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# The Rise in Mortgage Defaults

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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

**This website uses cookies.** rise in loan-to-value ratios and in the share of mortgages with little

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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

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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

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