

Trends in Delinquencies and Foreclosures in Arizona



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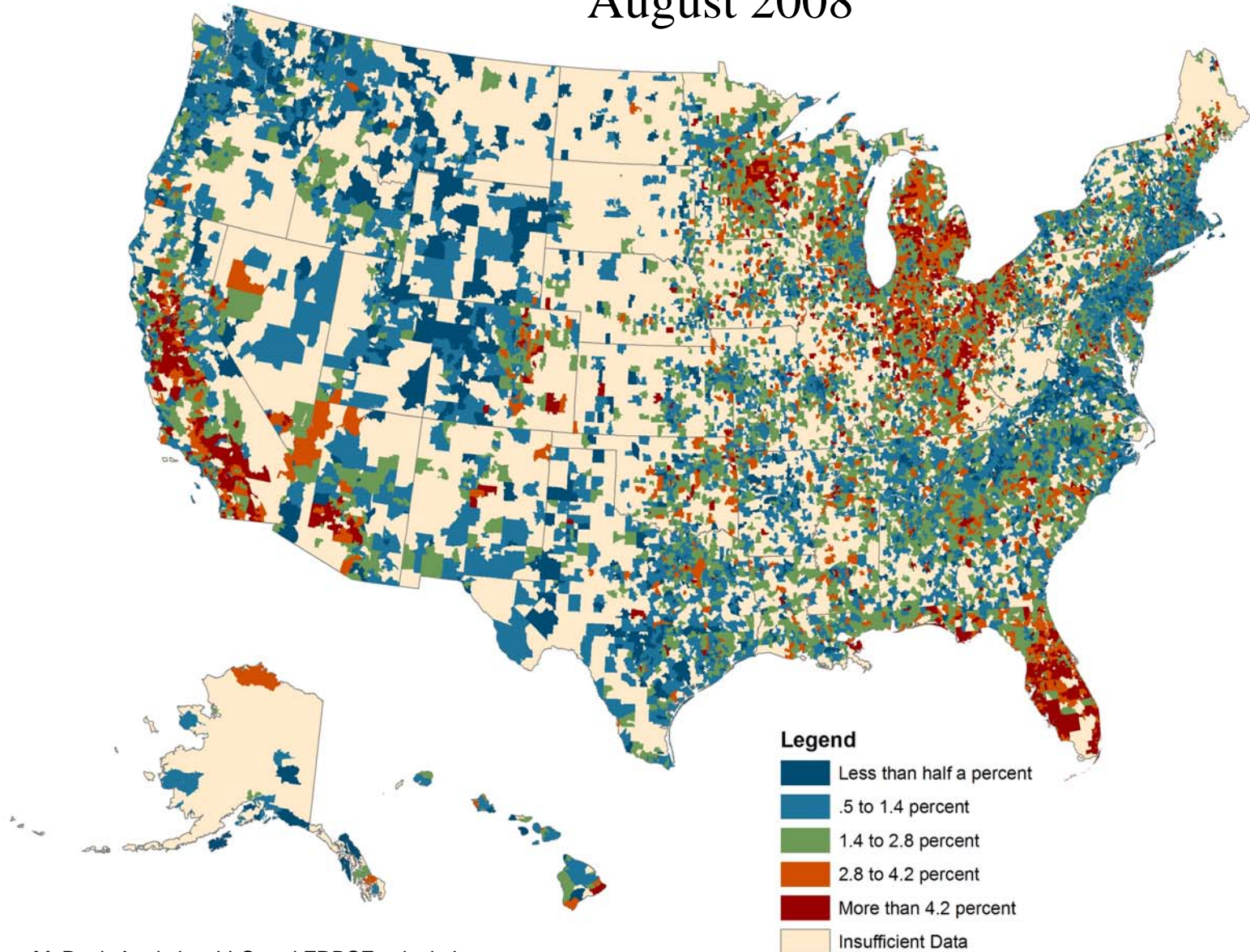
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Data Caveats

- ❑ Data on the real estate and mortgage markets are collected by many different sources, most costly and proprietary
- ❑ As a result, it is important to consider the limitations of data presented
 - Different definitions of subprime may affect the reporting of rates of delinquencies and foreclosures
 - Different methodologies and different sampling methods may affect the reports
 - Aggregated data at the zip code level can mask significant geographic variation and the types of borrowers affected

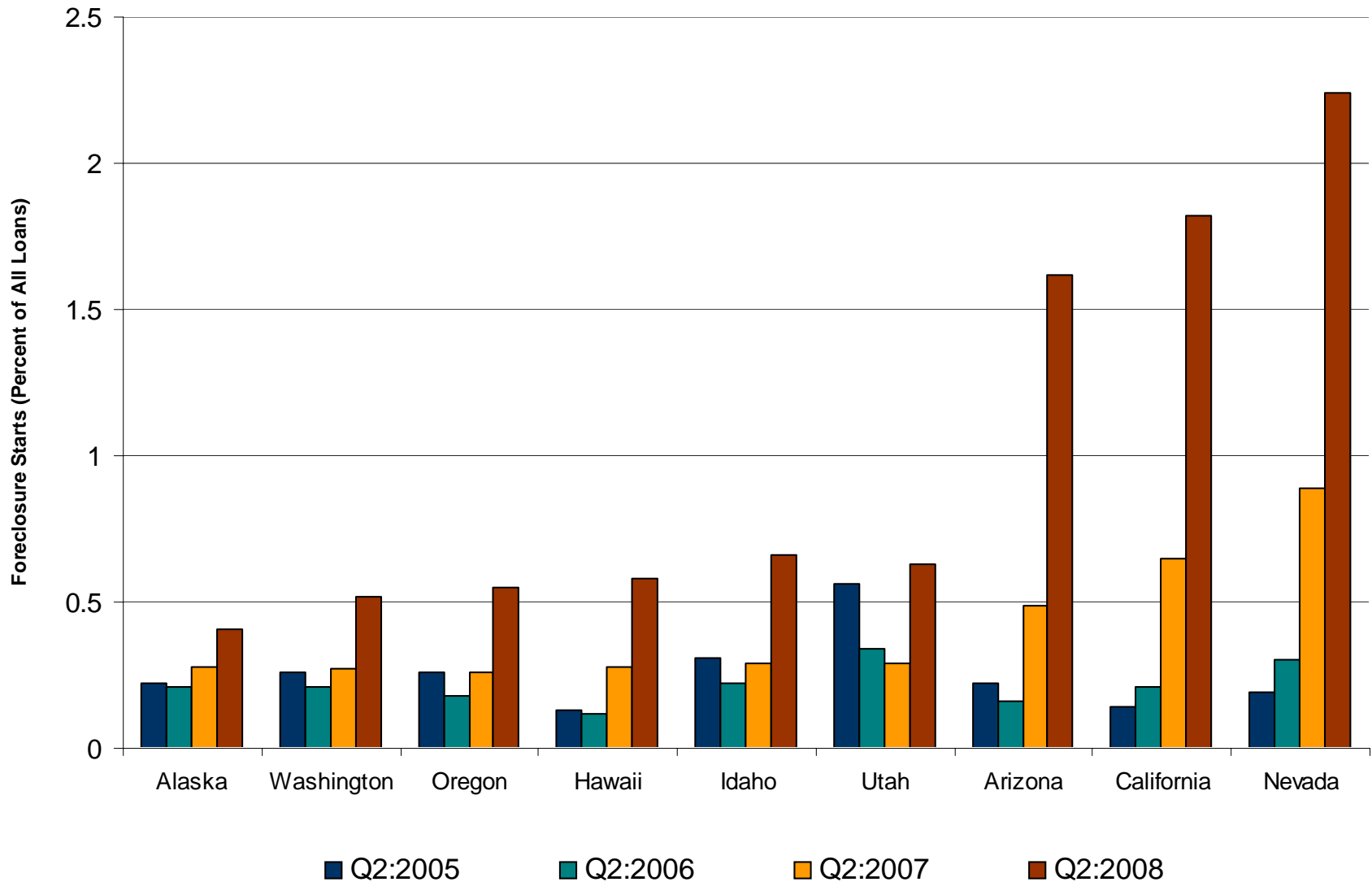
Percent of Mortgage Loans in Foreclosure or REO (by zip code)

August 2008



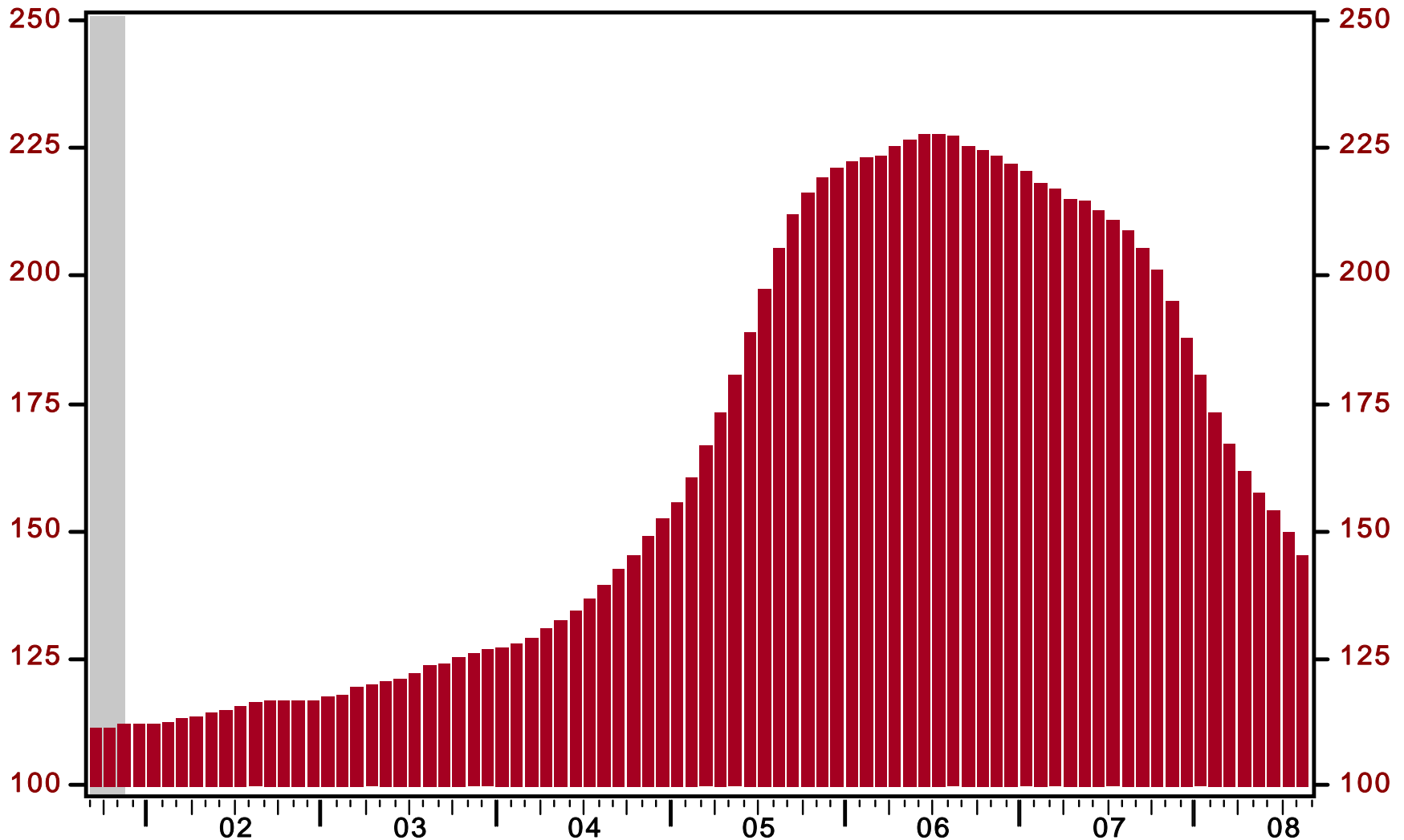
Source: McDash Analytics, LLC and FRBSF calculations

Arizona foreclosure starts continue to rise



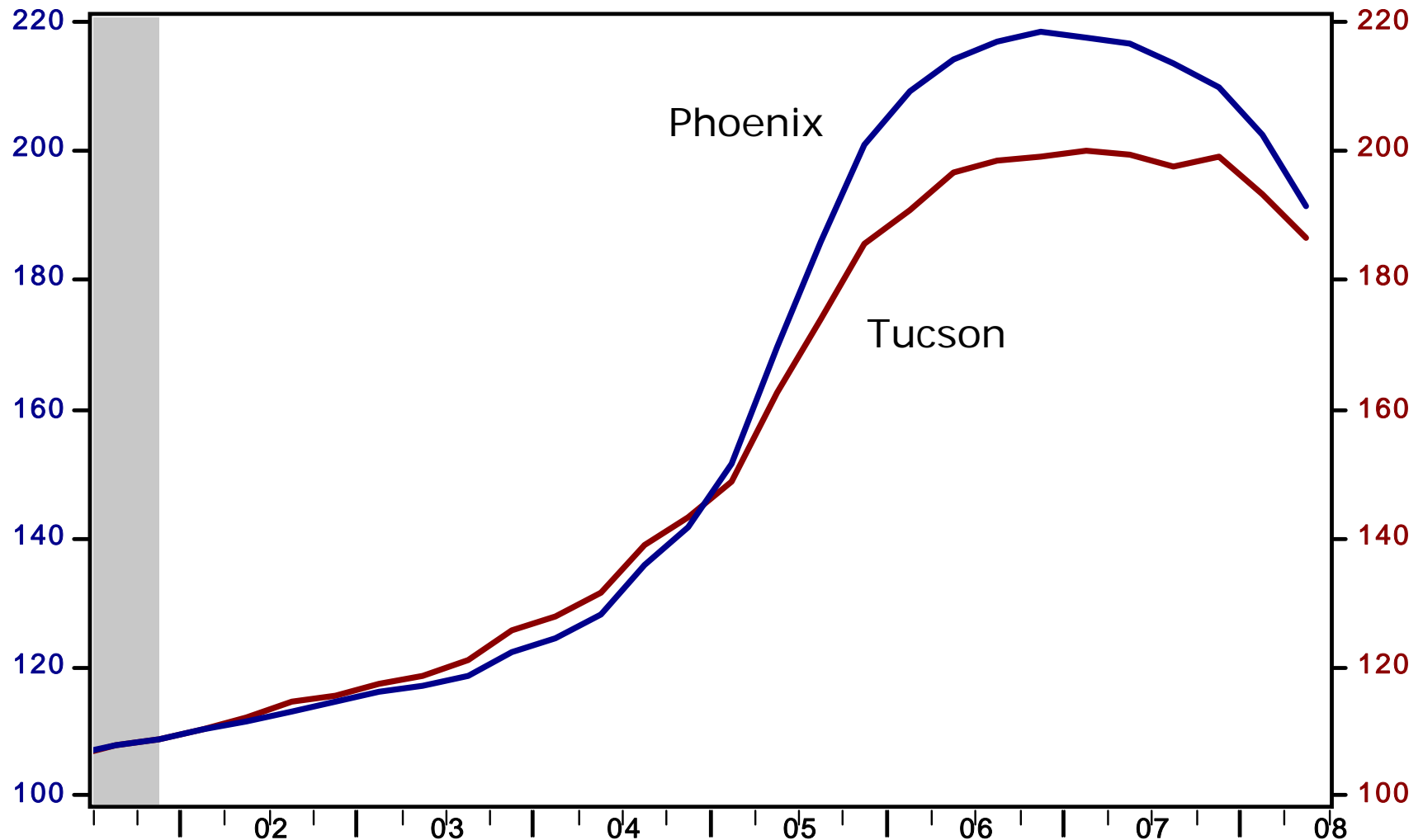
Case Shiller Index shows dramatic house price declines in Phoenix

Case-Shiller Index (2000=100)

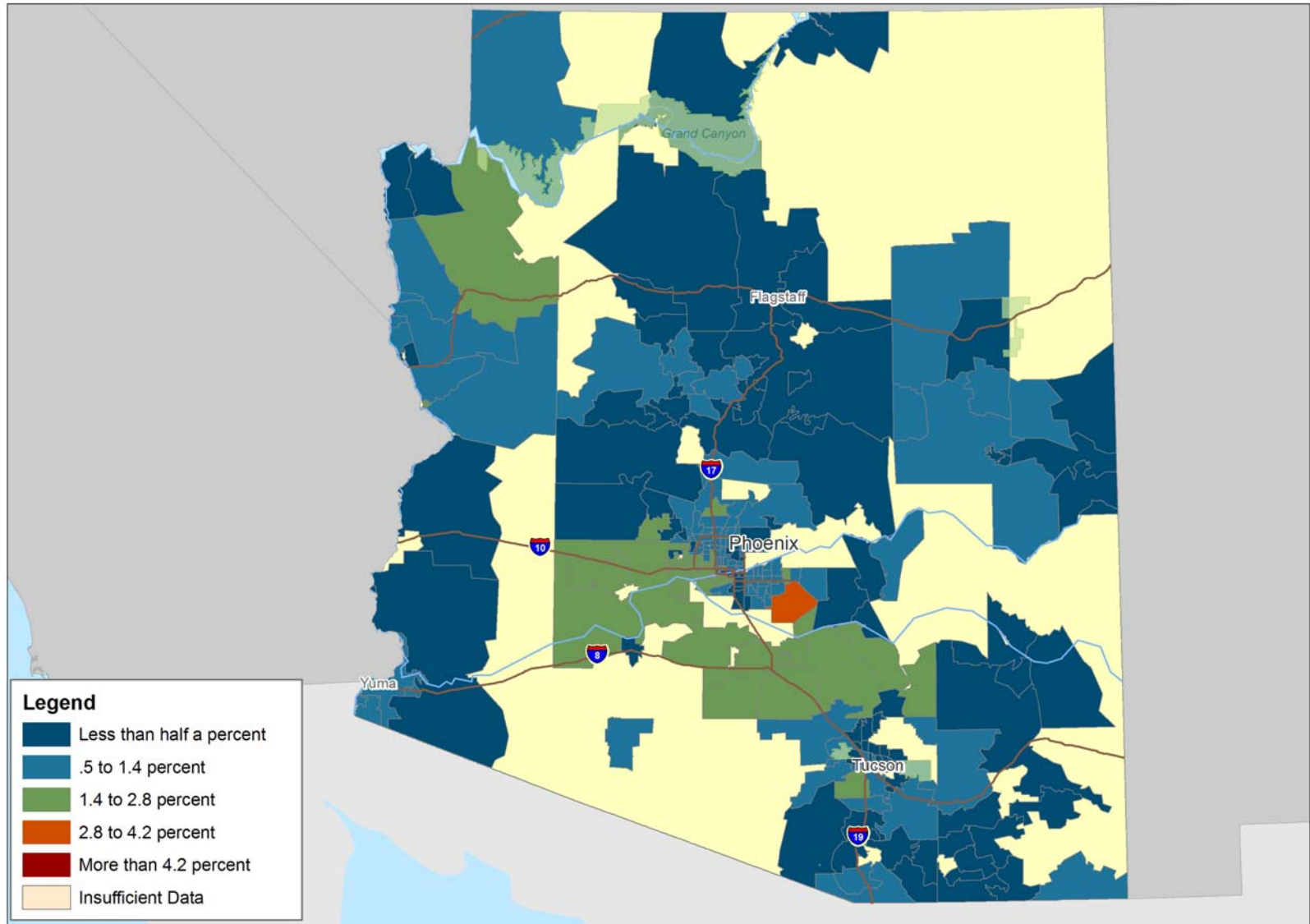


Conventional house price drops less dramatic, but certainly significant

Conventional Mortgage House Price Index (2000=100)

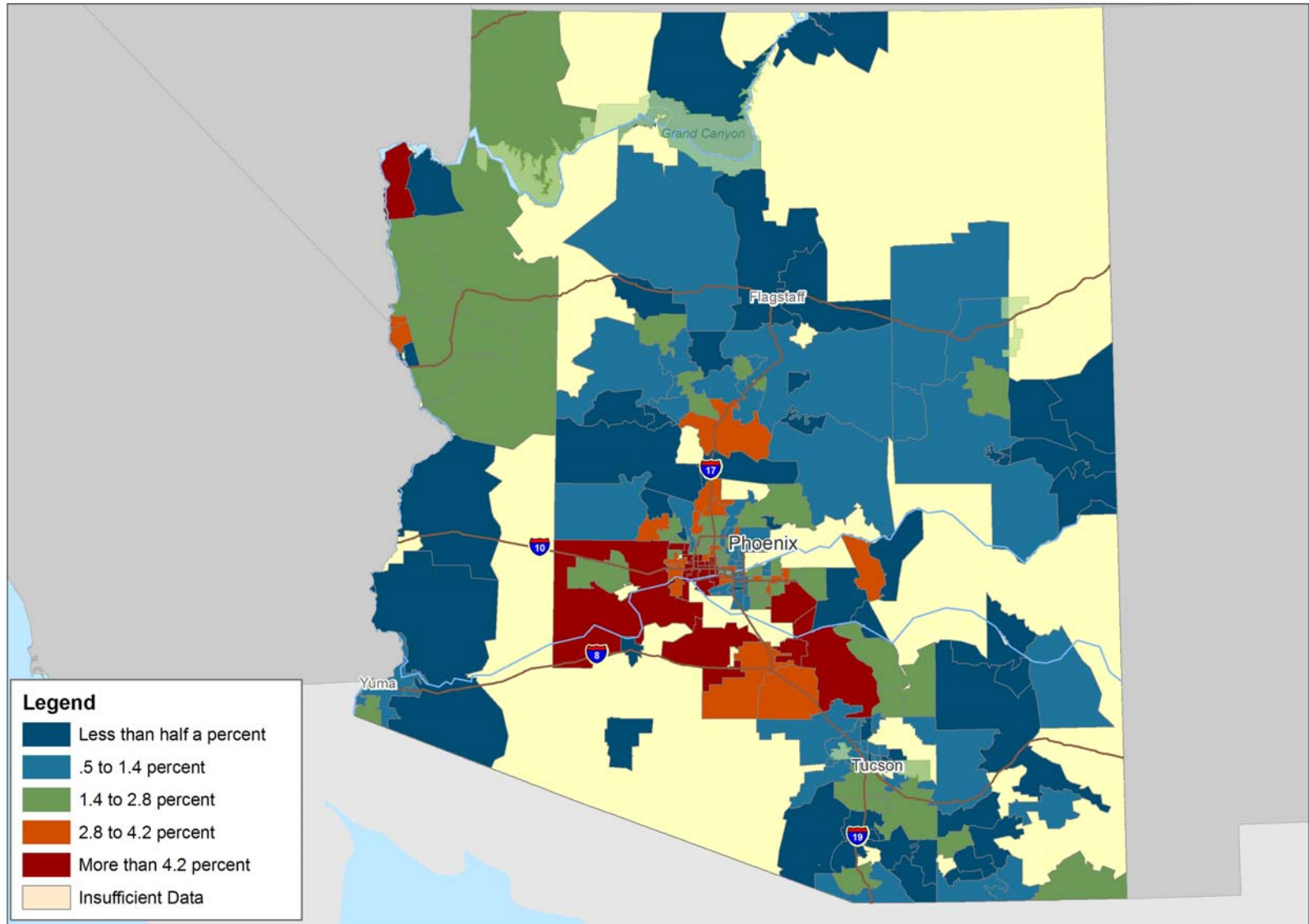


Percent of Loans in Foreclosure or REO September 2007



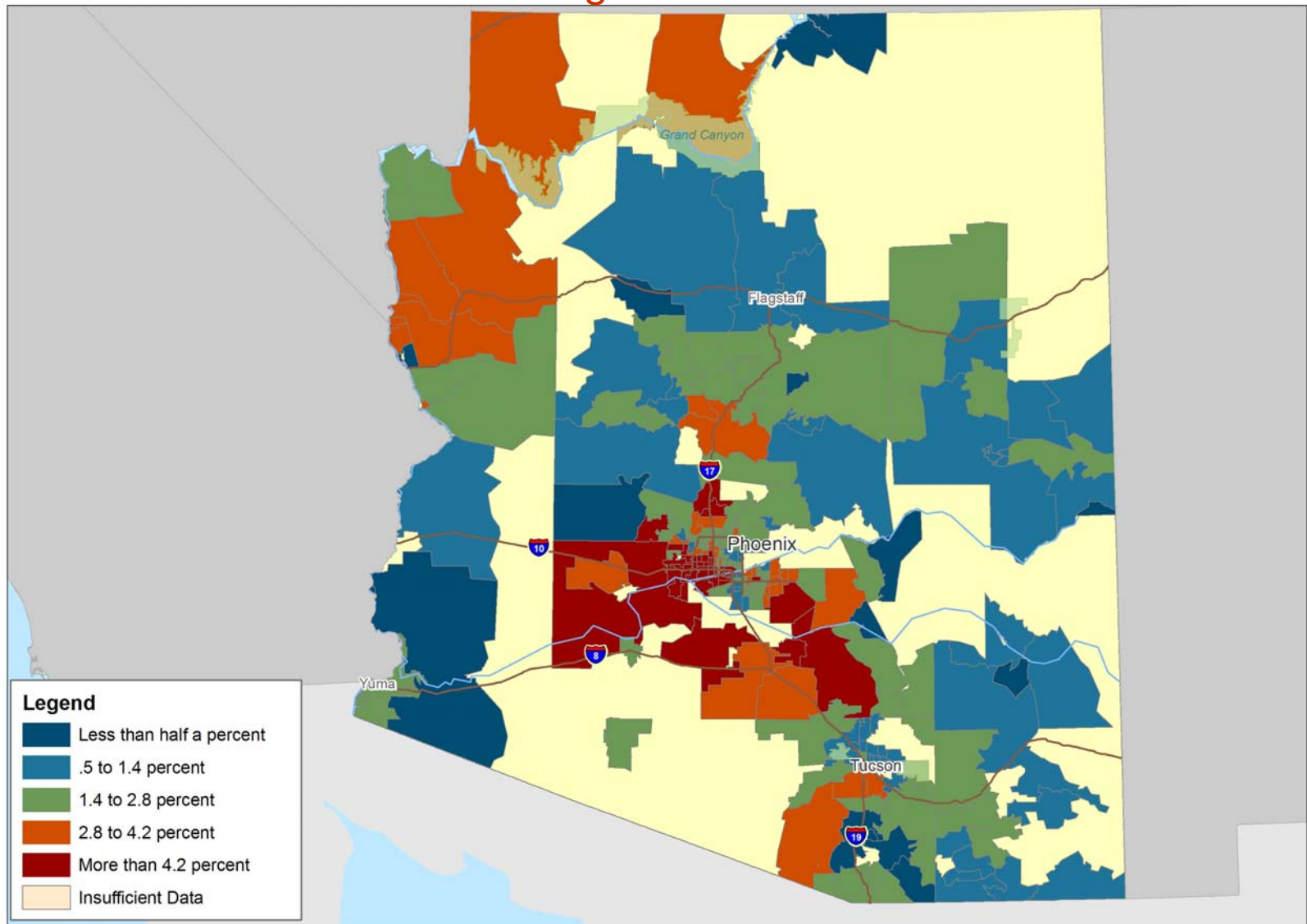
Source: McDash Analytics, FRBSF Analysis

Percent of Loans in Foreclosure or REO April 2008



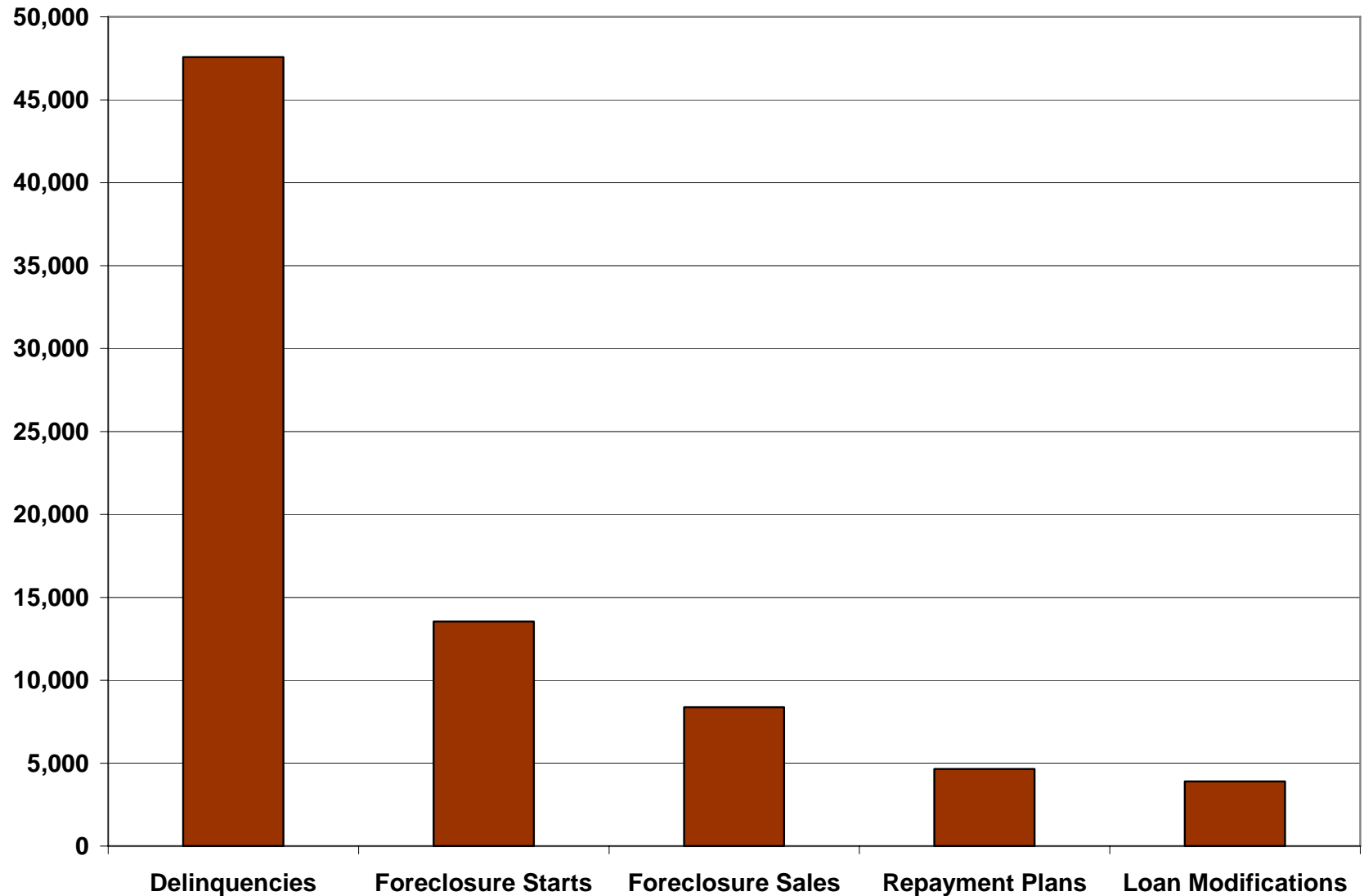
Source: McDash Analytics, FRBSF Analysis

Percent of Loans in Foreclosure or REO August 2008



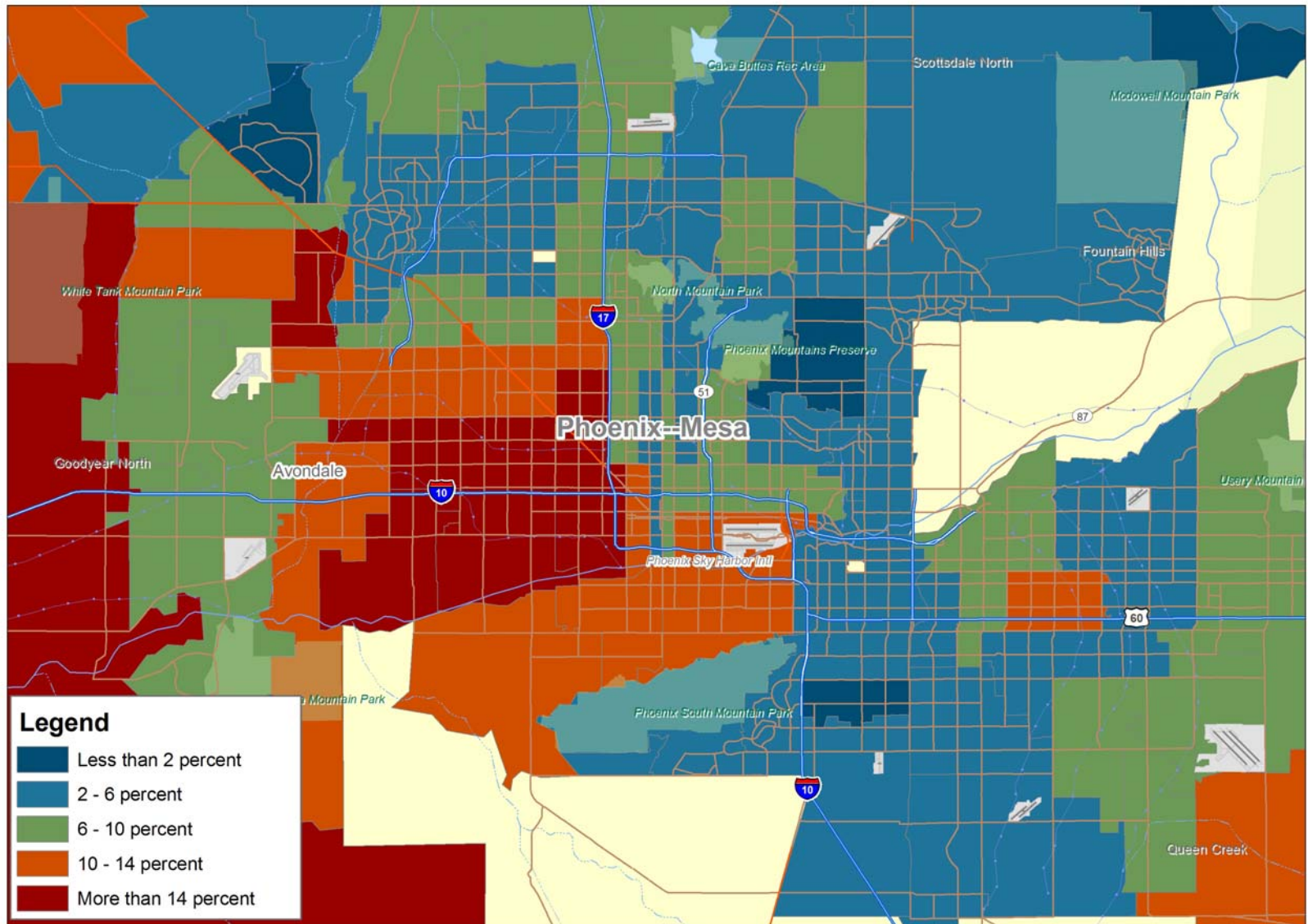
Source: McDash Analytics, FRBSF Analysis

Modifications still fall way short of borrowers in distress



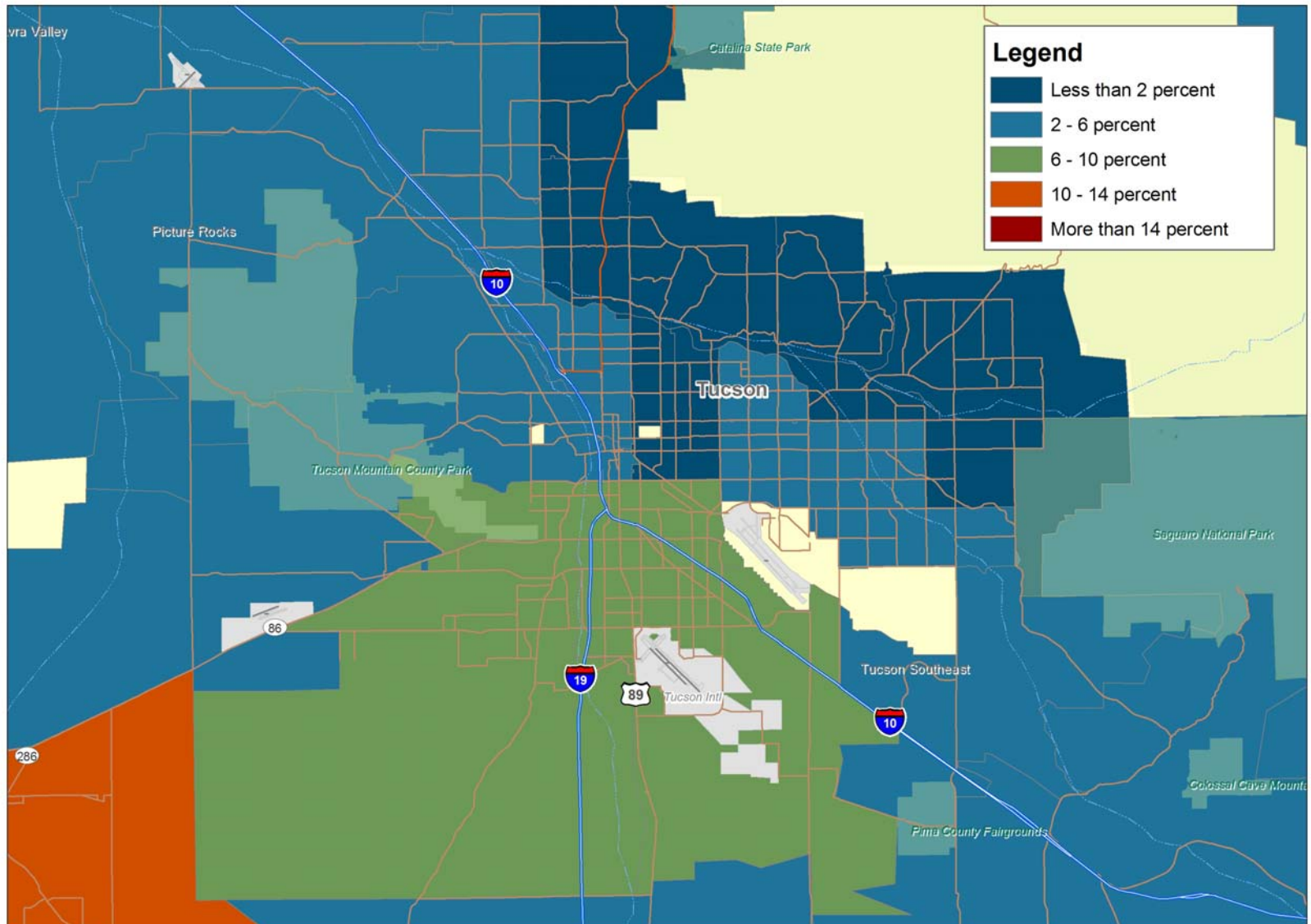
Source: HOPE NOW Alliance, data adjusted for HOPE NOW servicers

Concentrations of Delinquent Loans - Phoenix August 2008



Source: McDash Analytics, FRBSF Analysis

Concentrations of Delinquent Loans - Tucson August 2008



Source: McDash Analytics, FRBSF Analysis

Conclusions

- ❑ Arizona is likely to see a continued increase in delinquencies and foreclosures
- ❑ Multi-pronged strategy is needed to stem the foreclosure crisis
 - Foreclosure Prevention: borrower outreach, refinance and loan modification
 - ❑ Reaching these borrowers now may help to prevent unnecessary foreclosures
 - ❑ Encourage borrowers to call AZ Foreclosure Hotline: **877- 448-1211**; Or, in Tucson: **520-792-3087**
 - ❑ Or **(888)-995-HOPE** or visit www.995HOPE.org

Responding to the Foreclosure Crisis

- Multi-pronged strategy is needed to stem the foreclosure crisis
 - Foreclosure prevention: borrower outreach, loan modification (including principal reduction)
 - 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

Foreclosure Mitigation Toolkit

- Available online at
<http://www.frbsf.org/community/issues/toolkit/index.html>
- The resources in the toolkit are presented as a four-step process
 - Step One: Assess the Foreclosure Situation
 - Step Two: Reach troubled homeowners
 - Step Three: Establish post-foreclosure support systems
 - Step Four: Stabilize neighborhoods