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Financial and Labor Market Determinants of Mortgage Delinquency Rates: McLean County, IL, 1985-2011

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FINANCIAL AND LABOR MARKET DETERMINANTS OF MORTGAGE DELINQUENCY RATES: MCLEAN COUNTY, IL, 1985-2011

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This study examines the relationship between labor and financial market factors and the mortgage delinquency rate in McLean County, Illinois, between January 1985 and December 2011. The mortgage delinquency rate is defined as the ratio between the number of defaulting mortgages and the number of mortgages issued. The volume of defaulting mortgages is measured through the number of *lis pendens* notices filed with the Recorder's Office. A *lis pendens* notice informs the grantee of a mortgage loan that the grantor's payments are three months overdue. The issuance of this notice starts a foreclosure process. As labor market indicators we consider the number of both employed and unemployed workers, as well as the unemployment rate. As financial market indicators we consider region-specific and national-level interest rates in both fixed (30-year) and variable (1-year adjustable) forms. We employ Ordinary Least Squares regression to model countywide mortgage delinquency activity. Our findings indicate that the delinquency rate is positively related to the volume of unemployed workers in the county and more strongly, to mortgage interest rates.