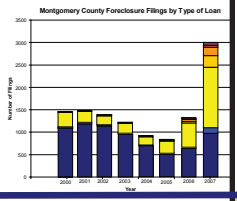
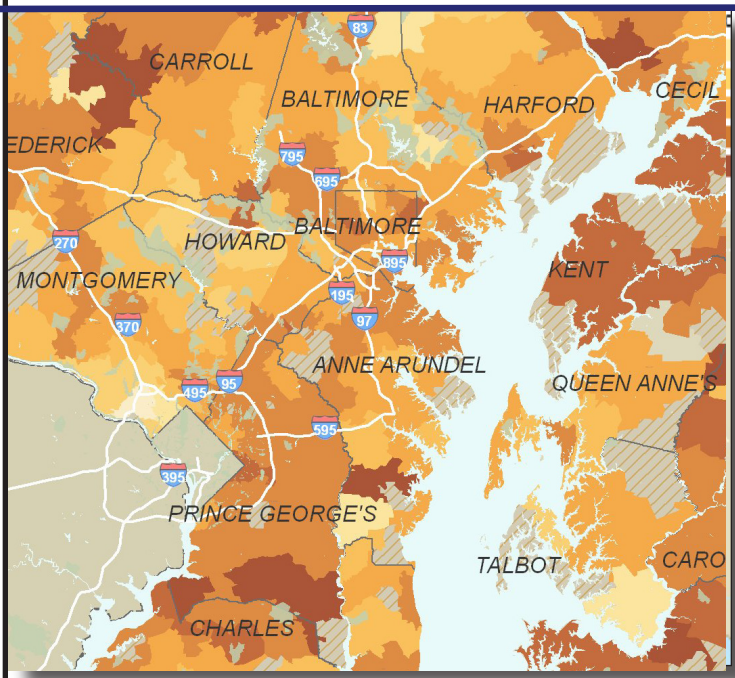
BALTIMORE
HOMEOWNERSHIP
PRESERVATION
COALITION



Mortgage Foreclosure Filings in Maryland

A Study by
The Reinvestment Fund
for the Baltimore
Homeownership
Preservation Coalition



Feburary 2008

TRF Capital at the point of impact.

About TRF

The Reinvestment Fund (TRF) is an innovator in capitalizing distressed communities and stimulating economic growth for low- and moderate-income families. TRF identifies the point of impact where capital can deliver its greatest financial and social influence. TRF's investments in homes, schools and businesses reclaim and transform neighborhoods, driving economic growth and improving lives throughout the Mid-Atlantic region. Since its inception in 1985, TRF has made more than $600 million in community investments.

TRF has also received national recognition for its research and housing-related policy analyses. TRF's data analyses focus on helping TRF identify opportunities to invest its own resources as well as providing services to public sector and private clients seeking assistance with their own strategies to preserve and rebuild vulnerable communities.

TRF has quickly emerged as a highly regarded source of unbiased information for public officials and private investors. TRF's Policy Group, led by Ira Goldstein, has conducted extensive analyses of predatory lending and foreclosures throughout the Mid-Atlantic region under contract to the Pennsylvania and Delaware State Departments of Banking and the Federal Reserve Bank of Philadelphia. The Policy Group provides litigation support for law enforcement entities including the PA Human Relations Commission and the US Attorney for the Eastern District of Pennsylvania.

RESEARCH CONDUCTED BY POLICY AND INFORMATION SERVICES, THE REINVESTMENT FUND

Ira Goldstein, Director
Cathy Califano, Deputy Director
Al Parker, Database Manager and GIS Specialist
Daniel Urevick-Ackelsberg, Policy Analyst

Additional copies of this report can be obtained by visiting TRF's web site at www.trfund.com

Table of Contents

I. Executive Summary

The Reinvestment Fund's study, *Mortgage Foreclosure Filings in Maryland*, is a comprehensive look at mortgage originations, foreclosures and delinquencies throughout the state of Maryland.

Funded by the Annie E. Casey Foundation, Associated Black Charities and the Goldseker Foundation, and coordinated by the Baltimore Homeownership Preservation Coalition, this report looks at the antecedents, trends and specific characteristics of loans and properties in foreclosure in Maryland.

The United States Congress Joint Economic Committee (JEC) recently estimated that nearly 15% – over 25,000 – of subprime mortgages currently in Maryland will go into foreclosure before the end of 2009. The JEC estimates that this will cause a $2.73 billion loss in property-related wealth to Maryland residents and a $19.1 million loss in property tax.

Because Maryland's real estate industry comprises a larger portion of its economy than the real estate industries in surrounding states, one must be concerned with potential ramifications of the mortgage problem on the rest of Maryland's economy.

TRF used a variety of data to understand mortgage originations, delinquencies and foreclosures in Maryland. Among the most salient findings are:

- Real estate prices are significantly higher today than they were in 2000, but price growth has leveled off or, in some areas, declined since 2006.
- The percent of Maryland residents that spends a disproportionately high portion of monthly income on housing rose between 2000 and 2006.
- Between 2004 and 2006, subprime lending for the purchase of a home and the refinance of existing mortgages rose.
- While much attention has been paid to the subprime foreclosure problem, delinquencies of 90 days or more among borrowers with either prime or subprime loans have risen dramatically over the last year
- Between the 4th quarter of 2006 and the 3rd quarter of 2007, the growth in Maryland's prime and subprime foreclosure inventories was more than double the national average.

- During the same period, Maryland's growth rate in the prime ARM foreclosure inventory was a remarkable 211.1%, almost double the national rate. Its subprime ARM foreclosure inventory, growing at 151.1%, also nearly doubled the national rate. Maryland's inventories in both instances were still below the national average, but the growth rate raises significant concerns.

- The percent of borrowers entering foreclosure status over the last year grew faster than the national rate.

City of Baltimore

- With about 4.5% of the state's taxable real property in Baltimore, residents will lose approximately $122 million in property-related wealth, based on JEC's estimates.

- Foreclosure filings in Baltimore are below the peak of the early part of the decade, but have been increasing since 2005. The majority of loans in a foreclosure status are subprime.

- The majority of foreclosure filings were on loans to support the purchase of a home.

- Investors are estimated to make up about 17% of borrowers in default. This is up in recent years, but below the high in 2000 of almost 25%.

- Compared to the distribution of owner-occupied housing units, there is a disproportionately large share of foreclosure filings in predominantly African Americans neighborhoods.

- Compared to the distribution of owner-occupied housing units, there is a disproportionately large share of foreclosure filings in communities with homes selling for under $100,000.

Montgomery County

- In 2000, there were 1,474 foreclosure filings; in 2005 this dropped to 829. Since 2005, the number has risen to over 3,000 in 2007.

- Approximately 60% of these filings in 2007 involved loans that had adjustable interest rates; that percentage has grown in recent years.

- Compared to the distribution of owner-occupied housing units, a disproportionately large share of foreclosures filings is found in communities that are between 20% and 60% African American.

- Compared to the distribution of owner-occupied housing units, a disproportionately large share of foreclosure filings is found in communities where sale prices are between $200,000 and $400,000.

Prince George's County

- With about 11.4% of the state's taxable real property, residents will lose approximately $310 million in property-related wealth, based on JEC's estimates.

- Based on filings from part of 2007, a disproportionate share of foreclosure filings (73.5%) was found in communities that are 60% or more African American.

- Foreclosure filings were slightly over-represented in communities with home prices between $200,000 and $350,000.

While the purpose of this report is not to recommend specific policies to address the escalating foreclosure problem in Maryland, it is instructive to consider the systematic data on the issue when establishing these policies.

Maryland cannot immunize against national and international consequences of the subprime mortgage crisis; it can mitigate the impact by acting quickly and appropriately on behalf of its residents.

II. Background

In 2005, The Reinvestment Fund (TRF) was asked by the Goldseker Foundation to undertake a study of mortgage foreclosures in Maryland. At the time, limited information was available for locales outside of Baltimore and so TRF completed a detailed analysis of foreclosures in the City of Baltimore.[i] This study was supportive of the Baltimore Homeownership Preservation Coalition's[ii] (BHPC) efforts to develop a set of policy and programmatic responses to the rising tide of foreclosures and abusive lending in the communities of Baltimore. 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.

The current study is an outgrowth of that first effort, again seeking to get a better sense of mortgage foreclosure and delinquency throughout the state of Maryland. Funded by the Annie E. Casey Foundation, Associated Black Charities and the Goldseker Foundation, and coordinated by BHPC, what follows is a report on the antecedents, trends and specific characteristics of loans and properties in foreclosure in Maryland. The sources of data are several and the time period covered varies depending upon the data source. Taken together, the data in this report will help identify which policy options (and at what funding/activity level) have the greatest possibility to prevent future foreclosures, and to assist Maryland homeowners currently facing foreclosure.

III. Introduction

A number of recent studies and reports have examined foreclosures and lending in Maryland and within the City of Baltimore. In a 2006 study of foreclosures in Baltimore City, TRF found that between January 2000 and April 2005, 25,616 foreclosures were filed against city homeowners. The report found that while the annual number of foreclosures declined during that period, Baltimore still had significantly more foreclosures per owner-occupied housing unit than comparable locales.

The 2006 report found that Baltimore City foreclosures were more likely found in areas with higher percentages of African-American residents; that more loans in foreclosure were obtained for home purchases rather than refinances; that homeowners in foreclosure likely bought their homes with very little equity, leaving them susceptible to foreclosure from even minor economic shocks; and that the loan pool in foreclosure was disproportionately subprime.

More recently, Maryland's Homeownership Preservation Task Force released a report, under the Direction of State Secretaries Skinner (Maryland Department of Housing & Community Development) and Perez (Maryland Department of Labor, Licensing & Regulation) that provided a host of data and recommendations regarding an array of responses to the state's foreclosure problem.[iii] The recommendations included:

- a series of financial interventions (e.g., creation of a Crisis Intervention Fund);
- regulatory and legislative reforms to both broaden and deepen the powers of the state to meaningfully regulate and to have a set of laws that can better protect Maryland homeowners;
- support for the delivery of high-quality homeownership counseling.

At about the same time, the United States Congress Joint Economic Committee (JEC) released a report that points to looming trouble for Maryland.[iv] The JEC report estimates that within the state, 25,057 subprime mortgages will go into foreclosure before the end of 2009. This translates into about 14.9% of Maryland's current pool of subprime loans. Overall, the JEC estimates that this will cause a 2.73 billion dollar loss of property-related wealth to Maryland residents and a 19.1 million dollar loss in property tax.

Considering some of the areas in Maryland where foreclosures are most numerous:

- With about 4.5% of the state's taxable base of real property in the City of Baltimore, given the number of foreclosures, it is likely that Baltimoreans will lose at least 122 million dollars in property-related wealth;
- With about 11.4% of the state's taxable base in Prince George's County, residents of Prince George's County will likely lose at least 310 million in property-related wealth.

In the last several months, proposed solutions to the mortgage foreclosure crisis have come from all quarters – the White House[v], elected officials[vi] and candidates[vii], financial regulators[viii], advocates[ix] and industry participants[x]. There is no "single-bullet" solution to this multi-faceted problem. Each of the responses is likely to be effective for one or another part of the problem. The study that follows adds to the body of information by offering a context and specificity that is ordinarily difficult to obtain. With this report, those who have a specific interest in the economic well-being of the residents of Maryland can design an appropriate set of responses to the many facets of the mortgage foreclosure problem impacting Maryland.

IV. Data Sources

There is no single source of data that contains all of the elements necessary to comprehend the many dimensions of the mortgage origination and foreclosure issue. More fundamentally, there is no single reliable official source on just the number, location and parties to mortgage foreclosures in Maryland's 24 counties (including the City of Baltimore).

TRF attempted to obtain foreclosure data from several counties, with limited success. Montgomery County and the City of Baltimore were the only areas for which official filing information was obtained; our portrait of Prince George's County relies on data from a private, non-governmental entity.

In the end, TRF used a number of different sources that, when taken together, paint a more complete picture of the dimensions of the foreclosure issue. The specific data sources for this project include:

Demographics

US Census Bureau Summary Files 1 and 3 for 2000 permit a categorization of areas (i.e., Census tracts and block groups) in terms of any number of relevant social, demographic, and economic characteristics. The American Community Survey (ACS) is also a U.S. Census data product and ACS allows for 2005 and 2006 inter-Censal estimates of population and housing units for states, counties and many sub-county areas.

Home Prices

Home sale data were obtained from the Maryland Association of Realtors (MAR) for Maryland counties and the state as a whole, for January 2000 through October 2007. MAR reports on median sale prices each month, as well as cumulatively at the end of each year.

Census block group median residential sale prices were obtained from TRF's Policymap.com. The initial source of these data is Boxwood-Means, Inc.

Economics

The U.S. Department of Commerce, Bureau of Economic Analysis (BEA) prepares and reports a wide array of indicia related to the U.S. and state/regional economies. Among those indicia is the Gross Domestic Product (GDP). BEA defines GDP as: "A measurement of a state's output; it is the sum of value added from all industries in the state. GDP by state is the state counterpart to the Nation's gross domestic product (GDP)."[xi] TRF is using GDP as a measure of the dimensions of Maryland's economy.

Foreclosure Filings

TRF obtained foreclosure information from the City of Baltimore for the years 2005-2006, for Prince George's County for part of 2007 and for Montgomery County for 2000 through 2007. Typically, the data detailing foreclosure filings also included the date of foreclosure, the location of the foreclosure, and in the case of Baltimore City, how much money was owed.

At an aggregate (i.e., statewide) level, the Mortgage Bankers Association of America's National Delinquency Survey, which is published quarterly, reports on the percentage of loans that are in default or have had foreclosures started against them.

Mortgage Delinquency

McDash Analytics, LLC collects and reports mortgage loan servicing information on more than 30 million active loans from the nation's largest mortgage servicers.[xii] These data allow us to track levels and trends of loan delinquency for zip codes across the state of Maryland.

Property and Mortgage Characteristics

The Realquest database is used to obtain transaction histories for each property in foreclosure.[xiii] This database, where property information is available, allows researchers to document when a property was sold, at what price and to whom; recorded liens; mortgage lenders involved; and the assessed value given the property by the County.

Using transactional data from the FARES database allows us to determine the types of lenders originating loans now in foreclosure, some of the terms associated with the loan, how much of the foreclosure activity is associated with home purchase loans versus refinances, and the geographic concentration of foreclosures.

Mortgage Originations

Home Mortgage Disclosure Act (HMDA) data, together with the Census data, allowed an examination of the types of mortgage loans made and the characteristics of areas in which they are made. HMDA data were obtained and analyzed for 2004 through 2006, inclusive.

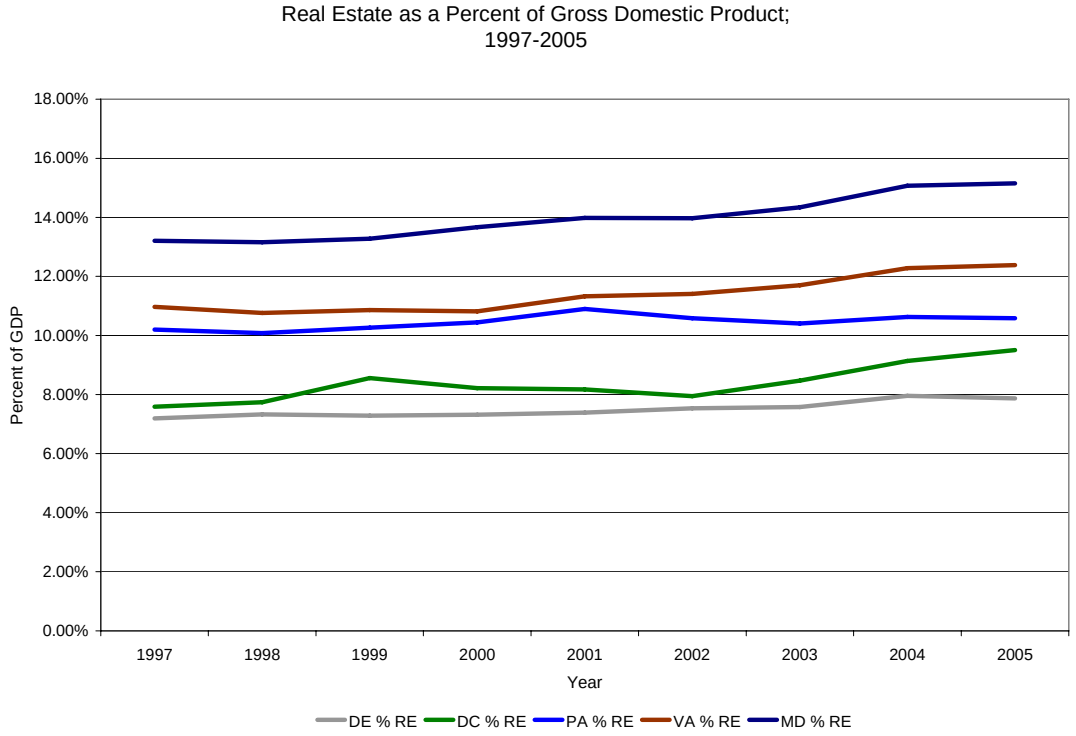
Working Definition of Subprime

Throughout this document we use the term "subprime" as a way to categorize a group of mortgage loans. Subprime loans are mortgage products that generally carry a higher interest rate than "prime" mortgages because the borrowers are believed by lenders to be more risky than a typical borrower (e.g., the subprime borrowers have lower credit scores or an inability to document all of their income).

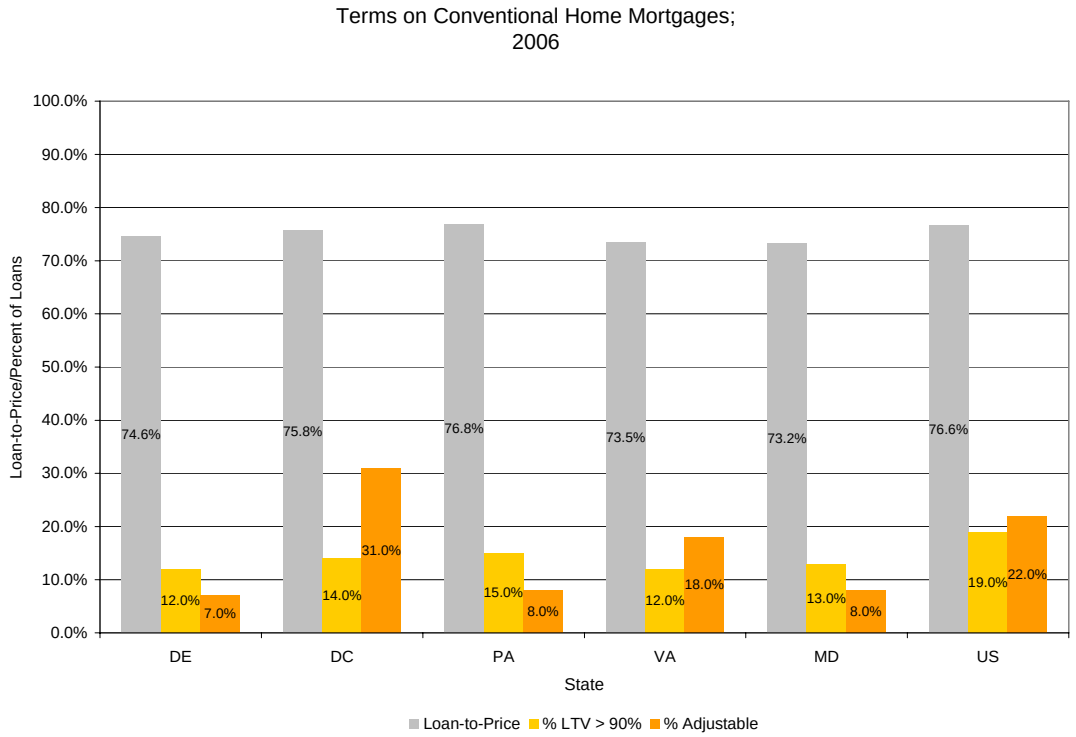
While there are many ways that subprime is defined by researchers in studies such as this, when we use the term subprime in the context of HMDA loan originations, that usage is based on the interest rate of the loan. Specifically, if a loan in the first-lien position carried an interest rate that was three or more percentage points above the Treasury Security rate at the time the loan was originated (or five or more percentage points for loans in the second-lien position), that loan was categorized as subprime. We acknowledge the imperfection of this approach, however in the absence of more complete underwriting and lender information, there is no better alternative.

V. The Context of Mortgage Foreclosures in Maryland

A number of housing market and economic indicators are usually considered important background to understand how an area will be impacted by mortgage foreclosures. We begin this section by examining how important the housing industry is to the overall economy of the State of Maryland. We then move to a description of the type of loans Maryland residents are using to purchase and refinance their homes. One of the dynamics of the current mortgage foreclosure problem is that the demand for housing, fueled by seemingly inexpensive and (historically unprecedented) easily accessible credit, allowed people to purchase more home than they could afford; this expanded demand for housing bid up home prices. Others, who already owned homes, accessed the equity in their homes by obtaining a "cash-out" refinance loan. However, many of the people getting into homes (or refinancing mortgages) did so at the very extremes of their ability to pay. As the housing market cooled, people with adjustable rate mortgages (or other hybrid-type mortgages including interest only, option payment, balloon) who relied on home price appreciation to save them from their increasing mortgage payments, were "upside down"[xiv] when home prices either flattened or even declined. Finally, we explore the extent and severity of the resulting cost-burden of housing faced by Maryland homeowners between 2000 and 2006.[xv]



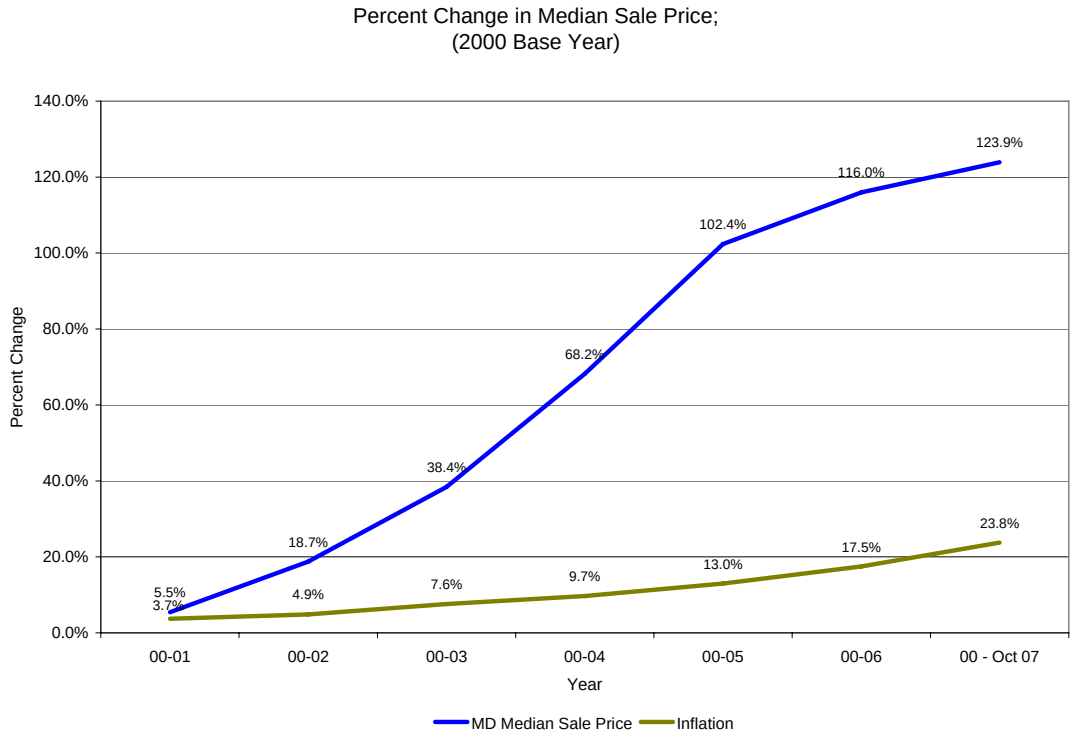
The Gross Domestic Product (GDP) is a commonly used measure of the "size" of a region's economy. Data on Maryland's GDP suggest that housing has been a growing and disproportionately large percentage of GDP compared to other Mid-Atlantic states and to the U.S. GDP. The implication of this is that the recent downturn in the housing sector and the multi-faceted crisis in the nation's mortgage lending markets will likely disproportionately impact Maryland's overall economy.

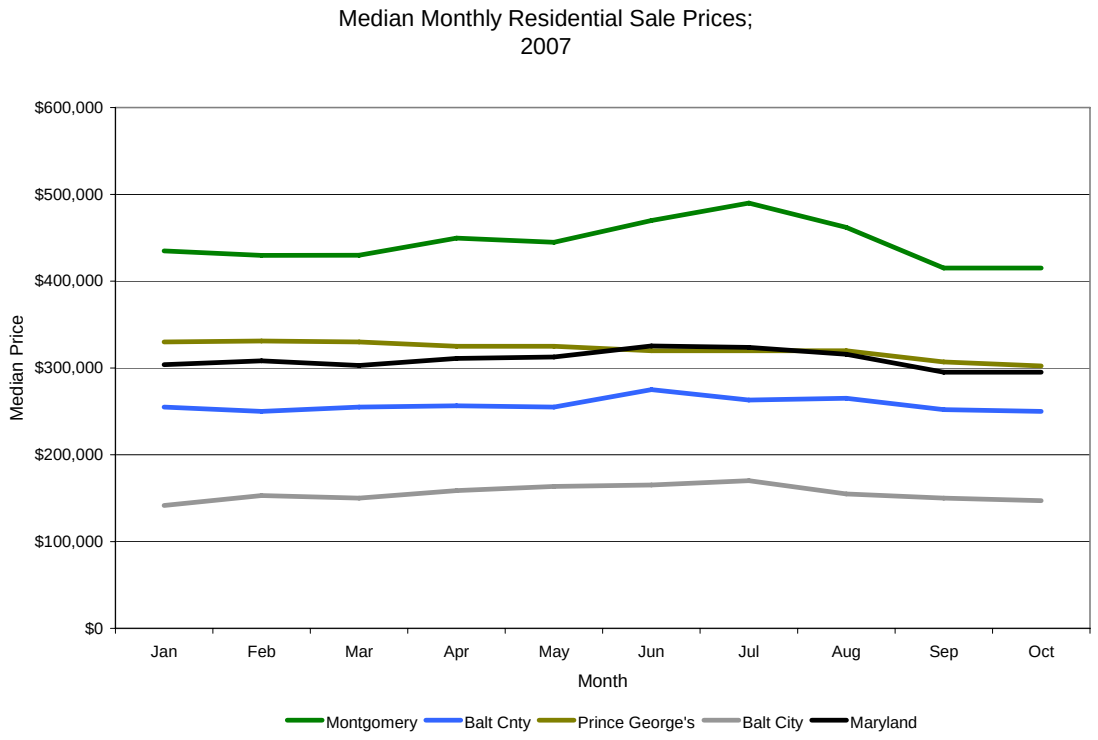


Several indicators paint a mixed picture of the health of the Maryland housing market. First, it appears that the typical homeowner in Maryland has more equity in his or her home than the rest of the mid-Atlantic region, and the country as a whole. In 2006, the loan-to-price ratio (LTP) on conventional loans in Maryland was 73.2%, lowest in the region. Low LTPs generally indicate a population that has built equity in their homes, and is therefore better able to weather housing price and general economic downturns.

Other 2006 mortgage indicators are less rosy. For example, 13% of mortgages had loan-to-value (LTV) ratios exceeding 90%, putting the state 3rd in the five state region. Thus, although the typical Maryland homeowner has a significant amount of equity in his or her home, there is a significant number of residents who are on the other end of the spectrum, with little equity at all.

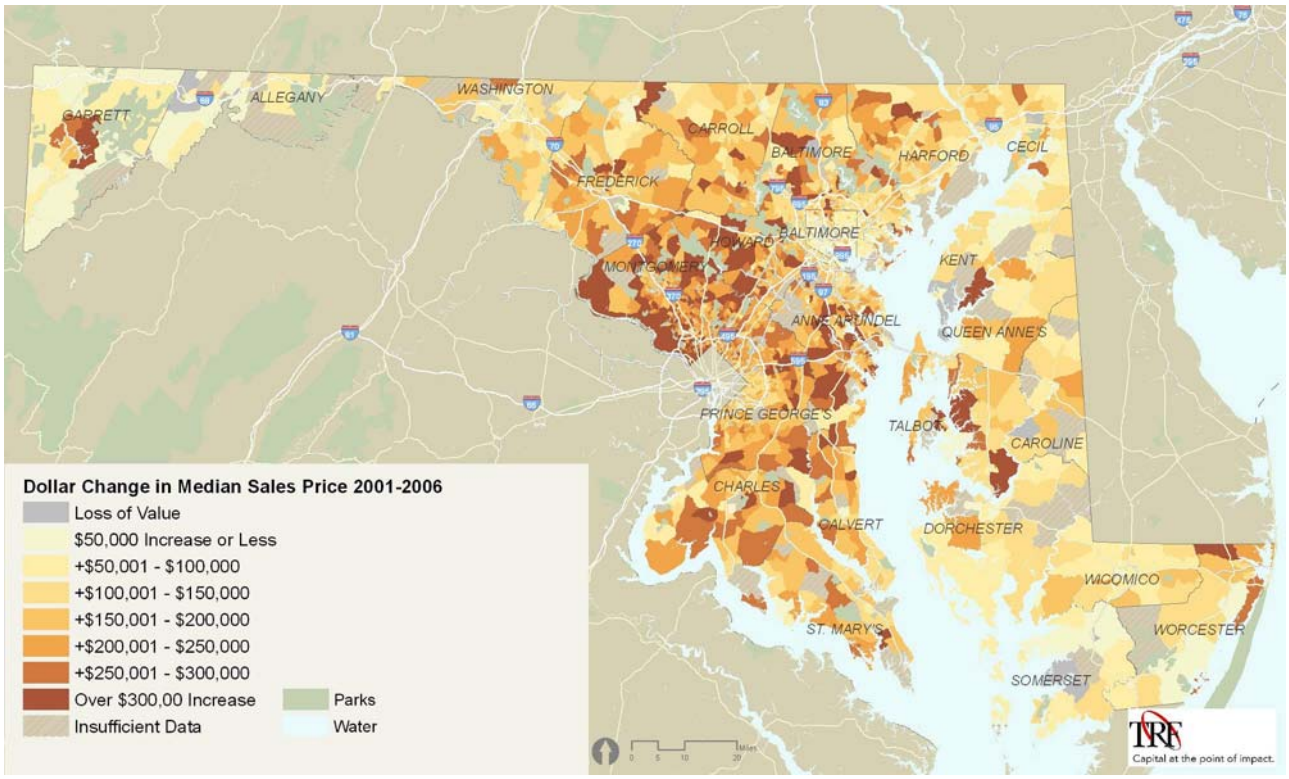
Among conventional loans in Maryland, 8% of loans originated in 2006 carried an adjustable rate, tying the State for the 2nd lowest percent of adjustable rate mortgages (ARMs) in the mid-Atlantic region. While Maryland's percentage of ARMs and high LTV mortgages may be typical of the region, it is worth noting that in both cases, the state is significantly better off than the U.S. average.


Percent Change in Median Sale Price;
(2000 Base Year)
140.0%
120.0%
100.0%
80.0%
60.0%
40.0%
20.0%
0.0%
Percent Change
5.5%
3.7%
18.7%
4.9%
38.4%
7.6%
68.2%
9.7%
102.4%
13.0%
116.0%
17.5%
123.9%
23.8%
00-01
00-02
00-03
00-04
00-05
00-06
00 - Oct 07
Year
MD Median Sale Price
Inflation

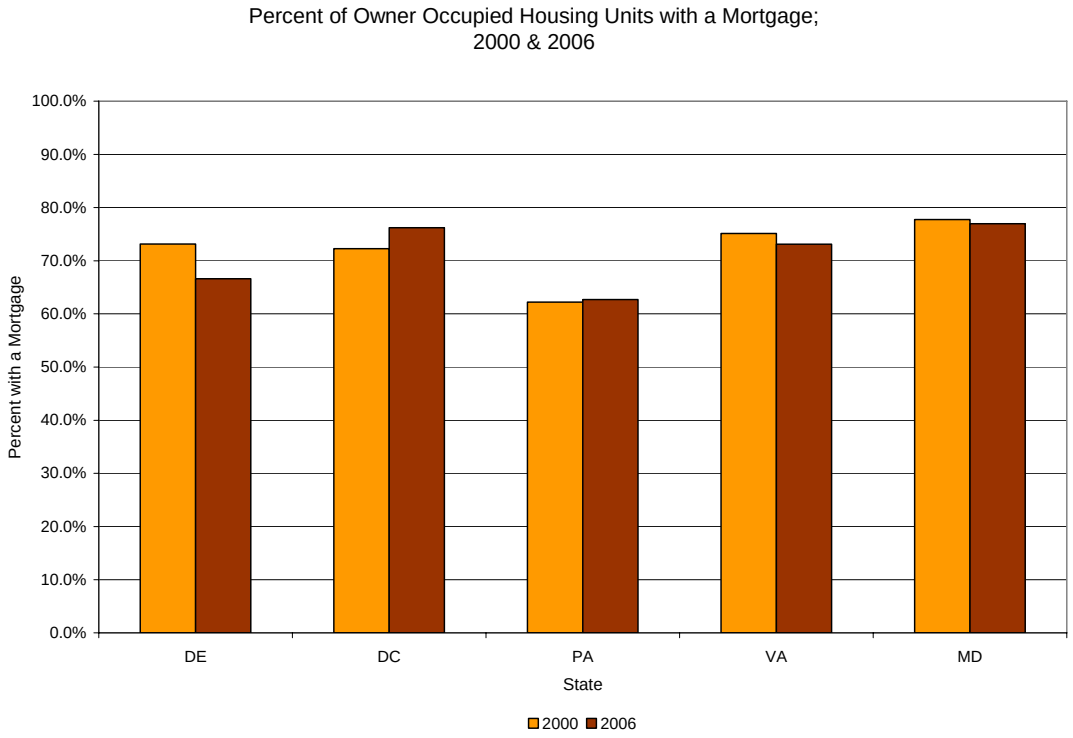

Median Monthly Residential Sale Prices;
2007
$600,000
$500,000
$400,000
$300,000
$200,000
$100,000
$0
Median Price
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Month
Montgomery
Balt Cnty
Prince George's
Balt City
Maryland

Home prices in Maryland have increased significantly since 2000, with a cumulative rise of 123.9% from 2000 to October of 2007. In each year, prices increased at a rate significantly greater than inflation.[xvi] Increasing home prices generally set the stage for wealth accumulation for existing homeowners. While this is a positive result, increasing home values can make it difficult for non-owners to obtain homeownership, particularly for first-time homebuyers. That is because as home prices increase faster than wages, the group of people who can buy homes diminishes.[xvii]

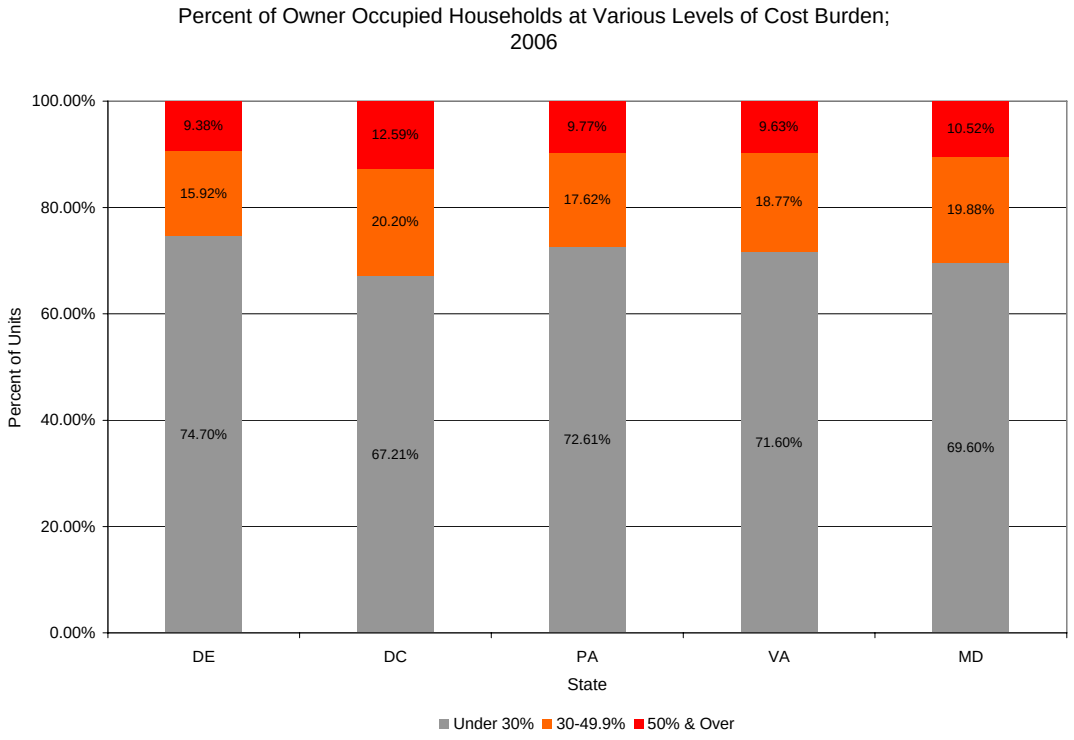
In fact, county-to-county variation in sale prices and changes in those prices is substantial. In Prince George's County, the median home price in October 2007 was $302,300, fairly close to the Maryland median of $295,116. Montgomery County, with a median October 2007 sales price of $415,000, has the highest sales prices of the State, and a median that is almost three times that of the City of Baltimore ($147,000).



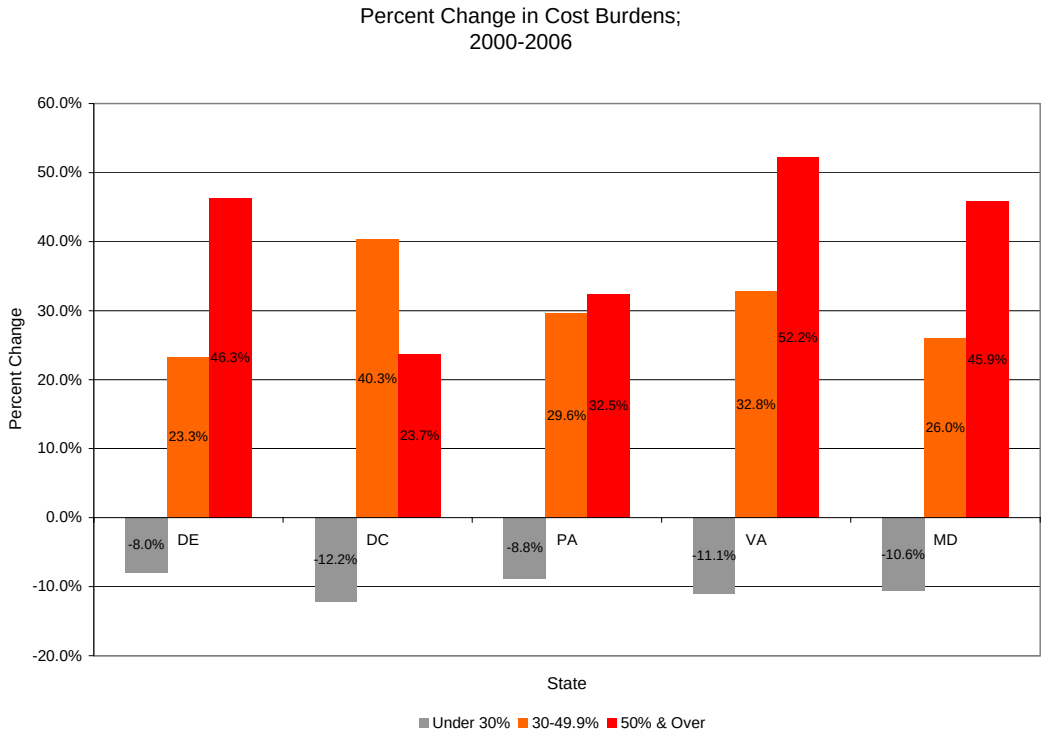
Home prices continued to appreciate through 2007; the rate of home price appreciation, which peaked in the 2003 through 2005 period, has however slowed considerably. Calendar year 2007, for which we have incomplete data, show that if inflation is considered, Prince George's and Montgomery Counties will likely experience an overall depreciation in sales prices.



Compared to the other mid-Atlantic states, a lower percentage of Maryland's homeowners own their homes free and clear of a mortgage. While the typical Maryland homeowner has a fairly high amount of equity in their home at the time of purchase, there are comparatively few homeowners who do not have a mortgage at all.



The Census reports the percent of owners spending 30% or more of their income on housing. Typically, those spending that much are considered "cost-burdened." Those owners spending 50% or more of their income on housing are considered "severely cost-burdened." In 2006, 19.9% of Maryland homeowners spent from 30 to 49.9% of their income on housing costs (i.e., cost-burdened) and another 10.5% spent more than 50% of their income on housing (i.e., severely cost-burdened). Within the mid-Atlantic region, only Washington D.C. has a larger percentage of its homeowners considered cost-burdened.



The proportion of Maryland residents considered cost-burdened rose significantly from 2000 to 2006. The percent of cost-burdened residents increased 26.0 percent from 2000 to 2006. The percent of residents considered severely cost-burdened increased 45.9% during the same time period.

In conclusion, these data suggest a few very basic things: (1) the housing industry is a disproportionately high percentage of Maryland's economy as measured against the U.S. and neighboring states; (2) although typical LTPs were advantageous in Maryland, there is a large share of homes with LTVs exceeding 90%; (3) Maryland homeowners do not use ARMs as frequently as homeowners in other areas; (4) home prices rose dramatically between 2000 and 2005, then continued to rise, but at a reduced rate; (5) 2007 showed flatness in prices across much of the state; (6) the result of all this is rising cost-burdens for Maryland homeowners, and especially among those that were already severely cost-burdened.

VI. Mortgage Delinquency and Foreclosure in Maryland

Data from the Mortgage Bankers Association's National Delinquency Survey allow for a comparison of Maryland to other mid-Atlantic states, and to the United States, for a recent period. Maryland's overall, prime and subprime foreclosure inventories are below the national rates and are fairly typical for the mid-Atlantic states. [See Appendix A for a complete breakdown of delinquency and foreclosure rates for the mid-Atlantic states and by loan type.] Yet, the percent change in the foreclosure inventory in Maryland is high – not only in comparison to the national average, but also in comparison to the mid-Atlantic states. Moreover, the dramatic changes between the 2nd and 3rd quarters of 2007 manifest extraordinary growth in foreclosure inventories across all loan types.

Focusing on fixed-rate mortgages, among prime loans, the foreclosure inventories in the mid-Atlantic and U.S. have generally grown (except for Pennsylvania, which dipped as of the 2nd quarter of 2007 but rose in the 3rd quarter). Maryland's growth in the prime foreclosure inventory was more than three times the national average. Only the Delaware prime loan foreclosure inventory grew at a faster rate. Among subprime fixed rate loans, there was actually a small decline in the national foreclosure inventory; Maryland's change was a positive 18.0%. Note also that much of that growth is quite recent, occurring during the 3rd quarter of 2007.

The portrait of the adjustable rate mortgages is however quite different. Firstly, in most places, both the foreclosure inventories of prime and subprime ARMs started higher and grew at faster rates than the prime and subprime foreclosure of fixed rate mortgages. Secondly, Maryland's rate of growth in the prime ARM foreclosure inventory was a remarkable 211.1%, almost double the national growth rate. Its subprime ARM foreclosure inventory, growing at 151.1%, also nearly doubled the national rate. In both instances, the Maryland inventories were still below the national average, but the rate (and direction) of change is significant.

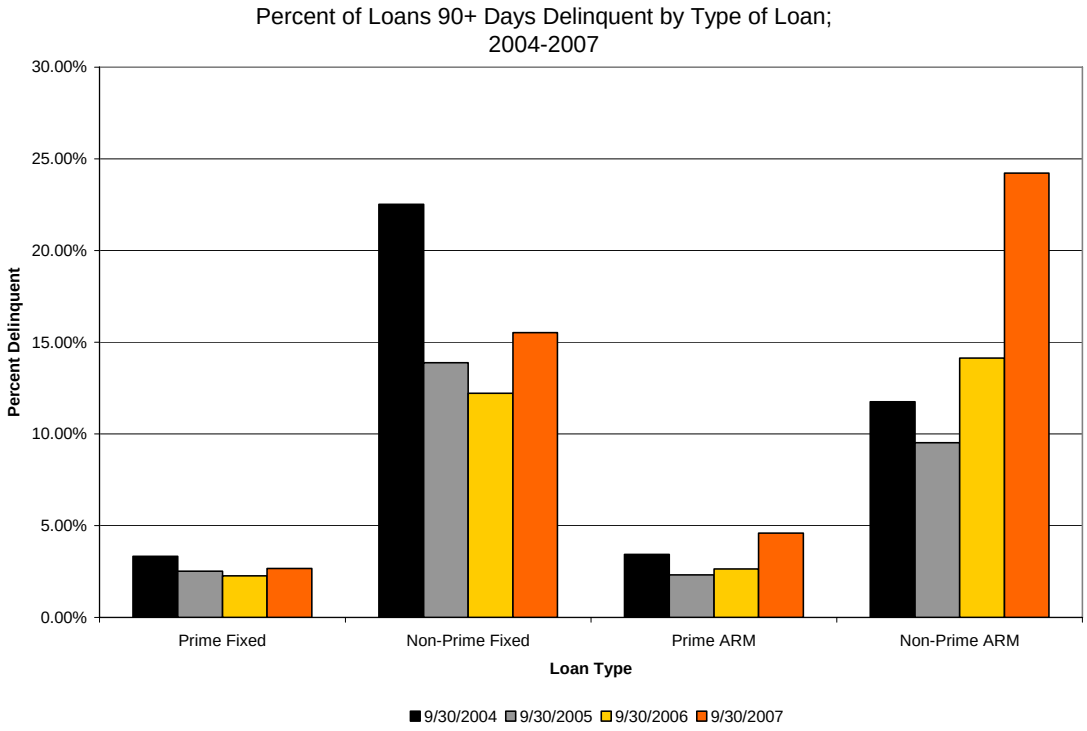
These same data allow for an examination of the inventory of loans 90 or more days delinquent. Across all categories and subcategories of loans, Maryland is better off than the national average and typical for the mid-Atlantic states as well. However, the rates of change in delinquency status show that the share of Maryland borrowers going delinquent is rising faster than the national average and several of the other mid-Atlantic states. This is especially true if one looks simply at the Maryland experience between the 2nd and 3rd quarters of 2007.

Finally, the data allow for an examination of how much inventory is entering the foreclosure process. We observe that, regardless of loan type, the rate of growth of the quarterly rate of properties entering foreclosure is faster in Maryland than several other mid-Atlantic states and it outstrips the national average – for some loan types, quite substantially (e.g., the percent of loans entering foreclosure that were subprime ARMs in Maryland grew by 117% compared to a 62.0% rise nationally).

All of that said, it is important to note that Maryland is not Ohio, Indiana or Michigan with respectively 19.10%, 15.66% and 15.50% of subprime ARMs in foreclosure. But Maryland's delinquency and foreclosure numbers are troubling and heading in the wrong direction at an alarming rate.

In Maryland, 4.6% of all loans were in a delinquency status as of September of 2007, higher than in recent years. In 2006, 3.41% of loans were delinquent and 3.33% and 4.11% were delinquent in 2005 and 2004, respectively.

The concomitant rises in serious delinquency (i.e., 90+ days) and foreclosures does not bode well for the state of Maryland. Conventional wisdom is that a large percent of those seriously delinquent loans will go to foreclosure. As real estate prices flatten (or worse, decline) and credit is impaired by the delinquency itself, Maryland homeowners are likely in for a rough ride over the next few years.



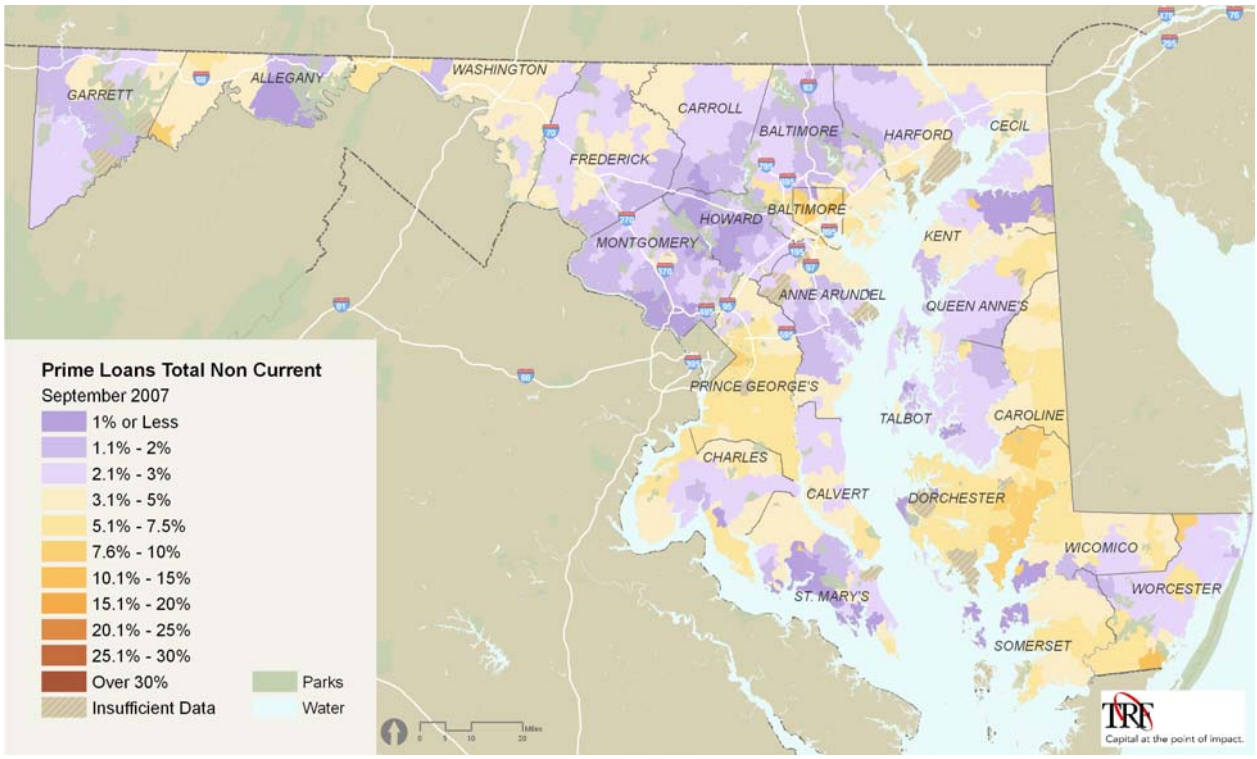
Mortgage servicing data from McDash can also shed light on the State's delinquency problem.[xviii] As of September of 2007, the percent of prime loans in a delinquency status was 2.99%. The percent of prime ARMs that are delinquent stands at 4.6%. While both numbers are significantly lower than the subprime rate of delinquency, each prime rate has increased over the past year.

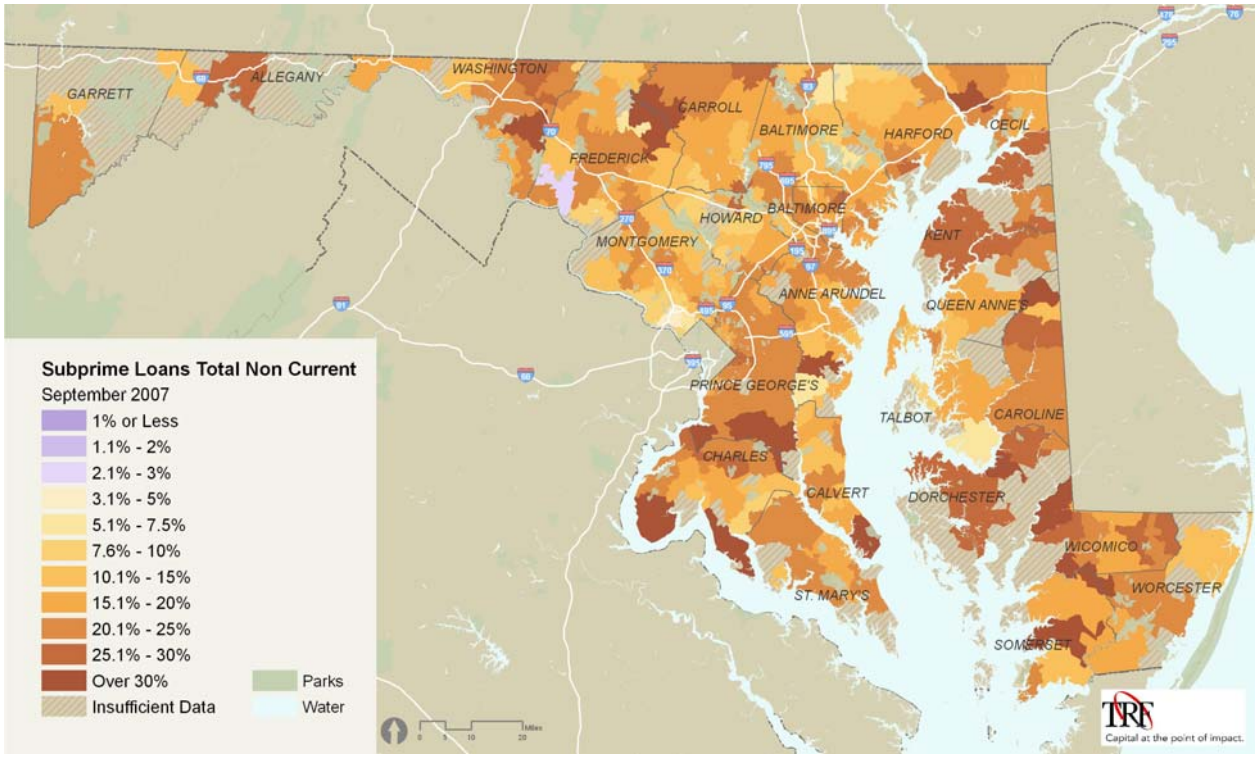
Compared to the prime pool of loans, subprime delinquencies are much more common. As of September of 2007, the percent of all subprime loans (regardless of whether the interest is fixed or adjustable) in a delinquency status was 18.84%. The percent of delinquent subprime ARMs, a group of loans now commonly referred to in the media as problematic, stands at 24.22%. This too is an increase from 2006.

Across the country, loans originated in 2006 are unique in their default and delinquency experience. That is, these loans are experiencing acutely high rates of very quick default and delinquency (i.e., first-payment and within the first-year default). As of September of 2007, 4.6% of prime loans and a remarkable 22.9% of subprime loans were delinquent. Most delinquent among the 2006 cohort of

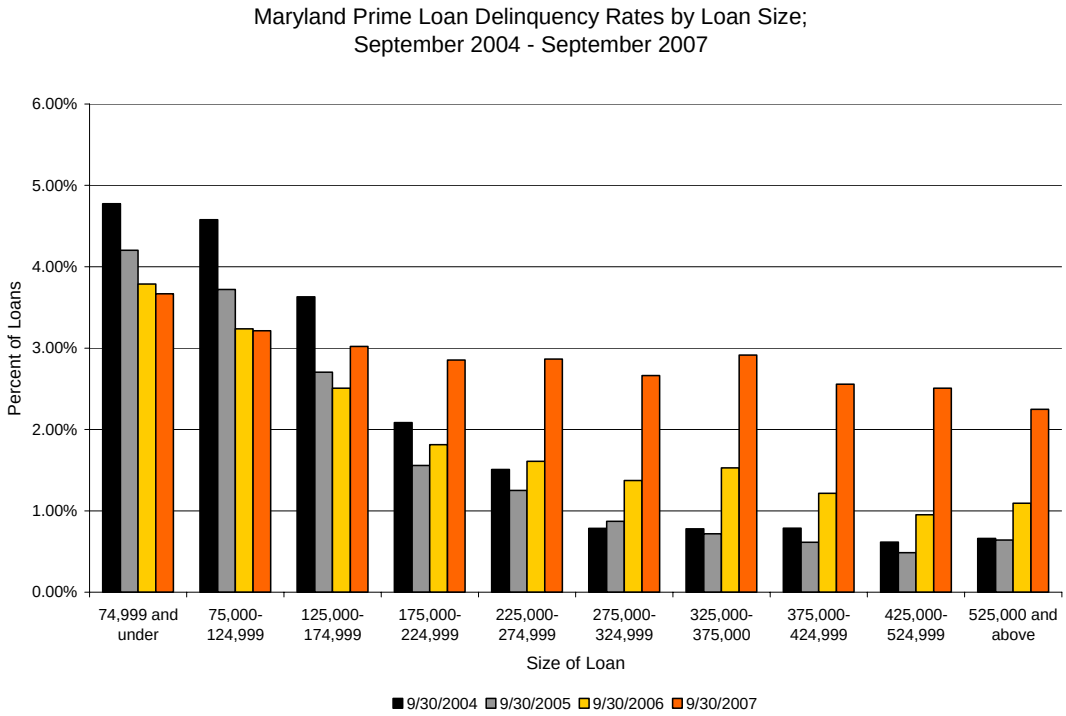
loans are subprime ARMs, 27.06% of which are delinquent. Loans made in 2006 have even higher delinquency rates than loans originated in 2005 – contrary to what one might reasonably expect.

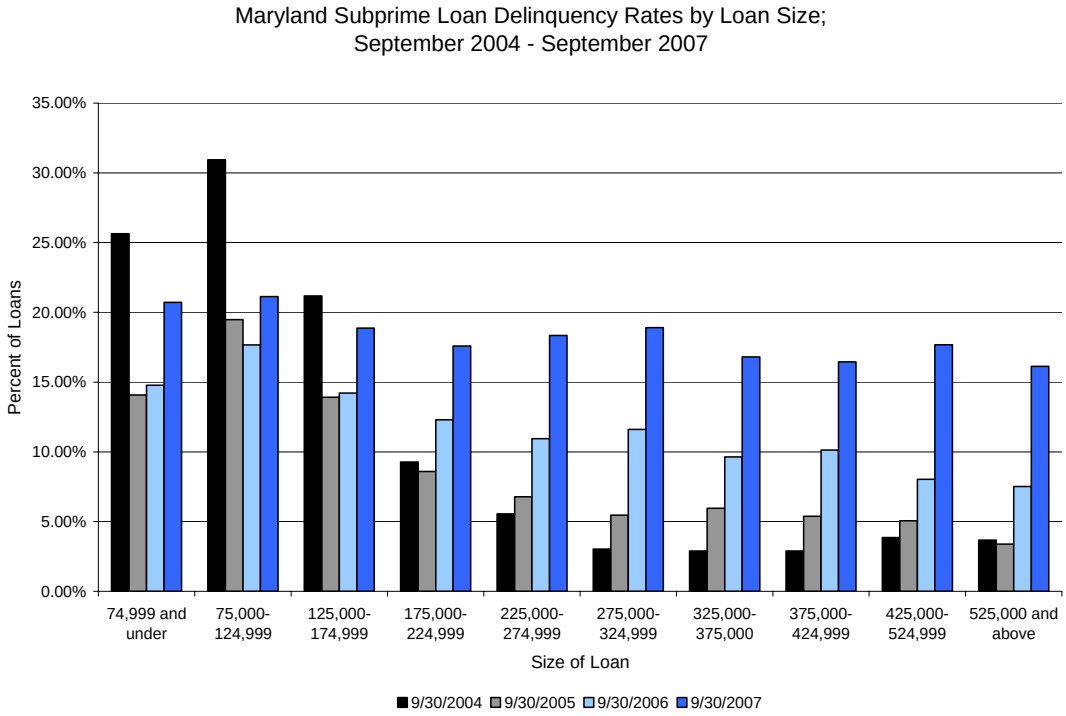
	Originated in 2006			Originated in 2005		
	3 Months	4+ Months	Total	3 Months	4+ Months	Total
Prime Delinquent	0.33%	0.34%	4.60%	0.23%	0.34%	3.40%
Prime Fixed Delinquent	0.29%	0.39%	3.88%	0.17%	0.25%	2.89%
Prime ARM Delinquent	0.68%	0.65%	6.76%	0.41%	0.58%	4.83%
Subprime Delinquent	2.81%	4.30%	22.85%	2.62%	5.25%	22.22%
Subprime Fixed Delinquent	2.10%	3.94%	19.30%	1.82%	4.81%	18.71%
Subprime ARM Delinquent	3.65%	4.75%	27.06%	3.37%	5.69%	25.51%





Finally, servicing data indicate that mortgage delinquencies in Maryland are generally on the rise. And, although smaller loans are still more likely to be delinquent (both prime and subprime) than larger loans, the rate of increase in delinquency for the largest loans far exceeds the rate of increasing delinquency among smaller loans.





Zip codes composed of 60% or more African Americans were examined to ascertain the degree of delinquency. It is noticeable that virtually every one of these zip codes has a delinquency percentage that exceeds the statewide percentage. Moreover, although some of the majority African American zip codes either decreased in percent delinquent between 2004 and 2007 or increased at a rate that was below the statewide percent, they remained above average.

Zip codes across the State of Maryland were categorized based on their racial composition (i.e., percent of households headed by African Americans) and home values (i.e., median sale price, 2006). The zip codes were further categorized in terms of whether the percent of prime and subprime loans that were non-current exceeded the statewide average. We observe the following:

- As of September 2007, the statewide percent of prime loans that were non-current stood at 3.22%[xix]
    - 12 of 12 (100%) zip codes with 80% or more of households headed by African Americans manifest prime percentages non-current greater than the statewide percent
    - 17 of 17 (100%) zip codes with between 60% and 79.9% of households headed by African Americans manifest prime percentages non-current greater than the statewide percent
    - 10 of 11 (90.9%) zip codes with between 50% and 59.9% of households headed by African Americans manifest prime percentages non-current greater than the statewide percent
    - 18 of 21 (85.7%) zip codes with home prices under $100,000 manifest prime percentages non-current greater than the statewide percent
    - 44 of 55 (80.0%) zip codes with home prices between $100,000 and $199,999 manifest prime percentages non-current greater than the statewide percent
    - 22 of 33 (66.7%) zip codes with home prices between $200,000 and $240,000 manifest prime percentages non-current greater than the statewide percent

- As of September 2007, the statewide percent of subprime loans that were non-current stood at 20.82%
    - 10 of 12 (83.3%) zip codes with 80% or more of households headed by African Americans manifest subprime percentages non-current greater than the statewide percent
    - 13 of 17 (76.5%) zip codes with between 60% and 79.9% of households headed by African Americans manifest subprime percentages non-current greater than the statewide percent
    - 7 of 11 (63.6%) zip codes with between 50% and 59.9% of households headed by African Americans manifest subprime percentages non-current greater than the statewide percent
    - 9 of 13 (69.2%) zip codes with home prices under $100,000 manifest subprime percentages non-current greater than the statewide percent
    - 29 of 45 (64.4%) zip codes with home prices between $100,000 and $199,999 manifest subprime percentages non-current greater than the statewide percent
    - 11 of 26 (42.3%) zip codes with home prices between $200,000 and $240,000 manifest subprime percentages non-current greater than the statewide percent

These data show that prime and subprime delinquency rates are higher than the statewide averages in the overwhelming majority of zip codes with 60% or more African Americans and in zip codes with home values that are below the state average. It is noteworthy that the percentages non-current for prime and subprime loans is not considerably different between the lowest home price zip codes (i.e., under $100,000) and zip codes with higher home prices (i.e., between $100,000 and $199,999).

VII. Mortgage Originations in Maryland

Starting in 2004, HMDA reporting institutions were required to submit interest rate information when a loan carried at least a three percentage point spread between its APR and the "comparable Treasury security" for a first-position lien; for secondary liens, lenders must report interest rate information for loans with rate spreads equal to or exceeding 5 percentage points. Using HMDA reported rate spreads as the floor for what is considered subprime, we can identify the portion of the State's lending that is subprime, and how that lending differs by geography and by race of the borrower.

From 2004 through 2006, refinance loan originations were more frequent than purchase money mortgage originations.[xx] In fact, in the three years reviewed, only the City of Baltimore in 2005 had more purchase money mortgages originated than refinances. In an appreciating housing market, refinances are often a way for homeowners to access rising equity in their homes. However, if homeowners borrow close to (or as much as) the total value of their home, they are more susceptible to economic shocks that can lead to foreclosure. This is especially true if home price appreciation slows or declines, and mortgage payments (because of interest rate adjustments) increase.

As detailed in the Baltimore City-specific section of the report, there is evidence that a share of the City's foreclosures are from owners who are investors, rather than owner-occupants. As a share of originations, the City easily has the highest share of mortgages secured to properties without an owner-occupant. In 2005 and 2006, almost one-quarter of all loans in the City were made to non-owner-occupants. The share in Baltimore County, Montgomery County and Prince George's County was notably smaller, at approximately 5% to 6% of originations each year, smaller than the rest of the state, and the state as a whole.

Percent of Originations for Non Owner-Occupied Properties

	Baltimore City	Baltimore County	Montgomery County	Prince George's County	Rest of State	Entire State
2004	21.1%	4.6%	5.5%	6.1%	9.2%	7.9%
2005	24.6%	5.4%	6.0%	6.2%	9.3%	8.6%
2006	23.9%	5.5%	5.8%	5.6%	8.9%	8.6%

HMDA Originations 2006

Purpose	Baltimore City	Baltimore County	Montgomery County	Prince George's County	Remainder of MD	Total
Purchase	16,625	17,841	37,424	28,415	48,476	148,781
Home Improvement	2,891	3,985	5,916	5,694	10,831	29,317
Refinance	19,227	25,942	44,435	47,933	63,153	200,690
Total	38,743	47,768	87,775	82,042	122,460	378,788

HMDA Originations 2005

Purpose	Baltimore City	Baltimore County	Montgomery County	Prince George's County	Remainder of MD	Total
Purchase	16,903	19,262	44,747	29,913	56,750	167,575
Home Improvement	2,332	3,633	5,880	5,189	10,206	27,240
Refinance	16,669	29,252	59,793	54,518	78,456	238,688
Total	35,904	52,147	110,420	89,620	145,412	433,503

HMDA Originations 2004

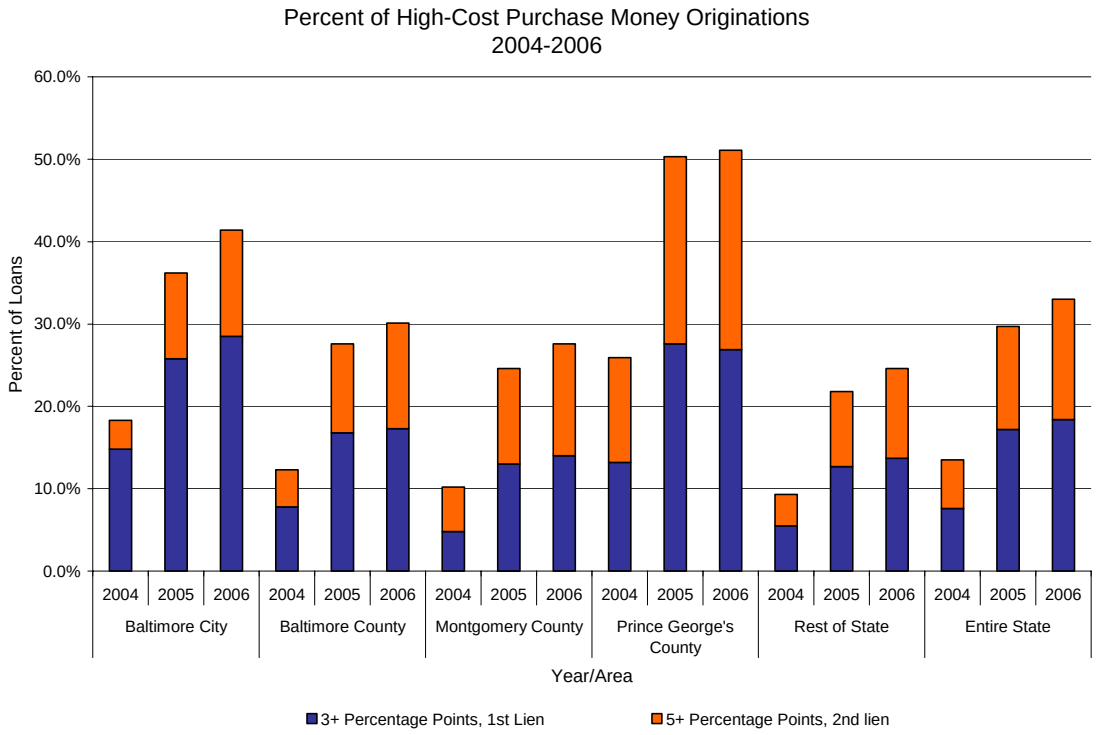
Purpose	Baltimore City	Baltimore County	Montgomery County	Prince George's County	Remainder of MD	Total
Purchase	12,257	16,760	42,201	25,926	52,030	149,174
Home Improvement	1,726	2,379	4,805	3,886	8,135	20,931
Refinance	13,644	25,863	61,319	42,178	72,741	215,745
Total	27,627	45,002	108,325	71,990	132,906	385,850

Percent Change HMDA Originations 2004-2006

Purpose	Baltimore City	Baltimore County	Montgomery County	Prince George's County	Remainder of MD	Total
Purchase	35.6%	6.4%	-11.3%	9.6%	-6.8%	-0.3%
Home Improvement	67.5%	67.5%	23.1%	46.5%	33.1%	40.1%
Refinance	40.9%	0.3%	-27.5%	13.6%	-13.2%	-7.0%
Total	40.2%	6.1%	-19.0%	14.0%	-7.9%	-1.8%

Percent Change HMDA Originations 2004-2005

Purpose	Baltimore City	Baltimore County	Montgomery County	Prince George's County	Remainder of MD	Total
Purchase	37.9%	14.9%	6.0%	15.4%	9.1%	12.3%
Home Improvement	35.1%	52.7%	22.4%	33.5%	25.5%	30.1%
Refinance	22.2%	13.1%	-2.5%	29.3%	7.9%	10.6%
Total	30.0%	15.9%	1.9%	24.5%	9.4%	12.4%



The chart above displays both first liens with at least three points, and second liens with at least five points. Subprime lending increased across the State from 2004 through 2006. While Baltimore City and Prince George's County have the highest share of subprime first liens (the blue bar), the share of purchase originations that were subprime increased across the state from 2004 to 2006.[xxi]

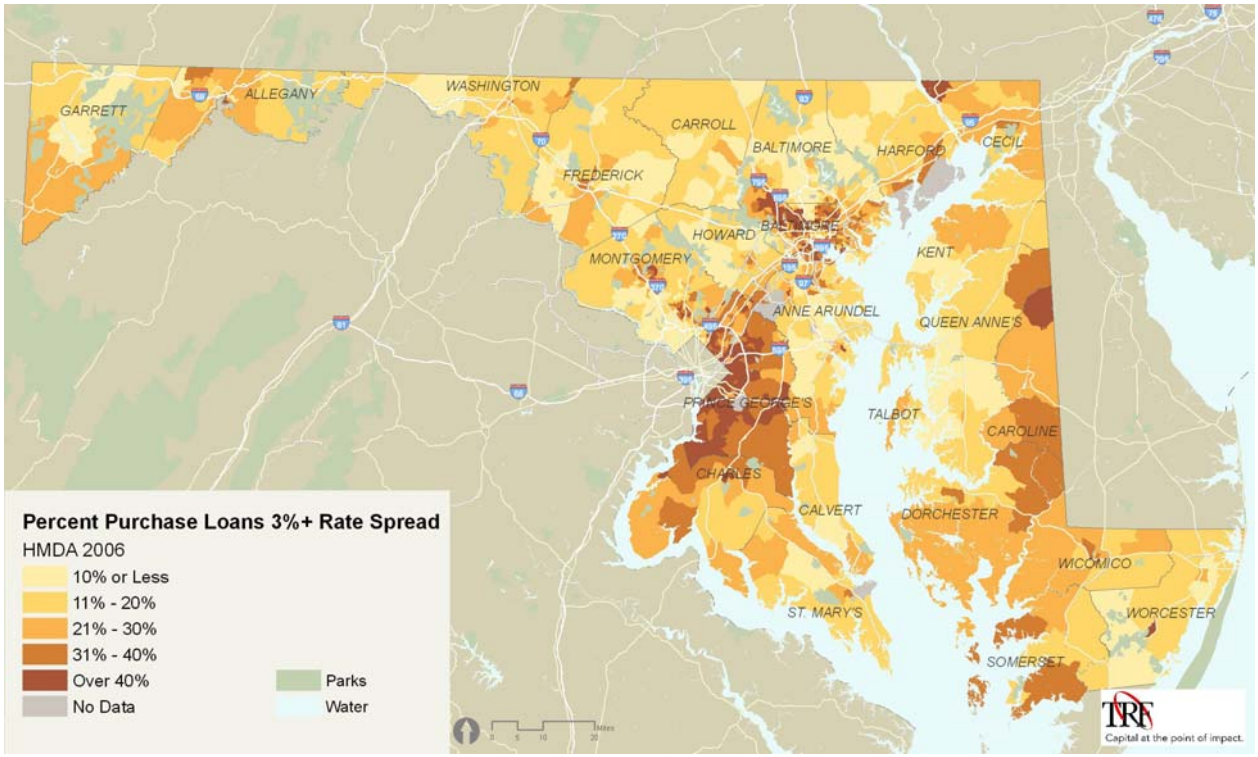
As the orange portion of the bars show, Prince George's County easily has the highest share of subprime "piggyback" loans. As with subprime lending in general, subprime piggyback loans increased across the state from 2004 to 2006.

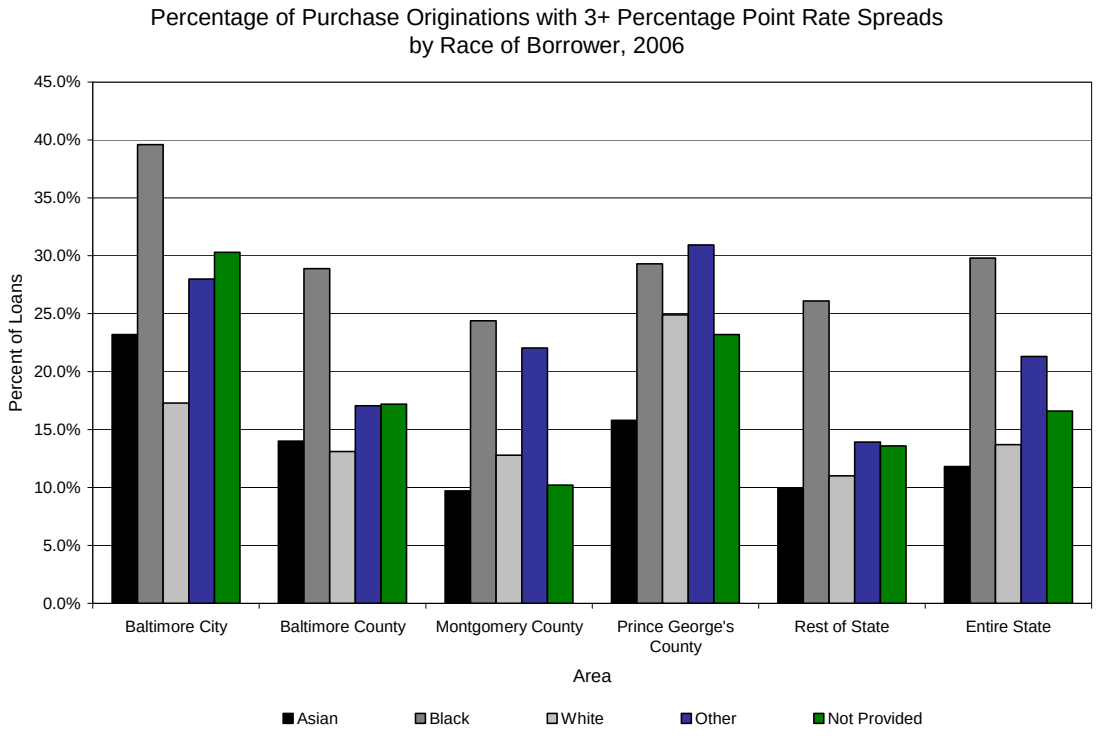
The share of subprime refinances also increased across the State from 2004 through 2006. (The much smaller percentage of second liens with rate spreads is because piggyback loans are generally used at the time of a home purchase.) Baltimore City, followed by Prince George's County, had the greatest share of refinances that were subprime.

What is a piggyback loan?

Piggyback purchase loans reference a circumstance whereby borrowers obtain two mortgages, many times referred to as "80/20s." The primary mortgage is for approximately 80% of the sale price of the home, and the second mortgage represents approximately 20% of the sale price (i.e., the downpayment). The piggyback loan will often carry a higher interest rate than the primary loan and will oftentimes have a different term of maturity. Borrowers may find this preferable as it allows them to avoid private mortgage insurance.

By creating a formula applied to HMDA data, we estimated when piggyback loans were used to purchase homes. Our estimates from HMDA are likely undercounts, because they only determine piggybacks where the same lender originates both the first and second liens.


GARRETT
ALLEGANY
WASHINGTON
CARROLL
BALTIMORE
HARFORD
CECIL
FREDERICK
HOWARD
BALTIMORE
MONTGOMERY
KENT
ANNE ARUNDEL
QUEEN ANNE'S
PRINCE GEORGE'S
TALBOT
CAROLINE
CHARLES
CALVERT
DORCHESTER
WICOMICO
ST. MARY'S
WORCESTER
SOMERSET
Percent Purchase Loans 3%+ Rate Spread
HMDA 2006
10% or Less
11% - 20%
21% - 30%
31% - 40%
Over 40%
No Data
Parks
Water
TRF
Capital at the point of impact.

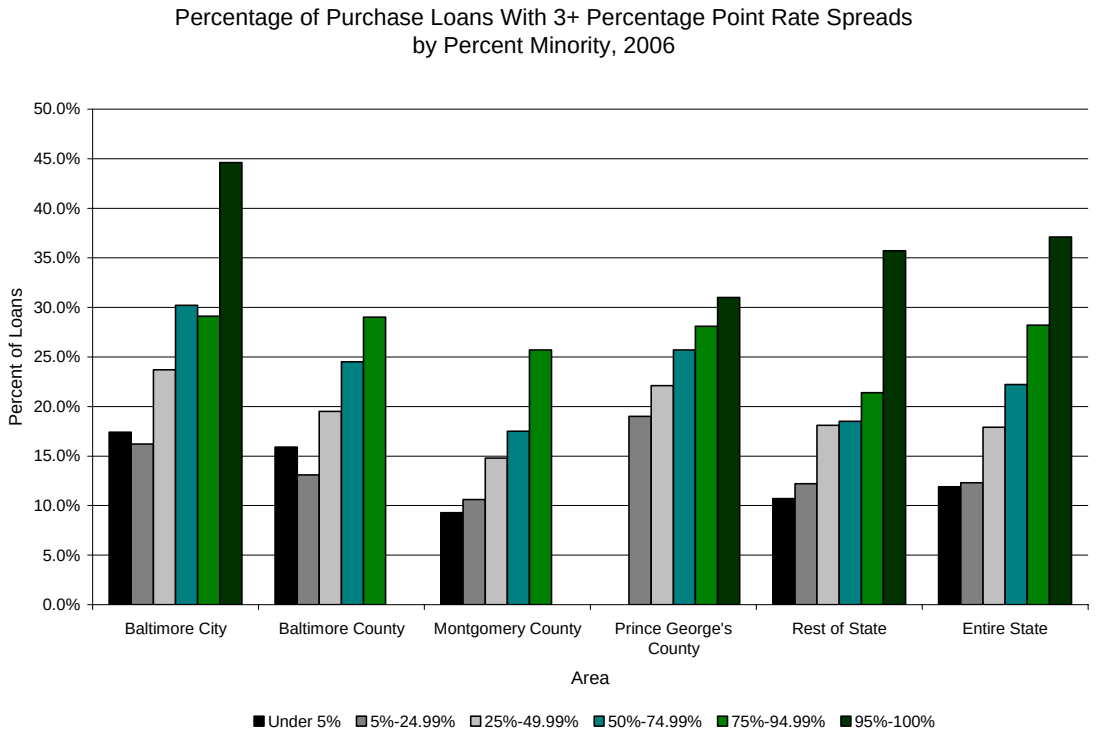

Percentage of Purchase Originations with 3+ Percentage Point Rate Spreads
by Race of Borrower, 2006
45.0%
40.0%
35.0%
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
Percent of Loans
Baltimore City
Baltimore County
Montgomery County
Prince George's County
Rest of State
Entire State
Area
Asian
Black
White
Other
Not Provided

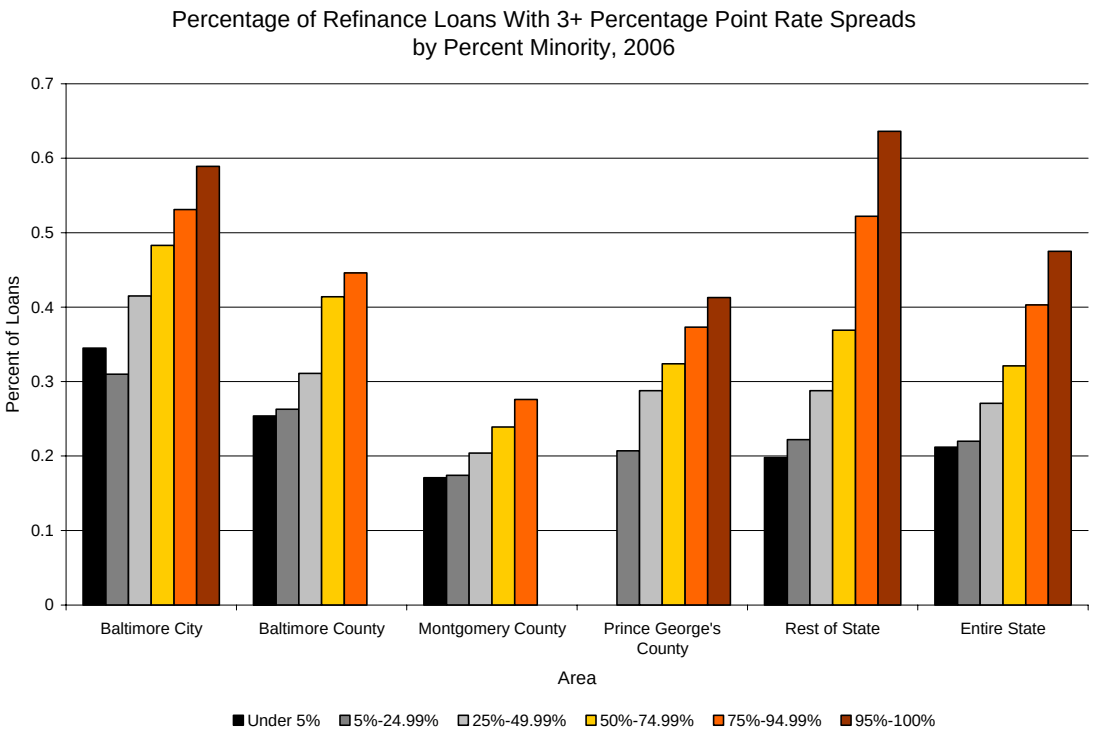
In 2006, across the state of Maryland, Black homeowners were most likely to receive a subprime purchase money mortgage. Black homeowners were roughly twice as likely to receive a subprime purchase money mortgage as Whites, in every location except Prince George's County. In Prince George's County, borrowers of "other" racial groupings (a fairly small subset of loans combining American Indians and Pacific Islanders) is the most likely group of racial minorities to receive subprime purchase loans, followed by Blacks. However, in Prince George's County, almost one-quarter of Whites (24.9%) received subprime purchase money originations, higher than Baltimore City (17.3%) and the State as a whole (11.0%).

In 2006, in all areas studied, Blacks received a higher share of subprime originations as a percentage of all refinances than other racial categories. In Baltimore City, for example, over 56.2% of refinances made to Blacks were subprime, while 32.7% of refinances made to Whites in Baltimore City were subprime.

However, while Blacks in Baltimore City were the most likely to receive subprime refinances, the greatest relative disparity between races occurred in Montgomery County, where Blacks (33.1%) were almost twice as likely as Whites (17.1%) to receive refinances that were subprime.

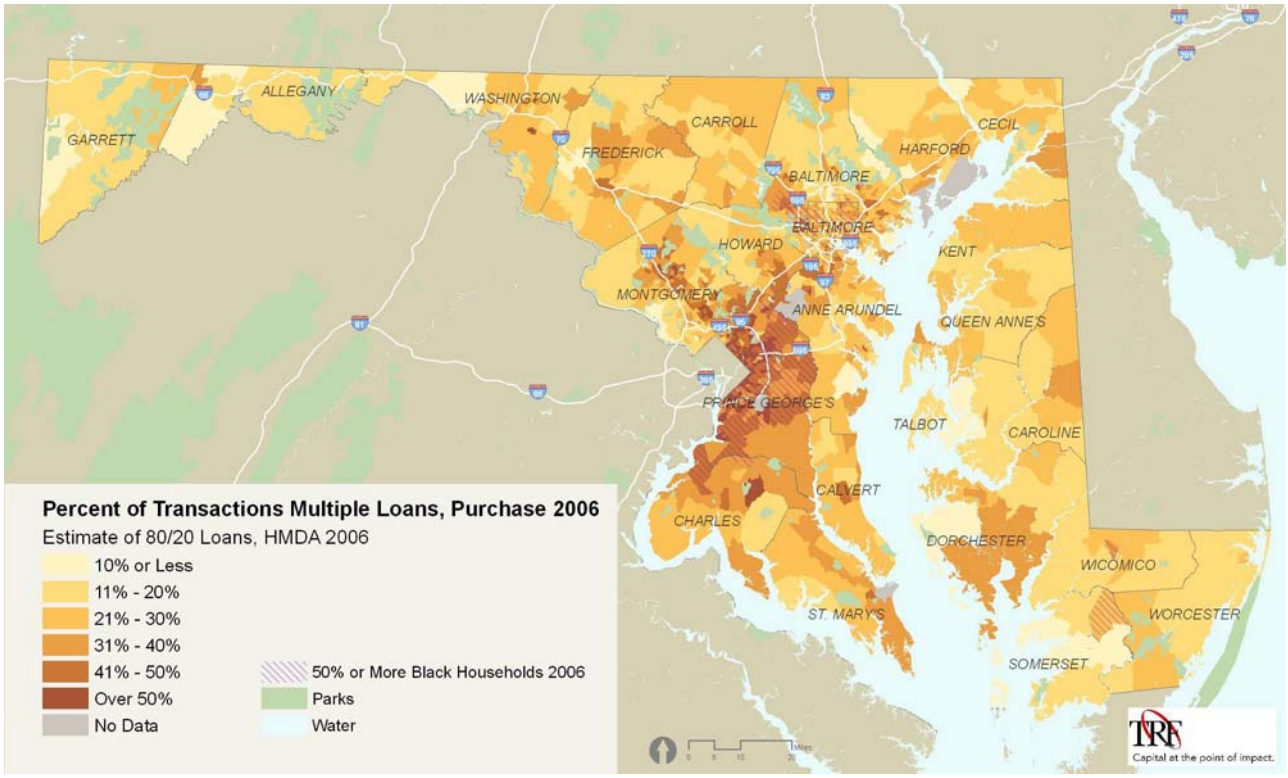
In Maryland, there is a strong correlation between the likelihood of a borrower receiving a subprime purchase money or refinance loan and the percent of minorities that live in the area in which their collateral property is located. That is, owners in neighborhoods with high percentages of minorities are far more likely to receive subprime loans than owners in neighborhoods with few minority residents. As each graph shows, there are large differences in the rate of subprime lending to predominantly minority neighborhoods than to neighborhoods with primarily White residents.


Percentage of Purchase Loans With 3+ Percentage Point Rate Spreads
by Percent Minority, 2006
Percent of Loans
50.0%
45.0%
40.0%
35.0%
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
Baltimore City
Baltimore County
Montgomery County
Prince George's County
Rest of State
Entire State
Area
Under 5%
5%-24.99%
25%-49.99%
50%-74.99%
75%-94.99%
95%-100%


Percentage of Refinance Loans With 3+ Percentage Point Rate Spreads
by Percent Minority, 2006
Percent of Loans
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
Baltimore City
Baltimore County
Montgomery County
Prince George's County
Rest of State
Entire State
Area
Under 5%
5%-24.99%
25%-49.99%
50%-74.99%
75%-94.99%
95%-100%

From 2004 to 2006, the use of piggyback loans increased significantly in Baltimore City, Montgomery County, and Prince George's County. Prince George's County had the highest percentage of purchase money mortgages with piggyback loans, at 39.3%. Montgomery County had the largest percentage change in the use of piggyback loans, with home purchasers 2.3 times more likely to receive a piggyback loan in 2006 compared to 2004.

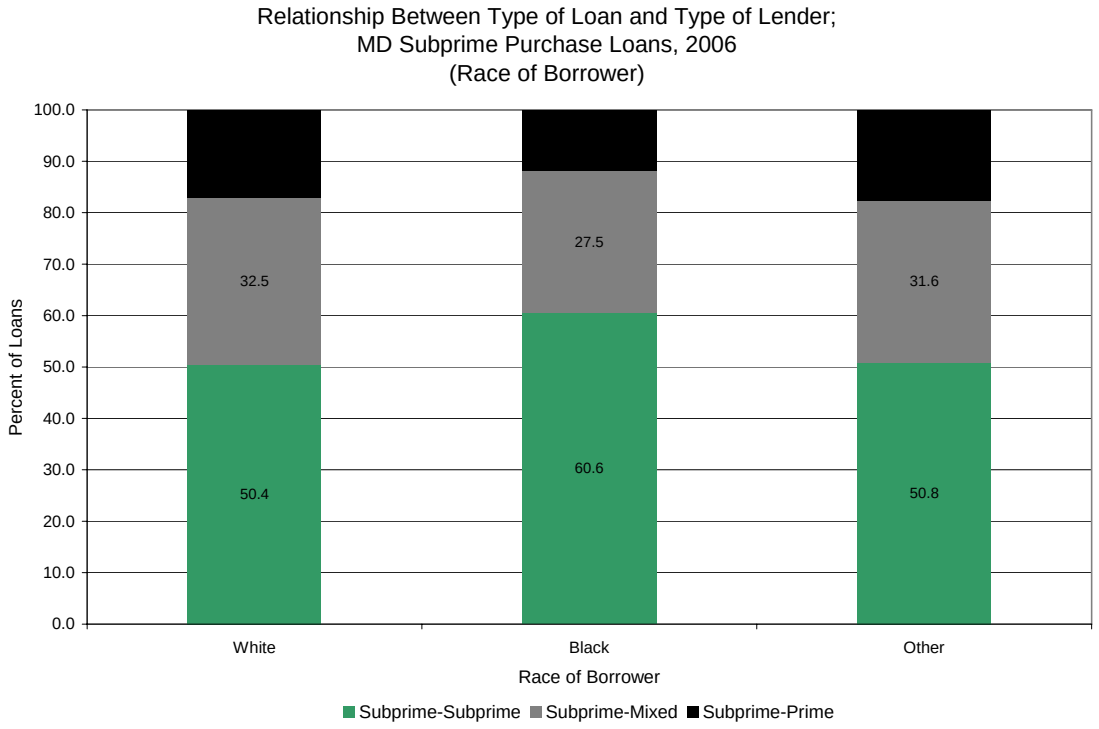
	2004	2005	2006	Increase from 2004 to 2006
Baltimore City	6.4%	12.6%	18.3%	185.7%
Montgomery County	9.1%	14.7%	29.9%	229.4%
Prince George's County	20.6%	36.5%	39.3%	91.1%

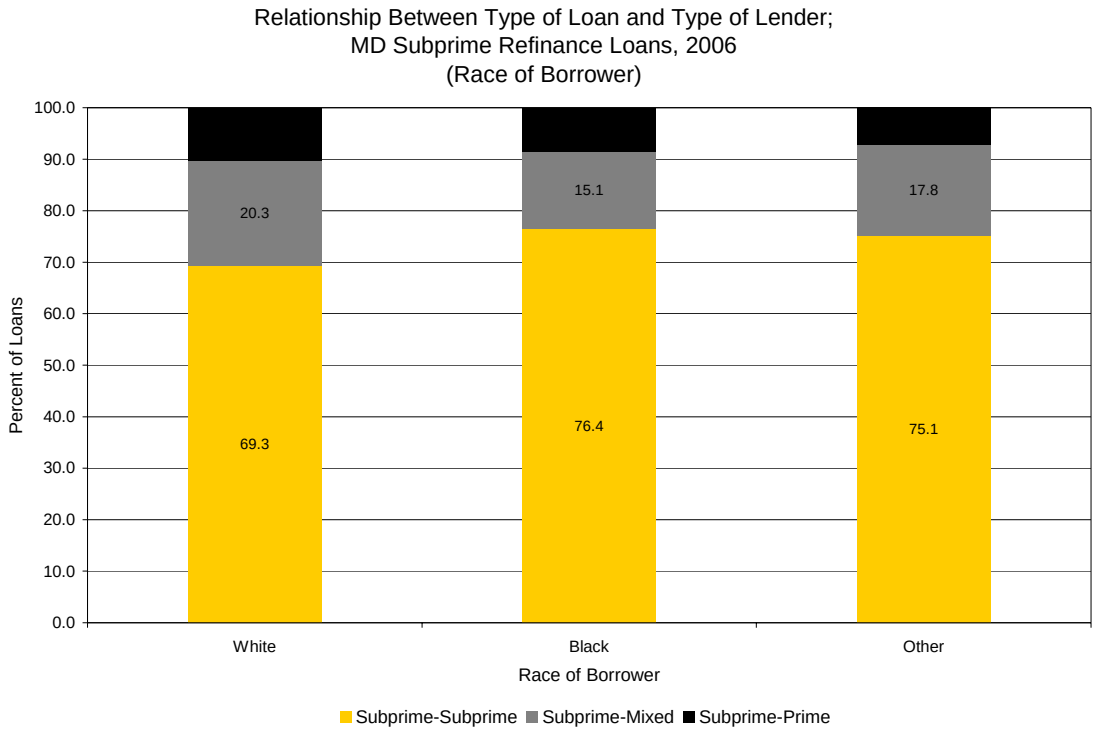


We also examine how likely a consumer is to receive a subprime loan from a subprime lender. The statistic is particularly useful when considering the types of institutions from which White and Black borrowers receive loans. What's the difference? The difference is that the different types of lenders have different likelihoods of being regulated by one of the nation's financial regulatory agencies (e.g., the Office of the Comptroller of the Currency, Office of Thrift Supervision, etc.). That regulatory oversight is recognized to be a safeguard against fraud and other abusive lending practices.

In fact, by race, Blacks are more likely to receive a subprime loan from a subprime lender than are Whites. A larger percentage of Whites who receive subprime loans do so from either prime lenders, or lenders who make both types of loans. That is true both for purchase and refinance mortgages.

Although not shown here, Blacks are less likely than Whites to receive a prime loan from a prime lender; they are more likely than Whites to receive those prime loans from a lender that makes both types of loans or even a subprime lender. An analogous pattern adheres when the racial composition of the area, not the race of the borrower, is considered. That is, borrowers residing in areas with higher percentages of minorities are more likely to receive prime loans from lenders that originate a mixture of prime and subprime loans or even primarily subprime lenders; borrowers residing in areas with higher percentages of minorities are more likely to receive subprime loans from lenders that originate primarily subprime loans or lenders that originate both prime and subprime loans.





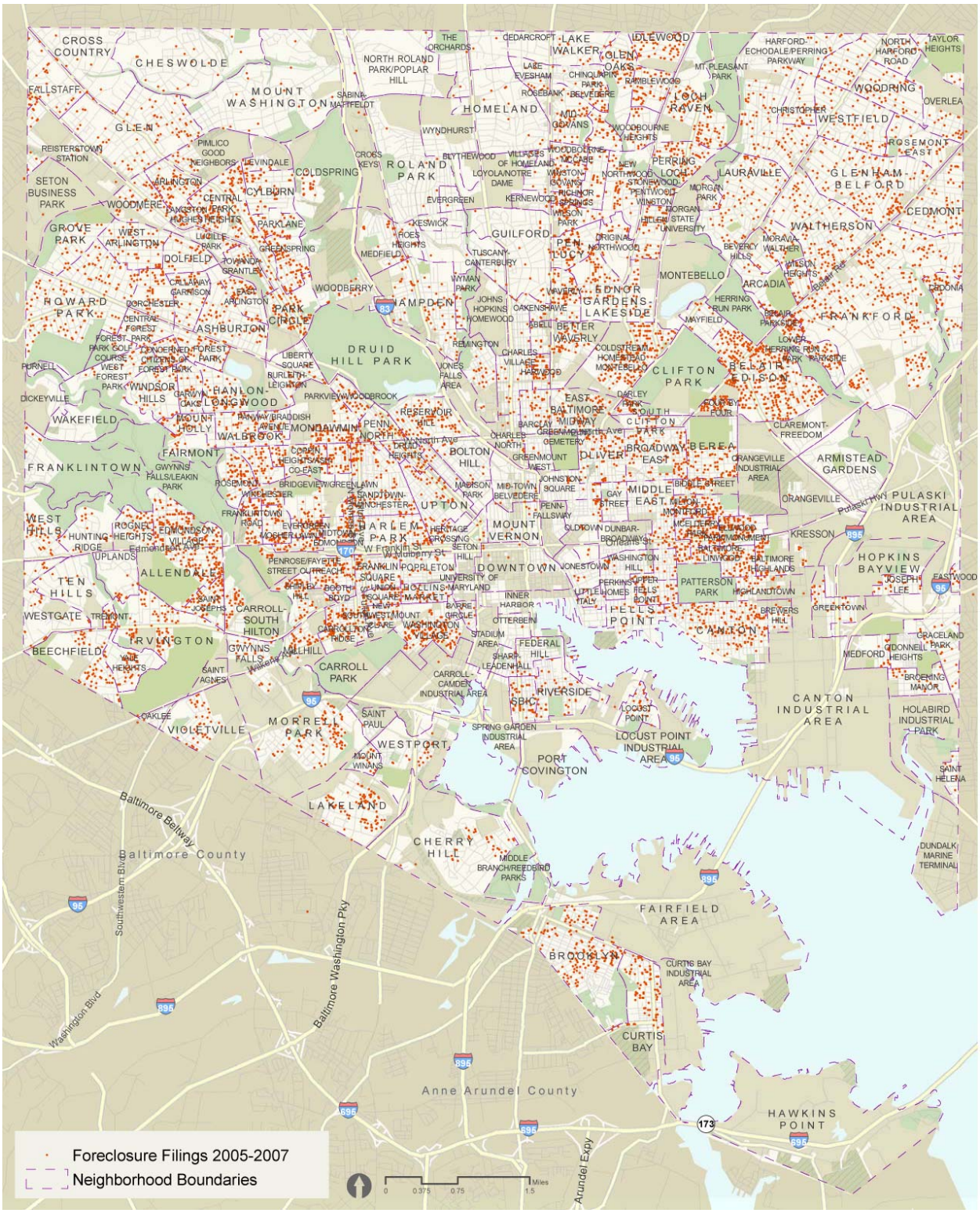
Finally, using servicing data from McDash Analytics, we can analyze the health of the current pool of loans on a zip-code level. Examining the current lending pool is useful in that it provides a good indication of where foreclosures are more likely to occur going forward.

Within Baltimore, the typical zip code has approximately 1-in-20 of its prime borrowers in a non-current status; the percentage in Prince George's County is very similar. The median zip code in Montgomery County has a significantly lower percentage of prime borrowers in non-current status, with 1-in-52 borrowers non-current. The statewide percentage is approximately 1-in-33.

The typical zip code in the City of Baltimore has approximately 1-in-5 of its subprime borrowers in a non-current status; the percentage in Prince George's County is similar. In Montgomery County, the ratio is approximately 1-in-6. The statewide ratio is approximately 1-in-8.

The typical zip code in the City of Baltimore has approximately 1-in-4 of its subprime ARM borrowers in a non-current status; the percentage in Prince George's County is, again, quite similar, while in Montgomery County the ratio is approximately 1-in-5. The statewide ratio is about 1-in-6.

VIII. Baltimore City Loans and Properties in Foreclosure



From the City of Baltimore, with assistance from the University of Baltimore, we received records of 6,438 properties in foreclosure from 2005 to 2006. From those records (and their associated property addresses), we retrieved 5,664 properties from the FARES database, giving us details about the property, such as its assessed value or whether it was a single-family residence, as well as a detailed transaction history of loans on the property. From that subset of properties, we used the amount of money that was owed at the time of foreclosure, the date of foreclosure, and the sale price and mortgage amounts of the homes to find sales transactions (4,188) and loan transactions (3,386) for homeowners in foreclosure.

Number of Filings Reported by Baltimore: January 2005-December 2006	6,438
Properties Found in FARES	5,664
Sales Transaction for Homeowners in Foreclosure Determined	4,188
Mortgage Transaction for Loans in Foreclosure Determined	3,386

As we found in our previous study, foreclosure filings are generally clustering in lower, but not the lowest income/home price areas. This is true not only in Baltimore, but in Prince George's County and Montgomery County – counties where filing data are available. Filings are also more highly clustered in areas that have higher percentages of minority homeowners.

Foreclosure Ratio

In addition to examining McDash and MBA data to track both levels of foreclosure and delinquencies, as well as historical trends, we find it useful to examine the number of foreclosure filings in a city or county in relation to its owner-occupied housing stock. Per one-thousand owner-occupied housing units, Baltimore's foreclosure ratio was significantly lower than 2000, but has increased since 2005. From 2005 to 2007 specifically, foreclosures increased while the number of owner-occupied units decreased. Additionally, Baltimore's ratio of foreclosures is still considered high. Of cities that TRF has examined, Baltimore's 2007 foreclosure ratio is higher than 2006 levels of Philadelphia, PA, and Camden, NJ, and roughly equal to 2006 numbers from Newark, NJ.

	Foreclosure Ratio 2000	Foreclosure Ratio 2004	Foreclosure Ratio 2005	Foreclosure Ratio 2006	Foreclosure Ratio 2007 (using 2006 Housing Units)
Baltimore	45.1	30.6	25.8	26.9	33.9

Property Types in Foreclosure

Property Type	Foreclosures Found	Percentage of Baltimore Foreclosures	Average Assessed Value	Total Assessed Value
Single-family detached	998	17.6%	$157,022	$156,707,840
Single-family semi-detached	432	7.6%	$107,800	$ 46,569,500
Single-family row	3,769	66.4%	$ 70,865	$267,091,710
Multi-family 3-6 units	26	0.5%	$106,030	$ 2,756,790
Multi-family convert	53	0.9%	$107,097	$ 5,676,120
Condo garden-type	30	0.5%	$104,500	$ 3,135,000
Converted apartment	31	0.5%	$100,245	$ 3,107,600
Two-family detached	95	1.7%	$142,335	$ 13,521,870
Two-family row	175	3.1%	$ 85,172	$ 14,905,140
Two-family semi-detached	20	0.4%	$113,477	$ 2,269,540
Other	50	0.9%		
	5,679			**$515,741,110**

The majority of properties in foreclosure are single-family row homes. These homes are moderately priced, with an average assessed value of $70,865. Single-family detached and single-family semi-detached homes also make up a significant proportion of foreclosures, at 17.6% and 7.6% respectively. As expected, detached and semi-detached properties are worth more than single-family row homes, with average assessed values of $157,022 and $107,800.[xxii]

Even with many foreclosures occurring among Baltimore's more modestly priced homes, the aggregate value of homes in foreclosure in the City is significant. Cumulatively, the assessed values of 2005-2006 homes in foreclosure that were found in the FARES database (a subset of total foreclosures) totaled over 515 million dollars.

Purpose of Loan

Loan Purpose	Number of Foreclosures	Percent Share
Purchase Money Mortgage	2,155	63.6%
Refinance	1,231	36.4%
Total	3,386	100.0%

As we found before, the majority of loans in foreclosure were for the purchase of a home (63.6%), rather than a refinance. In a 2006 examination of Baltimore foreclosures from January 2000 to April 2005, we found a similar percentage of purchase money mortgages (62%) and refinances (38%).

Time from Origination to Foreclosure

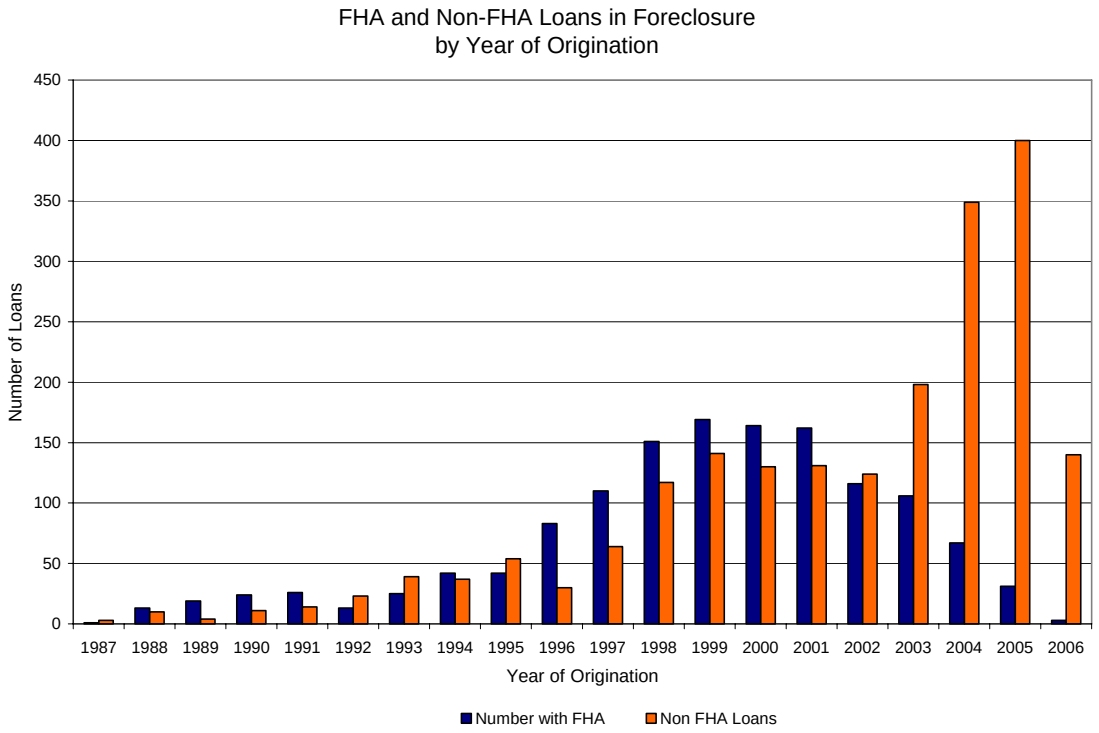
Year	Median Years to Foreclosure
2005-2006	4.4
2005	4.8
2006	3.6

The typical 2005-2006 loan with a foreclosure filing in Baltimore took approximately 4.4 years from origination to foreclosure. However, within the two year time period, foreclosures are occurring more quickly measured against the date of origination. A 2006 filing reached foreclosure 1.2 years faster than a 2005 loan in foreclosure.

Loan Type

Loan Type	2005-2006 Foreclosures	Percent of 2005-2006 Foreclosures	2005 Foreclosures	Percent of 2005 Foreclosures	2006 Foreclosures	Percent of 2006 Foreclosures
Not Listed, Likely Conventional	41	1.2%	16	1.0%	25	1.4%
Conventional	1,755	51.8%	744	46.6%	1,011	56.4%
FHA	1,367	40.4%	728	45.6%	639	35.7%
Private Party	83	2.5%	39	2.4%	44	2.5%
VA	140	4.1%	68	4.3%	72	4.0%
Total	**3,386**	**100.0%**	**1,595**	**100.0%**	**1,791**	**100.0%**

FHA loans make up a significant percentage of foreclosed Baltimore home loans, accounting for 40.4% of home in foreclosure in 2005-2006. Recent data and interviews suggest that the FHA has been insuring fewer loans in Baltimore.[xxiii] That assertion is in concert with the data that show that FHA loans dropped as a share of all foreclosures, from 45.6% in 2005 to 35.7% in 2006.



Within Baltimore, foreclosures in 2005-2006 are most likely from loans originated in 2004 and 2005. These loans generally went into foreclosure in under two years. As the graph shows, while FHA loans continue to play a significant part in Baltimore foreclosures, FHA loans are traveling into foreclosure significantly slower than conventional loans. The most common year of origination for an FHA foreclosure was 1999; the most common year of origination for conventional loans was 2005.

We expect that, going forward, unless there is a resurgence in FHA lending, FHA loans will constitute a decreasing share of Baltimore foreclosures.

Besides looking at where piggyback loans are made, using our transactional data from FARES, we can estimate what percentage of the loan pool in foreclosure has piggy back loans.

The effects of Baltimore's homeownership programs are still being felt in foreclosures in the City. Loans with government sponsored second loans, the overwhelming majority from the City of Baltimore itself, still accounted for 17.4% of all purchase money mortgages in foreclosure in Baltimore, and 11.1% of the overall loans in foreclosure. Private piggyback loans account for 13.6% of all purchase money mortgages in foreclosure, and 8.7% of foreclosures as a whole. TRF's previous report on foreclosures in Baltimore states:

> *9.2% of the properties in foreclosure were purchased through the City's SELP program. According to the City, this first-time homebuyer program provided home purchase second mortgages to approximately 4,000 buyers between 1993 and 2000. The foreclosure pool contains 1,826 of these properties.*

> *SELP properties represent 45% of all properties in foreclosure with second loans. It is a historical fact that the SELP program was problematic. The City recognized the difficulties with the program, ended it and established a revised program requiring homeownership counseling.*[xxiv]

It appears from the prevalence of government-related piggyback loans that these are a persistent factor impacting the number of foreclosures in Baltimore.

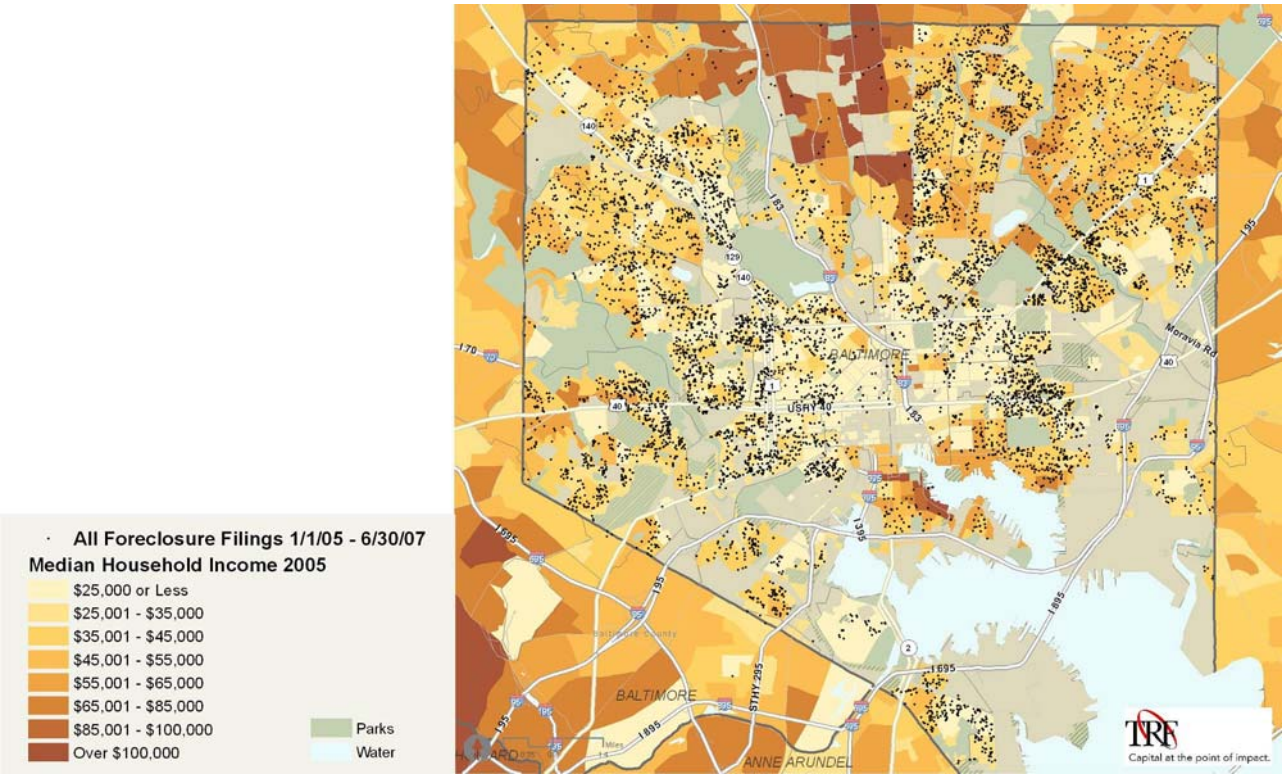
Rate Type	Number of Foreclosures 2005-2006	Share of Foreclosures 2005-2006	Number of Foreclosures 2005	Share of Foreclosures 2005	Number of Foreclosures 2006	Share of Foreclosures, 2006
Not listed, Likely Fixed	2,195	64.8%	1,131	70.9%	1,064	66.7%
Fixed	275	8.1%	150	9.4%	125	7.8%
Balloon	51	1.5%	29	1.8%	22	1.4%
Adjustable	865	25.5%	285	17.9%	580	36.4%
Total	**3,386**	**100.0%**	**1,595**	**100.0%**	**1,791**	**112.3%**

Adjustable rate mortgages (ARMs) accounted for approximately one-quarter of foreclosures in Baltimore. Additionally, ARMs significantly increased their share of the foreclosure pool in Baltimore from 2005 to 2006, going from 17.9% of the foreclosure pool in 2005 to 36.4% in 2006.

Loan-to-Price Ratios

	2005-2006 Foreclosures	2005 Foreclosures	2006 Foreclosures
Loan-to-Price Ratio	99.9%	99.9%	99.9%

The typical Baltimore homeowner in foreclosure had very little equity in their home at the time of purchase. An examination of the purchase transaction for both 2005 and 2006 foreclosures shows that the typical homeowner's loan-to-price ratio was essentially 1. As noted above, the median Maryland homeowner purchasing a home did so with more equity than any State in the region. For homeowners in foreclosure in Baltimore, this is simply not the case.



Investor-Owned Properties

To what extent are properties in foreclosure investor-owned? With data provided by the City of Baltimore, we can make a rough estimate of the frequency of real estate investors being involved in the foreclosure process. We estimated the presence of investors among mortgagors in foreclosure based on a number of things, including (but not limited to) a filing-by-filing review of the frequency that a property owner appeared among those in foreclosure. Considering the time period 2000 through 2007, the percentage of homes in foreclosure owned by an investor was higher in the early part of the period than it is now. That said, the trend is up since 2005. Currently, about one-in-seven foreclosure filings appear to reference properties owned by investors.

Estimated Percent of Filings on Non-Owner Occupant Properties

Racial Composition	2000	2001	2002	2003	2004	2005	2006	2007 (part)
Less than 25% African American	16.0%	17.3%	11.8%	8.0%	10.1%	7.0%	10.2%	16.2%
25% - 50%	22.2%	20.0%	12.7%	11.9%	10.0%	7.4%	9.2%	8.6%
50% - 75%	21.9%	21.3%	18.2%	14.0%	9.6%	9.3%	11.3%	14.6%
75%+ African American	27.9%	24.3%	22.8%	13.1%	13.7%	12.0%	12.6%	15.1%
All filings	24.6%	22.3%	19.4%	12.5%	12.2%	10.6%	11.8%	17.4%

Subprime versus Prime Loans

Through HMDA, we can see how many subprime loans were made to homeowners. However, determining how many foreclosures were from subprime loans is a more complicated and less exact process. While we are unable to denote which loans in foreclosure are explicitly subprime, using data from HMDA, as well as data from the U.S. Department of Housing and Urban Development, we can estimate how many loans came from lenders who make primarily prime loans (0-19.99% of originations subprime), primarily subprime loans (50% and greater of originations subprime), or those who make both (20%-49.99%).

To determine the share of loans that come from subprime lenders, we examine the data in two distinct ways, each with individual strengths and weaknesses: First, we look at loans that went into foreclosure from 2005 to 2006, originated at any time. This method lets us look at the entire pool of foreclosures, no matter the year of origination. However, because so many lenders have gone out of business over the last fifteen years, identifying older subprime lenders is ever harder. Additionally, because the market has evolved and the types of products that borrowers receive have changed dramatically, examining loans this way is most useful to see the share of subprime loans, but not to compare characteristics.

The second method of identifying the share of loans in foreclosure by types of lenders is to primarily use 2004-2006 HMDA reporting data, and to restrict the loans in foreclosure we examine to those actually originated in the years HMDA has data for: 2004-2006.

Using the first method, looking at all loans in foreclosure, we find that loans from subprime lenders account for 57.4% of loans in foreclosure. Using the second method, only examining loans in foreclosure that were also originated in 2004-2006, we find that 68.7 percent of loans in foreclosure come from subprime lenders. The second method may be more likely to find subprime lenders for multiple reasons: first, as HMDA data show, the share of subprime lending in Baltimore has increased in recent years; second, because we are examining loans that by definition reached foreclosure quickly, we may be more heavily weighted to riskier, high-cost loans.

	Percent of All Loans in Foreclosure, 2005-2006 (Method 1)	Percent of All Loans Originated in 2004-2006 in Foreclosure, 2005-2006 (Method 2)
Subprime	57.4%	68.7%
Prime	34.4%	22.5%
Both	8.2%	8.8%

In looking at characteristics between lender types, we use the second method. Because the market has changed so greatly in recent years (with the rise of ARM's, piggyback and other products), comparing only loans from recent years allows for the most consistent and comparable data sets. However, because by default, loans in foreclosure in 2004-2006 that were also originated in 2004-2006 have reached foreclosure quickly, the differences between lender types are likely somewhat compressed. That is, we are examining subsets of loans that we know all went into foreclosure quickly.

Rate Types and Time from Origination to Foreclosure

	Median Asessed Value	Median First Lien	Median Loan Amount (Counting piggybacks)	Percent Adjustable	Percent Fixed	Days to Foreclosure
Subprime Lender	$96,930	$89,250	$91,500	81.8%	18.0%	361
Prime Lender	$91,640	$88,254	$90,125	28.8%	68.5%	449
Lender that lends both Prime and Subprime	$88,510	$77,000	$90,500	50.9%	49.1%	336

Loans in foreclosure originated by subprime lenders are far more likely to be adjustable rate mortgages than are loans that are made by prime lenders, with 81.8% and 29.0% of loans with adjustable rates, respectively.[xxv] Falling in between subprime and prime lenders, 50.9% of loans in foreclosure made by lenders identified as making both prime and subprime loans were adjustable rate mortgages.

Additionally, while all loans examined went into foreclosure relatively quickly, loans originated by lenders that originate significant shares of both prime and subprime loans went from origination to foreclosure fastest, followed closely by subprime lenders. On average, loans originated by prime lenders took about 80 days longer than subprime lenders to go to foreclosure.

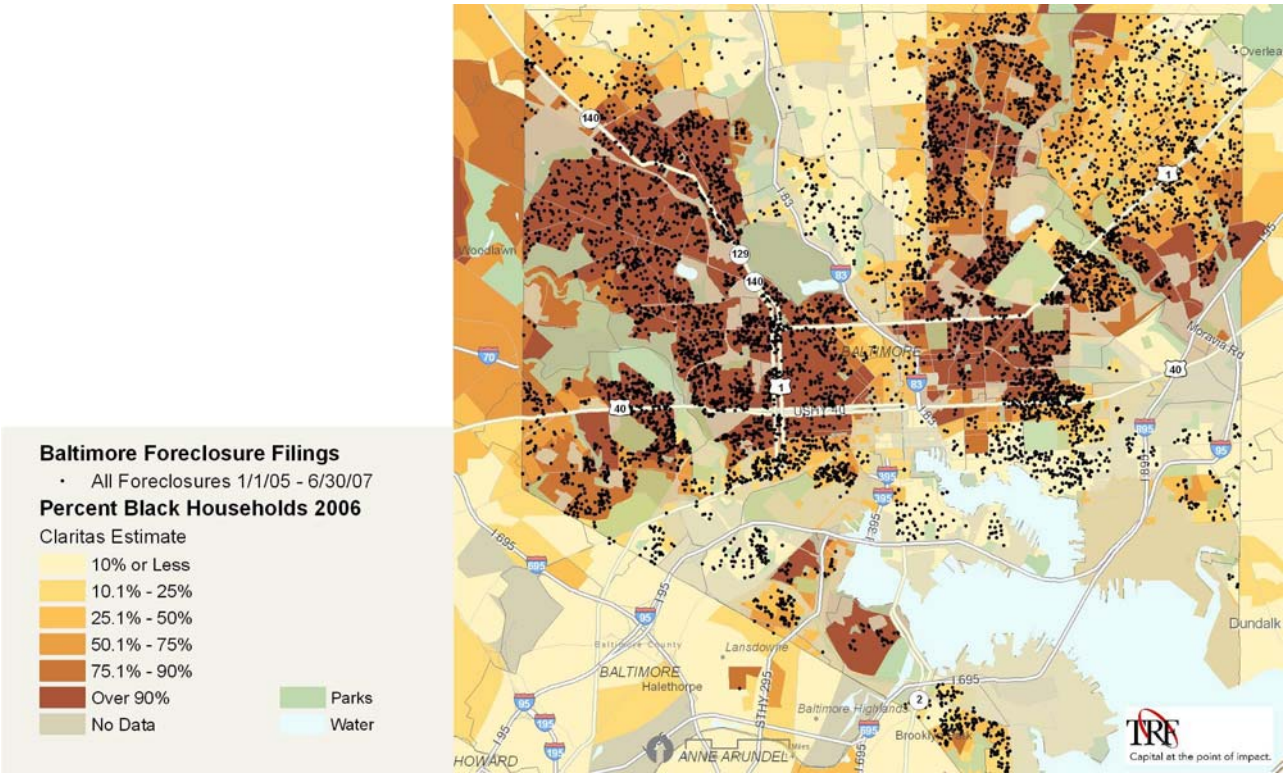
Another method of determining a borrower's general economic health is from loan-to-price ratios (LTPs). LTPs are useful in that they provide an approximate estimate of a borrower's equity in their home at the time of purchase, and do not involve assessed values from the City of Baltimore that may not always accurately determine the fair market value of a home.

Especially when examining first liens, purchase loans in foreclosure from prime lenders actually have higher LTPs. The difference in LTPs between prime and subprime loans is however smaller when the presence and value of the piggyback loan is considered.

	Loan-to-Price, First Lien Only	Loan-to-Price, Both Liens	Percent with Piggybacks
Subprime Purchase	87.7%	95.0%	40.7%
Prime Purchase	99.2%	100.0%	20.2%

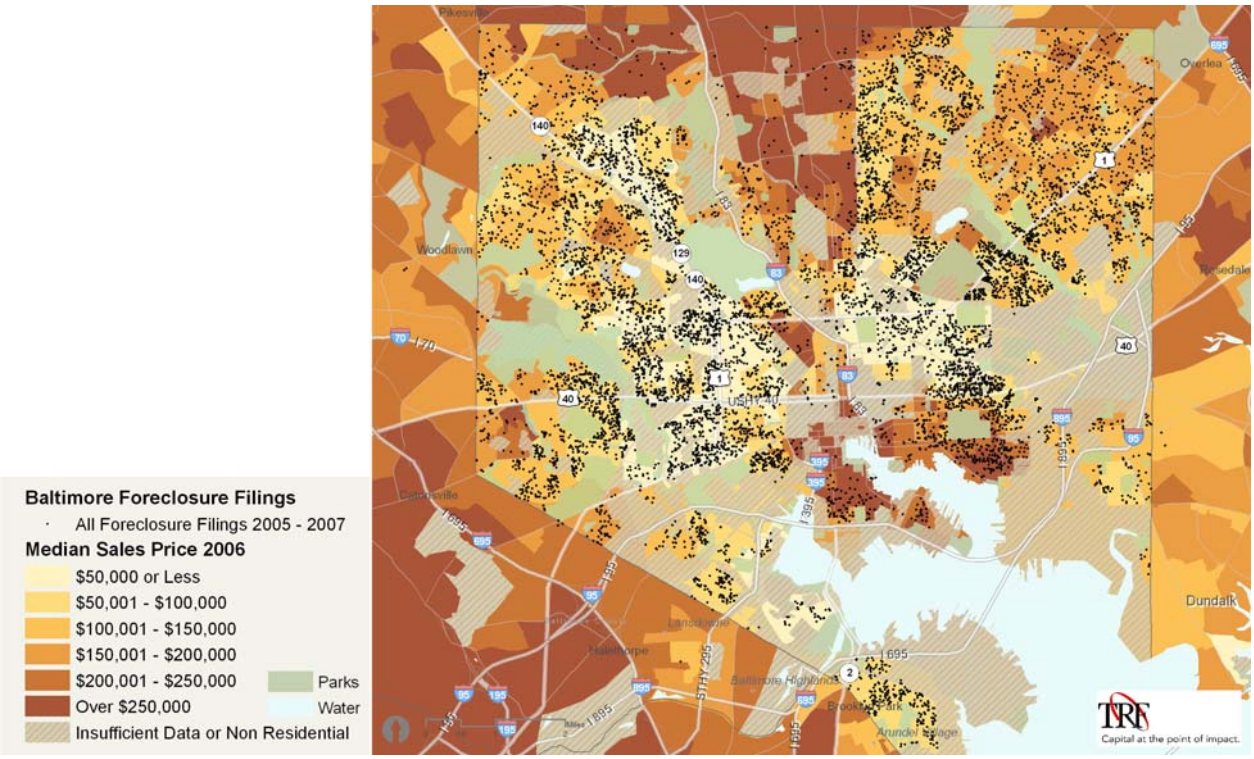
The distribution of foreclosures differs from the distribution of housing units. When compared to the racial composition of an area we find proportionately fewer foreclosure filings in the areas that are under 40% African American and proportionately more filings in the areas with larger percentages of the householders headed by African Americans.

Percent of Households Headed by African Americans	Filings 2000	Filings 2001	Filings 2002	Filings 2003	Filings 2004	Filings 2005	Filings 2006	% of Owner Occupied Housing Units
Under 20%	12.4%	12.6%	11.7%	12.1%	11.3%	11.3%	11.0%	27.4%
20-39.99%	8.2%	8.4%	8.2%	9.2%	8.6%	8.4%	7.4%	10.1%
40-59.99%	11.8%	12.6%	12.2%	12.2%	10.7%	10.2%	10.1%	8.8%
60-79.99	13.1%	14.5%	15.5%	15.9%	15.3%	14.1%	14.2%	12.4%
80% and over	54.5%	51.9%	52.4%	50.7%	54.0%	55.9%	57.3%	41.3%



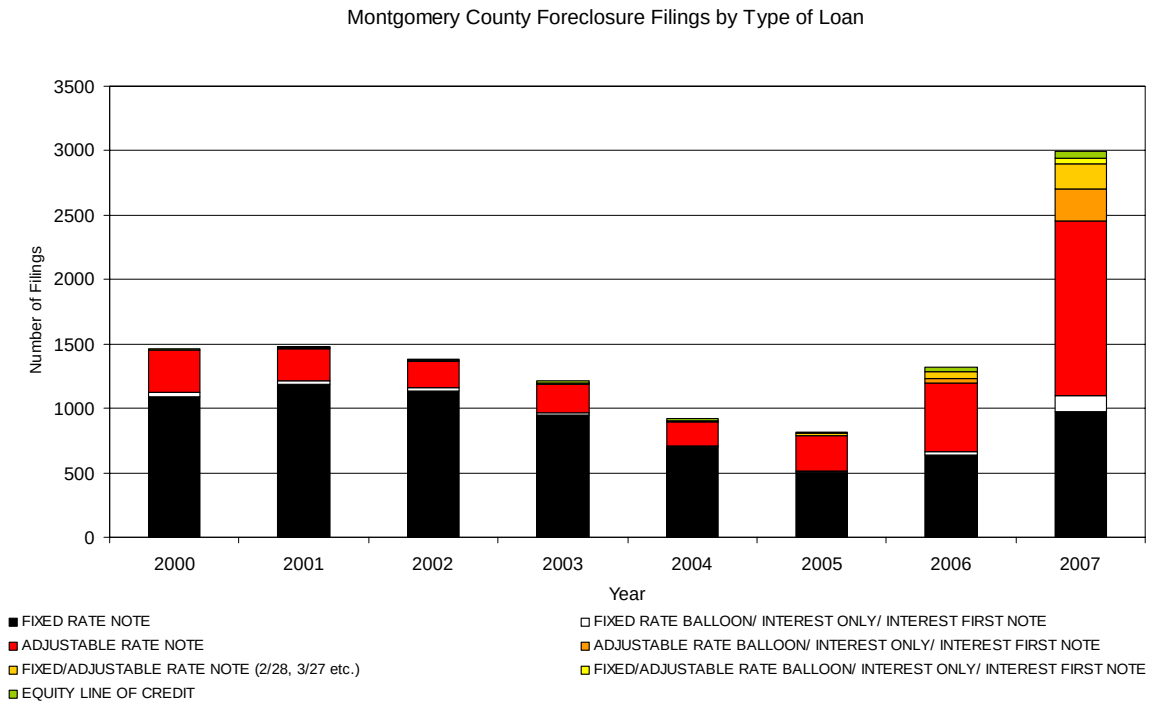
In comparing the foreclosure filings to median sale prices, we observe markedly higher percentages of filings in the areas with the lowest price ranges (i.e., under $50,000 and between $50,000 and $99,999). In the middle price areas, the percentage of foreclosures is quite close to the percentage of owner-occupied housing units. Baltimore's higher priced areas have proportionately fewer foreclosure filings than the distribution of owner-occupied housing units might suggest.

Median Sale Price, 2006	Filings 2000	Filings 2001	Filings 2002	Filings 2003	Filings 2004	Filings 2005	Filings 2006	% of Owner-Occupied Housing Units
<$50,000	30.6%	26.1%	22.8%	20.5%	22.9%	22.4%	24.5%	14.5%
$50,000-$99,999	30.9%	32.2%	31.7%	32.4%	32.8%	33.6%	30.2%	23.5%
$100,000-$149,999	18.1%	20.5%	24.2%	24.3%	23.2%	22.5%	23.5%	23.5%
$150,000-$199,999	10.6%	12.0%	13.0%	14.8%	13.6%	13.1%	12.6%	18.7%
$200,000-$249,999	3.9%	3.4%	3.2%	3.6%	2.4%	2.7%	3.0%	6.9%
$250,000-$299,999	2.3%	2.1%	2.2%	1.9%	2.0%	1.6%	1.8%	5.3%
>=$300,000	1.4%	1.8%	1.3%	1.2%	1.0%	1.6%	1.4%	7.6%
No/Bad Address	2.2%	1.9%	1.6%	1.2%	2.0%	2.5%	3.1%	



IX. Montgomery County Loans in Foreclosure

Indicative of the fact that the growth in foreclosures is also happening in areas that are not typically thought of as foreclosure prone, Montgomery County has experienced extraordinary growth in the number of mortgage foreclosures. From 2000 to 2007, 11,726 mortgage foreclosures were filed in the County. However, as the chart below demonstrates, the number of foreclosure filings grew significantly in the past two years.



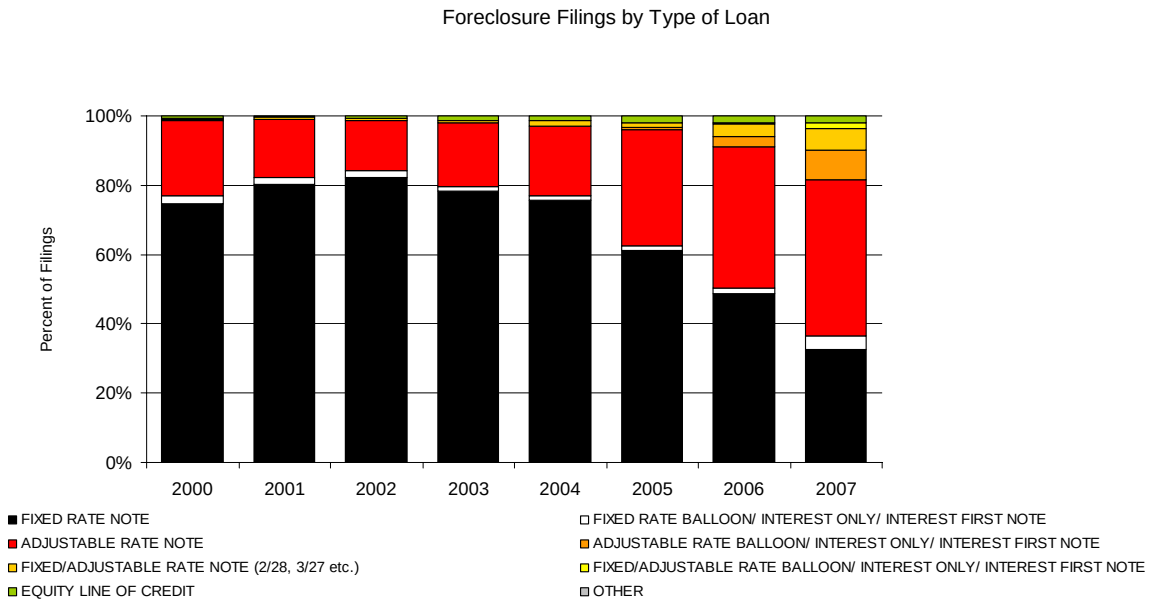
In 2000, 1,474 mortgage foreclosures were filed, and by 2005, this number actually decreased to 829. In 2006, the number of foreclosures began to increase, reaching 1,340 filings. By 2007, the number of foreclosures increased dramatically to 3,021 filings. To put this increase in perspective, in November and December of 2007, 742 mortgage foreclosures were filed. This is only 87 fewer than were filed in all of 2005.

While foreclosures represent a significantly smaller share of the owner-occupied housing in Montgomery than they do in the City of Baltimore, the County's growth in foreclosures is evident. While in 2004 there were 4.6 foreclosures for every 1,000 owner-occupied housing units in Montgomery County, in 2007 there were 13.9.

	Foreclosure Ratio 2000	Foreclosure Ratio 2004	Foreclosure Ratio 2005	Foreclosure Ratio 2006	Foreclosure Ratio 2007 (using 2006 Housing Units)
Montgomery County	6.6	4.6	5.2	6.7	13.9

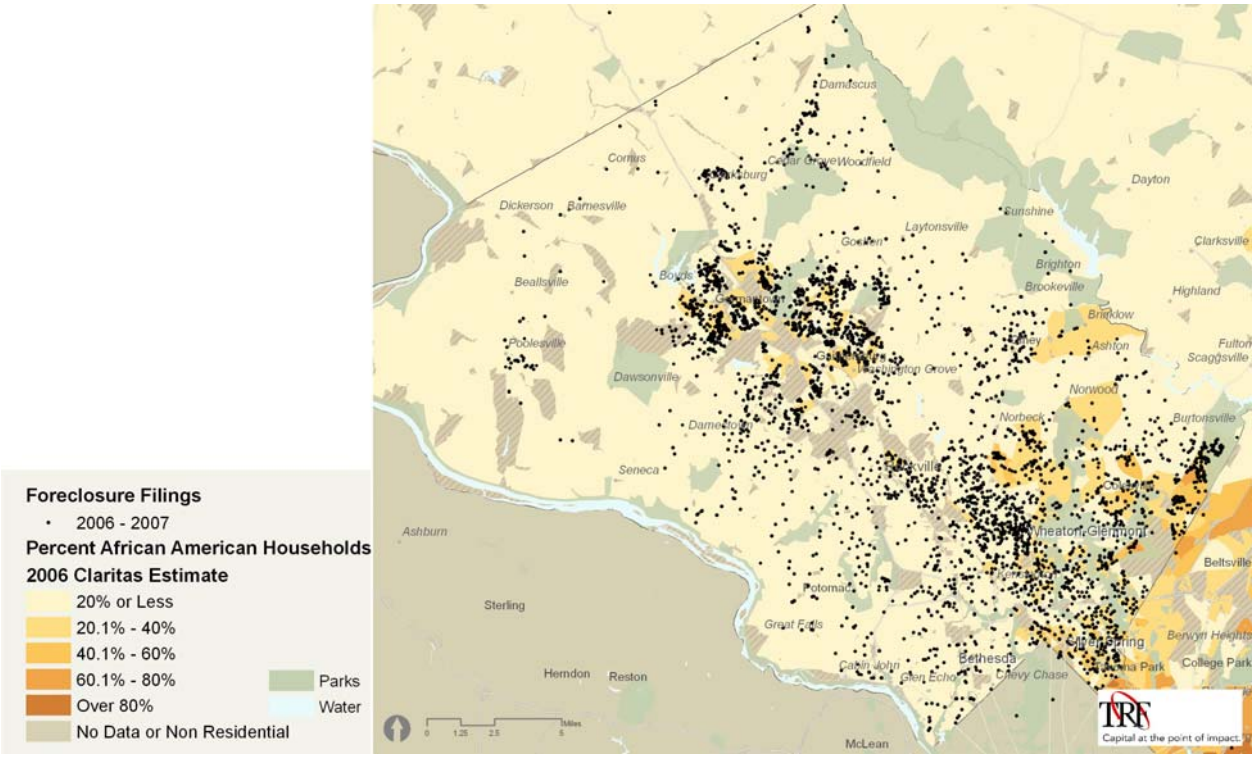
When a foreclosure is filed in Montgomery County, the County Government notes the rate type of the loan in foreclosure. This information allows us to examine the growth of particular loan products and their respective share of Montgomery County's growing number of foreclosures.

As the chart shows, the typical type of loan in foreclosure in Montgomery County has changed significantly over recent years. From 2000 through 2004, adjustable rate mortgages were a significantly smaller portion of loans in foreclosure than fixed rate loans. However, by 2007, various types of adjustable rate mortgages made up 61% of all loans in foreclosure.



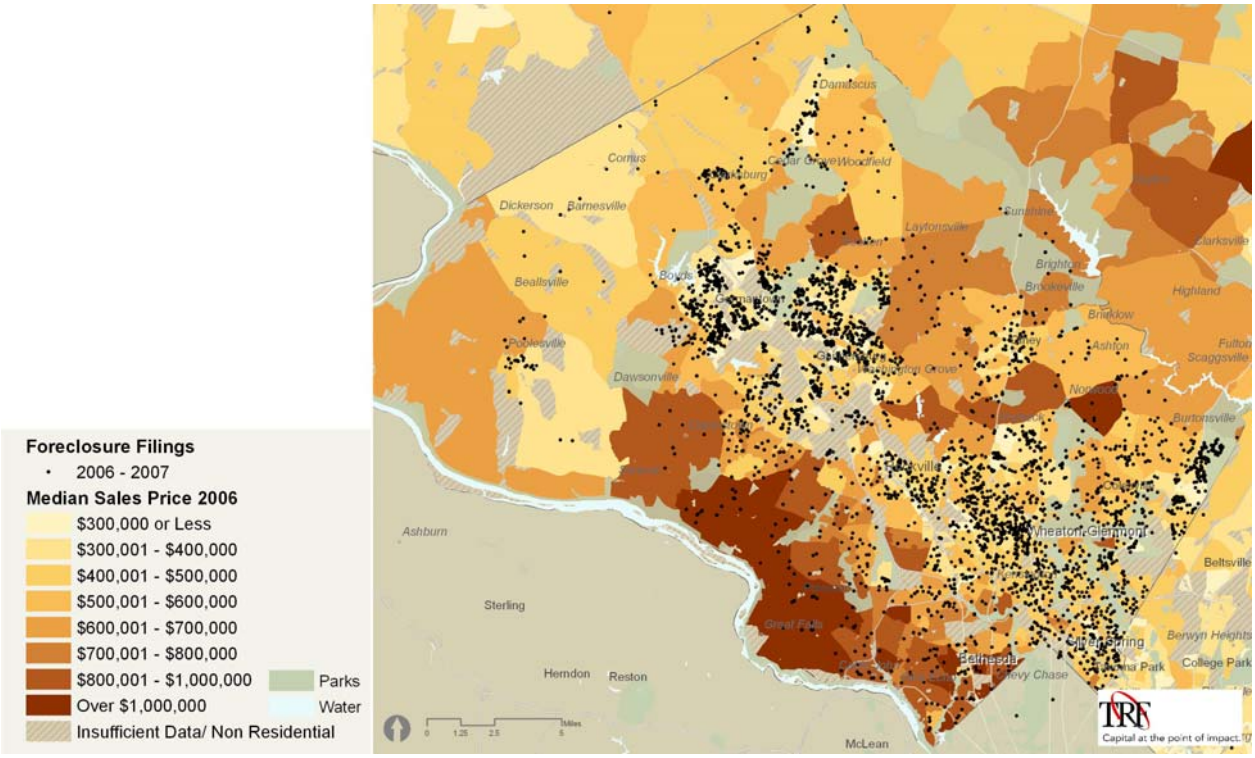
We can also examine the distribution of foreclosures by the racial composition of the area within which the property is located and also the typical residential home price. In Montgomery County, compared to the distribution of owner-occupied housing units, we observe a greater percentage of foreclosure filings in areas that are over 20% African American than there are owner-occupied housing units. The percentage-point difference is greatest in the areas that are between 20% and 39.99% African American, but the proportionate differences are greatest in the majority African American areas.

Percent of Households Headed by African Americans	Filings 2000	Filings 2001	Filings 2002	Filings 2003	Filings 2004	Filings 2005	Filings 2006	Filings 2007	% of Owner-Occupied Housing Units
Under 20%	58.1%	61.0%	60.2%	58.1%	60.2%	62.5%	61.6%	63.3%	78.5%
20-39.99%	32.0%	28.6%	29.5%	31.8%	29.1%	29.1%	28.1%	27.2%	17.8%
40-59.99%	5.4%	6.0%	7.2%	7.1%	7.6%	6.3%	6.4%	6.3%	3.5%
60% and over	0.7%	0.7%	0.8%	0.3%	0.4%	0.7%	1.0%	0.7%	0.2%
Bad Address	3.8%	3.8%	2.3%	2.6%	2.7%	1.4%	2.9%	2.4%	0.0%



The distribution of foreclosures against home sale prices manifests proportionately more in areas with typical values under $400,000 and the percentage-point differences are greatest in the $300,000 to $400,000 range.

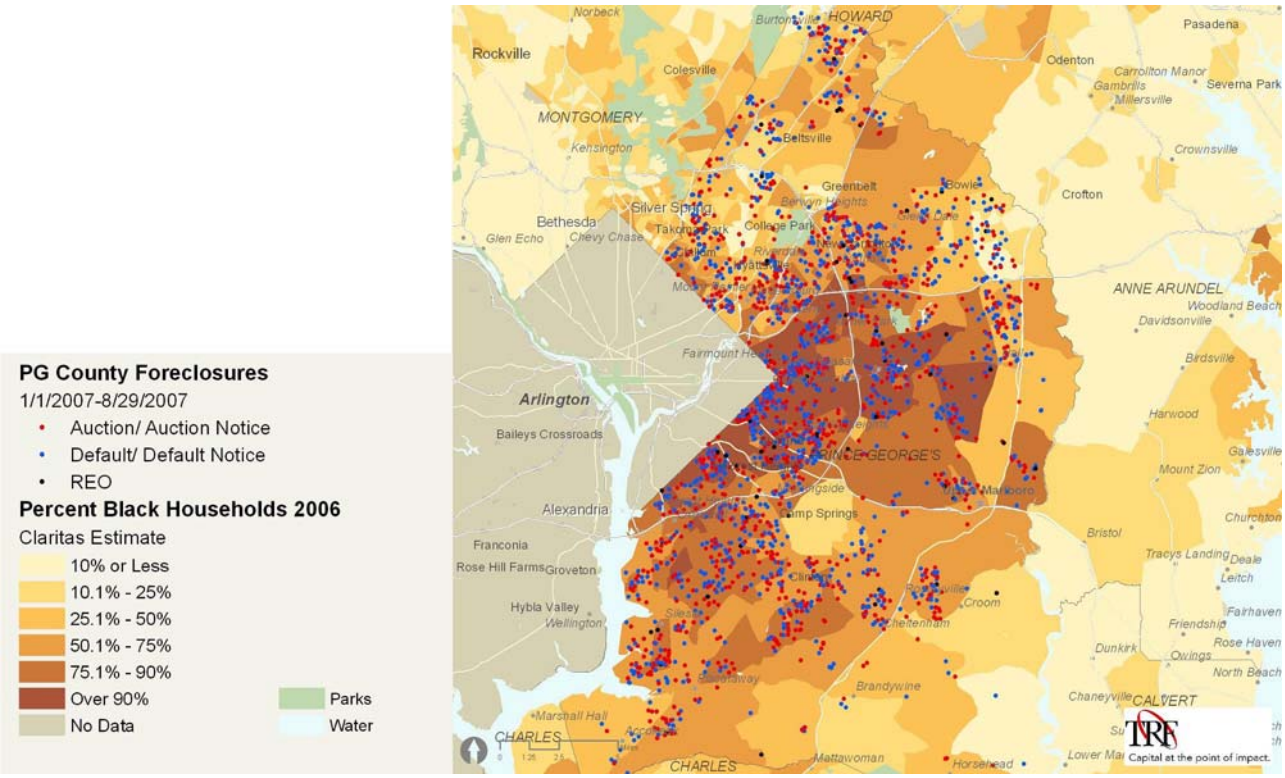
Median Sale Price, 2006	Filings 2000	Filings 2001	Filings 2002	Filings 2003	Filings 2004	Filings 2005	Filings 2006	Filings 2007	% of Owner-Occupied Housing Units
<$200,000	0.3%	0.3%	0.1%	0.4%	0.1%	0.2%	0.4%	0.3%	0.1%
$200,000-$249,999	7.9%	6.7%	5.7%	6.6%	5.5%	6.9%	6.6%	7.0%	3.1%
$250,000-$299,999	8.3%	7.6%	7.9%	9.7%	9.4%	5.9%	9.3%	7.1%	4.8%
$300,000-$349,999	19.4%	18.3%	19.4%	17.1%	14.9%	16.6%	16.0%	16.2%	10.1%
$350,000-$399,999	17.6%	17.2%	17.4%	16.0%	18.0%	18.3%	16.6%	17.2%	11.0%
$400,000-$499,999	21.0%	23.3%	24.8%	25.2%	25.7%	25.0%	25.2%	28.2%	25.0%
$500,000-$699,999	14.7%	14.7%	14.6%	14.0%	14.5%	16.4%	16.3%	15.7%	25.8%
$700,000-$999,999	4.4%	6.1%	5.7%	6.3%	7.2%	7.0%	4.7%	4.3%	15.5%
>=$1,000,000	2.4%	1.8%	2.1%	2.1%	2.0%	2.1%	1.9%	1.5%	4.5%
No/Bad Address	3.9%	3.9%	2.3%	2.6%	2.7%	1.4%	3.0%	2.5%	


Foreclosure Filings
2006 - 2007
Median Sales Price 2006
$300,000 or Less
$300,001 - $400,000
$400,001 - $500,000
$500,001 - $600,000
$600,001 - $700,000
$700,001 - $800,000
$800,001 - $1,000,000
Over $1,000,000
Insufficient Data/ Non Residential
Parks
Water
Damascus
Comus
Dickerson
Barnesville
Beallsville
Poolesville
Dawsonville
Ashburn
Sterling
Herndon
Reston
McLean
Bethesda
Silver Spring
Wheaton/Glenmont
Beltsville
Berwyn Heights
College Park
Burtonsville
Ashton
Brookeville
Brighton
Highland
Clarksville
Layhillsville
Sunshine
Miles
0
1.25
2.5
5
TRF
Capital at the point of impact.

X. Prince George's County Loans in Foreclosure

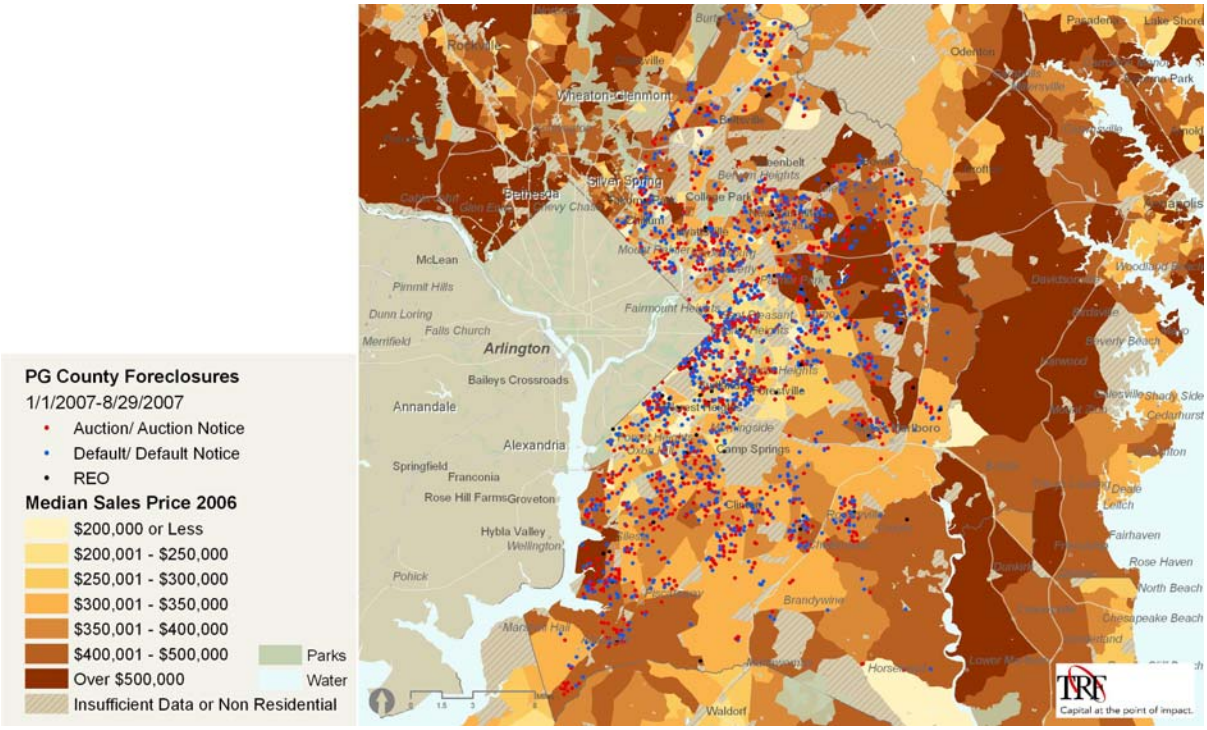
Although we only have a part of the year (2007) of foreclosures for Prince George's County, we can place the filings on a map and examine what types of areas the foreclosures cluster in by the racial composition of the area and the typical home prices. In Prince George's County, we observe that the foreclosures distribute similarly to the housing stock in terms of the racial composition of the area within which housing is located. However we do observe that foreclosures are heavily clustered in areas that have majority African American populations. Spatially, we observe these foreclosures located in close proximity to the Maryland-Washington, DC border.

Percent of Households Headed by African Americans	Auctions	Auction Notice	Default	Default Notice	Real Estate Owned	% of Owner-Occupied Housing Units
Under 20%	3.8%	4.1%	3.3%	4.3%	5.1%	7.7%
20-39.99%	8.3%	7.6%	8.4%	9.7%	10.3%	10.8%
40-59.99%	14.3%	17.3%	15.7%	17.0%	9.0%	17.2%
60% and over	73.5%	70.9%	72.6%	68.9%	75.6%	64.3%



We can make a similar comparison between the distribution of foreclosures and owner-occupied housing units by categorizing areas in terms of the median sale prices. Unlike what we observed in the City of Baltimore and Montgomery County, the foreclosures appear to be distributed similarly to the distribution of owner-occupied housing units. Moreover, foreclosures (like housing units) are clustered in the areas with home prices in excess of $300,000.

Median Sale Price, 2006	Auctions	Auction Notice	Default	Default Notice	% of Owner-Occupied Housing Units
<$150,000	1.3%	1.5%	1.1%	1.1%	1.4%
$150,000-$199,999	4.1%	3.9%	4.6%	5.4%	4.3%
$200,000-$249,999	13.7%	12.5%	12.5%	14.4%	10.3%
$250,000-$299,999	13.7%	12.5%	13.5%	14.4%	12.3%
$300,000-$349,999	25.1%	26.1%	24.2%	26.0%	24.3%
$350,000-$399,999	24.6%	23.1%	24.0%	22.3%	26.0%
>= $400,000	17.5%	20.3%	20.1%	16.3%	21.3%



XI. Conclusion

Having reviewed a variety of data from many different sources, we have some very salient facts about mortgage originations, delinquencies and foreclosures in Maryland. Among those facts are:

- Real estate has been a large and growing part of Maryland's economy. In fact, the percentage of GDP that the real estate industry comprises in Maryland is greater than the surrounding states as well as the U.S. average.

- Real estate prices had a substantial run-up between 2000 and the present. Prices have, however, leveled off (or even declined in some areas) beginning around 2006.

- Between 2004 and 2006, subprime lending for the purchase of a home and the refinance of existing mortgages rose.

- The size of the population of Maryland residents that spends a disproportionately significant portion of its monthly income on housing has risen.

- Delinquencies of 90 days or more among borrowers with either prime or subprime loans have risen dramatically over the last year – most notably between the 2nd and 3rd quarters of 2007 (the most recent period for which we have information).

- Foreclosure inventories have also grown over that same period. The percentages in Maryland grew faster than the national average.

- Similarly, the percent of borrowers entering a foreclosure status over that same time period has also grown faster than the national rate.

- These delinquencies have grown not only for smaller loans, but actually, disproportionately more for the larger loans (both prime and subprime).

- In areas for which we had specific information, we know that delinquencies, foreclosures and subprime loans are clustered disproportionately in minority communities and in communities that have lower (but not necessarily the lowest) home prices.

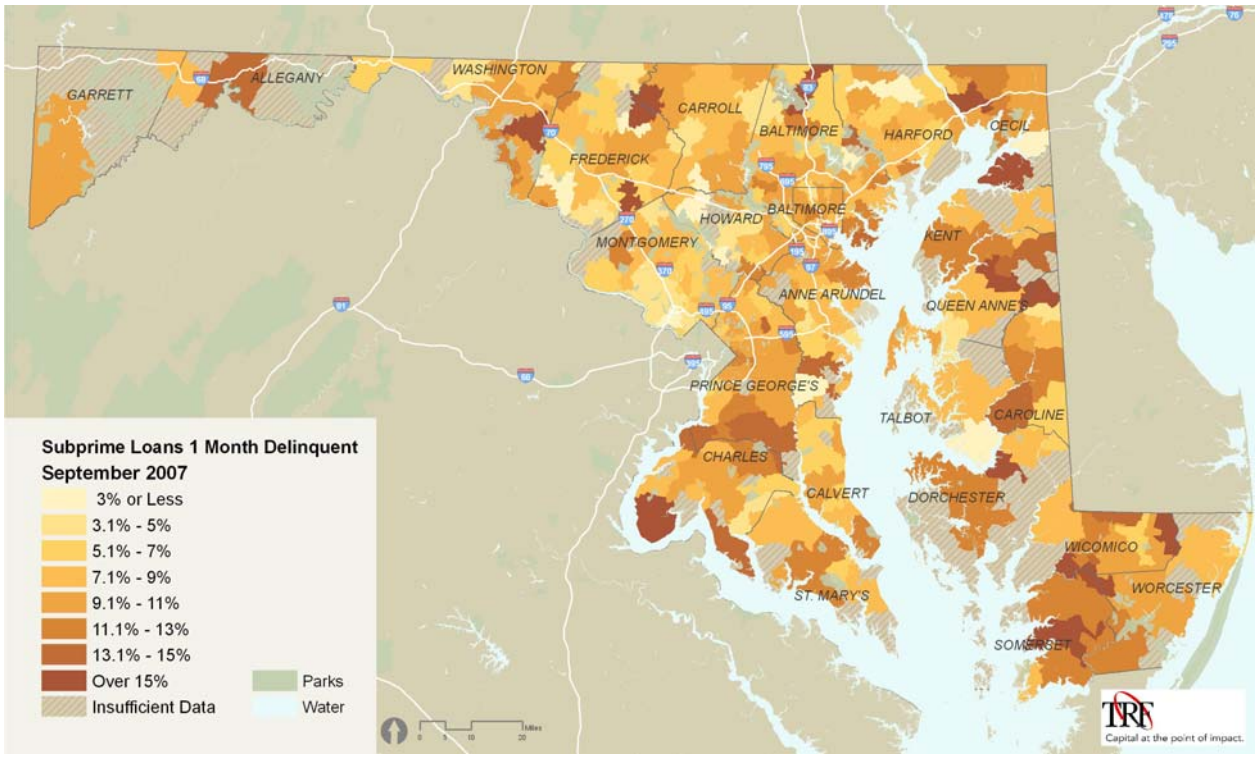
There are many other facts that we highlight in the body of the report, but these "macro" facts help us think about the context and future of Maryland's residential real estate market. When will this acute problem come to an end?

Clearly, it is difficult to predict precisely when foreclosures will slow, real estate will settle down and the mortgage market will return to "normal." Every other day, we are given another piece of economic information that stands in contrast to the piece we received the day before. Yet, there is no shortage of well-respected firms and individuals who make prognostications about the future of the housing and mortgage markets. From the Mortgage Bankers Association to the National Association of Home Builders to Standard & Poor's to the Federal Reserve Bank of Richmond to various private and university-related economics groups: all have an opinion. The consensus seems to be that nationally

(and in Maryland), we will not pull out of this until some time late in 2009.

How different is Maryland from the rest of the nation? We suspect that the "meltdown" in Maryland may be less exaggerated than national figures suggest because: (1) although housing makes up a larger part of the state's economy, Maryland's real estate market has not seen the run-up that some other states experienced; (2) Maryland's default, delinquency and foreclosure numbers have risen at an exaggerated rate but still are below the national average; (3) employment remains relatively strong, as does the per capita income for Maryland residents. That is instructive for understanding what happens to the state in general. There are however parts of Maryland that our data show will be more adversely impacted than others (e.g., consider the dramatic rise in the number of foreclosure filings in Montgomery County).

The data in this report focused primarily on mortgages that are seriously delinquent or in foreclosure. The proportion of mortgages that are less delinquent should also be considered in any forward-looking exercise, because although there is a greater likelihood that these loans will be "cured" before going to foreclosure and ultimately auction, these homeowners are still at-risk. As of September of 2007, 2.9% of the prime loans made in 2006 were between 30 and 60 days delinquent and 2.25% of the prime loans made in 2005 were similarly delinquent. On the subprime side, 10.9% of the loans made in 2006 were between 30 and 60 days delinquent and 9.9% of the loans made in 2005 were similarly delinquent. These are relatively new loans, and the rate of relatively minor delinquencies is growing over time in Maryland; it is indicative of the fact that Maryland's problem has yet to run its course. The data show that there were 349,000 loans originated in 2006 to purchase homes or refinance existing mortgages and another 406,000 in 2005 for those same purposes; approximately one-third of those 2006 loans was subprime.



	Prime					Subprime				
Loan made in:	30 days	60 days	90 days	120+ days	Total Delinquent	30 days	60 days	90 days	120+ days	Total Delinquent
2006	2.92%	0.86%	0.39%	0.45%	4.61%	10.85%	4.90%	2.81%	4.30%	22.85%
2005	2.25%	0.58%	0.23%	0.34%	3.40%	9.86%	4.48%	2.62%	5.25%	22.22%
2004	1.63%	0.40%	0.17%	0.24%	2.44%	7.89%	3.45%	1.66%	4.04%	17.04%

What can be done? The purpose of this report is not to recommend specific policies or programs to address the escalating foreclosure problem in Maryland. It is however instructive for those in a position to address this problem to consider the systematic data describing the dimensions of the problem in establishing those policies. In light of that, the following public policy levers are relevant to consider.

- Regulations that touch the mortgage lending process;
- Proactive monitoring of the laws and regulations under which those doing business in the State of Maryland must operate;
- Financial interventions for those now in foreclosure;
- Financial interventions for those who will face foreclosure in the future;
- Personal (non-financial) outreach to consumers having difficulty with their mortgages;[xxvi]
- Policy and programmatic interventions to ensure that the actions and inactions that gave rise to the current circumstance do not repeat. These include interventions focused not only on industry players but also on consumers.

Taken together, these policy levers represent a holistic approach to current and future problems in the mortgage market. Maryland cannot immunize itself against national and international fallout from the subprime mortgage crisis, but it can soften the blow by acting quickly and appropriately on behalf of its residents.

Appendix A.

	Percent of Loans in Inventory that are in a Foreclosure Status											
	All Loans			Pct Chg	Prime Loans			Pct Chg	Subprime Loans			Pct Chg
	4th Qtr 2006	2nd Qtr 2007	3rd Qtr 2007	Q4 '06-Q3 '07	4th Qtr 2006	2nd Qtr 2007	3rd Qtr 2007	Q4 '06-Q3 '07	4th Qtr 2006	2nd Qtr 2007	3rd Qtr 2007	Q4 '06-Q3 '07
PA	1.58	1.54	1.62	2.5%	0.70	0.69	0.79	12.9%	5.65	5.37	5.81	2.8%
DE	0.96	1.20	1.38	43.8%	0.42	0.71	0.84	100.0%	3.72	4.45	5.35	43.8%
DC	0.47	0.59	0.79	68.1%	0.23	0.27	0.36	56.5%	2.26	3.27	4.64	105.3%
VA	0.37	0.51	0.73	97.3%	0.16	0.21	0.32	100.0%	1.84	2.76	4.13	124.5%
MD	0.50	0.66	0.91	82.0%	0.19	0.29	0.42	121.1%	1.96	2.73	3.97	102.6%
US	1.19	1.40	1.69	42.0%	0.50	0.59	0.79	58.0%	4.53	5.52	6.89	52.1%

	Percent of Loans in Inventory that are in a Foreclosure Status							
	Prime Fixed Rate			Pct Chg	Subprime Fixed Rate			Pct Chg
	4th Qtr 2006	2nd Qtr 2007	3rd Qtr 2007	Q4 '06-Q3 '07	4th Qtr 2006	2nd Qtr 2007	3rd Qtr 2007	Q4 '06-Q3 '07
PA	0.63	0.59	0.63	0.0%	4.84	3.88	3.91	-19.2%
DE	0.26	0.58	0.65	150.0%	2.67	2.39	2.48	-7.1%
DC	0.12	0.12	0.17	41.7%	1.46	1.11	1.66	13.7%
VA	0.09	0.10	0.13	44.4%	1.14	1.09	1.42	24.6%
MD	0.11	0.15	0.19	72.7%	1.50	1.44	1.77	18.0%
US	0.39	0.41	0.48	23.1%	3.19	2.85	3.12	-2.2%

	Percent of Loans in Inventory that are in a Foreclosure Status							
	Prime ARM			Pct Chg	Subprime ARM			Pct Chg
	4th Qtr 2006	2nd Qtr 2007	3rd Qtr 2007	Q4 '06-Q3 '07	4th Qtr 2006	2nd Qtr 2007	3rd Qtr 2007	Q4 '06-Q3 '07
PA	1.25	1.45	2.23	78.4%	7.26	8.24	9.15	26.0%
DE	0.80	1.10	1.41	76.3%	4.91	6.83	8.68	76.8%
DC	0.34	0.51	0.70	105.9%	2.88	4.49	6.53	126.7%
VA	0.37	0.61	1.02	175.7%	2.42	4.32	6.62	173.6%
MD	0.45	0.84	1.40	211.1%	2.27	3.67	5.70	151.1%
US	0.92	1.29	2.04	121.7%	5.62	8.02	10.38	84.7%

Percent of Loans in Inventory that are 90+ Days Delinquent												
	All Loans			Pct Chg	Prime Loans			Pct Chg	Subprime Loans			Pct Chg
	4th Qtr 2006	2nd Qtr 2007	3rd Qtr 2007	Q4 '06-Q3 '07	4th Qtr 2006	2nd Qtr 2007	3rd Qtr 2007	Q4 '06-Q3 '07	4th Qtr 2006	2nd Qtr 2007	3rd Qtr 2007	Q4 '06-Q3 '07
PA	1.32	1.23	1.37	3.8%	0.37	0.46	0.57	54.1%	3.20	4.37	4.84	51.3%
DE	0.77	0.72	0.84	9.1%	0.29	0.30	0.36	24.1%	2.74	2.90	3.43	25.2%
DC	0.55	0.66	0.83	50.9%	0.24	0.26	0.40	66.7%	2.30	3.56	4.29	86.5%
VA	0.57	0.67	0.88	54.4%	0.21	0.25	0.38	81.0%	2.26	3.08	4.09	81.0%
MD	0.69	0.80	1.00	44.9%	0.21	0.25	0.35	66.7%	2.51	3.37	4.34	72.9%
US	1.02	1.07	1.26	23.5%	0.36	0.39	0.52	44.4%	3.25	3.75	4.49	38.2%

Percent of Loans in Inventory that are 90+ Days Delinquent								
	Prime Fixed Rate			Pct Chg	Subprime Fixed Rate			Pct Chg
	4th Qtr 2006	2nd Qtr 2007	3rd Qtr 2007	Q4 '06-Q3 '07	4th Qtr 2006	2nd Qtr 2007	3rd Qtr 2007	Q4 '06-Q3 '07
PA	0.47	0.41	0.46	-2.1%	4.25	3.78	3.84	-9.6%
DE	0.24	0.25	0.26	8.3%	2.04	1.87	2.38	16.7%
DC	0.14	0.14	0.26	85.7%	1.83	3.20	3.62	97.8%
VA	0.16	0.15	0.21	31.3%	1.86	2.13	2.95	58.6%
MD	0.15	0.15	0.22	46.7%	2.34	2.73	3.34	42.7%
US	0.30	0.26	0.35	16.7%	2.85	2.99	3.49	22.5%

Percent of Loans in Inventory that are 90+ Days Delinquent								
	Prime ARM			Pct Chg	Subprime ARM			Pct Chg
	4th Qtr 2006	2nd Qtr 2007	3rd Qtr 2007	Q4 '06-Q3 '07	4th Qtr 2006	2nd Qtr 2007	3rd Qtr 2007	Q4 '06-Q3 '07
PA	0.83	0.98	1.31	57.8%	4.93	5.58	6.60	33.9%
DE	0.34	0.35	0.54	58.8%	3.32	3.99	4.61	38.9%
DC	0.34	0.42	0.67	97.1%	2.50	4.00	4.66	86.4%
VA	0.38	0.62	0.98	157.9%	2.62	3.93	5.13	95.8%
MD	0.44	0.66	0.87	97.7%	2.70	3.95	5.13	90.0%
US	0.53	0.73	1.08	103.8%	3.54	4.38	5.25	48.3%

	Percent of Loans for which Foreclosure was Started During Quarter											
	All Loans			Pct Chg	Prime Loans			Pct Chg	Subprime Loans			Pct Chg
	4th Qtr 2006	2nd Qtr 2007	3rd Qtr 2007	Q4 '06-Q3 '07	4th Qtr 2006	2nd Qtr 2007	3rd Qtr 2007	Q4 '06-Q3 '07	4th Qtr 2006	2nd Qtr 2007	3rd Qtr 2007	Q4 '06-Q3 '07
PA	0.52	0.44	0.55	5.8%	0.24	0.21	0.28	16.7%	1.91	1.61	1.99	4.2%
DE	0.39	0.38	0.59	51.3%	0.18	0.14	0.37	105.6%	1.65	2.06	2.37	43.6%
DC	0.32	0.38	0.50	56.3%	0.15	0.18	0.22	46.7%	1.73	2.12	2.98	72.3%
VA	0.26	0.32	0.47	80.8%	0.11	0.13	0.20	81.8%	1.40	1.81	2.71	93.6%
MD	0.31	0.36	0.52	67.7%	0.13	0.13	0.21	61.5%	1.36	1.78	2.57	89.0%
US	0.57	0.59	0.78	36.8%	0.24	0.25	0.36	50.0%	2.26	2.45	3.18	40.7%

	Percent of Loans for which Foreclosure was Started During Quarter							
	Prime Fixed Rate			Pct Chg	Subprime Fixed Rate			Pct Chg
	4th Qtr 2006	2nd Qtr 2007	3rd Qtr 2007	Q4 '06-Q3 '07	4th Qtr 2006	2nd Qtr 2007	3rd Qtr 2007	Q4 '06-Q3 '07
PA	0.21	0.18	0.23	9.5%	1.17	0.93	1.27	8.5%
DE	0.10	0.11	0.20	100.0%	0.92	0.95	1.03	12.0%
DC	0.09	0.08	0.10	11.1%	0.67	0.84	1.20	79.1%
VA	0.07	0.07	0.08	14.3%	0.71	0.83	1.07	50.7%
MD	0.08	0.08	0.10	25.0%	0.89	0.96	1.17	31.5%
US	0.18	0.16	0.21	16.7%	1.20	1.19	1.43	19.2%

	Percent of Loans for which Foreclosure was Started During Quarter							
	Prime ARM			Pct Chg	Subprime ARM			Pct Chg
	4th Qtr 2006	2nd Qtr 2007	3rd Qtr 2007	Q4 '06-Q3 '07	4th Qtr 2006	2nd Qtr 2007	3rd Qtr 2007	Q4 '06-Q3 '07
PA	0.48	0.47	0.77	60.4%	2.58	2.58	3.25	26.0%
DE	0.40	0.16	0.84	110.0%	2.38	3.27	3.97	66.8%
DC	0.24	0.37	0.44	83.3%	2.42	2.93	4.11	69.8%
VA	0.26	0.38	0.61	134.6%	1.94	2.73	4.21	117.0%
MD	0.30	0.35	0.63	110.0%	1.69	2.43	3.67	117.2%
US	0.45	0.58	0.97	115.6%	2.95	3.56	4.78	62.0%

Endnotes:

[i] See: http://www.trfund.com/resource/downloads/policypubs/MD_Foreclosure_2006.pdf

[ii] http://www.preservehomeownership.org/. A listing of members of the Coalition is found at: http://www.preservehomeownership.org/members.htm.

[iii] See: http://www.preservehomeownership.org/documents/Homeownership_Preservation_Task_Force_Report_final_PublishedReport_11-07-0711.pdf

[iv] http://www.jec.senate.gov/Documents/Reports/10.25.07OctoberSubprimeReport.pdf

[v] http://www.Whitehouse.gov/news/releases/2007/08/20070831-4.html

[vi] See, for example: http://dodd.senate.gov/index.php?q=node/4027; http://www.house.gov/apps/list/press/financialsvcs_dem/press102207.shtml

[vii] See, for example: http://www.hillaryclinton.com/news/release/view/?id=5132; http://www.barackobama.com/issues/economy/; http://www.mittromney.com/News/Press-Releases/Romney_Agenda_1.19; http://www.johnedwards.com/issues/predatory-mortgages/; http://durbin.senate.gov/record.cfm?id=284823

[viii] See, for example: http://www.occ.gov/ftp/bulletin/2007-38a.pdf; http://www.occ.gov/fr/fedregister/72fr37569.pdf; http://ncua.gov/letters/2007/CU/07-CU-09.pdf; http://ncua.gov/letters/2007/CU/07-CU-06_encl.pdf; http://www.hud.gov/news/release.cfm?content=pr06-069.cfm; http://federalreserve.gov/boarddocs/srletters/2007/SR0716.htm

[ix] See, for example: http://acorn.org/fileadmin/ACORN_Reports/2007/10_Point_Forclosure_HALF_PG.pdf; http://www.responsiblelending.org/issues/mortgage/subprime-mortgage-crisis.html; http://www.mdconsumers.org/HOME_PRES_REPORT_FINAL.pdf; http://www.ncrc.org/pressandpubs/documents/NCRCTestimonyReS1299June.pdf; http://www.aarp.org/research/credit-debt/mortgages/m_6_mortgage.html#SECOND

[x] See, for example: http://www.mortgagebankers.org/files/Advocacy/2006AdvocacyAgenda.pdf; http://www.namb.org/Images/namb/GovernmentAffairs/NAMBSenateTestimonyonPredLendingandForeclosure.pdf; http://www.appraisalinstitute.org/govtaffairs/downloads/tlkng_pnts_fnl.pdf

[xi] http://www.bea.gov/glossary/glossary.cfm?letter=G

[xii] http://www.mcdash.com/

[xiii] Realquest is a product of First American Real Estate Solutions, Inc (www.realquest.com). Throughout this document we will refer to this as the FARES database.

[xiv] The term "upside down" refers to the circumstance where one's mortgage exceeds the value of their home.

[xv] All of this assumes that there is no fraud, deception or misrepresentation in the purchase and mortgage transactions. There is however evidence that such conduct is increasingly apparent in the mortgage industry and that the State of Maryland is an area in which the FBI asserts an enhanced likelihood of mortgage fraud. See: http://www.fbi.gov/publications/fraud/mortgage_fraud06.htm.

[xvi] The source of annual inflation percentages is: http://inflationdata.com.

[xvii] According to the U.S. Census, median household income for the State of Maryland was $52,868 in 1999 and $65,144 in 2006. This difference, like inflation, pales in comparison to the change in typical home sale prices over the same time period.

[xviii] These data are based on the McDash database, which is similar in structure to the National Delinquency Survey. However what we are measuring here is all delinquencies, regardless of duration. This explains why figures from McDash appear higher than those reported from the National Delinquency Survey.

[xix] Firstly, not all zip codes are categorized. Those with fewer than 20 sales in 2006 are excluded. Secondly, where there are too few of a loan type to make a stable estimate of delinquency by loan type, those too have been excluded.

[xx] According to the Federal Reserve, the average annual 30-year conventional loan carried a contract interest rate of 5.84% in 2004; 5.86% in 2005; 6.41% in 2006. The average annual 1-year Treasury carried an interest rate of 1.89% in 2004; 3.62% in 2005; 4.94% in 2006. FannieMae reports the average annual 1-year LIBOR of 2.468% in June of 2004; 3.863% in June of 2005; 5.766% in June of 2006. Thus people were refinancing at a period of time when interest rates were rising – not falling – under virtually any measure.

[xxi] It is important to note that you cannot simply add the orange and blue columns to find the number of homeowners with a subprime lien. Because we are discussing all originations, not simply first loans, many of the subprime second liens are made to borrowers with a subprime first lien.

[xxii] Data on assessed values from the City of Baltimore will generally understate the "true" value of the residence. Although we believe the true and assessed values to be correlated, they do not necessarily agree.

[xxiii] HMDA data for the City of Baltimore show a sharp decline in the FHA share of both home purchase and refinance loans. In 2004, FHA accounted for 29.8% of originated purchase loans and 7.6% of refinances; in 2006, the percentages were 5.7% and 3.2% respectively.

[xxiv] See page 30, http://www.trfund.com/resource/downloads/policypubs/MD_Foreclosure_2006.pdf.

[xxv] Note, the summation of "Adjustable" and "Fixed" does not necessarily sum to 100%; there are a very few loans identified as balloons and they are excluded from the computation.

[xxvi] Jay Brinkman of the Mortgage Bankers Association recently published a report detailing the experience loan servicers are having with borrowers. Noteworthy is that of all foreclosures started in Maryland in the 3rd quarter of 2007, 14% of borrowers in Maryland (U.S. = 18%) did not reside in the collateral property (i.e., were likely investors), 24% of borrowers (U.S. = 23%) did not respond to the servicers' attempts to reach out and 33% (U.S. = 29%) defaulted notwithstanding a prior repayment plan. Brinkman also estimates that there were a total of 5,771 loan modifications and repayment plans established. Of the total 6,274 foreclosures started in Maryland in the 3rd quarter of 2007, he estimates that 2,260 were what he termed "net foreclosures" meaning that these borrowers were neither investors nor non-responsive nor already defaulted on an existing repayment plan.
(See: http://www.mortgagebankers.org/files/News/InternalResource/59454_LoanModificationsSurvey.pdf).