

## Foreclosures and Subprime Lending in Oregon

Although Oregon has not experienced as significant an increase in mortgage foreclosures as many other states, the foreclosure rate in Oregon is rising and likely will continue to rise as many Oregonians with subprime loans see their interest rates increase in coming months. Below is a snapshot of the recent data available regarding foreclosures and delinquent mortgages.

### Foreclosure rates in Oregon are on the rise.

- In the fourth quarter of 2007, 0.72 percent of Oregon mortgages were in foreclosure, according to the Mortgage Bankers Association (MBA). That amounts to about 4,680 households. The foreclosure rate in Oregon has increased 26 percent from the third quarter of 2007 and about 85 percent since the same period in 2006.
- The foreclosure rate is significantly higher – and growing faster – for borrowers with subprime loans. The MBA reports that 3.95 percent of subprime loans in Oregon were in foreclosure in the fourth quarter of 2007, a 35 percent increase from the third quarter of 2007 and a 128 percent increase year over year.
- Of borrowers with subprime adjustable rate mortgages, 5.82 percent were in foreclosure in the fourth quarter of 2007, compared with 4.24 percent were in foreclosure in the third quarter of 2007 and 2.08 percent during the same period in 2006.

### An increasing number of Oregonians with subprime loans cannot afford their mortgage payments, putting them at risk of foreclosure.

- Of Oregon borrowers with subprime loans, the MBA reports that 11.68 percent had missed one or more payments during the fourth quarter of 2007, which is up from 10.28 percent during the previous quarter and 8.47 percent from the previous year.
- The MBA reports that 14.08 percent of Oregon borrowers with subprime adjustable rate mortgages had missed one or more payments in the fourth quarter of 2007, compared with 12.41 percent in the previous quarter and 9.54 percent the previous year.

### More subprime borrowers will have trouble making their mortgage payments in coming months when their interest rates reset, leading to more foreclosures.

- The number of Oregonians with subprime loans has increased dramatically in recent years. There are approximately 88,400 outstanding subprime mortgages in Oregon, and more than 12,000 of those are expected to go into foreclosure in the next 2 ½ years, according to an October 2007 study by the U.S. Congress Joint Economic Committee. The MBA reports the number of subprime mortgages in Oregon has increased approximately 500 percent in the past five years.
- Adjustable interest rates often increase substantially after an initial period, typically two years. When interest rates on these loans reset, homeowners may face increases of 25 percent to 40 percent in their mortgage payments. Many of these homeowners will not be able to refinance because underwriting standards have tightened up substantially in recent months, and lenders are demanding better credit ratings, more documentation of income, and higher down payments.