

Foreclosure Trends

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Key Findings:

- As a non-judicial foreclosure state, Tennessee's foreclosure inventory ranked 34th in the nation as of March 2015 at 0.7 percent.¹
- Shelby County finished with Tennessee's highest county rates for delinquency and foreclosure, at about twice the state average in both categories. Despite this, Shelby County's foreclosure rate is still lower than 20 other states, and is less than a third of its highest rate during the Great Recession.
- Tennessee saw modest declines in delinquencies and REO properties during the first quarter of 2015, while foreclosures experienced a slight increase during that time.

At the Tennessee Housing Development Agency (THDA), we follow foreclosure trends in Tennessee and its 95 counties. Until the end of 2014, we used RealtyTrac data for this purpose. For this report and subsequent foreclosure publications, we will be using CoreLogic® Market Trends data, which provides state, county, and zip code level metrics tracking home sales, prices, and foreclosure filings with mortgage performance.

In this quarterly report, we look at areas of the state with foreclosure problems, focusing on rates of serious delinquency,² Real Estate Owned (REO)³ properties, and foreclosure⁴ rates. We also compare current quarter values to those of the previous quarter and to the same quarter from the previous year. The rates are calculated by dividing the number of loans in each category by the total number of housing units⁵ in each county.⁶ Since CoreLogic®'s Market Trends data are computed monthly, we estimated quarterly figures by averaging the monthly data points for each of the quarter's three months.

Because the CoreLogic® Market Trends data are proprietary, we cannot publish specific numbers or rates in this report. We follow the methodology used by the Minnesota Housing Finance Agency⁷ and calculate similar index values for each of the variables. The index is calculated by dividing each county (zip code) rate by the state rate. For example, a county (zip code) with a foreclosure rate identical to the statewide rate would have a Foreclosure Index value of 100, while counties (zip codes) with Foreclosure Index scores above 100 exceed the statewide average for foreclosure rates, and a county with a Foreclosure Index

¹ http://www.corelogic.com/research/the-market-pulse/marketpulse_2015_may.pdf

² The number of mortgages delinquent by 90 days or more, includes loans that are in REO or foreclosure. CoreLogic® has approximately 75 to 90 percent loan coverage, depending on the market.

³ REO represents the number of real-estate owned loans. The definition of a Real Estate Owned (REO) is a property, which is in the possession of a lender as a result of foreclosure where a lender takes back the title. CoreLogic® has approximately 50 percent coverage of REO's.

⁴ Foreclosures measure the number of loans that are in the foreclosure process. A foreclosure is defined by the legal process by which an owner's right to a property is terminated, usually due to default. CoreLogic® has approximately 85 percent coverage of foreclosures.

⁵ For the number of housing units, we used the number of residential addresses from HUD Aggregated USPS Administrative Data on Address Vacancies.

⁶ Even though most of the discussion in this report is at the county level, maps are created using zip code level data.

⁷ See "Residential Foreclosures in Minnesota," by Minnesota Housing Finance Agency at <http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1358904870907&pagename=External%2FPage%2FEXTStandardLayout>

value of 200 has a foreclosure rate twice as high as the statewide average.⁸ For purposes of showing outliers and comparisons between counties, the index values we calculate may be interpreted similarly to rate statistics. For instance, the county with Tennessee's 4th highest Delinquency Index value also has the state's 4th highest delinquency rate; the Index preserves the order in which county-level rates are ranked.

For each of the "foreclosure trend" variables, we have five maps: four mapping index values (showing East, Middle, West, and the State of Tennessee) and a fifth map showing incidence irrespective of rates. Because high index values may not necessarily reflect a noteworthy pattern (the third highest zip code by REO Index Value, for example, held only two REOs, but was inflated by its low number of housing units) we provide this fifth map to show "hot spots" by volume, whether it be delinquencies, REOs, or foreclosures.

Delinquency

In the first quarter of 2015, loan delinquencies in Tennessee declined by roughly five percent compared to the fourth quarter of 2014, and by roughly 19 percent compared to the first quarter of 2014. Shelby County had the highest volume of delinquencies by a large magnitude, and, as shown below, had the highest delinquency rate statewide at twice the state average.

The 10 Counties with the Highest Delinquency Index Values				
	County	Delinquency Index Value*	Percent Change from Q4 2014	Percent Change from Q1 2014
1	Shelby	199	0.5%	-0.5%
2	Tipton	168	-0.2%	-2.7%
3	Fayette	157	1.9%	1.9%
4	Hardeman	152	-3.7%	3.0%
5	Robertson	146	-0.1%	1.7%
6	Cheatham	139	-0.2%	-5.3%
7	Montgomery	127	0.6%	2.8%
8	Madison	126	-1.9%	1.4%
9	Rutherford	116	-1.2%	-3.6%
10	Haywood	115	-4.7%	-6.0%

*State delinquency rate=100. Shelby County's Index Value of 199 denotes a rate 1.99 times the statewide average.

In terms of the Delinquency Index (delinquency rate in the considered zip code or county, divided by the delinquency rate in the state), high delinquency rates were not only concentrated in Shelby County, but in the entire Memphis MSA (Shelby, Tipton, and Fayette Counties). Considering that Shelby County had the highest volume of delinquencies, it was not surprising that the county also had the highest Delinquency Index value. However, Tipton and Fayette Counties were ahead of more populated areas with higher totals of delinquent loans, such as Montgomery and Rutherford Counties, due to their relatively low numbers of housing units.

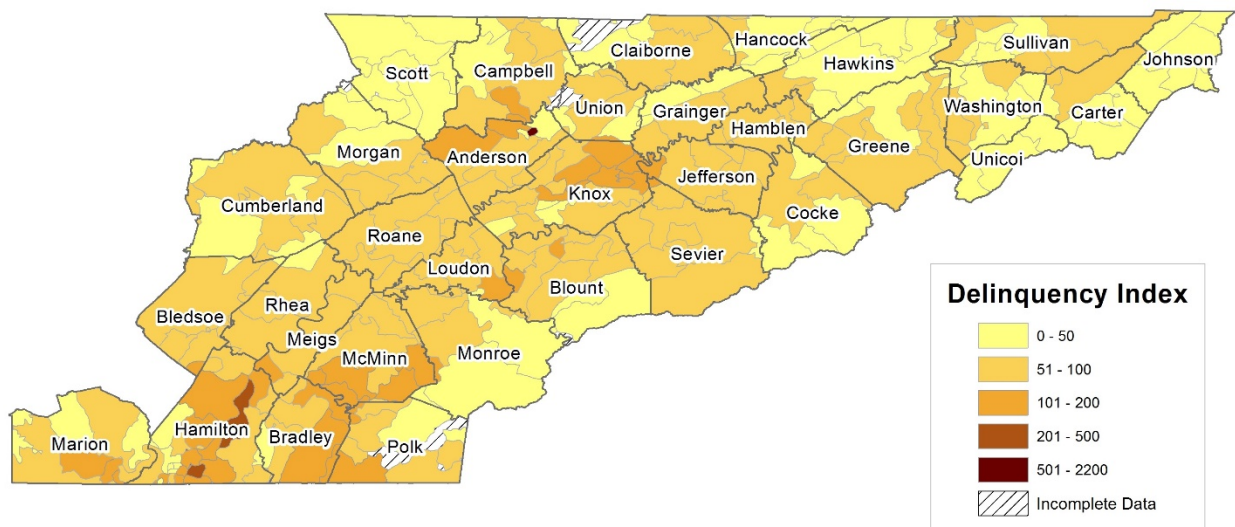
⁸ The index values should be treated cautiously, especially on a zip code level, because some zip codes with a relatively small number of housing units might have high rates, even if they have just a handful of delinquent, REO or foreclosure loans compared to other zip codes with more housing units.

Seventy-six of Tennessee's 95 counties had Delinquency Index values below 100. While there was some variation among the counties below the state average, counties that have had high delinquency rates in recent years are showing improvement. While the previous table shows how an individual county's delinquency rate changes relative to the state, it does not indicate how much delinquencies changed. In fact, each of the top ten counties in the Delinquency Index saw their delinquencies decline between four and nine percent during the first quarter, and a steep year-over-year decline between 16 and 24 percent.

The top zip codes for the Delinquency Index tended to overlap with the top counties as shown in the table on page 3. The one exception was Davidson County, which had an overall Delinquency Index value below the Tennessee average, yet finished with two of the top zip codes in the Delinquency Index. A closer look reveals that Davidson's high-delinquency zip codes are averaged out by the very low-delinquency areas in its southwestern region. Zip codes 37218 and 37189 [Bordeaux and Whites Creek] have very high Delinquency Index values, but these are adjacent to zip code 37209 [Charlotte Ave/The Nations], which have some of the lowest delinquency rates in the state. Davidson County is Tennessee's most striking example of variance within a county. With a metropolitan area as large as Nashville, one could certainly expect a range of delinquency rates, but the similarly sized metros of Memphis and Knoxville exhibit much more consistency across zip codes. Maps 1-4 display the Delinquency Index for East, Middle, and West Tennessee, and for the state. Map 5 focuses on the delinquency hot spots, showing high totals of delinquencies, rather than the Index Values in Maps 1-4.

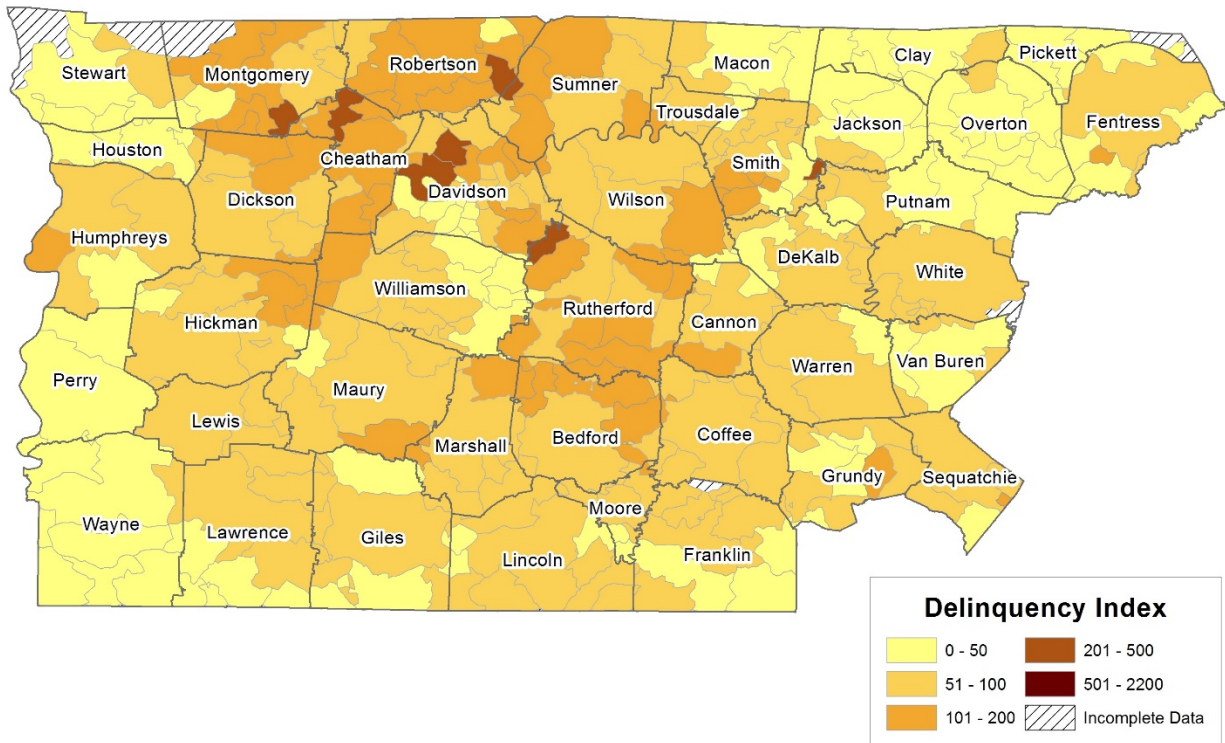
Map 1

East Tennessee Delinquency Index Values by Zip Code



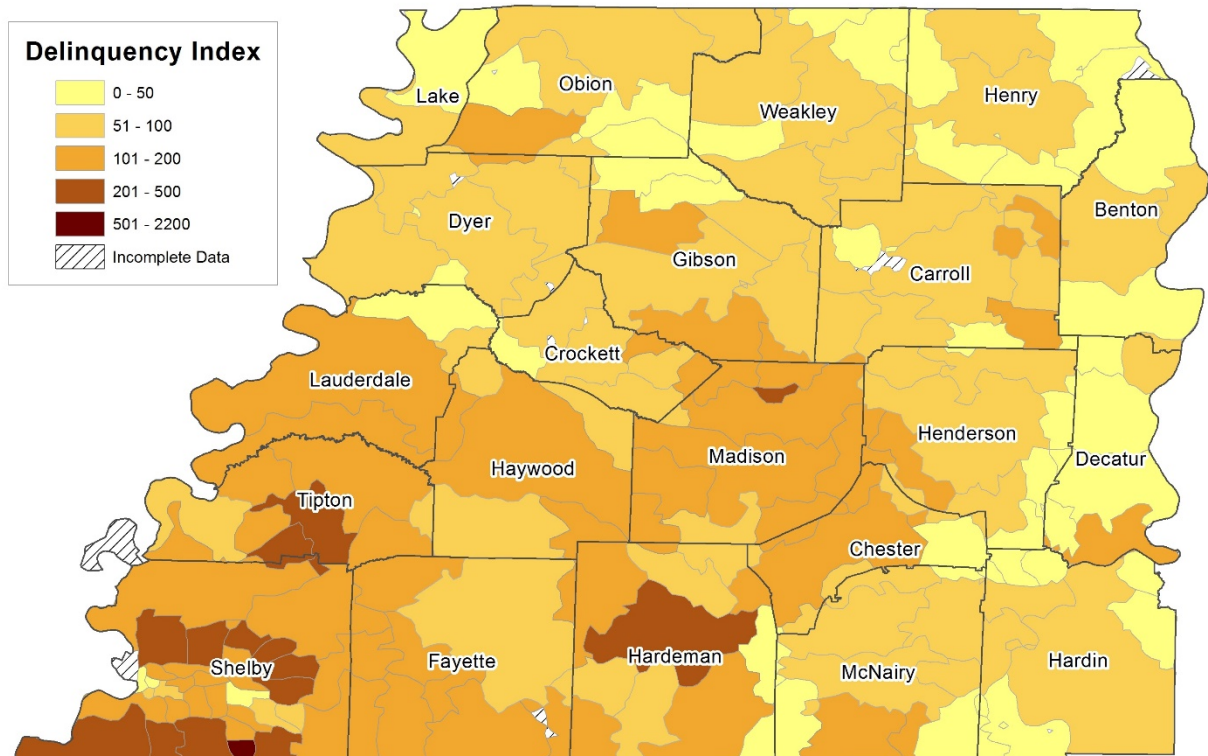
Map 2

Middle Tennessee Delinquency Index Values by Zip Code

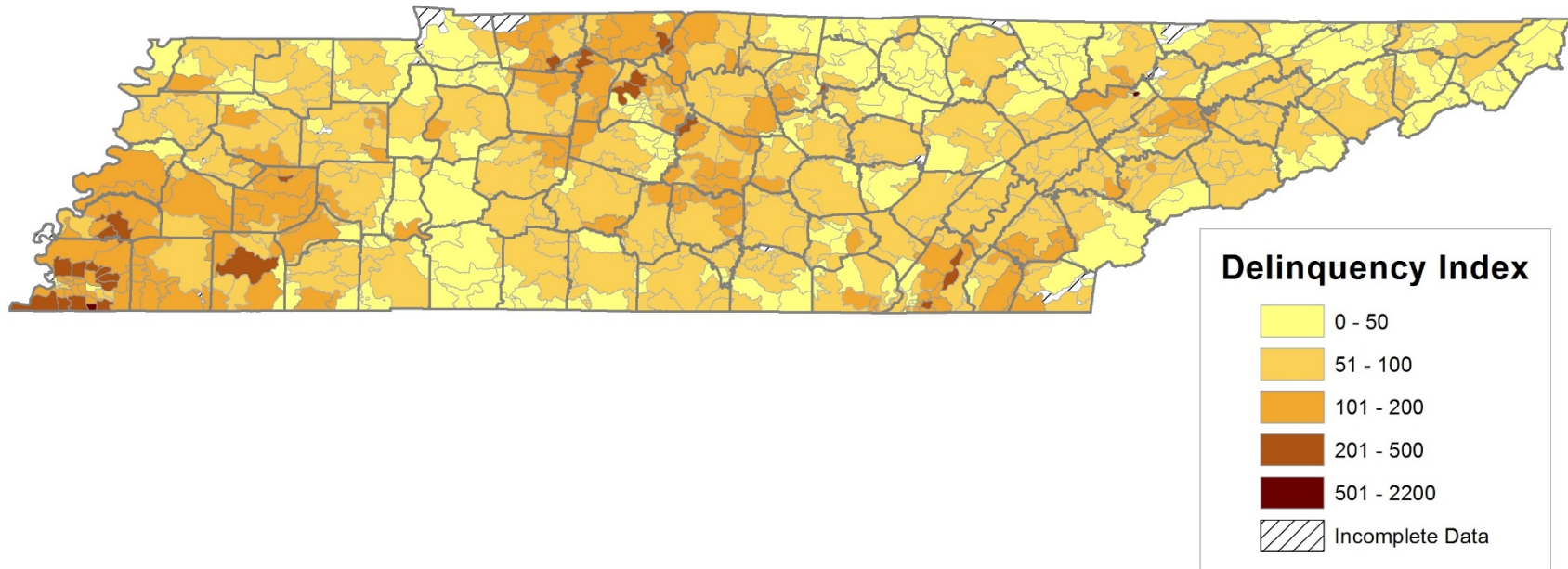


Map 3

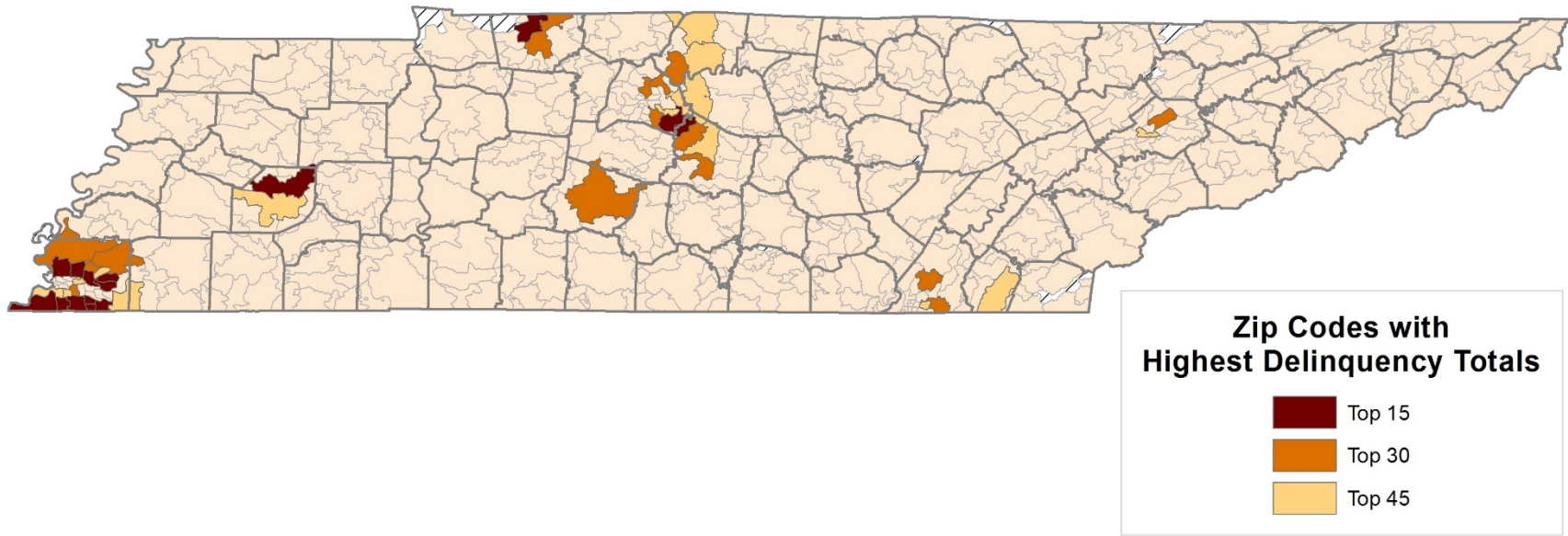
West Tennessee Delinquency Index Values by Zip Code



Tennessee Delinquency Index Values by Zip Code



The Top Tennessee Zip Codes in Loan Delinquencies



Real Estate Owned (REO) Inventory

Statewide quarterly and year-over-year declines in real estate owned (REO) properties were almost identical to those seen in loan delinquency. In the first quarter of 2015, the number of REO properties in Tennessee declined by roughly six percent compared to the previous quarter and by roughly 25 percent compared to the first quarter of 2014. Shelby County also led Tennessee in volume of REO properties, followed by Davidson, Knox, and Hamilton Counties. Again mimicking trends seen in delinquency, REOs in Shelby County declined by two percent compared to the previous quarter and by 13 percent compared to the previous year. However, Shelby County still held 21 percent of REOs in the state during the first quarter of 2015, three times that of Davidson County, which, with 6.5 percent of REOs statewide, held the state's second largest share.

Although the biggest four counties⁹ held a considerable share of the state's REO properties, the top of the REO Index distribution is dominated by suburban and rural areas. Eleven rural or suburban counties had a higher REO rate than any of the four big urban counties in the first quarter of 2015. Overall, county-level REO rates and their corresponding index values were rather evenly distributed, with 43 of Tennessee's 95 counties being above the state rate.

The 10 Counties with Tennessee's Highest REO Index Values				
	County	REO Rate Index Value*	Percent Change from Q4 2014	Percent Change from Q1 2014
1	Humphreys	230	25.6%	48.0%
2	Campbell	216	-1.7%	16.8%
3	Hickman	215	3.8%	22.0%
4	Trousdale	212	-20.0%	-7.3%
5	Roane	210	-2.1%	24.4%
6	Cheatham	197	27.1%	28.8%
7	Smith	192	-16.0%	5.8%
8	Robertson	184	1.7%	10.4%
9	Tipton	175	17.7%	10.6%
10	Fayette	168	-7.5%	1.6%

*State REO rate=100; Humphreys County's value of 230 denotes an REO rate 2.3 times that of the Tennessee overall rate.

Whereas a trend of decline was shared by the top 10 counties for the Delinquency Index, this was far from the case with respect to REO rates and their corresponding index values. Although the state overall saw a definite decrease, the quarter over quarter changes for the top 10 counties were anywhere from a 27 percent increase to a 20 percent decrease. This is likely due to the relative infrequency of REOs in Tennessee; statewide, there was one REO for every 11 delinquencies. Sixty-two of Tennessee's 95 counties had less than 20 total REOs in the first quarter of 2015 (including four of the top 10 listed in the above table), making a small nominal fluctuation a larger percentage fluctuation.

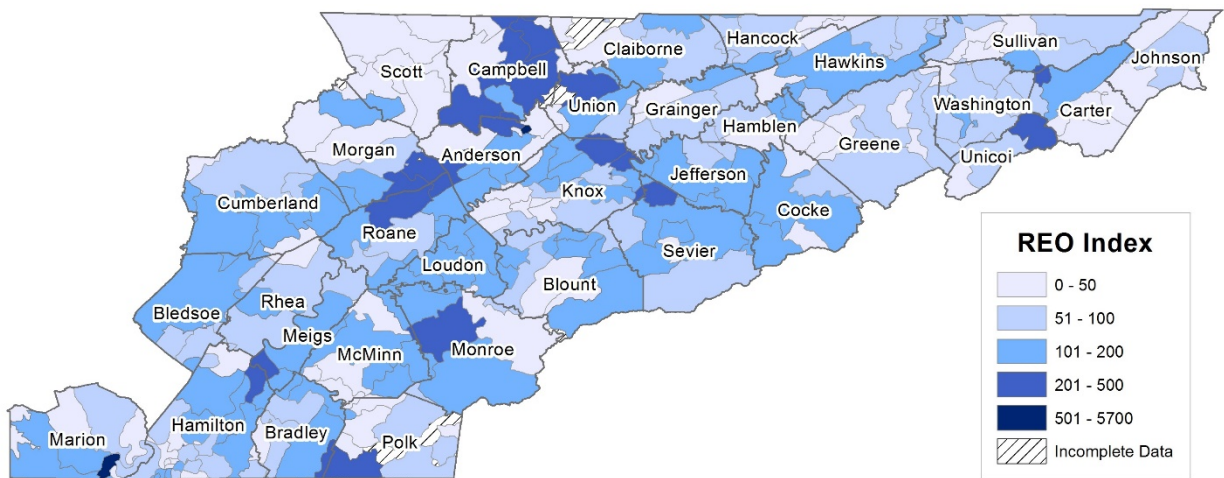
A zip code level analysis of REO rates is similarly impacted by the relatively low incidence of REOs, where the top ten counties listed above do not have much overlap with zip codes that have a high REO Index

⁹ Shelby, Davidson, Knox, and Hamilton Counties.

value. In fact, only one of the top 15 zip codes in the REO Index occurs within the top 10 counties of the REO Index. These high values, with the highest zip code having an index value that was 13 times the state average, are almost entirely a product of these zip codes' low numbers of housing units. The following maps of REO Index by zip code further demonstrate this. Because these high zip codes, shown in maps 6-9, may not necessarily reflect a noteworthy pattern of bank-owned homes, Map 10 is included to show the 45 Tennessee zip codes with the highest REO totals.

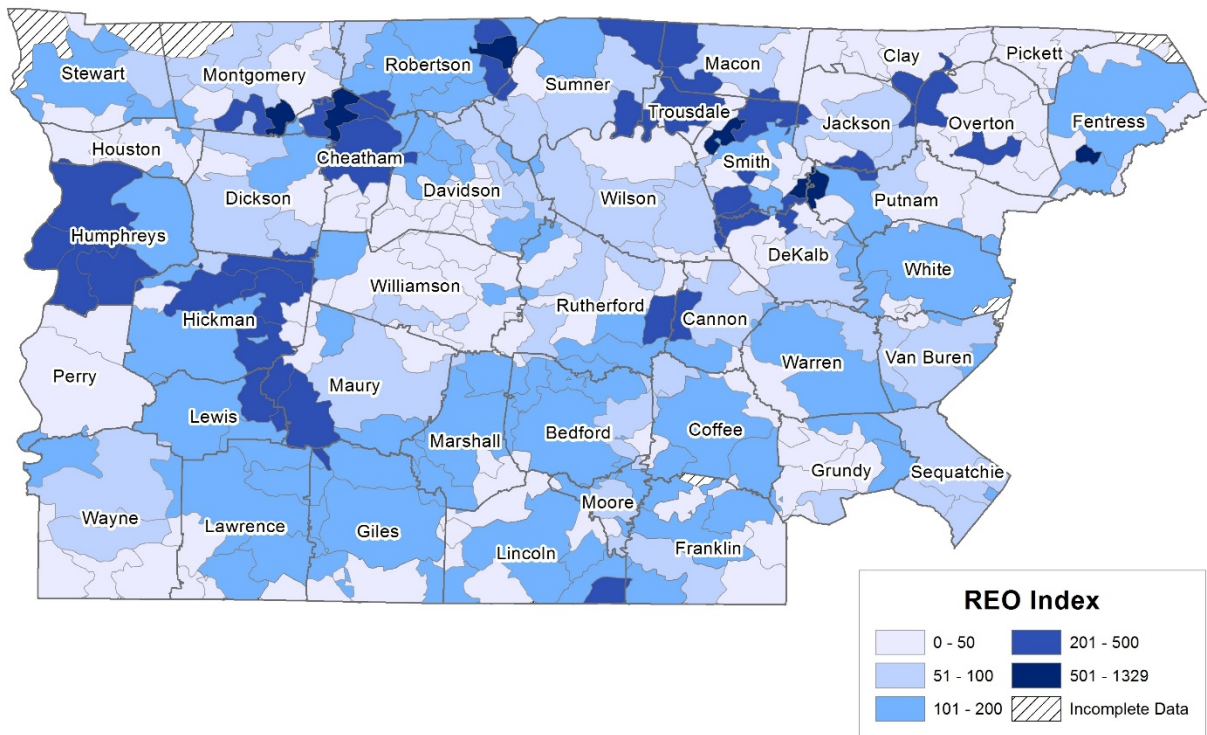
Map 6

East Tennessee REO Index Values by Zip Code

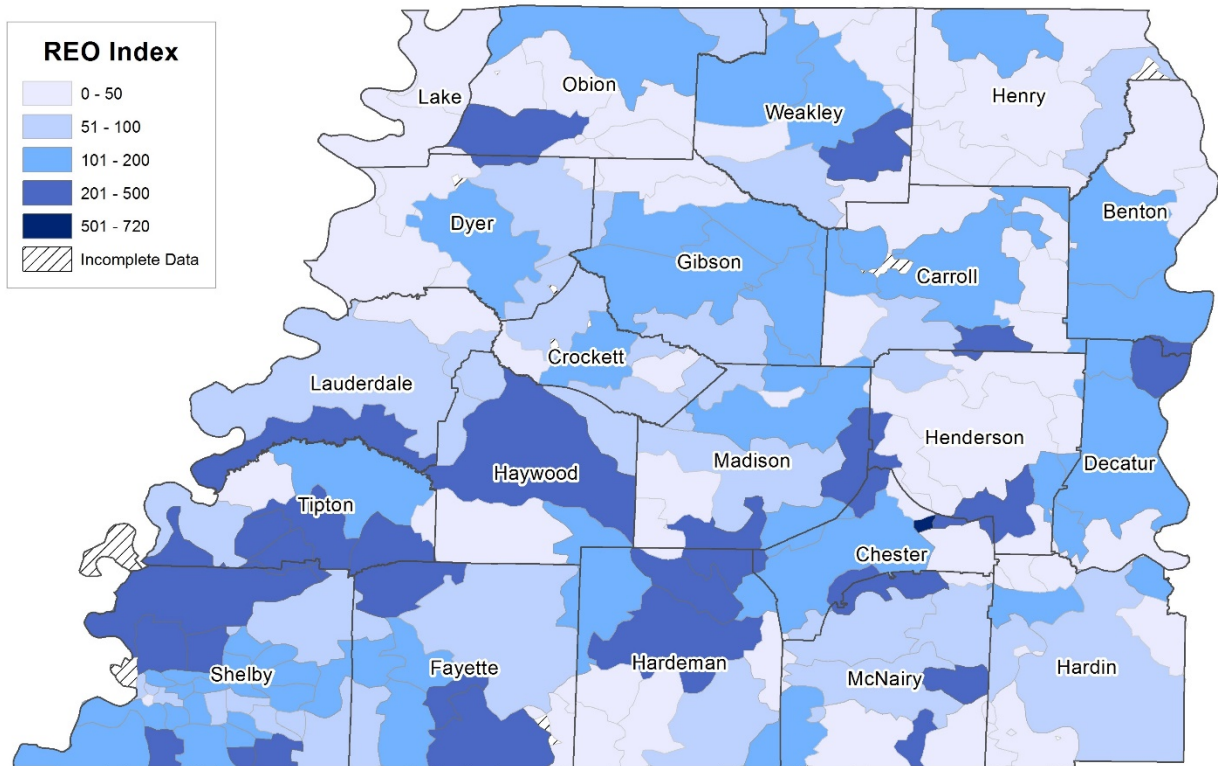


Map 7

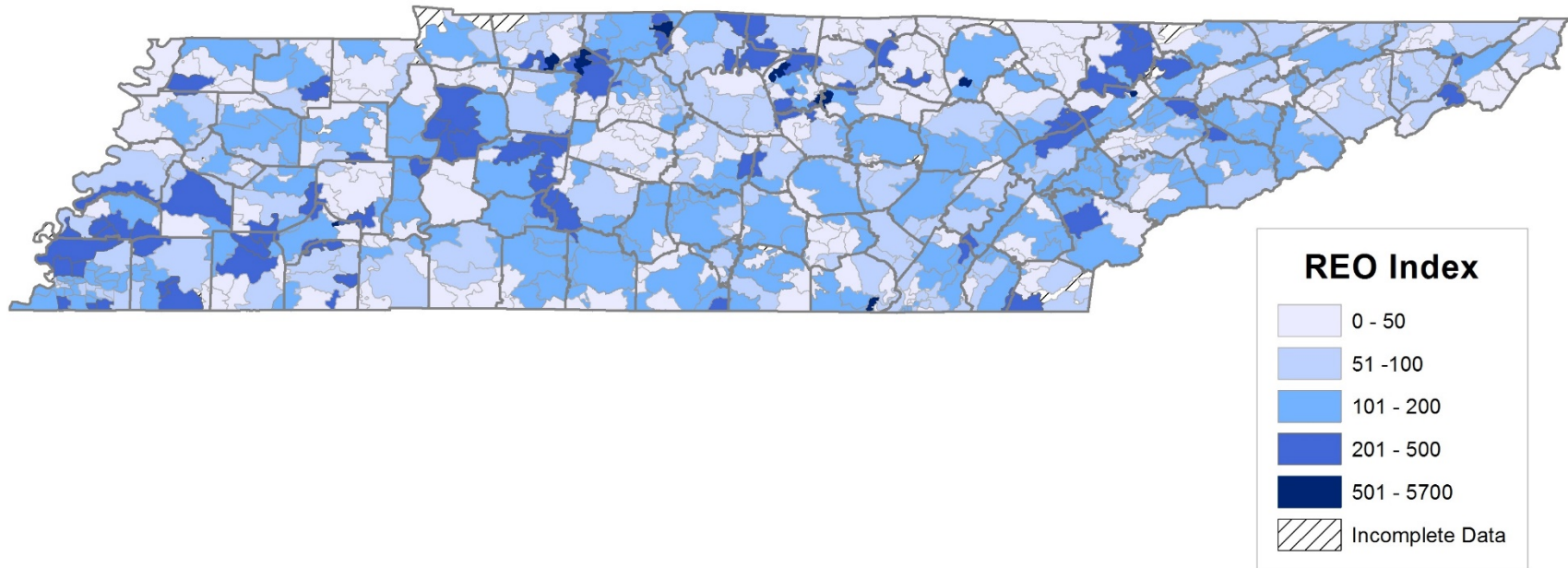
Middle Tennessee REO Index Values by Zip Code



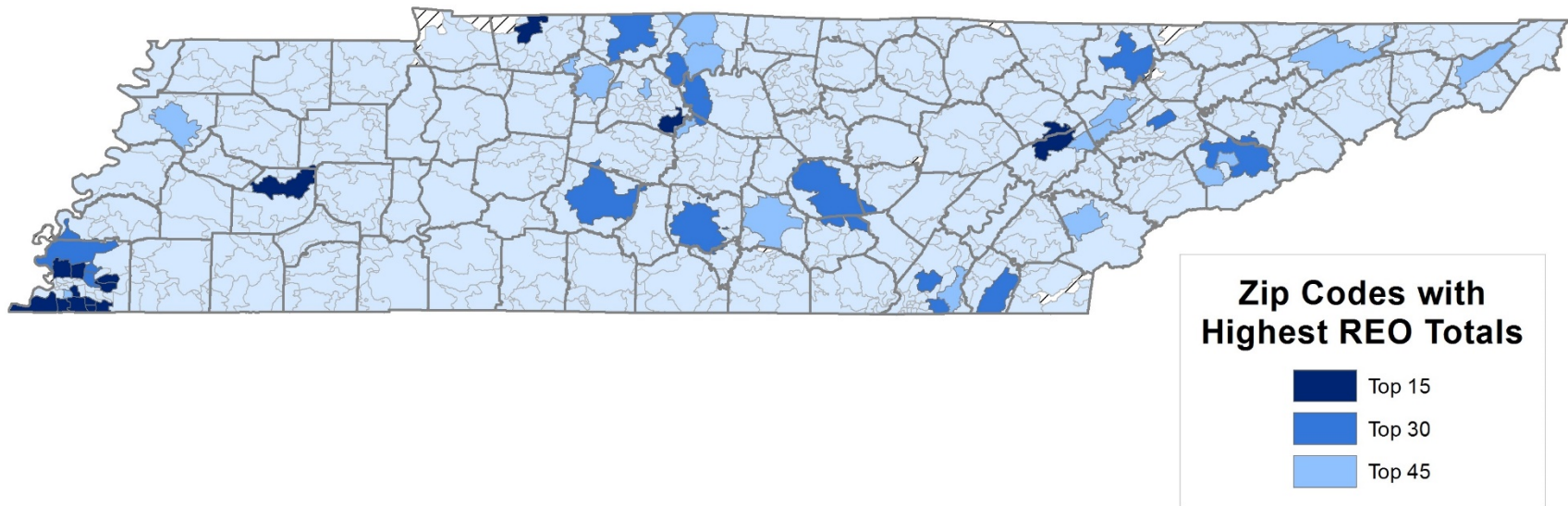
West Tennessee REO Index Values by Zip Code



Tennessee REO Index Values by Zip Code



The Top Tennessee Zip Codes for REO Volume



Foreclosure Rates

In the first quarter of 2015, the number of loans in the foreclosure process in Tennessee experienced an increase of less than two percent from the fourth quarter of 2014, but still finished almost 20 percent lower than the first quarter of 2014. At the county level, Tennessee's Foreclosure Index distribution is very similar to that of its Delinquency Index; the state's foreclosure rate is greatly raised by the Memphis MSA, with the majority of Tennessee counties (77 of 95) being at or below the state rate.

The 10 Counties with the Highest Foreclosure Index Values				
	County	Foreclosure Rate Index Value*	Percent Change from Q4 2014	Percent Change from Q1 2014
1	Shelby	188	-1.7%	4.2%
2	Montgomery	166	12.3%	7.0%
3	Fayette	156	-6.0%	7.3%
4	Robertson	154	1.8%	-5.0%
5	Tipton	138	15.6%	-1.7%
6	Trousdale	132	67.6%	49.9%
7	Hardeman	123	8.0%	71.6%
8	Rutherford	121	8.0%	5.0%
9	Dickson	121	50.3%	39.8%
10	Cheatham	117	-15.6%	-22.6%

*State rate=100; Shelby County's value of 188 denotes a foreclosure rate 1.88 times that of the Tennessee overall rate.

Whereas the top 10 counties in the Delinquency Index displayed small, uniform declines from past quarters, the above table shows that the top 10 counties in the Foreclosure Index more closely resemble the REO Index, in that they show a wide range of changes, both positive and negative, compared to previous quarters. This is almost entirely attributable to the low nominal values of foreclosures, relative to delinquent loans.¹⁰

Trousdale, Hardeman, and Dickson Counties stand out with pronounced increases in foreclosure rate over the past year, with Trousdale and Dickson going from below-average foreclosure rates in the fourth quarter of 2014 to having Tennessee's sixth and ninth highest foreclosure rates in the first quarter of 2015. Trousdale and Hardeman Counties' leap are a function of their low nominal totals; Trousdale still has fewer than 10 loans in the foreclosure process and Hardeman has fewer than 20. However, Dickson County saw a substantial increase in foreclosures given its size and previous foreclosure numbers.

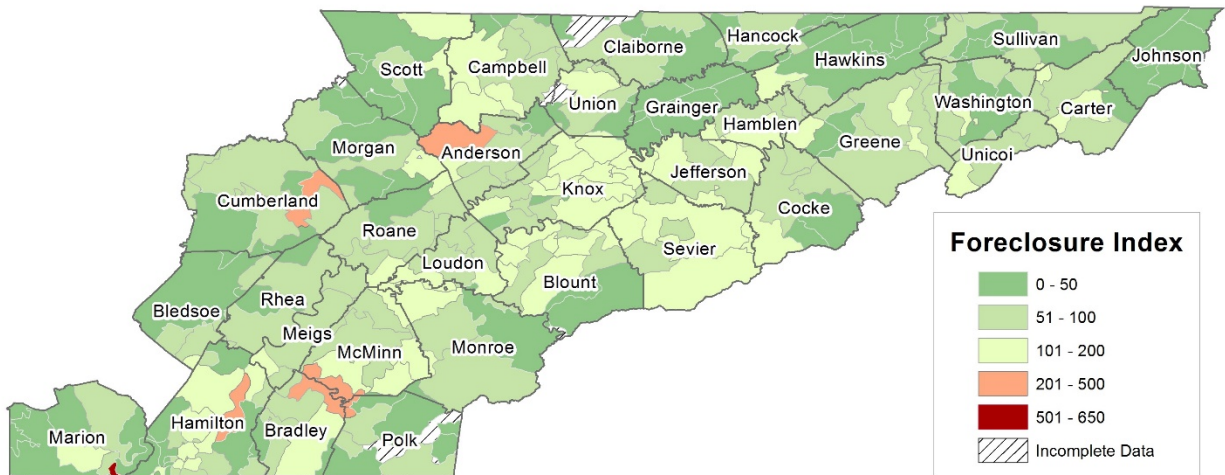
By zip code, the number of loans in the foreclosure process in the first quarter ranged from zero to 141. Some of the zip codes with the highest foreclosure index value (as high as six times the state index) are not the zip codes with the highest number of loans in the foreclosure process. Their index value is high because of the relatively low number of housing units in the zip code. Shelby County held seven of the top 15 zip codes by Foreclosure Index, and ten of the top 15 zip codes in foreclosure numbers irrespective of

¹⁰ Across the state of Tennessee, for every foreclosure there were 5 delinquencies in Q1 2015. This puts the incidence of foreclosures at about two times that of REO properties.

rate. To highlight the volume of foreclosure in some zip codes, Map 15 is included at the end of this report, following Index maps 11-14.

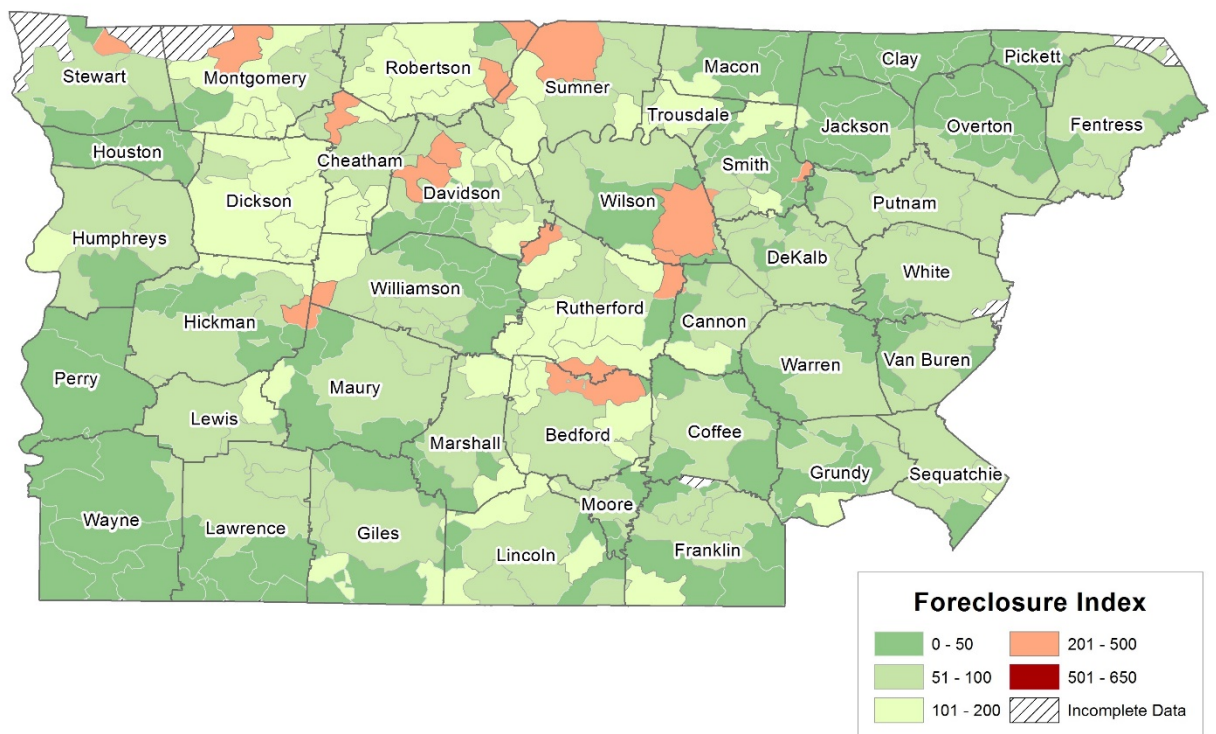
Map 11

East Tennessee Foreclosure Index Values by Zip Code

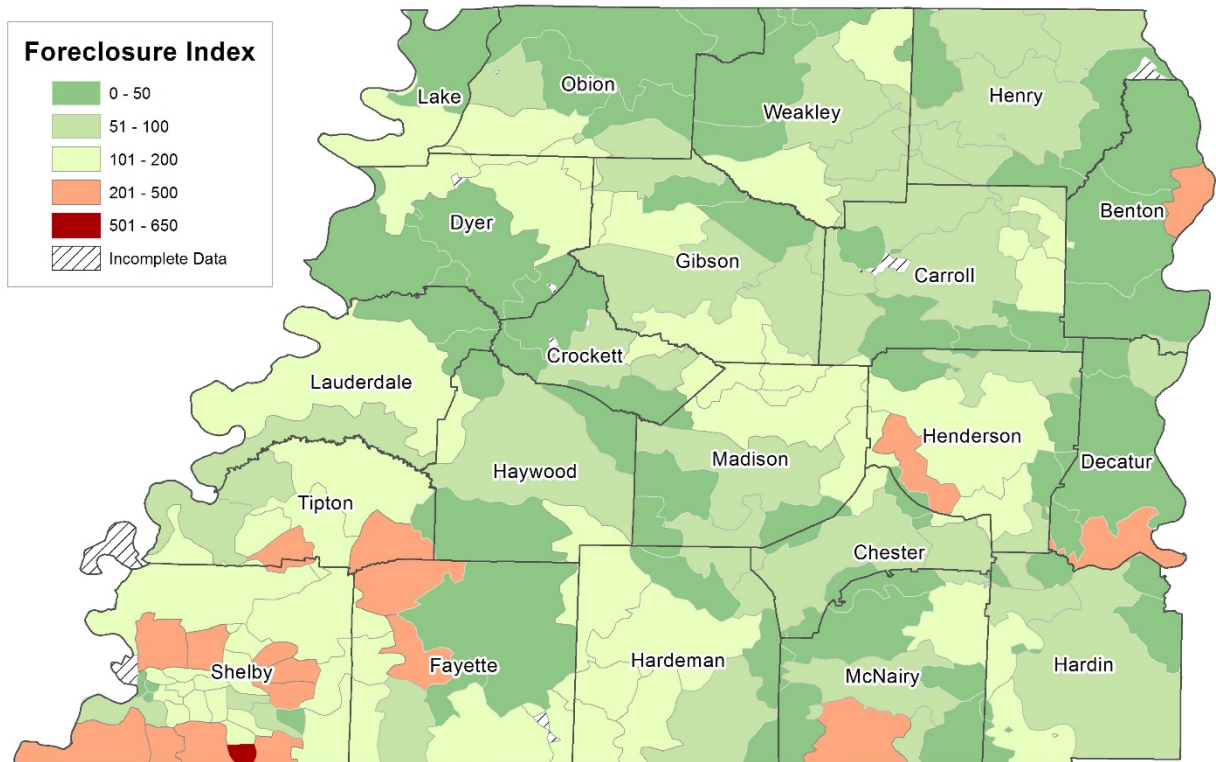


Map 12

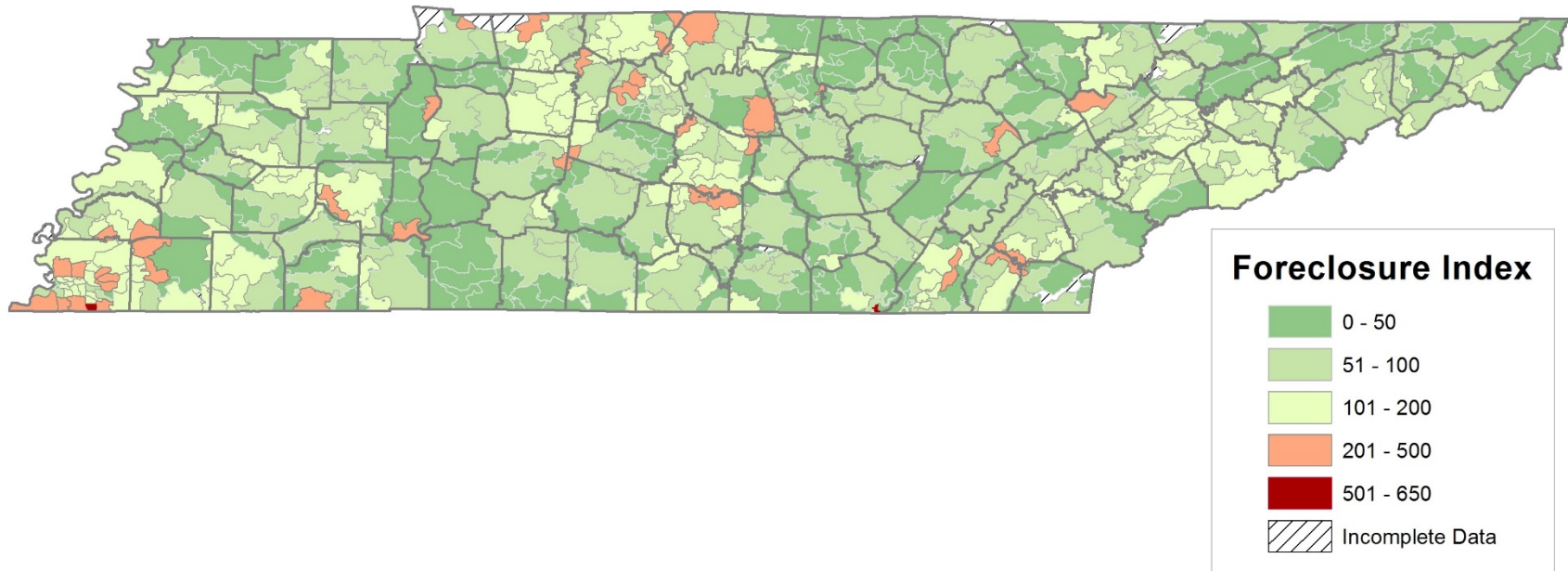
Middle Tennessee Foreclosure Index Values by Zip Code



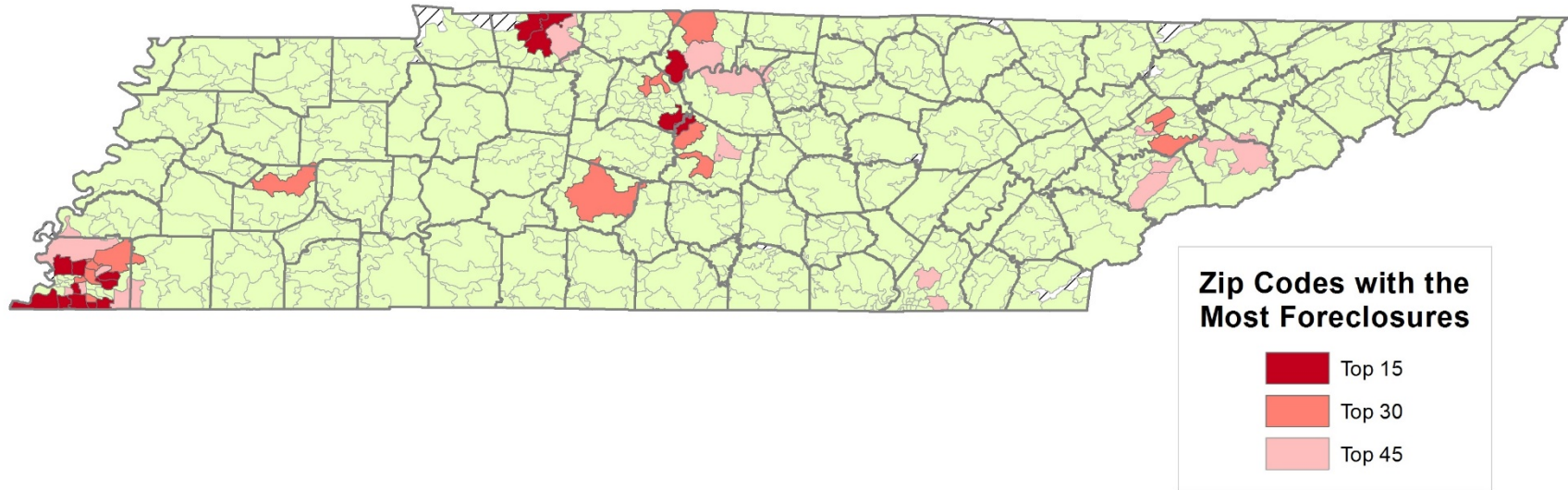
West Tennessee Foreclosure Index Values by Zip Code



Tennessee Foreclosure Index Values by Zip Code



The Top Tennessee Zip Codes in Volume of Foreclosures



Appendix: Tennessee's 95 Counties, Complete Index

County Name	Statewide Ranking (1 through 95)			Index Values		
	Delinquency	REO	Foreclosure	Delinquency	REO	Foreclosure
Anderson	43	34	29	76	122	85
Bedford	11	23	12	113	130	114
Benton	73	35	80	49	119	42
Bledsoe	81	51	86	43	92	27
Blount	36	53	13	81	90	113
Bradley	17	42	37	104	105	79
Campbell	35	2	39	81	216	78
Cannon	62	54	50	56	89	71
Carroll	44	52	33	75	92	83
Carter	82	67	70	41	73	54
Cheatham	6	6	10	139	197	117
Chester	20	30	45	95	124	75
Claiborne	60	40	42	56	106	76
Clay	95	95	95	3	0	6
Cocke	51	28	57	67	126	64
Coffee	41	18	51	77	142	69
Crockett	50	75	76	68	64	51
Cumberland	75	45	55	48	99	65
Davidson	23	77	38	92	63	79
Decatur	68	16	68	52	142	54
DeKalb	56	56	62	58	85	61
Dickson	22	79	9	92	60	121
Dyer	34	26	63	82	127	61
Fayette	3	10	3	157	168	156
Fentress	71	24	31	51	129	84
Franklin	55	64	56	58	76	64
Gibson	13	20	14	109	137	108
Giles	40	39	52	77	112	67
Grainger	66	66	82	55	74	40
Greene	53	60	41	64	81	77
Grundy	59	86	65	57	40	58
Hamblen	28	61	17	86	81	103
Hamilton	15	58	27	107	84	89
Hancock	88	76	64	31	64	59
Hardeman	4	13	7	152	154	123
Hardin	57	65	43	58	75	75
Hawkins	79	55	81	45	89	41
Haywood	10	11	75	115	163	53

County Name	Statewide Ranking (1 through 95)			Index Values		
	Delinquency	REO	Foreclosure	Delinquency	REO	Foreclosure
Henderson	32	83	23	83	46	95
Henry	74	87	54	48	34	66
Hickman	21	3	30	94	215	84
Houston	89	90	94	29	22	8
Humphreys	37	1	26	80	230	90
Jackson	83	69	87	39	71	25
Jefferson	52	41	35	66	106	82
Johnson	90	63	90	26	77	20
Knox	38	57	21	79	85	99
Lake	77	93	67	48	0	55
Lauderdale	14	47	25	108	95	91
Lawrence	48	21	72	72	131	54
Lewis	54	32	66	61	123	55
Lincoln	46	38	49	74	115	72
Loudon	24	14	18	91	150	103
Macon	84	84	89	38	44	20
Madison	8	33	15	126	123	105
Marion	31	50	53	84	92	66
Marshall	18	27	22	103	126	98
Maury	12	43	20	110	105	100
McMinn	19	48	19	96	93	100
McNairy	26	44	24	89	100	93
Meigs	30	31	32	85	124	83
Monroe	45	15	36	75	150	80
Montgomery	7	71	2	127	67	166
Moore	87	85	85	32	42	28
Morgan	80	73	84	44	65	38
Obion	58	19	79	58	139	42
Overton	91	80	91	22	58	18
Perry	93	92	88	17	9	23
Pickett	94	94	93	9	0	14
Polk	61	89	83	56	29	39
Putnam	67	72	47	53	66	74
Rhea	25	59	28	89	83	86
Roane	29	5	40	85	210	78
Robertson	5	8	4	146	184	154
Rutherford	9	81	8	116	56	121
Scott	86	91	78	32	18	48

County Name	Statewide Ranking (1 through 95)			Index Values		
	Delinquency	REO	Foreclosure	Delinquency	REO	Foreclosure
Sequatchie	65	70	58	55	67	64
Sevier	27	22	16	88	130	104
Shelby	1	12	1	199	154	188
Smith	49	7	60	68	192	63
Stewart	64	37	44	55	116	75
Sullivan	70	74	73	51	65	54
Sumner	16	46	11	104	95	117
Tipton	2	9	5	168	175	138
Trousdale	33	4	6	82	212	132
Unicoi	76	49	59	48	93	64
Union	63	29	71	56	124	54
Van Buren	85	78	61	33	60	61
Warren	42	17	48	77	142	74
Washington	78	62	77	47	78	51
Wayne	92	68	92	21	73	14
Weakley	72	36	69	50	117	54
White	47	25	46	74	127	74
Williamson	69	88	74	51	29	54
Wilson	39	82	34	77	56	82