

**Metropolitan Area Foreclosure Data Methodology Appendix      December 2011**

After providing intra-state and intra-metropolitan area scores on foreclosure need through [Foreclosure-Response.org](http://Foreclosure-Response.org) to help jurisdictions plan for neighborhood stabilization, Local Support Initiatives Corporation (LISC) recognized that there was also a need for data on the overall foreclosure and delinquency rates in metropolitan areas.<sup>1</sup> This document describes how these indicators are derived from LPS Applied Analytics data. Analysis and distribution of this data is possible through a partnership between [Foreclosure-Response.org](http://Foreclosure-Response.org) and [MetroTrends](http://MetroTrends).

LISC obtained ZIP code level data on the performance of prime and subprime loans from LPS Applied Analytics, formerly known as McDash Analytics, a vendor of loan performance data from the nation's largest loan servicers.

To transform data into metropolitan area rates it was necessary to adjust the LPS Applied Analytics data, which is released at the ZIP code level, because it does not represent the universe of mortgages.

Note that all loan and foreclosure counts are restricted to first-lien mortgages only. Foreclosures include pre-foreclosures filings and loans where banks have begun the foreclosure process, but have not sold the property to another owner. REO properties are not included in this analysis.

To adjust the data the following steps were taken:

(1) Weighted number of loans from LPS Applied Analytics to correct for undercounting of outstanding mortgages

To correct for this, we weighted up the number of loans from the LPS Applied Analytics file to the estimated number of total housing units with a mortgage.

Total outstanding mortgage counts were first calculated for the March 2008 data release. Mortgage loans outstanding include all mortgaged owner-occupied units, plus 44 percent of the one-to-four unit rental units – the percentage of units with residential mortgages in the [2002 Residential Finance Survey](http://2002ResidentialFinanceSurvey). We used the number of mortgaged owner-occupied units and 44 percent of the one-to-four unit rental units from the [2006 American Community Survey \(ACS\)](http://2006AmericanCommunitySurvey) to estimate the number of homes with mortgage loans outstanding in the [2007 US Census county-level counts of total housing units](http://2007USCensuscounty-levelcounts). ACS county level data were used to estimate the 2007 share of homes with mortgage loans outstanding for the 783 counties in the ACS and state proportions were used for remaining counties. We then applied the distribution of each county's mortgage loans across ZIP codes.

To calculate outstanding mortgages for each quarter, the mortgage counts resulting from the above analysis were weighted by [Mortgage Bankers Association \(MBA\)](http://MortgageBankersAssociation) change in total mortgages by state from March 2008 to September 2010. The LPS Applied Analytics percentages of

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<sup>1</sup> The boundaries for the metropolitan areas used for this data were established by Office of Management and Budget (OMB) in 2008.

foreclosures, subprime and delinquent loans in each ZIP code in each quarter were used to calculate new counts based on adjusted total of outstanding mortgages.

(2) Further adjusted the interim LPS Applied Analytics subprime loan counts to match counts from the [Mortgage Bankers Association \(MBA\)](#), the best source on the number of subprime loans.

The MBA's [National Delinquency Survey \(NDS\)](#) provides more accurate state-level percentages of subprime loans, so we multiplied the MBA shares by our estimated number of outstanding mortgage loans to create control counts for subprime loans by state. The state adjustment was applied to each ZIP code's number of subprime loans, so our state counts of subprime loans equaled the MBA shares.

(3) Adjusted interim state totals of foreclosures and delinquencies with results from the NDS.

In the states where LPS Applied Analytics counts of foreclosures and delinquent loans fell short of the NDS totals for these categories, the counts were pro-rata adjusted across all ZIP codes to produce counts equal to the MBA state totals for both subprime and total loans. (In some states, the NDS showed lower delinquency or foreclosure percentages than calculated from LPS Applied Analytics, in which case the higher estimates were retained.) These steps ensured a reasonable correspondence between estimates from two different sources of mortgage loan, delinquency, and foreclosure information, and while doing so, maintained the relative inter-state proportions.

(4) Calculated percentages for each Metropolitan Area.  
ZIP codes were aggregated to metropolitan areas and percentages for each indicator: foreclosure, delinquency, etc. were calculated for every metropolitan area.