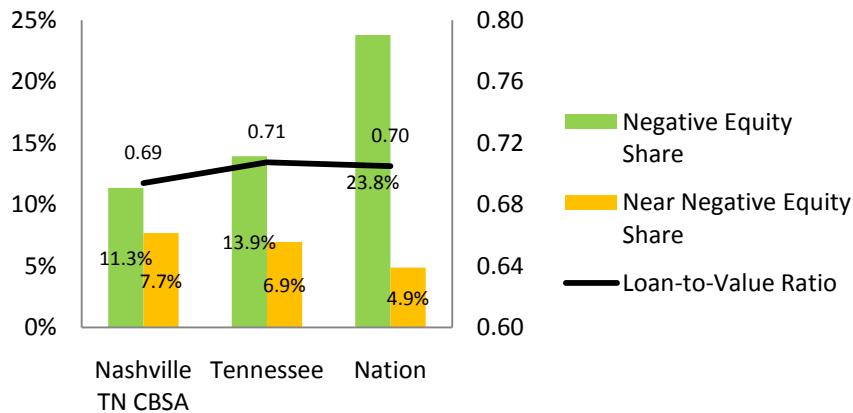


Lending and the Foreclosure Crisis

Negative Equity and Loan-to-Value Ratios: Q4, 2009

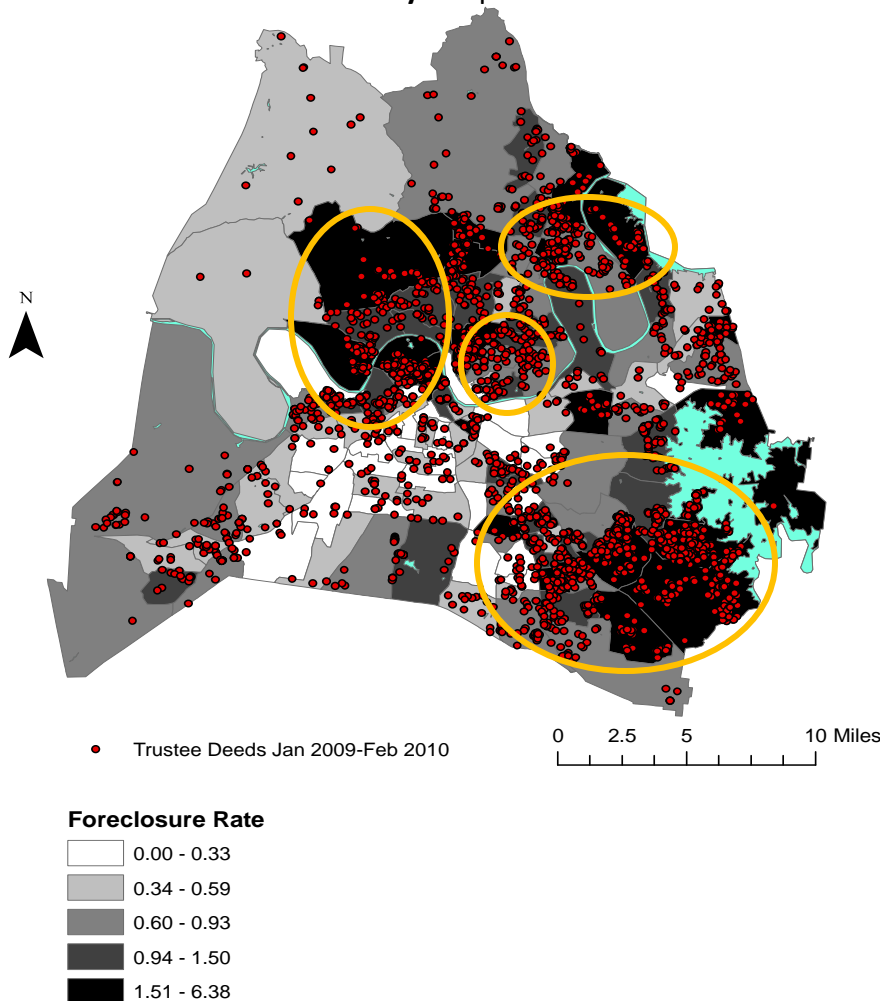


Source: First American CoreLogic
Near Negative Equity Share = Shares within 5% of Negative-Equity Status

Nashville has lower negative equity, but higher percentages of homes *near* negative equity

- Nashville has lower percentages of mortgages that are “underwater” than the state of Tennessee and the nation
- Nashville has a higher proportion of mortgages that are “near negative equity” or within 5% of negative equity than the state and the nation
- Loan-to-value ratios are relatively consistent across geographies

Foreclosure in Davidson County: Map of events and rates for 2009

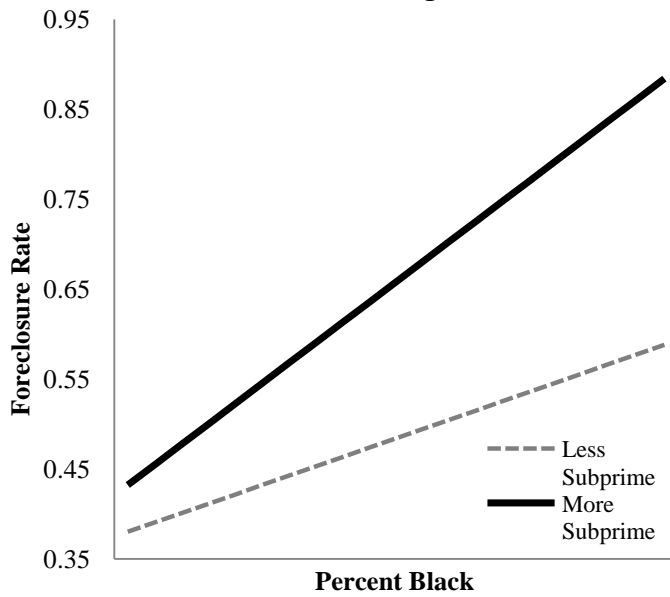


Source: Davidson County Assessor of Property 2009

Foreclosures were not randomly distributed across neighborhoods

- Similar to the rest of the nation, foreclosures in Davidson County have increased from 2005 to 2009
- Foreclosure counts and rates are telling because counts show specific incidences of foreclosure while rates reveal the context of foreclosure in each census tract
- This map shows distinct concentrations of foreclosure in areas of Davidson County like North Nashville, two sections of East Nashville, and Antioch (as illustrated by the oval outlines)
- High-foreclosure neighborhoods differ in terms of racial composition, income levels, and other financial and housing characteristics

Interaction between race and “High-cost” loans in Davidson County Census Tracts



Source: 2000 US Census and 2005-2007 HMDA Data

Race & Loan type are strong predictors of foreclosure

- “High-cost” refers to loans that are 3% & higher than those recognized as “prime” by the National Treasury for a first lien or 5% & higher for second or subsequent liens
- *Less subprime* represents the value of the 25th percentile for “high-cost” loans in Davidson County census tracts, whereas *more subprime* represent the value of the 75th percentile
- The interaction of high-cost loans and percent African American predicted foreclosure rates significantly, when controlling for income and other financial and neighborhood factors
- As percentages of African Americans increase, the gap between high and low rates of high-risk lending as a predictor of foreclosure rate grows dramatically