

TRENDS IN DELINQUENCIES AND FORECLOSURES IN HAWAII

January 2010

Craig Nolte, Community Development Department,
Federal Reserve Bank of San Francisco

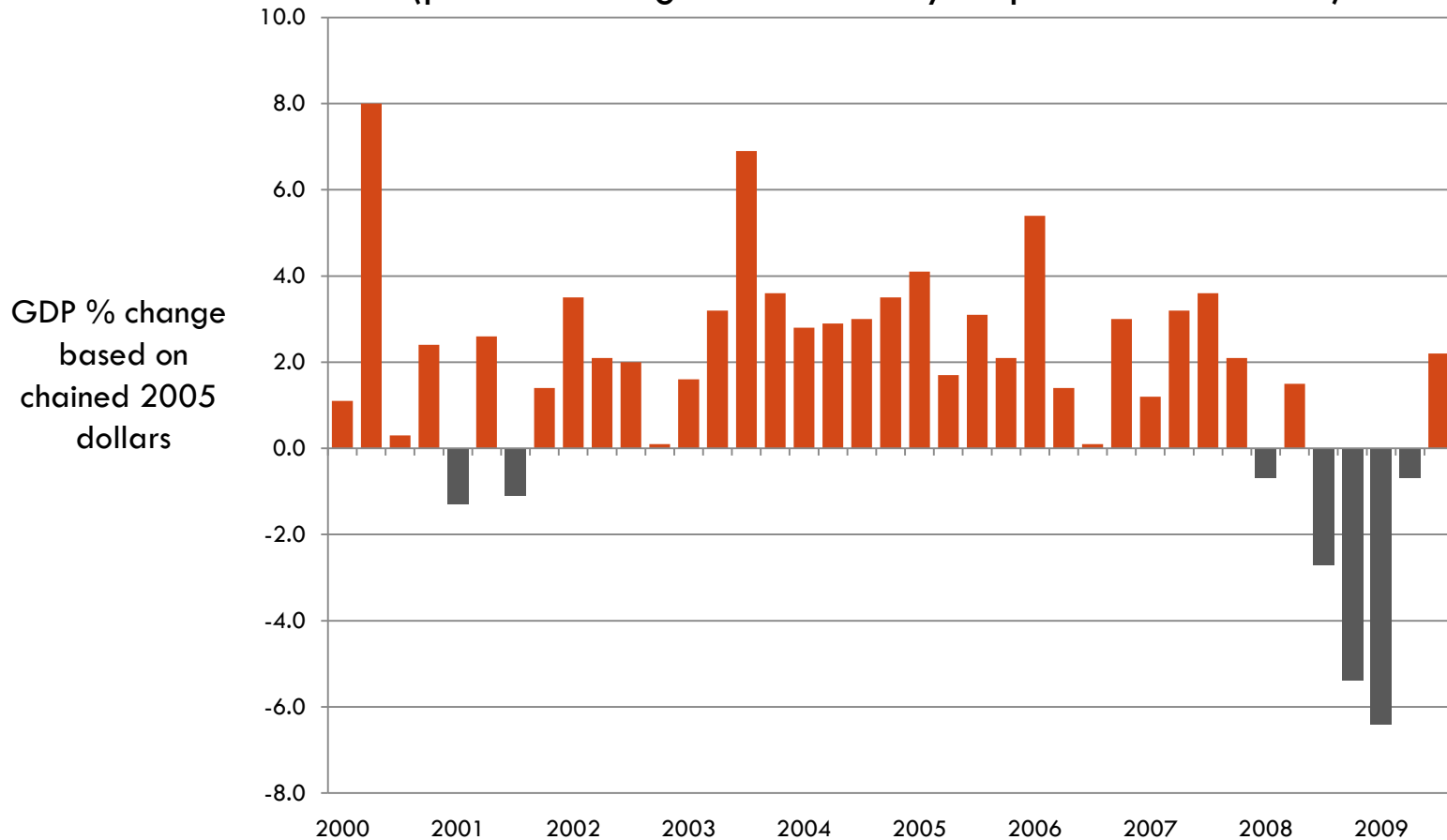
National Trends

- Signs that the economy is starting to grow and move out of the recession
 - GDP positive for the first time since start of 2008
- Major weaknesses still exist in the housing, labor, and credit markets
- Foreclosures continue to rise
 - Although the HAMP program has succeeded in reaching 728,408 distressed borrowers (as of November 2009), few of these modifications have been made permanent and scale still falls significantly short of need.

National Trends

GDP Shows Positive Growth in 3rd Quarter 2009

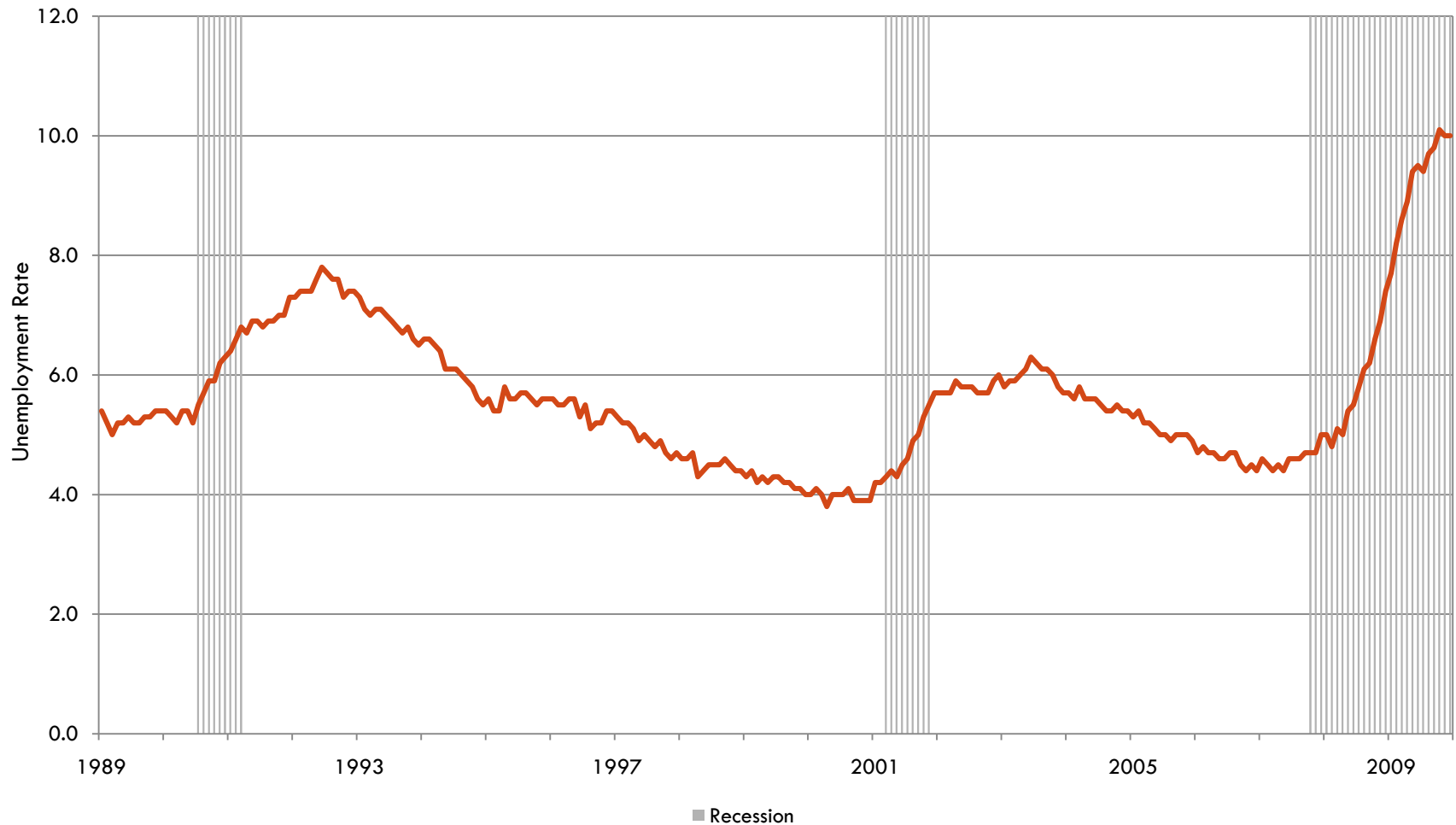
Real Gross Domestic Product
(percent change at seasonally adjusted annual rate)



Source: Bureau of Economic Analysis

Weakness in Labor Market Grave Concern

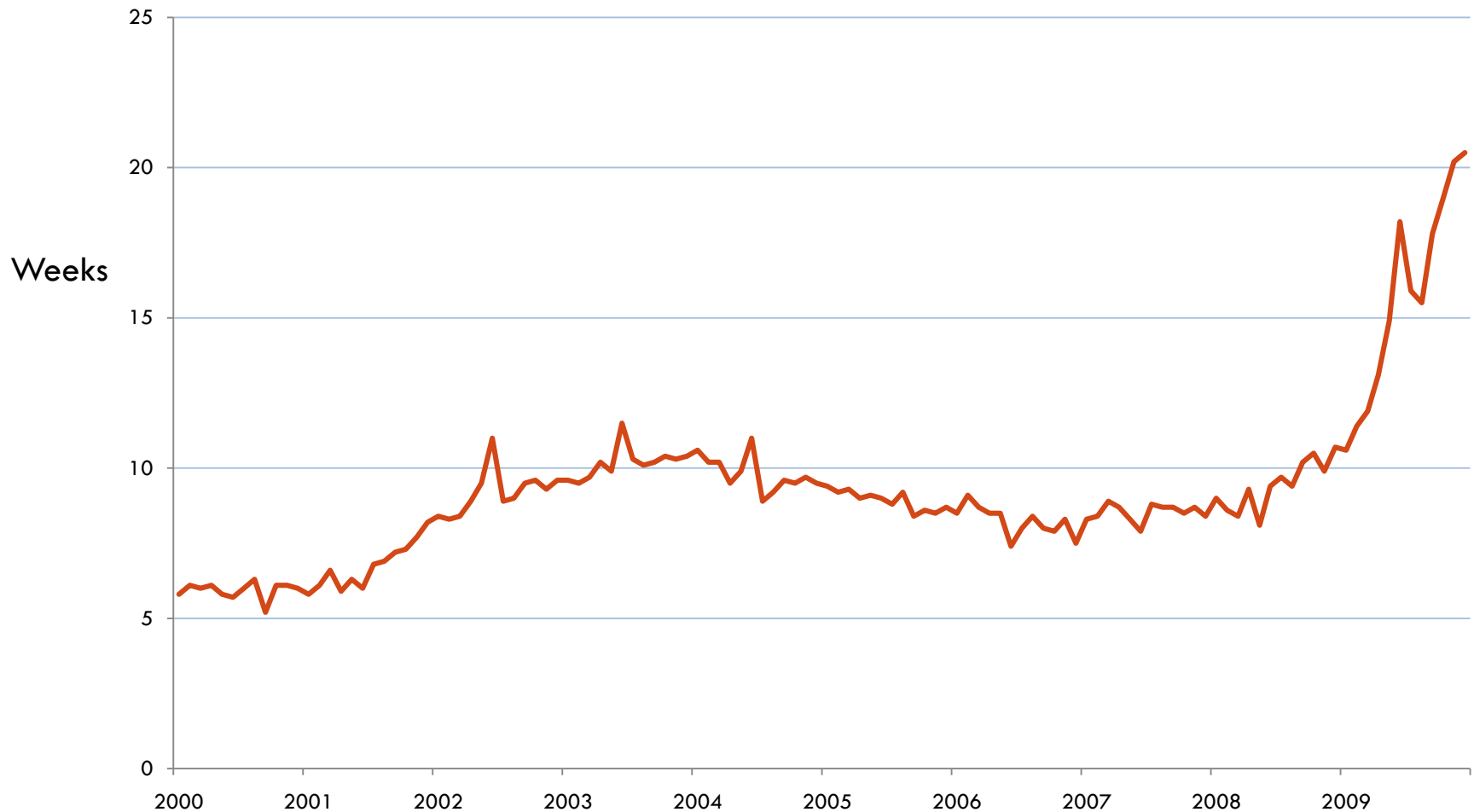
U.S. Unemployment Rate



Source: Bureau of Labor Statistics, December 2009

Dramatic Increase in Duration of Unemployment

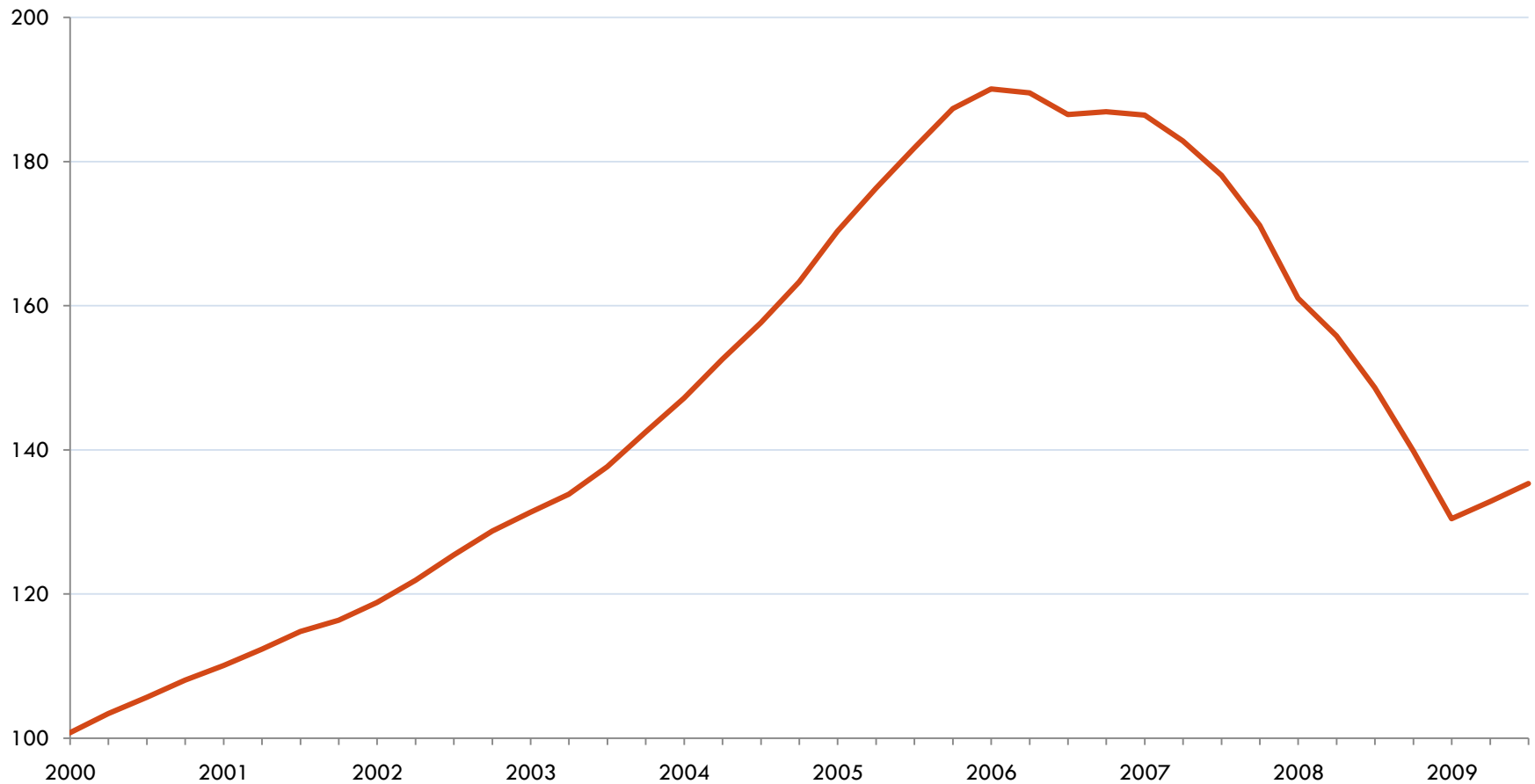
Median Duration of Unemployment



Source: Bureau of Labor Statistics

Case-Shiller Shows Continued Uptick in House Prices in 3rd Qtr 2009

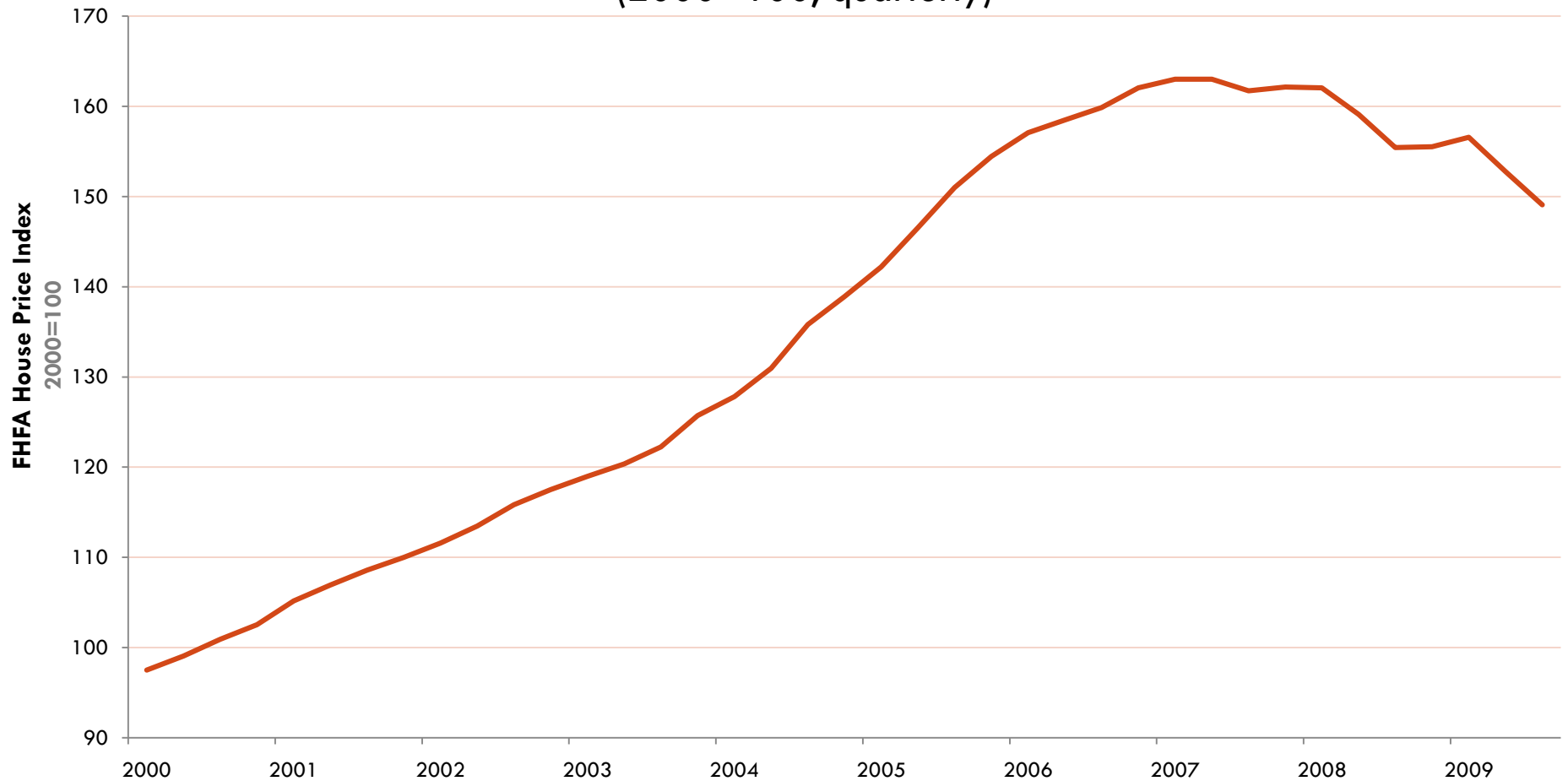
Case-Shiller National House Price Index
(2000 = 100, quarterly)



Source: Case - Shiller Home Price Index

FHFA Shows Continued Declines, Reflecting Activity at Lower End of Market

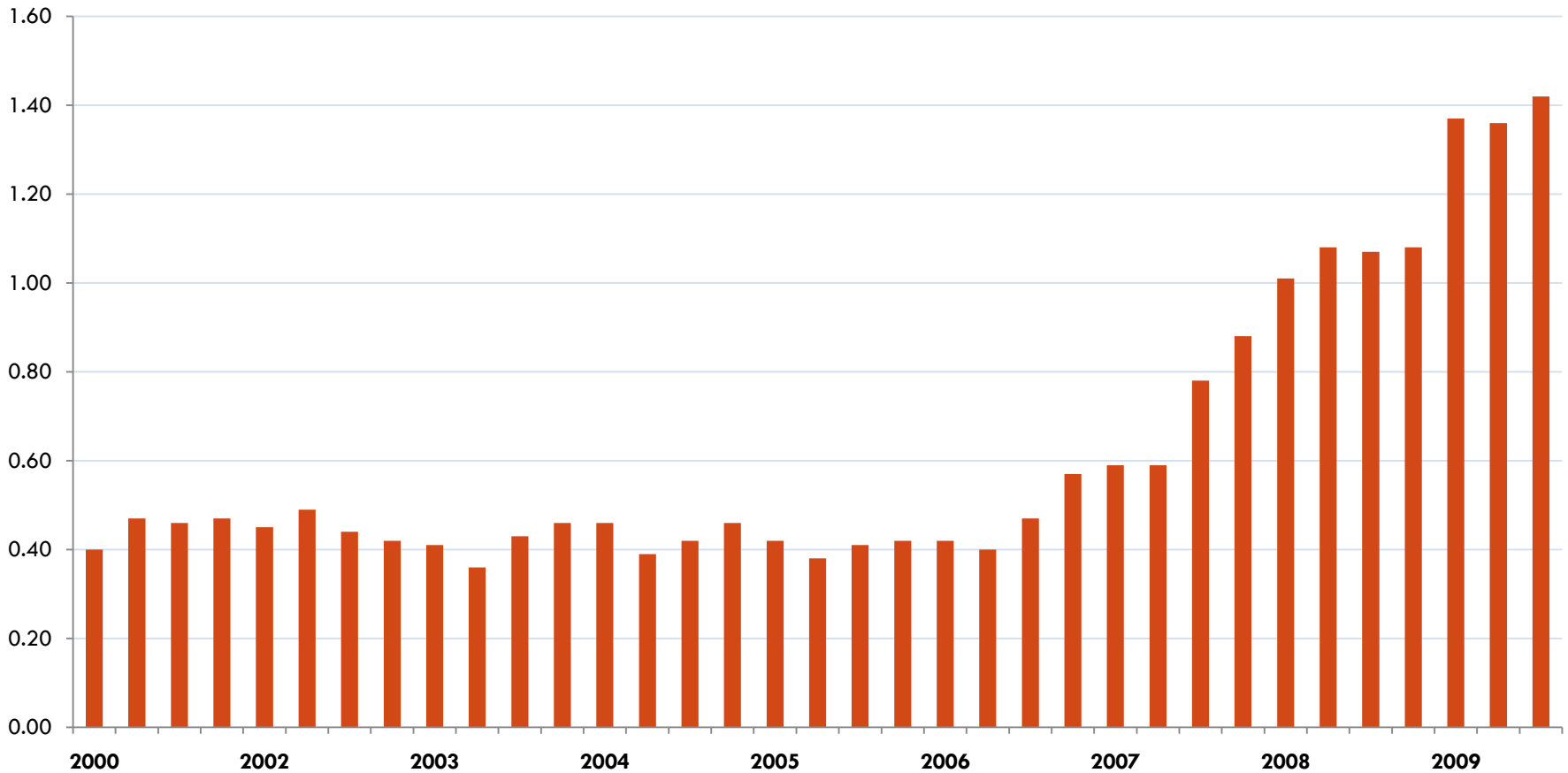
FHFA (formerly OFHEO) House Price Index
(2000=100, quarterly)



Source: Federal Housing Finance Agency (formerly OFHEO)

National Foreclosure Rate Remains High

National Foreclosures Starts Percent of All Loans

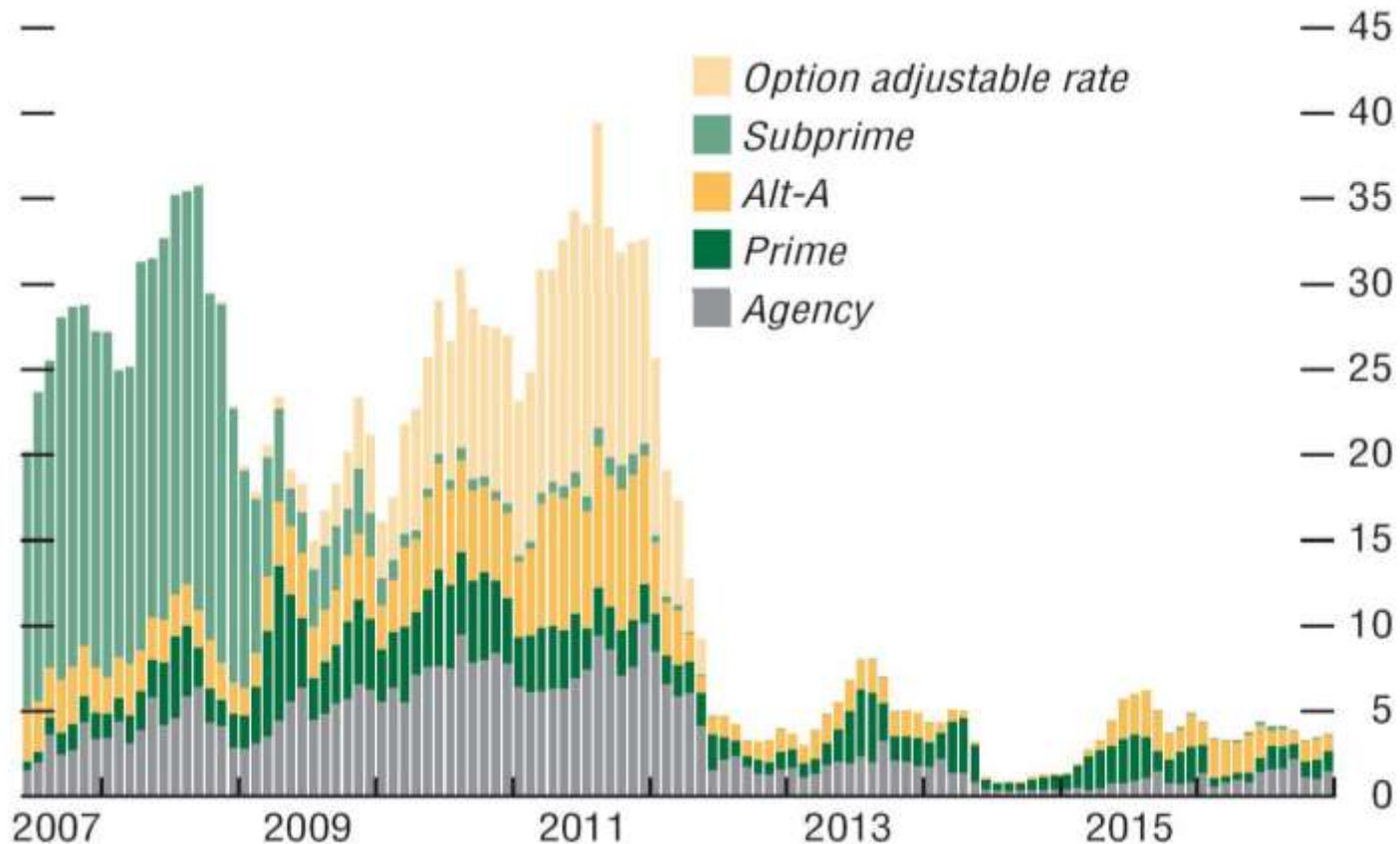


Source: Mortgage Bankers Association, National Delinquency Survey

Concern that Upcoming Resets will Continue to Drive New Foreclosures

Monthly Mortgage Rate Resets

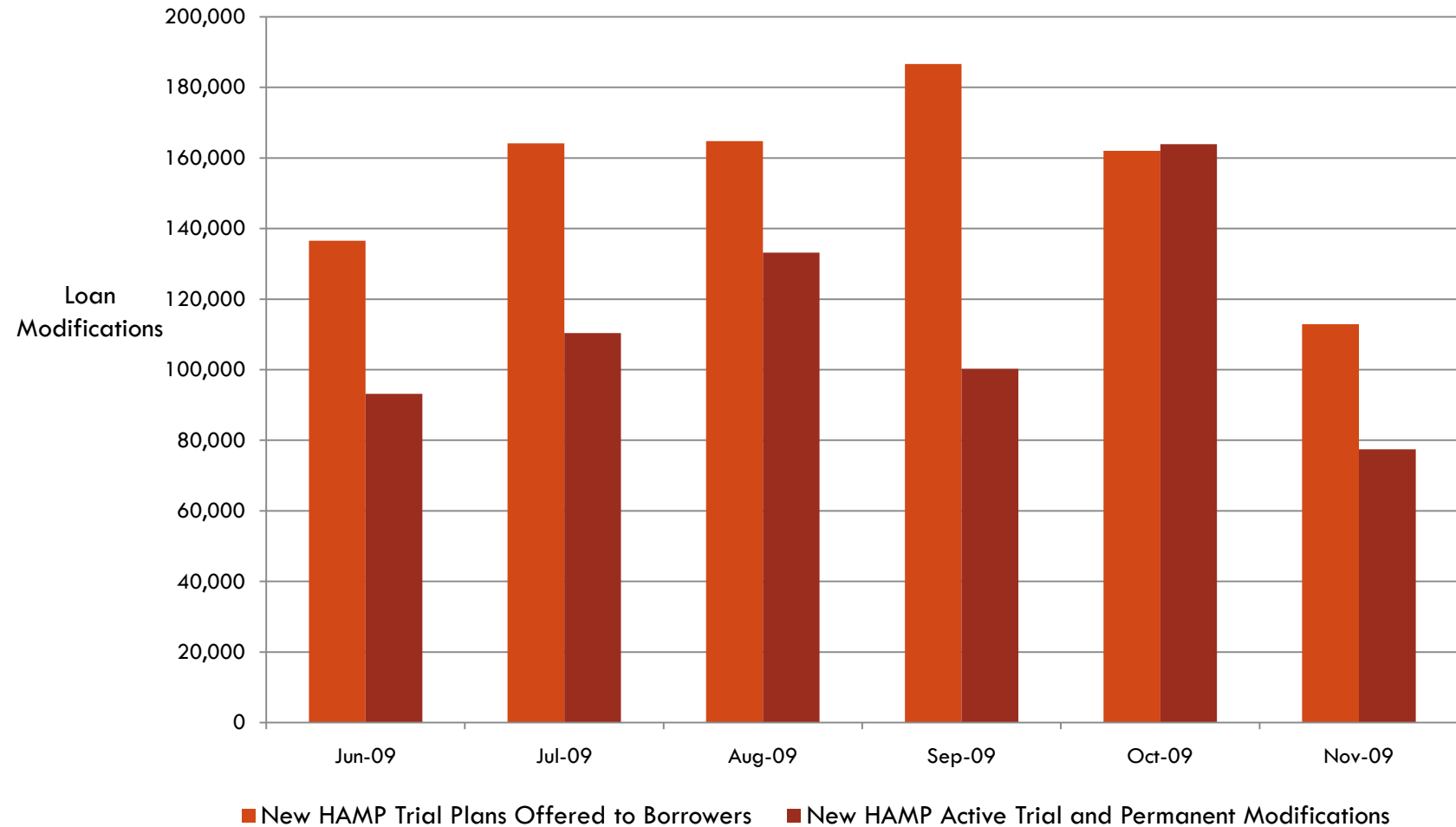
(first reset in billions of US dollars)



Source: Credit Suisse: Assessing Risks to Global Financial Stability, p. 8.

<http://www.imf.org/external/pubs/ft/gfsr/2007/02/pdf/chap1.pdf>

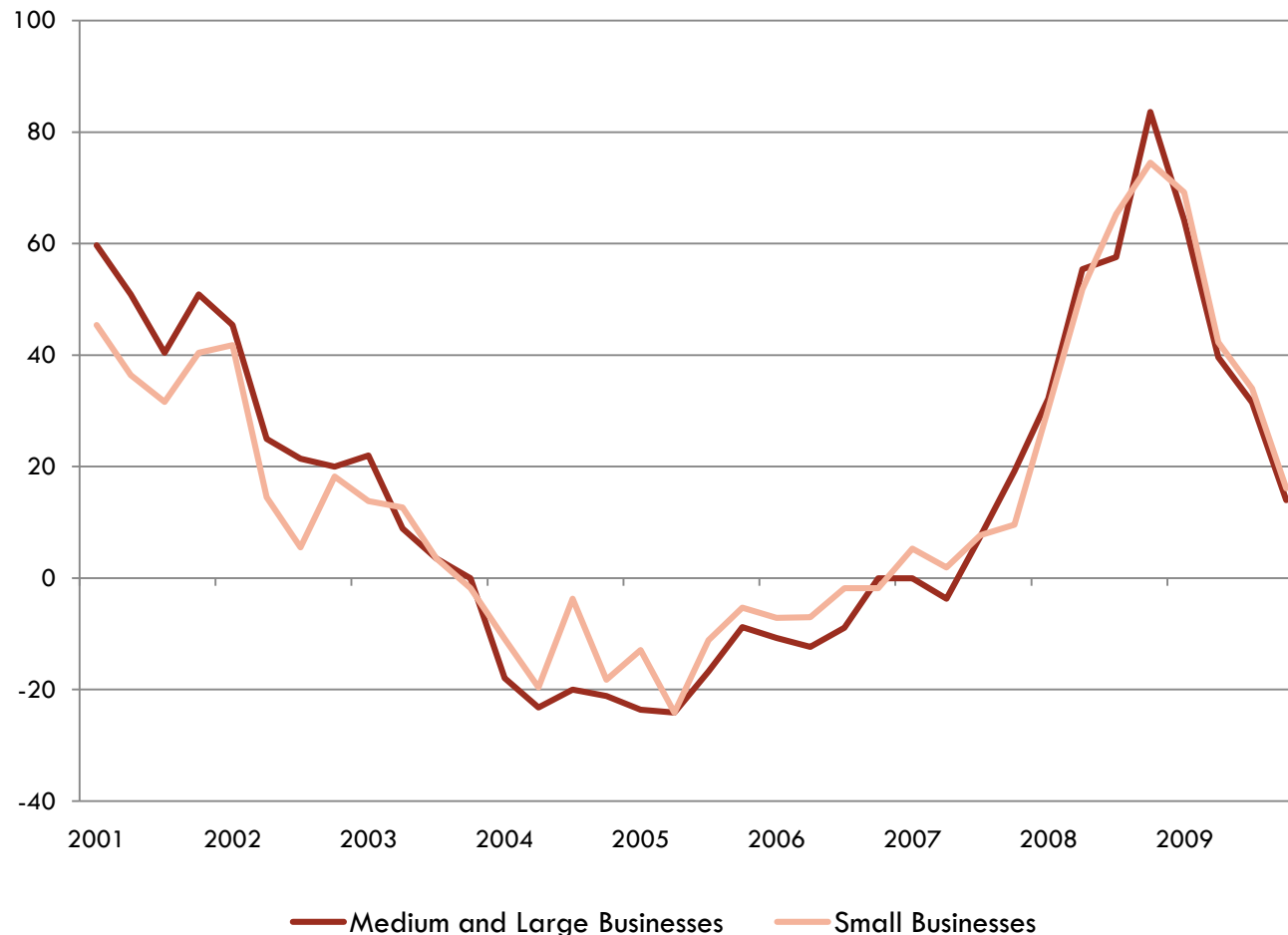
Loan Modifications: Home Affordable Modification Program



Source: HAMP Service Performance Report Through Nov. 2009:
<http://www.financialstability.gov/docs/MHA%20Public%20121009%20Final.pdf>

Although there are Signs of Improvement, Small Businesses Still Face a Tightened Credit Market

Senior Loan Officer Opinion Survey on Bank Lending:
Net Percentage of Domestic Respondents Tightening
Standards for C&I Loans

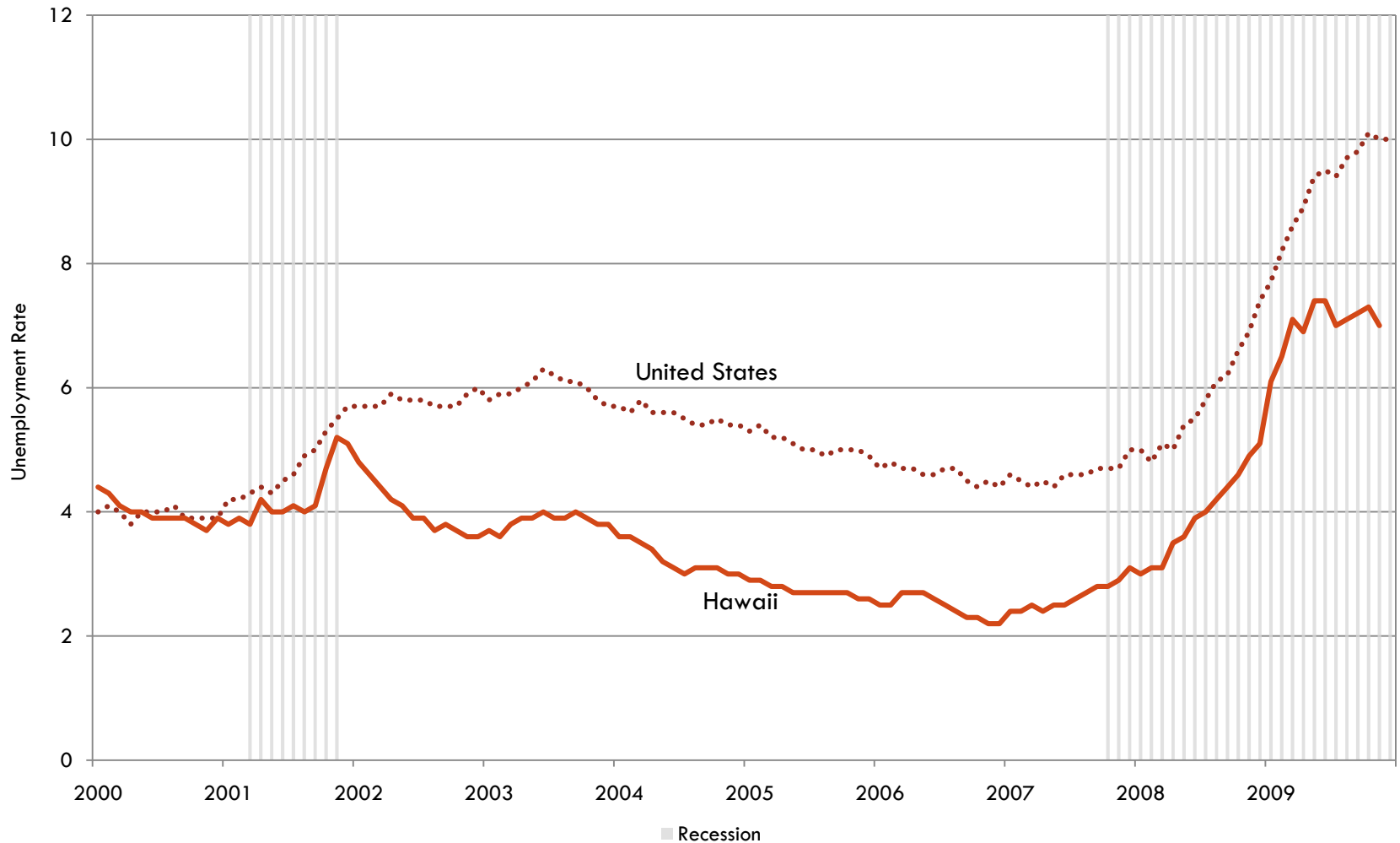


Hawaii Trends

Hawaii and the Economic Crisis

- Hawaii has been somewhat insulated from the severe housing and foreclosure crisis that has hit other 12th District states like Arizona, California, and Nevada
 - ▣ In 2007 and 2008, relatively low rates of foreclosure
 - ▣ Modest house price declines
 - ▣ Lower unemployment than US
- However, recent data show that Hawaii is starting to see stronger effects, and trends point to significant difficulties in labor and housing market

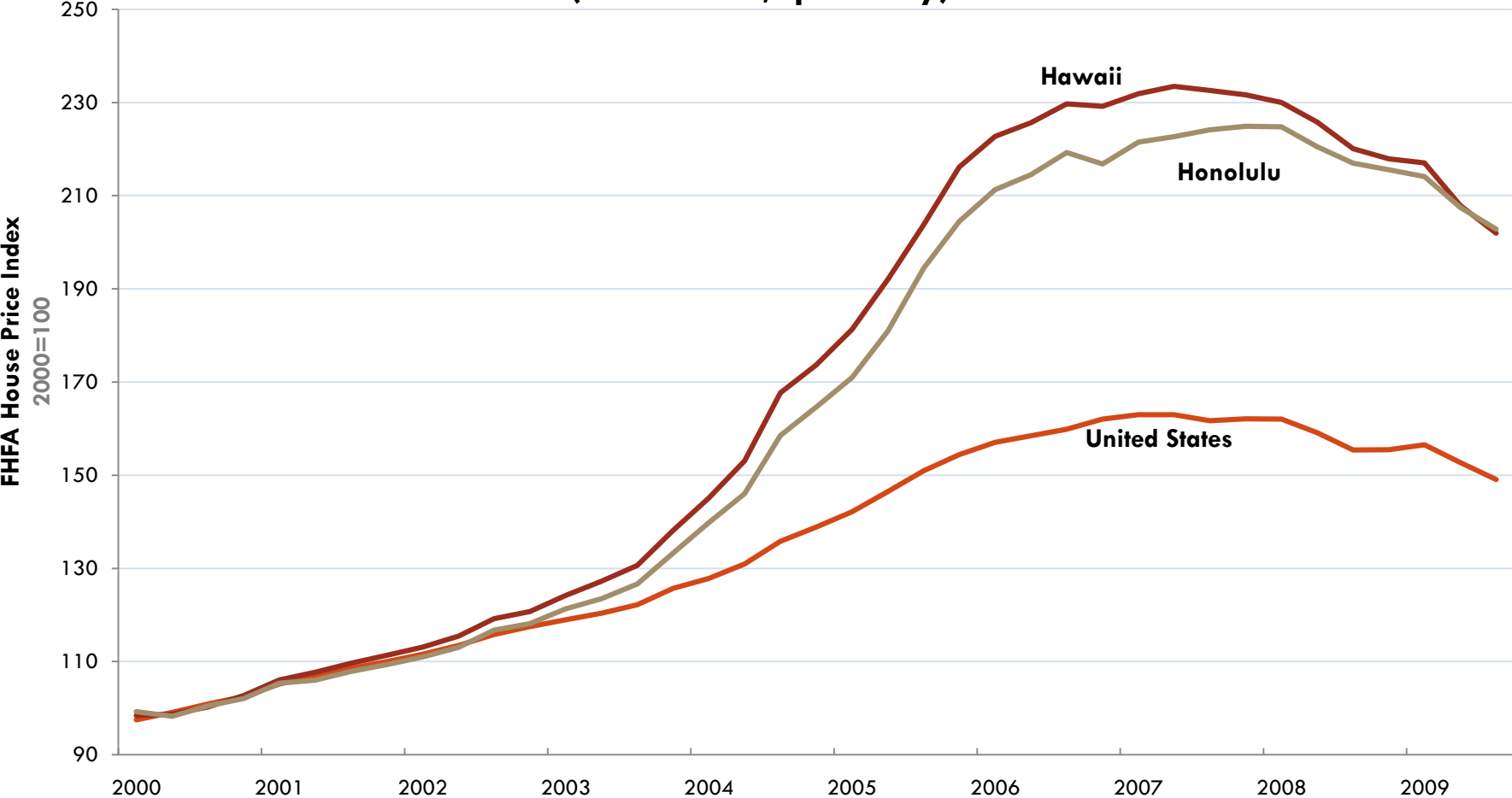
Unemployment Rate in Hawaii Flattening Out



Source: Bureau of Labor Statistics

Real Estate Market Continues to Soften

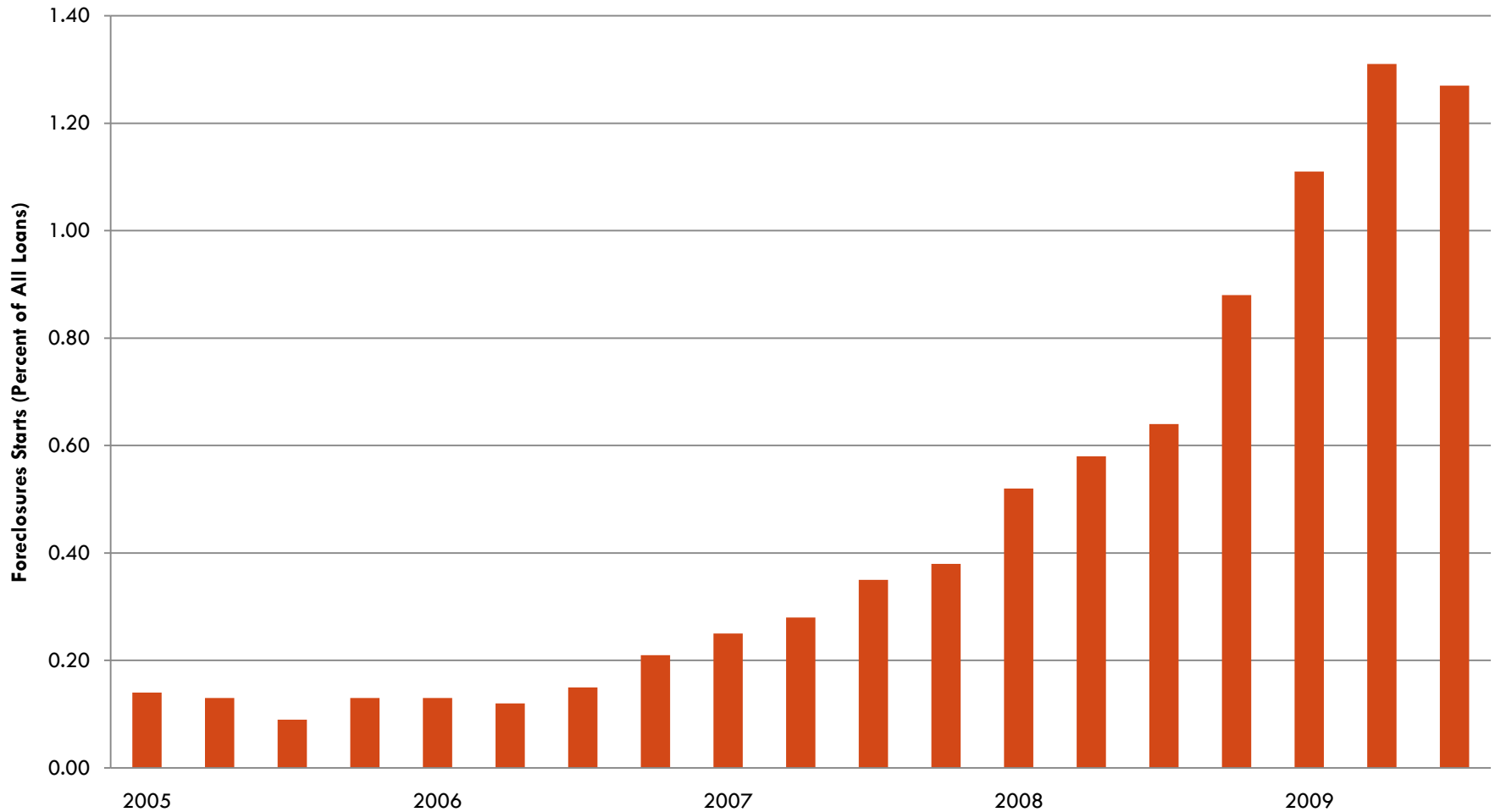
**FHFA (formerly OFHEO) House Price Index
(2000=100, quarterly)**



Source: Federal Housing Finance Agency (formerly OFHEO)

Foreclosure Rate Doubled over Last Year

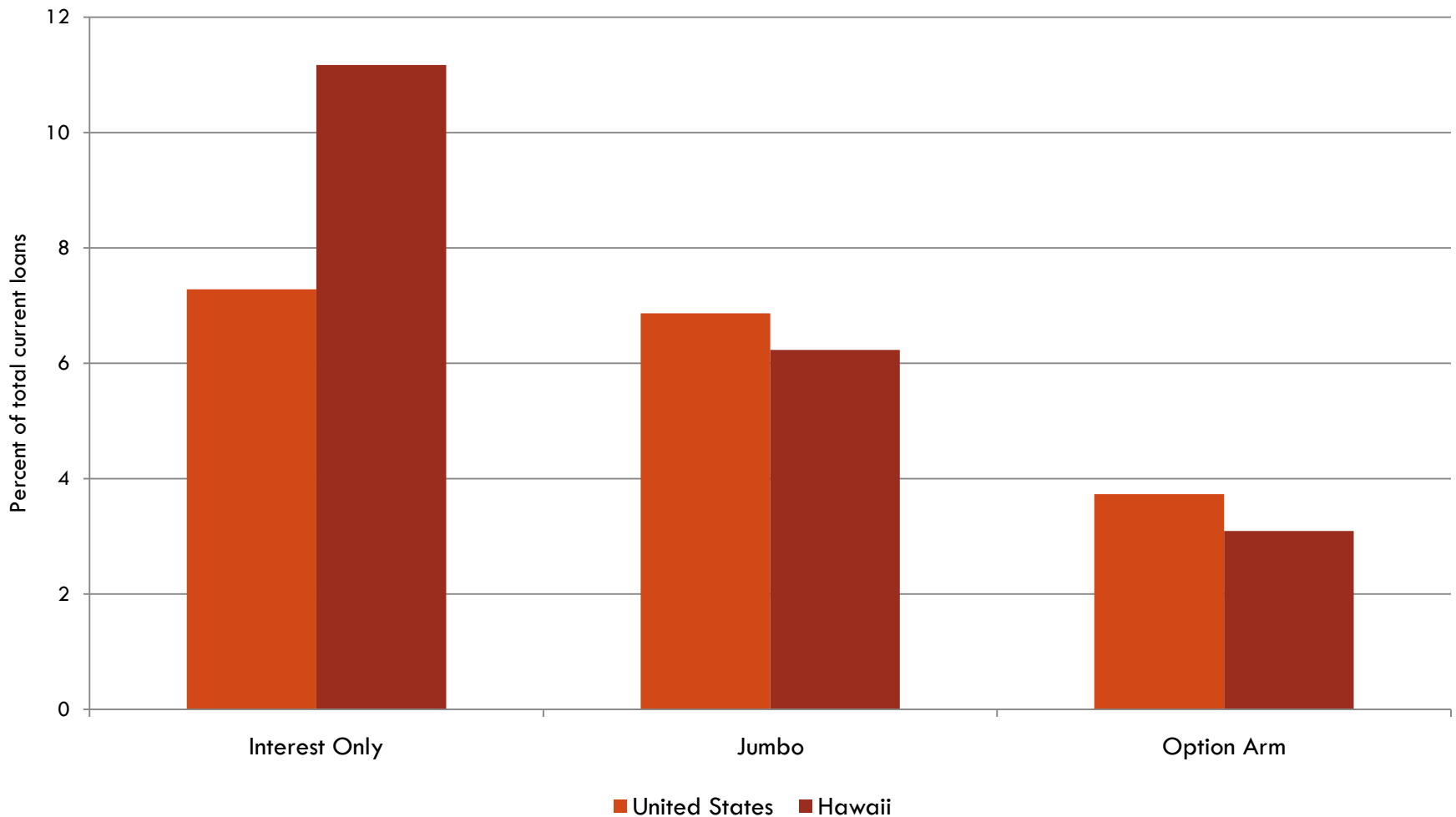
Hawaii: Foreclosure Starts



Source: Mortgage Bankers Association, National Delinquency Survey

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

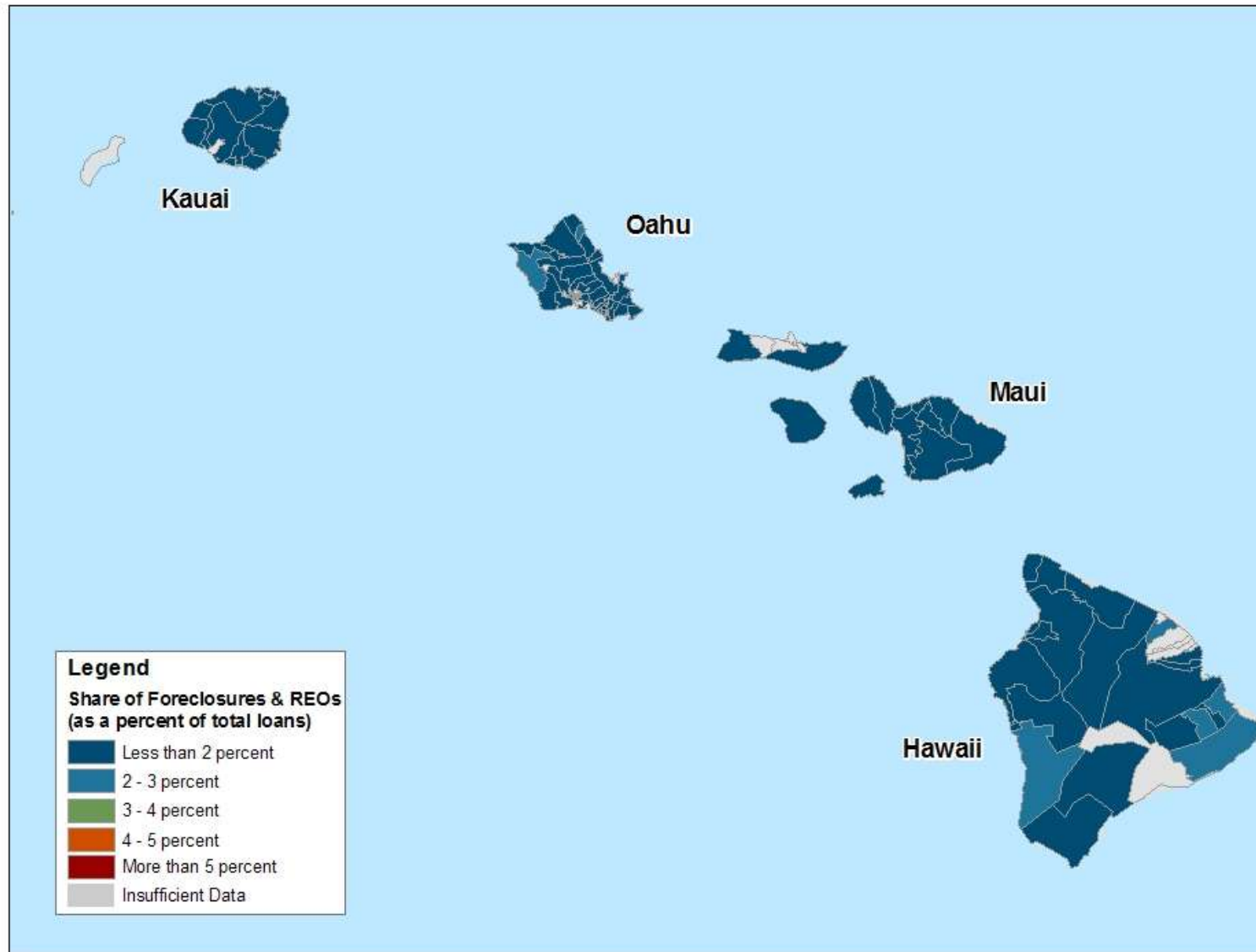
Characteristics of Remaining "Current" Loans



Hawaii Foreclosure Maps

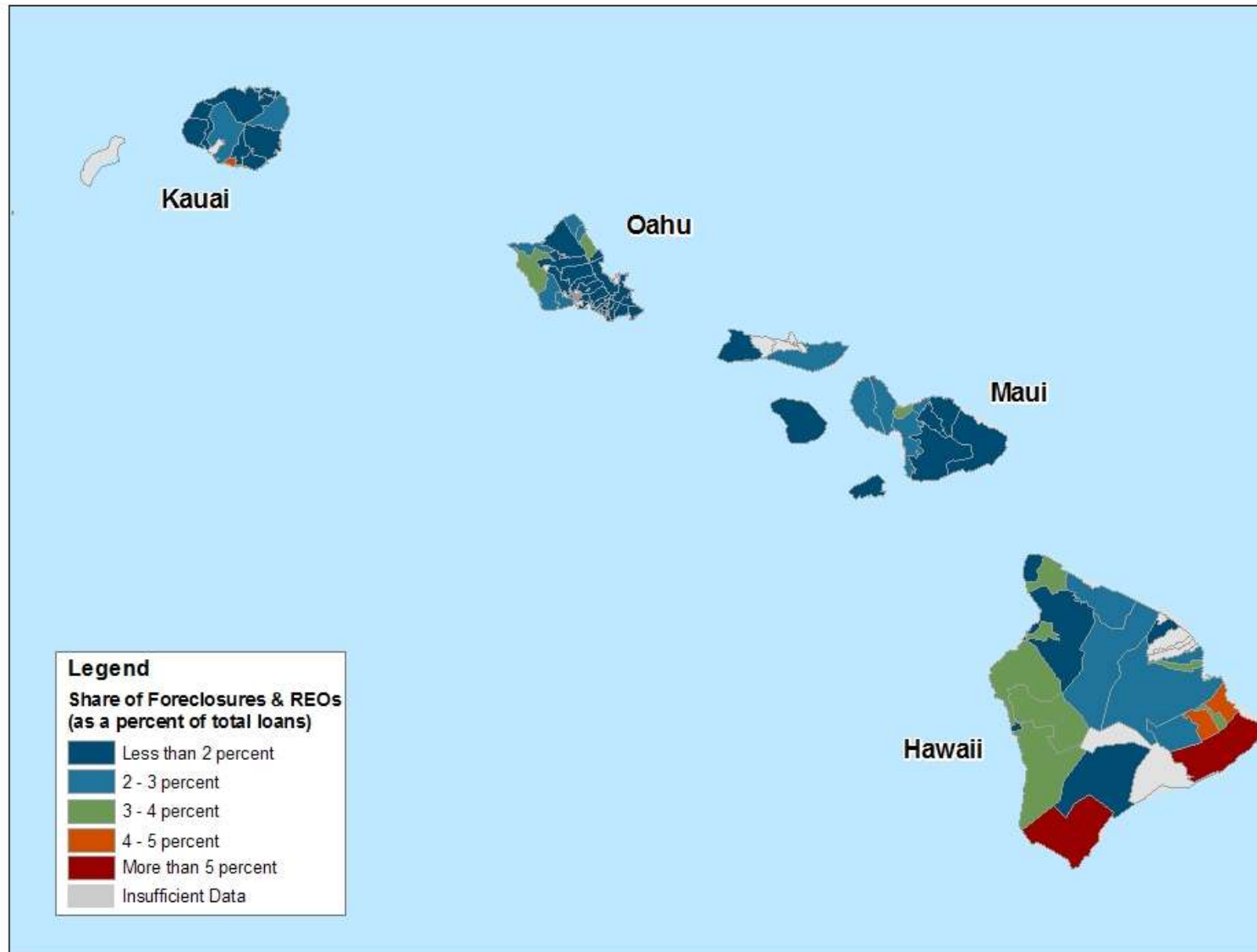
Areas Affected by Concentrated Foreclosures

February 2008



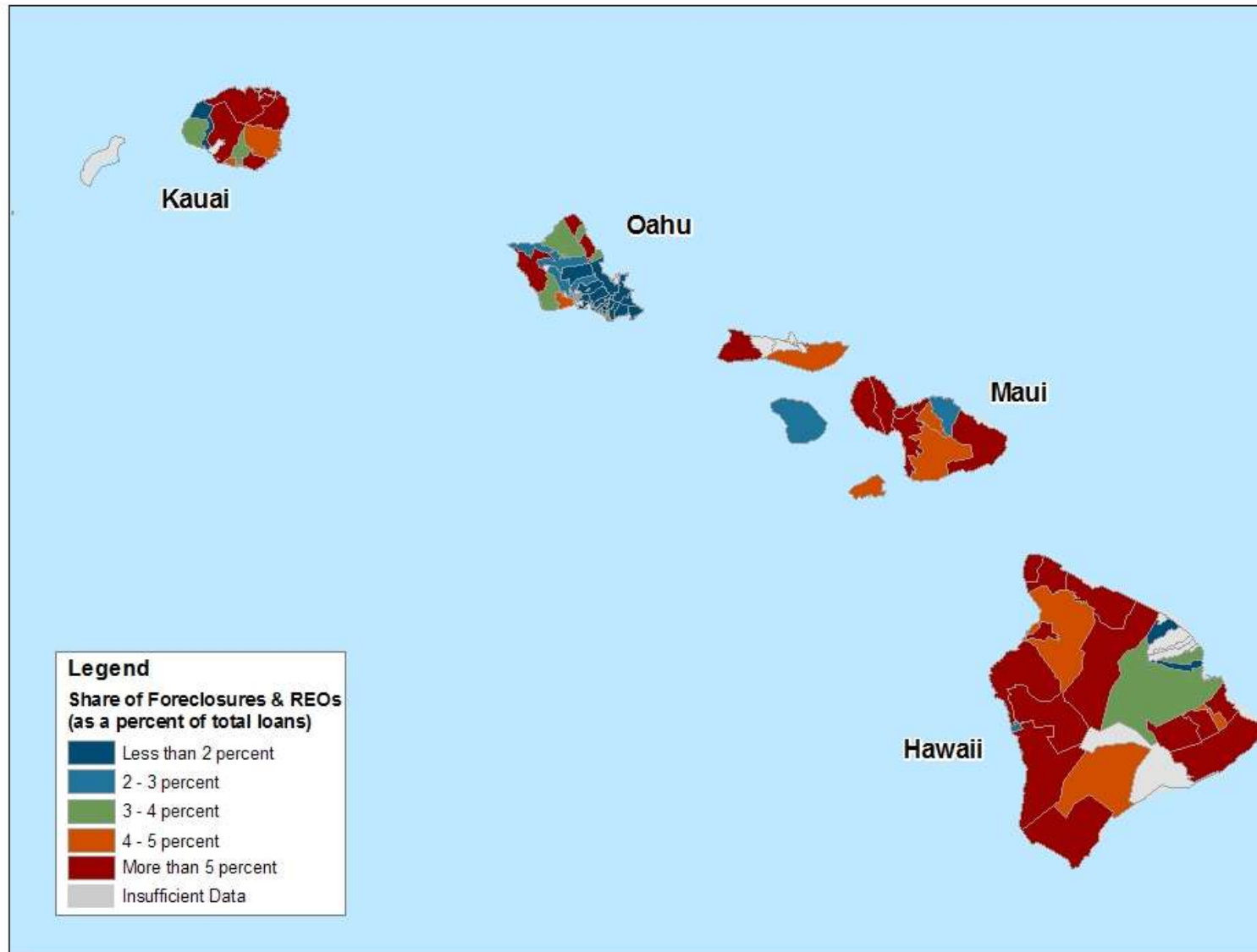
Areas Affected by Concentrated Foreclosures

November 2008



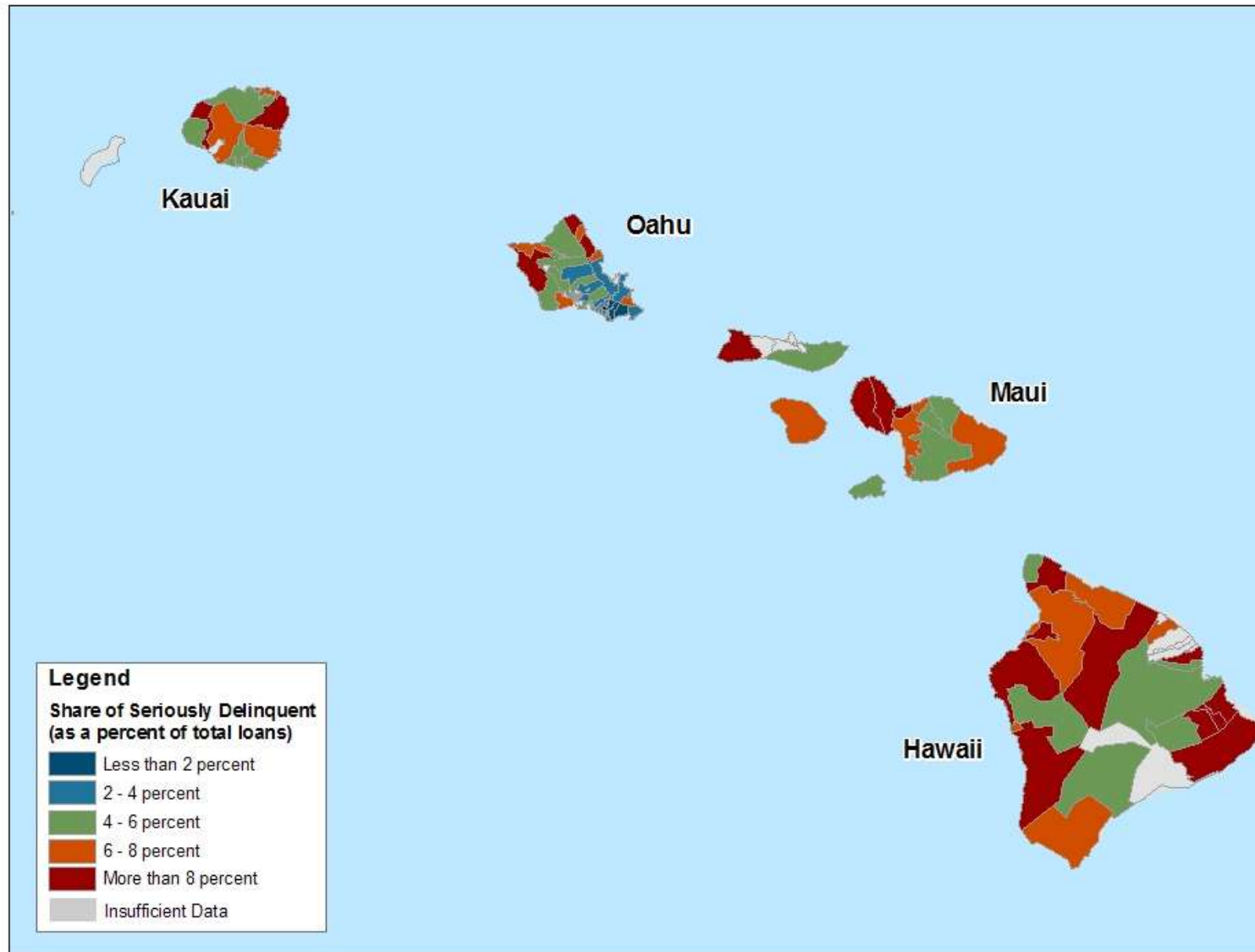
Areas Affected by Concentrated Foreclosures

November 2009



Areas at Risk of Additional Foreclosures

November 2009



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
 - 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

The screenshot displays the website for the Federal Reserve Bank of San Francisco's Community Development department. At the top, there is a navigation bar with links for 'Careers', 'Fed Links', and 'Subscriptions'. Below this is a secondary menu with categories: 'About the Fed', 'News and Events', 'Economic Research and Data', 'Educational Resources', 'Community Development' (highlighted), 'Consumer Information', 'Banking Information', and 'Services for Financial Institutions'. The main content area is titled 'COMMUNITY DEVELOPMENT' and features a 'Highlights' section with three articles: 'Focus on Community Development Policy', 'The Enduring Challenge of Concentrated Poverty in America', and 'Foreclosure Resource Center'. To the right, there is a 'TOOL BOX' with links for 'Fed Links', 'Subscriptions', 'Publications', 'Search', and 'Research Hub'. Below that is a 'POPULAR CONTENT' section listing upcoming events such as 'Marking Community Banker Assuring FDIC in Compliance with CFPB' and 'Innovative Financial Services for the Underserved'. At the bottom, there are sections for 'Programs and Information' (including CBA, Community Development Issues, and the Center for Community Development Investments), 'Events and Conferences', 'Publications', and 'About Us'.

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