

Addressing REOs in San Joaquin Valley



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Analysis of First American LoanPerformance data provided by
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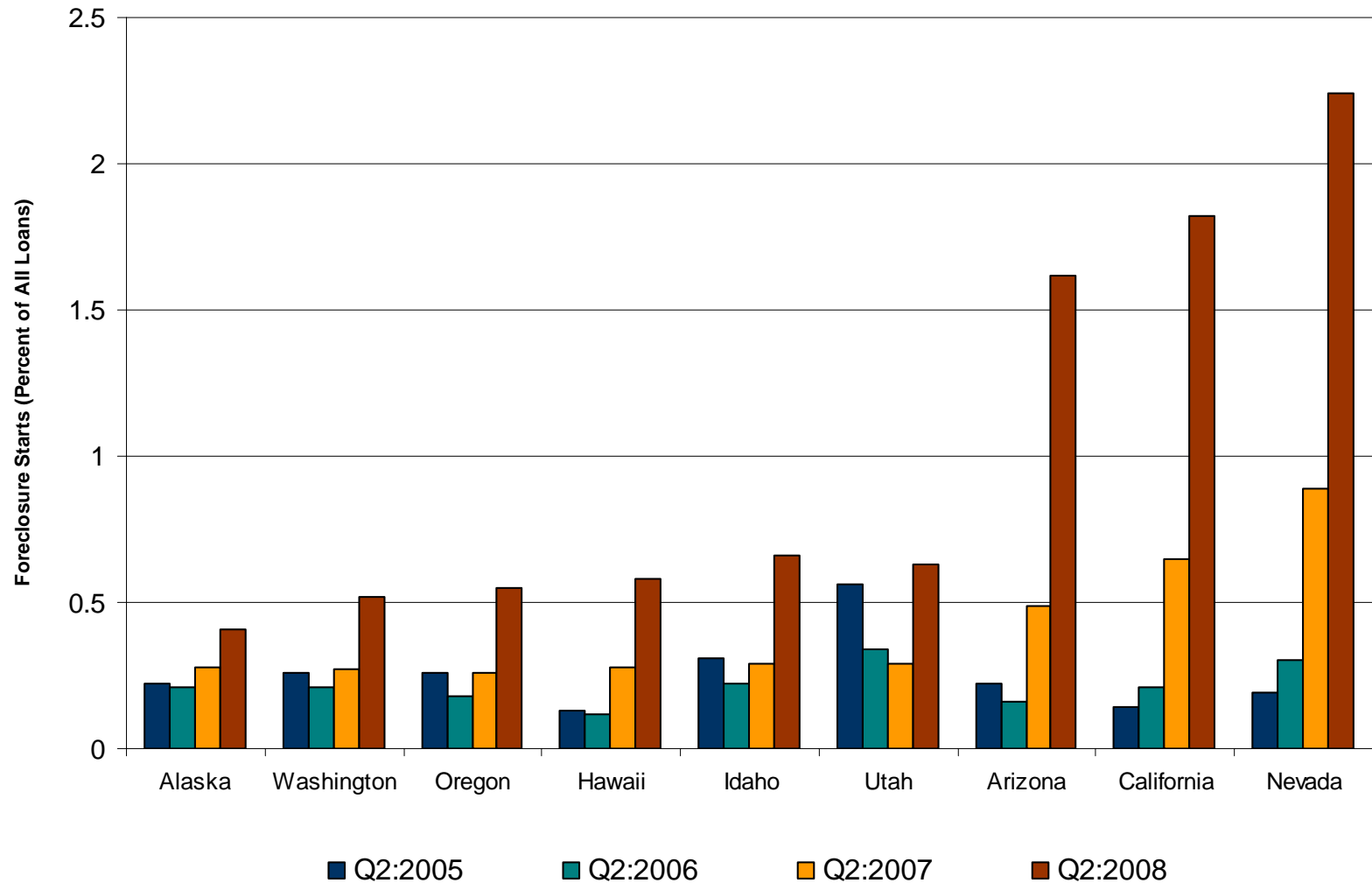
Overview of Presentation

- ❑ What are the trends in delinquencies and foreclosures in California?
- ❑ What are the primary drivers of foreclosures in California?
- ❑ What neighborhoods in northern San Joaquin County have been most affected by the rise in foreclosed and REO properties?
- ❑ What key questions should be considered in developing strategies for stabilizing neighborhoods?

Trends in Delinquencies and Foreclosures

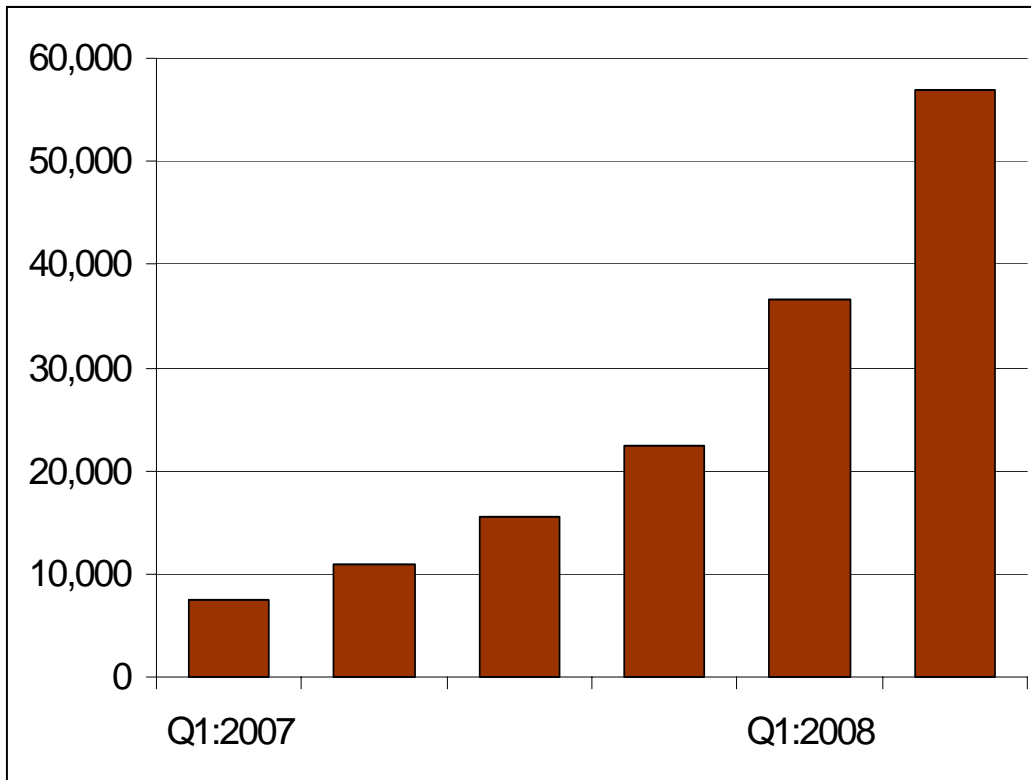


California has seen a rapid increase in foreclosure starts



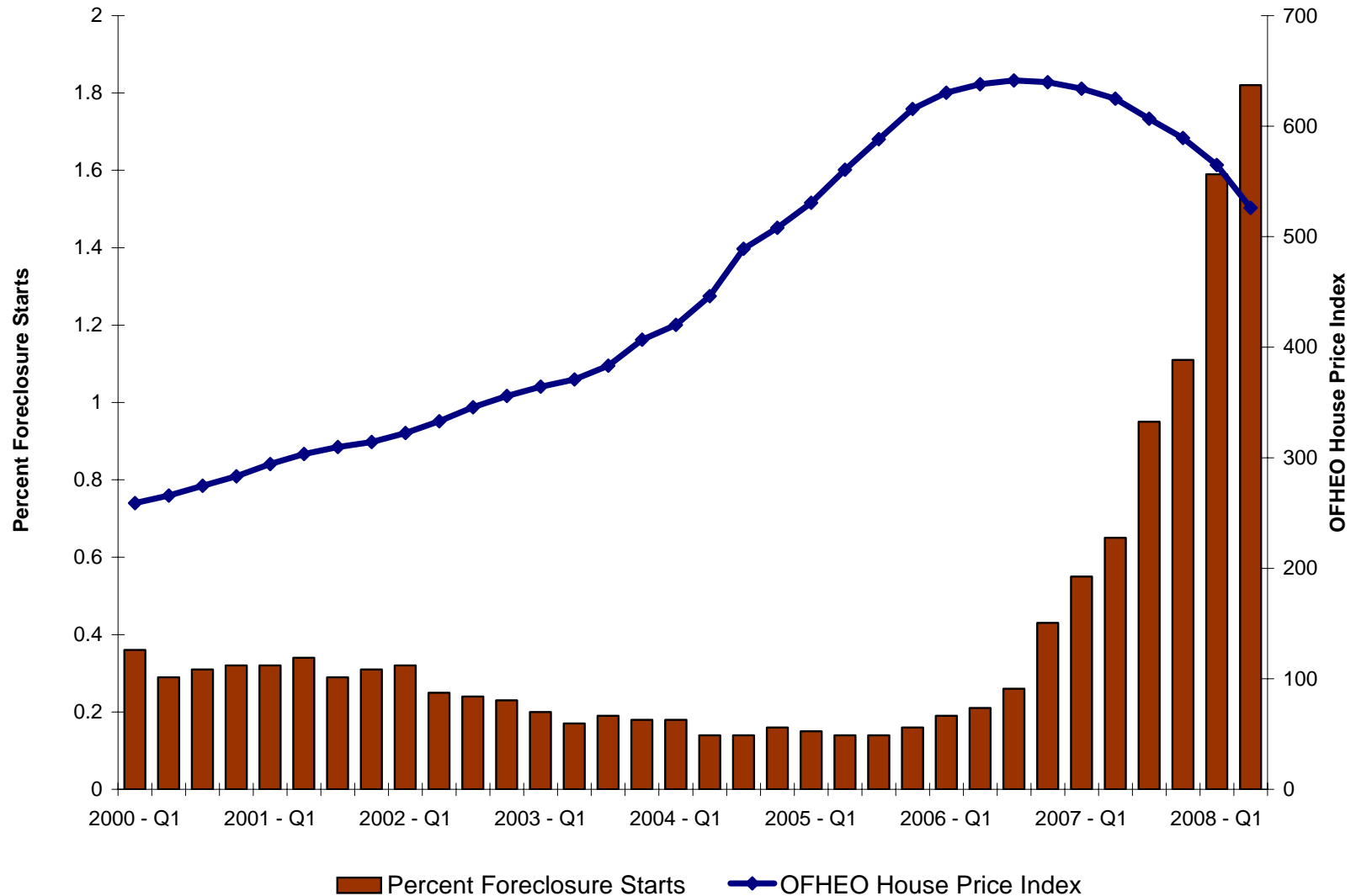
Source: Mortgage Bankers Association, National Delinquency Survey.

Scale of Problem in California



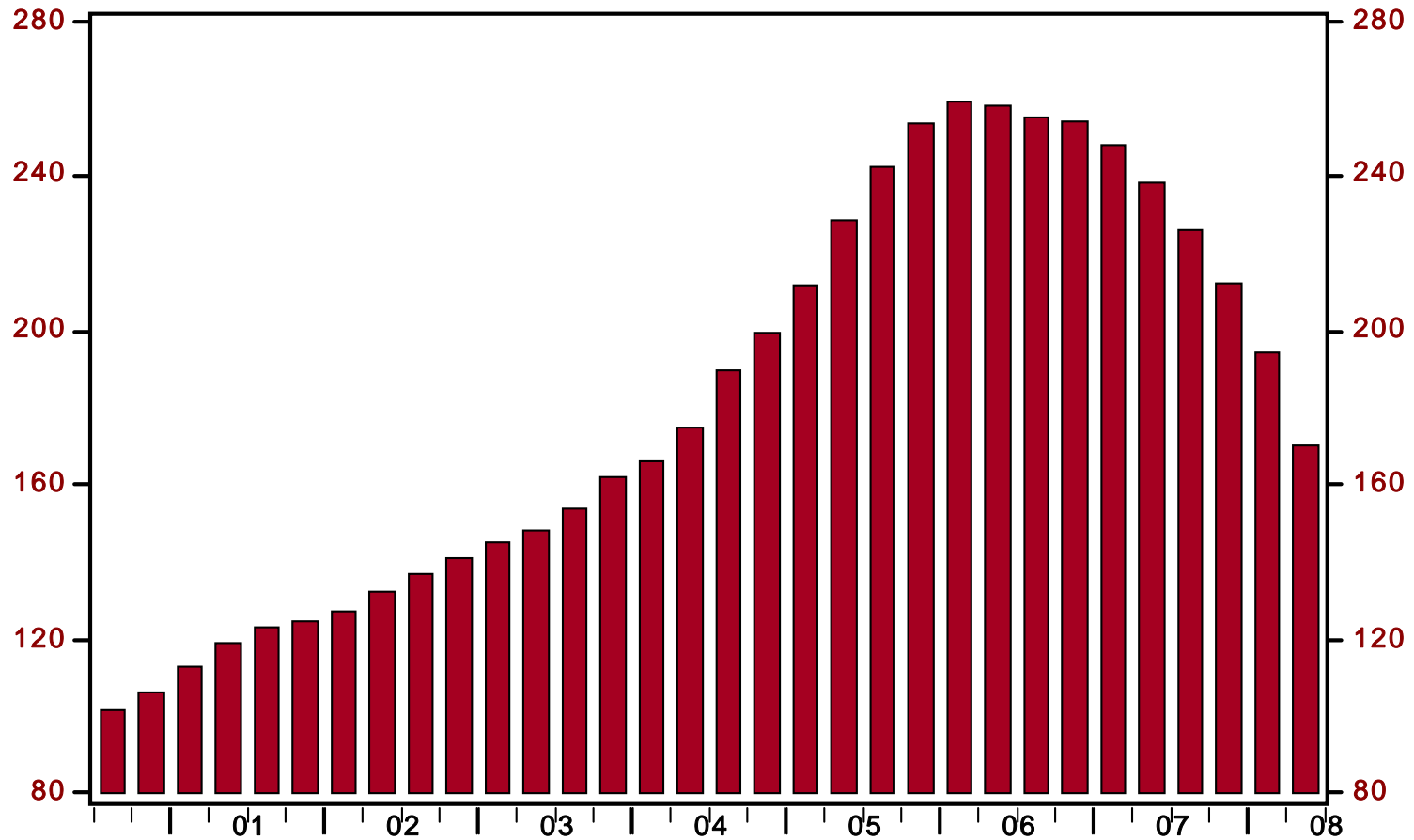
- 56,953 foreclosure sales reported in 2nd quarter 2008
- A 668% jump from 1st quarter 2007
- Roughly, translates into more than 600 foreclosure sales a day

Foreclosure Rates Closely Track Declines in House Values in California



Modesto has seen a large drop in house values

OFHEO House Price Index (2000=100)

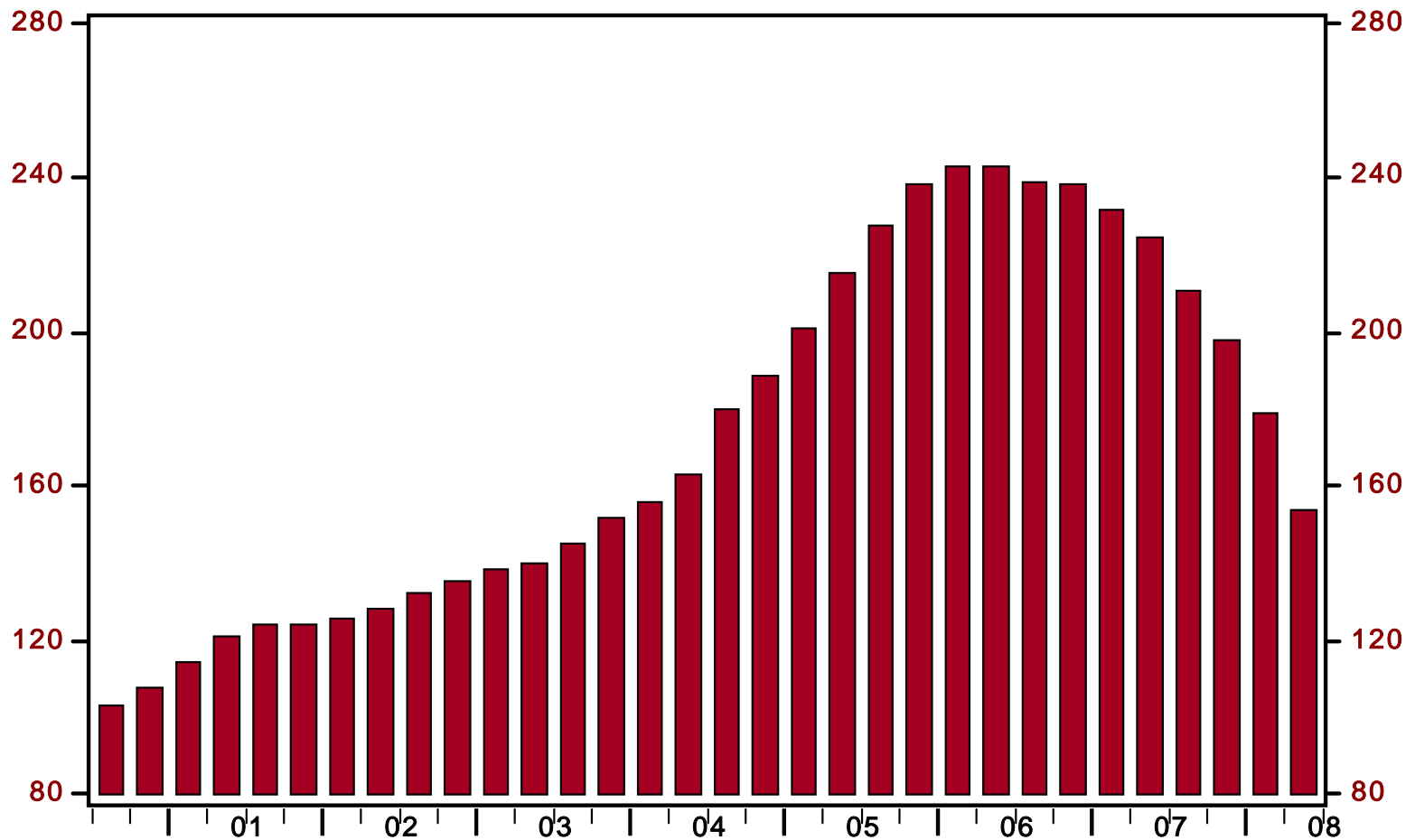


Source: OFHEO /Haver

10/15/08

Stockton has seen a large drop in house values

OFHEO House Price Index (2000=100)

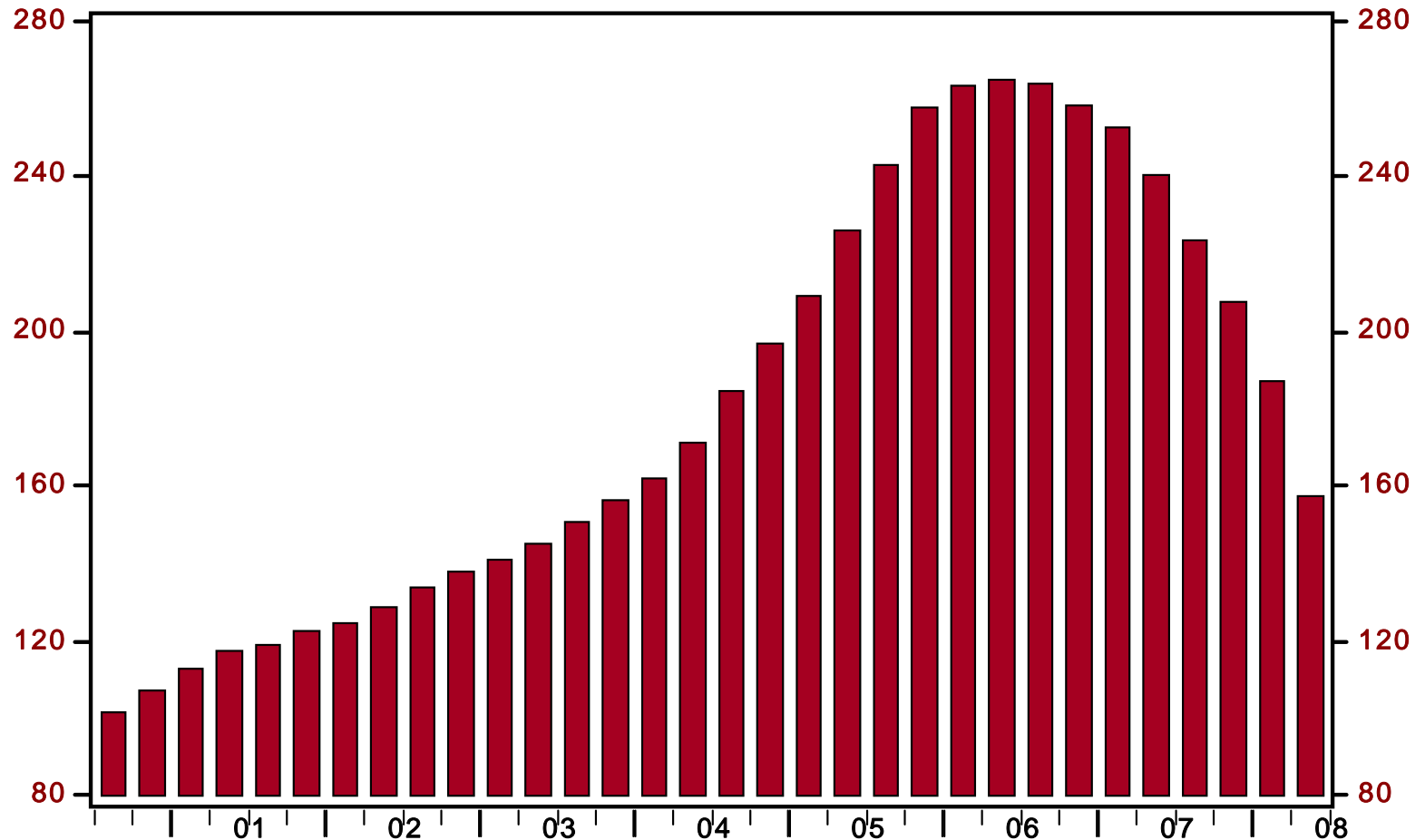


Source: OFHEO /Haver

10/15/08

Merced has seen a large drop in house values

OFHEO House Price Index (2000=100)



Source: OFHEO /Haver

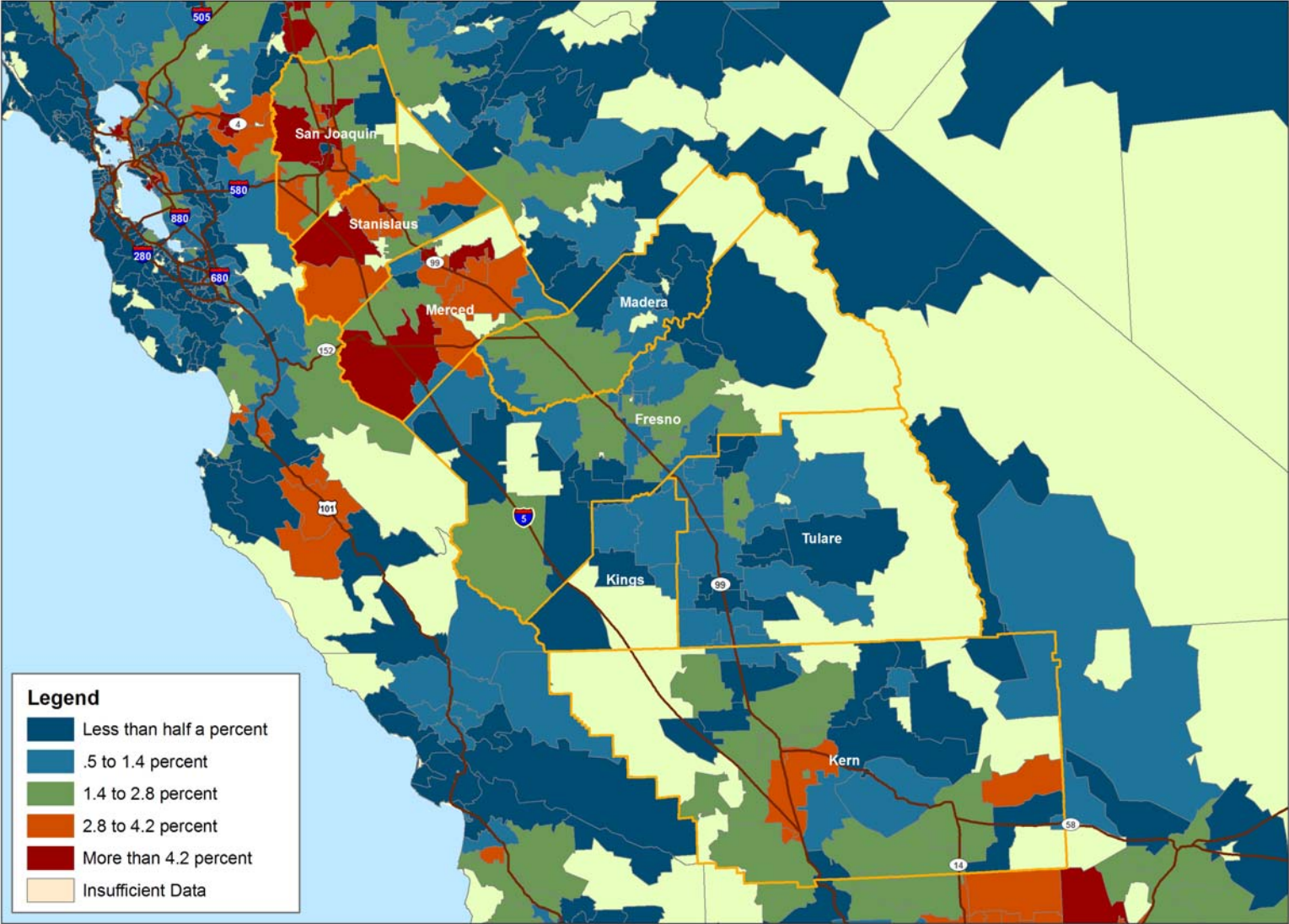
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Rise in Foreclosures in San Joaquin Valley has been Substantial

- The region has been hard hit by foreclosures
- Many of the foreclosures concentrated in “new” housing developments

Percent of Mortgage Loans in Foreclosure or REO (by zip code)

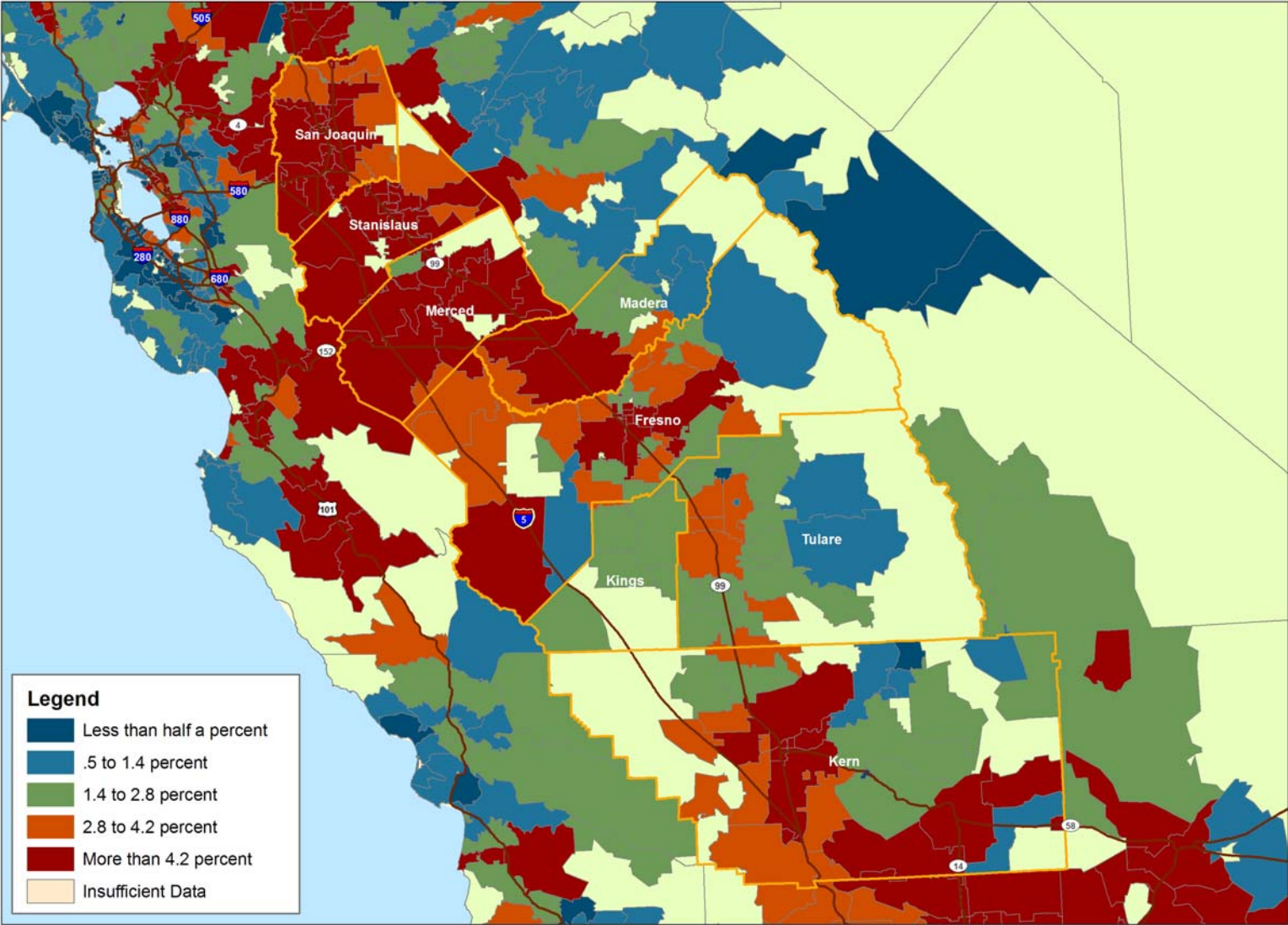
September 2007



Source: McDash Analytics, LLC and FRBSF calculations

Percent of Mortgage Loans in Foreclosure or REO (by zip code)

August 2008



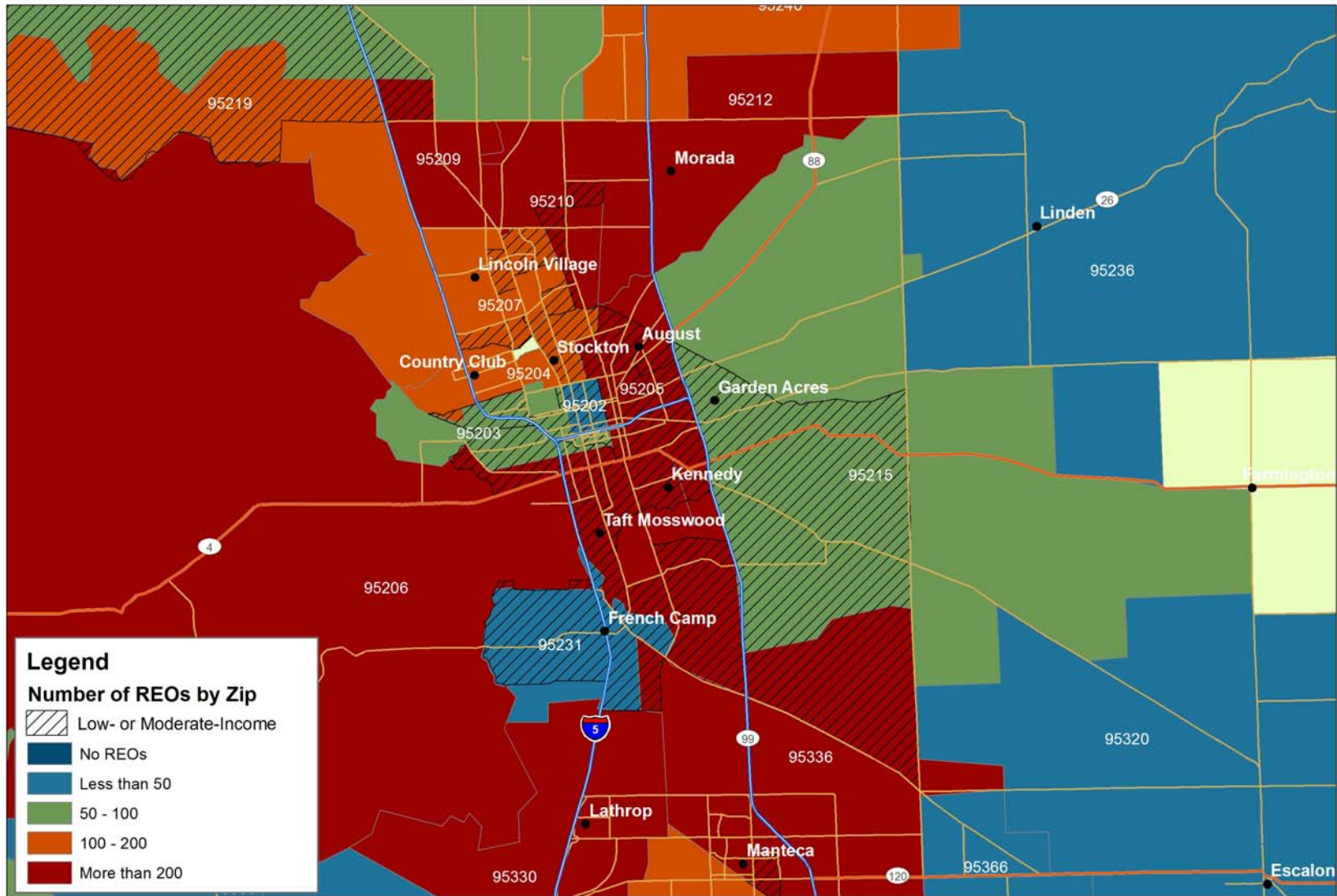
Source: McDash Analytics, LLC and FRBSF calculations

Difficult to Assess Local REO Picture from National Data

- ❑ Limitations of zip code data
 - The size of the zip code can really affect the number of REO properties
 - Can't see if the REOs are concentrated on certain blocks within the zip
 - Delay in the data: August is most recent data, but these properties may have been sold already
 - Only a sample of loans in the McDash data, not representative of all housing units
 - ❑ We don't know how well McDash captures REOs at the local level; it's better for conducting national macroeconomic analysis
- ❑ Important to have a way to identify property level data in “real time” – e.g., through an MLS or property registration database

Number of REOs in Stockton (by zip code)

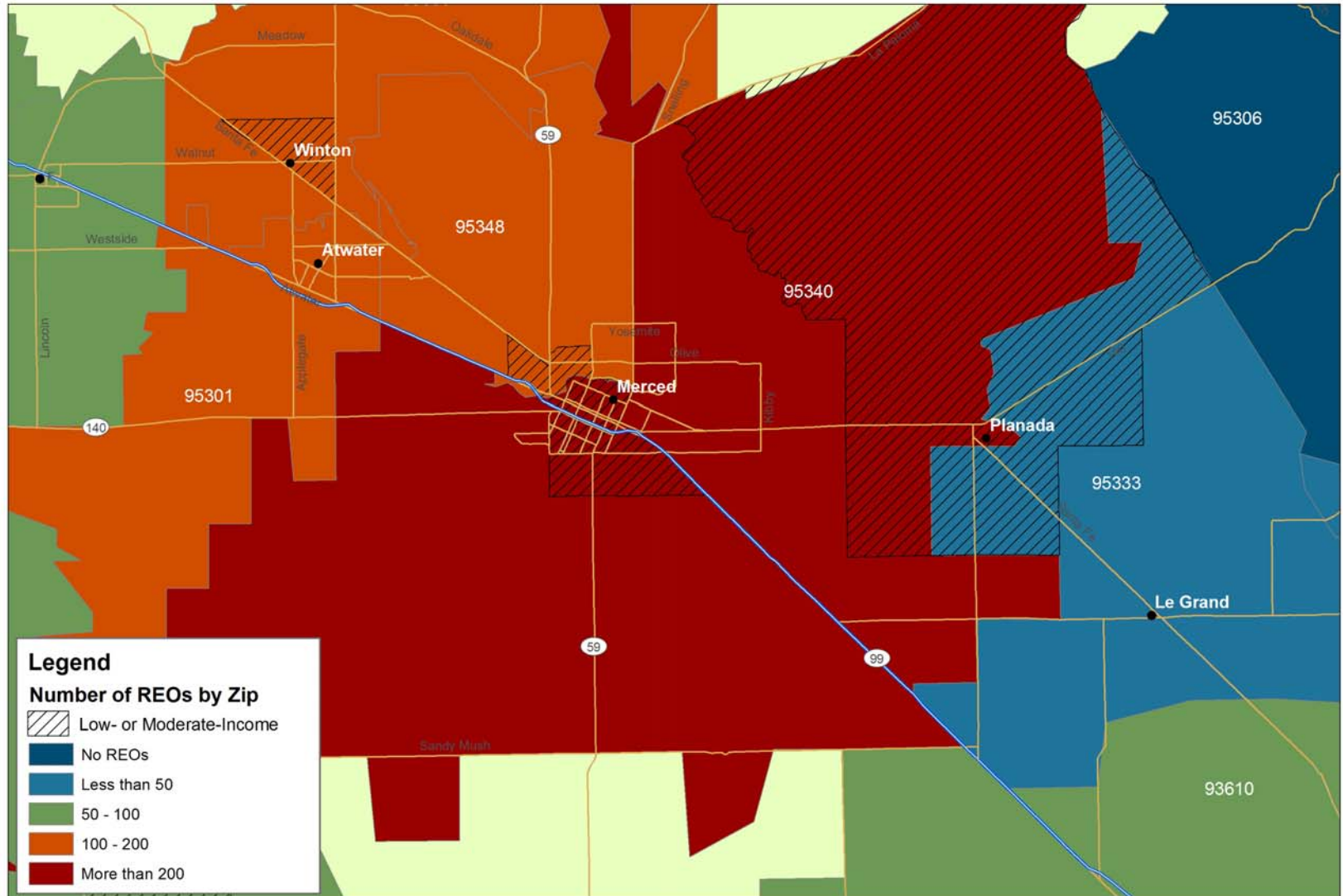
August 2008



Source: McDash Analytics, LLC and FRBSF calculations

Number of REOs in Merced (by zip code)

August 2008



Source: McDash Analytics, LLC and FRBSF calculations

Critical Questions: Property Identification

How to identify specific properties to acquire?

- REO properties currently for sale by the servicer
- Negotiate with individual servicers to acquire a bulk of properties (city-wide, zipcode)
- What other considerations for choosing a geography
- What scale is realistic to start with

Critical Questions: Property Disposition

Homeownership

- Are buyers confident to purchase
- How long can the city afford to hold properties
- Who will do rehab
- Should potential buyers purchase directly
- Can potential buyers get financing

Critical Questions: Property Disposition

Rental

- Are additional \$ available for rental purpose
- What is the demand for rental housing
- Who will do the rehab
- Who can manage rental properties

Discussion & Resources

- <http://www.stablecommunities.org/>
- <http://www.calhfa.ca.gov/homebuyer/programs/cshlp.htm>

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