TRENDS IN DELINQUENCY AND FORECLOSURES IN NEVADA

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Outline of Presentation

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

- Nevada
  - 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
  - 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 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

U.S. Unemployment Rate

Source: Bureau of Labor Statistics
Nevada Has Highest Foreclosure Rate in the US

Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008
Nevada Saw a Continued Increase in Foreclosure Starts in 4th Quarter 2008

Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008
Nevada’s House Prices Have Dropped Significantly

Source: Federal Housing Finance Agency (formerly OFHEO), 4th Quarter 2008
Metropolitan Areas are Similarly Experiencing Declines in House Prices

Source: Federal Housing Finance Agency (formerly OFHEO), 4th Quarter 2008
Foreclosures in Nevada Extending into All Mortgage Products

Foreclosure Starts by Loan Type

Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008
Nevada Saw High Rates of High-Cost Lending During Subprime Boom, Above National Average

Percent of All Borrowers with High Interest Conventional Loans, 2005

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

**High Cost Conventional Loans by Race, 2005**

- **All borrowers**: 30%
- **White borrowers**: 30%
- **Asian/Pacific Islander borrowers**: 30%
- **Native American borrowers**: 30%
- **Black borrowers**: 50%
- **Hispanic/Latino borrowers**: 60%

Source: Home Mortgage Disclosure Act Data, 2005
Unemployment Rate in Nevada also on the Rise, Above US Average

## Employment Trends by Industry in Nevada

<table>
<thead>
<tr>
<th>Nevada</th>
<th>Total Employed (thousands)</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Feb-09</td>
<td>1-mo.</td>
</tr>
<tr>
<td>Total</td>
<td>1,217.7</td>
<td>-7.6</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>318.1</td>
<td>-7.2</td>
</tr>
<tr>
<td>Trade, Transportation &amp; Utilities</td>
<td>226.2</td>
<td>-11.0</td>
</tr>
<tr>
<td>Government</td>
<td>160.8</td>
<td>-7.2</td>
</tr>
<tr>
<td>Professional &amp; Business Svcs.</td>
<td>145.1</td>
<td>-7.9</td>
</tr>
<tr>
<td>Construction</td>
<td>101.6</td>
<td>-18.1</td>
</tr>
<tr>
<td>Educational &amp; Health Svrs.</td>
<td>97.1</td>
<td>3.8</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>59.4</td>
<td>4.1</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>45.8</td>
<td>-5.1</td>
</tr>
<tr>
<td>Other Services</td>
<td>36.8</td>
<td>-9.3</td>
</tr>
<tr>
<td>Information</td>
<td>14.3</td>
<td>-14.6</td>
</tr>
<tr>
<td>Natural Resources &amp; Mining</td>
<td>12.4</td>
<td>-17.4</td>
</tr>
</tbody>
</table>

Major Declines in Construction/Real Estate, But National Recession Affecting Tourism Employment As Well

Industry Employment Growth: Leisure & Hospitality
(year-over-year, monthly)

Nevada Foreclosure Data Maps
Areas Affected by Concentrated Foreclosures

September 2007
Areas Affected by Concentrated Foreclosures
November 2008

Legend
Share of Foreclosures & REOs (as a percent of total loans)
- < 2 percent
- 2 - 4 percent
- 4 - 6 percent
- 6 - 8 percent
- 8 or more percent
- Insufficient Data

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

Legend
Share of Foreclosures & REOs (as a percent of total loans)
- < 2 percent
- 2 - 4 percent
- 4 - 6 percent
- 6 - 8 percent
- > 8 percent
- Insufficient Data

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

Legend
Share of Seriously Delinquent (as a percent of total loans)

- < 2.5 percent
- 2.5 - 5 percent
- 5 - 7.5 percent
- 7.5 - 10 percent
- > 10 percent
- Insufficient Data

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

February 2009

Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, February 2009
Areas with Concentrations of REO Properties
February 2009

Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, February 2009
Loan Modifications and Repayment Plans Reach Approximately 6,000 Distressed Borrowers a Quarter

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

Foreclosure & Delinquencies v. Loan Workouts in Nevada
4th Quarter 2008

Source: Hope Now Alliance Servicing Data, 4th 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/