



FEDERAL RESERVE BANK *of* NEW YORK

Community Credit Profiles: Mortgage Markets

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Overview

- New Tool: Community Credit Profiles
- National Mortgage Market
- New York State Mortgage Market
- 4 New York Counties
 - Albany
 - Monroe
 - Brooklyn
 - Nassau
- Popular Hypothesis: Millennials and Housing
- Future: Profiles with a twist

The views in this presentation are those of the speaker and do not necessarily reflect the views of the Federal Reserve Bank of New York or the Federal Reserve System.



Community Credit Profiles

A new tool to support evidence-based decision-making by community development policymakers and practitioners

- Focus is community access and use of traditional credit
- Will provide local-level information, updated twice a year, at the national, state, and county levels
- Will enable peer comparisons and the benchmarking of the impact of community programs and activities



Community Credit Profiles: Mortgage Market

View our communities through the lens of 1-4 family mortgages and address the following types of concerns:

- To what extent have local home prices recovered relative to the national peak levels of April 2006?
- What percent of existing-home sales are due to distressed properties? This measure helps gauge the possible influence of distressed properties on local housing markets
- What percent of 1-4 family mortgages are 90 or more days past due? A high value for this measure indicates financial difficulties and distress for local homeowners.
- What percent of 1-4 family mortgages are in foreclosure? The higher this measure, the more distressed homeowners and/or properties in that geography. (*Caveat* for judicial states)



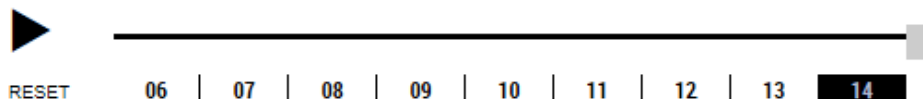
Visit our new site:

www.newyorkfed.org/outreach-and-education/community-credit-profiles

Community Credit Profiles: Mortgage Markets

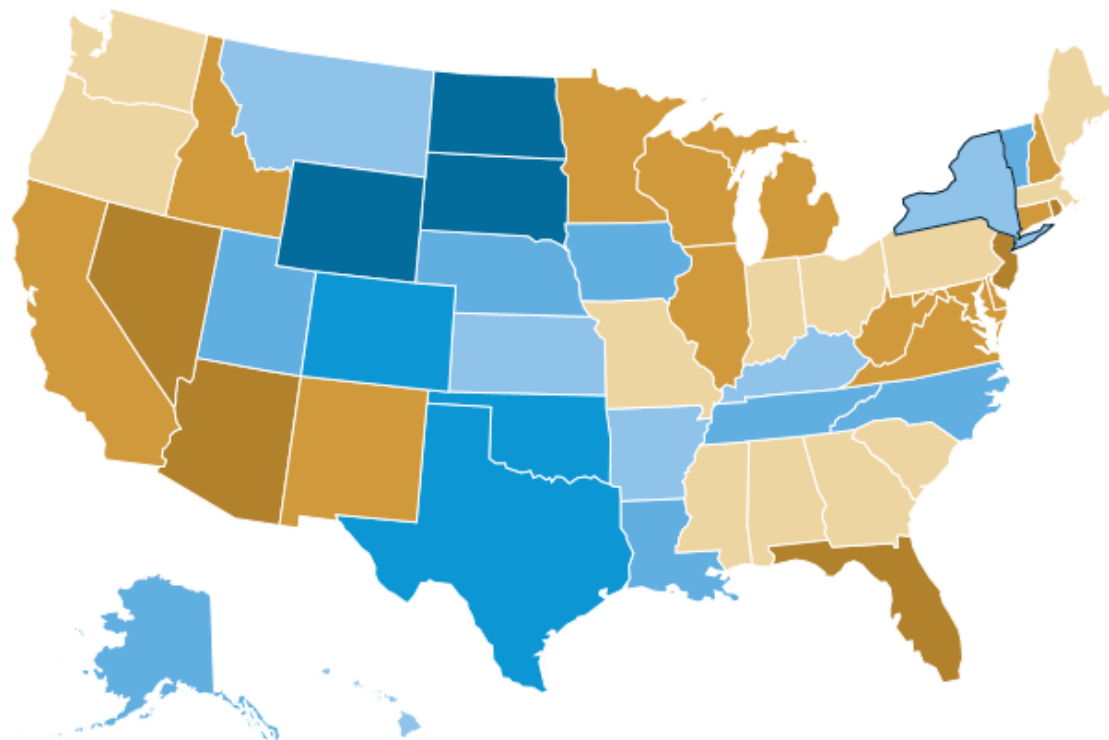


- OVERVIEW
- HOME PRICES**
- DISTRESSED SALES
- DELINQUENCIES
- FORECLOSURE
- ABOUT THE DATA



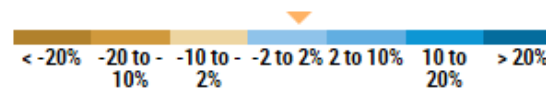
2014
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View the percent change in local home prices today, and over time, relative to April 2006 when the national market peaked. Positive values indicate that home prices have recovered in that geography while negative values indicate that prices are still below April 2006 levels.



National **-12.9%**
New York **0.5%**

Rank: **#18** of states shown

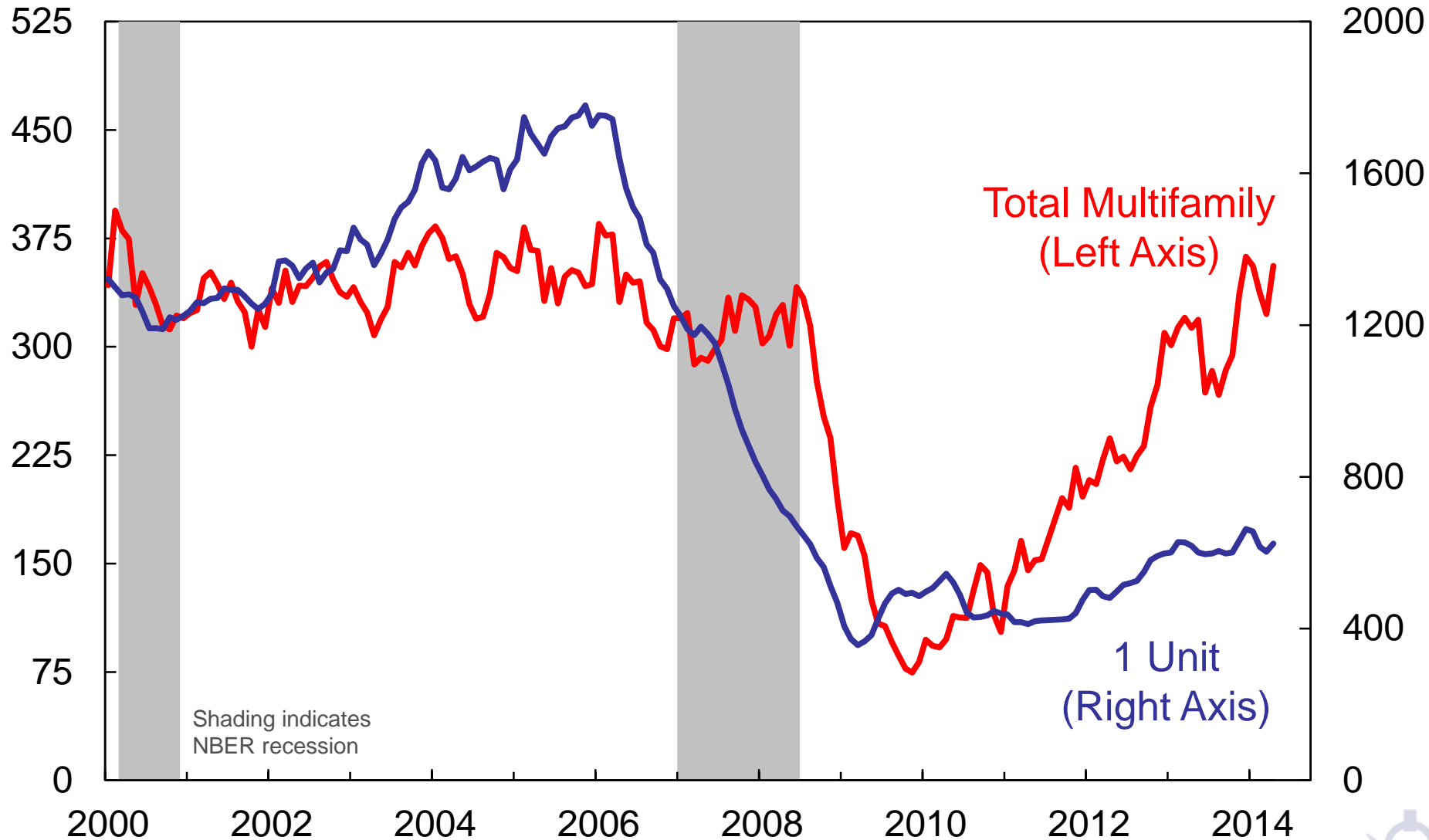


NATIONAL MORTGAGE MARKET

Housing Starts

Thousands, 3 MMA

Thousands, 3 MMA



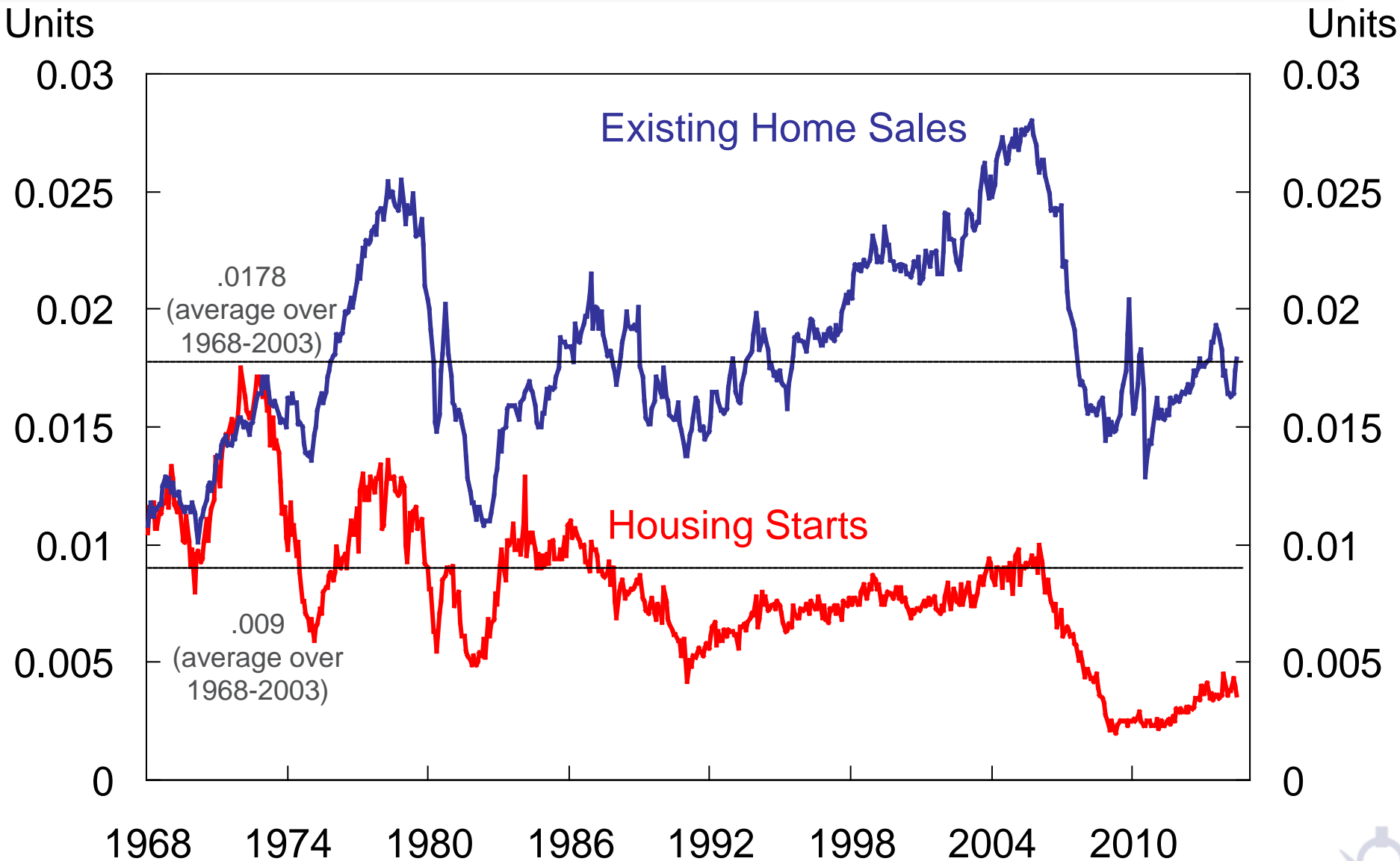
Shading indicates
NBER recession

Total Multifamily
(Left Axis)

1 Unit
(Right Axis)



Housing Starts and Existing Home Sales Per Capita



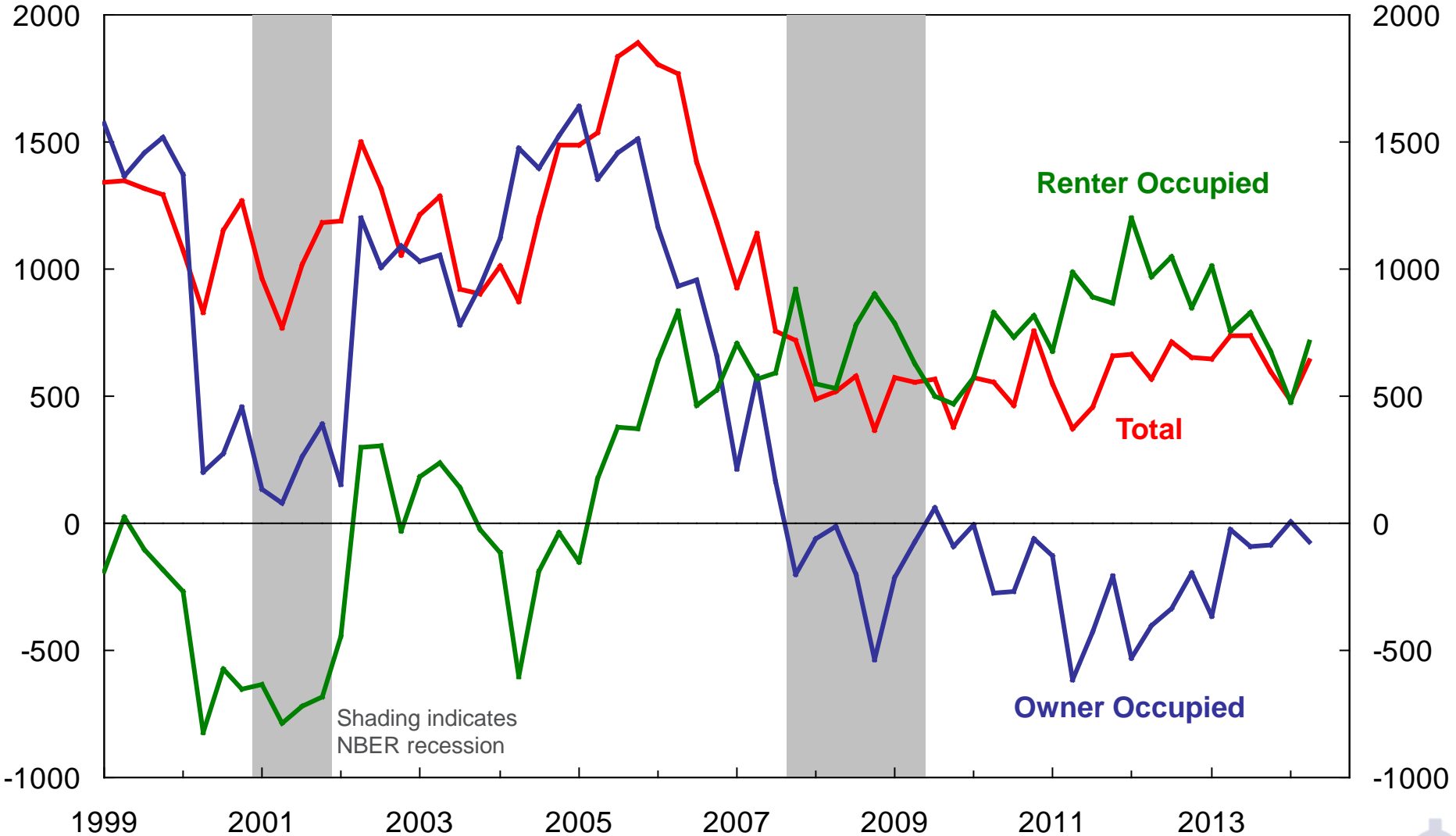
Source: BLS, Census Bureau, National Association of Realtors



Household Formations

2 Year Avg. Change

2 Year Avg. Change



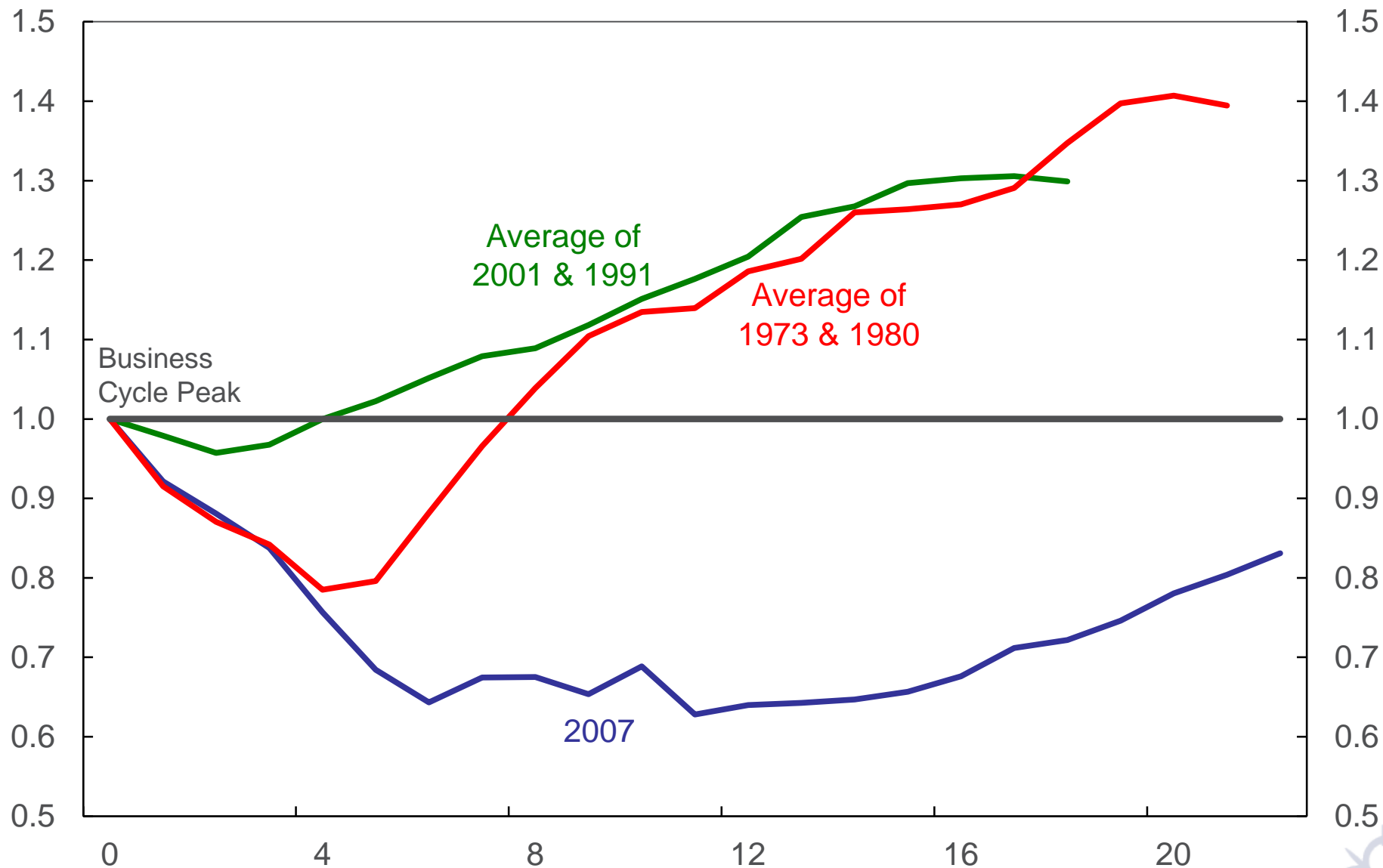
Shading indicates NBER recession

Owner Occupied

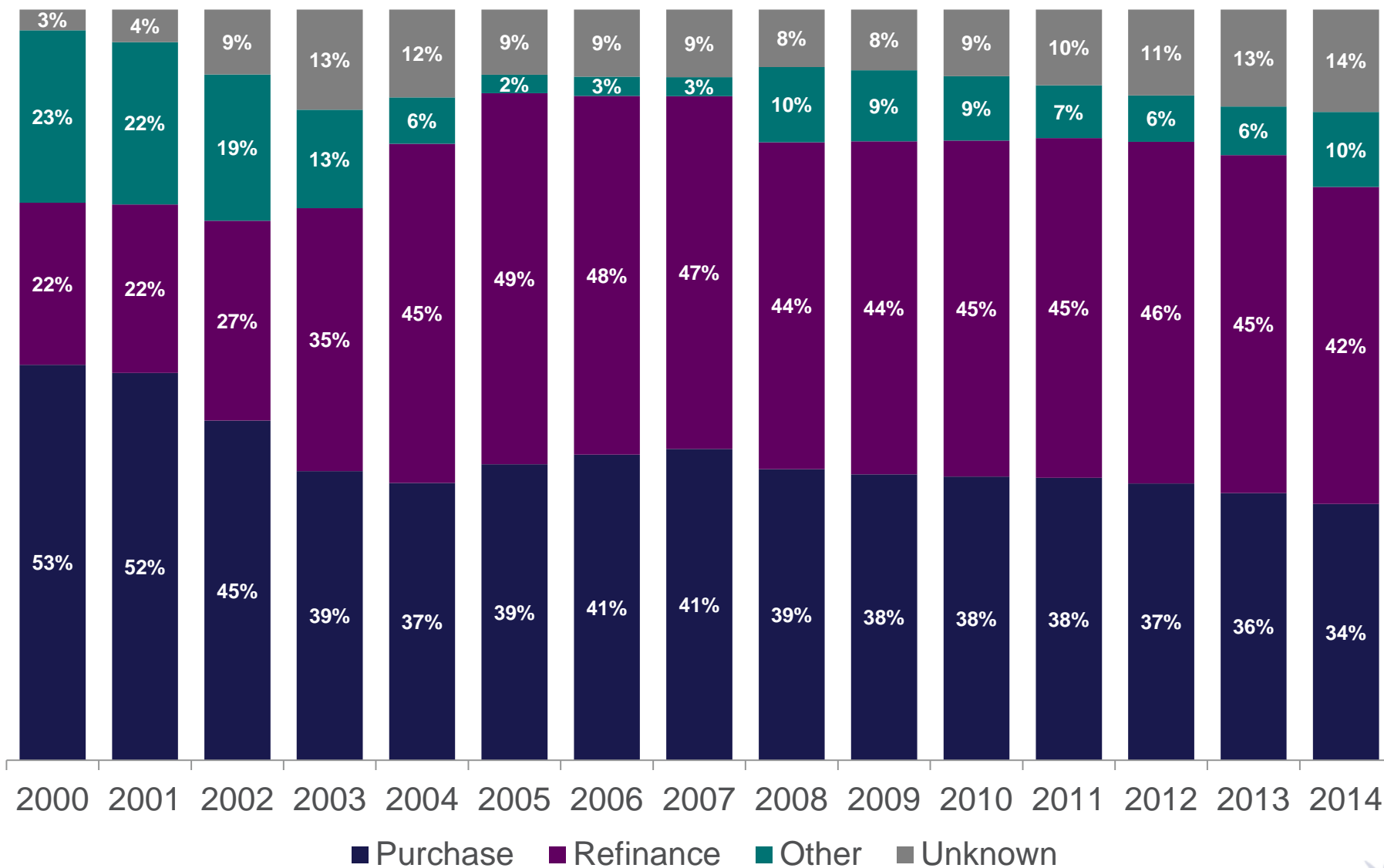
Renter Occupied

Total

Real Private Residential Investment



Mortgage Purpose

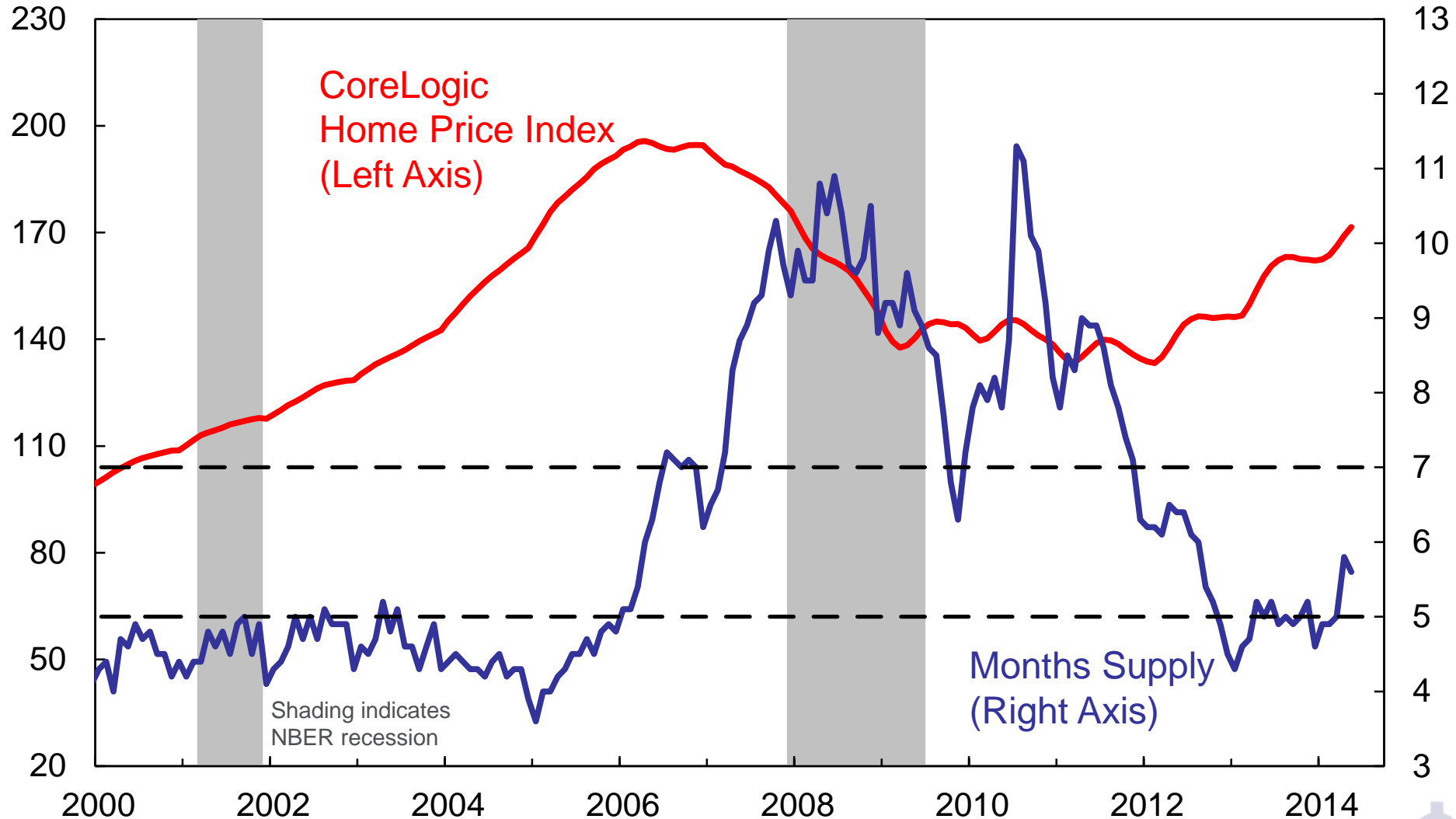


■ Purchase ■ Refinance ■ Other ■ Unknown

Single Family Housing Market

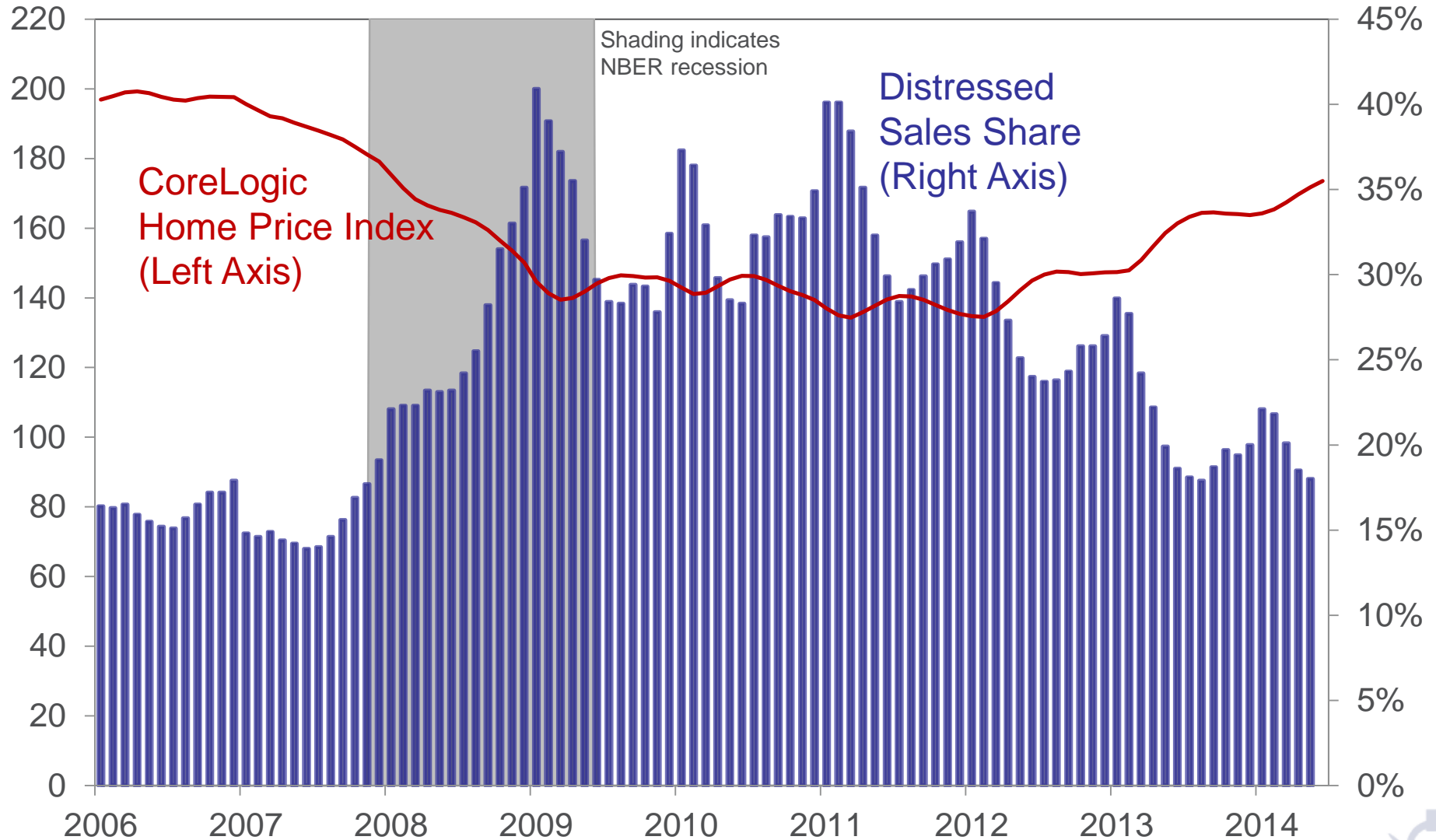
Index, January 2000 = 100

Months' Supply

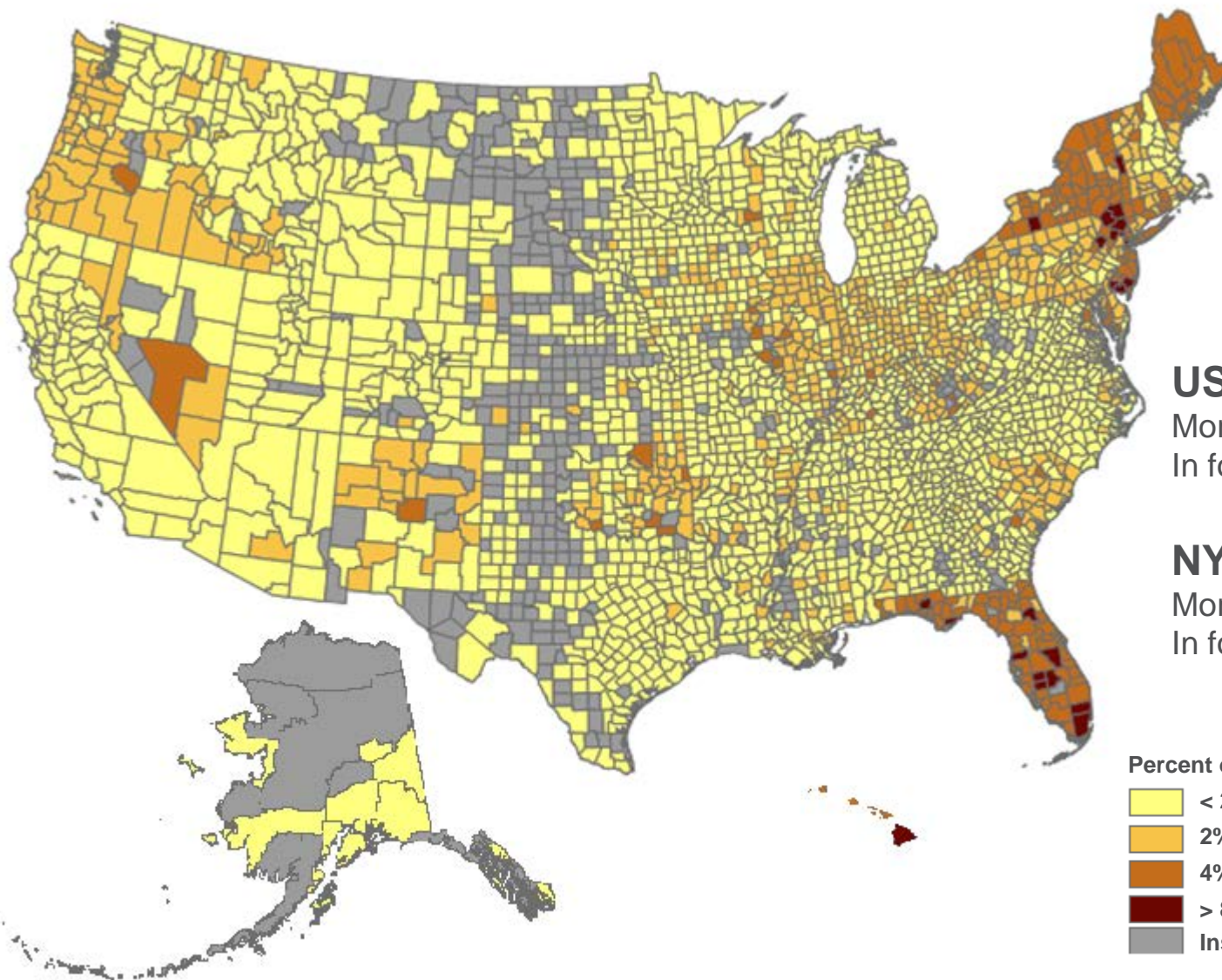


Distressed Sales Share & Home Prices

Index, January 2000 = 100



US Mortgages in Foreclosure



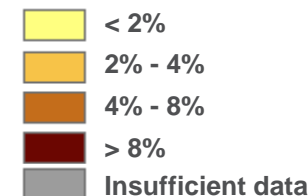
US

Mortgages = 27,720,000
In foreclosure = 2.2%

NYS

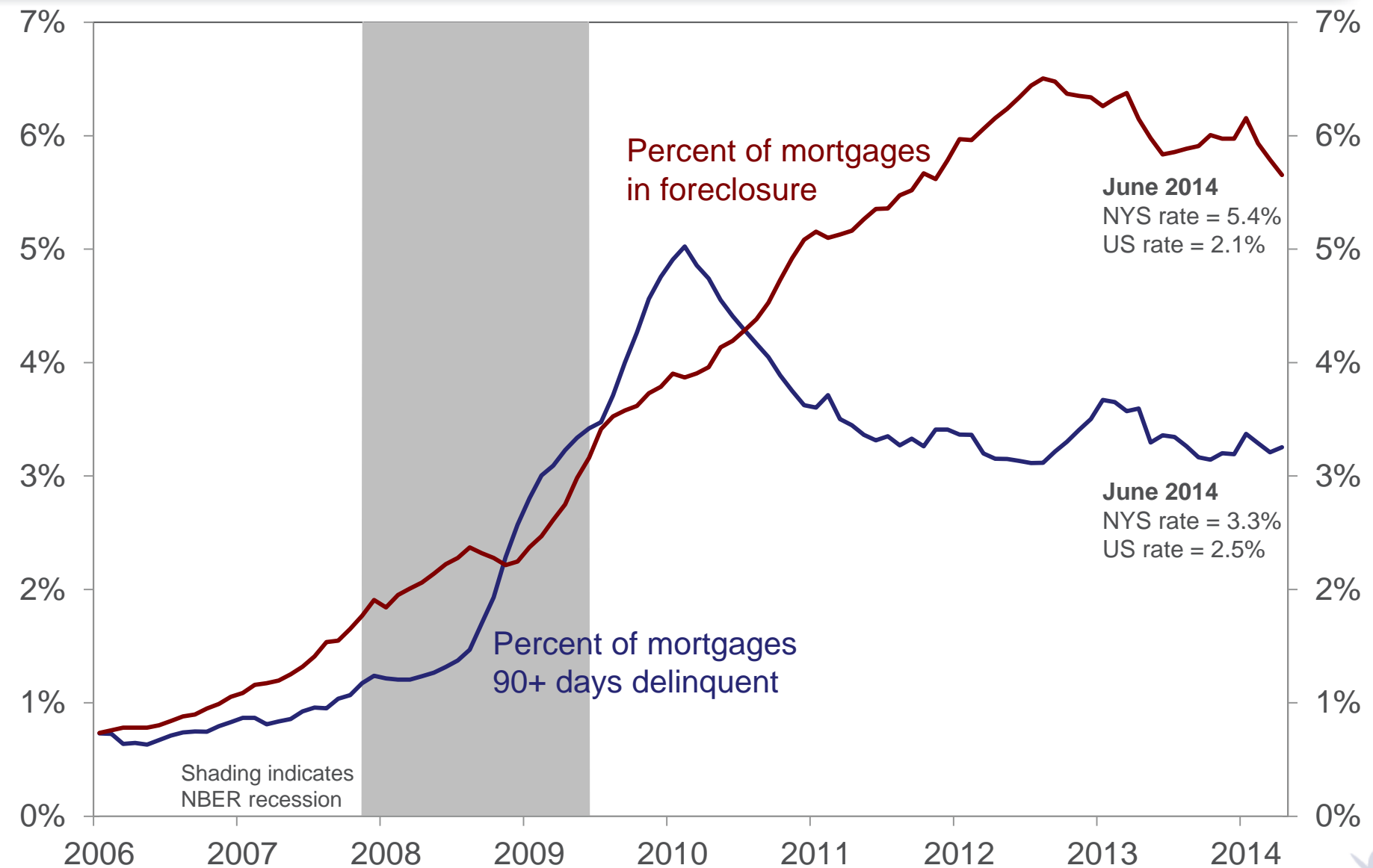
Mortgages = 1,361,000
In foreclosure = 5.7%

Percent of Mortgages in Foreclosure



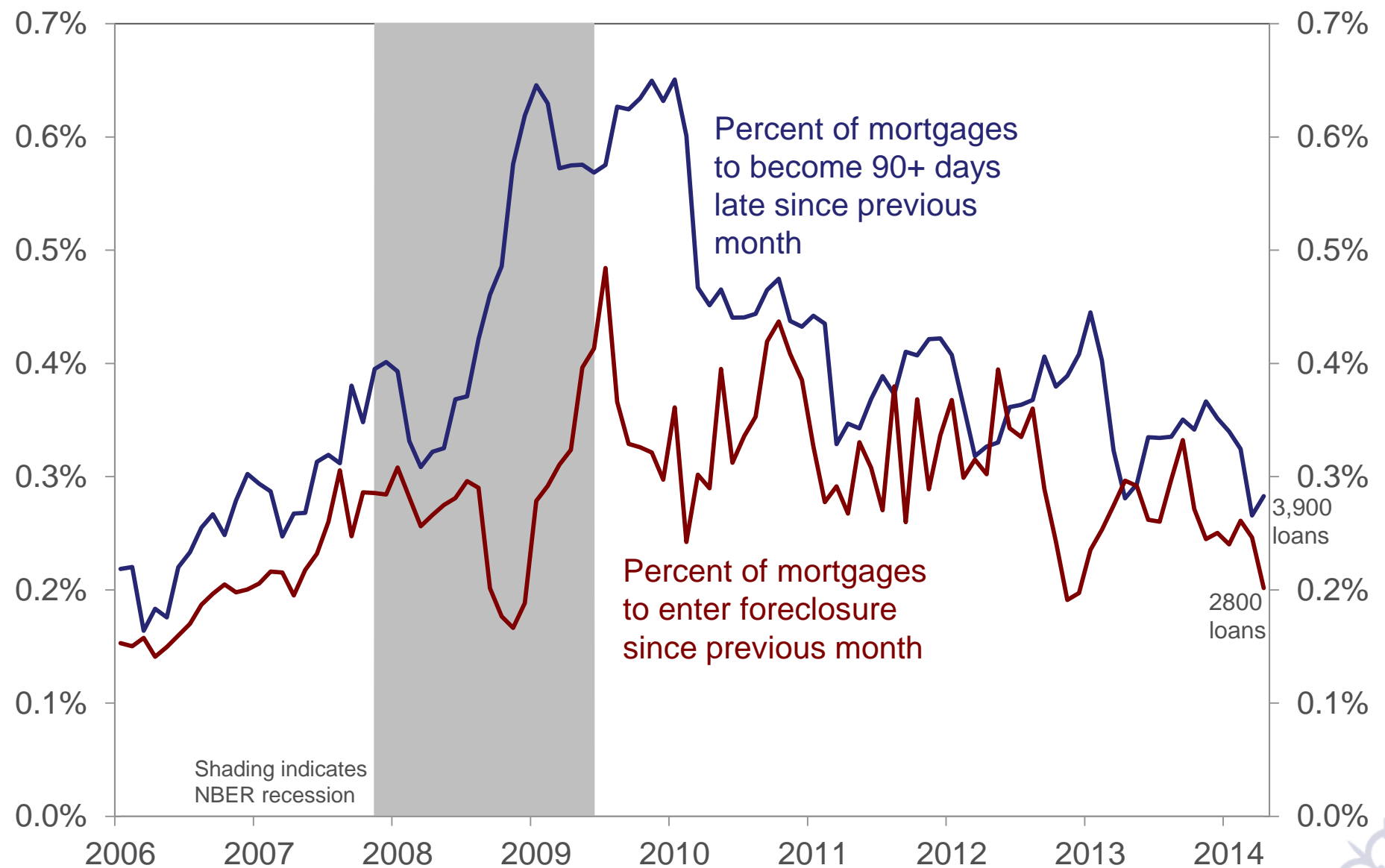
NEW YORK STATE MORTGAGE MARKET

NYS: Delinquent Mortgages and Foreclosures



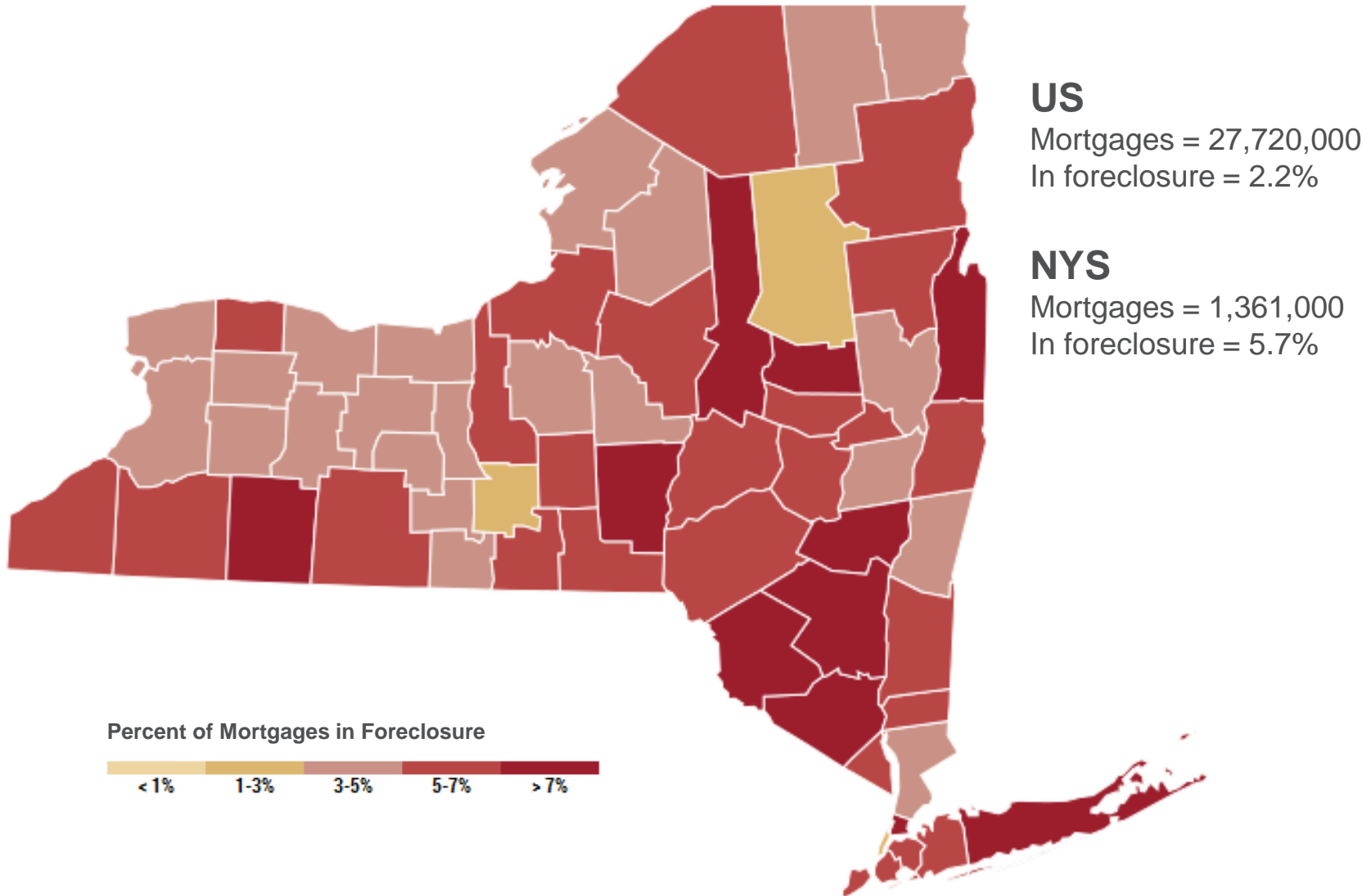
Source: CoreLogic and Lender Processing Services

NYS: Flows into Delinquency and Foreclosure



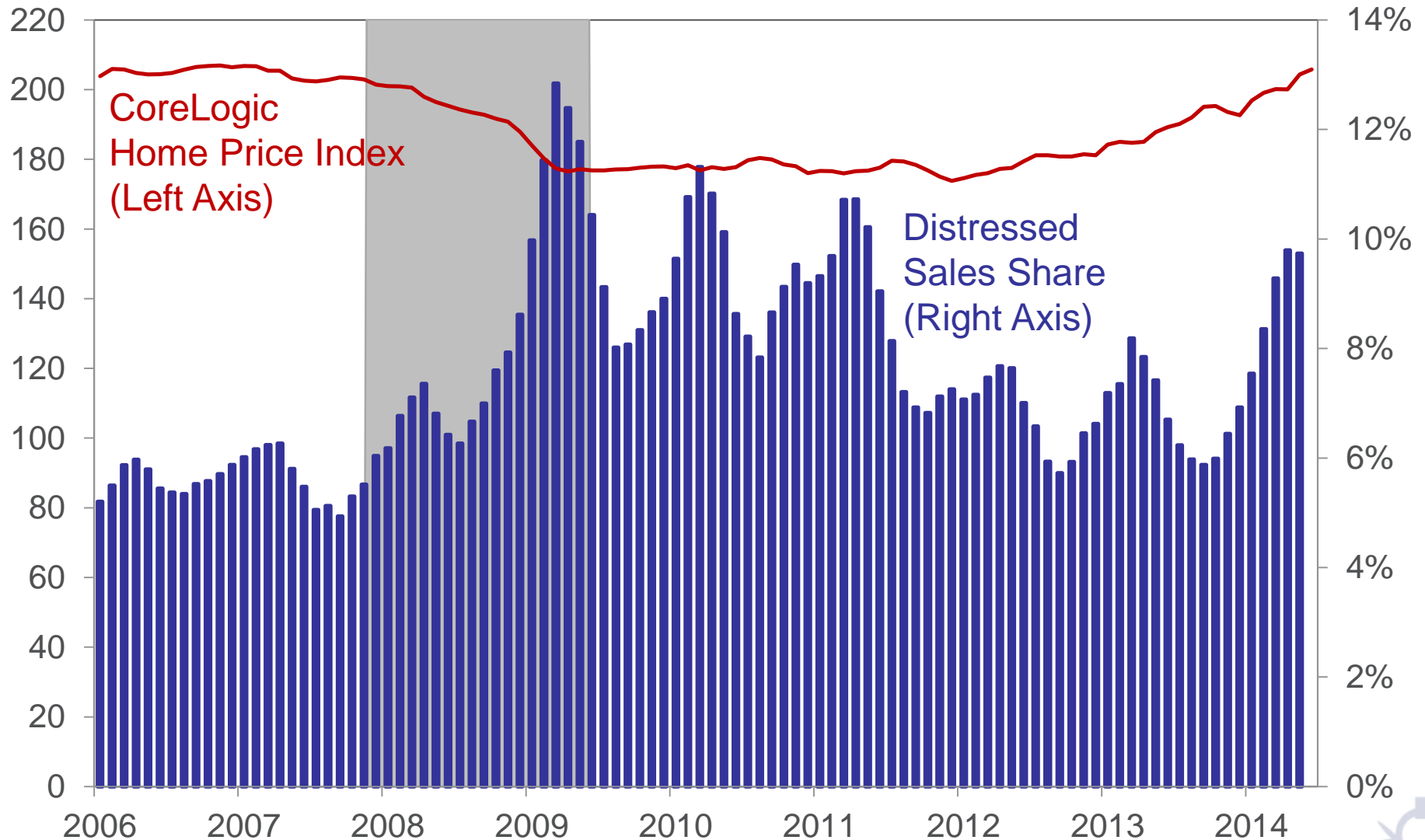
Source: CoreLogic and Lender Processing Services

NYS: Mortgages in Foreclosure



NYS: Distressed Sales Share & Home Prices

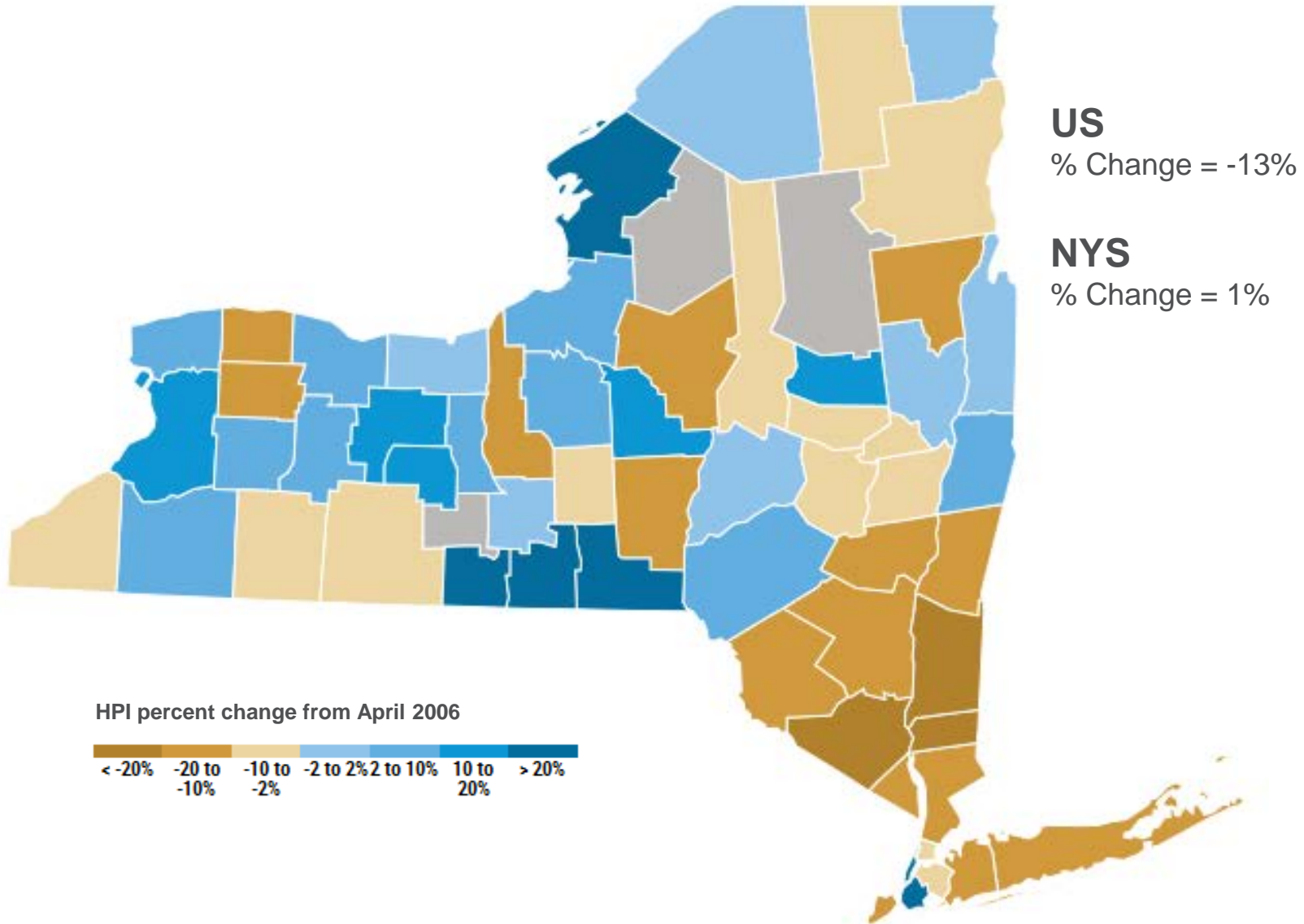
Index, January 2000 = 100



Source: CoreLogic

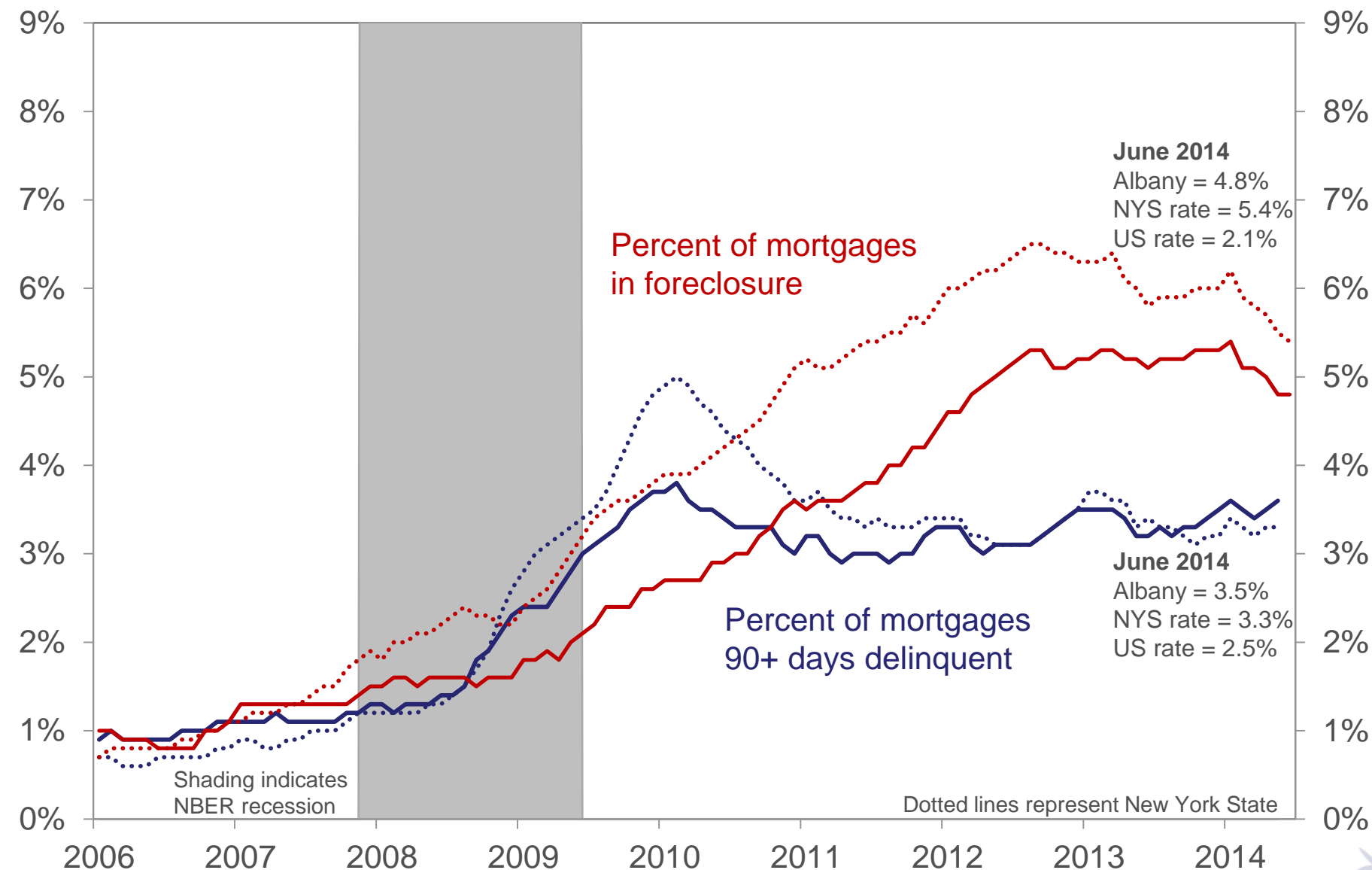


NYS: Home Prices



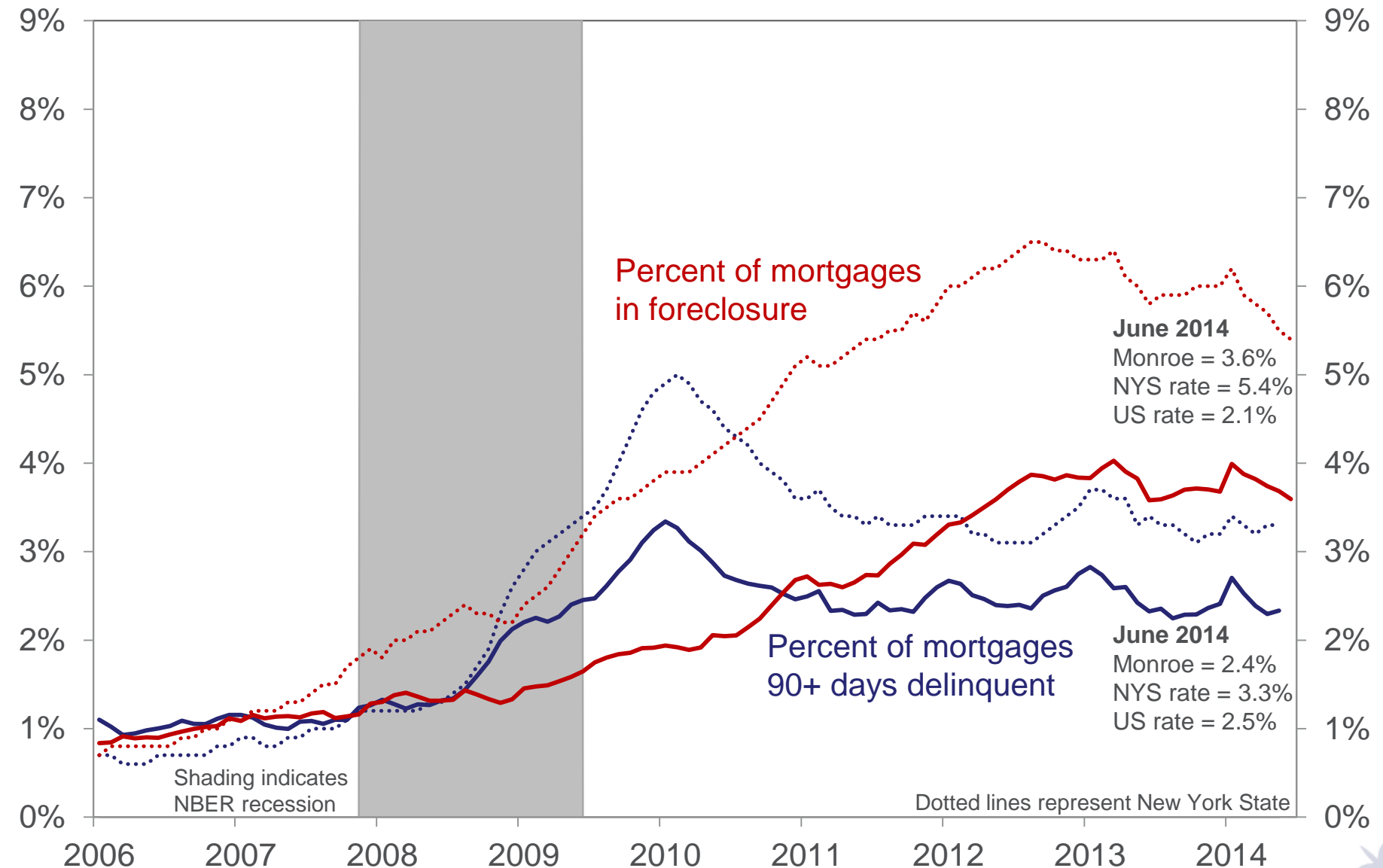
4 New York Counties

Albany: Delinquent Mortgages and Foreclosures



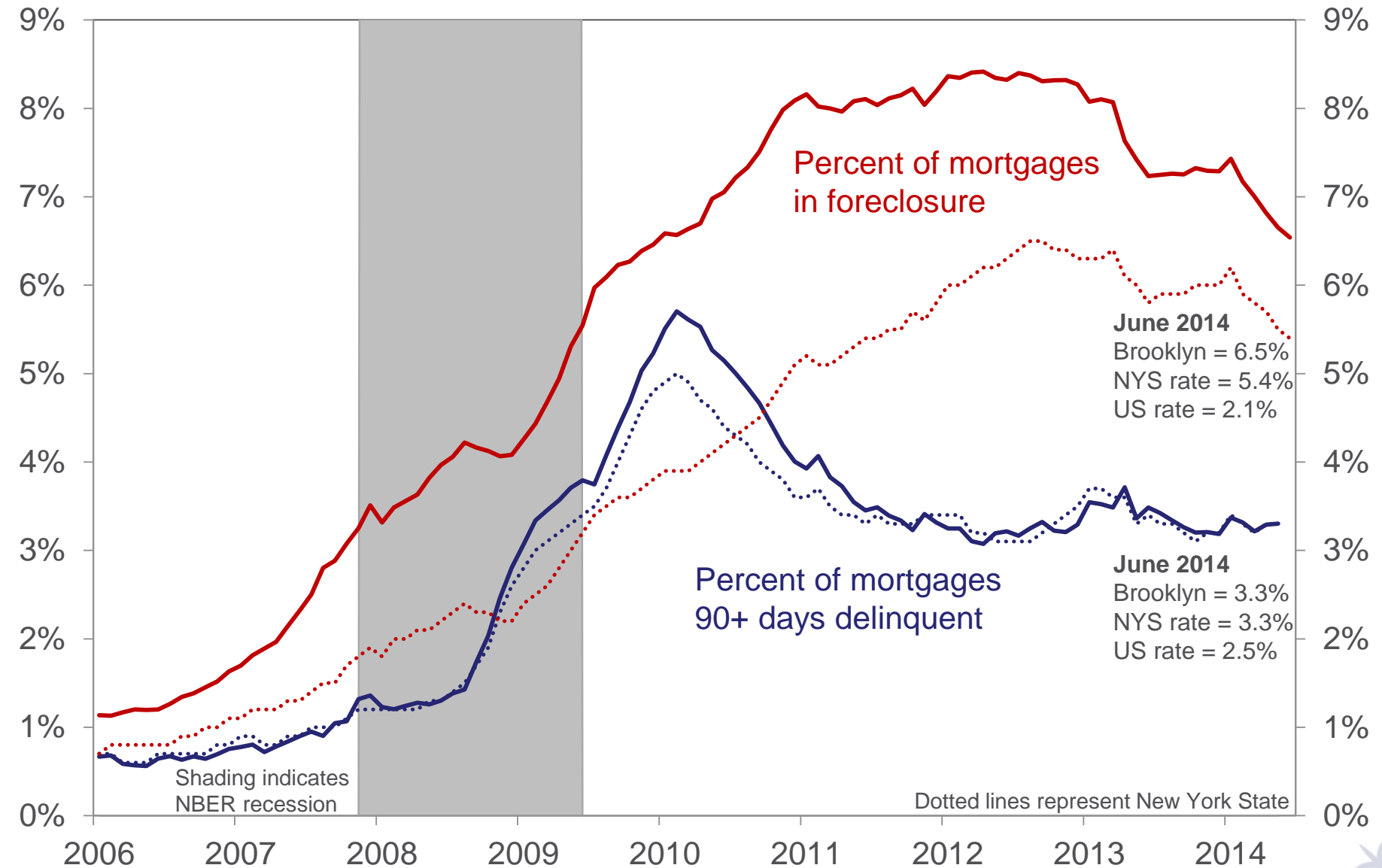
Source: CoreLogic and Lender Processing Services

Monroe: Delinquent Mortgages and Foreclosures



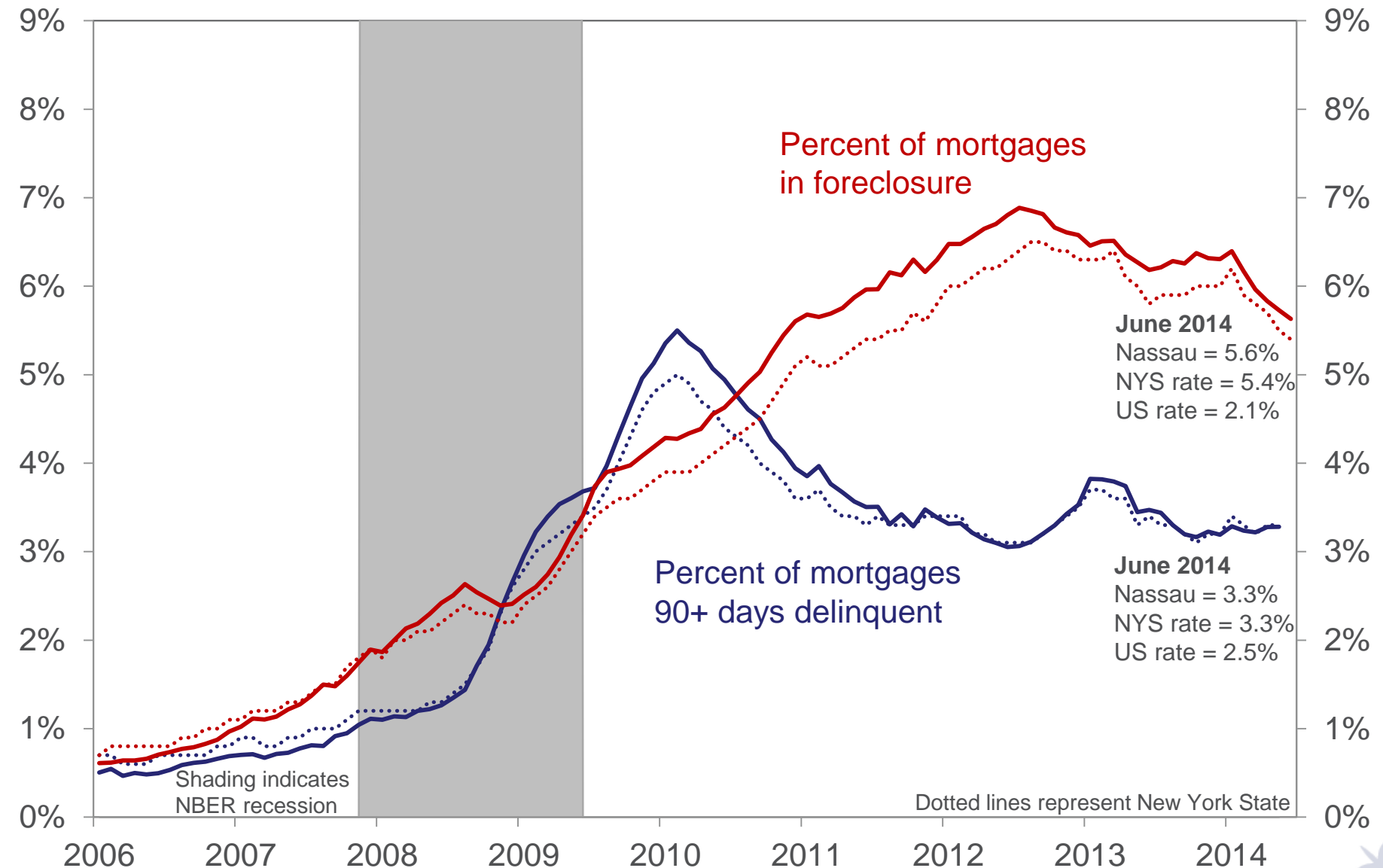
Source: CoreLogic and Lender Processing Services

Brooklyn: Delinquent Mortgages and Foreclosures



Source: CoreLogic and Lender Processing Services

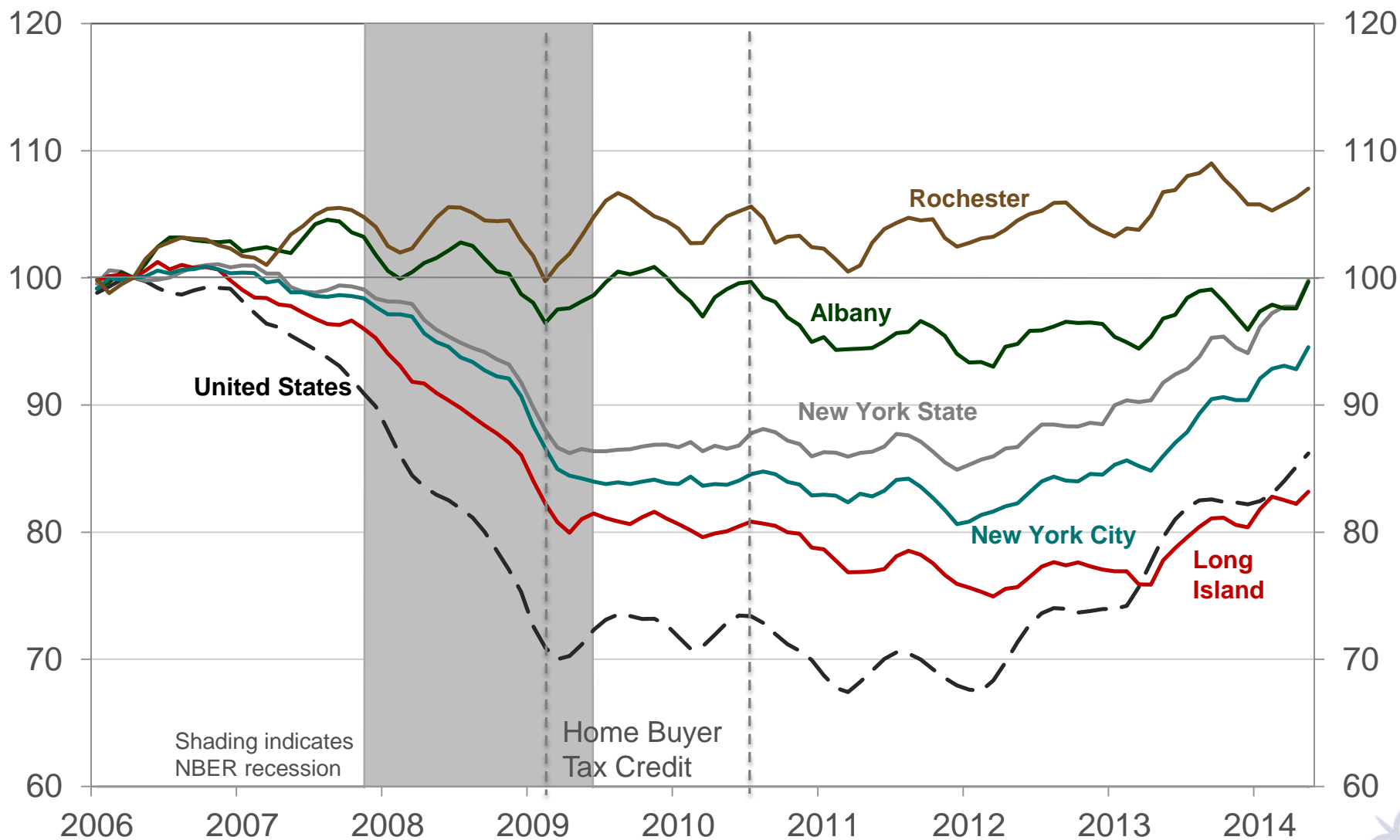
Nassau: Delinquent Mortgages and Foreclosures



Source: CoreLogic and Lender Processing Services

Home Price Recovery

Index (US Peak of April 2006 = 100)



Shading indicates NBER recession

Home Buyer Tax Credit

MILLENNIALS AND HOUSING

Millennials

- Born between 1980 and 2000
- One of the largest generations in US history, currently about 27% of the adult population
- More diverse (over 40% of 25-34 year olds are minorities), more educated, more in debt, and more likely to be in the South and West
- Peak millennial cohort is around 23 years old
- Important for the future of the housing market since, historically, housing consumption increases sharply from age 25 to 45

Millennial's Housing Demand

Housing demand by Millennials may be viewed as the net of two types of dynamics:

- Personal drivers
 - Life cycle factors
 - Income realities
 - Preference for owning vs renting
 - Personal finances – savings and debt burdens

- External drivers
 - Labor market conditions
 - Credit availability
 - Supply of affordable/starter homes



Personal Drivers

- Life cycle factors:
 - Delayed household formation may be dampening homeownership, though in surveys, most Millennials say that they plan to get married and buy a home in the future
- Income realities:
 - Patterns vary by gender and education
 - Increasing -- for young female workers with college degrees
 - Flat -- for young female workers without college degrees and male workers with college degrees
 - Decreasing -- for young male workers without college degree

Personal Drivers

- Preferences:
 - Too early to conclusively infer a structural shift in preferences away from leverage or homeownership
- Personal finances:
 - Home prices, unlike other assets such as stocks, have not recovered fully in all regions putting young homeowners who bought near the peak at a disadvantage in their wealth building efforts
 - Student loans and associated debt burdens must be weighed against the income premium derived from a college degree



External Drivers

- Job market:
 - Improved economic activity and labor market is expected to help boost housing demand
- Mortgage credit availability:
 - Credit availability is tight, especially for borrowers with lower credit scores (nearly 70% of individuals under 30 have FICOs below 680)
 - Tight lending standards have discouraged potential borrowers
 - Other factors such as home appraisals, down-payments, regulators and regulations, etc., also affect demand
- Availability of affordable/starter homes:
 - Scarcity of entry-level homes (varies by location)
 - While rising home values help homeowners return to positive equity, they also reduce affordability for first-time home buyers

Millennial's Housing Demand

- Personal drivers
 - Life cycle → delayed
 - Income growth → slowed
 - Attitudes/ preferences towards debt → too early to tell
 - Personal finances → pros/cons of homes and student loans as assets
- External Drivers
 - Labor markets → firming
 - Credit availability → not easy
 - Supply of affordable homes → tight
 - Population growth → positive

Personal observation: key challenge going forward is hitting the right balance between broader access to credit/ mortgages versus consumer protection and risk-based pricing

Summary

- The crystal ball is murky, as usual!
- National market
 - Supply is anemic and construction is largely multi-family
 - Households are favoring renting over owning
 - Mortgage activity continues to be dominated by refi's
 - Home prices have risen but are below the national peak in April 2006
- NYS market
 - The stock of mortgages 90+ days delinquent or in foreclosure is flat or slowly declining; the flows for both are declining
 - Home prices are a little above their April 2006 levels
 - Share of distressed sales is rising – is the market 'normalizing' by clearing the backlog of distressed properties?
- NY Counties
 - Overall profile is similar to the state pattern; however, levels vary reflecting geographical differences among counties
 - House price recovery relative to April 2006 is mixed among the counties
- Detailed data are on our new website: www.ny.frb.org/community-credit-profiles

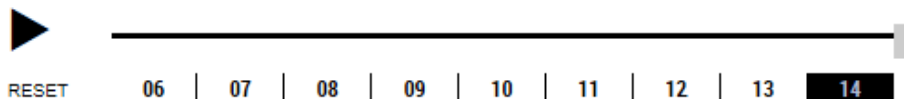
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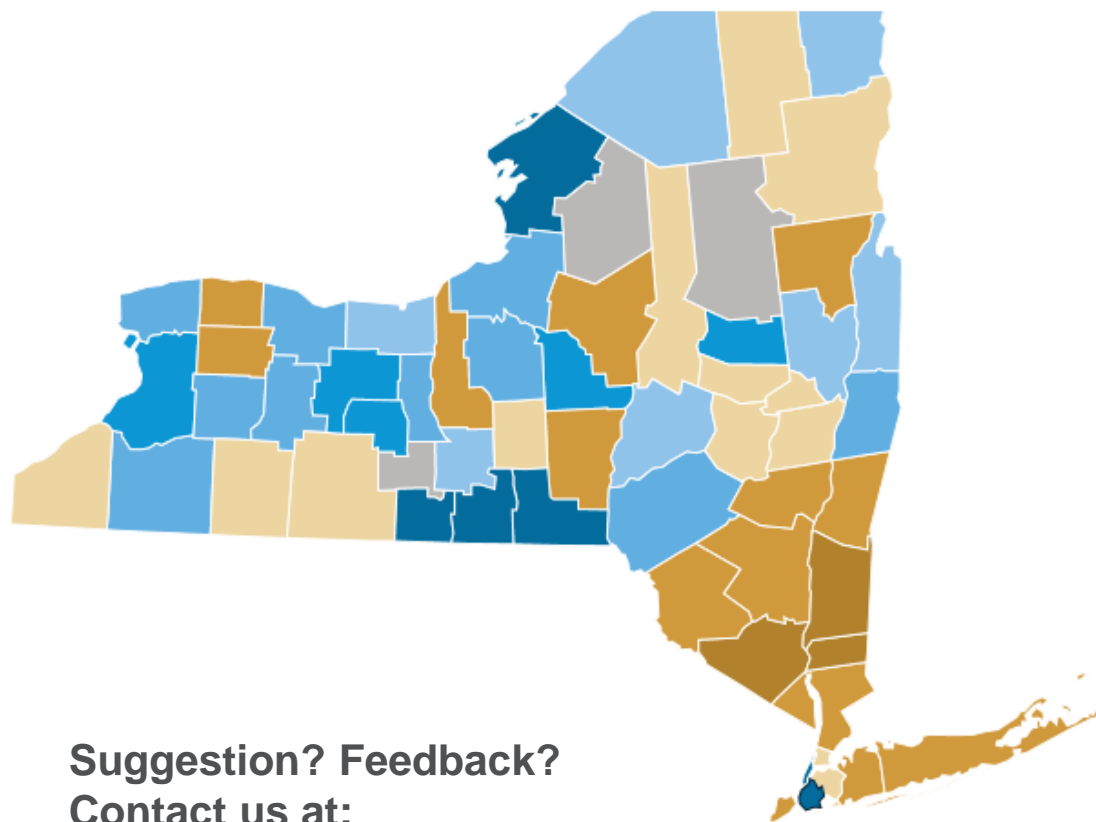


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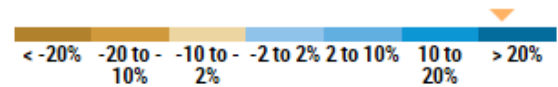
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National	New York	Kings
-12.9%	0.5%	25.3%

Rank: **#3** of counties shown



[Back to National](#)

Suggestion? Feedback?
Contact us at:

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Thank you!

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My thanks to Diego Aragon, Associate Director of Community Development, for this presentation deck and the Mortgage Markets Community Credit Profiles

