

TRENDS IN DELINQUENCIES AND FORECLOSURES IN ARIZONA

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Outline of Presentation

- National Trends

- ▣ Rising foreclosures
- ▣ House price declines
- ▣ Rising unemployment

- Arizona

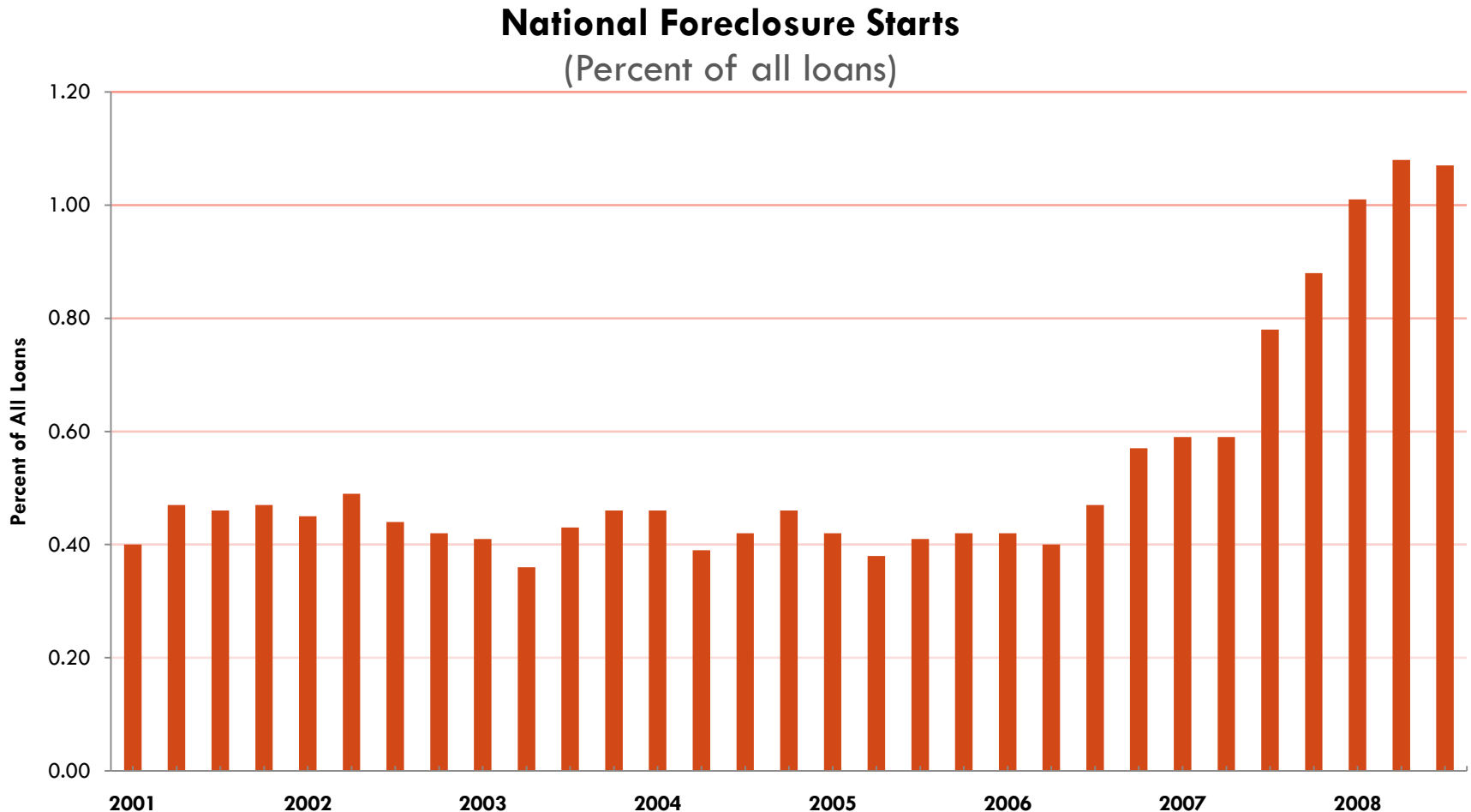
- ▣ Trends in foreclosure
- ▣ Housing market softening
- ▣ Rising unemployment
- ▣ Scale of loan modifications still falls short of need

National Trends

National Trends

- Foreclosures rose steadily in 2008, with wide repercussions for US economy
 - A slight decline in the national foreclosure rate in the 3rd Quarter of 2008
- Factors driving foreclosures nationally
 - House price declines
 - Rising unemployment, coupled with turmoil in financial and credit markets, may further influence foreclosure rate going forward

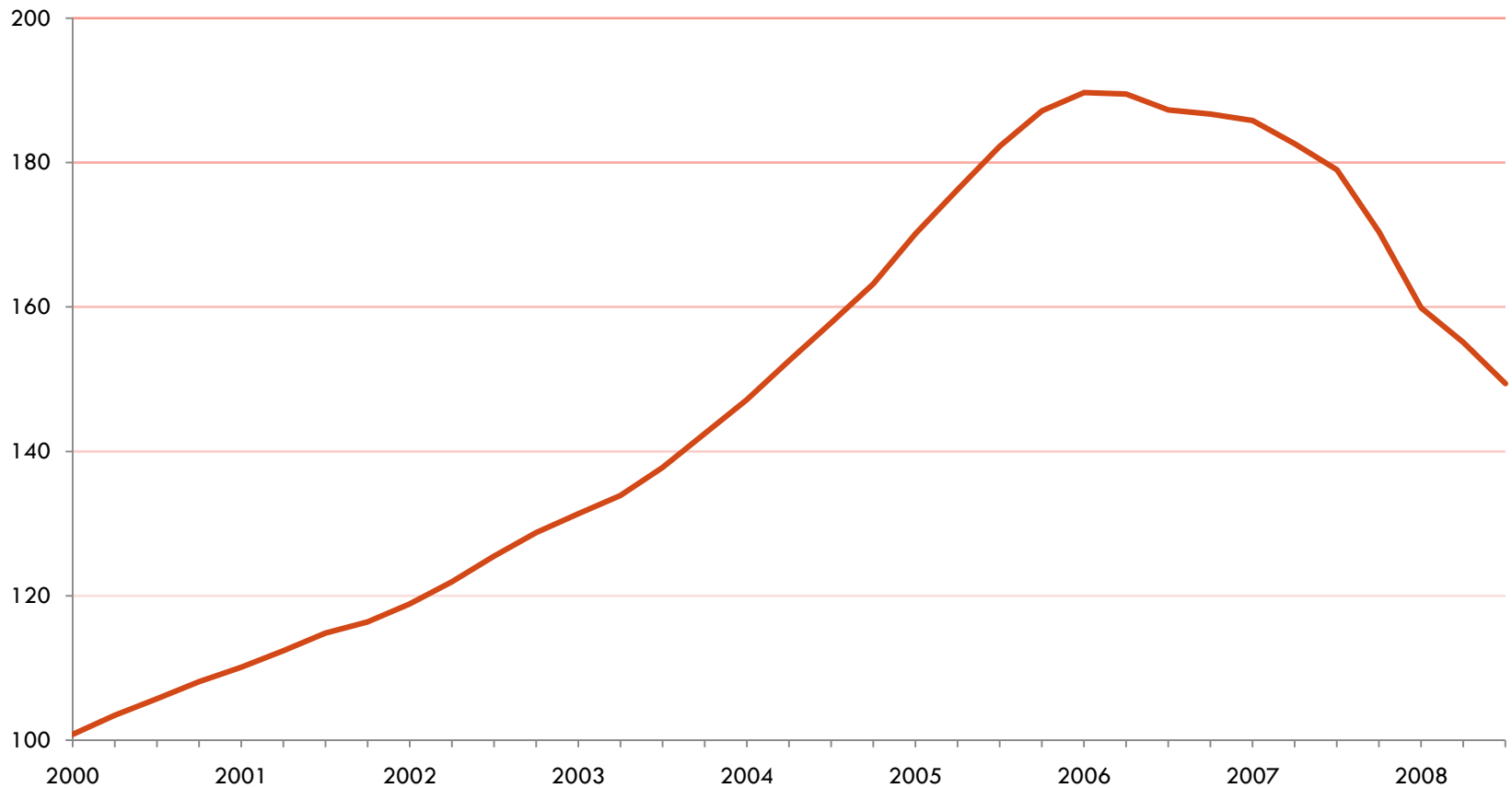
After Steady Rise, National Foreclosure Starts Dipped Slightly in 3rd Quarter of 2008



Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008

Nationally, House Prices Continue to Decline

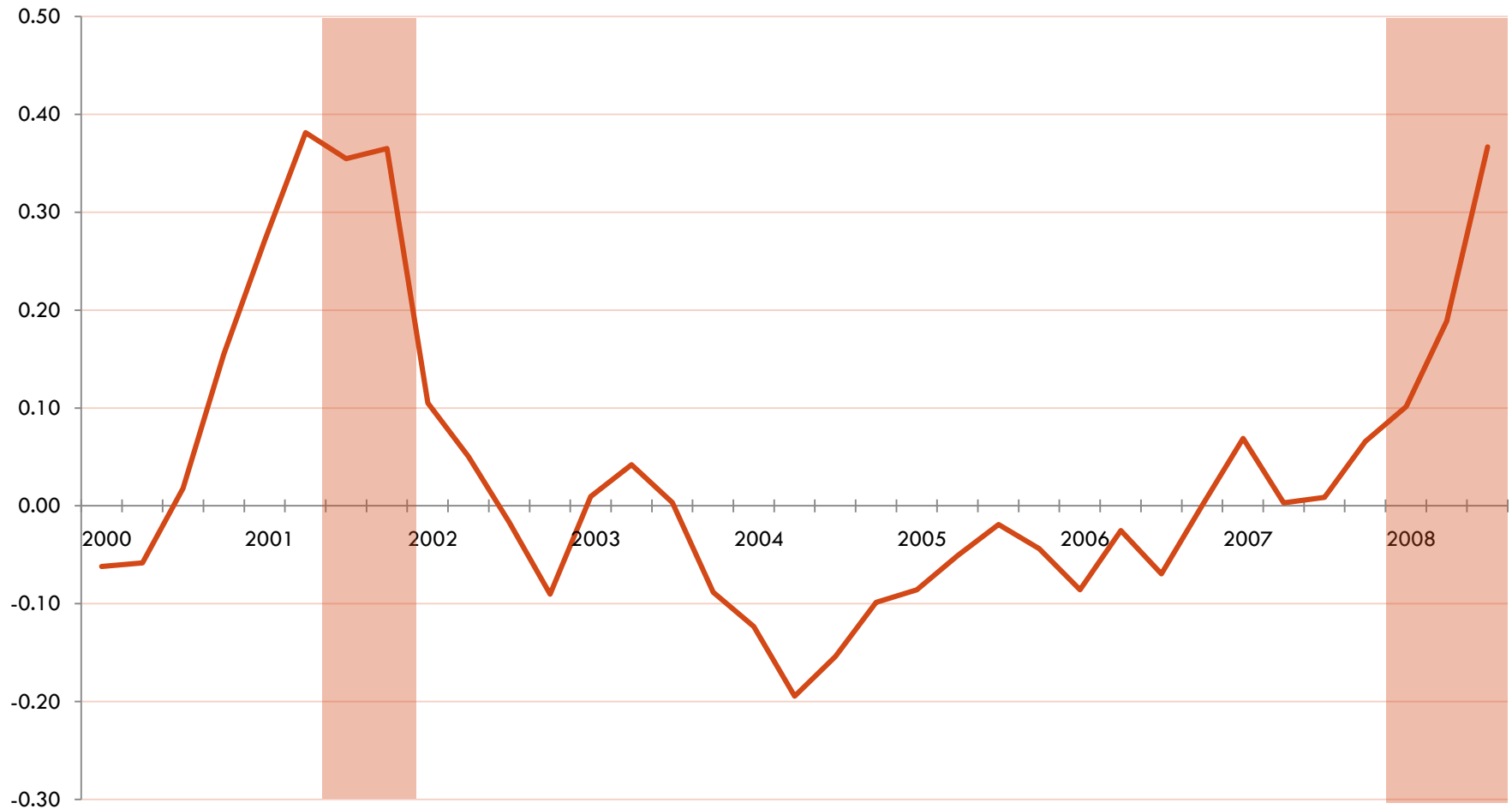
Case-Shiller National House Price Index
(2000 = 100, quarterly)



Source: Case - Shiller Home Price Index, 3rd Q 2008

Recession Marks Significant Jump in National Unemployment Insurance Claims

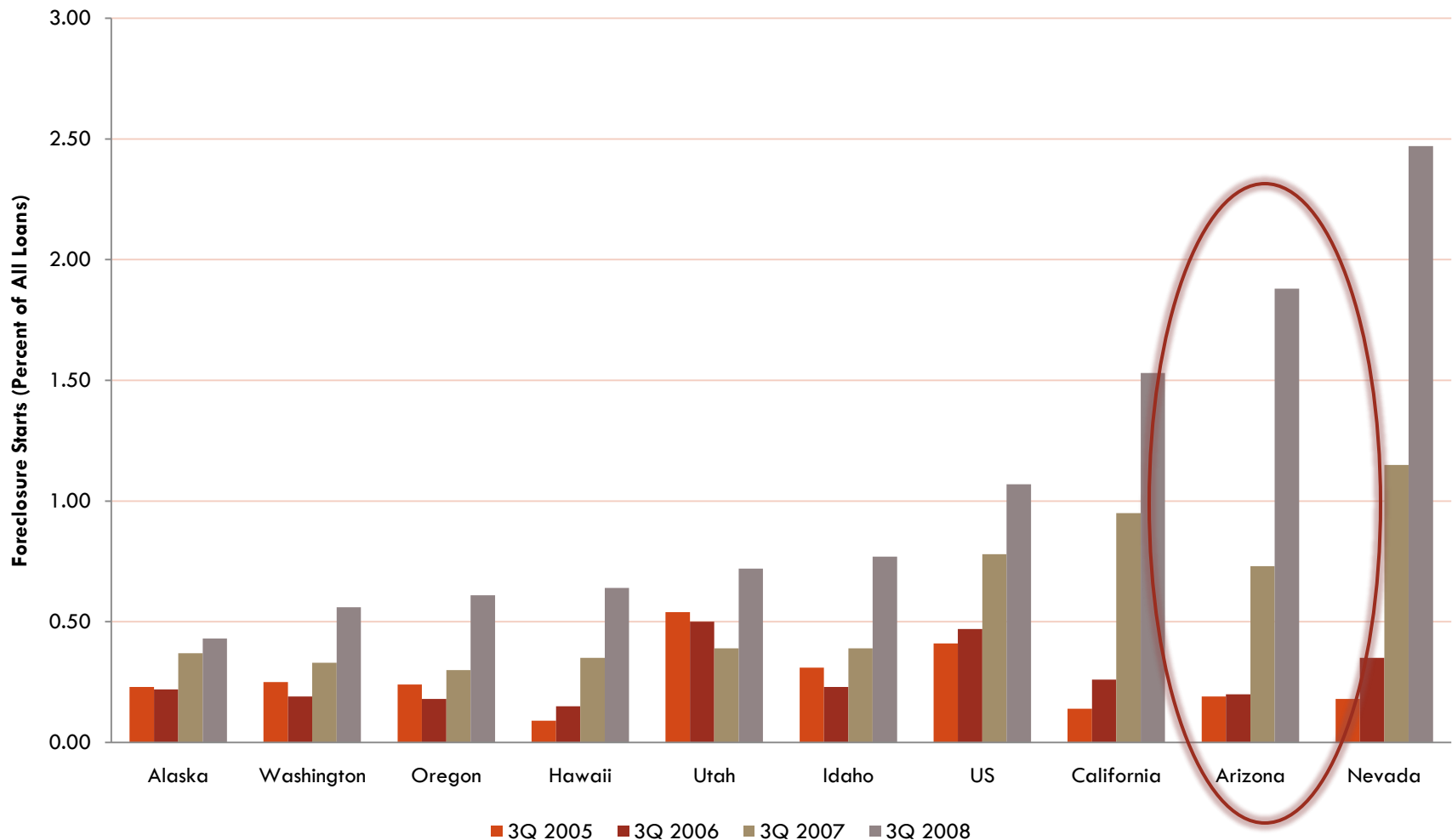
National Unemployment Insurance Claims, Percent Change Year-over-Year



Source: Haver Analytics and FRBSF Calculations, annual percent change, 2000 Q3 - 2008 Q3

Arizona Trends

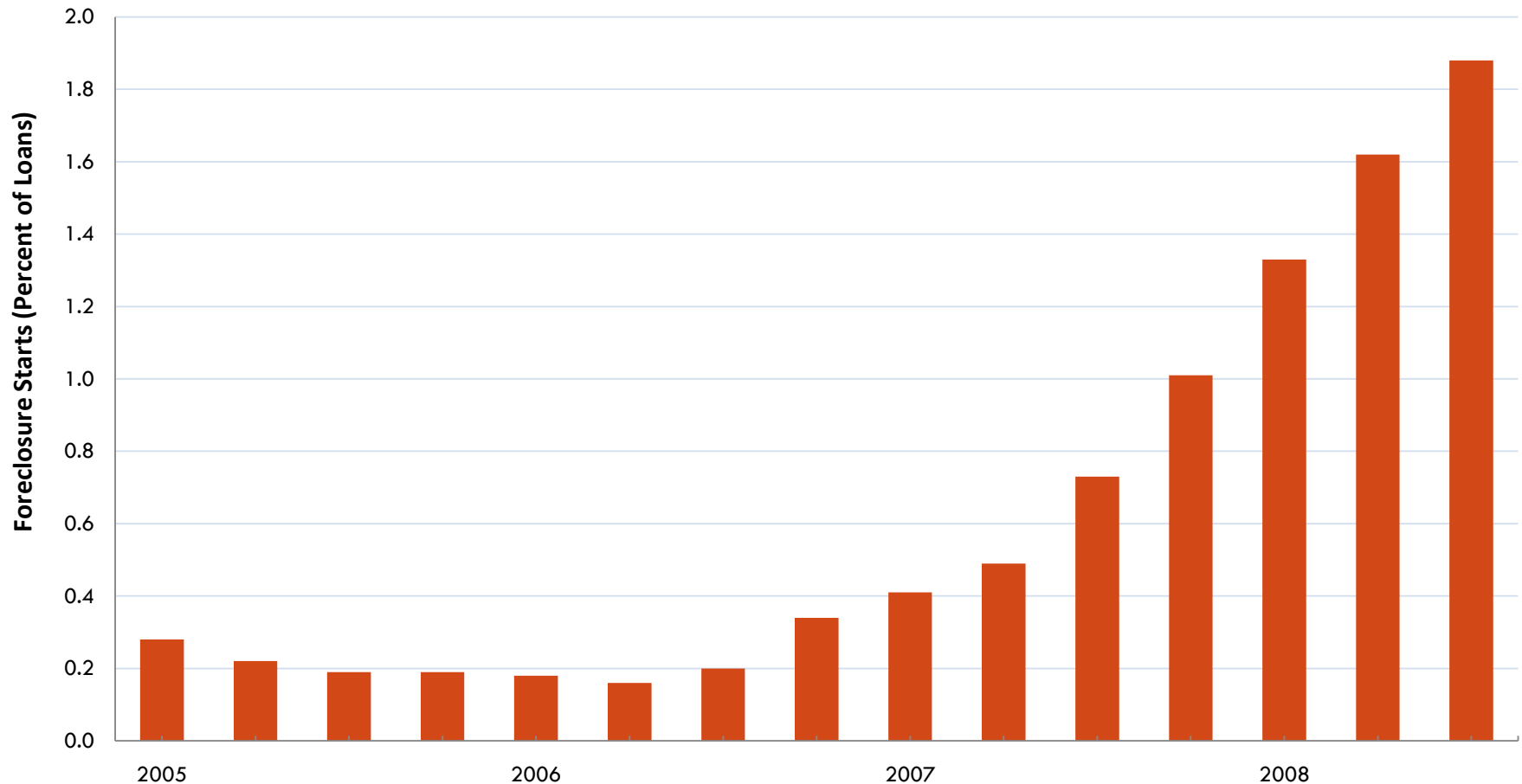
Foreclosures in Arizona Have Risen Significantly, Well Above US Average



Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008

Unlike National Trends, Arizona Saw a Continued Increase in Foreclosure Starts in 3rd Quarter 2008

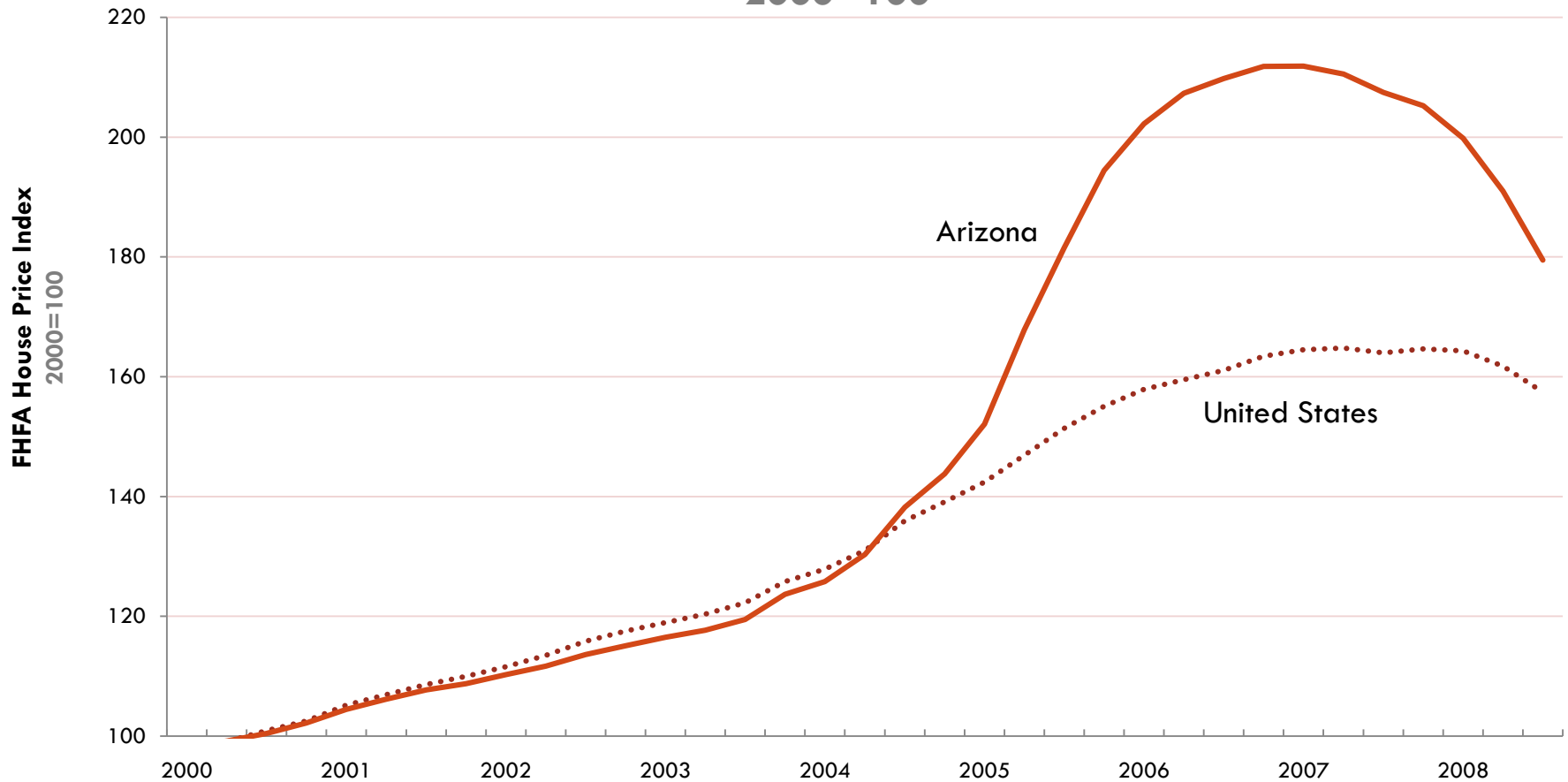
Arizona Foreclosure Starts (Percent of All Loans)



Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008

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

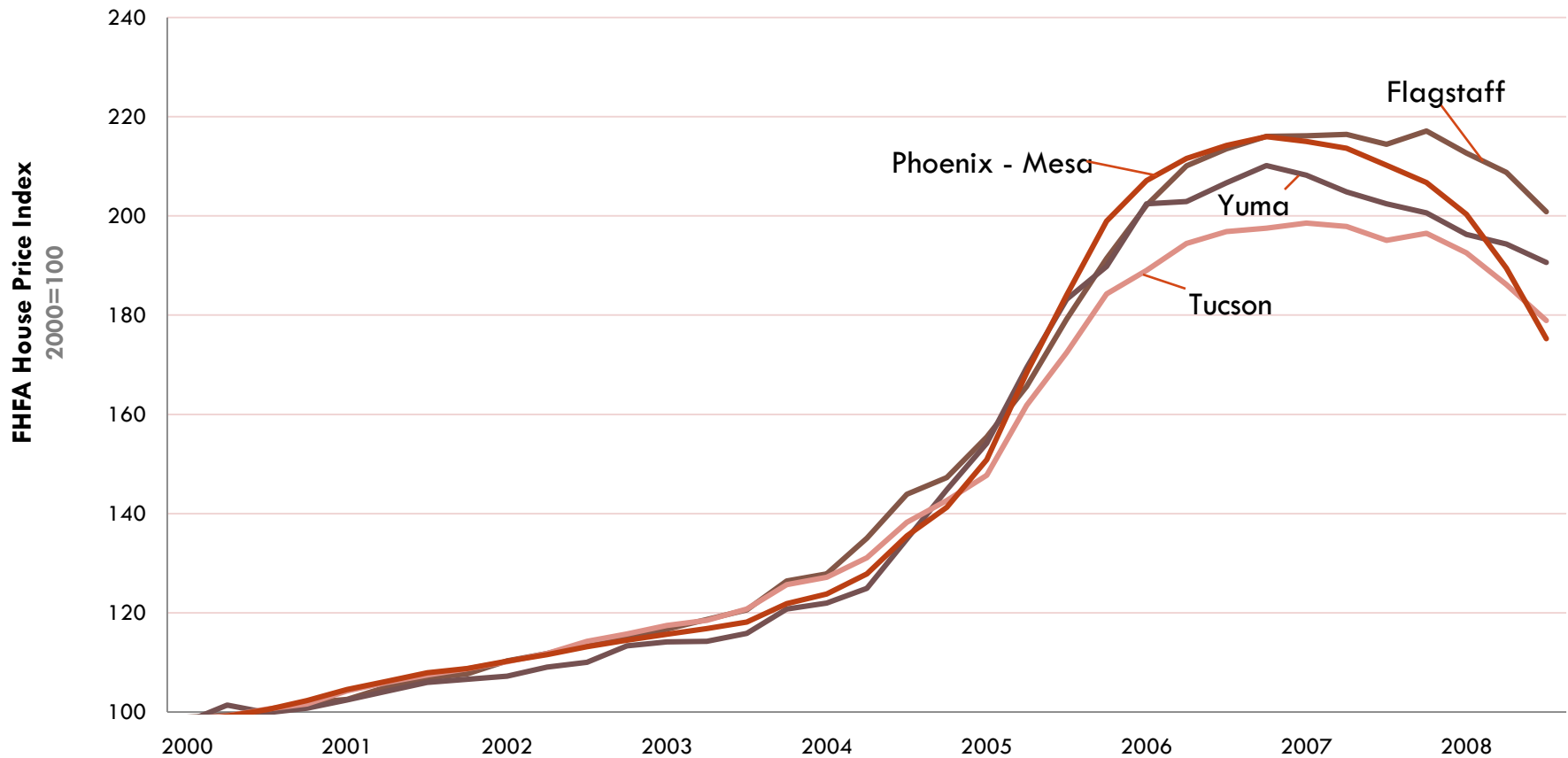
FHFA House Price Index (formerly OFHEO)
2000=100



Source: Federal Housing Finance Agency (formerly OFHEO), 3rd Quarter 2008

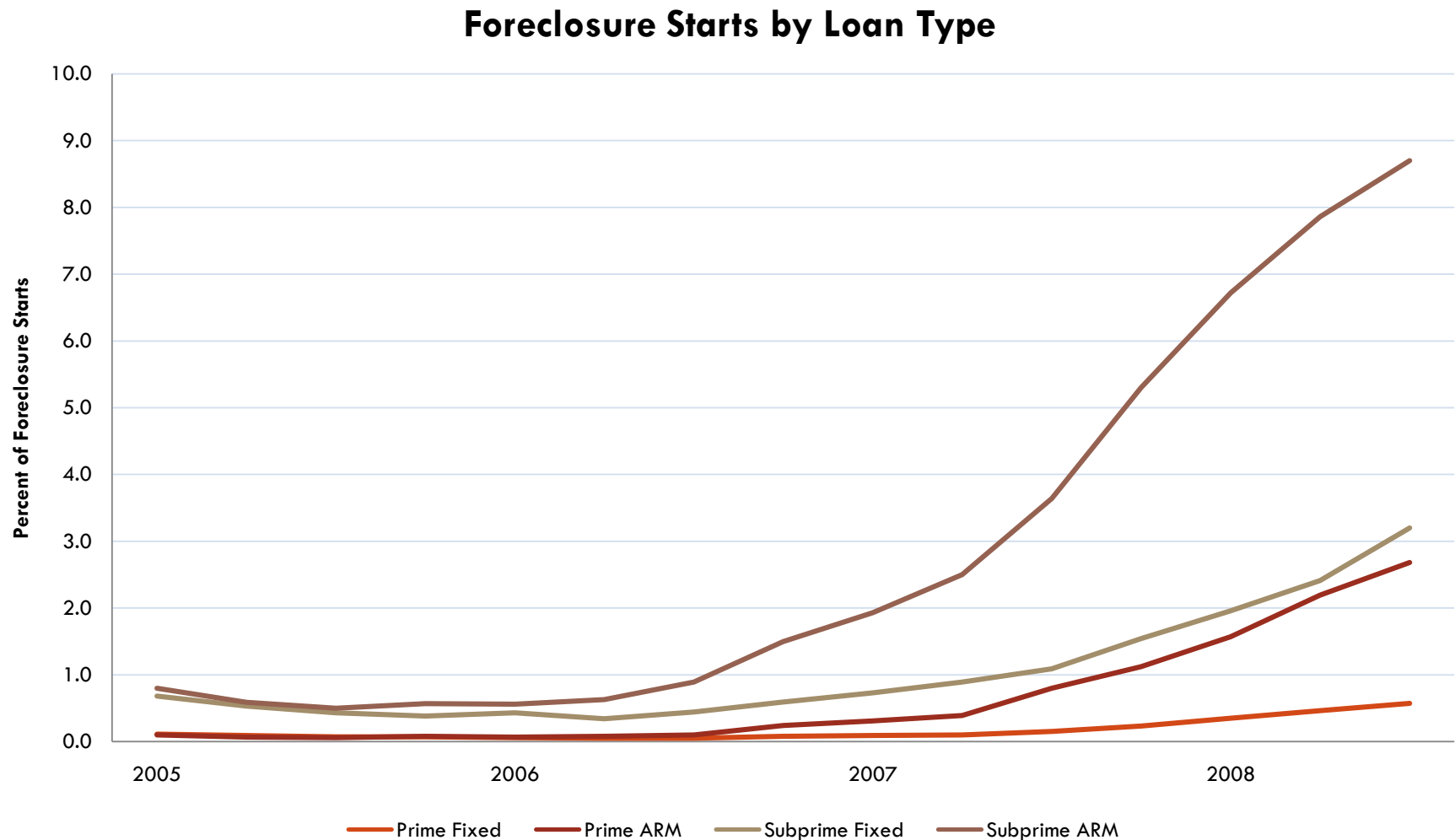
Phoenix Experiencing Greatest Declines in House Values

FHFA (formerly OFHEO) House Price Index
(2000 = 100)



Source: Federal Housing Finance Agency (formerly OFHEO), 3rd Quarter 2008

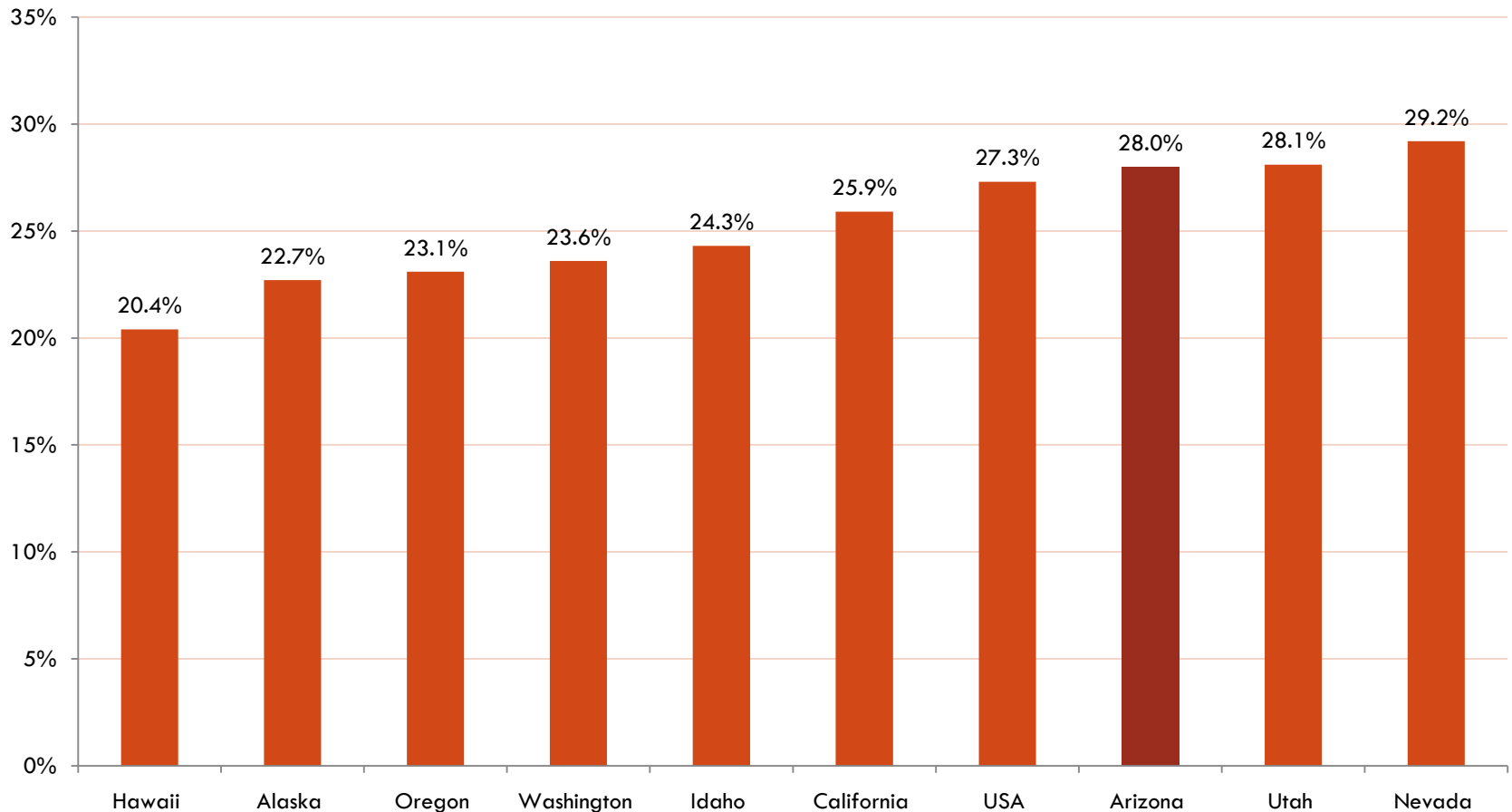
Arizona's Foreclosures Remain Concentrated in Subprime ARM Market, though Subprime Fixed and Prime ARM also Rising



Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008

Arizona Saw High Rates of High-Cost Lending During Subprime Boom

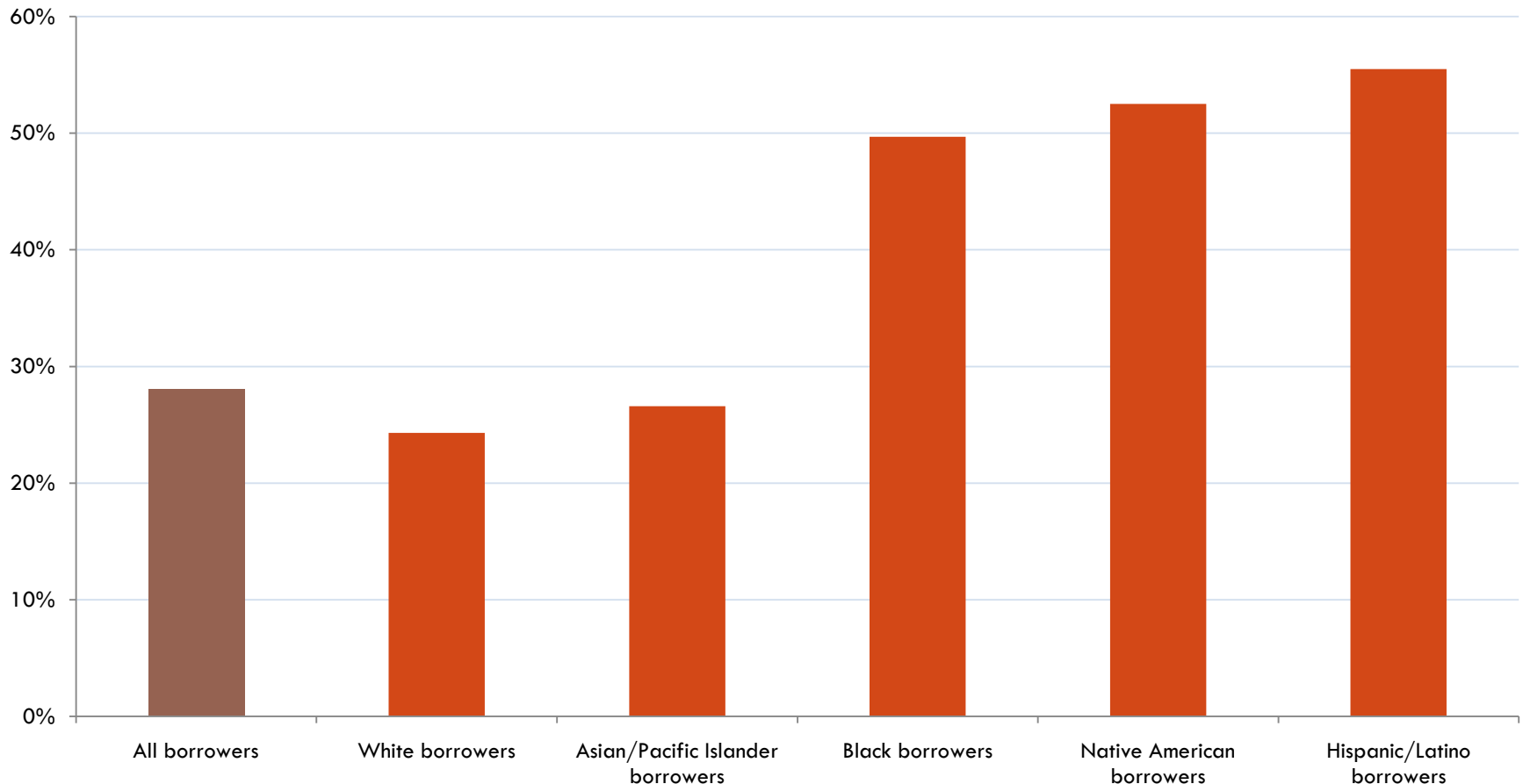
Percent of All Borrowers with High Interest Conventional Loans, 2005



Source: Home Mortgage Disclosure Act Data, 2005

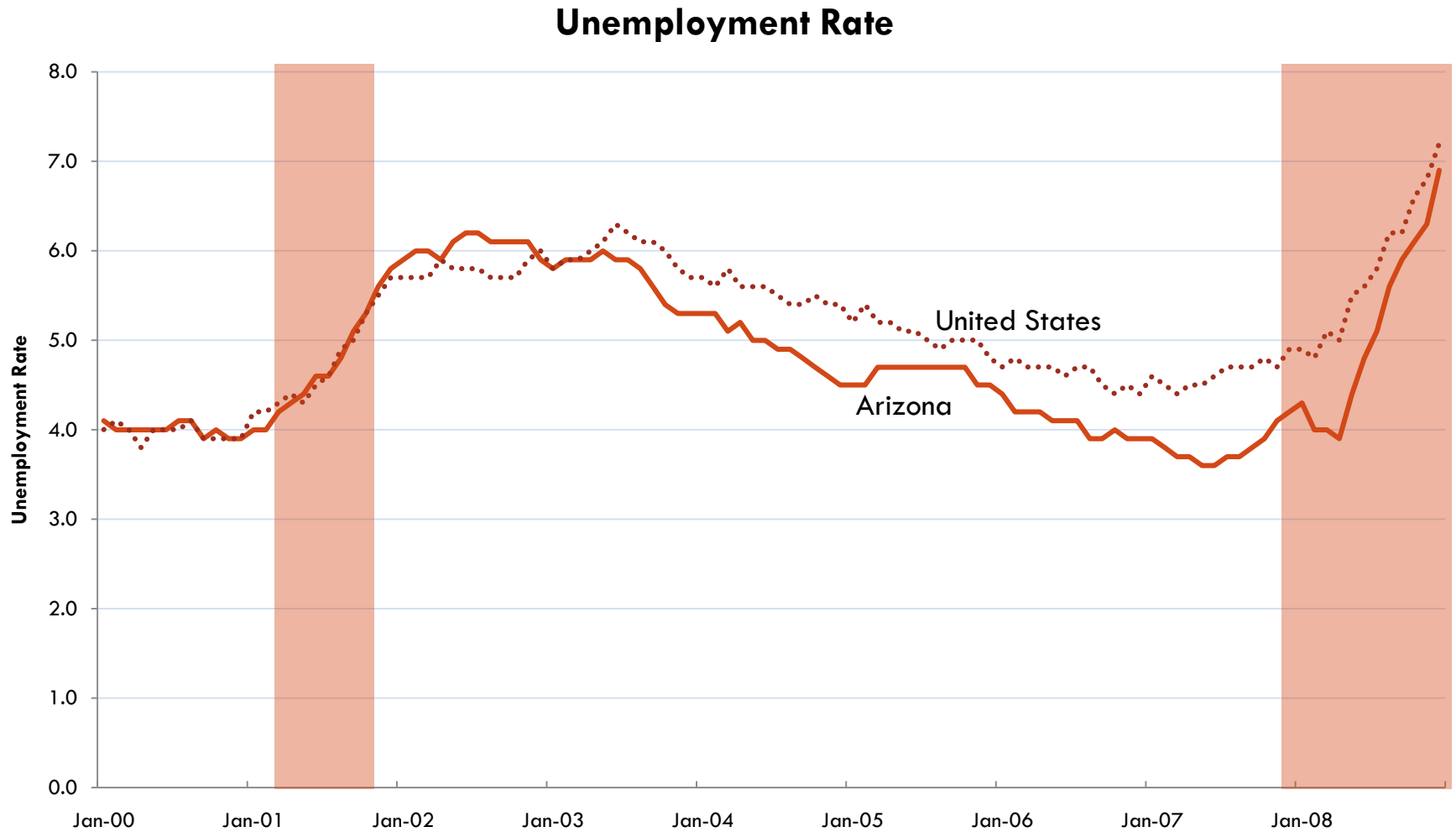
High Cost Lending in Arizona More Prevalent Among Minority Groups, Especially Latinos

High Cost Conventional Loans by Race, 2005



Source: Home Mortgage Disclosure Act Data, 2005

Unemployment Rate in Arizona is Rising

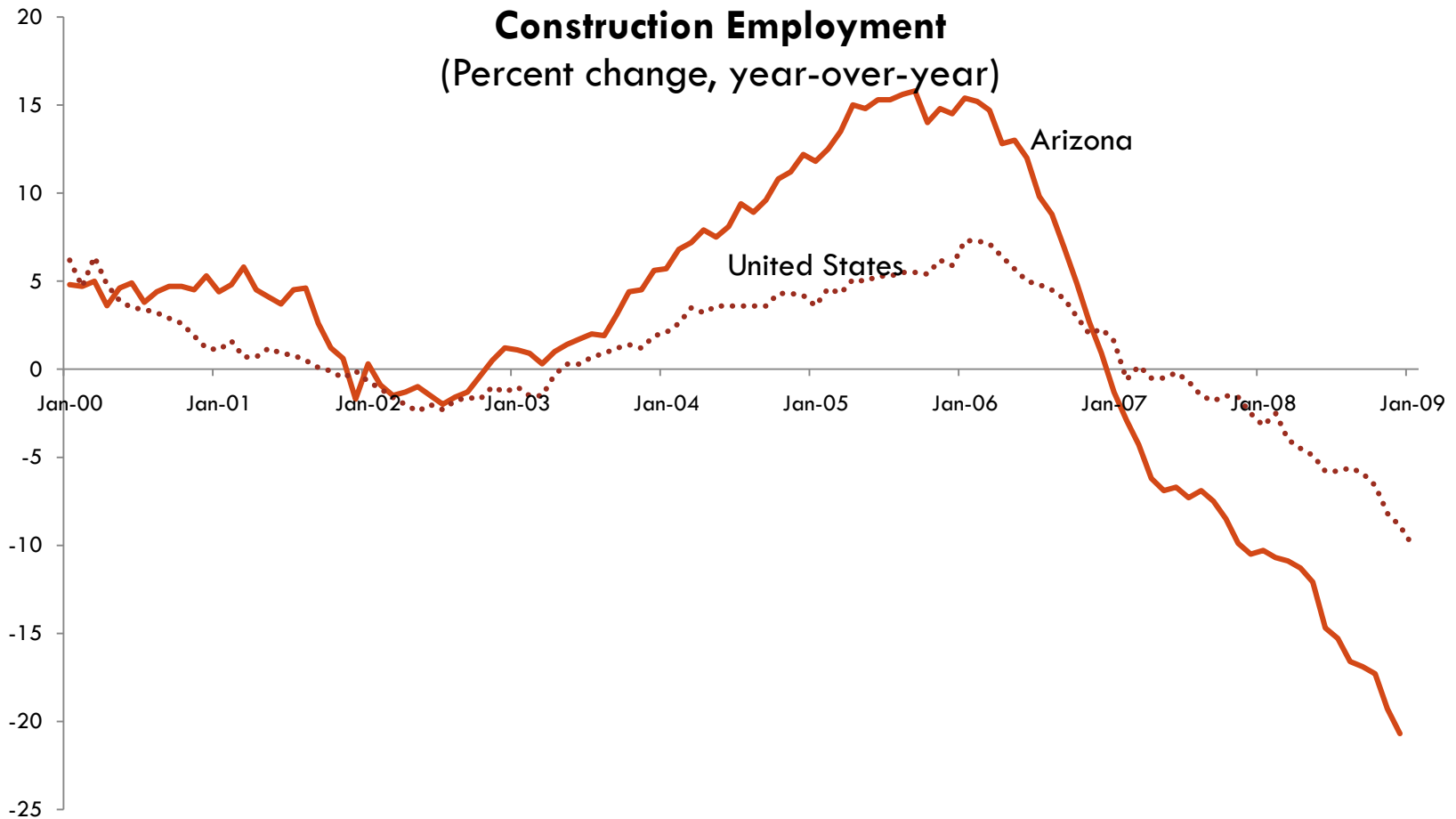


Source: Bureau of Labor Statistics, December 2008

Employment Trends by Industry in Arizona

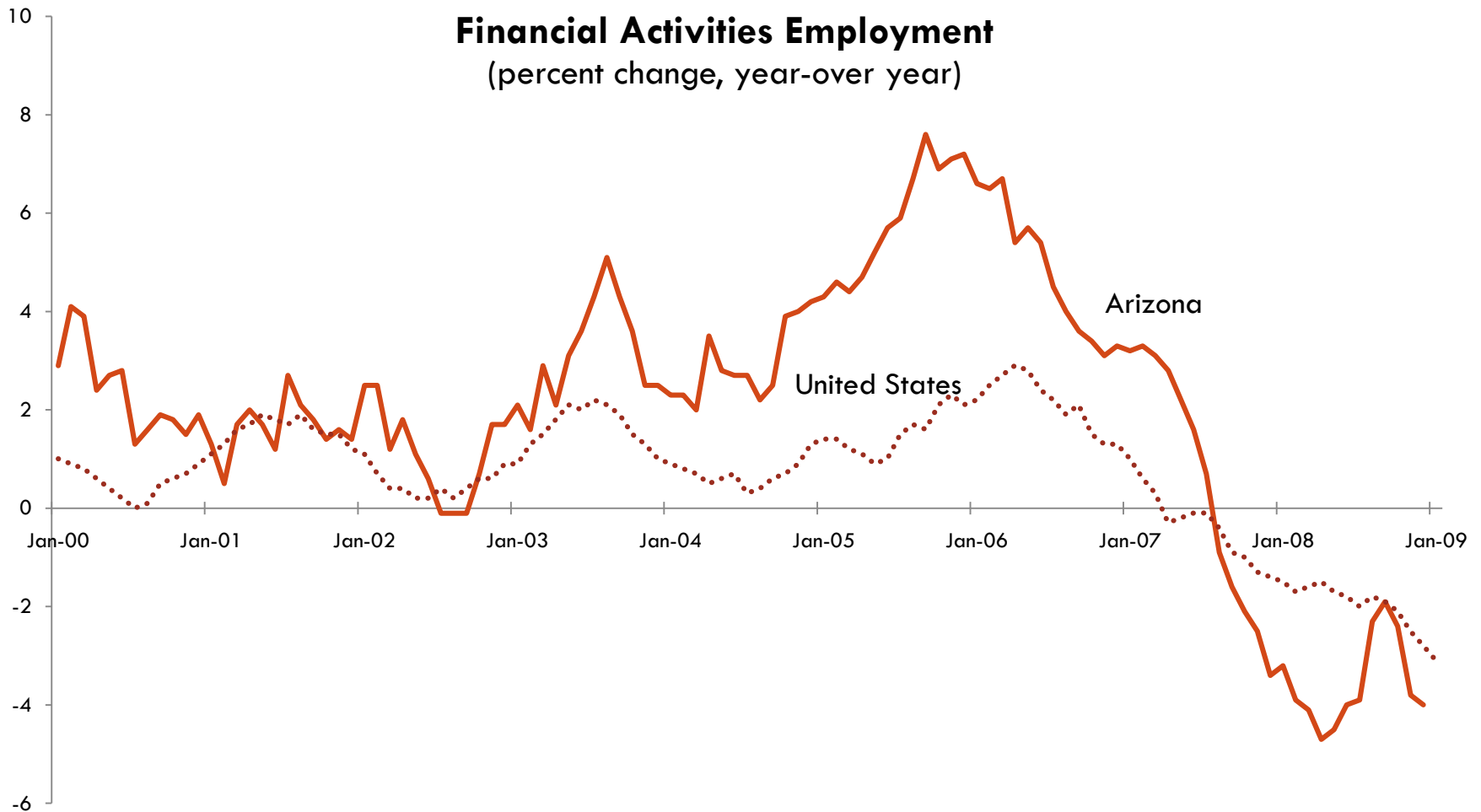
Arizona	Total Employed (thousands) Dec-08	Percent Change		
		1-mo.*	3-mo.*	12-mo.
Total	2,543.9	-7.6	-9.9	-4.3
Trade, Transportation & Utilities	493.5	-7.7	-12.7	-5.7
Government	433.8	-1.6	-0.8	0.9
Professional & Business Svcs.	372.1	-14.8	-19.1	-7.0
Educational & Health Svcs.	318.7	4.6	3.1	2.9
Leisure & Hospitality	265.4	-6.1	-6.1	-3.5
Manufacturing	175.9	-4.0	3.3	-2.4
Financial Activities	172.4	-4.7	-11.0	-4.0
Construction	167.2	-30.8	-33.6	-20.7
Other Services	94.3	-2.5	-2.9	-1.8
Information	39.3	-5.9	-8.7	-7.7
Natural Resources & Mining	11.3	-51.4	-35.3	-7.4

Significant Drop in Construction Employment



Source: Bureau of Labor Statistics, January 2009

Significant Drop in Financial Activities Employment

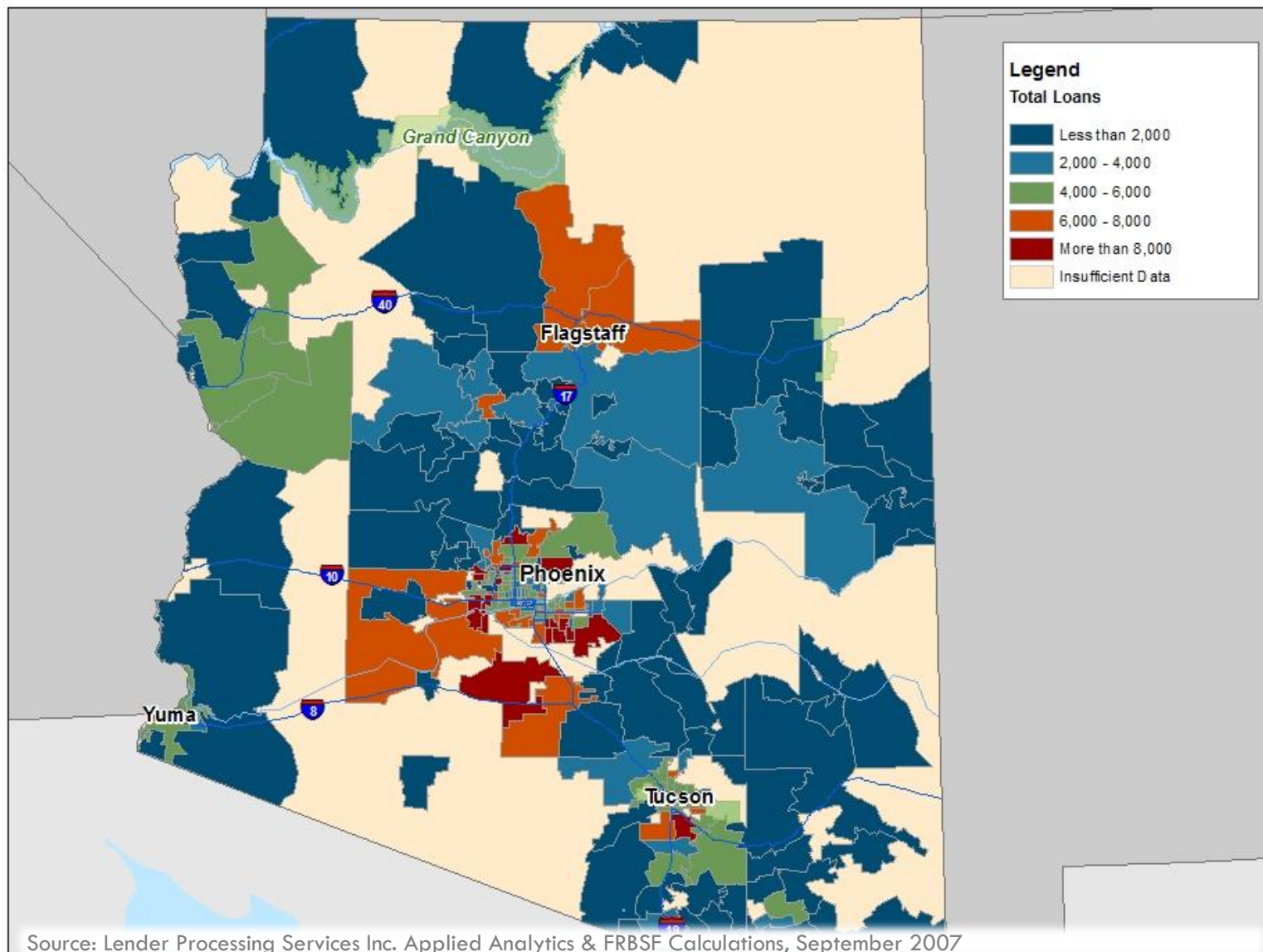


Source: Bureau of Labor Statistics, January 2009

Arizona Foreclosure Data Maps

Distribution of Lending Volumes

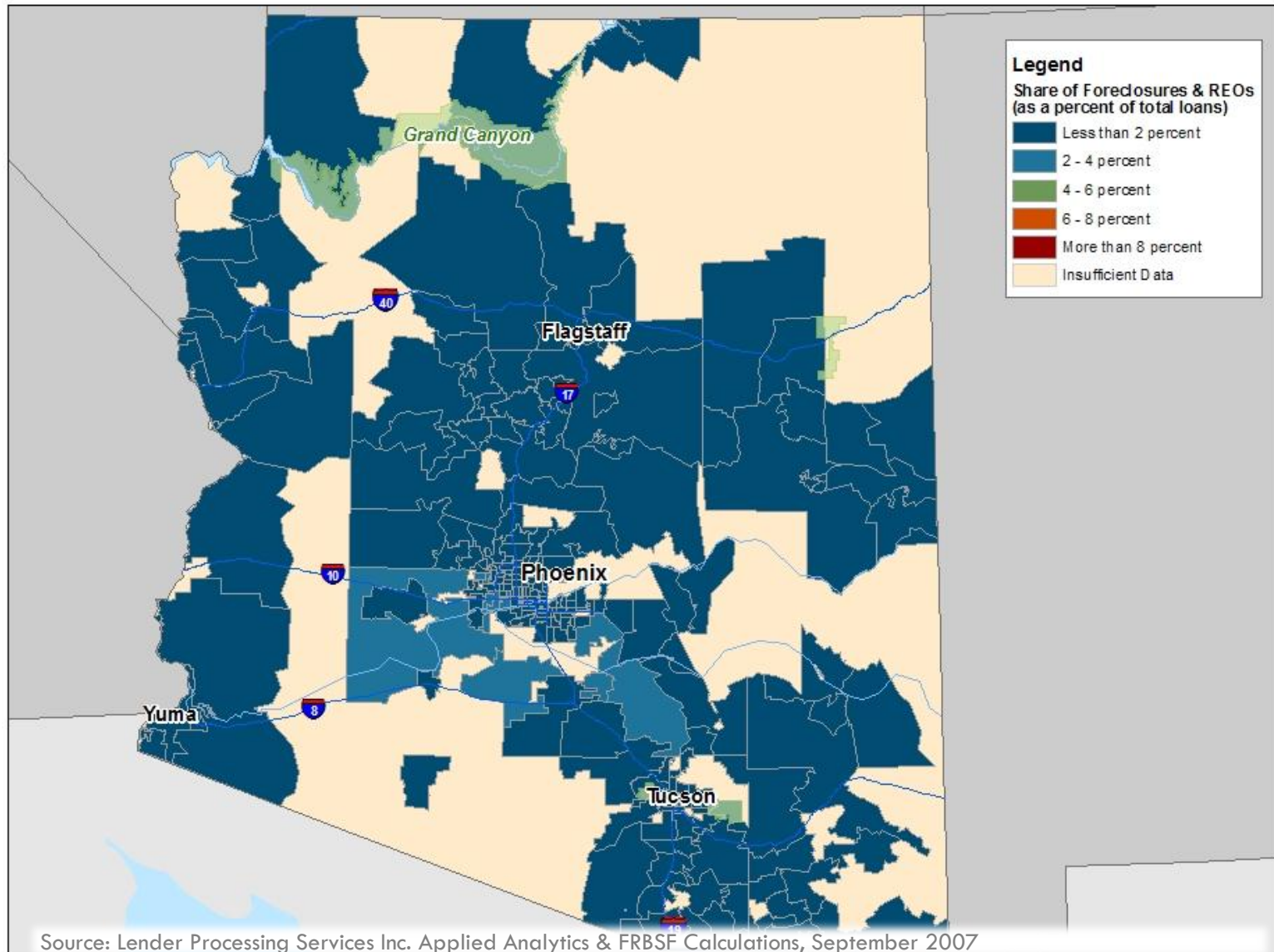
September 2007



Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, September 2007

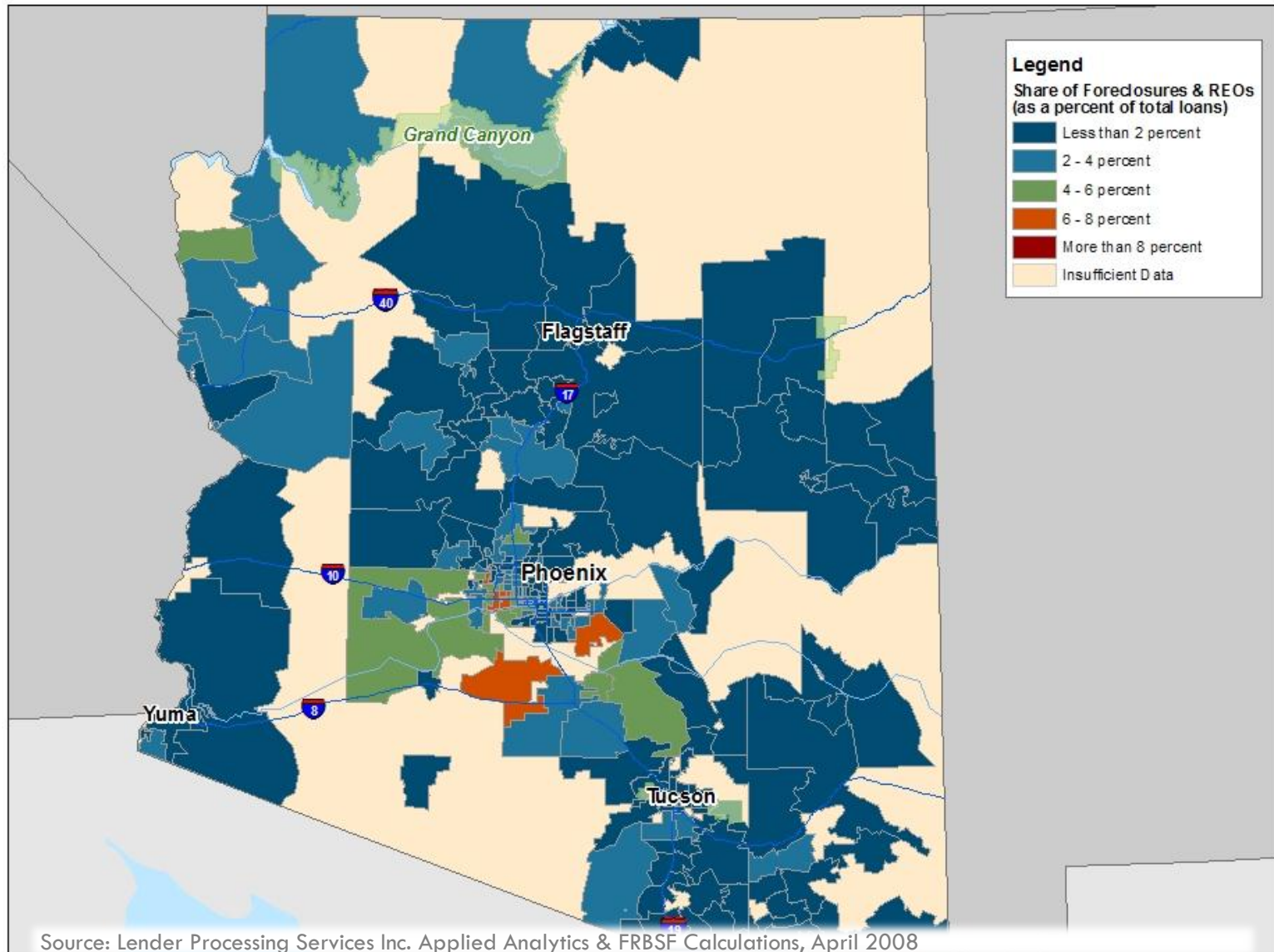
Areas Affected by Concentrated Foreclosures

September 2007



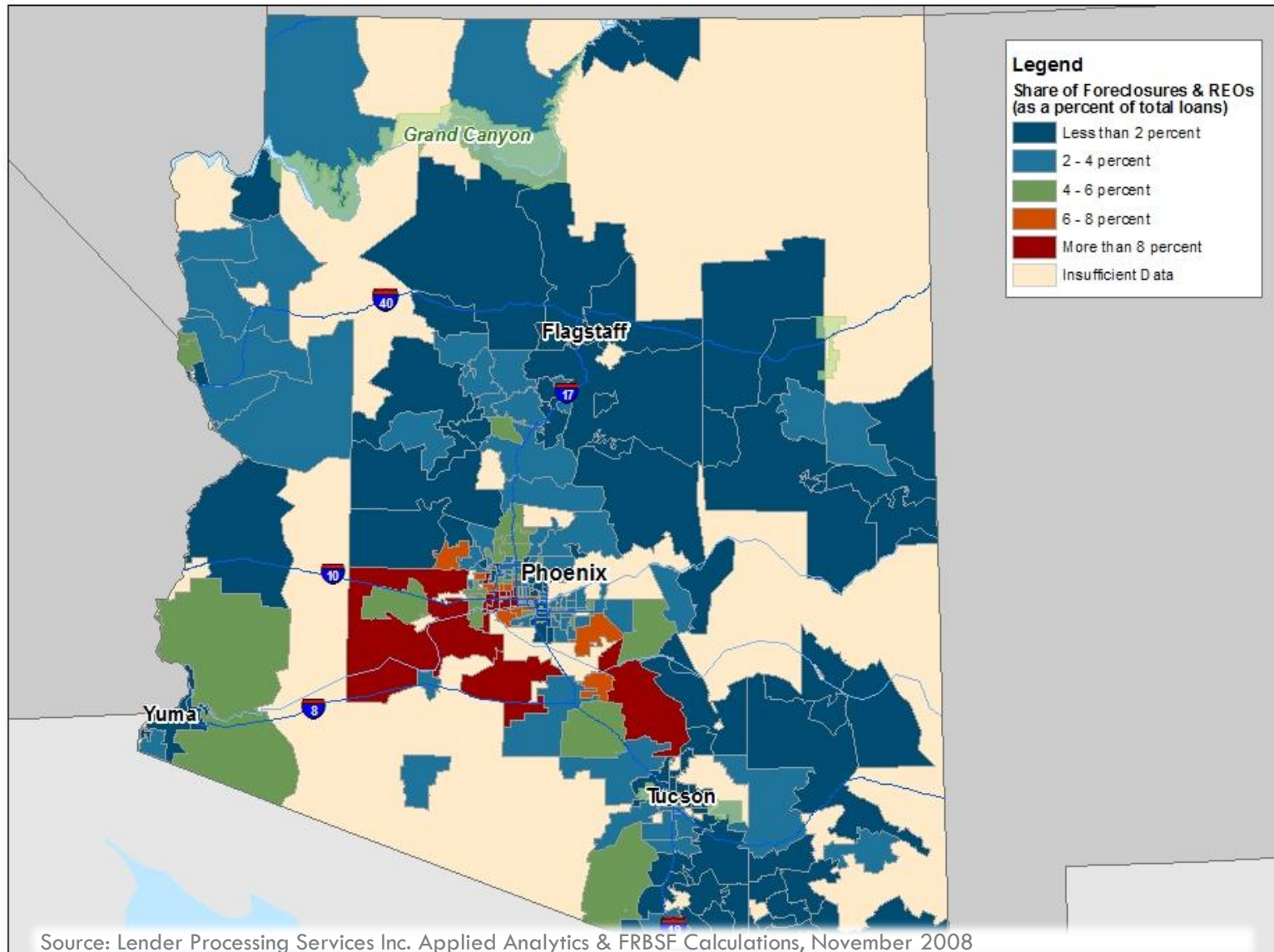
Areas Affected by Concentrated Foreclosures

April 2008



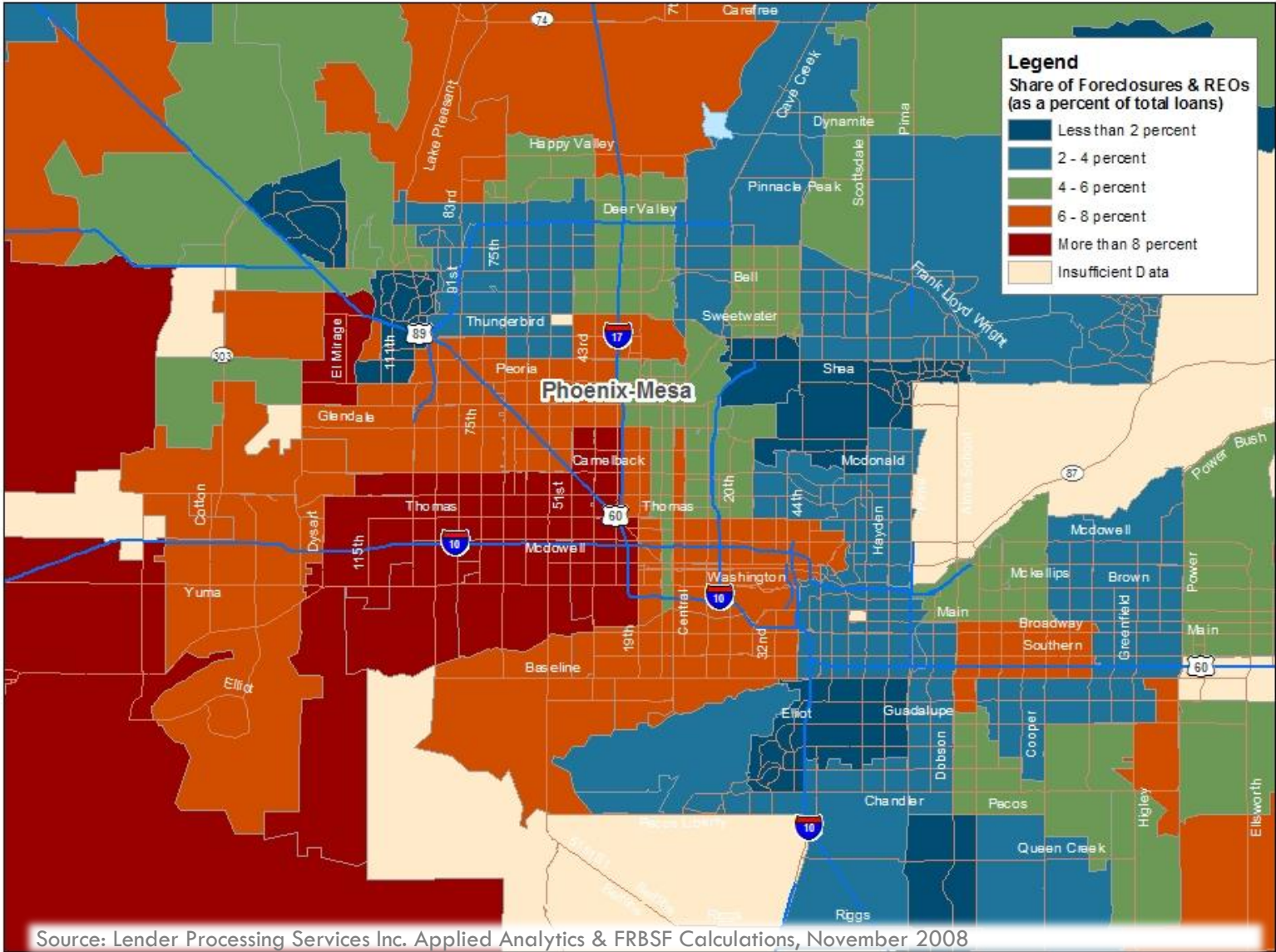
Areas Affected by Concentrated Foreclosures

November 2008



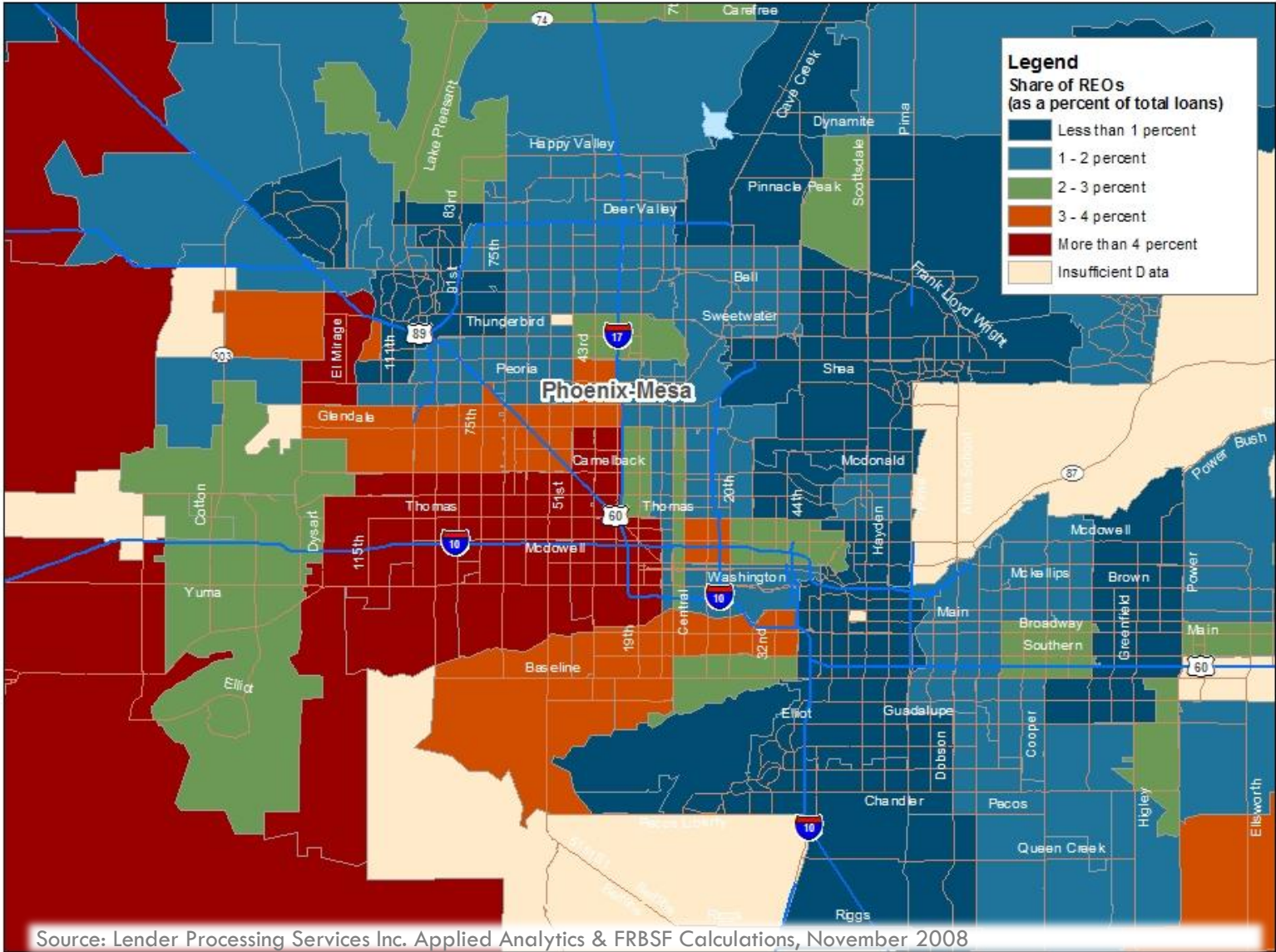
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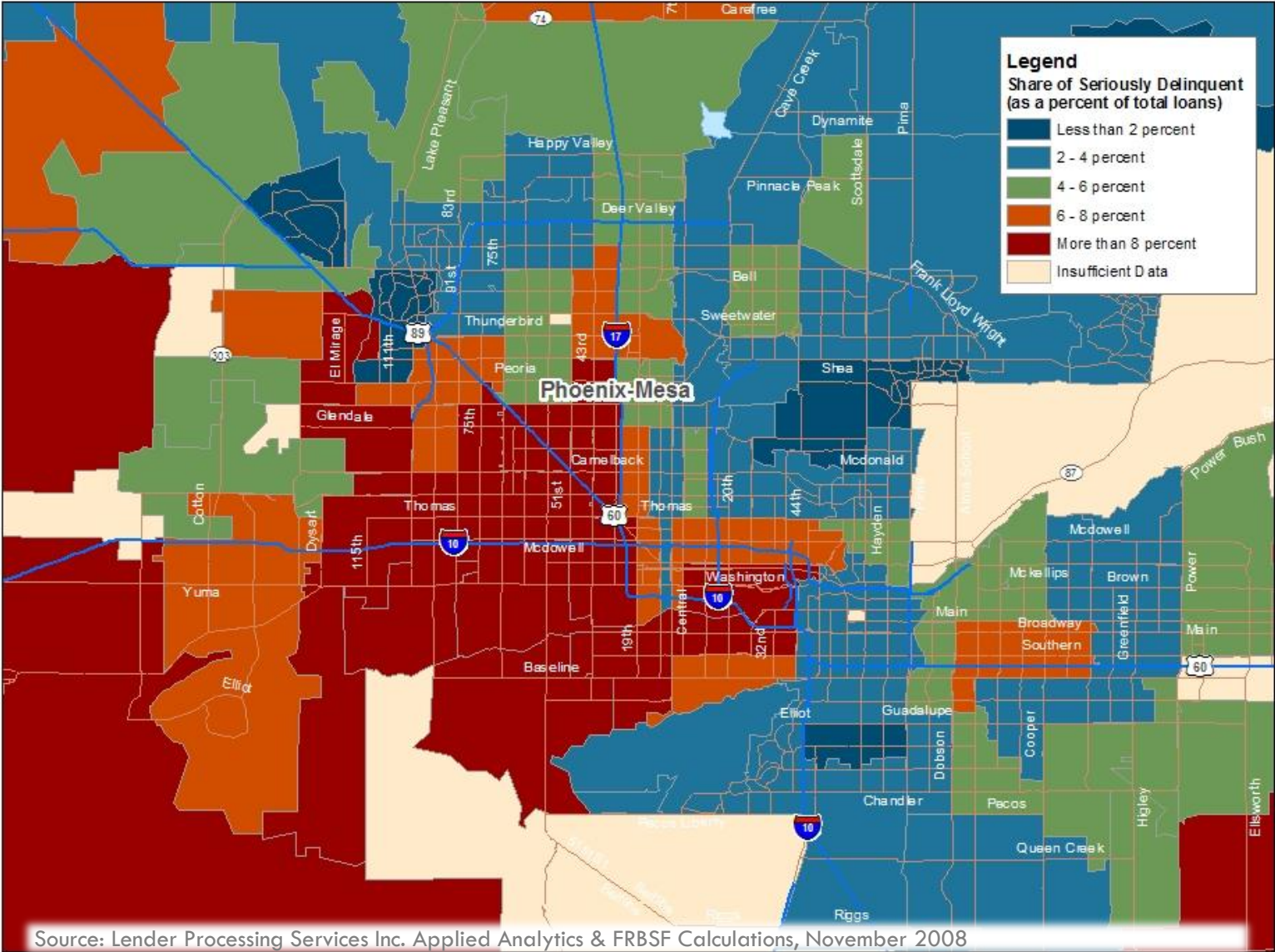
Areas with Concentrations of REO Properties

November 2008



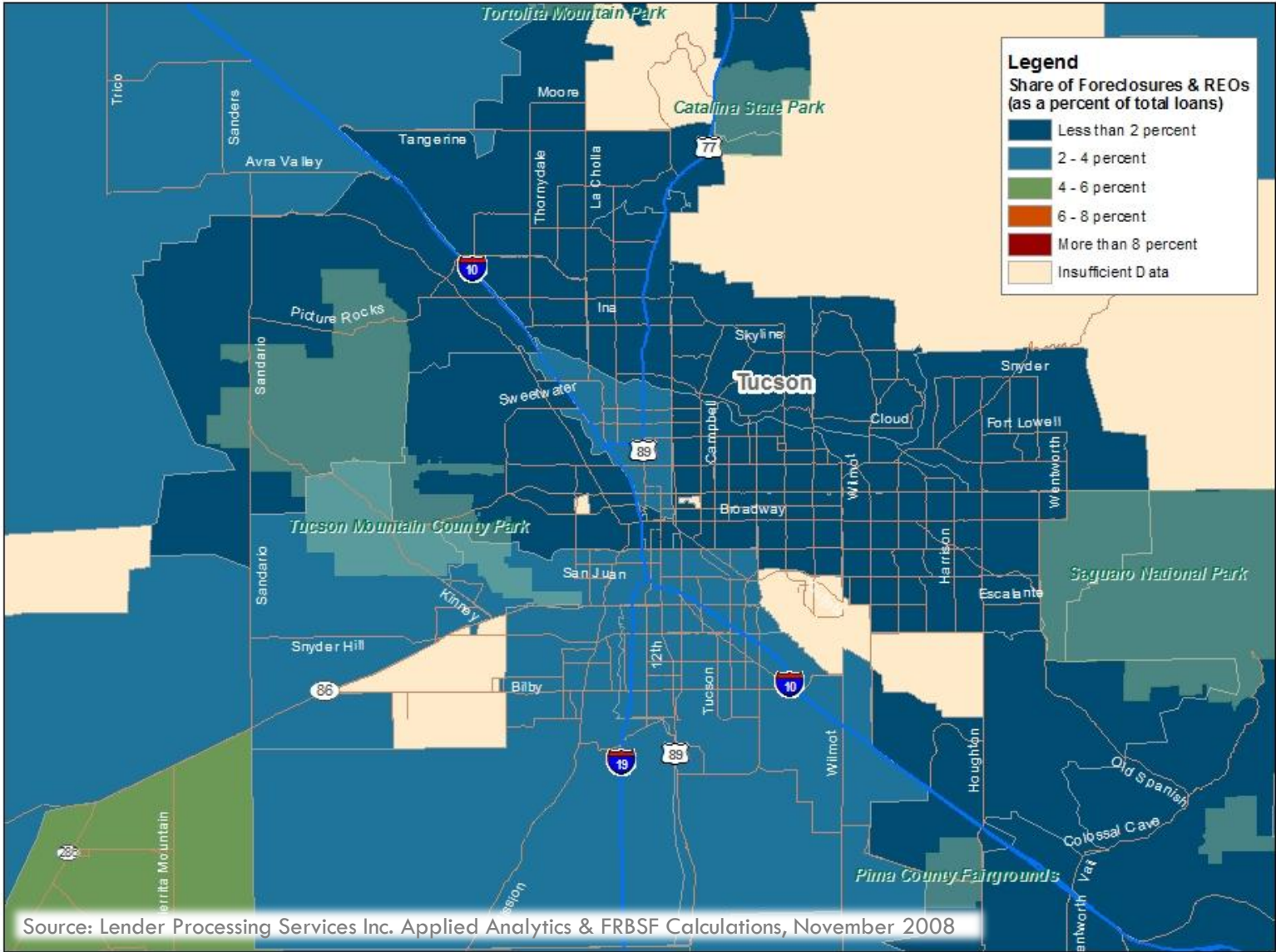
Areas at Risk of Additional Foreclosures

November 2008



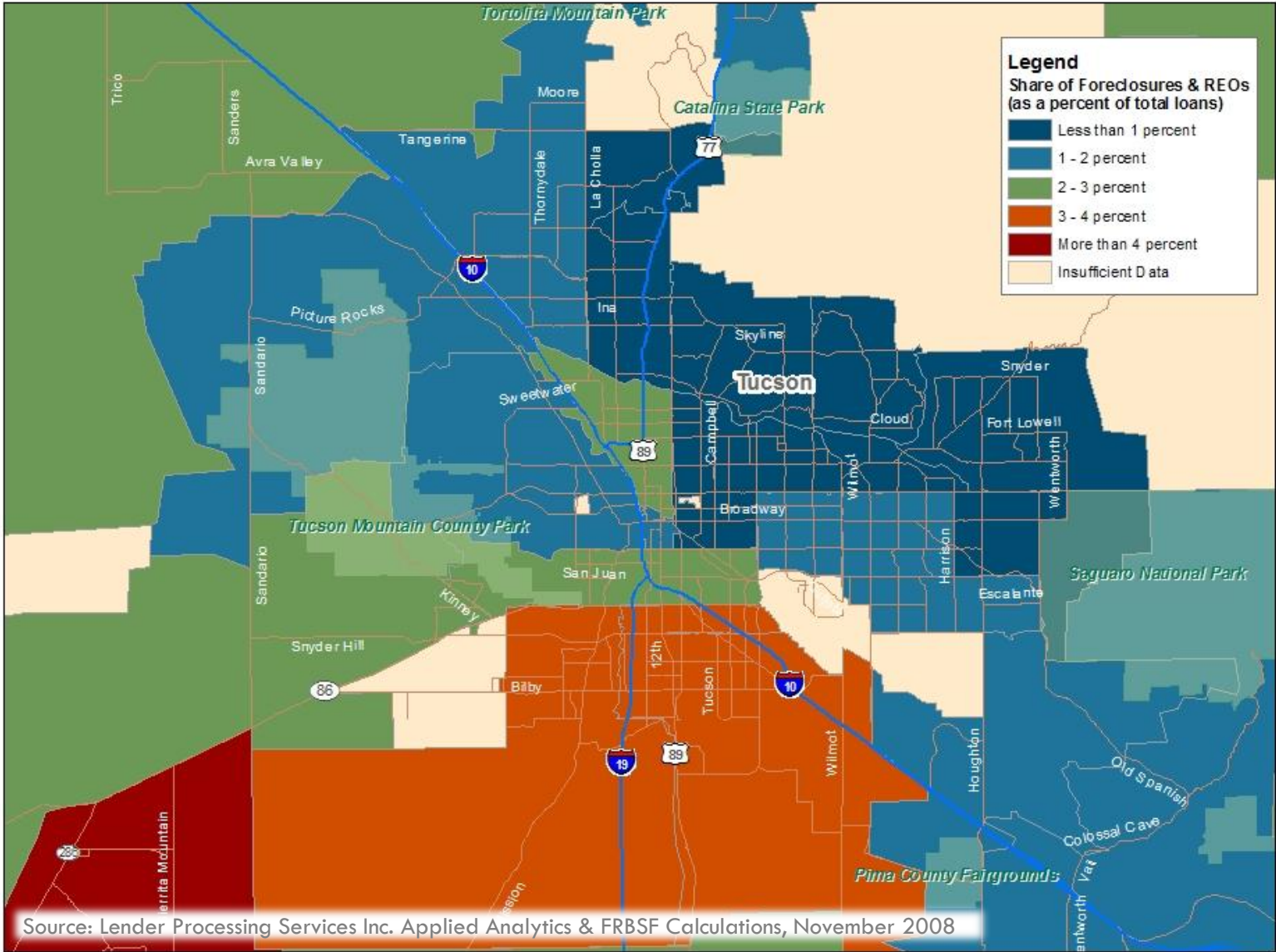
Tucson Not Hit as Hard as Phoenix

November 2008



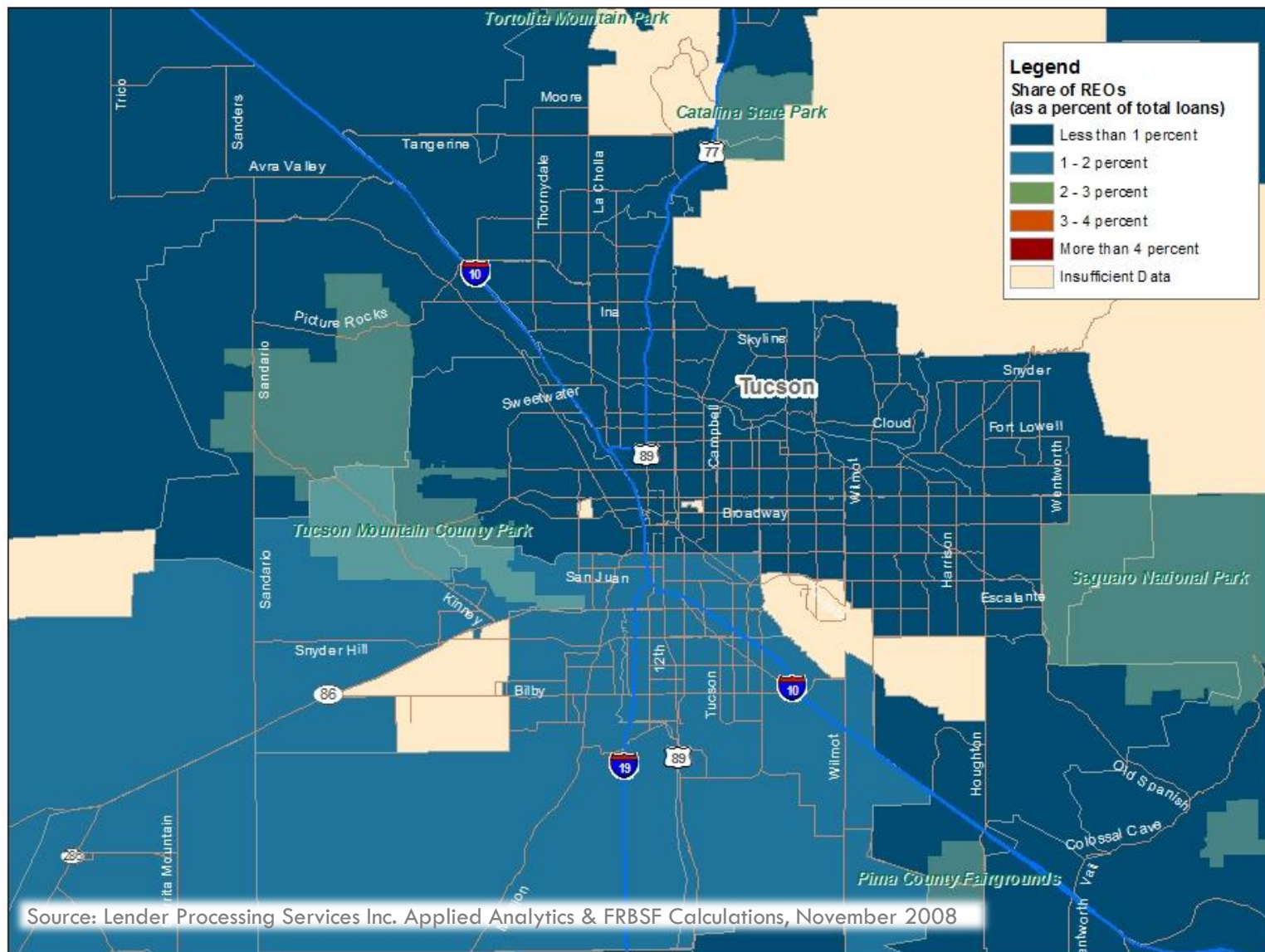
But Foreclosures Concentrated in Specific Neighborhoods

November 2008



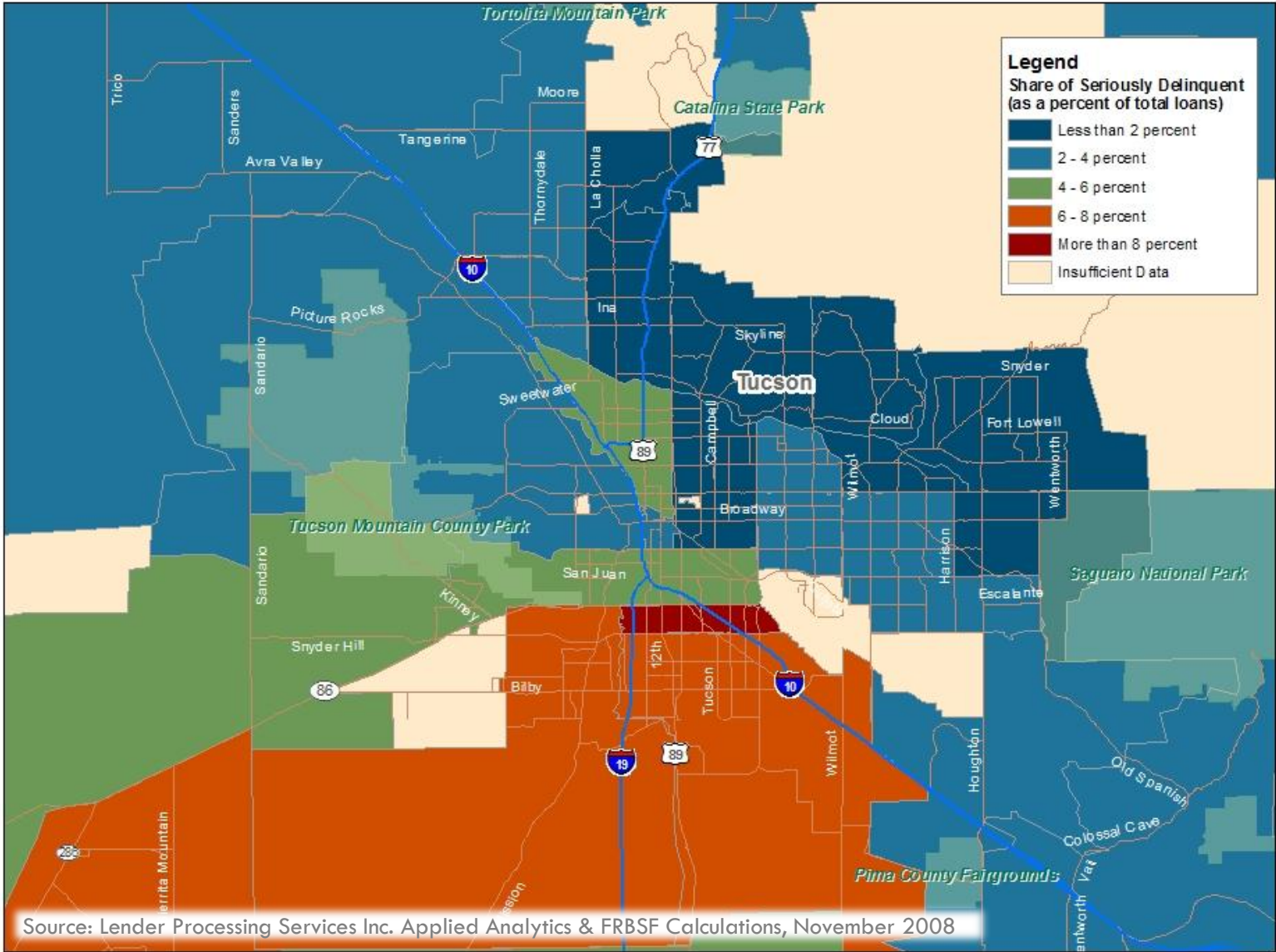
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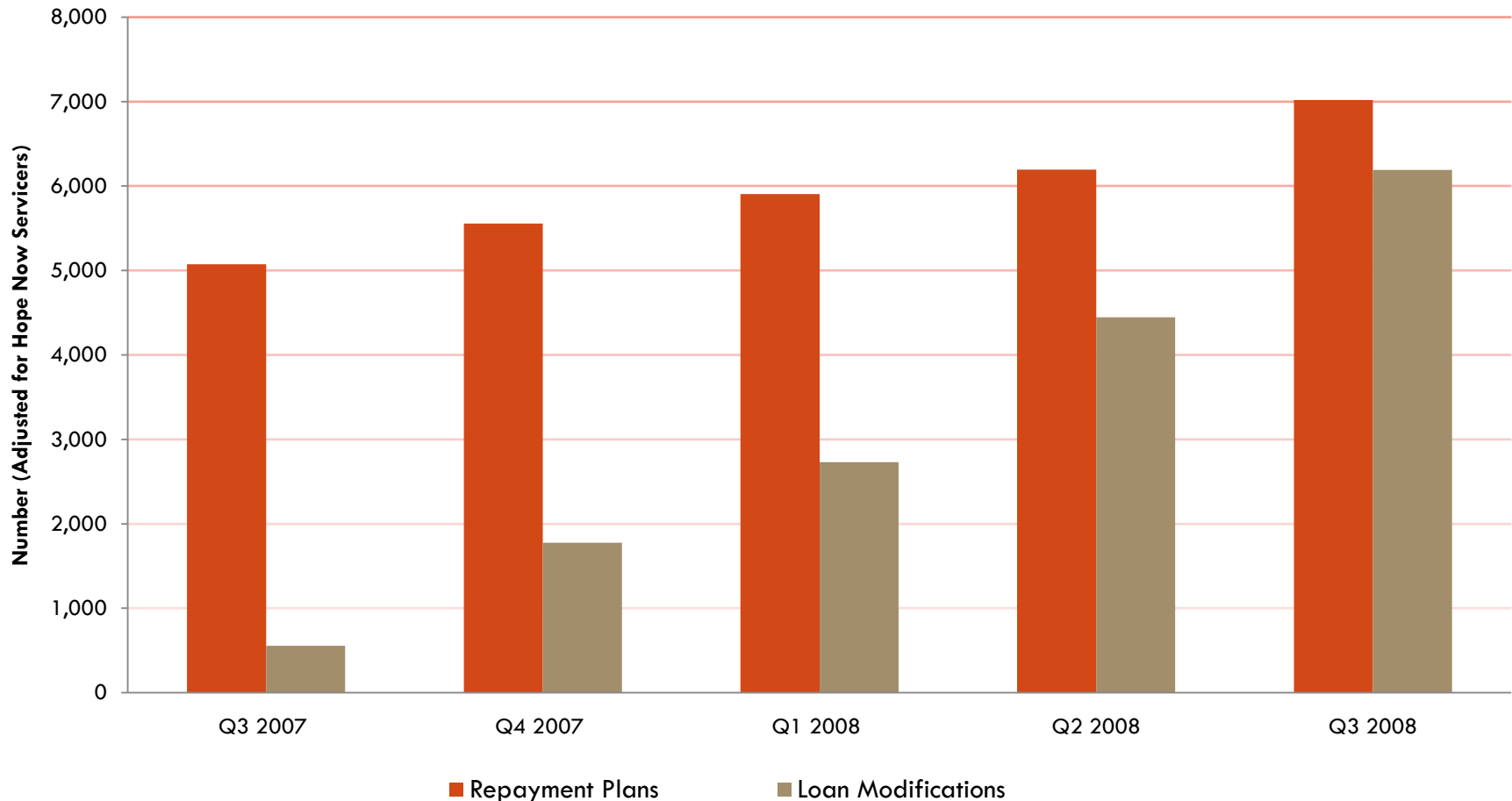
Areas at Risk of Additional Foreclosures

November 2008



Loan Modifications as Share of Loan Workouts Have Increased

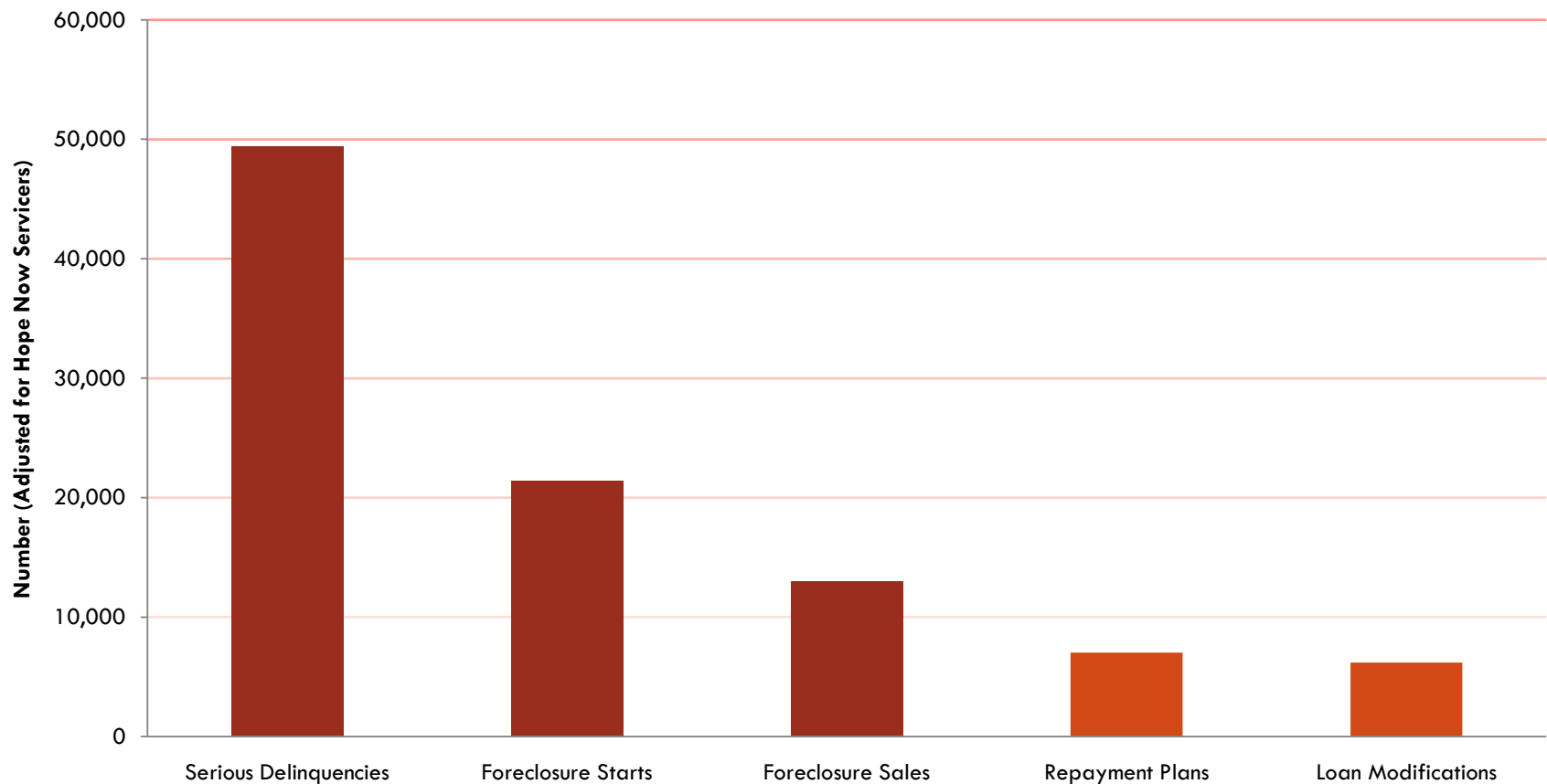
Arizona Loan Workouts



Source: Hope Now Alliance Servicing Data, 3rd Quarter 2008

Yet, Workouts Still Fall Short of Need

Foreclosure & Delinquencies v. Loan Workouts in Arizona 3rd Quarter 2008



Source: Hope Now Alliance Servicing Data, 3rd Quarter 2008

Conclusions

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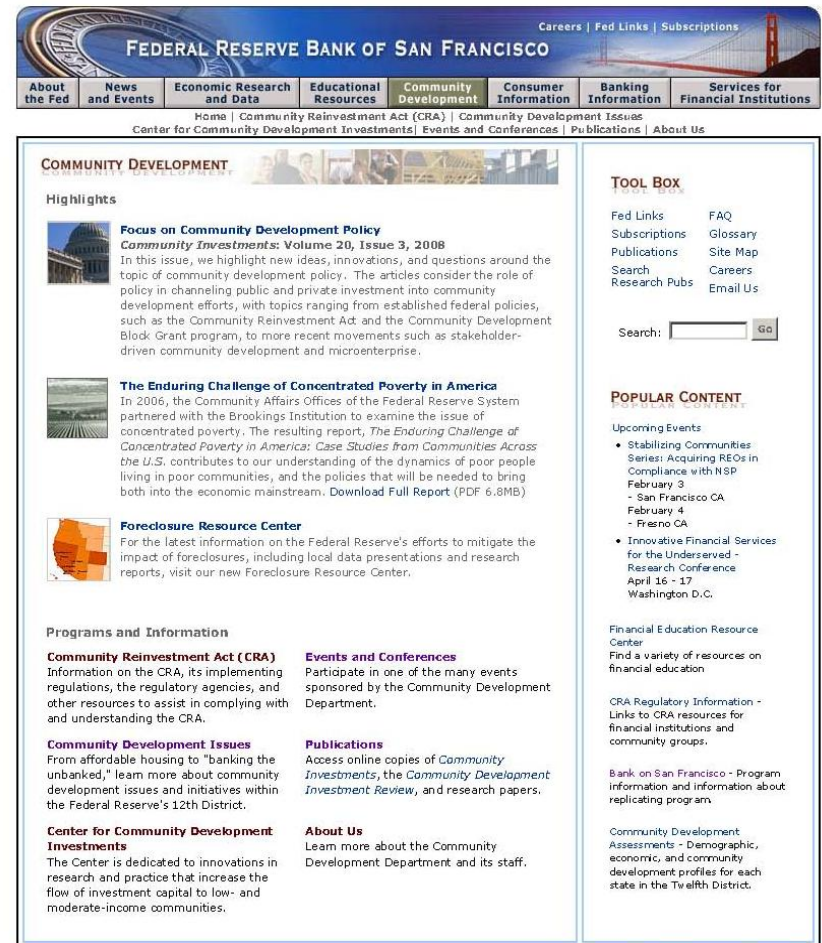
- Multi-pronged strategy is needed to stem foreclosure crisis
- Continued foreclosure prevention efforts are critical
 - Foreclosure Prevention: Borrower Outreach, Refinance and Loan Modification (including principal reduction)
 - Reaching these borrowers now may help to prevent unnecessary foreclosures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

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/>