

Compiled by
Assistant Professor
J. Michael Collins,
UW-Madison
Department of
Consumer Science.

QUESTIONS? Contact
Bill Pinkovitz at
bill.pinkovitz@ces.uwex.edu.

Economic Snapshot
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Drop in subprime lending signaled trouble ahead

Prior to the housing crisis, subprime lending activity in Wisconsin fell sharply and provided a clear warning of potential problems in the housing market. Data reported under the Home Mortgage Disclosure Act (HMDA) reveals that subprime lending in the Madison Metropolitan Statistical Area (MSA) fell by 38 percent between 2006 and 2007. That compares to a 9 percent decline in all conventional non-government-backed home purchase loans in the MSA in 2007.

Data in four Wisconsin MSAs — Madison, Milwaukee, Green Bay and Wausau — indicate declines of between 5 and 10 percent in non-government-backed home purchase loans in 2007. However, subprime loans in these MSAs declined by 35 to 51 percent from

Consumer Finance

Week 2:
Decline in
subprime loans

2006 to 2007.

Subprime loans dropped from about 14 percent of purchase loans overall for these four MSAs combined in 2006, to only about 3 percent of all loans in 2007. Data for 2008 data will be released

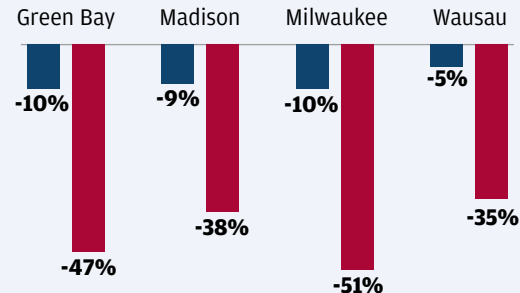
soon and will likely show even more drastic declines as mortgage markets continued to contract. By 2009, new loans in the subprime market have all but disappeared. However, the more than 20,000 subprime loans already made in these areas will likely continue to fuel rising foreclosure rates.

Note: Subprime loans are defined as loans with interest rates at least 3 full percentage points greater than a 10-year Treasury note. The Madison MSA includes Dane, Columbia, and Iowa counties.

Percent change in mortgages purchased, 2006-2007, by type

■ 2006-2007 change in non-subprime mortgages*

■ 2006-2007 change in subprime mortgages



*conventional non-government backed loans for purchasing a home

Source: Home Mortgage Disclosure Act,
<http://www.ffiec.gov/hmda/>

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