

Subprime Lending and Foreclosures: A Local Perspective

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Woodstock Institute

10th District Mortgage Roundtable
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Woodstock Institute

Improving Financial Outcomes for Underserved People and Communities

Informing communities about the financial services policy issues that impact them most

Documenting patterns in the financial services industry and helping policy makers, community organizations and media understand problems

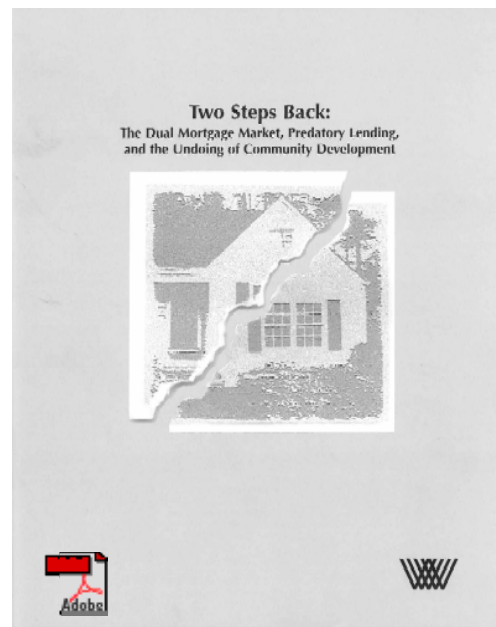
Improving transparency and giving communities the tools to make better, safer financial decisions

Payday Lending Reform Under Public Act 094-0013

State	Age	Maximum Amount (\$)	Maximum Term (Days)	Maximum Fee (%)	Consumer Protection	Reg. Consumer Lenders (Count)	Reg. Consumer Lenders (Rate)	Cash to Home (Rate)
Alabama	Yes	\$500	7	16%	PRAC	295	4	46.80
Alaska	Yes	\$500	1	16%	PRAC	295	4	46.80
Arizona	Yes	\$500	1	16%	PRAC	295	4	46.80
Arkansas	Yes	\$500	1	16%	PRAC	295	4	46.80
California	Yes	\$500	1	16%	PRAC	295	4	46.80
Colorado	Yes	\$500	1	16%	PRAC	295	4	46.80
Connecticut	Yes	\$500	1	16%	PRAC	295	4	46.80
Delaware	Yes	\$500	1	16%	PRAC	295	4	46.80
District of Columbia	Yes	\$500	1	16%	PRAC	295	4	46.80
Florida	Yes	\$500	1	16%	PRAC	295	4	46.80
Georgia	Yes	\$500	1	16%	PRAC	295	4	46.80
Hawaii	Yes	\$500	1	16%	PRAC	295	4	46.80
Idaho	Yes	\$500	1	16%	PRAC	295	4	46.80
Illinois	Yes	\$500	1	16%	PRAC	295	4	46.80
Indiana	Yes	\$500	1	16%	PRAC	295	4	46.80
Iowa	Yes	\$500	1	16%	PRAC	295	4	46.80
Kansas	Yes	\$500	1	16%	PRAC	295	4	46.80
Kentucky	Yes	\$500	1	16%	PRAC	295	4	46.80
Louisiana	Yes	\$500	1	16%	PRAC	295	4	46.80
Maine	Yes	\$500	1	16%	PRAC	295	4	46.80
Maryland	Yes	\$500	1	16%	PRAC	295	4	46.80
Massachusetts	Yes	\$500	1	16%	PRAC	295	4	46.80
Michigan	Yes	\$500	1	16%	PRAC	295	4	46.80
Minnesota	Yes	\$500	1	16%	PRAC	295	4	46.80
Mississippi	Yes	\$500	1	16%	PRAC	295	4	46.80
Missouri	Yes	\$500	1	16%	PRAC	295	4	46.80
Montana	Yes	\$500	1	16%	PRAC	295	4	46.80
Nebraska	Yes	\$500	1	16%	PRAC	295	4	46.80
Nevada	Yes	\$500	1	16%	PRAC	295	4	46.80
New Hampshire	Yes	\$500	1	16%	PRAC	295	4	46.80
New Jersey	Yes	\$500	1	16%	PRAC	295	4	46.80
New Mexico	Yes	\$500	1	16%	PRAC	295	4	46.80
New York	Yes	\$500	1	16%	PRAC	295	4	46.80
North Carolina	Yes	\$500	1	16%	PRAC	295	4	46.80
North Dakota	Yes	\$500	1	16%	PRAC	295	4	46.80
Ohio	Yes	\$500	1	16%	PRAC	295	4	46.80
Oklahoma	Yes	\$500	1	16%	PRAC	295	4	46.80
Oregon	Yes	\$500	1	16%	PRAC	295	4	46.80
Pennsylvania	Yes	\$500	1	16%	PRAC	295	4	46.80
Rhode Island	Yes	\$500	1	16%	PRAC	295	4	46.80
South Carolina	Yes	\$500	1	16%	PRAC	295	4	46.80
South Dakota	Yes	\$500	1	16%	PRAC	295	4	46.80
Tennessee	Yes	\$500	1	16%	PRAC	295	4	46.80
Texas	Yes	\$500	1	16%	PRAC	295	4	46.80
Utah	Yes	\$500	1	16%	PRAC	295	4	46.80
Vermont	Yes	\$500	1	16%	PRAC	295	4	46.80
Virginia	Yes	\$500	1	16%	PRAC	295	4	46.80
Washington	Yes	\$500	1	16%	PRAC	295	4	46.80
West Virginia	Yes	\$500	1	16%	PRAC	295	4	46.80
Wisconsin	Yes	\$500	1	16%	PRAC	295	4	46.80
Wyoming	Yes	\$500	1	16%	PRAC	295	4	46.80

Key consumer protections include:
 (1) a fee table to reduce the cost of using payday loans
 (2) an industry code of ethics to prevent over-lending or using the proceeds of one payday loan to pay off another
 (3) a mandatory pay-off button form to force the pay-off date and avoid late fees
 (4) a requirement that lenders disclose their health care costs on their forms
 (5) a public database to enforce payday lending regulation and protect borrowers and lenders from over-lending

See presentation for more details based on analysis conducted by the National Conference of State Legislatures (December 2004) and compiled in the Woodstock Institute (February 2005). Please contact Woodstock Institute at 312-467-4075 for more information.

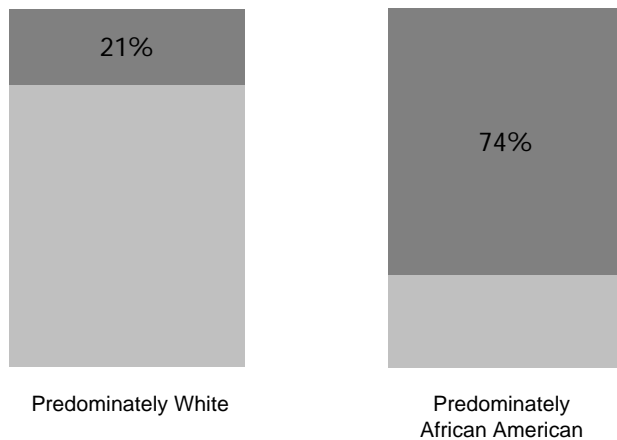




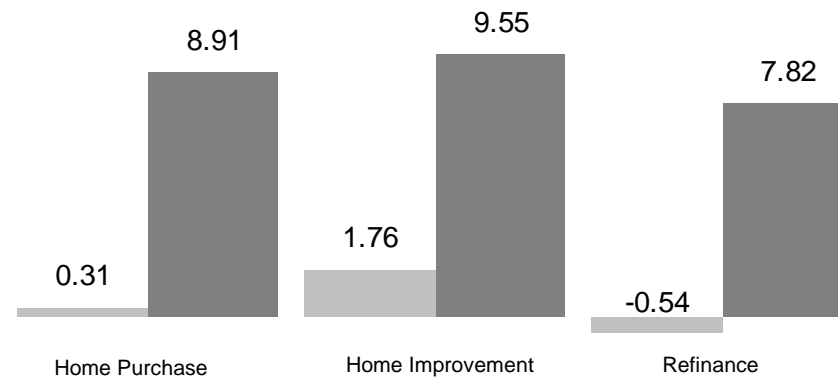
Concerns about Subprime Lending:

Loans are concentrated in minority communities and contribute to increased foreclosure rates

Percent of refinance application by type of lender



Expected Foreclosures per 100 loans by loan type



Prime Lenders
Subprime or "High Cost" Lenders

Prime Loans
Subprime or "High Cost" Loans



Concerns about Subprime Lending

Effect on property values

Concentrated subprime lending increases risk of foreclosure
and reduces neighborhood property values



3,750 foreclosures in 1997 and 1998 are estimated to reduce nearby property values by more than **\$598 million**

average cumulative single-family property value effect of **-\$159,000 per foreclosure**

1.44 percent decline in property values for each foreclosure within one-eighth of a mile of a house in a low- or moderate-income census tract.

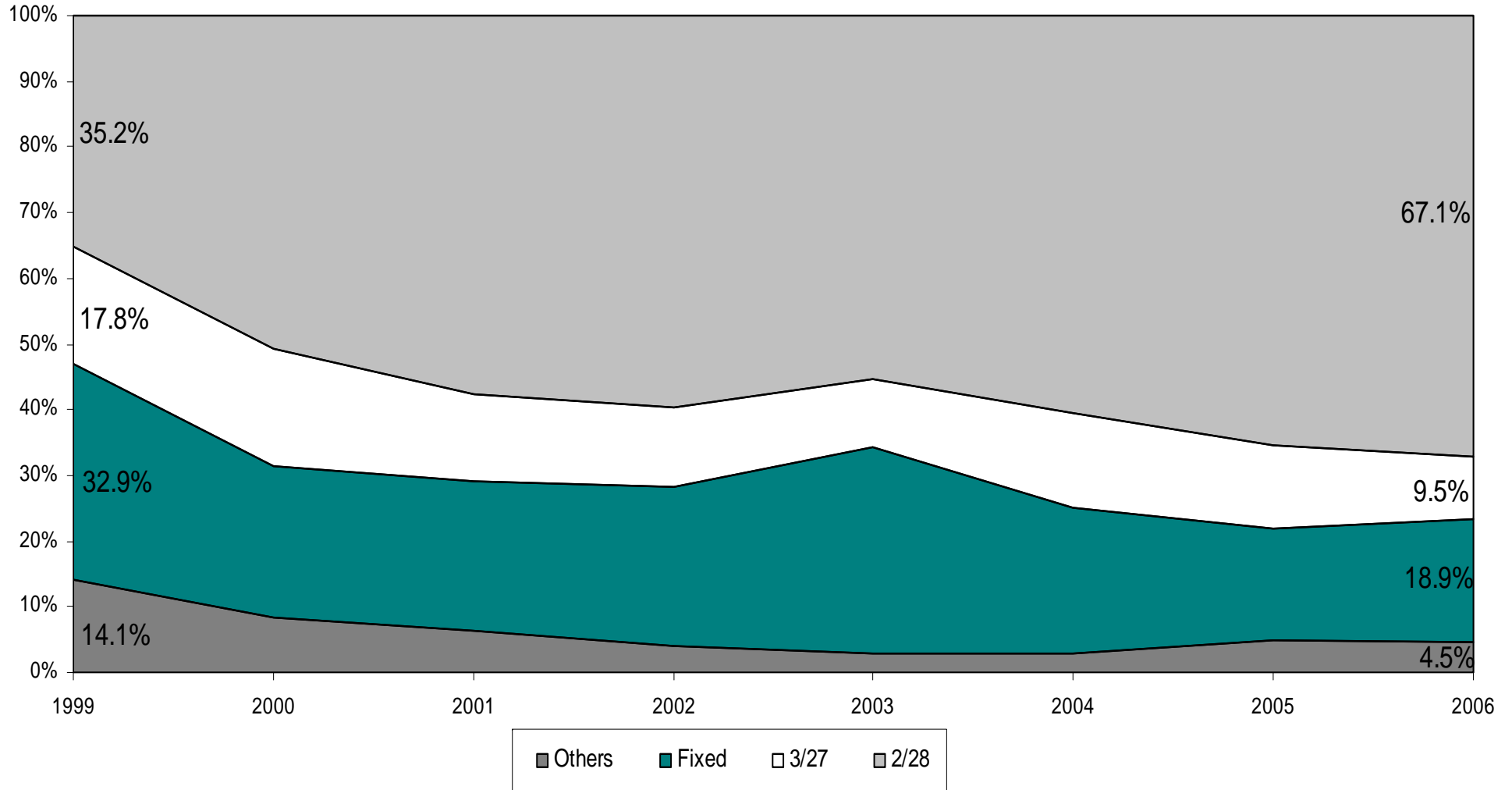
Given the \$111,002 average value for properties in low- and moderate-income tracts, this amounts to a loss of nearly **\$1,600 per foreclosure** for the average property



Problem Loans:

Increasing popularity of 3/27 and 2/28 loans

Subprime Loans By Mortgage Adjustment Period, 1999 to 2006



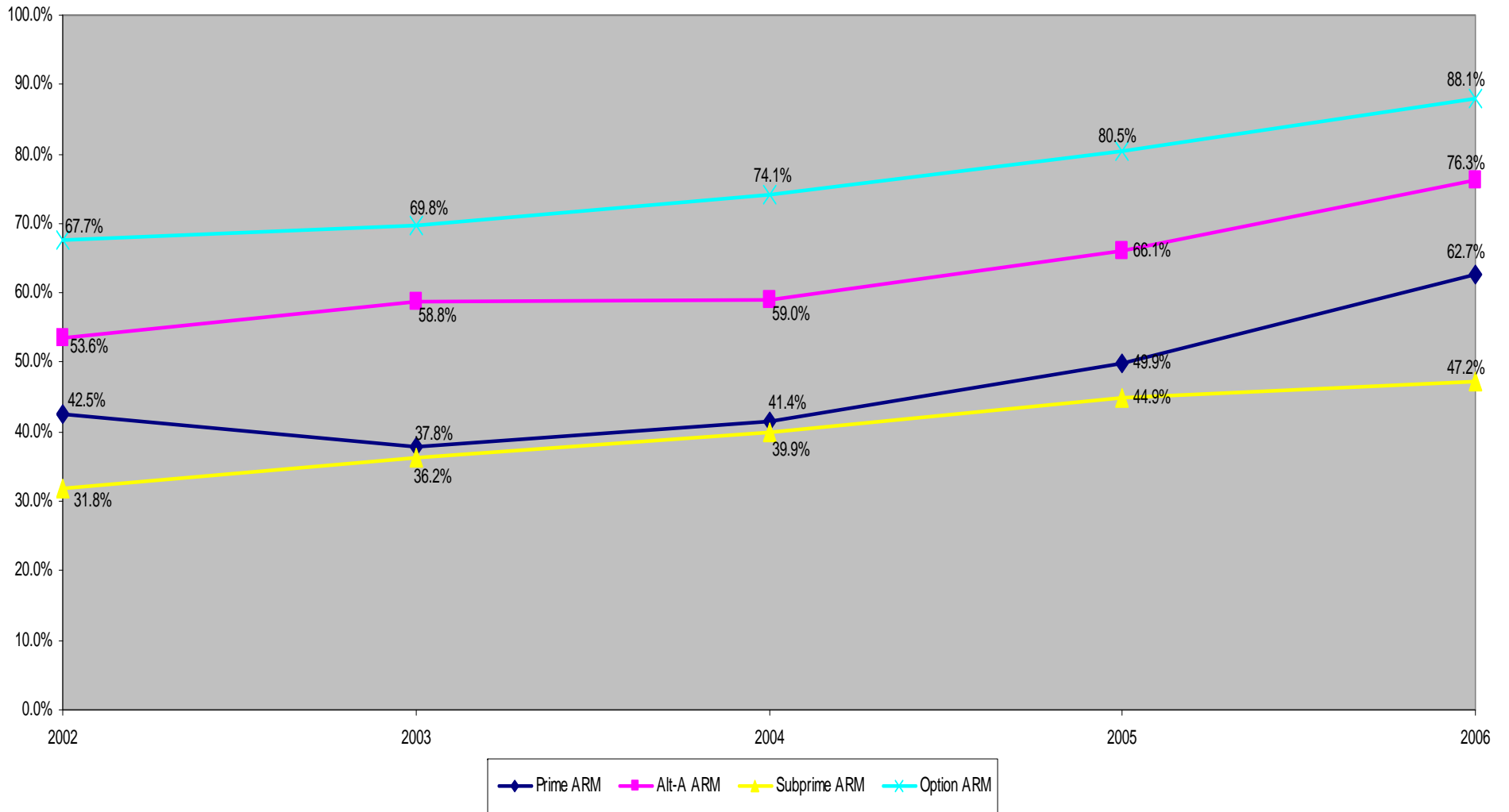
Source: LoanPerformance, UBS from "The U.S. Subprime Industry in Turmoil" by Thomas Zimmerman. March 2007



Problem Loans:

Fewer and fewer lenders documenting borrower ability to repay

Percent of ARM Loans with No Income Documentation by Type of Mortgage, 2002 to 2006



Source: LoanPerformance, UBS from "The Deflating Mortgage and Housing Bubble, Part II" by Thomas Zimmerman. October 2007



Concerns about Subprime Lending

2007 Lenders that are bankrupt, closed or sold (in bold)

Lake County

Countrywide

Wells Fargo
Washington Mutual
LaSalle Bank
National City
American Home Mortgage
JP Morgan Chase
Bank of America
First Magnus
Harris
Citimortgage
Taylor, Bean & Whitaker

Argent Mortgage

Indymac Bank

Fremont

WMC Mortgage

Countrywide Bank
Accredited Home Lenders

New Century Mortgage

US Bank
Citibank

North Cook

Washington Mutual

Countrywide

LaSalle Bank
American Home Mortgage
JP Morgan Chase
Bank of America
Wells Fargo National City
Citimortgage
Harris
American Mortgage
Taylor, Bean & Whitaker
Indymac Bank
First Magnus
Citibank

Argent Mortgage

PHH Home Loans
MidAmerica Bank
ING Bank

Provident Funding

Fremont

1st Advantage Mortgage

Suburban Chicago

Countrywide

Wells Fargo
National City
JP Morgan Chase
LaSalle Bank
Washington Mutual
American Home Mortgage
Bank of America
Taylor, Bean & Whitaker

Argent Mortgage

MidAmerica Bank
Citimortgage

Fremont

WMC Mortgage Co.

Indymac Bank
New Century
Accredited Home Lenders
Countrywide Bank
First Magnus
Citibank
Bancgroup Mortgage

City of Chicago

Countrywide

JP Morgan Chase
LaSalle Bank
Wells Fargo
National City
Washington Mutual
Bank of America
American Home Mortgage

Fremont

Argent Mortgage

Citimortgage

WMC Mortgage Co.

Indymac Bank

New Century Mortgage

Long Beach Mortgage
Accredited Home Lenders
Countrywide Bank
Citibank
Taylor, Bean & Whitaker

BNC Mortgage

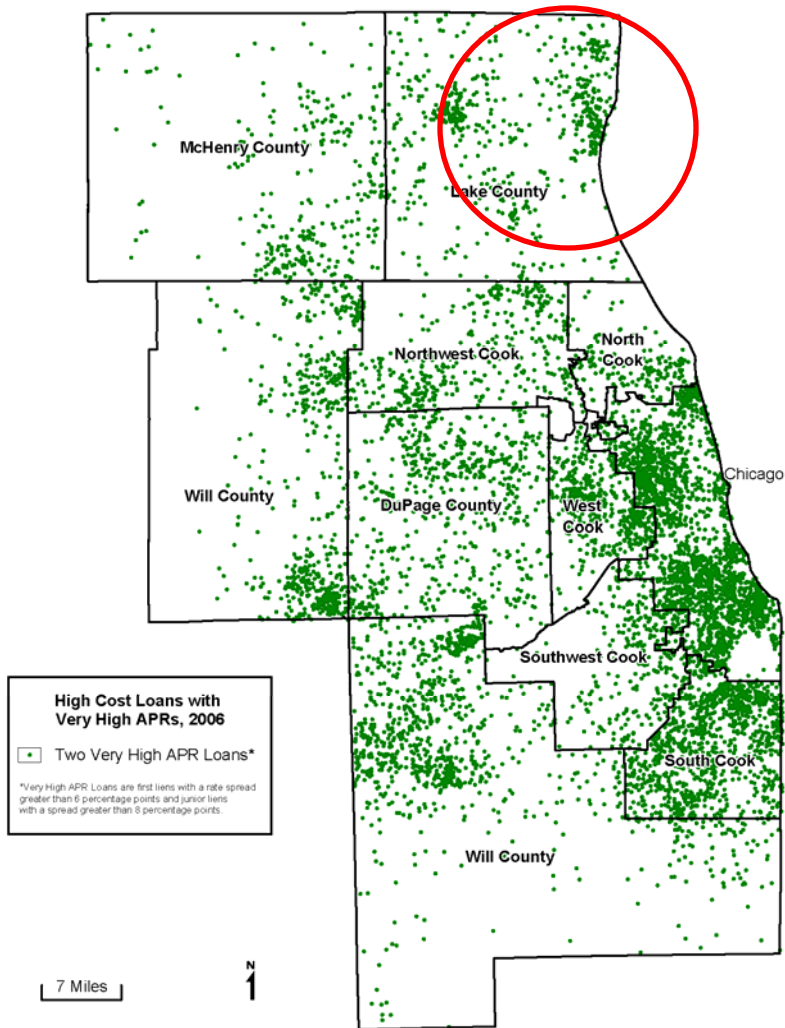
Harris



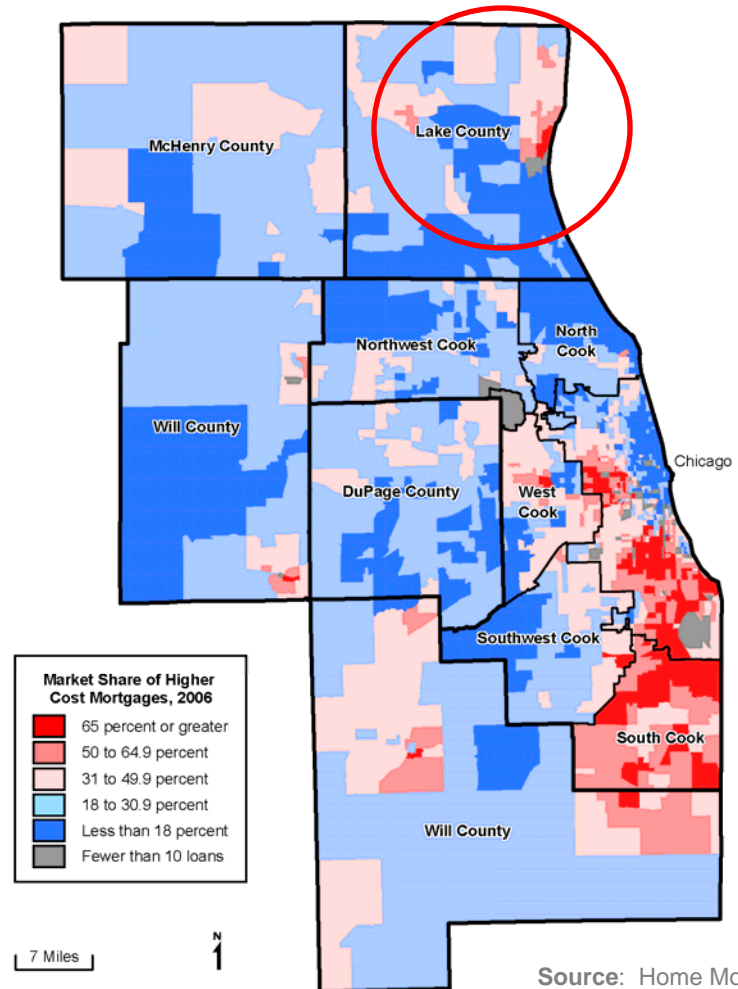
Chicago Region Lending Trends:

Possible Foreclosure Trouble Spots

Higher Cost Mortgages with Very High APRs, 2006



Market Share of Higher Cost Loans, 2006



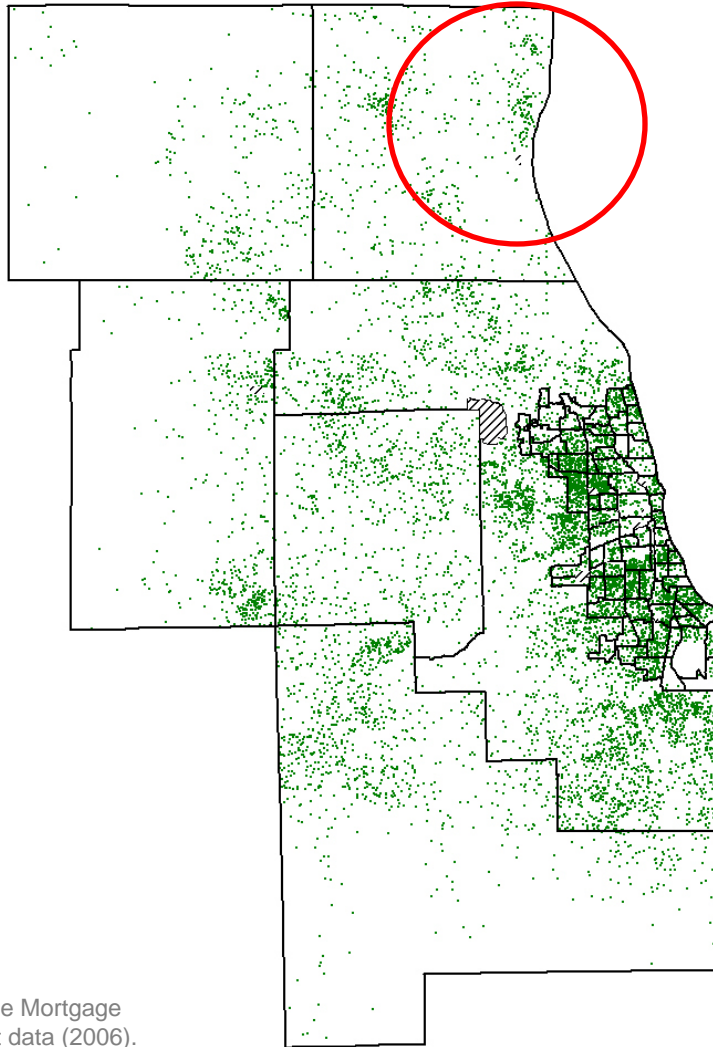
Source: Home Mortgage Disclosure Act data (2006).



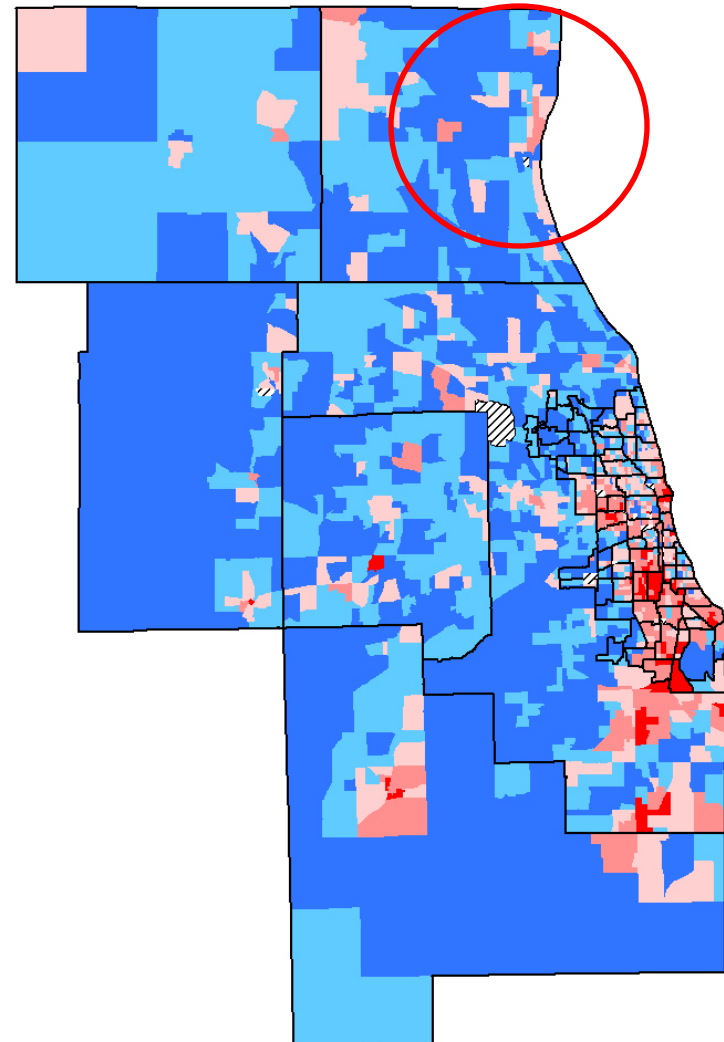
Chicago Region Lending Trends:

Possible Foreclosure Trouble Spots

Loans Made by Subprime Lenders that are Out of Business, 2006



Non Owner Occupied (Investment) Properties, 2006



Source: Home Mortgage Disclosure Act data (2006).



Chicago Region 2007 Foreclosures

Per 1,000 Mortgageable Properties in 2007

Quarterly Changes in Chicago Area Foreclosure Starts,
January 2003 to December 2007



Source: Woodstock Institute analysis of data from Foreclosure Report of Chicago



Chicago Region 2007 Foreclosures

Per 1,000 Mortgageable Properties in 2007

By Region

South Cook – 36.4

Chicago – 24.4

Will – 16.6

West Cook – 16.6

Kane – 16.0

McHenry – 13.2

Lake – 13.0

Southwest Cook – 11.2

NW Cook – 9.8

DuPage – 9.4

North Cook – 7.2

Six County Region – 16.8

