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From the Subprime to the Exotic: Excessive Mortgage Market Risk and Foreclosures

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Results and conclusions: Numbers of subprime, exotic, and zero-down-payment mortgages have all been growing. Where they are spatially concentrated they are linked to rising and geographically concentrated home mortgage foreclosures. I find evidence that subprime lenders achieve greater market penetration in metropolitan areas with less educated residents, and that higher-risk lending is more prevalent where housing prices are high and increasing. I also find that when local housing markets are hot, even high levels of subprime lending are associated with only slightly higher foreclosure filing rates, but foreclosure rates rise quickly when hot markets cool.

Takeaway for practice: Although foreclosures are less likely to be a severe problem in very strong real estate markets, when prices in previously hot markets stagnate or decline, foreclosures can quickly follow. This is a serious concern given recent trends in mortgage financing that have extended credit to more economically vulnerable populations and generally weakening housing markets in many metropolitan areas. These foreclosures tend also to be spatially concentrated within metropolitan areas, particularly stressing housing markets in neighborhoods where the higher-risk products are more prevalent. I recommend that planners: (1) track local lending and foreclosure patterns; (2) promote healthier mortgage markets in vulnerable areas; (3) fund targeted foreclosure prevention and counseling; (4) develop refinancing/restructuring programs; (5) redesign programs to promote sustainable homeownership; (6) get foreclose sure surges on renta g regulation and fore

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widening of the risk spectrum of mortgage products and to problems of increased and geographically concentrated foreclosures.

Though nationally diversified bond and securities markets tolerated high levels of aggregate risk until late 2006, and the problem of excessive risk in U.S.mortgage markets became front-page news only in 2007, by that time many communities around the country had already been dealing with the problems of increasing and concentrated foreclosures for several years. National awareness increased when housing markets in California, Florida, and the Northeast that had been experiencing high rates of appreciation began slowing in 2006, and local foreclosure rates in these places increased dramatically, pushing up national levels of foreclosures. This devalued the securities backed by deteriorating subprime and alternative mortgages. Moreover, as adjustable rate loans with initially low, teaser[1] interest rates began resetting to higher levels, many markets that had already reached high levels of foreclosures experienced even greater problems.

This article begins by examining how changes in mortgage markets since the middle 1990s led to huge growth in high-risk loan products. I consider the recent rapid growth of three types of home-purchase mortgage products:

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I examine patterns in where these products were sold, and conclude that, particularly where such lending is spatially concentrated, it is linked to rising and geographically concentrated home mortgage foreclosures, with serious negative impacts on neighborhoods and urban areas. This should be of particular concern to planners, as concentrated foreclosures create substantial negative impacts: abandoned property, crime, public safety costs, and reduced property values (Apgar & Duda, 2005; Immergluck & Smith, 2006). I conclude with what local planners can do to reduce the negative effects of these national trends on their own communities.

Growth in High-Risk Home Purchase Loans

Since the early 1990s, subprime mortgages have grown dramatically. The industry publication Inside Mortgage Finance calculates that subprime lending grew from approximately $35 billion in 1994 to $665 billion in 2005(Schloemer, Li, Ernst, & Keest, 2006). I focus only on home purchase loans in this article. While much of this growth was in the refinance sector in the earlier years, subprime loans were a substantial share of the home purchase loan market by the late 1990s, and by 2004 they constituted more than one in eight home purchase loans. Moreover, while the subprime share of refinance loans has ebbed and flowed with interest rate fluctuations, the subprime share of
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more in some places than others. Many California metropolitan areas, for example, experienced very large increases.

To better understand why the increases were greater in some metropolitan areas, and thereby suggest which factors might be most closely related to a region's mortgage risk profile, I used a regression model to estimate the shares of home purchase loans that were subprime inthese metropolitan areas in 2003. I controlled fortheir shares of home purchase loans that were subprimein 1997, and for the other demographic and housing stock characteristics likely to affect their subprime shares. These include: the size of the median purchase loan, the proportion of buyers who were Black, the proportion of buyers who were Hispanic, the proportion of residents who had atleast a college degree (hereafter called educational attainment), the proportion of housing units over 50 years old, the ratio of the FHA loan limit to the median loan amount, the ratio of median borrower income to median loan size, and the unemployment rate.[3] I alsoincluded 1997 to 2003 changes in median loan size, the racial and ethnic composition of buyers, and the unemployment rate as explanatory variables. These variables generally reflect the factors that are expected to impact loan risk or the demand or supply of subprime versus prime loans.For example, race has been shown to be a significant factor in whether borrowers are expected to receive a sub-prime as opposed to a prime loan (Gruenstein-Bocian et al., 2006). Several of these variables are likely to be somewhat endoger

Figure 1. ranteed and subprim 93–2003: Source: y author using Fe 7–2004.

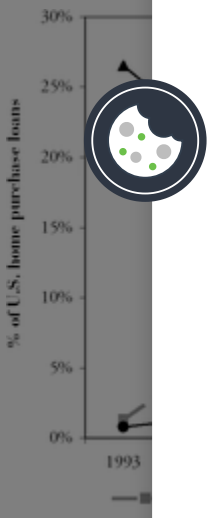

Table 1 provides the results of the second stage of my model. The signs of most coefficients are generally as I expected, with positive coefficients on Black and Hispanic buyer shares, older housing units, unemployment rate, change in unemployment, ratio of loan size to FHA limit, change in median loan size, and 1997 subprime share. However, with the exception of the 1997 subprime share and change in median loan size, these variables are not significant at conventional levels.[5] The most striking findings from Table 1 are those regarding educational attainment and the income-to-loan-size ratio. Higher educational attainment is negatively related to the growth of subprime share in a statistically significant way. A one-standard-deviation increase in educational attainment (increasing metropolitan area residents with at least a college education by at least 6%, compared to a mean of approximately 26%) is associated with a decrease of approximately 1.9 percentage points in subprime share (with a mean of 11.1% and standard deviation of 5.8%). This is consistent with a finding by Hershaff, Wachter, and Russo (2005). It suggests that subprime lenders achieve greater penetration in markets with weaker educational attainment, and that some growth in subprime lending may result from successfully marketing these loan products to less sophisticated borrowers.

The relationship between the ratio of median income to loan size and the 2003 subprime share is negative and somewhat nonlinear. Thus, higher shares of subprime purchas… …er leverage rates ov… …alifornia, subprim… … be partly due to th… …in the next section) … … offer these risky mo… …rofits to compens… …apital.

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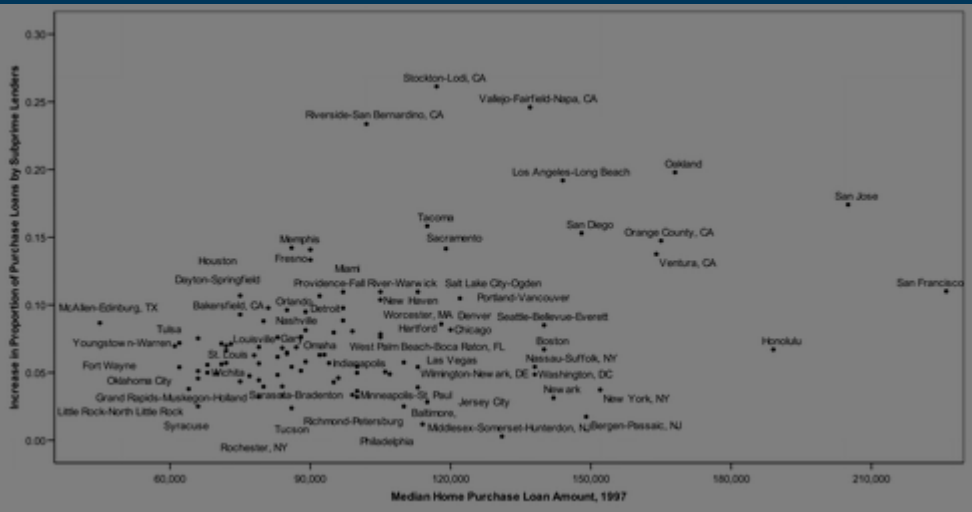

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The growth in median loan size from 1997 to 2003 is statistically and positively related to subprime share in 2003. I expected this for two reasons. First, home values grew faster than income during this time. Thus people sought larger loans to buy homes, and demand for large mortgages increased. Many subprime lenders underwrite loans at higher debt-to-income ratios than prime lenders. Second, as home values and loan sizes grew, many exceeded limits set by FHA and the two Government-Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac.[6] Because subprime lenders were not constrained by these limits, and because they had greater access to higher risk capital, they were in a strong position to serve these markets.

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The available indicators show strong growth in exotic mortgages, especially from 2001 to 2005. LoanPerformance, Inc. tracks loans sold to third parties other than the GSEs Fannie Mae and Freddie Mac. While this leaves out a sizeable segment of the overall mortgage market, it likely includes a large portion of the growth in exotic loans.

Table 1. Results of model predicting share of 2003 home purchase loans made by subprime lenders in U.S. metropolitan areas with populations over 500,000 in 2000.

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These data show that among tracked loans, those that were interest-only rose from under 5% in 2001 to approximately 35% in 2005 (LoanPerformance, 2006). Negative amortization loans rose from less than 1% in 2003 to more than 7% by 2005. In California, this figure topped 17% in 2005. LoanPerformance also listed 12 metropolitan areas in California and 10 in other states where interest-only loans accounted for more than 50% of the loans that they track.

Many, if not most, exotic mortgages involve adjustable interest rates, especially those made between 2003 and 2005, when exotic mortgages became popular. Initially low interest rates, which later rose substantially, made these adjustable rate mortgages (ARMs) a ributing to their po erest-only loans we he increase in ARM a

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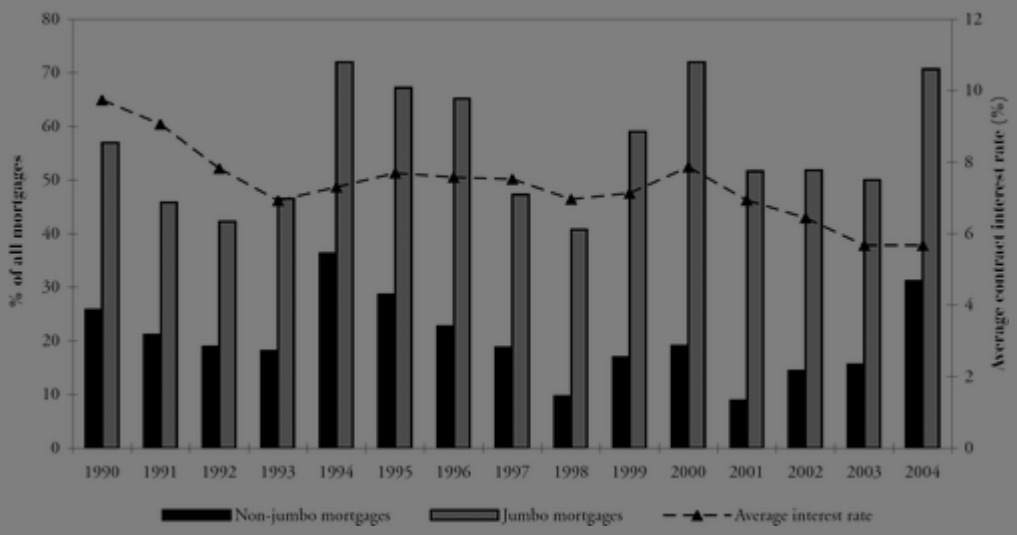
prevailing fixed interest rates. From 2001 to 2003 interest rates generally fell and ARMs held steady for jumbo loans and increased for non-jumbo mortgages. Then, although rates remained relatively flat, ARMs increased dramatically in 2004, making up 71% of jumbo loans and 31% of non-jumbo loans according to the MIRS data. Even so, these data likely understate ARM growth in later years, especially in the subprime market and for loans with teaser introductory rates.[8]

Figure 3. Percentage of conventional jumbo and non-jumbo mortgages with adjustable rates, 1990–2004: Source: Federal Housing Finance Board (2006).



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Growing Numbers of Zero-Down-Payment Loans

During much of the 20th century, the standard down-payment requirement for a home purchase loan was 20%. Until the 1990s, down payments below 20% typically required either private mortgage insurance or the use of a government-insured or government-guaranteed loan. Some buyers receive seller-funded down-payment assistance. Public and nonprofit entities sponsor zero-down-payment loan programs to subsidize homeownership. The Veterans Administration introduced a zero-down-payment loan program as early as 1944 (Government Accountability Office, 2005a). The FHA followed with a program permitting down payments of 5% in 1948 and then 3% in 1957. In the 1970s, the GSEs began purchasing loans on which the homeowner had put as little as 5% down. In 1994, Fannie Mae introduced a 3% down product, and Freddie Mac followed with a similar product in 1998. In 2000, both GSEs began offering products that required no down payment. While both GSEs continue to offer products requiring down payments of less than 5%, and they have become more popular, the FHA remains a smaller, but still significant, provider of such loans. Almost 90% of FHA loans had loan-to-value ratios (LTVs) above 95% in 2000, while the figures forFannie Mae and Freddie Mac were 4.4% and 6.1%, respectively (Government Accountability Office, 2005a). [10]

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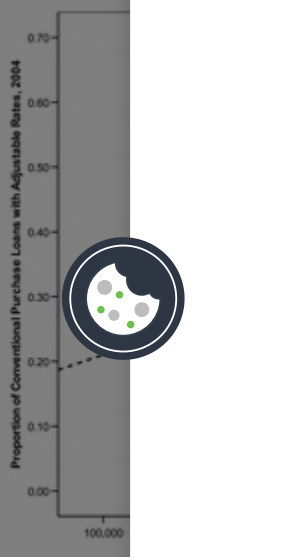

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According to my calculations using microdata from the 1999 American Housing Survey (AHS), only 5% of owner-occupiers purchasing single-family homes in MSAs (metropolitan statistical areas) in 1998 and 1999 indicated “no down payment” when asked what their main source of the down payment was for their house, but the 2005 AHS data show this figure had reached 13.3% for 2004 and 2005 (U.S. Census Bureau, 1999, 2005). Given that many zero-down-payment programs are aimed at lower-income borrowers, these products are likely to be more concentrated than this in modest-income neighborhoods.

From 2000 to 2005, the proportion of FHA-insured loans that had LTVs greater than 95% and involved down-payment assistance grew from 35% to nearly 50% (Government Accountability Office, 2006). From 2000 to 2004, the proportion of FHA loans involving down-payment assistance from a nonprofit organization grew from 6% to 30%. Many lenders permit down-payment assistance from third parties, especially for first-time homebuyers. Both the FHA and the GSEs stipulate that such assistance cannot come from anyone with an interest in the sale of the property. However, the FHA traditionally has allowed nonprofits to receive contributions from the seller of the property (often a developer) and then to turn around and provide down-payment assistance to the buyer. [11]

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A substantial body of research points to widespread problems in the subprime market. There is evidence that minority households are more likely to receive subprime mortgages even after controlling for credit quality, and that abusive lending practices have been concentrated in the subprime sector (Gruenstein-Bocian et al., 2006; Nichols, Pennington-Cross & Yezer, 2005; U.S. Department of the Treasury & U.S. Department of Housing & Urban Development [HUD] 2000). However, my main concern is that subprime mortgages have been associated with large, spatially concentrated increases in foreclosures (Apgar & Duda, 2004; Immergluck & Smith, 2005). For the first three quarters of 2006, over 60% of loans entering foreclosure in the United States were subprime, up from approximately 30% in 2003, even though less than 13% of outstanding mortgages were subprime (Nassar, 2007).

A number of recent studies have measured foreclosure rates among subprime loans compared to prime loans (Goldstein, McCullough, Parker, & Urevick-Ackelsberg, 2005; Immergluck & Smith, 2005; Quercia, Stegman, & Davis, 2005; Schloemer et al., 2006). Generally these studies have found that subprime loans of all types foreclose at rates between 10 and 20 times the rate of prime loans, depending on how foreclosures and subprime loans are defined and measured. Although research on the foreclosure rates of subprime home purchase loans specifically has been limited, Schloemer et al. (2006) found that subprime home purchase loans made in 2003 were more than twice as likely to go int us, while subprim hase loans are gene

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metropolitan areas I analyzed previously. To estimate a foreclosure filing rate in each of these 81 metropolitan areas, I divided first quarter 2006 foreclosure filings from the RealtyTrac report by the number of home purchase and refinance loans originated in the metro area in 2003 as measured by Home Mortgage Disclosure Act (HMDA) data. Figure 5 plots my estimated metropolitan foreclosure filing rates against the shares of home purchase loans made by subprime lenders in the same metropolitan areas in 2003. As predicted, it indicates that when local housing markets are hot, even high levels of subprime lending are associated with only slightly higher foreclosure filing rates. In markets where appreciation is lower, high levels of subprime lending are associated with substantially higher foreclosure rates. The metropolitan areas within the dotted oval suggest a line with only a small positive slope, indicating that in this group of places with hot housing markets and high housing values, even very high subprime loan shares did not produce high foreclosure rates in early 2006. For metropolitan areas in the dashed oval, whose housing markets were cooler, and for which Figure 5 shows lower median property values, the slope implied is steeper, indicating that for these places, a high subprime lender share is associated with high foreclosure rates.

As of 2003, metropolitan areas with high levels of housing appreciation, including many in California, the Northeast, the Atlantic coast, and Florida, had not suffered the spike in foreclos ough for a full mult d regional home va prime market (

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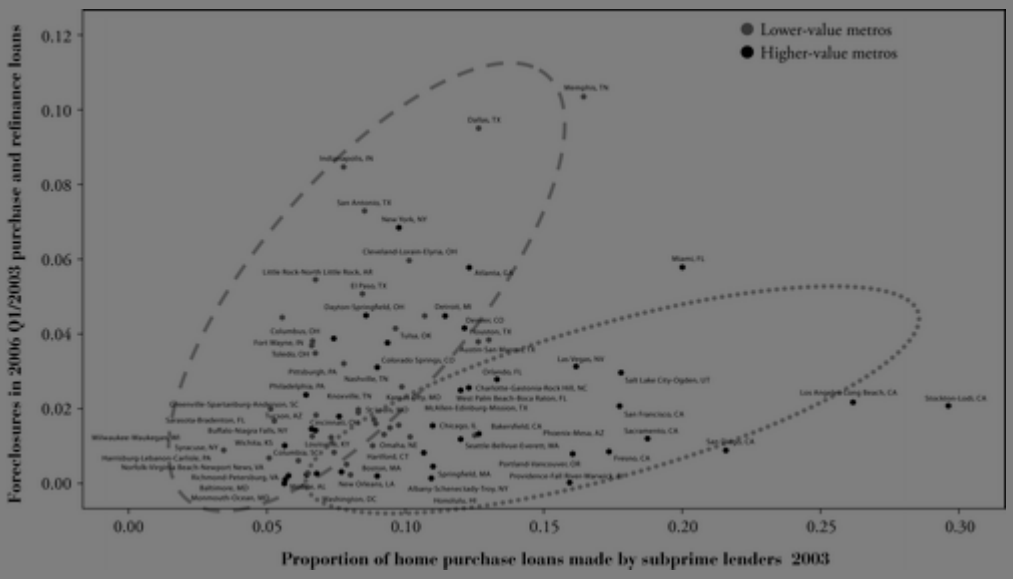
Figure 5. Foreclosure filing rates versus subprime lender shares of home purchase loans for 81 large U.S. metropolitan areas: Sources: Foreclosure filing rate calculated by the author using data from RealtyTrac, Inc. (2006) and HMDA data from Federal Financial Institutions Examination Council (2007). Share of home purchaseloans that were subprime calculated by the author using HMDA data from Federal Financial Institutions Examination Council (2007).



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Spatially concentrated subprime loans can result in poor outcomes for neighborhoods and local governments. A number of studies have shown a disproportionate share of metropolitan foreclosures and increases in foreclosures in recent years to be in lower-income and minority neighborhoods (for a review, see Apgar & Duda, 2004). A study of foreclosures in Atlanta found predominantly minority census tracts had foreclosure rates (as measured by foreclosures per mortgaged unit) approximately 12 times those of predominantly White tracts (Apgar & Duda, 2005). These tracts also had the highest concentrations of subprime mortgages. Figure 6 shows that in Cook County, Illinois, foreclosures increased much more in the city and close-in older suburbs than in more distant suburbs. Immergluck and Smith (2005) calculated that conventional foreclosures increased by 215% from 1995 to 2002 in predominantly White census tracts in the five-county Chicago area, while they increased by 544% in predominantly minority tracts.[13] They also found shares of subprime home purchase and refinance loans to be strong predictors of neighborhood foreclosure rates after controlling for a variety of economic, racial, and housing stock variables.

Table 2. Metropolitan areas with highest and lowest levels of growth in foreclosure filings [a] between the second half of 2006 and the first half of 2007.

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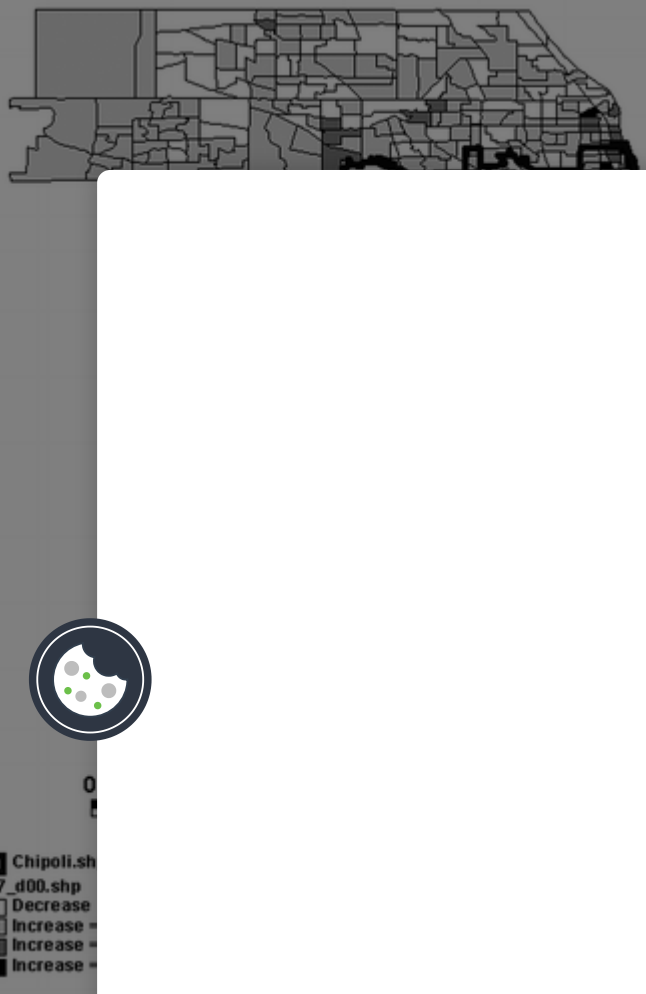
subprime loans, many exotic mortgages have longer initial interest rate periods, meaning that those originated in 2003 through 2005 will reset in 2008 and beyond.

As is the case with subprime loans, one of the key risks for areas with many exotic mortgages is the cooling of hot housing markets. Where exotic mortgages are concentrated in markets likely to lose value, there is a risk of acceleratingforeclosures once homeowners can no longer sell or refinance easily. Cagan (2007) found that for ARMs originated in 2006, 23.9% of properties had negative equity (the home's value was less than the mortgage amount), up from only 7.6% in 2004, and compared to only 10.3% of fixed-rate borrowers. Moreover, if prices were to fall by 10%, 48.9% of the adjustable-rate mortgages originated in 2006 would have negative equity. Therefore I expect metropolitan areas at high risk of declining housing prices that also have high ARM shares to be at great risk of large increases in foreclosures.

Figure 6. Change in the proportion of housing units with a mortgage that entered the foreclosure process 1994–1995 to 2001–2005: Source: Data from Midwest Foreclosures (2003).



The private mortgage insurer PMI, Inc. has developed a market risk index which is intended to predict the probability a property's value will decline in the next two years (PMI, Inc., 2006). Figure 7 combines the 2006 PMI market risk index with MIRS data on the share of ARMs for the same 31 metros shown in Figure 4 (Federal Housing Finance Board, 2006). The resulting plot shows two clusters of metropolitan areas, one with market risk below 20% and the other with market risk above 30%. Most of the higher-risk metropolitan areas have relatively high ARM shares. Even for the lower-risk cluster, a higher share of ARMs appears to be related to market risk.

Foreclosures have risen more than 20% from the second half of 2006 to the first half of 2007 in all of the higher-risk metropolitan areas in Figure 7, and several have increased by much more (RealtyTrac, 2007). As interest rates continue to reset, more borrowers are likely to find themselves struggling to meet their mortgage obligations. Moreover, both higher interest rates and higher levels of foreclosures will put downward pressure on housing values, making refinancing loans or selling properties less advantageous for individuals experiencing such difficulties.

One type of alternative mortgage is the stated-income loan, in which lenders require little to no documentation to verify borrowers' incomes. This segment of the home purchase loan market grew rapidly from 2000 to 2006, accounting for approximately 18% of all mortgage originations by 2006 (Bajaj, 2007). There is some evidence many people c r than they actually mortgage fraud, re ained borrowe and almost 60% hac rson, & Croft, 20

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However, the bulk of studies addressing loan performance do not distinguish borrowers who received any pre- or postpurchase counseling. Hirad and Zorn (2002) found that individual and classroom prepurchase counseling significantly reduces delinquencies for high-LTV loans.

Seller-funded down-payment programs are of particular concern, because the Government Accountability Office (2005b) has found that they make substantially higher claims on FHA insurance (i.e., have higher probabilities of foreclosure) than otherwise comparable FHA loans. Unlike the FHA, the GSEs have not allowed seller-funded down payments, believing that they contribute to overpriced properties and higher foreclosure rates.

Despite the problems associated with zero-down-payment loans and seller-funded down-payment programs, the FHA and some members of Congress are proposing to increase FHA insurance coverage to allow for zero down payments. This has been spurred in large part by the declining FHA market share shown in Figure 1. Moreover, as subprime foreclosures worsened in early 2007, supporters of what has been called "FHA reform" advocated enabling more zero-down-payment activity in FHA products to address the problems in the subprime market, though critics argued the proposed changes would repeat past mistakes (Donahue, 2007).

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One important goal of planning and public policy is sustainable homeownership. Foreclosures are not only bad for the individual who loses his or her home, but entail considerable negative externalities, especially when spatially concentrated. In weaker housing submarkets (e.g., neighborhoods or groups of neighborhoods) within a metropolitan area, and where borrowers have fewer resources and limited networks, foreclosure is both more likely to occur and more likely to impose significant costs on the surrounding neighborhood and urban area. For example, Immergluck and Smith (2006) found that each foreclosure within one eighth of a mile of a single-family home in a low- and moderate-income neighborhood reduced the home's value by more than 1.4%, an effect more than 40% greater than in middle- and upper-income tracts.

Figure 7. Adjustable rate mortgage presence and overvaluation risk, large metro markets: Sources: PMI, Inc. (2006) and Federal Housing Finance Board (2006).

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alternatively, map all loans that have high interest rates as defined by HMDA. Planners can also map the loans of the lenders who local legal aid offices and housing groups consider to exhibit poor underwriting or to engage in predatory practices. Planners should also track foreclosure filings to identify where hot spots may be emerging. In some areas, reliable data on foreclosures can be obtained from private data vendors, while in others, regional planning agencies may want to collect raw foreclosure data and make it available to community groups and researchers in an affordable digitized format.[15]

States can require that the identity of any mortgage broker and the lender be recorded for each loan originated, so that originating brokers and lenders can be linked directly to foreclosures. If such data were made readily available to the public on state mortgage regulator websites it would make it possible to identify originators associated with large numbers of foreclosures in particular neighborhoods or cities.

Some communities have developed “neighborhood early warning systems” that alert planners, community groups and officials to signs of increased housing problems, including foreclosures, code violations, and tax delinquencies, so they can take action before problems grow too large. The Providence Urban Land Reform Initiative, a joint effort of the Providence Plan (2006) and the Providence Department of Planning, is an excellent example of such an effort.

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community. Planners also may advocate screening banks' and thrifts' local lending practices before allowing them to receive local government deposits.

Fund Targeted Foreclosure Prevention and Counseling

Education is an important predictor of access to prime mortgages and therefore of lower foreclosure rates. However, given limited resources and the complexity of mortgage transactions, increasing the financial acumen of borrowers is no simple feat. Planners should devote resources to helping homeowners avoid predatory or overly risky loans through targeted counseling initiatives aimed at borrowers or likely borrowers. For examples of local foreclosure prevention programs, see Higgins (2005). A key ingredient in most successful foreclosure prevention programs is access to low-cost or free legal assistance. Lenders are likely to be more responsive to borrowers who are represented by qualified legal counsel, and skilled attorneys will be able to identify any abusive features of the loan, providing the borrower with much more negotiating power.

Develop Refinancing/Restructuring Programs

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Second, states or localities can use mortgage revenue bonds, federal housing funds, or community development funds to refinance and restructure unaffordable existing mortgage loans. As of this writing, Congress is considering various means of intervening, including relaxing restrictions on Federal Housing Administration loan programs as well as on Fannie Mae and Freddie Mac, to allow them to play a larger role in restructuring or refinancing existing debt (Solomon, 2007; U.S. Senate Joint Economic Committee, 2007).[16] With or without federal action, however, state or local government may need to step in. Any federal action is likely to provide assistance for only a modest portion of borrowers facing foreclosure. Sayeed (2007) reviewed some examples of existing state and local programs that provide financing to assist families facing potential foreclosure, but most were not designed for the levels of foreclosures many communities now face, and new resources and program designs may be needed.

Since the national spike in foreclosures in late 2006 and early 2007, several states, including Maryland, Massachusetts, New Jersey, New York, and Pennsylvania, have initiated programs to provide refinance or bridge loans of some sort to distressed borrowers (Krauss, 2007). However, these programs are not large enough to help more than a few of the borrowers needing assistance. For example, Massachusetts' program is funded at $250 million, and estimated sufficient to assist approximately 1,000 homeowners. Moreover, if the funding sources and state administrations have low toleranc such program

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practices, and requiring that they both demonstrate low default rates in their existing lending and provide counseling, smart servicing technologies, and foreclosure prevention.

Get Foreclosed Properties Reoccupied Quickly

Some of the costs of foreclosure to the community occur because foreclosed homes end up vacant or abandoned (Immergluck and Smith, 2006; Spencer, 1993). Planners should work to quickly return homes in or near foreclosure to occupancy. One particular challenge, especially in lower-income neighborhoods, is to prevent “walkaways,” in which lenders do not take possession of a property in default because they fear that the property's liabilities and risks exceed its value. Neighborhood Housing Services of Chicago, Inc. (2005) has worked with the real-estate-owned (REO) divisions of major lenders to give the lenders alternatives to abandoning properties on which they have foreclosed.

Recognize the Effect of Foreclosure Surges on Rental Housing Markets

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Too often planners and local policymakers pay attention only to certain types of issues being debated at state and federal levels. Although eminent domain and transportation funding are important, housing finance has proven time and again to have major impacts on communities. Planners should pay close attention to the regulation of the mortgage market.[17] Otherwise, this critical influence on communities is left completely in the hands of lenders, investors, and brokers, none of whom necessarily focus on the long-term impacts of their decisions on neighborhoods and cities.

Certainly, many changes in home finance are affected by market forces. However, housing finance systems vary widely across the industrialized world, due to differing government policies (Green & Wachter, 2005). In many ways, the U.S. has built a successful home finance system. It has served much of suburban America quite well over the last 70 years. But major changes have occurred in the last 10 to 15 years that have radically increased mortgage risk and shifted much of the downside risk to particular homeowners, neighborhoods, and cities.

The recent contraction in high-risk lending is likely to be temporary. The subprime market went through a less severe decline after the Asian financial crisis of 1998, only to roar back to become larger than ever. Unless we change federal and state lending policies to reduce the effects of future wide swings in liquidity on lending standards and eventually on foreclosures, mortgage markets are likely to exhibit booms and busts like the mos any challeng t cycle, local foreclosu s should learn ho analytical, planning nd respond more eff

Note

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Source:

1. Teaser rates are initial interest rates that typically run for between 1 and 5 years and are significantly below the prevailing market interest rates for similarly structured loans.

2. In mortgages with interest-only loans, the borrower makes only interest payments (no principal) for some initial number of years. Payment-option loans are those for which the borrower has the option of paying principal and interest, interest only, or some minimum payment that can be less than the interest accrued. For negative amortization loans the regular payments do not equal the accrued interest on the loan, and so the balance owed increases over time. Piggyback loans are second mortgages that allow the borrower to reduce his or her downpayment while avoiding private mortgage insurance. The second mortgage typically carries a higher interest rate. Alt-A loans are low- or no-documentation loans, in which the borrower pays a premium in exchange for not having to provide the usual documents verifying his or her income. For a more detailed description of exotic mortgages, see Fishbein and Woodall (2006).

3. I added the square of the income-to-loan-size ratio after diagnostic plots indicated a nonlinear effect.

4. The change in the proportion of buyers who were Black, the change in the proportion of buyers who were Hispanic, and the change in median loan size, may result from as well as c loans that are subp eased presence number of Black or for Black and Hisp ng may actually pending power (t bidding up of housi first regre ables together e three endoger variable. For instr itan area's home pr and Oversigh American from 19 was

the endogenous variables arising from the firststage regressions, and estimated the main model.

5. Though the median loan size and proportion Hispanic variables are not significant at the .10 level, their t -statistics are not far outside this range given the limited size of my sample.

6. Fannie Mae and Freddie Mac are government-sponsored private businesses, with significant government benefits (e.g., exemption from local taxation, access to low-interest government debt, and an implicit too-big-to-fail expectation in credit markets). They purchase predominantly prime mortgages from lenders, pool them, and issue mortgagebacked securities to provide liquidity to mortgage markets.

7. Nonagency securitization is the process in which mortgages are pooled to create collateral for mortgage-backed securities issued by investment firms other than Fannie Mae or Freddie Mac.

8. The MIRS data omit some significant segments of the mortgage market, including refinance loans, very large loans, loans made by specialized subprime lenders, and in latter years, loans with interest rates below 2.75%, including many ARMs with teaser rates (Congressional Budget Office, 2001). This last omission is particularly relevant in recent y ow interest rate env

9. Even f enabling buyers t olic lender, promote uy a bigger house, a .” The product

10. T t just under 98%. Ho cluded from this calc (Berkovec, Canner,

11. In 20 providing seller-fu ento-based Nehemia ealing the

12. RealtyTrac, Inc. (2006) claims to offer “the largest national database of preforeclosure, foreclosure, for sale by owner, and new home construction properties, with more than 550,000 properties across the country.” It also claims to be rated the fourth largest real estate Web site by Nielsen NetRatings. RealtyTrac includes properties in all three phases of foreclosure: preforeclosures, foreclosures, and real-estate-owned (REO) properties that have been bought back by a bank. The combined report, therefore, overstates the number of properties entering a particular phase of the foreclosure process. However, it appears to be the best source of data for a large number of MSAs, and I expect the data to comparable across MSAs.

13. This excludes mortgages insured or guaranteed by government agencies such as the FHA or VA.

14. Neither of these studies looked exclusively at home purchase loans.

15. Making real estate data generally available does raise privacy concerns. However, I generally advocate that regional planning bodies collect and disseminate only what is already part of the public record, providing it to the public at little or no cost. In most areas data firms already provide such a service, but charge high prices, meaning mortgage brokers and property investors are effectively the only parties able to afford access to these data.

16. Note e Federal Housing crisis and are inter ge market.

17. Mort a complex topic be oving access to sounc ated forec

The Secondary Circuit of Capital and the Restructuring of the US Housing Finance System

Source: John Wiley & Sons, Ltd

Evidence from Chicago

Source: SAGE Publications

Has mortgage capital found an inner-city spatial fix?

Source: Informa UK Limited

Abandoned buildings: Magnets for crime?

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Cartographies of Race and Class: Mapping the Class-Monopoly Rents of American Subprime Mortgage Capital

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Homeownership motivation, rationality, and housing prices: Evidence from gloom, boom, and bust-and-boom economies

Source: Wiley

Bailing out the Wealthy: Responses to the Financial Crisis, Ponzi Neoliberalism, and the City:

Source: SAGE Publications

Variations in Housing Foreclosures by Race and Place, 2005–2012

Source: SAGE Publications

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Source: Springer Science and Business Media LLC

More than gentrification: geographies of capitalist displacement in Los Angeles 1994-1999

Source: Informa UK Limited

Analysing Determinants of Foreclosure among High-income African-American and Hispanic Borrowers in the Washington, DC Metropolitan Area

Source: Informa UK Limited

All’s Fair? The Foreclosure Crisis and Middle-Class Black (In)Stability:

Source: SAGE Publications

A Dynamic Look at Subprime Loan Performance

Source: Federal Reserve Bank of St. Louis

A python script for longitudinally measuring the duration of vacant land uses

Source: Informa UK Limited

Risk-Based Mortgage Pricing: Present and Future Research

Source: Informa UK Limited

What explains the resolution of property tax delinquency prior to forfeiture? Evidence from Hennepin County, Minnesota

Source: Informa UK Limited

Borrower Self-Selection, Underwriting Costs, and Subprime Mortgage Credit Supply

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