Fall in house prices to pre-2000 levels. Subprime and predatory lending, foreclosures increased leading to a dramatic decrease in home values. As the crisis began in 2007, triggered in part by the combination of loose credit requirements in the early part of the decade and the 2007/2008 financial crisis, home values fell. The FHFA House Price Index is an indicator of house price trends and measures changes in the average price for repeat sales or refinancing on the same single-family properties across the nation. The rising prices in the early part of the decade led to a growth in the mortgage markets, before lenders began minimizing their risks. As the crisis began in 2007, triggered in part by the combination of loose credit requirements in the early part of the decade and the 2007/2008 financial crisis lead to inflated home prices and a sharp rise in unemployment.

This means that homeowners could no longer afford their mortgages, which caused delinquency and foreclosure rates to skyrocket. Florida, which was the worst affected of the six states examined, saw its percentage of “seriously delinquent mortgages” increase from 18.42% from Q1 2000 to Q4 2009. A refinancing loan is used to pay off an existing loan with updated conditions and terms. Refinancing practices often stripped equity out of the borrowers’ properties, and it was often used in predatory lending. The share of refinancing loans peaked in 2003, fell in 2004, and remained stable until the financial crisis. It is likely that the increase in federal funds rate starting in May, 2004 lead to a cool down in mortgage market.

The homeownership rate grew overall from 2002 to 2005, where it peaked at around 70% across the country. It began falling in 2005, to ultimately reach a level of about 65% by the end of the decade. According to HMDA’s rule, a total of three denying reasons can be reported for each loan application, although only 58.4% of the denied loans actually provided a reason for denial. The plot on the right shows the top five denial reasons by race and region. Loan applications were denied largely due to weak credit history, a high degree of household indebtedness, or a lack of collateral.

The mortgage application denial rate is often used as a measure of credit accessibility, and the HMDA data (Home Mortgage Disclosure Act) allows a comparison of loan denial rates by race. These comparisons revealed that minorities were denied loans far more frequently than white applicants across all regions in the state.

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