TRENDS IN DELINQUENCIES AND FORECLOSURES IN CALIFORNIA

September 2010
According to John Williams, Director of Research at the FRBSF, the economic outlook is for a slow and modest recovery.

- Unemployment still a major concern, and unlikely to see significant drops in the unemployment rate in the next year.
- While the housing market appears to be stabilizing, recovery is muted, and construction starts and home sales are both down in the most recent period.
- Growth of real gross domestic product (GDP), the broadest measure of the strength of the economy, is hovering around 2 percent in the current quarter.

- Large “shadow” inventory of properties in delinquency or some stage of the foreclosure crisis also remains a concern.
National Trends
Unemployment continues to hover around 10%

Source: Bureau of Labor Statistics, September 2010
Depth of this economic downturn eclipses past recessions
Case-Shiller shows tepid housing recovery

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

Source: Case - Shiller Home Price Index
FHFA House Price Index continues to fall, reflecting activity at lower end of market

Source: Federal Housing Finance Agency (formerly OFHEO)
Overall delinquencies drop, but still more than 4.5 million homes in distress

Source: Mortgage Bankers Association, National Delinquency Survey
HAMP modifications down slightly in July; borrowers still face challenges in obtaining permanent modifications

Source: HAMP Service Performance Report Through July 2010
California Trends
California’s unemployment drops slightly, but still well above national average.

Source: Bureau of Labor Statistics
Unemployment rates particularly high in Central Valley and Inland Empire

Source: Bureau of Labor Statistics, July 2010
California house prices appear to be stabilizing

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

Source: Federal Housing Finance Agency (formerly OFHEO)
Decline in Northern CA MSA house prices slows

FHFA House Price Index: Northern California
(2000 = 100)

Source: Federal Housing Finance Agency (formerly OFHEO)
Southern CA MSA house prices also seem to be stabilizing
Housing markets in the Central Valley still show signs of distress

Source: Federal Housing Finance Agency (formerly OFHEO)
The number of distressed properties – delinquent and in foreclosure – has dropped slightly.

Source: Mortgage Bankers Association, National Delinquency Survey
Areas Affected by Concentrated Foreclosures
February 2010

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
July 2010

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Sacramento Valley Data Maps

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Source: Lender Processing Services Inc. Applied Analytics
Southern Central California Data Maps

Areas Affected by Concentrated Foreclosures

July 2010

Source: Lender Processing Services Inc. Applied Analytics
Southern Central California Data Maps

Areas at Risk of Additional Foreclosures
February 2010

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
- County Boundaries

Source: Lender Processing Services Inc. Applied Analytics
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Source: Lender Processing Services Inc. Applied Analytics
Neighborhoods at Risk of Additional Foreclosures
July 2010

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:
  - 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/