

TRENDS IN DELINQUENCIES 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

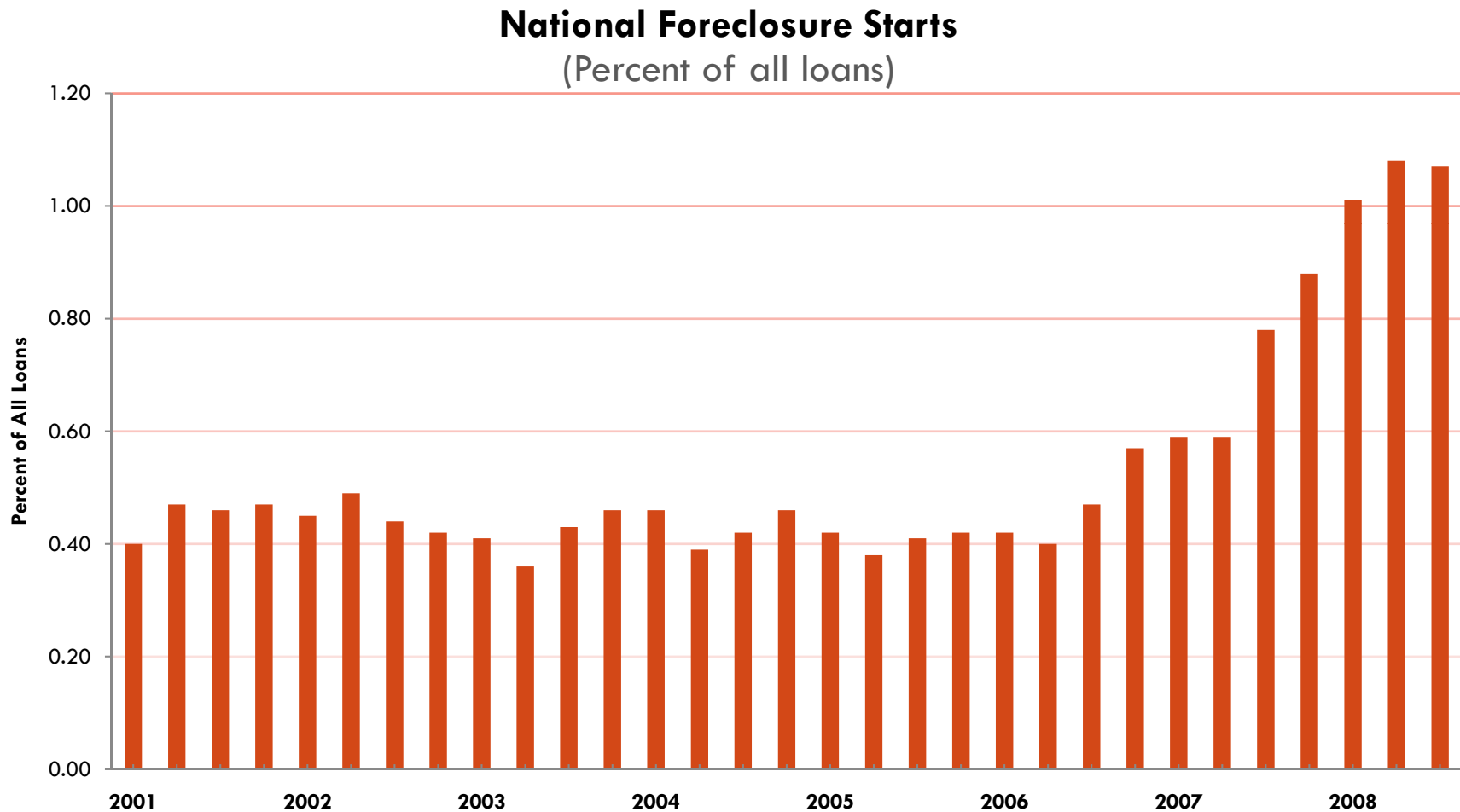
National Trends

National Trends



- Foreclosures rose steadily in 2008, with wide repercussions for US economy
 - ▣ A slight decline in the national foreclosure rate in the 3rd 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

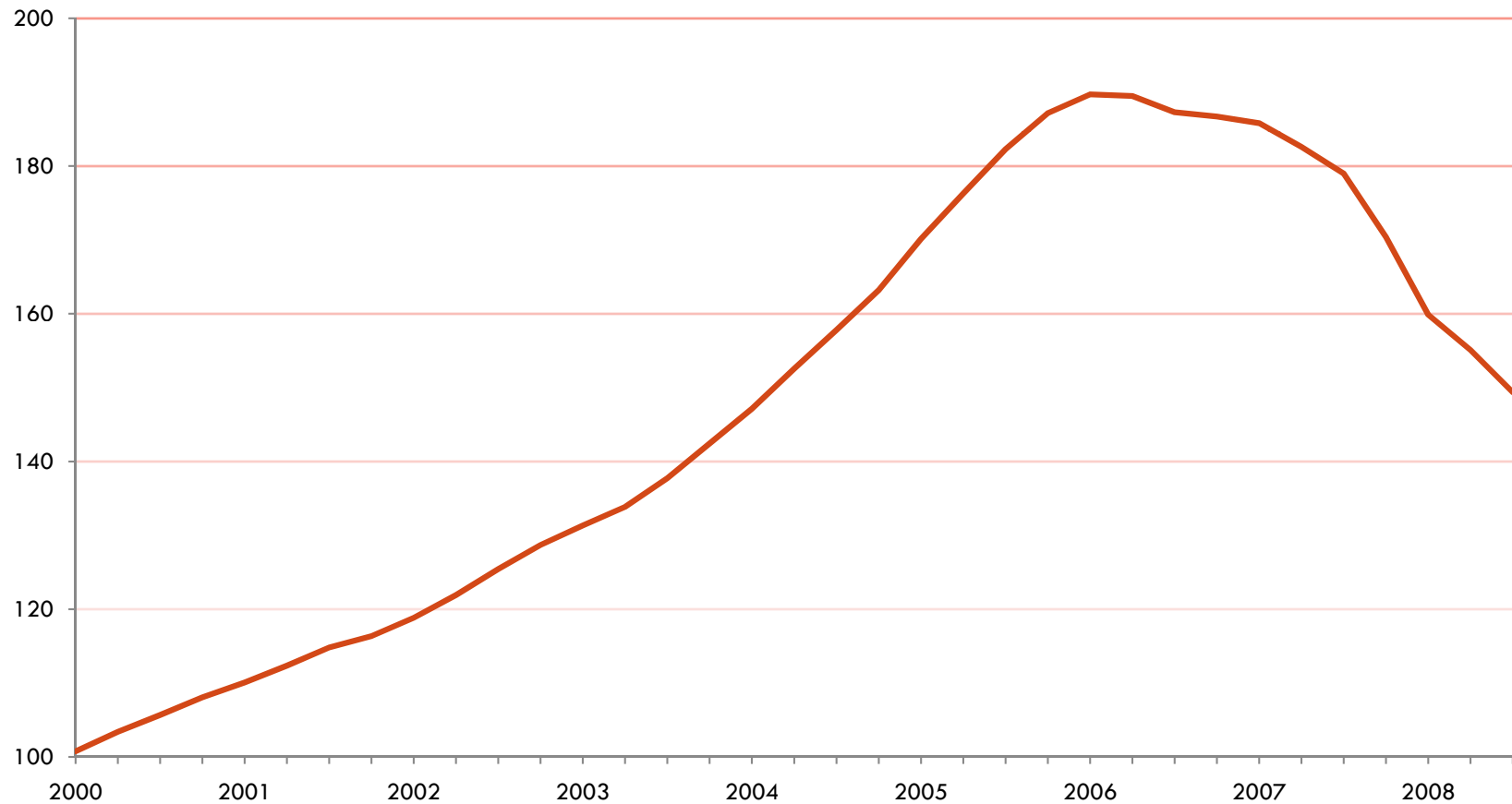
After Steady Rise, National Foreclosure Starts Dipped Slightly in 3rd Quarter of 2008



Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008

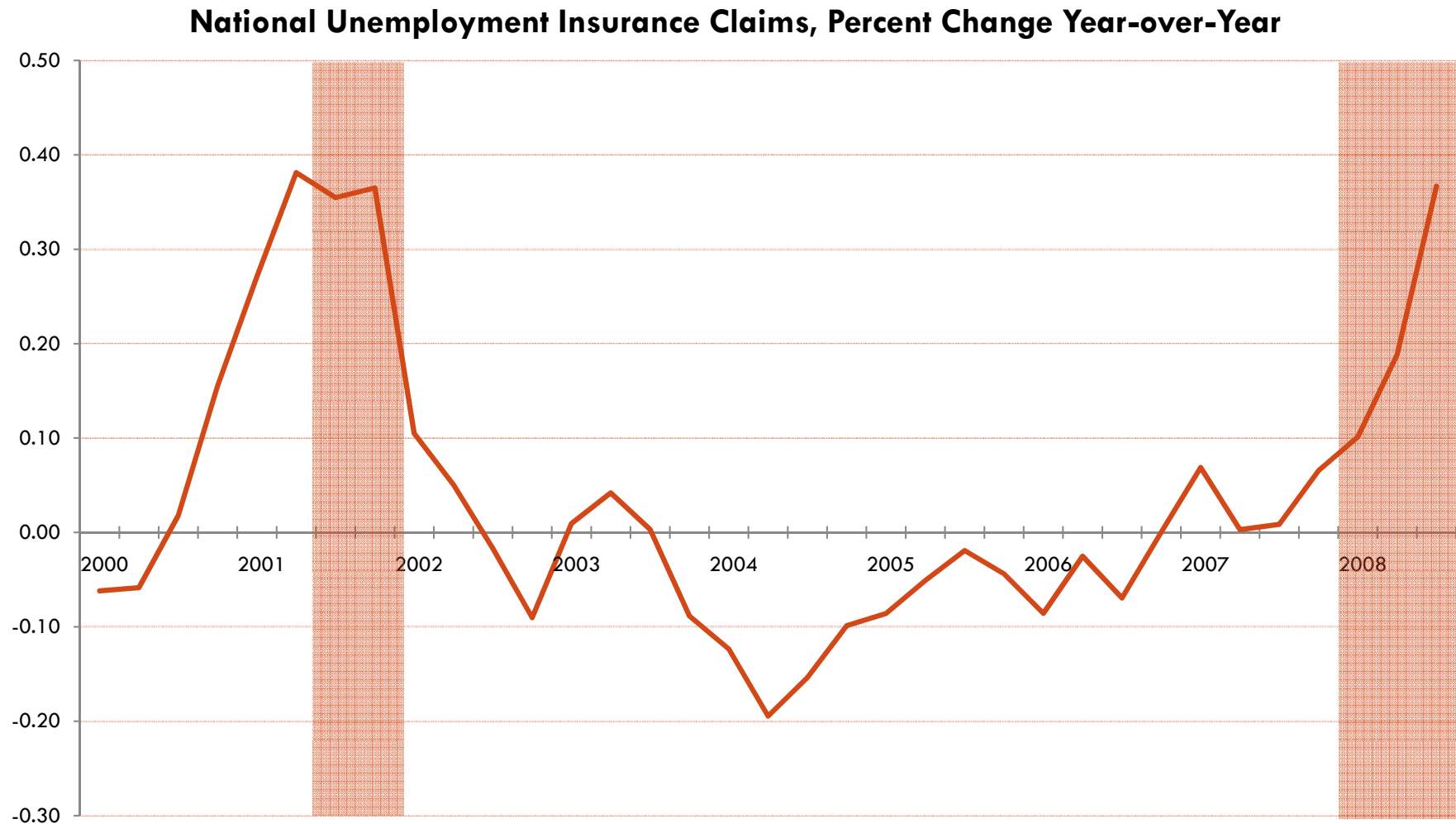
Nationally, House Prices Continue to Decline

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



Source: Case - Shiller Home Price Index, 3rd Q 2008

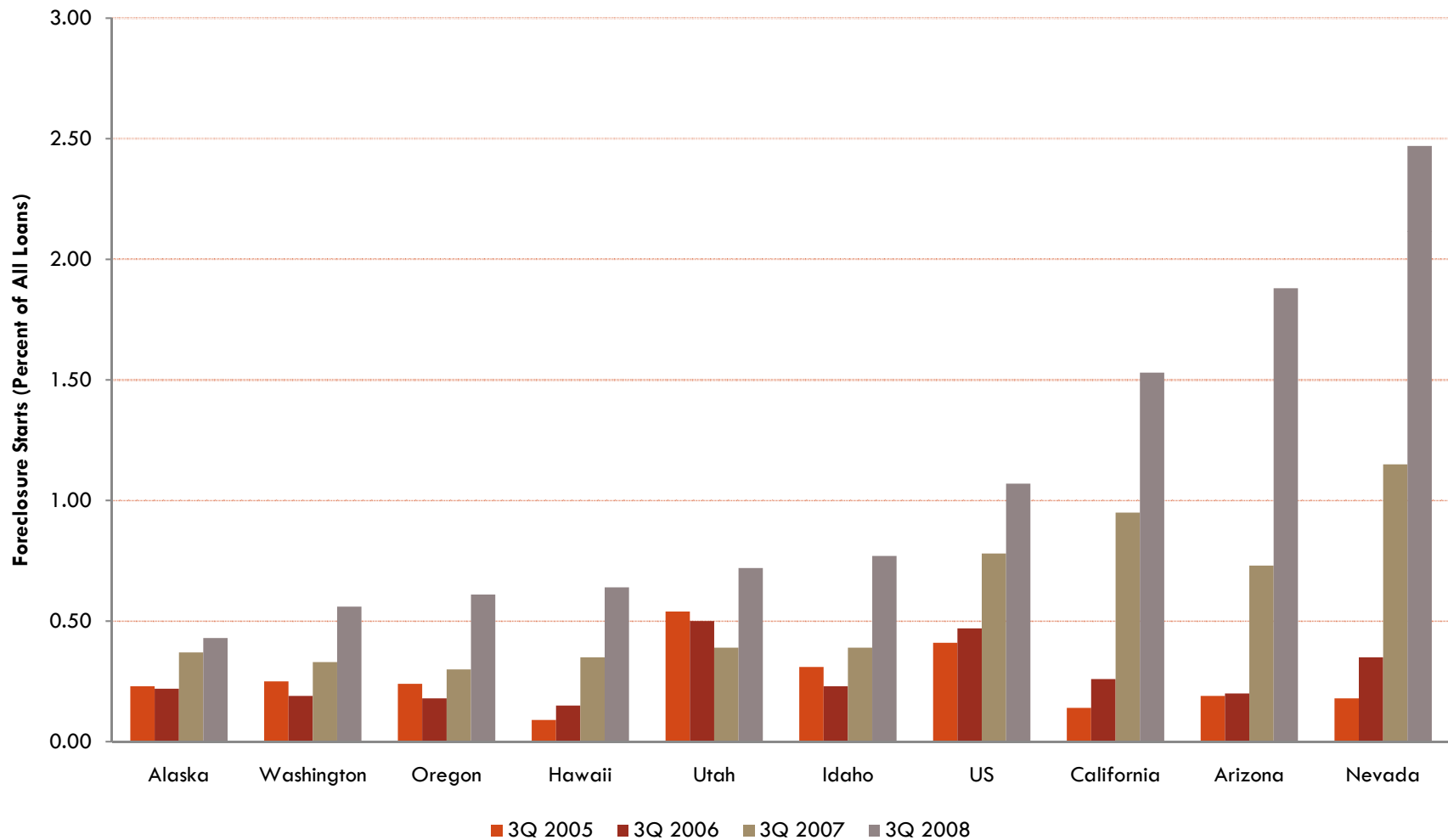
Recession Marks Significant Jump in National Unemployment Insurance Claims



Source: Haver Analytics and FRBSF Calculations, annual percent change, 2000 Q3 - 2008 Q3

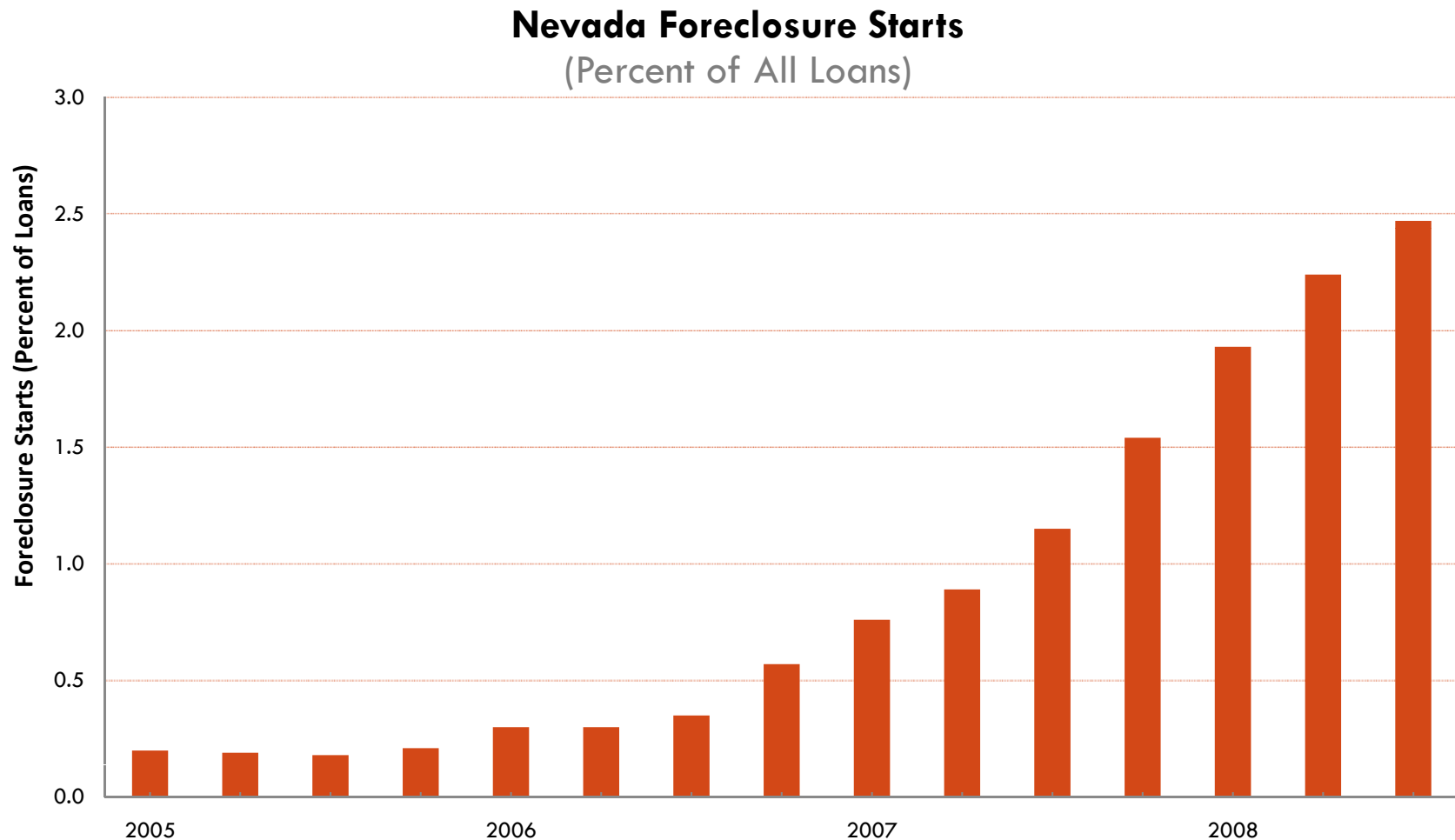
Nevada Trends

Nevada Has Highest Foreclosure Rate in the US



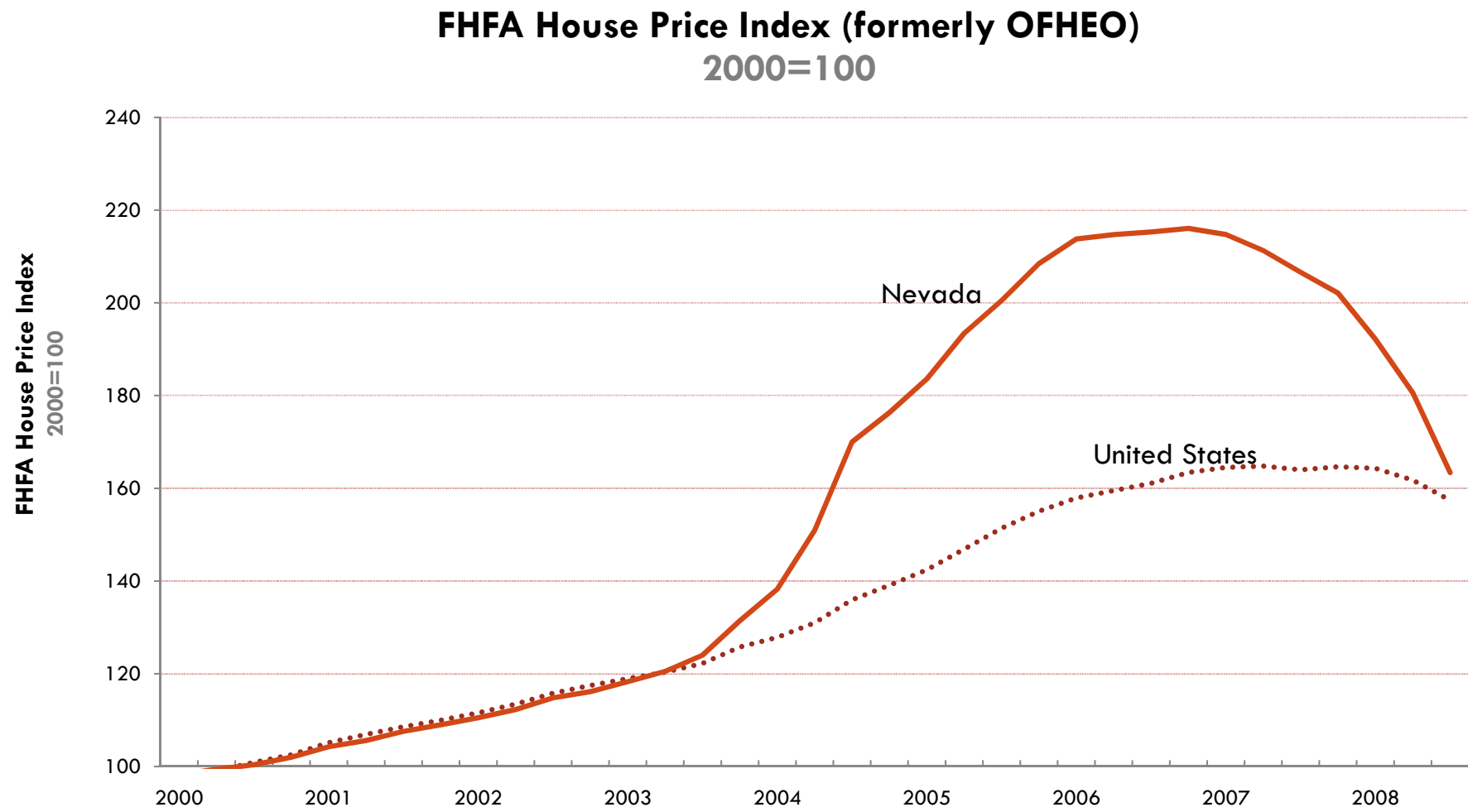
Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008

And, Unlike National Trends, Nevada Saw a Continued Increase in Foreclosure Starts in 3rd Quarter 2008



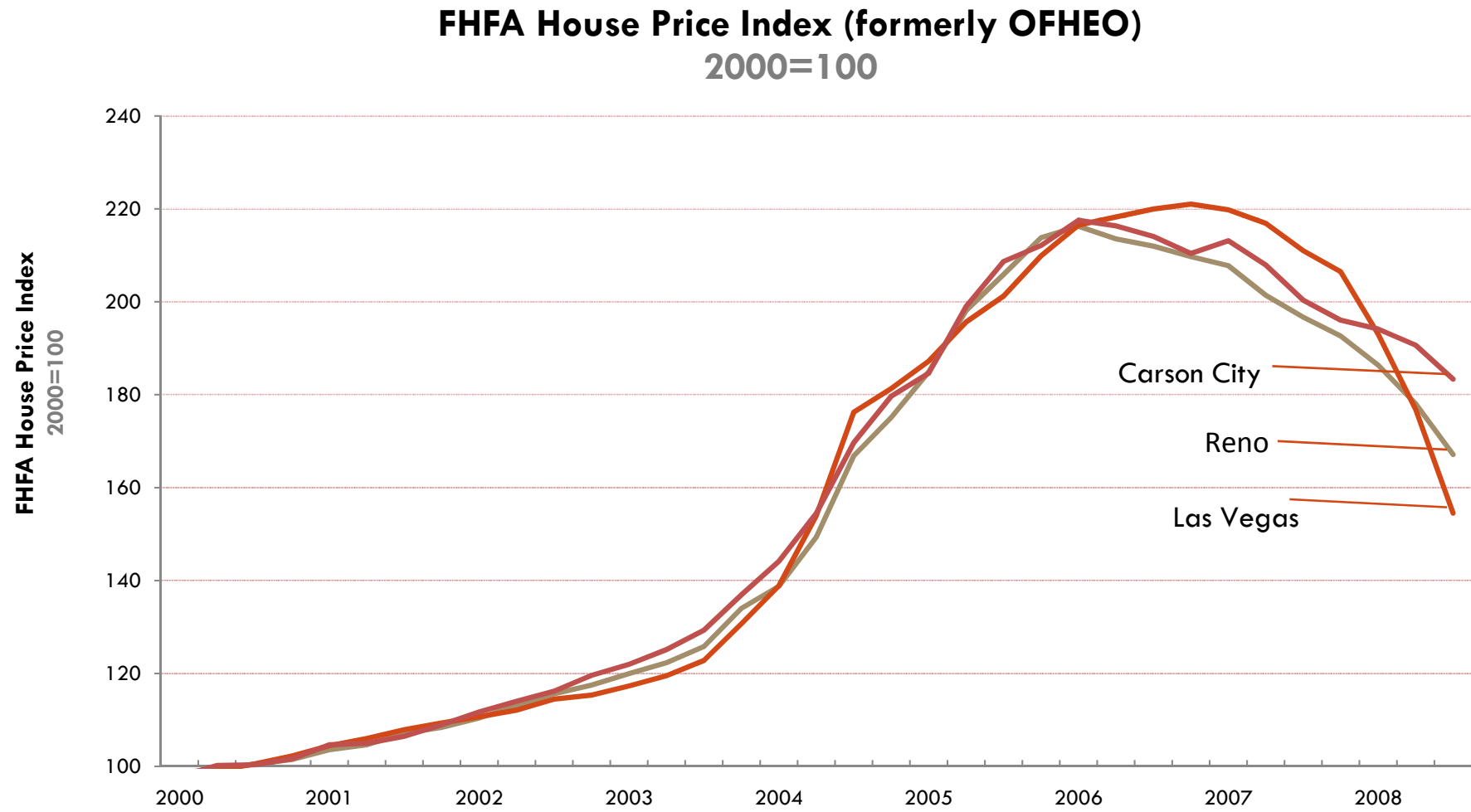
Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008

Nevada's Housing Prices Have Dropped Significantly



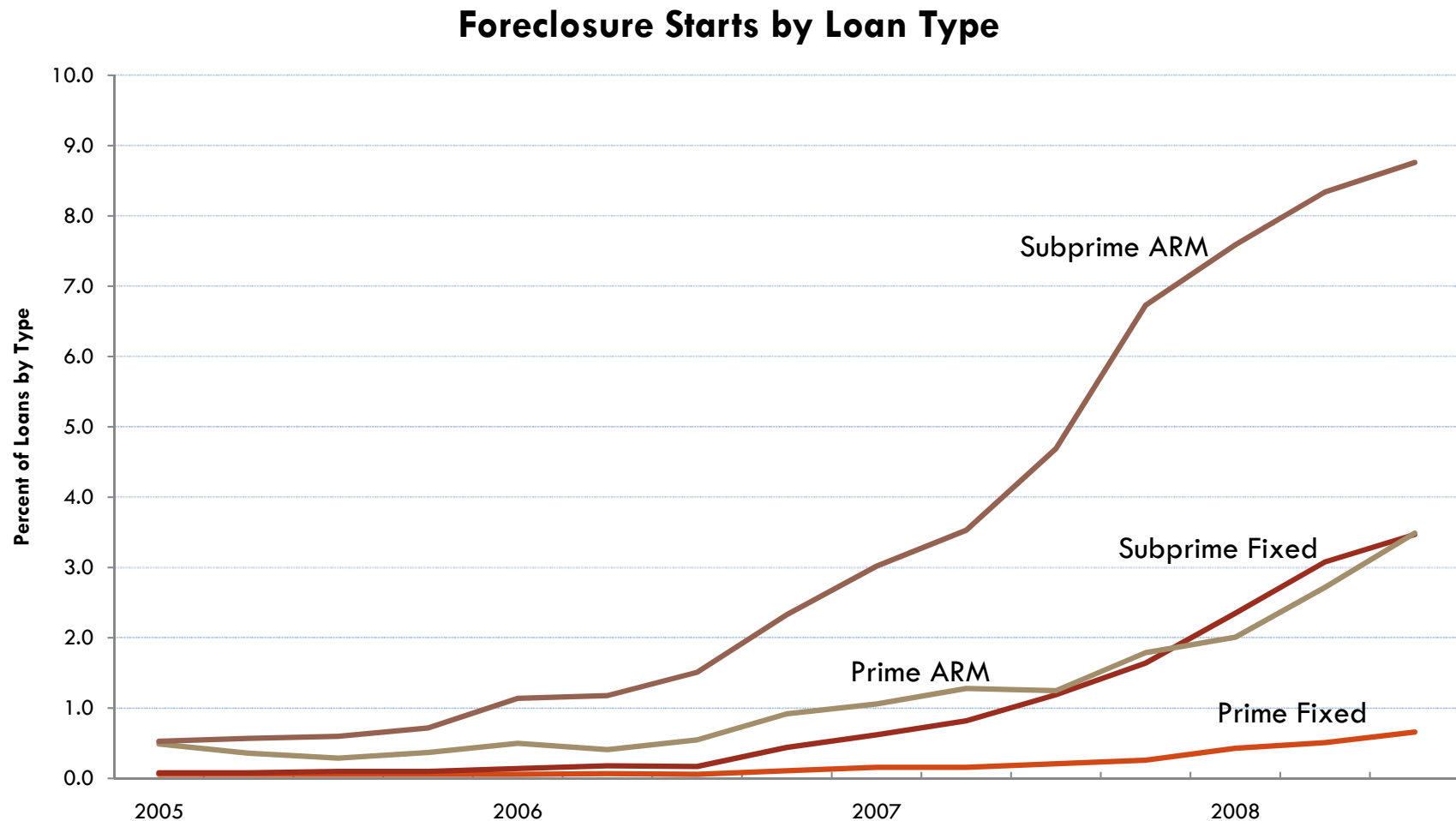
Source: Federal Housing Finance Agency (formerly OFHEO), 3rd Quarter 2008

Metropolitan Areas are Similarly Experiencing Declines in House Values



Source: Federal Housing Finance Agency (formerly OFHEO), 3rd Quarter 2008

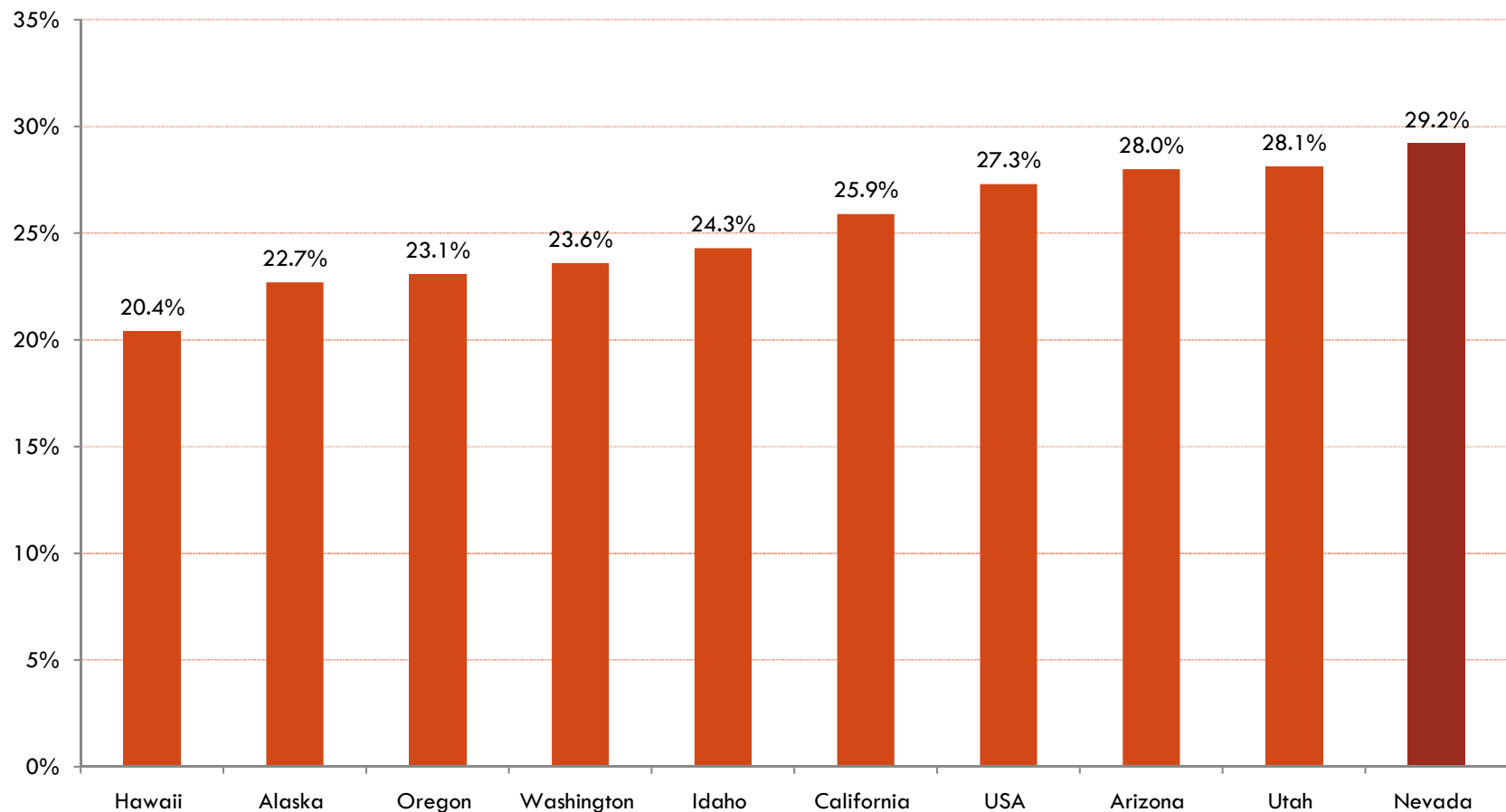
Foreclosures in Nevada Extending into Prime ARM Market



Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008

Nevada Saw High Rates of High-Cost Lending During Subprime Boom, Above National Average

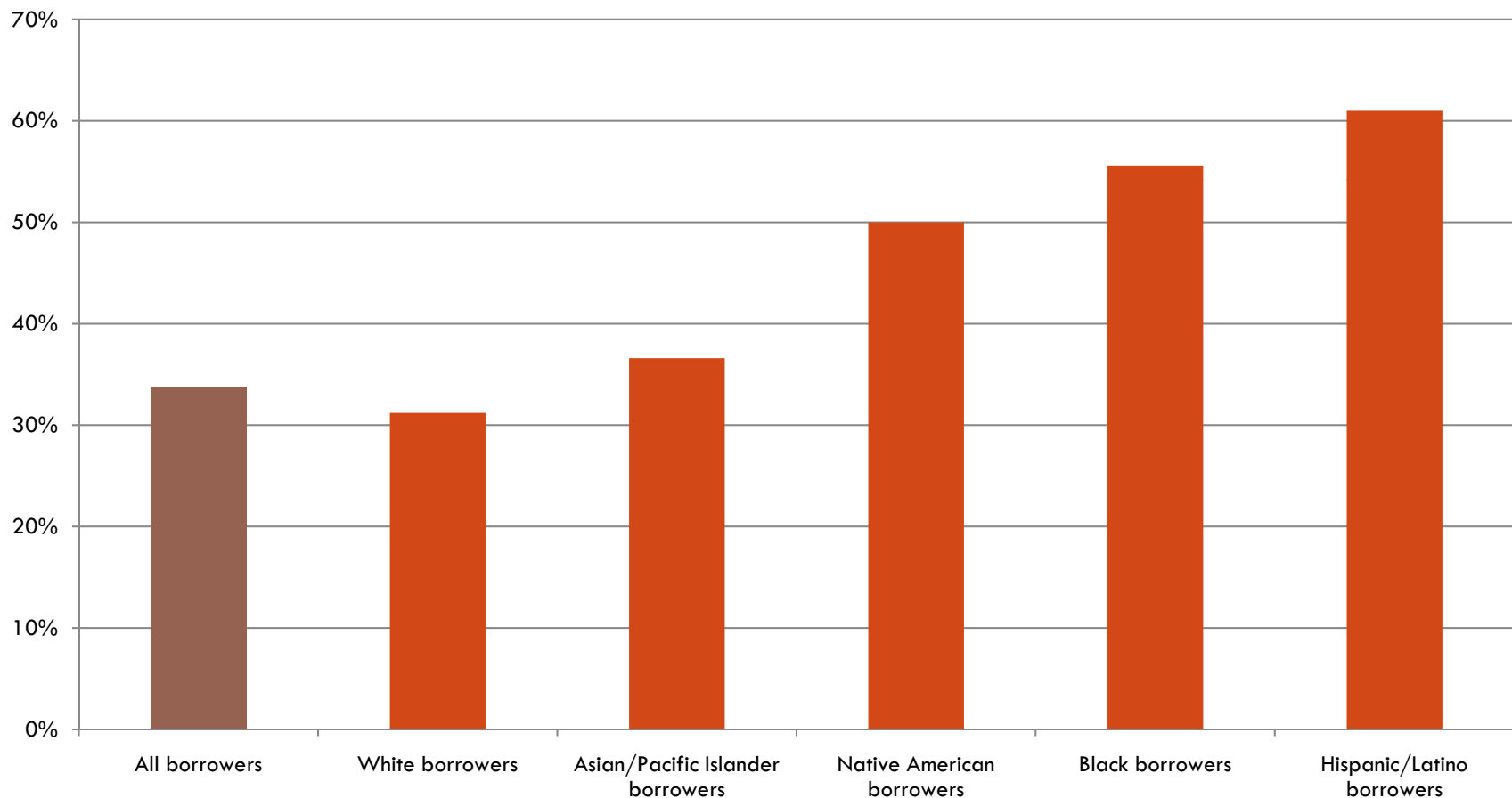
Percent of All Borrowers with High Interest Conventional Loans, 2005



Source: Home Mortgage Disclosure Act Data, 2005

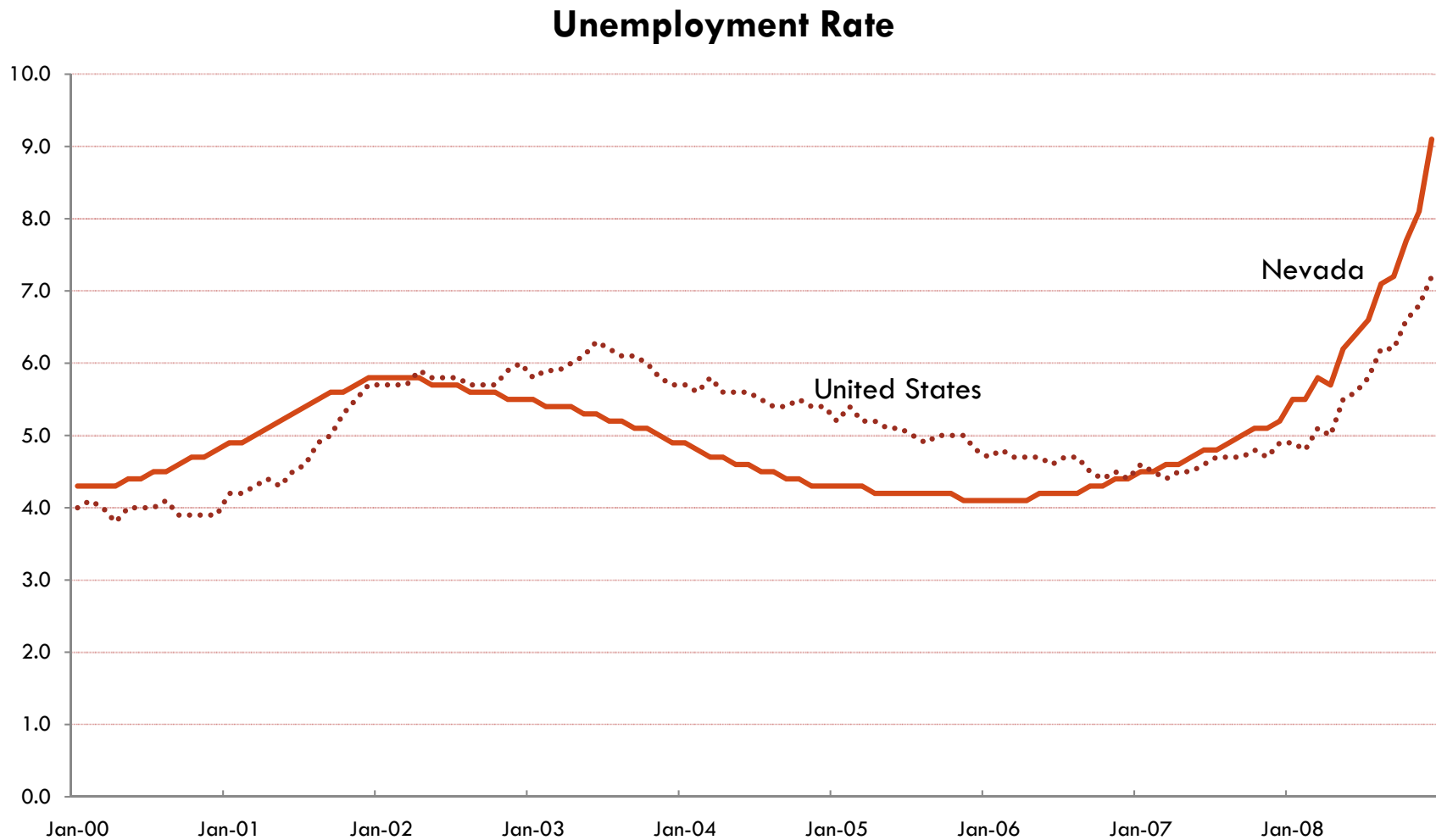
High Cost Lending in Nevada More Prevalent Among Minority Borrowers

High Cost Conventional Loans by Race, 2005



Source: Home Mortgage Disclosure Act Data, 2005

Unemployment Rate in Nevada also on the Rise, Well Above US Average



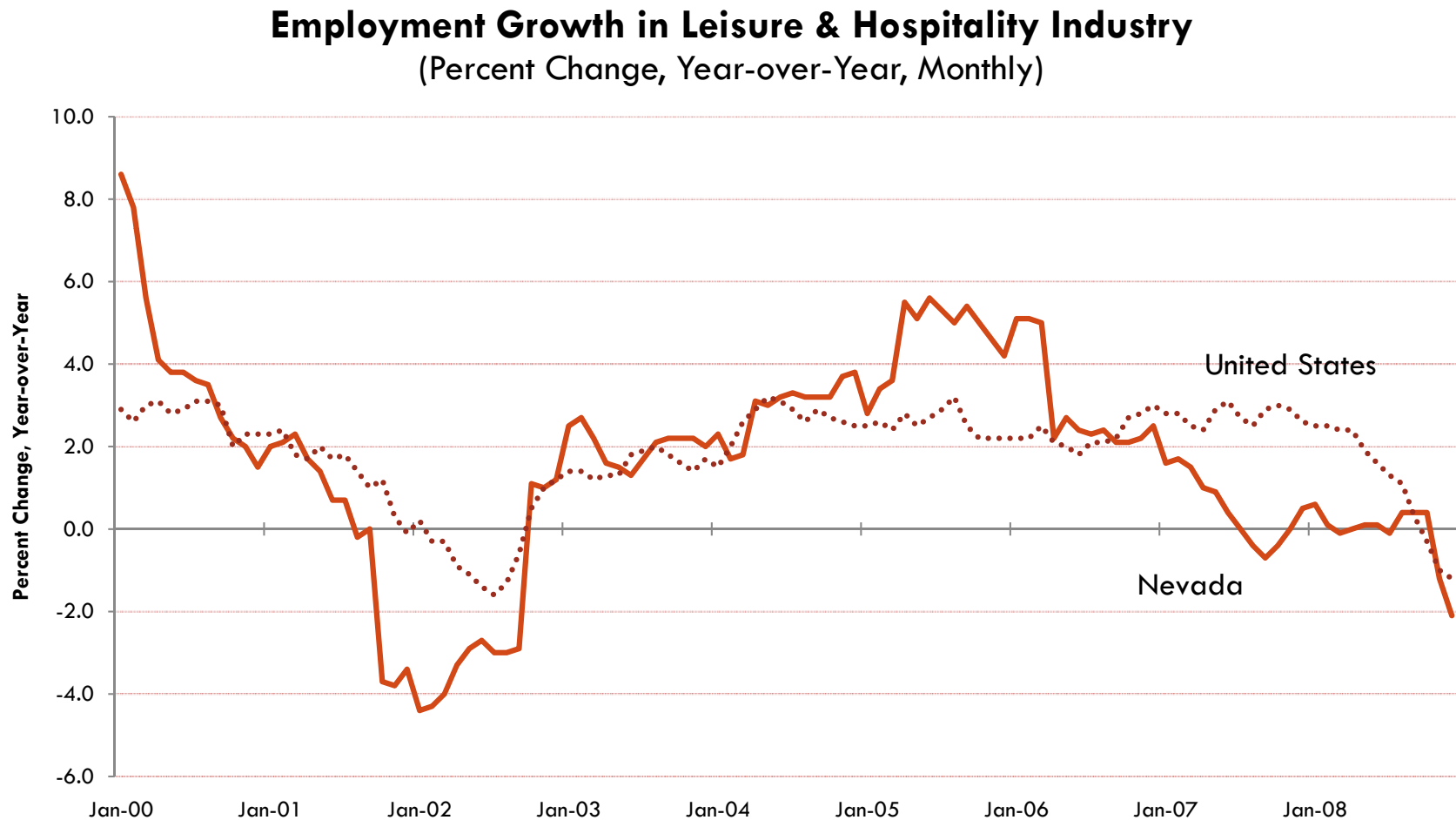
Source: Bureau of Labor Statistics, December 2008

Employment Trends by Industry in Nevada

Nevada	Total Employed (thousands)	Percent Change		
	Dec-08	1-mo.	3-mo.	12-mo.
Total	1,261.1	-7.5	-5.8	-2.5
Leisure & Hospitality	334.4	-2.8	-3.5	-2.1
Trade, Transportation & Utilities	234.1	-1.0	-4.0	-0.6
Government	163.2	-2.2	-0.2	2.7
Professional & Business Svcs.	150.3	-20.5	-5.4	-3.4
Construction	109.3	-25.4	-25.6	-15.1
Educational & Health Svcs.	96.8	1.2	2.5	2.8
Financial Activities	60.5	-11.2	-8.7	-5.5
Manufacturing	48.7	-13.7	-10.7	-3.6
Other Services	37.1	3.3	-2.1	1.1
Information	15.1	-0.6	-7.5	-3.7
Natural Resources & Mining	11.9	-18.1	-6.4	-3.3

Source: Bureau of Labor Statistics, December 2008

Major Declines in Construction/Real Estate, But National Recession Beginning to Affect Tourism Employment As Well

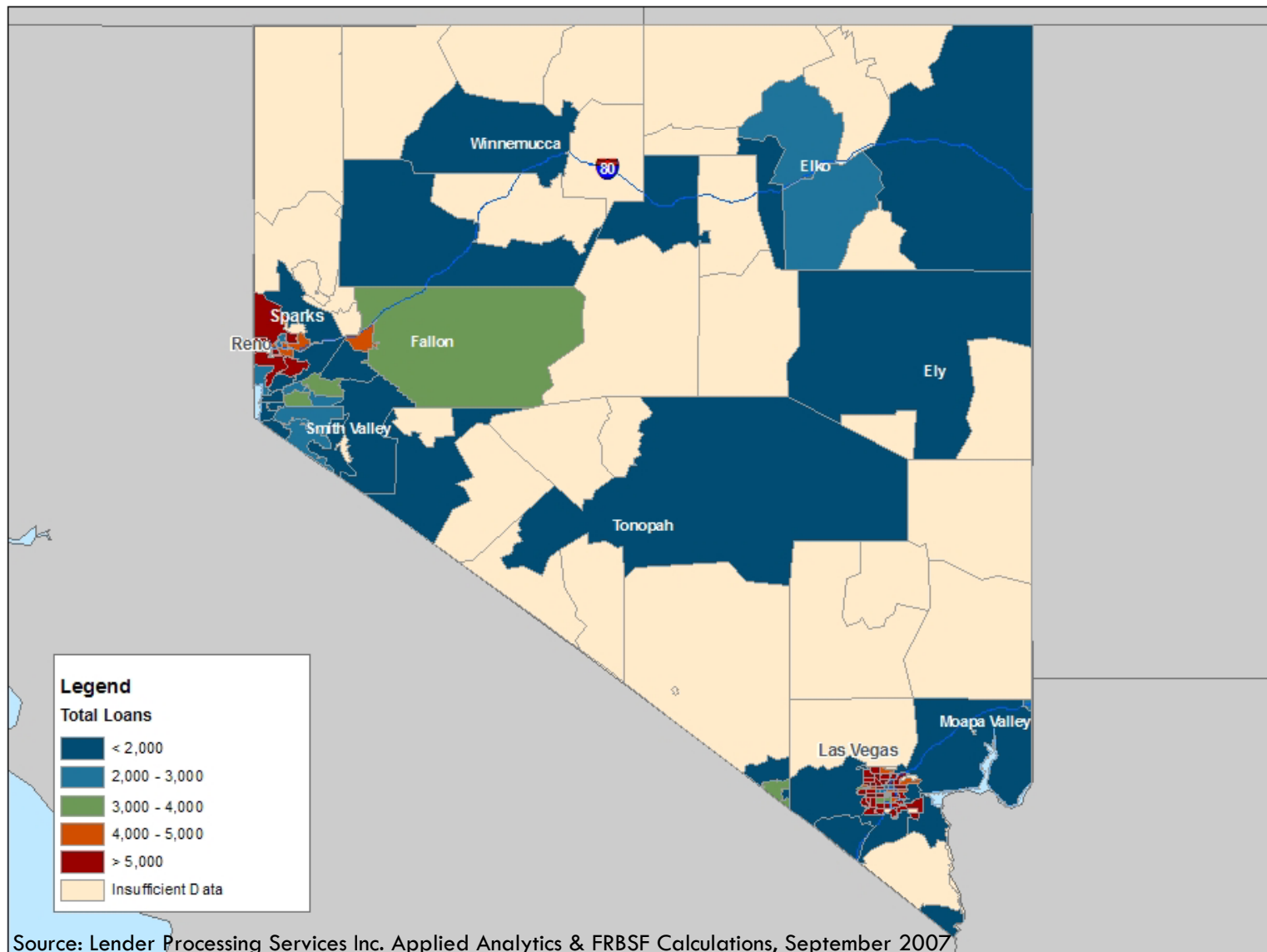


Source: Bureau of Labor Statistics, December 2008

Nevada Foreclosure Data Maps

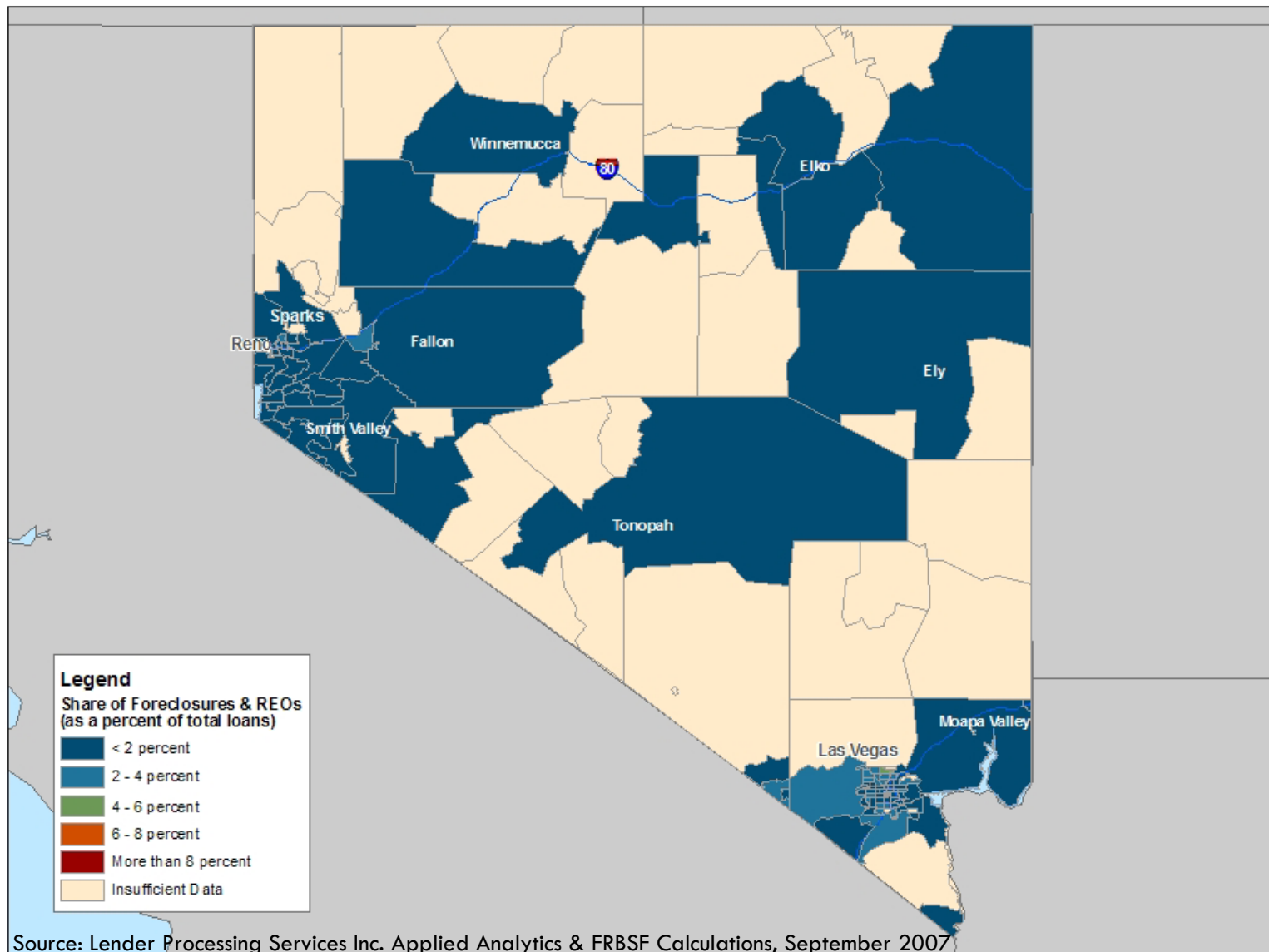
Distribution of Lending Volumes

September 2007



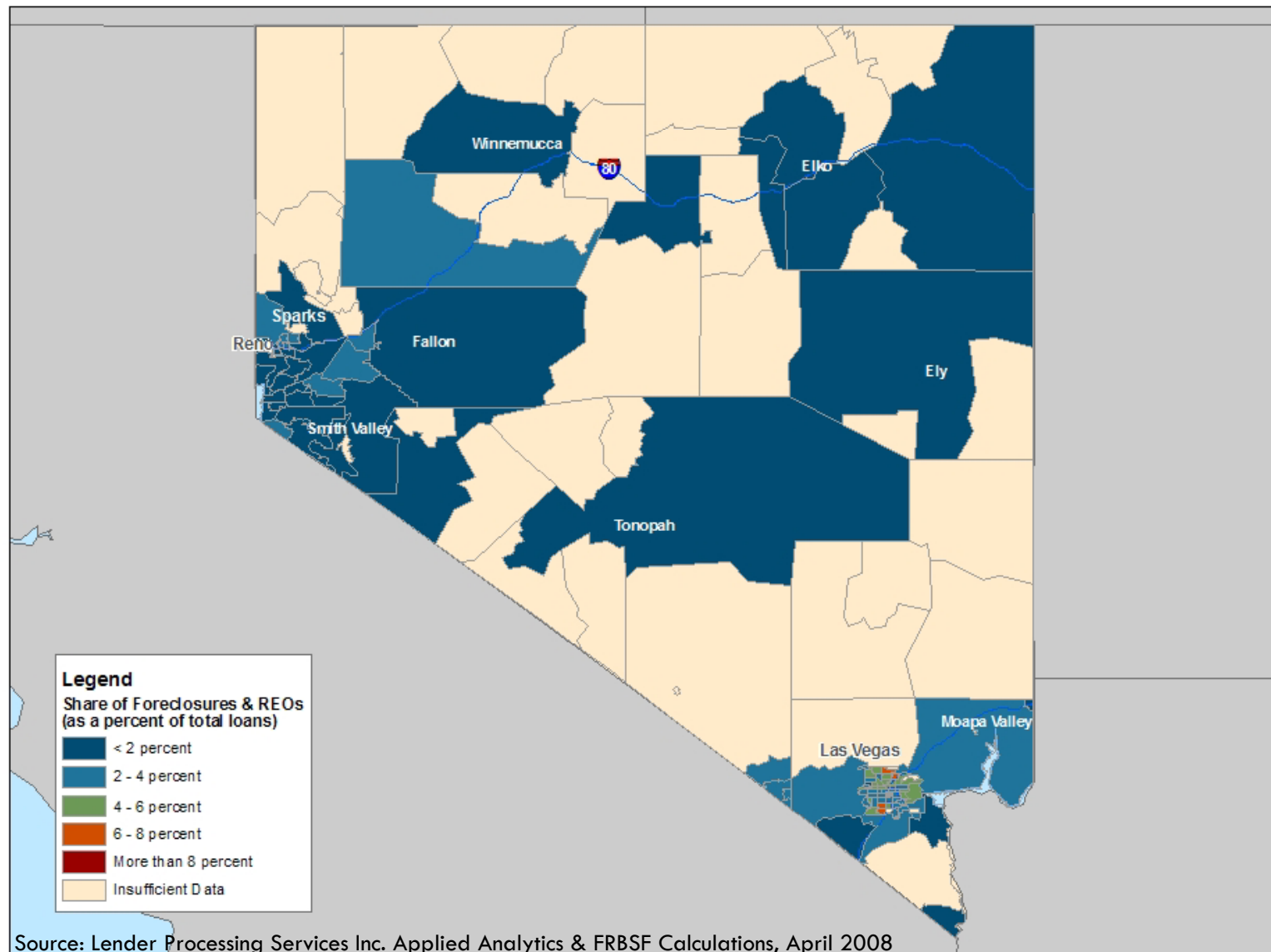
Areas Affected by Concentrated Foreclosures

September 2007



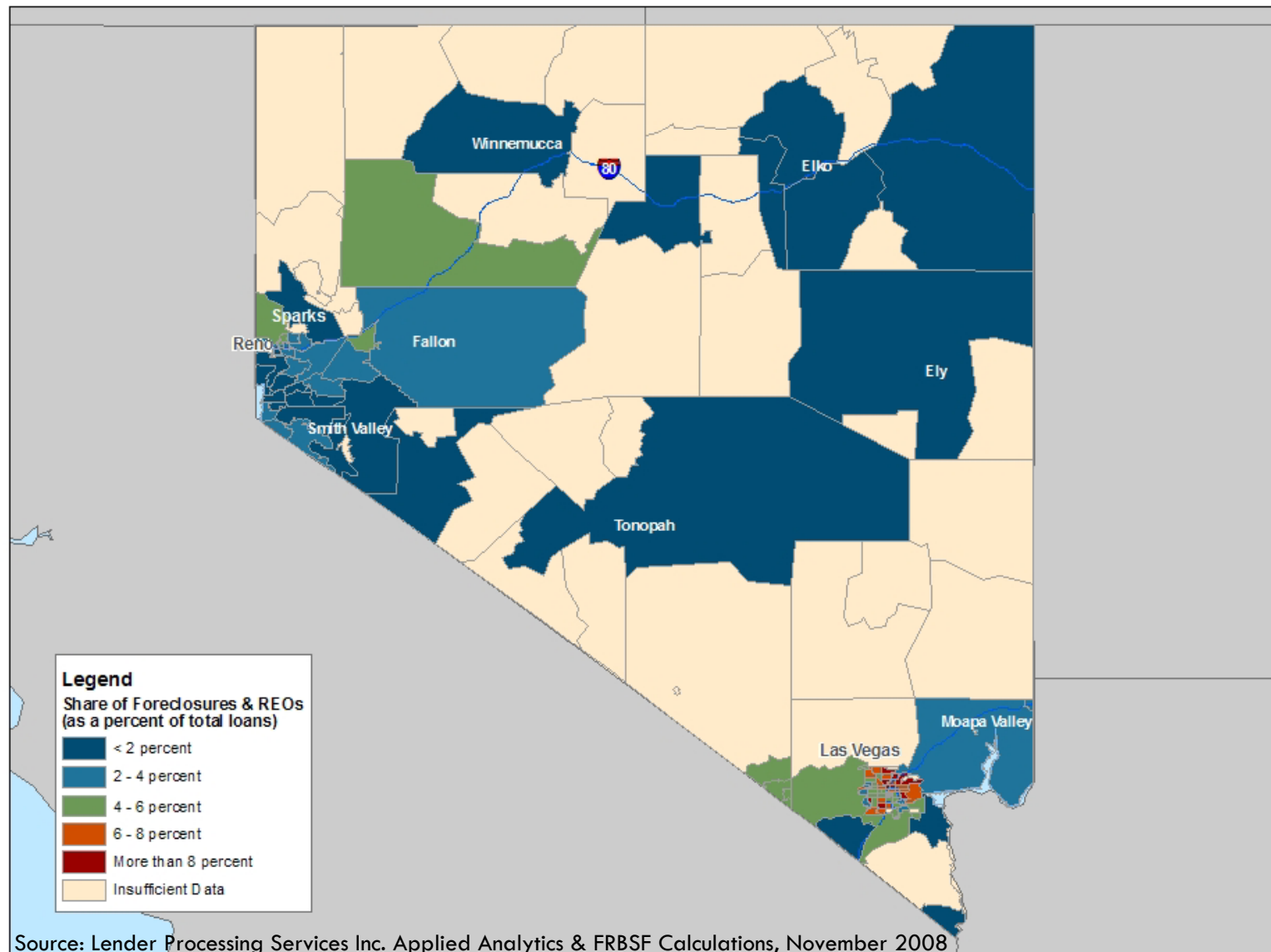
Areas Affected by Concentrated Foreclosures

April 2008



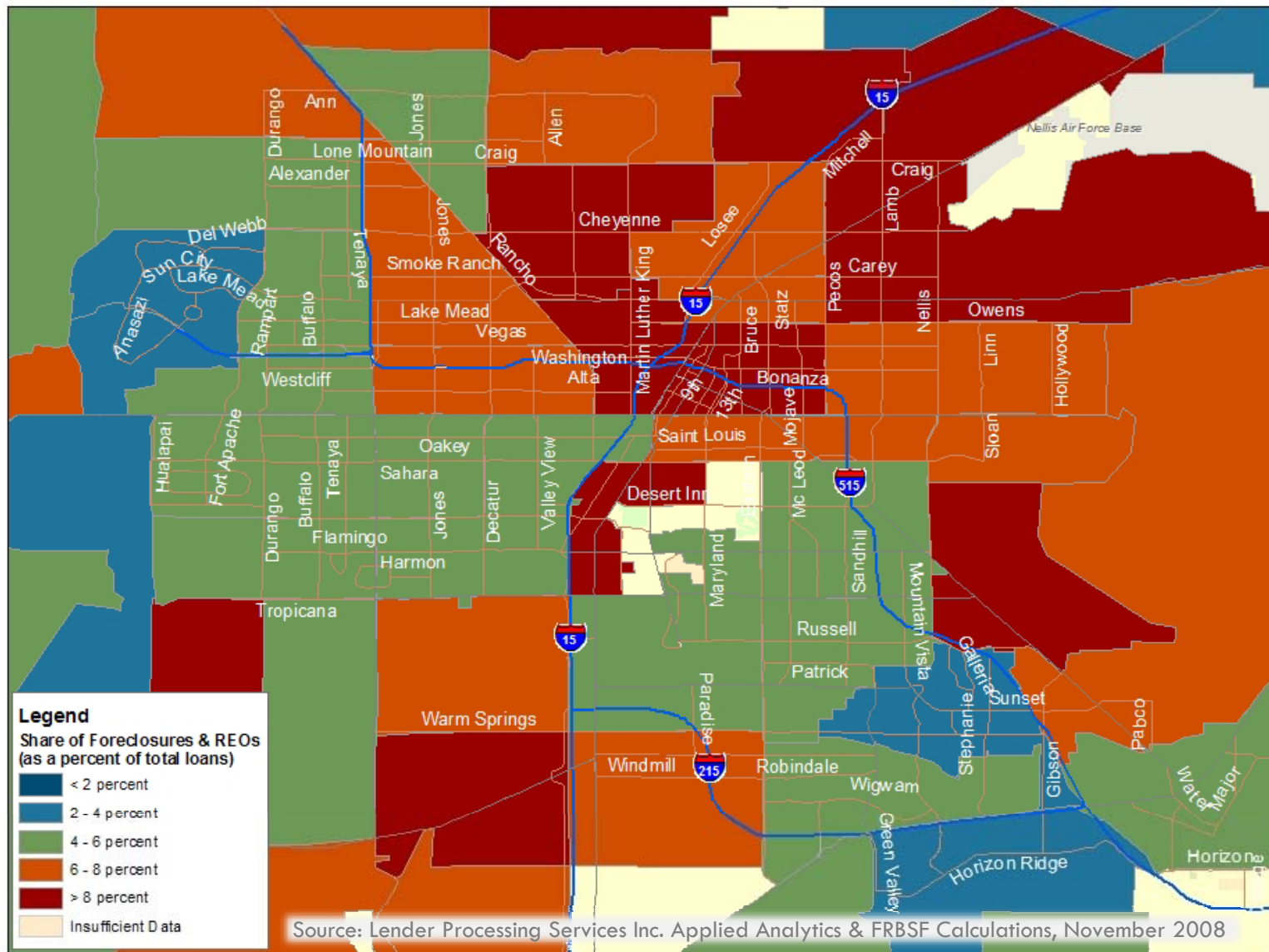
Areas Affected by Concentrated Foreclosures

November 2008



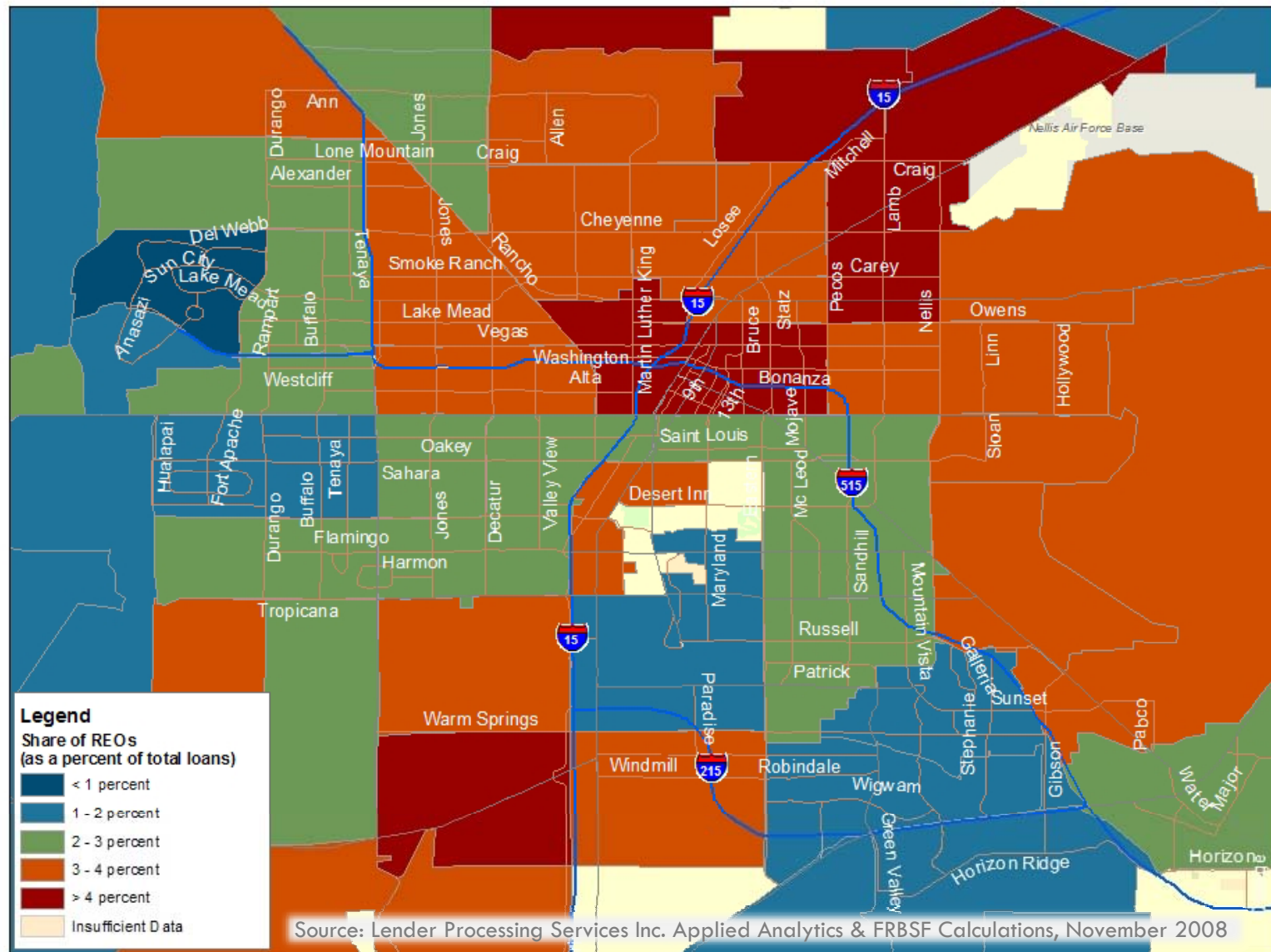
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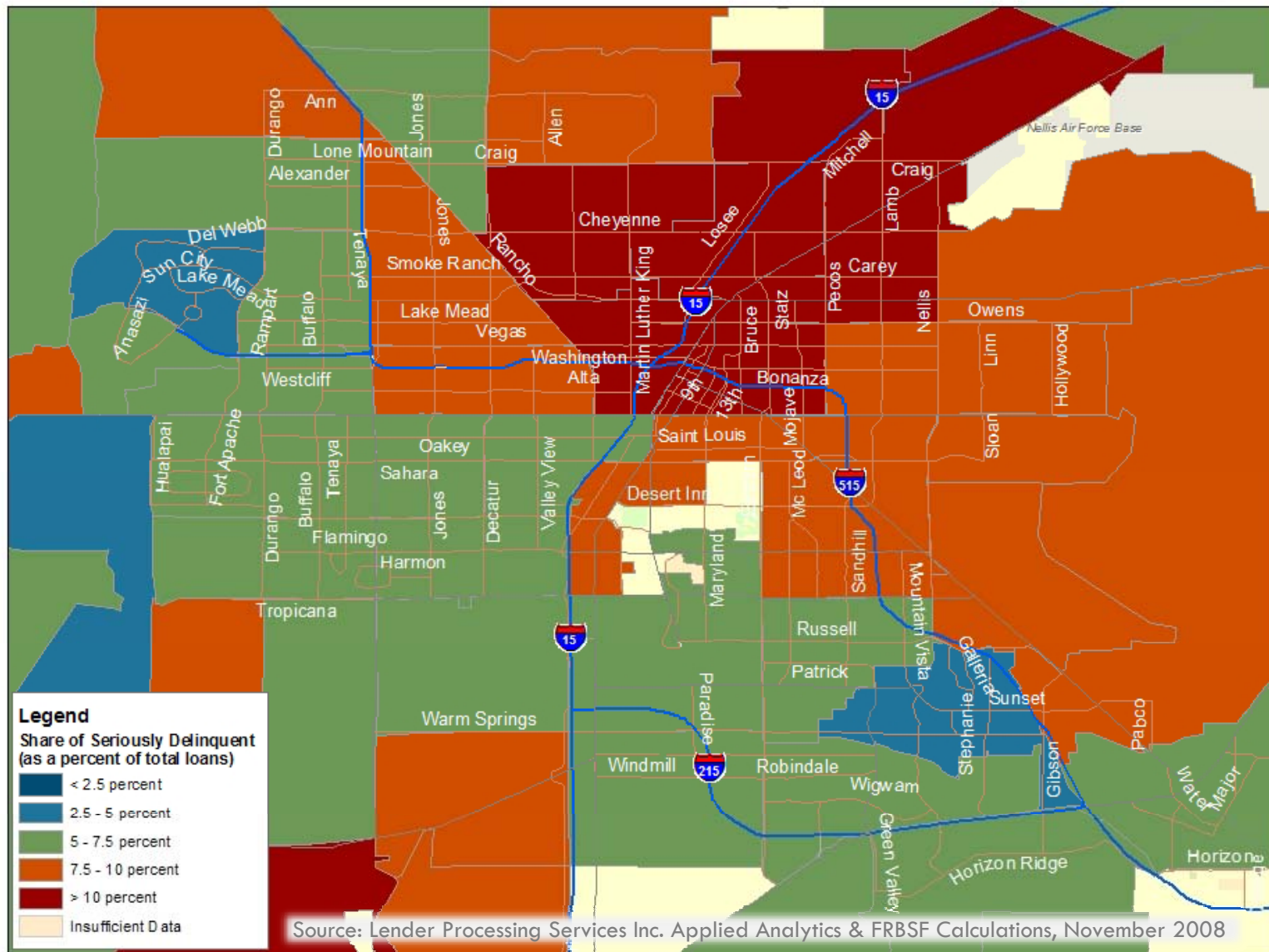
Areas with Concentrations of REO Properties

November 2008



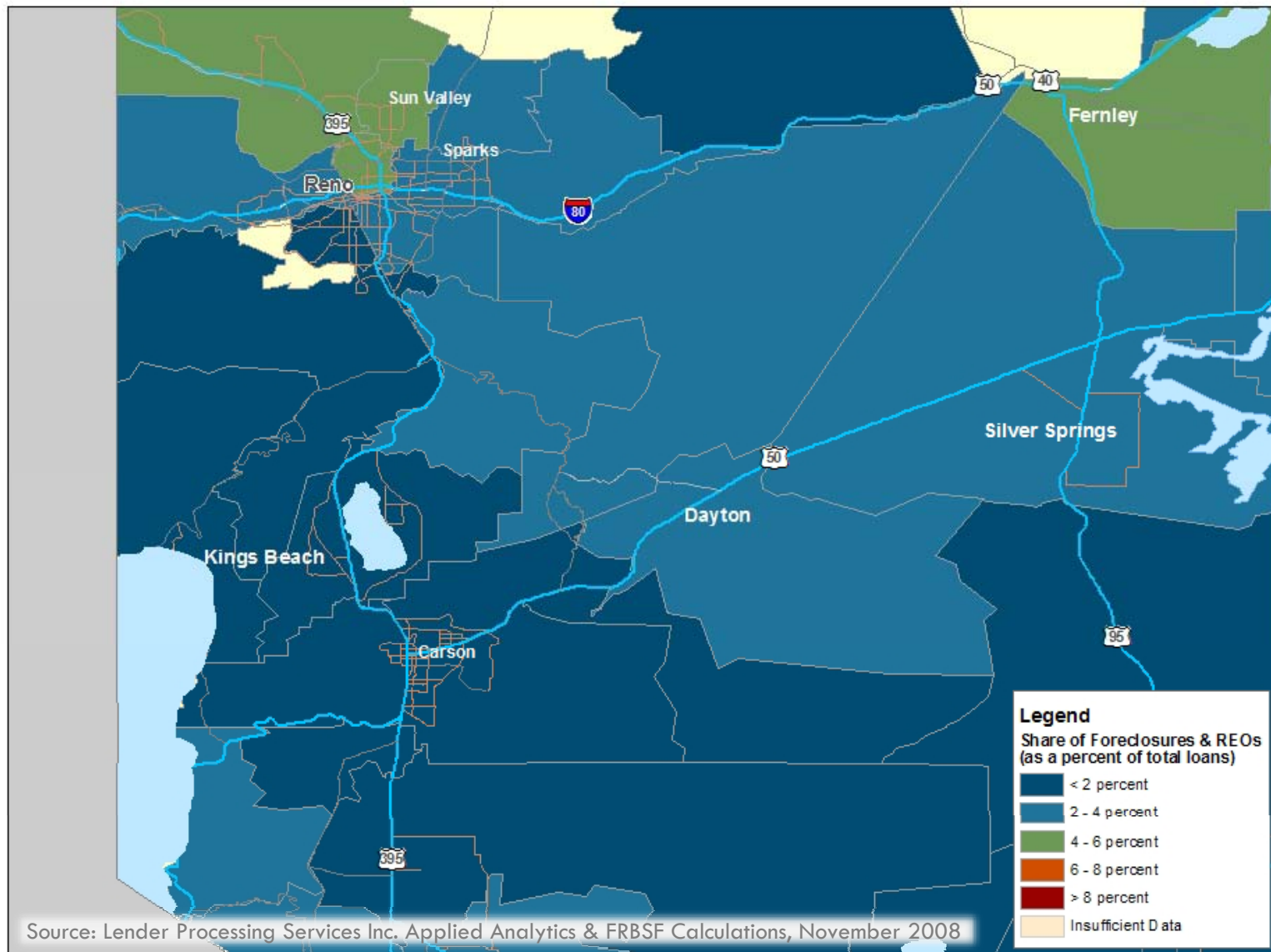
Areas at Risk of Additional Foreclosures

November 2008



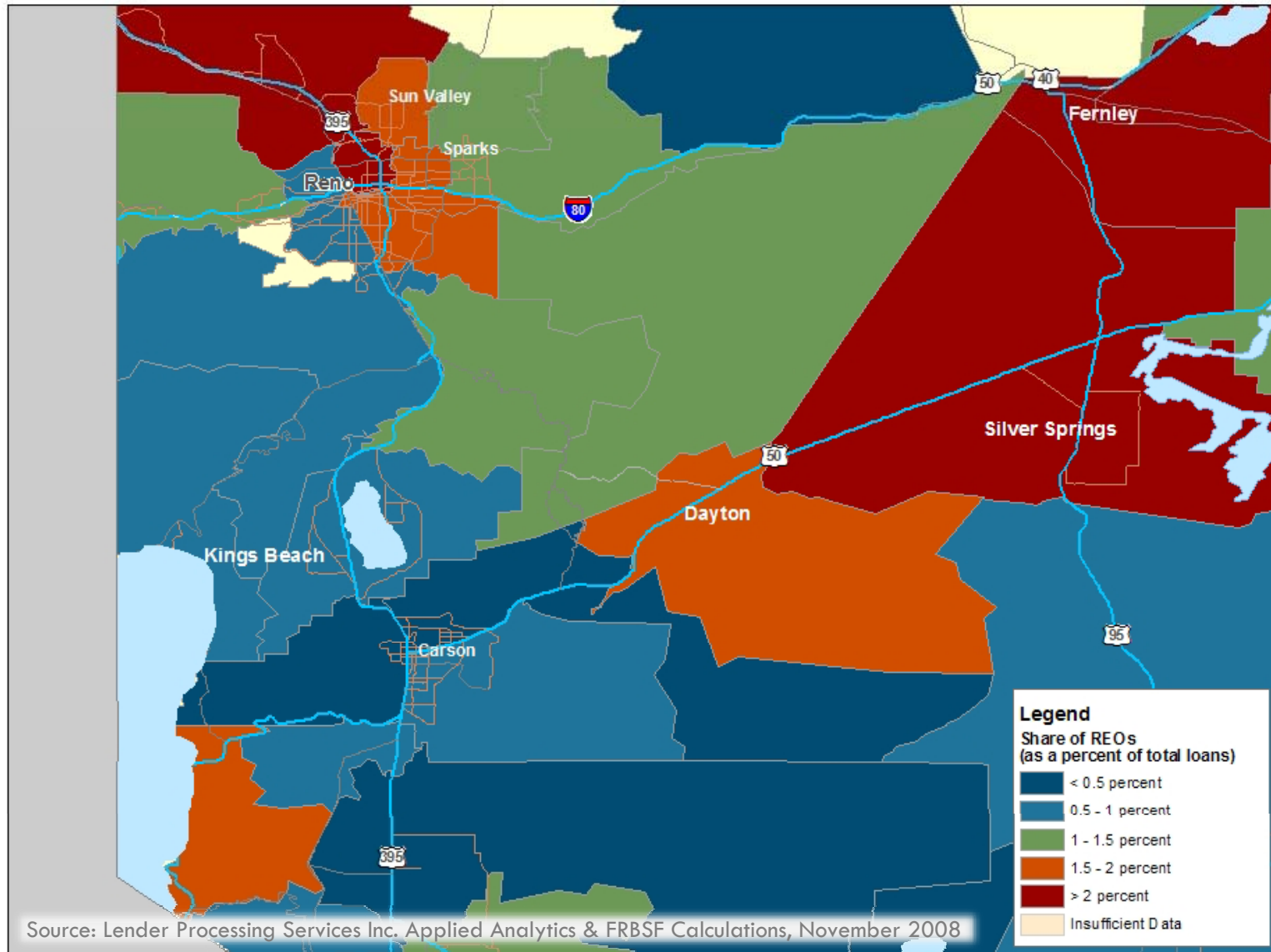
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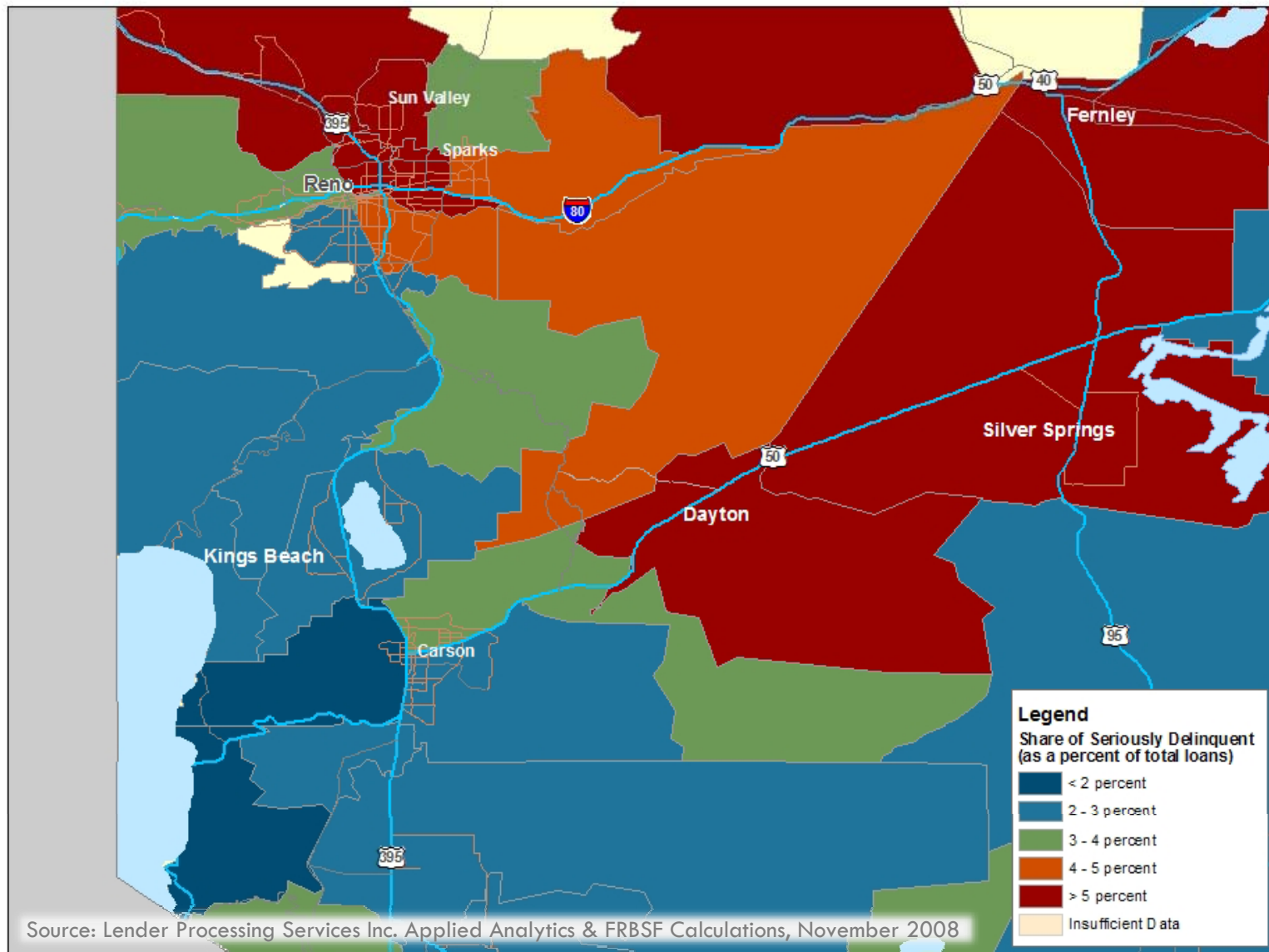
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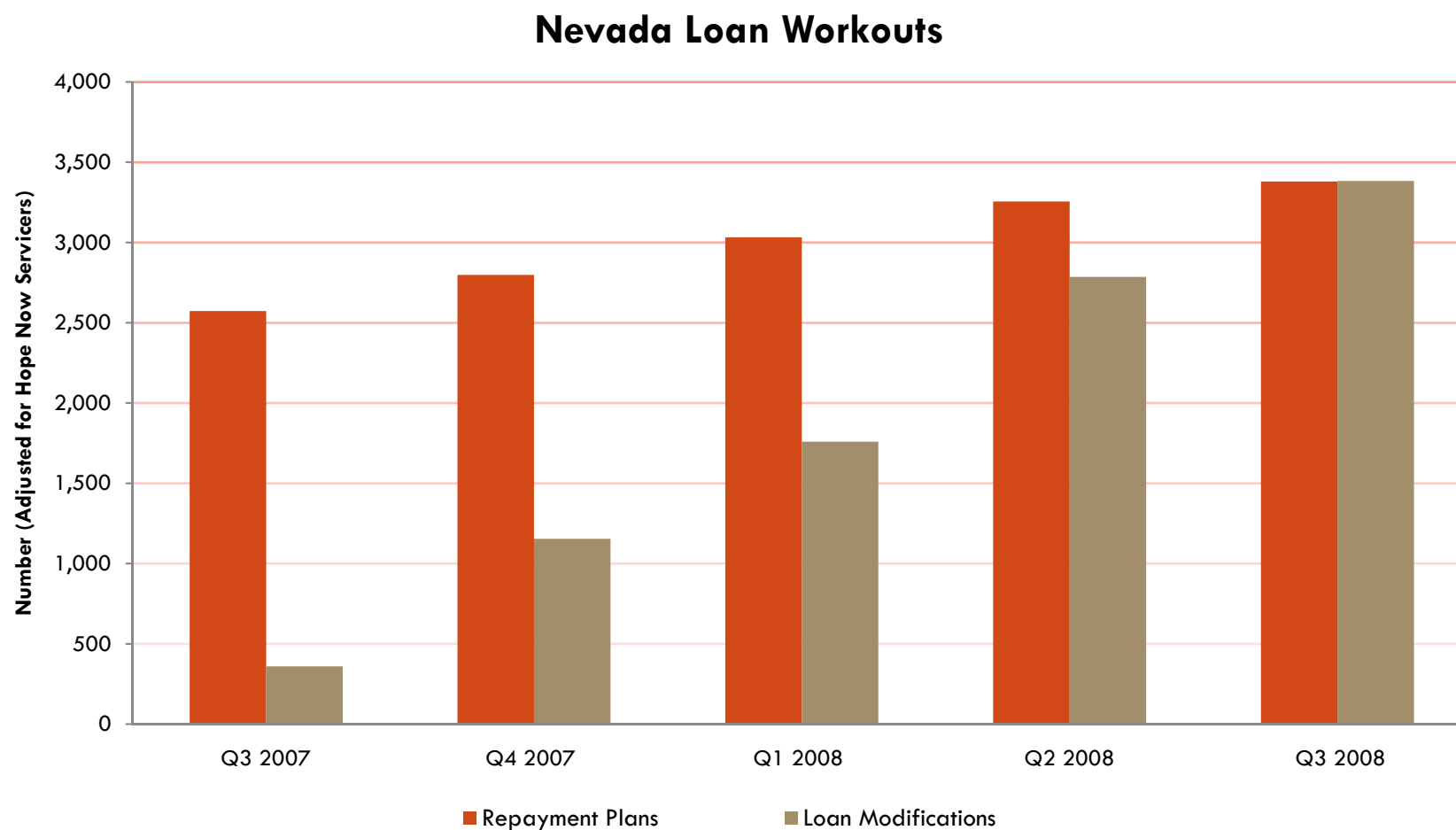


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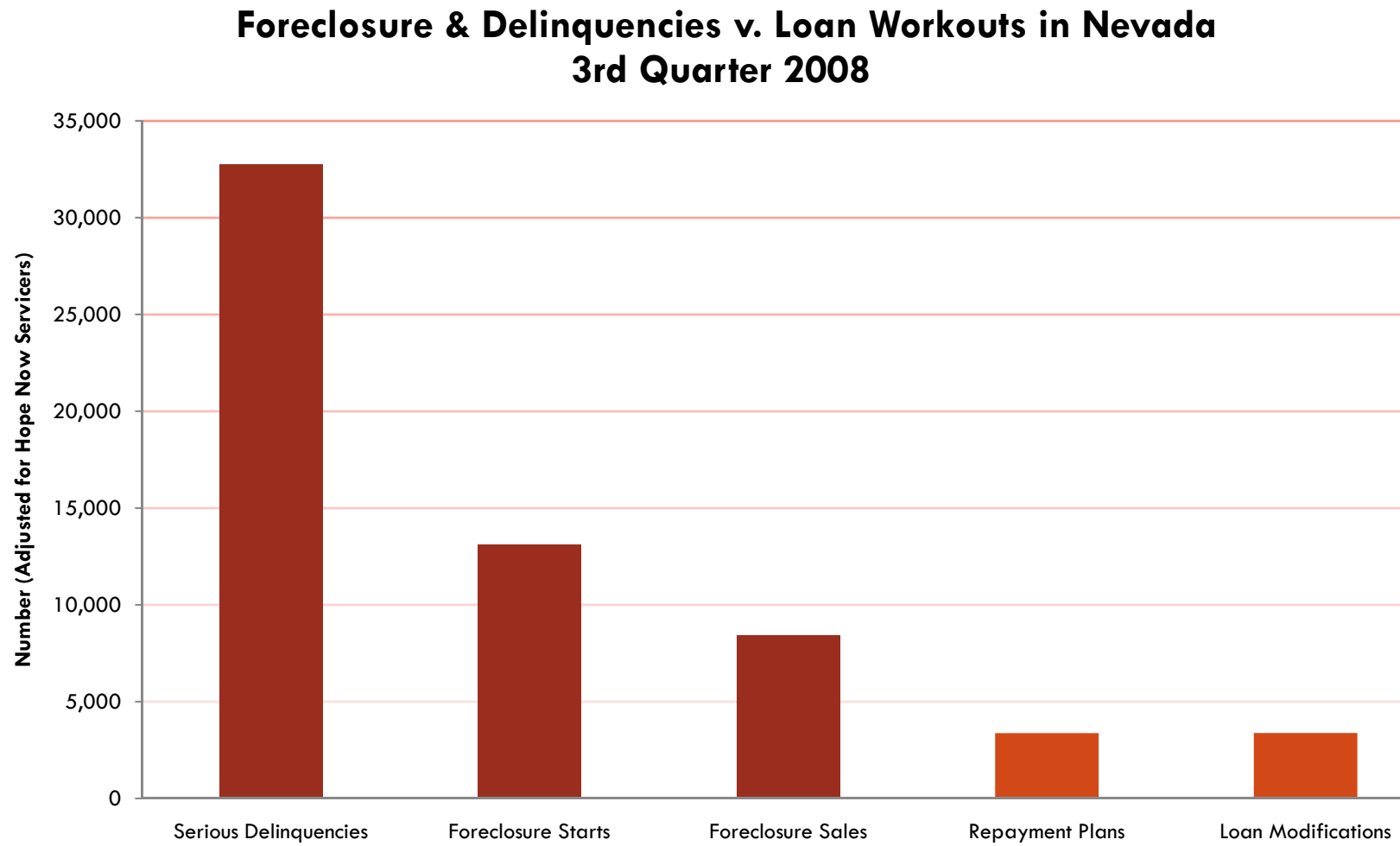


Loan Modifications as Share of Loan Workouts Have Increased



Source: Hope Now Alliance Servicing Data, 3rd Quarter 2008

Yet, Workouts Still Fall Short of Need



Source: Hope Now Alliance Servicing Data, 3rd Quarter 2008

Conclusions

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- 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

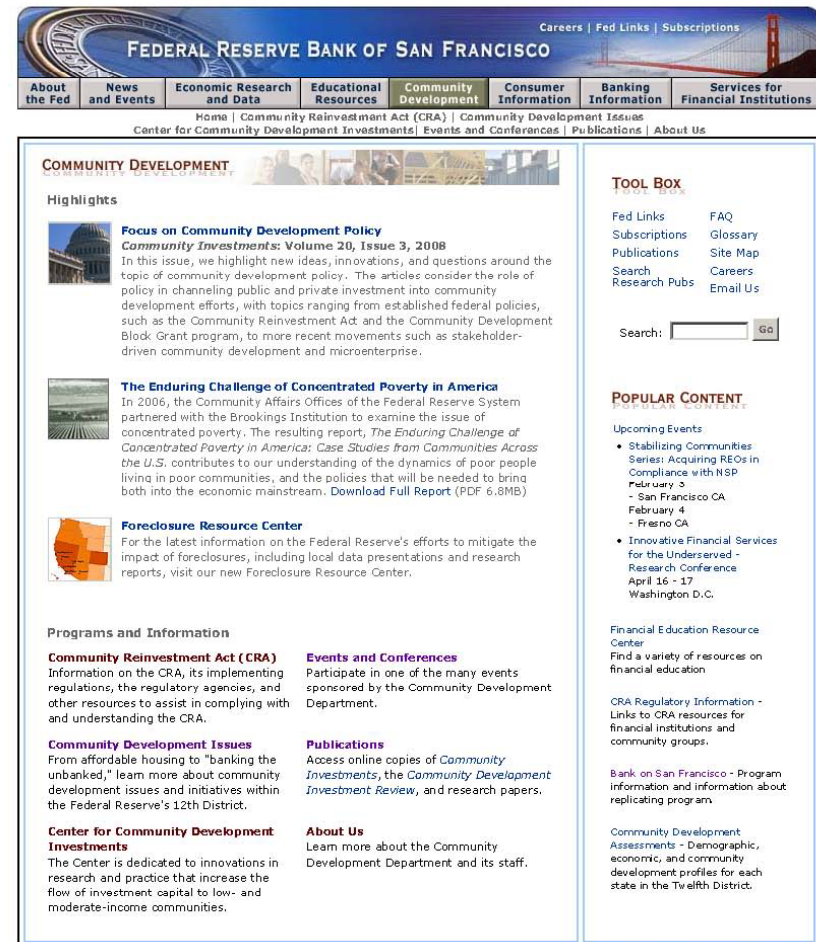
Conclusions



- ❑ 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/>