



Illinois Wesleyan University Digital Commons @ IWU

John Wesley Powell Student Research
Conference

2012, 23rd Annual JWP Conference

Apr 14th, 11:00 AM - 12:00 PM

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

Jake Mann

Illinois Wesleyan University

Diego Mendez-Carbajo, Faculty Advisor

Illinois Wesleyan University

Follow this and additional works at: <http://digitalcommons.iwu.edu/jwprc>

Jake Mann and Diego Mendez-Carbajo, Faculty Advisor, "Financial and Labor Market Determinants of Mortgage Delinquency Rates: McLean County, IL, 1985-2011" (April 14, 2012). *John Wesley Powell Student Research Conference*. Paper 2.

<http://digitalcommons.iwu.edu/jwprc/2012/oralpres11/2>

This Event is brought to you for free and open access by The Ames Library, the Andrew W. Mellon Center for Curricular and Faculty Development, the Office of the Provost and the Office of the President. It has been accepted for inclusion in Digital Commons @ IWU by the faculty at Illinois Wesleyan University. For more information, please contact digitalcommons@iwu.edu.

©Copyright is owned by the author of this document.

Oral Presentation O11.2

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

Jake Mann and Diego Mendez-Carbajo*
Economics, Illinois Wesleyan University

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.