



Preserving Homeownership – Preserving Communities

Understanding Homeowners at Risk of Foreclosure in Nevada

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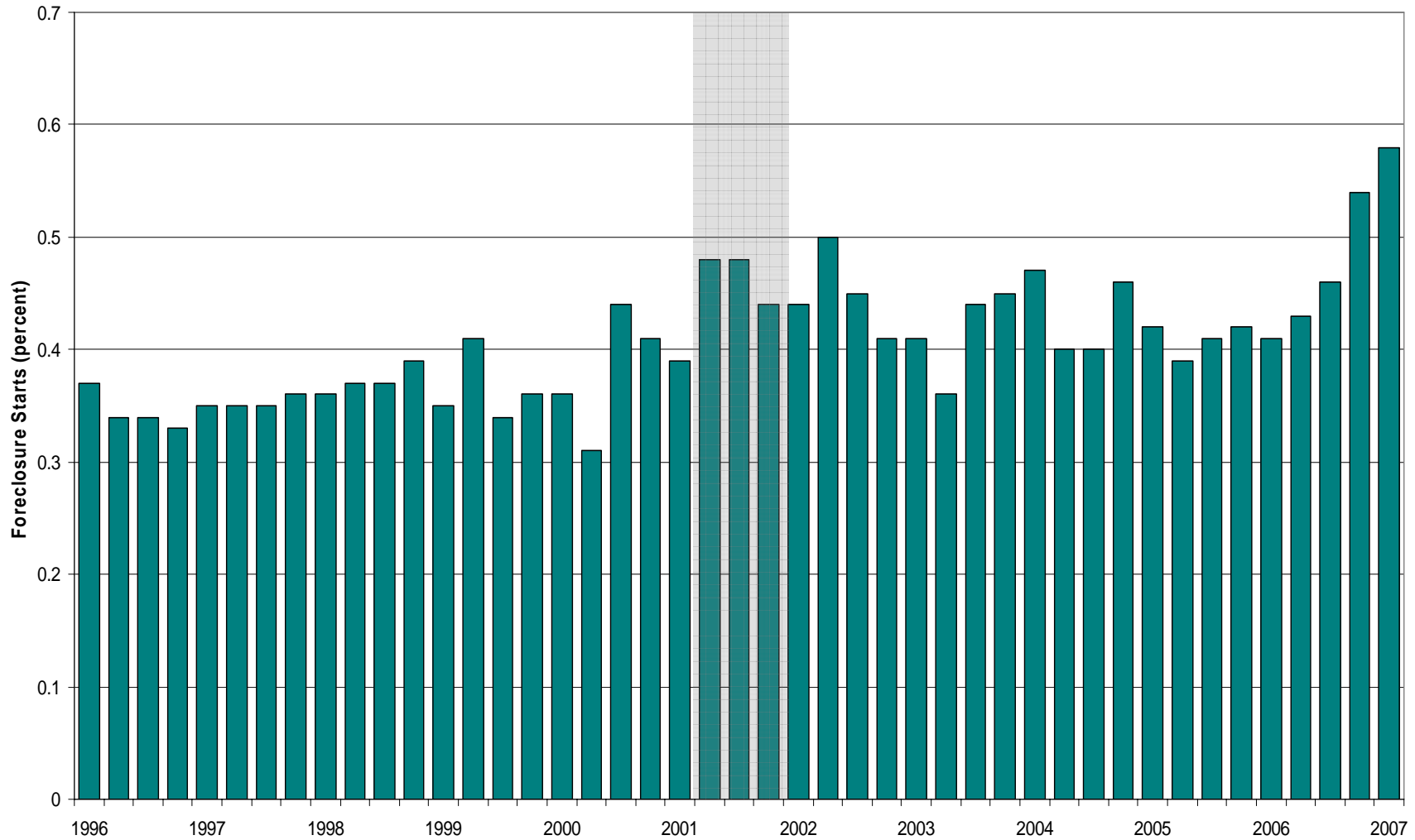
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Outline of Presentation

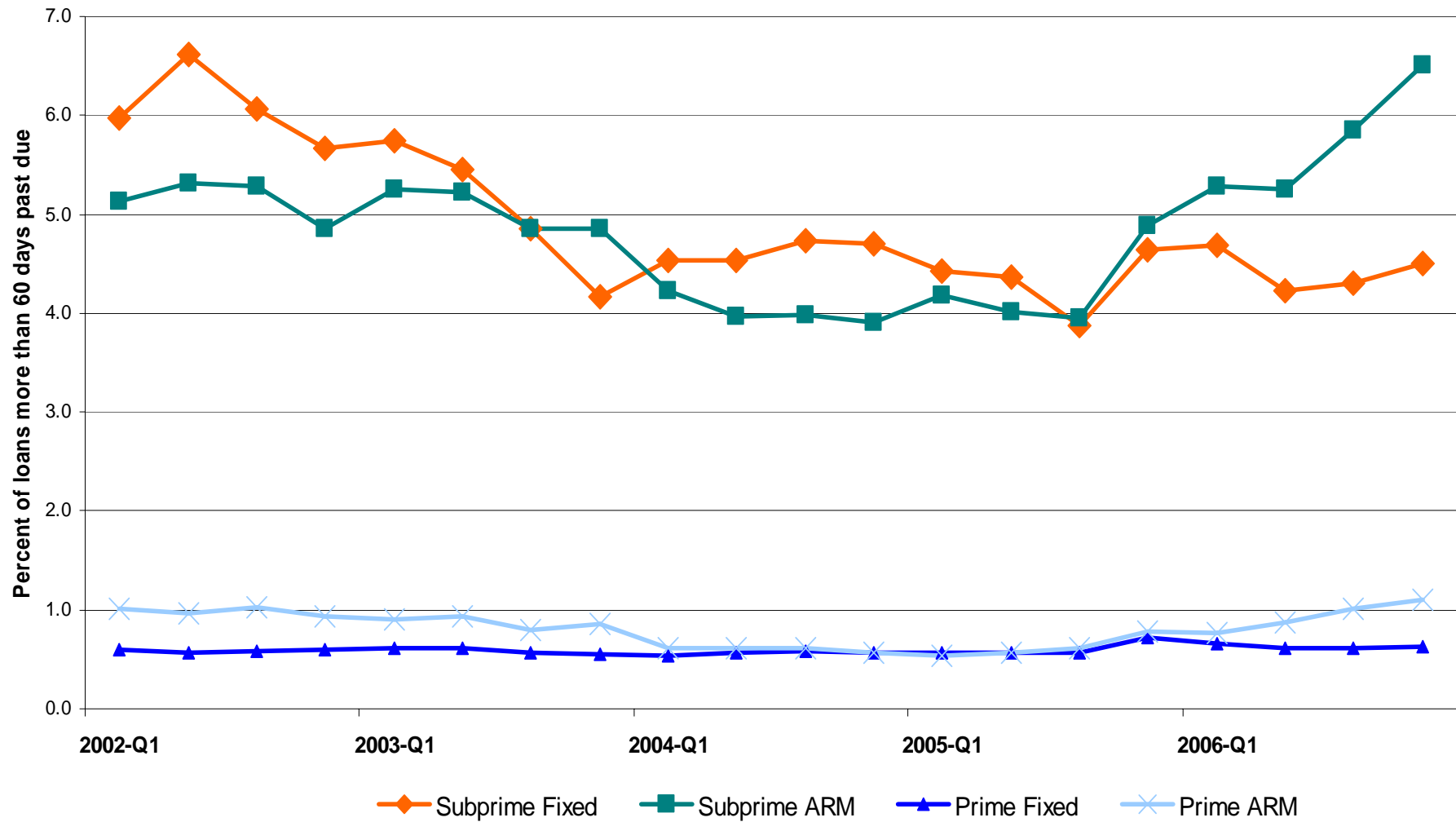
- National Overview
 - Concerns over the rising rate of foreclosures, particularly in the subprime market
- Nevada
 - Rapid rise in the incidence of foreclosures, particularly in the Las Vegas metropolitan region
 - High proportion of subprime borrowers
 - High proportion of nontraditional mortgage products, which may put borrowers at greater risk
- The Costs of Foreclosure
- Conclusion

Nationally, Foreclosure Starts Have Increased Significantly



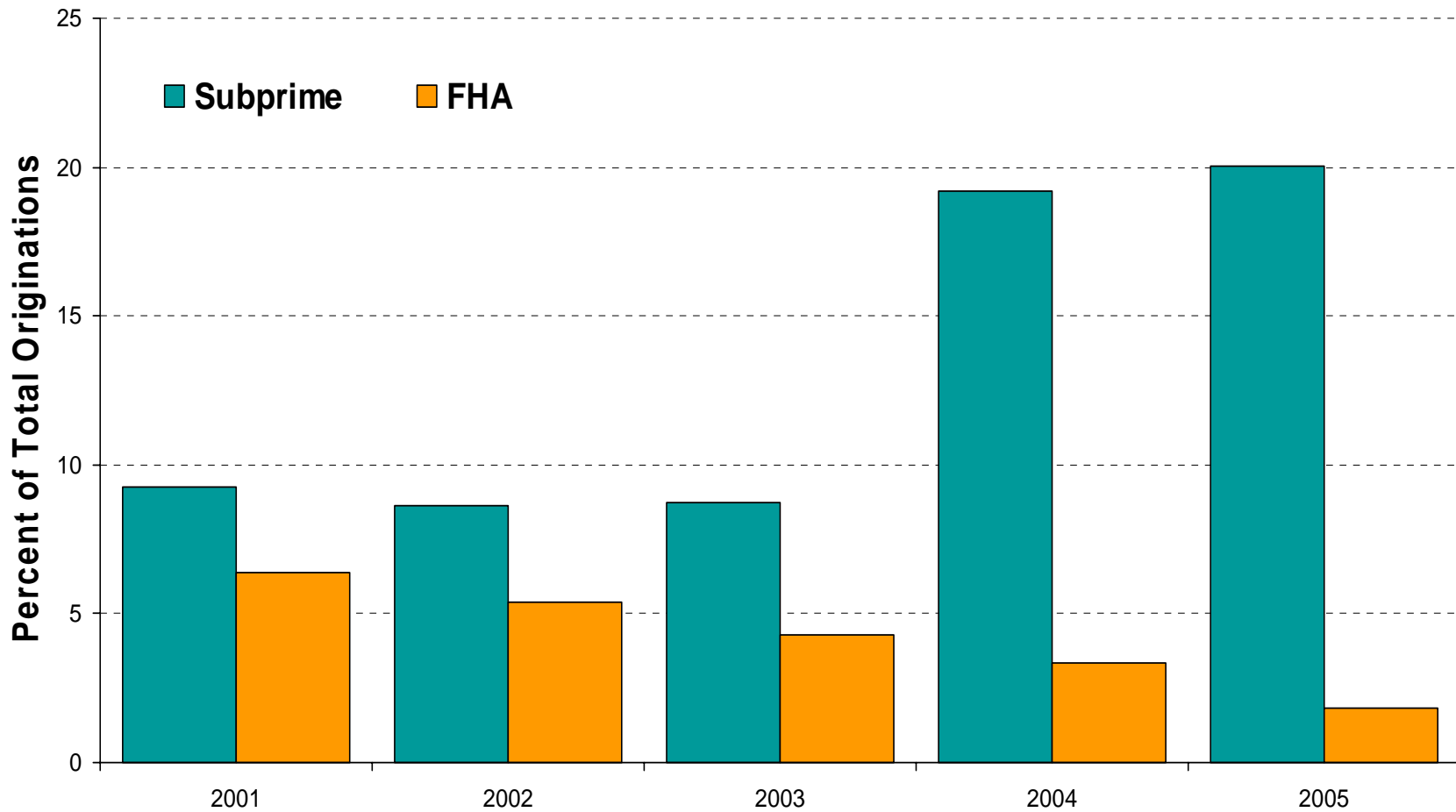
Source: Mortgage Bankers Association, National Delinquency Survey

Delinquency Rates Higher in Subprime Market



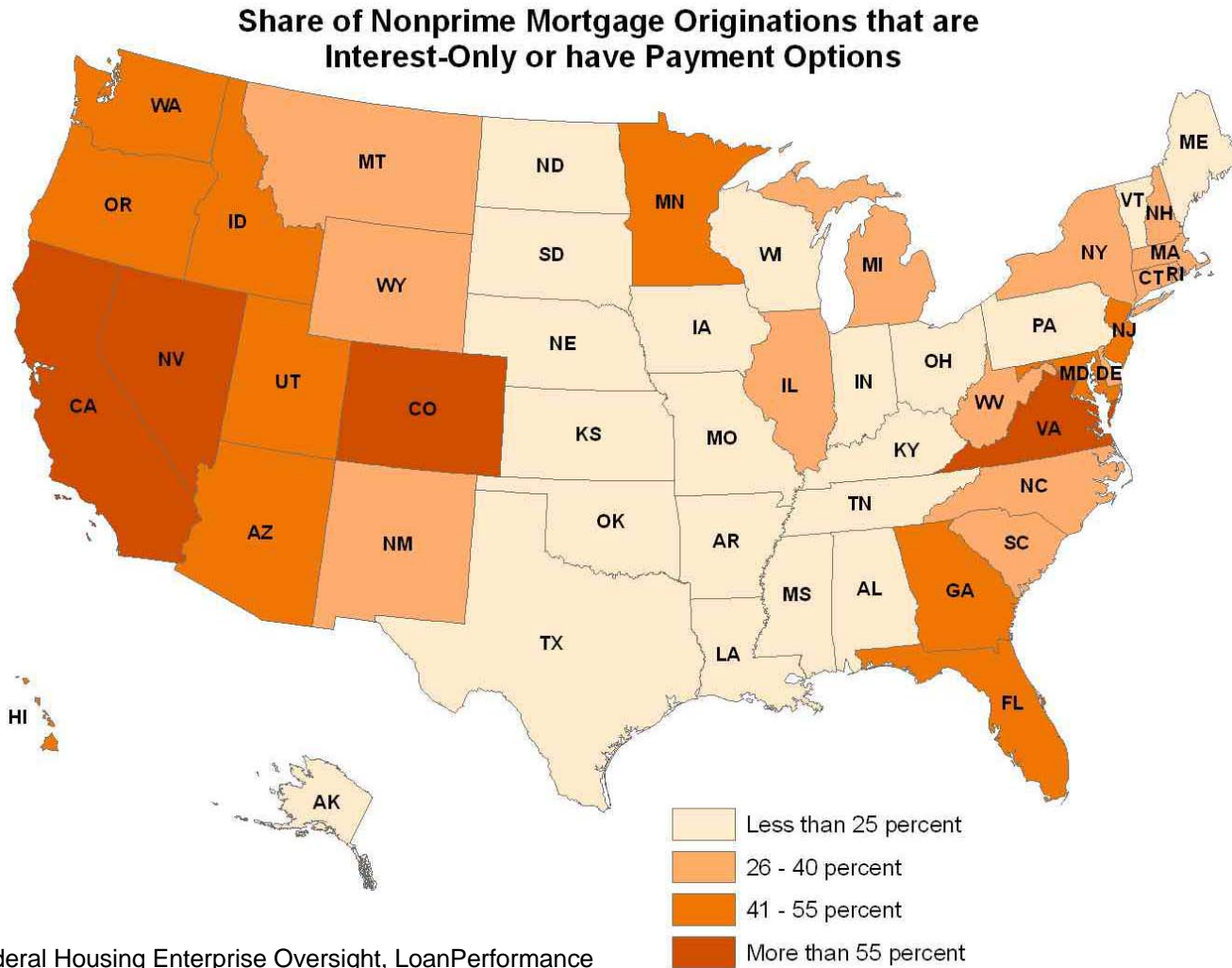
Source: Mortgage Bankers Association, National Delinquency Survey

Subprime Market Loan Volume Has Increased



Source: State of the Nation's Housing, 2006, Joint Center for Housing Studies of Harvard University

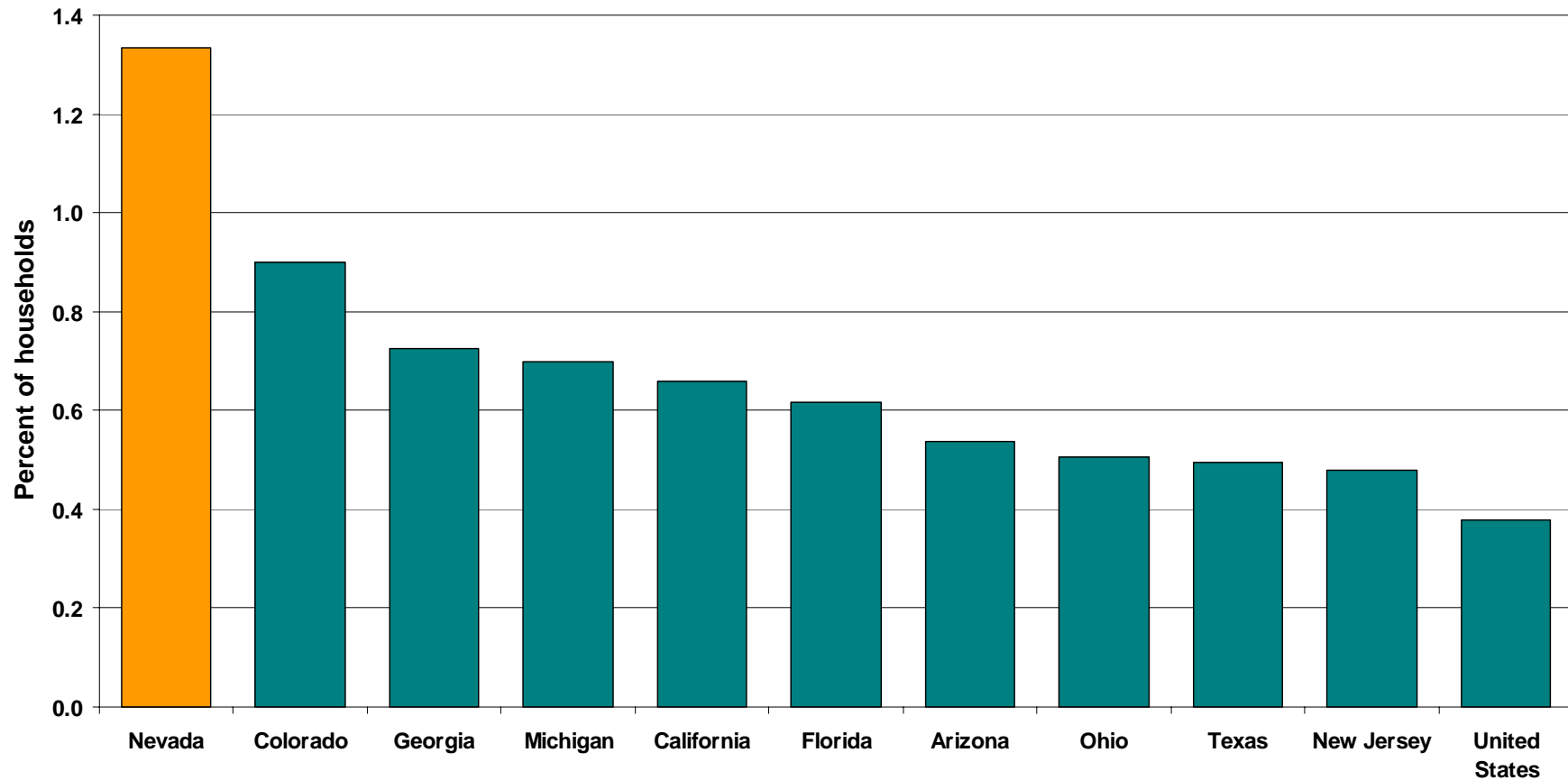
High Percentage of Nonprime, Nontraditional Mortgages in Nevada



Source: Office of Federal Housing Enterprise Oversight, LoanPerformance Data as of fourth quarter 2005

RealtyTrac: Nevada Now Highest in Foreclosure Rates

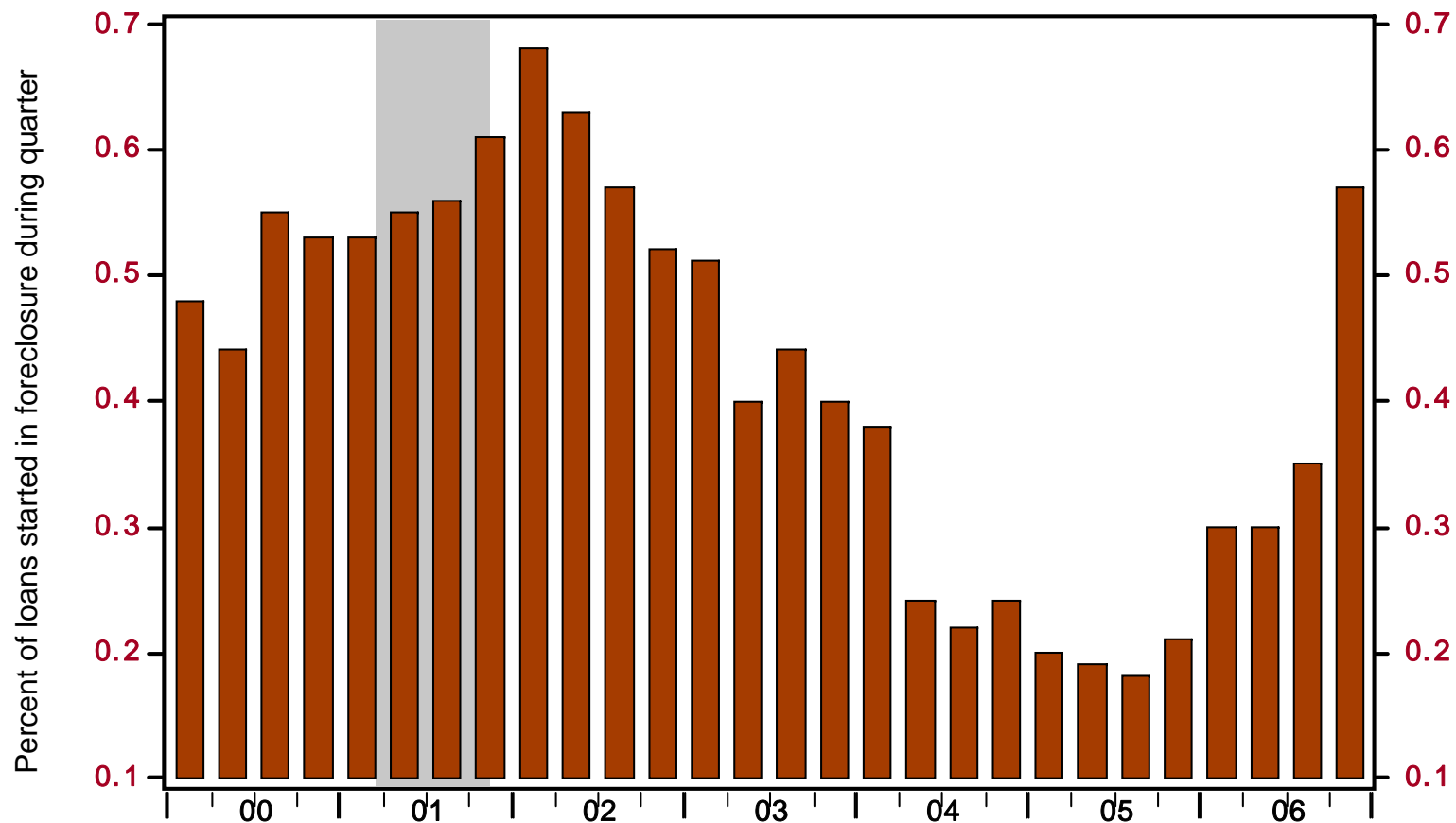
Top Ten States with Highest Foreclosure Rates, 1st Quarter 2007



Source: RealtyTrac, 2007 1st Quarter Foreclosure Filing Data

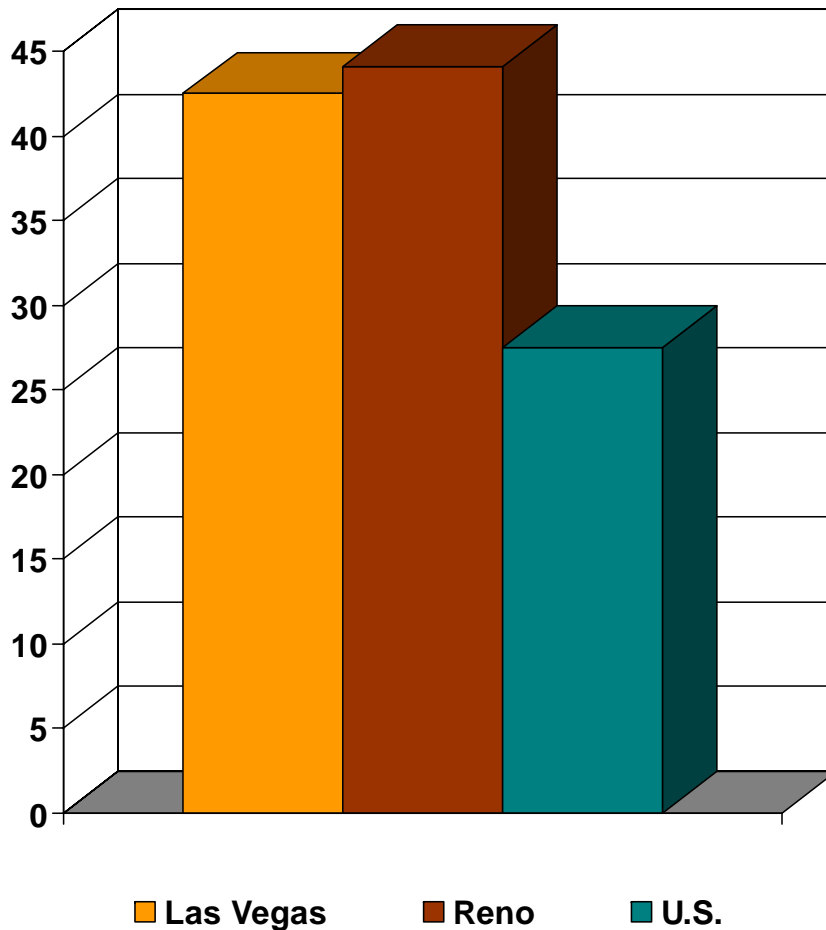
Other Data Confirm Increase In Nevada

- RealtyTrac's numbers may be high, but MBA data show rapid upward trend in Nevada foreclosures



Relaxation of Underwriting Standards

Percent Interest Only Loans
2006 Originations

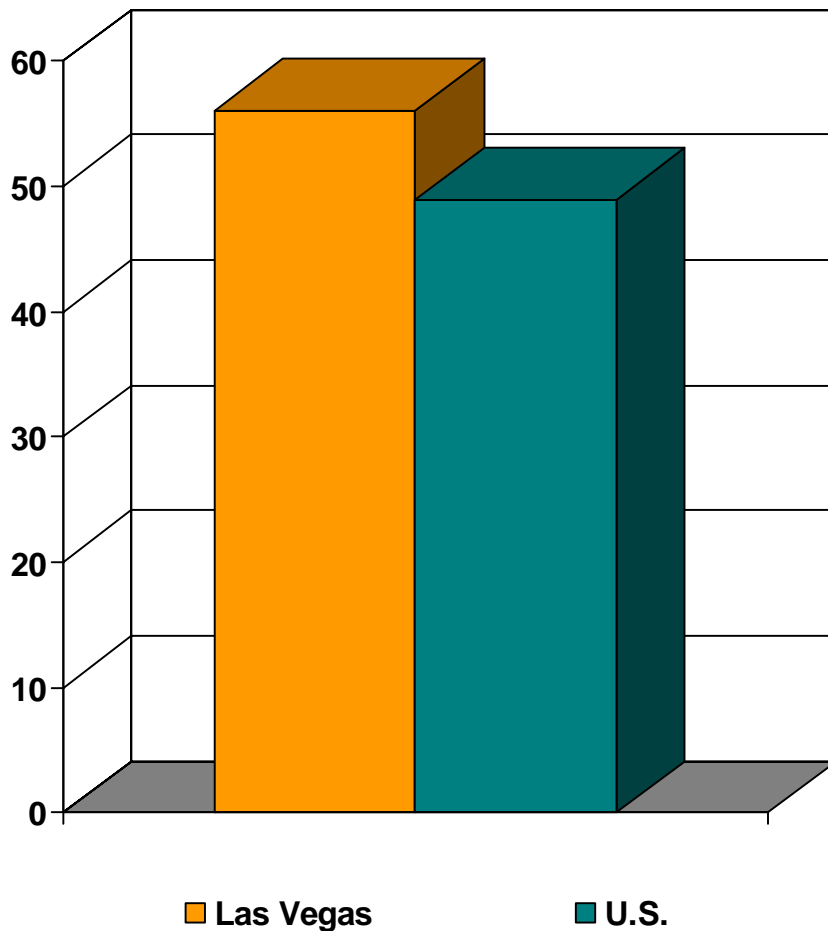


■ Risk layering

- Interest only loans
 - Above 40 percent of originations in Las Vegas and Reno, compared with 25 percent for the United States

Relaxation of Underwriting Standards

No or Low Documentation Loans
2006 Originations

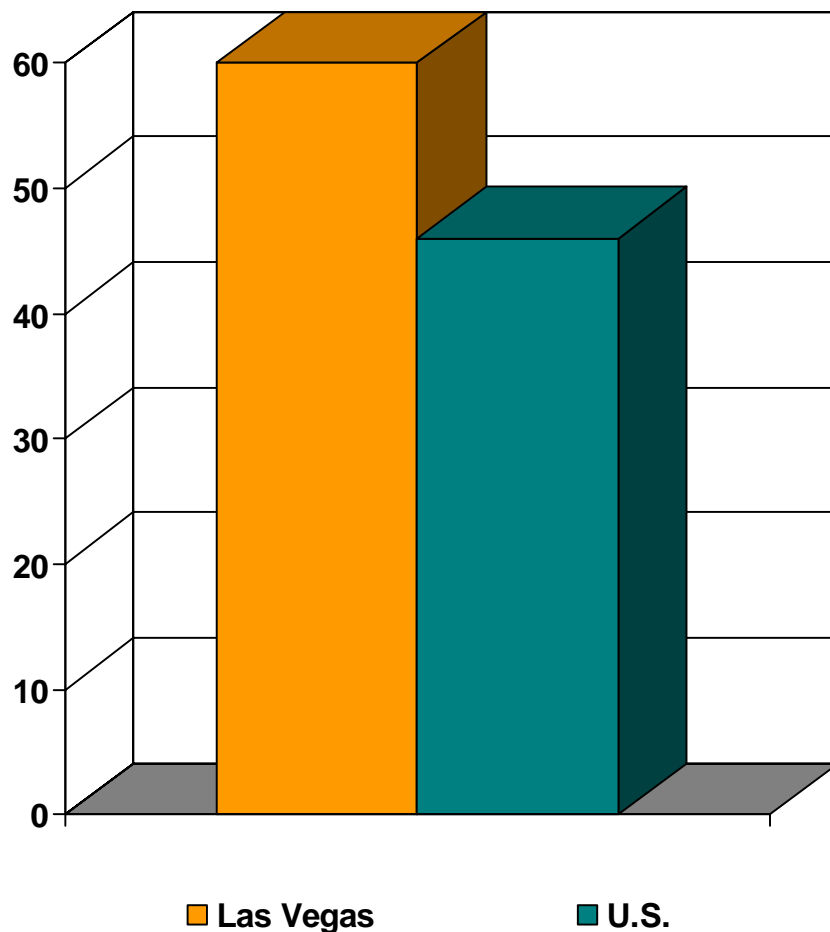


■ Risk layering

- Interest only loans
- No or low documentation loans
 - 56 percent in Las Vegas, compared to 49 percent nationally

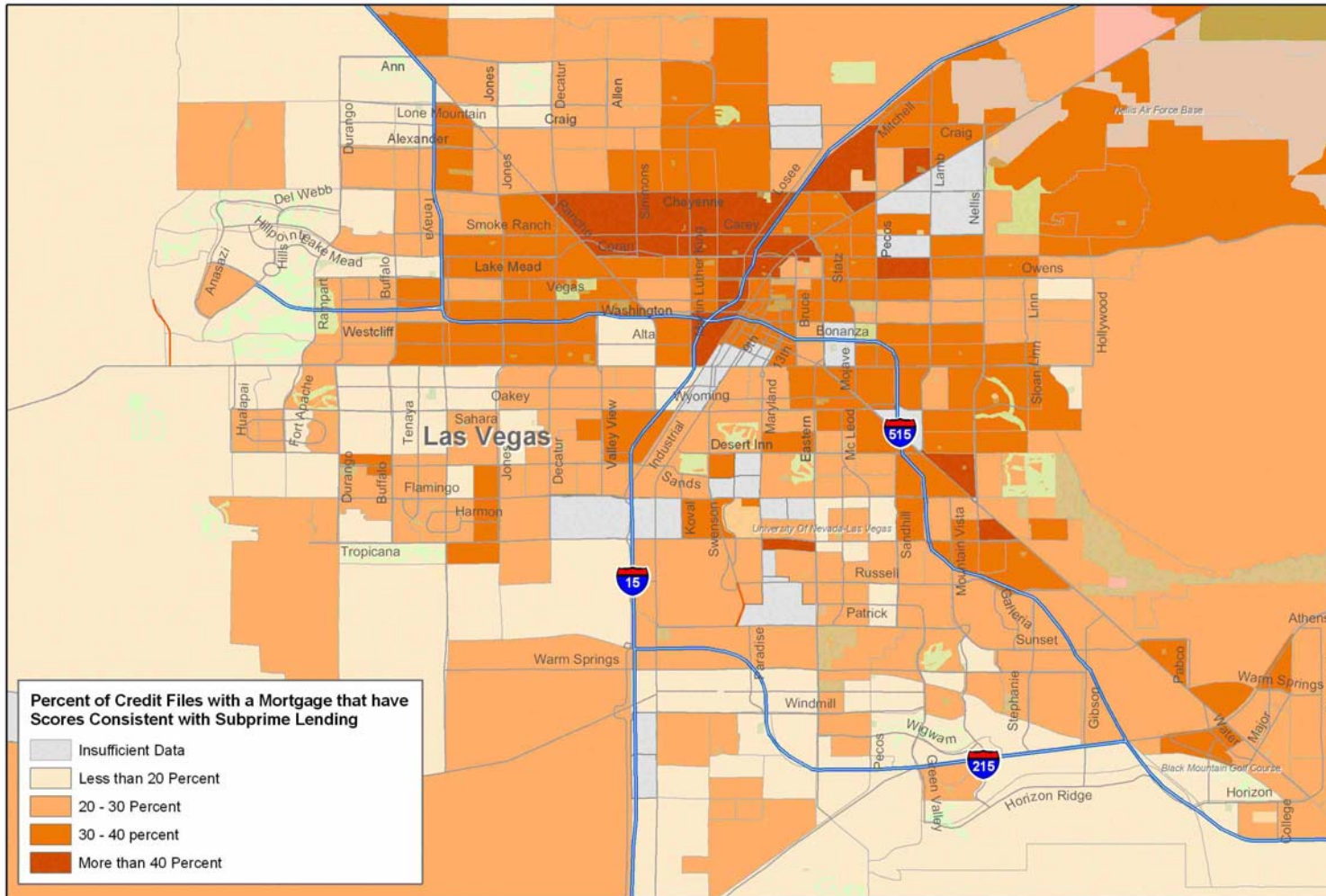
Relaxation of Underwriting Standards

Percent of Loans with CLTV of over 95 percent
2006 Originations



- Risk layering
 - Interest only loans
 - No or low documentation loans
 - Piggyback” second loans pushing up combined LTV
- High percent of investor/vacation properties
- High percent of subprime borrowers

High Percent of Subprime Credit Scores

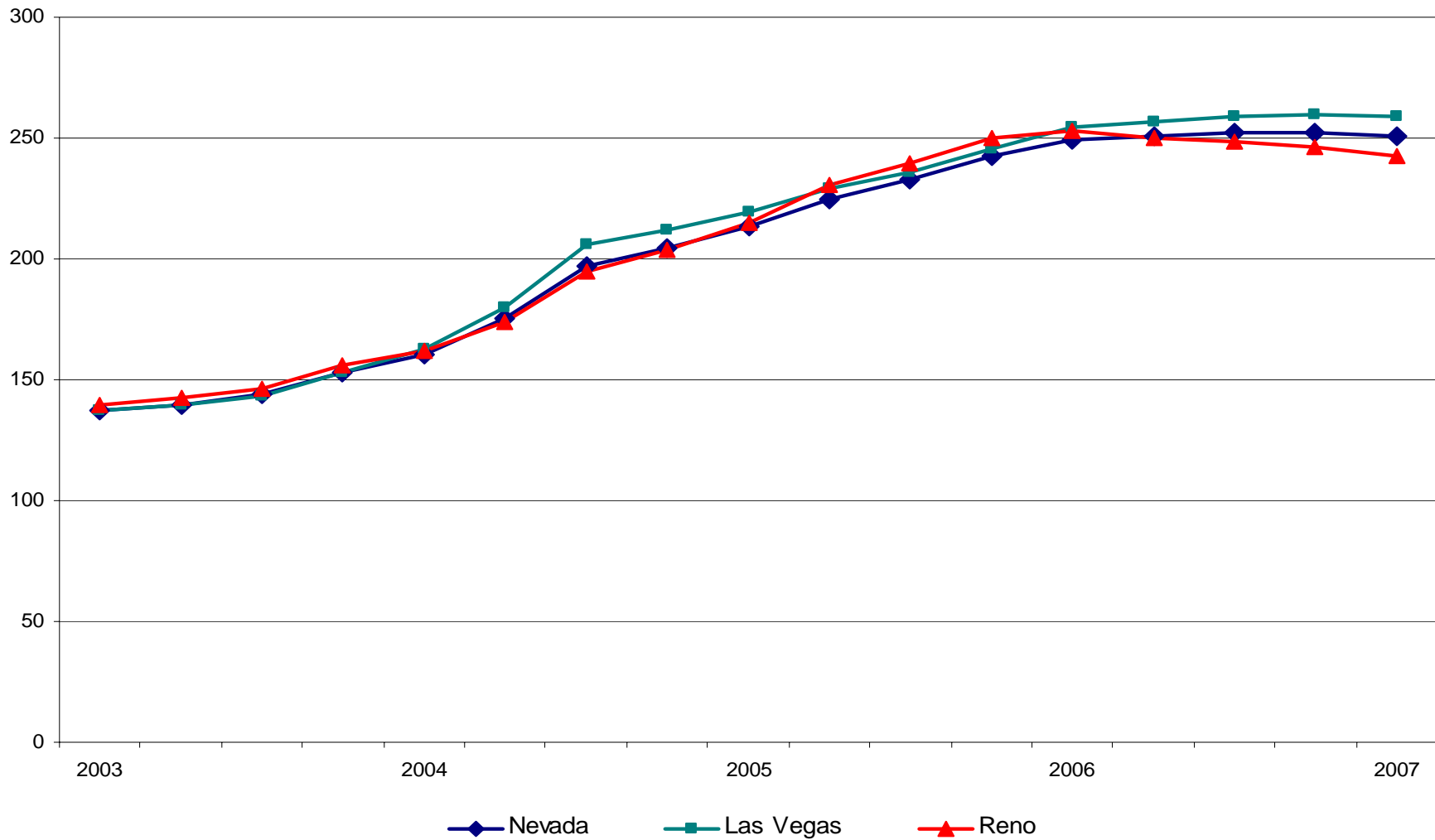


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Community Development Department

Source: Credit Score Data obtained from a sample of credit files from a National Credit Bureau, December 2004.

Housing Prices Soften

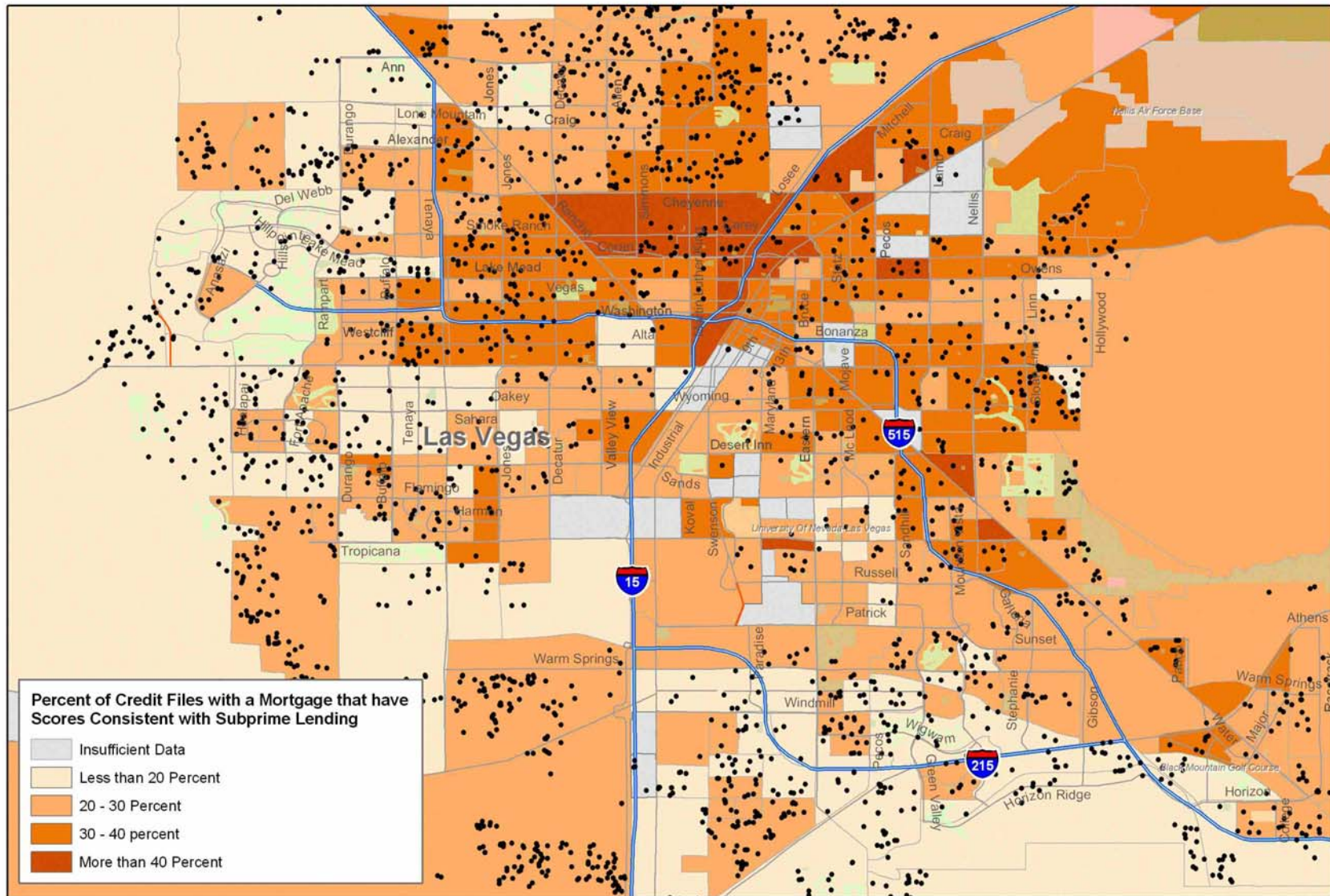


Source: Office of Federal Housing Enterprise Oversight, House Price Index

Neighborhood Impacts of Foreclosures

- In Las Vegas, foreclosures appear to be distributed across the metropolitan area

Las Vegas: Foreclosure Filings 1st Quarter 2007



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Community Development Department

Source: Credit Score Data obtained from a sample of credit files from a National Credit Bureau, December 2004.

Each dot represents 1 foreclosure filing, compiled using data from the County Recorder's Office, RealtyTrac, and Foreclosures.com

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Neighborhood Impacts of Foreclosures

- In Las Vegas, foreclosures appear to be distributed across the metropolitan area
 - This is different than in many other cities (Chicago, Minneapolis, Oakland), where foreclosures tend to be clustered in neighborhoods with low-income, minority or subprime borrowers
- Implications
 - Beyond impacts on individual borrowers, costs of foreclosure are significant
 - In Las Vegas, impacts likely to be metropolitan wide
 - Losses for lenders range from 20 cents to 60 cents on the dollar, an estimated \$58,800 per foreclosure
 - Estimated average municipal cost of \$6,937 per foreclosure
 - Vacant properties due to foreclosure can attract crime and reduce neighborhood property values
 - May be more difficult to develop a targeted outreach strategy to reach distressed borrowers

Conclusions

- Foreclosure trends in Las Vegas threaten to reverse homeownership gains
 - A broad range of homeowners and neighborhoods are likely to be affected
- Important to increase efforts to reach out to distressed borrowers and to connect them to their lenders
 - Difference in strategies for investor defaults and owner-occupied defaults?
 - The high proportion of subprime borrowers in Las Vegas suggests there is also a need to increase pre-purchase credit and homeownership counseling
- Broad outreach and communication strategy—including collaboration and partnership among stakeholders—necessary to “blanket” city and reach distressed borrowers

References and Data Sources

Impacts of Foreclosure

- Cutts, A C. & Green, R. K.. (2005). “Innovative Servicing Technology: Smart Enough to Keep People in Their Houses?” in *Building Assets, Building Credit: Creating Wealth In Low-Income Communities* in Retsinas, N. & E. Belsky, eds. Brookings Press. 348-377.
- Apgar W.C. & Duda M. (2005). *Collateral Damage: The Municipal Impact of Today’s Mortgage Foreclosure Boom*. Homeownership Preservation Foundation Minneapolis, Minnesota from www.hpfonline.org.
- Immergluck, D. & Smith, G.. (2005). *The Impact of Single-Family Mortgage Foreclosures on Neighborhood Crime*. Federal Reserve Community Development Conference, Washington, DC from www.chicagofed.org/cedric/files/2005_conf_paper_session1_immergluck.pdf

Data for Maps

- Data on subprime borrowers in California were generated from a sample of credit files with mortgages from a National Credit Bureau, December 2004.
- Local data on Notices of Default and Foreclosure were compiled by the Federal Reserve Bank of San Francisco Community Development Department, using data from Foreclosures.com, RealtyTrac, and filings from the county recorder’s office. Duplicate filings were deleted. Data are from 1st Quarter 2007.
- Data on 2006 Mortgage Originations from LoanPerformance and I. Zelman et al, (2007). “Mortgage Liquidity du Jour: Underestimated No More,” Credit Suisse Equity Research Report.