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The Current Landscape of the California Housing Market

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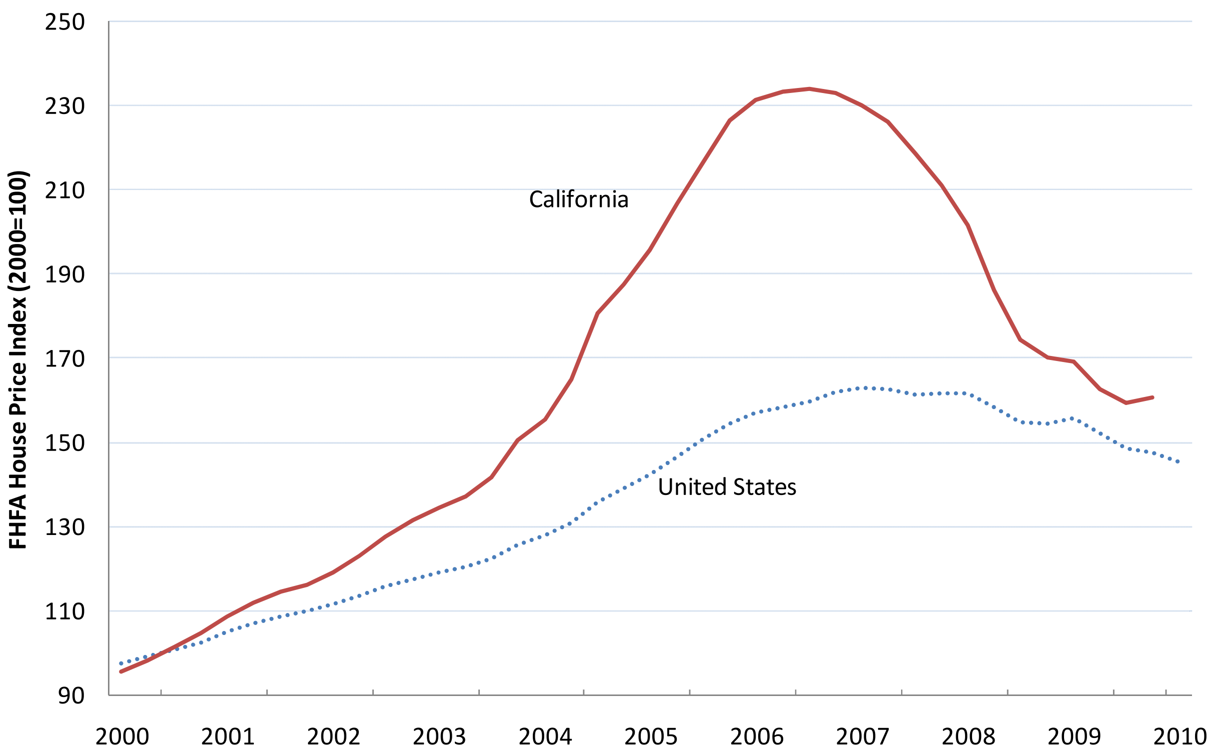
I. Introduction

Over the past ten years, California's housing market has experienced a record-breaking boom and bust cycle, and the rapid pace of transformation presents a challenge for policymakers who seek to address the housing needs of low- and moderate-income families. Early in the decade, much emphasis was placed on housing affordability, especially in the homeownership market where rising house prices were placing even starter homes out of reach for many working families. As shown in Figure 1, house prices in California escalated rapidly between 2003 and 2007. New construction activity expanded in tandem, particularly in newly developed "exurban" communities on the outer fringes of economic centers: between January 2003 and December 2006, an average of 185,000 new units started construction each month. Low interest rates and the increased availability of credit (driven in part by the expansion of subprime lending) further fueled the booming housing market.

Fig. 1 - FHFA (formerly OFHEO) House Price Index
(2000=100, quarterly)



Source: Federal Housing Finance Agency (formerly OFHEO)

However, these trends came to a halt as the housing market turned and house prices began to fall precipitously. In 2007 alone, California home prices suffered the fastest and steepest decline in 25 years, falling 6.6 percent between the fourth quarter of 2006 and the fourth quarter of 2007.[1] Since the market peak, house prices have fallen by over 30 percent, leaving an estimated one-third of California households underwater on their mortgages.[2] California's housing market has also been severely affected by the foreclosure crisis. Foreclosures hit a record high in the third quarter of 2009 with one in every 53 California housing units receiving a foreclosure filing, compared to one in every 136 housing units for the nation as a whole.[3] The state's high foreclosure rate has also contributed to neighborhood destabilization in many communities, resulting in negative spillover effects such as price declines and increased crime and blight.

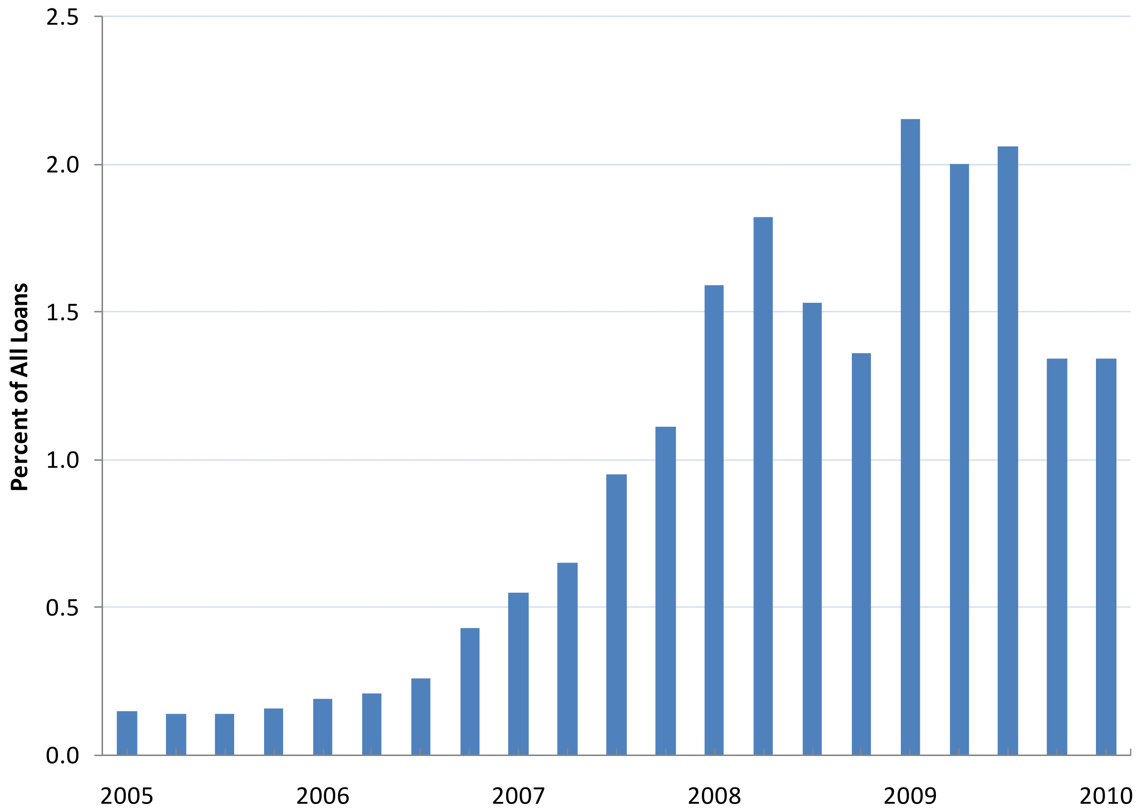
Given these rapid changes in the housing landscape, what are California's current housing needs? What does a housing policy agenda for California look like? This report is designed to provide a current "snapshot" of California's housing market in the wake of the foreclosure crisis. It presents historical trends as well as current data on foreclosures, home prices, and affordability, and also considers the state's future housing needs. Given the state's sheer size and dramatic regional variation, the report also digs down into conditions at the regional and county level. In this way, the study hopes to inform stakeholders from across the state and help in the development of a strategic response to the drastic changes that have taken place in California's housing market over the past few years.

II. The Impact of the Foreclosure Crisis on California

Examining the Crisis at the State Level

The foreclosure crisis in California has been particularly severe, both in terms of the number of foreclosures as well as the number of communities affected by the negative effects of foreclosure. At the start of 2006, California had among the lowest foreclosure rates in the country; by the beginning of 2008, the state has consistently ranked among the highest in the nation for both foreclosure totals and foreclosure rates. These trends are evidenced in Figure 2, which demonstrates that foreclosure starts in California increased dramatically beginning in 2007 and reached record highs in 2008 and 2009. In addition, serious delinquencies, defined as mortgage loans that are 90 days (or more) past due and in danger of default, remain at record high levels at 6.5 percent in the 2nd quarter of 2010.

Fig. 2 – California Foreclosure Starts



Source: Mortgage Bankers Association, National Delinquency Survey

While the MBA National Delinquency Survey can provide useful data on trends in foreclosures and serious delinquencies across states, the data represent a sample of mortgages serviced and not the total number of properties in foreclosure. RealtyTrac, a private company that tracks county recording documents, provides estimates of the number of foreclosure filings at the property level, which can provide some indication of how many housing units in California have been affected. According to these data, more than 1.4 million properties in California went into foreclosure between 2007 and 2009.[4] Although California continues to top the nation with the total number of foreclosures, recent data suggest that activity has slowed in comparison to last year. A total of 340,740 California properties received a foreclosure filing in the first half of 2010, the nation's highest total but down 15 percent from the previous six months and down nearly 13 percent from the first six months of 2009.[5] However, concerns remain about the high percentage of mortgages that are seriously delinquent, particularly as the unemployment rate in the state remains high and property values have yet to stabilize.

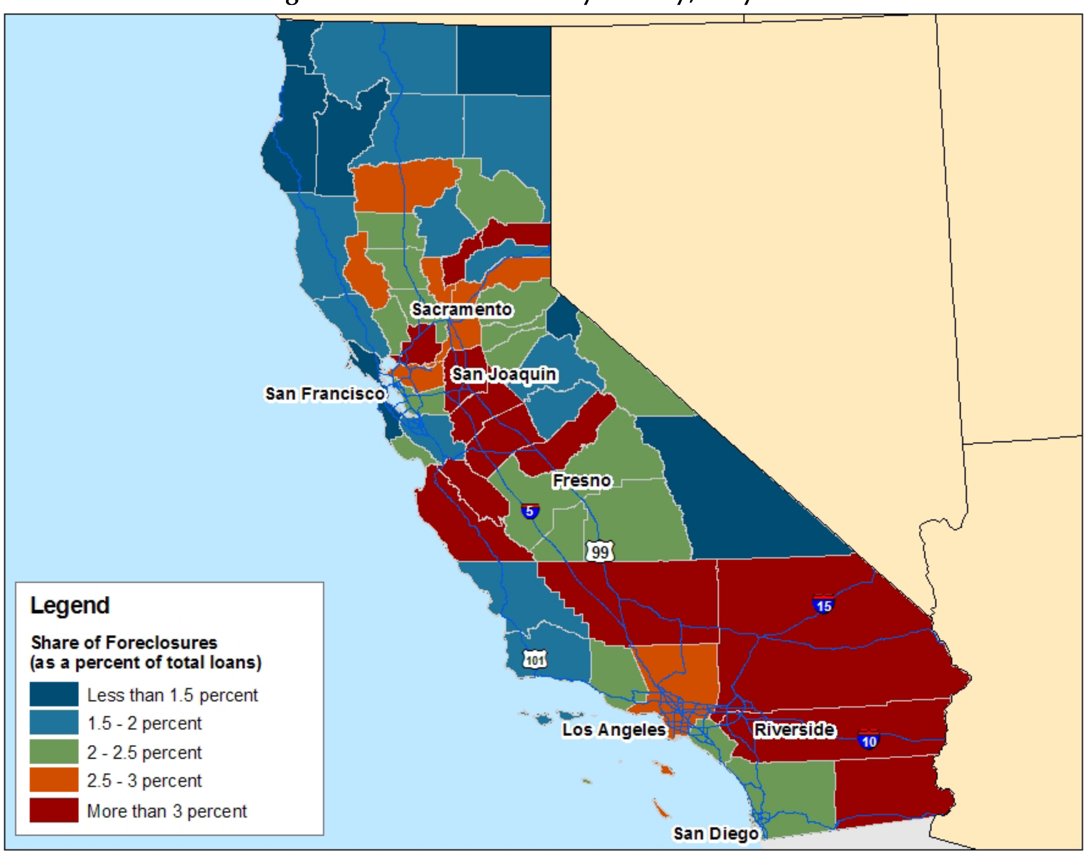
The Geographic Distribution of Foreclosures in California

While California's overall foreclosure rate is high by national standards, some parts of the state have been harder hit than others. California has seen a two-pronged foreclosure crisis. First, lower-income neighborhoods in big cities such as Oakland and Los Angeles have seen extremely high levels of foreclosures, often double or even triple the state average. This pattern of foreclosures is very similar to what has been occurring in cities in the Northeast and Midwest; lower-income and minority urban neighborhoods were targeted by subprime lenders, and have subsequently seen the highest rates of foreclosures. But California has also seen high concentrations of foreclosures in newer suburban housing developments, particularly in the Central Valley and Inland Empire regions. By the end of 2008, three of the top five metro areas with the highest foreclosure rates in the nation were in California: Stockton (first), Riverside/San Bernardino (third), and Bakersfield (fourth).[6]

To better understand the geographic distribution of foreclosures in the state, we analyzed data from Lender Processing Services Analytics, Inc. (formerly known as McDash). As of December 2008, the LPS dataset covered nearly 60 percent of active residential mortgages in the United States, representing about 29 million loans with a total outstanding balance of nearly $6.5 trillion.[7] The strength of the LPS data is that it covers both prime and subprime mortgages; however, it is known to under-represent subprime mortgages in its coverage. The figures below likely represent conservative estimates of the scale of foreclosures in California, but the data are useful in that they allow us to paint a regional picture of where foreclosures are occurring.

Figure 3 shows county level foreclosure rates for May 2010 and demonstrates that high concentrations of foreclosures continue to persist in the Central Valley and Inland Empire regions, as well as in the upper Sacramento valley. For example, Merced County had the highest share of foreclosures in May 2010, with 4.46 percent of all loans in foreclosure. Riverside and San Joaquin Counties were close behind at 4.15 and 4.11 percent, respectively (see Appendix 1 for detailed table of all counties).

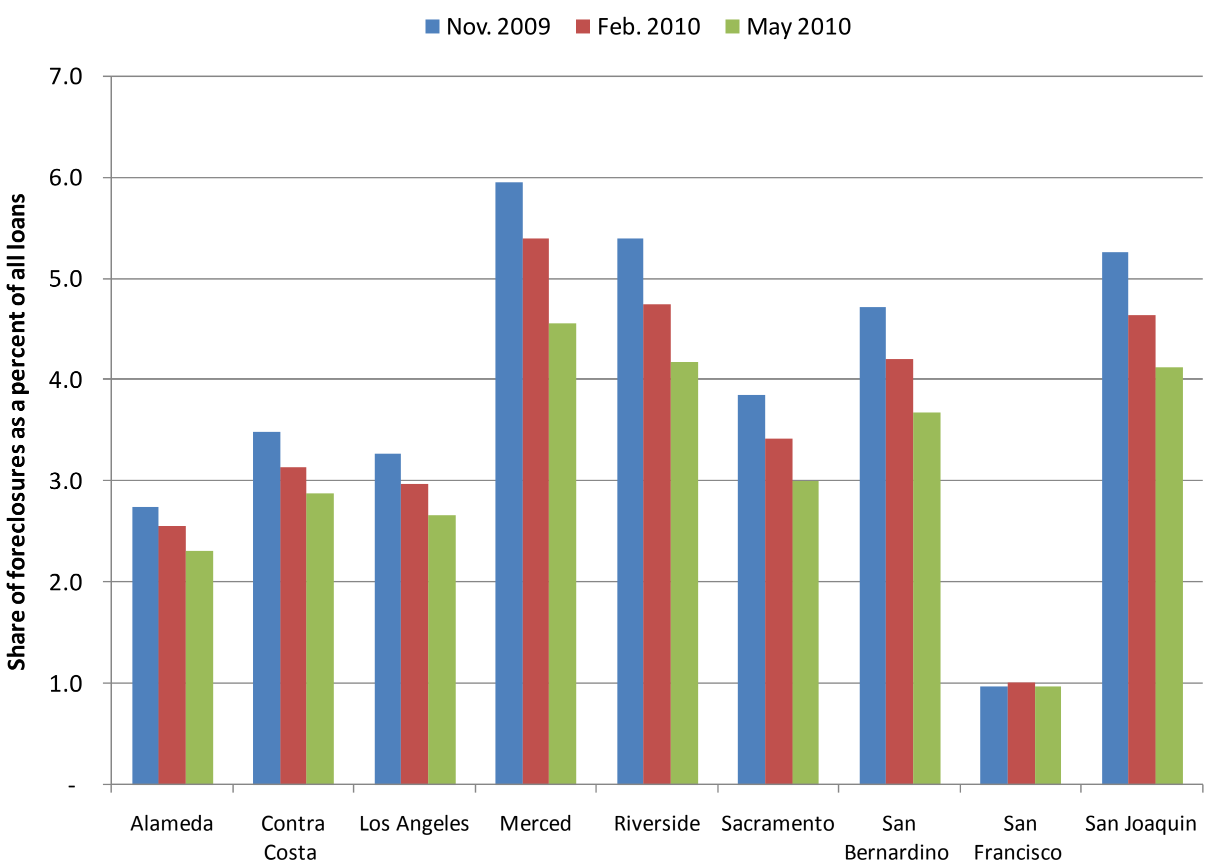
Fig. 3 – Foreclosure Rate by County, May 2010



Source: Lender Processing Services Inc. Applied Analytics

Despite the persistent concentrations of foreclosure in the state, many counties have actually experienced declines in foreclosures over the past several months. From November 2009 to February 2010, 48 counties (out of the state's 58) saw declines in their foreclosure rate and from February 2010 to May 2010, 50 counties had declines in their foreclosure rate. Figure 4 below shows the foreclosure rate over time for various California counties. With the exception of San Francisco, all the other counties in Figure 4 saw their foreclosure rates decline over the period from November 2009 to May 2010. San Francisco's foreclosure rate was relatively constant over time, but it was well below other counties at about one percent. While data suggest that foreclosure activity is slowing in California, those areas hardest hit by the crisis continue to struggle. For example, Merced County's foreclosure rate declined from 5.94 percent in November 2009 to 4.55 percent in May 2010, but it still holds the highest foreclosure rate in the state.

Fig. 4 – Foreclosure Rate in Select Counties, November 2009 – May 2010



Source: Lender Processing Services Inc. Applied Analytics

Foreclosures appear to be increasing in only a small number of counties, and the rates of increase appear to be small. As shown in Figure 5, only eight counties experienced an increase in the foreclosure rate from February 2010 to May 2010. For the most part, these counties represent much smaller housing markets with significantly fewer total loans relative to other counties. As a result, slight increases in the number of foreclosures can have a large impact on the foreclosure rate.

Fig. 5 – Counties Experiencing Increases in Foreclosures, November 2009 – May 2010

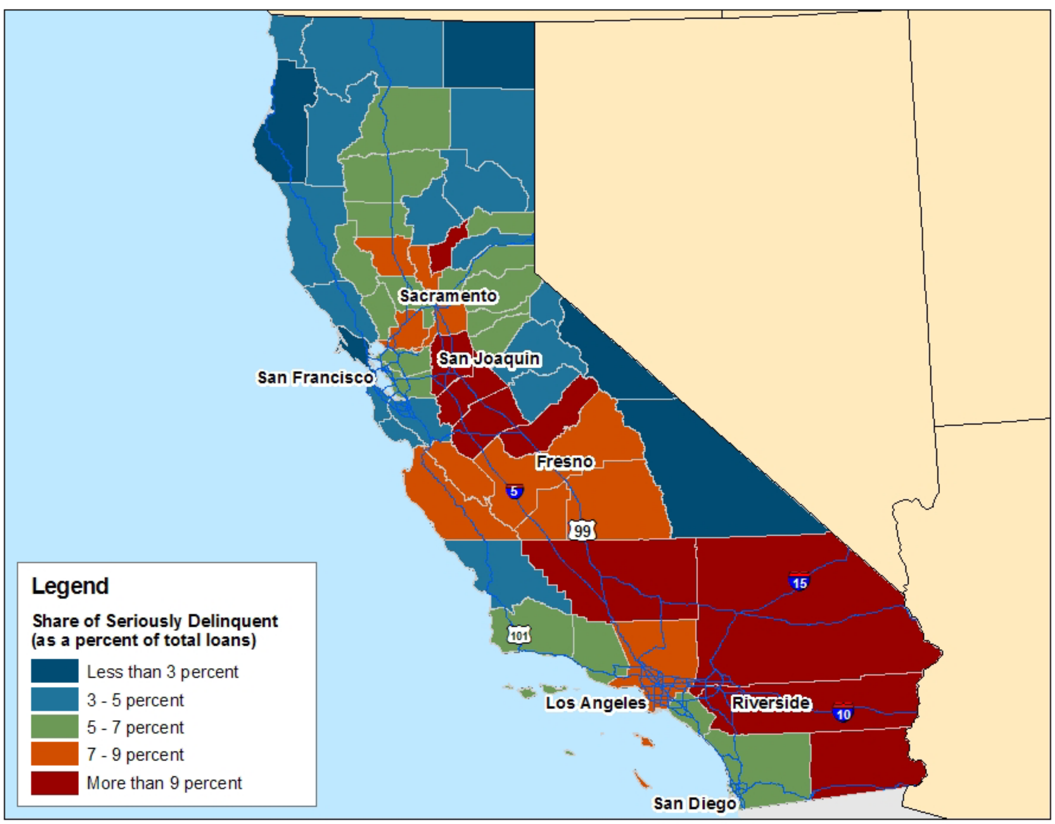
County	Nov 2009			Feb 2010			May 2010		
	Fore-closures	Total Loans	Fore-closure Rate	Fore-closures	Total Loans	Fore-closure Rate	Fore-closures	Total Loans	Fore-closure Rate
Marin	469	39,392	1.19	443	39,146	1.13	464	38,981	1.19
Tehama	160	5,688	2.81	145	5,590	2.59	143	5,456	2.62
Siskiyou	88	5,275	1.67	87	5,213	1.67	97	5,109	1.90
Glenn	74	2,545	2.91	61	2,513	2.43	62	2,458	2.52
Del Norte	30	2,175	1.38	16	2,162	0.74	20	2,103	0.95
Inyo	18	1,632	1.10	13	1,608	0.81	18	1,572	1.15
Trinity	14	975	1.44	16	955	1.68	16	944	1.69
Sierra	7	227	3.08	7	226	3.10	10	224	4.46

Source: Lender Processing Services Inc. Applied Analytics

Current Concentrations of Seriously Delinquent Loans by County

Another important indicator of the state of the housing market is the share of seriously delinquent loans, which we define as loans that are past due by 90 or more days.[8] The concentration of seriously delinquent loans provides an indication of the areas that are at greatest risk of additional foreclosures. As seen in Figure 6, the highest concentrations of seriously delinquent loans in May 2010 were in the Inland Empire and Central Valley, along with activity in the Sacramento Valley, similar to the patterns of concentrated foreclosures. Riverside County had the highest concentration, with Yuba and Merced Counties following in second and third place, respectively.

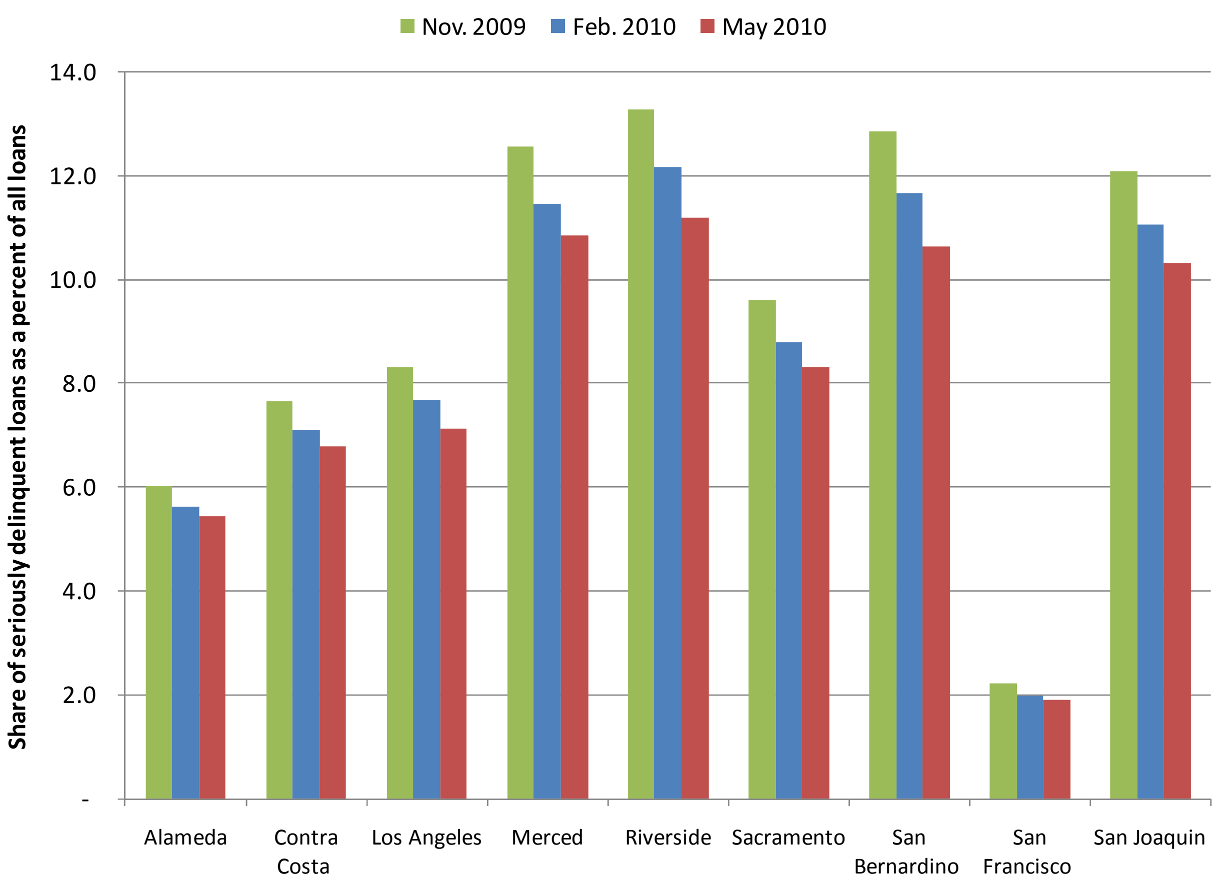
Figure 6 – Share of Seriously Delinquent Loans by County, May 2010



Source: Lender Processing Services Inc. Applied Analytics

As with foreclosures, there is some indication that delinquency rates are decreasing. Since November 2009, almost of all of California's counties saw decreases in the share of seriously delinquent loans as a percent of all loans. Figure 7 shows the share of seriously delinquent loans in November 2009, February 2010, and May 2010 for select counties (see Appendix 2 for the detailed data on all 58 counties). Riverside County, with the highest rate of seriously delinquent loans, saw a decrease from 13.27 percent in November 2009 to 11.19 percent in May 2010. San Bernardino and Merced Counties similarly saw declines from 12.86 to 10.63 percent and 12.56 to 10.85 percent, respectively.

Figure 7 – Share of Seriously Delinquent Loans in Select Counties, November 2009 - May 2010



Source: Lender Processing Services Inc. Applied Analytics

Among the five counties where concentrations of seriously delinquent loans are increasing, the rates of increase appear to be relatively small. For the two comparison periods, the number of seriously delinquent loans held fairly steady, and even decreased in some cases, but relatively larger declines in the total number of loans created larger rates of seriously delinquent loans (see Figure 8).

Figure 8 – Counties Where Share of Seriously Delinquent Loans Increased

	Feb-10			May-10		
County	Seriously Delinquent	Total Loans	Share of Srs. Delinquent as % of total	Seriously Delinquent	Total Loans	Share of Srs. Delinquent as % of total
Monterey	3,358	41,558	8.08	3,311	40,862	8.10
Yolo	1,519	23,817	6.38	1,514	23,440	6.46
Napa	1,035	18,707	5.53	1,036	18,590	5.57
San Luis Obispo	1,498	37,954	3.95	1,493	37,538	3.98
Inyo	34	1,608	2.11	35	1,572	2.23

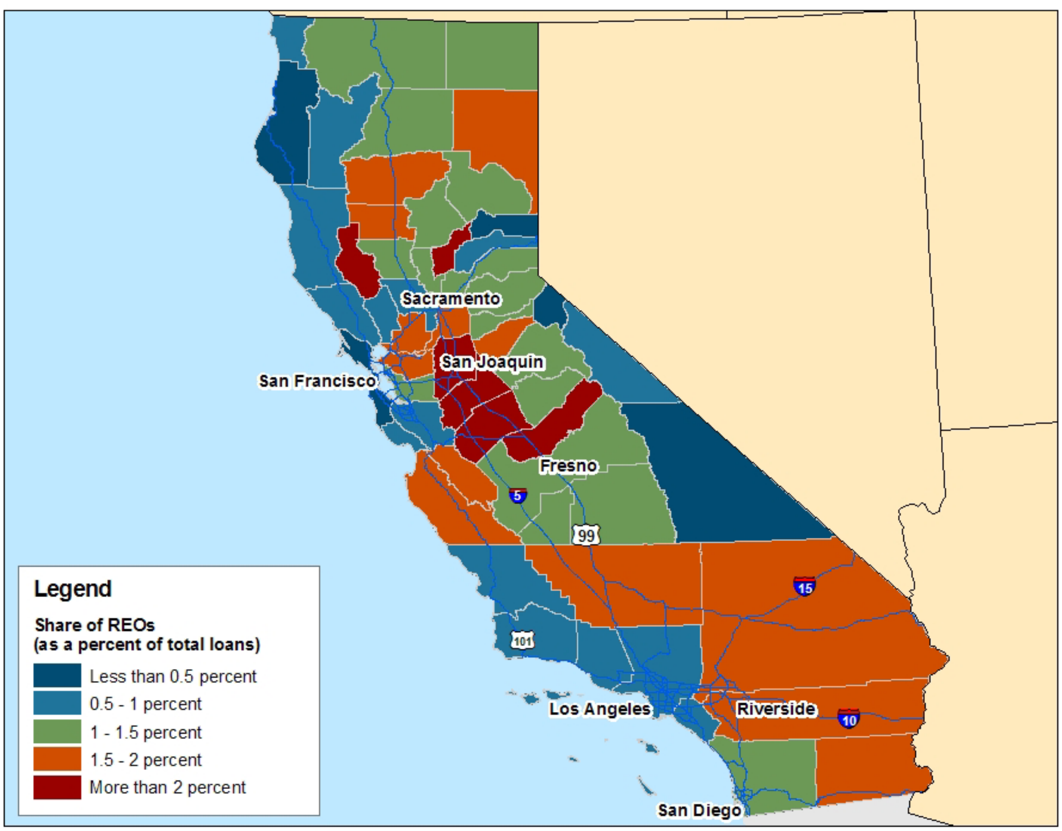
Source: Lender Processing Services Inc. Applied Analytics

Current Concentrations of REOs by County

The foreclosure crisis has also had a negative effect on communities, primarily through the concentration of real estate owned properties, or REOs. Neighborhoods with high concentrations of REOs often suffer significant neighborhood destabilization, as the presence of vacant properties attracts squatters, vandalism, crime, and as a result, lower property values for surrounding homes. Thus, understanding which geographies are suffering from high concentrations of REOs can help shed light on which communities may be at greatest risk, or already suffering from the negative spillover effects of foreclosures. California led the nation in the number of REOs during the second quarter of 2010, with over 45,700 currently inventoried throughout the state.[9] Yet, like foreclosures, REO activity seems to be decreasing. In California, REO activity decreased 17 percent from 2008 to 2009, after posting a 264 percent increase from 2007 to 2008. [10] However, some data sources suggest that REOs will begin to climb again in the second half of 2010.[11]

As shown in Figure 9, current REO concentrations are the largest in the Central Valley (San Joaquin, Stanislaus, Merced, and Madera Counties), with additional concentrations in Yuba and Lake Counties. However, certain counties, such as Alameda and Los Angeles, have relatively lower REO concentrations in comparison to their share of foreclosures. One possibility could be that there are more successful foreclosure sales and/or short sales in stronger housing markets, leaving fewer properties to become REOs.

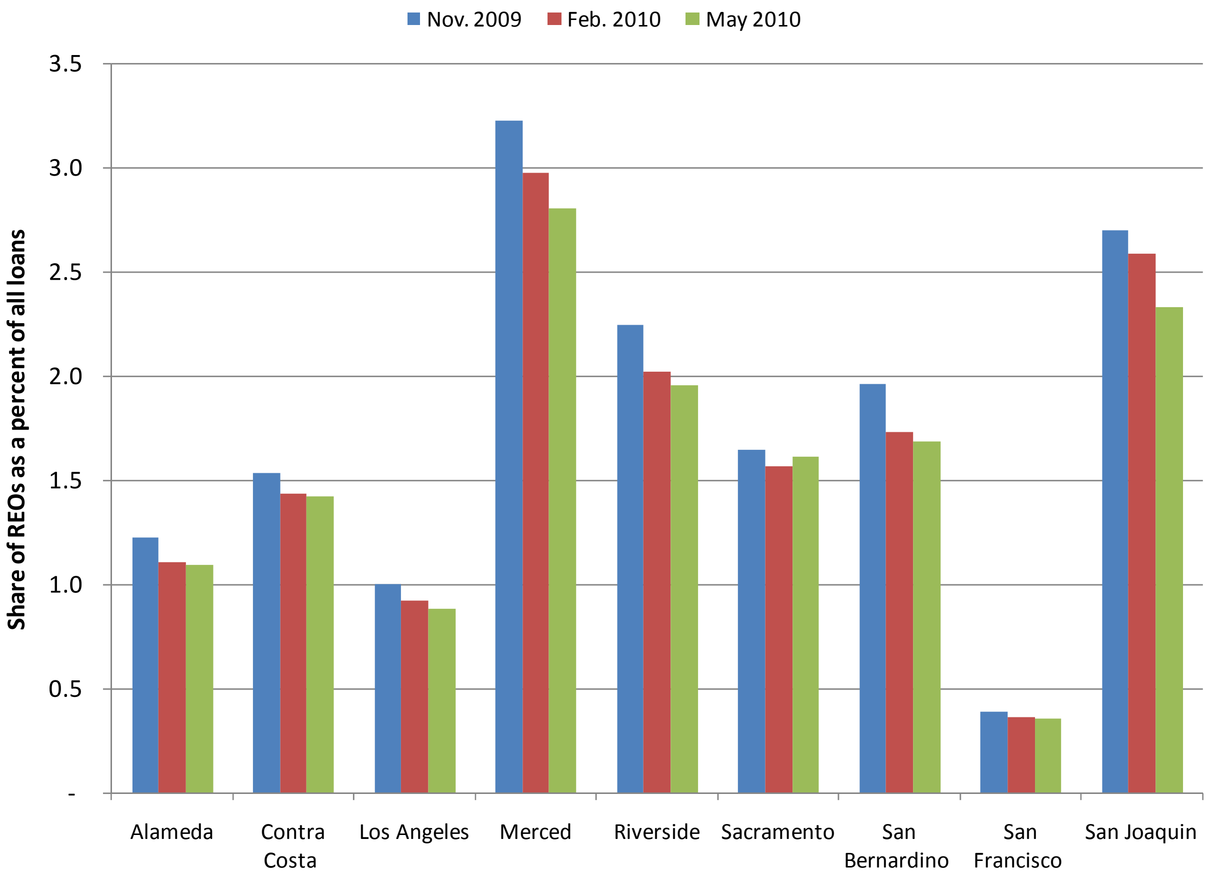
Figure 9 – Concentrations of REOs by County, May 2010



Source: Lender Processing Services Inc. Applied Analytics

Figure 10 shows the share of REO properties in select counties at three points in time over the period November 2009 to May 2010 (see Appendix 3 for the detailed data on REOs for all 58 counties). REO concentrations appear to be decreasing over time in most of these counties, with the exception of Sacramento, which saw a slight uptick from February 2010 to May 2010. Merced County has the highest share of REOs in the state.

Figure 10 – Share of REOs in Select Counties, November 2009 – May 2010



Source: Lender Processing Services Inc. Applied Analytics

Implications

Overall, current data suggest that the share of loans that are seriously delinquent or in foreclosure has generally declined across the state, particularly in comparison to loan activity from 2009. However, these modest improvements do not suggest that the state's foreclosure problems are over. James J. Saccacio, chief executive officer of RealtyTrac, recently said:

> *The roller coaster pattern of [national] foreclosure activity over the past 12 months demonstrates that while the foreclosure problem is being managed on the surface, a massive number of distressed properties and underwater loans continue to sit just below the surface, threatening the fragile stability of the housing market.*[12]

Given this shadow inventory of distressed loans, foreclosures will likely continue to affect the California housing market for some time to come, and foreclosure prevention efforts should remain a key priority for policymakers. Foreclosure prevention can help keep families in their home, thereby stemming neighborhood destabilization and contributing to a well functioning housing market.

Before 2007, the incidence of loan modifications was extremely low, and most of the loan modifications that did occur involved adding unpaid interest and fees to the balance of the loan, and often raising monthly payments. As a result, reports of redefault rates were extremely high. Despite the work of housing counselors and local foreclosure prevention task forces, servicers were slow to ramp up capacity or streamline the loan modification process; modifications were considered on a case by case basis. In response to the continued deterioration in the housing market and the recognition that voluntary loan modifications were not making much of a dent, the U.S. government announced the Making Home Affordable program in February 2009. Known as HAMP, the initiative allocated $75 billion to loan modification efforts, with a goal of reaching 9 million distressed borrowers by December 2012.

HAMP has helped to improve the modification process, and some recent research suggests that loan modifications under the program—given that the mods are designed to reduce payments to affordable levels—are leading to lower redefault rates. As of July 2010, HAMP has led to nearly 425,000 permanent loan modifications, with 94,356 in California. Approximately 60,000 additional borrowers in California have received a trial modification.[13]

Still, the scale of modifications remains well below the number of distressed borrowers, and the federal government has shored up efforts to reach borrowers in states with high rates of foreclosure. In late 2009, the Treasury Department introduced the Home Affordable Foreclosure Alternatives Program (HAFA) program to provide a viable option for homeowners who are unable to keep their homes through HAMP. The HAFA program took effect on April 5, 2010 and sunsets on December 31, 2012.[14] In addition, President Obama announced the Hardest Hit Fund (HHF) in February 2010 to provide resources for states hit hard by the economic downturn. California received an initial HHF allocation of $699,600,000.[15] The goal of HHF is to provide temporary assistance to eligible homeowners to help them pay their mortgage while they seek re-employment, additional employment or undertake job training.[16] In early August 2010, the Obama administration announced additional HHF assistance for select states, and California received an additional HHF allocation of $476,257,070.[17]

At the neighborhood level, the primarily policy tool for dealing with REOs and vacant properties has been the federal Neighborhood Stabilization Program (NSP), which facilitates the purchase and redevelopment of foreclosed and abandoned homes. As of July, 2010, $491.5 million from NSP-1 funding was committed under the California program state-wide, and $38.1 million was still to be committed.[18] The third round of funding (NSP-3) was recently passed in July 2010 under the Dodd-Frank Wall Street Reform and Consumer Protection Act, providing an additional $1 billion for neighborhood stabilization nationwide.

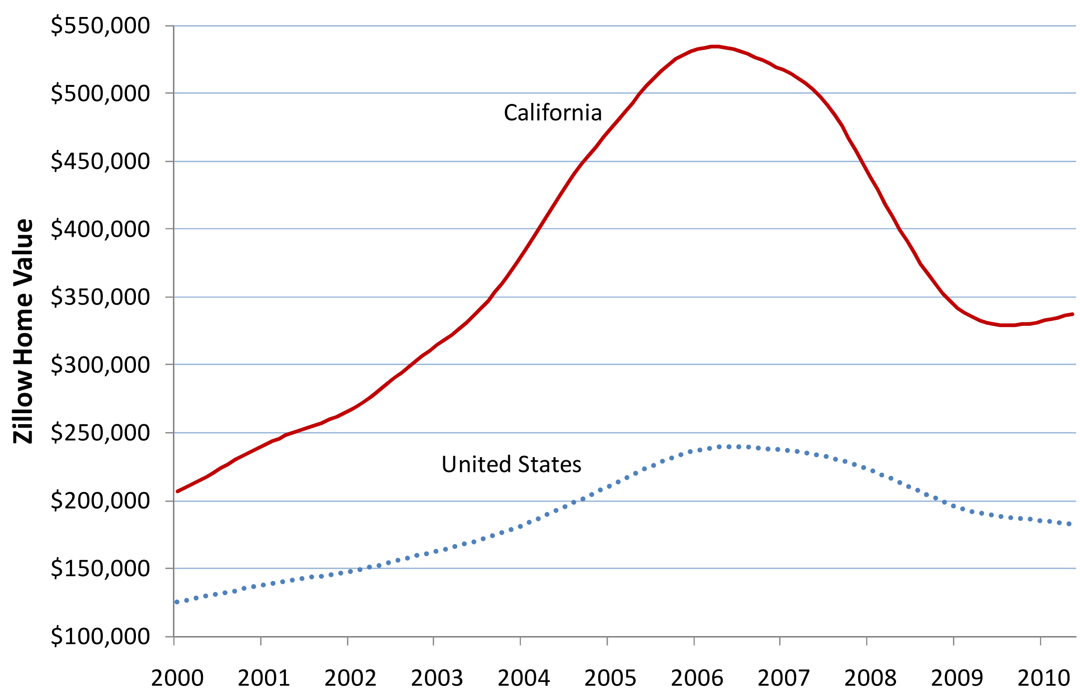
III. Changing House Values

Like with foreclosure data, there are multiple sources of information on house prices, each covering a slightly different segment of the market and using a different methodology for calculating their statistics. In this section, we use data provided by Zillow to analyze both state and regional trends in house prices in California. The advantage of the Zillow data is that it has better geographic coverage than either Case/Shiller or FHFA, thus allowing us to extend our analysis beyond the state's major metropolitan areas. However, Zillow does not include foreclosures in its house price index calculations. Relative to other states, California has an extremely large volume of foreclosed and/or distressed properties (see Section II) and price trends tend to differ substantially between distressed and non-distressed properties. According to the California Association of Realtors, the median price of distressed properties in California declined 24.2 percent from $330,000 in 2008 to $250,000 in 2009, while the median price of non-distressed properties dropped 10.4 percent from $541,000 in 2008 to $485,000 in 2009.[19] This suggests that the Zillow estimates presented below may underestimate the scale of house price declines.

State Trends

Figure 11 shows median home values in California compared to home values at the national level, and demonstrates California's unprecedented home price appreciation leading up to the bust. After reaching a peak of $534,300 in March 2006, median home prices declined precipitously over the next three years. The rapid decline in California home prices appeared to stabilize in mid-2009, but the pace and sustainability of recovery is still in question. The median home value in California was $337,500 as of May 2010, compared to the national median value of $182,600.

Figure 11 – Zillow Home Value Index, 2000 – 2010



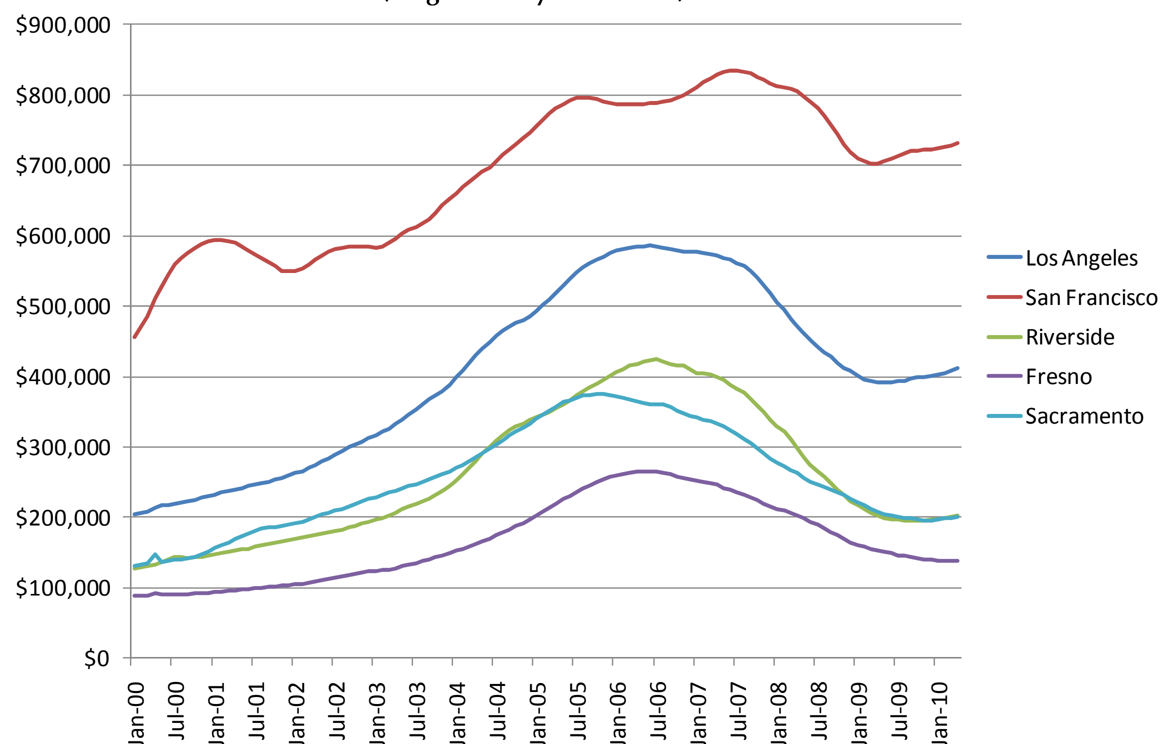
Source: Zillow Home Value Index, Haver Analytics

As a result of these price declines, many homeowners in California are "underwater" on their mortgages, meaning that they owe more than their house is actually worth. According to Zillow.com, approximately 21.5 percent of single-family homeowners with mortgages had negative equity in the second quarter of 2010 at the national level.[20] In California, the occurrence of negative equity varied by metropolitan area. For example, Modesto had among the state's highest rates of negative equity at 57.5 percent, along with Stockton and Vallejo at 53.5 and 49.7 percent, respectively. However, other metropolitan areas in the state had negative equity levels well below the national average, such as San Jose and Los Angeles, which had rates of negative equity at 13.8 and 16.9, respectively.[21]

Regional Trends

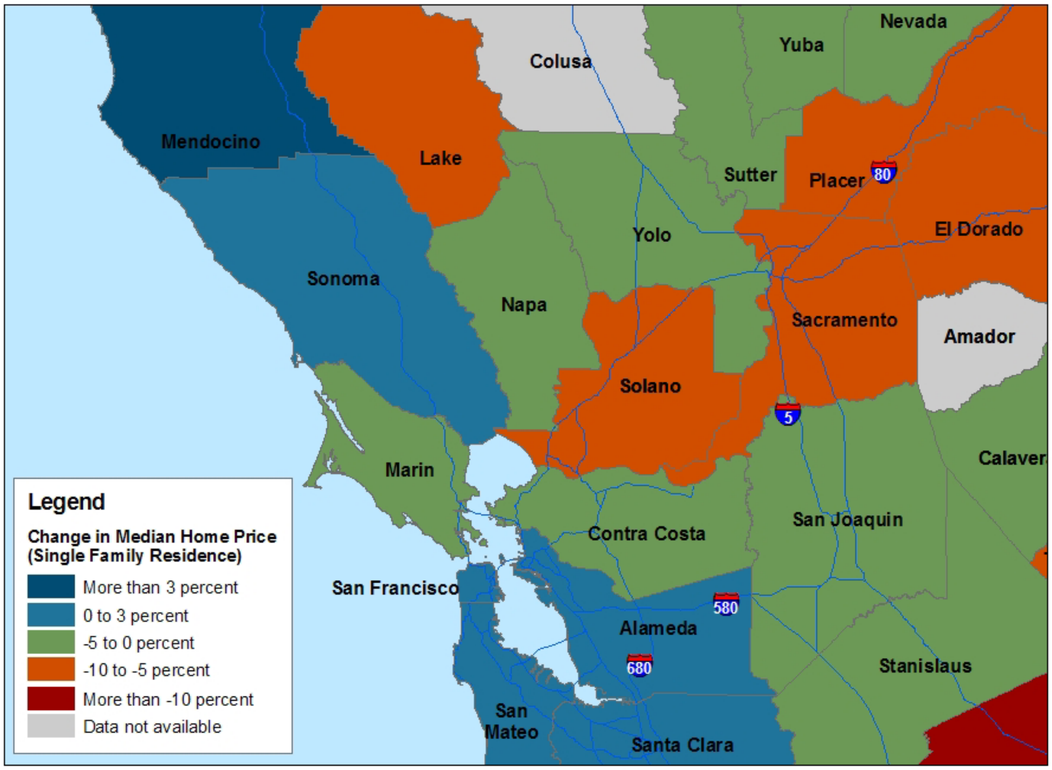
While the entire state suffered significant price declines during the housing bust, the severity of the downturn and the subsequent pace of recovery vary significantly by region. Figure 12 shows median home price trends for single family residences in Los Angeles, San Francisco, Riverside, Fresno, and Sacramento counties. The graph shows the large regional variation in house prices across the state, as well as the extent of price declines in the different markets. San Francisco, representing one of the highest cost areas in the state, saw declines in 2008 but prices have trended back up and overall house prices are down only about 15 percent from their peak. In contrast, Riverside, Sacramento and Fresno represent more affordable housing markets, yet they have seen much larger and sustained price declines. Riverside County experienced rapid price appreciation during the boom, peaking at $424,000 in July, 2006 and dropping to a post-boom low of $195,500 in October, 2009, a 54 percent decline. Prices have since increased to $203,000 as of April 2010. Sacramento saw house prices decline 47 percent from a peak of $372,000 in January 2006 to a trough of $195,500 in November, 2009. Fresno County hit a high of $265,500 in May 2006, and prices have steadily declined since then. As of April 2010, the median price was $138,000. Both Riverside and Sacramento have posted modest gains in house prices, which may signal that their housing markets are stabilizing. See Appendix 4 for median price information for California counties.

Fig. 12 – Median Home Price by County, January 2000 – April 2010
(Single Family Residence)



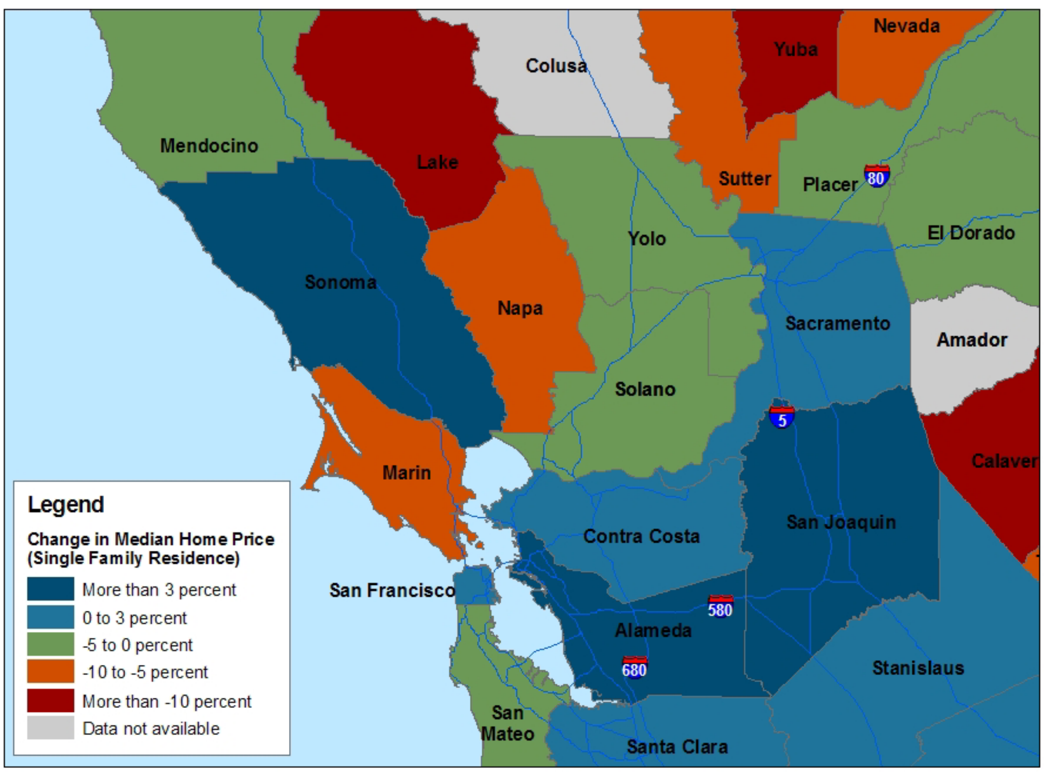
Source: Zillow Home Value Index

Fig. 13a – Change in Northern California Median Home Prices, April 2009 – October 2009



Source: Zillow Home Value Index

Fig. 13b – Change in Northern California Median Home Prices, October 2009 – April 2010



Source: Zillow Home Value Index

While the dramatic changes from price peaks to troughs clearly tell the story of the housing bust, the details of regional house price recovery are still unfolding. The next series of figures shows price changes in three of the state's major regions.

Figure 13a shows price changes from April 2009 to October 2009 for the Bay Area and Sacramento Valley. Counties along the coast generally saw price increases during the period, while inland counties continued to experience price declines.

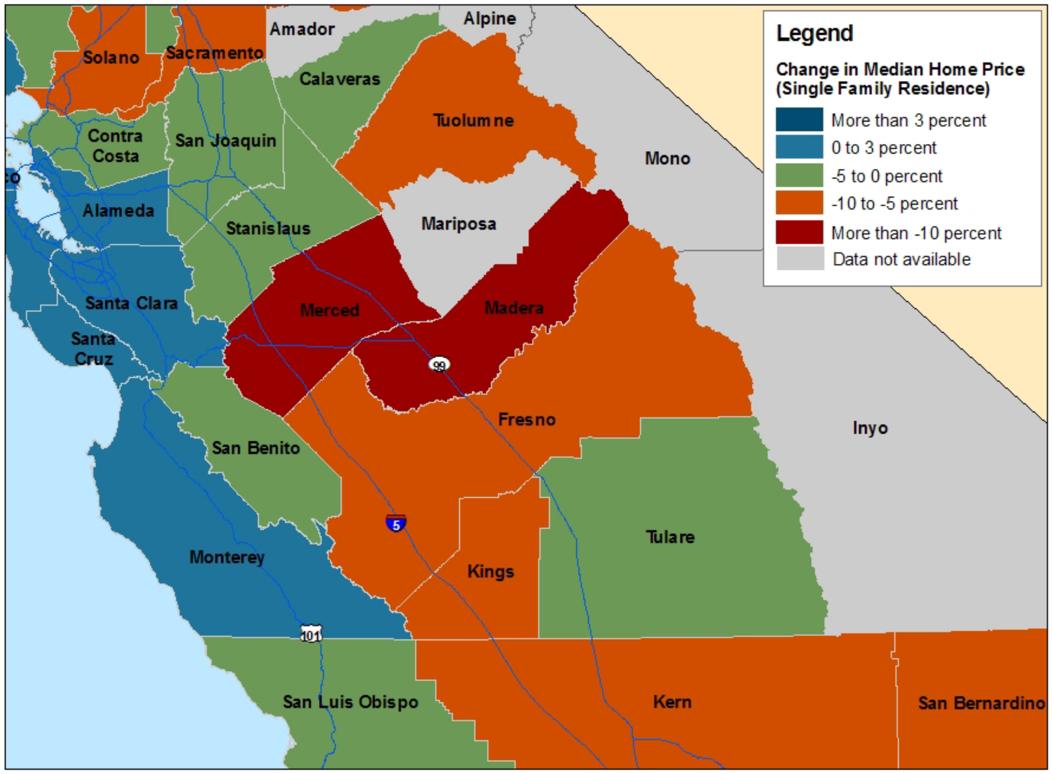
More recently, however, price recovery appears to be spreading from the coast toward inland counties such as Sacramento, San Joaquin and Stanislaus. Figure 13b shows price changes from October 2009 to April 2010. Price gains in these areas have been modest, typically in the range of one to three percent, and prices are still below their previous levels. Other inland areas such as Lake, Yuba and Calaveras Counties continued to experience steep price declines, in the range of 10 – 12 percent, which were higher than the previous six months.

Figures 14a and 14b show changes in median home price in the Central Valley region. All Central Valley counties experienced price declines from April 2009 to October 2009, with Merced and Madera Counties facing the steepest declines in the range of 12 to 14 percent. Tuolumne, Fresno, Kings and Kern Counties experienced price declines between seven and nine percent.

Comparing prices from October 2009 to April 2010, many Central Valley counties saw improvements. Madera County had one of the largest decreases from April 2009 to October 2009, but posted a six percent gain from October 2009 to April 2010, as it hit a price trough in December 2009. However, Madera County's median home price increase should not automatically be interpreted as a sign of stabilization, as Madera County is still experiencing a relatively high concentration of seriously delinquent and REO properties (see Figures 6 and 9).

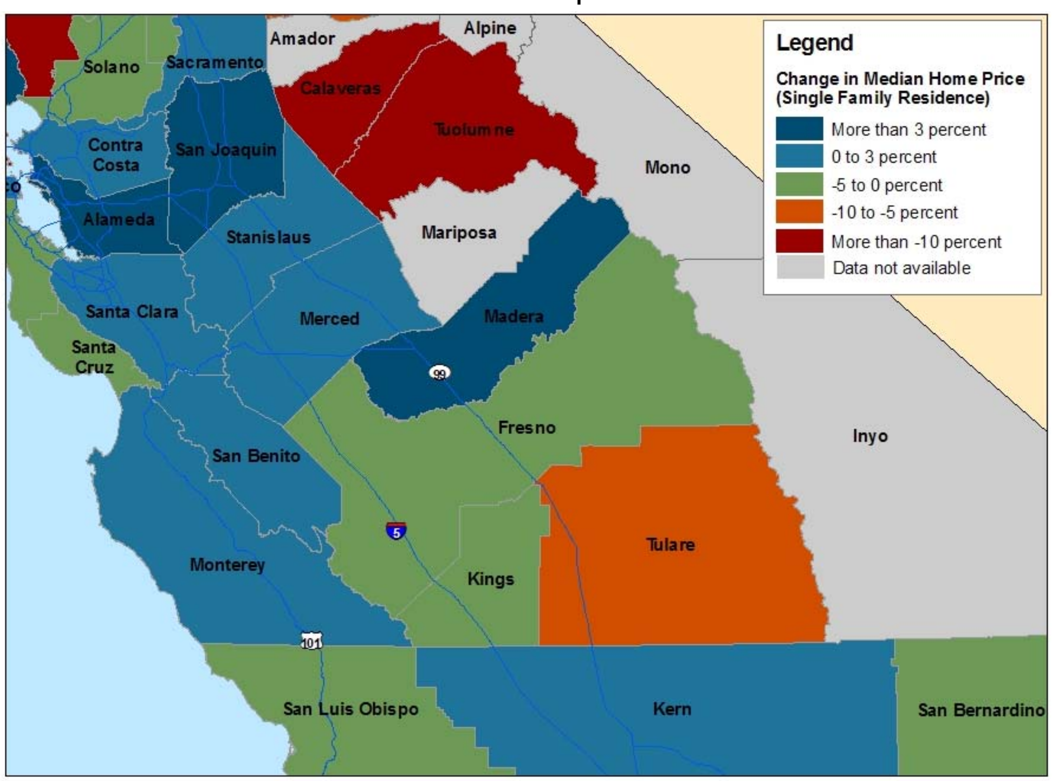
Other counties continued to see price declines, such as Tulare County, which had a decline close to six percent, while Tuolumne and Calaveras had declines of 10 and 11 percent, respectively.

Fig. 14a – Change in Central Valley Median Home Prices, April 2009 – October 2009



Source: Zillow Home Value Index

Fig. 14b – Change in Central Valley Median Home Prices, October 2009 – April 2010



Source: Zillow Home Value Index

Fig. 15a – Change in Southern California Median Home Prices, April 2009 – October 2009

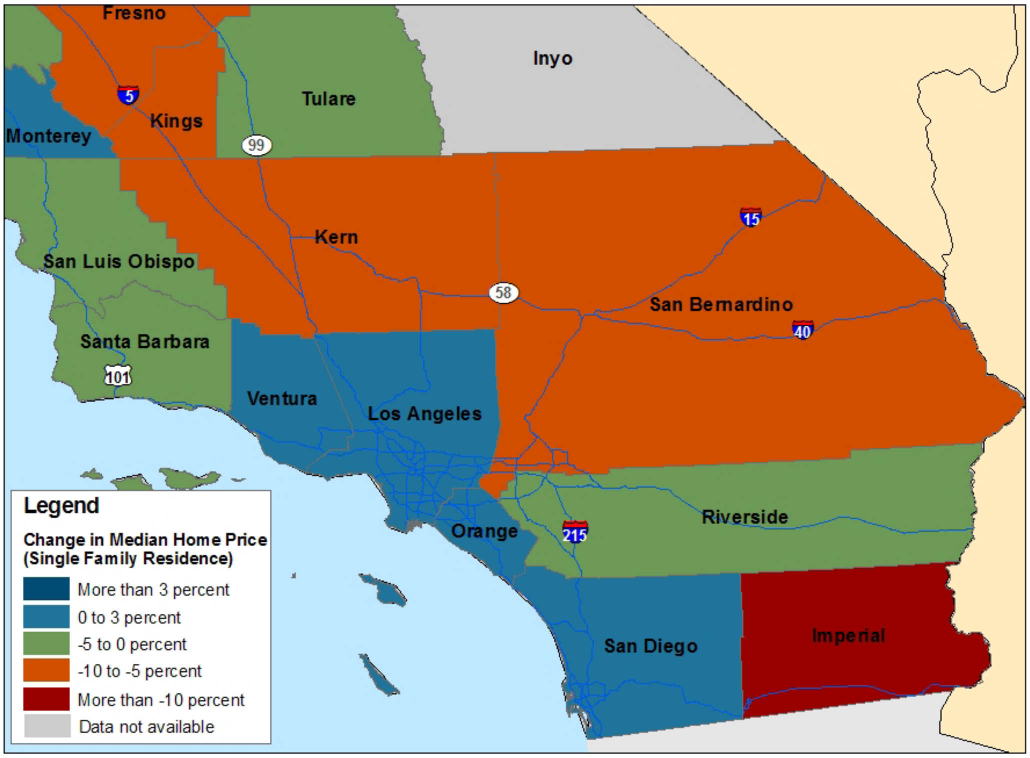
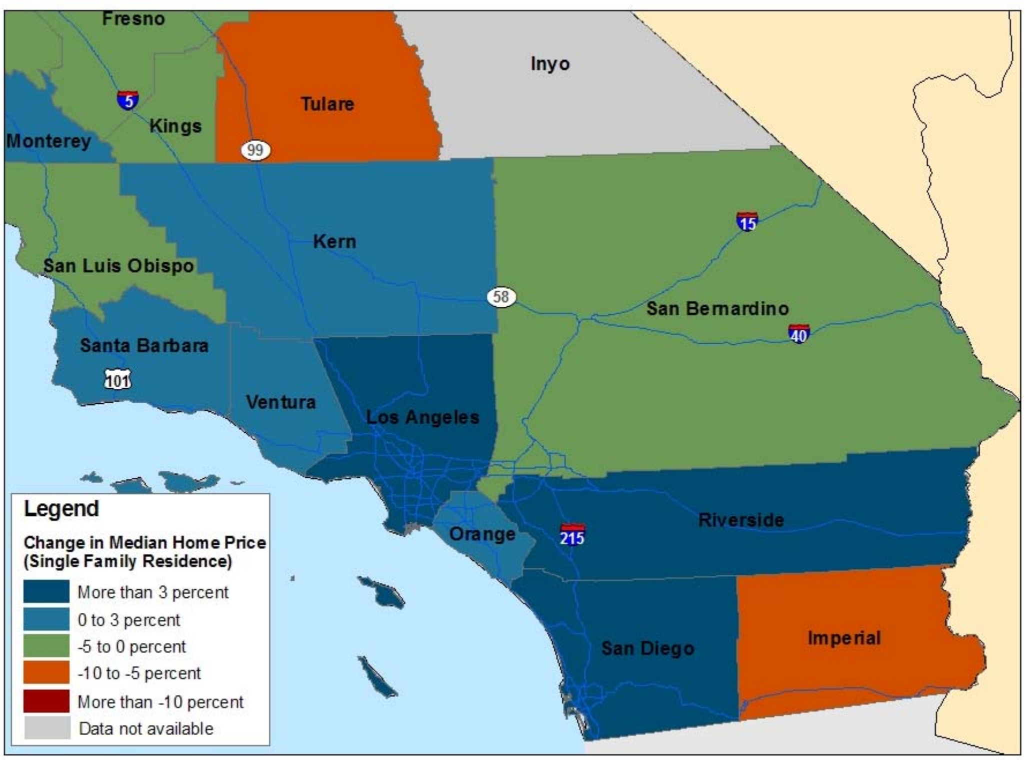


Fig. 15b – Change in Southern California Median Home Prices, October 2009 – April 2010



Source: Zillow Home Value Index

Figures 15a and 15b provide a snapshot of price changes in the Southern California region. From April 2009 to October 2009, coastal counties such as Ventura, Los Angeles, Orange and San Diego saw modest price gains, while inland counties such as San Bernardino and Riverside experienced price declines of six percent and three percent, respectively. Imperial County saw the region's most severe price decline at 14 percent.

From October 2009 to April 2010, the Southern California region saw overall price improvements, with counties experiencing either price increases or slowing price declines. Coastal communities continued to see positive price appreciation, with Los Angeles and San Diego Counties experiencing increases of three and six percent, respectively. Inland areas also saw improvements, with San Bernardino's price decline slowing to two percent. Riverside County, which experienced one of the most severe price declines during the bust (see Figure 12) hit a price trough in October 2009, and prices rose four percent from October 2009 to April 2010. Imperial County continued to suffer the worst price declines in the region; prices fell seven percent from October 2009 to April 2010, an improvement in comparison to the 14 percent decline from the previous six months.

Implications

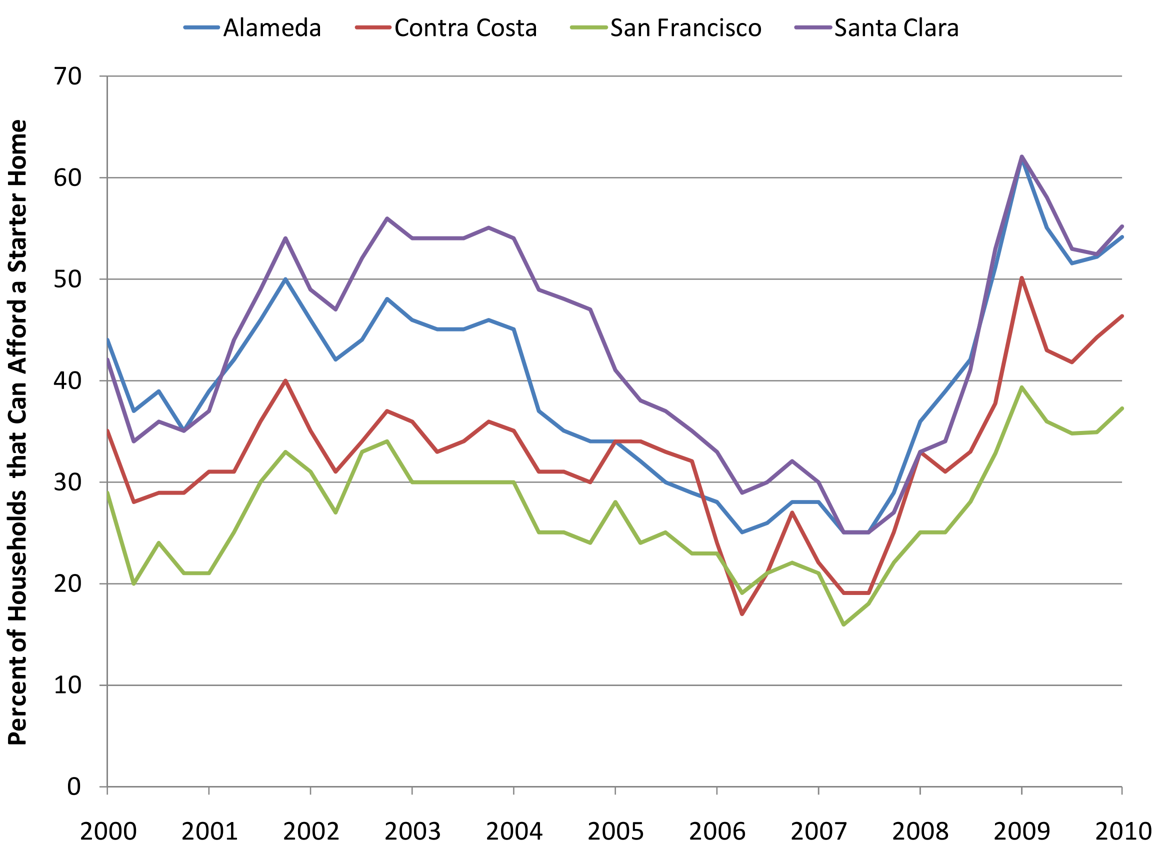
While prices appear to be stabilizing in many regions, home prices remain below their pre-recession levels, meaning many California homeowners have mortgages that are underwater. These households have lost equity and may face greater labor immobility as they are unable to sell their homes and move to locations with greater employment opportunities, or they may have greater difficulty refinancing their homes. Additionally, negative equity is often a key driver of additional home foreclosures, since homeowners who cannot afford to remain in the home do not have the option to sell or refinance. Concerns have also been raised about homeowners choosing to default on the loan when their mortgage greatly exceeds the value of their house.

IV. Housing Affordability

According to many economists, the recent declines in house prices reflect a "correction" in the housing market, returning house prices to levels that are more in line with housing fundamentals such as household incomes and price-to-rent ratios. As a result, house prices are more in line with household incomes than during the housing boom, and housing affordability has increased for first-time homebuyers. The California Association of Realtors measures the percentage of households that can afford to purchase an entry-level home in California, known as the First Time Buyer Housing Affordability Index (FTB-HAI). The FTB-HAI assumes that a first-time buyer will purchase a home at a price equal to 85 percent of the prevailing median price for existing homes, make a 10 percent downpayment, and have a one-year, adjustable-rate mortgage (ARM) with an effective interest rate based on Freddie Mac's Primary Mortgage Market Survey.[22] Based on these assumptions, the following figures show that a significantly larger share of first time homebuyers in California are able to afford starter homes than four years ago.

Figure 16 shows first time homebuyer affordability in four Bay Area Counties. During the peak of the housing boom, affordability in the region dipped to their lowest levels of the decade. In San Francisco, only 16 percent of first time buyers could afford a starter home in the second quarter of 2007, compared to 37 percent in the first quarter of 2010. Affordability increased dramatically in Alameda and Santa Clara Counties, with roughly 55 percent of first time buyers able to afford a starter home in these areas in the first quarter of 2010.

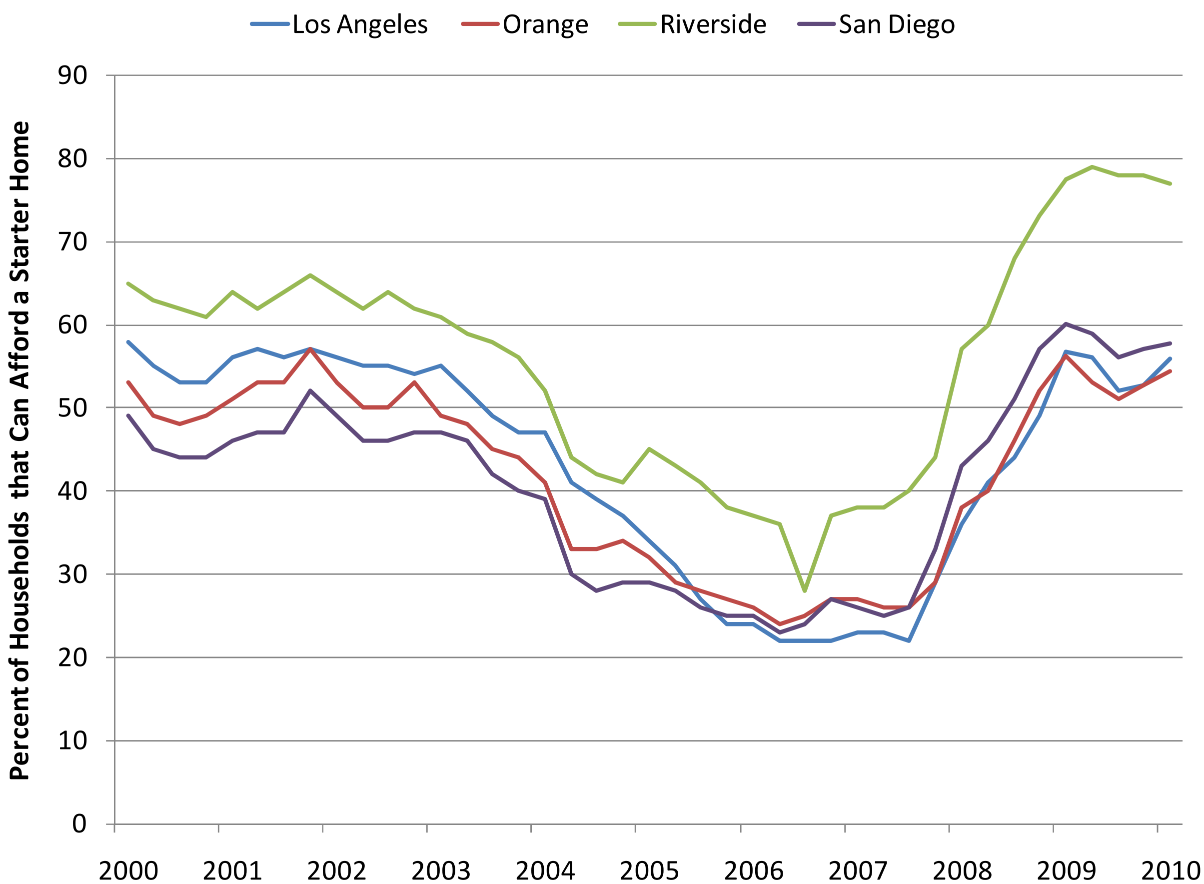
Fig. 16 – First Time Homebuyer Affordability Index
Select Bay Area Counties, 2000 – 2010



Source: California Association of Realtors

As seen in Figure 17, even in areas outside of the state's most expensive markets, affordability began to decline beginning in 2004 and reached a low between 2006 and 2007. Riverside County, one of the most affordable areas in the Southern California region, saw the share of households that could afford a starter home drop to 28 percent in the third quarter of 2006, only slightly higher than Orange County's rate of 26 percent for the same period. In the first quarter of 2010, 77 percent of households in Riverside could afford a starter home, a dramatic increase from just a couple of years ago.

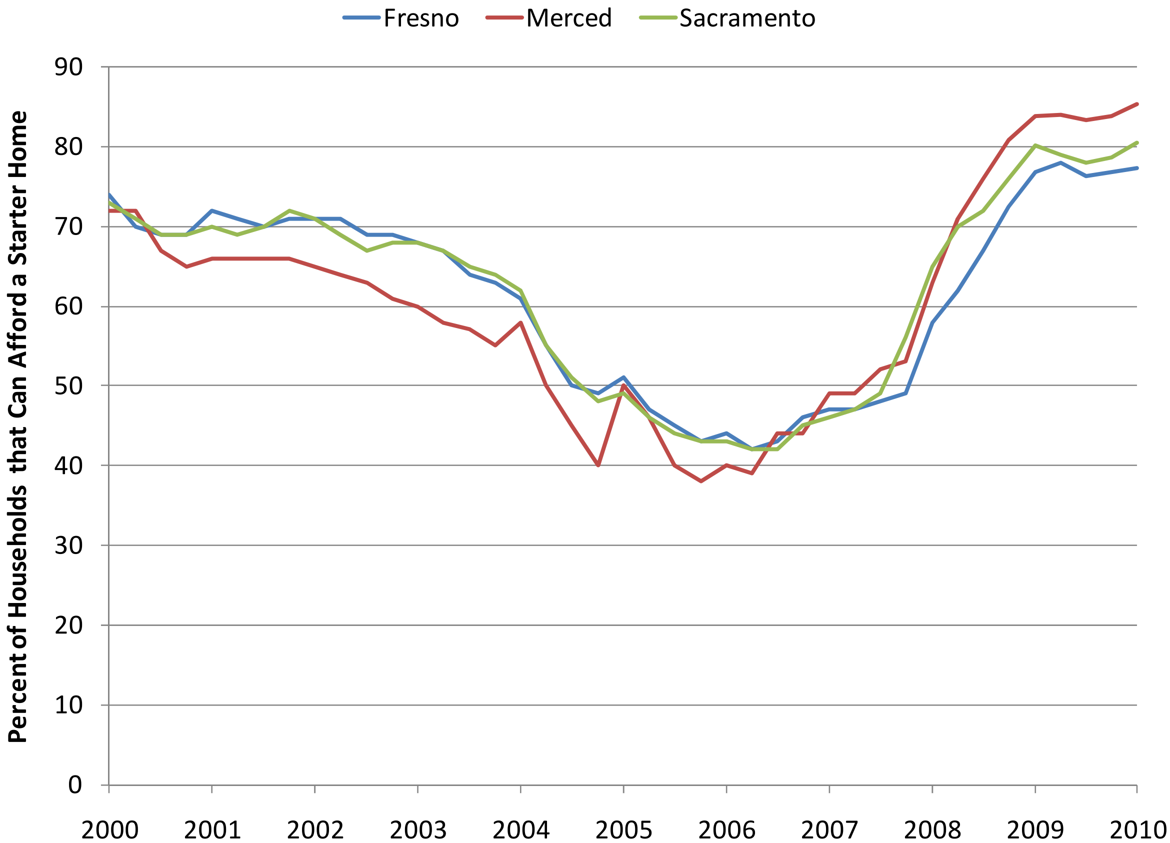
Fig. 17 – First Time Homebuyer Affordability Index
Select Southern California Counties, 2000 - 2010



Source: California Association of Realtors

Figure 18 shows the FTB-HAI for three counties in the broader Central Valley region, one of the most affordable regions in the state. Fresno and Sacramento Counties followed similar affordability patterns, with roughly 70 percent of households able to afford a starter home from 2000 to 2003. Affordability in these counties dipped down to between 42 and 43 percent for much of 2006, before rapidly increasing to 77 and 80 percent in Fresno and Sacramento, respectively, for the first quarter of 2010. Merced County had slightly lower affordability, with roughly 40 percent of households able to afford a starter home through the later part of 2005 into early 2006. Currently, Merced County has among the highest affordability in the state, with 85 percent of households able to afford a starter home in the first quarter of 2010.

Fig. 18 – First Time Homebuyer Affordability Index
Select Central Valley Counties, 2000 - 2010



Source: California Association of Realtors

As these figures show, affordability conditions for first time homebuyers have improved dramatically across the state in the past few years. In addition to the increased affordability, first time homebuyers were further incentivized by the availability of federal and state tax credits which were available in 2009 and part of 2010. As a result, many more first-time buyers entered the market: the share of first-time buyers in California increased from 40 percent in 2008 to 47 percent in 2009.[23] However, the expiration of these tax credits has already been credited with declining sales of existing homes and an increase in the inventory of unsold homes for June 2010.[24] In addition to first time buyers, lower home prices have also attracted more investors, and the percentage of buyers who purchased property primarily for investment purposes and tax considerations increased from 14 percent in 2008 to 16.8 percent in 2009.[25] The predominance of investor purchases has troubled some communities, since it is unclear whether or not the investors intend to maintain the properties or if they are merely speculating that land values will rise again. Their investment in these properties—or lack thereof—will help to determine whether or not neighborhood housing markets—particularly in areas hard hit by foreclosure—will stabilize and provide high quality housing for new families.

V. Constriction of Credit

While potential homebuyers may find greater opportunities in terms of increased affordability, they also face a tighter credit market. During the housing boom, mortgage lending expanded, in terms of both the quantity of loans and the outstanding balances, and then constricted rapidly during the bust. An analysis by Experian, one of the three national consumer credit reporting agencies, demonstrates an increase in tradelines (the quantity of loans) and outstanding balances across all consumer groups from 2004 through 2007, before the trend reversed over the 2008-2009 time frame (see Figure 19 below).[26]

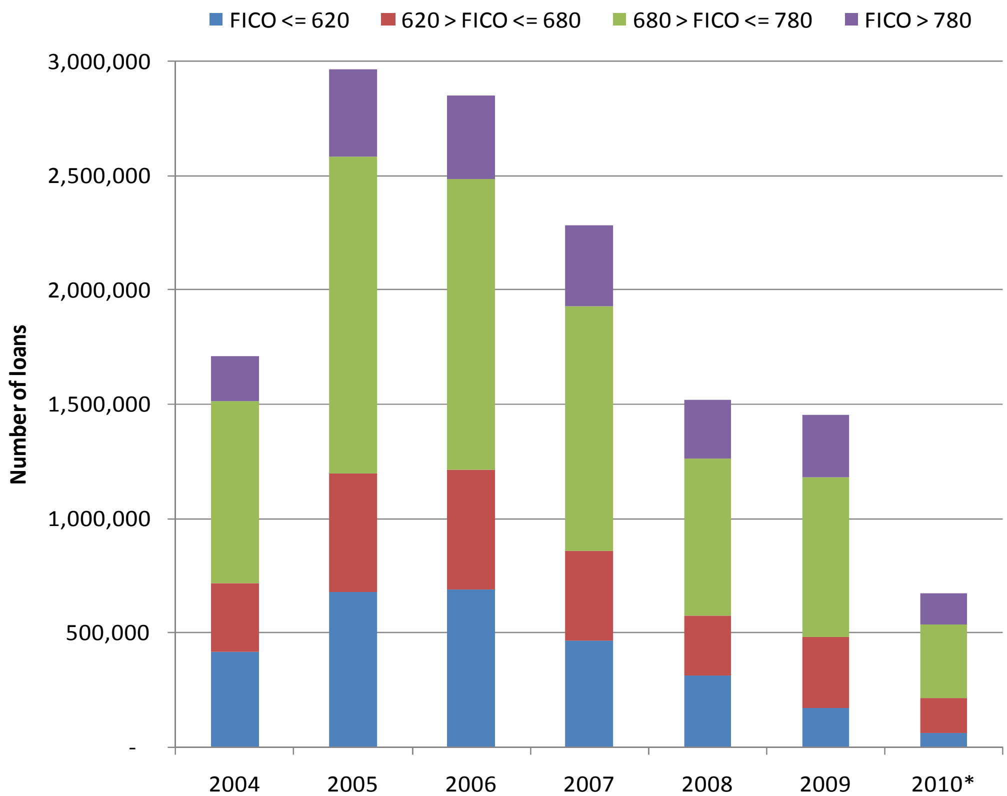
Fig. 19 – Year-over-year Percentage Change in All Open Tradelines and Outstanding Balances

	Q2 2004 - Q2 2005		Q2 2005 - Q2 2006		Q2 2006 - Q2 2007		Q2 2007 - Q2 2008		Q2 2008 - Q2 2009	
Credit Product	Tradelines	Balance	Tradelines	Balance	Tradelines	Balance	Tradelines	Balance	Tradelines	Balance
Home Equity Line of Credit	23%	29%	9%	5%	2%	0%	1%	5%	-4%	7%
First Mortgage	6%	10%	4%	9%	3%	6%	1%	1%	-4%	-3%
Home Equity Loan	11%	-1%	18%	14%	27%	28%	3%	0%	-10%	-12%

Source: Experian

However, credit supply and demand dynamics differ across borrower credit profiles in California, as seen in Figure 20. Based on LPS data, borrowers with FICO scores below 620, generally considered subprime, took out almost a quarter of all mortgages from 2004 through 2006, but this figure dropped to 12 percent in 2009, and 9 percent as of May 2010. In contrast, lenders have focused their lending on high credit quality borrowers. Borrowers with FICO scores above 780, or those with the highest credit quality, comprised 11 to 13 percent of all loans from 2004 to 2006. By 2009 and into 2010, these borrowers made up 20 percent of the mortgage market in California. The overall size of the mortgage market shrank over the course of recession, with lending in 2008 and 2009 below the pre-boom level in 2004.

Figure 20 – Mortgage Lending by Credit Profile in California, 2004-2010

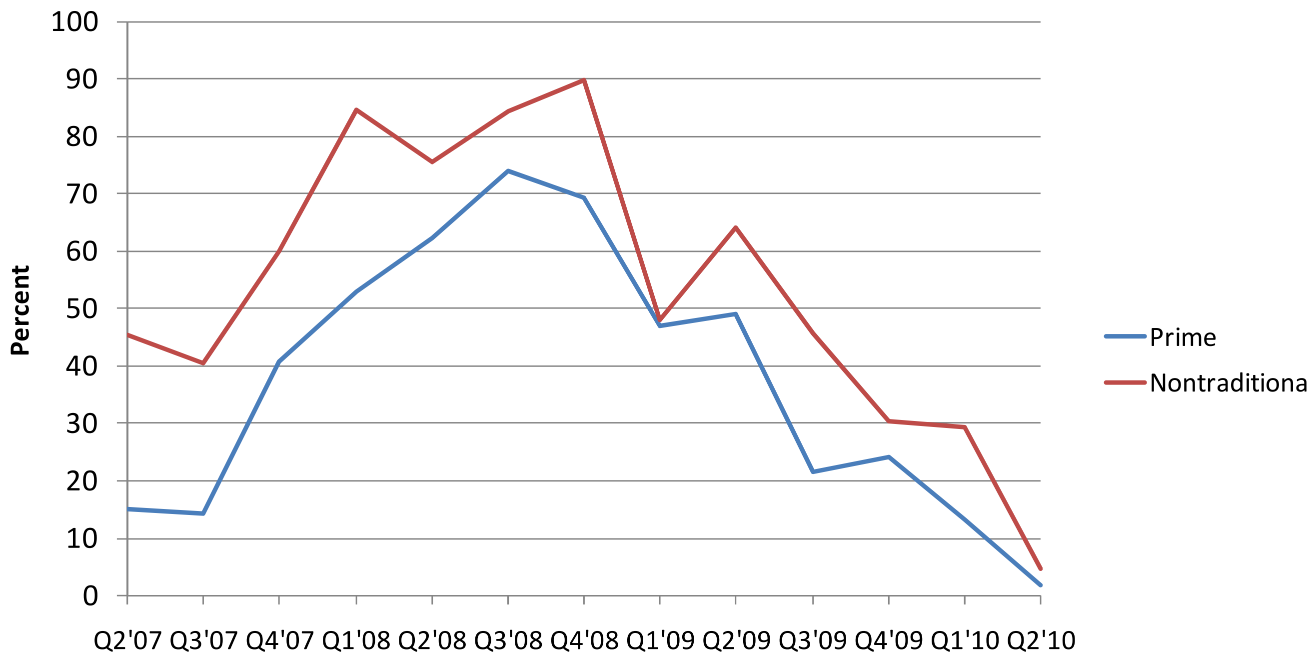


** Through May, 2010*

Source: Lender Processing Services Inc. Applied Analytics

Results from a recent survey of senior loan officers on bank lending practices suggest that the trend of tightening lending standards may be reversing, in comparison to the severe tightening of standards that occurred through 2008.[27] Figure 21 shows the net percentage of survey respondents tightening standards for prime and nontraditional residential mortgage loans.[28] In the fourth quarter of 2008, 90 percent of lenders reported tightening standards for nontraditional mortgage loans; by the second quarter of 2010, this figure dropped to five percent. However, the fact that fewer lenders are tightening standards does not necessarily indicate that lending standards are more lax than before. Rather, the majority of lenders reported that lending standards in the second quarter of 2010 remained basically unchanged from the previous quarter; only nine percent of lenders (for both prime and nontraditional mortgages) reported "easing standards somewhat" and none reported "easing standards considerably."

Figure 21 - Net Percentage of Respondents Tightening Standards for Residential Mortgage Loans



Source: Federal Reserve Board April 2010 Senior Loan Officer Opinion Survey

Implications

The severe constriction of credit means that it is particularly difficult to help lower-income families buy homes, even with improved affordability of homes in the state. Efforts to help borrowers build their credit history and improve their credit profiles may be a first step in assisting potential homeowners with securing affordable mortgage products. Borrowers that have gone through foreclosure may need additional resources and support to put their credit and other financial matters back in order.[29]

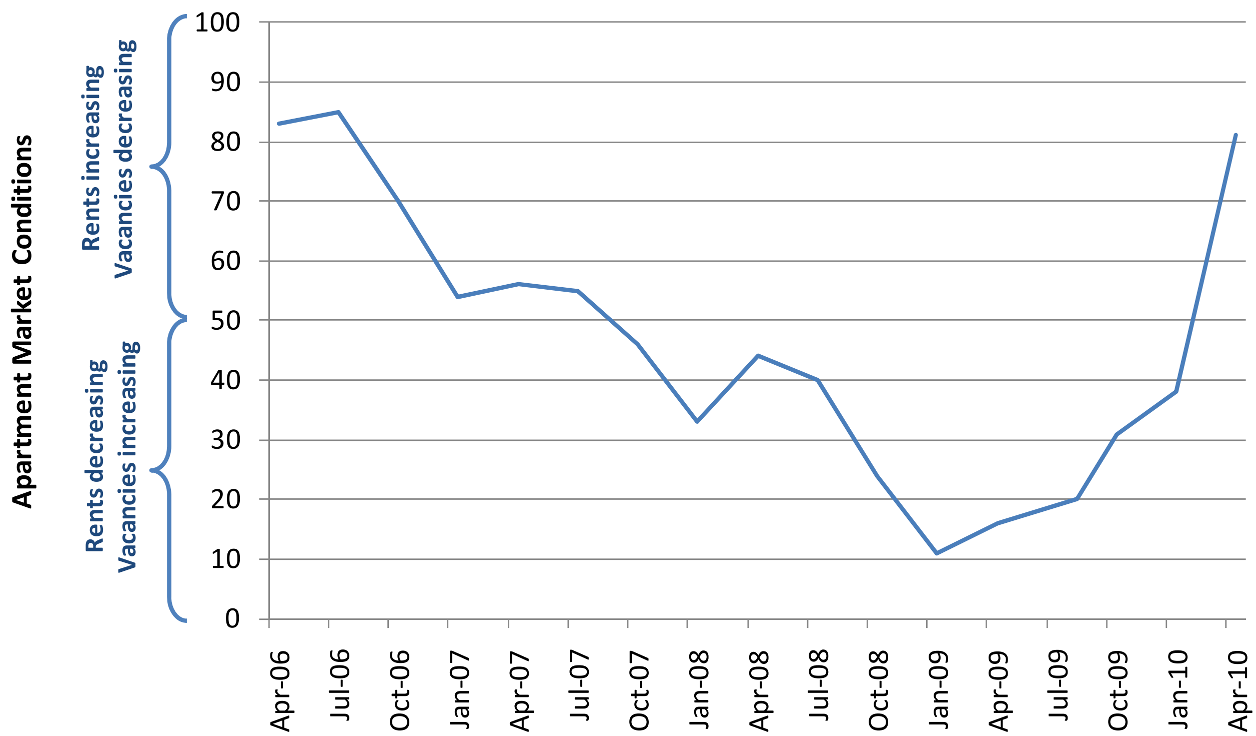
VI. Rental Market

Homeownership is not a viable option for many low-income households and affordable rental housing is an important component of the housing ladder. In California, there has always been a shortage of affordable rental units, especially for very low-income households.

It is unclear how the foreclosure crisis has affected the rental market in California. The initial assumption was that the rental market would tighten, as households who have lost their home to foreclosure move into rental units. Other households may also view homeownership with more skepticism than before, or put off purchasing a home until they are more confident that the economy and housing market have stabilized. In addition, many renter households have been displaced by the foreclosure crisis as landlords foreclosed on their rental properties, putting pressure on available rentals nearby.

However, data suggest that at least initially, the rental market experienced higher vacancy rates, perhaps due to high unemployment and weak consumer confidence, leading people to "double up" with roommates or move in with family. The real estate research firm Reis Inc. reported that the nation's apartment vacancies hit eight percent during the fourth quarter of 2009, an almost 30 year high.[30] By the end of the second quarter of 2010, national vacancy rates fell to 7.8 percent, the first quarter-to-quarter decline in three years.[31] The National Multi Housing Council's quarterly survey of rental markets similarly showed that during the height of the housing crisis, rental vacancies were high, and rents were not going up. However, since January 2009, vacancies have been declining and rents have shown a rebound (see Figure 22).

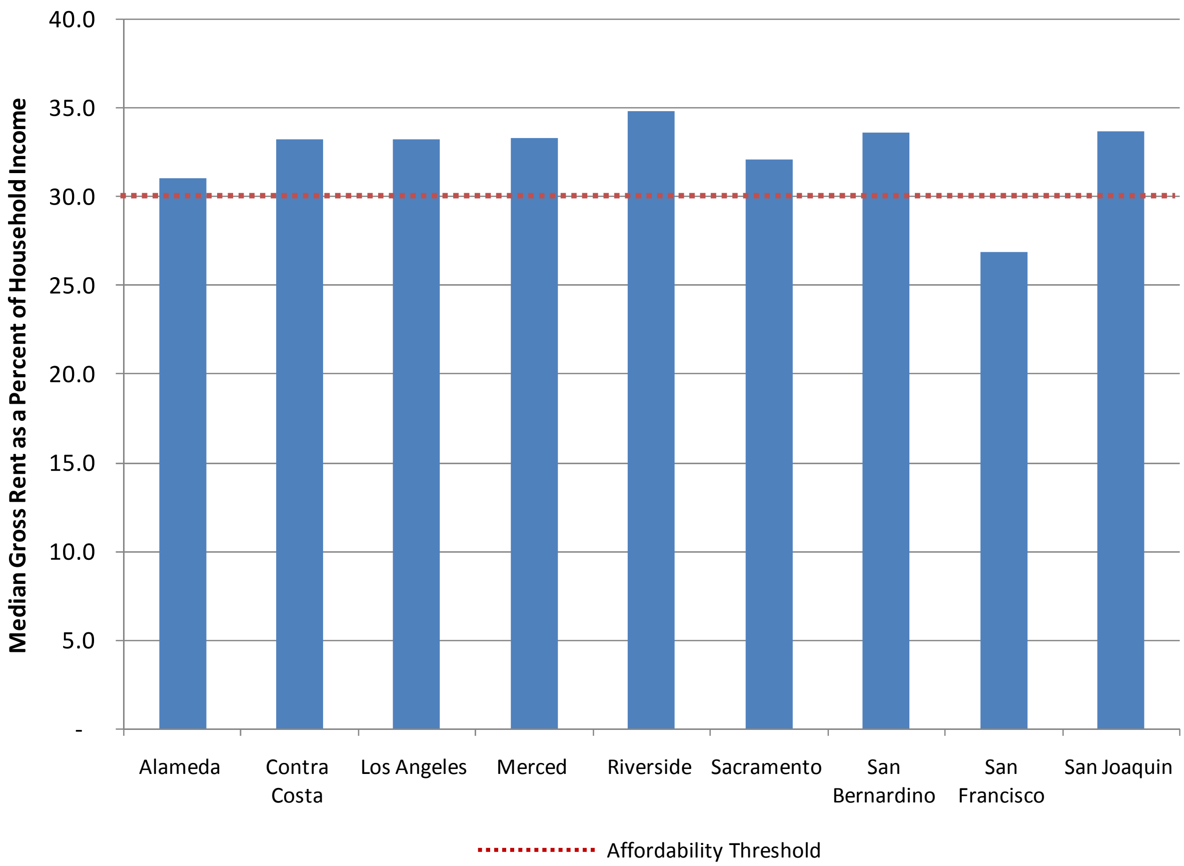
Fig. 22 – National Apartment Market Conditions, April 2006 – April 2010



Source: National Multi Housing Council, Market Tightness Index

The implications of this for lower-income households are troubling. Household rental expense data from the American Community Survey demonstrates that even during the period of rental market "slack" from 2006-2008, gross rents remained unaffordable in many of the state's counties. Figure 23 shows median gross rent as a percent of household income in select California counties and in most cases, rental expenses topped 30 percent of household income, the generally accepted cutoff for housing affordability (see Appendix 5 for data on all counties). Riverside had one of the state's least affordable rental markets, with median gross rents at 34.8 percent of households income, with San Bernardino close behind at 33.6 percent. San Francisco was one of the few counties with rental expenses below the 30 percent affordability threshold, but this may be due to the high overall level of income in the county; low-income households in San Francisco experience significant affordability challenges.

Fig. 23 – Median Gross Rent as a Percent of Household Income, Select Counties



Source: American Community Survey, 3-year estimates 2006-2008

Accurate and current rental data at the county level is difficult to obtain, but one proxy is the fair market rent data available from the Department of Housing and Urban Development (HUD). [32] Using fair market rent data for two-bedroom apartments, Figure 24 shows the fifteen counties with the highest fair market rents for two bedroom apartments in 2010 (see Appendix 6 for fair market rent data on all California counties). Not surprisingly, these are all coastal counties, but the year-to-year changes vary considerably. From 2007 to 2008, there was no clear trend in the cost of renting, which ranged from a decline of three percent in Ventura to an increase of 24 percent in Santa Barbara; from 2009 to 2010, the changes ranged from a decline of just under seven percent in San Diego to an increase of seven percent in Santa Clara.

Fig. 24 – 15 Counties with the Highest Fair Market Rent (2 Bedroom Units), 2010

County	Fair Market Rents (2 Bdrm)				Year-to-Year Percent Change		
	2007	2008	2009	2010	'07 to '08	'08 to '09	'09 to '10
Marin	1,551	1,592	1,658	1,760	2.64	4.15	6.15
San Francisco	1,551	1,592	1,658	1,760	2.64	4.15	6.15
San Mateo	1,551	1,592	1,658	1,760	2.64	4.15	6.15
Santa Cruz	1,359	1,493	1,590	1,656	9.86	6.50	4.15
Orange	1,485	1,595	1,546	1,594	7.41	-3.07	3.10
Ventura	1,471	1,422	1,502	1,479	-3.33	5.63	-1.53
Santa Clara	1,284	1,293	1,338	1,438	0.70	3.48	7.47
Los Angeles	1,269	1,300	1,361	1,420	2.44	4.69	4.34
Alameda	1,250	1,239	1,295	1,377	-0.88	4.52	6.33
Contra Costa	1,250	1,239	1,295	1,377	-0.88	4.52	6.33
Napa	1,112	1,214	1,295	1,350	9.17	6.67	4.25
San Diego	1,205	1,355	1,418	1,324	12.45	4.65	-6.63
Sonoma	1,165	1,137	1,296	1,306	-2.40	13.98	0.77
Santa Barbara	1,073	1,334	1,262	1,259	24.32	-5.40	-0.24
Solano	997	1,090	1,161	1,210	9.33	6.51	4.22

Source: Department of Housing and Urban Development

Data for the 15 counties with the lowest fair market rents in 2010 are shown below in Figure 25. These counties are generally located in the inland regions of the state, and rental patterns show greater uniformity, relative to coastal counties. From 2007 to 2008, most of these counties saw fair market rent increases in the range of 12 to 15 percent, but this figure dropped closer to five percent from 2008 to 2009, and even lower to three percent for many counties from 2009 to 2010.

Fig. 25 – 15 Counties with the Lowest Fair Market Rent (2 Bedroom Units), 2010

County	Fair Market Rents (2 Bdrm)				Year-to-Year Percent Change		
	2007	2008	2009	2010	'07 to '08	'08 to '09	'09 to '10
Fresno	726	805	842	840	10.88	4.60	-0.24
Del Norte	664	767	803	828	15.51	4.69	3.11
Shasta	680	766	802	827	12.65	4.70	3.12
Modoc	649	748	782	807	15.25	4.55	3.20
Kern	646	679	736	799	5.11	8.39	8.56
Merced	657	740	774	799	12.63	4.59	3.23
Inyo	634	733	767	791	15.62	4.64	3.13
Kings	633	732	766	790	15.64	4.64	3.13
Trinity	629	725	758	782	15.26	4.55	3.17
Tehama	625	721	755	778	15.36	4.72	3.05
Siskiyou	617	713	746	769	15.56	4.63	3.08
Sutter	627	707	740	763	12.76	4.67	3.11
Yuba	627	707	740	763	12.76	4.67	3.11
Glenn	598	690	722	745	15.38	4.64	3.19
Tulare	647	612	674	672	-5.41	10.13	-0.30

Source: Department of Housing and Urban Development

Overall, there are indications that the rental market is tightening and that fair market rents have continued to increase over the past few years, although recent year-to-year increases may be smaller than previous years. Economic recovery and increased employment, in particular, will likely have the most significant impact on rental demand in the future. Ensuring an adequate supply of affordable rental units for LMI populations will continue to be an important issue for the state.

Projected Housing Needs

In addition to already high rents compared to the country as a whole, California's housing needs are projected to grow based on the state's changing demographics. The California Department of Finance estimates that the state's population will grow from 39.1 million in 2010 to 44.1 million by 2020, an expected increase of almost 13 percent; by 2030, the state's population is expected to top 49.2 million.[33] To get a sense of how this might affect the need for additional housing, it is helpful to look at the Regional Housing Need Allocations (RHNA) for the state.[34] In order to effectively plan for the state's growing population and housing demand, the RHNA is a minimum projection of additional housing units needed to accommodate projected household growth of all income levels by the end of the housing element's statutory planning period. [35] Each RHNA is distributed among four income categories: (1) Very Low, 0-50 percent of area median income (AMI); (2) Low, 51-80 percent of AMI; (3) Moderate, 81-120 percent of AMI; and (4) Above Moderate, over 120 percent of AMI.

Figures 26 – 28 present the RHNAs for the three largest regional Council of Governments (COG) in the state: the Association of Bay Area Governments (ABAG); the Sacramento Area Council of Governments (SACOG); and the Southern California Association of Governments (SCAG). All told, these three areas will need to build more than 1,000,000 new housing units by 2014 to meet projected demand, with approximately 40 percent of these new units affordable to households with either very low or low-incomes.

Figure 26 – Association of Bay Area Governments
Regional Housing Need Allocation, 2007 – 2014

County	Very Low <50%	Low <80%	Moderate <120%	Above Moderate	Total
Alameda	10,017	7,616	9,078	18,226	44,937
Contra Costa	6,512	4,325	4,996	11,239	27,072
Marin	1,095	754	977	2,056	4,882
Napa	879	574	713	1,539	3,705
San Francisco	6,589	5,535	6,754	12,315	31,193
San Mateo	3,588	2,581	3,038	6,531	15,738
Santa Clara	13,878	9,567	11,007	25,886	60,338
Solano	3,038	1,996	2,308	5,643	12,985
Sonoma	3,244	2,154	2,445	5,807	13,650
ABAG Total	***48,840***	***35,102***	***41,316***	***89,242***	**214,500**
Percent of Total	*23%*	*16%*	*19%*	*42%*	*100%*

Source: Association of Bay Area Governments

Figure 27 – Sacramento Area Council of Governments
Regional Housing Need Allocation, 2006 – 2013

County	Very Low <50%	Low <80%	Moderate <120%	Above Moderate	Total
El Dorado	2,472	1,661	1,596	2,921	8,650
Placer	7,206	5,220	5,438	10,155	28,019
Sacramento	12,604	9,573	11,265	25,652	59,094
Sutter	1,125	880	1,316	2,357	5,678
Yolo	1,748	1,511	1,842	4,421	9,522
Yuba	1,458	1,122	1,628	3,481	7,689
SACOG Total	***26,613***	***19,967***	***23,085***	***48,987***	***118,652***
Percent of Total	*22%*	*17%*	*19%*	*41%*	*100%*

Source: Sacramento Area Council of Governments

Figure 28 – Southern California Association of Governments
Regional Housing Need Allocation, 2006 – 2014

County	Very Low <50%	Low <80%	Moderate <120%	Above Moderate	Total
Imperial	6,025	4,000	3,851	10,451	24,327
Los Angeles	70,117	44,469	48,472	120,869	283,927
Orange	17,733	14,566	16,380	33,653	82,332
Riverside	40,849	28,535	32,292	73,029	174,705
San Bernardino	25,051	17,420	20,275	44,797	107,543
Ventura	5,682	4,660	5,444	10,748	26,534
SCAG Total	***165,457***	***113,649***	***126,715***	***293,547***	***699,368***
Percent of Total	*24%*	*16%*	*18%*	*42%*	*100%*

Source: Southern California Association of Governments

In the Central Valley, most COGs cover a single county, as opposed to the larger multicounty COGs such as ABAG and SACOG. Each COG thus produces a regional housing need allocation at the individual county level. The housing need allocations for Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare Counties are presented below in Figure 29. Fresno County had the largest total unit allocation at just over 52,000, with 40 percent of units allocated to very low- and low-income households.

Figure 29 – Central Valley
Regional Housing Need Allocations

Regional Council of Governments	Very Low <50%	Low <80%	Moderate <120%	Above Moderate	Total
Fresno County Council of Govts. (2006-2013)	12,379	8,473	9,434	21,856	52,142
Percent of Total	*24%*	*16%*	*18%*	*42%*	*100%*
Kern Council of Govts. (2006-2013)	10,124	6,875	7,579	17,062	41,640
Percent of Total	*24%*	*17%*	*18%*	*41%*	*100%*
Kings County Assoc. of Govts. (2007-2014)	2,491	2,028	2,265	4,705	11,489
Percent of Total	*22%*	*18%*	*20%*	*41%*	*100%*
Madera County Local Govts. (2007-2014)	4,107	2,696	3,370	6,974	17,147
Percent of Total	*24%*	*16%*	*20%*	*41%*	*100%*
Merced County Assoc. of Govts. (2007-2014)	3,800	2,766	3,197	6,820	16,583
Percent of Total	*23%*	*17%*	*19%*	*41%*	*100%*
San Joaquin Council of Govts. (2007-2014)	9,314	6,032	6,972	15,902	38,220
Percent of Total	*24%*	*16%*	*18%*	*42%*	*100%*
Stanislaus Council of Govts. (2007-2014)	5,970	4,183	4,934	10,515	25,602
Percent of Total	*23%*	*16%*	*19%*	*41%*	*100%*
Tulare County Assoc. of Govts. (2007-2014)	7,446	6,179	7,001	14,467	35,093
Percent of Total	*21%*	*18%*	*20%*	*41%*	*100%*

Source: Fresno County Council of Governments, Kern Council of Governments, Kings County Association of Governments, Madera County Local Governments, Merced County Association of Governments, San Joaquin Council of Governments, Stanislaus Council of Governments, Tulare County Association of Governments

Implications

Overall, there are indications that the rental market is tightening and that fair market rents have continued to increase over the past few years, although recent year-to-year increases may be smaller than previous years. Given projected household growth, rental affordability is likely to remain a problem in California, despite improved affordability in the homeownership market. This is likely to be exacerbated by the lack of adequate financing for new affordable housing construction; the financial crisis has made it difficult for affordable housing developers to obtain debt and equity financing. For example, the collapse in demand for Low Income Housing Tax Credits has made it more expensive to finance multi-family construction, and many affordable apartments slated to begin construction in California in the first half of 2009 have stalled.[36] In addition, there are approximately 149,000 units of privately-owned, federally-assisted multifamily rental housing that are scheduled to convert to market rate as subsidy contracts or regulatory agreements expire. These trends, coupled with the important role rental housing plays in the housing and financial stability of low-income households, suggests that new emphasis should be placed on developing an effective housing finance system—including a permanent source of funding for affordable housing in California—that can help to build an adequate supply of affordable rental units going forward. In addition, attention needs to be paid to how new housing construction aligns with other policy goals, such as environmental sustainability and fair housing.

VII. Conclusion

California's housing market is still struggling to recover from the massive shocks brought on by the foreclosure crisis, economic recession, and persistent unemployment. Conditions overall appear to be improving, but the state is still far from a full housing market recovery. Major themes from the data presented in this study are summarized below:

Foreclosures appear to be slowing, but mitigation efforts are still required

There is some evidence that foreclosure activity is slowing across the state, with the majority of counties seeing declines in both the overall number of foreclosures as well the foreclosure rate. From November 2009 to February 2010, 51 counties (out of a total of 58) saw a decrease in the number of foreclosures and 48 counties saw declines in their foreclosure rate. From February 2010 to May 2010, 52 counties experienced decreases in foreclosures and 50 counties had declines in their foreclosure rate. Similarly, serious delinquencies and REOs have also shown some improvement over the past year. <u>However, despite these improvements, the fact remains that hundreds of thousands of Californians are at risk of losing their homes, and timely and transparent foreclosure mitigation efforts are more important than ever.</u>

Affordability has improved for first-time buyers

The rapid decline in home prices has created new opportunities for prospective homeowners, particularly first-time buyers. Affordability improved across all regions, and in many areas, affordability in 2010 is higher than it was during the pre-boom period. <u>While the improved affordability may attract more first-time buyers to the market, it is imperative that safe and responsible lending practices are used to ensure the long term sustainability of these mortgages.</u>

Improving credit scores is key for increasing access to mortgage credit

While the severe tightening of lending standards has eased somewhat in recent months, households with poor quality credit are still being shut out of the mortgage market. Thus, households that have sufficient income, but inadequate credit profiles, are unable to take advantage of favorable affordability conditions. <u>Credit counseling and repair services for these households may be an important first step in securing a favorable mortgage product.</u>

The need for affordable rental units remains strong

Rental markets appear to be tightening, with diminishing vacancies and increasing rents. However, median rents in the majority of California counties were considered unaffordable even during years of a "slack" rental market, suggesting that rental affordability is still a major concern for the state. <u>Ensuring rental affordability will be especially important as the economy recovers and rents start to rise.</u>

VIII. Appendices

Appendix 1 – Foreclosure Data by County
November 2009, February 2010, May 2010

County	Nov 2009			Feb 2010			May 2010		
	Fore-closures	Total Loans	Fore-closure Rate	Fore-closures	Total Loans	Fore-closure Rate	Fore-closures	Total Loans	Fore-closure Rate
Alameda	5,266	191,966	2.74	4,859	190,612	2.55	4,363	189,012	2.31
Alpine	2	159	1.26	2	155	1.29	1	150	0.67
Amador	147	5,713	2.57	130	5,684	2.29	126	5,592	2.25
Butte	524	25,917	2.02	491	25,749	1.91	422	25,393	1.66
Calaveras	242	9,067	2.67	226	8,942	2.53	193	8,775	2.20
Colusa	66	2,258	2.92	58	2,239	2.59	48	2,181	2.20
Contra Costa	5,851	167,773	3.49	5,227	166,603	3.14	4,735	164,709	2.87
Del Norte	30	2,175	1.38	16	2,162	0.74	20	2,103	0.95
El Dorado	894	34,519	2.59	848	34,274	2.47	774	33,649	2.30
Fresno	3,313	105,557	3.14	2,929	105,083	2.79	2,503	102,838	2.43
Glenn	74	2,545	2.91	61	2,513	2.43	62	2,458	2.52
Humboldt	124	14,424	0.86	123	14,383	0.86	110	14,276	0.77
Imperial	638	14,386	4.43	572	14,254	4.01	506	13,721	3.69
Inyo	18	1,632	1.10	13	1,608	0.81	18	1,572	1.15
Kern	4,001	100,881	3.97	3,589	100,256	3.58	3,066	97,538	3.14
Kings	337	13,759	2.45	326	13,713	2.38	265	13,023	2.03
Lake	267	8,188	3.26	262	8,095	3.24	233	7,901	2.95
Lassen	77	3,048	2.53	79	3,021	2.62	56	2,927	1.91
Los Angeles	33,064	1,013,060	3.26	29,856	1,007,140	2.96	26,494	996,834	2.66
Madera	736	16,874	4.36	594	16,703	3.56	533	16,356	3.26
Marin	469	39,392	1.19	443	39,146	1.13	464	38,981	1.19
Mariposa	49	2,009	2.44	40	1,986	2.01	36	1,938	1.86
Mendocino	148	7,760	1.91	154	7,675	2.01	133	7,549	1.76
Merced	1,705	28,686	5.94	1,526	28,287	5.39	1,245	27,379	4.55
Modoc	6	553	1.08	8	545	1.47	5	530	0.94
Mono	114	4,417	2.58	108	4,360	2.48	96	4,318	2.22
Monterey	1,905	41,821	4.56	1,725	41,558	4.15	1,413	40,862	3.46
Napa	476	18,815	2.53	446	18,707	2.38	425	18,590	2.29
Nevada	355	19,367	1.83	349	19,246	1.81	326	18,943	1.72

Source: Lender Processing Services Inc. Applied Analytics

(Continued on next page)

Appendix 1 – Foreclosure Data by County
November 2009, February 2010, May 2010 (continued)

County	Nov 2009			Feb 2010			May 2010		
	Fore-closures	Total Loans	Fore-closure Rate	Fore-closures	Total Loans	Fore-closure Rate	Fore-closures	Total Loans	Fore-closure Rate
Orange	10,304	378,877	2.72	9,386	376,691	2.49	8,390	374,703	2.24
Placer	1,956	65,138	3.00	1,819	64,741	2.81	1,648	63,766	2.58
Plumas	114	4,286	2.66	103	4,194	2.46	87	4,090	2.13
Riverside	17,428	323,061	5.39	15,193	320,420	4.74	13,019	312,141	4.17
Sacramento	8,209	213,523	3.84	7,248	212,179	3.42	6,222	207,918	2.99
San Benito	332	6,911	4.80	316	6,905	4.58	275	6,808	4.04
San Bernardino	12,726	269,800	4.72	11,244	267,861	4.20	9,622	262,089	3.67
San Diego	11,929	394,870	3.02	10,605	392,168	2.70	9,253	385,604	2.40
San Francisco	739	75,787	0.98	758	75,368	1.01	729	75,527	0.97
San Joaquin	4,762	90,614	5.26	4,165	89,735	4.64	3,621	87,919	4.12
San Luis Obispo	676	38,265	1.77	642	37,954	1.69	617	37,538	1.64
San Mateo	1,333	93,024	1.43	1,336	92,261	1.45	1,328	92,114	1.44
Santa Barbara	994	45,195	2.20	900	45,035	2.00	850	44,390	1.91
Santa Clara	5,336	226,167	2.36	4,922	224,614	2.19	4,447	223,350	1.99
Santa Cruz	825	36,567	2.26	792	36,226	2.19	758	35,862	2.11
Shasta	495	24,725	2.00	477	24,414	1.95	444	23,957	1.85
Sierra	7	227	3.08	7	226	3.10	10	224	4.46
Siskiyou	88	5,275	1.67	87	5,213	1.67	97	5,109	1.90
Solano	2,439	61,702	3.95	2,195	61,461	3.57	1,877	59,878	3.13
Sonoma	1,483	68,116	2.18	1,301	67,806	1.92	1,231	67,350	1.83
Stanislaus	3,465	70,117	4.94	3,029	69,661	4.35	2,539	68,289	3.72
Sutter	407	12,354	3.29	343	12,244	2.80	326	11,984	2.72
Tehama	160	5,688	2.81	145	5,590	2.59	143	5,456	2.62
Trinity	14	975	1.44	16	955	1.68	16	944	1.69
Tulare	1,394	47,838	2.91	1,260	47,627	2.65	1,136	46,507	2.44
Tuolumne	177	8,710	2.03	187	8,638	2.16	165	8,502	1.94
Ventura	3,225	120,505	2.68	2,971	119,843	2.48	2,679	118,679	2.26
Yolo	634	23,991	2.64	558	23,817	2.34	499	23,440	2.13
Yuba	432	9,698	4.45	401	9,632	4.16	313	9,086	3.44

Source: Lender Processing Services Inc. Applied Analytics

Appendix 2 – Share of Seriously Delinquent Loans by County
November 2009, February 2010, May 2010

County	Share of Seriously Delinquent as % of All Loans		
	Nov-09	Feb-10	May-10
Alameda	6.03	5.62	5.43
Alpine	3.77	4.52	3.33
Amador	6.67	6.00	5.94
Butte	5.58	4.71	4.29
Calaveras	6.56	5.88	5.64
Colusa	9.65	9.16	8.80
Contra Costa	7.65	7.11	6.79
Del Norte	4.60	4.07	3.90
El Dorado	6.47	5.73	5.69
Fresno	9.39	8.35	7.71
Glenn	8.33	6.84	6.27
Humboldt	3.47	3.14	2.78
Imperial	13.12	11.74	10.32
Inyo	2.45	2.11	2.23
Kern	11.51	10.29	9.51
Kings	9.25	7.76	7.33
Lake	7.78	7.05	6.64
Lassen	5.84	4.77	4.75
Los Angeles	8.32	7.68	7.12
Madera	11.24	10.00	9.37
Marin	2.35	2.15	2.09
Mariposa	4.63	4.58	4.49
Mendocino	5.44	4.59	4.00
Merced	12.56	11.45	10.85
Modoc	3.07	2.02	1.70
Mono	3.53	3.12	2.99
Monterey	8.72	8.08	8.10
Napa	5.98	5.53	5.57
Nevada	4.44	3.92	3.83

Source: Lender Processing Services Inc. Applied Analytics

County	Share of Seriously Delinquent as % of All Loans		
	Nov-09	Feb-10	May-10
Orange	6.03	5.47	5.19
Placer	7.22	6.62	6.32
Plumas	4.76	4.46	4.11
Riverside	13.27	12.18	11.19
Sacramento	9.61	8.80	8.32
San Benito	10.01	8.82	8.81
San Bernardino	12.86	11.65	10.63
San Diego	6.97	6.39	6.07
San Francisco	2.23	1.97	1.91
San Joaquin	12.08	11.06	10.32
San Luis Obispo	4.47	3.95	3.98
San Mateo	3.41	3.10	3.03
Santa Barbara	6.06	5.67	5.33
Santa Clara	4.91	4.51	4.34
Santa Cruz	4.62	4.22	4.15
Shasta	6.77	6.10	5.83
Sierra	6.61	5.75	5.36
Siskiyou	4.49	4.22	3.99
Solano	10.18	9.26	8.78
Sonoma	5.40	5.05	4.94
Stanislaus	11.11	10.28	9.75
Sutter	9.83	9.08	8.46
Tehama	7.82	6.98	6.52
Trinity	5.23	4.71	4.03
Tulare	9.89	8.67	7.80
Tuolumne	4.94	4.10	4.06
Ventura	6.63	6.07	5.77
Yolo	7.27	6.38	6.46
Yuba	12.20	11.34	10.87

Appendix 3 – Share of REOs by County
November 2009, February 2010, May 2010

County	Share of REOs as % of Total Loans		
	Nov-09	Feb-10	May-10
Alameda	1.23	1.11	1.09
Alpine	0.63	0.00	0.00
Amador	0.96	1.09	1.18
Butte	0.94	1.10	1.15
Calaveras	1.72	1.67	1.69
Colusa	1.68	1.47	1.15
Contra Costa	1.53	1.43	1.42
Del Norte	0.69	0.93	0.62
El Dorado	1.04	1.08	1.03
Fresno	1.32	1.31	1.29
Glenn	1.41	1.31	1.46
Humboldt	0.32	0.30	0.31
Imperial	1.88	1.80	1.71
Inyo	0.49	0.50	0.45
Kern	1.97	1.71	1.69
Kings	0.98	1.04	1.10
Lake	2.26	2.22	2.30
Lassen	0.79	1.26	1.43
Los Angeles	1.00	0.92	0.88
Madera	2.48	2.52	2.37
Marin	0.40	0.40	0.36
Mariposa	0.90	1.21	1.34
Mendocino	0.72	0.68	0.91
Merced	3.22	2.98	2.81
Modoc	0.54	0.37	1.13
Mono	1.02	0.89	0.88
Monterey	1.84	1.79	1.60
Napa	1.09	0.88	0.80
Nevada	0.89	0.81	0.93

County	Share of REOs as % of Total Loans		
	Nov-09	Feb-10	May-10
Orange	0.69	0.64	0.63
Placer	1.19	1.12	1.15
Plumas	1.42	1.53	1.34
Riverside	2.24	2.02	1.96
Sacramento	1.64	1.56	1.61
San Benito	1.90	1.93	1.92
San Bernardino	1.96	1.73	1.69
San Diego	1.09	1.02	1.02
San Francisco	0.39	0.36	0.35
San Joaquin	2.70	2.59	2.33
San Luis Obispo	0.59	0.65	0.62
San Mateo	0.47	0.42	0.41
Santa Barbara	0.79	0.71	0.73
Santa Clara	0.79	0.76	0.68
Santa Cruz	0.75	0.70	0.67
Shasta	1.15	1.13	1.16
Sierra	0.88	0.44	0.45
Siskiyou	0.80	0.94	1.04
Solano	2.00	1.76	1.81
Sonoma	0.89	0.86	0.89
Stanislaus	2.38	2.17	2.15
Sutter	1.40	1.49	1.34
Tehama	1.48	1.52	1.63
Trinity	0.62	0.73	0.64
Tulare	1.11	1.08	1.12
Tuolumne	0.91	1.19	1.18
Ventura	0.77	0.71	0.70
Yolo	1.10	1.02	0.94
Yuba	2.28	1.89	2.06

Source: Lender Processing Services Inc. Applied Analytics

Appendix 4 – Median Home Price Data by County
April 2009, October 2009, April 2010

	Median Home Price		
County	Apr-09	Oct-09	Apr-10
Alameda	453,127	454,617	468,384
Butte	176,931	165,628	158,621
Calaveras	247,579	238,957	212,488
Contra Costa	346,290	345,617	353,791
El Dorado	253,823	240,080	229,634
Fresno	153,371	142,108	137,857
Humboldt	253,940	242,321	241,116
Imperial	136,542	117,455	109,189
Kern	129,920	118,620	120,926
Kings	132,084	120,904	117,897
Lake	171,061	158,415	139,538
Los Angeles	391,659	398,613	411,894
Madera	188,795	165,053	174,675
Marin	768,203	757,401	694,928
Mendocino	270,479	278,688	277,837
Merced	118,094	101,857	103,999
Monterey	302,202	310,019	312,369
Napa	450,001	435,269	394,260
Nevada	312,145	301,355	282,165
Orange	481,805	486,547	492,654
Placer	319,794	300,717	297,338
Riverside	202,070	195,540	202,975
Sacramento	207,904	196,216	200,239

	Median Home Price		
County	Apr-09	Oct-09	Apr-10
San Benito	309,918	303,767	303,632
San Bernardino	186,914	175,331	172,318
San Diego	351,801	361,784	381,853
San Francisco	702,395	721,030	732,060
San Joaquin	186,134	178,937	184,908
San Luis Obispo	435,460	424,334	410,979
San Mateo	684,590	699,760	693,683
Santa Barbara	595,092	584,039	587,042
Santa Clara	549,055	561,069	574,346
Santa Cruz	532,235	540,246	533,889
Shasta	184,627	177,785	169,839
Siskiyou	174,095	154,817	134,589
Solano	230,162	216,805	211,088
Sonoma	350,020	350,592	363,032
Stanislaus	157,890	152,045	153,577
Sutter	163,270	156,476	147,823
Tehama	110,868	116,917	113,586
Tulare	155,227	147,955	139,577
Tuolumne	229,951	208,635	187,804
Ventrua	394,169	405,033	408,714
Yolo	238,223	237,442	236,318
Yuba	183,742	176,792	158,274

Source: Zillow Home Value Index
Note: Data was not available for all California counties

Appendix 5 – Median Gross Rent as a Percent of Household Income, 2006-2008 Estimates

County	Median Gross Rent	Median Gross Rent as % of Household Income	Renter Occupied Units
Alameda	$1,169	31.0	224,338
Amador	$1,125	31.3	3,955
Butte	$847	35.9	35,262
Calaveras	$923	29.6	4,103
Colusa	$704	26.8	2,263
Contra Costa	$1,249	33.2	106,704
Del Norte	$692	32.3	3,602
El Dorado	$1,036	29.8	17,328
Fresno	$798	32.9	126,504
Glenn	$677	31.4	3,248
Humboldt	$796	34.8	23,125
Imperial	$660	31.6	21,145
Kern	$783	31.4	93,937
Kings	$795	28.8	17,262
Lake	$853	35.6	8,421
Lassen	$829	29.8	3,597
Los Angeles	$1,078	33.2	1,622,809
Madera	$837	31.8	16,419
Marin	$1,504	32.8	35,621
Mendocino	$873	33.7	12,249
Merced	$775	33.3	32,605
Monterey	$1,089	29.9	58,788
Napa	$1,189	31.1	16,545
Nevada	$1,071	33.8	11,113
Orange	$1,412	32.5	370,281

County	Median Gross Rent	Median Gross Rent as % of Household Income	Renter Occupied Units
Placer	$1,138	31.0	35,543
Plumas	$813	24.1	3,587
Riverside	$1,107	34.8	201,426
Sacramento	$973	32.1	198,717
San Benito	$1,140	29.6	5,693
San Bernardino	$1,057	33.6	207,361
San Diego	$1,205	32.7	451,017
San Francisco	$1,249	26.9	197,295
San Joaquin	$938	33.7	79,711
San Luis Obispo	$1,114	35.2	41,174
San Mateo	$1,440	28.6	96,378
Santa Barbara	$1,239	35.7	65,117
Santa Clara	$1,365	28.0	230,947
Santa Cruz	$1,252	34.1	37,729
Shasta	$815	33.4	24,516
Siskiyou	$606	30.3	6,769
Solano	$1,174	32.8	46,792
Sonoma	$1,204	32.7	66,405
Stanislaus	$920	33.7	58,520
Sutter	$824	31.6	11,414
Tehama	$707	33.4	8,976
Tulare	$713	29.6	49,747
Tuolumne	$879	32.4	6,688
Ventura	$1,375	32.2	84,290
Yolo	$1,004	32.4	31,143
Yuba	$748	30.9	10,912

Source: American Community Survey, 3-year estimates 2006-2008

Appendix 6 – Fair Market Rents by County, 2007 -2010

County	Fair Market Rents (2 Bdrm)				Year-to-Year Percent Change		
	2007	2008	2009	2010	'07 to '08	'08 to '09	'09 to '10
Alameda	1,250	1,239	1,295	1,377	-0.88	4.52	6.33
Alpine	738	850	890	918	15.18	4.71	3.15
Amador	855	987	1,033	1,065	15.44	4.66	3.10
Butte	702	790	826	852	12.54	4.56	3.15
Calaveras	682	788	825	851	15.54	4.70	3.15
Colusa	676	779	815	841	15.24	4.62	3.19
Contra Costa	1,250	1,239	1,295	1,377	-0.88	4.52	6.33
Del Norte	664	767	803	828	15.51	4.69	3.11
El Dorado	992	982	1,022	1,039	-1.01	4.07	1.66
Fresno	726	805	842	840	10.88	4.60	-0.24
Glenn	598	690	722	745	15.38	4.64	3.19
Humboldt	725	837	876	903	15.45	4.66	3.08
Imperial	680	784	820	845	15.29	4.59	3.05
Inyo	634	733	767	791	15.62	4.64	3.13
Kern	646	679	736	799	5.11	8.39	8.56
Kings	633	732	766	790	15.64	4.64	3.13
Lake	710	821	858	885	15.63	4.51	3.15
Lassen	698	804	841	867	15.19	4.60	3.09
Los Angeles	1,269	1,300	1,361	1,420	2.44	4.69	4.34
Madera	687	797	834	860	16.01	4.64	3.12
Marin	1,551	1,592	1,658	1,760	2.64	4.15	6.15
Mariposa	738	850	890	918	15.18	4.71	3.15
Mendocino	779	899	940	969	15.40	4.56	3.09
Merced	657	740	774	799	12.63	4.59	3.23
Modoc	649	748	782	807	15.25	4.55	3.20
Mono	932	1,077	1,127	1,163	15.56	4.64	3.19
Monterey	1,106	1,111	1,125	1,122	0.45	1.26	-0.27
Napa	1,112	1,214	1,295	1,350	9.17	6.67	4.25
Nevada	896	1,035	1,083	1,117	15.51	4.64	3.14

Source: HUD Fair Market Rents. Available at http://www.huduser.org/portal/datasets/fmr.html

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Appendix 6 – Fair Market Rents by County, 2007 -2010 (continued)

County	Fair Market Rents (2 Bdrm)				Year-to-Year Percent Change		
	2007	2008	2009	2010	'07 to '08	'08 to '09	'09 to '10
Orange	1,485	1,595	1,546	1,594	7.41	-3.07	3.10
Placer	992	982	1,022	1,039	-1.01	4.07	1.66
Plumas	711	822	860	887	15.61	4.62	3.14
Riverside	974	1,142	1,125	1,108	17.25	-1.49	-1.51
Sacramento	992	982	1,022	1,039	-1.01	4.07	1.66
San Benito	932	1,045	1,118	1,201	12.12	6.99	7.42
San Bernardino	974	1,142	1,125	1,108	17.25	-1.49	-1.51
San Diego	1,205	1,355	1,418	1,324	12.45	4.65	-6.63
San Francisco	1,551	1,592	1,658	1,760	2.64	4.15	6.15
San Joaquin	876	914	950	947	4.34	3.94	-0.32
San Luis Obispo	955	1,075	1,125	1,160	12.57	4.65	3.11
San Mateo	1,551	1,592	1,658	1,760	2.64	4.15	6.15
Santa Barbara	1,073	1,334	1,262	1,259	24.32	-5.40	-0.24
Santa Clara	1,284	1,293	1,338	1,438	0.70	3.48	7.47
Santa Cruz	1,359	1,493	1,590	1,656	9.86	6.50	4.15
Shasta	680	766	802	827	12.65	4.70	3.12
Sierra	839	968	1,013	1,044	15.38	4.65	3.06
Siskiyou	617	713	746	769	15.56	4.63	3.08
Solano	997	1,090	1,161	1,210	9.33	6.51	4.22
Sonoma	1,165	1,137	1,296	1,306	-2.40	13.98	0.77
Stanislaus	760	864	864	930	13.68	0.00	7.64
Sutter	627	707	740	763	12.76	4.67	3.11
Tehama	625	721	755	778	15.36	4.72	3.05
Trinity	629	725	758	782	15.26	4.55	3.17
Tulare	647	612	674	672	-5.41	10.13	-0.30
Tuolumne	770	889	930	959	15.45	4.61	3.12
Ventura	1,471	1,422	1,502	1,479	-3.33	5.63	-1.53
Yolo	910	1,013	1,055	1,052	11.32	4.15	-0.28
Yuba	627	707	740	763	12.76	4.67	3.11

Source: HUD Fair Market Rents. Available at http://www.huduser.org/portal/datasets/fmr.html

Endnotes

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