Question from Senator Whitehouse

Mr. Calabria, in your testimony, you state that investment properties constitute approximately 40 percent of current foreclosures and that “the unemployed [are] likely making up to around 50 percent.” Please provide your specific sources for these figures/estimates.

More specifically, second homes. Economists from Freddie Mac have publicly used the 40% number as Freddie's experience. It has appeared in several media accounts (see for an example http://www.cnbc.com/id/30984467). Freddie Mac has not made the underlying data available to the general public.

As a reality check on the data point, I looked to see if it was consistent with other similar, but not exactly the same, data points. For instance, in James Barth's new book, *the Rise and Fall of the US Mortgage and Credit Markets*, he uses Loan Performance data to estimate that just about 20% of foreclosures are occupied, but not by the owner, most likely renters. The Mortgage Bankers Association has estimated for non-occupied at about 20% - while probably some overlap between the two, they come to 40%. In addition, the National Association of Realtors regularly estimated 2nd home share of purchases - which averaged 25% during the boom, reaching a peak of 28% in 2005. One would expect investment properties to default more often than their share of the overall market - an extreme example; the *Las Vegas Sun* estimated that 74 % of Las Vegas foreclosures were investment properties.

The National Low Income Housing Coalition also estimates that over 20% of foreclosures are renter-occupied homes (www.nlihc.org).

A point to keep in mind is that some non-trivial number of "owner-occupied" foreclosures were actually second homes. But there is no good data on that. However, both bank SARs data and FBI fraud reports indicate a very large amount of second home buyers lying about their occupancy status, which would lead me to believe Barth's estimates are biased downwards.

On the employment side James Barth’s book provides estimates. Also Edward Gramlich’s book, *Subprime Mortgages*, estimates that in 2007, 47 percent of mortgage delinquencies were due to job loss.

While no single sources appears to have solid data on all the individual components, bringing various data sources together, and checking them against other mortgage market measures, leads to the conclusions that employment and second homes constitute the bulk of foreclosures.