TRENDS IN DELINQUENCY
AND FORECLOSURES IN
WASHINGTON

April 2009

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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

- 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

Source: Bureau of Labor Statistics
Washington Trends
Foreclosures in Washington Have Risen Significantly, But Remain Below US Average

Foreclosure Starts (Percent of All Loans)

Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008
Washington Saw a Significant Jump in Foreclosure Starts in 4th Quarter 2008

Washington Foreclosure Starts
(Percent of All Loans)

Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008
Washington’s House Values Continue to Decline, but Curve Flattening Slightly

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

Source: Federal Housing Finance Agency (formerly OFHEO), 4th Quarter 2008
Most Metro Areas Also Experiencing Declines

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

Source: Federal Housing Finance Agency (formerly OFHEO), 4th Quarter 2008
Washington’s Foreclosures are Concentrated in Subprime ARM Market

Foreclosure Starts by Loan Type

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**

- Hawaii: 20.4%
- Alaska: 22.7%
- Oregon: 23.1%
- Washington: 23.6%
- Idaho: 24.3%
- California: 25.9%
- USA: 27.3%
- Arizona: 28.0%
- Utah: 28.1%
- Nevada: 29.2%

Source: Home Mortgage Disclosure Act Data, 2005
High Cost Lending in Washington More Prevalent Among Some Minority Groups

High Cost Conventional Loans by Race, 2005

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

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

Areas Affected by Concentrated Foreclosures

September 2007

Legend
Share of Foreclosures & REOs (as a percent of total loans)
- Lose than .5 percent
- .5 - 1 percent
- 1 - 1.5 percent
- 1.5 - 2 percent
- More than 2 percent
- Insufficient Data

Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, September 2007
Areas Affected by Concentrated Foreclosures
April 2008

Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, April 2008
Washington Data Maps

Areas Affected by Concentrated Foreclosures
November 2008

Legend
Share of Foreclosures & REOs (as a percent of total loans)
- Less than .5 percent
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- More than 2 percent
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Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, November 2008
Washington Data Maps

Areas Affected by Concentrated Foreclosures

February 2009

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Share of Foreclosures & REOs (as a percent of total loans)
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- 1 - 1.5 percent
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- More than 2 percent
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Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, February 2009
Areas with Concentrations of REO Properties

February 2009

Legend
Percent of Loans in REO
- Less than .25 percent
- .25 - .5 percent
- .5 - .75 percent
- .75 - 1 percent
- More than 1 percent
- Insufficient Data

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

Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, February 2009
Areas of Concentrated Foreclosures

November 2008

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

February 2009

Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, February 2009
Areas with Concentrations of REO Properties

February 2009

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

February 2009

Legend
Percent of Loans Seriously Delinquent
- 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
Areas of Concentrated Foreclosures

November 2008

Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, November 2008
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Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, February 2009
Loan Modifications as Share of Loan Workouts Have Increased

Washington Loan Workouts

Q3 2007: Repayment Plans - 3500, Loan Modifications - 500
Q4 2007: Repayment Plans - 3500, Loan Modifications - 500
Q1 2008: Repayment Plans - 3500, Loan Modifications - 500
Q2 2008: Repayment Plans - 3500, Loan Modifications - 500
Q3 2008: Repayment Plans - 4500, Loan Modifications - 1000
Q4 2008: Repayment Plans - 4500, Loan Modifications - 1000

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/