TRENDS IN DELINQUENCIES AND FORECLOSURES IN UTAH

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Outline of Presentation

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

- Utah
  - 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 graph](chart)

Source: Bureau of Labor Statistics
Utah Trends
Foreclosures in Utah Have Risen Significantly, but Still Below US Average

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

Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008
Utah Seeing Softening of Real Estate Market

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

Source: Federal Housing Finance Agency (formerly OFHEO), 4th Quarter 2008
St. George and Salt Lake City Experiencing Greatest Declines in House Values

Source: Federal Housing Finance Agency (formerly OFHEO), 4th Quarter 2008
Utah’s Foreclosures Reaching into All Mortgage Products

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

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

Utah: High Interest Conventional Loans by Race, 2005

Source: Home Mortgage Disclosure Act Data, 2005
Unemployment Rate on the Rise, But Still Below US Average

# Employment Trends by Industry in Utah

<table>
<thead>
<tr>
<th>Industry</th>
<th>Total Employed (thousands)</th>
<th>Percent Change</th>
<th></th>
<th></th>
<th></th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td>1-mo.*</td>
<td>3-mo.*</td>
<td>12-mo.</td>
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<tr>
<td>Total</td>
<td>1233.3</td>
<td>-6.3</td>
<td>-5.8</td>
<td>-2.1</td>
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<td>Trade, Transportation &amp; Utilities</td>
<td>245.3</td>
<td>-2.9</td>
<td>-3.8</td>
<td>-1.3</td>
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<td>Government</td>
<td>216.1</td>
<td>2.2</td>
<td>0.7</td>
<td>3.2</td>
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<tr>
<td>Professional &amp; Business Svcs.</td>
<td>161.6</td>
<td>-5.1</td>
<td>-4.1</td>
<td>-1.5</td>
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<tr>
<td>Educational &amp; Health Svcs.</td>
<td>148.7</td>
<td>-5.5</td>
<td>1.4</td>
<td>2.8</td>
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<tr>
<td>Manufacturing</td>
<td>119.1</td>
<td>-9.5</td>
<td>-14.9</td>
<td>-7.5</td>
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<tr>
<td>Leisure &amp; Hospitality</td>
<td>111.0</td>
<td>-2.1</td>
<td>-7.9</td>
<td>-3.6</td>
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<tr>
<td>Construction</td>
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<td>-24.4</td>
<td>-26.6</td>
<td>-16.2</td>
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<td>Financial Activities</td>
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<td>-10.9</td>
<td>-1.6</td>
<td>-3.3</td>
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<td>Other Services</td>
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<td>-12.7</td>
<td>-3.1</td>
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<td>Information</td>
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<td>-21.2</td>
<td>-2.6</td>
<td>-2.0</td>
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<tr>
<td>Natural Resources &amp; Mining</td>
<td>13.6</td>
<td>-23.0</td>
<td>0.0</td>
<td>16.2</td>
<td></td>
</tr>
</tbody>
</table>

Significant Drop in Construction Employment

Industry Employment Growth: Construction
(Year-over-year percent change, monthly)

Utah Foreclosure Data Maps
Areas Affected by Concentrated Foreclosures

September 2007
Areas Affected by Concentrated Foreclosures

November 2008

Utah Data Maps

Legend
Share of Foreclosures & REOs (as a percent of total loans)
- Less than half a percent
- 0.5 - 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, November 2008
Areas Affected by Concentrated Foreclosures
February 2009

Legend
Share of Foreclosures & REOs (as a percent of total loans)
- Less than 0.5 percent
- 0.5 - 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, February 2009
Utah Data Maps

Concentration of REO Properties
February 2009

Legend
Share of REOs (as a percent of total loans)
- Less than 0.25 percent
- 0.25 - 0.5 percent
- 0.5 - 0.75 percent
- 0.75 - 1 percent
- More than 1 percent
- Insufficient Data

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

February 2009

Legend
Share of Seriously Delinquent (as a percent of total 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, February 2009
Concentration of REO Properties

February 2009

Legend
Share of REO properties (as a percent of total loans)
- Less than 0.25 percent
- 0.25 - 0.5 percent
- 0.5 - 0.75 percent
- 0.75 - 1 percent
- More than 1 percent
- Insufficient Data

Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, February 2009
Neighborhoods at Risk for Additional Foreclosures
February 2009
Loan Modifications as Share of Loan Workouts Have Increased

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

Foreclosure & Delinquencies v. Loan Workouts in Utah
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/