

Foreclosure Trends

Q4 2017

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INTRODUCTION

Key Findings:

- Mortgage delinquencies and mortgages in foreclosure both decreased slightly during the 4th quarter of 2017; this has been the general trend in Tennessee since early 2011.
- Statewide rates of delinquency and foreclosure remain the lowest they have been since THDA began receiving these data from CoreLogic.
- While the volume of delinquency and foreclosure decreases was driven by larger, urban counties, plenty of smaller counties also experienced reductions in delinquency and foreclosure totals.
- Several Tennessee counties that rank highly in Delinquency and Foreclosure Indices¹ are there because of small totals of active home loans that prove volatile within these indices, and the rankings should be viewed with caution.

The past several years of Tennessee's mortgage performance data have fit well into the broader narrative of recovery from the Great Recession. Since their peak levels in 2011 and 2012, Tennessee's delinquency² and foreclosure totals have steadily diminished. While the second half of 2016 represented a departure from this trend, 2017 has seen a resumption of decreases in delinquency and foreclosure totals.

Of the state's four largest counties, Shelby currently has the highest Index Values³, while Davidson and Knox Counties are at below-average levels for both delinquency and foreclosure.⁴ Hamilton County is above the state average for delinquency rate, yet is considerably below the statewide foreclosure rate. As the table below illustrates, nearly half of the state's delinquent loans are found in the four largest counties, and more than one fourth of all delinquent loans, as well as loans in foreclosure, are in Shelby County.

Tennessee's Four Most Populous Counties, Compared (listed by Population)					
County	Delinquency Index	Foreclosure Index	Percentage of the State's Loan Count	Percentage of the State's Delinquencies	Percentage of the State's Foreclosures
Shelby	171	162	15.6%	26.5%	25.4%
Davidson	61	55	13.2%	8.0%	7.2%
Knox	74	86	7.9%	5.8%	6.8%
Hamilton	107	81	6.1%	6.6%	5.0%
Largest Four Counties, Total			42.8%	47.0%	44.4%

¹ For all county level Index Values, see Appendix A at the end of this document.

² Delinquency in this report refers to loans 90 days or more delinquent.

³ 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 171, for example, signifies a delinquency rate 1.71 times the Tennessee overall delinquency rate, or put another way, 171 percent of the Tennessee delinquency rate. A value of 100 indicates a rate consistent with the state's rate. Davidson County's Delinquency Index value of 61, for comparison, denotes a delinquency rate that is 61 percent of Tennessee's delinquency rate.

⁴ Delinquency totals in CoreLogic's data include mortgages in foreclosure and REO properties.

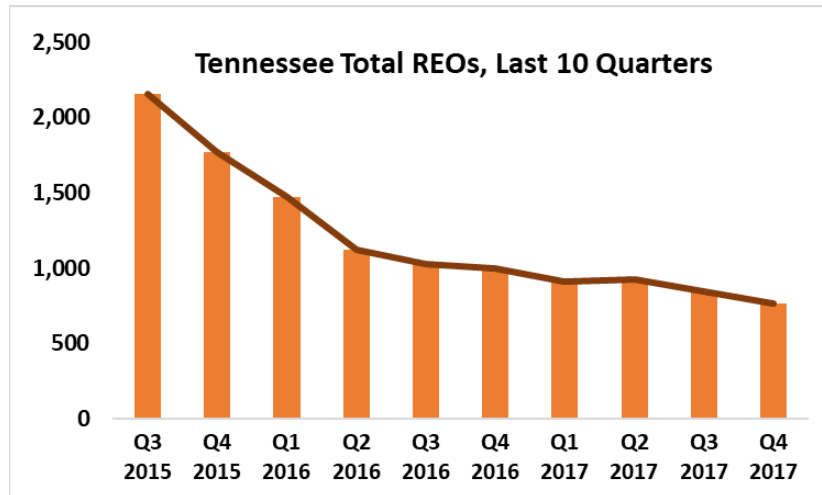
Within Tennessee, the highest rates of delinquencies, foreclosures, and REOs are generally found within smaller counties, often in West Tennessee. For most of 2015 and 2016, much like Tennessee overall, these high-Index counties were witnessing notable declines in levels of delinquency and foreclosure. In the last six months of 2017, levels of mortgage distress did not markedly change in places like Hardeman, Haywood, and Lauderdale Counties, although total delinquencies and foreclosures generally trended downward rather than upward.

While counties such as those listed in the chart below (selected for their high Index Values in both delinquency and foreclosure) may appear severely afflicted by delinquent and foreclosed mortgages, the Indices indicate rates relative to the state, and a high Index Value is not necessarily indicative of a crisis-level foreclosure rate. It is important to remember that delinquencies in Tennessee have fallen by nearly 70 percent since the start of 2011, and foreclosures by nearly 90 percent over this same time period. In the case of foreclosures, which occur with less frequency than delinquencies, quarterly values in small counties are especially volatile. However, as the chart below shows, the seven counties listed do constitute a disproportionate share of the state's delinquent and foreclosed mortgages.

Tennessee Counties with High Index Values in Both Delinquency and Foreclosure (Ranked by Sum of both Indices)					
County	Delinquency Index	Foreclosure Index	Percentage of the State's Loan Count	Percentage of the State's Delinquencies	Percentage of the State's Foreclosures
Lauderdale	260	237	0.19%	0.50%	0.45%
Grundy	182	304	0.07%	0.13%	0.22%
Haywood	273	211	0.15%	0.42%	0.33%
Hardeman	267	200	0.22%	0.58%	0.44%
Morgan	189	261	0.10%	0.19%	0.27%
Unicoi	154	264	0.12%	0.19%	0.33%
McNairy	148	268	0.23%	0.34%	0.63%
All Above			1.1%	2.4%	2.7%

The above seven counties combine for 1.1% of Tennessee's active loan count, 2.4% of Tennessee's 90+ day delinquent mortgages, and 2.7% of the state's total loans in the foreclosure process.

In previous Foreclosure Trends reports, rates of REO incidence were covered in depth, and an REO Index was included; because REO properties are so infrequent, this report will no longer regularly address them. The below graphic illustrates just how low total REO properties are in the state of Tennessee currently, with more than 21 delinquencies for every REO. REO totals fell even further in Q4 of 2017. Should this trend change dramatically in the future, discussion of REOs may once again be included.



For both delinquency and foreclosure, there are five maps, spanning pages 7, 8, 11, and 12: four mapping Index Values by county (showing East, Middle, West, and the State of Tennessee) and a fifth indicating whether delinquencies or foreclosures are increasing or decreasing over time.

DELINQUENCY

Mortgage delinquencies of 90 days or longer experienced a small decrease of roughly three percent statewide during Q4 of 2017. Delinquent home loans finished Q4 at their lowest point in more than seven years, both as a total volume and as a percentage of active home loans.⁵

Figure 1. Declines in Total Delinquent Loans

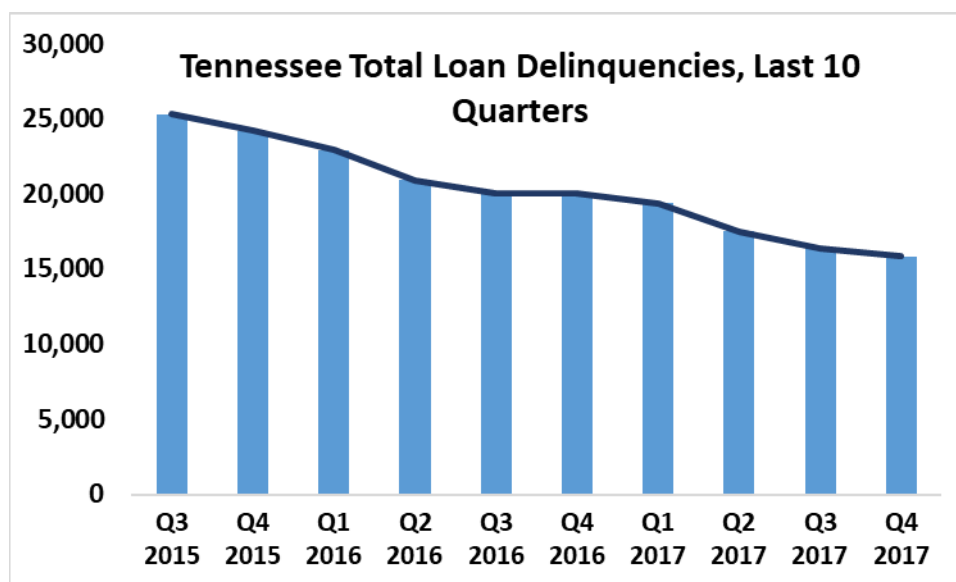


Table 1. The 10 Counties with the Highest Delinquency Index Values

	County	Q4 2017 Delinquency Index Value	Quarterly Increase or Decrease in Delinquencies?	Annual Increase or Decrease in Delinquencies?	Grand Division
1	Haywood	273	Decrease	Decrease	West
2	Hardeman	267	No Change	Decrease	West
3	Lauderdale	260	Decrease	Decrease	West
4	Morgan	189	Increase	Increase	East
5	Lake	185	No Change	Decrease	West
6	Grundy	182	Decrease	No Change	Middle
7	Shelby	171	Decrease	Decrease	West
8	Tipton	170	Increase	Decrease	West
9	Rhea	167	No Change	Decrease	East
10	Hancock	166	Decrease	No Change	East

Note: State delinquency rate=100. Haywood County's delinquency rate equals 2.73 times the Tennessee rate. A value of 100 indicates a rate consistent with the state's rate.

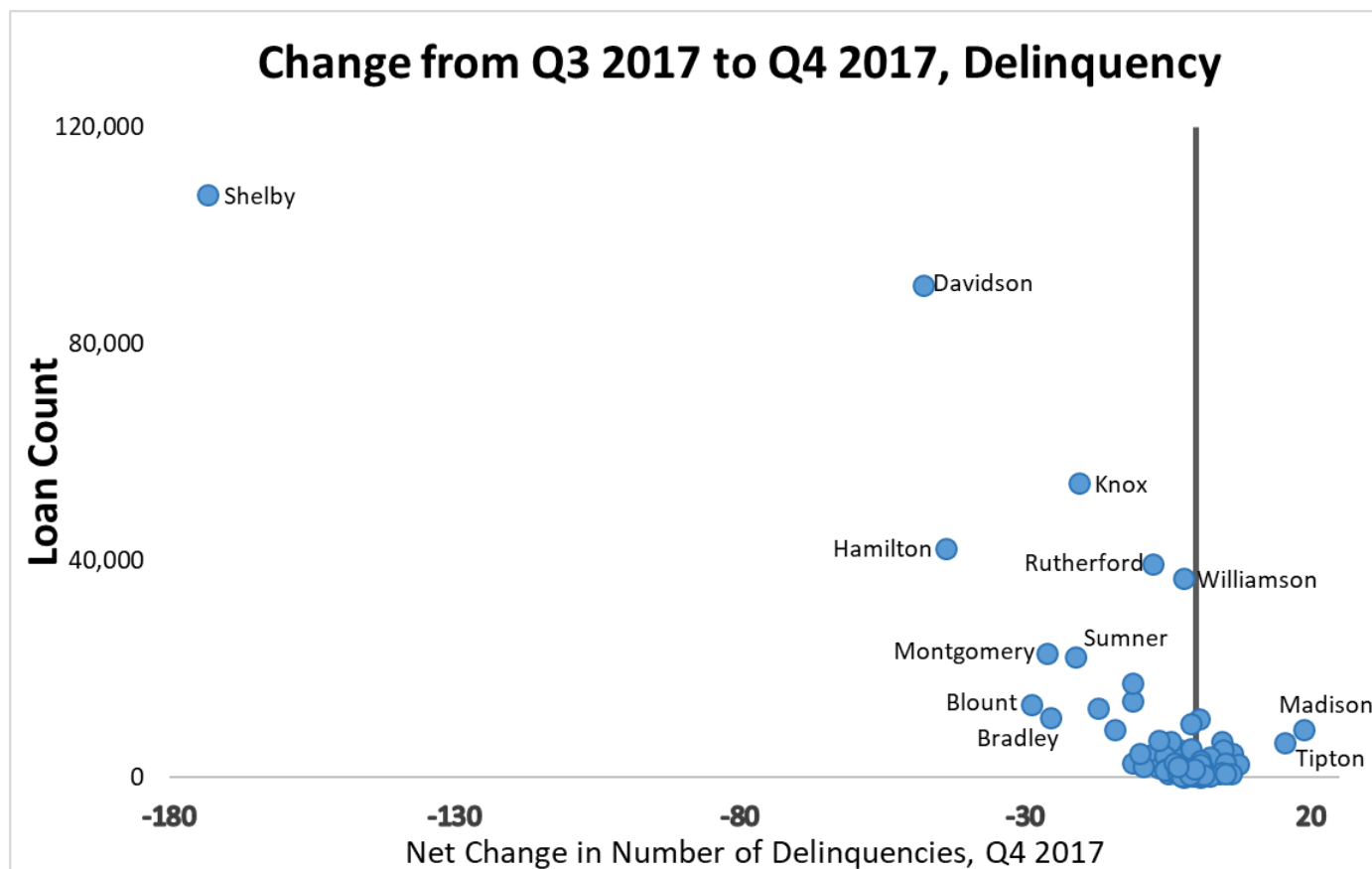
The column titled "Increase or Decrease in Delinquencies?" may not reflect individual month-over-month changes, but instead uses the average of the current quarter's three monthly delinquency totals, which is also true of the Index Value calculations.

⁵ CoreLogic's loan servicing database does not contain the entire pool of active mortgages in Tennessee—some non-conventional, non-conforming loans, and those issued by small lenders may not be included in the MarketTrends data used in this report. Delinquencies and foreclosure totals will all be underestimated as a result of this; this may be more pronounced if non-conventional loans have higher rates of default than conventional loans.

Of the 10 counties at the top of the Delinquency Index, just two saw their delinquency totals increase in Q4. If a countywide decrease in delinquencies was outpaced by the decline across Tennessee, then said county's Index Values were higher than the previous quarter, Haywood and Hardeman Counties being examples of this. While by far the Tennessee leader in total delinquent loans, Shelby County ranked seventh in the Delinquency Index. Shelby County saw its delinquency total fall for the third straight quarter. For the ninth consecutive quarter, Williamson County ranked in the bottom five of the Delinquency Index, with a delinquency rate roughly one-fifth of Tennessee's overall rate.

Figure 2 below allows for a visualization of Tennessee counties and their quarterly changes in delinquency totals relative to their size. The magnitude of decline in delinquency was high enough in Shelby County that the scale of Figure 2 minimizes the changes elsewhere in Tennessee. Overall, 57 counties experienced falling delinquency totals, while 20 experienced an increase (18 saw no change).

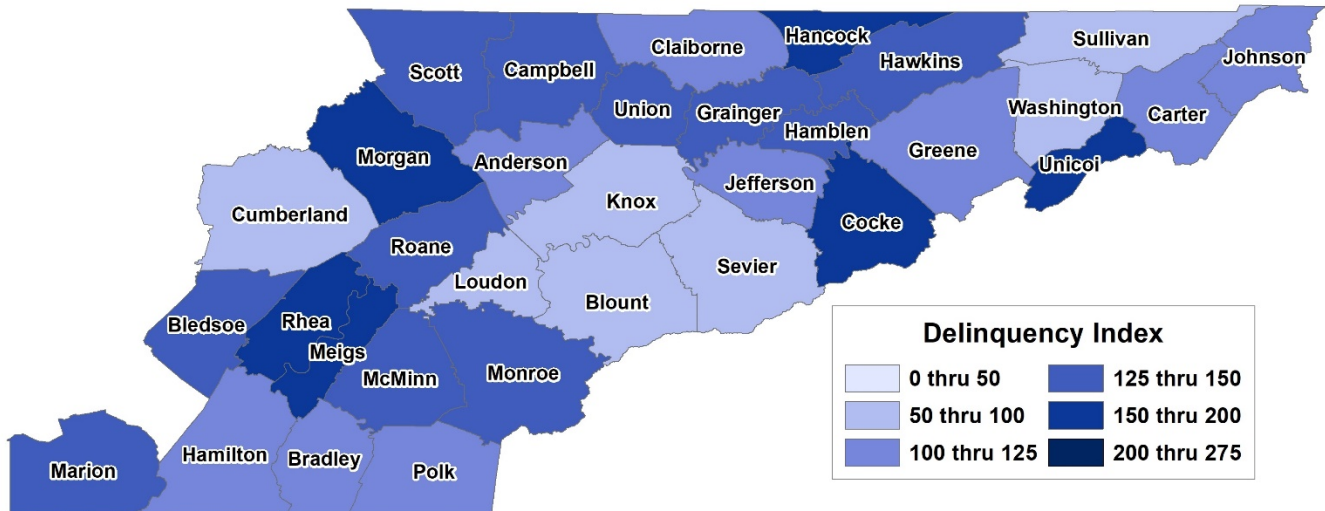
Figure 2. Quarterly County-Level Changes in Delinquency Volume, by Loan Count



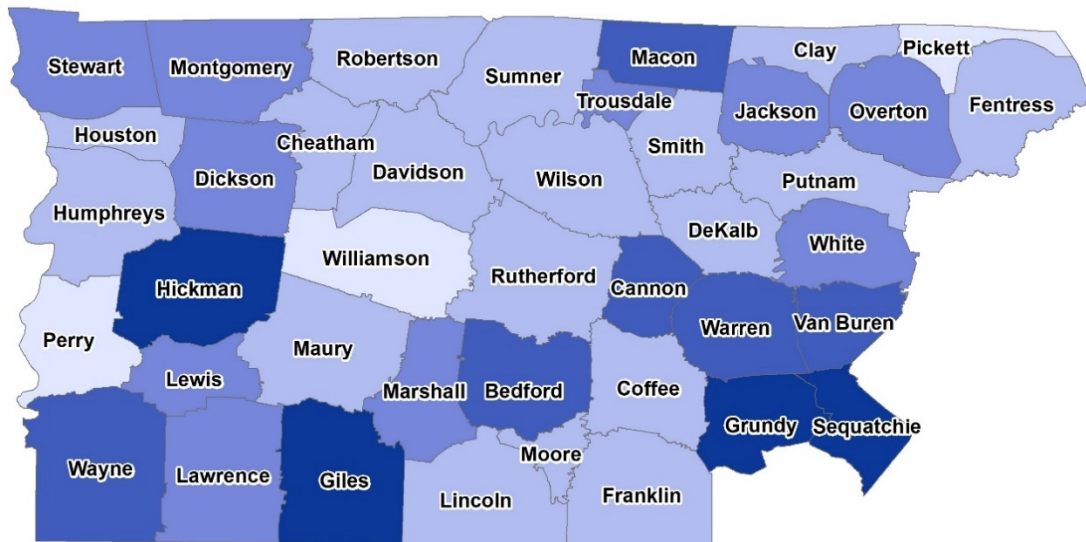
Maps 1-4 below display county-level delinquency outcomes, while Map 5 displays the quarterly changes shown above in Figure 2.

East Tennessee Delinquency Index by County

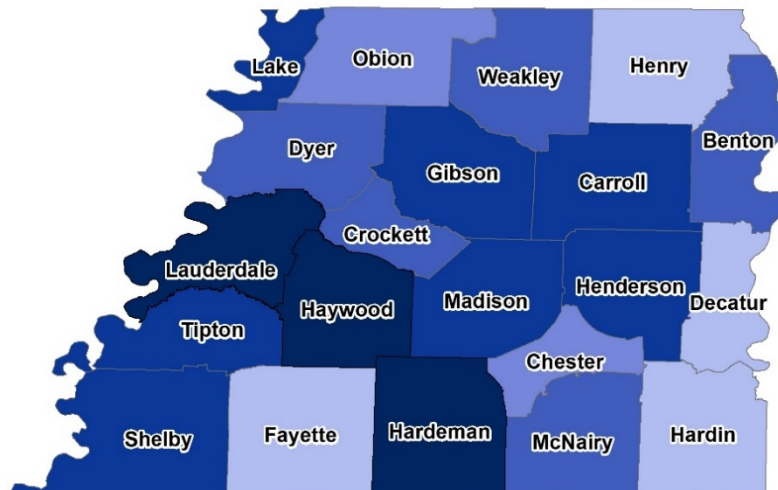
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Middle Tennessee Delinquency Index by County

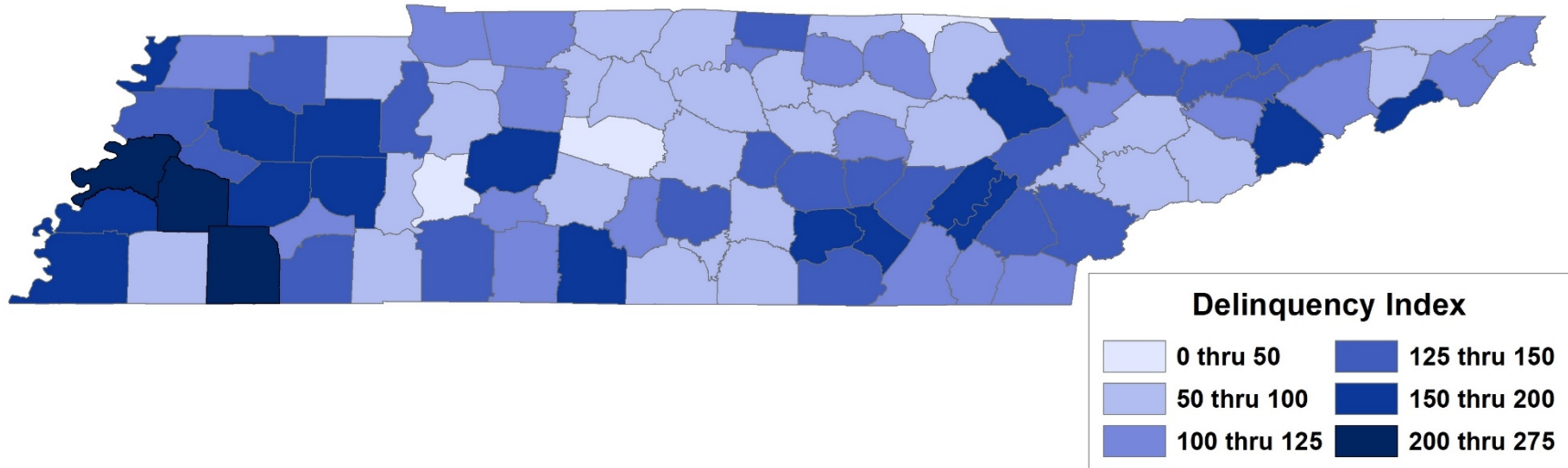


West Tennessee Delinquency Index by County



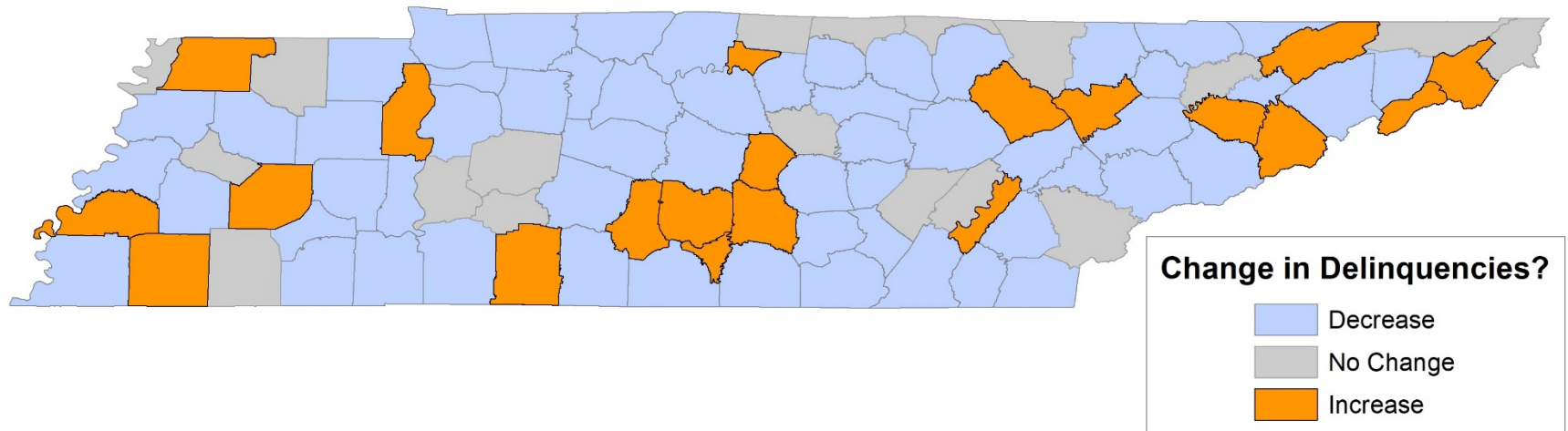
Tennessee Delinquency Index by County

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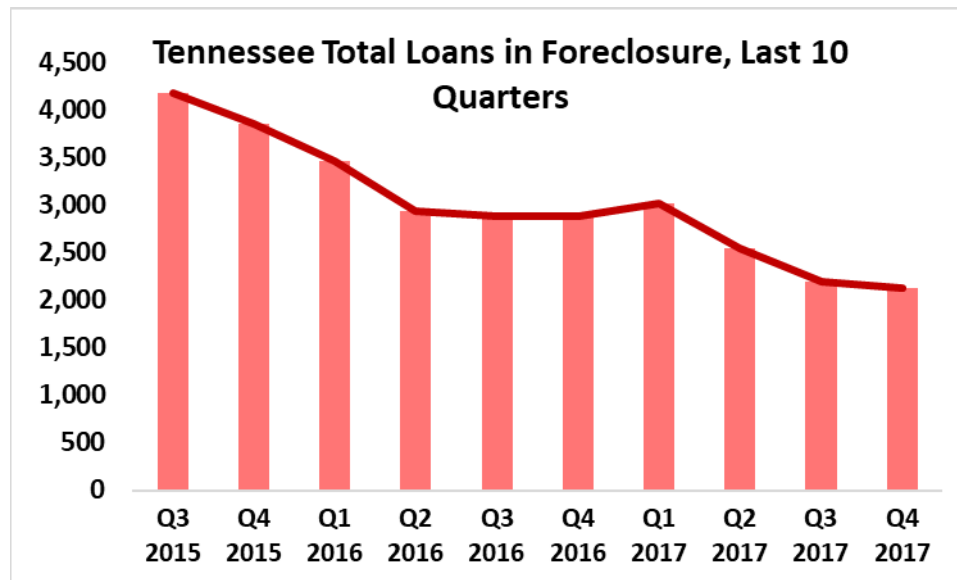
Quarterly Changes in Delinquency Totals

Q4 2017



FORECLOSURE

Figure 3. Declines in Total Loans in Foreclosure



As was the case for delinquencies, Tennessee's total number of loans in the foreclosure process experienced a small quarterly drop during Q4 of 2017. As Figure 3 above shows, foreclosure totals remained largely unchanged for most of 2016, and after a quarterly increase in Q1 of 2017, the remainder of 2017 showed a substantial reduction in foreclosure volume.

Table 6. The 10 Counties with the Highest Foreclosure Index Values

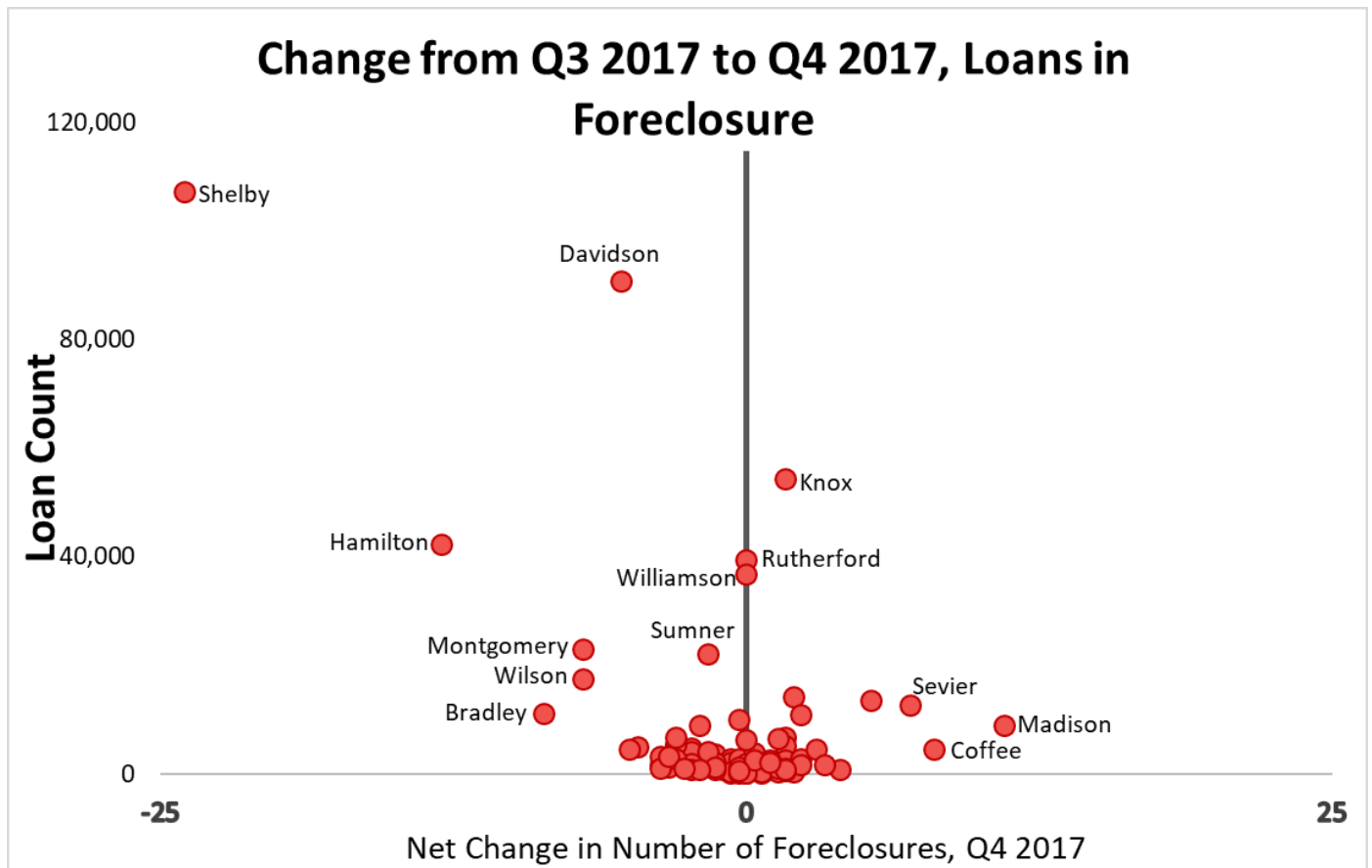
	County	Q4 2017 Foreclosure Index Value	Quarterly Increase or Decrease in Foreclosures?	Annual Increase or Decrease in Foreclosures?	Grand Division
1	Grundy	304	Increase	Increase	Middle
2	McNairy	268	Increase	Increase	West
3	Unicoi	264	Increase	Increase	East
4	Morgan	261	Increase	Increase	East
5	Lauderdale	237	Decrease	Increase	West
6	Bledsoe	224	Increase	Increase	East
7	Haywood	211	No Change	Decrease	West
8	Cannon	206	Increase	Increase	Middle
9	Hardeman	200	No Change	Decrease	West
10	Decatur	193	Decrease	Increase	West

Note: State rate=100; Grundy County's index value of 304 denotes a foreclosure rate 3.04 times that of the Tennessee overall rate.

The top ten counties in the Foreclosure Index were more likely to see their foreclosure totals increase during the quarter. Even though this was the case, a majority of counties statewide saw their foreclosure totals decrease, much like delinquency totals. The bulk of the statewide reduction in foreclosure came from larger urban counties, as has been the trend for some time. Madison County experienced the largest countywide increase in foreclosure totals, going from the top 30 in the Foreclosure Index to the top 15

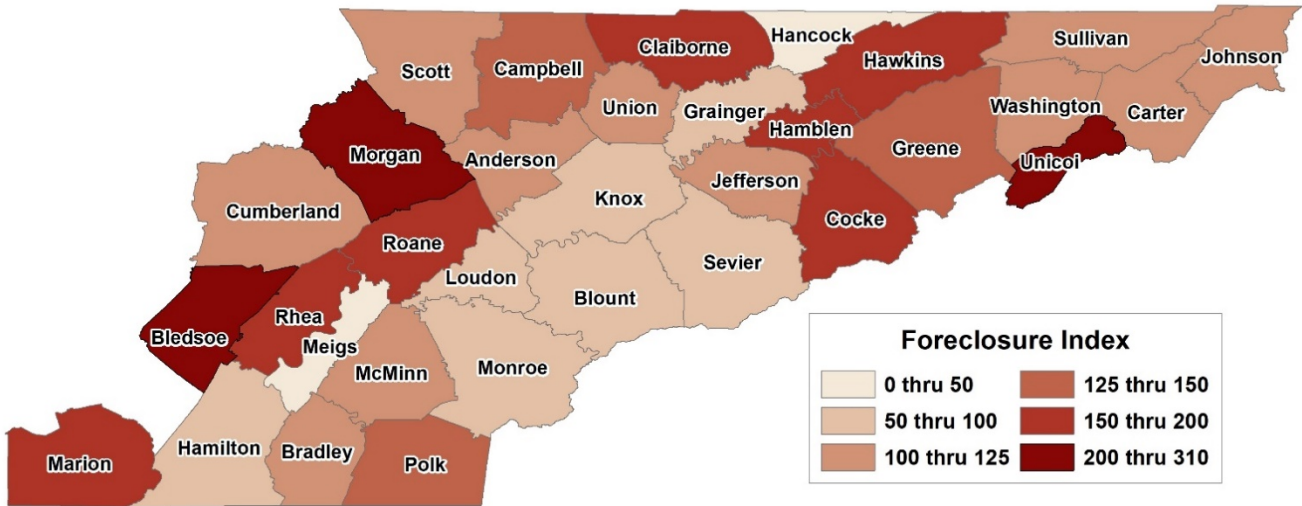
(but outside the top 10). As Figure 2 showed, Madison County also experienced the largest increase in delinquencies.

Figure 4. Quarterly County-Level Changes in Volume of Loans in Foreclosure, by Loan Count

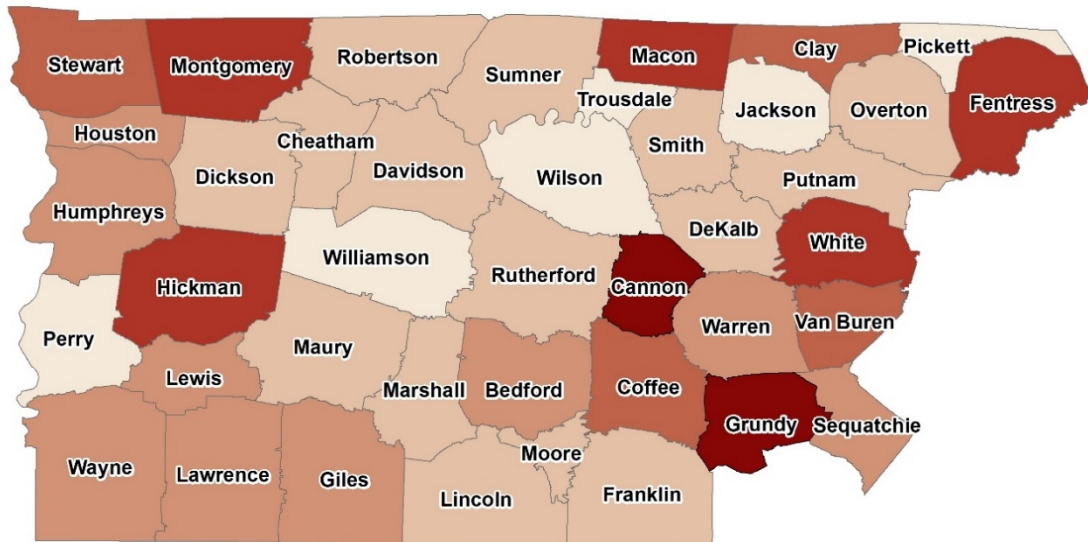


Maps 6 through 9 display the county-level Foreclosure Index, broken down by Grand Division. Map 10 is included to show where foreclosures were increasing and decreasing during Q4.

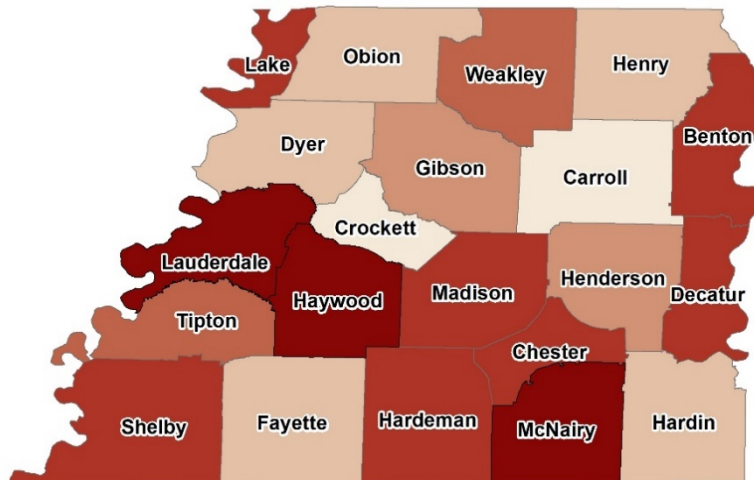
East Tennessee Foreclosure Index by County Q4 2017



Middle Tennessee Foreclosure Index by County

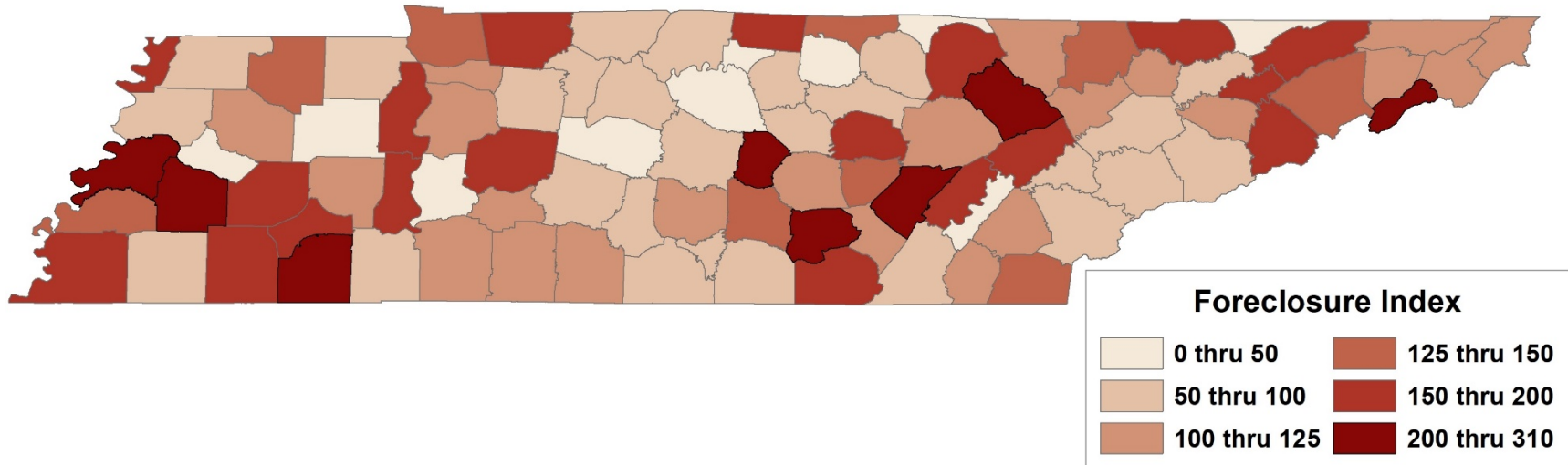


West Tennessee Foreclosure Index by County



Tennessee Foreclosure Index by County

Q4 2017



Quarterly Changes in Foreclosure Totals

Q4 2017

