

Sun-Sentinel

Data for tracking the subprime story

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Beginning in 2004, the Federal Financial Institutions Examination Council (FFIEC) required lenders to report “high-interest” loans in their annual filings required under the federal Home Mortgage Disclosure Act. These are loans that are at least three percentage points above the Treasury rate for first mortgages, and 5 percent above Treasury for subordinate-lien loans.

While banks will argue that “high-interest” loans are not necessarily subprimes, which are based on the credit status of an individual borrower, these 3- and 5-point “spreads” have become the standard measure for finding high rates of subprime lending.

The database is released annually in September by the FFIEC, and is available from the agency for \$10 at <http://www.ffiec.gov/hmda/orderform.htm>. The database is also sold by NICAR at <http://www.ire.org/datalibrary/databases/databases.php> and includes a Readme for reporters new to working with the data. NICAR’s data is also available the same day it is ordered.

Since it is large, the database requires use of database manager software such as Access or MySQL. If you’re not experienced with these, find someone to help.

Querying the data

When querying the data to extract subprimes, these criteria are typical (Found on page 35 of the 2006 users guide. These are for home purchases. Consult the guide for information on home improvement and refinancing)

Prop_Type: Code 1 for one- to four-family dwellings, including condos. Code 2 for manufactured homes.

Purpose: Code 1 for home purchases. (Code 3 for refinancing).

Action: Code 1 for Loan Originated.

Spread: This is the field indicating a high-interest loan. Set for ≥ 3 . (Greater than or equal to 3 percentage points above the Treasury rate).

LienStatus: Code 1 for Secured by a First Lien.

A database query of this types returns subprimes on home purchases. From there, it’s a simple matter to count the number of subprimes by census tract, and then calculate the percent subprimes by census tract.

So what interest rate did the buyer actually pay? HMDA does not tell you that, but The Treasury rate changes daily, so it's not a simple matter to calculate the rate. The FFIEC requires lenders to use the interest rate on the 15th of the month prior to loan lock-in date. For example, if today is June 5, a loan locked in today will use the Treasury rate on May 15. See the FFIEC spread calculator at <http://www.ffiec.gov/ratespread/default.aspx>

Foreclosures

The foreclosure story is a natural companion to the subprime story – in fact, with the subprime business already melted down, foreclosures of properties sold in the heyday of predatory lending is the story most newspapers focus on today.

Foreclosure data is available from companies like **RealtyTrac**, which often provides the information for free to reporters. **DataQuick** is another source for nationwide foreclosure data. Also, check to see if local companies in your area sell or provide foreclosure data. Sometimes they provide the information as long as you don't publish it or post it online, but use it for analysis purposes only. If the addresses are included, analysis can be done by ZIP Code or, with geocoding, at the street level.

The biggest hassle with this data is that a borrower's name often can appear multiple times. The process for foreclosure is usually comes in three steps:

- A filing with the local courthouse that puts the borrower and other creditors on notice that a foreclosure is pending. Usually this comes after about three months of missed payments.
- The setting of the date for the sale of the properties. In states with a "judicial foreclosure" process, this date is set by a judge, who also rules on the amount owed to the lender – including fines and attorney fees. Some states do not have a judicial foreclosure, where the loan document includes a power of sale clause that allows the lender to sell a property when the borrower is in default.
- The sale of the property.

Important: Remember that a database or number count can include the same borrower at each of these three steps, resulting in abnormally high numbers.

For information on foreclosure laws on your state, contact your local court clerk or see state statutes. These days there also numerous web sites with simple information about the law, such as Foreclosures.com

Other Sources

Federal Financial Institutions Examination Council -- <http://www.ffiec.gov/hmda/>.
These are the HMDA guys.

Federal Reserve Board, consumer page (lots of mortgage info) --
<http://www.federalreserve.gov/consumerinfo/mortgages.htm>