

# TRENDS IN DELINQUENCIES AND FORECLOSURES IN CENTRAL CALIFORNIA

January 2009

Community Development Department, Federal Reserve  
Bank of San Francisco

# Outline of Presentation

---

## □ National Trends

- ▣ Rising foreclosures
- ▣ House price declines
- ▣ Rising unemployment

## □ California

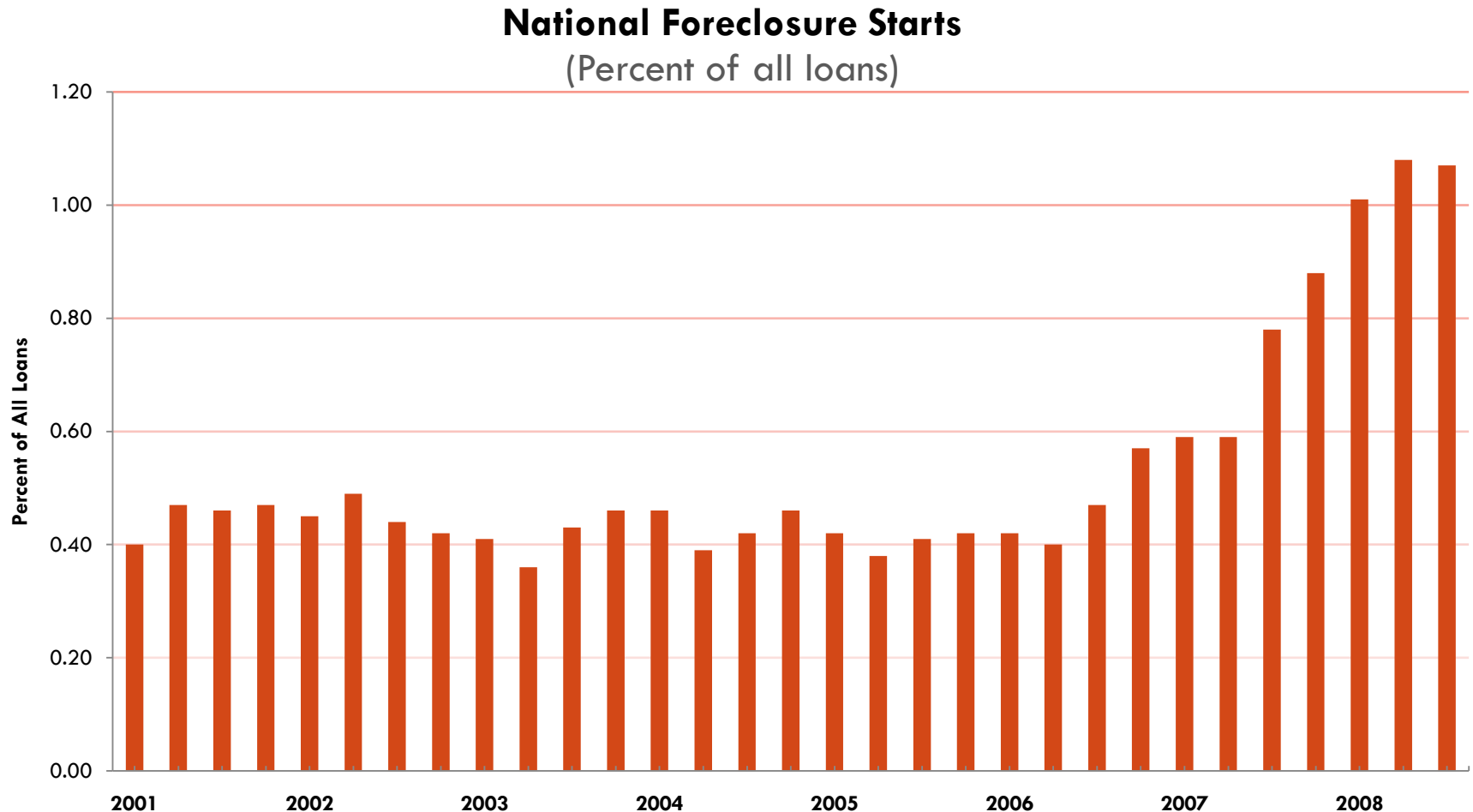
- ▣ Trends in foreclosure
- ▣ Housing market softening
- ▣ Rising unemployment
- ▣ Scale of loan modifications still falls short of need

# 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

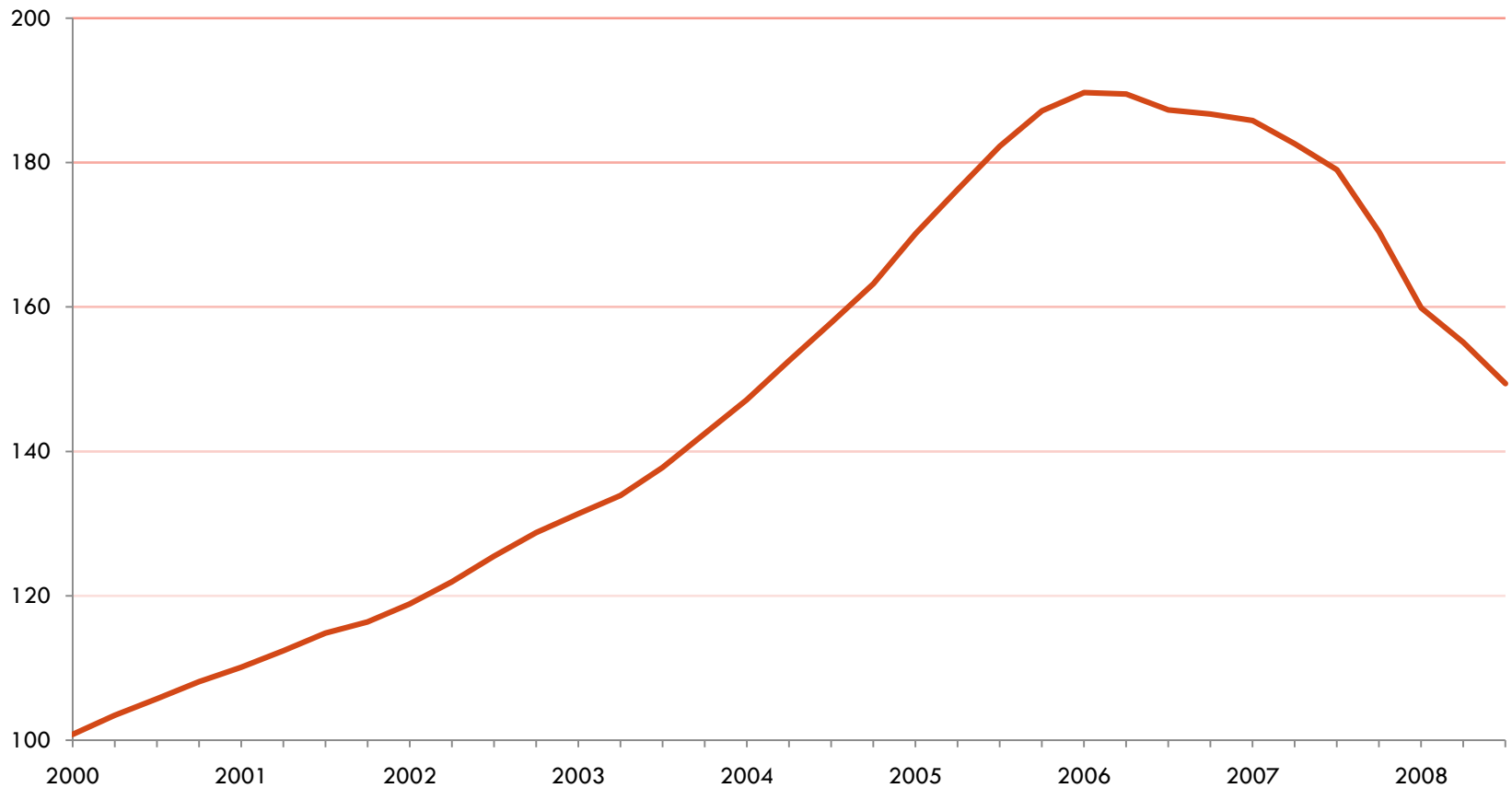
# After Steady Rise, National Foreclosure Starts Dipped Slightly in 3<sup>rd</sup> Quarter of 2008



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

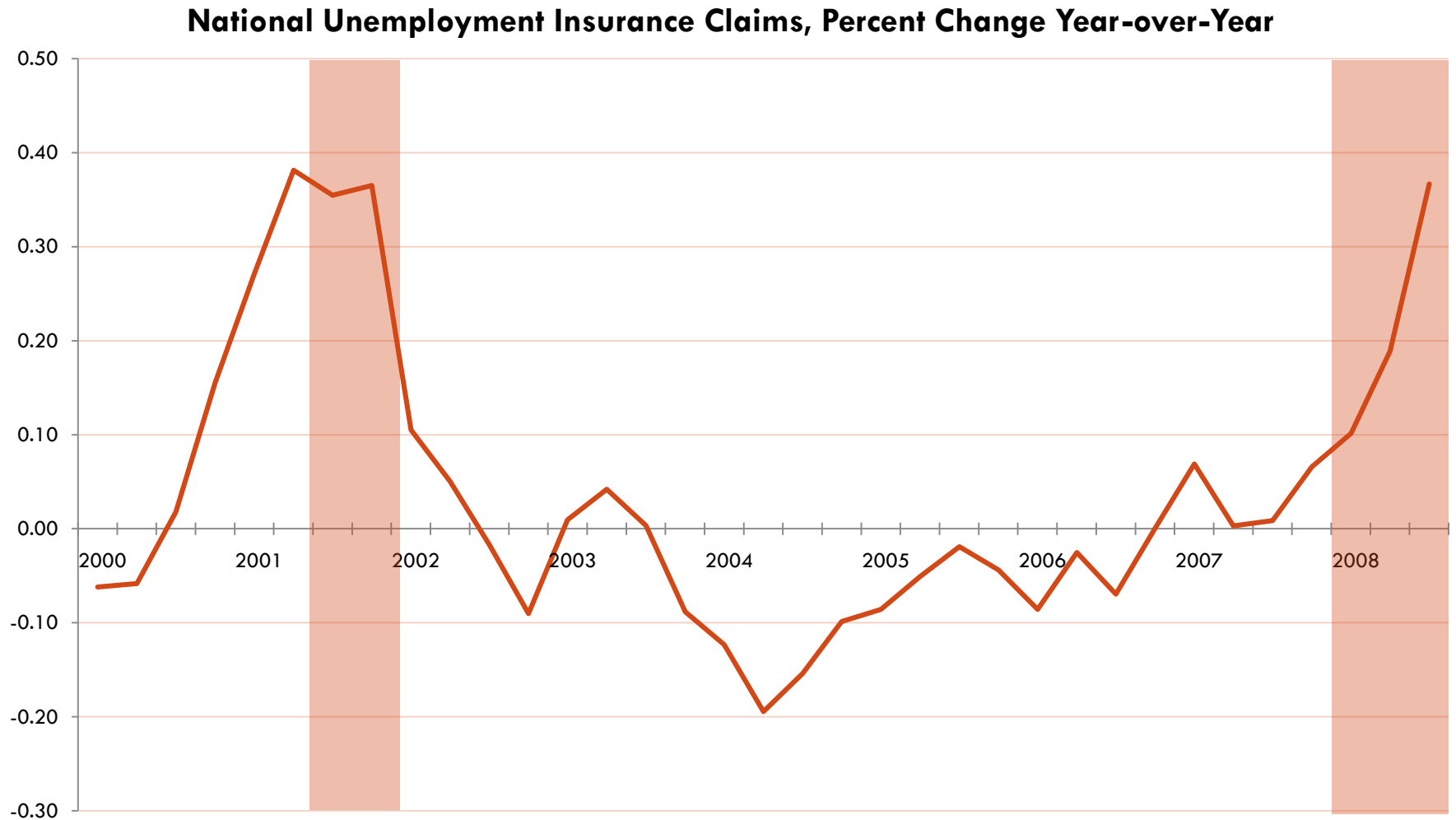
# Nationally, House Prices Continue to Decline

**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

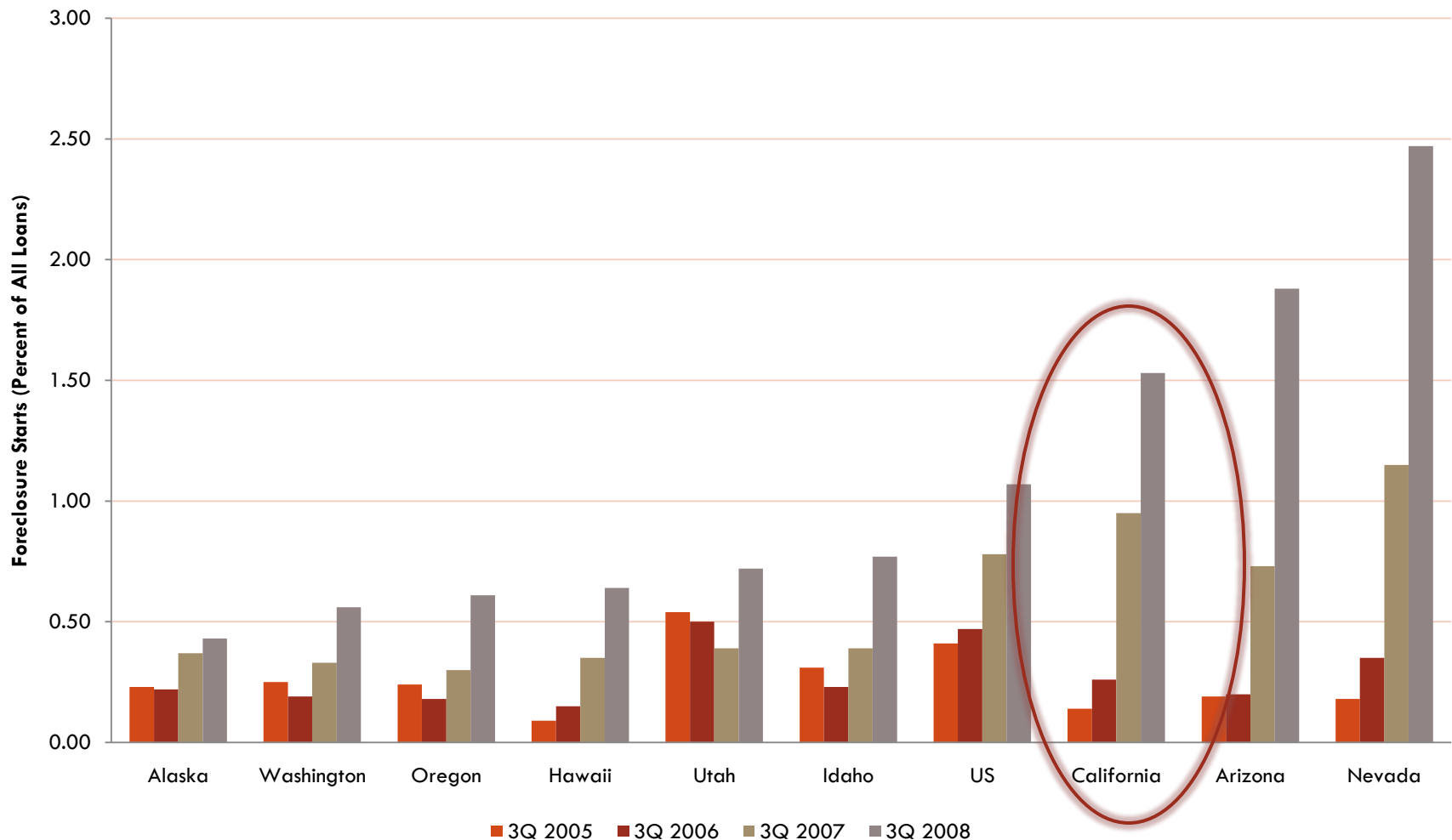


Source: Haver Analytics and FRBSF Calculations, annual percent change, 2000 Q3 - 2008 Q3

# California Trends



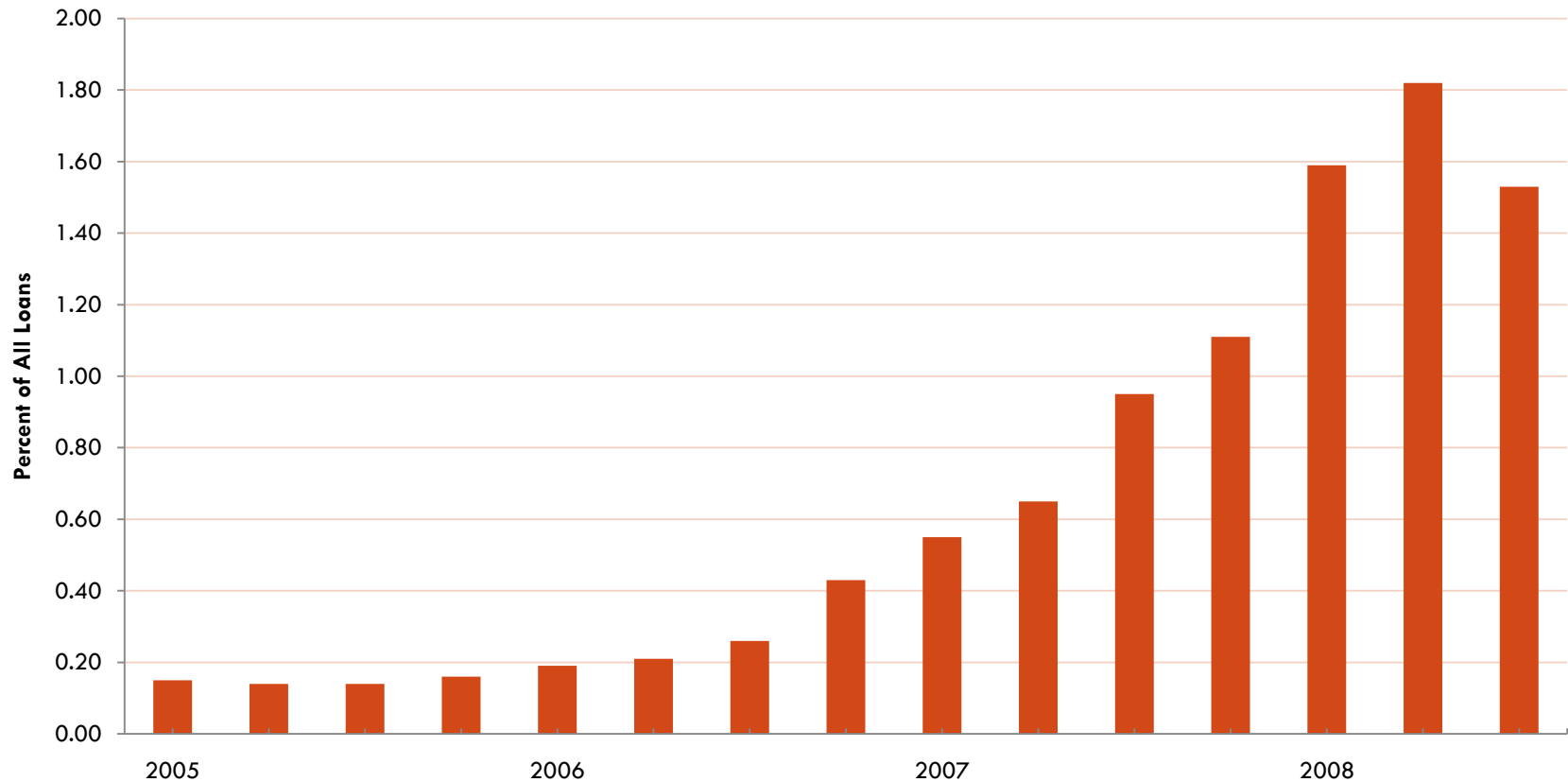
# Foreclosures in California Have Risen Significantly, Surpassing US Average



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

# Like National Trends, California Saw a Decrease in Foreclosure Starts in 3<sup>rd</sup> Quarter 2008

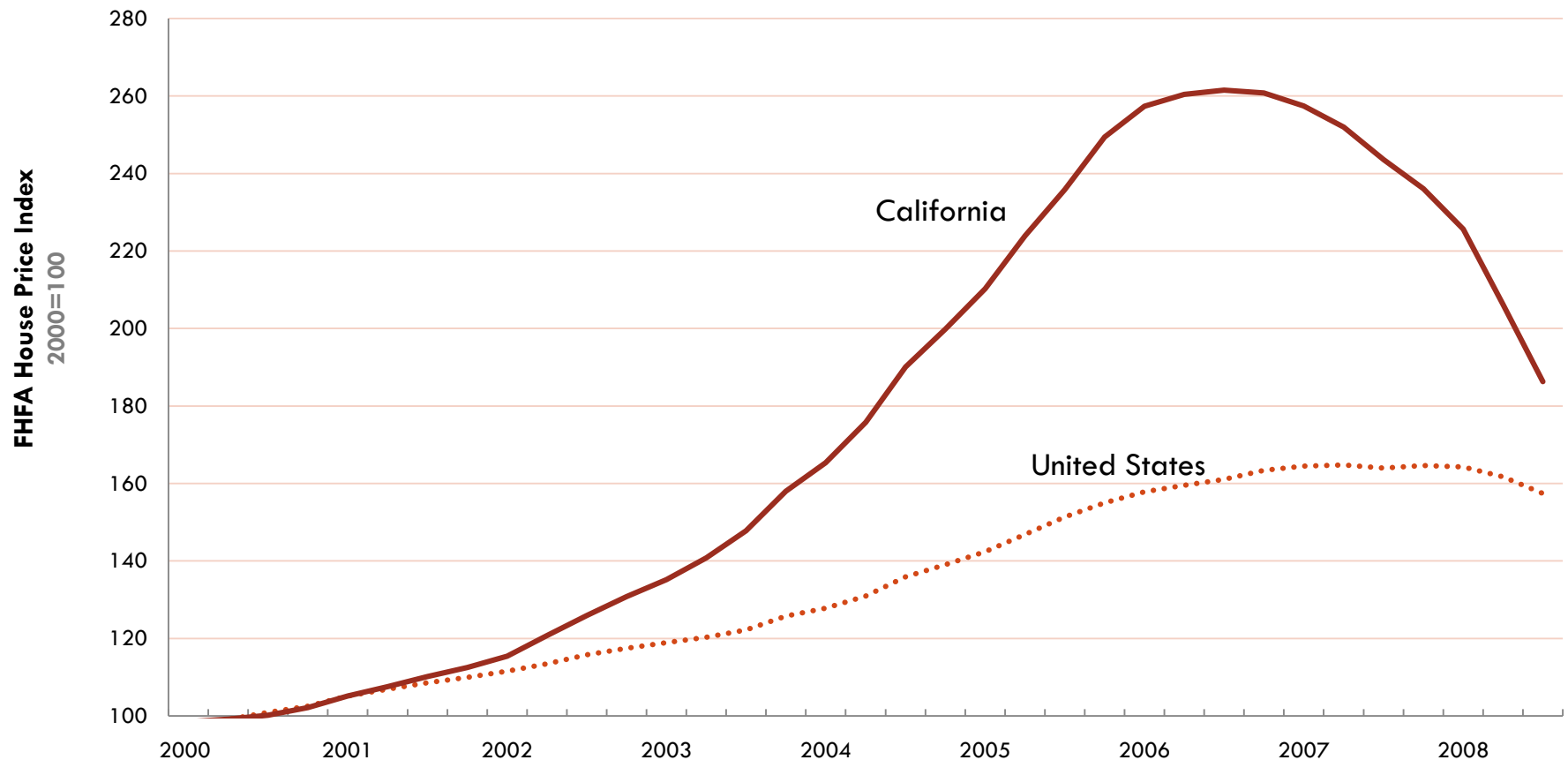
## California: Foreclosure Starts



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

# California Has Seen Significant and Steep Decline in House Values

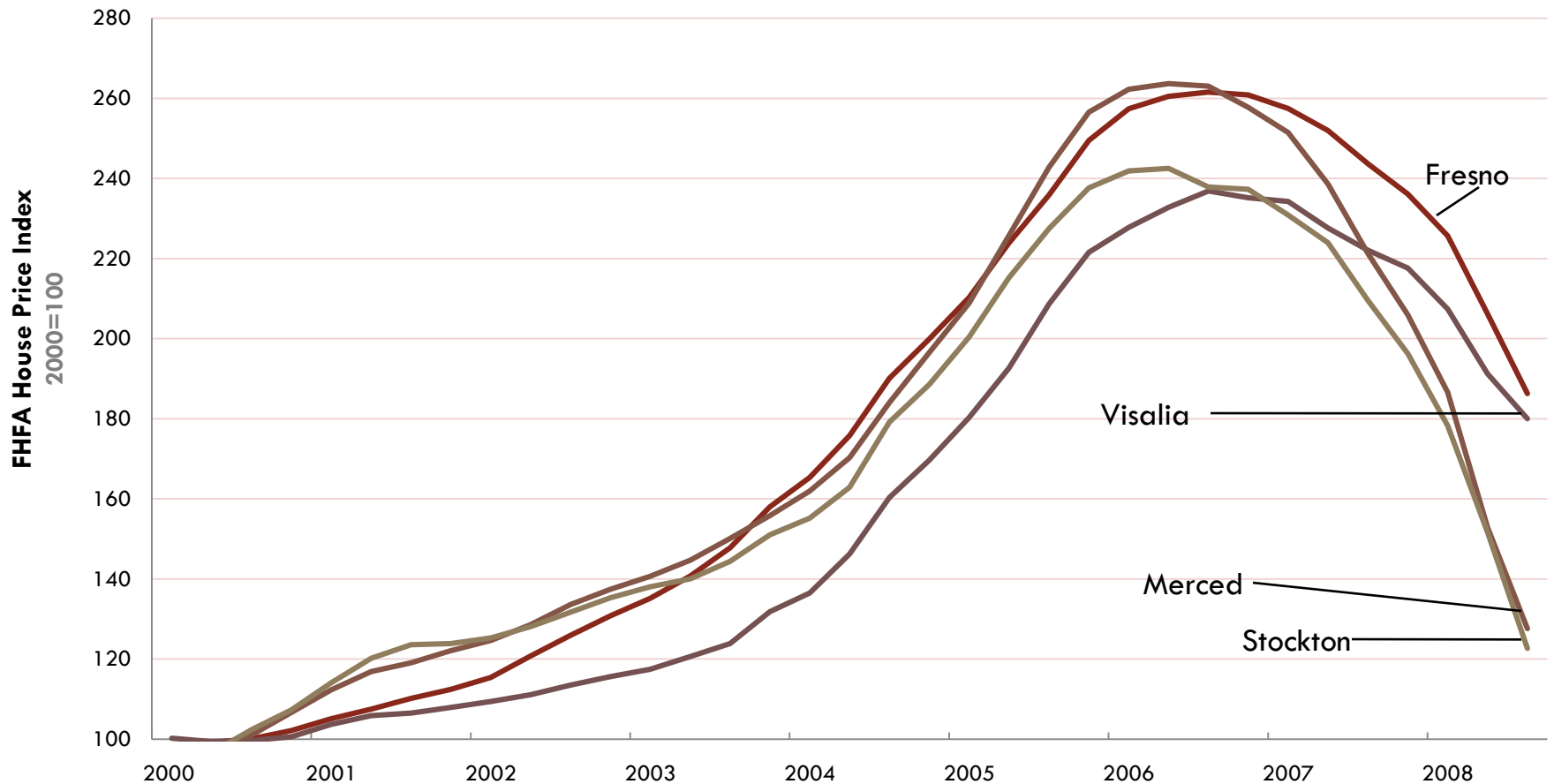
**FHFA (formerly OFHEO) House Price Index**  
(2000=100, quarterly)



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

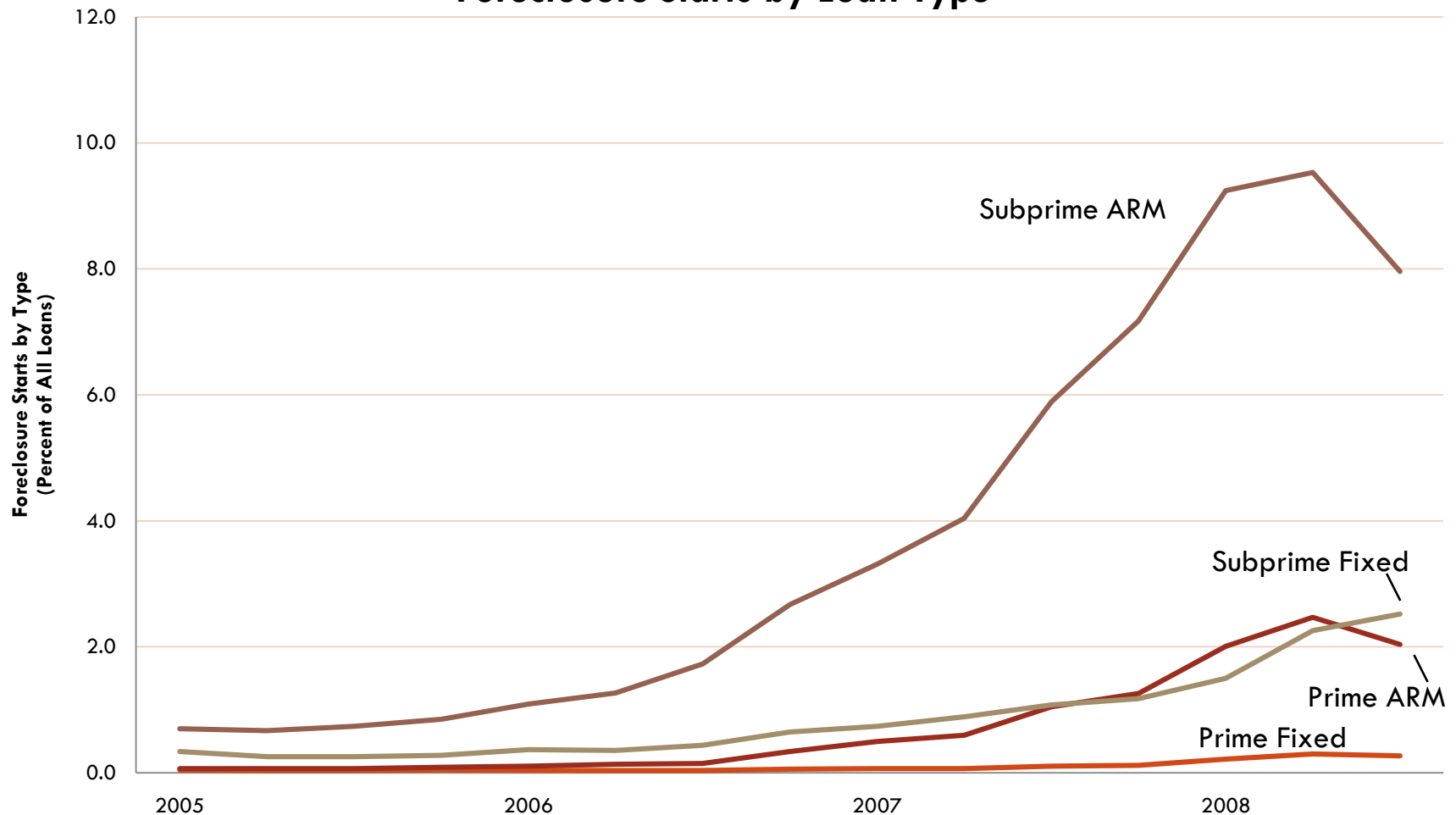
# Metropolitan Areas also Experiencing a Softening Real Estate Market

**FHFA House Price Index: Central California**  
(2000 = 100)



# California's Foreclosures are Concentrated in Subprime ARM Market

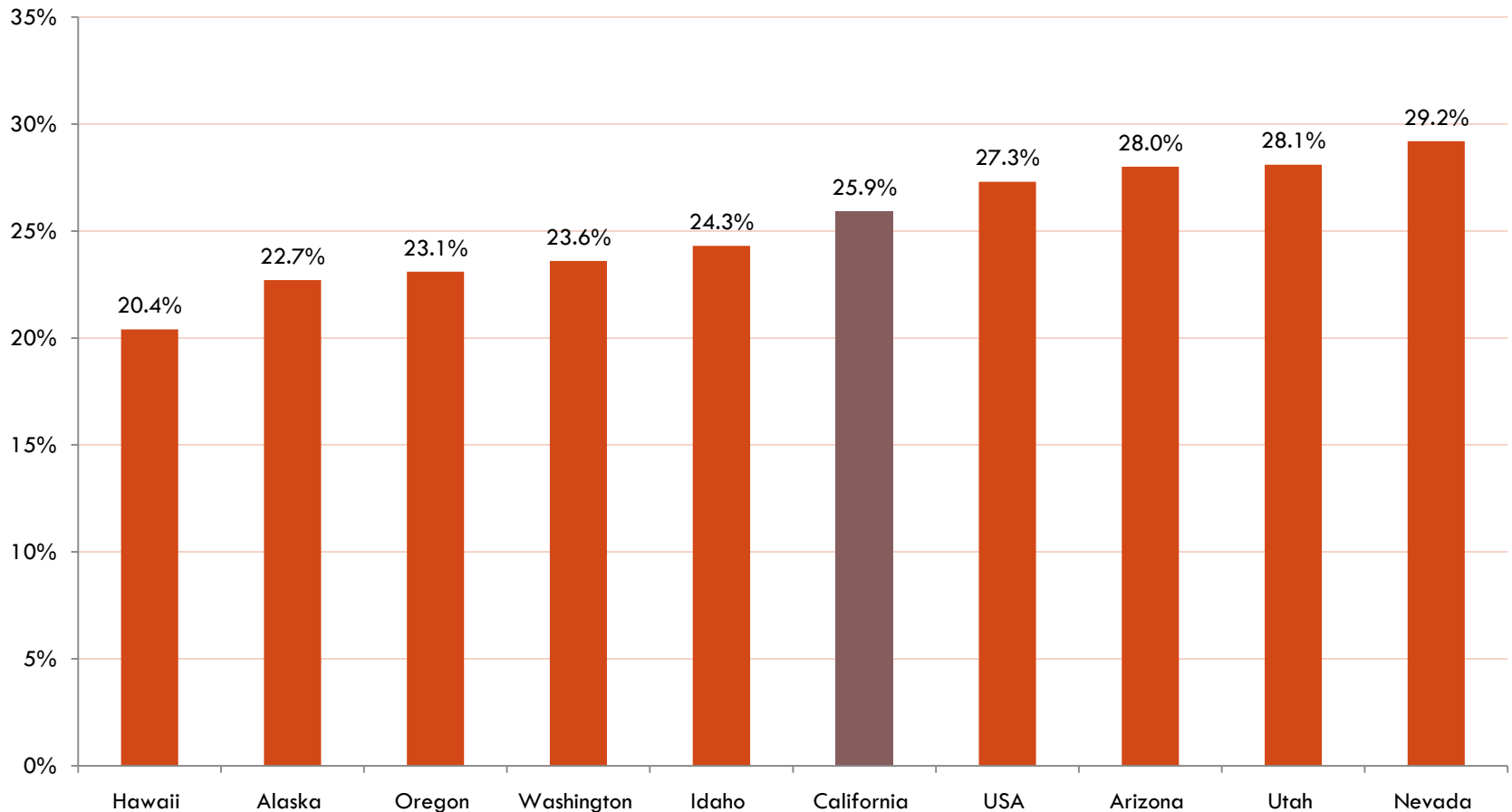
**Foreclosure Starts by Loan Type**



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

# Approximately 1 in 4 California Households Received a High Cost Loan during the Housing Boom

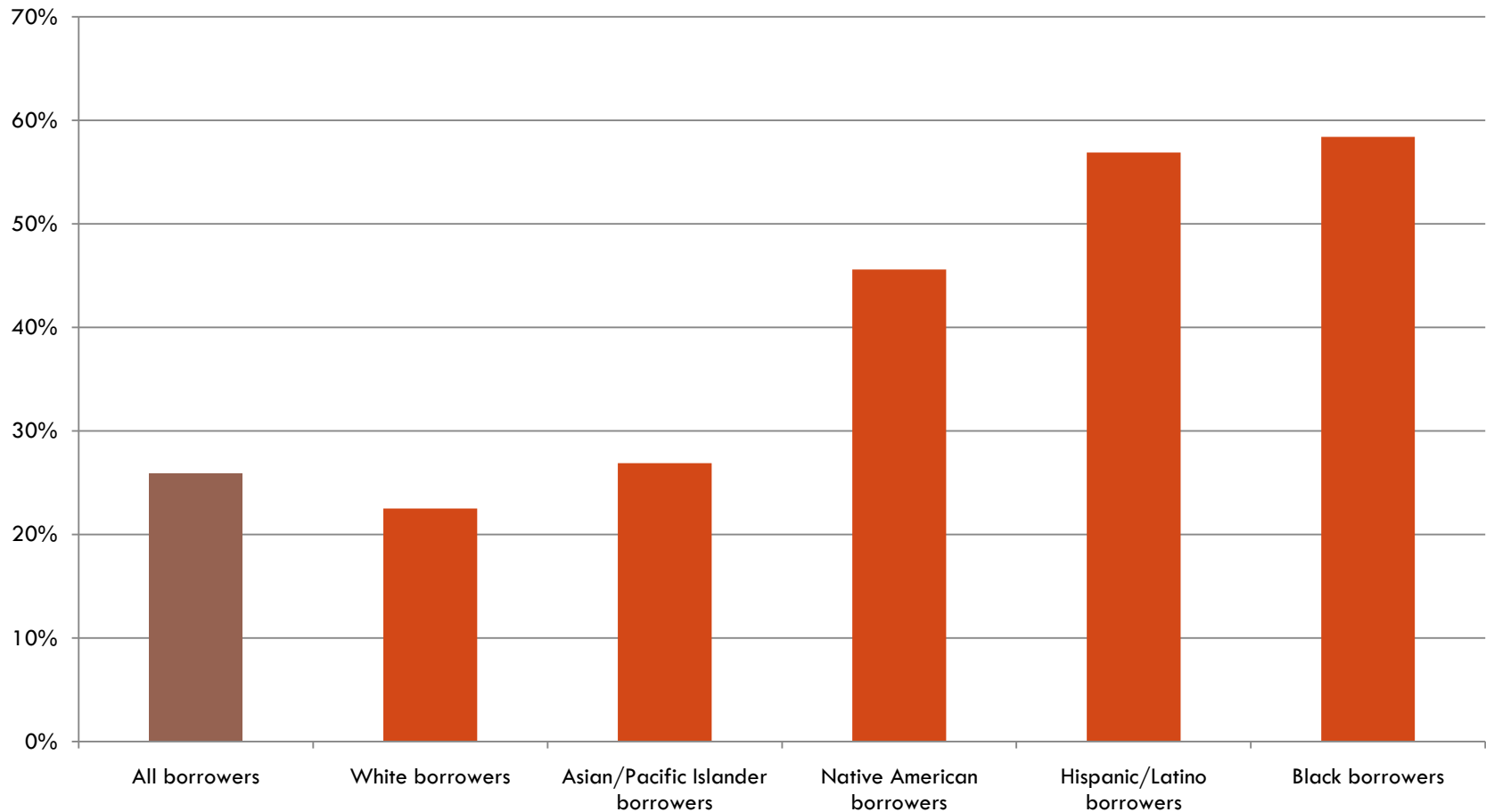
**Percent of All Borrowers with High Interest Conventional Loans, 2005**



Source: Home Mortgage Disclosure Act Data, 2005

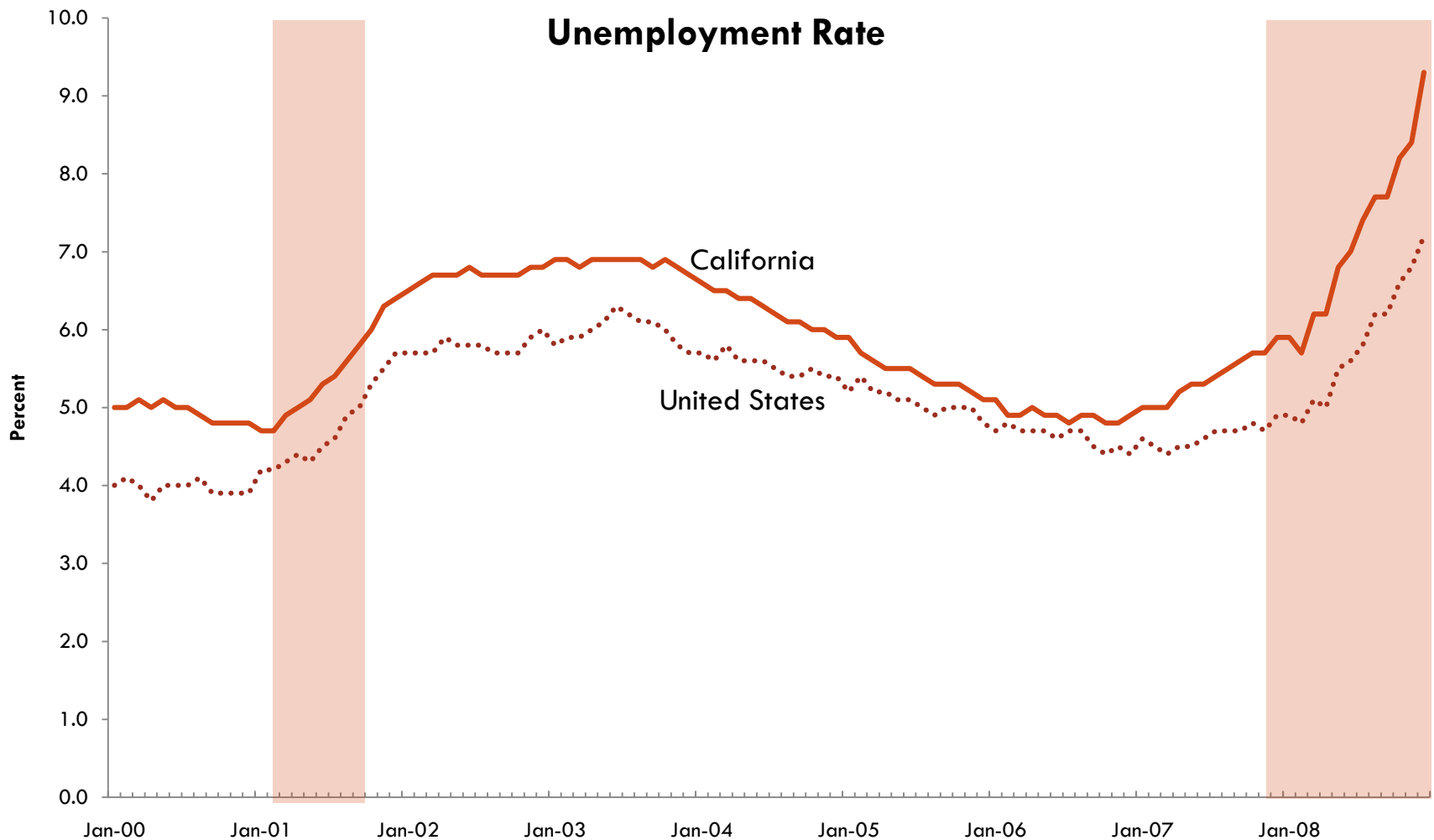
# High Cost Lending in California More Prevalent Among Minority Borrowers

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



Source: Home Mortgage Disclosure Act Data, 2005

# Unemployment Rate in California on the Rise, May Affect Future Foreclosures



Source: Bureau of Labor Statistics, December 2008

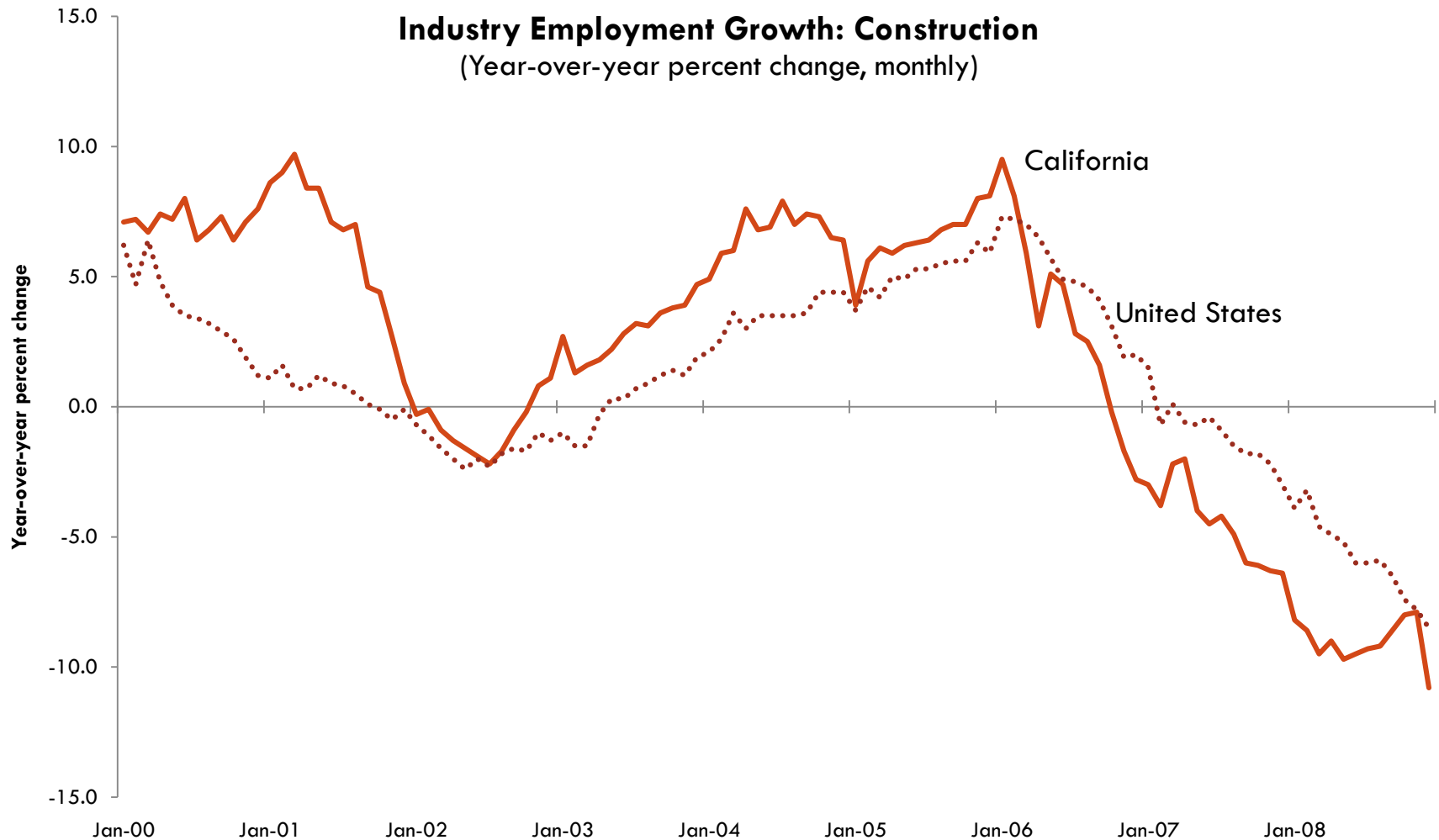


# Employment Trends by Industry in CA

California	Total Employed (thousands) Dec-08	Percent Change		
		1-mo.*	3-mo.*	12-mo.
Total	14,913.6	-6.1	-4.7	-1.7
Trade, Transportation & Utilities	2,815.9	-10.2	-9.1	-3.2
Professional & Business Svcs.	2,252.0	-4.4	-3.5	-1.1
Educational & Health Svcs.	1,738.2	1.6	2.8	3.1
Leisure & Hospitality	1,543.3	-5.1	-5.0	-1.2
Manufacturing	1,405.4	-7.8	-7.1	-3.2
Financial Activities	857.0	-4.5	-3.7	-3.4
Construction	763.4	-22.8	-19.1	-10.8
Other Services	513.6	-2.1	-1.2	-1.0
Information	468.8	-17.8	-4.2	-1.3
Government	211.1	-0.7	-0.2	0.2
Natural Resources & Mining	26.6	-12.6	-4.4	4.3

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

# Significant Drop in Construction Employment

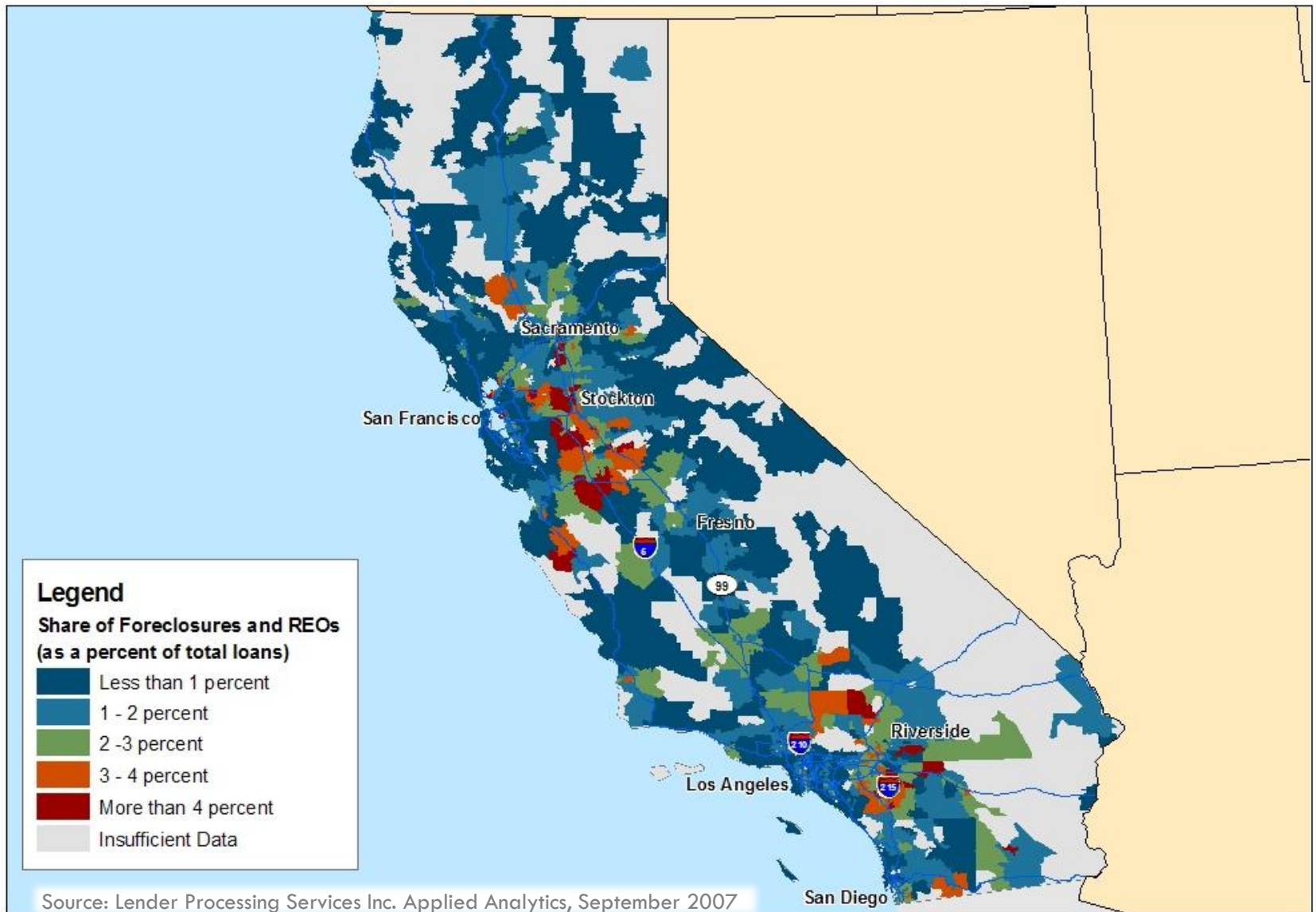


Source: Bureau of Labor Statistics, December 2008

# State & Local Data Maps

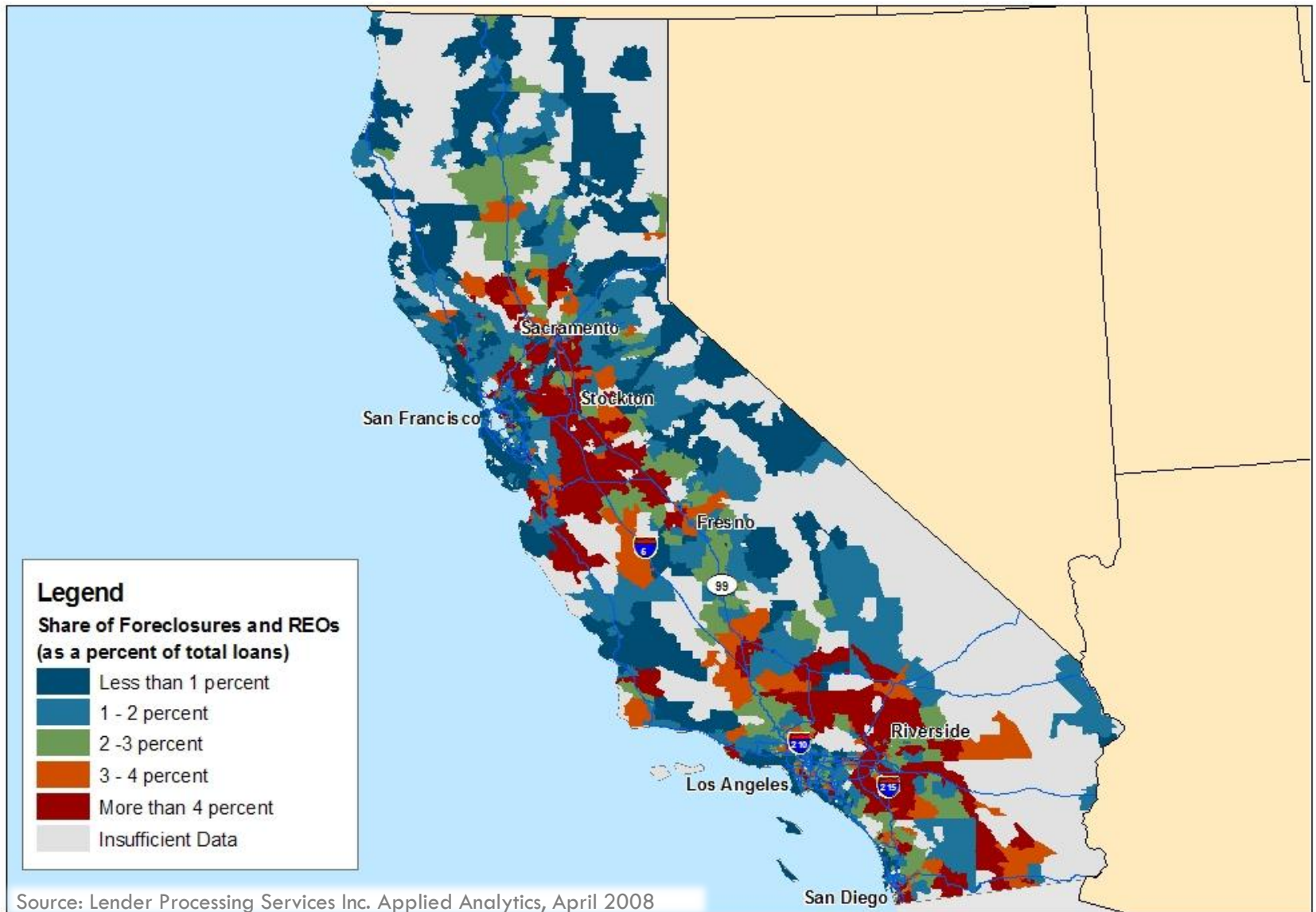
## Areas Affected by Concentrated Foreclosures

September 2007



## Areas Affected by Concentrated Foreclosures

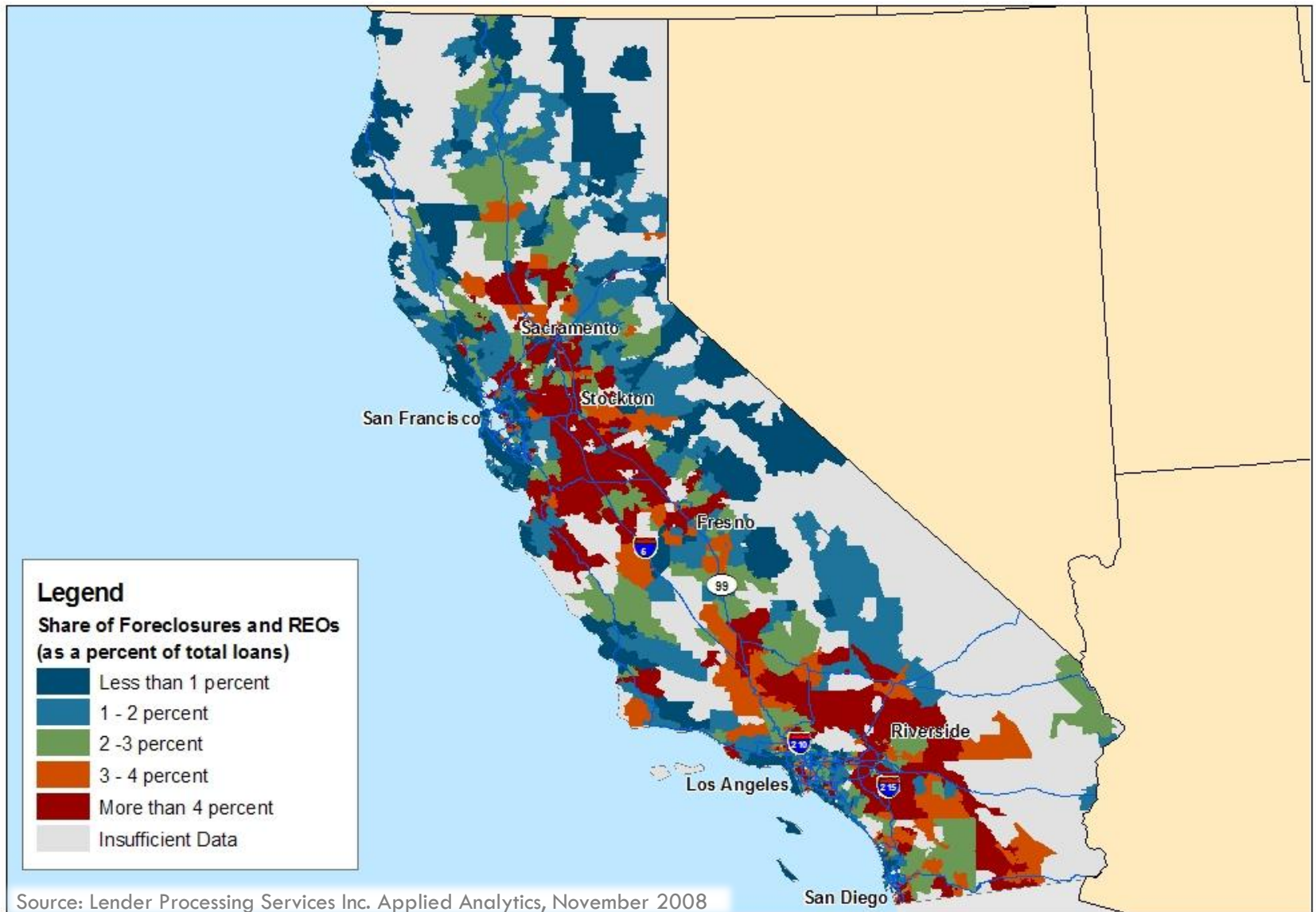
April 2008



Source: Lender Processing Services Inc. Applied Analytics, April 2008

## Areas Affected by Concentrated Foreclosures

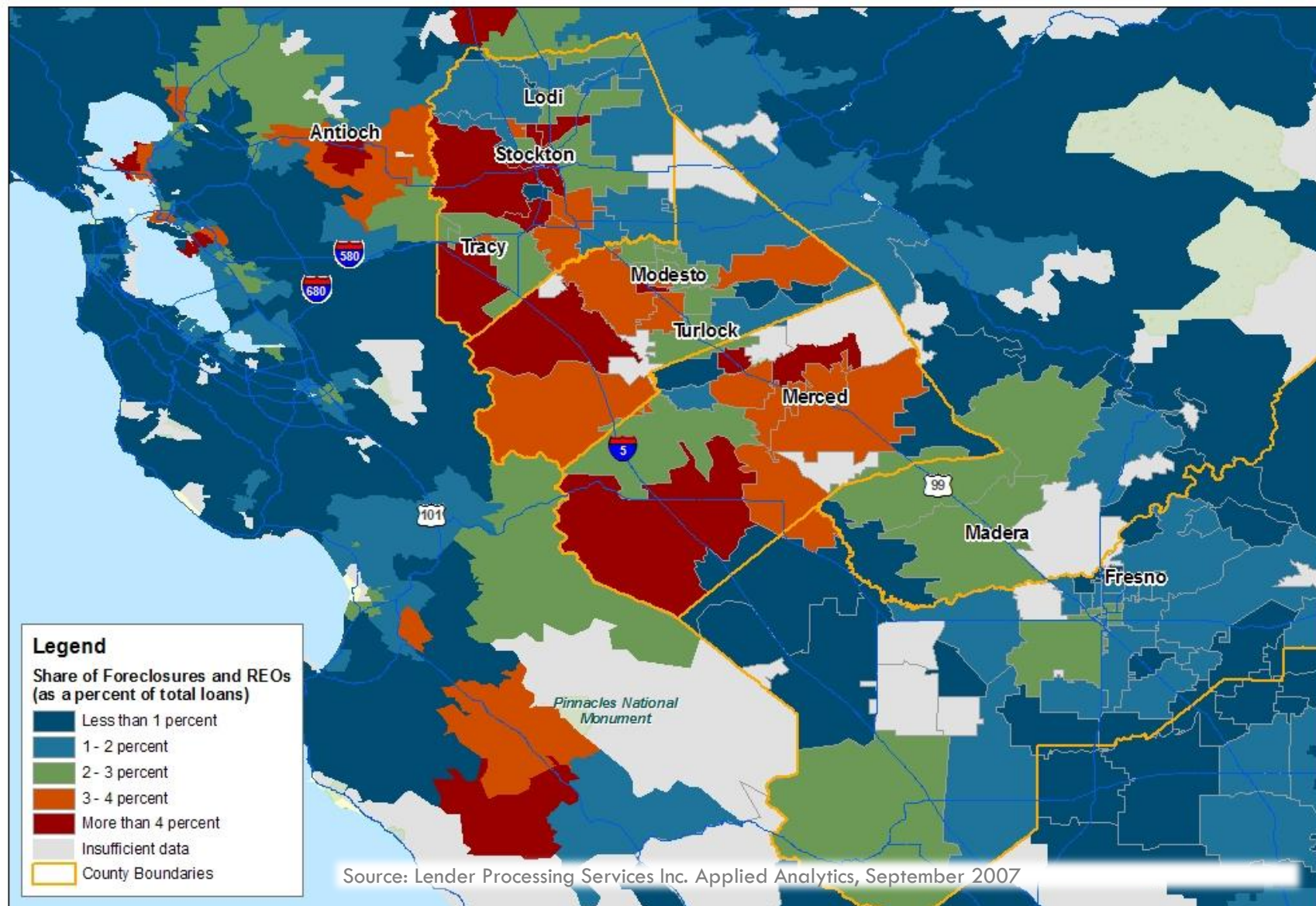
November 2008





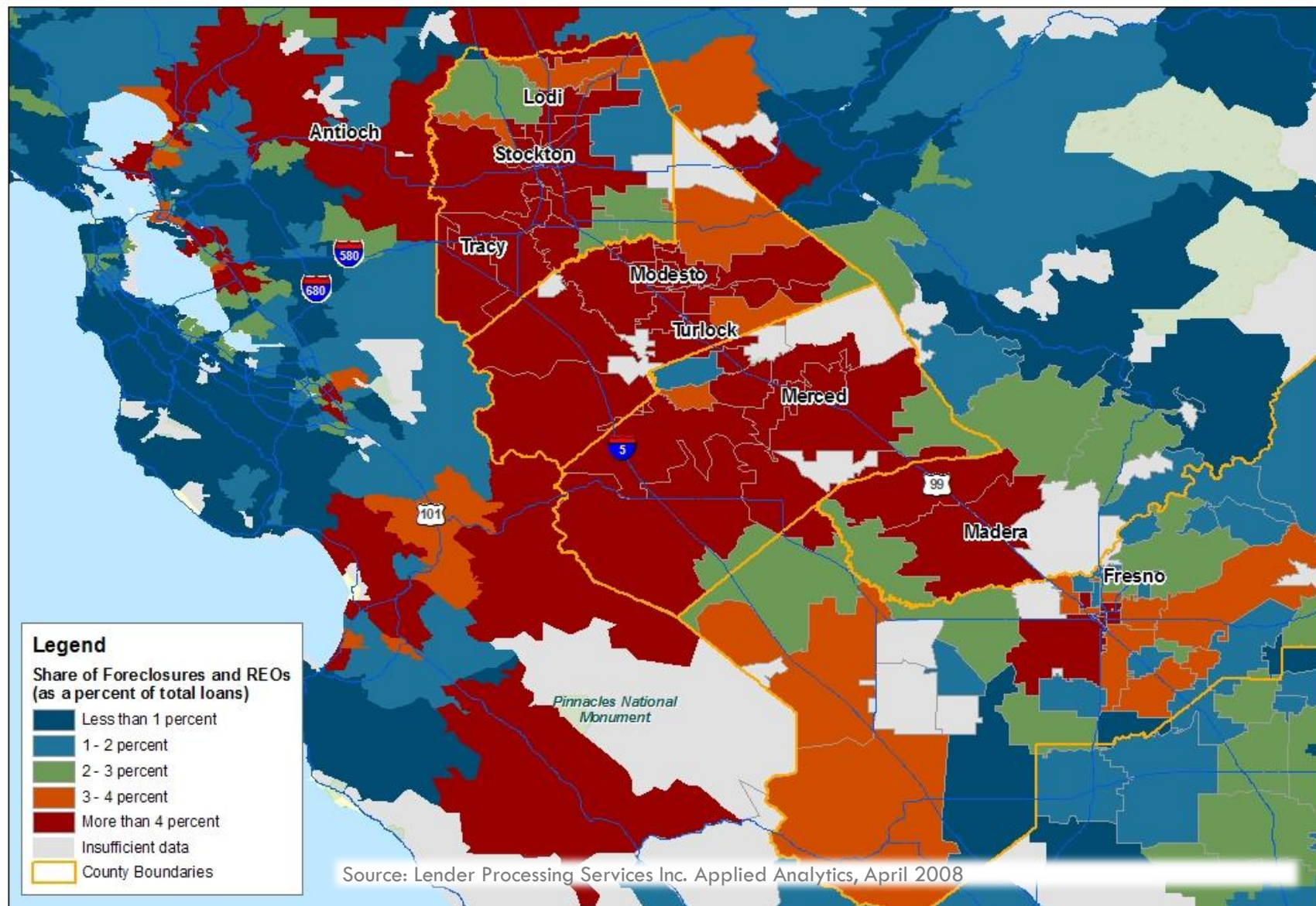
# Neighborhoods with Concentrations of Foreclosures

## September 2007



# Neighborhoods with Concentrations of Foreclosures

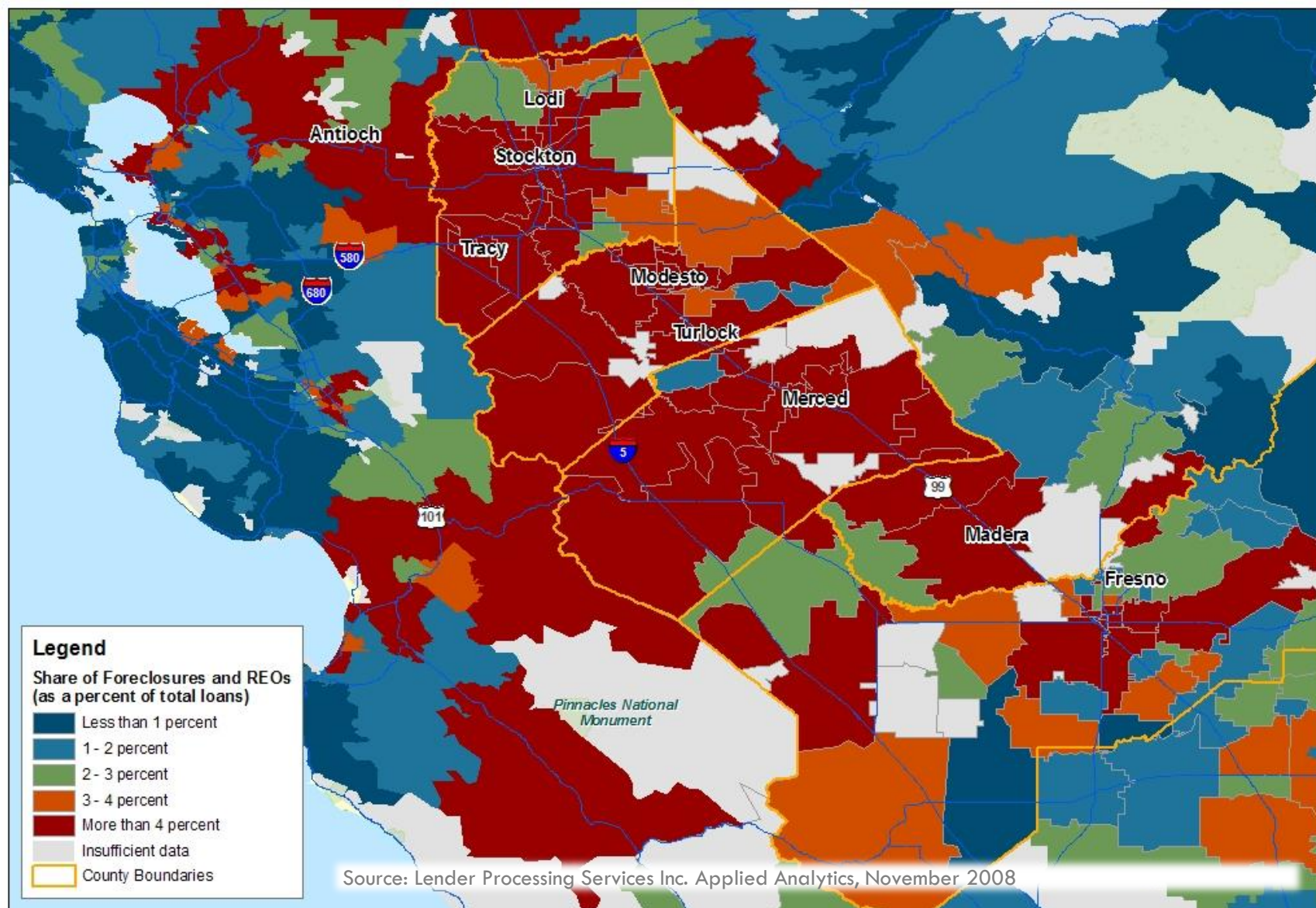
## April 2008





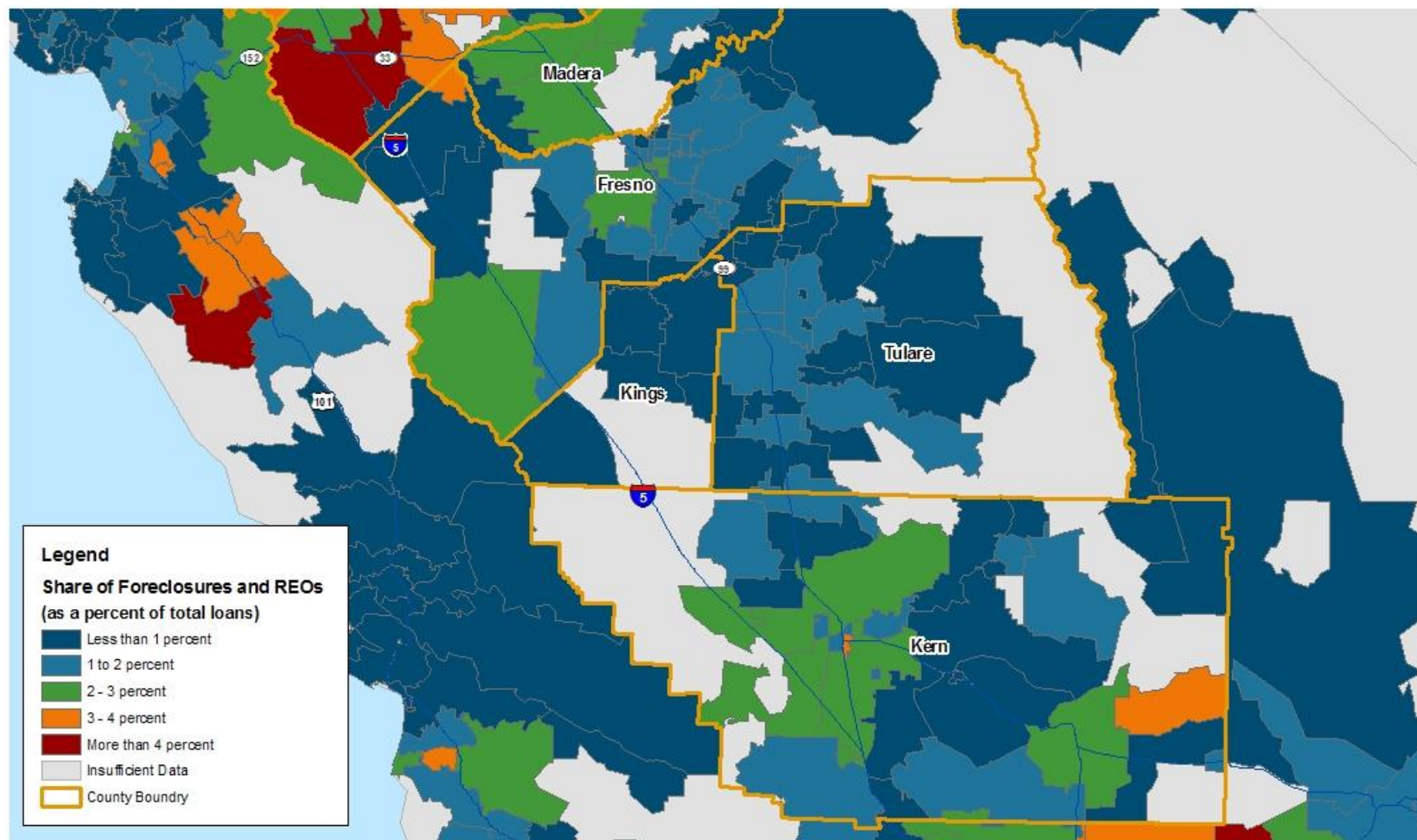
# Neighborhoods with Concentrations of Foreclosures

## November 2008



# Neighborhoods with Concentrations of Foreclosures

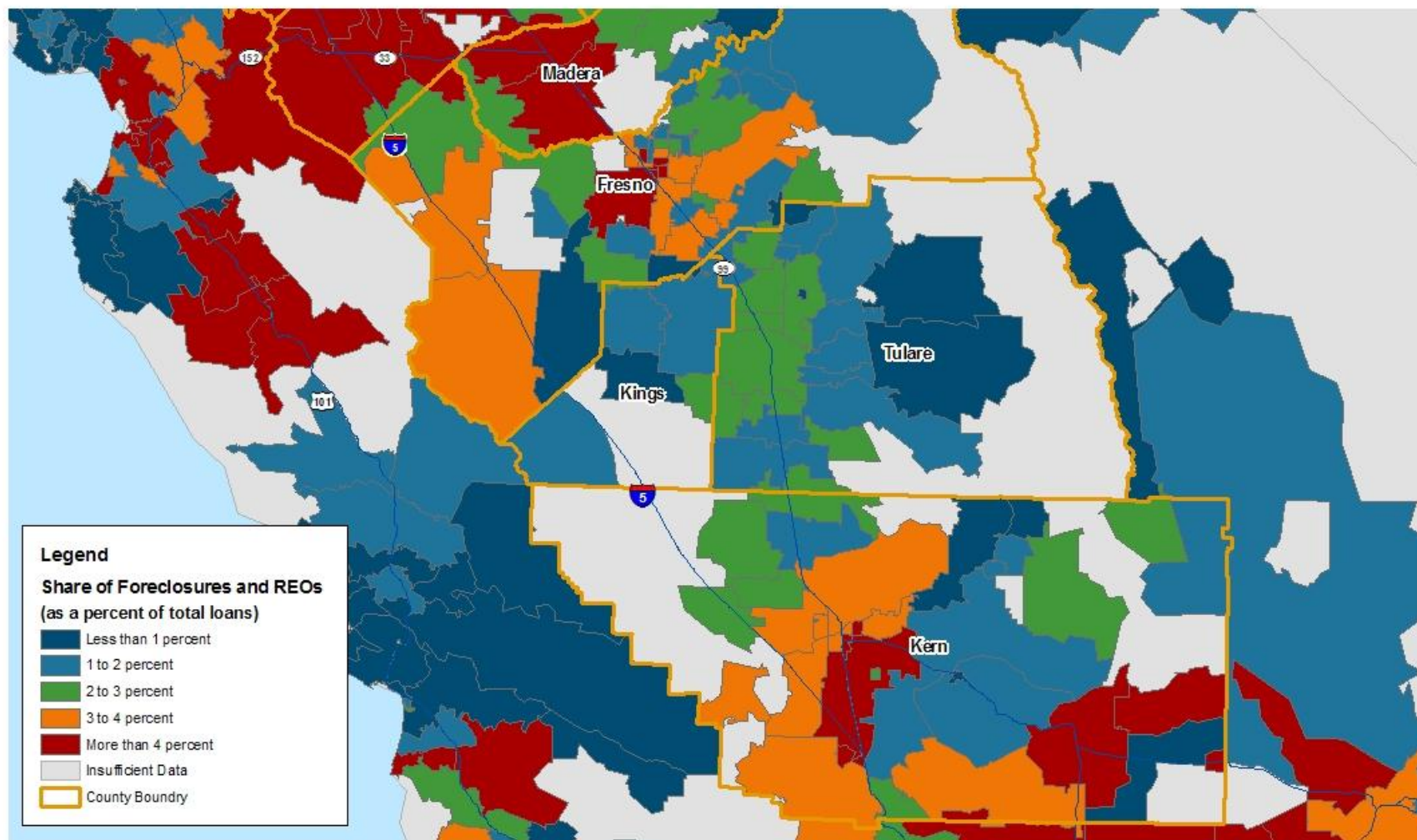
## September 2007





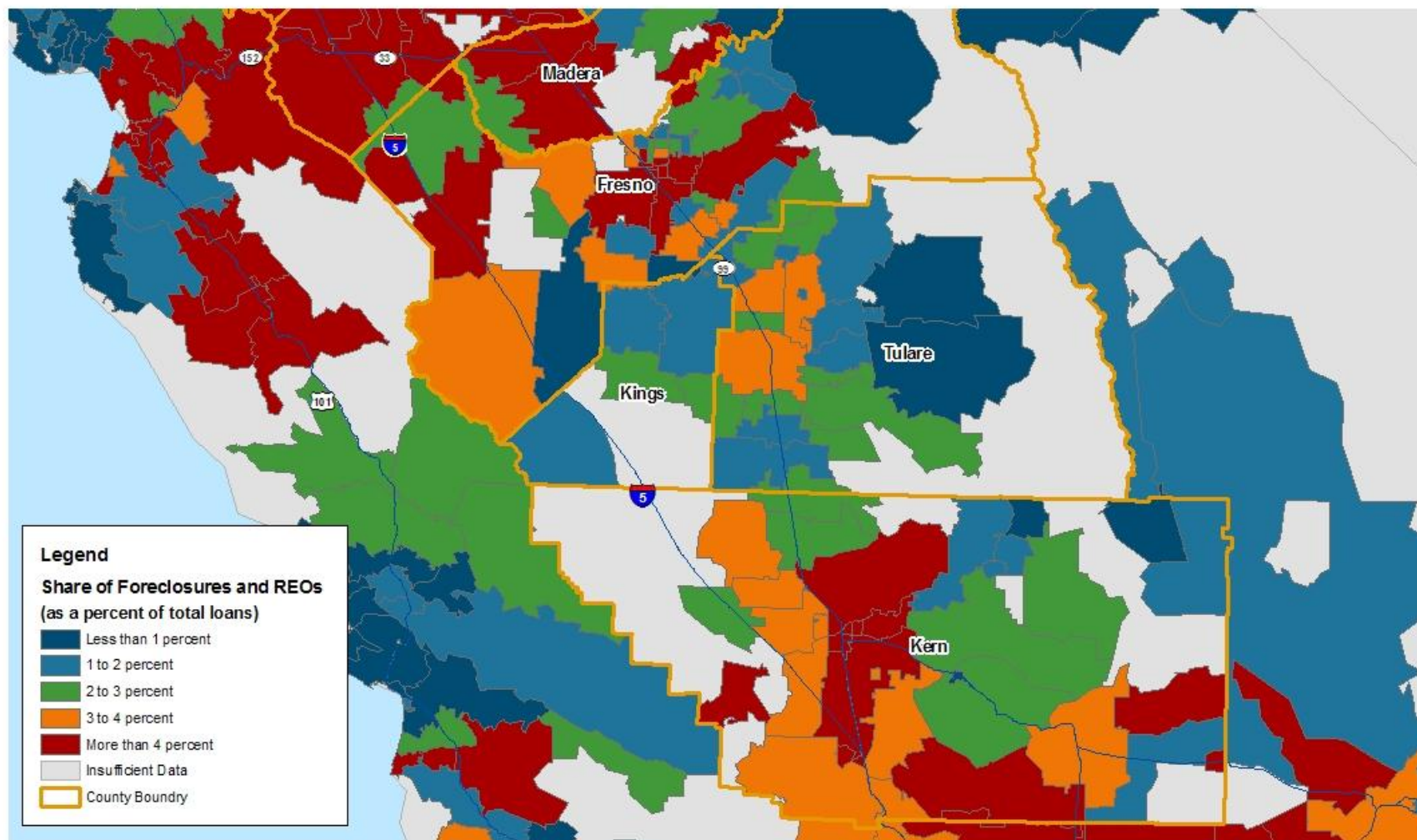
# Neighborhoods with Concentrations of Foreclosures

## April 2008



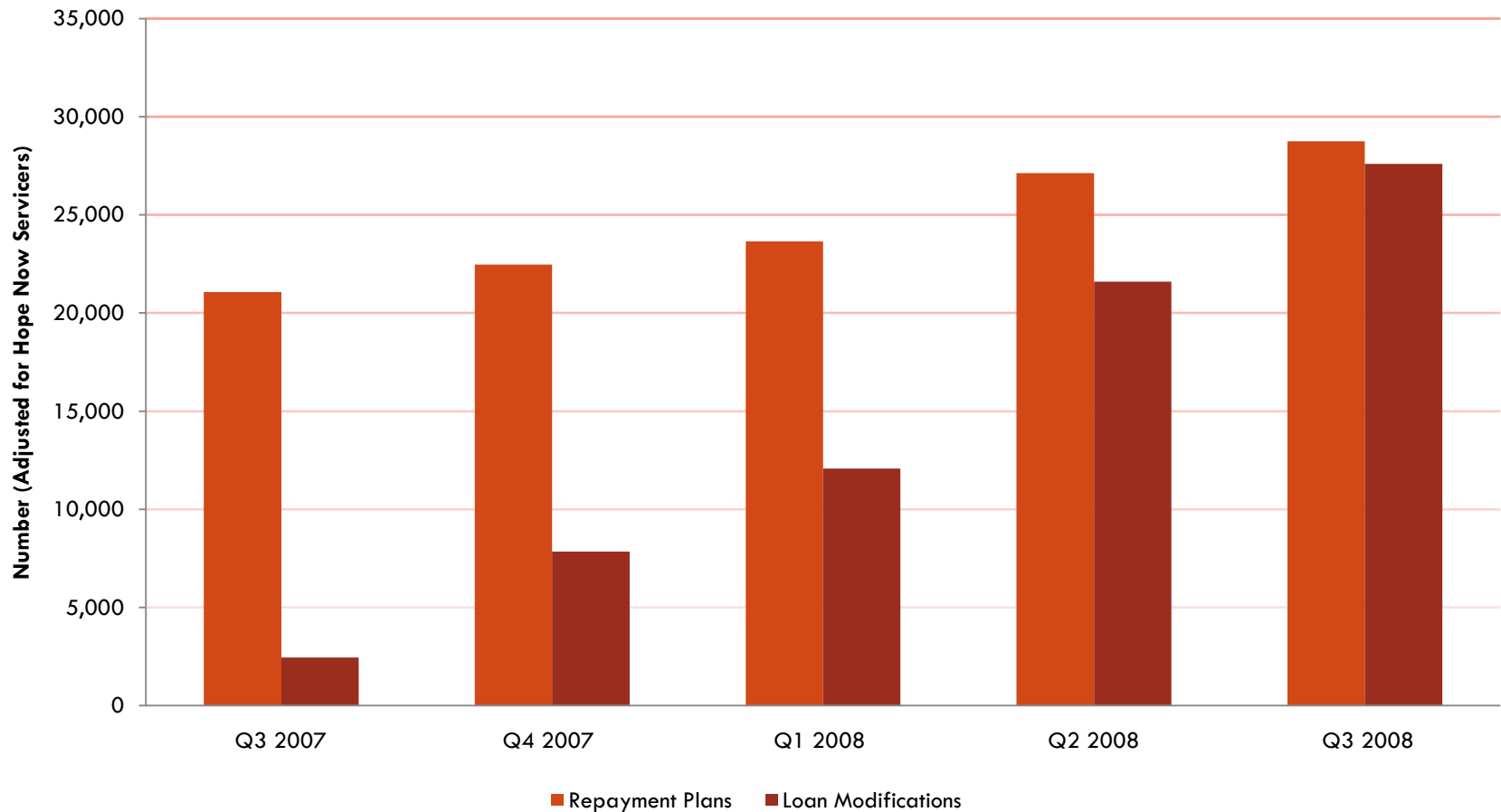
# Neighborhoods with Concentrations of Foreclosures

## November 2008



# Loan workouts have increased

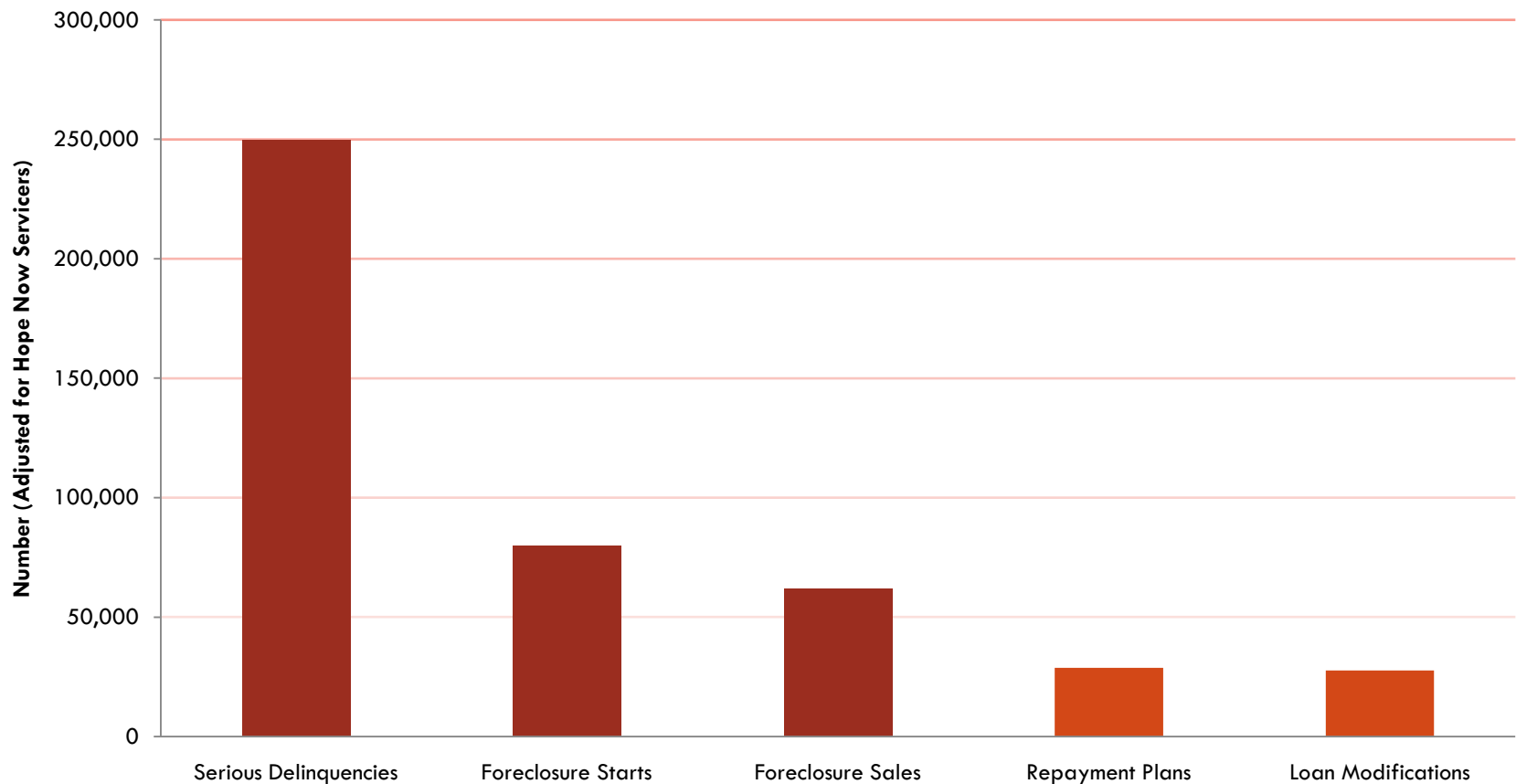
## California Loan Workouts



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

# Yet, Still Fall Short of Need

## Foreclosure & Delinquencies v. Loan Workouts in California 3rd Quarter 2008



Source: Hope Now Alliance Servicing Data, 3<sup>rd</sup> 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](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

The screenshot shows the website for the Federal Reserve Bank of San Francisco's Community Development section. The header includes the bank's name and a navigation bar with links: About the Fed, News and Events, Economic Research and Data, Educational Resources, Community Development (highlighted), Consumer Information, Banking Information, and Services for Financial Institutions. Below the header, there are links for Home, Community Reinvestment Act (CRA), Community Development Issues, Center for Community Development Investments, Events and Conferences, Publications, and About Us.

**COMMUNITY DEVELOPMENT**

**Highlights**

- Focus on Community Development Policy**  
*Community Investments: Volume 20, Issue 3, 2008*  
In this issue, we highlight new ideas, innovations, and questions around the topic of community development policy. The articles consider the role of policy in channeling public and private investment into community development efforts, with topics ranging from established federal policies, such as the Community Reinvestment Act and the Community Development Block Grant program, to more recent movements such as stakeholder-driven community development and microenterprise.
- The Enduring Challenge of Concentrated Poverty in America**  
In 2006, the Community Affairs Offices of the Federal Reserve System partnered with the Brookings Institution to examine the issue of concentrated poverty. The resulting report, *The Enduring Challenge of Concentrated Poverty in America: Case Studies from Communities Across the U.S.* contributes to our understanding of the dynamics of poor people living in poor communities, and the policies that will be needed to bring both into the economic mainstream. Download Full Report (PDF 6.8MB)
- Foreclosure Resource Center**  
For the latest information on the Federal Reserve's efforts to mitigate the impact of foreclosures, including local data presentations and research reports, visit our new Foreclosure Resource Center.

**Programs and Information**

- Community Reinvestment Act (CRA)**  
Information on the CRA, its implementing regulations, the regulatory agencies, and other resources to assist in complying with and understanding the CRA.
- Community Development Issues**  
From affordable housing to "banking the unbanked," learn more about community development issues and initiatives within the Federal Reserve's 12th District.
- Center for Community Development Investments**  
The Center is dedicated to innovations in research and practice that increase the flow of investment capital to low- and moderate-income communities.
- Events and Conferences**  
Participate in one of the many events sponsored by the Community Development Department.
- Publications**  
Access online copies of *Community Investments*, the *Community Development Investment Review*, and research papers.
- About Us**  
Learn more about the Community Development Department and its staff.

**TOOL BOX**

- Fed Links
- Subscriptions
- Publications
- Search
- Research Pubs
- FAQ
- Glossary
- Site Map
- Careers
- Email Us

Search:

**POPULAR CONTENT**

**Upcoming Events**

- Stabilizing Communities Series: Acquiring REOs in Compliance with NSP  
February 3  
- San Francisco CA  
February 4  
- Fresno CA
- Innovative Financial Services for the Underserved - Research Conference  
April 16 - 17  
Washington D.C.

**Financial Education Resource Center**  
Find a variety of resources on financial education

**CRA Regulatory Information -**  
Links to CRA resources for financial institutions and community groups.

**Bank on San Francisco -** Program information and information about replicating program.

**Community Development Assessments -** Demographic, economic, and community development profiles for each state in the Twelfth District.

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