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
Foreclosures rose steadily in 2008, with wide repercussions for US economy.

After a slight decline in the national foreclosure rate in the 3\textsuperscript{rd} Quarter of 2008, rose again in 4\textsuperscript{th} Quarter.

Factors driving foreclosures nationally:
- House price declines
- Rising unemployment, coupled with turmoil in financial and credit markets, may further influence foreclosure rate going forward.
National Foreclosure Starts Rose Slightly in 4th Quarter of 2008

Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008
Nationally, House Prices Continue to Decline

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

Source: Case - Shiller Home Price Index, 4th Q 2008
Recession Marks Significant Jump in Unemployment

Source: Bureau of Labor Statistics
California Trends
Foreclosures in California are Above the National Average

Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008
Unlike National Trends, California Saw a Decrease in Foreclosure Starts in 4th Quarter 2008

Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008
California Has Seen Significant and Steep Decline in House Prices

Source: Federal Housing Finance Agency (formerly OFHEO), 4th Quarter 2008
Northern CA MSAs Experiencing Significant House Price Declines

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

Source: Federal Housing Finance Agency (formerly OFHEO), 4th Quarter 2008
Central Valley Cities Have Seen Greatest House Price Declines

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

- **Fresno**
- **Stockton**
- **Visalia**
- **Merced**

Source: Federal Housing Finance Agency (formerly OFHEO), 4th Quarter 2008
Southern California MSAs also Experiencing Declining House Prices

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

Source: Federal Housing Finance Agency (formerly OFHEO), 4th Quarter 2008
California’s Foreclosures are Concentrated in Subprime ARM Market

Foreclosure Starts by Loan Type

Source: Mortgage Bankers Association, National Delinquency Survey, 4th 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

- Hawaii: 20.4%
- Alaska: 22.7%
- Oregon: 23.1%
- Washington: 23.6%
- Idaho: 24.3%
- California: 25.9%
- USA: 27.3%
- Arizona: 28.0%
- Utah: 28.1%
- Nevada: 29.2%

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

# Employment Trends by Industry in CA

<table>
<thead>
<tr>
<th>California</th>
<th>Total Employed (thousands) February 2009</th>
<th>Percent Change</th>
<th>1-mo.*</th>
<th>3-mo.*</th>
<th>12-mo.*</th>
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</thead>
<tbody>
<tr>
<td>Total</td>
<td>14,534.8</td>
<td>-9.1</td>
<td>-7.3</td>
<td>-4</td>
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<tr>
<td>Trade, Transportation &amp; Utilities</td>
<td>2,742.5</td>
<td>-6.7</td>
<td>-6.9</td>
<td>-5.5</td>
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<td>Professional &amp; Business Svcs.</td>
<td>2,164.8</td>
<td>-15</td>
<td>-9.9</td>
<td>-4.5</td>
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<td>Educational &amp; Health Srvs.</td>
<td>1,742.5</td>
<td>3</td>
<td>0.9</td>
<td>1.8</td>
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<tr>
<td>Leisure &amp; Hospitality</td>
<td>1,533.5</td>
<td>-10.9</td>
<td>-5</td>
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<td>Manufacturing</td>
<td>1,355.4</td>
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<td>-12.3</td>
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<td>Financial Activities</td>
<td>816.7</td>
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<td>-7</td>
<td>-6</td>
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<td>Construction</td>
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<td>Other Services</td>
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<td>-3</td>
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<td>Information</td>
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<td>Government</td>
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<td>-1.5</td>
<td>-1.3</td>
<td>-0.3</td>
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<tr>
<td>Natural Resources &amp; Mining</td>
<td>28.2</td>
<td>-19</td>
<td>-2.8</td>
<td>0.4</td>
<td></td>
</tr>
</tbody>
</table>

Significant Drop in Construction Employment

State & Local Data Maps
Lending Volumes
September 2007

Legend
- Total Loans
  - Less than 2,000
  - 2,000 - 4,000
  - 4,000 - 6,000
  - 6,000 - 8,000
  - More than 8,000
  - Insufficient Data

Source: Lender Processing Services Inc. Applied Analytics, September 2007
Areas Affected by Concentrated Foreclosures
September 2007

Legend
Share of Foreclosures and REOs (as a percent of total loans)
- Less than 1 percent
- 1 - 2 percent
- 2 - 3 percent
- 3 - 4 percent
- More than 4 percent
- Insufficient Data

Source: Lender Processing Services Inc. Applied Analytics, September 2007
Areas Affected by Concentrated Foreclosures
February 2009

Legend
Share of Foreclosures and REOs (as a percent of total loans)
- Less than 1 percent
- 1 - 2 percent
- 2 - 3 percent
- 3 - 4 percent
- More than 4 percent
- Insufficient Data

Source: Lender Processing Services Inc. Applied Analytics, February 2008
Neighborhoods Affected by Concentrated Foreclosures
February 2009

Source: Lender Processing Services Inc. Applied Analytics, February 2009
Neighborhoods at Risk of Additional Foreclosures
February 2009

Legend
Share of Seriously Delinquent (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, February 2009
Sacramento Valley Data Maps

Neighborhoods with Concentrations of Foreclosures
February 2009

Legend
Share of Foreclosures & REOs (as a percent of total loans)
- Less than 1 percent
- 1 - 2 percent
- 2 - 3 percent
- 3 - 4 percent
- More than 4 percent
- Insufficient Data
- County Boundary

Source: Lender Processing Services Inc. Applied Analytics, February 2009
Concentration of REO Properties
February 2009

Legend
Share of REOs (as a percent of total loans)
- Less than 1 percent
- 1 - 2 percent
- 2 - 3 percent
- 3 - 4 percent
- More than 4 percent
- Insufficient Data
- County Boundary
Sacramento Valley Data Maps

Areas at Risk of Additional Foreclosures
February 2009

Legend
Share of Seriously Delinquent (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

Source: Lender Processing Services Inc. Applied Analytics, February 2009
Neighborhoods with Concentrations of Foreclosures
February 2009

Legend
Share of Foreclosures and REOs (as a percent of total loans)
- Less than 1 percent
- 1 - 2 percent
- 2 - 3 percent
- 3 - 4 percent
- More than 4 percent
- Insufficient data
- County Boundaries

Source: Lender Processing Services Inc. Applied Analytics, February 2009
Neighborhoods with Concentrations of Foreclosures

February 2009
Concentration of REO Properties
February 2009

Source: Lender Processing Services Inc. Applied Analytics, February 2009
Areas at Risk of Additional Foreclosures
February 2009

Source: Lender Processing Services Inc. Applied Analytics, February 2009
Neighborhoods with Concentrations of Foreclosures
February 2009

Source: Lender Processing Services Inc. Applied Analytics, February 2009
Neighborhoods at Risk of Additional Foreclosures
February 2009

Source: Lender Processing Services Inc. Applied Analytics, February 2009
Concentration of REO Properties
February 2009

Source: Lender Processing Services Inc. Applied Analytics, February 2009
Neighborhoods at Risk of Additional Foreclosures

February 2009

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
- County Boundary

Source: Lender Processing Services Inc. Applied Analytics, February 2009
Neighborhoods at Risk of Additional Foreclosures
February 2009

San Diego Regional Data Maps

Legend
Share of Seriously Delinquent (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, February 2009
Concentration of REO Properties

November 2008

San Diego Regional Data Maps

Source: Lender Processing Services Inc. Applied Analytics, February 2009
Loan workouts reach approximately 55,000 borrowers each quarter

Source: Hope Now Alliance Servicing Data, 4th Quarter 2008
Yet, still more than 300,000 borrowers in California were seriously delinquent on their mortgage in 4\textsuperscript{th} Qtr 2008

Source: Hope Now Alliance Servicing Data, 4\textsuperscript{th} 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/