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# Jefferson County Housing Market Update

June 26, 2013

Jim Fuchs

Assistant Vice President

Federal Reserve Bank of St. Louis

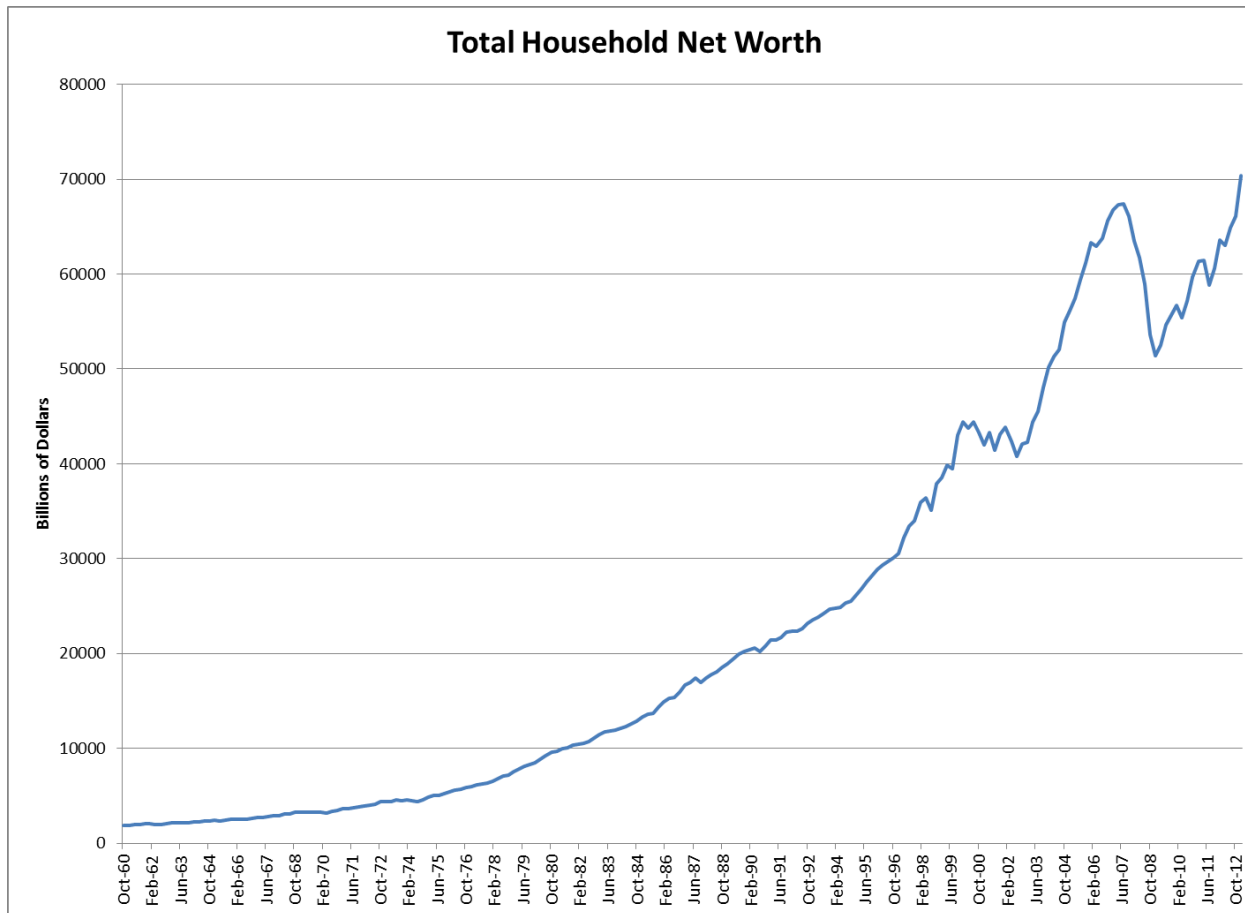
These comments reflect my own views, not necessarily those of the Federal Reserve Bank of St. Louis.

# Overview

- **The National Picture**
  - The Economy
  - Housing Market Performance
- **The Local Picture**
  - Housing Market Performance
    - Jefferson County/Missouri
- **Qualified Mortgages**
- **Housing Market Conditions Report**

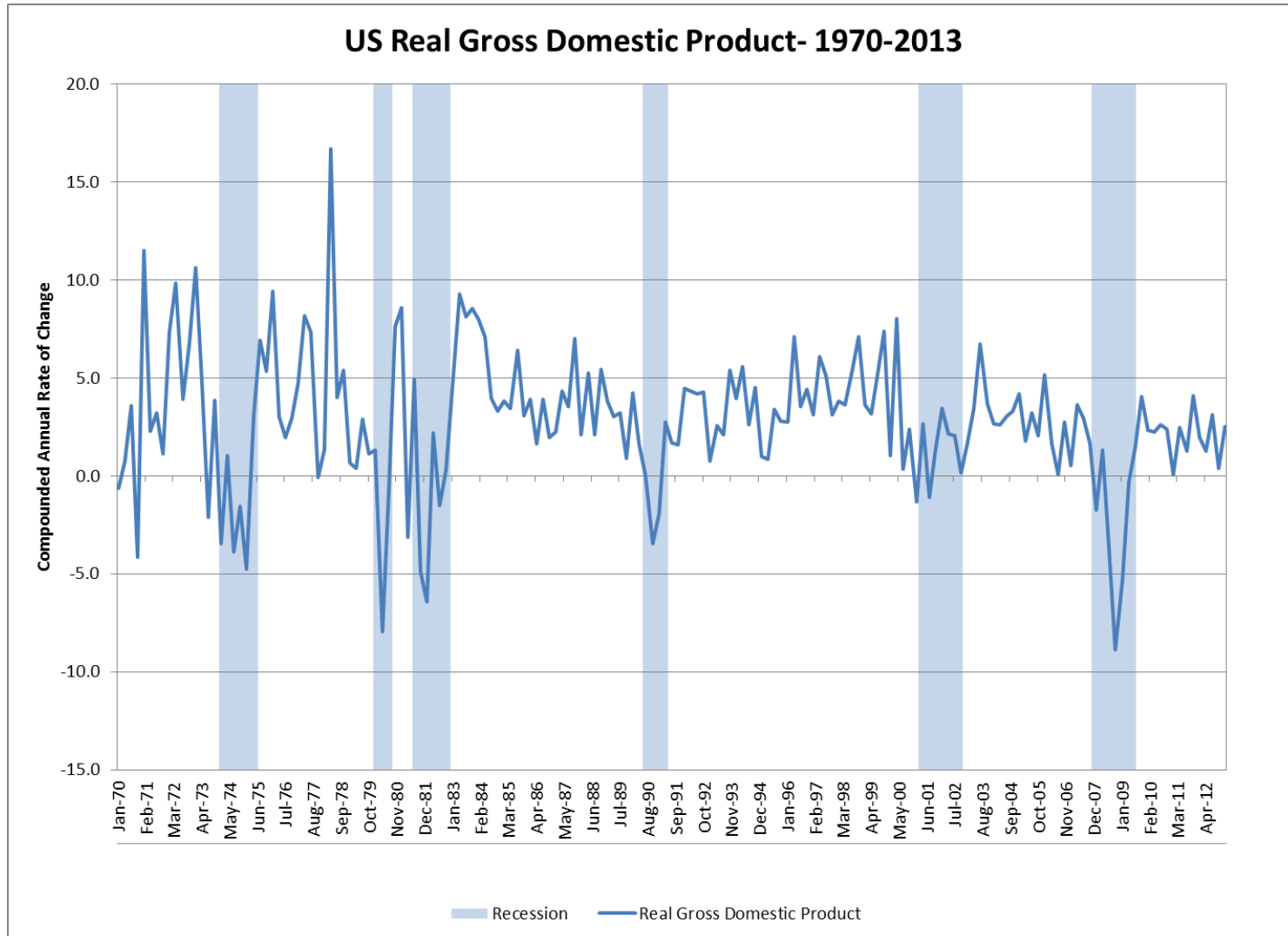
# The National Picture

# National: US Household Net Worth is Back on Track



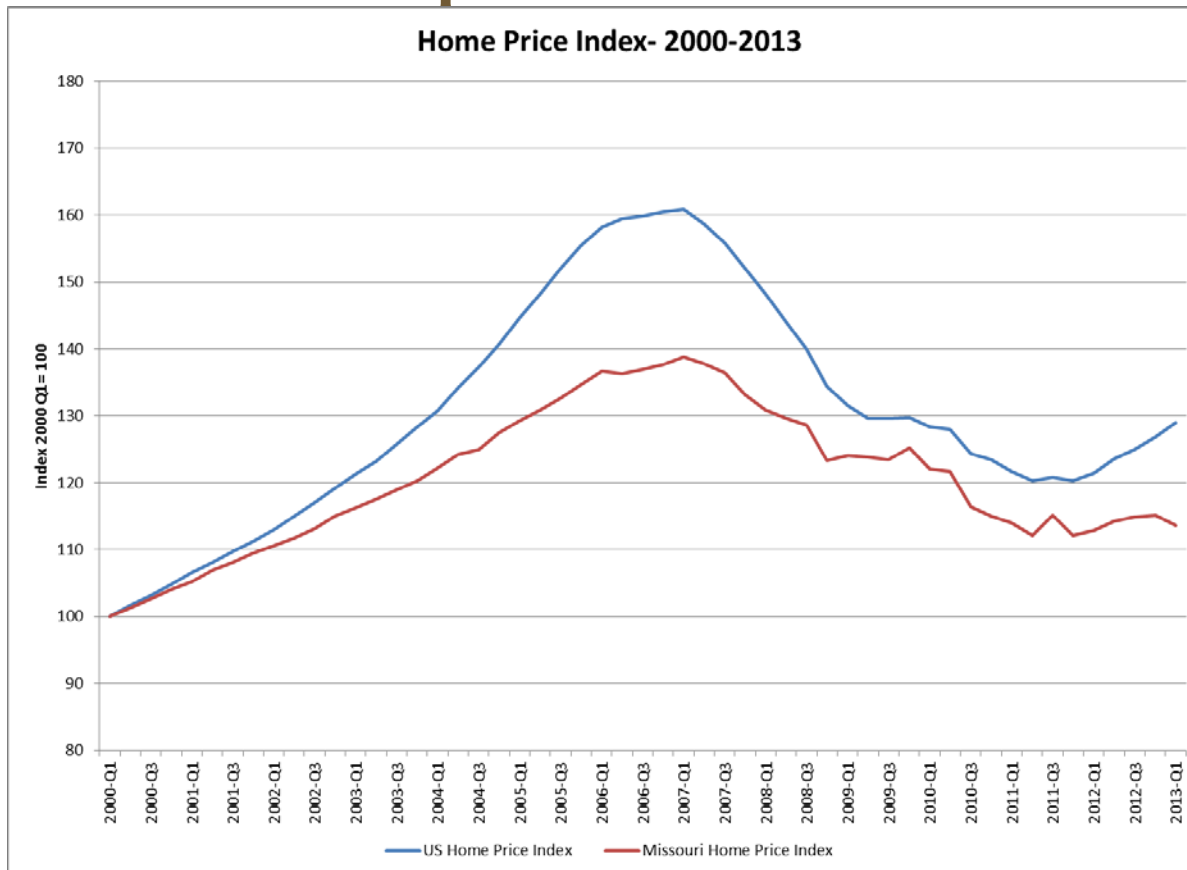
Source: Board of Governors of the Federal Reserve System

# National: GDP is still below historical averages



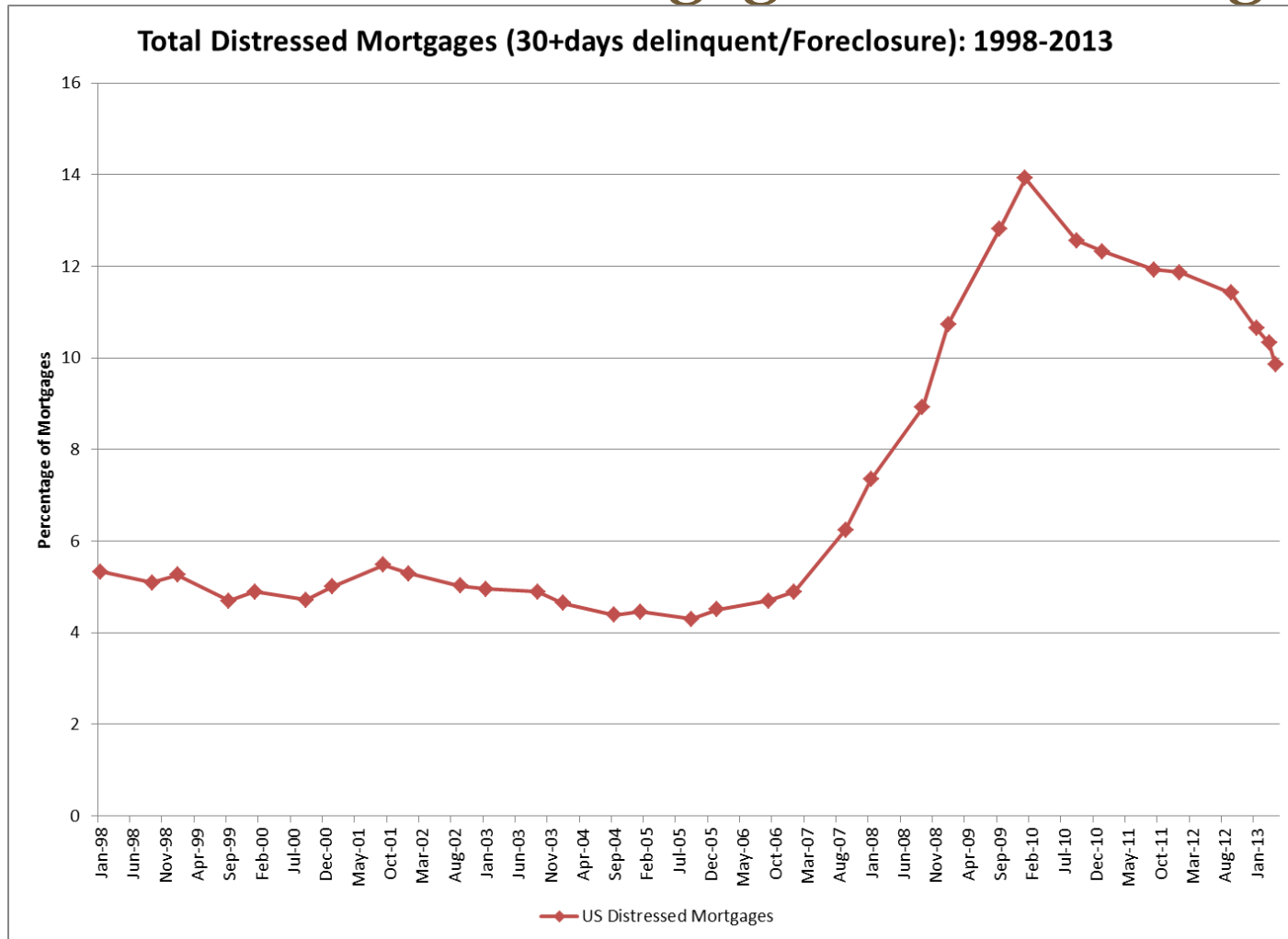
Source: Bureau of Economic Analysis

# National: US Home Prices are up, but still well below 2006 peak



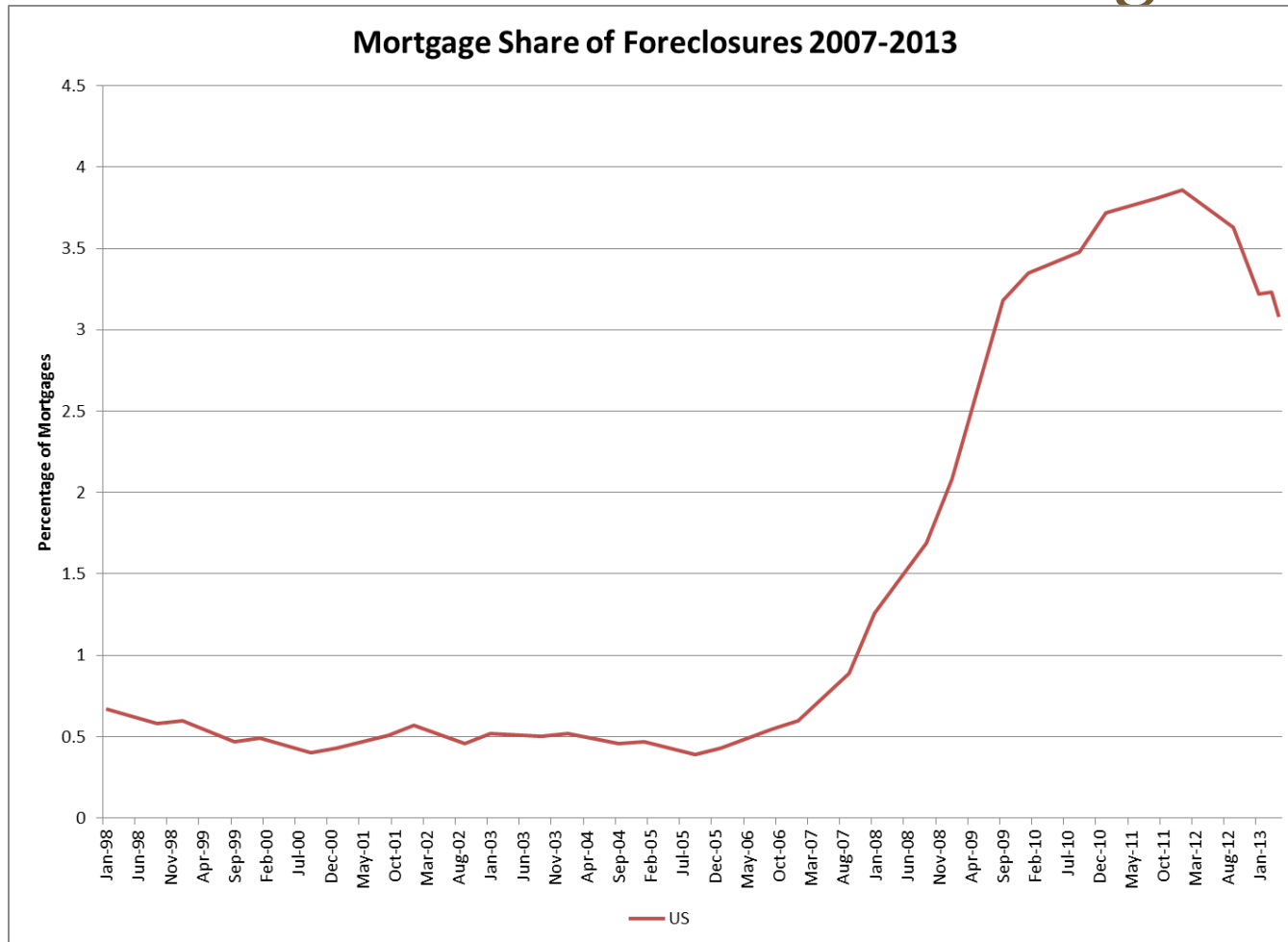
Source: Federal Housing Finance Agency

# National: Distressed Mortgages are trending down



Source: Lender Processing Services

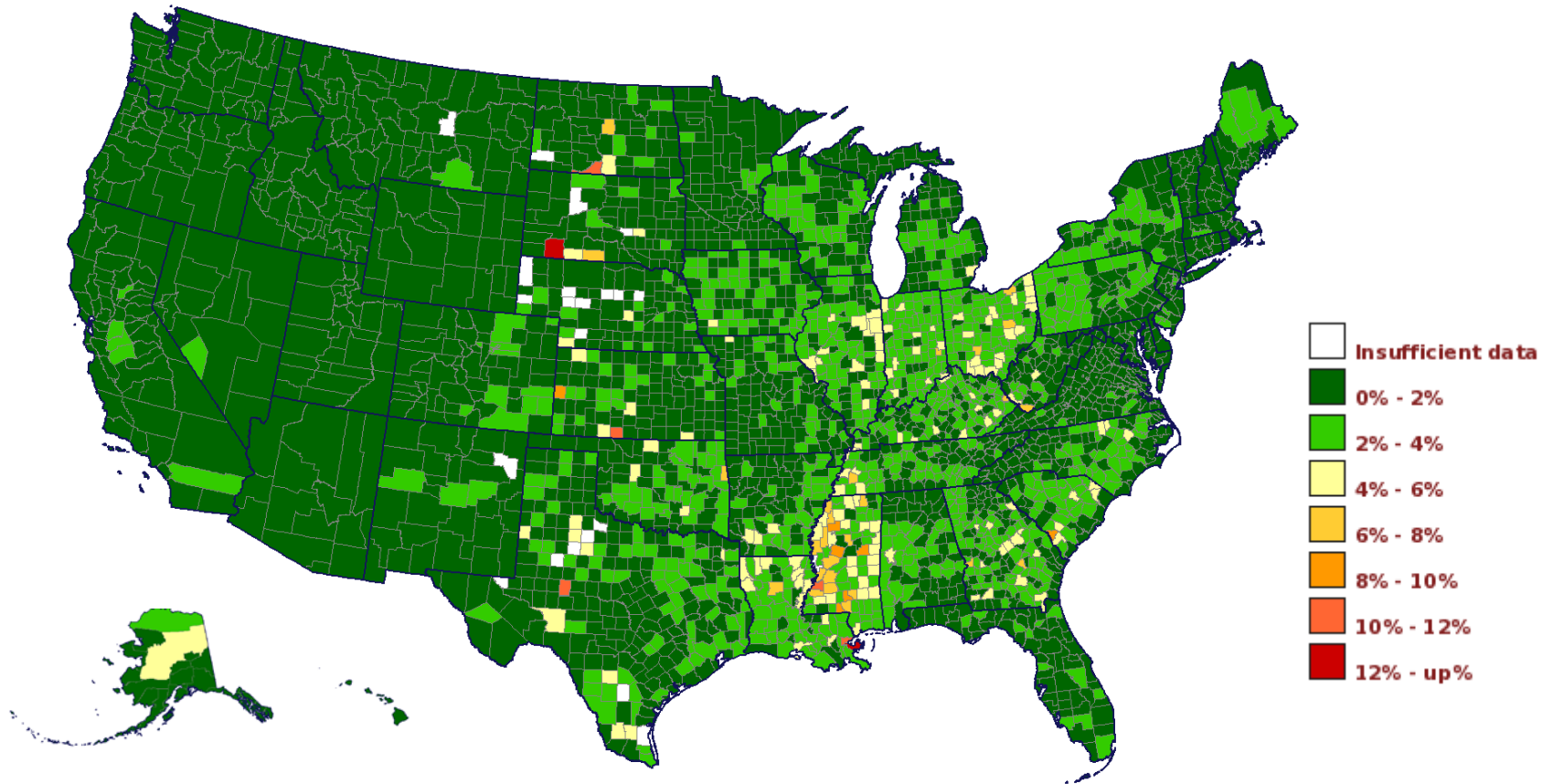
# National: Foreclosures are trending down



Source: Lender Processing Services

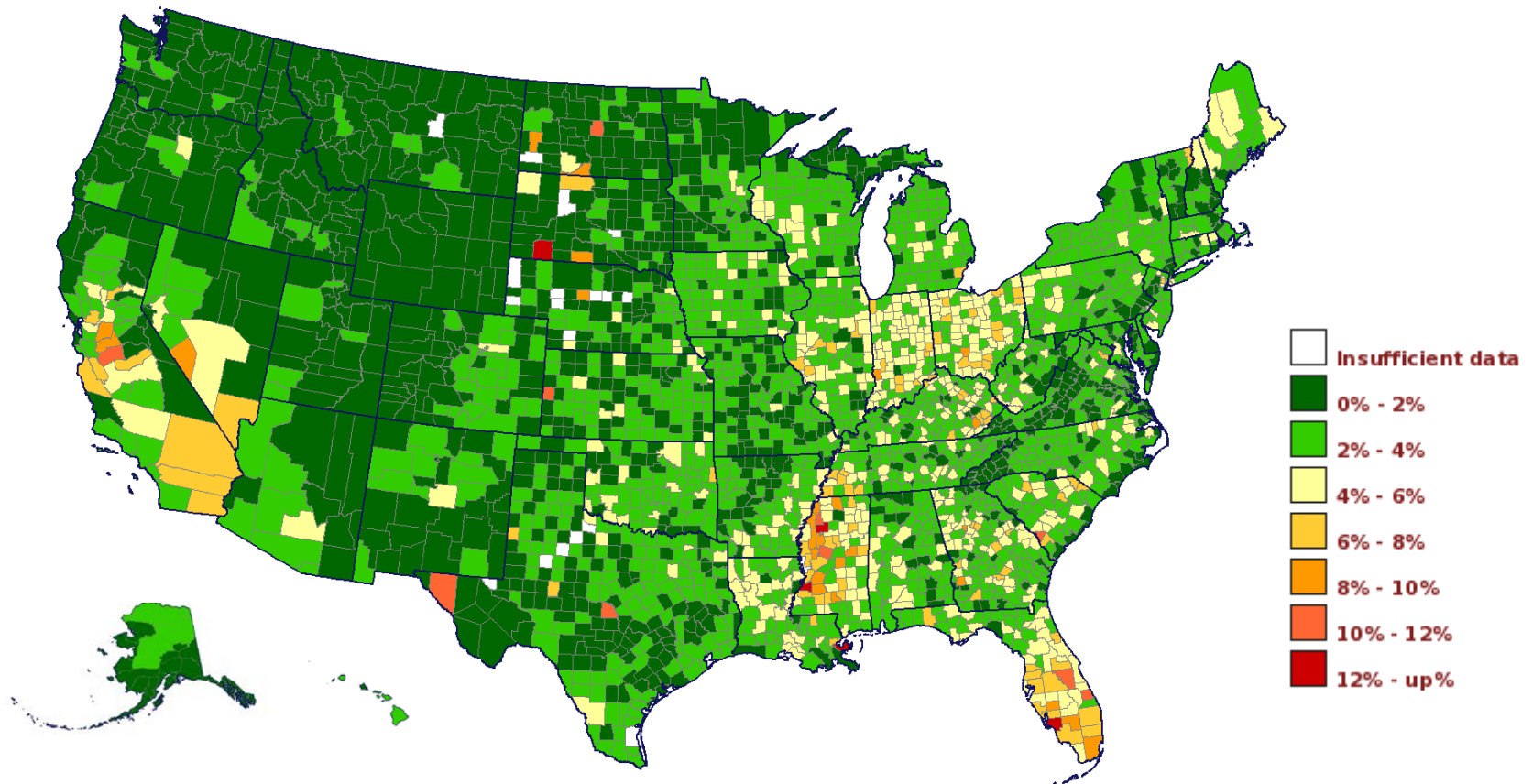


# Shares of Mortgages 90+ Days Delinquent and in Foreclosure- April 2007



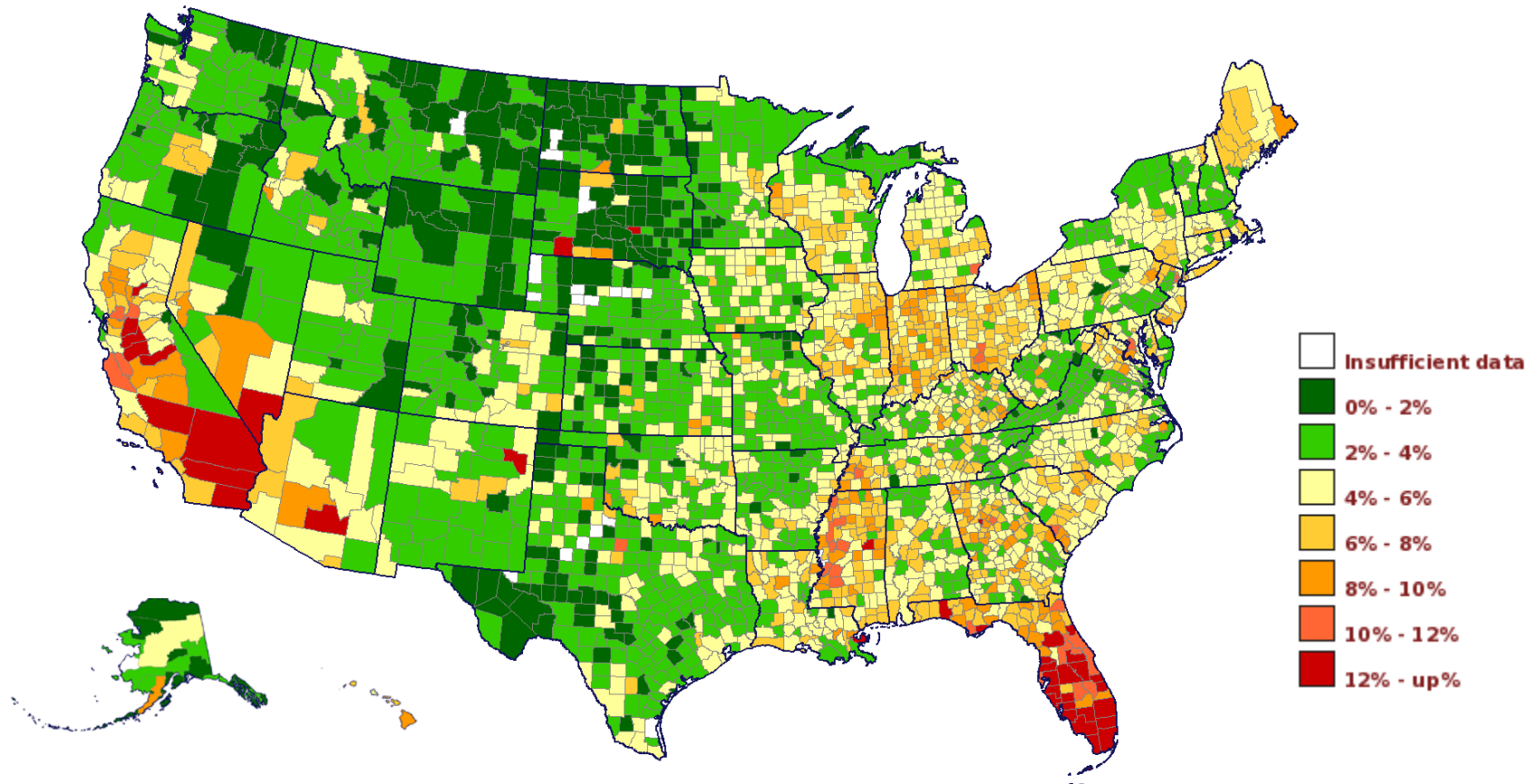
Source: Lender Processing Services

# Shares of Mortgages 90+ Days Delinquent and in Foreclosure- April 2008



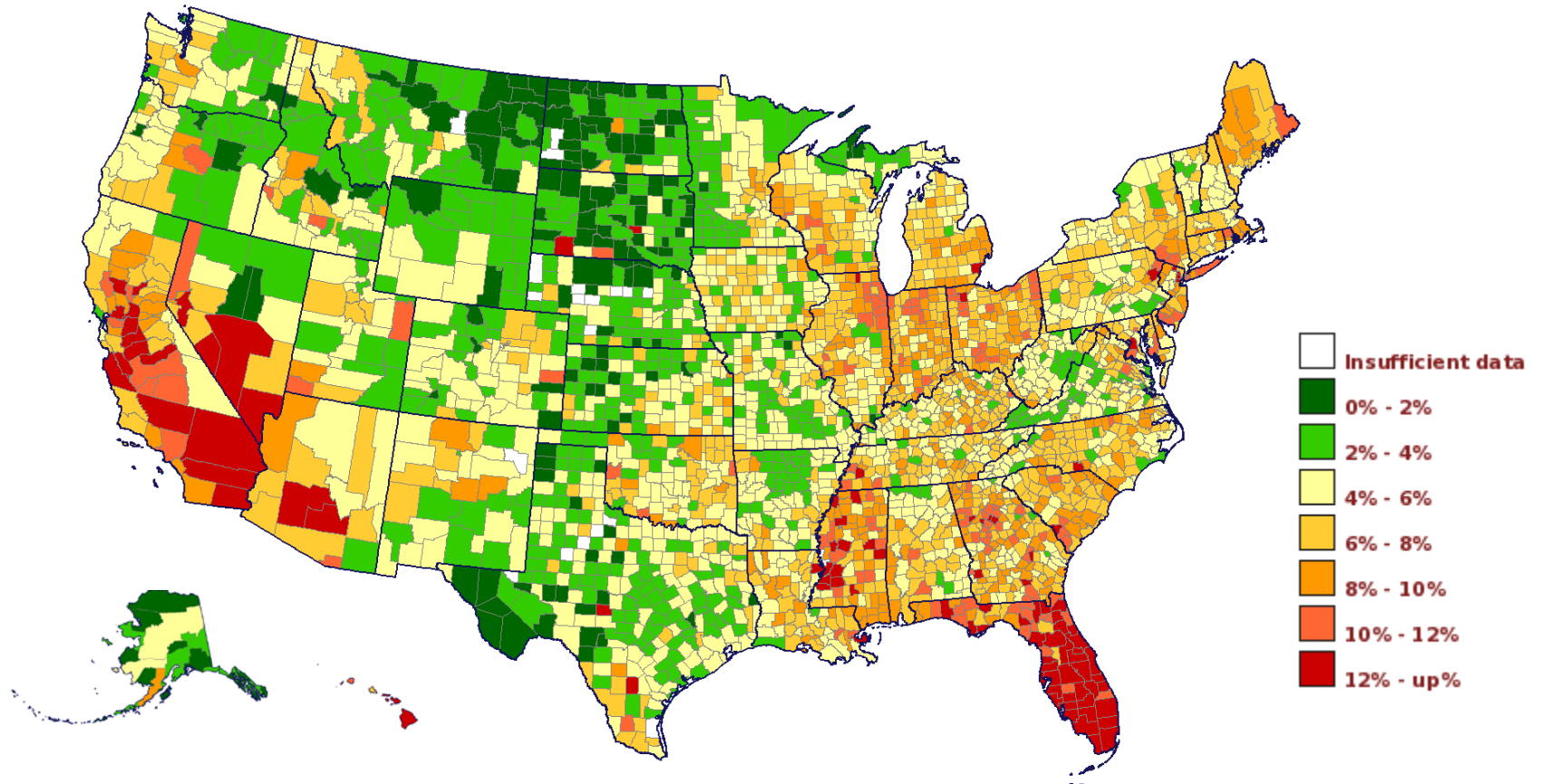
Source: Lender Processing Services

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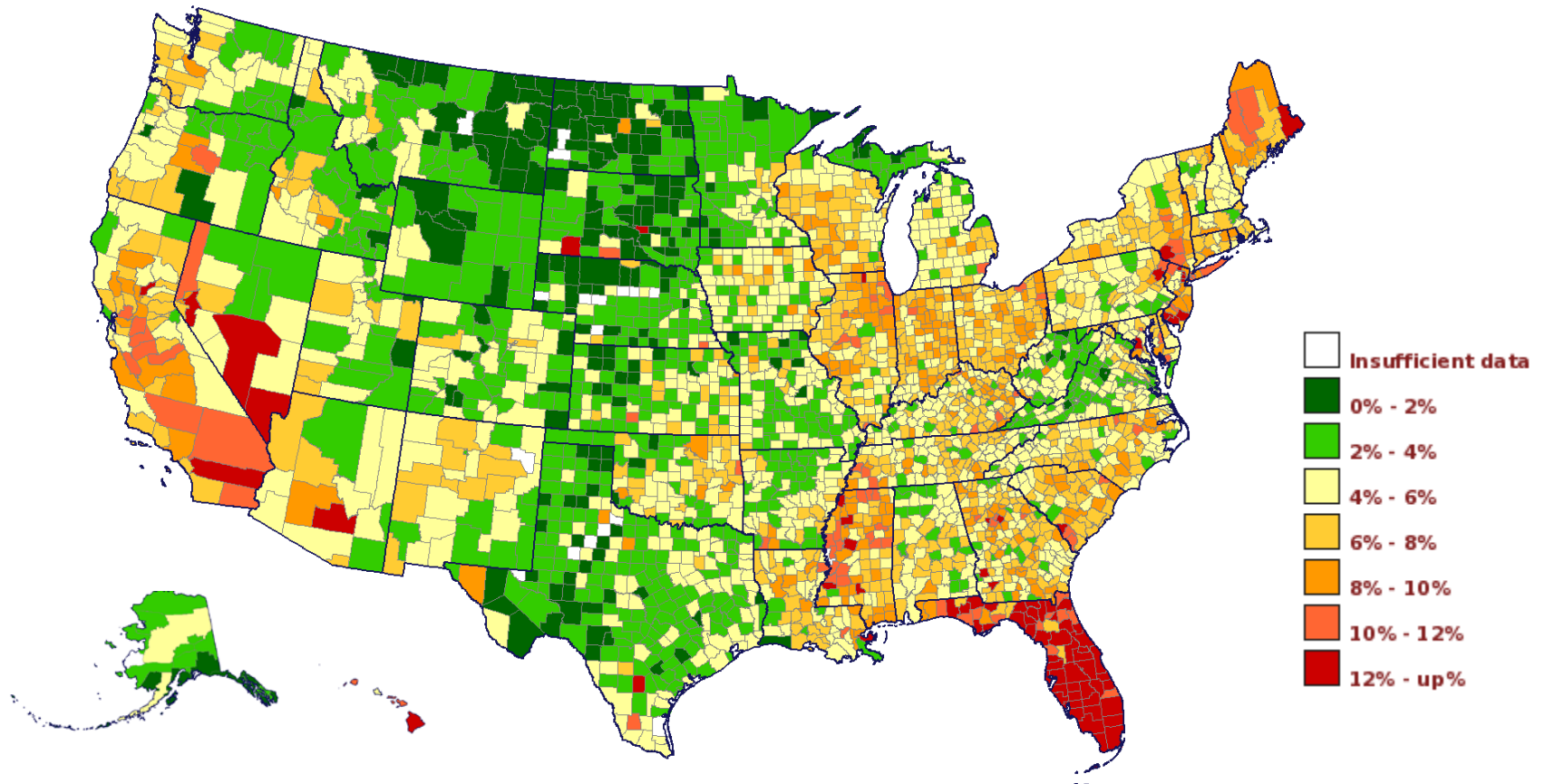
Source: Lender Processing Services

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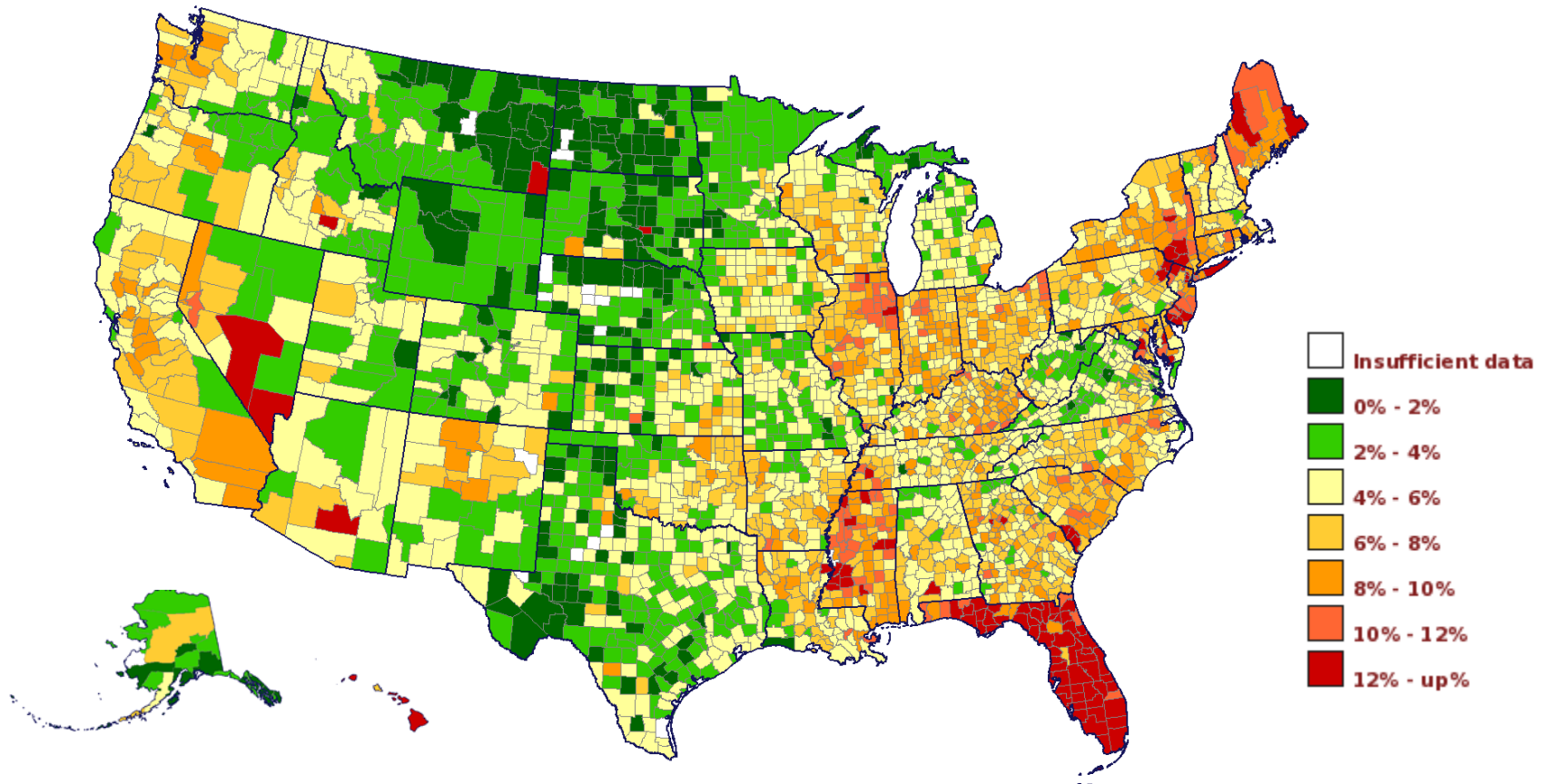
Source: Lender Processing Services

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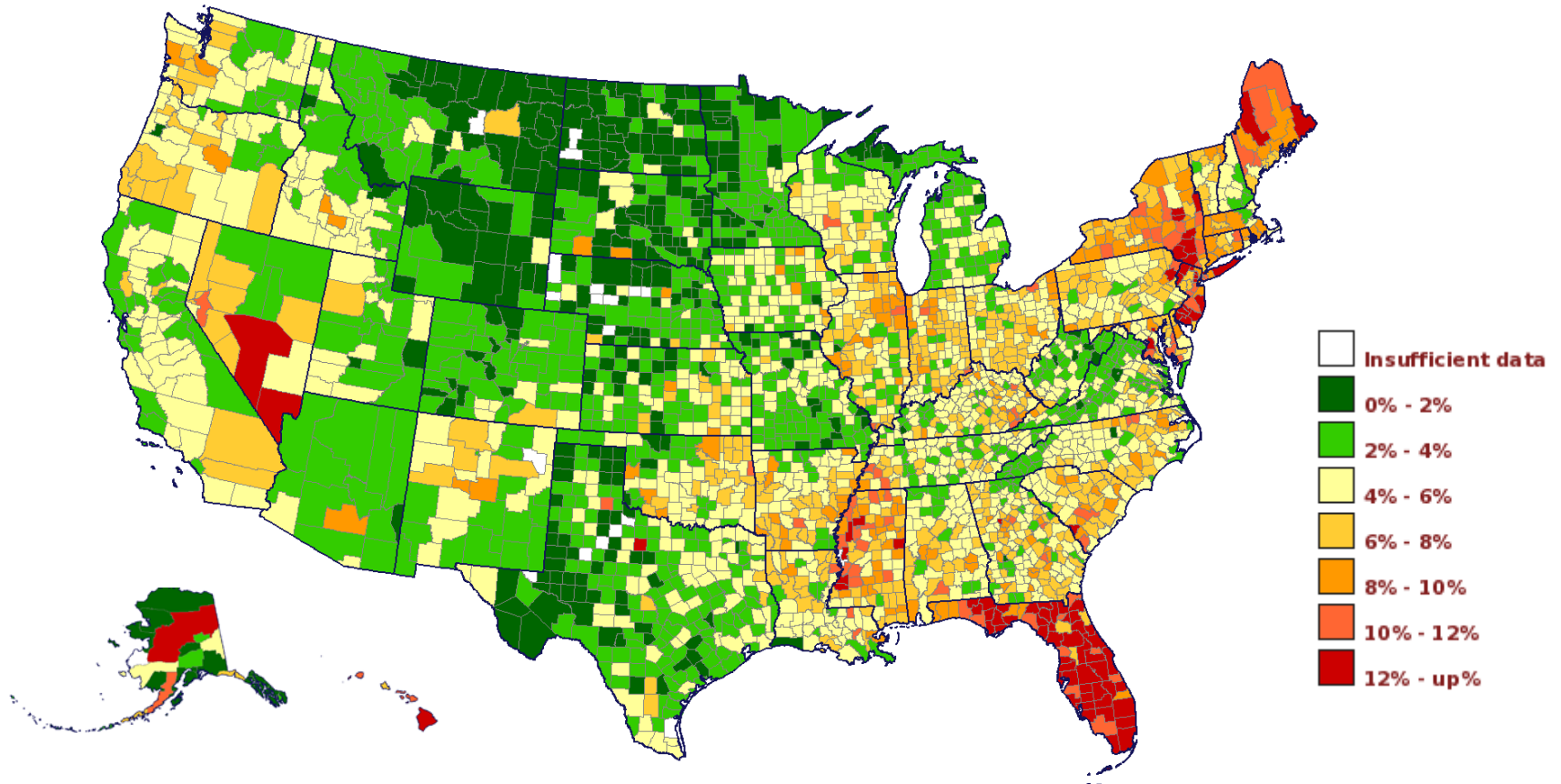
Source: Lender Processing Services

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# Shares of Mortgages 90+ Days Delinquent and in Foreclosure- April 2013

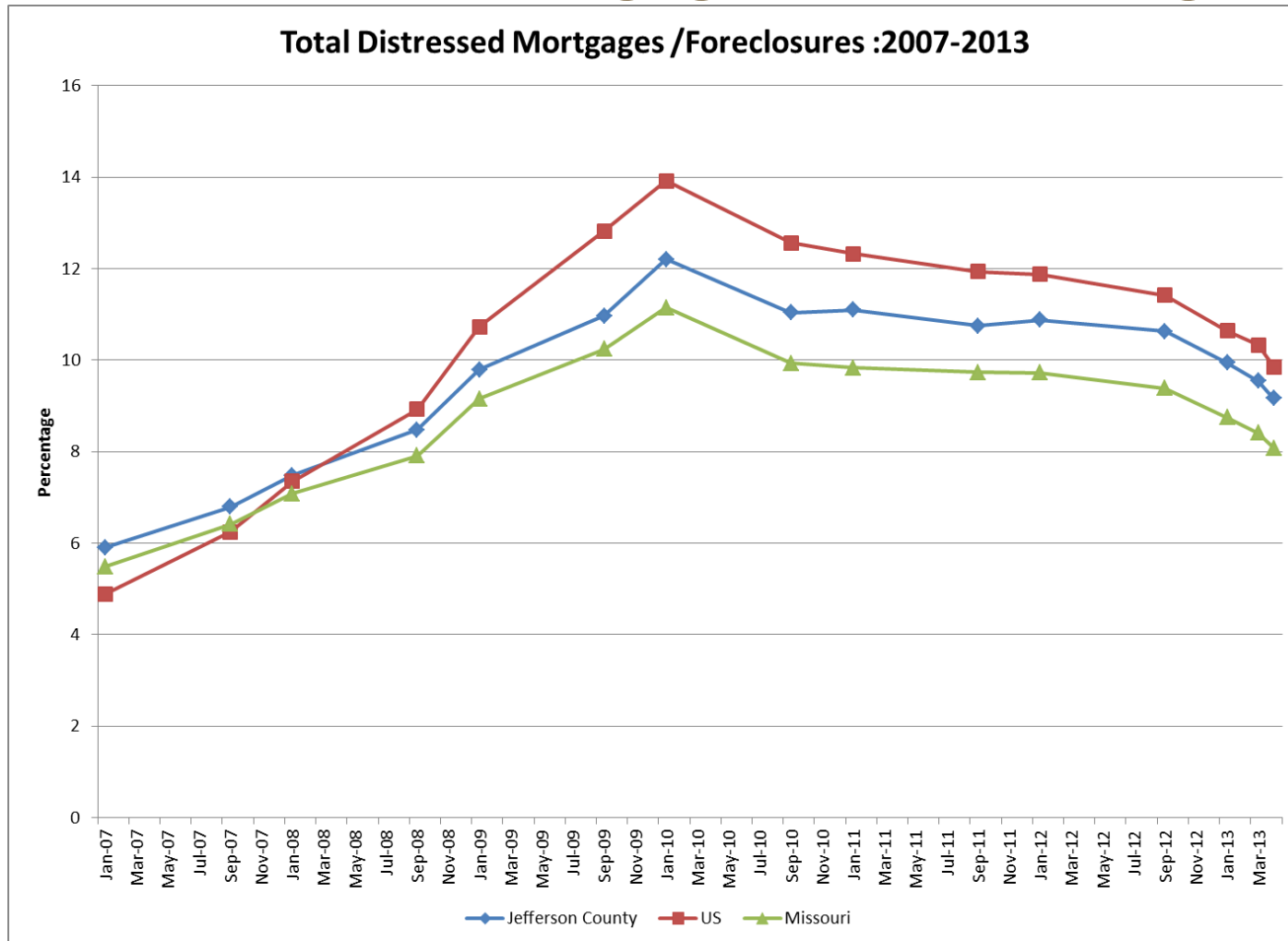


Source: Lender Processing Services

# The Local Picture

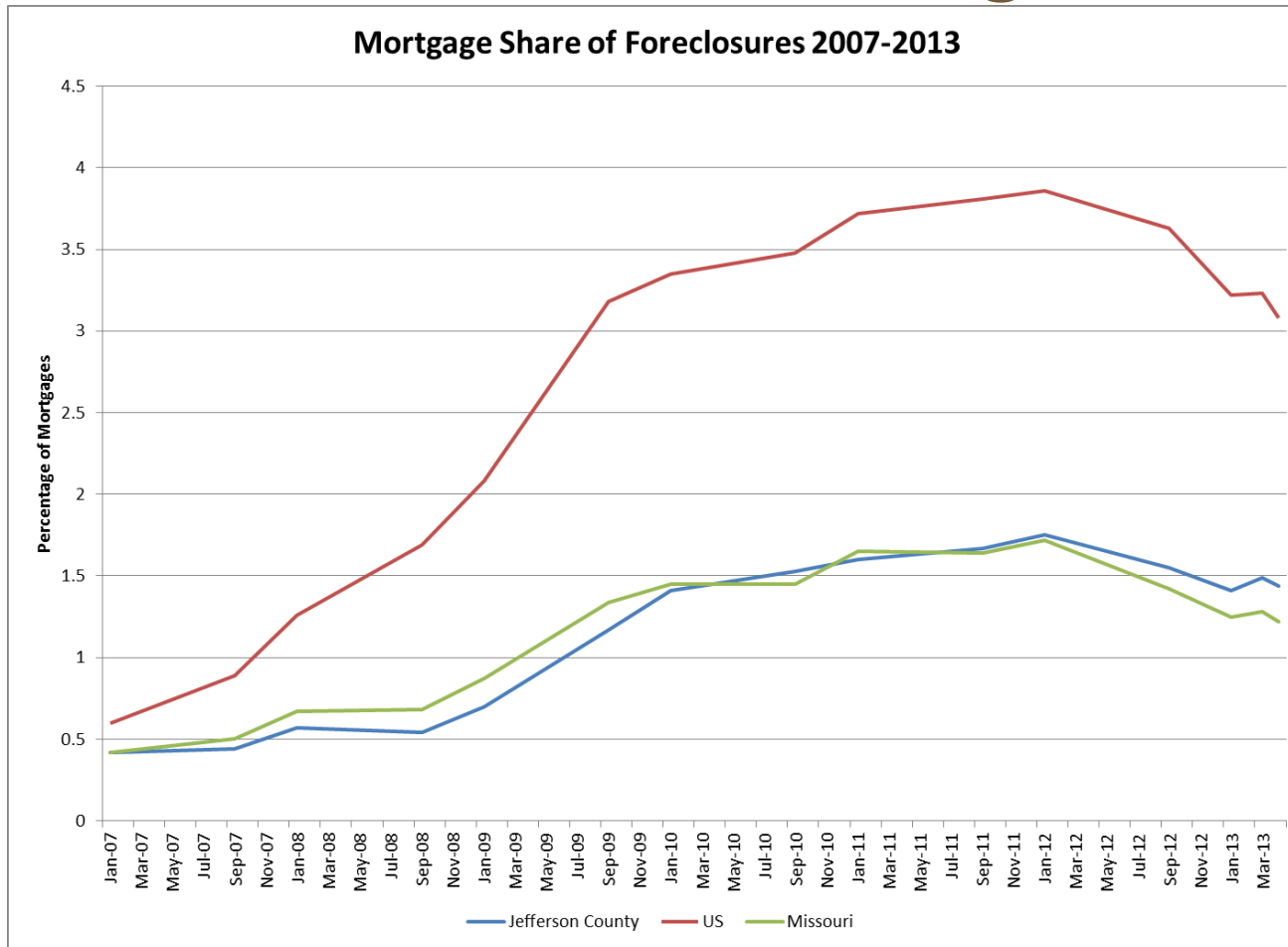


# Local: Distressed Mortgages are trending down



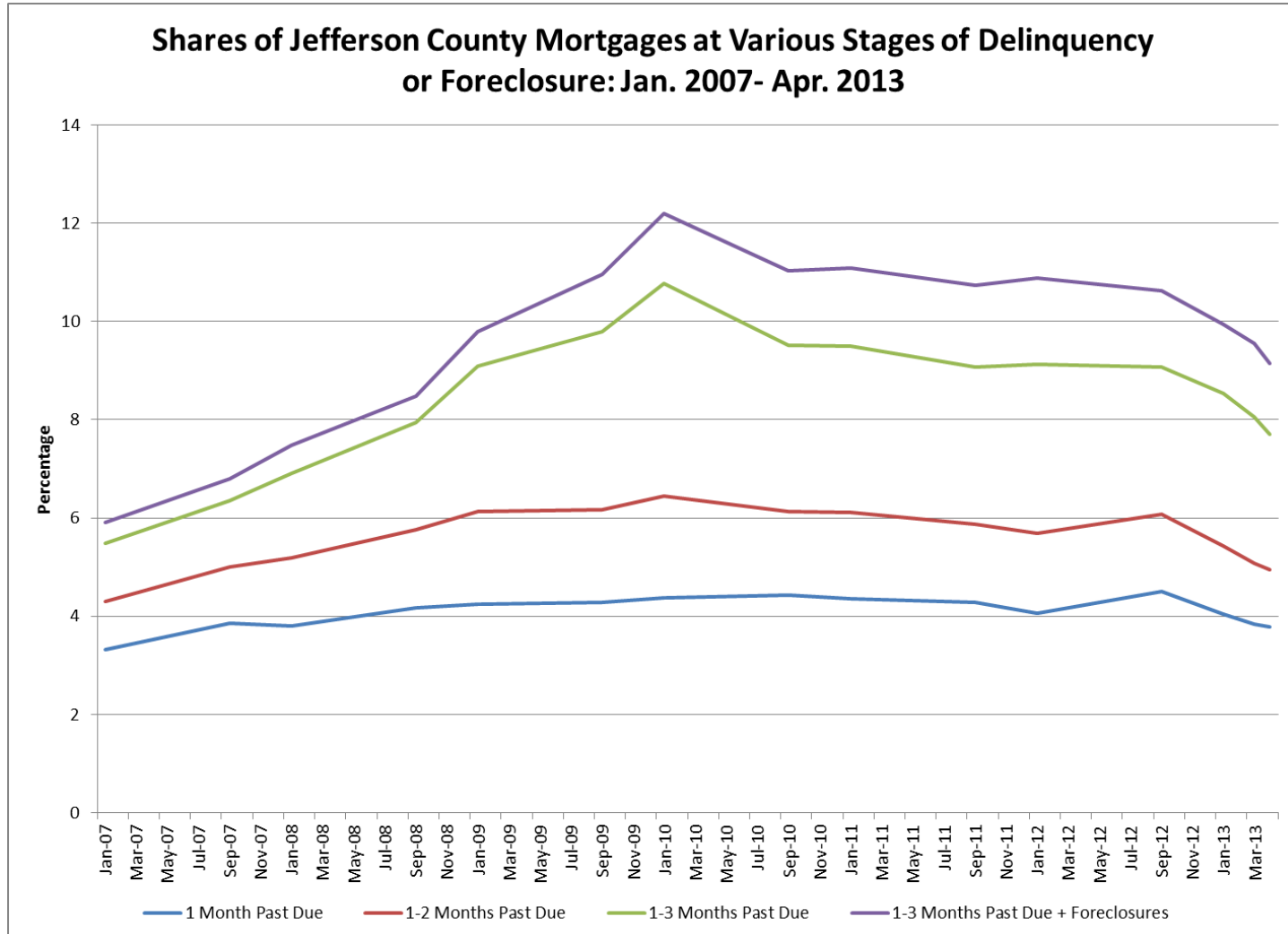
Source: Lender Processing Services

# Local: Foreclosures are trending down



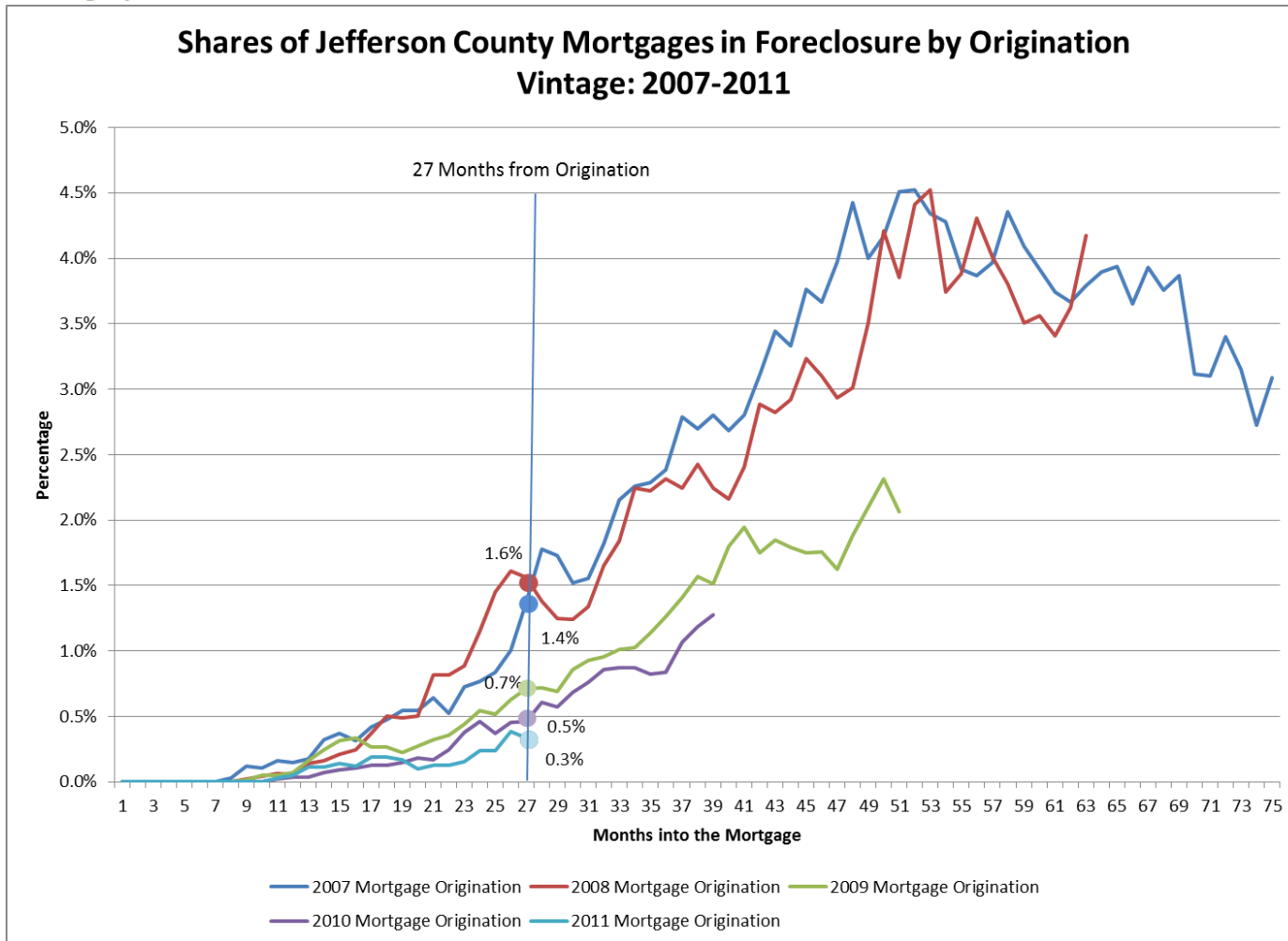
Source: Lender Processing Services

# Local: Slight Improvement in Mortgage Delinquency



Source: Lender Processing Services

# Local: Jefferson County Foreclosure Risks: 2008 is the weakest performing year



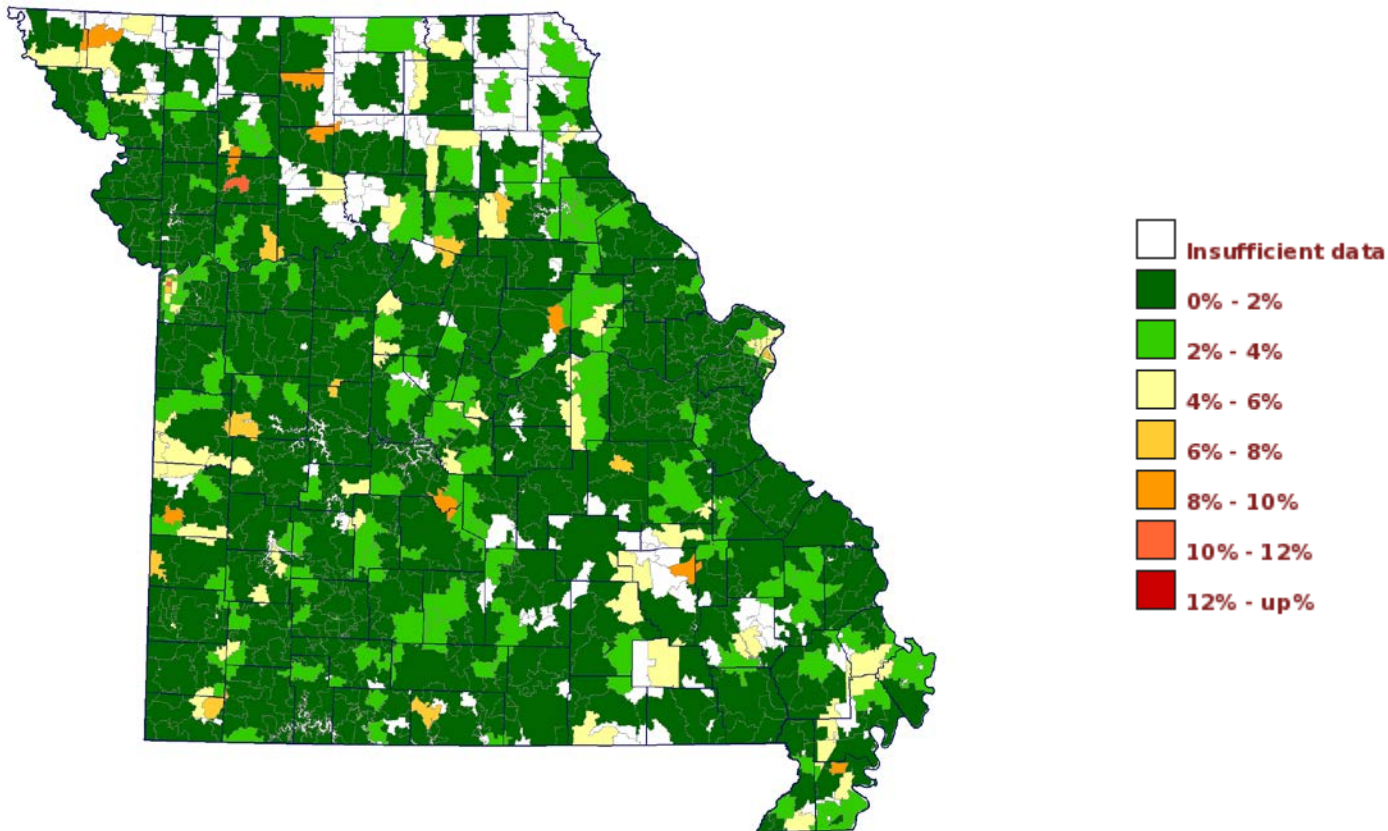
Source: Lender Processing Services

## Local: Top 10 Zip Codes with Mortgages Under Stress for Jefferson County-April 2013

| Rank | Town                 | County    | Zip Code | Number of Loans Serviced | 90 Days or More (%) | Foreclosure (FC) (%) | Seriously Delinquent (90+ And FC) (%) |
|------|----------------------|-----------|----------|--------------------------|---------------------|----------------------|---------------------------------------|
| 1.   | <b>Pevely</b>        | Jefferson | 63070    | 833                      | 4.44                | 1.8                  | <b>6.24</b>                           |
| 2.   | <b>De Soto</b>       | Jefferson | 63020    | 2533                     | 3.67                | 1.7                  | <b>5.37</b>                           |
| 3.   | <b>Dittmer</b>       | Jefferson | 63023    | 726                      | 3.44                | 1.79                 | <b>5.23</b>                           |
| 4.   | <b>Festus</b>        | Jefferson | 63028    | 3579                     | 2.88                | 1.98                 | <b>4.86</b>                           |
| 5.   | <b>Herculaneum</b>   | Jefferson | 63048    | 619                      | 2.75                | 2.1                  | <b>4.85</b>                           |
| 6.   | <b>House Springs</b> | Jefferson | 63051    | 1821                     | 2.58                | 1.65                 | <b>4.23</b>                           |
| 7.   | <b>Barnhart</b>      | Jefferson | 63012    | 1837                     | 2.83                | 1.31                 | <b>4.14</b>                           |
| 8.   | <b>Cedar Hill</b>    | Jefferson | 63016    | 1229                     | 2.44                | 1.55                 | <b>3.99</b>                           |
| 9.   | <b>Crystal City</b>  | Jefferson | 63019    | 677                      | 2.66                | 1.33                 | <b>3.99</b>                           |
| 10.  | <b>Hillsboro</b>     | Jefferson | 63050    | 2294                     | 2.4                 | 1.48                 | <b>3.88</b>                           |

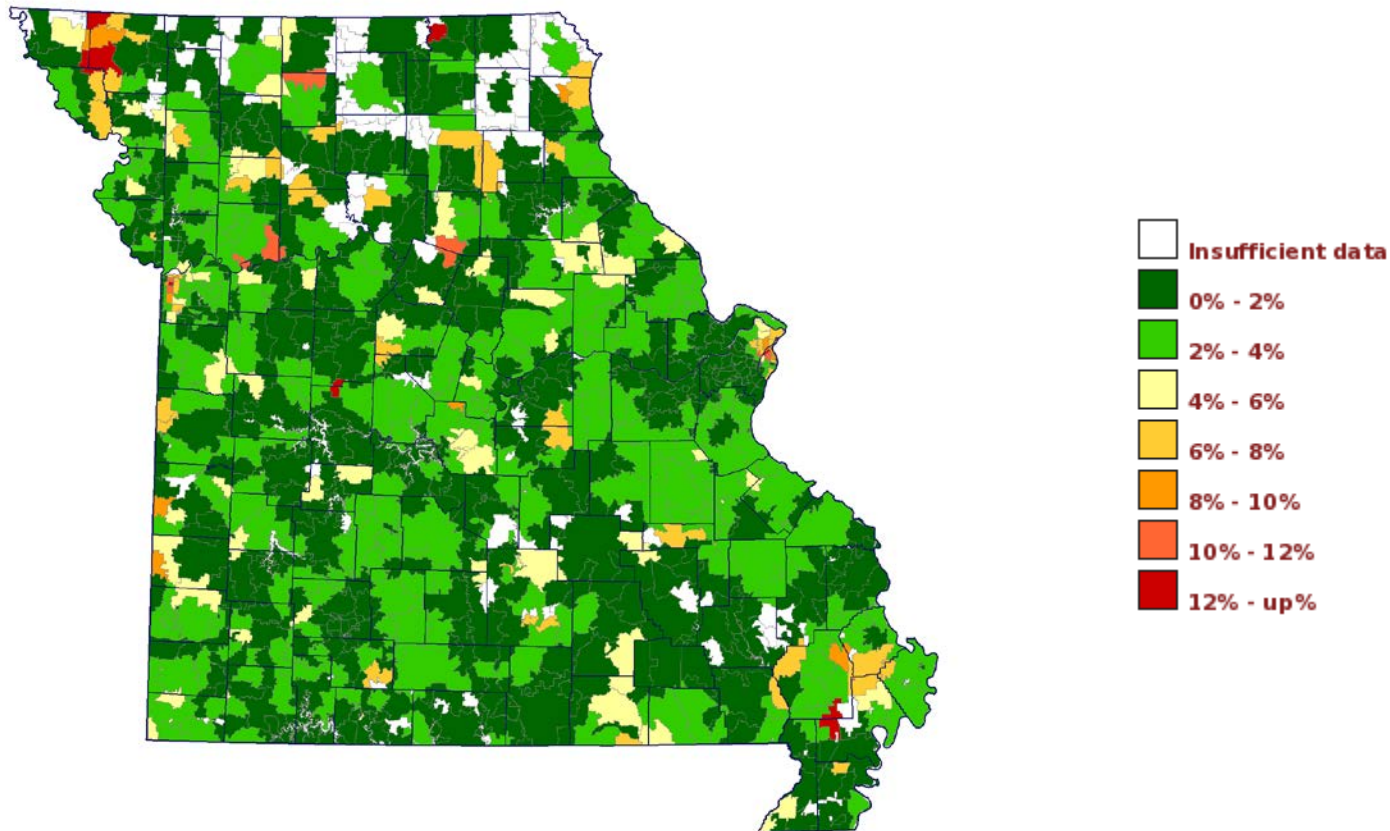
Source: Lender Processing Services, United States Postal Service

# Share of Mortgages 90+ Days Delinquent and in Foreclosure by ZIP Code- April 2007



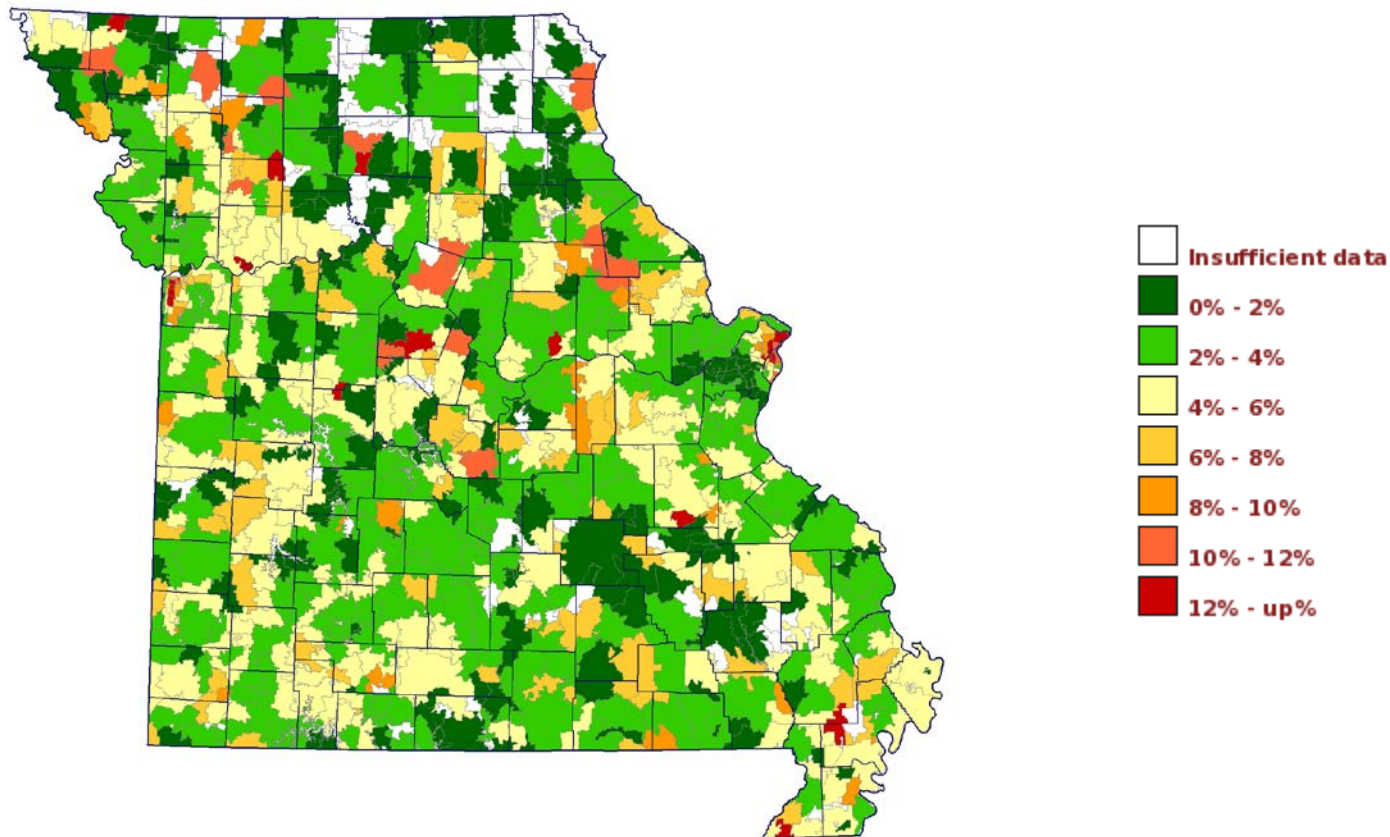
Source: Lender Processing Services

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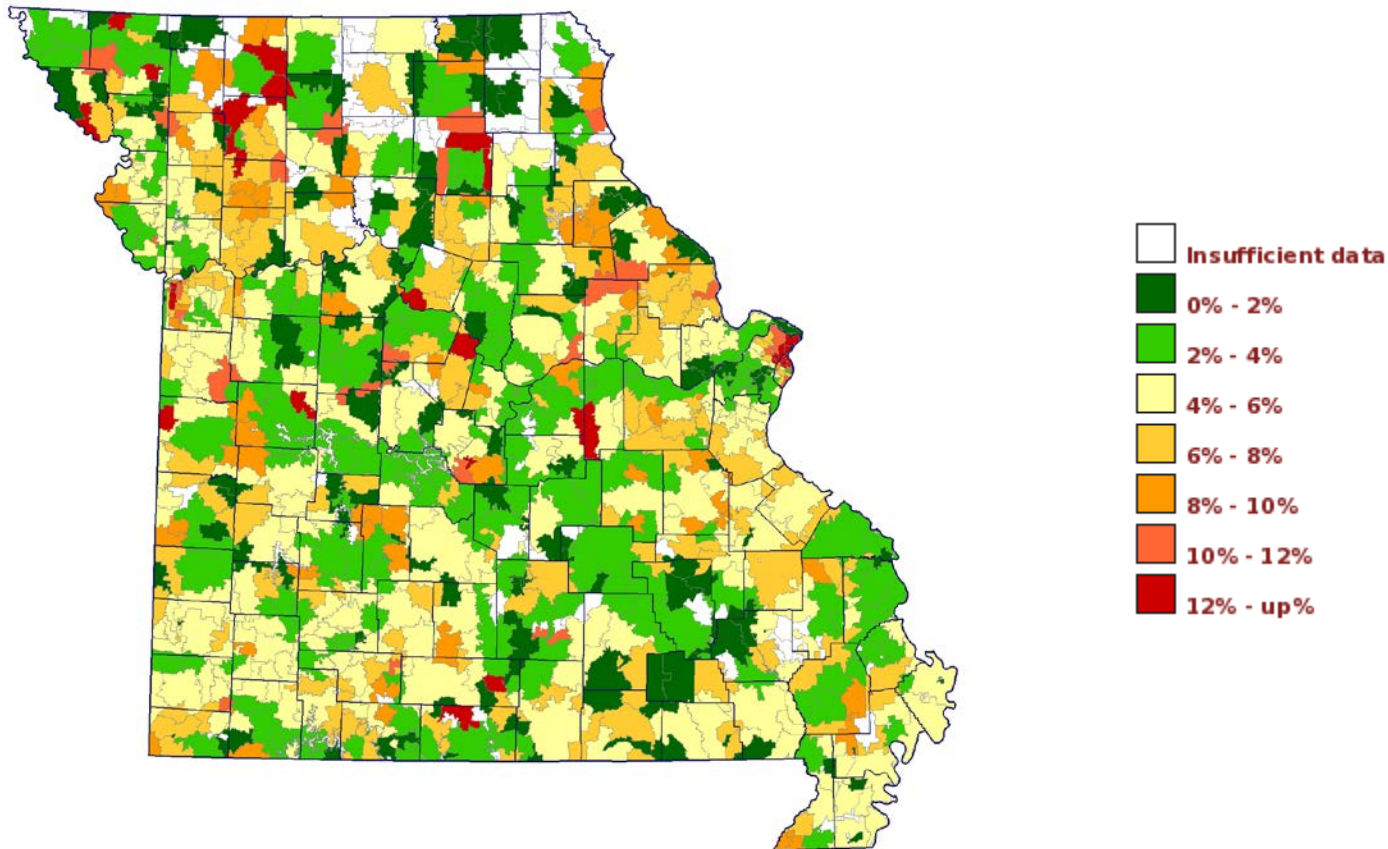
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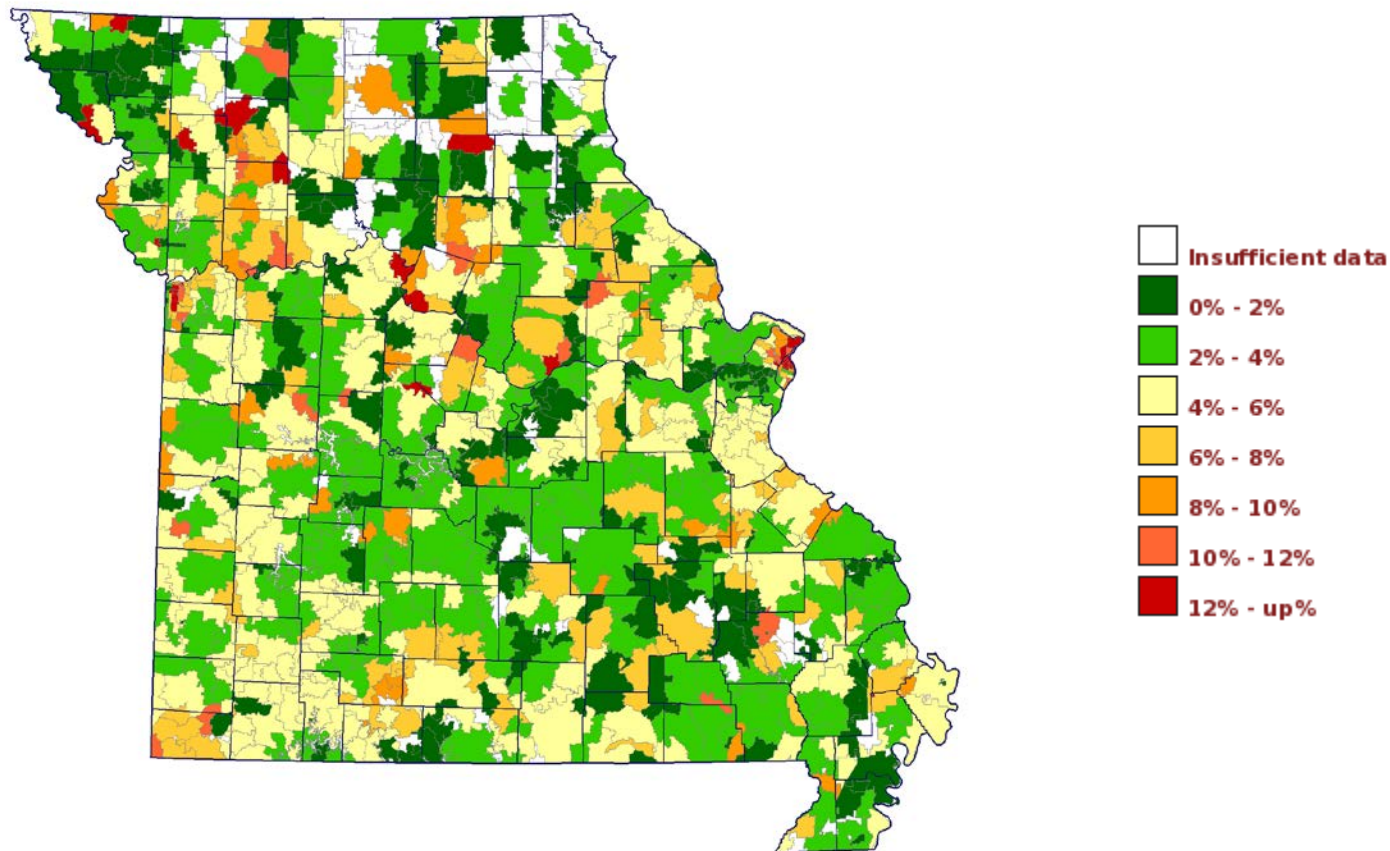


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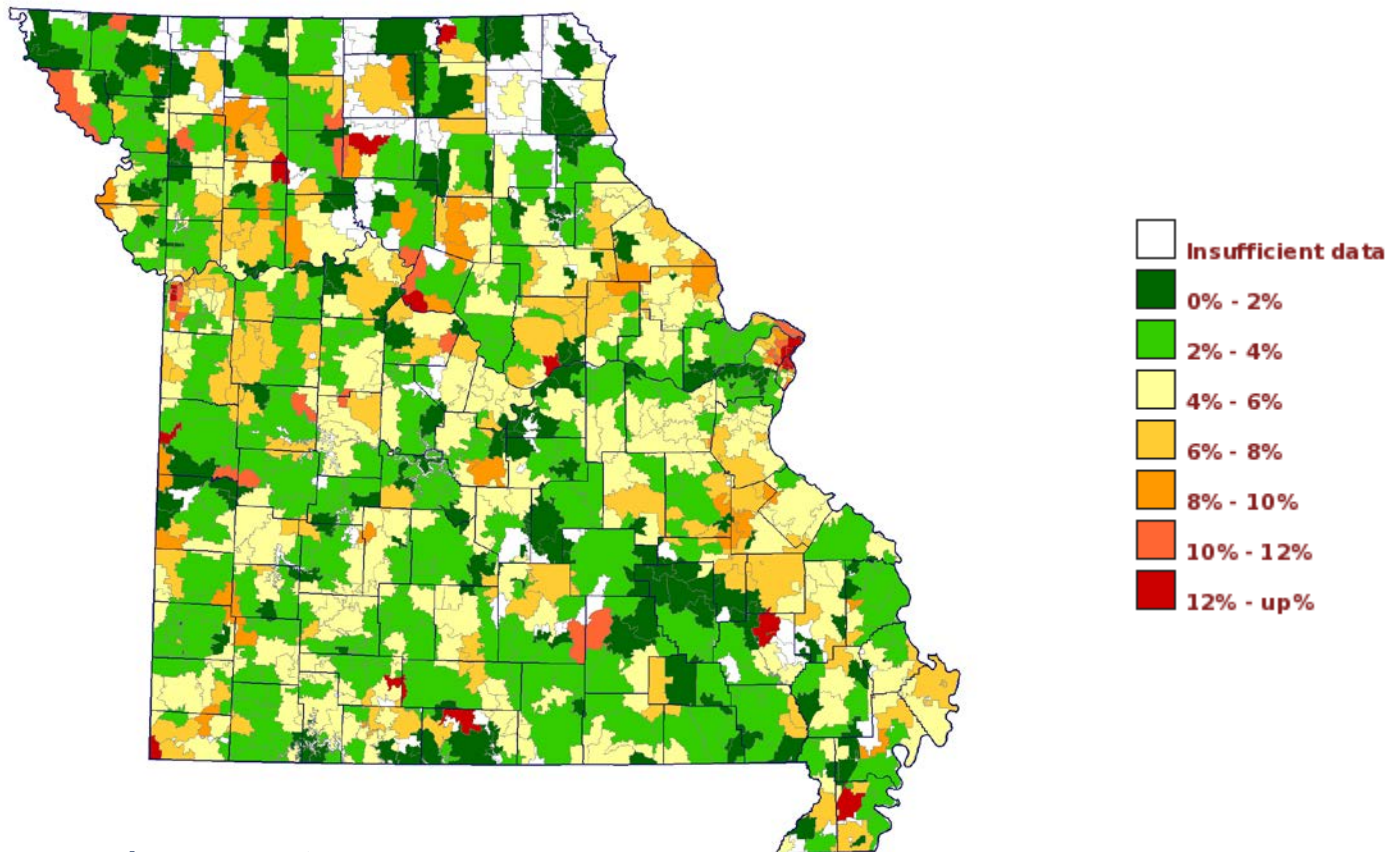
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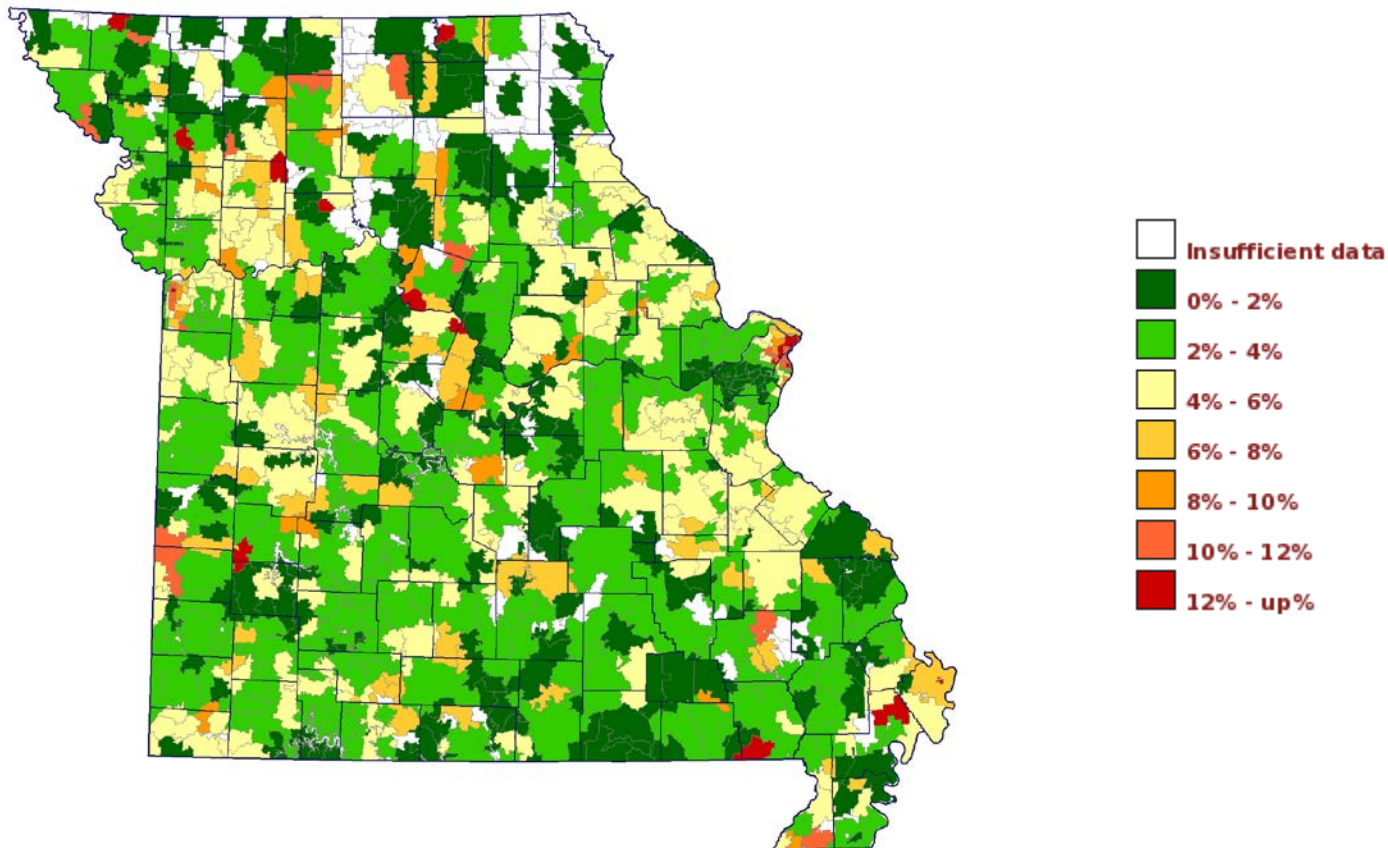
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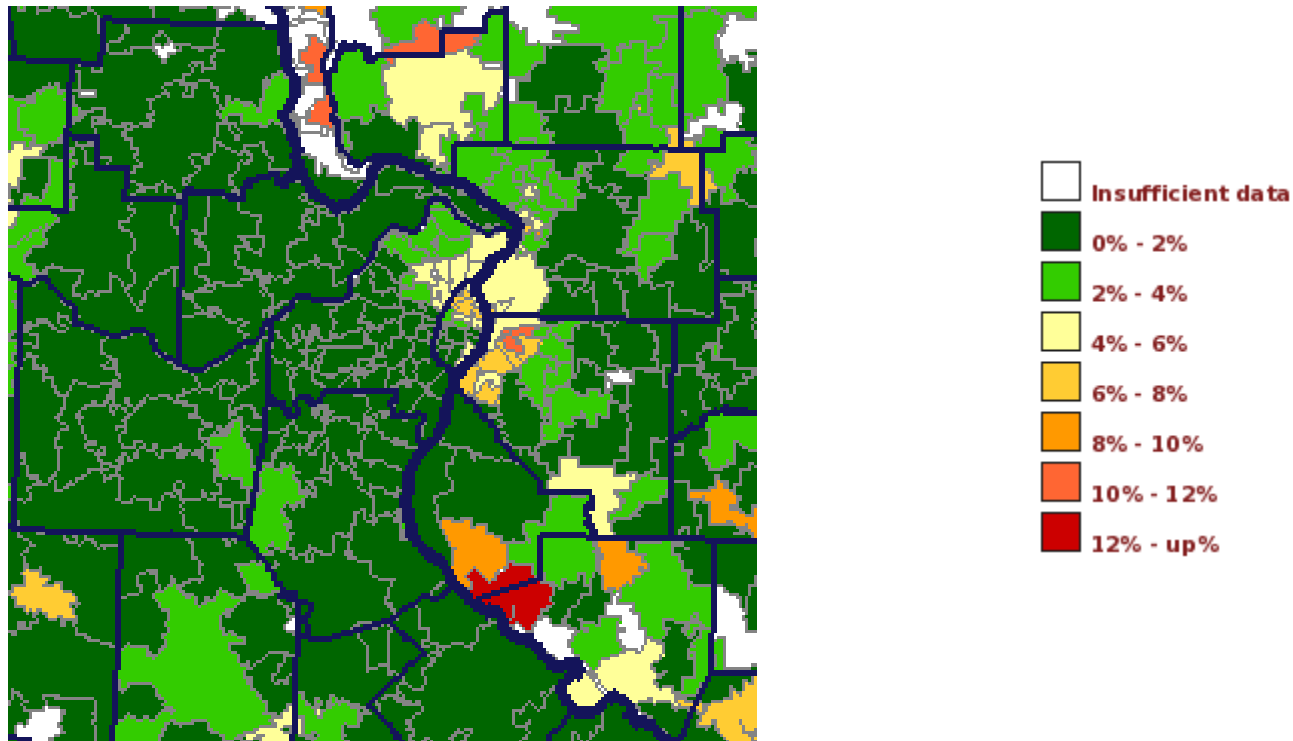
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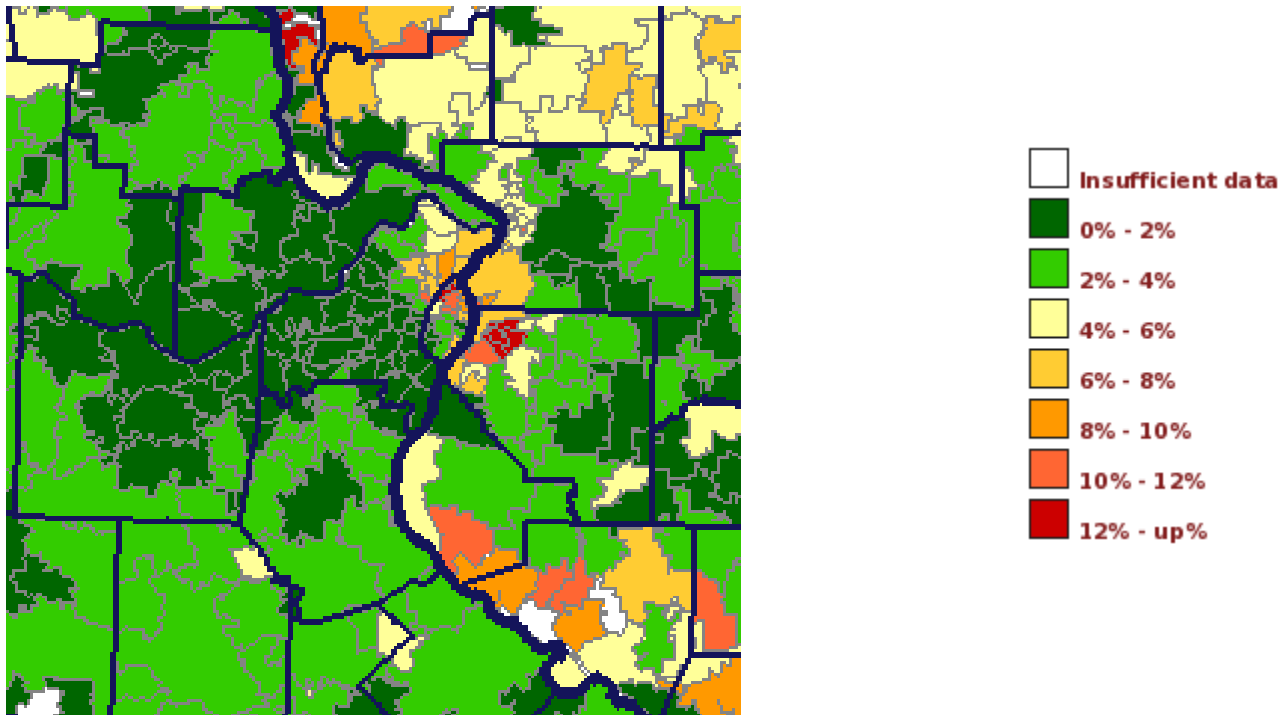
Source: Lender Processing Services

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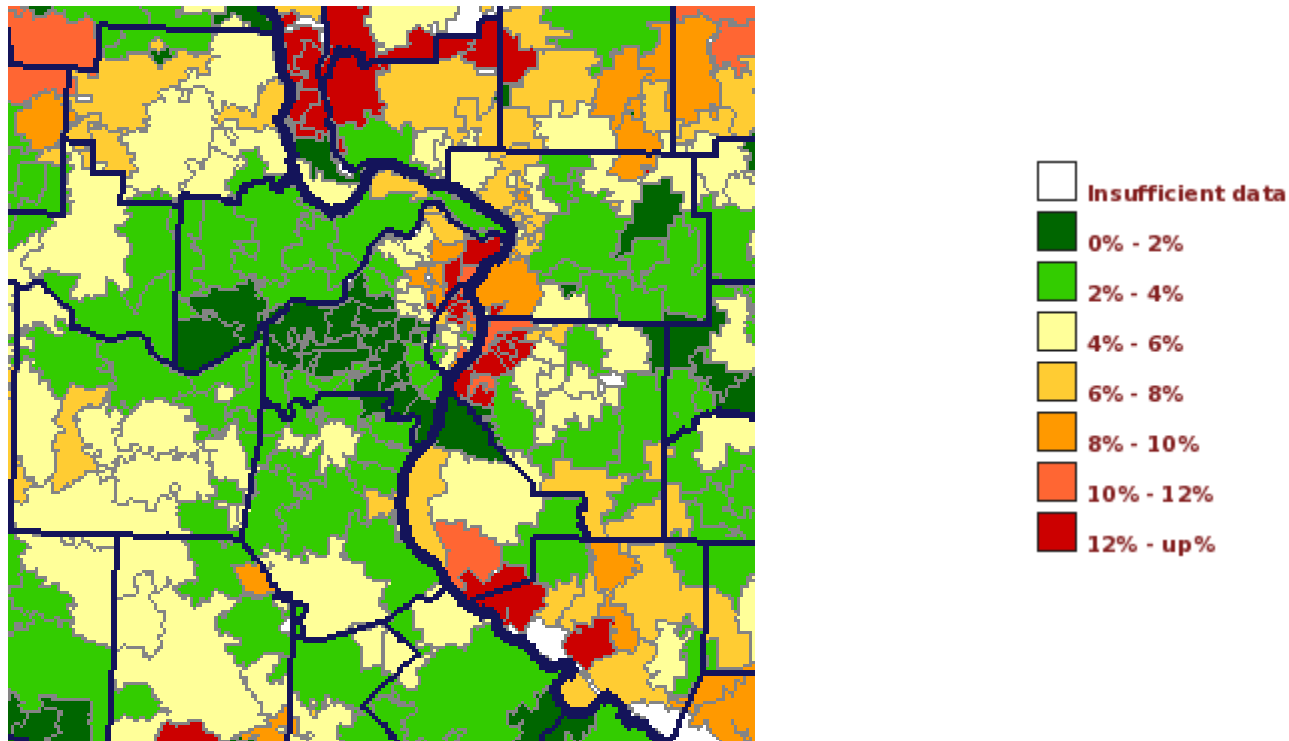
Source: Lender Processing Services

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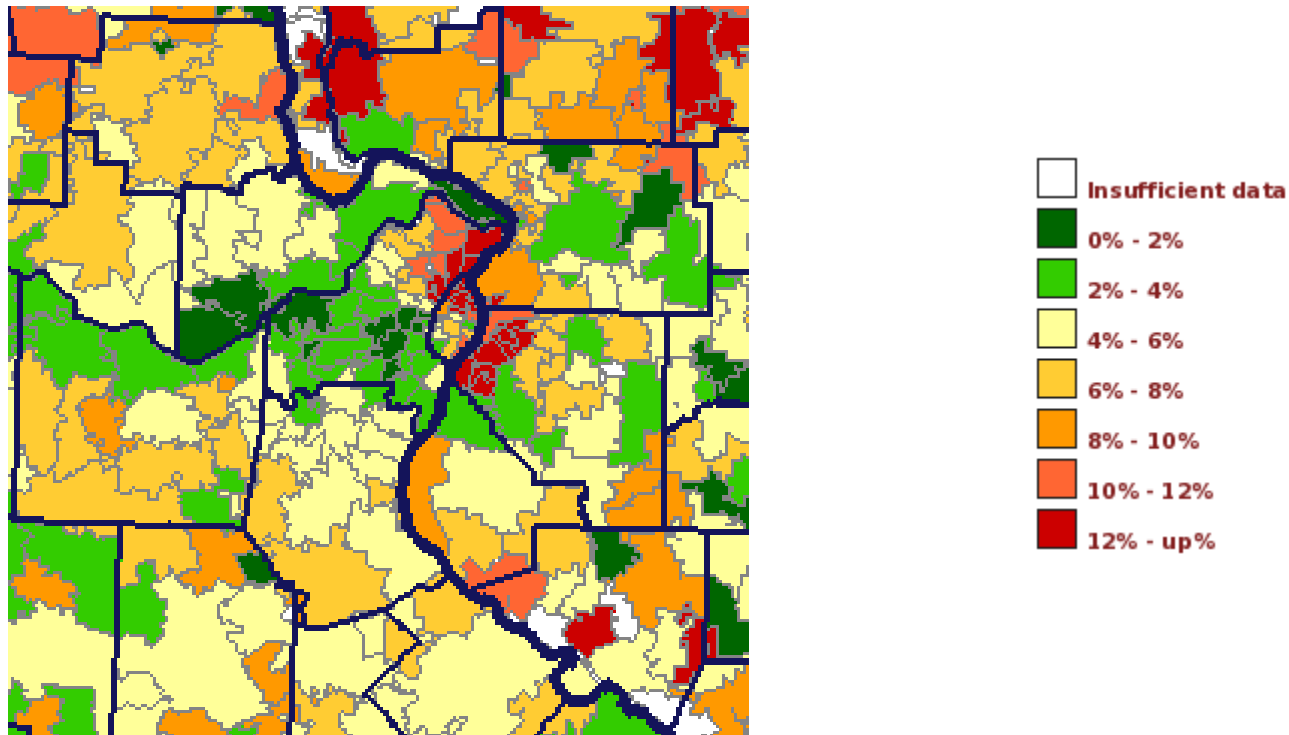
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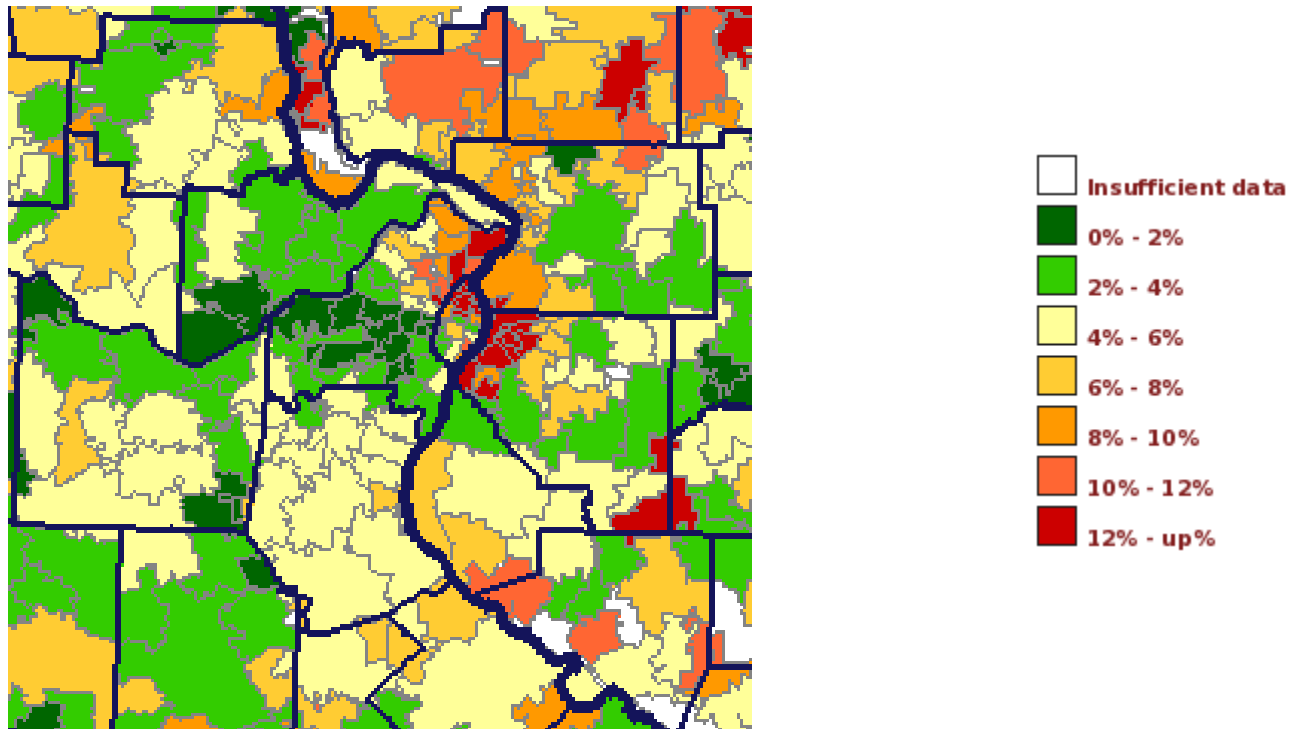
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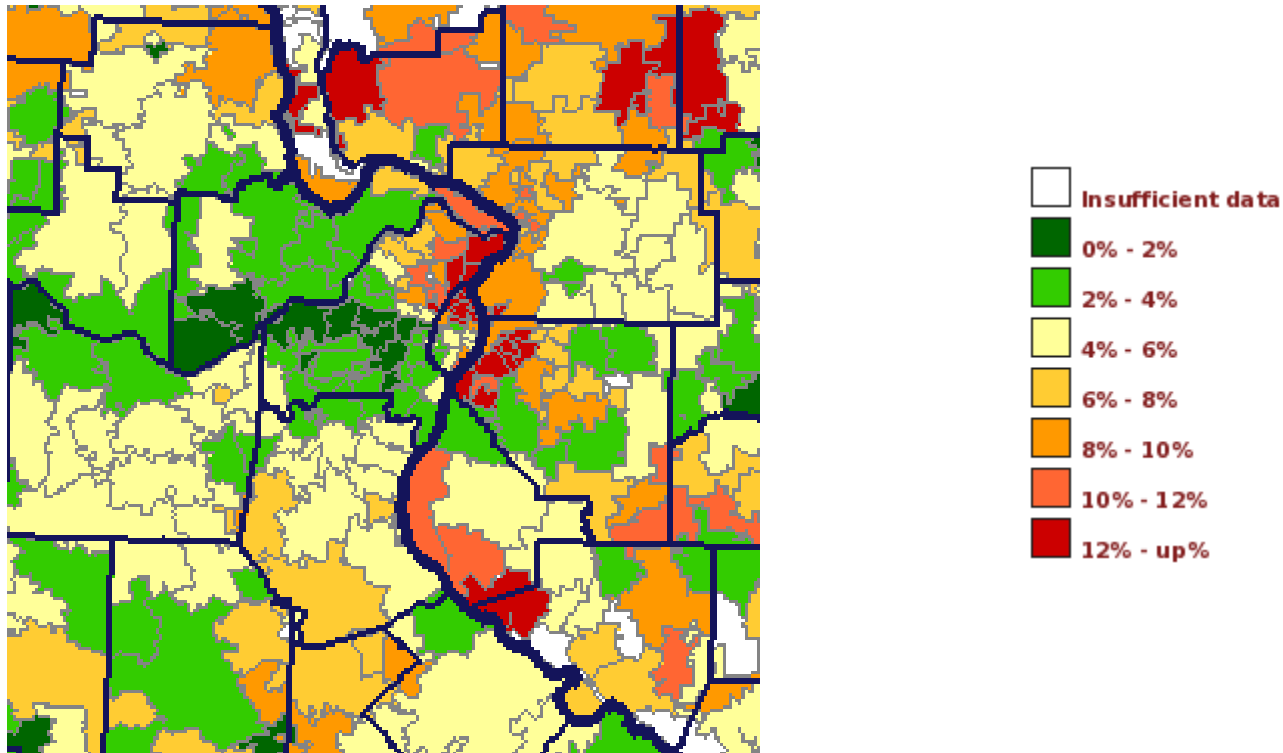


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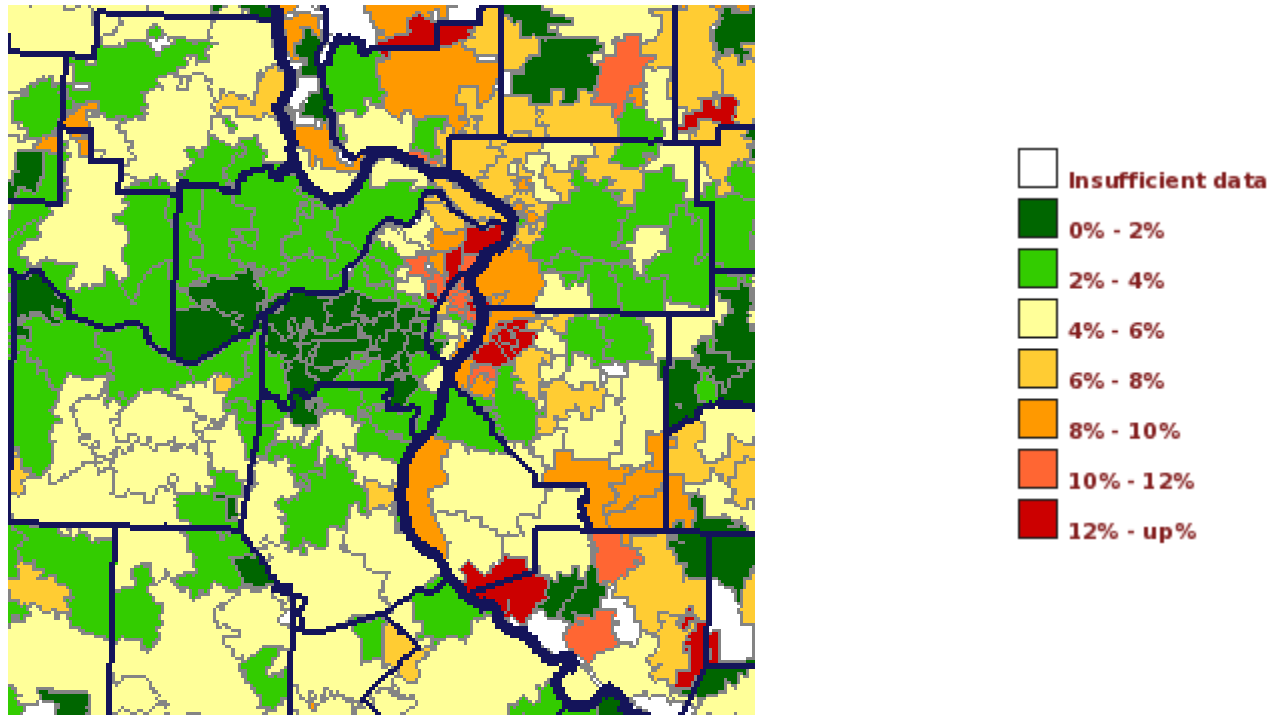
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Source: Lender Processing Services

# Qualified Mortgages

## **Ability to Repay Rules-Creditors must now consider eight underwriting factors for ALL mortgages**

1. Current or “reasonably expected” income or assets
2. Current employment status (generally need a 2-year history)
3. Monthly payments on the mortgage transaction
4. Monthly payments on any simultaneous loans
5. Monthly payments for “mortgage-related” obligations
6. Current debt obligations (includes alimony, child support)
7. Monthly debt-to-income ratio / residual income
8. Credit history

In addition, creditors must retain records for three years. Prepayment penalties are also prohibited except for certain fixed-rate QMs.

# Qualified Mortgages (QMs)

- QMs are presumed to have satisfied the rule's "ability to repay" provisions, and are granted a legal "safe harbor" as long as they also are not considered "higher-priced" (i.e. APR does not exceed the Average Prime Offer Rate by 1.5% for first liens) and meet the following additional criteria:
  - No negative amortization
  - No interest-only payments
  - No balloon payments (with some exceptions)
  - No loan terms that exceed 30 years
  - Points and fees may not exceed three percent of the total loan amount (with some exclusions for prime and small loans)
  - Monthly payments must be based on the highest payment that would apply in the first five years
  - The debt-to-income ratio may not exceed 43 percent
  - Income and assets must be verified

# Point and Fee Tiers for Small Loans

| Loan Amount   | Point and Fee Threshold            |
|---|------------------------------------|
| Greater than or equal to \$100,000                        | 3 percent of the total loan amount |
| Greater than or equal to \$60,000 but less than \$100,000 | \$3,000                            |
| Greater than or equal to \$20,000 but less than \$60,000  | 5 percent of the total loan amount |
| Greater than or equal to \$12,500 but less than \$20,000  | \$1,000                            |
| Less than \$12,500  | 8 percent of the total loan amount |

# Exceptions to the QM rule

- Loans that exceed the 43 percent DTI threshold but satisfy the requirements of the GSEs (while under conservatorship), HUD, VA, Dept. of Agriculture, or the Rural Housing Service can be QMs until:
  - These agencies issue their own QM rules OR
  - GSE conservatorship ends OR
  - After seven years (January 2021).
- Balloon-payment mortgages may be QMs if:
  - They have a term of at least five years and a fixed interest rate AND
  - The lender originates at least 50 percent of first-lien mortgages in rural areas AND:
    - has less than \$2 billion in total assets,
    - originates no more than 500 mortgages per year, and
    - holds the loan in portfolio for at least three years

Rural balloon-payment mortgages that qualify as QMs may have DTIs that exceed 43 percent.



# Housing Market Conditions Report

# Housing Market Conditions Report

[www.stlouisfed.org/community\\_development/HMC/](http://www.stlouisfed.org/community_development/HMC/)

Quarterly report (AR, IL, IN, KY, MO, MS, TN)

- Map of serious delinquencies by zip code
- Map of change in serious delinquencies by zip code
- List of top 10 zip codes with mortgages under stress
- Chart of house prices

# Housing Market Conditions Report

The screenshot shows the website's header with the logo and navigation links. The main navigation bar includes 'HOME', 'BANKING', 'COMMUNITY DEVELOPMENT', 'NEWSROOM', 'EDUCATION RESOURCES', 'PUBLICATIONS', 'ABOUT US', and 'RESEARCH & DATA'. The breadcrumb trail reads 'Home > Community Development > Housing and Foreclosure Resources : Housing Market Conditions'. The left sidebar lists 'Community Development' with sub-sections like 'All Events', 'Exploring Innovation', 'Household Financial Stability', 'Multimedia', and 'Housing and Foreclosure Resources'. The main content area is titled 'HOUSING AND FORECLOSURE RESOURCES' and 'Housing Market Conditions'. It includes an introduction, a list of states, a paragraph about the report's scope, and a list of features. A red circle highlights the 'COMMUNITY DEVELOPMENT' menu item, another red circle highlights the 'Housing Market Conditions' link in the sidebar, and a red arrow points to a bullet point in the main content area: '• By county for the U.S.'.

How to get to the HMC website?

# Housing Market Conditions Report



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## HOUSING AND FORECLOSURE RESOURCES

# Housing Market Conditions

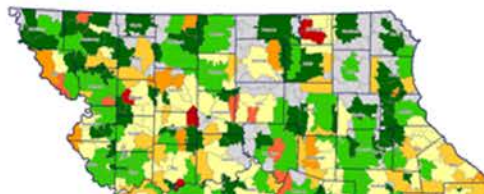
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## Seriously Delinquent Mortgages by Zip Code

June 2012



### Contact Us

**Julia Maués**  
Lead Policy Analyst  
Federal Reserve Bank of St. Louis

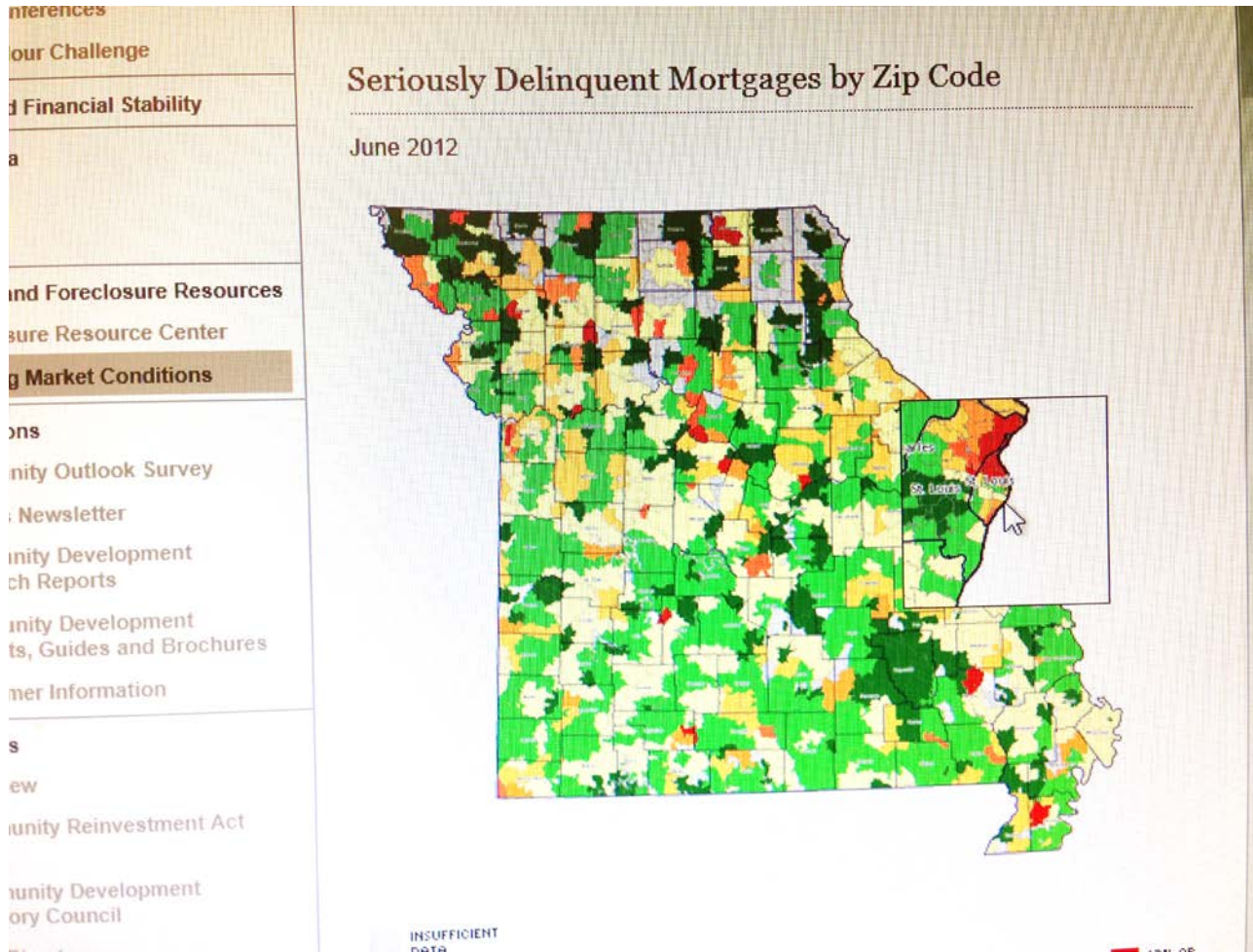
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[Unlike Prior Decades, House-Price Changes in Largest District Cities Are Following National Trends](#)

# Housing Market Conditions Report



# Housing Market Conditions Report

## Top 10 Zip Codes with Mortgages Under Stress

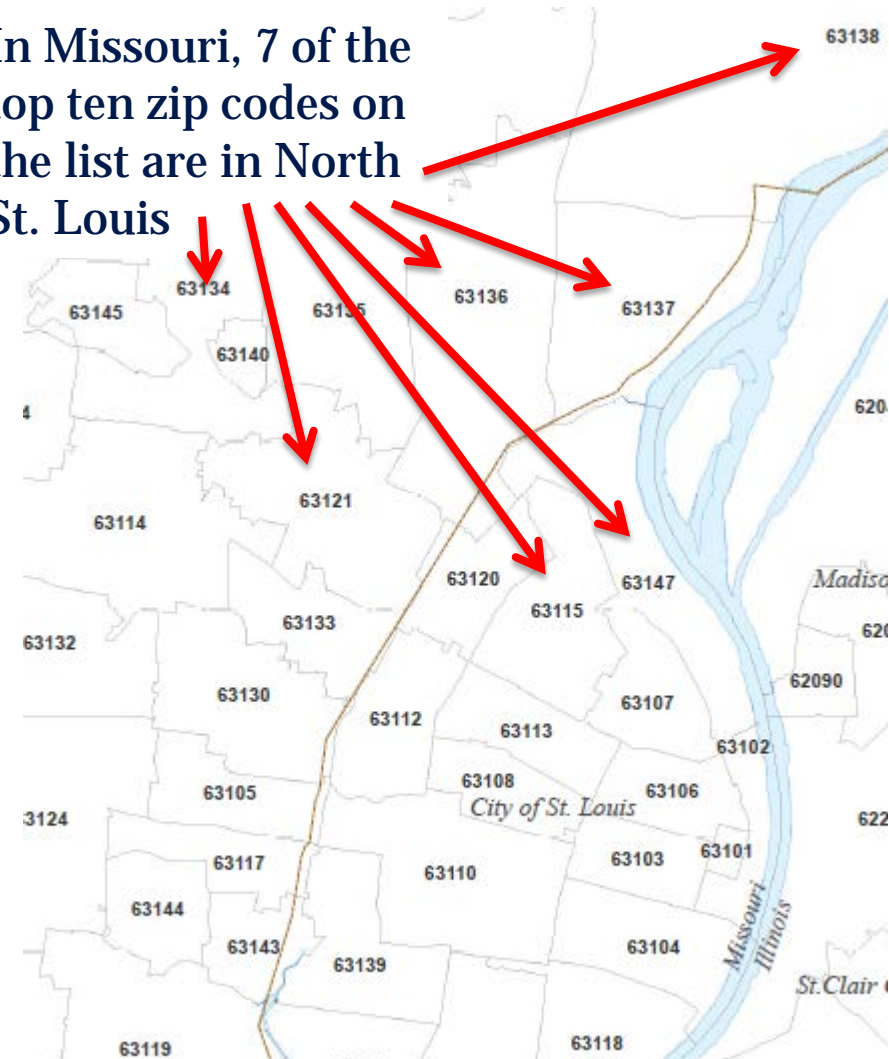
| Zip Code | CBSA or County     | Seriously Delinquent Mortgages |
|----------|--------------------|--------------------------------|
| 63138    | St. Louis, MO-IL   | 14.5%                          |
| 63136    | St. Louis, MO-IL   | 13.7%                          |
| 63137    | St. Louis, MO-IL   | 13.4%                          |
| 63115    | St. Louis, MO-IL   | 13.3%                          |
| 64130    | Kansas City, MO-KS | 12.7%                          |
| 64132    | Kansas City, MO-KS | 12.5%                          |
| 63147    | St. Louis, MO-IL   | 12.1%                          |
| 64134    | Kansas City, MO-KS | 11.3%                          |
| 63121    | St. Louis, MO-IL   | 10.8%                          |
| 63111    | St. Louis, MO-IL   | 10.8%                          |

Note: Zip codes with less than 0.15% of total loans in the state were not included in this analysis. For the state of Missouri, the cutoff is 1,086.

Source: Lender Processing Services

Table of zip codes under stress in each of the 7 states

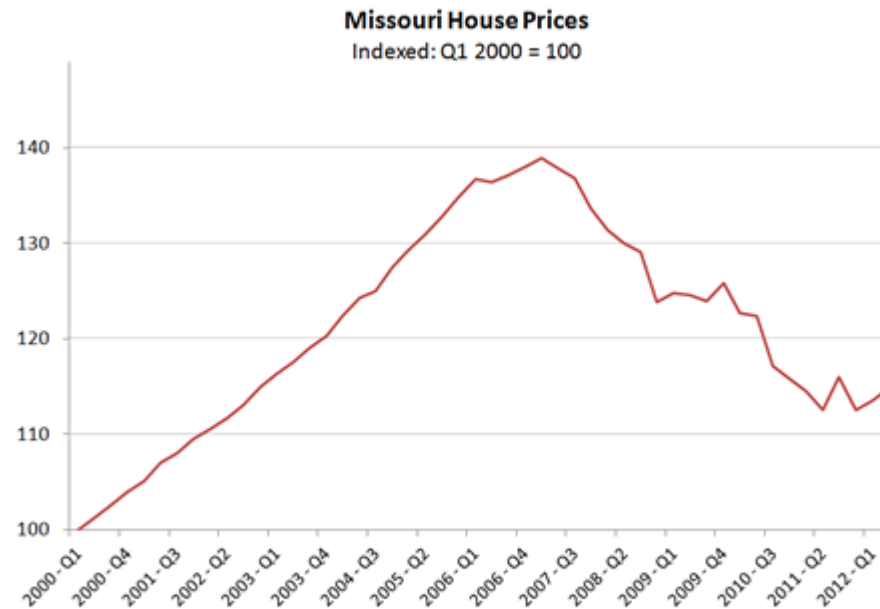
In Missouri, 7 of the top ten zip codes on the list are in North St. Louis



Source: St. Louis County

# Housing Market Conditions Report

## House Prices



Source: Federal Housing Finance Agency Seasonally Adjusted Expanded HPI

In the second quarter of 2012, house prices in Missouri were 1.1 percent higher than the first quarter and 2 percent higher than the second quarter of 2011.

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# Housing Market Conditions Report

[www.stlouisfed.org/community\\_development/HMC/](http://www.stlouisfed.org/community_development/HMC/)



# Key Takeaways

- There is a sustained recovery- the pace of distressed loans/foreclosure rates dropping as well as the improving economic conditions supports this.
- Jefferson County, as compared to the rest of Missouri, has generally not fared better or worse than the rest of the state, but substantially better than the rest of the country when it comes to delinquent mortgages/foreclosures.
- Qualified Mortgages- new rules will impact the mortgage industry.

# Questions/Copy of The Slides-

- Jim Fuchs- [James.W.Fuchs@stls.frb.org](mailto:James.W.Fuchs@stls.frb.org)
- David Benitez- [David.J.Benitez@stls.frb.org](mailto:David.J.Benitez@stls.frb.org)