

Foreclosure Trends

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Key Findings:

- Tennessee's foreclosure inventory ranked 38th in the nation as of September 2015 at 0.5 percent. This was the lowest foreclosure rate in the Southeastern United States, and well below the national average of 1.2%. New Jersey led the nation with a foreclosure rate of 4.6%, for reference, while Alaska had the lowest rate at 0.3 percent.¹
- Tennessee saw small declines in delinquencies, REO properties, and foreclosures during the third quarter of 2015. Following the much larger declines that occurred during the second quarter, it remains to be seen if, or when, the downward trend of the past four years will come to a halt.
- While quarterly foreclosure declines were small, Tennessee's annual decline has been astounding—in just one year, Tennessee's foreclosure inventory has shrunk by 42 percent.
- Shelby County finished with Tennessee's highest county rates for delinquency and foreclosure in the third quarter of 2015, at about twice the state rate in both categories.² Despite this, Shelby County continues to see declines in each category. Furthermore, its foreclosure rate is still lower than 23 other states' overall rates, and is less than a third of Shelby County's foreclosure rate of just four years ago.

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. Beginning with the first quarter of 2015, and extending to subsequent foreclosure trends 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 delinquency³, Real Estate Owned (REO)⁴ properties, and foreclosure⁵ 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

¹ <http://www.corelogic.com/research/foreclosure-report/national-foreclosure-report-september-2015.pdf>
CoreLogic's MarketPulse reports compute foreclosures relative to loan counts. For this report by THDA, we compute foreclosure rates relative to housing units rather than loan counts.

² The state rate in this instance is one we have calculated relative to housing unit totals, rather than the figure of 0.5 percent mentioned in the first bulletpoint, which was computed relative to loan counts. This report will mostly reference the in-house state foreclosure rate calculated with housing units; the inclusion of the loan-count foreclosure rate of 0.5 percent allows for comparison of Tennessee to the rest of the nation.

³ The number of mortgages delinquent by 90 days or more, includes loans that are in REO or foreclosure. CoreLogic® has approximately 75 percent to 90 percent loan coverage, depending on the market.

⁴ 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.

⁵ 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.

units⁶ in each county⁷. 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 directly publish their reported numbers or rates in this report. We follow the methodology used by the Minnesota Housing Finance Agency⁸ and calculate index values similar to theirs 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 values above 100 exceed the statewide average for foreclosure rates, and a county with a Foreclosure Index value of 200 has a foreclosure rate twice as high as the statewide average.⁹ 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 highest zip code by Delinquency Index Value, for example, held only two delinquent loans, but was inflated by its extremely 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 third quarter of 2015, mortgage loan delinquencies in Tennessee declined by roughly three percent compared to the second quarter of 2015, and by roughly 20 percent compared to the third quarter of 2014. In September 2015, 3.3% of mortgage loans in the state were seriously delinquent, which was just below the nationwide rate of 3.4%.¹⁰

While the overall trend was one of decrease, county level changes were largely divergent; 45 of Tennessee's 95 counties actually saw their delinquency totals increase, albeit by small amounts, compared to just four counties having seen an increase in the second quarter. More consistent with the second quarter, however, the distribution of delinquency rates remained skewed below the state average. Seventy-four of Tennessee's 95 counties had Delinquency Index values below 100.

⁶ For the number of housing units, we used the number of residential addresses from HUD Aggregated USPS Administrative Data on Address Vacancies.

⁷ Even though discussion in the report is at county level, maps are created using the zip code level data.

⁸ 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>

⁹ 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.

¹⁰ <http://www.corelogic.com/research/foreclosure-report/national-foreclosure-report-september-2015.pdf>

The 10 Counties with the Highest Delinquency Index Values				
Rank	County	Delinquency Index Value*	Percent Change from Q2 2015 Index Value	Percent Change from Q3 2014 Index Value
1	Shelby	199	-1.8%	-0.2%
2	Tipton	180	2.0%	9.5%
3	Hardeman	173	8.5%	12.6%
4	Fayette	162	3.4%	10.9%
5	Robertson	146	-4.6%	1.4%
6	Cheatham	131	-5.4%	-7.8%
7	Haywood	131	10.1%	14.0%
8	Madison	130	-0.8%	3.3%
9	Lauderdale	123	7.8%	19.2%
10	Montgomery	122	-1.3%	0.4%

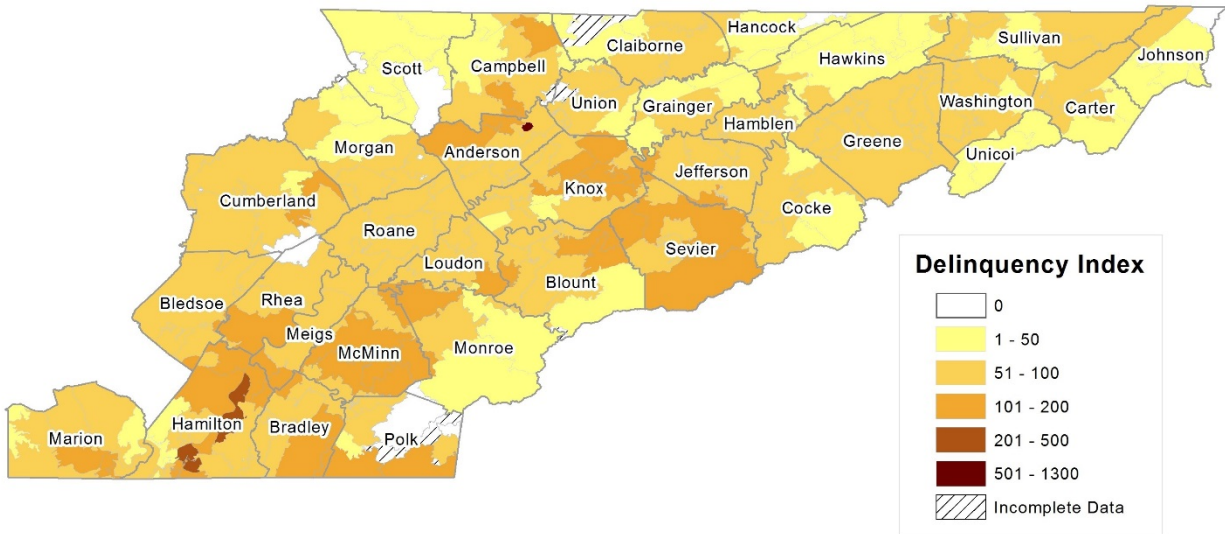
*State delinquency rate=100. Shelby County’s delinquency rate equals 1.99 times the Tennessee rate.

As was the case in the previous quarter, Shelby County had the highest volume of delinquencies and the highest Delinquency Index value, although its share of the state’s delinquent loans fell slightly to 27.1 percent (down from 27.6). Perhaps the biggest takeaway from the county-level Delinquency Index is that there is no individual county on a worrisome trajectory. While Hardeman, Haywood, and Lauderdale Counties stand out in the “Percent Change” columns above, none of the three increased by more than six delinquencies. In reality, Hardeman County’s housing stock is roughly 37 times smaller than that of Shelby County’s, with Haywood and Lauderdale County being even smaller. A small nominal fluctuation in these smaller counties, therefore, amounted to a much larger percentage change. While it is certainly true that all three of these small counties are consistently at the upper end of the delinquency distribution, there is no evidence that Hardeman, Haywood, or Lauderdale County are in the midst of a delinquency spike.

The third quarter distribution of the zip code-level Delinquency Index gravitated back towards the state average; about half of the state’s zip codes saw a decline in delinquencies, while the other half either saw an increase or experienced no change. The median zip code had a Delinquency Index value of 67, well above the second quarter median of 37, but on par with the first quarter zip code-level distribution. Zip codes that experienced an increase in foreclosures tended to have smaller delinquency totals and fewer housing units to begin with. The bulk of Tennessee’s high-delinquency zip codes, by contrast, tended to see declines. 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 zip codes with high delinquency totals rather than the Index Values in Maps 1-4.

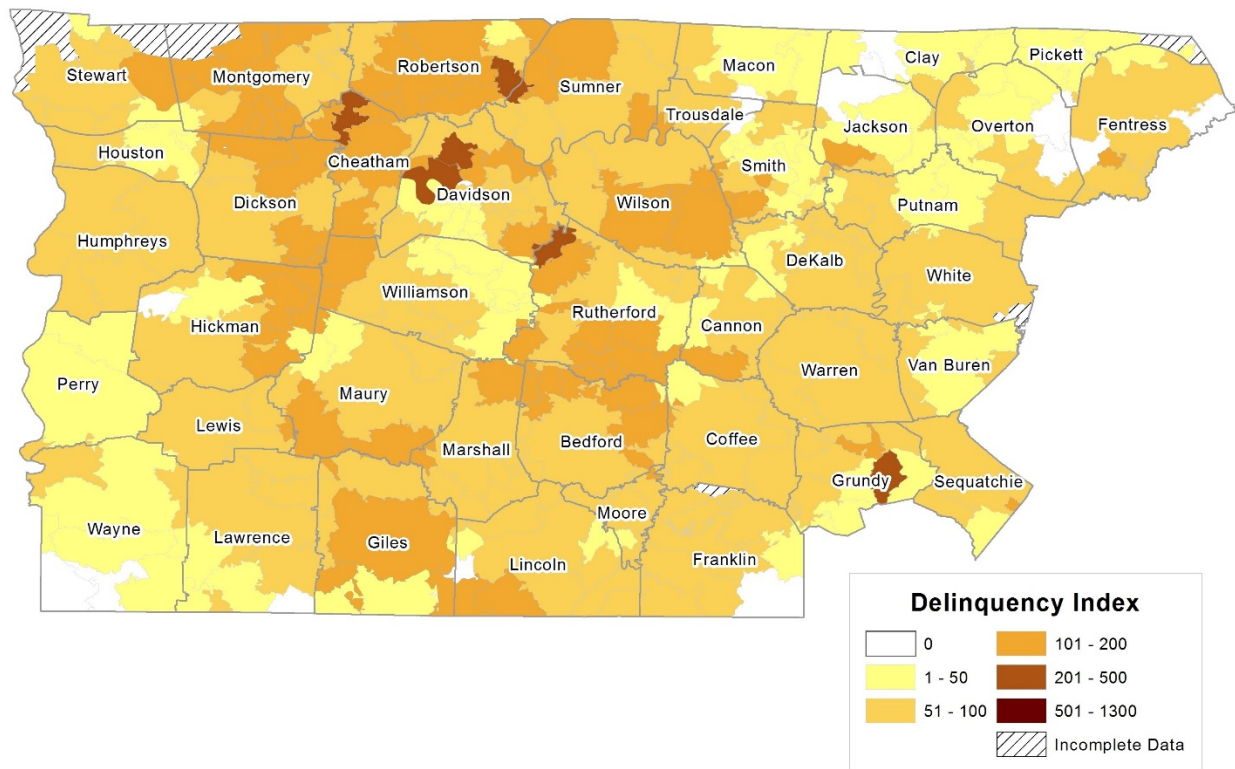
Map 1

East Tennessee Delinquency Index Values by Zip Code



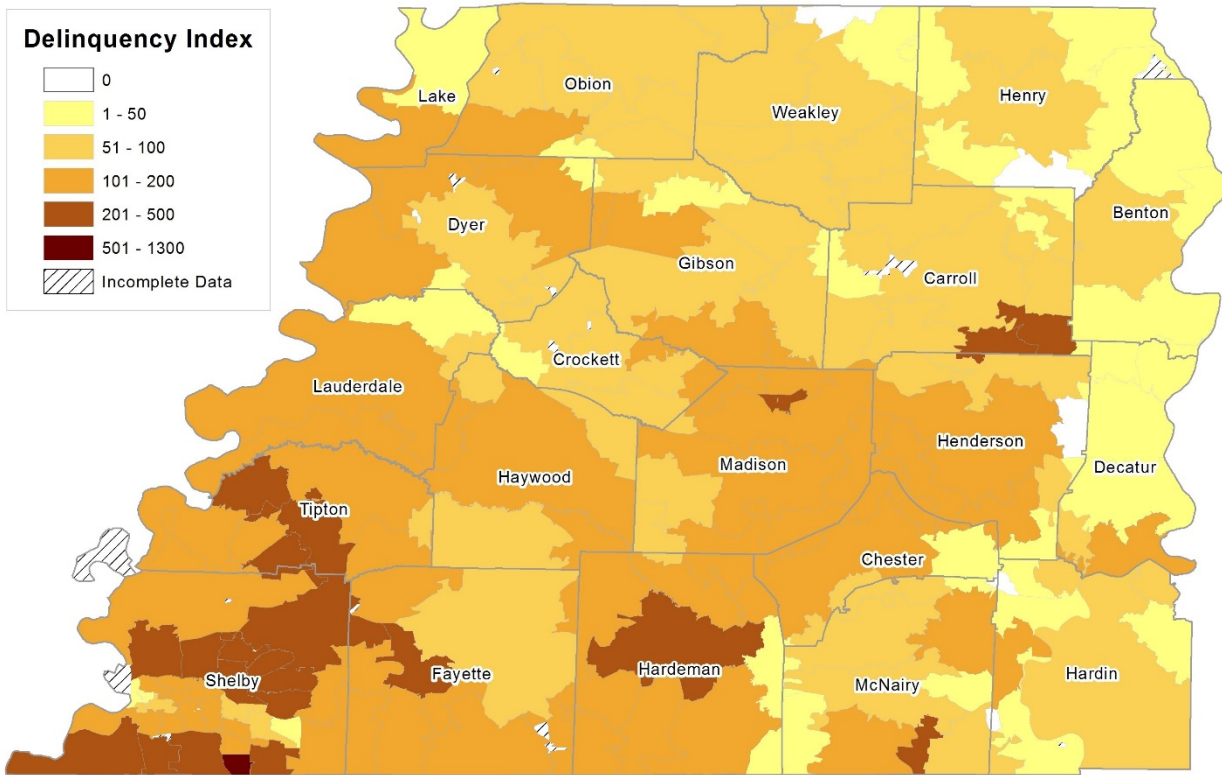
Map 2

Middle Tennessee Delinquency Index Values by Zip Code

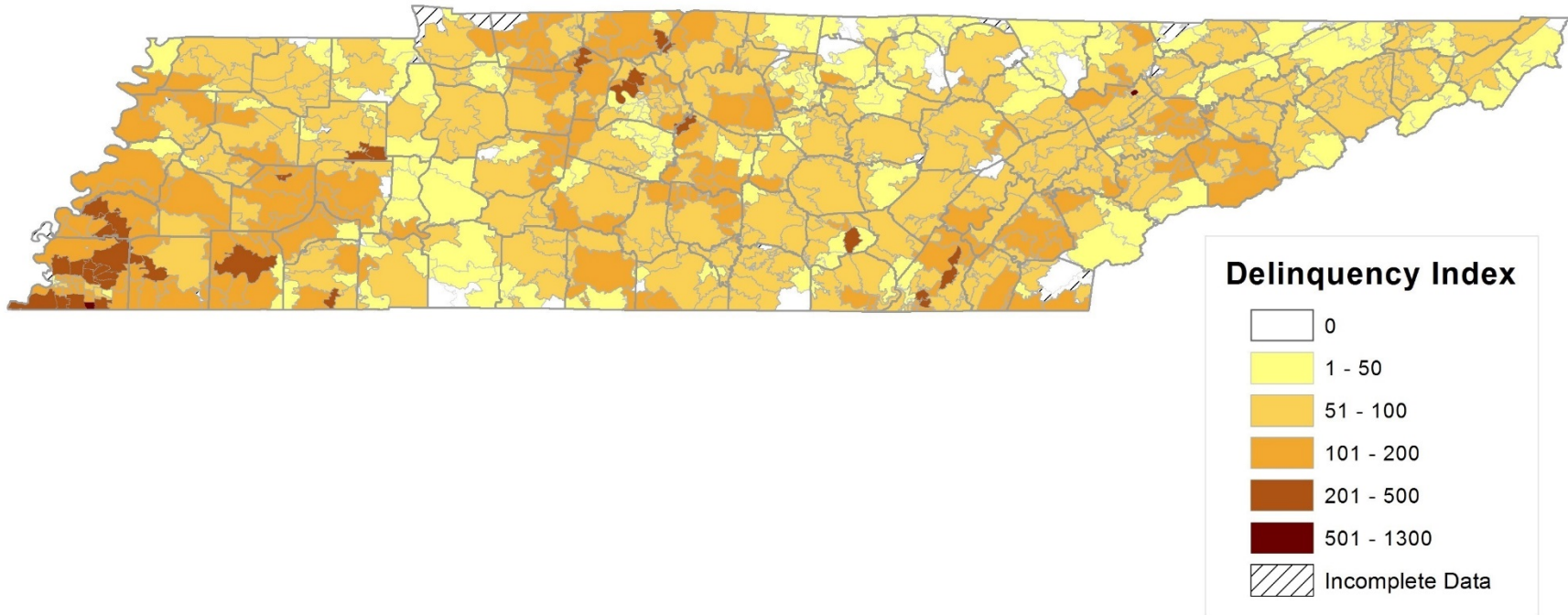


Map 3

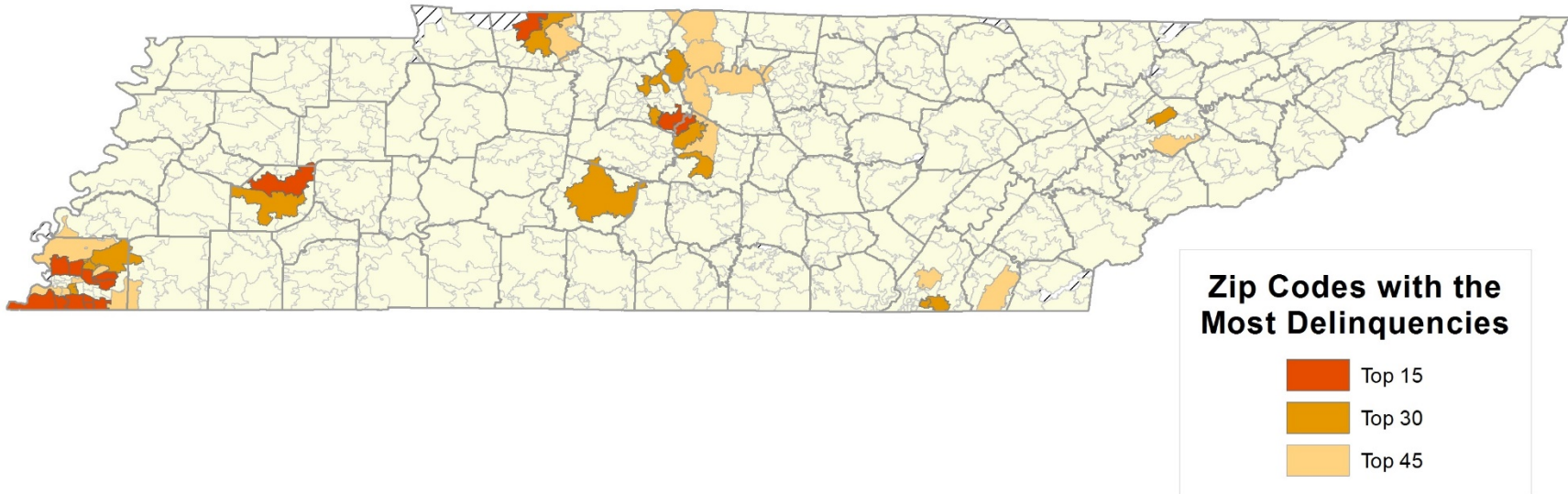
West Tennessee Delinquency Index Values by Zip Code



Tennessee Delinquency Index Values by Zip Code



The Top Tennessee Zip Codes in Loan Delinquencies



Top 5 Tennessee Counties for Delinquency Volume

- Shelby**
- Davidson**
- Hamilton**
- Knox**
- Rutherford**

Top 5 Tennessee Zip Codes for Delinquency Volume

- 38125** [Shelby; Memphis]
- 38128** [Shelby; Memphis]
- 37042** [Montgomery; Clarksville]
- 38118** [Shelby; Memphis]
- 37013** [Davidson; Antioch]

Real Estate Owned (REO) Inventory

Real Estate Owned (REO) properties in Tennessee declined by more than 10 percent in the third quarter. While county-level REO totals have tended to seesaw in previous quarters (with roughly half experiencing an increase and half experiencing a decrease), more than two thirds of Tennessee counties saw their REO totals fall in the third quarter (68 of 95). Furthermore, the magnitude of countywide REO declines was much greater than the gains experienced elsewhere in the state; Shelby County saw its REO total decrease by 42, while seven REOs were the most gained by any one county in the third quarter.

The 10 Counties with Tennessee's Highest REO Index Values				
Rank	County	REO Rate Index Value*	Percent Change from Q2 2015 Index Value	Percent Change from Q3 2014 Index Value
1	Campbell	242	-5.3%	13.5%
2	Roane	214	6.0%	2.9%
3	Hickman	209	-3.2%	35.0%
4	Cheatham	202	7.1%	29.7%
5	Humphreys	199	-16.4%	50.3%
6	Loudon	185	-1.8%	71.6%
7	Fentress	180	33.9%	22.0%
8	Hardeman	173	12.1%	55.5%
9	Tipton	170	-1.4%	1.7%
10	McNairy	168	27.1%	72.0%

*State REO rate=100; Campbell County's value of 242 denotes an REO rate 2.42 times that of the Tennessee overall rate.

The upper end of the REO Index showed across-the-board improvements in the third quarter; seven of the top ten counties listed above saw their totals decline. In past quarters, the top counties for REO Index values have shown less uniformity and more steep percentage changes. Even these percentage changes are misleading in the case of smaller counties. Fentress County's 33.9 percent change from its Q2 Index Value, for example, was actually an increase of a mere two REOs. This is due to two things: Fentress County's low housing unit total (a two-unit increase in many areas of the state would not have significantly impacted the REO rate), and the fact that the increase in REO rate is measured relative to the statewide average. It also speaks to the decreasing frequency of REOs in Tennessee; statewide, there was one REO for every 11 delinquencies.

Shelby County led Tennessee in volume of REO properties, followed by Knox, Davidson, and Hamilton Counties. Despite declines during the third quarter, Shelby County held 22 percent of REOs in the state during the second quarter of 2015, more than three times that of Knox County, which, with 5.9 percent of REOs statewide, held the state's second largest share. Although the biggest four counties 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 third quarter of 2015.

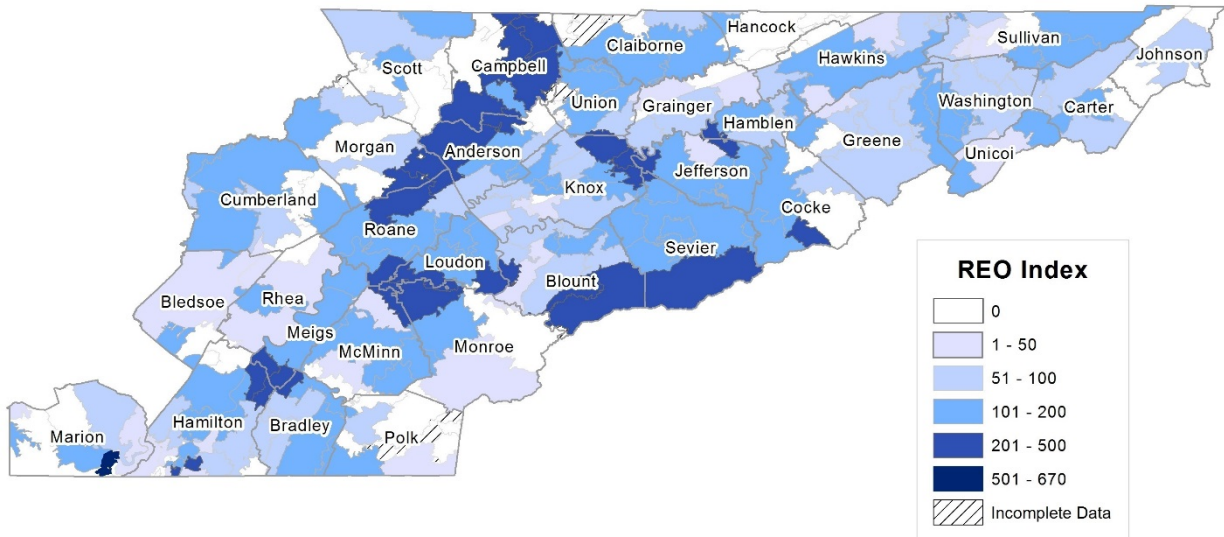
A zip code level analysis of REO rates shows a scattering of high REO rates across urban, suburban, and rural zip codes, unlike in the cases of delinquency and foreclosure, where the highest zip code level rates are concentrated in Shelby County. The highest values in the REO Index, with the highest zip code having

an index value that was more than six 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-Index Value 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.

When we examine REO totals irrespective of rates, Map 10 illustrates the share of REOs located in Shelby County; 10 of the 15 zip codes for REO volume were in Shelby. The smaller cities of La Follette (Campbell County) and Sevierville (Sevier County) appeared in the top 15 for the second consecutive quarter, defying the expectation that the top zip codes for REOs would be located in large cities. None of the top 15 were located in Knox or Hamilton County. Davidson County had just one zip code (Antioch) in the top 45 zip codes for REO volume.

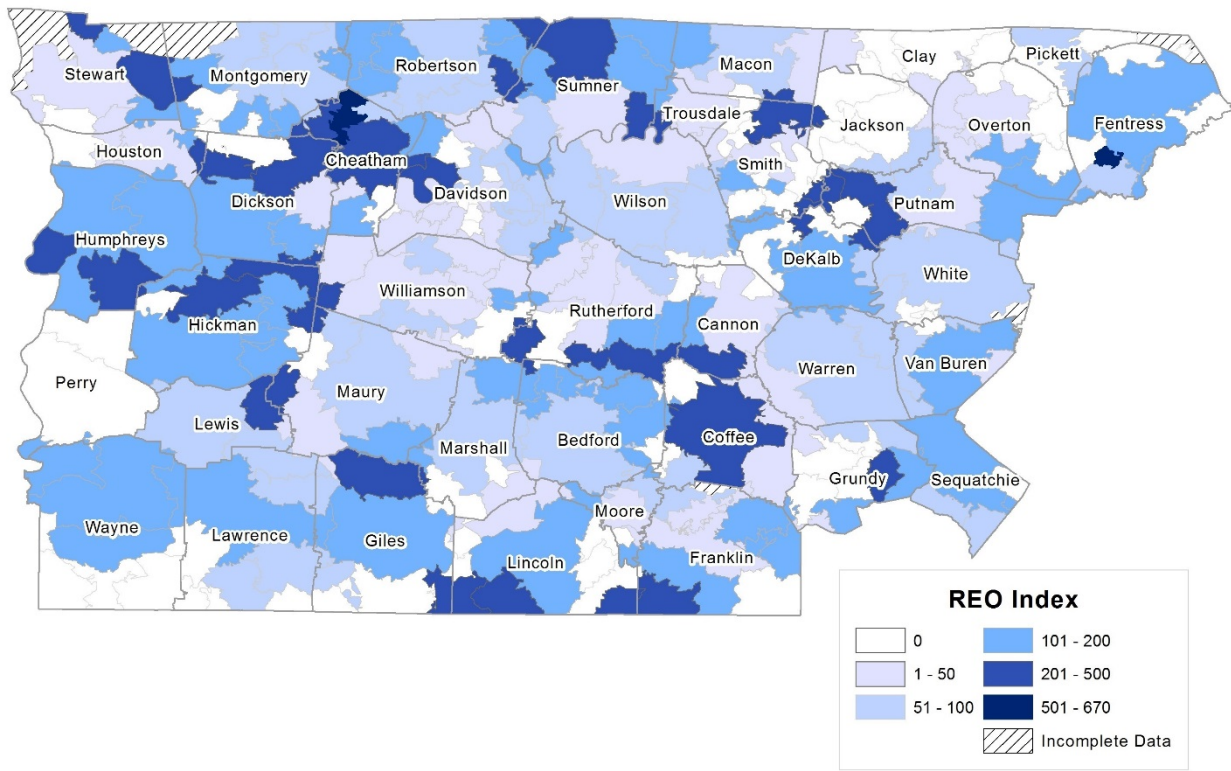
Map 6

East Tennessee REO Index Values by Zip Code



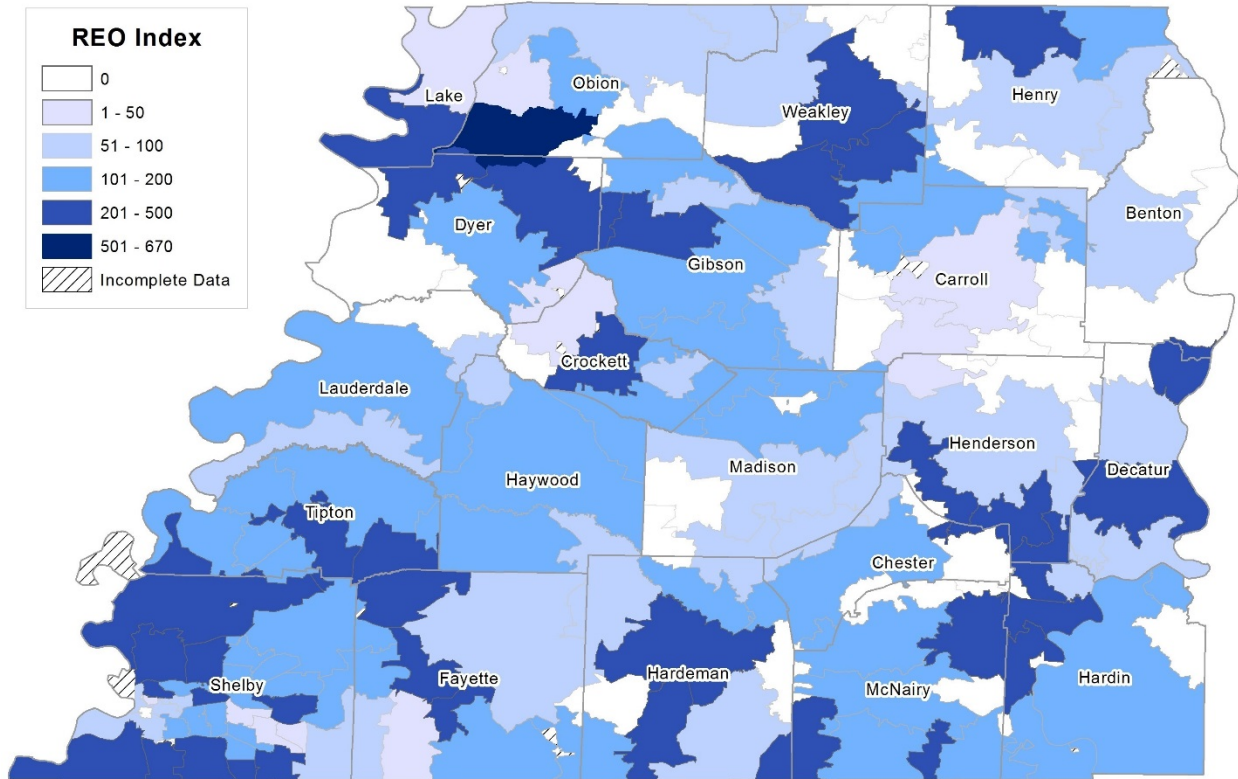
Map 7

Middle Tennessee REO Index Values by Zip Code

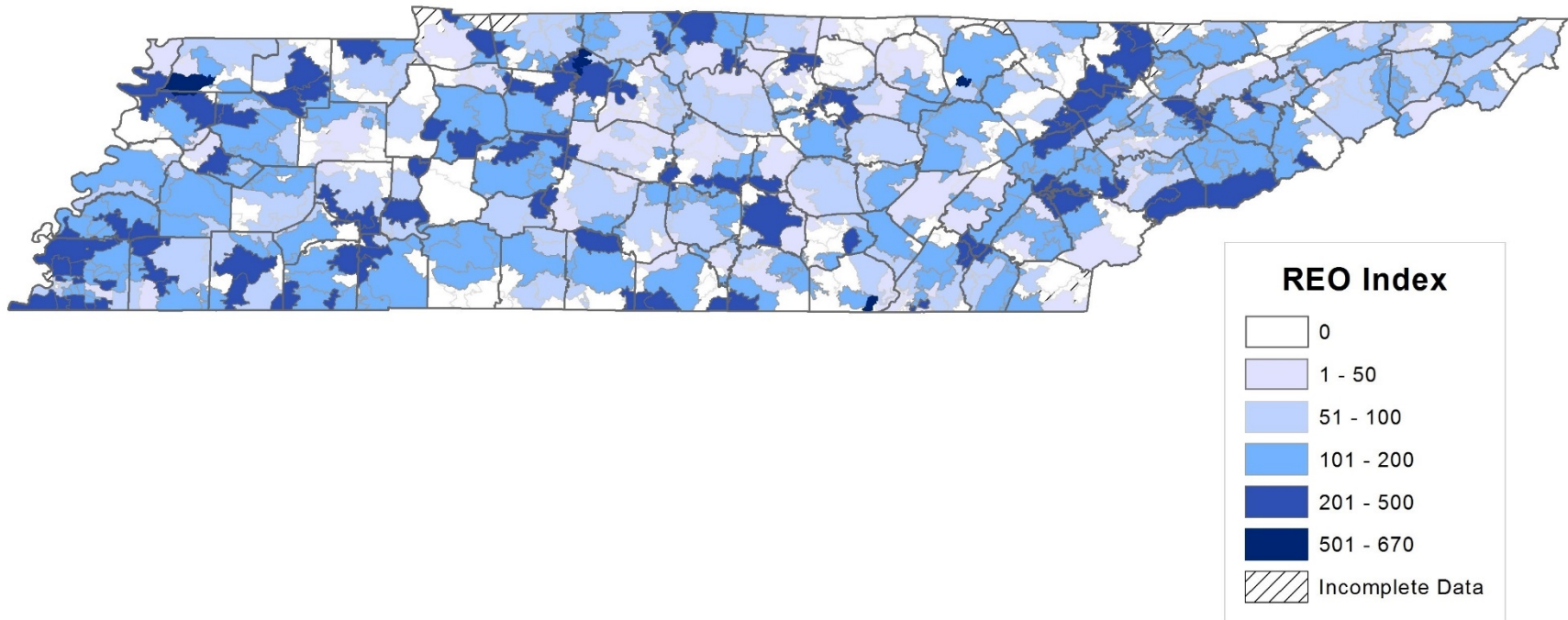


Map 8

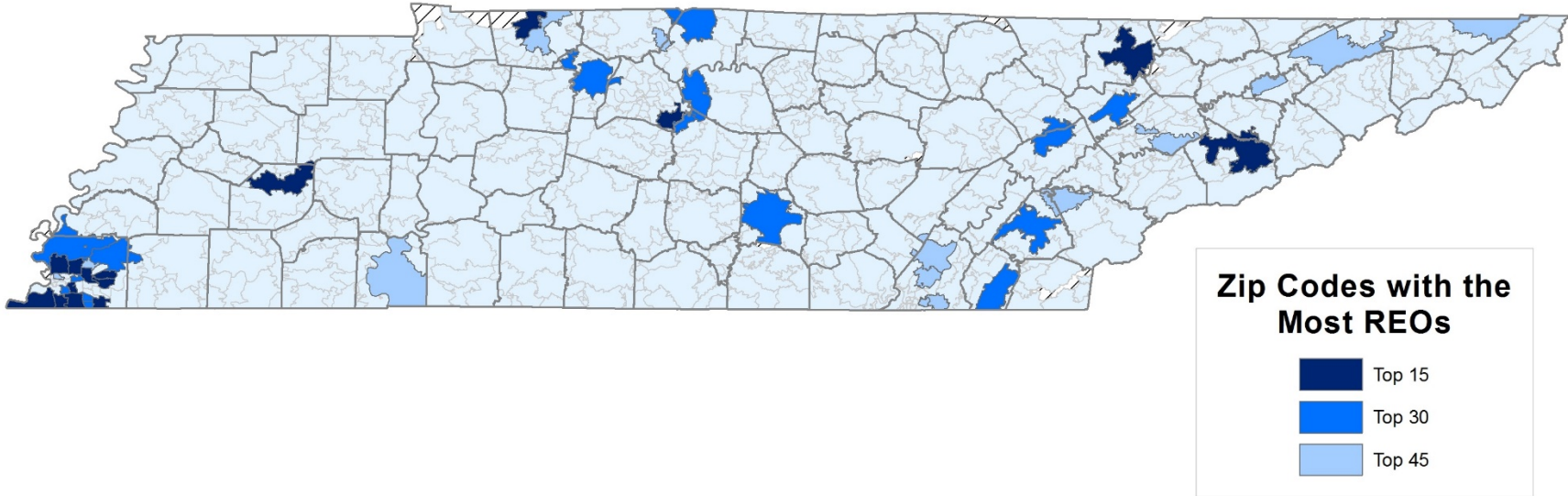
West Tennessee REO Index Values by Zip Code



Tennessee REO Index Values by Zip Code



The Top Tennessee Zip Codes for REO Volume



Top 5 Tennessee Counties for REO Volume

- Shelby**
- Knox**
- Davidson**
- Hamilton**
- Rutherford**

Top 5 Tennessee Zip Codes for REO Volume

- 38128** [Shelby; Memphis]
- 38127** [Shelby; Memphis]
- 38109** [Shelby; Memphis]
- 38118** [Shelby; Memphis]
- 38111** [Shelby; Memphis]

Foreclosure Rates

After a second quarter that saw precipitous declines, Tennessee saw an approximately six percent decline in foreclosures during the third quarter of 2015. However, when compared to the third quarter of 2014, Tennessee has seen a remarkable 42 percent reduction in foreclosure inventory, greatly outpacing the nationwide decline of 24.3 percent over the past year.¹¹ Much like delinquency, quarterly county-level declines were only seen in 51 of the state's 95 counties. This six percent overall decline is heavily weighted by Tennessee's larger and more foreclosure-prone counties—as these were the areas more likely to see declines. Smaller counties with relatively average shares of foreclosures saw small nominal fluctuations, with no decisively positive or negative pattern.

Shelby County saw its Index Value drop slightly after a small nominal decline in foreclosures. Although Shelby County looks to remain as the state's highest foreclosure rate for the foreseeable future, continued declines in foreclosures are certainly encouraging. As was the case in the previous quarter, the increases in countywide foreclosure totals were small in magnitude; no county saw its foreclosure total increase by more than seven. While foreclosure tended to behave similarly to delinquency in the third quarter, foreclosures occur at a much lower rate than delinquencies. In this way, they more closely resemble REOs, in that a small nominal change will often result in a larger percentage change. In the second quarter, there was one foreclosure for every 6.23 delinquencies across the state.

The 10 Counties with the Highest Foreclosure Index Values				
Rank	County	Foreclosure Rate Index Value*	Percent Change from Q2 2015 Index Value	Percent Change from Q3 2014 Index Value
1	Shelby	191	-1.5%	3.8%
2	Robertson	175	8.5%	15.5%
3	Montgomery	158	-8.3%	-0.6%
4	Fayette	153	8.6%	-3.5%
5	Hardeman	145	6.9%	57.9%
6	Tipton	144	9.7%	28.7%
7	Moore	133	113.1%	231.8%
8	McNairy	129	26.8%	43.9%
9	Bedford	120	-1.9%	3.4%
10	Dickson	116	-3.0%	39.7%

*State rate=100; Shelby County's value of 191 denotes a foreclosure rate 1.91 times that of the Tennessee overall rate.

When considering the volatility of the Foreclosure Index, only Shelby, Montgomery, Rutherford, and Hamilton Counties experienced significant decline during the third quarter. Because most counties saw changes of fewer than 10 foreclosures (up or down), it is premature to jump to conclusions about foreclosures in those counties. Moore County's enormous 113.1 percent increase is actually a reflection of its status as Tennessee's smallest county (by housing unit total; second smallest by population), and not a dramatic increase in foreclosures. Moore County finished the 3rd quarter of 2015 with fewer than 10 total foreclosures.

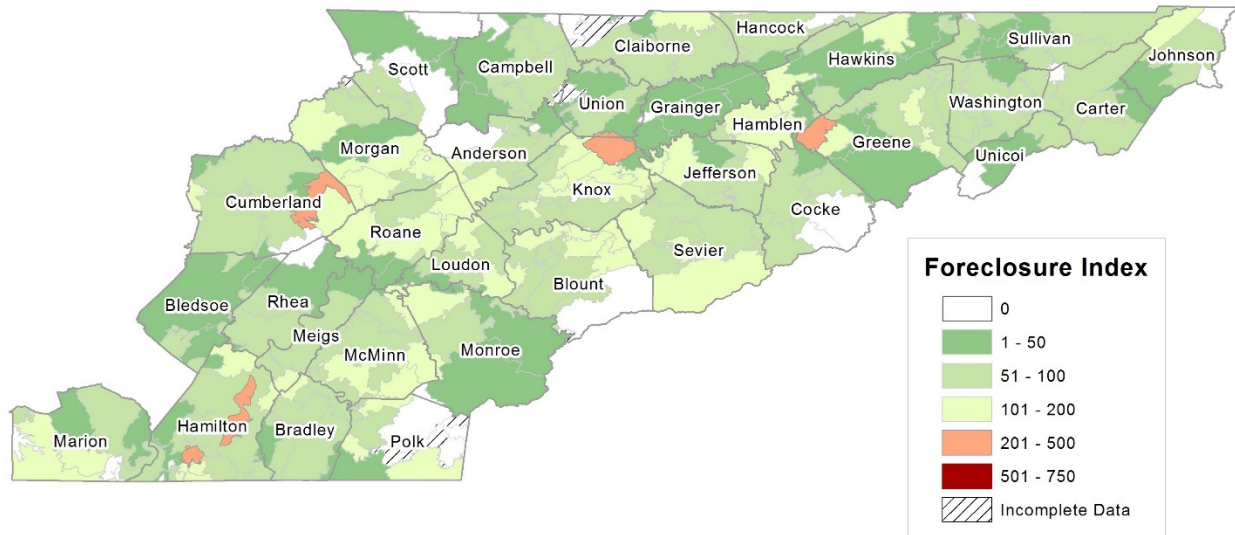
¹¹ <http://www.corelogic.com/research/foreclosure-report/national-foreclosure-report-september-2015.pdf>

Given how the Foreclosure Index is based on rates, it only takes an increase of a handful of foreclosures to literally double Moore County's foreclosure rate. Combine this with a state average trending in the opposite direction, and Moore County managed to go from 57th in the Foreclosure Index to 7th in just one quarter. Were Moore County's foreclosures to double again over the next two quarters, perhaps this would indicate a larger pattern of local banks foreclosing on delinquent homes. For now, it does not. In fact, Moore County may be following a pattern demonstrated by counties with sudden, dramatic percent changes from previous quarters. In the second quarter, Hickman County showed a 48 percent spike in its Foreclosure Index value. However, in the third quarter, Hickman showed a 39 percent drop in the Foreclosure Index, going from 7th to 46th, and falling well below the statewide rate.

By zip code, the number of loans in the foreclosure process in the first quarter ranged from 0 to 121. Whereas the 2nd quarter saw the majority of zip codes declining, most zip codes were static in the 3rd quarter, changing by no more than one foreclosure. These small changes still produced some dramatic shifts in Index value; much like smaller counties with few foreclosures, a small nominal increase in a zip code could put it well above the state average. Some of the zip codes with the highest Foreclosure Index values (as high as seven times the state average) 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 five of the top 15 zip codes for Foreclosure Index and 10 of the top 15 for total foreclosures. Not a single East Tennessee zip code was represented in the top 15 for Foreclosure Index or volume. To highlight the sheer volume of foreclosure in some zip codes, Map 15 is included at the end of this report, following Index maps 11-14.

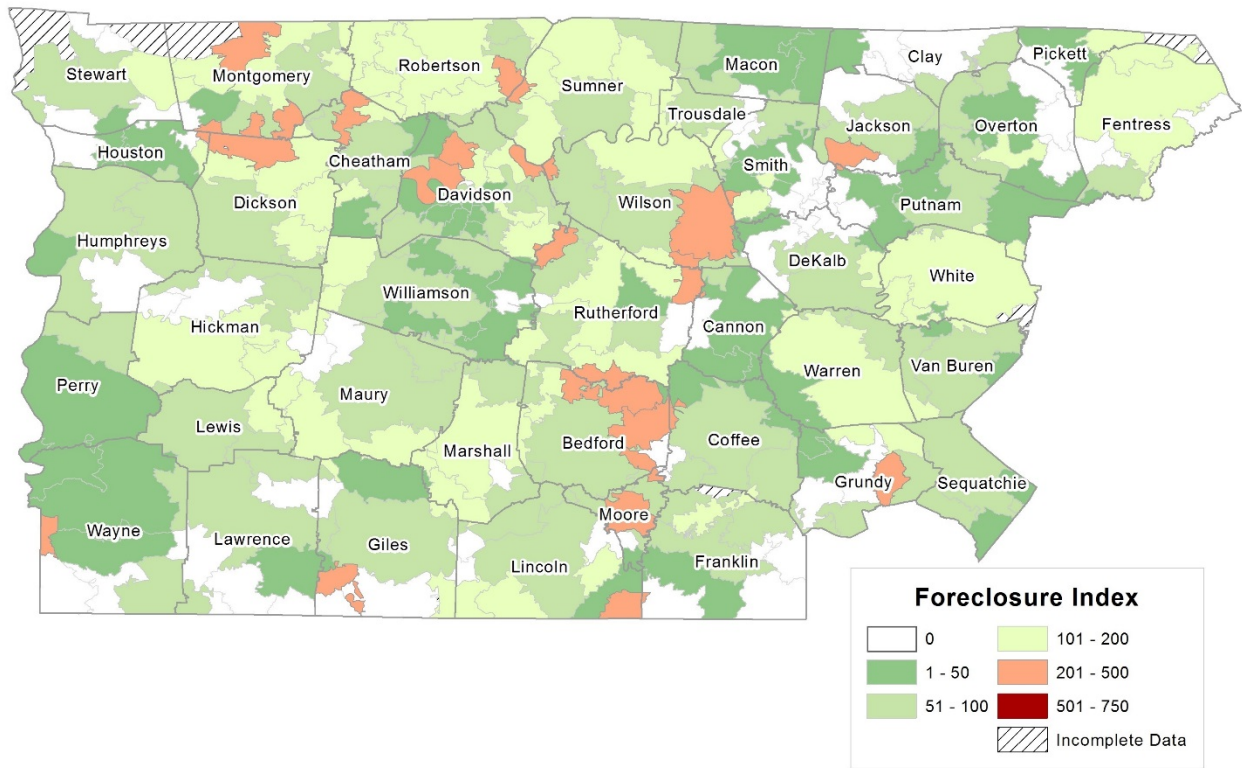
Map 11

East Tennessee Foreclosure Index Values by Zip Code



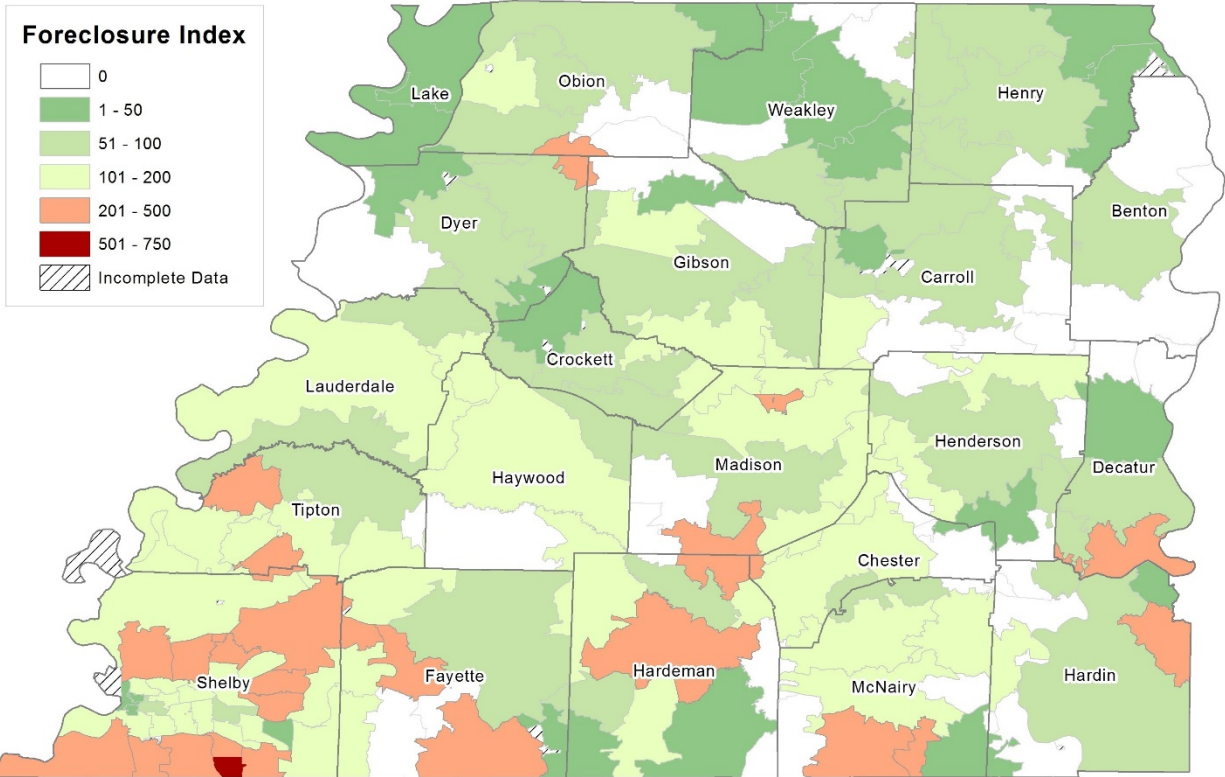
Map 12

Middle Tennessee Foreclosure Index Values by Zip Code

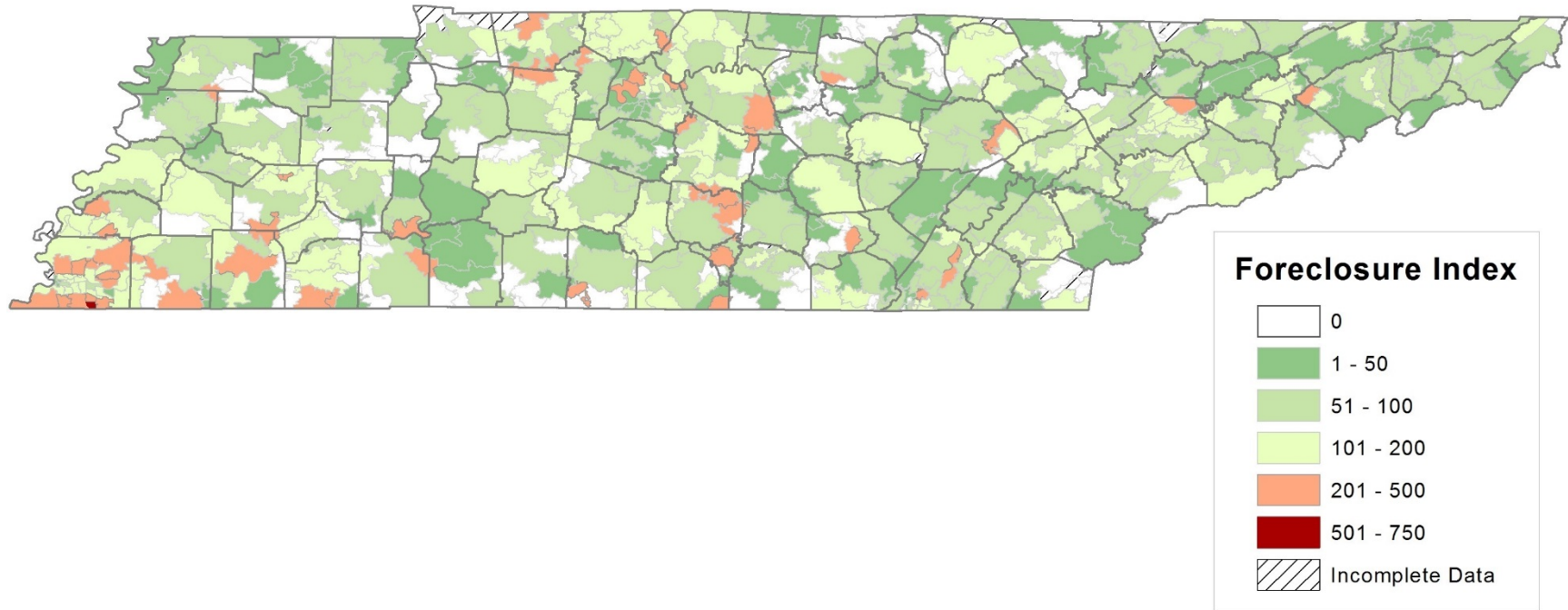


Map 13

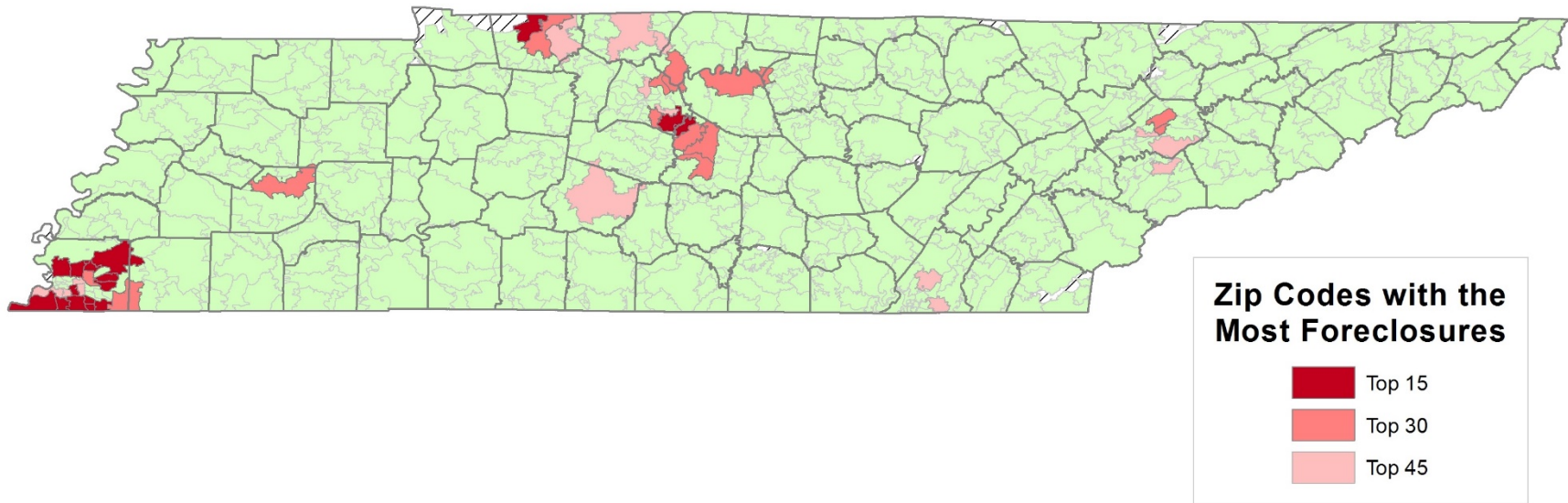
West Tennessee Foreclosure Index Values by Zip Code



Tennessee Foreclosure Index Values by Zip Code



The Top Tennessee Zip Codes in Volume of Foreclosure



Top 5 Tennessee Counties for Foreclosure Volume

- Shelby**
- Davidson**
- Knox**
- Hamilton**
- Montgomery**

Top 5 Tennessee Zip Codes for Foreclosure Volume

- 37042** [Montgomery; Clarksville]
- 38125** [Shelby; Memphis]
- 38141** [Shelby; Memphis]
- 38016** [Shelby; Cordova]
- 38128** [Shelby; Memphis]

Appendix: Tennessee's 95 Counties, Complete Index

County Name	Statewide Ranking (1 through 95)			Index Values		
	Delinquency	REO	Foreclosure	Delinquency	REO	Foreclosure
Anderson	42	28	41	81	123	81
Bedford	17	55	9	105	89	120
Benton	63	79	79	58	55	47
Bledsoe	80	88	92	40	32	22
Blount	38	49	29	84	92	95
Bradley	20	40	56	101	106	66
Campbell	41	1	74	81	242	50
Cannon	66	63	83	53	76	39
Carroll	35	51	47	86	89	73
Carter	82	75	77	39	62	48
Cheatham	6	4	17	131	202	107
Chester	33	37	34	88	109	88
Claiborne	56	41	33	63	102	90
Clay	95	95	95	8	0	0
Cocke	54	32	58	64	115	64
Coffee	44	18	54	78	137	68
Crockett	49	30	78	69	122	47
Cumberland	74	45	68	48	97	56
Davidson	34	81	35	86	49	87
Decatur	73	21	53	48	136	69
DeKalb	62	44	57	59	98	64
Dickson	21	26	10	101	125	116
Dyer	30	34	43	90	113	77
Fayette	4	11	4	162	168	153
Fentress	60	7	15	59	180	108
Franklin	61	57	63	59	84	57
Gibson	11	13	26	114	157	97
Giles	23	27	39	97	124	84
Grainger	71	78	85	50	55	36
Greene	47	48	36	72	92	85
Grundy	65	66	73	55	73	50
Hamblen	37	24	19	84	127	106
Hamilton	15	53	37	107	89	85
Hancock	86	93	51	35	0	70
Hardeman	3	8	5	173	173	145
Hardin	58	16	64	61	153	57
Hawkins	78	54	76	44	89	48
Haywood	7	25	42	131	126	78

County Name	Statewide Ranking (1 through 95)			Index Values		
	Delinquency	REO	Foreclosure	Delinquency	REO	Foreclosure
Henderson	26	59	38	94	82	84
Henry	75	65	70	47	73	54
Hickman	19	3	44	101	209	76
Houston	81	85	82	39	36	41
Humphreys	43	5	52	80	199	69
Jackson	84	92	75	37	9	48
Jefferson	52	35	50	65	113	70
Johnson	90	83	71	33	41	53
Knox	45	58	28	77	83	96
Lake	55	23	80	64	129	42
Lauderdale	9	56	21	123	84	105
Lawrence	50	46	66	68	97	56
Lewis	69	68	45	51	70	74
Lincoln	40	33	23	81	114	99
Loudon	24	6	18	96	185	107
Macon	87	84	93	34	37	18
Madison	8	31	16	130	116	108
Marion	22	71	11	99	67	115
Marshall	18	60	14	102	80	111
Mauzy	16	77	24	105	56	99
McMinn	12	19	32	113	137	92
McNairy	13	10	8	109	168	129
Meigs	27	14	20	93	157	106
Monroe	46	22	40	72	129	84
Montgomery	10	67	3	122	73	158
Moore	89	91	7	33	17	133
Morgan	79	82	48	41	48	71
Obion	51	39	62	66	106	58
Overton	91	87	88	31	33	29
Perry	93	94	84	20	0	36
Pickett	94	72	90	18	65	28
Polk	48	86	49	71	34	71
Putnam	68	47	69	53	94	55
Rhea	32	80	55	89	52	68
Roane	28	2	13	90	214	112
Robertson	5	17	2	146	140	175
Rutherford	14	69	22	109	69	103
Scott	88	74	87	34	64	33

County Name	Statewide Ranking (1 through 95)			Index Values		
	Delinquency	REO	Foreclosure	Delinquency	REO	Foreclosure
Sequatchie	64	38	46	57	108	73
Sevier	31	15	25	89	154	98
Shelby	1	12	1	199	162	191
Smith	77	62	91	47	77	27
Stewart	57	36	59	62	110	62
Sullivan	67	70	67	53	68	56
Sumner	25	52	31	96	89	93
Tipton	2	9	6	180	170	144
Trousdale	72	90	61	48	26	59
Unicoi	83	61	81	39	78	41
Union	53	43	86	65	100	35
Van Buren	85	20	65	36	137	56
Warren	36	64	27	84	76	97
Washington	70	73	60	50	65	60
Wayne	92	42	94	27	101	11
Weakley	59	29	89	59	122	28
White	29	50	12	90	91	113
Williamson	76	89	72	47	29	52
Wilson	39	76	30	82	58	93