TRENDS IN DELINQUENCIES 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
  - A slight decline in the national foreclosure rate in the 3rd Quarter of 2008
- Factors driving foreclosures nationally
  - House price declines
  - Rising unemployment, coupled with turmoil in financial and credit markets, may further influence foreclosure rate going forward
After Steady Rise, National Foreclosure Starts Dipped Slightly in 3rd Quarter of 2008

Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008
Nationally, House Prices Continue to Decline

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

Source: Case-Shiller Home Price Index, 3rd Q 2008
Recession Marks Significant Jump in National Unemployment Insurance Claims

Source: Haver Analytics and FRBSF Calculations, annual percent change, 2000 Q3 - 2008 Q3
Alaska Trends
Foreclosures in Alaska Have Risen, but Still Below US Average

Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008
Yet Unlike National Trends, Alaska Saw a Small Increase in Foreclosure Starts in 3\textsuperscript{rd} Quarter 2008

Source: Mortgage Bankers Association, National Delinquency Survey, 3\textsuperscript{rd} Q 2008
Alaska’s Real Estate Market is Starting To Flatten

Source: Federal Housing Finance Agency (formerly OFHEO), 3rd Quarter 2008
At Metro Level, Fairbanks Experiencing Greatest Declines in House Values

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

Source: Federal Housing Finance Agency (formerly OFHEO), 3rd Quarter 2008
Alaska’s Foreclosures are Concentrated in Subprime ARM Market

Foreclosure Starts by Loan Type

Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008
Approximately 1 in 5 Loans in Alaska During Subprime Boom Were High-Cost, Lower Than US Average

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

- All borrowers
- Asian/Pacific Islander borrowers
- White borrowers
- Native American / Alaska Native borrowers
- Black borrowers

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

# Employment Trends by Industry in Alaska

<table>
<thead>
<tr>
<th>Alaska</th>
<th>Total Employed (thousands)</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dec-08</td>
<td>1-mo.*</td>
</tr>
<tr>
<td>Total</td>
<td>320.2</td>
<td>-5.5</td>
</tr>
<tr>
<td>Government</td>
<td>82.5</td>
<td>-4.3</td>
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<tr>
<td>Trade, Transportation &amp; Utilities</td>
<td>64.6</td>
<td>-5.4</td>
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<tr>
<td>Educational &amp; Health Srvs.</td>
<td>37.3</td>
<td>-6.2</td>
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<tr>
<td>Leisure &amp; Hospitality</td>
<td>31.5</td>
<td>-3.7</td>
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<tr>
<td>Professional &amp; Business Svcs.</td>
<td>25.3</td>
<td>-4.6</td>
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<tr>
<td>Construction</td>
<td>17.2</td>
<td>15.1</td>
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<tr>
<td>Natural Resources &amp; Mining</td>
<td>15.5</td>
<td>8.1</td>
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<tr>
<td>Financial Activities</td>
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<td>-7.9</td>
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<td>Manufacturing</td>
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<td>-46.5</td>
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<tr>
<td>Other Services</td>
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<tr>
<td>Information</td>
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</table>

Alaska Foreclosure Data Maps
Areas with Concentrations of REO Properties

November 2008

Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, November 2008
Areas at Risk of Additional Foreclosures
November 2008

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 5 percent
- Insufficient Data

Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, November 2008
Loan Modifications as Share of Loan Workouts Have Increased

Alaska Loan Workouts

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Repayment Plans</th>
<th>Loan Modifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 2007</td>
<td>300</td>
<td>70</td>
</tr>
<tr>
<td>Q4 2007</td>
<td>250</td>
<td>100</td>
</tr>
<tr>
<td>Q1 2008</td>
<td>350</td>
<td>120</td>
</tr>
<tr>
<td>Q2 2008</td>
<td>400</td>
<td>150</td>
</tr>
<tr>
<td>Q3 2008</td>
<td>450</td>
<td>180</td>
</tr>
</tbody>
</table>

Source: Hope Now Alliance Servicing Data, 3rd Quarter 2008
Yet, Workouts Still Fall Short of Need

Foreclosure & Delinquencies v. Loan Workouts in Alaska
3rd Quarter 2008

Source: Hope Now Alliance Servicing Data, 3rd 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/