

# TRENDS IN DELINQUENCIES AND FORECLOSURES IN ALASKA

April 2009

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# Outline of Presentation



- National Trends

- Rising foreclosures
- House price declines
- Rising unemployment

- Alaska

- Trends in foreclosure
- Housing market softening
- Rising unemployment
- Scale of loan modifications still falls short of need

# National Trends

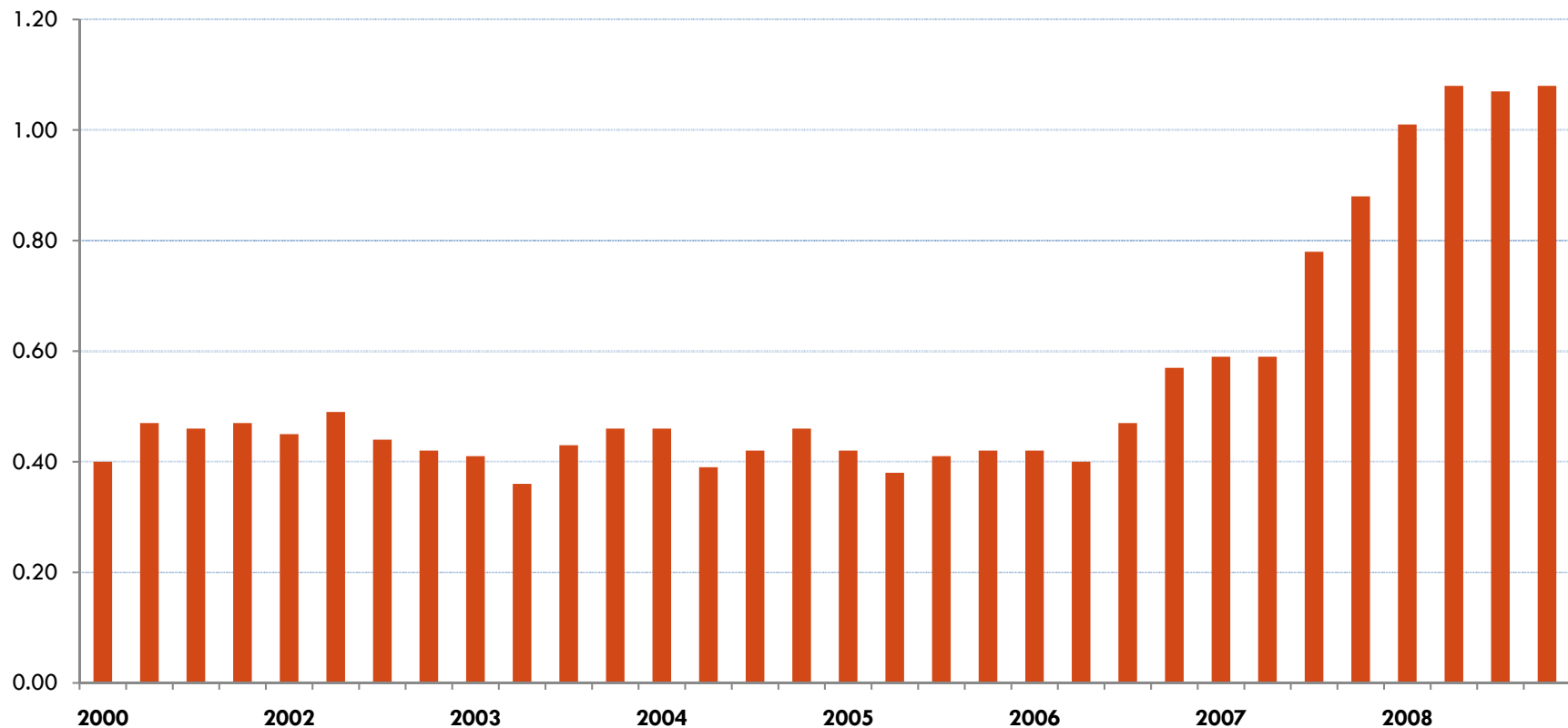
# National Trends



- Foreclosures rose steadily in 2008, with wide repercussions for US economy
  - ▣ After a slight decline in the national foreclosure rate in the 3<sup>rd</sup> Quarter of 2008, rose again in 4<sup>th</sup> Quarter
- Factors driving foreclosures nationally
  - ▣ House price declines
  - ▣ Rising unemployment, coupled with turmoil in financial and credit markets, may further influence foreclosure rate going forward

# National Foreclosure Starts Rose Slightly in 4th Quarter of 2008

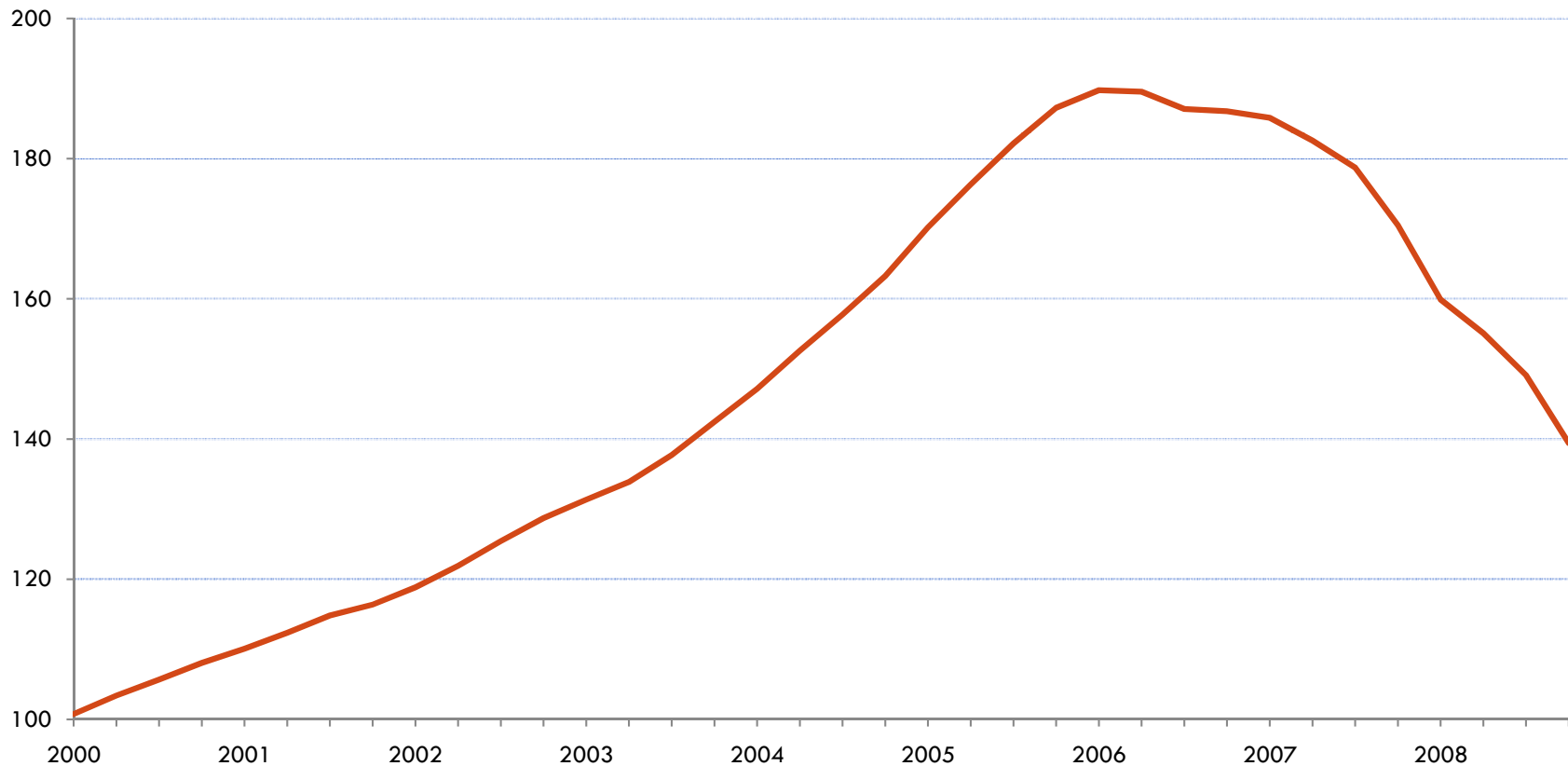
**National Foreclosures Starts**  
Percent of All Loans



Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008

# Nationally, House Prices Continue to Decline

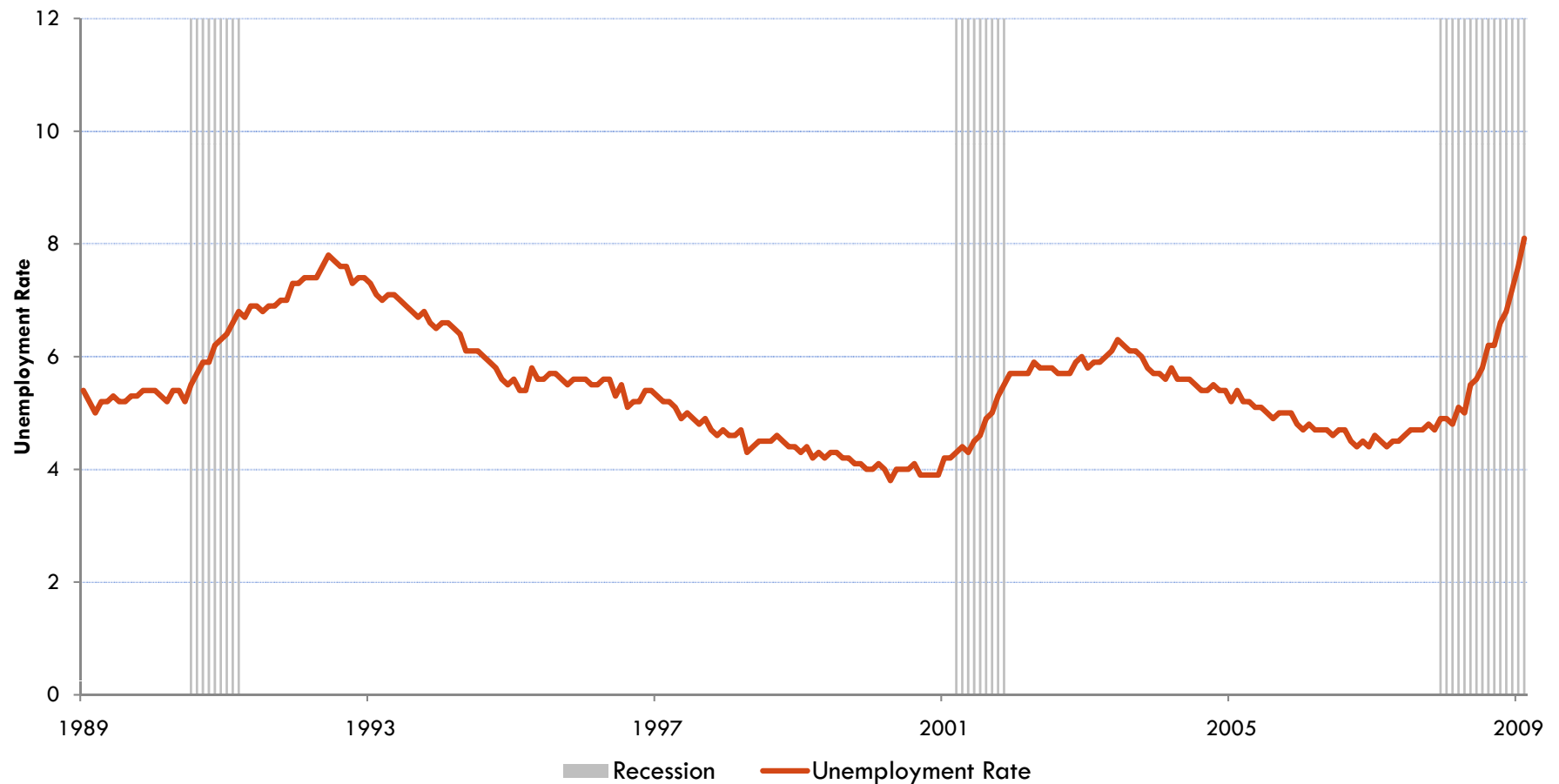
**Case-Shiller National House Price Index**  
(2000 = 100, quarterly)



Source: Case - Shiller Home Price Index, 4<sup>th</sup> Q 2008

# Recession Marks Significant Jump in Unemployment

**U.S. Unemployment Rate**

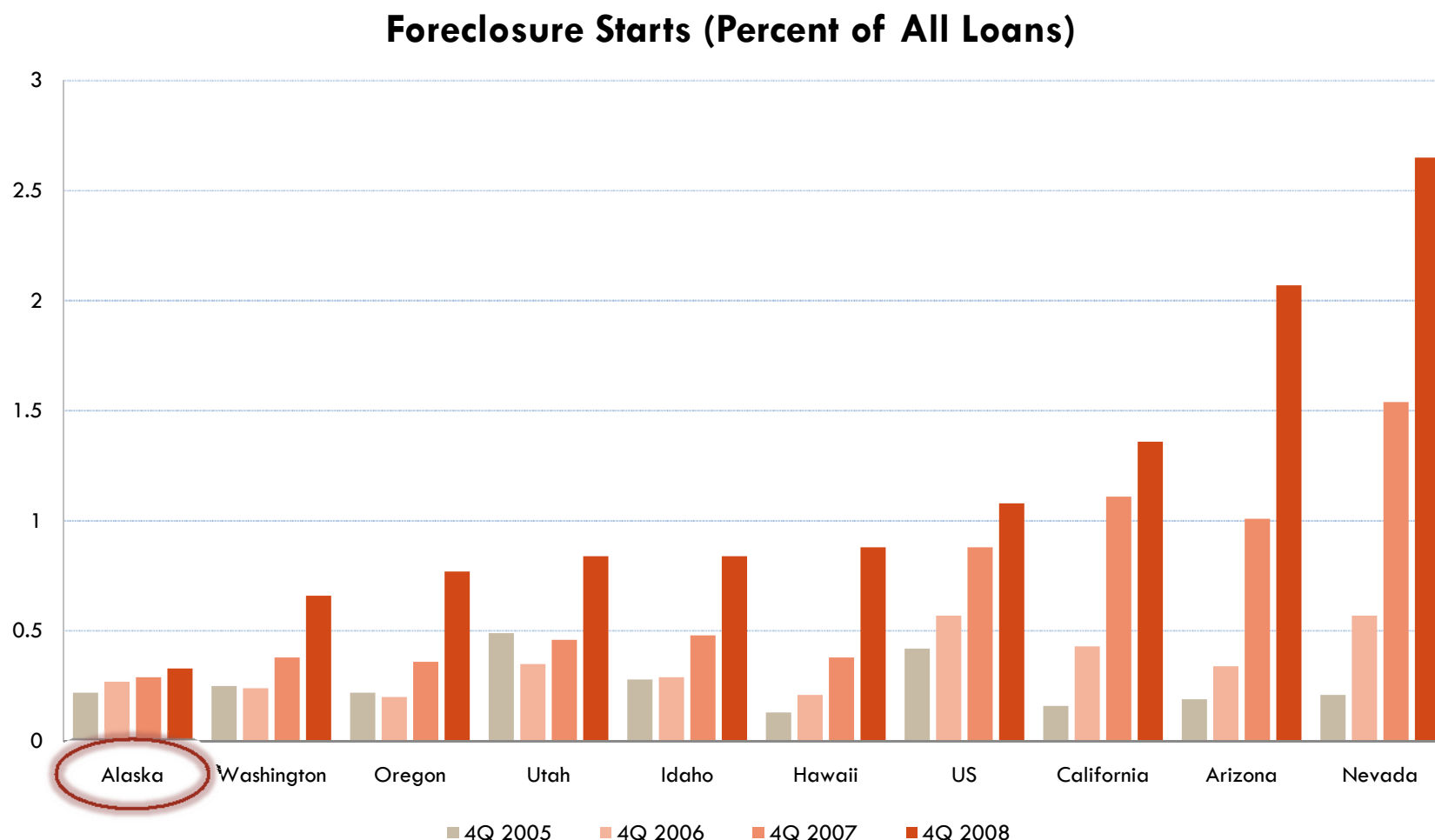


Source: Bureau of Labor Statistics

# Alaska Trends



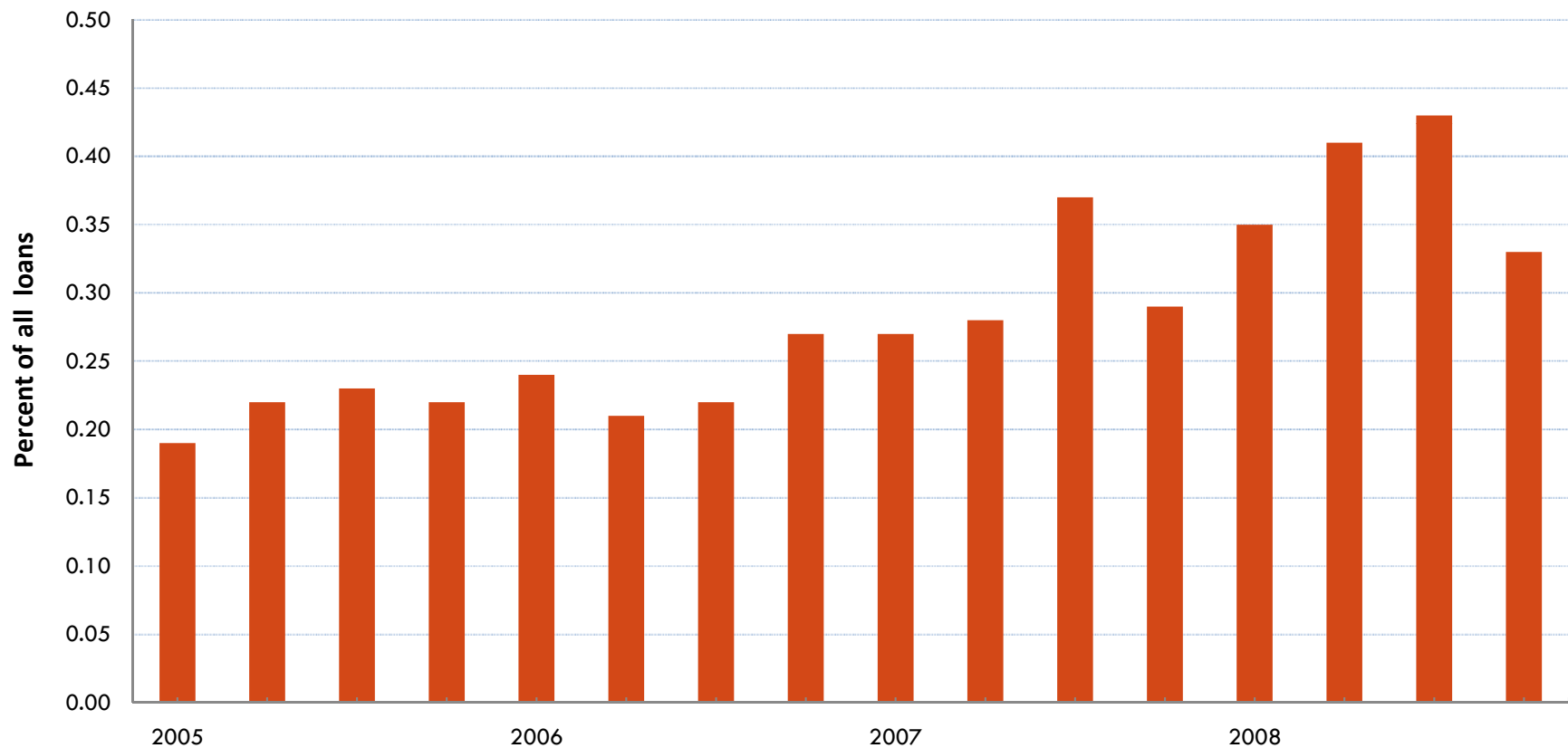
# Foreclosures in Alaska Have Risen, but Still Well Below US Average



Source: Mortgage Bankers Association, National Delinquency Survey, 4<sup>th</sup> Q 2008

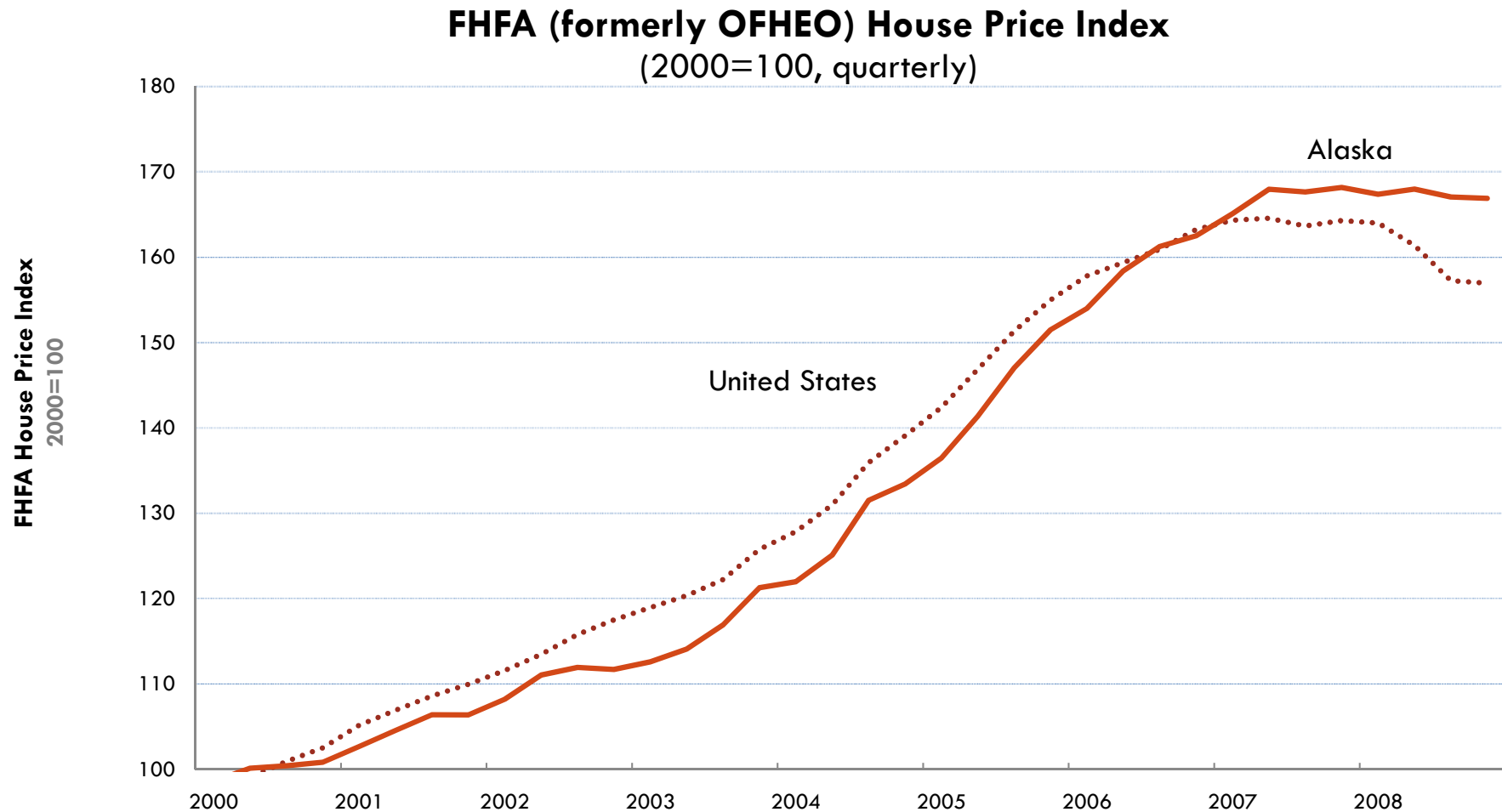
# Alaska Saw a Small Decrease in Foreclosure Starts in 4th Quarter 2008 (4<sup>th</sup> Qtr dip may be due to receipt of Permanent Fund Dividend)

**Alaska Foreclosure Starts  
(Percent of All Loans)**



Source: Mortgage Bankers Association, National Delinquency Survey, 4<sup>th</sup> Q 2008

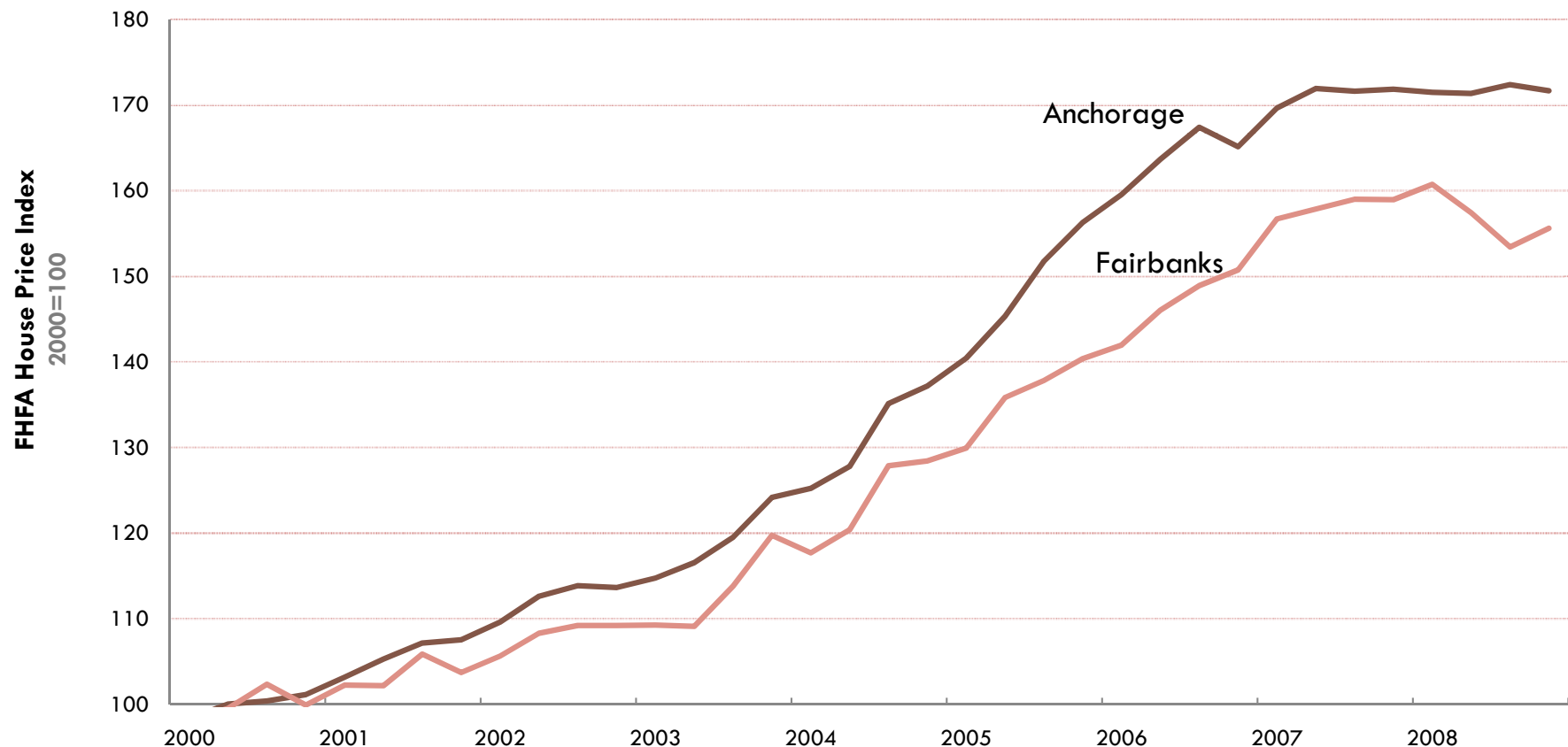
# Alaska's Real Estate Market Has Flattened, but not Declining as Fast as US



Source: Federal Housing Finance Agency (formerly OFHEO), 4<sup>th</sup> Quarter 2008

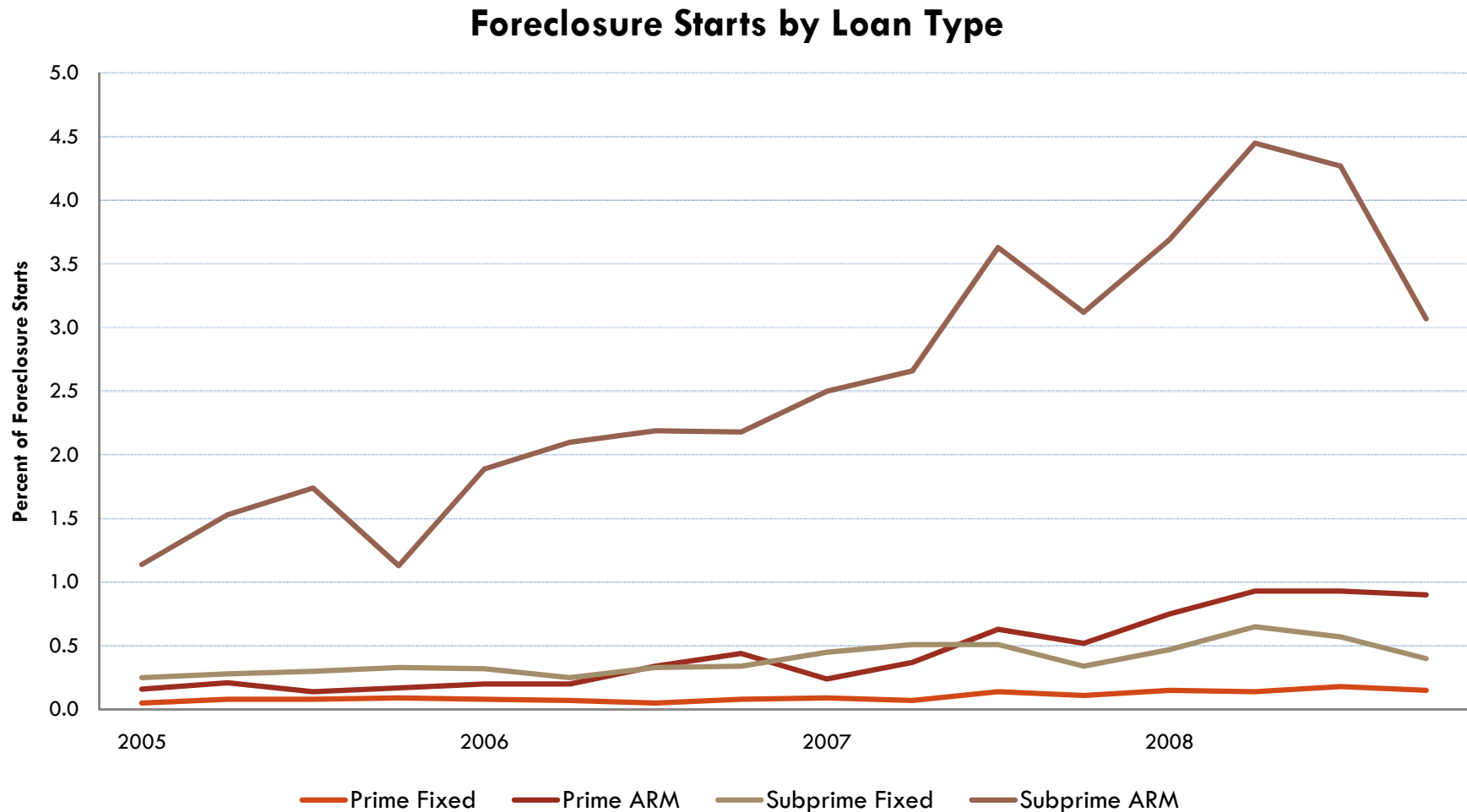
# At Metro Level, Fairbanks Experiencing Greatest Changes in House Prices

**FHFA (formerly OFHEO) House Price Index: Alaska**  
(2000 = 100, quarterly)



Source: Federal Housing Finance Agency (formerly OFHEO), 4<sup>th</sup> Quarter 2008

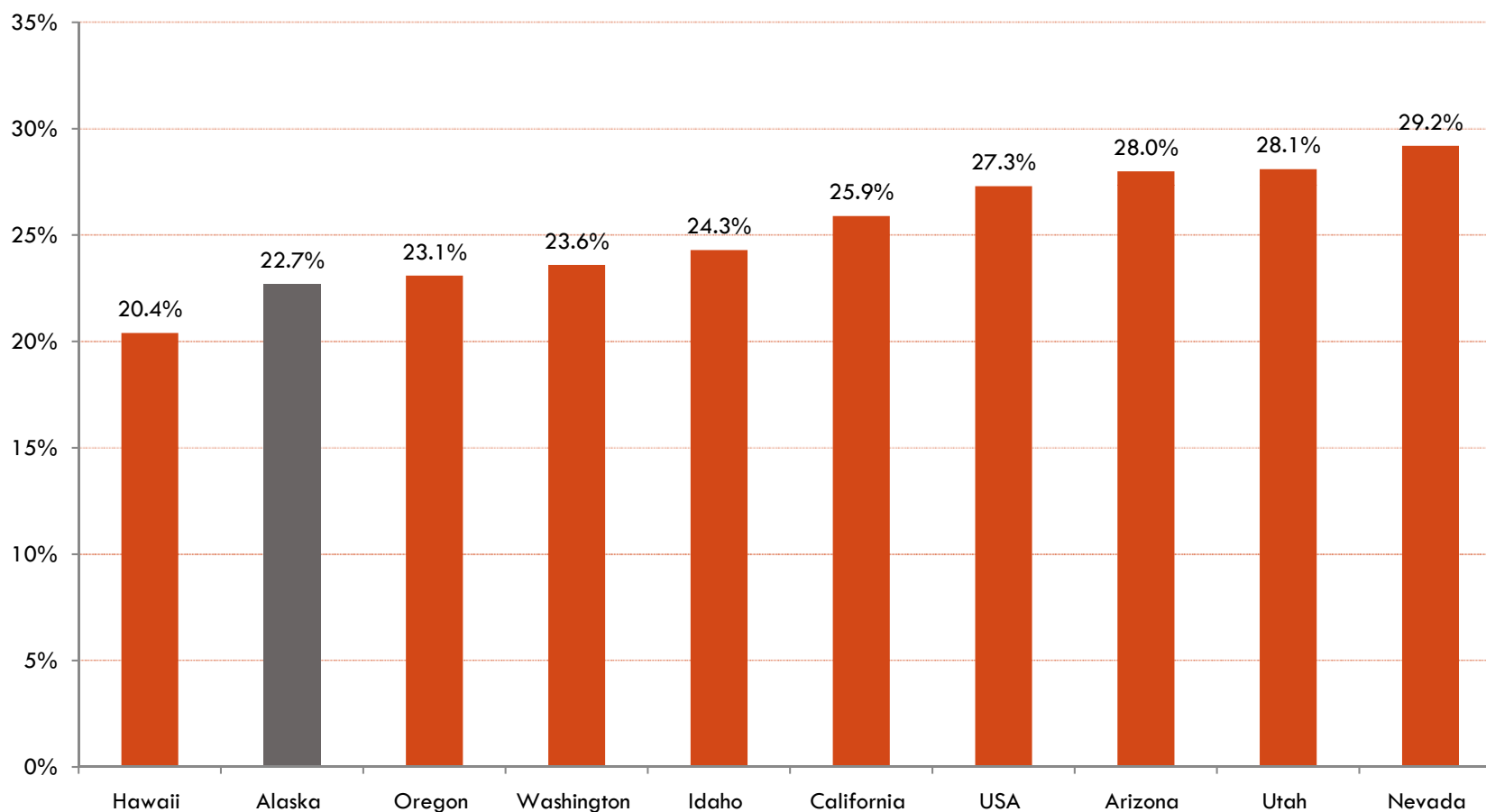
# Alaska's Foreclosures are Concentrated in Subprime ARM Market



Source: Mortgage Bankers Association, National Delinquency Survey, 4<sup>th</sup> Q 2008

# Approximately 1 in 5 Loans in Alaska During Subprime Boom Were High-Cost, Lower Than US Average

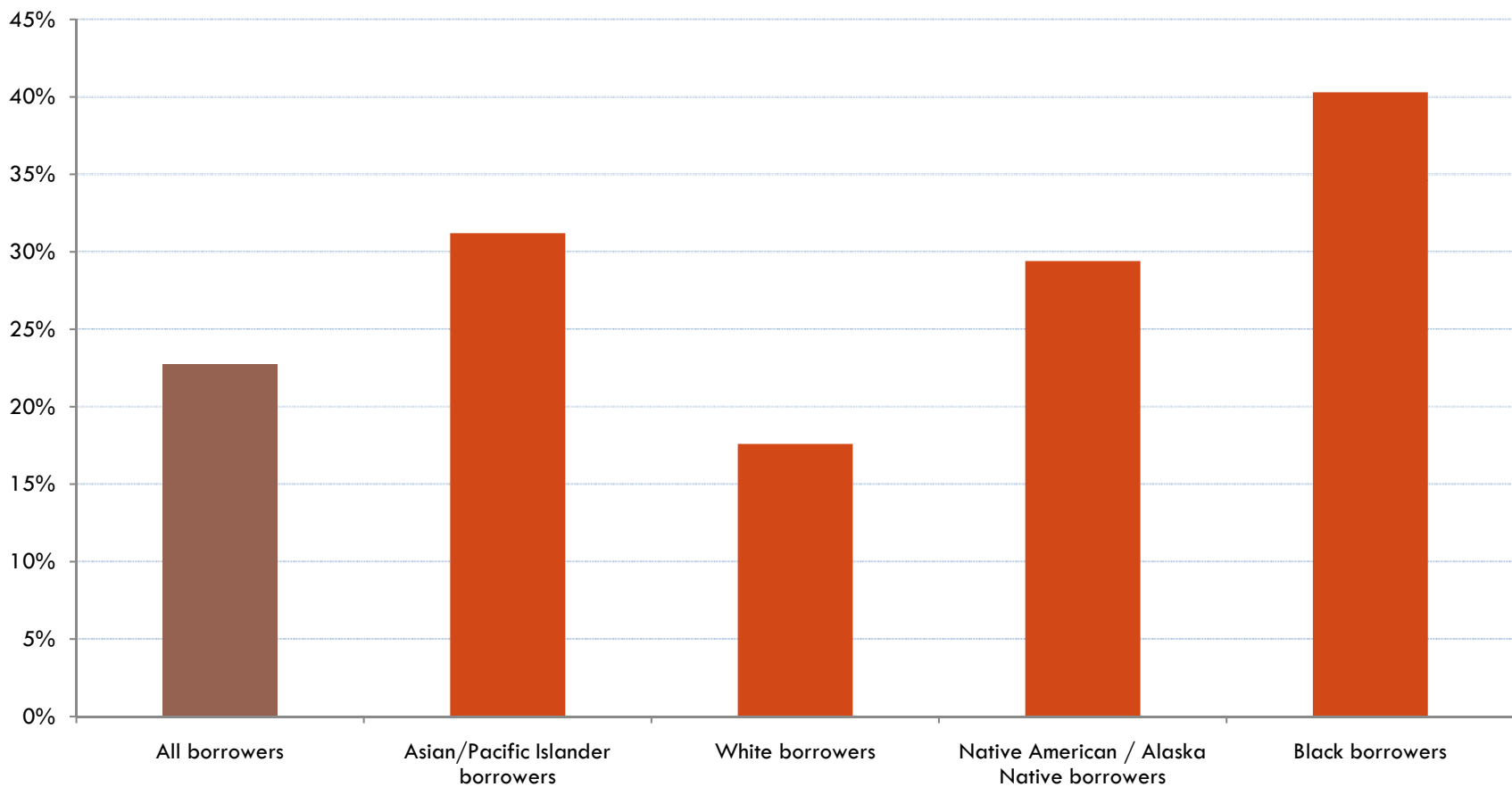
**Percent of All Borrowers with High Interest Conventional Loans, 2005**



Source: Home Mortgage Disclosure Act Data, 2005

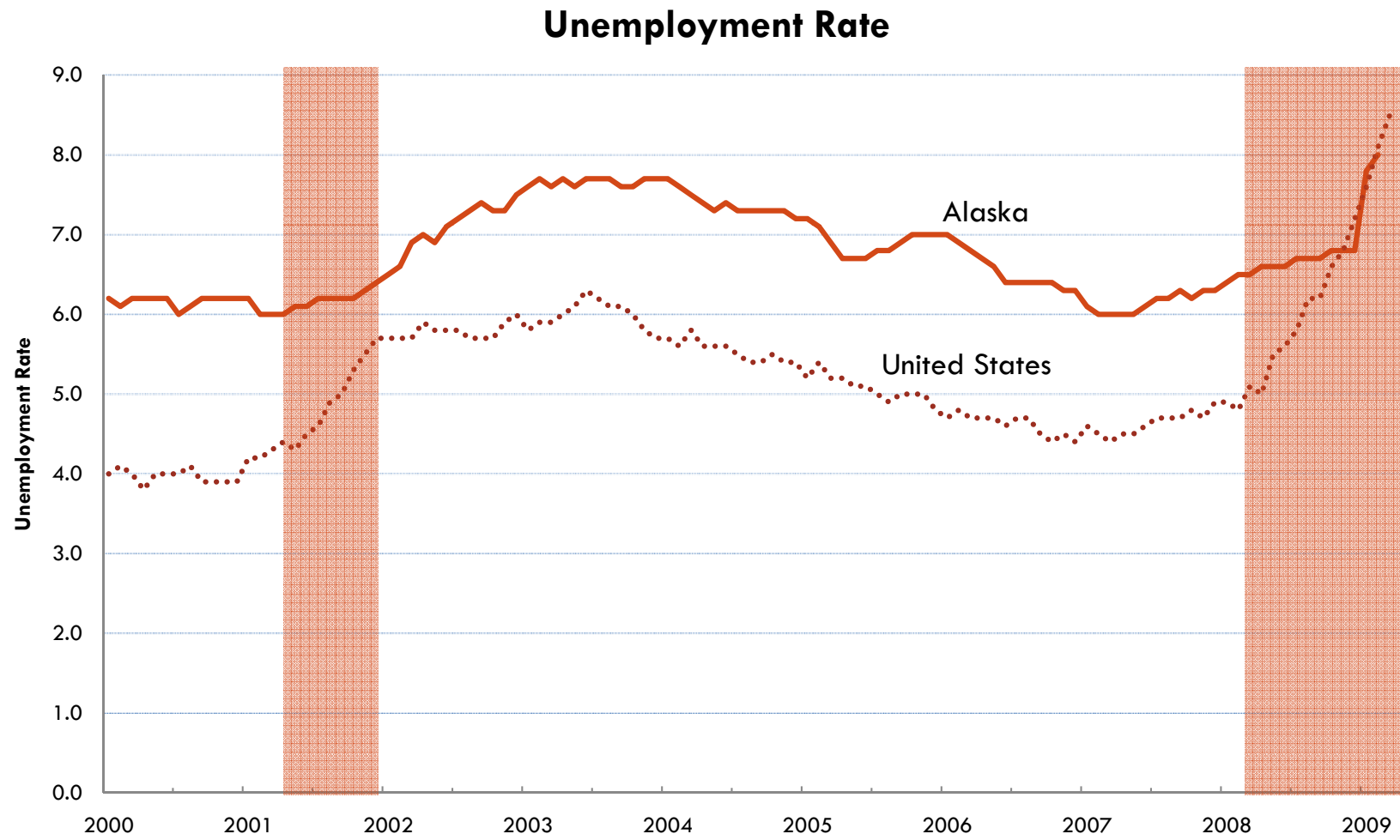
# High Cost Lending in Alaska More Prevalent Among Some Minority Groups

**High Cost Conventional Loans by Race, 2005**



Source: Home Mortgage Disclosure Act Data, 2005

# Unemployment Rate in Alaska is Rising



Source: Bureau of Labor Statistics, March 2009



# Employment Trends by Industry in Alaska

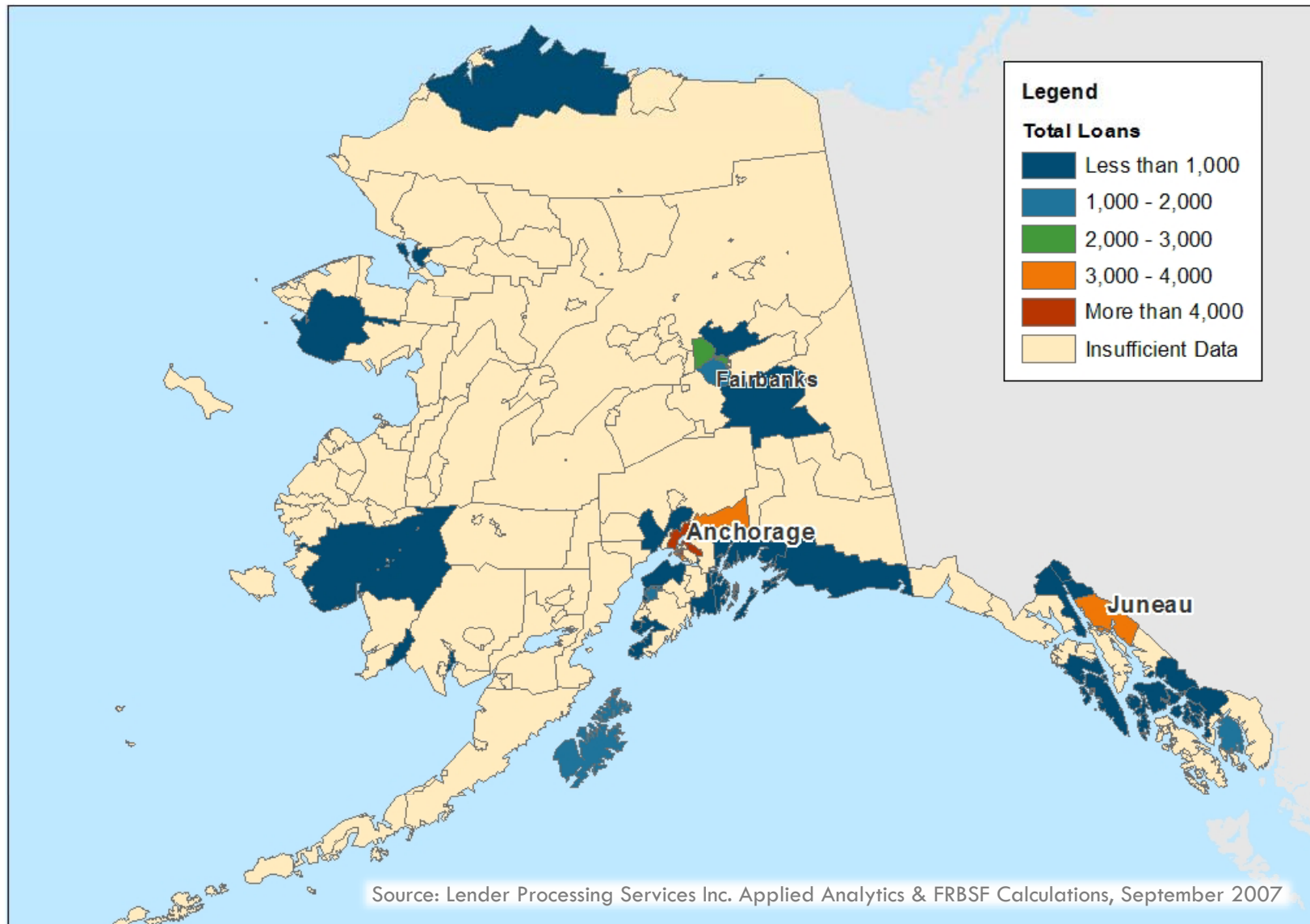
Alaska	Total Employed (thousands)	Percent Change		
	Feb-09	1-mo.*	3-mo.*	12-mo.
Total	323.7	-0.4	-1.1	0.9
Government	83.0	4.4	-1.9	1.1
Trade, Transportation & Utilities	65.4	1.9	1.2	0.8
Educational & Health Svcs.	38.1	3.2	2.1	2.4
Leisure & Hospitality	31.7	-10.7	-1.3	-1.6
Professional & Business Svcs.	25.7	-16.9	0.0	-0.4
Construction	17.4	7.2	7.2	-0.6
Natural Resources & Mining	15.8	-25.9	2.6	6.8
Financial Activities	14.8	8.5	-2.7	-0.7
Manufacturing	13.2	20.1	-25.3	0.0
Other Services	11.4	0.0	-6.7	0.9
Information	7.2	18.3	5.8	2.9

Source: Bureau of Labor Statistics, February 2009, \*Annualized

# Alaska Foreclosure Data Maps

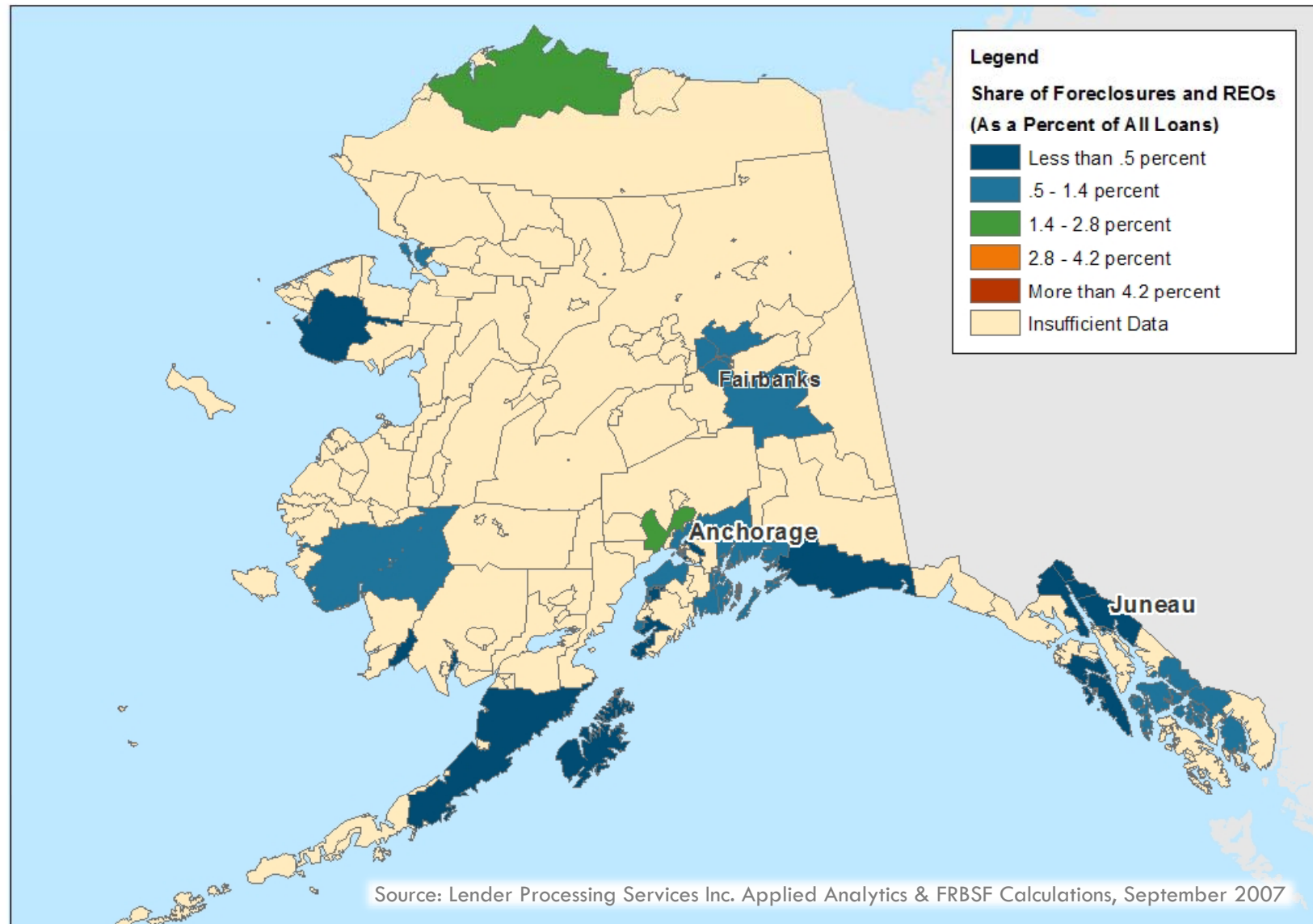
# Distribution of Lending Volumes

September 2007



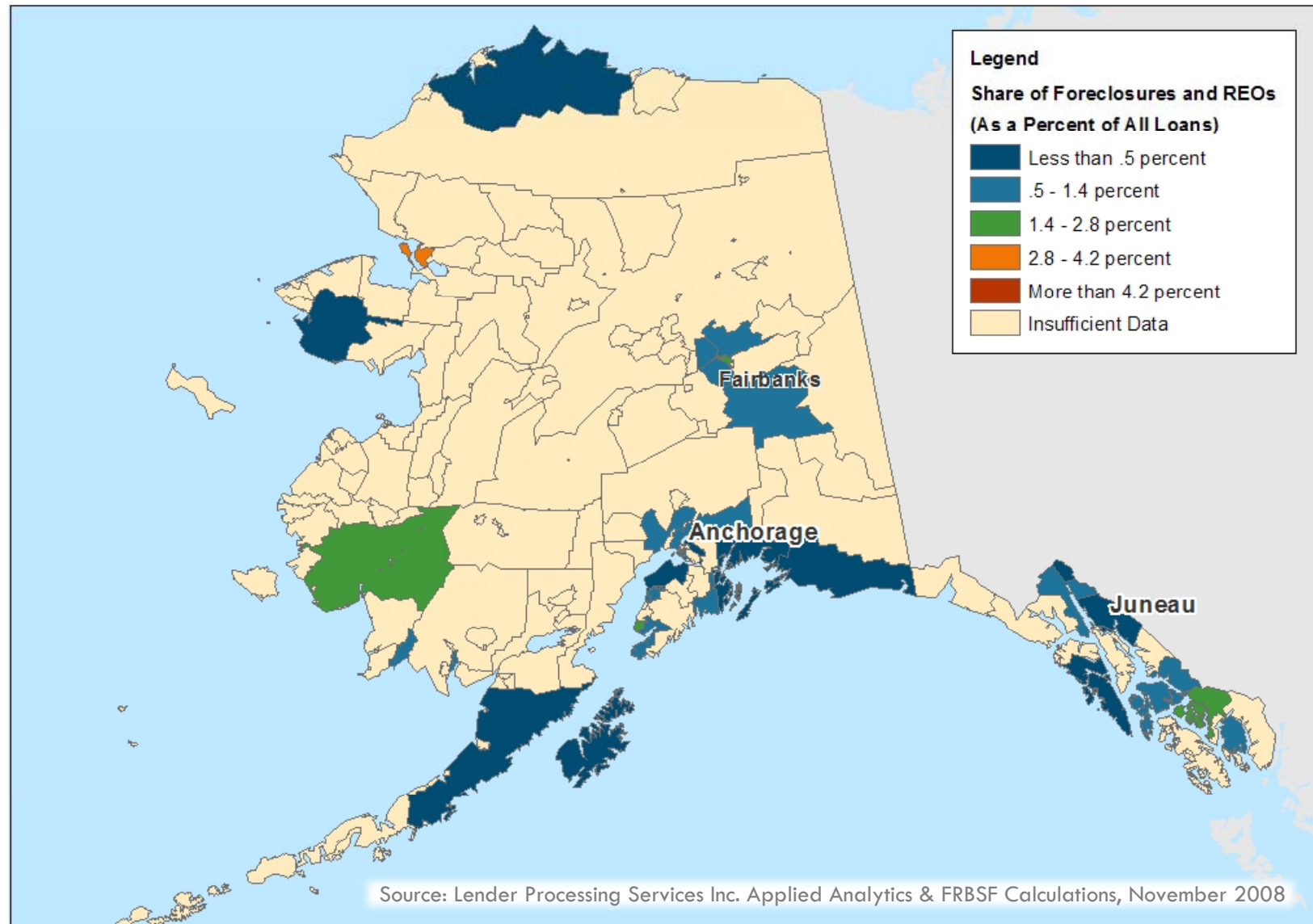
# Areas Affected by Concentrated Foreclosures

September 2007



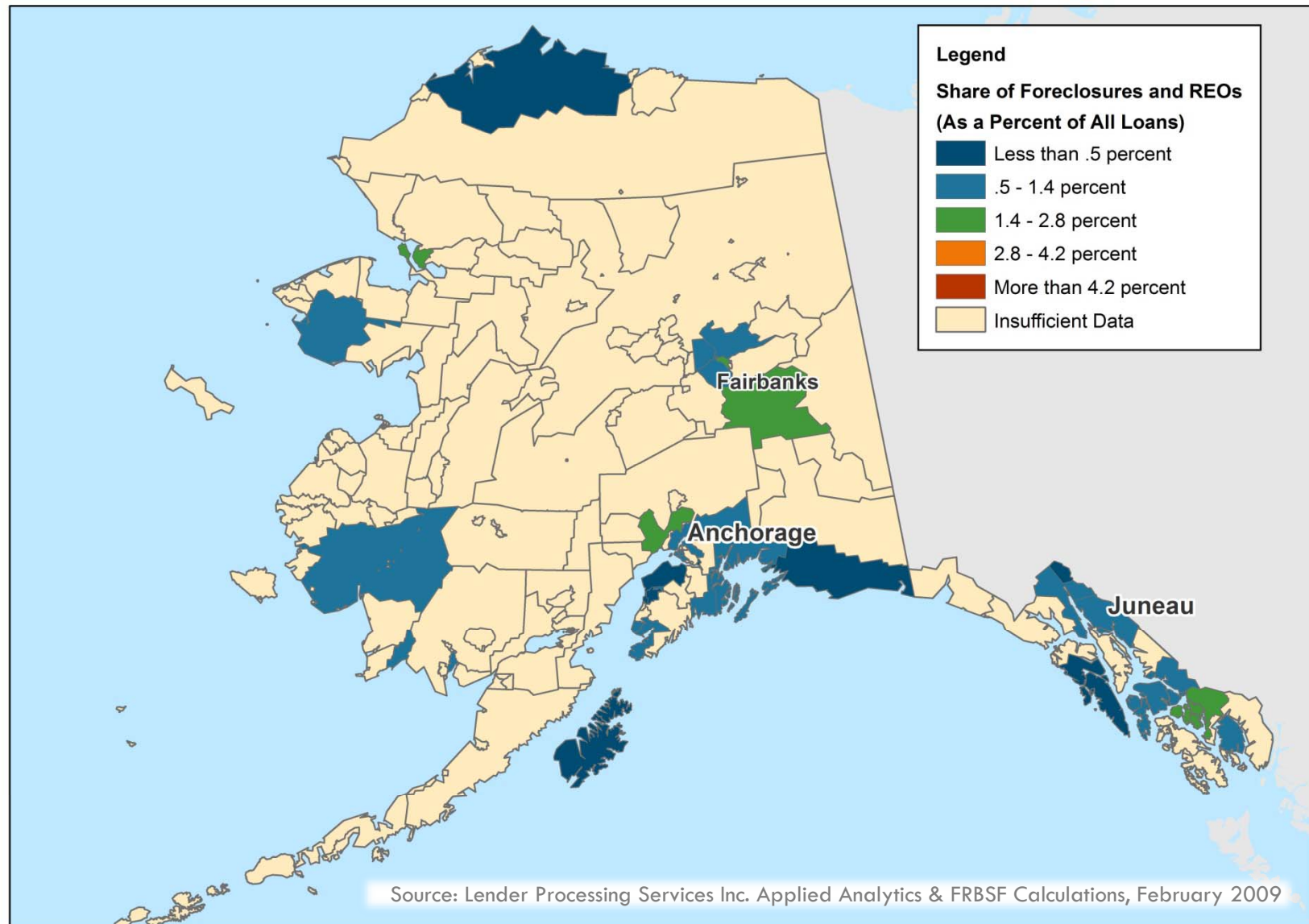
# Areas Affected by Concentrated Foreclosures

November 2008



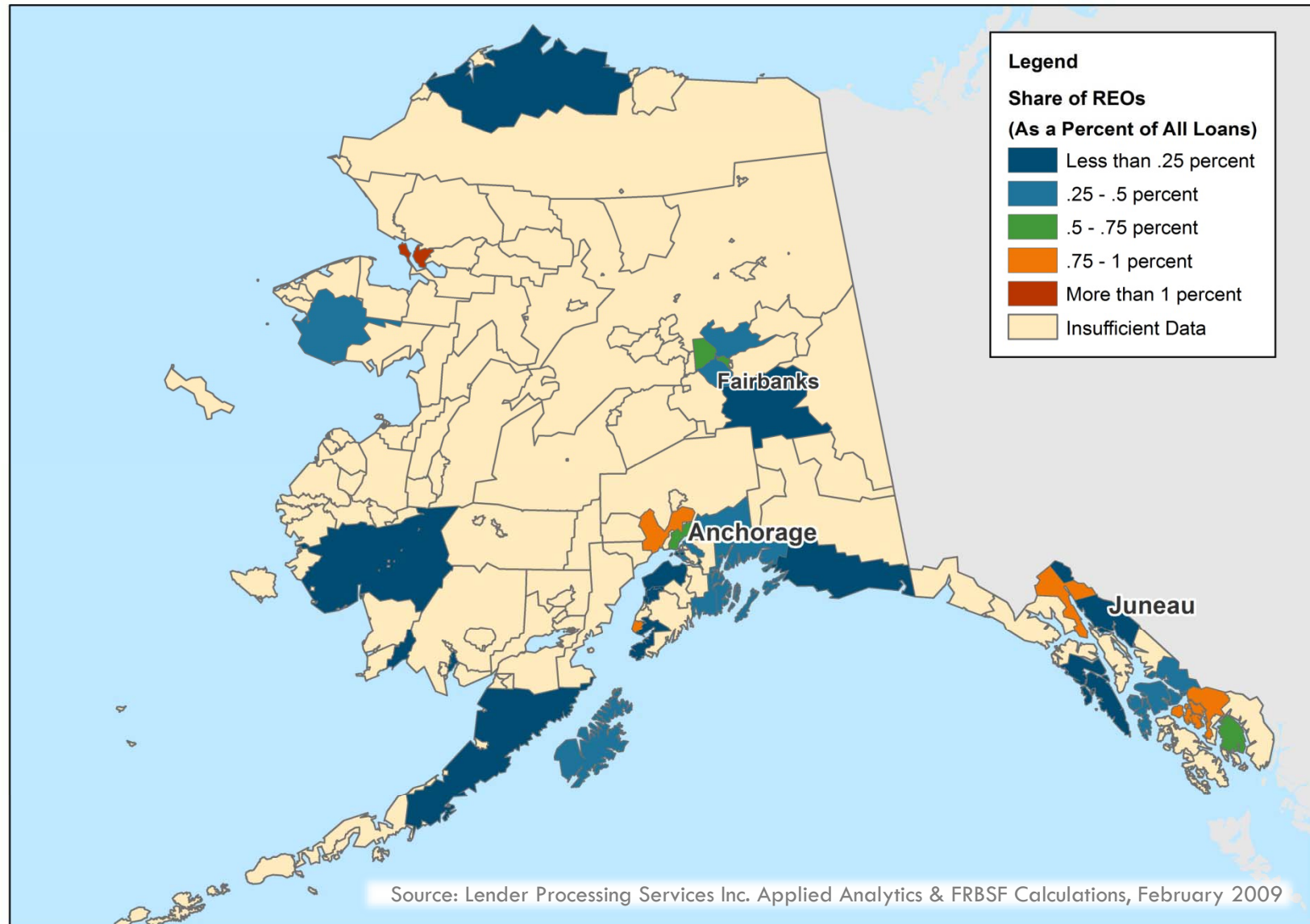
# Areas Affected by Concentrated Foreclosures

February 2009



# Areas with Concentrations of REO Properties

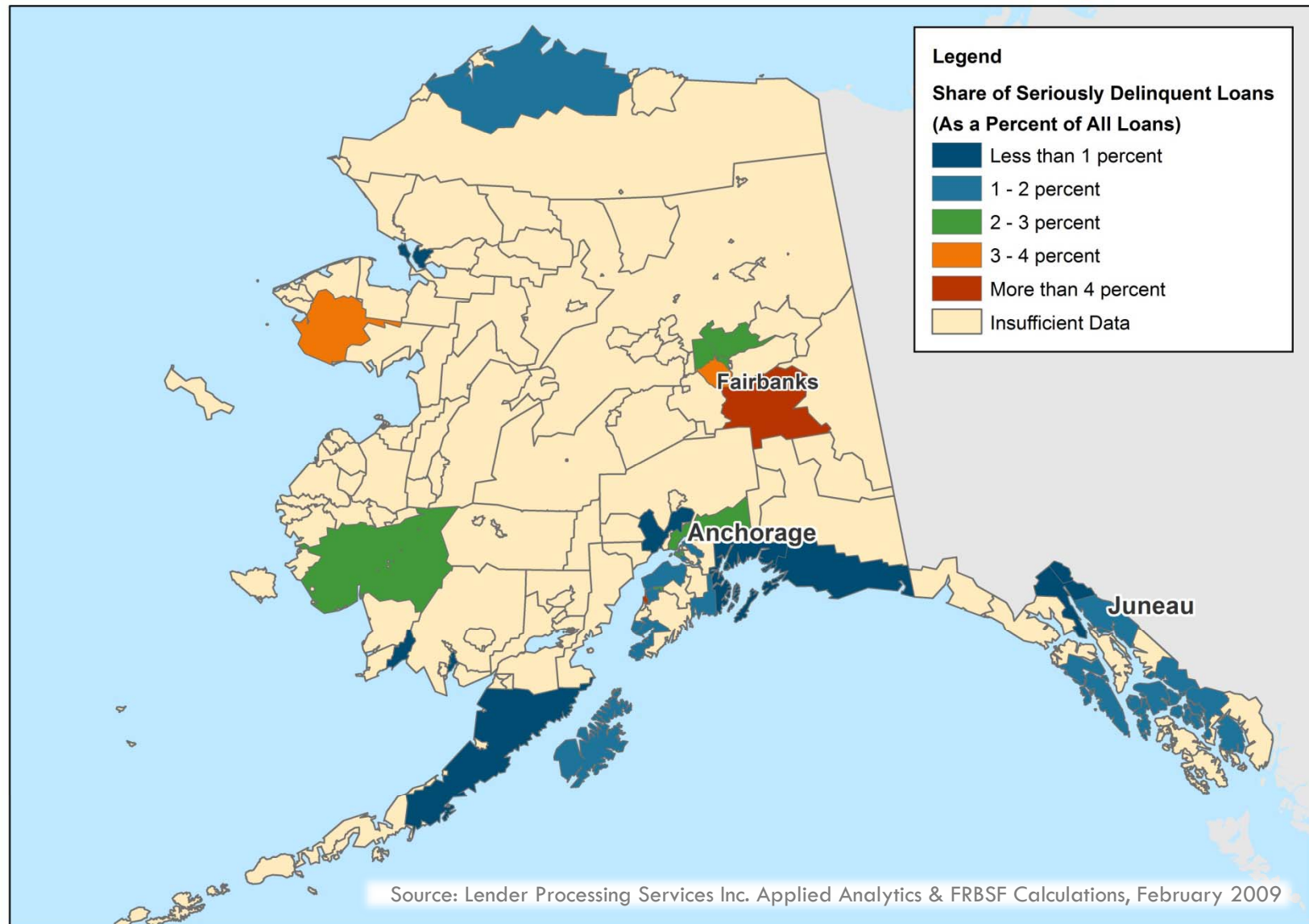
February 2009





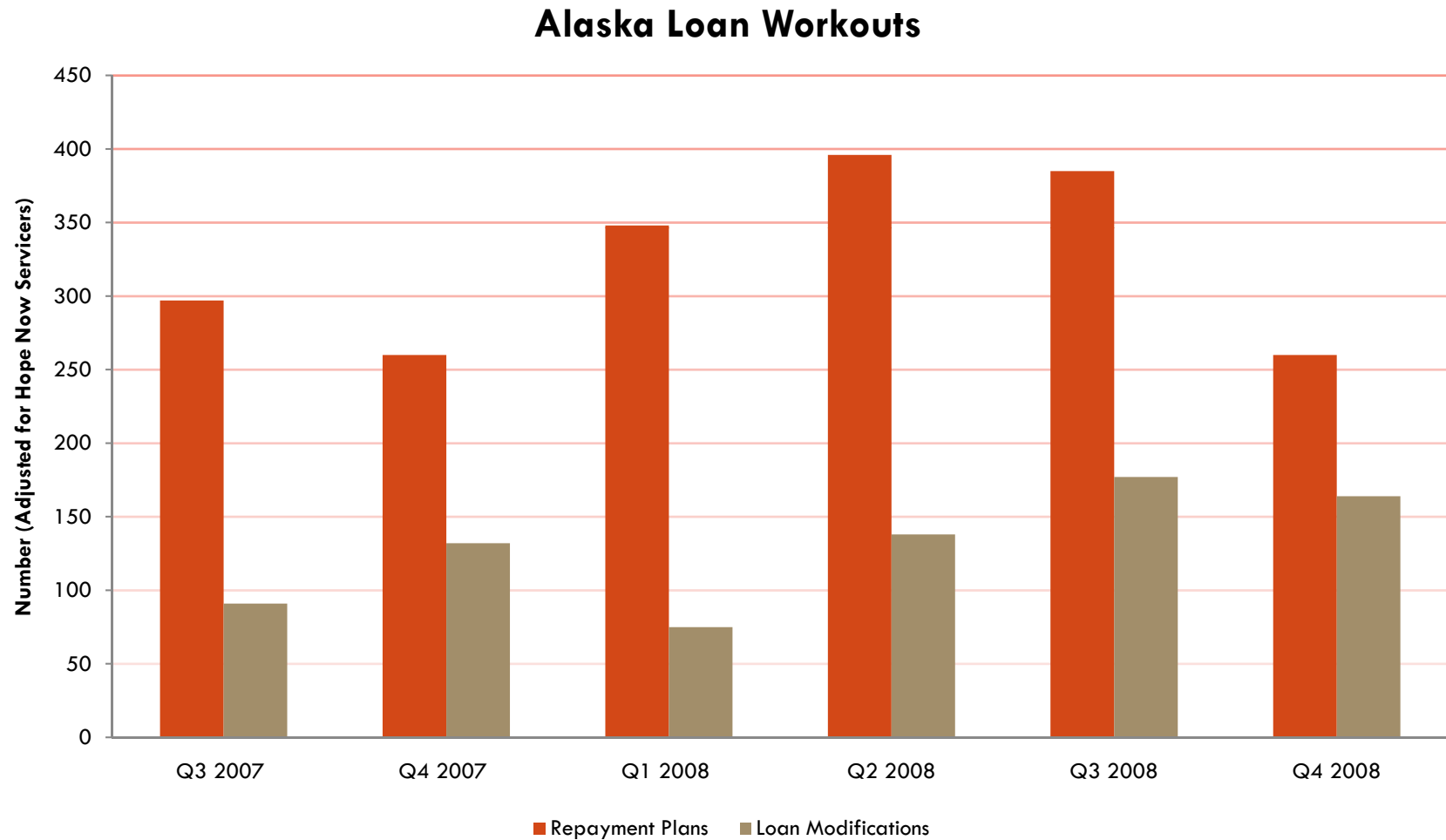
# Areas at Risk of Additional Foreclosures

February 2009



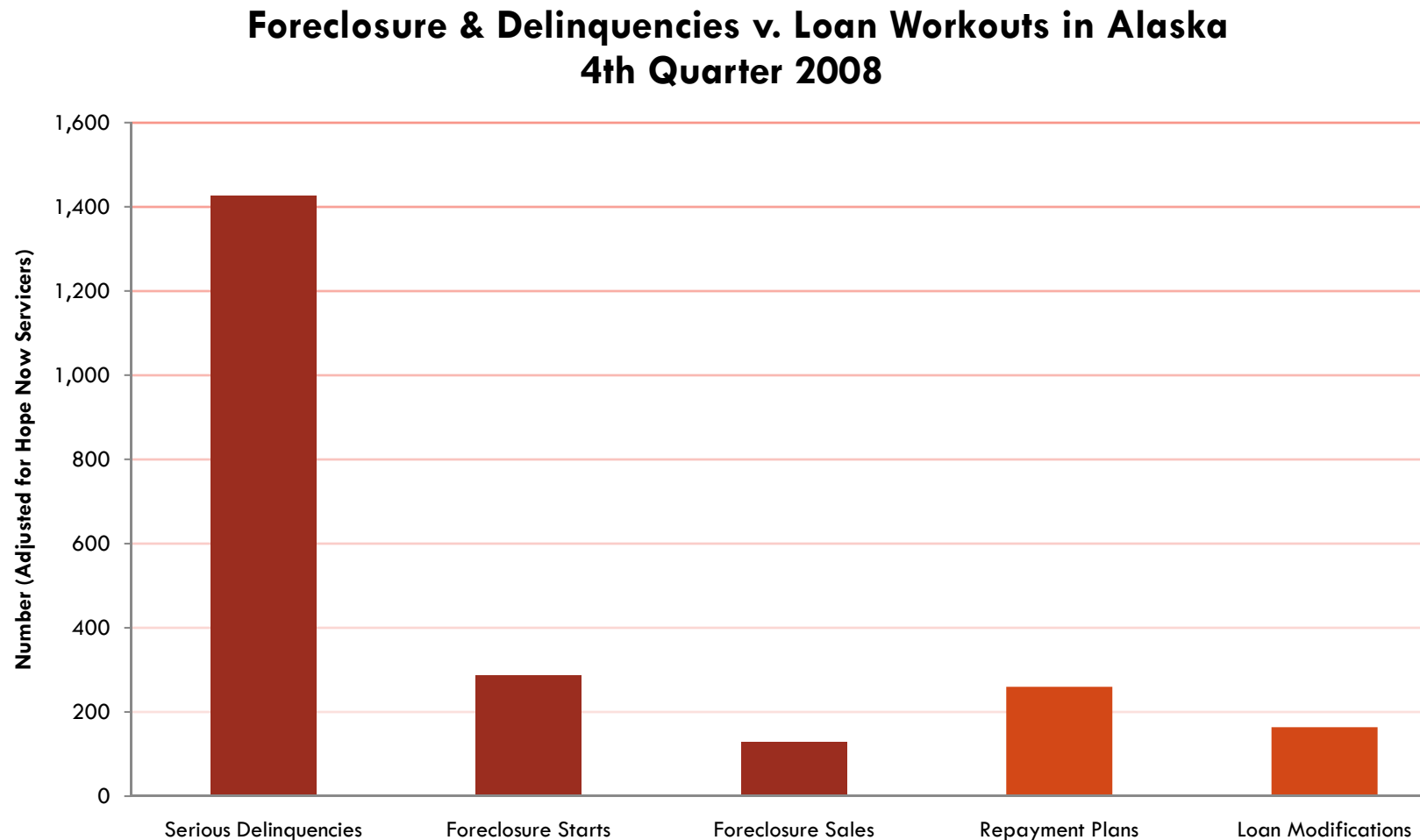


# Loan Modifications as Share of Loan Workouts Have Increased



Source: Hope Now Alliance Servicing Data, 4<sup>th</sup> Quarter 2008

# Yet, Workouts Still Fall Short of Need



Source: Hope Now Alliance Servicing Data, 4<sup>th</sup> Quarter 2008

# So far, Alaska has been Largely Insulated from Foreclosure Crisis



- Concerns that if house prices fall further, it will prompt greater borrower distress and possible foreclosures
  - ▣ Fairbanks area appears to be most vulnerable to these dynamics
- Learning from other efforts to reach distressed borrowers and modify loans now could help to prevent additional foreclosures in Alaska
  - ▣ Added benefit of helping to stabilize neighborhoods and minimize spillover effects on nearby property values

# Conclusions

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- Multi-pronged strategy is needed to stem foreclosure crisis
- Foreclosure prevention efforts are critical
  - Foreclosure Prevention: Borrower Outreach, Refinance and Loan Modification (including principal reduction)
    - Reaching these borrowers now may help to prevent unnecessary foreclosures
    - Encourage borrowers to contact the Hope Hotline by calling (888) 995-HOPE or visiting [www.995hope.org](http://www.995hope.org)

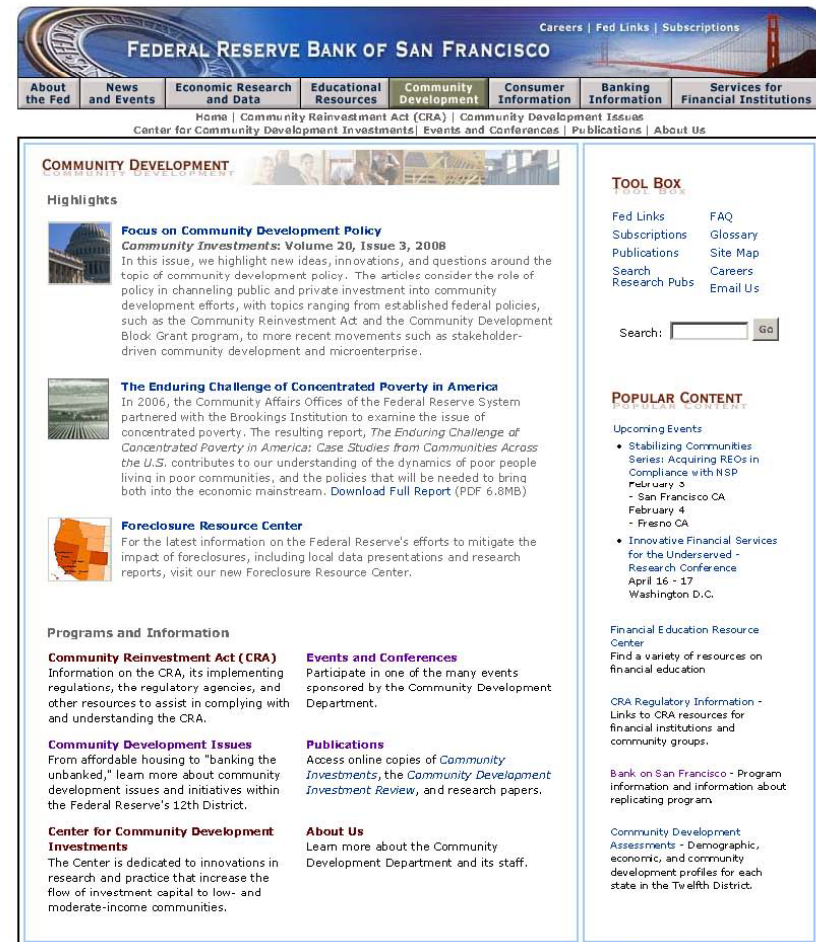
# Conclusions



- ❑ Other strategies that can help to mitigate the negative impacts of foreclosure on families and neighborhoods
  - ❑ Addressing vacant properties: ensuring that servicers maintain properties
  - ❑ REO property disposition: return REO properties into productive use, affordable housing
  - ❑ Ensuring continued access to credit and homeownership: credit repair, financial education, responsible lending

# For More Information: FRBSF Community Development Website

- Links to other resources and research on foreclosure trends and mitigation strategies
- All publications, presentations available on our website
- Conference materials also posted shortly after events



<http://www.frbsf.org/community/>