

# PartnersUpdate

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## Mortgage Performance Trends in the Southeast: A Reality Check

The Federal Reserve Bank of Atlanta's second-quarter 2011 [Mortgage Delinquency and Foreclosure Trends](#) report provides a snapshot of the Southeast. The report is based on data from Lender Processing Services, Inc. that covers approximately 82 percent of the active residential mortgages in the [Sixth Federal Reserve District](#) (Alabama, Florida, Georgia, and parts of Louisiana, Mississippi, and Tennessee).

Since reaching a peak in December 2010 at nearly 7.5 percent, the percentage of mortgages in foreclosure in the southeastern United States has fallen slightly, to nearly 7.2 percent in June 2011.

Traditionally, a decline in the percentage of mortgages in foreclosure would have been viewed as a positive sign, likely attributed to a strong economy and low unemployment. The complexity of today's housing market, however, requires such analysis to include explanations and caveats.

For example, overall foreclosure rates in the United States [have improved over the past year](#). Yet, many observers attribute the change to an intensive government-led review of foreclosure processes that began in the fall of 2010, which has granted many loans a reprieve from immediate servicer action. Only when banks and federal officials [reach a settlement to the foreclosure probe](#) will foreclosure rates once again reflect true market conditions.

### Florida

The number of loans in foreclosure in central and south Florida continues to outpace those in the rest of the Southeast significantly. The percentage of active loans in foreclosure remains above 10 percent in most central and south Florida counties, compared to only 3.7 percent nationally.

The Florida panhandle and Jacksonville effectively serve as a transitional area between the Florida mortgage market and the other, less impacted southeastern states. Foreclosure rates in northern Florida generally range between 7 and 10 percent, with a few counties just above 5 percent.

### The rest of the region

In Mississippi, Tennessee, Georgia, Louisiana, and Alabama, foreclosure rates largely sit below 5 percent, with many counties at less than 3 percent. In these markets, Mississippi currently has the greatest number of counties with loans near the 5 percent foreclosure threshold. Alabama,

meanwhile, recently has seen the fewest number of loans in foreclosure in the Southeast, with only one county above 3 percent.

With the nine-month-old foreclosure probe moving closer to a settlement, recent data from the aforementioned [RealtyTrac report](#) suggests that foreclosure processing has started to resume at a more typical pace.

According to RealtyTrac, Georgia witnessed the nation's third highest foreclosure activity rate in July. Even though foreclosure filings in Georgia decreased 9 percent compared to July 2010, the total number of actions represented an 18 percent increase from the previous month. Alabama and Mississippi joined Georgia in posting increases from June. Florida, Louisiana, and Tennessee experienced a decrease in foreclosure actions both from the previous month and year over year.

### **Ninety-day Delinquency Rates and the Third-quarter Outlook for the Southeast**

The 90-day delinquency rates in the Southeast have remained steady for multiple quarters, despite the foreclosure probe, which logically should have created a backlog of seriously delinquent loans. One possible explanation for the flat rate can be found in the high number of sales of distressed properties, before they reach the foreclosure process, and continuing efforts to modify and refinance mortgages.

In fact, [real estate analytics firm CoreLogic](#) reports the number of "short sales" in the U.S. market has tripled over the past two years, with such transactions expected to grow by 25 percent this year. According to a [RealtyTrac report](#), Florida (35 percent of all residential sales) and Georgia (38 percent of all residential sales) are among the U.S. housing markets with the largest foreclosure-related sales volume.

At current levels, Mississippi contains a few counties in which a relatively high 7 to 10 percent of loans have been delinquent for at least 90 days. Georgia, Louisiana, Alabama, and Tennessee each has several counties whose 90-day delinquent loans account for 5 to 7 percent of all loans in the LPS data set. Only Florida can claim lower levels, with many counties sitting below 5 percent in this category.

However, if economists continue to revise economic growth projections down for the coming quarters and [high unemployment levels](#) persist, delinquent loans may increase and worsen throughout the Southeast. In fact, second-quarter data from the [Mortgage Bankers Association](#) shows a renewed uptick in mortgage delinquencies, suggesting that a true housing recovery remains elusive.

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