

Second District Highlights

Bypassing the Bust: The Stability of Upstate New York's Housing Markets during the Recession

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Over the past decade, the United States has seen real estate activity swing from boom to bust. But upstate New York has been largely insulated from this volatility, with metropolitan areas such as Buffalo, Rochester, and Syracuse even registering home price increases during the recession. An analysis of upstate housing markets over the most recent residential real estate cycle indicates that the region's relatively low incidence of nonprime mortgages and the better-than-average performance of these loans contributed to this stability.

The United States experienced a sizable boom in real estate activity between 1998 and 2006, followed by a sharp contraction. Home prices rose on average more than 8 percent per year between 2000 and 2006—but have been falling more recently at an average annual rate of 4 percent.¹ In states such as California, Arizona, and Florida, the collapse in home prices has been particularly severe. Somewhat surprisingly, however, many parts of the country have not experienced dramatic declines in housing prices, with some regions even registering price increases since the recession began. Upstate New York is one such region. Despite upstate's long-term weak economic growth and population loss, Buffalo, Rochester, and Syracuse all ranked in the top 10 percent of metro areas in terms of home price appreciation in 2009, with Buffalo ranking sixth overall.

In this edition of *Second District Highlights*, we assess the performance of upstate New York's housing markets during the most recent residential real estate cycle. We analyze the extent to which the region has been insulated from the boom-bust pattern in housing prices seen in many parts of the country since 2000 and compare the pattern of real estate activity for the region with patterns for U.S. metropolitan areas. We also examine the extent of lending activity in the riskiest segment of the residential mortgage market—"nonprime" mortgages—and compare the regional and national penetration and performance of these loans.

¹ Figures reflect the four-quarter price change in the Federal Housing Finance Agency (FHFA) All Transactions house price index as of second-quarter 2009. The index is based on conventional and conforming loans and includes both repeat purchases and refinances; it is available for 383 metropolitan areas/divisions. We rely on the FHFA index rather than the more volatile S&P/Case-Shiller house price index because of its broader geographic coverage. See Calhoun (1996) and Leventis (2008) for more details on the construction of the FHFA house price index and how it differs from the S&P/Case-Shiller index.

We find that upstate New York's housing markets have been relatively stable during the U.S. recession, with many metro areas outperforming the nation. Moreover, fewer nonprime loans originated in the region than was typical across the country, and upstate's nonprime loan performance was better than the U.S. average, with lower rates of delinquency and foreclosure. These mortgage dynamics, together with upstate's relatively steady economic performance during the recession, help explain the recent stability of the region's housing markets.

The Housing Boom in the United States and the Trend in Upstate New York

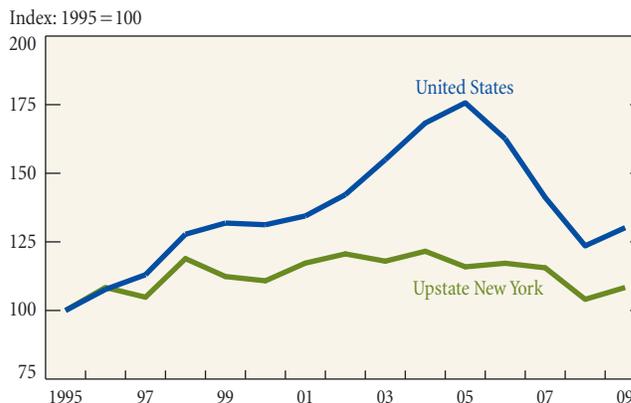
The United States experienced a housing boom in the mid-1990s that lasted until 2006. Sales of existing homes rose significantly between 1995 and 2000, followed by an even sharper increase in activity into 2005 (Chart 1). After sales peaked in 2005, activity declined sharply into 2008, then turned up modestly in 2009. In contrast, residential real estate activity across upstate New York was relatively flat throughout the period. Indeed, while existing home sales increased more than 75 percent between 1995 and 2005 in the United States, sales rose only 15 percent in upstate New York. Although sales activity in the region trended well below that of the nation during this period, the subsequent decline in home sales was less pronounced upstate. Between 2005 and 2008, home sales fell only 10 percent there, compared with an approximately 30 percent decline nationwide. Other indicators of housing activity, such as residential building permits, display similar patterns for the relative performance of upstate New York and the country.

Just as the boom in home sales was subdued upstate, home price appreciation was limited (Chart 2). The rate of appreciation in the region was well below that of the nation until early 2007, with home price declines registered occasionally during the 1995-2000 period.² From 2004 to 2006—the period of most rapid appreciation in the United States—the pace of appreciation in upstate New York also rose significantly, although it remained consistently below the country's. The rate of U.S. home price appreciation declined dramatically beginning in 2006. In 2007 and 2008, upstate's rate of price growth outpaced the nation's, and prices continued to climb into 2009—despite a nearly 4 percent decline in home values nationwide in the first half of 2009.

² Our aggregate upstate New York house price index is calculated using data on existing single-family home sales in the nine major metropolitan areas in the region: Albany, Binghamton, Buffalo, Elmira, Glens Falls, Ithaca, Rochester, Syracuse, and Utica. Our data sources are the National Association of Realtors and Moody's Economy.com. To construct the index, we follow the same methodology used by the FHFA to compile its national house price index. Specifically, we set our index to equal 100 in first-quarter 1995 and adjust it each successive quarter based on the weighted average quarterly price change for the nine upstate metropolitan areas, with the weights based on the contemporary share of one-unit detached properties in each metropolitan area. For more detail, see <http://www.fhfa.gov/>.

Chart 1

Existing Single-Family Home Sales

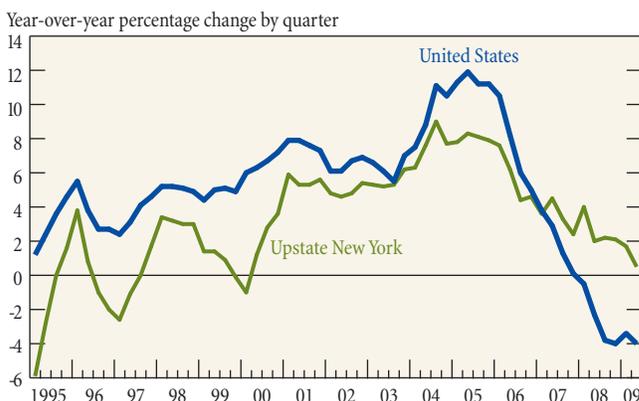


Sources: National Association of Realtors; Moody's Economy.com estimates.

Note: Upstate New York is an aggregate of the Albany, Binghamton, Buffalo, Elmira, Glens Falls, Ithaca, Rochester, Syracuse, and Utica metropolitan statistical areas.

Chart 2

Change in Home Prices



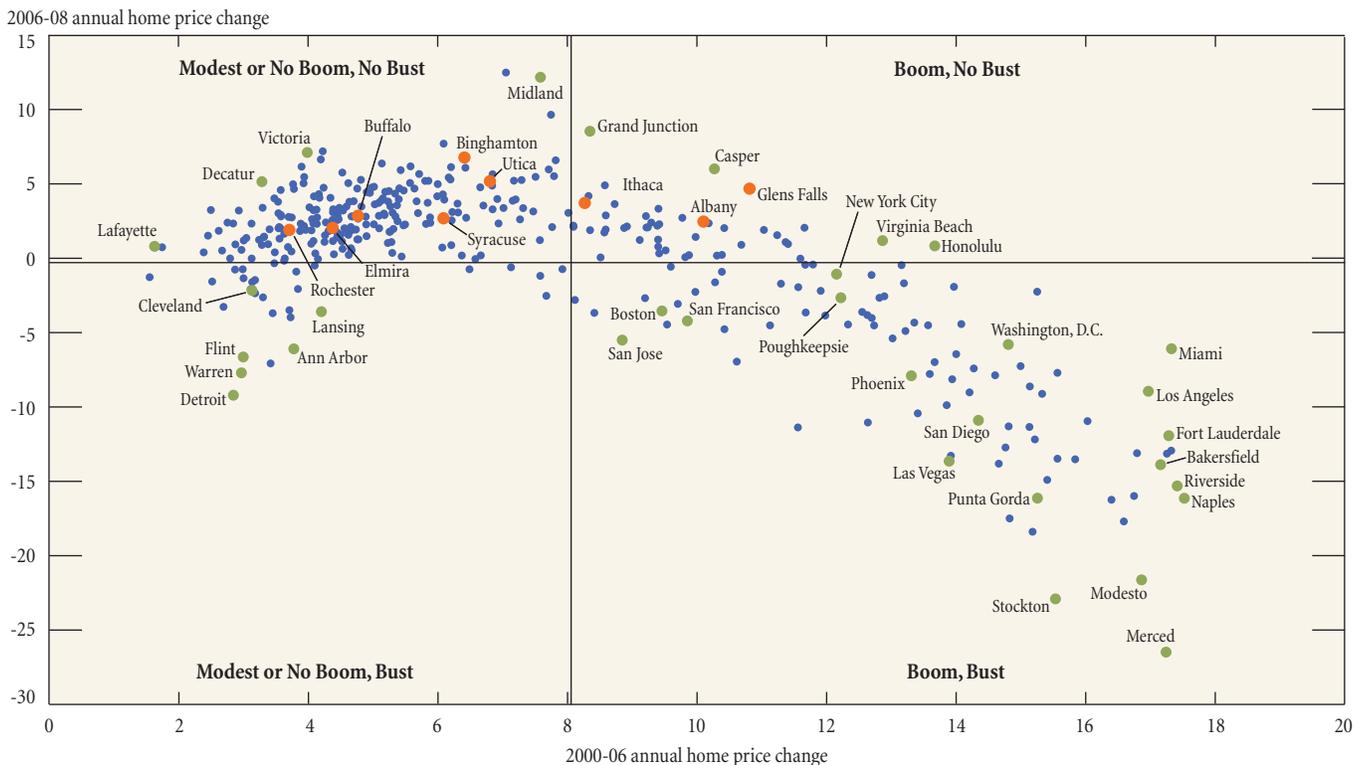
Sources: Federal Housing Finance Agency (FHFA), All Transactions index; U.S. Census Bureau; Moody's Economy.com; authors' calculations.

Notes: Upstate New York is an aggregate of the Albany, Binghamton, Buffalo, Elmira, Glens Falls, Ithaca, Rochester, Syracuse, and Utica metropolitan statistical areas. Upstate was aggregated using housing unit weights in a process similar to that employed by the FHFA to create its U.S. index.

Differences in the patterns of home price appreciation in part reflect upstate's relatively poor economic performance leading up to the housing peak and better-than-average performance during the recession. Between 2000 and 2007, for example, employment in upstate New York declined at an average rate of 0.1 percent per year, compared with a national increase of 0.6 percent. By contrast, between the December 2007 start of the recession and October 2009, upstate shed 2.1 percent of its jobs, compared with 5.2 percent in the nation. Note, however, that the upstate economy tended to outperform many of its peer economies in the Great

Chart 3

Metro Area Home Price Appreciation, 2000-08



Sources: Federal Housing Finance Agency, All Transactions index; Moody's Economy.com.

Lakes region during both periods. For example, Cleveland and Detroit experienced employment declines of 0.8 percent and 2.2 percent in the period leading up to the recession, but from the onset of the recession through October 2009, they lost 6.7 percent and 8.2 percent of their jobs, respectively.³

To illustrate the pattern of upstate New York's home prices relative to the rest of the country, we examine in more detail the regional dimension of house price dynamics.

House Price Appreciation across Metropolitan Areas

One often hears that "all real estate is local." Consistent with this idea, the patterns of house price appreciation and decline over the most recent real estate cycle varied considerably among U.S. metropolitan areas. In general, however, regions that experienced the most significant house price increases tended to suffer the most significant declines. This negative correlation is presented in Chart 3.⁴ The chart classifies metropolitan areas into one of

four categories based on where rates of appreciation fell relative to the national average. In the "boom, bust" metro areas (lower right quadrant), home prices increased faster than the average U.S. annual rate of 8.1 percent between 2000 and 2006, then fell at a more rapid pace than the U.S. rate of -0.3 percent between 2006 and 2008. In "modest or no boom, no bust" areas (upper left quadrant), prices increased less rapidly than the national average between 2000 and 2006 and declined less rapidly than the average (or increased) between 2006 and 2008. "Boom, no bust" metro areas (upper right quadrant) saw prices rise more rapidly than the national average during both periods. And in areas designated "modest or no boom, bust" (lower left quadrant), prices increased more slowly than the U.S. average (or decreased) during both periods.

As we observed, metropolitan areas with the fastest price appreciation in the earlier period tended to experience the sharpest declines over the later period (lower right quadrant). Geographic clustering is also apparent, with fourteen of the twenty-five most rapidly growing markets in the "boom, bust" areas located in California and ten found in Florida. Each of these areas saw about a 15 to 20 percent price appreciation per year on average during the boom. Once prices began to fall in 2006, the metro areas experienced very large price decreases between 2006

³ For more on upstate New York's economic performance relative to the nation and to the Great Lakes region leading up to the recession, see Abel and Deitz (2008).

⁴ A correlation is a statistic that measures how closely two variables move together. A positive correlation indicates movement in the same direction, while a negative correlation points to movement in opposite directions.

Table 1

Annual Percentage Change in Home Prices

Area	2000-06	2006-08	2008:H1-2009:H1
United States	8.1	-0.3	-3.7
Upstate metropolitan areas			
Glens Falls	10.8	4.7	-1.3
Albany	10.1	2.5	-1.0
Ithaca	8.3	3.7	-0.4
Utica	6.9	5.2	0.7
Binghamton	6.5	6.8	1.8
Syracuse	6.2	2.7	1.0
Buffalo	4.8	2.8	2.3
Elmira	4.5	2.0	6.0
Rochester	3.8	1.9	1.4

Sources: Federal Housing Finance Agency, All Transactions index; Moody's Economy.com.

Note: 2008:H1 and 2009:H1 refer to an average of the first two quarters of the year.

and 2008, averaging around 15 to 20 percent per year, with prices in Merced, Stockton, and Modesto, California, all declining at an average annual rate exceeding 20 percent.

Perhaps somewhat surprisingly, most U.S. metro areas actually experienced more moderate increases in house prices than the nation between 2000 and 2006. In fact, 249 of the 383 metropolitan areas tracked by the Federal Housing Finance Agency saw price increases below the national rate of 8.1 percent during the boom. Outsized increases, by contrast, tended to occur in large, highly populated metro areas; the average rate for the nation as a whole strongly reflects the experience of these places. Most areas also outperformed the nation, which had a 0.3 percent rate of decline, over the 2006-08 period.⁵ Indeed, 220 metropolitan areas experienced below-average house price appreciation between 2000 and 2006, and then performed better than the nation between 2006 and 2008—and thus fall into the “modest or no boom, no bust” category. Most upstate metro areas—including Binghamton, Buffalo, Elmira, Rochester, Syracuse, and Utica—are in this group (Table 1).

The twenty-nine worst-performing metropolitan areas had lower rates of appreciation than the nation during both periods (lower left quadrant). Ten of the eleven largest home price declines over the 2006-08 period occurred in Michigan. The best-performing metropolitan areas had faster-than-average house price appreciation in both periods (upper right quadrant). These areas include Honolulu and Virginia Beach, together with Albany,

⁵ Across all 383 metropolitan areas, the median annual price change was 5.8 percent between 2000 and 2006 and 1.9 percent between 2006 and 2008, compared with the national price change (roughly equivalent to a weighted mean of the metropolitan areas) of 8.1 percent and -0.3 percent, respectively, as measured by the national FHFA house price index.

Glens Falls, and Ithaca. In fact, based on home price appreciation in each period, Glens Falls and Ithaca were among the top-performing metropolitan areas in this quadrant.

The map shows the geographic concentration of these different groups. “Boom, bust” metropolitan areas appear in three regions of the country: along the west coast, in Florida, and along the northeast corridor. Areas classified as “modest or no boom, bust” cluster along the Great Lakes and dot Colorado and Arkansas. Metro areas in the “modest or no boom, no bust” category populate much of the country, while “boom, no bust” areas appear in parts of upstate New York, along the eastern coastline, in the Northwest (including areas surrounding Seattle and Portland), and in several other states.

These home price dynamics in part reflect relative differences in economic performance among regions, although lending activity likely played a role as well. To provide a deeper understanding of the relative performance of upstate New York's housing markets, we examine the prevalence and performance of more risky, nonprime loans.

Regional Penetration and Performance of Nonprime Loans

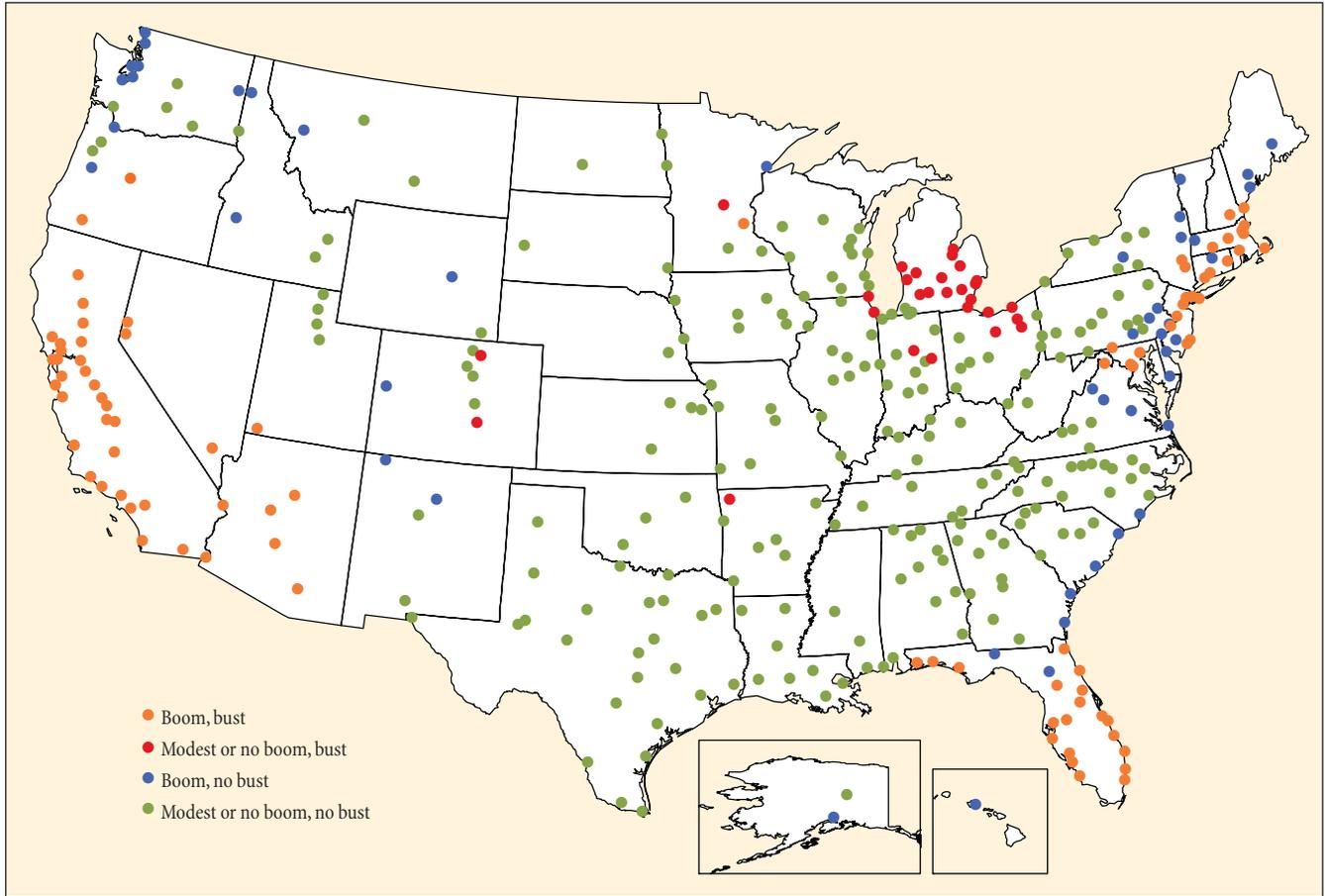
The proliferation of nonprime mortgages has been a significant feature of the recent housing cycle. Nonprime mortgages are loans that are considered more risky than traditional loans, for a number of reasons.⁶ This increased risk may stem from the loan's large size or nontraditional structure, or from borrowers who have a poor credit rating, have a higher ratio of debt to income, do not provide full documentation of income or assets, or borrow close to (or more than) the value of the property on which the loan is based.

As the economy and the housing market weakened at the start of the recession, a significant share of nonprime mortgages began to perform relatively poorly, particularly those originated between 2005 and 2007, a pattern that resulted in rising delinquencies and foreclosures (Haughwout, Peach, and Tracy 2008). The relationship between nonprime lending activity, loan performance, and housing market dynamics at the regional level is critically important when assessing regional housing market performance during the recent cycle. Accordingly, we examine the prevalence and performance of nonprime loans across metropolitan areas, including upstate New York, and the extent to which these factors were associated with regional housing market dynamics.

Our data source is First American CoreLogic's Loan Performance data set (LP Data). As of mid-2009, these data include

⁶ Nonprime loans consist of subprime and alt-A loans. Subprime loans are typically of smaller value than prime loans and are made to borrowers with an imperfect credit history, while alt-A loans are typically larger value loans made to borrowers who may choose not to provide the full documentation of income or assets usually required to obtain prime mortgages.

Geographic Distribution of Boom/Bust Metropolitan Areas



Sources: Federal Housing Finance Agency, All Transactions index; Moody's Economy.com.

monthly loan-level information for nearly 5 million active, securitized nonprime loans with total balances of more than \$1 trillion. While the LP Data capture more than 90 percent of securitized nonprime loans after 1999 and nearly all such loans beginning in 2003, they exclude all loans held in bank portfolios (Mayer and Pence 2008). Such exclusions necessarily omit some of the nonprime loans made during our study period, so our estimates of the penetration of these loans may be understated. Furthermore, the performance of loans in bank portfolios may differ from the performance of loans that we can observe from the LP Data. Nonetheless, these data capture the majority of nonprime lending activity and offer valuable insight into the pattern of nonprime lending activity and loan performance across the country.

Penetration of Nonprime Loans

To measure the prevalence of nonprime lending across metropolitan areas, we calculate the number of nonprime loans per 1,000 housing units, using data from 2006—when activity

peaked.⁷ This metric captures the extent of nonprime lending activity in the overall housing market. Table 2 shows the penetration of nonprime loans in the United States by the four boom-bust groupings assigned earlier and for the individual metropolitan areas in upstate New York. It reveals that nonprime lending activity was much lower upstate than it was nationwide. Nationally, there were 55.5 such loans per 1,000 housing units—more than double the number for most of upstate New York's metro areas. Within upstate New York, nonprime penetration was highest in Albany and Glens Falls and lowest in Ithaca. With a penetration rate of 81.6 loans per 1,000 households, nonprime lending activity was strongest in the “boom, bust” regions. In contrast, with a penetration rate of 47.0, nonprime lending

⁷ To avoid double counting multiple loans on the same property, we report the number of first-lien loans only. While LP Data include information on subordinate-lien loans, it is not possible to match these loans to their corresponding first-lien loans. To assess nonprime penetration, we use information on total housing units published by the U.S. Census Bureau's population estimates program (<http://www.census.gov/popest/estimates.html>).

Table 2

Nonprime Loan Penetration and Performance

Area	2006		2009		
	Nonprime Loan Penetration	Delinquency Rate (Percent)	Foreclosure Rate (Percent)	Delinquency Penetration	Foreclosure Penetration
United States	55.5	13.2	12.6	5.2	5.0
Modest or no boom, bust	58.3	15.1	11.3	5.7	4.3
Modest or no boom, no bust	47.0	11.9	6.8	3.7	2.1
Boom, no bust	52.1	11.5	8.9	4.2	3.2
Boom, bust	81.6	14.3	17.1	8.8	10.5
Upstate metropolitan areas					
Albany	31.3	12.5	12.0	2.8	2.7
Glens Falls	28.6	12.5	10.1	2.8	2.2
Elmira	24.7	9.4	7.1	1.9	1.4
Rochester	24.6	10.7	8.1	2.0	1.5
Buffalo	21.2	10.3	6.5	1.7	1.1
Syracuse	20.0	11.0	9.7	1.7	1.5
Binghamton	19.7	10.5	7.1	1.7	1.1
Utica	17.5	11.2	7.0	1.6	1.0
Ithaca	9.4	11.5	6.5	0.8	0.4

Sources: First American CoreLogic, LoanPerformance data; U.S. Census Bureau.

Notes: *Penetration* measures the number of loans in each category per 1,000 housing units. *Rate* measures the number of loans in each category as a percentage of total nonprime loans. A loan is considered delinquent if it is ninety or more days past due. A loan is considered in foreclosure once it has entered the foreclosure process.

activity was lowest in metropolitan areas classified as “modest or no boom, no bust.”

These penetration patterns suggest that areas with more nonprime lending activity would have had stronger home price appreciation through the housing peak, along with more significant price declines during the subsequent period. To assess this correlation more formally, we plot nonprime loan penetration relative to the increase in home prices between 2000 and 2006 for every metropolitan area (Chart 4, top panel). The chart confirms a strong positive correlation between nonprime lending activity and house price appreciation during this period.

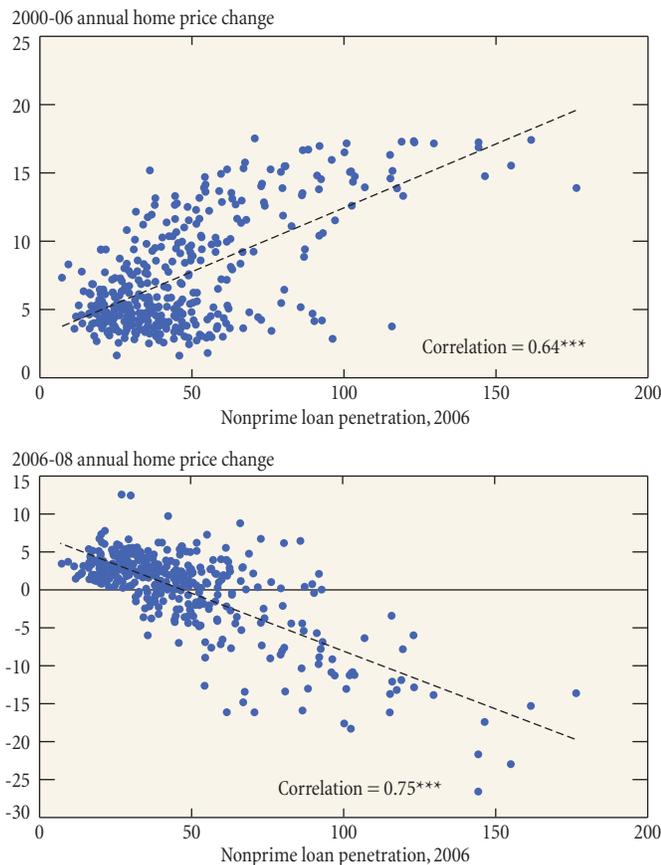
Why might this correlation hold? It is likely that causation runs in both directions—an increase in nonprime lending led to more significant home price appreciation, and more rapid home price appreciation led to a rise in nonprime lending. As for the first relationship, the availability of nonprime loans would have expanded the supply of credit by providing financing opportunities to those unable to obtain prime mortgages. This trend in turn would have brought more buyers into the housing market, driving up the demand for housing and, all else equal,

increasing home prices.⁸ However, home price appreciation itself may have contributed to the spike in nonprime lending. Lenders may have been more willing to make loans on properties whose value was increasing and expected to continue to rise, especially when the price increases were rapid. Under these circumstances, loans on properties with rising values would appear less risky. One primary determinant of risk from the lender’s perspective is the balance of the loan relative to the value of the property, often referred to as the loan-to-value ratio, or LTV. As the value of a home rises, the LTV falls, and a low LTV loan is considered less risky than a high LTV loan. The reason is that borrowers are less likely to default on a low LTV loan, primarily because they have more to lose, as their equity would be potentially surrendered upon default. Even if a default were to occur, a rising home value provides a valuable cushion to mitigate any potential losses the lender may incur when taking possession of a property after a loan fails. Moreover, homeowners experiencing rapid house price appreciation may be more likely to refinance their mortgages to gain access to their home equity.

⁸ To some extent, an increase in home prices may have led to more new home construction, which would dampen any rise in prices.

Chart 4

Nonprime Loan Penetration and Home Price Changes



Sources: First American CoreLogic, LoanPerformance data; Federal Housing Finance Agency, All Transactions index; U.S. Census Bureau; Moody's Economy.com.

Notes: Loan penetration is the number of nonprime loans per 1,000 housing units. The dashed line represents a linear trend line.

*** Statistically significant at the 1 percent level.

Indeed, recent empirical research confirms that the relationship between nonprime lending and house price appreciation runs in both directions. Mian and Sufi (2009) show that the expansion of credit through nonprime lending resulted in more rapid home price appreciation at the Zip code level, while Wheaton and Nechayev (2008) and Goetzmann, Peng, and Yen (2009) show that metropolitan areas with faster home price growth saw greater demand for nonprime mortgages. However, because these relationships are self-reinforcing, it is difficult to determine the extent to which these different dynamics were at work or the relative importance of each dynamic in contributing to the pattern of house prices observed during the current cycle. In upstate New York, the relatively low penetration of nonprime mortgages likely contributed to the region's more modest home price appreciation, but it may also reflect the response of lenders

to the region's relatively slow home price appreciation leading up to and during the boom years.

Despite this outcome, it is clear that nonprime lending activity was positively correlated with home price appreciation through the peak in housing activity, and it is apparent that areas with a higher penetration of nonprime loans in 2006 had more significant price declines in the 2006-08 period (Chart 4, bottom panel). This correlation is not surprising given that price appreciation in the 2000-06 period is negatively correlated with price appreciation in the 2006-08 period. The relatively poor performance of nonprime loans during the recession was a likely contributor to this dynamic. To study these relationships in more detail, we examine the performance of nonprime loans across U.S. metropolitan areas and in the upstate New York region and analyze the connection between nonprime loan performance and the pattern of home price changes.

Performance of Nonprime Loans

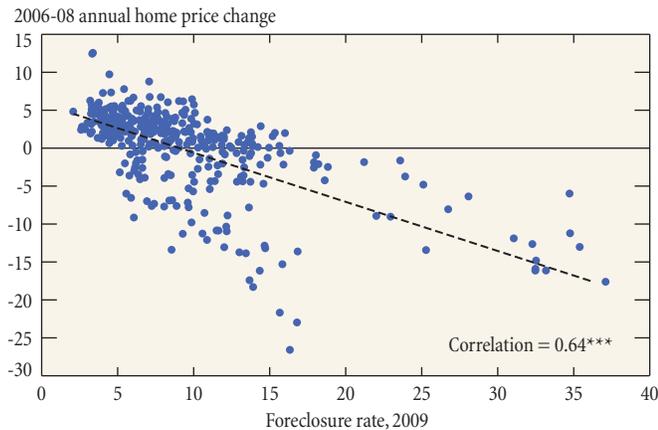
By calculating current delinquency and foreclosure rates, we can assess the performance of nonprime loans at the metropolitan area level.⁹ We measure delinquencies as loans that are ninety or more days past due and foreclosures as loans that have entered the foreclosure process. As expected, the performance of nonprime loans systematically differs across metropolitan areas (Table 2). The highest delinquency and foreclosure rates are in the "boom, bust" and "modest or no boom, bust" areas, and the lowest delinquency and foreclosure rates are in the areas that did not undergo a housing bust.

In general, metropolitan areas with more significant home price declines tended to have relatively poor nonprime loan performance (Chart 5). A strong negative correlation is apparent between nonprime foreclosure rates and the average annual change in home prices in the 2006-08 period.¹⁰ There are several reasons for this correlation. First, homeowner equity tended to decrease in areas where home prices fell. As previously outlined for the case when prices are increasing, declining house prices in areas that experienced a housing bust raised LTVs and increased the risk of default and foreclosure. In extreme cases, home prices declined so much that homeowners fell into a negative equity position, where the balance on a mortgage exceeded the value of the home, providing a strong incentive for borrowers to abandon mortgages rather than continue to make payments. Indeed, recent estimates suggest that as many as 29 percent of all nonprime mortgages were in a negative equity position by the end

⁹ Here we use LP Data as of August 2009.

¹⁰ Policy actions at the regional level designed to mitigate foreclosures, such as foreclosure moratoriums, may reduce foreclosure rates in some metropolitan areas. Thus, such actions could understate the "true" relationship between home price declines and the amount of foreclosure activity.

Chart 5

Foreclosure Rates and Home Price Changes

Sources: First American CoreLogic, LoanPerformance data; Federal Housing Finance Agency, All Transactions index; U.S. Census Bureau; Moody's Economy.com.

Notes: Loan penetration is the number of nonprime loans per 1,000 housing units. The dashed line represents a linear trend line.

*** Statistically significant at the 1 percent level.

of 2008 (Haughwout and Okah 2009). This dynamic was probably most visible in “boom, bust” metropolitan areas in states such as California, where price declines were among the most severe. Further, the poor loan performance in these areas may be the result of households’ reduced ability to repay their debt in states such as Michigan, where unemployment rates are high. Poor loan performance, especially when leading to foreclosure sales, along with recessionary pressures tends to dampen housing prices. This dynamic most likely played a role in “modest or no boom, bust” metropolitan areas such as Detroit. In any case, these mechanisms tend to reinforce one another.

As one might expect, upstate New York’s rate of delinquencies and foreclosures on nonprime loans was lower than the national average, and in many instances noticeably lower (Table 2). The delinquency rate for the nation was 13.2 percent, compared with a high among upstate metropolitan areas of 12.5 percent in Albany and a low of 9.4 percent in Elmira. Similarly, the nation’s foreclosure rate was 12.6 percent, while rates in upstate metro areas ranged from 12.0 percent in Albany to 6.5 percent in both Buffalo and Ithaca. Again, Albany and Glens Falls stand out among upstate New York’s metropolitan areas as being closer to U.S. figures. Delinquency and foreclosure rates there were near the national averages, suggesting that nonprime loans were riskier in these two areas than across upstate.

The combination of lower nonprime loan penetration and lower delinquency and foreclosure rates suggests that upstate New York has been less affected than other parts of the country by the more distressing aspects of the nonprime mortgage market. To measure the extent to which the region has been affected by foreclosures, we calculate the number of foreclosures per 1,000 housing units (Table 2). This metric measures the degree to which nonprime loan delinquencies and foreclosures penetrate the region’s housing markets. We find that nonprime delinquencies and foreclosures have affected a smaller share of the housing market in upstate New York than in the nation. Delinquency and foreclosure penetration rates upstate are less than half of those observed nationally and less than a third of those observed in the “boom, bust” metropolitan areas. This pattern of relatively low nonprime loan penetration and relatively strong nonprime loan performance helps explain the stability of the region’s housing markets during the recession.

Conclusion

During the past decade, the United States has experienced a significant boom and bust in residential real estate activity. In contrast, the housing markets in upstate New York have remained relatively stable. Indeed, since the U.S. housing market began to decline in 2006, residential real estate activity upstate has remained relatively flat, and home prices continued to rise through 2009. During the housing boom of 2000-06, home prices in Binghamton, Buffalo, Elmira, Rochester, Syracuse, and Utica did not appreciate as rapidly as the national average, although prices in Albany, Glens Falls, and Ithaca outpaced it. Since then, home prices in every upstate metro area have risen faster, or fallen more slowly, than the national average.

One factor that likely contributed to the stability of upstate New York’s housing markets in the last decade is its low incidence of nonprime mortgages. The penetration of these relatively risky loans in upstate New York was far less significant than the penetration in other parts of the country, particularly when compared with metropolitan areas that experienced a housing bust. Moreover, the loans have performed better upstate than they have nationally. In contrast, metropolitan areas with a higher penetration of these loans by 2006—when activity peaked—experienced faster home price appreciation, but also saw a relatively rapid decline in values once the reversal began. Accordingly, a larger number of the nonprime loans that originated in these areas have entered delinquency or foreclosure. These patterns of nonprime lending activity help explain why housing markets in upstate New York fared better than those in other parts of the country during the most recent recession.

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