

TRENDS IN DELINQUENCIES AND FORECLOSURES IN CALIFORNIA

April 2009

Community Development Department, Federal Reserve
Bank of San Francisco

Outline of Presentation

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

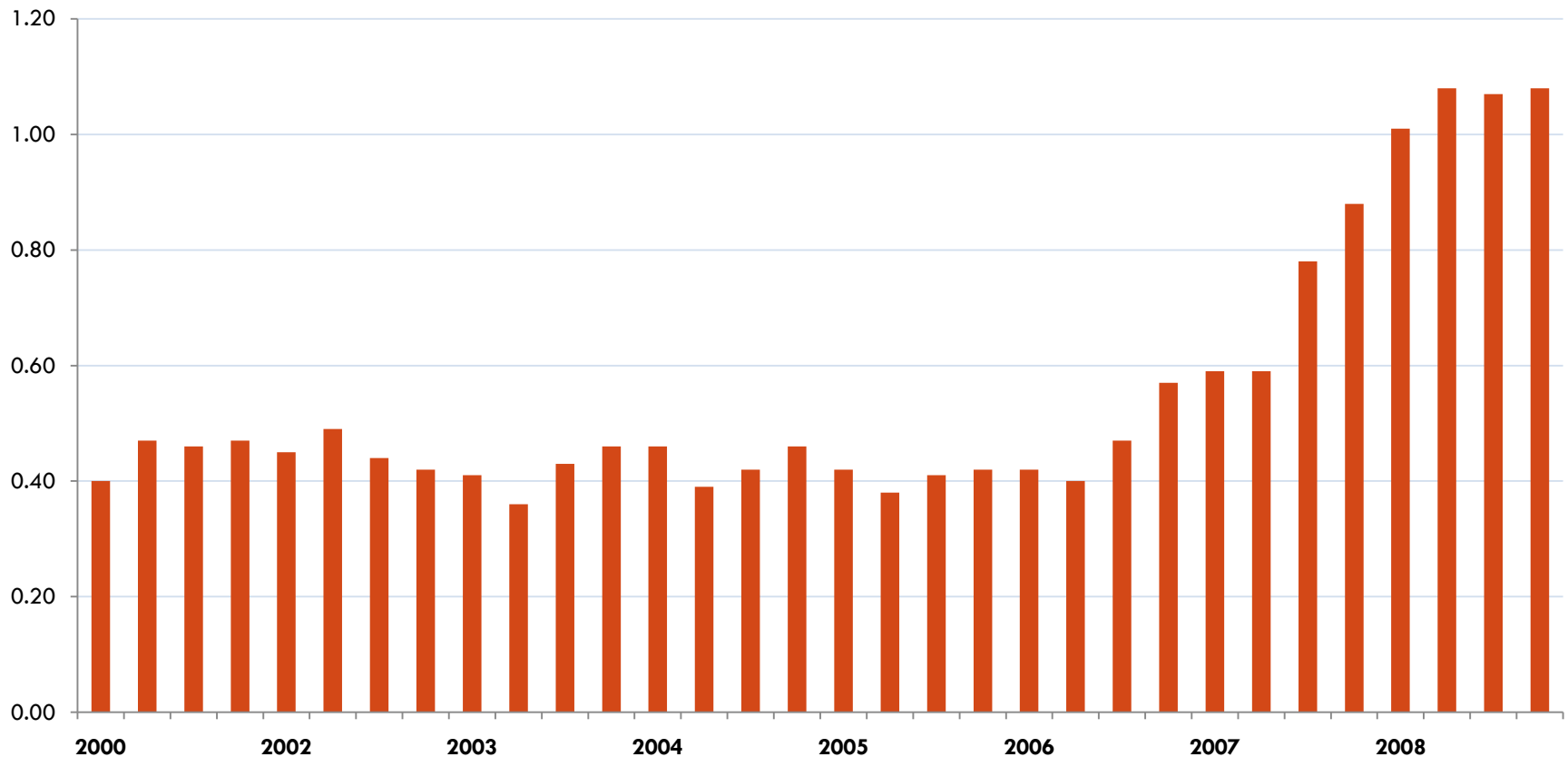
National Trends

National Trends

- Foreclosures rose steadily in 2008, with wide repercussions for US economy
 - After a slight decline in the national foreclosure rate in the 3rd Quarter of 2008, rose again in 4th 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

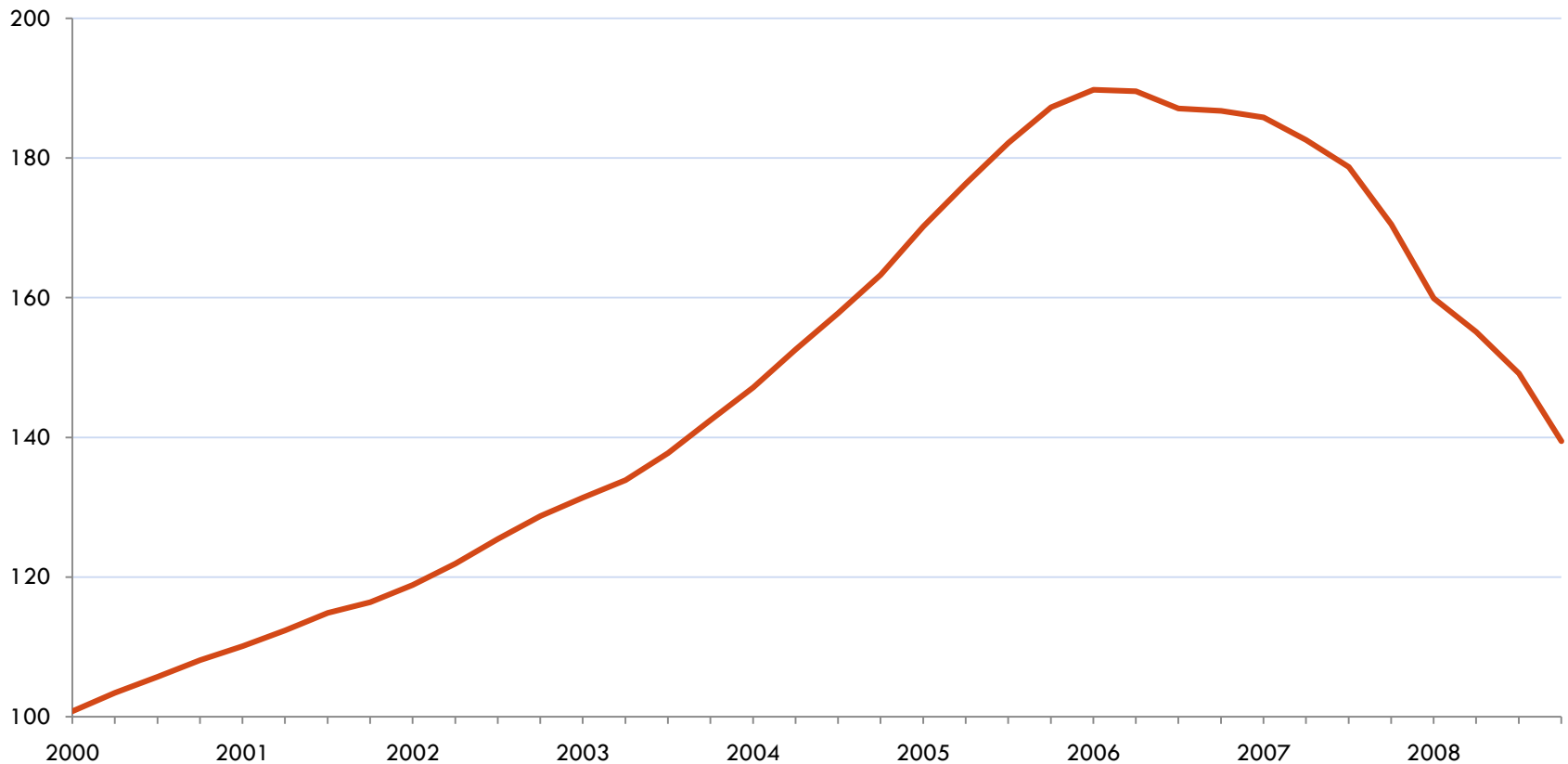
National Foreclosures Starts
Percent of All Loans



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

Nationally, House Prices Continue to Decline

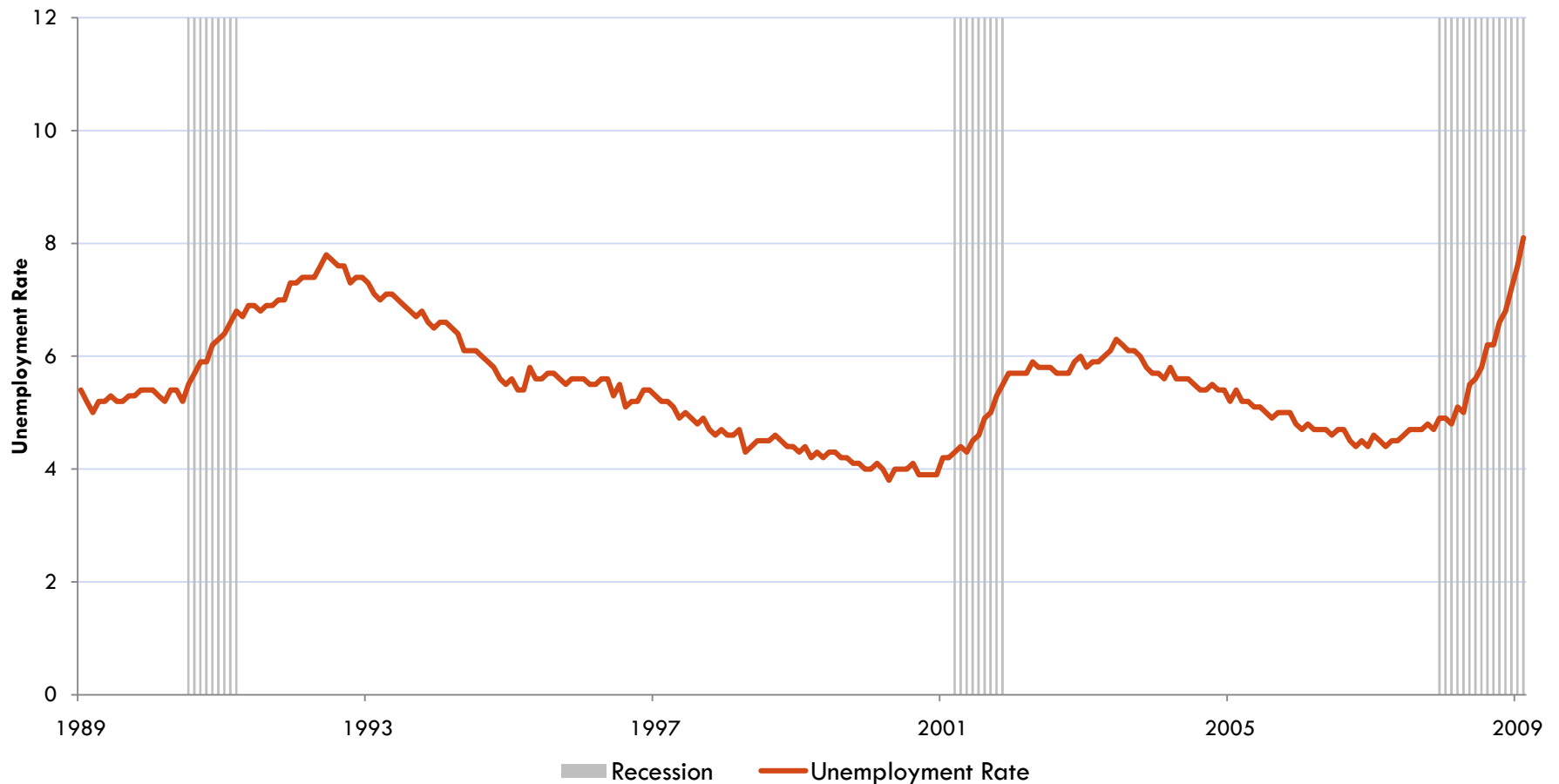
Case-Shiller National House Price Index
(2000 = 100, quarterly)



Source: Case - Shiller Home Price Index, 4th Q 2008

Recession Marks Significant Jump in Unemployment

U.S. Unemployment Rate

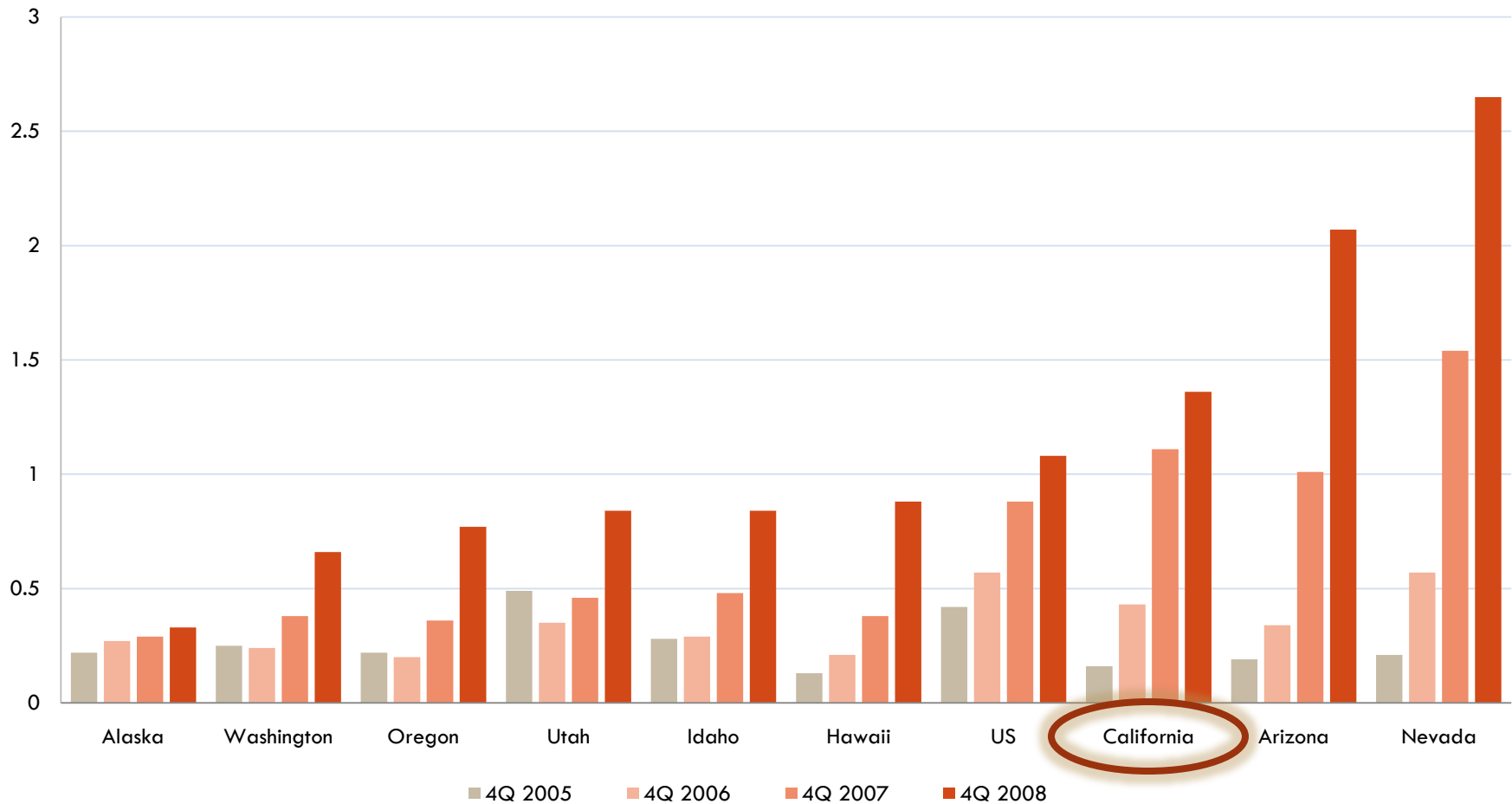


Source: Bureau of Labor Statistics

California Trends

Foreclosures in California are Above the National Average

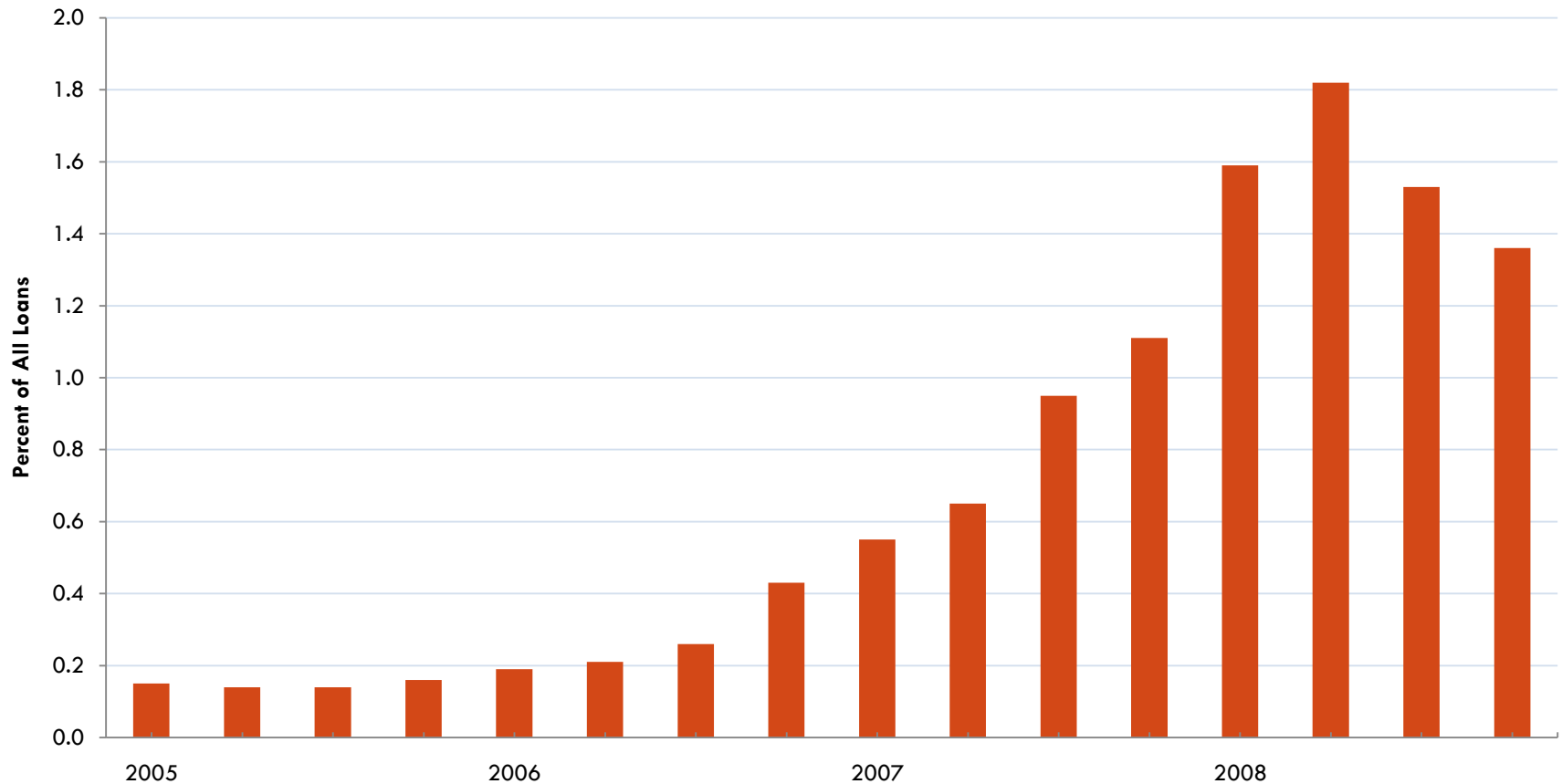
Foreclosure Starts (Percent of All Loans)



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

Unlike National Trends, California Saw a Decrease in Foreclosure Starts in 4th Quarter 2008

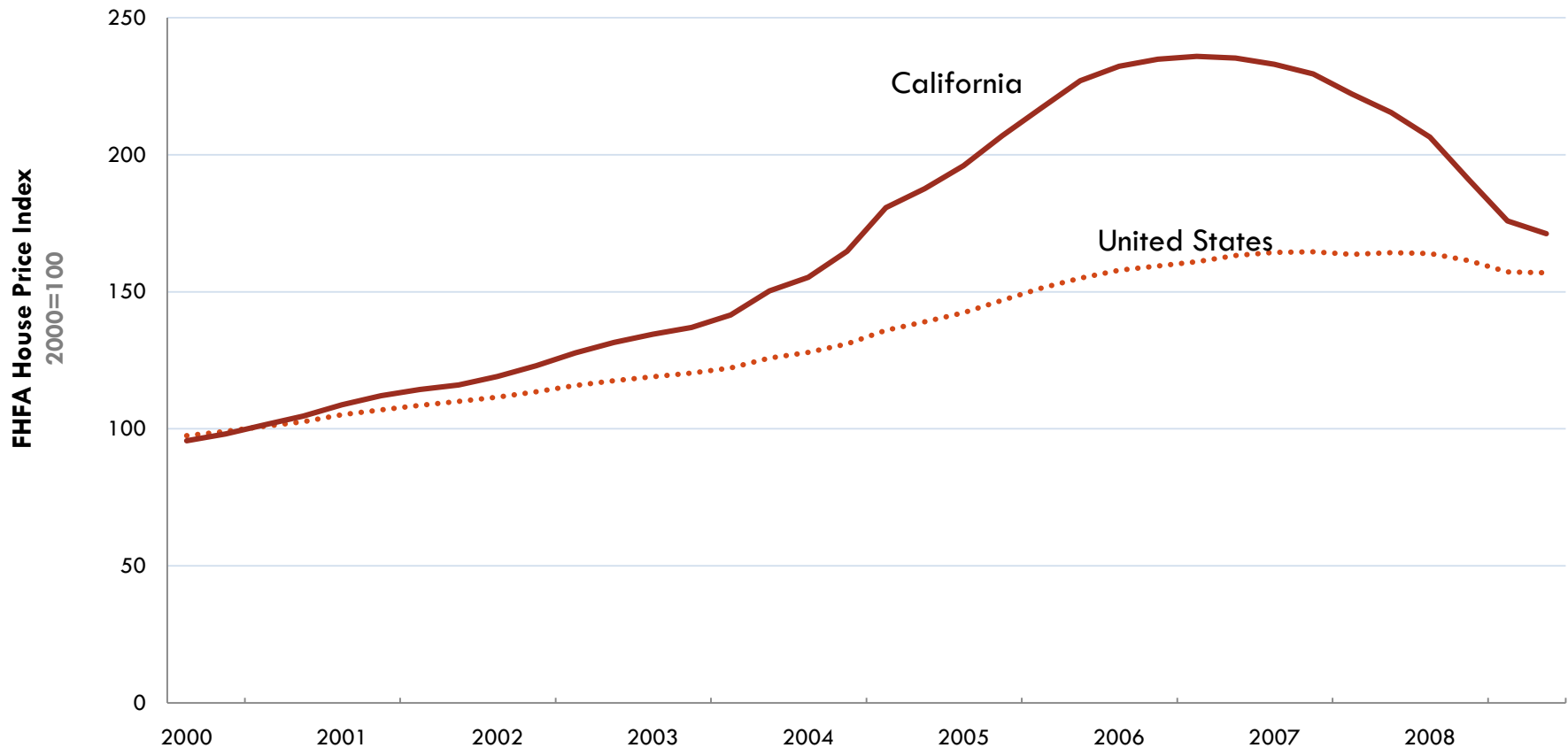
California: Foreclosure Starts



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

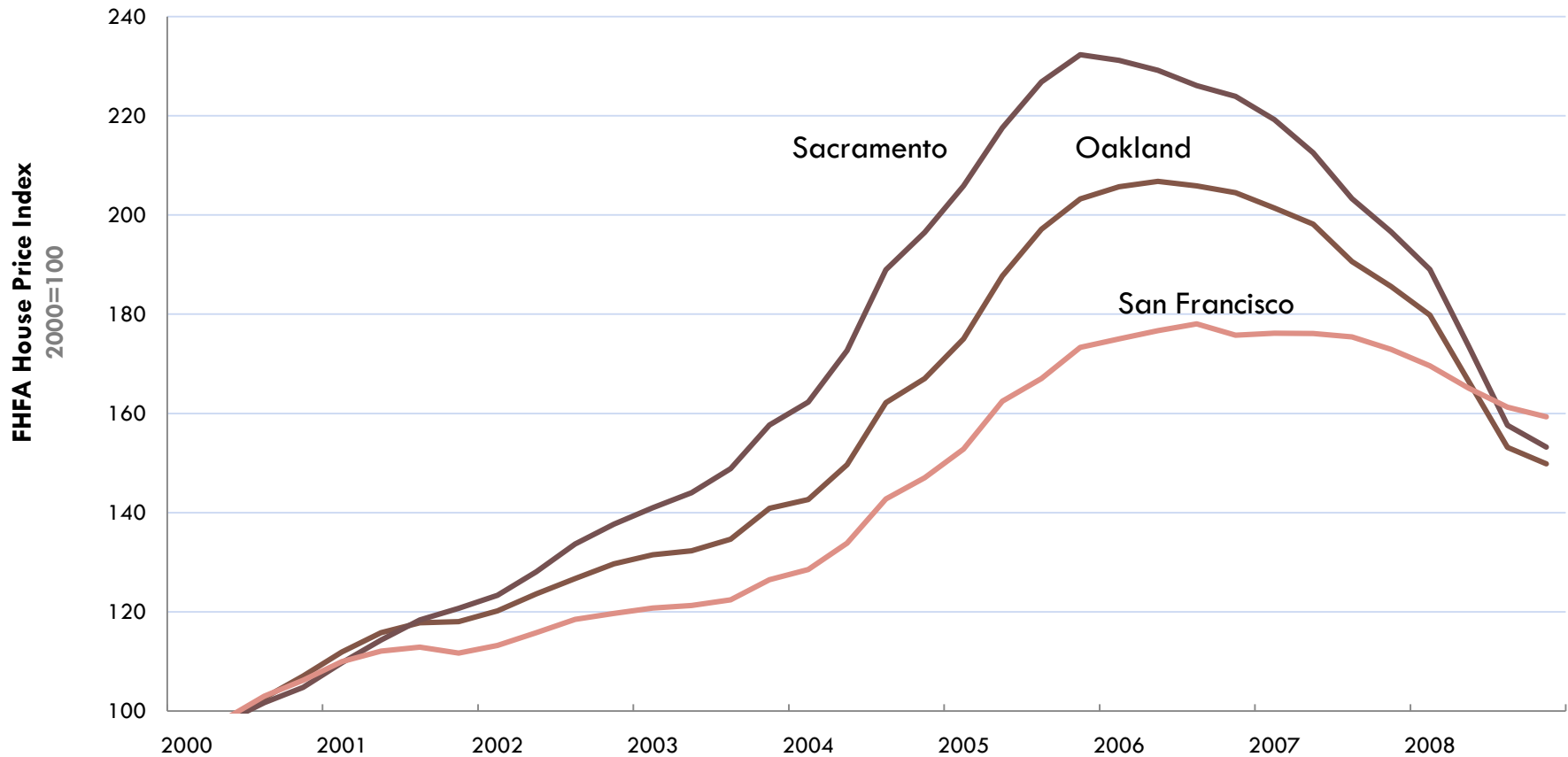
California Has Seen Significant and Steep Decline in House Prices

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



Northern CA MSAs Experiencing Significant House Price Declines

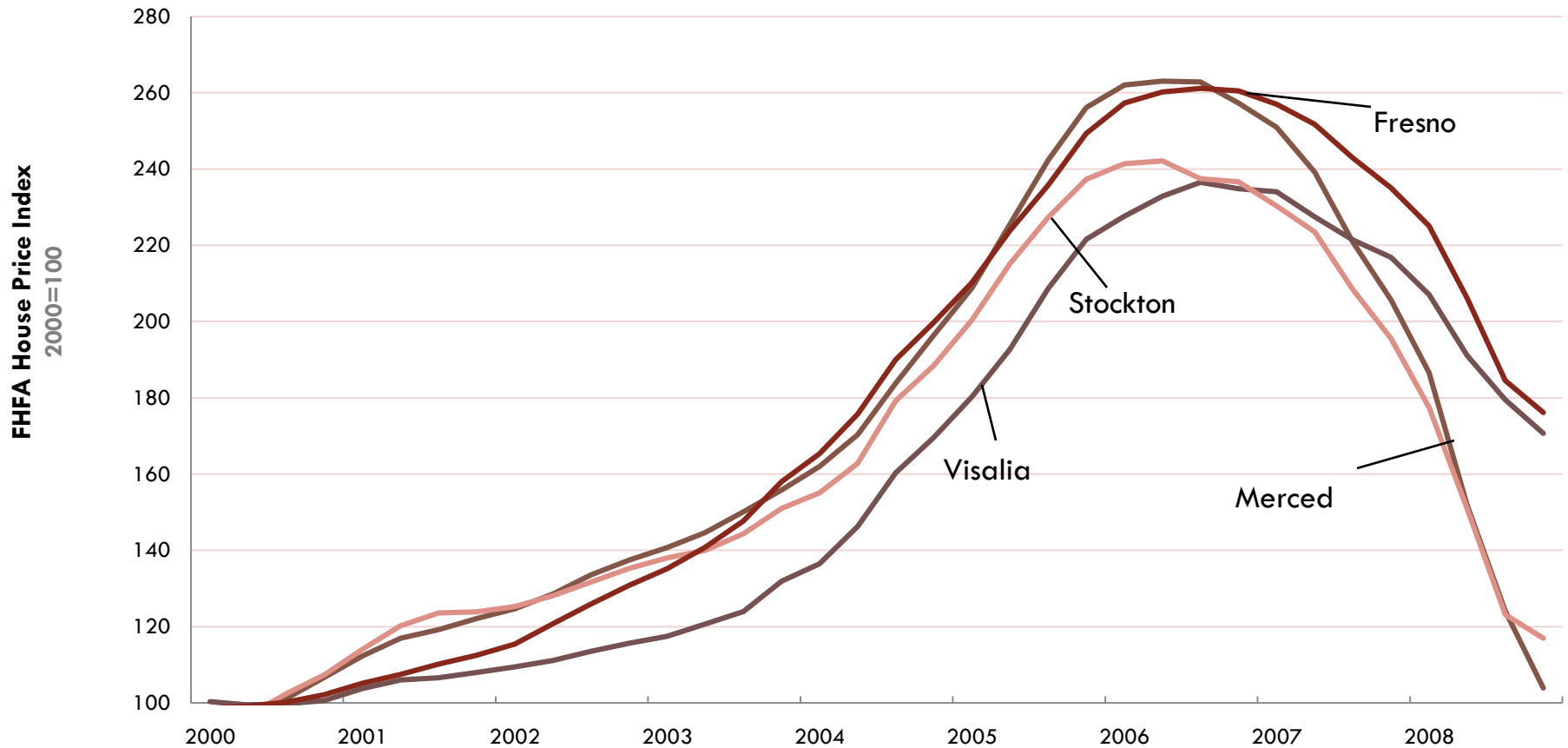
FHFA House Price Index: Northern California
(2000 = 100)



Source: Federal Housing Finance Agency (formerly OFHEO), 4th Quarter 2008

Central Valley Cities Have Seen Greatest House Price Declines

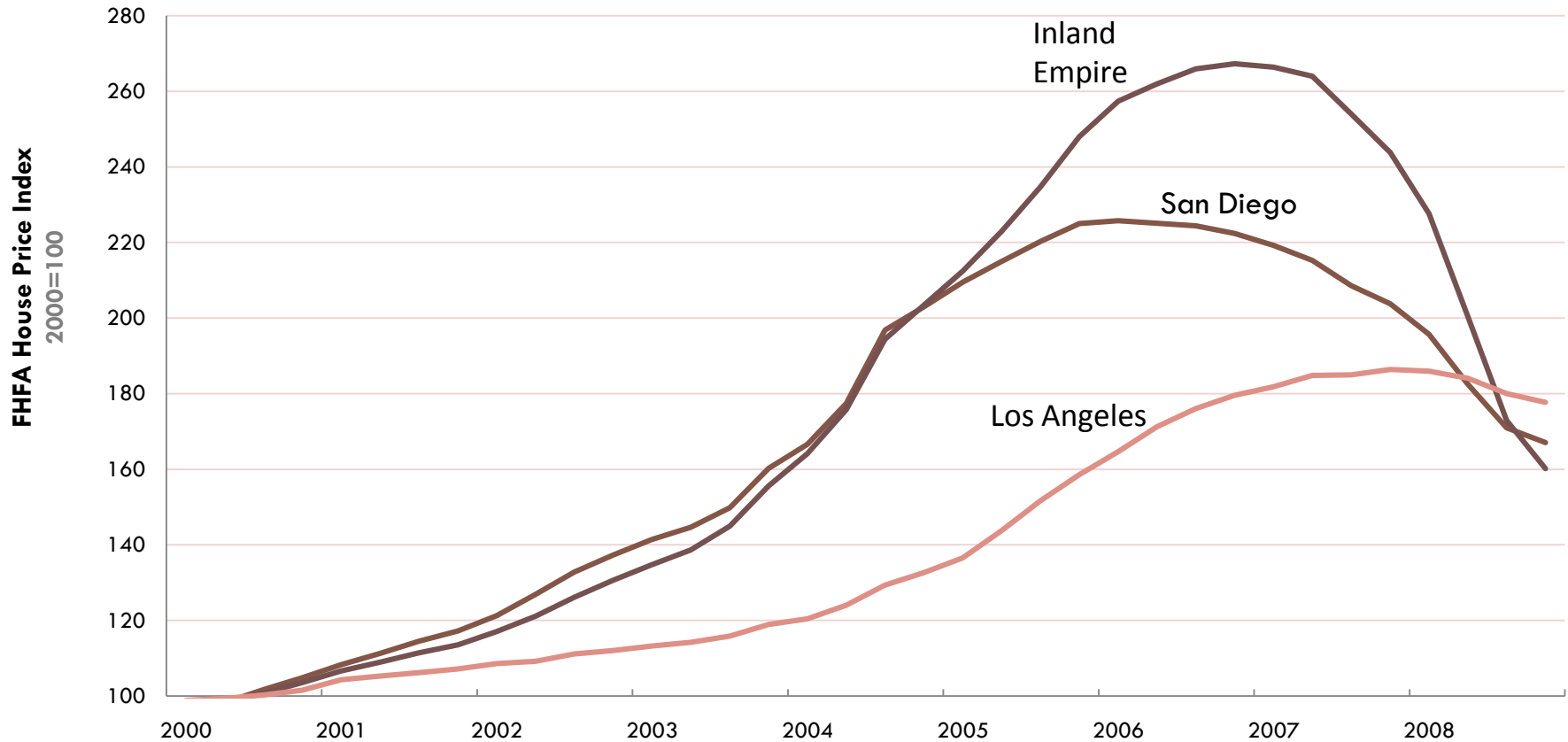
FHFA House Price Index (formerly OFHEO): Central California
(2000 = 100, quarterly)



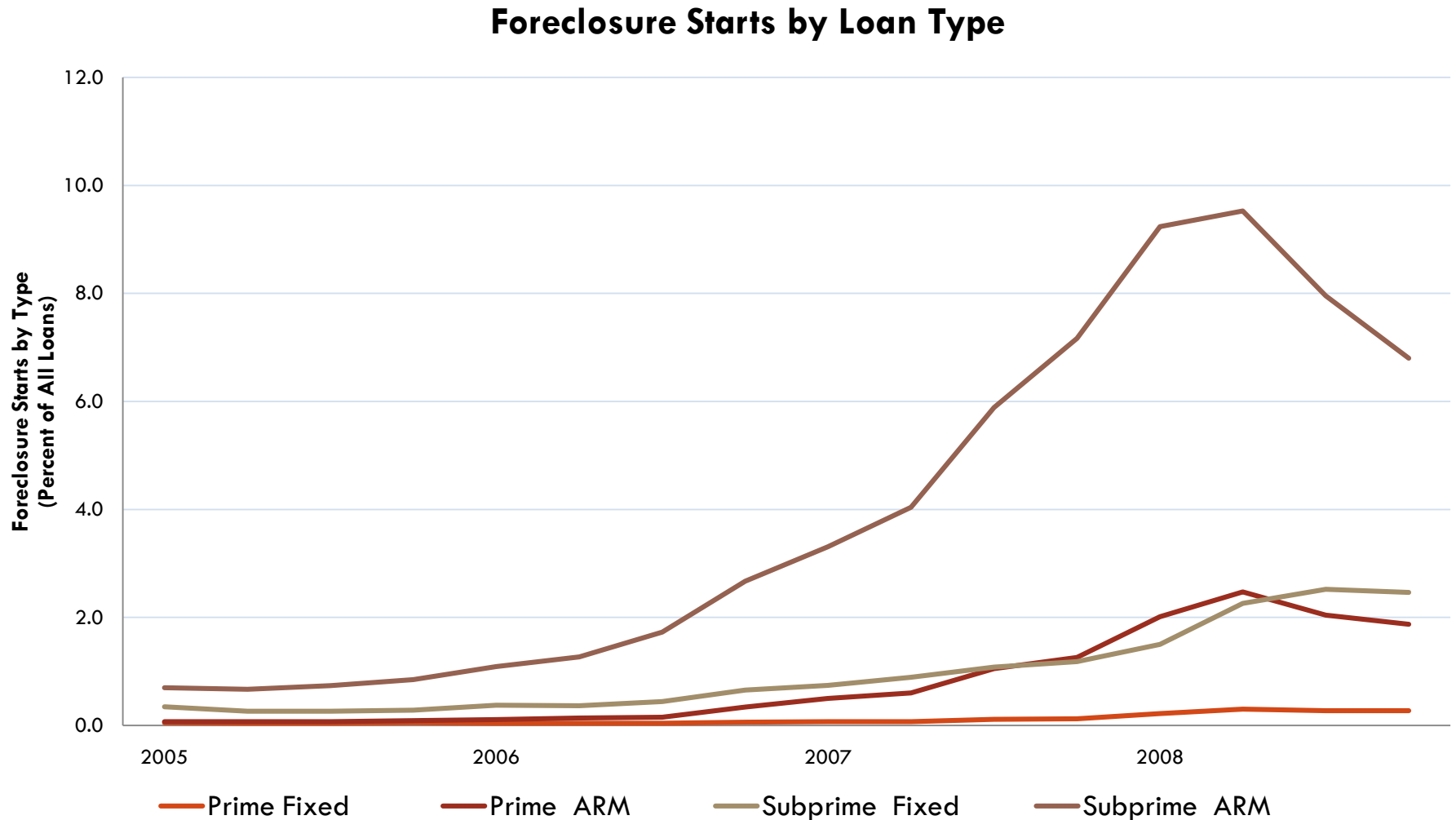
Source: Federal Housing Finance Agency (formerly OFHEO), 4th Quarter 2008

Southern California MSAs also Experiencing Declining House Prices

FHFA House Price Index: Southern California
(2000 = 100, quarterly)



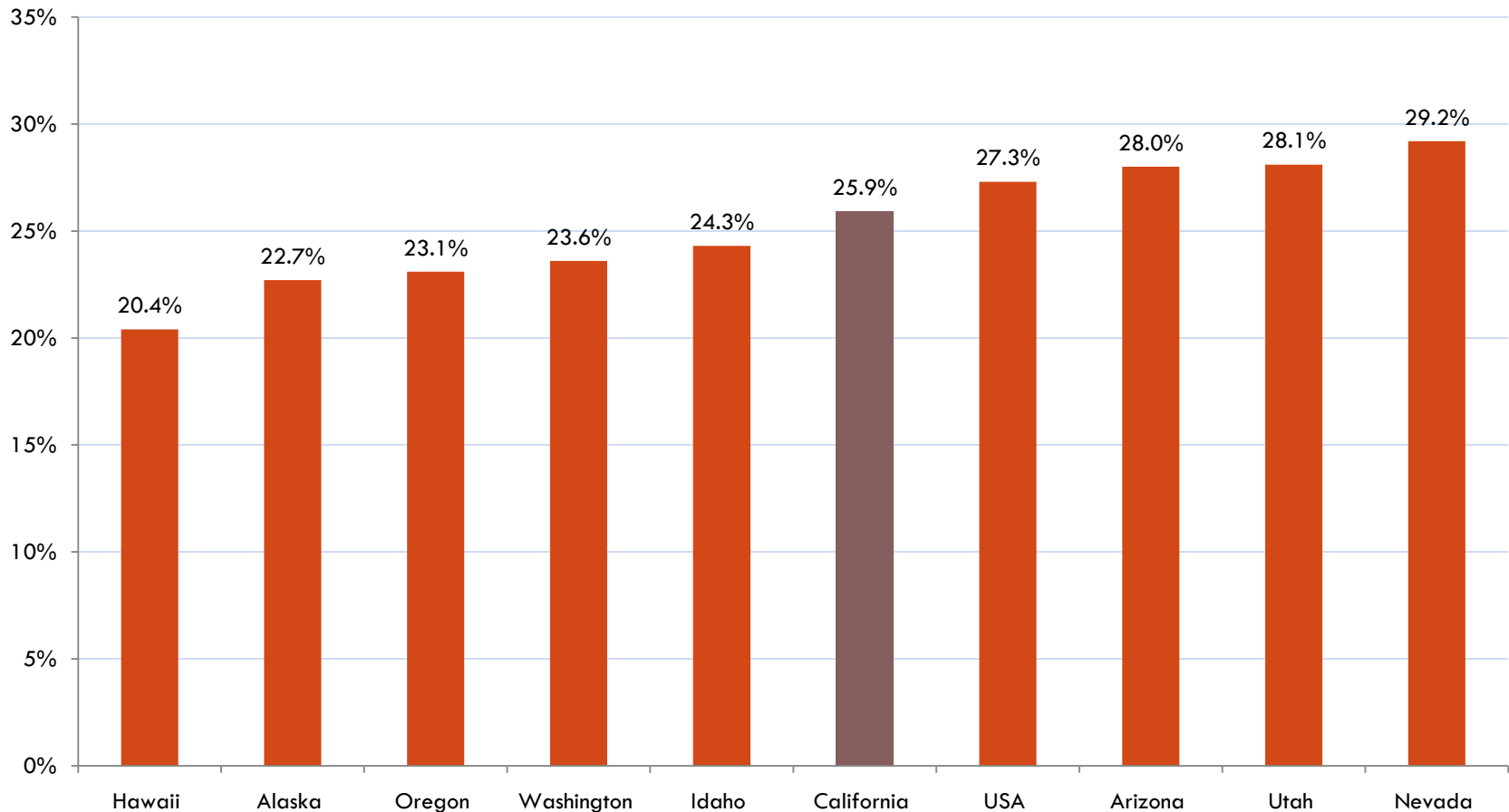
California's Foreclosures are Concentrated in Subprime ARM Market



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

Approximately 1 in 4 California Households Received a High Cost Loan during the Housing Boom

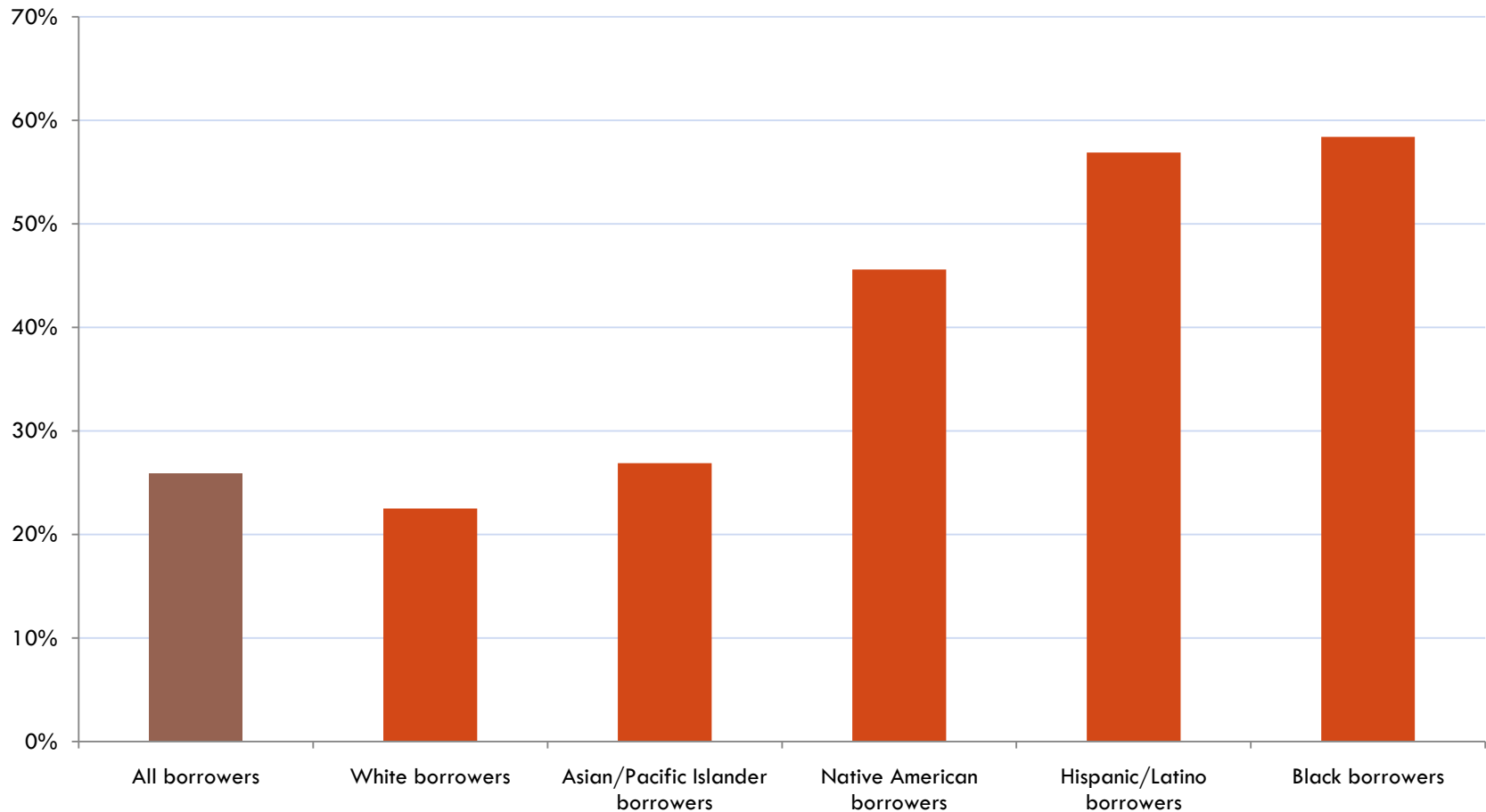
Percent of All Borrowers with High Interest Conventional Loans, 2005



Source: Home Mortgage Disclosure Act Data, 2005

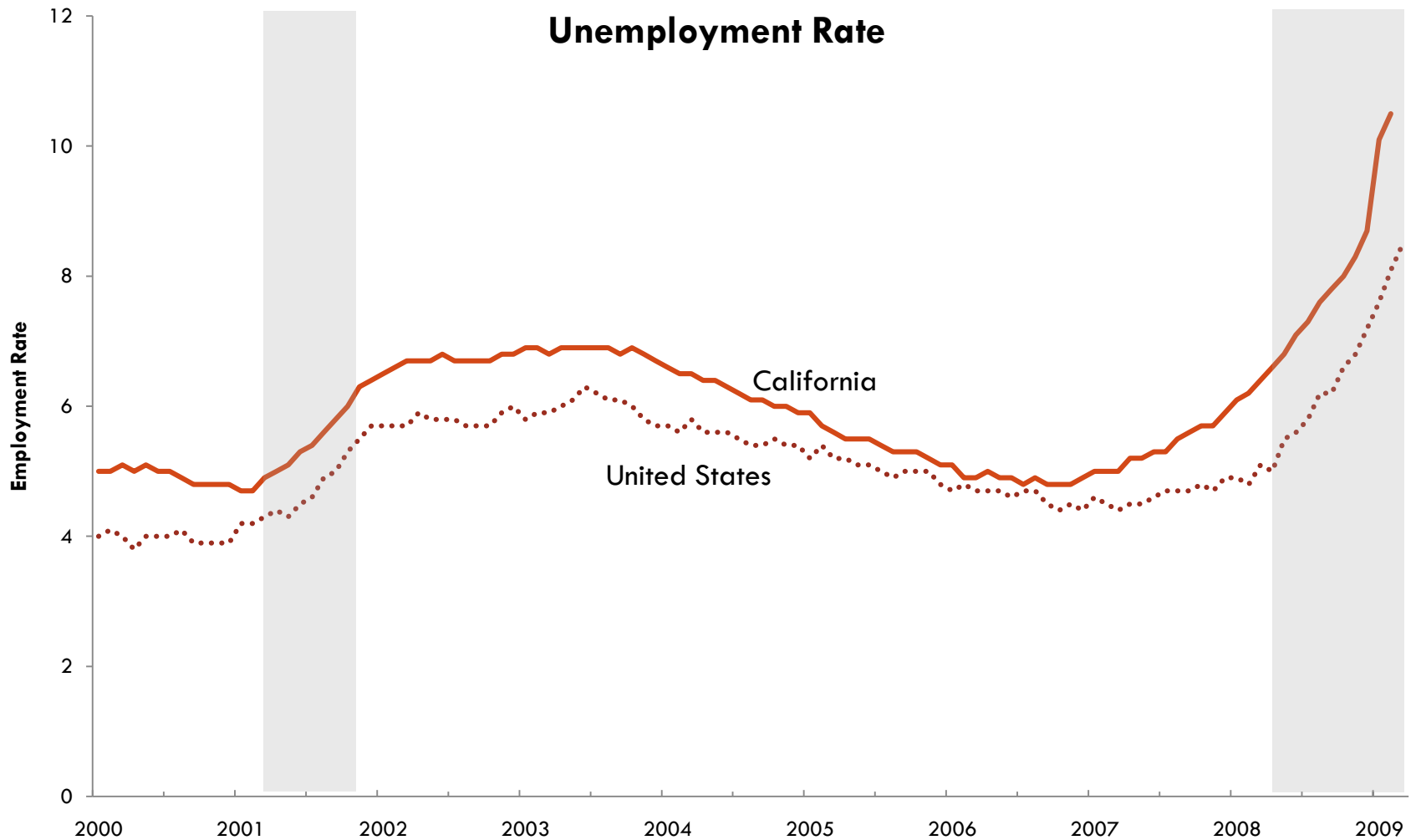
High Cost Lending in California More Prevalent Among Minority Borrowers

California: High Cost Conventional Loans by Race, 2005



Source: Home Mortgage Disclosure Act Data, 2005

Unemployment Rate in California on the Rise, May Affect Future Foreclosures



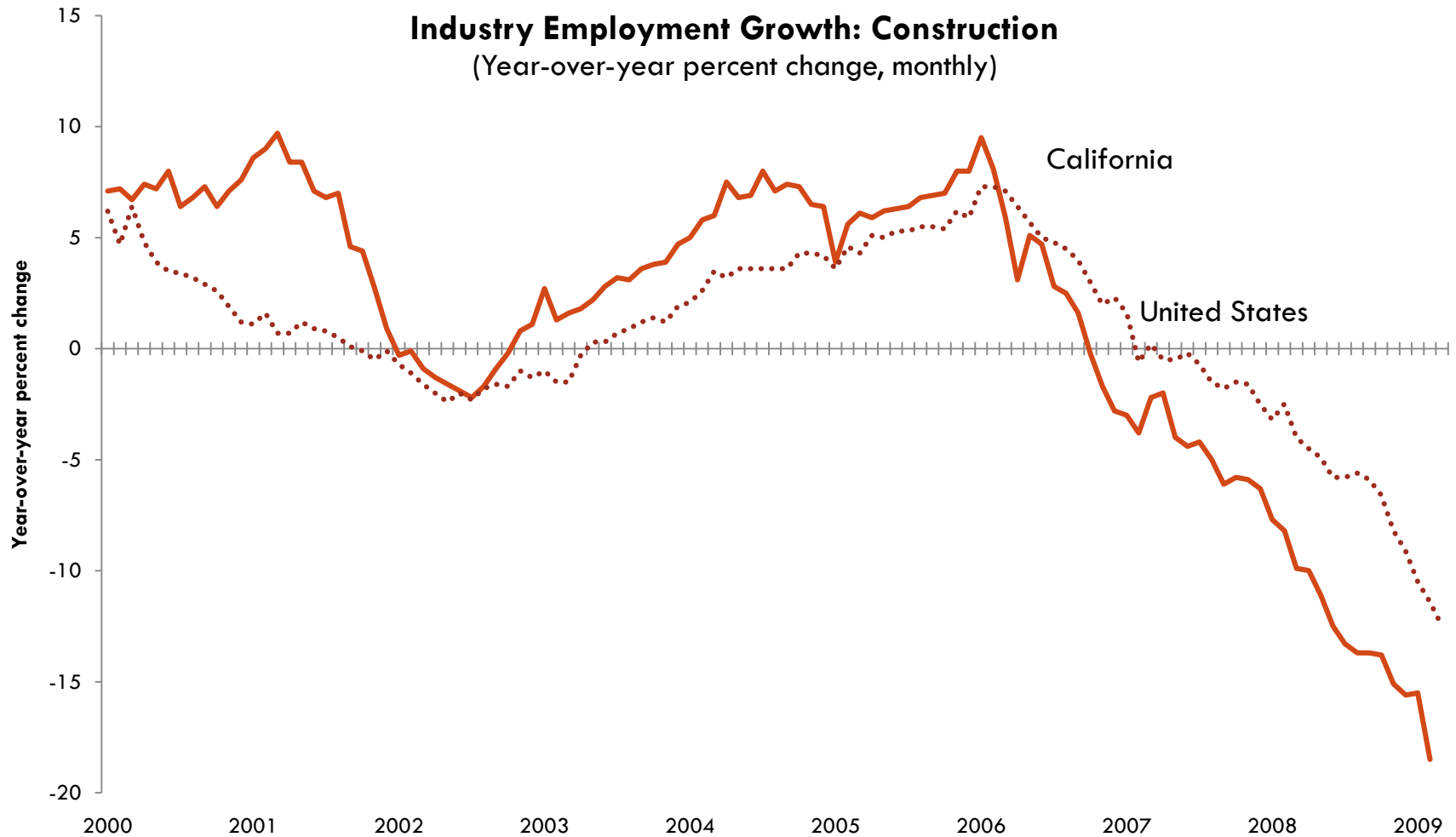
Source: Bureau of Labor Statistics, March 2009

Employment Trends by Industry in CA

California	Total Employed (thousands) February 2009	Percent Change		
		1-mo.*	3-mo.*	12-mo.
Total	14,534.8	-9.1	-7.3	-4
Trade, Transportation & Utilities	2,742.5	-6.7	-6.9	-5.5
Professional & Business Svcs.	2,164.8	-15	-9.9	-4.5
Educational & Health Svcs.	1,742.5	3	0.9	1.8
Leisure & Hospitality	1,533.5	-10.9	-5	-2.8
Manufacturing	1,355.4	-13.1	-12.3	-6.2
Financial Activities	816.7	-10	-7	-6
Construction	681.9	-41.2	-25.7	-18.5
Other Services	510.0	-3	-3	-1.2
Information	450.7	23.6	-22.3	-4
Government	2,508.6	-1.5	-1.3	-0.3
Natural Resources & Mining	28.2	-19	-2.8	0.4

Source: Bureau of Labor Statistics, February 2009; *Annualized.

Significant Drop in Construction Employment

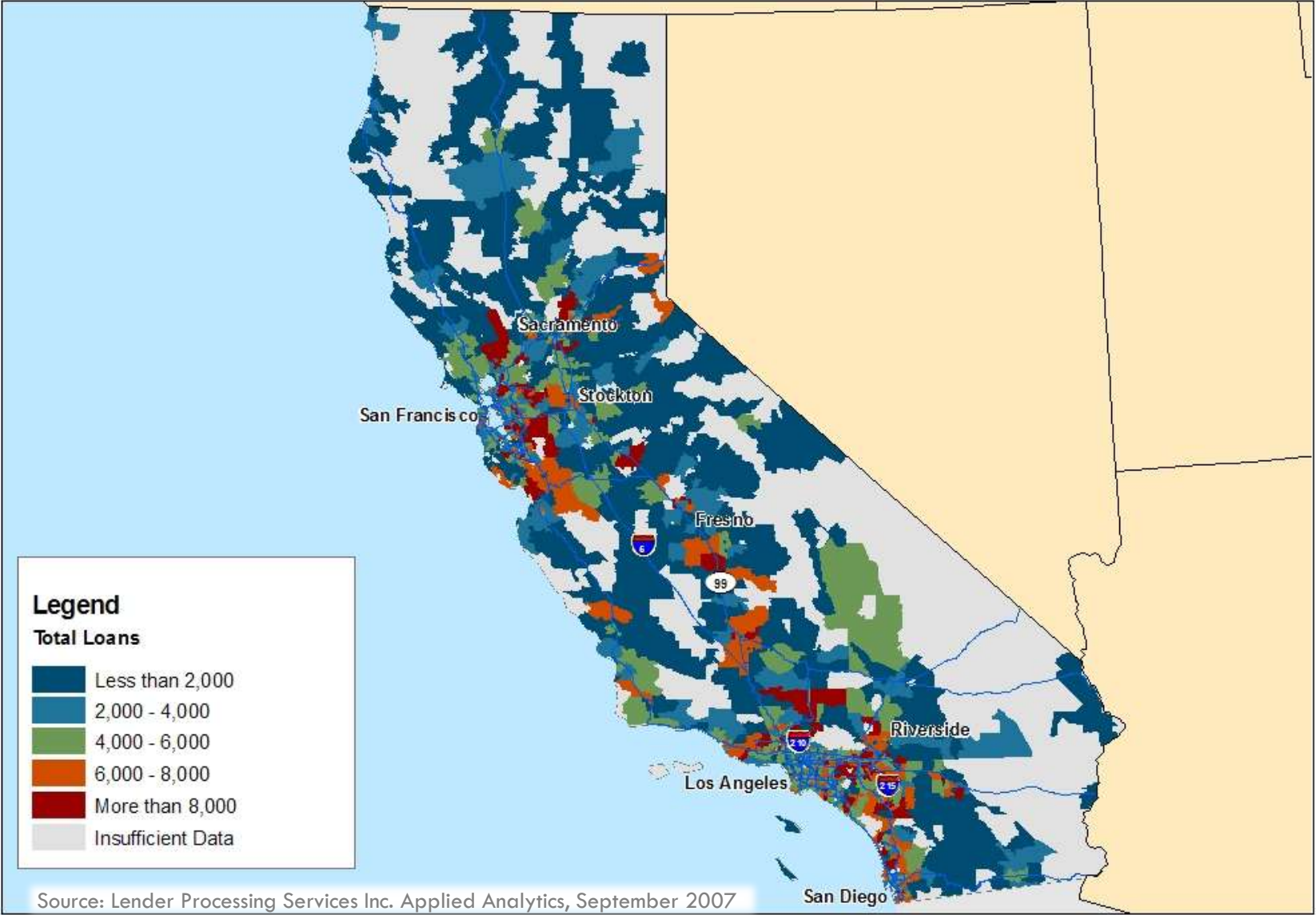


Source: Bureau of Labor Statistics, March 2009

State & Local Data Maps

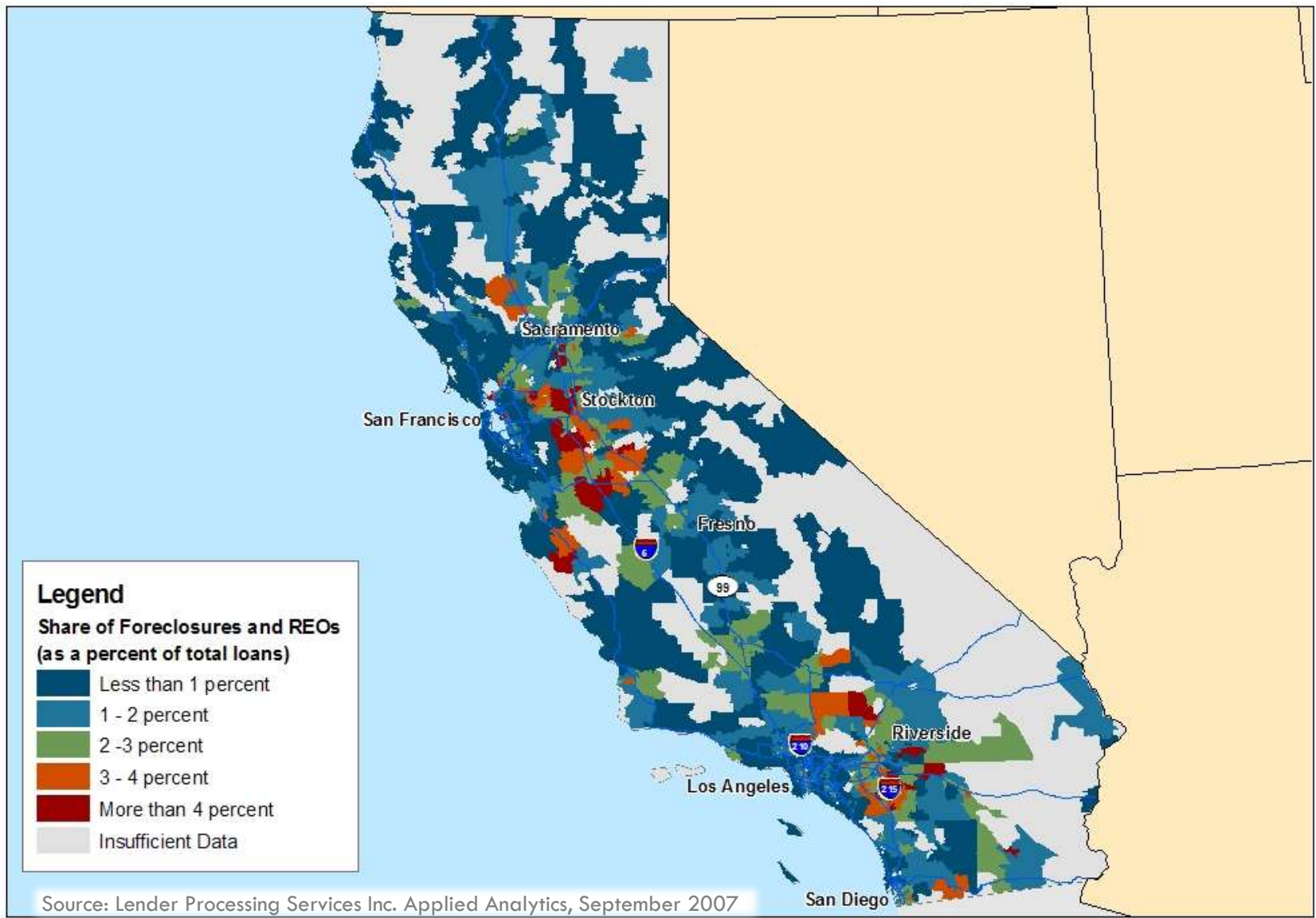
Lending Volumes

September 2007



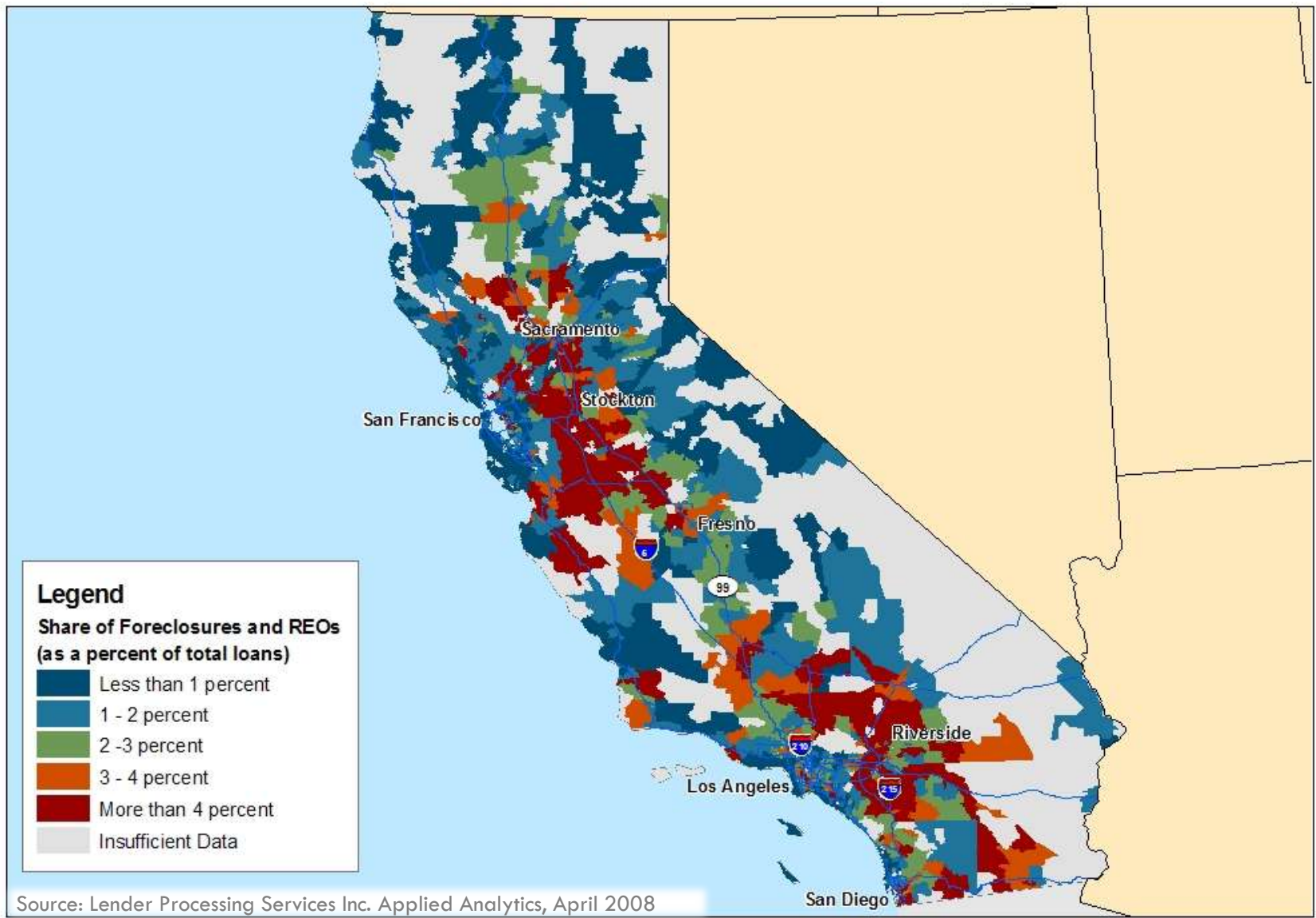
Areas Affected by Concentrated Foreclosures

September 2007



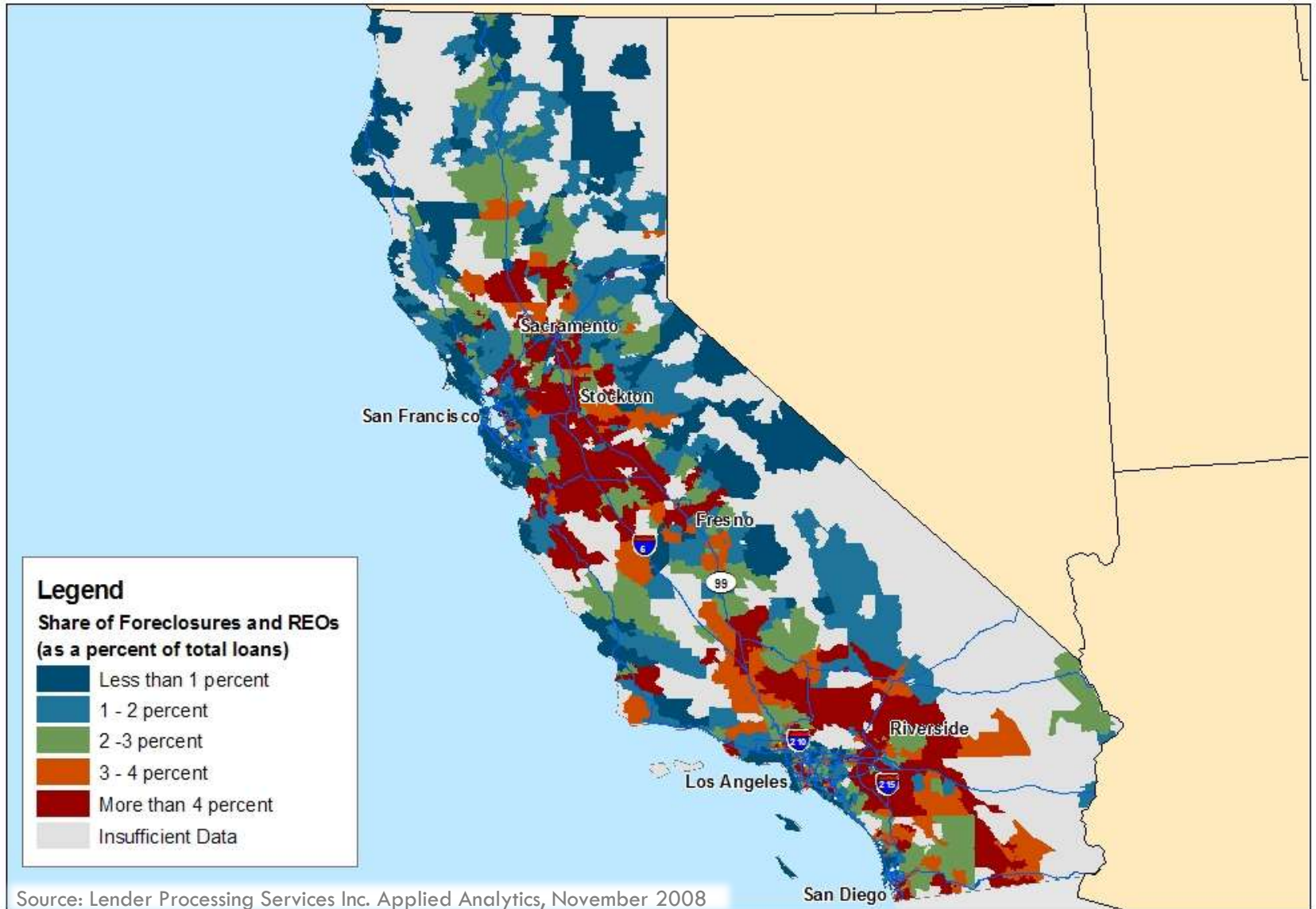
Areas Affected by Concentrated Foreclosures

April 2008



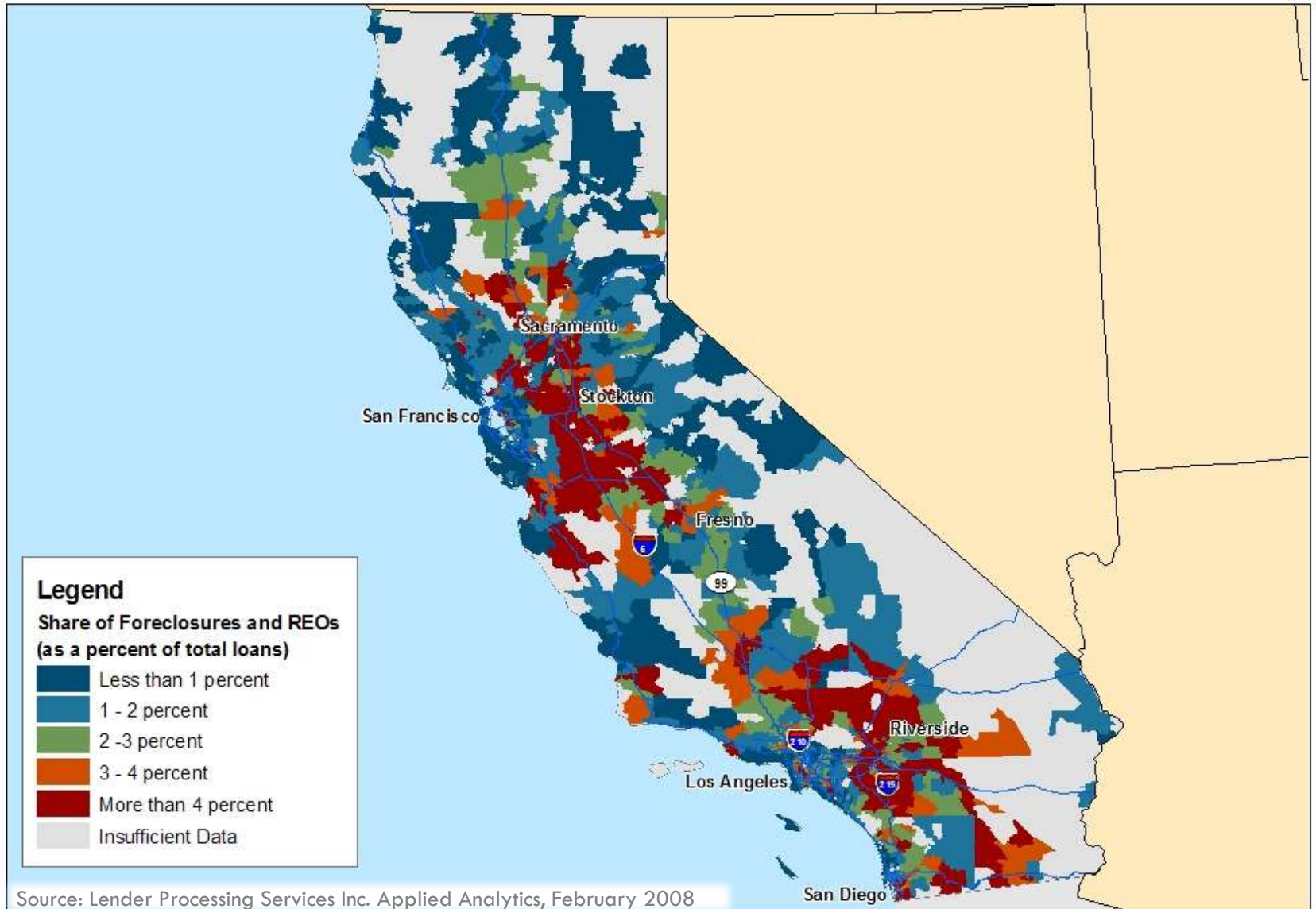
Areas Affected by Concentrated Foreclosures

November 2008



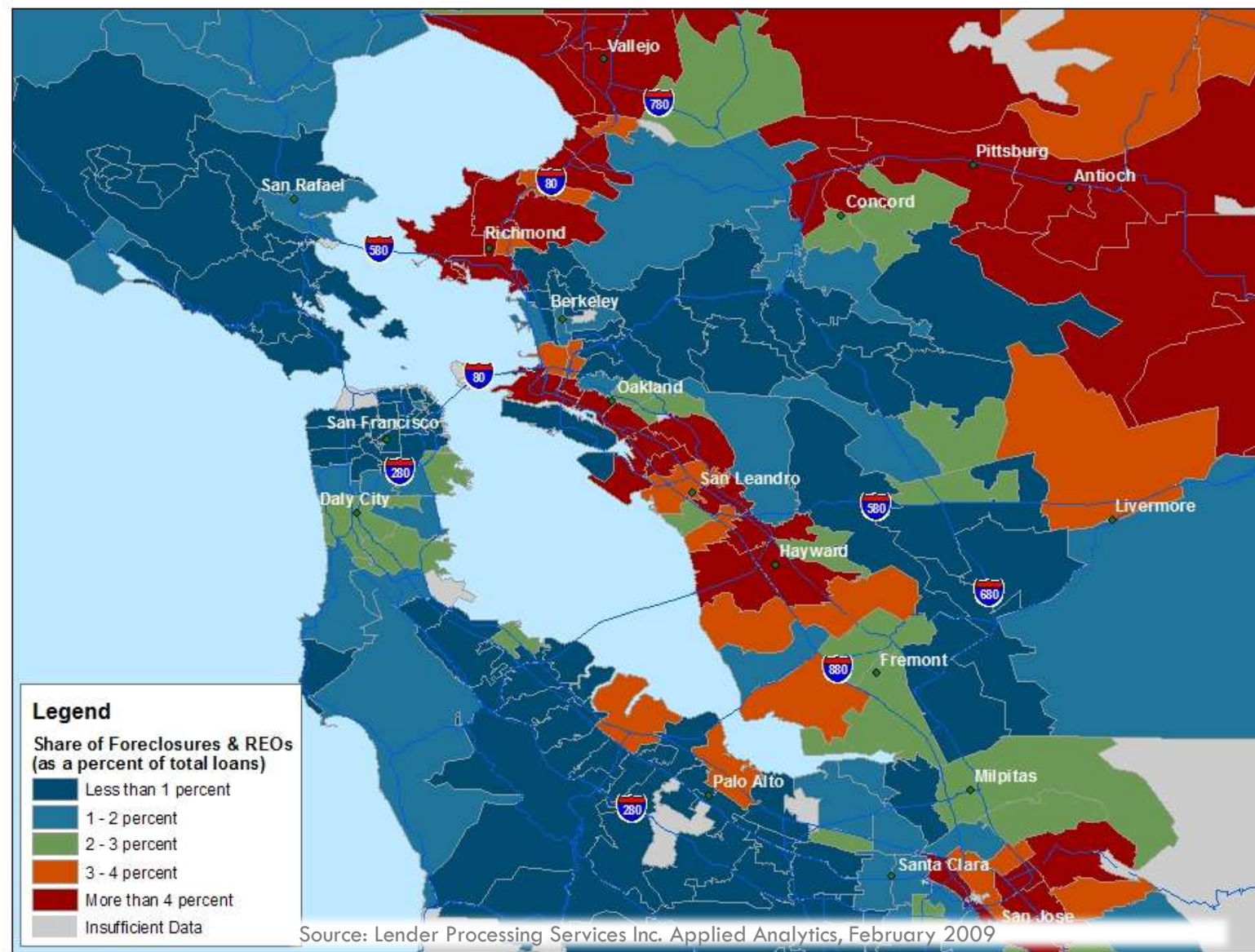
Areas Affected by Concentrated Foreclosures

February 2009



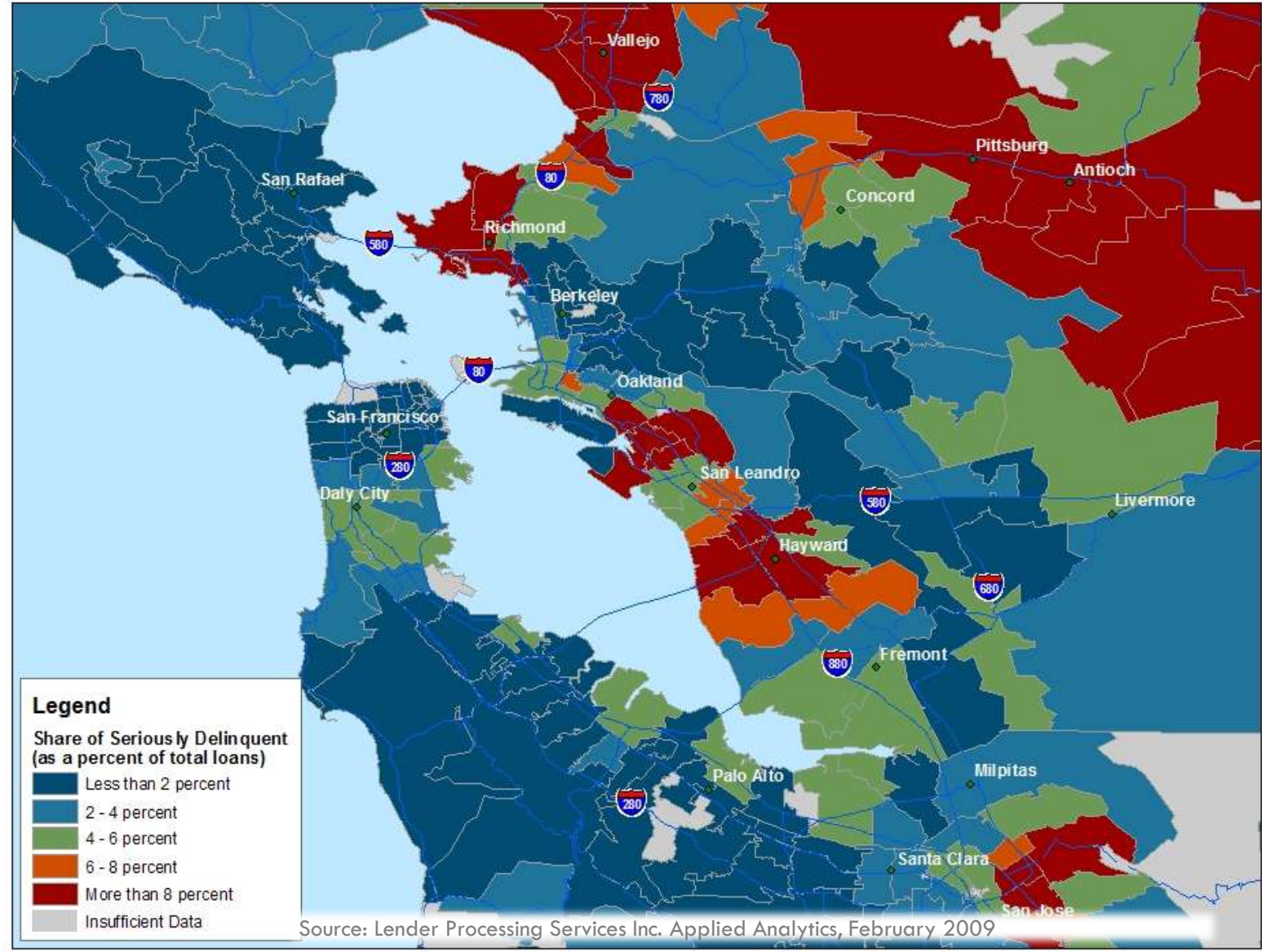
Neighborhoods Affected by Concentrated Foreclosures

February 2009



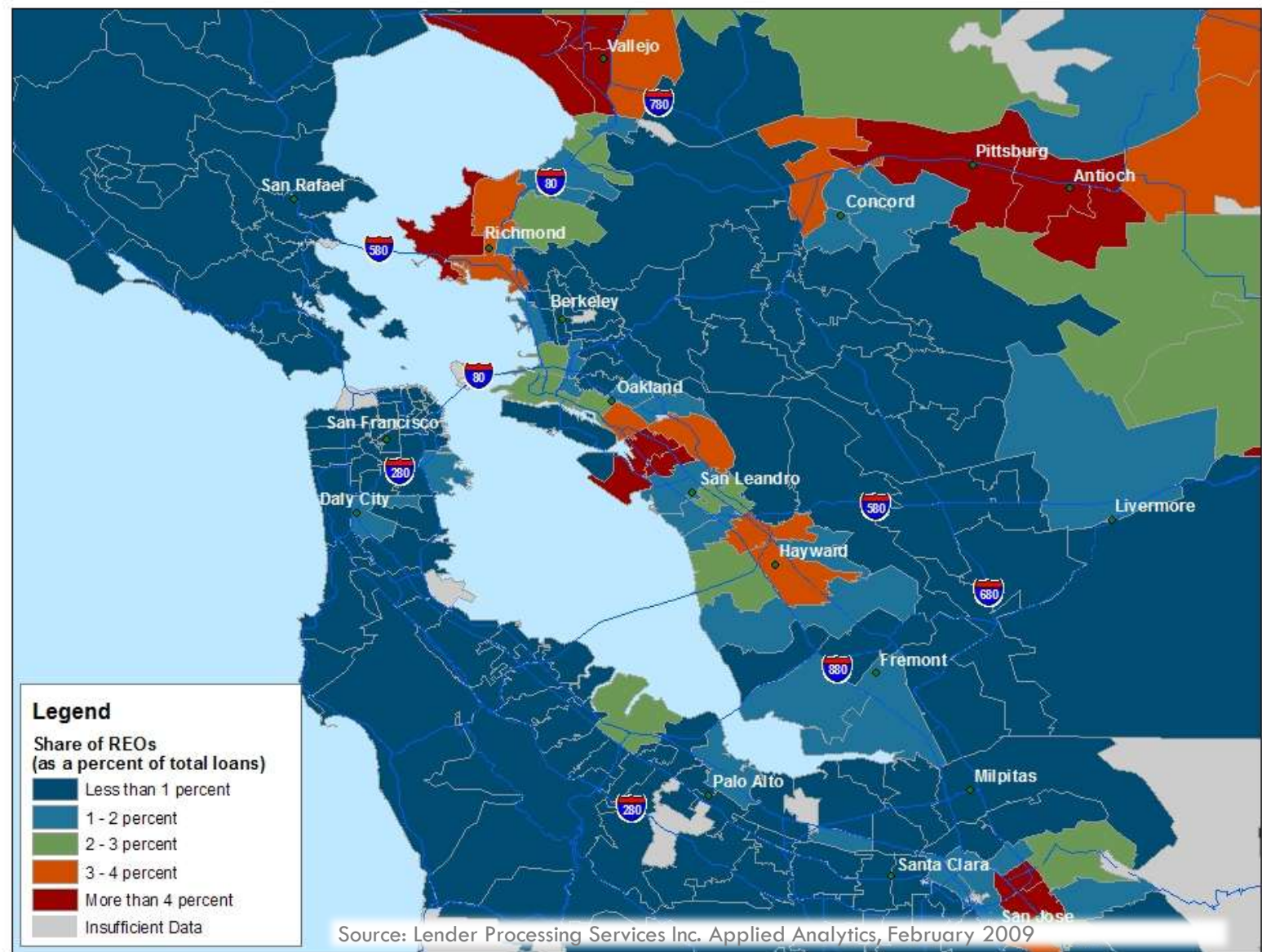
Neighborhoods at Risk of Additional Foreclosures

February 2009



Concentration of REO Properties

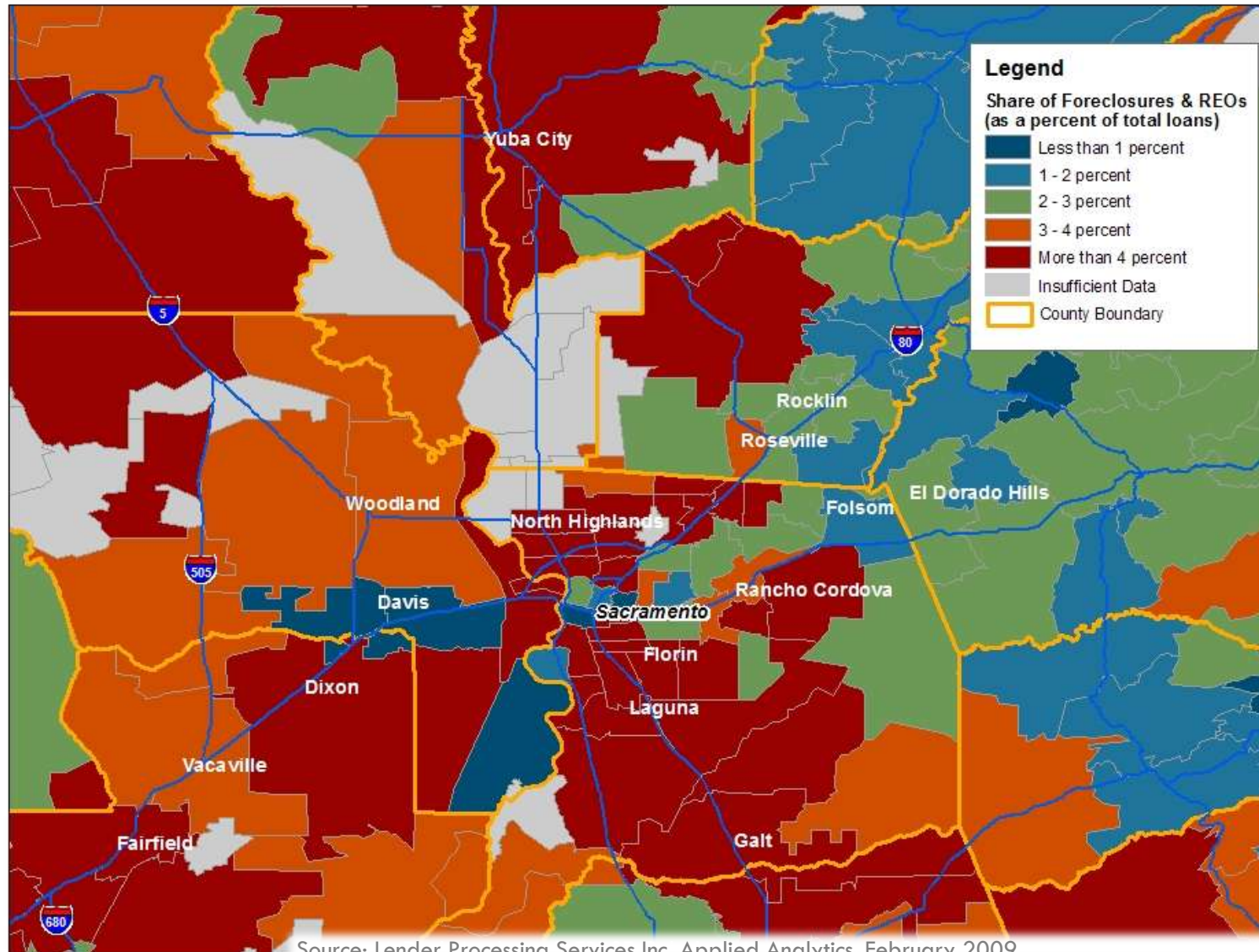
February 2009



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

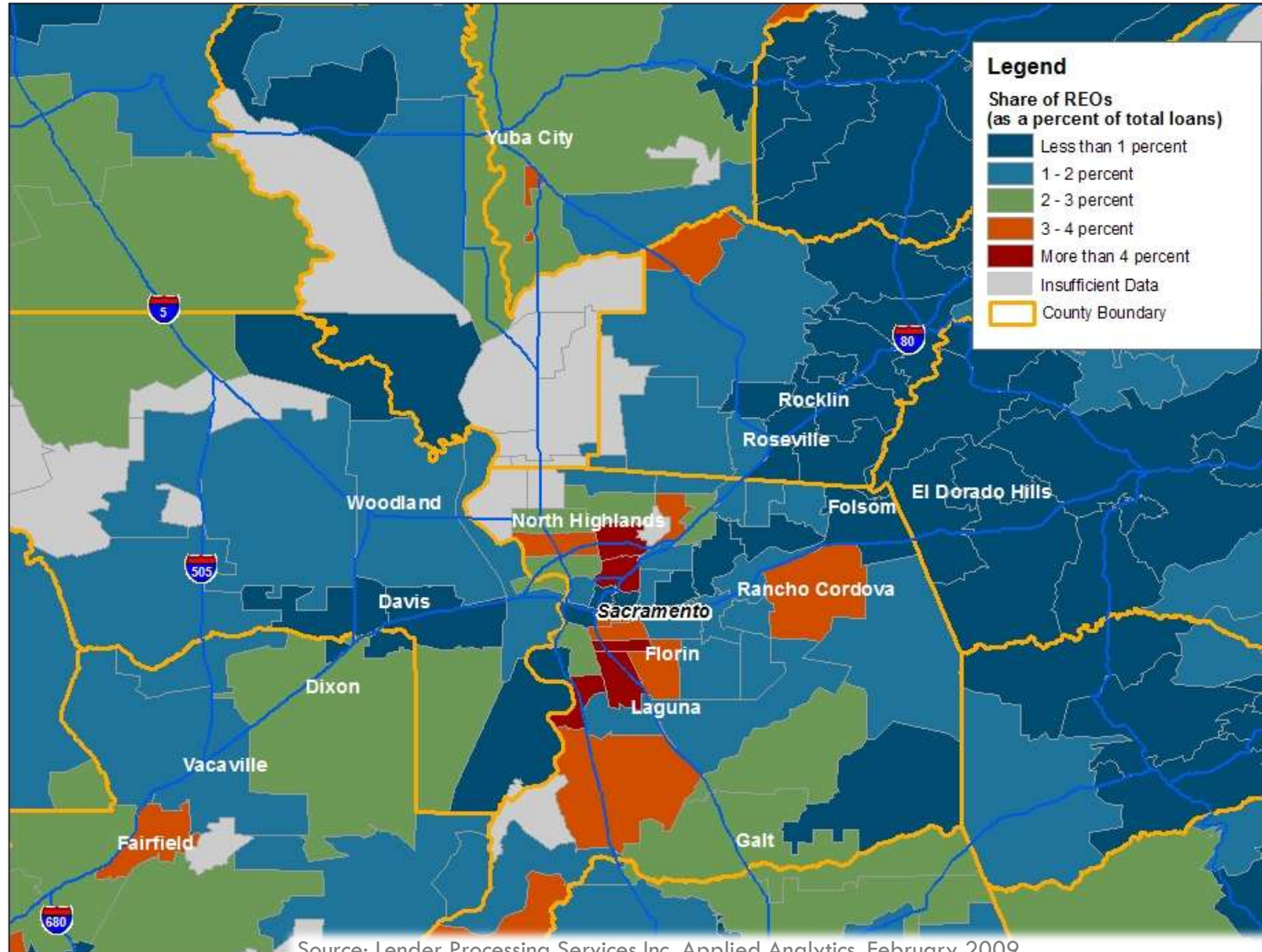
Neighborhoods with Concentrations of Foreclosures

February 2009



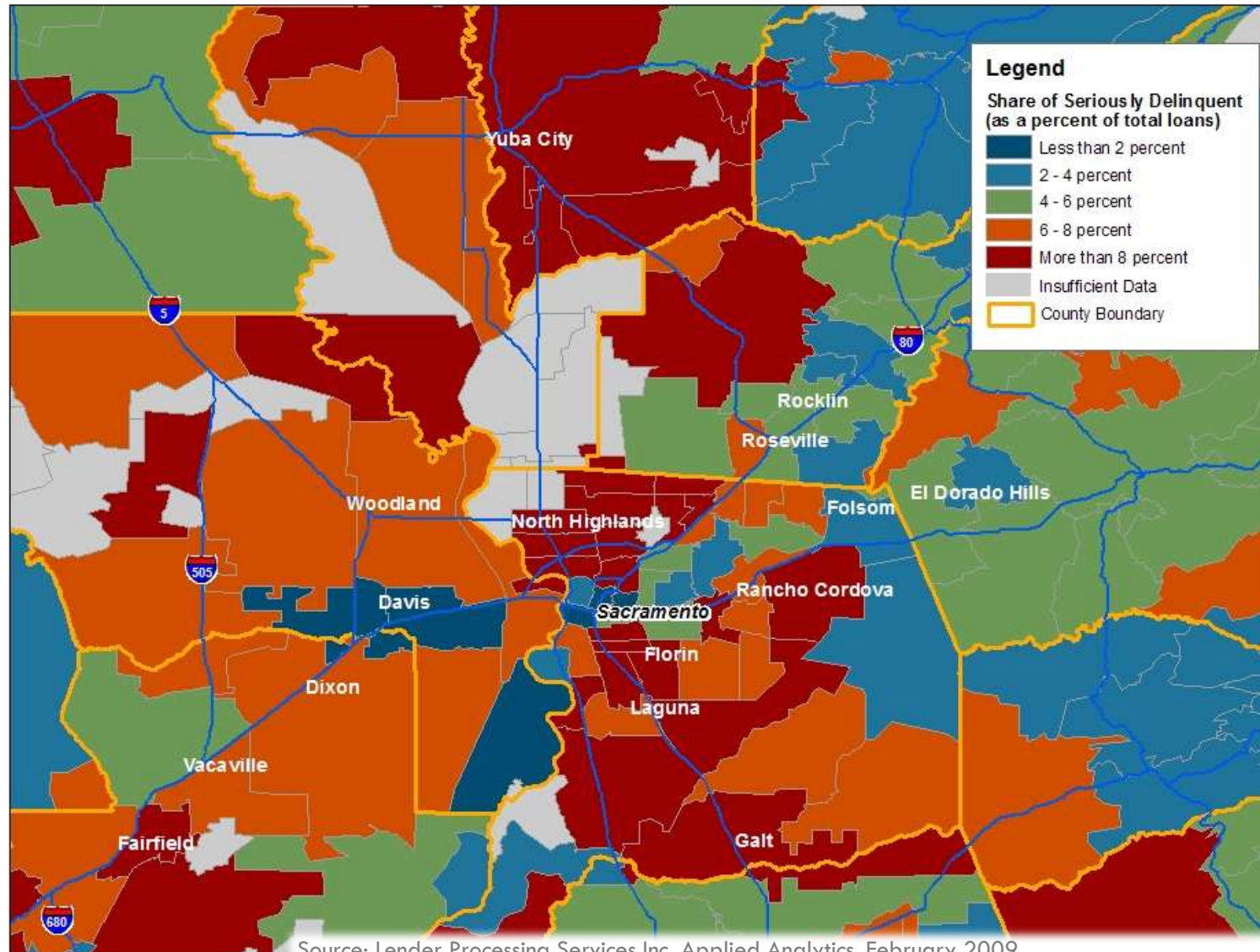
Source: Lender Processing Services Inc. Applied Analytics, February 2009

Concentration of REO Properties February 2009



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

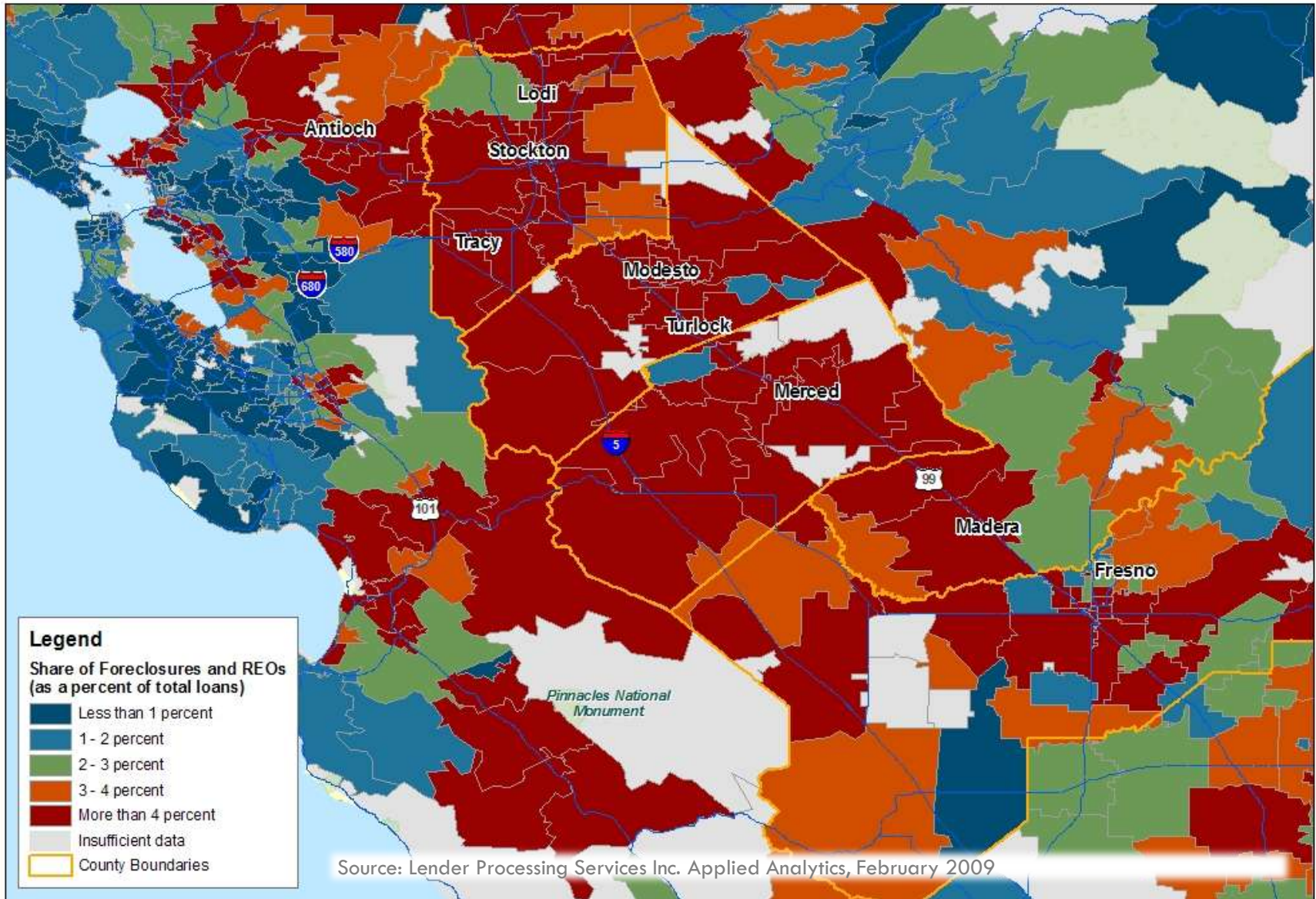
Areas at Risk of Additional Foreclosures February 2009



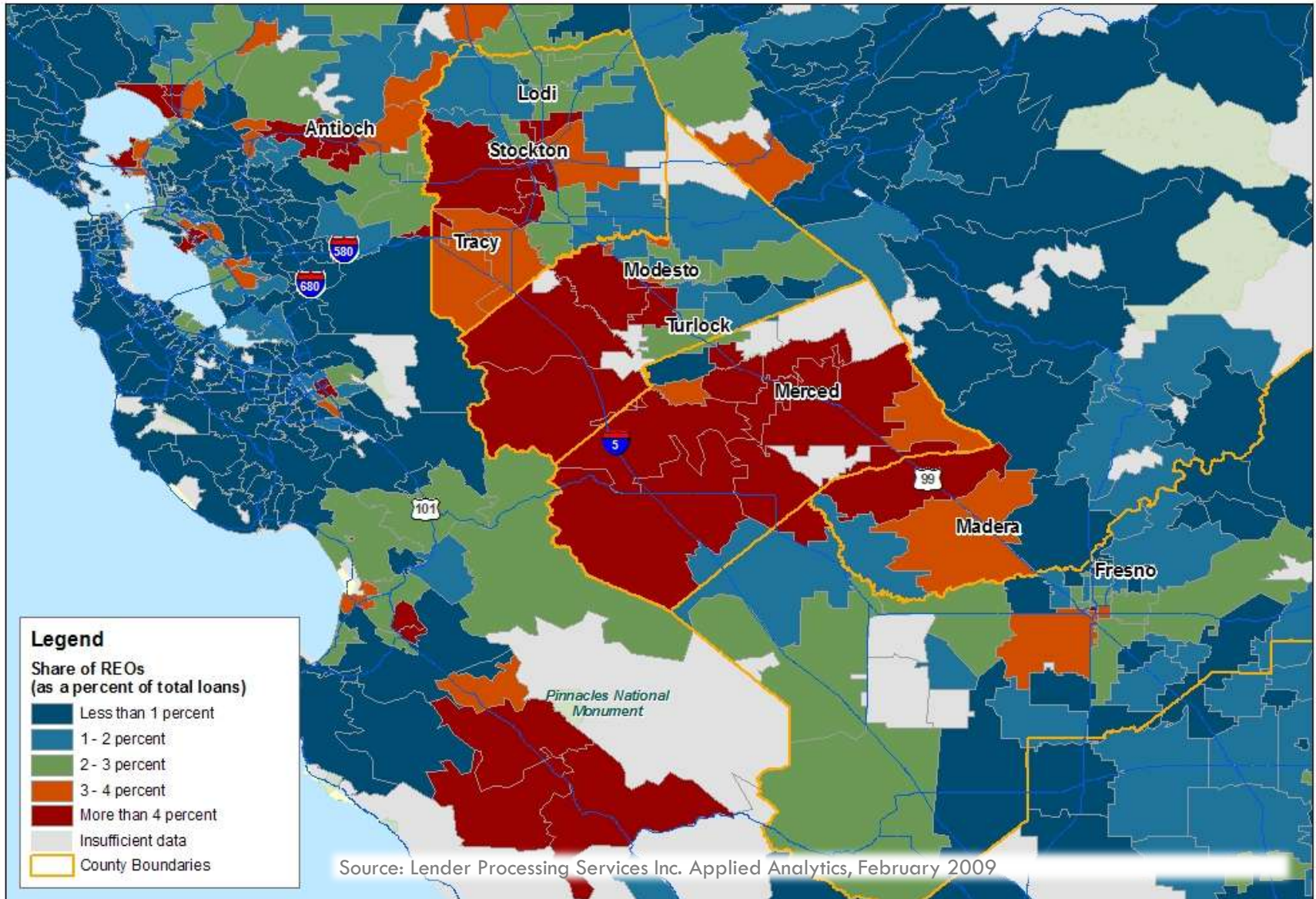
Source: Lender Processing Services Inc. Applied Analytics, February 2009

Neighborhoods with Concentrations of Foreclosures

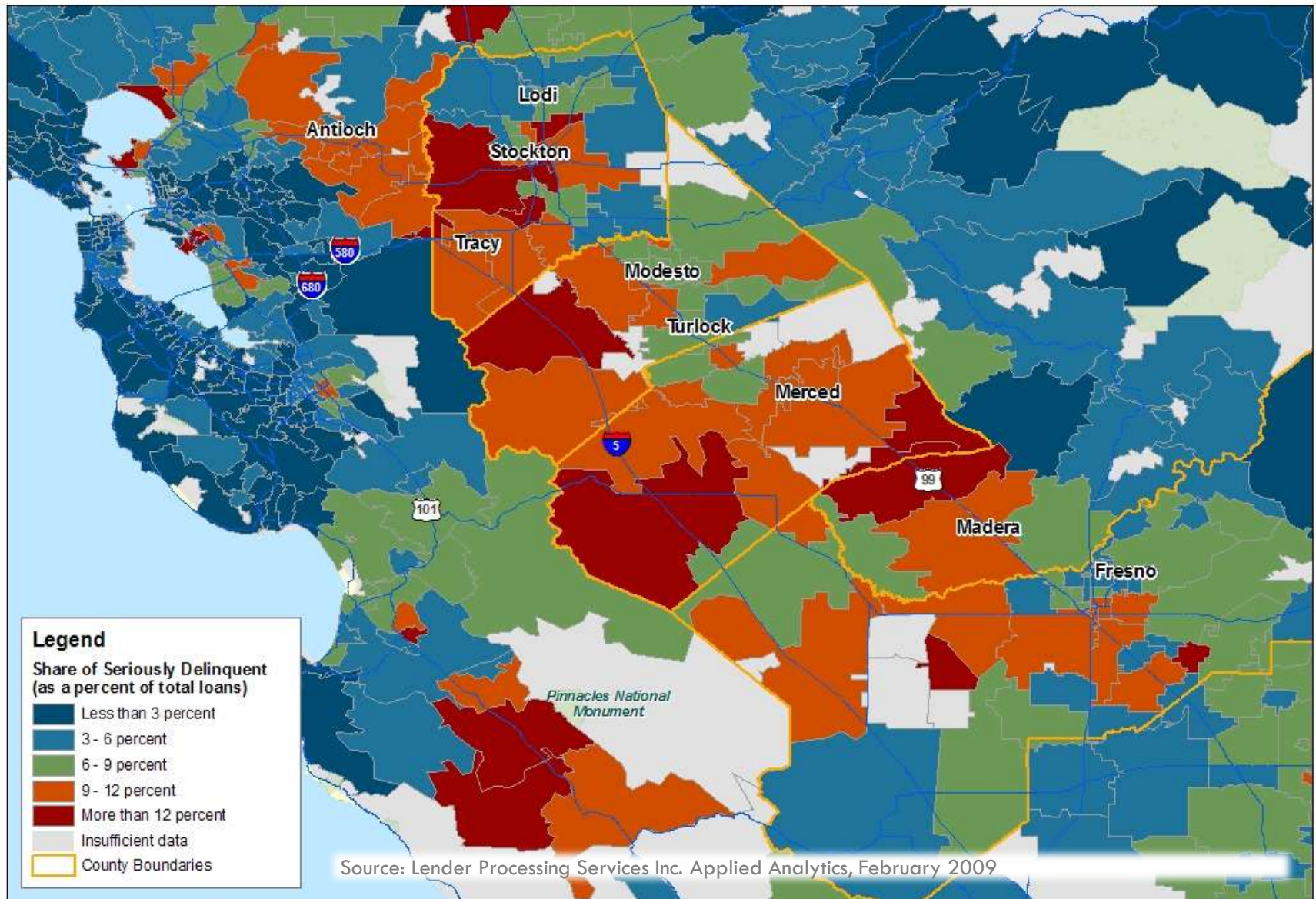
February 2009



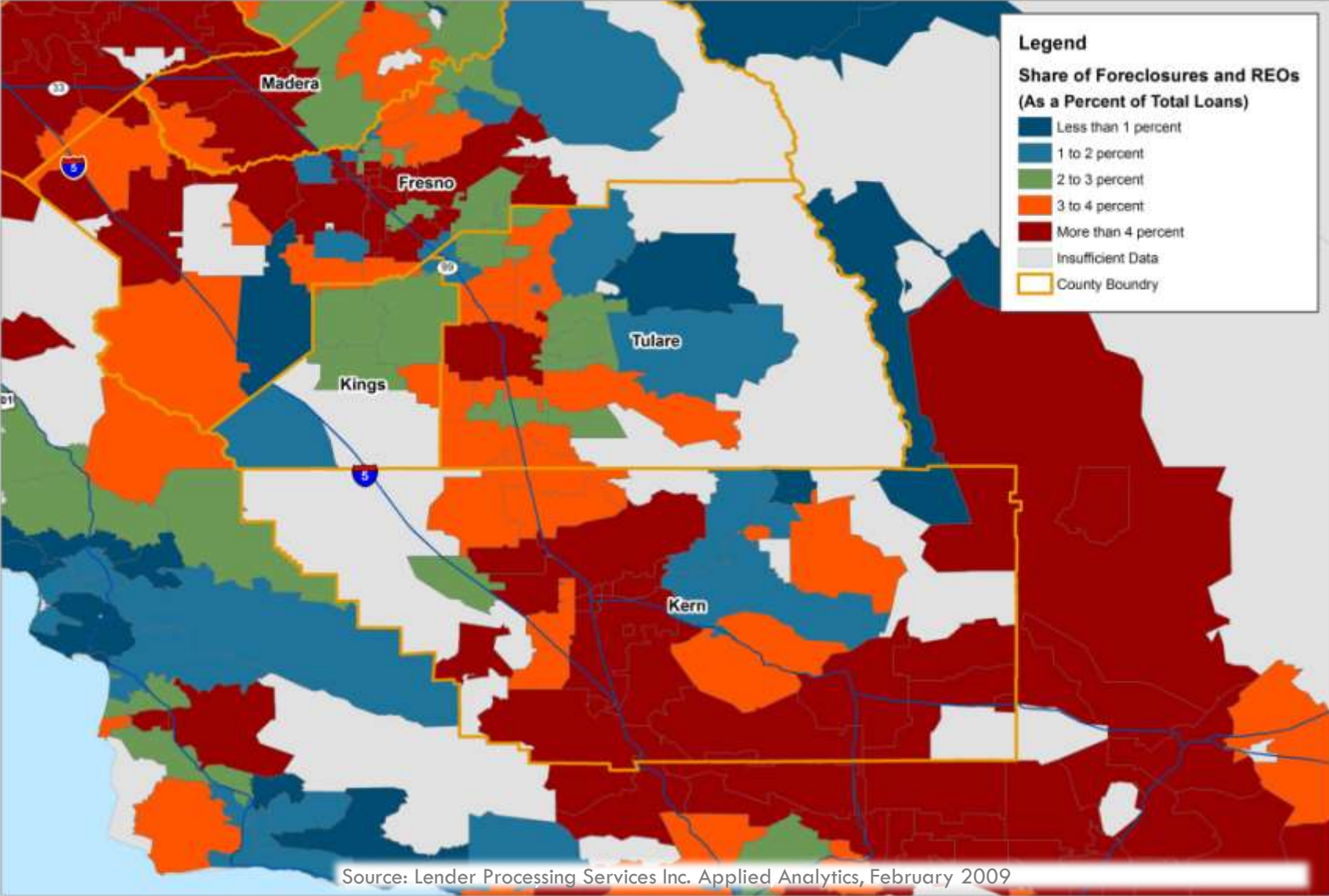
Concentration of REO Properties February 2009



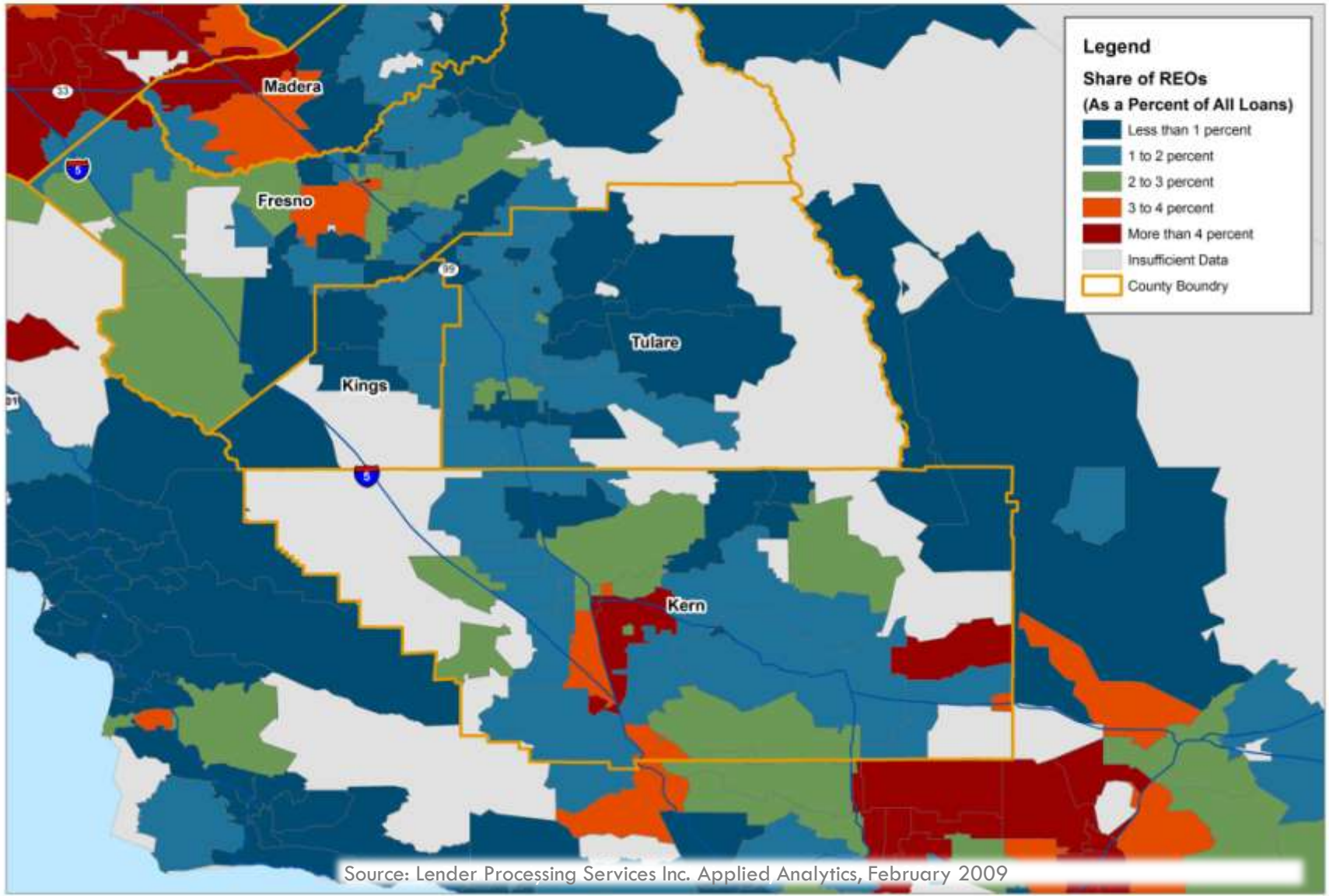
Areas at Risk of Additional Foreclosures February 2009



Neighborhoods with Concentrations of Foreclosures February 2009

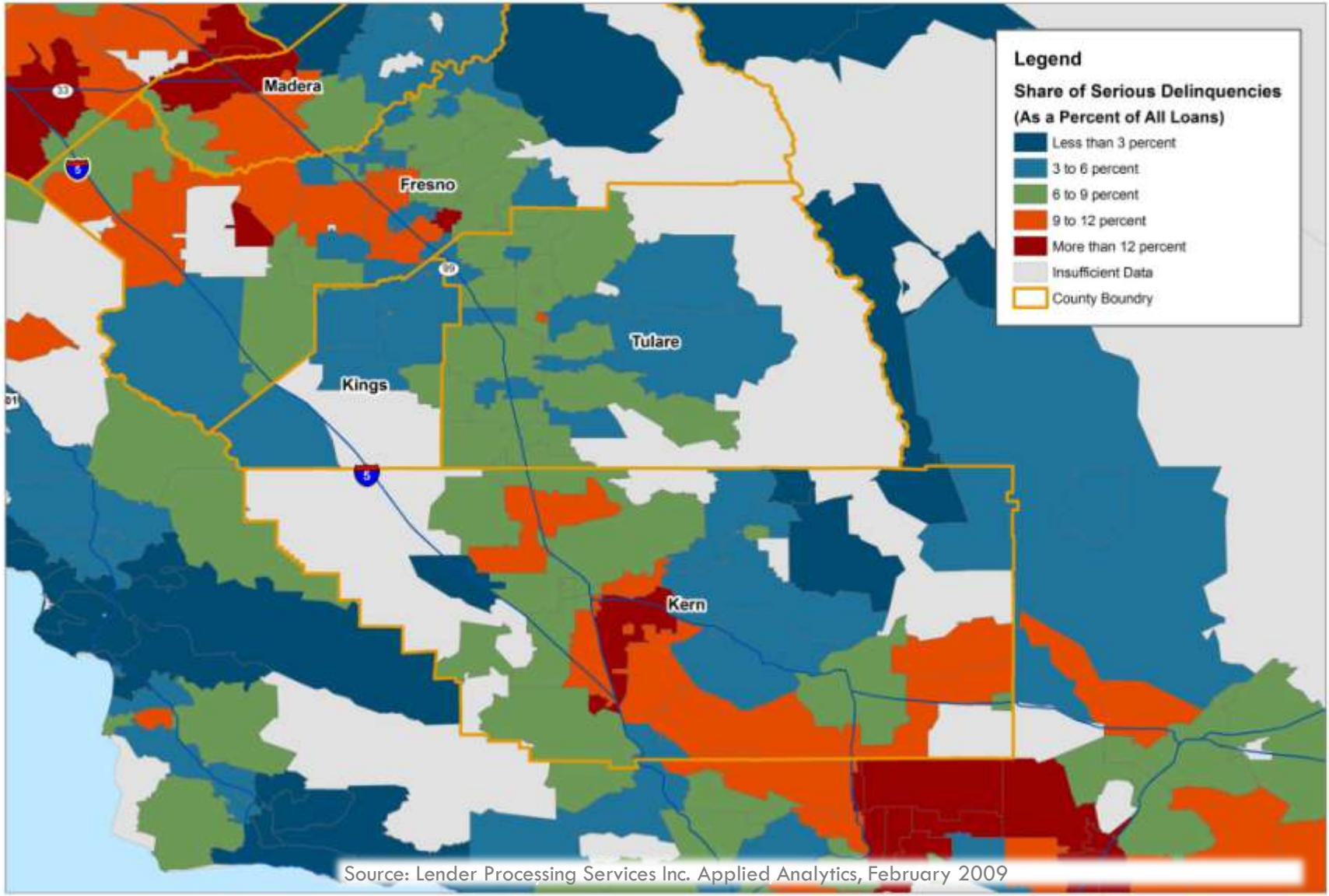


Concentration of REO Properties February 2009

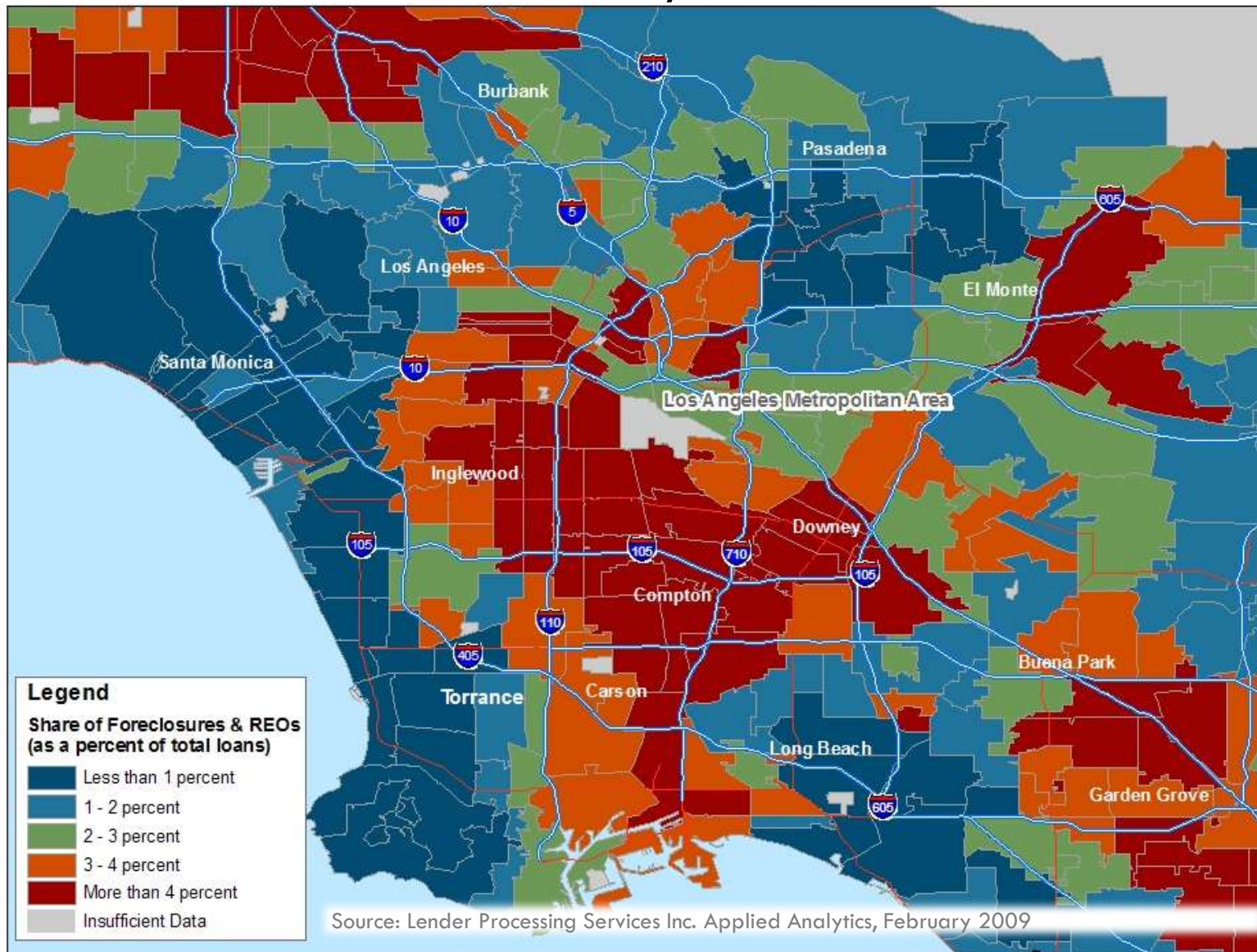


Areas at Risk of Additional Foreclosures

February 2009

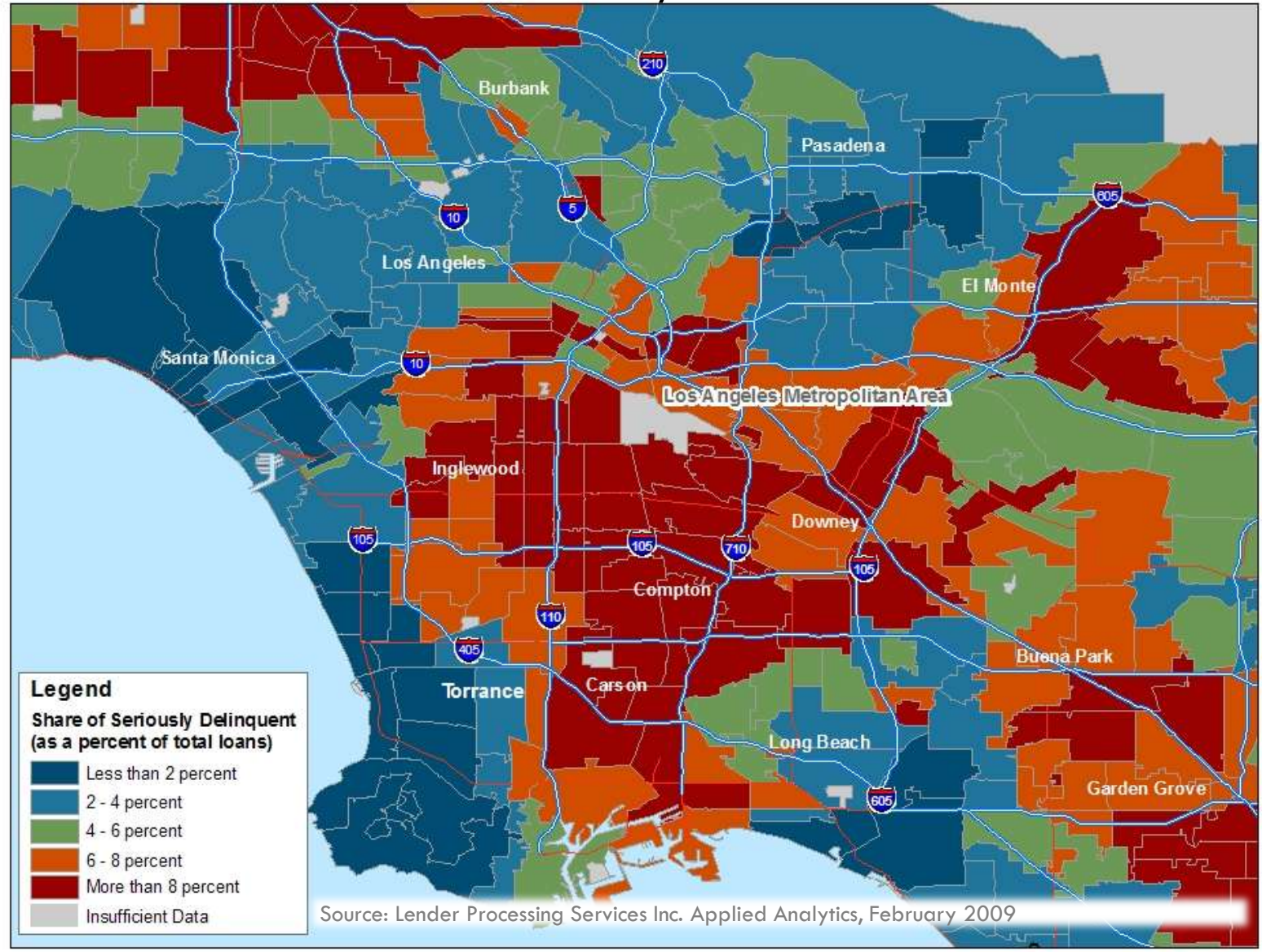


Neighborhoods with Concentrations of Foreclosures February 2009



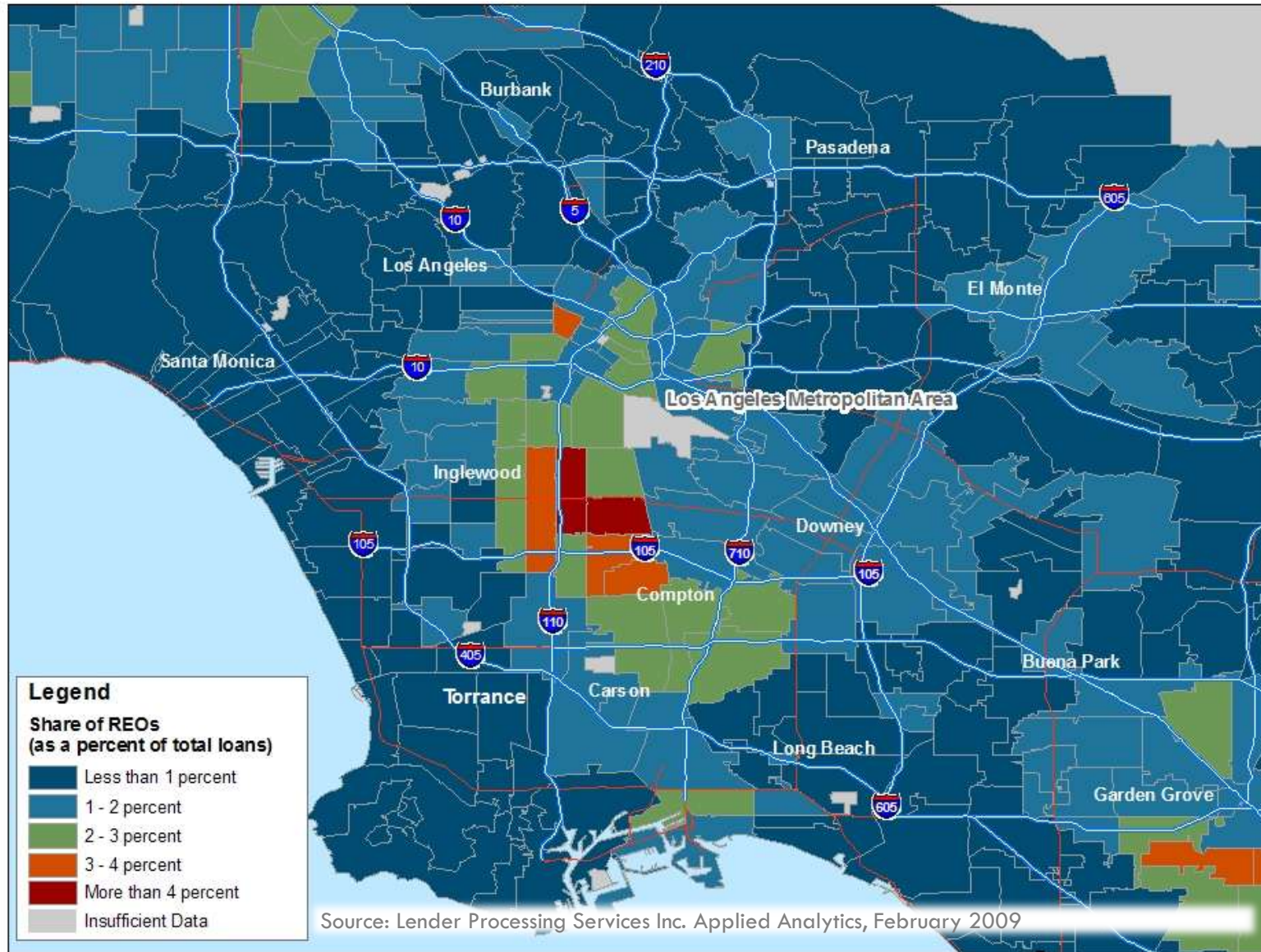
Neighborhoods at Risk of Additional Foreclosures

February 2009



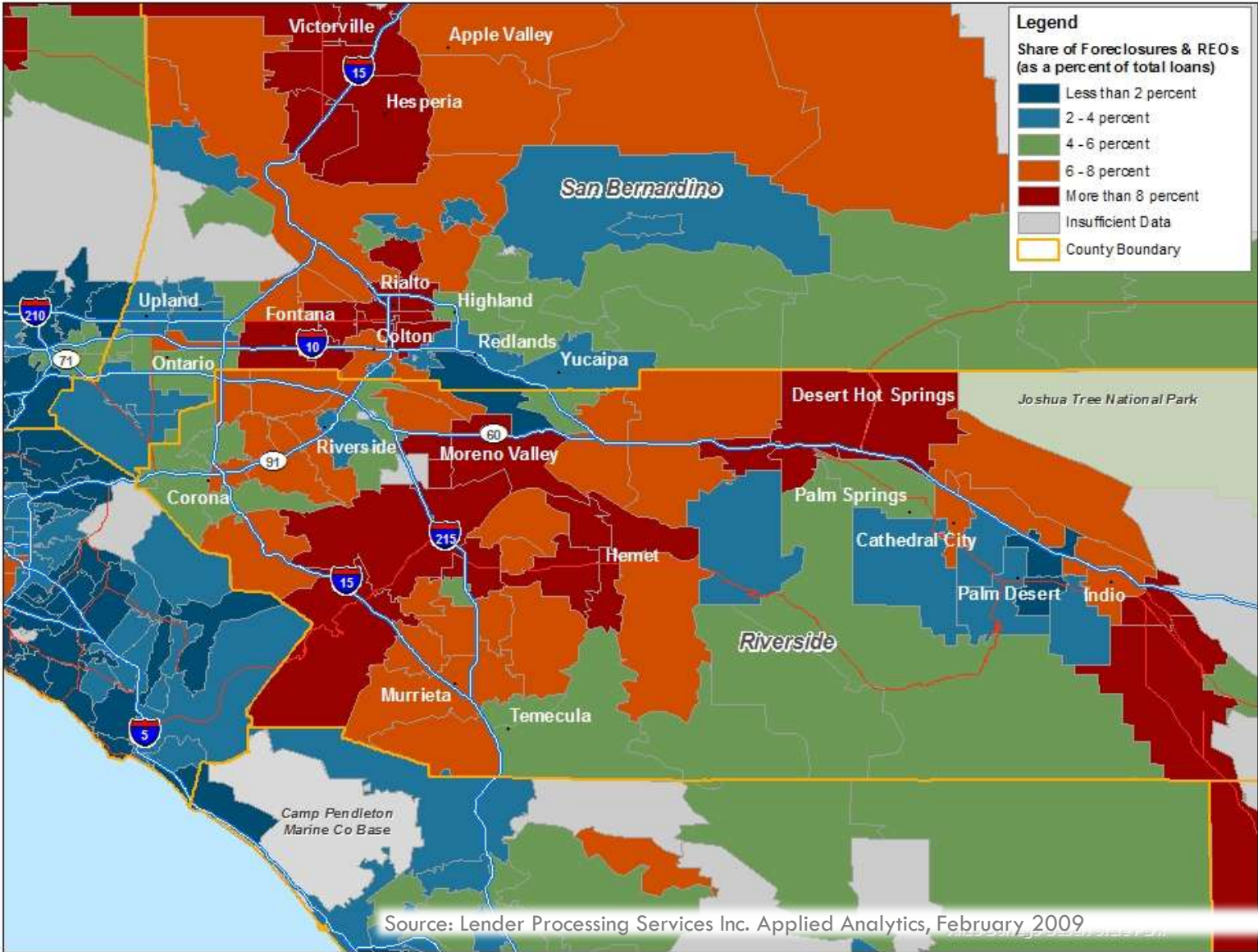
Concentration of REO Properties

February 2009



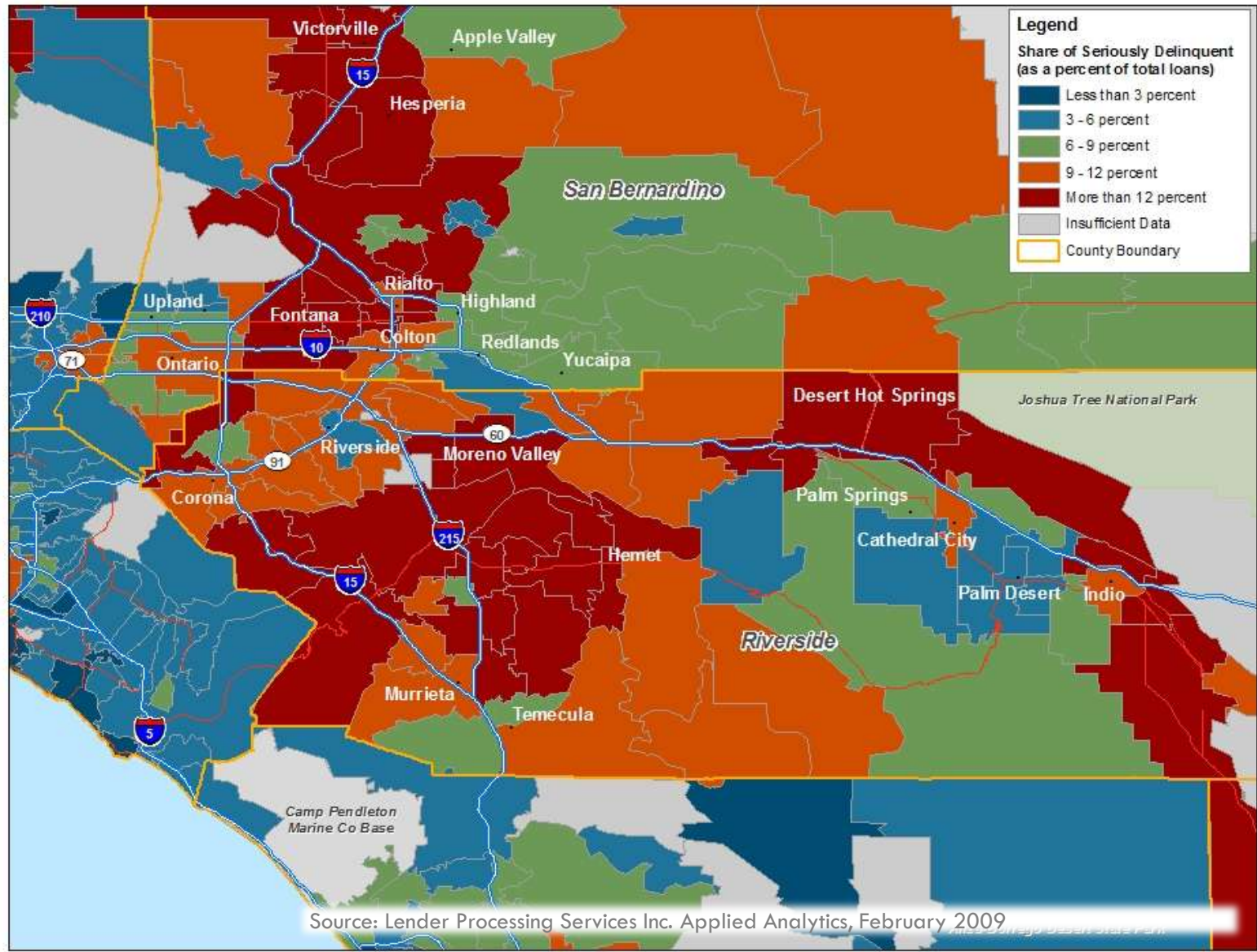
Neighborhoods with Concentrations of Foreclosures

February 2009



Neighborhoods at Risk of Additional Foreclosures

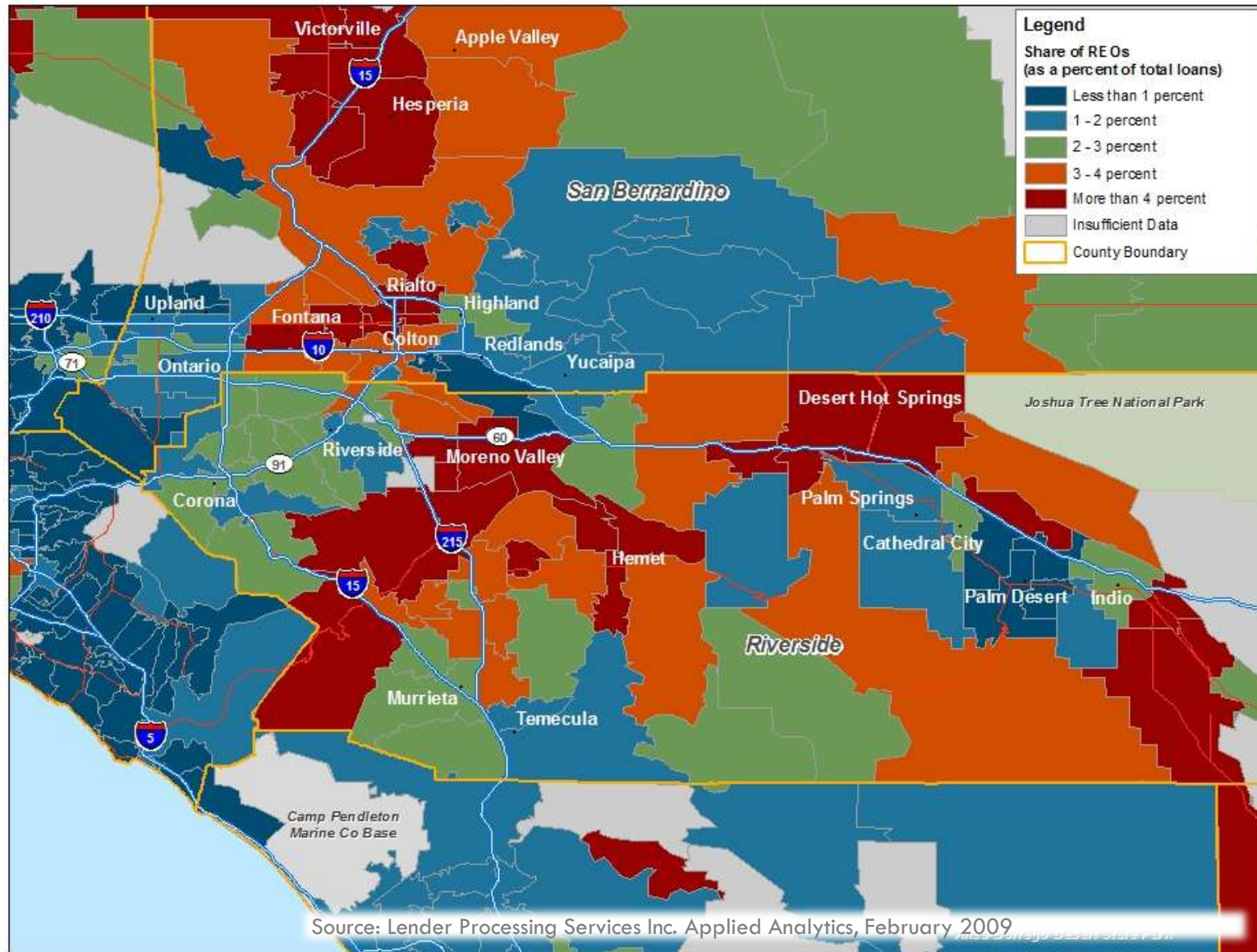
February 2009



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

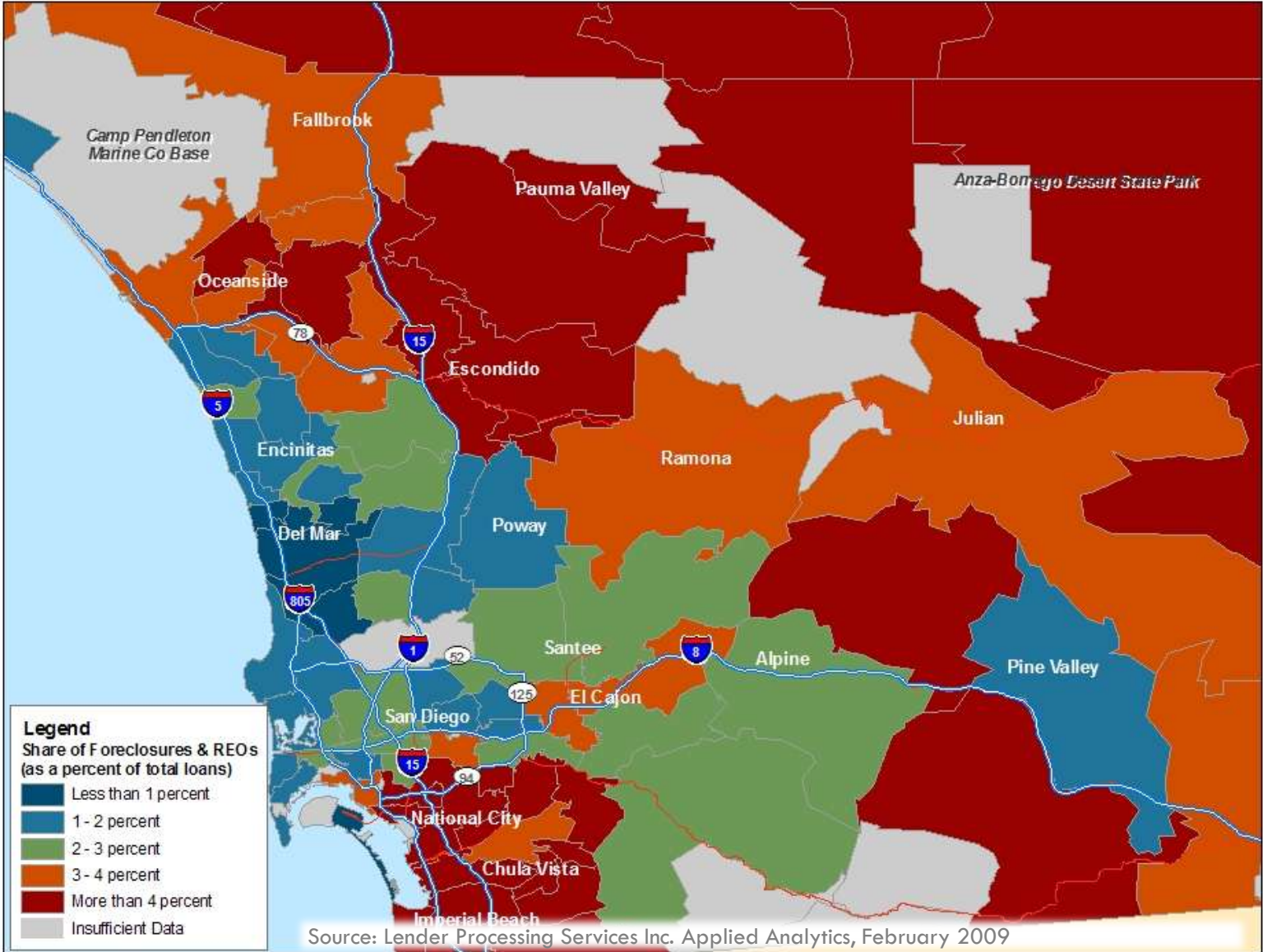
Concentration of REO Properties

February 2009



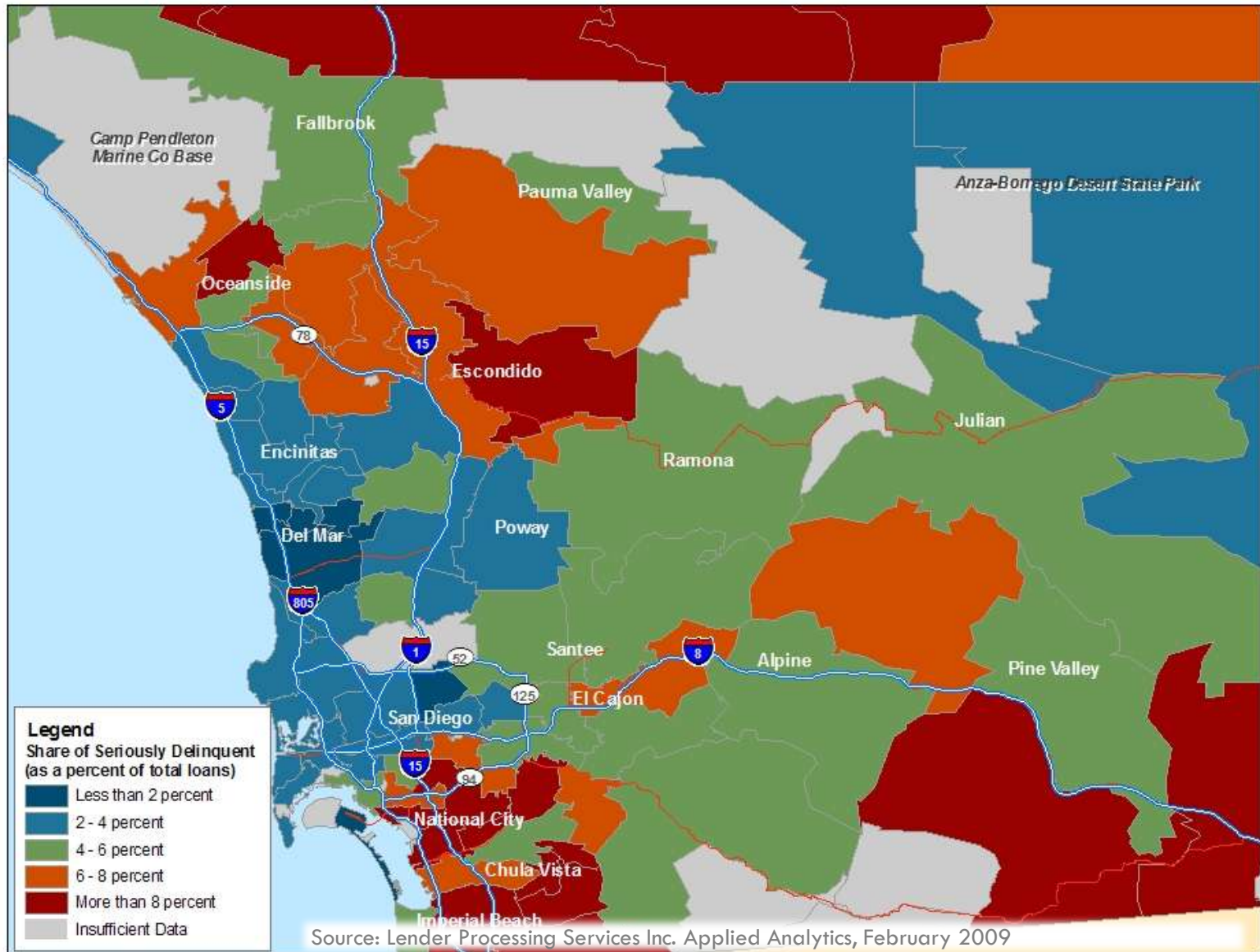
Source: Lender Processing Services Inc. Applied Analytics, February 2009

Neighborhoods with Concentrations of Foreclosures February 2009



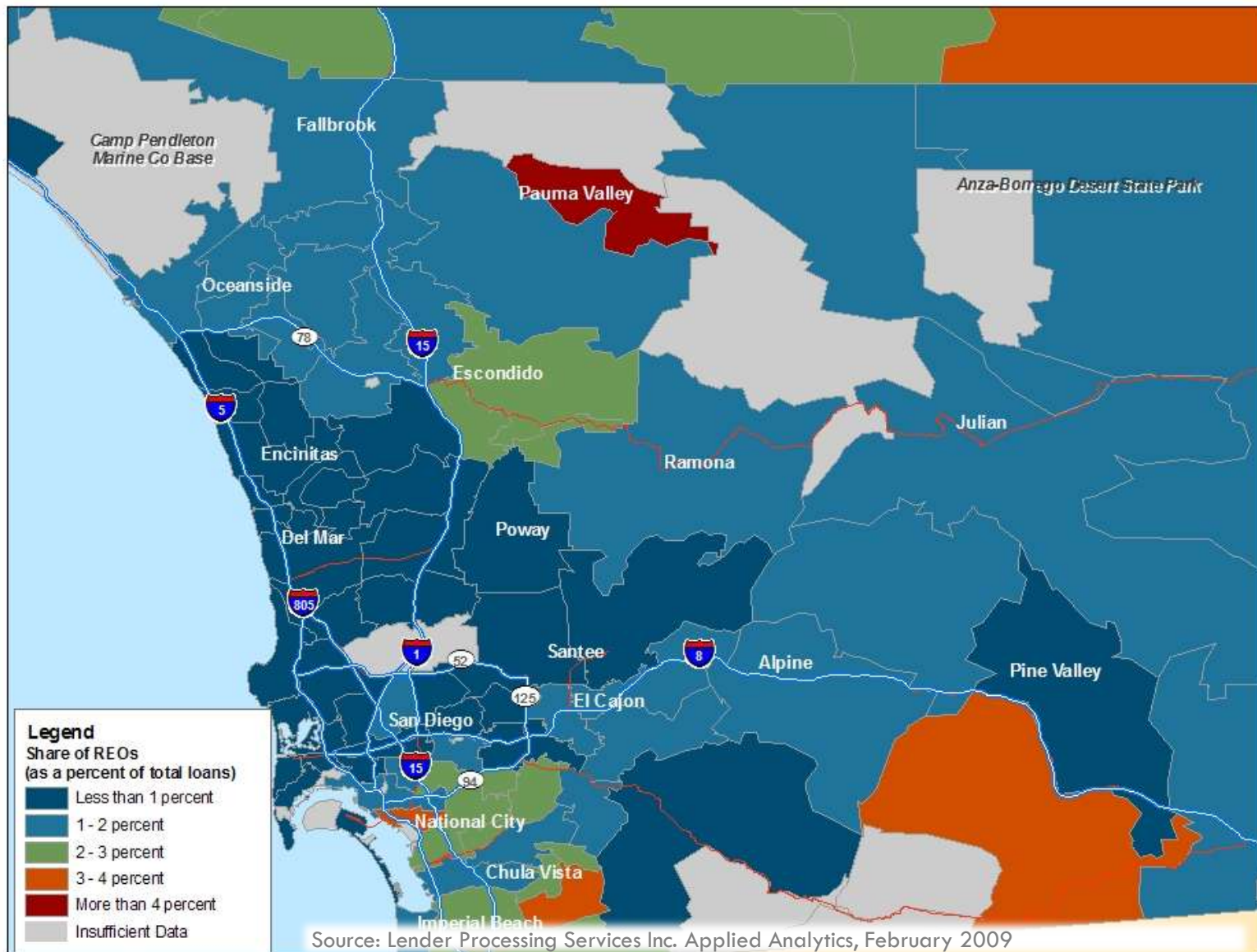
Neighborhoods at Risk of Additional Foreclosures

February 2009



Concentration of REO Properties

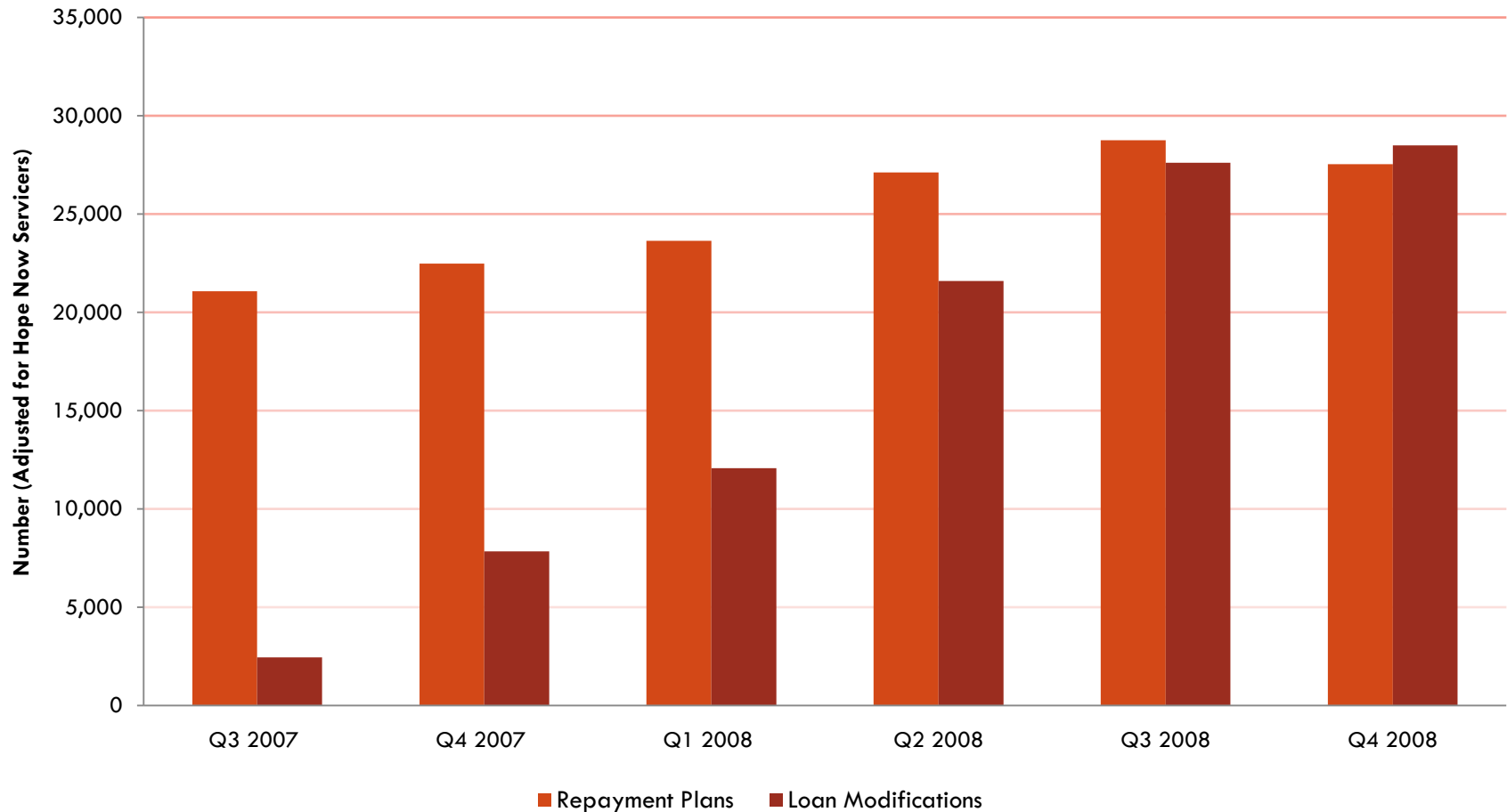
November 2008



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

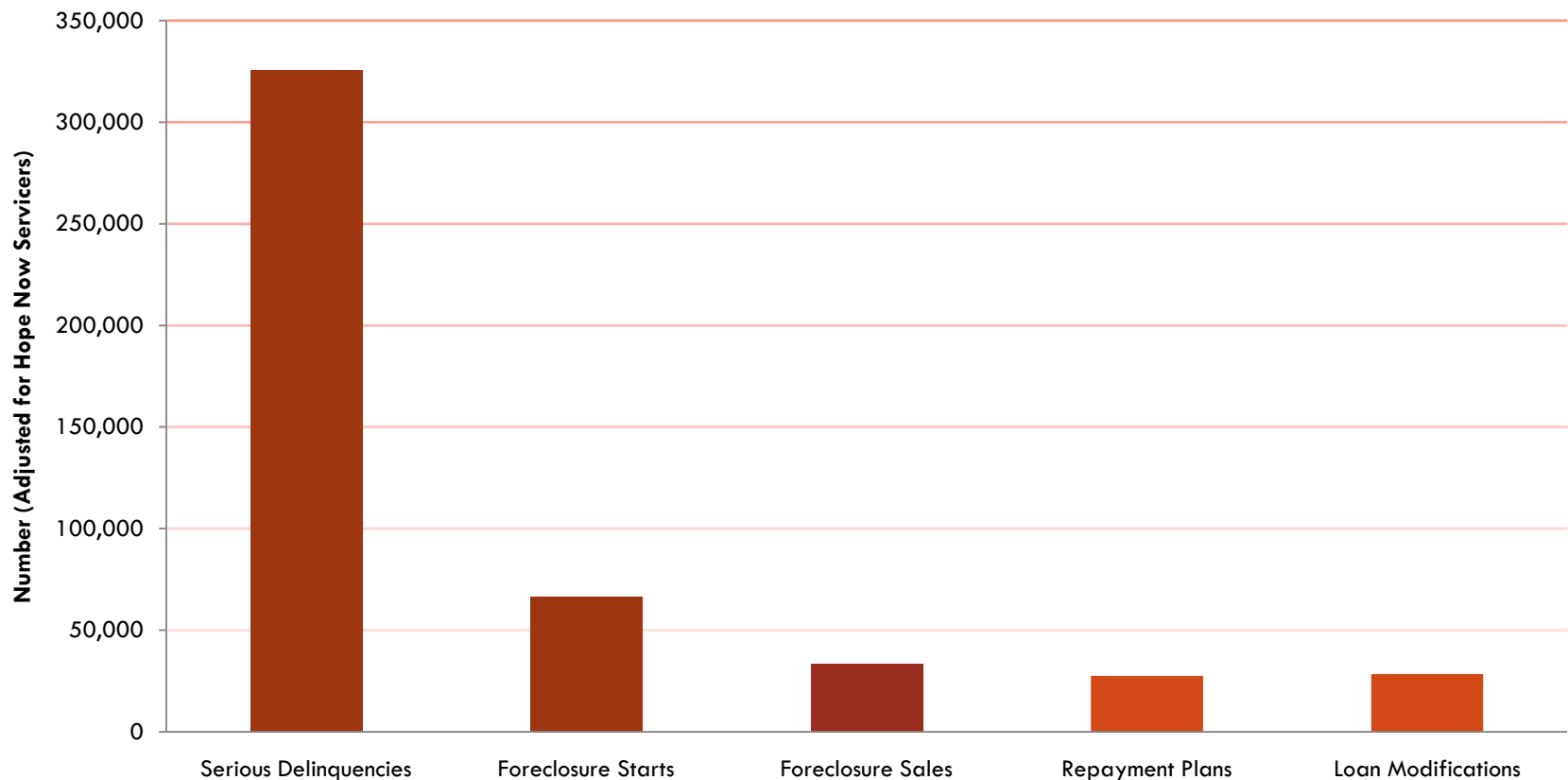
Loan workouts reach approximately 55,000 borrowers each quarter

California Loan Workouts



Yet, still more than 300,000 borrowers in California were seriously delinquent on their mortgage in 4th Qtr 2008

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



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

Conclusions

Conclusions

- Multi-pronged strategy is needed to stem foreclosure crisis
- 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

The screenshot shows the homepage of the Federal Reserve Bank of San Francisco's Community Development website. The header includes the bank's name and navigation links for 'Careers', 'Fed Links', and 'Subscriptions'. A secondary navigation bar lists various topics: 'About the Fed', 'News and Events', 'Economic Research and Data', 'Educational Resources', 'Community Development' (highlighted), 'Consumer Information', 'Banking Information', and 'Services for Financial Institutions'. Below this, there are links for 'Home', 'Community Reinvestment Act (CRA)', 'Community Development Issues', 'Center for Community Development Investments', 'Events and Conferences', and 'Publications'. 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'. To the right, there is a 'TOOL BOX' with links for 'Fed Links', 'Subscriptions', 'Publications', 'Search', and 'Research Hub'. Below that is a 'POPULAR CONTENT' section listing upcoming events like 'Marketing Communities: Ensuring FDIC in Compliance with CFPB' and 'Innovative Financial Services for the Underserved'. At the bottom, there are sections for 'Programs and Information', 'Events and Conferences', 'Publications', and 'About Us'.

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