TRENDS IN DELINQUENCIES AND FORECLOSURES IN ARIZONA

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Outline of Presentation

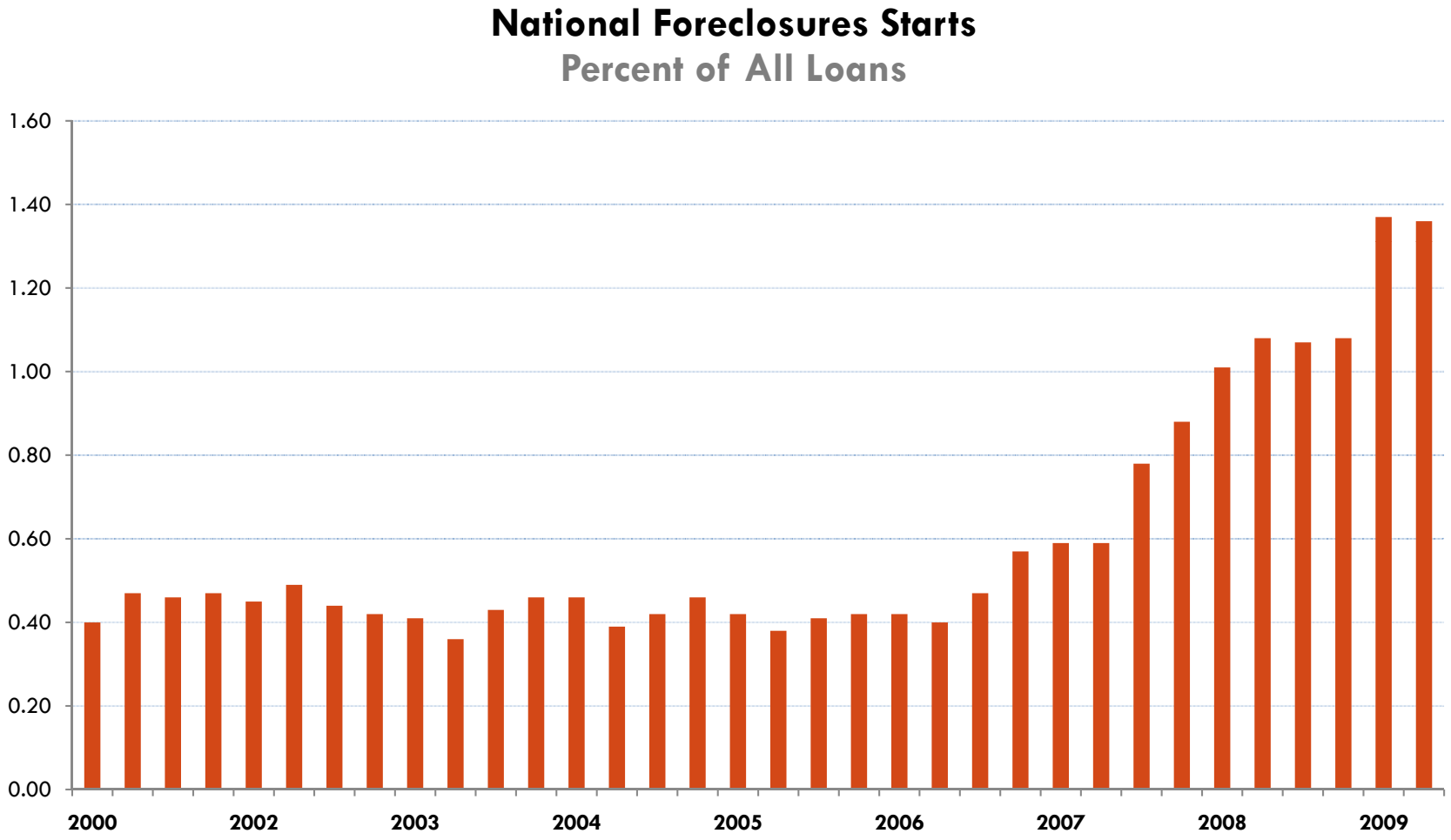
- National Trends
  - Recession and turmoil in financial markets has had broad repercussions, especially for lower-income households
    - Signs of stabilization in financial markets and consumer spending
- Arizona
  - Rising unemployment across broad range of sectors
    - Ongoing weakness in the labor market may continue to push up foreclosures and poses risks to the recovery of the housing sector
  - Trends in foreclosures
    - Arizona continues to see high foreclosure rate
  - Housing market continues its downward trend

National Trends

Weakness in Labor Market Grave Concern

Source: Bureau of Labor Statistics

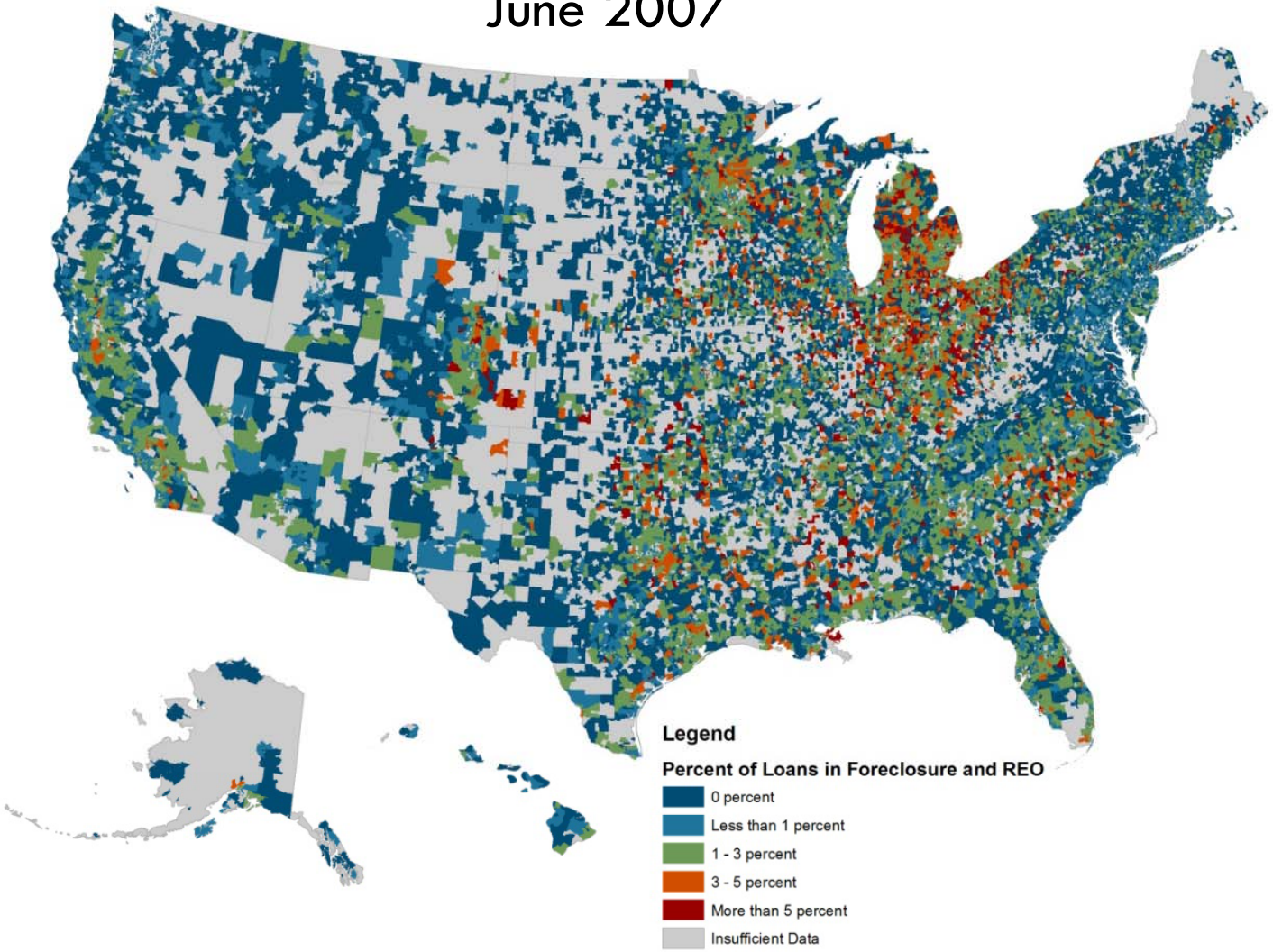
National Foreclosure Starts Rose Sharply in 1st Quarter of 2009



Source: Mortgage Bankers Association, National Delinquency Survey

In Last 2 Years, Foreclosure Crisis Has Spread Beyond "Rust Belt" Cities

June 2007



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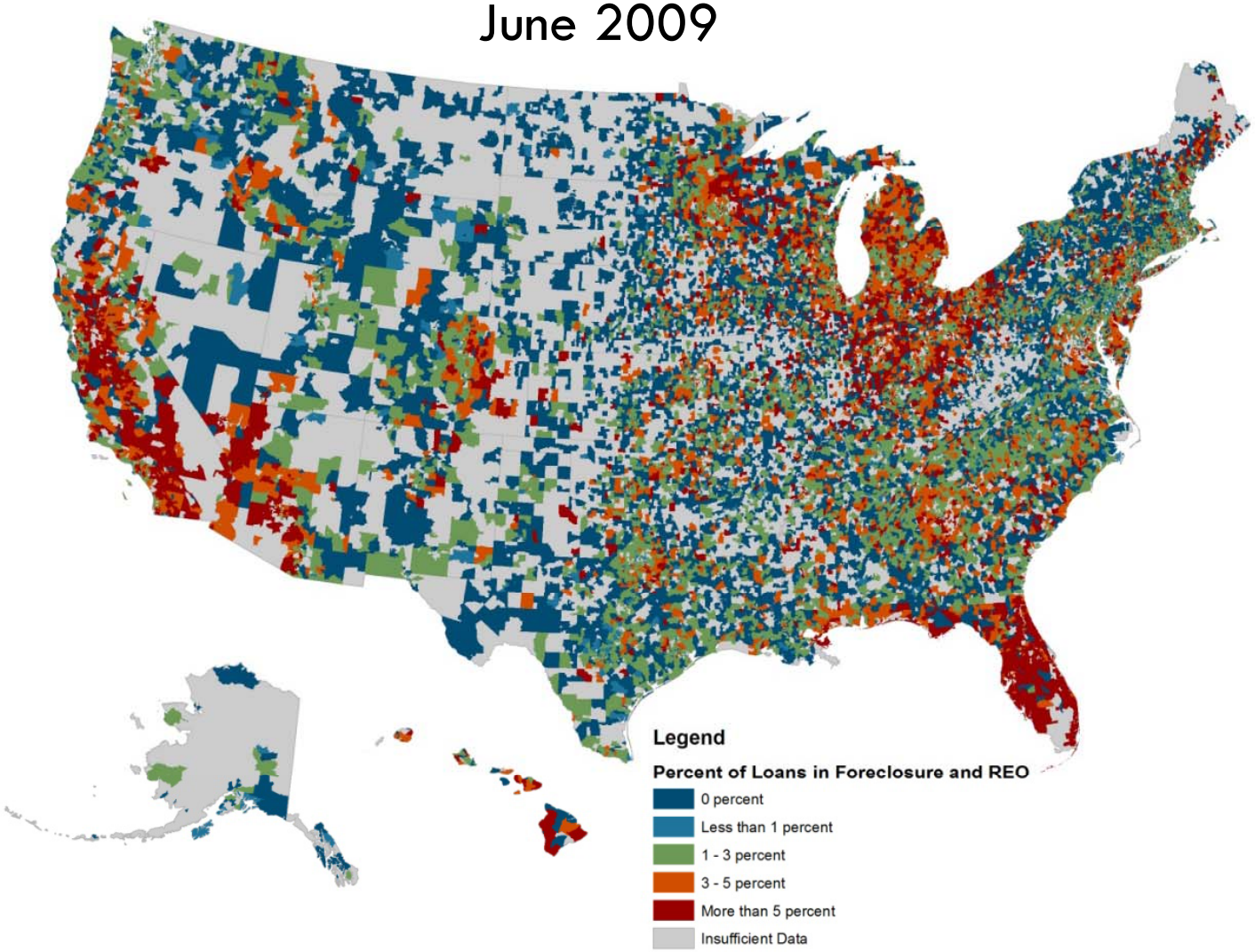
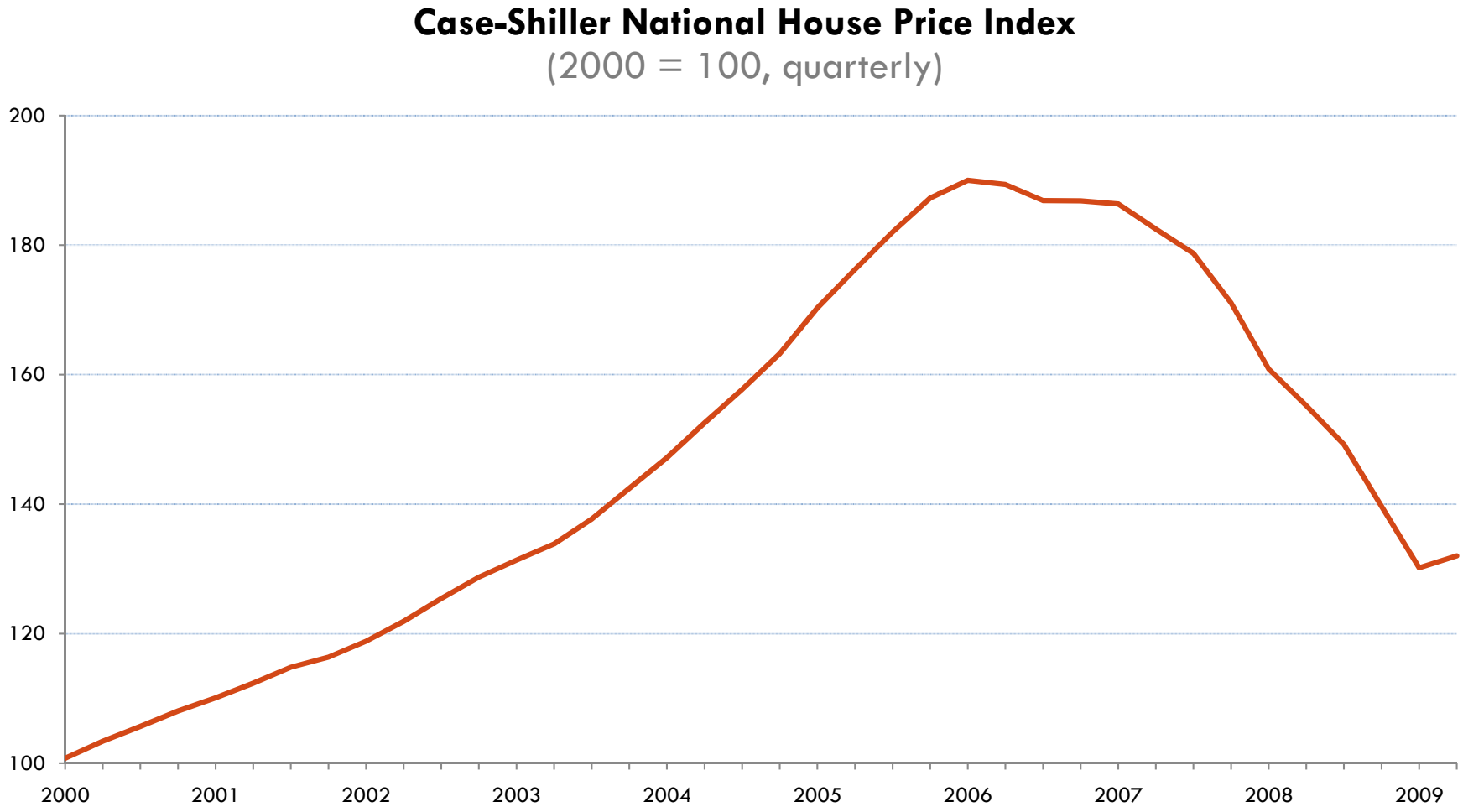


House Prices Rose Slightly in 2nd Quarter 2009



Source: Case - Shiller Home Price Index

How Does This Compare to Great Depression?

	Current Crisis	The Great Depression
GDP decline	3.9%	36%
Unemployment	9.4%	25%
Stock Market decline	48%	87%
Mortgage Delinquency	10.5%	50%
Bank Failures	100	Thousands

Source: FRBSF and Haver Analytics, as of July 2009.

Certain Market Indicators are Looking Up

- Financial markets are improving, and the crisis mode that has characterized the past year is subsiding.

- The housing sector, which has been at the center of the economic and financial crisis, also looks to be stabilizing—albeit, at a very depressed level. Housing starts and new home sales have leveled off, and existing home sales have edged up in recent months.

- Income from the federal fiscal stimulus, as well as some improvement in confidence, has helped stabilize consumer spending. Since consumer spending accounts for two-thirds of all economic activity, this is a key precondition for economic recovery.

Nevertheless, Recession is Likely to Have Long-Lasting Impacts, Especially for Lower-Income Families

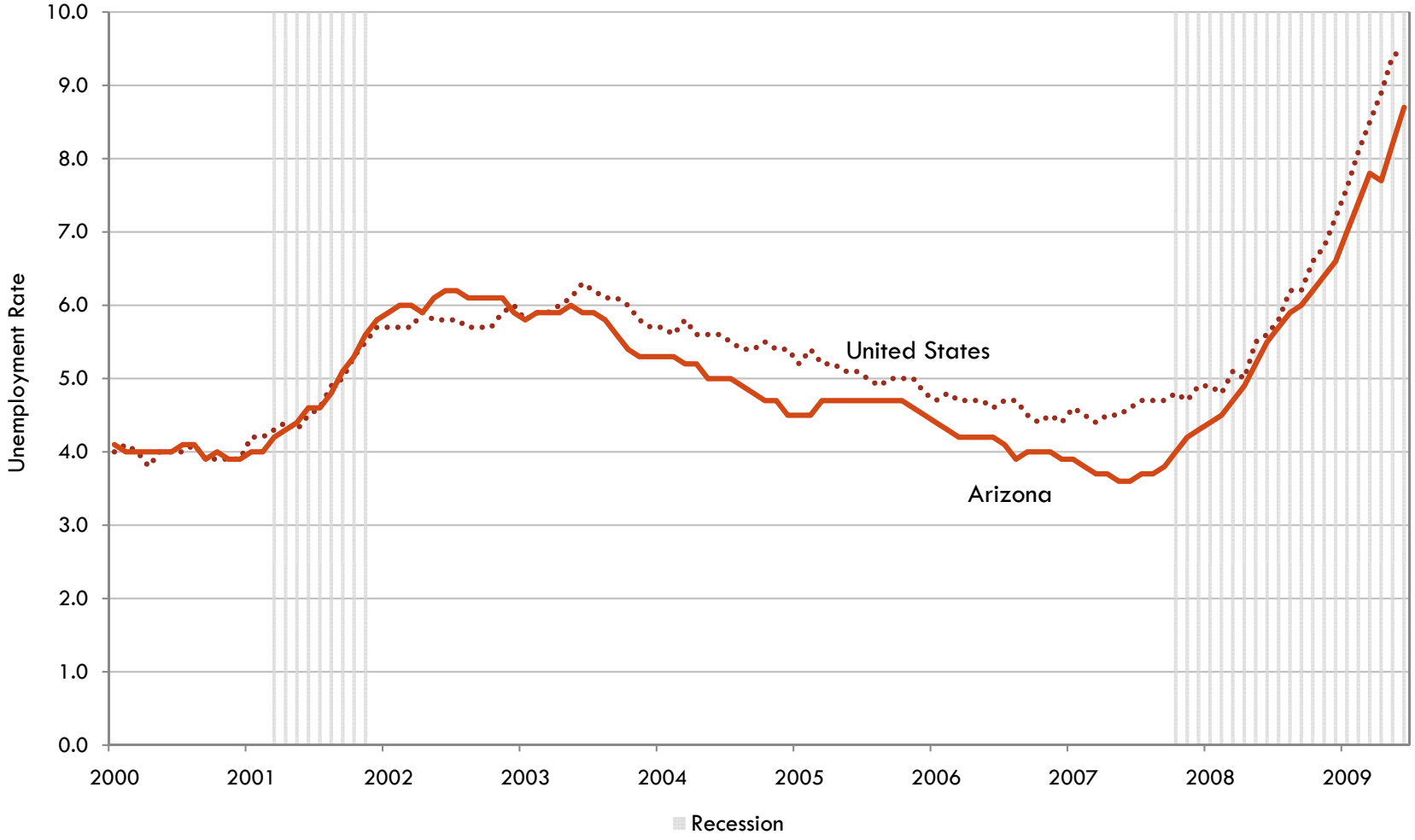
- 48 states face significant budget shortfalls, and are cutting public services such as health benefits for children and public education.

- Tightening lending standards will make it more difficult for families and small businesses to access credit: the Federal Reserve's quarterly Senior Loan Officer Opinion Survey on Bank Lending Practices found that 65 percent reported tightened standards for the fourth quarter of 2008.

- CDFIs are increasingly facing liquidity constraints; their borrowers are in more need of 'patient' capital at the same time it is becoming harder to provide it.

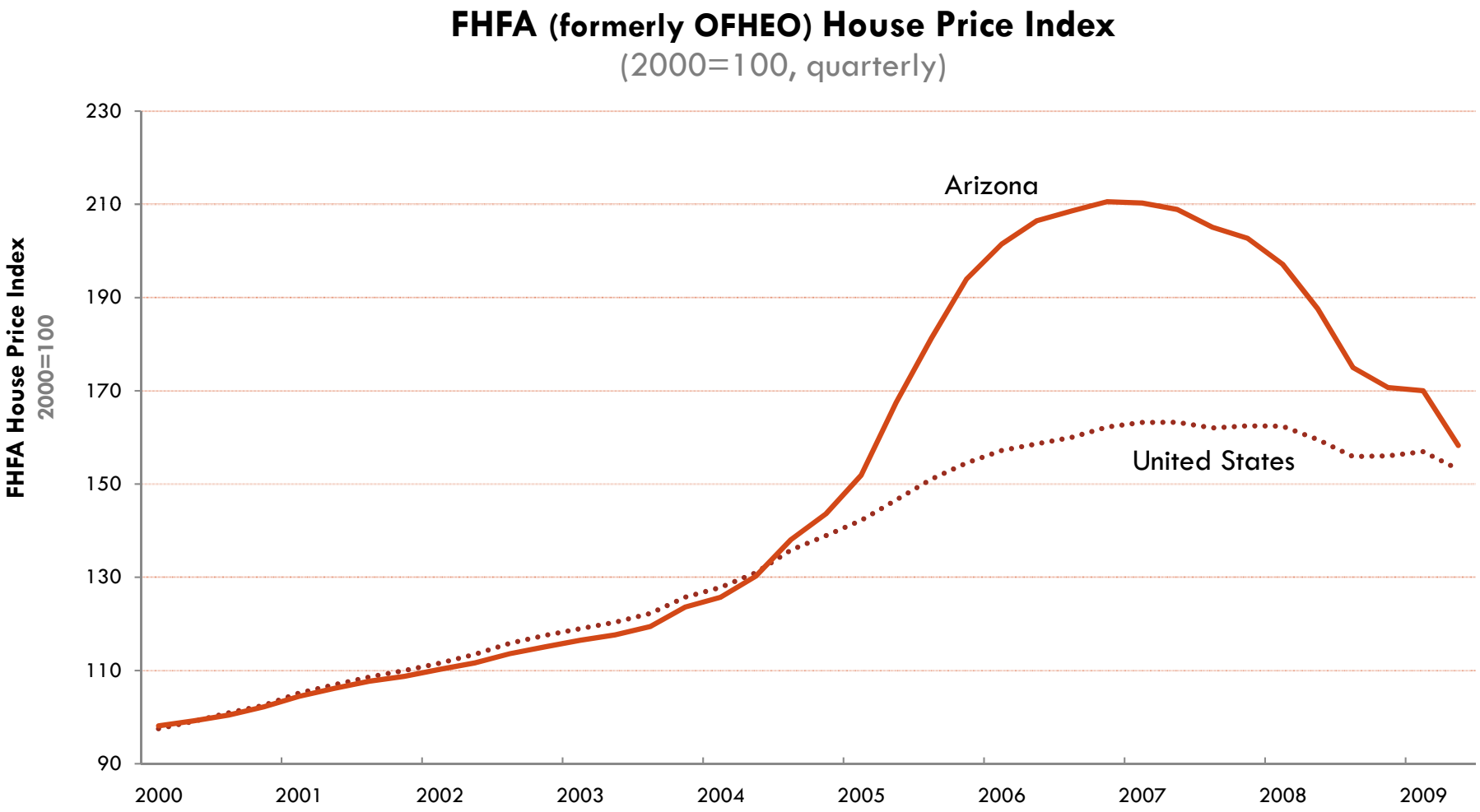
Arizona Trends

Unemployment Rate in Arizona Continues to Rise



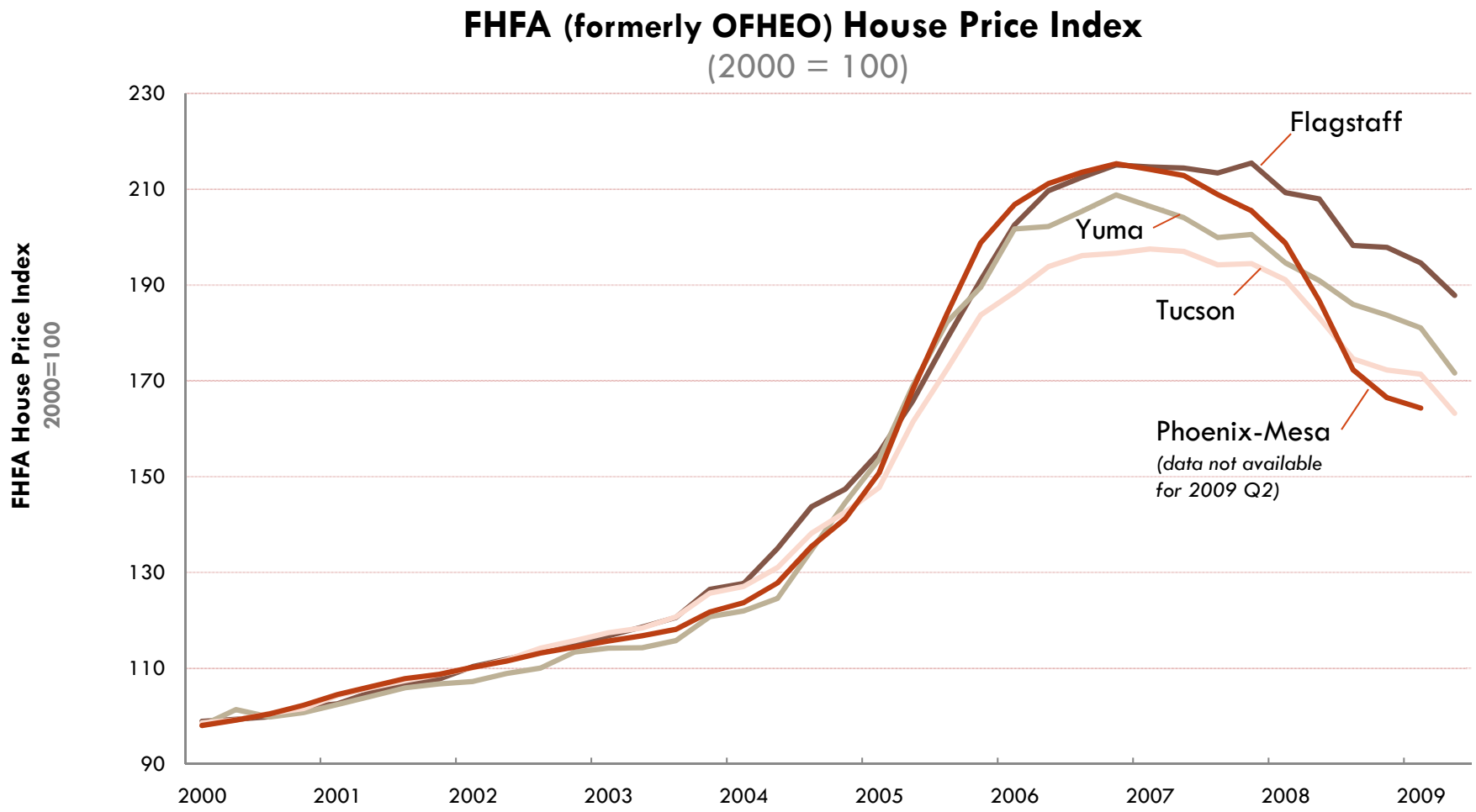
Source: Bureau of Labor Statistics

Arizona Has Seen Dramatic House Price Declines Since the Peak of "Housing Boom"



Source: Federal Housing Finance Agency (formerly OFHEO)

Phoenix Experiencing Steepest Declines in House Values



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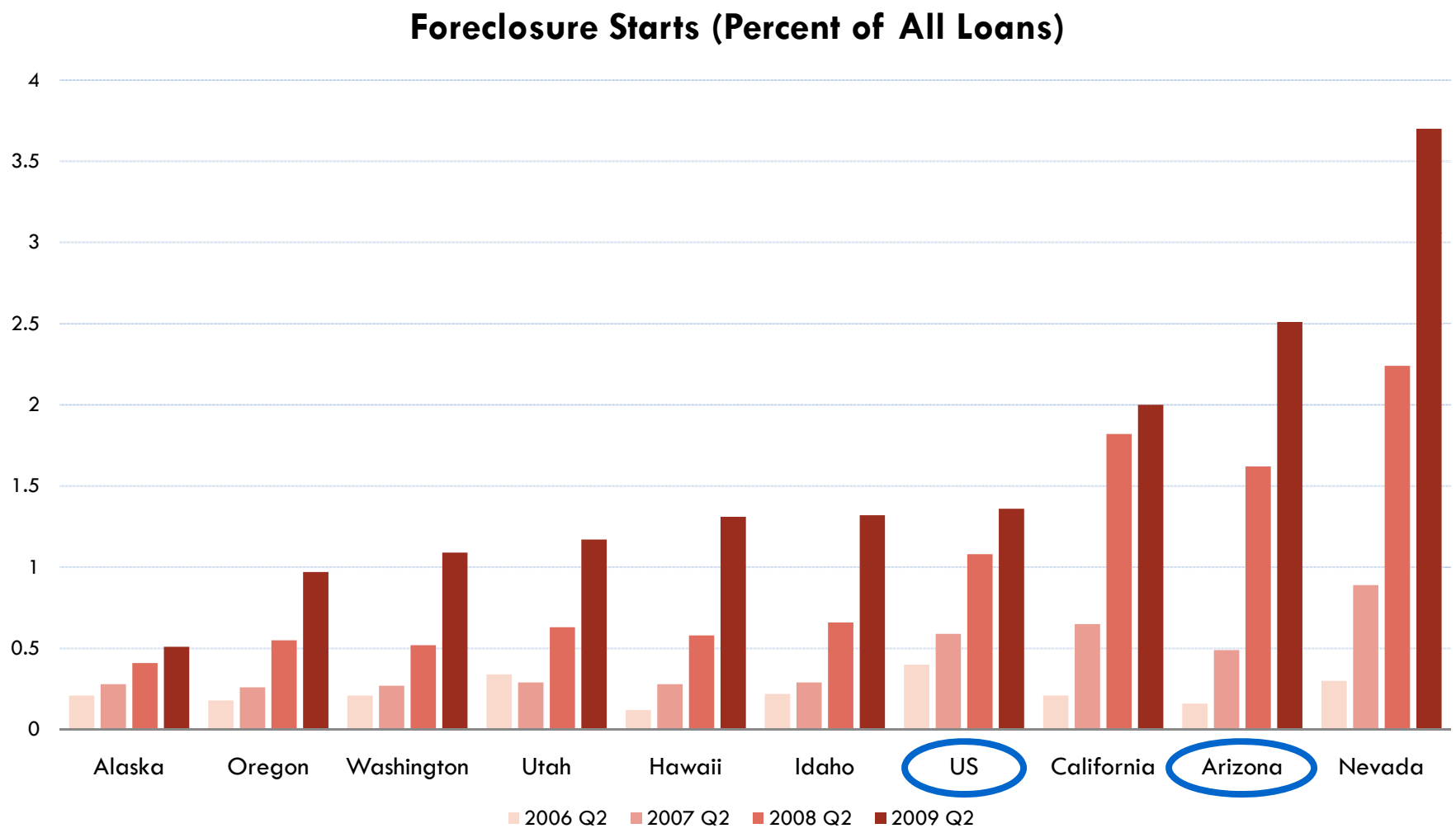
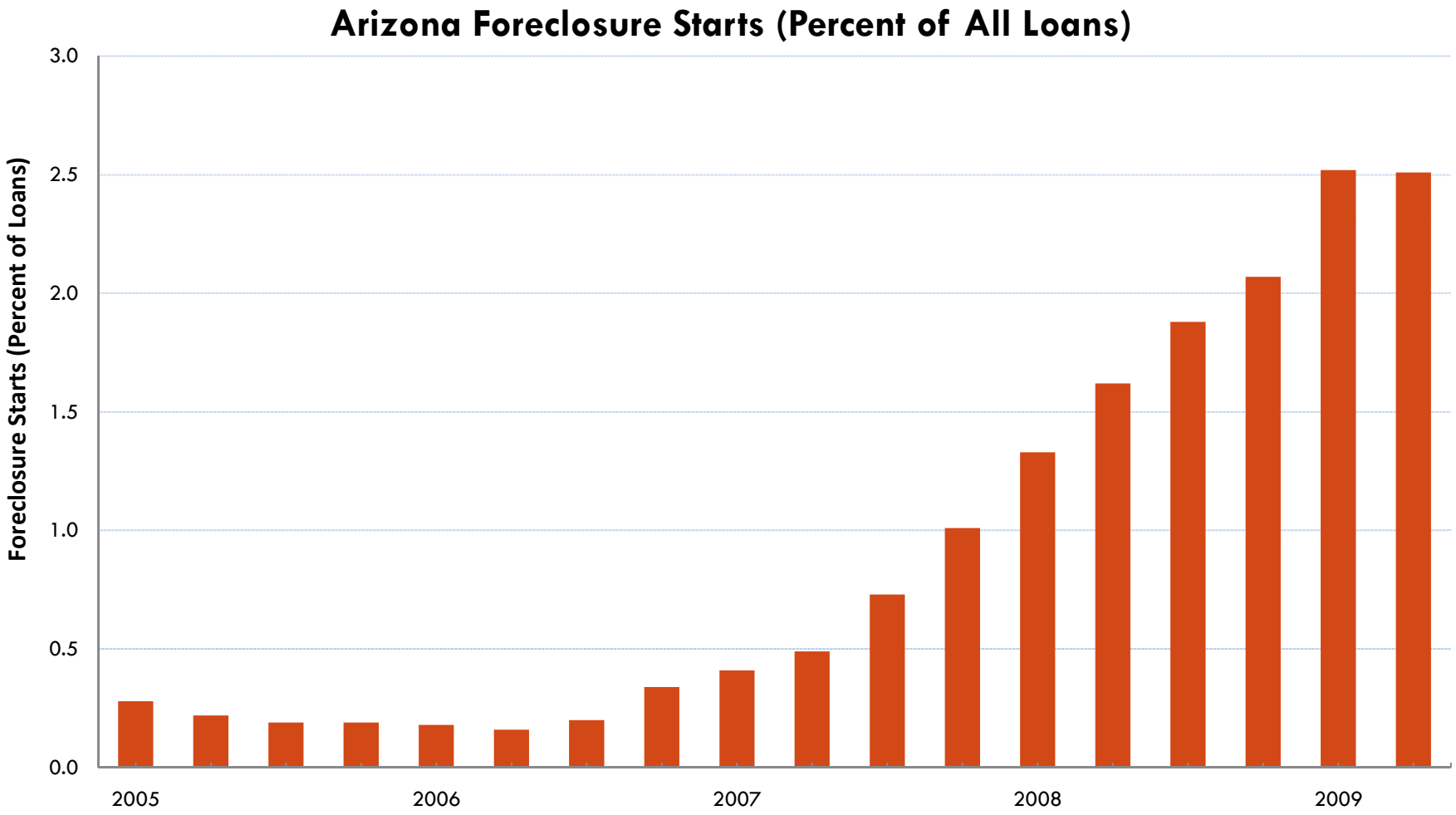
Foreclosure Rate in Arizona Remains Nearly Twice the National Average



Source: Mortgage Bankers Association, National Delinquency Survey

Arizona Continues to See High Foreclosure Rate



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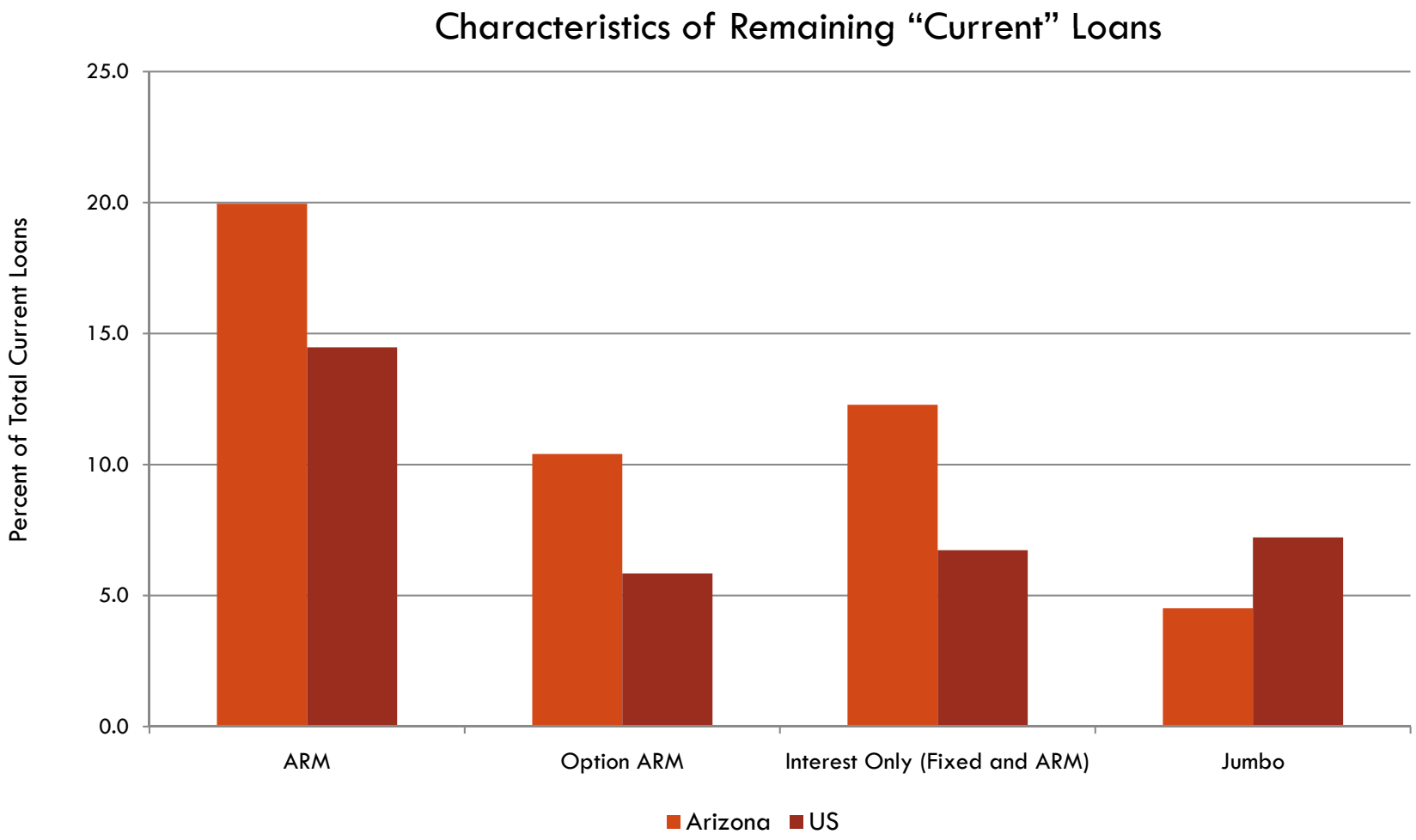
Growing Concerns over Sustainability of Loans with Payment Options (in subprime, prime and Alt-A markets)

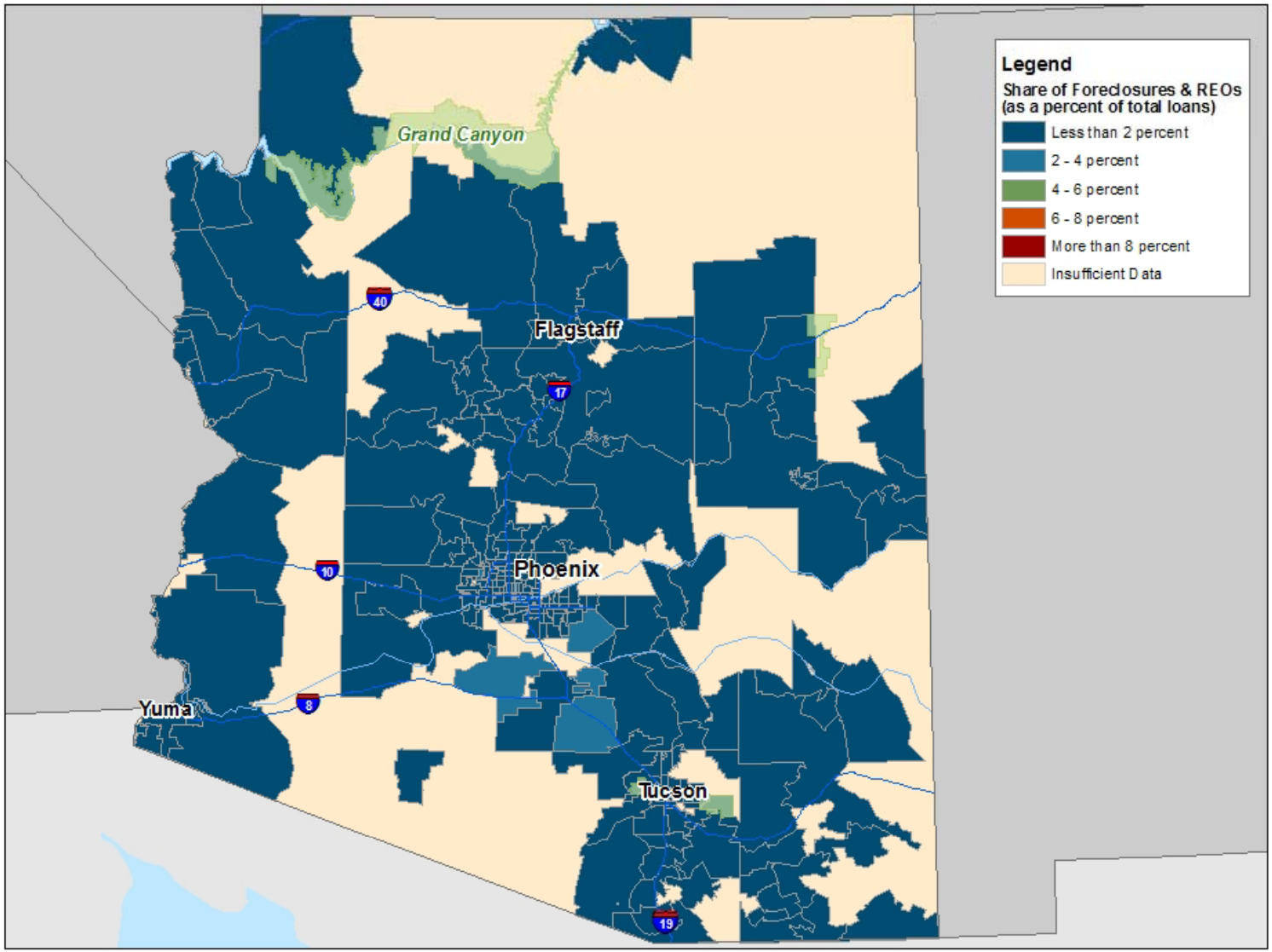


Arizona Foreclosure Data Maps

Arizona Data Maps

Areas Affected by Concentrated Foreclosures

June 2007

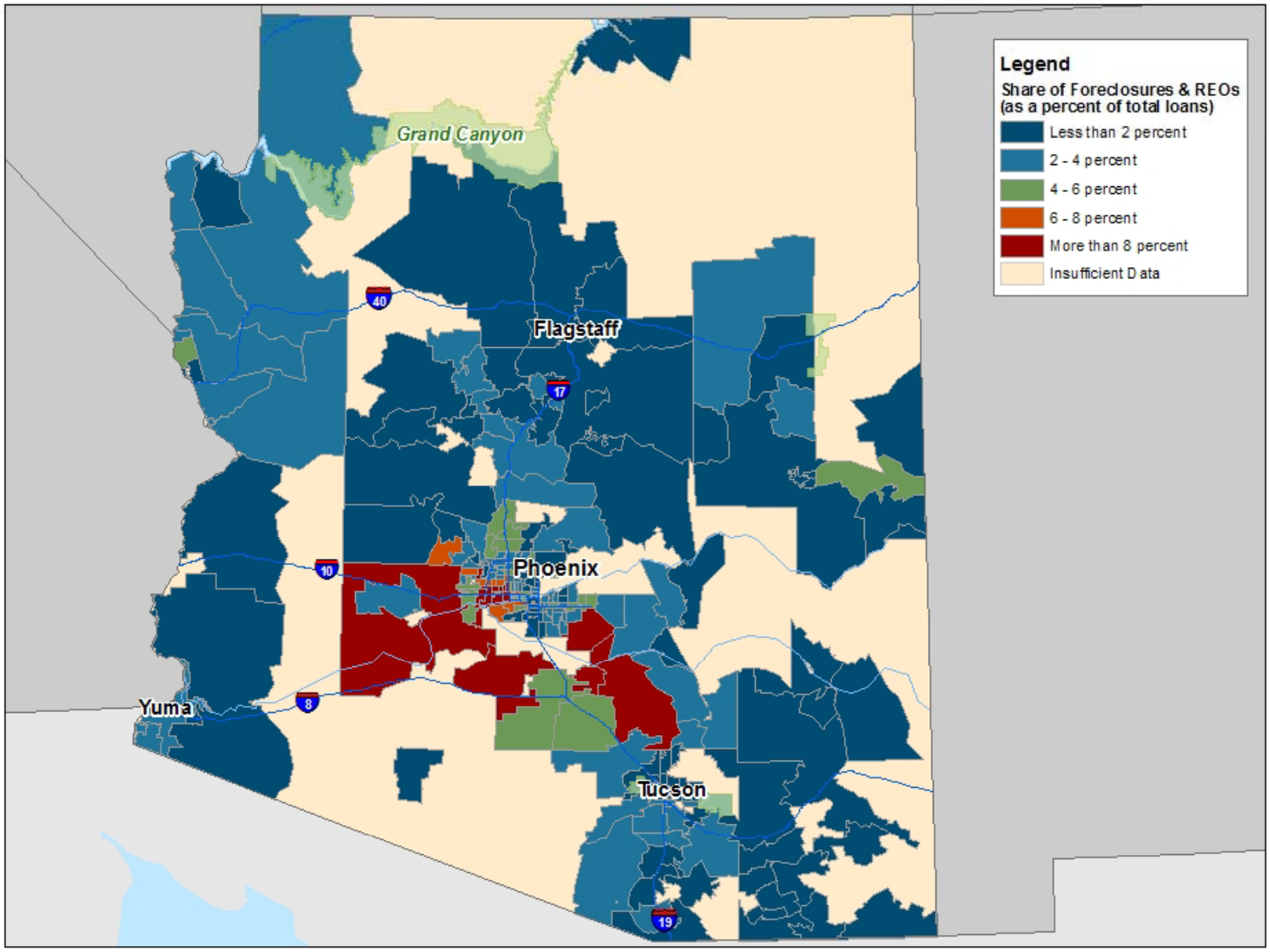


Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations

Arizona Data Maps

Areas Affected by Concentrated Foreclosures

June 2008



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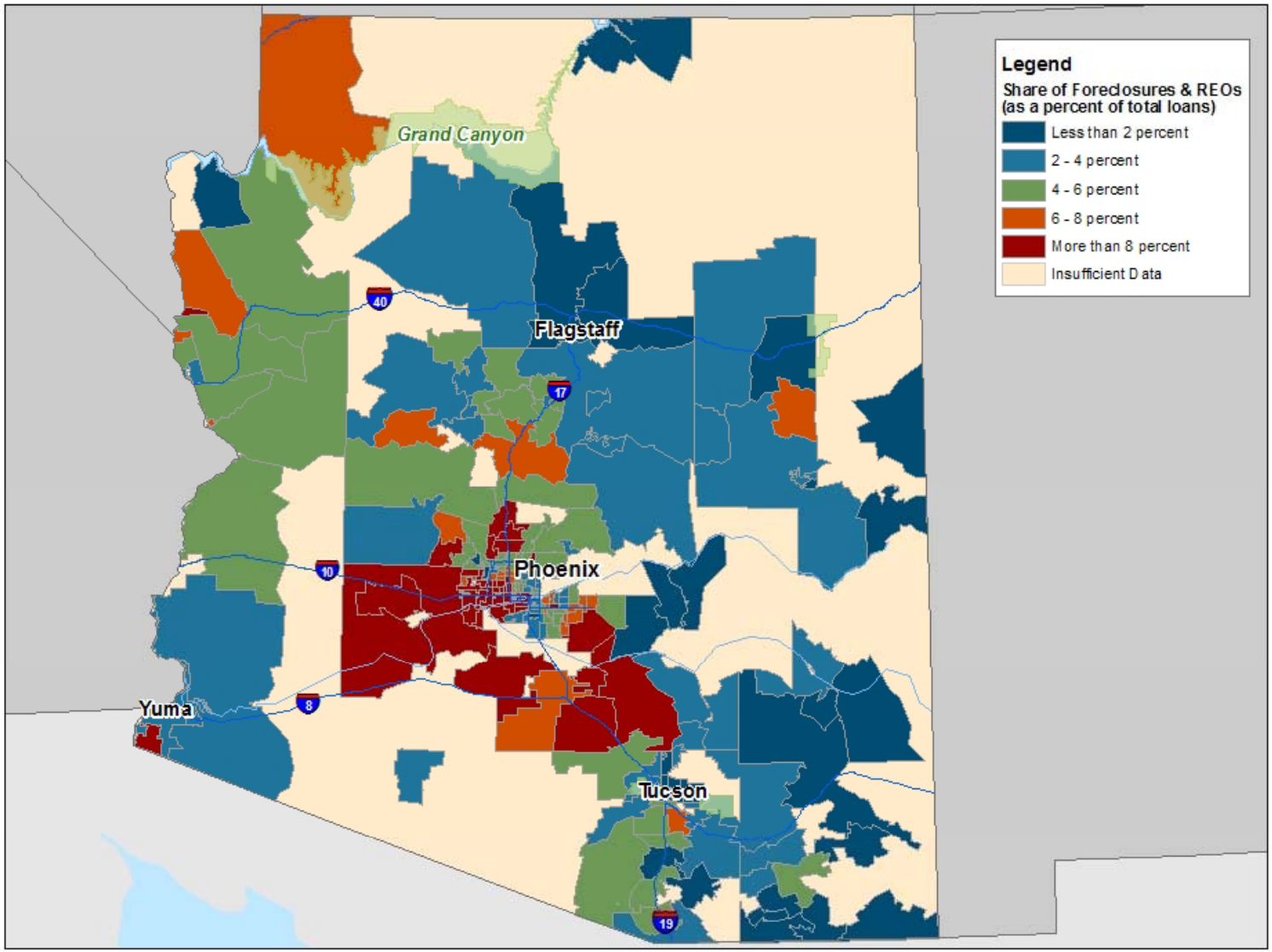

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Phoenix Data Maps

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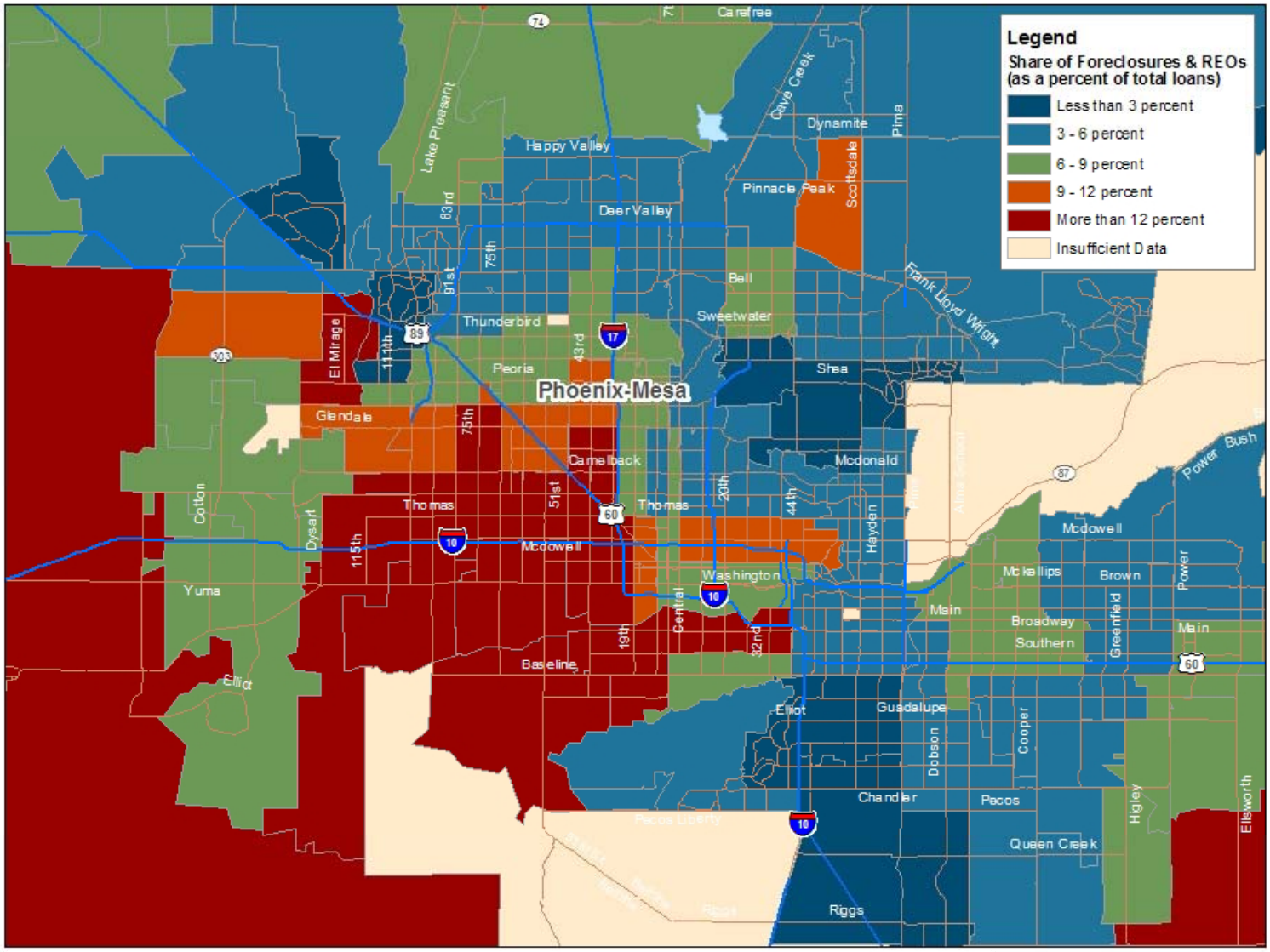

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Phoenix Data Maps

Areas at Risk of Additional Foreclosures

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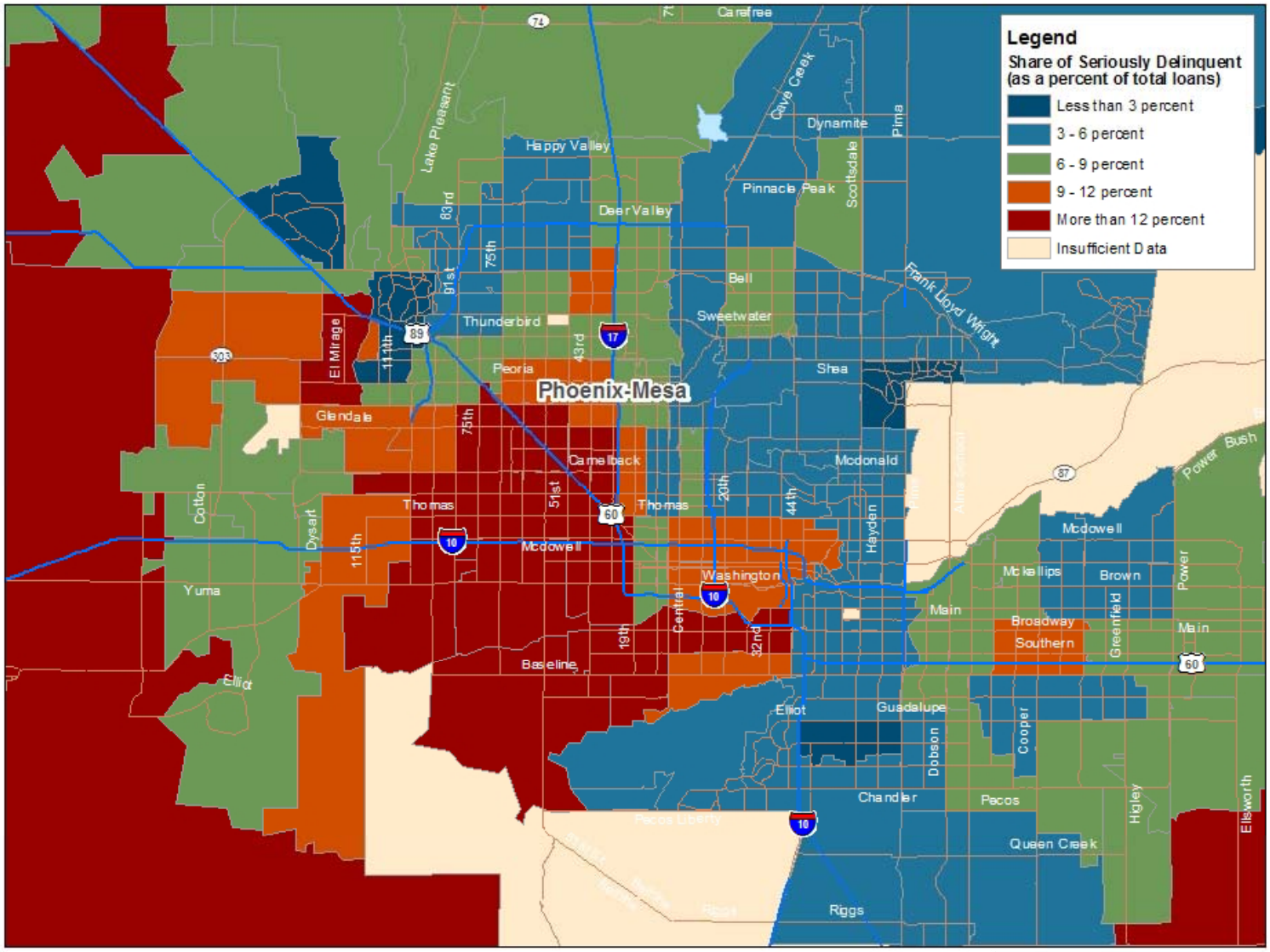

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Tucson Area Data Maps

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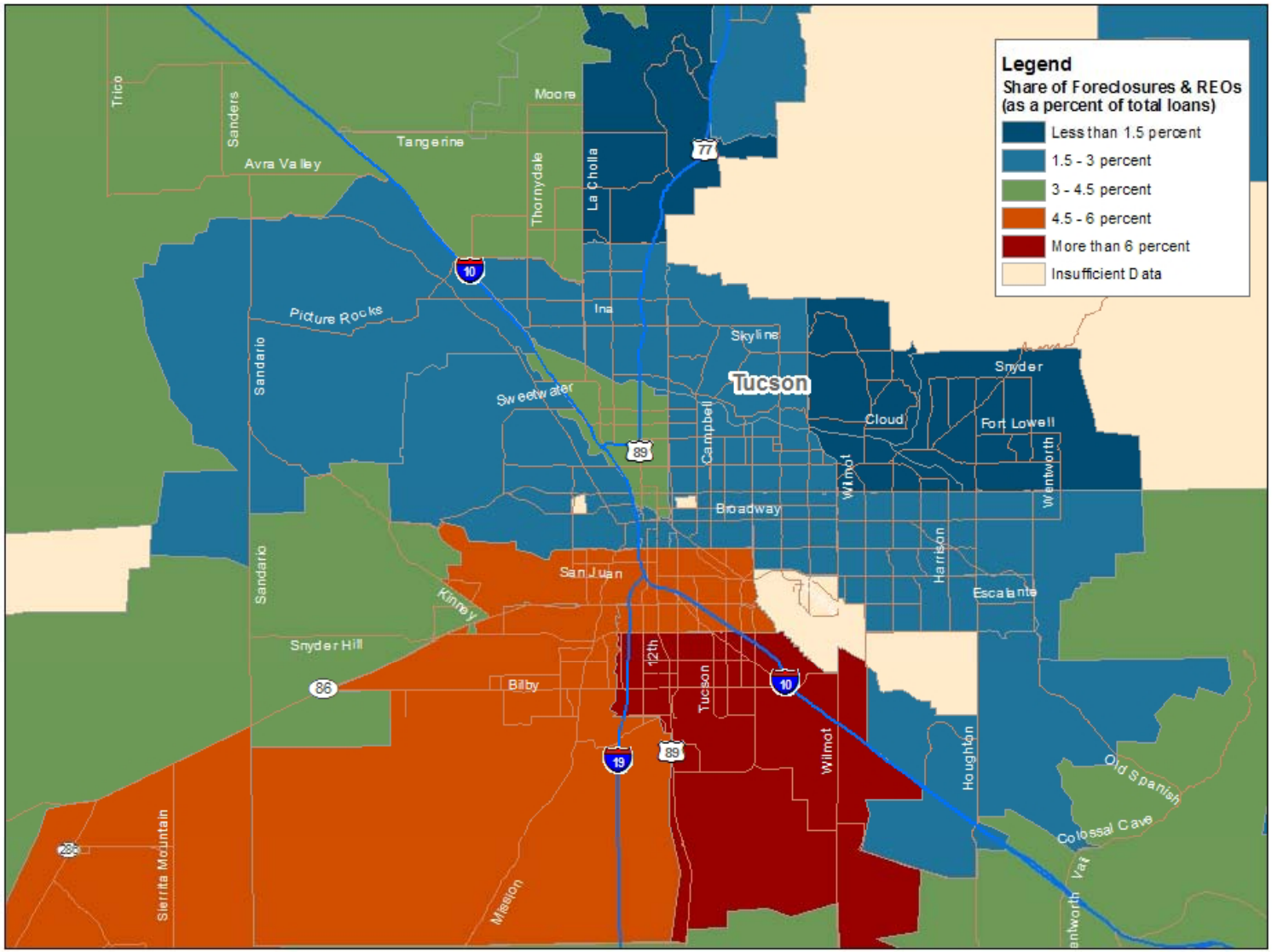

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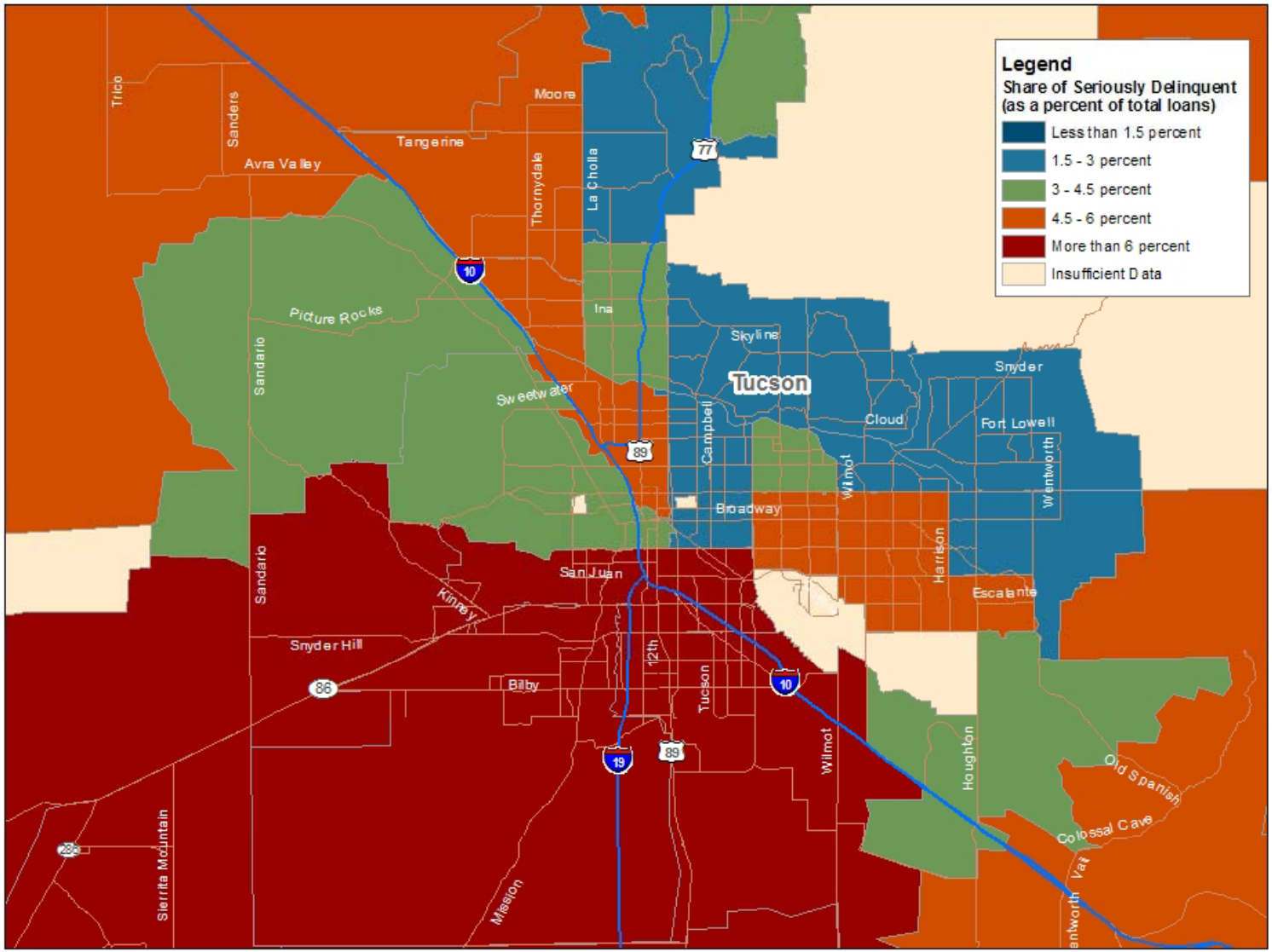


Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations

Conclusions

Continued Need for Foreclosure Prevention

- Important to reach borrowers with 'preventable' foreclosures
  - Borrower Outreach Events
    - Expand use of foreclosure prevention workbook http://www.pima.gov/current/2008_November%20English%20Workbook.pdf
  - Making Homes Affordable
    - Federal program provides both loan modification and refinance options
    - Online form available that allows borrowers to assess if they qualify for the program
      - http://makinghomeaffordable.gov/eligibility.html

Preventing Foreclosure Scams

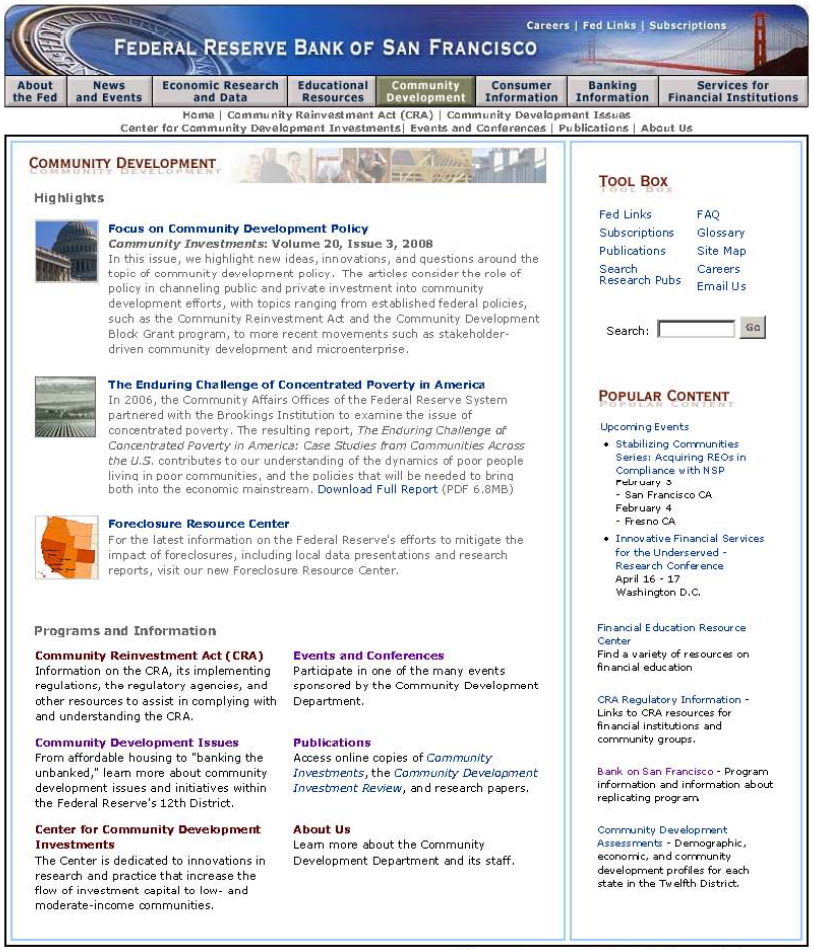
- Foreclosure scams are proliferating, especially in markets with investor interest
  - Some counties are sending notices to all delinquent borrowers to warn them about foreclosure scams
  - Free media kit available from the Federal Reserve which includes a PSA and other resources: http://www.federalreserveeducation.org/pfed/mediakit.cfm
  - NeighborWorks PSA: http://www.youtube.com/nwpad
- Other 5 Tip brochures and resources available from the Federal Reserve http://www.federalreserve.gov/consumerinfo/fivetips.htm

Stabilizing Communities and Helping Families After Foreclosure

- Develop service delivery and resources for families who go through foreclosure
  - Rental housing assistance
  - Credit repair
  - Minimizing disruption for children (e.g. allowing them to finish the school year in their old school)
- Minimize negative spillover effects of vacant properties on surrounding neighborhood
  - Ensure servicer maintenance of REOs
  - Work with lenders/servicers to acquire and rehab foreclosures for affordable housing

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/