TRENDS IN DELINQUENCIES AND FORECLOSURES IN SOUTHERN CALIFORNIA

January 2010

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National Trends

- Signs that the economy is starting to grow and move out of the recession
  - GDP positive for the first time since start of 2008
- Major weaknesses still exist in the housing, labor, and credit markets
- Foreclosures continue to rise
  - Although the HAMP program has succeeded in reaching 728,408 distressed borrowers (as of November 2009), few of these modifications have been made permanent and scale still falls significantly short of need.

National Trends

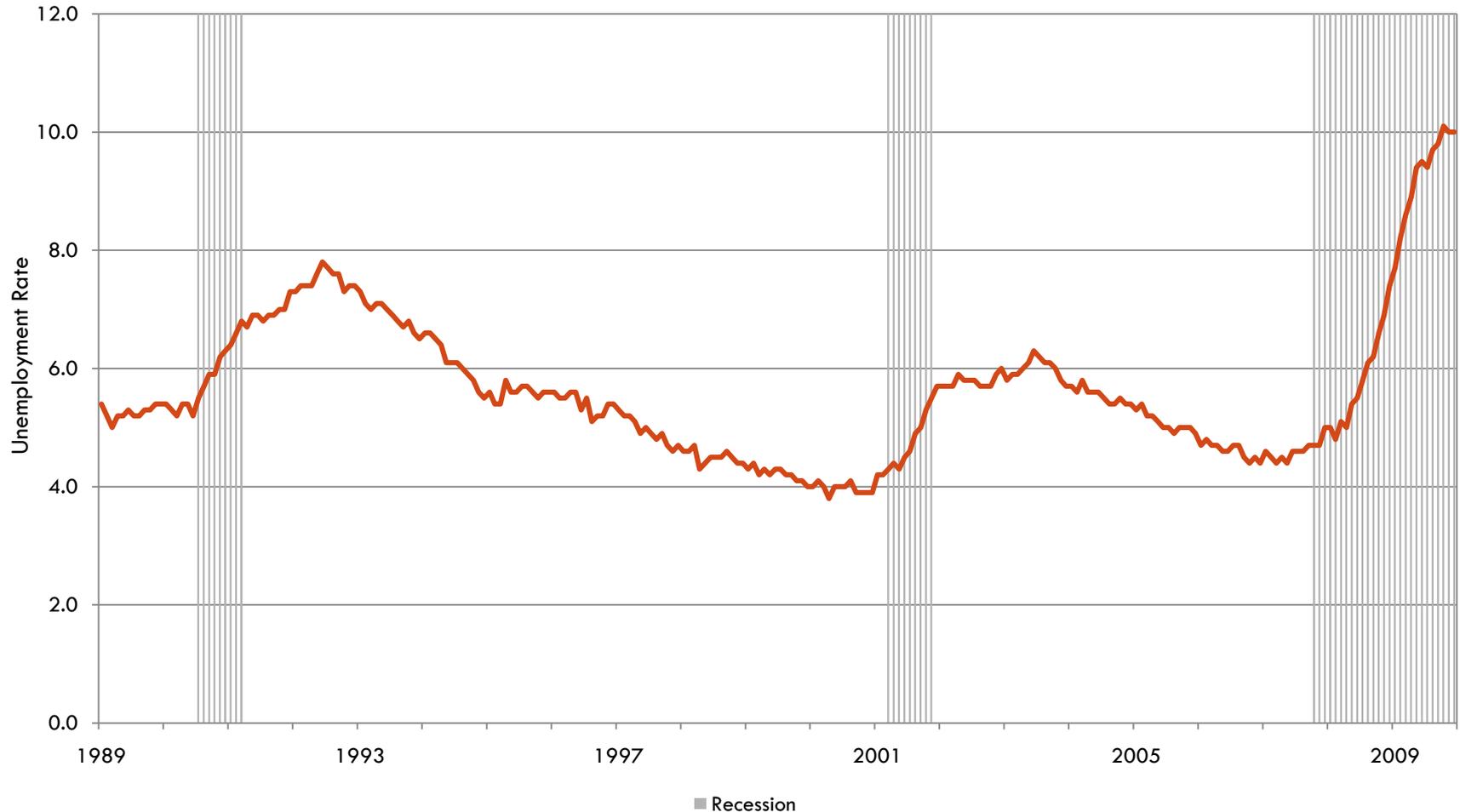# GDP Shows Positive Growth in 3rd Quarter 2009

Real Gross Domestic Product
(percent change at seasonally adjusted annual rate)

GDP % change based on chained 2005 dollars
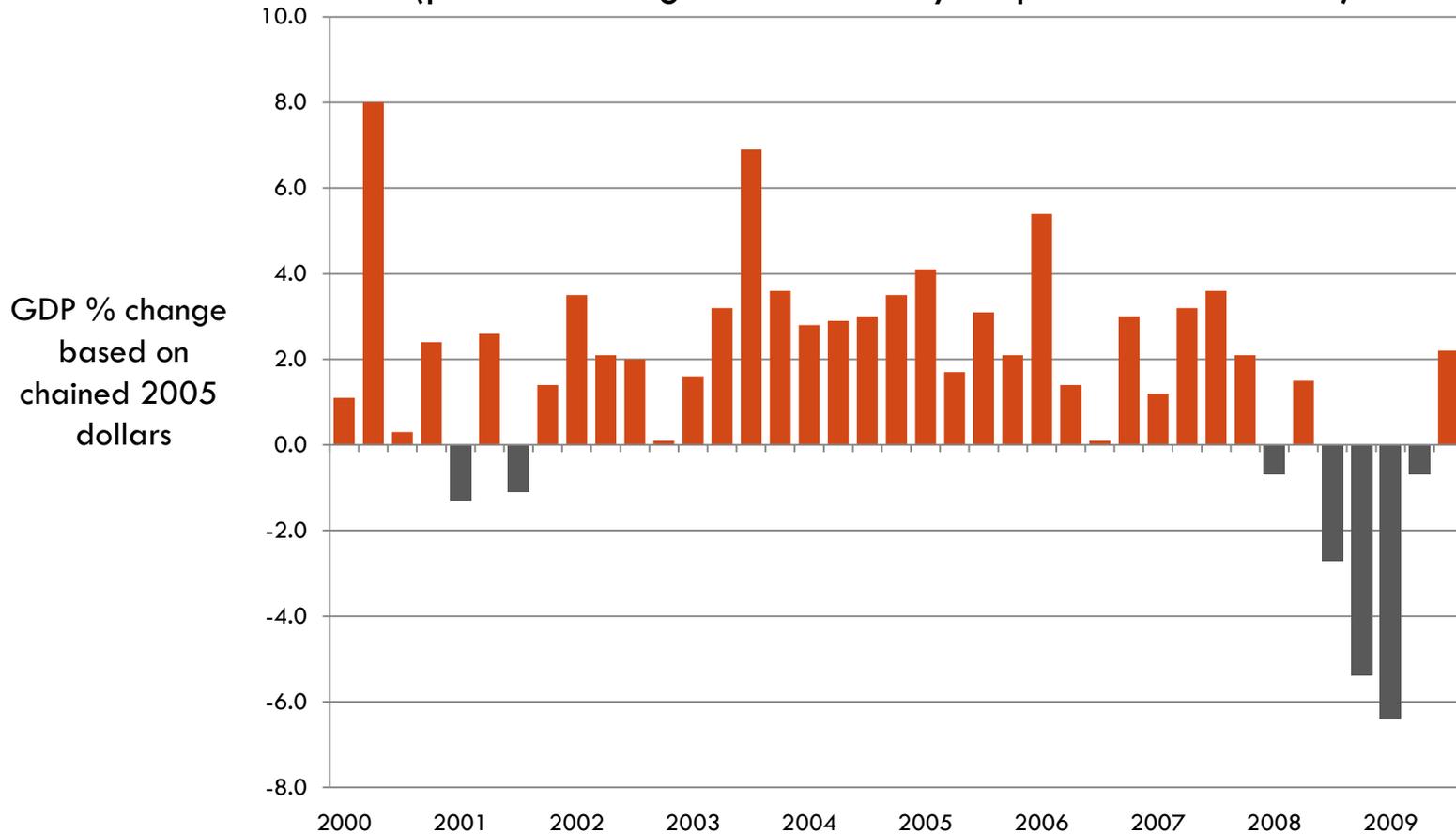
Source: Bureau of Economic Analysis

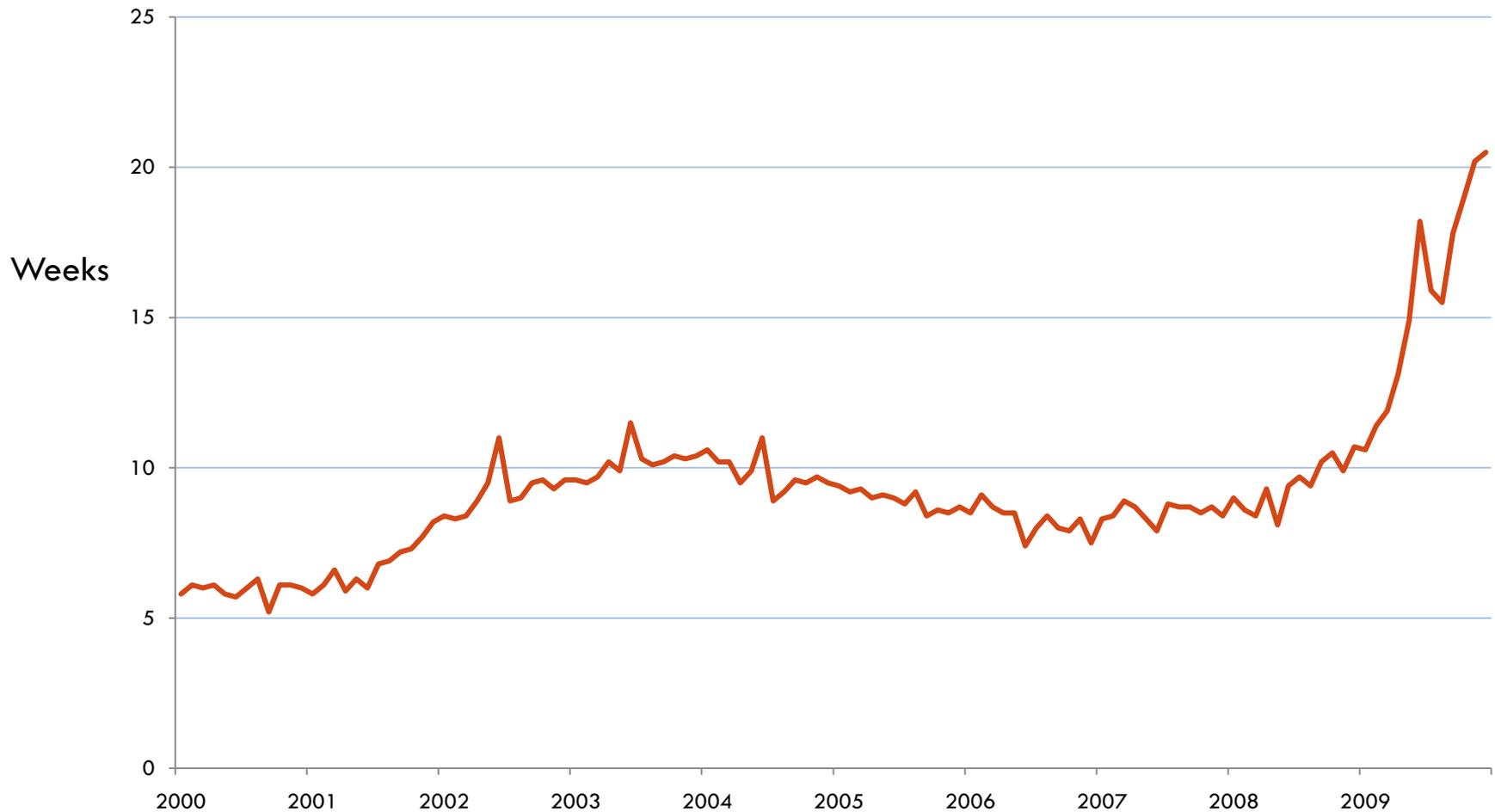# Weakness in Labor Market Grave Concern

U.S. Unemployment Rate

Source: Bureau of Labor Statistics, December 2009
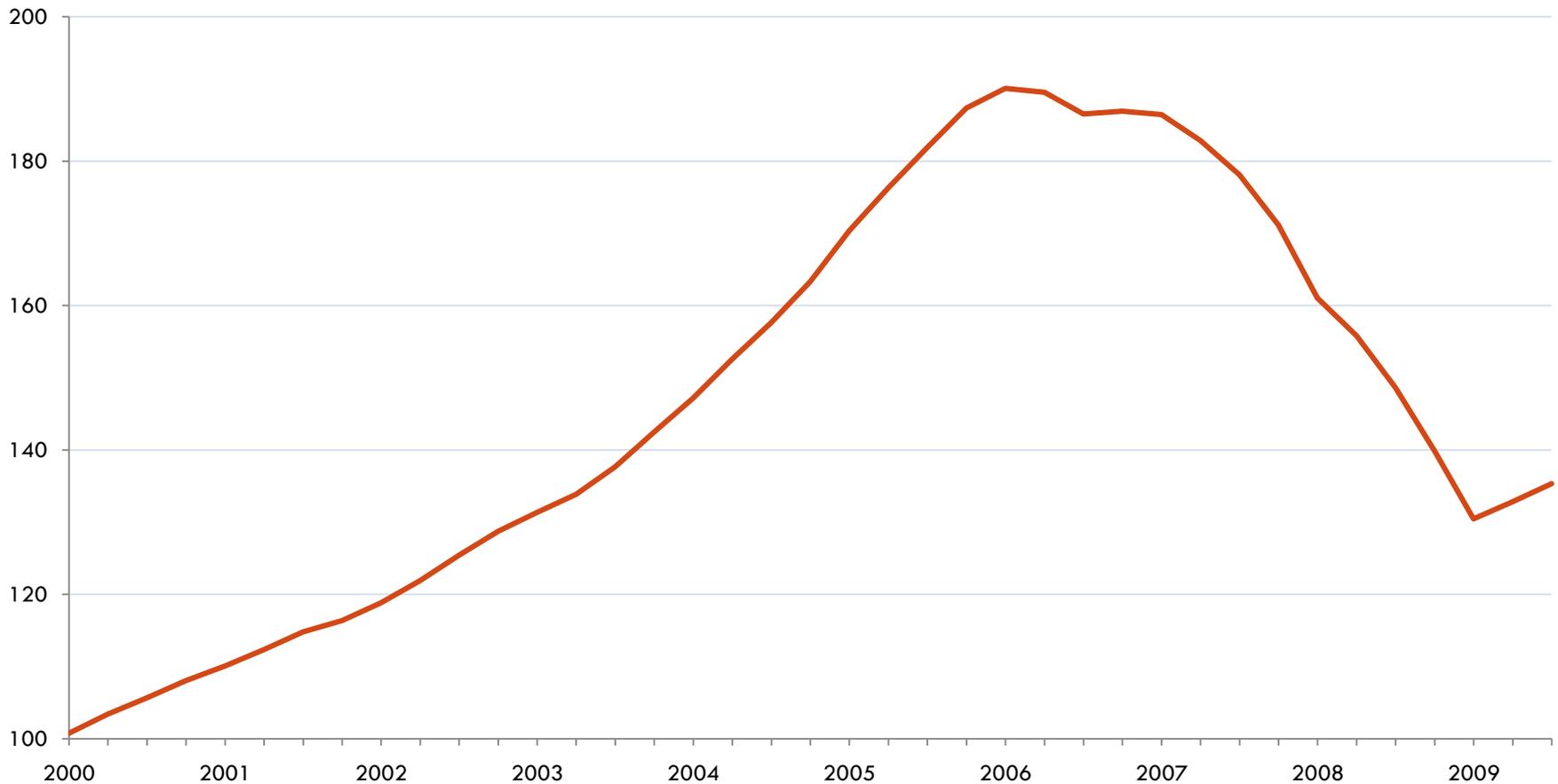
Dramatic Increase in
Duration of Unemployment

Median Duration of Unemployment

Weeks

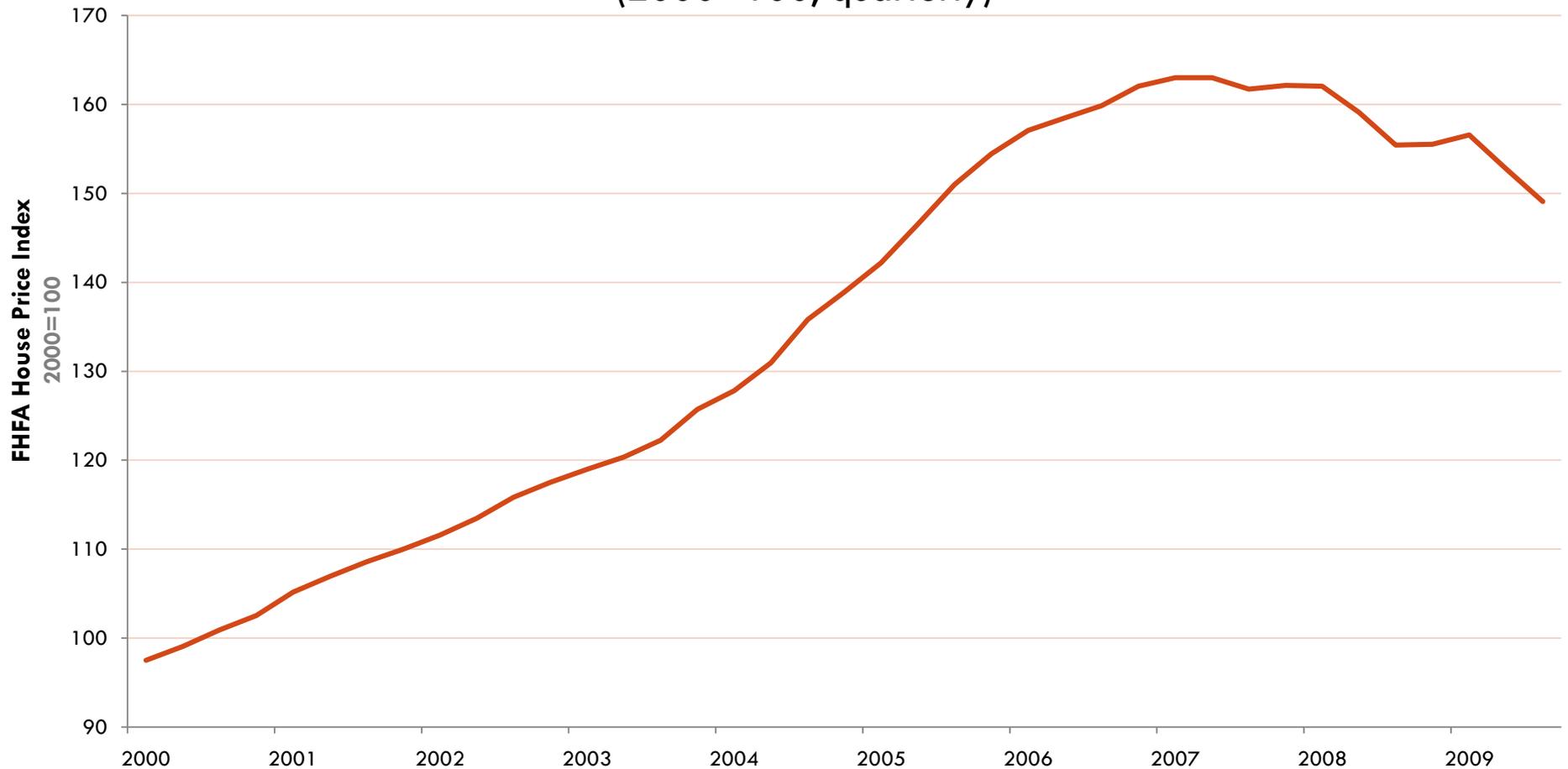# Case-Shiller Shows Continued Uptick in House Prices in 3rd Qtr 2009

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

Source: Case - Shiller Home Price Index

FHFA Shows Continued Declines, Reflecting Activity at Lower End of Market
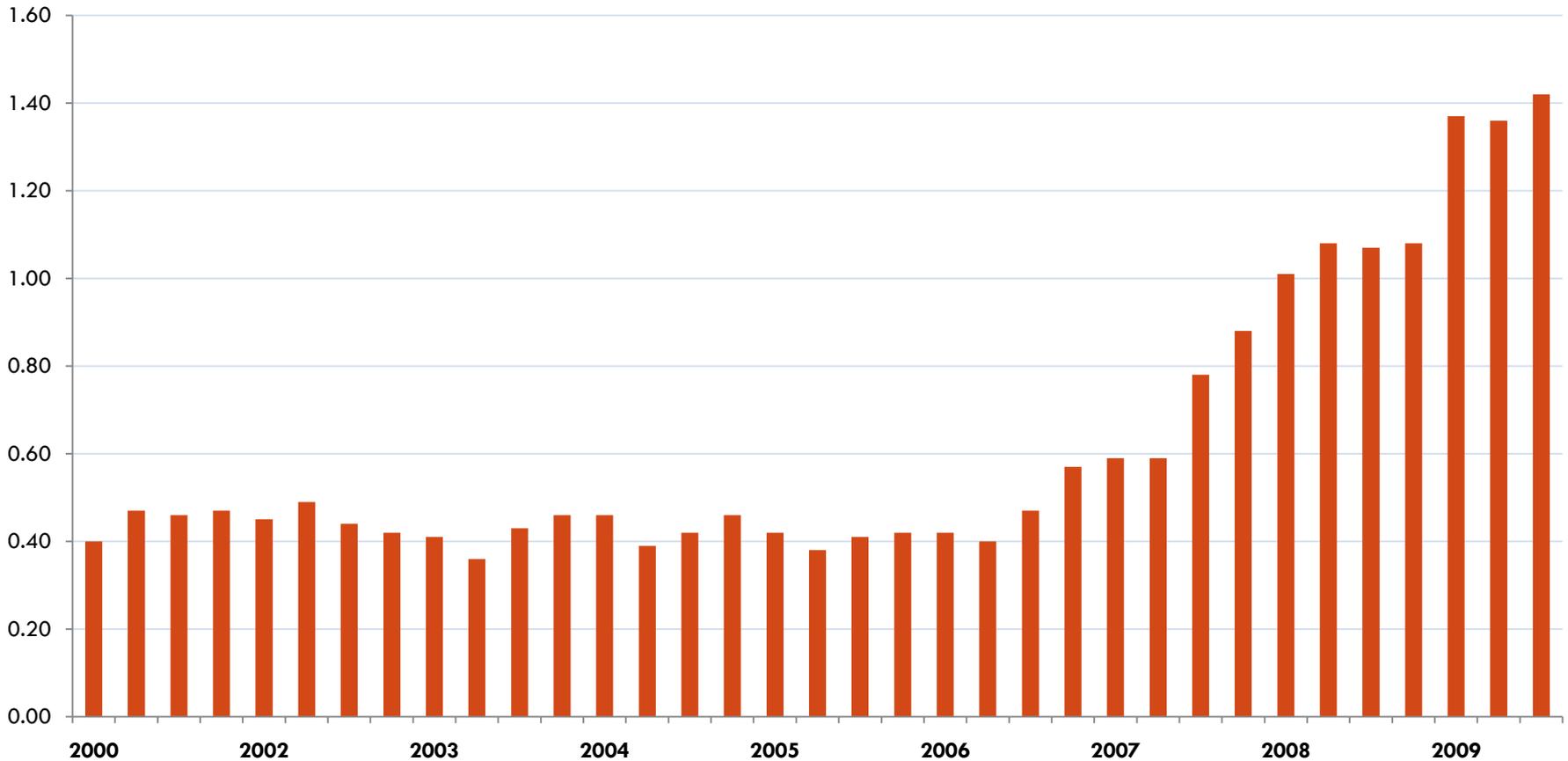
FHFA (formerly OFHEO) House Price Index
(2000=100, quarterly)

Source: Federal Housing Finance Agency (formerly OFHEO)

National Foreclosure Rate Remains High

National Foreclosures Starts
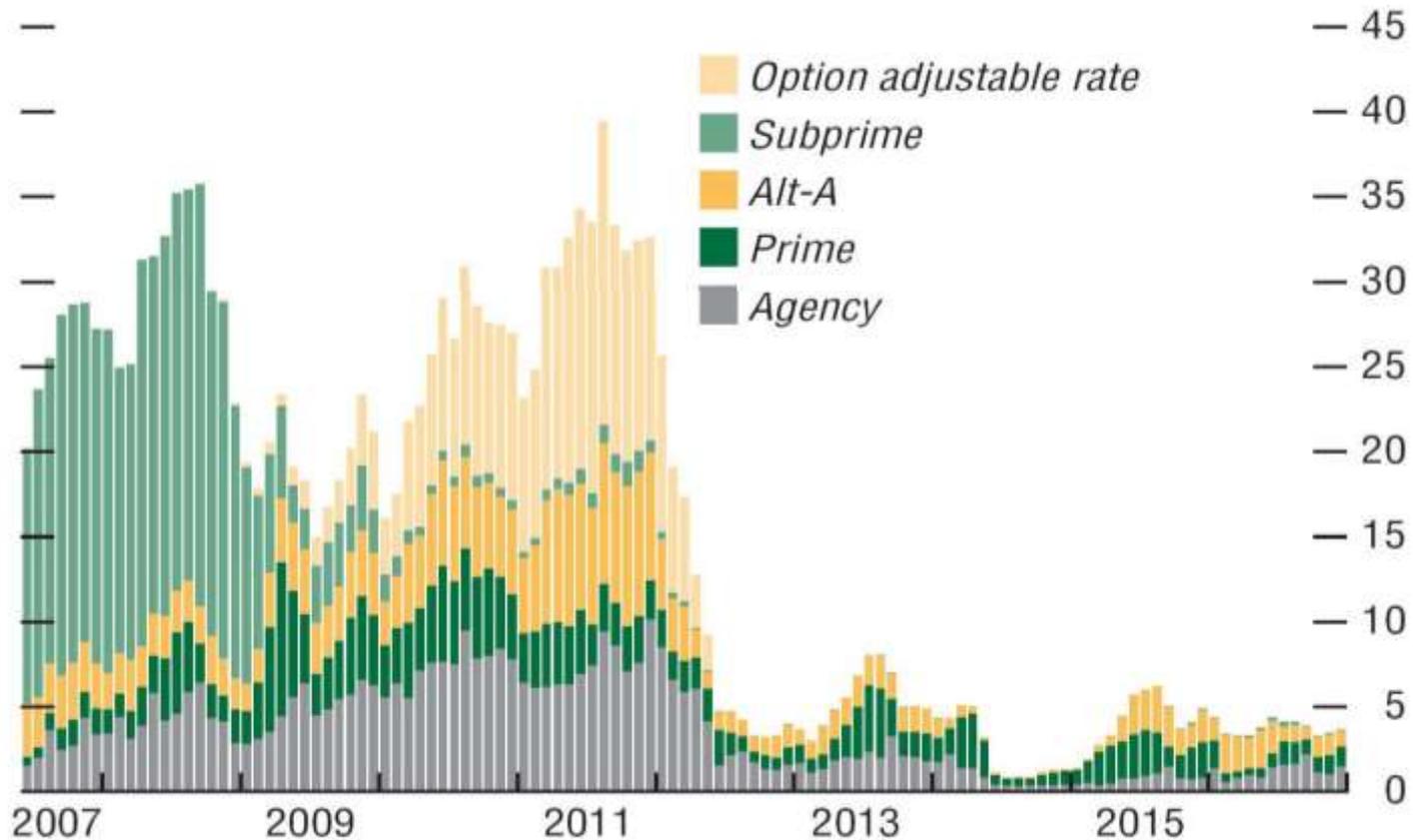Percent of All Loans

Source: Mortgage Bankers Association, National Delinquency Survey

Concern that Upcoming Resets will Continue to Drive New Foreclosures
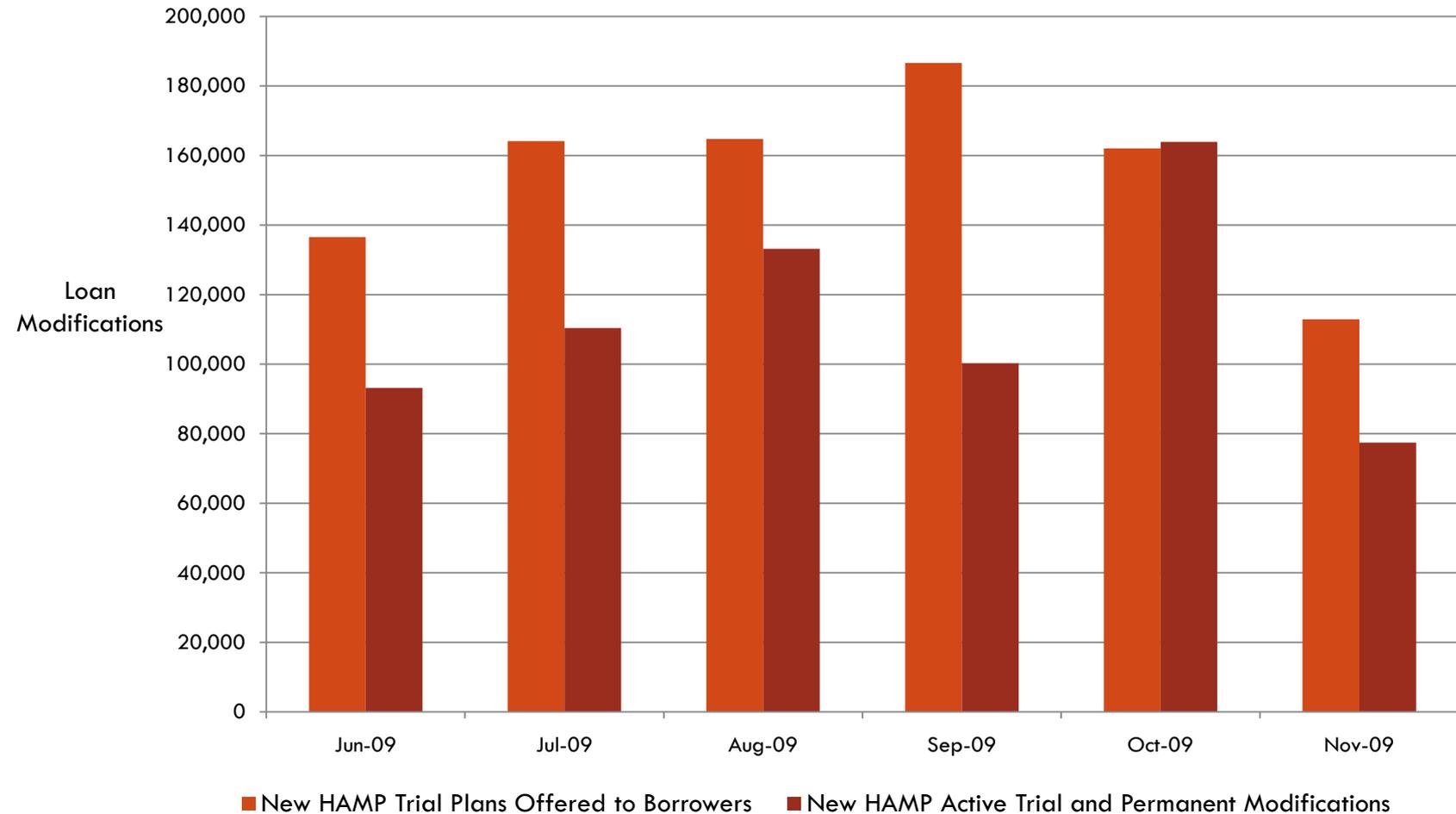
Monthly Mortgage Rate Resets
(first reset in billions of US dollars)

Source: Credit Suisse: Assessing Risks to Global Financial Stability, p. 8.
http://www.imf.org/external/pubs/ft/gfsr/2007/02/pdf/chap1.pdf

Loan Modifications:
Home Affordable Modification Program

Source: HAMP Service Performance Report Through Nov. 2009:
http://www.financialstability.gov/docs/MHA%20Public%2020121009%20Final.pdf

Although there are Signs of Improvement, Small Businesses Still Face a Tightened Credit Market

Senior Loan Officer Opinion Survey on Bank Lending:
Net Percentage of Domestic Respondents Tightening
Standards for C&I Loans

Medium and Large Businesses — Small Businesses
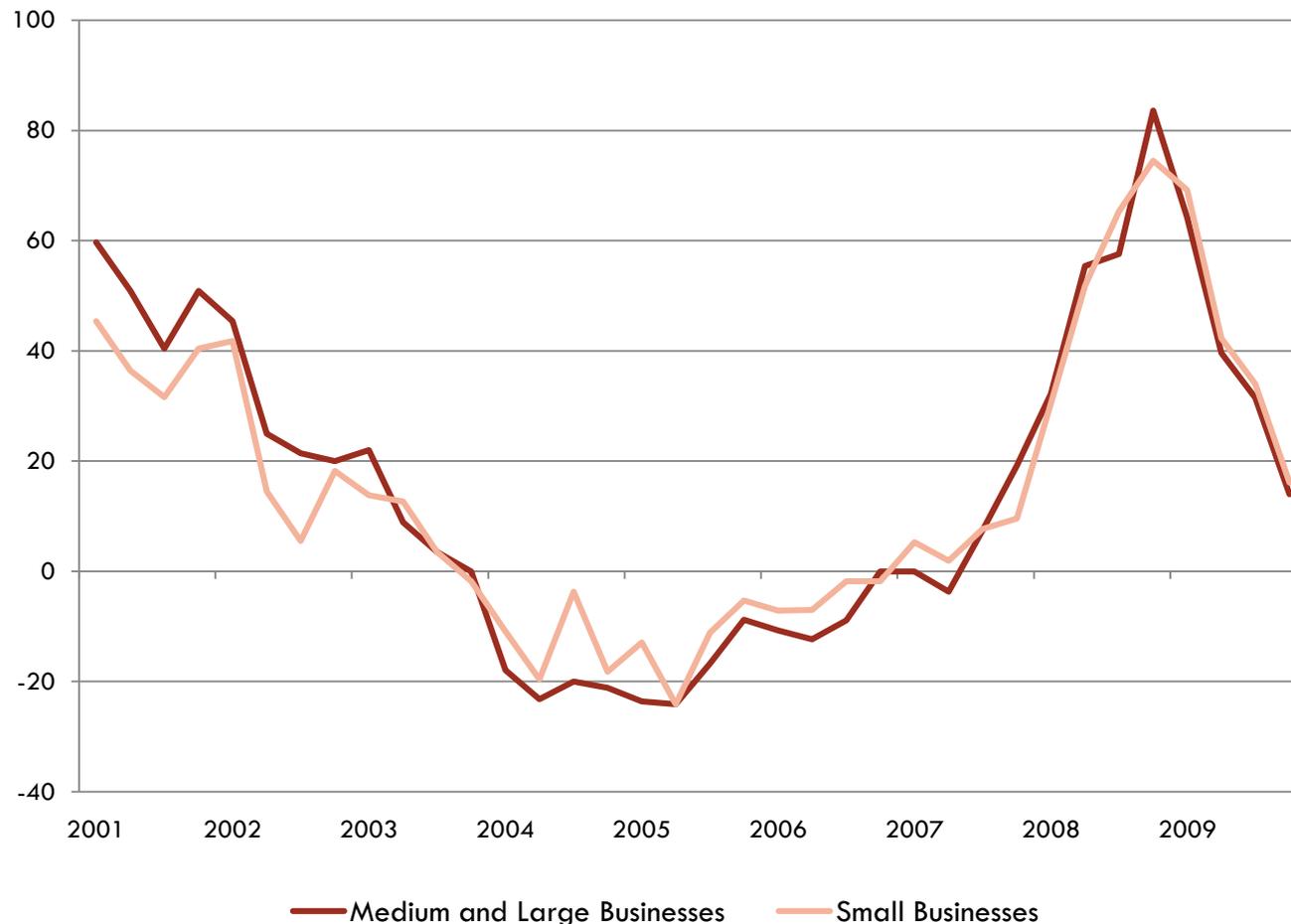
California Trends

Unemployment Rate Remains Very High

Source: Bureau of Labor Statistics
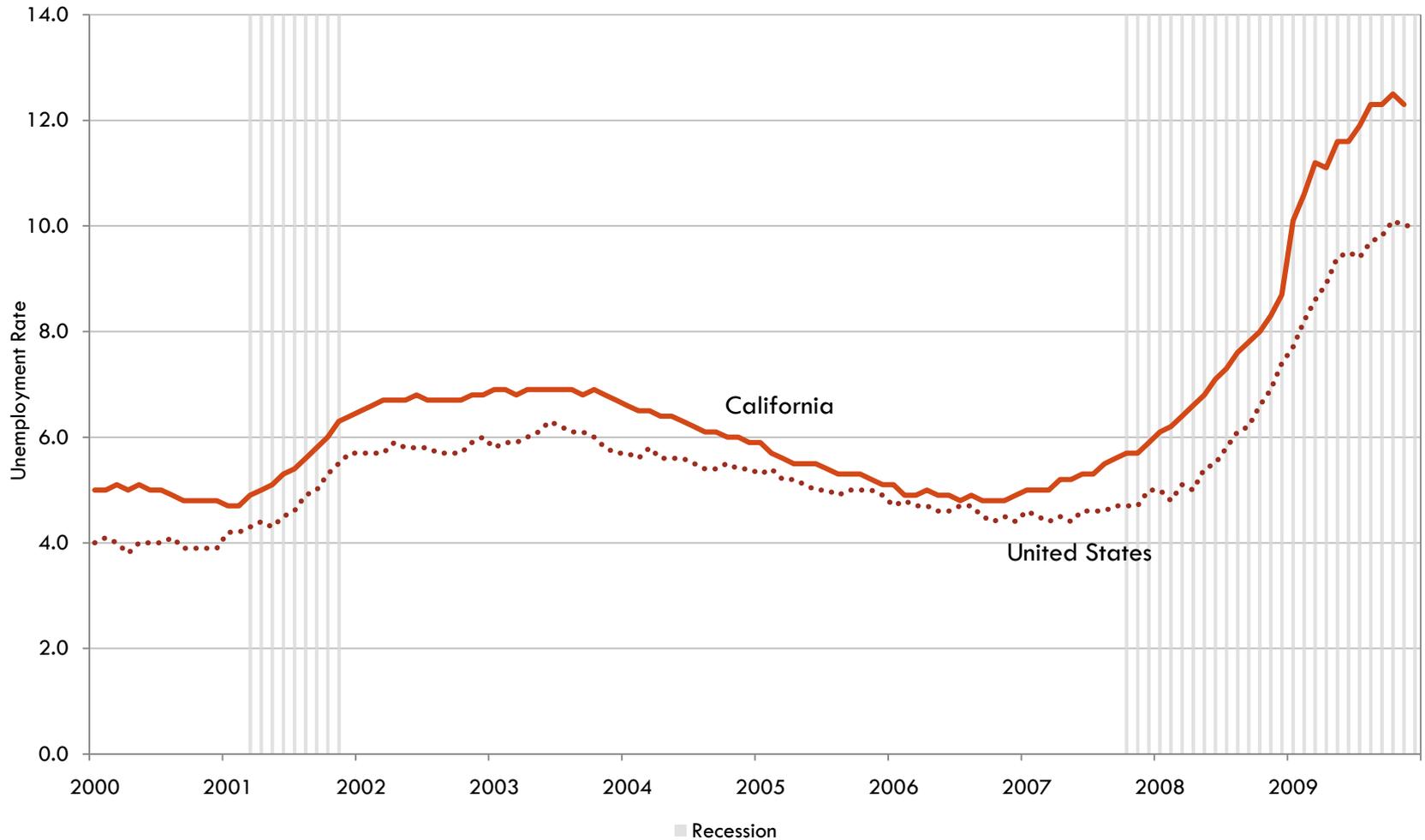
California Has Seen Significant and Steep Decline in House Prices

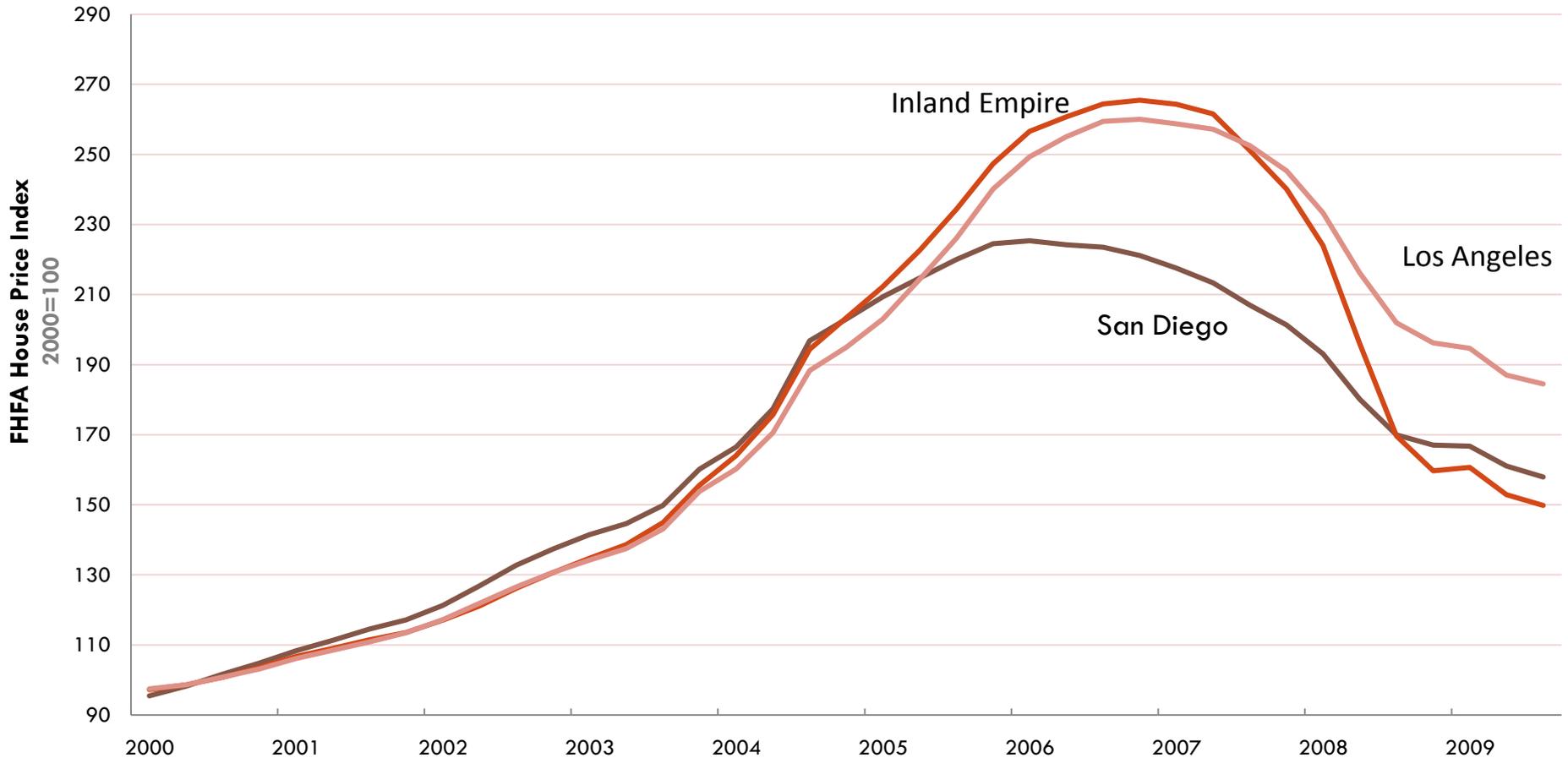**FHFA (formerly OFHEO) House Price Index**
(2000=100, quarterly)

California

United States
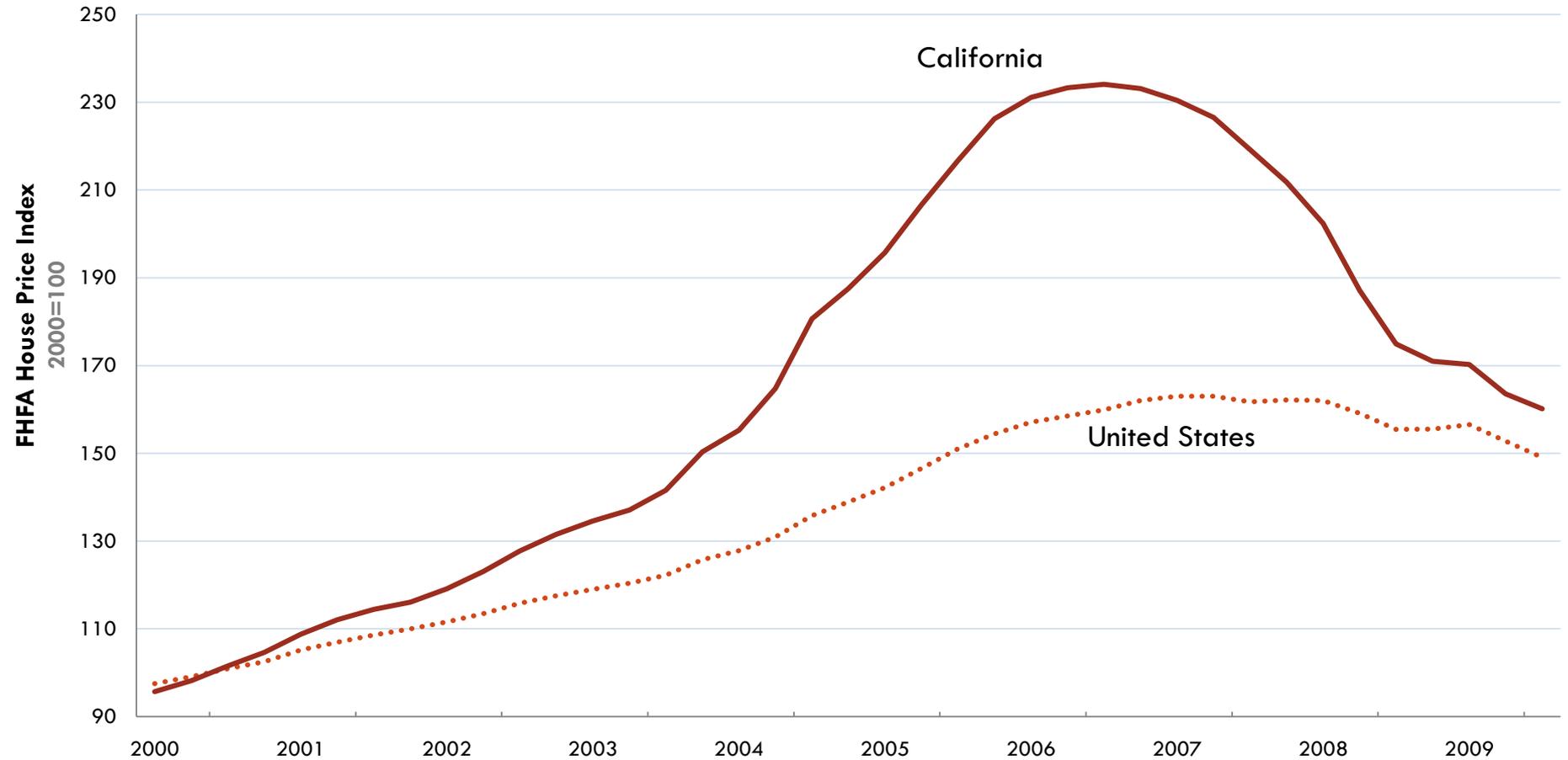
Source: Federal Housing Finance Agency (formerly OFHEO)

Southern California MSAs Also Experiencing Declining House Prices
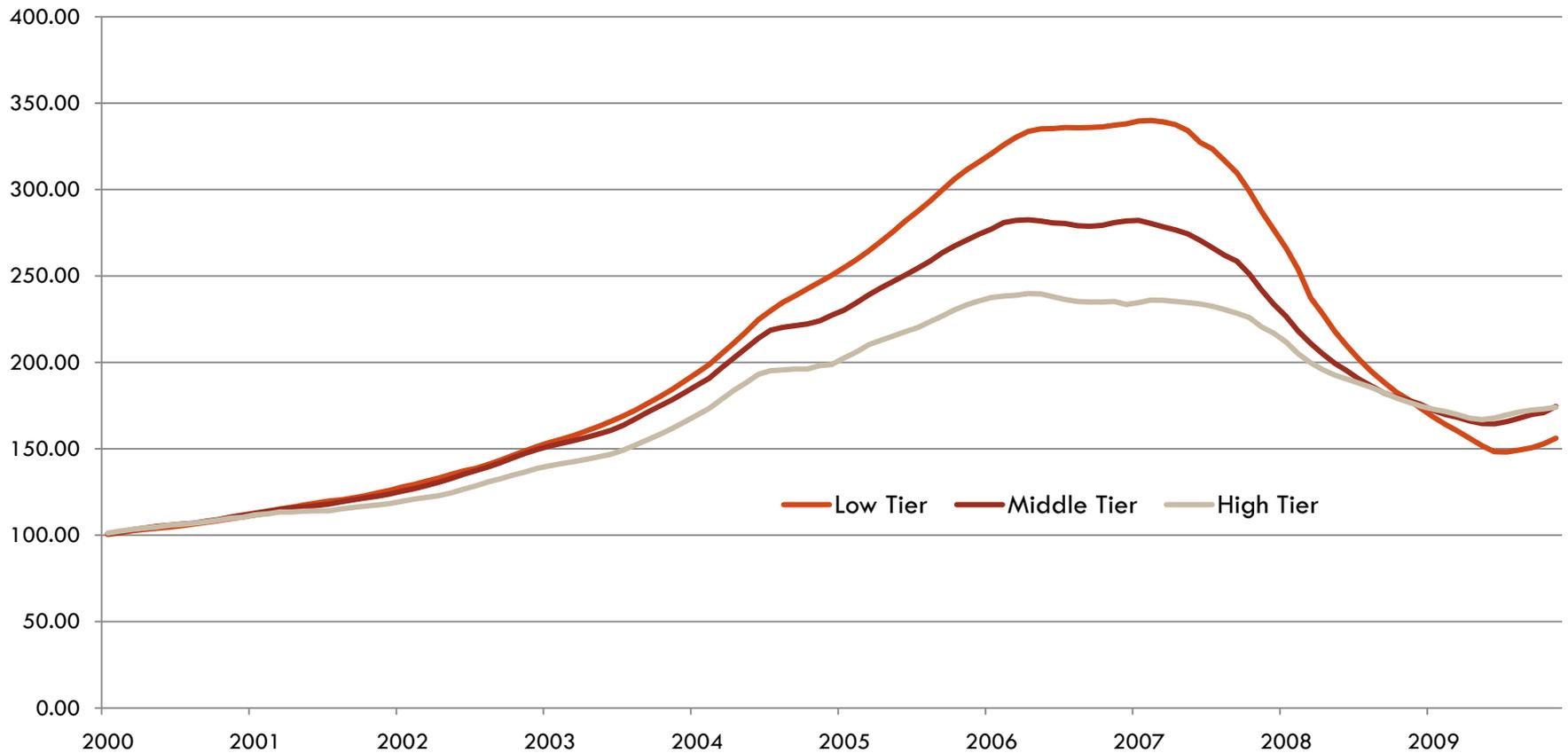
FHFA House Price Index: Southern California
(2000 = 100, quarterly)

Source: Federal Housing Finance Agency (formerly OFHEO)
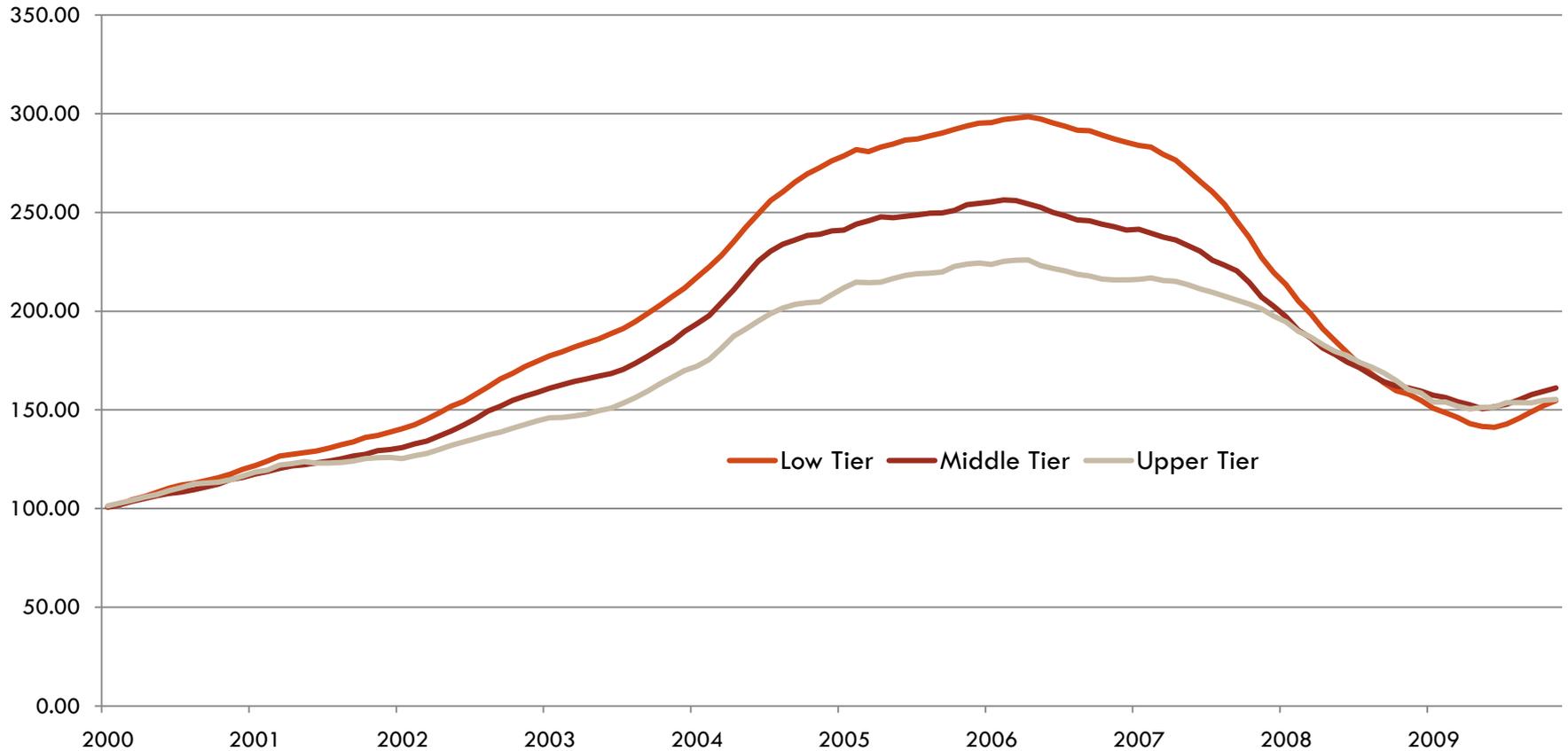
Low Tier Has Seen Greatest Changes in House Prices

Tiered Case- Shiller Home Price Index: Los Angeles
(2000 = 100)

Legend: Low Tier — Middle Tier — High Tier

Source: Case - Shiller Home Price Index

Low Tier Has Seen Greatest Changes in House Prices

Tiered Case- Shiller Home Price Index: San Diego
(2000 = 100)

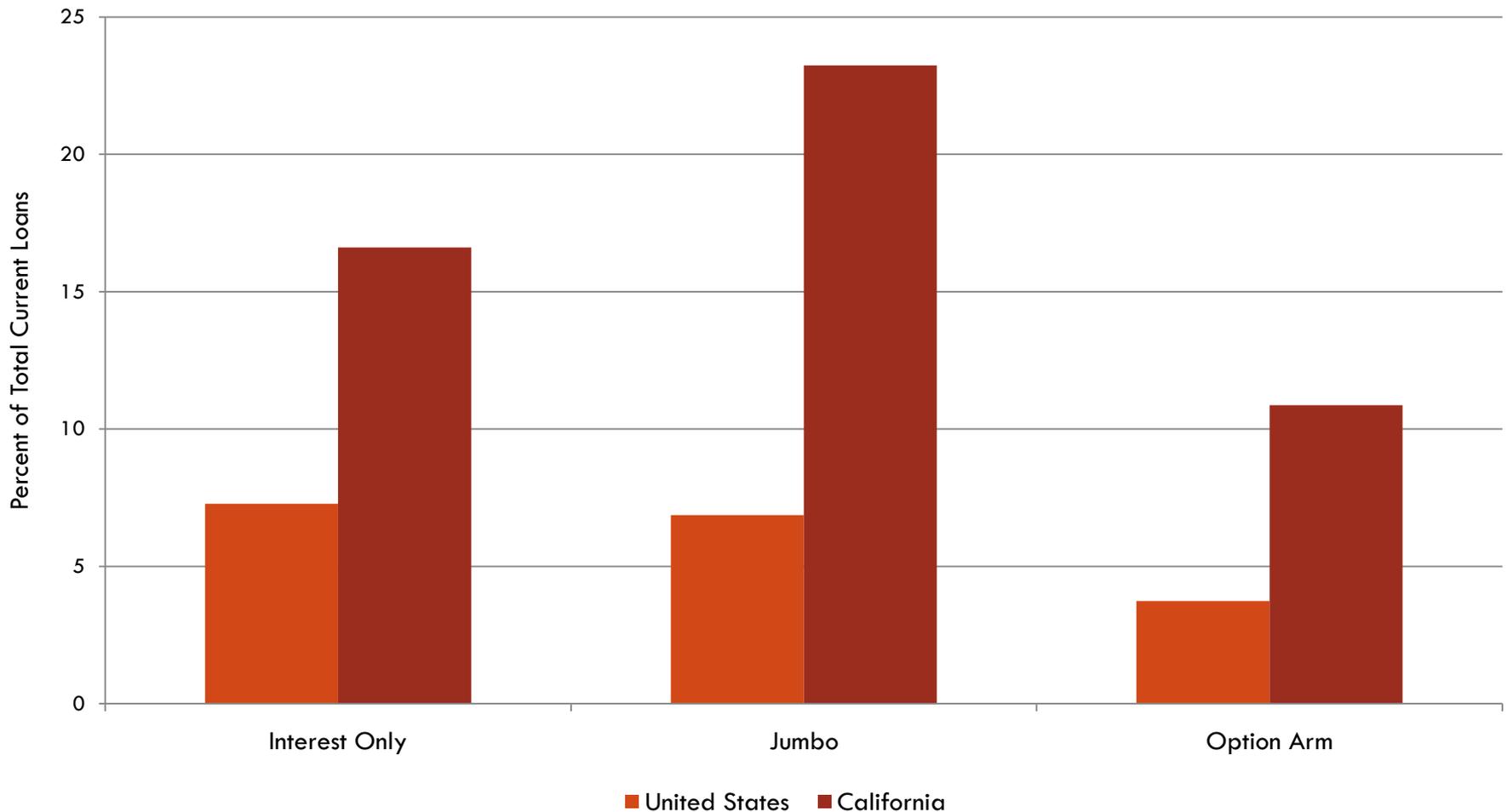# California Foreclosure Starts Seem to be Leveling Off

California: Foreclosure Starts
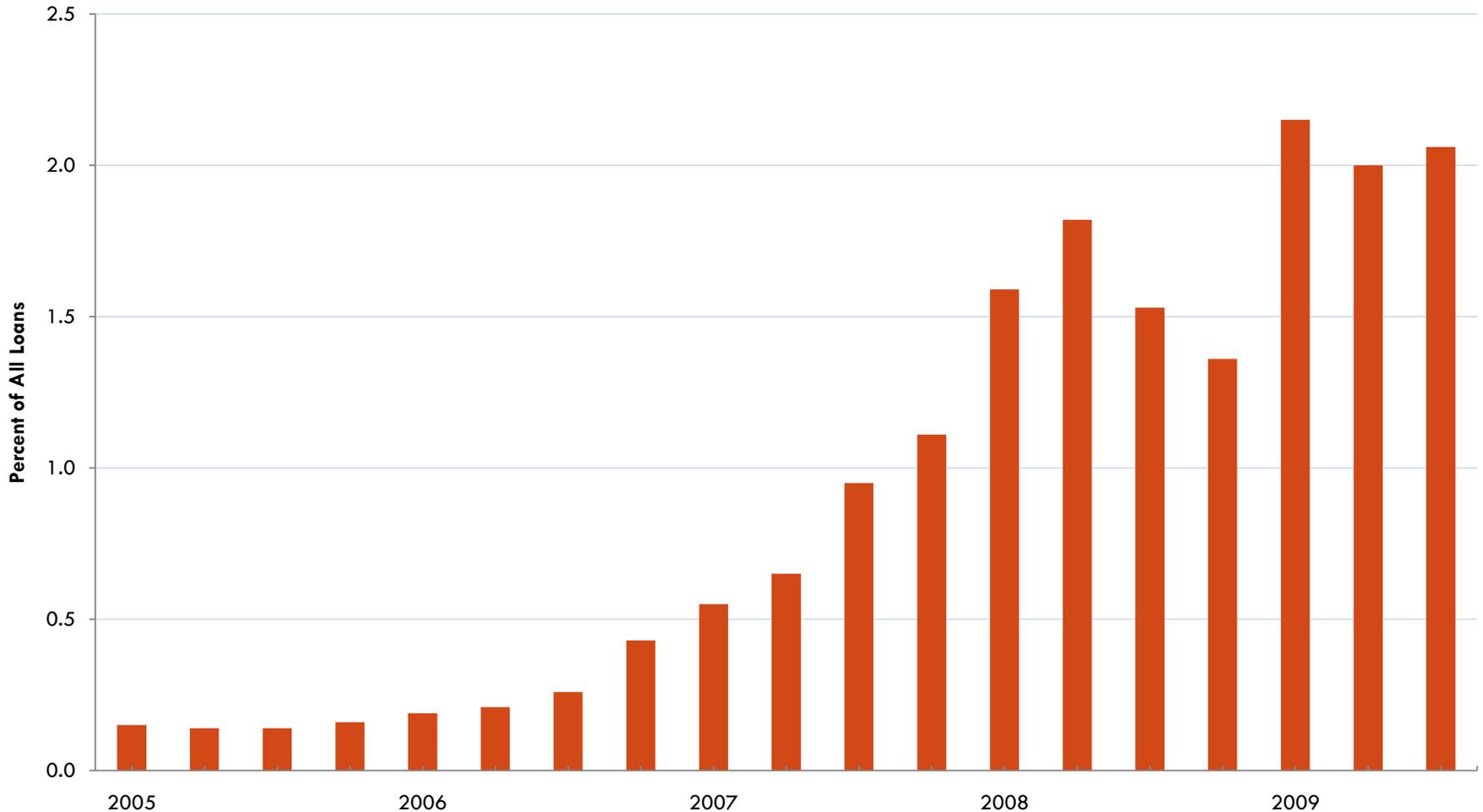
Source: Mortgage Bankers Association, National Delinquency Survey

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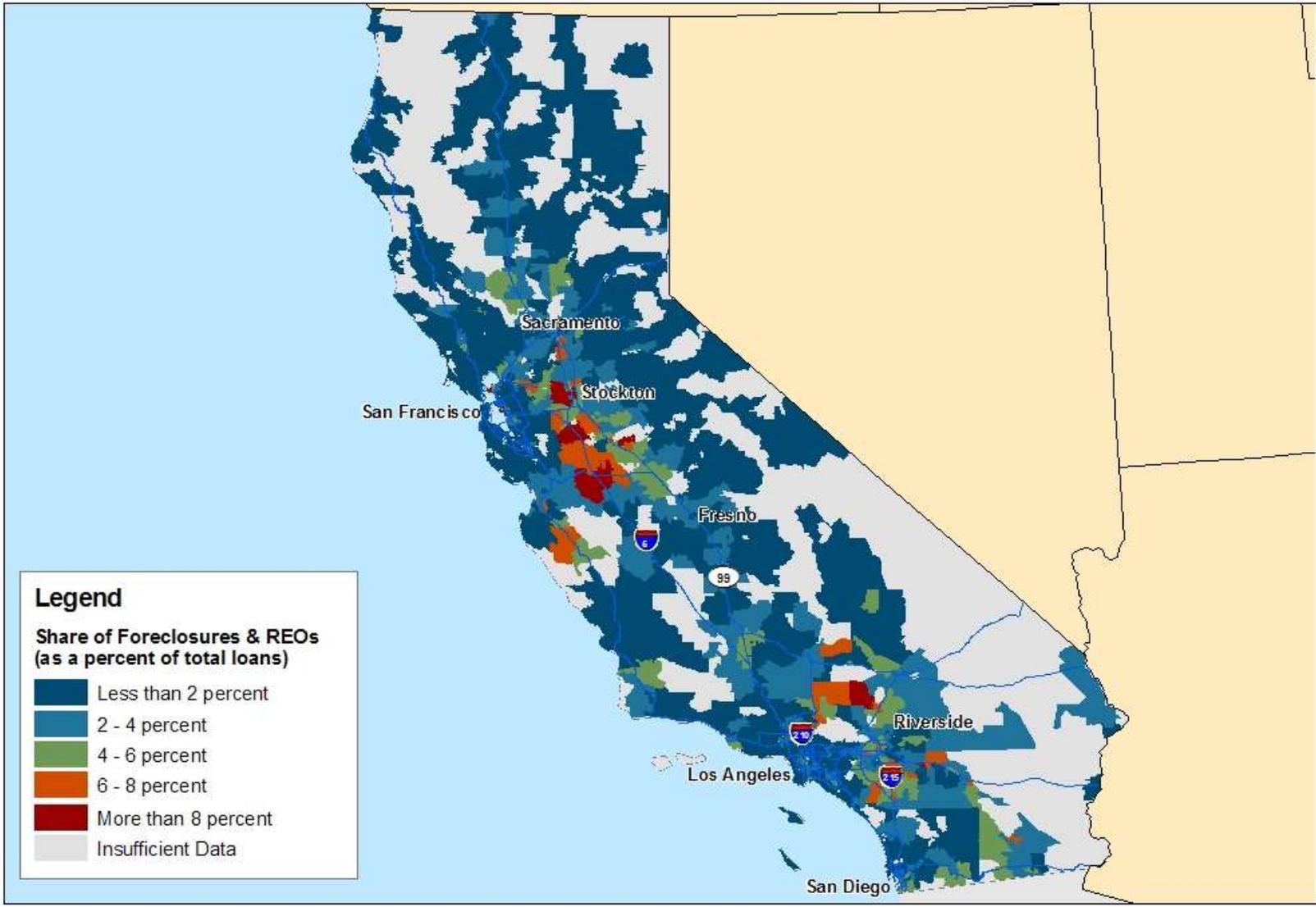

Characteristics of Remaining "Current" Loans

State & Local Data Maps

Areas Affected by Concentrated Foreclosures
February 2008

Legend

Share of Foreclosures & REOs (as a percent of total loans)

- Less than 2 percent
- 2 - 4 percent
- 4 - 6 percent
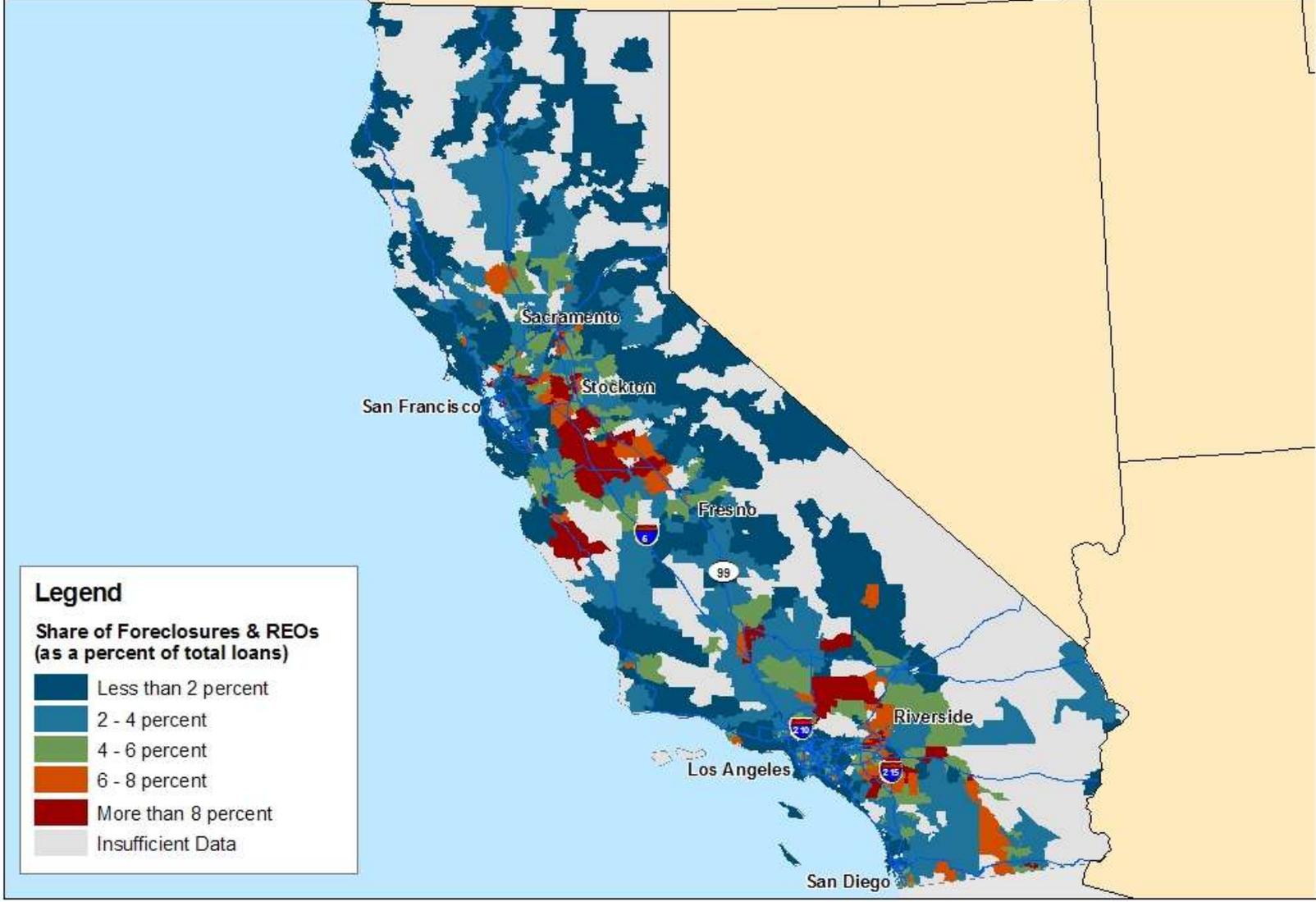- 6 - 8 percent
- More than 8 percent
- Insufficient Data

Source: Lender Processing Services Inc. Applied Analytics

Areas Affected by Concentrated Foreclosures
November 2008

Source: Lender Processing Services Inc. Applied Analytics
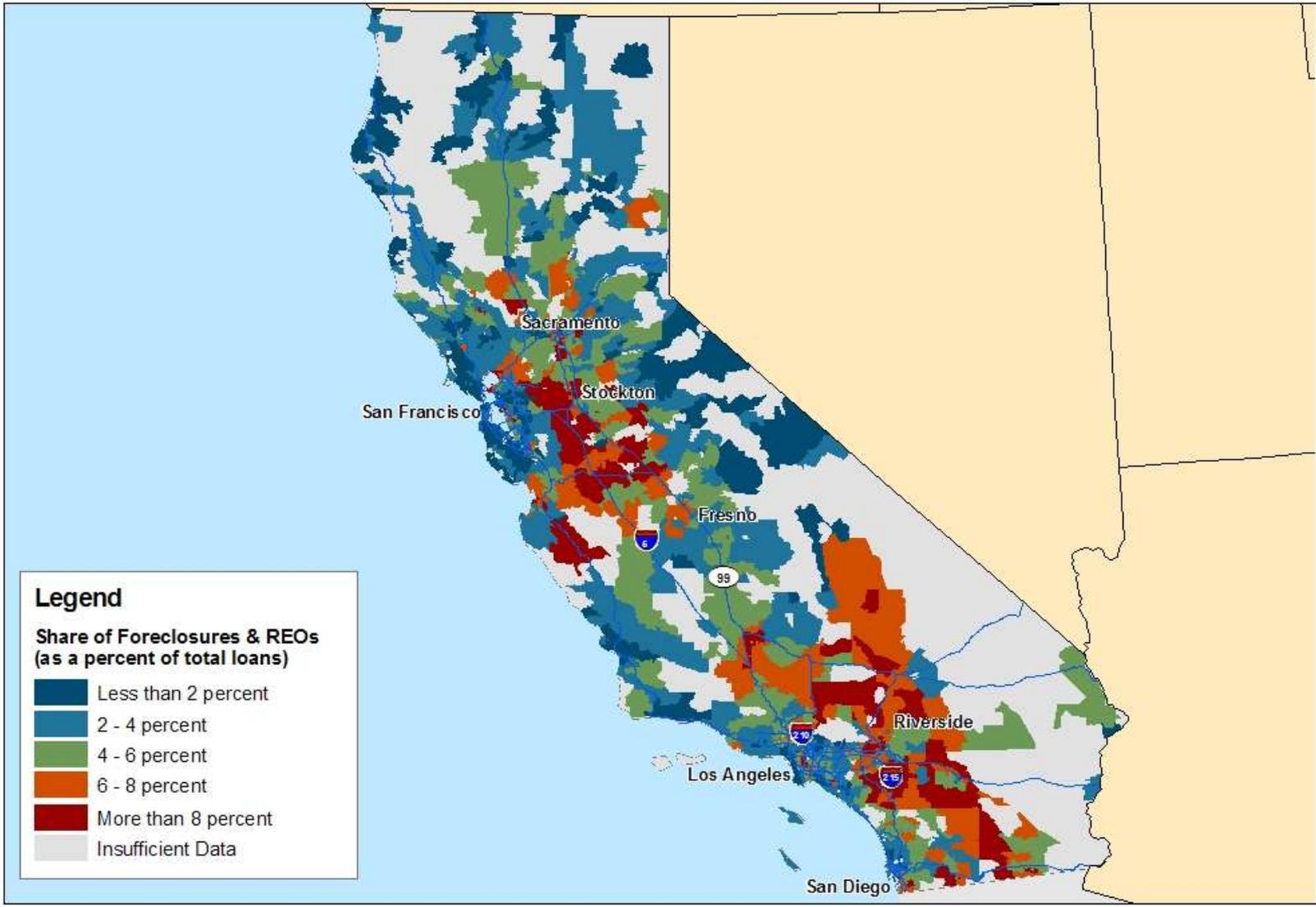
Areas Affected by Concentrated Foreclosures
November 2009

Legend

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Areas Affected by Concentrated Foreclosures
November 2009

Source: Lender Processing Services Inc. Applied Analytics

Areas at Risk of Additional Foreclosures
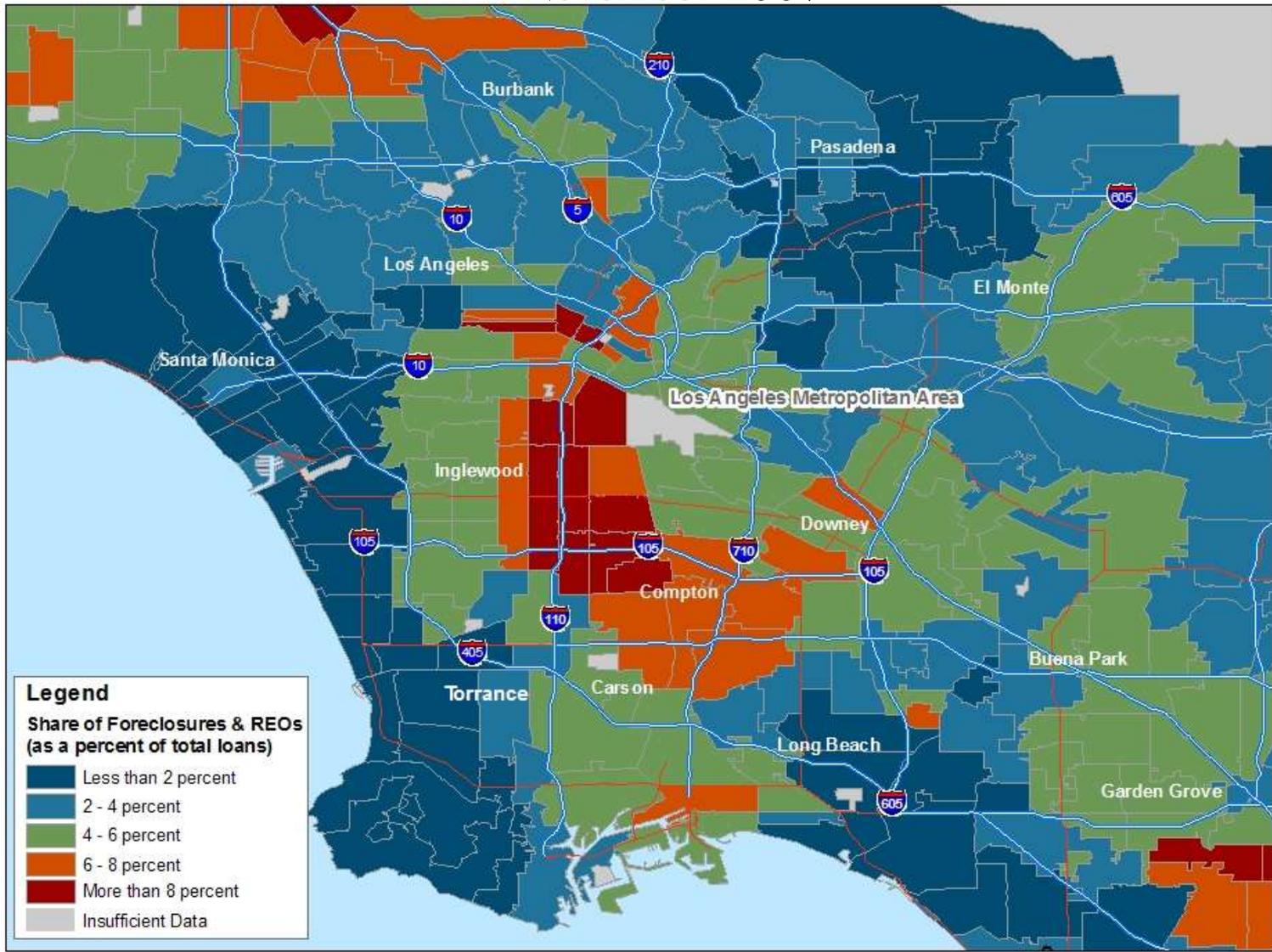## November 2009

Source: Lender Processing Services Inc. Applied Analytics

Areas Affected by Concentrated Foreclosures
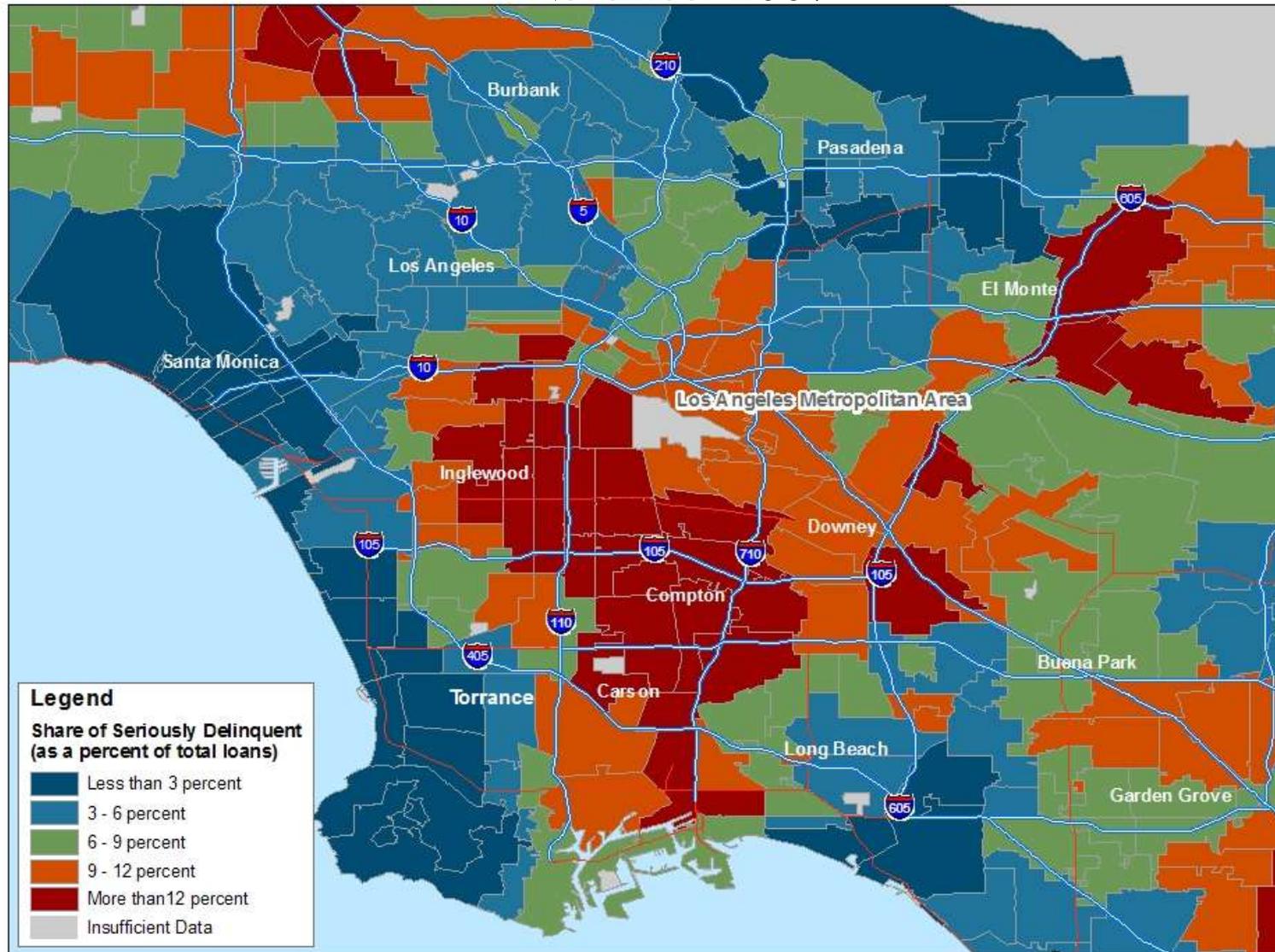## November 2009

Legend

Share of Foreclosures & REOs (as a percent of total loans)

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- 4 - 6 percent
- 6 - 8 percent
- More than 8 percent
- Insufficient Data

Source: Lender Processing Services Inc. Applied Analytics

Areas at Risk of Additional Foreclosures
November 2009

Legend

Share of Seriously Delinquent (as a percent of total loans)

- Less than 3 percent
- 3 - 6 percent
- 6 - 9 percent
- 9 - 12 percent
- More than 12 percent
- Insufficient Data

Areas Affected by Concentrated Foreclosures
November 2009

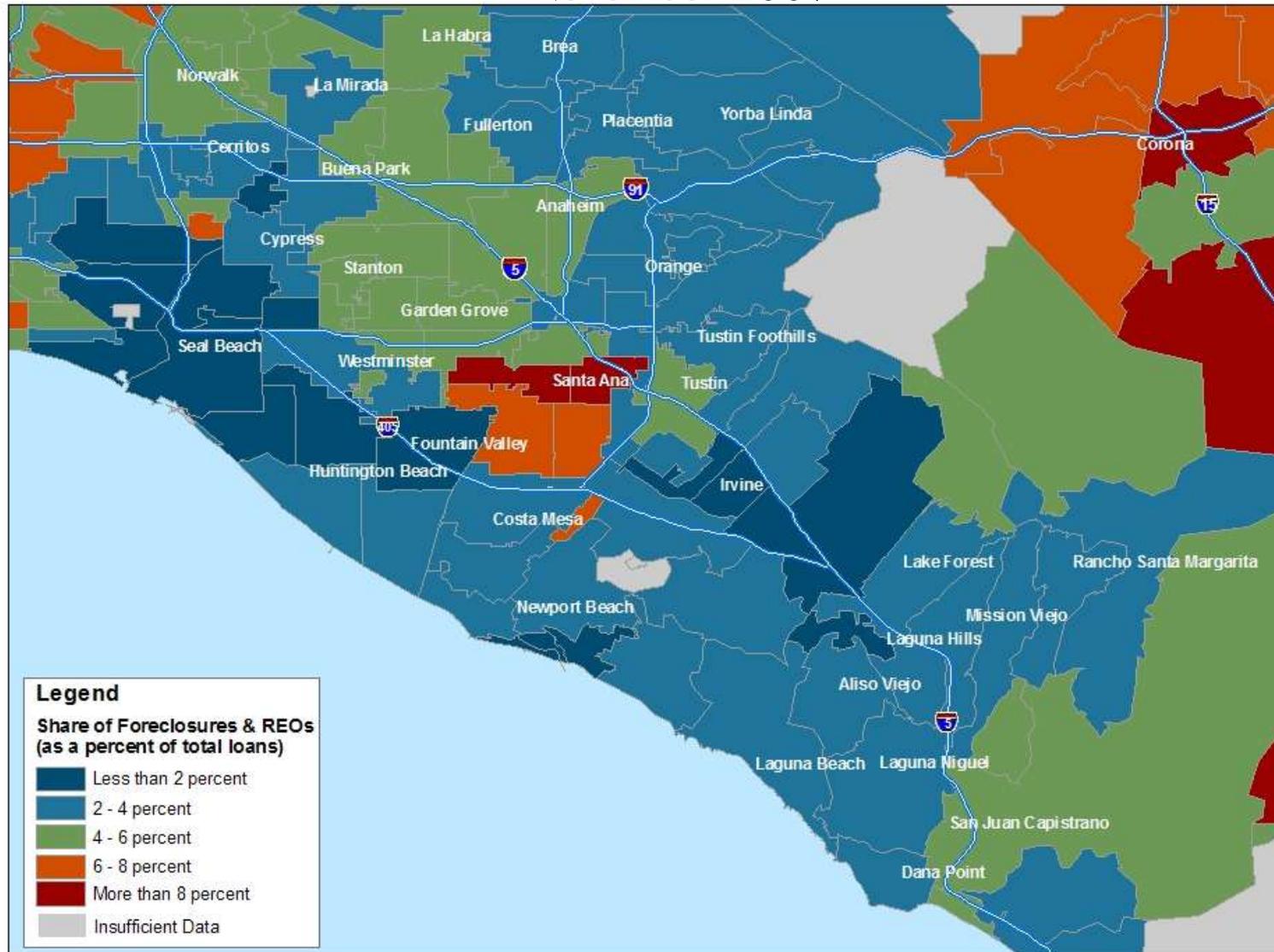

Source: Lender Processing Services Inc. Applied Analytics

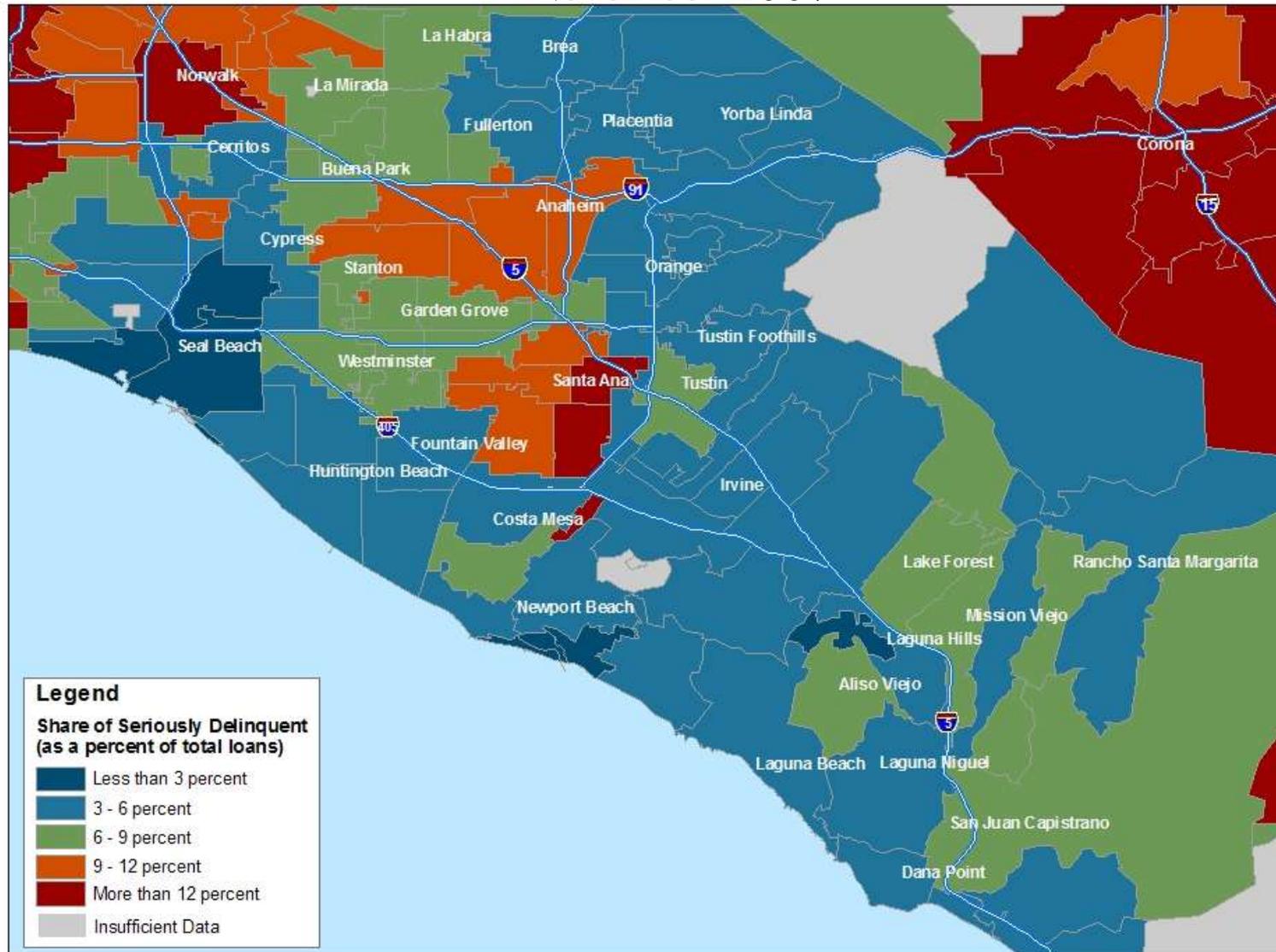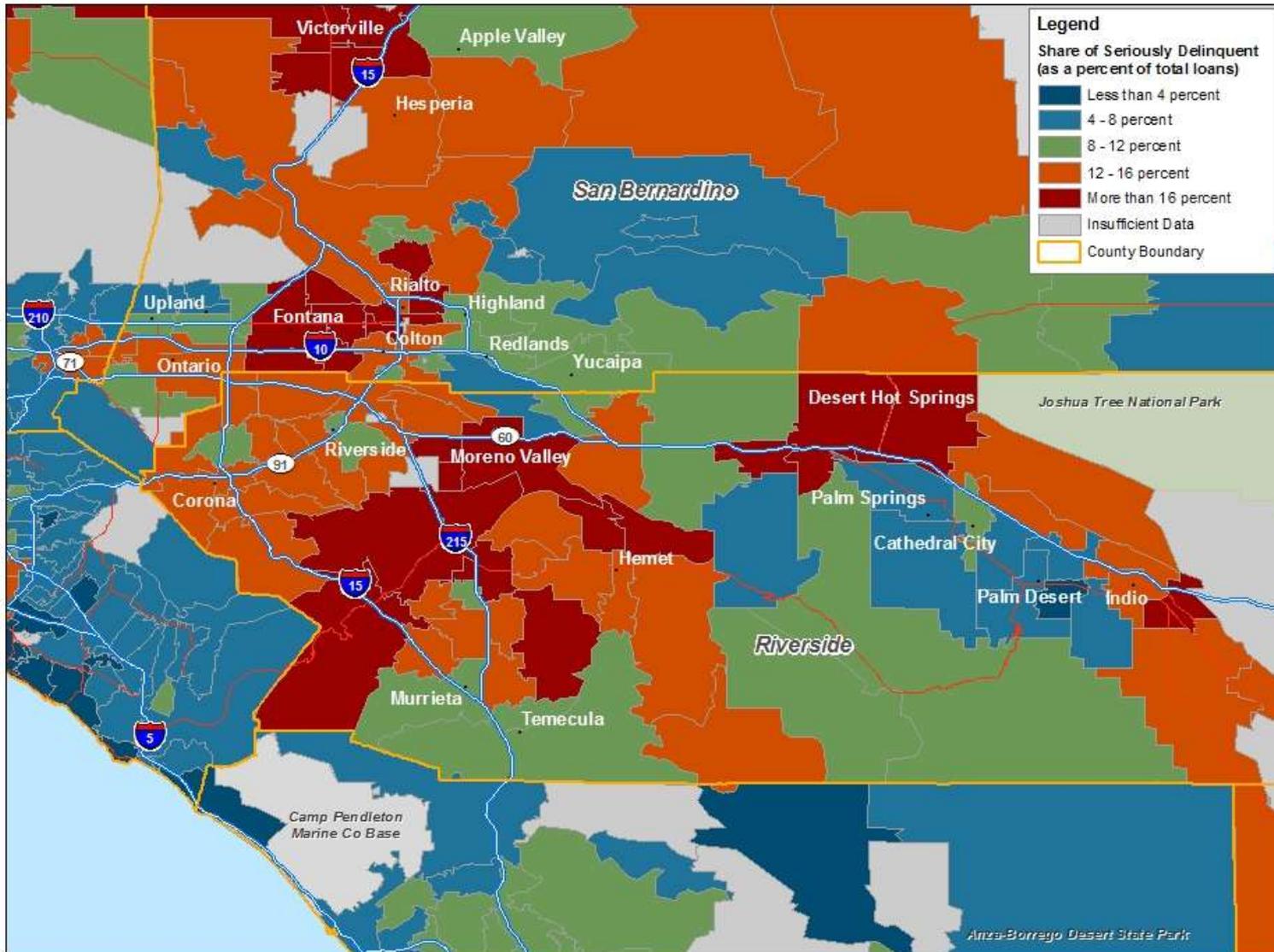# Areas at Risk of Additional Foreclosures
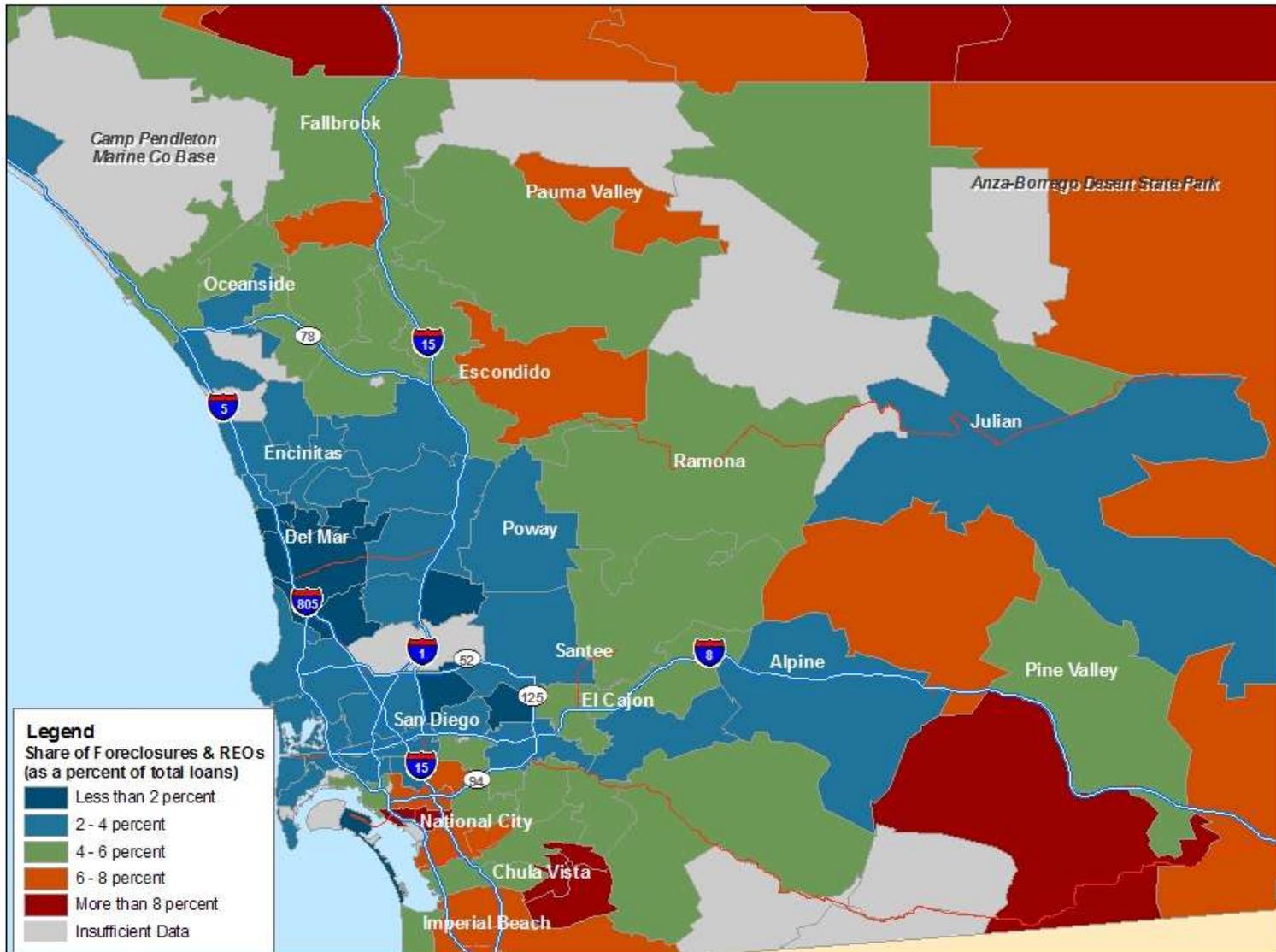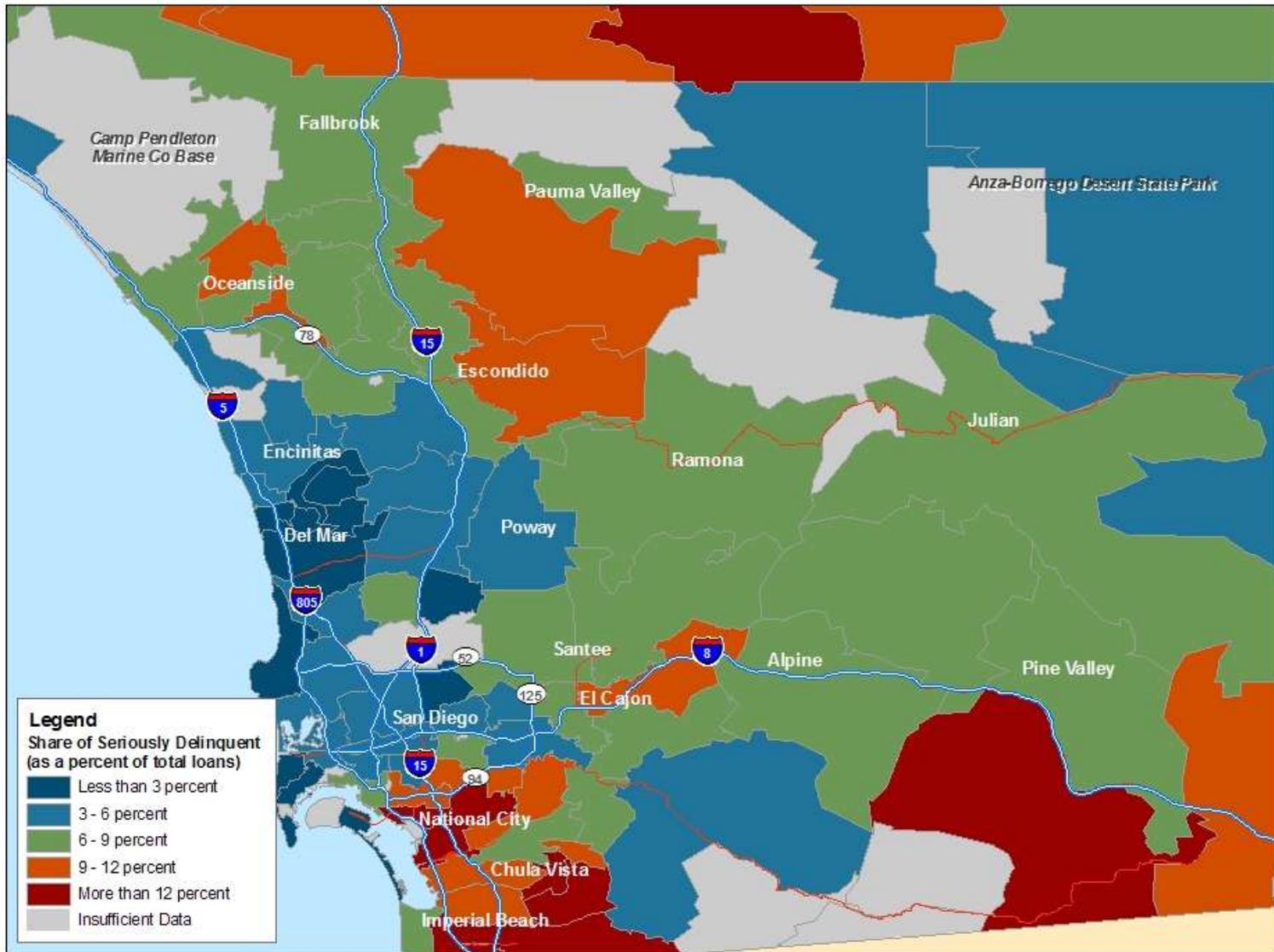## November 2009

Source: Lender Processing Services Inc. Applied Analytics

Areas Affected by Concentrated Foreclosures
November 2009

Legend
Share of Foreclosures & REOs
(as a percent of total loans)

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- More than 8 percent
- Insufficient Data

Source: Lender Processing Services Inc. Applied Analytics

Neighborhoods at Risk of Additional Foreclosures
November 2009

Legend
Share of Seriously Delinquent
(as a percent of total loans)

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- 6 - 9 percent
- 9 - 12 percent
- More than 12 percent
- Insufficient Data

Source: Lender Processing Services Inc. Applied Analytics

Conclusions

Continued Need for Foreclosure Prevention

- Important to reach borrowers with 'preventable' foreclosures
  - Borrower Outreach Events
    - Create a foreclosure prevention workbook -- for an example see Arizona's:
      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
- FDIC Brochure: http://www.fdic.gov/consumers/loans/prevention/rescue/index.html

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/