

TRENDS IN DELINQUENCIES AND FORECLOSURES IN ARIZONA

April 2009

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Outline of Presentation



- National Trends
 - ▣ Rising foreclosures
 - ▣ House price declines
 - ▣ Rising unemployment
- Arizona
 - ▣ Trends in foreclosure
 - ▣ Housing market softening
 - ▣ Rising unemployment
 - ▣ Scale of loan modifications still falls short of need

National Trends

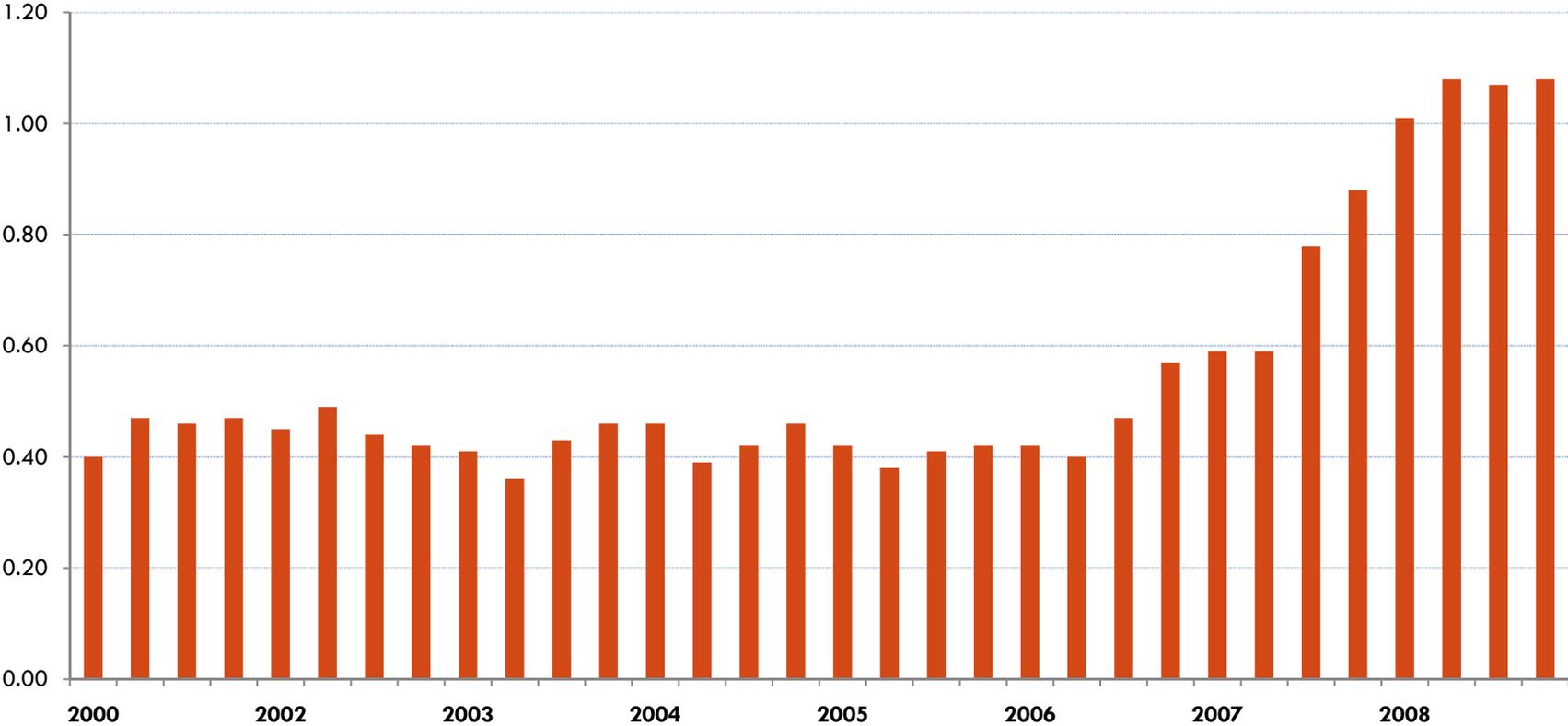
National Trends



- 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

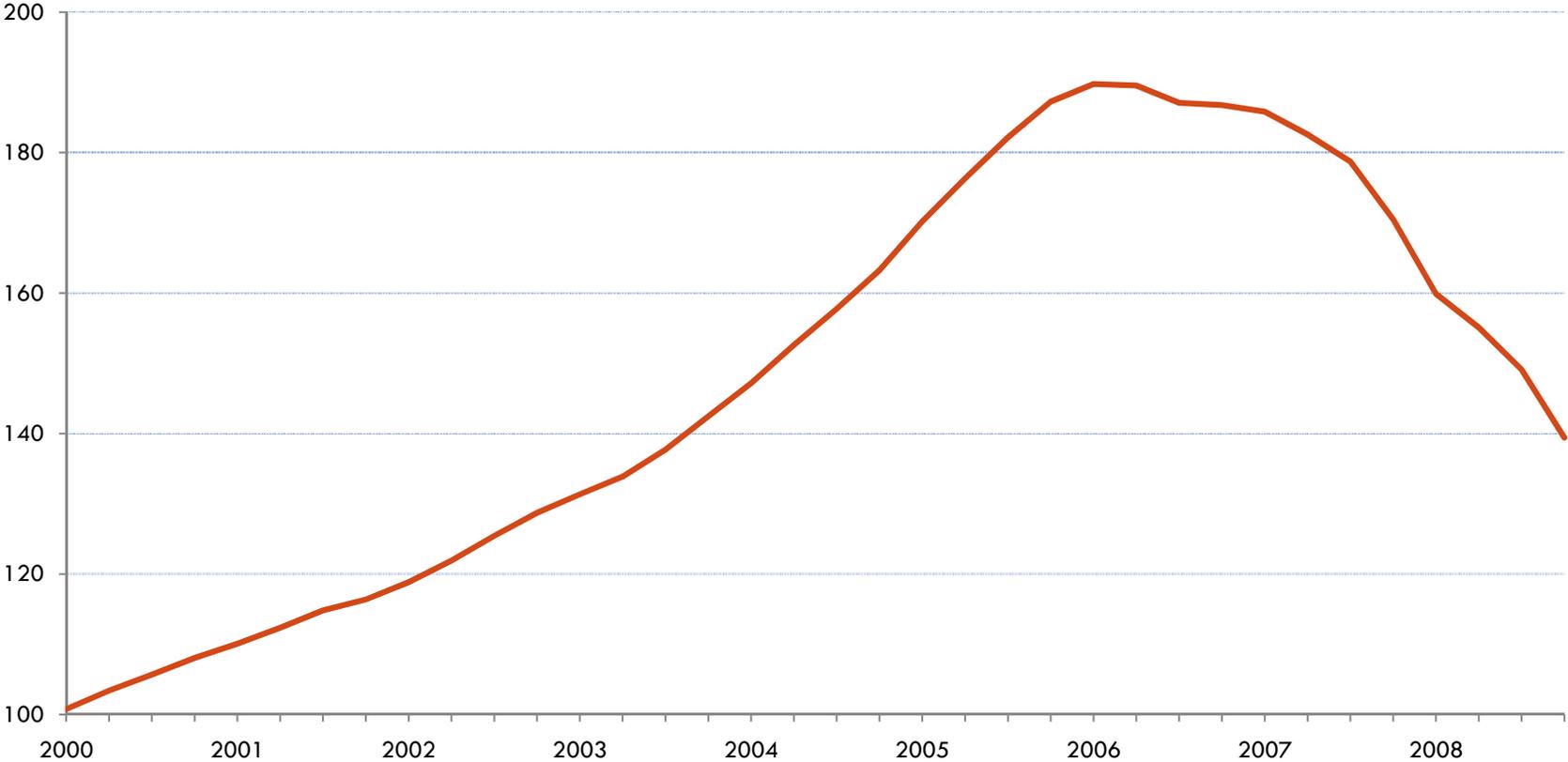
National Foreclosures Starts
Percent of All Loans



Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008

Nationally, House Prices Continue to Decline

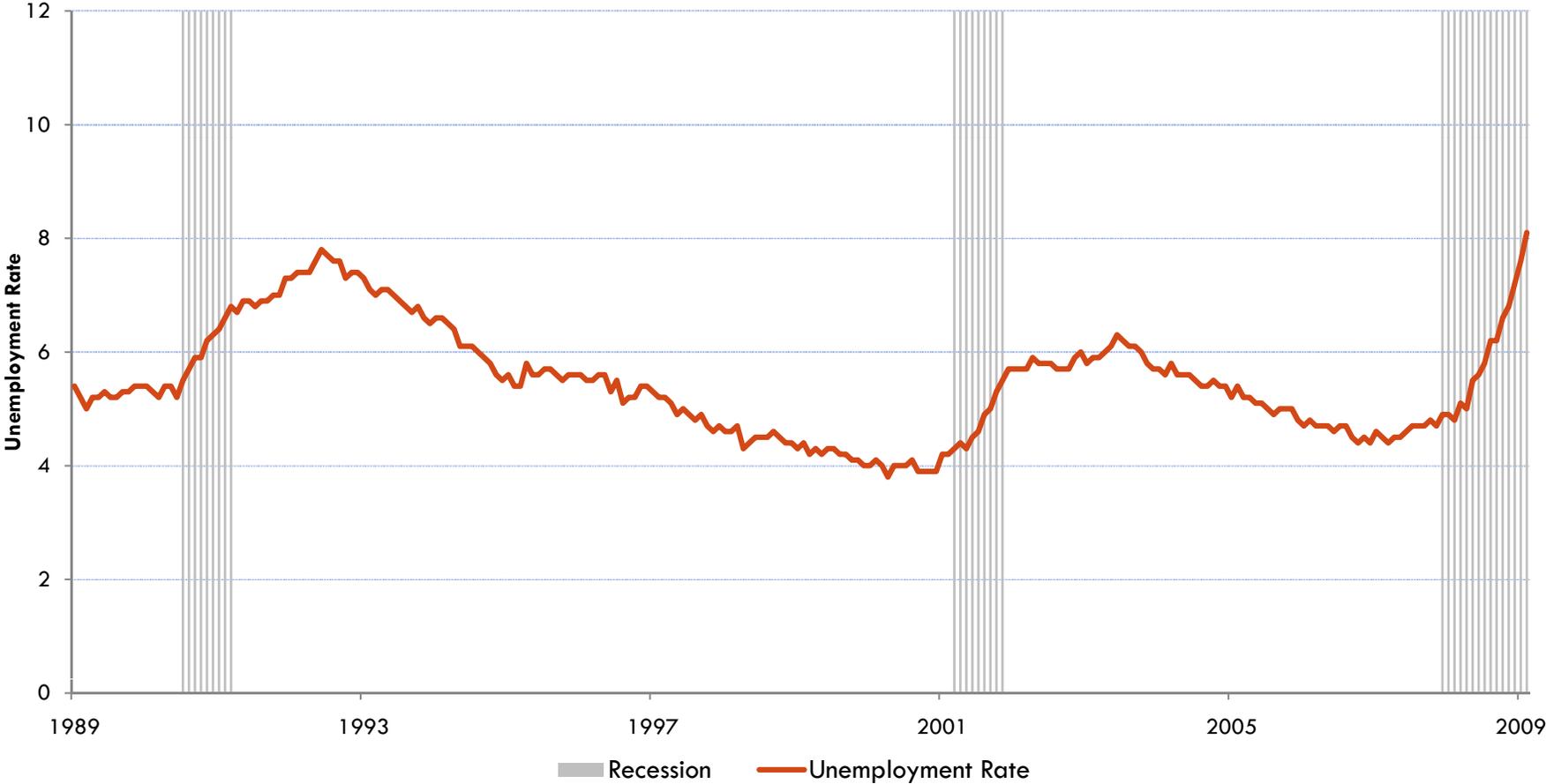
Case-Shiller National House Price Index
(2000 = 100, quarterly)



Source: Case - Shiller Home Price Index, 4th Q 2008

Recession Marks Significant Jump in Unemployment

U.S. Unemployment Rate

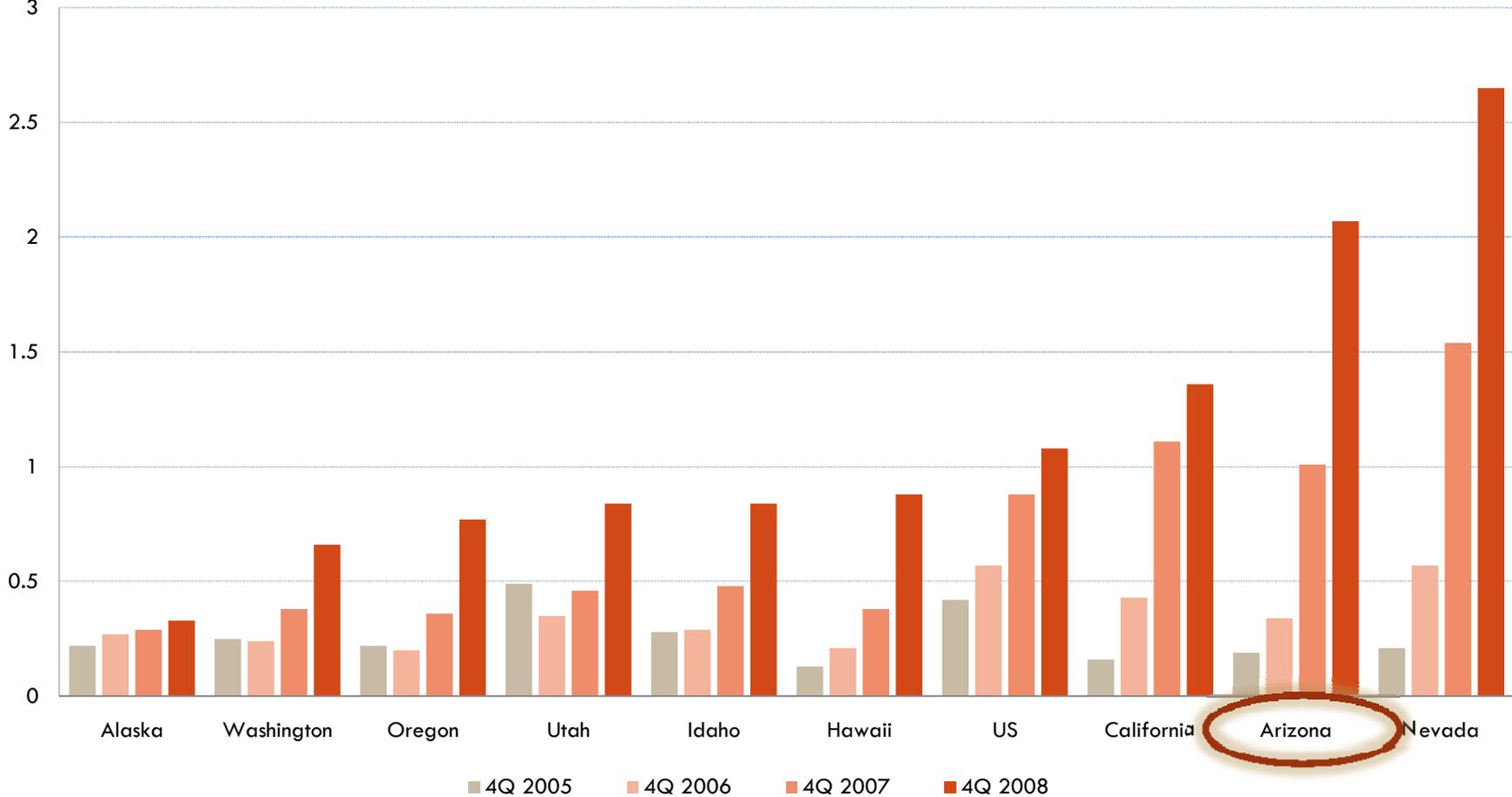


Source: Bureau of Labor Statistics

Arizona Trends

Foreclosures in Arizona are Twice the National Average

Foreclosure Starts (Percent of All Loans)

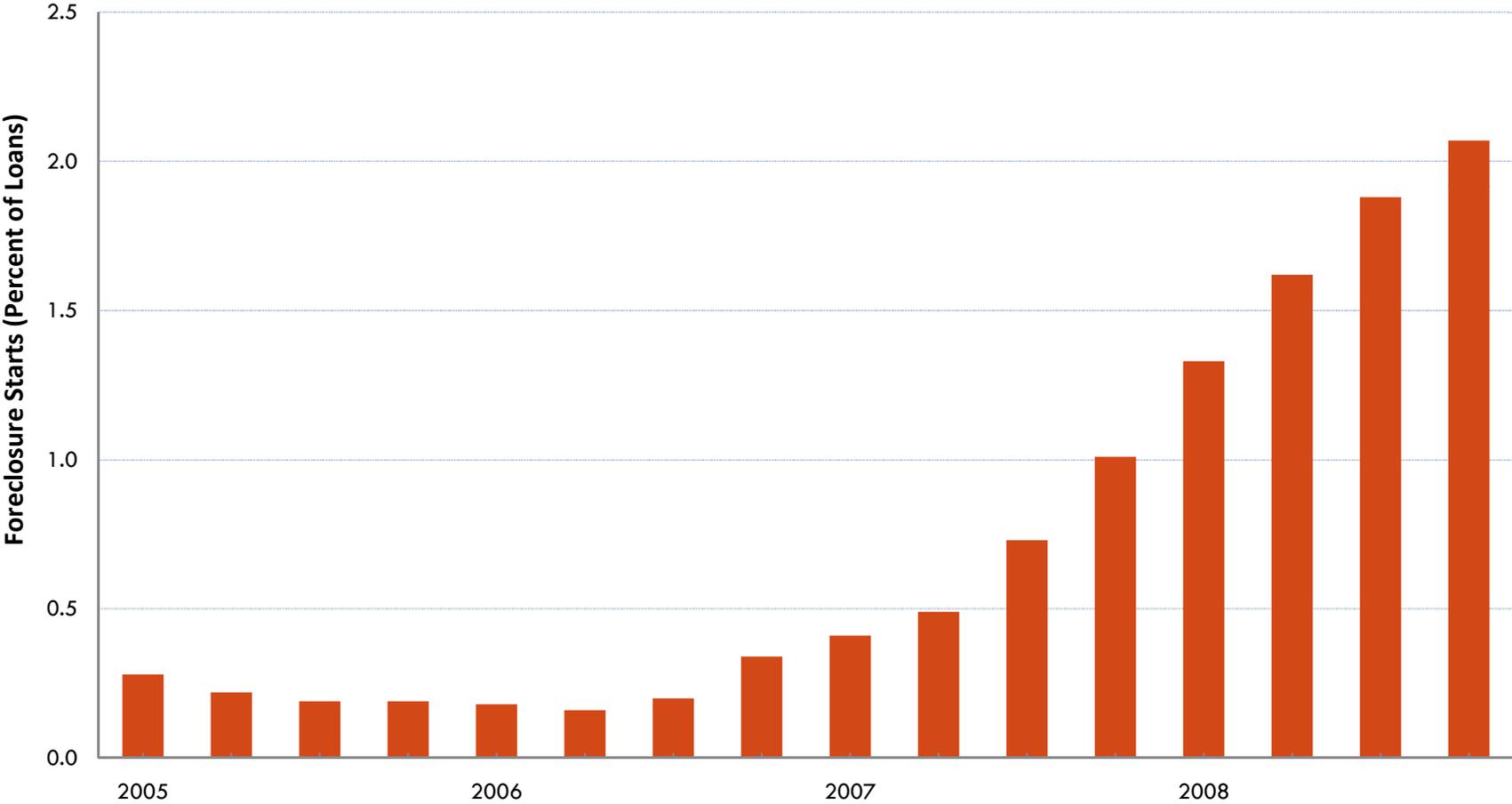


Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008

Unlike National Trends which seem to be Slowing, Arizona Continues to See Rising Foreclosure Rates

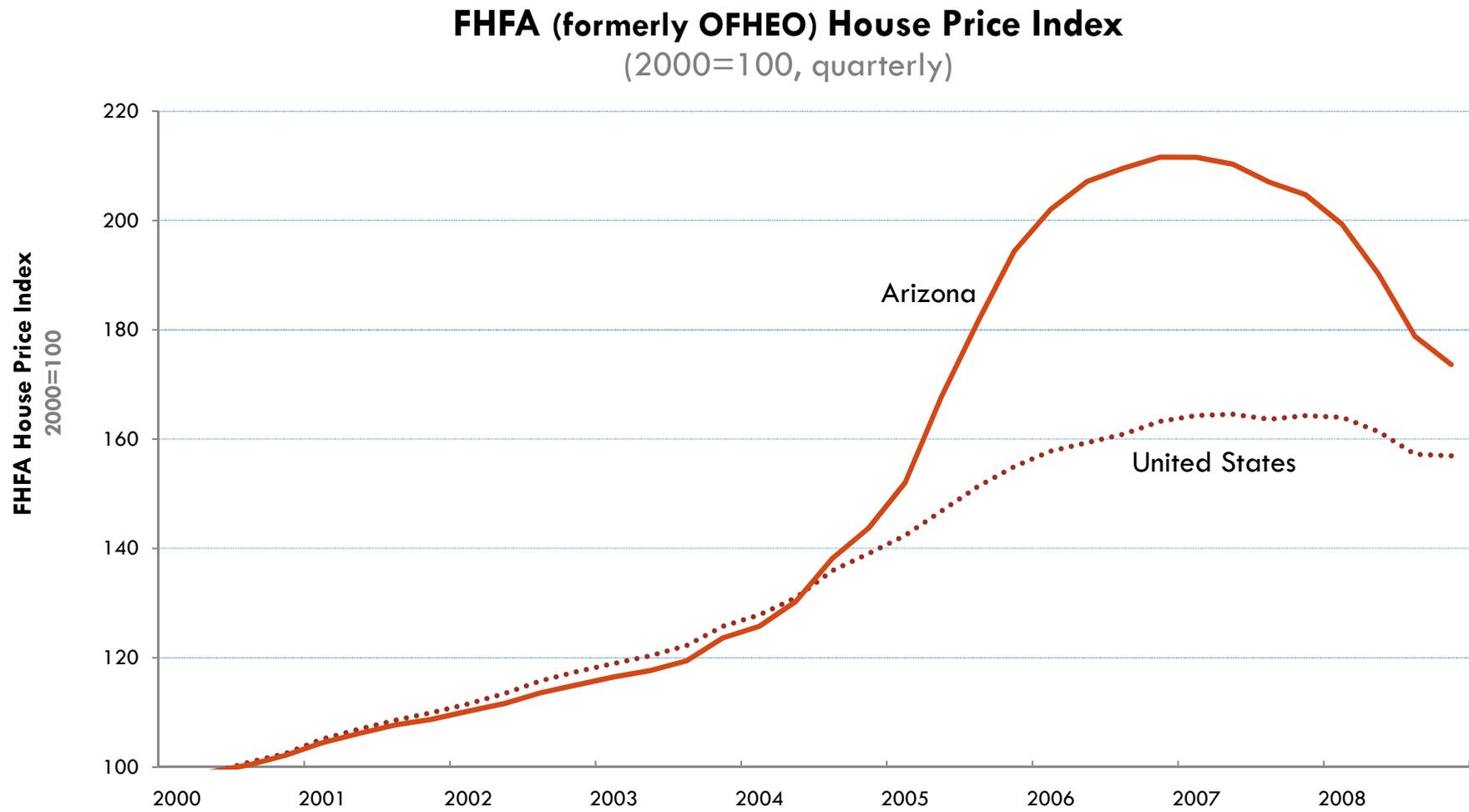


Arizona Foreclosure Starts (Percent of All Loans)



Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008

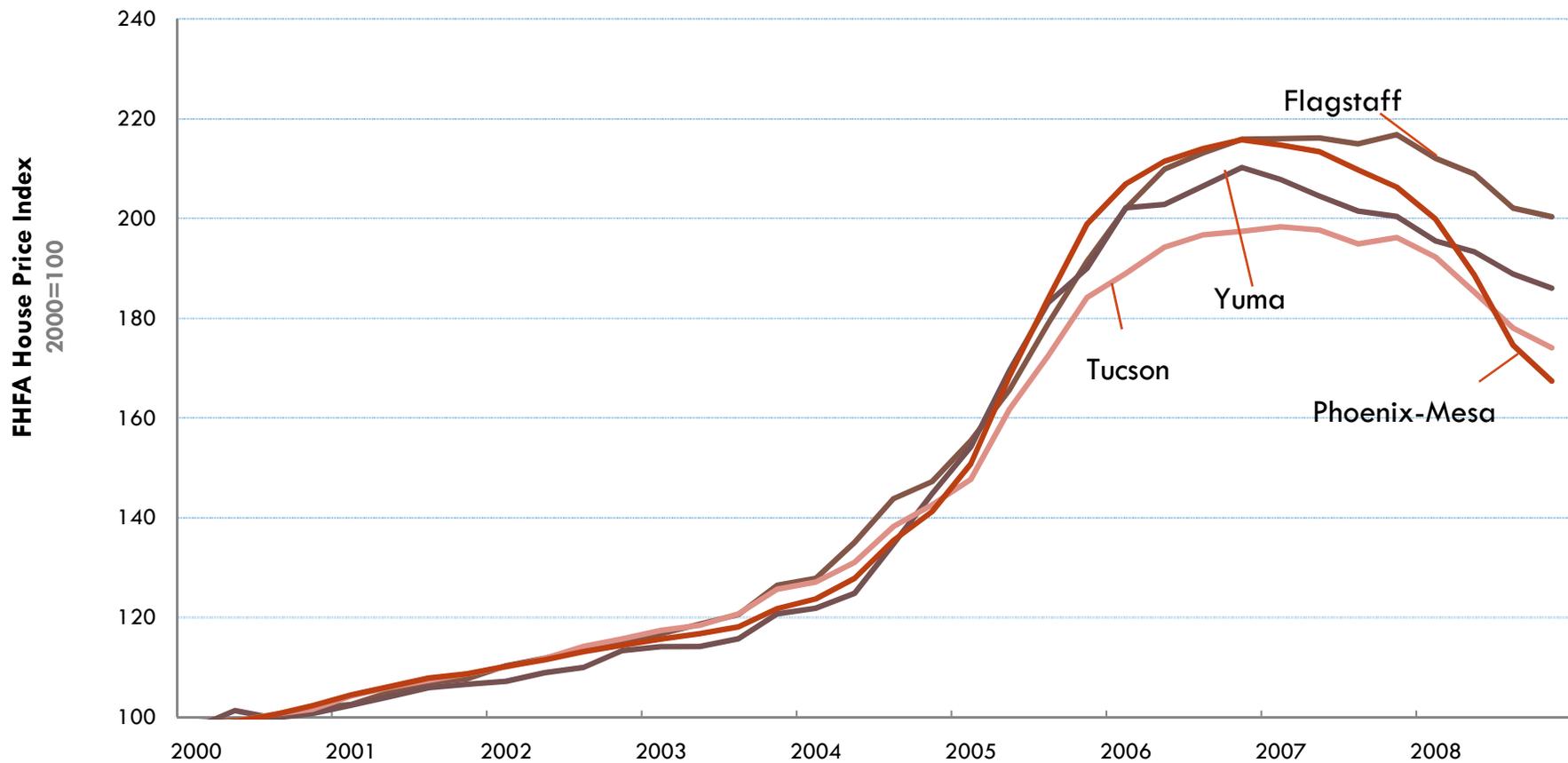
Arizona Has Seen Dramatic House Price Declines Since the Peak of “Housing Boom”



Source: Federal Housing Finance Agency (formerly OFHEO), 4th Quarter 2008

Phoenix Experiencing Greatest Declines in House Values

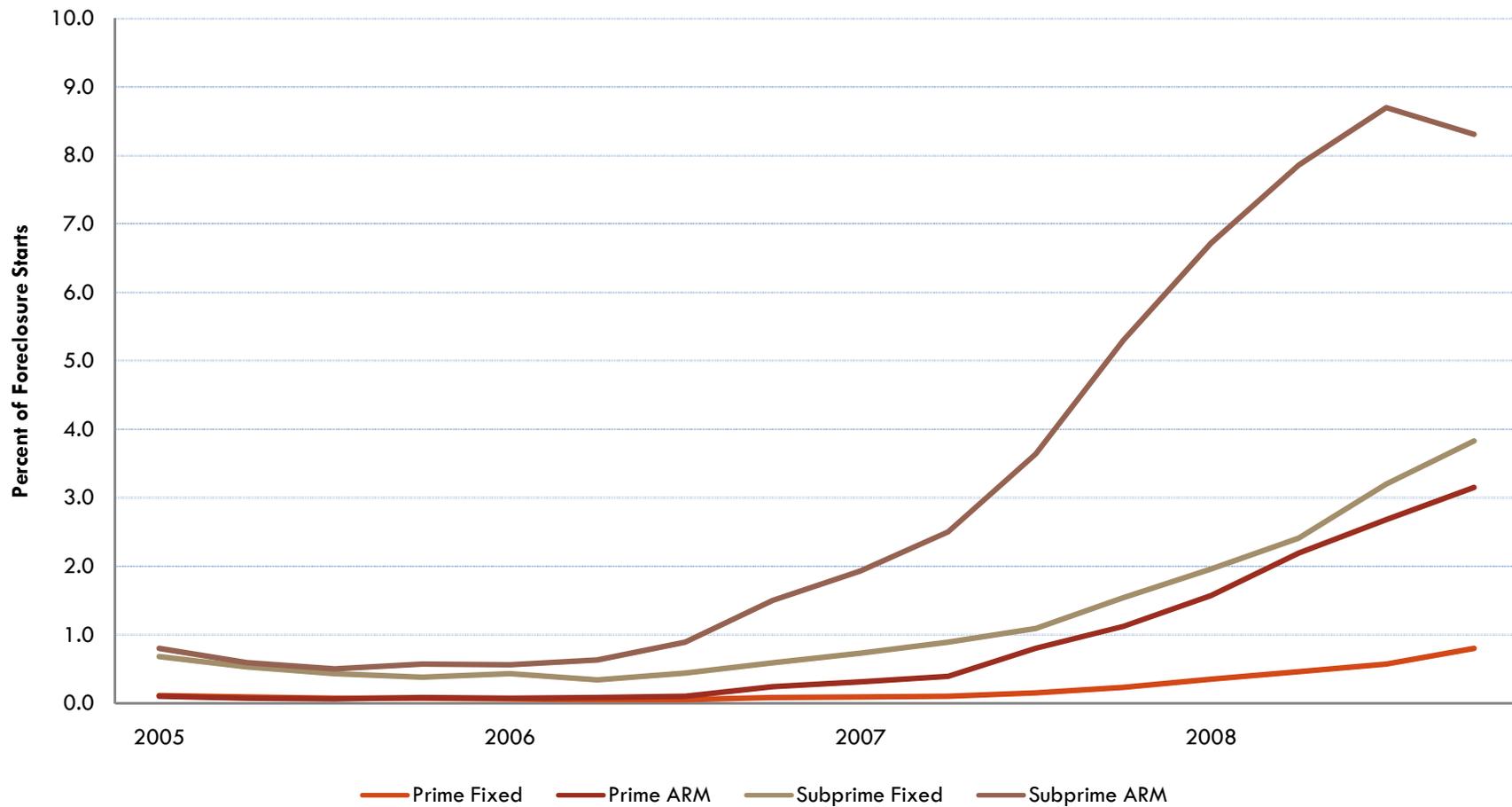
FHFA (formerly OFHEO) House Price Index
(2000 = 100)



Source: Federal Housing Finance Agency (formerly OFHEO), 4th Quarter 2008

Arizona's Foreclosures Remain Concentrated in Subprime ARM Market, though Subprime Fixed and Prime ARM also Rising

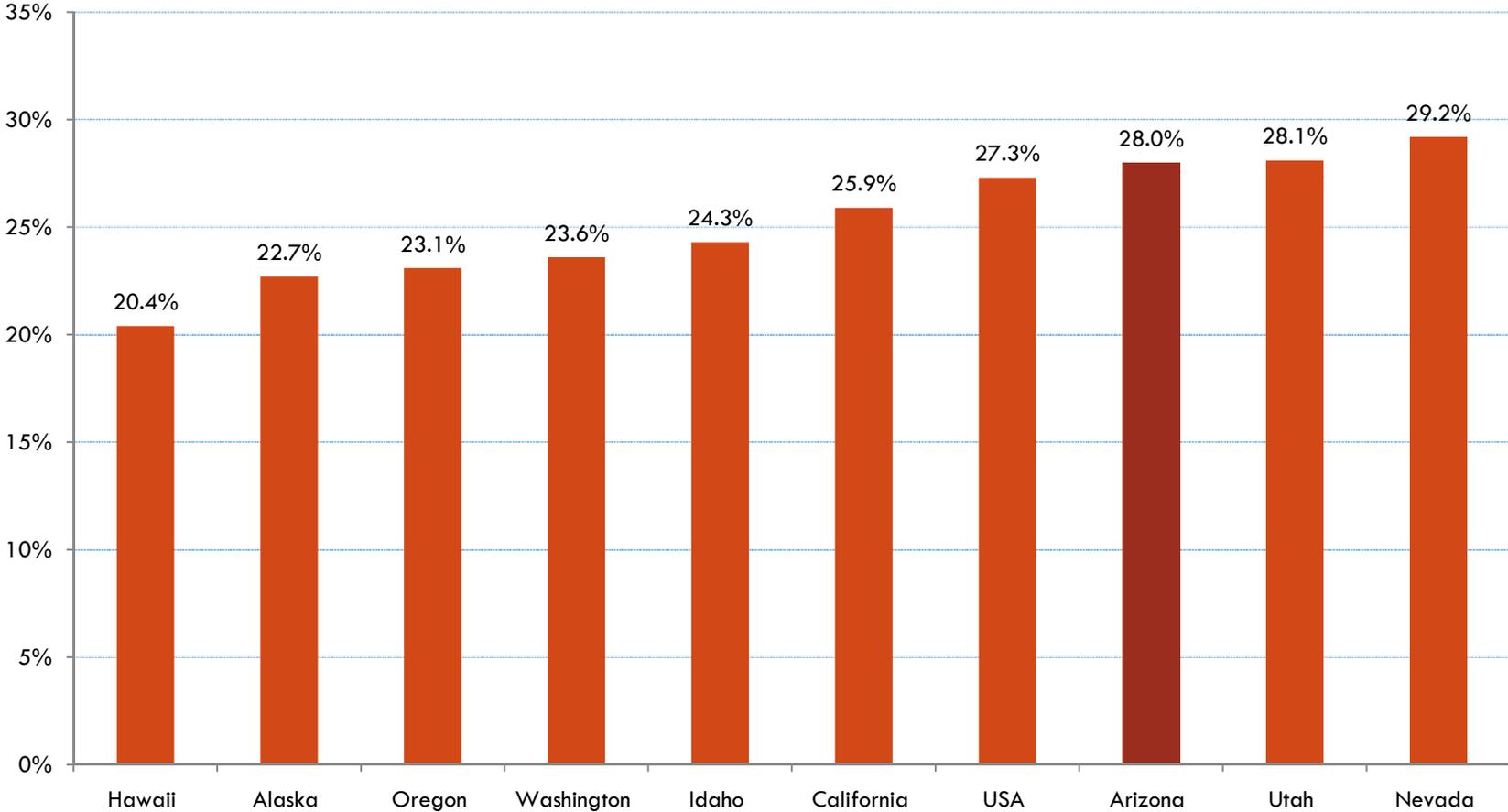
Foreclosure Starts by Loan Type



Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008

Arizona Saw High Rates of High-Cost Lending During Subprime Boom

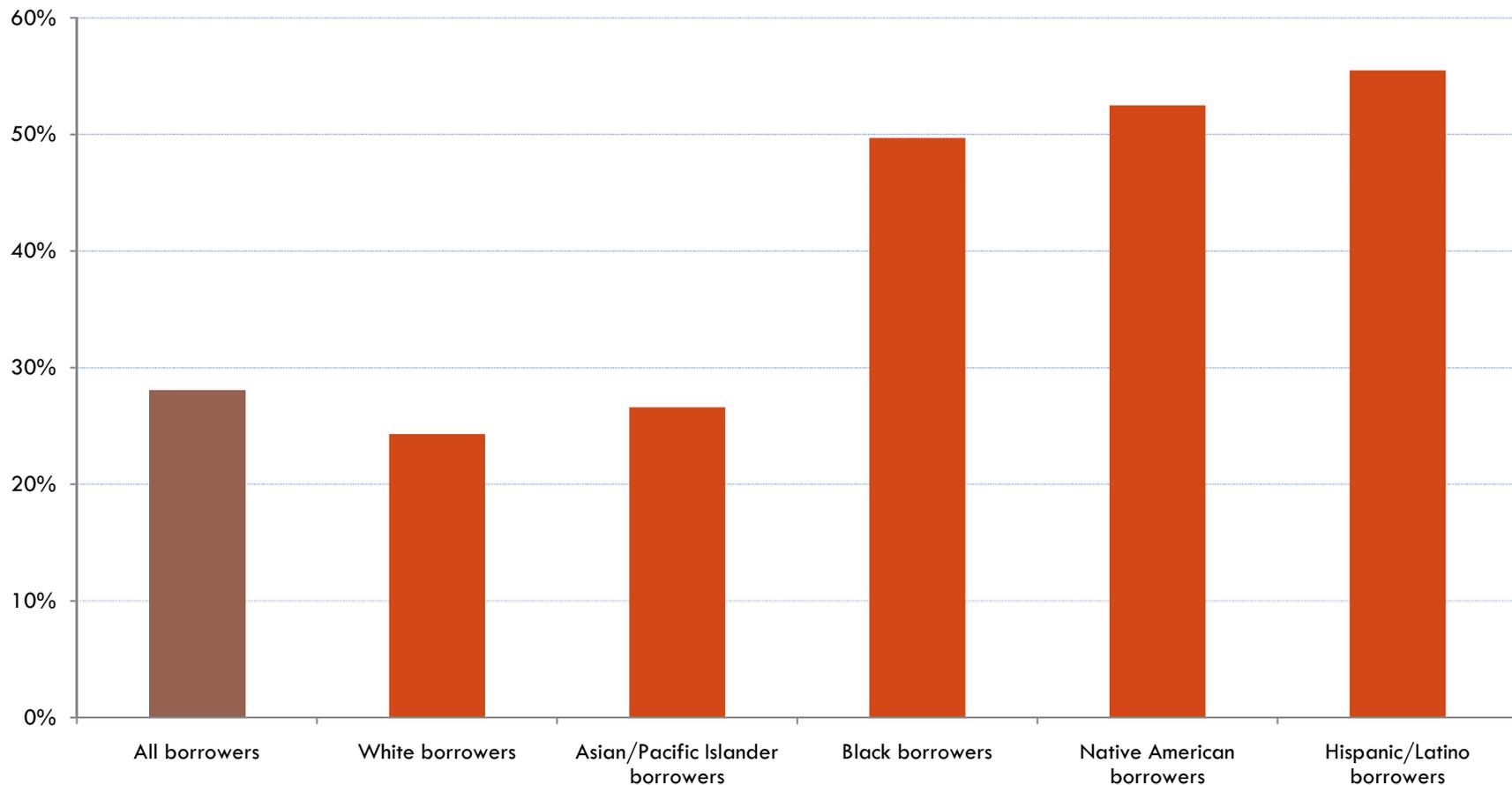
Percent of All Borrowers with High Interest Conventional Loans, 2005



Source: Home Mortgage Disclosure Act Data, 2005

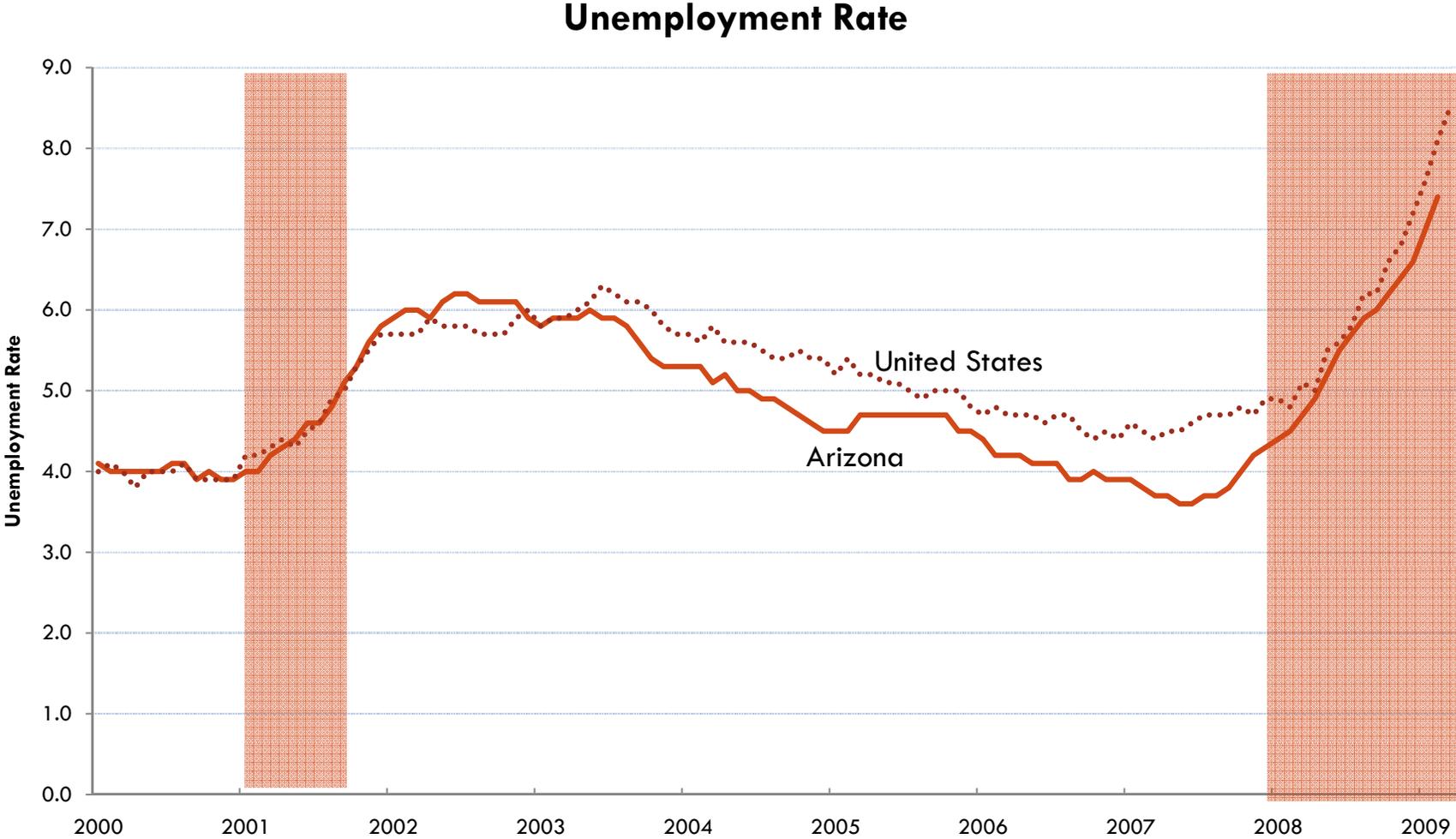
High Cost Lending in Arizona More Prevalent Among Minority Groups, Especially Latinos

High Cost Conventional Loans by Race, 2005



Source: Home Mortgage Disclosure Act Data, 2005

Unemployment Rate in Arizona is Rising



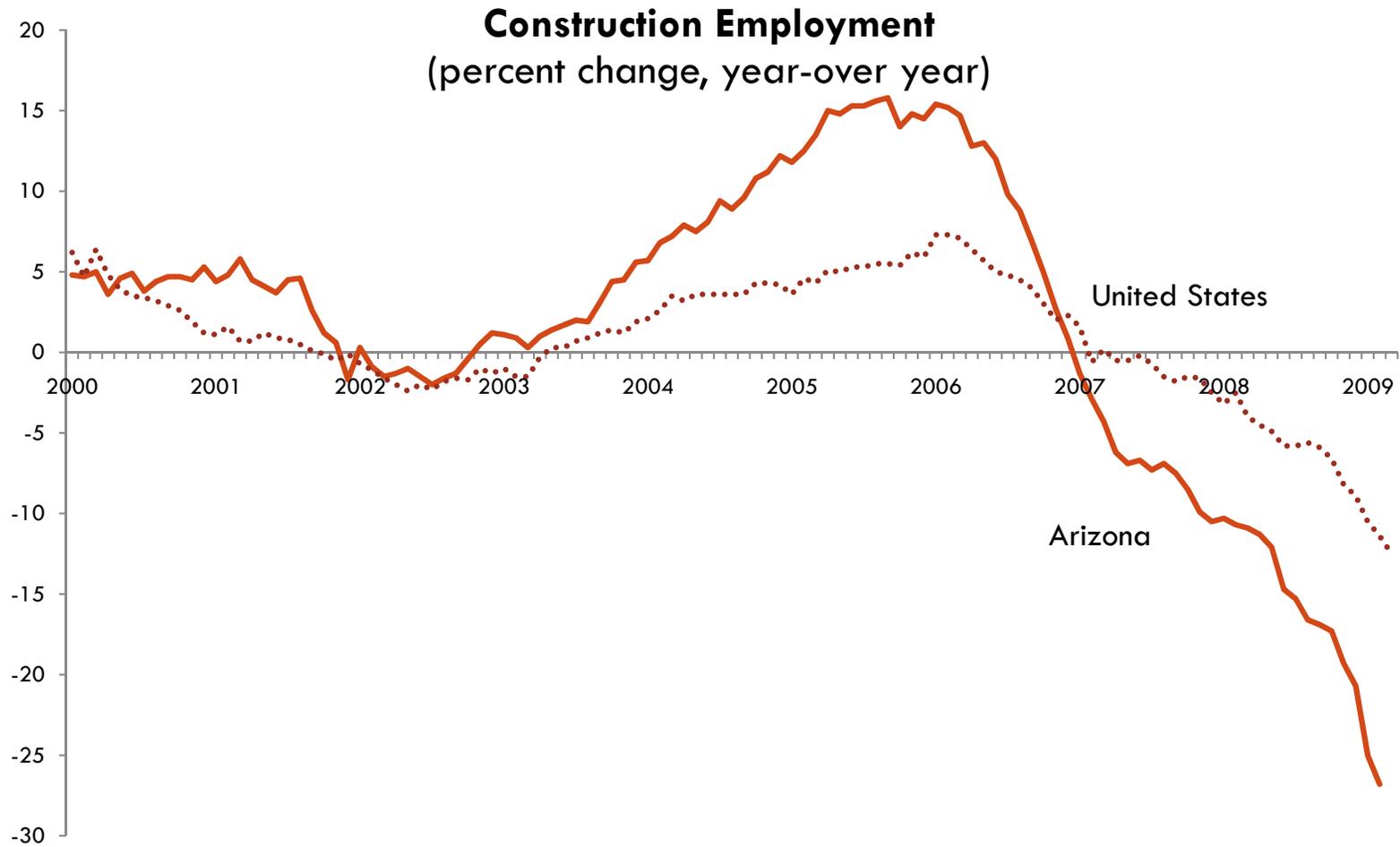
Source: Bureau of Labor Statistics, March 2009

Employment Trends by Industry in Arizona

Arizona	Total Employed (thousands)	Percent Change		
		1-mo.*	3-mo.*	12-mo.
Total	Feb-09 2,480.9	-11.5	-11.5	-6.7
Trade, Transportation & Utilities	483.9	-5.5	-11.2	-8.2
Government	431.7	-15.0	-3.8	1.1
Professional & Business Svcs.	356.3	-5.2	-13.9	-10.9
Educational & Health Svcs.	316.9	-5.9	-6.4	0.9
Leisure & Hospitality	257.7	-11.3	-6.0	-6.1
Financial Activities	171.2	-9.9	-6.1	-4.0
Manufacturing	166.1	-12.1	-14.8	-6.4
Construction	149.1	-41.0	-39.0	-26.8
Other Services	95.8	-4.9	-14.8	-5.1
Information	39.9	-21.2	-10.3	-6.3
Natural Resources & Mining	12.3	-25.1	-35.0	-4.7

Source: Bureau of Labor Statistics, February 2009, *Annualized

Significant Drop in Construction Employment

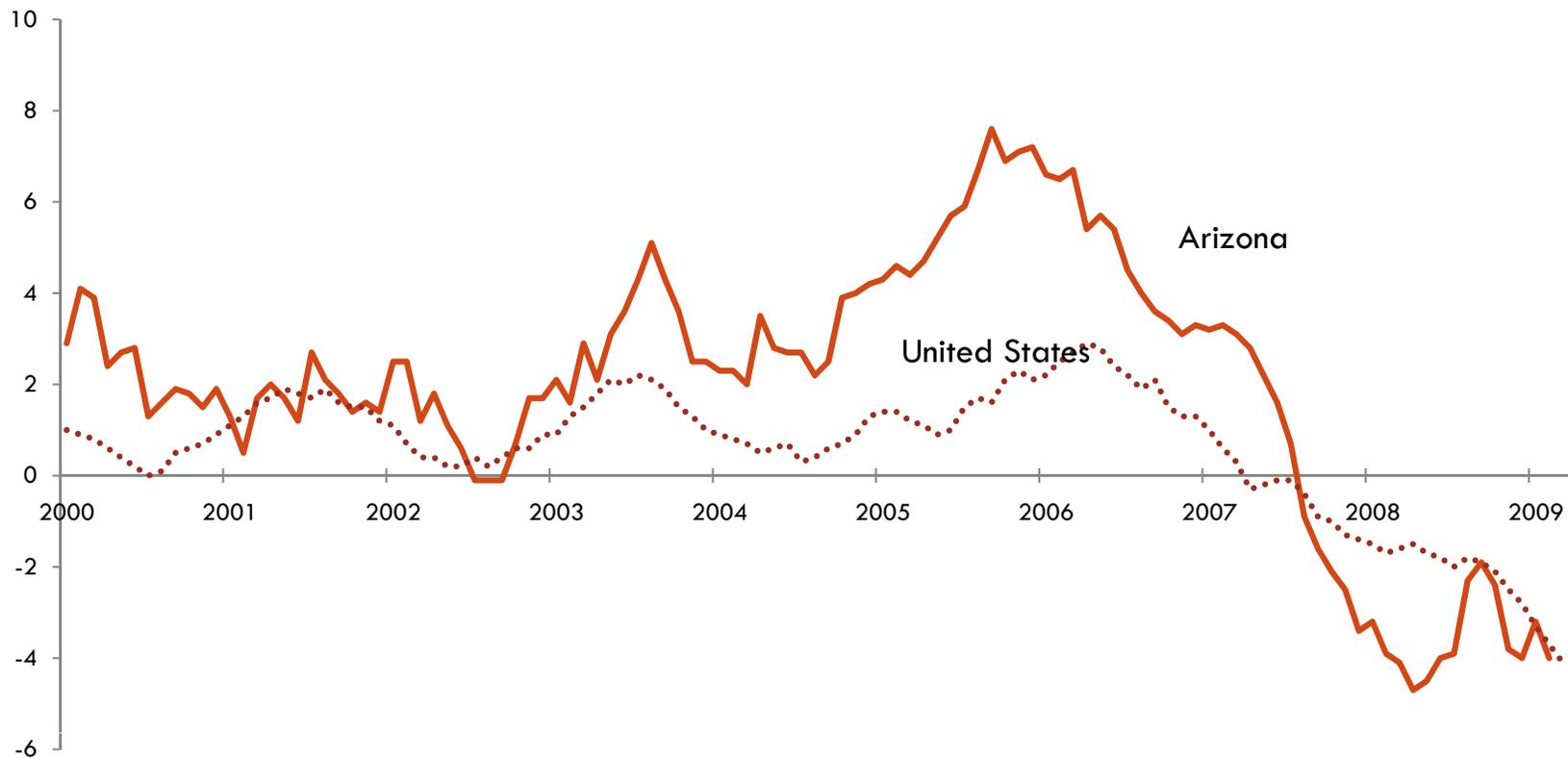


Source: Bureau of Labor Statistics, March 2009

Significant Drop in Financial Activities Employment

Employment

Financial Activities Employment
(percent change, year-over year)

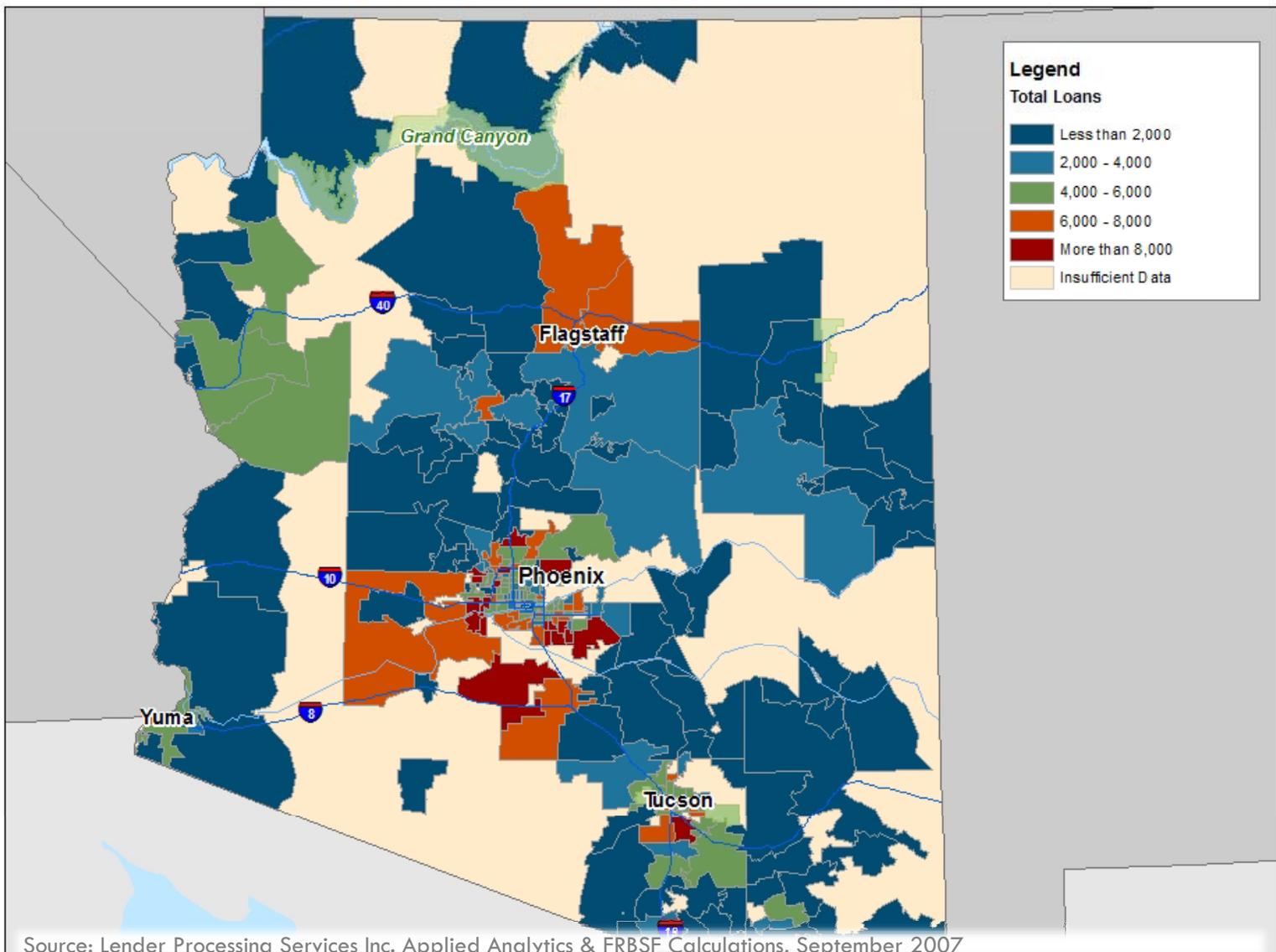


Source: Bureau of Labor Statistics, March 2009

Arizona Foreclosure Data Maps

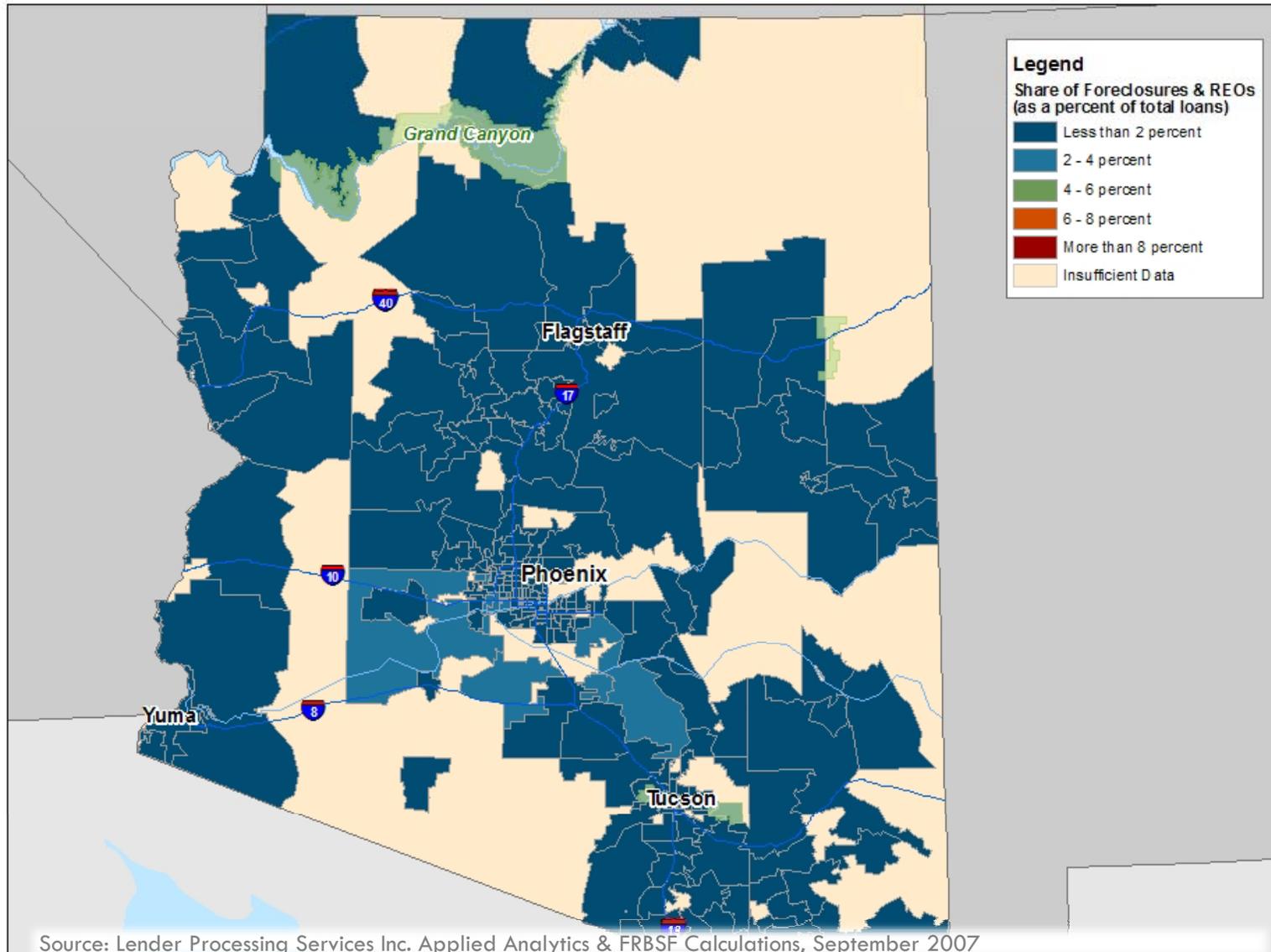
Distribution of Lending Volumes

September 2007



Areas Affected by Concentrated Foreclosures

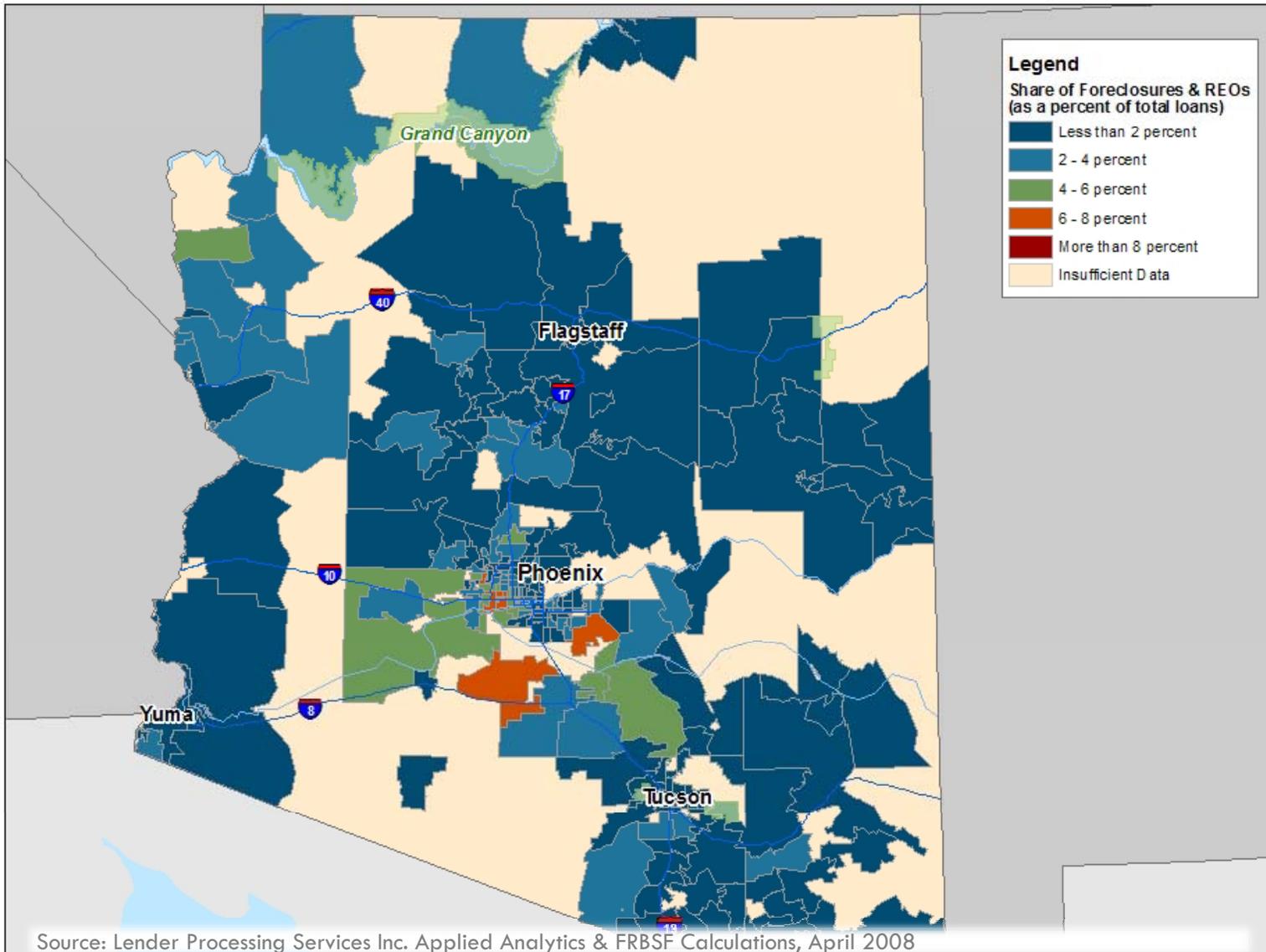
September 2007



Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, September 2007

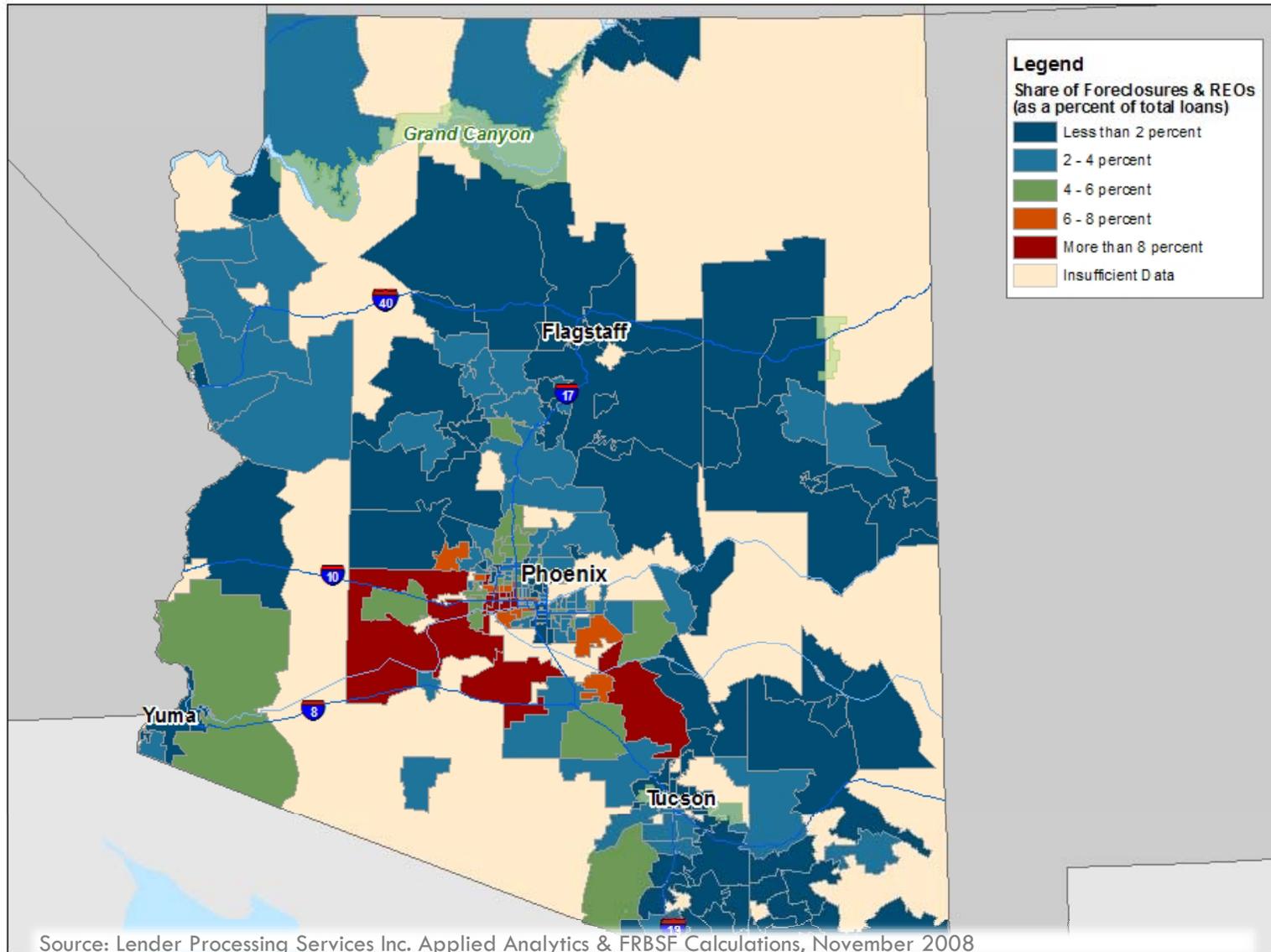
Areas Affected by Concentrated Foreclosures

April 2008



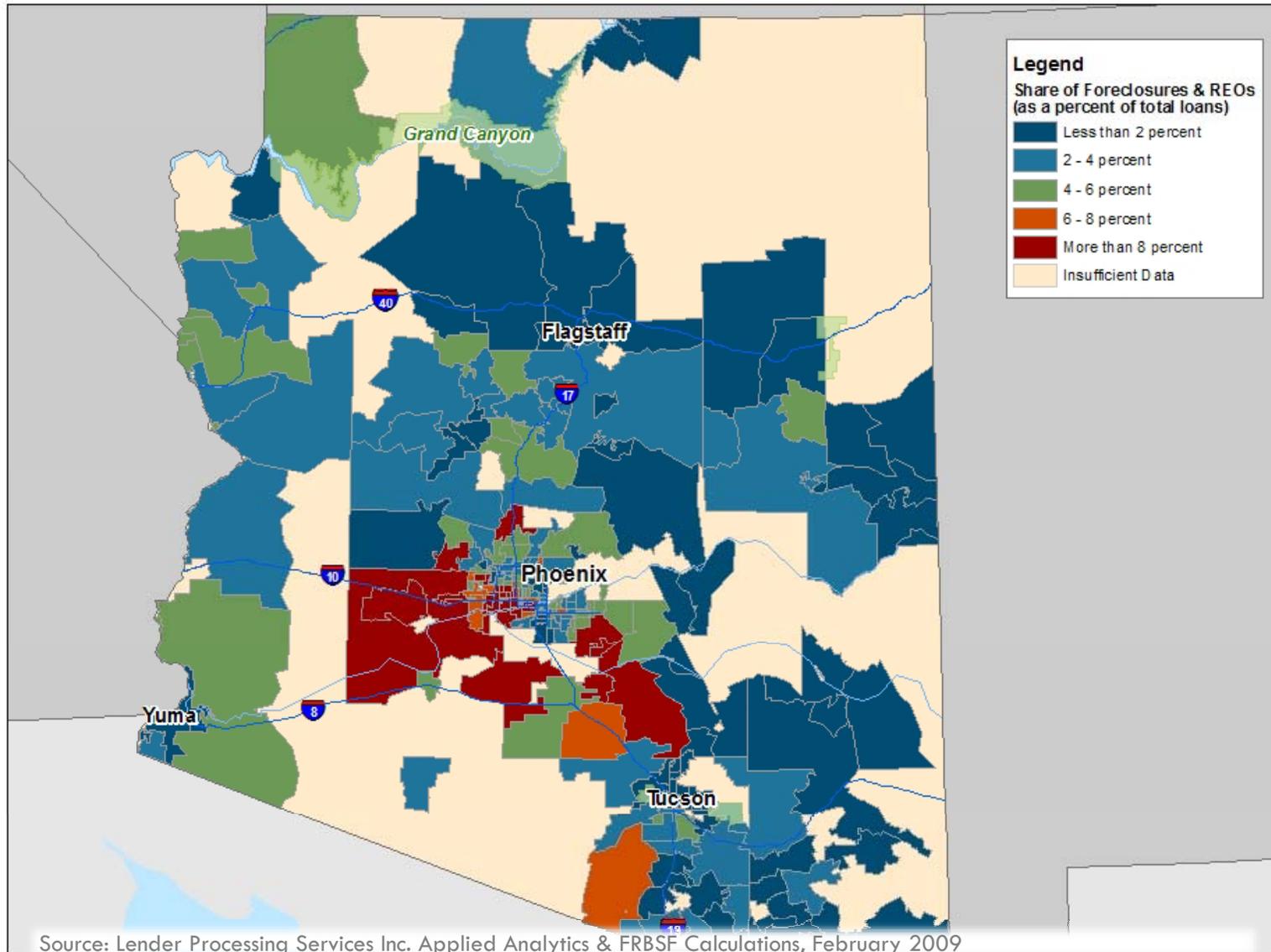
Areas Affected by Concentrated Foreclosures

November 2008



Areas Affected by Concentrated Foreclosures

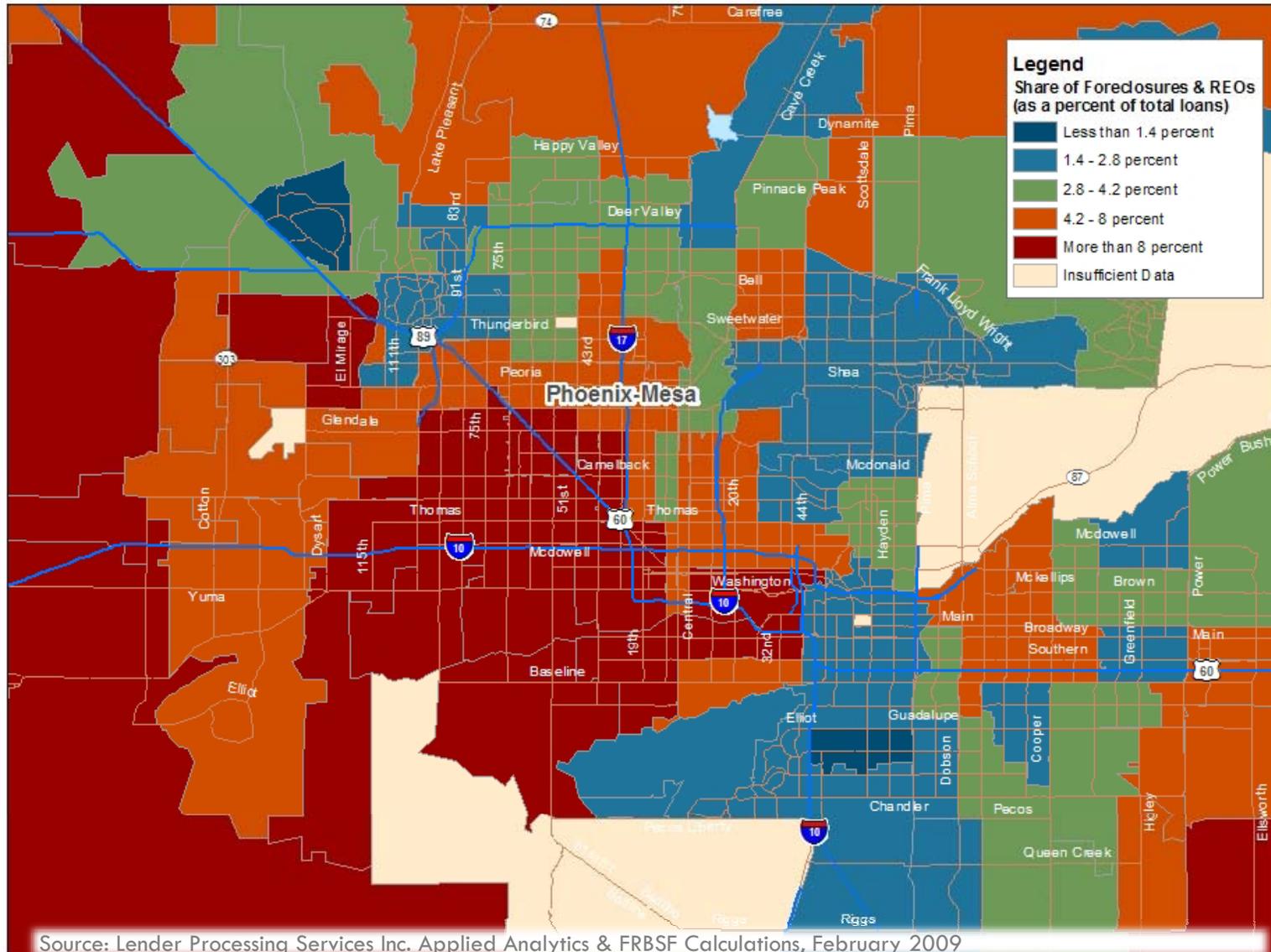
February 2009



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

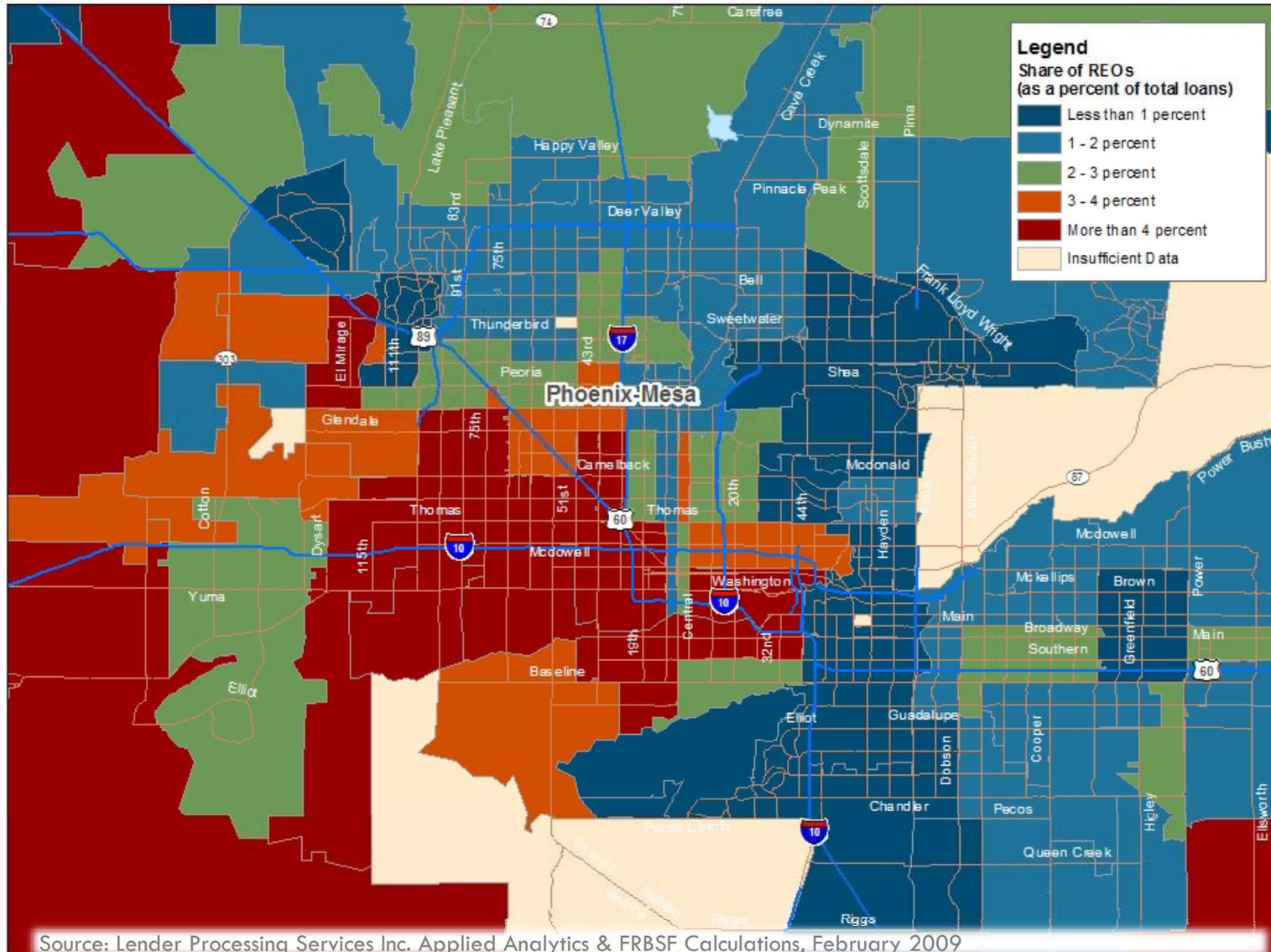
Areas Affected by Concentrated Foreclosures

February 2009



Areas with Concentrations of REO Properties

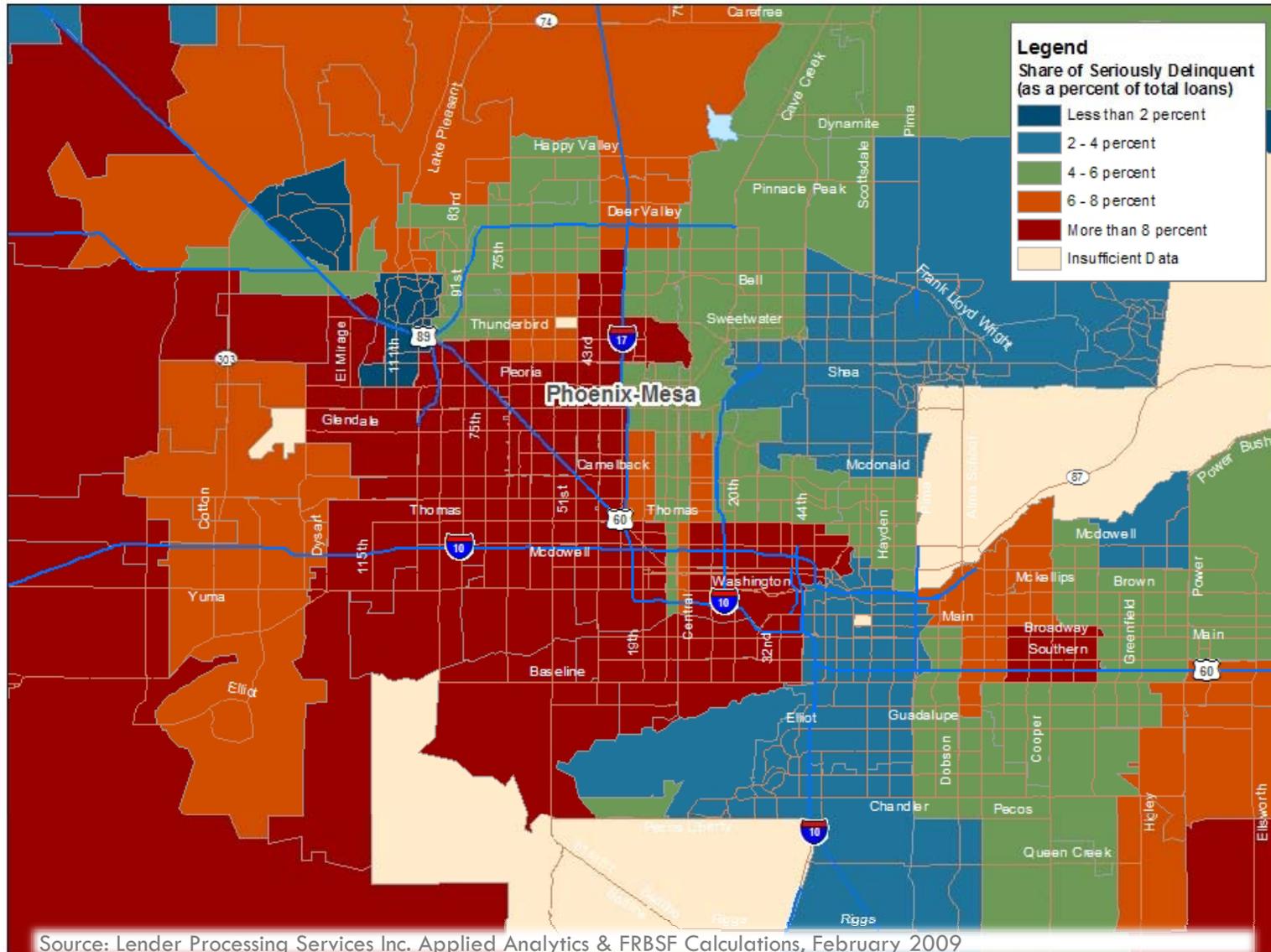
February 2009



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

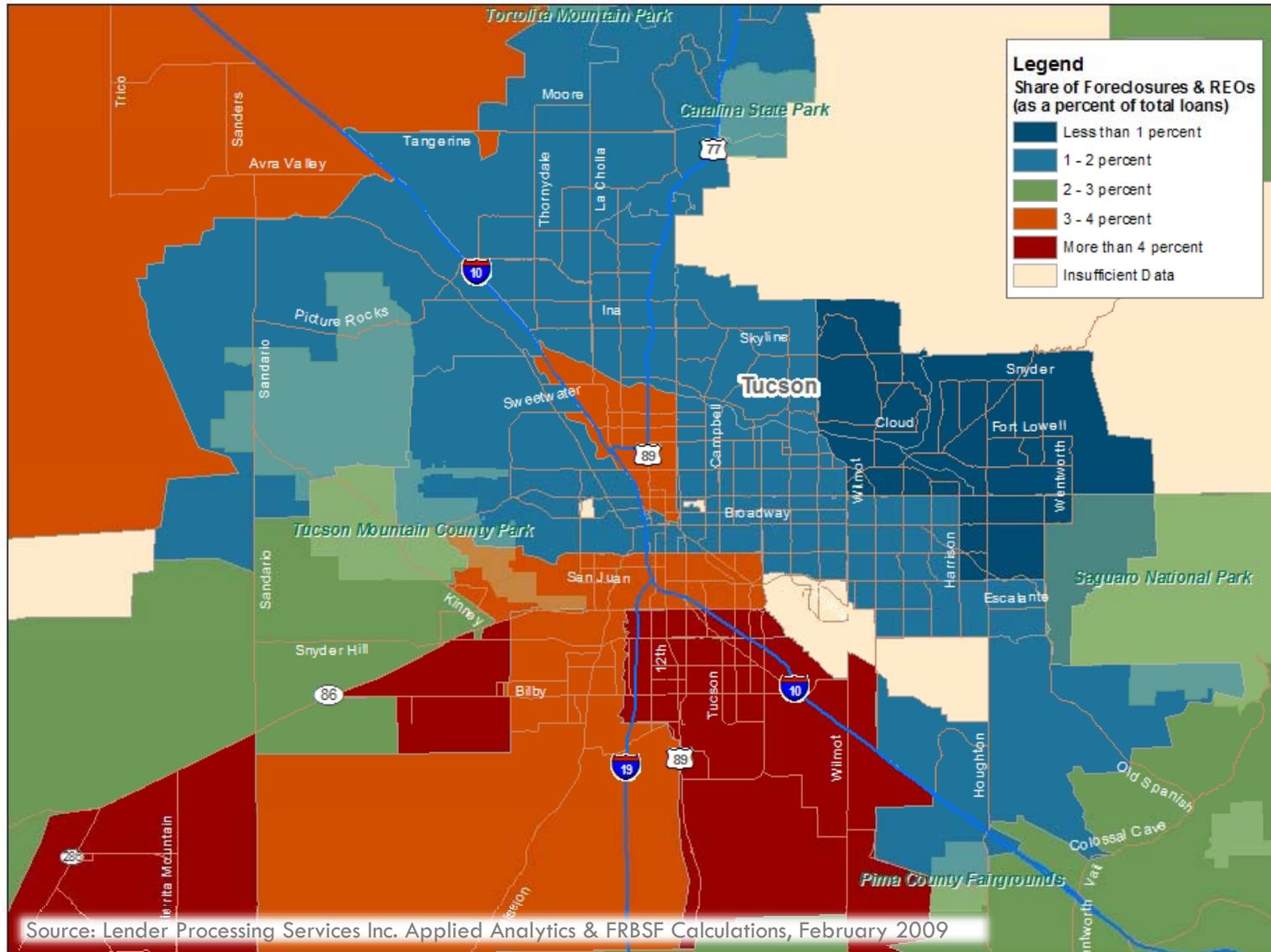
Areas at Risk of Additional Foreclosures

February 2009



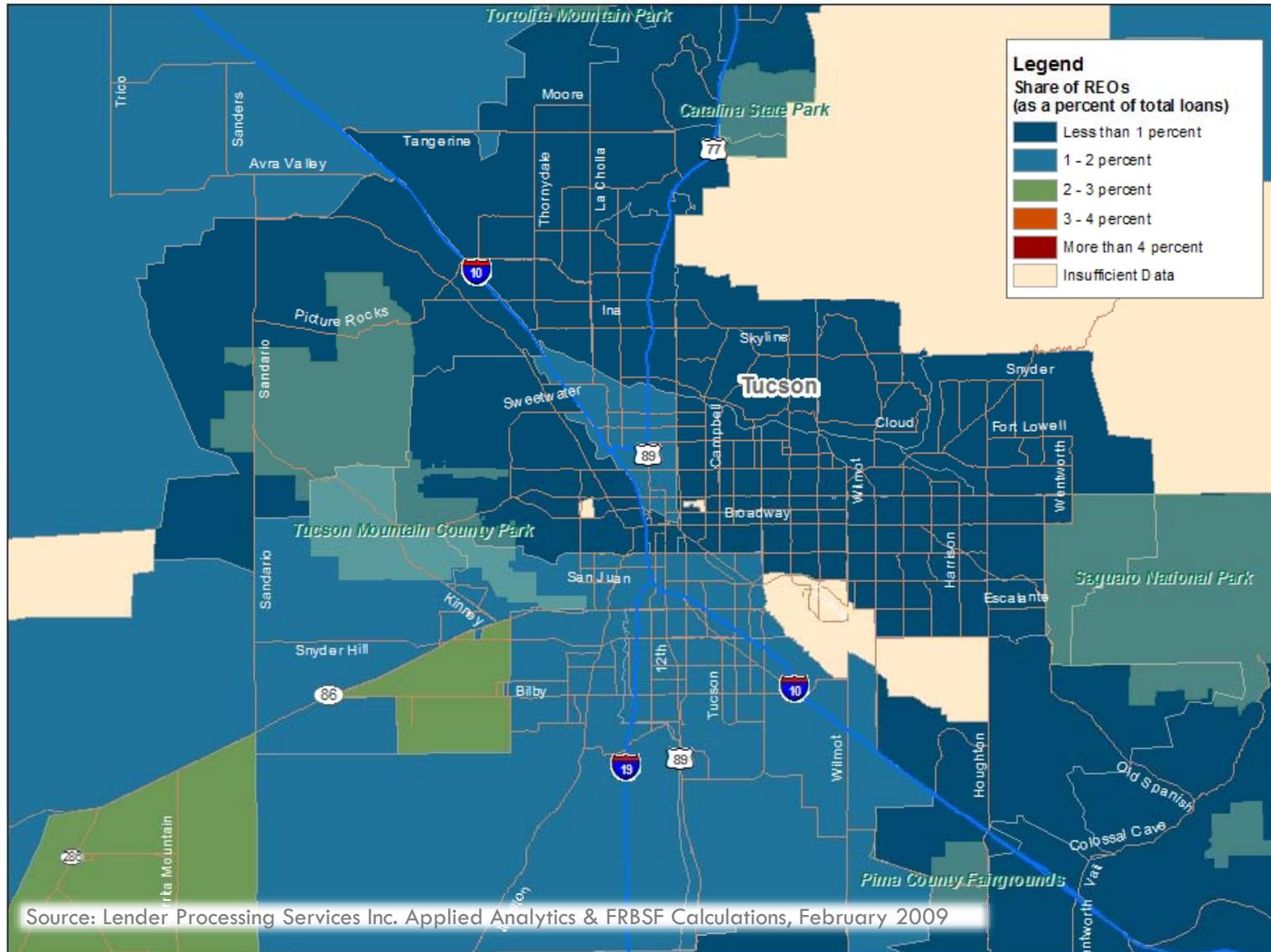
Areas Affected by Concentrated Foreclosures

February 2009



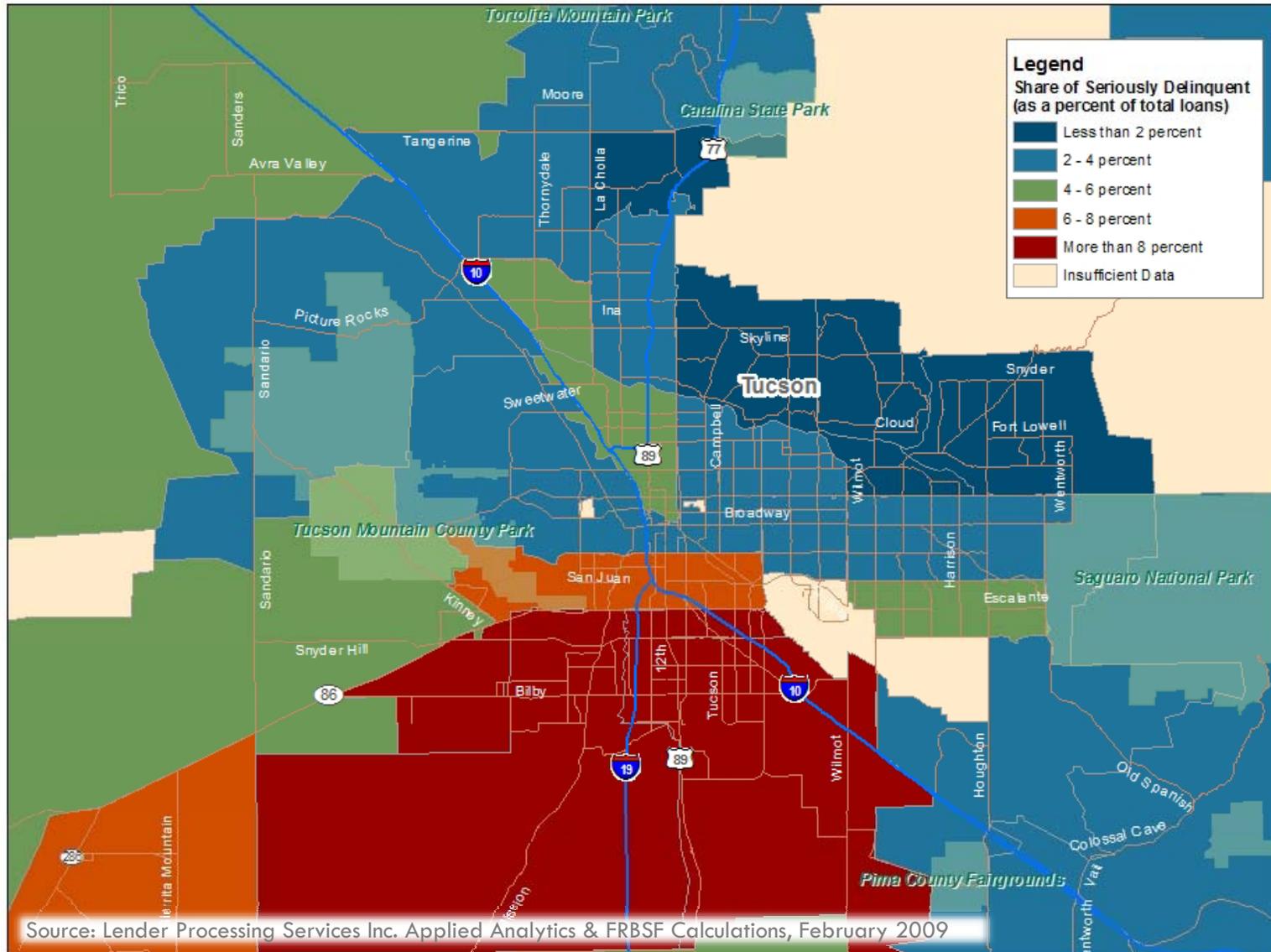
Areas with Concentrations of REO Properties

February 2009



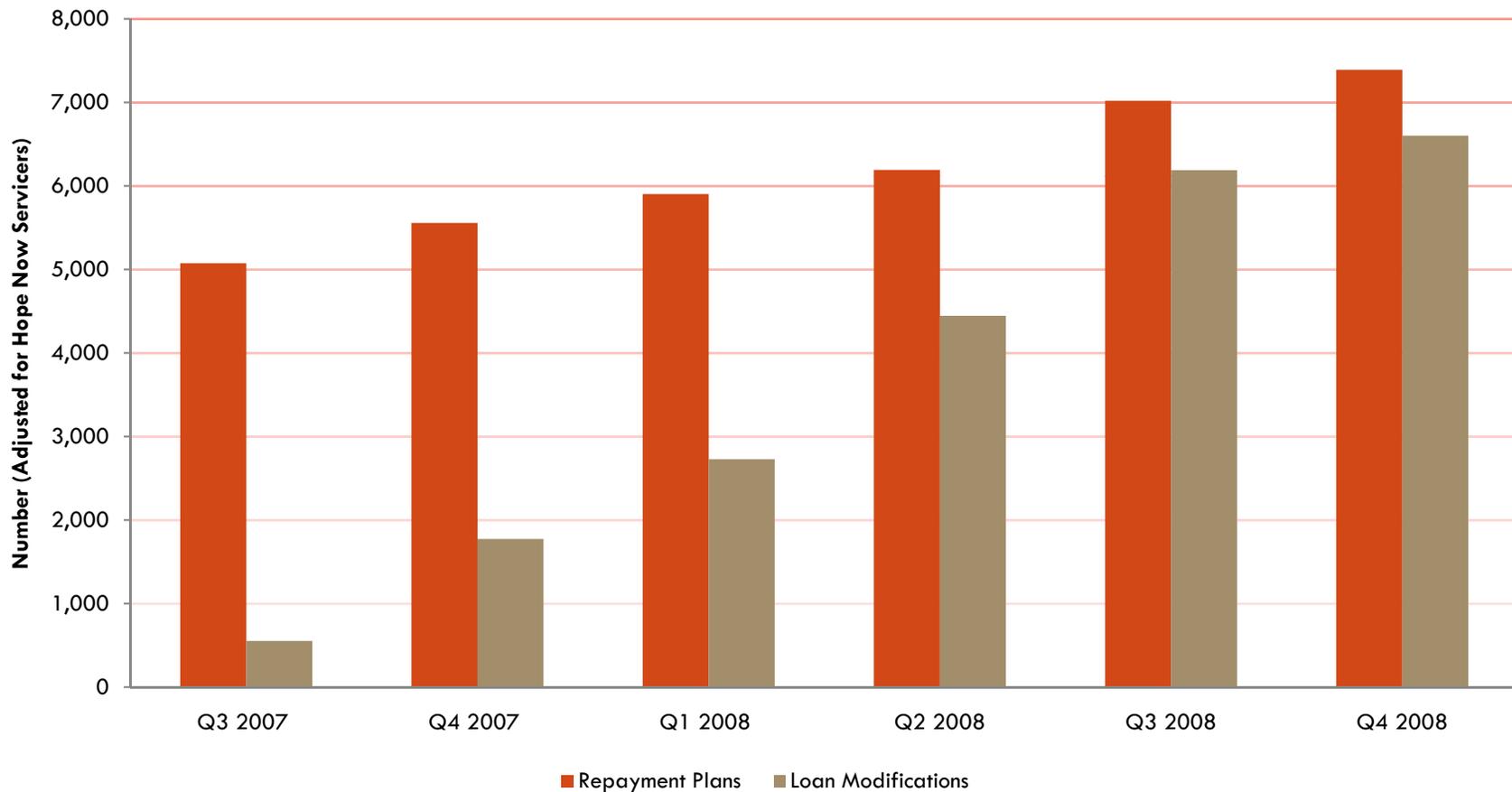
Areas at Risk of Additional Foreclosures

February 2009



Loan Modifications as Share of Loan Workouts Have Increased

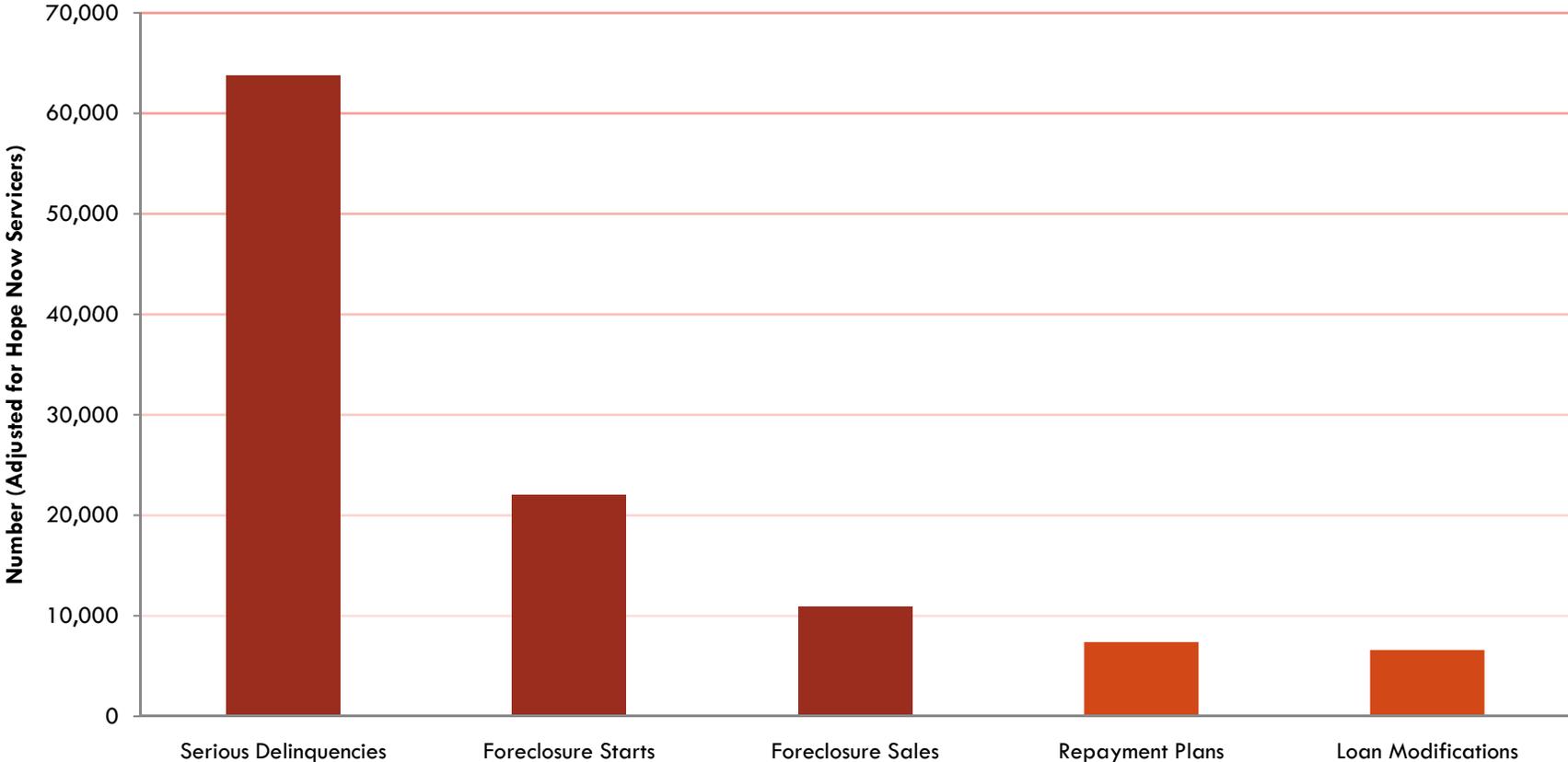
Arizona Loan Workouts



Source: Hope Now Alliance Servicing Data, 4th Quarter 2008

Yet, Workouts Still Fall Short of Need

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



Source: Hope Now Alliance Servicing Data, 4th Quarter 2008

Conclusions

Conclusions



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

The screenshot shows the FRBSF Community Development website. The header includes the Federal Reserve Bank of San Francisco logo and navigation links. The main content area is titled 'COMMUNITY DEVELOPMENT' and features a 'Highlights' section with three articles: 'Focus on Community Development Policy', 'The Enduring Challenge of Concentrated Poverty in America', and 'Foreclosure Resource Center'. There are also sections for 'Programs and Information', 'Events and Conferences', 'Publications', and 'About Us'. A 'TOOL BOX' on the right side contains links for 'Fed Links', 'Subscriptions', 'Publications', 'Search', 'Research Pubs', 'FAQ', 'Glossary', 'Site Map', 'Careers', and 'Email Us'. A search bar and a 'POPULAR CONTENT' section are also visible.

<http://www.frbsf.org/community/>