Response to Questions on the FY 2009 Advertised Budget Plan

Request By: Chairman Connolly

Question: What was the level of foreclosures prior to the increase in the use of subprime mortgages?

Response: The share of subprime mortgages more than tripled from 2004 to 2005. A March 2007 study by the Urban Institute determined that subprime mortgages made up just 4.2 percent of total mortgages in Fairfax County in 2004. A later study by the Center for Responsible Lending found that the subprime share increased to 13.5 percent for mortgages made in 2005 and 2006 in Fairfax County. Since rates of subprime mortgages generally reset after two to three years, foreclosures due to a loan becoming unaffordable would lag the initial loan by two to three years. Based on data from Realtytrac, there were only 198 foreclosures in Fairfax County in 2005, the first year that the company starting tracking foreclosures nationwide. The number of foreclosures in the County increased to 593 in 2006. During 2007, when the first of the 2005 subprime mortgages would have reset, foreclosures in Fairfax County increased dramatically to 4,527. Over 78 percent of the 2007 foreclosures occurred during the second half of the year. The number of foreclosures in the County is expected to peak in 2008 and remain high into 2009 due to the increase in subprime mortgages during 2005 and 2006. Foreclosures in Fairfax County were reported by Realtytrac to be 1,330 in January 2008 compared to just 74 in January 2007.