

DATA PARADE WORTH WATCHING

by [Steve Brown](#)

Parades are funny. People line the streets with their family and friends as they watch floats, bands and horses wander by. The processions have firmly cemented their place at holiday celebrations in towns and cities across America. Community bankers are always seeking data to help with their daily business, so we gathered up recent information to assist in the planning and risk analysis.

- Home values fell to their lowest level in 3Ys during the 1Q and at the fastest pace in 12Ys. Meanwhile, home sales fell to their lowest level in 17Ys, as demand tumbled and inventories skyrocketed. Residential construction lending will remain under strain, so continue to stress test actively and consider raising more capital as a buffer.
- Foreclosure filings more than doubled in the 1Q over the 4Q, as falling home prices and higher payments on adjustable rate loans left homeowners unable to sell or refinance without losing money. Again, stress testing is critical to ensure your shareholders are protected and contingency plans are in place.
- There are 4.5mm homes on the market for sale right now. Underlying demand is 1.2mm homes annually and there are 200k in demolitions and 100k in 2nd home purchases each year. For market prices to stabilize, supply needs to fall to about 3mm. Given the math, it appears that won't happen until the 3Q of 2009.
- Commercial bankruptcy filings climbed 80% in the 1Q, compared to the end of last year. Economic stresses are beginning to take a toll on business customers, so move to understand your customer's business to better prepare.
- Sales of offices, shopping centers and other commercial properties fell nearly 50% in the 1Q, as sellers refused to lower asking prices. The gap between asking prices and selling prices is the widest it has been in 17Ys. Sellers are expected to get more realistic in the latter half of the year as they reallocate monies into other sectors. Understand exposures so you can forecast the impact if this change occurs in coming months.
- Commercial real estate default rates have doubled to nearly 3% at the end of the 1Q, the highest level in 12Ys. Expect things to get worse in the sector in coming months, so taking action now can help protect earnings and performance.
- Average credit card debt per person rose 4.81% in the 1Q, compared to the 4Q. Meanwhile, the percentage of credit card users that were 90 days or more past due surged 32%. People are clearly becoming more strained and leaning more on credit to meet daily needs.
- We have had 5 recessions since 1970. Some would argue this isn't technically a recession, but it sure feels like one. Things began to turn south in December 2007 and the economy is not projected to turn around until mid-2009. If that timeline of 15 to 24 months holds, this would be one of the longest (non-technical) recessions in modern times.

- The Census Bureau reported 2.9% of homes in the country were vacant in the 1Q, excluding rental units. This was the highest level of vacant homes for a quarter in 52Ys. Clearly it will take some time to clear the backlog and get single family construction ramped back up.

- As of the end of the 1Q, 23 states reported budget shortfalls, double the number just 6 months earlier. States where revenues have fallen short of the amount needed to support current services include: AL, AZ, CA, DC, DE, FL, GA, IA, IL, KY, LA, MA, MD, ME, MI, MN, MS, NH, NJ, NV, NY, OH, OK, RI, SC, TN, VA, VT and WI. Banks should check municipal deposit balances and securities exposures to ensure they have a good handle on this shifting risk profile.

Parades can be held for a variety of reasons, but they are usually celebrations. While this data parade may not have accomplished that, we hope it helps in some small way.

BANK NEWS

Kohn on the Economy

Fed Vice Chair Kohn said yesterday that the economy should strengthen in coming months, as recent Fed Fund cuts take affect. In other words, the Fed is on hold for the foreseeable future.

Wamu

Being pushed by institutional shareholders, the Bank's board is rumored to be looking for an outsider to split chairman/CEO duties with long time leader Killinger

Bank Equity

Banking is no longer the largest industry group in the S&P 500, surpassed by technology companies. As of this morning, banking held a 16.19% composition compared to technology at 16.26%.

Ousted

The CEO of Franklin Bank (\$5.8B, TX), Anthony Nocella, stepped down, as accountants uncovered numerous irregularities tied to the booking and sale of residential mortgage origination. The Bank is currently under SEC investigation. Wall Street legend and bank founder, Lewis Ranieri will take over as interim CEO.

Less Branch Activity

Harris Bank reports that due to increased online banking traffic, remote deposit capture and imaged ATMs, branch traffic is down 5% on a year-over-year basis for 2008.

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