TRENDS IN DELINQUENCIES AND FORECLOSURES IN IDAHO

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Outline of Presentation

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

- Idaho
  - Trends in foreclosure
  - Housing market softening
  - Rising unemployment
  - Scale of loan modifications still falls short of need
National Trends
National Trends

- Foreclosures rose steadily in 2008, with wide repercussions for US economy
  - A slight decline in the national foreclosure rate in the 3\textsuperscript{rd} Quarter of 2008
- Factors driving foreclosures nationally
  - House price declines
  - Rising unemployment, coupled with turmoil in financial and credit markets, may further influence foreclosure rate going forward
After Steady Rise, National Foreclosure Starts Dipped Slightly in 3rd Quarter of 2008

National Foreclosure Starts
(Percent of all loans)

Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008
Nationally, House Prices Continue to Decline

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

Source: Case - Shiller Home Price Index, 3rd Q 2008
Recession Marks Significant Jump in National Unemployment Insurance Claims

Source: Haver Analytics and FRBSF Calculations, annual percent change, 2000 Q3 - 2008 Q3
Idaho Trends
Foreclosures in Idaho Have Risen Significantly, But Remain Below US Average

Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008
Yet Unlike National Trends, Idaho Saw an Increase in Foreclosure Starts in 3rd Quarter 2008

Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008
Idaho Seeing Softening of Real Estate Market

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

Source: Federal Housing Finance Agency (formerly OFHEO), 3rd Quarter 2008
Among Metropolitan Areas, Boise Experiencing Greatest Declines in House Values

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

Source: Federal Housing Finance Agency (formerly OFHEO), 3rd Quarter 2008
Idaho’s Foreclosures are Concentrated in Subprime ARM Market

![Foreclosure Starts by Loan Type](chart.png)

Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008
Nearly 1 in 5 Loans during Subprime Boom in Idaho Was a High Cost Loan

Source: Home Mortgage Disclosure Act Data, 2005
High Cost Lending in Idaho More Prevalent Among Some Minority Groups

High Cost Conventional Loans by Race, 2005

Source: Home Mortgage Disclosure Act Data, 2005
Unemployment Rate in Idaho Has Risen Sharply

Employment Trends by Industry in Idaho

<table>
<thead>
<tr>
<th>Idaho</th>
<th>Total Employed (thousands)</th>
<th>Dec-08</th>
<th>1-mo.*</th>
<th>3-mo.*</th>
<th>12-mo.</th>
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<tr>
<td>Total</td>
<td>628.8</td>
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<td>-17.1</td>
<td>-11.8</td>
<td>-4.3</td>
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<td>Trade, Transportation &amp; Utilities</td>
<td>126.1</td>
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<td>-7.3</td>
<td>-12.0</td>
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<td>Government</td>
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<td>4.0</td>
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<td>3.1</td>
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<td>Professional &amp; Business Svcs.</td>
<td>77.1</td>
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<td>-35.8</td>
<td>-14.6</td>
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<td>Educational &amp; Health Svcs.</td>
<td>75.9</td>
<td></td>
<td>1.6</td>
<td>-1.6</td>
<td>2.3</td>
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<td>Leisure &amp; Hospitality</td>
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<td>-29.8</td>
<td>-16.6</td>
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<td>Manufacturing</td>
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<td>Construction</td>
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<td>Financial Activities</td>
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<td>7.3</td>
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<td>Natural Resources &amp; Mining</td>
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<td>-45.1</td>
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<td>-15.2</td>
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</tbody>
</table>

Idaho Foreclosure Data Maps
Distribution of Lending Volumes
September 2007

Legend
Total Loans
- Less than 1,000 Loans
- 1,000 - 2,000 Loans
- 2,000 - 3,000 Loans
- 3,000 - 4,000 Loans
- More than 4,000 Loans
- Insufficient Data

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

Legend
Share of Foreclosures and REOs
(As a Percent of All Loans)
- 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, September 2007
Areas with Concentrations of REO Properties
November 2008

Legend
Share of REO Properties (As a Percent of All Loans)
- Less than 0.25 percent
- 0.25 - 0.50 percent
- 0.50 - 0.75 percent
- 0.75 - 1.0 percent
- More than 1.0 percent
- Insufficient Data

Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, November 2008
Areas at Risk of Additional Foreclosures
November 2008

Legend
Share of Seriously Delinquent Loans
(As a Percent of All 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 & FRBSF Calculations, November 2008
Loan Modifications as Share of Loan Workouts Have Increased

Source: Hope Now Alliance Servicing Data, 3rd Quarter 2008
Yet, Workouts Still Fall Short of Need

Foreclosure & Delinquencies v. Loan Workouts in Idaho
3rd Quarter 2008

Source: Hope Now Alliance Servicing Data, 3rd 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/