

# The Role of Community Development in 12<sup>th</sup> District Foreclosure Prevention Efforts



Federal Reserve Bank of San Francisco  
Community Development Department  
April 4, 2008

# Role of FRBSF's Community Development Department

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- Help our constituents understand the causes, scope, and impact of foreclosure trends, especially for low-income families and communities
- Assist local communities in organizing cross-industry coalitions to respond to crisis
- Foster communication between industry and community organizations
- Be the "face of the Fed" in the District

# FRBSF's Community Development: Research Work

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- Commissioned research in Spring 2006
  - Examined the linkage between higher-priced lending and the incidence of foreclosures in California
- Produced *Community Investments* December 2006
- Ongoing analysis and mapping of delinquency and foreclosure data to educate, raise awareness, target local responses
- Extensive web presence with data and resources for lenders, consumers, community organizations, local governments

COMMUNITY DEVELOPMENT  
COMMUNITY DEVELOPMENT

# COMMUNITY INVESTMENTS *Online*

VOLUME EIGHTEEN NUMBER 3



Home By Tamara Simon

This issue's cover art is a painting entitled *Home*, by Tamara Simon, an artist at the National Institute of Art and Disabilities (NIAD). NIAD is an innovative visual arts center assisting adults with developmental and other physical

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## DECEMBER 2006

**December 2006 Issue**  
(Entire Issue: PDF - 1.45MB)

**CI Notebook**  
Introduction by Scott Turner  
(PDF - 200KB)

**Homeownership at High Cost**  
Recent Trends in the Mortgage Lending Industry  
(PDF - 571KB)

**Preventing Foreclosure**  
Initiatives to Sustain Homeownership  
(PDF - 248KB)

**Calculated Risk**  
Assessing Nontraditional Mortgage Products  
(PDF - 316KB)

**Nontraditional Mortgage Guidance**  
(PDF - 212KB)

**In Depth: Homeownership at High Cost**



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## COMMUNITY DEVELOPMENT

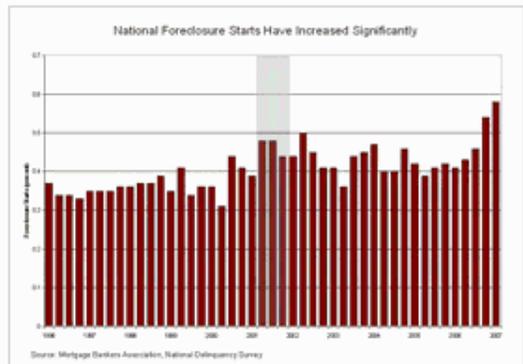


### Preserving Homeownership - Preserving Communities

In response to concerns over the recent increase in foreclosures, particularly in the subprime market, the Federal Reserve Bank of San Francisco, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency, and the Office of Thrift Supervision convened six local forums to discuss strategies to preserve homeownership among low-income and minority borrowers.

[Learn more about the convenings.](#)

### Mortgage Delinquency & Foreclosure Research



[Click to enlarge](#)

Research on trends in mortgage defaults and foreclosures can help to inform efforts to develop solutions and reach distressed borrowers. One ongoing challenge for research in this area is to understand local trends and reconcile differences in data across multiple sources. [Click here to access a growing body of research, reports and publications, and data on the mortgage market.](#)

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- Upcoming Events
- [Foreclosure Prevention Forum and Workshops](#)  
March 29, 2008  
Tucson AZ
  - [2008 National Interagency Community Reinvestment Conference](#)  
March 30 - April 2
  - [Oregon Homeownership Forums](#)  
April 3-10
  - [Foreclosure Prevention](#)

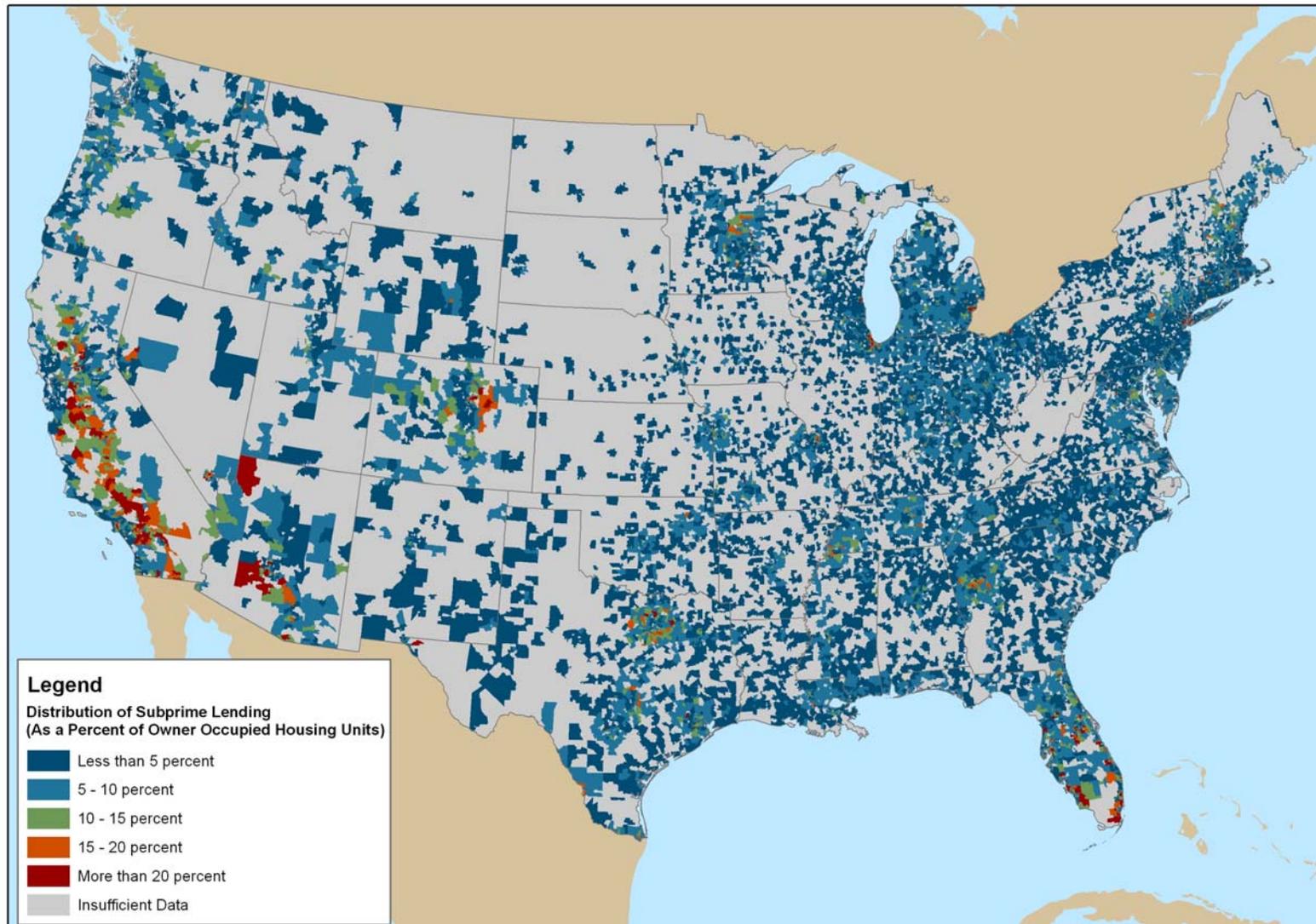
# Identifying District Hotspots

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## □ Goals of the Research

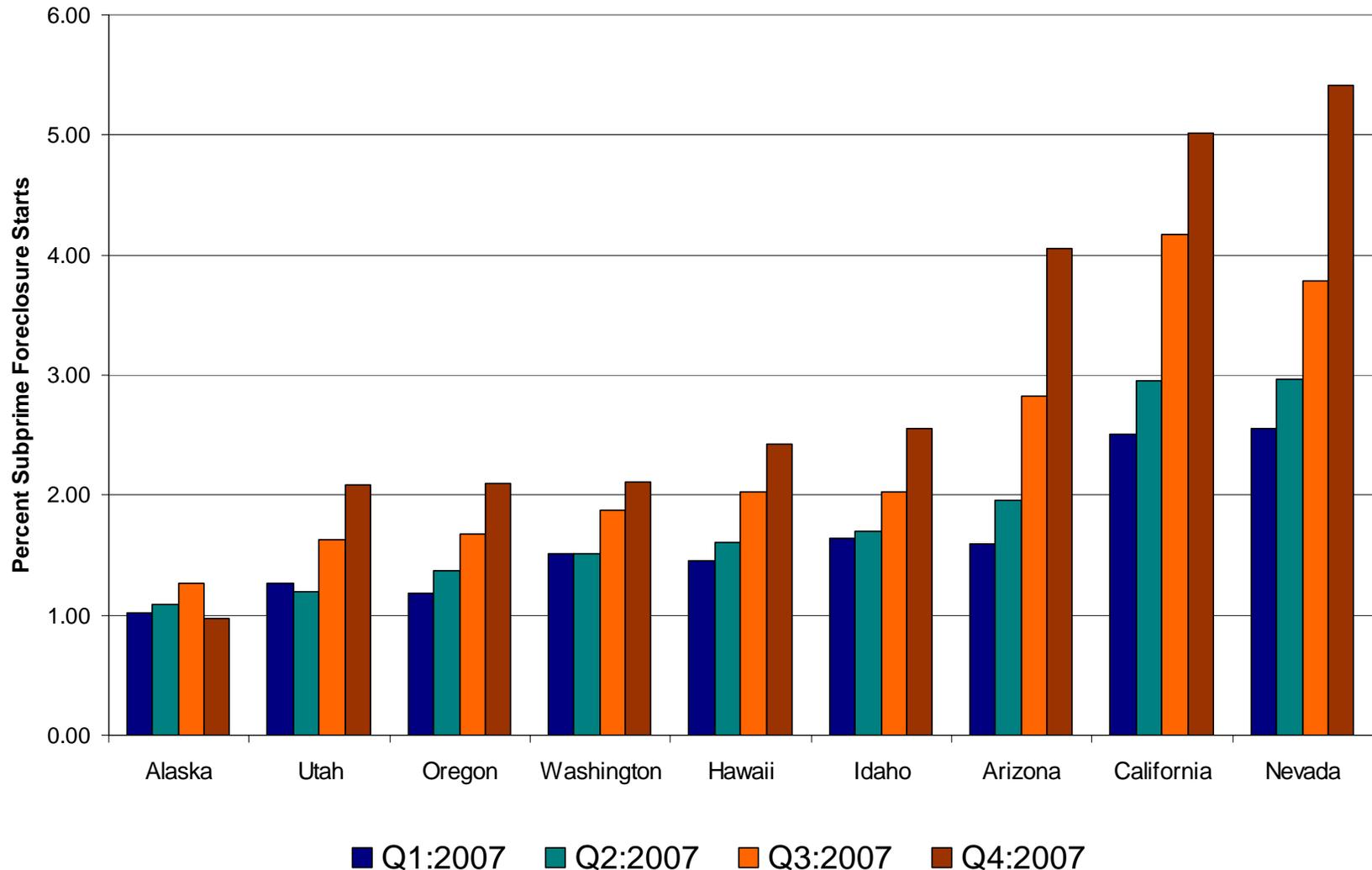
- Help local governments, lenders, and nonprofit organizations target borrower outreach and resources to the most affected areas
  - Where are delinquencies and foreclosures occurring?
  - Which neighborhoods will see the greatest number of interest rate resets in 2008?
  - Who is affected? Determines outreach strategies and can help engage nonprofits that work in those communities.
- Address the neighborhood impacts of foreclosures
  - Can REO properties be converted into affordable housing and/or rental opportunities for low- and moderate income families?

# Distribution of Subprime Lending



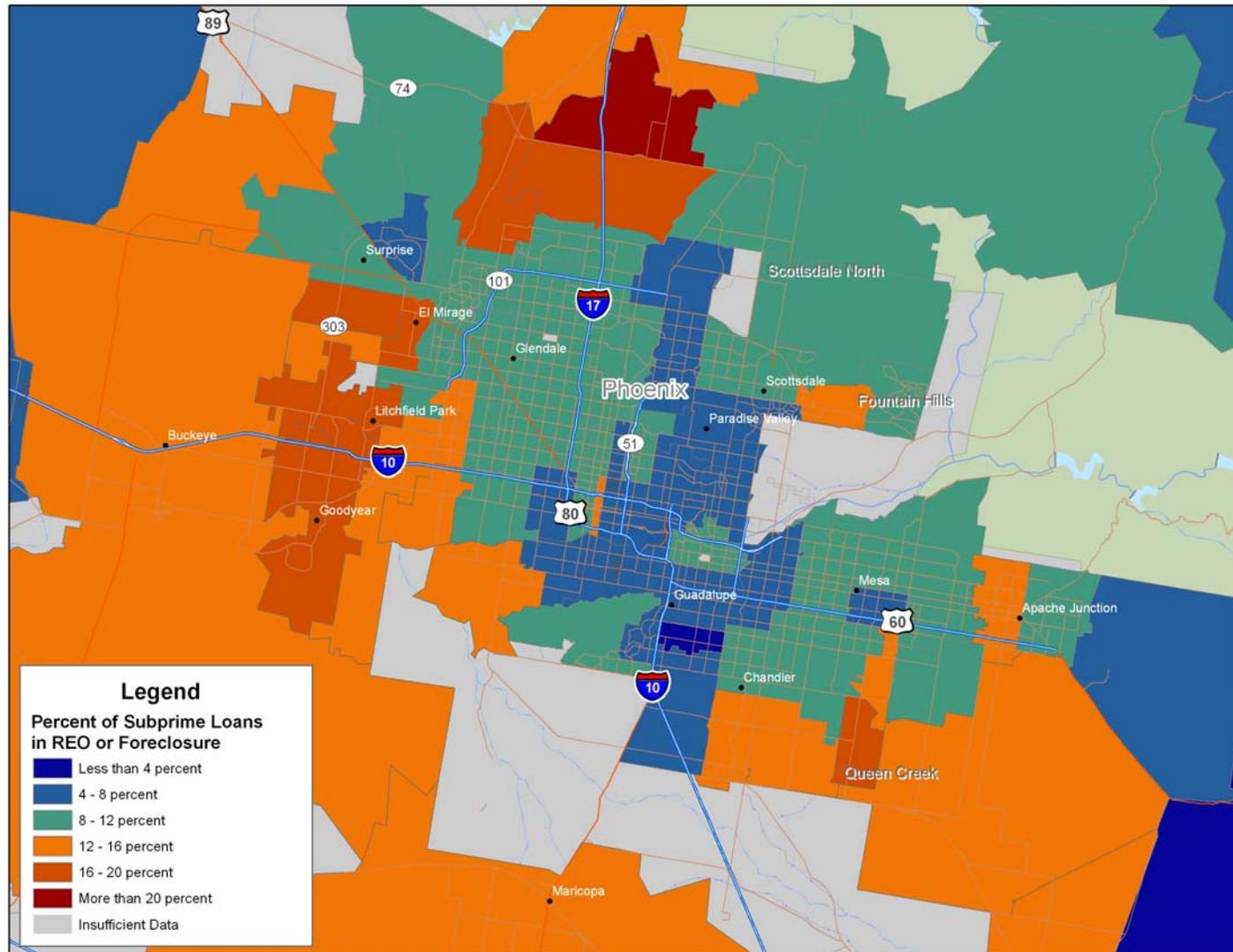
Source: Analysis by Federal Reserve Board of Governors, First American LoanPerformance Data, December 2007. Data represent a sample of subprime loans, approximating 70 percent of subprime loan volume. Data aggregated at the zip code level.

# Rapid Rise in Foreclosure Starts



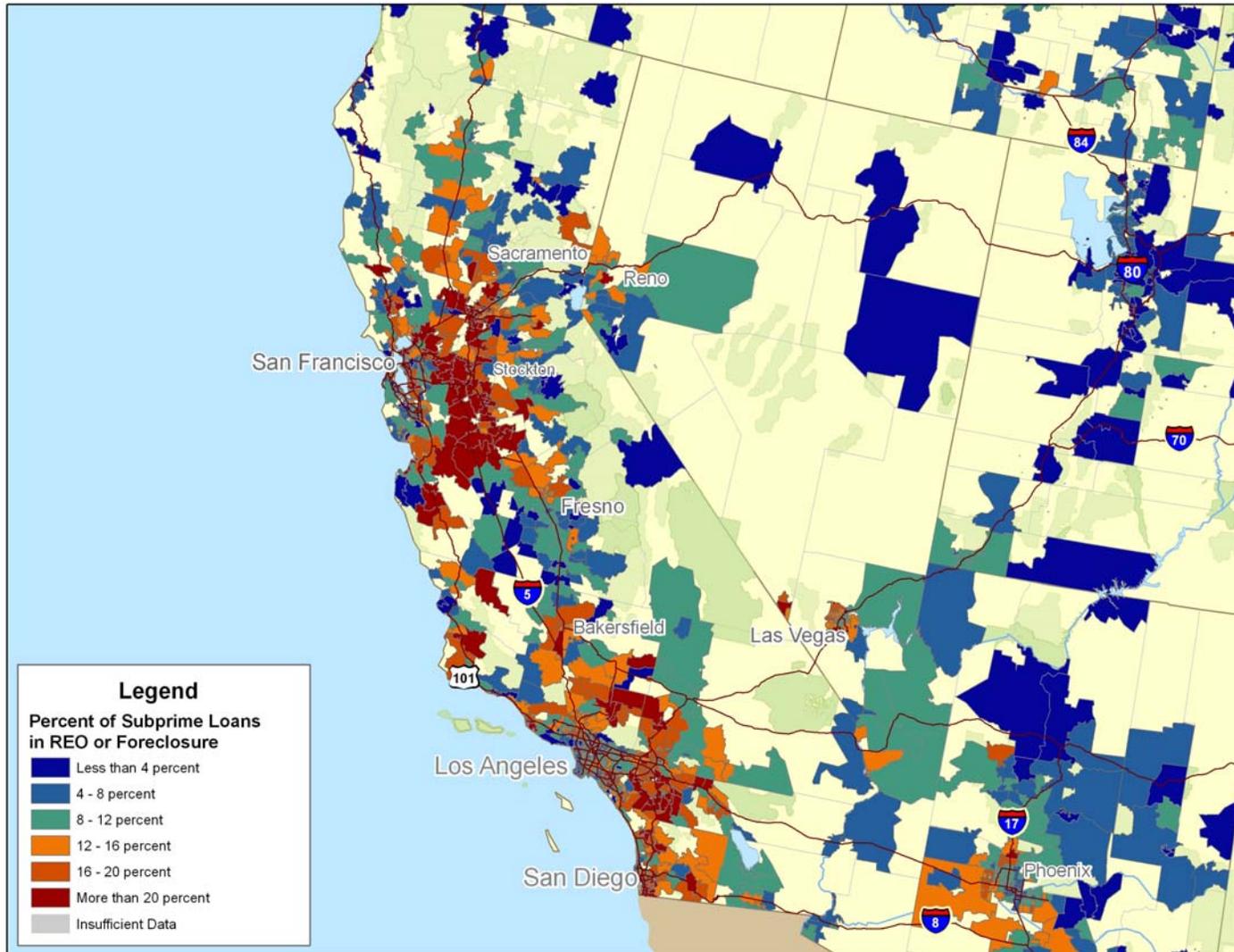
Source: Mortgage Bankers Association, National Delinquency Survey, 4<sup>th</sup> Quarter 2007.

# “New” Neighborhoods at Suburban Fringe



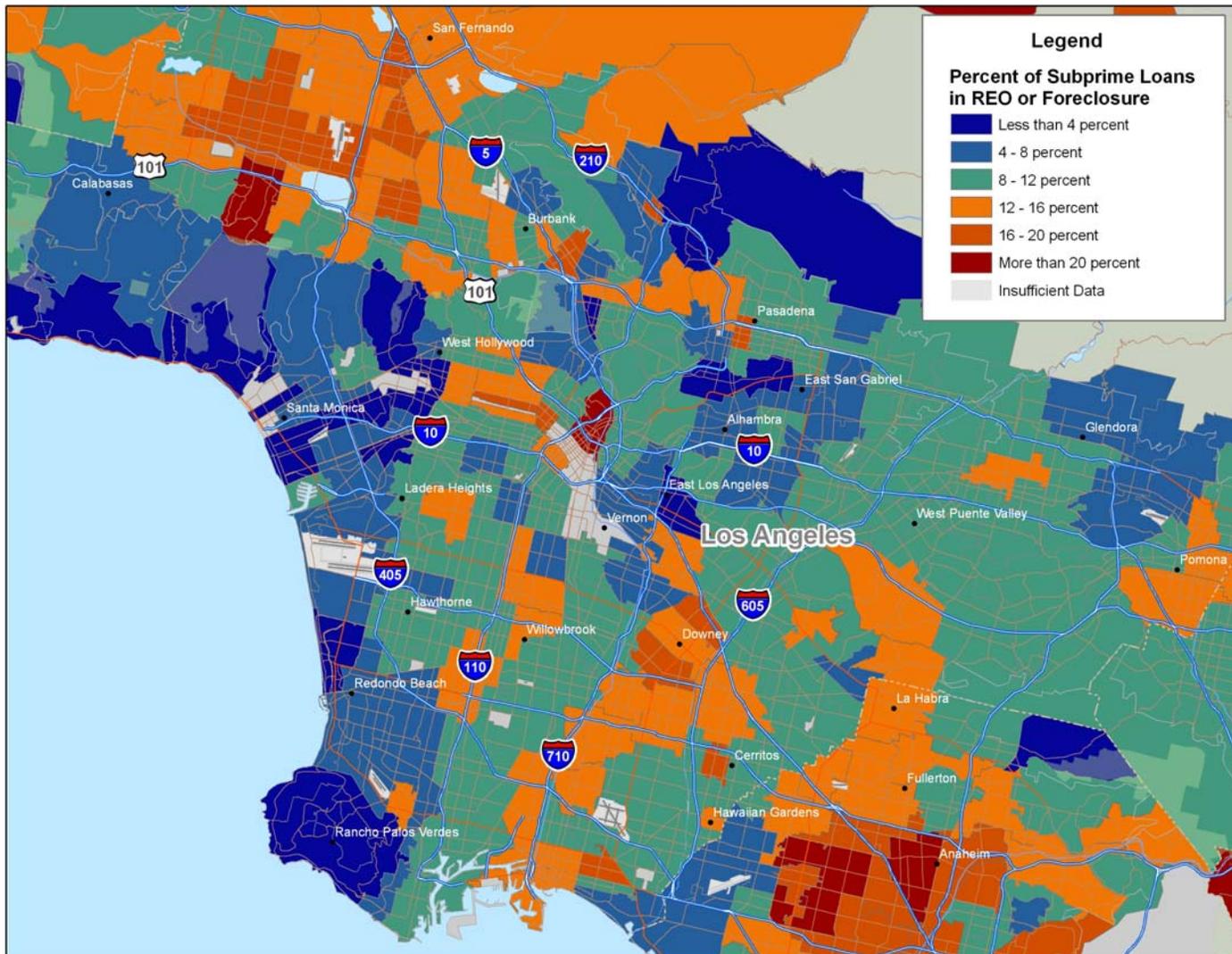
Source: Analysis by Federal Reserve Board of Governors, First American Loan Performance Data, December 2007. Data represent a sample of subprime loans, approximating 70 percent of subprime loan volume. Data aggregated at the zip code level.

# California's Inland Areas



Source: Analysis by Federal Reserve Board of Governors, First American LoanPerformance Data, December 2007. Data represent a sample of subprime loans, approximating 70 percent of subprime loan volume. Data aggregated at the zip code level.

# Established Neighborhoods Also Affected



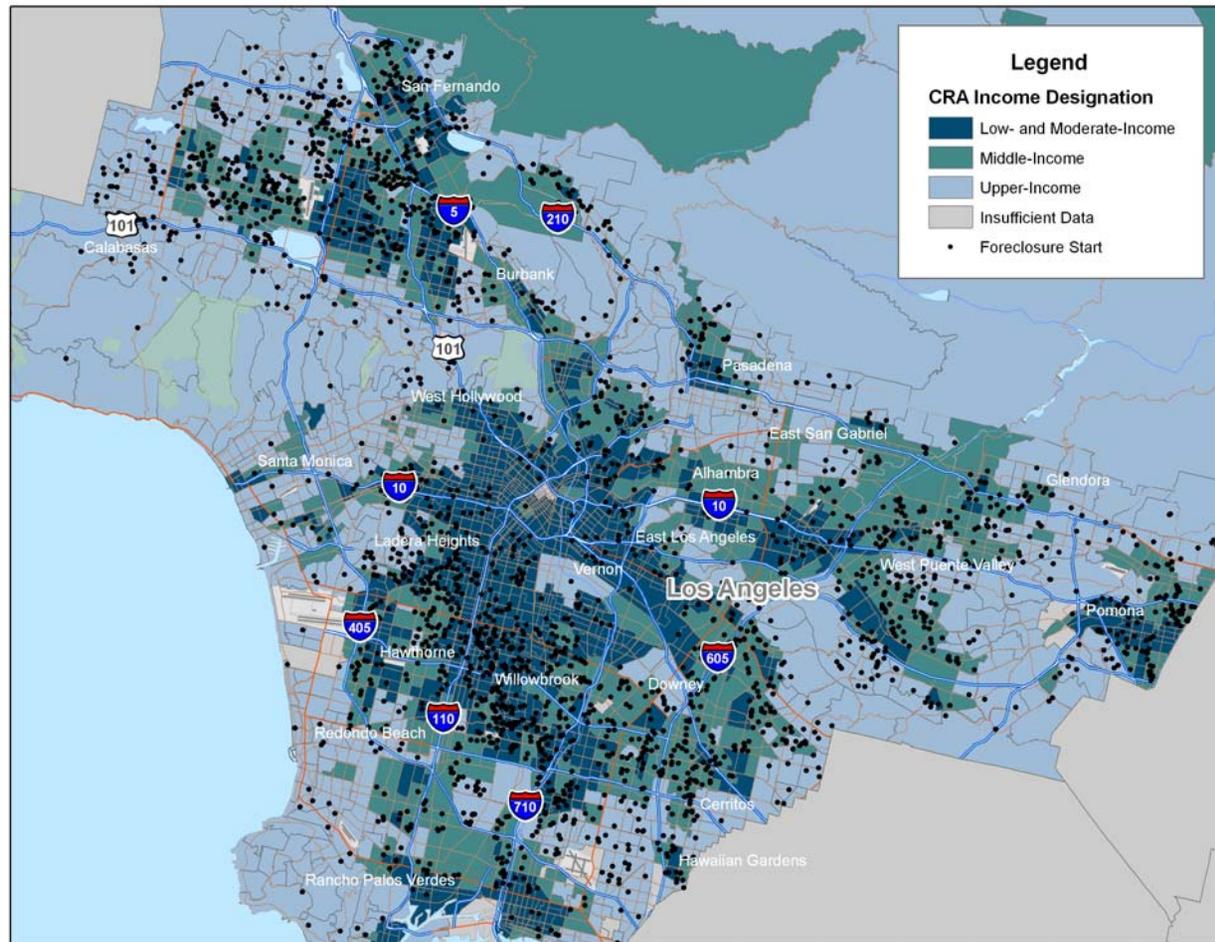
Source: Analysis by Federal Reserve Board of Governors, First American LoanPerformance Data, December 2007. Data represent a sample of subprime loans, approximating 70 percent of subprime loan volume. Data aggregated at the zip code level.

# Who's Affected?

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- ❑ Difficult to match data on loan originations (e.g. HMDA data) with data on loan performance (e.g. FirstAmerican LoanPerformance)
  - HMDA data shows that incidence of higher-priced lending is greater among minority borrowers, especially African Americans
  - Anecdotal evidence from interviews with housing counselors and county court records suggest that
    - ❑ A large percentage of foreclosure starts are among Latino borrowers; in some neighborhoods, Hmong and Vietnamese borrowers have been negatively affected
    - ❑ Problems exist with elderly homeowners who refinanced their loans

# Many Foreclosure Starts in Low- and Moderate-Income Neighborhoods



Source: Foreclosure starts are from January – March 2008 and represent foreclosures filed with the Los Angeles County Recorder's Office. CRA eligibility is determined by the FFIEC.

# FRBSF's Community Development: Field Work

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- Organized a series of summits in the 2<sup>nd</sup> Quarter of 2007 to educate constituents, raise awareness, share best practices, and facilitate the creation of local coalitions
  - Helped create new, or support existing local taskforces and coalitions on foreclosure prevention, borrower outreach
- Provided training on homeownership counseling and foreclosure prevention
- Promoted communication through convenings with servicers and counselors

# FRBSF's Community Development: Next Steps

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- While continuing to promote foreclosure prevention, will increase focus on mitigating the impact of foreclosures on borrowers and neighborhoods
  - Concern that concentrated foreclosures will result in negative spillover effects
    - Decrease neighborhood property values
    - Increase local crime rates
    - Effects on the provision of local services
- Community Development has been analyzing REO data to assist local governments and nonprofits acquire REO properties
  - Is there an opportunity to convert them to affordable homeownership opportunities or rental units?
- Will convene meetings with cities, local CDCs, and REO owners to facilitate purchase of REOs to add to affordable housing stock

# For more information...

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- ❑ For more information on the Department's research focus, contact Carolina Reid at [carolina.reid@sf.frb.org](mailto:carolina.reid@sf.frb.org)
- ❑ For more information on regional outreach and events, contact:
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