

TRENDS IN DELINQUENCIES AND FORECLOSURES IN NORTHERN CALIFORNIA

January 2009

Lena Robinson, 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

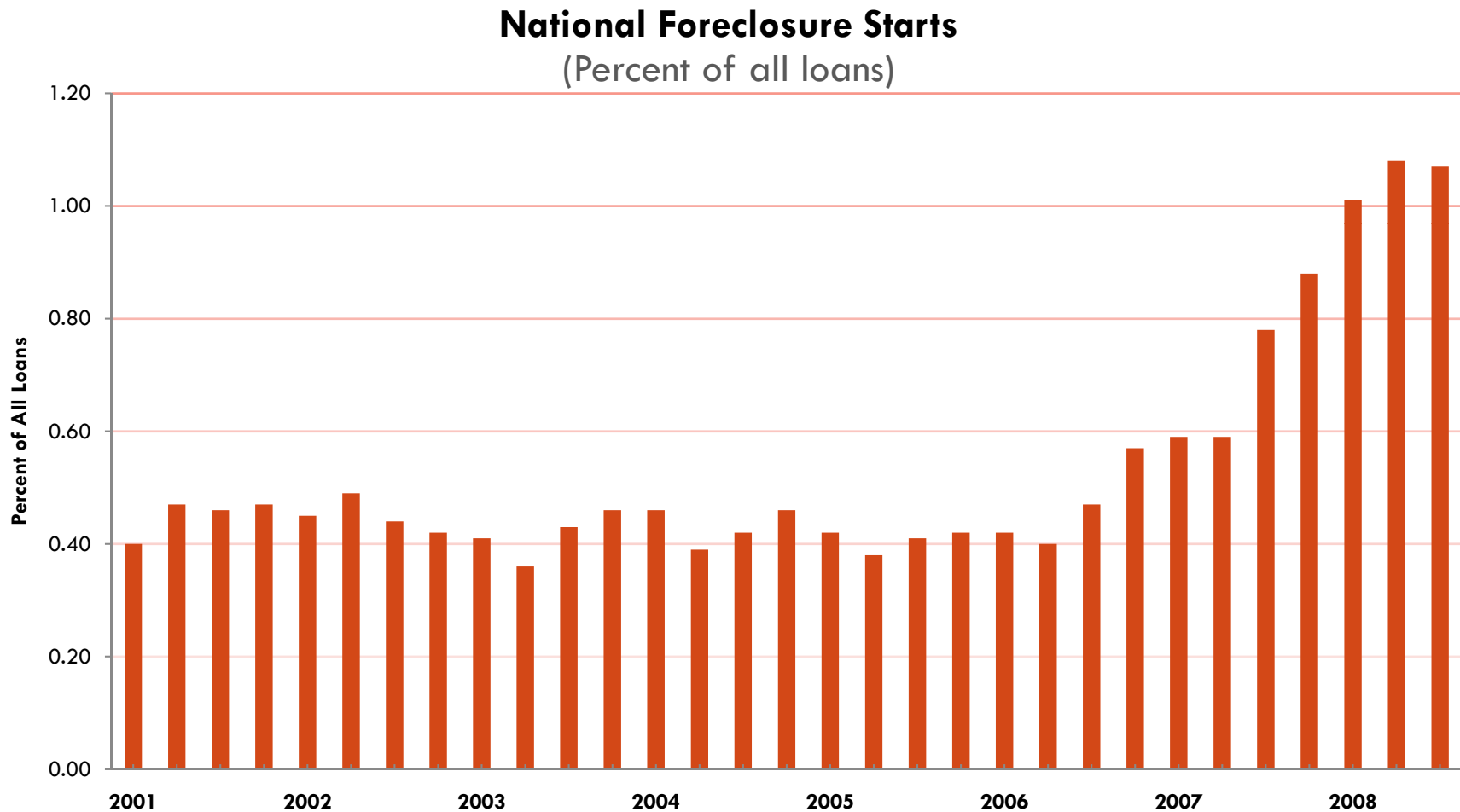
National Trends

National Trends



- Foreclosures rose steadily in 2008, with wide repercussions for US economy
 - A slight decline in the national foreclosure rate in the 3rd 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

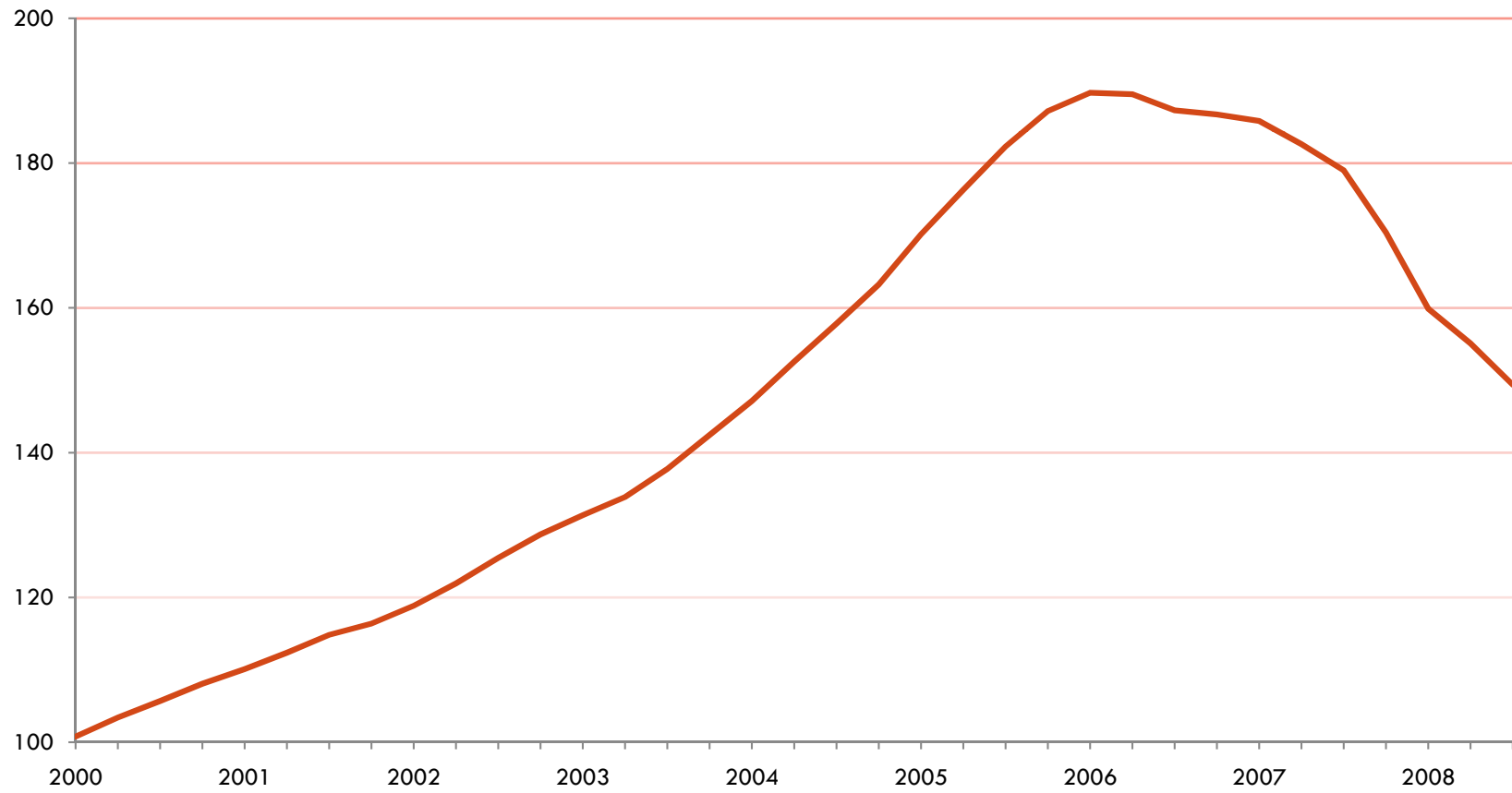
After Steady Rise, National Foreclosure Starts Dipped Slightly in 3rd Quarter of 2008



Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008

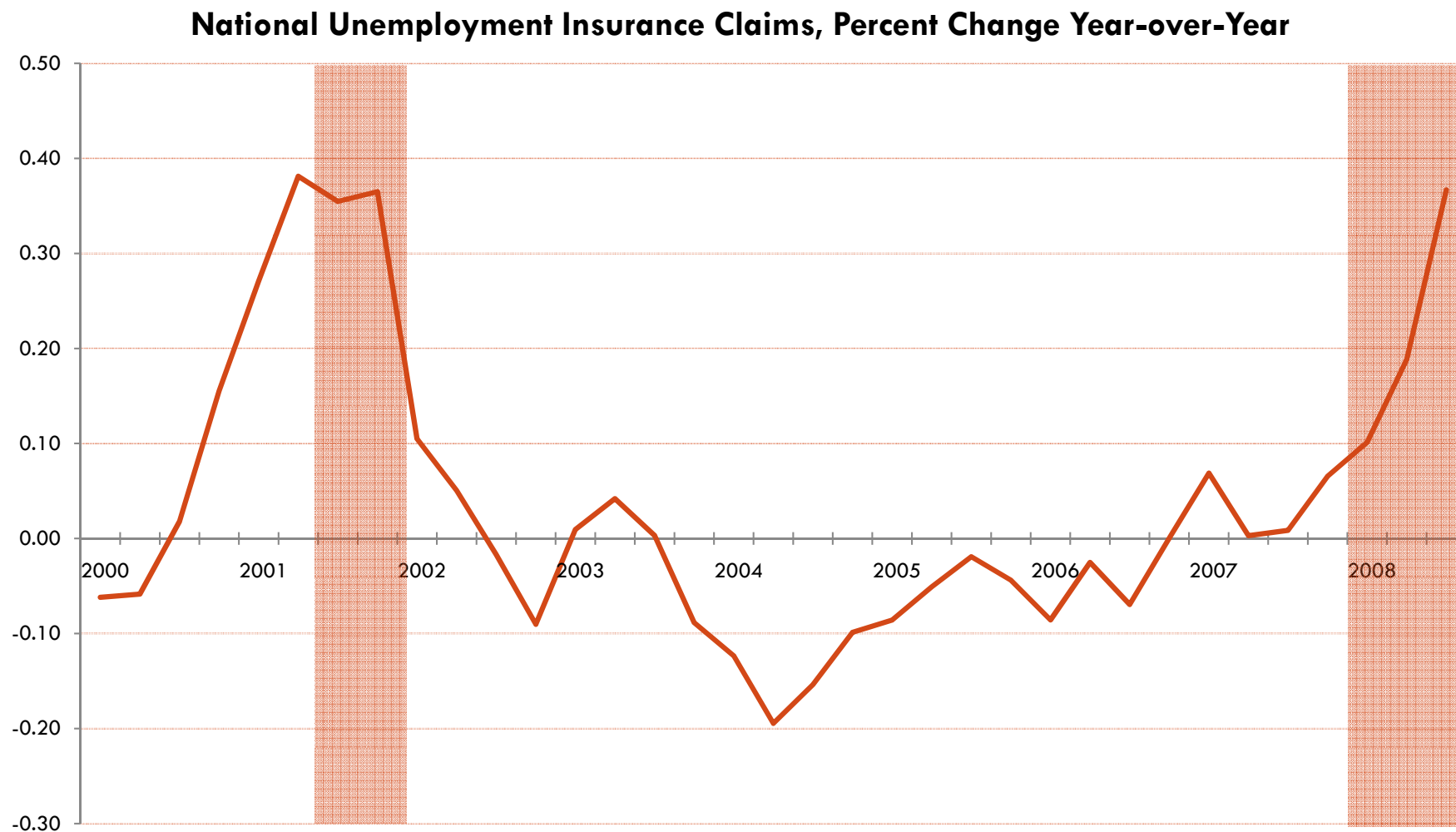
Nationally, House Prices Continue to Decline

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



Source: Case - Shiller Home Price Index, 3rd Q 2008

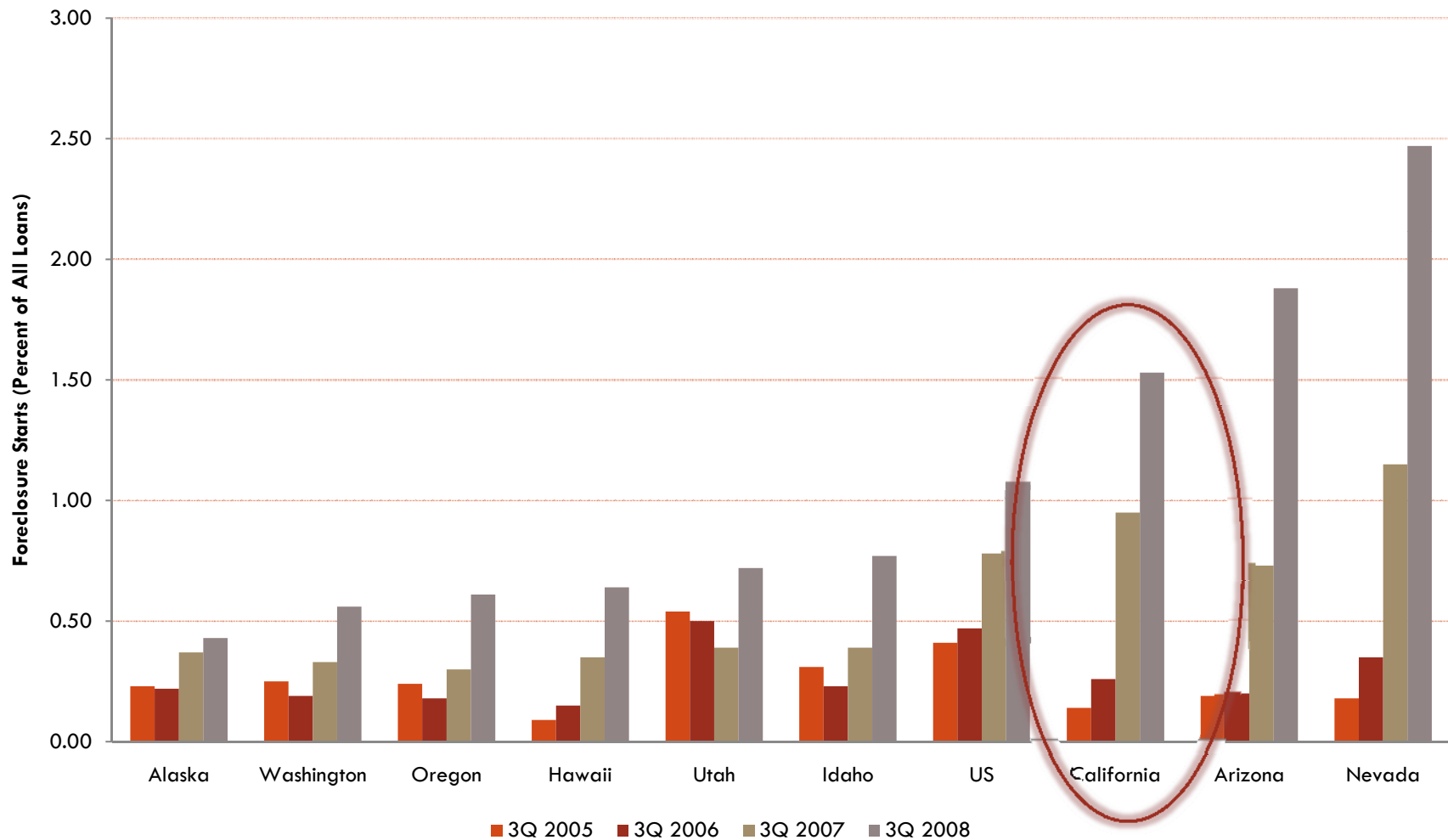
Recession Marks Significant Jump in National Unemployment Insurance Claims



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

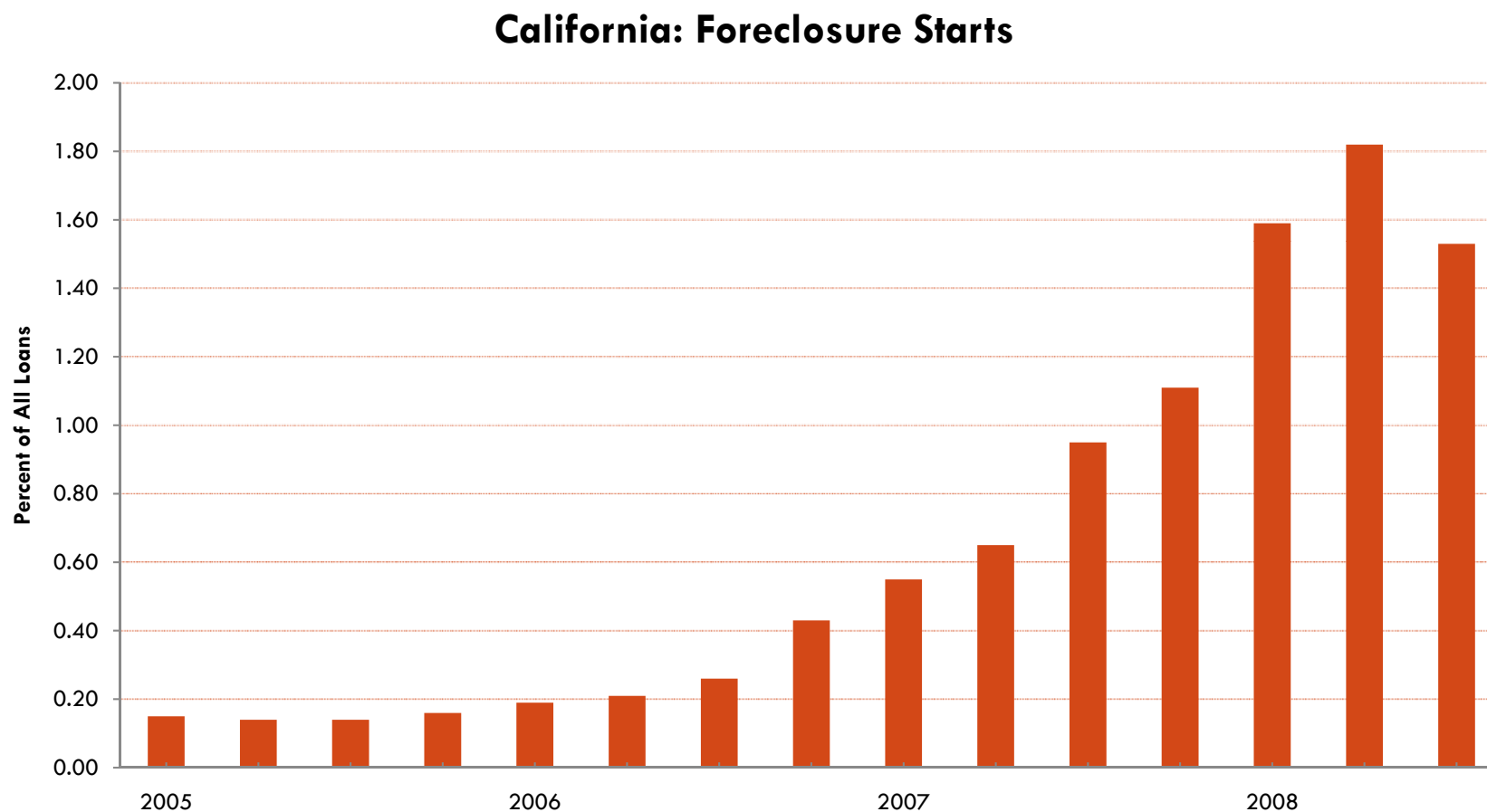
California Trends

Foreclosures in California Have Risen Significantly, Surpassing US Average



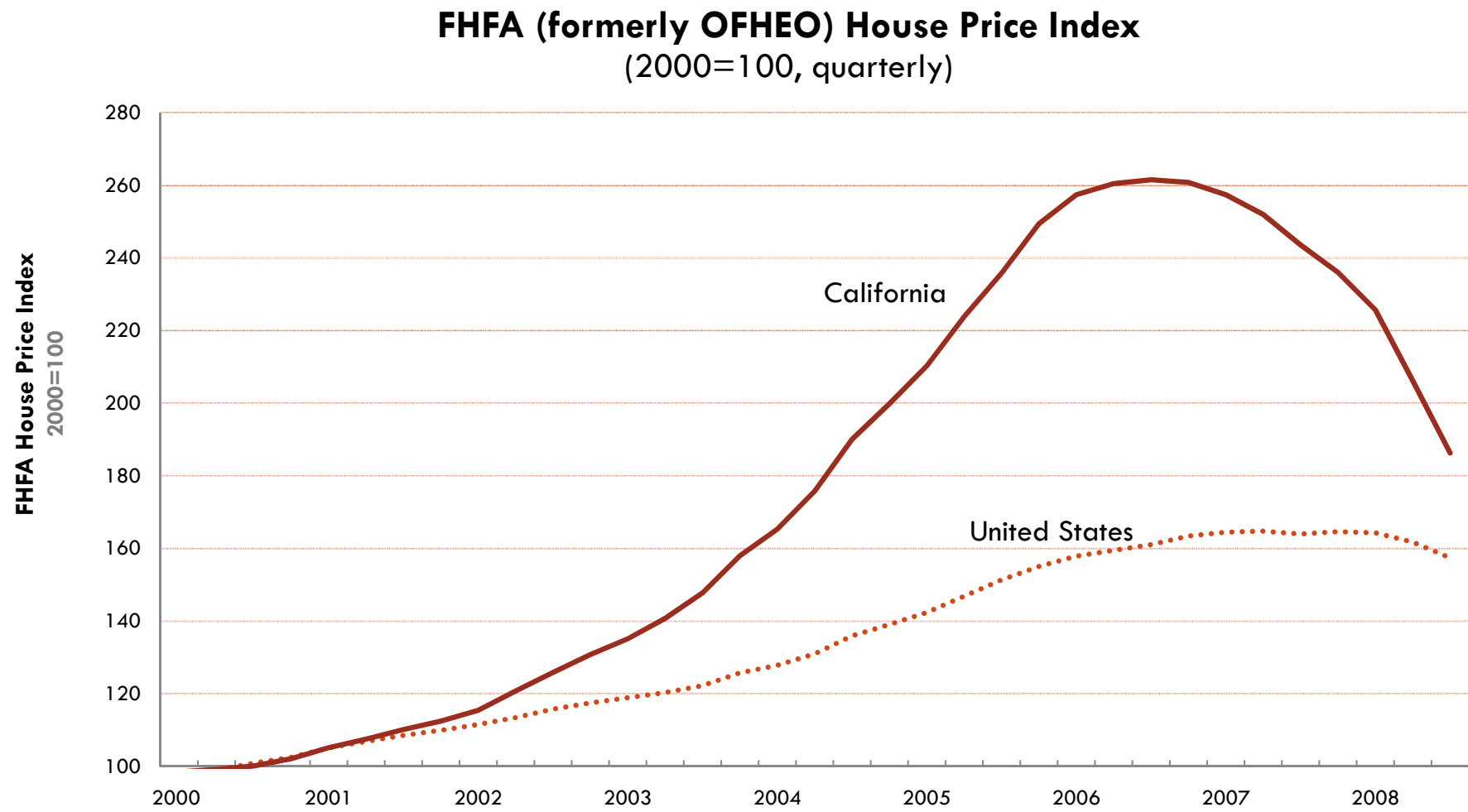
Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008

Like National Trends, California Saw a Decrease in Foreclosure Starts in 3rd Quarter 2008



Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008

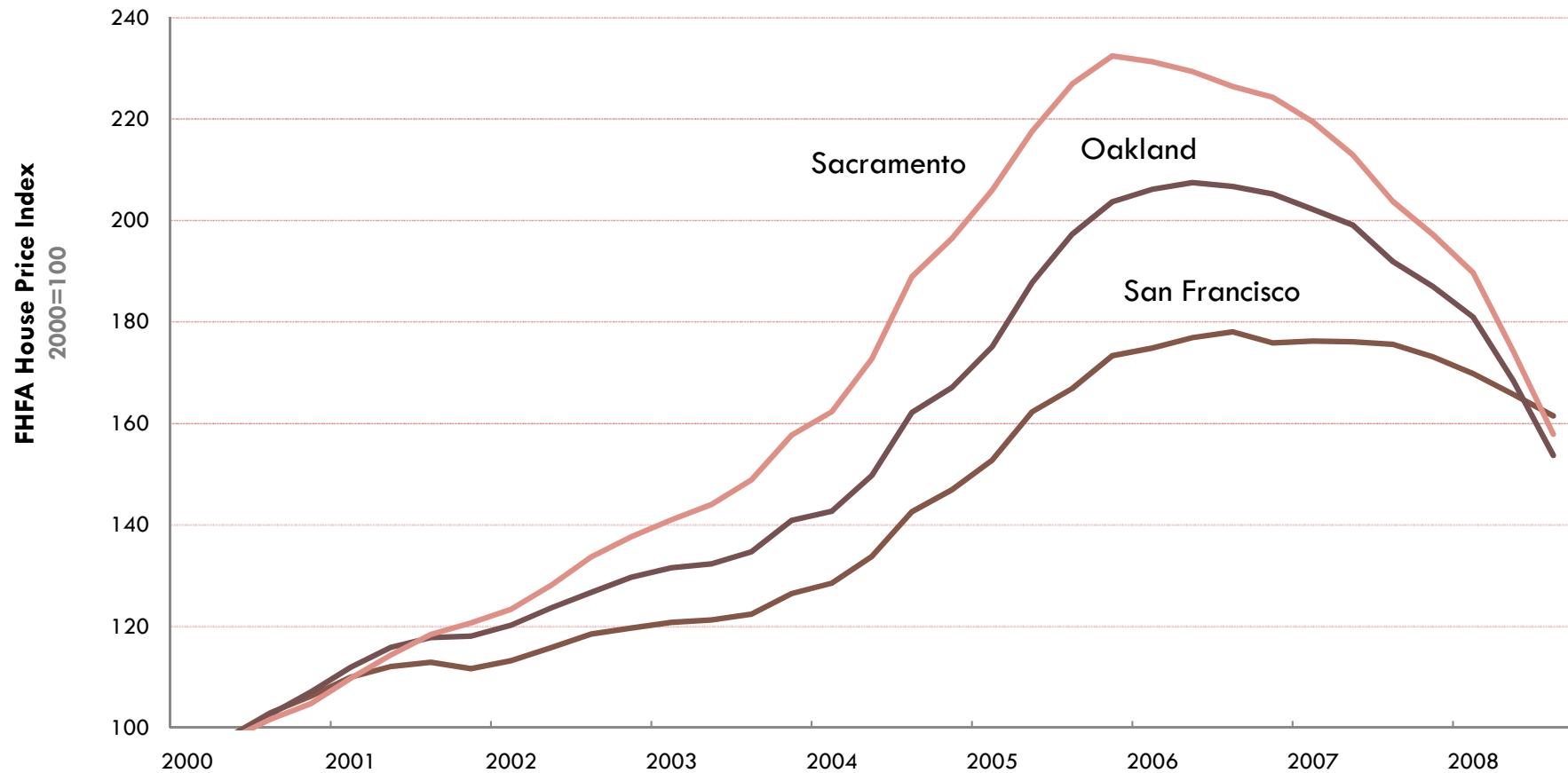
California Has Seen Significant and Steep Decline in House Values



Source: Federal Housing Finance Agency (formerly OFHEO), 3rd Quarter 2008

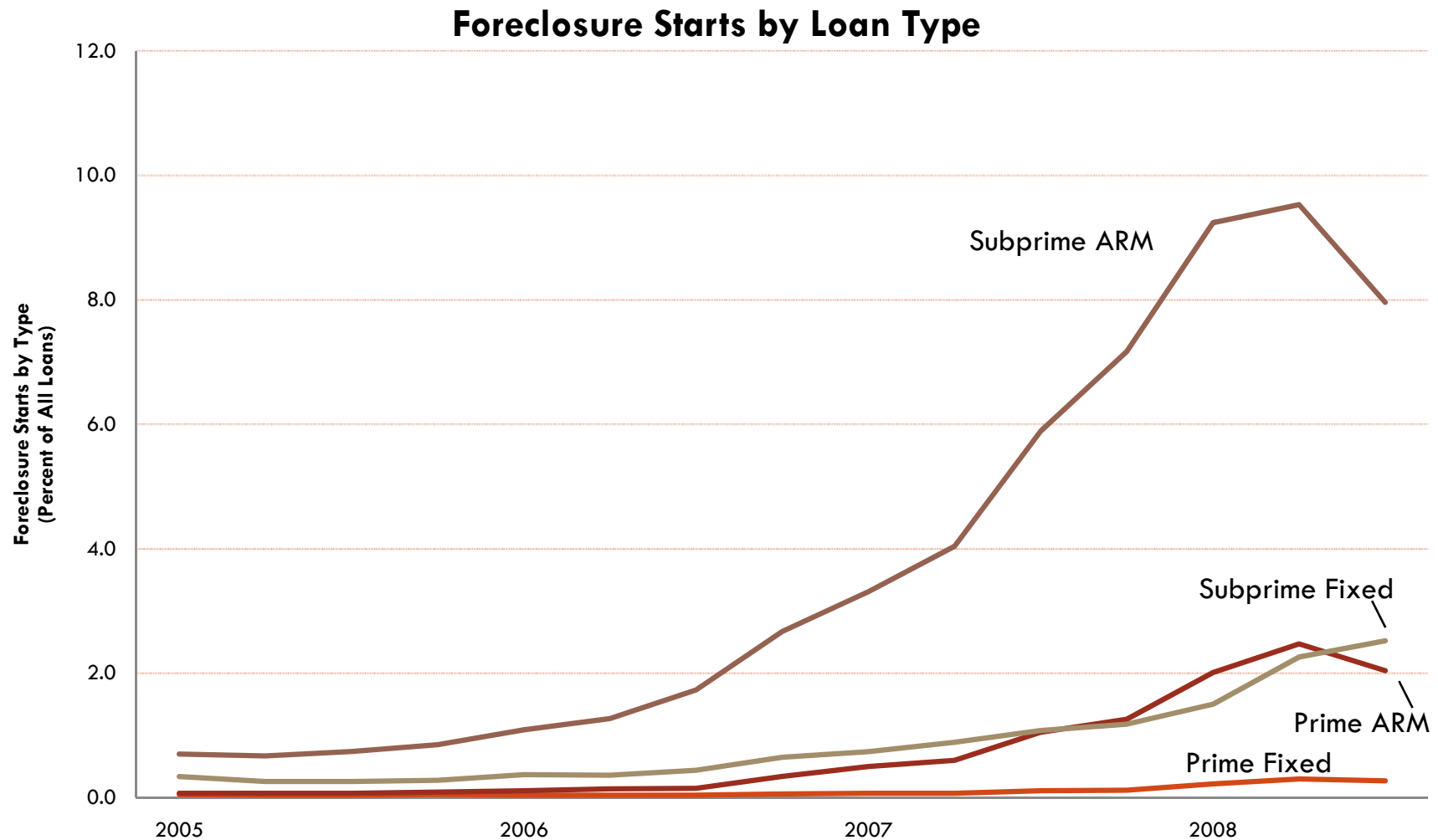
Metropolitan Areas also Experiencing a Softening Real Estate Market

FHFA House Price Index: Northern California
(2000 = 100)



Source: Federal Housing Finance Agency (formerly OFHEO), 3rd Quarter 2008

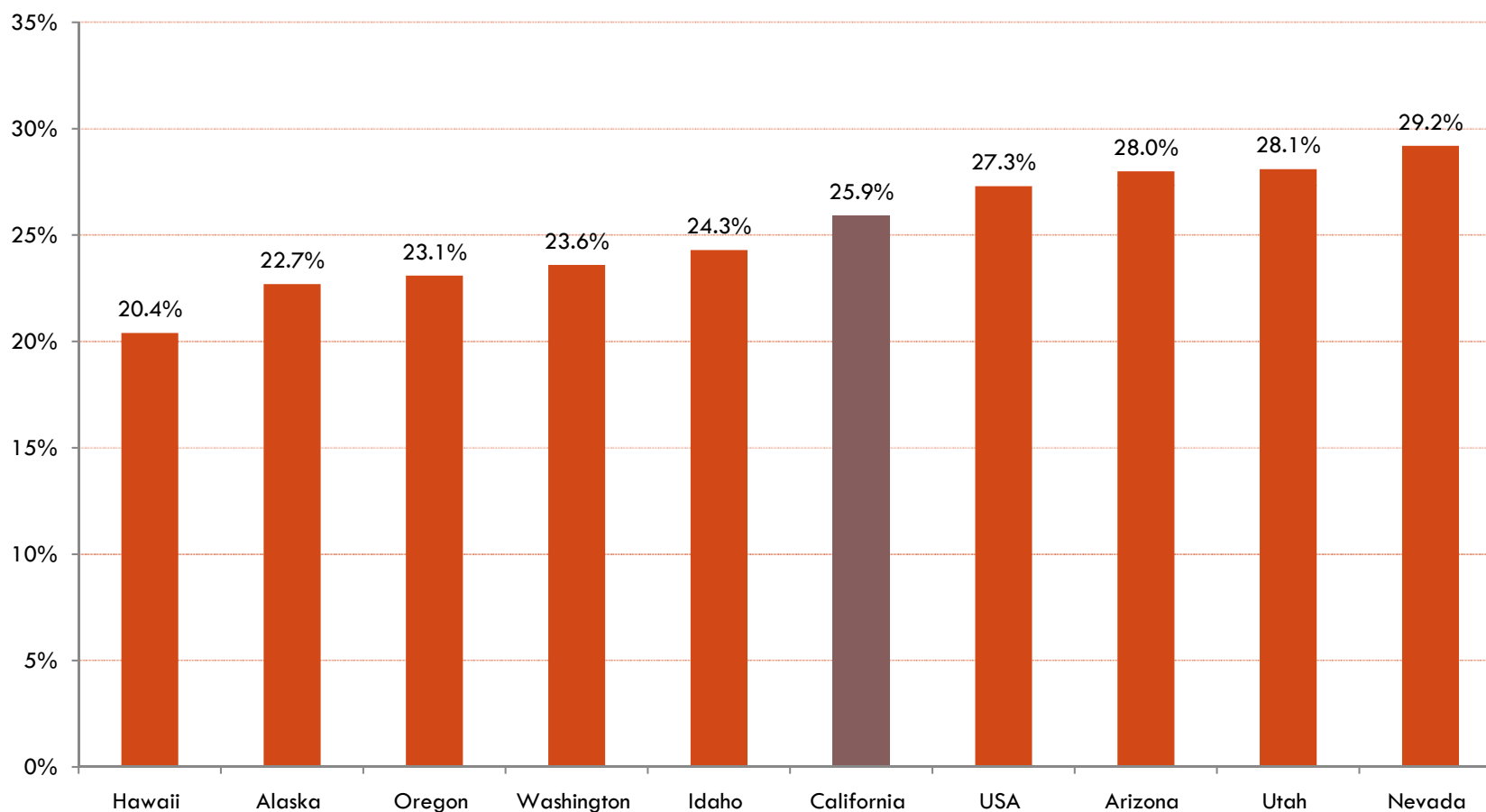
California's Foreclosures are Concentrated in Subprime ARM Market



Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008

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

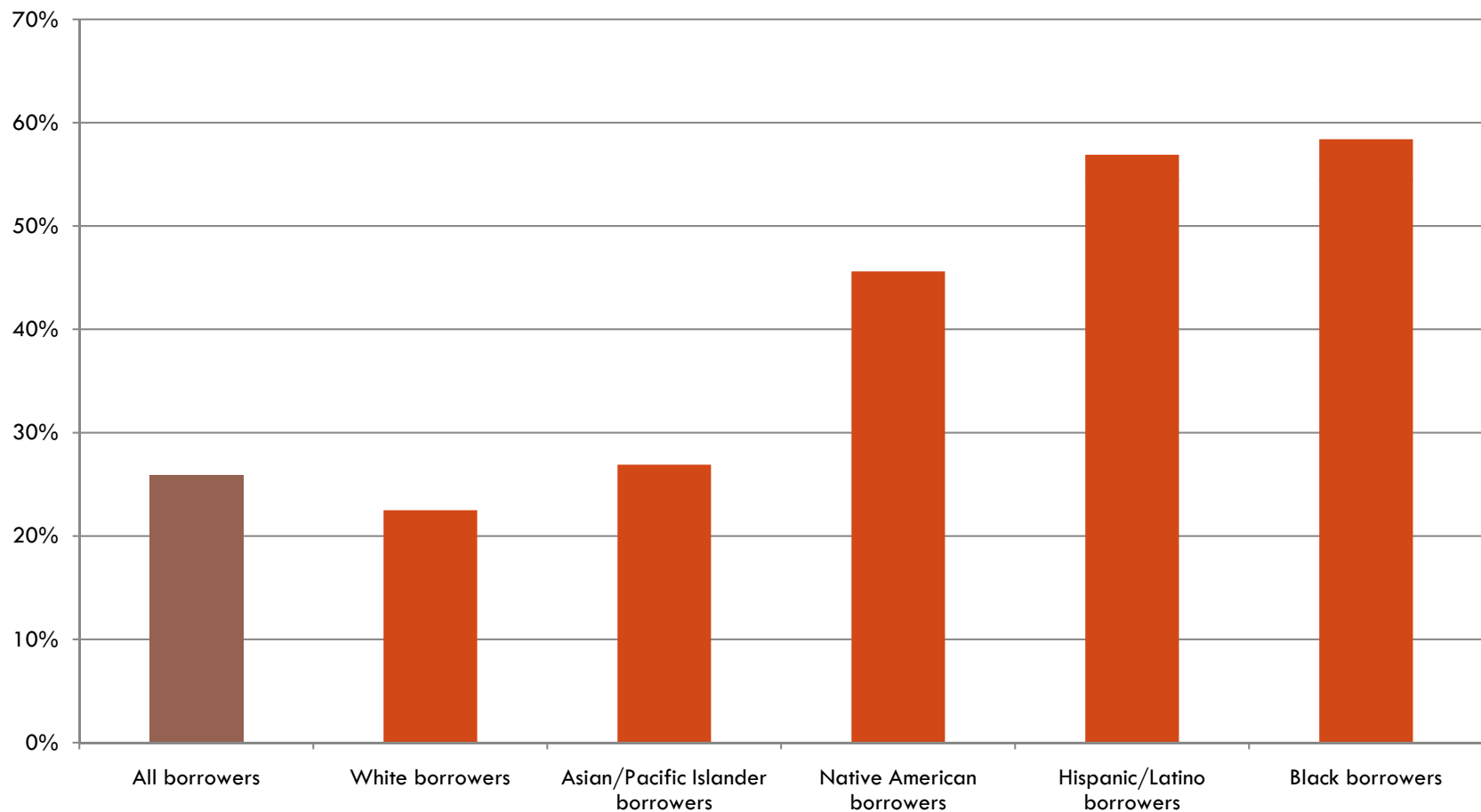
Percent of All Borrowers with High Interest Conventional Loans, 2005



Source: Home Mortgage Disclosure Act Data, 2005

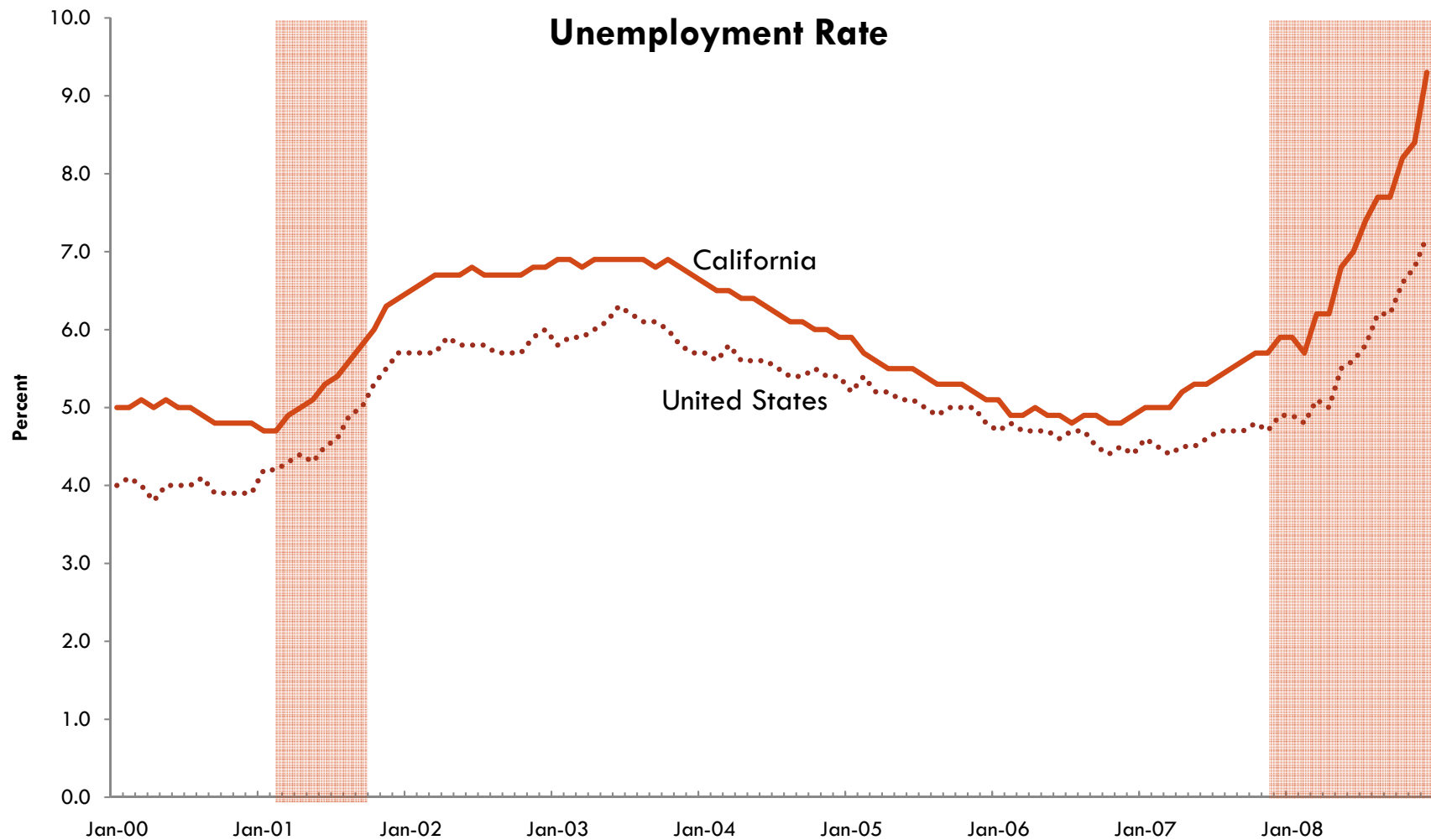
High Cost Lending in California More Prevalent Among Minority Borrowers

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



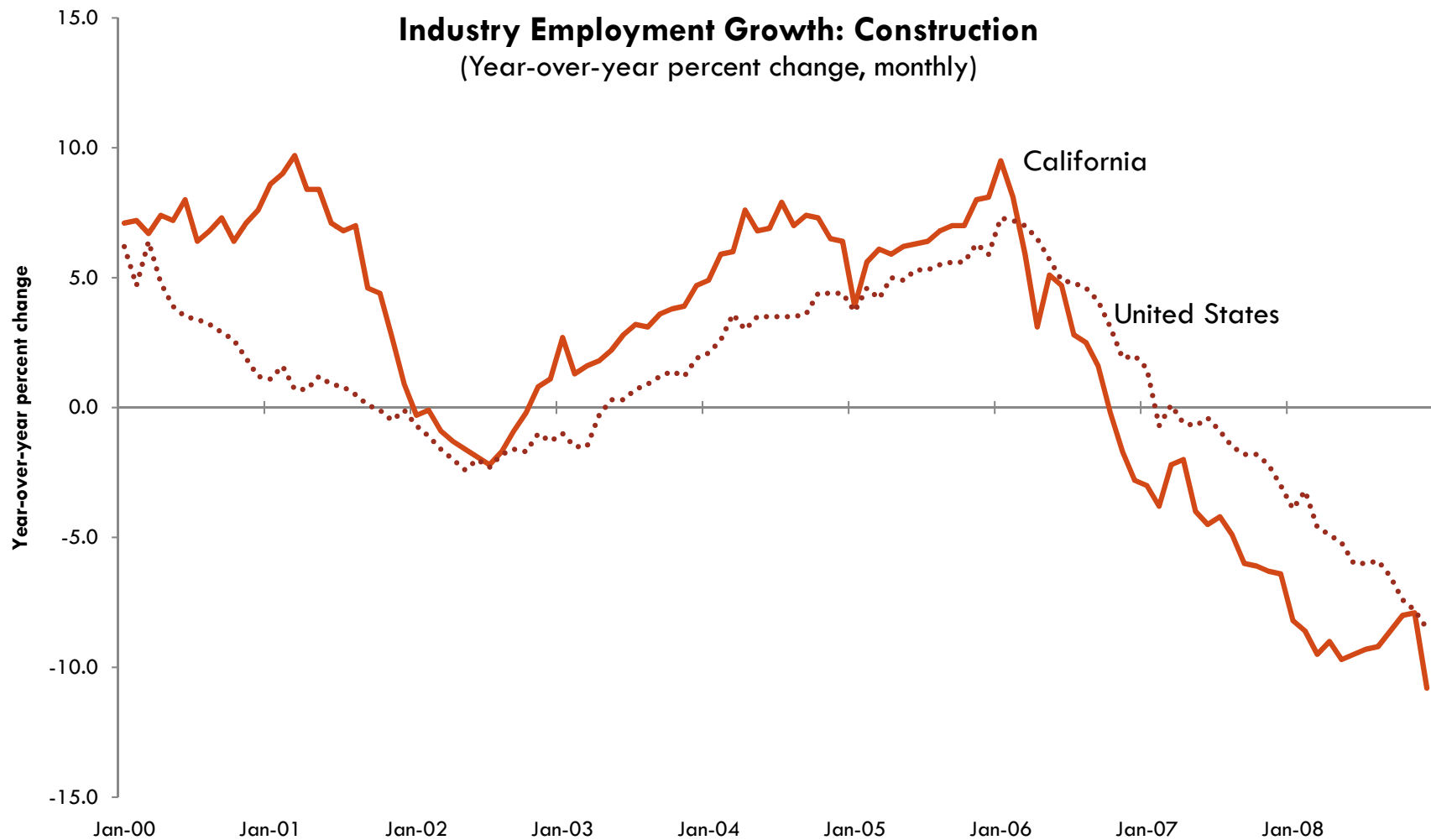
Source: Bureau of Labor Statistics, December 2008

Employment Trends by Industry in CA

| California | Total Employed (thousands) | Percent Change | | |
|-----------------------------------|-------------------------------|----------------|--------|--------|
| | Dec-08 | 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

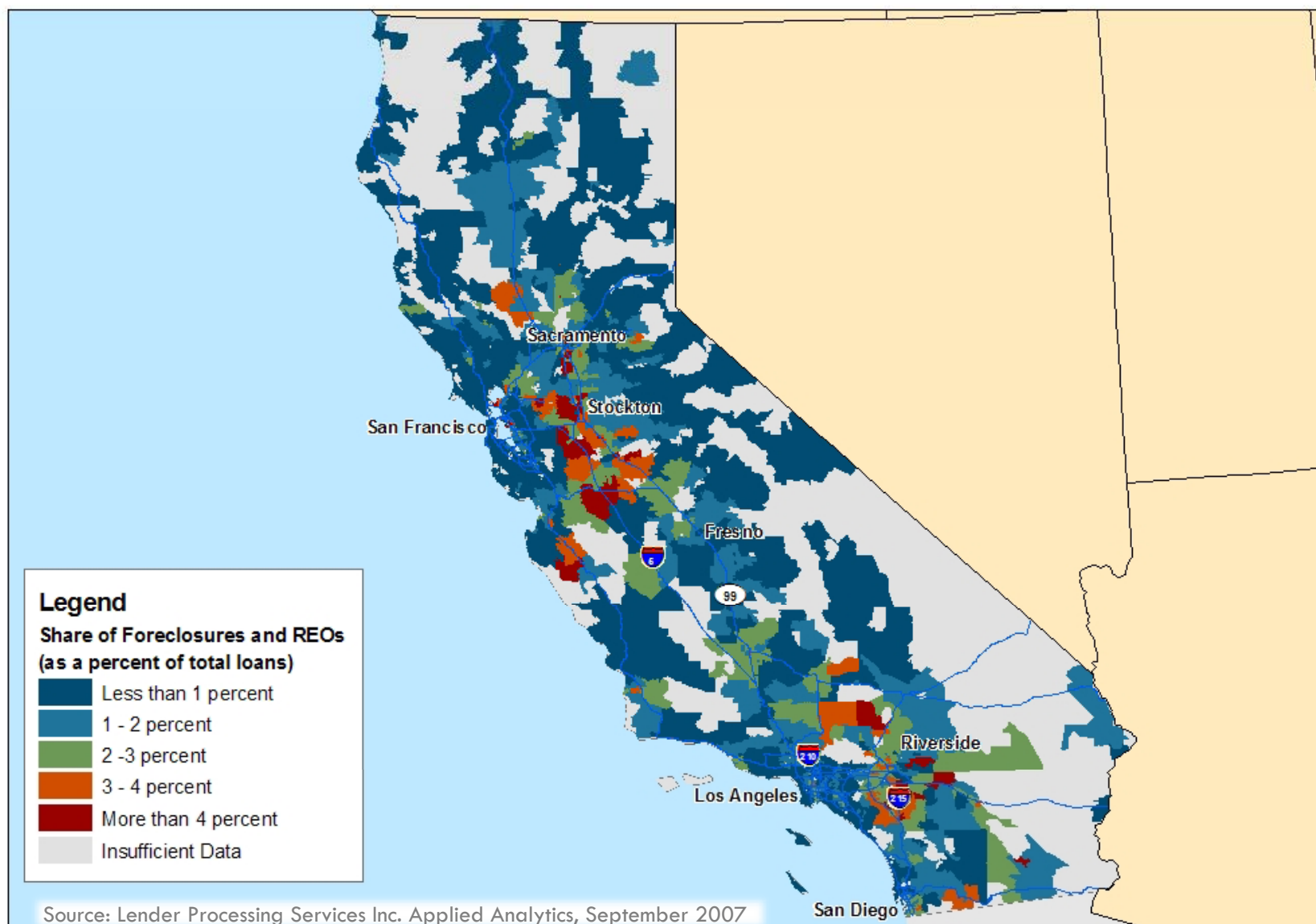


Source: Bureau of Labor Statistics, December 2008

State & Local Data Maps

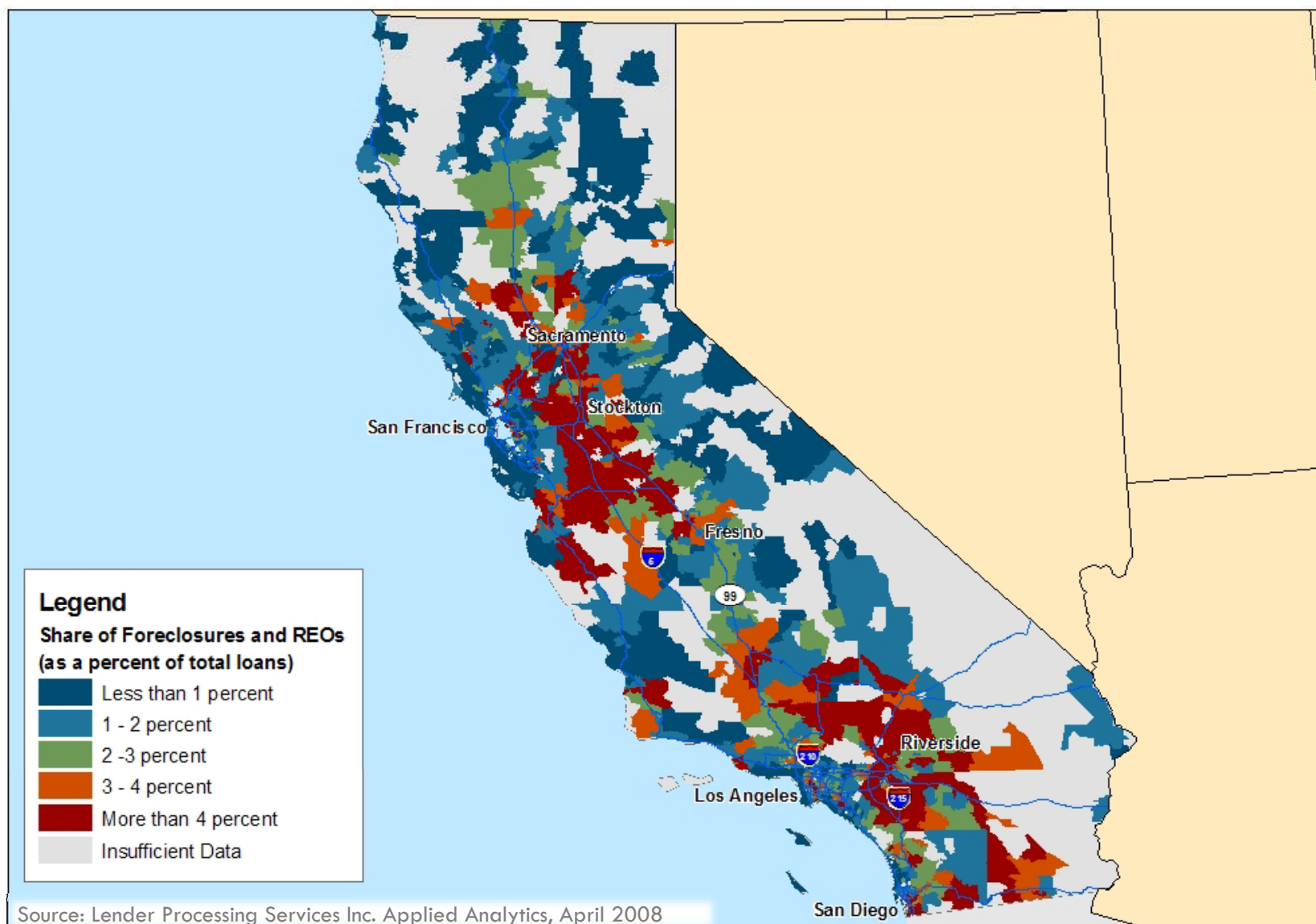
Areas Affected by Concentrated Foreclosures

September 2007



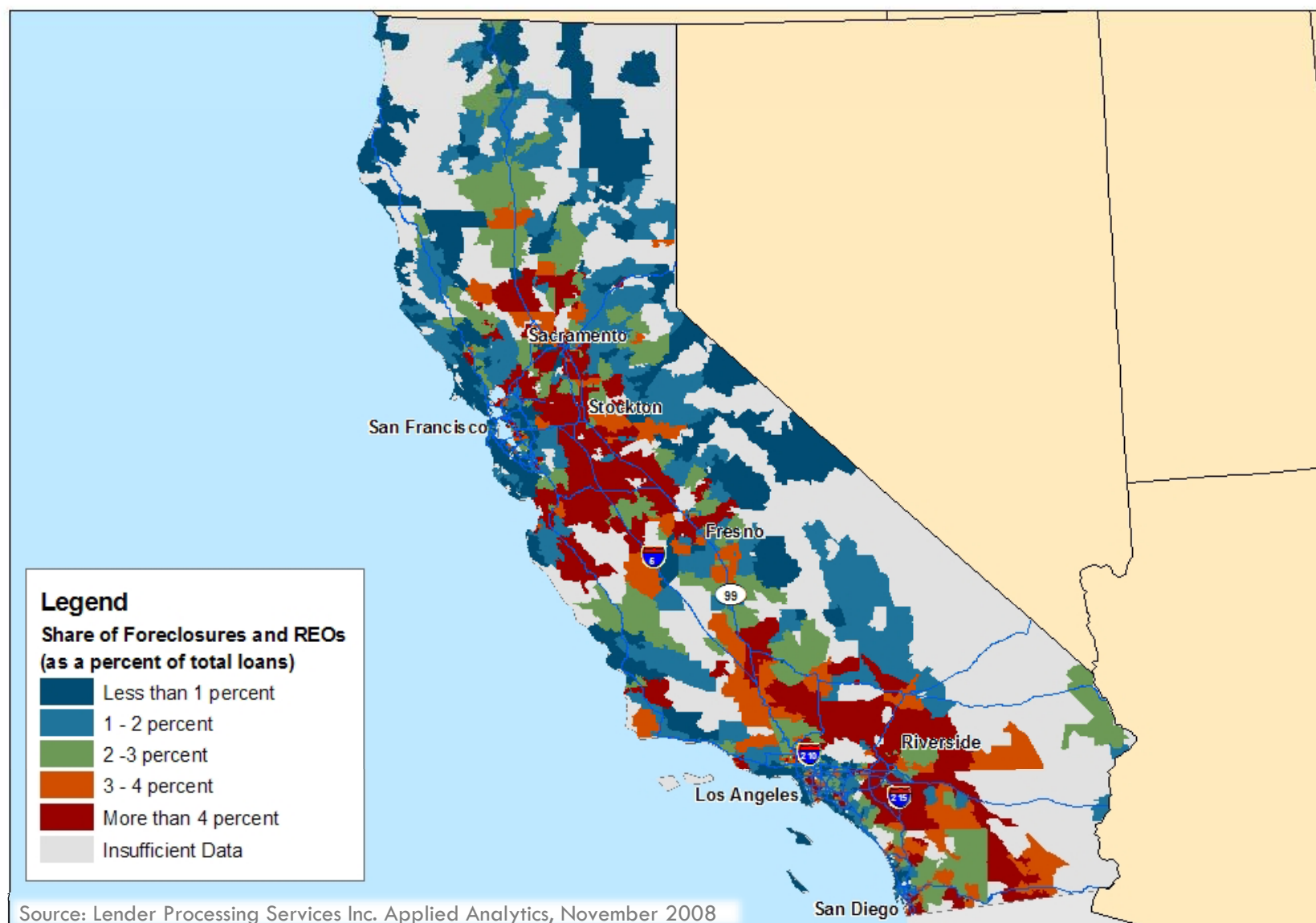
Areas Affected by Concentrated Foreclosures

April 2008



Areas Affected by Concentrated Foreclosures

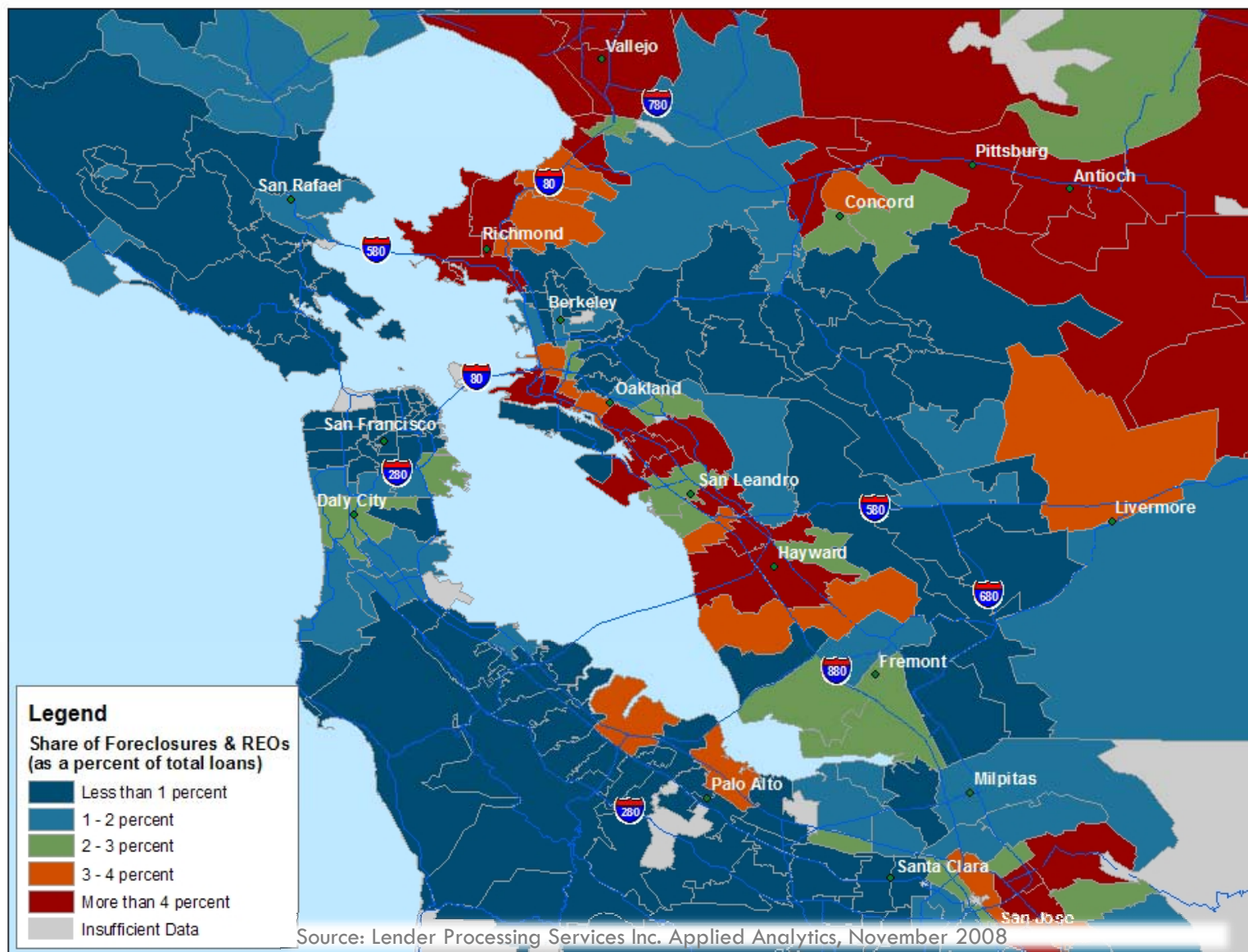
November 2008



Bay Area Data Maps

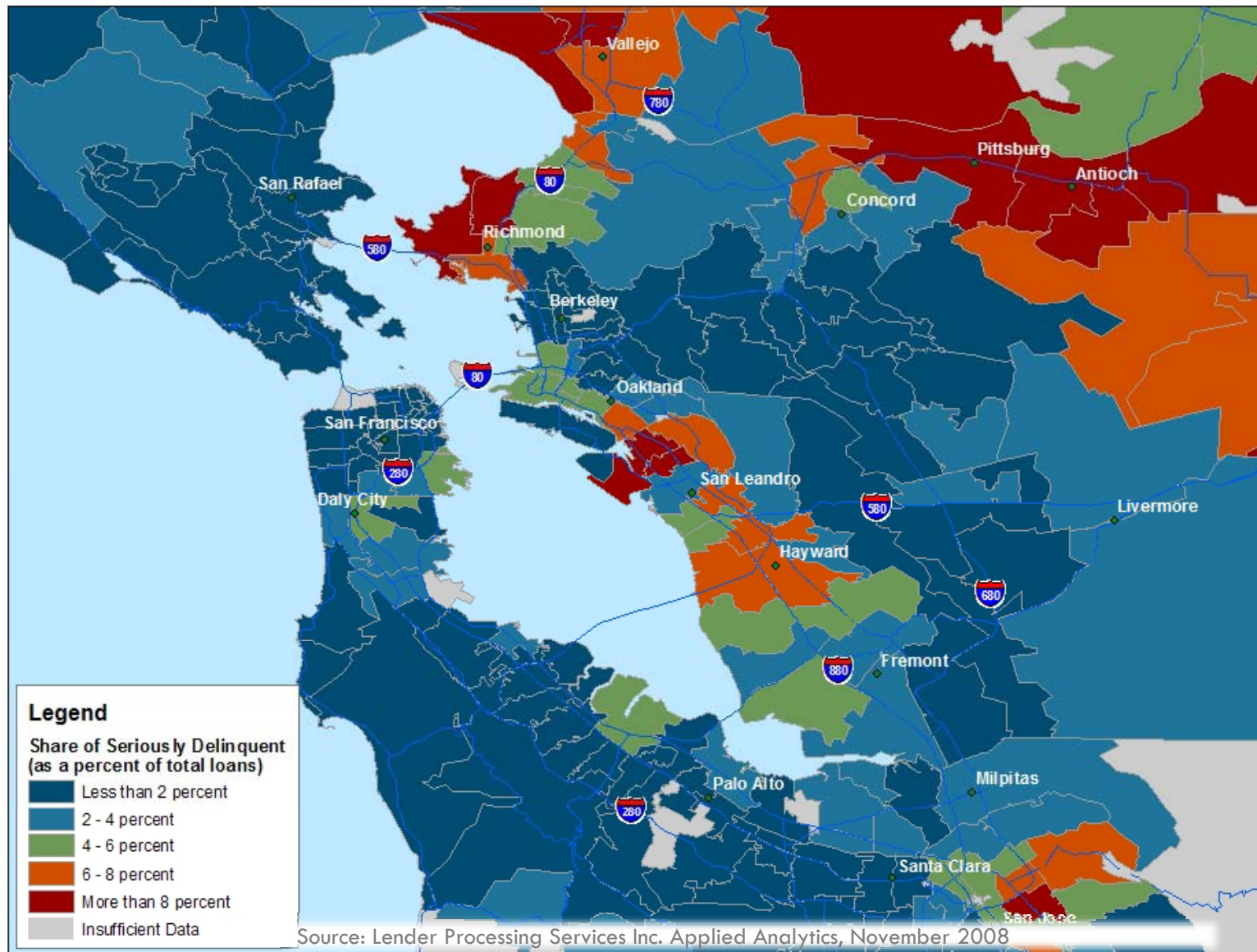
Neighborhoods Affected by Concentrated Foreclosures

November 2008



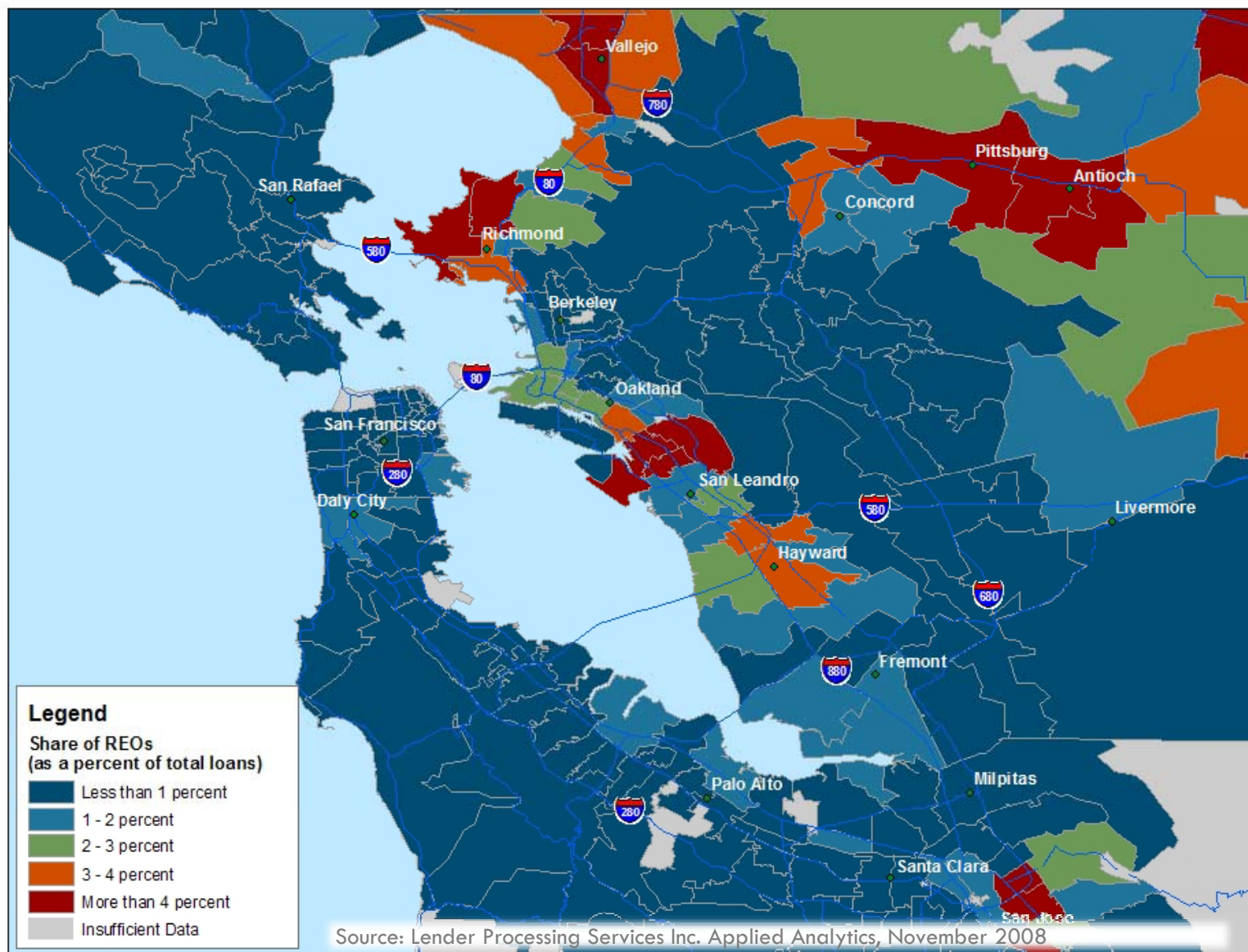
Neighborhoods at Risk of Additional Foreclosures

November 2008

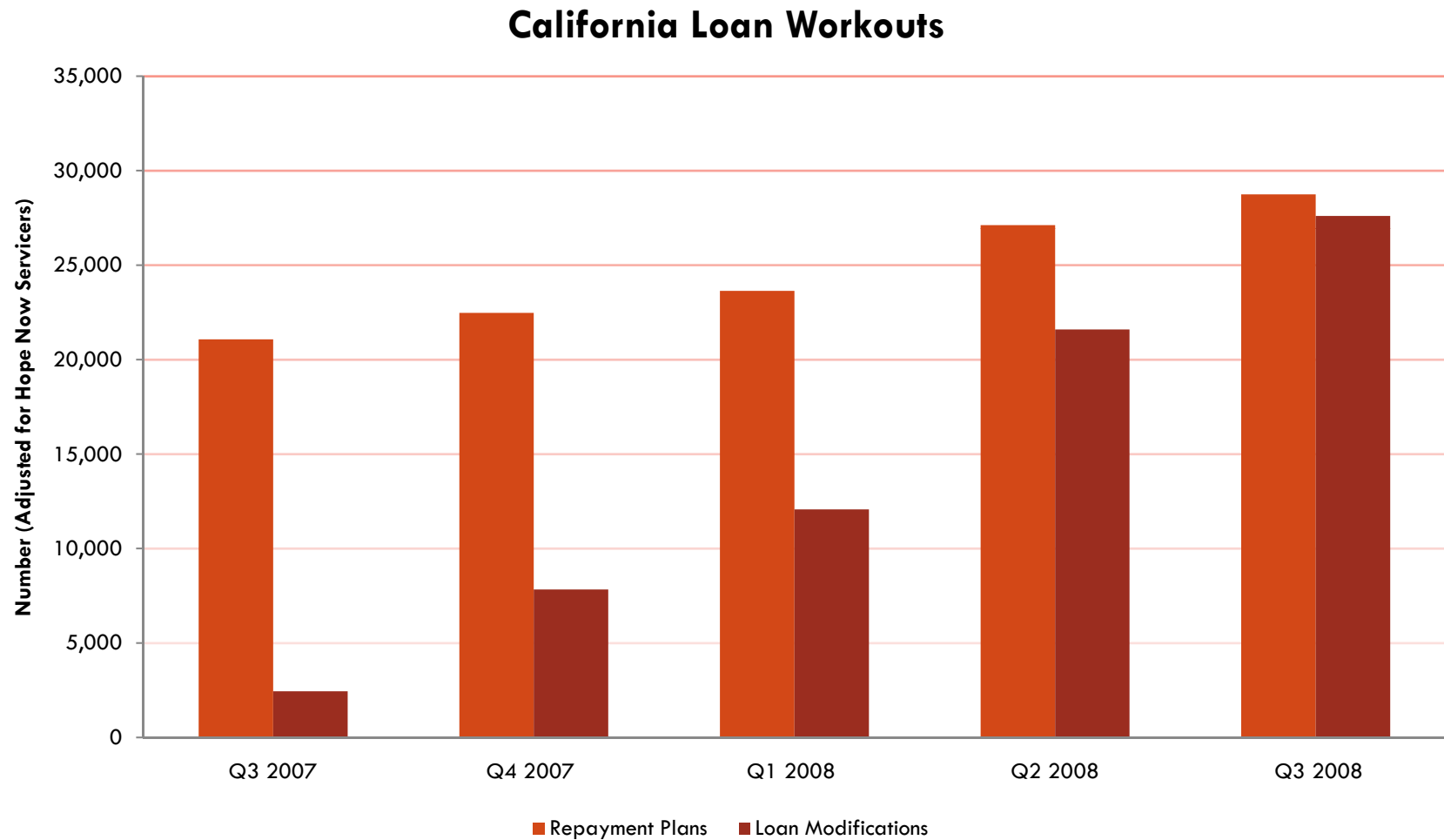


Concentration of REO Properties

November 2008



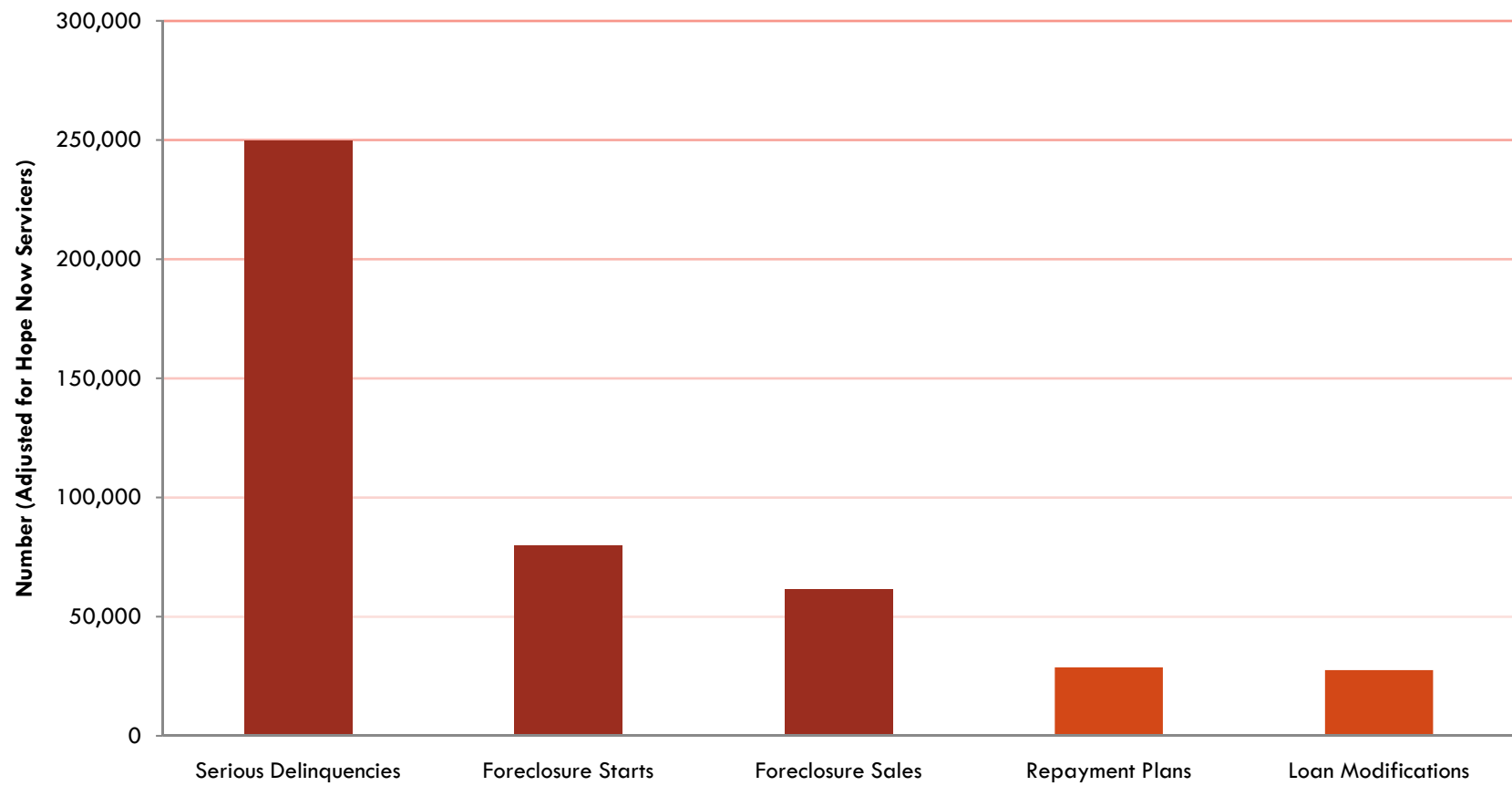
Loan workouts have increased



Source: Hope Now Alliance Servicing Data, 3rd Quarter 2008

Yet, Still Fall Short of Need

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



Source: Hope Now Alliance Servicing Data, 3rd 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

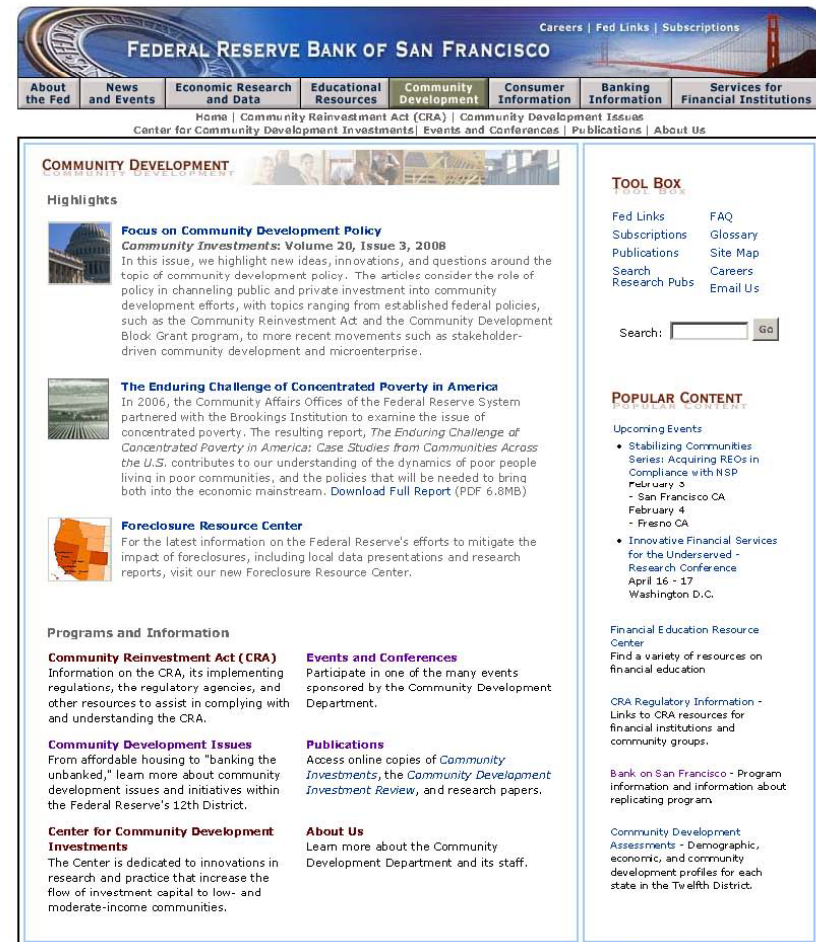
Conclusions



- ❑ 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



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