

TRENDS IN DELINQUENCIES AND FORECLOSURES IN WASHINGTON

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Craig Nolte, Community Development Department,
Federal Reserve Bank of San Francisco

Outline of Presentation



- National Trends
 - ▣ Rising foreclosures
 - ▣ House price declines
 - ▣ Rising unemployment
- Washington
 - ▣ Trends in foreclosure
 - ▣ Housing market softening
 - ▣ Rising unemployment
 - ▣ Scale of loan modifications still falls short of need

National Trends

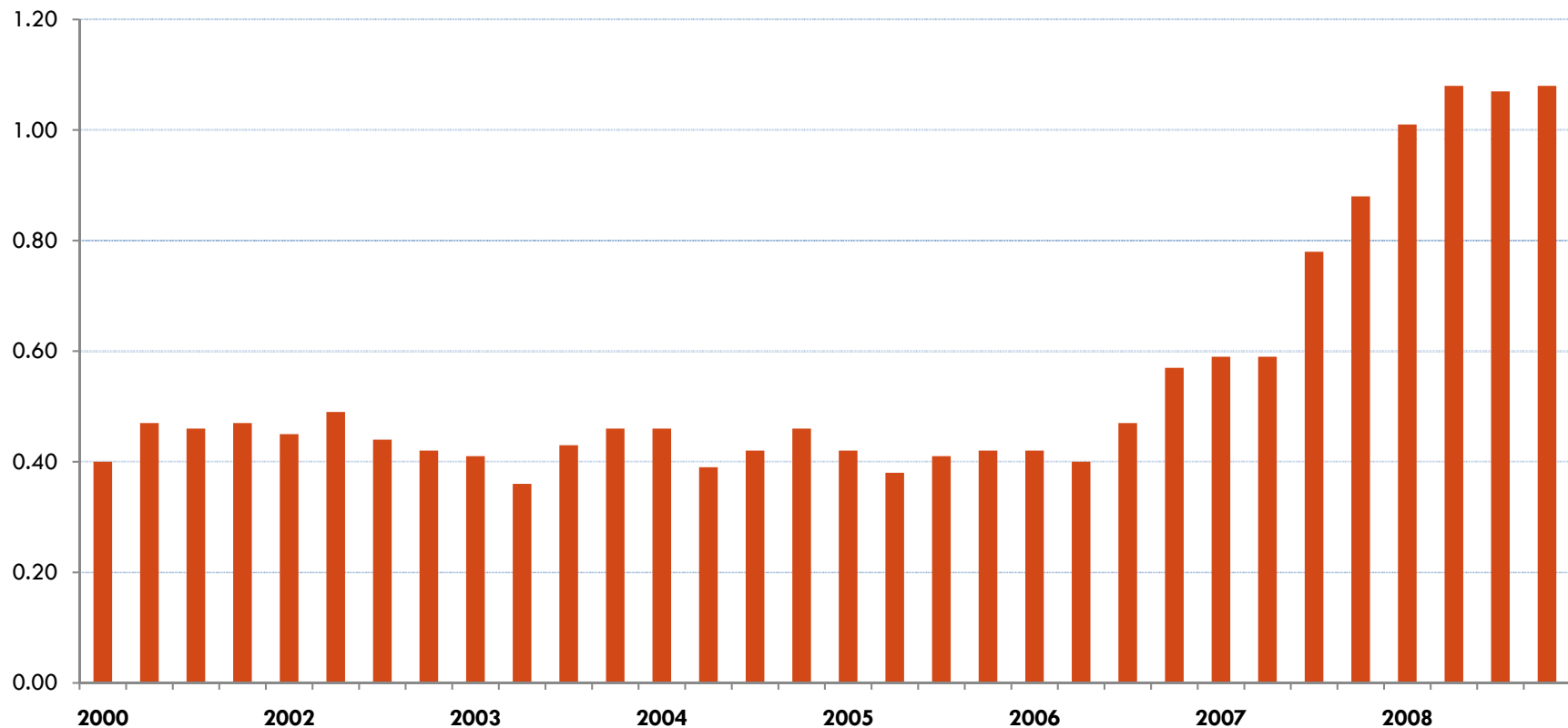
National Trends



- 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

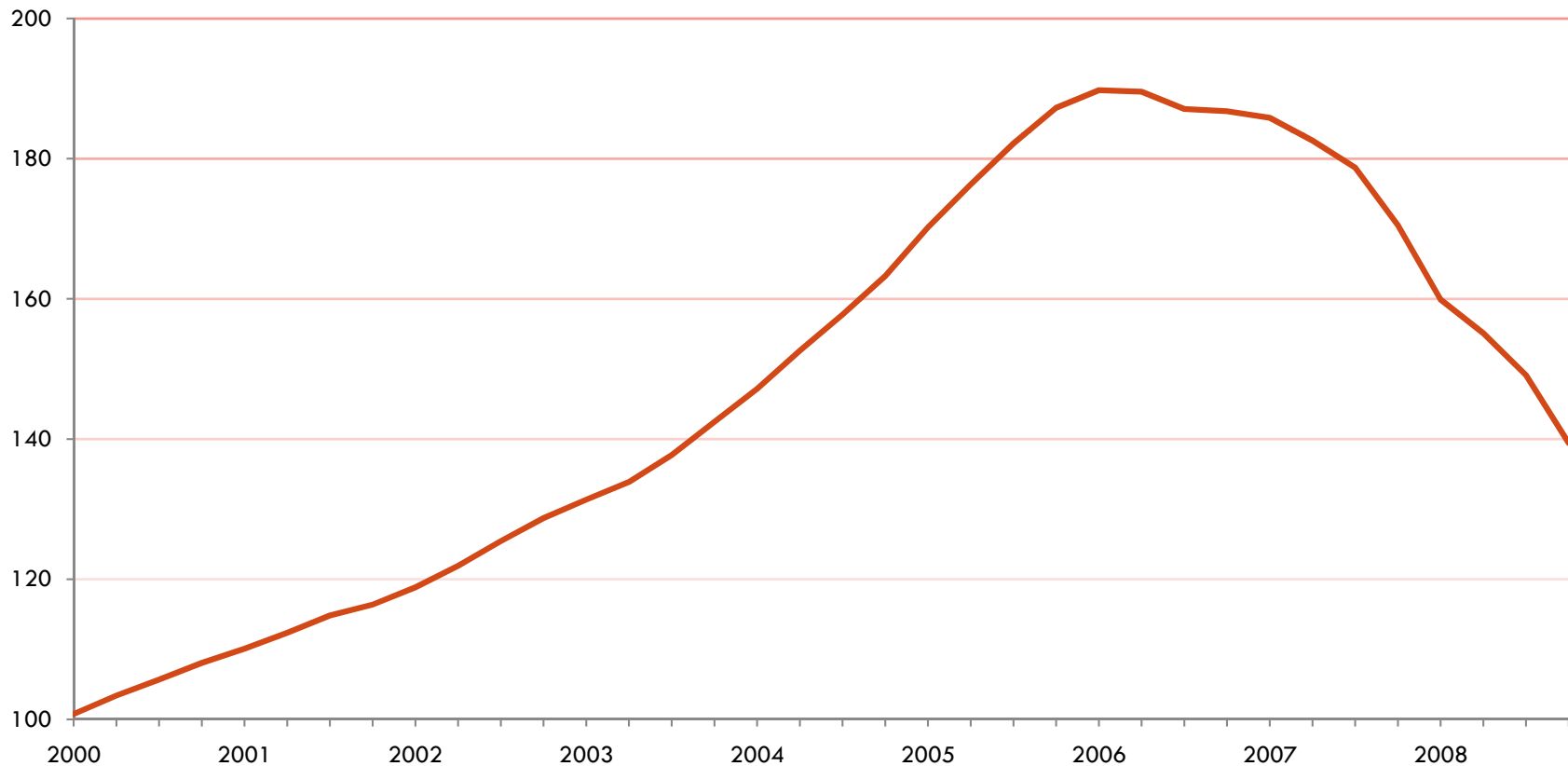
National Foreclosures Starts
Percent of All Loans



Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008

Nationally, House Prices Continue to Decline

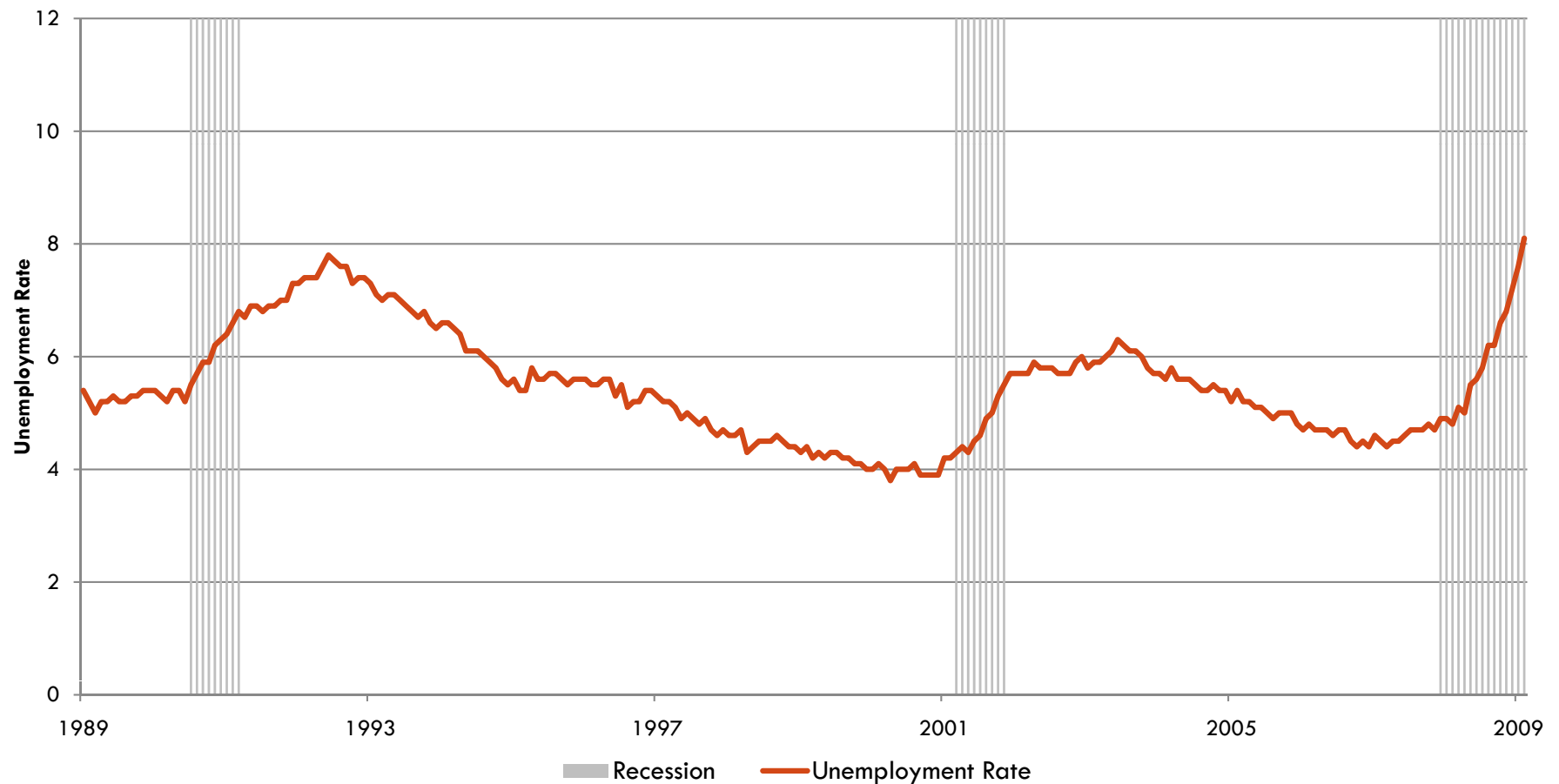
Case-Shiller National House Price Index
(2000 = 100, quarterly)



Source: Case - Shiller Home Price Index, 4th Q 2008

Recession Marks Significant Jump in Unemployment

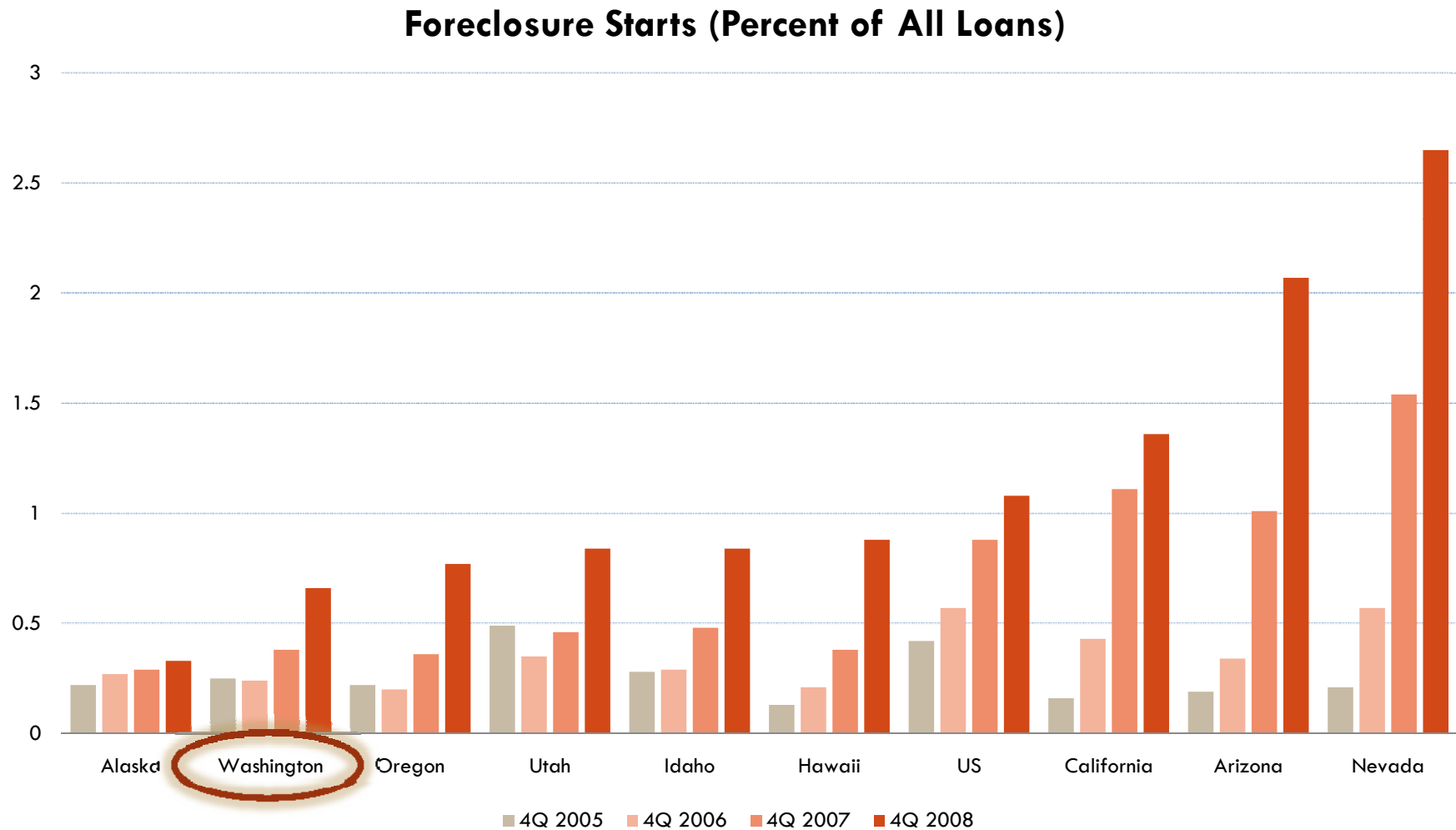
U.S. Unemployment Rate



Source: Bureau of Labor Statistics

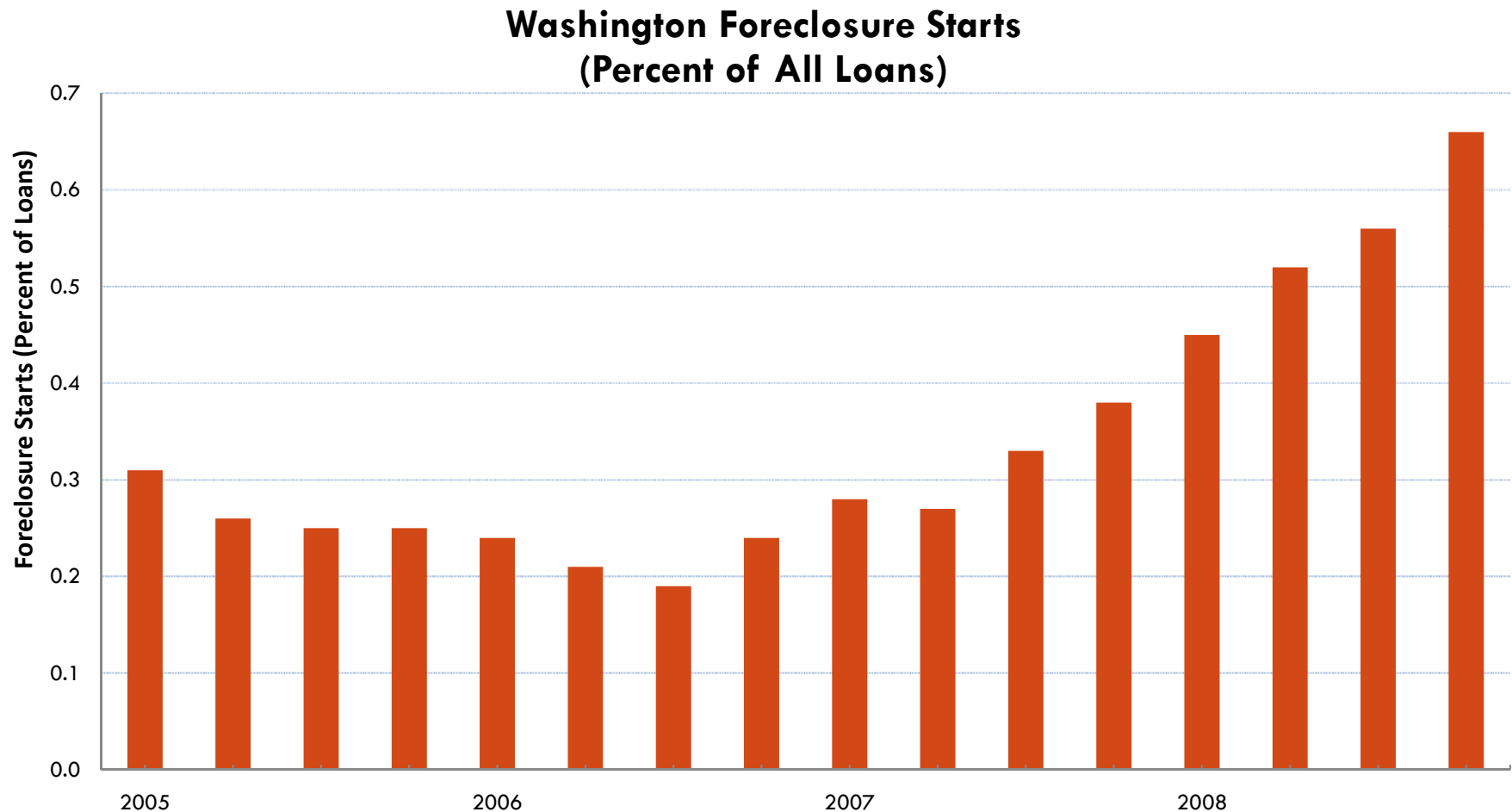
Washington Trends

Foreclosures in Washington Have Risen Significantly, But Remain Below US Average



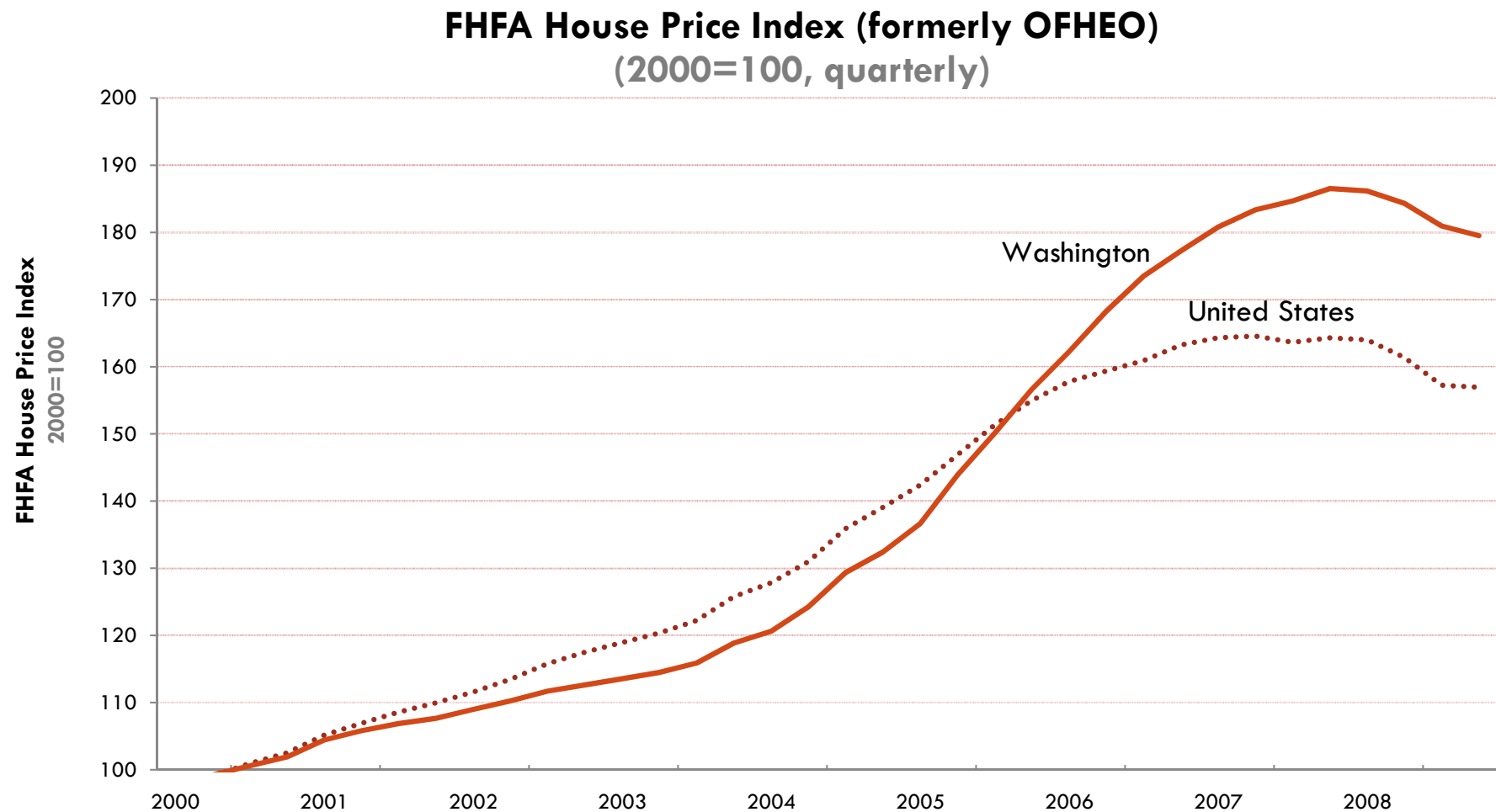
Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008

Washington Saw a Significant Jump in Foreclosure Starts in 4th Quarter 2008



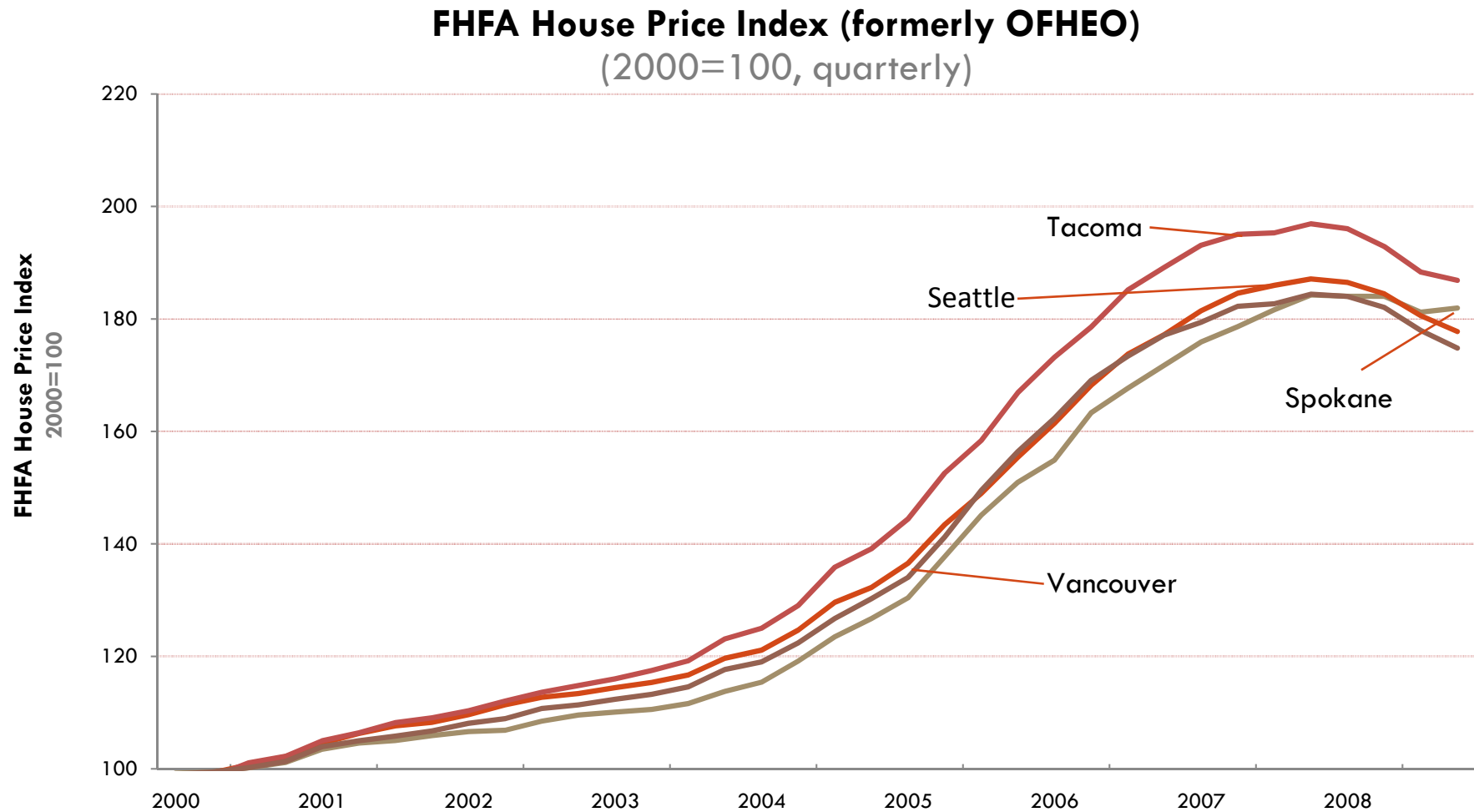
Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008

Washington's House Values Continue to Decline, but Curve Flattening Slightly



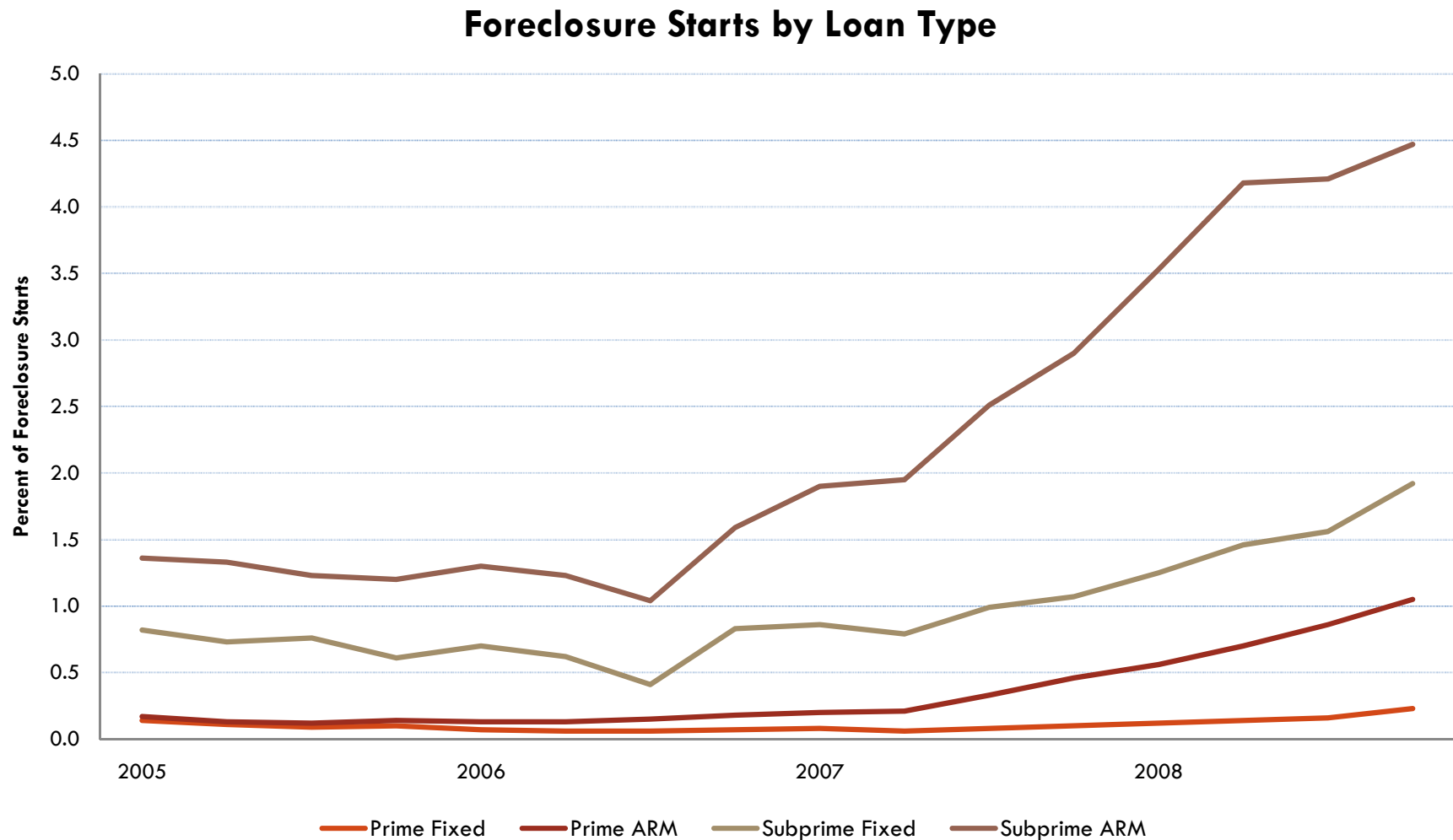
Source: Federal Housing Finance Agency (formerly OFHEO), 4th Quarter 2008

Most Metro Areas Also Experiencing Declines



Source: Federal Housing Finance Agency (formerly OFHEO), 4th Quarter 2008

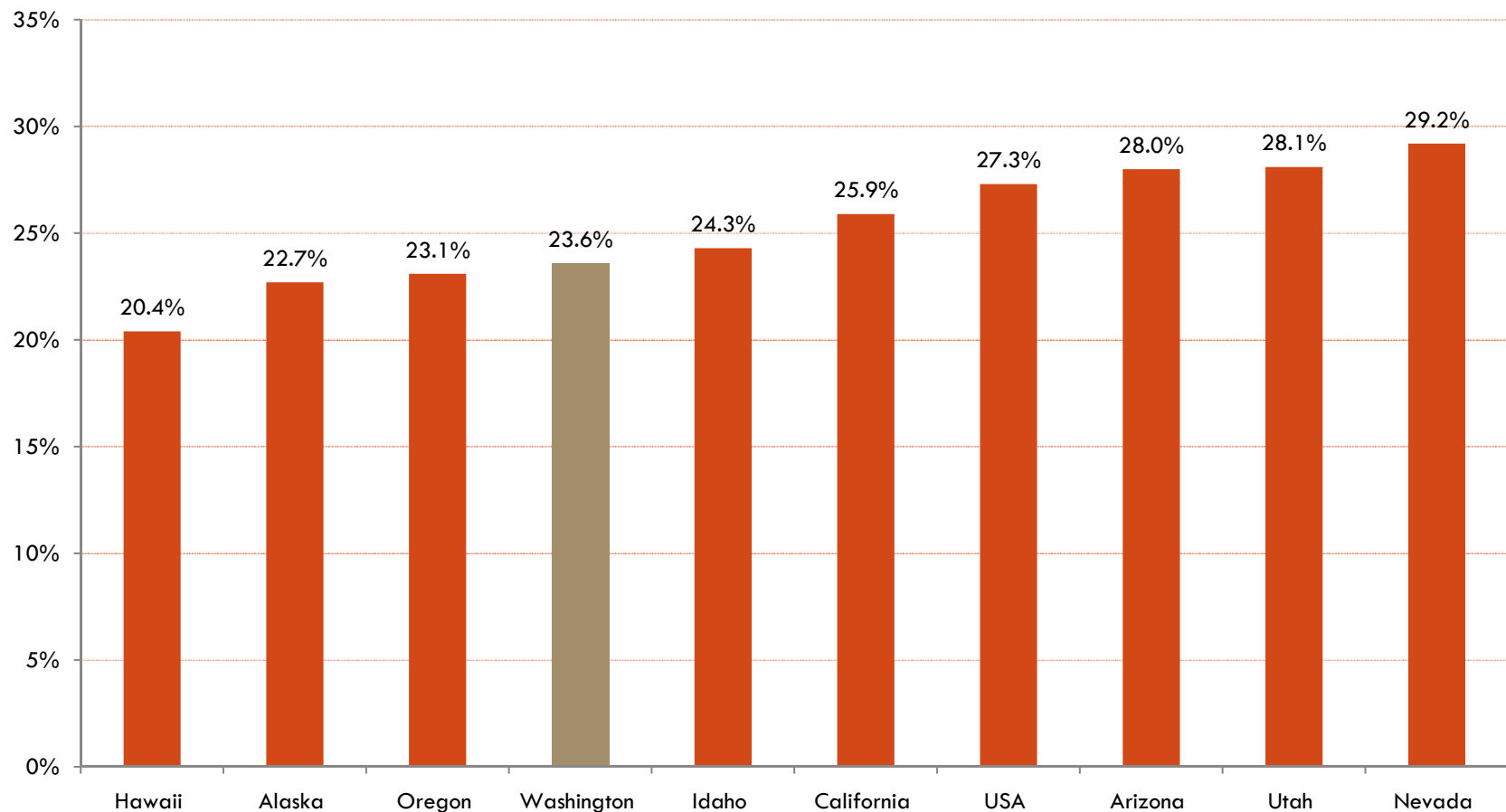
Washington's Foreclosures are Concentrated in Subprime ARM Market



Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008

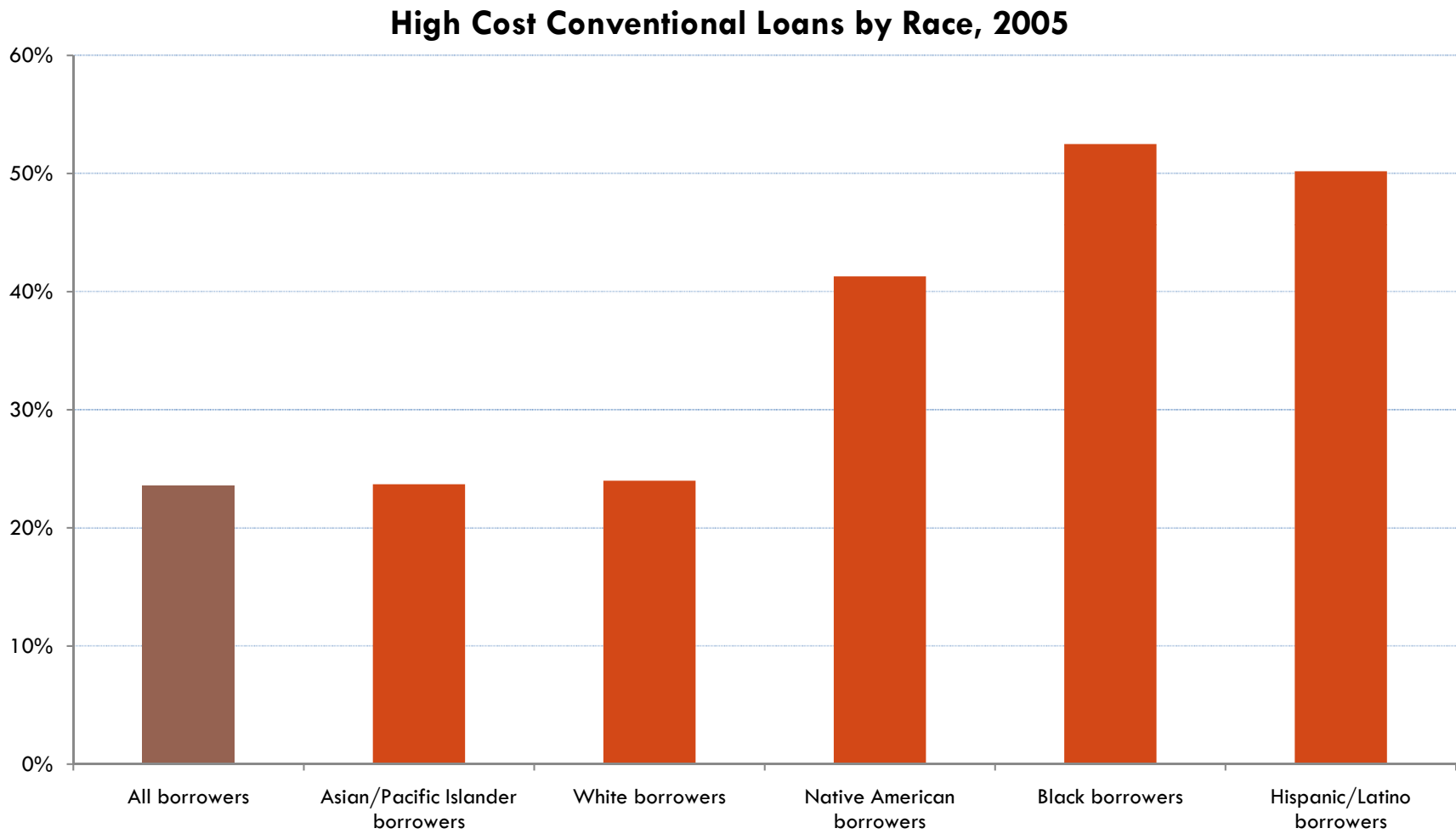
Washington Saw High Rates of High-Cost Lending During Subprime Boom, but Still Lower than National Average

Percent of All Borrowers with High Interest Conventional Loans, 2005



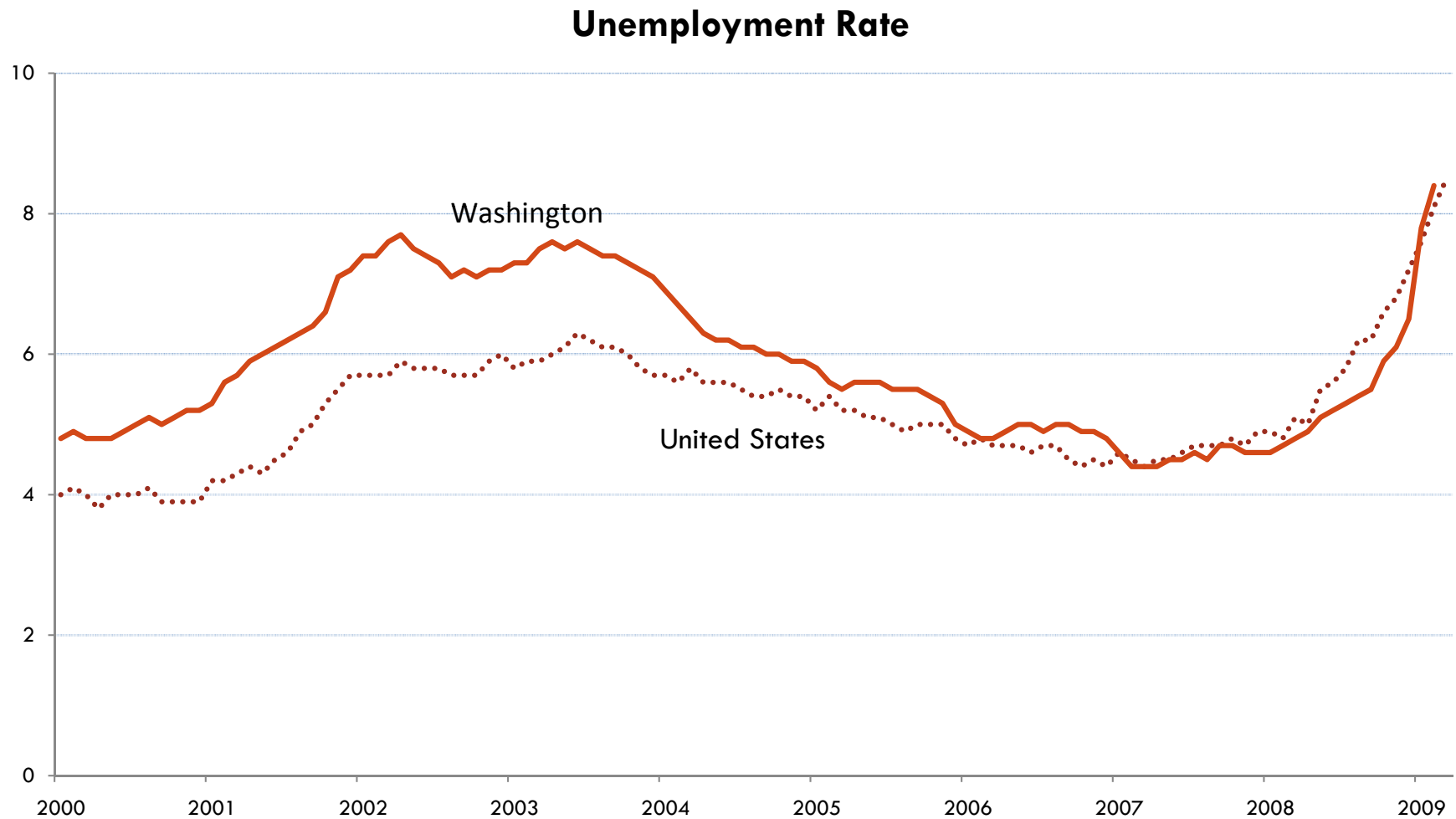
Source: Home Mortgage Disclosure Act Data, 2005

High Cost Lending in Washington More Prevalent Among Some Minority Groups



Source: Home Mortgage Disclosure Act Data, 2005

Unemployment Rate in Washington Has Mirrored National Trends



Source: Bureau of Labor Statistics

Employment Trends by Industry in Washington

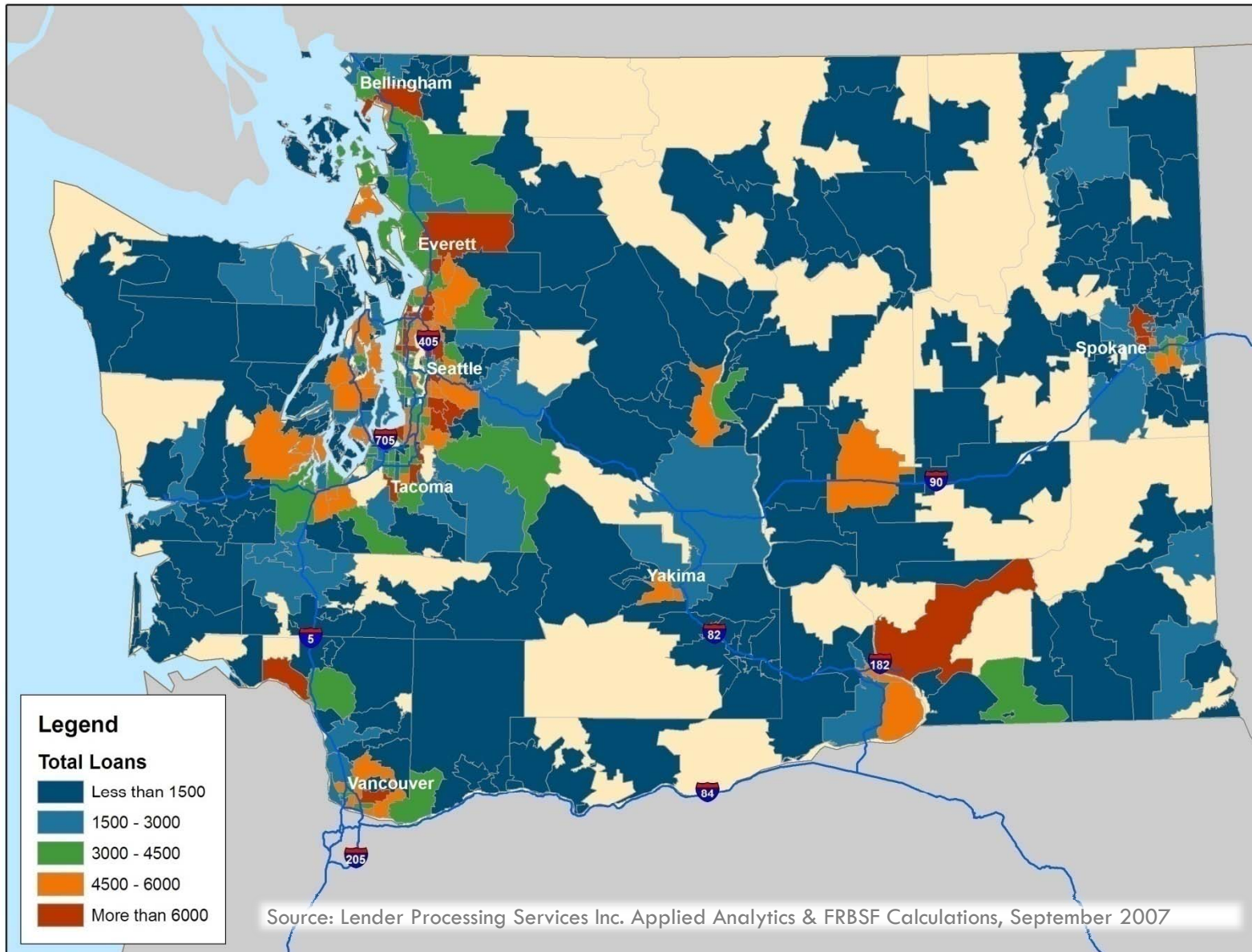
Washington	Total Employed (thousands)	Percent Change		
	Feb-09	1-mo.*	3-mo.*	12-mo.
Total	2889.1	-11.0	-6.7	-2.8
Government	548.7	-1.5	-1.4	1.1
Trade, Transportation & Utilities	532.7	-13.2	-6.3	-4.7
Educational & Health Svcs.	361.5	-7.6	-4.3	1.2
Professional & Business Svcs.	330.9	-37.7	-15.1	-5.5
Leisure & Hospitality	283.5	-1.3	-2.5	-0.4
Manufacturing	278.2	-8.6	-12.2	-6.2
Construction	185.4	-26.4	-15.9	-10.6
Financial Activities	150.5	9.2	2.4	-2.7
Other Services	107.5	5.8	-1.8	0.3
Information	103.3	2.4	-9.8	-1.1
Natural Resources & Mining	6.9	-29.0	-24.4	-10.4

Source: Bureau of Labor Statistics, February 2009, *Annualized

Washington Foreclosure Data Maps

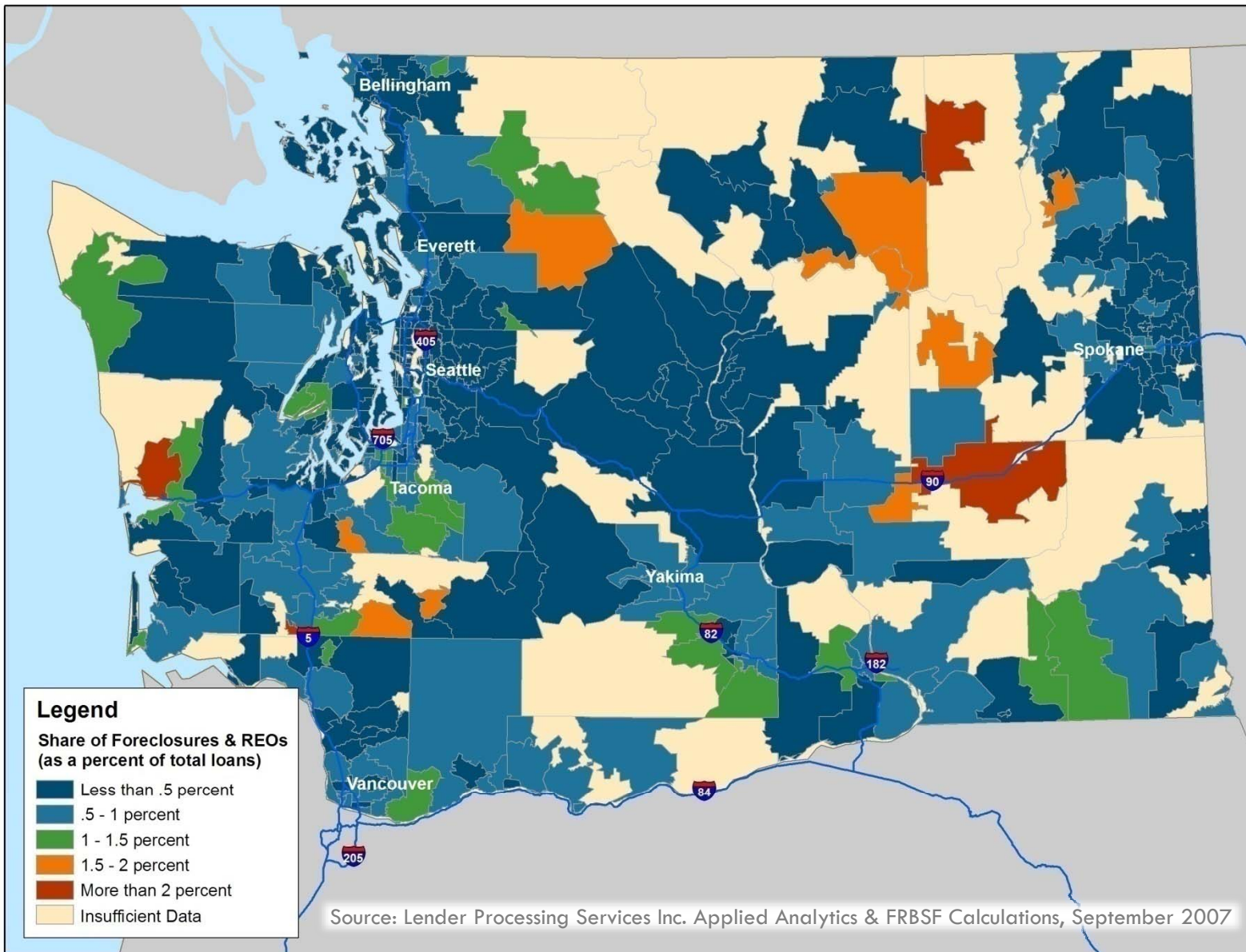
Distribution of Lending Volumes

September 2007



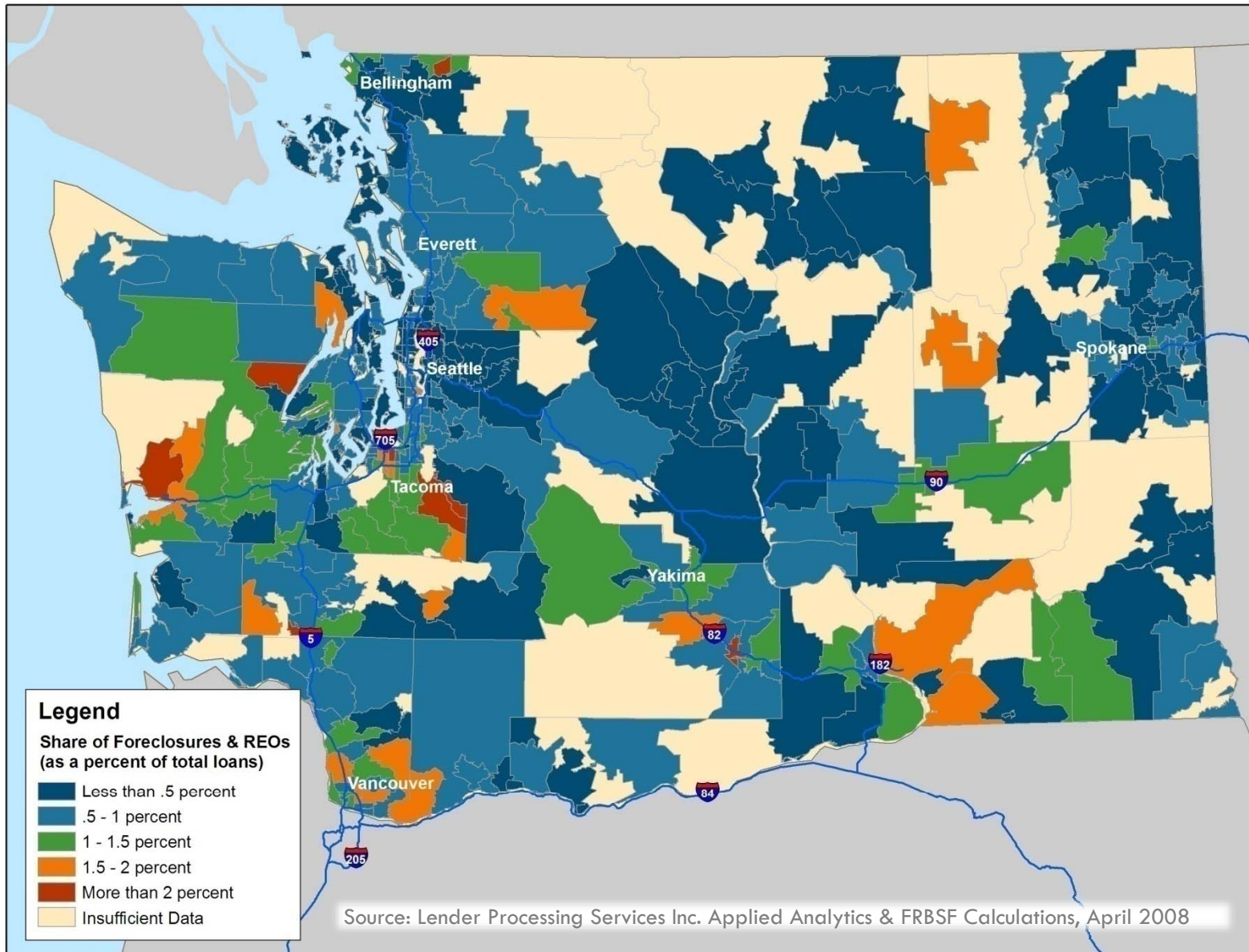
Areas Affected by Concentrated Foreclosures

September 2007



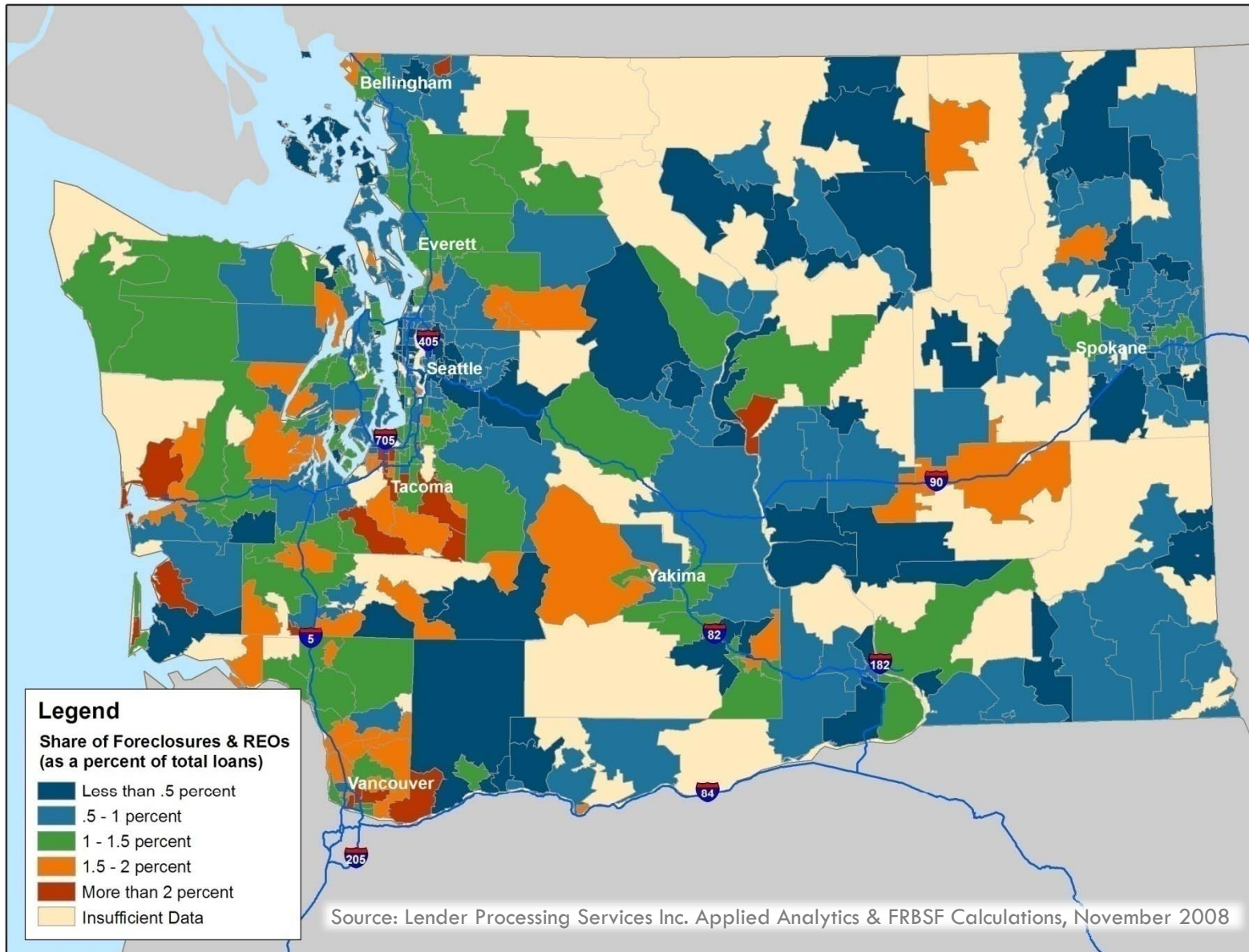
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April 2008



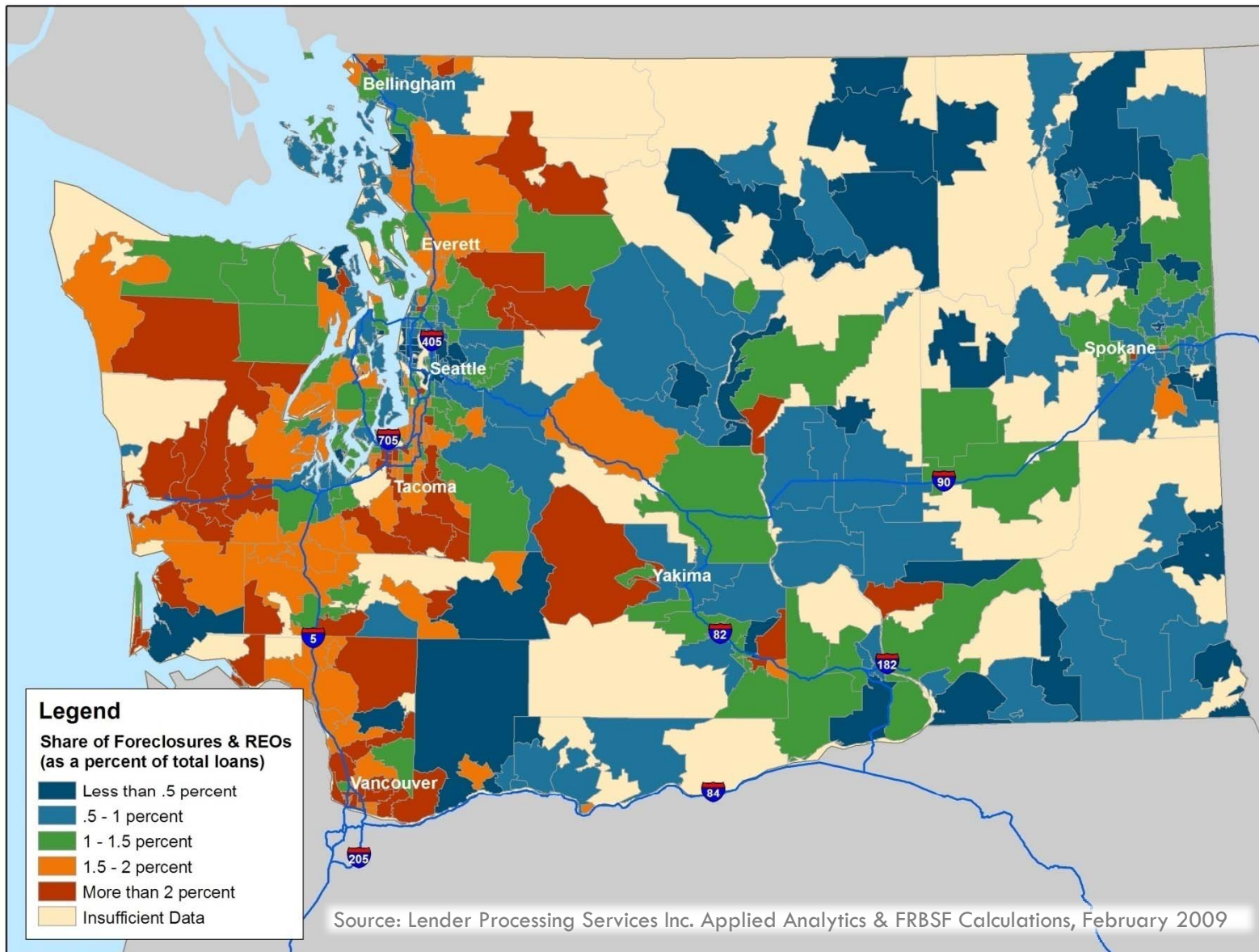
Areas Affected by Concentrated Foreclosures

November 2008



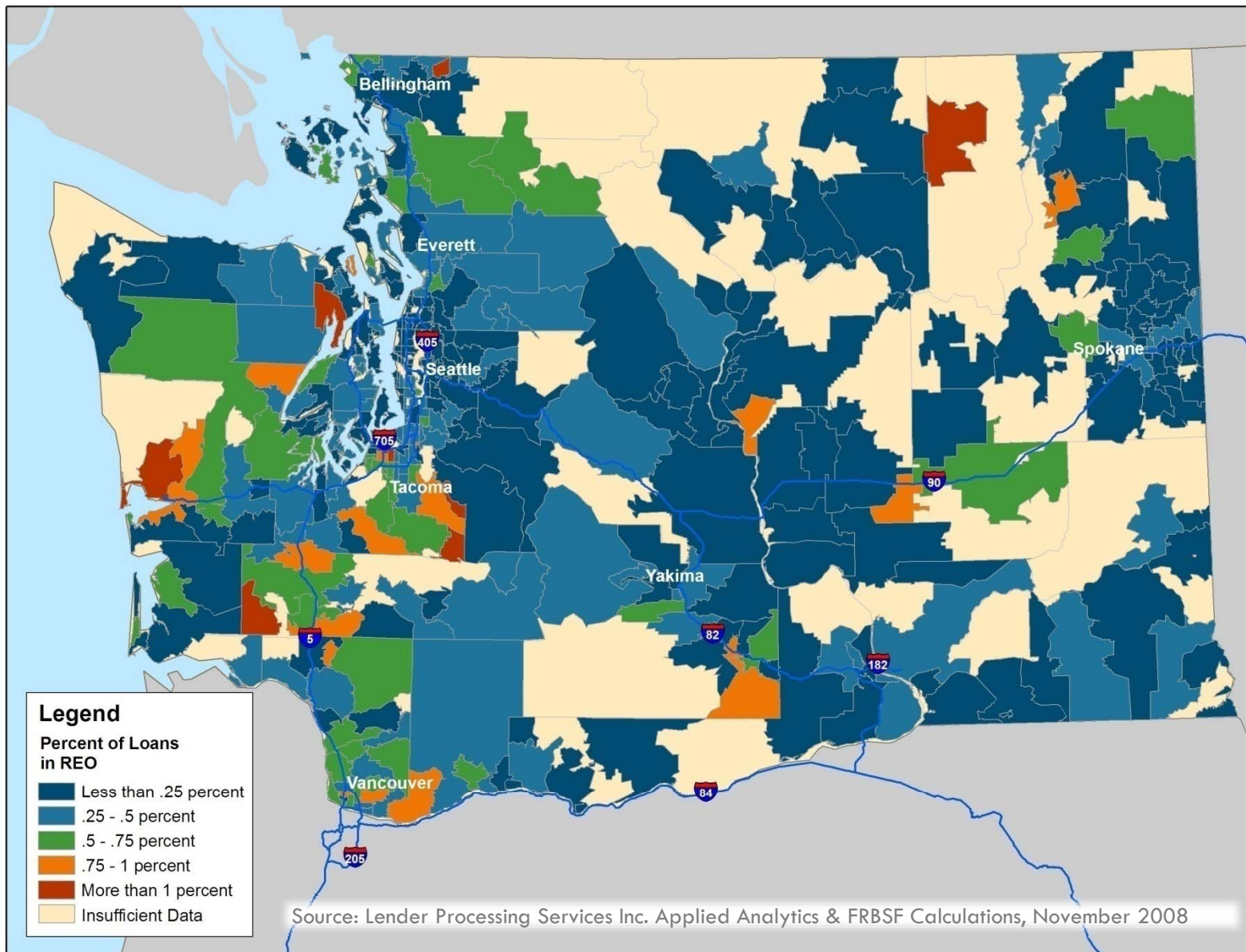
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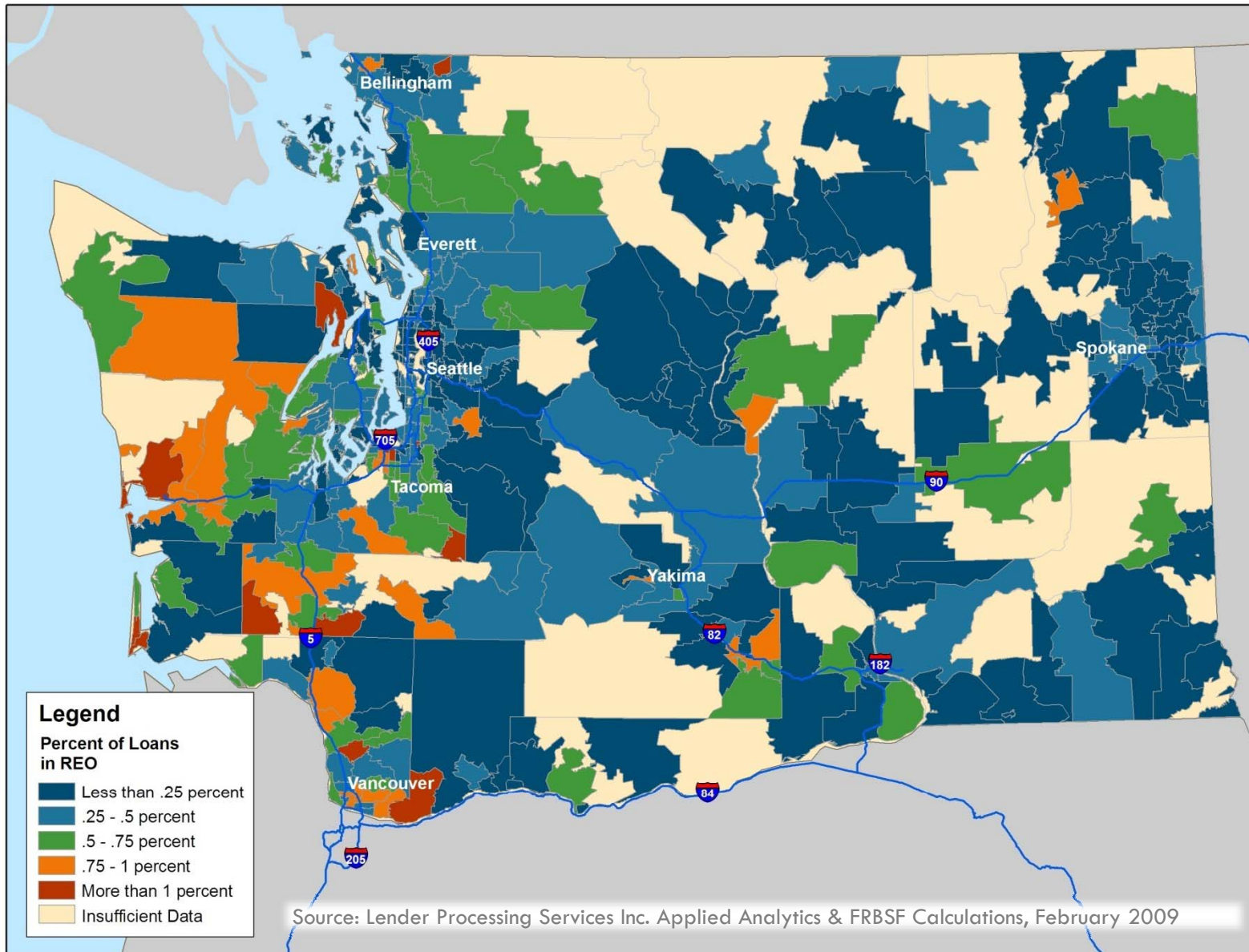
Areas with Concentrations of REO Properties

November 2008



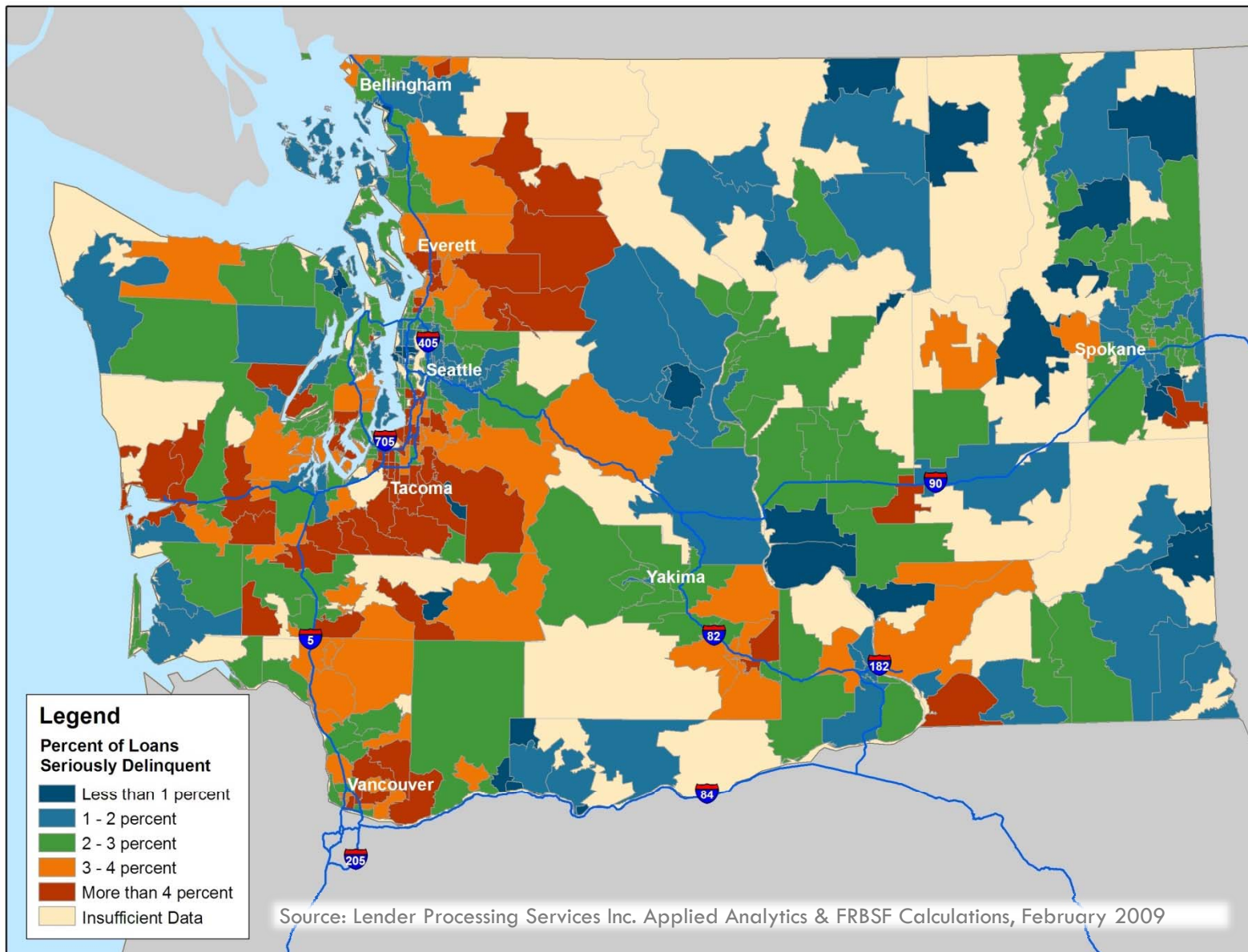
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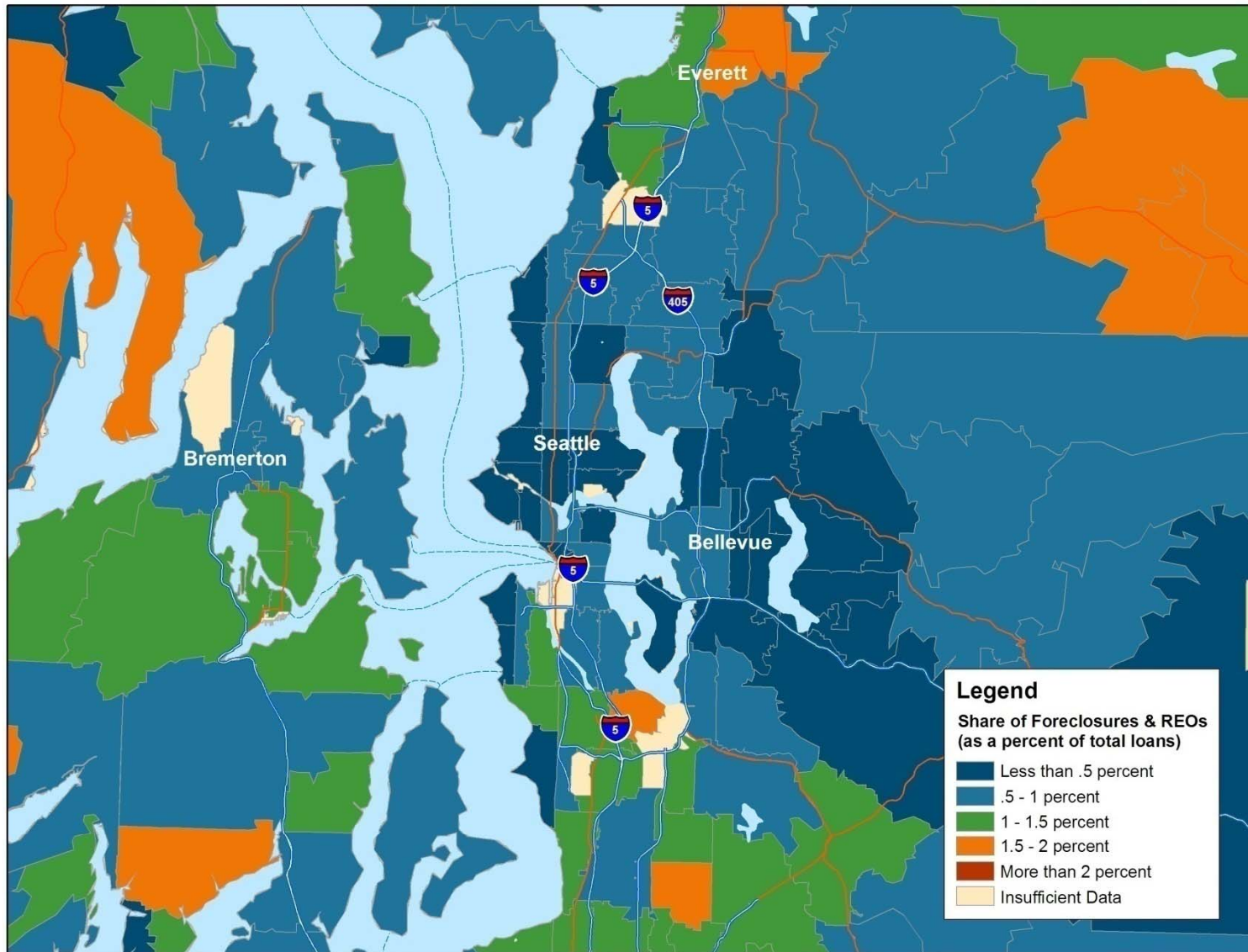
Areas at Risk of Additional Foreclosures

February 2009



Areas of Concentrated Foreclosures

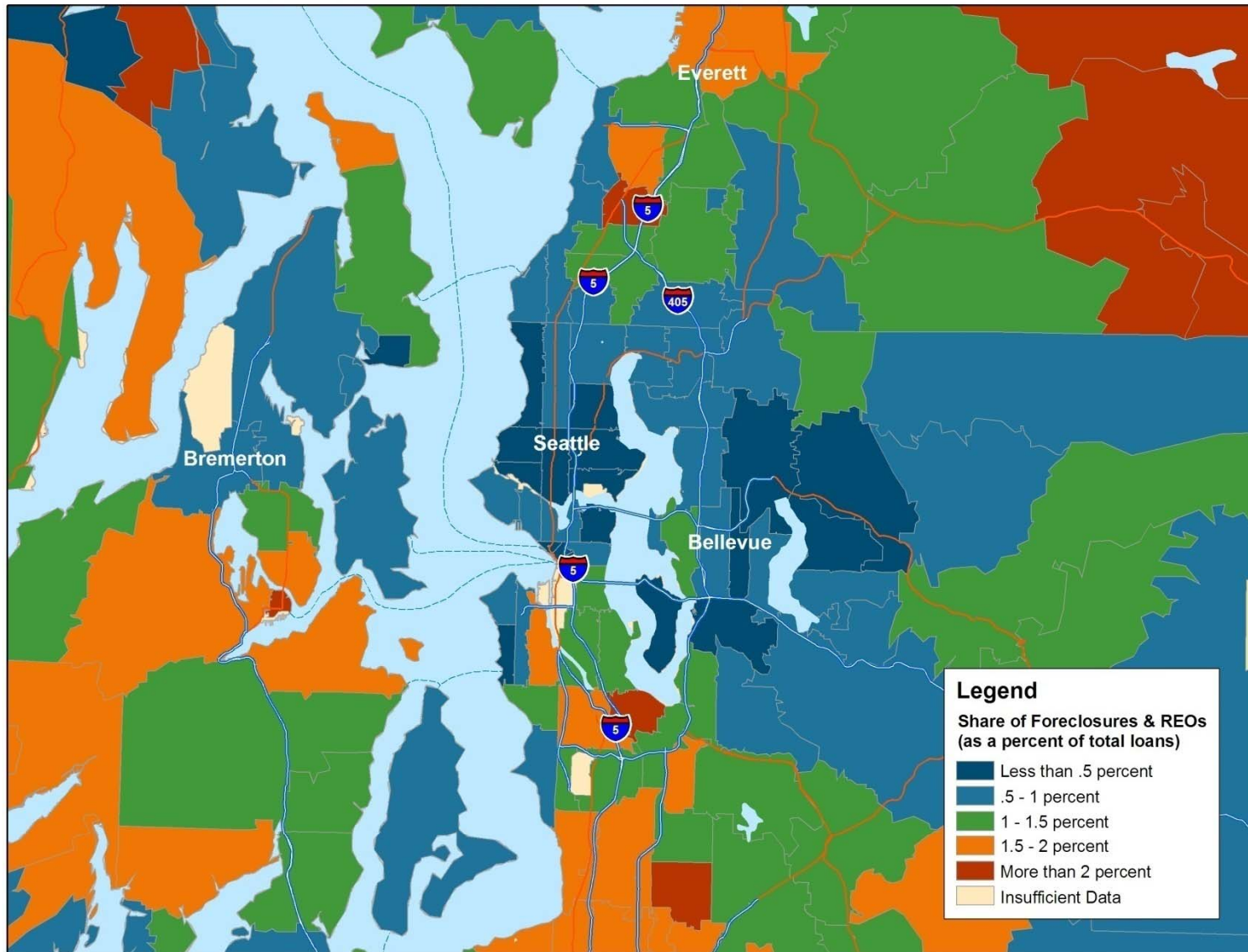
November 2008



Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, November 2008

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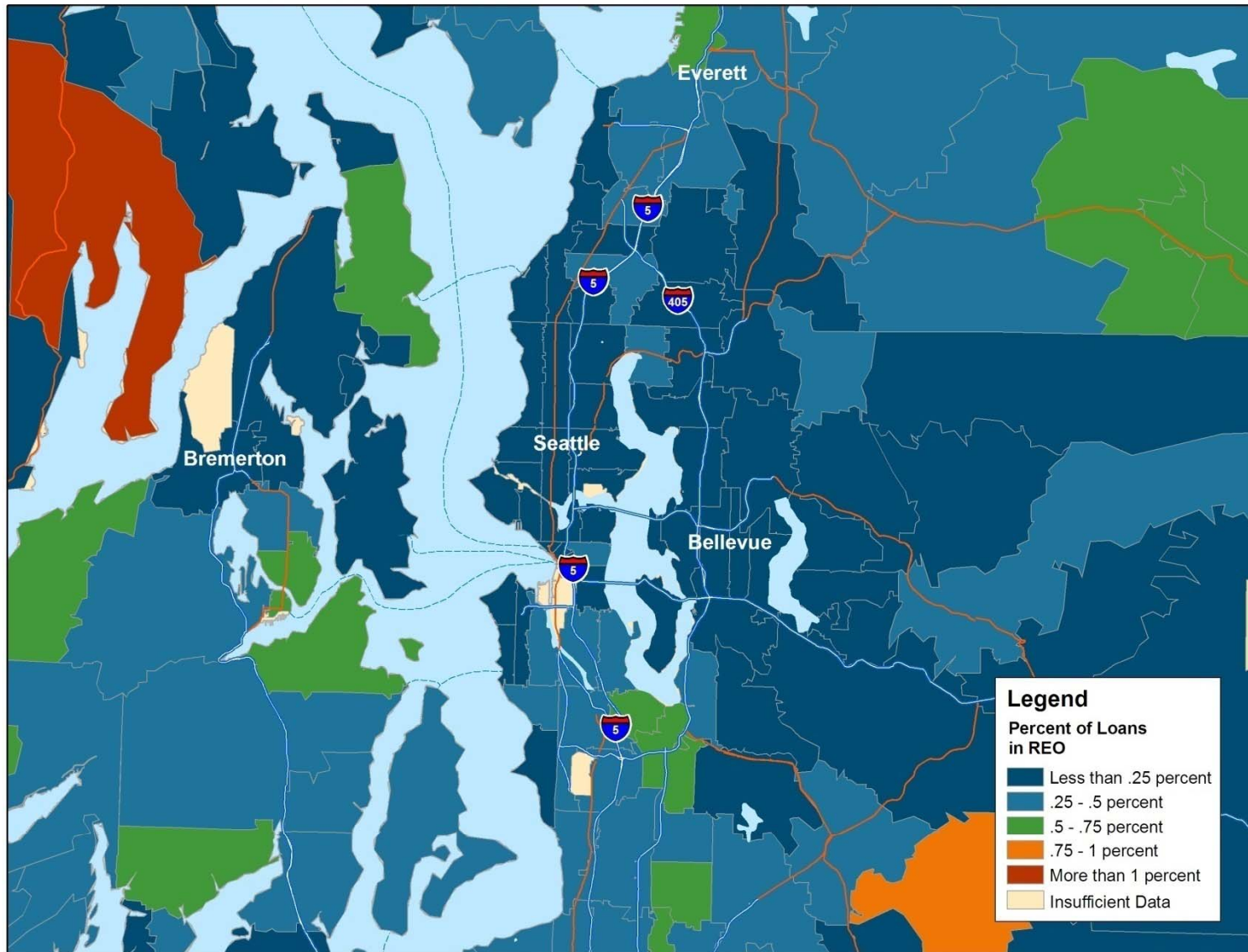
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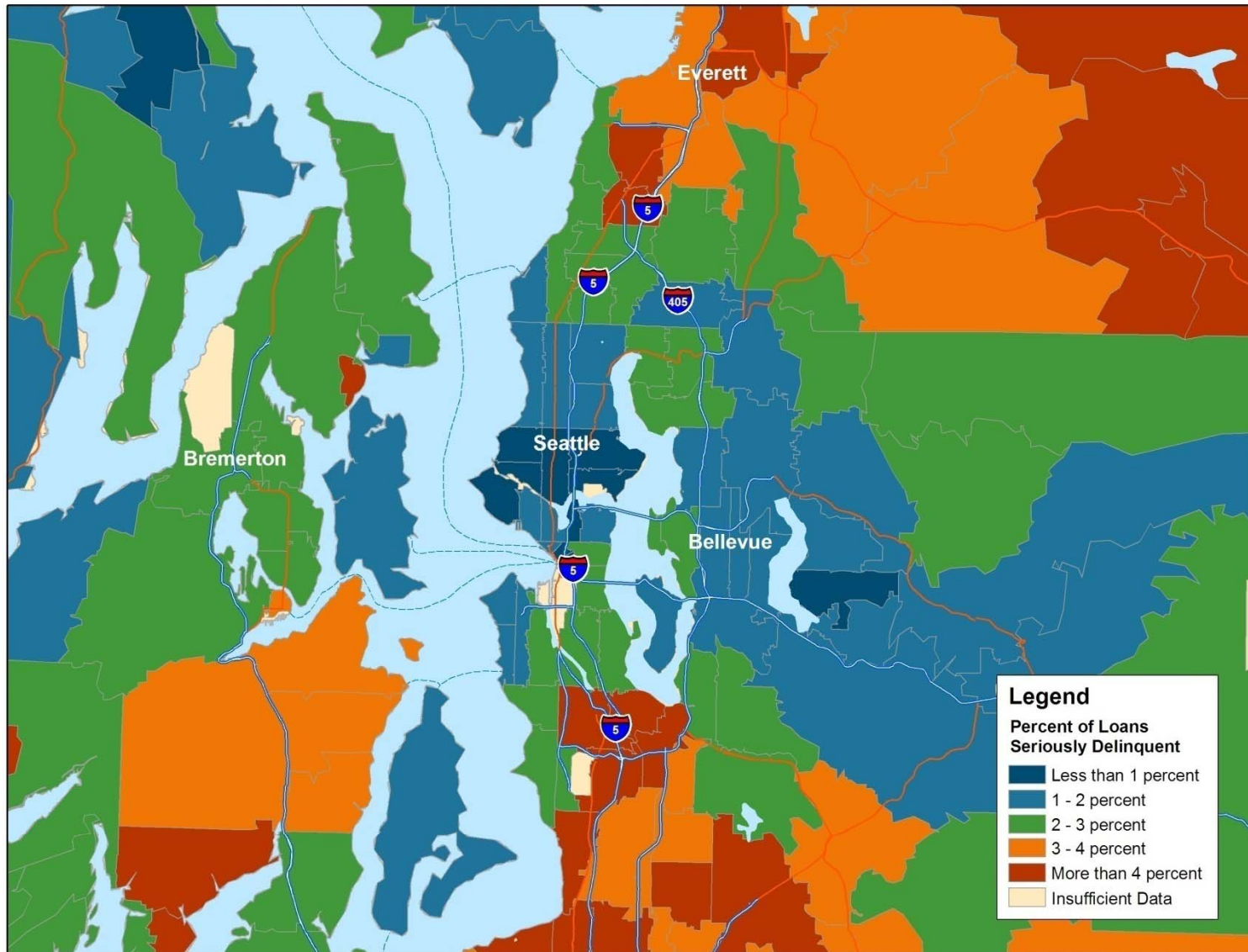
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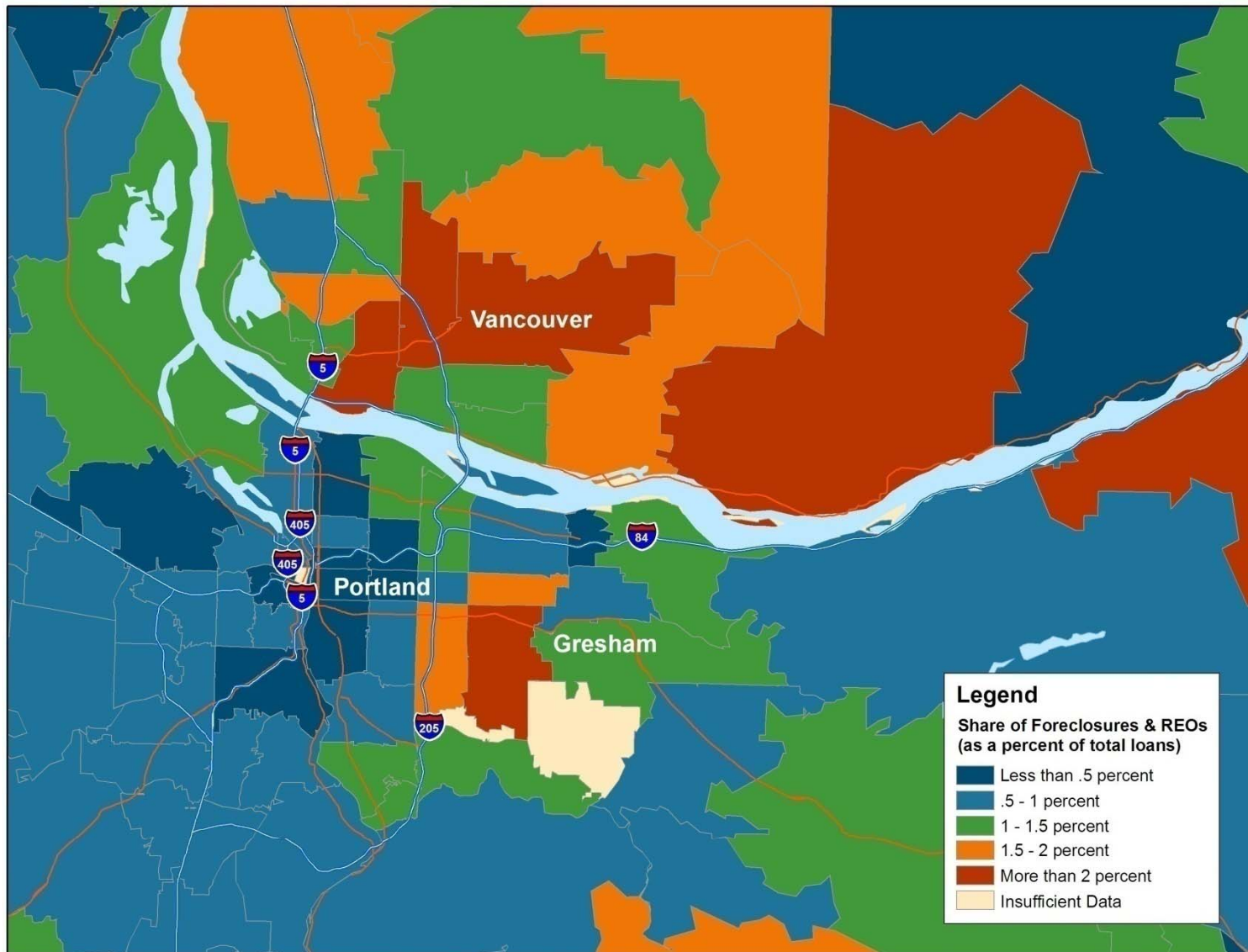
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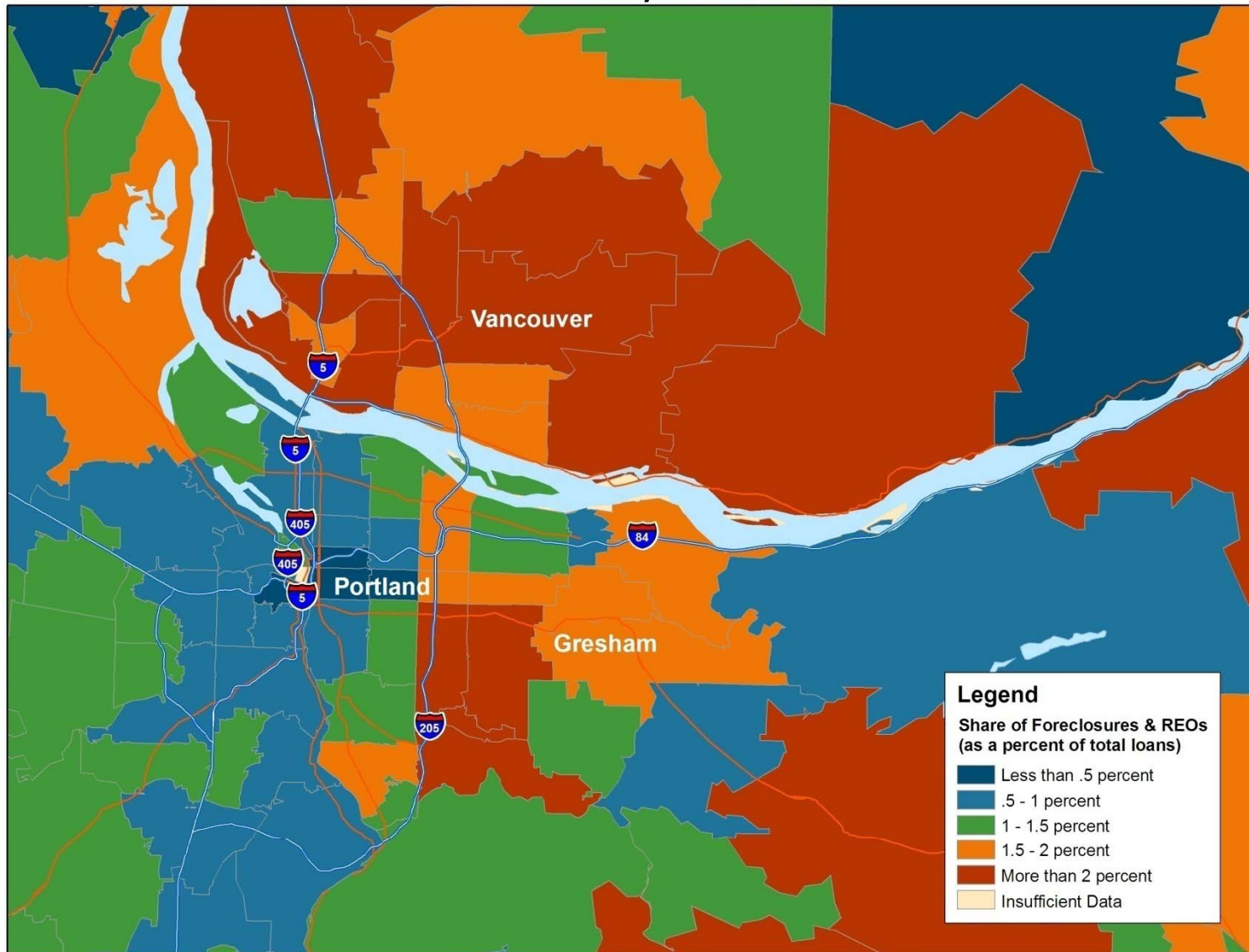
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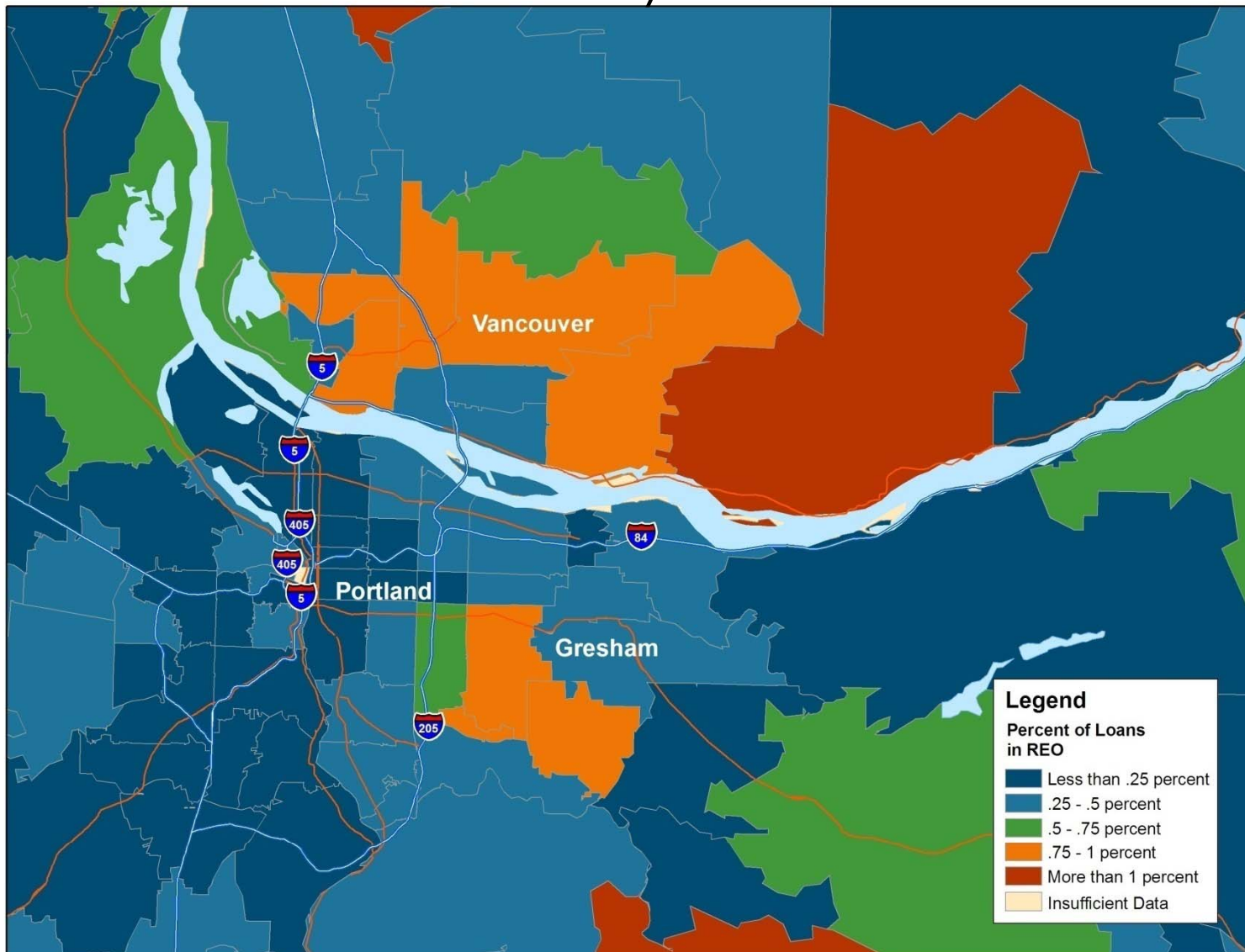
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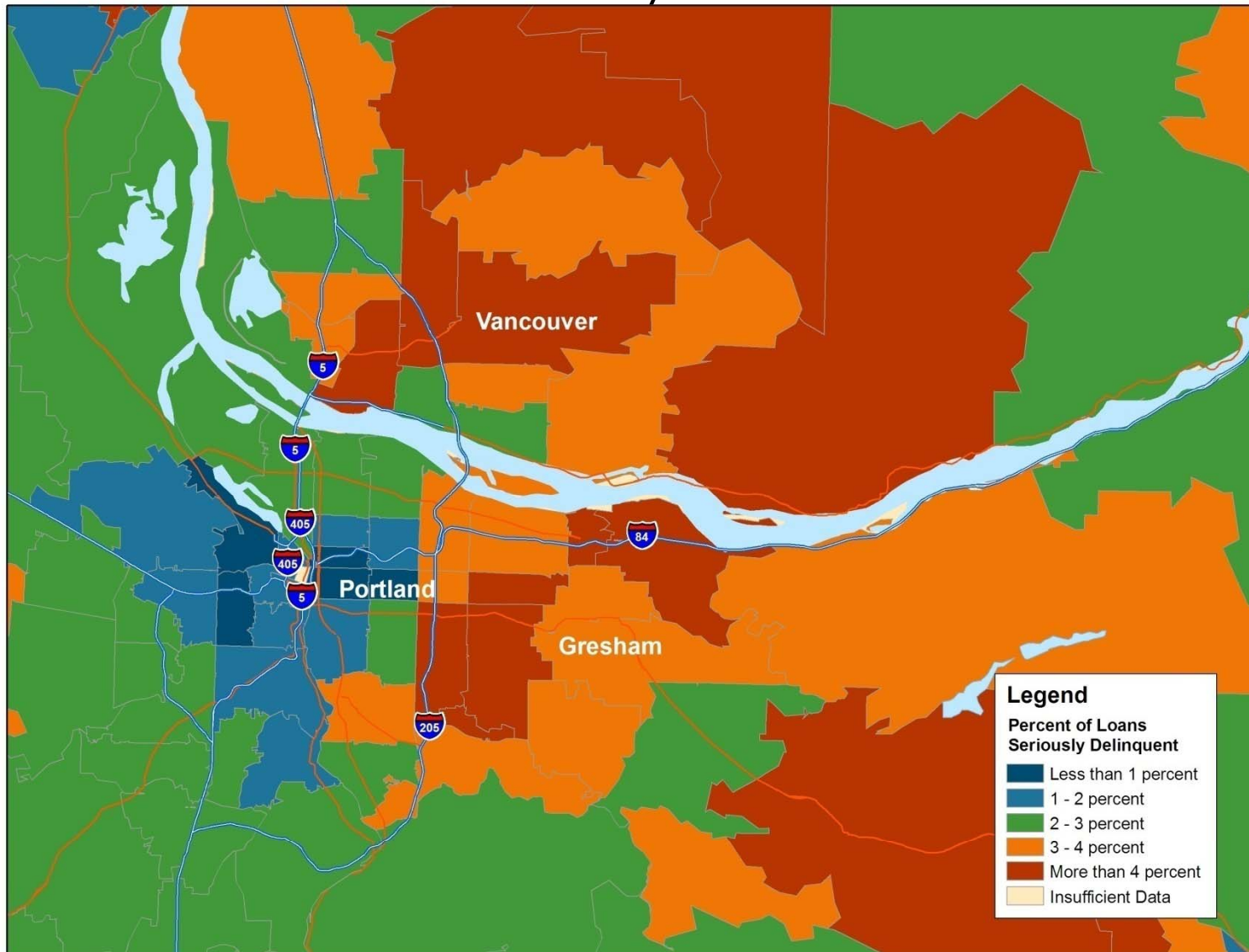
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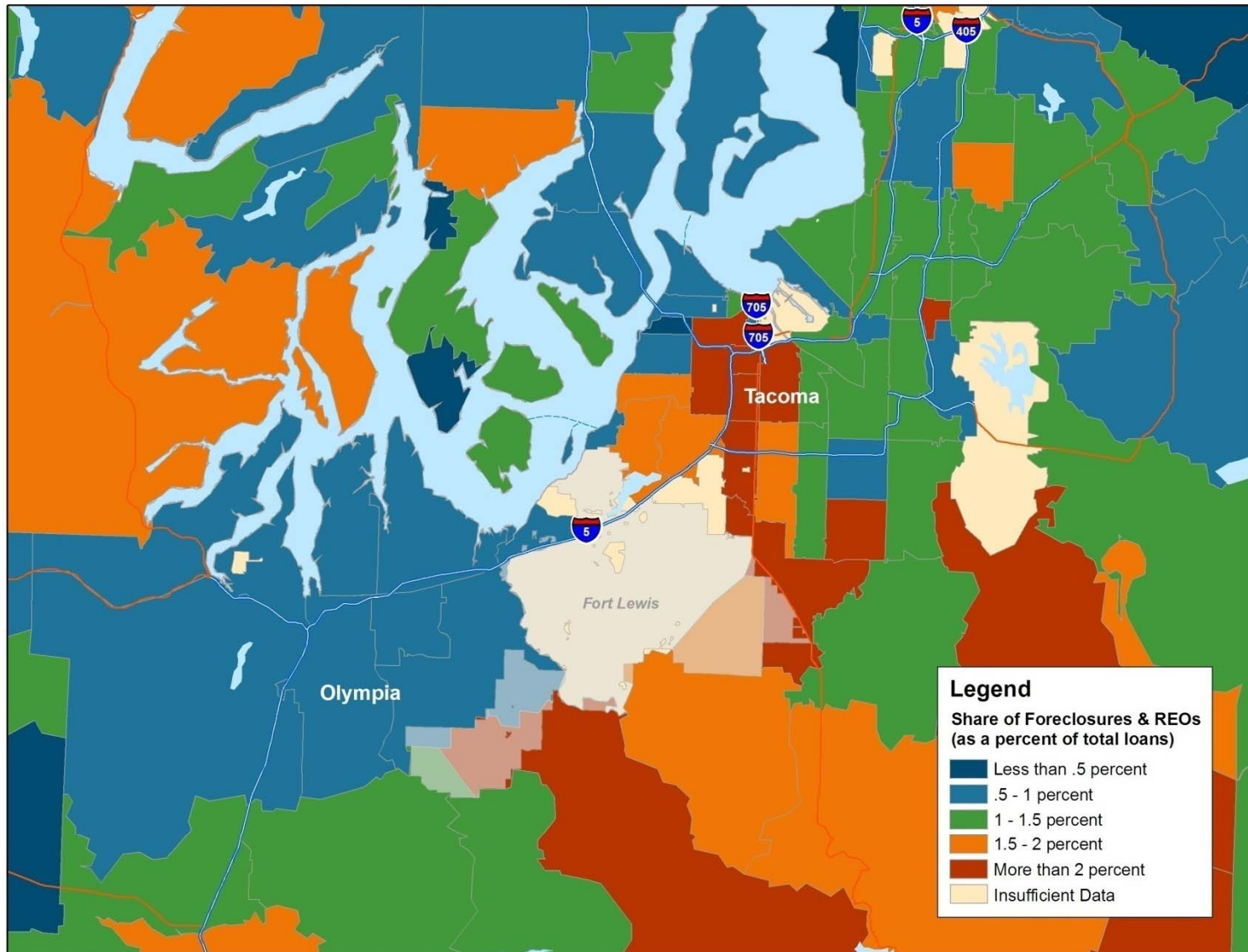
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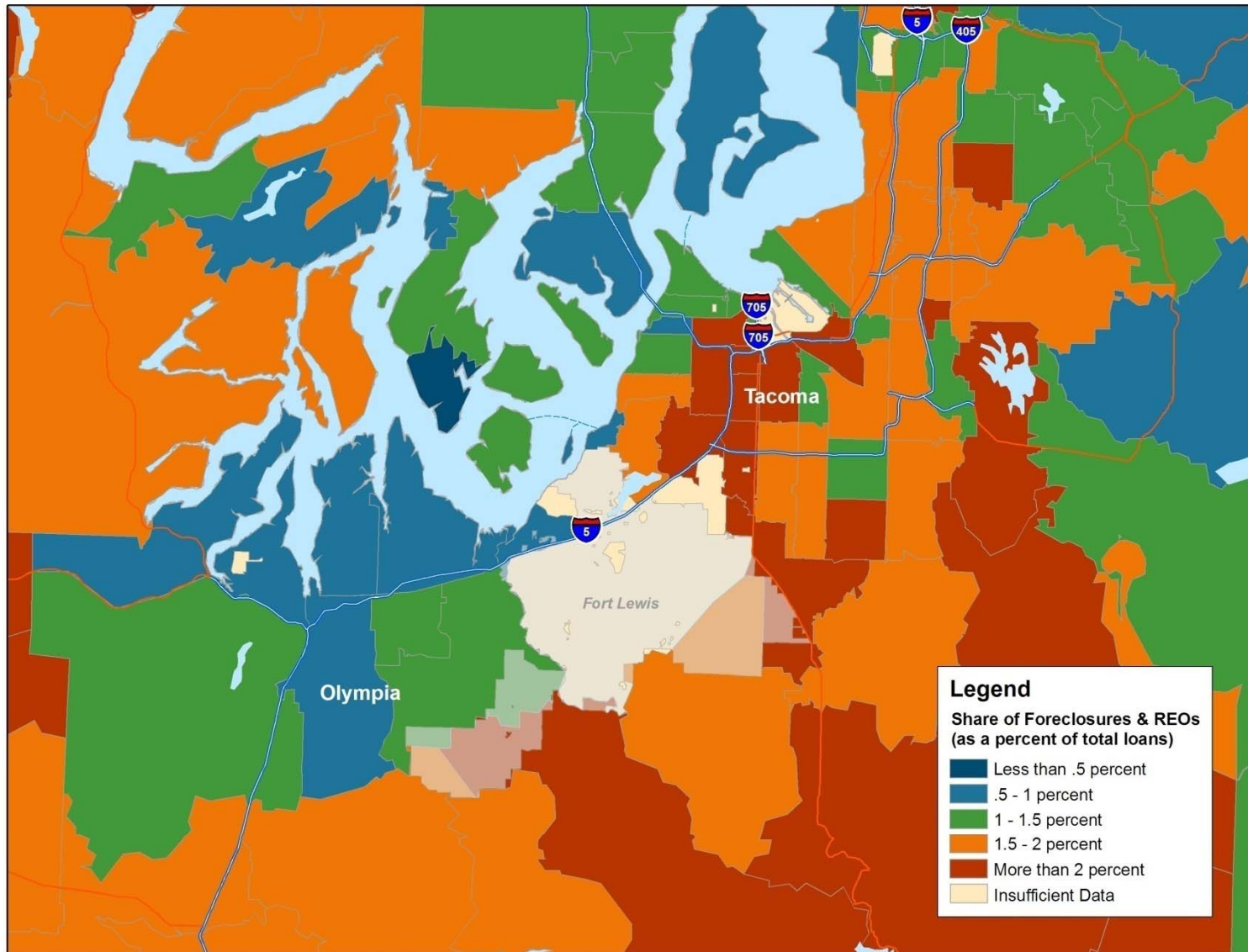
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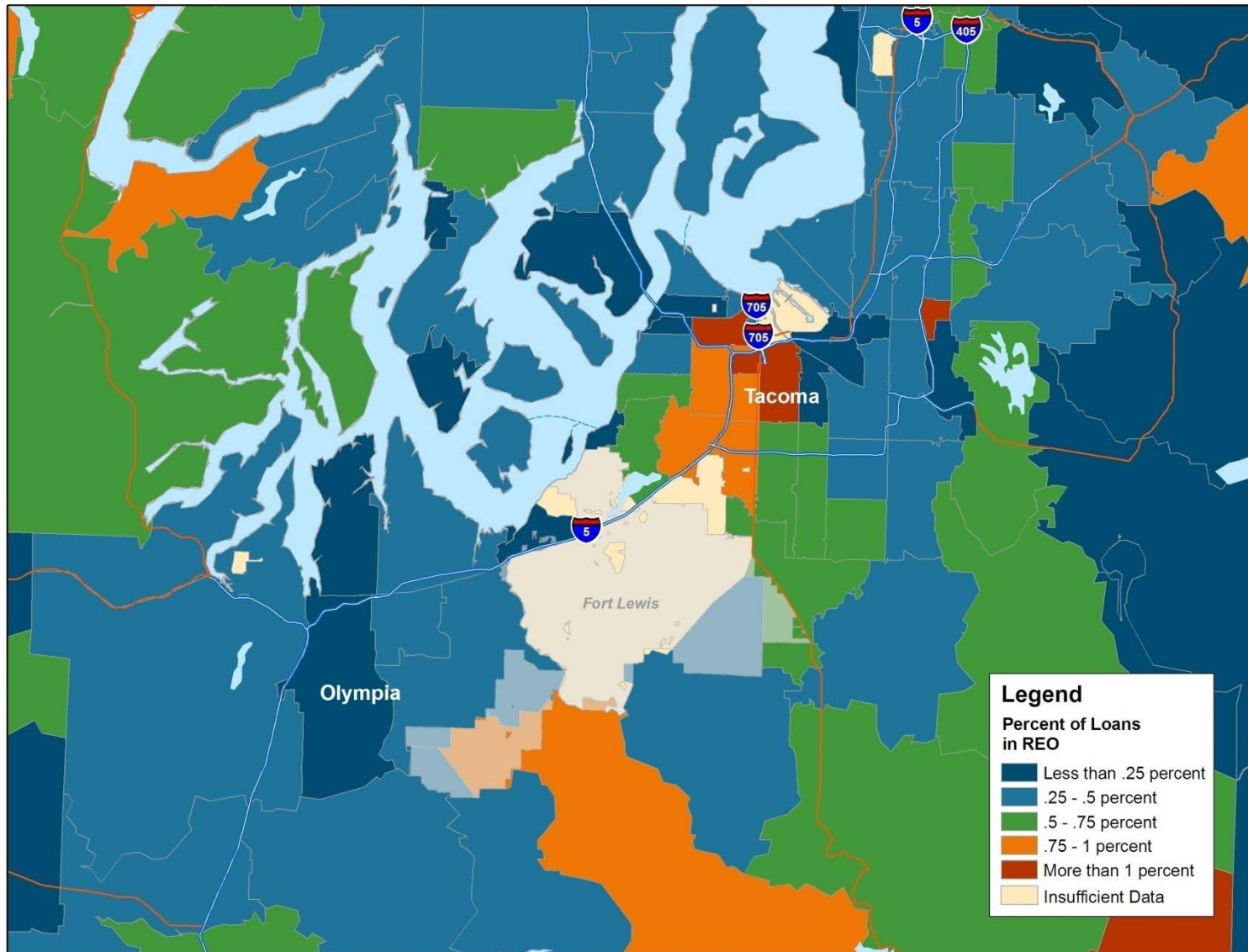
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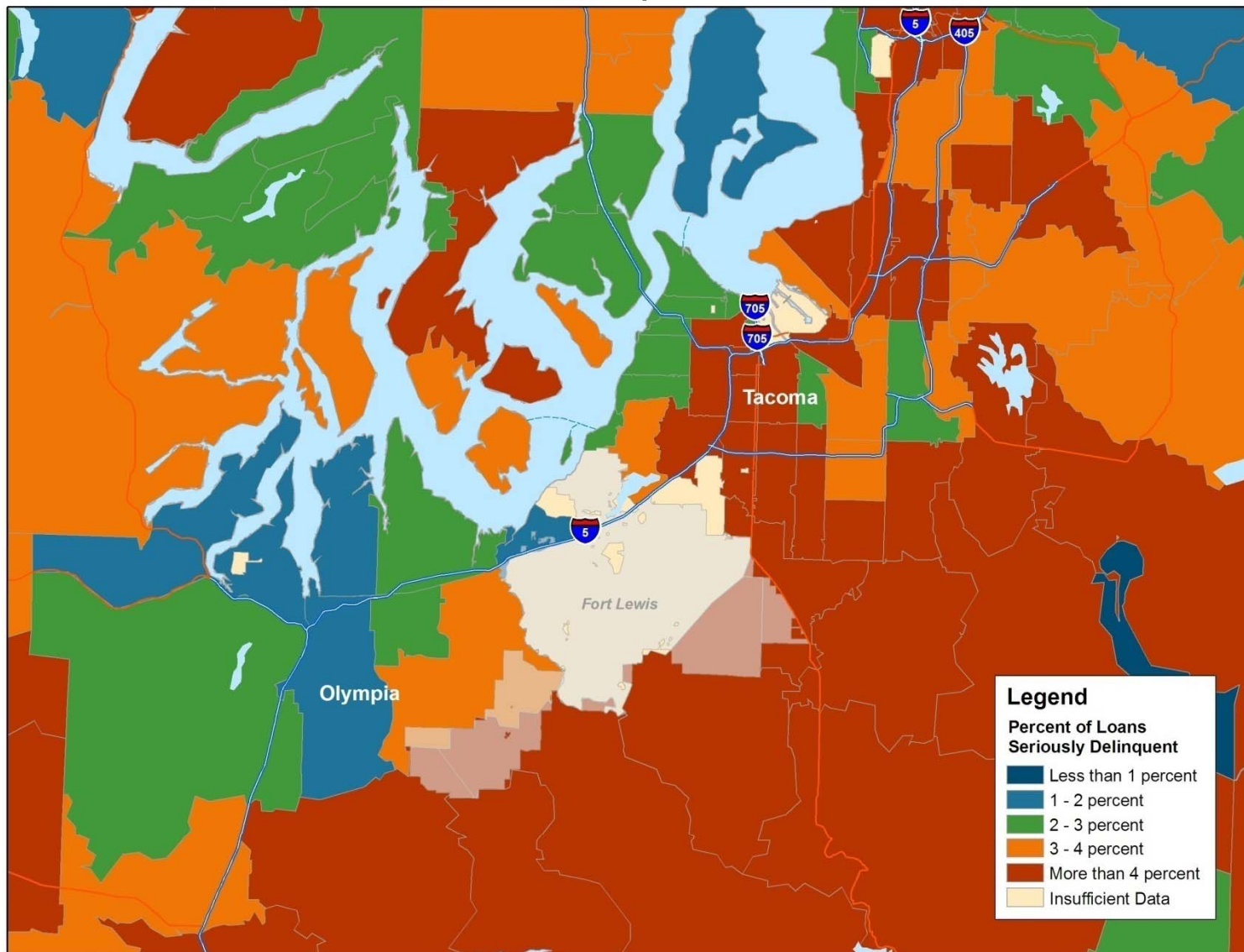
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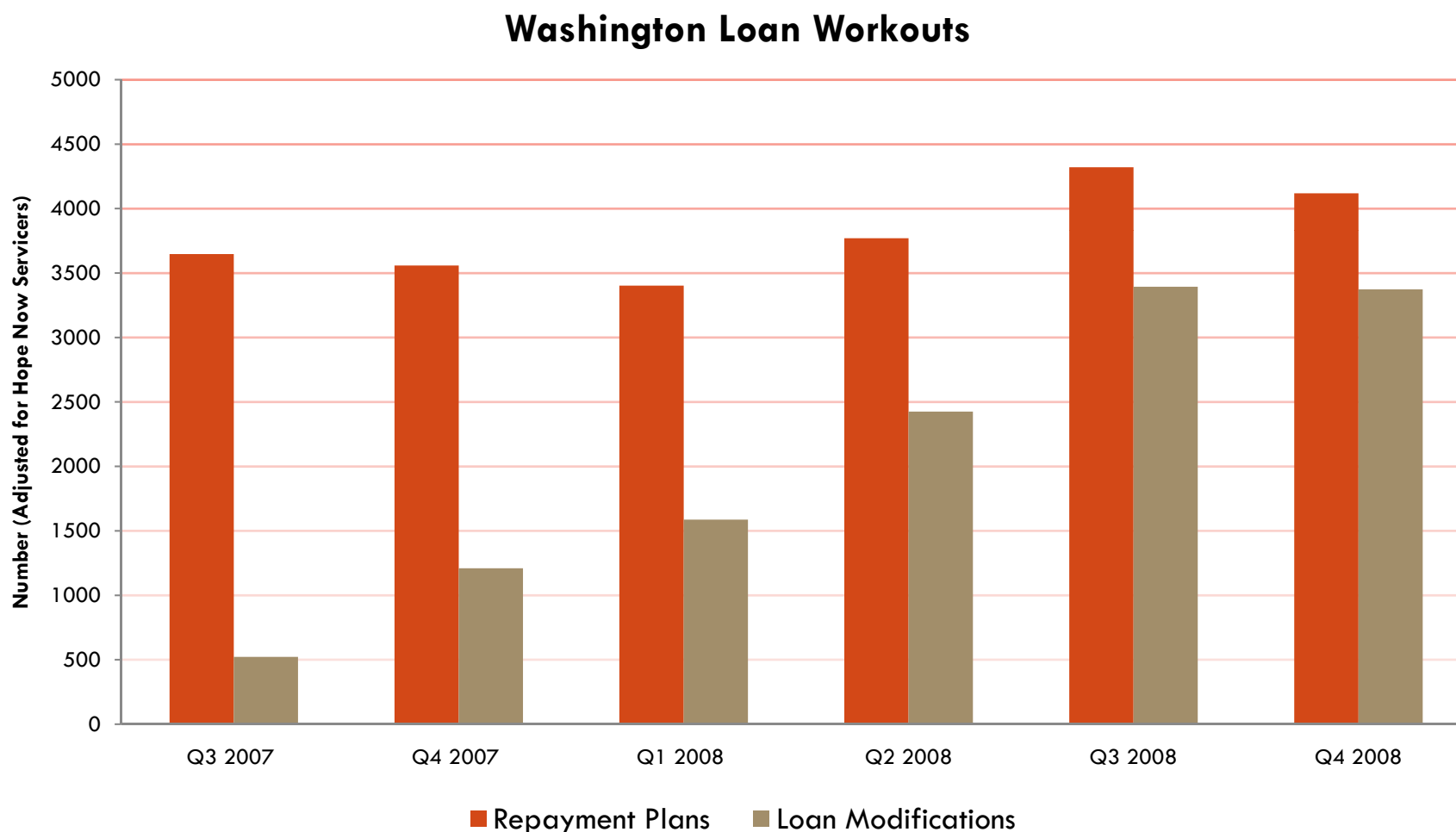
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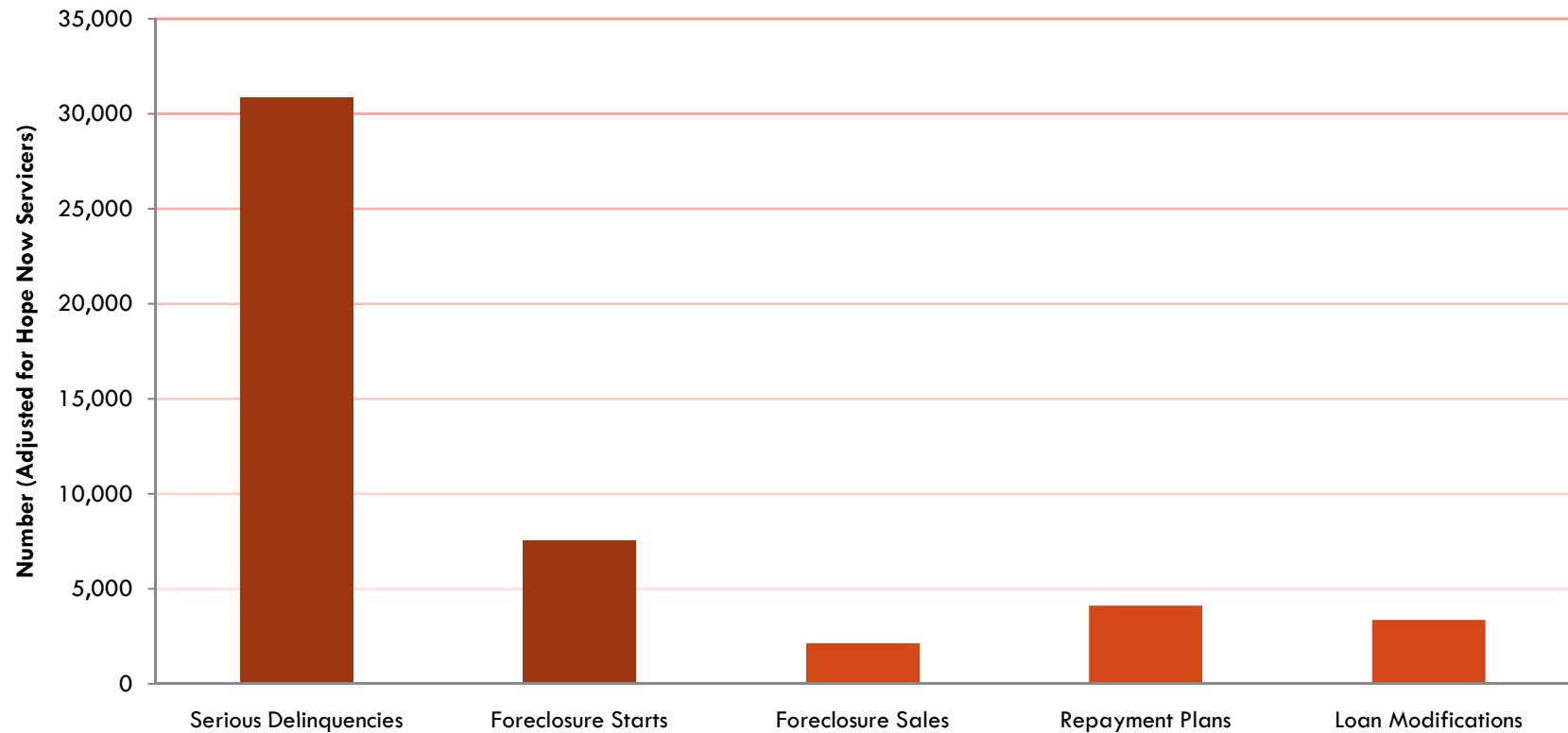
Loan Modifications as Share of Loan Workouts Have Increased



Source: Hope Now Alliance Servicing Data, 4th Quarter 2008

Yet, Workouts Still Fall Short of Need

**Foreclosure & Delinquencies v. Loan Workouts in Washington
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

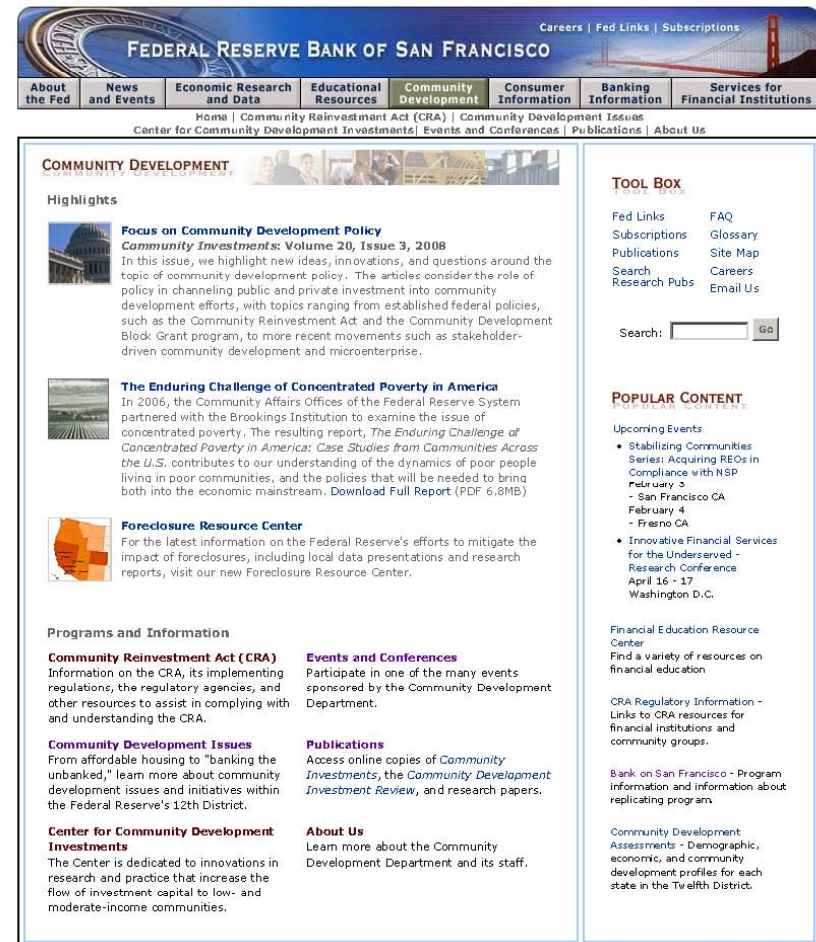
Conclusions



- ❑ 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/>