TRENDS IN DELINQUENCY AND FORECLOSURES IN ALASKA

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Outline of Presentation

- National Trends
  - Rising foreclosures
  - House price declines
  - Rising unemployment

- Alaska
  - 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

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 Alaska Have Risen, but Still Well Below US Average

Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008
Alaska Saw a Small Decrease in Foreclosure Starts in 4th Quarter 2008 (4th Qtr dip may be due to receipt of Permanent Fund Dividend)

Alaska Foreclosure Starts
(Percent of All Loans)

Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008
Alaska’s Real Estate Market Has Flattened, but not Declining as Fast as US

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

Source: Federal Housing Finance Agency (formerly OFHEO), 4th Quarter 2008
At Metro Level, Fairbanks Experiencing Greatest Changes in House Prices

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

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

Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008
Approximately 1 in 5 Loans in Alaska During Subprime Boom Were High-Cost, Lower Than US Average

Percent of All Borrowers with High Interest Conventional Loans, 2005

Source: Home Mortgage Disclosure Act Data, 2005
High Cost Lending in Alaska More Prevalent Among Some Minority Groups

High Cost Conventional Loans by Race, 2005

Source: Home Mortgage Disclosure Act Data, 2005
Unemployment Rate in Alaska is Rising

Unemployment Rate

## Employment Trends by Industry in Alaska

### Table: Alaska Employment Trends

<table>
<thead>
<tr>
<th>Alaska</th>
<th>Total Employed (thousands)</th>
<th>Percent Change</th>
<th></th>
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<tr>
<td></td>
<td>Feb-09</td>
<td>1-mo.*</td>
<td>3-mo.*</td>
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<tr>
<td>Total</td>
<td>323.7</td>
<td>-0.4</td>
<td>-1.1</td>
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<tr>
<td>Government</td>
<td>83.0</td>
<td>4.4</td>
<td>-1.9</td>
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<tr>
<td>Trade, Transportation &amp; Utilities</td>
<td>65.4</td>
<td>1.9</td>
<td>1.2</td>
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<tr>
<td>Educational &amp; Health Svrs.</td>
<td>38.1</td>
<td>3.2</td>
<td>2.1</td>
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<tr>
<td>Leisure &amp; Hospitality</td>
<td>31.7</td>
<td>-10.7</td>
<td>-1.3</td>
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<tr>
<td>Professional &amp; Business Svcs.</td>
<td>25.7</td>
<td>-16.9</td>
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<td>Construction</td>
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<tr>
<td>Natural Resources &amp; Mining</td>
<td>15.8</td>
<td>-25.9</td>
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<tr>
<td>Financial Activities</td>
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<td>8.5</td>
<td>-2.7</td>
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<tr>
<td>Manufacturing</td>
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<td>20.1</td>
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<tr>
<td>Other Services</td>
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<td>Information</td>
<td>7.2</td>
<td>18.3</td>
<td>5.8</td>
</tr>
</tbody>
</table>

Distribution of Lending Volumes

September 2007

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

Legend
Share of Foreclosures and REOs
(As a Percent of All Loans)

- Less than .5 percent
- .5 - 1.4 percent
- 1.4 - 2.8 percent
- 2.8 - 4.2 percent
- More than 4.2 percent
- Insufficient Data

Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, September 2007
Areas Affected by Concentrated Foreclosures
February 2009

Legend
Share of Foreclosures and REOs (As a Percent of All Loans)
- Less than .5 percent
- .5 - 1.4 percent
- 1.4 - 2.8 percent
- 2.8 - 4.2 percent
- More than 4.2 percent
- Insufficient Data

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

Areas with Concentrations of REO Properties
February 2009

Legend
Share of REOs
(As a Percent of All Loans)
- 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
Share of Seriously Delinquent Loans
(As a Percent of All Loans)
- 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

Alaska Loan Workouts

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

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

Source: Hope Now Alliance Servicing Data, 4th Quarter 2008
So far, Alaska has been Largely Insulated from Foreclosure Crisis

- Concerns that if house prices fall further, it will prompt greater borrower distress and possible foreclosures
  - Fairbanks area appears to be most vulnerable to these dynamics

- Learning from other efforts to reach distressed borrowers and modify loans now could help to prevent additional foreclosures in Alaska
  - Added benefit of helping to stabilize neighborhoods and minimize spillover effects on nearby property values
Conclusions
Conclusions

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