

# TRENDS IN DELINQUENCIES AND FORECLOSURES IN CENTRAL CALIFORNIA

August 2009

Darryl Rutherford, Community Development Department,  
Federal Reserve Bank of San Francisco

# Outline of Presentation

## □ National Trends

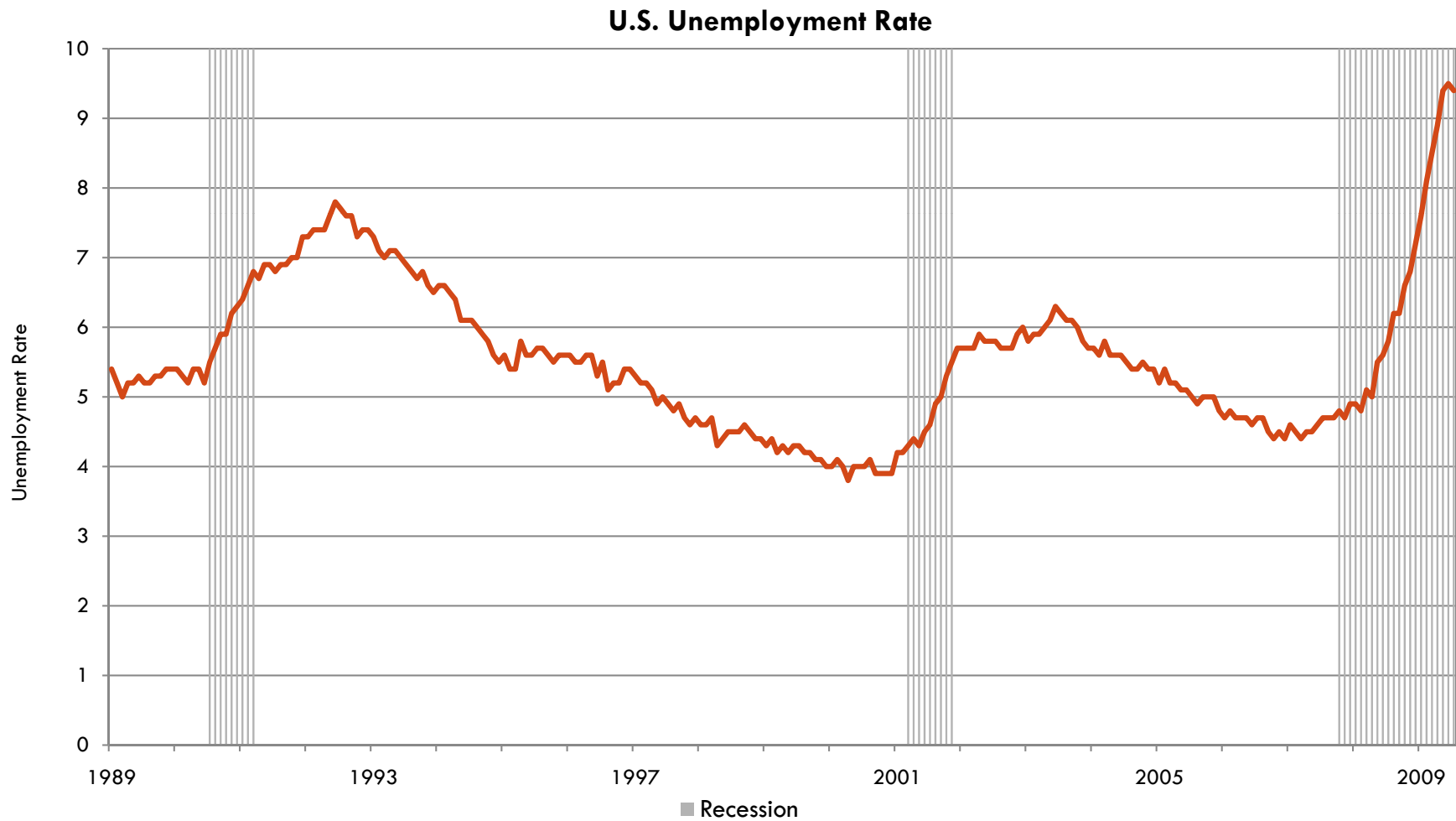
- Recession and turmoil in financial markets has had broad repercussions, especially for lower-income households
  - Signs of stabilization in financial markets and consumer spending

## □ California

- Rising unemployment across broad range of sectors
  - Ongoing weakness in the labor market may continue to push up foreclosures and poses risks to the recovery of the housing sector
- Trends in foreclosures
  - California saw a sharp rise in foreclosure starts in 1st quarter 2009, followed by slight drop
- House prices continue downward trend

# National Trends

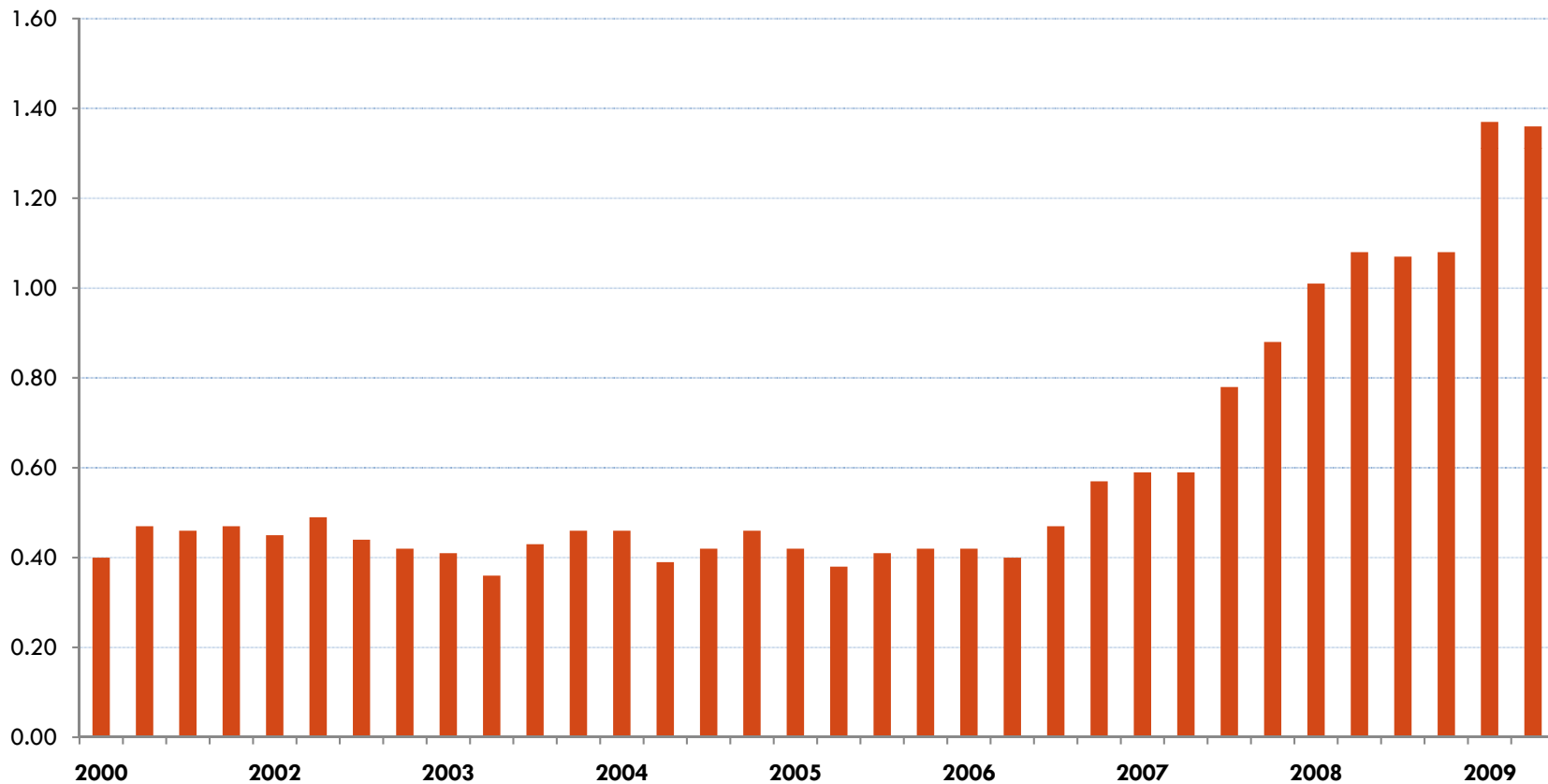
# Weakness in Labor Market Grave Concern



Source: Bureau of Labor Statistics

# National Foreclosure Starts Rose Sharply in 1st Quarter of 2009

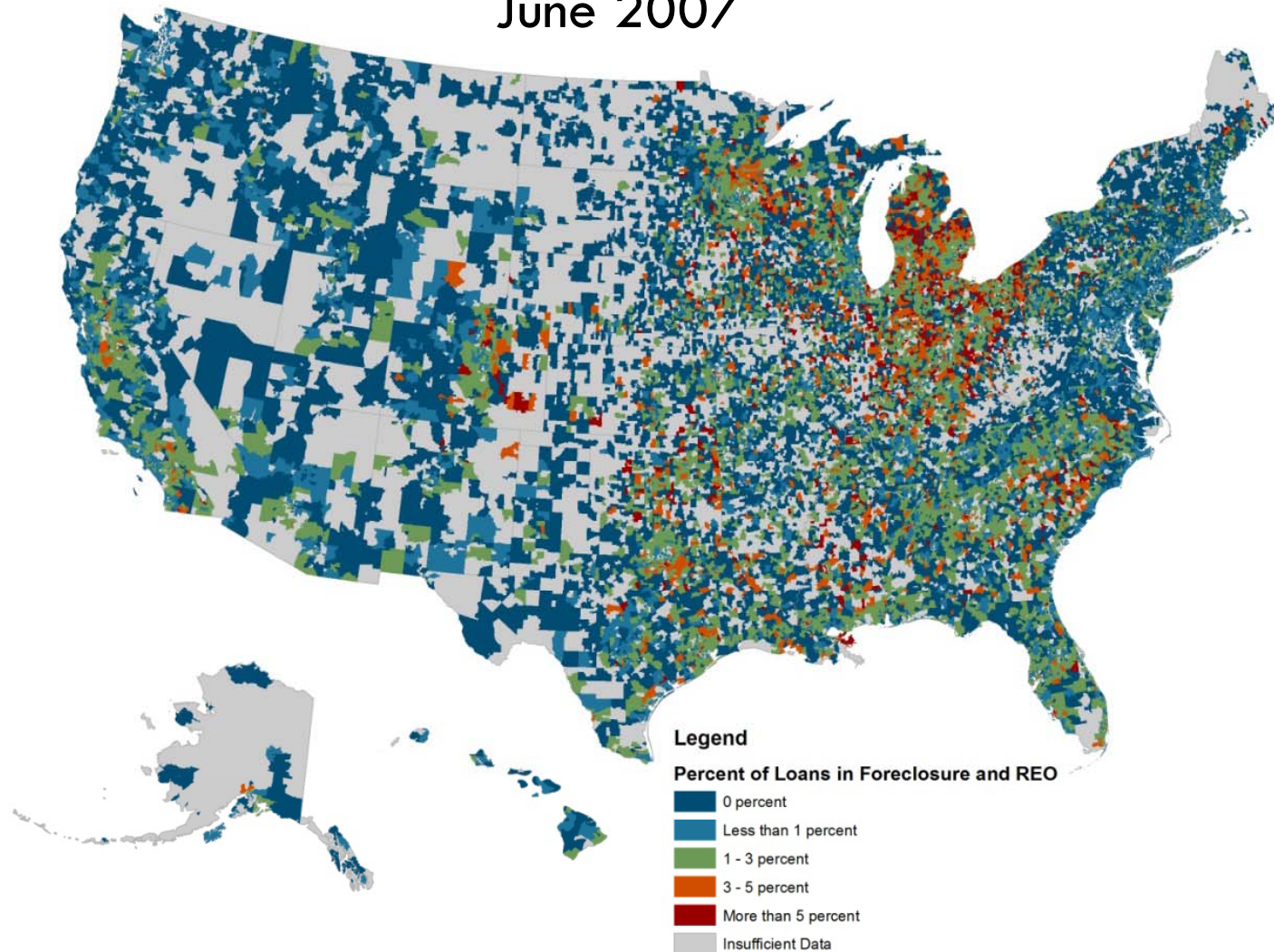
**National Foreclosures Starts**  
Percent of All Loans



Source: Mortgage Bankers Association, National Delinquency Survey

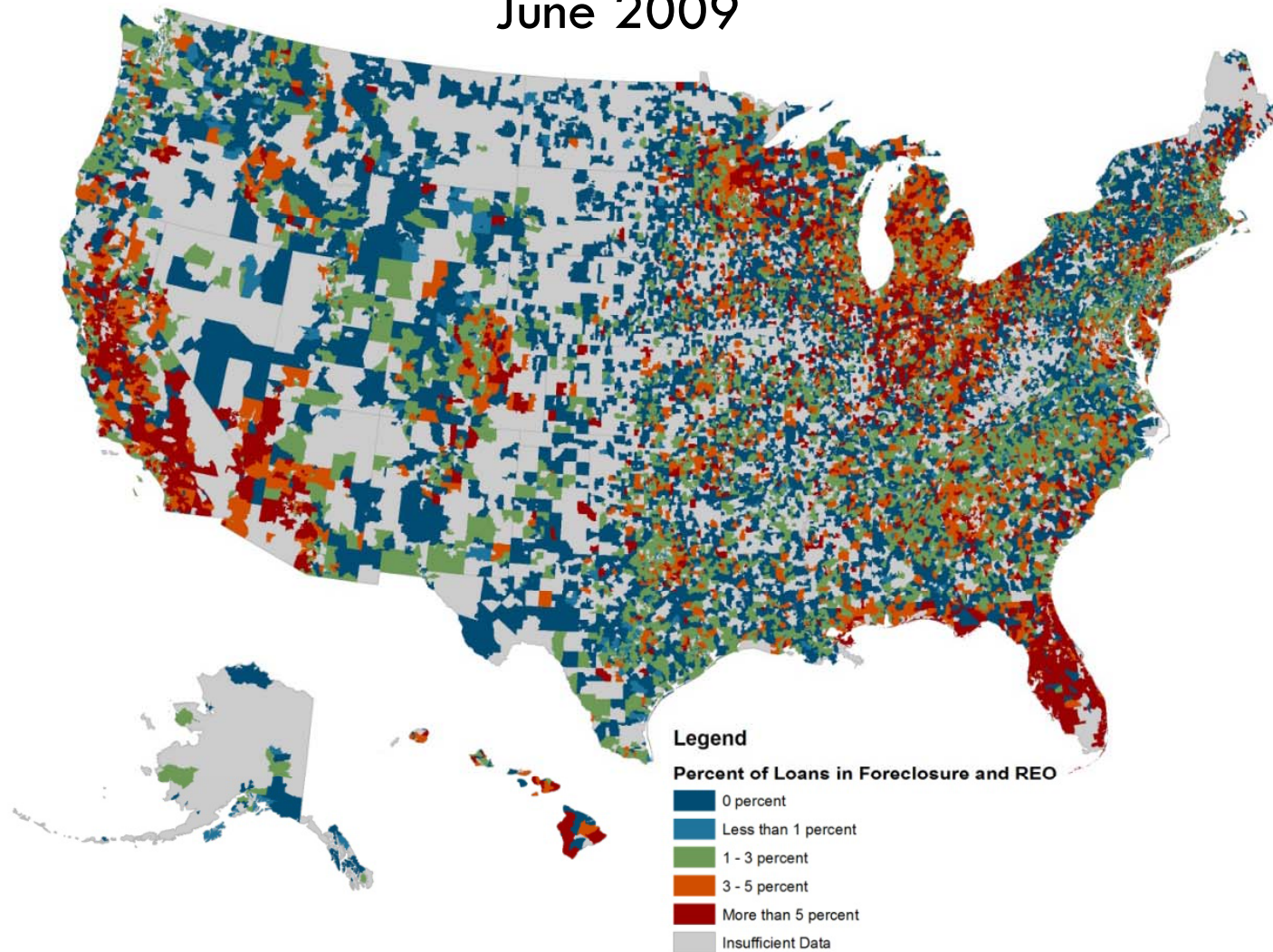
# In Last 2 Years, Foreclosure Crisis Has Spread Beyond “Rust Belt” Cities

June 2007



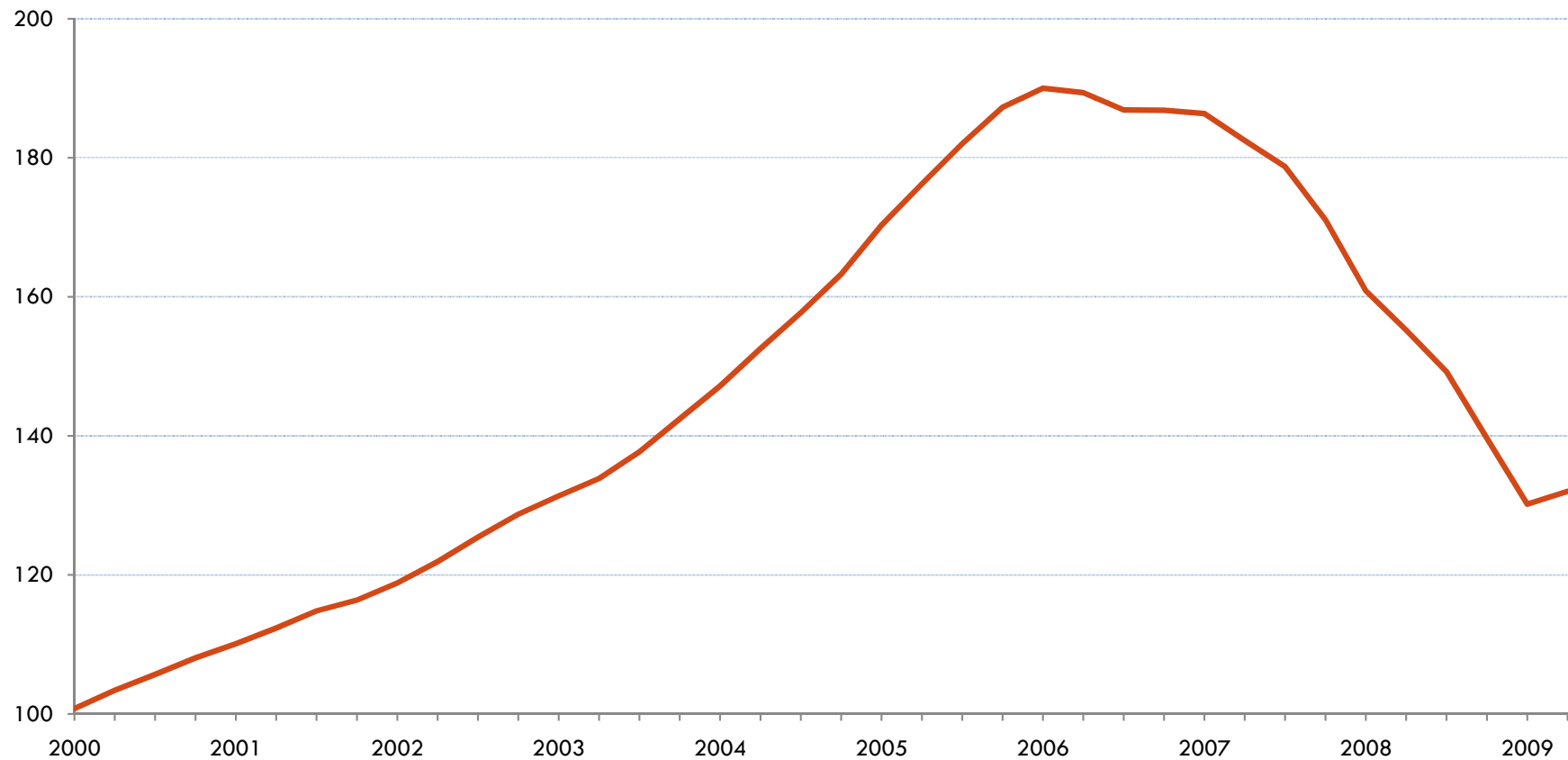
# In Last 2 Years, Foreclosure Crisis Has Spread Beyond “Rust Belt” Cities

June 2009



# House Prices Rose Slightly in 2<sup>nd</sup> Quarter 2009


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



Source: Case - Shiller Home Price Index



# How Does This Compare to Great Depression?



	Current Crisis	The Great Depression
GDP decline	3.9%	36%
Unemployment	9.4%	25%
Stock Market decline	48%	87%
Mortgage Delinquency	10.5%	50%
Bank Failures	100	Thousands

Source: FRBSF and Haver Analytics, as of July 2009.

## And Certain Market Indicators are Looking Up

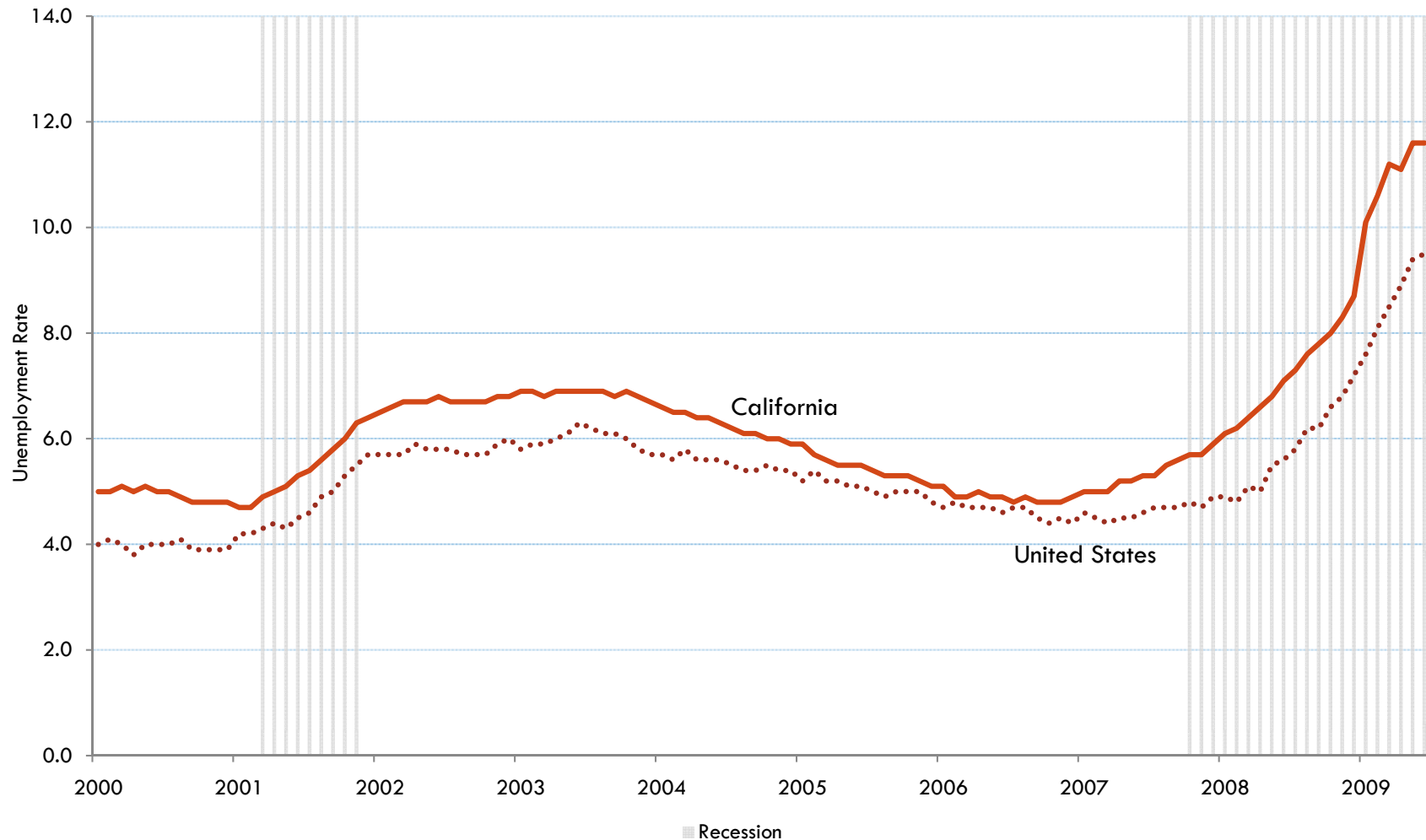
- Financial markets are improving, and the crisis mode that has characterized the past year is subsiding.
- The housing sector, which has been at the center of the economic and financial crisis, also looks to be stabilizing—albeit, at a very depressed level. Housing starts and new home sales have leveled off, and existing home sales have edged up in recent months.
- Income from the federal fiscal stimulus, as well as some improvement in confidence, has helped stabilize consumer spending. Since consumer spending accounts for two-thirds of all economic activity, this is a key precondition for economic recovery.

## Nevertheless, Recession is Likely to Have Long-Lasting Impacts, Especially for Lower-Income Families

- ❑ 48 states face significant budget shortfalls, and are cutting public services such as health benefits for children and public education.
- ❑ Tightening lending standards will make it more difficult for families and small businesses to access credit: the Federal Reserve's quarterly Senior Loan Officer Opinion Survey on Bank Lending Practices found that 65 percent reported tightened standards for the fourth quarter of 2008.
- ❑ CDFIs are increasingly facing liquidity constraints; their borrowers are in more need of 'patient' capital at the same time it is becoming harder to provide it.

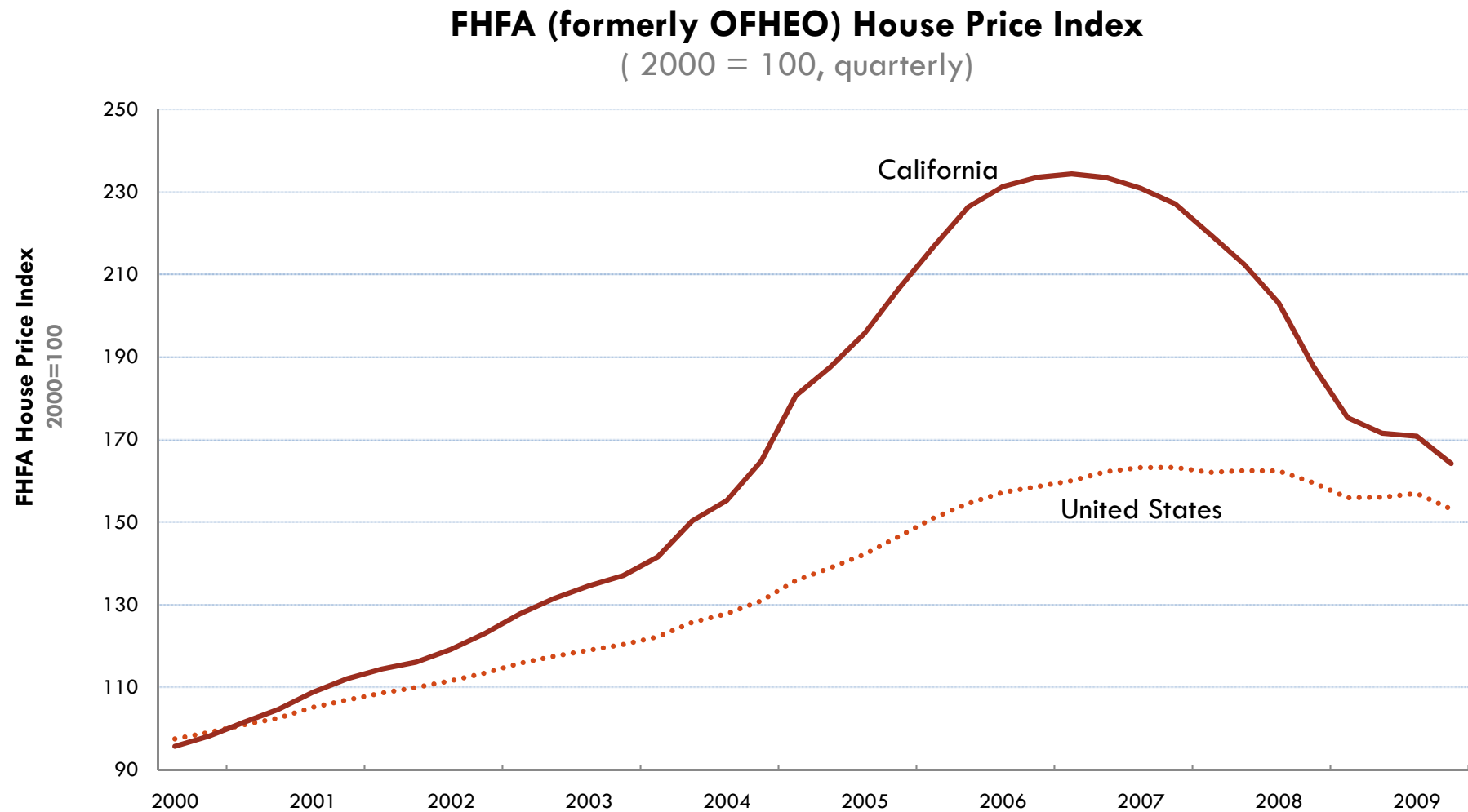
# California Trends

# Unemployment Rate Rising Steeply in 1<sup>st</sup> Half of 2009



Source: Bureau of Labor Statistics

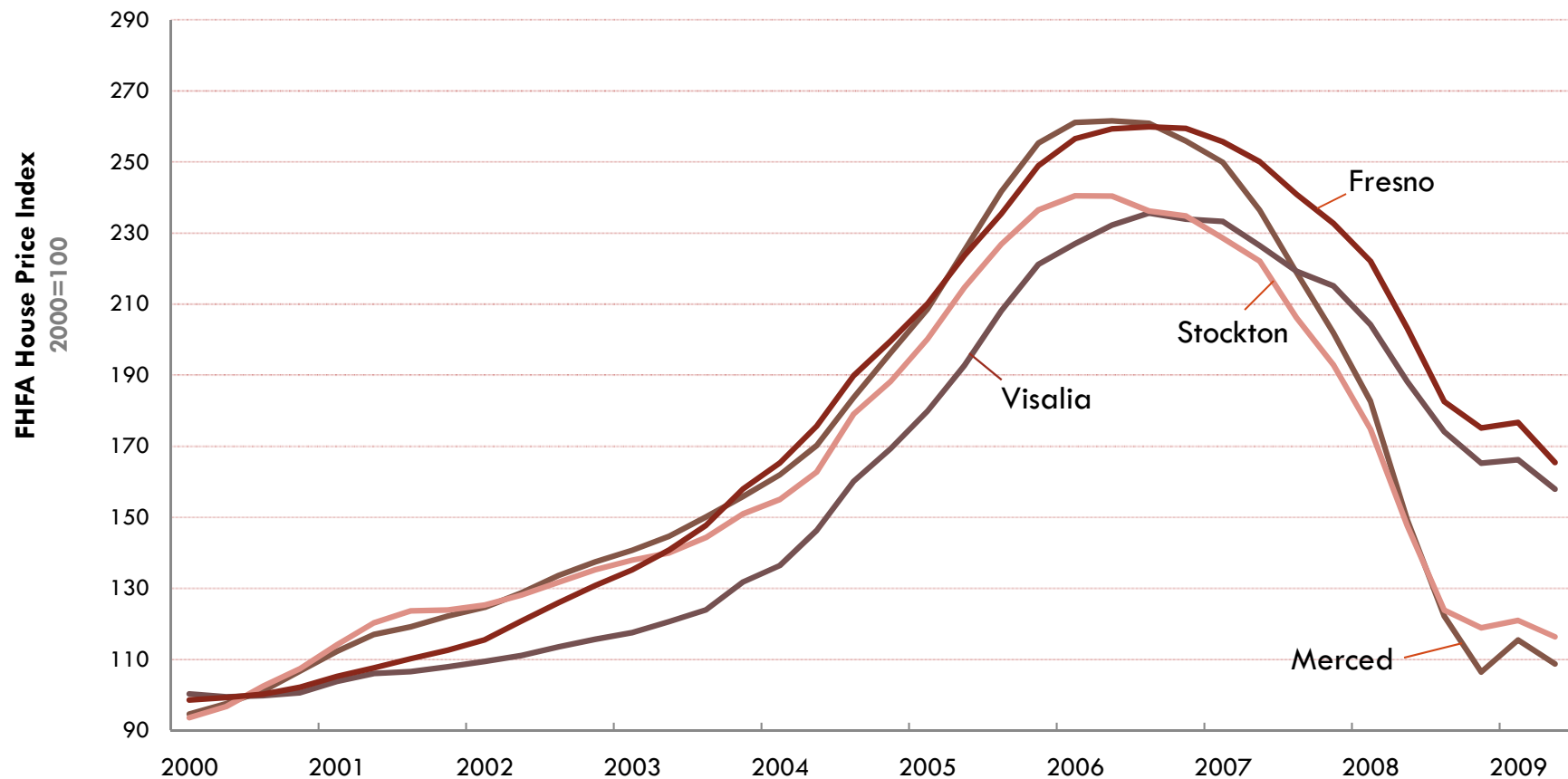
# California Has Seen Significant and Steep Decline in House Prices



Source: Federal Housing Finance Agency (formerly OFHEO)

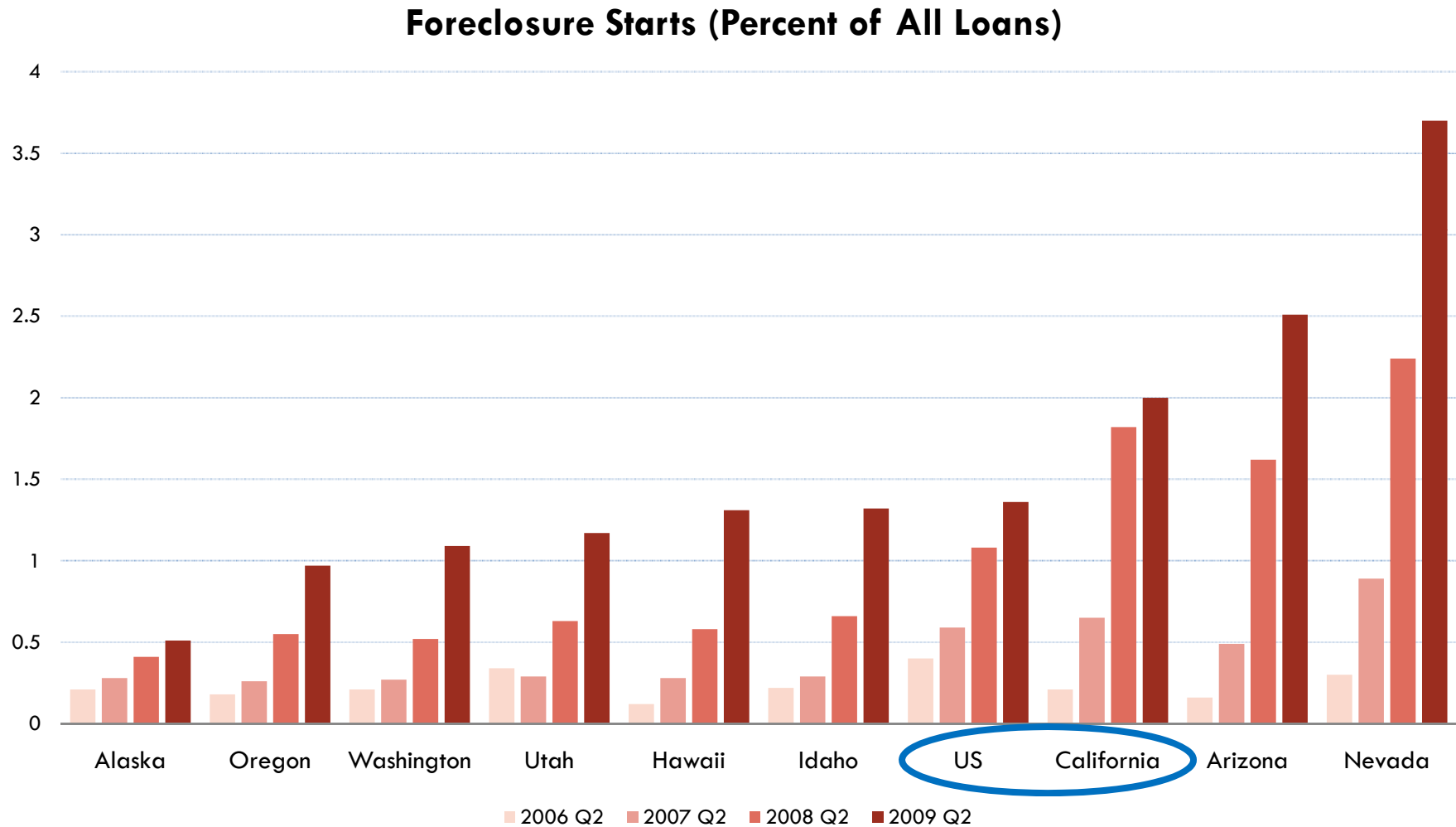
# Central Valley Metro Areas Starting to See Slowing of House Price Declines

**FHFA (formerly OFHEO) House Price Index: Central California**  
(2000 = 100, quarterly)



Source: Federal Housing Finance Agency (formerly OFHEO)

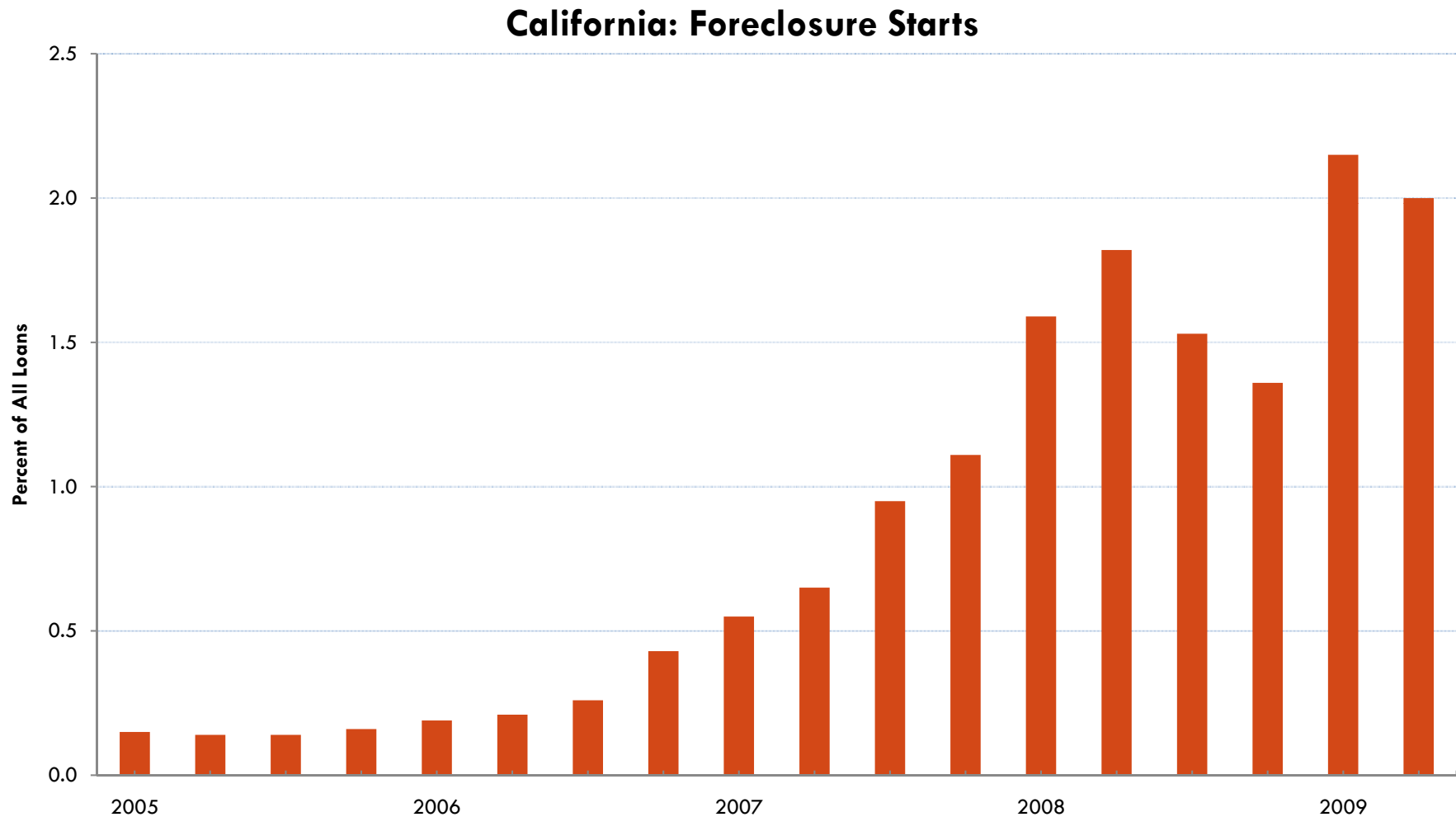
# Foreclosures in California are Above the National Average



Source: Mortgage Bankers Association, National Delinquency Survey

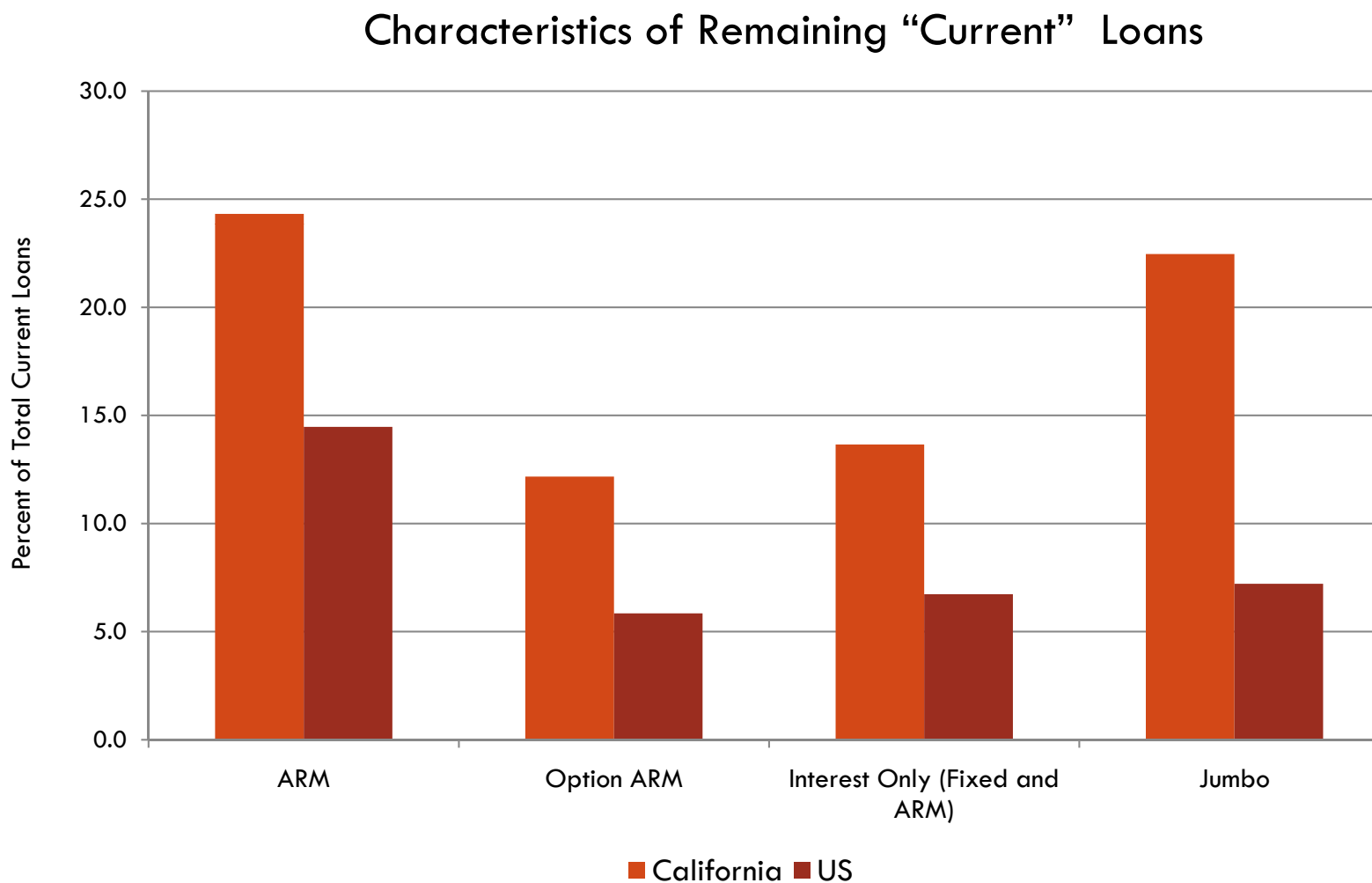


# California Saw a Sharp Rise in Foreclosure Starts in 1st Quarter 2009, Followed by Slight Drop



Source: Mortgage Bankers Association, National Delinquency Survey

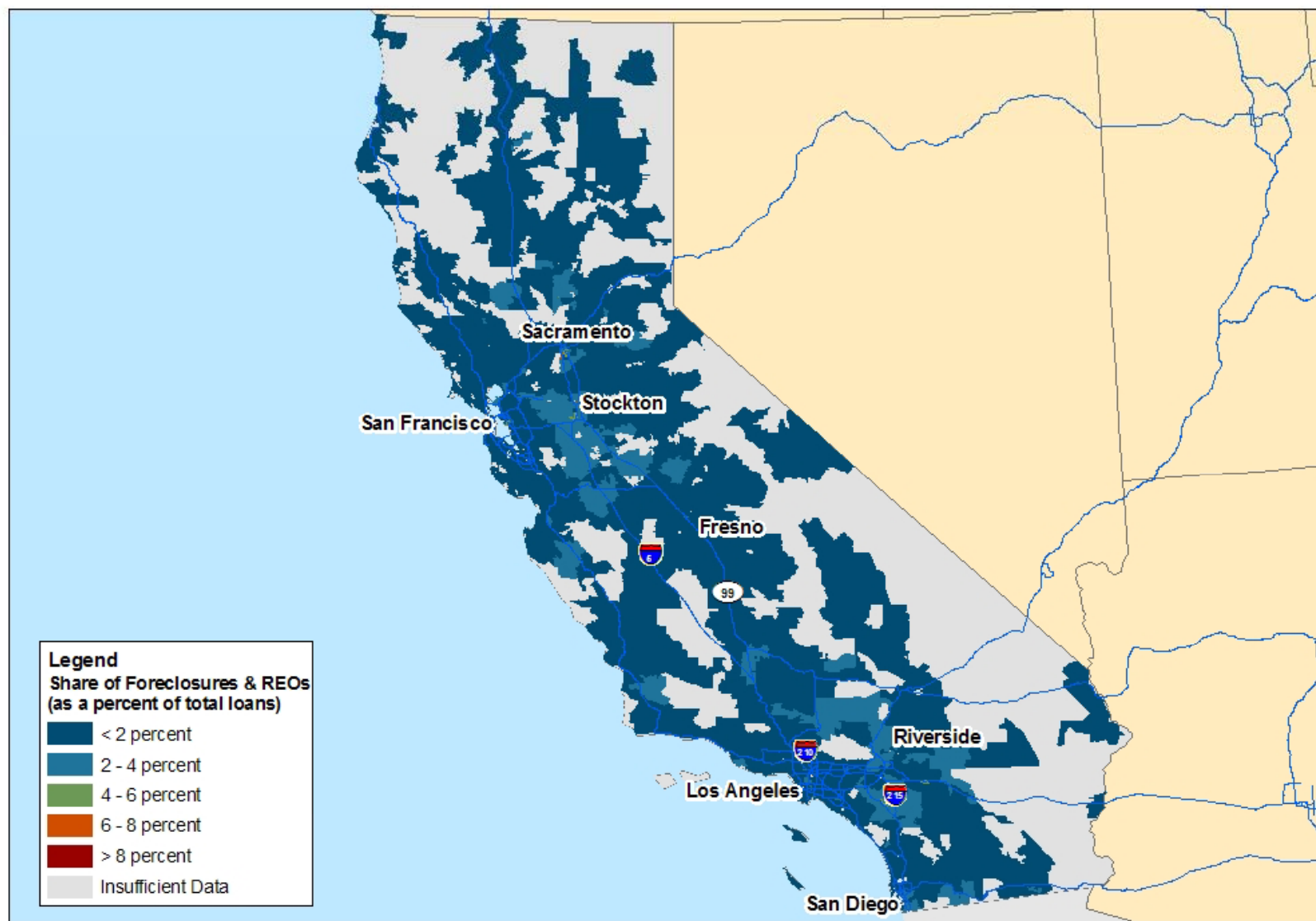
# Growing Concerns over Sustainability of Loans with Payment Options (in subprime, prime and Alt-A markets)



# State & Local Data Maps

# Areas Affected by Concentrated Foreclosures

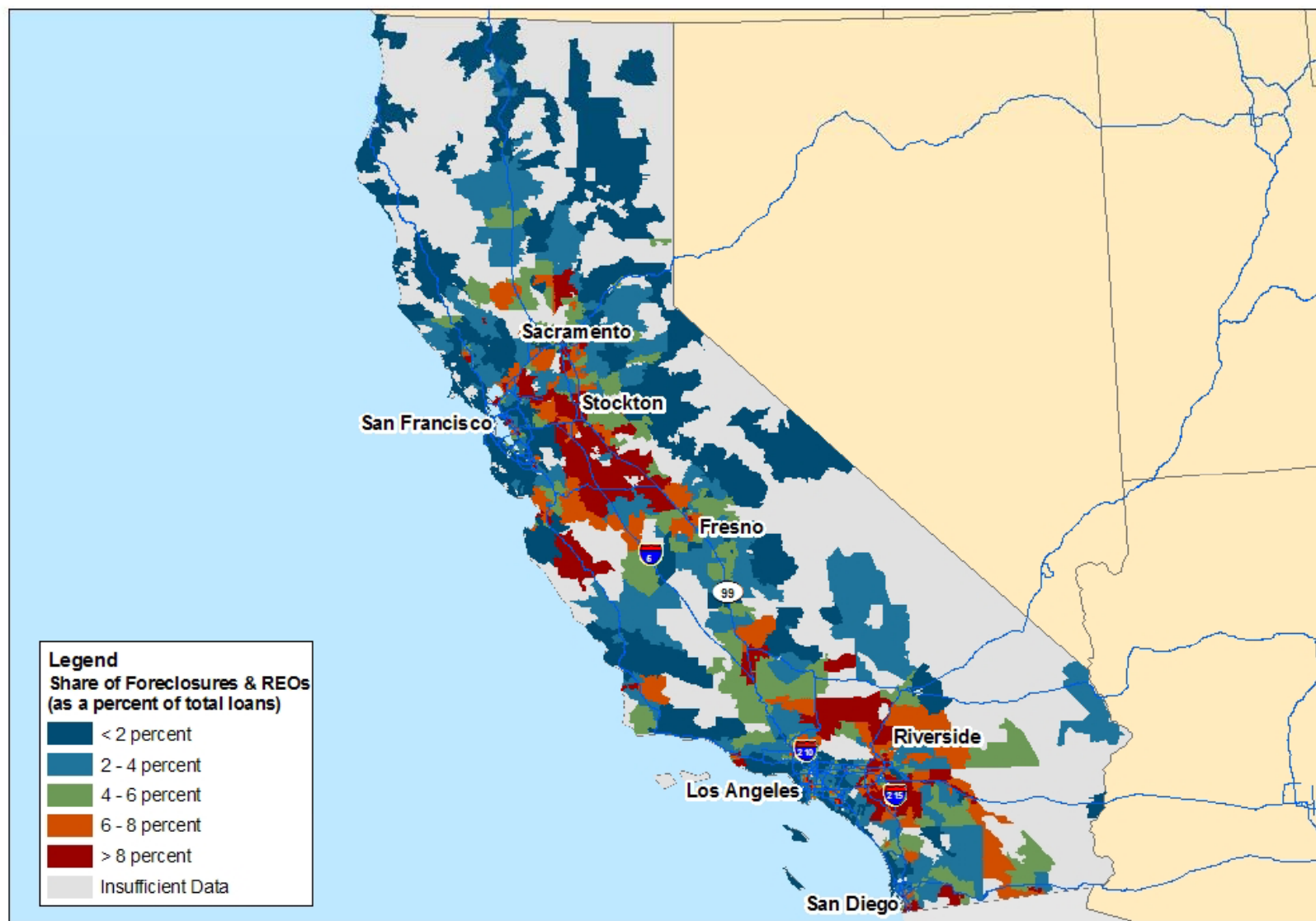
June 2007



Source: Lender Processing Services Inc. Applied Analytics

# Areas Affected by Concentrated Foreclosures

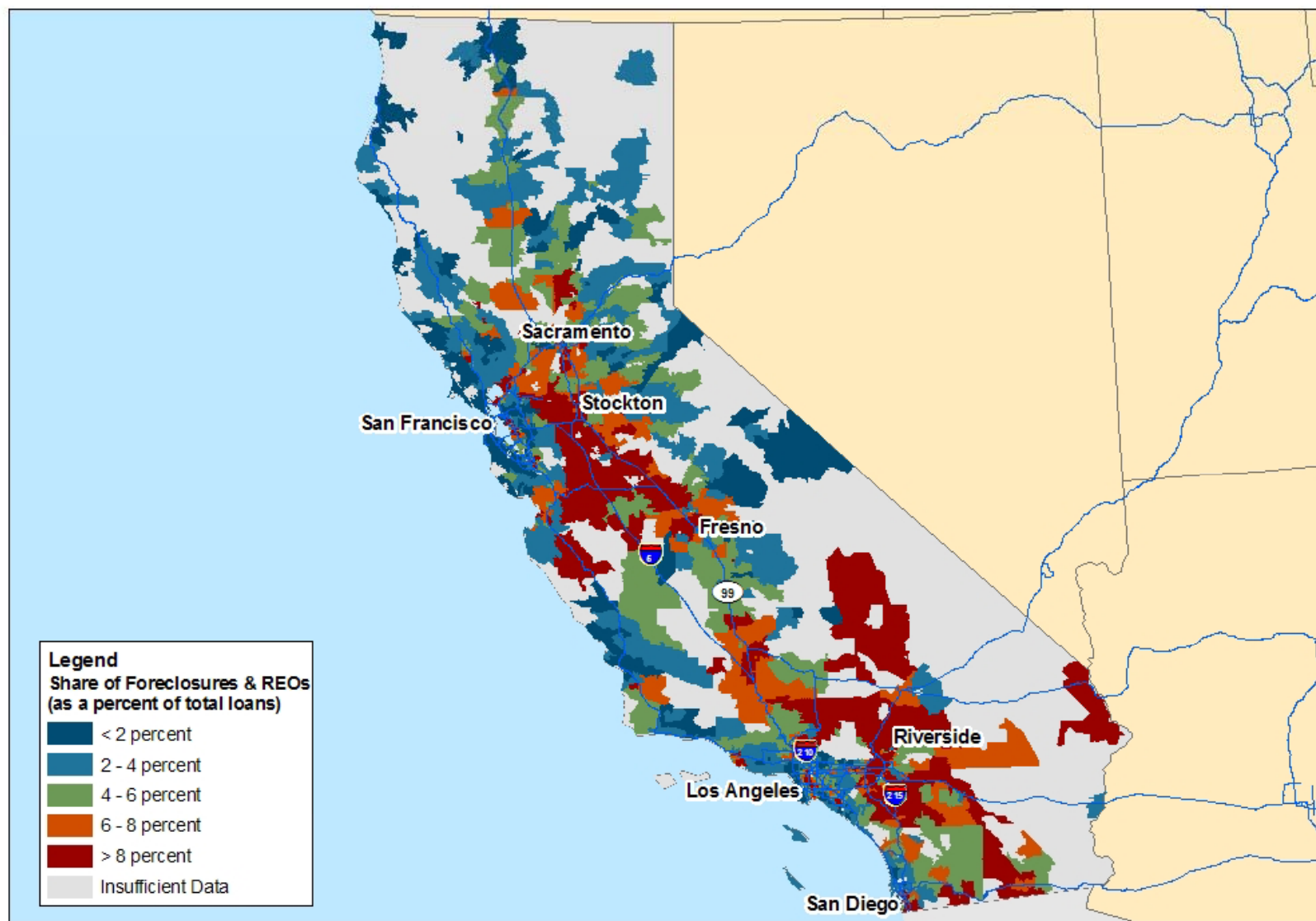
June 2008



Source: Lender Processing Services Inc. Applied Analytics

# Areas Affected by Concentrated Foreclosures

June 2009

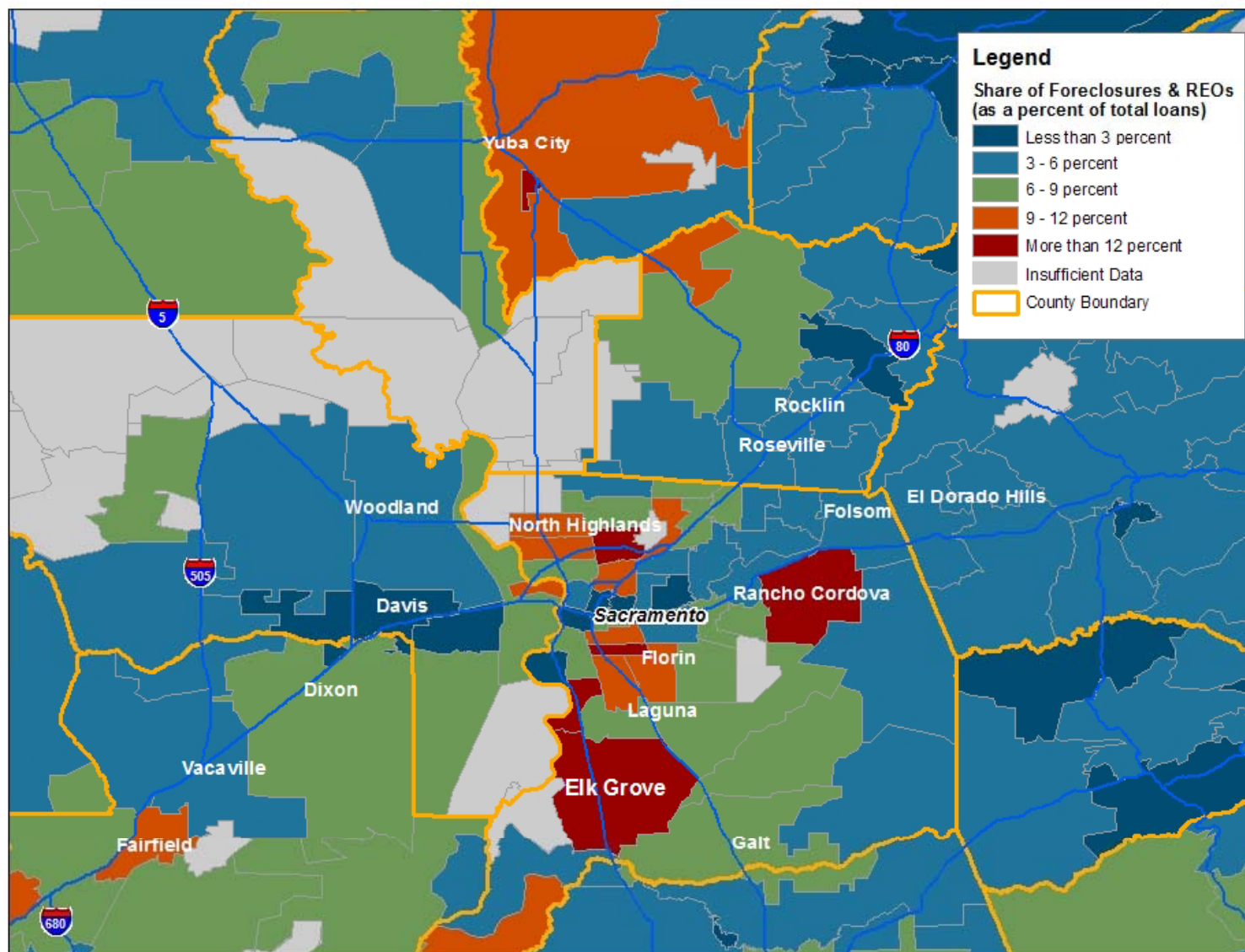


Source: Lender Processing Services Inc. Applied Analytics

## Sacramento Valley Data Maps

# Areas Affected by Concentrated Foreclosures

June 2009



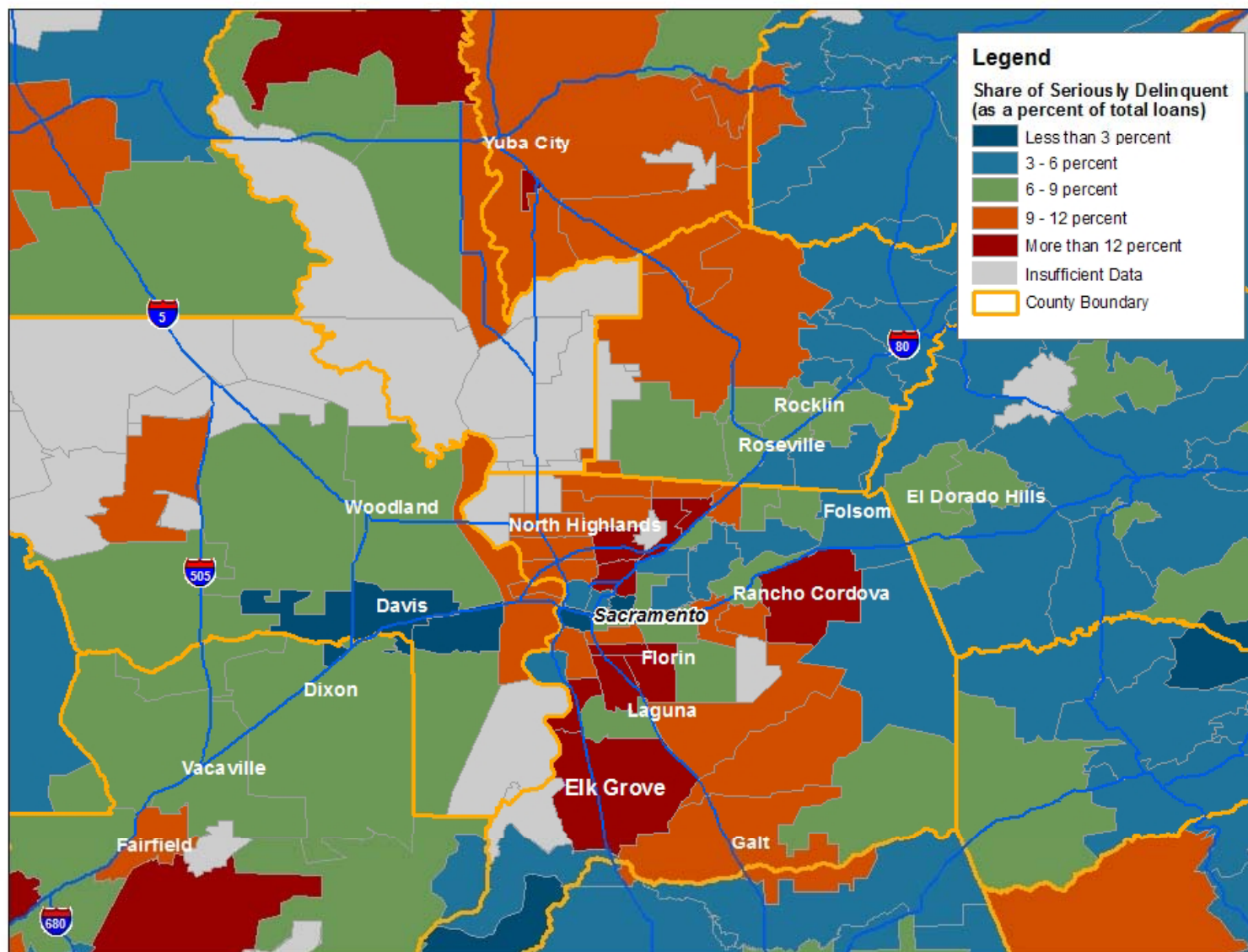
Source: Lender Processing Services Inc. Applied Analytics



## Sacramento Valley Data Maps

# Areas at Risk of Additional Foreclosures

June 2009



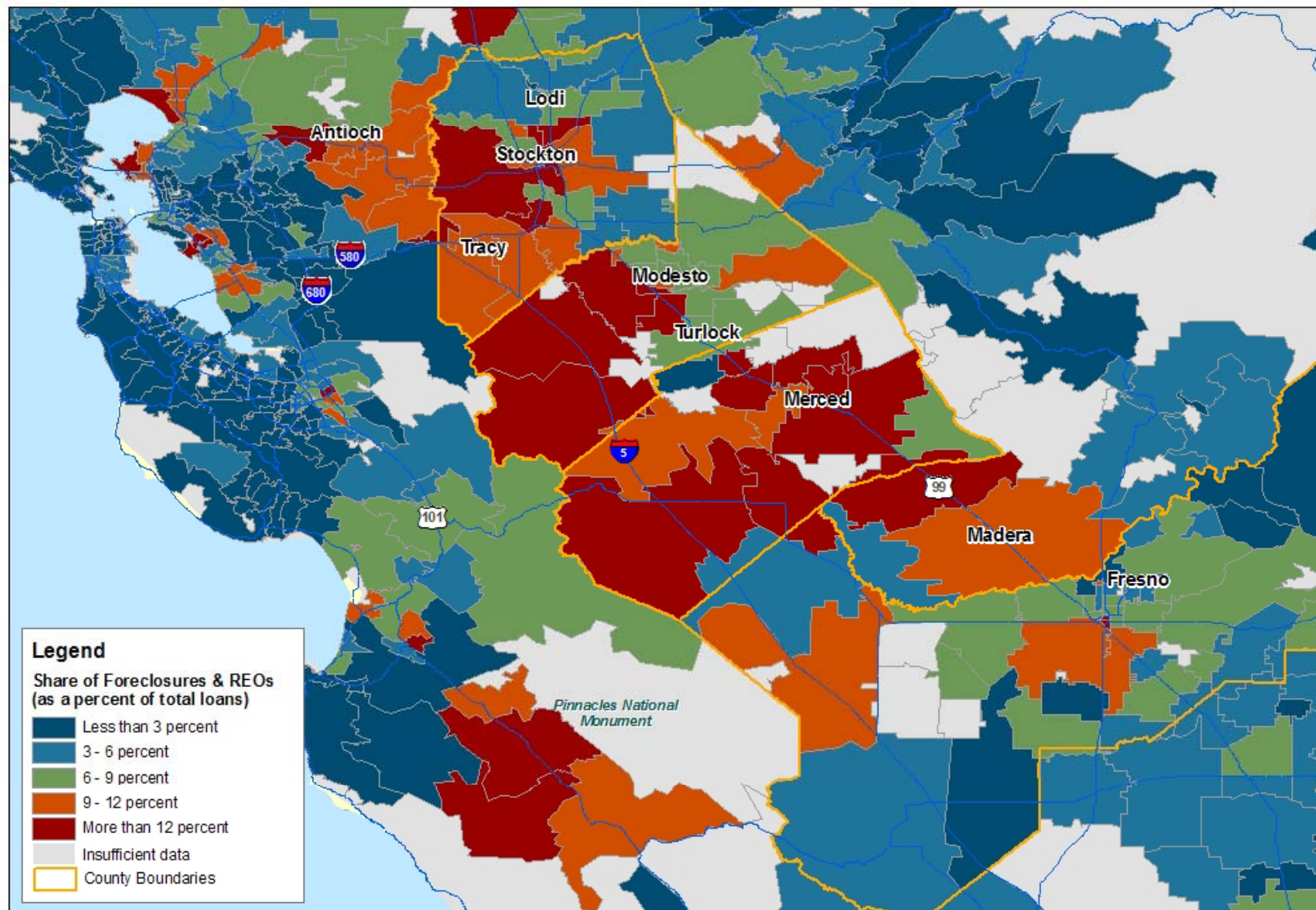
Source: Lender Processing Services Inc. Applied Analytics



## San Joaquin Valley Data Maps

# Areas Affected by Concentrated Foreclosures

June 2009

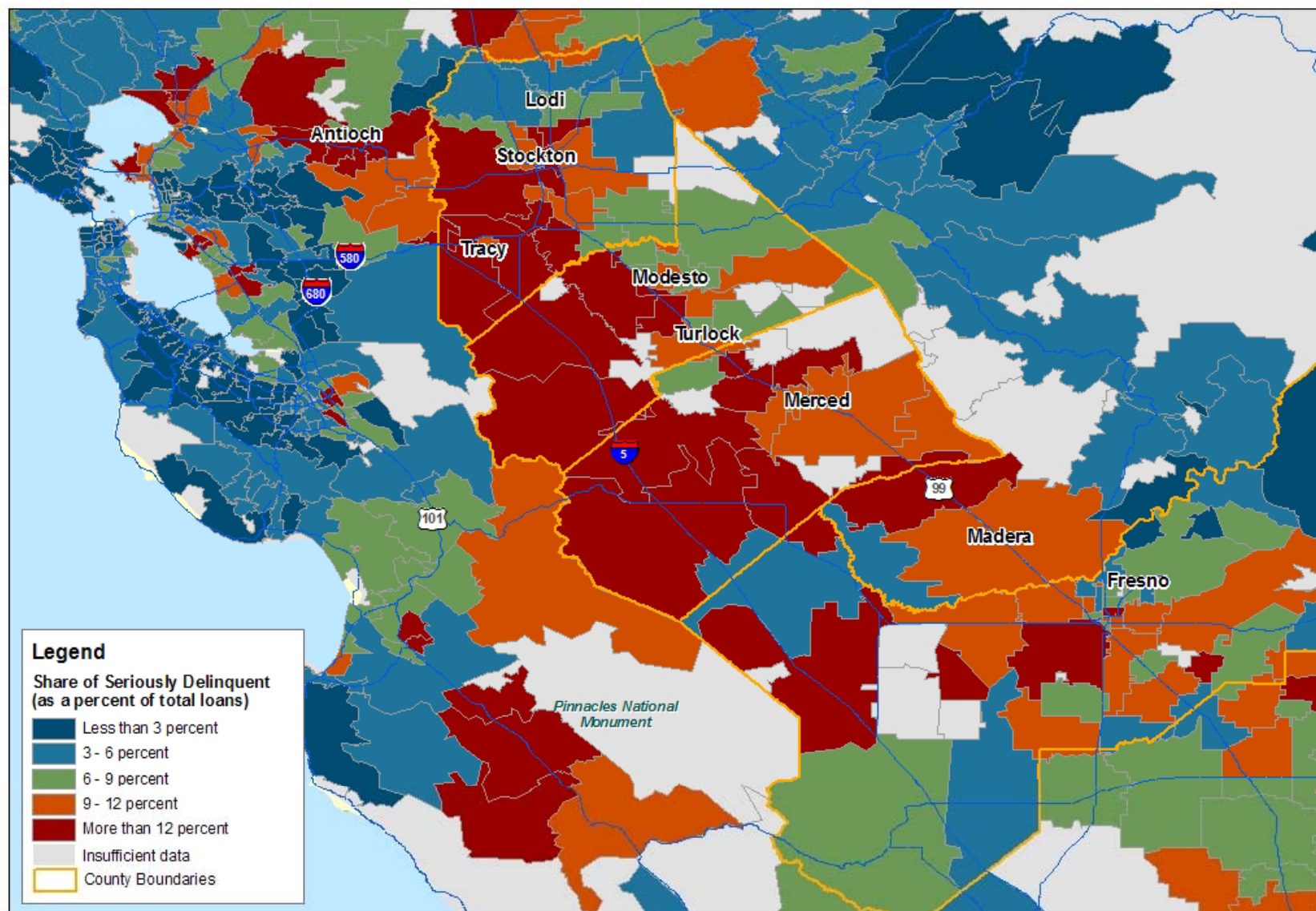


Source: Lender Processing Services Inc. Applied Analytics

## San Joaquin Valley Data Maps

### Areas at Risk of Additional Foreclosures

June 2009



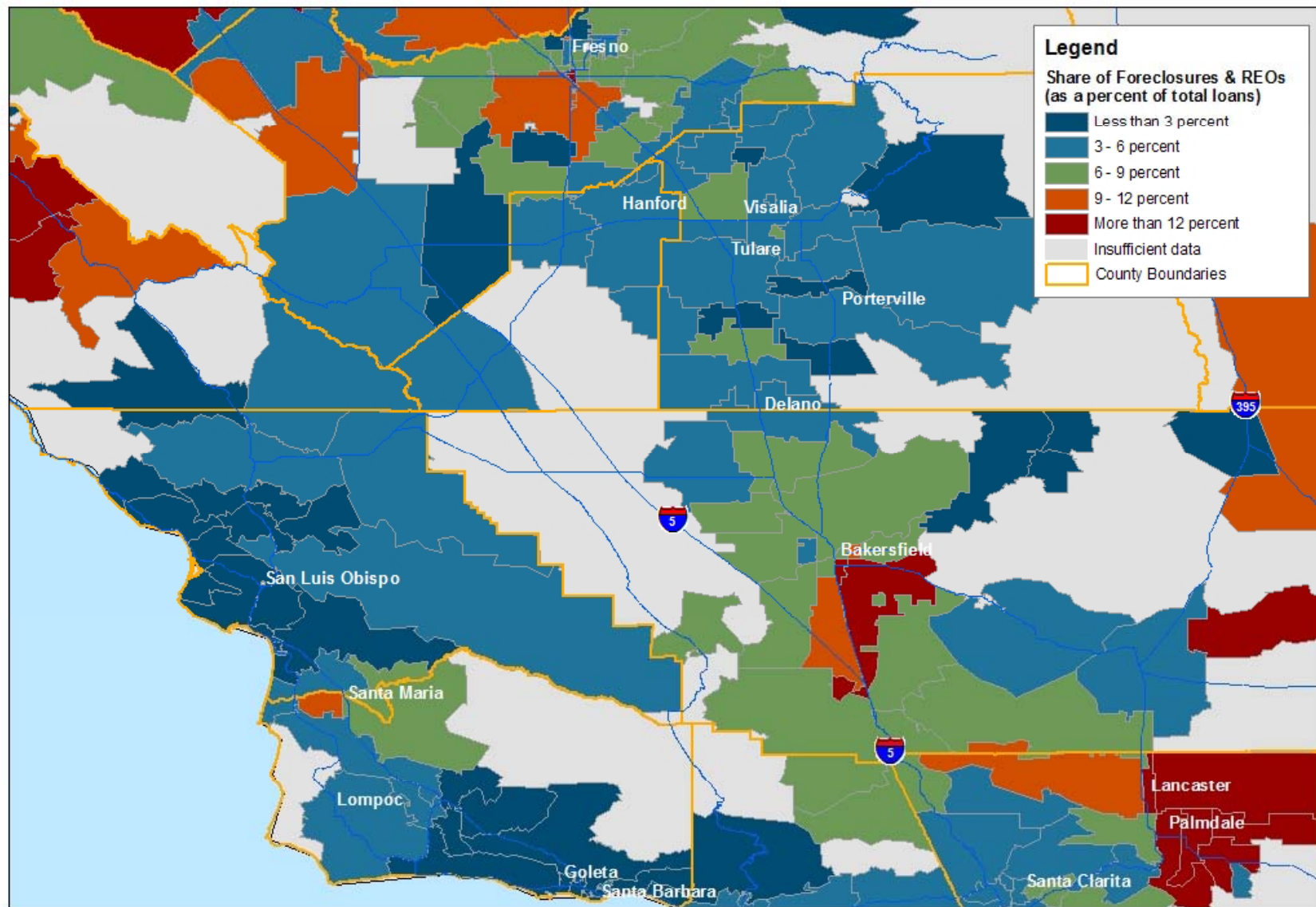
Source: Lender Processing Services Inc. Applied Analytics



## Southern Central California Data Maps

# Areas Affected by Concentrated Foreclosures

June 2009

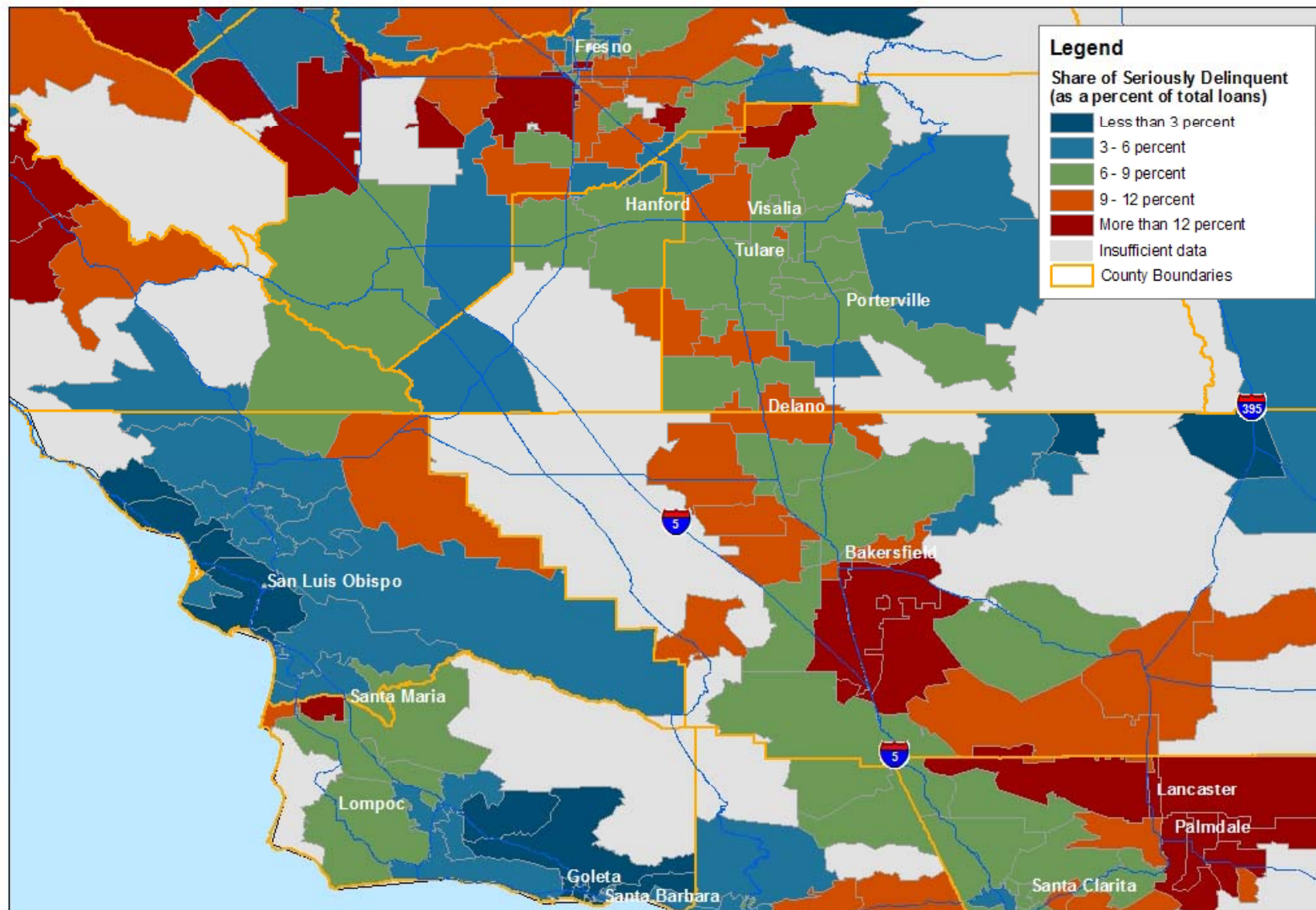


Source: Lender Processing Services Inc. Applied Analytics

## Southern Central California Data Maps

### Areas at Risk of Additional Foreclosures

June 2009



Source: Lender Processing Services Inc. Applied Analytics

# Conclusions

# Continued Need for Foreclosure Prevention

- Important to reach borrowers with ‘preventable’ foreclosures
  - ▣ Borrower Outreach Events
    - Create a foreclosure prevention workbook -- for an example see Arizona’s:  
[http://www.pima.gov/current/2008\\_November%20English%20Workbook.pdf](http://www.pima.gov/current/2008_November%20English%20Workbook.pdf)
  - ▣ Making Homes Affordable
    - Federal program provides both loan modification and refinance options
    - Online form available that allows borrowers to assess if they qualify for the program
      - <http://makinghomeaffordable.gov/eligibility.html>

# Preventing Foreclosure Scams

- ❑ Foreclosure scams are proliferating, especially in markets with investor interest
  - ❑ Some counties are sending notices to all delinquent borrowers to warn them about foreclosure scams
  - ❑ Free media kit available from the Federal Reserve which includes a PSA and other resources:  
<http://www.federalreserveeducation.org/pfed/mediakit.cfm>
  - ❑ NeighborWorks PSA: <http://www.youtube.com/nwpad>
- ❑ Other 5 Tip brochures and resources available from the Federal Reserve  
<http://www.federalreserve.gov/consumerinfo/fivetips.htm>

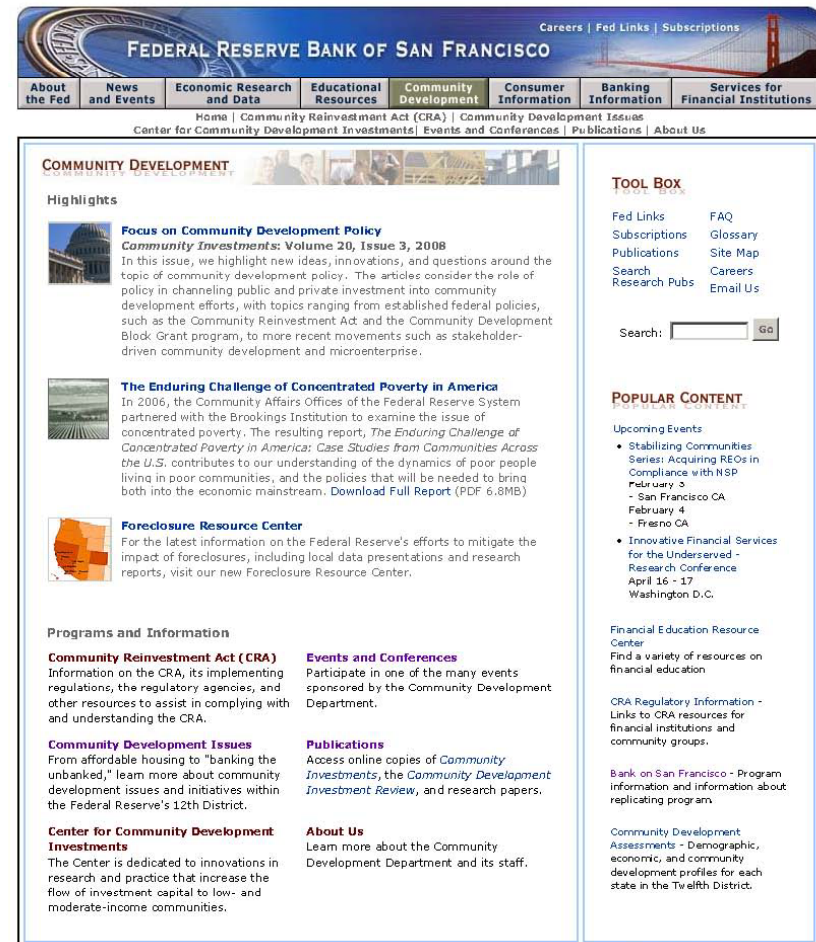
# Stabilizing Communities and Helping Families After Foreclosure

- Develop service delivery and resources for families who go through foreclosure
  - ▣ Rental housing assistance
  - ▣ Credit repair
  - ▣ Minimizing disruption for children (e.g. allowing them to finish the school year in their old school)
- Minimize negative spillover effects of vacant properties on surrounding neighborhood
  - ▣ Ensure servicer maintenance of REOs
  - ▣ Work with lenders/servicers to acquire and rehab foreclosures for affordable housing



# 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/>