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# **Low Income Homeowners in the Community Advantage Panel: A Preliminary Longitudinal Examination**

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# **Low Income Homeowners in the Community Advantage Panel: A Preliminary Longitudinal Examination**

## **Introduction**

The purpose of this report is to present and summarize early trends from the Center for Community Capitalism's (CCC) ongoing Community Advantage Program (CAP) panel study of low-income homeowners. This report presents descriptive statistics reviewing the experiences of these homeowners approximately one year after home purchase and, again, two to three years after purchase. A companion report compares a sample of these owners to similarly situated renters.

## ***Summary of Findings***

The data presented in this report clearly indicates that CAP borrowers are a dynamic group, and this report only scratches the surface of the interactions between varied and complex impacts of homeownership. While we plan to undertake multivariate analyses to better understand changes over time, a review of the descriptive statistics points to four important implications:

1. The overall composition of the panel as a whole appears to be undergoing a modest transformation, but the underlying reality is that many individual households are experiencing more substantial change.
2. Almost all borrowers without a credit score at origination had credit scores by 2005, and the profile of those scores is better than for the pool of remaining CAP borrowers as a whole. There are indications that other borrowers may have experienced some credit score deterioration between origination and 2005.
3. Consistent with market trends when interest rates are falling, more than 1/3 of the panel sample has paid off their original CAP mortgage.
4. Panel borrowers have maintained a strong attachment to the labor force over time.

## ***CAP Background***

In 1998, Fannie Mae and the Ford Foundation invited the Center for Community Capitalism to evaluate the Community Advantage Program (CAP), a mortgage secondary market program developed out of a partnership between the Ford Foundation, Fannie Mae and Self-Help, a leading Community Development Financial Institution. The goal of CAP is to provide tangible evidence to lenders, policy makers, and the secondary mortgage market that low-wealth borrowers are “bankable,” and that Fannie Mae (and, by implication, Freddie Mac) can significantly expand their purchase of affordable housing loans without compromising either balance sheets or safety and soundness concerns. With a Ford Foundation grant to underwrite a significant portion of the credit risk, Self-Help purchases affordable mortgages such as Community Reinvestment Act (CRA) loans from participating lenders. These loans could not otherwise be readily sold in the secondary market due to such features as high debt to income levels, limited assets, lack of private mortgage insurance, and/or non-traditional employment or poor credit history. Participating lenders originate and service the loans under contract with Self-Help. Because Self-Help retains recourse on these loans, it then securitizes or sells them to Fannie Mae, effectively creating a traditional outlet for otherwise illiquid loans. This allows lenders to extend more home loans to customers who may not qualify under traditional mortgage guidelines.

The agreement between Fannie Mae and Self-Help originally stipulated that Fannie Mae would purchase \$2 billion in CAP mortgages over a five-year period. To support this level of risk, the Ford Foundation made a \$50 million grant to Self-Help—at that time the largest grant ever for homeownership. By 2004, Self-Help reached its \$2 billion target, leveraging the Ford grant 40 times over, and Fannie Mae agreed to extend the program.

To qualify for the CAP program, borrowers must meet one of three criteria: (1) have income of no more than 80% of the area median income (AMI); (2) be a minority with income not in excess of 115% of AMI; (3) or purchase a home in a high-minority (>30%) or low-income (<80% of AMI) census tract and have income not in excess of 115% of AMI. This mix of income- and location-based targeting gives participating lenders some flexibility in developing programs to meet the needs of their markets.

By the end of 2004, Self-Help had purchased 38,573 loans totaling \$3.4 billion. With an average loan size of \$88,000, the participating lenders appear to be successfully serving the affordable market. Eighty-eight percent of borrowers earned 80% of area median income or less; forty-five percent are minority. The loans are overwhelmingly fixed-rate, purchase money mortgages originated through retail channels. One-third of the loans have a loan-to-value ratio (LTV) above 97%, and more than 35% of the borrowers have FICO scores below 660, with another 17% having no score.<sup>1</sup>

The Center for Community Capitalism is undertaking in-depth, long-term research on CAP to evaluate performance and impacts of homeownership for low- and moderate-income borrowers. This research includes a six-year series of interviews of a panel of CAP borrowers to collect data on household and community characteristics. The large

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<sup>1</sup> For the purposes of this report, loans that have a score of 0 or a missing credit score are treated as having “no score”.

number of study participants and the panel design make the CAP study a promising opportunity to understand not only the performance of CAP loans, but also the social and wealth impacts of homeownership.

As of November 2005, two waves of panel data have been completed and the third wave is nearing completion. The first survey (“wave-1” or baseline) focused on the mortgage origination process and included questions on homeownership education, lender selection and closing costs, and collected demographic data. The second survey (“wave-2” or follow-up) added an additional module on social capital and parenting, and updated certain demographic information. To better identify the impacts of homeownership, a comparison panel of renters was begun, with the first renter survey administered at the time of the wave-2 CAP homeowner’s survey.

## ***Methods***

### *Samples*

The original sample of 3,690 was drawn from the universe of homeowners participating in CAP.<sup>2</sup> Most respondents completed the wave-1 survey between 12 and 24 months (mean of 17 months) after origination of their mortgage loan (see Exhibit 4.A). Wave-1 survey administration began in 2001, but most of the surveying occurred in 2003. The wave-2 survey was completed for 2,571 households, with most respondents re-interviewed between 12 and 24 months after they completed wave-1; the mean time between wave-1 and wave-2 was 17 months with a standard deviation of 6 months. The bulk of the wave 2 surveying took place in 2004.

Respondents were required to be age 18, and attempts were made to exclude college students. Respondents older than 65 were removed from the sample for the purposes of this analysis.

Interviewers contacted homeowners by phone, requesting to speak with the person whose name appears on the mortgage application. When more than one person signed the mortgage, the interviewer asked for the person whose name appears first. This person is identified in this report as the “respondent.”

The original wave 1 survey was completed by 3,690 homeowners. Of this group, 69.7% or 2,571 completed wave-2 follow-up interviews<sup>3</sup>. **These 2,571 respondents who completed both surveys comprise *the panel* used for most of the analysis in this report.**

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<sup>2</sup> To be eligible for inclusion in the panel sample, a loan had to have a first payment date of November 1, 1999, or later. The sampling spread out over many months and took place in several “draws.” The first draw consisted of 806 loans, which was the total number of eligible loans as of September 31, 2000. The sampling process lasted from late 1999 to 2003. The number of CAP loans purchased from January 2000 thru December 2003 was about 22,000.

<sup>3</sup> Nine percent of the original wave 1 survey respondents moved, another 8% had bad phone numbers, 7% had working numbers but could not be contacted and 5% refused to participate in the wave 2 survey; 1% were ineligible.

We supplemented the survey data with loan payment data. Additionally, credit scores were collected at the time of loan origination and again in January 2005 for all active CAP loans at each point in time.

### *Analysis*

Descriptive statistics are included that compare wave-1 and wave-2 results for the panel. Some cross-tabulations are also provided. To improve the skewed distributions of some continuous variables, logarithmic transformations were made. In the attached tables, both the original and the transformed variables are displayed. Variables of interest were examined using Chi-square and T-test statistical tests ( $p < .05$ ). Sample sizes vary in this report because of missing values.

### *Assessing Sample Bias due to Attrition*

To assess potential bias arising from the 30% attrition in respondents between wave 1 and wave 2 surveys, chi-square and t-test comparisons were calculated on demographic characteristics. (Dropouts occurred if someone moved, refused, had a bad phone number, or could otherwise not be contacted. If a CAP loan was paid off, the household was still retained in the sample provided they could be contacted, agreed to participate, and had not moved.)

Table 1 displays row percentage results between the original sample and those respondents who were retained through wave-2 (the panel). For example, 32% of male respondents in the original sample dropped out compared to 28% of female respondents. This difference is statistically significant, though not particularly large.

Race also shows significant differences between dropouts and retainees. Hispanics were less likely to complete a wave-2 interview; however, they still represent over 14% of the panel so they remain well-represented.<sup>4</sup>

Borrowers with higher credit scores at origination (720 or higher) were significantly less likely to drop out (only 24% dropped out). Retention rates were similar between the lower credit score groups and the no credit score group.

Note that there were no significant differences between baseline and follow-up participants in marital status, income, and loan-to-value ratio (LTV). Statistically

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<sup>4</sup> Thirty-eight percent of baseline Hispanic respondents dropped out, compared with 28% to 29% of respondents in other racial/ethnic groups. The Hispanic dropout rate was mostly driven by a higher rate of bad telephone numbers (11% of Hispanics compared with 8% overall) and a higher rate of “no call back” (12% for Hispanics compared with 7% overall), a designation used when all call attempts resulted in no response, although the phone number works. Future data collection efforts will place a higher priority on retaining Hispanic respondents. In an interesting aside, white respondents were the least likely to have bad phone numbers but were the most likely to have moved: 10% of white wave-1 respondents moved compared to 7% of Hispanics and “other,” and only 6% of black respondents. Since moves often result in bad phone numbers, it is possible that there may be some tradeoff between these two. In other words, many move and leave a phone number that is no longer working (which would register as “bad number”). A rigorous tracking system is in place to try to obtain working phone numbers for those without them.

significant attrition bias is evident for sex, race, age, and credit score, but, again, the bias is not severe.

When we compared delinquency patterns between those who dropped out of the original sample with those who were retained through wave-2, we found that the share of drop-out loans that went at least 90 days delinquent by wave-2<sup>5</sup> was 11% compared to only 4% of those who remained in the panel for both waves.<sup>6</sup> We will examine the implications of this finding in future analysis, particularly with respect to default modeling.

Table 1 also shows how representative the panel is for the CAP universe as a whole.

### ***American Housing Survey***

The demographic characteristics of the CAP panel borrowers were also compared with a comparable national sample of homeowners from the American Housing Survey (AHS) who met the CAP income eligibility criteria in 2001 (roughly the same time as the wave-1 survey). The AHS data provides a basis for comparing CAP participants with lower-income homeowners nationally.

In addition to comparing the profile of CAP panel borrowers to this national cross section of lower-income homeowners, we use AHS panel data for 2001 and 2003 to determine whether observed changes in CAP households are also reflected in the nation as a whole. Using these two data points allows us to treat the AHS sample as a panel and compare changes in the AHS group to the CAP group over a roughly comparable time period. (We constructed the AHS panel out of only those households that did not move between the 2001 and 2003 surveys.)

Note that the AHS sample differs from the CAP sample in two important ways: First, limited geographic data on AHS owners precluded inclusion of those owners qualifying for CAP based on location (census tract characteristics).<sup>7</sup> Second, the AHS sample includes individuals at all stages of homeownership, whereas CAP participants are exclusively *recent* homebuyers.

See Exhibits 5.B for fuller discussion on the AHS data.

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<sup>5</sup> Since there was no actual contact date for the drop-outs, the date used for ‘as of wave-2’ for these participants was 519 days after the wave-1 baseline survey was conducted for that borrower; 519 is the mean duration between baseline and wave-2 surveys.

<sup>6</sup> Delinquency information is only available on a loan for as long as it remains in the CAP portfolio. Once a loan is paid off, while the household may remain in the sample, we can no longer track loan performance.

<sup>7</sup> Less than 10% of CAP participants qualify based on this standard, so its exclusion should not prevent comparison of the samples.

Table 1 Demographic Profile of Sample and Drop-Outs from Wave-1 to Wave-2

Variable	% of those completing wave-1 survey	Drop-out Rate	% of Panel (completed wave-2 survey)	% of Drop-outs between wave-1 & wave-2	% of all CAP loans as 12/2004
<b>Sex*</b>					
Male	<b>54.0%</b>	32%	<b>52.4%</b>	57.9%	56.7%
Female	<b>46.1%</b>	28%	<b>47.6%</b>	42.1%	43.3%
<b>Race*</b>					
White	<b>61.5%</b>	29%	<b>62.3%</b>	59.2%	54.6%
Black	<b>19.2%</b>	28%	<b>19.9%</b>	17.8%	23.2%
Hispanic	<b>15.8%</b>	38%	<b>14.3%</b>	19.7%	14.5%
Other	<b>3.5%</b>	28%	<b>3.6%</b>	3.3%	7.6%
<b>Marital status</b>					
Married or living with partner	<b>57.1%</b>	30%	<b>60.2%</b>	57.2%	-
Widowed, divorced, separated	<b>19.6%</b>	27%	<b>19.1%</b>	17.7%	-
Never married	<b>23.3%</b>	33%	<b>20.6%</b>	25.1%	-
<b>Income</b>					
Less than \$10,000	<b>0.9%</b>	16%	<b>1.4%</b>	0.5%	1.1%
\$10,000-\$14,999	<b>2.1%</b>	32%	<b>2.3%</b>	2.3%	2.8%
\$15,000-\$19,999	<b>7.0%</b>	30%	<b>5.2%</b>	7.1%	9.8%
\$20,000-\$24,999	<b>12.0%</b>	31%	<b>9.6%</b>	12.5%	16.5%
\$25,000-\$34,999	<b>30.0%</b>	32%	<b>26.2%</b>	31.9%	33.3%
\$35,000-\$49,999	<b>32.2%</b>	27%	<b>30.2%</b>	29.6%	25.3%
\$50,000-\$74,999	<b>12.8%</b>	29%	<b>19.6%</b>	12.4%	9.1%
\$75,000 or greater	<b>3.2%</b>	35%	<b>5.5%</b>	3.8%	2.1%
<b>Householder Age*<sup>8</sup></b>					
30 years or younger	<b>49.4%</b>	35%	<b>47.3%</b>	53.9%	46.3%
31-40	<b>26.8%</b>	31%	<b>27.1%</b>	26.1%	26.9%
41 years or older	<b>23.9%</b>	27%	<b>25.7%</b>	20.0%	26.8%
Rural households*	<b>23.0%</b>	-	<b>23.7%</b>	21.4%	23.5%
<b>Borrower credit score at origination*</b>					
No Credit Score	<b>29.8%</b>	29%	<b>29.8%</b>	29.6%	17.3%
Less than 620	<b>12.4%</b>	34%	<b>11.8%</b>	13.7%	17.5%
620-659	<b>18.4%</b>	33%	<b>17.7%</b>	20.1%	17.9%
660-719	<b>21.9%</b>	32%	<b>21.4%</b>	23.0%	24.2%
720 or greater	<b>17.6%</b>	24%	<b>19.3%</b>	13.6%	23.1%
<b>Other Statistics:</b>					
	<b>Panel-1</b>		<b>Panel-2</b>	Drop-out	CAP
Borrower credit score at origination*	<b>675 (mean)</b>	-	<b>678 (mean)</b>	667(mean)	674 (mean)
Loan to value at origination (mean)	<b>95.7%</b>	-	<b>95.7%</b>	95.7%	95.5%
N	<b>3,690</b>	30%	<b>2,571</b>	1,119	38,573

Note: \* represents  $\chi^2$  or t-test significant,  $p < .05$

<sup>8</sup> Householder age at time of origination for owners in the panel and all CAP loans.

## **Findings**

Exhibits 1.A through 4.A display descriptive statistics for all variables. Exhibit 1.A shows the sample size and percentages for categorical variables for the panel in wave-1 and wave-2 surveys. Exhibit 2.A shows the sample size, mean, and standard deviation for continuous variables. Exhibits 3.A and 4.A provide additional detail for the continuous variables: the range, kurtosis, and skew. Exhibit 5.A compares CAP panel and AHS owners on a selected set of demographic characteristics. Exhibit 6.A shows credit score distributions and Exhibit 7.A shows loan performance between survey waves. In addition, figures and tables found in the body of this report display distributions for selected variables.

### ***Baseline Characteristics***

#### *Gender*

Among the CAP panel's 2,571 homeowners, 52% of respondents are male and 48% are female. The gender makeup of the AHS panel is nearly identical to this. Three-quarters of female CAP panel respondents reported being unmarried as of the wave-1 survey, underscoring the high rate of participation of female-headed households in the CAP program.

#### *Race and Ethnicity*

The majority (62%) of the panel is non-Hispanic white, with 38% minority (20% African American, 14% Hispanic, and 4% self-identified as having other racial or ethnic backgrounds). Minority homeowners are similarly represented in the AHS panel, where 37% of the homeowners are minority.

#### *Age*

The CAP panel is young; nearly half (47%) was 30 or younger at the time of origination. Just over a quarter (27%) was between 31 and 40, and another quarter (26%) was over 40. The AHS panel is markedly older. Less than 10% were under 30 years of age and more than two-thirds were over 40. This age difference is most likely attributable to the fact that CAP borrowers are recent homebuyers, whereas the AHS panel has a longer average tenure. It should be noted that this age difference could also drive other differences between the CAP panel and the national comparison group.

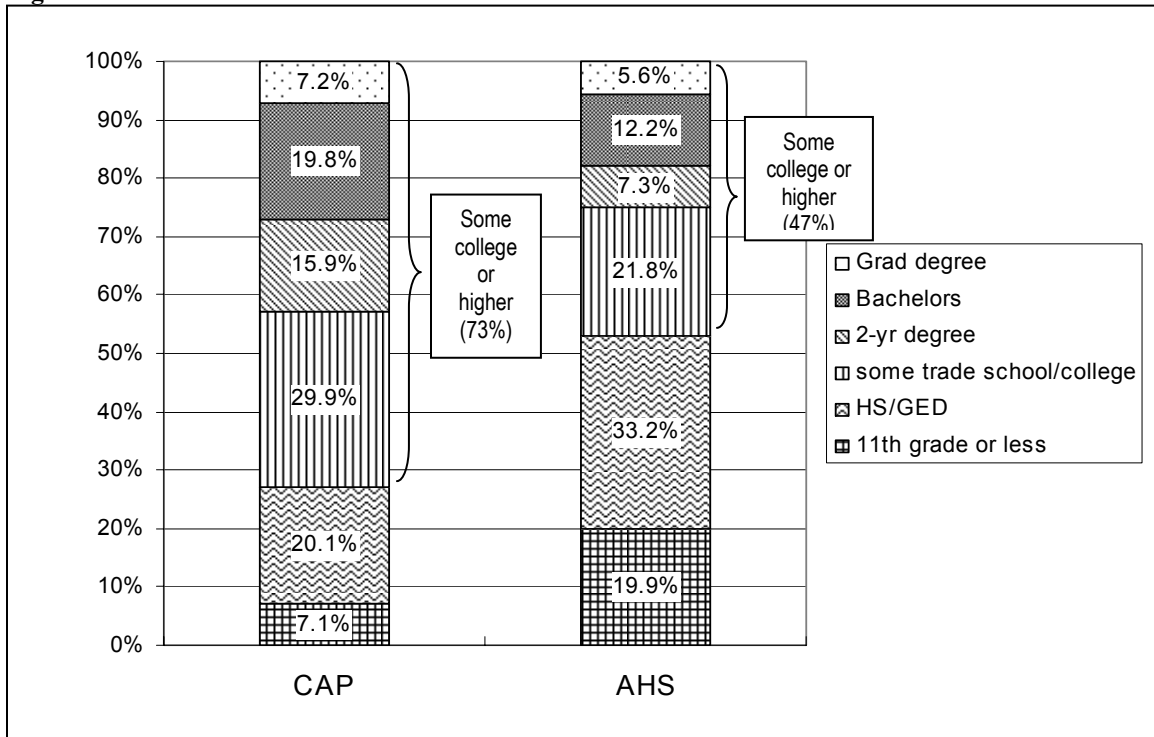
#### *Urban/rural*

Twenty-three percent of the CAP panel resides in a rural location, similar to the 25% share of the AHS panel.

### Educational Attainment

Figure 1 displays the highest educational level achieved by panel respondents (see also Exhibit 1.A at the end of this report). Generally speaking, the CAP borrowers are more highly educated than low-income homeowners nationally with 73% having some college education, 27% attaining at least a four-year college degree, and 7% having attended at least some graduate school.

**Figure 1: Educational Achievement**



CAP N=2,549

### Household Composition

#### Marital Status

The majority of the CAP panel at both wave-1 (57%) and wave-2 (60%) was either married or living with a partner. At the wave 1 survey another 20% (19% at wave-2) were widowed, divorced, or separated.<sup>9</sup> The remainder in both surveys, (23% at wave-1 and 21% at wave-2), were single/never married.

Observing net changes in composition of the panel as a whole understates the magnitude of change experienced by individual households. Sixteen percent of panel households reported a change in marital/partnership status in the relatively brief period between wave-1 and wave-2 surveys. Approximately two-thirds of these changes were the result of formations of new partnerships (either new marriages or new nonspousal partners),

<sup>9</sup> Note that these frequencies do not include individuals who have since remarried or partnered.

which more than offset the remaining one-third that were dissolutions (divorce, separation, being widowed, or termination of living with unmarried partner).

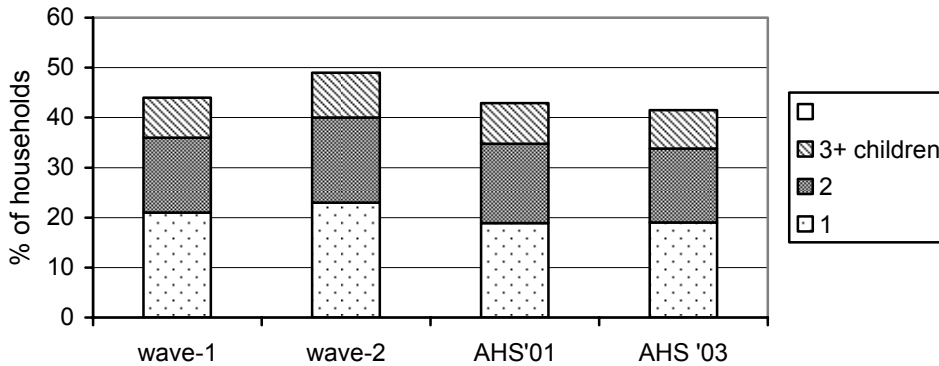
*Household Size*

Despite 16% of panel respondents indicating some change in marital status, household size remained stable at an average of 2.8 members; the distribution remained stable as well. Household level changes were substantial: nearly one-third of households changed in size between wave-1 and wave-2. Almost 19% of households increased by at least one member, while 12% decreased in size (see Exhibit 1.A).

*Number of Children*

Figure 2 displays the number of children present in CAP panel households at wave-1 and wave-2, as well as in households in our AHS samples in 2001 and 2003. There is not a lot of change, although the share of CAP panel households with at least one child rose from 43% in wave-1 to 48% in wave-2 while that number actually declined very slightly in the AHS panel between 2001 and 2003. This is not surprising given the younger age of the CAP panel.

**Figure 2: Share of Households with 1 or more children**



Wave-1 N=2,557; Wave-2 N=2,567

***Employment and Income***

*Employment Rates*

CAP borrowers show a strong attachment to the labor force. A large majority of panel respondents and their spouses reported being employed. In both the wave-1 and wave-2 surveys, over 90% of the CAP panel and 70% of spouses worked (see Exhibit 1.A).

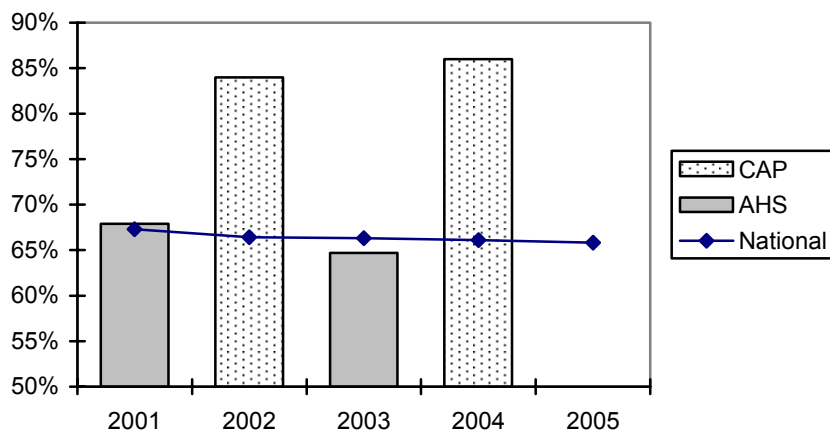
At wave-1, 93% of panel respondents were currently employed, 3% were unemployed and looking for work, and 4% were either not looking for work or were retired. These figures changed only slightly as of wave-2 (see Exhibit 1.A).

Among spouses, 72% were employed at wave-1 (see Exhibit 1.A), 6% were unemployed and looking for work, and the remainder did not work and were not looking for work.

When respondent and spousal employment in the CAP panel is examined by household, the level of employment increases even further. At least one household member was employed in 96% of panel households at both wave-1 and wave-2. In a majority of the remaining 4% of households, the respondent (and spouse) was retired or not looking for work. Moreover, by wave-2, 19% of the CAP panel respondents and 11% of spouses held more than one job.

Comparing labor force participation and unemployment rates to national trends and to the AHS sample group indicates that CAP panel members as a group are highly employed (see Figures 3 and 4). These charts show Bureau of Labor Statistics data as of January for each year between 2001 and 2003.<sup>10</sup> The wave-1 CAP panel data was collected between 2001 and 2003, so it is shown as 2002, the general midpoint. The wave-2 CAP data was largely collected in 2004. The AHS surveys were conducted in 2001 and 2003. The CAP data combines panel respondent and spousal labor force participation and unemployment data. It should be noted that while these three data sources are not taken at the same points in time, they do paint a generally reliable picture:

**Figure 3: Labor Force Participation**



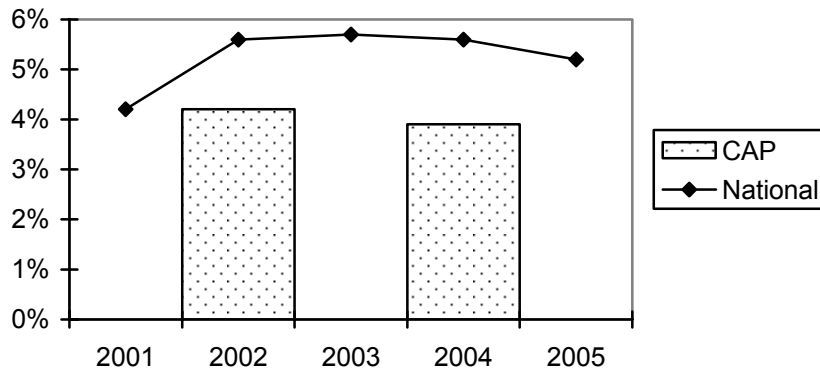
N=2,751

The already high rate of labor force participation among CAP panel respondents and spouses rose between wave-1 and wave-2, though it fell for the AHS sample and declined slightly nationwide.

The unemployment chart below does not include AHS because that data does not distinguish ‘unemployed but looking for work’ from those who are ‘unemployed and not looking’.

<sup>10</sup> Data is seasonally adjusted. U.S. Department of Labor, Bureau of Labor Statistics. *The Employment Situation: January 2001, 2002, 2003, 2004 and 2005*. Washington, DC.

**Figure 4: unemployment rates**



*N=2,571*

Again, the CAP panel has lower than national rates of unemployment, and these improved between survey waves. This improvement is consistent with the national improvement in the economy since 2002/2003.

The incidence of spells of unemployment was also examined. About the same share of panel respondents experienced at least one week of unemployment in the preceding year in both waves (11% to 12%), whereas this picture changed more dramatically among spouses, where it went from 25% in wave-1 to 16% in wave-2. Once again, this trend points to a generally improving employment picture among CAP participants.

The percentage of panel respondents who worked more than one job increased from 16% at wave-1 to 19% at wave-2. The percentage of spouses who worked more than one job remained constant at 11%. The percentage of respondents with overtime hours available to them was nearly flat (from 52% to 51%). The share of respondents who reported self-employment, though only 6% at wave-2, increased 50% from wave-1 (see Exhibit 1.A).

#### *Employment Dynamics*

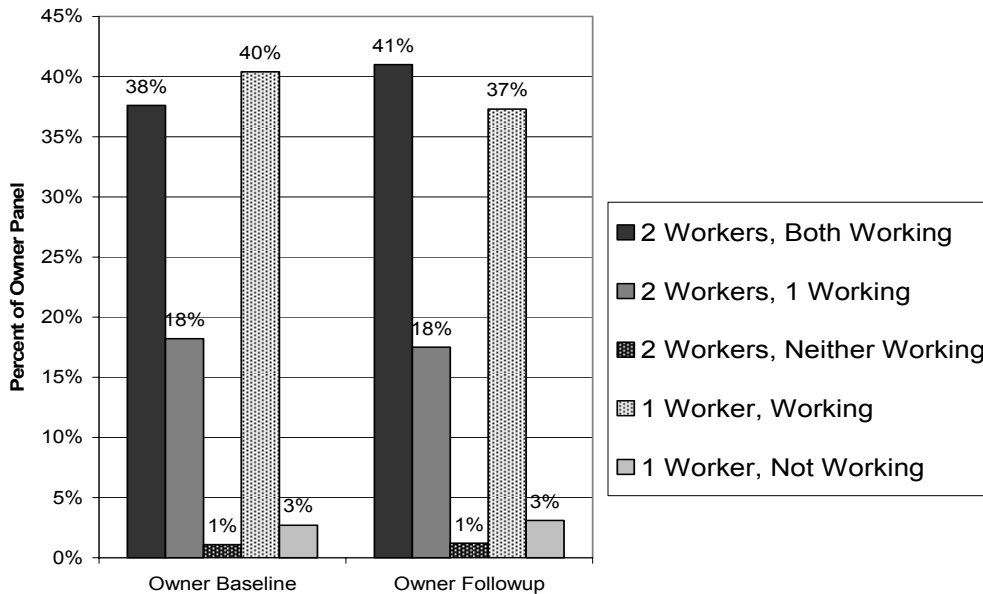
Of the 3.1% of panel respondents who were unemployed and looking for work at the time of the wave-1 survey, more than 80% found employment by the wave-2 survey. Furthermore, only 9% of the 79 panel respondents who were unemployed and looking for work at wave-1 remained unemployed and looking for work at wave-2.<sup>11</sup>

Tracing the employment characteristics of panel households, including spouses, between the wave-1 and wave-2 samples is complicated because these figures include spouses new to the household since the wave-1 survey (11% of spouses at wave-2). The increase in two-workers/both-working households and the decrease in one-worker/working households shown in Figure 5 are partly due to these new spouses. High employment rates (nearly 83%) among new spouses have some upward effect on overall spousal employment rates between wave-1 and wave-2.

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<sup>11</sup> The remainder of respondents who were unemployed and looking for work at baseline (7 individuals, or 0.3%) either discontinued their work search or retired.

**Figure 5: Joint Employment Status of Respondent and Spouse at Wave-1 and Wave-2**



Wave-1 N=2560; Wave-2 N=2571

### *Household Employment Dynamics*

Once again, the relatively modest changes shown in Figure 5 above belie the substantial changes within individual households. For example, the net increase between surveys in the number of panel households with two-workers/both-working is 83. But a total of 358 households either exited or entered this category, as follows:

Of the original 960 panel households who had two-workers/both-working at the time of the wave-1 survey, only 79% (756) kept the same status by wave-2. A 14% (136) decrease in the number of households in this category resulted from one (133) or both (3) of the two workers becoming not-working.<sup>12</sup> Another 7% (68) shifted to the one-worker/working (66) or the one worker/not working (2) category by virtue of the exit of a worker from the household.

The 756 two-worker/both-working households from wave-1 were joined in wave-2 by 287 new members in this category, an addition of 38%. More than half of these had been in the two-worker/one-working category in wave-1, with the previously non-working spouse going to work. Nearly all the rest of the additions had been one-worker/working that added another working member to the household. The remaining five additions came either from a household where both workers had been not-working at wave-1 or where a single worker got both a job and a working spouse. Future research will be undertaken to explore the relationship between homeownership and employment.

<sup>12</sup> Throughout this section, not-working includes those who are unemployed and looking for work as well as those who are unemployed but not looking for work and those who are retired.

Table 2 shows the transitions in employment and number of workers for panel households between wave-1 and wave-2:

**Table 2: Household employment transitions**

	# Workers:	2	2	2	1	1	Total % of all
	# Working:	2	1	0	1	0	
<b>Wave 1 total:</b>		<b>960</b>	<b>466</b>	<b>29</b>	<b>1034</b>	<b>68</b>	
Stayed same		79% (756)	60% (279)	41% (12)	81% (842)	47% (32)	75% (1921)
Lost at least 1 working		7% (68)	1% (6)				3% (74)
Lost at least 1 non-working			4% (18)	7% (2)			1% (20)
Added at least 1 working					12% (129)	10% (6)	5% (135)
Added at least 1 non-working					2% (3)	4% (3)	0% (6)
Non-working became working			33% (154)	52% (15)		38% (26)	8% (195)
Working became non-working		14% (136)	2% (9)		4% (38)		7% (183)
<b>Wave 2 total:</b>		<b>1043</b>	<b>450</b>	<b>30</b>	<b>954</b>	<b>80</b>	<b>2,557</b>

*N*=2,557

Note: In 6 cases, there was a change in both job status and household composition, and these six incidences are shown in only one box above.

### *Job Quality*

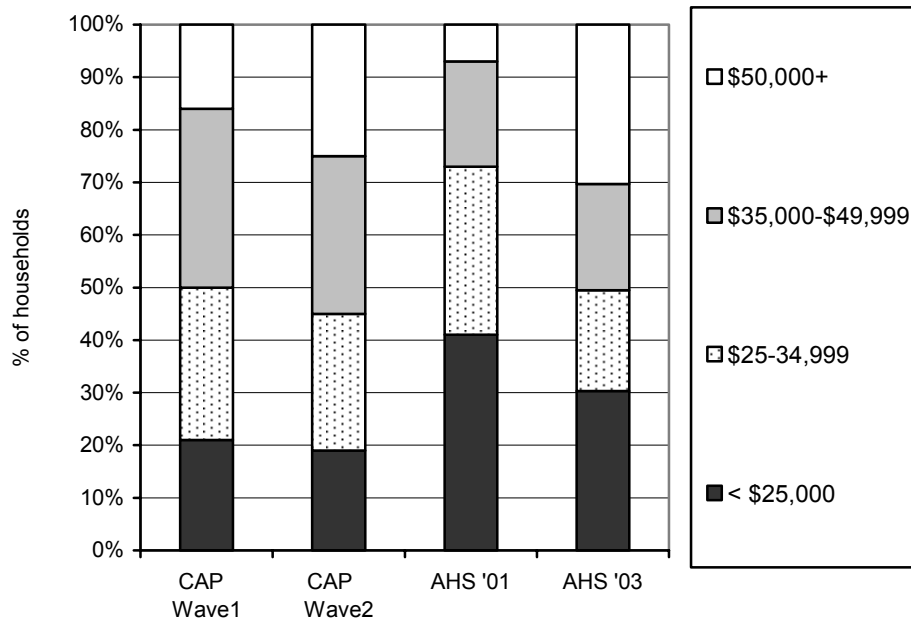
To provide a more detailed picture of panel respondents' employment experiences, the employment frequencies in Exhibit 1.A also include several dimensions of job quality. These indicators show improving job quality on several variables, and decreases on others. Just under 32% of employed<sup>13</sup> wave-1 panel respondents indicated that they supervised other employees, and another 4% moved into supervisory roles by the time of the wave-2 interview. Similarly, employed panel respondents who owned a pension or Keogh plan increased from 59% at wave-1 to 64% at wave-2.

### *Income*

Figure 6 displays the distribution of total household income among CAP panel households in four broad income categories (see Exhibit 1.A for more detailed breakdowns). CAP incomes generally increased. The proportion of panel households with incomes higher than \$35,000 increased from 50% to 55% between the wave-1 survey and the wave-2 survey. Similarly, the proportion of panel households with incomes of more than \$50,000 increased from 16% to 25% between wave-1 and wave-2. Panel household incomes in both survey waves are substantially higher than the 2001 AHS panel income, but by 2003 the AHS cross section data shows a remarkable increase in households earning over \$50,000 per year. (See Table 5 comments for further discussion.)

<sup>13</sup> The employment quality variables were asked only of respondents currently employed. Thus, percentages for these variables apply to the subset of employed respondents.

**Figure 6: Total Household Income**



Wave-1 N=2,467; Wave-2 N=2,407

*Income Dynamics*

The modest upward trend in overall incomes once again obscures changes at the individual household level: Only 55% of panel households remained in the same income category between the two surveys. Movement among categories is shown in Table 3 below.

**Table 3: Change in Household Income Category**

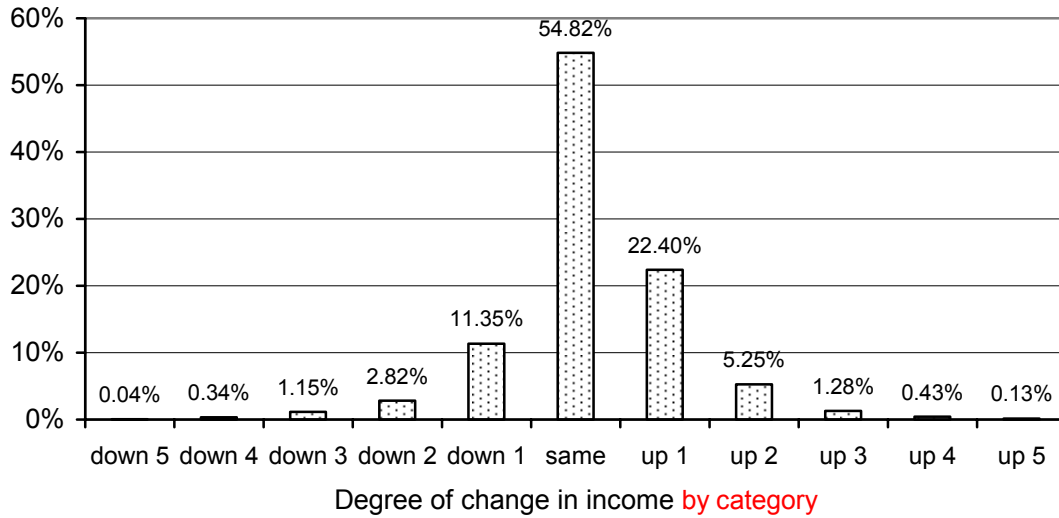
Income Bracket (\$)	At wave-1	% at wave-2					
	#	<15,000	15-19,999	20-24,999	25 -34,999	35 – 49,999	50,000+
<15,000	69	41%	26%	26%	27%	6%	4%
15-19,999	157	13%	34%	20%	22%	7%	4%
20-24,999	265	6%	11%	40%	31%	10%	3%
25 -34,999	681	2%	2%	9%	52%	27%	8%
35 – 49,999	789	1%	1%	2%	14%	55%	28%
50,000+	383	0%	1%	1%	5%	13%	81%

N=2,344

Shaded boxes indicate where household remained in same income bracket.

Of the 45% of panel households that changed income categories, increases exceeded decreases by nearly 2 to 1. The most common income movement was one category up (22%) or down (11%), followed by two categories up (5%) or down (3%), as shown in Figure 7:

**Figure 7: Changes in Household Income Category**

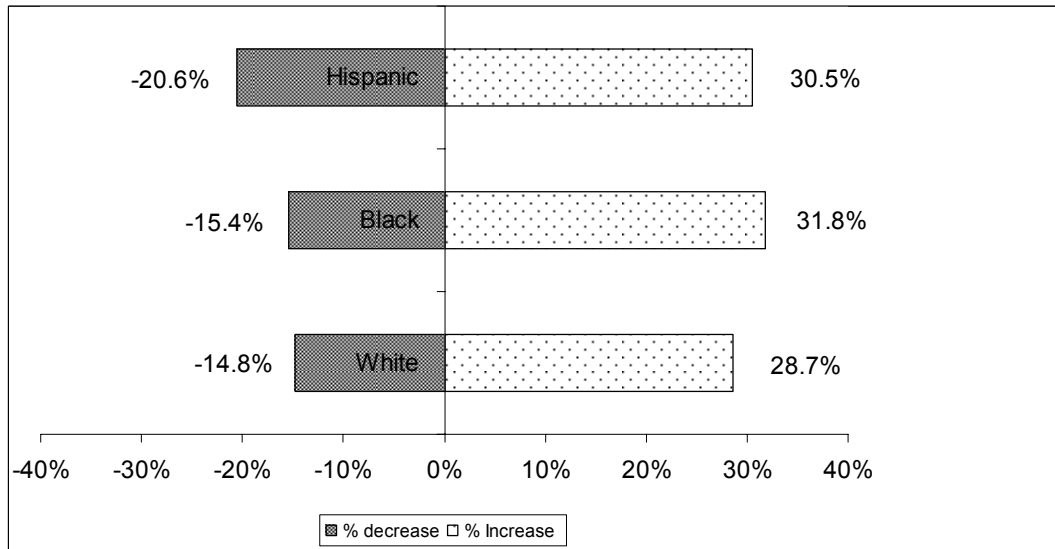


N=2,344

The magnitude of even a single income change can be pretty substantial. Using the midpoint of each of the middle, closed-end ranges (those between \$15,000 and \$50,000) as a gauge, a single category increase represents a “raise” of about 30% to 40%. (The average increase between close-ended categories is \$8,125).

As shown in Figure 8, the share of non-Hispanic white panel participants that reported an increase in income of at least one category was slightly below that of other groups, while Hispanics posted the most income decreases:

**Figure 8: Share of respondents reporting change in income category by race/ethnicity**



N=1,058

## Household Finances: Insurance and Assets

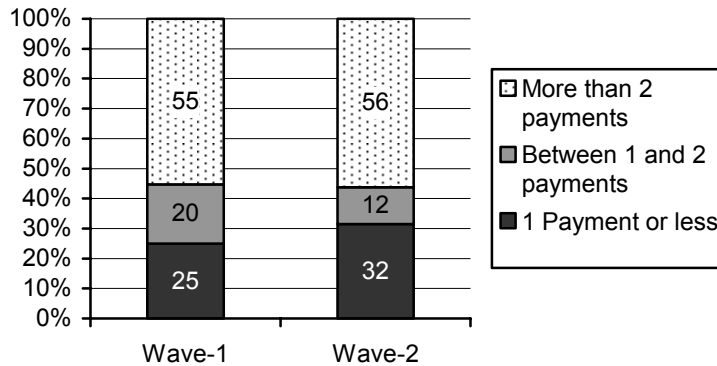
### Medical Insurance

Previous analysis we have undertaken suggests that availability of health insurance has some impact on loan performance. The percentage of panel respondents who are covered by medical insurance decreased slightly from 88% to 86% between wave-1 and wave-2 surveys (see Exhibit 1.A); however, the percentage of spouses with medical insurance increased slightly during this period, from 80% to 82%, while the proportion of children with medical insurance also increased slightly (from 92% to 93%).

### Assets (available for emergency)

As a measure of a household's financial stability, respondents were asked how many monthly mortgage payments their savings and liquid assets could cover in the event of a financial emergency. As shown in Figure 9, emergency assets declined slightly. At the time of the wave-1 survey, 75% of panel households had savings equal to one or more monthly mortgage payments. By the wave-2 survey, that proportion declined to 68%. At each survey, the share of panel households with more than two monthly payments in emergency assets remained virtually the same.<sup>14</sup>

**Figure 9: Respondents' Emergency Assets**



Wave-1 N=2,508; Wave-2 N=2,571

### Other Financial Assets

Thirty-five percent of panel households at wave-1 and 42% of panel households at wave-2 owned an investment in an IRA, stock, bond, or mutual fund. Subsequent multivariate analysis will enable us to examine this trend more closely. Additionally, a companion "In-home Wealth" survey module is currently in process and will provide a much more complete picture of CAP households' asset composition.

<sup>14</sup> Note that wording for this question differs between the baseline and wave-2 instruments. Baseline respondents were asked to indicate whether their savings are greater or less than their mortgage payment and twice their mortgage payment, whereas wave-2 respondents were asked to provide the actual amount of savings (which is then converted into these categories).

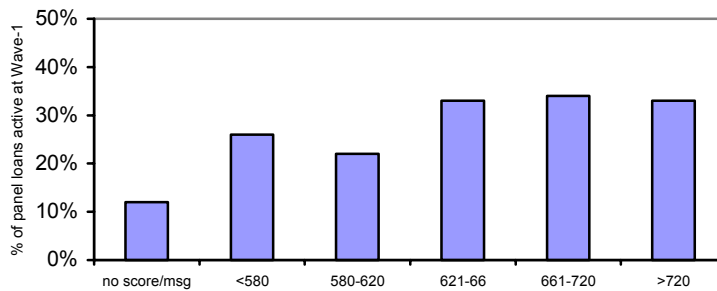
## Pay-offs, Credit Score, and Loan Performance

### Prepayment Behavior

Borrowers who pay off their CAP loans are retained in the sample (provided they do not move and agree to continue to participate.) Between origination and the wave-2 survey, 34% of panel borrowers paid off their CAP loan (though none of these moved). This high rate of prepayment is generally consistent with the market as a whole over the last several years, where falling interest rates have driven high rates of refinancing.

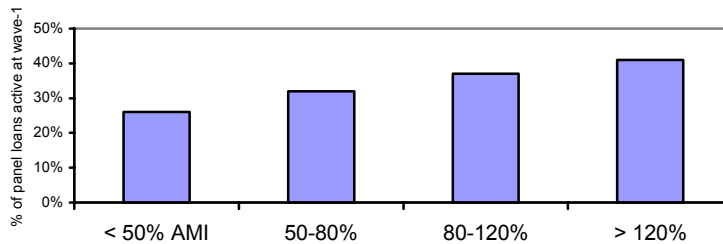
Between surveys, 549 CAP panel loans were paid off; this was 25% of the 2,173 loans outstanding at the time of the first survey. Higher payoff rates between survey waves are associated with higher credit scores at time of loan origination (with a noticeable break at 620 - see Figure 12.a) and with higher incomes (Figure 12.b). Non-Hispanic whites were more likely to prepay than minorities (Figure 12.c).

Figure 12.a: Share of loans paid off between wave-1 and wave-2 by origination credit score:



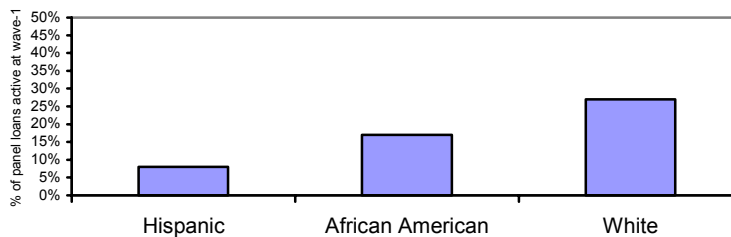
N=2,173

Figure 12.b: Share of loans paid off by income:



N=2,173

Figure 12.c: Share of loans paid off by race/ethnicity:



N=2,173

### Credit Score

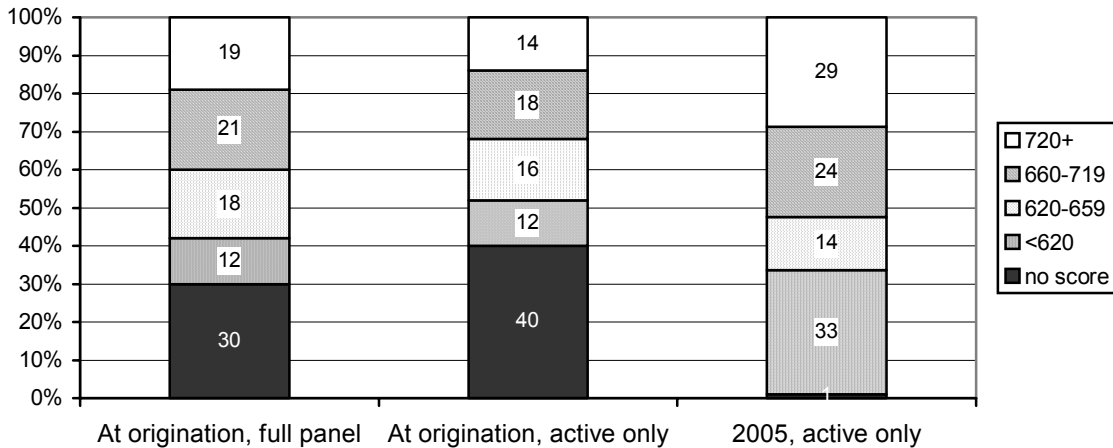
Credit scores were collected at time of origination and again in January 2005, and as such are not exactly aligned with the timing of the wave-1 and wave-2 surveys, but rather, bracket them. Nevertheless, they provide insight into an important aspect of our investigation of both creditworthiness of “affordable” borrowers and potential impacts of homeownership (but not controlling for other variables).

Follow-up credit scores were available only for active loans (the 1,499<sup>15</sup> of the 2,571 panel loans that were active in January 2005 when the follow-up scores were run), which we refer to as the “active panel loans.” Also, follow-up scores were derived from only one credit bureau.<sup>16</sup>

The mean origination credit score<sup>17</sup> for the full panel was 678. As indicated above, those borrowers with higher origination scores were more likely to pay off their CAP loans and therefore were less likely to be included in the active panel loans. The mean credit score at origination for the active panel loans was a slightly lower 672. In January 2005, the mean score for these same active panel loans was 653.

But mean credit score can be misleading, particularly with 40% having no score at the time of origination. Most of those with no score at origination subsequently registered a score by January 2005.

**Figure 10: Credit score distribution**



*N=2,571 Full Panel, N=1499 for Active Only*

<sup>15</sup> The number of outstanding panel loans by January 2005 is lower than at the time of wave-2 survey shown in the preceding section on prepayments.

<sup>16</sup> Origination credit scores typically integrate information from multiple repositories, whereas the follow-up scores came from one repository only. Origination credit scores show only one score even where there are multiple borrowers. For follow-up scores where both spouses had a score, we used the higher of the two.

<sup>17</sup> Zero and missing scores excluded from mean. Missing and zero scores are treated as “no score.”

Examining these changes for the active panel loans at the individual level provides additional insight, as shown in Table 4. For each origination credit score category or “bucket,” except for no score at origination, the mean score was lower by the January 2005 measure. In two cases, the mean score actually fell into a lower *bucket* than at origination.

A full 78% of loans changed credit score buckets; 25% decreased by at least one bucket and 53% increased by at least one bucket<sup>18</sup>.

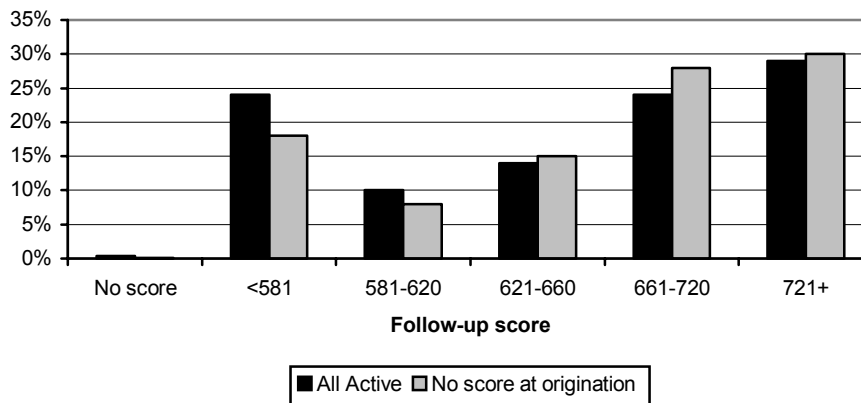
**Table 4: Credit score distribution at follow-up, by origination credit score bucket for active panel loans**

	Origination Score Bucket		Score Distribution in January 2005 (% of origination score bucket)						
	%	Mean	Mean	missing	<=580	581-620	621-660	661-719	> 720
<b>No Score</b>	40% (604)	n/a	665	0.2	18.2	8.3	15.1	27.8	30.5
<b>&lt;=580</b>	3% (51)	555	543	0.0	70.6	19.6	5.9	2.0	2.0
<b>581-620</b>	9% (128)	604	567	0.8	57.8	14.1	12.5	14.1	0.8
<b>621-660</b>	16% (237)	641	613	0.8	31.2	17.3	24.1	18.1	8.4
<b>661-719</b>	18% (266)	689	666	0.4	17.7	7.5	13.5	29.3	31.6
<b>&gt;= 720</b>	14% (213)	756	728	0.9	6.1	2.3	3.8	22.1	64.8
<b>Total</b>	100%(1499)	672	653	0.5	23.6	9.6	14.1	23.7	28.6

*N=1,499*

Perhaps most interesting is the change that took place for those with no origination credit score. Of those 604 loans with no score at origination, only one still had a zero value at follow-up. The mean score of this group at follow-up was 665—higher than the overall mean (which, at 653, was in a lower category), and almost the same as for the group whose origination score was between 660 and 719. The follow-up score distribution for the loans without origination score was better than for the active panel loans as a whole, as shown in Figure 11.

**Figure 11: Credit score distribution at follow-up for loans with no origination score (compared to all active panel loans)**



*All Active N = 1,499; Missing at Origination N=604*

<sup>18</sup> Switching from “no or missing credit score” to having a credit score is treated as an increase in score bucket while switching from possessing a credit score to missing is treated as a decrease in score bucket.

These changes in credit score are dramatic, and have mixed implications. On the one hand, it is promising that so many borrowers without credit scores were able to build a credit history that was marginally better than that of their counterparts. On the other hand, there may have been some erosion in creditworthiness overall among a significant segment of CAP homeowners.

We should not jump to the conclusion, however, that all CAP borrowers have experienced these transitions. The trends noted above are the result of many mixed factors. First, we do not know what happened to the scores of all the CAP panel loans, but only to the 58% who did not pay off their CAP loan prior to January 2005. Some borrowers who paid off their CAP loan may have undergone very different credit score migration. Second, the active panel loan group of 1,499 is only one subset of CAP borrowers. Exhibit 6.A shows comparison for active loans from the entire CAP portfolio and from the original sample (with similar results).<sup>19</sup> A third issue is that while we are confident that most of the loans with missing credit scores are to borrowers without adequate credit histories, we are not able to identify those which may simply be missing data. Finally, as noted previously and perhaps most importantly, the sources for the origination scores and the January 2005 scores are not identical. Additional research that includes a more complete examination of the underlying mechanics of the derivation and migration in credit scores is required.

#### *Loan Performance*

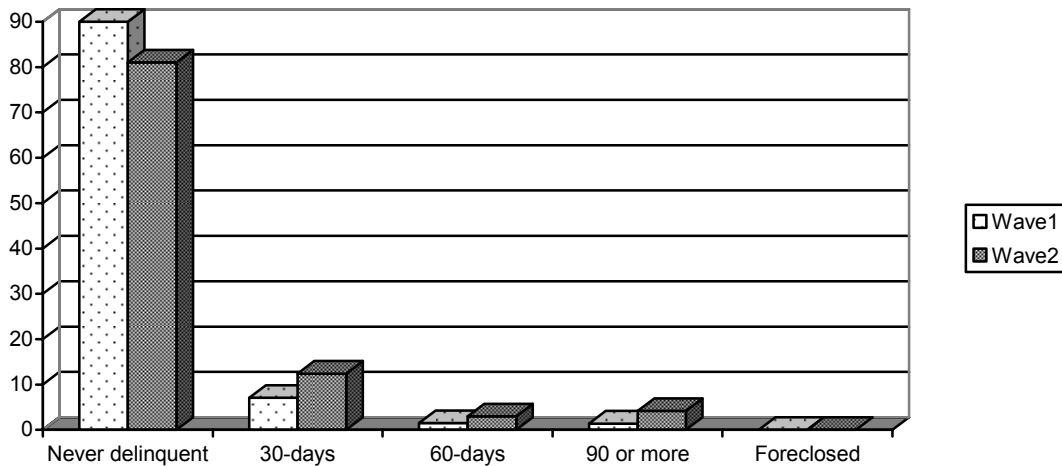
Monthly payment data is collected on loans as long as they remain active. Once a CAP loan is paid off, while the borrower may remain in the survey panel, we do not have data on subsequent mortgages taken out by that borrower. Therefore, the information in this section pertains only to outstanding CAP loans made to panel participants.

From date of origination through the wave-1 survey, 90% of all the loans in the panel had never missed a payment on a CAP loan. By the time of the wave-2 survey, this number fell to 81% as additional delinquencies were incurred. For the loans with at least one 30-day delinquency, the share of total loans is shown by duration of the most severe delinquency spell in Figure 13 (one loan was foreclosed as of wave-1):

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<sup>19</sup> Exhibit A.6 shows that while the amount of movement differs when looking at different sub-groups of active loans, the same general trend is observed: the mean score fell from origination to January 2005; those without scores at origination registered a mean follow-up scores that was better to or nearly equal to the overall; and almost all other buckets saw their mean credit score fall.

**Figure13: Percent of loans by most severe delinquency since origination**



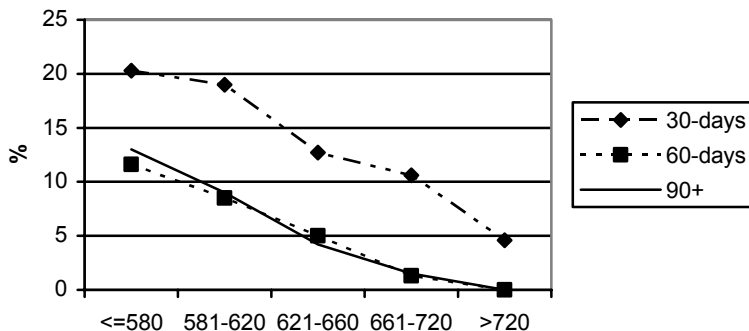
N=2,467

While a greater percent of active loans experienced a 30-day delinquency in the first period, a greater share of serious delinquencies occurred in the second interval. Both averaged 17 months.

In this second interval (between wave-1 and wave-2), about 17% of the 2,173 CAP panel loans that were active as of wave-1 experienced a new delinquency spell (meaning that they went at least 30-days delinquent at least once between the surveys). Eleven percent of them incurred a 30-day-only delinquency, 2.9% went to 60-days only, and 3.3% reached a delinquency status of 90-days or more.

Higher rates of delinquency<sup>20</sup> between wave-1 and wave-2 were generally associated with lower credit scores at origination, as shown in Figure 14:

**Figure 14: Most severe delinquency incurred between Wave-1 and Wave-2 by credit score at origination (panel loans active at follow-up only, missing or no score omitted):**



N=1,477

<sup>20</sup> Here, delinquency rate is defined as the number of loans categorized by worst delinquency reached over the period divided by the number of active loans at the beginning of the period.

Between wave-1 and wave-2, panel loans with Hispanic and ‘other’ borrowers posted the lowest delinquency rates, while African American borrowers posted the highest (see Table 5). The Hispanic loan performance is unexpected in light of the fact that income decreased most among this group.

**Table 5: Most severe delinquency by race/ethnicity between wave-1 and wave-2**

	30-day	60-day	90+	Total
All	10.8%	2.9%	3.3%	17%
White	9.1%	2.5%	2.7%	14.3%
African American	17.6%	5.8%	7.4%	30.8%
Hispanic	8.1%	1.10%	1.1%	10.3%
Other	10.3%	1.00%	1.0%	12.3%

*N*=2,173

First-time homebuyer status, income, age, and loan-to-value did not appear to track with variations in performance.

### *Delinquency Transitions*

At the time of the wave-1 interview, 93 out of 2,173 active panel loans were delinquent (a 4.3% delinquency rate). By wave-2, 34% of these had cured, 30% remained 30-60 days delinquent, 22% were in the 90+ category and 12% were paid off. Delinquency transitions are shown in Table 6:

**Table 6: Delinquency transitions for panel loans between wave-1 and wave-2:**

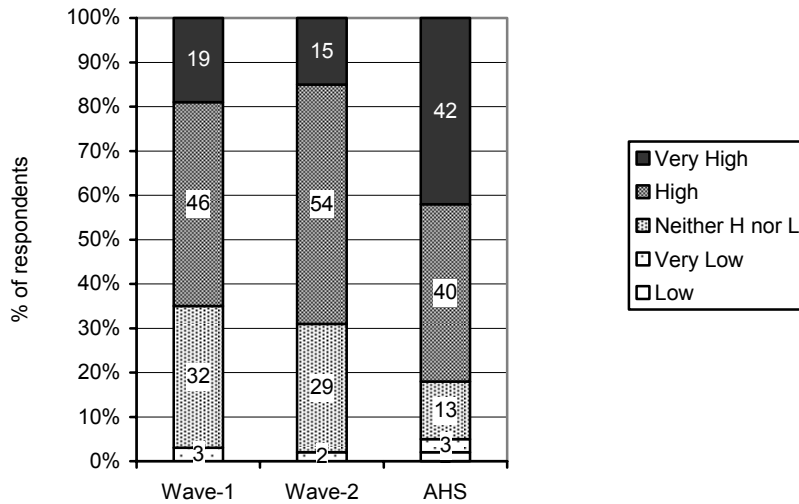
Delinquency status		At wave-2			
At wave-1	#	Cured	30-60	90+ <sup>21</sup>	Paid off
30 – 60 days	81	30 (37%)	26 (32%)	15 (19%)	10 (12%)
90+ delinquent	12	2 (17%)	2 (17%)	7 (58%)	1 (8%)
<b>All Delinquent</b>	<b>93</b>	<b>32 (34%)</b>	<b>28 (30%)</b>	<b>22 (24%)</b>	<b>11 (12%)</b>
<b>Not delinquent</b>	<b>2080</b>	<b>n/a</b>	<b>83 (4%)</b>	<b>21 (1%)</b>	<b>537 (26%)</b>
<b>Total</b>	<b>2173</b>	<b>32</b>	<b>111</b>	<b>43</b>	<b>548</b>

### *Neighborhood Quality*

When asked about the general quality of their neighborhoods, most panel respondents indicated that they were satisfied with their neighborhood. At least 65% of respondents evaluated the quality of their neighborhood as ‘high’ or ‘very high’ in both the wave-1 and wave-2 surveys, and less than 4% indicated that they thought the quality of their neighborhood was ‘low’ or ‘very low’ (see Figure 15).

<sup>21</sup> Under certain circumstances, such as when a loan experiences a severe delinquency early in its life, Self-Help can require lenders to repurchase loans. This typically does not occur until a loan is at least 90 days past due. The loans shown as 90+ in this column include those loans that were repurchased by lenders, as it should. What is not known is if those loans were ever reinstated or have reached foreclosure.

**Figure 15: Respondents' Evaluation of Overall Neighborhood Quality**



Wave-1 N=2,561; Wave-2 N=2,567

The major changes between the wave-1 and wave-2 survey are a decrease in the number of respondents in the ‘very high’ category, and an increase in the ‘high’ and ‘very high’ categories combined, from 65% of respondents to 69%. These modest shifts suggest that owners feel most strongly about the quality of their neighborhood upon first arriving, with the increase in the ‘high’ category driven by individuals moving from the ‘very high’ and ‘neither high nor low’ categories (although a small number of individuals change in the opposite direction).

On the other hand, the AHS respondents (which is stable between 2001 and 2003) gave a much higher satisfaction rating despite the lengthy tenure of many of them.

## Summary

The CAP panel borrowers are now approximately three years into their mortgages, and have gone through two waves of surveys. On the whole, the overall profile is fairly static. If the panel were actually treated as a composite, the 17-month interval would appear to have resulted in modest and fairly expected change: relatively young households, more likely to be forming partnerships than dissolving them, pretty well educated, hard working, and experiencing modest growth in income. Still, there are indications of some challenges, as evidenced by a small decline in emergency assets, the very occasional difficulty making a mortgage payment, and some credit score deterioration.

For example, the percentage that were married went from 57% to 60%; household size was nearly static at 2.8 members; the employment rate was almost flat (93% to 92%); and the share of households earning more than \$35,000 rose from 50% to 55%.

The panel is a composite of 2,571 households. When examined at the individual household level, the change is much more dramatic: Over some 17 months, 15% of panel households changed marital status; nearly one-third changed household size; 25% changed household employment status; 45% changed income categories and a full 78% changed credit score buckets.

Many of these changes are interrelated: changes in marital and employment status impact insurance, income, and assets, which in turn may impact loan performance, which can affect credit scores. To better understand the interaction between these variables for both the individual household and the overall pool, the next phase of this research will consider multivariate analysis that controls for the impact of competing antecedents of loan performance.

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**Exhibit 1.A: Categorical Variables: Frequencies and Percentages**

Variable Group	Variable Name	Value	Wave-1		Wave-2	
			N	%	N	%
Demographics	Sex	Male	1347	52.4		
		Female	1224	47.6		
	Race	White	1590	62.3		
		Black	507	19.9		
		Hispanic	364	14.3		
		Other	92	3.6		
	Highest level of education attained	11th grade or less	182	7.1		
		High school graduate/GED	512	20.1		
		Some 2 year college	433	17.0		
		2 year degree	405	15.9		
		Some 4 year college	330	12.9		
		Bachelor's degree	394	15.5		
		Some graduate school	110	4.3		
		Graduate/professional degree	183	7.2		
	Income	Less than \$10,000	24	1.0	34	1.4
		\$10,000-\$14,999	48	2.0	55	2.3
		\$15,000-\$19,999	167	6.8	126	5.2
		\$20,000-\$24,999	283	11.5	232	9.6
		\$25,000-\$34,999	722	29.3	630	26.2
		\$35,000-\$49,999	828	33.6	726	30.2
		\$50,000-\$74,999	322	13.1	471	19.6
		\$75,000 or more	73	3.0	133	5.5
	Income change	Same category			1122	48.7
		Increased <sup>1</sup>			824	35.8
		Decreased			357	15.5
	Marital status	Living with unmarried partner	291	11.4	235	9.2
		Married	1176	46.0	1306	51.0
		Widowed	38	1.5	52	2.0
		Divorced	421	16.5	384	15.0
		Separated	50	2.0	55	2.1
		Never married	581	22.6	528	20.6

Sample Size: Panel n=2,571

<sup>1</sup> Of the 35.8% of individuals who increased at least one income category, 13.3% increased at least two categories. Of the 15.5% who decreased at least one category, 4.3% decreased at least two categories.

Variable Group	Variable Name	Value	Wave-1		Wave-2	
			N	%	N	%
Change in respondent marital status <sup>2</sup>		No change			2159	84.0
		Married or remarried			182	7.1
		Became widowed			19	0.7
		Divorced or separated			71	2.8
		Began living with unmarried partner			82	3.2
		No longer living with unmarried partner			39	1.5
		DK/refused			18	0.7
Household Composition	Total number of household members	One	551	21.6	509	19.8
		Two	749	29.3	738	28.7
		Three	528	20.7	549	21.4
		Four	390	15.3	419	16.3
		Five or more	339	13.3	352	13.7
Change in household size		Remained same			1776	69.3
		Added members <sup>3</sup>			481	18.8
		Lost members			306	11.9
Number of children (age<18) in household		Zero	1313	57.4	1182	51.6
		One	470	20.6	517	22.6
		Two	331	14.5	383	16.7
		Three or more	154	7.6	208	9.1
School age children (age 5-17) attend school		Yes	1094	97.6	1286	97.5
		No	27	2.4	33	2.5
Relationship to other household members <sup>4</sup>		Spouse	1169	45.4	1214	47.2
		Unmarried partner	288	11.2	307	11.9
		Child	1365	53.1	1461	56.8
		Parent	63	2.4	70	2.7
		Brother/sister	87	3.4	68	2.6
		Other relative	125	4.9	118	4.6
		Non-relative	90	3.5	83	3.2

Sample Size: Panel n=2,571

<sup>2</sup> This variable indicates any difference between respondent marital status at baseline and follow-up. Measured in this way, it does not account for some changes like divorce and remarriage (the respondent would indicate married in both surveys).

<sup>3</sup> Similar to changes in marital status, this variable does not account for simultaneous increases or decreases, but rather only shows differences in the starting and ending household sizes. Included in the percentages of houses gaining and losing members are 3.0% of households that added more than two members and 2.9% of households that lost more than two members.

<sup>4</sup> Because multiple families are able to have members fitting more than one category, these categories are not mutually exclusive and the percentages do not sum to 100. Instead, the percentages indicate the percent of families with at least one member in the respective category.

Variable Group	Variable Name	Value	Wave-1		Wave-2	
			N	%	N	%
Employment Variables	Employment status	Employed	2393	93.1	2372	92.3
		Unemployed, looking for work	79	3.1	73	2.8
		Unemployed, not looking for work	75	2.9	86	3.3
		Retired	24	0.9	38	1.5
	Employment status change	No change			2356	91.7
		Became employed			89	3.5
		Became unemployed, looking for work			66	2.6
		Became unemployed, not looking for work			42	1.6
		Became retired			16	0.6
	Employment status (spouse)	Employed	1043	71.6	1138	74.3
		Unemployed, looking for work	89	6.1	89	5.8
		Unemployed, not looking for work	325	22.3	304	19.9
	Employment status change (spouse)	No change			1095	80.5
		Became employed			129	9.5
		Became unemployed, looking for work			57	4.2
		Became unemployed, not looking for work			79	5.8
	Joint employment status	2 workers, both employed	962	37.6	1051	40.9
		2 workers, 1 employed	466	18.2	450	17.5
		2 workers, neither employed	29	1.1	30	1.2
		1 worker, employed	1035	40.4	958	37.3
		1 worker, unemployed	68	2.7	80	3.1
	Pension/KEOGH plan	Yes	1410	59.3	1469	64.0
		No	969	40.7	825	36.0
	Works more than one job	Yes	390	16.3	449	19.0
		No	2003	83.7	1920	81.0
	Overtime available	Yes	1182	51.9	1133	51.0
		No	1096	48.1	1090	49.0
	Employer type	Private company	1800	75.6	1729	73.0
		Government	465	19.5	477	20.2
		Self-employed	96	4.0	137	5.8
		Family business	9	0.4	6	0.3
		Other	12	0.5	18	0.8
	Supervise others	Yes	732	31.9	811	36.4
		No	1562	68.1	1417	63.6

Variable Group	Variable Name	Value	Owner Baseline		Owner Follow-up	
			N	%	N	%
Employment Variables	Unemployed at least one week in previous year	Yes	287	11.6	266	10.9
(cont'd)		No	2185	88.4	2180	89.1
	Number of times unemployed in previous year <sup>5</sup>	One	176	74.3	175	70.1
		Two	43	18.1	49	19.8
		Three or more	18	7.6	24	9.7
	Spouse works more than one job	Yes	114	11.0	129	11.4
		No	925	88.0	1007	88.6
	Unemployed at least one week in previous year (spouse)	Yes	282	24.9	193	15.7
		No	850	75.1	1035	84.3
Medical Insurance	Medical coverage	Yes	2247	87.5	2207	86.2
		No	320	12.5	352	13.8
	Spouse covered	Yes	1153	79.5	1260	82.3
		No	298	20.5	271	17.7
	Children covered	Yes	1156	92.2	1239	92.9
		No	98	7.8	95	7.1
Emergency Assets	Savings available for emergency <sup>6</sup>	Same amount or less than housing payment	627	25.0	810	31.5
		More than the monthly housing payment	495	19.7	315	12.2
		More than twice the monthly housing payment	1386	55.3	1446	56.2
	Can borrow monthly payment from family/friends	Yes	2185	87.7	2210	88.3
		No	306	12.3	294	11.7
Household Finances	Receive alimony	Yes	330	12.9	309	12.1
		No	2235	87.1	2247	87.9
	Receive welfare	Yes	56	2.2	49	1.9
		No	2514	97.8	2506	98.1
	Receive Unemployment (unemployed spells only)	Yes	149	19.4	128	26.6
		No	618	80.6	353	73.4
	Other non-wage income	Yes	724	28.2	508	20.1
		No	1839	71.8	2025	79.9

Sample Size: Panel n=2,571

<sup>5</sup> The difference between baseline and follow-up for this variable are not directly comparable. The baseline variable measures the number of unemployment spells since loan origination and the follow-up variable measures the number of unemployment spells since baseline. Additionally, the variables used to construct this question stipulate one full week of lost employment, whereas the previous question relies on the last time a respondent was "out of work."

<i>Variable Group</i>	<i>Variable Name</i>	<i>Value</i>	<i>Wave-1</i>		<i>Wave-2</i>	
			<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
Household Finances (cont'd)	Any IRAs, stocks, bonds, mutual funds	Yes	881	34.6	1070	42.2
		No	1662	65.4	1463	57.8
Neighborhood Quality	Overall neighborhood quality	Very high	480	18.7	385	15.0
		High	1180	46.1	1375	53.6
		Neither high nor low	820	32.0	739	28.8
		Low	74	2.9	62	2.4
		Very low	7	0.3	6	0.2

Sample Size: Panel n=2,571

<sup>6</sup> There is a difference in the way this question is asked. Baseline respondents are asked to indicate whether their savings are greater or less than their mortgage payment and twice their mortgage payment, whereas follow-up respondents are asked to provide the actual amount of savings (which is then converted into these categories).

**Exhibit 2.A: Loan Origination Categorical Variables: Frequencies and Percentages – WAVE 1 BASELINE SURVEY**

Variable Group	Variable Name	Value	Baseline	
			N	%
Loan Application	Previous bank account or loan with mortgage lender	Yes	1083	29.4
		No	2607	70.6
	Means of finding lender	Real estate agent	1181	45.5
		Friends/family	917	35.3
		Advertising	117	4.5
		Homeownership course	109	4.2
		Neighborhood organization	20	0.8
		Internet	15	0.6
		Church	14	0.5
		Other	409	15.7
	Also applied for mortgage with a different lender	Yes	690	18.7
		No	2992	81.3
	Applied with how many other lenders	One	480	69.7
		Two	156	22.6
		Three or more	53	7.7
	Outcome of other application[s]	Accepted	303	64.1
		Rejected	108	22.8
		Withdrawn prior to decision	62	13.1
	How many other lenders rejected application	Zero	101	49.5
		One	32	15.7
		Two	45	22.1
		Three	17	8.3
		Four or more	9	4.4
	Other application rejected for poor credit	Yes	110	53.9
		No	94	46.1
	Other application rejected for insufficient cash/savings	Yes	66	32.2
		No	139	67.8
	Other application rejected for insufficient monthly income	Yes	59	28.8
		No	146	71.2

Sample Size: Baseline n=3,690

Variable Group	Variable Name	Value	Baseline	
			N	%
Co-borrowers	Spouse a co-borrower	Yes	846	40.3
		No	1251	59.7
	Any other co-borrowers	Yes	115	3.1
		No	3568	96.9
	Number of co-borrowers	One	99	86.1
		Two	16	13.9
	Other co-borrowers live in home	Yes	48	41.7
		No	67	58.3
Closing Costs	Percent of closing costs paid by owner	0 percent	359	10.6
		0.1 to 24.9 percent	302	8.9
		25 to 49.9 percent	373	11.0
		50 to 74.9 percent	371	11.0
		75 to 99.9 percent	126	3.7
	Friends/family contributed to closing costs	100 percent	1850	54.7
		Yes	465	31.7
	Second mortgage used for closing costs	No	1003	68.3
		Yes	72	4.9
	Grant to cover closing costs	No	1394	95.1
		Yes	308	21.0
	Seller/real estate agent contributed to closing costs	No	1156	79.0
		Yes	757	51.8
	Required to have one monthly payment in savings	No	705	49.2
		Yes	1276	37.2
	How many payments required in savings	No	2155	62.8
		One	443	42.8
Two		403	39.0	
Three		139	13.4	
		Four or more	49	4.7

Sample Size: Baseline n=3,690

Variable Group	Variable Name	Value	Baseline	
			N	%
Homeownership Education	Researched home purchase on Internet	Yes	622	16.9
		No	3066	83.1
	Satisfaction with information on Internet	Very satisfied	241	39.3
		Somewhat satisfied	300	48.9
		Neither satisfied nor dissatisfied	49	8.0
		Somewhat dissatisfied	21	3.4
		Very dissatisfied	3	0.5
	Any homeownership education	Yes	1577	42.8
		No	2108	57.2
	Lender required homeownership education	Yes	1238	79.7
		No	316	20.3
	How respondent found out about homeownership education	Advertisement	66	19.6
		Friend/family	73	21.7
		Community event	8	2.4
		Real estate agent	60	17.8
		Other	139	41.2
		Church	20	1.4
	Type of organization that provided program	Community college	15	1.0
		Other non-profit	371	25.7
		Bank/financial institution	683	47.4
		Government agency	269	18.7
		Other	84	5.8
	Attended one or more classes	Yes	786	49.9
		No	790	51.1
	Spoke with a counselor by phone	Yes	462	58.7
		No	325	41.3
	Received written materials	Yes	755	95.6
		No	35	4.4
	Tested on written materials	Yes	488	65.1
		No	262	34.9
	Satisfaction with homeownership education	Very satisfied	877	55.9
		Somewhat satisfied	488	31.1
		Neither satisfied nor dissatisfied	153	9.8
		Somewhat dissatisfied	35	2.2
		Very dissatisfied	16	1.0

Sample Size: Baseline n=3,690

Variable Group	Variable Name	Value	Baseline		
			N	%	
Homeownership Education (cont'd)	Paid for education	Yes	167	10.7	
		No	1390	89.3	
Previous Residence	Type of previous residence	House	1585	43.0	
		Townhouse	147	4.0	
		Condominium	83	2.3	
		Apartment	1396	37.8	
		Mobile home	295	8.0	
		Other	184	5.0	
		Own/rent previous residence	Own	371	10.1
		Rent	2834	76.8	
		No cost	485	13.1	
	Government subsidized rent	Yes	116	4.1	
		No	2713	95.9	
	Lived in public housing	Yes	103	3.6	
		No	2725	96.4	
	Rent included heat and electricity	Yes	401	14.2	
		No	2430	85.8	
	Monthly mortgage payment subsidized	Yes	5	1.4	
		No	365	98.6	
Reason for selling home		Could afford nicer home	140	37.9	
		Decrease work commute	40	10.8	
		Leave neighborhood	141	38.1	
		Family grew	85	13.5	
		Payments too high	13	3.5	
		Sell for gain	74	20.1	
		Other	240	65.0	
Old vs. New Neighborhood	Previous residence in same neighborhood	Yes	599	16.2	
		No	3091	83.8	
	Neighborhood change		Gotten a lot better	76	13.3
			Gotten somewhat better	125	21.9
			Stayed about the same	314	55.1
			Gotten somewhat worse	45	7.9
			Gotten a lot worse	10	1.8

Sample Size: Baseline n=3,690

Variable Group	Variable Name	Value	Baseline	
			N	%
Old vs New Neighborhood (cont'd)	Quality of new neighborhood compared to old	A lot better	1340	43.5
		Somewhat better	597	19.4
		About the same	852	27.7
		Somewhat worse	253	8.2
		A lot worse	37	1.2
Childhood	Parents ever owned home during childhood	Yes	3040	82.7
		No	638	17.3
Debt Acquired Since Origination	Purchased furniture, appliances, etc...	Credit outstanding	1127	30.5
		Paid off/paid in full	1715	46.5
		No purchase	843	23
	"Rent to own" purchase	Yes	45	1.2
		No	3615	98.8
	Vehicle loan	Credit outstanding	1136	30.8
		Paid off	30	0.8
		No purchase	2519	68.4
	Other debt with more than \$500 outstanding	Yes	504	13.7
		No	3169	86.3
Credit outstanding on at least one of above	Yes	2006	57.2	
	No	1499	42.8	

Sample Size: Baseline n=3,690

<b>Exhibit 3.A: Follow-up Financial Categorical Variables: Frequencies and Percentages – WAVE 2 FOLLOW-UP SURVEY</b>				
<b>Variable Group</b>	<b>Variable</b>	<b>Value</b>	<b>Follow-up N</b>	<b>%</b>
Credit/Debt	Number of vehicles	Zero	65	2.5
		One	834	32.7
		Two	1103	43.3
		Three	358	14.0
		Four or more	188	7.4
	Outstanding loan on vehicle[s]	Yes	1569	63.7
		No	894	36.3
	Own credit card	Yes	1980	78.0
		No	557	22.0
	Own store card	Yes	1520	59.8
		No	1021	40.2
	Monthly payment habits	Minimum payment or less	234	14.3
		More than minimum	1208	73.8
		Pay off balance	194	11.9
	Experienced major unexpected expense	Yes	1022	40.0
No		1533	60.0	
Number of unexpected expenses	One	506	50.0	
	Two	281	27.8	
	Three	134	13.2	
	Four or more	91	9.0	
Contacted by bill collector	Yes	591	23.3	
	No	1951	76.7	
Refinancing	Refinanced mortgage	Yes	832	32.5
		No	1725	67.5
	New mortgage larger	Yes	7	21.9
		No	25	88.1
	Fixed or variable APR	Fixed	718	87.0
		Variable	107	13.0
	Reason for refinancing	Lower APR monthly payment	643	77.6
		Pay off other debts	90	10.9
		Needed money for emergency	9	1.1
Other		87	10.5	

Sample Size: Follow-up n=2,571

<i>Variable Group</i>	<i>Variable</i>	<i>Value</i>	<i>Follow-up</i>	
			<i>N</i>	<i>%</i>
Refinancing (cont'd)	Home equity loan/line of credit	Yes	151	8.8
		No	1569	91.2
	Reason for home equity loan	Pay for home improvements	66	43.7
		Pay off other debts	61	40.4
		Needed money for emergency	4	2.6
		Other	20	13.2
		Used line of credit	Yes	131
	Second mortgage	No	18	12.1
		Yes	20	1.3
	Reason for second mortgage	No	1553	98.7
		Pay for home improvements	9	45.0
		Pay off other debts	10	50.0
		Needed money for emergency	0	0.0
	House collateral used for other loan	Other	1	5.0
		Yes	21	1.2
		No	1703	98.8

Sample Size: Follow-up n=2,571

**Exhibit 4.A: Numeric Variables: Descriptive Statistics**

<b>Variable Group</b>	<b>Variable</b>	<b>N</b>	<b>Mean</b>	<b>Med</b>	<b>Std Dev</b>	<b>Min</b>	<b>Max</b>	<b>Kurt</b>	<b>Skew</b>
<b>Comparison Variables</b>									
Household Roster	Household size: baseline	2557	2.8	2	1.5	1	10	1.0	0.9
	Household size: follow-up	2567	2.8	3	1.5	1	10	1.0	0.9
	Number of children: baseline	2288	0.8	0	1.1	0	8	2.5	1.5
	Number of children: follow-up	2290	0.9	0	1.1	0	7	1.9	1.4
Other Debt	Monthly vehicle payment: baseline (\$)	1092	336.1	318	134.2	1	1000	1.7	0.9
	Monthly vehicle payment: follow-up (\$)	1481	384.6	350	173.9	0	950	0.2	0.7
Neighborhood Quality	Neighborhood quality: baseline	2561	2.2	2	0.8	1	5	-0.3	0.1
	Neighborhood quality: follow-up	2567	2.2	2	0.7	1	5	0.1	0.2
<b>Baseline Variables</b>									
Loan Origination	Amount of closing costs (\$)	3400	4646.2	3000	6551.5	0	100000	73.9	7.0
	Amount of closing costs (logged) <sup>1</sup>	3400	7.8	8	1.6	0	12	13.4	-3.1
	Amount paid from personal savings/assets (\$)	3382	3163.8	1900	5915.0	0	100000	110.2	8.7
	Amount paid from personal savings/assets (logged) <sup>1</sup>	3382	6.8	8	2.6	0	12	2.6	-1.9
Homeownership Education	Satisfaction with information available on the Internet	614	1.8	2	0.8	1	5	1.7	1.1
	Hours of homeownership education instruction	773	7.4	5	7.8	0	40	6.9	2.5
	Hours of personal attention from instructor	503	2.5	1	4.2	0	40	33.7	5.0
	Hours of personal attention from instructor (logged) <sup>2</sup>	503	0.0	0	1.4	-4	4	0.1	-0.5
	Ratio of personal attention to total hours	497	0.5	0	0.4	0	1	-1.6	0.3
	Minutes spent on phone with counselor	457	18.5	20	11.5	0	60	-0.2	0.3
	Hours spent reading written materials	734	3.5	2	5.3	0	40	21.6	4.2
	Hours spent reading written materials (logged) <sup>2</sup>	734	0.6	1	1.2	-3	4	0.3	-0.1
	Cost of education	150	70.9	40	79.6	5	400	3.9	2.1
	Satisfaction with homeownership education	1569	1.6	1	0.8	1	5	2.3	1.5

Sample Size: Baseline n=3,690; Follow-up n=2,571

<sup>1</sup> Values of 0 are recoded 1 for the purposes of logging the variable.

<sup>2</sup> Values of 0 are recoded .1 for the purposes of logging the variable.

**Exhibit 4.A: Numeric Variables: Descriptive Statistics**

<b>Variable Group</b>	<b>Variable</b>	<b>N</b>	<b>Mean</b>	<b>Med</b>	<b>Std Dev</b>	<b>Min</b>	<b>Max</b>	<b>Kurt</b>	<b>Skew</b>
Previous Residence	Total monthly cost of previous rental	2716	598.2	570	272.3	0	4665	57.3	4.6
	Total monthly cost of previous rental (logged) <sup>1</sup>	2711	6.3	6	0.5	0	8	27.3	-2.7
	Previous monthly rental payment	2775	492.6	455	212.1	0	1650	2.2	1.0
	Cost of heat/electricity winter <sup>1</sup>	2374	130.9	100	94.5	1	1500	30.3	3.7
	Cost of heat/electricity winter (logged) <sup>1</sup>	2374	4.7	5	0.6	0	7	3.7	-0.5
	Cost of heat/electricity summer <sup>1</sup>	2364	100.6	85	69.3	0	1500	74.3	4.9
	Cost of heat/electricity summer (logged) <sup>1</sup>	2364	4.4	4	0.6	0	7	3.9	-0.7
	Total monthly cost of previous mortgage	335	676.9	610	405.9	75	2750	4.5	1.7
	Previous mortgage payment	346	545.4	475	395.6	0	2500	4.2	1.6
	Cost of heat/electricity winter	354	153.1	149	76.9	1	500	2.4	1.2
Cost of heat/electricity summer	356	119.4	100	62.8	1	390	0.7	0.9	
Current Residence	Number of years lived in neighborhood	598	10.6	7	10.1	1	78	4.2	1.7
	Neighborhood Improved/Declined (if previous residence in N)	570	2.6	3	0.9	1	5	0.1	-0.2
	Current vs. previous neighborhood	3079	2.0	2	1.1	1	5	-0.8	0.6
Additional Housing Costs	Total monthly housing cost	3408	709.4	658	288.8	1	2500	4.2	1.5
	Monthly mortgage payment (includes escrow)	3546	693.8	647	279.8	1	2500	4.2	1.5
	Monthly homeowners insurance and property tax	92	138.2	114	99.4	16	650	10.2	2.6
	Monthly cost of homeowners association	664	80.7	65	71.7	0	440	2.0	1.2
New Debt	Total monthly payment on new debt <sup>3</sup>	2006	329.6	291	252.6	4	3167	10.4	2.0
	Monthly payment on furniture, appliances, etc...	1040	192.7	133	173.0	0	1250	3.6	1.7
	Monthly "rent to own" payment	40	90.4	82	56.3	20	300	4.0	1.6
	Monthly vehicle loan payment	1092	336.1	318	134.2	1	1000	1.7	0.9
	Monthly payment on 'other' new debt	480	215.9	133	228.4	1	2500	24.3	3.7
Total Monthly Liability	Monthly housing cost + monthly new debt payment	3297	899.7	820	401.9	1	3527	3.3	1.3
Other	Number of childhood years that parents owned home	3016	15.3	18	4.4	0	18	1.3	-1.6
Interim	Length of interim between origination and baseline (yrs)	3597	1.4	1.3	0.6	0.1	3.2	-0.4	0.4
<b>Follow-up Variables</b>									
Savings/Assets	Amount saved in previous twelve months	1453	3242.7	2000	3944.5	0	40000	22.4	3.8
	Amount of assets available	2200	5869.4	2000	12912.2	0	200000	88.1	7.7
Money/Debt	Credit card balance	1968	4130.5	2000	6033.3	0	60000	18.6	3.5
	Number of major financial emergencies	1010	1.9	1	1.4	1	10	10.7	2.7
Interim	Length of interim between baseline and follow-up (yrs)	2563	1.4	1.3	0.5	0.3	3.8	1.3	1.2

Sample Size: Baseline n=3,690; Follow-up n=2,571

<sup>3</sup> Includes only individuals with some positive new debt.

**Exhibit 5.A: Categorical Variables for CAP Panel and AHS Panel: Frequencies and Percentages**

Variable Group	Variable Name	Value	Wave-1		Wave-2		U.S. Households (AHS)	
			N	%	N	%	2001 (%)	2003 (%)
Demographics	Sex	Male	1347	52.4			53.0	53.1
		Female	1224	47.6			47.0	47.0
	Race	White	1590	62.3			63.3	65.4
		Black	507	19.9			19.0	17.9
		Hispanic	364	14.3			11.3	11.0
		Other	92	3.6			6.4	5.8
	Highest level of education attained	11th grade or less	182	7.1			19.9	19.4
		High school graduate/GED	512	20.1			33.2	33.5
		Some trade school/college	773	29.9			21.8	21.5
		2 year degree	405	15.9			7.3	7.9
		Bachelor's degree	504	19.8			12.2	12.1
		Graduate/professional degree	183	7.2			5.6	5.7
	Householder age	30 years or younger	1429	39.0			9.6	-
		31-40	1214	33.1			22.7	-
		41 years or older	1021	27.9			67.7	-
	Income	Less than \$10,000	24	1.0	34	1.4	10.1	8.9
		\$10,000-\$14,999	48	2.0	55	2.3	7.4	5.7
		\$15,000-\$19,999	167	6.8	126	5.2	10.4	7.0
		\$20,000-\$24,999	283	11.5	232	9.6	13.7	8.6
		\$25,000-\$34,999	722	29.3	630	26.2	31.5	19.0
		\$35,000-\$49,999	828	33.6	726	30.2	20.1	20.1
		\$50,000-\$74,999	322	13.1	471	19.6	6.1	16.6
		\$75,000 or more	73	3.0	133	5.5	0.6	14.1
	Marital status	Living with unmarried partner	291	11.4	235	9.2	.	.
		Married	1176	46.0	1306	51.0	48.7	50.0
		Widowed	38	1.5	52	2.0	7.1	7.6
		Divorced	421	16.5	384	15.0	24.4	24.5
		Separated	50	2.0	55	2.1	3.6	2.9
		Never married	581	22.6	528	20.6	16.2	15.0

Sample Size: Panel n=2,571

Variable Group	Variable Name	Value	Wave-1		Wave-2		U.S. Households (AHS)	
			N	%	N	%	2001 (%)	2003 (%)
Household Composition	Total number of household members	One	551	21.6	509	19.8	26.1	25.4
		Two	749	29.3	738	28.7	28.5	28.7
		Three	528	20.7	549	21.4	17.7	17.8
		Four	390	15.3	419	16.3	15.5	14.9
		Five or more	339	13.3	352	13.7	12.3	13.3
	Number of children (age<18) in household <sup>1</sup>					57.1	58.6	
		Zero	1313	57.4	1182	51.6		
		One	470	20.6	517	22.6	18.9	19.0
		Two	331	14.5	383	16.7	15.9	14.8
		Three or more	154	7.6	208	9.1	8.1	7.7
Location	Rural household	Rural	602	23.4			25.3	-
Employment Variables	Employment status	Employed	2393	93.1	2372	92.3	67.9	64.7
		Unemployed	154	5.0	159	6.1	30.5	33.7
		Retired	24	0.9	38	1.5	0.4	1.7
Neighborhood Quality	Overall neighborhood quality <sup>2</sup>	Very high	480	18.7	385	15.0	41.5	42.7
		High	1180	46.1	1375	53.6	40.1	39.4
		Neither high nor low	820	32.0	739	28.8	13.4	13.5
		Low	74	2.9	62	2.4	3.0	2.8
		Very low	7	0.3	6	0.2	1.9	1.5

Sample Size: Panel n=2,571

<sup>1</sup> The number of children is defined as the total number of individuals under age 18 in the household, regardless of relationship to the respondent. This contrasts with the relationship to respondent question in which 'child' refers to the biological or legal children of the respondent regardless of age.

<sup>2</sup> The values indicated by the respondent are somewhat different between surveys. The CAP survey provides responses from 'very high' to 'very low,' as shown in the value column, but the AHS survey asks respondents to rate their neighborhood on a scale from 1 to 10. The frequencies shown assign 9 or 10 to 'very high', 7 or 8 to 'high', etc...

## EXHIBIT 5.B COMMENTS TO TABLE 5 REGARDING AHS DATA

The national American Housing Survey (AHS) is conducted by the Census Bureau every two years, in odd-numbered years. The national survey gathers information from about 55,000 housing units and asks questions about the quality of housing in the United States. In gathering information, Census Bureau interviewers visit or telephone the household occupying each housing unit in the sample.

We drew our sample from the 2001 survey. We excluded homeowners aged over 65 years. We included all remaining households with income at or below 80% of AMI. We also included all minority households with income at or below 120% of AMI. Because we could not determine census tract, we were unable to identify AHS households meeting the third criteria for inclusion in the CAP program (non-minority borrowers with income over 80% of AMI to 120% AMI provided they are purchasing in a high-minority or low-income census tract; as noted, these make up a relatively small portion—less than 10%—of all CAP loans).

The resulting sample contained 4,343 households. We identified those same households in the 2003 AHS survey results as well. Using these two data points allows us to treat the AHS sample as a panel and to compare changes in the AHS group to the CAP group over a roughly similar time period.

We used the weighted AHS survey results because we wanted to compare the CAP panel to a national group of like-income homeowners. Still, in some fundamental ways, the AHS sample is quite different from the CAP panel:

First, the AHS and CAP panels differ substantially in householder's age. The householders in the AHS sample are much older than those in our CAP panel. About two-thirds of AHS homeowners were at least 41 years old, compared to 28% in our sample.

Second, the AHS sample includes individuals at all stages of homeownership, whereas CAP participants are exclusively *recent* homebuyers. Consequently, the AHS respondents have been in their current residence for a much longer period. While all CAP panelists acquired their current home in 1999 or later, only 19% of the AHS sample had moved into their home since 1999. Another 20% moved there between 1996 and 1998 (in the 3 to 5 years preceding 2001), 22% moved in between 1991 and 1995, and a full 39% has lived in their current residence since before 1991 (more than ten years at the time of the survey). There are only about 800 AHS panelists who have lived in their home only since 1999 and meet the income criteria of CAP.

Likewise, more than 90% of CAP borrowers are employed, compared to only 65 to 70% of AHS borrowers. This difference may be attributable in part to how survey questions were phrased. CAP borrowers were asked, "Are you currently working for profit?" while AHS borrowers were asked "whether the householder worked at all last week."

Fourthly, as shown in the body of this paper, the AHS panel includes a substantially larger share of very low-income respondents (income less than \$10,000). Over 68% of the householders in this category were unemployed in 2001 and thus had very low incomes

that year. (We dropped all AHS records where 2001 income was \$0 or negative.) By 2003, some of those in the AHS panel who were unemployed got new jobs, and many of those had fairly high incomes. In fact, the share of households with an income greater than \$100,000 increased from 0.6% in 2001 to 14.1% in 2003. This shift was much more dramatic than for the CAP panel and suggests that some of the AHS records we categorized as low-income were unemployed people with fairly high earning potential.

In sum, the AHS and CAP samples are similar in terms of gender, racial and ethnic makeup, marital status, number of children, and size of household. On the other hand, rather substantial differences exist in tenure, age, income, employment, and educational attainment.

**Exhibit 6.A: Credit Score Changes for Different CAP Sub-Groups**

<b>Sub-Group</b>	<b>All CAP Borrowers Ever</b>			<b>Active as of Jan.2005</b>				<b>In Original Sample, Active Jan. 2005</b>				<b>In Panel, Active Jan. 2005</b>			
Size	n=38,573			n=15,398 (out of 38,573)				n=1,965 (out of 3,690)				n=1,499 (out of 2,571)			
	At Origination			At Origination			Mean <sup>2</sup> At follow- up	At Origination			Mean <sup>2</sup> At follow- up	At Origination			Mean <sup>2</sup> At follow- up
	N	%	Mean <sup>2</sup> at Origination	N	%	Mean <sup>2</sup> at Origination		N	%	Mean <sup>2</sup> at Origination		N	%	Mean <sup>2</sup> at Origination	
Overall Mean <sup>1</sup>			674			671	649			669	642			672	653
No score or missing	6679	17		3228	21	-	647	781	40	-	655	604	40	-	665
<=580	2717	7	550	963	6	549	557	66	3	554	540	51	3	555	543
581-620	4030	10	603	1613	11	603	574	176	9	603	557	128	9	604	567
621-660	6889	18	641	2912	19	641	610	332	17	641	604	237	16	641	613
661-719	9334	24	688	3492	23	688	664	352	18	688	653	266	18	689	666
>720	8924	23	755	3090	20	755	736	258	13	755	724	213	14	756	728

Note: Follow-up is January 2005

<sup>1</sup> Mean does not include missing or 0 scores

<sup>2</sup> This is the mean score of borrowers in the particular credit score category (at origination).

**Exhibit 7.A Performance of Active Loans between Wave 1 & Wave 2 Surveys**

Performance	No Delinquent		30 Days Delinquent		60 Days Delinquent		90 Days Delinquent		All	
	N	%	N	%	N	%	N	%	N	%
Active Loans	1804	83.0	236	10.9	62	2.9	71	3.3	2173	100
<b>First-time Buyer</b>										
Yes	583	82.0	78	11.0	21	3.0	29	4.1	711	100
No	769	80.4	113	11.8	34	3.6	41	4.3	957	100
ALL	1352	81.1	191	11.5	55	3.3	70	4.2	1668	100
<b>Income</b>										
<=50% AMI	519	79.7	82	12.6	22	3.4	28	4.3	651	100
50-80% AMI	767	83.3	95	10.3	33	3.6	26	2.8	921	100
80-120% AMI	118	78.7	18	12.0	2	1.3	12	8.0	150	100
Over 120% AMI	12	70.6	5	29.4	0	0.0	0	0.0	17	100
ALL	1416	81.4	200	11.5	57	3.3	66	3.8	1739	100
<b>Credit Score</b>										
<= 580	38	55.1	14	20.3	8	11.6	9	<b>13.0</b>	69	100
581-620	120	63.5	36	19.0	16	8.5	17	<b>9.0</b>	189	100
621 – 660	294	78.0	48	12.7	19	5.0	16	<b>4.2</b>	377	100
661 – 720	392	86.5	48	10.6	6	1.3	7	<b>1.5</b>	453	100
> 720	369	94.9	18	4.6	0	0.0	2	<b>0.5</b>	389	100
No Score or Missing	591	84.9	72	10.3	13	1.9	20	<b>2.9</b>	696	100
ALL	1804	83.0	236	10.9	62	2.9	71	<b>3.3</b>	2173	100
<b>Borrower age</b>										
<=30	611	81.5	85	11.3	26	3.5	28	3.7	750	100
31-35	199	78.7	33	13.0	9	3.6	12	4.7	253	100
36-40	150	78.5	24	12.6	8	4.2	9	4.7	191	100
40 & over	369	83.9	45	10.2	10	2.3	16	3.6	440	100
ALL	1329	81.3	187	11.4	53	3.2	65	4.0	1634	100
<b>Borrower Race</b>										
African-American	300	69.3	76	17.6	25	5.8	32	7.4	433	100
Hispanic	255	89.8	23	8.1	3	1.1	3	1.1	284	100
White	1078	85.6	115	9.1	32	2.5	34	2.7	1259	100
Other	170	87.6	20	10.3	2	1.0	2	1.0	194	100
Total	1803	83.1	234	10.8	62	2.9	71	3.3	2170	100
<b>Loan-to-Value Ratio</b>										
LTV less than 80%	96	86.5	11	9.9	0	0.0	4	3.6	111	100
LTV 80 – 95%	271	84.2	34	10.6	8	2.5	9	2.8	322	100
LTV 80 – 97%	711	79.1	103	11.5	42	4.7	43	4.8	899	100
LTV more than 97%	526	85.4	67	10.9	8	1.3	15	2.4	616	100

Note: 2173 out of the owner's panel (2571) were active at time of Wave\_1 survey; borrower characteristics were collected at time of origination.

The Kenan Institute's Center for Community Capitalism engages in multi-disciplinary research and outreach activities that explore ways to apply private sector approaches to revitalization of America's distressed communities. The Center's work focuses on techniques that are both effective in building wealth and assets in disadvantaged communities and are sustainable from a business perspective.

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