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# The Rise in Mortgage Defaults

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Article Information

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## Abstract

The first hints of trouble in the mortgage market surfaced in mid-2005, and conditions subsequently began to deteriorate rapidly. Mortgage defaults and delinquencies are particularly concentrated among borrowers whose mortgages are classified as "subprime" or "near-prime." The main factors underlying the rise in mortgage defaults appear to be declines in house prices and deteriorated underwriting standards, in ... in loan-to-value ratios and in the share of mortgages with little ... mortgages pre... with prep...ment penalties, interest-only period, and teaser interest rate, does not appear to be a significant factor in defaults through mid-2008 because borrowers who had problems with these products could refinance into different mortgages. However, as markets realized the

extent of the poor underwriting, underwriting standards tightened and borrowers began to face difficulties refinancing; this dynamic suggests that these unconventional products could pose problems going forward.

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## JEL Classification

**G21** Banks; Other Depository Institutions; Micro Finance Institutions; Mortgages

**D14** Personal Finance