Trends in Delinquencies and Foreclosures in Arizona

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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 the 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
Conventional house price drops less dramatic, but certainly significant.
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

Legend
- Less than 2 percent
- 2 - 6 percent
- 6 - 10 percent
- 10 - 14 percent
- More than 14 percent

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