TRENDS IN DELINQUENCY AND FORECLOSURES IN HAWAII

April 2009

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Outline of Presentation

- **National Trends**
  - Rising foreclosures
  - House price declines
  - Rising unemployment

- **Hawaii**
  - Trends in foreclosure
    - Increase in delinquencies and signs of borrower distress
  - Housing market softening
  - Rising unemployment, especially in tourism industry
  - 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 3rd Quarter of 2008, rose again in 4th 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 Again in 4th Quarter of 2008

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

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

Source: Haver Analytics and FRBSF Calculations, annual percent change, 2000 Q3 - 2008 Q4
Hawaii Trends
Hawaii Saw Steady Rise in Foreclosures in 2008, but Still Below US Average

Foreclosure Starts in 2008 (Percent of All Loans)

Hawaii Saw Steady Rise in Foreclosures in 2008, but Still Below US Average

Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008
Hawaii Saw a Large Jump in Foreclosure Starts in the 4th Quarter of 2008

Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008
Continued Softening of Real Estate Market in 4\textsuperscript{th} Quarter 2008

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

Source: Federal Housing Finance Agency (formerly OFHEO), 4th Quarter 2008
Hawaii Saw Lower Rates of High-Cost Lending During Subprime Boom than National Average

Percent of All Borrowers with High Interest Conventional Loans, 2005

Source: Home Mortgage Disclosure Act Data, 2005
High Cost Lending in Hawaii More Prevalent Among Minority Borrowers

Hawaii: High Interest Conventional Loans by Race, 2005

Source: Home Mortgage Disclosure Act Data, 2005
Unemployment Rate on the Rise

Unemployment Rate

<table>
<thead>
<tr>
<th>Industry</th>
<th>Feb - 09</th>
<th>1-mo.*</th>
<th>3-mo.*</th>
<th>12-mo.*</th>
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<tr>
<td>Total</td>
<td>607.4</td>
<td>-7.0</td>
<td>-4.2</td>
<td>-3.1</td>
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<td>Government</td>
<td>125.1</td>
<td>-19.6</td>
<td>-15.6</td>
<td>1.5</td>
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<td>Trade, Transportation &amp; Utilities</td>
<td>114.5</td>
<td>-1.0</td>
<td>-4.1</td>
<td>-5.8</td>
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<td>Leisure &amp; Hospitality</td>
<td>103.3</td>
<td>-6.7</td>
<td>-3.4</td>
<td>-6.0</td>
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<tr>
<td>Educational &amp; Health Svcs.</td>
<td>74.6</td>
<td>1.6</td>
<td>2.2</td>
<td>1.2</td>
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<tr>
<td>Professional &amp; Business Svcs.</td>
<td>74.4</td>
<td>6.7</td>
<td>1.6</td>
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<td>Natural Resources, Mining &amp; Construction</td>
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<td>-26.0</td>
<td>-18.0</td>
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<td>Financial Activities</td>
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<td>-11.7</td>
<td>-2.7</td>
<td>-3.4</td>
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<td>Other Services</td>
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<td>Manufacturing</td>
<td>14.5</td>
<td>-4.9</td>
<td>-2.8</td>
<td>-4.6</td>
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<tr>
<td>Information</td>
<td>9.6</td>
<td>-26.8</td>
<td>0.3</td>
<td>-5.0</td>
</tr>
</tbody>
</table>

Hawaii Foreclosure Maps
Distribution of Lending Volumes

September 2007

Legend
Total Number of Loans
- 100 - 500 loans
- 500 - 1,000 loans
- 1,500 - 4,000 loans
- 4,000 - 6,500 loans
- More than 6,500 loans
- Insufficient Data

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

April 2008

Legend
Percent of Loans in Foreclosure or REO
- Less than .5 percent
- .5 - 1.4 percent
- 1.4 - 2.8 percent
- 2.8 - 4.2 percent
- More than 4.2 percent
- Insufficient Data

Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, April 2008
Areas Affected by Concentrated Foreclosures
November 2008

Legend
Percent of Loans in Foreclosure or REO
- Less than .5 percent
- .5 - 1.4 percent
- 1.4 - 2.8 percent
- 2.8 - 4.2 percent
- More than 4.2 percent
- Insufficient Data

Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, November 2008
Areas Affected by Concentrated Foreclosures
February 2009

Legend
Percent of Loans in Foreclosure or REO
- Less than .5 percent
- .5 - 1.4 percent
- 1.4 - 2.8 percent
- 2.8 - 4.2 percent
- More than 4.2 percent
- Insufficient Data

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

Legend
Percent of Loans Seriously Delinquent
(60 - 90+ days delinquent)
- Less than 1.2 percent
- 1.2 - 2.8 percent
- 2.8 - 4.2 percent
- 4.2 - 7.2 percent
- More than 7.2 percent
- Insufficient Data

Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, February 2009
Modifications Growing as a Share of Loan Workouts

Source: Hope Now Alliance Servicing Data, 4th Quarter 2008
Yet, Still Fall Short of Need

Foreclosure & Delinquencies v. Loan Workouts in Hawaii

Source: Hope Now Alliance Servicing Data, 4th Quarter 2008
Conclusions
Conclusions

- Hawaii is likely to see a continued increase in delinquencies and foreclosures
- Multi-pronged strategy is needed to stem foreclosure crisis, but for Hawaii foreclosure prevention should be top priority
  - 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/