Outline of Presentation

- **National Trends**
  - Recession and turmoil in financial markets has had broad repercussions, especially for lower-income households
    - Signs of stabilization in financial markets and consumer spending

- **Alaska**
  - Trends in foreclosures
    - Alaska has been mostly insulated from foreclosure crisis
  - Housing market has flattened
  - Rising unemployment
    - Ongoing weakness in the labor market may push up foreclosures and poses risks to the national recovery of the housing sector
National Trends
Weakness in Labor Market Grave Concern

Source: Bureau of Labor Statistics
National Foreclosure Starts Rose Sharply in 1st Quarter of 2009

National Foreclosures Starts
Percent of All Loans

Source: Mortgage Bankers Association, National Delinquency Survey
In Last 2 Years, Foreclosure Crisis Has Spread Beyond “Rust Belt” Cities

June 2007
In Last 2 Years, Foreclosure Crisis Has Spread Beyond “Rust Belt” Cities

June 2009

Legend
Percent of Loans in Foreclosure and REO
- 0 percent
- Less than 1 percent
- 1 - 3 percent
- 3 - 5 percent
- More than 5 percent
- Insufficient Data
House Prices Rose Slightly in 2\textsuperscript{nd} Quarter 2009

\textbf{Case-Shiller National House Price Index}  
\textit{(2000 = 100, quarterly)}

Source: Case - Shiller Home Price Index
How Does This Compare to Great Depression?

<table>
<thead>
<tr>
<th></th>
<th>Current Crisis</th>
<th>The Great Depression</th>
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<tbody>
<tr>
<td>GDP decline</td>
<td>3.9%</td>
<td>36%</td>
</tr>
<tr>
<td>Unemployment</td>
<td>9.4%</td>
<td>25%</td>
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<tr>
<td>Stock Market decline</td>
<td>48%</td>
<td>87%</td>
</tr>
<tr>
<td>Mortgage Delinquency</td>
<td>10.5%</td>
<td>50%</td>
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<tr>
<td>Bank Failures</td>
<td>100 Thousands</td>
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Source: FRBSF and Haver Analytics, as of July 2009.
Certain Market Indicators are Looking Up

- Financial markets are improving, and the crisis mode that has characterized the past year is subsiding.

- The housing sector, which has been at the center of the economic and financial crisis, also looks to be stabilizing—albeit, at a very depressed level. Housing starts and new home sales have leveled off, and existing home sales have edged up in recent months.

- Income from the federal fiscal stimulus, as well as some improvement in confidence, has helped stabilize consumer spending. Since consumer spending accounts for two-thirds of all economic activity, this is a key precondition for economic recovery.
Nevertheless, Recession is Likely to Have Long-Lasting Impacts, Especially for Lower-Income Families

- 48 states face significant budget shortfalls, and are cutting public services such as health benefits for children and public education.

- Tightening lending standards will make it more difficult for families and small businesses to access credit: the Federal Reserve’s quarterly Senior Loan Officer Opinion Survey on Bank Lending Practices found that 65 percent reported tightened standards for the fourth quarter of 2008.

- CDFIs are increasingly facing liquidity constraints; their borrowers are in more need of ‘patient’ capital at the same time it is becoming harder to provide it.
Alaska Trends
Unemployment Rate in Alaska is Rising

Source: Bureau of Labor Statistics
Alaska’s Real Estate Market Has Flattened

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

Source: Federal Housing Finance Agency (formerly OFHEO)
House Price Changes at the Metro Level

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

Source: Federal Housing Finance Agency (formerly OFHEO)
Foreclosures in Alaska Have Risen, but Still Well Below US Average

Source: Mortgage Bankers Association, National Delinquency Survey
Alaska Seeing a Small Upward Trend in Foreclosure Starts

Alaska Foreclosure Starts
(Percent of All Loans)

Source: Mortgage Bankers Association, National Delinquency Survey
Growing Concerns over Sustainability of Loans with Payment Options (in subprime, prime and Alt-A markets)

Characteristics of Remaining “Current” Loans

Percent of Total Current Loans

- ARM
- Option ARM
- Interest Only (Fixed and ARM)
- Jumbo

Alaska vs. US
Alaska Foreclosure Data Maps
Alaska Data Maps

Areas Affected by Concentrated Foreclosures

June 2007

Legend
Percent of Loans in Foreclosure and REO
- 0 percent
- Less than 1 percent
- 1 - 3 percent
- 3 - 5 percent
- More than 5 percent
- Insufficient Data

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

June 2008

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

June 2009

Legend
Percent of Loans in Foreclosure and REO
- 0 percent
- Less than 1 percent
- 1 - 3 percent
- 3 - 5 percent
- More than 5 percent
- Insufficient Data

Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations
Areas at Risk of Additional Foreclosures
June 2009

Legend
Percent of Loans Seriously Delinquent
- 0 percent
- Less than 1 percent
- 1 - 3 percent
- 3 - 5 percent
- More than 5 percent
- Insufficient Data

Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations
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
Continued Need for Foreclosure Prevention

- Alaska may see an increase in delinquencies and foreclosures, especially if unemployment rises; important to reach borrowers with ‘preventable’ foreclosures

- **Borrower Outreach Events**
  - Create a foreclosure prevention workbook - For an example of Arizona’s, see 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
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/