

# **Foreclosure Trends**

**Q1 2016**

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## Key Findings:

- Tennessee's foreclosure rate ranked 40<sup>th</sup> in the nation as of March 2016 at 0.5 percent.<sup>1</sup> This continues to be the lowest foreclosure rate in the Southeastern United States.
- Tennessee saw notable declines in delinquencies, REO properties, and foreclosures during the first quarter of 2016. As the state has seen declines in all three categories continuously overall the last several years, which kept pace in 2015, it remains to be seen when the downward trend will come to a halt.
- A handful of counties on the periphery of the Memphis metropolitan area, most notably Hardeman, Haywood, Lauderdale, and Henderson have the highest overall rates of delinquency, REOs, and foreclosures, but none of these counties are experiencing a significant increase in any of the three categories. Generally, delinquencies, REOs, and foreclosures are also declining in these counties, but these declines are minimal and outpaced by the overall declines in the rest of the state.

The past several years of Tennessee's housing market data have fit well into the broader narrative of recovery from the Great Recession. Since their peak levels in 2011-12, Tennessee's delinquency, REO, and foreclosure totals have steadily diminished. Improvements continued in the first quarter of 2016; foreclosures declined by nearly ten percent from the fourth quarter of 2015, while delinquencies declined by nearly five percent, and REOs by over 16 percent.

Of the state's four largest metros, Memphis has the highest Index Values,<sup>2</sup> with Nashville, Knoxville, and Chattanooga generally below the statewide average in all three categories.

Tennessee's Big Four Counties, Compared (listed by Population)			
County	Delinquency Index	REO Index	Foreclosure Index
Shelby	172	156	164
Davidson	72	34	70
Knox	70	76	76
Hamilton	103	76	87

However, within Tennessee, the highest rates of delinquencies, REOs, and foreclosures are generally found within smaller counties, often in West Tennessee.

Tennessee Counties with High Index Values in all Three Categories (Irrespective of Population)			
County	Delinquency Index	REO Index	Foreclosure Index
Hardeman	274	200	221
Lauderdale	238	340	127

<sup>1</sup> [http://www.corelogic.com/research/the-market-pulse/marketpulse\\_2016-may.pdf](http://www.corelogic.com/research/the-market-pulse/marketpulse_2016-may.pdf)

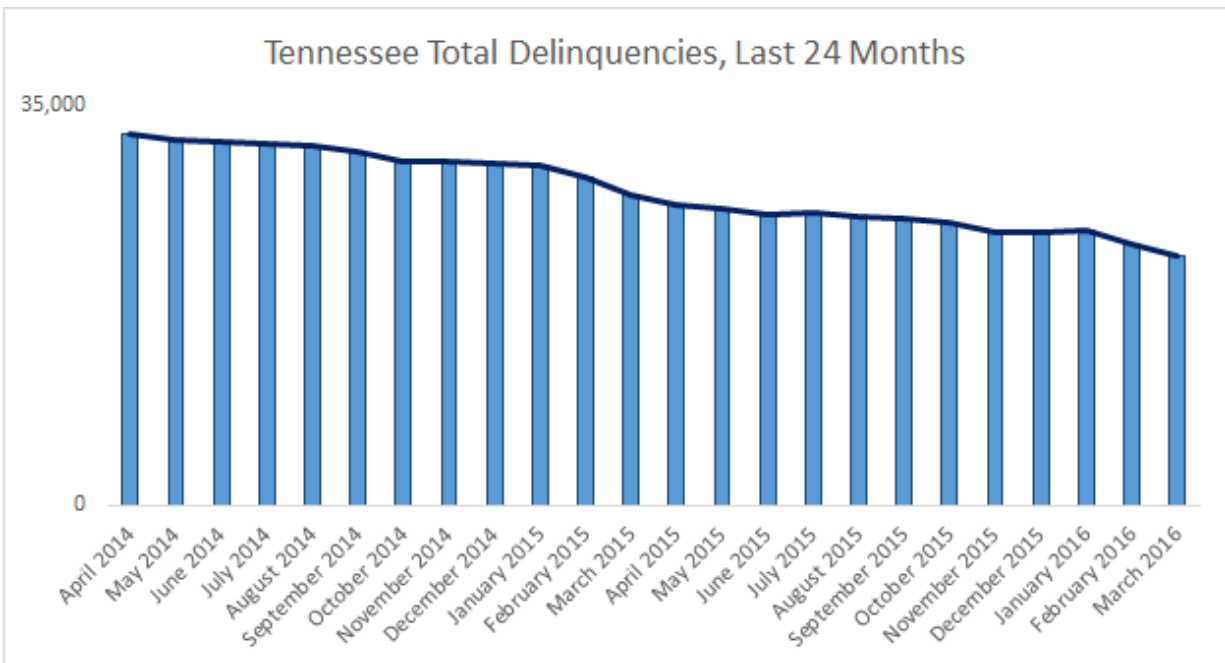
<sup>2</sup> By indexing county-level delinquency, REO, and foreclosure rates relative to the state average, we can show which areas of the state stand out. Shelby County's Delinquency Index Value of 172, for example, signifies a delinquency rate 1.72 times the Tennessee overall delinquency rate.

<b>Haywood</b>	252	260	169
<b>Henderson</b>	166	174	216

For each of the “foreclosure trend” variables, there are five maps: four mapping index values by county (showing East, Middle, West, and the State of Tennessee) and a fifth map showing volume, by zip code, irrespective of rates. Because high index values may not necessarily reflect a noteworthy pattern (the highest zip code by Foreclosure Index Value, for example, held only three foreclosures, but was inflated by its extremely low number of active mortgages) the fifth map is provided to show “hot spots” by volume, whether it be delinquencies, REOs, or foreclosures.

### **DELINQUENCY**

In the first quarter of 2016, loan delinquencies in Tennessee declined by roughly five percent compared to the fourth quarter of 2015, and by roughly 20 percent compared to the first quarter of 2015. While total delinquencies actually increased slightly in the month of January, February and March saw drops.<sup>3</sup> In total, Tennessee has now experienced twelve consecutive quarters of declines in loan delinquency.



This decline in delinquencies was consistent across larger and smaller, urban and rural counties; 78 of Tennessee’s 95 counties saw their delinquency totals decrease, compared to just 14 counties that experienced an increase in delinquency (three counties saw no change).

<sup>3</sup> Due to the reporting cycle of county governments across the state, it is likely that the delinquency total is slightly understated for the month of March 2016. In the coming months, adjustments may include additional delinquencies unreported in the initial data release. Based on prior month adjustments, it is not likely that revisions will be of a magnitude that would change the conclusions reached above.

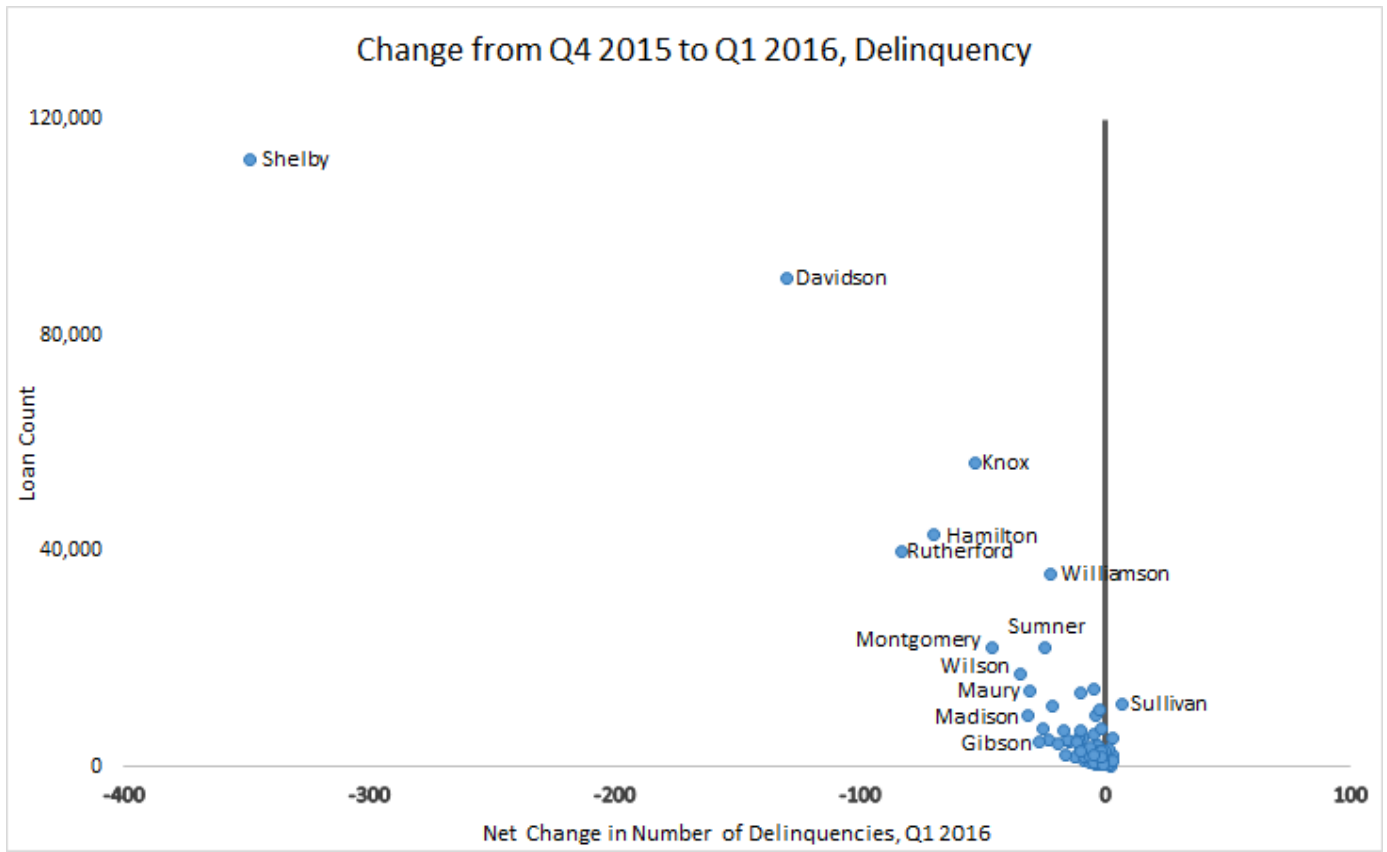
<b>The 10 Counties with the Highest Delinquency Index Values</b>					
	County	Delinquency Index Value	Percent Change from Q4 2015 Index Value	Percent Change from Q1 2015 Index Value	Grand Division
<b>1</b>	Hardeman	274	5.3%	14.8%	West
<b>2</b>	Haywood	252	5.5%	29.9%	West
<b>3</b>	Lauderdale	238	1.9%	12.4%	West
<b>4</b>	Hancock	192	33.3%	38.8%	East
<b>5</b>	Lake	184	26.6%	33.6%	West
<b>6</b>	Shelby	172	1.6%	1.7%	West
<b>7</b>	McNairy	168	1.2%	14.9%	West
<b>8</b>	Henderson	166	2.5%	24.4%	West
<b>9</b>	Tipton	157	4.2%	14.6%	West
<b>10</b>	Rhea	147	6.4%	13.4%	East

\*State delinquency rate=100. Hardeman County's delinquency rate equals 2.74 times the Tennessee rate.

\*\*A positive value in "percent change" columns reflects an increase in the Index Value, not necessarily an increase in a county's delinquency rate. A county could see its delinquency rate fall, but if the state average falls faster, the county will show positive values in these columns.

Of the ten counties at the top of the Delinquency Index, eight (excluding Hancock and Lake) actually saw their delinquency totals decrease in the first quarter. Yet the rest of Tennessee simply saw their delinquency totals decrease more dramatically, resulting in the above counties' positive values in the "Percent Change" columns.

Outside of the top ten, there are several Tennessee counties that have seen notable year-over-year improvements. While Trousdale County is one of the state's smallest, and subject to larger percentage changes as a result, it nonetheless saw its delinquency rate cut in half over the past 12 months. Hardin County also had its delinquency rate reduced by a third, while Coffee, Campbell, and Williamson Counties all had their delinquency rates shrink by more than 25 percent in the same 12-month period.

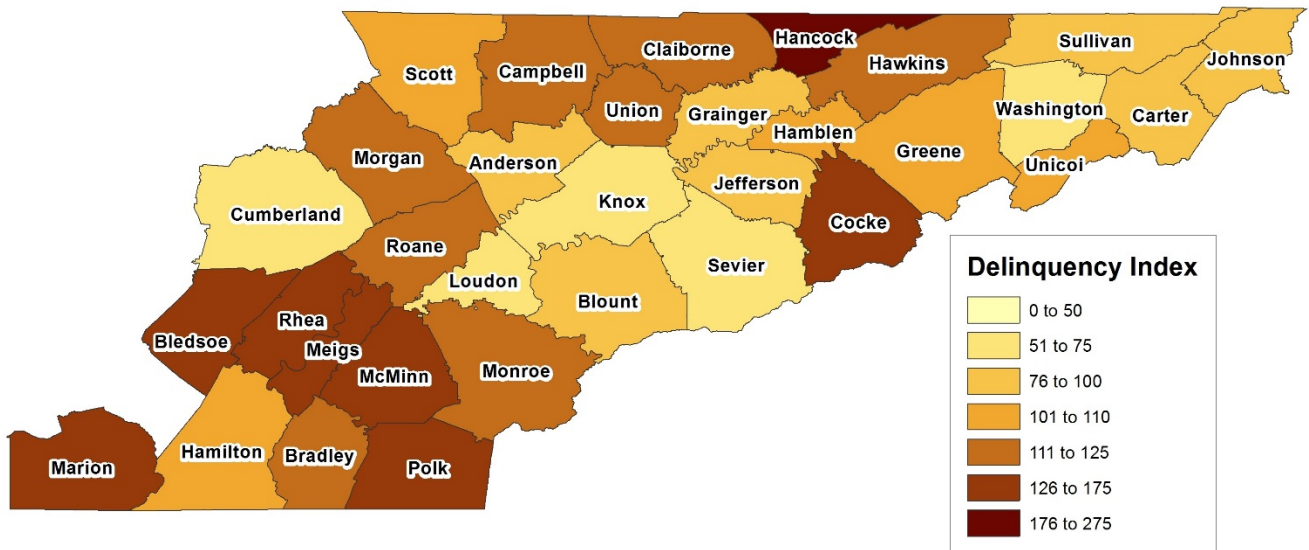


As stated previously, most counties also saw net decreases from the fourth quarter of 2015. While the above graphic shows Shelby County seeing an impressive drop in delinquency, its Index Value rose slightly because the state's delinquency drop just barely outpaced that of Shelby County. Gibson and Dickson County, in particular, experienced strong decreases relative to their size.

While Maps 1-4 display county-level delinquency outcomes, the top zip codes are listed, and then mapped in Map 5. Map 5 focuses on the delinquency hot spots, showing high totals of delinquencies, rather than the Index Values in Maps 1-4.

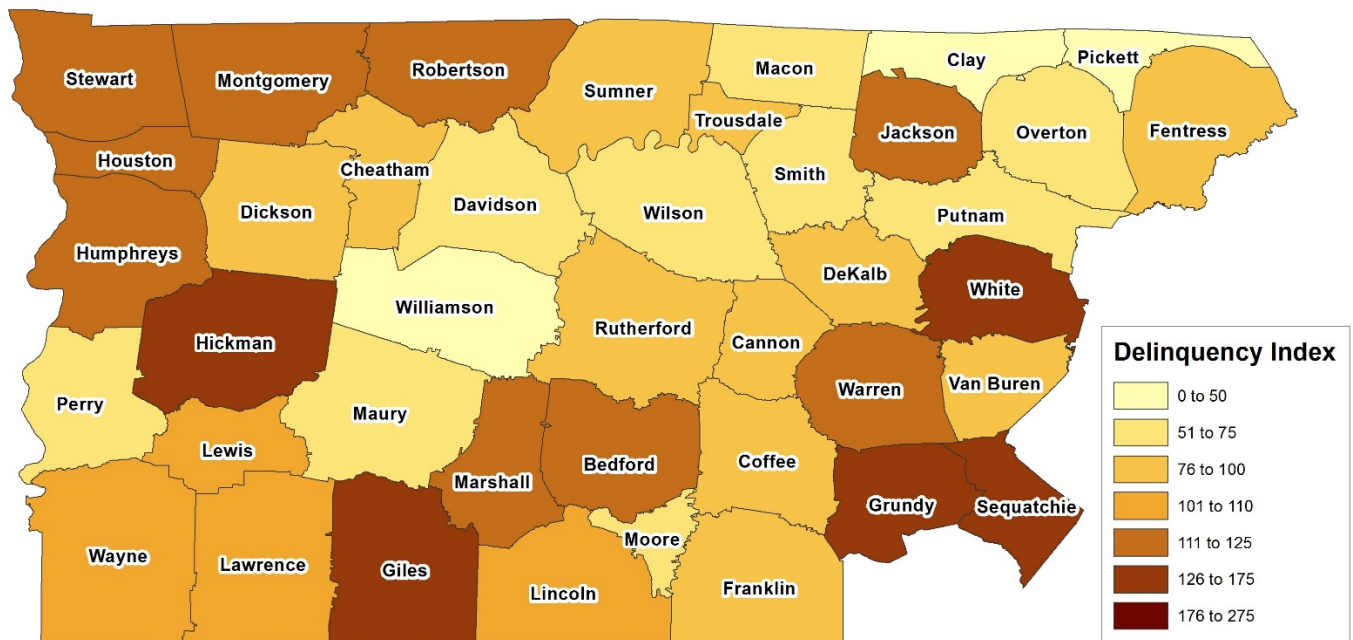
Map 1

### East Tennessee Delinquency Index Values by County



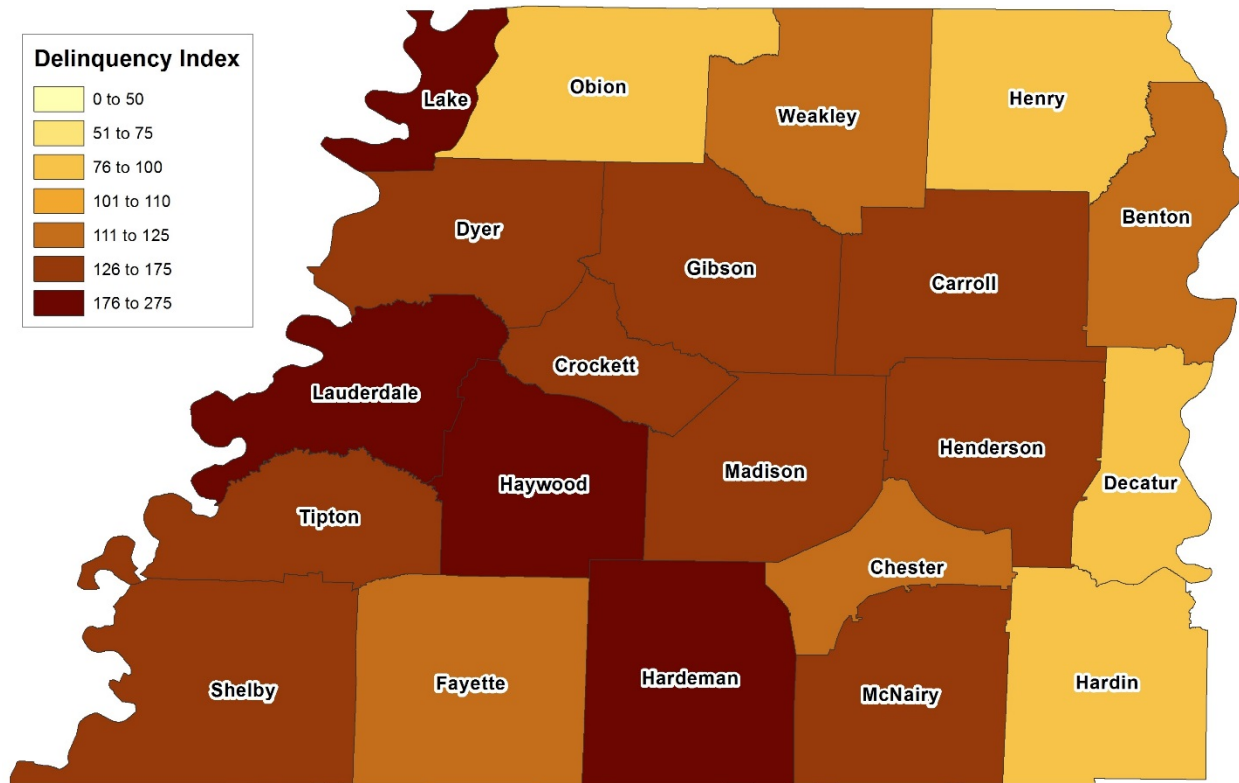
Map 2

### Middle Tennessee Delinquency Index Values by County



### Map 3

#### West Tennessee Delinquency Index Values by County



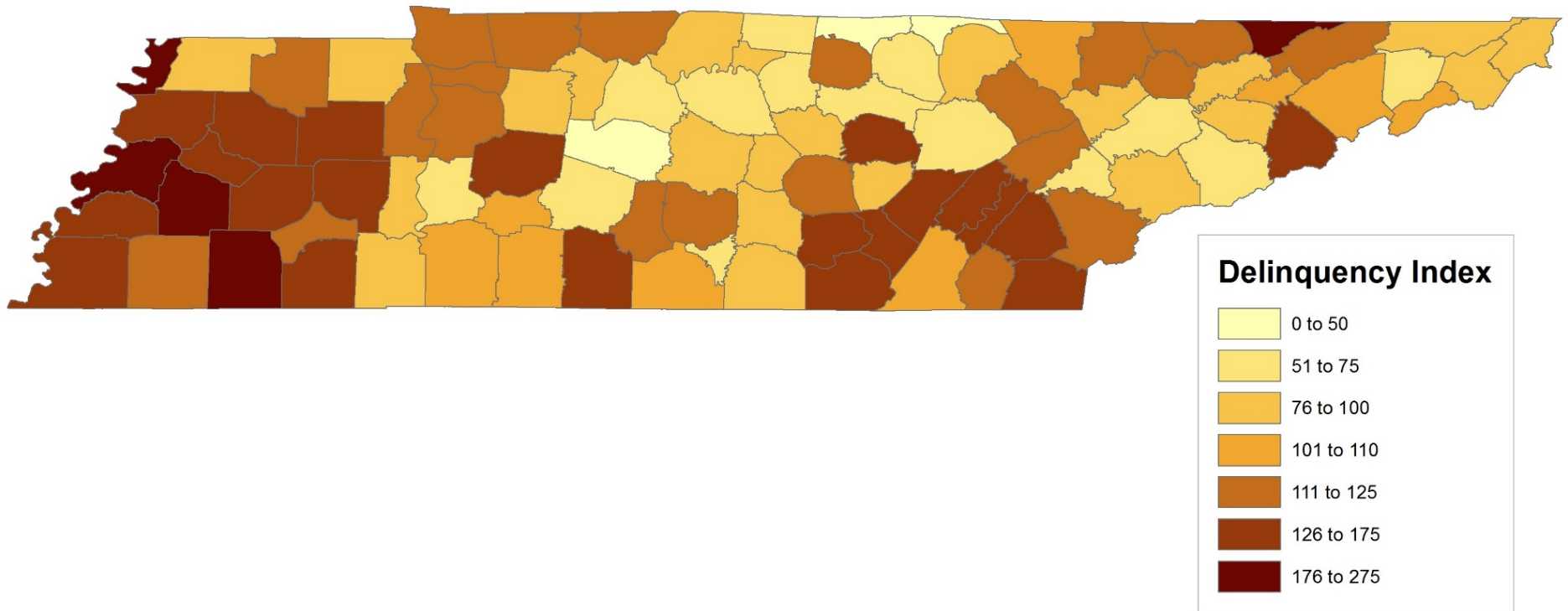
#### Top 5 Tennessee Zip Codes for Delinquency Index\*

<b>38039</b>	[Hardeman/Fayette; Grand Junction]	Index Value=483
<b>38105</b>	[Shelby; Memphis]	Index Value=410
<b>38106</b>	[Shelby; Memphis]	Index Value=397
<b>37407</b>	[Hamilton; Chattanooga]	Index Value=384
<b>38118</b>	[Shelby; Memphis]	Index Value=361

*\*Excluding Zip Codes with fewer than 100 loans\**

Map 4

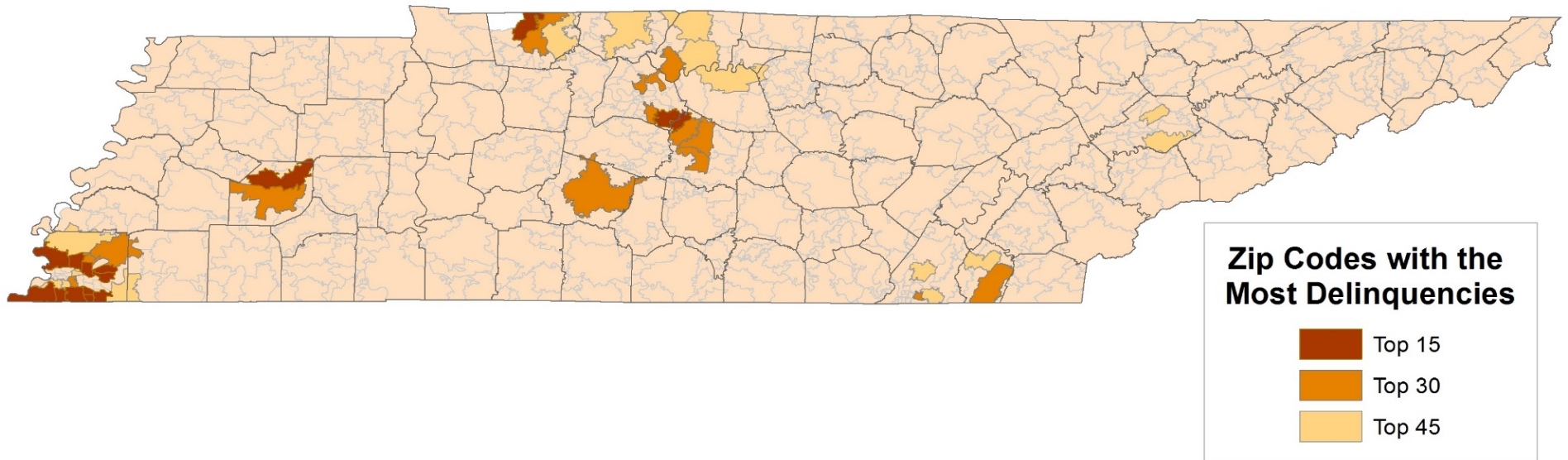
## Tennessee Delinquency Index Values by County





Map 5

## The Top Tennessee Zip Codes for Delinquencies



### Top 5 Tennessee Counties for Delinquency Volume

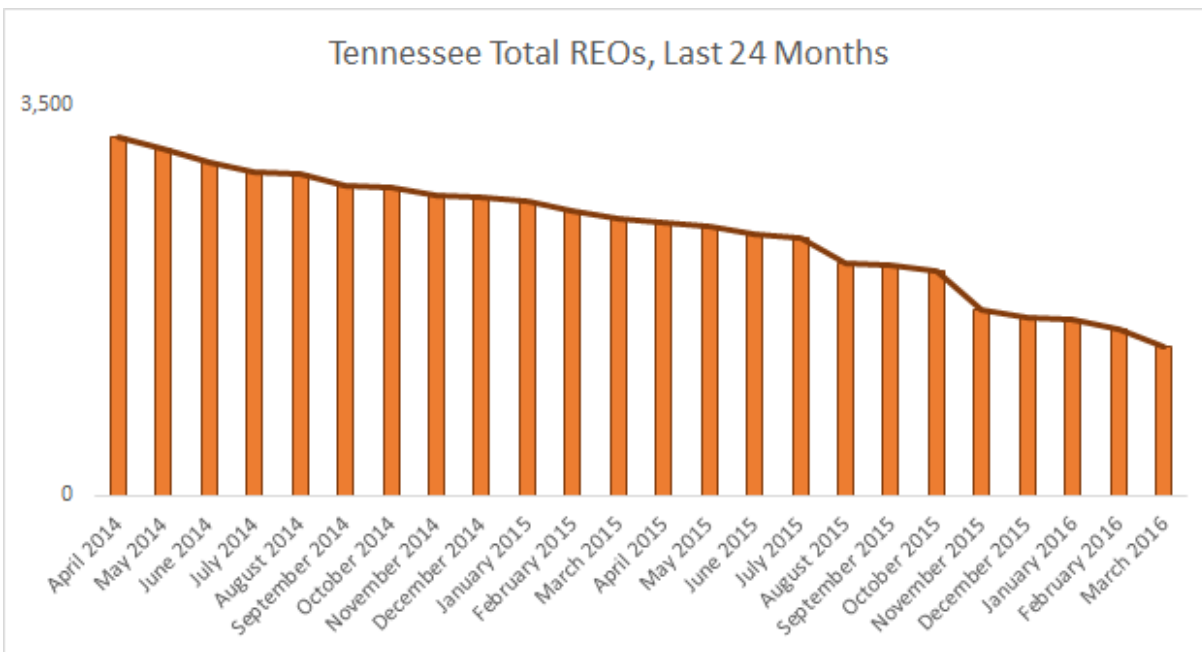
**Shelby**  
**Davidson**  
**Hamilton**  
**Knox**  
**Rutherford**

### Top 5 Tennessee Zip Codes for Delinquency Volume

**38125** [Shelby; Memphis]  
**37042** [Montgomery; Clarksville]  
**38128** [Shelby; Memphis]  
**37013** [Davidson; Nashville]  
**38127** [Shelby; Memphis]

## **REAL ESTATE OWNED (REO) INVENTORY**

In the first quarter of 2016, Real Estate Owned (REO) properties in Tennessee declined by roughly 17 percent from the previous quarter, which amounted to a 43 percent decline from the previous year.



Two thirds of Tennessee counties saw their REO totals fall in the first quarter (64 of 95). Much like delinquency, the magnitude of countywide REO declines was much greater than the REO increases experienced elsewhere in the state; Shelby County saw its REO total decrease by 54, while three REOs were the most gained by any one county during the first quarter.

<b>The 10 Counties with Tennessee's Highest REO Index Values</b>					
	County	REO Index Value	Percent Change from Q4 2015 Index Value	Percent Change from Q1 2015 Index Value	Grand Division
1	Wayne	400	57.1%	57.9%	Middle
2	Meigs	389	31.1%	123.0%	East
3	Bledsoe	368	100.7%	20.8%	East
4	Sequatchie	345	-5.4%	109.6%	Middle
5	Lauderdale	340	44.1%	64.3%	West
6	Johnson	324	139.9%	53.7%	East
7	McNairy	323	-4.5%	98.2%	West
8	Hickman	310	6.7%	-5.7%	Middle
9	Houston	297	118.6%	413.6%	Middle
10	Hawkins	273	6.6%	32.3%	East

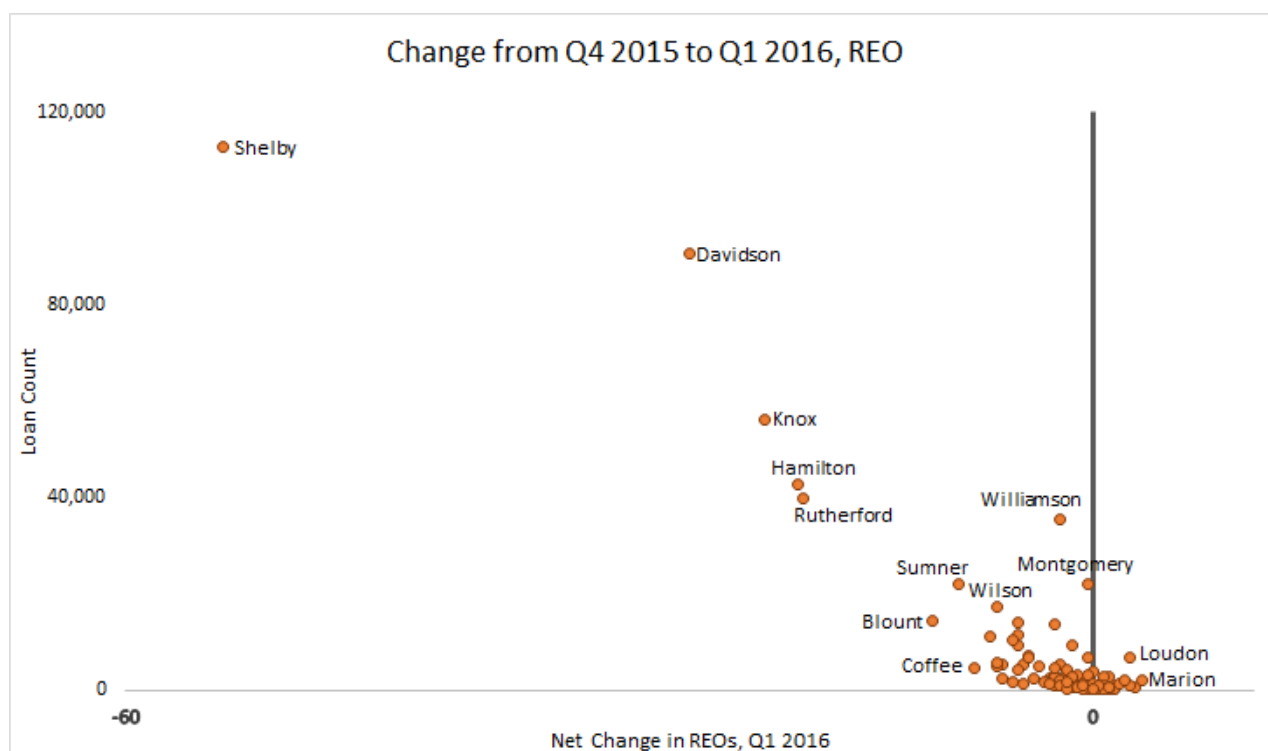
\*State REO rate=100; Wayne County's value of 400 denotes an REO rate 4 times that of the Tennessee overall rate.

\*\*A positive value in "percent change" columns reflects an increase in the Index Value, not necessarily an increase in a county's REO rate. A county could see its REO rate fall, but if the state average falls faster, the county will show positive values in these columns.

Unlike delinquency, the distribution of the REO Index is far less clustered around the state average of 100; with a maximum value reaching four times the state average. Furthermore, the highest value counties are primarily smaller, rural counties; Shelby County, for example, is ranked 35<sup>th</sup> overall in REO rate, which, given the county's ranking in related measures, may seem surprisingly low.

The REO Index is prone to dispersion and extremes for two reasons: one, the relative infrequency of REOs in Tennessee, and two, the lack of home price appreciation in smaller, rural counties, that makes REO incidence so much higher there. In the first quarter of 2016, a delinquent loan was almost 16 times more frequent than an REO in Tennessee. This infrequency inevitably leads to huge swings in REO Index Values. Because REOs make up less than three tenths of a percent of Tennessee's active home loans, a countywide increase from four to six REOs, for example, very well could vault it into the upper end of the REO Index. In fact, there were four counties that averaged exactly zero REOs for the first quarter of 2016.

This statistical reality of REOs is compounded further by the fact that many of Tennessee's urban areas are enjoying healthy demand and growth in home values; in larger counties, it is likely that lenders have greater success auctioning off foreclosed homes, where a high amount owed is more likely to be exceeded by the value of the property itself. In smaller counties still recovering from the foreclosure crisis with home values still low, more of these homes may fail to sell at auction.



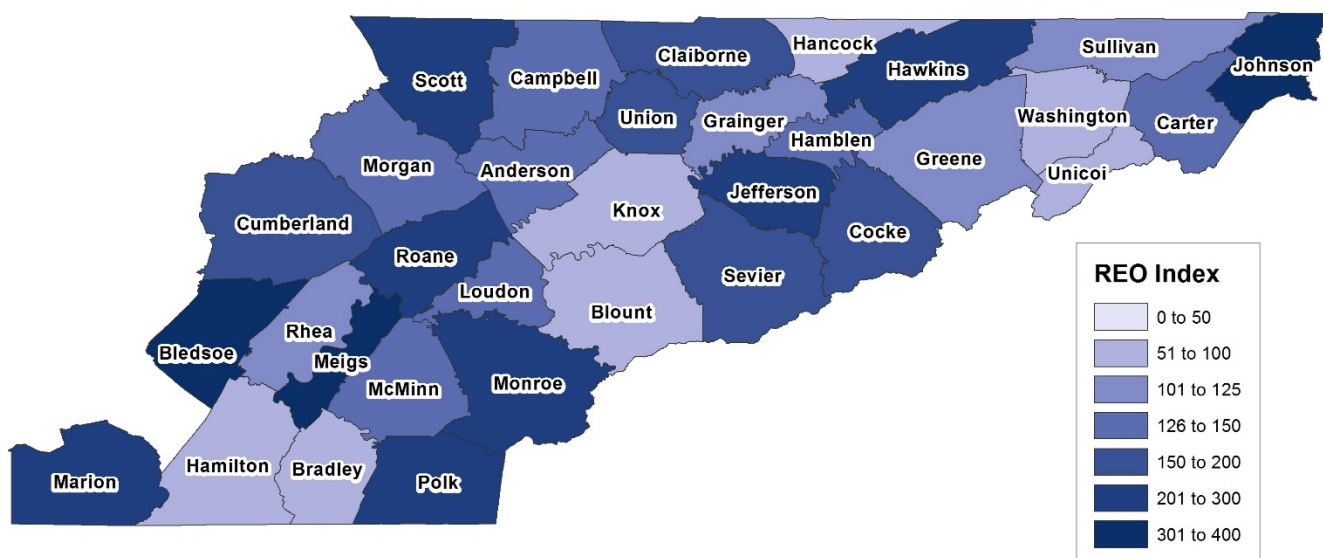
Perhaps the biggest takeaway from the above chart is the substantial declines in a handful of the state's smaller counties. In particular, Blount, Coffee, and Campbell Counties all experienced a remarkable

quarter-over-quarter drop in REOs given their overall size. Campbell County, in fact, has had its REO rate fall by more than 77 percent in the past 12 months, going from 374 to 142 in the REO Index.<sup>4</sup>

The top REO Index zip codes are far more scattered across the state's smaller counties than the top zip codes in the Delinquency Index, which were by and large in Shelby County. Instead, the upper end of the zip code Index more closely mirrors the upper end of the county level Index. Maps 6-9 show county-level REO Index values by grand division, and Map 10 is included to show the 45 Tennessee zip codes with the highest REO totals, which were generally found in Tennessee's most populous zip codes in metro areas.

Map 6

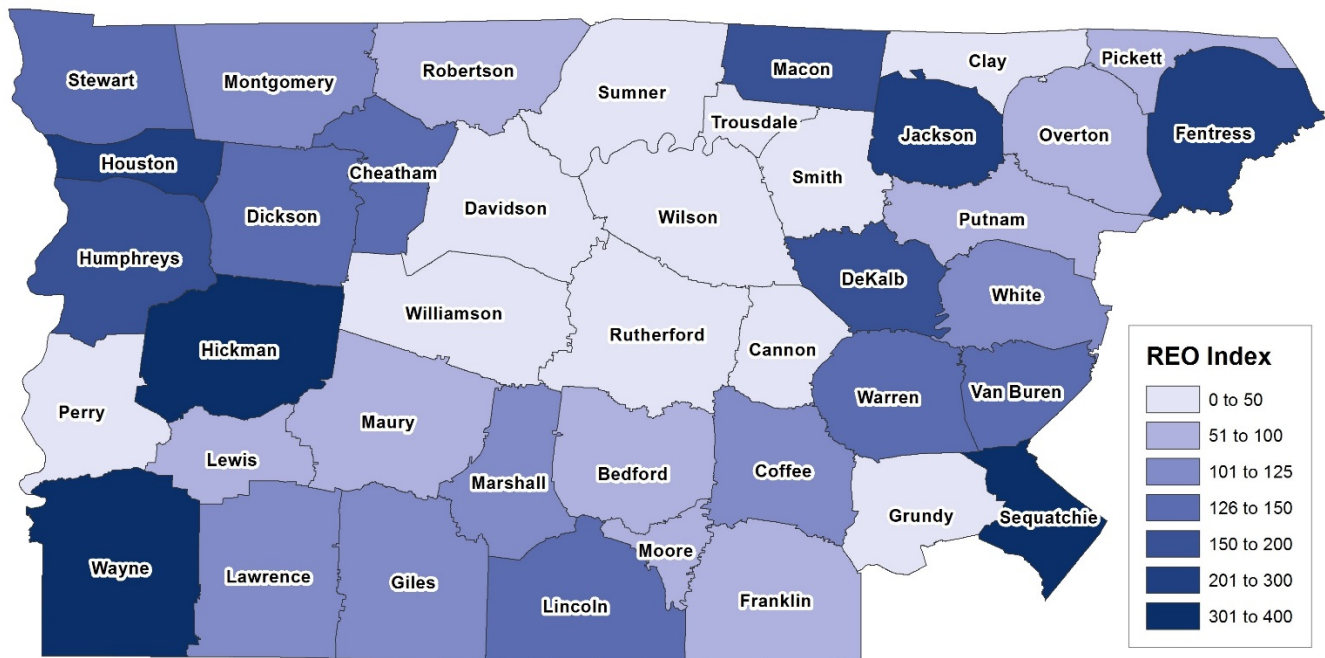
### East Tennessee REO Index Values by County



<sup>4</sup> The REO rate fell by 77 percent, but because the Index is in relation to the Tennessee REO rate, Campbell County's REO Index Value did not fall by 77 percent.

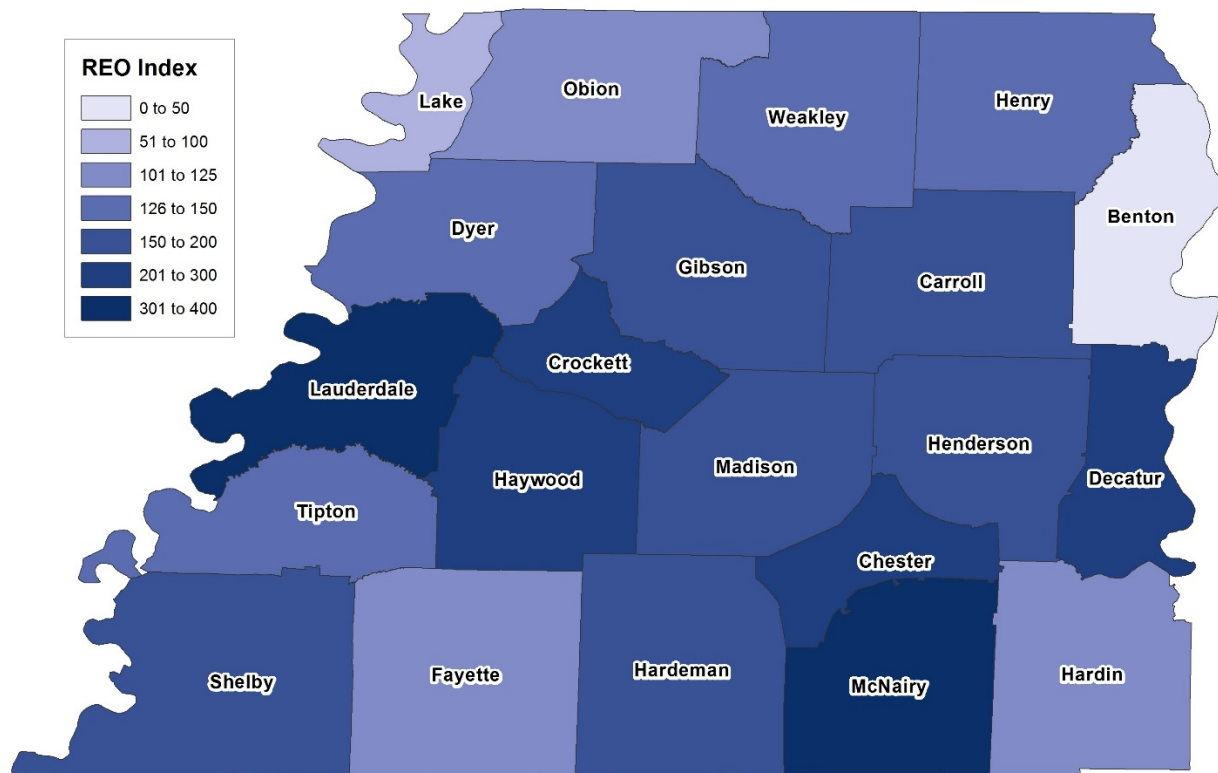
Map 7

### Middle Tennessee REO Index Values by County



## Map 8

### West Tennessee REO Index Values by County



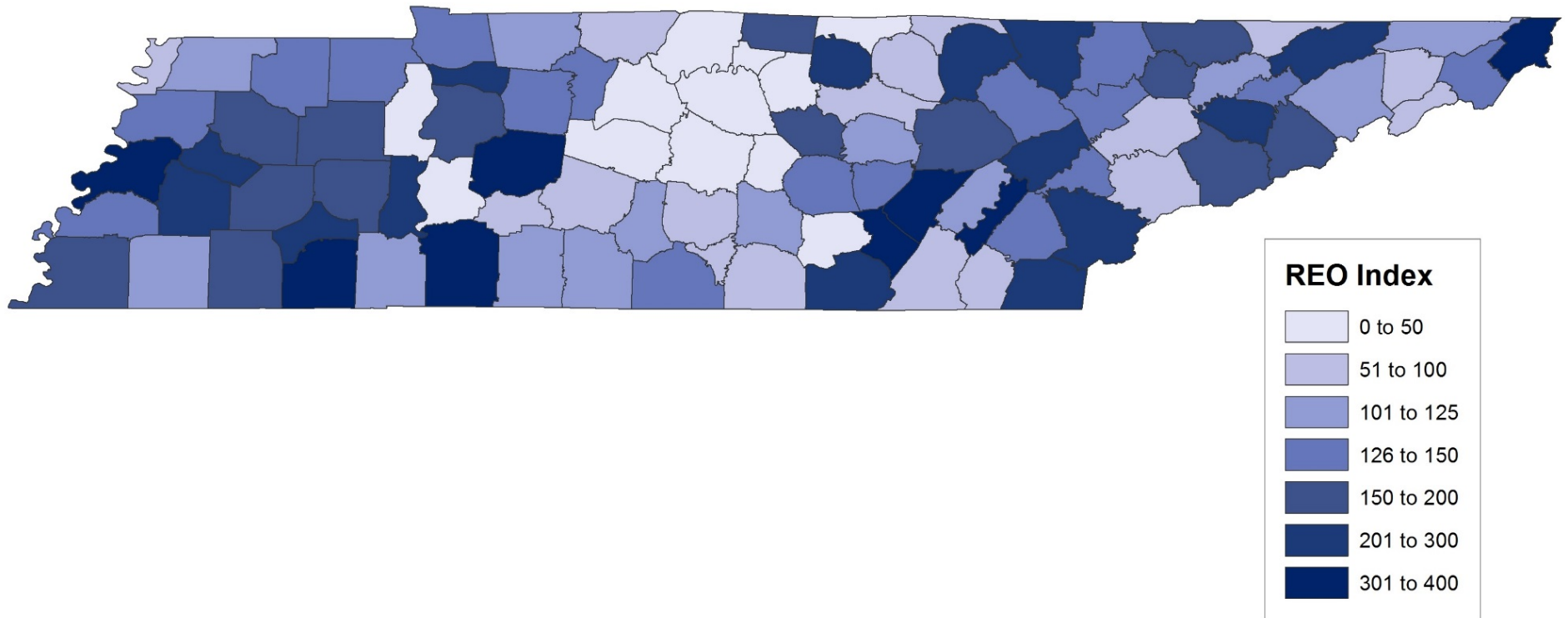
### Top 5 Tennessee Zip Codes for REO Index\*

<b>38041</b>	[Lauderdale; Henning]	Index Value=955
<b>38067</b>	[Hardeman; Saulsberry]	Index Value=947
<b>37328</b>	[Lincoln; Elora]	Index Value=921
<b>38425</b>	[Wayne; Clifton]	Index Value=803
<b>38450</b>	[Wayne; Collinwood]	Index Value=782

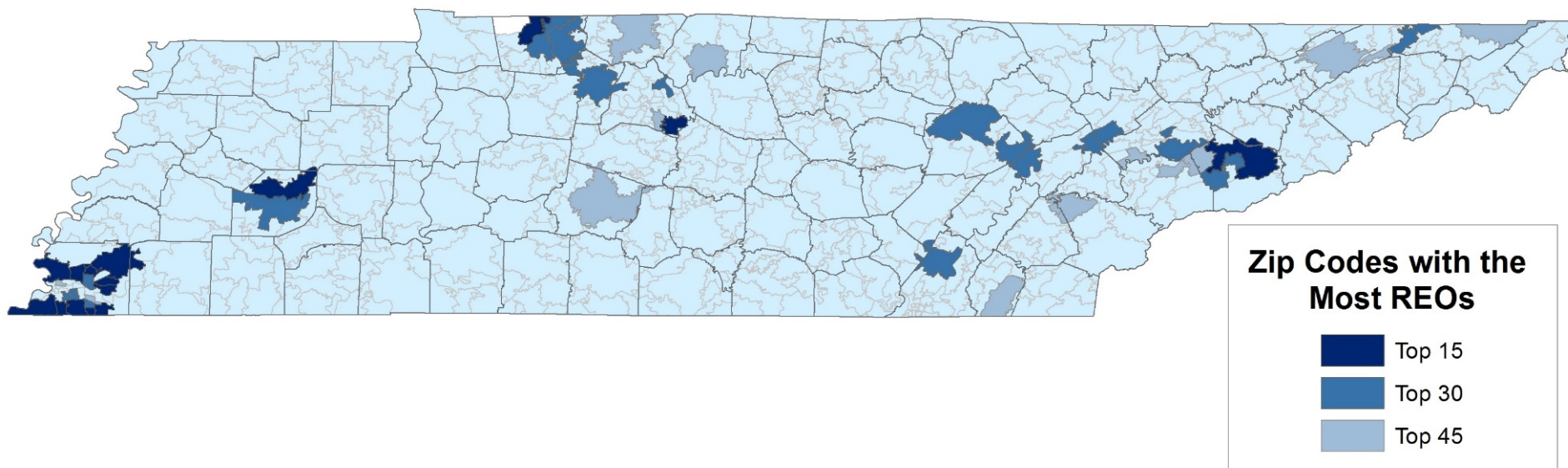
*\*Excluding Zip Codes with fewer than 100 loans\**



## Tennessee REO Index Values by County



## The Top Tennessee Zip Codes for REOs



### Top 5 Tennessee Counties for REO Volume

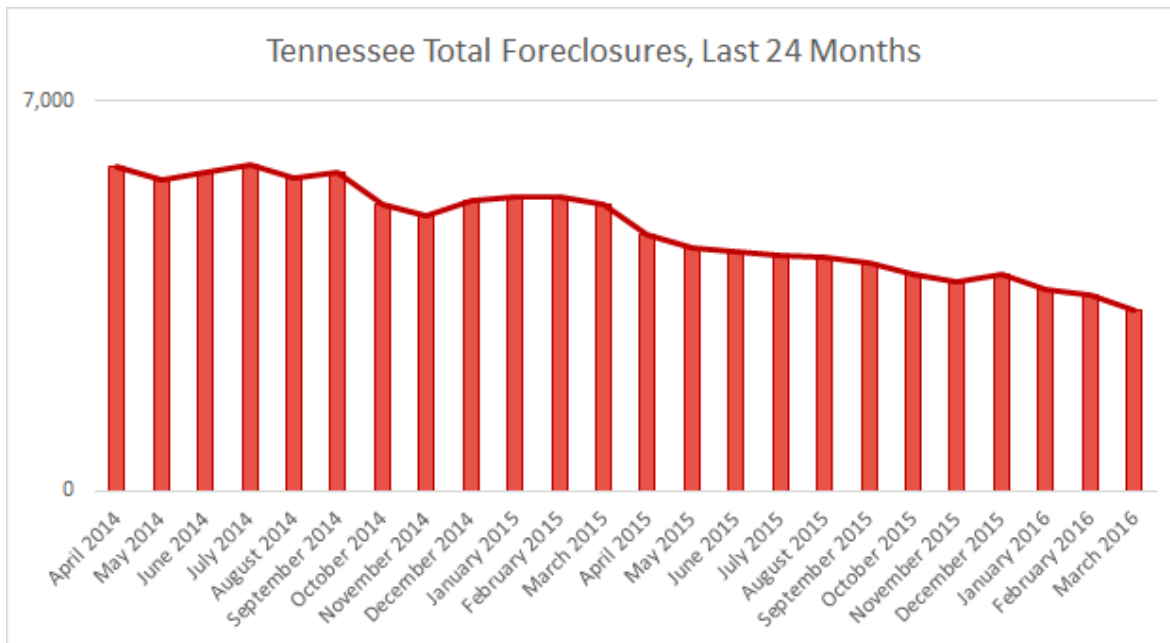
**Shelby**  
**Knox**  
**Hamilton**  
**Davidson**  
**Montgomery**

### Top 5 Tennessee Zip Codes for REO Volume

**38128** [Shelby; Memphis]  
**37042** [Montgomery; Clarksville]  
**38127** [Shelby; Memphis]  
**38116** [Shelby; Memphis]  
**38125** [Shelby; Memphis]



## **FORECLOSURE RATES**



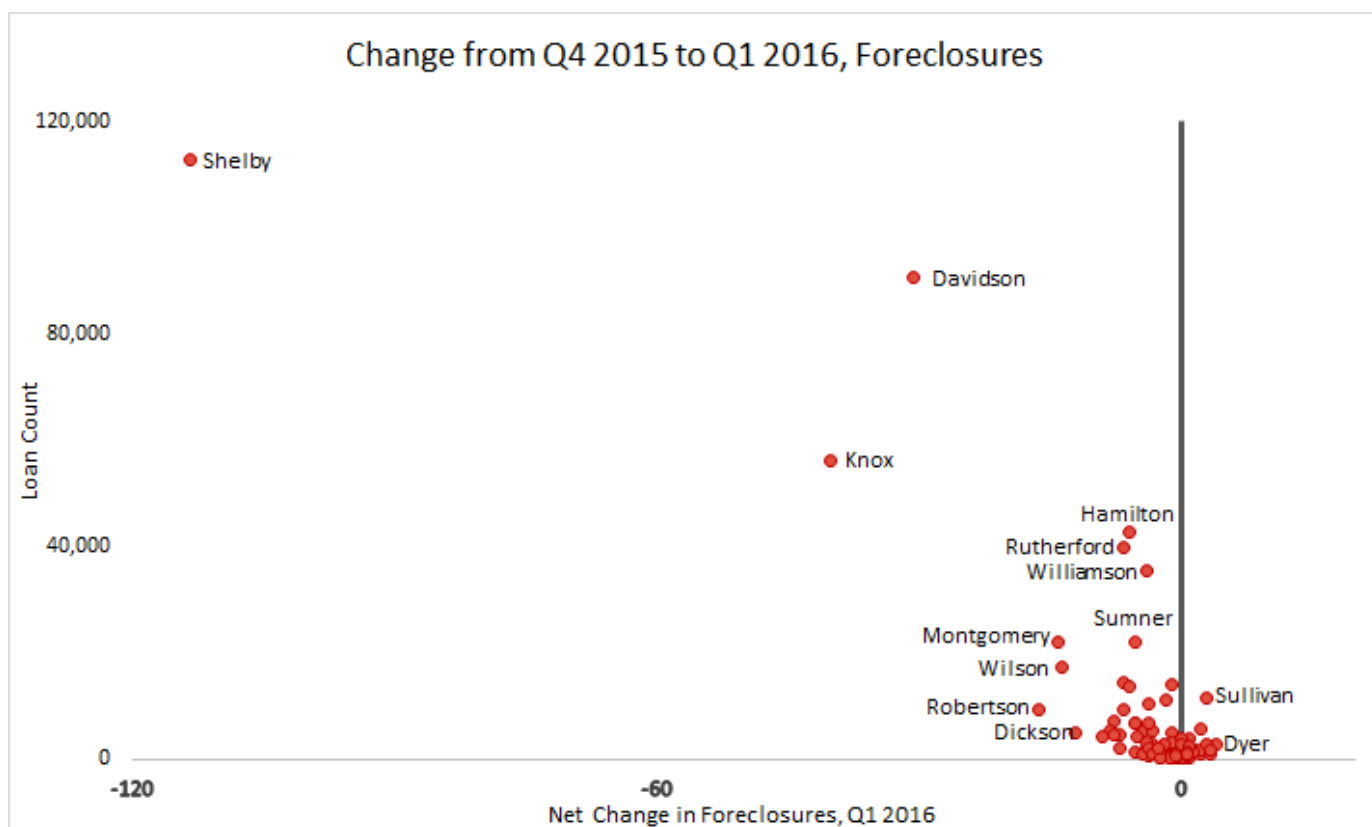
While all three categories covered in this report have seen tremendous improvements over the last four or five years, foreclosures have seen the most improvement from their respective peak; delinquencies have fallen by 50 percent since their peak in February 2011, and REOs have fallen by 65 percent since they peaked in March 2012, but foreclosures have topped both of those measures, having fallen more than 75 percent from its peak total in October 2011. As shown in the above figure, the decline in foreclosure totals continued in the first quarter of 2016, with a drop of ten percent from the prior quarter. When compared to the first quarter of 2015, Tennessee has seen a 34 percent reduction in foreclosure inventory.

	County	Foreclosure Index Value	Percent Change from Q4 2015 Index Value	Percent Change from Q1 2015 Index Value	Grand Division
1	Hancock	508	49.3%	95.4%	East
2	Perry	243	12.4%	167.2%	Middle
3	Hardeman	221	11.9%	16.0%	West
4	Henderson	216	28.3%	37.9%	West
5	Claiborne	181	27.6%	17.5%	East
6	Benton	180	28.6%	109.6%	West
7	Rhea	174	18.4%	49.3%	East
8	Sequatchie	174	25.7%	5.5%	Middle
9	Haywood	169	-7.0%	97.8%	West
10	Montgomery	169	4.9%	18.4%	Middle

\*State rate=100; Hancock County's value of 508 denotes a foreclosure rate 5.08 times that of the Tennessee overall rate.

\*\*A positive value in "percent change" columns reflects an increase in the Index Value, not necessarily an increase in a county's REO rate. A county could see its REO rate fall, but if the state average falls faster, the county will show positive values in these columns.

In terms of volume, foreclosures are much closer to REOs than delinquencies, resulting in more erratic percentage changes on a quarter-to-quarter basis. Hancock County, for example, has only seen a handful of foreclosures added over the past year, but because of its small size and the lower incidence of foreclosure, this was enough to spike Hancock County's Foreclosure Index Value to lead the state. As the state's smallest mortgage market (with fewer than 200 total active loans), Hancock County's state-leading foreclosure rate may not be the red flag its Index Value would indicate. The same may be said of Perry, Benton, and Sequatchie County as well. While it is likely that static real estate markets in some of Tennessee's smallest, rural counties (such as the above four counties) increase the likelihood of negative equity, strategic default and eventual foreclosure, the available data largely suggests that these counties are simply not experiencing the same foreclosure declines as seen elsewhere in Tennessee, rather than a dramatic uptick in foreclosure.



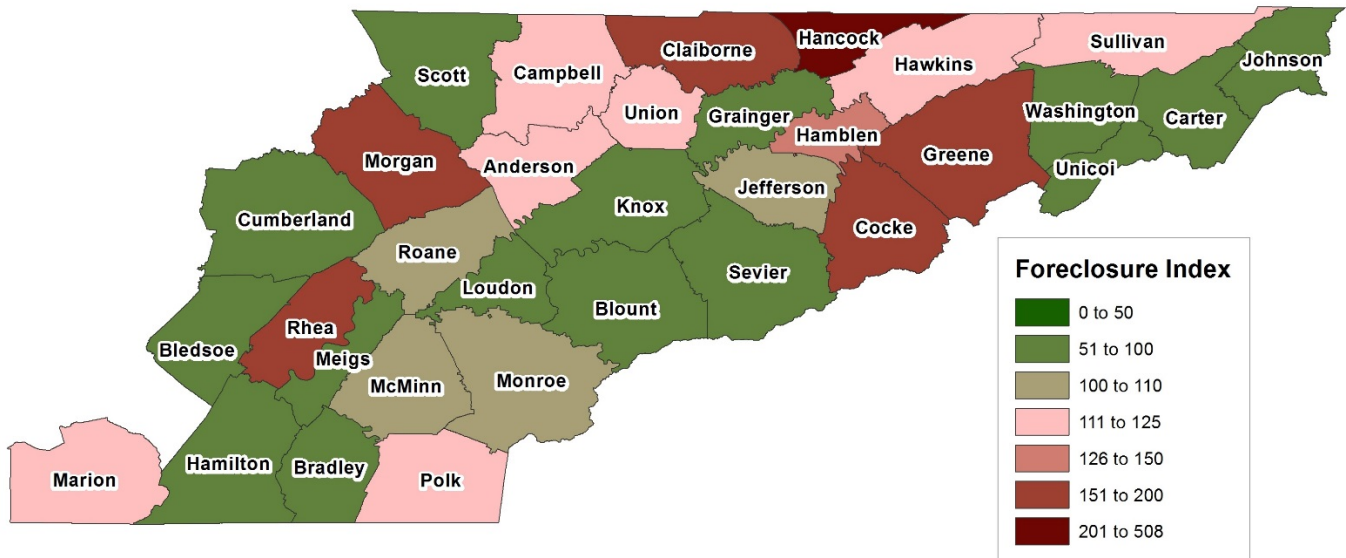
For the first time since THDA began using CoreLogic data, Shelby County fell out of the top 10 of the Foreclosure Index, while its raw foreclosure totals fell decisively beneath the 1,000 mark. Robertson, Dickson, and Gibson Counties all declined much faster than Tennessee did as a whole. Gibson County's strong declines in the first quarter were effectively a reversal of Gibson's increased foreclosure total during the previous quarter.

Maps 11 through 14 display the county-level Foreclosure Index, broken down by grand division. To illustrate where the bulk of foreclosure volume occurs, irrespective of rates, Map 15 is included, showing

zip-code level foreclosure totals, which are unsurprisingly concentrated in Shelby County in spite of the improvements there.

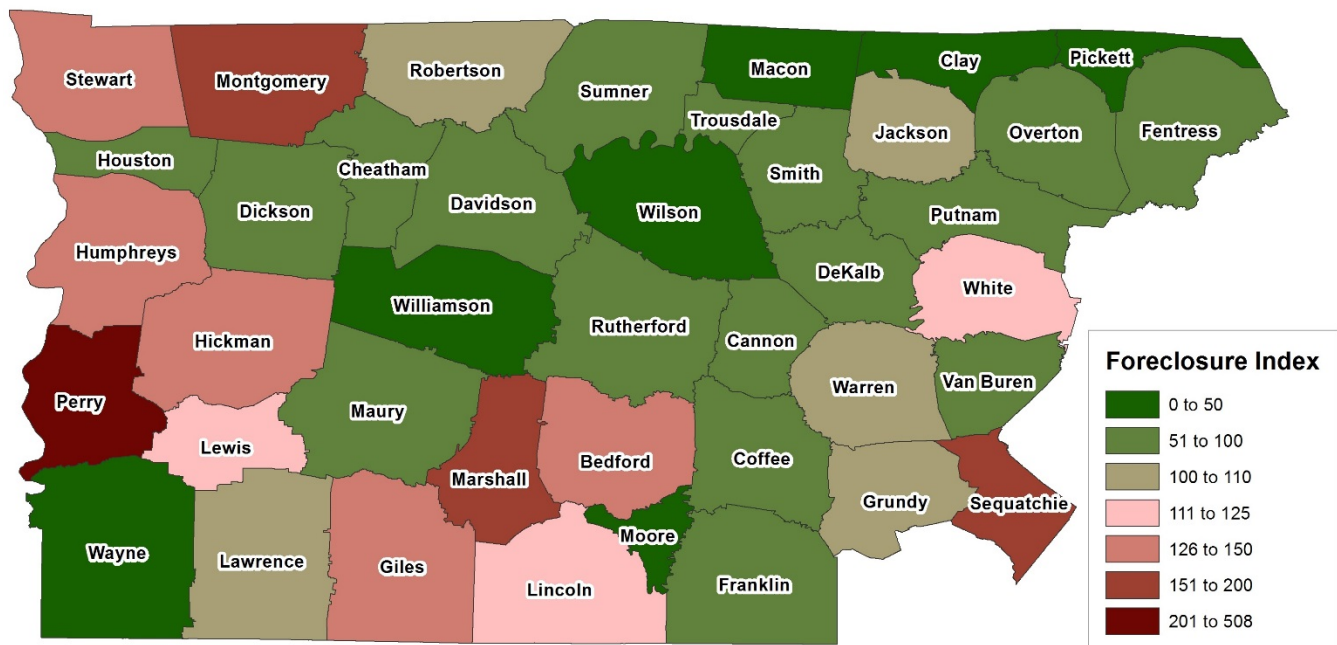
Map 11

### East Tennessee Foreclosure Index Values by County



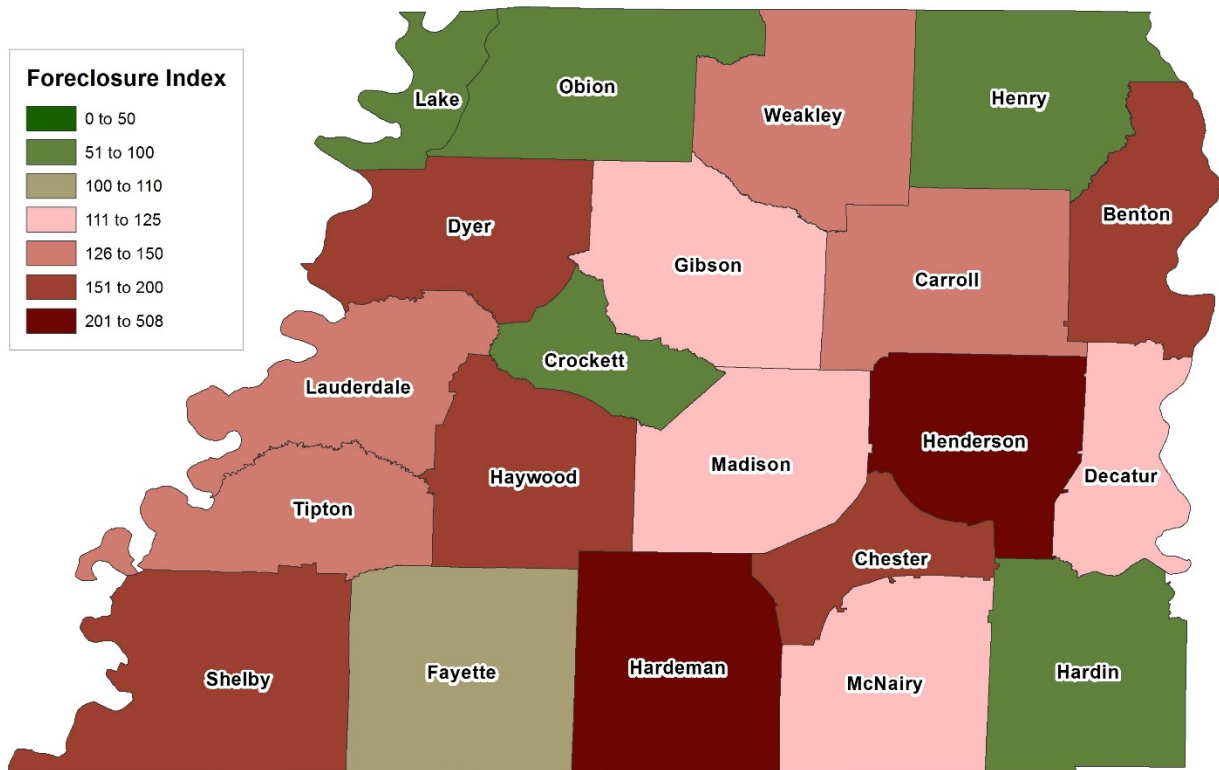
Map 12

### Middle Tennessee Foreclosure Index Values by County



## Map 13

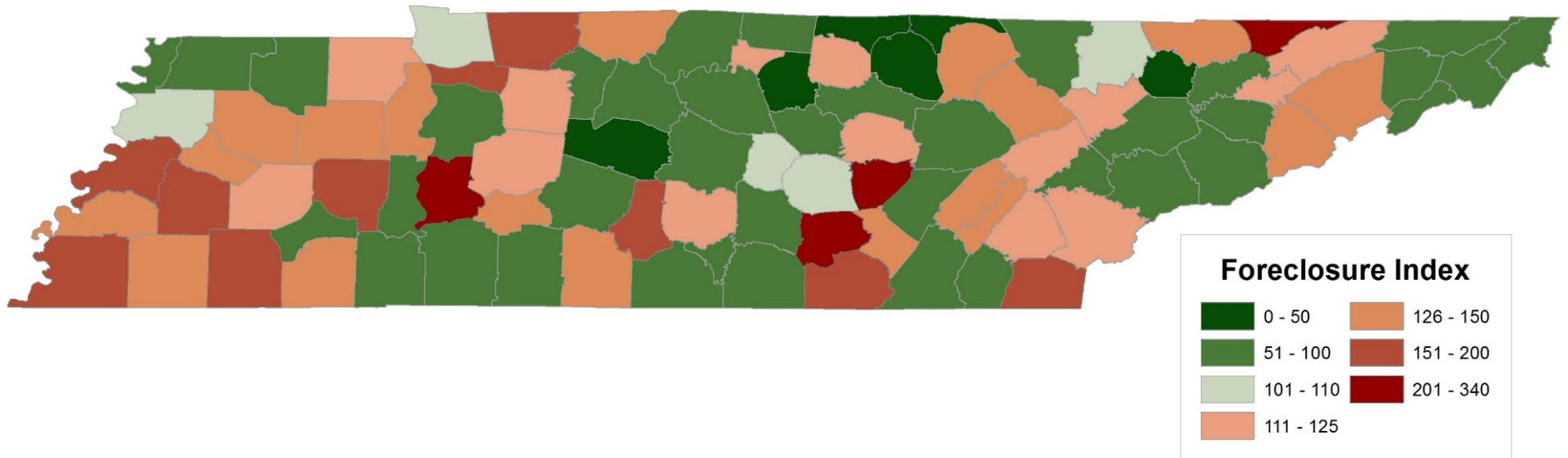
### West Tennessee Foreclosure Index Values by County



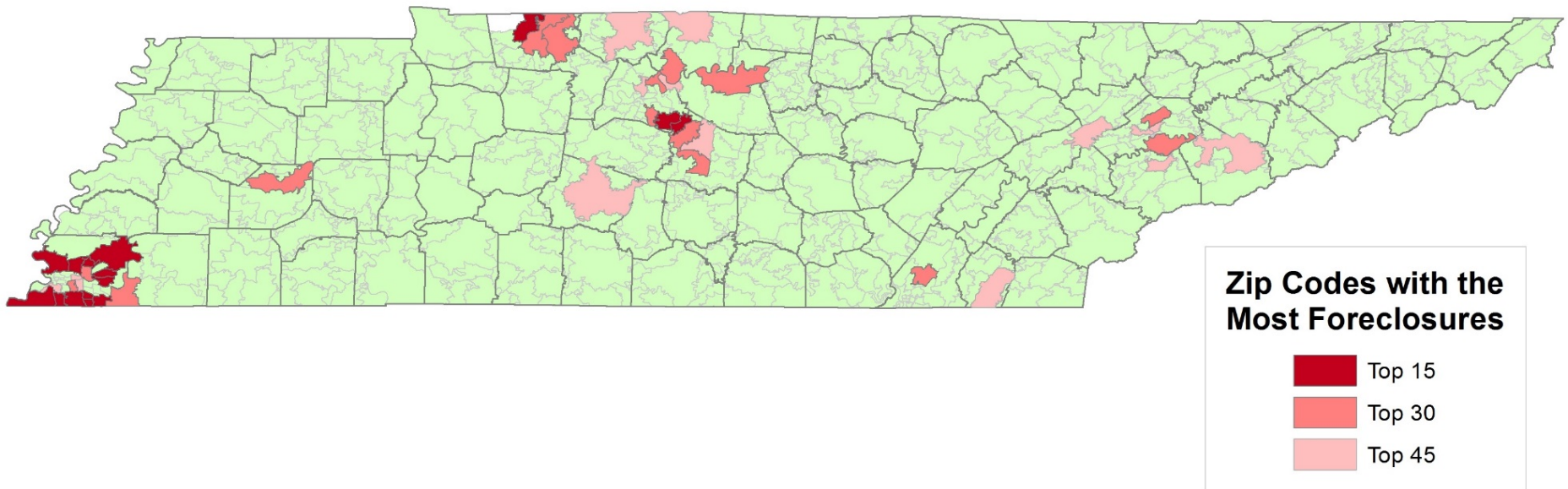
#### Top 5 Tennessee Zip Codes for Foreclosure Index\*

<b>38039</b>	[Hardeman/Fayette; Grand Junction]	Index Value=765
<b>38105</b>	[Shelby; Memphis]	Index Value=597
<b>37869</b>	[Hancock; Sneedville]	Index Value=538
<b>38106</b>	[Shelby; Memphis]	Index Value=444
<b>38230</b>	[Weakley; Greenfield]	Index Value=429

## Tennessee Foreclosure Index Values by County



## The Top Tennessee Zip Codes for Foreclosures



### Top 5 Tennessee Counties for Foreclosure Volume

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

### Top 5 Tennessee Zip Codes for Foreclosure Volume

**37042** [Montgomery; Clarksville]  
**37013** [Davidson; Nashville]  
**38128** [Shelby; Memphis]  
**38141** [Shelby; Memphis]  
**38125** [Shelby; Memphis]



# Appendix: Tennessee's 95 Counties, Complete Index

1<sup>st</sup> Quarter 2016

County Name	Statewide Ranking (1 through 95)			Index Values		
	Delinquency	REO	Foreclosure	Delinquency	REO	Foreclosure
Anderson	60	47	32	98	132	116
Bedford	35	70	24	119	94	131
Benton	37	88	6	118	35	180
Bledsoe	24	3	56	129	368	95
Blount	71	73	60	83	90	89
Bradley	33	74	54	119	85	99
Campbell	27	40	39	125	142	113
Cannon	70	93	55	84	0	98
Carroll	22	24	25	134	197	129
Carter	57	52	68	100	127	81
Cheatham	63	50	67	97	131	82
Chester	40	16	15	116	223	153
Claiborne	45	31	5	114	174	181
Clay	95	95	95	23	0	0
Cocke	15	27	17	144	182	151
Coffee	68	65	85	84	103	58
Crockett	11	19	57	147	211	91
Cumberland	88	36	73	67	155	76
Davidson	80	89	80	72	34	70
Decatur	73	22	33	82	202	115
DeKalb	66	25	84	89	195	63
Dickson	62	53	69	97	126	81
Dyer	14	48	16	145	131	152
Fayette	47	55	42	111	123	110
Fentress	77	13	65	79	258	83
Franklin	74	71	52	81	92	100
Gibson	17	28	29	139	181	122
Giles	20	54	23	135	123	131
Grainger	61	60	59	97	111	90
Greene	49	57	14	108	113	156
Grundy	21	90	49	135	29	101
Hamblen	51	51	19	103	127	137
Hamilton	52	79	61	103	76	87
Hancock	4	68	1	192	98	508
Hardeman	1	23	3	274	200	221
Hardin	78	66	63	77	102	84
Hawkins	44	10	28	114	273	124
Haywood	2	11	9	252	260	169

County Name	Statewide Ranking (1 through 95)			Index Values		
	Delinquency	REO	Foreclosure	Delinquency	REO	Foreclosure
Henderson	8	30	4	166	174	216
Henry	75	42	53	80	139	99
Hickman	18	8	18	139	310	146
Houston	46	9	62	112	297	85
Humphreys	38	26	27	117	187	126
Jackson	31	21	51	120	203	101
Jefferson	59	20	47	99	205	103
Johnson	67	6	88	89	324	52
Knox	83	78	74	70	76	76
Lake	5	75	78	184	84	72
Lauderdale	3	5	26	238	340	127
Lawrence	48	63	44	108	106	108
Lewis	50	77	40	104	77	113
Lincoln	54	41	30	102	142	120
Loudon	79	45	79	74	135	70
Macon	87	33	93	67	165	19
Madison	12	34	36	147	160	114
Marion	23	18	31	131	213	117
Marshall	43	62	13	115	106	163
Maurry	86	83	83	69	52	67
McMinn	19	39	48	135	144	103
McNairy	7	7	37	168	323	114
Meigs	16	2	81	143	389	69
Monroe	41	17	46	116	218	106
Montgomery	30	59	10	122	111	169
Moore	81	69	92	71	98	22
Morgan	39	44	11	116	135	165
Obion	69	56	82	84	119	68
Overton	90	82	77	63	65	72
Perry	91	94	2	61	0	243
Pickett	93	76	94	47	84	19
Polk	26	15	38	126	252	114
Putnam	89	81	58	66	69	91
Rhea	10	64	7	147	103	174
Roane	29	12	50	123	260	101
Robertson	42	67	43	115	100	110
Rutherford	72	87	66	82	37	83
Scott	56	14	72	101	253	76



County Name	Statewide Ranking (1 through 95)			Index Values		
	Delinquency	REO	Foreclosure	Delinquency	REO	Foreclosure
Sequatchie	<b>13</b>	<b>4</b>	<b>8</b>	145	345	174
Sevier	<b>85</b>	<b>32</b>	<b>70</b>	69	173	78
Shelby	<b>6</b>	<b>35</b>	<b>12</b>	172	156	164
Smith	<b>84</b>	<b>85</b>	<b>87</b>	69	47	56
Stewart	<b>36</b>	<b>43</b>	<b>22</b>	118	135	131
Sullivan	<b>65</b>	<b>58</b>	<b>34</b>	91	113	115
Sumner	<b>76</b>	<b>84</b>	<b>75</b>	80	50	76
Tipton	<b>9</b>	<b>37</b>	<b>21</b>	157	145	133
Trousdale	<b>64</b>	<b>92</b>	<b>76</b>	95	0	73
Unicoi	<b>55</b>	<b>80</b>	<b>64</b>	102	71	84
Union	<b>34</b>	<b>29</b>	<b>41</b>	119	179	113
Van Buren	<b>58</b>	<b>46</b>	<b>86</b>	99	132	57
Warren	<b>28</b>	<b>38</b>	<b>45</b>	124	145	106
Washington	<b>82</b>	<b>72</b>	<b>71</b>	71	92	77
Wayne	<b>53</b>	<b>1</b>	<b>90</b>	102	400	40
Weakley	<b>32</b>	<b>49</b>	<b>20</b>	120	131	135
White	<b>25</b>	<b>61</b>	<b>35</b>	128	110	115
Williamson	<b>94</b>	<b>91</b>	<b>91</b>	23	8	28
Wilson	<b>92</b>	<b>86</b>	<b>89</b>	56	39	49