

# TRENDS IN DELINQUENCIES AND FORECLOSURES IN OREGON

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# Outline of Presentation



- National Trends
  - ▣ Rising foreclosures
  - ▣ House price declines
  - ▣ Rising unemployment
- Oregon
  - ▣ Trends in foreclosure
  - ▣ Housing market softening
  - ▣ Rising unemployment
  - ▣ Scale of loan modifications still falls short of need

# National Trends

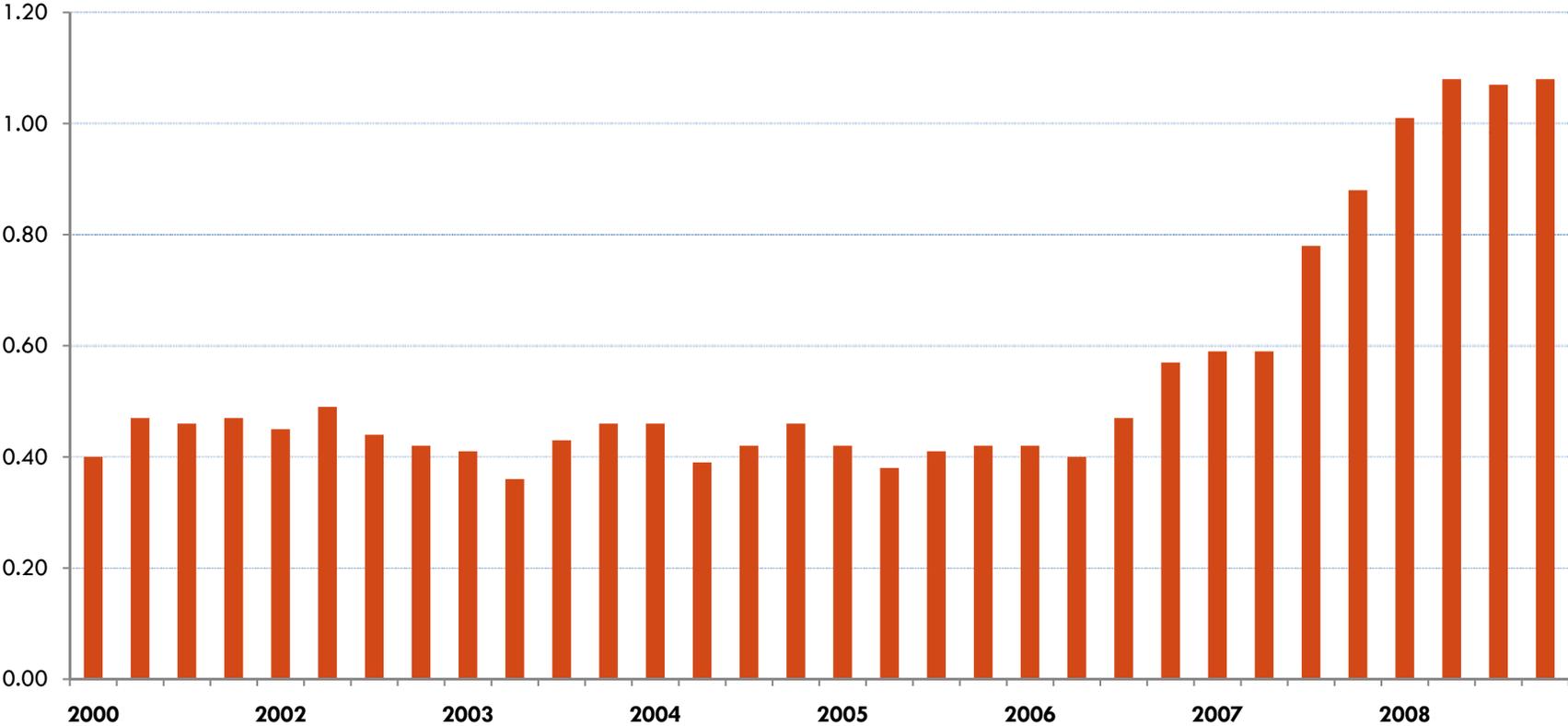
# National Trends



- Foreclosures rose steadily in 2008, with wide repercussions for US economy
  - ▣ After a slight decline in the national foreclosure rate in the 3<sup>rd</sup> Quarter of 2008, rose again in 4<sup>th</sup> Quarter
- Factors driving foreclosures nationally
  - ▣ House price declines
  - ▣ Rising unemployment, coupled with turmoil in financial and credit markets, may further influence foreclosure rate going forward

# National Foreclosure Starts Rose Slightly in 4th Quarter of 2008

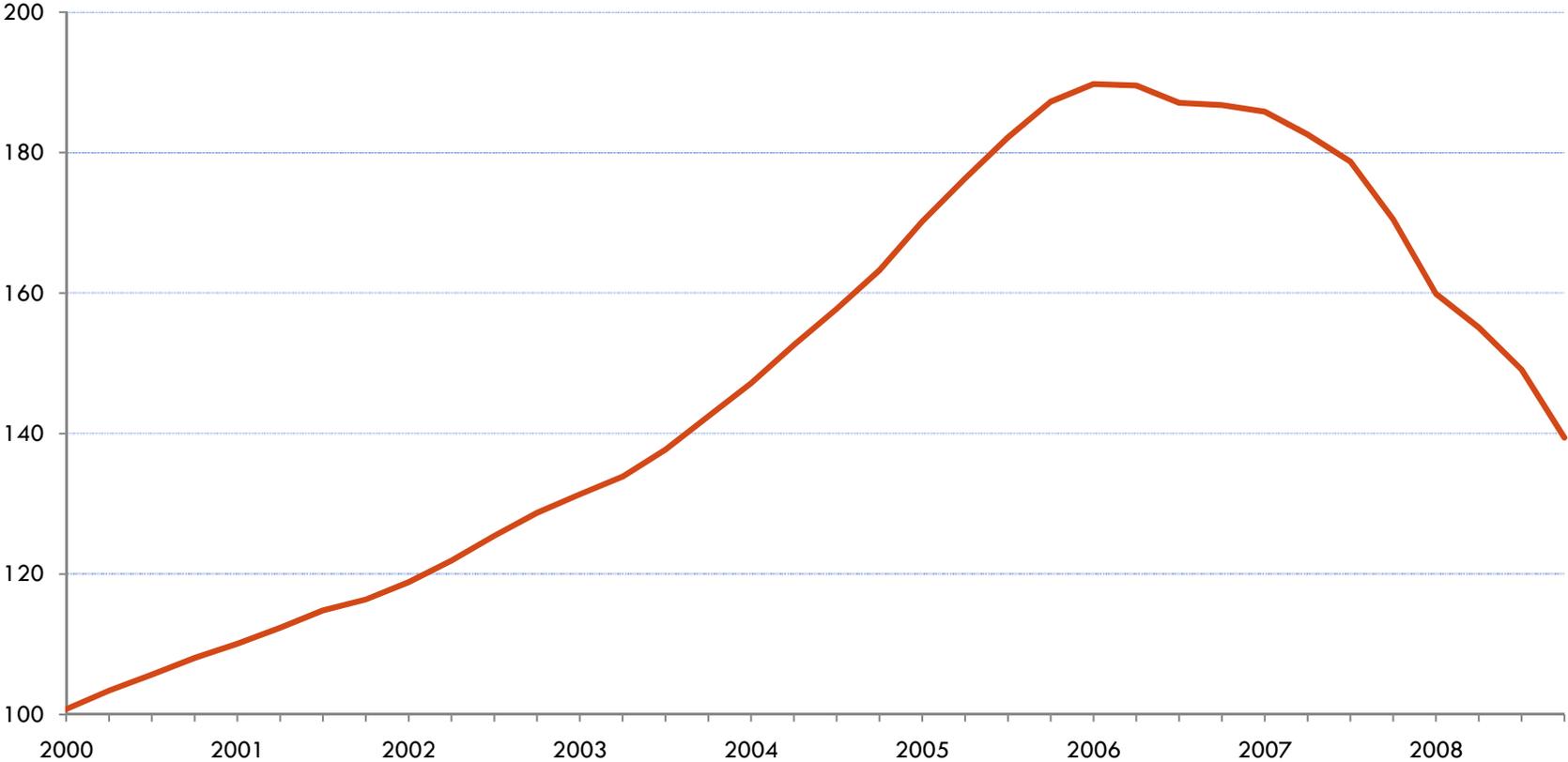
**National Foreclosures Starts**  
Percent of All Loans



Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008

# Nationally, House Prices Continue to Decline

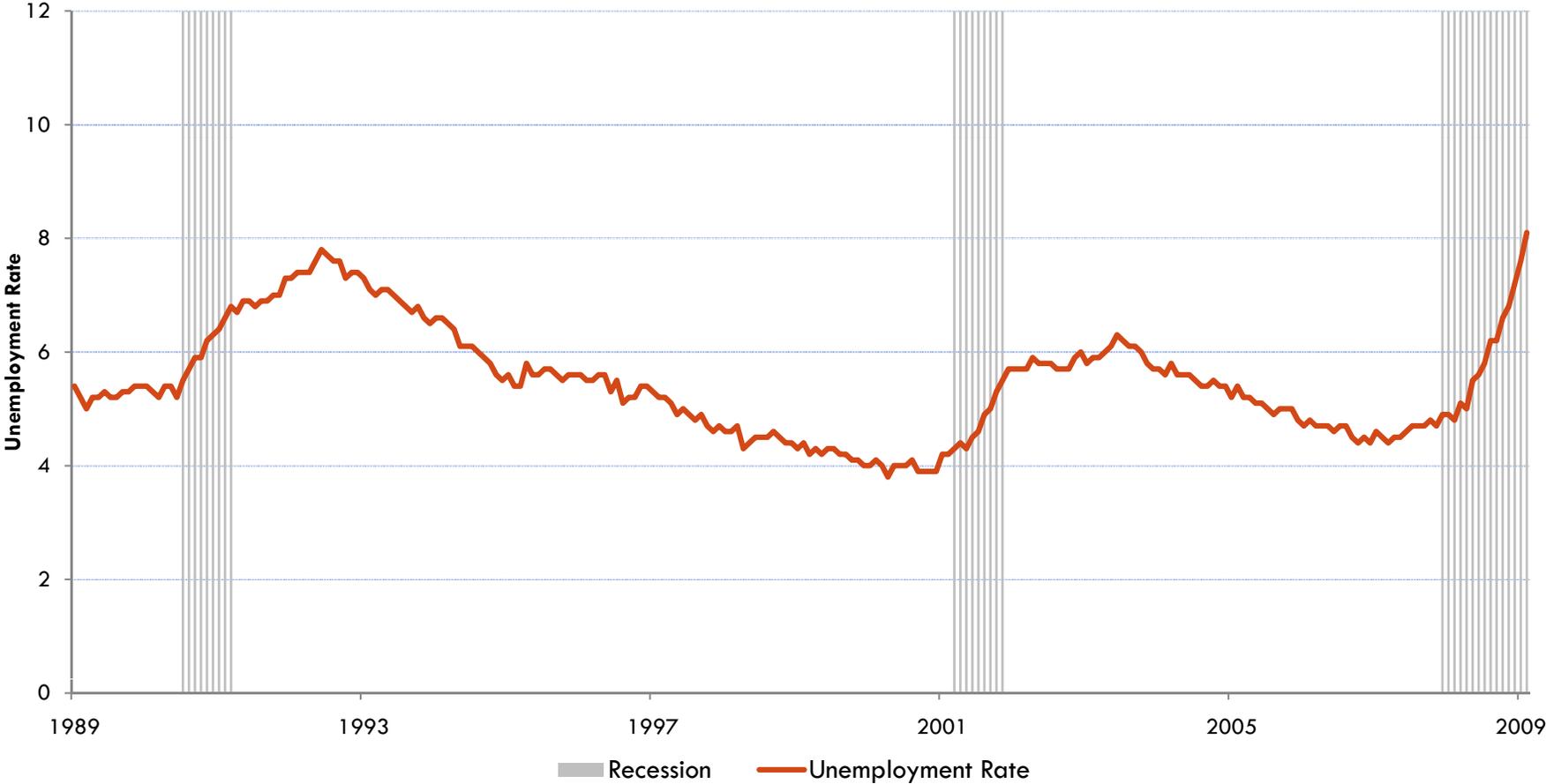
**Case-Shiller National House Price Index**  
(2000 = 100, quarterly)



Source: Case - Shiller Home Price Index, 4<sup>th</sup> Q 2008

# Recession Marks Significant Jump in Unemployment

## U.S. Unemployment Rate

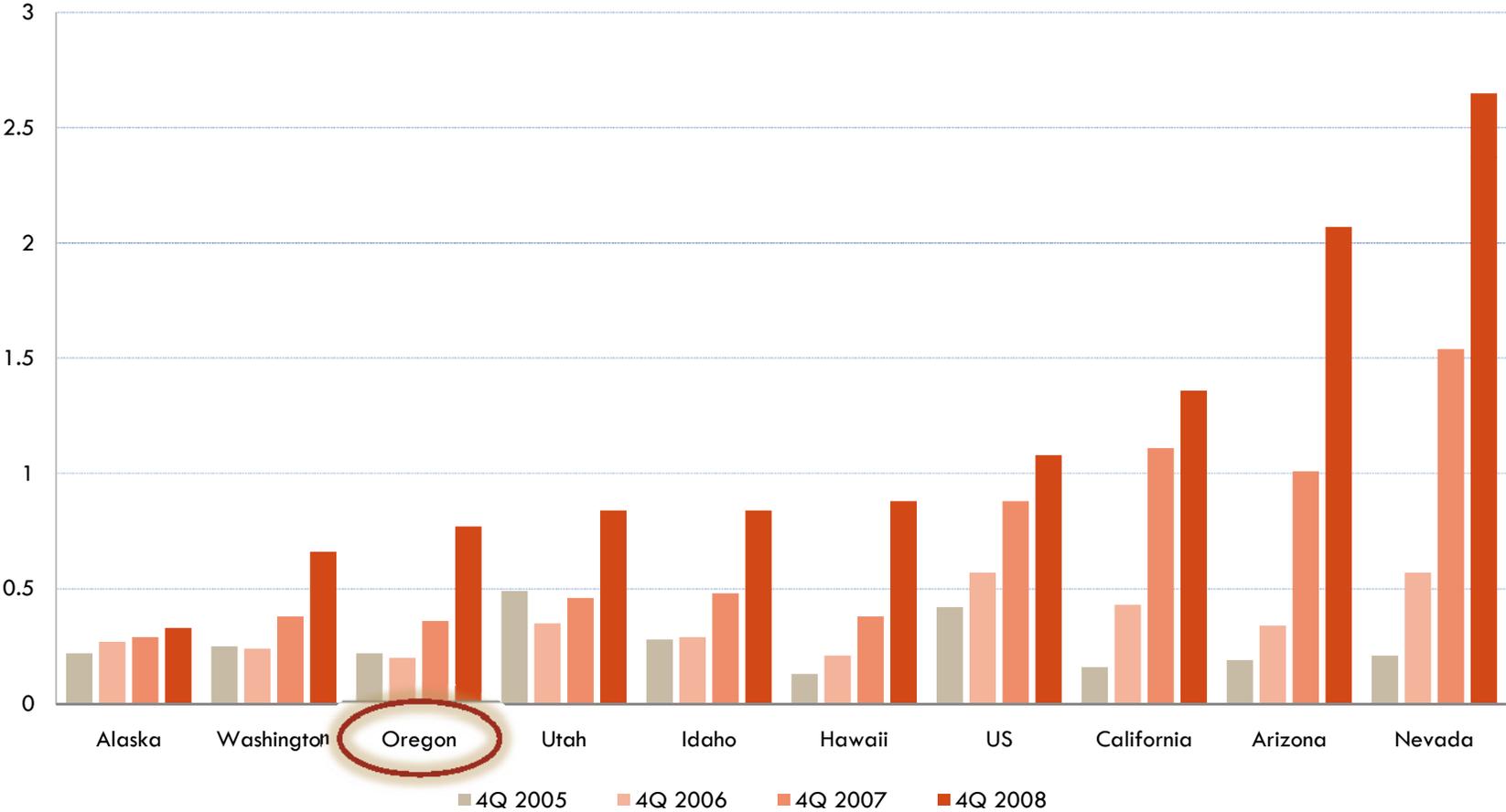


Source: Bureau of Labor Statistics

# Oregon Trends

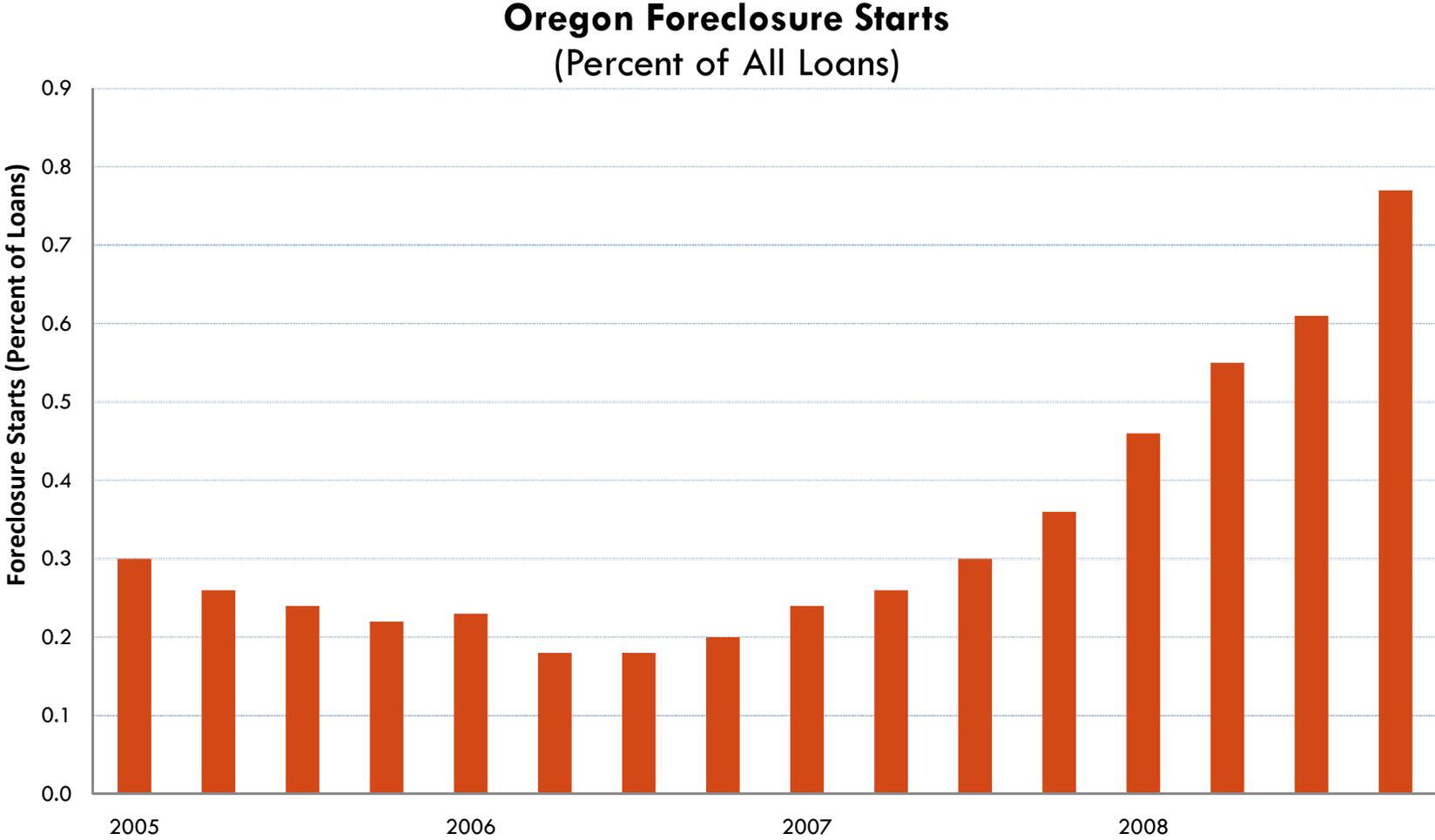
# Foreclosures in Oregon Have Risen Significantly, but Still Below US Average

Foreclosure Starts (Percent of All Loans)



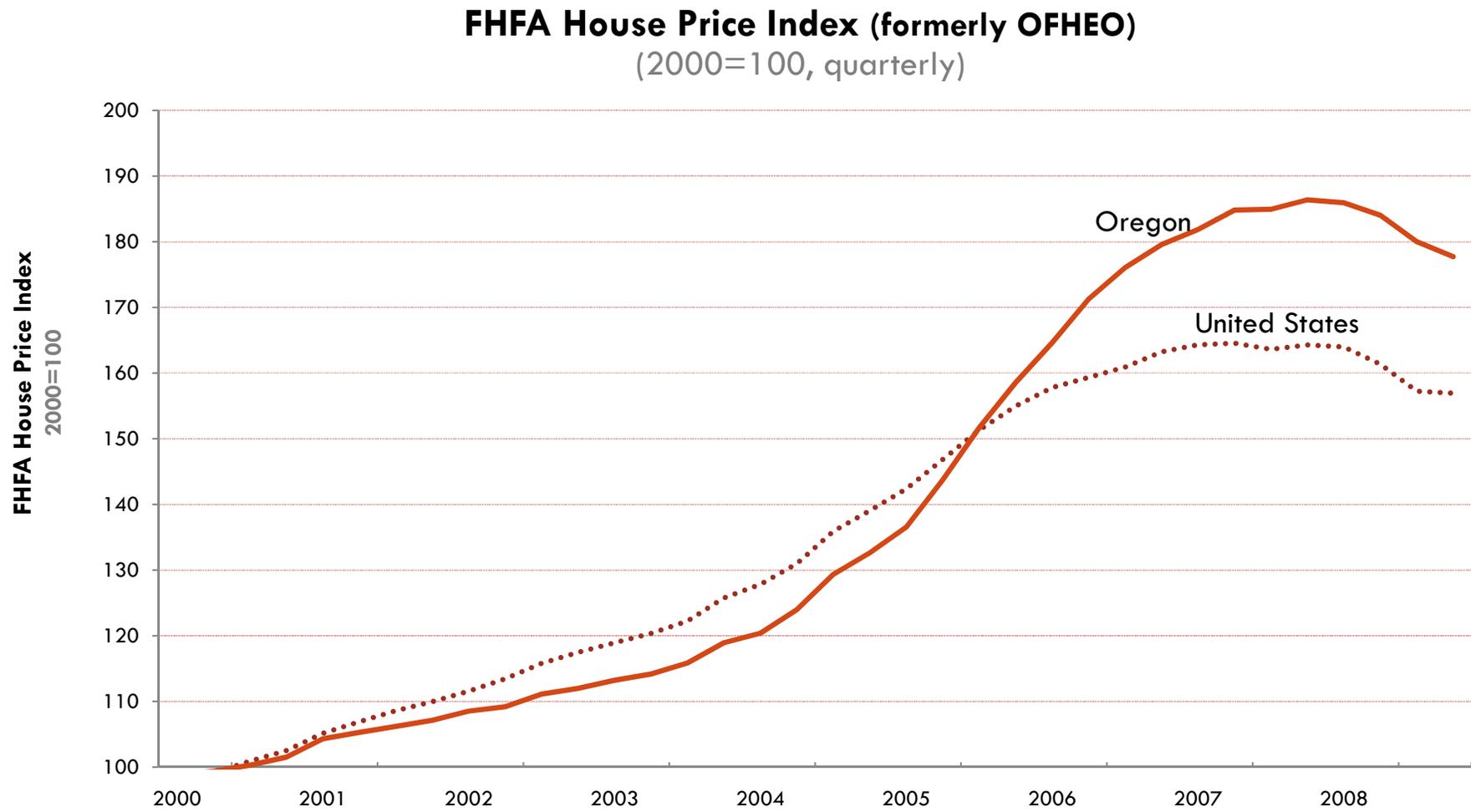
Source: Mortgage Bankers Association, National Delinquency Survey, 4<sup>th</sup> Q 2008

# Oregon Saw a Considerable Increase in Foreclosure Starts in 4<sup>th</sup> Quarter 2008



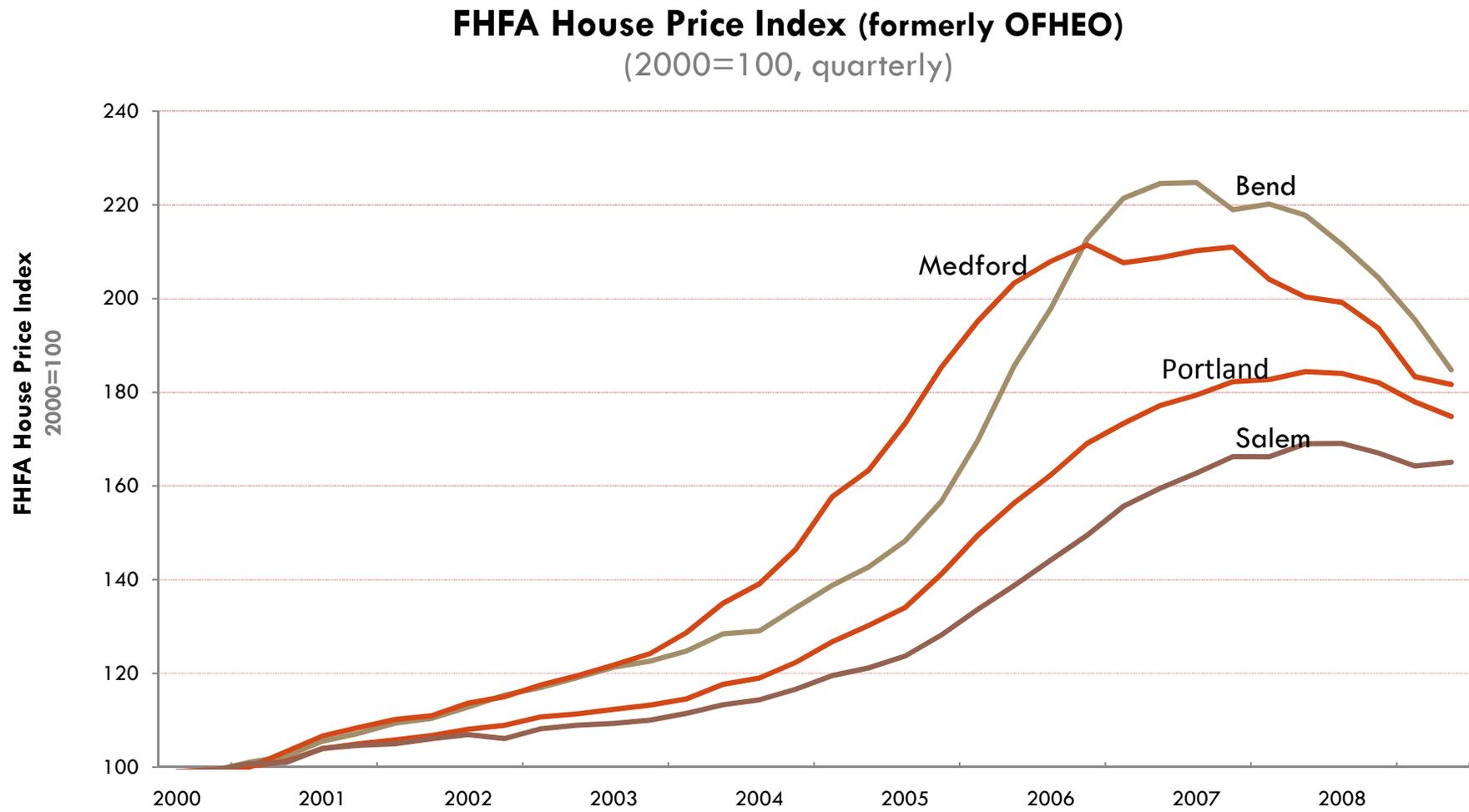
Source: Mortgage Bankers Association, National Delinquency Survey, 4<sup>th</sup> Q 2008

# Oregon Seeing Softening of Real Estate Market



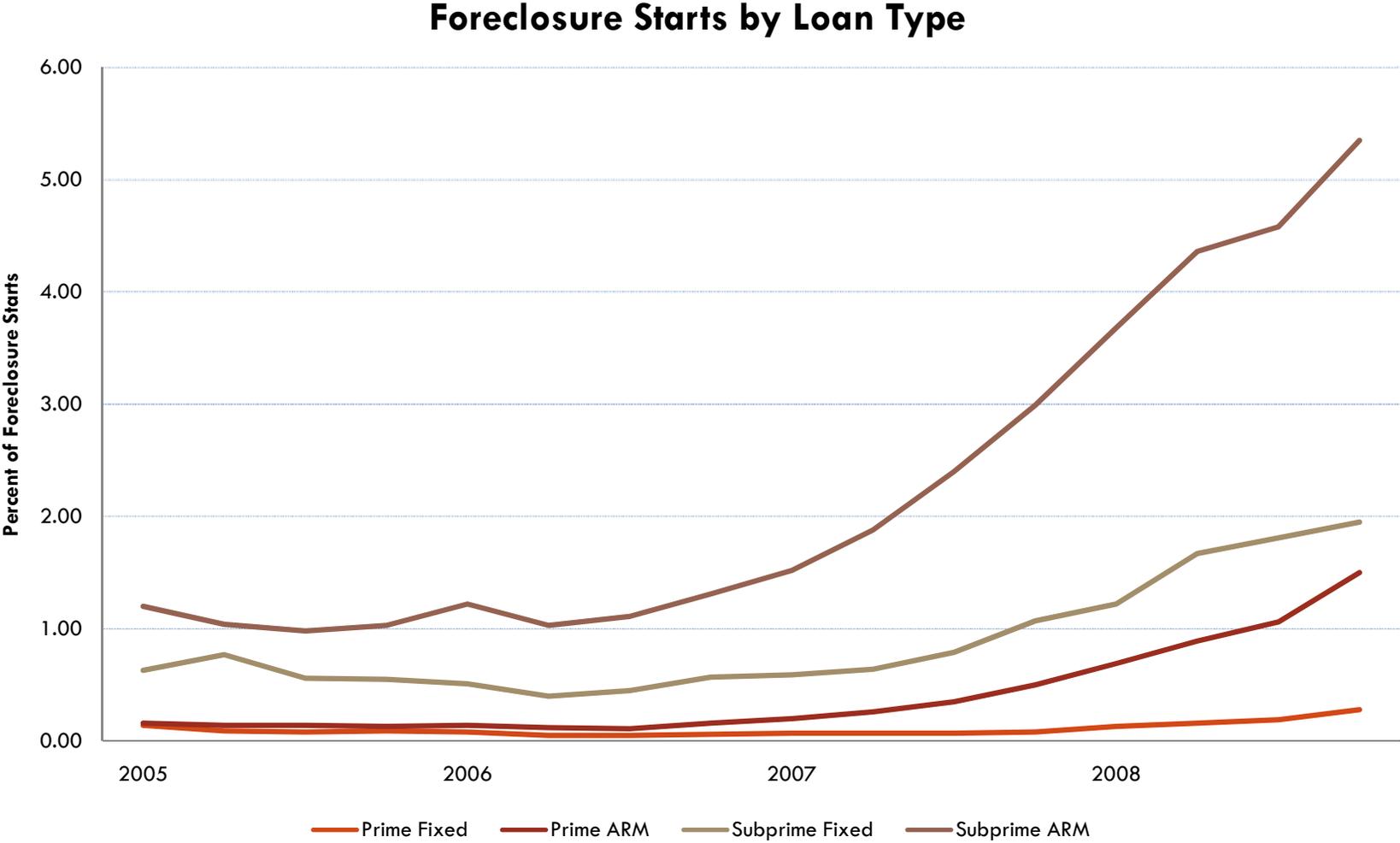
Source: Federal Housing Finance Agency (formerly OFHEO), 4<sup>th</sup> Quarter 2008

# Bend and Medford Experiencing Greatest Declines in House Prices



Source: Federal Housing Finance Agency (formerly OFHEO), 4<sup>th</sup> Quarter 2008

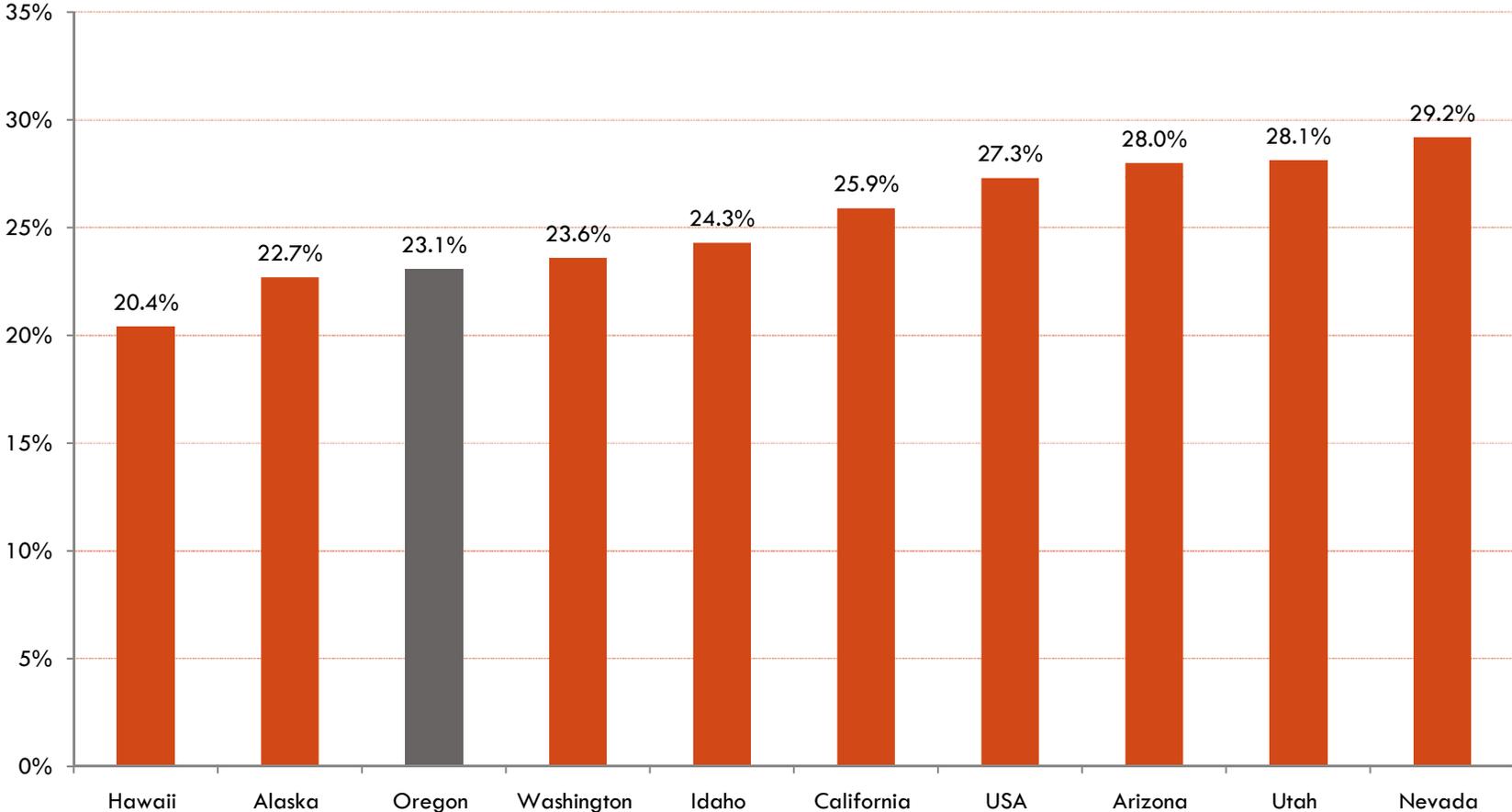
# Oregon's Foreclosures are Concentrated in Subprime ARM Market



Source: Mortgage Bankers Association, National Delinquency Survey, 4<sup>th</sup> Q 2008

# Oregon Saw High Rates of High-Cost Lending During Subprime Boom but Still Lower than National Average

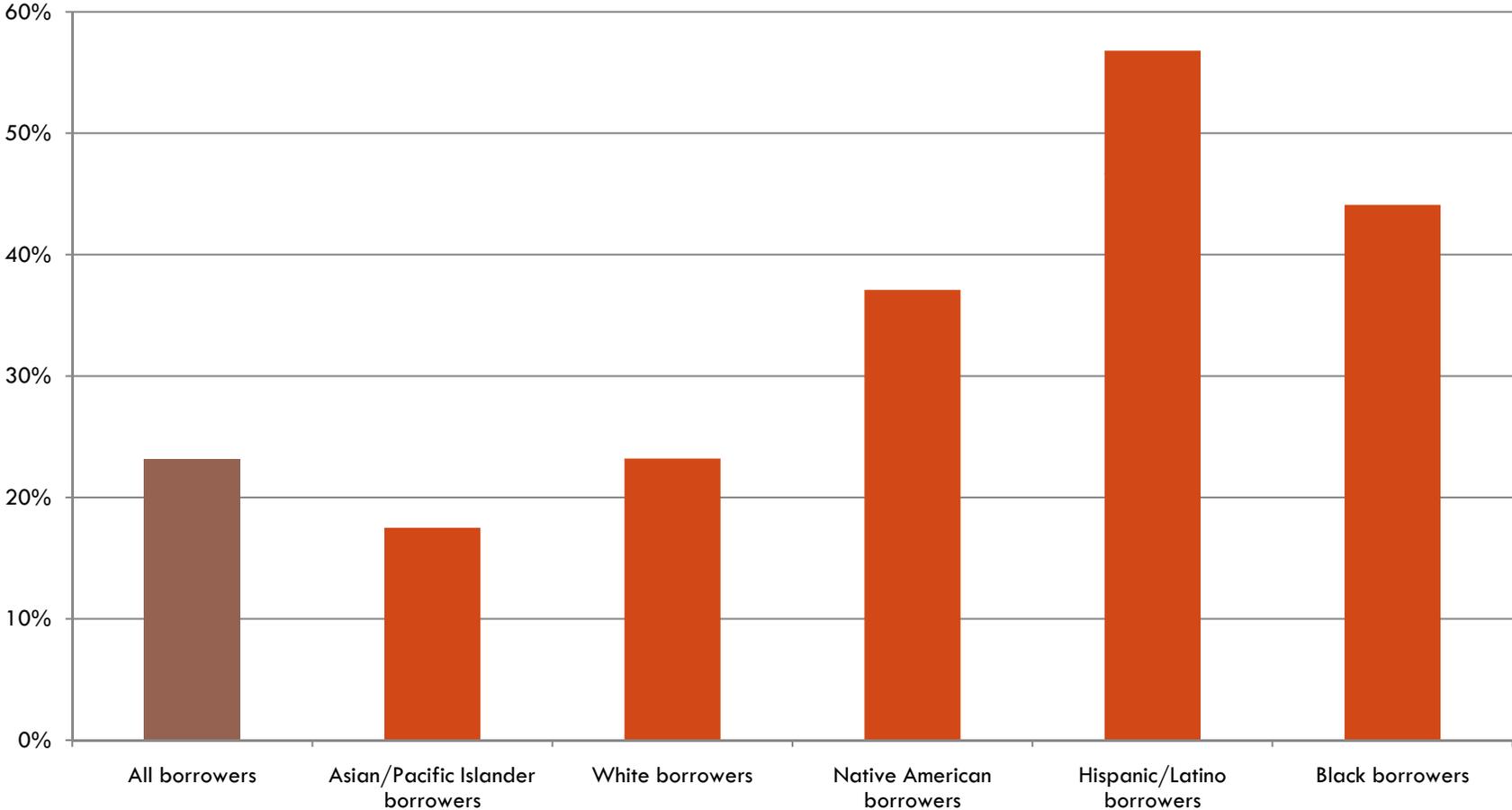
**Percent of All Borrowers with High Interest Conventional Loans, 2005**



Source: Home Mortgage Disclosure Act Data, 2005

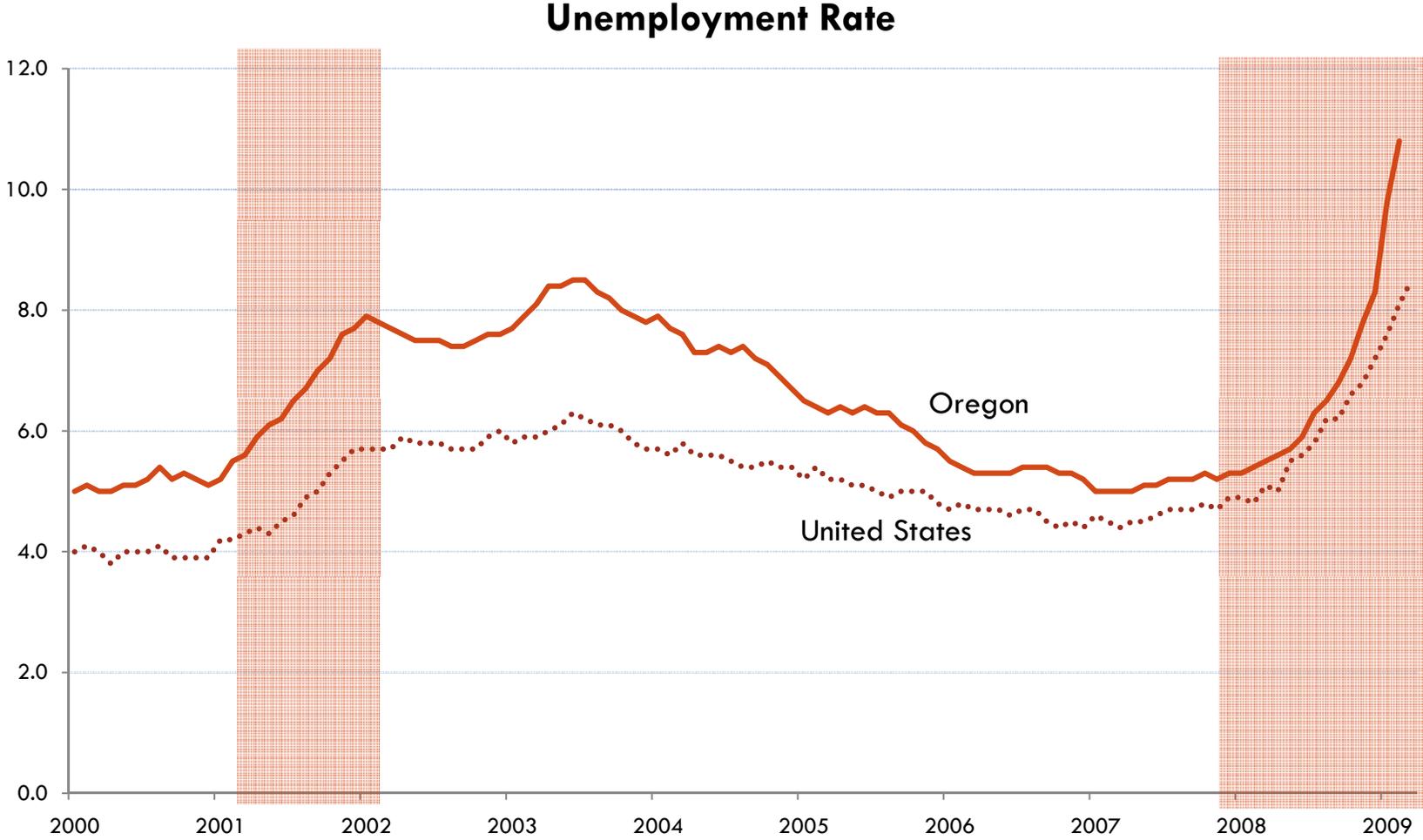
# High Cost Lending in Oregon More Prevalent Among Some Minority Groups

High Cost Conventional Loans by Race, 2005



Source: Home Mortgage Disclosure Act Data, 2005

# Unemployment Rate in Oregon Has Risen Sharply, Well Above US Average



Source: Bureau of Labor Statistics, March 2009

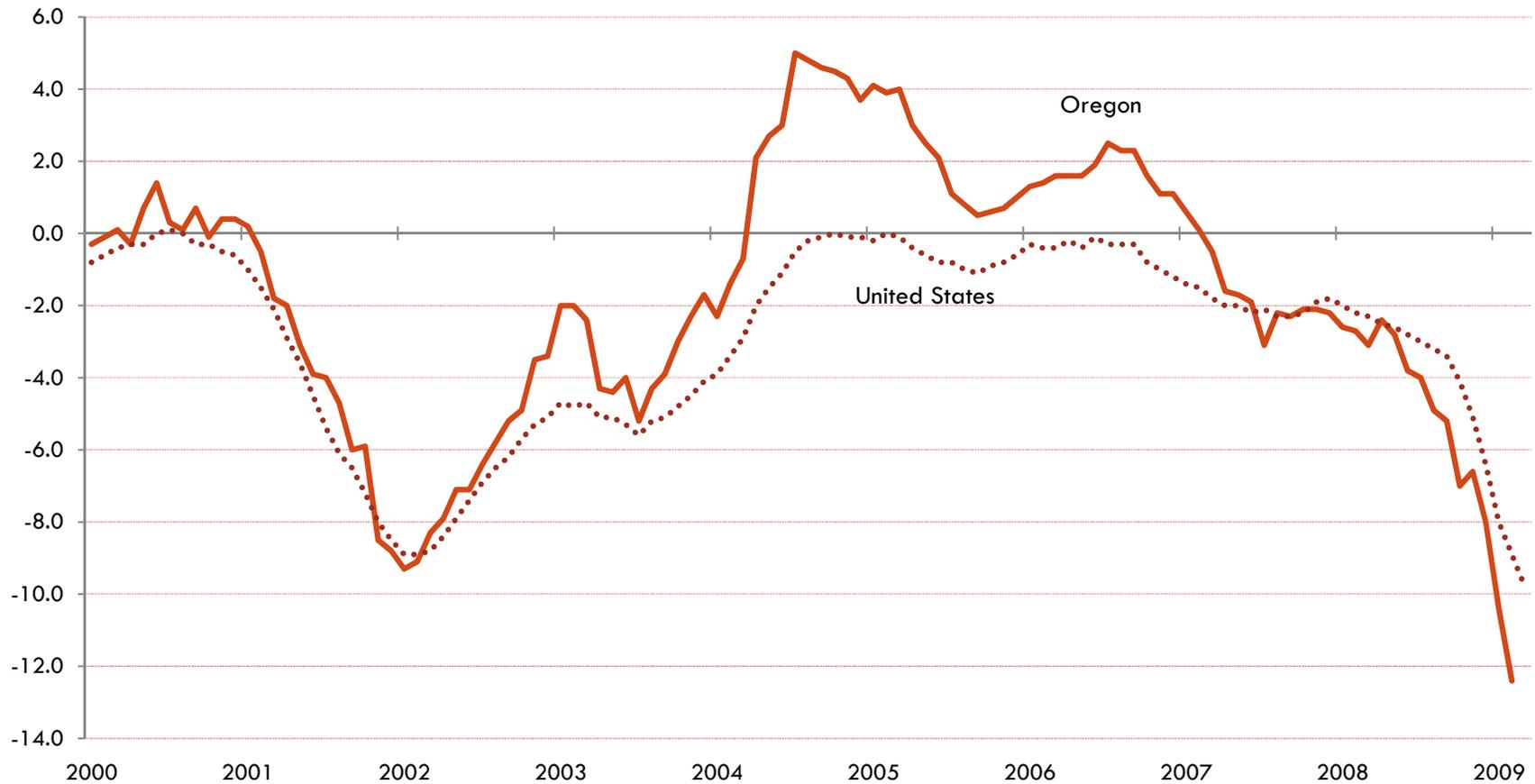
# Employment Trends by Industry in Oregon

| Oregon                            | Total Employed<br>(thousands) | Percent Change |       |        |
|-----------------------------------|-------------------------------|----------------|-------|--------|
|                                   | Feb-09                        | 1-mo.          | 3-mo. | 12-mo. |
| Total                             | 1,654.9                       | -14.5          | -10.2 | -4.7   |
| Trade, Transportation & Utilities | 317.5                         | -11.7          | -12.5 | -6.9   |
| Government                        | 301.4                         | 3.2            | -0.1  | 2.1    |
| Educational & Health Svcs.        | 223.6                         | -11.6          | 0.7   | 3.1    |
| Professional & Business Svcs.     | 185.4                         | -19.6          | -12.9 | -6.6   |
| Manufacturing                     | 175.9                         | -28.1          | -25.4 | -12.4  |
| Leisure & Hospitality             | 168.2                         | -15.6          | -9.6  | -3.6   |
| Financial Activities              | 96.7                          | -26.4          | -11.1 | -7.0   |
| Construction                      | 82.5                          | -39.3          | -24.8 | -17.3  |
| Other Services                    | 61.1                          | -3.8           | 3.3   | 0.2    |
| Information                       | 34.7                          | -8.8           | -13.6 | -4.9   |
| Natural Resources & Mining        | 8.1                           | 0.0            | -17.5 | -8.0   |

Source: Bureau of Labor Statistics, February 2009

# Significant Drop in Manufacturing Employment

## Employment Growth in Manufacturing Industry

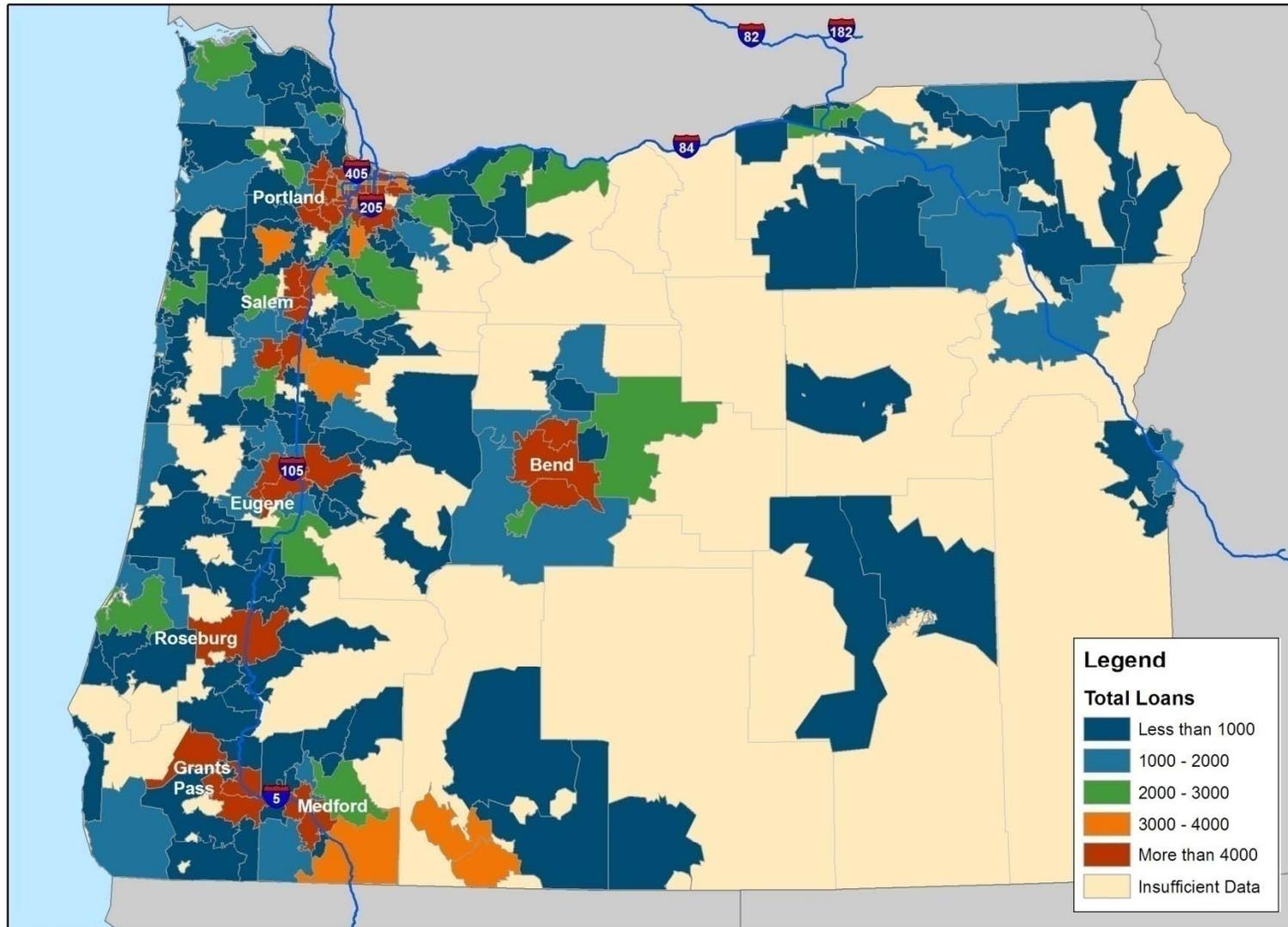


Source: Bureau of Labor Statistics, March 2009

# Oregon Foreclosure Data Maps

# Distribution of Lending Volumes

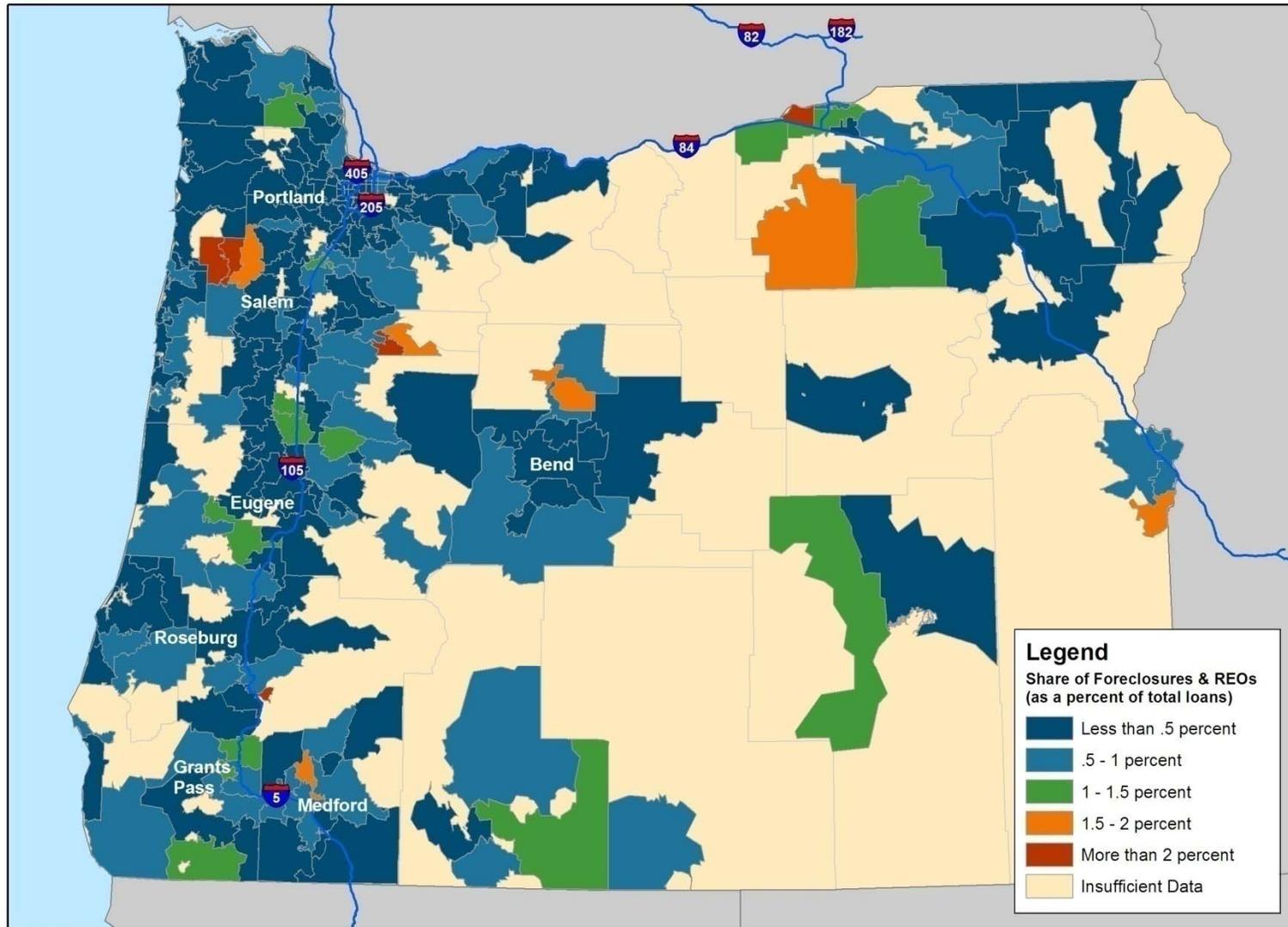
September 2007



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

# Areas Affected by Concentrated Foreclosures

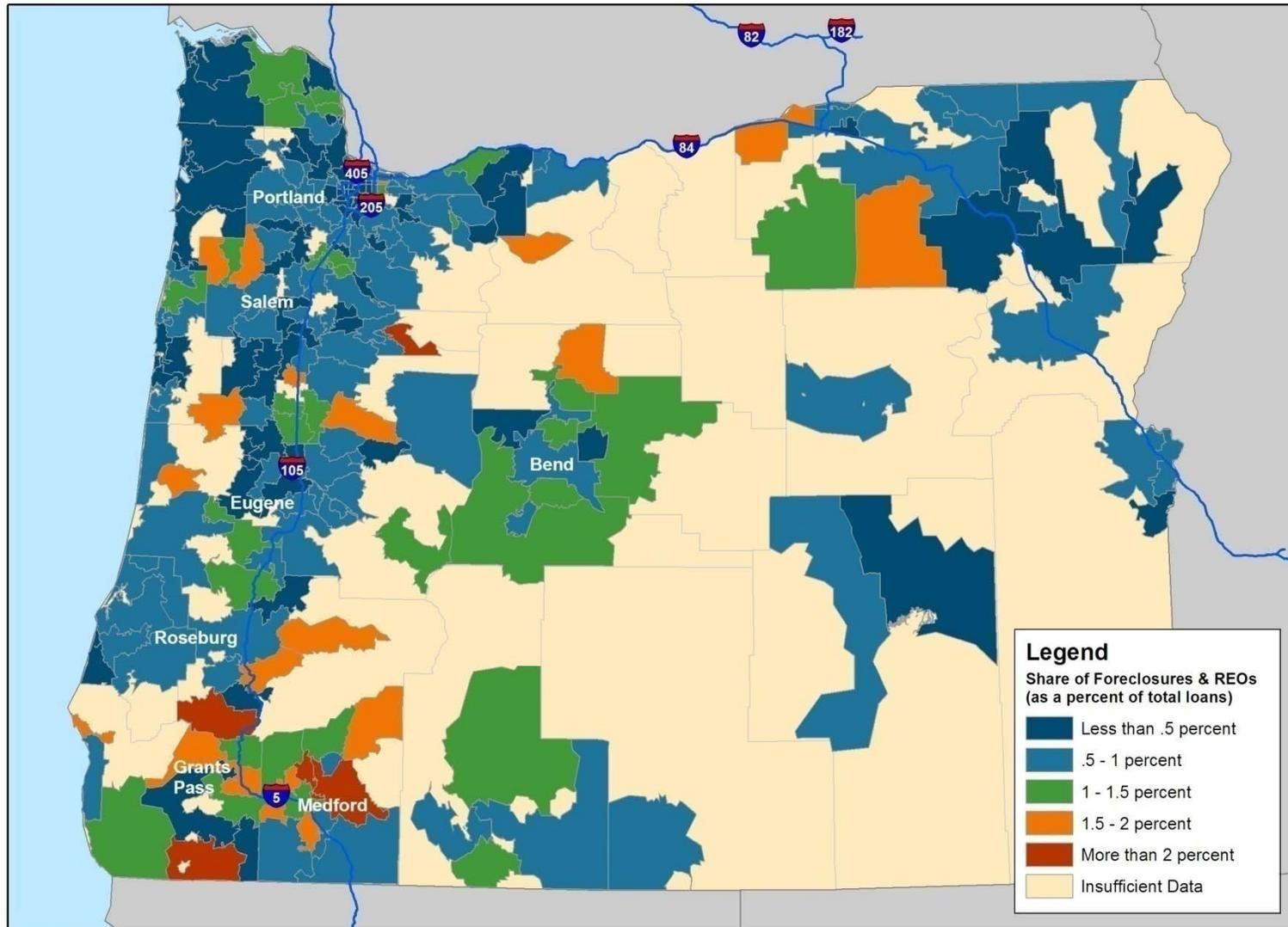
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Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, September 2007

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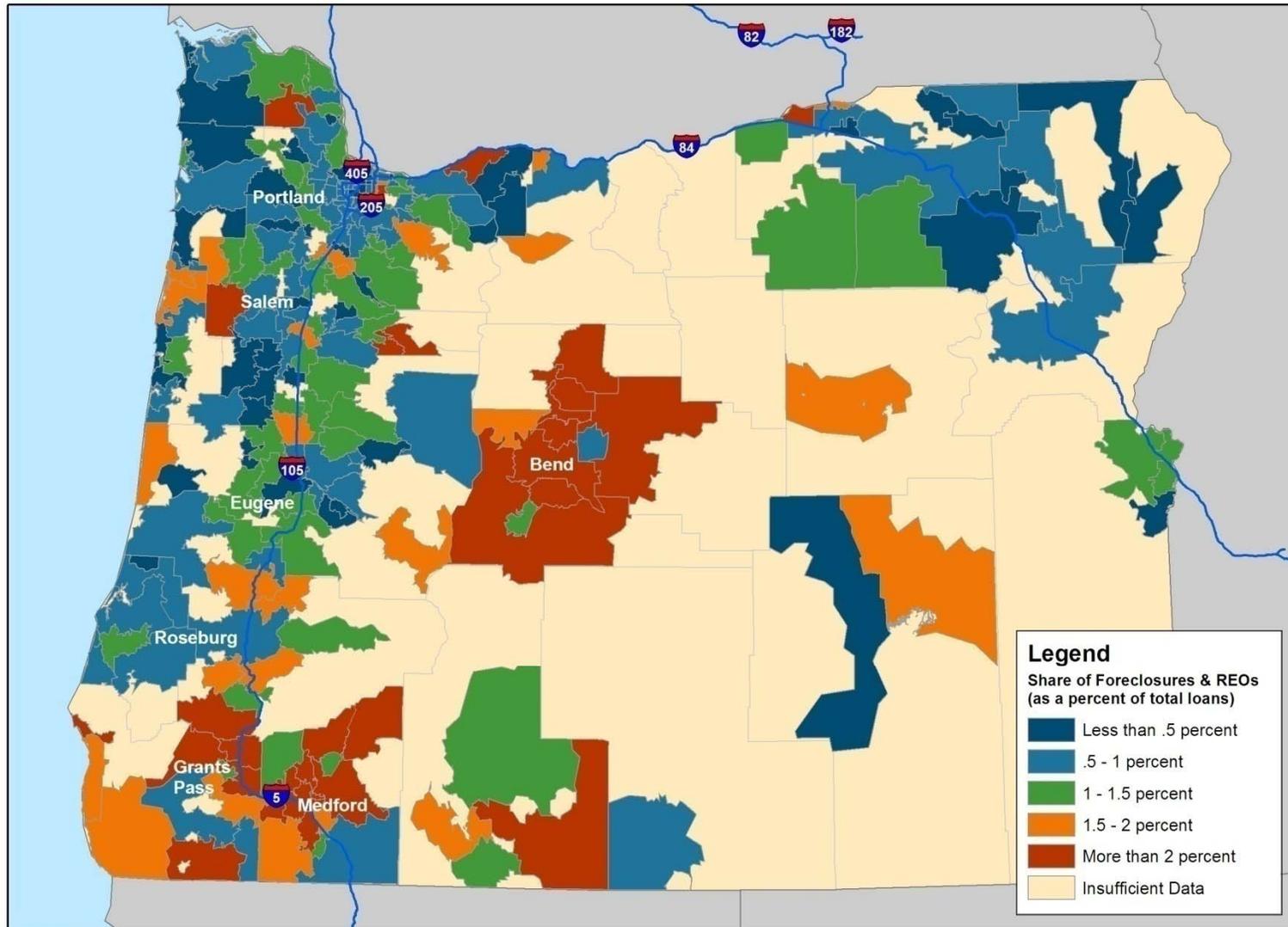
April 2008



Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, April 2008

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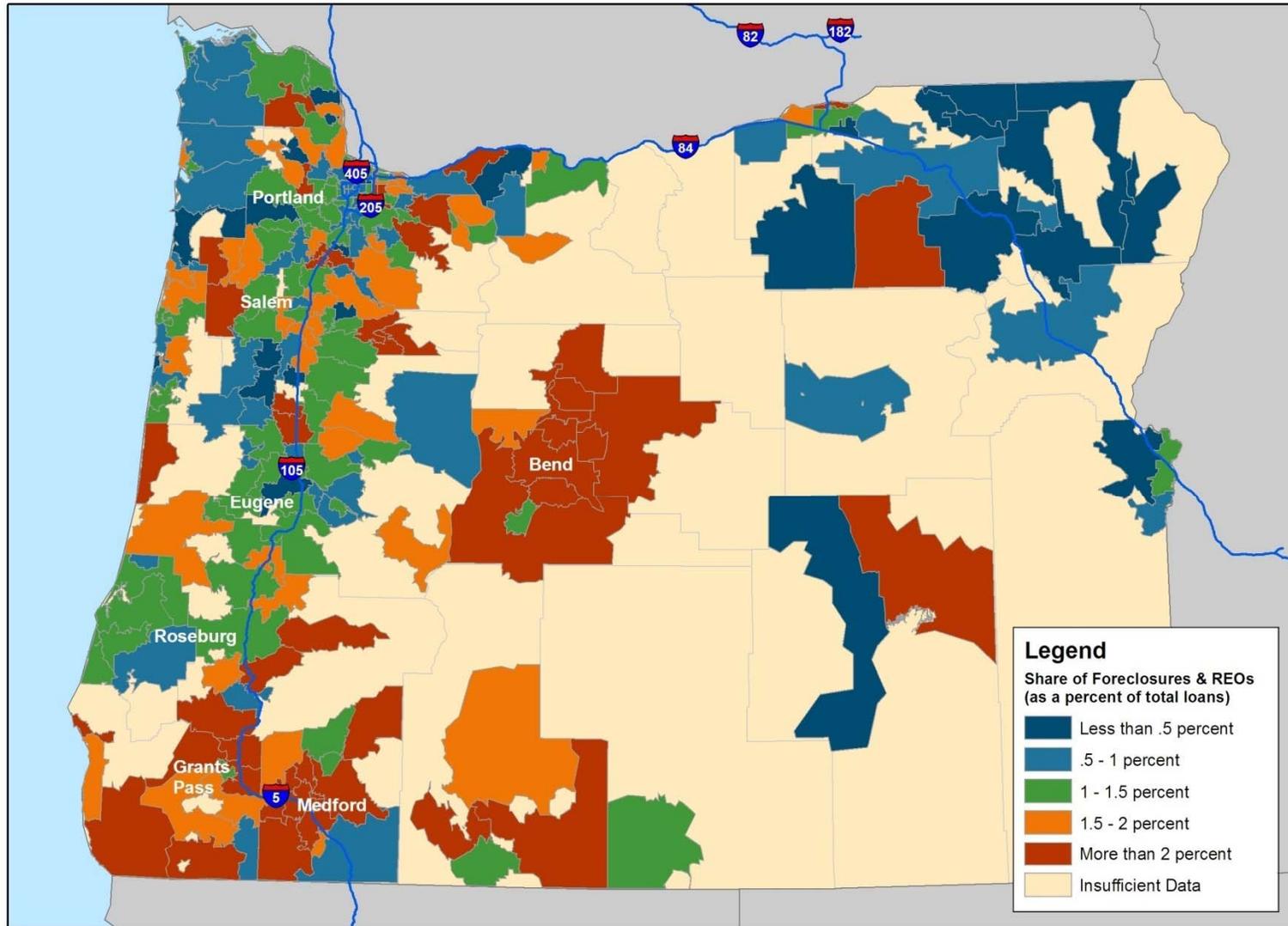
November 2008



Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, November 2008

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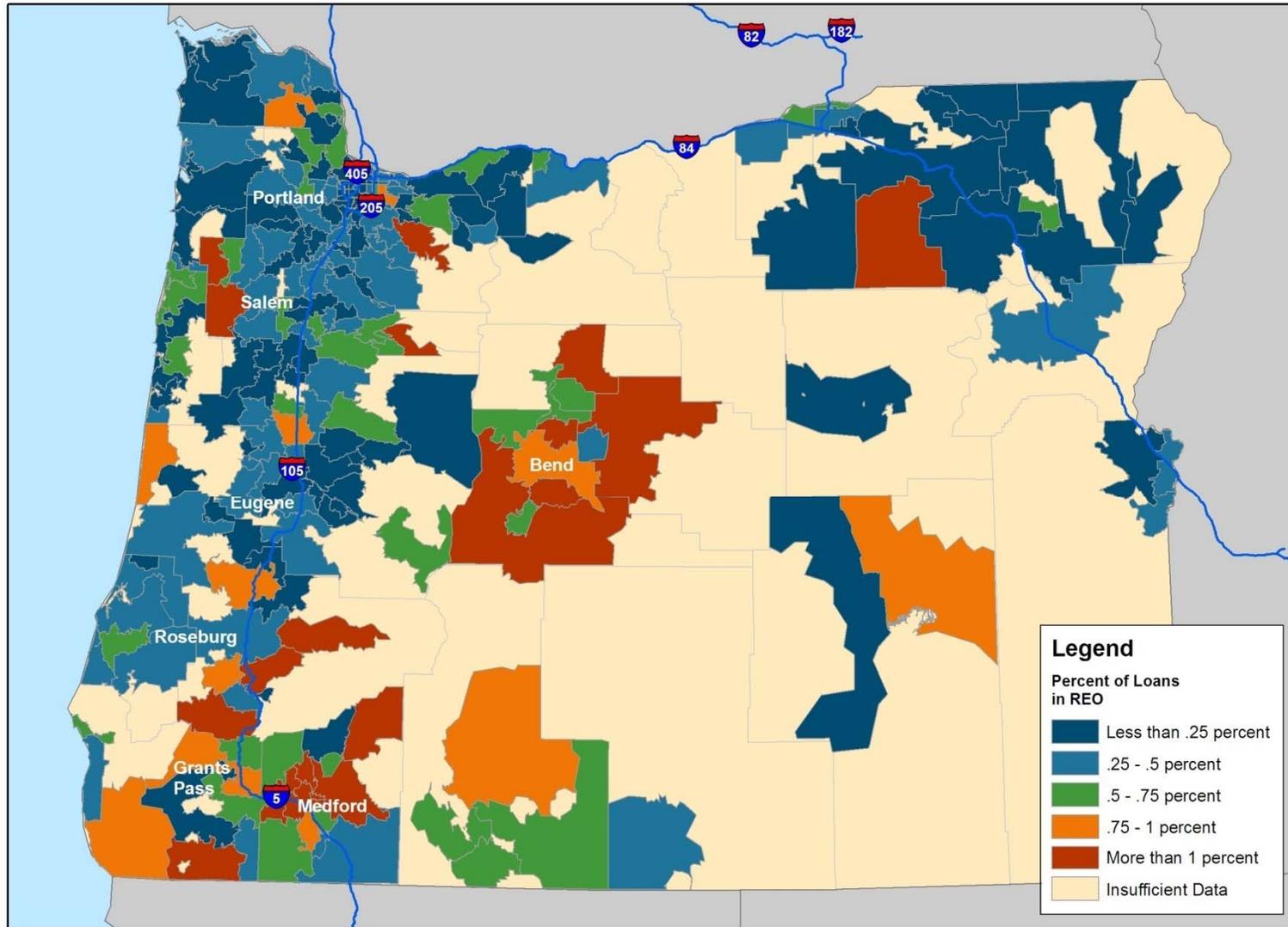
February 209



Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, February 2009

# Areas with Concentrations of REO Properties

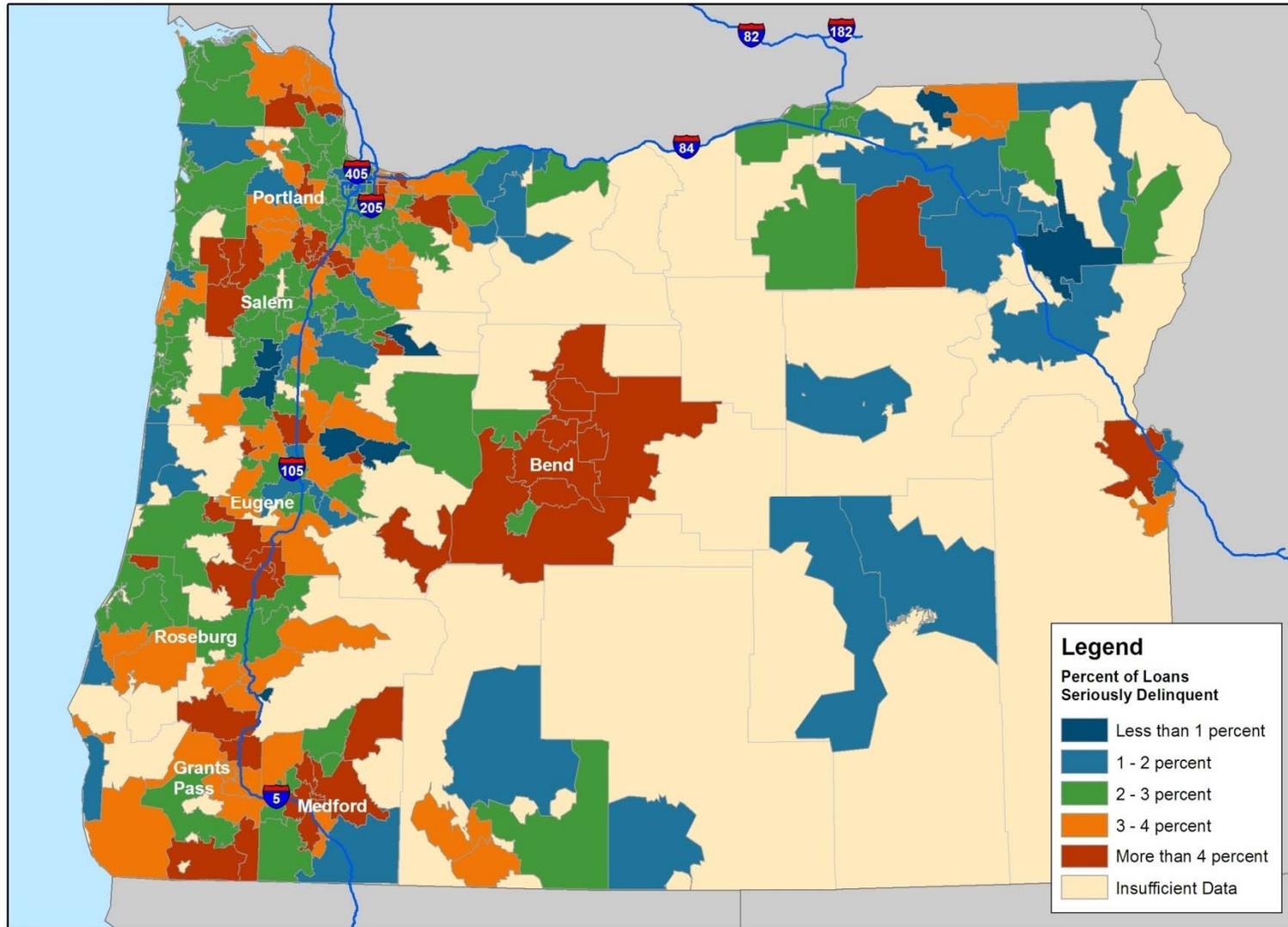
February 2009



Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, February 2009

# Areas at Risk of Additional Foreclosures

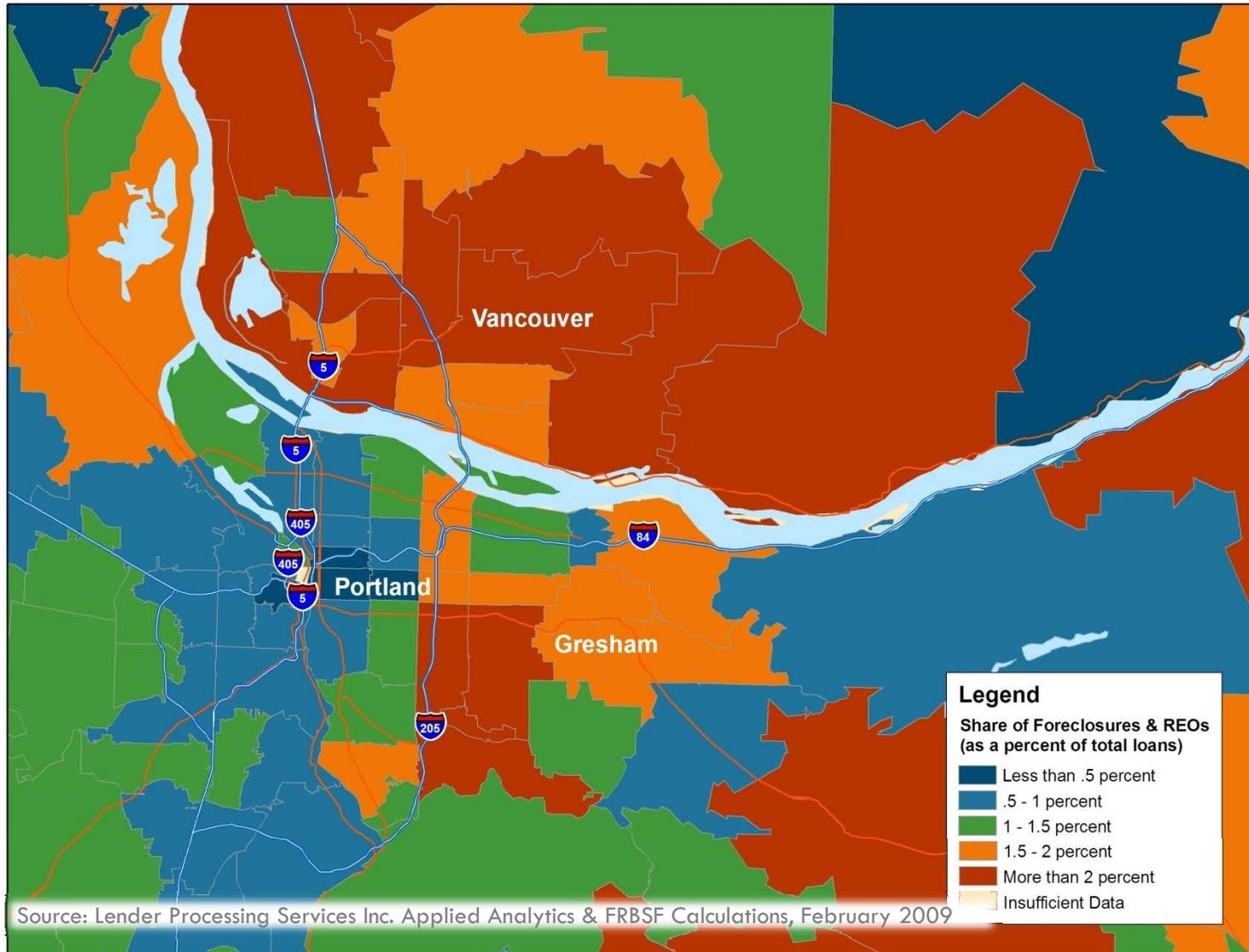
February 2009



Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, February 2009

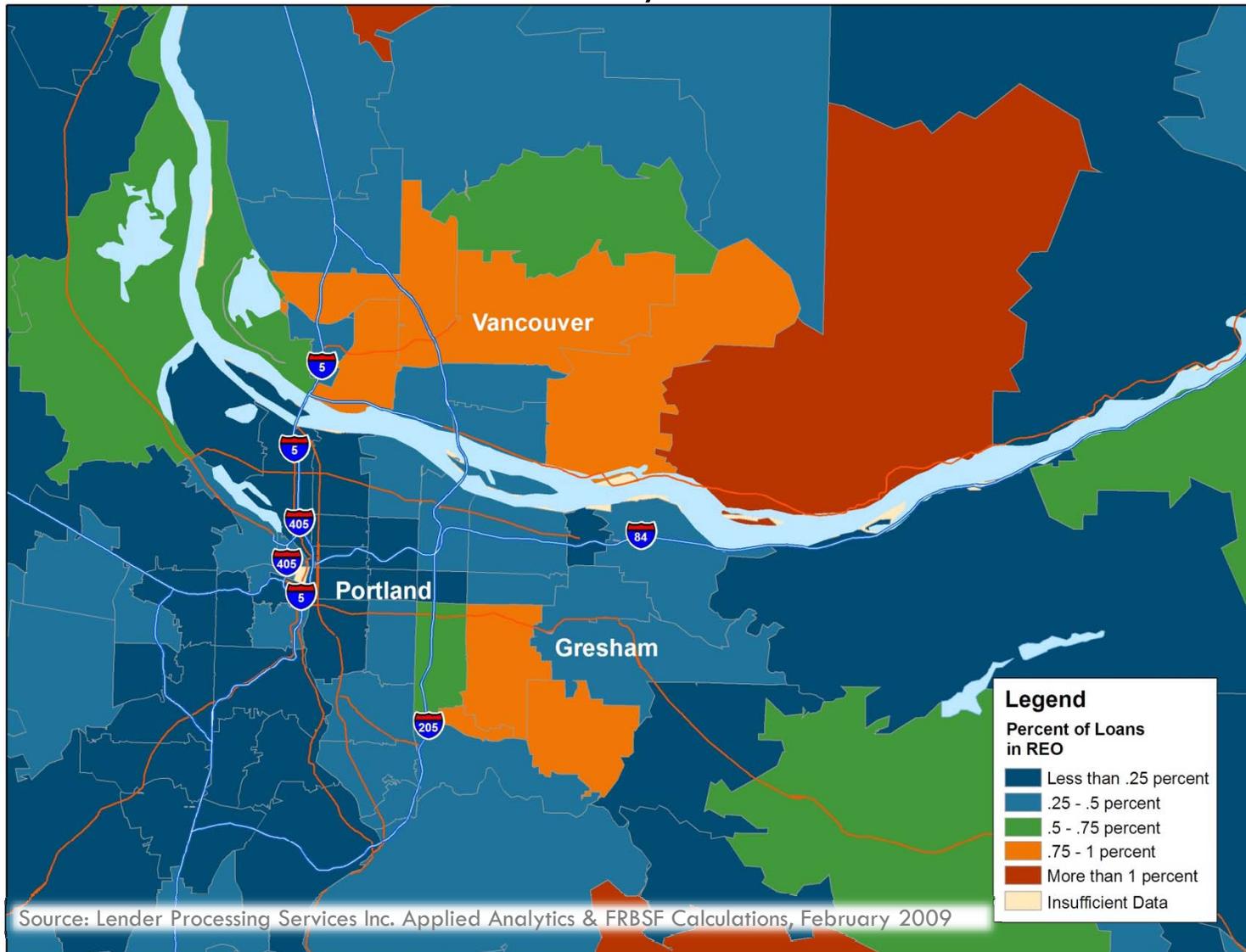
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February 2009



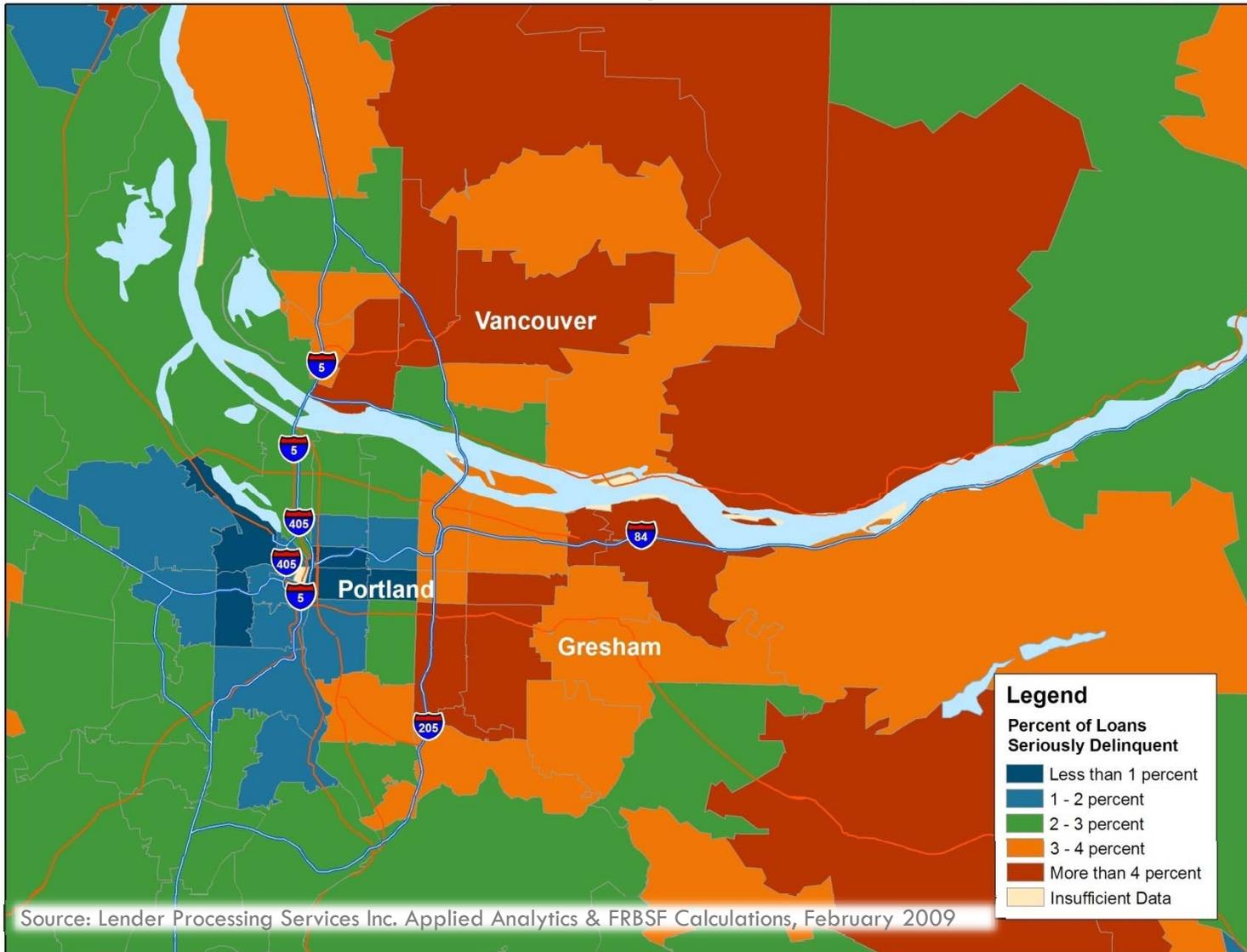
# Areas with Concentrations of REO Properties

February 2009



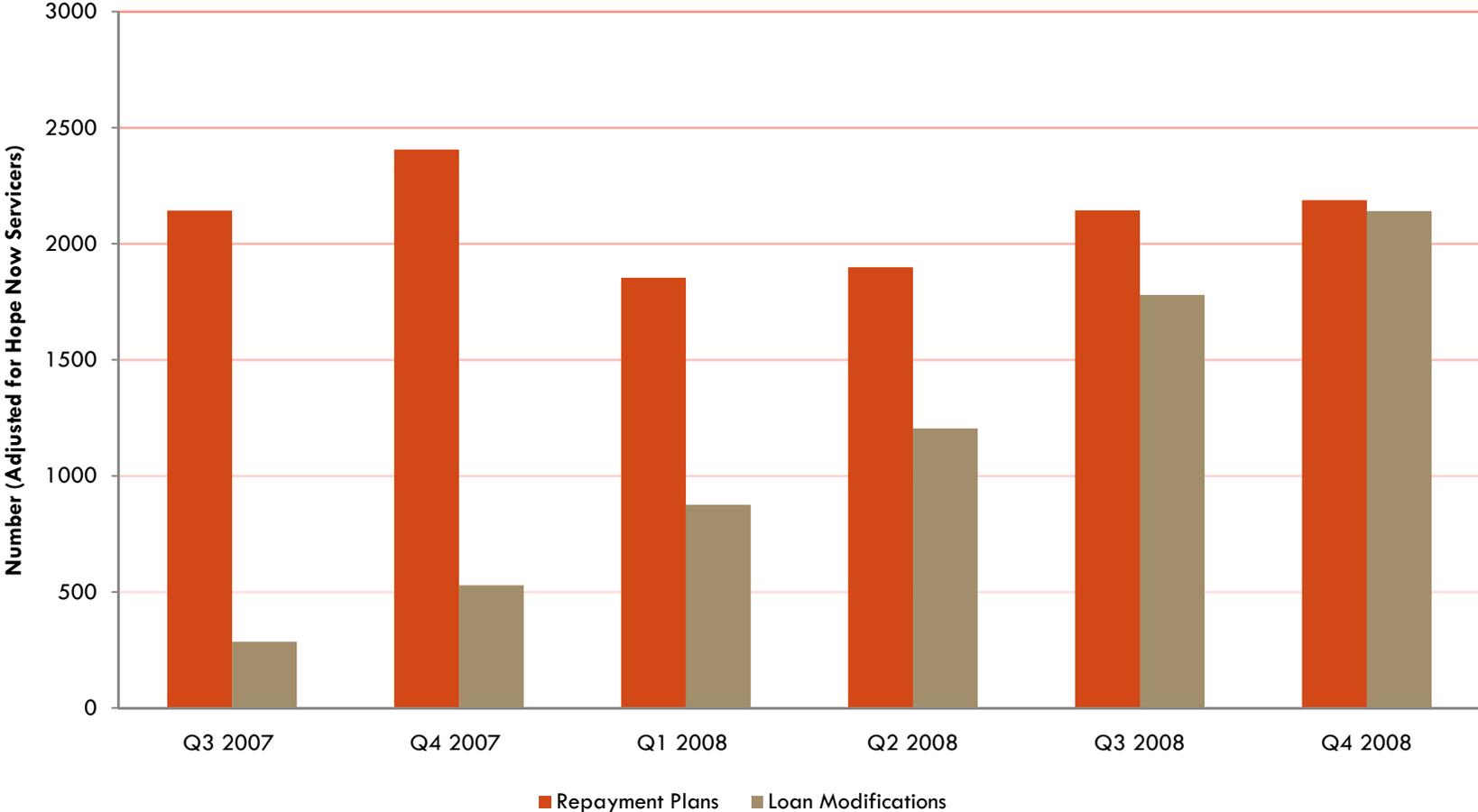
# Areas at Risk of Additional Foreclosures

February 2009



# Loan Modifications as Share of Loan Workouts Have Increased

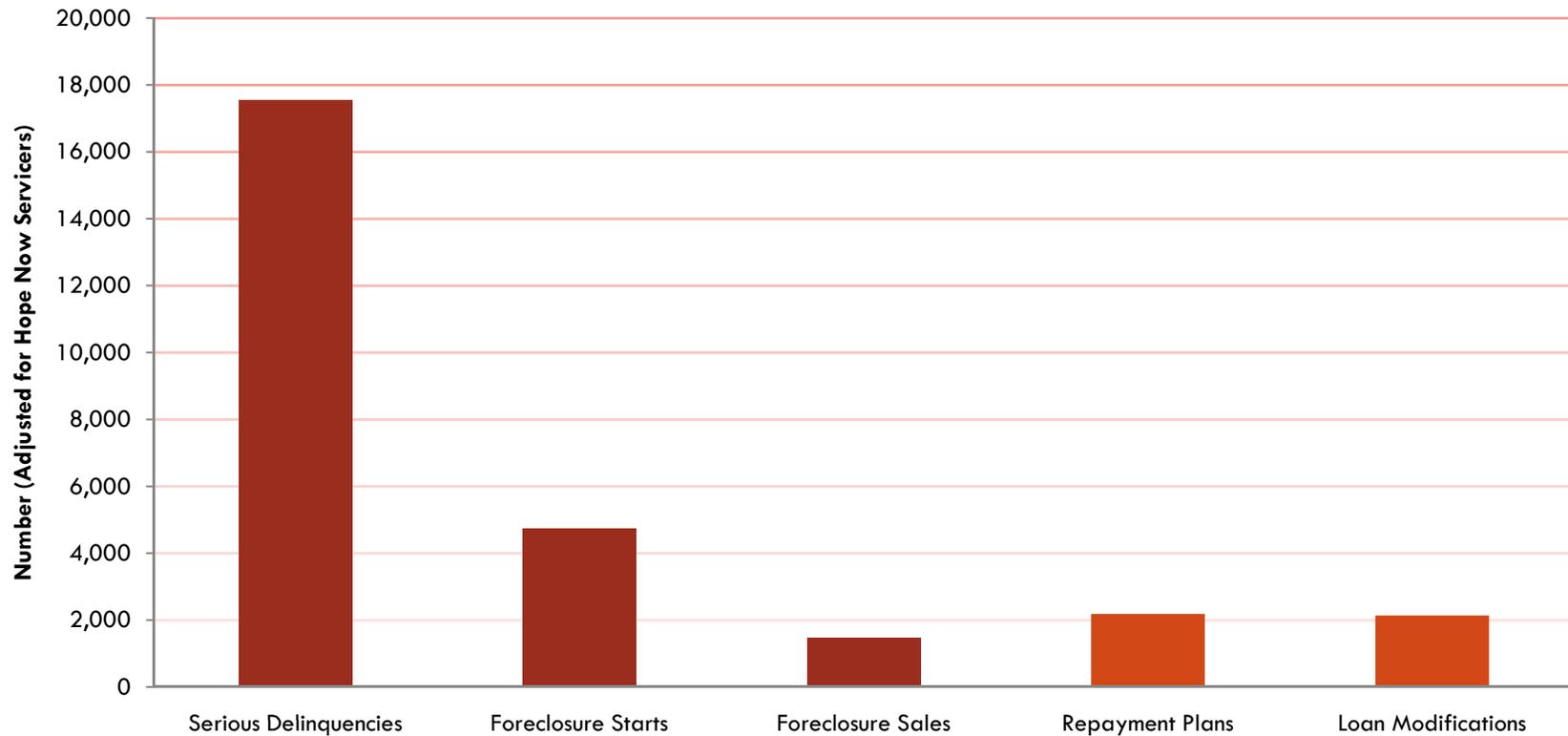
Oregon Loan Workouts



Source: Hope Now Alliance Servicing Data, 4<sup>th</sup> Quarter 2008

# Yet, Workouts Still Fall Short of Need

**Foreclosure & Delinquencies v. Loan Workouts in Oregon  
4th Quarter 2008**



Source: Hope Now Alliance Servicing Data, 4<sup>th</sup> Quarter 2008

# Conclusions

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- Multi-pronged strategy is needed to stem foreclosure crisis
  - Unemployment in Oregon is likely to drive additional foreclosures
- 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](http://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

The screenshot shows the FRBSF Community Development website. The header includes the Federal Reserve Bank of San Francisco logo and navigation links. The main content area is titled 'COMMUNITY DEVELOPMENT' and features a 'Highlights' section with three articles: 'Focus on Community Development Policy', 'The Enduring Challenge of Concentrated Poverty in America', and 'Foreclosure Resource Center'. There are also sections for 'Programs and Information', 'Events and Conferences', 'Publications', and 'About Us'. A 'TOOL BOX' on the right contains links for 'Fed Links', 'Subscriptions', 'Publications', 'Search', 'Research Pubs', 'FAQ', 'Glossary', 'Site Map', 'Careers', and 'Email Us'. A search bar and a 'POPULAR CONTENT' section are also visible.

<http://www.frbsf.org/community/>