

Mortgage Delinquencies and Foreclosures: Hawaii



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Analysis of First American LoanPerformance data provided by the Federal Reserve Board of Governors. Do not cite or reproduce without permission.

Overview of Presentation

- What are current trends in delinquencies and foreclosures in Hawaii?
 - Mortgage Bankers Association data
 - Trends in Delinquencies and Defaults
 - HOPE NOW Alliance Servicer Data
- What are the primary drivers of foreclosures?
 - Declining house values
 - High proportion of subprime loans
 - Declines in underwriting standards
- What neighborhoods in Hawaii are witnessing increased issues with foreclosures?
 - McDash data on foreclosures and REOs
 - LoanPerformance data on subprime loans
- What responses are needed?

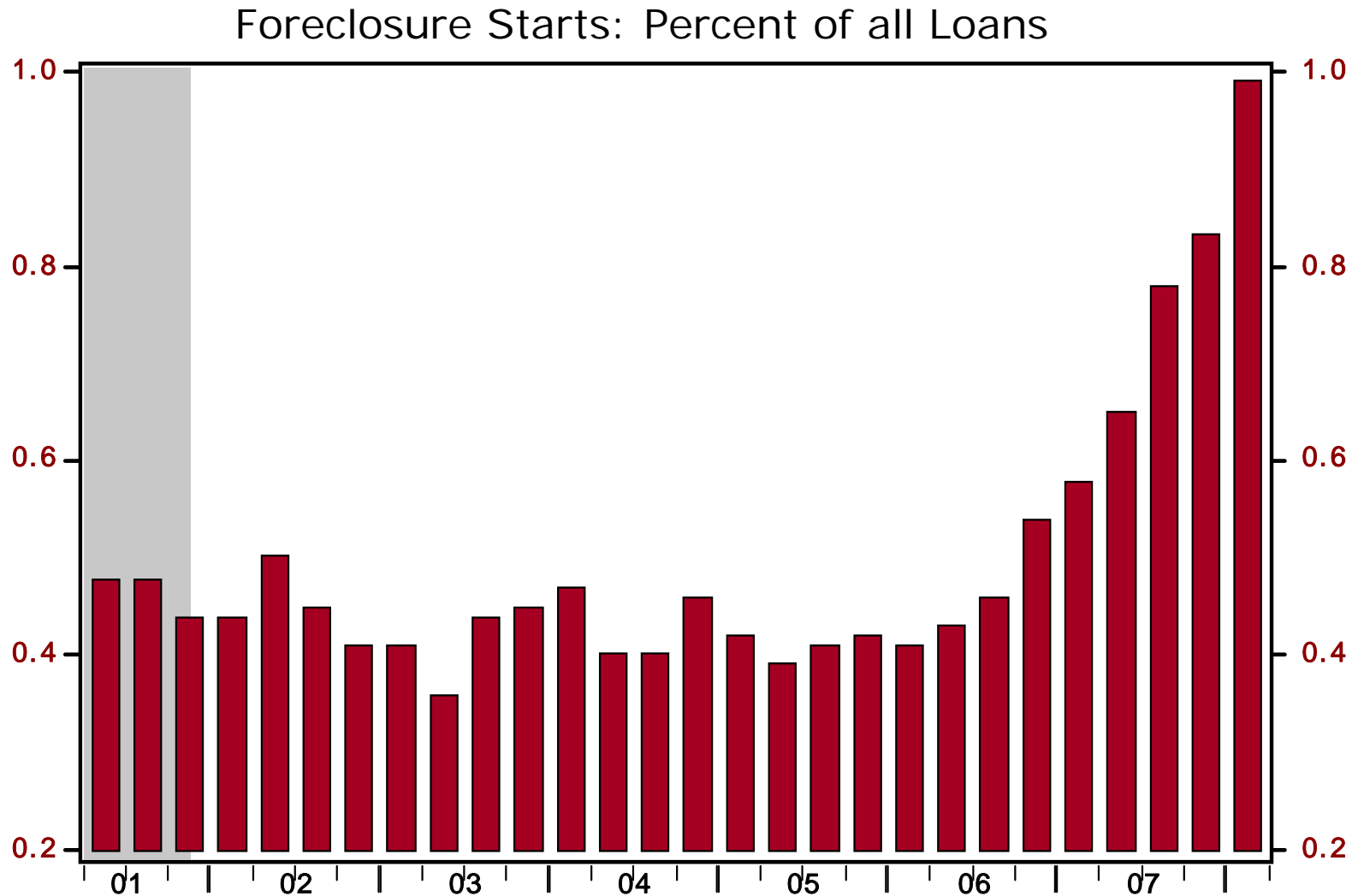
Data Caveats

- ❑ Data on the real estate and mortgage markets are collected by many different sources, most costly and proprietary
- ❑ As a result, it is important to consider the limitations of data presented
 - Different definitions of subprime may affect the reporting of rates of delinquencies and foreclosures
 - Different methodologies and different sampling methods may affect the reports
 - Aggregated data at the zip code level can mask significant geographic variation and the types of borrowers affected

Trends in Delinquencies and Foreclosures



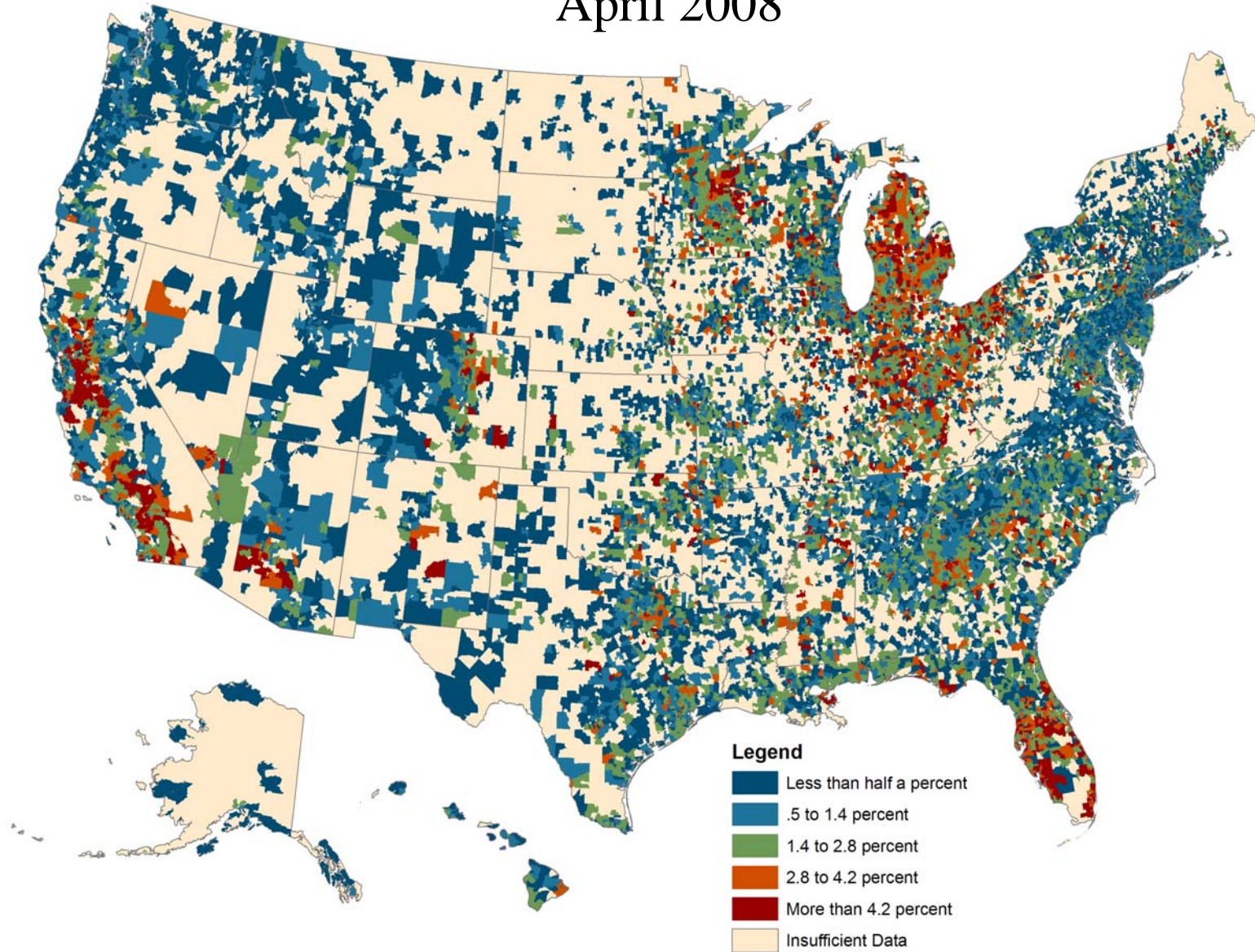
Significant Increase in National Foreclosure Starts



Source: Mortgage Bankers Association, National Delinquency Survey, 1st Quarter 2008

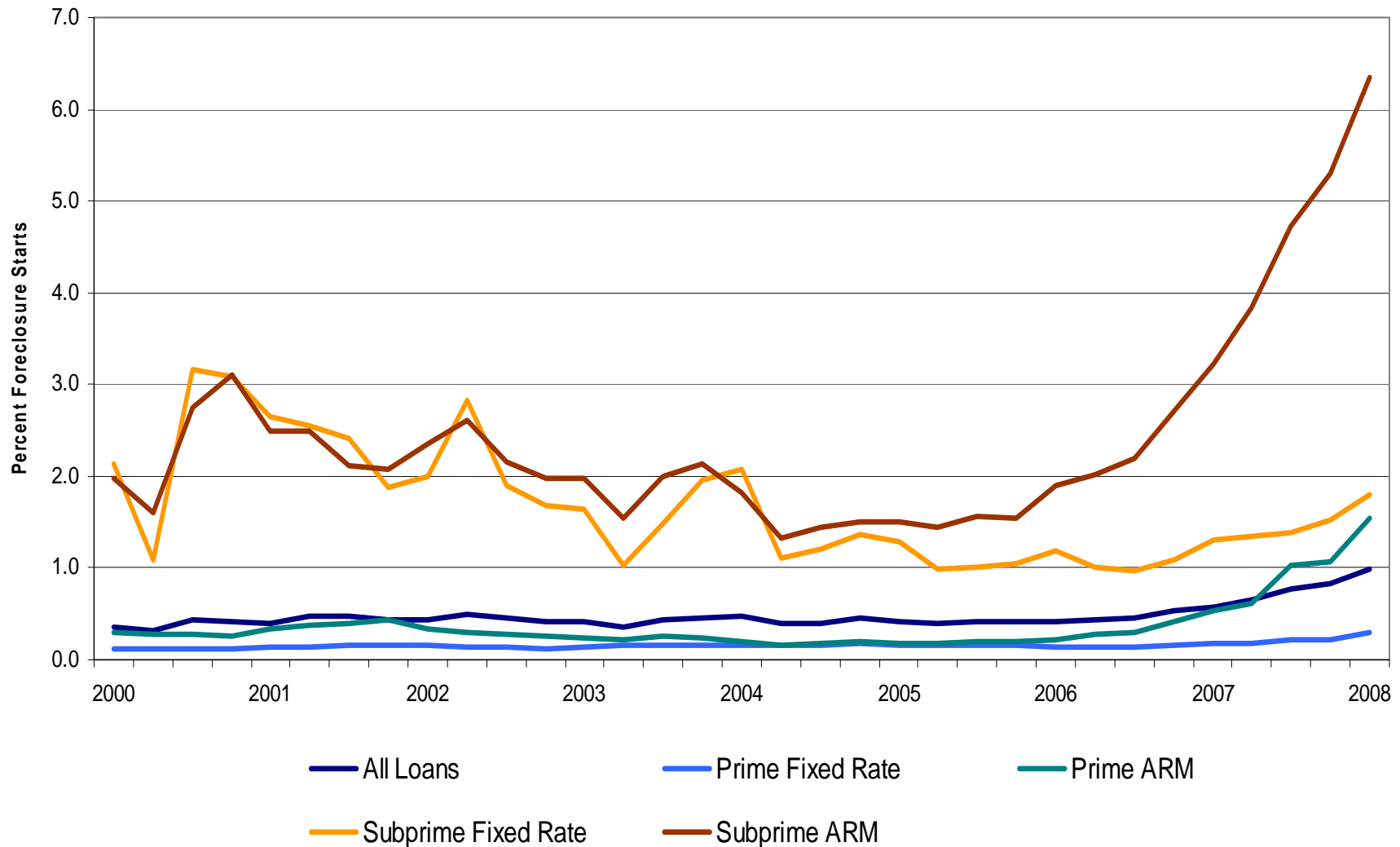
Percent of Mortgage Loans in Foreclosure or REO (by zip code)

April 2008



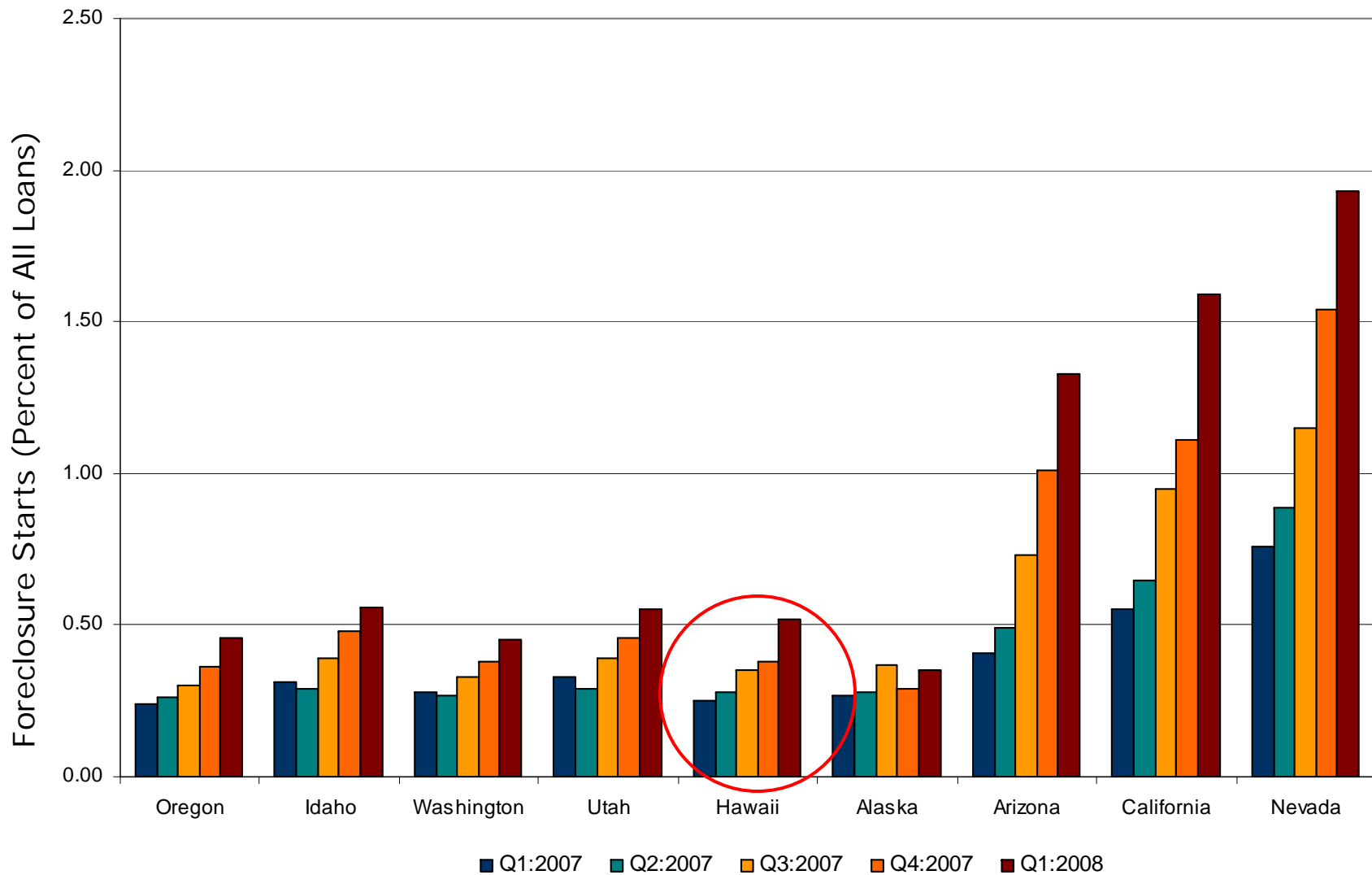
Source: McDash Analytics, LLC and FRBSF calculations

Foreclosures Concentrated in Subprime ARM Market



Source: Mortgage Bankers Association, National Delinquency Survey, 1st Quarter 2008

Hawaii has seen an increase in foreclosure starts, but rates remain lower than national average



Source: Mortgage Bankers Association, National Delinquency Survey, 1st Quarter 2008.

1st Quarter 2008 Servicer Data Also Show Increasing Rates of Foreclosure and Delinquency in Hawaii

Hawaii, 60+ Delinquencies, Prime and Subprime Loans				
Q1-2007	Q2-2007	Q3-2007	Q4-2007	Q1-2008
990 (0.79%)	1,097 (0.85%)	1,334 (1.02%)	1,786 (1.33%)	2,371 (1.78%)
Hawaii, Foreclosure Starts, Prime and Subprime Loans				
Q1-2007	Q2-2007	Q3-2007	Q4-2007	Q1-2008
374	438	508	593	809

Source: Hope Now Servicing Data, April State Data Tables 2008

Delinquency Rates Vary Significantly by Mortgage Type

Hawaii: Delinquency and Foreclosure Rates, 1st Qtr 2008

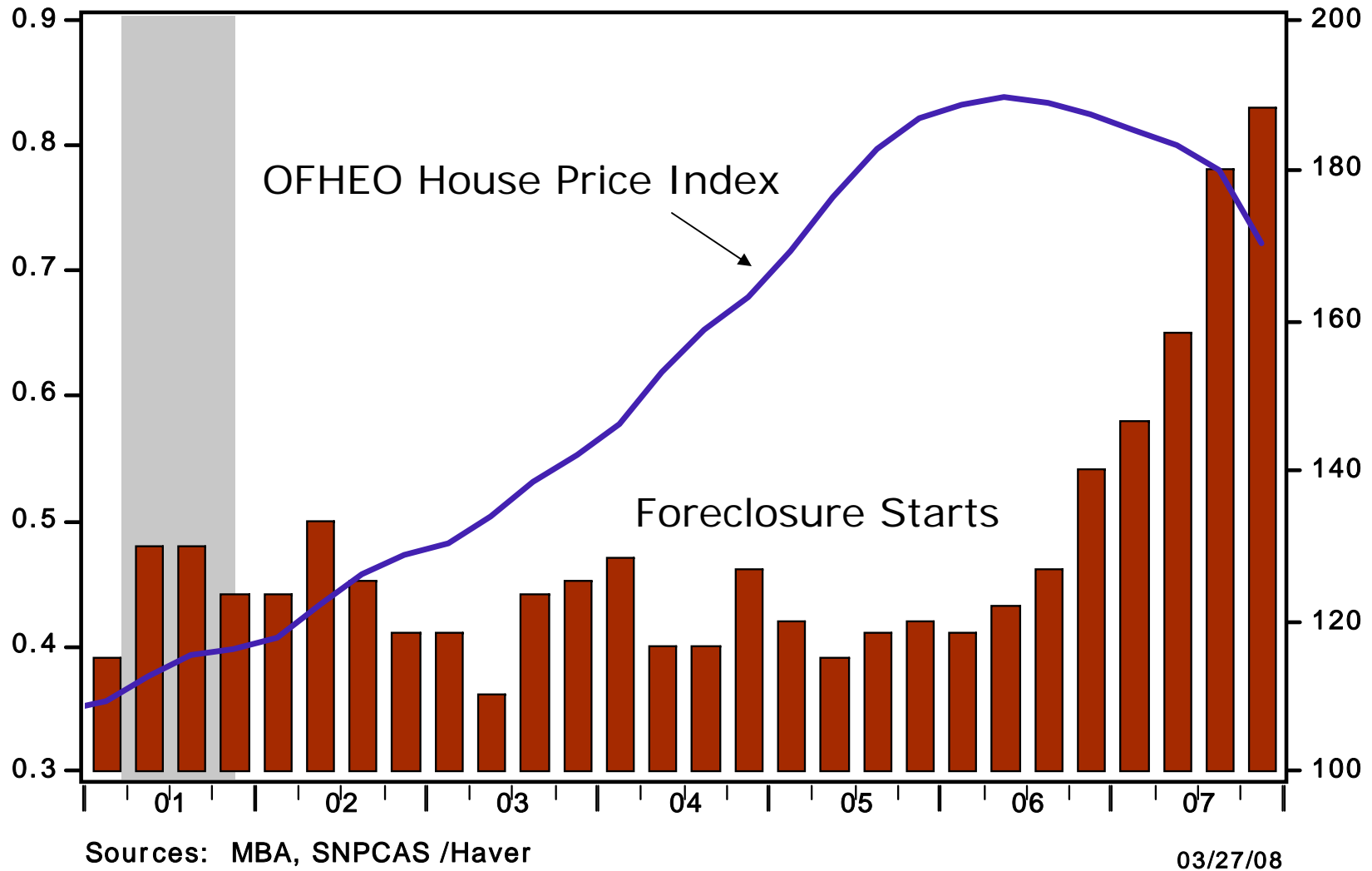
Mortgage Type	Percent Past Due	Foreclosures Started
Prime Fixed	1.14	0.10
Prime ARM	3.92	0.73
Subprime Fixed	8.64	1.19
Subprime ARM	14.94	4.82
FHA	5.91	.31

Source: Mortgage Bankers Association, National Delinquency Survey, 1st Qtr 2008

Trends in House Values

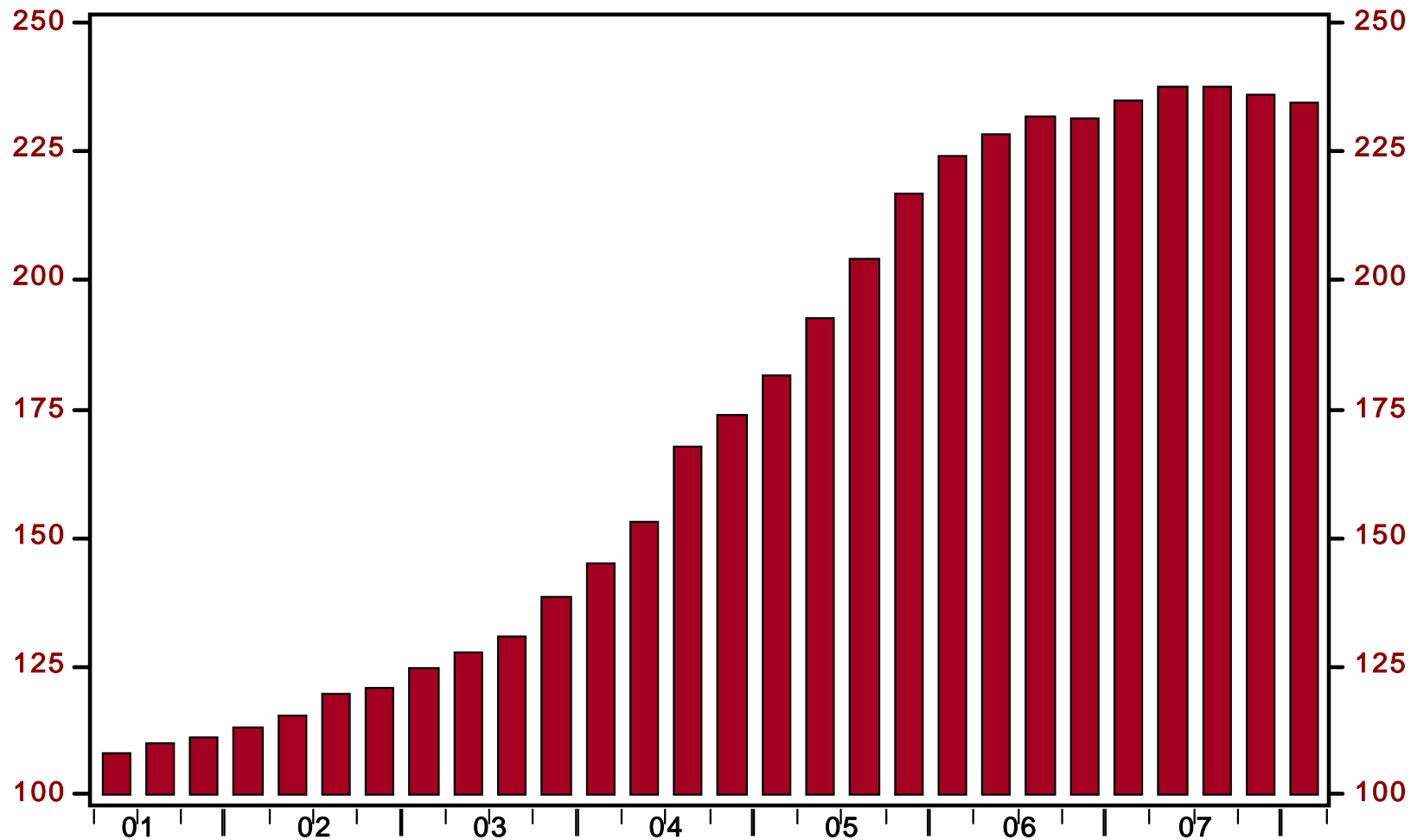


Nationally, Subprime Foreclosure Rates Closely Track Declines in House Values



Hawaii's Housing Market Softening Slightly

OFHEO House Price Index (2000=100)

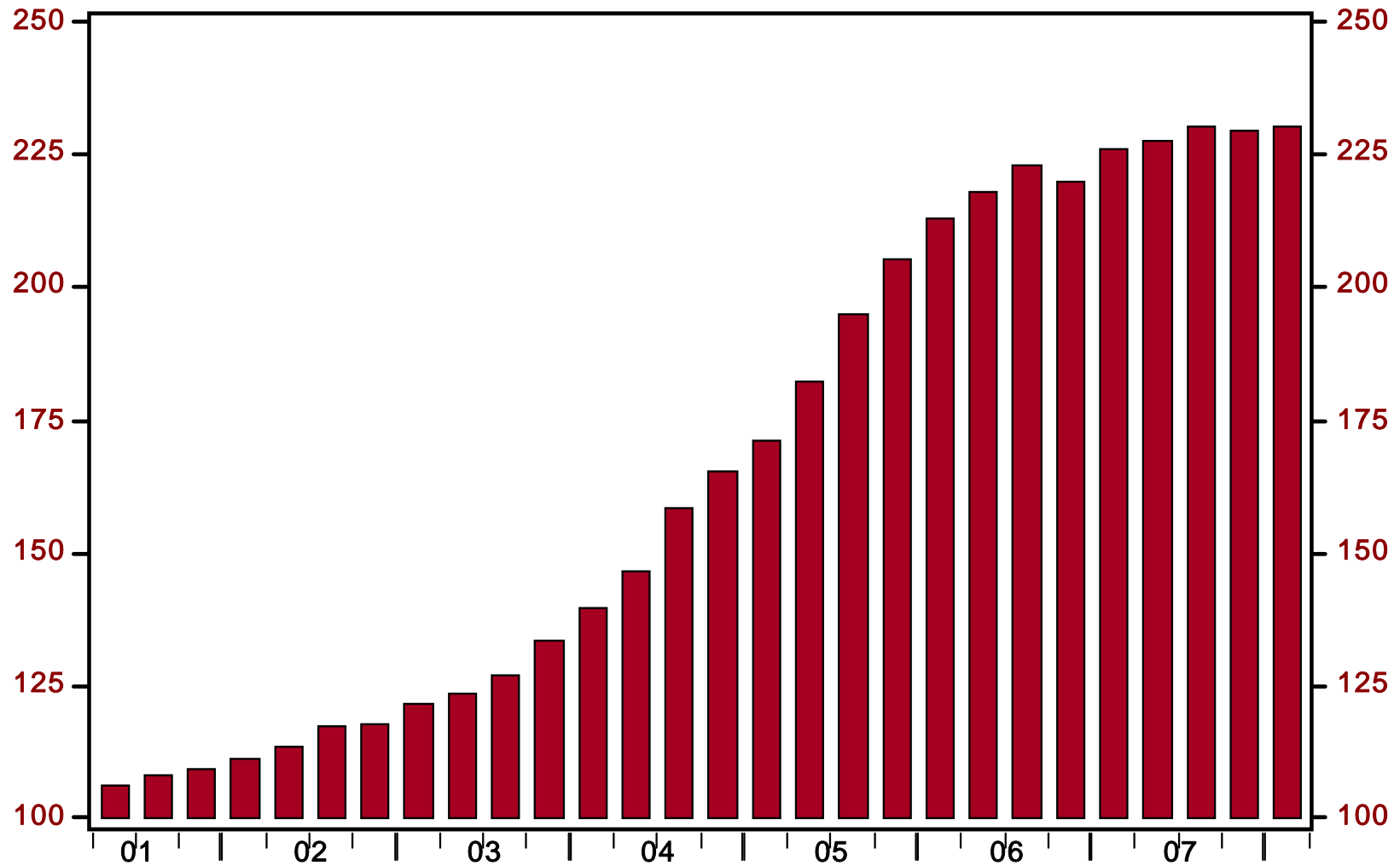


Source: OFHEO /Haver

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Honolulu Has Not Seen Same Declines as in Many Mainland Markets

Honolulu - OFHEO House Price Index (2000=100)



Source: OFHEO /Haver

07/21/08

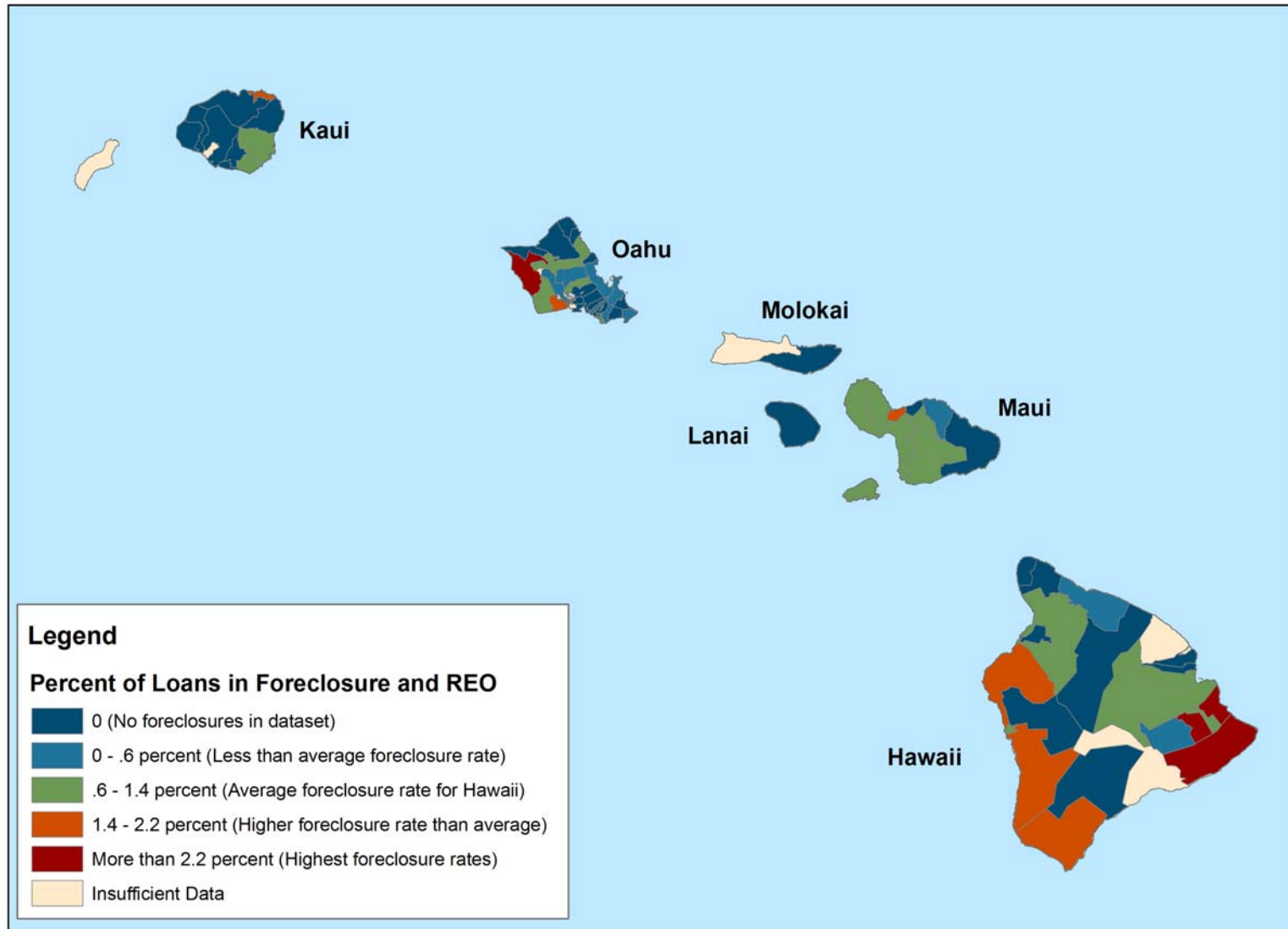
Hawaii Did See Surge in Subprime Lending

- Economic research suggests that the current mortgage crisis on the mainland has been driven by declining house values
 - Hawaii vulnerable to same dynamic if house prices fall
- Many of the subprime loans layered multiple risk factors, such as variable interest rates, no documentation, and/or prepayment penalties
- Critical to help distressed borrowers now, and refinance into more sustainable loan products

Hawaii “Hot Spots”

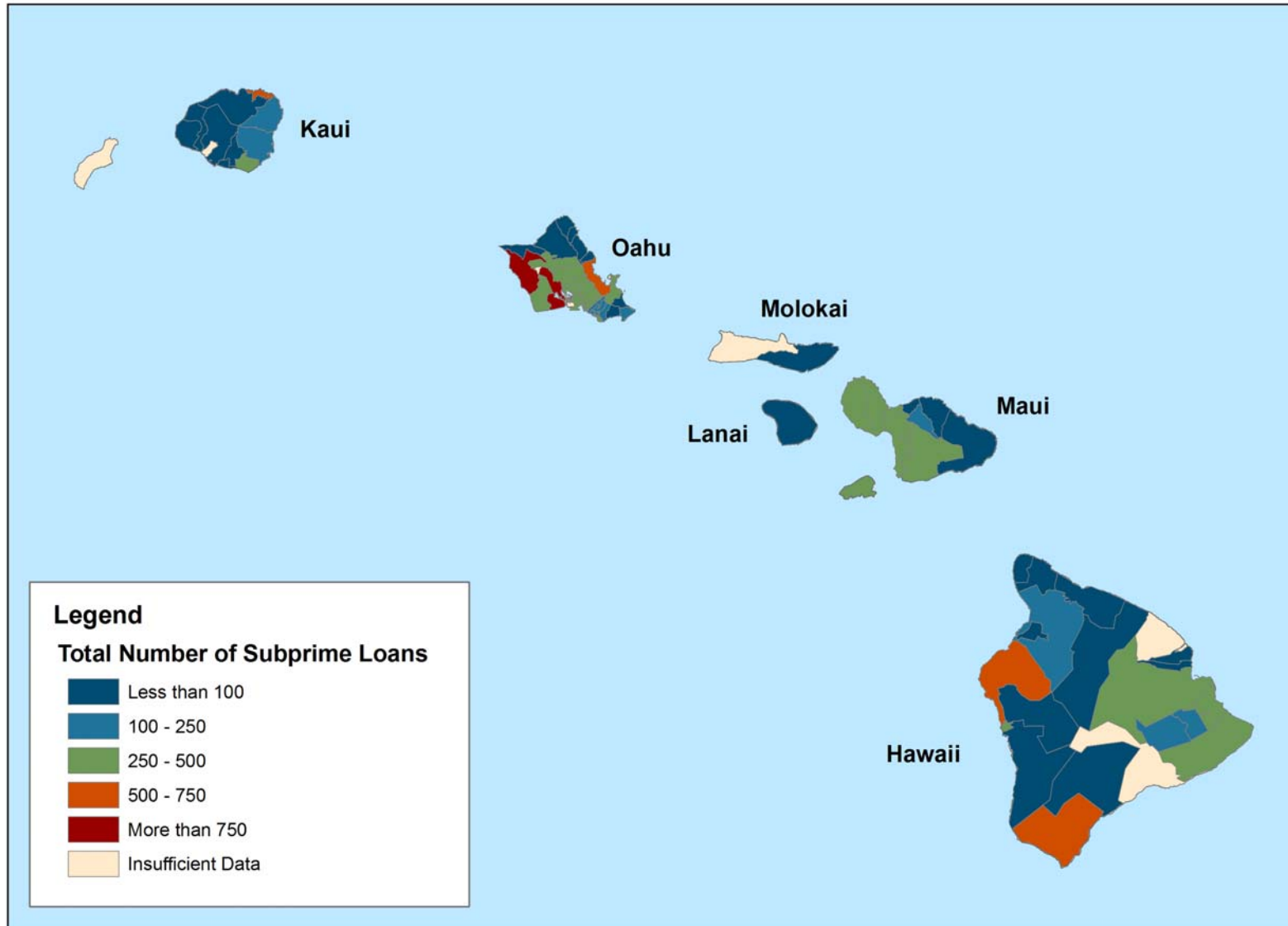


Hawaii – Emerging Foreclosure “Hot Spots”



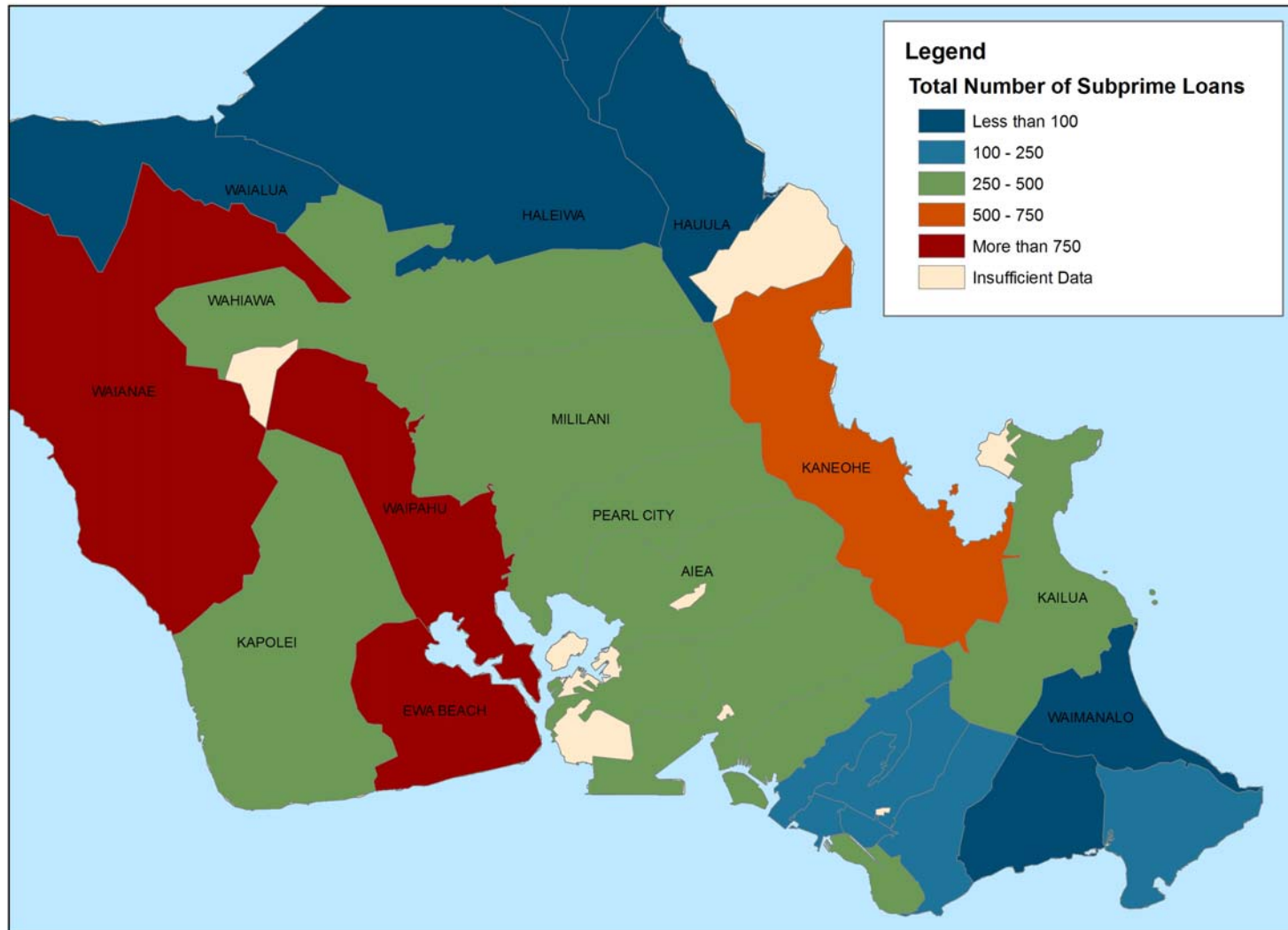
Source: McDash Analytics, LLC and FRBSF calculations

Areas with Concentrations of Subprime Loans



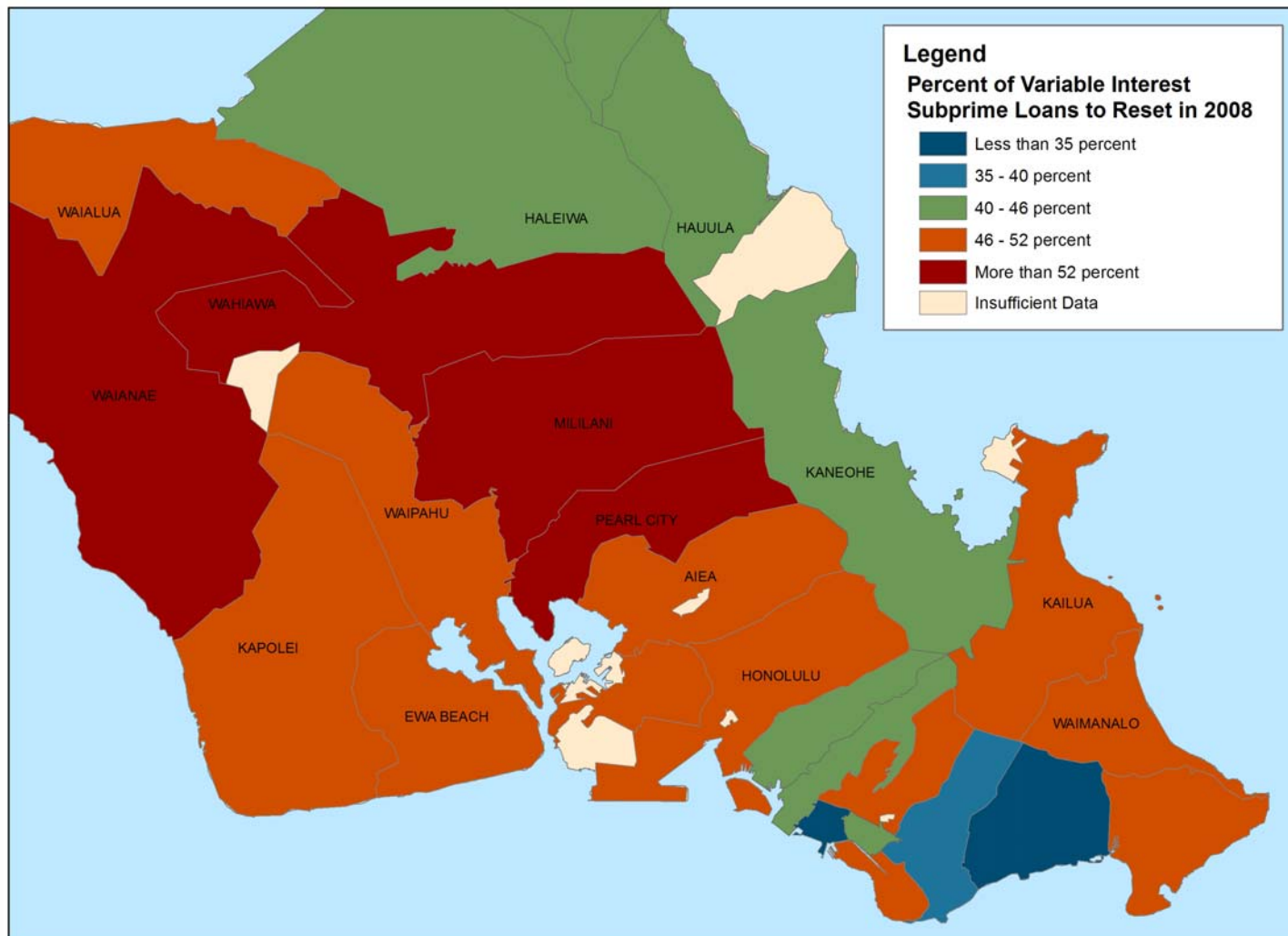
Source: Analysis by Federal Reserve Board of Governors, First American Loan Performance Data, February 2008. Data represent a sample of subprime loans, approximating 70 percent of subprime loan volume. Data aggregated at the zip code level.

Areas with Concentrations of Subprime Loans



Source: Analysis by Federal Reserve Board of Governors, First American LoanPerformance Data, February 2008. Data represent a sample of subprime loans, approximating 70 percent of subprime loan volume. Data aggregated at the zip code level.

Percent of Variable Interest Rate, Subprime Loans to Reset in 2008



Source: Analysis by Federal Reserve Board of Governors, First American Loan Performance Data, February 2008. Data represent a sample of subprime loans, approximating 70 percent of subprime loan volume. Data aggregated at the zip code level.

Conclusions

- ❑ Hawaii may see an increase in delinquencies and foreclosures
 - If house values continue to soften and start to decline, delinquencies and foreclosures will likely rise, and families may have a more difficult time refinancing loans
- ❑ Multi-pronged strategy is needed to stem the foreclosure crisis
 - Foreclosure Prevention: borrower outreach, refinance and loan modification
 - ❑ Reaching these borrowers now may help to prevent unnecessary foreclosures
 - ❑ Encourage borrowers to call **(888) 995-HOPE** or visit www.995HOPE.org

Conclusions

- Multi-pronged strategy is needed to stem the foreclosure crisis
 - Foreclosure Prevention: borrower outreach, loan modification (including principal reduction)
 - Addressing Vacant Properties: ensuring that servicers maintain properties
 - REO Property Disposition: working with nonprofits and city governments to redevelop REO properties into affordable housing units
 - Ensuring continued access to credit and homeownership: financial education, responsible lending