

TRENDS IN DELINQUENCIES AND FORECLOSURES IN WASHINGTON

September 2010

Community Development Research
Federal Reserve Bank of San Francisco

National Trends

- 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 process also remains a concern

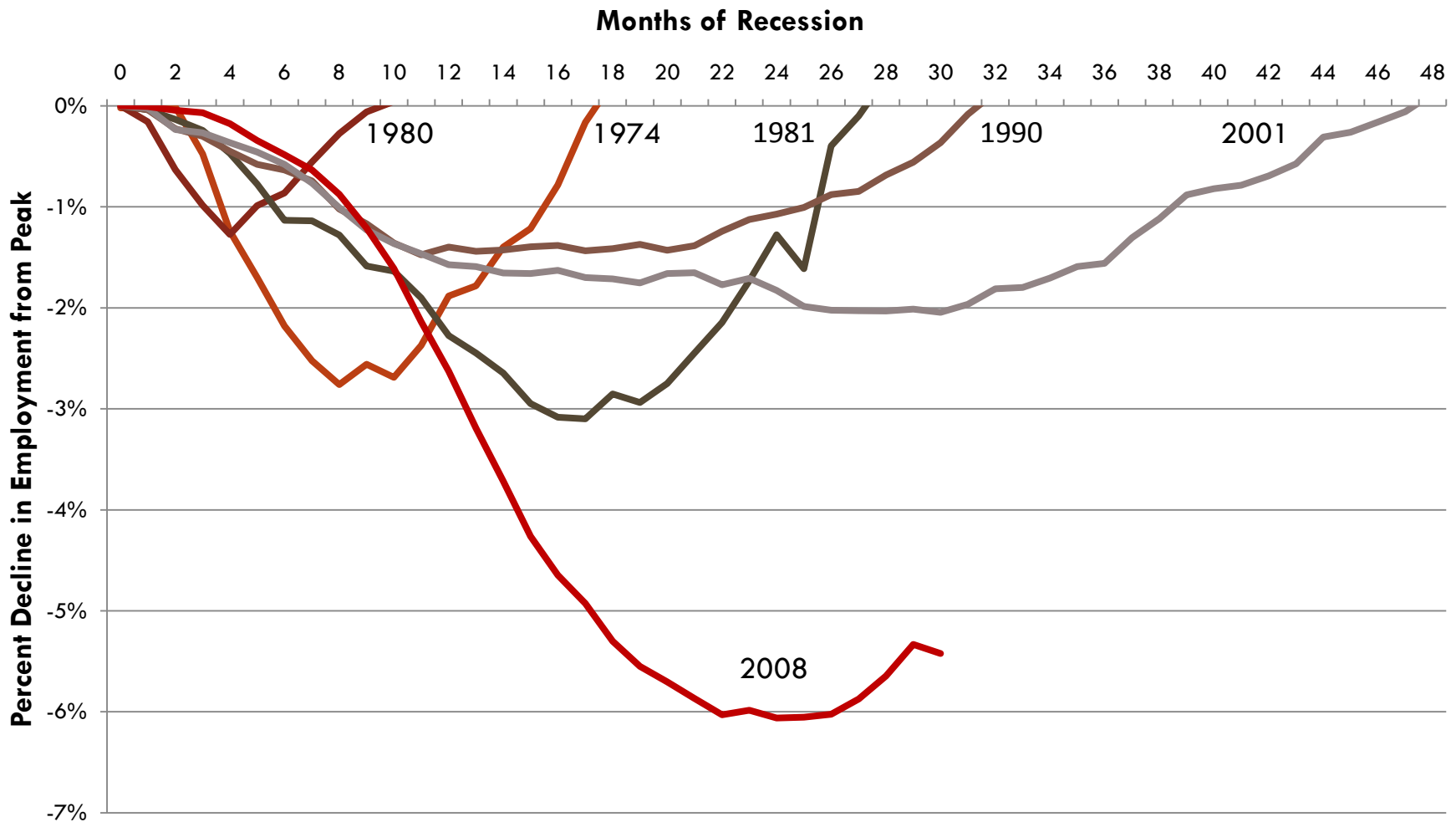
National Trends

Unemployment continues to hover around 10%



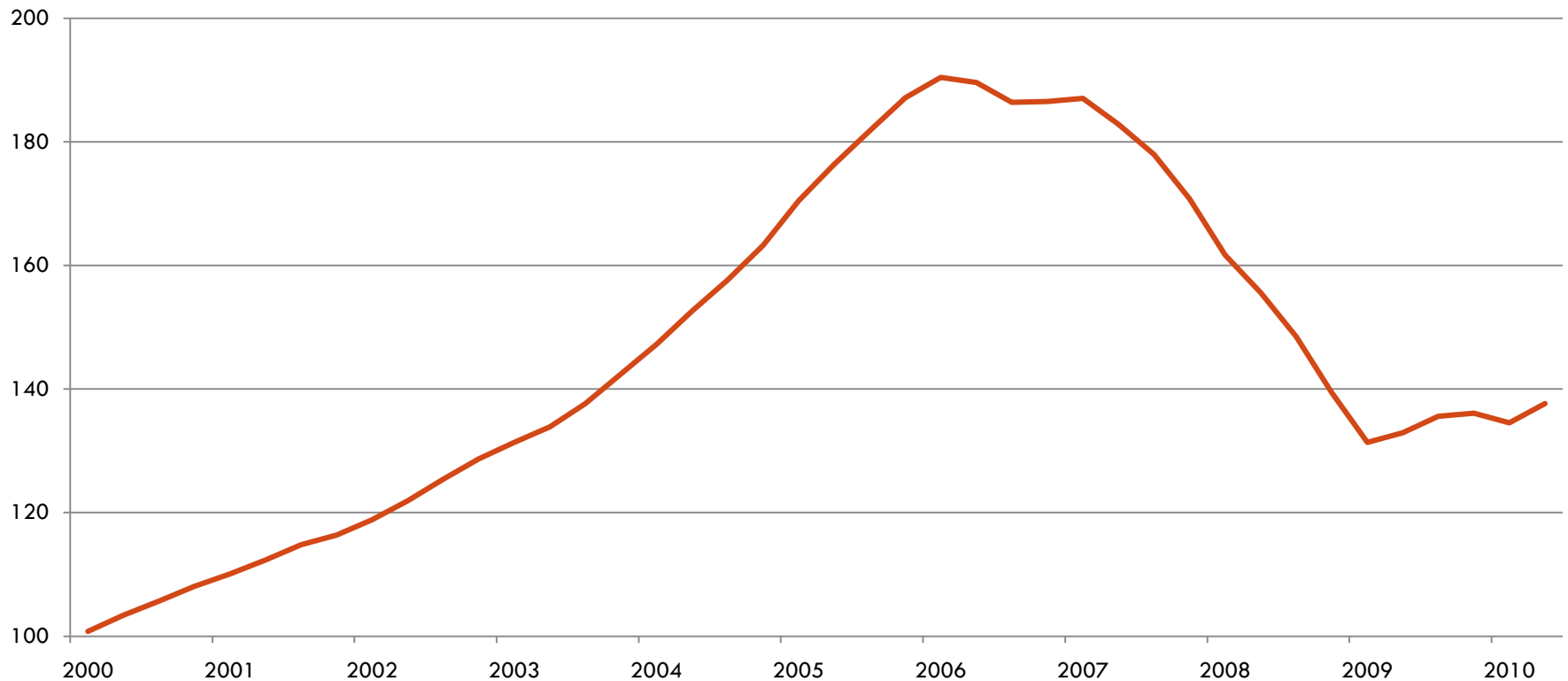
Source: Bureau of Labor Statistics, September 2010

Depth of this economic downturn eclipses past recessions



Case-Shiller shows tepid housing recovery

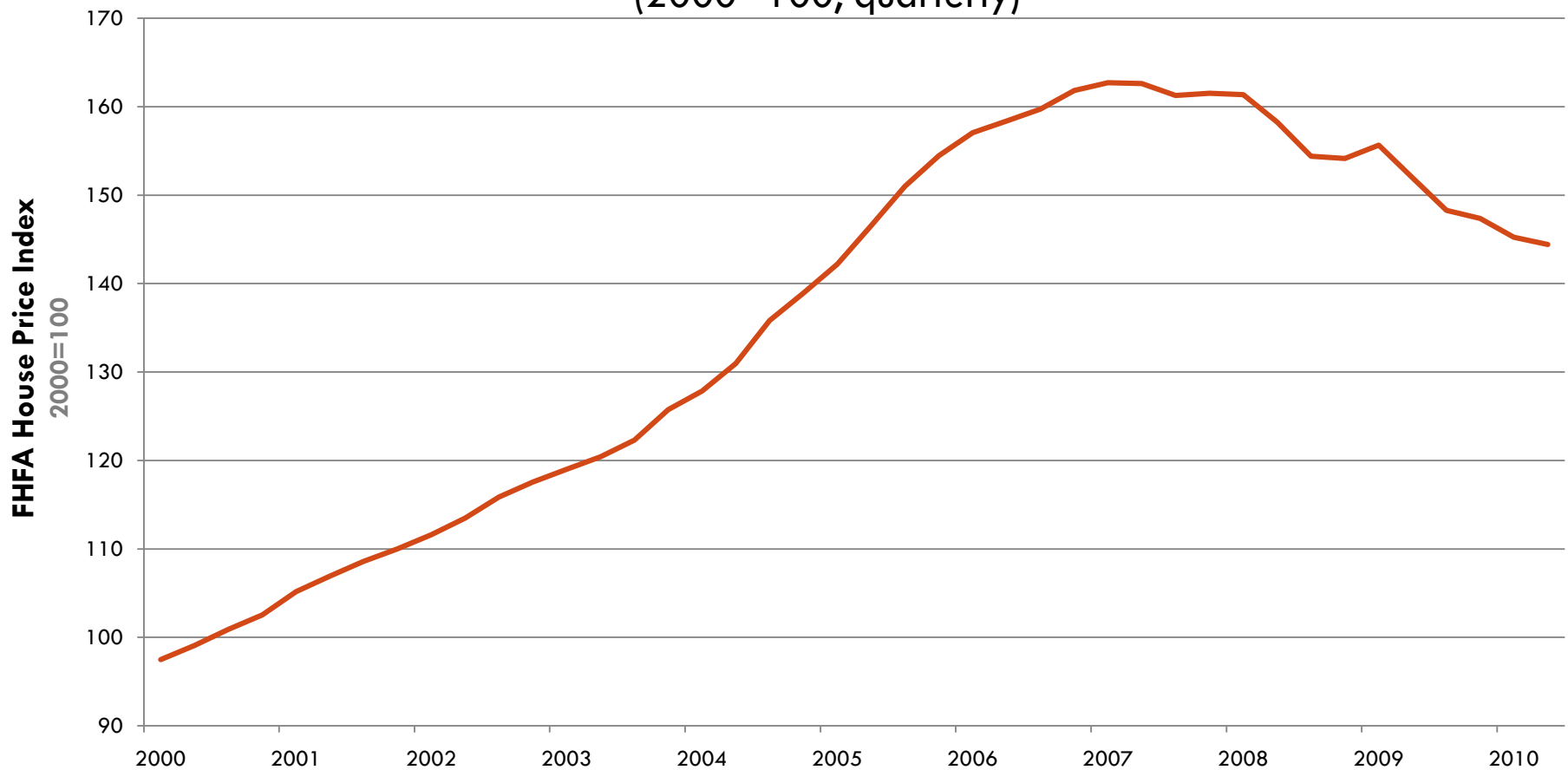
Case-Shiller National House Price Index
(2000 = 100, Quarterly)



Source: Case - Shiller Home Price Index

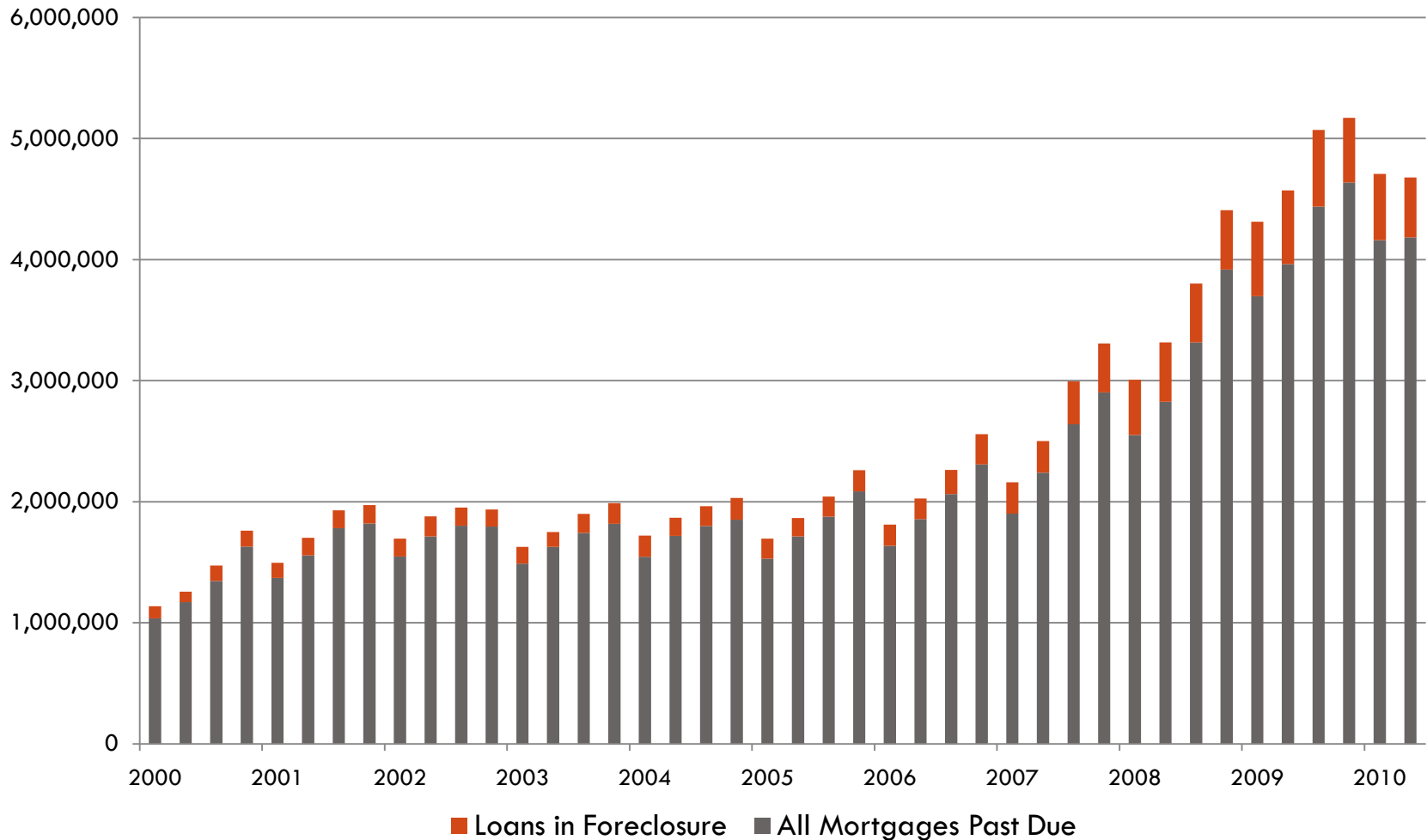
FHFA House Price Index continues to fall, reflecting activity at lower end of market

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



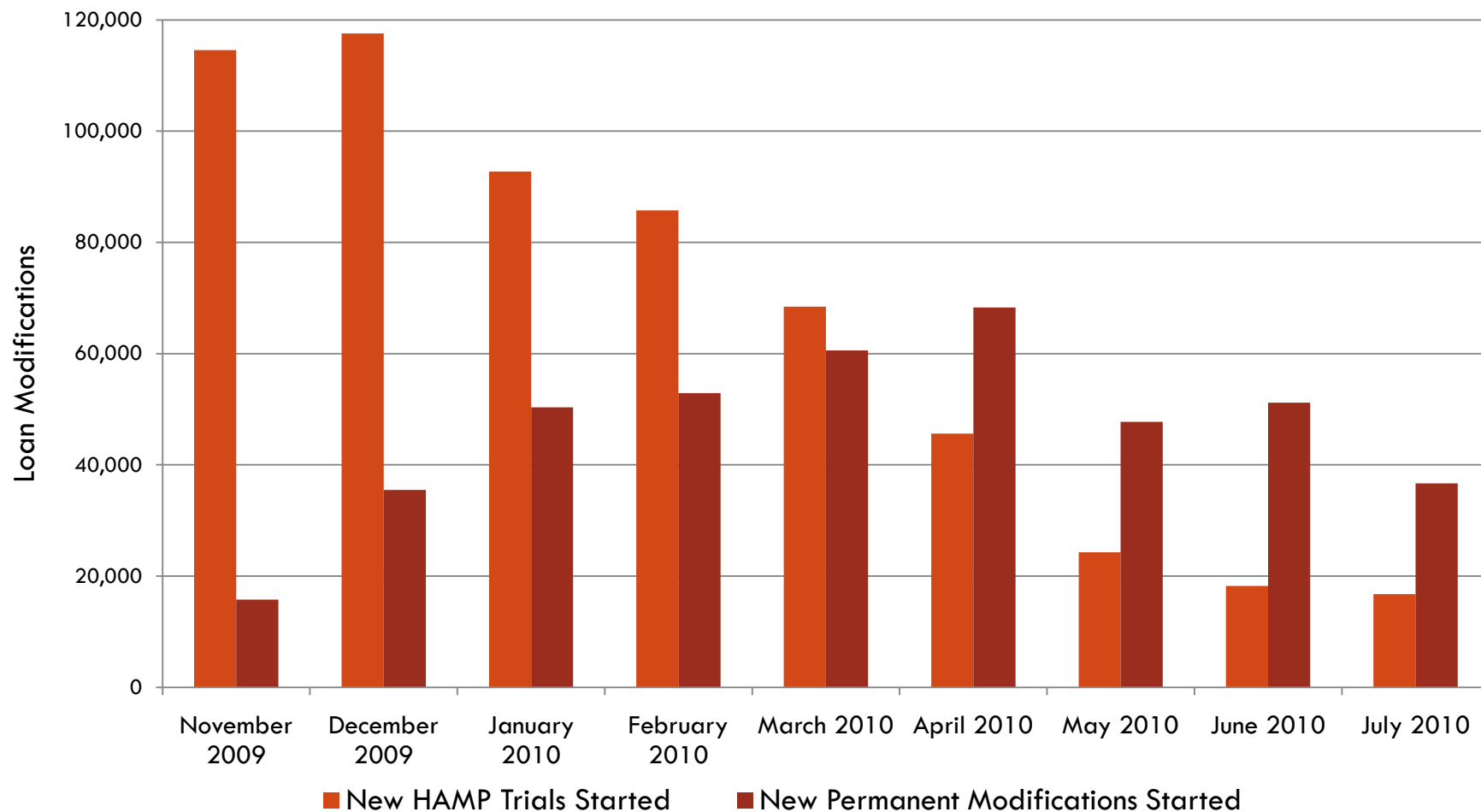
Source: Federal Housing Finance Agency (formerly OFHEO)

Overall delinquencies drop, but still more than 4.5 million homes in distress



Source: Mortgage Bankers Association, National Delinquency Survey

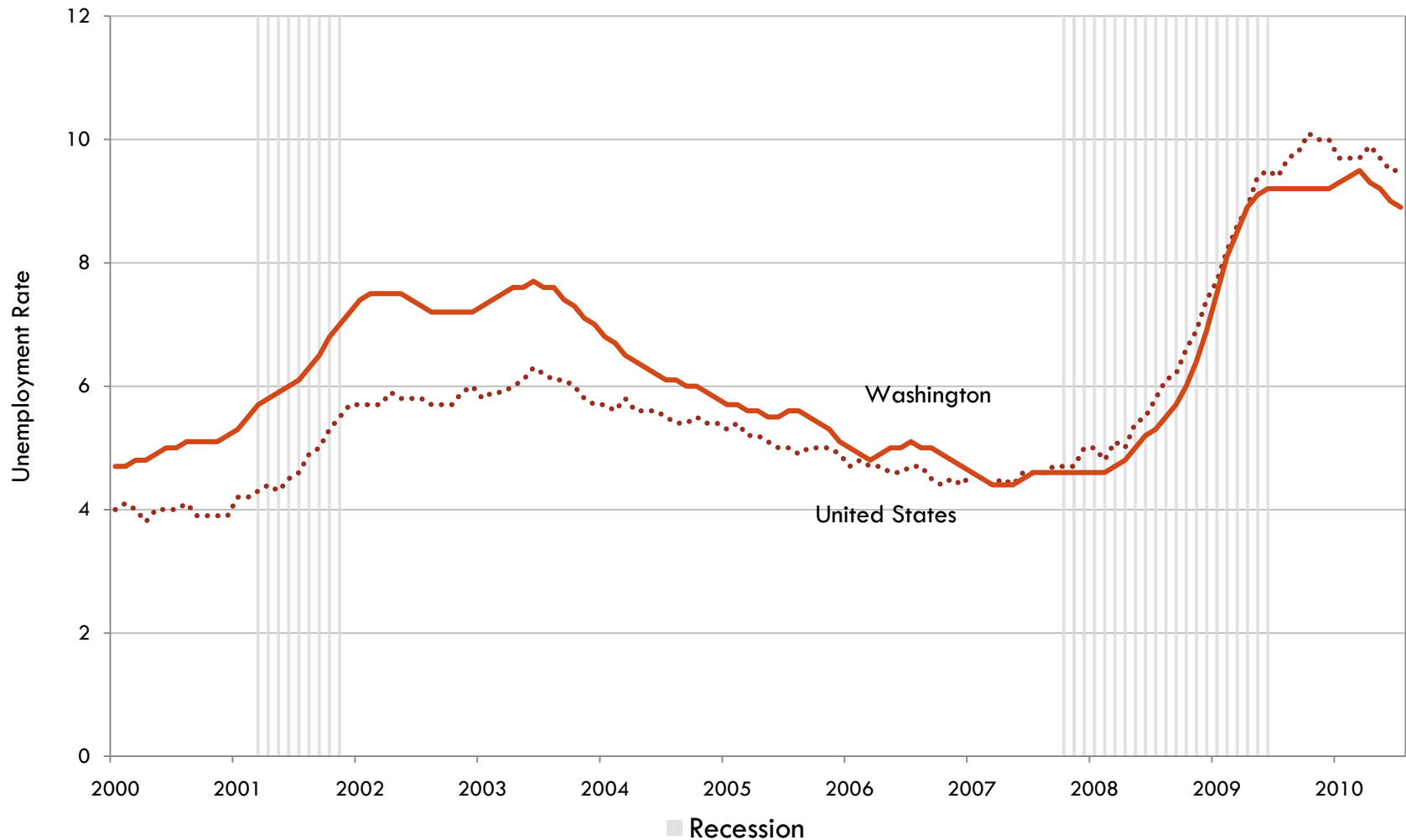
HAMP modifications down slightly in July; borrowers still face challenges in obtaining permanent modifications



Source: HAMP Service Performance Report Through July 2010

Washington Trends

Unemployment rate in Washington has mirrored national trends

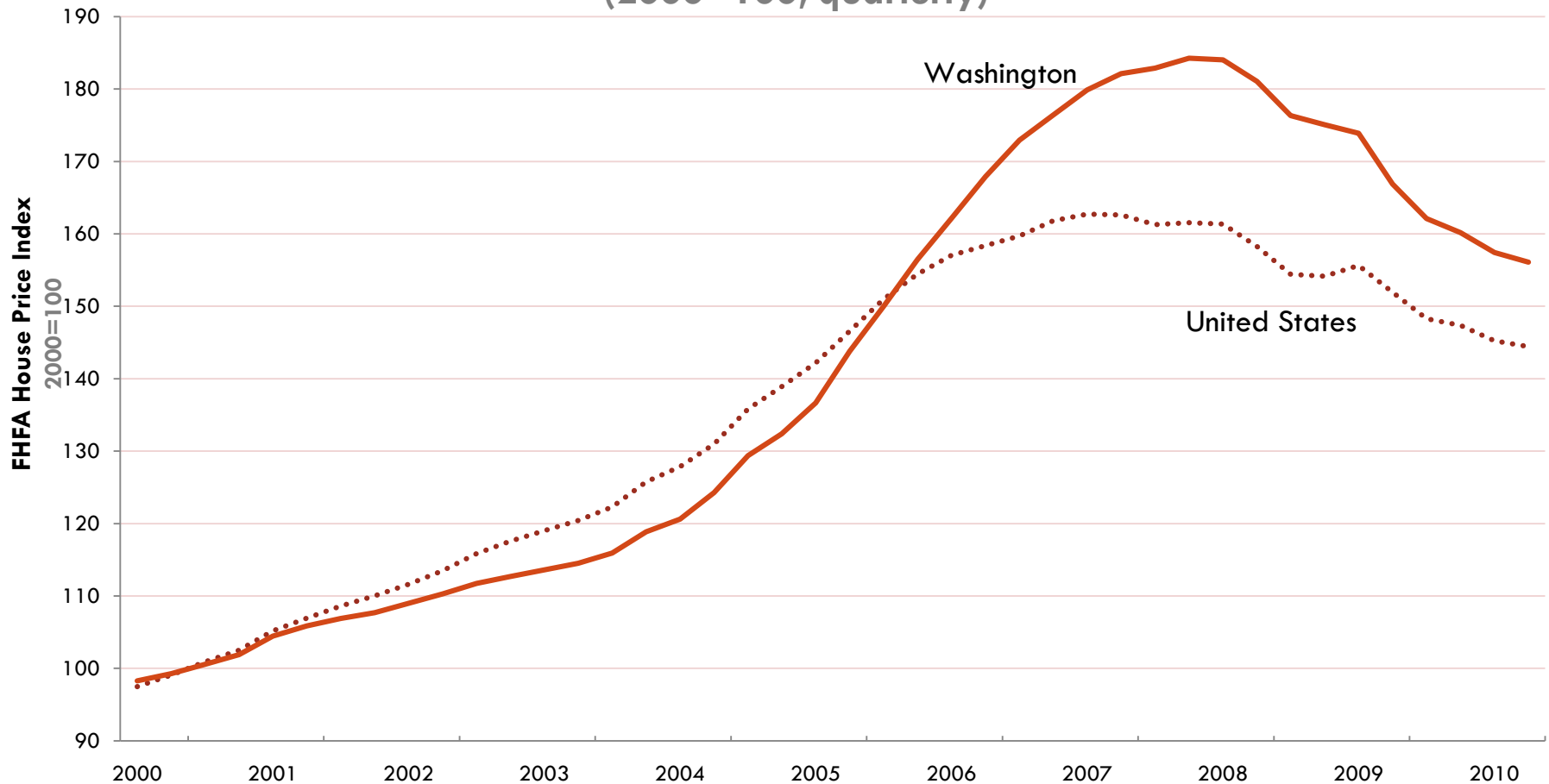


100%



Washington's house values continue to decline

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

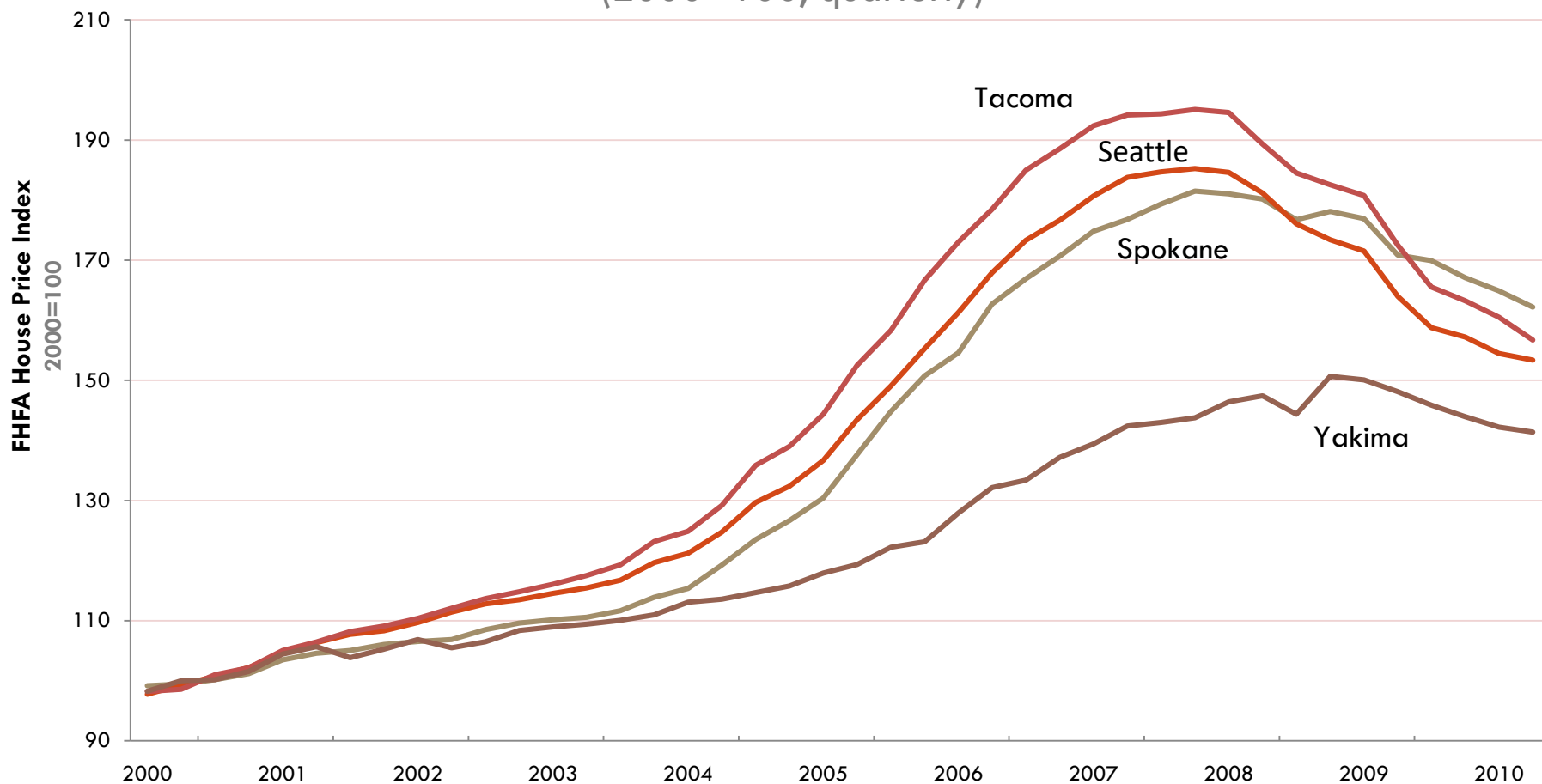


Source: Federal Housing Finance Agency (formerly OFHEO)

Tacoma has seen the largest swing in house prices

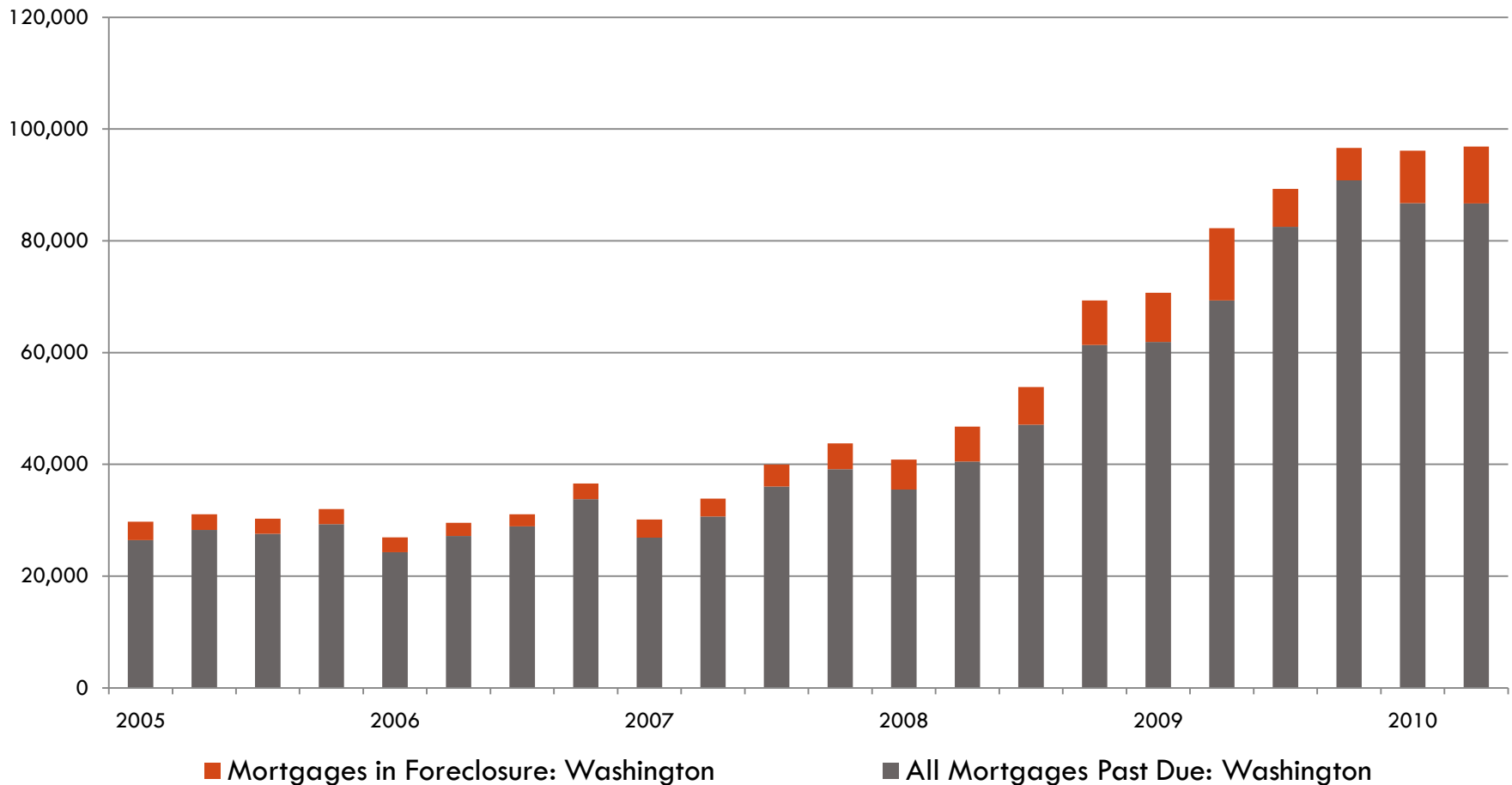
FHFA House Price Index (formerly OFHEO)

(2000=100, quarterly)



Source: Federal Housing Finance Agency (formerly OFHEO)

Number of foreclosures rising; mortgages past due holding steady

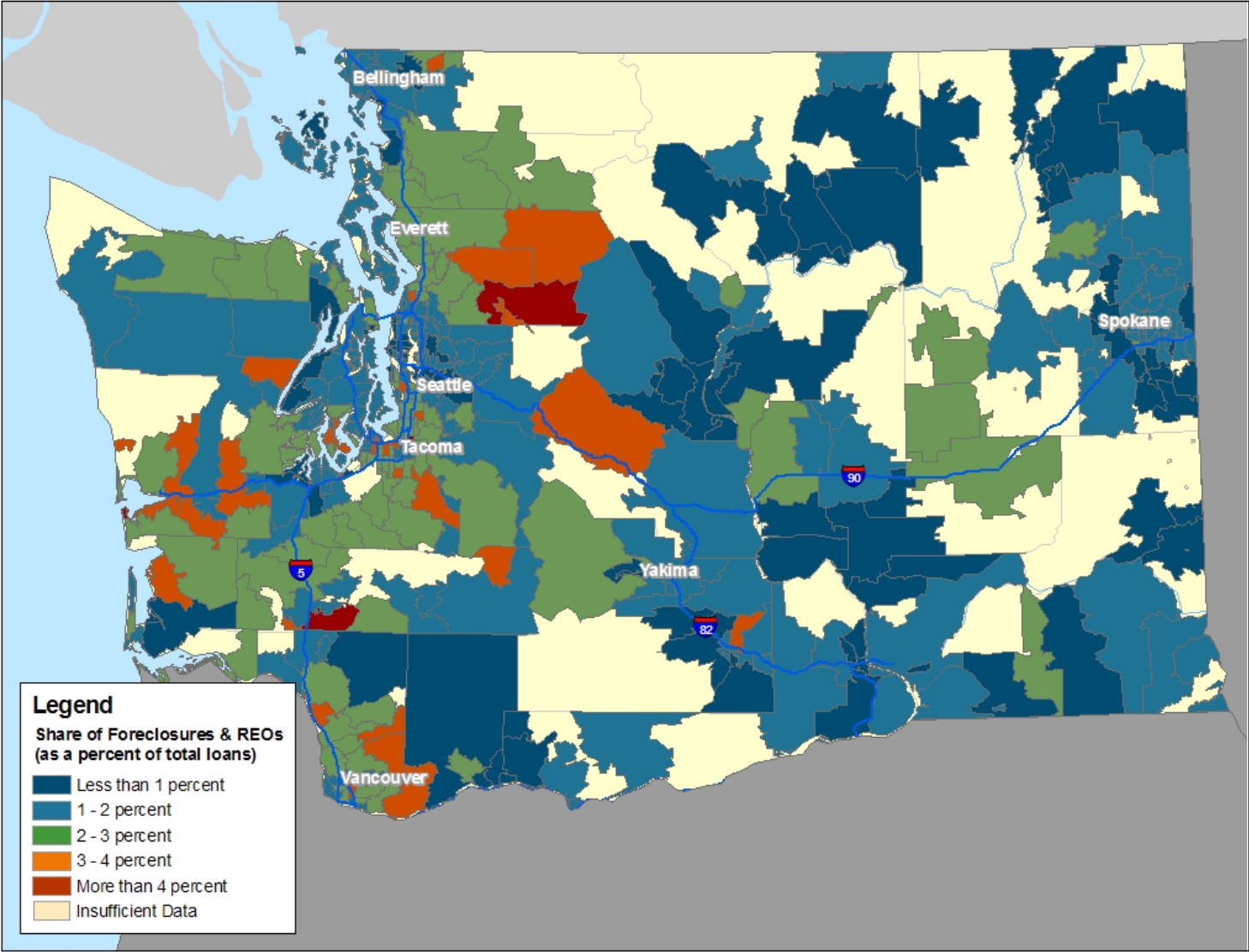


Source: Mortgage Bankers Association, National Delinquency Survey

Washington Foreclosure Data Maps

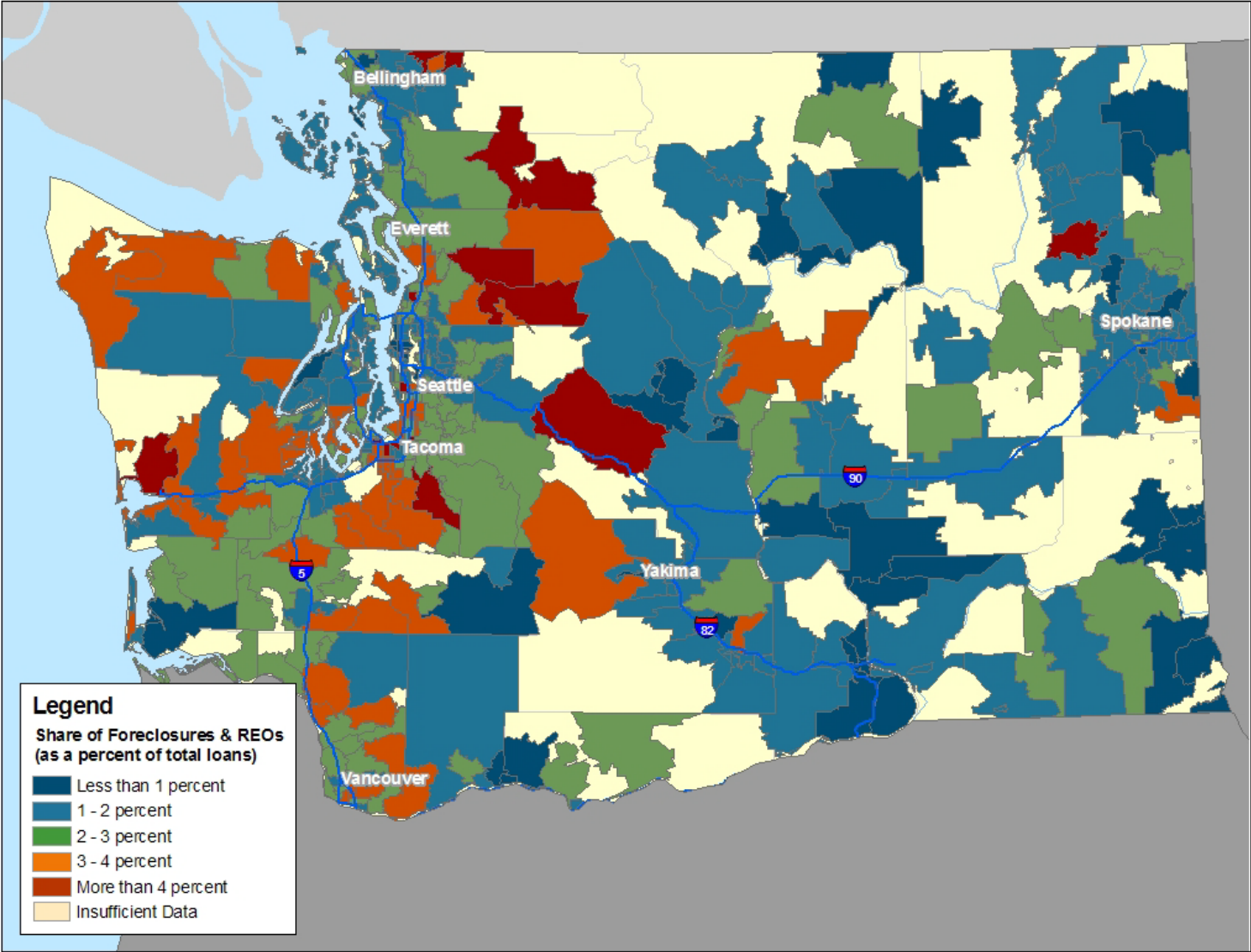
Areas Affected by Concentrated Foreclosures

February 2010



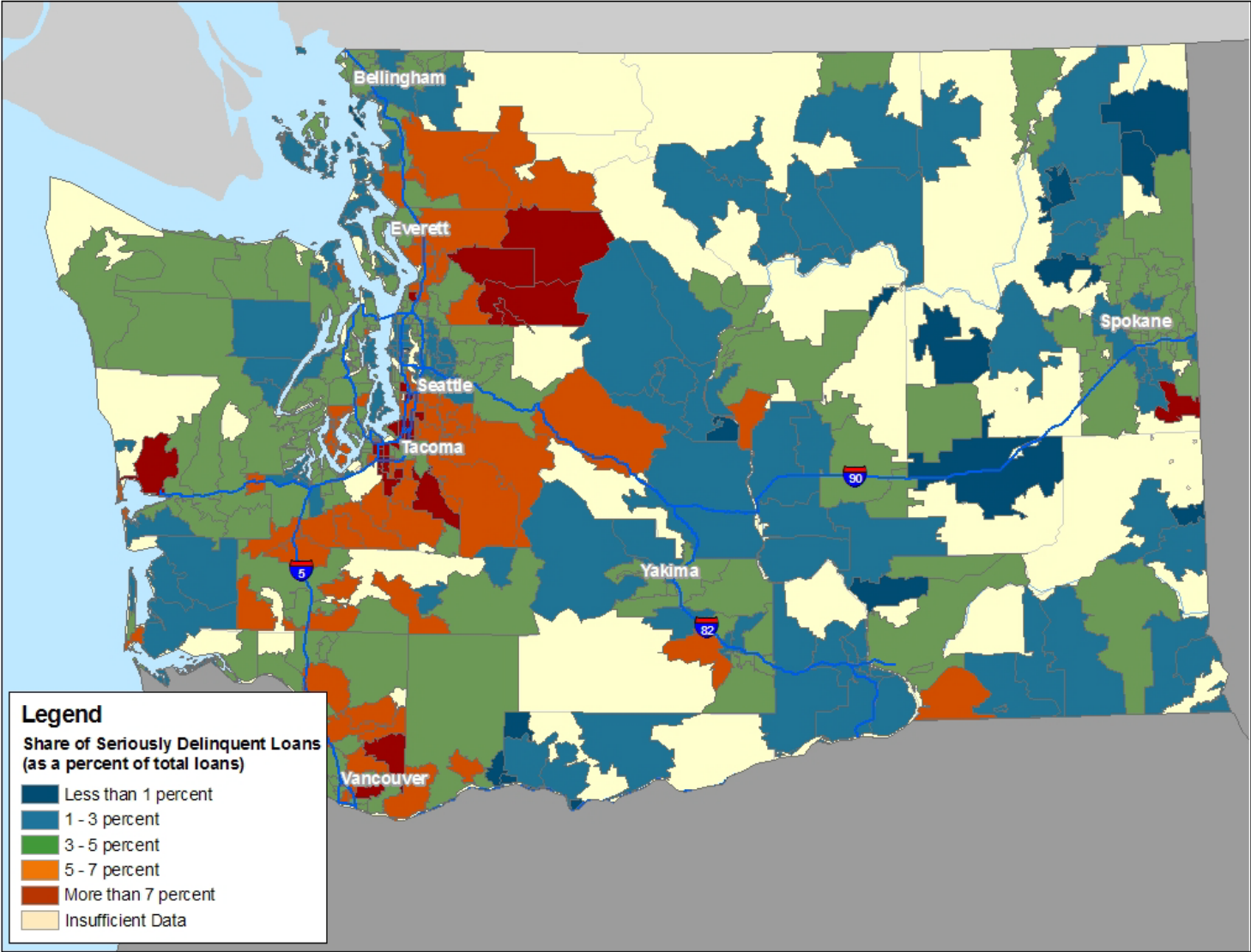
Areas Affected by Concentrated Foreclosures

July 2010



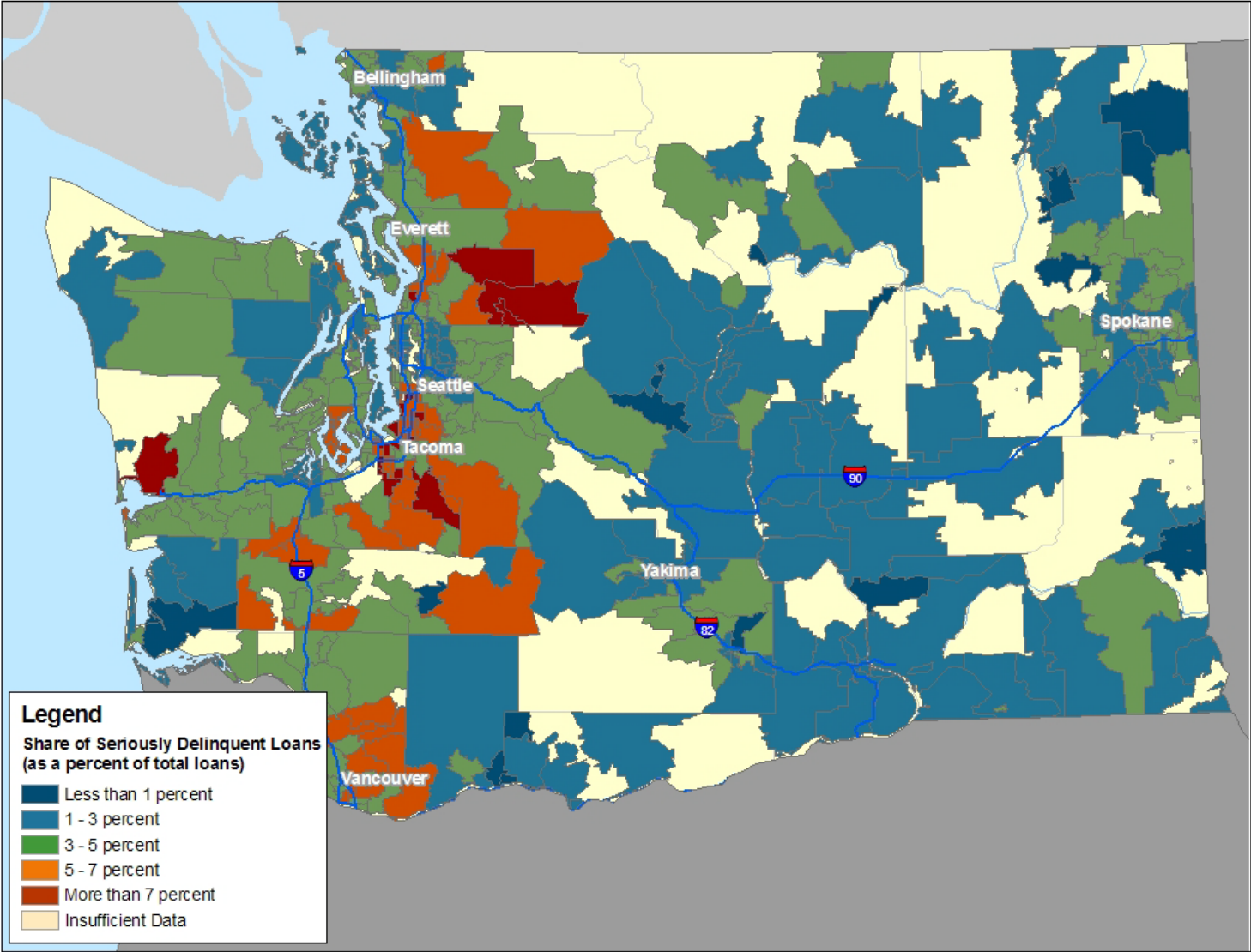
Areas at Risk of Additional Foreclosures

February 2010



Areas at Risk of Additional Foreclosures

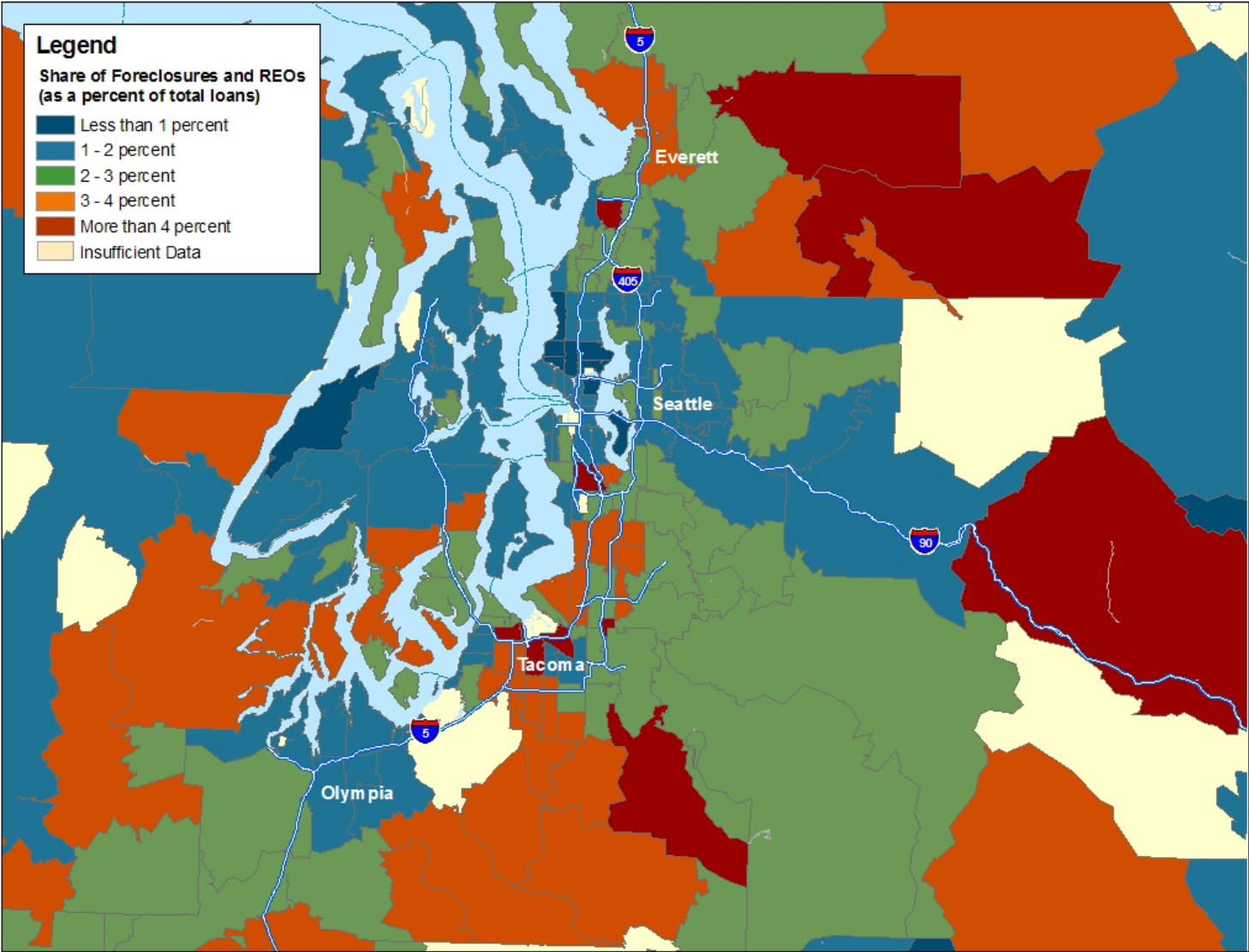
July 2010



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

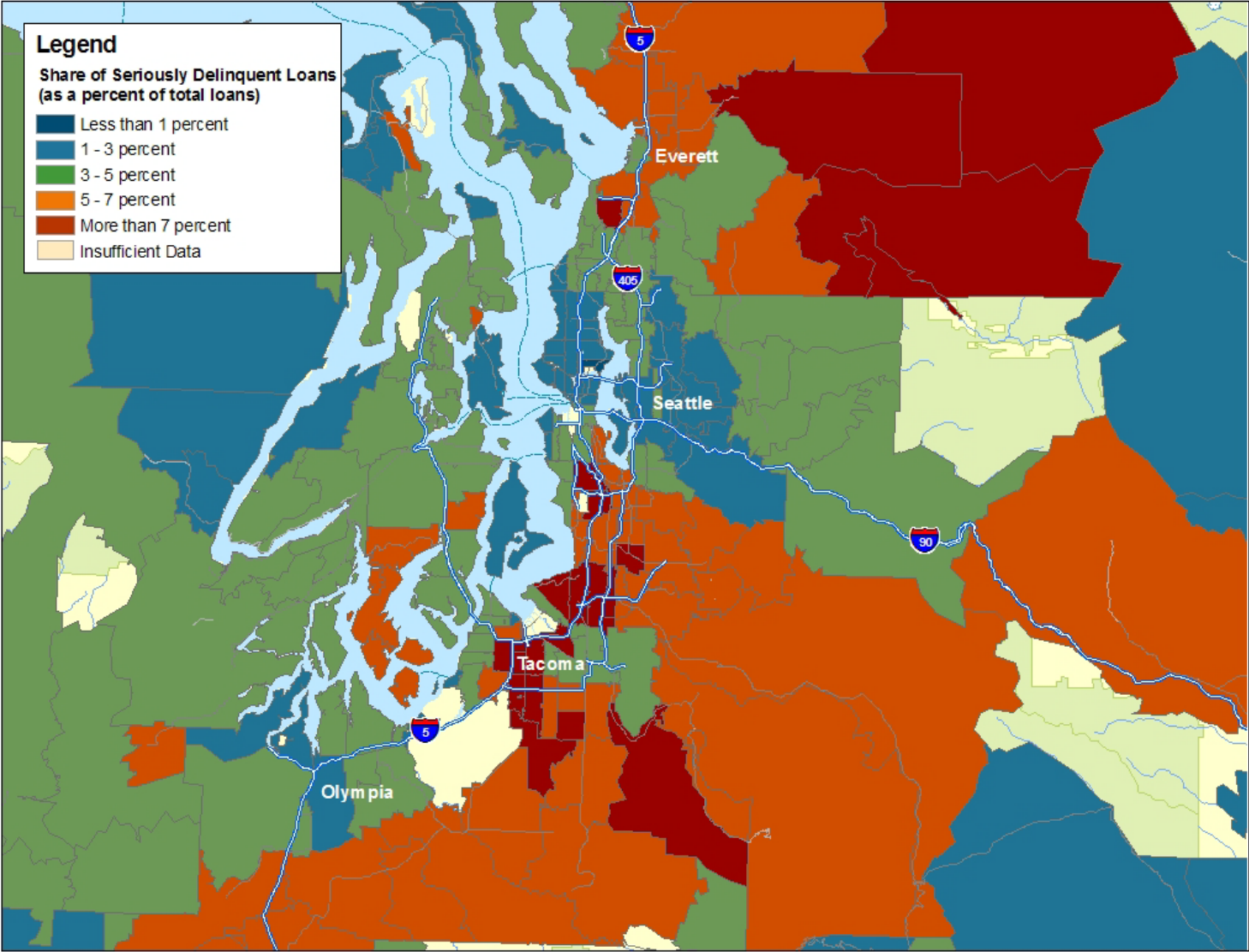
Areas Affected by Concentrated Foreclosures

July 2010



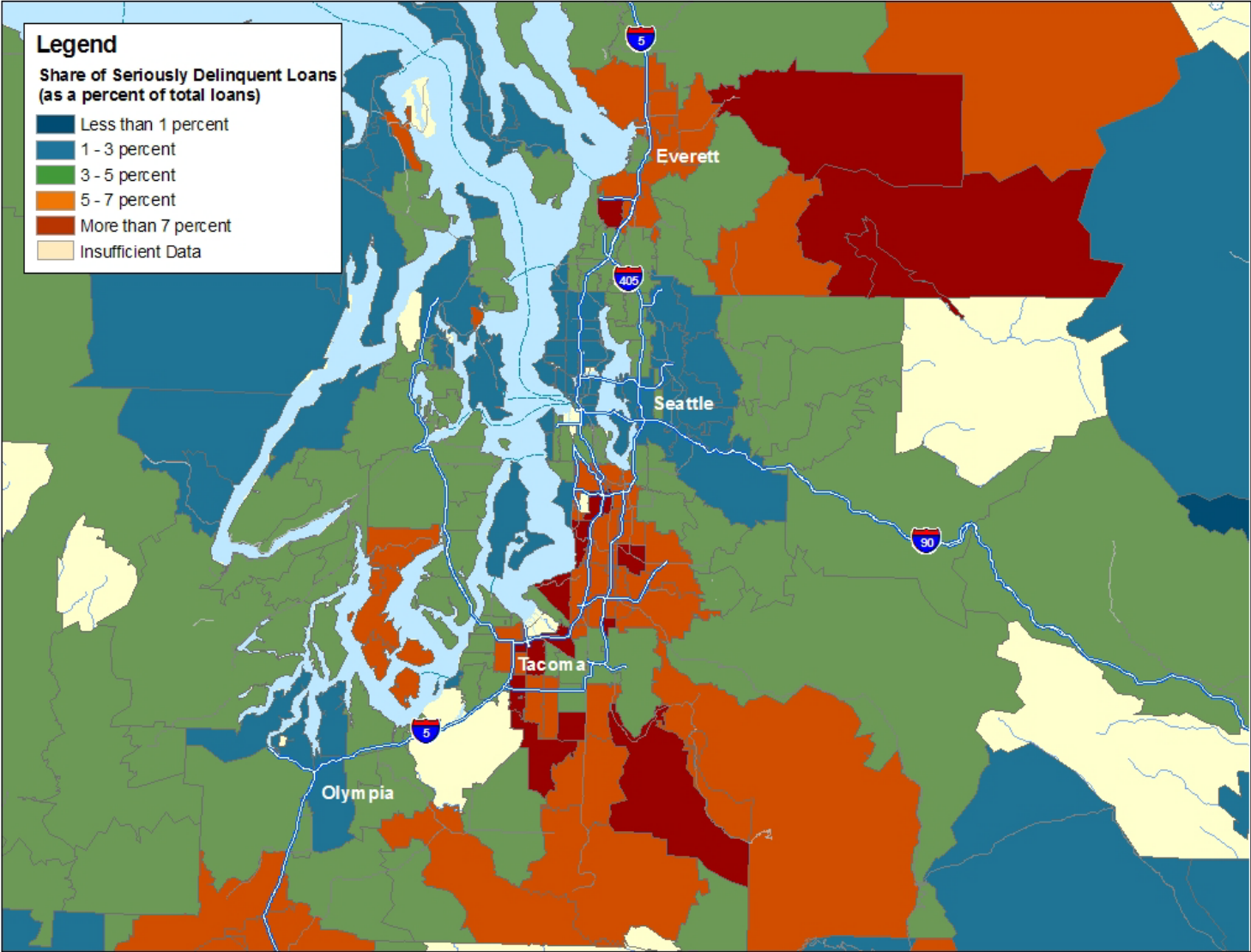
Areas at Risk of Additional Foreclosures

February 2010



Areas at Risk of Additional Foreclosures

July 2010



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 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

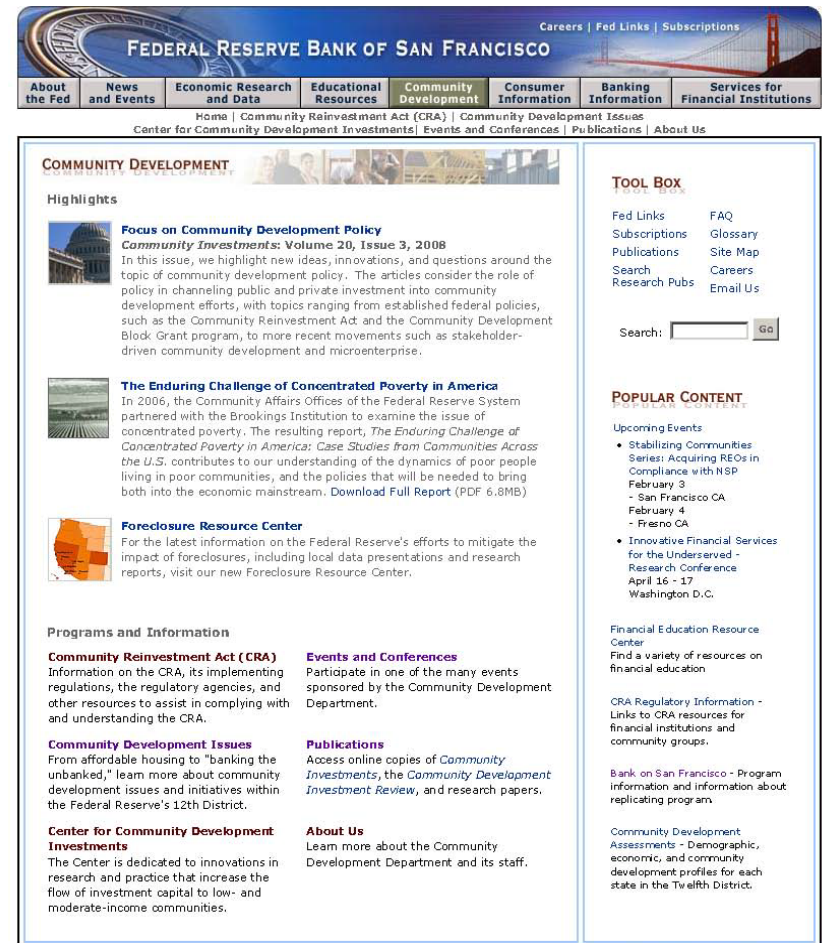
- ❑ Foreclosure scams are proliferating, especially in markets with investor interest
 - ❑ Some counties are sending notices to all delinquent borrowers to warn them about foreclosure scams
 - ❑ Free media kit available from the Federal Reserve which includes a PSA and other resources:
<http://www.federalreserveeducation.org/pfed/mediakit.cfm>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

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/>