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\textsuperscript{rd} Quarter of 2008, rose again in 4\textsuperscript{th} 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

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, 4th Q 2008
Recession Marks Significant Jump in Unemployment

**U.S. Unemployment Rate**

Source: Bureau of Labor Statistics
Foreclosures in Oregon Have Risen Significantly, but Still Below US Average

Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008
Oregon Saw a Considerable Increase in Foreclosure Starts in 4th Quarter 2008

Oregon Foreclosure Starts
(Percent of All Loans)

Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008
Oregon Seeing Softening of Real Estate Market

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

Source: Federal Housing Finance Agency (formerly OFHEO), 4th Quarter 2008
Bend and Medford Experiencing Greatest Declines in House Prices

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

Source: Federal Housing Finance Agency (formerly OFHEO), 4th Quarter 2008
Oregon’s Foreclosures are Concentrated in Subprime ARM Market

**Foreclosure Starts by Loan Type**

![Graph showing the percent of foreclosure starts by loan type from 2005 to 2008. The graph illustrates a significant increase in subprime ARM starts, with other loan types showing moderate increases.](chart)

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

# Employment Trends by Industry in Oregon

<table>
<thead>
<tr>
<th>Oregon</th>
<th>Total Employed (thousands)</th>
<th>Percent Change</th>
<th></th>
<th></th>
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<tr>
<td></td>
<td>Feb-09</td>
<td>1-mo.</td>
<td>3-mo.</td>
<td>12-mo.</td>
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<tr>
<td>Total</td>
<td>1,654.9</td>
<td>-14.5</td>
<td>-10.2</td>
<td>-4.7</td>
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<td>Trade, Transportation &amp; Utilities</td>
<td>317.5</td>
<td>-11.7</td>
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<td>Government</td>
<td>301.4</td>
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<td>-0.1</td>
<td>2.1</td>
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<tr>
<td>Educational &amp; Health Svcs.</td>
<td>223.6</td>
<td>-11.6</td>
<td>0.7</td>
<td>3.1</td>
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<td>Professional &amp; Business Svcs.</td>
<td>185.4</td>
<td>-19.6</td>
<td>-12.9</td>
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<tr>
<td>Manufacturing</td>
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<td>-25.4</td>
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<td>Leisure &amp; Hospitality</td>
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<td>Financial Activities</td>
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<td>Construction</td>
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<td>Other Services</td>
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<td>Information</td>
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<td>Natural Resources &amp; Mining</td>
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<td>0.0</td>
<td>-17.5</td>
<td>-8.0</td>
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</tr>
</tbody>
</table>

Significant Drop in Manufacturing Employment

Employment Growth in Manufacturing Industry

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

September 2007

Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, September 2007
Areas Affected by Concentrated Foreclosures

April 2008

Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, April 2008
Areas Affected by Concentrated Foreclosures
November 2008

Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, November 2008
Areas Affected by Concentrated Foreclosures
February 2009

Legend
Share of Foreclosures & REOs
(as a percent of total loans)
- Less than .5 percent
- .5 - 1 percent
- 1 - 1.5 percent
- 1.5 - 2 percent
- More than 2 percent
- Insufficient Data

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
Oregon Data Maps

Areas at Risk of Additional Foreclosures
February 2009

Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, February 2009
Portland Area Data Maps

Areas Affected by Concentrated Foreclosures

February 2009

Legend
Share of Foreclosures & REOs (as a percent of total loans)
- Less than 0.5 percent
- 0.5 - 1 percent
- 1 - 1.5 percent
- 1.5 - 2 percent
- More than 2 percent
- Insufficient Data

Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, February 2009
Portland Area Data Maps

Areas with Concentrations of REO Properties

February 2009

Legend
Percent of Loans in REO
- Less than .25 percent
- .25 - .5 percent
- .5 - .75 percent
- .75 - 1 percent
- More than 1 percent
- Insufficient Data

Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, February 2009
Areas at Risk of Additional Foreclosures
February 2009

Legend
Percent of Loans Seriously Delinquent
- Less than 1 percent
- 1 - 2 percent
- 2 - 3 percent
- 3 - 4 percent
- More than 4 percent
- Insufficient Data

Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, February 2009
Loan Modifications as Share of Loan Workouts Have Increased

Oregon Loan Workouts

![Bar chart showing Oregon Loan Workouts from Q3 2007 to Q4 2008.](chart.png)

Source: Hope Now Alliance Servicing Data, 4th Quarter 2008
Yet, Workouts Still Fall Short of Need

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

- **Serious Delinquencies**: 18,000
- **Foreclosure Starts**: 2,000
- **Foreclosure Sales**: 4,000
- **Repayment Plans**: 6,000
- **Loan Modifications**: 8,000

*Source: Hope Now Alliance Servicing Data, 4th Quarter 2008*
Conclusions
Conclusions

- 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
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/