Update On Mortgage Originations, Delinquency and Foreclosures In Maryland
The Reinvestment Fund builds wealth and opportunity for low-wealth people and places through the promotion of socially and environmentally responsible development.
This is a presentation of some of the findings from a soon-to-be-released study by The Reinvestment Fund (TRF) on behalf of the Baltimore Homeownership Preservation Coalition (BHPC).

BHPC is a coalition of non-profit practitioners, public agencies, private funders, industry professionals and lenders who work collaboratively to develop and implement key programs and policies to preserve and increase the assets of families and Baltimore communities.

TRF is a national innovator in capitalizing distressed communities and stimulating economic growth for low- and moderate-income families.

The research was funded by Associated Black Charities, The Annie E. Casey Foundation and The Goldseker Foundation.
Summary of U.S. Joint Economic Committee (JEC) Report

• 2 million subprime mortgages are estimated to go into foreclosure between the 1\textsuperscript{st} quarter of 2007 and the 4\textsuperscript{th} quarter of 2009

• In Maryland, an estimated 25,057 subprime mortgages will go into foreclosure over that time period (14.9\% of current outstanding subprime loans)

• \$2.73 \textbf{billion} estimated cumulative loss of property value in Maryland with a property tax loss of \$19.1 \textbf{million}

• Using the JEC as a basis for calculation, TRF conservatively estimates that there will be a \$122 \textbf{million} loss of property value to Baltimore homeowners and \$310 \textbf{million} loss of property value to Prince George’s County homeowners over that same time period
TRF’s Data Sources

- Mortgage foreclosures:
  - Baltimore City – Official court filings via University of Baltimore, 2000-2007
  - Prince George’s County – RealtyTrac, Inc., 2007 (part)
- Property sale & transaction history – First American CoreLogic, Inc. [Realquest Pro]
- Demographic – U.S. Census, Claritas, Inc., Policymap.com, Maryland Association of Realtors, Bureau of Economic Analysis
Real Estate as a Percent of State Gross Domestic Product
1997 - 2005

Source: Department of Commerce Bureau of Economic Analysis
At the same time that prices were escalating, buyers were increasingly using high cost loans to buy their homes.

In 2004, High cost loans comprised 13.4% of the purchase loans originated to homeowners; by 2006, high cost loans accounted for 33.2% of the lending activity.

Prevalence of Adjustable Rate Loans by Type of Loan;
2nd Quarter 2007

Source: Mortgage Bankers Association
Percent of Loans that are Non-Current*
2004-2007


**Non-Current** is the total number of loans that are more than 30 days delinquent or in foreclosure proceedings.
Percent of Owner Occupied Households at by Cost Burden 2000

Percent of Household Income Spent of Housing Related Costs

- Under 30%
- 30-49.9%
- 50% & Over

<table>
<thead>
<tr>
<th>State</th>
<th>Percent of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>DE</td>
<td>80.68%</td>
</tr>
<tr>
<td>DC</td>
<td>75.41%</td>
</tr>
<tr>
<td>PA</td>
<td>79.03%</td>
</tr>
<tr>
<td>VA</td>
<td>79.54%</td>
</tr>
<tr>
<td>MD</td>
<td>77.00%</td>
</tr>
</tbody>
</table>

Source: American Community Survey 2000
Percent of Owner Occupied Households at by Cost Burden 2006

Percent of Household Income Spent of Housing Related Costs
- Under 30%
- 30-49.9%
- 50% & Over

Source: American Community Survey 2006
Percent Change in Housing Cost Burden, 2000-2006

Percent of Household Income Spent of Housing Related Costs

- Under 30%
- 30-49.9%
- 50% & Over

Source: American Community Survey 2000; 2006
Change in Median Sales Price 2000 - 2006
8 Most Populous Counties in Maryland

Source: Association of Realtors
Percent of Purchase Loans with 3%+ Rate Spread 2006

Source: HMDA 2006; Claritas 2006
Percent of Purchase Transactions with Multiple Loans 2006

Source: TRF analysis of HMDA 2006; Claritas 2006
Percent of Purchase Transactions with Multiple Loans 2006

Source: TRF analysis of HMDA 2006; Claritas 2006
Percent of Non Owner Occupant Purchase Loans 2006

Source: HMDA 2006; Claritas 2006
Percent of Non Owner Occupant Purchase Loans 2006

Source: HMDA 2006; Claritas 2006
Percent of All Prime Loans Non-Current September 2007

**Prime Loans Total Non Current**
September 2007

- 2.5% or Less
- 2.6% - 5%
- 5.1% - 7.5%
- 7.6% - 10%
- 10.1% - 12.5%
- 12.6% - 15%
- 15.1% - 20%
- 20.1% - 25%
- 25.1% - 30%
- Over 30%


**Non-Current** is the total number of loans that are more than 30 days delinquent, or in foreclosure proceedings.
Percent of All Subprime Loans Non-Current September 2007

*“Non-Current” is the total number of loans that are more than 30 days delinquent, or in foreclosure proceedings.*
Percent of Subprime Loans Non-Current September 2007

**Source:** TRF analysis of McDash Analytics, LLC

**Non-Current** is the total number of loans that are more than 30 days delinquent, or in foreclosure proceedings.

**Percent Change in Subprime Loans Non-Current**
Sept. 2006 to Sept. 2007

-100% - -10%
-9.9% - 0%
0.1% - 20%
20.1% - 50%
50.1% - 75%
75.1% - 100%
100.1% - 706.7%
Insufficient Data


**“Non-Current”** is the total number of loans that are more than 30 days delinquent, or in foreclosure proceedings.

**Percent Change in Subprime Loans Non-Current**

-100% - -10%
-9.9% - 0%
0.1% - 20%
20.1% - 50%
50.1% - 75%
75.1% - 100%
100.1% - 706.7%
Insufficient Data

Source: TRF analysis of McDash Analytics, LLC

**Non-Current** is the total number of loans that are more than 30 days delinquent, or in foreclosure proceedings.
Some general facts about existing loans in Baltimore City and Prince George’s County relative to the rest of Maryland

- Baltimore City and Prince George’s County tend to have a lower percentage of fixed rate loans and a higher percentage of adjustable rate loans

- Baltimore City and Prince George’s County tend to have a higher percentage of subprime loans; both ARM and fixed rate
  - The percentage of originations that are subprime in both Baltimore and Prince George’s has risen substantially between 2004 and 2006

- Baltimore City and Prince George’s County have higher rates of non-current loans for both prime and subprime loans

Some general facts about existing loans in Baltimore City and Prince George’s County relative to the rest of Maryland

- The average credit score for both prime and subprime borrowers in Baltimore City and PG County are lower than the Statewide Average.

- The average interest rate of existing prime and subprime loans in Baltimore City and Prince George’s County are higher:
  
  6.3% for prime and 7.8% for subprime loans in Baltimore City
  6.4% for prime and 7.5% for subprime loans in PG County
  vs 6.1% for prime and 7.4% for subprime loans Statewide

Some general facts about Baltimore City Foreclosures

- In 2005, the percent of loans in foreclosure that were adjustable rate loans was 17.9%; that percent rose to 32.4% in 2006.

- 63.6% of all loans in foreclosure were for the purchase of a home. This is slightly higher than the figure reported for earlier years (62%).

- The time from origination to foreclosure is getting shorter. For 2005 foreclosures, the average time was 4.8 years; for 2006, the average time dropped to 3.6 years.

**Some general facts about Baltimore City Foreclosures**

- 31% of all loans in foreclosure for the purchase of a home involved “piggyback” – second loans.
  - 13.6% involved seconds that were conventional while another 17.4% had government-related seconds.
- Of all loans that went into foreclosure in 2005, 45.6% were FHA-insured; in 2006, that percentage dropped to 35.7%.
- Loan-to-price ratios remain unchanged, averaging 99.9%.
- The amount of time from origination to foreclosure is greater for FHA loans that it is for conventional loans.

Year of Origination of Loans in Foreclosure by Type of Loan; Baltimore City

Number with FHA | Non FHA Loans

- 1987: 0
- 1988: 0
- 1989: 0
- 1990: 0
- 1991: 0
- 1992: 0
- 1993: 0
- 1994: 0
- 1995: 0
- 1996: 0
- 1997: 0
- 1998: 0
- 1999: 0
- 2000: 0
- 2001: 0
- 2002: 0
- 2003: 0
- 2004: 0
- 2005: 0
- 2006: 0
Baltimore City Foreclosure Filings 2000-2007

Estimate of Investor vs Owner Occupied Foreclosures

Year

Number of Filings

Source: TRF analysis of BNIA/ University of Baltimore JFI Data
Baltimore City Foreclosure Filings 1/2005 - 6/2007 and Household Income

All Foreclosure Filings 1/1/05 - 6/30/07

Median Household Income 2005

- $25,000 or Less
- $25,001 - $35,000
- $35,001 - $45,000
- $45,001 - $55,000
- $55,001 - $65,000
- $65,001 - $85,000
- $85,001 - $100,000
- Over $100,000

Source: BNIA/ University of Baltimore JFI
Baltimore City Percent Owner Occupied Properties in Foreclosure by Neighborhood Racial Composition 2006

Source: TRF analysis of BNIA/ University of Baltimore JFI; Claritas 2006
Prince George’s County Foreclosure Filings 1/2007 - 8/2007 and Household Income

Source: RealtyTrac

- Default/ Default Notice
- Auction/ Auction Notice
- REO

Median Household Income 2005

- $25,000 or Less
- $25,001 - $35,000
- $35,001 - $45,000
- $45,001 - $55,000
- $55,001 - $65,000
- $65,001 - $85,000
- $85,001 - $100,000
- Over $100,000

Source: RealtyTrac
Montgomery County Foreclosure Filings 2000-2007

Source: Montgomery County Circuit Court
Montgomery County Foreclosure Filings 2004 - 2005 and Household Income
Montgomery County Foreclosure Filings 2006 - 2007
and Household Income
For copies of this presentation, please visit:
www.trfund.com/mdforeclosure.pdf
In our use of HMDA data, TRF considers any loan with a reportable rate spread (i.e., 3 or more percentage points) as equivalent to “subprime”

<table>
<thead>
<tr>
<th>Maturities Yield Date</th>
<th>30-Year</th>
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<tbody>
<tr>
<td>1/15/2006</td>
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</tr>
<tr>
<td>2/15/2006</td>
<td>4.58</td>
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<tr>
<td>3/15/2006</td>
<td>4.75</td>
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<tr>
<td>6/15/2006</td>
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<tr>
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<td>12/15/2006</td>
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Table excerpted from the FFIEC (http://www.ffiec.gov/ratespread/default.aspx)

The federal government (Regulation C – HMDA) requires that lenders report a “rate spread” if the originated loan has an annual percentage rate (“APR”) that exceeds the comparable Treasury Security at the time of origination by 3 or more percentage points on a first-lien loan.

**EXAMPLE: in June of 2006**

- A loan with an APR of as high as 8% (or lower) would show NO reported rate spread.
- A loan with an APR of 9% would have a reported rate spread of 3.87.
- A loan with an APR of 10.5% would have a reported rate spread of 5.37.
Dollar Change in Median Sales Price 2001-2006

Source: Boxwood Means Inc. 2007
Percent Of Loans That Are Subprime By Race Of Borrower; 2006

<table>
<thead>
<tr>
<th>STATE OF MARYLAND</th>
<th>Total</th>
<th>White</th>
<th>Black</th>
<th>Other</th>
</tr>
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<tbody>
<tr>
<td>Purchase</td>
<td>33.2%</td>
<td>25.6%</td>
<td>51.8%</td>
<td>24.8%</td>
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<tr>
<td>Refinance</td>
<td>34.1%</td>
<td>25.8%</td>
<td>46.7%</td>
<td>22.5%</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>BALTIMORE CITY</th>
<th>Total</th>
<th>White</th>
<th>Black</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase</td>
<td>42.5%</td>
<td>26.8%</td>
<td>56.7%</td>
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</tr>
<tr>
<td>Refinance</td>
<td>52.0%</td>
<td>36.4%</td>
<td>60.1%</td>
<td>42.5%</td>
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<table>
<thead>
<tr>
<th>BALTIMORE COUNTY</th>
<th>Total</th>
<th>White</th>
<th>Black</th>
<th>Other</th>
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<tbody>
<tr>
<td>Purchase</td>
<td>30.3%</td>
<td>22.8%</td>
<td>49.5%</td>
<td>27.0%</td>
</tr>
<tr>
<td>Refinance</td>
<td>36.8%</td>
<td>29.3%</td>
<td>49.4%</td>
<td>25.5%</td>
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<table>
<thead>
<tr>
<th>PRINCE GEORGE'S</th>
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<th>Black</th>
<th>Other</th>
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<tbody>
<tr>
<td>Purchase</td>
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<td>51.5%</td>
<td>53.6%</td>
<td>37.5%</td>
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<tr>
<td>Refinance</td>
<td>58.6%</td>
<td>64.4%</td>
<td>69.1%</td>
<td>334</td>
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<table>
<thead>
<tr>
<th>MONTGOMERY</th>
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<th>Other</th>
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<tbody>
<tr>
<td>Purchase</td>
<td>29.0%</td>
<td>28.4%</td>
<td>47.0%</td>
<td>21.1%</td>
</tr>
<tr>
<td>Refinance</td>
<td>23.3%</td>
<td>20.6%</td>
<td>36.8%</td>
<td>16.3%</td>
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<table>
<thead>
<tr>
<th>FREDERICK</th>
<th>Total</th>
<th>White</th>
<th>Black</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase</td>
<td>25.9%</td>
<td>22.2%</td>
<td>51.0%</td>
<td>22.9%</td>
</tr>
<tr>
<td>Refinance</td>
<td>24.6%</td>
<td>21.8%</td>
<td>42.8%</td>
<td>17.4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHARLES</th>
<th>Total</th>
<th>White</th>
<th>Black</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase</td>
<td>39.7%</td>
<td>26.1%</td>
<td>49.7%</td>
<td>32.6%</td>
</tr>
<tr>
<td>Refinance</td>
<td>35.2%</td>
<td>25.1%</td>
<td>45.1%</td>
<td>29.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>HARFORD</th>
<th>Total</th>
<th>White</th>
<th>Black</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase</td>
<td>23.8%</td>
<td>18.2%</td>
<td>48.3%</td>
<td>20.5%</td>
</tr>
<tr>
<td>Refinance</td>
<td>30.6%</td>
<td>26.1%</td>
<td>49.0%</td>
<td>20.8%</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>HOWARD</th>
<th>Total</th>
<th>White</th>
<th>Black</th>
<th>Other</th>
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<tbody>
<tr>
<td>Purchase</td>
<td>22.4%</td>
<td>15.8%</td>
<td>46.8%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Refinance</td>
<td>22.2%</td>
<td>16.9%</td>
<td>35.2%</td>
<td>18.7%</td>
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</tbody>
</table>

Source: TRF analysis of Home Mortgage Disclosure Act, 2006 (HMDA)
## Percent Of Loans That Are Subprime
### By Racial Composition Of Area; 2006

<table>
<thead>
<tr>
<th></th>
<th>Percent Minority by Census Tract</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>&lt; 10%</td>
</tr>
<tr>
<td><strong>STATE OF MARYLAND</strong></td>
<td></td>
</tr>
<tr>
<td>Purchase</td>
<td>20.2%</td>
</tr>
<tr>
<td>Refinance</td>
<td>25.6%</td>
</tr>
<tr>
<td><strong>BALTIMORE CITY</strong></td>
<td></td>
</tr>
<tr>
<td>Purchase</td>
<td>26.2%</td>
</tr>
<tr>
<td>Refinance</td>
<td>32.7%</td>
</tr>
<tr>
<td><strong>BALTIMORE COUNTY</strong></td>
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</tr>
<tr>
<td>Purchase</td>
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</tr>
<tr>
<td>Refinance</td>
<td>29.1%</td>
</tr>
<tr>
<td><strong>PRINCE GEORGE’S</strong></td>
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<tr>
<td>Purchase</td>
<td>NA</td>
</tr>
<tr>
<td>Refinance</td>
<td>NA</td>
</tr>
<tr>
<td><strong>MONTGOMERY</strong></td>
<td></td>
</tr>
<tr>
<td>Purchase</td>
<td>10.6%</td>
</tr>
<tr>
<td>Refinance</td>
<td>17.1%</td>
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<tr>
<td><strong>FREDERICK</strong></td>
<td></td>
</tr>
<tr>
<td>Purchase</td>
<td>18.3%</td>
</tr>
<tr>
<td>Refinance</td>
<td>21.3%</td>
</tr>
<tr>
<td><strong>CHARLES</strong></td>
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<tr>
<td>Purchase</td>
<td>NA</td>
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<tr>
<td><strong>HARFORD</strong></td>
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</tr>
<tr>
<td>Purchase</td>
<td>15.4%</td>
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<tr>
<td>Refinance</td>
<td>22.1%</td>
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<tr>
<td><strong>HOWARD</strong></td>
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</tr>
<tr>
<td>Purchase</td>
<td>8.6%</td>
</tr>
<tr>
<td>Refinance</td>
<td>10.8%</td>
</tr>
</tbody>
</table>

Consistently across the state, higher percentage minority neighborhoods have higher rates of subprime loans.

Source: TRF analysis of Home Mortgage Disclosure Act, 2006 (HMDA)
Montgomery County Foreclosure Filings 2000 - 2001 and Household Income

- Foreclosure Filings 2000 - 2001
- Median Household Income 2005
  - $30,000 or Less
  - $30,001 - $45,000
  - $45,001 - $60,000
  - $60,001 - $75,000
  - $75,001 - $100,000
  - $100,001 - $125,000
  - Over $125,000

Legend:
- Parks
- Water
Montgomery County Foreclosure Filings 2002 - 2003 and Household Income