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
  - 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

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
Foreclosures in Utah Have Risen Significantly, but Still Below US Average

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

Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008
Housing Boom in Utah Started Later than US, but Now 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
St. George and Salt Lake City Experiencing Greatest Declines in House Values

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

Foreclosure Starts by Loan Type

Source: Mortgage Bankers Association, National Delinquency Survey, 3rd 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 WellBelow US Average

Unemployment Rate

## Employment Trends by Industry in Utah

<table>
<thead>
<tr>
<th>Industry</th>
<th>Total Employed (thousands)</th>
<th>Percent Change</th>
<th>1-mo.*</th>
<th>3-mo.*</th>
<th>12-mo.*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1237.7</td>
<td>-2.1</td>
<td>-8.0</td>
<td>-5.5</td>
<td></td>
</tr>
<tr>
<td>Trade, Transportation &amp; Utilities</td>
<td>244.2</td>
<td>-2.4</td>
<td>-15.3</td>
<td>-8.5</td>
<td></td>
</tr>
<tr>
<td>Government</td>
<td>211.7</td>
<td>2.1</td>
<td>-1.7</td>
<td>1.5</td>
<td></td>
</tr>
<tr>
<td>Professional &amp; Business Svcs.</td>
<td>161.8</td>
<td>-0.6</td>
<td>2.3</td>
<td>-1.7</td>
<td></td>
</tr>
<tr>
<td>Educational &amp; Health Svcs.</td>
<td>150.0</td>
<td>5.0</td>
<td>4.1</td>
<td>5.8</td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>123.4</td>
<td>-4.2</td>
<td>-13.5</td>
<td>-9.2</td>
<td></td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>111.8</td>
<td>-1.4</td>
<td>-13.9</td>
<td>-11.3</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>82.4</td>
<td>-22.0</td>
<td>-47.9</td>
<td>-31.6</td>
<td></td>
</tr>
<tr>
<td>Financial Activities</td>
<td>73.3</td>
<td>-1.5</td>
<td>24.0</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>Other Services</td>
<td>35.4</td>
<td>-1.7</td>
<td>-3.3</td>
<td>-2.2</td>
<td></td>
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<tr>
<td>Information</td>
<td>31.5</td>
<td>-1.9</td>
<td>26.0</td>
<td>-1.3</td>
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<tr>
<td>Natural Resources &amp; Mining</td>
<td>12.2</td>
<td>7.0</td>
<td>0.0</td>
<td>18.2</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
Utah Data Maps

Areas Affected by Concentrated Foreclosures

September 2007

Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, September 2007
Utah Data Maps

Areas Affected by Concentrated Foreclosures

April 2008

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
Utah Data Maps

Concentration of REO Properties
November 2008

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, November 2008
Areas at Risk for Additional Foreclosures

November 2008

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

Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, November 2008
Salt Lake City Data Maps

Neighborhoods at Risk for Additional Foreclosures
November 2008

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, November 2008
Loan Modifications as Share of Loan Workouts Have Increased

Utah Loan Workouts

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Repayment Plans</th>
<th>Loan Modifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 2007</td>
<td>2100</td>
<td>100</td>
</tr>
<tr>
<td>Q4 2007</td>
<td>2000</td>
<td>170</td>
</tr>
<tr>
<td>Q1 2008</td>
<td>1700</td>
<td>600</td>
</tr>
<tr>
<td>Q2 2008</td>
<td>1800</td>
<td>700</td>
</tr>
<tr>
<td>Q3 2008</td>
<td>2200</td>
<td>1200</td>
</tr>
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</table>

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

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Number (Adjusted for Hope Now Servicers)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Serious Delinquencies</td>
<td>11,000</td>
</tr>
<tr>
<td>Foreclosure Starts</td>
<td>3,000</td>
</tr>
<tr>
<td>Foreclosure Sales</td>
<td>1,000</td>
</tr>
<tr>
<td>Repayment Plans</td>
<td>2,000</td>
</tr>
<tr>
<td>Loan Modifications</td>
<td>1,000</td>
</tr>
</tbody>
</table>

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/