HOUSING TRENDS, FACTORS, AND FORCES

By: Andy Carswell,
University of Georgia
Georgia Institute for Community Housing
Tifton, GA
February 26, 2008
Single-Family Housing Starts

(Thousands of Units, SAAR)

Source: NAHB
Multifamily Housing Starts

(Thousands of Units, SAAR)

Source: NAHB
Housing Starts Per Capita

Source: New York Federal Reserve, Economy.com, Mortgage Bankers Association of America
New Home Sales

(Thousands of units, Seasonally Adjusted)

Source: NAHB
Prime Conventional Conforming Home Mortgage Rates

Percent

0 2 4 6 8 10

89 90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09

Source: NAHB
Real GDP Forecast

Source: NAHB
Predicted House Price Changes

Source: OFHEO
U.S. Real Home Price Index 1890–2005 (Shiller 2005, updated) and U.S. Unemployment Rate 1890–1930

Home Sale Prices and Rents (Inflation Adjusted)

Source: BLS, BEA, and OFHEO.*
Unemployment Forecast

Source: NAHB
Vacant Year-Round Housing Units on the Market

No. of Units (left scale)

% of Housing Stock (right scale)
POPULATION PERCENT CHANGE IN THE UNITED STATES, DISTRICT OF COLUMBIA, AND PUERTO RICO: 2000-2006

Source: U.S. Census Bureau

U.S. PERCENT CHANGE: 6.4%
- pop loss
- less than U.S.
- greater than U.S.
- More than double U.S.
Georgia and Projected Household Growth

Top 5 Counties
- Chattahoochee (+58%)
- Barrow (+32%)
- Newton (+31%)
- Paulding (+30%)
- Forsyth (+29%)

Bottom 5 Counties
- Butts (-30%)
- DeKalb (-19%)
- Liberty (-18%)
- Taliafero (-13%)
- Ware (-13%)
Atlanta Permits
Single-Family vs. Multi-Family

Graph Information: As of 9/07
- Updated monthly – Based off Trailing 12 month numbers.
- Based Atlanta MSA (See MSA Definition at end).
Job Growth Trend

Graph Information: As of 9/07
- Monthly numbers represent annual change from previous year’s month
- Previous month information is typically adjusted the following month
- Based off Atlanta MSA (See MSA Definition at end)
## Percent of Defaults Due to Non-Owner Occupied Loans

<table>
<thead>
<tr>
<th></th>
<th>Prime Loans</th>
<th>Subprime Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percent of prime defaults due to non-owner occupied loans as of June 30, 2007</td>
<td>Percent of subprime defaults due to non-owner occupied loans as of June 30, 2007</td>
</tr>
<tr>
<td>Nevada</td>
<td>32%</td>
<td>24%</td>
</tr>
<tr>
<td>Arizona</td>
<td>26%</td>
<td>18%</td>
</tr>
<tr>
<td>Florida</td>
<td>25%</td>
<td>14%</td>
</tr>
<tr>
<td>California</td>
<td>21%</td>
<td>15%</td>
</tr>
<tr>
<td>All other states</td>
<td>13%</td>
<td>11%</td>
</tr>
<tr>
<td>Total US</td>
<td>16%</td>
<td>12%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Share of prime home purchase loan originations for non-owner occupied properties in 2005, based on HMDA</th>
<th>Share of subprime home purchase loan originations for non-owner occupied properties in 2005, based on HMDA</th>
</tr>
</thead>
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<tr>
<td>Nevada</td>
<td>29%</td>
<td>14%</td>
</tr>
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<td>Arizona</td>
<td>29%</td>
<td>14%</td>
</tr>
<tr>
<td>Florida</td>
<td>32%</td>
<td>15%</td>
</tr>
<tr>
<td>California</td>
<td>14%</td>
<td>7%</td>
</tr>
<tr>
<td>All other states</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td>Total US</td>
<td>17%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: MBA, Home Mortgage Disclosure Act 2005 Report
Mortgage Delinquency Data

Mortgage delinquency rates as of the second quarter of 2007

- 1.32%-3.00%
- 3.01%-4.00%
- 4.01%-6.00%
- 6.01%-plus

Stockton, Calif.: 6.30%
Modesto, Calif.: 5.09%
Merced, Calif.: 8.08%
Riverside-San Bernardino-Ontario, Calif.: 5.21%

Source: Equifax/Moody's Economy. COM
Historical Data Patterns

...And Where They've Increased the Most

Rise in delinquency rate from the fourth quarter of 2005 through the second quarter of 2007, in percentage points

- 1.32–2.00
- 2.01–4.00
- 4.01–6.00
- 6.01–8.08

Note: Alaska and Hawaii are not to scale

Source: Equifax/Moody's Economy.com
New Foreclosures by City - November

City

<table>
<thead>
<tr>
<th>City</th>
<th>Properties</th>
</tr>
</thead>
<tbody>
<tr>
<td>DETROIT, MI</td>
<td>2941</td>
</tr>
<tr>
<td>CLEVELAND, OH</td>
<td>1551</td>
</tr>
<tr>
<td>ATLANTA, GA</td>
<td>1538</td>
</tr>
<tr>
<td>DENVER, CO</td>
<td>1532</td>
</tr>
<tr>
<td>LAS VEGAS, NV</td>
<td>1376</td>
</tr>
<tr>
<td>SACRAMENTO, CA</td>
<td>1041</td>
</tr>
<tr>
<td>AURORA, CO</td>
<td>913</td>
</tr>
<tr>
<td>HOUSTON, TX</td>
<td>904</td>
</tr>
<tr>
<td>INDIANAPOLIS, IN</td>
<td>885</td>
</tr>
<tr>
<td>CHICAGO, IL</td>
<td>822</td>
</tr>
</tbody>
</table>
Industry and Market Determinants of Foreclosure

- LTV Ratios (+)
- House Price Appreciation (-)
- Sub-Prime Lender (+)
- Mortgage Type → Non-FRM (+)
- Savings Rate (-)
- Servicing by Primary Lender (-)
- Interest Rates (+)
Human/Individual Factors Associated with Foreclosure

- Divorce (+)
- Health Care Exps. (+)
- Unemployment (+)
- Seasonal Nature of Job (+)
- # of Dependents (+)
- Non-Housing Wealth (-)
- FTHB Status (+)
- Gambling (+)
Pre-purchase Homeownership Counseling’s Effects on Default and Foreclosure

• Positive effect overall as a risk mitigator
• Little in the way of follow-up procedures
• Questionable purchasing behavior of FTHB
• More vulnerable to predatory lenders after origination than before
Community Costs of Foreclosure

- Fire Risks
- Increasing Crime
- Administrative/Municipal Costs
- Property Value Effects
Foreclosure and Mortgage Fraud

- Fraud-for-property schemes vs. fraud-for-profit schemes
- Clustering effect
- Adverse community effects
- Difficulty in researching fraud effects on foreclosure
## Mortgage Fraud – Case Study

<table>
<thead>
<tr>
<th></th>
<th>African-American</th>
<th>Unemployment Rate</th>
<th>Poverty Rate</th>
<th>Vacancy Rate</th>
<th>Median House Price</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ohio</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fraud Census Tracts</td>
<td>41.61%</td>
<td>8.35%</td>
<td>20.42%</td>
<td>10.89%</td>
<td>$108,851</td>
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<tr>
<td>Non-Fraud Census Tracts</td>
<td>23.85%</td>
<td>6.59%</td>
<td>14.32%</td>
<td>7.69%</td>
<td>$192,496</td>
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<tr>
<td><strong>Georgia</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Fraud Census Tracts</td>
<td>55.18%</td>
<td>9.27%</td>
<td>16.31%</td>
<td>7.13%</td>
<td>$189,349</td>
</tr>
<tr>
<td>Non-Fraud Census Tracts</td>
<td>56.97%</td>
<td>11.74%</td>
<td>22.68%</td>
<td>8.89%</td>
<td>$157,263</td>
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<tr>
<td><strong>Missouri</strong></td>
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<td></td>
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</tr>
<tr>
<td>Fraud Census Tracts</td>
<td>53.50%</td>
<td>9.49%</td>
<td>20.80%</td>
<td>53.46%</td>
<td>$ 67,701</td>
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<tr>
<td>Non-Fraud Census Tracts</td>
<td>24.50%</td>
<td>7.37%</td>
<td>12.82%</td>
<td>24.51%</td>
<td>$105,249</td>
</tr>
</tbody>
</table>
# Concentration of Mortgage Fraud

## Table 7: Mortgage Fraud Indicators by Severity of Mortgage Fraud

<table>
<thead>
<tr>
<th>Census Tract</th>
<th>African-American</th>
<th>Unemployment Rate</th>
<th>Poverty Rate</th>
<th>Vacancy Rate</th>
<th>Median House Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Fraud</td>
<td>26.01%</td>
<td>7.08%</td>
<td>14.47%</td>
<td>11.73%</td>
<td>$115,920</td>
</tr>
<tr>
<td>Moderate Fraud</td>
<td>47.74%</td>
<td>8.61%</td>
<td>19.18%</td>
<td>20.69%</td>
<td>$112,618</td>
</tr>
<tr>
<td>(1-8 occurrences)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Heavy Fraud</td>
<td>60.08%</td>
<td>11.47%</td>
<td>20.85%</td>
<td>47.16%</td>
<td>$100,944</td>
</tr>
<tr>
<td>(over 8 occurrences)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
So, Who’s To Blame for the Affordability Problem?

- Land as a finite resource
- Government infatuated with homeownership
- Liberalized financing of mortgages
- Building codes
- Mortgage fraud
- Suburbanization
- Housing norms
- Inflexible nature of market rents
- Lack of availability of Section 8
- Growth of subprimes
- The dominance of the “stick-built” market
Possible Solutions to Affordability Problem

- Solid, yet realistic, homeownership counseling programs
- Reducing the stigma of manufactured housing
- Reducing the influence of the sub-prime market
- Living wage campaigns
- Land trusts
- Housing trust funds
Other Housing Items Dominating My World

- Predatory lending and anti-fraud legislation
- Rise of gated communities
- Rise of New Urbanism
- Effects of foreclosure laws on bankruptcy behavior
- Housing (in)equality
- Appraisals, assessments, and proper valuation
- Residential property management
- Employer-assisted housing
Any Questions?

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