Spotlight on the Housing Market in the Orlando-Kissimmee-Sanford, FL MSA

The Obama Administration's Efforts To Stabilize the Housing Market and Help American Homeowners | January 2015

The Orlando-Kissimmee-Sanford, FL Metropolitan Statistical Area (Orlando MSA) is located in central Florida and includes four counties: Lake, Orange, Osceola, and Seminole. The foreclosure crisis in Orlando, as in Florida generally, hit harder than in most parts of the country, but the recovery from the crisis and subsequent recession has been faster than for the nation overall. Home prices appreciated nearly 50 percent more than the national rate during the housing bubble, and the ensuing decline in prices was also steeper—55 percent compared with a national decline of 32 percent. The lower property values and the resulting underwater mortgages were fueled by investor speculation and excess housing construction going into the crisis, as well as unsustainable mortgage lending. The rise in unemployment during the recession added further to rising defaults and the decline in property values. The share of mortgages at risk of foreclosure (those 90 or more days delinquent or in the foreclosure process) peaked at the beginning of 2010, the same as nationally, but at a much higher rate. Orlando currently ranks 34th among metropolitan areas for share of mortgages at risk of foreclosure. Florida, which requires a judicial process for foreclosure, places third highest in the nation for the time it takes to complete a foreclosure, which contributes to the high rate of mortgages in the foreclosure pipeline. The share of distressed mortgages has declined considerably in Orlando–the result of four years of above average job growth, fairly stable gains in home prices, local legislation that curtailed some foreclosure actions, and the local use of the Administration's mortgage assistance programs. The need for recovery efforts continues, however, as Orlando ranks high among metropolitan areas for the proportion of mortgages that remain underwater or near underwater. The Administration's broad approach to stabilizing the housing market has been a real help to homeowners in Orlando and the surrounding area. This addendum to the Obama Administration's Housing Scorecard provides a summary of local economic trends and conditions and the impact of the Administration's efforts to stabilize the housing market and help local homeowners.

Population Growth, Employment, and Housing Market:

With more than 2.1 million people according to the most recent Census, the Orlando MSA is the 26th largest in the nation. From 2000 to 2010, Orlando's population increased fairly rapidly—by an average of 49,000 people, or 3.0 percent, a year. Natural population growth (births minus deaths) accounted for only 27 percent of population growth during this period, with people moving into the area accounting for the remaining 73 percent. An average of nearly 35,900 people per year moved to the Orlando MSA during the last decade, with the highest influx—an average of 48,500 people—occurring between the years 2001 and 2006.

Orlando MSA Housing Unit Growth Outpaced Population and Household Growth During the Past Decade

Date of Census	4/1/2000	4/1/2010
Orlando MSA Population	1,644,561	2,134,411
Annual Growth Rate	—	3.0%
Orlando MSA Households	625,248	798,445
Annual Growth Rate	—	2.8%
Orlando MSA Housing Units	683,551	942,312
Annual Growth Rate	—	3.8%

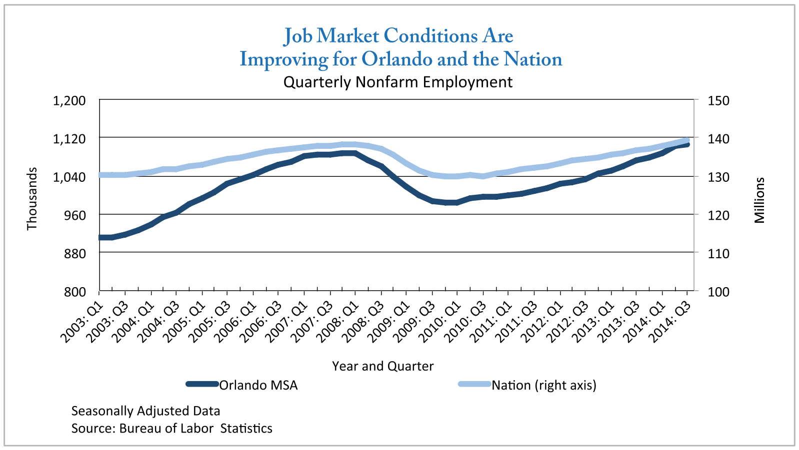
Source: Census Bureau (2000 and 2010 Decennial)

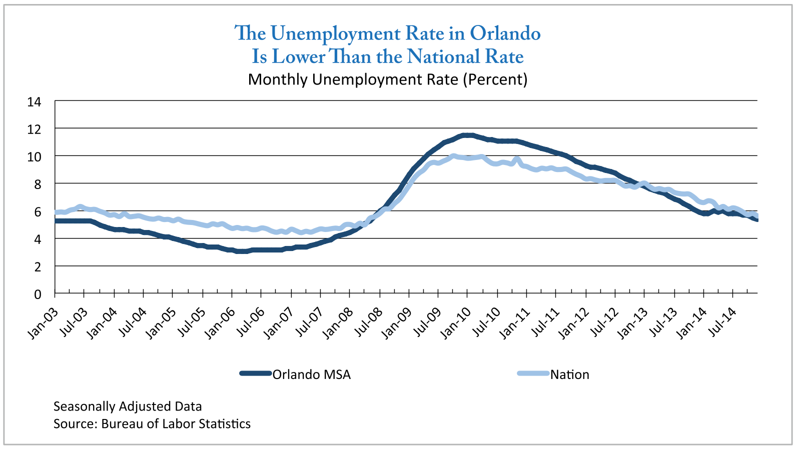
During the decade spanned by the Census, new housing production exceeded household growth in Orlando. Net annual housing unit growth of 3.8 percent in the Orlando metropolitan area during the last decade was much greater than the corresponding population and household growth rates of 3.0 and 2.8 percent, respectively. According to the Census Bureau, the rate of increase in vacant units in the Orlando metro area during the 2000s was more than three times higher than the national rate, with vacant units increasing at an average annual rate of 14.7 percent, compared with 4.4 percent nationally. Investor speculation stimulated overbuilding in the years leading up to the housing crisis, with the increase in the share of investor purchases well above the national upturn. Specifically, from 2000 to 2005 investor home sales rose from 11.7 to 28.4 percent of total sales in the Orlando metro area, while the corresponding increase for the nation was from 8.2 to 14.8 percent. Subprime lending also contributed to overbuilding. A study by the National Bureau of Economic Research indicates that the Orlando MSA ranked 15th out of the top 107 metros with the highest share of subprime originations during 2005, with subprime originations as a share of new mortgages at 25 percent in Orlando. A conservative estimate based on HMDA (Home Mortgage

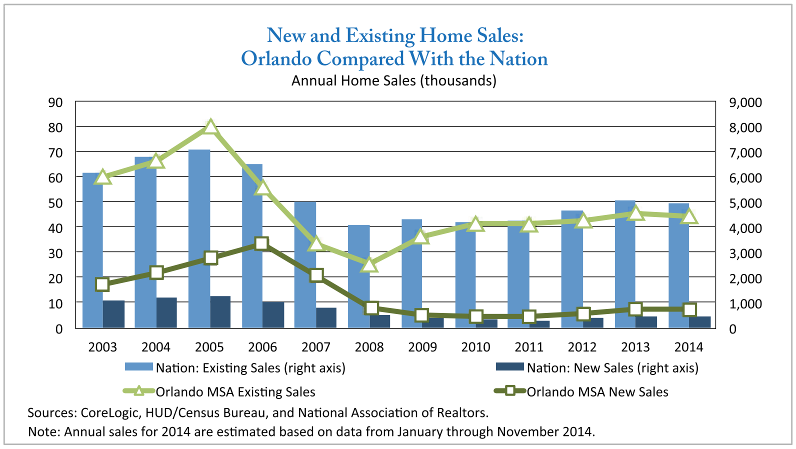
Disclosure Act) data indicates that high-cost (proxy for subprime) originations tripled nationally between 1998 and 2005, while a study by the Center for Responsible Lending estimates that approximately 90 percent of subprime mortgages during that period faced increases in monthly payments of 30 to 50 percent within a few years, causing borrowers with subprime loans to typically default at more than 7 times the rate of other mortgages.

Orlando's economy is improving. The local economy was growing rapidly before it began to decline in 2008. From the second quarter of 2003 through the first quarter of 2008, jobs increased at an average annual rate of 3.9 percent, compared with a national increase of 1.2 percent during the same period. As a result of the build-up in housing during the bubble, the impact of the foreclosure crisis and the Great Recession were more severe for the Orlando metropolitan area than for the nation. Jobs in the MSA declined at an annual rate of 4.7 percent, from the second quarter of 2008 through the first quarter of 2010, compared with a national decline of 3.1 percent. The recovery from the recession has been stronger for Orlando than for the nation, however, with jobs increasing at an annual rate of 2.8 percent from the second quarter of 2010 through the third quarter of 2014, compared with a 1.6-percent increase nationally.

The Orlando MSA is home to several large hospitals and institutions of higher learning. During the recent recession, a period when every other private sector in the MSA lost jobs, the education and health services sector expanded at an average annual rate of 1.8 percent. Job losses were most severe during this period in the construction sector, where jobs declined at an annual rate of 19.3 percent and accounted for nearly 30 percent of the loss in employment in the MSA. Job losses were also fairly substantial for the wholesale trade sector (-9.4 percent), other services (-7.7 percent) and manufacturing (-7.3 percent). The recovery from the recession has been led by the leisure and hospitality sector (4.9 percent), construction (4.2 percent), and retail trade (4.0 percent), with jobs in education and health services increasing at an average rate of 2.2 percent during this period. Growth in these sectors was offset by average annual job losses of 1.2 percent in other services and 0.6 percent in the state and local government. The unemployment rate for the Orlando MSA peaked at 11.5 percent in December 2009 and has since fallen to 5.4 percent as of December 2014. The national unemployment rate peaked in October 2009 at 10.0 percent, falling to 5.6 percent by December 2014.



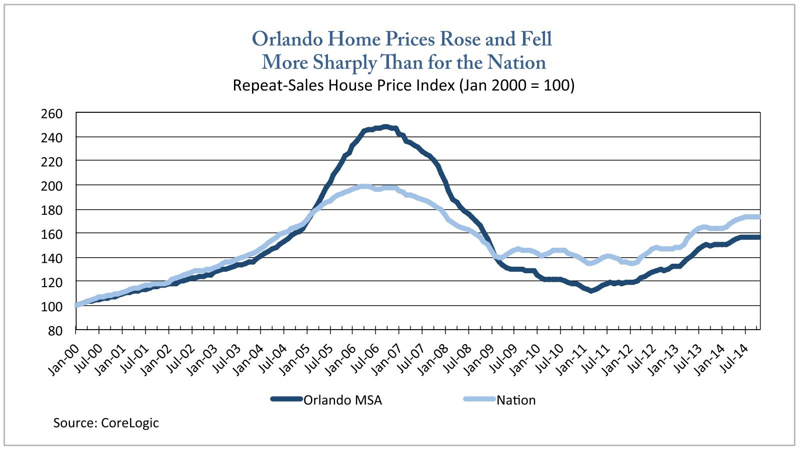


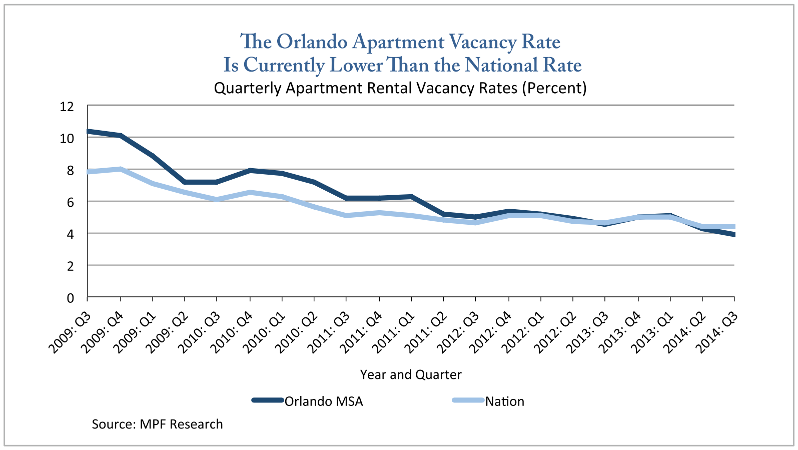


Home sales in Orlando have improved, but slowed slightly in 2014. After peaking at 79,900 units sold in 2005, purchases of previously-owned (existing) homes in the Orlando MSA declined between 2006 and 2008 by an average annual rate of 23 percent. Existing home sales rose again from 2009 to 2013, increasing at an annual rate of 9.6 percent (although on a much lower base). Sales so far in 2014 have declined slightly (-2 percent), however, to an annual pace of 44,300. Sales of previously-owned homes in Orlando have followed the national trend. Existing home sales in the nation peaked in 2005 and declined by an annual rate of 14 percent between 2006 and 2008. Existing home sales began to rise nationally in 2009, increasing at an average annual rate of 4.8 percent from 2009 to 2013, but slowed in 2014, declining by 3 percent. As for new home sales in the Orlando MSA, purchases peaked in 2006 at 33,050 units, before falling from 2007 through 2011 at an annual rate of 17 percent. New home sales increased at an annual rate of 35 percent (albeit on a low base) in 2012 and 2013, but the pace in 2014 slowed slightly (-4 percent) to an annual pace of 7,275 units. Nationally, new home sales peaked in 2005 before declining by an annual rate of 13 percent from 2006 through 2011; sales have increased since at an annual rate of 14 percent (also on a low base) from 2012 through 2014.

Home prices in Orlando rose and declined more steeply than for the nation. The CoreLogic repeat-sales house price index (HPI) shows that home prices in the Orlando MSA rose 49 percent faster than for the rest of the nation during the housing bubble and fell more sharply (-55 percent) from their peak in October 2006 to their low in March 2011. The national peak-to-low decline was 32 percent (from April 2006 to March 2011). Investor speculation had a significant impact on the rise in home prices in the Orlando MSA, with sales to investors averaging 24 percent in Orlando during the bubble–much higher than the 14 percent share nationally. As described earlier, subprime lending was also a factor in fueling home prices in the Orlando MSA. Since reaching their low point, home prices in the Orlando metropolitan area have bounced back more quickly—rising 41 percent compared with a 29 percent low-to-current increase for the nation. Home values in the Orlando MSA are currently on par with prices in late-2004.

The apartment vacancy rate in Orlando has tracked closely with the national rate during the past 2 years. According to MPF Research, the Orlando MSA apartment vacancy rate was 3.9 percent in the third quarter of 2014, down from 4.5 percent a year earlier, representing fairly tight market conditions. The decrease in the vacancy rate occurred despite increased construction because demand for rental housing was extremely high during the prior year. The national apartment vacancy rate was 4.4 percent during the third quarter of 2014, down slightly from 4.6 percent a year earlier. During the third quarter of 2014, the average apartment rent in the Orlando MSA increased 3.5 percent from a year earlier to $949, compared with a nationwide increase of 3.9 percent to





$1,166. Overall rental market conditions in the Orlando metro area remain weaker than the apartment market due to a high number of vacant single-family rental properties. According to the CPS/HVS (Current Population Survey/Housing Vacancy Survey) conducted by the Census Bureau, as of the third quarter of 2014 the overall rental vacancy rate for the Orlando MSA was 12.8 percent compared to a national rate of 7.4 percent. The 2013 ACS (American Community Survey) indicates that single-family homes accounted for 37 percent of all rental units in the Orlando MSA, while representing 35 percent of all rental units in the nation.

Trends in Mortgage Delinquencies and Foreclosures:

The share of distressed mortgages in Orlando has fallen sharply but still exceeds the national level. As of December 2014, the Orlando MSA placed 34th out of 381 metropolitan areas ranked by share of mortgages at risk of foreclosure (90 or more days delinquent or in the foreclosure process) according to Black Knight Financial Services, Inc. From 2000 through 2004, the share of mortgages at risk of foreclosure in the Orlando MSA was very similar to the national trend, and from 2005 through early 2007, the share of distressed mortgages in Orlando actually dipped below the national rate, according to CoreLogic data. In 2007 and 2008, when the foreclosure crisis began and single-family foreclosures were largely driven by unaffordable non-traditional loan products, the increase in mortgages at risk of foreclosure in the Orlando MSA rose at a much faster pace than nationally. Specifically, from the beginning of 2007 to the end of 2008, the share of distressed mortgages in Orlando increased from 1.2 to 11.2 percent, compared with a national increase from 1.6 to 4.5 percent. Beginning in 2009, foreclosures were increasingly driven by loss of income, unemployment, and strategic defaults as the economy worsened, according to research by the Federal Reserve Bank of Chicago. A sharp spike upward in the share of distressed mortgages occurred in 2009 for both the Orlando MSA and the nation. By early 2010, mortgages at risk of foreclosure reached 19.6 percent in Orlando and 8.0 percent nationally. The share of distressed mortgages has since fallen to 6.8 percent for Orlando and 3.7 percent for the nation. Mortgages at risk of foreclosure are declining fairly rapidly in Orlando. Over the last year, distressed mortgages decreased by 43 percent—from 27,300 to 15,600—compared with a national decline of 27 percent over the same period. A partial explanation for the higher share of distressed mortgages in Orlando relative to the nation is the time it takes to process a foreclosure in Florida. As of the fourth quarter of 2014, the average time to complete a foreclosure in the State of Florida was 946 days, much longer than the national average of 604 days.

RealtyTrac data show the rate of foreclosure completions in Orlando since April 2009 has been more than double the national rate. From April 2009 through August 2014, the number of foreclosure completions as a percentage of all housing units was 6.1 percent in Orlando, more than double the 3-percent rate for the nation. Foreclosure completions have been trending downward nationally and in the Orlando MSA since the third quarter of 2010. As of the second quarter of 2014, the Orlando metropolitan area had a foreclosure completion rate of 0.24 percent, much lower than the peak rate (0.56 percent) in the third quarter of 2010, but still higher than the national average of 0.06 percent. Second quarter foreclosure completions in Orlando are also 15 percent above their rate a year earlier. With rising home prices and low inventories of homes for sale, lenders are resolving defaults more

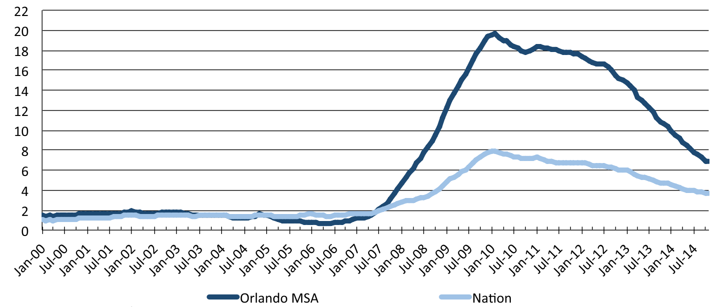
Foreclosure Completion Rates in the Orlando MSA

Area	Second Quarter 2014		Since April 1, 2009	
	Foreclosure Completions	Foreclosure Rate	Foreclosure Completions	Foreclosure Rate
Orlando MSA	2,230	0.24%	57,660	6.1%
Nation	85,300	0.06%	3,921,900	3.0%

Note: Foreclosure rates as percent of all housing units; data through August 2014 for foreclosures since April 2009
Source: Realty Trac and Census Bureau

The Share of Distressed Mortgages in Orlando Has Declined Substantially Although It Remains Above the National Rate

Mortgages 90+ Days Delinquent or in Foreclosure (Percent of All Active Mortgages)



Source: CoreLogic

quickly, particularly in states with substantial inventories of distressed mortgages such as Florida, which has led to an increase in foreclosure filings. In addition, due to the large backlog of cases in the Florida foreclosure pipeline, the Florida Supreme Court ruled last May to allow lawyers to sit on foreclosure cases in place of judges to expedite their resolution.

The efforts of numerous state and local entities and financial institutions in partnership with the federal government have helped contain the rate of foreclosures. In June 2013, Florida passed a law known as the Florida Fair Foreclosure Act (House Bill 87), which placed greater requirements on banks to prove they own the loan before initiating a foreclosure. The bill also shortened the time period that banks may seek a deficiency judgment, whereby a lender can recover the difference between the foreclosure sale price of the home and the total debt owed from the borrower, from five years to one. The need for recovery efforts continues. According to CoreLogic, as of the third quarter of 2014 26.3 percent of mortgages in the Orlando MSA remain underwater, although this is down from 32.3 percent a year earlier. This compares to a 10.3 percent share of underwater borrowers (those who owe more on their mortgage than the value of their home) at the national level.

The Administration's Efforts To Stabilize the Orlando MSA Housing Market:

The Administration's mortgage and neighborhood assistance programs—the Home Affordable Modification Program (HAMP, which is part of the broader Making Home Affordable program), the Federal Housing Administration (FHA) mortgage assistance programs, the Neighborhood Stabilization Program (NSP), and the Hardest Hit Fund (HHF) program—combined with assistance from the HOPE Now Alliance of mortgage servicers and the National Mortgage Servicing Settlement have helped stabilize the Orlando MSA housing market.

From the launch of the Administration's assistance programs in April 2009 through the end of September 2014, nearly 84,800 homeowners have received mortgage assistance in the Orlando metropolitan area. More than 45,300 interventions were completed through the HAMP and FHA loss mitigation and early delinquency intervention programs. An estimated additional 39,500 proprietary mortgage modifications have been made through HOPE Now Alliance servicers. While some homeowners may have received help from more than one program, the number of times assistance has been provided in the Orlando metropolitan area is nearly one and one-half times the number of foreclosures completed during this period (58,700).

Under the landmark National Mortgage Servicing Settlement signed in February 2012, more than 119,411 Florida homeowners have benefitted from over $9 billion in refinancing, short sales and completed or trial loan modifications, including principal reduction on first and second lien mortgages provided as of June 30, 2013. Nationwide, the settlement has provided more than $50 billion in consumer relief benefits to more than 631,000 families. That is in addition to the $2.5 billion in payments to participating states and $1.5 billion in direct payments to borrowers who were foreclosed upon between 2008 and 2011.

Given over three rounds, the **Neighborhood Stabilization Program** has invested $7 billion nationwide to help localities work with non-profits and community development corporations to turn tens of thousands of abandoned and foreclosed homes that lower property values into homeownership opportunities and the affordable rental housing that communities need.

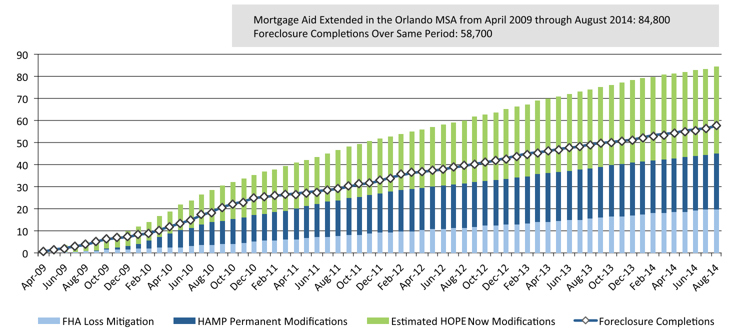
NSP1 funds were granted to all states and selected local governments on a formula basis under Division B, Title III of the Housing and Economic Recovery Act (HERA) of 2008; NSP2 funds authorized under the American Recovery and Reinvestment Act (the Recovery Act) of 2009 provided grants to states, local governments, nonprofits and a consortium of nonprofit entities on a competitive basis; and NSP3 funds authorized under the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010 provided neighborhood stabilization grants to all states and select governments on a formula basis.

Overall, a total of $59.6 million in NSP funds has been awarded to five grantees in the Orlando MSA: the **City of Orlando**, **Lake County**, **Orange County**, **Osceola County** and **Seminole County**. In addition, a total of $99.7 million in NSP funding was awarded to the **State**

Orlando MSA Housing Units to Date Benefitting From NSP by Type of Activity	
Construction or Rehabilitation	459
Demolition and Clearance	37
Homeownership Assistance to Low- and Moderate-Income	154
Total Housing Units	**650**
Additional Projected Housing Units	**186**

Mortgage Aid Provided Nearly 84,800 Times To Mitigate Rising Foreclosures

Orlando MSA: Cumulative Offers of Aid by Source Compared With Foreclosures Since April 1, 2009 (Thousands)



Note: Data on HOPE Now proprietary mortgage modifications are not available at the metropolitan area level. However, HOPE Now Alliance reports 311,300 non-HAMP modifications since April 1, 2009 in Florida of which 12.7 percent are estimated by HUD to have occurred in the Orlando MSA. This chart excludes HAMP trial modifications not made permanent.

Sources: Departments of HUD and Treasury, HOPE Now Alliance, and Realty Trac.

of Florida, of which $21.1 million has been allocated to Osceola County. Approximately 650 households in the MSA have already benefited from NSP, and activities funded by the program are expected to provide assistance to an additional 186 owner-occupied and renter households.

As part of the State of Florida's housing recovery efforts, the ***Florida Hardest-Hit Fund*** program was launched on April 18, 2011 to help Florida homeowners who are at high risk of default or foreclosure. The Florida Hardest Hit Fund is funded by $1.06 billion from the Administration's **Hardest Hit Fund** and administered by the Florida Housing Finance Corporation. Assistance is provided through the following programs:

- **Unemployment Mortgage Assistance Program—**Provides monthly payment assistance up to $24,000 on behalf of unemployed or underemployed homeowners who are unable to afford their monthly payment for as long as 12 months.
- **Mortgage Loan Reinstatement Program—**Provides up to $25,000 in assistance to reinstate a delinquent mortgage.
- **Modification Enabling Pilot Program—**Provides up to $50,000 in funds to facilitate modifications for eligible mortgages purchased in a distressed asset sale. Principal reduction may be matched with non-program funds to facilitate a mortgage modification.
- **Principal Reduction Program—**Provides up to $50,000 principal reduction assistance for a current homeowner with a loan recast or refinanced to reduce a homeowner's monthly payment.
- **Elderly Mortgage Assistance Program—**Provides up to $25,000 in funds to reinstate delinquent property taxes or liens for eligible homeowners who have received the maximum benefit from their reverse mortgages.

As of September 30, 2014, the most recent quarter for which data is available, the Florida Hardest-Hit Fund had disbursed approximately $417 million on behalf of an estimated 19,761 Florida homeowners. Florida homeowners who believe they may be eligible for these programs should visit www.flhardesthithelp.org.