

TRENDS IN DELINQUENCIES AND FORECLOSURES IN IDAHO

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Outline of Presentation



□ National Trends

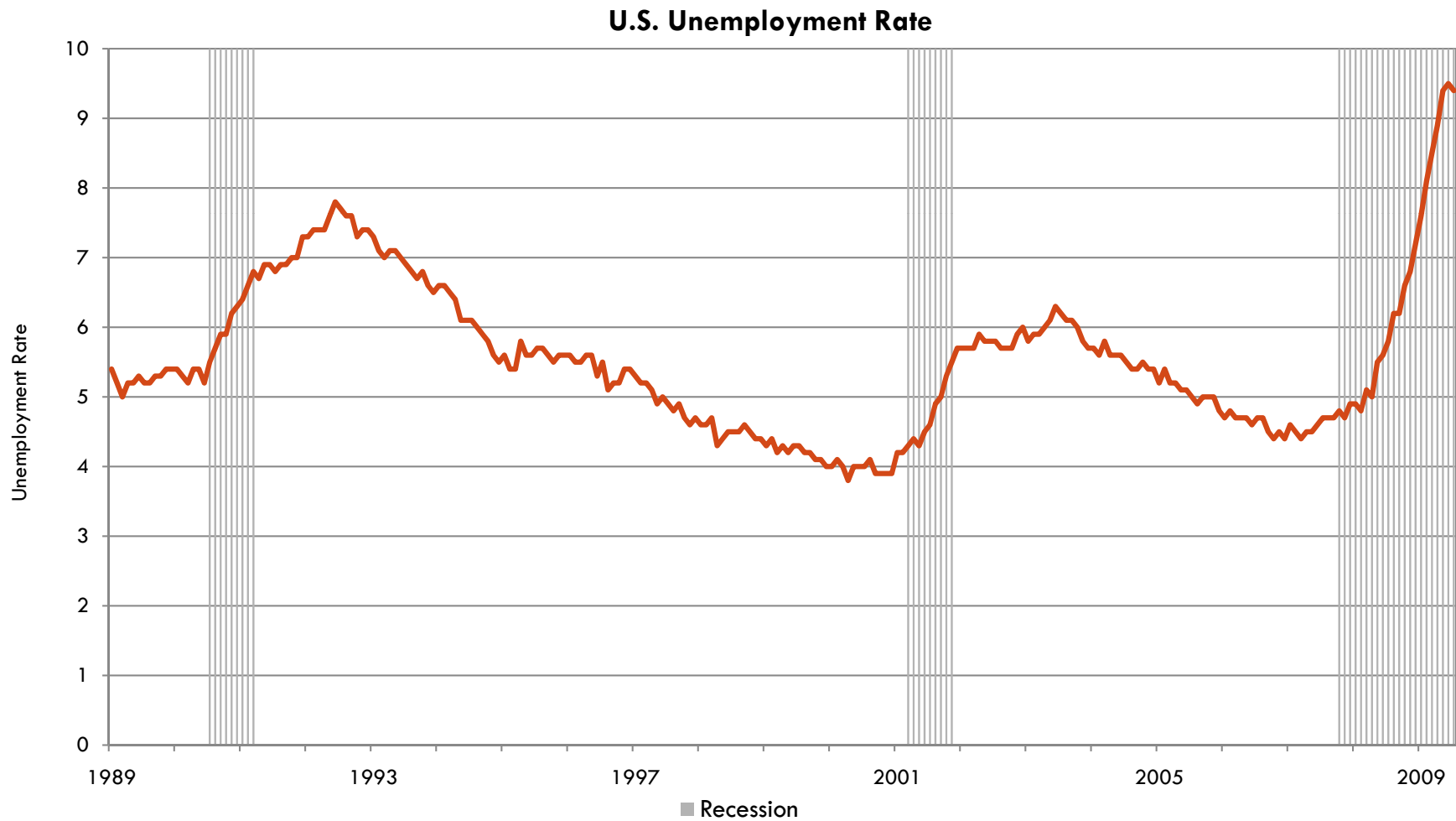
- Recession and turmoil in financial markets has had broad repercussions, especially for lower-income households
 - Signs of stabilization in financial markets and consumer spending

□ Idaho

- 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
 - Foreclosure rate in Idaho has risen significantly, nearing US average
- Housing market continues to soften

National Trends

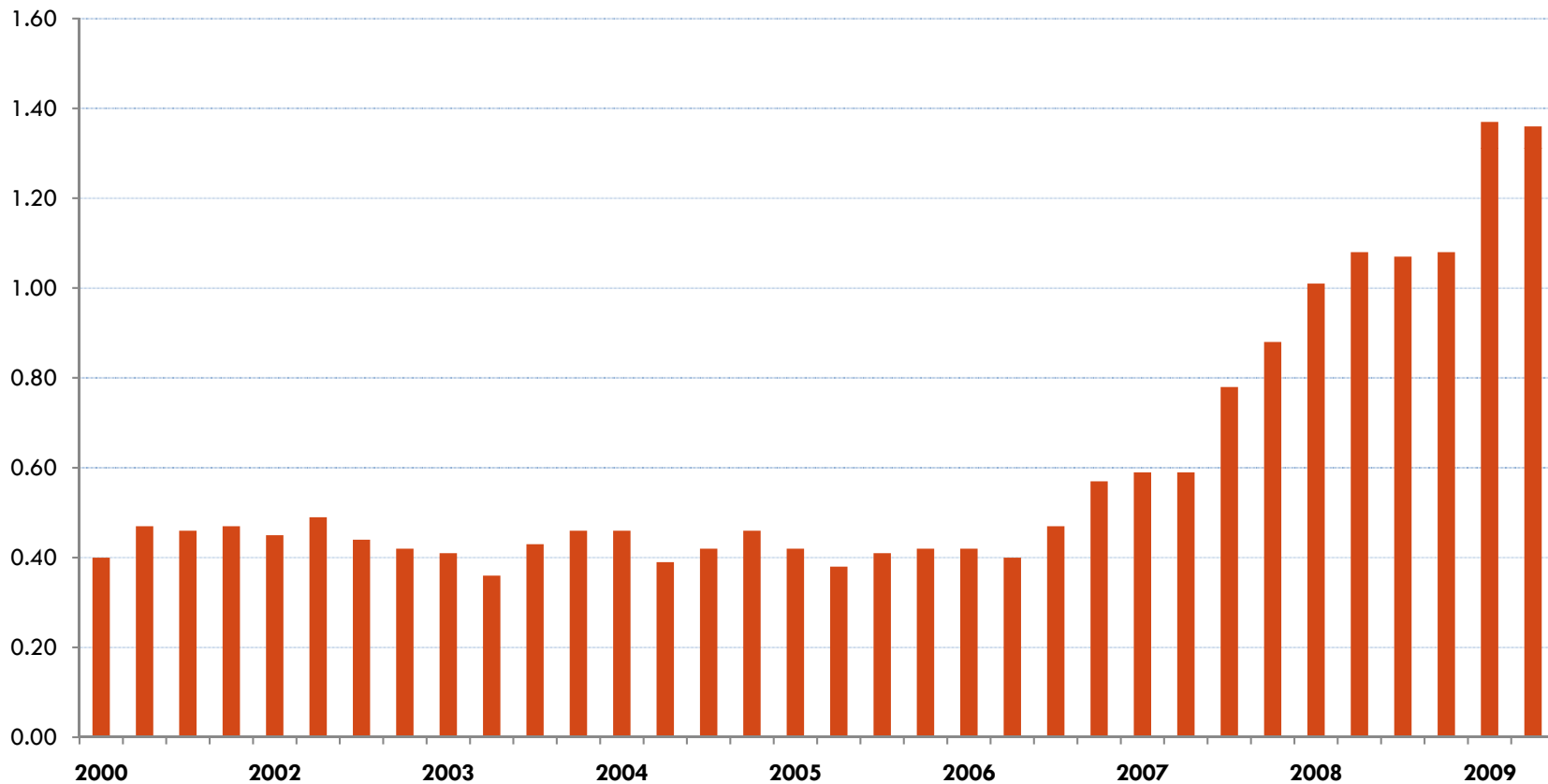
Weakness in Labor Market Grave Concern



Source: Bureau of Labor Statistics

National Foreclosure Starts Rose Sharply in 1st Quarter of 2009

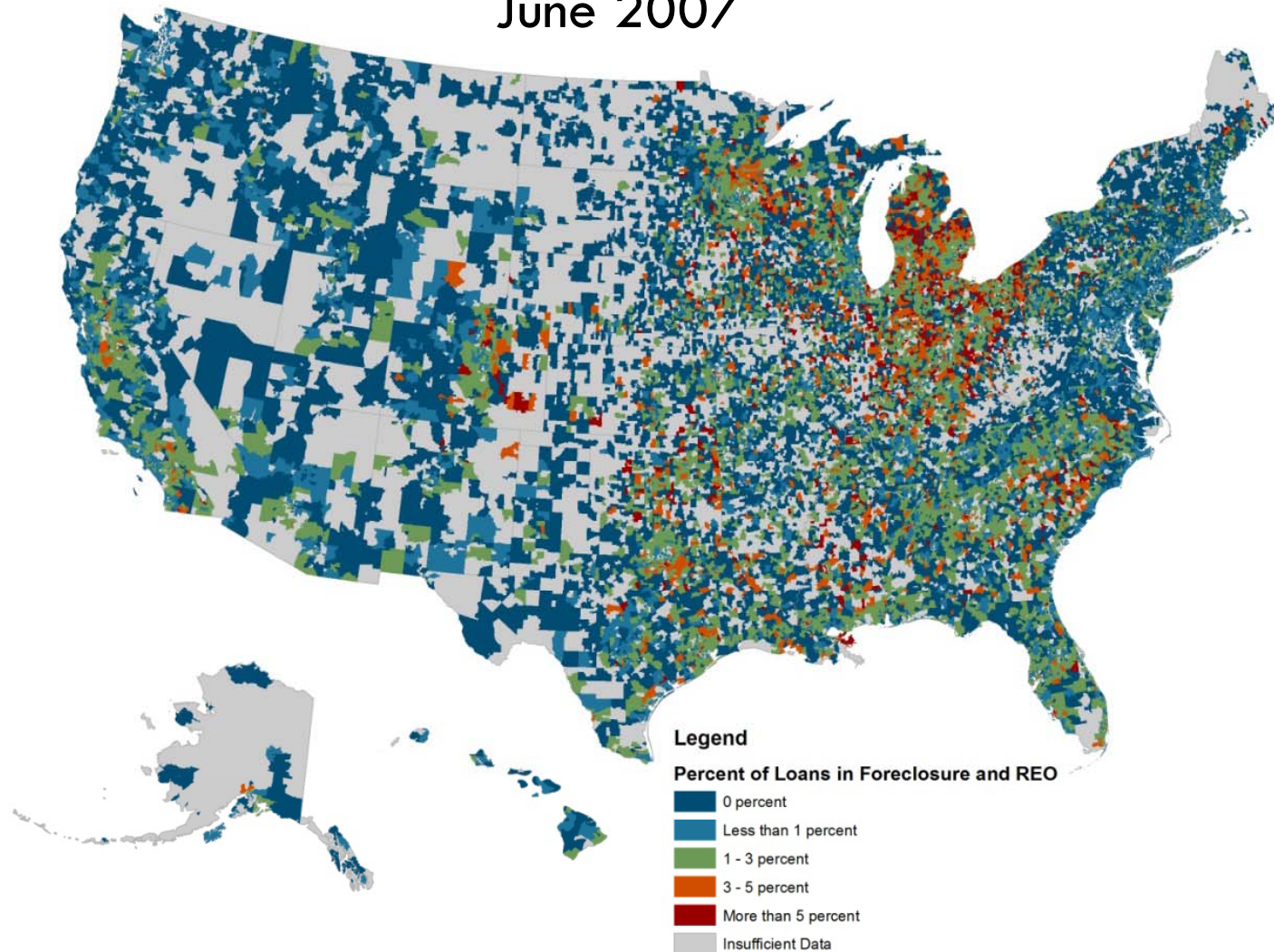
National Foreclosures Starts
Percent of All Loans



Source: Mortgage Bankers Association, National Delinquency Survey

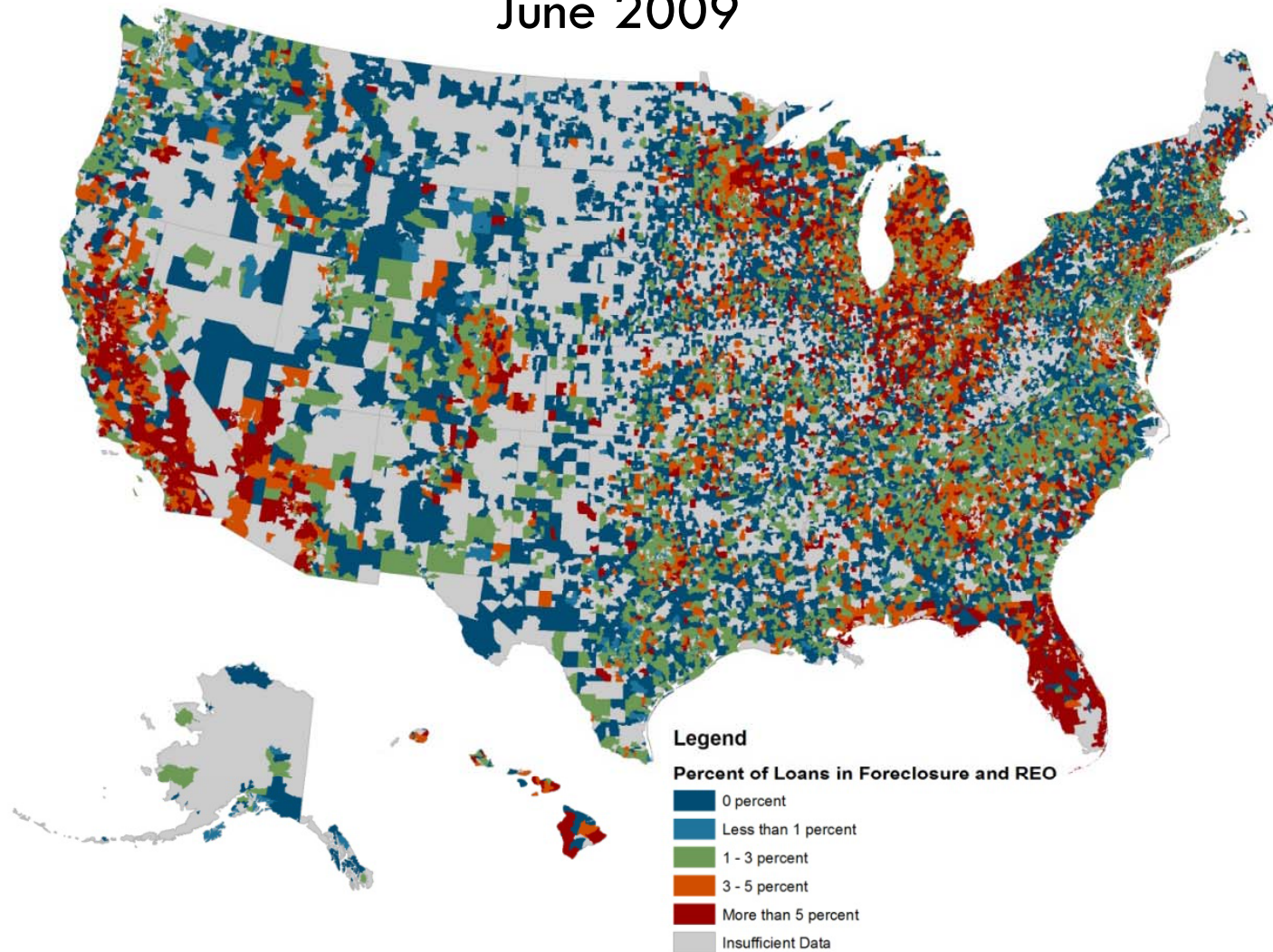
In Last 2 Years, Foreclosure Crisis Has Spread Beyond “Rust Belt” Cities

June 2007



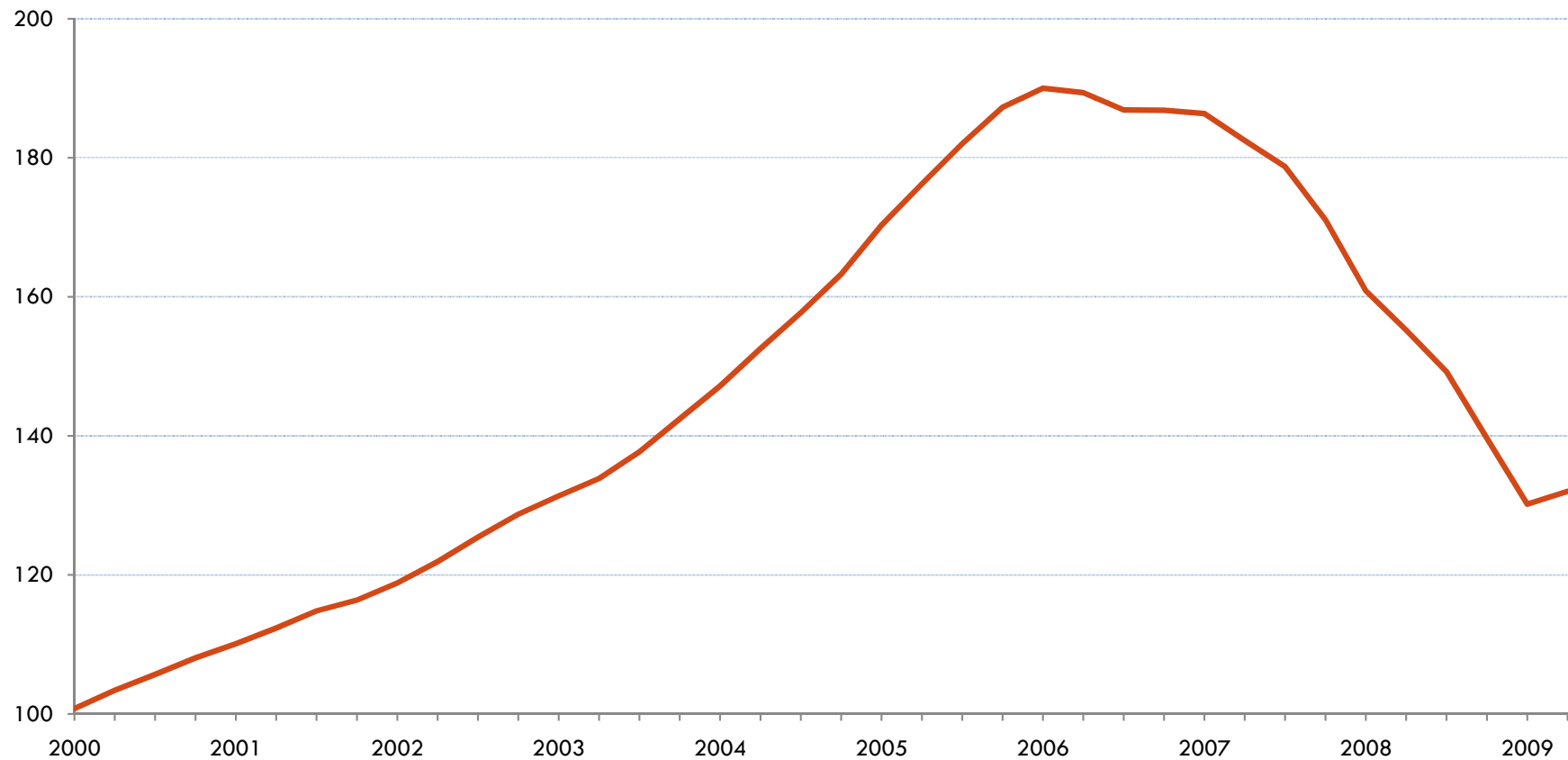
In Last 2 Years, Foreclosure Crisis Has Spread Beyond “Rust Belt” Cities

June 2009




House Prices Rose Slightly in 2nd Quarter 2009

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



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.

And Certain Market Indicators are Looking Up

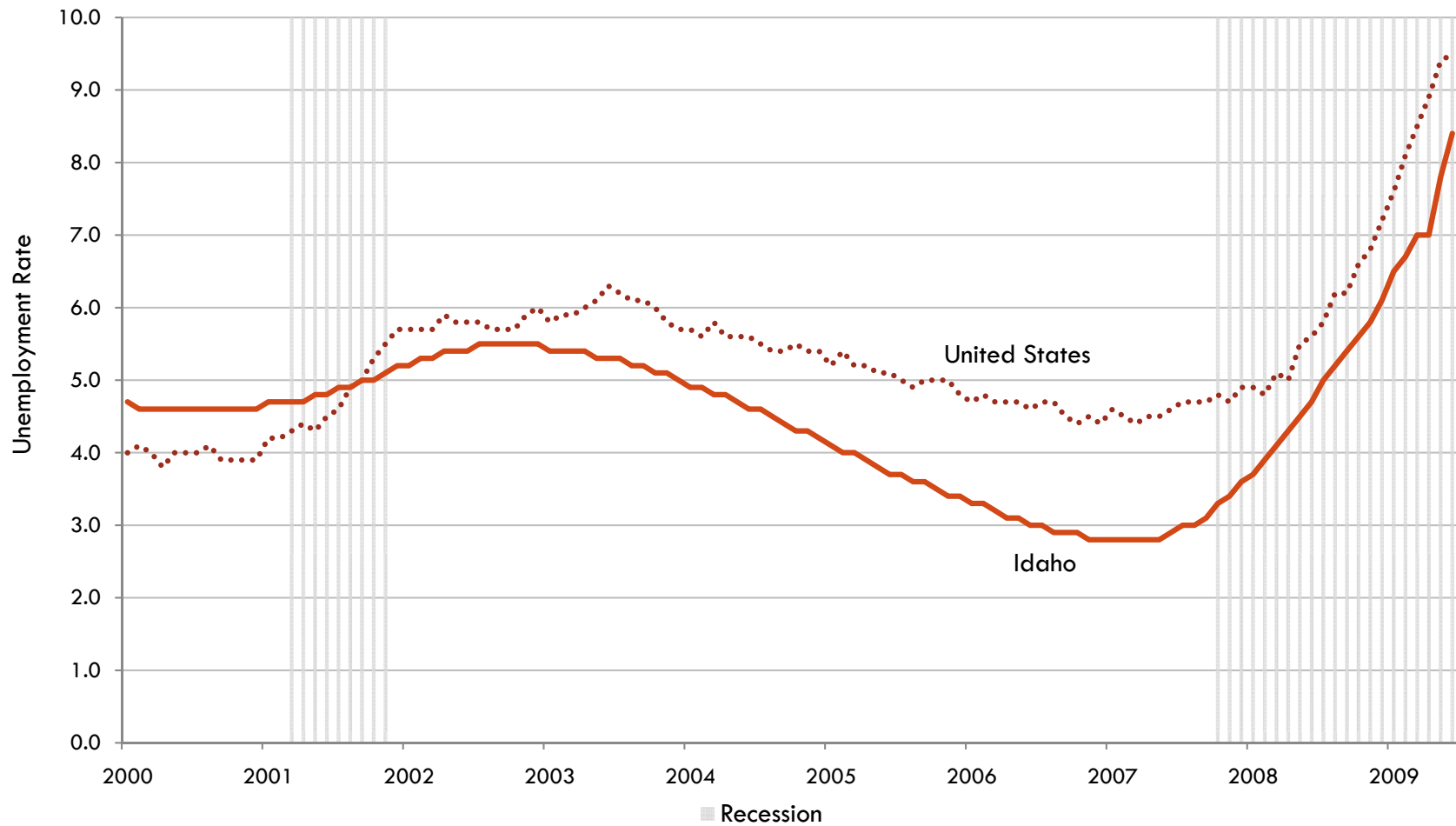
- Financial markets are improving, and the crisis mode that has characterized the past year is subsiding.
- The housing sector, which has been at the center of the economic and financial crisis, also looks to be stabilizing—albeit, at a very depressed level. Housing starts and new home sales have leveled 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.

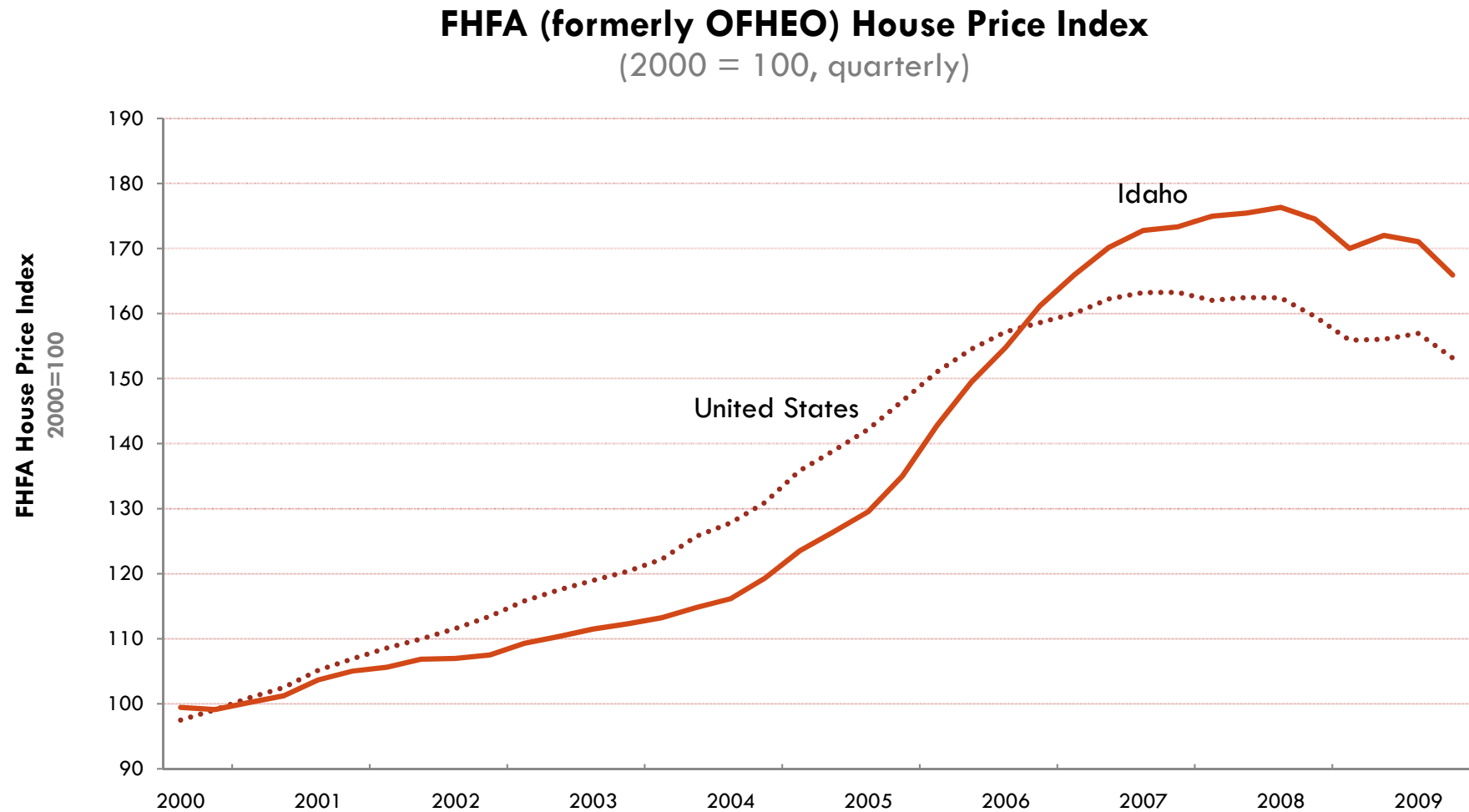
Idaho Trends

Unemployment Rate in Idaho Has Risen Sharply



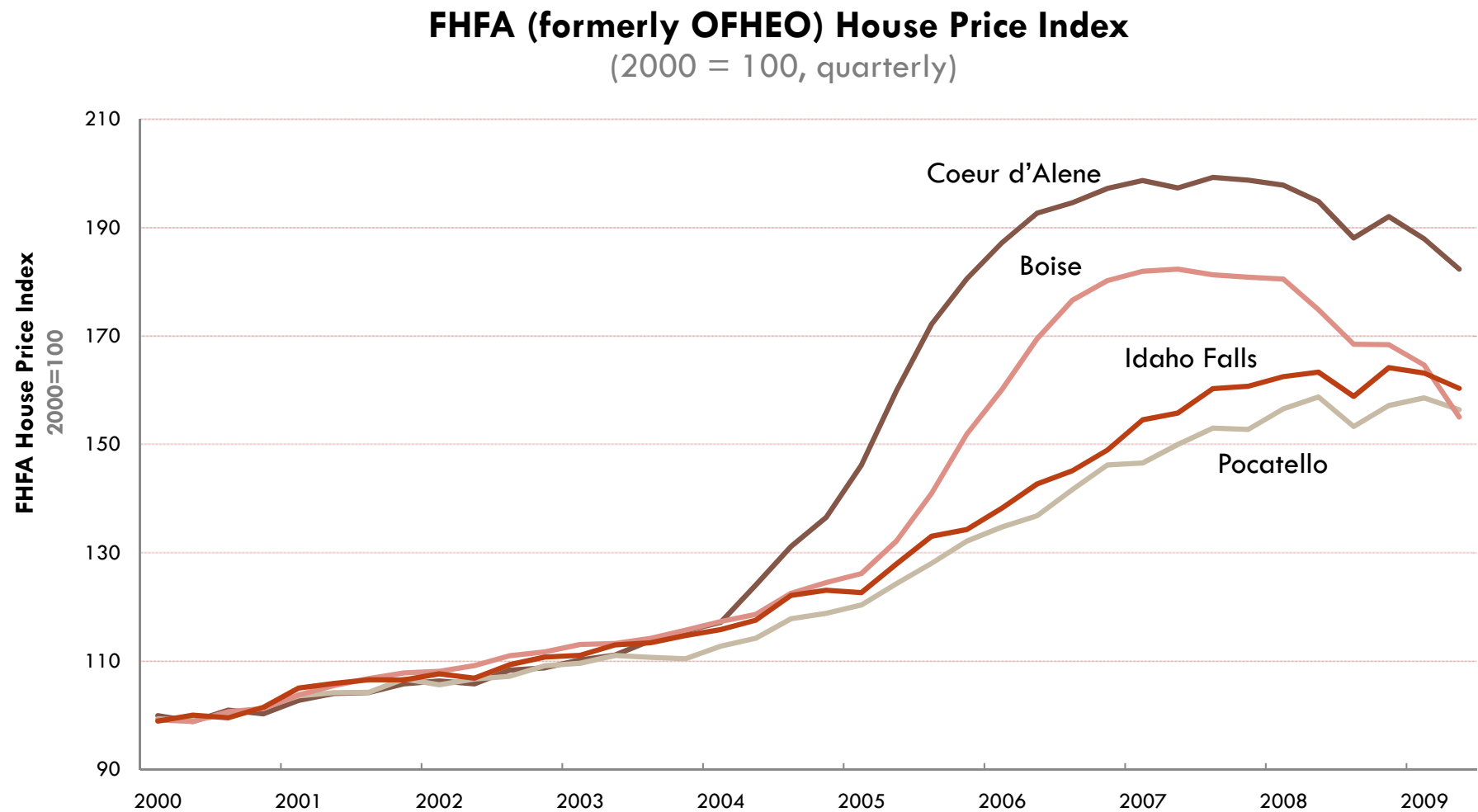
Source: Bureau of Labor Statistics

Idaho Seeing Softening of Real Estate Market



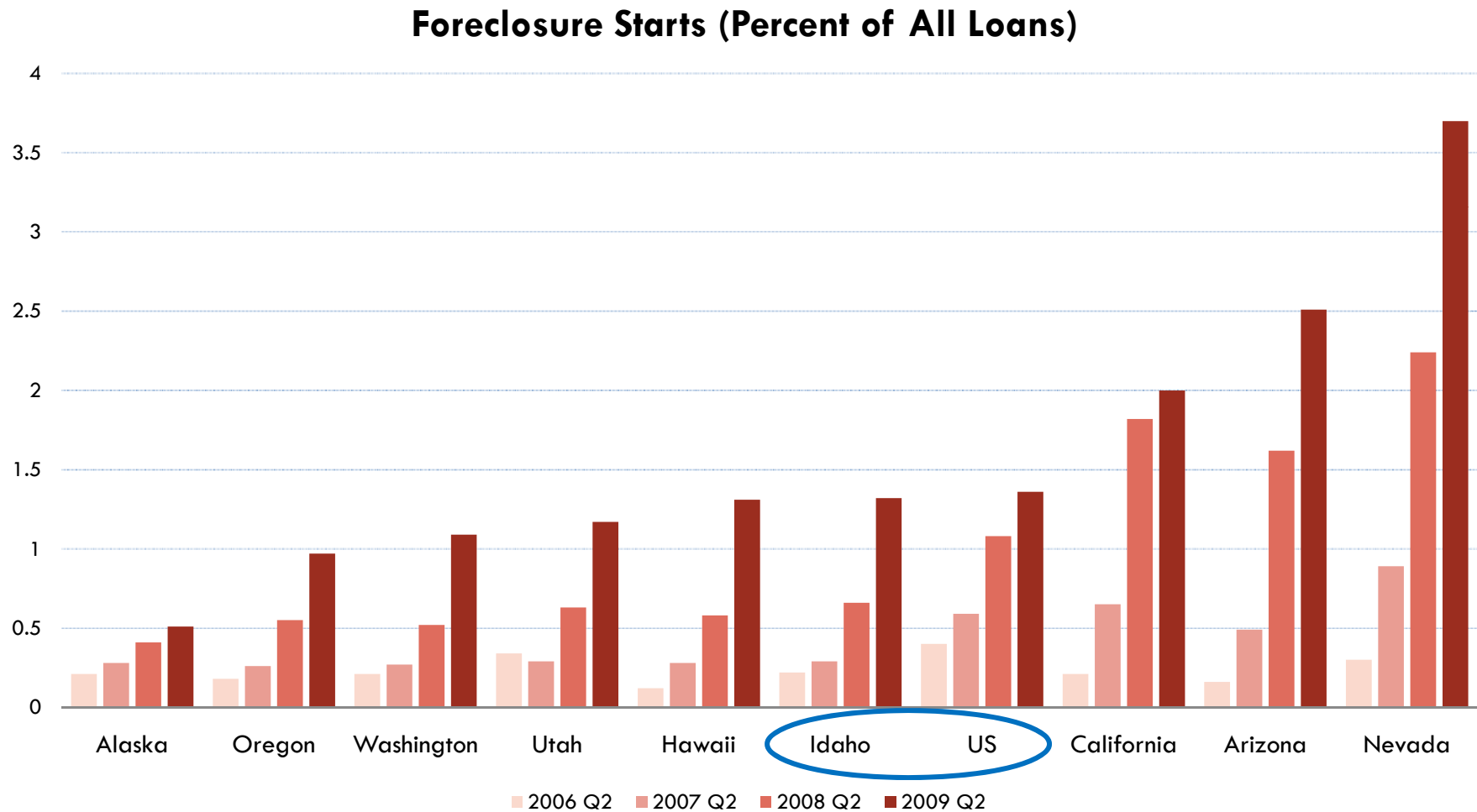
Source: Federal Housing Finance Agency (formerly OFHEO)

Changes in House Prices at the Metropolitan Level



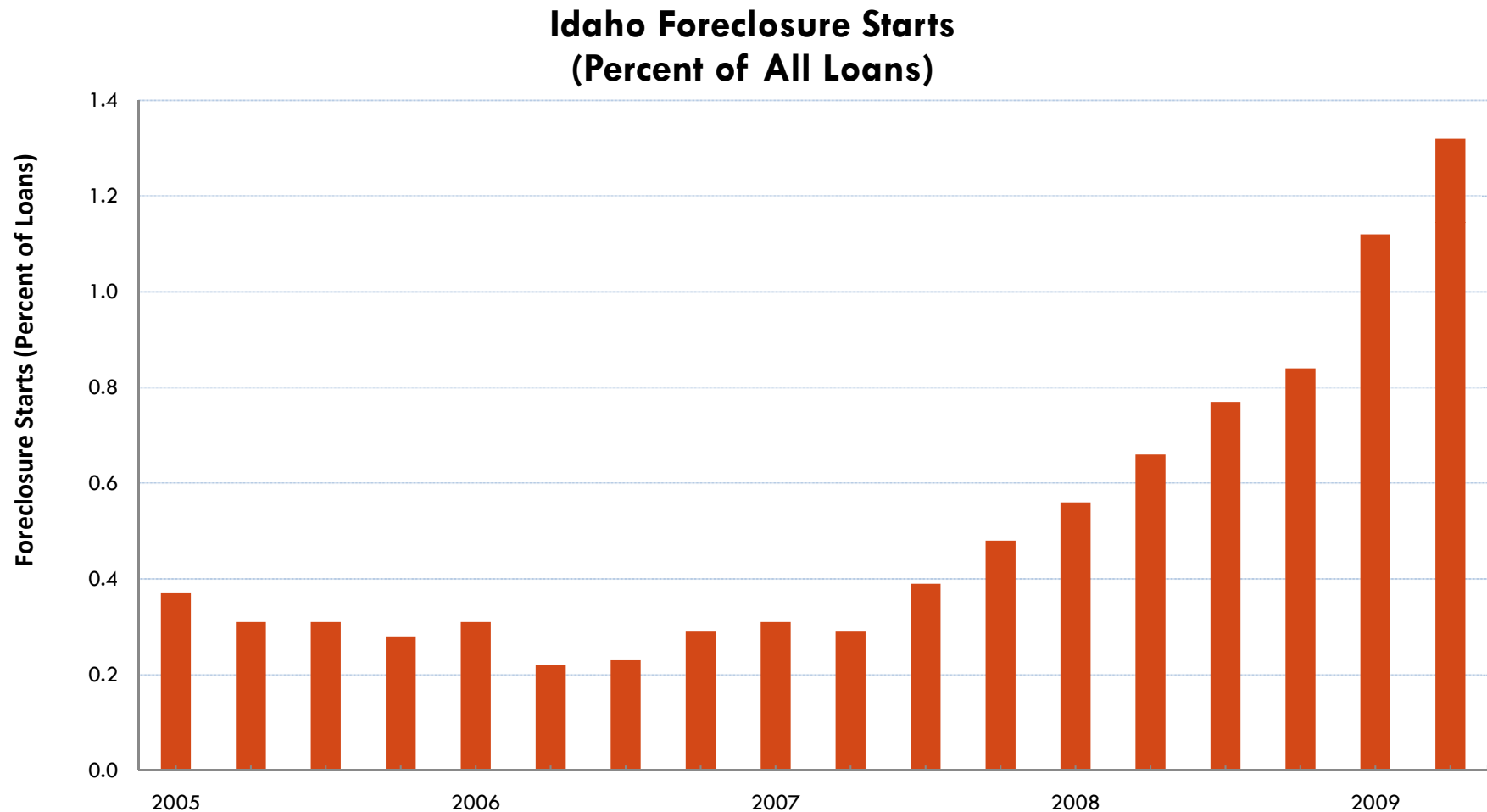
Source: Federal Housing Finance Agency (formerly OFHEO)

Foreclosure Rate in Idaho Has Risen Significantly, Nearing US Average



Source: Mortgage Bankers Association, National Delinquency Survey

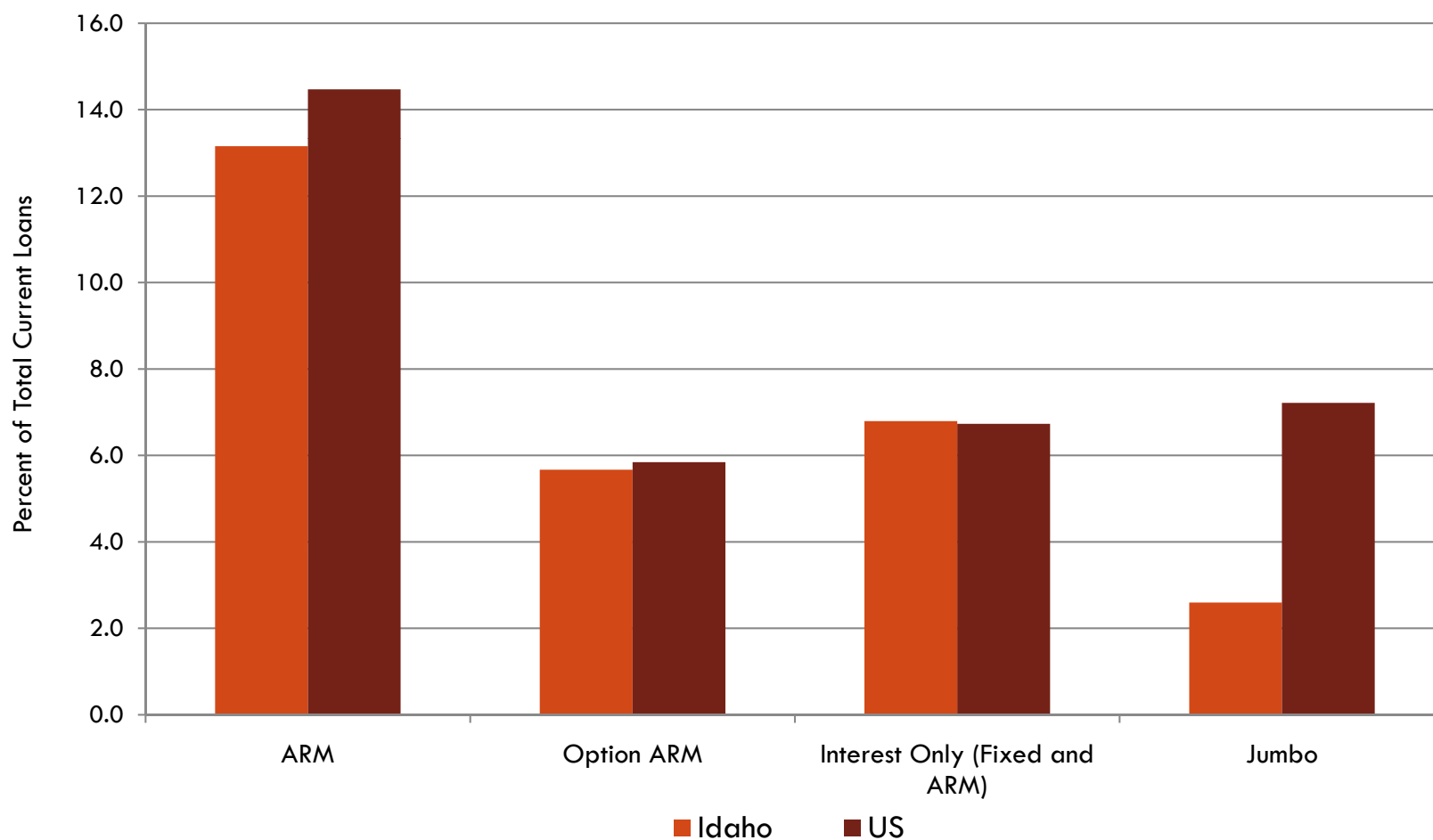
Idaho Saw a Continued Upward Trend in Foreclosure Starts in 2nd Quarter 2009



Source: Mortgage Bankers Association, National Delinquency Survey

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

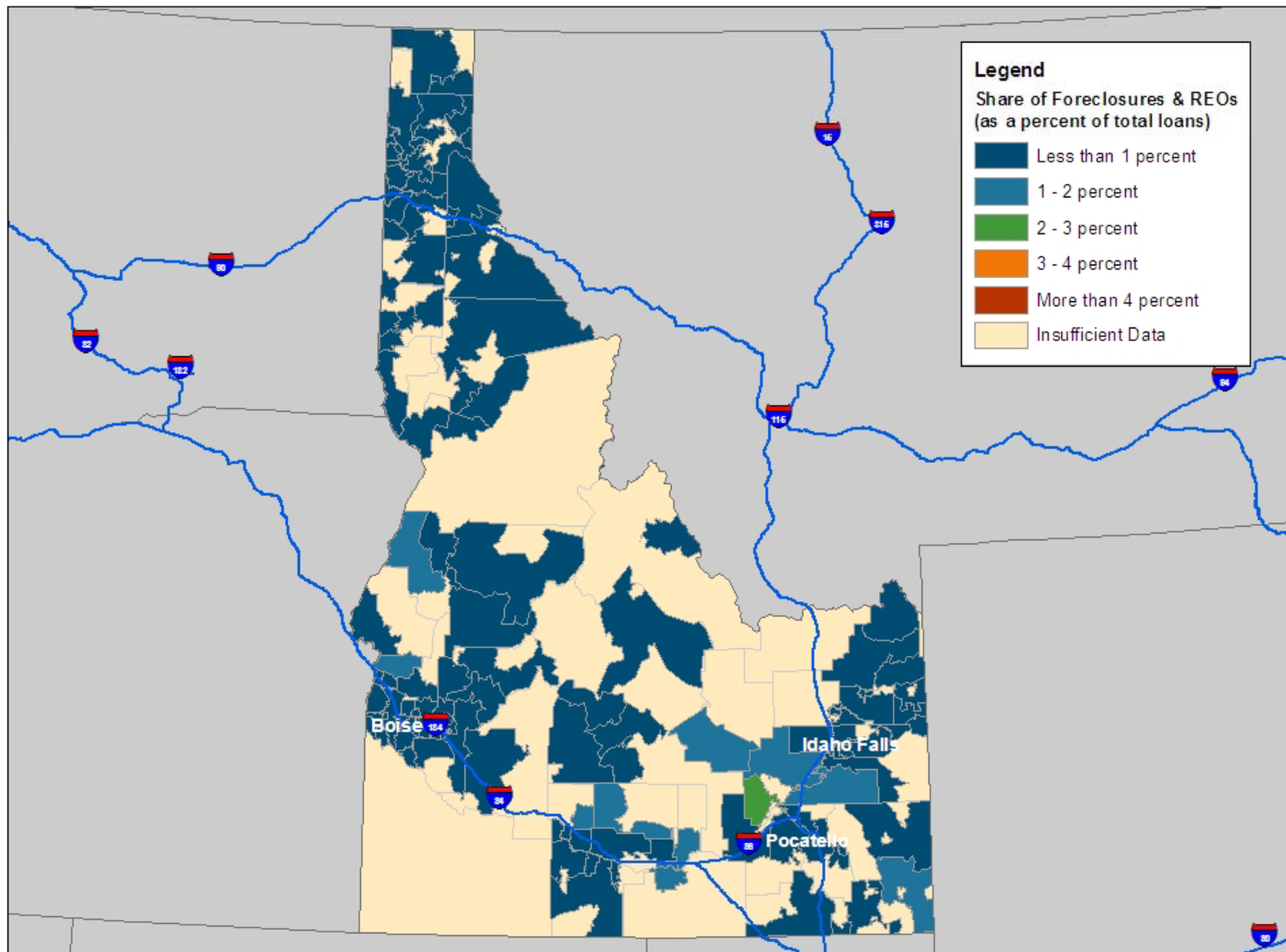
Characteristics of Remaining “Current” Loans



Idaho Foreclosure Data Maps

Areas Affected by Concentrated Foreclosures

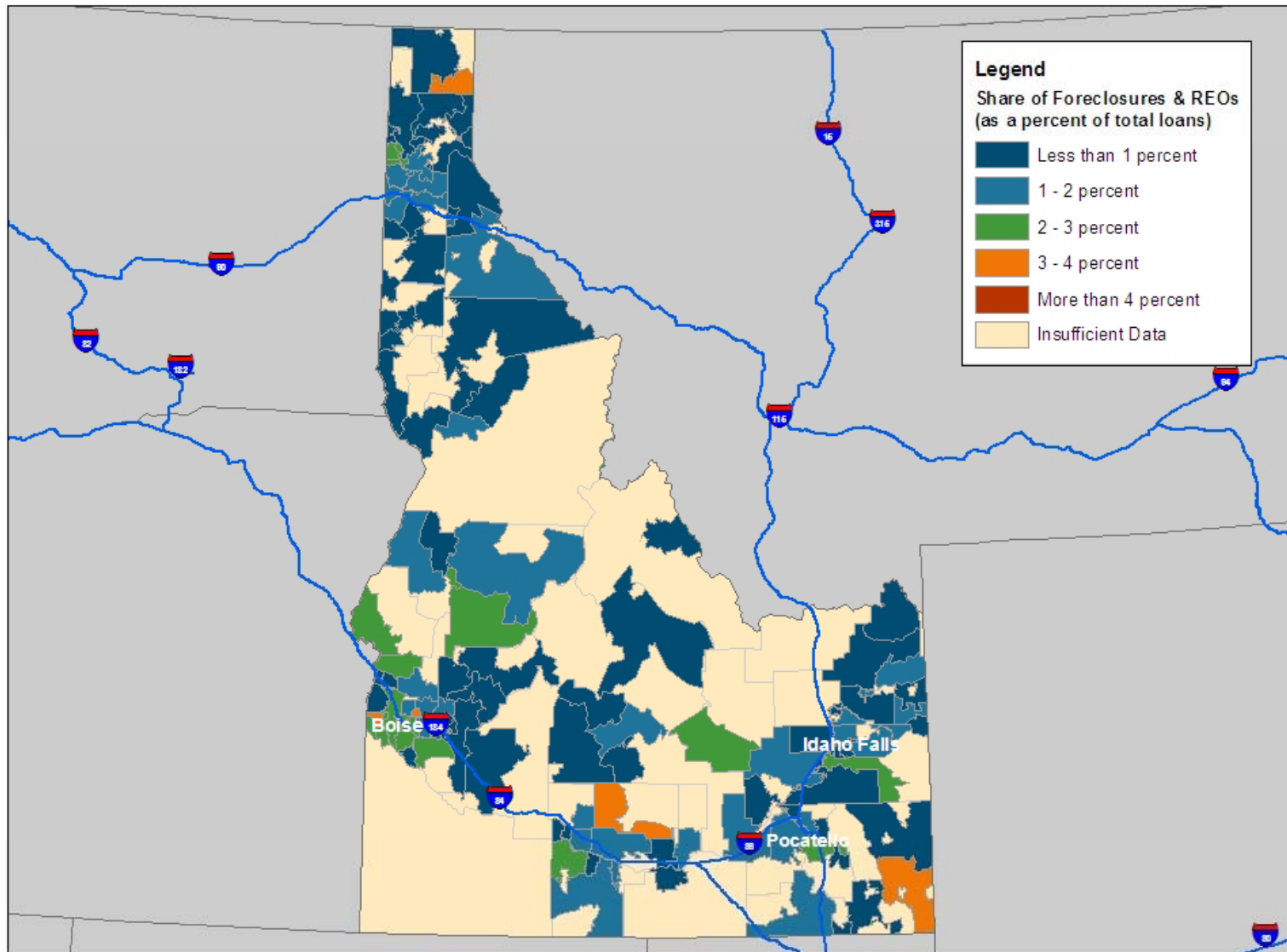
June 2007



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

Areas Affected by Concentrated Foreclosures

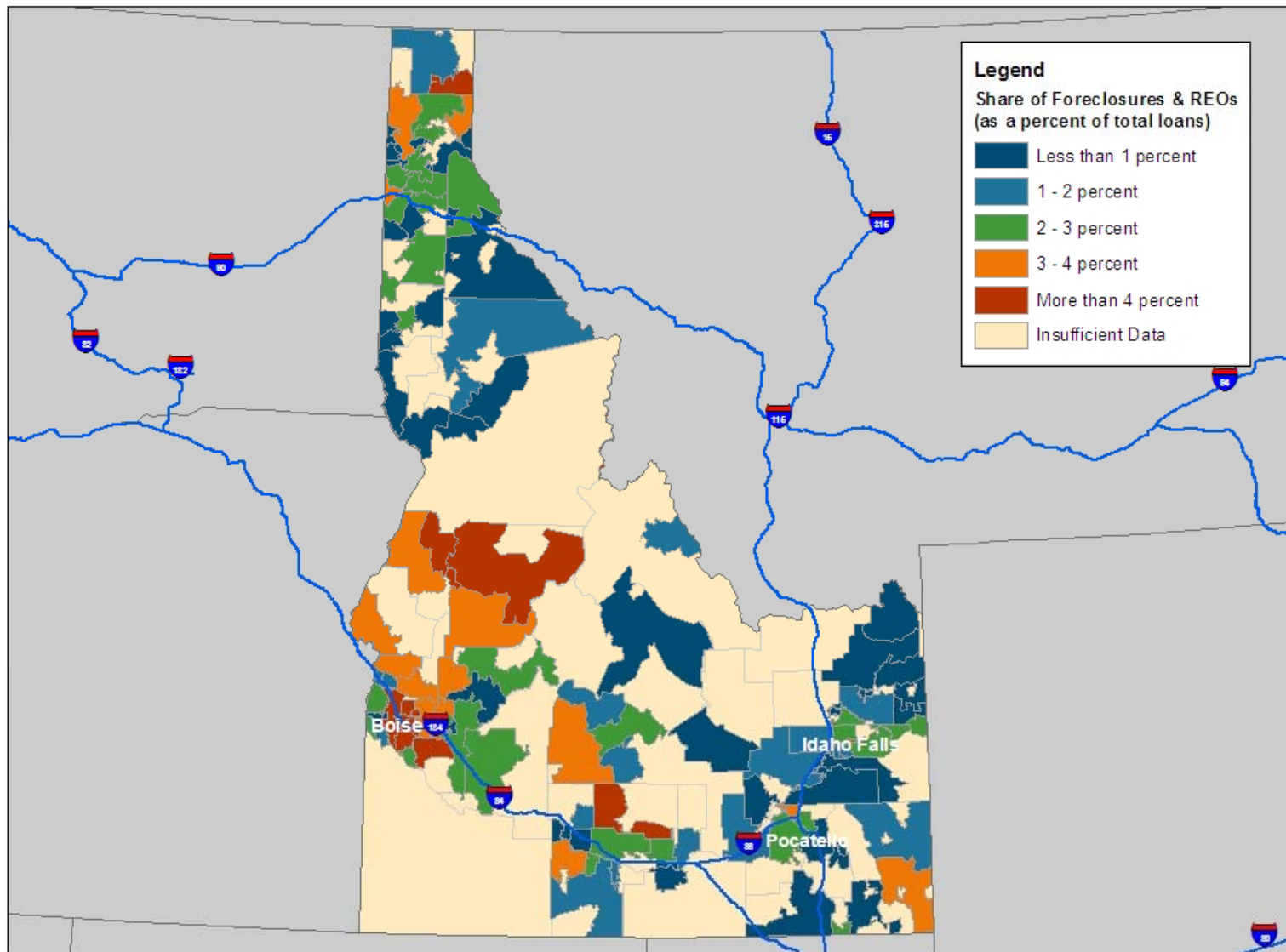
June 2008



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

Areas Affected by Concentrated Foreclosures

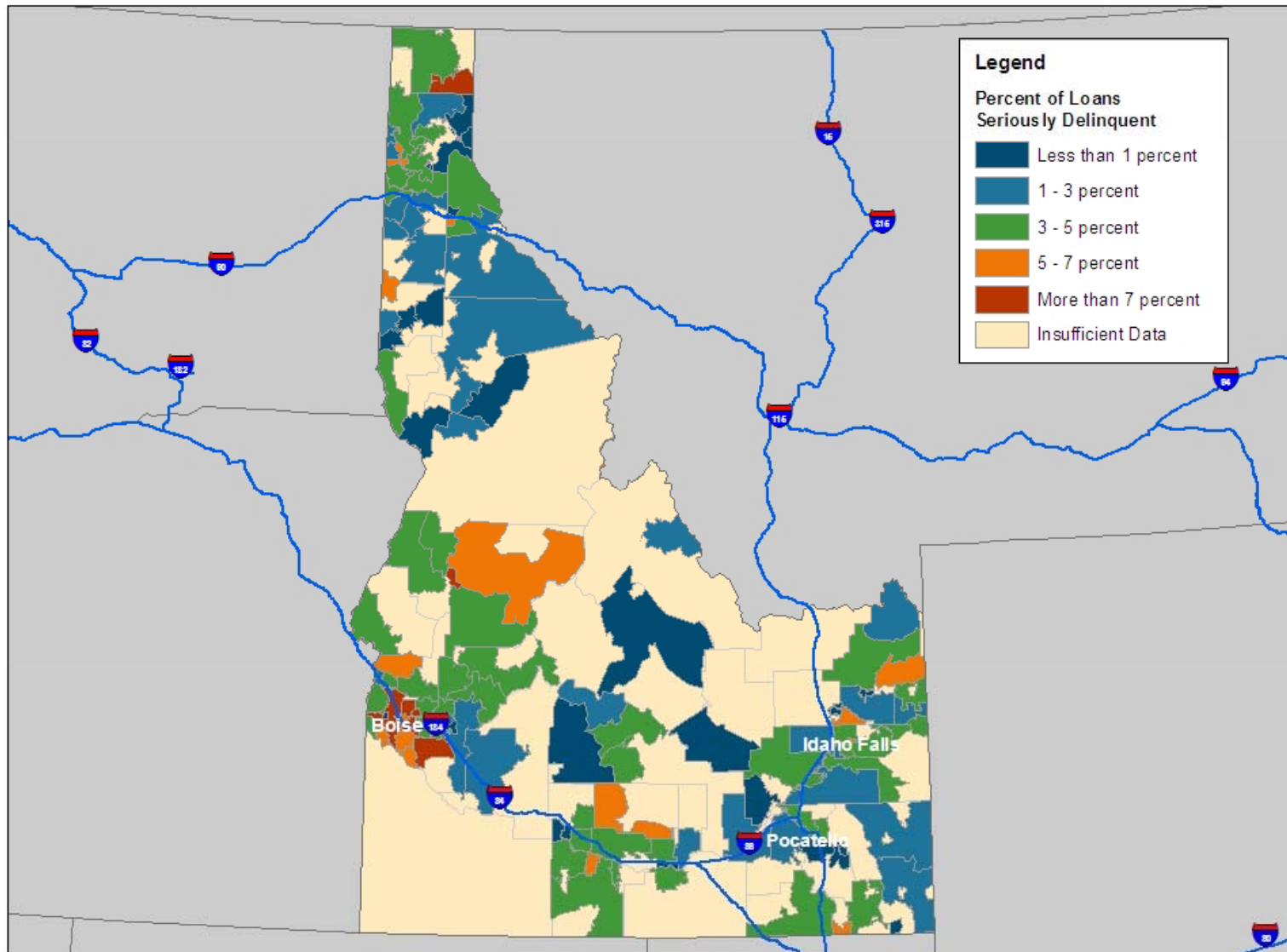
June 2009



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

Areas at Risk of Additional Foreclosures

June 2009



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
 - Create a foreclosure prevention workbook (for an example of 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

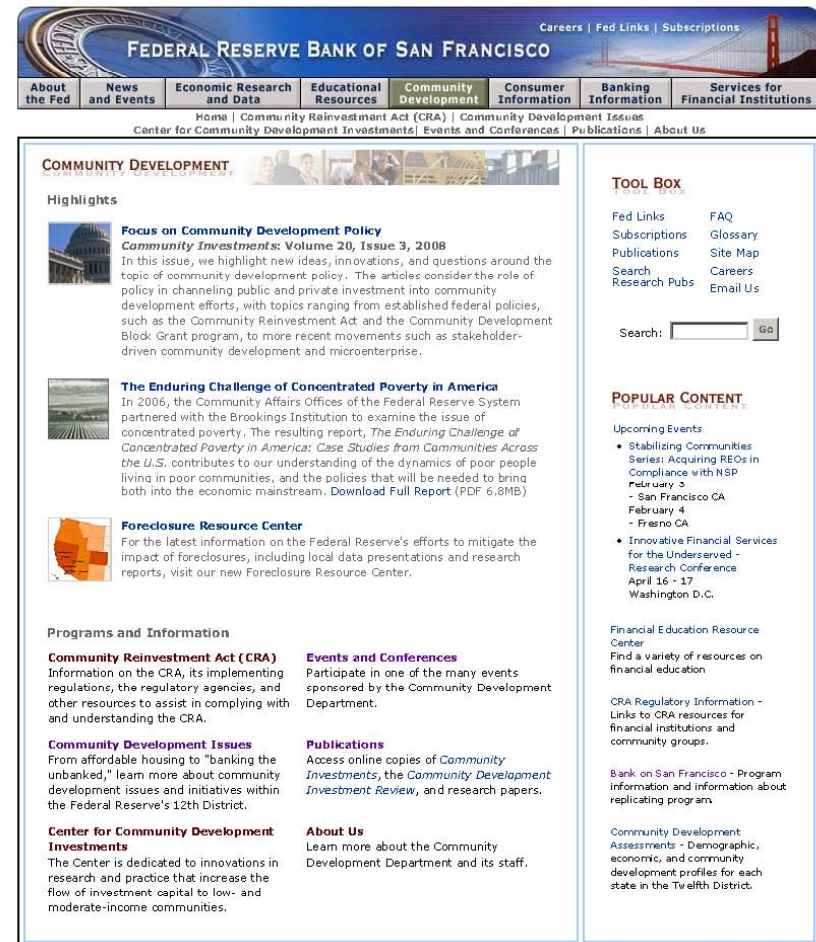
- ❑ Foreclosure scams are proliferating, especially in markets with investor interest
 - ❑ Some counties are sending notices to all delinquent borrowers to warn them about foreclosure scams
 - ❑ Free media kit available from the Federal Reserve which includes a PSA and other resources:
<http://www.federalreserveeducation.org/pfed/mediakit.cfm>
 - ❑ 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>

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/>