TRENDS IN DELINQUENCY AND FORECLOSURES IN SOUTHERN CALIFORNIA

September 2010

Community Development Research
Federal Reserve Bank of San Francisco
National Trends

According to John Williams, Director of Research at the FRBSF, the economic outlook is for a slow and modest recovery:

- Unemployment still a major concern, and unlikely to see significant drops in the unemployment rate in the next year.
- While the housing market appears to be stabilizing, recovery is muted, and construction starts and home sales are both down in the most recent period.
- Growth of real gross domestic product (GDP), the broadest measure of the strength of the economy, is hovering around 2 percent in the current quarter.

- Large “shadow” inventory of properties in delinquency or some stage of the foreclosure process also remains a concern.
National Trends
Unemployment continues to hover around 10%

Source: Bureau of Labor Statistics, September 2010
Depth of this economic downturn eclipses past recessions
Case-Shiller shows tepid housing recovery

Case-Shiller National House Price Index
(2000 = 100, Quarterly)
FHFA House Price Index continues to fall, reflecting activity at lower end of market

Source: Federal Housing Finance Agency (formerly OFHEO)
Overall delinquencies drop, but still more than 4.5 million homes in distress

Source: Mortgage Bankers Association, National Delinquency Survey
HAMP modifications down slightly in July; borrowers still face challenges in obtaining permanent modifications.

Source: HAMP Service Performance Report Through July 2010
California Trends
California’s unemployment drops slightly, but still well above national average

Source: Bureau of Labor Statistics
Unemployment rates particularly high in Central Valley and Inland Empire

Source: Bureau of Labor Statistics, July 2010
California house prices appear to be stabilizing

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

Source: Federal Housing Finance Agency (formerly OFHEO)
Southern CA MSA house prices seem to be stabilizing

FHFA House Price Index: Southern California
(2000 = 100, quarterly)

Source: Federal Housing Finance Agency (formerly OFHEO)
The number of distressed properties – delinquent and in foreclosure – has dropped slightly.

Source: Mortgage Bankers Association, National Delinquency Survey
State & Local Data Maps
California Data Maps

Areas Affected by Concentrated Foreclosures

July 2010

Source: Lender Processing Services Inc. Applied Analytics
Areas at Risk of Additional Foreclosures

July 2010

Source: Lender Processing Services Inc. Applied Analytics
Areas at Risk of Additional Foreclosures
July 2010

Legend
Share of Seriously Delinquent (as a percent of total loans)
- Loss than 3 percent
- 3 - 6 percent
- 6 - 9 percent
- 9 - 12 percent
- More than 12 percent
- Insufficient Data

Source: Lender Processing Services Inc. Applied Analytics
Areas Affected by Concentrated Foreclosures

July 2010

Legend
Share of Foreclosures & REOs (as a percent of total loans)
- Less than 2 percent
- 2 - 4 percent
- 4 - 6 percent
- 6 - 8 percent
- More than 8 percent
- Insufficient Data

Source: Lender Processing Services Inc. Applied Analytics
Orange County Data Maps

Areas at Risk of Additional Foreclosures

July 2010

Legend
Share of Seriously Delinquent (as a percent of total loans)

- Less than 3 percent
- 3 - 6 percent
- 6 - 9 percent
- 9 - 12 percent
- More than 12 percent
- Insufficient Data

Source: Lender Processing Services Inc. Applied Analytics
Areas Affected by Concentrated Foreclosures
July 2010

Legend
Share of Foreclosures & REOs (as a percent of total loans)
- Less than 2 percent
- 2 - 4 percent
- 4 - 6 percent
- 6 - 8 percent
- More than 8 percent
- Insufficient Data
- County Boundary
Areas Affected by Concentrated Foreclosures
February 2010
Neighborhoods at Risk of Additional Foreclosures
February 2010

Source: Lender Processing Services Inc. Applied Analytics
Neighborhoods at Risk of Additional Foreclosures
July 2010

Legend
Share of Seriously Delinquent (as a percent of total loans)
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- 5 - 9 percent
- 9 - 12 percent
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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:
  - 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](http://www.federalreserveeducation.org/pfed/mediakit.cfm)
  - NeighborWorks PSA: [http://www.youtube.com/nwpad](http://www.youtube.com/nwpad)
- Other 5 Tip brochures and resources available from the Federal Reserve [http://www.federalreserve.gov/consumerinfo/fivetips.htm](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/