



Spotlight on the Housing Market in the Charlotte-Concord-Gastonia, NC-SC MSA



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

The Charlotte-Concord-Gastonia, NC-SC Metropolitan Statistical Area (Charlotte MSA) includes 7 counties located in south-central North Carolina and 3 counties in north-central South Carolina. The initial downturn from the foreclosure crisis in the Charlotte MSA was less severe than in some areas of the country but the subsequent recession had a larger impact than for the nation overall. Home prices appreciated 60 percentage points less than the national rate during the housing bubble, and the ensuing decline in prices was also less steep—16 percent compared with a national decline of 32 percent. Lower property values and the extent of underwater mortgages in Charlotte were driven in part by investor speculation, unsustainable mortgage lending, and excess housing construction going into the crisis, but the rise in unemployment and underemployment during the recession primarily fueled the rise in 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 the same year as the nation—but at a somewhat lower rate. Nearly five years of fairly rapid job growth, state legislation that curtailed foreclosure actions, and the local use of the Administration's mortgage assistance programs has reduced the share of distressed mortgages in Charlotte. The Administration's broad approach to stabilizing the housing market has been a real help to homeowners in Charlotte 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 2.2 million people according to the most recent Census, the Charlotte MSA is the 22nd largest in the nation. From 2000 to 2010, Charlotte's population increased by an average of 49,950 people, or 2.9 percent, a year. An average of approximately 35,300 people per year moved to the Charlotte MSA during the last decade, accounting for 70 percent of the population growth during this period. Natural population growth (births minus deaths) accounted for the remaining 30 percent of the net population increase. The highest influx of people moving to the area—an average of 51,950 annually—occurred between the years 2005 and 2008.

During the decade spanned by the Census, new housing construction grew faster than household growth in Charlotte. Net annual housing unit growth of 3.5 percent in the Charlotte metropolitan area during the last decade was greater than the corresponding population and household growth rates of 2.9 and 3.1 percent, respectively. The rate of increase in vacant units in the Charlotte metro area during the 2000s was considerably higher than the national rate, with vacant units increasing at an average annual rate of 8.5 percent compared with 4.4 percent nationally, according to the Census Bureau. Investor speculation had some effect on overbuilding in the years leading up to the housing crisis, with the increase in the share of investor purchases similar to the national upturn. Specifically, from 2000 to 2005, investor home sales rose from 6.7 to 13.4 percent of total sales in the Charlotte metro area, while the corresponding increase for the nation was from 8.2 to 14.8 percent. Subprime lending also had an impact on the overbuilding. A study by the National Bureau of Economic Research indicates that the Charlotte MSA ranked 68th out of the top 107 metropolitan areas with the highest share of subprime originations during 2005, with subprime originations as a share of new mortgages at 17 percent in Charlotte. 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.

Charlotte MSA Housing Unit Growth Outpaced Population and Household Growth During the Past Decade		
Date of Census	4/1/2000	4/1/2010
Charlotte MSA Population	1,717,372	2,217,012
Annual Growth Rate	—	2.9%
Charlotte MSA Households	510,516	671,229
Annual Growth Rate	—	3.1%
Charlotte MSA Housing Units	546,447	737,775
Annual Growth Rate	—	3.5%

Source: Census Bureau (2000 and 2010 Decennial)

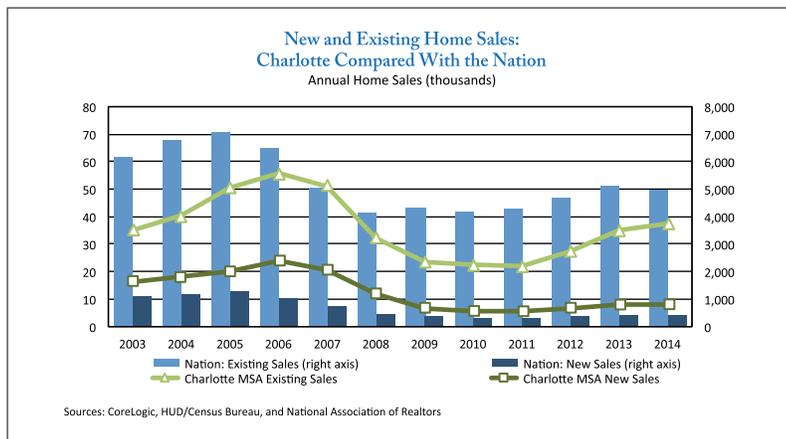
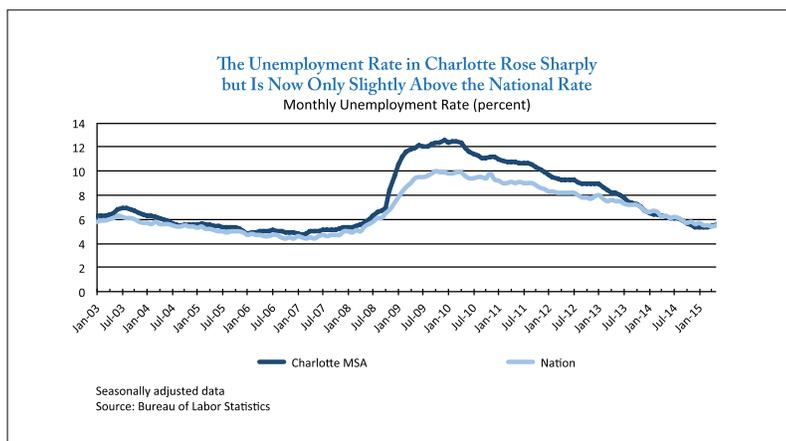
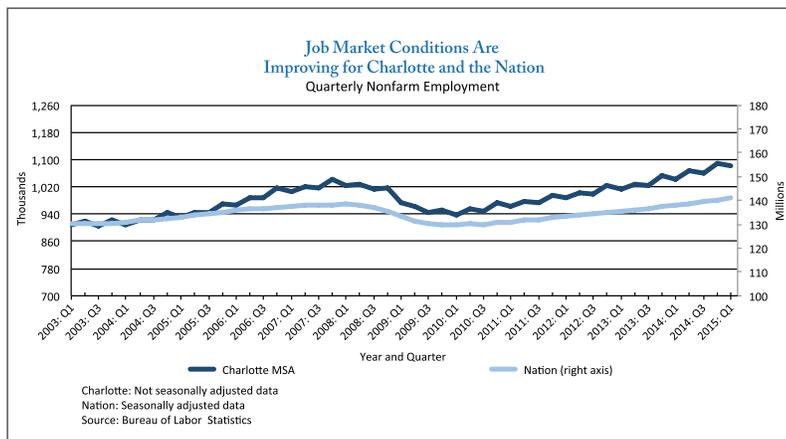


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Charlotte's economy has improved. The local economy was growing moderately before it began to decline in 2008. From the second quarter of 2003 through the second quarter of 2008, jobs increased at an average annual rate of 2.5 percent, compared with a national increase of 1.1 percent during this period. The impact of the Great Recession was more severe for the Charlotte metropolitan area than it was for the nation. Jobs in the MSA declined at an annual rate of 5.0 percent from the third quarter of 2008 through the first quarter of 2010, compared with a national decline of 3.3 percent. The recovery from the recession has been stronger for Charlotte than nationally, however, with jobs increasing at an annual rate of 3.1 percent from the second quarter of 2010 through the first quarter of 2015, compared with a 1.7-percent increase nationally.

The Charlotte MSA is headquarters to the Wachovia and Bank of America Corporations and the second largest banking center in the nation, with area banks controlling more than \$2.2 trillion in assets. Despite the presence of large banking institutions, the financial activities sector only accounts for 8 percent of total nonfarm payrolls, a share that remained consistent from the first quarter of 2003 through the first quarter of 2015. 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 2.2 percent and the government sector by 3.5 percent. Job losses were most severe during this period in the construction sector, where jobs declined at an annual rate of 18.7 percent and accounted for 24 percent of the loss in employment. Job losses were also fairly substantial for the manufacturing sector (-10.9 percent), other services sector (-8.5 percent), and wholesale trade (-7.1 percent). The recovery from the recession has been led by the professional and business services sector (5.2 percent), leisure and hospitality (4.7 percent), and other services (4.3 percent). The unemployment rate for the Charlotte MSA peaked at 12.6 percent in December 2009 and, as of June 2015, has fallen to 5.5 percent. In comparison, the unemployment rate for the nation peaked in October 2009 at 10.0 percent and fell to 5.3 percent by June 2015.

Home sales in Charlotte have improved. After peaking at 55,800 units sold in 2006, purchases of previously owned (existing) homes in the Charlotte MSA declined between 2007 and 2011 by an average annual rate of 12 percent. Existing home sales have risen since 2011 by an annual rate of 23 percent, although the pace slowed to 6 percent growth in 2014. By comparison, 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 again nationally in 2009,



increasing at an annual rate of almost 5 percent from 2009 to 2013, but slowed in 2014, declining by 3 percent. Purchases of new home sales peaked in 2006 at 23,900 units in the Charlotte MSA before falling from 2007 through 2011 at an annual rate of 15 percent. New home sales reversed that trend, increasing at an annual rate of 17 percent (albeit on a low base) from 2012 to 2014. 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.



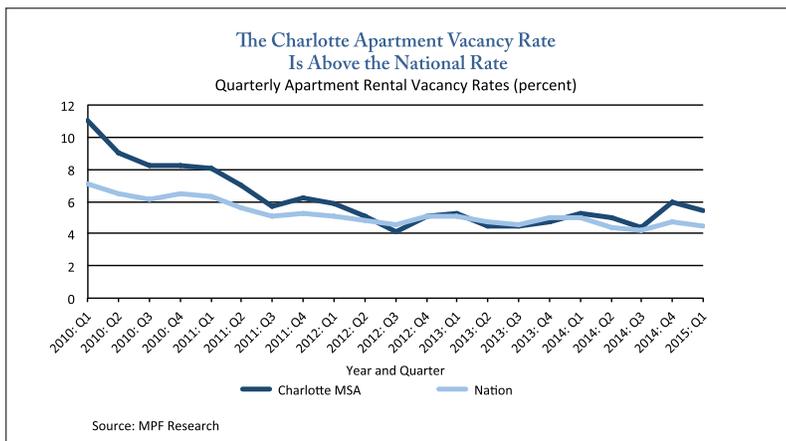
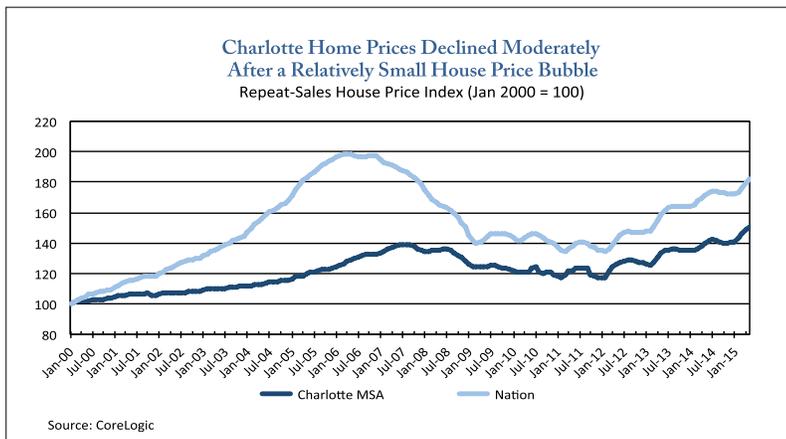
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Charlotte experienced a relatively small house price bubble during the housing crisis. The CoreLogic repeat-sales house price index (HPI) shows that home prices in the Charlotte MSA rose nearly 60 percentage points less than for the rest of the nation during the housing bubble and had a less pronounced decline of 16 percent from their peak in July 2007 to their low in February 2011. The national peak-to-low decline was 32 percent (from April 2006 to March 2011). Investor speculation had some impact on the rise in home prices in the Charlotte MSA, with sales to investors averaging 12 percent during the bubble, but lower than the 13 percent share nationally. As described earlier, subprime lending was also a factor in fueling home prices in Charlotte. Since reaching their low point, home prices in the Charlotte metropolitan area have risen 29 percent, compared to the 35 percent low-to-current increase for the nation, and have surpassed their previous peak in mid-2007.

The apartment vacancy rate in Charlotte has remained above the national rate during the past year. According to MPF Research, the Charlotte MSA apartment vacancy rate was 5.4 percent in the first quarter of 2015, up slightly from 5.3 percent a year earlier, representing generally balanced market conditions. The slight uptick in the vacancy rate occurred with the completion of a large number of new apartment projects during the past year, but strong demand in the city of Charlotte helped offset the elevated supply levels. The national apartment vacancy rate was 4.5 percent during the same period, down from 5.0 percent a year earlier. In the first quarter of 2015, the average apartment rent in the Charlotte metro increased 5.5 percent from a year earlier to \$917, compared with a nationwide increase of 5.0 percent to \$1,186. Overall rental market conditions in Charlotte remain slightly softer 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, the overall rental vacancy rate in the first quarter for the Charlotte MSA was 7.4 percent compared to a national rate of 7.1 percent. The 2013 ACS (American Community Survey) indicates that single-family homes accounted for 41 percent of all rental units in the Charlotte metropolitan area, while representing 35 percent of all rental units in the nation.

Trends in Mortgage Delinquencies and Foreclosures:

The share of distressed mortgages in Charlotte has declined and is below the national level. As of May 2015, the Charlotte MSA placed 216th 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 the end of 2001 through the middle of 2007, the share of distressed mortgages in Charlotte was consistently above the national rate but rose less steeply during the foreclosure crisis, 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 Charlotte MSA began to rise, but at less than half the pace nationally. Specifically, from the beginning of 2007 to the end of 2008, the share of distressed mortgages in Charlotte increased 1.3 percentage points (from 2.1 to 3.4 percent), compared with a national increase of 2.9 percentage points (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 Charlotte MSA and the nation. By early 2010, mortgages at risk of foreclosure reached a peak of 8.0 percent nationally and 6.9 percent in Charlotte. Although initially declining from this peak, the share of distressed mortgages in Charlotte began to increase again in 2011 and nearly reached the national rate. Passage of legislation in 2010 that allowed for foreclosure mediation in an effort to prevent foreclosures likely contributed to this increase of mortgages in the foreclosure pipeline. The current decline in the share of mortgages at risk of foreclosure in Charlotte is

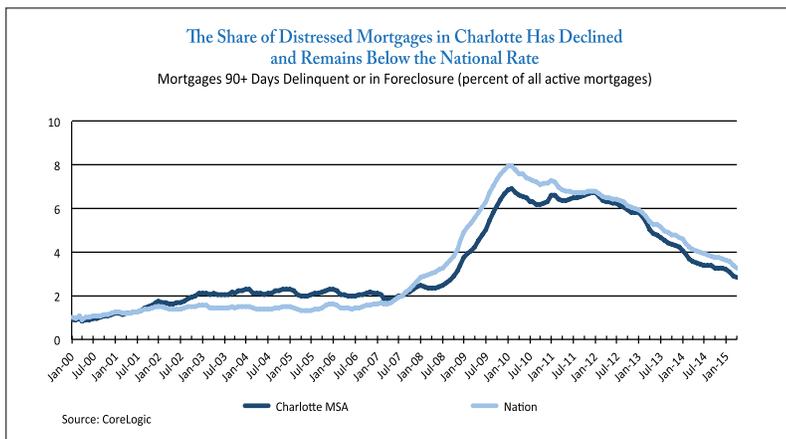


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again similar to the national trend. In Charlotte, the share of distressed mortgages is now at 2.8 percent compared to 3.3 percent nationally. Over the last year, the number of distressed mortgages decreased by 24 percent—from 9,975 to 7,600—compared with a national decline of 27 percent over the same period. A partial explanation for a lower share of distressed mortgages in the Charlotte MSA relative to the nation is a significantly lower foreclosure processing timeline. As of the first quarter of 2015, the average time to complete a foreclosure in the nation was 620 days compared with an average of 243 days for North Carolina and 542 days for South Carolina.

RealtyTrac data show the rate of foreclosure completions in Charlotte has been slightly above the national rate since April 2009. From April 2009 through May 2015, the number of foreclosure completions as a percentage of all housing units was 3.4 percent in Charlotte, slightly higher than the 3.2-percent rate for the nation. Foreclosure completions have generally been trending downward in the Charlotte MSA since 2013. During the first quarter of 2015, the Charlotte metropolitan area had a foreclosure completion rate of 0.6 percent, the same as the national average during that period. Foreclosure completions were 17 percent below their rate a year earlier in Charlotte, although the rate was higher for both Charlotte and the nation than in the fourth quarter of 2014. With rising home prices and low inventories of homes for sale, lenders are resolving defaults more quickly, which has led to an increase in foreclosure filings.

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 August 2007, North Carolina Governor Michael Easley signed Senate Bill 1264/House Bill 1374, which provides protections for homeowners in the foreclosure process, including protection from loan servicing abuses, and more rights to information during the foreclosure process. The law also facilitates legal action by the borrower if the lender fails to comply with the law. The Emergency Program to Reduce Home Foreclosures Act (Senate Bill 2115/House Bill 2742), which was signed in



2008 and extended in 2010, requires lenders to give prior notice of foreclosure to borrowers with subprime loans in an effort to reach an agreement that avoids foreclosure; the law also provides funds to nonprofit counseling agencies to assist borrowers. Through these and the Administration's efforts, conditions in the Charlotte MSA have improved. As of the first quarter of 2015, 6.3 percent of mortgages in the Charlotte MSA remain underwater, down from 8.6 percent a year earlier, according to CoreLogic. This compares to a 10.2 percent share of underwater borrowers (those who owe more on their mortgage than the value of their home) for the first quarter at the national level.

The Administration's Efforts To Stabilize the Charlotte 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 Charlotte MSA housing market.

From the launch of the Administration's assistance programs in April 2009 through the end of June 2015, more than 81,000 homeowners have received mortgage assistance in the Charlotte metropolitan area. Nearly 45,800 interventions were completed through the HAMP and FHA loss mitigation and early delinquency intervention programs. An estimated additional 35,200 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 Charlotte metropolitan area is two and one-half times the number of foreclosures completed during this period (32,300).

Under the landmark National Mortgage Servicing Settlement signed in February 2012, more than 9,843 North Carolina homeowners and more than 6,485 South Carolina homeowners have benefitted from over \$400 million and over \$300 million, respectively, 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

Area	First Quarter 2015		Since April 1, 2009	
	Foreclosure Completions	Foreclosure Rate	Foreclosure Completions	Foreclosure Rate
Charlotte MSA	570	0.06%	31,990	3.4%
Nation	82,100	0.06%	4,194,700	3.2%

Notes: Foreclosure rates as percent of all housing units. Data through May 2015 for foreclosures since April 2009. Sources: Realty Trac and Census Bureau.



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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 improperly 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.

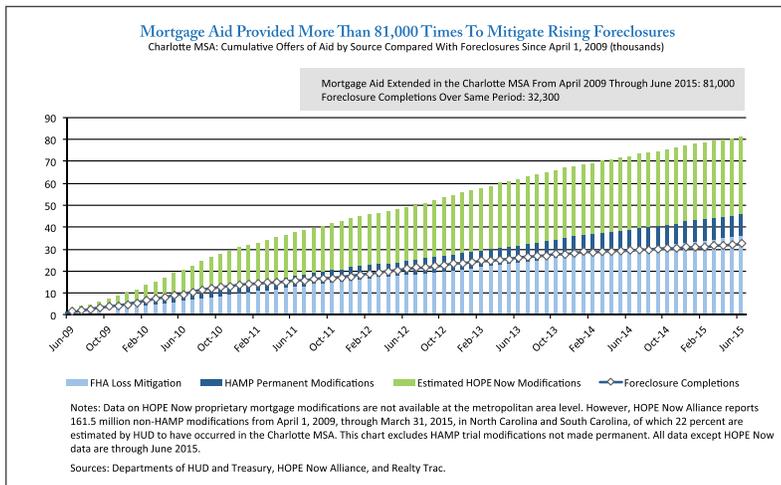
NSP1 funds were granted to all states and selected local governments on a formula basis under Division B, Title III of the Housing and Economic Recovery Act (HERA) of 2008; NSP2 funds authorized under the American Recovery and Reinvestment Act (the Recovery Act) of 2009 provided grants to states, local 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 \$5.4 million in NSP funds has been awarded directly to the **City of Charlotte, NC**. In addition, NSP funding in the amounts of \$57.3 million and \$50.3 million was awarded to the States of **North Carolina** and **South Carolina**, respectively. Of the NSP grant to North Carolina, \$2.6 million was sub-allocated to the City of Charlotte; except for this one grant, data are not yet available on the amounts of NSP grants to North and South Carolina that were reallocated to the Charlotte MSA. Approximately 458 households in the MSA have benefited from the NSP funding to the City of Charlotte described above. Data on households benefiting from NSP funds reallocated to the entire Charlotte metro area from North and South Carolina are currently unavailable.

As part of the State of North Carolina's housing recovery efforts, the **North Carolina Foreclosure Prevention Fund** program was launched to help North Carolina homeowners who are at high risk of default or foreclosure.

Charlotte MSA Housing Units to Date Benefiting From NSP by Type of Activity	
Construction or Rehabilitation	442
Homeownership Assistance to Low- and Moderate-Income	16
Total Housing Units	458

Notes: These housing units are the result of NSP grants (either direct or indirect) to the City of Charlotte, NC. Data on units resulting from NC and SC state subgrants to the Charlotte MSA (other than to the City of Charlotte) are not available.



The North Carolina Foreclosure Prevention Fund is financed by \$483 million from the Administration's **Hardest Hit Fund** and administered by the North Carolina Housing Finance Agency. Assistance is provided through the following programs:

- **Mortgage Payment Program**—Provides monthly mortgage payment and reinstatement assistance on behalf of unemployed and other eligible homeowners who are unable to afford their monthly mortgage payments. Homeowners who are in job training/education programs may receive an extended term of assistance. Standalone reinstatement assistance is available for eligible homeowners who have regained employment and can afford their monthly payment provided they can bring their mortgage current.
- **Second Mortgage Refinance Program**—Provides assistance for the extinguishment of second mortgages to reduce the homeowner's monthly mortgage payment and to facilitate a first mortgage refinance or HAMP modification.
- **Modification Enabling Pilot Program**—Provides 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.

As of March 31, 2015, the most recent quarter for which data are available, the NC Foreclosure Prevention Fund had disbursed approximately \$306 million on behalf of an estimated 19,060 North Carolina homeowners. North Carolina homeowners who believe they may be eligible for these programs should visit www.ncforeclosurehelp.org.

As part of the State of South Carolina's housing recovery efforts, the **South Carolina Homeownership and Employment Lending Program (SC HELP)** was launched in January 2011 to help South Carolina homeowners who are at high risk of default or foreclosure. SC HELP is funded by \$295 million from the Administration's **Hardest Hit Fund** and administered by the South Carolina State Housing Finance and Development Authority. Assistance is provided through the following programs:

- **Monthly Payment Assistance Program**—Provides monthly mortgage payment assistance for unemployed and underemployed homeowners.



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- **Direct Loan Assistance Program**—Provides reinstatement assistance, principal reduction, or forbearance reduction/elimination for homeowners who experienced a financial hardship but have regained the ability to pay their mortgage.
- **Modification Assistance Program**—Provides principal reduction with a loan recast or modification to achieve long-term affordability.

- **Property Disposition Assistance Program**—Provides assistance to offset relocation expenses incurred in conjunction with a short sale or deed-in-lieu.
- **Neighborhood Initiative Program**—Prevents foreclosures through the demolition, greening, and ongoing maintenance of vacant and abandoned blighted residential properties.

As of March 31, 2015, the most recent quarter for which data are available, the SC HELP had disbursed approximately \$136 million on behalf of an estimated 9,209 South Carolina homeowners. South Carolina homeowners who believe they may be eligible for these programs should visit www.schelp.gov.