

# TRENDS IN DELINQUENCIES AND FORECLOSURES IN WASHINGTON

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# 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

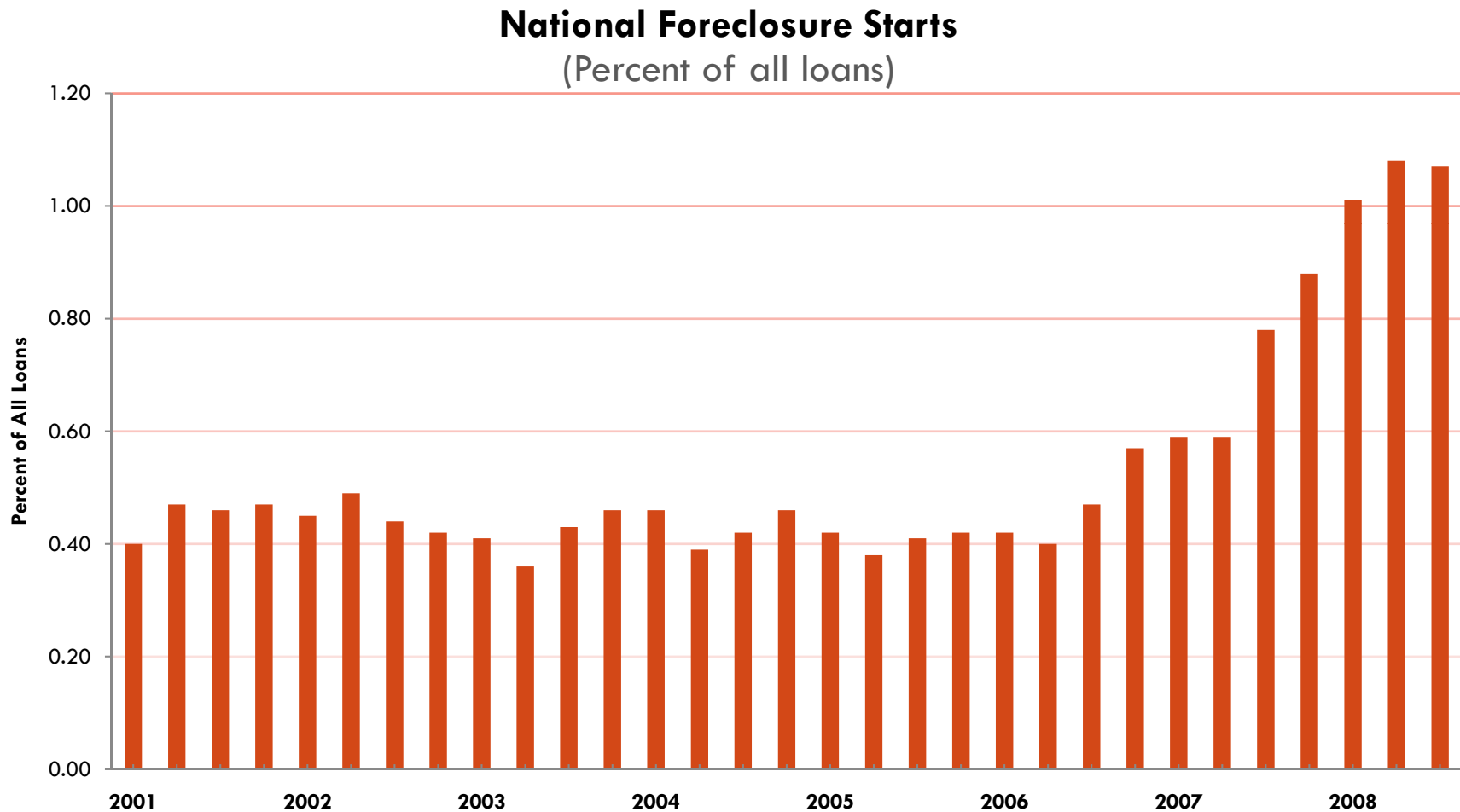
# National Trends

# National Trends



- Foreclosures rose steadily in 2008, with wide repercussions for US economy
  - A slight decline in the national foreclosure rate in the 3<sup>rd</sup> 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

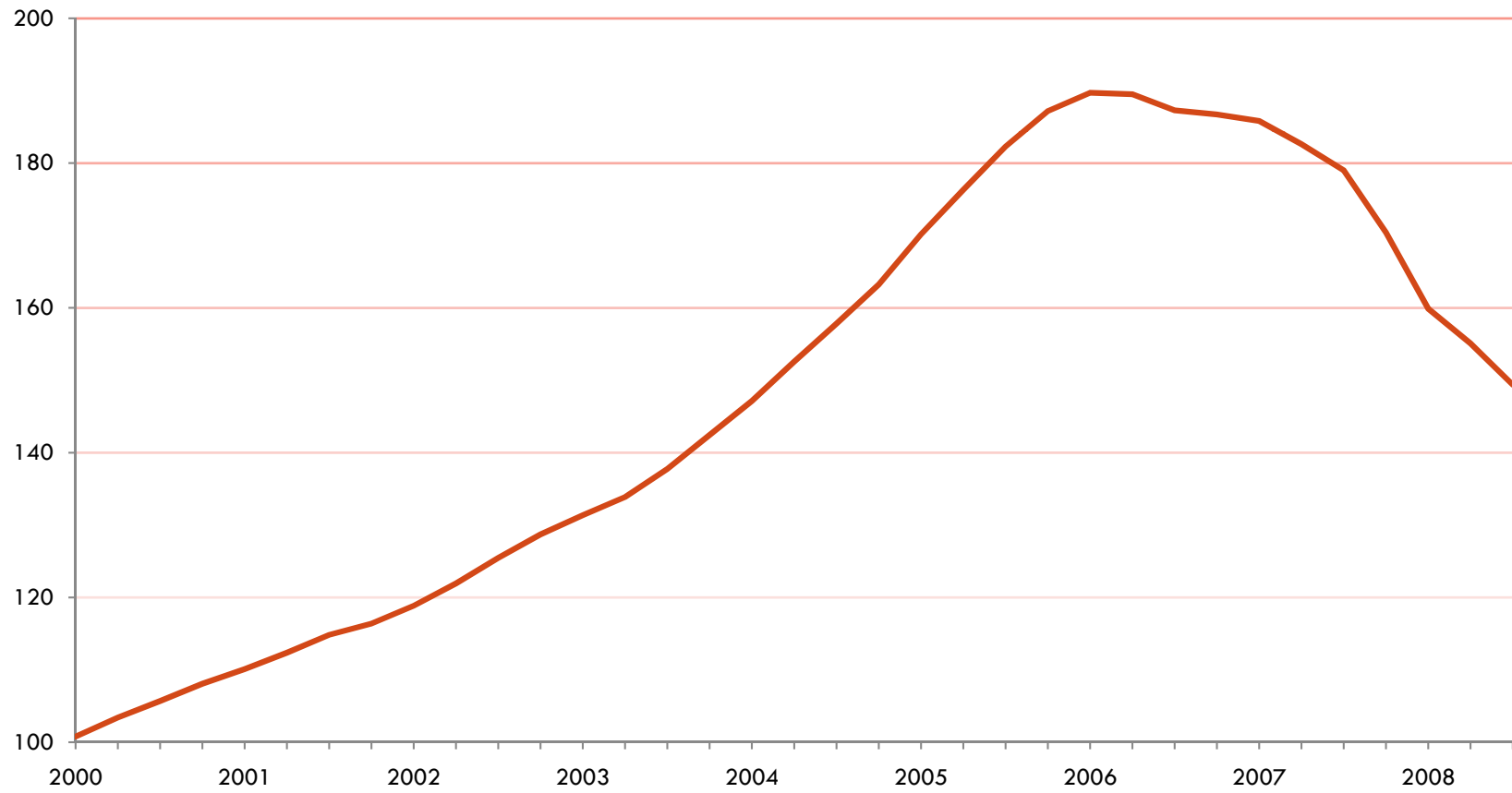
# After Steady Rise, National Foreclosure Starts Dipped Slightly in 3<sup>rd</sup> Quarter of 2008



Source: Mortgage Bankers Association, National Delinquency Survey, 3<sup>rd</sup> Q 2008

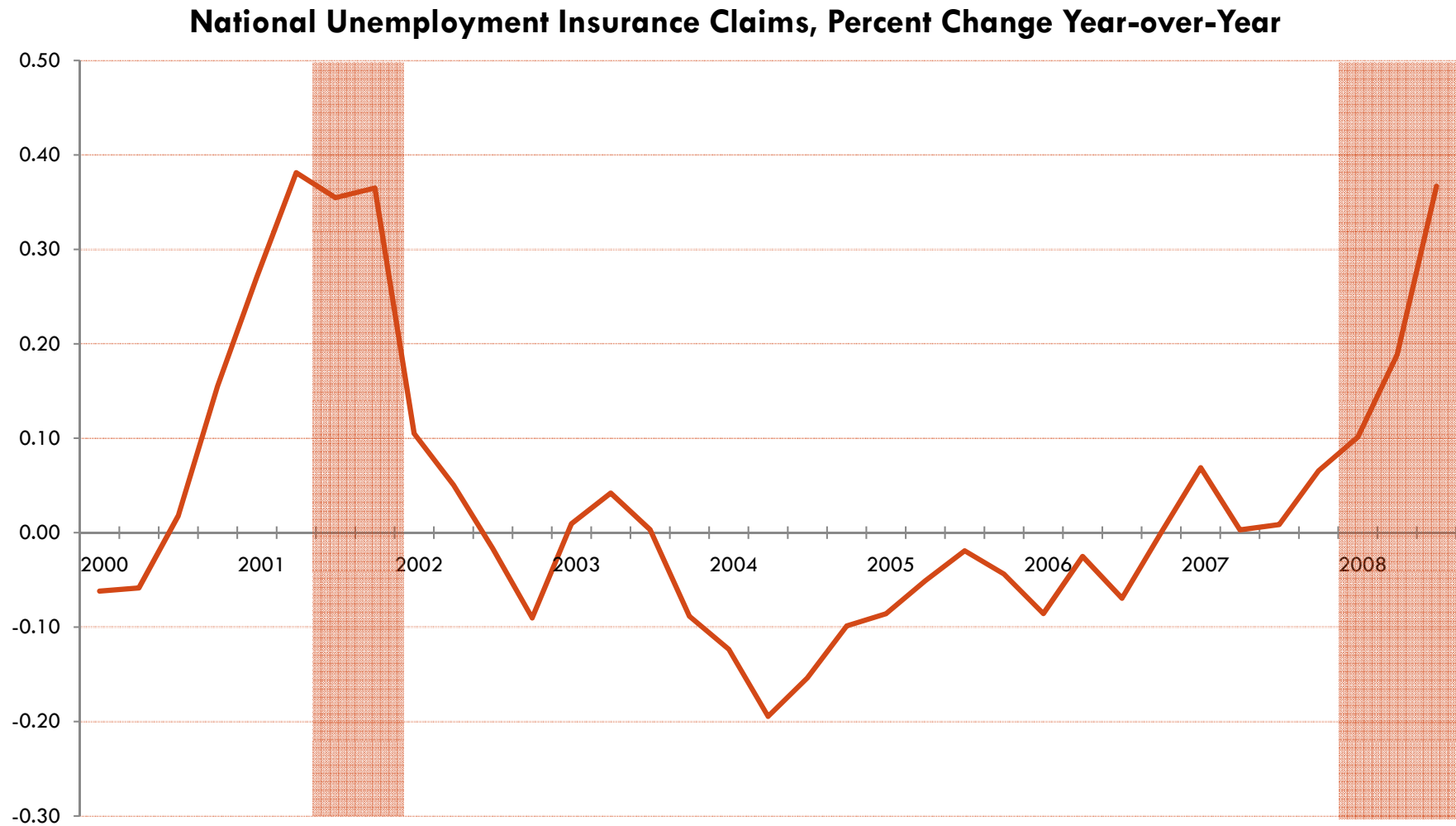
# Nationally, House Prices Continue to Decline

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



Source: Case - Shiller Home Price Index, 3<sup>rd</sup> Q 2008

# Recession Marks Significant Jump in National Unemployment Insurance Claims

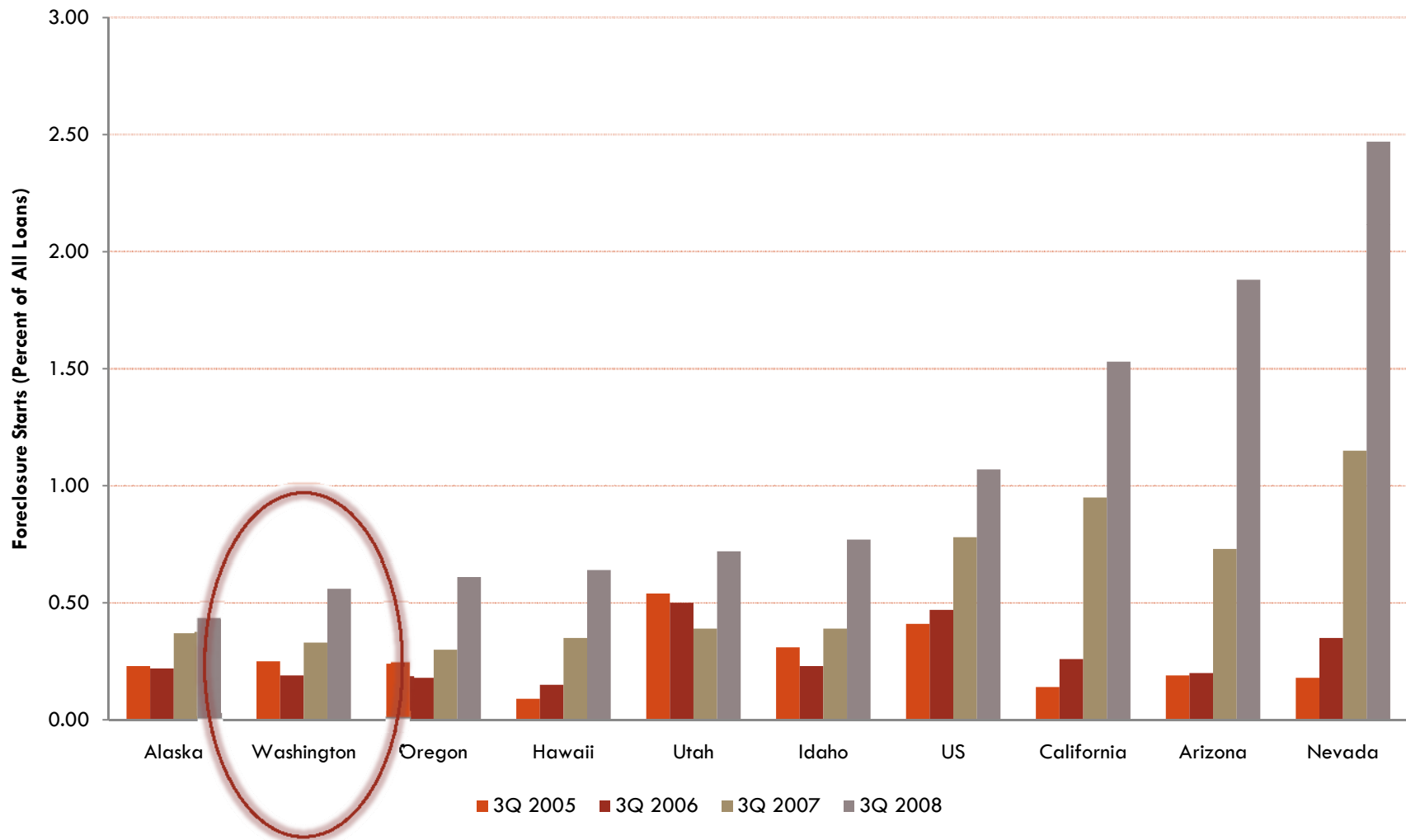


Source: Haver Analytics and FRBSF Calculations, annual percent change, 2000 Q3 - 2008 Q3

# Washington Trends

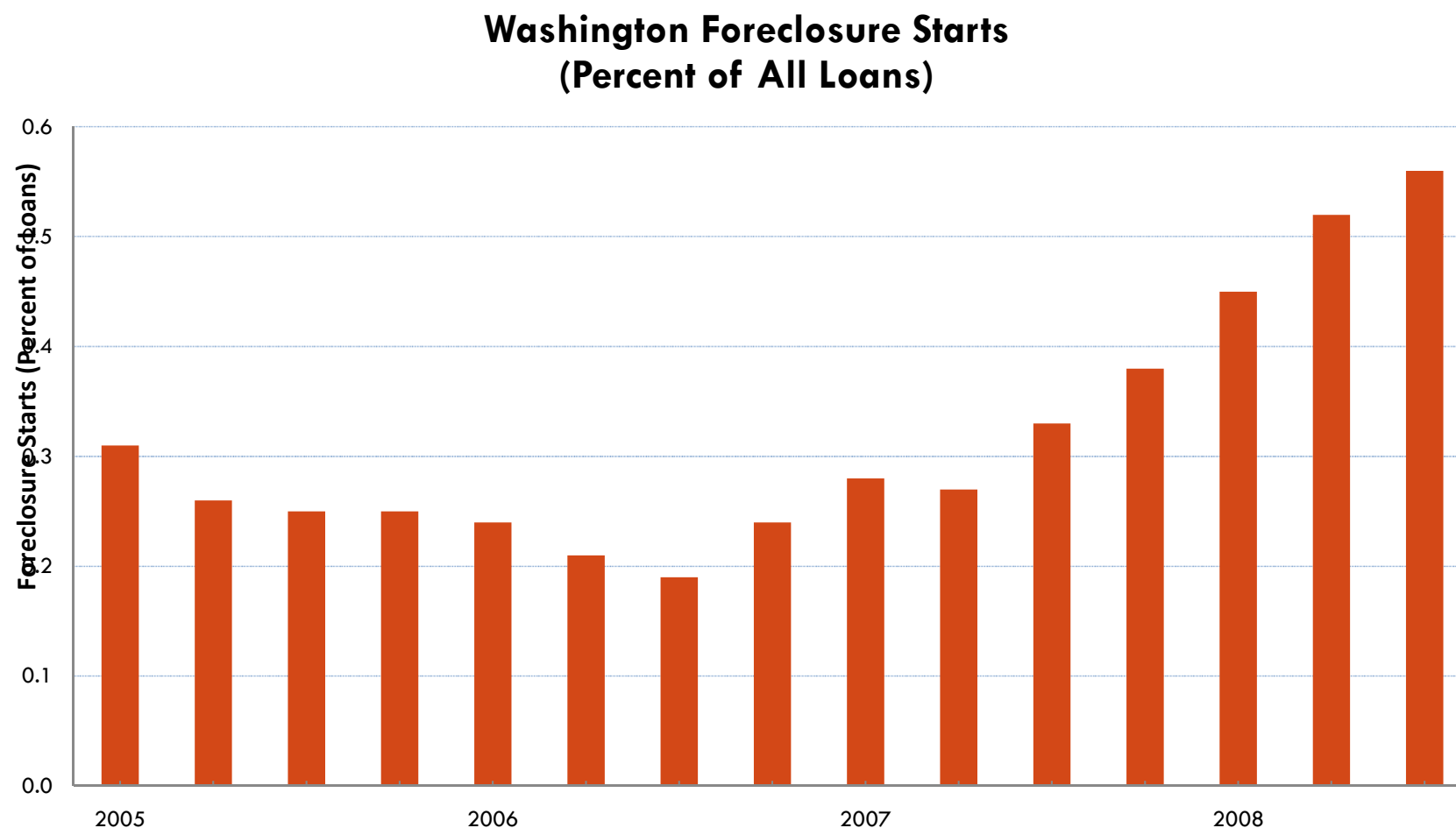


# Foreclosures in Washington Have Risen Significantly, But Remain Below US Average



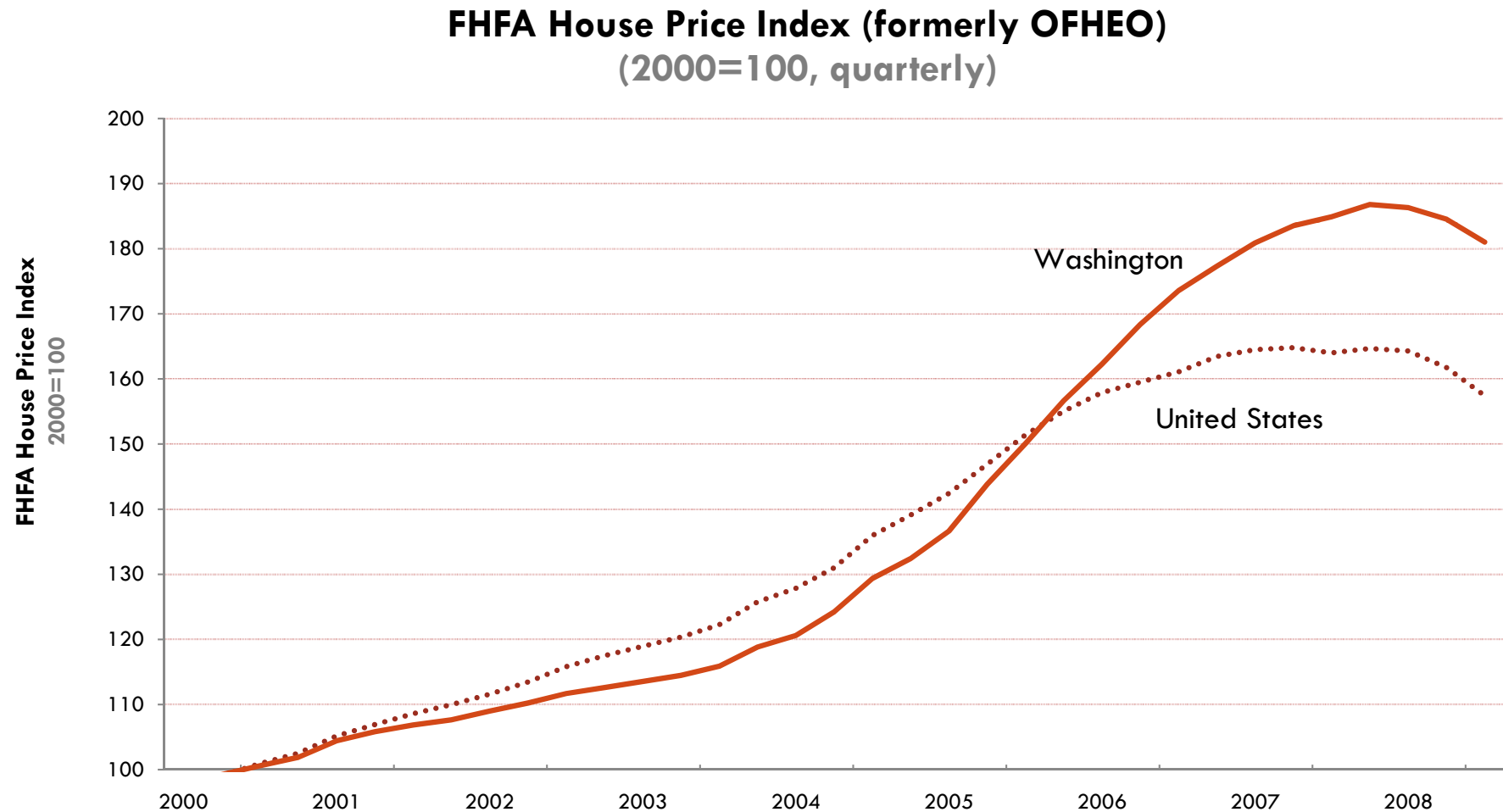
Source: Mortgage Bankers Association, National Delinquency Survey, 3<sup>rd</sup> Q 2008

# Yet Unlike National Trends, Washington Saw an Increase in Foreclosure Starts in 3<sup>rd</sup> Quarter 2008



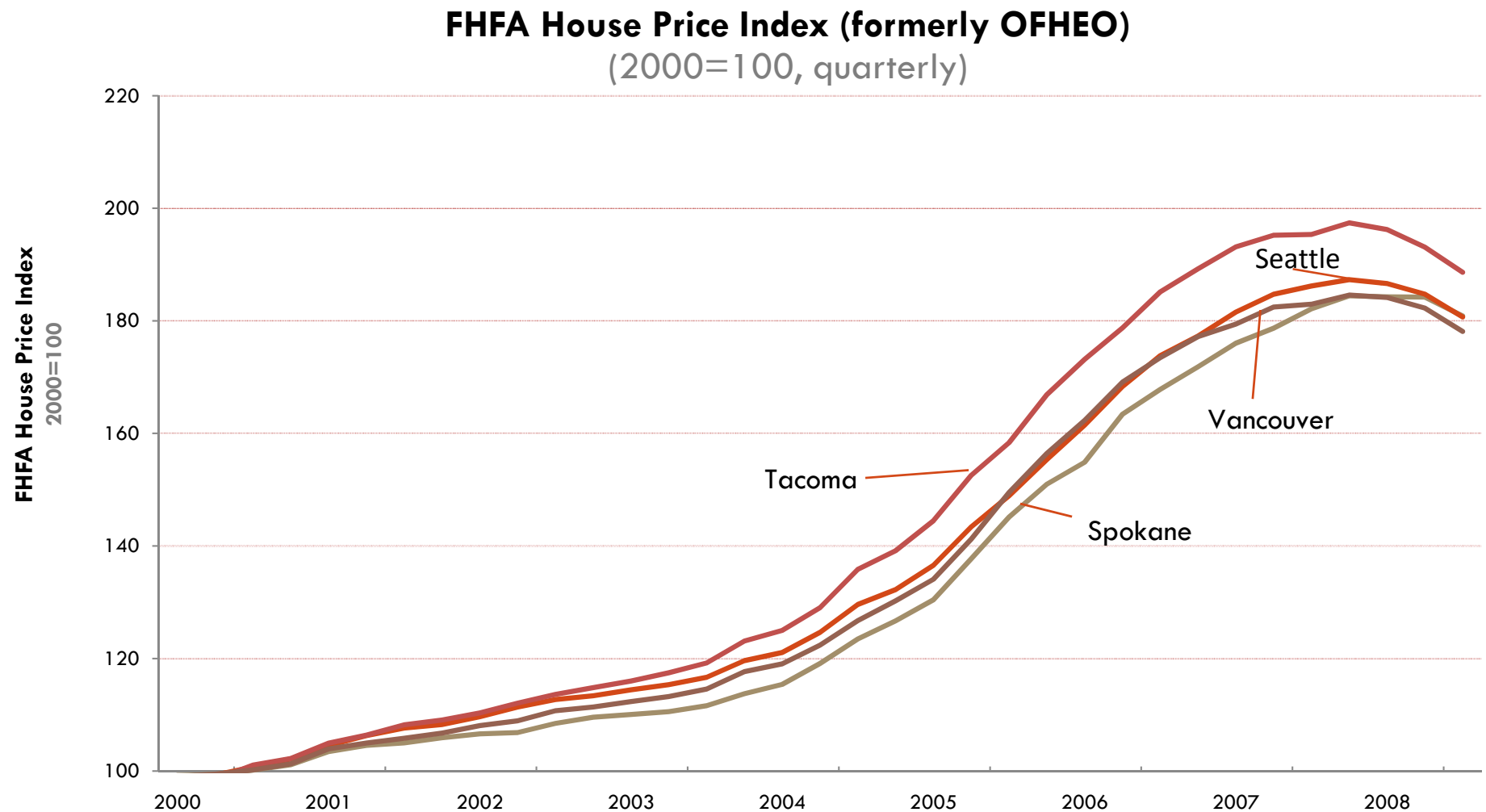
Source: Mortgage Bankers Association, National Delinquency Survey, 3<sup>rd</sup> Q 2008

# Washington Seeing Softening of Real Estate Market



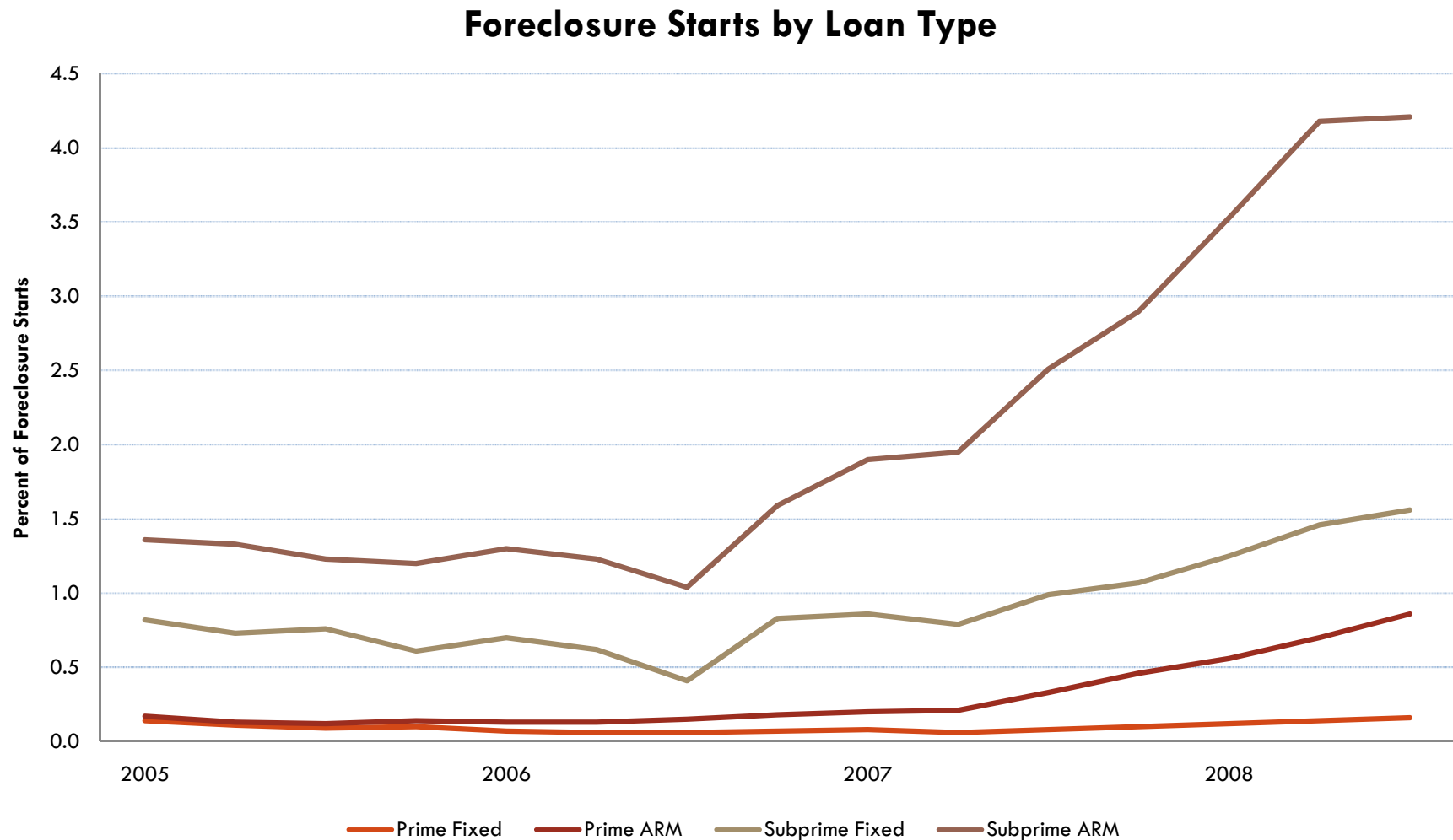
Source: Federal Housing Finance Agency (formerly OFHEO), 3<sup>rd</sup> Quarter 2008

# All Metropolitan Areas Experiencing Declines in House Values



Source: Federal Housing Finance Agency (formerly OFHEO), 3<sup>rd</sup> Quarter 2008

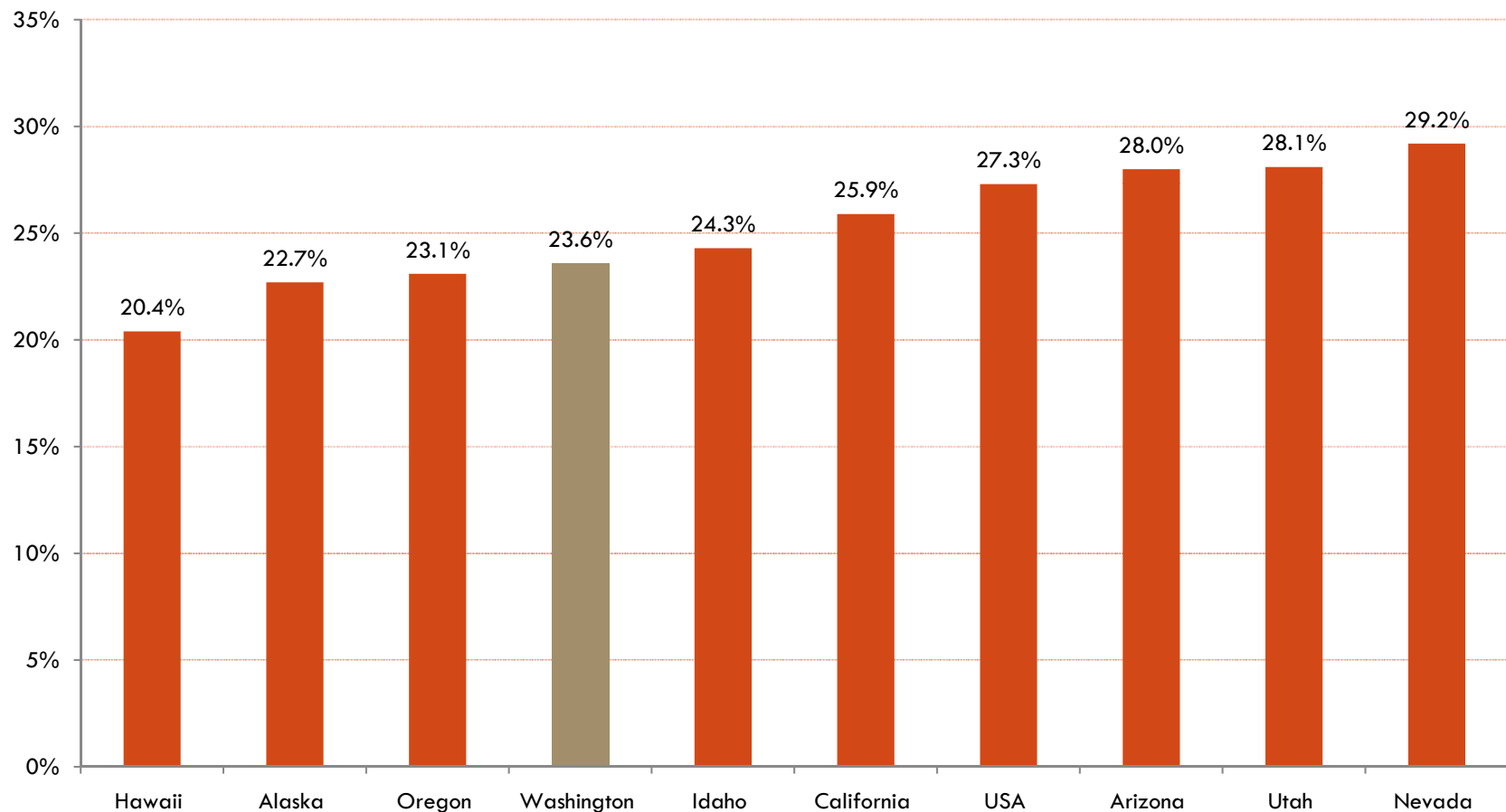
# Washington's Foreclosures are Concentrated in Subprime ARM Market



Source: Mortgage Bankers Association, National Delinquency Survey, 3<sup>rd</sup> Q 2008

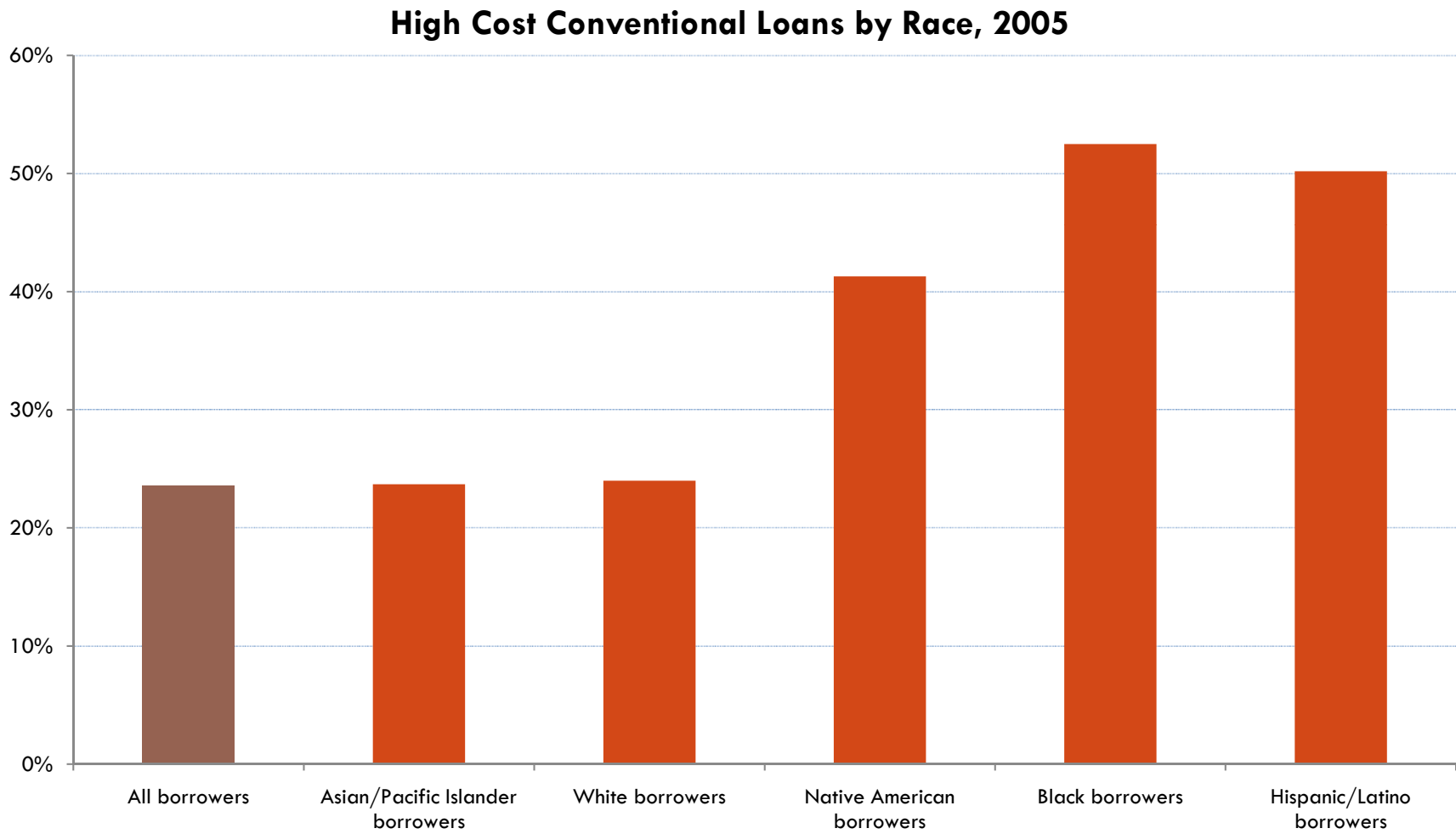
# Washington Saw High Rates of High-Cost Lending During Subprime Boom, but Still Lower than National Average

**Percent of All Borrowers with High Interest Conventional Loans, 2005**



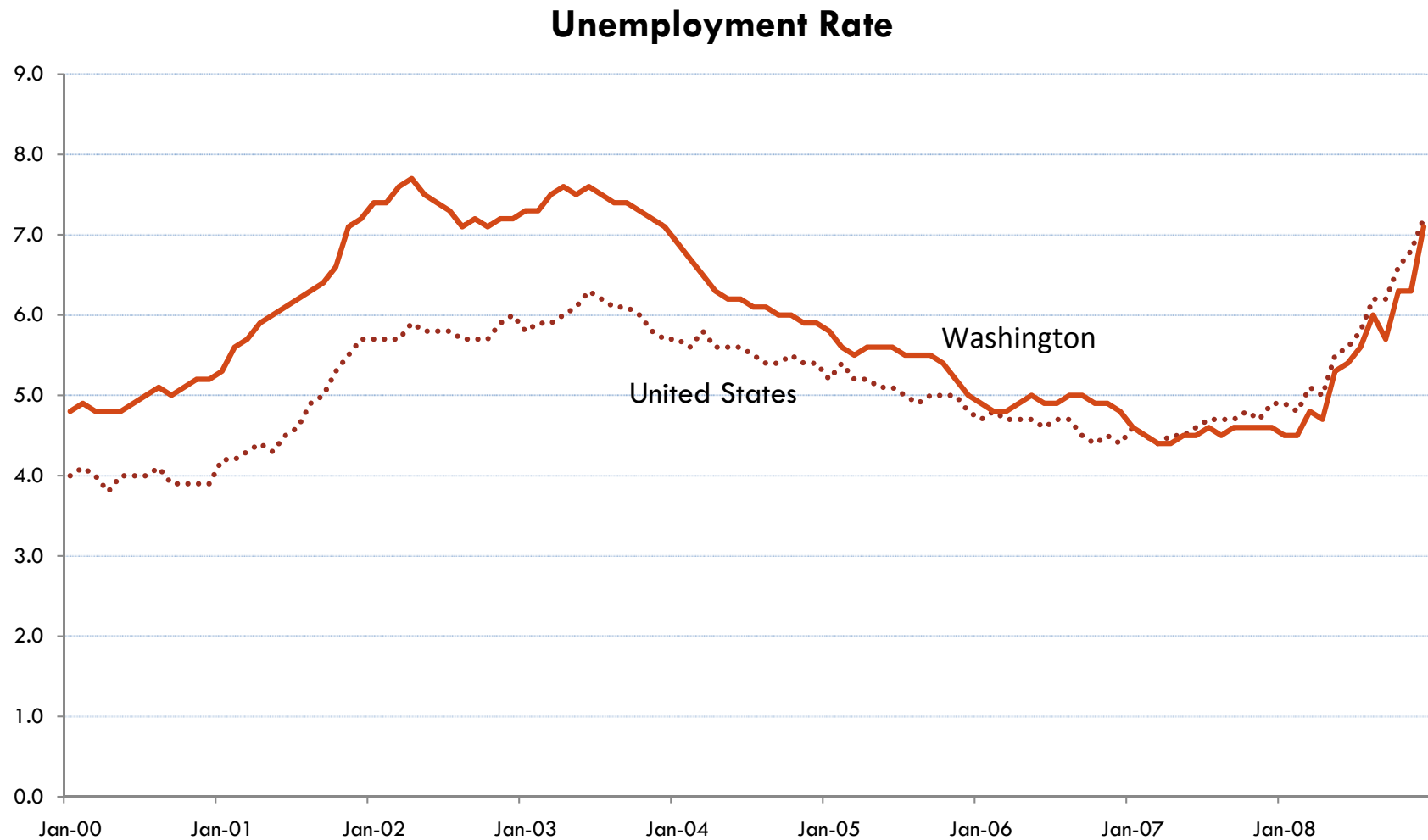
Source: Home Mortgage Disclosure Act Data, 2005

# 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, December 2008



# Employment Trends by Industry in Washington

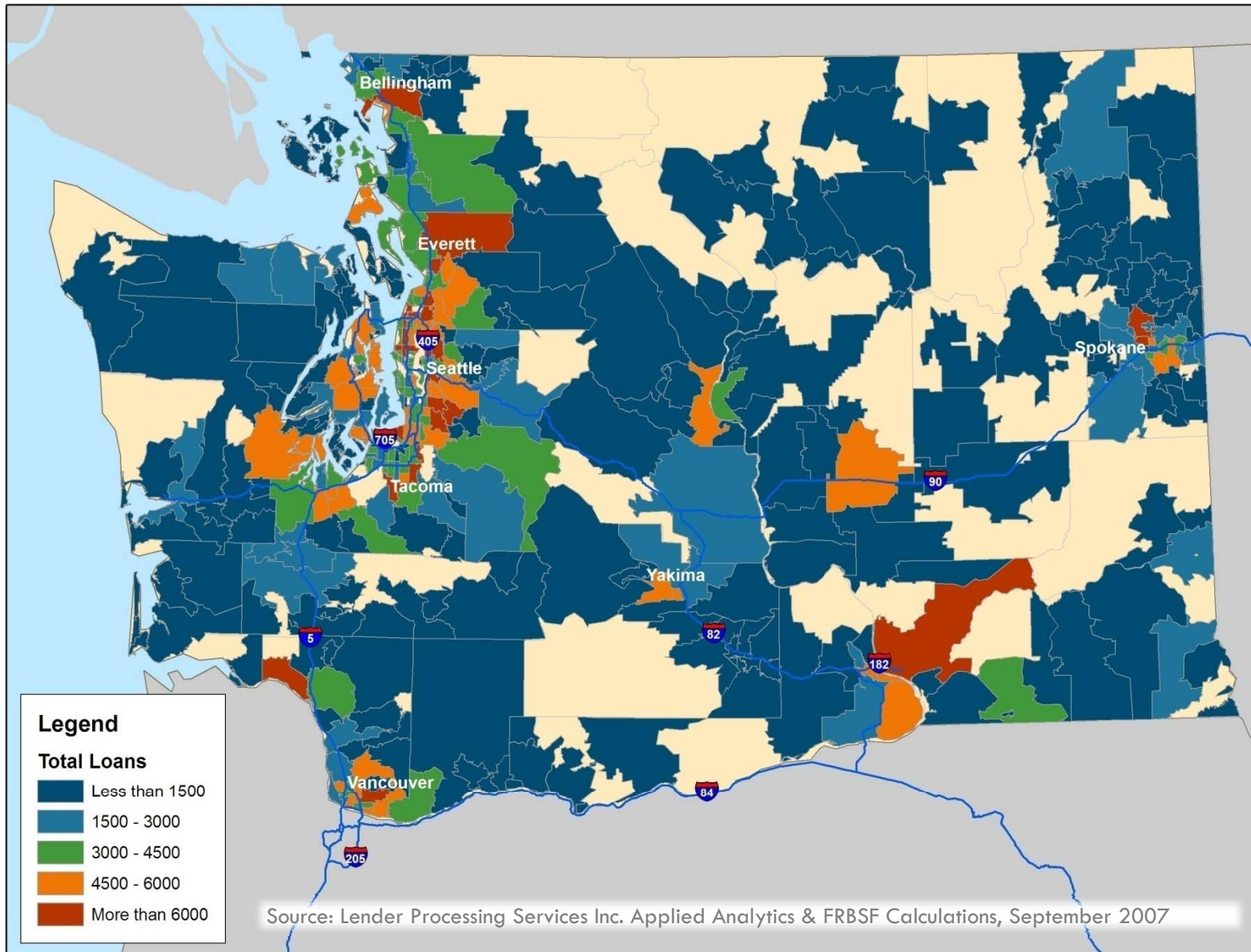
Washington	Total Employed (thousands)	Percent Change		
	Dec-08	1-mo.*	3-mo.*	12-mo.
Total	2920.2	-8.4	-5.1	-1.3
Government	546.1	-4.7	3.7	1.7
Trade, Transportation & Utilities	543.8	-4.9	-7.0	-2.4
Educational & Health Svcs.	357.5	2.4	2.6	1.4
Professional & Business Svcs.	338.8	-26.2	-14.5	-3.1
Manufacturing	288.6	-13.8	-11.6	-2.6
Leisure & Hospitality	287.2	-6.8	-1.1	0.2
Construction	187.4	-16.8	-19.8	-9.7
Financial Activities	150.1	-3.9	-3.6	-2.8
Other Services	106.6	-4.4	-0.7	0.8
Information	106.1	4.6	0.8	2.7
Natural Resources & Mining	8.0	-13.8	-4.8	0.0

Source: Bureau of Labor Statistics, December 2008, \*Annualized

# Washington Foreclosure Data Maps

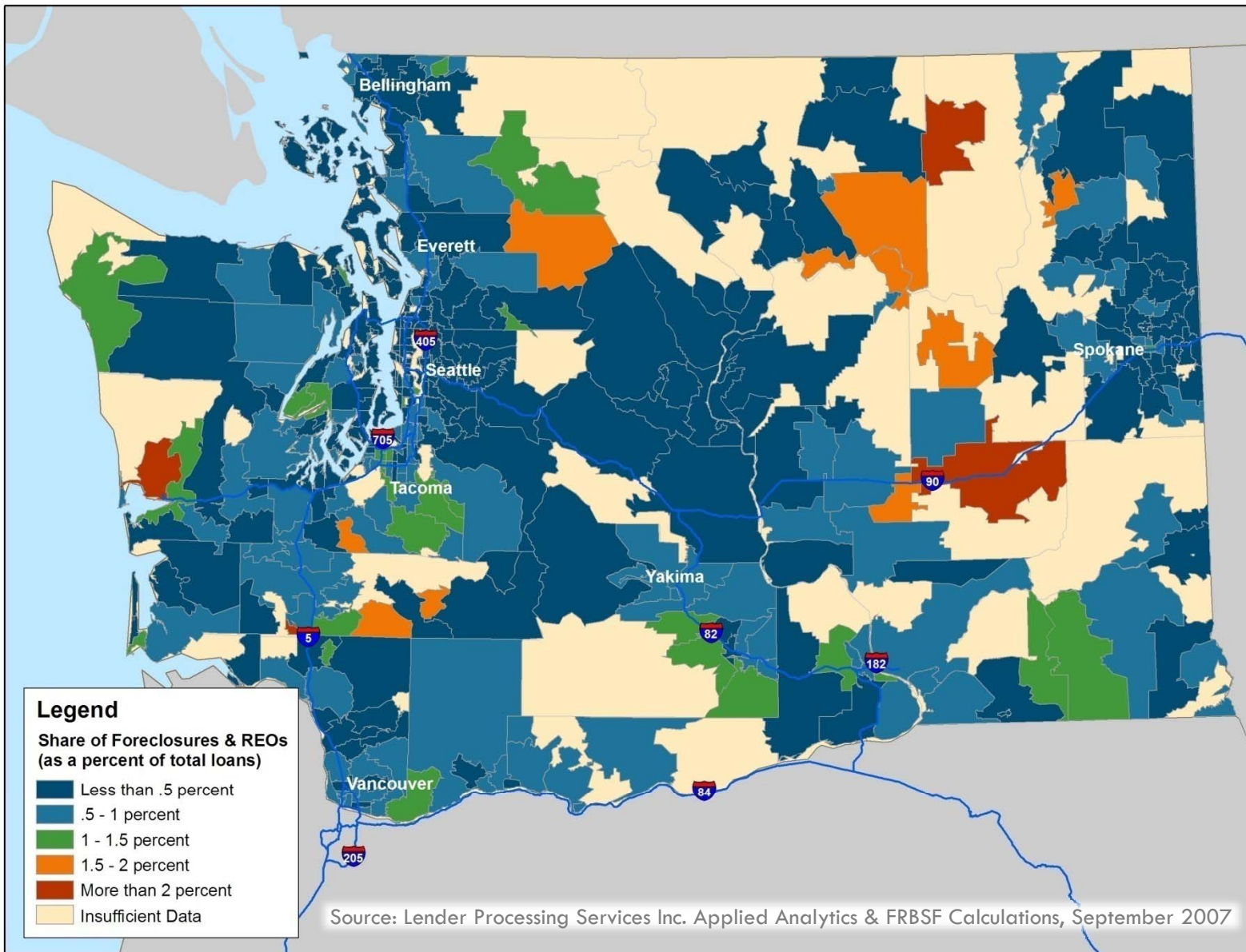
# Distribution of Lending Volumes

September 2007



# Areas Affected by Concentrated Foreclosures

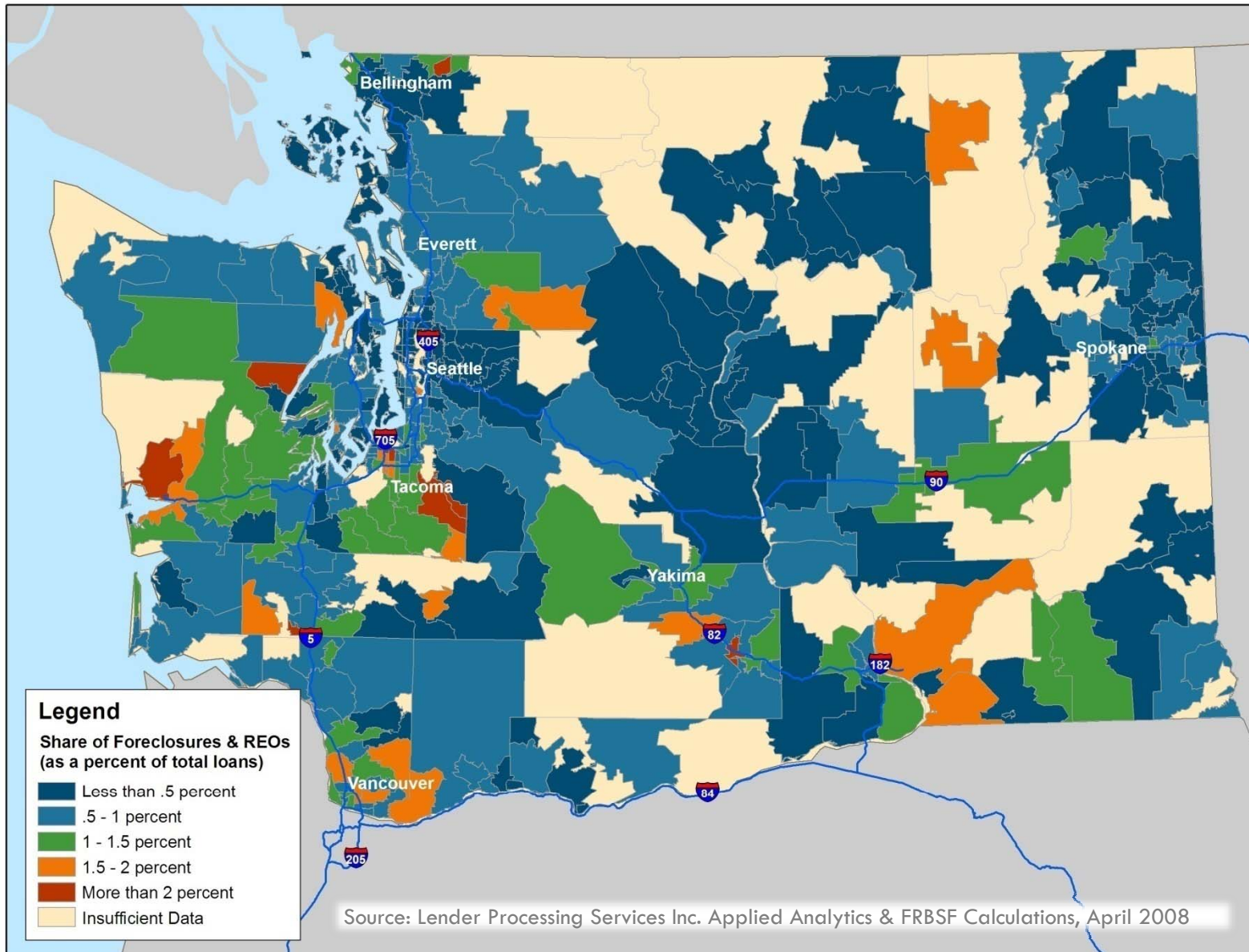
September 2007





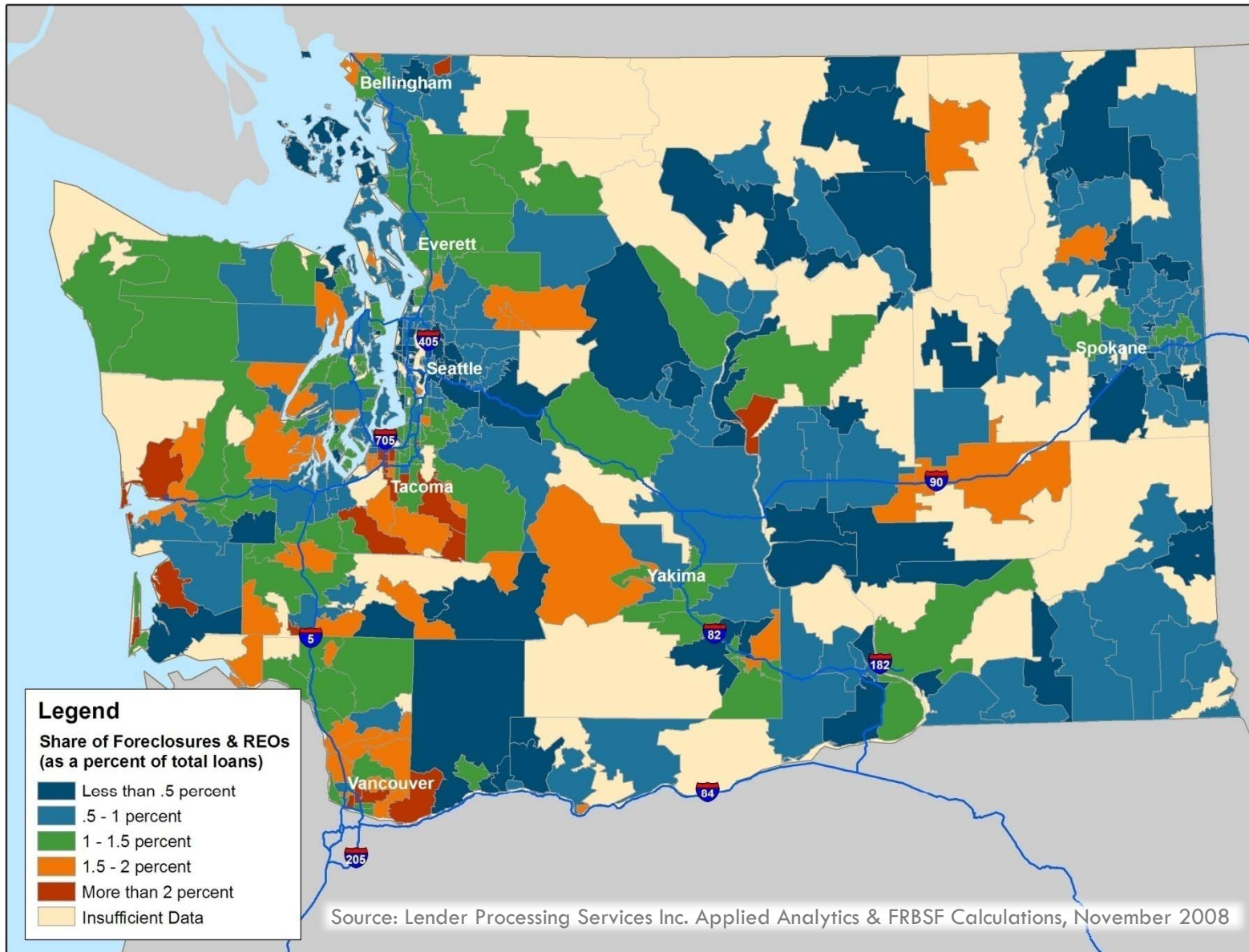
# Areas Affected by Concentrated Foreclosures

April 2008



# Areas Affected by Concentrated Foreclosures

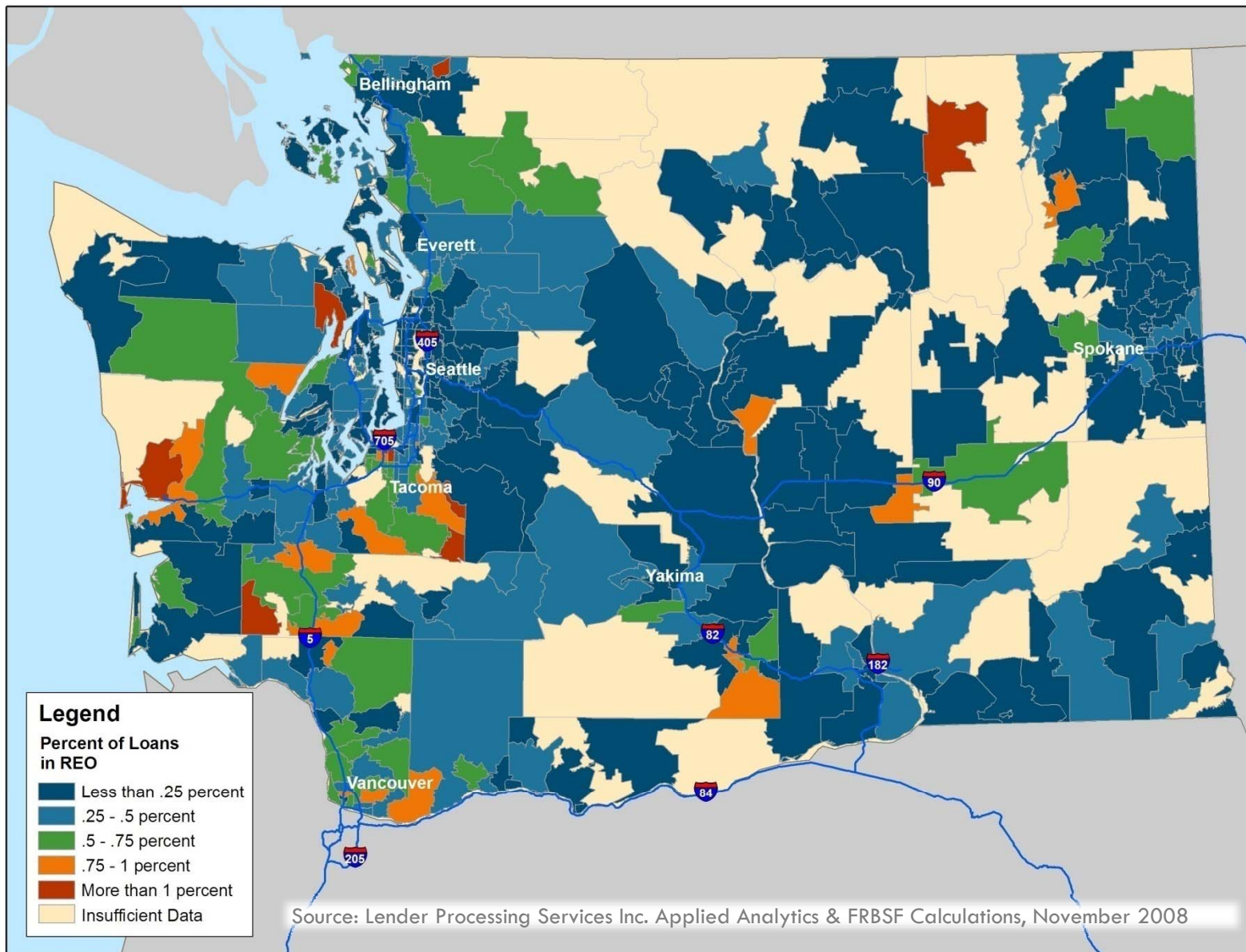
November 2008





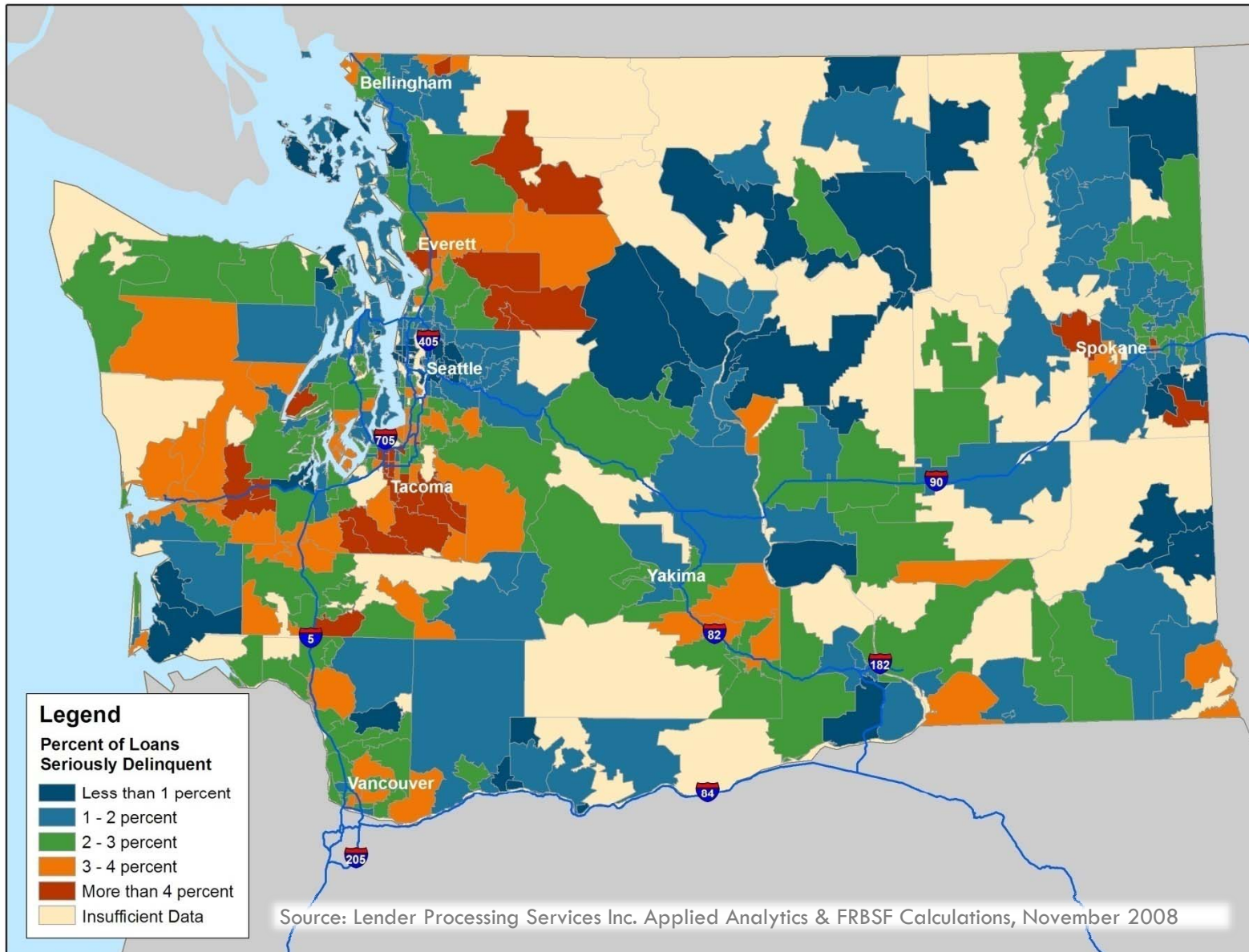
# Areas with Concentrations of REO Properties

November 2008



# Areas at Risk of Additional Foreclosures

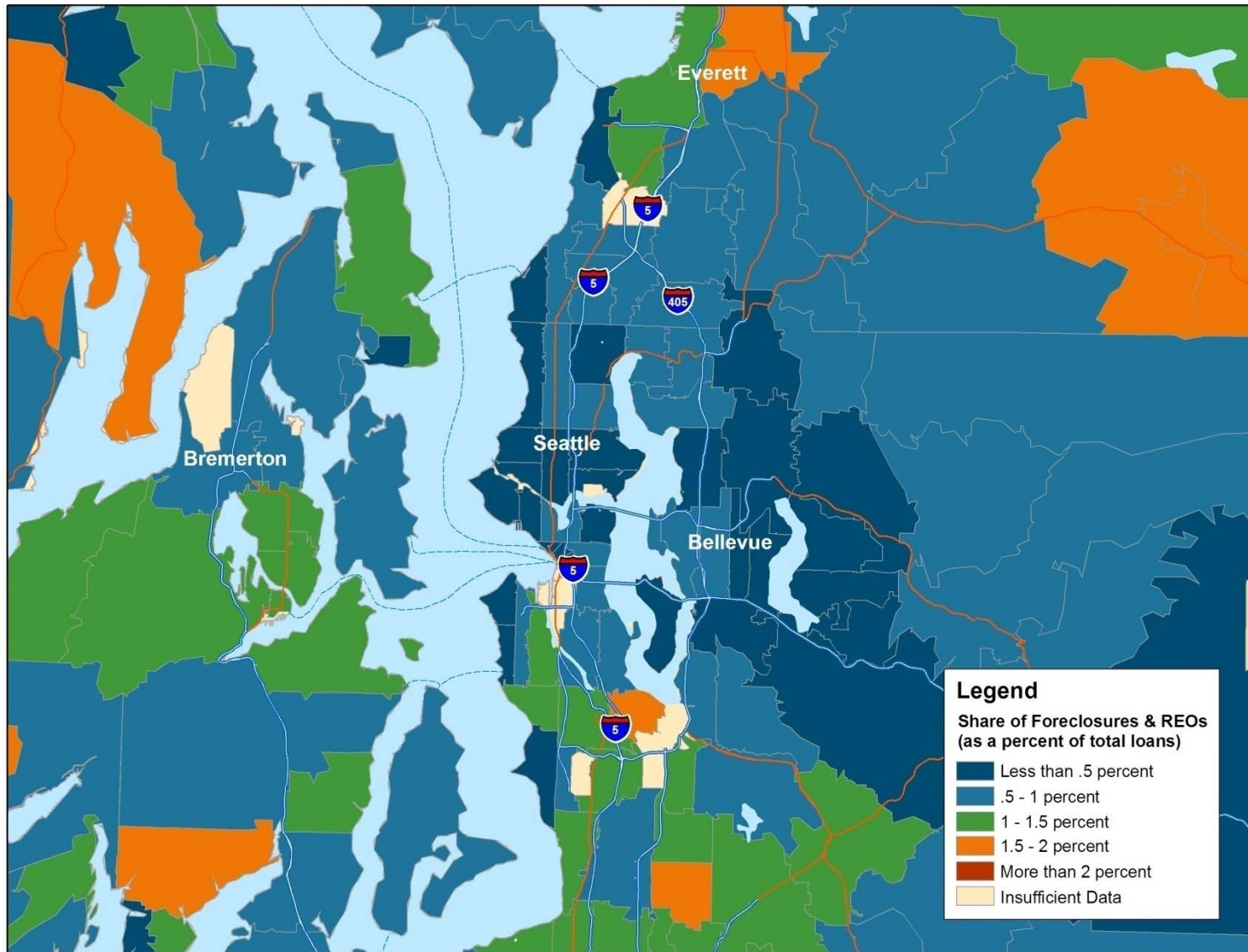
November 2008





## Areas of Concentrated Foreclosures

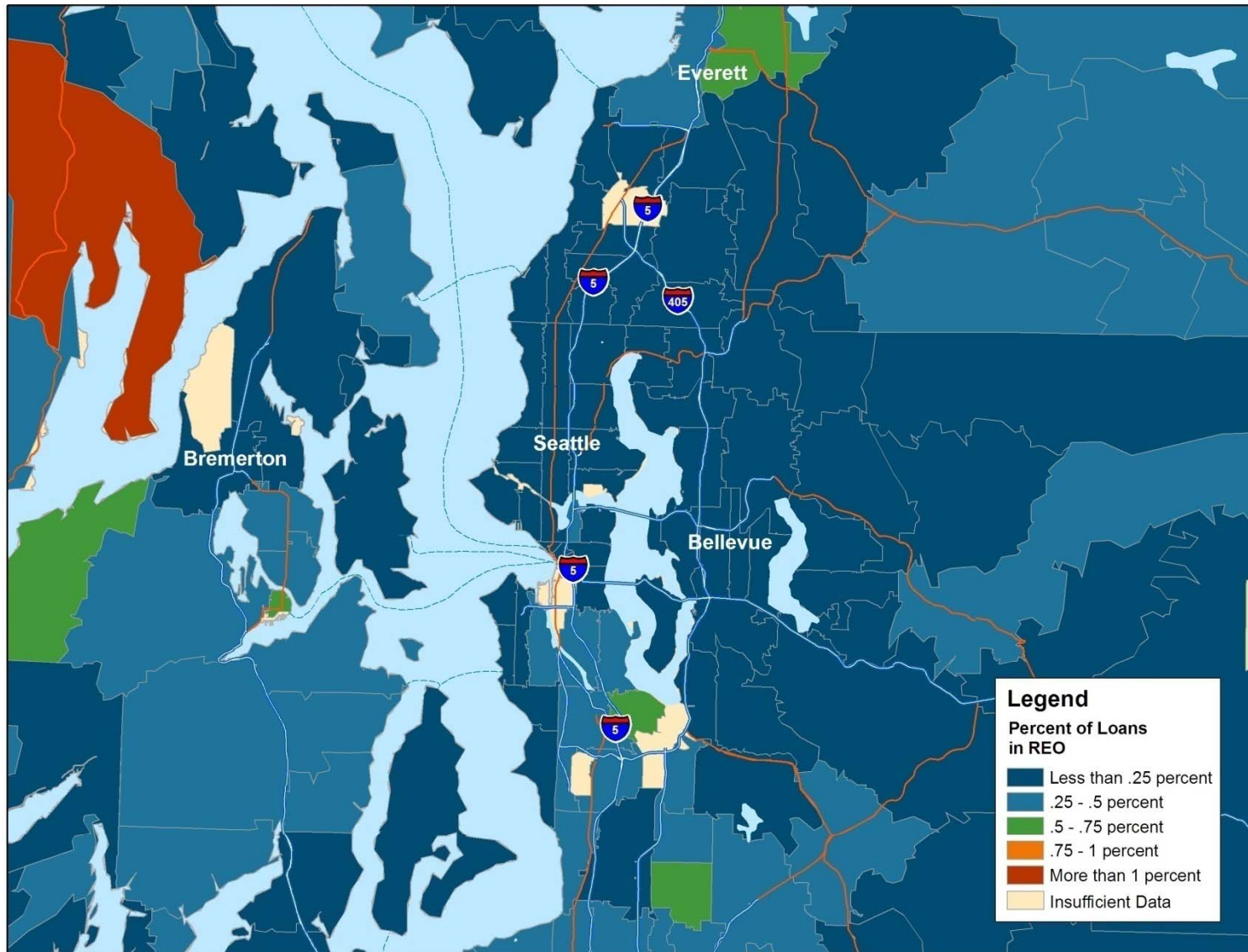
November 2008



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

# Areas with Concentrations of REO Properties

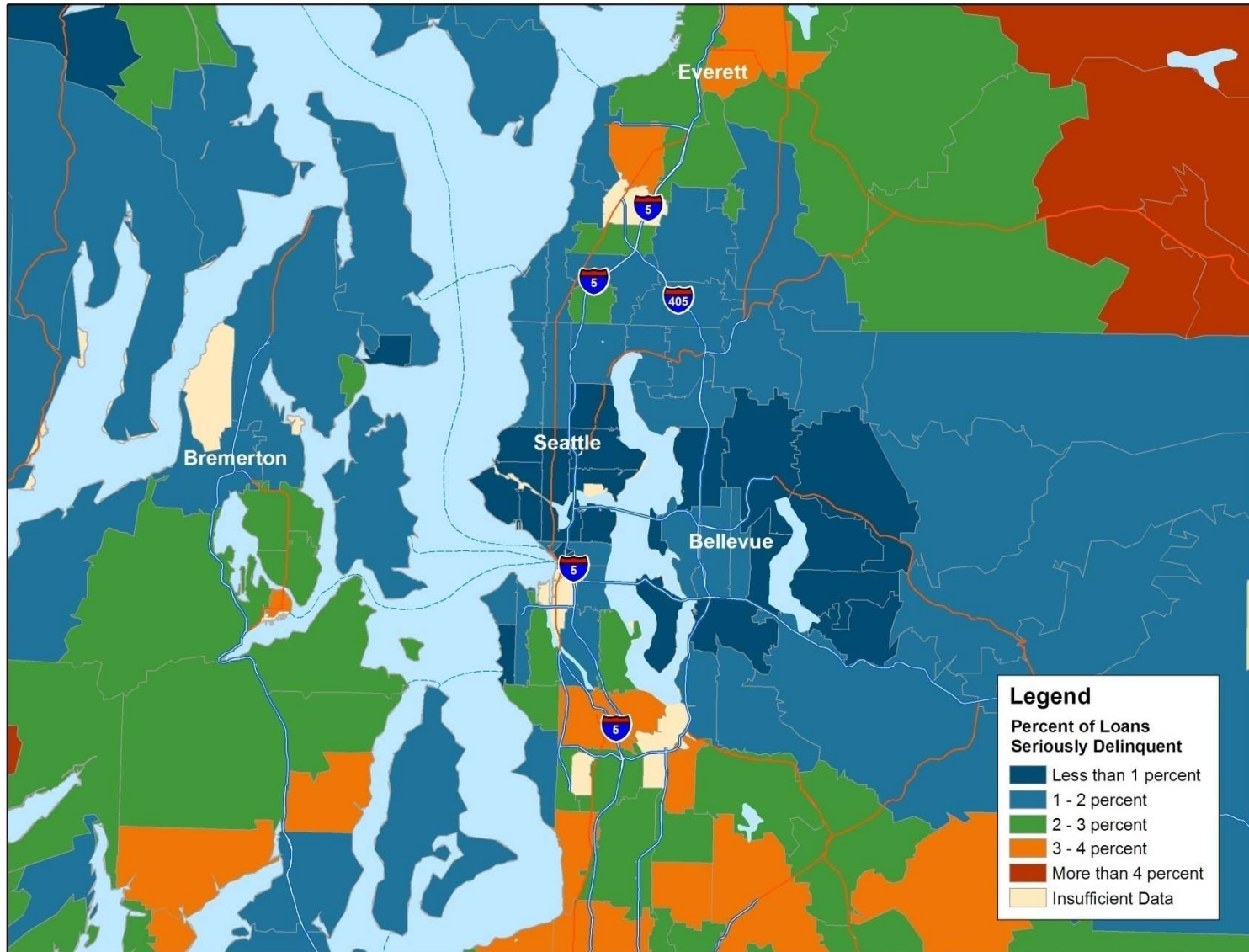
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November 2008

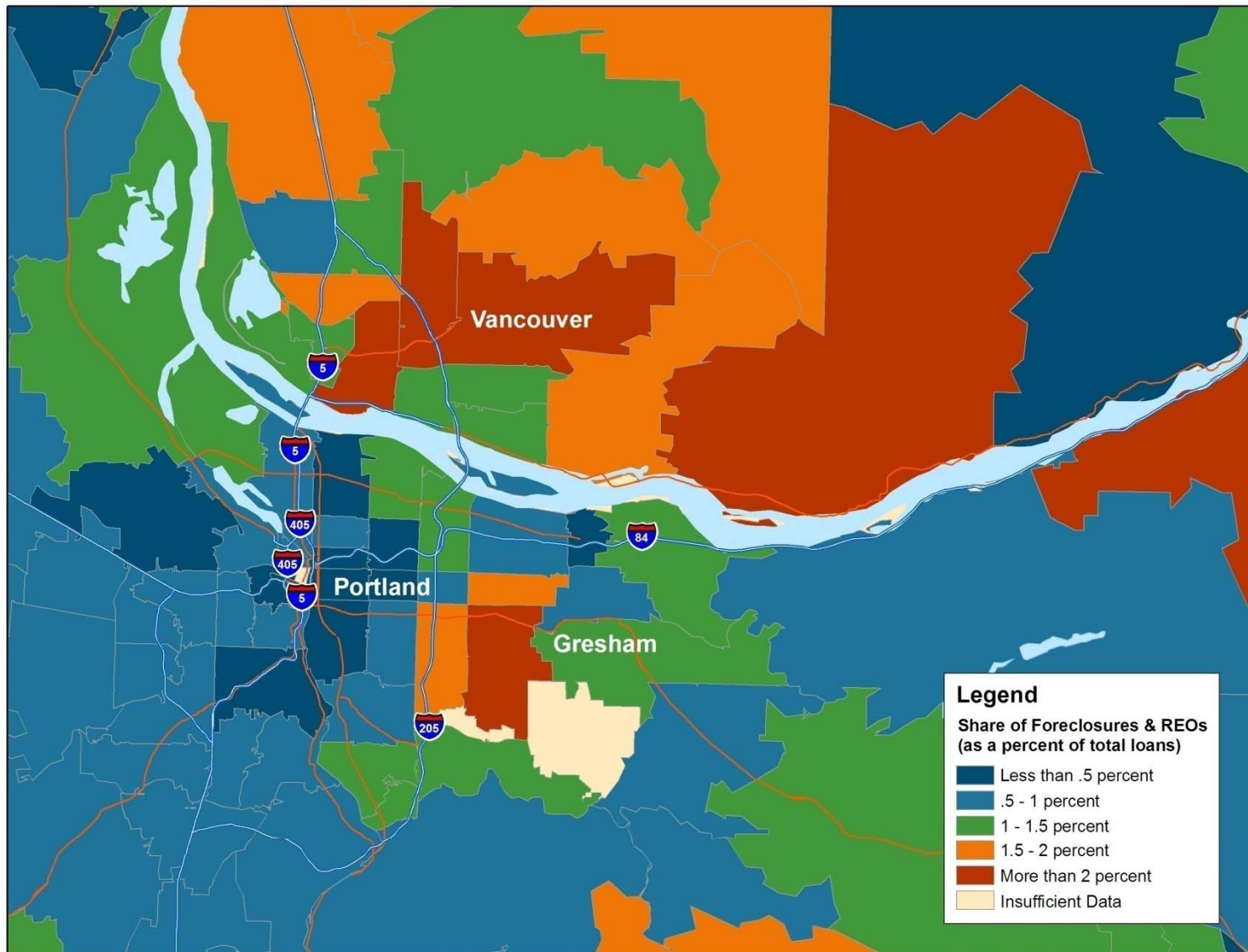


Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, November 2008



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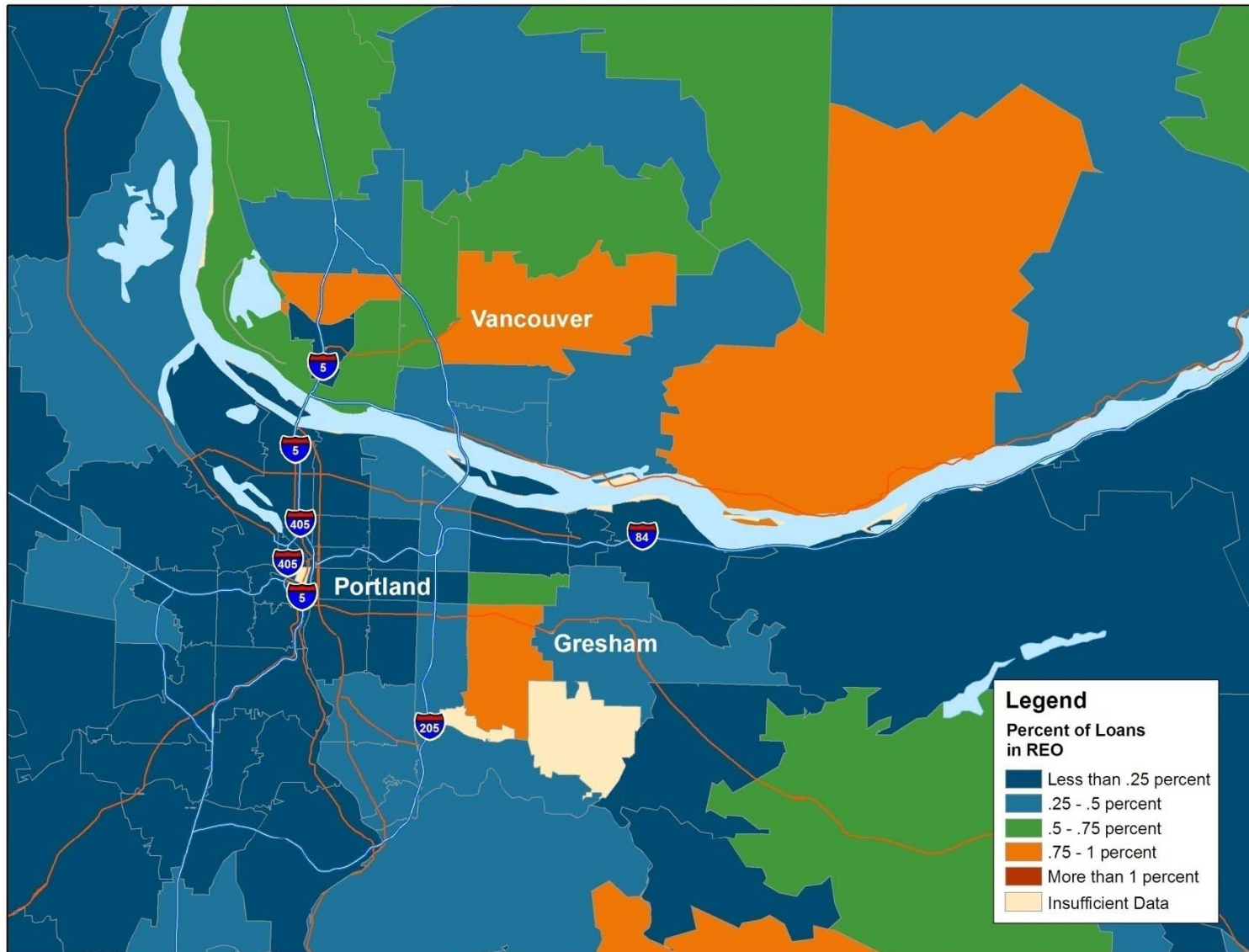
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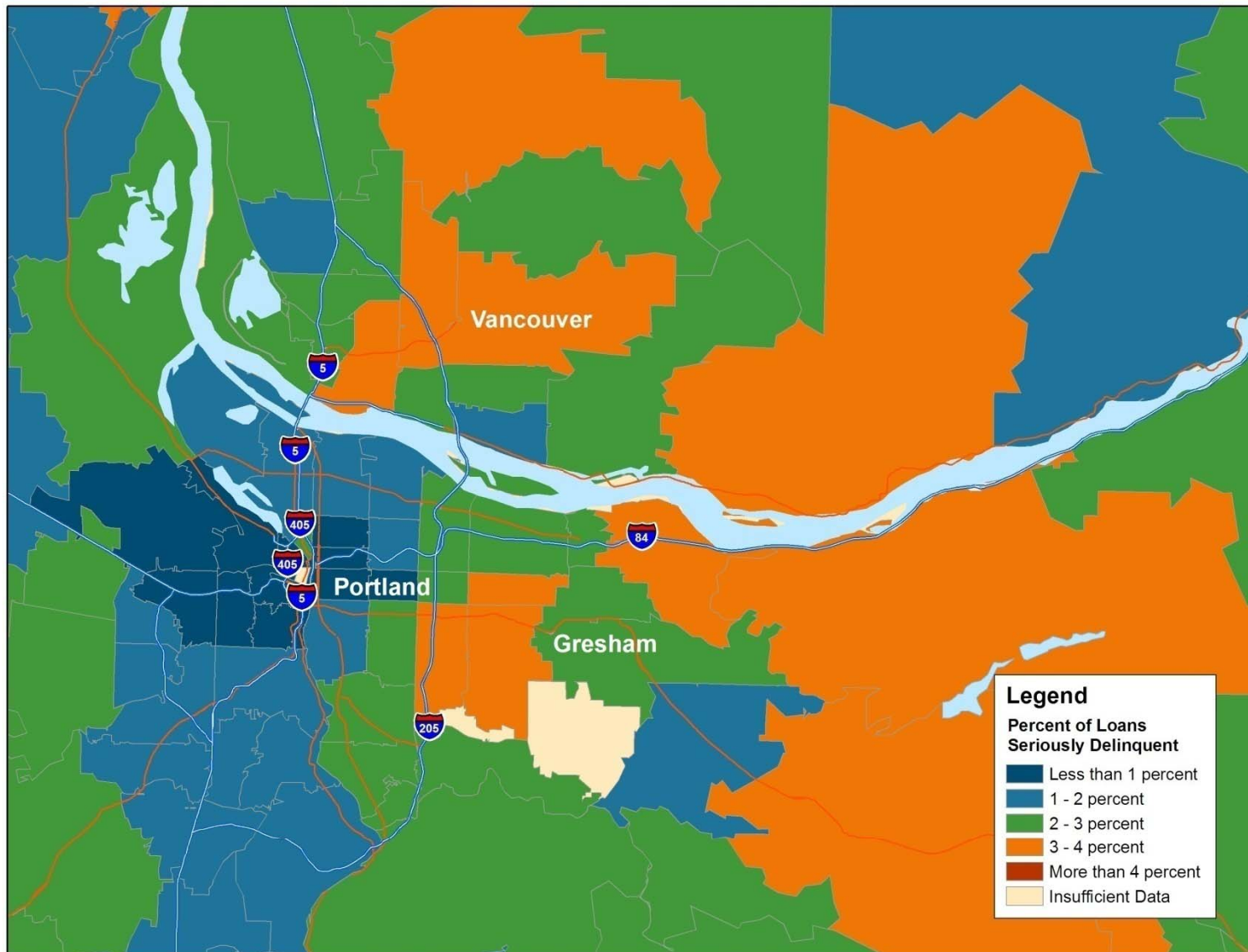
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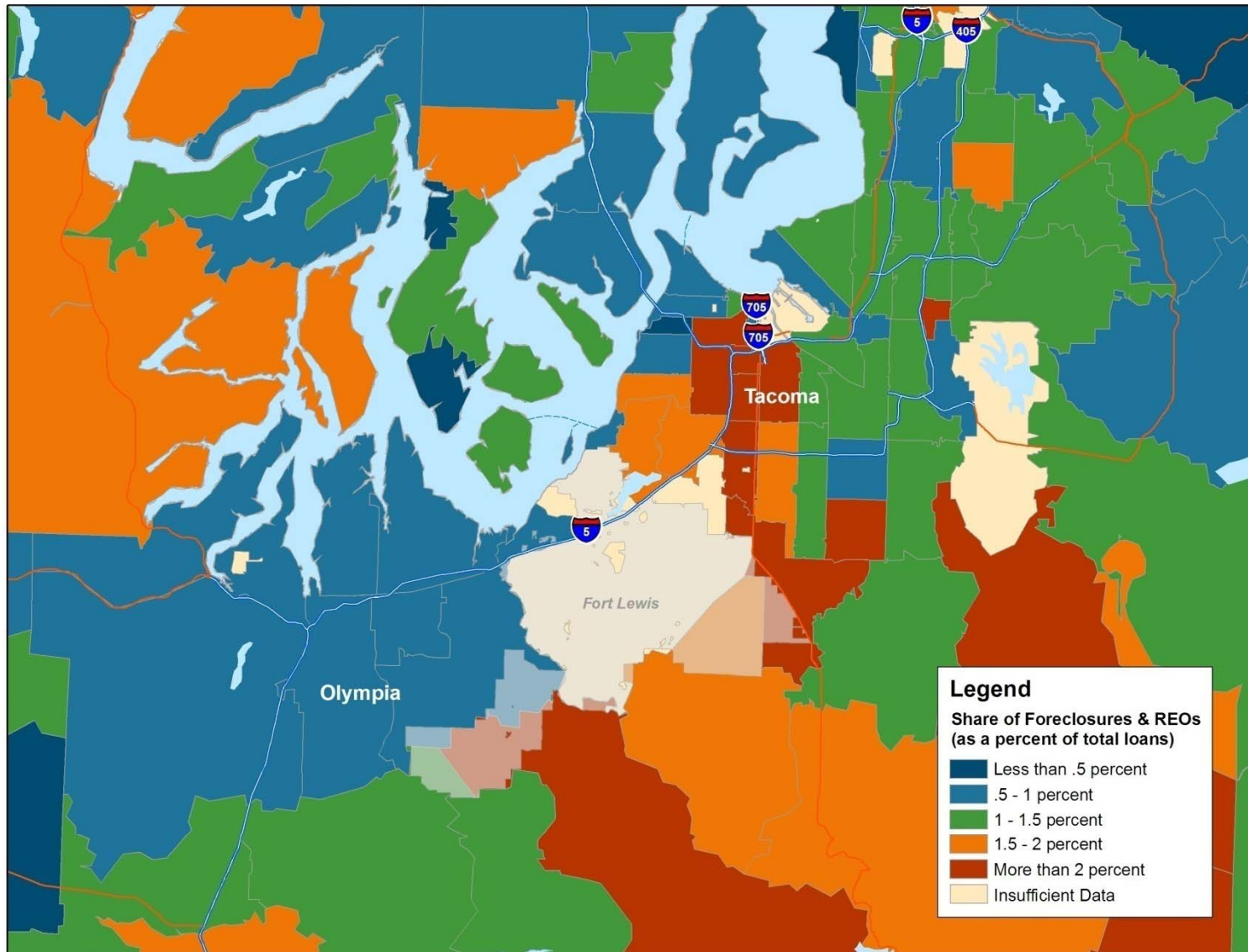


Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, November 2008



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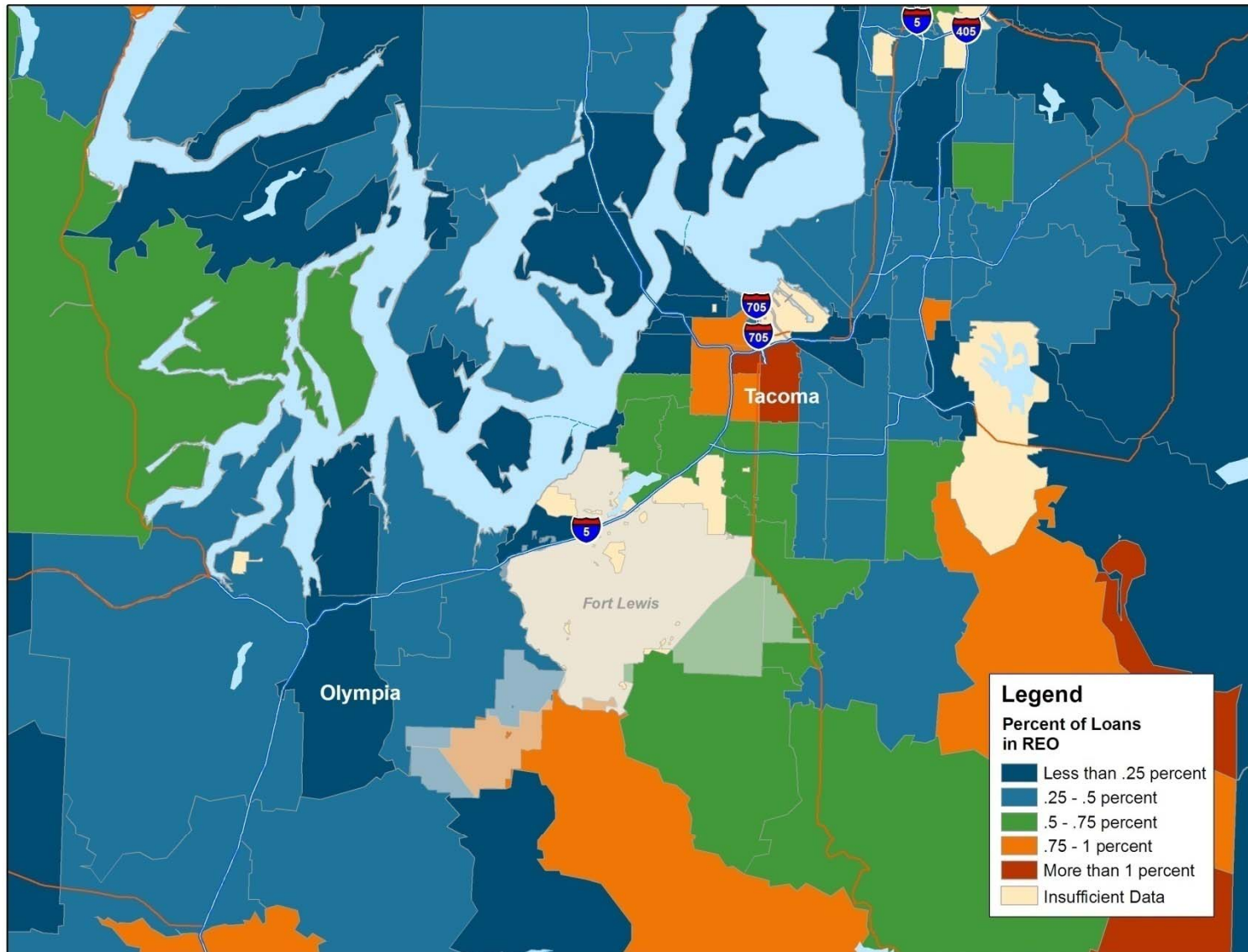
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Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, November 2008

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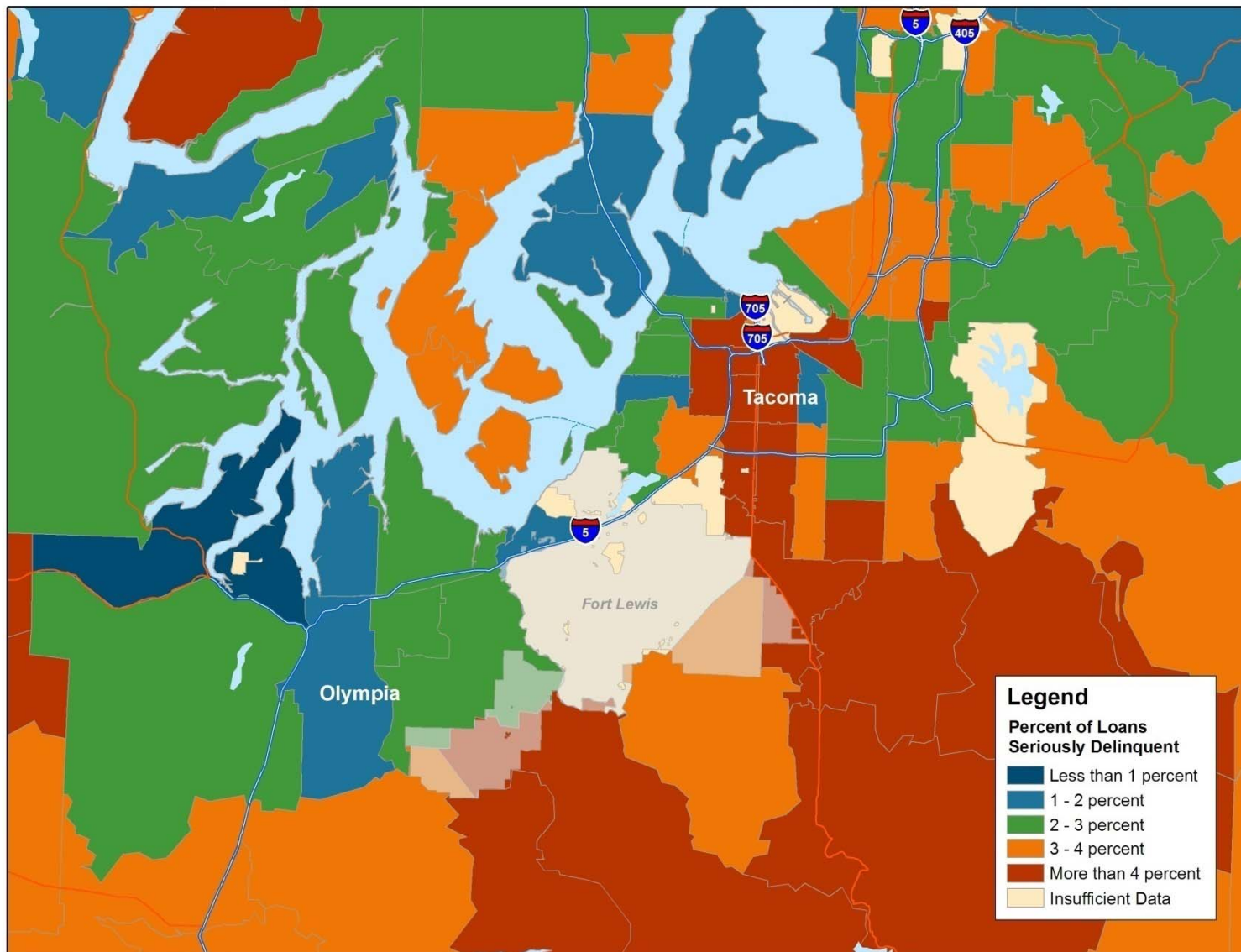


Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, November 2008



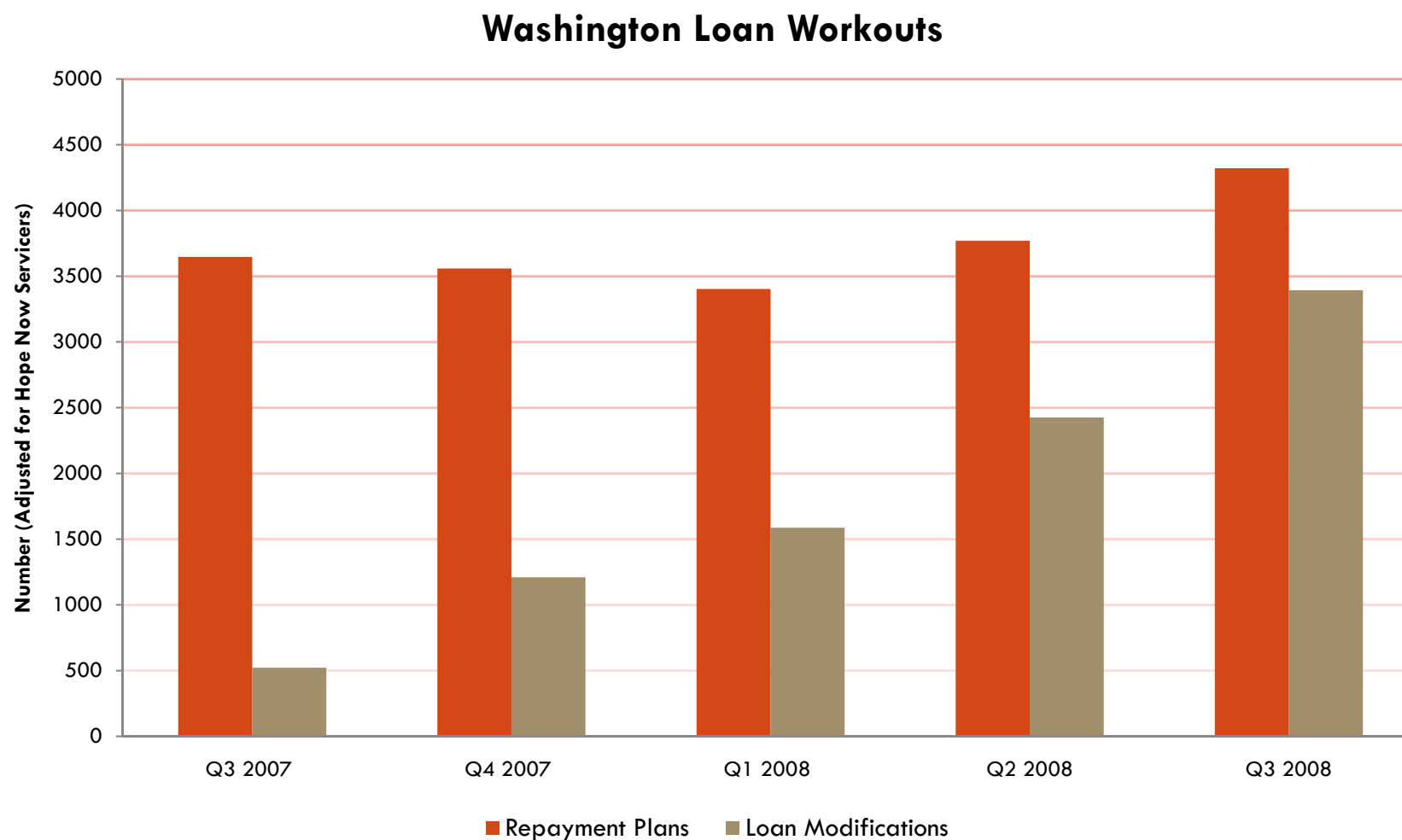
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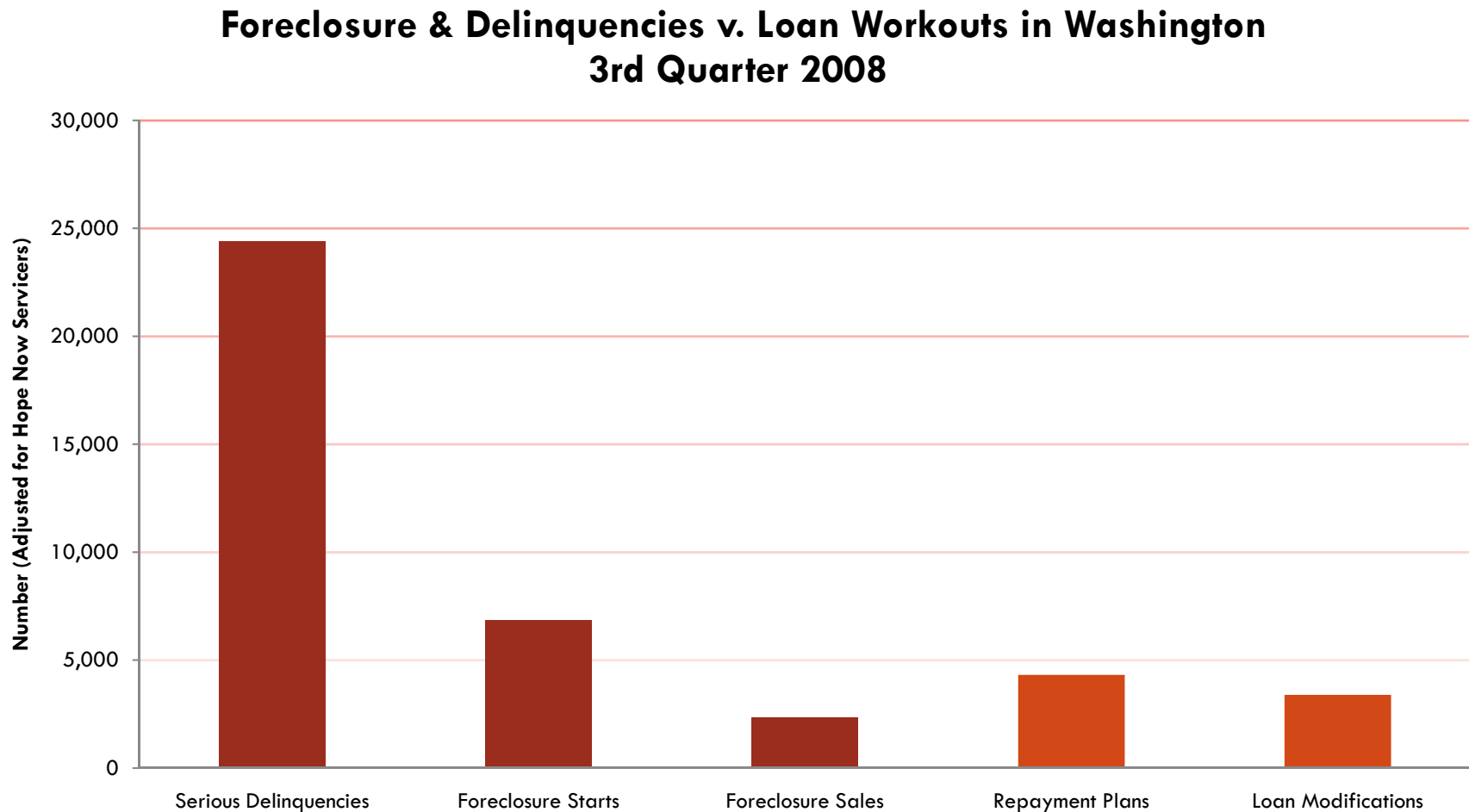
Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, November 2008

# Loan Modifications as Share of Loan Workouts Have Increased



Source: Hope Now Alliance Servicing Data, 3<sup>rd</sup> Quarter 2008

# Yet, Workouts Still Fall Short of Need



Source: Hope Now Alliance Servicing Data, 3<sup>rd</sup> 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](http://www.995hope.org)

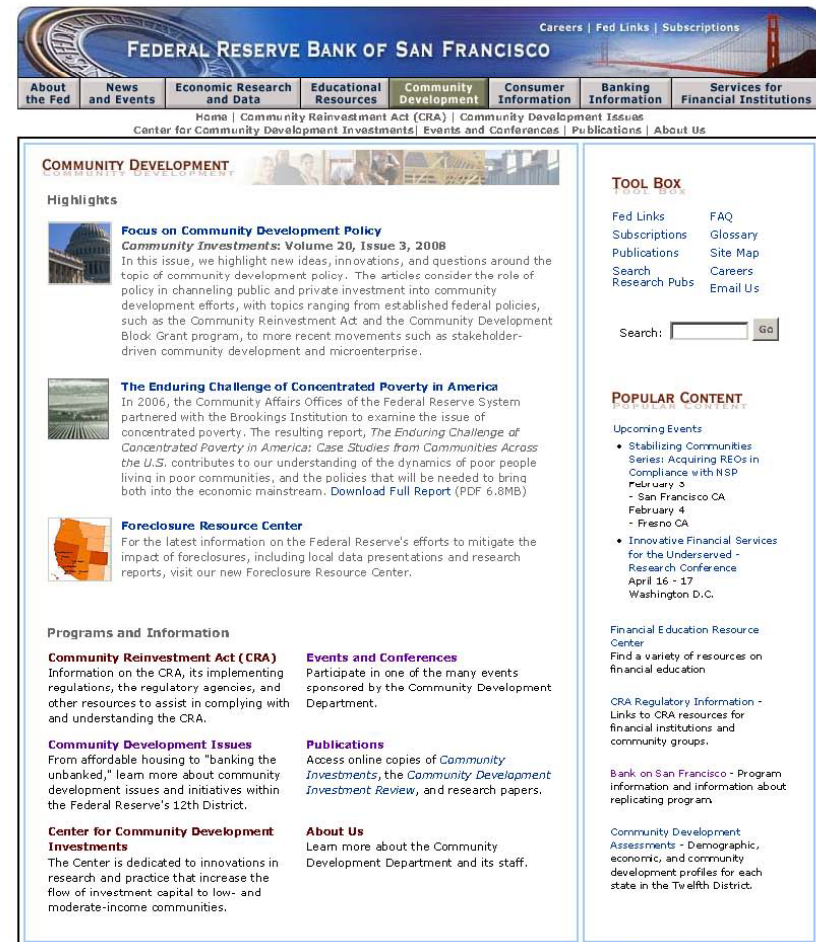
# Conclusions



- ❑ 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/>