

# TRENDS IN DELINQUENCIES AND FORECLOSURES IN ALASKA

February 2009

Craig Nolte, Community Development Department,  
Federal Reserve Bank of San Francisco

# 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

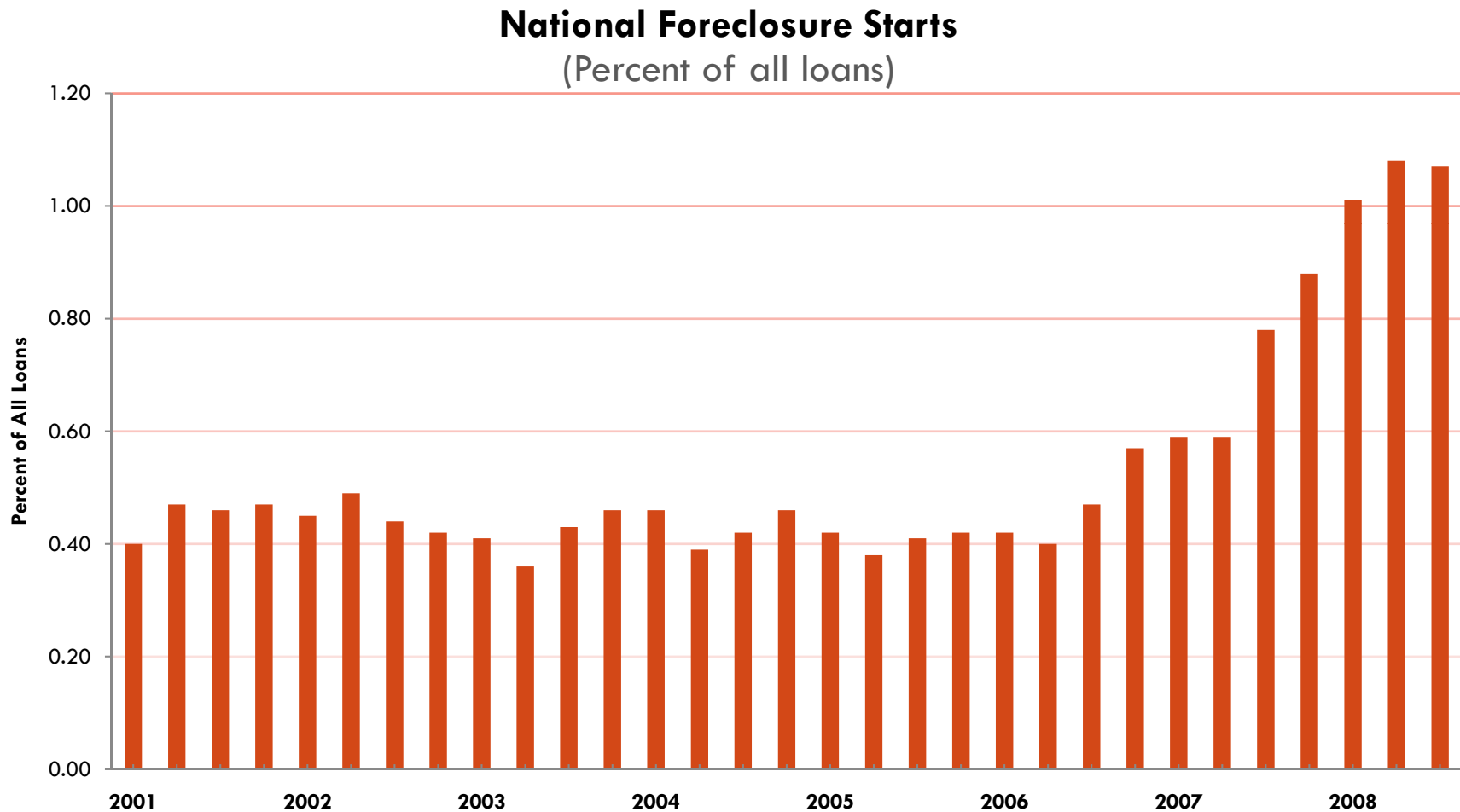
# National Trends

# National Trends



- Foreclosures rose steadily in 2008, with wide repercussions for US economy
  - A slight decline in the national foreclosure rate in the 3<sup>rd</sup> 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

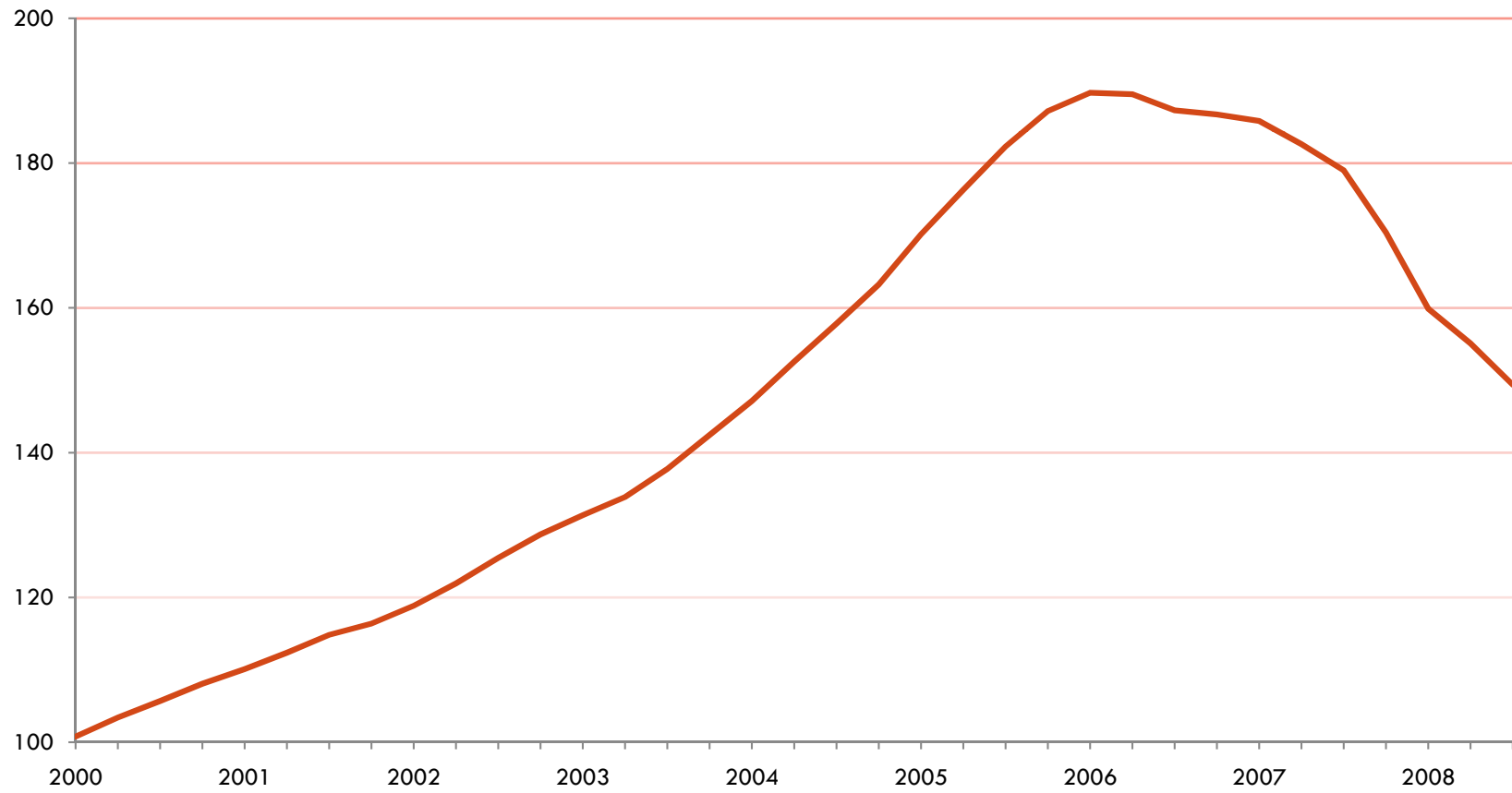
# After Steady Rise, National Foreclosure Starts Dipped Slightly in 3<sup>rd</sup> Quarter of 2008



Source: Mortgage Bankers Association, National Delinquency Survey, 3<sup>rd</sup> Q 2008

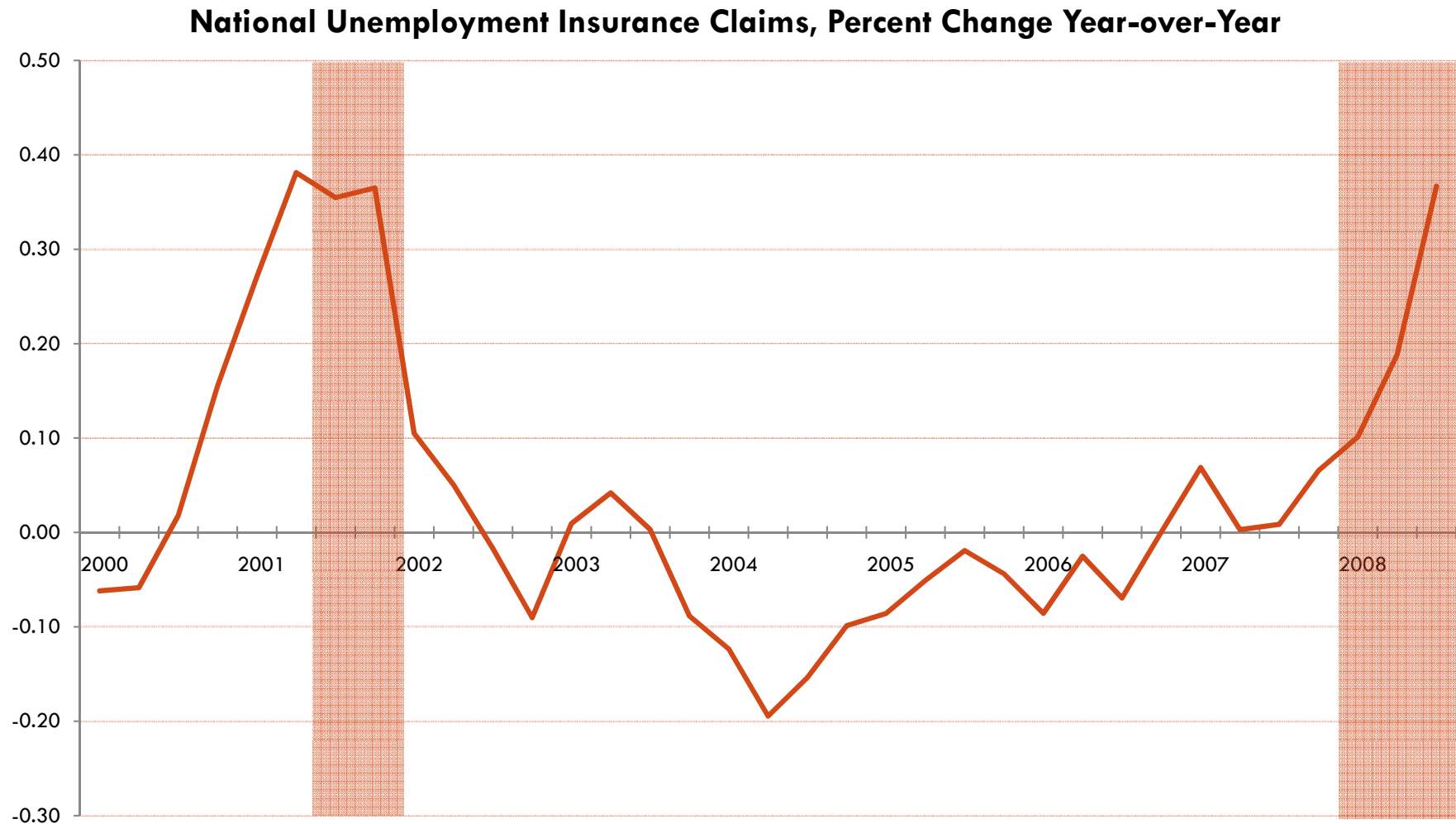
# Nationally, House Prices Continue to Decline

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



Source: Case - Shiller Home Price Index, 3<sup>rd</sup> Q 2008

# Recession Marks Significant Jump in National Unemployment Insurance Claims

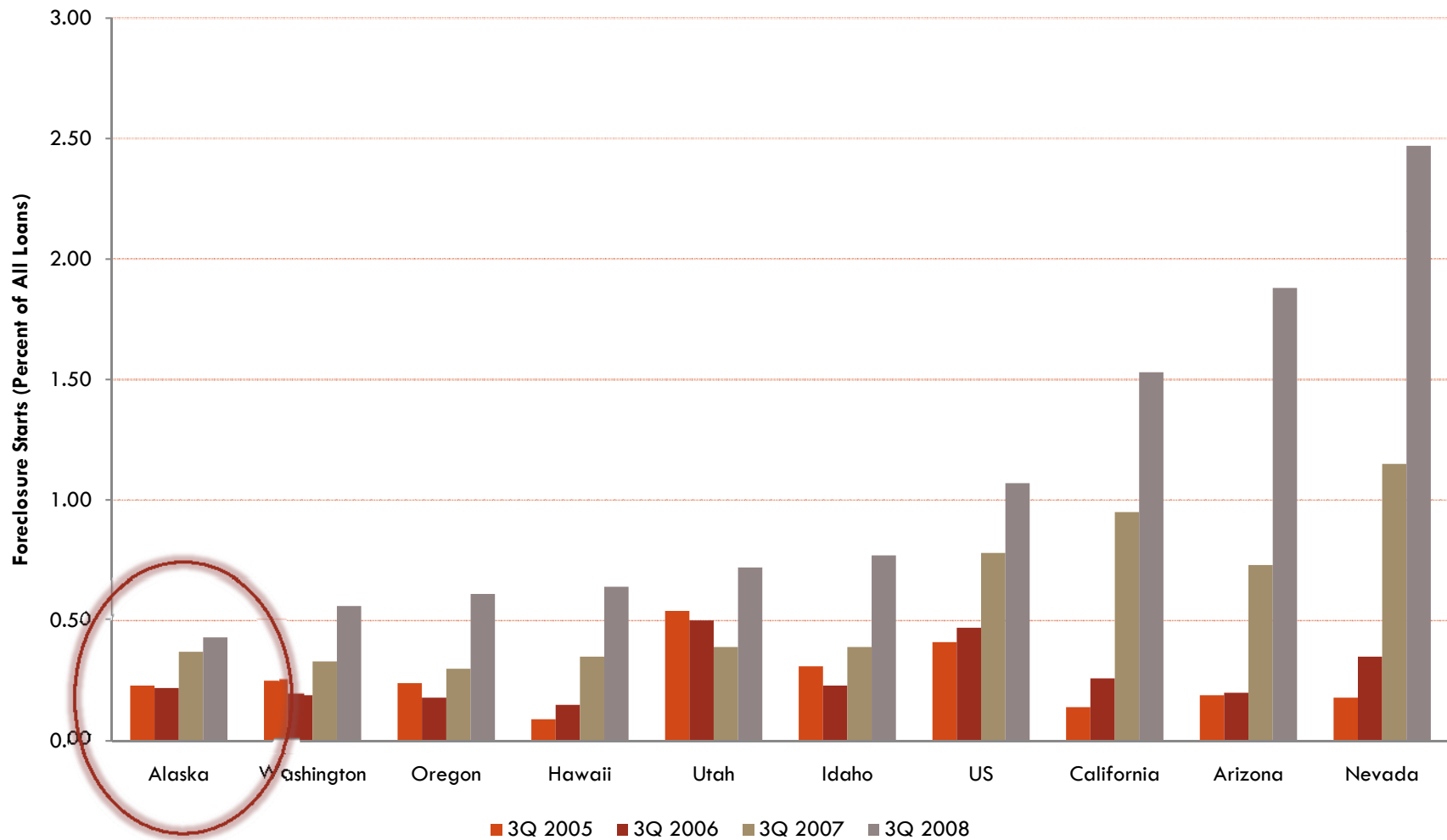


Source: Haver Analytics and FRBSF Calculations, annual percent change, 2000 Q3 - 2008 Q3

# Alaska Trends

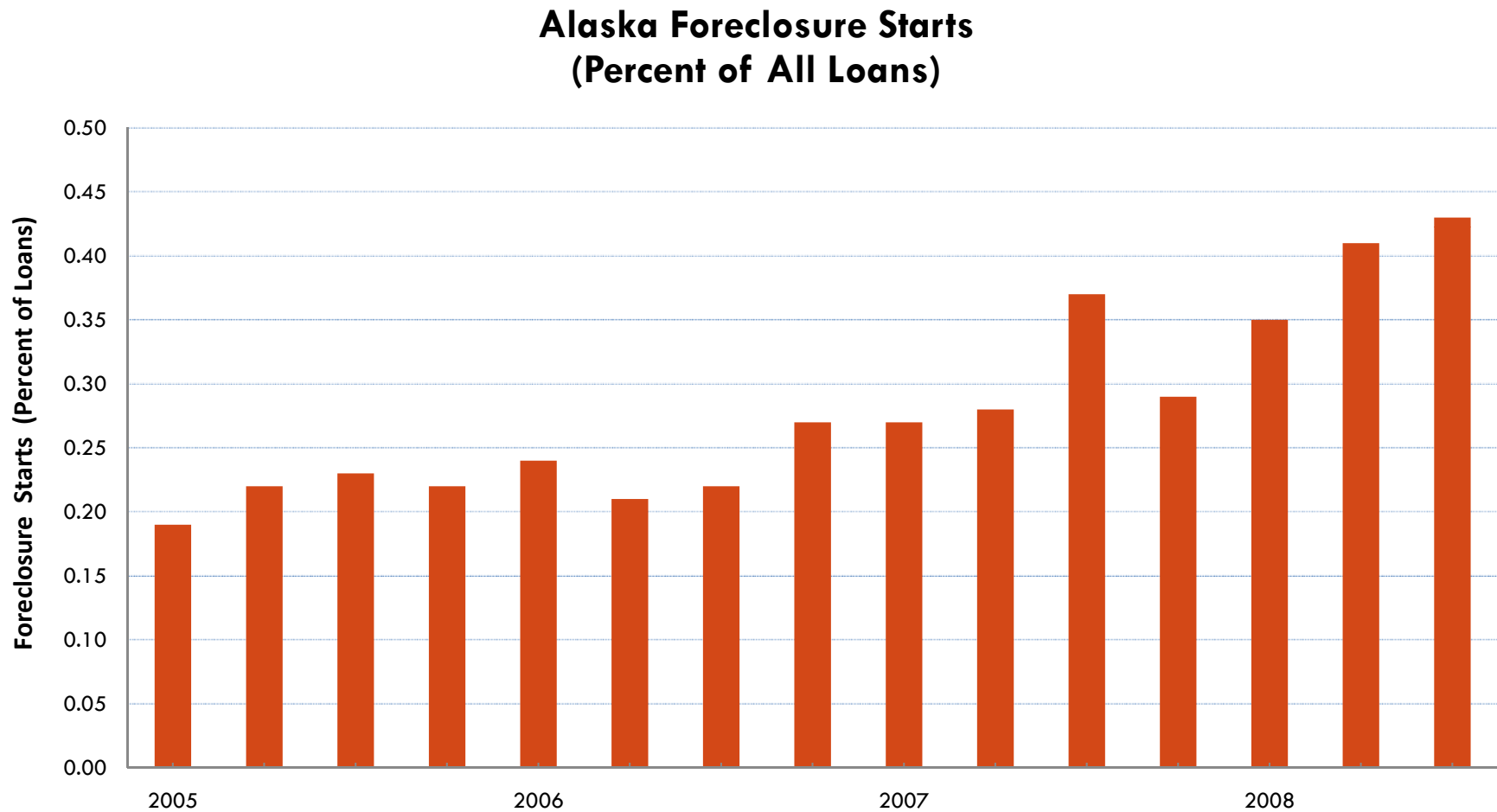


# Foreclosures in Alaska Have Risen, but Still Below US Average



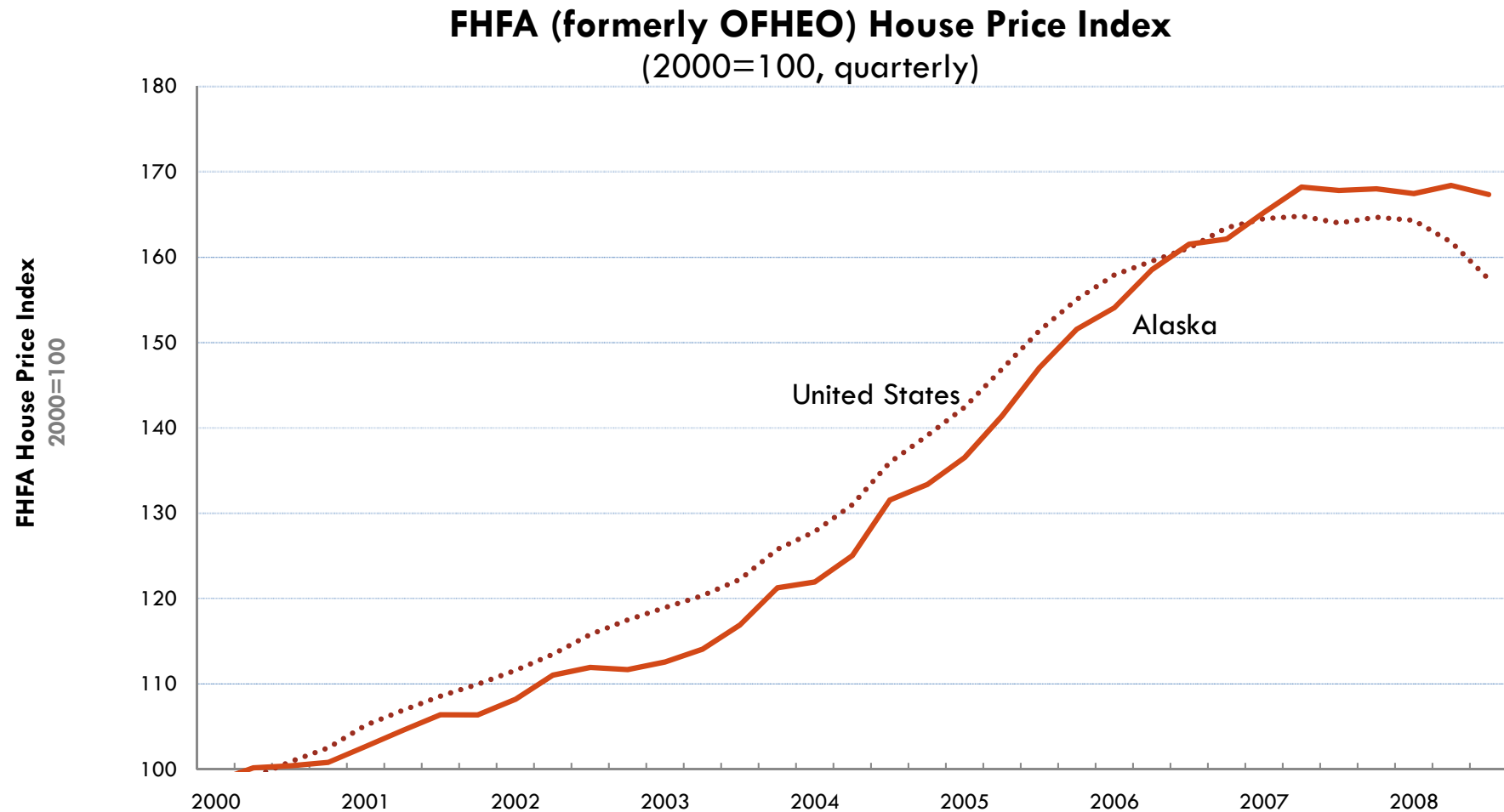
Source: Mortgage Bankers Association, National Delinquency Survey, 3<sup>rd</sup> Q 2008

# Yet Unlike National Trends, Alaska Saw a Small Increase in Foreclosure Starts in 3<sup>rd</sup> Quarter 2008



Source: Mortgage Bankers Association, National Delinquency Survey, 3<sup>rd</sup> Q 2008

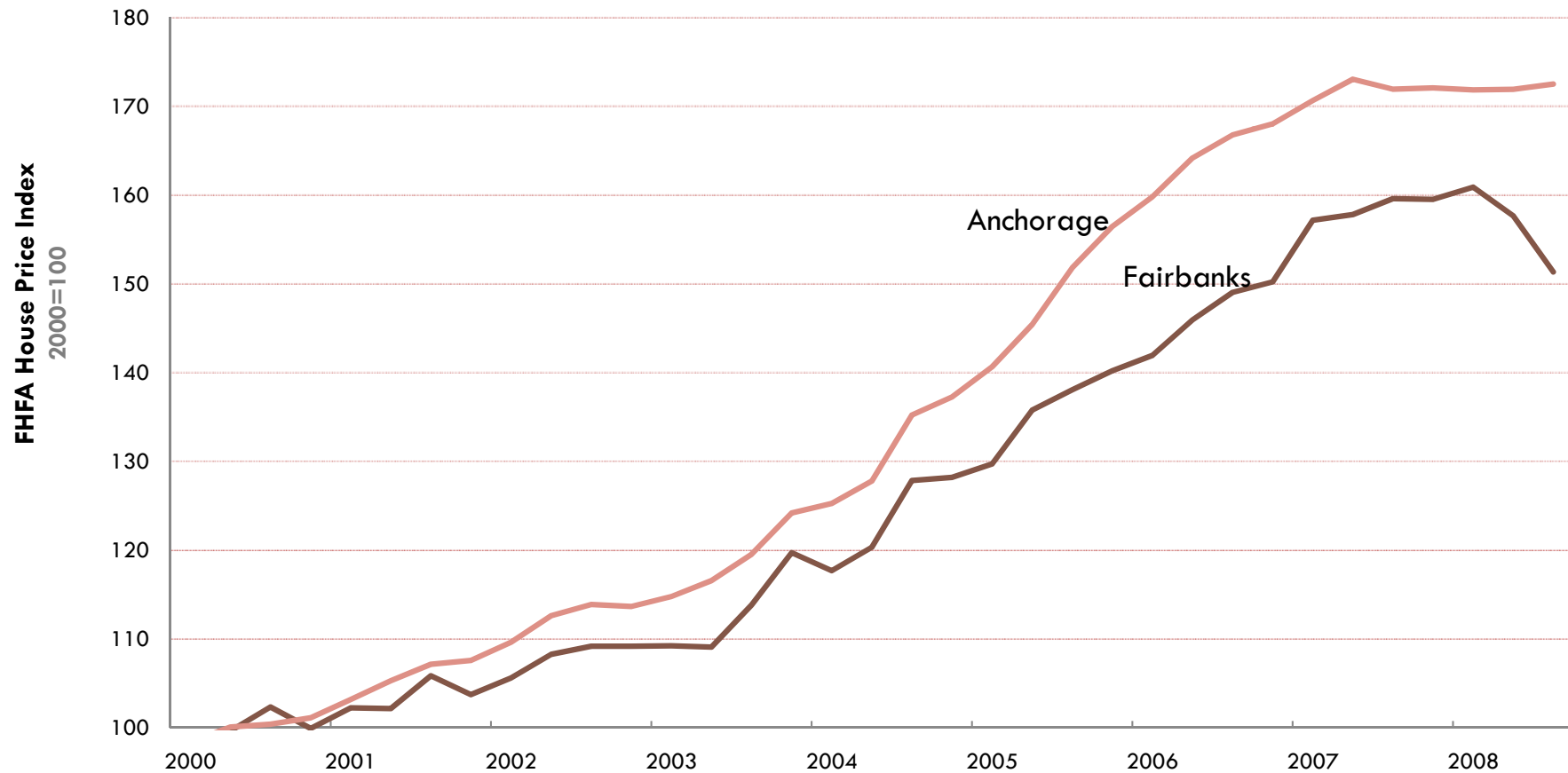
# Alaska's Real Estate Market is Starting To Flatten



Source: Federal Housing Finance Agency (formerly OFHEO), 3<sup>rd</sup> Quarter 2008

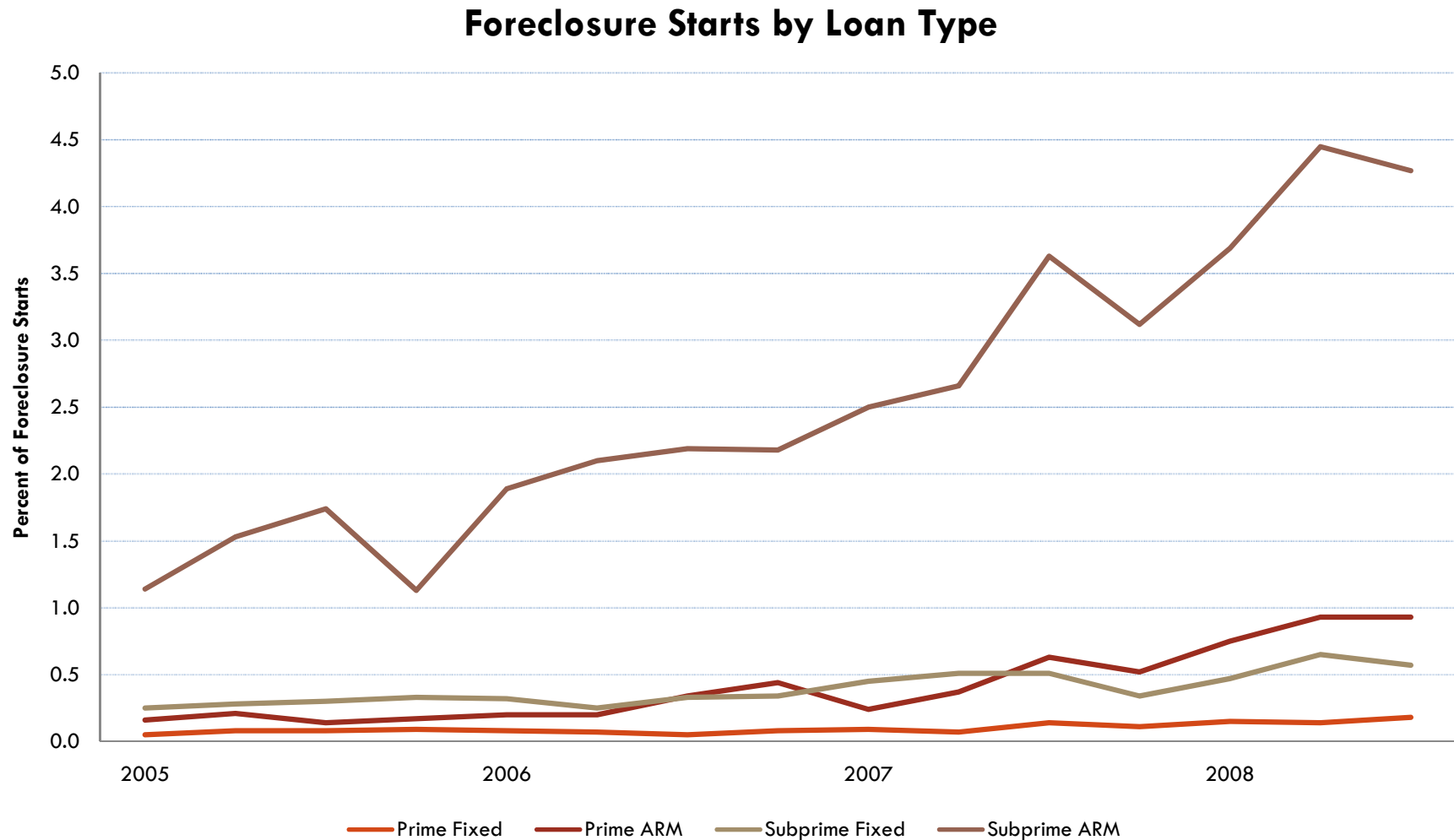
# At Metro Level, Fairbanks Experiencing Greatest Declines in House Values

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



Source: Federal Housing Finance Agency (formerly OFHEO), 3<sup>rd</sup> Quarter 2008

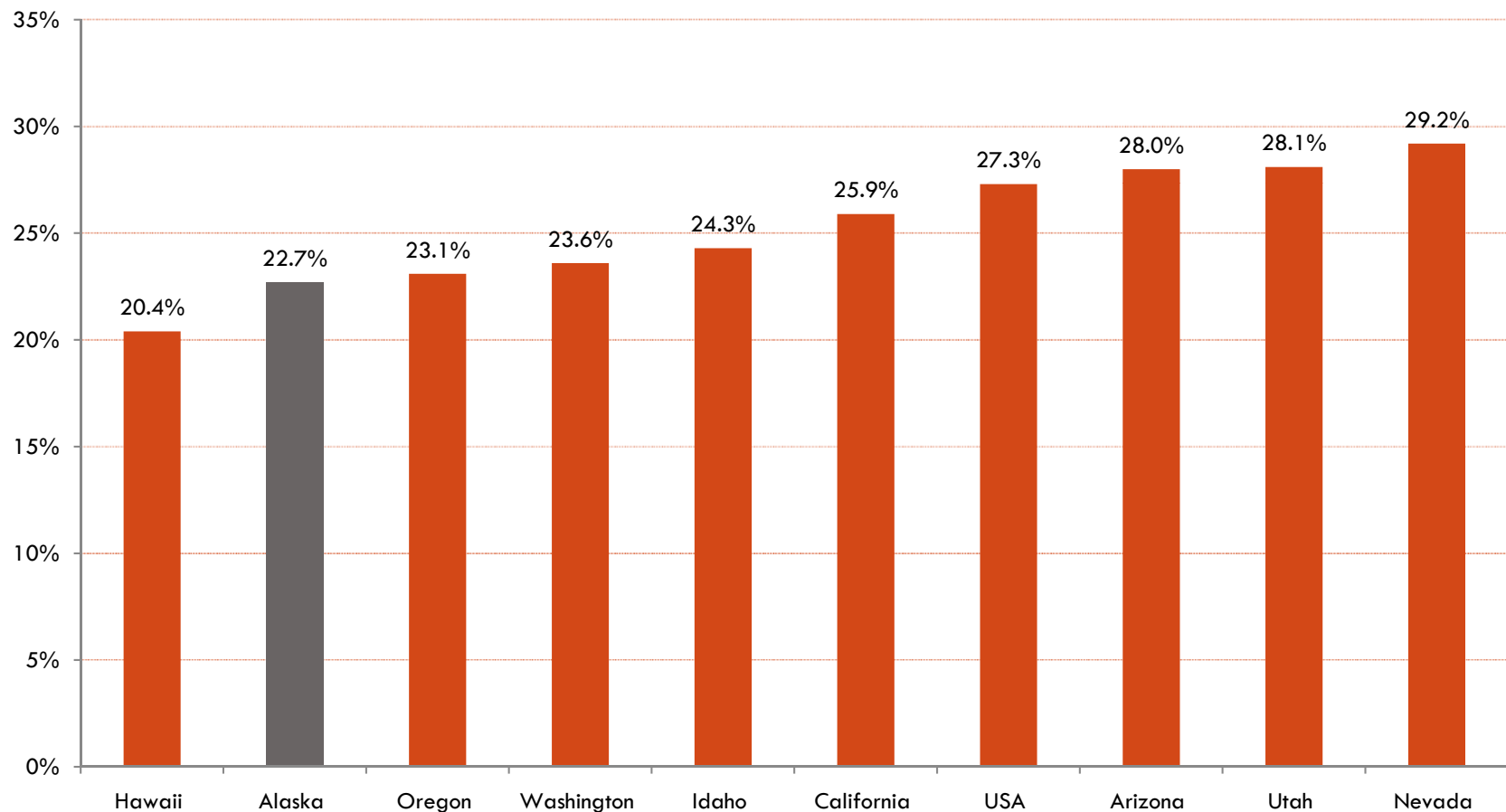
# Alaska's Foreclosures are Concentrated in Subprime ARM Market



Source: Mortgage Bankers Association, National Delinquency Survey, 3<sup>rd</sup> Q 2008

# Approximately 1 in 5 Loans in Alaska During Subprime Boom Were High-Cost, Lower Than US Average

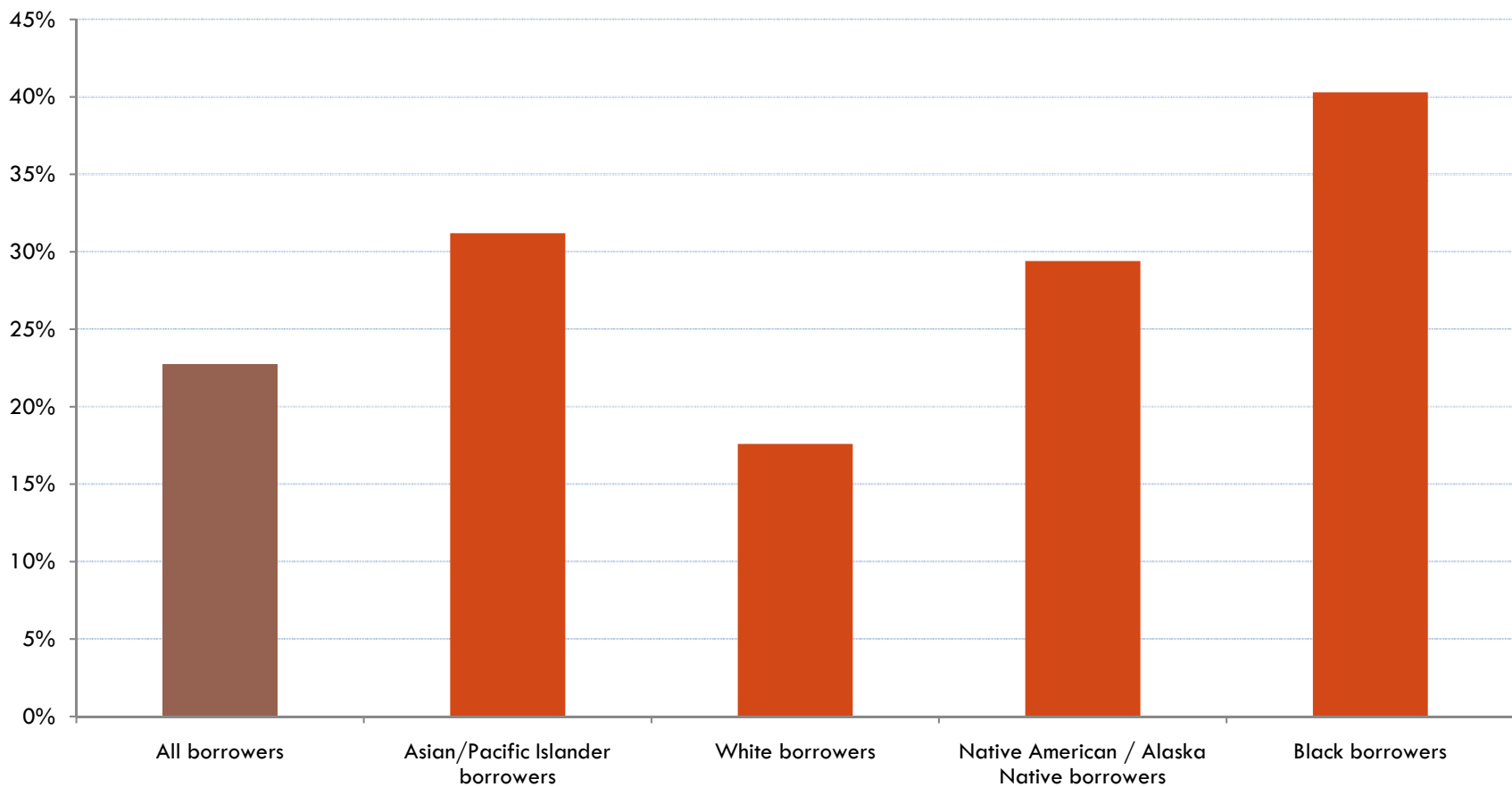
**Percent of All Borrowers with High Interest Conventional Loans, 2005**



Source: Home Mortgage Disclosure Act Data, 2005

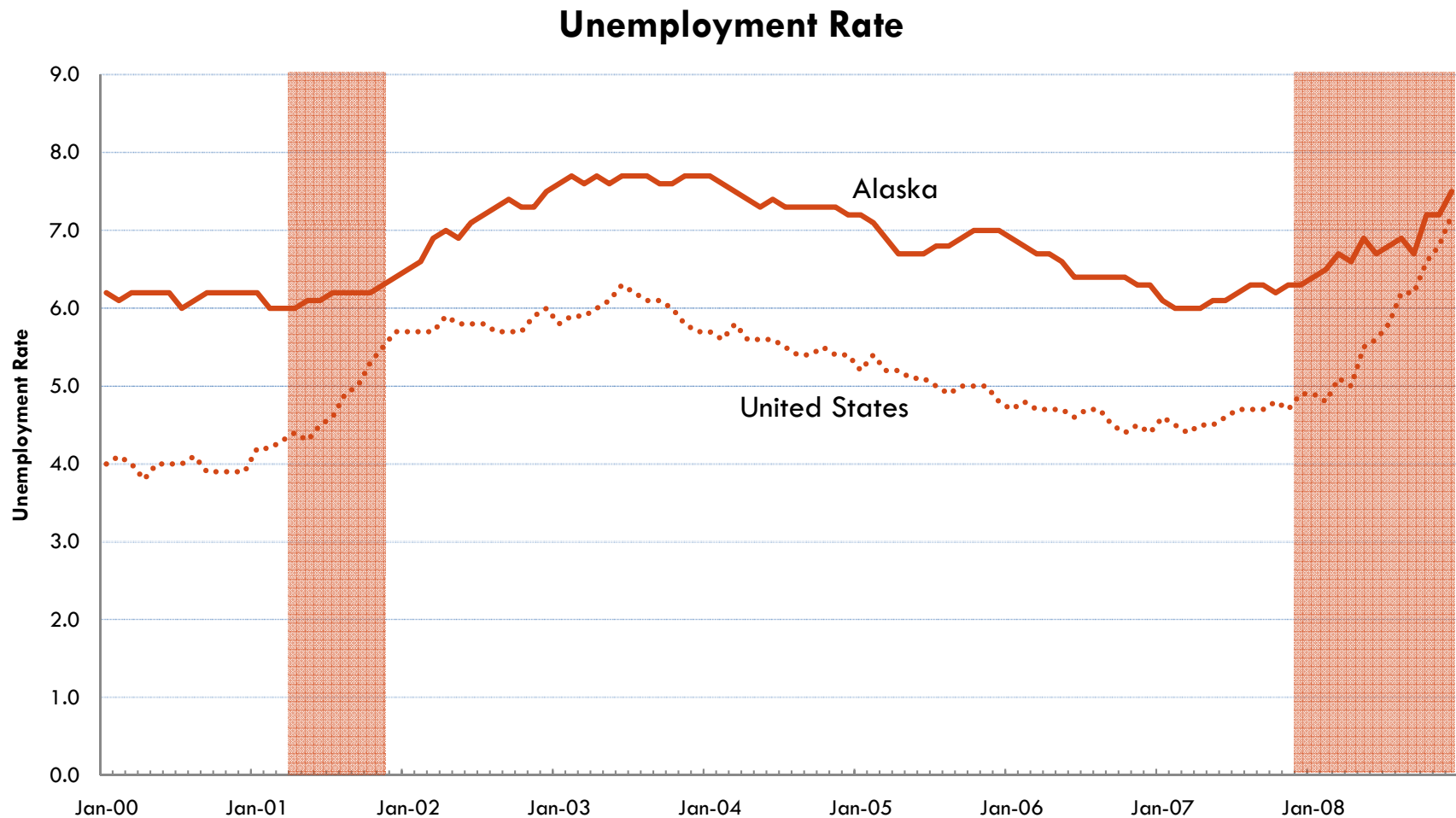
# High Cost Lending in Alaska More Prevalent Among Some Minority Groups

**High Cost Conventional Loans by Race, 2005**



Source: Home Mortgage Disclosure Act Data, 2005

# Unemployment Rate in Alaska is Rising



Source: Bureau of Labor Statistics, December 2008



# Employment Trends by Industry in Alaska

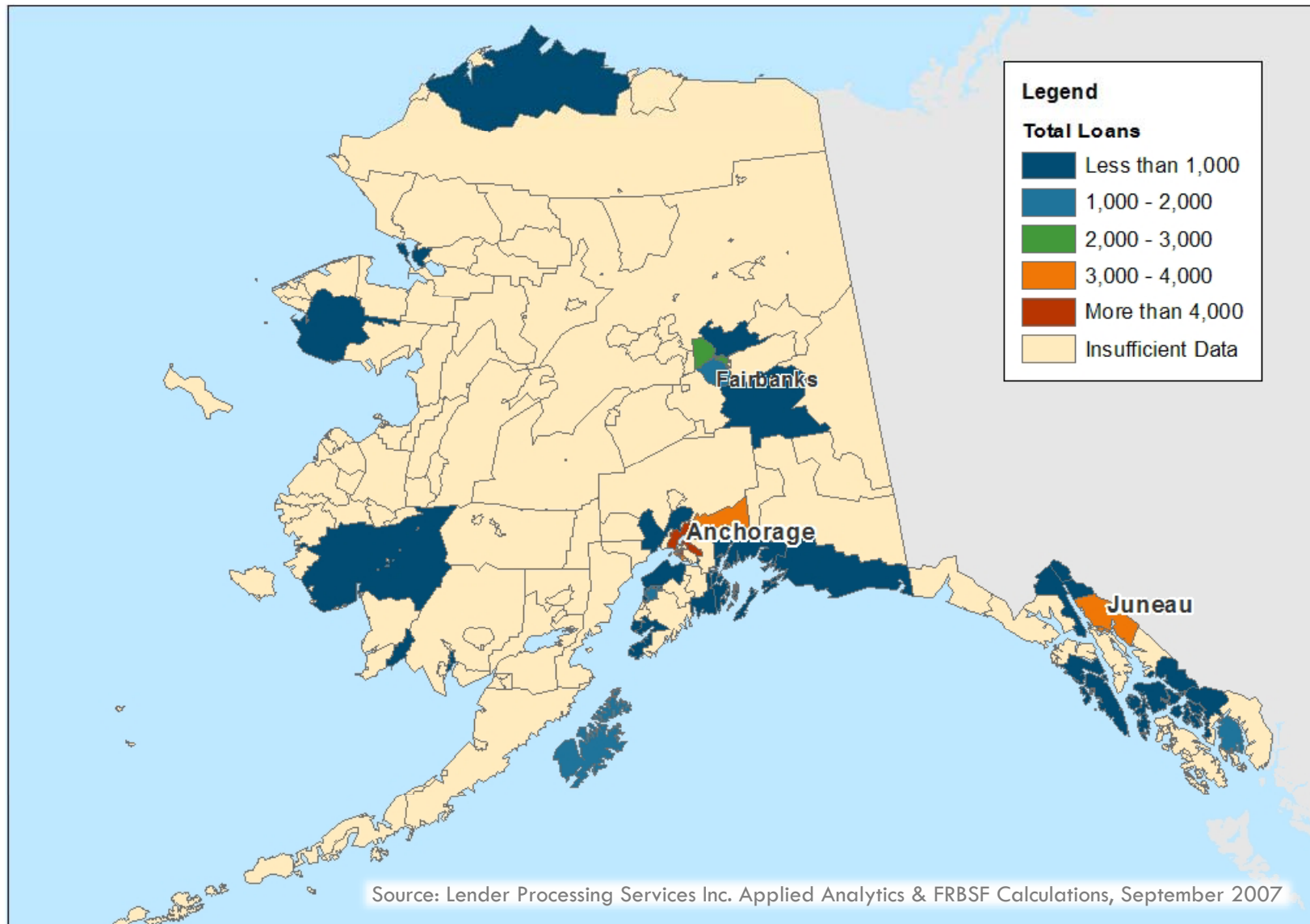
	Total Employed (thousands)	Percent Change		
		1-mo.*	3-mo.*	12-mo.
Alaska	Dec-08			
Total	320.2	-5.5	1.8	0.9
Government	82.5	-4.3	0.0	1.2
Trade, Transportation & Utilities	64.6	-5.4	5.1	0.9
Educational & Health Svcs.	37.3	-6.2	1.1	1.6
Leisure & Hospitality	31.5	-3.7	-1.3	-0.9
Professional & Business Svcs.	25.3	-4.6	-6.1	2.0
Construction	17.2	15.1	4.8	-0.6
Natural Resources & Mining	15.5	8.1	11.0	8.4
Financial Activities	14.6	-7.9	2.8	-1.4
Manufacturing	13.1	-46.5	3.1	-5.1
Other Services	11.6	0.0	3.5	0.9
Information	7.0	0.0	5.9	1.4

Source: Bureau of Labor Statistics, December 2008, \*Annualized

# Alaska Foreclosure Data Maps

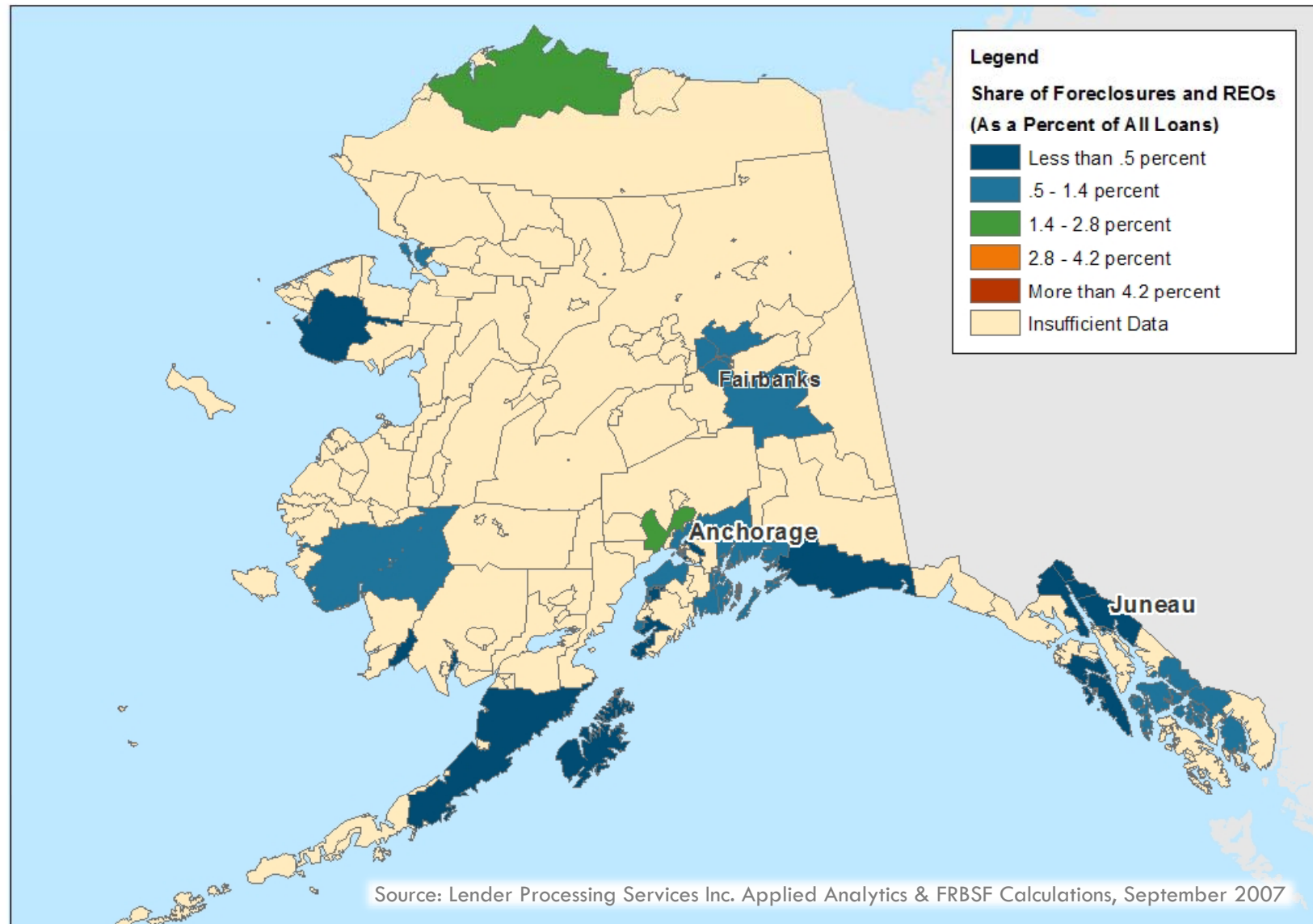
# Distribution of Lending Volumes

September 2007



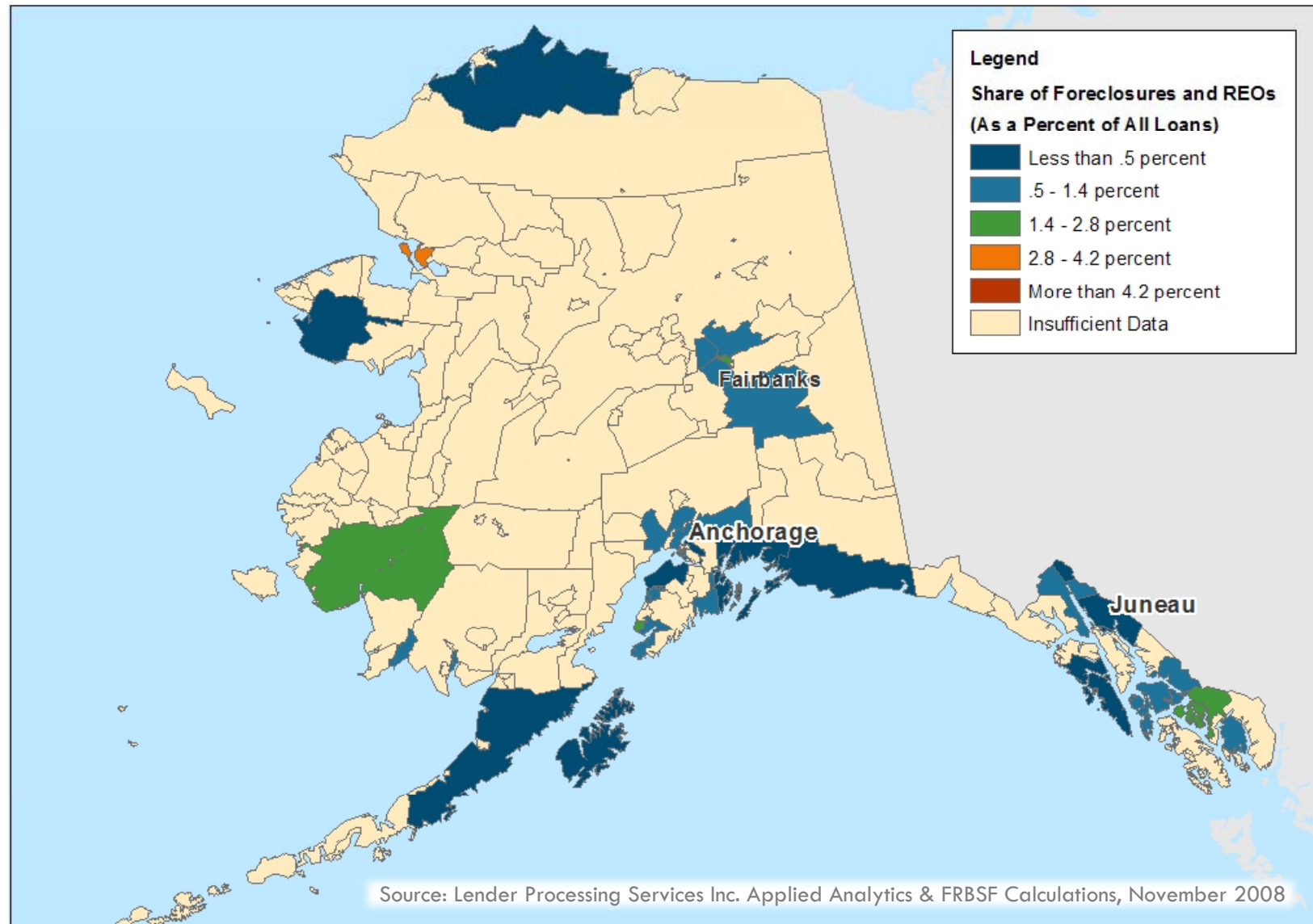
# Areas Affected by Concentrated Foreclosures

September 2007



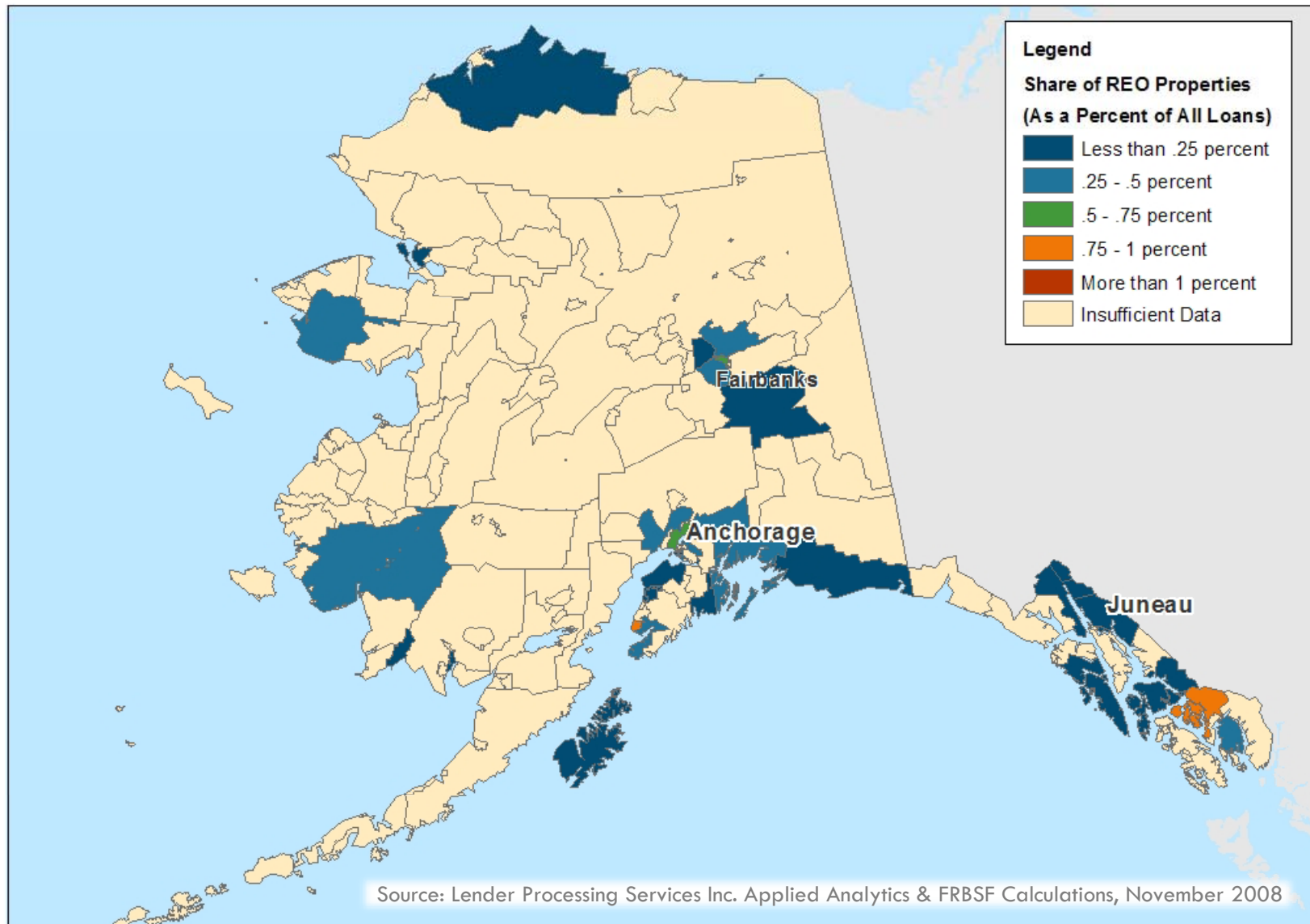
# Areas Affected by Concentrated Foreclosures

November 2008



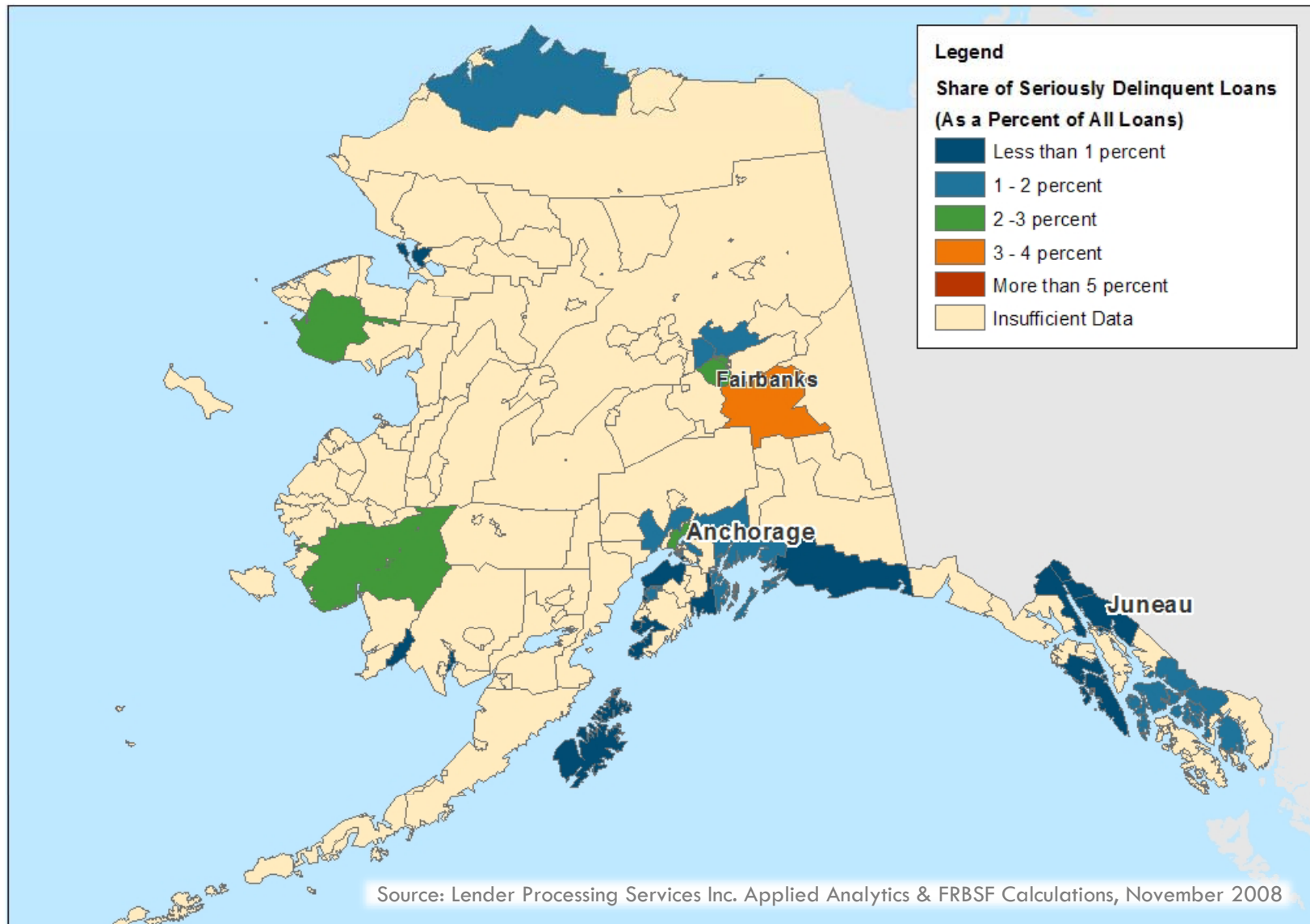
# Areas with Concentrations of REO Properties

November 2008

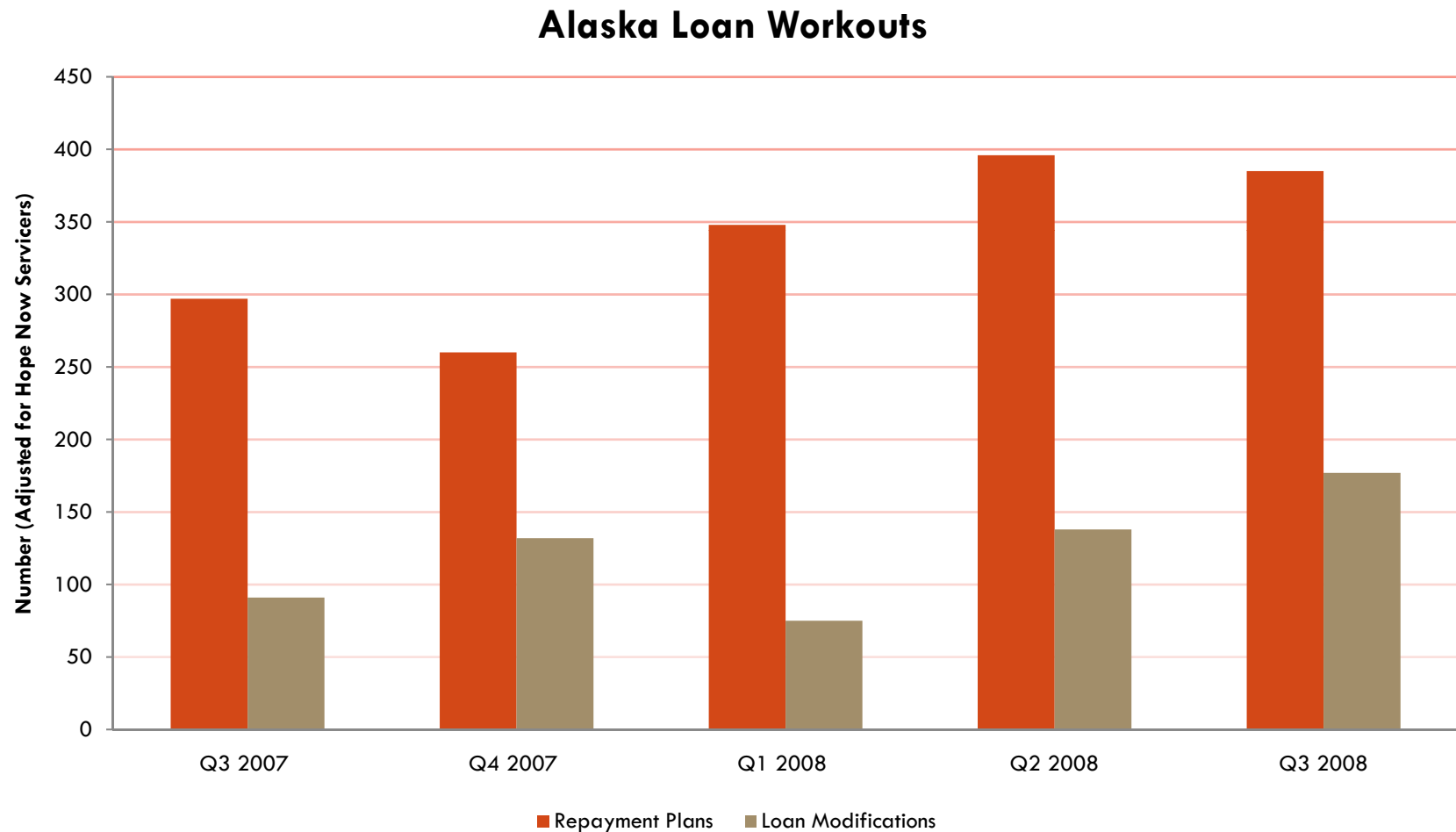


# Areas at Risk of Additional Foreclosures

November 2008



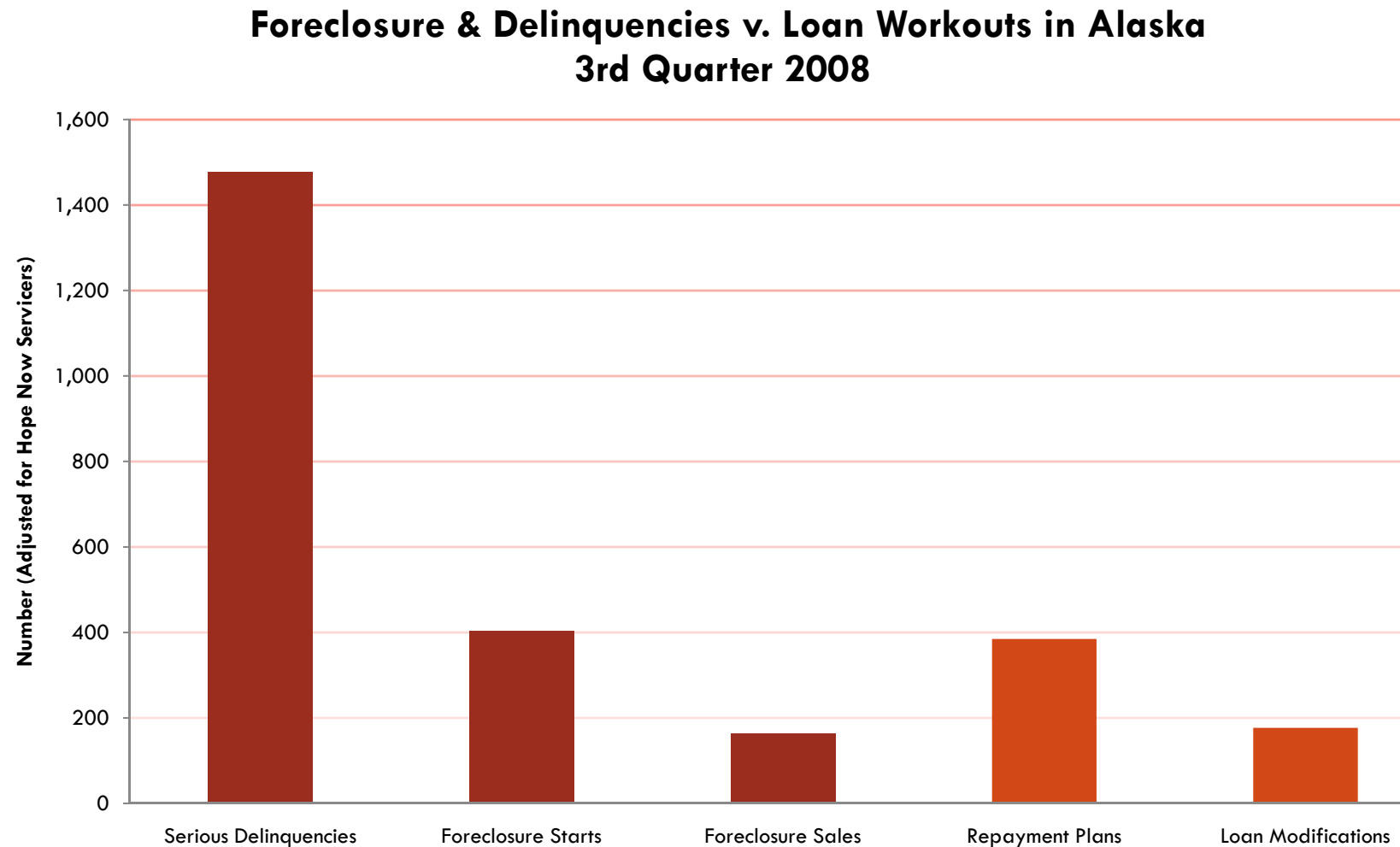
# Loan Modifications as Share of Loan Workouts Have Increased



Source: Hope Now Alliance Servicing Data, 3<sup>rd</sup> Quarter 2008



# Yet, Workouts Still Fall Short of Need



Source: Hope Now Alliance Servicing Data, 3<sup>rd</sup> 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](http://www.995hope.org)

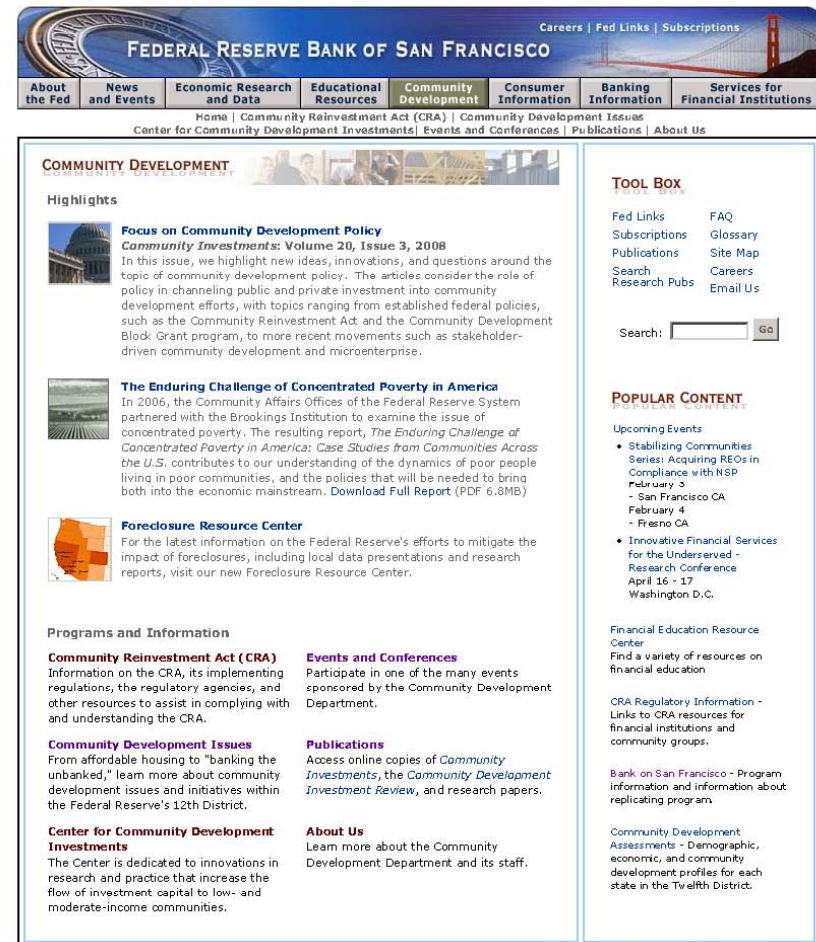
# Conclusions



- ❑ 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/>