

**Rising Foreclosure Rates in Indiana:
An Explanatory Analysis of Contributing Factors**

**Research Division
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Introduction

The national economic output grew a respectable 3.1 percent in 2003. The job market also appeared to have turned a corner with net payroll job additions in the latter part of 2003. One shining sector throughout the recent business cycle has been the housing sector as it recorded three successive years of record home sales and historically strong home price appreciations. Existing home sales increased 3 percent in 2001, 5 percent in 2002, and 10 percent in 2003. The median home price grew at 6 percent, 7 percent, 8 percent in the corresponding three years. Nationwide, the foreclosure rate showed no definitive trend one way or the other during the business cycle – presumably as the weak job market conditions were counterbalanced by the strong housing market conditions. In the latest data, the national foreclosure rate, in fact, showed a mild decline with 1.12 percent of the home loans in foreclosure as of the third quarter 2003 compared to 1.15 percent one year earlier.

Despite the overall upbeat national housing market picture, Indiana has witnessed a less than stellar housing market, particularly with regard to the foreclosure rate. Indiana had the second highest foreclosure rate in the country as of the third quarter 2003 with 2.6 percent of the home loans in foreclosure. Neighboring Ohio had the highest rate of foreclosure at 2.7 percent. The latest foreclosure data in Indiana reflects an increase from the 2.4 percent rate one year ago.

The high foreclosure rates in recent years are drastically out of the historical norm for Indiana. This paper examines the factors contributing to the high foreclosure rate in Indiana.

Foreclosure Rate History in Indiana

Historically, the foreclosure rate in Indiana did not differ significantly from the national average and rarely rose higher than 1.5 percent (Figure 1). For the most part, prior to 2001, the difference in foreclosure rates between Indiana and the U.S. had been less than half-a-percentage point. During most of the 1990s, the foreclosure rate in the state was below the national rate. Only in the past three years has the Indiana foreclosure rate significantly diverged from the national rate. As of the third quarter 2003, Indiana had the second highest foreclosure rate in the country with 2.6 percent of the loans in foreclosure. The national foreclosure rate was less than half that figure at 1.1 percent. The state's foreclosure rate gap in relation to the national foreclosure rate widened over the past year and shows no sign of abating (Figure 2).

Figure 1

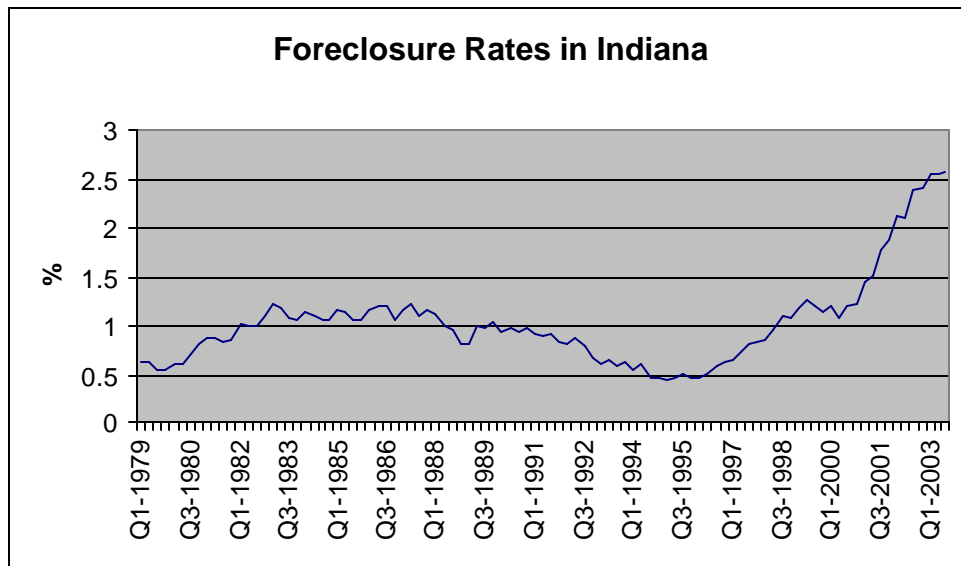
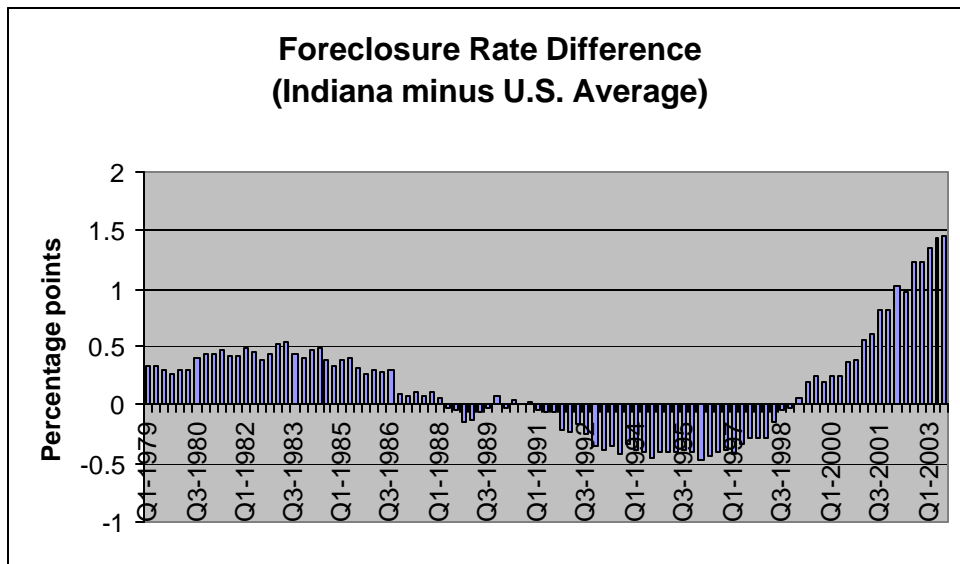


Figure 2



Population Trends in Indiana

Population growth in Indiana has lagged behind that of the nation. According to the Census Bureau, the national population grew by 1.1 percent while Indiana's population grew 0.5 percent or by 32,325 persons from July 2001 to July 2002 (2003 data not yet

available). Most of the increase in the state was due to natural birth. Foreign immigration added 12,520. But 8,672 people left Indiana for other states.

The longer-term perspective also shows a similar story with Indiana population growth lagging behind the national growth rate. From 1990 to 2000, the population grew by 9.7 percent, lower than the 13.1 percent growth for the U.S. The increase in population has primarily been driven by live births and from foreign immigration. Domestic migration, the movements of people currently residing in the United States, has been negative for some years in Indiana. That is, more people move out of Indiana and into other states than vice versa.

Causes of Foreclosure in Indiana

There are many factors that could contribute to home foreclosure. We examine each of these factors in detail below. Subsequently, we analyze all the factors simultaneously using econometric techniques to determine if there are statistically significant underlying factors related to high foreclosure rate in Indiana.

Job Market Condition

A job loss and the accompanying loss of a steady source of income would surely impact foreclosure of a home. Several newspaper articles cite experts in the field attributing job losses as the likely contributor to the rising foreclosure rates in Indiana and Ohio¹. A divergence in the default rates over the past years between two California cities also points to the job market conditions as the primary potential source of home loan foreclosure. The foreclosure rate rose in the job cutting San Francisco area and while the foreclosure rate fell in the job creating Los Angeles area².

Given the apparent importance of the job market to foreclosures, how has the job market fared in Indiana? During the recent national business cycle, the manufacturing sector was the hardest hit sector. The fact that Indiana has one of the highest percentages of workforce participation in the manufacturing industry (22 percent versus a 14.5 percent national average) made Indiana much more vulnerable to the macroeconomic slump. Job losses in Indiana began much before the rest of the country shedding jobs. Officially, the national economic recession, coinciding with the employment peak, began in March 2001. By contrast, job reductions in Indiana began in May 2000, nearly a full year before the start of the national job decline. Total state payroll employment in January 2004 was 2,872,200, a decrease of 4.7 percent or 141,900 jobs from the peak employment conditions nearly four years ago. By contrast, national payroll employment was down 1.9 percent from its peak. Most of the job losses in Indiana occurred from the latter part of 2000 to the end of 2001. The job losses continued in 2002 and 2003, but the pace of job cutting was more modest.

¹ *Northwest Indiana Times* quotes Professor Don Coffin at Indiana University, December 2, 2003.; *Business First of Columbus* quotes Professor Stephen Buser at Ohio State University, January 23, 2004.

² DataQuick news release, March 2003; San Francisco Chronicle, February 13, 2003.

With such sharp job losses in the state, it is not surprising that many Indiana residents faced foreclosure. Though correlation between two variables does not necessarily mean causation, a common sense everyday reasoning would suggest that a loss of 141,900 jobs must have contributed to a rise in the foreclosure rate over the last four years in Indiana. There were 638,877 loans serviced in Indiana, as of the third quarter 2003, of which 16,419 loans were in foreclosure. Historically speaking at the national level, about one percent of loans are in foreclosure at any given time for one reason or another. Therefore, the one percent of Indiana's loans serviced, or about 6,389 foreclosures can be considered normal. The fact that the number of actual foreclosures was roughly 10,000 more suggests that the sharp 141,900 job losses in the state likely contributed to the higher than normal foreclosure figures.

First-time Home Buyers

Indiana has one of the highest homeownership rates in the country. In 2003, 74.4 percent of residents in the state were homeowners versus 68.3 percent of residents for the country as a whole. There were only seven states with a higher homeownership rate than Indiana. Relatively low home prices in combination with a relatively low unemployment rate (5.1 percent for Indiana versus 5.6 percent for the nation, despite the job cuts) largely explain Indiana's high homeownership rate.

The homeownership rate in the state rose as many households took advantage of steadily falling mortgage rates and employment rose in the 1990s. From 1990 to 2000, the national homeownership rate rose from 63.9 percent to 66.2 percent. Growth in the home-owning population of Indiana accelerated much faster from 67.0 percent to 71.4 percent over the same period. While the national homeownership rate increased by 2.3 percentage points during the decade, it increased 4.4 percentage points in Indiana. One implication of the faster rise in the state's homeownership rate is a stronger reliance on first time homebuyers in Indiana than the rest of the country. Because first time homebuyers typically make a smaller down payment and carry higher mortgage rates, they are more susceptible to default and foreclosure particularly when the job market deteriorates. Therefore, a sour turn in the economy could impact foreclosures more heavily in a state that has experienced faster homeownership rate growth via new homebuyers. The Federal Deposit Insurance Corp (FDIC) mentions in its Winter 2003 report, but without offering any analysis, that Indiana residential lending delinquencies continue to rise partially as a result of the state's relatively high homeownership rate³.

Predatory Lending

Predatory lending is difficult to precisely define. Loans that prohibit or carry high penalty for prepayment (as when borrowers are denied the opportunity to refinance when market interest rate falls) could fit that definition of banks preying on desperate borrowers. But loans that are simply offered at higher interest rates cannot be said to be

³ *Indiana State Profile – Winter 2003*, FDIC, 2003.

predatory. Some loans are made to people with less than stellar credit records and these loans would necessarily be offered at a higher rate of interest and/or higher fees to compensate for the added risk to the lender. Furthermore, these high interest loans, in a sense are providing a second opportunity to those with a blemished credit history to improve their credit record. An important contributor to the nationwide rise in the homeownership rate is the enlargement of the pool of mortgage products that are offered to lower income and marginal borrowers.

The Indiana Mortgage Bankers Association collects data on mortgage products and it has found no evidence of significantly higher predatory or sub-prime lending in the state of Indiana. It stated that less than one-half of one percent of all of the loans covered by its survey were of sub-prime loans⁴. Furthermore, the Mortgage Area Research Institute found that Indiana ranked in the lowest level for the category of predatory lending⁵.

Government Backed Loans

There are two government programs that provide loan guarantees to lenders: FHA and VA. The VA loans are provided to veterans of the armed forces. FHA loans allow someone who may have had a few credit problems or with little down payment to obtain mortgage financing. In both cases, the lender does not bear the risk when foreclosure occurs. Rather, the FHA and VA guarantors absorb the risk.

In this study, the VA program is not deeply explored because VA loans are only given to veterans. Also, the usage rate has been very steady in Indiana and it closely matches that of the rest of the country. Therefore, the FHA loans are more strongly examined since their usage rate has varied over time and across states, and because they are an option available to most potential homebuyers.

It has been pointed out in research that first-time buyers are more likely to default on mortgages than repeat homebuyers. Furthermore, FHA loans have a higher concentration with a low down payment, are for first-time homebuyers, and are in lower-income areas, than does the conventional market⁶. In the latest Mortgage Bankers data, the foreclosure rate on conventional loans was 0.51 percent, while those of VA and FHA loans were 1.70 percent and 2.46 percent, respectively. In other words, VA loans were more than three times as likely to foreclose than conventional loans, while FHA loans were nearly five times as likely to foreclose than conventional loans.

The share of FHA loans in Indiana closely mirrored the national figures from 1997 to 1999. But a noticeably higher number of loans were obtained in Indiana through the backing of FHA beginning in 2000. Whereas 16 percent of all mortgage loans originated for home purchase were of FHA variety at the national level in 2000, 20 percent of loans

⁴ Indiana Mortgage Bankers Association press release on January 9, 2003.

⁵ August 2000 report.

⁶ Bunce, Harold L., Chales Capone, Sue Neal, William Reeder, Randall Scheessele, and Edward Szymanoski. 1996. *An Analysis of FHA's Single-Family Insurance Program*, the Department of Housing and Urban Development Research.

in Indiana had FHA backing. In 2001, the national FHA share rose only 1 percent point to 17 percent, while Indiana's FHA share rose 5 percent points to 25 percent. In 2002, the FHA loan share fell to 14 percent nationwide and to 21 percent in Indiana. Nonetheless, Indiana still maintained a much greater reliance on FHA loans than the rest of the country.

As discussed earlier, the foreclosure rate in Indiana has closely shadowed that of the national figure for most years with an absolute difference of less than half percent. The marked difference began to show in 2001. By the second quarter of 2001, Indiana's foreclosure rate was higher than the national rate by 0.6 percent. The gap widened further to a full 1 percent by 2002. As recently as the fourth quarter of 1998 and for most of the 1990s, Indiana's foreclosure rate was lower than the national average.

Coincidentally or perhaps as a result of, the Indiana foreclosure rate began to noticeably deviate from the national rate at the same time that FHA backed loans increased in Indiana. Table 1 shows the difference in foreclosure rate by type of loans and by region. It shows that the foreclosure rate in Indiana for each of the loan types is higher than the national average and, with exception of FHA loans, higher than the average for the East-North Central States (comprised of Illinois, Indiana, Michigan, Ohio, and Wisconsin). It also shows that FHA loans in general have a higher foreclosure rate than other types of loans.

Table 1: Foreclosure Rates by Type of Loans, 2003 Q3

	FHA	VA	Conventional	All loans
Indiana	4.42	3.26	1.27	2.57
East North Central	4.53	2.88	0.83	1.83
U.S.	2.80	1.53	0.53	1.12

But why is the foreclosure rate for FHA loans higher in Indiana and the East North Central region compared to the rest of the country? And why do conventional loans have a much higher foreclosure rates in Indiana versus the rest of the country? These questions are addressed in the econometric analysis section below.

High Loan-to-Value Ratio

Borrowers who are not able to tap the conventional home loan market and/or have only a small down payment can turn to FHA or VA loans as alternative source. In Indiana, many have indeed turned to FHA in the past three years (see above). However, even within the conventional loan arena, Indiana borrowers take out loans with greater leverage than borrowers in most other states. According to the Federal Housing Finance

Board, the loan-to-value (LTV) ratio was 80.2 percent in 2003 in Indiana. The national average was 73.6 percent. (In 2002, the figures were 80.1 percent in Indiana and 75.1 percent for the nation, hence there was increased leveraging in Indiana at a time when the nation as a whole saw a slightly lower use of leverage.) Only nine states had a higher LTV than Indiana. Dissecting the data further, a third (33 percent) of the conventional loans in Indiana had an LTV greater than 90 percent. Only six states had a higher percentage with LTVs greater than 90 percent.

Certainly, higher values of LTV increase the likelihood of default because there is a greater chance that the borrower will be in a negative equity position early in the life of the loan. If the borrower has a low LTV or adequate positive equity, they will sell and repay the loan. If, on the other hand, the equity in property is sufficiently negative after accounting for the transaction costs (e.g., real estate agent fees), the borrower will default. Economists have argued that it is indeed rational for borrowers to default on the loan if the selling of home does not yield enough cash to pay off the outstanding mortgage.⁷

A HUD report in 2002 indicated that Indianapolis ranked 4th in the usage of down payment assistance. The report also noted that the default rate for loans using down payment assistance programs were much higher than similar loans that did not require down payment assistance. This result should not be surprising. Historically, lenders demanded that borrowers make a tangible financial investment – i.e., down payment - as a sign of commitment and discipline on the part of borrower. But with down payment assistance, there is less of a hook to keep the borrower from foreclosing.

Given that there is a higher than average percentage of mortgages with high LTVs in Indiana, a greater than normal foreclosure rate should be expected. Part of the blame for high foreclosure rates can be placed on lenders' willingness to provide for such loans. (Though, lenders may be financially indifferent to providing these highly leveraged loans provided higher interest rates can compensate for incurring the added default risk.)

High LTV loans become less of an issue if home prices quickly appreciate and, hence, lower LTV. In fact, states that have low LTVs are those states that witnessed strong price gains in recent years such as California, New York, Massachusetts and Connecticut.

Indiana, as is the case with most Midwestern states, has seen a much lower rate of home price appreciation. According to the fourth quarter 2003 price index created by the Office of Federal Housing Enterprise Oversight (which is based on convention loans purchased by Fannie Mae and Freddie Mac), Indiana ranked 45th in the most recent measure of one-year price growth (had been 49th in the prior year). Over the most recent five-year span, Indiana ranked 49th (had been 45th in the prior year). Therefore, the persistent low rate of home price appreciation in Indiana is likely to be one of the contributing factors for the higher LTV loans and the consequent higher foreclosure rate.

⁷ Ambrose and Capone, Cost-Benefit Analysis of Single-Family Foreclosure Alternatives, *Journal of Real Estate Finance and Economics*, Sep, 1996.

As for the reason for the low home price appreciation in Indiana, one can point to relatively high rates of new homebuilding activity in relation to employment growth and the overall negative migration trend where more people move out of the state versus those moving in. The construction of new single-family homes has steadily and sharply risen over the past 10 years. In 1990 only 19,000 new units were built. In each of the past six years, more than 30,000 single-family units came on line. In 2003, despite the lingering effects of job losses, rising foreclosure rates, and low home price growth, home building increased 3.6 percent in the state. The very active new homes market has helped to dampen home price appreciation.

Other Factors

Indiana residents pay higher mortgage rates than rest of the country. Based on Federal Housing Finance Board, the average effective mortgage rate (accounting for initial fees and points) for a conventional loan in Indiana in 2002 was 6.02 percent - the highest in the country. The national average was 5.73 percent. One reason for the higher average interest rate is that Indiana borrowers put less upfront for down payment. As discussed earlier, the loan-to-value (LTV) ratio for Indiana borrowers was 80.2 percent versus 73.6 percent for the nation. But given that there were nine states with higher LTVs, the greater borrowing leverage in itself cannot justify such a high interest rate in Indiana.

The additional premium for conventional loans that Indiana borrowers are paying must arise from some other factor aside from the higher LTVs. One hard to quantify factor are the legal and institutional factors. What are borrowers and lenders rights in the case of default and foreclosure? Will it be a lengthy judicial process or faster completion by a non-judicial trustee? Foreclosure procedures vary greatly from state to state with some taking an average of six weeks, while others take up to eighteen months. In the long run, a state with laws favoring borrowers at the expense of lenders will have higher interest rates to enable the lenders to quickly reclaim their financial interests.

NAR Research is not expert in the intricacies of the state foreclosure laws. We cannot therefore examine this factor and its influence on the rising foreclosure rate other than point out that it may affect mortgage rates and foreclosure rates.

Finally, it is impossible to quantify mortgage fraud in which people inflate appraisals or fake paperwork. How much of that occurs in Indiana and the level of law enforcement is an open question that cannot be answered.

Econometric Results on Foreclosure

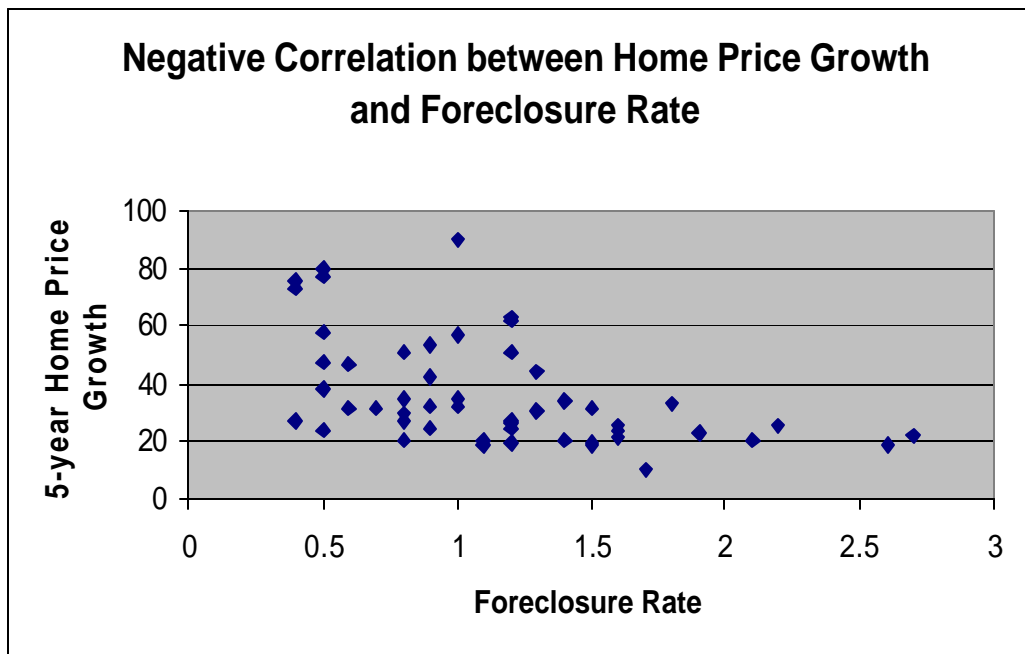
We have examined several factors that could influence the foreclosure rate, from job market conditions to the wider prevalence of FHA loans. We have suggested possible relationships between the rising foreclosure rate and job losses, higher LTV ratios, and the like. However, statistically speaking a correlation between two variables does not necessarily imply causation. Hence, in order to obtain a more statistically robust results,

we resort to a more sophisticated analysis would take into account all of the potential factors simultaneously. One commonly used tool is an econometric analysis, which assesses one economic variable of interest as a function of other explanatory variables. This method can isolate the level of statistical confidence and the magnitude of factors in explaining the changes in foreclosure rate.

We performed econometric analysis of 51 (50 states plus D.C.) foreclosure rates on the factors that were discussed. Our results indicate that the following factors significantly influence the foreclosure rate:

- Percentage of conventional loans with LTV over 90 percent
- Loss of payroll jobs
- Low 5-year home price growth

That is, if a certain state had a high percentage of conventional loans with LTVs over 90 percent, then this state had a higher foreclosure rate, other things equal. The same can be said for the loss of jobs (since March 2001 – the official beginning of the recession - to December 2003 in percentage terms). Finally, the states that have had low home price growth in the past 5 years were associated with higher foreclosure rates.



Surprisingly, the homeownership rate did not produce a statistically significant result, implying that a high or low homeownership rate did not influence foreclosure if other factors remained the same. Also, the share of FHA loans did not produce statistically significant result. One reason for the lack of statistical significance on the share of FHA

loan could be due to the fact that it is highly correlated with percentage of loans with LTV over 90 percent. That is, both the FHA share and LTV over 90 percent in essence are trying to capture the same phenomenon of a more risky loan to less-than-stellar credit holders. Mathematically speaking, when two variables are highly correlated, the econometric analysis has difficulty in producing statistical significance for both of the variables. A separate correlation analysis indeed produced result that showed close correlation between high FHA loan usage and high conventional loans with LTV greater than 90 percent.

In sum, it is safe to conclude with a degree of statistical confidence that the high percentage of conventional loans over 90 percent, job losses, and low home price growth to contribute to foreclosure.

A Focus on Indianapolis

The Indianapolis metropolitan area is the largest city in the state and comprises 28 percent of the state's labor force. We, therefore, provide additional analysis of this city. However, because data are more limited at the metro level (there is no data for foreclosure rates at the city level), we cannot fully examine the foreclosure rate in the city as was done for the state as a whole.

Economic and demographic trends in Indianapolis have been noticeably different than that of the state as a whole. While state employment lagged behind the national growth rate, Indianapolis surpassed it. From 1990 to 2000, employment rose 23.5 percent in the metro area (or by 170,100) outpacing the national employment growth rate of 20.4 percent. As discussed earlier, the job reductions in Indiana were some of the sharpest in the nation. A total of 141,900 jobs were lost in the state since its peak. The job losses in Indianapolis have been just as severe with 42,800 job cuts from its peak in June 2000.

Interestingly though, the migration pattern in Indianapolis has differed with the state as whole. The movement of residents has been mildly favorable for Indianapolis. The total population grew by 22,647 in 2002 or by 1.4 percent (compared to 0.5 percent for Indiana as a whole and 1.1 percent for the nation.) The faster population growth is consistent with tax records showing that more new residents were coming into the city compared to residents that were leaving. This trend is somewhat unusual for a city in the Midwest given that the overall U.S. migration pattern has been away from cold northern states like New York and Illinois and into warmer sunnier states like Florida and Texas.

In terms of home price movement, Indianapolis has mirrored the state's drudgingly low price appreciation. According to the home price index (from the Office of Federal Housing Enterprise Oversight), the city's typical home price grew 2.85 percent from one year ago to the fourth quarter 2003. Over the past five years, Indianapolis home price rose 18.8 percent versus 19.1 percent for the state. The prime cause of low home price

growth is the active supply of new homes hitting the market. New single-family homes coming to the market were well under 10,000 from 1990 to 1994. By contrast, this figure was 12,500 to slightly over 17,000 per year in the past five years. Low mortgage rates in more recent years partly explain the robustness of new home building activity, but relative to other cities in the Midwest, the increase in Indianapolis has been absolutely phenomenal. Columbus, Ohio, which is of similar size in population to Indianapolis added just over 10,000 per year over the same period. The only good news here is that homebuilders appear to recognize potential overbuilding in the city and have reduced new construction in 2003. The single-family new home construction fell 7.7 percent.

Regarding the trend in FHA loan utilization, it has spiked up significantly in 2001 for each of the counties comprising the Indianapolis metro market before coming off a bit in 2002. Nevertheless, the FHA utilization is still at elevated levels and could translate into higher foreclosures, if the job market continues to remain sluggish.

Table1: FHA share of mortgage loans

	1997	1998	1999	2000	2001	2002
BOONE COUNTY	16%	11%	16%	16%	19%	13%
HAMILTON COUNTY	13%	14%	17%	17%	26%	18%
HANCOCK COUNTY	23%	20%	21%	21%	39%	36%
HENDRICKS COUNTY	22%	23%	28%	28%	40%	33%
JOHNSON COUNTY	27%	26%	30%	30%	40%	31%
MADISON COUNTY	29%	22%	25%	25%	30%	30%
MARION COUNTY	36%	34%	34%	34%	41%	35%
MORGAN COUNTY	21%	20%	21%	21%	33%	31%
SHELBY COUNTY	26%	25%	28%	28%	33%	28%

Finally, one other relevant data available at the metro level is the LTVs for conventional loans. Indianapolis' conventional loans were getting higher leverage than before. In 2003, the average LTV for Indianapolis was roughly identical to the state average at 79.4 percent, up from 77.5 percent the year earlier. Also, 28 percent of the conventional loans had LTV greater than 90 percent (versus 33 percent for the whole state).

In sum, the factors that contribute to foreclosures in Indianapolis closely reflect the situation for all of Indiana. Hence, similar foreclosure rate trends are likely to be occurring in Indianapolis as have occurred for the state as a whole.

Conclusion

The foreclosure rate in Indiana rose dramatically and nearly contemporaneously with the demise in the state's job market situation. Indiana suffered more than the rest of the country given its heavier reliance on the manufacturing industry. The weakening job market may have been the catalyst for people resorting to traditionally more risky home

loans – as evidenced by higher LTVs and higher usage of FHA loans. Also, homebuilding activity in the state remained unusually strong despite the higher foreclosure rate and low home price appreciation (and hence, presumably lower profit opportunities). With little chance to accumulate housing equity given the minimal home price appreciations, many homebuyers who lost job and income simply were unable to meet mortgage payments. Foreclosures, thereby, rose.

But the outlook on foreclosures looks brighter going into 2004. The national job market has made gains since October 2003. The weakening of the dollar has helped the manufacturing sector to better compete here at home and has opened wider export opportunities abroad. The Institute of Supply Management index (ISM), which measures manufacturing activity, has been at elevated levels since the second half of 2003, hence pointing to a solid year for the industry in 2004. The Indiana job market will surely follow that lead and a decline in foreclosures will likely follow. Indiana went through a very rough period, but the worst appears to be over.

Appendix

Cross-Section Econometric Analysis

The state foreclosure rate is a function of the state homeownership rate, the share of FHA loans in the state, the percentage of conventional loans with LTVs greater than 90 percent in the state, payroll job growth (from March 2001 to December 2003 in percentage terms) and five-year home price growth (to fourth quarter 2003 in the OFHEO price index). That is,

$$\text{Foreclosure rate} = a_0 + a_1 \cdot \text{homeownership rate} + a_2 \cdot \text{FHA share} + a_3 \cdot \text{LTV90} + a_4 \cdot \text{job growth} + a_5 \cdot \text{five-year home price growth}$$

Data are from 50 states plus the District of Columbia in 2002, yielding 51 observations. The regression results are as follows:

R-square = 0.451

Variable	Coefficient	T-statistic
A0	-1.8	1.9
A1	-.011	-0.9
A2	0.30	0.2
A3*	-0.017	2.2*
A4*	-9.5	-3.5*
A5*	-0.012	-2.5*

*Statistically significant

Data

State Level Data

	Homeownership rate (Census 2002)	FHA share (New home loans approved for home purchase – not refi – in 2002 HMDA)	Five-year Home price Growth (1998 Q4 to 2003 Q4; OFHEAO)	Job Growth (March 2001 to December 2003; BLS)	Foreclosure rate (2003 Q3; MBA)	LTV greater than 90% (2002 FHFB)
Alabama	76.2	16%	19.2	-2.3%	1.2	39
Alaska	70.0	25%	26.7	6.2%	0.4	28
Arizona	67.0	16%	35.1	1.6%	0.8	24
Arkansas	69.6	19%	20.5	-1.1%	1.1	37
California	58.9	9%	75.7	-2.0%	0.4	9
Colorado	71.3	23%	42.6	-4.1%	0.9	14
Connecticut	73.0	13%	51.2	-2.3%	0.8	15
Delaware	77.2	13%	44.3	-3.0%	1.3	16
DC	43.0	10%	90.2	2.8%	1.0	19
Florida	69.5	10%	53.2	2.3%	0.9	18
Georgia	71.4	18%	30.8	-0.3%	1.3	26
Hawaii	58.3	4%	37.9	2.5%	0.5	10
Idaho	74.4	18%	19.1	1.0%	1.1	18
Illinois	70.7	14%	33.8	-2.6%	1.4	17
Indiana	74.4	21%	19.1	-2.8%	2.6	33
Iowa	73.4	10%	24.4	-2.1%	1.2	31
Kansas	70.3	14%	26.6	-0.3%	1.2	35
Kentucky	74.4	15%	23.3	-2.3%	1.9	16
Louisiana	67.5	17%	25.1	-1.8%	1.6	31
Maine	73.7	10%	56.7	-0.8%	1.0	14
Maryland	71.6	21%	50.9	-0.4%	1.2	19
Massachusetts	64.3	7%	77.1	-5.4%	0.5	11
Michigan	75.6	14%	31.1	-4.8%	1.5	29
Minnesota	77.2	13%	58.0	-1.8%	0.5	21
Mississippi	73.4	18%	20.5	-0.5%	2.1	35
Missouri	74.0	15%	32.2	-2.8%	1.0	33
Montana	71.5	18%	31.2	1.4%	0.7	15
Nebraska	69.5	22%	20.6	-0.7%	0.8	28
Nevada	64.8	14%	34.4	4.1%	1.0	18
New Hampshire	74.4	8%	73.1	-1.8%	0.4	15
New Jersey	66.9	10%	62.8	0.7%	1.2	10
New Mexico	70.3	20%	18.9	3.2%	1.5	54
New York	54.3	10%	61.5	-3.0%	1.2	14
North Carolina	70.0	13%	21.4	-3.0%	1.6	27
North Dakota	68.7	21%	23.6	0.0%	0.5	21
Ohio	72.8	15%	22.4	-4.4%	2.7	29
Oklahoma	69.1	20%	23.3	-2.7%	1.6	28

Oregon	68.0	11%	24.5	-2.6%	0.9	11
Pennsylvania	73.7	12%	32.9	-1.5%	1.8	23
Rhode Island	59.9	14%	79.3	0.2%	0.5	21
South Carolina	75.0	8%	25.7	-3.4%	2.2	34
South Dakota	70.9	15%	26.8	1.3%	0.8	15
Tennessee	70.8	18%	19.4	-1.7%	1.5	27
Texas	64.5	19%	27.0	-1.0%	1.2	27
Utah	73.4	27%	9.9	-0.9%	1.7	15
Vermont	71.4	4%	46.9	-0.2%	0.6	27
Virginia	75.0	15%	47.6	-0.4%	0.5	14
Washington	65.9	13%	29.2	-1.7%	0.8	11
West Virginia	78.1	10%	20.7	-1.9%	1.4	18
Wisconsin	72.8	6%	32.1	-2.5%	0.9	23
Wyoming	72.9	13%	31.4	3.1%	0.6	22

Mortgage Foreclosure Data

Description	All Loans in Foreclosure at End of Quarter, Indiana (NSA, %)	All Loans in Foreclosure at End of Quarter, U.S. (NSA, %)
Source	Mortgage Bankers Association	Mortgage Bankers Association
Q1-1979	0.64	0.31
Q2-1979	0.63	0.30
Q3-1979	0.56	0.27
Q4-1979	0.55	0.29
Q1-1980	0.61	0.32
Q2-1980	0.62	0.32
Q3-1980	0.72	0.33
Q4-1980	0.82	0.38
Q1-1981	0.87	0.44
Q2-1981	0.88	0.41
Q3-1981	0.83	0.41
Q4-1981	0.86	0.44
Q1-1982	1.02	0.53
Q2-1982	1.00	0.55
Q3-1982	1.00	0.62
Q4-1982	1.10	0.67
Q1-1983	1.22	0.71
Q2-1983	1.19	0.66
Q3-1983	1.09	0.66
Q4-1983	1.07	0.67
Q1-1984	1.14	0.68
Q2-1984	1.11	0.63
Q3-1984	1.06	0.68
Q4-1984	1.06	0.73
Q1-1985	1.17	0.79
Q2-1985	1.15	0.76
Q3-1985	1.06	0.75
Q4-1985	1.07	0.81
Q1-1986	1.16	0.87
Q2-1986	1.20	0.92
Q3-1986	1.21	0.92
Q4-1986	1.07	0.98
Q1-1987	1.16	1.09
Q2-1987	1.22	1.12
Q3-1987	1.11	1.03
Q4-1987	1.17	1.06
Q1-1988	1.13	1.07
Q2-1988	1.00	1.03
Q3-1988	0.96	1.00
Q4-1988	0.81	0.95
Q1-1989	0.82	0.95

Q2-1989	0.99	1.06
Q3-1989	0.97	0.99
Q4-1989	1.05	0.98
Q1-1990	0.94	0.97
Q2-1990	0.97	0.93
Q3-1990	0.94	0.93
Q4-1990	0.97	0.94
Q1-1991	0.92	0.97
Q2-1991	0.89	0.96
Q3-1991	0.92	0.98
Q4-1991	0.83	1.04
Q1-1992	0.81	1.04
Q2-1992	0.88	1.04
Q3-1992	0.79	1.04
Q4-1992	0.67	1.02
Q1-1993	0.62	1.00
Q2-1993	0.66	1.02
Q3-1993	0.59	1.01
Q4-1993	0.63	0.96
Q1-1994	0.55	0.94
Q2-1994	0.62	1.03
Q3-1994	0.46	0.92
Q4-1994	0.46	0.86
Q1-1995	0.45	0.86
Q2-1995	0.47	0.88
Q3-1995	0.52	0.91
Q4-1995	0.46	0.87
Q1-1996	0.47	0.95
Q2-1996	0.52	0.96
Q3-1996	0.59	1.00
Q4-1996	0.64	1.03
Q1-1997	0.66	1.08
Q2-1997	0.74	1.08
Q3-1997	0.81	1.09
Q4-1997	0.83	1.11
Q1-1998	0.86	1.14
Q2-1998	0.96	1.10
Q3-1998	1.10	1.14
Q4-1998	1.08	1.11
Q1-1999	1.19	1.14
Q2-1999	1.27	1.07
Q3-1999	1.20	0.95
Q4-1999	1.15	0.96
Q1-2000	1.20	0.95
Q2-2000	1.09	0.85
Q3-2000	1.21	0.84

Q4-2000	1.23	0.85
Q1-2001	1.45	0.90
Q2-2001	1.52	0.91
Q3-2001	1.78	0.95
Q4-2001	1.87	1.04
Q1-2002	2.12	1.10
Q2-2002	2.11	1.13
Q3-2002	2.38	1.15
Q4-2002	2.41	1.18
Q1-2003	2.56	1.20
Q2-2003	2.56	1.12
Q3-2003	2.57	1.12

Mortgage Rate Data 2003 (Federal Housing Finance Board)

States	Contract Interest Rate (%)	Initial Fees and Charges (%)	Effective Rate (%)	Loan to-Price Ratio(%)	% of Loans LTV 70.0 Less	% of Loans LTV 70.1 - 80.0	% of Loans LTV 80.1 - 90.0	% of Loans LTV - Over 90.0
	5.67	0.37	5.73	73.5	29	42	9	20
ALABAMA	5.75	0.51	5.82	81.6	14	38	9	39
ALASKA	5.55	1.33	5.75	81.3	16	36	20	28
ARIZONA	5.72	0.52	5.8	74.8	27	40	9	24
ARKANSAS	5.84	0.31	5.89	78.2	20	31	13	37
CALIFORNIA	5.54	0.19	5.57	65.2	46	41	5	9
COLORADO	5.54	0.45	5.61	73.7	29	48	9	14
CONNECTICUT	5.68	0.26	5.72	69.9	39	39	8	15
DELAWARE	5.87	0.48	5.94	74.8	27	44	13	16
DISTRICT OF COLUMBIA	5.69	0.27	5.73	69.7	30	46	5	19
FLORIDA	5.78	0.17	5.8	73.5	28	42	11	18
GEORGIA	5.72	0.34	5.77	74.3	24	42	9	26
HAWAII	5.43	0.81	5.55	74.9	25	56	9	10
IDAHO	5.66	0.52	5.74	75	26	46	9	18
ILLINOIS	5.54	0.2	5.57	73.5	32	40	11	17
INDIANA	5.97	0.29	6.02	80.2	18	36	13	33
IOWA	5.66	0.97	5.8	80.9	15	41	13	31
KANSAS	5.69	0.32	5.73	80.6	16	39	9	35
KENTUCKY	5.68	0.55	5.76	76.8	22	50	12	16
LOUISIANA	5.65	0.59	5.74	81.5	17	37	16	31
MAINE	5.72	0.3	5.76	71	39	37	11	14
MARYLAND	5.91	0.64	6	73.4	26	47	8	19
MASSACHUSETTS	5.55	0.22	5.58	69.1	38	39	12	11
MICHIGAN	5.54	0.25	5.58	79.6	16	48	7	29
MINNESOTA	5.46	1.06	5.62	77.2	23	48	8	21
MISSISSIPPI	5.66	0.68	5.77	81.5	14	35	15	35
MISSOURI	5.84	0.35	5.89	78.7	20	37	9	33
MONTANA	5.74	0.9	5.88	73.7	33	42	10	15
NEBRASKA	5.79	0.75	5.9	80.2	17	46	9	28
NEVADA	5.74	0.37	5.79	71.4	30	43	9	18
NEW HAMPSHIRE	5.74	0.3	5.78	71.8	35	39	11	15
NEW JERSEY	5.67	0.25	5.71	68.4	44	37	9	10
NEW MEXICO	5.83	0.52	5.91	86	12	27	7	54
NEW YORK	5.63	0.21	5.66	70.8	39	38	9	14
NORTH CAROLINA	5.72	0.45	5.79	74.2	23	42	8	27
NORTH DAKOTA	5.58	0.99	5.72	80.4	14	53	13	21
OHIO	5.66	0.59	5.74	80.9	15	43	12	29
OKLAHOMA	5.94	0.25	5.98	76.3	25	34	13	28
OREGON	5.55	0.22	5.58	68.9	39	43	7	11
PENNSYLVANIA	5.78	0.43	5.84	76.9	24	41	12	23
RHODE ISLAND	5.81	0.26	5.85	72	33	36	9	21
SOUTH CAROLINA	5.67	0.3	5.71	78.4	20	35	11	34

SOUTH DAKOTA	5.56	1.32	5.76	78	17	58	10	15
TENNESSEE	5.8	0.44	5.87	76.2	21	42	10	27
TEXAS	5.81	0.3	5.85	73.7	27	38	8	27
UTAH	5.44	0.45	5.5	73.9	31	44	10	15
VERMONT	5.66	0.38	5.72	77.6	26	30	16	27
VIRGINIA	5.82	0.62	5.91	71.6	27	51	8	14
WASHINGTON	5.5	0.26	5.54	69.8	37	44	7	11
WEST VIRGINIA	5.87	0.8	5.99	78.6	15	50	17	18
WISCONSIN	5.69	0.42	5.75	78.8	18	48	11	23
WYOMING	5.67	1.26	5.86	78.4	20	48	10	22