## State Recovery Index

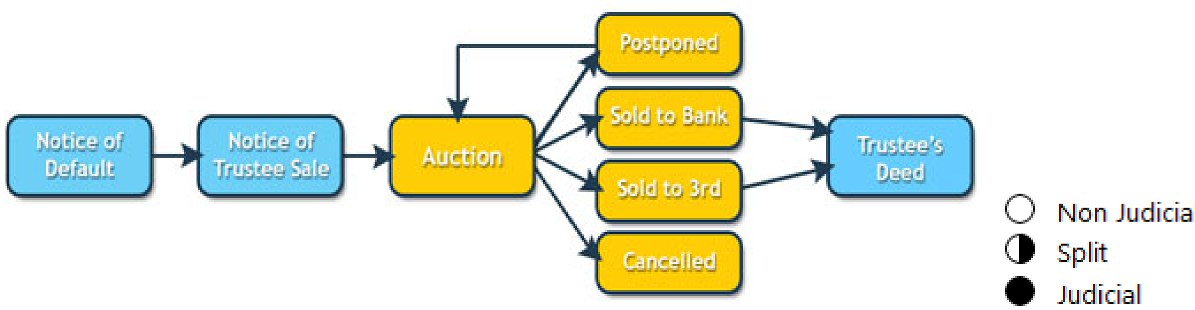
*INTRODUCTION*

The “State Recovery Index” was created in 2009 to provide a National performance ranking by Region and State that evaluates six [6] critical “Elements” influencing the housing market. The six elements outlined below in detail are each weighted by state into a proprietary model used by LendingTree which creates a “Rank” making it easy for the reader to quickly evaluate the combined effect of all the elements.

The format of the index is on two pages first broken down by Region by State, the second page is essentially a duplication of the information by State in alphabetical order but with some enhancements. There are two principal enhancements;

- An indicator to show if the state is a Judicial state, Non Judicial or a combination of both which will influence the ability of that state to clear excess inventory

  **Non-Judicial Foreclosure Process**




- Heat Indicators for each of the six elements. Each state and each index result is either Red or Green
  - Red : If the item is red the larger red bar will indicate a worse position
  - Green : If the items is green the larger green bar will indicate a better position

### Debt to income

Front End Debt to Income [DTI] often referred to as Housing DTI considers the monthly cost of housing including the Mortgage, Property Taxes, Mortgage Insurance and even Homeowners Dues. Once totaled the ratio is this mortgage amount divided by the monthly Gross Income.

*Source: LendingTree Loans customer average DTI (2yr Historical)*

*Update Frequency: Quarterly*

### Unemployment

The state level unemployment rate represents the number of unemployed people as a percent of the labor force subject to a one month lag and is seasonally adjusted.

We also provide guidance on Year over Year [YoY] and Month over Month [MoM] changes in unemployment conditions by state which have a high degree of correlation to the levels of Delinquency.

*Source: Bureau of Labor Statistics*

*Update Frequency: Monthly*

## Home Ownership / Occupied Homes

The state level Home Ownership rate is defined as the number of owner households divided by the total occupied households. Each 1% decrease in this index represents a decline in ownership of ~800,000 units and implies an increase in demand for rental units by ~3%. Note this includes both homes with or without a mortgage.

*Source: U.S Census Bureau and compiled by either Bureau of Labor Statistics or Bureau of Economic Analysis*
*Update Frequency: Annually*
[http://www.census.gov/hhes/www/housing/hvs/hvs.html](http://www.census.gov/hhes/www/housing/hvs/hvs.html)

$$Homeownership\ Rate\ (\%) = \left[\frac{Owner\ occupied\ housing\ units}{Total\ occupied\ housing\ units}\right] * 100$$

## Home & Rental Vacancy Rate

[NOT INCLUDED FOR PURPOSES OF CALCULATING RANK]

The data in these two fields are reported from the Current Population Survey/ Housing Vacancy Survey. The populations represented (the population universe) are all housing units (vacancy rates) and the civilian non-institutional population of the United States (homeownership rate).

*Source: Department of Commerce's Census Bureau*
*Update Frequency: Quarterly*

$$Rental\ Vacancy\ Rate\ (\%) = \left[\frac{\begin{matrix} Vacant\ year-round \\ units\ for\ rent \end{matrix}}{\begin{pmatrix} Renter \\ occupied \\ units \end{pmatrix} + \begin{pmatrix} Vacant\ year-round \\ units\ rented\ but \\ awaiting\ occupancy \end{pmatrix} + \begin{pmatrix} Vacant\ year-round \\ units\ for\ rent \end{pmatrix}}\right] * 100$$

$$Homeowner\ Vacancy\ Rate\ (\%) = \left[\frac{\begin{matrix} Vacant\ year-round \\ units\ for\ sale\ only \end{matrix}}{\begin{pmatrix} Owner \\ occupied \\ units \end{pmatrix} + \begin{pmatrix} Vacant\ year-round \\ units\ sold\ but \\ awaiting\ occupancy \end{pmatrix} + \begin{pmatrix} Vacant\ year-round \\ units\ for\ sale\ only \end{pmatrix}}\right] * 100$$

## Equity / Asset Value > 100% Loan to Value [LTV]

Evaluates the amount of equity in the state where the Loan to Value is greater than 100%. By considering only the true negative equity position it highlights only the negative equity component instead of a blended average of both positive and negative equity.

By segmenting homes with >100% LTV we calculate the negative equity dollars divided by the asset value to derive the % used in this element.

*Source: Corelogic*

*Update Frequency: Quarterly*

## Past Due

Past Due > 30days includes all mortgage loans secured by 1-4 unit residences. The result incorporates loans that are past due (delinquent) by more than 30 days as a percentage of the number of loans being serviced. This is exclusive of loans in the foreclosure process and the data has not been seasonally adjusted.

*Source: Bloomberg/ Mortgage Bankers Association*

*Update Frequency: Quarterly*

## Average Loan to Value [Dollar Based]

Total amount of mortgage debt divided by the Total Asset Value broken down by State by Core Based Statistical Area [CBSA]. While this index is an interesting guide it is critical to recognize that within states you may have a mix of very Low LTV % regions and very High LTV % regions that may misrepresent the state by suggesting a net neutral LTV % position if only a % is used instead of dollar totals. To avoid this the calculated % is based on dollars that are totaled by CBSA.

This includes all segments both positive and negative equity positions are included in LTV.

*Source: Corelogic*

*Update Frequency: Quarterly*

## Rank Formula Disclosure

The “rank” is based on the following formula;

$$Normdist \sum \int Z^{e+1}, \frac{r-u}{\sigma}$$

Where

$Z^{e+1}$ = Z Score of the individually calculated “e” element that will be added together for all six elements. We do weight the elements but do not disclose the weighting.

$r$ = Result is the individual state level result for each element

$u$ = Mean of the population for each element

$\sigma$ = standard Deviation of the population for each element

Once we have derived the subtotaled Z-Score we normally distribute the results and then rank the normally distributed value to determine the rank.

## Important Disclosures



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