

THE FINANCIAL SERVICES ROUNDTABLE



Financing America's Economy

To: Representatives of the Financial Services Roundtable, GAC, Public Affairs, All Staff, Research Working Group

Fast Facts: MORTGAGE OVERHANG

Part I: What is it? Where is it?

The following information is provided by Moody's Analytics, HOPE NOW, and the Mortgage Bankers Association.

FACT: There have been many improvements in the housing sector since the financial crisis:

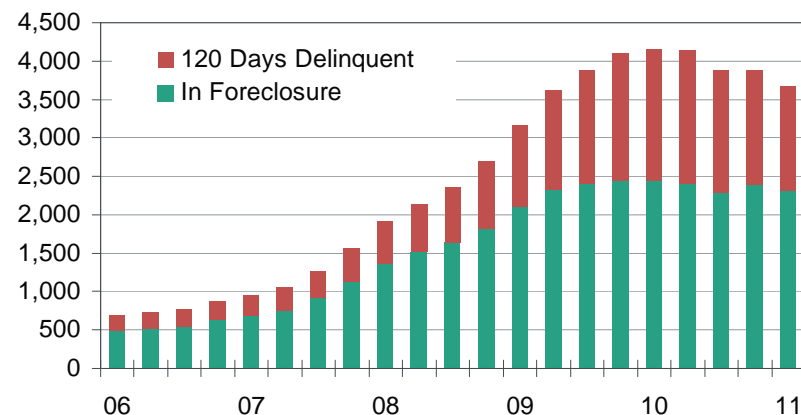
- The industry has completed nearly 5 million permanent mortgage modifications for homeowners since 2007 according to HOPE NOW;
- During 2011, four of five modifications substantially lowered monthly principal and interest payments and included a fixed interest rate for 5 years or more according to HOPE NOW;
- Early stage delinquencies are down 30% from 2009, according to Moody's data suggesting that the worst of the housing bust is past;
- Non-distressed housing prices are stabilizing according to the Mortgage Bankers Association;
- More than 90% of Americans are current on their mortgages according to Moody's data.

FACT: However, there remains a "mortgage overhang" of roughly 6 million mortgages that are severely delinquent (120+ days), foreclosed, real-estate owned, and/or vacant properties.

FACT: The mortgage overhang continues despite the historic amount of mortgage modifications and assistance to the housing sector, and it has stayed roughly the same size over the last several years.

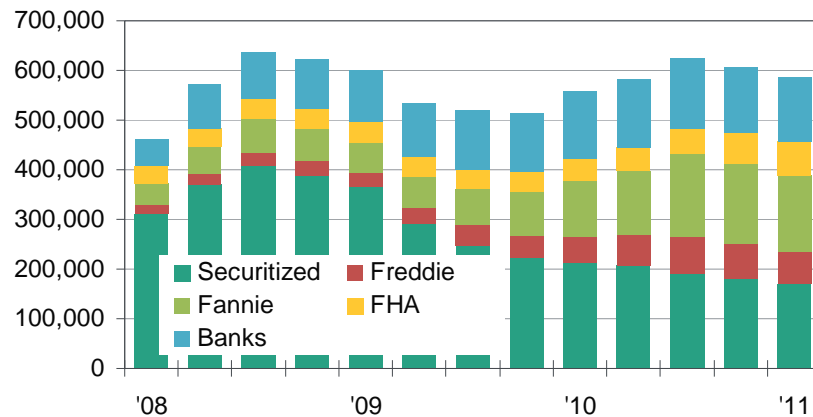
Mortgage Overhang

First mortgage loans, Tns



Sources: Equifax, Moody's Analytics

+ REO Inventory



Sources: Fannie, Freddie, FHA, FDIC, Moody's Analytics

FACT: The mortgage overhang is regionally concentrated. [One-third of all foreclosed homes in the U.S. are concentrated in just two states](#) according to the Mortgage Bankers Association: 25% are in Florida and 10.6% are in California. If one adds in New Jersey (5%), New York (5%), Illinois (5%), over fifty percent of foreclosures are accounted for in these five states. REOs follow similar concentration patterns.

FACT: Moody's estimates that it will take until about 2015 for the majority of severe delinquencies and foreclosures to work their way through the system and return to 2007 levels, given the current rates of supply and demand. [In separate analysis](#), Moody's estimates that it will take two full years to work off the excess inventory of vacant houses, given current levels of supply and demand.

FACT: [The mortgage overhang has a significant impact on housing prices and the economy](#), which will be described in Part II next week.

If you have questions or comments, please do not hesitate to contact Abby McCloskey, Director of Research at the Financial Services Roundtable, at abbyresearch@fsround.org; Scott Talbott, Senior Vice President of Government Affairs, at scott@fsround.org; or Paul Leonard, Vice President of Government Affairs of HPC, at paul@fsround.org.