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

National Unemployment Insurance Claims, Percent Change Year-over-Year

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

Nevada Foreclosure Starts
(Percent of All Loans)

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

FHFA House Price Index (formerly OFHEO)
2000=100

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

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

## 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>Dec-08</td>
<td>1-mo.</td>
</tr>
<tr>
<td>Total</td>
<td>1,261.1</td>
<td>-7.5</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>334.4</td>
<td>-2.8</td>
</tr>
<tr>
<td>Trade, Transportation &amp; Utilities</td>
<td>234.1</td>
<td>-1.0</td>
</tr>
<tr>
<td>Government</td>
<td>163.2</td>
<td>-2.2</td>
</tr>
<tr>
<td>Professional &amp; Business Svcs.</td>
<td>150.3</td>
<td>-20.5</td>
</tr>
<tr>
<td>Construction</td>
<td>109.3</td>
<td>-25.4</td>
</tr>
<tr>
<td>Educational &amp; Health Svrs.</td>
<td>96.8</td>
<td>1.2</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>60.5</td>
<td>-11.2</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>48.7</td>
<td>-13.7</td>
</tr>
<tr>
<td>Other Services</td>
<td>37.1</td>
<td>3.3</td>
</tr>
<tr>
<td>Information</td>
<td>15.1</td>
<td>-0.6</td>
</tr>
<tr>
<td>Natural Resources &amp; Mining</td>
<td>11.9</td>
<td>-18.1</td>
</tr>
</tbody>
</table>

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

Employment Growth in Leisure & Hospitality Industry
(Percent Change, Year-over-Year, Monthly)

Distribution of Lending Volumes
September 2007

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

April 2008

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

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

November 2008

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

November 2008
Areas with Concentrations of REO Properties
November 2008

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

Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, November 2008
Areas with Concentrations of REO Properties

November 2008

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

Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, November 2008
Loan Modifications as Share of Loan Workouts Have Increased

Nevada Loan Workouts

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

Foreclosure & Delinquencies v. Loan Workouts in Nevada
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/