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
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

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

**National Unemployment Insurance Claims, Percent Change Year-over-Year**

Source: Haver Analytics and FRBSF Calculations, annual percent change, 2000 Q3 - 2008 Q3
Foreclosures in Washington Have Risen Significantly, But Remain Below US Average

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

Washington Foreclosure Starts
(Percent of All Loans)

Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008
Washington 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
All Metropolitan Areas Experiencing Declines in House Values

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

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

Foreclosure Starts by Loan Type

Source: Mortgage Bankers Association, National Delinquency Survey, 3rd 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

Unemployment Rate

# Employment Trends by Industry in Washington

<table>
<thead>
<tr>
<th>Washington</th>
<th>Total Employed (thousands)</th>
<th>Percent Change</th>
<th></th>
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<tr>
<td></td>
<td>Dec-08</td>
<td>1-mo.*</td>
<td>3-mo.*</td>
<td>12-mo.*</td>
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<tr>
<td>Total</td>
<td>2920.2</td>
<td>-8.4</td>
<td>-5.1</td>
<td>-1.3</td>
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<td>Government</td>
<td>546.1</td>
<td>-4.7</td>
<td>3.7</td>
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<tr>
<td>Trade, Transportation &amp; Utilities</td>
<td>543.8</td>
<td>-4.9</td>
<td>-7.0</td>
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<tr>
<td>Educational &amp; Health Svcs.</td>
<td>357.5</td>
<td>2.4</td>
<td>2.6</td>
<td>1.4</td>
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<tr>
<td>Professional &amp; Business Svcs.</td>
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<td>-26.2</td>
<td>-14.5</td>
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<td>Manufacturing</td>
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<td>Leisure &amp; Hospitality</td>
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<td>Construction</td>
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<td>Financial Activities</td>
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<td>Other Services</td>
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<td>Information</td>
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<td>2.7</td>
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<tr>
<td>Natural Resources &amp; Mining</td>
<td>8.0</td>
<td>-13.8</td>
<td>-4.8</td>
<td>0.0</td>
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</tr>
</tbody>
</table>

Washington Foreclosure Data Maps
Distribution of Lending Volumes

September 2007

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

April 2008

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

November 2008

Legend
Share of Foreclosures & REOs (as a percent of total loans)
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Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, November 2008
Areas with Concentrations of REO Properties
November 2008
Areas at Risk of Additional Foreclosures
November 2008

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, November 2008
Areas of Concentrated Foreclosures
November 2008

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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

Washington Loan Workouts

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

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