

RESEARCH BUZZ



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Stagflation and Recession - What Is A Policy Maker To Do?

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The consensus opinion on Main Street and Wall Street is that the United States is already, or soon will be, in a recession. This note provides a perspective on the source and timing of a recession and on what policy-makers are likely to do and the potential effectiveness of alternative actions.

The general public can perhaps be forgiven for hasty conclusions. The CNN/USA Today/Gallup poll for December 2007 showed that 57 percent of those surveyed thought that the United States was already in recession and a further 26 percent thought that a recession was very (3%) or somewhat likely (23%) in the next year.

The percent who thought the economy was in recession has not been as large since November 2001 (59%), when the last recession was ending. However, the news from December should not be too startling; in their October survey, 46 percent believed the economy was in recession. Fortunately we have strong data that leaves no question that the economy was not in recession. Broad measures of production, employment and sales were booming in September and October 2007.

The rush to the recession expectation by financial market participants seems to have come from the employment report on January 4, 2008, which indicated that payroll employment rose only 18,000 in December. This is striking because such month to month changes in payroll employment can be revised sharply in subsequent months. For example, in September 2007, on the heels of the outbreak of financial market concern about the credit crisis, payroll employment was reported to have declined by 4,000 persons. Not surprisingly, stock price indices plummeted and talk of recession became louder. In October, the earlier data was revised and there was no indication of a decline in September, or in October. According to the latest estimates, payroll employ-

ment actually rose by 93,000 in September 2007 and has continued to do so since then. Such skittishness is not surprising considering the volatility in financial markets since summer, the expectation of slowing in late 2007 and concern for the subprime crisis that had begun to attract so much attention in the summer. Also, the September employment report also indicated that the unemployment rate rose from 4.7 to 5 percent in December and subsequent news showed that manufacturing production was flat in December and retail sales fell.

One of economists' more important mantras is that reliance on one month's data is very dangerous. Possible revisions can be large and completely change the perspective on events in the real economy, just as happened in September. The reaction to the employment news early in January 2008 or last September has all of the appearances of the reaction to the news for the Iowa caucuses and its use for forecasting the outcome in New Hampshire. Many analysts reacted as if the news on Thursday night, January 3 was a watershed in American history that would have sweeping results as early as the following Tuesday in the New Hampshire primary. Reporting on Friday, and polls taken from Friday to Monday, suggested a large bounce for Barack Obama that was largely gone by Tuesday when voters went to the polls. Once again a large shift in opinion based on one observation led to a brief and largely erroneous reaction.

Everything that is known about the economy in the fourth quarter of 2007 suggests that growth was very strong, though probably weaker than the 3.2 percent pace of real GDP over the previous year. Nonetheless, negative news from December reinforced majority expectations that the economy was in recession in December.

Sources of recession

There are two main arguments made to support the recession hypothesis. The first is the subprime mortgage crisis and the fallout for global financial markets. This argument was addressed in the December 2007 *ResearchBuzz*. The second is the surge in oil prices and its potential stagflationary effects on output.

Oil price shocks and stagflation

Oil price shocks, large and unexpected changes in the price of oil relative to other goods and services, affect the price of all energy resources used in production because sources of energy are highly substitutable in producing electricity and in yielding energy directly. It is the rise in the cost of producing consumer goods, structures and equipment and energy itself that lead to a reduction in the economy's ability to produce output. Producers are forced to reduce energy use because of its higher relative cost, substituting labor and capital resources to produce goods using relatively less energy. Moreover, higher relative costs of energy render some

equipment and structures obsolete as operating costs rise to levels that cannot be covered by the prices of their output. Likewise, some technologies that are relatively more energy reliant become obsolete, relative to technologies that use what had been relatively more expensive labor and/or capital resources. As the productivity of existing capital and labor resources declines, capacity output and the supply of current output fall, putting upward pressure on the prices of all other goods and services.

The result, lower output and higher prices, is referred to as “stagflation.” The primary source of stagflation in the world economy has been oil and energy price shocks, but any disruption in supplies of resources or incentives to employ resources, other sources of productivity declines such as crop failures, as well as regulatory changes that alter available and permissible technologies or resource use patterns can cause adverse supply shocks. As the economy adjusts to the supply disruption, prices and resource markets do not adjust instantaneously to the productivity loss and so relatively long recessions with higher unemployment occur. Two papers by Rasche and Tatom (1977) and (1981) were the first to describe the theory behind these effects and provide supportive evidence.

Analysts often focus on oil prices as the source of productivity shocks that lower output and raise prices. And relatively large increases in oil prices in recent

years have prompted concerns of a repeat of 1973-75, 1980-82, 1990-91 and 2001 when large surges in the relative price of crude oil led to comparable increases in the relative price of energy and caused recessions. One of the little noted features of the U.S. economy, however, is that the responsiveness of energy markets to oil price changes has fundamentally changed since the decontrol of U.S. natural gas and domestic oil prices in the 1980s and the partial deregulation of the nation’s electricity markets. The responsiveness of overall energy prices to a change in the price of crude oil has been only about half as large since 1981 as it was from 1947 to 1981. As a result a large change in oil prices has a smaller effect on the price of energy purchased by producers of goods and services than an equal-sized change had earlier. As a result, the effect on prices and output has become smaller.

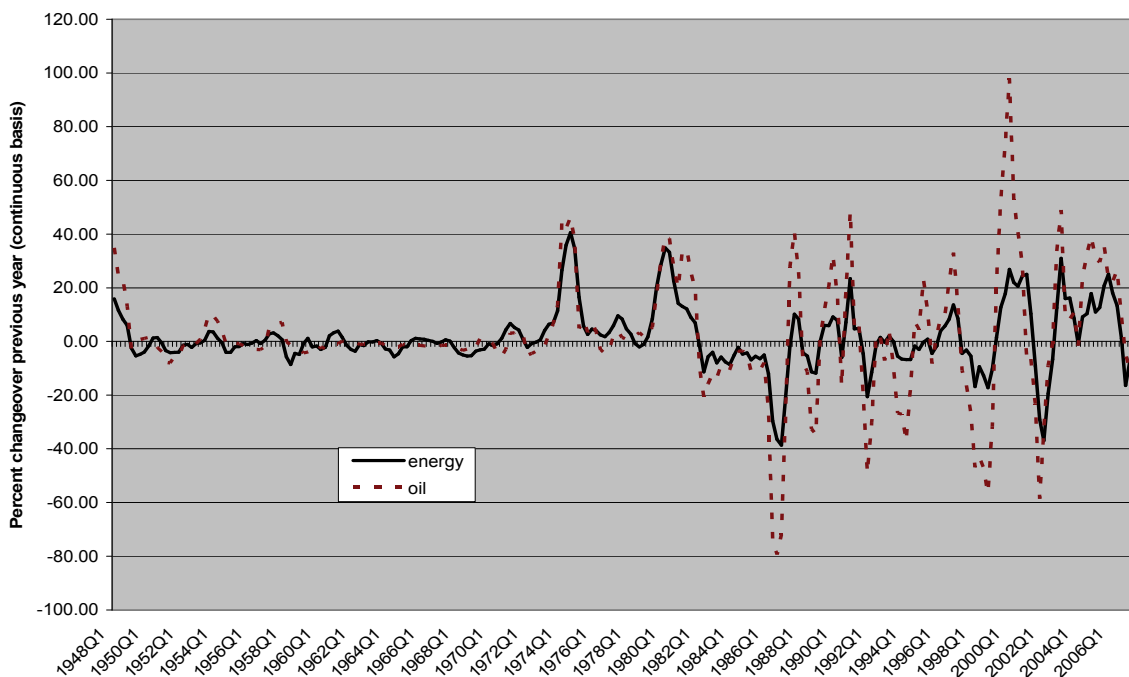
A perspective on this change and on recent changes in oil and energy prices is provided by the chart. The continuous rate of increase over the previous four quarters is plotted there for both the relative price of crude oil and the relative price of energy. Oil and energy prices are measured by the producer price index for crude oil and for fuel, power and related products; each measure is deflated by a measure of the prices of goods and services produced with energy, the price deflator for business sector output. The continuous rate of change is measured from changes in the logarithm of the relative

price; it is closely related to the simple percent change over the past year, but is superior for measurement purposes.

come smaller since the early 1980s. Specifically the large increases in energy prices in the mid 1970s and early 1980s were associated with similar sized increases in the oil price. Later, increases in oil prices were associated with smaller increases in energy prices. This is

Chart 1

The relative prices of oil and energy have not shown major shifts since 2005



First, note that the relative price of energy, which rose 25 percent in 2005, has not risen as much since then. The relative price of oil rose 26.5 percent to mid-2006. Delays or lags in the effects of energy prices on the economy are not usually long enough to result in the emergence of large output and price effects two years later.

Second, note that the sizes of movements in energy prices that are caused by crude oil price hikes have be-

likely the result of the abandonment of most of the tight regulation on domestic oil, natural gas and electricity prices and markets that turned earlier oil price shocks into recessionary energy price shocks. Whether an energy price shock causes a recession depends on how much and how fast energy prices rise. For example, the large increase in the year ending in first quarter 2003 (31%) did not cause a sharp slowing, even though it was as large as the increase in 1999 that persisted through 2000 (27 and 25 percent per year for two years) and that

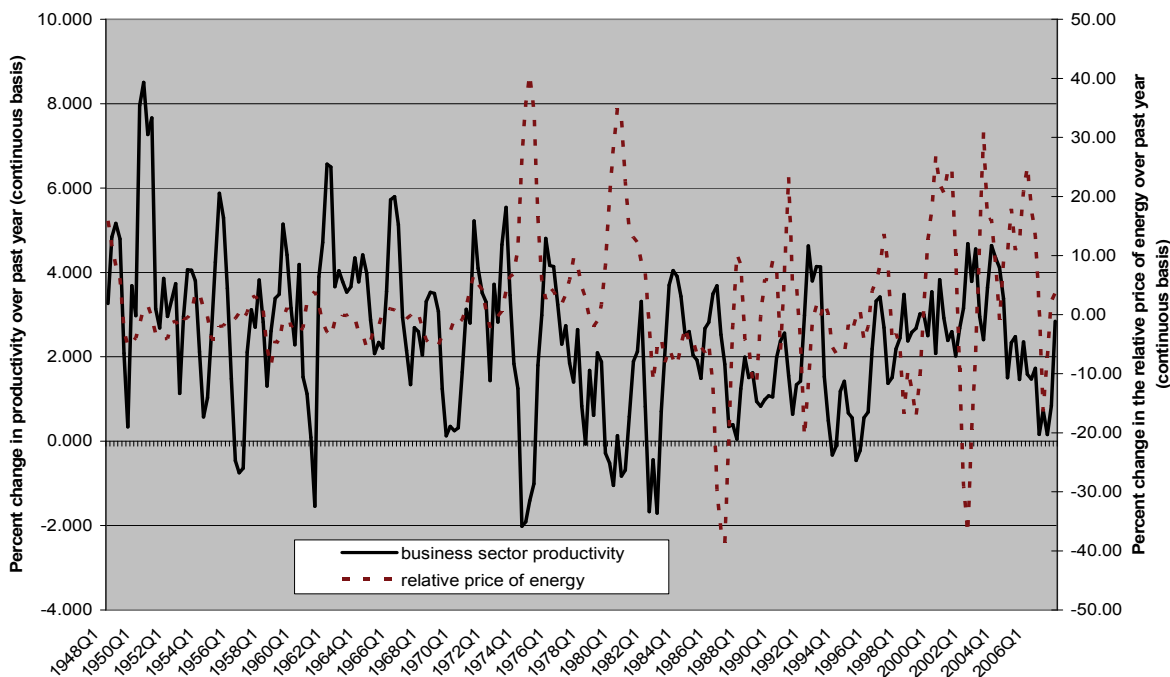
did lead to a recession. All of the difference was made by a similar-sized rise lasting for only four quarters, instead of eight quarters. The same factor occurred in 2005 when energy prices rose by about the same extent (25%), but only for a four-quarter period. The 1990 episode offers further insight because the relative price of energy rose 25.6 percent in just the last two quarters of the year, or 51 percent at an annual rate, a fast and large enough rise to cause the 1990-91 recession. Thus, while crude oil prices increases in 2003 and 2005 have been larger in 1973-74 and in 1980-82, they have been associated with smaller increases in energy prices and less rapid increases in energy prices than in earlier recessionary cases.

Blanchard and Gali (2008) consider several other

hypotheses that account for smaller effects of oil prices in the 2000s, including “good luck”, a smaller share of oil in production, more flexible labor markets and improvements in monetary policy, in their view. Barsky and Kilian (2004) generally dismiss the importance of energy price shocks in accounting for recession, earlier or in this decade. But energy prices continue to affect the level of output and prices here and abroad. Nevertheless, recent movements are not likely to be recessionary. Chart 2 shows that the basic hypothesis of an inverse relationship between energy prices and business sector productivity continue to hold, even in 2003 and 2005. Large increases in the relative price of energy reduce business sector productivity.

Chart 2

Productivity and energy prices are significantly and inversely related



The large negative swings in productivity are invariably associated with either recession or energy price shocks. More importantly, all of the large positive swings in the rate of increase in the relative price of energy are associated with declines in productivity growth. For declines in the relative price of energy, the converse is true, productivity accelerates. The correlation between the two measures in the chart, the growth rate over four quarters of business sector productivity and the pace of increase in the relative price of energy, is -0.21, which is highly significant and negative. Fortunately, an energy price shock does not appear to be the source of any weakness in U.S. output, especially since the optimal policy response to a decline on the capacity to produce output could be quite different than the appropriate response to a decline in demand for goods and services.

Recession or no recession, markets are in free fall and policy makers are responding

In January, further large write-downs of capital at major financial institutions, problems at firms offering default insurance on bonds and sharp declines in global equity values prompted new central bank actions to stimulate the economy and sparked a bidding war among politicians anxious to boost public spending in an election year, this time in the name of fighting a recession. The Bush Administration currently has the top bid, \$150 billion, but this is likely to be exceeded as Con-

gress moves into action.

The consensus among economists favors using monetary policy to avoid or minimize the adverse effects of recession. In large part, this is because of the dismal record of attempts to use fiscal policy, or tax or public spending changes, because the latter is not readily adopted and implemented in a timely manner and/or because such actions are ineffective. Monetary policy turned stimulative in September 2007, when the target federal funds rate was lowered from 5.25 percent, where it had been for almost 15 months, to 4.75 percent. The Federal Reserve quickly followed up with 25 basis point cuts in late October and in mid December and on January 22, 2008 they cut the rate another 75 basis points, setting the target federal funds rate at 3.50 percent.

In the current situation, political concerns for the budget deficit mediate against permanent actions that would lead to expansion of budget deficits into the indefinite future. Instead, most proposals call for temporary action. Spending proposals are almost always inherently permanent—once started, it is extremely difficult to end a public spending program. Thus, there is a preference among most political and economic analysts to use tax policy, if any fiscal program is desired. However, the record for temporary tax cuts to stimulate consumer spending is abysmal; tax cuts have often been implemented after recessions are over, because of the slow accumulation of evidence favoring actions and

slow legislative process and, more importantly, the theory and evidence that indicate that temporary tax changes, such as tax rebates, are saved and do not boost spending. The relative impotence of fiscal actions to avoid or minimize a recession is discussed more fully in Tatom (2007b).

The most effective tax changes have been temporary investment tax credits that boost business spending on capital goods. The reason these work and other temporary measures do not is because they provide a direct incentive to spend and other temporary tax incentives do not. With an investment tax credit, which provides a tax credit for investment spending, or bonus depreciation, which artificially boosts business cost, lowers income and business taxes to the extent that capital goods spending takes place, the tax cut requires that spending occur in order to benefit from the tax cut. With temporary cuts in personal income taxes, one must have income to benefit; increased spending does not boost the tax benefit. Just the reverse occurs with temporary business tax cuts: the benefit is tied to spending. Making such a potential benefit temporary actually enhances the additional spending that will occur, because if the spending does not occur soon, the tax cut expires and any benefit is lost. An earlier article in *ResearchBuzz* (Tatom, 2006a) shows the importance of periods of investment tax credits or bonus depreciation for boosting investment and the removal of such incentives for reduc-

ing business investment.

So the United States faces an ironic situation. In order to fight a recession that may not occur, the political establishment is urging stimulus plans that are most likely not to work. These plans are reinforced by the political cycle, as incumbents and their challengers try to outbid each other for new spending programs and tax breaks. Meanwhile, tax plans that could work are rejected, because they erroneously appear to benefit business too much, and not their employees and customers. Meanwhile, large permanent tax increases are on the horizon and Congress is about to take up a huge increase in gasoline taxes that would worsen gasoline prices.

Recommended reading

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Treasury Department Review of the Financial Institutions Regulatory Structure

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Publicly announced as a request for comments in the *Federal Register* on October 17, 2007 (vol. 72, no. 200, pp. 58939-58491), the United States Department of the Treasury is currently engaged in a broad review of the regulatory structure associated with financial institutions. The process for submission of public comments is

undertaken via *Regulations.gov*, the federal electronic rulemaking portal. *Regulations.gov* is the public source for all regulations (or rulemakings) issued by U.S. government agencies and includes regulations that are proposed, or open for public comment, and those that are final, or closed for comment. The Docket ID for this Treasury Department review is TREAS-DO-2007-0018. Though the public comment period for this review was to have closed on or about November 21, 2007, the website is still receiving submissions; as of this writing, 373 such submissions have been received.

Focusing on all type of financial institutions (commercial banks and other depository institutions; insurance, securities and futures firms; and other financial intermediaries), and proscribed by sets of general and specific issues and questions proposed by Treasury, this review is one of a number of Treasury initiatives intended to maintain the competitiveness of U.S. capital markets. The announcement states,

Much of the basic regulatory structure associated with financial institutions was established decades ago. While there have been important changes over time in the way financial institutions have been regulated, the Treasury Department believes that it is important to continue to evaluate our regulatory structure and consider ways to improve efficiency, reduce overlap, strengthen consumer and investor protection, and ensure that financial institutions have the ability to adapt to evolving market dynamics, including the increasingly global nature of financial markets. (*Federal Register* 72: 58939).

In the request for comments, fourteen general issue questions are crafted to elicit key problems and issues of

current regulatory structure; they cover the convergence of products across traditional “functional” market segments (banking, insurance and securities and futures). Looking to identify regulatory inefficiencies and risk(s), the general issues question compare and contrast the value of single vs. multiple market regulators and the ideal objectives of financial services regulation, especially in regard to federally guaranteed vs. non-guaranteed financial institutions and holding companies. Questions also probe the relative merits of rules-based vs. principles-based regulation and whether there are needs for consumer and investor protections that are currently unmet by regulation. Lastly, the general issues questions examine state-based vs. federal regulation and the advisability of working toward adopting international regulatory standards in order to promote global competitiveness.

Following the general issue questions, the document solicits specific input on depository institutions, insurance, and securities and futures. Depository institution questions address the current regulatory framework, especially the dual banking regulatory and chartering system and whether it requires alteration, the role of the depository insurer and central bank pertaining to regulation, and key consumer protection elements of regulation. Insurance questions examine multiple aspects of state-based regulation vs. proposed federal chartering and regulation proposals. Securities and futures ques-

tions debate the rationality for distinguishing between their respective products, intermediaries, and regulators and the optimal type(s) of regulations for these products and firms. As with banking and insurance, consumer protection questions are raised, as is the advisability of tiered (state vs. federal) regulation, as opposed to single regulatory oversight.

Networks Financial Institute is one of the many public respondents on this call for comments. Posted to the *Regulations.gov* website on November 19, 2007, comments submitted by Executive Director Elizabeth Coit focus on NFI’s work in the arenas of financial services industry regulation and financial literacy and the prominence and relevance of NFI research and our organization’s annual Insurance Reform Summit. Both NFI objective research and the summit examine the current regulatory framework and the optional federal charter (OFC) and additional modernization, efficiency and competitiveness proposals in financial services. Our comments offer NFI’s research and expertise in the area of financial services regulation in service of Treasury’s review. We cite the efforts of 18 separate scholars, experts or teams, and 25 complete or forthcoming studies, available or soon to be released on NFI’s website, covering depository institutions (including capital requirements, Basel II and bank failure), insurance (including the OFC), and the securities market (including bond rating agencies). NFI’s response to Treasury positions

us to assist not only on research pertaining to the regulation of financial institutions, but on government-sponsored enterprise (GSE) regulation, and corporate governance and financial education issues.

The U.S. Executive Branch has a history of such studies in recent decades, and though many have been mandated by the Congress, Treasury undertakes this particular review voluntarily. In 1984, under President Reagan and through the auspices of then Vice President Bush's Task Group on Regulation of Financial Services, a study known as the "Blue Print for Reform" was issued. In 1991, President George H.W. Bush's Treasury Department authored a "Green Book" study. These studies formed the regulation of the 1980s and 1990s and laid the foundation for functional regulation that was carried through in 1999's Gramm-Leach-Bliley Act.

In the ten years since the most recent Treasury-led financial services industry study, the industry has undergone significant change. Secretary Paulson has been talking since November of 2006 about strategies that the Treasury Department can undertake to promote U.S. capital markets competitiveness generally through regulatory overhaul, improved auditing and accounting practices, and legal and corporate governance issues. In addition to pursuing a more modernized regulatory structure that will assure a safe and stable financial system, maintain high standards of both consumer and investor protection, and promote efficient, competitive

capital markets, the multiple steps of this plan include:

1. Encouraging development and adoption of industry best practices for asset managers and investors in hedge funds;
2. Modernizing Treasury's cash and debt management practices;
3. Completing Basel II rulemaking;
4. Empowering investors through financial education;
5. Encouraging international investment opportunities with recognition of comparable regulatory regimes globally.

The current regulatory system is, of course, a patchwork knit together over the last 75 or so years. Assistant Secretary for Financial Institutions Nason described it thusly to the City of London Corporation in December 2007:

Much of this framework was put into place for particular reasons in a different time and in response to circumstances that no longer exist. We currently have five federal depository institution regulators, one federal securities regulator, one federal futures regulator and a state-based insurance regulatory system. We also have additional state based supervision of depositories and securities firms as well as self-regulatory organizations with broad regulatory powers. Our structure has evolved in order to meet the growing demands of our financial services industry, but this evolution has resulted largely in adding layers of regulation without an overall evaluation of the optimal way to regulate the financial services industry.

Treasury intends to issue their report sometime in the first months of 2008, but a specific date for release has not been announced. Treasury anticipates two major

categories of response in their report. First, Treasury intends to propose broad ideas for an optimal and globally-integrated regulatory structure for the financial services industry, one that will be a newly-designed model; it will not match the current structure exactly but will instead be focused on the issues of today and the anticipated issues that may arise, at least in the near term, in an environment of global competitiveness and financial and technological product complexity. Second, given the “political and parochial” resistance to wholesale changes of regulatory structure, Treasury intends to recommend several more concrete, less conceptual intermediate steps to “put us on the path towards the optimal structure of financial services regulation” (Nason Remarks, Dec. 11, 2007).

Much of the debate surrounding regulation has been about the advisability of a rules- vs. principles-based approach, with the U.S. approach to date characterized as more rules-based, whereas the U.K. approach is generally characterized as more principles-based. Treasury wishes to avoid a false rules vs. principles dichotomy and to make regulation that is based on benefits vs. burden analysis, materiality to both investors and consumers, and engagement between the regulators and the regulated. In the words of Fed Chairman Ben Bernanke, a modernized regulatory regime would be “principles-based, risk-focused, and consistently applied.”

For an in-depth, expert response to the issues raised

by the Treasury call for comments, American Enterprise Institute Arthur F. Burns Fellow in Financial Policy Studies Peter J. Wallison dedicated his October and November 2007 *Financial Services Outlook* to the Treasury review. In Part 1, he addresses Treasury’s general question, and in Part 2, the industry-specific questions. Readers interested in Wallison’s industry-specific responses are directed to his Part 2 response addressing depository institutions, insurance, and securities and futures considerations in detail.

Decrying the current system as “costly, inefficient and largely dysfunctional” and noting technological advancements and the industry convergence of recent years, Wallison’s Part 1 response counters that a sensible system would “consolidate some of these regulators and subject the remaining unconsolidated group to a strong coordinating body” headed by the Secretary of the Treasury. He discusses a range of regulatory configurations (with federal regulation preempting state regulation) that can serve to address both consumer protection and financial soundness. Wallison argues that the current system promotes what he calls “regulatory arbitrage.” Wallison’s overarching position is that market discipline is a more effective control over risk than is government regulation and applies this market discipline approach to financial institutions with and without explicit guarantees, to holding companies, and so forth.

Arguing that global convergence of standards must hap-

pen over the long term, he calls for mutual recognition of standards as a more sensible approach and advocates strongly for financial education of consumers as a better investment than more regulation.

The public response to Treasury's call for comments reflects upon three main issues: economic and regulatory inefficiencies of the current system, impediments to global comity and competitiveness, and systemic "blind spots" of regulation and its slowness to adapt to changing global marketplace conditions. While the marketplace today is global, regulation "has not historically taken that borderless perspective" (Steel, "Remarks before the Institute of International Finance," Oct. 20, 2007). Treasury seeks an optimal, but not lenient, regulatory framework, in order to boost market integrity and investor and consumer confidence, attract capital, promote innovation, and manage risk.

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Bankruptcies and Foreclosures Trend In Indiana

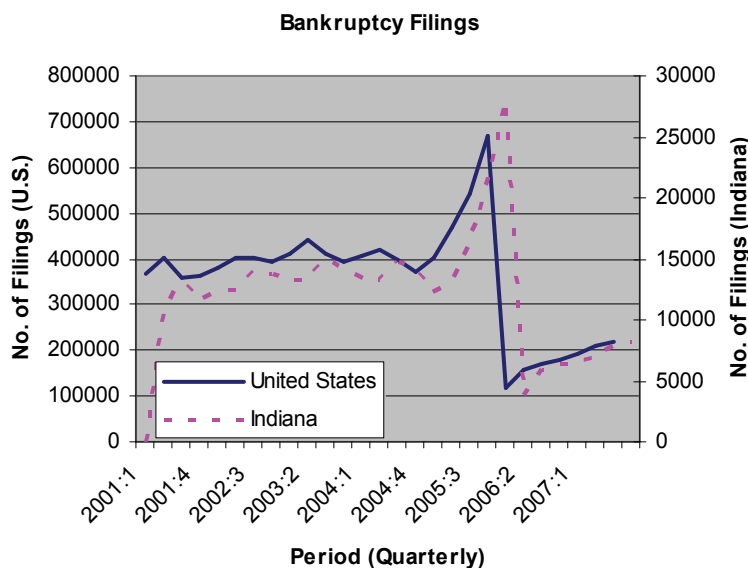
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The Bankruptcy Abuse Prevention and Consumer Protection Act came into operation in October 2005. The quarter prior to this saw a large surge nationally in bankruptcy applications in anticipation of the law. Bearing in mind the effects of the Act, we look at subsequent bankruptcy data as well as foreclosure data after this period, mostly for Indiana. The national and Indiana bankruptcy filing trends after October 2005 was predictable, with applications showing a rapid decline because of impending restrictions that the Act set out to enforce. This article touches on some of the recent trends that have formed pertaining to bankruptcies and foreclosures, mostly after the Bankruptcy Act was implemented, to allow for the distortions

created soon after its implementation.

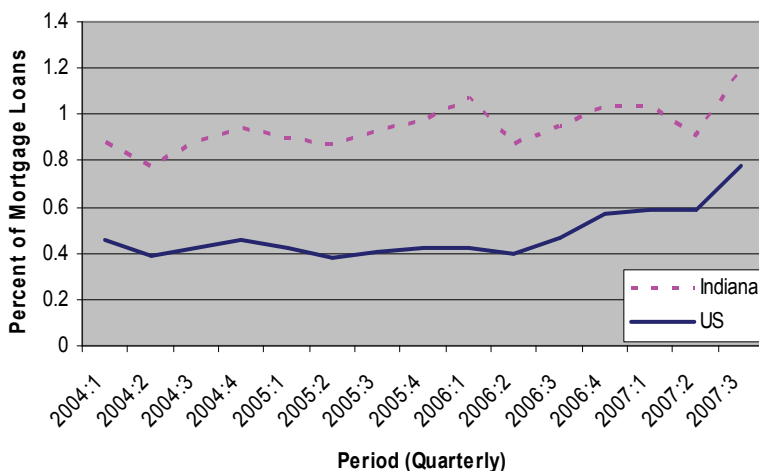
Bankruptcy filings have returned to a steady, but worrying, upward trend since mid 2006 (See Chart 1). Although bankruptcy levels have generally been lower than earlier, that it is taking an upward trend is worrisome. Foreclosures in Indiana also began rising in mid 2006, as the effects of the national housing crisis really began to be felt. The number of foreclosures has, in 2007, increased significantly. Chart 2 (on page 14) shows the level of foreclosure starts for Indiana and the United States. Starts are new foreclosures, while the foreclosure inventory is the cumulative total of mortgages that remain in some stage of foreclosure at the end of a period. Foreclosure inventory has taken a similar trend. Not only has default on subprime loans been

Chart 1



Source: Administrative Office of the U.S. Courts

Chart 2: Foreclosures Started - Indiana



Source: Mortgage Bankers Association

significantly high, default on prime loans has also been rising, although gently. Most subprime loans have adjustable rates (ARMs) as opposed to fixed rates (FRMs). The interest rates on these ARMs have, or are about to be reset, greatly straining the income of these households, especially considering that these loans are held by low income borrowers.

The rate at which bankruptcy applications in the U.S. and Indiana have been filed since mid 2006, while rising, is not as steep as they were, prior to implementation of the Bankruptcy Act. This may suggest that, although the Bankruptcy Act has helped control the number of bankruptcy filings, foreclosure pressures are still forcing many to move into foreclosure, which has limited the gains that the Act has made.

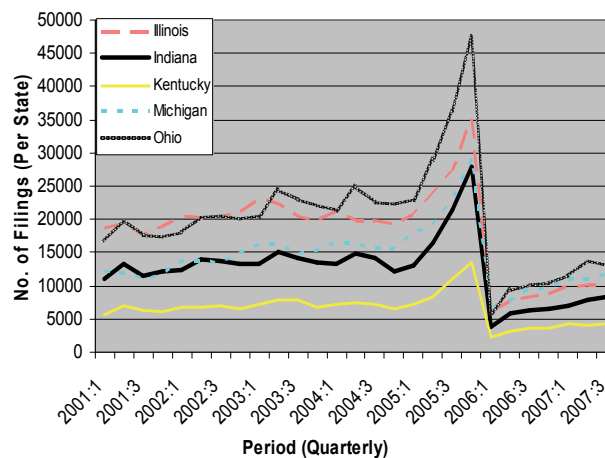
At the regional level, Indiana also continues to perform poorly. Ohio has the highest foreclosure inventory

level followed by Indiana (See rankings on page 15). Similarly, Indiana ranks second in the nation and regionally in foreclosure starts. Michigan, which has seen its ranking for starts decline from eleventh to first in just four years, is now third in the level of foreclosure inventory. Michigan's drastic decline has been attributed by many, to be due to massive loss of

jobs associated with the decline in the auto sector. Indiana has maintained its poor ranking consistently since 2001.

Foreclosures have also been rising since 2006 and into 2007. These similar trends may suggest that many people affected by the resets are filing for bankruptcy to avoid losing their homes. A serious cause of concern in

Regional Bankruptcy Levels



Source: Administrative Office of the U.S. Courts

Foreclosure inventory end of quarter	National Ranking	Foreclosures started during quarter	National Ranking
Indiana	2	Indiana	2
Illinois	5	Illinois	9
Kentucky	7	Kentucky	11
Michigan	3	Michigan	1
Ohio	1	Ohio	3

Indiana is that the level of foreclosures is consistently well above the national level. So why are foreclosure levels so high in Indiana, and what can be done to reverse this trend? Whereas previously filings (prior to the Bankruptcy Act) may have been used by some as a quick fix, this current rise in filings is more worrying, given that it is taking place even with the restrictions in place. This could mean that something has triggered the upward trend and more people are indeed beginning to use bankruptcy as their last, and only, resort out of a financial crunch.

If indeed the level of bankruptcies is related to the level of foreclosures, then some of the causes of these foreclosures may need to be tackled more effectively. On the positive side, unemployment as a possible driver has held steady for sometime in Indiana, and went down marginally in December 2007 to 4.6 percent from 4.7 percent in November, which is below the national average of 5.0 percent. Indiana typically has a high level of home ownership and this is suggestive of a high number of risky borrowers. The number of such borrowers may change in the event that lenders begin to apply stricter loan approval methods as a consequence of the housing

crisis. Home prices in Indiana are virtually growing at their slowest pace since 1984. The Office of Federal Housing Oversight (OFHEO) shows Indiana's quarterly home price index to be 2.04 percent as of the third quarter of 2007, the second lowest quarterly change since the third quarter of 1984 (HPI during the third quarter of 2006 was 1.95 percent). Home equity growth may therefore not be high enough to entice people to retain their homes. Tackling some of these issues could reduce the level of foreclosure-related bankruptcies.

Recommended reading:

Tatom, John A., "Why is the Foreclosure Rate So High in Indiana", NFI Report 2007-NFI-04, August 2007. <http://www.networksfinancialinstitute.org/Research/publications/Pages/NFIReports.aspx>

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