



CoreLogic®



# The MarketPulse

NOVEMBER 2014

**The MarketPulse**

Volume 3, Issue 11  
 November 2014  
 Data as of September 2014

**Housing Statistics**

**September 2014**

HPI® YOY Chg	5.6%
HPI YOY Chg XD	5.2%
HPI Peak-to-Current Chg	-12.6%
HPI Peak-to-Current Chg XD	-9.1%
NegEq Share (Q2 2014)	14.9%
Cash Sales Share (as of August)	33.8%

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**News Media Contact**

**Alyson Austin**  
 alaustin@corelogic.com  
 949.214.1414 (office)

# A Ripple, Not a Wave

## Predicting the Impact from Future HELOC Loan Resets

By Sam Khater

The surge in mortgage debt during the mid-2000s was partly fueled by an increase in home equity lines of credit (HELOC) loans as borrowers took advantage of the rapid run-up in home prices to extract equity. Borrowers tapped home equity to supplement their incomes to provide an additional source of liquidity. Part of the reason for the soaring popularity of HELOCs was that unlike the first-lien mortgage market, which is composed primarily of fully amortizing loans, HELOC loans were typically originated as 10-year interest-only loans that switch to fully amortizing loans after a decade. At the end of the interest-only period, borrowers would experience a payment shock as they then had to pay back both interest and principal. The majority of HELOCs were originated at the peak of the home equity boom between 2004 and 2006, so there is concern of an oncoming wave of defaults when the estimated \$190 billion in HELOC loans reset between Q4 2014 and 2017. The fear is that payment shock will not only cause a wave of defaults, but that it also may impact bank balance sheets and the mortgage markets where HELOCs are concentrated. Unlike the first-lien market when banks sold off most of the credit risk, more than 85 percent or \$580 billion worth of HELOC loans are on bank balance sheets, and nearly 50 percent of them are located in California, Florida and New York. So, should the market brace itself for the big storm of the reset, or are the fears unfounded?

To examine the issue, CoreLogic analyzed the 10-year reset performance of 1.8 million HELOC originations between 2001 and 2004 using the CoreLogic TrueStandings Home Equity Database. The 2003 and 2004 vintages had an average pre-reset monthly payment of \$105 dollars, and after the reset, the monthly payment jumped to \$229, an increase of \$124 or 119 percent (Figure 1). Not surprisingly, the sudden increase in the monthly payment led to a spike in the 60+ delinquency rate for 2001 to 2004 vintages once they surpassed the 10-year reset mark

(Figure 2). The average 60+ delinquency rate in the three months prior to the reset was 0.95 percent, but 12 months later it rose to 4.3 percent, a four-fold increase. These vintages serve as a guide to how the 2005 and 2006 vintages could perform once they hit the 10-year reset period in 2015 and 2016. Given that these later vintages had a material increase in delinquencies much earlier than prior 2001 to 2004 vintages, it is possible that the borrowers with weaker credits have already defaulted and, therefore, the payment shock may not lead to a spike in defaults as large as in the past.

At the point of reset, the increase in the 60+ day delinquency rate is high. Clearly, payment shock is one of the reasons for that, but the rate is also driven by two other factors: the rise in the number of 60+ day delinquencies and the decline in the number of loans outstanding. In other words, the delinquency rate rises because the number of delinquent

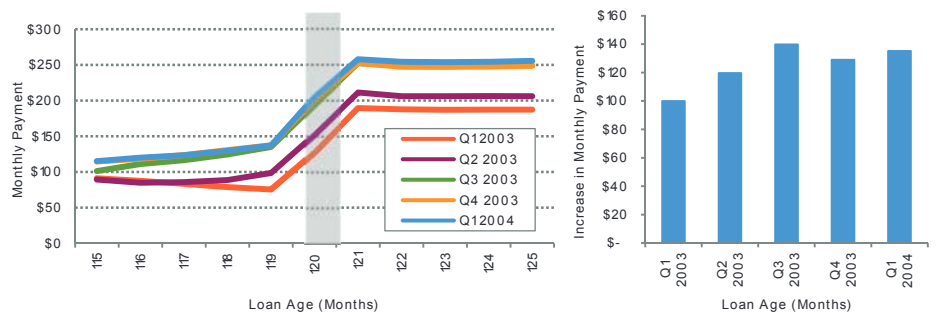
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Sam Khater  
Deputy Chief Economist

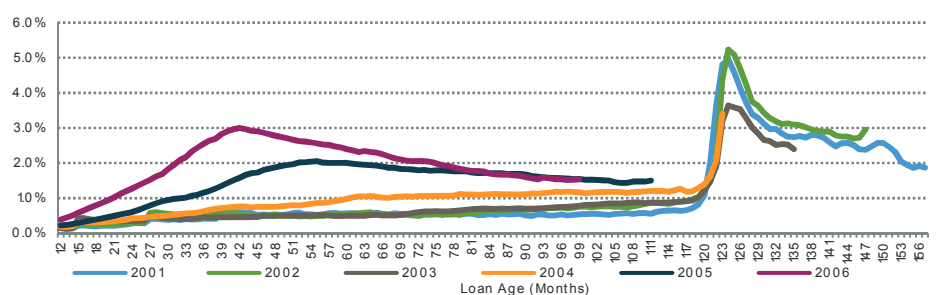
Sam Khater is deputy chief economist for CoreLogic. He is responsible for providing in-depth economic, mortgage market and real estate analysis.

**FIGURE 1. AT 10 YEAR RESET, PAYMENTS JUMP BY \$124 OR 119%**  
Comparison of 3 Month Moving Average Payment Before and After 10-Year Reset Mark



Source: CoreLogic, TrueStandings® HomeEquity, September 2014

**FIGURE 2. A FOUR-FOLD INCREASE AT 10-YEAR RESET PERIOD**  
60+ Day Delinquency Rate



Source: CoreLogic, TrueStandings® HomeEquity, September 2014

A Ripple, Not a Wave *continued from page 1*

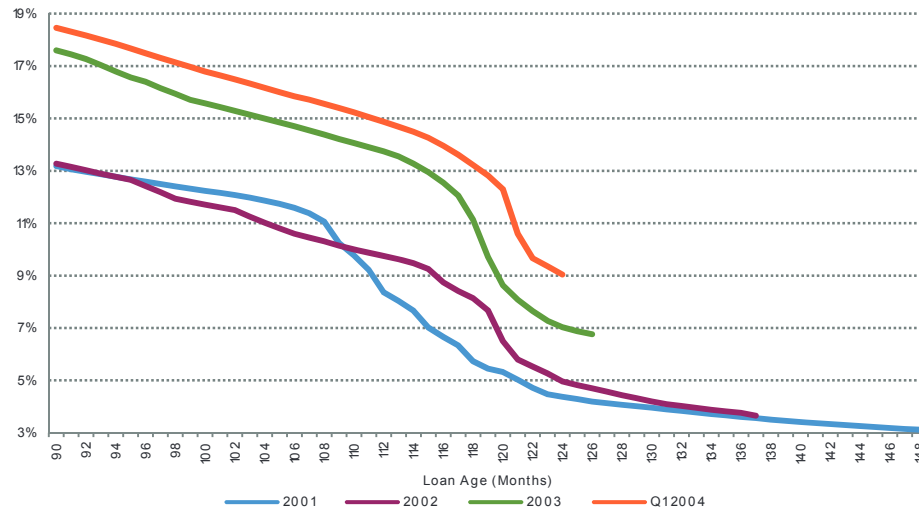
loans (numerator) grows while the number of active loans (denominator) shrinks (Figure 3). Payment shock not only drives delinquencies higher, but it also leads to a large number of prepayments by many borrowers who simply decide to pay off the loan, magnifying the rise in the delinquency rate all things equal. This reflects the fact that 27 percent of all HELOC borrowers have open lines of credit, but very low balances (10 percent of the full line

What will the impact of the payment shock be on the broader market? It is expected that the impact will be minor for a few reasons. First, the size of the \$190 billion reset is very small relative to the \$9.9 trillion mortgage market<sup>1</sup>. Second, 25 percent of HELOCs are in the first-lien position, meaning there is no other associated debt. Third, the major dual triggers of default, negative equity and unemployment are improving. The negative equity share for first liens with a home equity loan is 22 percent, well below the 36 percent rate four years ago, and it is rapidly improving. The unemployment rate in 2010 was more than 9 percent, but it has since declined to under 6 percent. Adjusting for the first-lien position and negative equity means that the HELOC exposure shrinks from \$190 billion to \$31 billion. While the spike in defaults at the 10-year mark certainly is an issue for those borrowers experiencing the reset, from a macro perspective the impact will not be a wave, but small ripples.

From a policy perspective, the Consumer Financial Protection Bureau's Ability to Repay rule that bans interest-only loans does not apply to HELOCs. This begs the question, why didn't policy makers include a provision for HELOCs given their role in driving up mortgage debt? A more sensible approach for HELOC products would be to provide incentives for fully amortizing loans that do not lead to payment shock down the road. A larger issue also remains; the mortgage market is the only insurance market where borrowers can increase their leverage and risk via a home equity loan, but the first lien is not re-priced to reflect the additional marginal risk. If the re-pricing and interest-only features of home equity are addressed, it would lead to better and more stable outcomes for the mortgage market. ■

**FIGURE 3. VINTAGE RAPIDLY SHRINKS AFTER RESET AT 120 MONTHS**

Pool Factors or Percent of Original Loans Still Active, by Vintage



Source: CoreLogic, TrueStandings® HomeEquity, September 2014

amount or less) and some of these borrowers pre-pay. This means there is some adverse selection and borrowers that remain past the 10-year mark may have a weaker financial profile than the typical HELOC borrower. Deconstructing the driver of the rise in the rate due to the actual rise in the delinquency rate versus the increase in voluntary prepayment reveals that a quarter of the rise in the delinquency rate is due to the prepayment increase (i.e., when the denominator declines due to the reset).

<sup>1</sup> One caveat is that it's not just the \$190 billion of HELOC's at risk but also the 1st liens which are roughly on the order of \$570 billion.

# An Unexpected Windfall

## Could Lower Energy Prices Stimulate Housing Demand?

By Molly Boesel

Energy prices are on the decline. Home heating oil prices for the first week of November 2014 were 40 cents below what they were the same week a year ago. In the past four weeks, the average price of gasoline has fallen by almost 30 cents to just over \$3 per gallon<sup>1</sup>. Average gas prices for the U.S. for the week of November 10 were the lowest they have been since the end of December 2010, reported at \$3.03 per gallon. In addition to leaving consumers with extra spending money, could this drop in energy prices also equate to a stimulus for housing?

Homeowners spend on fuel in two ways: to heat their homes and for commuting costs, one of which can have a direct impact on housing choices. Figure 1 shows gasoline prices and vehicle miles traveled (VMT) per capita<sup>2</sup> from 1991 to August 2014. With gas prices under \$2 per gallon, many homebuyers moved further from the urban core to buy larger and/or more expensive homes. This can be seen in the continual rise in VMT per capita until 2005, when it peaked in mid-June. After that point, VMT per capita fell as gas prices rose, excepting the period of mid-2008 to mid-2010 during the extreme stress of the financial crisis. As gas prices remained high, VMT remained suppressed, with August 2014 levels holding at about the same levels experienced in 1994.

The historical relationship between homeownership rates and travel distance are shown in Figure 2, with VMT per capita rising steadily alongside the increase in homeownership rates from 1994 to 2004. During this period, homeownership rates increased by five percentage points, and VMT per capita increased by 12 percent. The trend then reversed from 2005 to 2014, with homeownership rates and VMT per capita falling back to 1994 levels.

If consumers believe the recent drop in gas prices is longstanding, could it incent buyers to again move outside the urban core? In their 2012 working paper “How High Gas Prices Triggered the Housing Crisis: Theory and Empirical Evidence,” authors Sexton, Wu, and Zilberman found that low fuel prices helped lead to urban sprawl, pushing the lowest income borrowers furthest from the city center, and leaving those same borrowers most vulnerable to the energy price shock that occurred in 2008<sup>3</sup>. However, another major factor that led to that sprawl

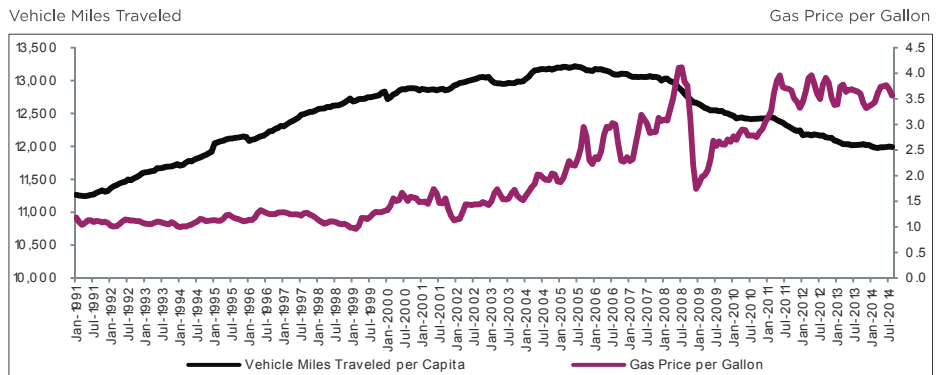


Molly Boesel  
Senior Economist

Molly Boesel is a senior economist for CoreLogic and is responsible for analyzing and forecasting housing and mortgage market trends. She has more than 20 years of experience in mortgage market analysis, model development and risk analysis in the housing finance industry.

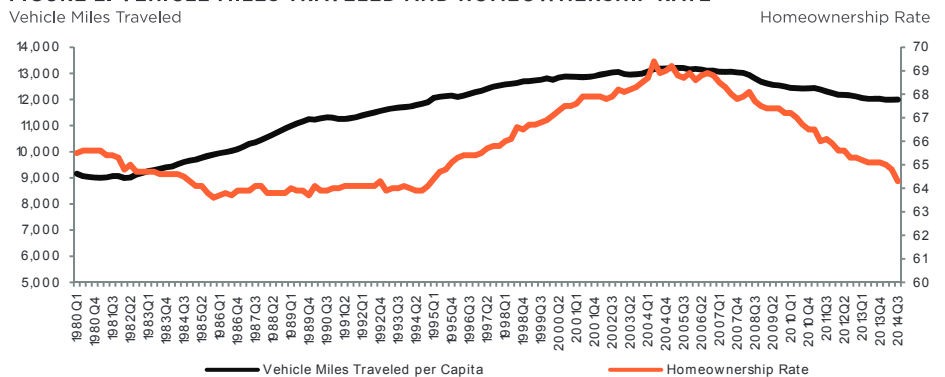
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**FIGURE 1. VEHICLE MILES TRAVELED AND GAS PRICES**



Source: Energy Information Administration, Federal Highway Transportation Administration, Bureau of Labor Statistics

**FIGURE 2. VEHICLE MILES TRAVELED AND HOMEOWNERSHIP RATE**



Source: Energy Information Administration, Federal Highway Transportation Administration, Bureau of Labor Statistics

<sup>1</sup> Weekly U.S. All Grades All Formulations Retail Gasoline Prices (Dollars per Gallon) published by the Energy Information Administration, The data can be found at [http://www.eia.gov/dnav/pet/pet\\_pri\\_gnd\\_dcus\\_nus\\_m.htm](http://www.eia.gov/dnav/pet/pet_pri_gnd_dcus_nus_m.htm).

<sup>2</sup> Vehicle miles traveled per capita is calculated by dividing vehicle miles traveled by civilian noninstitutional population. Vehicle miles traveled (VMT) is reported by the Federal Highway Transportation Administration ([https://www.fhwa.dot.gov/policyinformation/travel\\_monitoring/tvt.cfm](https://www.fhwa.dot.gov/policyinformation/travel_monitoring/tvt.cfm)) and civilian noninstitutional population is reported by the Bureau of Labor Statistics (<http://www.bls.gov/lau/rdsncp16.htm>).

<sup>3</sup> Steven E. Sexton, JunJie Wu, and David Zilberman. 2012. “How High Gas Prices Triggered the Housing Crisis: Theory and Empirical Evidence” The SelectedWorks of Steven E. Sexton Available at: <http://works.bepress.com/sexton/29>

# More Or Less Natural Hazard Risk Than Average: It's All About Location

Parcel-Level Hazard Risk Estimates Highlight Market Differences

By Katie Dobbyn



**Katie Dobbyn**  
Senior Economist

Katie Dobbyn is a senior economist for CoreLogic with the office of the chief economist. She is responsible for modeling all aspects of the mortgage and real estate markets.

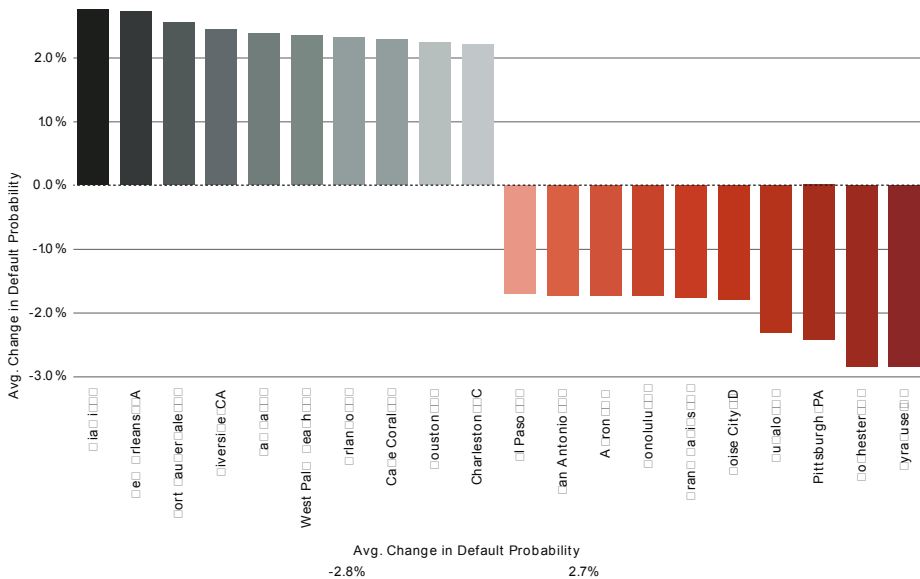
We all intuitively know that location matters when it comes to real estate. For the U.S. housing market, emphasis on location has in the past been in terms of factors such as school districts, commuting times, mass transit and walkability. That being said, in 2013, severe weather caused more than \$8 billion in property damage throughout the United States. This number is only expected to increase as natural disasters are expected to continue to increase in both frequency and intensity. This has caused the housing industry to begin to focus on the risk of any given location's exposure to natural disasters

If one lives along the Atlantic coast of Florida, for instance, or the parts of the Mid-West that make up "Tornado Alley," the risk of unexpected property damage is ever present due to hurricanes and tornados. The mortgage industry currently relies on required insurance to mitigate some of this risk and reduce the losses when natural disasters occur. That said, whether it's due to financial reasons, a lack of understanding of the risk, or, unlike the most common type of insurance, flood insurance, no insurance requirement for certain types of hazards, we all know that many at-risk borrowers don't have the appropriate insurance or are underinsured, especially in areas with less common or not-so-widely known hazard risk factors. Major disasters like Hurricane Sandy in 2012 highlight these facts. Yet until now, very little could be done to understand the more granular differences in hazard risk from one property to the next.

Recent advances in spatial and natural hazard sciences, however, now make it possible to assess natural hazard risk at the individual property level, which can make all the difference in helping to protect the homeowner and reduce or prevent losses by the mortgage lender. For example, it's possible to pinpoint exactly which properties are exposed to wildfire risk based on the topography and type of ground cover around a home. Or, one can measure the likelihood that a coastal property in Miami will flood from hurricane-driven storm surge based on the severity of the storm.

Continued on page 5

**FIGURE 1. TOP 10 AND BOTTOM 10 CBSAS**  
Average Change in Probability of Default Due to Natural Hazard Risk



Source: CoreLogic

More or Less Natural Hazard Risk conGhued from page 4

CoreLogic has developed a property-specific natural Hazard Risk Score (HRS) that serves as a reflection of the overall risk of any one disaster, or a likelihood-weighted combination of several natural hazards occurring at the same geographic location. Armed with the property-specific HRS one can more accurately predict the likelihood a mortgage will default based on standard measures of mortgage default risk (e.g., creditworthiness, ability to pay, loan terms and down payment), as well as natural hazard risk. In order to understand the risk of default caused by natural hazards, we estimated a mortgage default model using a random sample of more than 3 million first-lien loans from the CoreLogic proprietary servicing database, that were active at any point between January 1995 and March 2014, including prime, subprime and government loans.

Based on this illustrative model, we were able to measure the reduction in the average probability of default for markets whose natural hazard risk was less than the national average hazard risk, and the increase in the average probability of default for markets whose natural hazard

risk was greater than the national average hazard risk. In Figure 1, the ten markets with the biggest increases and the ten with the biggest decreases are shown.

It is not surprising that seven of the riskiest ten markets are in Florida, where there is the risk of wildfires, storm surges, flooding and even sinkholes. The safest markets are in a variety of locations, but non-coastal New York State stands out with three of the safest five markets. The typical increase or decrease to account for natural hazard risk is about 2 to 3 percent, certainly not inconsequential when one considers that mortgage default rates, recent history excepted, are very low to begin with.

As our country’s population continues to grow, and as long as we like to live along the coasts, our nation’s housing stock will be increasingly susceptible to natural disasters. This doesn’t have to be a risk that is ignored - mortgage risk can be assessed based on specific location and expected natural hazard risk. The age-old adage of real estate still applies: It’s still all about location, location, location, and in this case, more specifically, hazard risk location. ■

**W**..in 20 13, severe weather caused more than \$8 billion in property damage throughout the United States.”

An Unexpected Windfall conGhued from page 3

was an environment of easy credit and low interest rates—and while interest rates today are low, credit is tighter than it was in the

mid-2000s, making the decision of whether or not to move far from the urban core a very different calculation. ■

# Hail

## A Hazard That Should Not be Overlooked

By Dr. Tom Jeffery



Dr. Tom Jeffery  
Senior Hazard Scientist

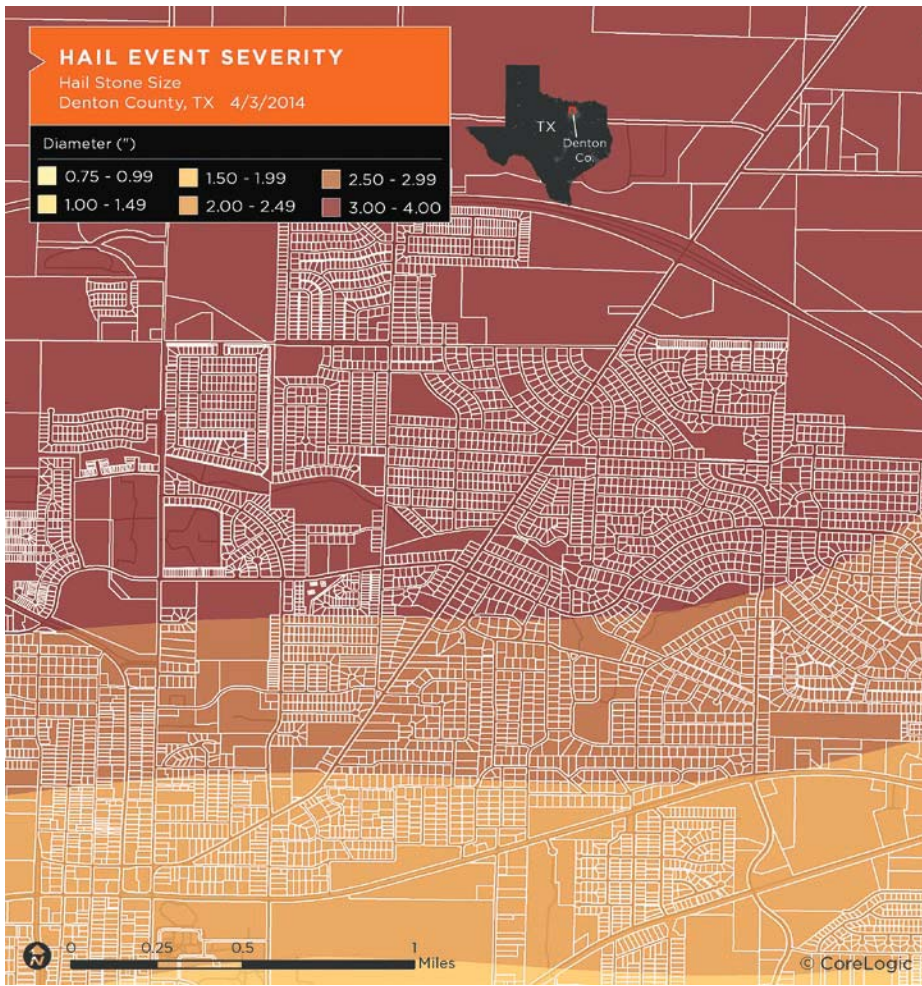
Dr. Thomas Jeffery is senior hazard scientist for CoreLogic Spatial Solutions. He is the lead scientist on development of various CoreLogic hazard risk datasets, including wildfire risk, coastal storm surge risk, earthquake risk and Florida sinkhole risk, and works with many of the top 100 U.S. insurance companies to help implement hazard risk models in automated underwriting and pricing systems.

One billion dollars: the amount of damage caused by hailstorms on an annual basis in the United States, yet this particular hazard is often overlooked.<sup>1</sup> Hail is produced by convective storms, which are associated with a number of hazards, including tornadoes, flooding due to excessive rainfall and strong straight-line winds. All of these events can cause damage to property, so the actual impact of a hailstorm can be easy to miss. Though flooding and tornado events tend to receive the most media attention, hail damage continues to represent sizeable material losses each year. Recent storms

in South Dakota, Missouri and Texas are a reminder of the destruction hail can cause—and why we should be paying better attention to the risk.

Central and Southern Plains states tend to have the highest accumulation of hail damage each year, but virtually any location in the contiguous U.S. can experience convective storm formation. Not all hailstorms will cause significant property damage since the size of individual hailstones can vary, but larger hailstones can destroy the roof, siding and windows of a home, as well as the exterior of a vehicle.

**FIGURE 1. HAIL ZONES**  
North Side of Denton, TX



The largest hailstone on record fell during a storm over Vivian, South Dakota in 2010.<sup>2</sup> It measured nearly eight inches in diameter and weighed almost two pounds. While hailstones approaching that size are very rare, it only takes a diameter of approximately one inch for a hailstone to cause damage. In 2012, a series of storms resulted in a large number of hail-damaged properties. In April, storms swept through St. Louis, Missouri and caused an estimated \$1.6 billion in damage.<sup>3</sup> Then, just two months later, the Dallas-Fort Worth metro was hit by large hail that caused an estimated \$900 million in damage.<sup>4</sup>

Earlier this year, Denton, Texas, located just north of Dallas-Fort Worth, experienced damaging hail that ultimately resulted in an estimated \$500 million in damage.<sup>5</sup> On April 3, a convective storm generated high winds and hail that ranged in size from penny to baseball diameters. Approximately 35,000 automobiles and 22,000 homes

Continued on page 8

<sup>1</sup> National Oceanic and Atmospheric Administration, 2014.  
<sup>2</sup> Monstrous hail Now the New National Record, AccuWeather.com, 2010.  
<sup>3</sup> The Great St. Louis Metropolitan Hail Storms, NOAA, 2012.  
<sup>4</sup> June 13th 2012 Severe Storms, NOAA, 2012.  
<sup>5</sup> Massive Hail Pounds Texas, Arkansas, Causes Millions in Property Damages, The Weather Channel, April 11, 2014.



# September 2014 Home Prices Increased 5.6 Percent Year Over Year

## Growth in Low-Price Segment Outpaces Other Price Tiers

By Molly Boesel

Today, CoreLogic reported that September 2014 national home prices increased by 5.6 percent year over year, and fell by 0.1 percent month over month. This marks the 31st consecutive month of year-over-year increases in the CoreLogic Home Price Index (HPI) and the first monthly decrease since December 2013. Since the HPI is not seasonally adjusted, monthly decreases are expected as the housing market enters its seasonal low. Excluding distressed sales, home prices increased 5.2 percent from September 2013 and were up 0.1 percent from the prior month. Including distressed sales, prices were still 12.6 percent below the peak in April 2006, and excluding distressed sales, prices were down 9.1 percent from peak levels.

Including distressed sales, year-over-year home prices were up in every state. Michigan led the country with a 10.3-percent price increase from September 2013, followed by Montana with a 10-percent increase. Excluding distressed sales, all states except Mississippi experienced a year-over-year price gain, with Maine (+10.4 percent) and Massachusetts (+9.7 percent) showing the largest increases.

Five states reached new highs in home prices in September 2014<sup>1</sup>. Despite growing by 7.2 percent year over year, Nevada had the largest drop from peak HPI levels at 36.6 percent. Florida had the second-largest peak-to-current drop at 34.1 percent. Figure 1 shows the current, maximum and minimum year-over-year growth rates for the 25 states with the highest year-over-year appreciation.

In addition to the overall price indices, CoreLogic analyzes four individual home-price tiers. The price tiers tracked by the CoreLogic HPI are calculated relative to the mean national home price and include homes that are priced 75 percent or less below the mean (low price), between 75 and 100 percent of the mean (low-to-middle price), between 100 and 125 percent of the mean (middle-to-moderate price) and greater than 125 percent of the mean (high price).

Figure 2 shows the levels of the four price tiers indexed to January 2011. The two lower-priced tiers have recovered the most from their trough levels (the low price tier hit bottom in March 2009 and the low-to-middle price tier hit bottom in March 2011), with the low-price tier recovering 40 percent

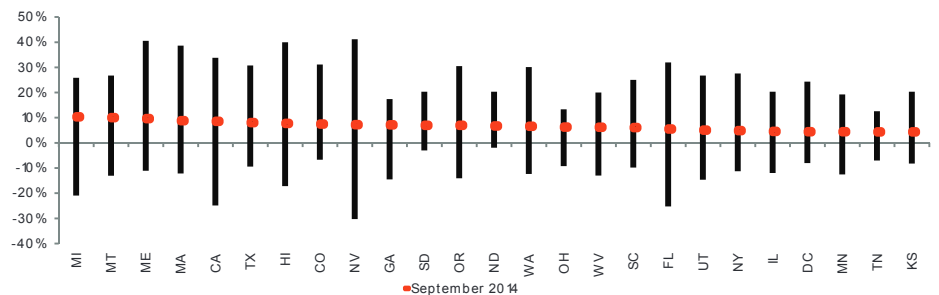
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“...national home prices increased by 5.6 percent year over year, and fell by 0.1 percent month over month.”

<sup>1</sup> The states that reached new highs in home prices in September 2014 were Texas, South Dakota, North Dakota, Colorado and Nebraska.

**FIGURE 1. YOY HPI GROWTH FOR 25 HIGHEST APPRECIATING STATES**

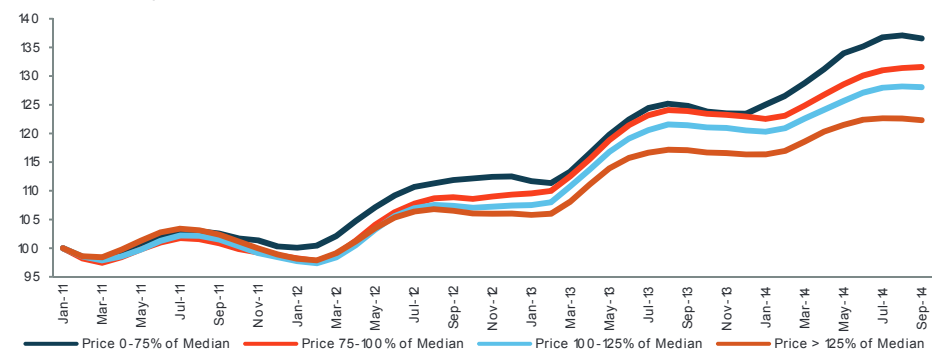
Min, Max, Current since January 1976



Source: CoreLogic September 2014

**FIGURE 2. HPI BY PRICE SEGMENT**

Indexed to January 2011



Source: CoreLogic September 2014

## In the News

### **Fox Business**, November 19, 2014

US existing-home sales likely slipped in October

Analysts say sales of roughly 5.5 million existing homes are common in a healthy real estate market. Home prices have been increasing at a much faster clip...

### **San Diego Union-Tribune**,

November 19, 2014

Default notices rise to 9-month high

Last month, lenders filed 474 notices of default, which trigger the foreclosure processes after 90 days of missed payments, real estate tracker CoreLogic...

### **Virtual-Strategy Magazine**,

November 19, 2014

Lower Energy Prices And Housing Demand?

With energy prices in a downtrend, home heating oil has is \$0.40 below this same time in 2013. CoreLogic, which engaged in real estate consumer analytics...

### **Los Angeles Times**, November 18, 2014

Barely 1 in 5 L.A. homes affordable to middle class, study finds

Even though home price gains are slowing - the median price in the six-county Southland climbed 6.8% in October, according to CoreLogic DataQuick...

### **24/7 Wall St**, November 13, 2014

All-Cash Home Sales Highest in Florida, Lowest in DC

In January of 2011, nearly half (46%) of all home sales in the United States were made as all-cash transactions. By August of this year that percentage had slipped to 33.8%, down 2.4% from August of 2013.

### **World Property Journal**,

November 13, 2014

Cash Buyers Make up 34 Percent of All U.S. Home Sales in August

According to CoreLogic, cash sales made up 33.8 percent of total U.S. home sales in August 2014, down from 36.4 percent in August 2013. The year-over-year share has fallen each month since January 2013.

### **Inside Mortgage Finance**,

November 14, 2014

Experts: Fannie, Freddie Risk Transfers Building Momentum

The GSE risk-sharing market is building momentum and investors indicate there is a growing demand for this product going forward, industry insiders told attendees of an Urban Institute/CoreLogic housing ...

Hail conGrued from page 6

were damaged from the hail that fell during the storm. A CoreLogic study of the storm revealed that nearly half (47 percent) of the homes in the area impacted were affected by hail that was smaller than one-and-a-half inches in diameter. Of the remaining homes, 37.3 percent were in an area which was hit by hail between one-and-a-half and two inches in size, and more than 9,000 were struck by hail that was larger than two inches in diameter, for a total of 57,522 homes impacted.

From a property insurance perspective, it's important to evaluate the risk and damage associated with hail in two ways—with the first being the analysis of hail risk. This is based on identifying the locations that are more susceptible to hail formation. While atmospheric conditions are constantly in flux and difficult to forecast, constructing an accurate hail risk analysis is possible using various tools, one of which provides a 10x10 km grid based assessment of damaging hail probability.

Another method of hail analysis, and one that is even more important for the insurance industry, is hail verification after

an event has taken place. This analysis provides the ability to determine the location and size of hail impacts after the storm. It combines proprietary hail size algorithms, remote sensing and point-specific weather data to objectively determine what hail size affected each individual property parcel. Combining highly granular property parcel locations with not only the storm footprint, but also hail diameters, provides the key ingredients to help insurers understand where the damage occurred, and provides the ability to tabulate the properties affected.

With a better understanding of risk to each home in a geographic area, insurers can make better decisions about resource allocation, and more importantly, assist homeowners quickly and efficiently when disaster strikes. The damage from hailstorms may not be as visually shocking as other types of hazards, nor are they as likely to cause injury or death. But unlike Chicken Little's infamous unfounded warning that the "sky is falling," hailstones falling from the sky can cause significant damage and quickly escalate into the hundreds of millions of dollars for even a single event. ■

September 2014 Home Prices conGrued from page 7

from the trough and the low-to-middle tier recovering 34.8 percent from the trough. As of September 2014, the low-price tier increased 9.4 percent year over year, the largest appreciation rate of all four price tiers. The two higher-price tiers both bottomed out in February 2012, with the middle-to-moderate price tier recovering 31.6 percent

from the trough, and the high-price tier recovering 25.3 percent from the trough. The high-price tier fell the least, at 27.8 percent peak-to-trough, and is currently 9.8 percent below its peak. The low-to-middle price tier fared the worst in the housing crisis, falling 37.1 percent peak-to-trough, and is now 15 percent below peak levels. ■

### Time Series — National Foreclosure Overview September 2014

	Oct 2013	Nov 2013	Dec 2013	Jan 2014	Feb 2014	Mar 2014	Apr 2014	May 2014	Jun 2014	Jul 2014	Aug 2014	Sep 2014
SDQ*	2,037	2,014	1,989	1,952	1,896	1,825	1,775	1,732	1,706	1,676	1,657	1,634
-MOM % Chg in #	-2.0%	-1.1%	-1.3%	-1.8%	-2.9%	-3.7%	-2.7%	-2.4%	-1.5%	-1.8%	-1.1%	-1.4%
-YOY % Chg in #	-25.2%	-25.1%	-25.2%	-25.6%	-25.7%	-25.9%	-25.1%	-25.2%	-25.9%	-25.8%	-24.0%	-21.4%
Foreclosure Inventory*	875	879	840	793	760	728	694	674	662	646	625	607
-MOM % Chg in #	-5.4%	0.5%	-4.5%	-5.6%	-4.1%	-4.2%	-4.8%	-2.8%	-1.7%	-2.4%	-3.3%	-2.8%
-YOY % Chg in #	-31.7%	-29.1%	-31.7%	-34.1%	-35.3%	-37.4%	-36.4%	-37.1%	-36.0%	-36.2%	-35.9%	-34.3%
Completed Foreclosures*	55	45	45	54	44	46	46	46	44	39	44	46
-MOM % Chg in #	-19.2%	-17.8%	-0.6%	19.8%	-17.6%	3.6%	0.5%	-0.3%	-3.6%	-11.4%	11.4%	4.7%
-YOY % Chg in #	-23.0%	-31.7%	-16.8%	-10.1%	-14.8%	-14.5%	-19.8%	-12.5%	-18.8%	-31.4%	-24.6%	-32.6%
-12-Month Sum*	687	666	657	651	643	636	624	618	607	590	575	553

\*Thousands of Units

Home Price Index — State Level Detail September 2014

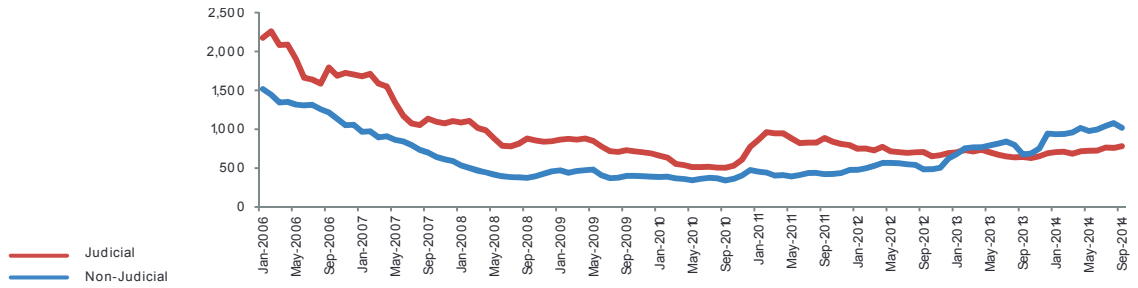
State	Single-Family Including Distressed					Single-Family Excluding Distressed				
	12-Month HPI Change	3-Month	1-Month	Peak-to-Current HPI Change	Peak Date	12-Month HPI Change	3-Month	1-Month	Peak-to-Current HPI Change	Peak Date
<b>National</b>	<b>5.6%</b>	<b>0.5%</b>	<b>-0.1%</b>	<b>-12.6%</b>	<b>APR-2006</b>	<b>5.2%</b>	<b>0.5%</b>	<b>0.1%</b>	<b>-9.1%</b>	<b>APR-2006</b>
Texas	8.0%	0.8%	0.0%	0.0%	SEP-2014	7.4%	0.7%	0.1%	0.0%	SEP-2014
Colorado	7.5%	1.2%	0.1%	0.0%	SEP-2014	6.3%	0.6%	0.0%	-0.1%	JUL-2014
South Dakota	6.9%	1.6%	0.5%	0.0%	SEP-2014	7.0%	1.4%	0.6%	0.0%	SEP-2014
North Dakota	6.7%	3.1%	0.9%	0.0%	SEP-2014	6.3%	2.6%	0.5%	0.0%	SEP-2014
Nebraska	4.2%	1.6%	0.5%	0.0%	SEP-2014	4.0%	1.9%	0.7%	0.0%	SEP-2014
Oklahoma	2.7%	-0.1%	-0.1%	-0.2%	JUL-2014	3.2%	0.0%	0.1%	0.0%	JUL-2014
Iowa	2.7%	0.7%	-0.2%	-0.2%	AUG-2014	2.7%	1.0%	0.1%	0.0%	SEP-2014
Montana	10.0%	3.5%	1.0%	-0.3%	AUG-2007	6.9%	3.5%	1.0%	-3.0%	JUL-2007
Louisiana	3.5%	0.1%	-0.3%	-0.4%	JUL-2014	3.6%	0.5%	0.2%	0.0%	SEP-2014
Wyoming	3.9%	0.5%	-0.4%	-0.4%	AUG-2014	2.6%	0.5%	-0.3%	-1.7%	SEP-2007
Tennessee	4.4%	-0.1%	-0.5%	-0.5%	JUL-2014	4.0%	0.2%	-0.3%	-0.4%	JUL-2014
Maine	9.6%	4.3%	3.0%	-0.7%	MAY-2006	10.4%	4.3%	3.1%	-2.7%	JUL-2006
Alaska	3.6%	0.6%	-0.8%	-0.8%	AUG-2014	4.6%	1.3%	-0.3%	-0.3%	AUG-2014
Vermont	1.9%	3.4%	0.2%	-0.9%	JUN-2007	2.7%	3.3%	0.4%	0.0%	SEP-2014
New York	4.8%	1.6%	1.2%	-1.2%	NOV-2006	5.5%	1.2%	1.4%	0.0%	SEP-2014
Kentucky	3.5%	0.3%	-0.4%	-1.4%	AUG-2006	2.9%	0.4%	-0.2%	-0.2%	AUG-2014
District of Columbia	4.4%	-1.6%	-1.6%	-1.6%	JUN-2014	3.5%	-1.4%	-1.2%	-1.4%	JUN-2014
Arkansas	0.1%	0.8%	-0.2%	-2.0%	JUL-2007	1.6%	1.0%	-0.3%	-0.3%	AUG-2014
Hawaii	7.7%	1.1%	0.2%	-2.4%	OCT-2006	6.6%	1.6%	0.6%	-0.1%	MAY-2007
North Carolina	3.2%	-0.4%	-0.6%	-3.4%	AUG-2007	3.3%	-0.1%	-0.3%	-1.8%	SEP-2007
Indiana	3.3%	0.9%	0.3%	-4.7%	JUL-2007	3.3%	1.0%	0.6%	-2.6%	JUL-2007
Massachusetts	8.8%	2.2%	0.6%	-5.0%	OCT-2005	9.7%	2.4%	1.2%	-2.4%	OCT-2005
South Carolina	6.0%	0.9%	-0.9%	-5.2%	APR-2007	6.5%	1.6%	-0.4%	-1.2%	APR-2007
Pennsylvania	2.4%	0.5%	-0.7%	-6.3%	SEP-2006	2.9%	0.2%	-0.4%	-3.3%	SEP-2007
Kansas	4.3%	0.6%	0.2%	-6.5%	AUG-2007	5.0%	1.8%	0.6%	-3.3%	AUG-2007
Ohio	6.3%	1.8%	-0.5%	-7.3%	OCT-2005	3.9%	1.9%	-0.1%	-4.2%	JUL-2006
Mississippi	2.4%	2.4%	0.4%	-8.0%	SEP-2007	-0.9%	2.7%	0.0%	-7.2%	SEP-2007
Georgia	7.1%	0.7%	-0.4%	-8.4%	DEC-2006	5.7%	0.1%	-0.3%	-5.5%	AUG-2007
Oregon	6.9%	0.5%	-0.2%	-9.1%	JUL-2007	7.0%	0.5%	-0.1%	-7.6%	JUL-2007
Wisconsin	1.4%	1.0%	-0.6%	-10.1%	NOV-2006	2.1%	0.7%	-0.2%	-6.7%	OCT-2006
Minnesota	4.4%	1.6%	0.6%	-10.2%	APR-2006	3.5%	1.2%	0.4%	-9.4%	JUN-2006
Missouri	3.8%	0.5%	-0.6%	-10.4%	SEP-2006	3.8%	0.5%	-0.1%	-6.8%	JUL-2007
Washington	6.6%	0.4%	0.0%	-10.7%	JUL-2007	6.3%	0.2%	0.2%	-8.2%	JUL-2007
Utah	5.0%	0.1%	-0.5%	-10.8%	JUN-2007	5.6%	0.7%	-0.3%	-9.0%	JUL-2007
Alabama	2.3%	-0.7%	-0.7%	-12.2%	AUG-2007	3.7%	0.2%	0.0%	-5.1%	JUL-2007
New Hampshire	3.2%	2.6%	0.3%	-13.0%	MAY-2006	3.7%	1.6%	0.1%	-11.6%	SEP-2005
West Virginia	6.2%	-0.3%	-0.6%	-13.1%	AUG-2005	5.2%	0.0%	-0.3%	-15.6%	AUG-2005
Virginia	2.0%	-0.8%	-0.5%	-13.7%	MAY-2006	2.5%	-0.4%	-0.2%	-11.1%	MAY-2006
California	8.5%	0.1%	-0.3%	-14.8%	MAY-2006	7.6%	0.1%	-0.3%	-13.7%	MAY-2006
Delaware	2.6%	-2.3%	-0.1%	-14.9%	JUN-2007	3.3%	-1.8%	0.0%	-15.2%	JUL-2007
Michigan	10.3%	4.7%	1.5%	-15.6%	NOV-2005	7.2%	3.1%	1.1%	-10.0%	OCT-2005
Idaho	2.7%	-0.6%	-0.8%	-17.4%	JUL-2007	3.2%	-0.4%	-0.7%	-16.5%	JUL-2007
New Mexico	1.1%	1.2%	0.3%	-17.7%	MAY-2007	2.0%	1.0%	0.6%	-14.2%	MAY-2007
Illinois	4.5%	1.8%	-0.1%	-19.2%	NOV-2006	3.6%	1.4%	0.3%	-13.7%	OCT-2006
Connecticut	1.2%	-0.2%	-0.6%	-19.9%	JUL-2006	2.0%	-0.1%	-0.3%	-16.4%	JUL-2006
New Jersey	3.0%	2.4%	0.2%	-20.4%	JUN-2006	3.2%	1.4%	0.3%	-17.3%	JUN-2006
Maryland	1.4%	-0.1%	-0.9%	-21.2%	NOV-2006	2.2%	-0.3%	-0.5%	-17.3%	JUL-2006
Rhode Island	2.6%	0.3%	-0.2%	-27.9%	OCT-2005	4.2%	1.0%	0.4%	-23.4%	OCT-2005
Arizona	3.2%	0.0%	-0.4%	-29.6%	JUN-2006	2.8%	0.0%	-0.2%	-27.9%	JUL-2006
Florida	5.5%	0.1%	-0.3%	-34.1%	OCT-2006	6.0%	0.5%	-0.1%	-28.6%	JUL-2006
Nevada	7.2%	1.1%	-0.2%	-36.6%	MAR-2006	6.3%	1.5%	-0.3%	-36.7%	MAY-2006

Source: CoreLogic September 2014

## Charts & Graphs

### NUMBER OF MORTGAGED HOMES PER COMPLETED FORECLOSURE

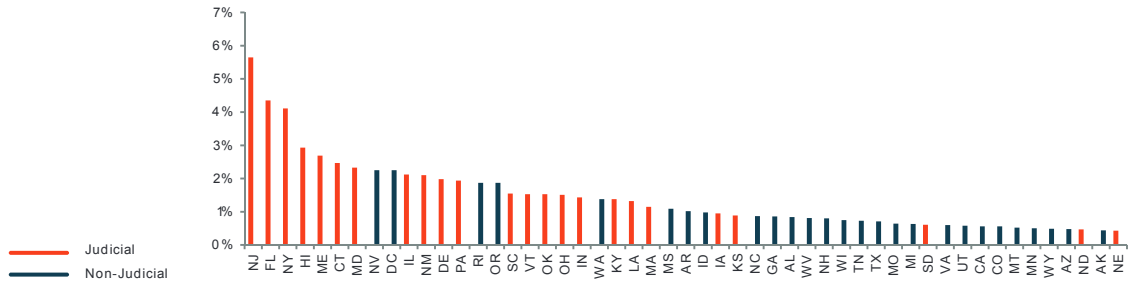
Judicial Foreclosure States vs. Non-Judicial Foreclosure



Source: CoreLogic September 2014

### FORECLOSURE INVENTORY AS OF SEPTEMBER 2014

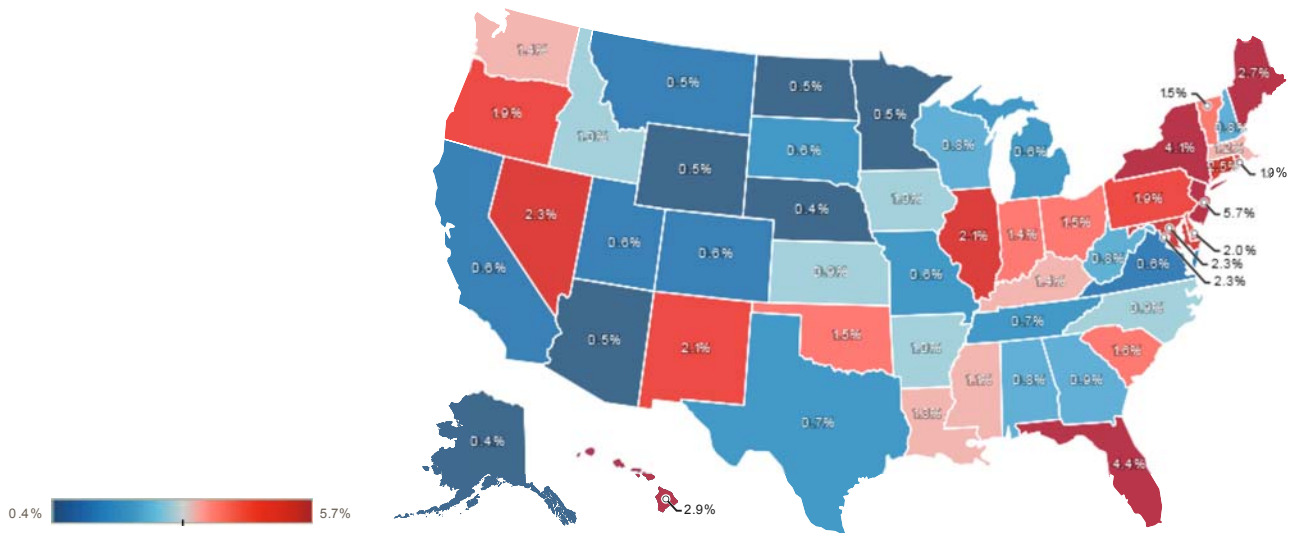
Judicial Foreclosure States vs. Non-Judicial Foreclosure States



Source: CoreLogic September 2014

### FORECLOSURE INVENTORY BY STATE

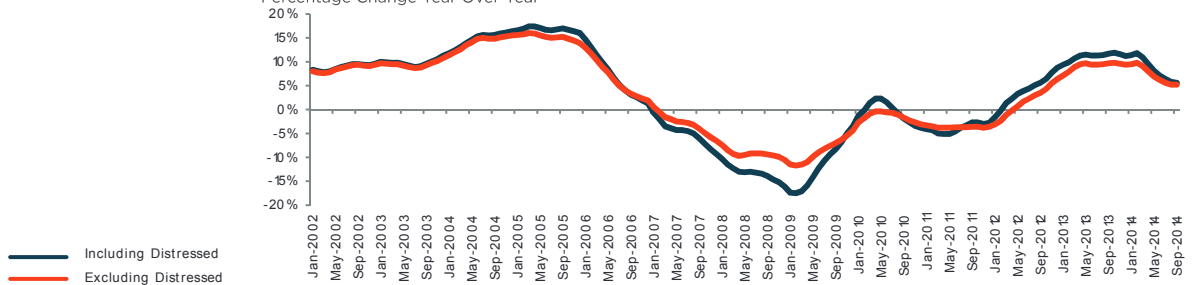
As of June 2014



Source: CoreLogic Market Trends

### HOME PRICE INDEX

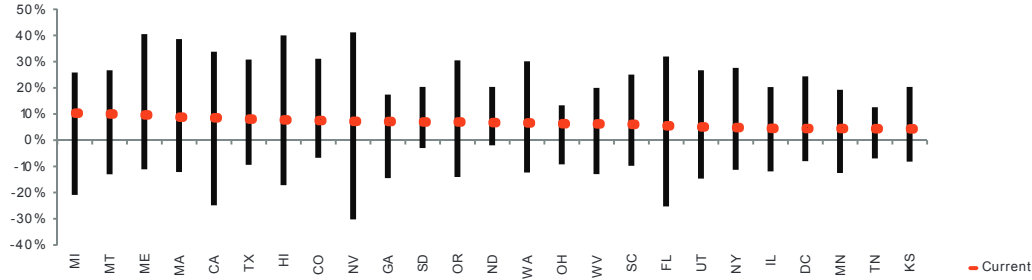
Percentage Change Year Over Year



Source: CoreLogic September 2014

**YOY HPI GROWTH FOR 25 HIGHEST-RATE STATES**

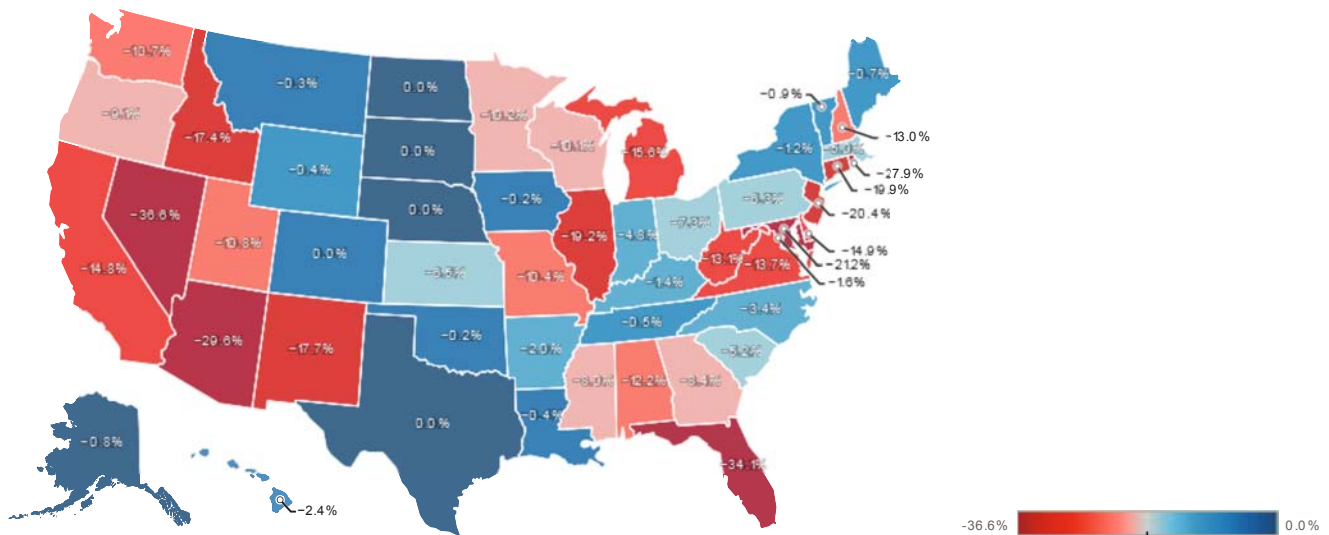
Minimum, Maximum, Current since January 1976



Source: CoreLogic September 2014

**SEPTEMBER 2014 CORELOGIC HPI® SINGLE FAMILY INCLUDING DISTRESSED**

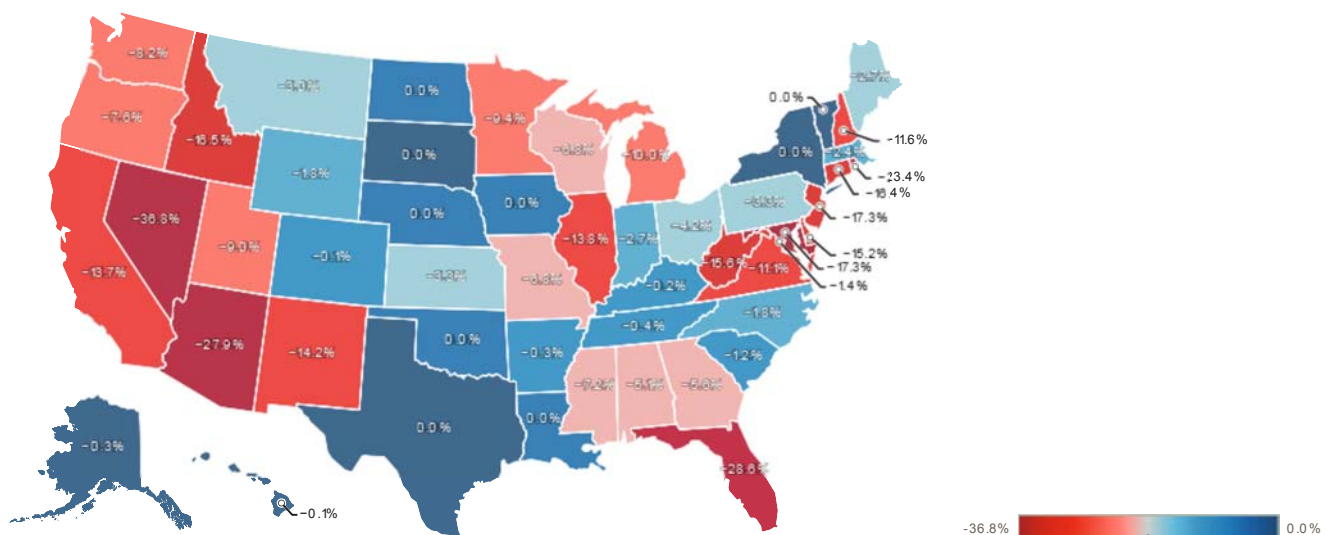
As of September 2014



Source: CoreLogic HPI, single-family combined series

**SEPTEMBER 2014 CORELOGIC HPI SINGLE FAMILY EXCLUDING DISTRESSED**

As of September 2014



Source: CoreLogic HPI, single-family combined excluding distressed sales series

**Variable Descriptions**

<b>Variable</b>	<b>Definition</b>
Total Sales	The total number of all home-sale transactions during the month.
Total Sales 12-Month sum	The total number of all home-sale transactions for the last 12 months.
Total Sales YoY Change 12-Month sum	Percentage increase or decrease in current 12 months of total sales over the prior 12 months of total sales
New Home Sales	The total number of newly constructed residential housing units sold during the month.
New Home Sales Median Price	The median price for newly constructed residential housing units during the month.
Existing Home Sales	The number of previously constructed homes that were sold to an unaffiliated third party. DOES NOT INCLUDE REO AND SHORT SALES.
REO Sales	Number of bank owned properties that were sold to an unaffiliated third party.
REO Sales Share	The number of REO Sales in a given month divided by total sales.
REO Price Discount	The average price of a REO divided by the average price of an existing-home sale.
REO Pct	The count of loans in REO as a percentage of the overall count of loans for the reporting period.
Short Sales	The number of short sales. A short sale is a sale of real estate in which the sale proceeds fall short of the balance owed on the property's loan.
Short Sales Share	The number of Short Sales in a given month divided by total sales.
Short Sale Price Discount	The average price of a Short Sale divided by the average price of an existing-home sale.
Short Sale Pct	The count of loans in Short Sale as a percentage of the overall count of loans for the month.
Distressed Sales Share	The percentage of the total sales that were a distressed sale (REO or short sale).
Distressed Sales Share (sales 12-Month sum)	The sum of the REO Sales 12-month sum and the Short Sales 12-month sum divided by the total sales 12-month sum.
HPI MoM	Percent increase or decrease in HPI single family combined series over a month ago.
HPI YoY	Percent increase or decrease in HPI single family combined series over a year ago.
HPI MoM Excluding Distressed	Percent increase or decrease in HPI single family combined excluding distressed series over a month ago.
HPI YoY Excluding Distressed	Percent increase or decrease in HPI single family combined excluding distressed series over a year ago.
HPI Percent Change from Peak	Percent increase or decrease in HPI single family combined series from the respective peak value in the index.
90 Days + DQ Pct	The percentage of the overall loan count that are 90 or more days delinquent as of the reporting period. This percentage includes loans that are in foreclosure or REO.
Stock of 90+ Delinquencies YoY Chg	Percent change year-over-year of the number of 90+ day delinquencies in the current month.
Foreclosure Pct	The percentage of the overall loan count that is currently in foreclosure as of the reporting period.
Percent Change Stock of Foreclosures from Peak	Percent increase or decrease in the number of foreclosures from the respective peak number of foreclosures.
Pre-foreclosure Filings	The number of mortgages where the lender has initiated foreclosure proceedings and it has been made known through public notice (NOD).
Completed Foreclosures	A completed foreclosure occurs when a property is auctioned and results in either the purchase of the home at auction or the property is taken by the lender as part of their Real Estate Owned (REO) inventory.
Negative Equity Share	The percentage of mortgages in negative equity. The denominator for the negative equity percent is based on the number of mortgages from the public record.
Negative Equity	The number of mortgages in negative equity. Negative equity is calculated as the difference between the current value of the property and the origination value of the mortgage. If the mortgage debt is greater than the current value, the property is considered to be in a negative equity position. We estimate current UPB value, not origination value.
Months' Supply of Distressed Homes (total sales 12-Month avg)	The months it would take to sell off all homes currently in distress of 90 days delinquency or greater based on the current sales pace.
Price/Income Ratio	CoreLogic HPI™ divided by Nominal Personal Income provided by the Bureau of Economic Analysis and indexed to January 1976.
Conforming Prime Serious Delinquency Rate	The rate serious delinquency mortgages which are within the legislated purchase limits of Fannie Mae and Freddie Mac. The conforming limits are legislated by the Federal Housing Finance Agency (FHFA).
Jumbo Prime Serious Delinquency Rate	The rate serious delinquency mortgages which are larger than the legislated purchase limits of Fannie Mae and Freddie Mac. The conforming limits are legislated by the Federal Housing Finance Agency (FHFA).

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