

TRENDS IN DELINQUENCIES AND FORECLOSURES IN ALASKA

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Outline of Presentation



- National Trends
 - ▣ Rising foreclosures
 - ▣ House price declines
 - ▣ Rising unemployment
- Alaska
 - ▣ Trends in foreclosure
 - ▣ Housing market softening
 - ▣ Rising unemployment
 - ▣ Scale of loan modifications still falls short of need

National Trends

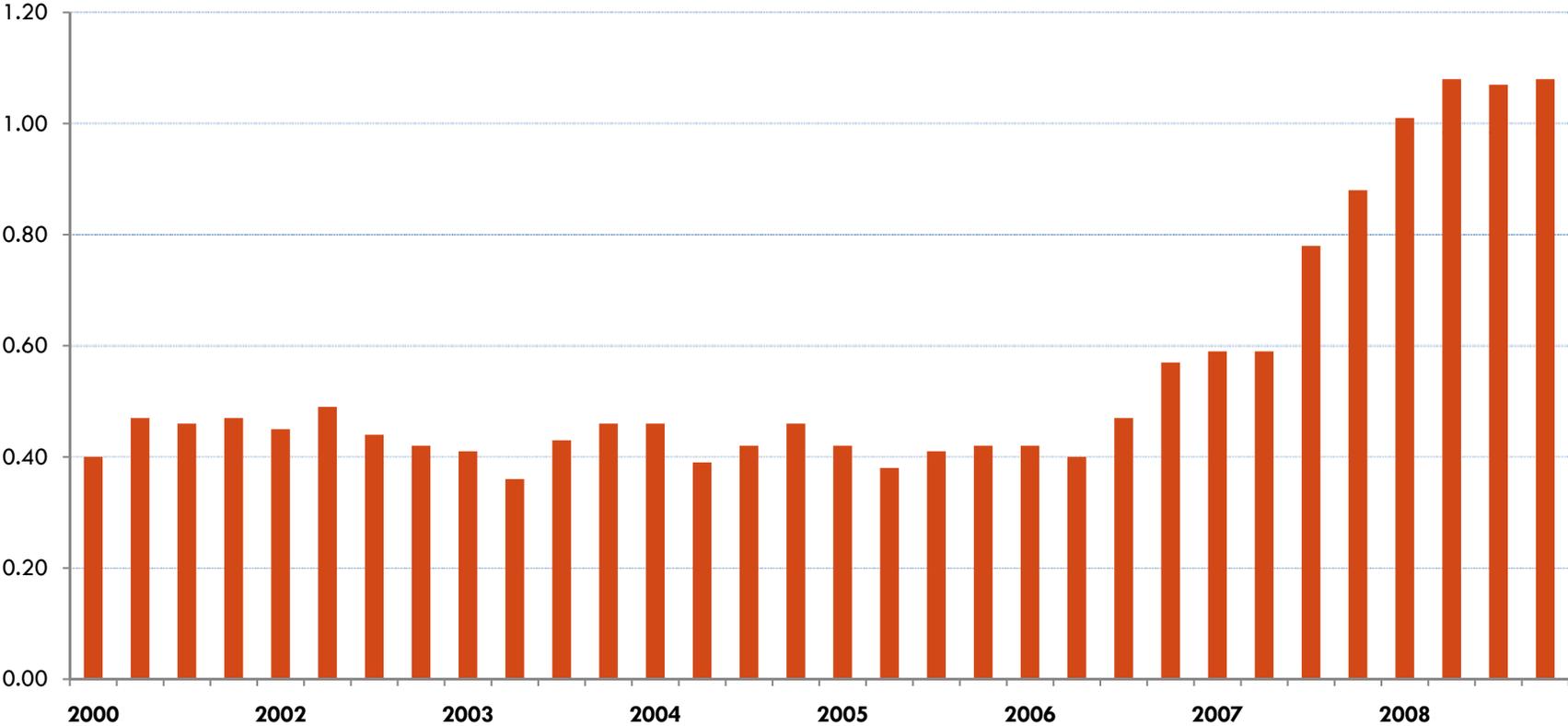
National Trends



- Foreclosures rose steadily in 2008, with wide repercussions for US economy
 - ▣ After a slight decline in the national foreclosure rate in the 3rd Quarter of 2008, rose again in 4th Quarter
- Factors driving foreclosures nationally
 - ▣ House price declines
 - ▣ Rising unemployment, coupled with turmoil in financial and credit markets, may further influence foreclosure rate going forward

National Foreclosure Starts Rose Slightly in 4th Quarter of 2008

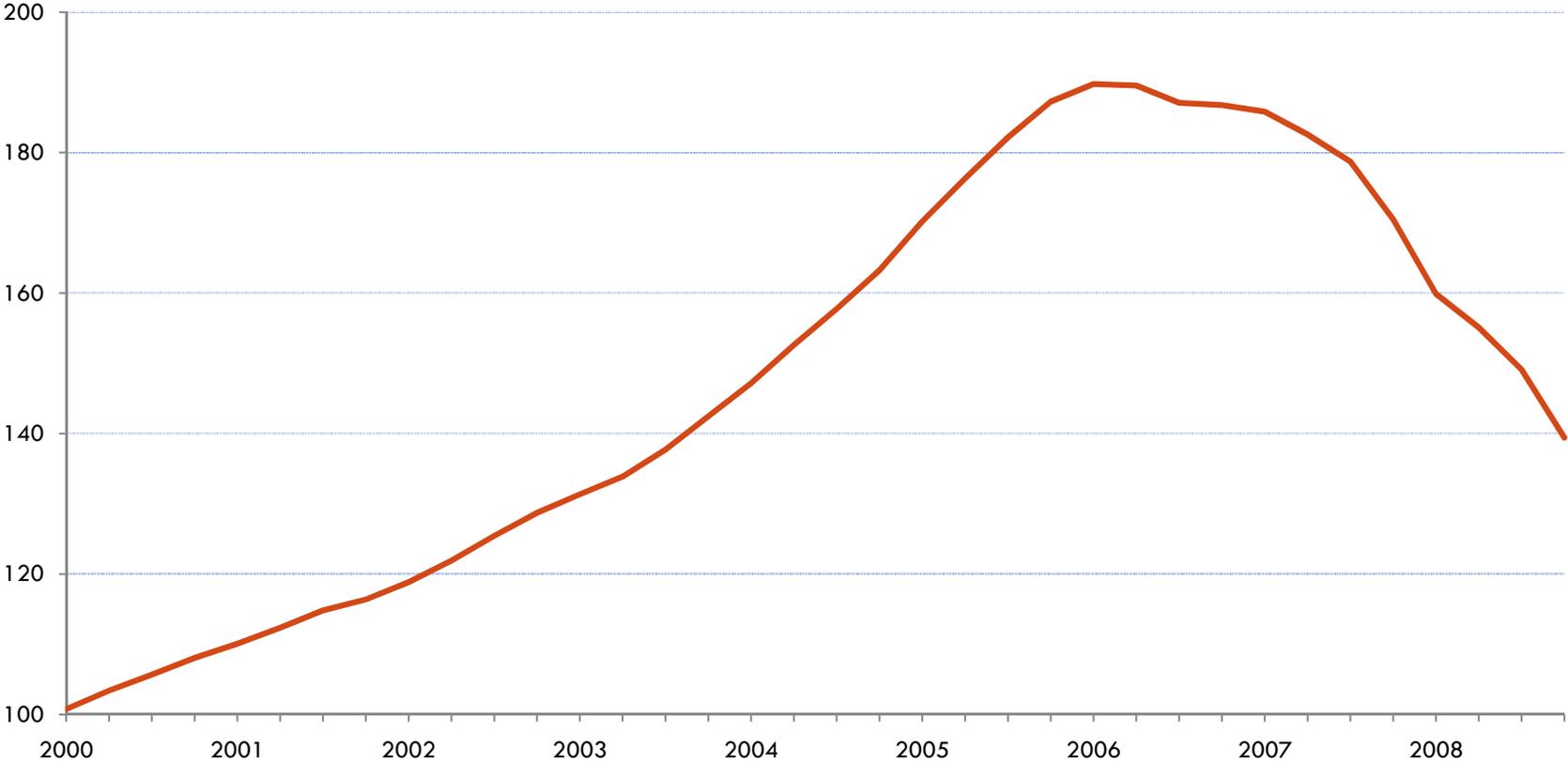
National Foreclosures Starts
Percent of All Loans



Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008

Nationally, House Prices Continue to Decline

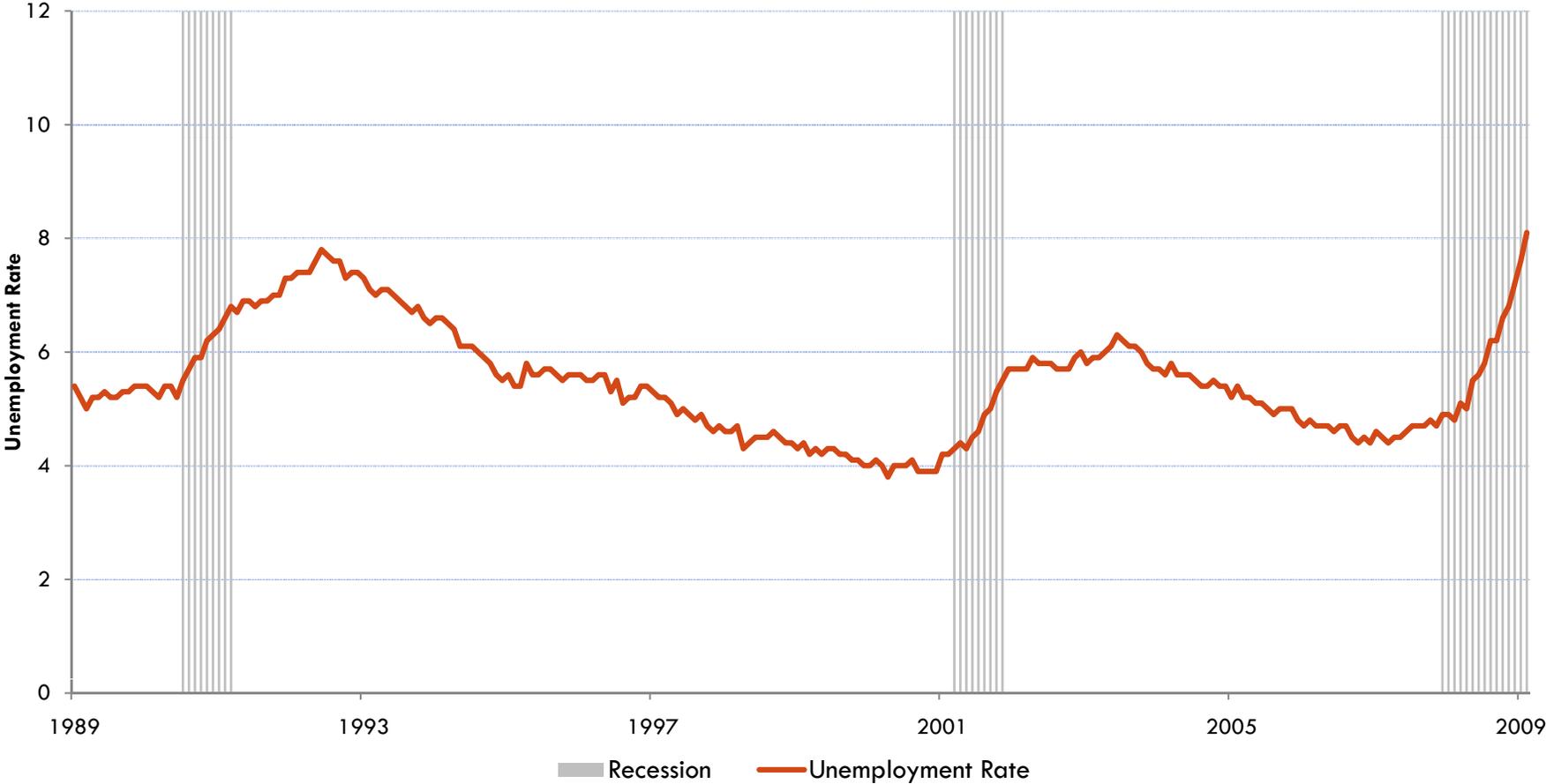
Case-Shiller National House Price Index
(2000 = 100, quarterly)



Source: Case - Shiller Home Price Index, 4th Q 2008

Recession Marks Significant Jump in Unemployment

U.S. Unemployment Rate

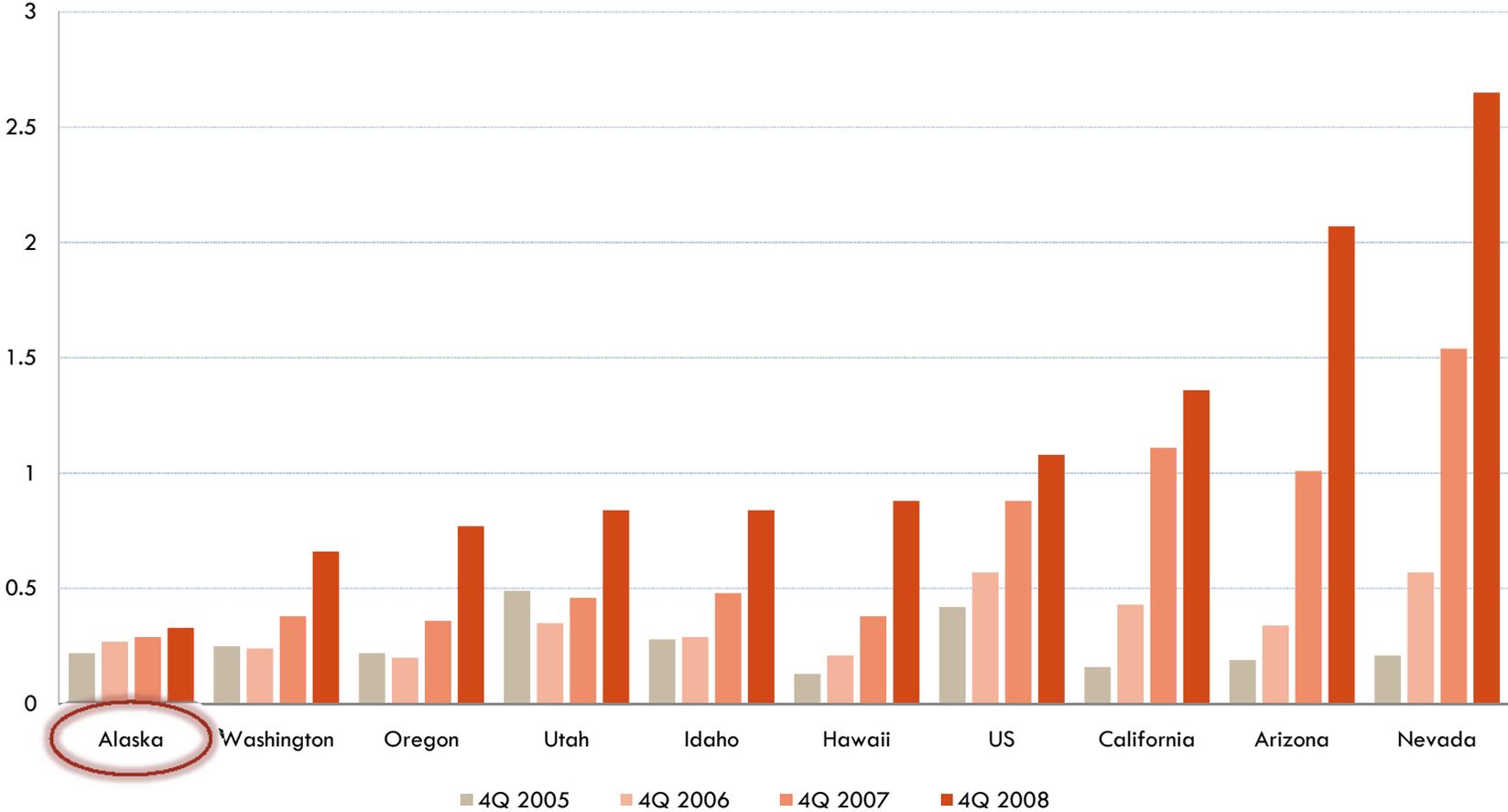


Source: Bureau of Labor Statistics

Alaska Trends

Foreclosures in Alaska Have Risen, but Still Well Below US Average

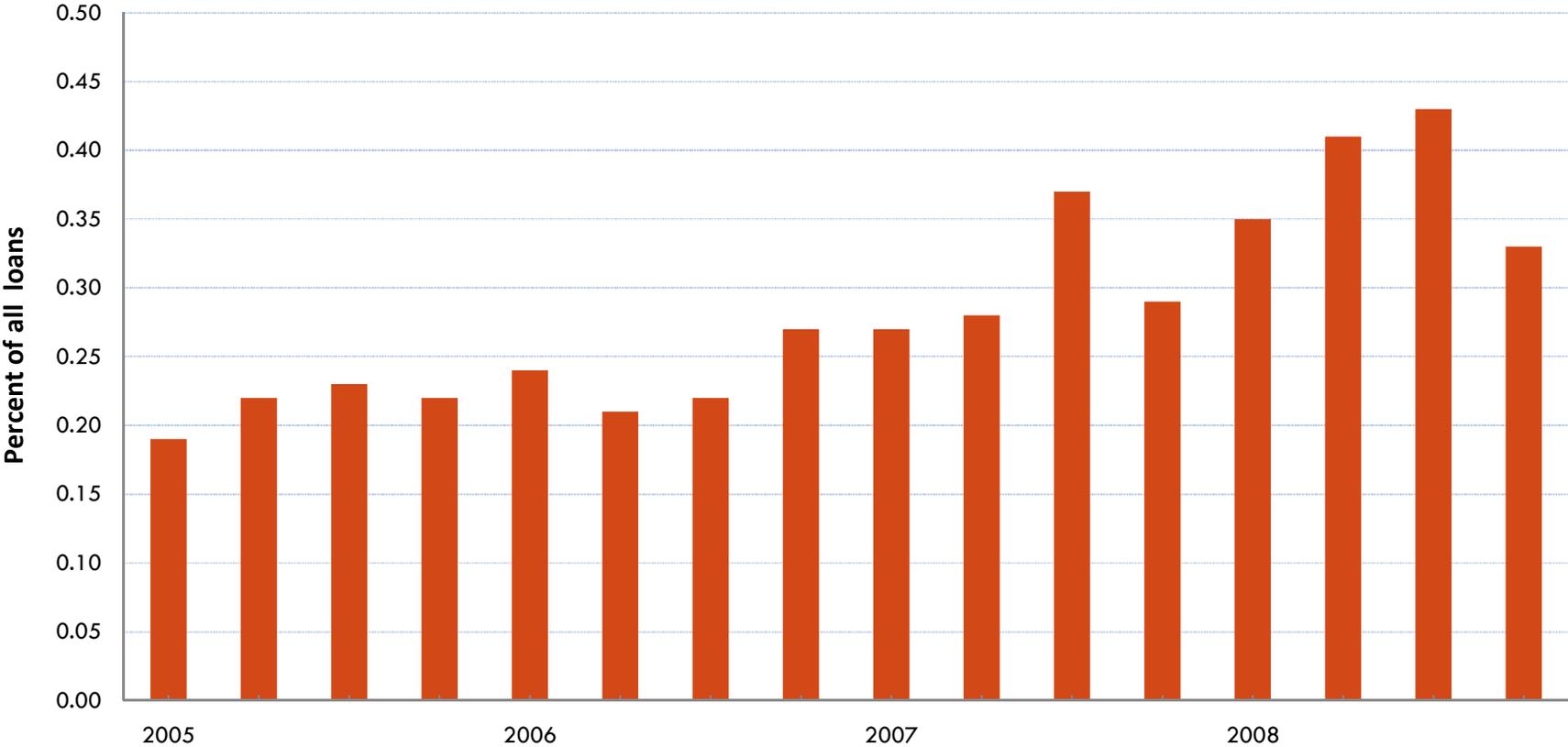
Foreclosure Starts (Percent of All Loans)



Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008

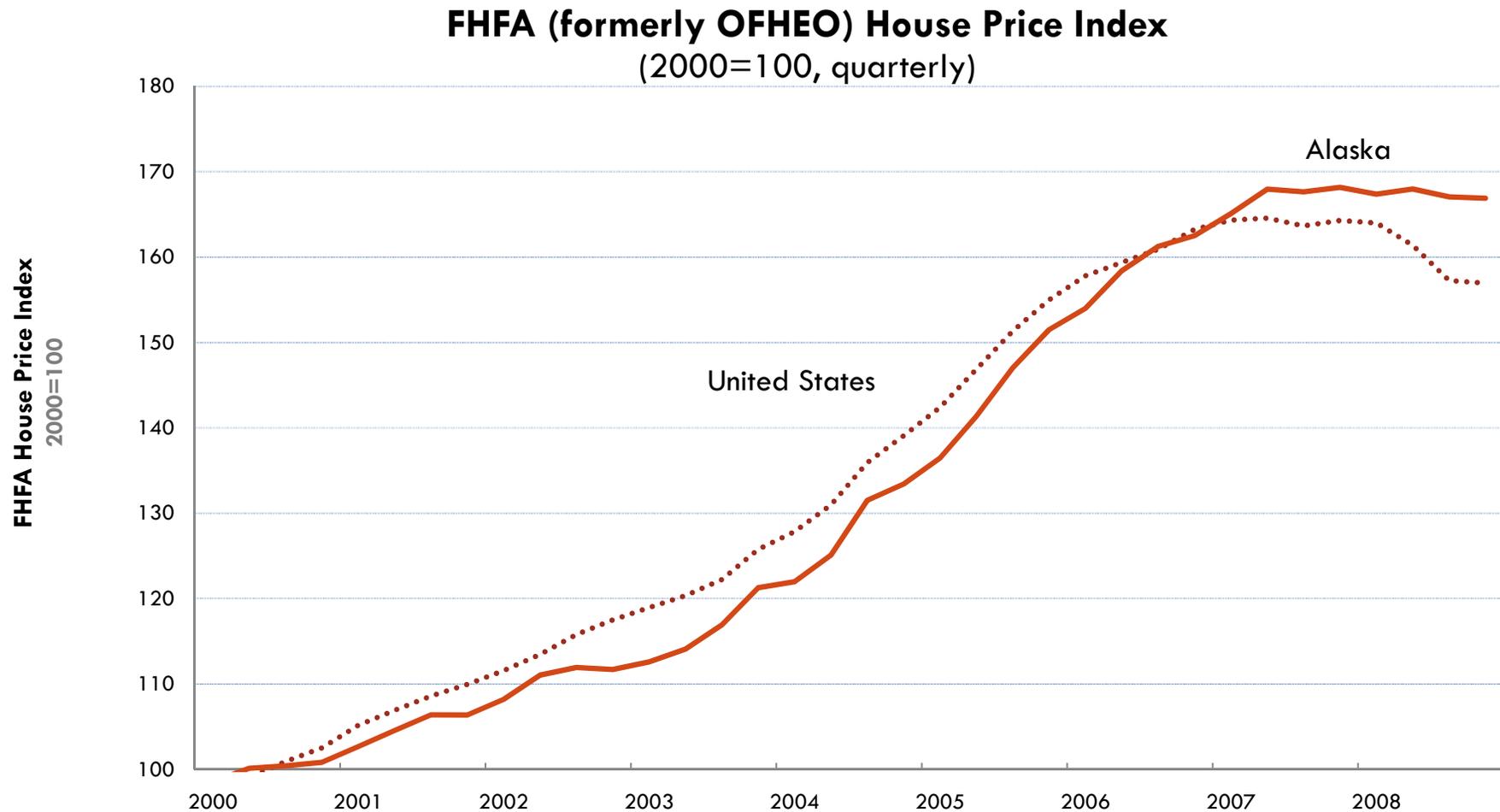
Alaska Saw a Small Decrease in Foreclosure Starts in 4th Quarter 2008 (4th Qtr dip may be due to receipt of Permanent Fund Dividend)

**Alaska Foreclosure Starts
(Percent of All Loans)**



Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008

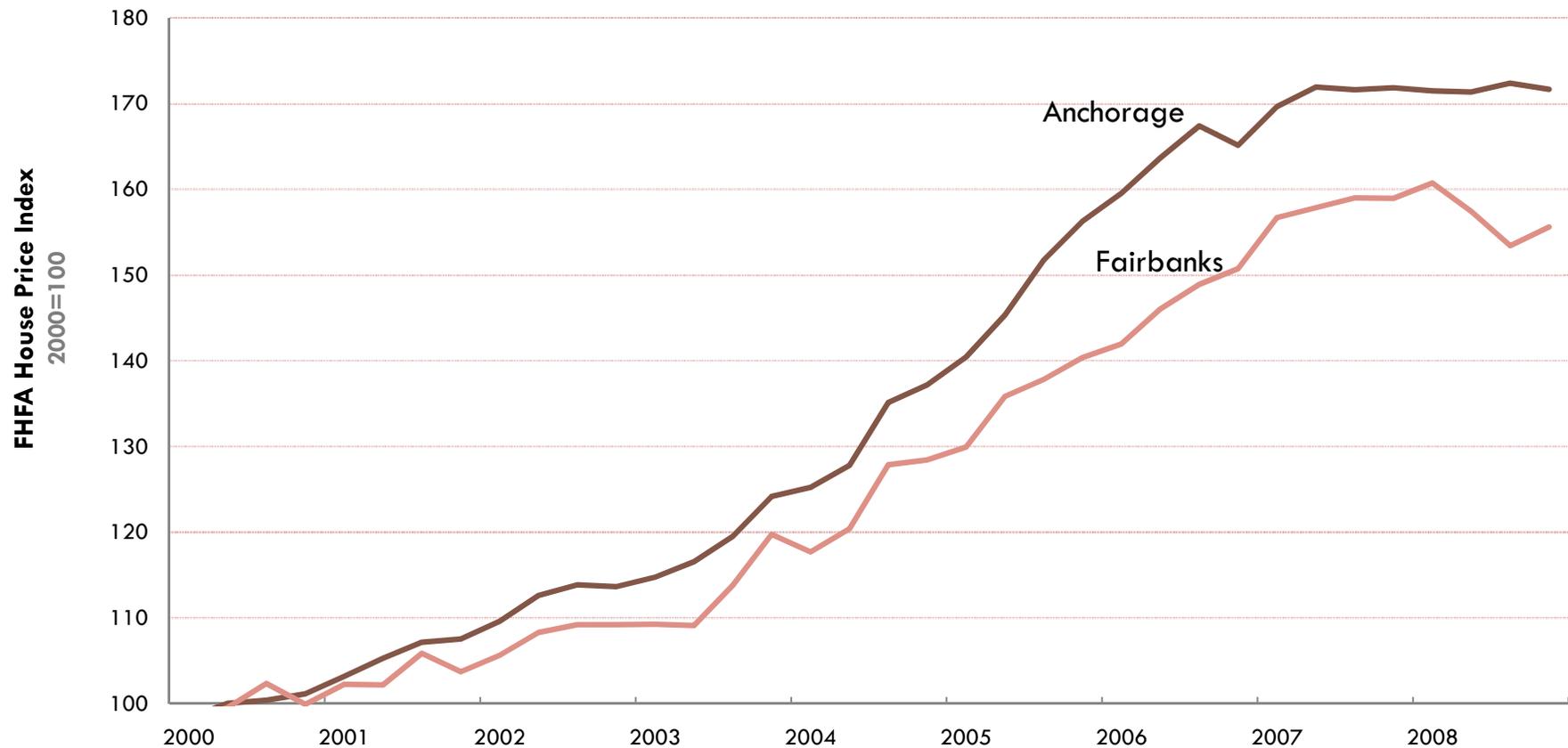
Alaska's Real Estate Market Has Flattened, but not Declining as Fast as US



Source: Federal Housing Finance Agency (formerly OFHEO), 4th Quarter 2008

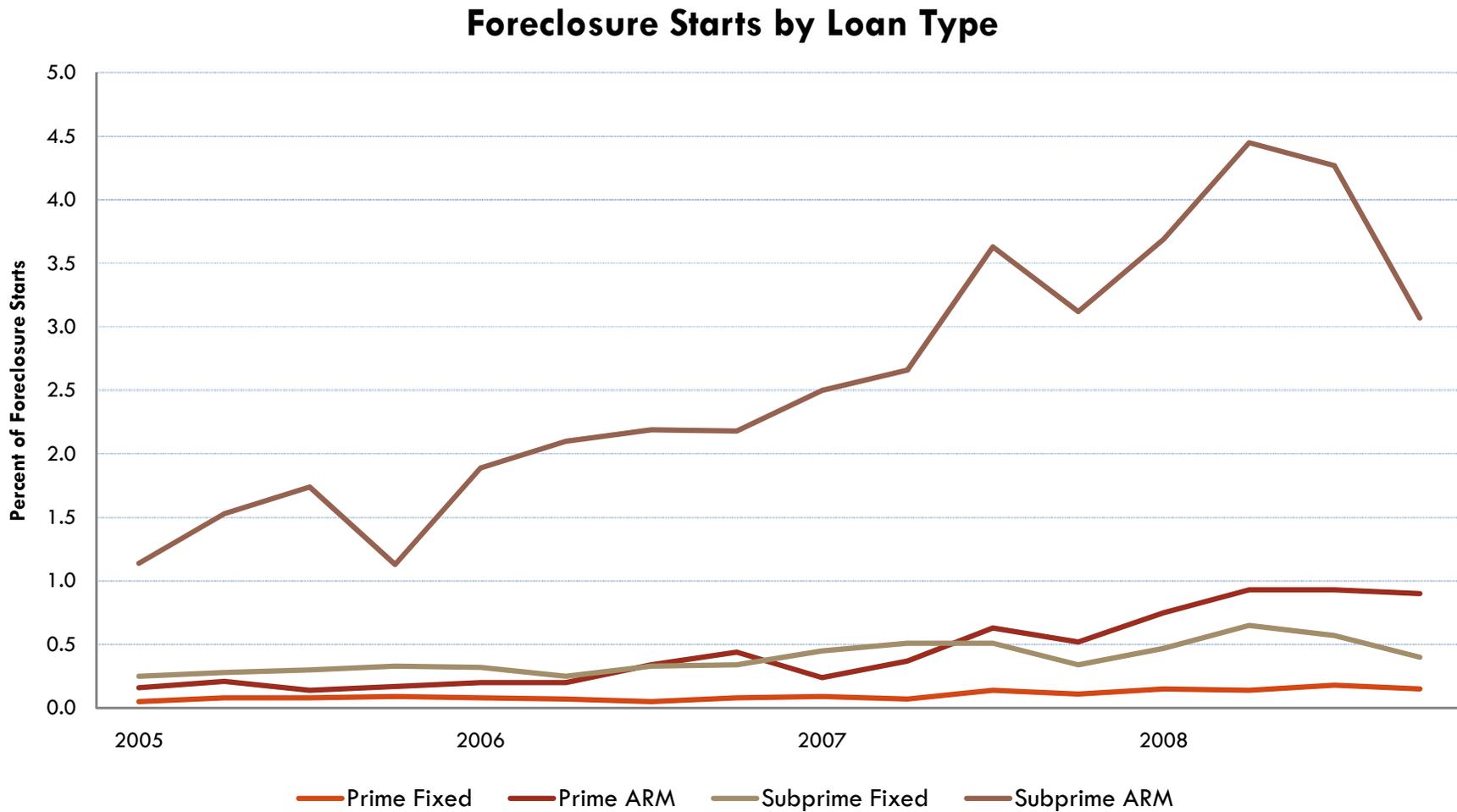
At Metro Level, Fairbanks Experiencing Greatest Changes in House Prices

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



Source: Federal Housing Finance Agency (formerly OFHEO), 4th Quarter 2008

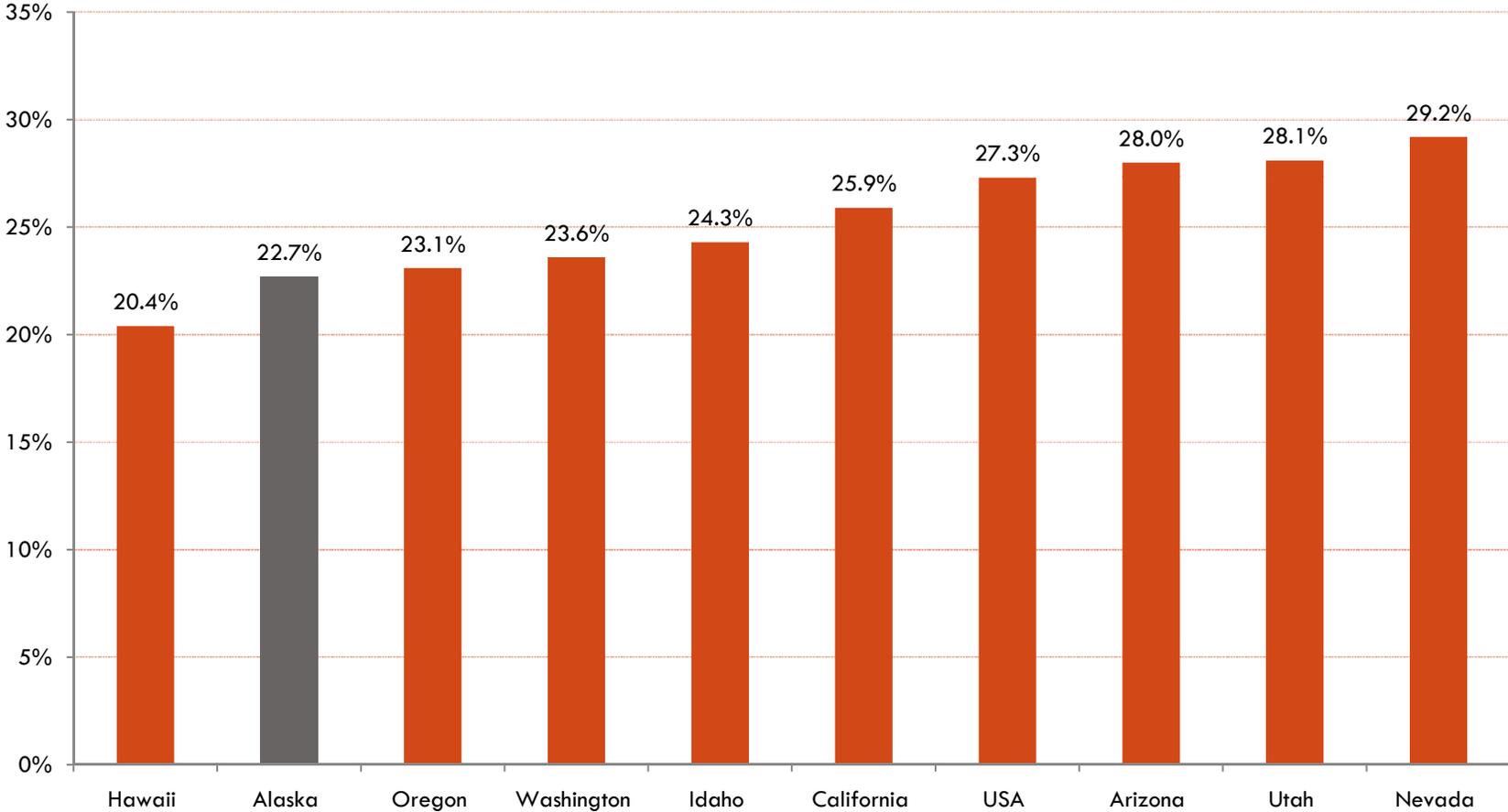
Alaska's Foreclosures are Concentrated in Subprime ARM Market



Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008

Approximately 1 in 5 Loans in Alaska During Subprime Boom Were High-Cost, Lower Than US Average

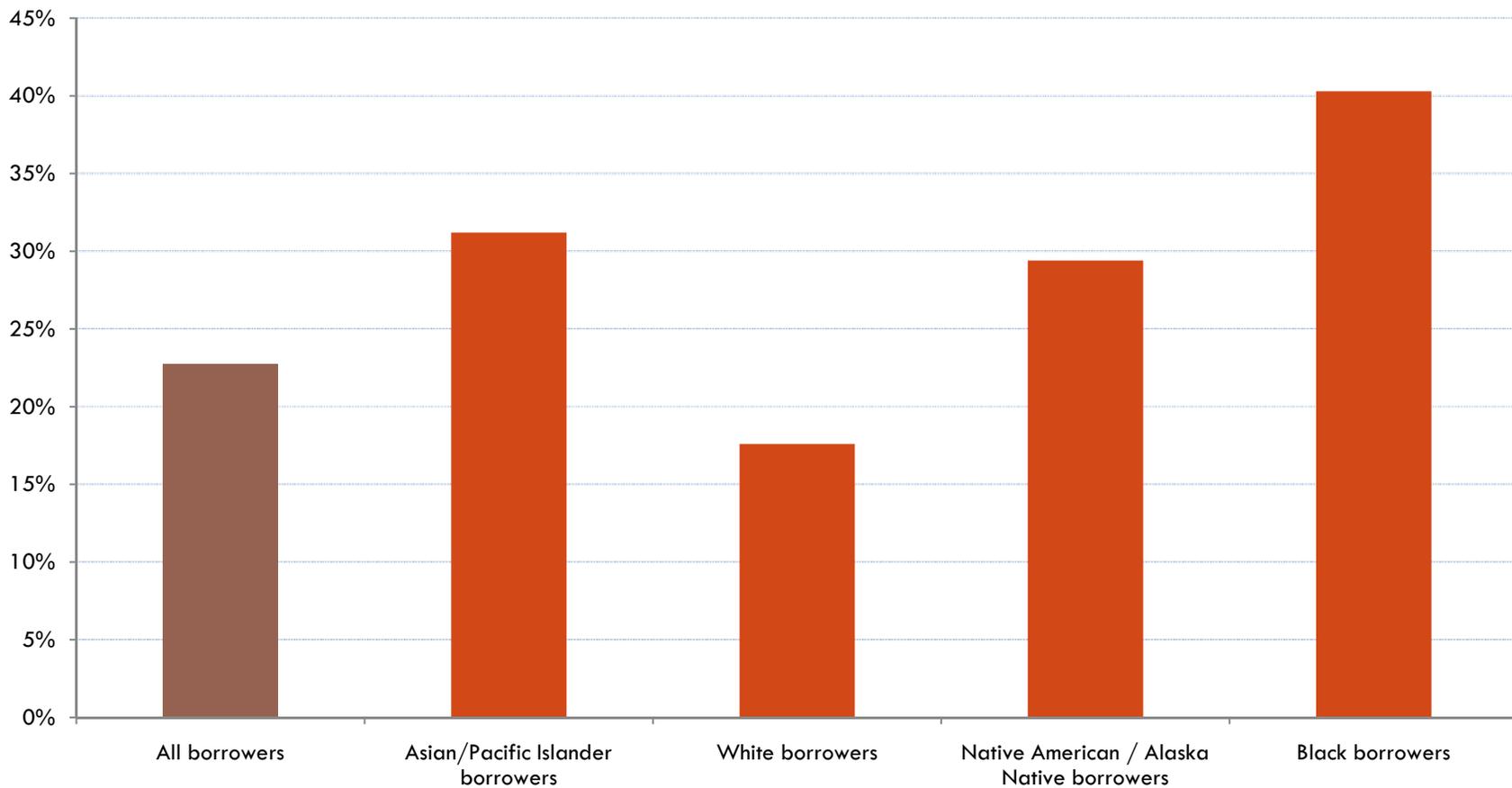
Percent of All Borrowers with High Interest Conventional Loans, 2005



Source: Home Mortgage Disclosure Act Data, 2005

High Cost Lending in Alaska More Prevalent Among Some Minority Groups

High Cost Conventional Loans by Race, 2005



Source: Home Mortgage Disclosure Act Data, 2005

Unemployment Rate in Alaska is Rising



Source: Bureau of Labor Statistics, March 2009

Employment Trends by Industry in Alaska

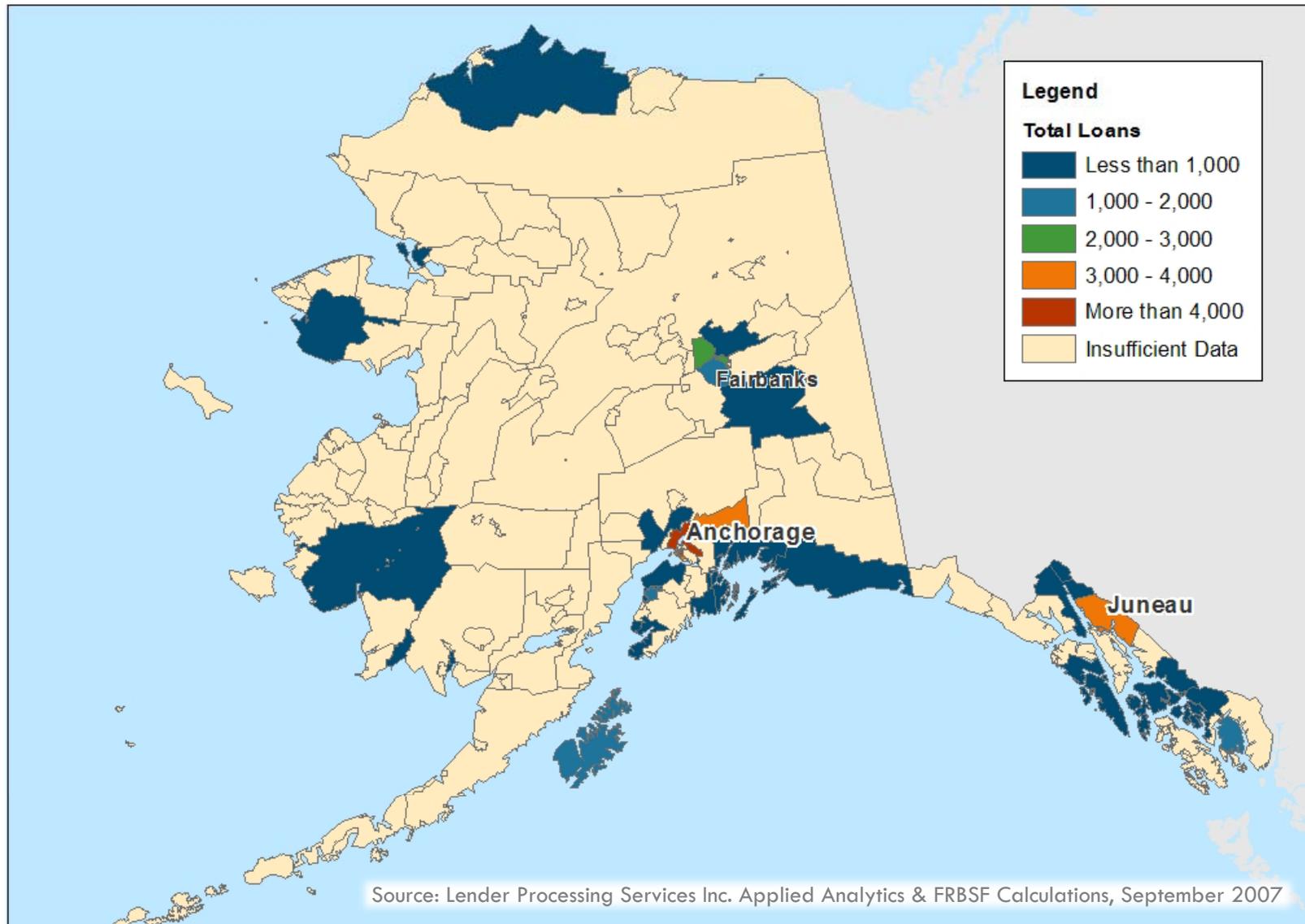
Alaska	Total Employed (thousands)	Percent Change		
	Feb-09	1-mo.*	3-mo.*	12-mo.
Total	323.7	-0.4	-1.1	0.9
Government	83.0	4.4	-1.9	1.1
Trade, Transportation & Utilities	65.4	1.9	1.2	0.8
Educational & Health Svcs.	38.1	3.2	2.1	2.4
Leisure & Hospitality	31.7	-10.7	-1.3	-1.6
Professional & Business Svcs.	25.7	-16.9	0.0	-0.4
Construction	17.4	7.2	7.2	-0.6
Natural Resources & Mining	15.8	-25.9	2.6	6.8
Financial Activities	14.8	8.5	-2.7	-0.7
Manufacturing	13.2	20.1	-25.3	0.0
Other Services	11.4	0.0	-6.7	0.9
Information	7.2	18.3	5.8	2.9

Source: Bureau of Labor Statistics, February 2009, *Annualized

Alaska Foreclosure Data Maps

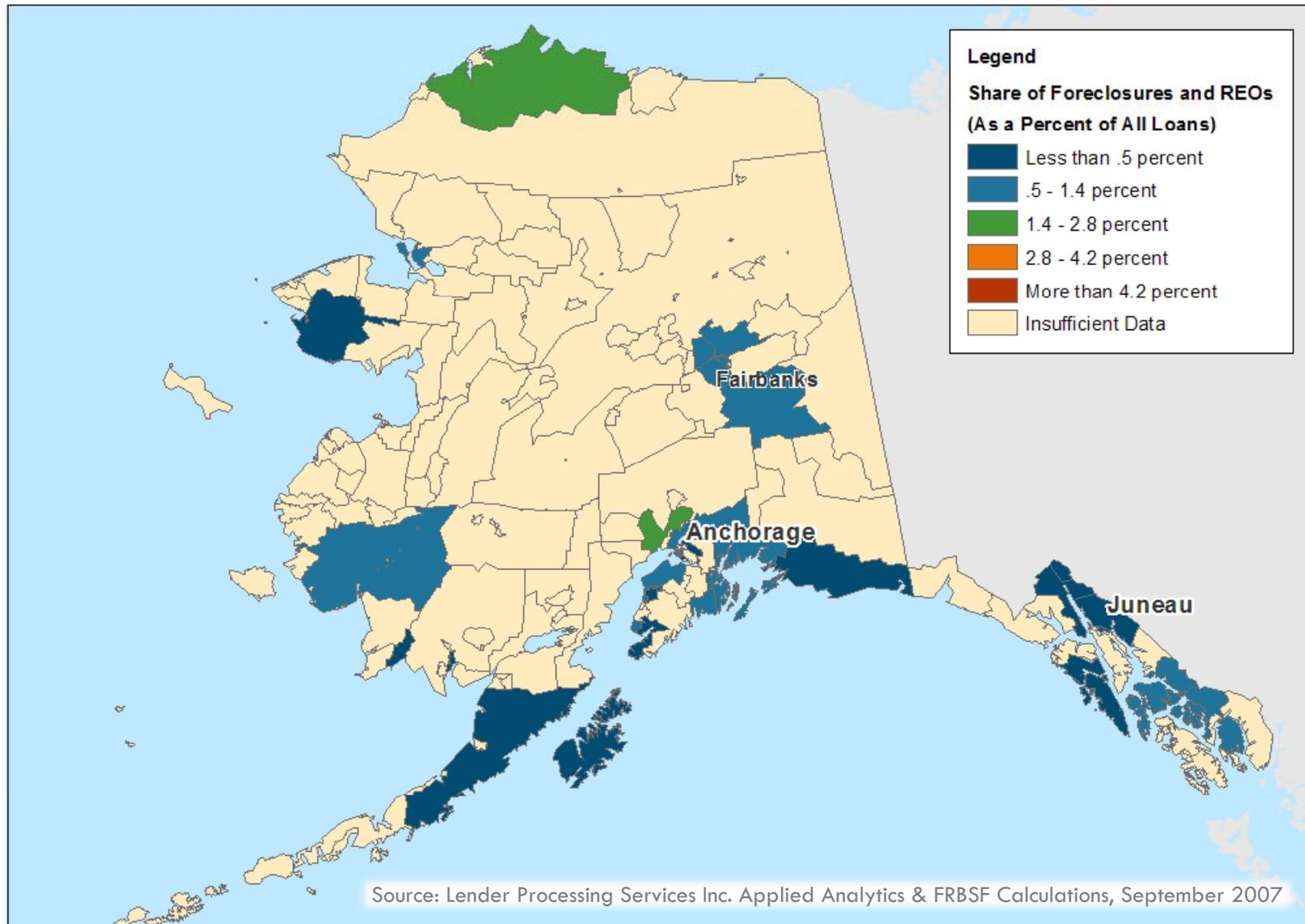
Distribution of Lending Volumes

September 2007



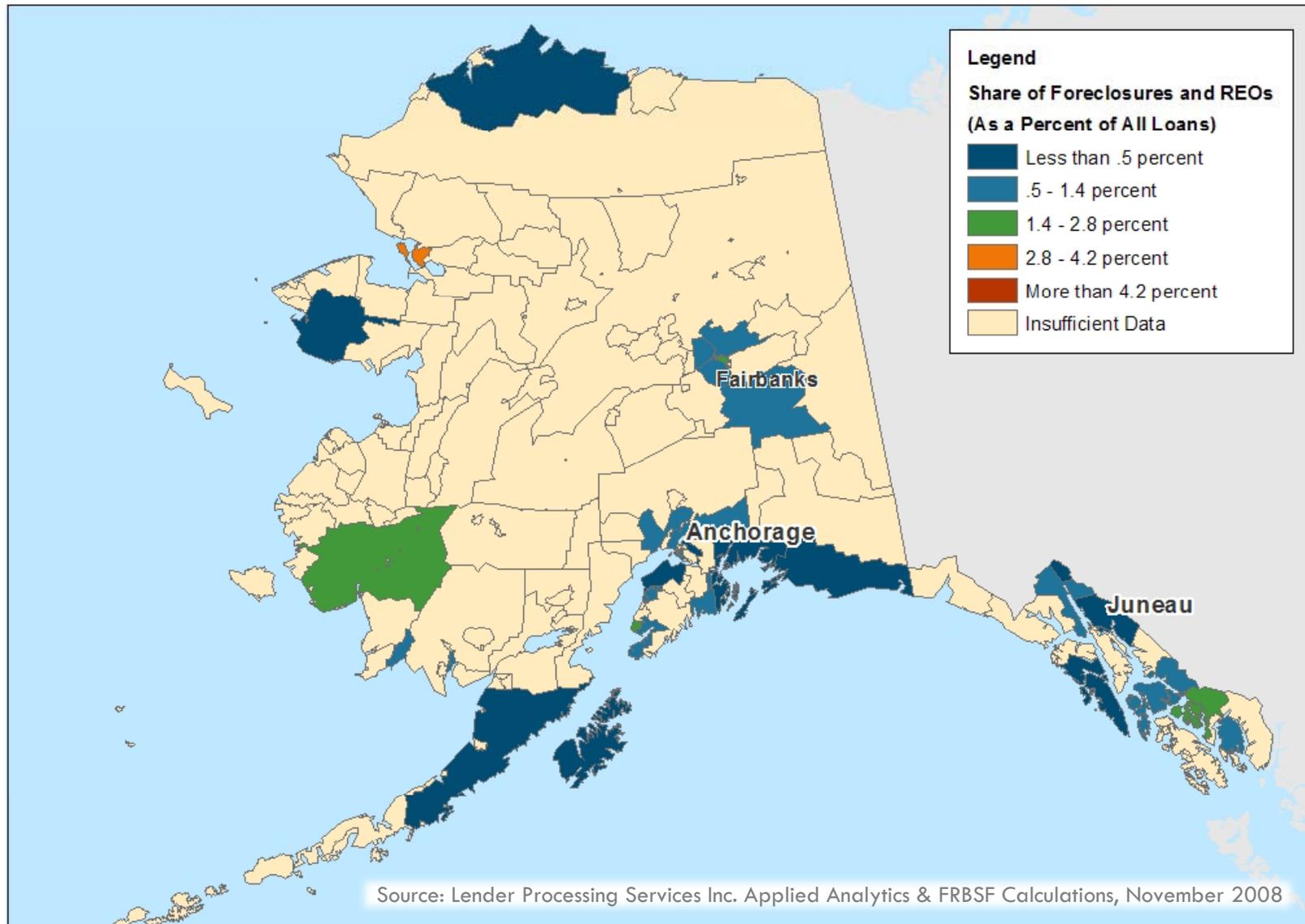
Areas Affected by Concentrated Foreclosures

September 2007



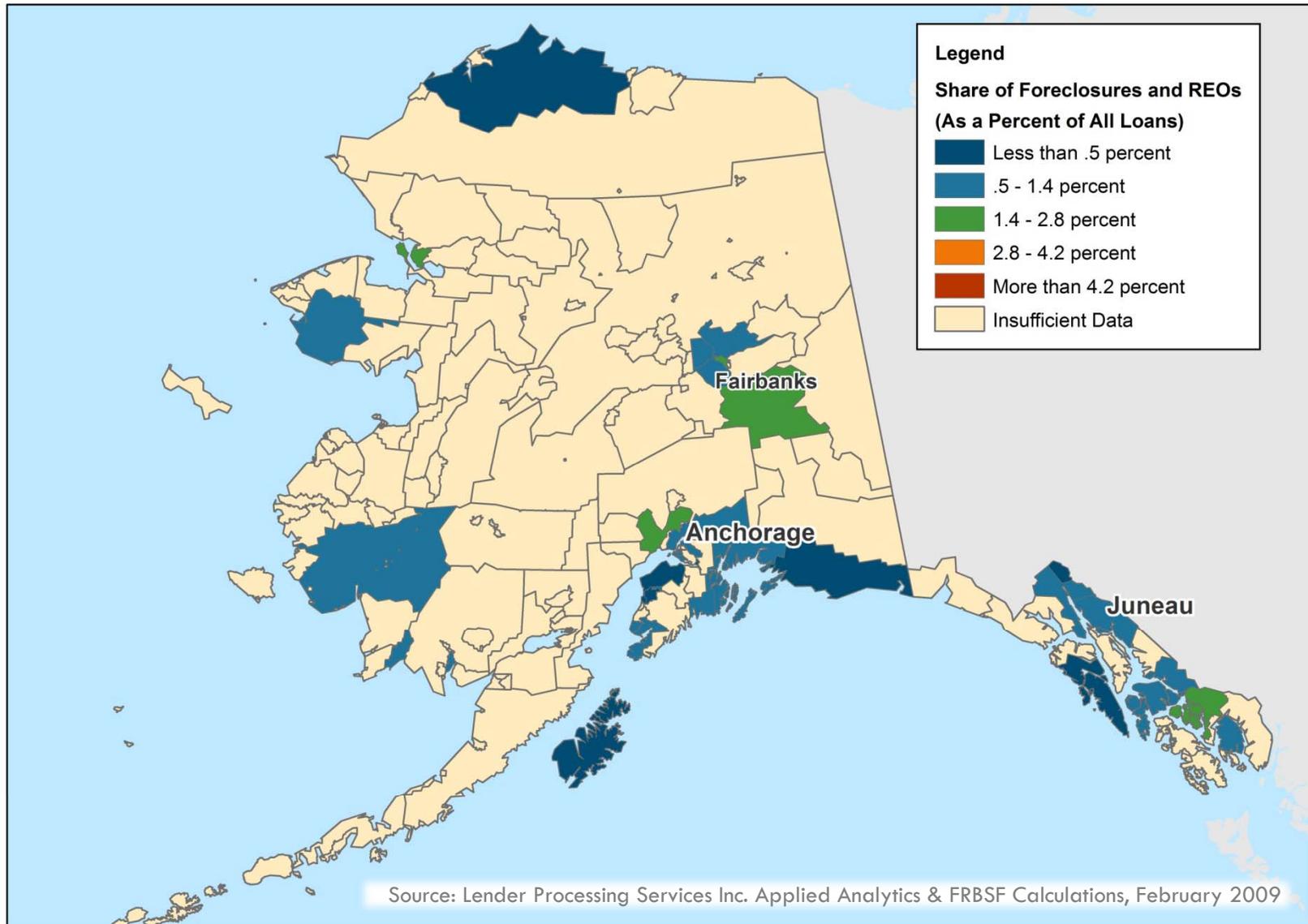
Areas Affected by Concentrated Foreclosures

November 2008



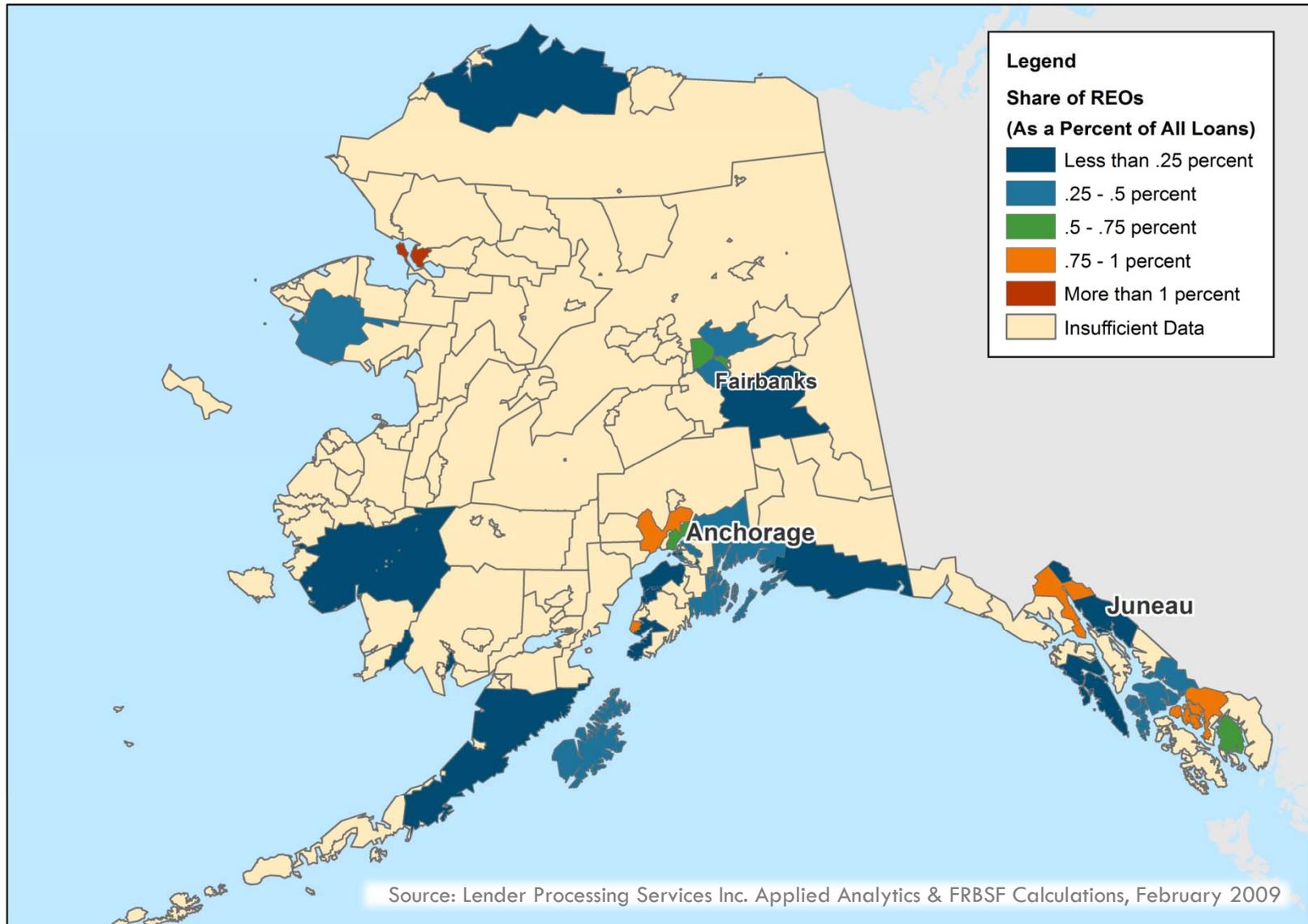
Areas Affected by Concentrated Foreclosures

February 2009



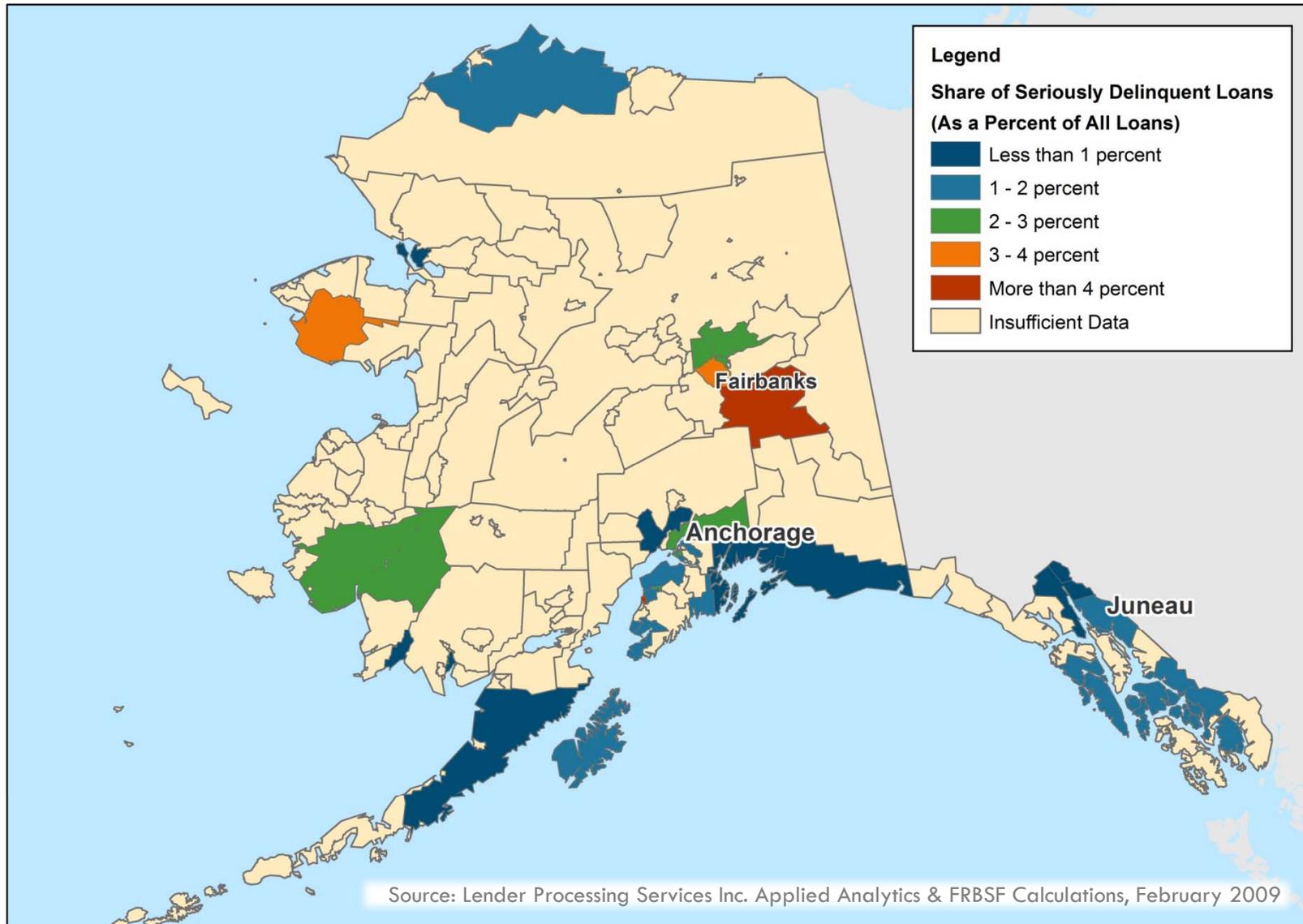
Areas with Concentrations of REO Properties

February 2009



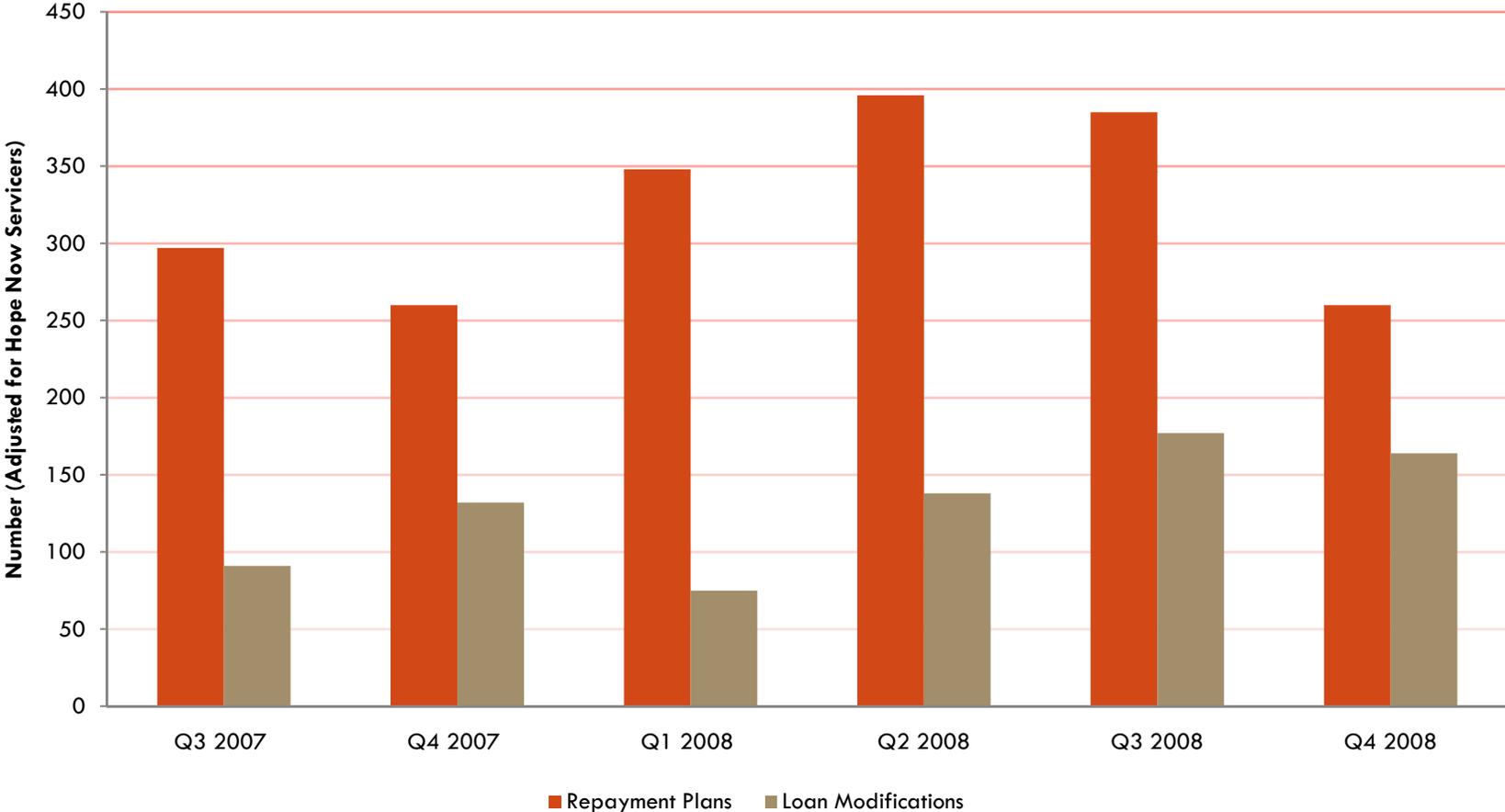
Areas at Risk of Additional Foreclosures

February 2009



Loan Modifications as Share of Loan Workouts Have Increased

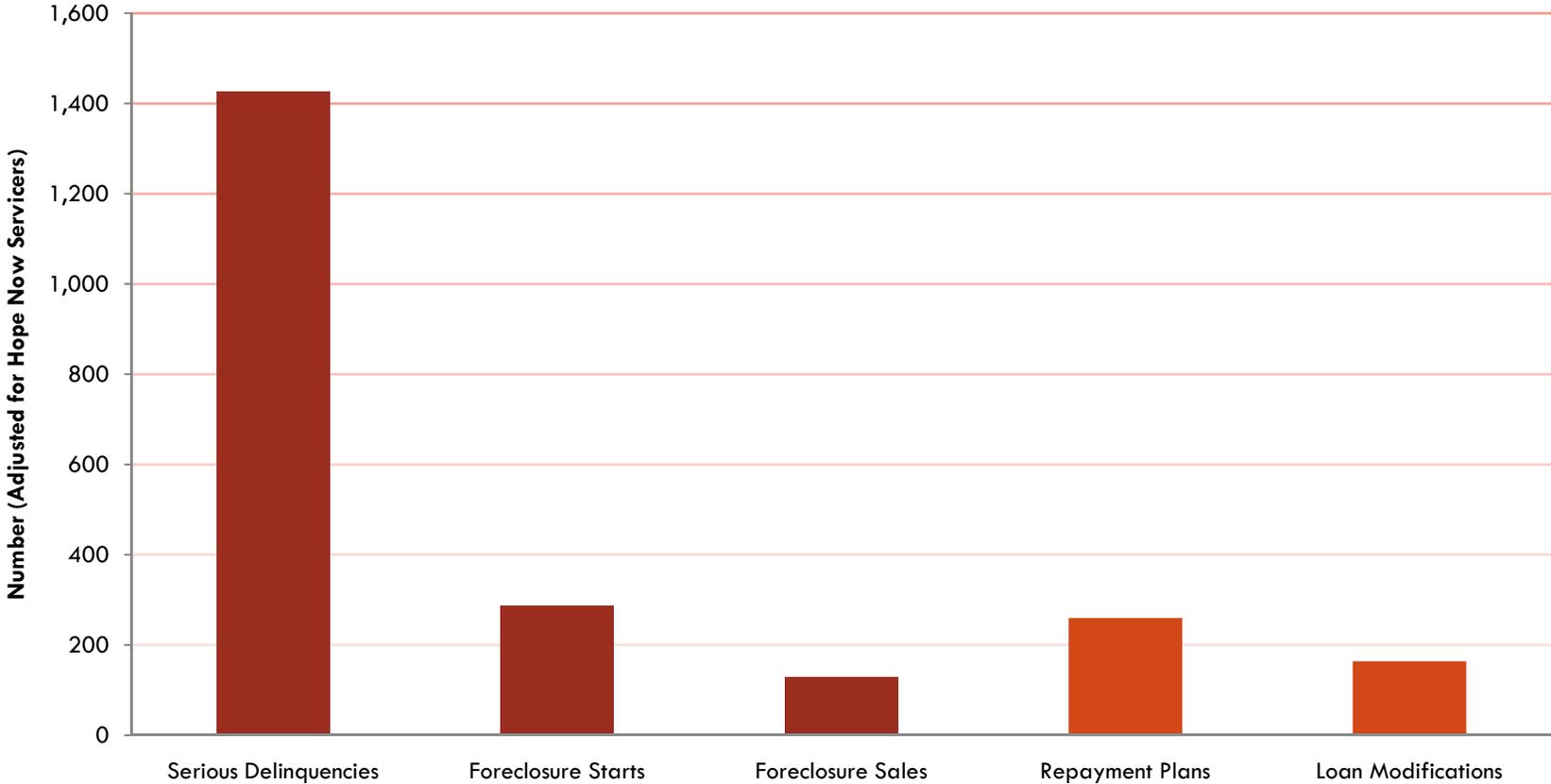
Alaska Loan Workouts



Source: Hope Now Alliance Servicing Data, 4th Quarter 2008

Yet, Workouts Still Fall Short of Need

**Foreclosure & Delinquencies v. Loan Workouts in Alaska
4th Quarter 2008**



Source: Hope Now Alliance Servicing Data, 4th Quarter 2008

So far, Alaska has been Largely Insulated from Foreclosure Crisis



- Concerns that if house prices fall further, it will prompt greater borrower distress and possible foreclosures
 - ▣ Fairbanks area appears to be most vulnerable to these dynamics
- Learning from other efforts to reach distressed borrowers and modify loans now could help to prevent additional foreclosures in Alaska
 - ▣ Added benefit of helping to stabilize neighborhoods and minimize spillover effects on nearby property values

Conclusions

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- Multi-pronged strategy is needed to stem foreclosure crisis
- 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

The screenshot shows the homepage of the Federal Reserve Bank of San Francisco's Community Development website. The header includes the bank's name and navigation links for 'Careers', 'Fed Links', and 'Subscriptions'. A secondary navigation bar lists various departments: 'About the Fed', 'News and Events', 'Economic Research and Data', 'Educational Resources', 'Community Development', 'Consumer Information', 'Banking Information', and 'Services for Financial Institutions'. Below this, there are links for 'Home', 'Community Reinvestment Act (CRA)', 'Community Development Issues', 'Center for Community Development Investments', 'Events and Conferences', 'Publications', and 'About Us'. The main content area is titled 'COMMUNITY DEVELOPMENT' and features a 'Highlights' section with three articles: 'Focus on Community Development Policy' (Community Investments: Volume 20, Issue 3, 2008), 'The Enduring Challenge of Concentrated Poverty in America', and 'Foreclosure Resource Center'. To the right, there is a 'TOOL BOX' with links for 'Fed Links', 'Subscriptions', 'Publications', 'Search', 'Research Pubs', 'FAQ', 'Glossary', 'Site Map', 'Careers', and 'Email Us'. Below the tool box is a search bar and a 'POPULAR CONTENT' section listing 'Upcoming Events' such as 'Stabilizing Communities Series: Acquiring REOs in Compliance with NSP' and 'Innovative Financial Services for the Underserved - Research Conference'. At the bottom, there are sections for 'Programs and Information' including 'Community Reinvestment Act (CRA)', 'Events and Conferences', 'Community Development Issues', 'Publications', 'Center for Community Development Investments', and 'About Us'.

<http://www.frbsf.org/community/>