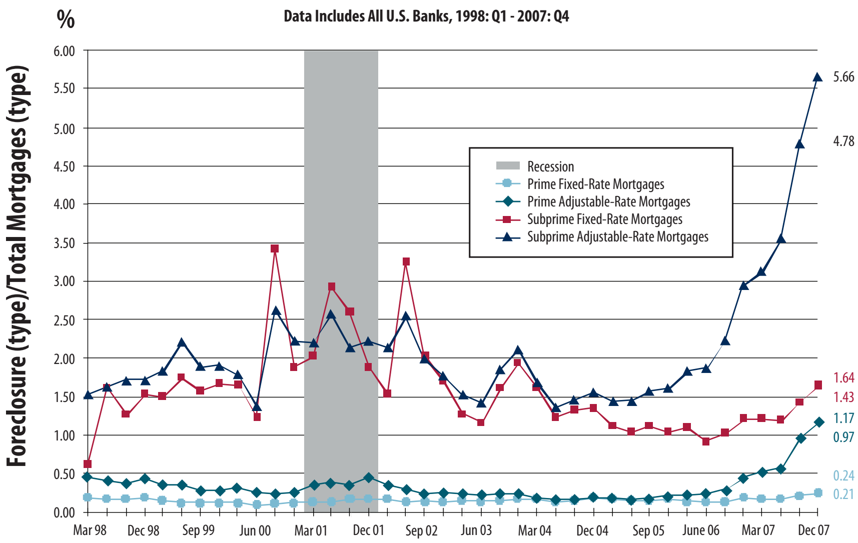
HMDA: public loan data that can be used to help determine whether financial institutions are serving the housing needs of their communities and to identify possible discriminatory lending patterns.

OFHEO House Price Index (HPI): data on the movement of single-family house prices. HPI measures average price changes in repeat sales or refinancings on the same properties.

First American Core Logic: data on residential mortgage risk management and fraud protection technology and services.

FIGURE 1

Residential Mortgage Foreclosure Rates
(by Credit Risk and Terms)



Source: Morgage Bankers Association National Delinquency Survey

prime loans. However, these rates have dramatically increased over the last two years, as indicated in Figure 1. Data from Figure 1 also show that subprime loans with adjustable rates are much more likely to end up in foreclosure than those with fixed rates. Subprime adjustable-rate loans typically have a fixed rate for two or three years, with a prepayment penalty over this period, after which the rate resets. The reset date has received significant attention as a potential cause of foreclosures since many commentators believe that the initial interest rate was a "teaser" rate. Traditionally, a teaser rate is one that was substantially below what the loan would reset to, much like a credit card loan or a prime adjustable rate mortgage. This belief has led some to infer that borrowers default because they cannot handle the higher payment that results from the first interest rate reset.

This logic, however, is not borne out by the evidence. First, subprime loans are not teaser loans.[6] They are expensive at the outset. In 2004, the starting interest rate on a subprime loan was around 8 percent, when adjustable rate prime loans were slightly above 5 percent. In a sense, the payment "shock" starts right from the beginning. Second, subprime loans do not typically default at the reset date. Instead, their delinquency rates tend to peak about 12-15 months into the loan, well before the interest rate resets except for loans made in 2005. There is no increase in delinquencies at the reset date, though prepayments certainly spike at that point.[7] Finally, recent Federal Reserve monetary policy actions have greatly reduced short-term interest rates, which has lowered the rate to which these loans reset and greatly reduced the size of any payment shock.

So, if it is not the resets, why has the performance of subprime loans deteriorated? Two connected developments in the housing and subprime markets over the last decade seem important. First, house prices grew dramatically and then dropped significantly. Second, the risk characteristics of subprime loans, like loan-to-value ratios, increased over this period.[8] It was worse for adjustable-rate subprime loans than for fixed-rate ones. The two are connected because the riskier the loan, the more likely the borrowers will end up in a situation where they cannot

FEDERAL RESERVE BOARD AMENDS TRUTH IN LENDING

On Monday, July 14, the Federal Reserve Board approved a final rule for home mortgage loans to better protect consumers and facilitate responsible lending. The rule prohibits unfair, abusive or deceptive home mortgage lending practices and restricts certain other mortgage practices. It also establishes advertising standards and requires certain mortgage disclosures to be given to consumers earlier in the transaction.

The final rule, which amends Regulation Z (Truth in Lending) and was adopted under the Home Ownership and Equity Protection Act (HOEPA), largely follows a proposal released by the Board in December 2007, with enhancements that address ensuing public comments, consumer testing and further analysis.

The final rule adds four key protections for a newly defined category of "higher-priced mortgage loans" secured by a consumer's principal dwelling. For loans in this category, these protections will

- Prohibit a lender from making a loan without regard to borrowers' ability to repay it from income and assets other than the home's value. A lender complies, in part, by assessing repayment ability based on the highest scheduled payment in the first seven years of the loan. A borrower does not need to demonstrate that it is part of a "pattern or practice" to show that a lender violated this prohibition.
- Require creditors to verify the income and assets they rely upon to determine repayment ability.
- Ban any prepayment penalty if the payment can change in the initial four years. For other higher-priced loans, a prepayment penalty period cannot last for more than two years. This rule is substantially more restrictive than originally proposed.
- Require creditors to establish escrow accounts for property taxes and homeowner's insurance for all first-lien mortgage loans.

In addition to governing higher-priced loans, the rules adopt the following protections for loans secured by a consumer's principal dwelling, regardless of whether the loan is higher-priced:

Photo: GettyImages

- Creditors and mortgage brokers are prohibited from coercing a real estate appraiser to misstate a home's value.
- Companies that service mortgage loans are prohibited from engaging in certain practices, such as pyramiding late fees. In addition, servicers are required to credit consumers' loan payments as of the date of receipt and provide a payoff statement within a reasonable time of request.
- Creditors must provide a good faith estimate of the loan costs, including a schedule of payments, within three days after a consumer applies for any mortgage loan secured by a consumer's principal dwelling, such as a home improvement loan or a loan to refinance an existing loan. Currently, early cost estimates are only required for home-purchase loans. Consumers cannot be charged any fee until after they receive the early disclosures, except a reasonable fee for obtaining the consumer's credit history.

For all mortgages, the rule also sets stronger advertising standards. Advertising regulations now require additional information about rates, monthly payment, and other loan features. The final rule bans several deceptive or misleading advertising practices, such as claiming that a rate or payment is "fixed" when it can in fact change.

The rule's definition of "higher-priced mortgage loans" will capture virtually all loans in the subprime market but generally exclude loans in the prime market. The new rules take effect on October 1, 2009. The single exception is the escrow requirement, which will be phased in during 2010 to allow lenders to establish new systems as needed.

For more information, visit **http://www.federalreserve.gov/newsevents/press/bcreg/20080714a.htm**.

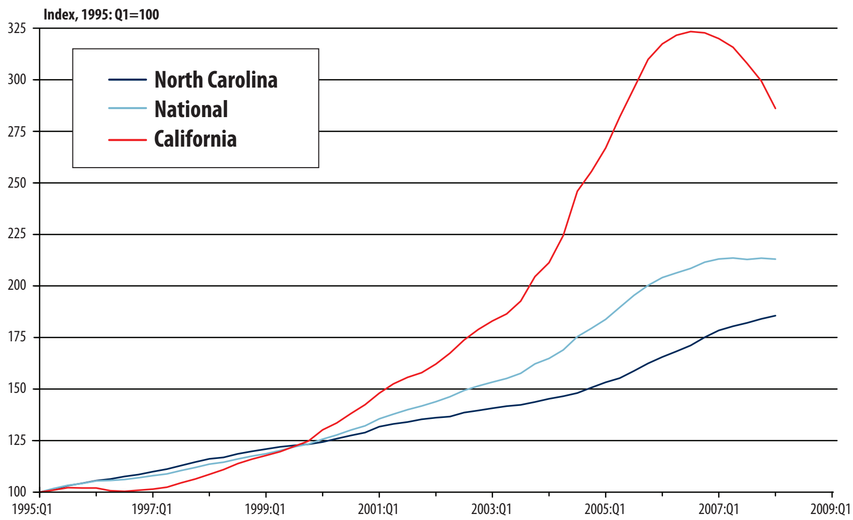
make the payments. But this alone is not enough to drive a foreclosure. Instead, it is also necessary for house prices to fall. If the price of a borrower's house increases, or remains steady, then even if the borrower cannot afford the payments he/she will not default. After all, she/he does have the opportunity to refinance or sell the house. It seems that the rise in house prices masked just how risky some of these loans were, or the loans were made on the assumption that house prices would not fall.

House Prices

As long as house prices do not drop, borrowers can sell or refinance their homes to avoid default. Figure 2 shows the Office of Federal Housing Enterprise and Oversight (OFHEO — the federal regulator of Fannie Mae and Freddie Mac) housing price index for different geographic areas with prices normalized to 100 in 1995. The figure has three curves. The middle curve shows the national average. The lower curve shows the prices for North Carolina, which has had a low foreclosure rate. The top curve shows the prices for California, which has had one of the highest foreclosure rates.

FIGURE 2

OFHEO House Price Index
(North Carolina)



Source: OFHEO/Haver Analytics

There is considerable variation in house prices within the United States and, as the earlier discussion suggests, this is connected to differences in foreclosure rates. In the United States, two types of communities have high rates of foreclosures: areas with high growth and rapid house price appreciation, such as Southern California, Florida and Nevada; and areas with an extended period of poor economic conditions, such as Michigan and Ohio. A recent study that tries to disentangle these and other effects, finds house price changes are the most important factor.[9]

Changes in Mortgage Funding

The final potentially important factor in the increase of foreclosures was how mortgage loans were made and funded. Mortgage funding factors tie into the earlier discussion because they may explain why lenders were willing to make riskier loans than in the past.

Traditionally, a mortgage was made by a bank that evaluated the borrower's credit and then held it for the life of the loan. Starting in the 1970s, mortgage markets switched to a method of finance in which the originator and the investor were different entities. In particular, whoever originated the loan would collect a group of loans and pool them into a trust. They would then sell securities based on the cash generated by the pool to investors.[10] This method of finance is often referred to as securitization. The investors could range from pension funds to foreign banks.

Securitization allows lenders to more easily diversify both geographically as well as along other dimensions.[11] But each layer of separation between the borrower and the lender reduces the lender's control over the quality of the loan. After all, if the originating institution does not keep the loan, what incentive does it have to evaluate the loan carefully? The answer is "little," which is why monitoring, auditing and other mechanisms are used in this market to deal with these problems. When handled correctly, these incentive concerns become more manageable. The federally chartered corporations, Fannie Mae and Freddie Mac, have used this method to fund a sizeable fraction of the prime mortgage market this way for years.

Securitization emerged as the predominant way that subprime loans were funded during the last decade. Subprime lenders were typically specialized firms who were not banks, and they would originate these loans, pool them into securities and then sell the securities. Given the poor performance of these loans, questions have been raised about whether the lack of separation between the investing and originating parties was a significant problem. Presently, however, how much this method of finance contributed to the recent increase in foreclosures is an open question.[12]

The Fifth District

Performance of mortgage and housing markets vary significantly across regions, including within the Fifth District. Fortunately, the Fifth District has not had the depressed economic conditions of states such as Michigan and Ohio. The foreclosure start rates for the Fifth District are below national average. Still, some areas of the Fifth District, such as parts of Maryland, Northern Virginia and Washington, D.C., have had rapid house price appreciation and high growth, like California and Florida, and are experiencing the most severe problems. However, even in the Washington, D.C., metro area, the performance of the market varies. Two outer parts of the metropolitan area, Prince William County, Virginia, and Prince George's County, Maryland, have the most widespread foreclosure problem in the Fifth District, while other suburbs have much smaller foreclosure problems. Similarly, even areas with low foreclosure numbers have pockets of housing trouble. For example, Charlotte, North Carolina; Columbia, South Carolina;

CONSUMER INFORMATION

Federal Reserve Board Foreclosure Resources for Consumers
www.federalreserve.gov/pubs/foreclosure/default.htm

National Consumer Law Center Information for Seniors
www.consumerlaw.org/initiatives/seniors_initiative/advforcl.shtml

COMMUNITY BORROWER RESOURCES

NATIONAL

NeighborWorks Center for Foreclosure Solutions
www.nw.org/network/neighborworksprogs/foreclosuresolutions/default.asp

Foreclosure Resources Page
www.nw.org/network/foreclosure/default.asp

HOPE NOW
1-888-995-HOPE
www.hopenow.com/ or http://hopenow.us

U.S. Department of Housing and Urban Development (HUD)
Federal Housing Administration on Avoiding Foreclosure
http://portal.hud.gov/portal/page?_pageid=33,717348&_dad=portal&_schema=PORTAL

Tips for Avoiding Foreclosure
www.hud.gov/foreclosure/index.cfm

National and Regional Housing Counseling Intermediaries
www.hud.gov/offices/hsg/sfh/hcc/nrhci.cfm

HUD-approved Housing Counseling Agencies:
www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm

HUD Avoiding Foreclosure – Resources in Your State
www.hud.gov/foreclosure/local.cfm

U.S. Department of Veterans Affairs – Home Loan Guaranty Service
www.homeloans.va.gov/paytrbl.htm

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LOCAL

Washington, D.C.
Metropolitan Washington Council of Governments
www.mwcog.org/foreclosure

Maryland
Home Owners Preserving Equity (HOPE)
www.mdhope.org/Index.aspx

North Carolina
North Carolina Legal Aid
http://www.legalaidnc.org/public/Default.aspx

North Carolina Housing Counselors
http://www.nchfa.com/Counseling/housingcounselors.aspx

The Association of Housing Counselors
http://www.affordablehousinggroup.org/train_aohc.htm

North Carolina Housing Finance Agency, Home Protection and Pilot Program
http://www.nchfa.com/Homebuyers/HOhomeprotectionpilot.aspx

North Carolina Association of Community Development Corporations
http://www.ncacdc.org/

North Carolina Foreclosure Task Force
http://www.ncforeclosurehelp.org/

North Carolina Housing Coalition
http://www.nchousing.org/housing_assistance/foreclosure-prevention

North Carolina Justice Center
http://www.ncjustice.org/

South Carolina
South Carolina Legal Services
http://www.sclegal.org/

South Carolina Housing Coalition
http://www.affordablehousingsc.org/

South Carolina Housing and Finance Agency
http://www.sha.state.sc.us/

Family Services Center of South Carolina
http://www.fsconline.org/

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Portsmouth, Virginia; and Richmond, Virginia as well as a few rural counties, all have zip codes with high rates of subprime lending and foreclosure.

The full extent of the current mortgage downturn remains to be seen, but it's evident that the recent events are related to a combination of factors. Some borrowers and lenders counted on significant house appreciation when agreeing to a loan, and lenders used nontraditional financing to help those who wouldn't typically qualify for a mortgage to purchase a home. Both of these developments led to a large number of borrowers finding themselves with mortgages worth less than the value of their home once house prices dropped. Combine this with life events such as job loss, medical expenses or divorce, and the result is a significant increase in foreclosures.

Ned Prescott is an economist and vice president at the Federal Reserve Bank of Richmond. His area of expertise includes financial intermediation, payments systems, bank regulation, theory of the firm, and private information theory. He has also worked on developing algorithms for solving private information problems and the need and use of financial services by unserved populations.

Endnotes:

[1] Mortgage foreclosure numbers are taken from the Mortgage Banker's Association National Delinquency survey.

[2] According to the Case-Shiller S&P index, they started to drop in 2006. According to the OFHEO home purchase index, they leveled off by the end of 2007. The two indices differ because they cover different parts of the housing market.

[3] The initial payments on an "interest-only" loan start small because they only require that interest costs be covered and then later increase when the loan starts amortizing. Related, some of these loans have a negative amortization option, that is, an option for the borrower to make payments below the interest costs and add the difference to the loan's balance. At some point, the loan will start amortizing and the payments will increase. This type of loan may seem risky compared with a traditional loan, but it should be noted that it is not that different from getting a standard loan and as well as getting a home equity line of credit.

[4] Mayer, Chris and Karen Pence, "Subprime Mortgages: What, Where, and to Whom?" Manuscript, 2008.

[5] Calculations based on the MBA survey's foreclosure inventory numbers.

[6] Some Alt-A loans like those with interest only or negative amortization have a teaser-like feature. While these loans are performing worse than prime loans, for now their performance is still better than subprime loans. The MBA data in Figure 1 does not report the performance of Alt-A loans, because the way loan quality is measured can lead to Alt-A loans being categorized as either prime or subprime.

[7] For more information on the characteristics and performance of subprime loans, see Foote, Christopher L., Kristopher Gerardi, Lorenz Goette, and Paul S. Willen, "Subprime Facts: What (We Think) We Know about the Subprime Crisis and What We Don't." Federal Reserve Bank of Boston Public Policy Discussion Papers, No. 08-2, May 30, 2008.

[8] There is also evidence that the lenders lowered their underwriting standards over this period. See Demyanyk, Yuliya and Otto van Hemert, "Understanding the Subprime Mortgage Crisis." (February 29, 2008) Available at SSRN: **http://ssrn.com/abstract=1020396**.

[9] Doms, Mark, Fred Furlong, and John Krainer, "Subprime Mortgage Delinquency Rates." Federal Reserve Bank of San Francisco Working Paper, No. 2007-33, November 2007.

[10] This description ignores mortgage brokers who often matched borrowers with originators. Brokers add another, potentially important, layer of separation between the borrower and ultimate lender.

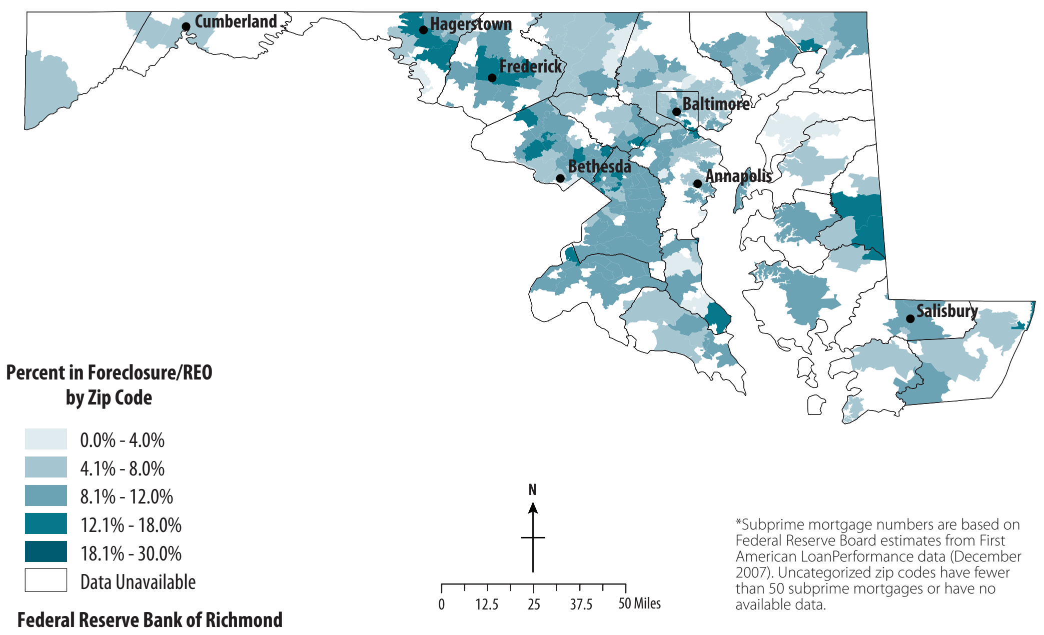
[11] There are also some regulatory advantages for banks compared with originating the loan and directly holding it.

[12] Ashcraft, Adam B. and Til Schuerman, "Understanding the Securitization of Subprime Mortgage Credit." Federal Reserve Bank of New York Working Paper, No. 318, March 2008, contains a detailed examination of one particular subprime security issuance and lists a number of points in the process in which the separation of the investor and originator could have caused problems.

FIGURE 3

MARYLAND

Percentage of Owner-Occupied Homes with Subprime Mortgages in Foreclosure or Real Estate Owned*



*Subprime mortgage numbers are based on Federal Reserve Board estimates from First American LoanPerformance data (December 2007). Uncategorized zip codes have fewer than 50 subprime mortgages or have no available data.

Maryland's Foreclosure Rates Prompt Legislation in Maryland

By Andy Bauer

When foreclosure rates rise, localities pay a substantial cost. Families lose homes, lenders lose money and governments lose tax revenues. All of these consequences can have destabilizing effects on communities. In response to Maryland's growing number of foreclosures, the governor established in June 2007 the Homeownership Preservation Task Force.

The task force formed three workgroups to address problems and create solutions. The Financial Resources Workgroup, the Education Outreach Workgroup and the Legal and Regulatory Reform Workgroup (LRRW) reviewed existing Maryland laws, regulations and practices related to mortgage loan transactions. All of the workgroups concluded that strong laws were the best defense to protect homeowners in the foreclosure process and to avoid preventable foreclosure.

Since April 2008, the state has introduced legislative proposals and regulatory reforms concerning mortgage lending, the foreclosure

Common Terms Associated with Subprime Mortgages

Adjustable-Rate Mortgage (ARM)
A mortgage that permits the lender to periodically adjust the interest rate on the basis of changes in a specified index.

*** 2/28 ARM**
A common mortgage in the subprime market characterized by adjustable interest rates. The rate is fixed for the first 2 years, and then reset to equal the value of a rate index at that time, plus a margin. The margins tend to be high, so the rate on most 2/28s will often rise sharply at the 2-year mark, even if market rates do not change during the period.

*** Alt-A (Alternative A)**
A nonstandard mortgage owed by a borrower that is characterized by a strong credit history but possesses nontraditional features: for example, reduced documentation, low downpayment, or non-owner occupier.

Balloon Mortgage
A mortgage in which the borrower's monthly payments are amortized over a longer period than the actual term of the mortgage. As a result, at the end of the loan term, the borrower must pay off the remaining balance with a single lump sum payment or have the option of refinancing the loan.

Conventional Mortgage
A mortgage loan that is not insured or guaranteed by the federal government or by one of its agencies, such as FHA, VA or RHS. Contrast with "Government Mortgage."

Debt-to-Income Ratio
The relationship between a borrower's total monthly debt payments (including proposed housing expenses) and his or her gross monthly income; this calculation is used in determining the mortgage amount that a borrower qualifies for. * The percent of income is represented by debt service.

Deed of Trust
A legal document that conveys the title to real estate to a disinterested third party (a "trustee") who holds the title until the borrower has repaid the debt. In some states, this document is used in place of a mortgage.

Default
Failure to make a scheduled payment or otherwise comply with the terms of a mortgage loan or other contract.

Delinquency
Failure to make a payment when it is due. The condition of a loan when a scheduled payment has not been received by the due date; the term is generally used to refer to a loan for which payment is 30 or more days past due.

Fixed-Rate Mortgage (FRM)
A mortgage loan in which the interest rate does not change during the entire term.

Initial Interest Rate
The original interest rate for an adjustable rate mortgage (ARM). Sometimes known as the "start rate."

*** Interest-Only Mortgage**
A mortgage on which for some period the monthly mortgage payment consists of interest only. During that period, the loan balance remains unchanged.

Loan Origination Fee
A fee to cover some of the administrative costs of processing a loan. It is often expressed in points. One point is equal to 1 percent of the loan amount.

Loan-to-Value (LTV) Ratio
The relationship between the loan amount and the value of the property (the lower of appraised value or sales price), expressed as a percentage of the property's value. For example, a $100,000 home with an $80,000 mortgage has an LTV of 80 percent.
*The percent of value is represented by a loan collateralized by a single asset.

*** Low or No Documentation Loans**
Loans that require little to no proof of personal information, such as income, assets or liabilities. These loans are designed to assist individuals that logistically have difficulty documenting their income. Specifically, individuals who own their own businesses, make commissions, live off investments or get their income in cash can benefit by making it easier to secure a home loan. However, with less documentation comes a higher price and good-to-excellent credit is required.

Mortgage Broker
An individual or firm that brings borrowers and lenders together for the purpose of loan origination. A mortgage broker typically takes loan applications and may process loans, but generally does not use its own funds to close the loan. Mortgage brokers often act as independent contractors and not as an agent of the borrower or lender.

*** Negative Equity**
A situation in which a borrower's mortgage principal is greater than the value of the house.

*** Nonconforming Mortgages**
A type of home mortgage that does not conform to Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC) guidelines because the amount is too high or because FNMA/FHLMC underwriting or other criteria are not met.

*** Nontraditional Mortgages**
Types of mortgage products that include "interest-only" mortgage loans where a borrower pays no principal for the first few years of the loan and adjustable-rate mortgages where a borrower has flexible payment options, including a low-cost choice

that covers neither the full interest nor the principal. These mortgages tend to be associated with a significantly higher risk of default.

Prepayment Penalty
A fee that a borrower may be required to pay to the lender in the early years of a mortgage loan to repay the loan in full or prepay a substantial amount to reduce the unpaid principal balance.

*** Reset**
The date at which an adjustable-rate mortgage's rate is changed.

*** Securitization**
Financial transaction in which assets such as mortgage loans are pooled and securities representing interests in the pool are issued.

Servicer
A firm that provides servicing functions, including collecting mortgage payments, paying the borrower's taxes and insurance, and [generally] managing borrower escrow accounts.

*** Short Sale**
An agreement between a borrower and a lender in which the lender allows the property to be sold at a price that is less than the mortgage, with the proceeds remitted to the lender. The short-sale can occur in lieu of a foreclosure.

*** Subprime Mortgage Loan**
The classification "subprime" generally is a lender's designation for loans extended to borrowers with some sort of credit impairment, for example, because the borrower misses installment payments on debt or lacks a credit history. Along with an individual's credit rating, certain characteristics of the mortgage loan can contribute to the loan being classified as subprime; features such as limited or no documentation on income or assets, high loan-to-value ratios, or high payment-to-income ratios.

*** Teaser Rate**
The initial rate on an adjustable-rate mortgage, typically below market rates.

Unsecured Loan
A loan that is not backed by collateral.

* Denotes Fed staff additions and changes.

Source: www.FannieMae.com.

process, and homeowner protection. New requirements lengthen the process to provide borrowers with an added warning of an impending foreclosure. The law also prohibits certain foreclosure transactions and establishes requirements for a consultant. In addition, it provides protection against mortgage fraud. Finally, the state government is currently meeting with servicers to establish "a model framework for a streamlined, transparent and timely loss mitigation process that will produce large-scale results for Maryland borrowers to avoid foreclosure."[1]

Maryland's Foreclosure Concentration

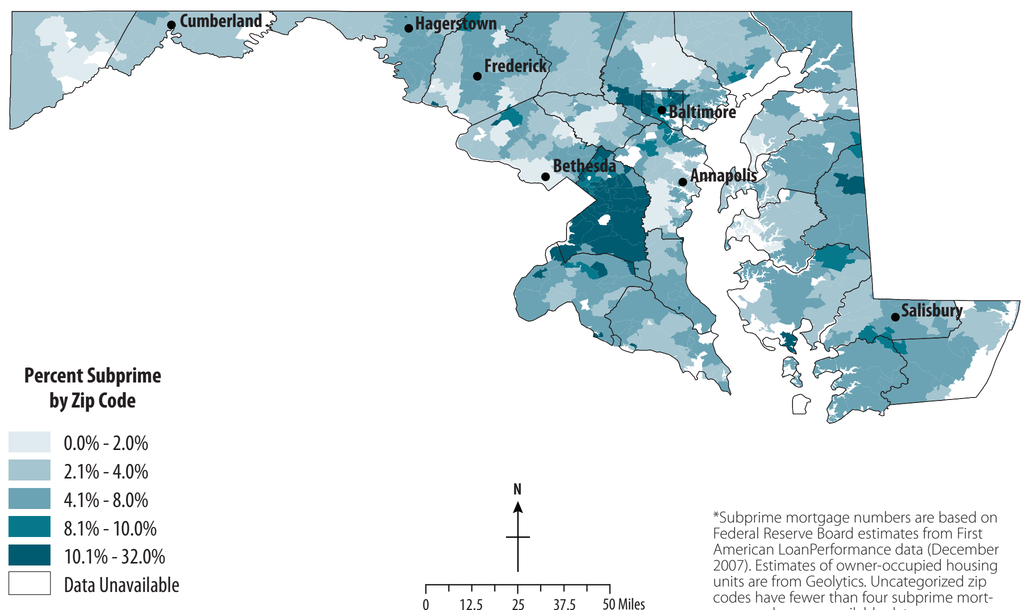
As has been the case for many metropolitan areas across the country, those areas that experienced a rapid increase in home prices during the housing boom are now facing significant price declines and sharp increases in delinquencies and foreclosures. During the housing boom, residents in both Maryland and neighboring Washington, D.C., witnessed a significant increase in home prices and sales. According to the Office of Federal Housing Enterprise Oversight (OFHEO), the federal regulator of Fannie Mae and Freddie Mac, prices rose 13 percent on average each year from 2001 through 2007—a total increase of 78 percent.[2] The increases were widespread throughout the state, particularly in the Baltimore-Towson; Bethesda-Frederick-Gaithersburg; Hagerstown, Md.-Martinsburg, W.Va.; and Salisbury metropolitan statistical areas (MSAs). In each of these MSAs, the average annual price increased more than 10 percent over the period. Home sales spiked from 108,600 in 2001 to 139,500 in 2004, an increase of 28 percent three years before beginning to taper off in 2005.[3] As a result of falling home sales and prices, new home construction was rapidly curtailed. Housing starts have declined to 88,500 in 2007—a drop of 35 percent from 2005 levels.[4]

As the housing market started to correct itself in 2006, delinquencies and foreclosures began to steadily increase. According to the Mortgage Bankers Association, the 90-day delinquency rate

FIGURE 4

MARYLAND

Percentage of Owner-Occupied Homes with Subprime Mortgages*



*Subprime mortgage numbers are based on Federal Reserve Board estimates from First American LoanPerformance data (December 2007). Estimates of owner-occupied housing units are from Geolytics. Uncategorized zip codes have fewer than four subprime mortgages or have no available data.

Federal Reserve Bank of Richmond

has risen from 0.6 percent in the first quarter of 2006 to 1.32 percent in the fourth quarter of 2007—matching the series-highs experienced during the 2001-02 recession and recovery period. The number of mortgages going into foreclosure has risen to 0.66 percent from 0.21 percent over the same time period—the highest rate in the history of the series going back to 1979. Not surprisingly, subprime adjustable rate mortgages (ARMs) are where the greatest problems lie as the national 90-day delinquency rate for subprime ARMs is currently 7.28 percent, while the percent in foreclosure is currently 8.56 percent. Notably, there have been significant increases in the delinquency and foreclosure rates for prime ARMs as well.[5]

Estimates from LoanPerformance data show that there are about 88,000 owner-occupied subprime loans in Maryland—6.1 percent of total owner-occupied households.[6] This is slightly higher than the national average of 5.6 percent. Prince George's County, Baltimore City, and several areas of Baltimore County have the highest percentage of owner-occupied subprime loans. For the greater part of Prince George's County, the percentage of owner-occupied homes with subprime loans ranges between 12 and 23 percent. In the City of Baltimore, the areas with the greatest percentage of subprime loans are in the western and northeastern sections of the city. Those areas in Baltimore County bordering Baltimore City—particularly on the western edge—also have a higher percentage of subprime loans. For the rest of the state, the percentage of owner-occupied homes with subprime loans is generally below 8 percent. [See Figure 4 on page 12]

More than Just Subprime

Another factor driving high delinquency and foreclosure rates in Maryland are Alt-A loans. Alt-A loans are not quite subprime but are not considered prime loans either. These alternative loans cater to prime borrowers with nontraditional loan profiles, for example, borrowers with less than full documentation. In Maryland there are approximately 59,000 Alt-A loans, of which some 45,000 are owner-occupied.[7] Owner-occupied Alt-A loans accounted for 5.5 percent of all owner-occupied households, considerably higher than the national rate of 2.4 percent. Owner-occupied Alt-A mortgages are mostly concentrated in Montgomery and Prince George's County but also appear throughout the central and southern regions of the state. Notably, high percentages of non-owner-occupied Alt-A loans are in Baltimore City and the eastern shore. The 90-day delinquency rate for owner-occupied Alt-A loans is 2.5 percent—slightly higher than the national rate of 2.3 percent. While the

Virginia

Housing Opportunities Made Equal, Inc. (HOME, Inc.)
www.phonehome.org

Virginia Cooperative Extension
www.ext.vt.edu

Virginia Foreclosure Prevention Task Force
www.virginiaforeclosureprevention.com/index.asp

Virginia Partnership to Encourage Responsible Lending (VaPERL)
www.virginiafairloans.org

West Virginia
Legal Aid of West Virginia
www.lawv.net

POLICY AND REGULATION

Home Mortgage Disclosure Act (HMDA)
Requires most lending institutions to report public loan data (loan application data).
www.ffiec.gov/hmda/default.htm

Fifth District State Foreclosure Law Links from www.foreclosures.com:

Washington, D.C.
www.foreclosures.com/www/pages/state_laws2.asp?state=dc

http://weblinks.westlaw.com/toc/default.aspx?Abbr=dc%2Dst&Action=ExpandTree&AP=DC010747550&ItemKey=DC010747550&RP=%2Ftoc%2Fdefault%2Ewl&Service=TOC&RS=WEBL8.02&VR=2.0&SPa=DCC-1000&fragment#DC010747550

Maryland
www.foreclosures.com/www/pages/state_laws2.asp?state=md

www.dllr.state.md.us/finance/mortfore.html

North Carolina
www.foreclosures.com/www/pages/state_laws2.asp?state=nc

www.ncleg.net/enactedlegislation/statutes

html/bysection/chapter_153a/gs_153a-200.html

continued on page 14

South Carolina
www.foreclosures.com/www/pages/state_laws2.asp?state=sc

www.scstatehouse.net/cgi-bin/query.exe?first=DOC&querytext=foreclosure&category=Code&conid=3575665&result_pos=0&keyval=473#OCC2

Virginia
www.foreclosures.com/www/pages/state_laws2.asp?state=VA

http://leg1.state.va.us/ - Search keyword: foreclosures

West Virginia
www.foreclosures.com/www/pages/state_laws2.asp?state=WV

www.wvsos.com/csrdocs/worddocs/106-18.doc

RESEARCH AND PUBLICATIONS

Edward M. Gramlich, *Subprime Mortgages: America's Latest Boom or Bust*
www.urban.org/books/subprimemortgages/
(Cost $26.50)

Subprime Outcomes: Risky Mortgages, Homeownership Experiences, and Foreclosures
www.bos.frb.org/economic/wp/wp2007/wp0715.pdf

Understanding the Subprime Mortgage Crisis
www.newyorkfed.org/research/conference/2007/liquidity/Demyanyk_VanHemert_20071210.pdf

Center for Responsible Lending
Subprime Spillover: Foreclosures Cost Neighbors $202 Billion; 40.6 Million Homes Lose $5,000 on Average
www.responsiblelending.org/pdfs/subprime-spillover.pdf

http://www.responsiblelending.org/issues/mortgage/research/subprime-spillover.html
Losing Ground: Foreclosures in the Subprime Market and Their Cost to Homeowners

continued on page 16

foreclosure/REO rate is currently at 2.8 percent—well below the national rate of 4.2 percent—losses are expected to rise as the housing market continues to adjust and home prices continue to decline. [See Figure 5 on Page 15]

Who is Affected?

There are notable demographic differences between those areas that are at high risk of default and those that are not. Zip codes with 90-day delinquency rates for owner-occupied subprime loans at or above 10 percent represent just over 15 percent of all Maryland's zip codes. The loans in these zip codes represent roughly 32 percent of all owner-occupied subprime loans in the state. According to data from GeoLytics, a demographic data source, the median income in these zip codes is $58,000—slightly lower than the median income level of $62,000 for the entire state. There is a notable difference in the population, however. In these zip codes, the percentage of the population that is black is roughly 40 percent, considerably higher than the 30 percent rate for the entire state.

Comparing foreclosure zip codes with foreclosure/bank real estate owned (REO) rates at or above 10 percent, we find that there are few differences in income levels. In the 64 zip codes with a foreclosure/REO rate above 10 percent, the median income is $60,000—very close to the state level. Looking at the population data there are less notable differences between these zip codes and the state averages. The percentage of the black population in these zip codes is roughly 32 percent.

The Foreclosure Process

Legislation passed in April has lengthened the foreclosure process by adding steps that lenders must take before foreclosing on a property. The new legislation prohibits the filing of an action to foreclose until (a) 90 days after a default or (b) 45 days after the notice of intent to foreclose is sent.[8] Additionally, the legislation requires the lender to make two good faith efforts to deliver to the borrower a copy of the complaint to foreclose and all other filed papers via certified mail. The foreclosure sale may not occur until 45 days after this notification or "service of process" as it is detailed in the legislation.[9]

The legislation should significantly lengthen the foreclosure process. Prior to recent legislation, the foreclosure process in Maryland was accelerated compared to most states. According to a recent study by Freddie Mac, a foreclosure sale could take place 39 days after the property was referred to an attorney.[10] However, according to the study, currently the average actual time from referral to foreclosure sale is closer to 274 days.

Recent legislation has lengthened the statutory timeline foreclosure process even further.

Maryland is a quasi-judicial state in that the authority for a foreclosure sale is derived from the mortgage or deed of trust, but the courts have oversight over the foreclosure process.[11] In the event that the mortgage contains a power of sale, a nonjudicial foreclosure takes place. The lender does not have to file an order to the court's docket before proceedings can begin. If the mortgage contains an assent to decree of foreclosure, then the borrower has given his assent to enter into a decree of sale in the event of default. The lender must file a complaint against the borrower as with a power of sale clause. No hearing is needed before the foreclosure sale. Under pervious state law, for both situations, the homeowner was not entitled to a hearing before the sale, and the only recourse was to file a motion of injunction to stay the sale. Under the new legislation, the borrower may be able to "cure" a default and reinstate the loan at any time up to one business day before a foreclosure sale.[12]

If the mortgage or deed of trust does not contain either the power of sale clause or the assent to decree provision, foreclosure law requires filing a complaint and a judicial process. With a judicial foreclosure process, the lender files a complaint against the borrower and the court determines if there is a default, the appropriate debt, interests and costs, and the timeline in which payments are needed before a property sale can take place to satisfy the debt.

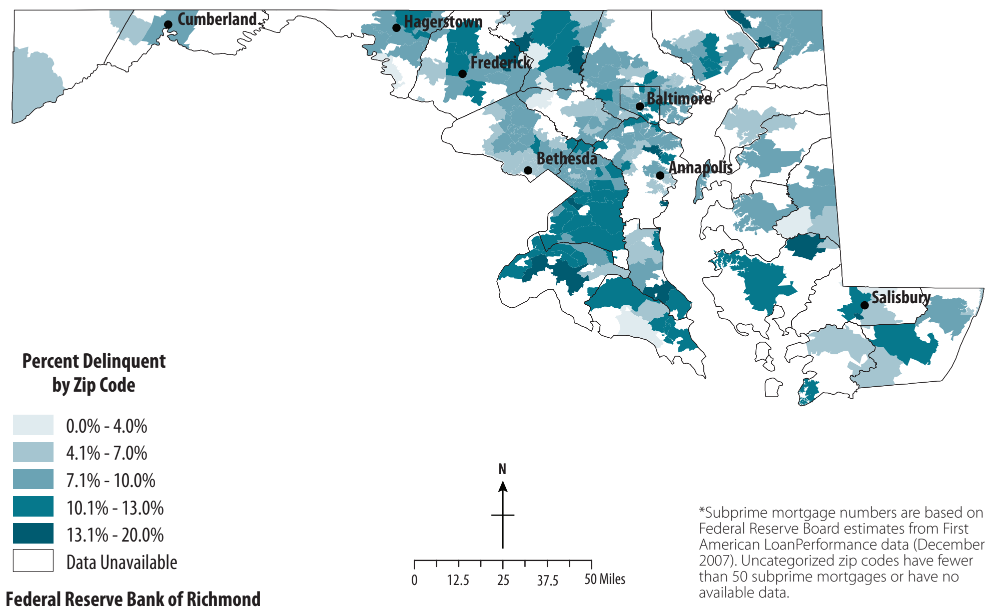
Foreclosure Prevention Initiatives

In addition to creating the task force, Maryland has three principal programs designed to help homeowners who are currently having difficulties as part of their Home Owners Preserving Equity Initiative.[13] The Bridge to Hope Loan Program, administered by the Maryland Department of Housing and Community Development's Community Development

FIGURE 5

MARYLAND

Percentage of Owner-Occupied Homes with Subprime Mortgages More Than 90 Days Delinquent*



*Subprime mortgage numbers are based on Federal Reserve Board estimates from First American LoanPerformance data (December 2007). Uncategorized zip codes have fewer than 50 subprime mortgages or have no available data.

www.responsiblelending.org/issues/mortgage/research/page.jsp?itemID=31217189

www.responsiblelending.org/pdfs/foreclosure-paper-report-2-17.pdf

Video – Families in Crisis: Facing the Subprime Disaster
www.responsiblelending.org/issues/mortgage/subprime-crisis/families_in_crisis.html

Joint Center for Housing Studies, Harvard University
Mortgage Market Complexity Foils Consumers and Undermines Fair Lending, Harvard Research
www.jchs.harvard.edu/media/understanding_mortgage_markets_04-26-07.html

Understanding Mortgage Markets
www.jchs.harvard.edu/understanding_mortgage_markets/index.html

Commonly Used Data Sources:
First American LoanPerformance:
www.loanperformance.com/
www.loanperformance.com/market_pulse/default.aspx

Mortgage Bankers Association (MBA):
www.ecowin.com/databases/eco/MortgageBankersAssociation.asp

www.mortgagebankers.org/ResearchandForecasts/ProductsandSurveys/NationalDelinquencySurvey.htm

Case Shiller
www2.standardandpoors.com/portal/site/sp/en/us/page.topic/indices_csmahp/0,0,0,0,0,0,0,0,0,1,1,0,0,0,0,0.html

Office of Federal Housing Enterprise Oversight
www.ofheo.gov/hpi.aspx

Home Mortgage Disclosure Act
www.ffiec.gov/hmda/

FORECLOSURE MAPS

Dynamic Maps of Nonprime Mortgage

continued on page 20

Administration (CDA), provides homeowners with a short-term loan of up to $15,000 for borrowers currently in delinquency or facing imminent delinquency because of problems that may arise from either a subprime or nontraditional mortgage.[14]

The CDA also has two refinancing programs for homeowners. Borrowers are able to refinance into 30- and 40-year fixed-rate or 5/30 and 7/33 interest-only mortgages. The Lifeline Refinance Program provides a refinancing option to borrowers with adjustable rate, other nontraditional mortgages, or mortgages that no longer fit their financial situation.[15]

The Homesaver Refinance Mortgage Program provides a refinancing option to Marylanders who have subprime or nontraditional mortgages and are experiencing difficulties because of mortgage defaults, low credit scores and/or mortgages greater than the current value of their homes. Qualified borrowers are able to refinance into 30-year or 40-year fixed-rate products.[16]

Both Maryland's state and local governments continue to work to find solutions for homeowners facing foreclosure. Given the rapid increase in delinquencies and foreclosures, ensuring that resources are available for those in need is a daunting task. However, their initiatives, in partnership with many nonprofit groups, will help many homeowners save what could be their most valuable asset.

Andy Bauer is a regional economist at the Federal Reserve Bank of Richmond's Baltimore Office.

ENDNOTES:

[1] Governor's Meeting with Servicers: Goals and Outcomes. February 26, 2008.

[2] OFHEO, **http://www.ofheo.gov/hpi.aspx** for OFEHO.

[3] National Association of Realtors, **http://www.realtor.org/research/research/ehspage**

[4] Census Bureau, **http://www.census.gov/const/www/newresconstindex.html**

[5] Mortgage Bankers Association, National Delinquency Survey.

[6] Subprime mortgage numbers are based on Federal Reserve Board estimates from First American LoanPerformance data (December 2007).

[7] Ibid.

[8] MD House Bill 365 Real Property – Recordation of Instruments Securing Mortgage Loans and Foreclosure of Mortgages and Deeds of Trust on Residential Property, Fiscal and Policy

[9] Ibid.

[10] Inventions in Mortgage Default: Policies and Practices to Prevent Home Loss and Lower Costs by Amy Crews Cutts and William A. Merrill (March 2008).

[11] MD House Bill 365 Real Property – Recordation of Instruments Securing Mortgage Loans and Foreclosure of Mortgages and Deeds of Trust on Residential Property, Fiscal

and Policy Note Revised.

12 Ibid.

13 Maryland Department of Housing and Community Development, **http://www.mdhope.org/**

14 Maryland Department of Housing and Community Development, **http://www.mdhope.org/B2HFactSheet.aspx**

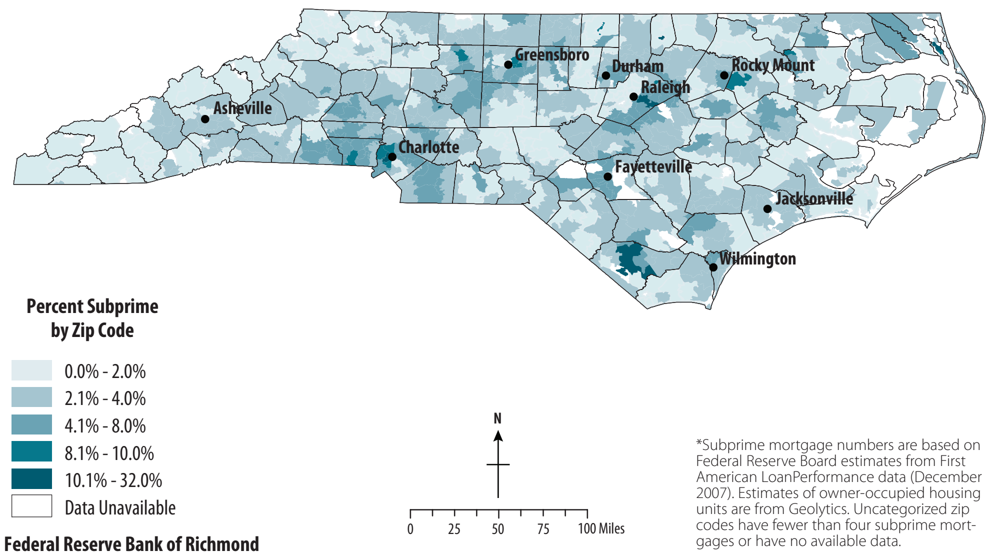
15 Maryland Department of Housing and Community Development, **http://www.mdhousing.org/Lifeline/Factsheet.aspx**

16 **http://www.mdhousing.org/homesaver/factsheet.aspx**

FIGURE 6

NORTH CAROLINA

Percentage of Owner-Occupied Homes with Subprime Mortgages*



*Subprime mortgage numbers are based on Federal Reserve Board estimates from First American LoanPerformance data (December 2007). Estimates of owner-occupied housing units are from Geolytics. Uncategorized zip codes have fewer than four subprime mortgages or have no available data.

North Carolina

Housing Counselors Help to Drive the State's Foreclosure Initiatives

By Carl Neely

North Carolina has often been recognized as a state with pro-consumer laws. In 1999, the state enacted the nation's first anti-predatory lending law and also addressed regulatory gaps in the mortgage services industry. In 2001, North Carolina passed a comprehensive licensing system for mortgage lenders and brokers.[1] Earlier this year, the state passed four laws to further improve regulation of mortgage lending. Despite these initiatives and continued moderate growth in the state's economy, North Carolina has still experienced a spike in foreclosures.

Foreclosure Concentration

Overall, North Carolina has experienced lower foreclosure rates than the rest of the nation, and housing prices have remained stable. But some localities in North Carolina have been affected by foreclosures, especially areas with a high concentration of subprime loans. North Carolina has a lower percentage of subprime loans than the national average. As of January, the percentage of owner-occupied households with subprime loans was 3.28 percent compared with 5.50 percent nationally. The percent of subprime loans in foreclosure or real estate owned (REO) in North Carolina during that same period was 7.81 compared with 14.13 nationally.

The relatively few subprime loans in North Carolina are concentrated in the metropolitan areas of Burlington, Charlotte and Durham, which all have over 9 percent of their subprime loans in foreclosure or REO. Greensboro-High Point, Hickory-Lenoir-Morganton and Rocky Mount have over 8 percent of subprime loans in foreclosure or REO.[2]

According to the price index of the Office of Federal Housing Enterprise and Oversight (OFHEO), which regulates government-sponsored enterprises Fannie Mae and Freddie Mac, house prices in North Carolina have increased modestly at 4.9 percent from fourth quarter 2006 to fourth quarter 2007 and have yet to show signs of decline.[3]

North Carolina zip codes provide a more detailed insight into foreclosure concentrations. According to the zip code listing, Mecklenburg possesses the highest foreclosure rates, with all but one of those zip codes having over 10 percent of their subprime loans in foreclosure or REO. Guilford, Forsyth and Durham each report over 11 percent of subprime loans in foreclosure or REO.

The Foreclosure Process

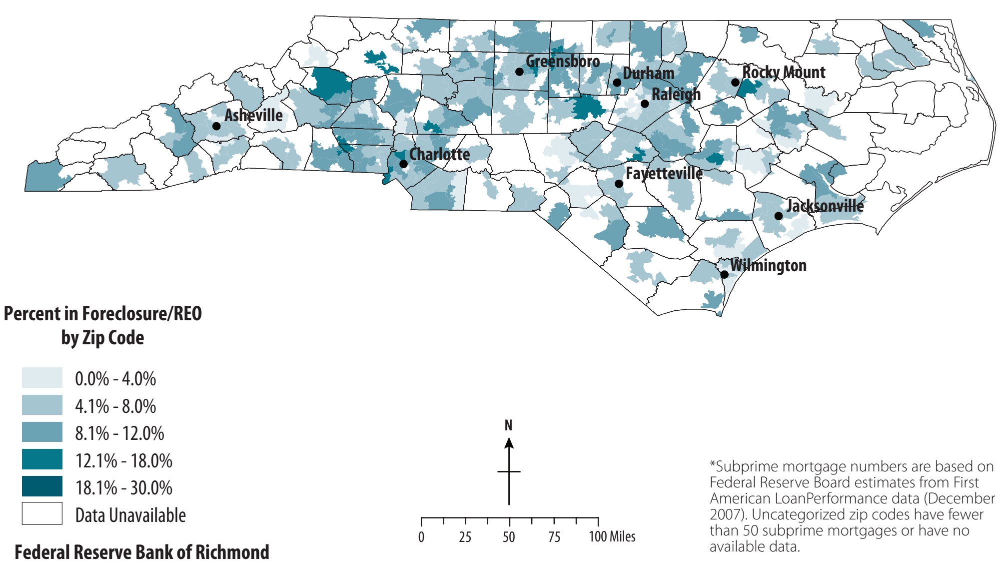
Residents in North Carolina interested in learning about their state's foreclosure process can check with organizations such as Legal Aid of North Carolina. Foreclosures in the state can follow either a judicial or nonjudicial process. The judicial process involves filing a lawsuit to obtain a court order to foreclose. Generally, after the court declares a foreclosure, the home is auctioned off to the highest bidder.

Nonjudicial, or power of sale, occurs by conducting an out-of-court foreclosure sale with a deed of trust. This process has several unconventional features. One of these features is that there must be a preliminary hearing to determine whether to foreclose. Interested parties must receive notice of the hearing. The clerk of court, not the judge, holds the hearing, and afterward, a notice of the foreclosure sale is issued. After the sale is conducted, an "upset" bid procedure then takes

FIGURE 7

NORTH CAROLINA

Percentage of Owner-Occupied Homes with Subprime Mortgages in Foreclosure or Real Estate Owned*



*Subprime mortgage numbers are based on Federal Reserve Board estimates from First American LoanPerformance data (December 2007). Uncategorized zip codes have fewer than 50 subprime mortgages or have no available data.

Federal Reserve Bank of Richmond

place. An upset bid consists of making a higher bid than the foreclosure bid within a set time, causing the property to go through a resale, which can occur multiple times. After the final sale, the sale is reported to the court clerk.

Photo: AP Wide World Photos

Resources from organizations such as NeighborWorks America help distressed homeowners.

Loss Mitigation Initiatives

How is North Carolina helping families to avoid the complicated foreclosure process? The state has emphasized expanding its capacity to reach distressed families with the assistance of housing counselors. North Carolina has also taken advantage of a national HOPE hotline. On February 8, the state Attorney General and the North Carolina Commissioner of Banks announced the HOPE hotline initiative to respond to the rise in foreclosures. North Carolinians can call the hotline 24 hours a day, seven days a week for phone counseling and referrals to local housing counselors.

According to the Commissioner of Banks' Office, North Carolina foreclosures were expected to increase 10 to 20 percent in 2008. The Commissioner of Banks committed $200,000 and the Attorney General provided $100,000 to compensate counseling agencies to assist more than 400 homeowners.

Statistics show that 50 percent of all foreclosures occur without any contact between the homeowner and the mortgage company. Usually, lenders and homeowners fail to communicate about the mortgage delinquency before the foreclosure process begins. Housing counselors serve as a important contact for families and lenders. In North Carolina, the HOPE hotline has partnered with the North Carolina Housing Finance Agency (NCHFA) to deploy over 20 high-quality, nonprofit counseling agencies to the hotline.

Increasing Housing Counseling Capacity

Most housing counselors can help troubled borrowers, but default counseling, a more specialized form of housing counseling, requires greater expertise.[4] Default counseling demands a concentrated and intermediate level of knowledge of laws, regulations and credit counseling. Normally experienced housing counselors who develop expertise in this area are most qualified to offer default counseling.

The Association of Housing Counselors (TAHC), which conducts a state housing certification program, trains counselors in areas such as

Conditions in the United States
http://www.newyorkfed.org/mortgagemaps/

REGIONAL RESERVE BANKS

Atlanta
Foreclosure Prevention Video:
www.frbatlanta.org/invoke.cfm?objectid=8B14639E-5056-9F12-12DE218C6F83DDFE&method=display_pressrelease

Boston
Foreclosure site:
www.bos.frb.org/commdev/foreclosures/index.htm

New England Community Developments – Foreclosure Prevention and Intervention Efforts in New England
www.bos.frb.org/commdev/necd/2007/issue4/efforts.pdf

Chicago
***Profitwise* "The Determinants of State Foreclosure Rates: Investigating the Case of Indiana"**
www.chicagofed.org/community_development/files/pnv_redec07_web_determinants_state_foreclosure.pdf

Kansas City
***Economic Review* "Rising Foreclosures in the United States: A Perfect Storm"**
www.kansascityfed.org/Publicat/ECONREV/PDF/4q07Edmiston.pdf

Minneapolis
***Community Dividends* "Fed-led Research Reveals Need for Better Twin Cities Foreclosure Data"**
www.minneapolisfed.org/pubs/cd/06-4/foreclosure.cfm?js=0

New York
Subprime and Alt-A Mortgage Conditions in the Second District (has information for entire U.S.)
www.newyorkfed.org/regional/subprime.html

Philadelphia
Federal Reserve Response: Subprime Mortgage Crisis – Sandra Braunstein Remarks
www.philadelphiafed.org/cca/conf/reinventing-2008/index.cfm

default counseling to help ensure adequate coverage of housing counselors across the state. TAHC, created in 1994, originated as a housing task force agency. Now, as a membership organization for housing counselors and professionals, TAHC provides training and resources throughout the state.[5] More than 2,000 people have completed workshops and classes in advanced default housing counseling. Currently, over 400 certified counselors deliver services across the southeastern part of the country. All counselors are required to take 36 hours of continuing education classes every two years to maintain their certifications.

Through legislation and an intense focus on housing counseling training, North Carolina is well positioned to deal with the foreclosure issue. Housing prices have remained stable, but many state agencies are engaged in foreclosure intervention initiatives. The state continues to evaluate ways of bringing together resources and partners to provide relief to homeowners who possibly face foreclosures.

Carl Neely is the regional community development manager at the Federal Reserve Bank of Richmond's Community Affairs Office. He works out of the Charlotte Office and conducts outreach in North Carolina and South Carolina.

ENDNOTES:

[1] **http://www.responsiblelending.org/policy/state/north-carolina/page.jsp?itemID=28662063**

[2] Subprime loan information based on Federal Reserve Board estimates of data from American LoanPerformance, January 2008.
(These numbers were adjusted to account for the data set's estimated 70 percent coverage of the market).

[3] OFHEO/Haver Analytics, **http://www.foreclosurelaw.org/North_Carolina_Foreclosure_Law.htm**

[4] The North Carolina Foreclosure Process by Kenya Myers for Mortgage Foreclosure Project. Keir Morton's (NCHFA program director) testimony on February 26, 2007 before the North Carolina House Select Committee.

[5] **http://www.affordablehousinggroup.org/train_aohc.htm**

South Carolina
South Carolina Utilizes Collaboratives to Combat Foreclosures

By Carl Neely

South Carolina boasts of a unique mix of rural communities interspersed with sprawling coastal land. Over four million residents take pride in its rich history and attractive coastal areas. But unfortunately, these areas have not been spared from increasing foreclosures.

Foreclosure Concentration

Foreclosures and subprime loans in South Carolina appear to be concentrated near urban areas in the state. The Mortgage Bankers Association's National Delinquency Survey estimates that about 11,684 homes entered into foreclosure during the first three quarters of 2007.[1] In the survey, South Carolina ranked 21st in the nation for foreclosure starts in the first quarter of 2008. Foreclosure starts represent the number of loans sent to the foreclosure process as a percentage of the total number of mortgages in the pool. South Carolina also ranked 25th in the first quarter of 2008 for foreclosure inventory, or the total number of loans in the legal process of foreclosure as a percentage of the total number of mortgages in the pool during a quarter.

Even with a modest foreclosure rate, the concentration of subprime loans continues to be a concern. According to October 2007 First American LoanPerformance data, subprime loans tend to be more prevalent in or near urban areas such as Rock Hill, Columbia, Florence and Charleston. The percentage of owner-occupied households with subprime loans is 3.8 percent compared to 5.6 percent nationally. The percentage of subprime loans in foreclosure or real estate owned (REO) in South Carolina is 10.2 compared to 11.2 nationally.[2] Top zip codes by number of owner-occupied subprime loans are Richland (zip code 29229) at 15.21percent, Berkeley (zip code 29456) at 11.12 percent and Horry (zip code 29579) at 9.75 percent.[3]

South Carolina coastal areas are vulnerable to sharp increases in foreclosures. Statistics indicate that markets with an increase in home appreciation followed by a sharp decline have experienced the highest foreclosure rates. Both Myrtle Beach and Charleston have experienced rapid home price appreciation over the past few years. According to

Cascade **"Spotlight on Research: What Happens to Subprime Defaults?"**
www.philadelphiafed.org/cca/capubs/cascade/66/05_spotlight-on-research.cfm

Richmond
Foreclosure page
www.richmondfed.org/community_affairs/foreclosures.cmf

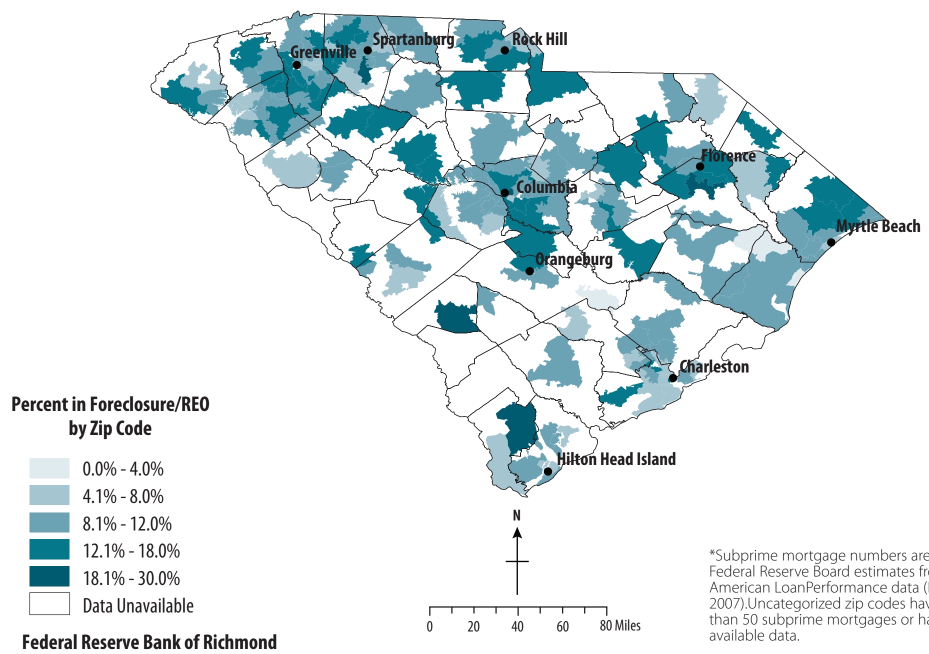
San Francisco
Mortgage Delinquency and Foreclosure Research page
www.frbsf.org/community/issues/assets/preservation/research.html

St. Louis
***Foreclosures* "Let's Talk about the Solution"**
www.stlouisfed.org/publications/br/2007/d/pages/2-article.html

FIGURE 8

South Carolina

Percentage of Owner-Occupied Homes with Subprime Mortgages in Foreclosure or Real Estate Owned*

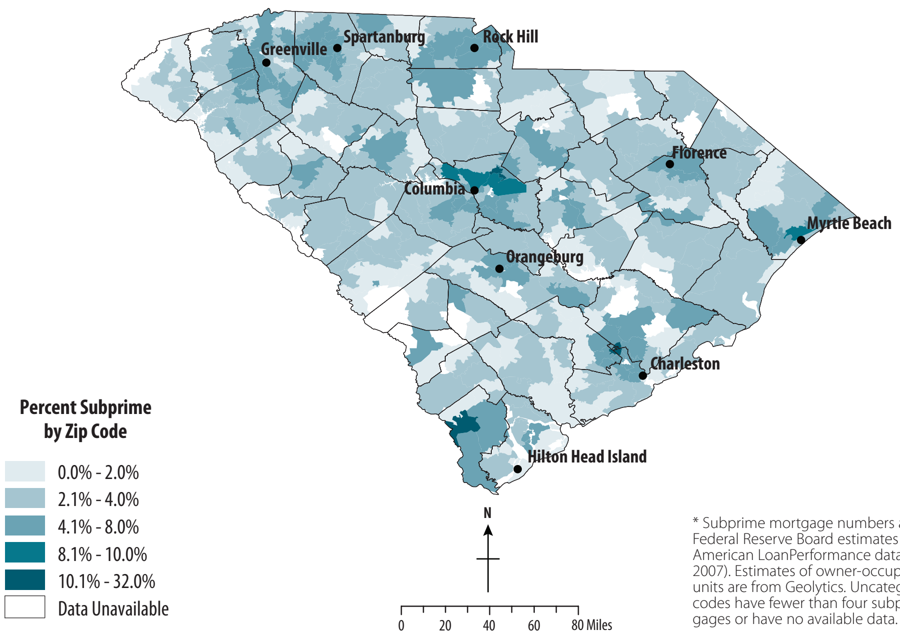


*Subprime mortgage numbers are based on Federal Reserve Board estimates from First American LoanPerformance data (December 2007).Uncategorized zip codes have fewer than 50 subprime mortgages or have no available data.

FIGURE 9

South Carolina

Percentage of Owner-Occupied Homes with Subprime Mortgages*



Federal Reserve Bank of Richmond

* Subprime mortgage numbers are based on Federal Reserve Board estimates from First American LoanPerformance data (December 2007). Estimates of owner-occupied housing units are from Geolytics. Uncategorized zip codes have fewer than four subprime mortgages or have no available data.

the South Carolina Association of Realtors, home sales for the Myrtle Beach area (including Myrtle Beach, North Myrtle Beach, Conway and Georgetown) during the third quarter declined 26.7 percent compared with the same quarter last year.[4] The median sales price in the Myrtle Beach area fell to $194,000, a 3.4 percent decline, compared with the third quarter of last year. Homes spent an average of 209 days on the market—an 11.15 percent increase.[5]

Although significant fluctuations in home prices can contribute to an increase in foreclosures, the type of mortgage the homeowner secured plays a role. Research shows that more foreclosures and delinquencies occur with prime adjustable-rate mortgages (ARM) than prime fixed-rate mortgages (FRM). The same is true for subprime ARMs than subprime FRMs. The highest foreclosure rates in South Carolina and in the nation occur with subprime ARMs. Four percent of mortgages in South Carolina are subprime ARMs with 10 percent of those mortgages in foreclosure compared with 7 percent and 10.4 percent nationally.[6] About 65 percent of the state's mortgages are prime FRMs and only 0.7 percent has entered foreclosure. The type of loan plays a key role in the foreclosure statistic. However, all loans are subject to the same foreclosure process.

South Carolina's Foreclosure Process

Residents should check their state law about the process, but there are a few general points to remember about South Carolina's foreclosure process. The state follows a judicial foreclosure process, meaning the process goes through the courts. The approximate foreclosure timeline is six months. After the lender decides to foreclose, the lender files a pending lawsuit. A disinterested party, such as a law enforcement officer, delivers this notice personally to the borrower within 20 days of the filing. If parties cannot be located, a notice is placed in the newspaper.

Borrowers who are given a summons have 30 days to respond. The borrower defaults on the loan if he/she fails to file a response. Regardless of whether an answer is filed, a hearing is held to prove the amounts owned are pursuant to the note and mortgage.[7] If the borrower does not resolve the default, the case is referred to a hearing officer and a notice is sent to all parties (lenders, borrowers, etc.) The court officer finally orders the property to be sold.

Notice of sale must be advertised once a week for three weeks in a local publication. The sale must be set by statute and normally occurs on a Monday morning, unless otherwise directed. The winning bidder pays 5 percent of the bid at the time of the sale and the remaining portion within 30 days.

The Mortgage Bankers Association National Delinquency Survey estimates that about 11,684 homes entered foreclosure during the first three quarters of 2007. According to the survey, South Carolina ranked 21st in the nation for foreclosure starts in the first quarter of 2008.

Extraordinary Loss Mitigation Initiatives

South Carolina has taken measures to help spare homeowners from this life-altering event. In December 2007, the South Carolina Association of Community Development Corporations established partnerships with Family Services Inc., South Carolina Appleseed Legal Justice Center, NeighborWorks America, South Carolina Legal Services and the Federal Reserve Bank of Richmond to launch the South Carolina Foreclosure Initiative. The state initiative educates target audiences about preventing foreclosures and connects vulnerable homeowners to various resource providers. Family Services Inc. in Charleston has developed a default clinic model to deliver foreclosure prevention counseling that reaches more clients than traditional one-on-one counseling. *(For more information about this model, see page 36)*

Additionally, the South Carolina Association of Community Development Corporations and various partners have requested $3 million from the state's General Assembly to create a rescue fund to provide foreclosure prevention aid to eligible homeowners. State groups have also requested an additional $2 million to increase the availability of homeownership counseling.

Nonprofits and the government continue to search for ways to help South Carolinians avoid foreclosure. Through dialogue, innovation and funding, both are working to develop comprehensive and sustainable strategies to reverse the foreclosure trend in South Carolina.

Carl Neely is the regional community development manager at the Federal Reserve Bank of Richmond's Community Affairs Office. He works in the Charlotte Office and conducts outreach in North Carolina and South Carolina.

Virginia's top five zip codes for foreclosures all occur within the Washington, D.C., metropolitan area. Some of the foreclosures result from the large number of subprime mortgages in this area of Virginia.

Endnotes:

[1] MBA National Delinquency Survey (Q1, 2008).

[2] Subprime loan information from Federal Reserve Board estimates based on data from First American LoanPerformance, October 2007.

[3] Ibid.

[4] **www.myrtlebeachrealestatenews.com**

[5] Ibid.

[6] MBA National Delinquency Survey (Q3, 2007).

[7] Berkowitz, Sue, South Carolina Foreclosure process PowerPoint, S.C. Appleseed Legal Justice Center. December 12, 2007.

Virginia
Virginia Confronts Foreclosures through Policy and Partnerships

By Courtney A. Mailey

Though Virginia fairs better overall than other states in foreclosure and delinquency rates, some regional concentrations of subprime lending and foreclosure activity in Virginia-metropolitan areas keep pace with other national hotspots. In November 2007, Governor Tim Kaine created the Virginia Foreclosure Prevention Task Force (the task force) to learn more about rising foreclosures in the state and to identify appropriate responses. The task force meets regularly to consider the effects of foreclosures on local areas and neighborhoods, to educate and conduct outreach to borrowers and to propose adjustments to the regulatory framework of foreclosures in Virginia.

Virginia's Foreclosure Picture

In some metropolitan areas, the overall downturn in the housing market may be a key reason for the foreclosures. Figure 11 illustrates that foreclosures in Virginia are concentrated in the following areas:

- Fast growing and outer-ring suburbs, such as those in the Washington, D.C., metropolitan region or Harrisonburg;
- Older urban neighborhoods that experienced rapid revitalization, such as some neighborhoods in Richmond and Norfolk; and
- Smaller cities facing economic dislocation, such as Martinsville and Danville.

Virginia's top five zip codes for foreclosures all occur within the Washington, D.C., metropolitan area. Some of the foreclosures result from the large number of subprime mortgages in this area of Virginia;

6 percent end up in foreclosure (See Figure 11).[1]

Sixty-two percent of subprime loans in Virginia were used to refinance and extract equity out of a home, while 30 percent of subprime mortgages were used to purchase homes.[2] About 90 percent of Virginia's subprime mortgages include prepayment penalties.[3] When Virginia's housing markets rapidly appreciated and continued to rise in the early 2000s, cash-out refinancing or selling a home at a higher value usually allowed both borrower and lender to exit the mortgage and meet their obligations. More recently, when house prices stopped appreciating, or began to fall, the choices for strapped borrowers became more limited.

Policy Responses

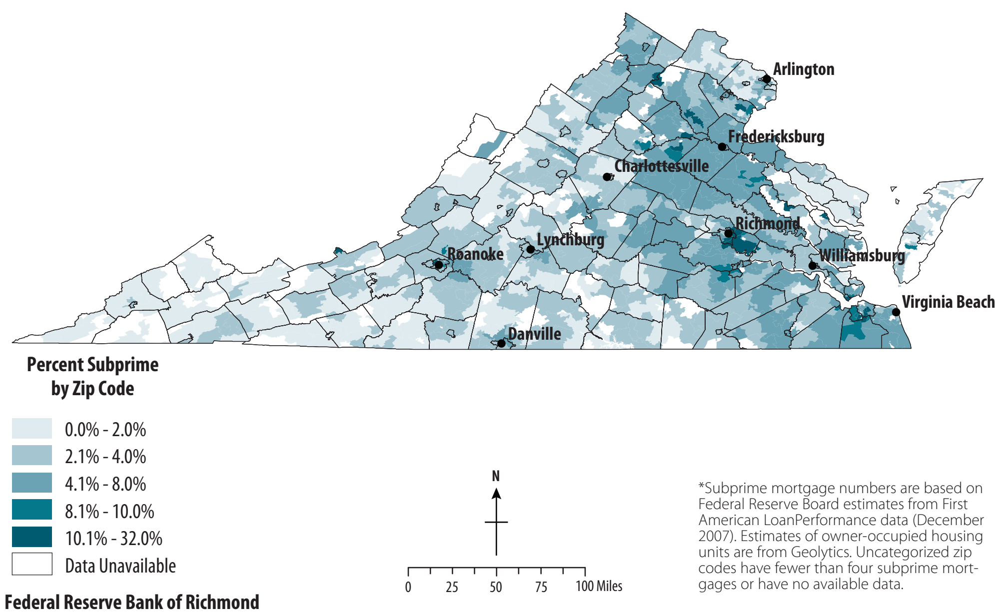
The task force members—with support from the Virginia Department of Housing and Community Development (VDHCD), the Virginia Department of Professional and Occupational Regulation, the Virginia Housing Development Authority (VHDA) and the Governor's Policy Office—have implemented a variety of policy initiatives. The task force helped legislators craft a bill to extend the loan modification time period for high-cost loans by 30 days. This legislation was endorsed by financial services providers, housing counseling organizations and realtors and establishes Virginia's definition of a "high-risk loan." [4]

The task force reviewed, analyzed and provided information about subprime loans, foreclosure activities and local government policy practices. VDHCD, in partnership with the task force, held focus groups for local governments who depend heavily on real estate taxes for revenue and who are experiencing high rates of decline in housing prices and foreclosures. The Federal Reserve Bank of Richmond participated in VDHCD's Foreclosure Summit to provide information around key focus group findings. As part of its role in serving the task force, VHDA has partnered with NeighborWorks America and the Federal Reserve Bank of Richmond to

FIGURE 10

VIRGINIA

Percentage of Owner-Occupied Homes with Subprime Mortgages*



*Subprime mortgage numbers are based on Federal Reserve Board estimates from First American LoanPerformance data (December 2007). Estimates of owner-occupied housing units are from Geolytics. Uncategorized zip codes have fewer than four subprime mortgages or have no available data.

provide loss mitigation training to experienced housing counselors. The three-day training sessions, held across Virginia, emphasized foreclosure basics and counseling techniques. These sessions also addressed ways to more effectively communicate available loss mitigation options.

In addition to the ongoing task force initiatives, Virginia residents may access refinancing assistance through the VHDA's Flexible Alternative Loan Program.[5] The program allows borrowers to refinance loans made by other lenders at attractive interest rates. Borrowers can also possibly avoid paying private mortgage insurance.

To keep Virginians up-to-date on the latest state-level foreclosure policy initiatives and programs, the task force has launched www.virginiaforeclosureprevention.com. The site includes the following:

- information about foreclosure timelines,
- tips for preventing foreclosure,
- a loan services list, and
- legal assistance and housing counseling agencies throughout Virginia.

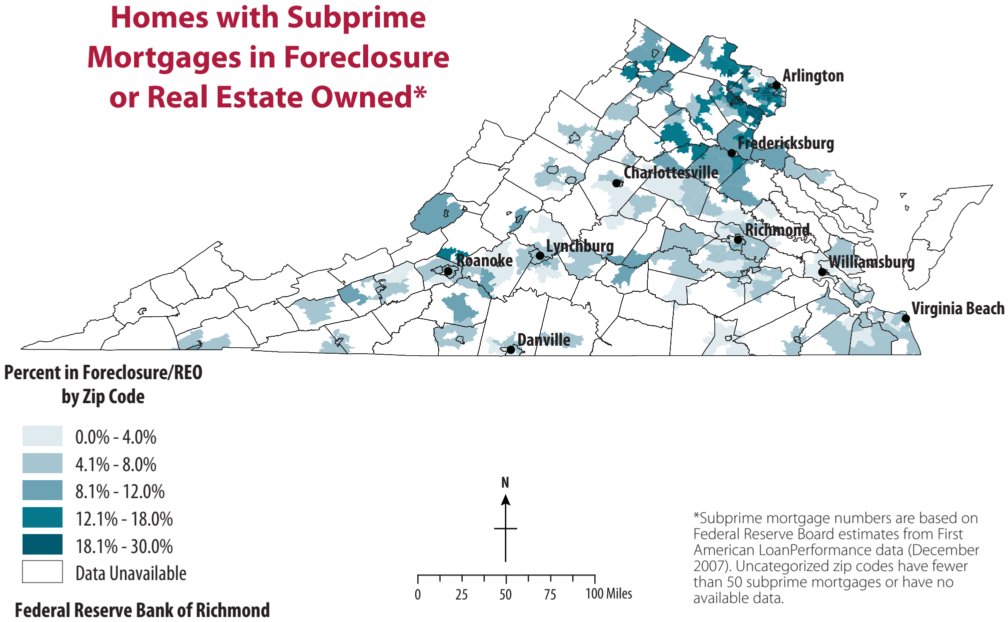
Even after initiating several short-term responses to rising foreclosures in Virginia, the task force will continue to meet until it is clear that it has fulfilled its mission and has addressed public concerns about foreclosures. As in many states, Virginia public officials recognize that the foreclosure issue has broad implications that may take more than one year to address.

Courtney A. Mailey is a regional community development manager at the Federal Reserve Bank of Richmond's Community Affairs Office. She conducts outreach in Virginia and southern West Virginia.

FIGURE 11

VIRGINIA

Percentage of Owner-Occupied Homes with Subprime Mortgages in Foreclosure or Real Estate Owned*



*Subprime mortgage numbers are based on Federal Reserve Board estimates from First American LoanPerformance data (December 2007). Uncategorized zip codes have fewer than 50 subprime mortgages or have no available data.

Federal Reserve Bank of Richmond

ENDNOTES:

[1] December 2007 Loan Performance data.

[2] Ibid.

[3] Ibid.

[4] Virginia Senate Bill 797 defines a "high-risk loan" as "a loan made by a mortgage lender that is secured by a first lien deed of trust or mortgage encumbering residential real property owned and occupied as the primary dwelling unit of the owner that (i) is not subject to the jurisdiction of an active bankruptcy proceeding; (ii) is not in active foreclosure with sale scheduled to occur in less than 30 days; and (iii) either

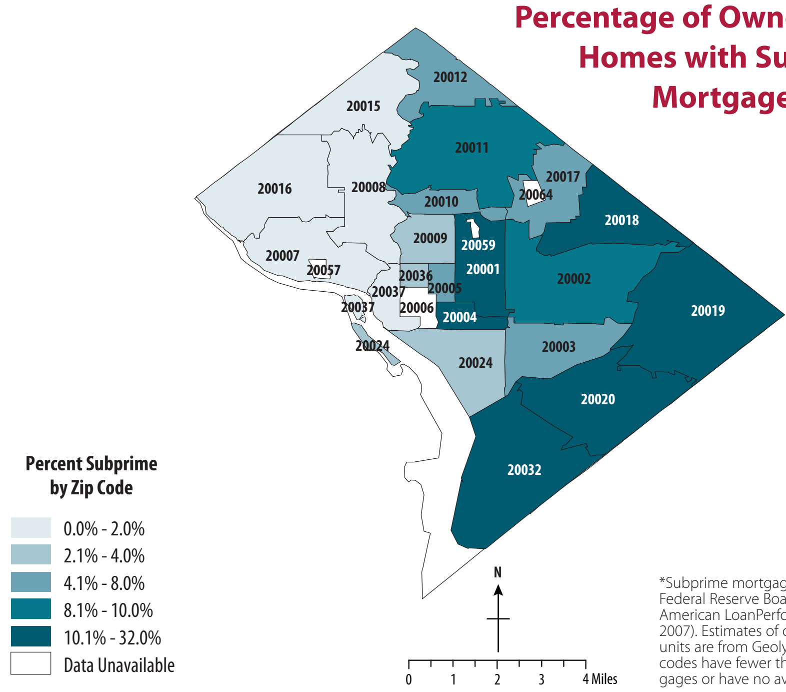
(a) has an annual percentage rate, in effect as of the date of origination, that exceeds the yield on United States Treasury securities having comparable periods of maturity by 5 percentage points or more or (b) had total points and fees payable on the loan at or before loan closing of greater than 7 percent of the total loan amount as shown on the borrower's note or debt instrument. If the loan's maturity is exactly halfway between security maturities, the interest rate on the loan will be compared with the yield for Treasury securities having a lower yield. For purposes of this subsection, 'points and fees' shall have the same meaning as set forth in § 103(aa)(4) of the Truth in Lending Act (15 U.S.C. §1602(aa)(4))."

Full text of the bill is available online at **http://leg1.state.va.us/cgi-bin/legp504.exe?081+ful+SB797H1**.

FIGURE 12

DISCRICT OF COLUMBIA

Percentage of Owner-Occupied Homes with Subprime Mortgages*



Federal Reserve Bank of Richmond

*Subprime mortgage numbers are based on Federal Reserve Board estimates from First American LoanPerformance data (December 2007). Estimates of owner-occupied housing units are from Geolytics. Uncategorized zip codes have fewer than four subprime mortgages or have no available data.

[5] **www.vhda.com/vhda_com/Template_a.asp?VHDA_COM_PAGE_NAME=Flex_Alt**

Washington, D.C.
Foreclosure Rates Rise in the Nation's Capital

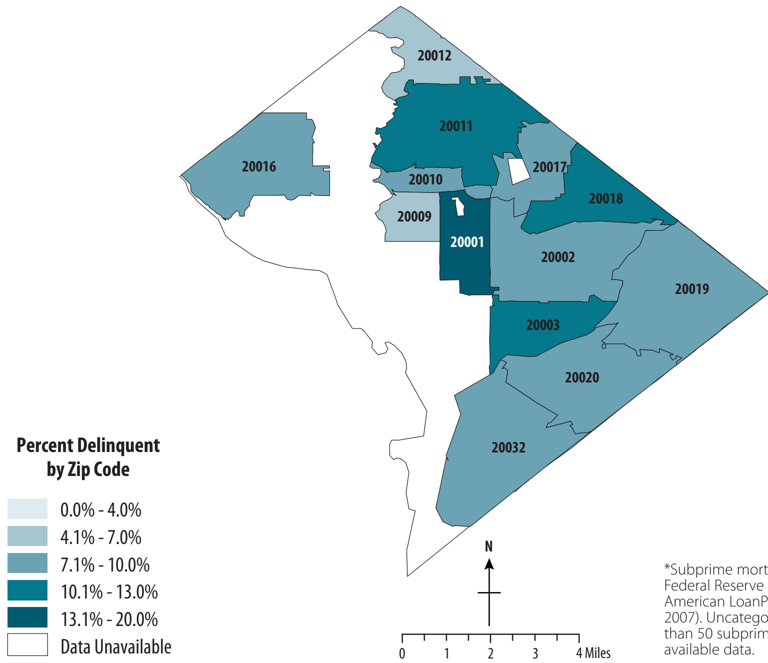
By Andy Bauer

In June, government officials from the Greater Washington, D.C., area met to discuss an issue that warranted little discussion until late 2007. The area, which was relatively unscathed by high foreclosure activity, now has one of the fastest growing rates in the nation. The District of Columbia experienced large increases in home sales and home prices during the housing boom. According to the Case-Shiller Home Price Index, prices in the greater D.C. metropolitan area increased 15 percent on average between 2001 and 2006—with a cumulative increase of 105 percent.[1] Among the lowest tiered segment of the market—the segment most affected by subprime lending—price increases were even higher, increasing 20 percent on average during the boom and 147 percent in total. However, home sales began to taper off in 2005 and subsequently fell

FIGURE 13

DISCTRICT OF COLUMBIA

Percentage of Owner-Occupied Homes with Subprime Mortgages More Than 90 Days Delinquent*



*Subprime mortgage numbers are based on Federal Reserve Board estimates from First American LoanPerformance data (December 2007). Uncategorized zip codes have fewer than 50 subprime mortgages or have no available data.

Federal Reserve Bank of Richmond

through the end of 2007.[2] As a result of weaker demand, home prices began to decline in 2006 and fell 9.2 percent in 2007.[3]

As with in other areas of the nation that experienced exceptionally large home price increases and subsequent price declines, the number of delinquencies and foreclosures is rising in the District. According to the Mortgage Bankers Association, the 90-day delinquency rate has risen from 0.43 percent in the first quarter of 2006 to 1.07 percent in the fourth quarter of 2007.[4] The foreclosure rate has risen to 1 percent from 0.31 percent. Both the delinquency and foreclosure rate were both below the national average, however. Not surprisingly, subprime adjustable-rate mortgages (ARMs) present the greatest problems in the mortgage market. As the housing market continues to adjust and home prices continue to decline, delinquency and foreclosure rates are expected to increase in the near term.

Foreclosure Concentrations

Most of the subprime mortgages in Washington are located in the eastern half of the District. In the area north of Adams Morgan and east of Rock Creek Park to the District line, the percentage of owner-occupied homes with subprime mortgages ranges between 4.1 and 12 percent.[5] The percentage of subprime loans is between 8.1 and 12 percent in the zip codes east of Capital Street and south of Rhode Island Avenue stretching down to the southeastern border of the District. The areas with the highest concentrations, between 12.1 and 23 percent, is in the southernmost part of the District. It includes the Anacostia Naval Station and the area adjacent to North Capitol Street between the Capitol and Washington Hospital Center.

For those areas with higher concentrations of subprime loans, (mentioned above), the 90-day delinquency rate of subprime mortgages ranges from 5.1 to 13 percent.[6] The area north of the Capitol and south of Washington Hospital Center has the highest delinquency rate, at 13.65 percent. The percentage of homes in foreclosure or REO ranges between 4.1 and 18 percent, with most zip codes ranging between 8.1 and 12 percent. The areas with the highest concentration are just east of the Capitol, stretching to the Anacostia River as well as the Mount Pleasant area.

Another factor in the District housing market is the use of Alt-A mortgages—those that are in-between prime and subprime. The percent of owner-occupied households with Alt-A loans is 5.5 percent, more than double the national rate of 2.4 percent.[7] A significant number of these loans were used in transactions where the buyer did not intend to live in the home—roughly 35 percent. The Alt-A mortgages, however, are faring considerably better than the subprime mortgages in the District. The percentage of owner-occupied homes more than 90 days delinquent is below 3 percent for most areas of the District. In addition, the percentage of owner-occupied Alt-A loans in foreclosure or REO is just 2.3 percent for the District, compared with 10.7 percent for subprime loans.

The zip codes with higher rates of delinquency and foreclosure are predominantly minority communities that have incomes below D.C.'s average. According to data from GeoLytics, a demographic data source, African-Americans account for roughly 80 percent of the total population in these areas compared with roughly 55 percent for all of D.C.[8] Median income level averages $38,100 and per capital income averages $19,800 in these areas. This is below D.C.'s median income level of $48,800 and per capita income level of $29,900. These sections of D.C. also have a higher percentage of families. The percentage of households with families is 56 percent, while the average household size is 2.5 persons—higher than the 45 percent and 2.1 persons averages for the District.

The Foreclosure Process

In the District of Columbia, the foreclosure process is considerably faster than in most states. According to a recent study by Freddie Mac, a foreclosure sale in the District could take place 38 days after the operty has been referred to a foreclosure attorney.[9] One reason for the swiftness is that D.C. does not have judicial foreclosures, which often slow the process as the borrower must go through the court system.

Under the nonjudicial foreclosure process, the power to sell the property is given to the lender or its representative through a power of sale clause in the mortgage. In a default, the borrower has pre-authorized the foreclosure sale to pay off the balance. The foreclosure sale may not take place unless the lender gives written notice, by certified mail, to the borrower as well as to the Mayor's office and sends it at least 30 days prior to the sale. The homeowner does not have the right to recover the property once the foreclosure has taken place. In addition, lenders may obtain a deficiency judgment against the borrower for the difference between the foreclosure sale amount and the amount on the original loan.[10]

Foreclosure Prevention Resources

Local nonprofits are working in D.C. to help residents potentially avoid the legal process. Operation HOPE, a nonprofit that focuses on poverty eradication through economic tools and services, provides assistance to homeowners through its Mortgage HOPE Crisis Hotline (877-592-HOPE.) This free service allows troubled homeowners access to mortgage professionals who can help answer mortgage questions and provide guidance for homeowners at risk for default.

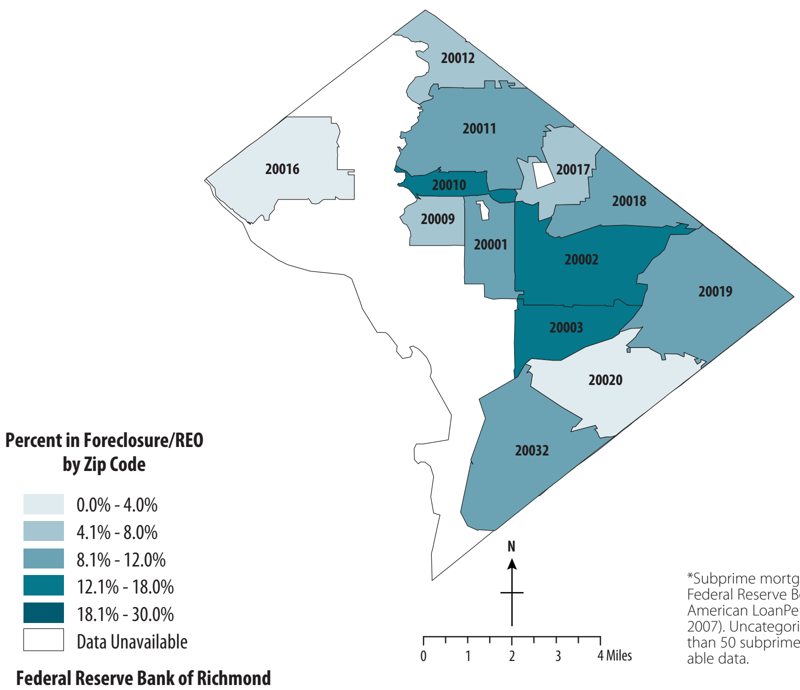
In addition to Operation HOPE, the D.C. Department of Housing and Community Development, in partnership with Housing Counseling Services, Inc., holds a monthly foreclosure prevention clinic. Homeowners learn valuable information that can guide them to the most appropriate option for their situation. Counselors are available to walk through the steps and expectations of the foreclosure process in cases where foreclosure is unavoidable. However, whenever possible, counselors strive to develop a reasonable loan work-out plan with mortgage servicers to keep the borrower in the home.

Though it appears that significant house appreciation helped spur the demand for adjustable-rate mortgages in D.C., the widespread effect of this product on foreclosures remains unclear. Foreclosures are continuing to rise in the area. To assist consumers, the D.C. Department of Insurance, Securities and Banking are sponsoring a series of public forums on subprime lending and mortgage default prevention. For more information, visit

FIGURE 14

DISCTRICT OF COLUMBIA

Percentage of Owner-Occupied Homes with Subprime Mortgages In Foreclosure or Real Estate Owned*



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*Subprime mortgage numbers are based on Federal Reserve Board estimates from First American LoanPerformance data (December 2007). Uncategorized zip codes have fewer than 50 subprime mortgages or have no available data.

http://newsroom.dc.gov/show.aspx/agency/disr/section/2/release/13740.

Andy Bauer is a regional economist at the Federal Reserve Bank of Richmond's Baltimore Office.

ENDNOTES:

[1] Macromarkets, **http://macromarkets.com/csi_housing/sp_caseshiller.asp**

[2] National Association of Realtors, **http://www.realtor.org/research/research/ehspage**

[3] Macromarkets, **http://macromarkets.com/csi_housing/sp_caseshiller.asp**

[4] Mortgage Bankers Association, National Delinquency Survey.

[5] Federal Reserve Board estimates based on data from First American LoanPerformance (December 1007)

[6] Ibid.

[7] Ibid.

[8] GeoLytics.

[9] Inventions in Mortgage Default: Policies and Practices to Prevent Home Loss and Lower Costs by Amy Crews Cutts and William A. Merrill (March 2008)

[10] **http://www.foreclosurelaw.org/DC_Foreclosure_Law.htm**

West Virginia
State Avoids Worst of the Nation's Housing Market Decline

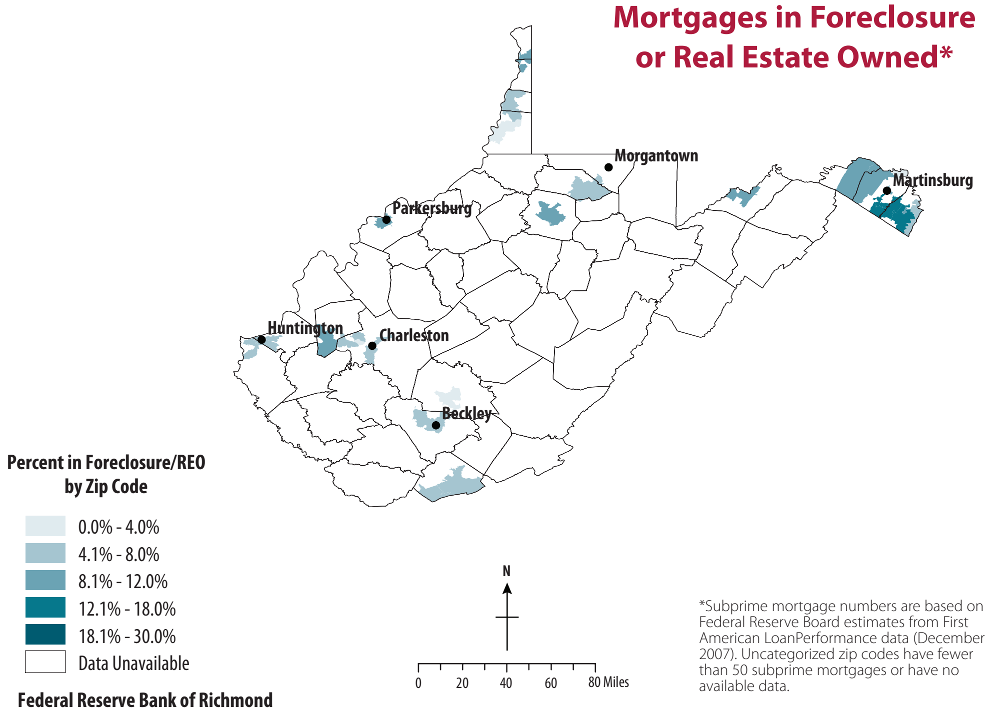
By Courtney A. Mailey

West Virginia's close-knit community may well be one of the reasons for the state's low foreclosure rates. Generally, community banks tend to maintain a strong presence in rural communities and develop close customer ties, so they are aware earlier when borrowers are delinquent. Community banks make up a significant portion of the mortgage lending market in the state compared with the

FIGURE 15

WEST VIRGINIA

Percentage of Owner-Occupied Homes with Subprime Mortgages in Foreclosure or Real Estate Owned*

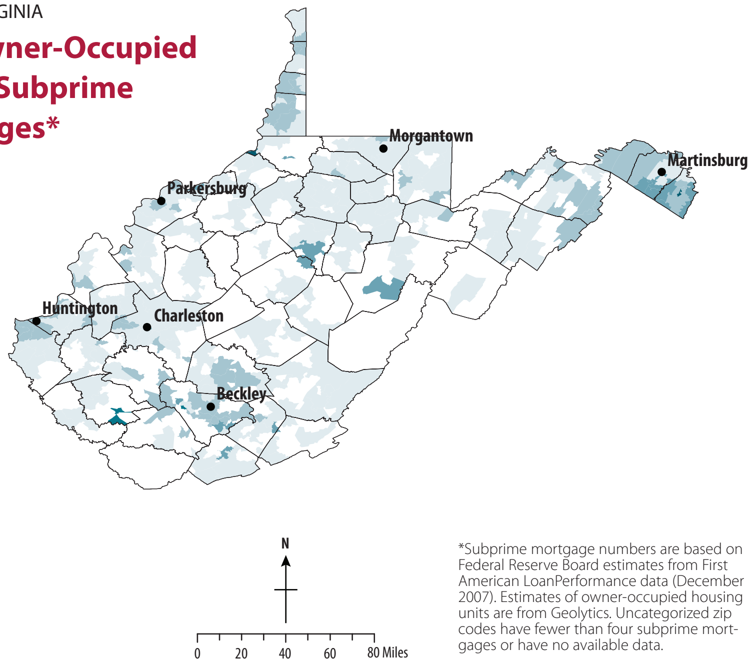


*Subprime mortgage numbers are based on Federal Reserve Board estimates from First American LoanPerformance data (December 2007). Uncategorized zip codes have fewer than 50 subprime mortgages or have no available data.

FIGURE 16

WEST VIRGINIA

Percentage of Owner-Occupied Homes with Subprime Mortgages*



Percent Subprime by Zip Code

- 0.0% - 2.0%
- 2.1% - 4.0%
- 4.1% - 8.0%
- 8.1% - 10.0%
- 10.1% - 32.0%
- Data Unavailable

*Subprime mortgage numbers are based on Federal Reserve Board estimates from First American LoanPerformance data (December 2007). Estimates of owner-occupied housing units are from Geolytics. Uncategorized zip codes have fewer than four subprime mortgages or have no available data.

Federal Reserve Bank of Richmond

number of larger mortgage servicers and banks. "We have a close relationship with our customers and a good handle on the lending practices of the community and solid regulations in place," says Donna Tanner, executive director of the Community Bankers of West Virginia.

Unlike states that have experienced rapid growth and decline in property values, West Virginia, in its real estate market and regional economy, remained relatively stable. The state has a subprime mortgage delinquency rate of 35 percent. These delinquencies have not resulted in a high rate of foreclosure thus far.[1]

Subprime Mortgage Landscape and Foreclosure Concentrations

In December 2007, about 5 percent of subprime mortgages in West Virginia were in foreclosure, compared with 8.5 percent nationwide.[2] Nearly 70 percent of West Virginia zip codes had fewer than four subprime mortgages at that time. Also, only 0.5 percent of all West Virginia households was in foreclosure, coming in at 46th in the nation. At year-end 2007, 46 percent of all West Virginia homeowners with subprime adjustable-rate mortgages (ARMs) had already experienced interest-rate resets without the accompanying surge in foreclosure rates seen in other volatile regions in the United States. Throughout 2008, an additional 35 percent of all subprime ARMs reset in West Virginia, and the remaining 19 percent will reset primarily in 2009. But foreclosure rates are not expected to spike because of the resets.[3]

While the overall rate of foreclosures remains low, most are concentrated in urban areas of the state.[4] Figure 16 shows that owner-occupied subprime mortgages in West Virginia are concentrated

- in the eastern panhandle, which is part of the Washington, D.C., metro area;
- in portions of other cross-border metro areas such as Cumberland,

Maryland–West Virginia, metro area and Parkersburg, West Virginia–Marietta, Ohio, metro area

- in the Beckley, West Virginia, metro area; and
- in a few small towns and very remote areas.[5]

Three West Virginia cross-border metro areas are classified by First American CoreLogic as moderately risky on its Core Mortgage Index for the first quarter of 2008: Huntington, West Virginia–Ashland, Kentucky, metro area; the Parkersburg, West Virginia–Marietta, Ohio, metro area; and Martinsburg, West Virginia, which is part of the Washington, D.C., metro area.[6]

Of West Virginia's owner-occupied subprime mortgages, 61 percent are cash-out refinances, 30 percent had high loan-to-value ratios at origination, 17 percent required little or no documentation at origination, and 4 percent were interest-only mortgages.[7] Subprime mortgages with the highest interest rates (above 10.9 percent) tend to be located in remote parts of the state, often including or being immediately adjacent to a state or national park.[8]

The top five zip codes for foreclosure filings in West Virginia are spread across four metropolitan areas that border other states: Martinsburg and Charles Town are included in the Washington, D.C., metro area and Weirton, Wheeling and Parkersburg all border Ohio.

Refinance Options

The state of West Virginia is unique in that it is one of the lower risk regions for home foreclosure, primarily because refinance options are available for residents who have obtained subprime loans. The West Virginia Housing Development Fund offers its Mountaineer Mortgage Plus Renovation program to existing mortgage holders seeking to refinance into a 15- or 30-year fixed rate mortgage. Participants can also borrow up to $6,000 in the Downpayment or Closing Cost Assistance Program. Homeowner occupied residents may undertake renovations for up to $25,000, which can be added to the existing loan as part of the refinancing.[9]

Despite the low foreclosure rates, some West Virginians still need assistance. To meet these needs, the state continues to offer an array of programs that assist homeowners. Community development practitioners and organizations and government officials will continue to monitor real estate trends for unforeseen increases in foreclosures.

Courtney A. Mailey is a regional community development manager at the Federal Reserve Bank of Richmond's Community Affairs Office. She conducts outreach in Virginia and southern West Virginia.

Endnotes:

[1] December 2007 Loan Performance data. It should be noted that Loan Performance data coverage for West Virginia is not as extensive as for other parts of the Fifth District.

[2] Ibid.

[3] Ibid. About 15 percent of subprime ARMs will reset in 2009 and about 4 percent will reset after 2009.

[4] Ibid.

[5] Ibid. Data for zip codes with fewer than four mortgages are not included in the map.

[6] First American CoreLogic, "Core Mortgage Risk Monitor Q1 2008," Quarterly Forecast of U.S. Residential Mortgage Risk and Its Impact on Local Economies," January 2008, p. 1, available online at **www.facorelogic.com/newsroom/newsletter.jsp**.

[7] December 2007 Loan Performance data.

[8] Ibid. Data for zip codes with fewer than four mortgages are not included in the map.

[9] For more information about the Mountaineer Mortgage Plus Renovation program go to **www.wvhdf.com/homebuyers/mmpr.cfm**.

District Highlights

DISTRICT HIGHLIGHTS COMPILED BY: Jennie Blizzard, Sarah Eckstein, Courtney Mailey and Carl Neely.

E-Marketplace Builds Business Network of Farmers, Artisans and Chefs

After launching e-Marketplace in August 2007, the Collaborative for the 21st Century Appalachia (Collaborative 21C) spent much of the following winter upgrading this web-based market exchange with the input of farmers, artisans, chefs and consumers. Collaborative 21C has been working intensively during spring 2008, along with the West Virginia Agricultural Extension Service, to build a critical mass of chefs and farmers on the e-Marketplace. The partners have also worked to collect baseline data about the market behaviors of small farms and independent restaurants in West Virginia. This work, supported by the Benedum Foundation, allows farmers to market their products to local, national and international chefs and consumers. The e-Marketplace is part of Collaborative 21C's larger heritage tourism initiative to develop a series of distinct haute cuisine destinations in West Virginia. The cuisines are based on indigenous cultures, recipes, ingredients, cookware and folklore as typified by its annual competition, the Cast Iron Cookoff, held each January. For more information about Collaborative 21C and its e-Marketplace, contact Director Allen Arnold at (304) 610-3180 or go to: **www.wvfarm2U.org**.

SAFE Seeks to be State's First CDFI Specializing in Loan Services

The Southern Association for Financial Empowerment (SAFE), an emerging South Carolina Community Development Financial Institution (CDFI), focuses on revitalizing local economies and providing critical capital to advance projects that benefit communities. SAFE is expanding its first loan program and plans to submit an application for federal CDFI certification. Once certified, SAFE will be the only statewide CDFI in South Carolina specializing in loan services to community-based organizations. SAFE will lead a collaborative with South Carolina's CDFIs and Community Development Entities (CDE) to ensure that the state receives a greater share of CDFI Fund capital. The CDFI Fund, a division of the United States Department of the Treasury, provides grants, loans and investment capital to certified CDFIs and administers the New Market Tax Credits program. For additional information about SAFE, contact Tammy Stevens Wilson at (803) 324-0679 or visit **www.safecdfi.org**.

Heritage Tourism as a Catalyst for Community Development

In April, *National Geographic* published a centerfold map that highlighted numerous destinations and businesses in the Central Appalachian region that are in the Fifth District. Many of these destinations have been rediscovered because of community development initiatives in southwest Virginia such as the Crooked Road, Round the Mountain and Appalachian Sustainable Development. Partnering with each other and with state and federal government agencies, these initiatives have stimulated the economy of Central Appalachia through promoting agricultural heritage and ecotourism, setting the foundation for long-term sustainable development. The *Building a Creative Economy in Southwest Virginia: Arts, Culture and Sustainable Development* conference, held in May, was one way that the partners joined forces to build leadership and development in the region. For more information about the conference and key partners, visit **www.roundthemountain.org**, **www.thecrookedroad.org**, and/or **www.asdevelop.org**.

State Helps Displaced Workers Avoid Foreclosures

According to the Economic Policy Institute, North Carolina lost more than 34,150 jobs from 1994 to 2004. The North Carolina Home Protection Pilot Program and Loan Funds helps workers who lose their jobs avoid foreclosures. The program, administered by the North Carolina Housing Finance Agency (the agency), assists workers who have lost jobs in 61 counties. Participants in the program can receive a zero-interest mortgage loan that is equal to or less than $20,000, 18 months of monthly mortgage payments or the minimum amount required to bring loans and other mortgage-related obligations current. The agency first uses the loan to bring the homeowner's mortgage current. Then each month, the agency uses the remaining balance of the loan to make payments on mortgage-related obligations until the entire loan is used. Repayment is deferred for 15 years, unless the home is sold, refinanced or no longer the borrower's primary residence. For more information about the program, visit **www.nchfa.com/Homebuyers?HOhomeprotectionpilot.aspx**.

U.S. Treasury Awards Millions to Benefit Organizations Serving Distressed Communities

In August, the U.S. Department of Treasury's Community Development Financial Institutions (CDFI) Fund announced it would award $54.2 million to organizations serving economically distressed communities throughout the country. The funds will help community development organizations headquartered in 38 states bring communities and their residents greater access to affordable credit, capital and financial services. Of the awards, 72 were awarded to loan funds, 13 to credit unions, two to depository institutions/holding companies and two to venture capital funds.

Eleven Fifth District organizations were among the list of recipients of the CDFI Fund award.

District of Columbia: Partners for the Common Good, Latino Economic Development Corporation (LEDC)

Maryland: Enterprise Community Loan Fund, Inc., Community Capitol of Maryland, Inc.

North Carolina: Latino Community Credit Union, Self-Help Ventures Fund, Mountain BizCapital, Cooperative Fund of New England, Raleigh Area Development Authority

South Carolina: Lowcountry Housing Trust

Virginia: Piedmont Housing Alliance, People Incorporated Financial Services (FKA: Southwest Virginia CDF, Incorporated)

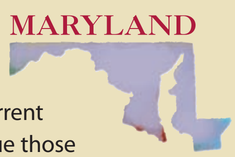
For more information on the CDFI program and a full list of awardees, visit **http://www.cdfifund.gov/news_events/CDFI-2008-34-OfficialAnnouncesCDFIProgramAwards.asp**.

New Markets Tax Credits Spur Development in Southeast D.C.

In December 2007, Congress Heights, an underserved neighborhood in the southeastern part of Washington, D.C., opened its first neighborhood supermarket as part of an $18.6 million New Markets Tax Credit investment. With financial support from Local Initiatives Support Corporation (LISC) and Wachovia, The Shops at Park Village now house a Giant grocery store. Developed in partnership with William C. Smith Company and East of the River Community Development Corporation, the mixed-use complex brings over 40,000 square feet of renovated property and new retail to the long vacant Camp Simms Military site along Alabama Avenue in southeast Washington. Tenants of the retail space will include local and national retailers. For more information, visit **www.lisc.org/content/article/detail/6584/**.

Maryland Governor Signs Major Foreclosure-Relief Reforms into Law

On April 3, Maryland Governor Martin O'Malley signed an emergency legislative package of foreclosure reforms into law to help bring relief to struggling homeowners. Like other states, Maryland is responding to the rapid rise in foreclosures due in part to emergence of mortgage abuses and obsolete foreclosure laws. The bills tackle a variety of critical issues that many current homeowners face. Although the bills cannot rescue those homeowners who have experienced foreclosure, the legislation will help protect future homeowners.



One piece of legislation significantly lengthens the foreclosure process from 15 days to approximately 150 days, allowing homeowners more time before a foreclosure sale. According to the new law, the lender is required to wait 90 days after default before filing the foreclosure action and to send a uniform Notice of Intent to Foreclose to the homeowner 45 days prior to filing an action. A lender must produce proof of ownership when filing a foreclosure action and a homeowner may stop foreclosure by paying the total amount owed up until one business day before the sale.

The comprehensive criminal mortgage fraud statute makes mortgage fraud a crime for anyone involved in the mortgage transaction. Violators could face significant fines or possible imprisonment. The bill gives the court authority to order restitution and forfeiture and enhance penalties for cases involving vulnerable adults and to allow victims of mortgage fraud to bring private action against violators.

To further protect homeowners, the emergency bill bans foreclosure rescue transactions that scam homeowners out of their homes and equity. The new law also provides additional consumer protections for people who are trying to sell their homes because they are in default. For more information, visit **www.gov.state.md.us/pressreleases/080403b.asp**.

Carolyn Lecque, a housing counselor at Family Services, Inc., explains the importance of reaching out to lenders at a default clinic.

Family Services Inc.: Delivering Default Counseling to the Masses

By: Jennie W. Blizzard

Family Services, Inc.'s Homeownership Resource Center (HRC) has always valued its efforts to prepare South Carolinians for home-ownership. But when the North Charleston-based nonprofit began to see more than 30 clients a week for the mortgage default counseling, a traditionally small component of the nonprofit's services, Debbie Kidd foresaw a serious problem. "We saw traffic in the program pick-up about a year ago," said Kidd, housing director of the HRC at Family Services. "We met with people who were in our area and referred those outside of the area to another agency. We later made a decision to not turn away clients regardless of their incomes or home values. Once our mortgage default program became statewide, the floodgates opened."

For the four full-time default counselors, caseloads and stress levels rose. Counselors spent almost an hour and a half with each client. "It was very exhausting and overwhelming," said Kidd. "You become very emotionally tied to clients and their situations." Traditionally, most default counselors are trained to provide one-on-one consultations. But with such a high demand, Kidd thought of a simple but novel idea in mortgage default counseling: hold one clinic and give all participants the same information at once. With this new model, counselors save 27.5 hours of counseling time each week. The efficiency allows Family Services to devote more time on helping clients renegotiate loan terms with lenders and on other foreclosure prevention issues.

A Simple Start to a Complex Situation

Kidd credits word-of-mouth advertising and outreach to the community for its success. Once distressed homeowners hear about the program, they can either call the established 1-800 number, e-mail Family Services or walk-in to inquire about loss mitigation assistance. The agency then mails the client a packet of information, which includes a budget, one of the most important components in saving the home. Participants must bring the packet to the default clinic a copy of their mortgage statement and information needed to fill out a budget.

During the clinic, counselors help clients create a household budget and spending plan. Clients are encouraged to cut household expenses, such as cable and multiple phone bills. After the client leaves with a copy of the budget, the counselor begins the "triage" process. The counselor assesses the situation and writes notes on the file related to critical questions:

- How many months is the mortgage delinquent?
- Is the reason for default resolved?
- How much does the client owe?
- How much does the client have to contribute?

TIPS FOR SETTING UP A DEFAULT CLINIC

- Determine the location.
- Determine the time to hold the clinic.
- Realize that one-third of the participants will not show up at the first clinic they register for. The fear that has kept them from contacting their lender is most likely keeping them from attending the clinic.
- Keep a regular schedule that will ensure they will attend the next clinic.
- Explain the purpose of the default clinic.
- Review the file documents to determine why the information is being collected.
- Review the foreclosure process and communicate to the clients what to expect next.

> "One of the best things that Family Services does is set a high expectation level by emphasizing honesty. If the clients do not provide the most accurate and honest information, then the partnership is terminated. Clients realize that if they provide the most accurate and honest information, they are going to get the best help possible."
>
> – Marshall E. Crawford Jr.
> Management Consultant
> Partnership and Growth for
> NeighborWorks America

- Is there any equity available?
- What is a suggested resolution for the situation?

The client is then referred to the HOPE hotline, a 24-hour, seven-day-a-week call center operated by the Homeownership Preservation Foundation that provides free, personalized assistance to help at-risk homeowners avoid foreclosure.

Efficiency Equals Collaboration

Family Services has reduced the one-on-one time spent with clients and continues to explore ways to fund default counseling. NeighborWorks America, a national nonprofit created by Congress, provides financial support, technical assistance and training for community-based revitalization efforts. To qualify for the support, a community organization must be recognized as a member of the NeighborWorks Network. Family Services became the first nonprofit in South Carolina to be recognized as a network member. Kidd does admit that most counselors have been reluctant to reduce personal counseling time since they are trained to do intense one-on-one counseling.

Family Services has also created its own pool of rescue funds for South Carolina residents. Nearly $200,000 has been spent on residents who have faced foreclosure. Currently, the funds have been depleted but the organization is looking for additional resources. To qualify for assistance, clients must provide matching funds. That is why creating a budget early in the process becomes crucial.

Family Services' effort to create a more streamlined approach to counseling for mortgage default prevention has resulted in collaborations with state and national partners. In December 2007, Family Services partnered with the South Carolina Association of Community Development Corporations, a state trade association; South Carolina Appleseed Legal Justice Center and South Carolina Legal Services; NeighborWorks America; and the Federal Reserve Bank of Richmond to launch the South Carolina Foreclosure Task Force Initiative. The initiative educates target audiences about preventing foreclosures in the state and connects vulnerable homeowners to foreclosure prevention resources.

Debbie Kidd, the housing director of HRC at Family Services, has taken a unique default counseling concept to additional states.

"In addition to being one of the top utilizers of the HOPE hotline, Family Services realized they could not handle the foreclosure problem alone and have done a great job of partnering and reaching out to other nonprofits in the state," said Marshall E. Crawford Jr., management consultant, Partnership and Growth for NeighborWorks America. "They realize that this problem is big enough for everyone to be involved."

Family Services has contracted with 25 counselors throughout the state to help with mortgage default counseling. In February, NeighborWorks America awarded $364,774 to Family Services. Two months later, Family Services announced plans to staff a team of housing counselors who will work with distressed homeowners across South Carolina.

Unfortunately, not all clients' homes have been saved from foreclosure. "We give information and direction but it is really up to the homeowner to stick to their budgets to work toward a resolution," said Carolyn Lecque, a homebuyer counselor and certified credit counselor at Family Services. "The borrower makes the loan in good faith, and it is up to the homeowner to show that he/she has something to offer during the workout with the lender." For more information about Family Services, Inc., and NeighborWorks America, visit **www.familyserviceschassc.com/** and **www.nw.org**.

Jennie Blizzard is the Team Leader in the Federal Reserve Bank of Richmond's Community Affairs Office. She oversees the office's communication products.

Defaulting on the Dream: States Respond to America's Foreclosure Crisis

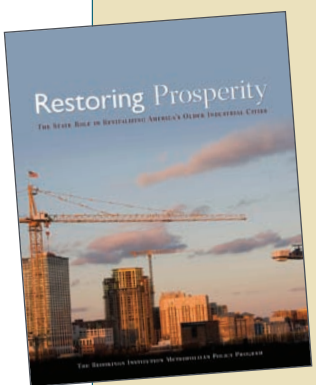
For most Americans, their homes are their greatest asset. (And for the states, industries dependent on housing are cornerstones for economic growth and fiscal stability.) Pew Charitable Trust's research found that states play a critical role—and today, a growing number of state policymakers are following through with three important actions: helping borrowers facing imminent risk of foreclosure to stay in their homes; preventing high-risk, high-cost mortgage loans from being made; and taking a comprehensive approach by convening stakeholders to develop solutions.

ORGANIZATION

PEW CHARITABLE TRUSTS

The research reviews and analyzes two principal data sets, one from the Mortgage Bankers Association's (MBA) 4Q 2007 *National Delinquency Survey* and another from the Center for Responsible Lending's (CRL) foreclosure projections and subprime spillover estimates. — *Excerpt from the report.*

http://www.chicagofed.org/cedric/2007_res_con_papers/car_44_bostic_state_laws_enforcement_mechanisms_1_31_07.pdf



Restoring Prosperity: The State Role in Revitalizing America's Older Industrial Cities

This report provides a framework for restoring prosperity in America's struggling cities, particularly those in the Northeast and Midwest. Targeted at state and local governments, and business and civic leaders, *Restoring Prosperity: The State Role in Revitalizing America's Older Industrial Cities* describes the challenges facing these communities, the unprecedented opportunity that exists to leverage their many assets and a policy agenda to advance their renewal.

The report underscores three central messages:

- Given their assets, the moment is ripe for the revival of older industrial urban economies. Older industrial cities possess a unique set of characteristics and resources that, if fully leveraged, could be converted into vital competitive assets.
- States play an essential role in the revitalization of older industrial cities, but they need a new urban agenda for change. The revitalization of older industrial cities necessarily starts with local leaders, who must develop and articulate their own vision for success and the means by which to realize it.
- The overall benefits of city revitalization—for families, for suburbs, for the environment, and ultimately for states—are potentially enormous. Not only do states have the power to positively affect urban economies, but they also have a strong rationale to do so. — *Excerpt from the report.*

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http://www3.brookings.edu/metro/pubs/20070520_oic.pdf

State and Local Anti-Predatory Lending Laws: The Effect of Legal Enforcement Mechanisms

Subprime mortgage lending has grown rapidly in recent years and with it, so have concerns about predatory lending. The variety of approaches by individual states to regulate lending—in terms of the loans they cover, the restrictions they impose and the enforcement mechanisms they establish—creates a testing ground for the influence each approach has on the flow and cost of credit.

Prior studies on the impact of these laws have yielded mixed results; however, because of shortcomings in these studies, the accuracy of their findings and the generalizations that can be drawn from them are in question. This paper addresses some of the weaknesses in earlier studies, producing sharper results for a fuller understanding of this increasingly important issue. In particular, this study considers a broader set of statutes than seen in prior research, which allows for a more comprehensive and more accurate characterization of the legal environment. Moreover, it takes into account enforcement mechanisms of anti-predatory lending laws not previously examined in detail, and thus broadens the understanding of the effects of government enforcement, private rights of action and assignee liability provisions. — *Excerpt from the report.*

ORGANIZATIONS

UNIVERSITY OF SOUTHERN CALIFORNIA, CLEVELAND STATE UNIVERSITY, UNIVERSITY OF CONNECTICUT, MARQUETTE UNIVERSITY, UNIVERSITY OF PENNSYLVANIA

http://www.chicagofed.org/cedric/2007_res_con_papers/car_44_bostic_state_laws_enforcement_mechanisms_1_31_07.pdf

Assessing Asset Data on Low-Income Households: Current Availability and Options for Improvement

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The lack of quality data has been a long-standing concern among researchers who study assets. The availability of data on assets stimulated research and increased interest in these policies as an anti-poverty strategy. Researchers started to examine the distribution of assets, test theoretical models and hypotheses, and develop new concepts and theories on assets.

Based on the evaluation, this report identifies three data sets as having the greatest potential for future asset research—the Survey of Consumer Finances, the Survey of Income and Program Participation and the Panel Study of Income Dynamics. Each of these data sets provides important information about 46 asset holdings and liabilities, and the report details each data set's structure, strengths and limitations. — *Excerpt from the report.*

http://www.urban.org/UploadedPDF/411559_low_income_households.pdf

Foreclosure Intervention: Innovative Partnerships and Strategies to Better Serve Borrowers in Default

To provide an overview of best practices around foreclosure intervention, interviews were conducted with lenders and loan servicers actively engaged in efforts to support foreclosure intervention services and partnerships with independent third-party counseling agencies. Most agree that in order to better serve homeowners experiencing mortgage delinquency, an increased effort should be made not only to reach those borrowers, but also to provide them with access to quality information and counseling services, including appropriate work-out solutions delivered consistently and thoughtfully.

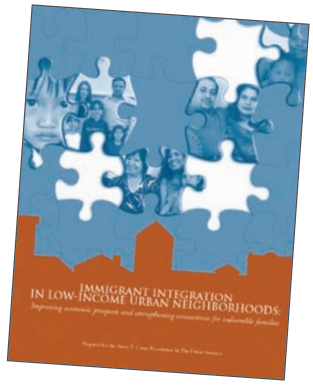
ORGANIZATION

NEIGHBORWORKS AMERICA

This industry has grown rapidly and has experienced substantial innovation in the last several years. Servicers and nonprofit service providers who want to reduce foreclosure rates understand the importance of building relationships with each other in order to serve their customer—the homeowner. Most strategies are the result of efforts that require partnerships. — *Excerpt from the report.*

http://www.nw.org/network/pubs/studies/documents/Foreclosure_Intervention.pdf

Immigrant Integration in Low-Income Urban Neighborhoods: Improving Economic Prospects and Strengthening Connections for Vulnerable Families



Many families in low-income urban neighborhoods face substantial hardship, financial insecurity and serious challenges to economic advancement. This is particularly true of low-income immigrant families, where connections to opportunities and formal services are often tenuous. The author explores the comparative economic integration and financial well-being of immigrant groups in 10 vulnerable urban communities, with an eye toward improving their economic prospects and strengthening their connections to services and supports. — *Excerpt from the report.*

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http://www.urban.org/UploadedPDF/411574_immigrant_integration.pdf

Consumer and Mortgage Credit at a Crossroad: Preserving Expanded Access while Informing Choices and Protecting Consumers

Consumer credit plays a vital role in fueling economic growth and creating opportunities to invest in tangible assets and human capital. Although it potentially can bring many benefits, it also could create serious problems.

This paper explores trends in the use of debt by U.S. consumers and the reasons for these trends, as well as their possible implications. It then traces the evolution of the risk-based pricing and unbundled, capital-market-funded, credit systems. it also examines the special challenges, risks and opportunities that the relatively new and rapidly evolving risk-based pricing system poses for consumers, credit providers, financial intermediaries, regulators and community groups. Lastly, it examines how these constituencies can respond to the challenges, risks and opportunities, and the difficulties they face in doing so. — *Excerpt from the report.*

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http://www.jchs.harvard.edu/publications/finance/understanding_consumer_credit/papers/ucc08-1_belsky_essene.pdf

Payday Lending

For many people, payday lending is considered a necessary service that helps them to obtain cash immediately to meet personal financial needs. Some, however, argue that the fees associated with cash advances are an unaffordable way to keep low-income individuals in a cycle of debt. This article looks at the emergence of payday lending in the United States and the effects of such transactions on customers, as well the costs and benefits of the short-term loan product.

Stegman analyzes the suggested remedies for payday lending and the impact of various regulatory efforts. As a result of new regulatory reforms, payday lending companies are adjusting their business model whether it is the expansion of internet products or the trend toward becoming credit-service organizations, which allow payday lenders to serve as loan brokers while not being subject to federal or state banking regulations. Although demand for payday loans remains robust, few mainstream banks and thrifts have created competing products. The author raises questions about fee-based businesses and banking, and their effects on both financial institutions and consumers. In addition, the author addresses the policy proposals in light of the phenomenal growth of the payday industry and America's wide use of credit. — *Excerpt from the report.*

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Banking on Wealth: America's New Retail Banking Infrastructure and its Wealth-Building Potential

The $100 billion nonbank, financial services industry, that includes check cashers, payday lenders and pawnshops, points to the high demand for basic financial services among low- and moderate-income customers. Alternative products sold by banks could meet those consumer needs while also creating an opportunity for households to convert their current spending on high-cost services into savings and even wealth. To explore that potential, this study conducts a comprehensive review of the location of all basic retail financial services firms to determine their accessibility to low- and moderate-income consumers. The study generates new projections on the potential savings incurred by several scenarios of hypothetical unbanked workers if efforts were made to transfer their high-cost fees into savings or investment vehicles. — *Excerpt from the report.*

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http://knowledgeplex.org/showdoc.html?id=1394871

The Legal Infrastructure of Subprime and Nontraditional Loans

This study provides a critical analysis of the legal landscape of residential mortgage lending and explains how federal law abdicated regulation of the subprime market. In addition, the study suggests that the subprime situation was the direct result of not policing the market, resulting in skyrocketing foreclosures, falling homeownership rates, lost municipal tax revenues, vacant buildings and distress to the economy as a whole. The persistent nature of these problems strongly suggests that proper re-regulation of mortgage loans is necessary to stabilize the economy and make homeownership sustainable. — *Excerpt from the report.*

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http://www.jchs.harvard.edu/publications/finance/understanding_consumer_credit/papers/ucc08-5_mccoy_renuart.pdf

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MARKETWISE explores community development finance resources and innovative investment vehicles for practitioners.

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For more foreclosure information visit The Federal Reserve Bank of Richmond's Foreclosure Resource Center at

www.richmondfed.org/community_affairs/foreclosure_resource_center/index.cfm

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