ISER RESEARCH SUMMARY

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Alaska Foreclosures and Sales

Alaska's foreclosure rate on residential mortgages was seven times the national average in 1987, and the rate stayed high in early 1988.* Lenders and insurers have sold several thousand properties from their inventories in the past year and a half, but have commonly taken mortgage losses of anywhere from $5,000 to $65,000 on those foreclosure sales.

These are among the findings in a paper ISER is currently preparing for the Alaska Housing Finance Corporation on conditions in housing markets in the state's most populated areas. Some other findings are summarized below.

Scope of the Problem

More than 10,000 residential properties went into foreclosure in Alaska between 1985 and March 1988. Foreclosures began climbing sharply in early 1986 and continued to grow each quarter through early 1988. (See Table 1 and Figure 1.) Anchorage and the nearby Mat-Su Borough have been hardest hit, not only in actual numbers but proportionately. Nearly 65 percent of cumulative foreclosures in the past several years have been in Anchorage, while Anchorage has only about 59 percent of the total housing stock in the most populated areas. About 18 percent of all foreclosures have been in the Mat-Su Borough—but the borough has only about 10 percent of year-round housing stock in the areas we examined.

Table 1

Cumulative Foreclosures[a] of Secondary Lenders, Selected Alaska Areas, January 1985-March 1988

	No.	Percentage of Total Foreclosures	Percentage of Housing Stock in Each Area[b]
Anchorage	6,639	64%	59%
Mat-Su Boro.	1,889	18%	10%
Kenai Penin. Boro.	409	4%	9%
Fairbanks N.S. Boro.	912	9%	16%
City/Boro. of Juneau	500	5%	6%
Total, All Areas	10,349	100%	100%

[a]Figures do not include repossessed mobile homes. Foreclosure calculations based on computer searches of the state recorder's files of deed activity for selected lenders, by Motznik Computer Services, June 19, 1988. Includes parcels taken by the Veterans Administration, the Alaska Housing Finance Corporation, the Alaska Public Employees and Teachers Retirement Funds, the Alaska Permanent Fund Corporation, the Federal Housing Administration, the Federal Home Loan Mortgage Corporation, the Federal National Mortage Association, and Mortgage Guarantee Insurance Corporation. These figures may include some commercial properties, since recorder's files don't distinguish residential and commercial deeds. We selected those lenders whose holdings are primarily condominiums, attached and detached single-family houses, duplexes, triplexes, and fourplexes.

[b]Based on ISER estimates of year-round, permanent (excluding mobile homes and recreational homes) housing stock in each area in 1988.

Foreclosure Sales

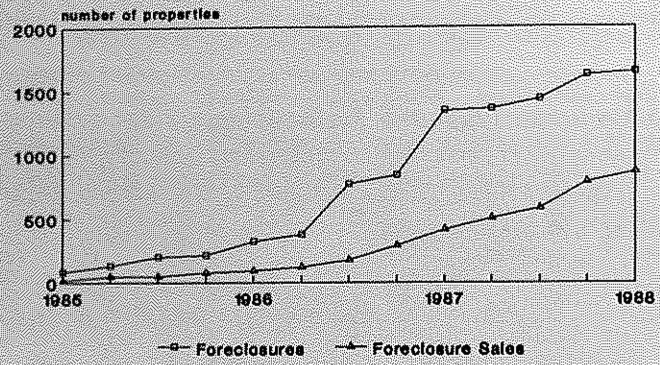
About 40 percent of total foreclosures were re-sold between 1985 and early 1988. Sales of foreclosed properties were very slow at first, but began picking up in 1987 and increased steadily through the first half of 1988.

Tables 2 through 5 and Figures 2 through 5 tell us about sales of 2,200 foreclosed Alaska properties by the major secondary lenders and insurers in 1987 and the first half of 1988. That represents about half the foreclosure sales during that period, and includes sales of condominiums, single-family houses, duplexes, triplexes, and fourplexes. We couldn't trace all the sales, but we think half is a large enough sample to provide useful information.

Note that when we talk about mortgage losses on these sales, we recognize that mortgage losses are just one kind of loss on foreclosed properties. Forfeited down payments, expensive foreclosure processes, and holding costs can add many thousands of dollars to losses of homeowners, lenders, and insurers. But reduced

*An estimated 7 percent of mortgaged residential properties in Alaska went into foreclosure in 1987, as compared with less than 1 percent nationally.

Figure 1. Foreclosures and Foreclosure Sales, Selected Alaska Areas,* By Quarter, Jan., 1985-March 1988

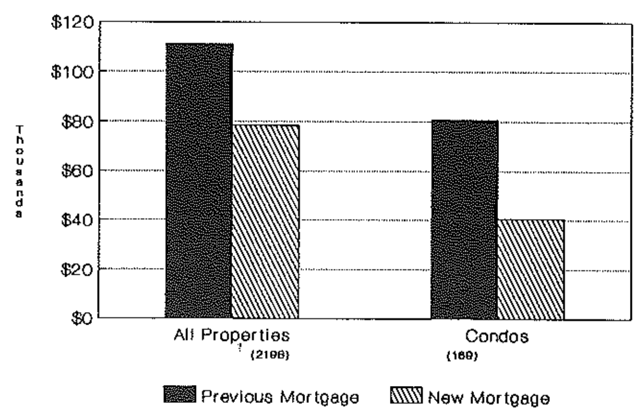


*Includes total foreclosures and foreclosure sales by quarter in Anchorage, the Mat-Su Borough, the Kenai Peninsula Borough, the Fairbanks North Star Borough, and the City and Borough of Juneau. Includes foreclosures and sales just by secondary lenders listed in note a, Table 1, and is based on computer searches by Motznik Computer Services.

mortgage values are one important measure of reduced property values.

The median value of new mortgages written after foreclosure sales was 30 percent smaller than the value of previous mortgages on all properties we traced, and 50 percent smaller on just condominiums. (Figure 2.) The median mortgage on all the properties we traced was about $111,000 when they went into foreclosure. The median new mortgage written when the properties were sold was $78,000. The condominiums we traced had a median mortgage value of nearly $81,000 at the time of foreclosure and a median of less than $41,000 after resale.

Figure 2. Median Mortgage Values, Before and After Foreclosure Sales
(Selected Sales, 1987-June 1988*)



*See note, Table 2.

AHFC and the Veterans Administration had the smallest median losses on sales – $28,000 and $32,000 per sale. The Federal Home Loan Mortgage Corporation (FHLMC) had the biggest median loss at $59,000, while the Federal National Mortgage Association (FNMA) and the Federal Housing Administration (FHA) lost about $36,000 per sale. (Table 2.)

Table 2

Median Mortgage Losses,[a] Foreclosure Sales, by Lender (Selected Sales, 1987-June 1988)[b]

	Median Loss per Sale
AHFC (795)	$28,150
FNMA (641)	$35,700
FHLMC (45)	$59,167
HUD (576)	$36,799
VA (131)	$32,500

[a] "Losses" defined as median difference between the mortgages that existed when properties went into foreclosure and the new mortgages created when lenders sold the properties. We realize that in some cases the difference could be due to larger down payments or other factors.

[b] Tables 2 through 5 and Figures 2 through 5 are based on computer searches and matches of various public files by Motznik Computer Services. The figures display characteristics of about 2,200 foreclosed properties (169 condominiums and 2,030 single-family houses, duplexes, triplexes, and fourplexes) that were sold by the big lenders and insurers during 1987 and the first half of 1988. That represents about half the foreclosed properties sold in Alaska during that period, but it is not a random sample.

Losses of course depend on several things, including the size of the original mortgage and the re-sale policy of the lender or insurer. Mortgages on buildings with several units would be larger than mortgages on single-family houses. Unfortunately, we can't distinguish between sales of single-family houses and sales of buildings with several units. In general, AHFC and VA mortgages at the time the properties went into foreclosure tended to be smaller, while FNMA and FHA had somewhat larger shares of the bigger mortgages. FHLMC made only a few of the sales we traced, but a number of those properties had previous mortgages larger than $200,000.

The re-sale policy of the lender also influences losses. AHFC, which holds the biggest share of foreclosures, has attempted to maintain a floor price on its properties. That policy has also reduced AHFC's rate of sales.

FNMA and FHA are selling their properties the fastest and AHFC the slowest, with the VA and FHLMC selling about the same proportion as they hold of total foreclosures. Table 3 compares shares of all foreclosures held by major lenders as of early 1988 with their shares of sales in our sample. While AHFC held 57 percent of foreclosures (excluding mobile homes), AHFC properties made up only about 36 percent of sales we traced. FNMA held about 10 percent of total inventory and accounted for 29 percent of our sales. FHA held 21 percent of inventory and made 26 percent of sales.

Table 3
Inventory and Sales, by Lender

	Percentage of Foreclosed Inventory,[a] March 1988	Percentage of Selected Sales,[b] 1987-June 1988
AHFC	57%	36%
FNMA	10%	29%
FHA	21%	26%
VA	7%	6%
FHLMC	<2%	2%
MGIC	<3%	<1%

[a]Figures compiled by Alaska Housing Market Council. Repossessed mobile homes are not included here.
[b]See note, Table 2.

Among mortgages existing when properties went into foreclosure, only 13 percent were below $80,000—but among new mortgages written after foreclosure sales more than half were below $80,000. (Table 4.) The biggest share of mortgages—43 percent—at the time properties went into foreclosure were between $100,000 and $134,000. Only about 20 percent of new mortgages were that size. And at the time of foreclosure, more than 20 percent of mortgages were larger than $135,000; after foreclosure sales, just 3 percent were over $135,000.

Table 4. Distribution of Previous and New Mortgage Values, Foreclosure Sales*

Mortgage Values	Previous Mortgage	New Mortgage
Less than $45,000	0.4 percent	12.9 percent
$45,000-$79,000	11.9 percent	39.3 percent
$80,000-$99,000	22.0 percent	25.1 percent
$100,000-$134,000	43.2 percent	19.4 percent
$135,000+	22.5 percent	3.3 percent

*See note, Table 2.

Among just condominiums we traced, less than 1 percent of mortgages were smaller than $45,000 at the time of foreclosure—but when new mortgages were written, 60 percent were less than $45,000. (Table 5.)

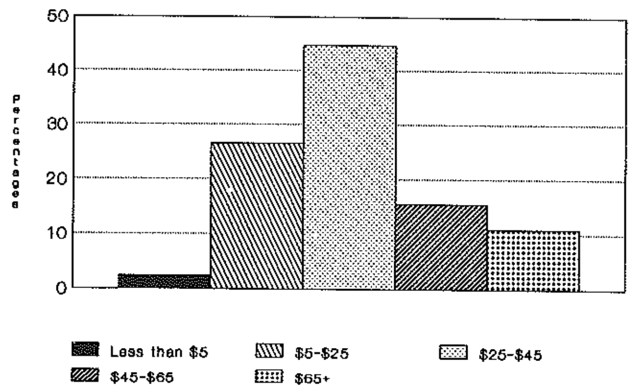
Very few of the new mortgages we traced came even close to the value of the previous mortgages. Almost half the new mortgages on all properties we traced were between $25,000 and $45,000 smaller than the previous ones. Among just condominiums, only a handful of the new mortgages were within $25,000 of the previous ones, and 85 percent were from $25,000 to $65,000 smaller than the previous ones. (Figures 3 and 4.)

Table 5. Distribution of Previous and New Mortgage Values, Condo Foreclosure Sales*

Mortgage Values	Previous Mortgage	New Mortgage
Less than $45,000	0.6 percent	60.4 percent
$45,000-$79,000	44.4 percent	35.5 percent
$80,000-$99,000	34.3 percent	3.6 percent
$100,000+	20.8 percent	0.6 percent

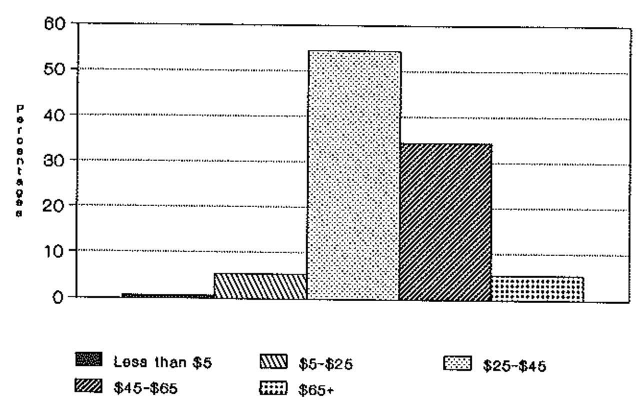
*See note, Table 2.

Fig. 3. Distribution of Mortgage Losses* Foreclosure Sales
(Selected Sales, 1987-June 1988**)



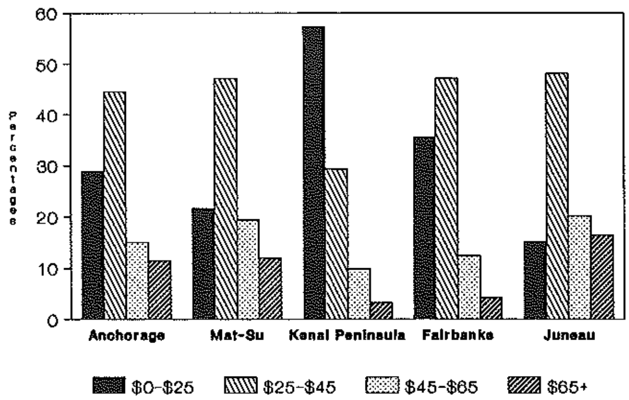
*The difference between previous and new mortgages created when foreclosures were re-sold, rounded to nearest $10,000.
**See note, Table 2.

Fig. 4. Distribution of Mortgage Losses* Condo Foreclosure Sales
(Selected Sales, 1987-June 1988*)



*See notes, Figure 3 and Table 2.

Figure 5. Mortgage Losses on Foreclosure Sales, by Region
(Selected Sales, 1987-June 1988*)



*See notes, Table 2 and Figure 3.

Foreclosed properties in the Mat-Su Borough took the biggest mortgages losses when they were sold, while those on the Kenai Peninsula and in Fairbanks fared better. (Figure 5.) Mortgages in the Mat-Su and Kenai Peninsula areas have generally been smaller than those in the bigger cities, because prices in those areas have historically been lower. But even though mortgages in the Mat-Su area tended to be smaller at the time properties went into foreclosure, losses on re-sales were as high or higher than in other regions. For example, about 30 percent of foreclosed properties in Anchorage were sold with mortgage losses of $25,000 or less, while in the Mat-Su area only about 20 percent of sales resulted in losses that small. By contrast, on the Kenai Peninsula – where existing mortgages also tended to be smaller – nearly 60 percent of foreclosure sales resulted in losses of $25,000 or less.

Editor's note: This summary is based on *Alaska's Housing Markets, 1988,* which will be available October 7 at a cost of 10 cents per page from ISER in the library building on the UAA campus (786-7710).

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Institute of Social and Economic Research
University of Alaska Anchorage
E. Lee Gorsuch, Director
3211 Providence Drive
Anchorage, Alaska 99508

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