

Quantifying the Foreclosure Issue

The first challenge of any foreclosure study is quantifying the problem. Several online sources publish data for use by real estate investors, but these reports tend to overstate the numbers because foreclosure filings may be reported multiple times for a single property. The Mortgage Bankers Association (MBA) bases its delinquency and foreclosure report on data obtained from a sample of over 44 million mortgage loans serviced by mortgage companies, banks, thrifts and credit unions across the U.S. One of the categories the MBA tracks is “seriously delinquent” loans, which reports all loans 90 days or more past due plus all loans in some stage of foreclosure.

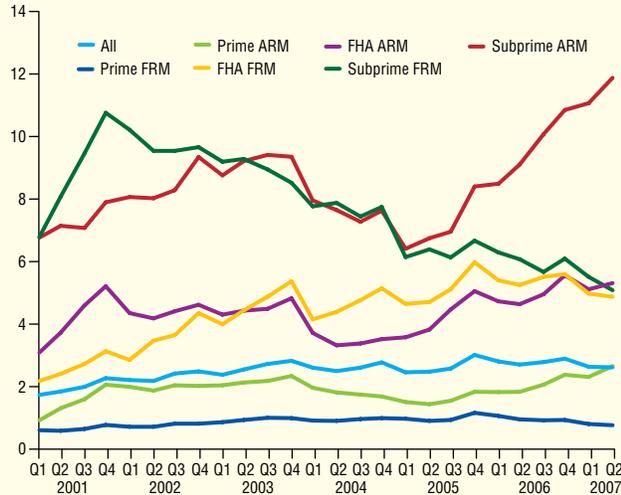
The chart shows the trend of seriously delinquent loans by loan category in Texas since 2001. The quarterly number of seriously delinquent mortgage loans as a percentage of conventional prime mortgage loans in Texas remained relatively stable during 2001–06, fluctuating between 0.6 percent and 1.2 percent. However, the percentage of seriously delinquent subprime adjustable rate mortgage (ARM) loans increased significantly, from about 7 percent of all subprime ARMs to almost 12 percent. Other ARM categories show increases in seriously delinquent loans as well. However, among fixed-rate mortgage (FRM) loans, serious delinquency has trended downward since late 2005.

For a closer look at specific areas within Texas, RealtyTrac, an online commercial provider of foreclosure information, published a list of the 100 metropolitan statistical areas (MSAs) in the U.S. with the highest foreclosure rate relative to the total number of households in the MSA. For the first half of 2007, Texas MSAs held seven places on the Top 100 list.

In a study for CNNMoney.com, RealtyTrac also surveyed foreclosure information by ZIP code. Twenty-two Texas ZIP codes made the list of 500 U.S. ZIP codes with the most foreclosure filings for the three months ended June 15, 2007. In contrast, California and Florida each had 72 ZIP codes on the list. All but three of the 22 Texas ZIP codes were located in the Dallas–Fort Worth area. Eleven were located in the Fort Worth–Arlington metro area. Cleveland was number one on the national list with 783 foreclosure filings.

Seriously Delinquent Loans in Texas

Percentage of all loans by loan type



SOURCE: Mortgage Bankers Association; quarterly data.



The average Texas credit score of 648, compared with a national average score of 675, would likely fall between being qualified for a prime ARM and a subprime fixed rate. ‘That really sums it up,’ Mueller said. ‘A lot of people in Texas are right on the edge between subprime and prime.’

Seven Texas MSAs in Top 100 for Foreclosures

U.S. rank	MSA	Foreclosure filings	Households per filing
13	Fort Worth–Arlington	13,221	57
17	Dallas	23,284	65
43	San Antonio	6,409	112
46	Austin–Round Rock	5,155	115
52	Houston–Baytown–Sugar Land	16,057	127
64	El Paso	1,306	187
98	McAllen–Edinburg–Pharr	155	1,494

NOTE: For six months ended June 30, 2007.
SOURCE: RealtyTrac.

Texas ZIP Codes in Top 500 Highest Foreclosure Filings

U.S. rank	ZIP code	City	Foreclosure filings
66	75115	DeSoto	336
69	75052	Grand Prairie	330
82	75104	Cedar Hill	300
108	75070	McKinney	261
116	76063	Mansfield	253
121	78664	Round Rock	248
140	76002	Arlington	229
160	76248	Keller	208
163	77449	Katy	205
166	75218	Dallas	202
166	76123	Fort Worth	202
170	76137	Fort Worth	198
182	76112	Fort Worth	186
185	75034	Frisco	183
185	76179	Fort Worth	183
186	75216	Dallas	182
193	75227	Dallas	175
198	76017	Arlington	170
201	76140	Fort Worth	167
202	78660	Pflugerville	166
204	76133	Fort Worth	164
209	76108	Fort Worth	159

NOTE: For three months ended June 15, 2007.
SOURCE: RealtyTrac.