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## Subordination Agreements in McLean County

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Oral Presentation O7.4

## **SUBORDINATION AGREEMENTS IN MCLEAN COUNTY**

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This study examines the frequency of subordination agreements in the surrounding McLean County from the years 1990-2010. A subordination agreement is a notarized contract between a lender and a debtor to subordinate a first loan from a mortgage or deed of trust to a new loan. This is an important study because it will help banks, businesses, and homeowners observe the trends of subordination agreements in the surrounding local area which may influence future trends. My study will analyze time series data utilizing autoregressive and moving-average (ARMA), and seasonal components to forecast future trends. The data is collected monthly and made available in an online database by the McLean County Recorder's Office. For the series 01:1990 to 12:2010 there are 252 observations that were collected. Over time the data shows a positive trend with a few instances of explosive behavior; the most extreme occurrence begins in late 2001 as subordination agreements soar, peaks in 2003 and extends into early 2004. The maximum number of agreements made in this short outburst was 286 in July 2003. There is also a downturn of subordination agreements just after the financial recession of 2008 indicating a shift in behavior in spending habits.