

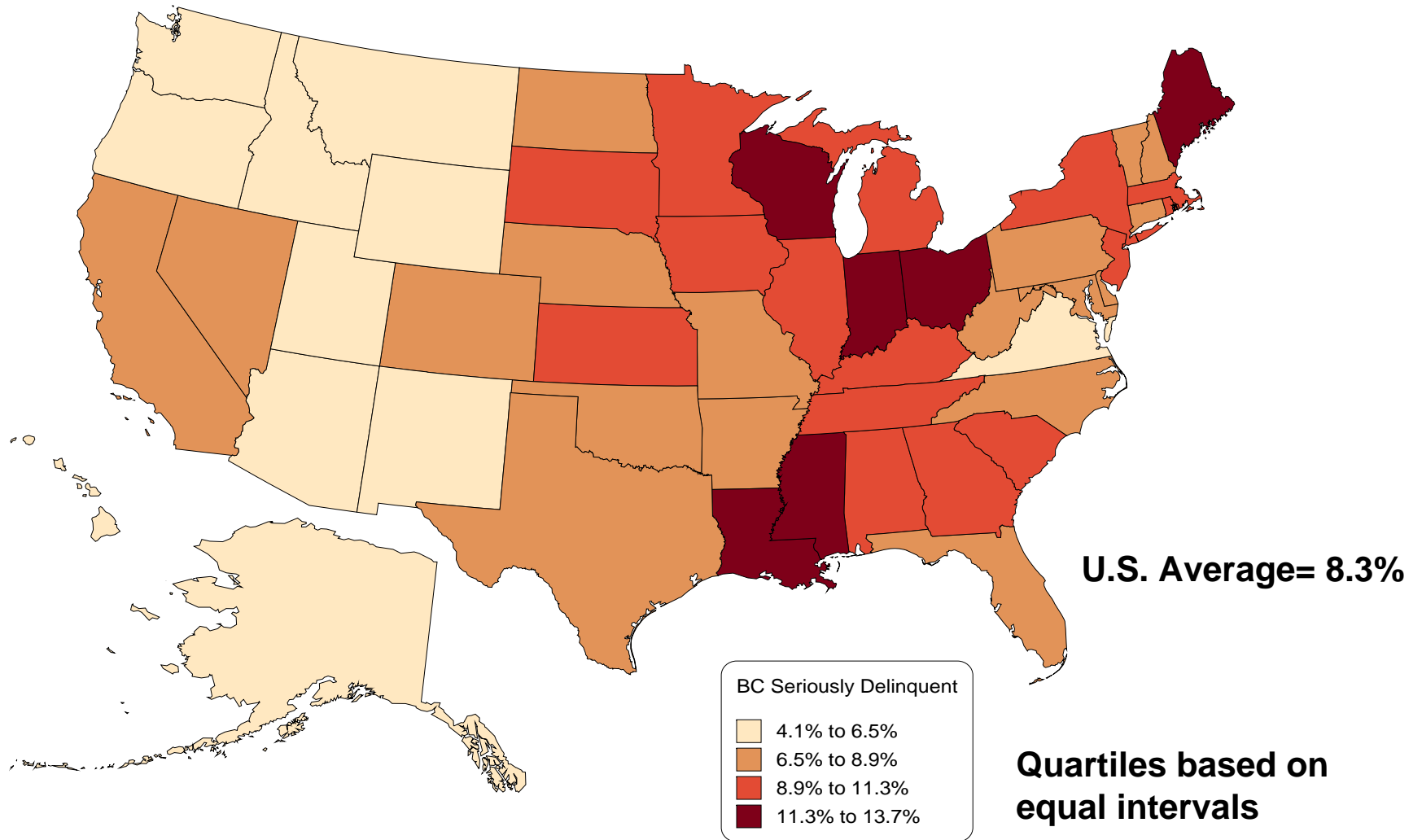
# **Mortgage Foreclosures: Effect on FDIC-Insured Institutions**

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**The Nation's Foreclosure Epidemic:  
Causes, Consequences and Remedies**

**Richard A. Brown  
Chief Economist,  
Federal Deposit Insurance Corporation  
August 28, 2007**

# Seriously delinquent percent of 2005 subprime securitizations per state

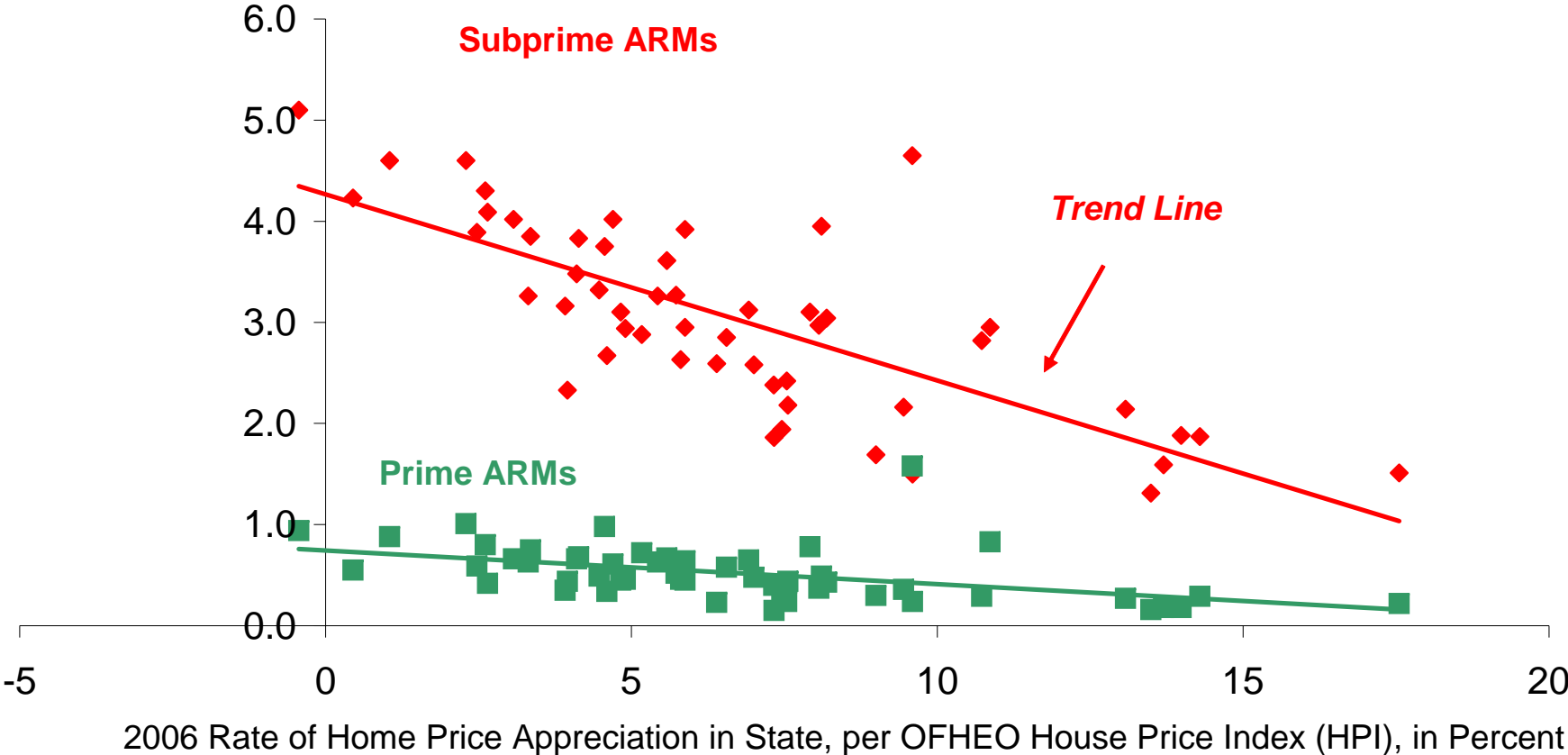


Seriously delinquent share represents the current active balance 90 days or more past due and/or in foreclosure as a percent of current active balance.

Source: Loan Performance, non-agency securitizations through December 2006

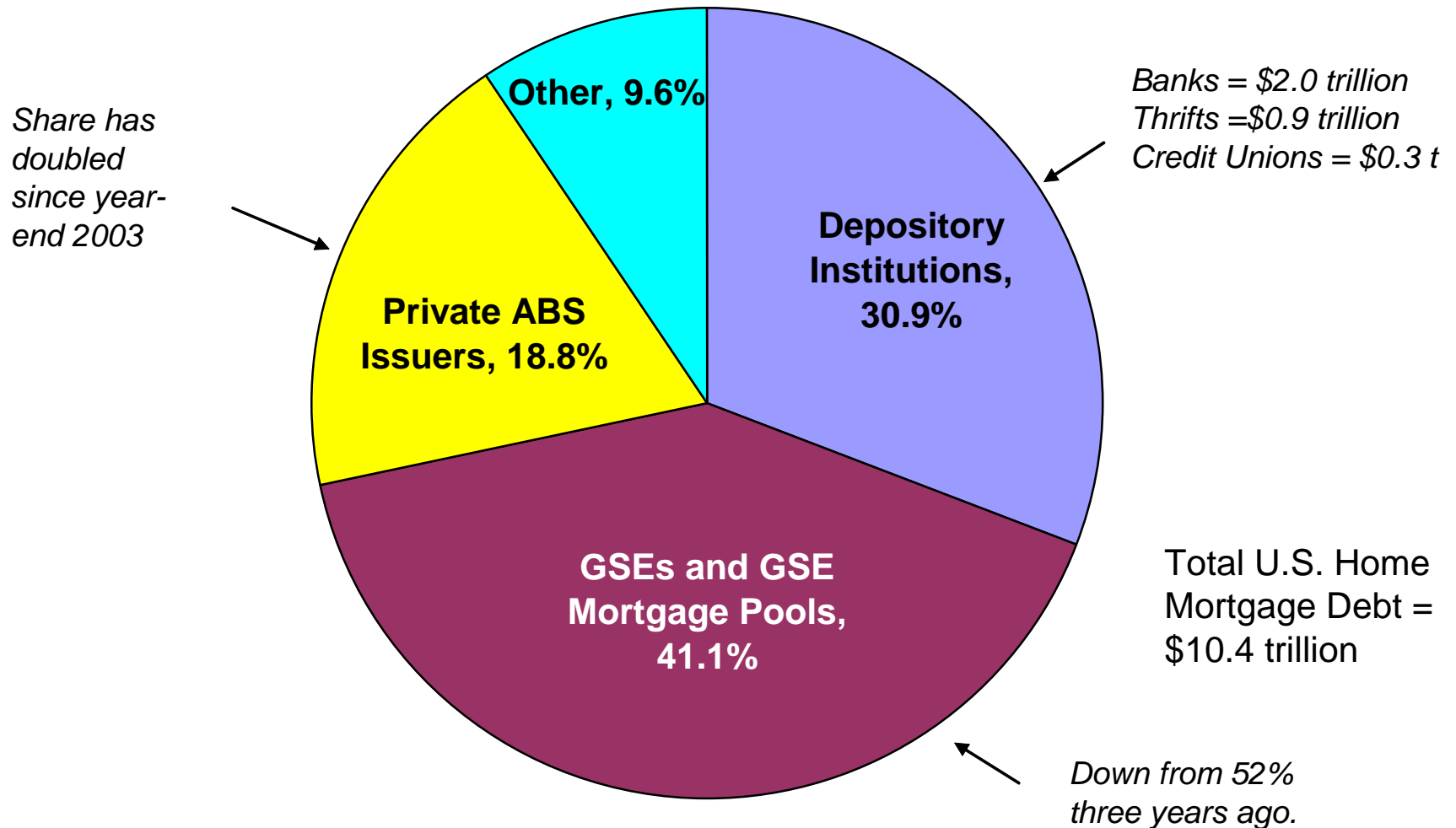
# Home price trends are an important factor driving state-level differences in subprime ARM foreclosures.

Foreclosures Started as Percent of Loans Outstanding, Conventional Adjustable Rate Mortgages (ARMs), by State. Fourth Quarter 2006



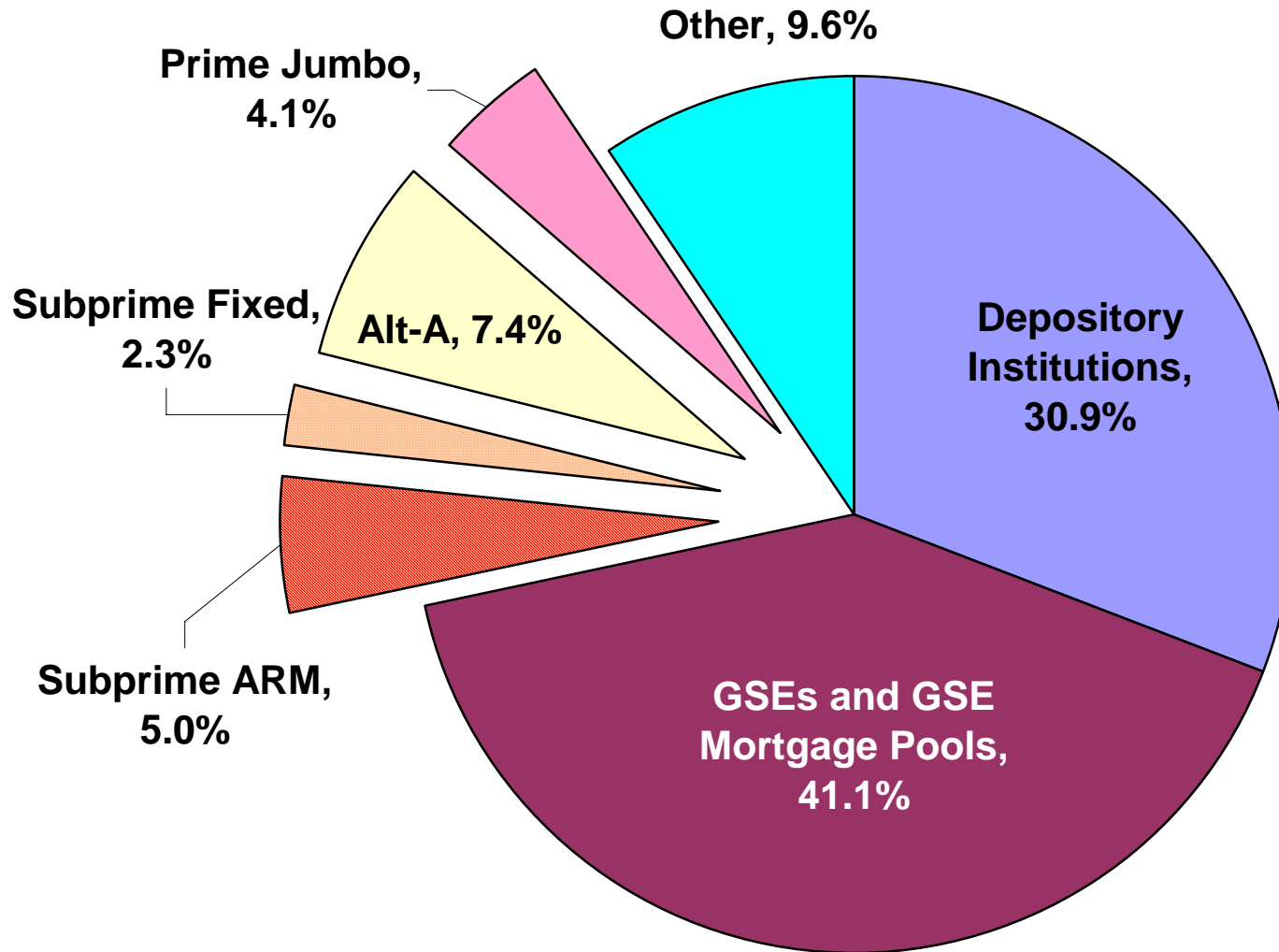
Source: FDIC calculations based on data from the Mortgage Bankers Association and the Office of Federal Housing Enterprise Oversight (OFHEO)

# Major Holders of U.S. Home Mortgage Debt, March 2007



Source: Federal Reserve *Flow of Funds*

# Private ABS Issuers



Outstanding Mortgages Held by ABS Issuers, May 2007, per Loan Performance Data:

Prime:	\$458 b. 1.0 mil. loans
Alt-A:	\$772 b. 2.7 mil. loans
Subprime:	\$763 b. 5.1 mil. loans

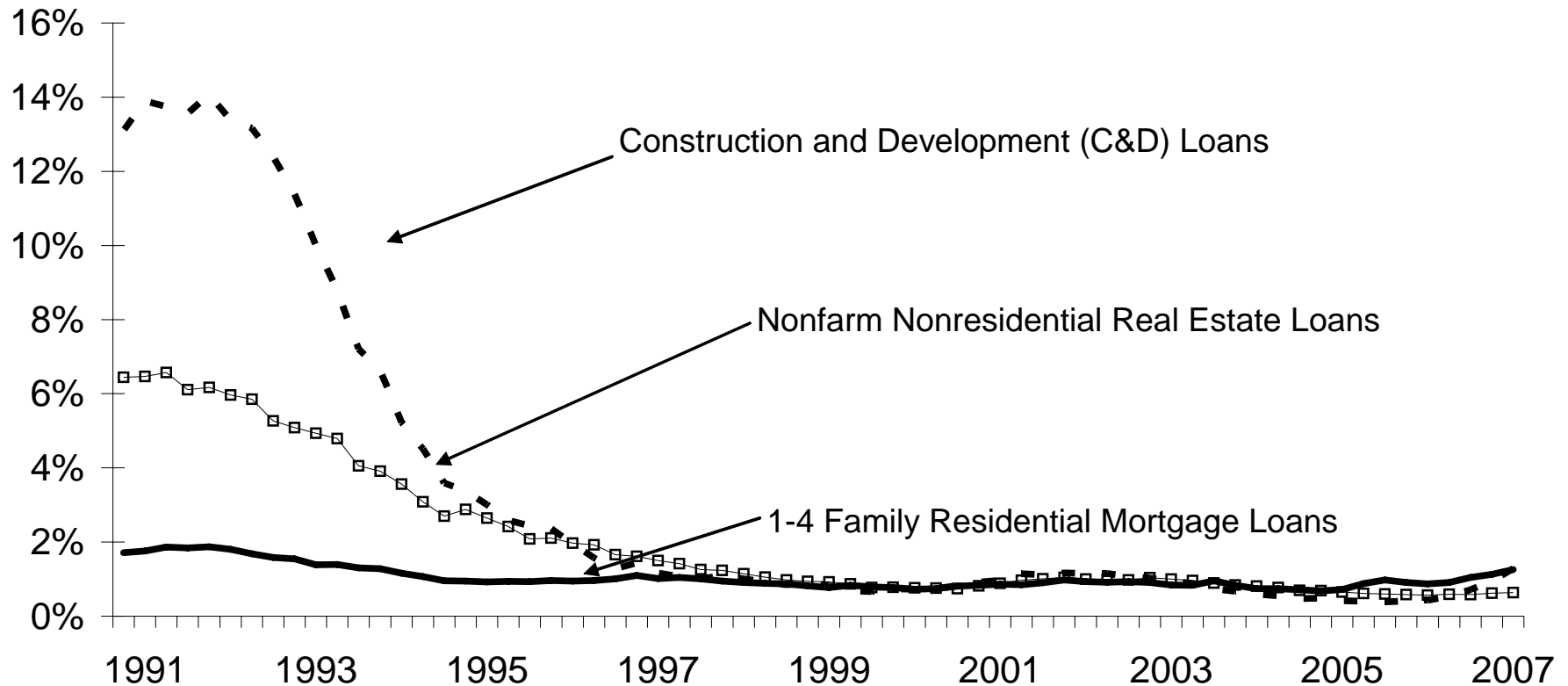
Total U.S. Home Mortgage Debt = \$10.4 trillion

Source: Federal Reserve *Flow of Funds*

Detail provided using Loan Performance data

# Noncurrent Rates for Home Mortgage Loans Have Stayed Far Below Rates for Other Real Estate Loans in Times of Distress

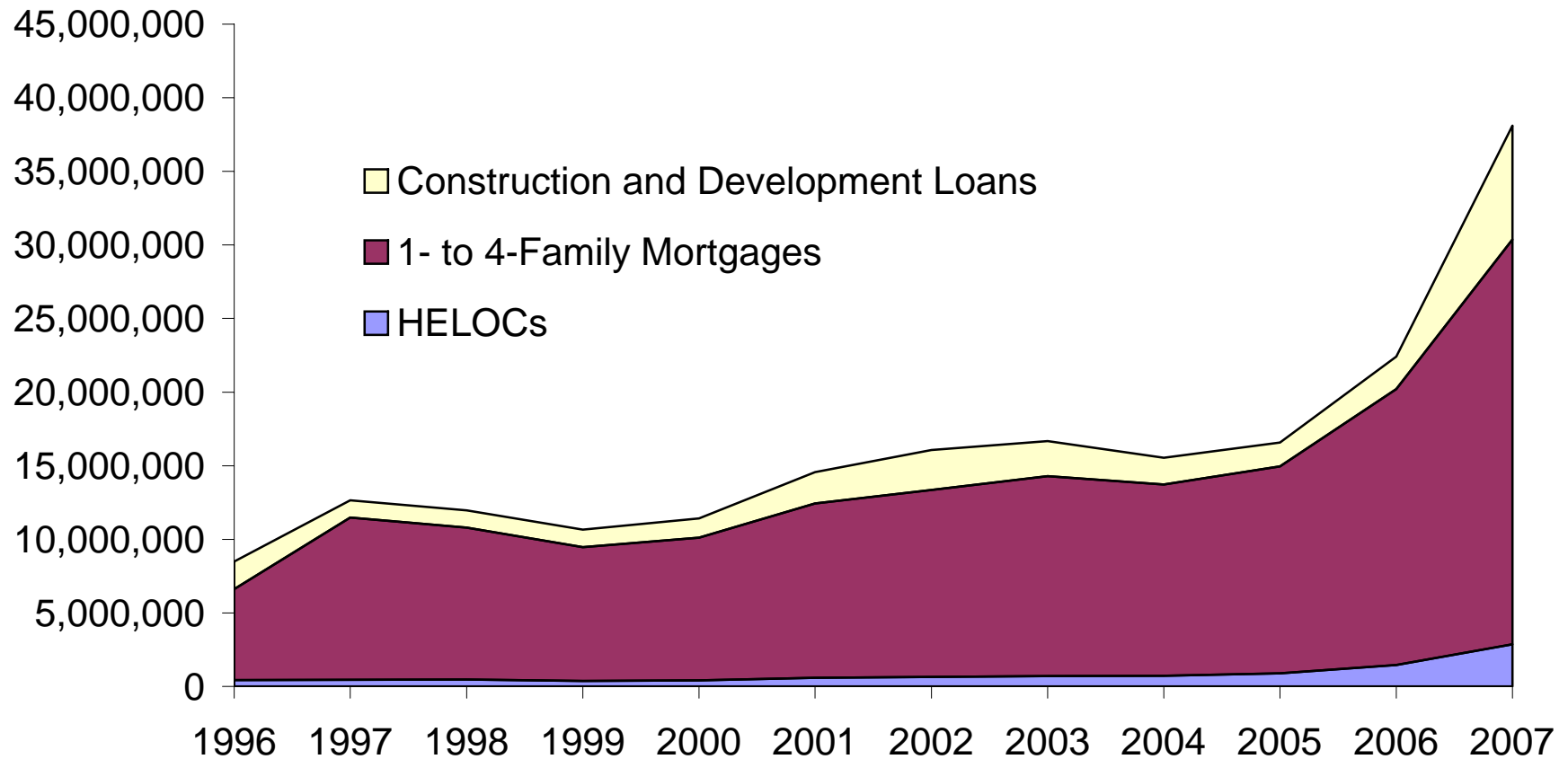
Noncurrent Loans as a Percent of Total Loans, Quarterly\*



Source: FDIC. \* Noncurrent loans = loans 90 days or more past due or in nonaccrual status. Data for these individual loan types began to be collected in 1991.

Noncurrent real estate loans held by FDIC-insured institutions are rising fast from low levels.

Noncurrent Loans, Dollars in Thousands

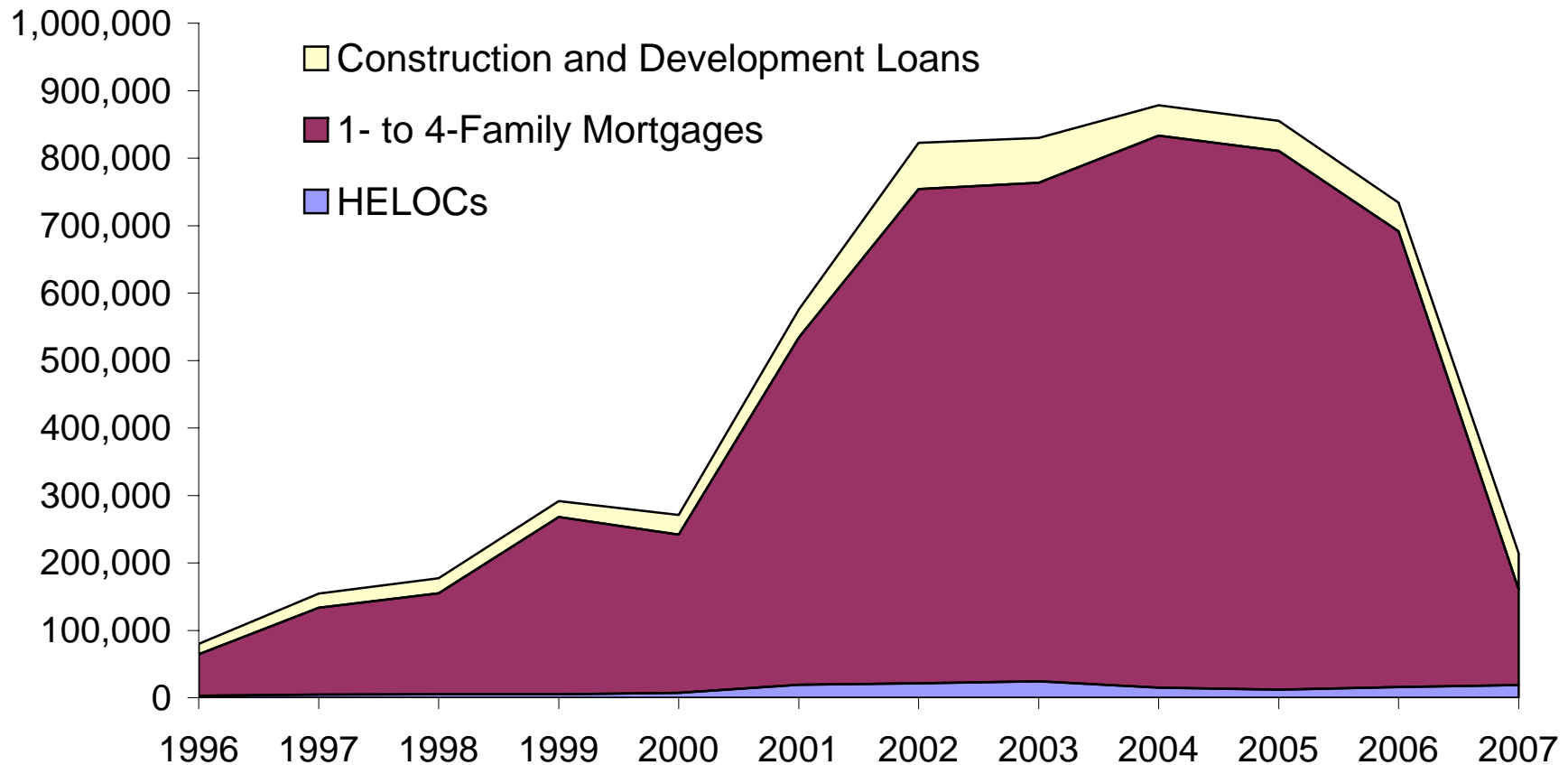


Source: FDIC. Includes loans past due 90 days or more or in nonaccrual status.

# Consolidation has trimmed the real estate loan exposure of institutions headquartered in Indiana.

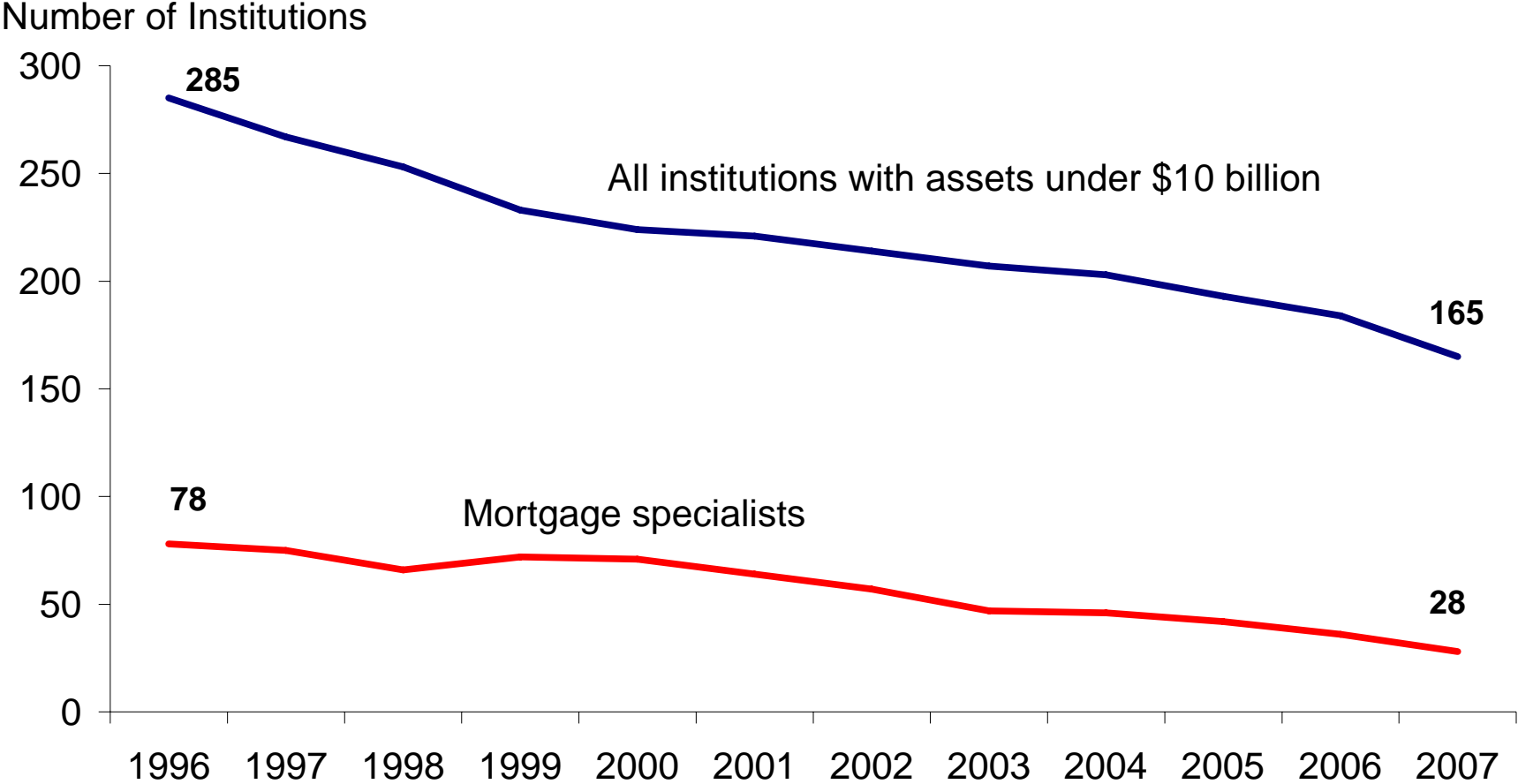
*Limited to institutions with less than \$10 billion in total assets.*

Noncurrent Loans, Dollars in Thousands



Source: FDIC. Includes loans past due 90 days or more or in nonaccrual status.

Indiana-based FDIC-insured mortgage specialists have declined by 65 percent in number since 1996.



Source: FDIC

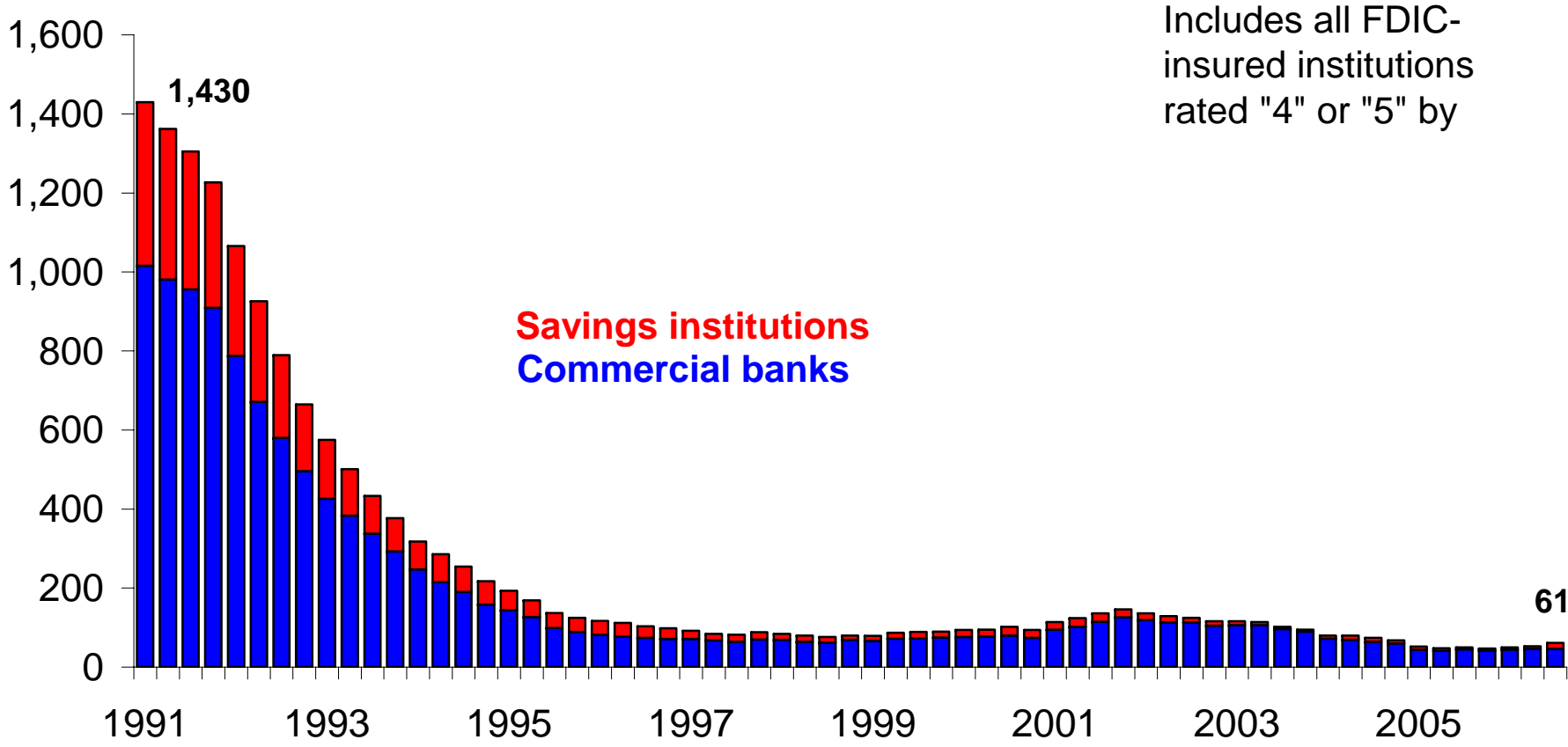
Aggregate View of Cushion Against Problem Loans and Loan Losses  
Dollars in Billions

	June 2007	December 1990
Total Noncurrent Loans	66,944	103,205
Equity Capital	1,279,333	286,151
Allowance for Loss	81,198	65,188
NC Loans as Percent of Equity and Reserves	4.9%	29.4%
	Annual 2006	Annual 1990
Net Loan and Lease Chargeoffs	26,270	34,815
Net Income	145,711	11,268
Chargeoffs as Percent of Net Income	18.0%	309.0%

Source: FDIC

The number of FDIC-insured "problem institutions" is now rising from a historic low.

Number of FDIC-insured "Problem Institutions"



Source: FDIC