

# 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

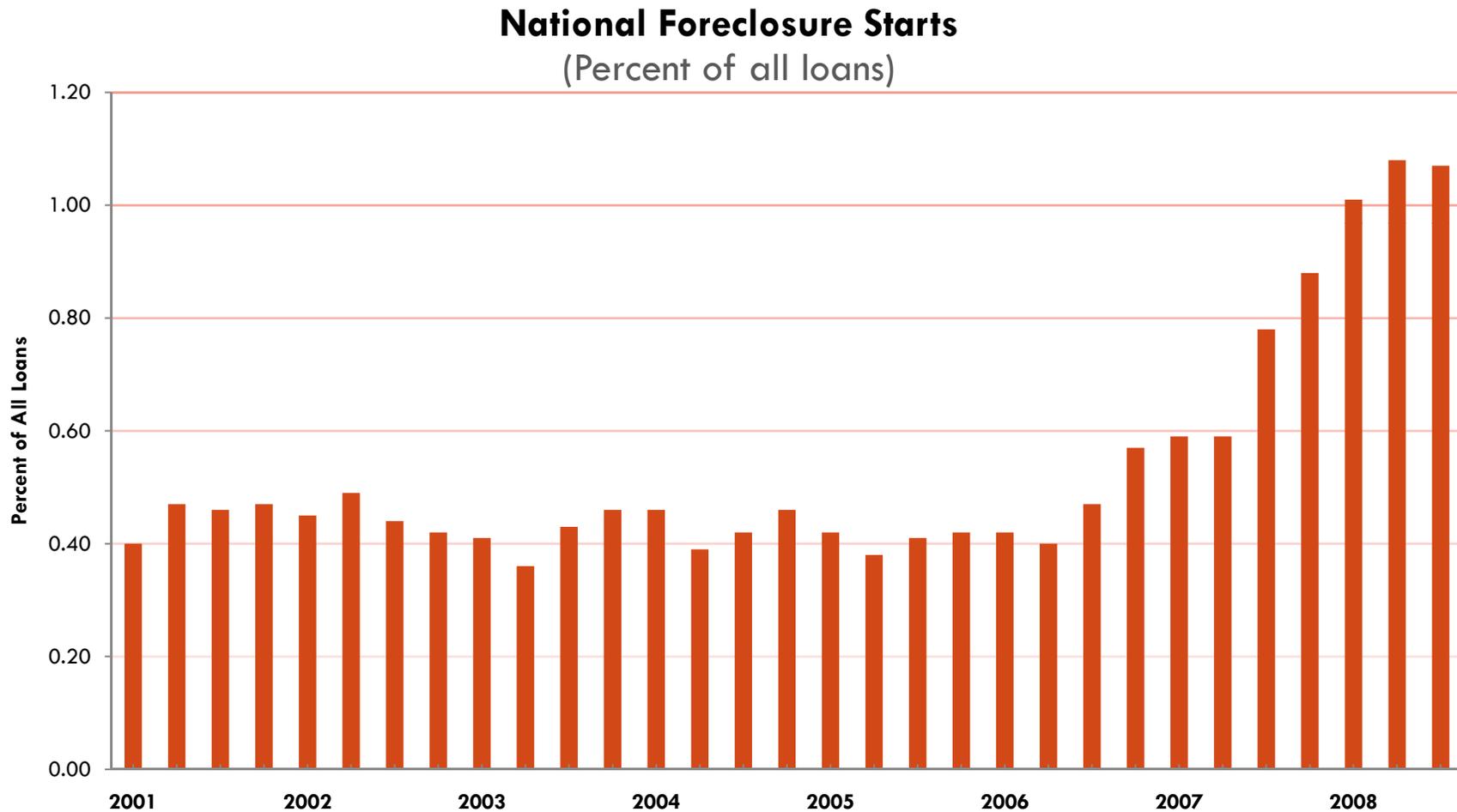
# National Trends

# National Trends



- Foreclosures rose steadily in 2008, with wide repercussions for US economy
  - A slight decline in the national foreclosure rate in the 3<sup>rd</sup> Quarter of 2008
- Factors driving foreclosures nationally
  - House price declines
  - Rising unemployment, coupled with turmoil in financial and credit markets, may further influence foreclosure rate going forward

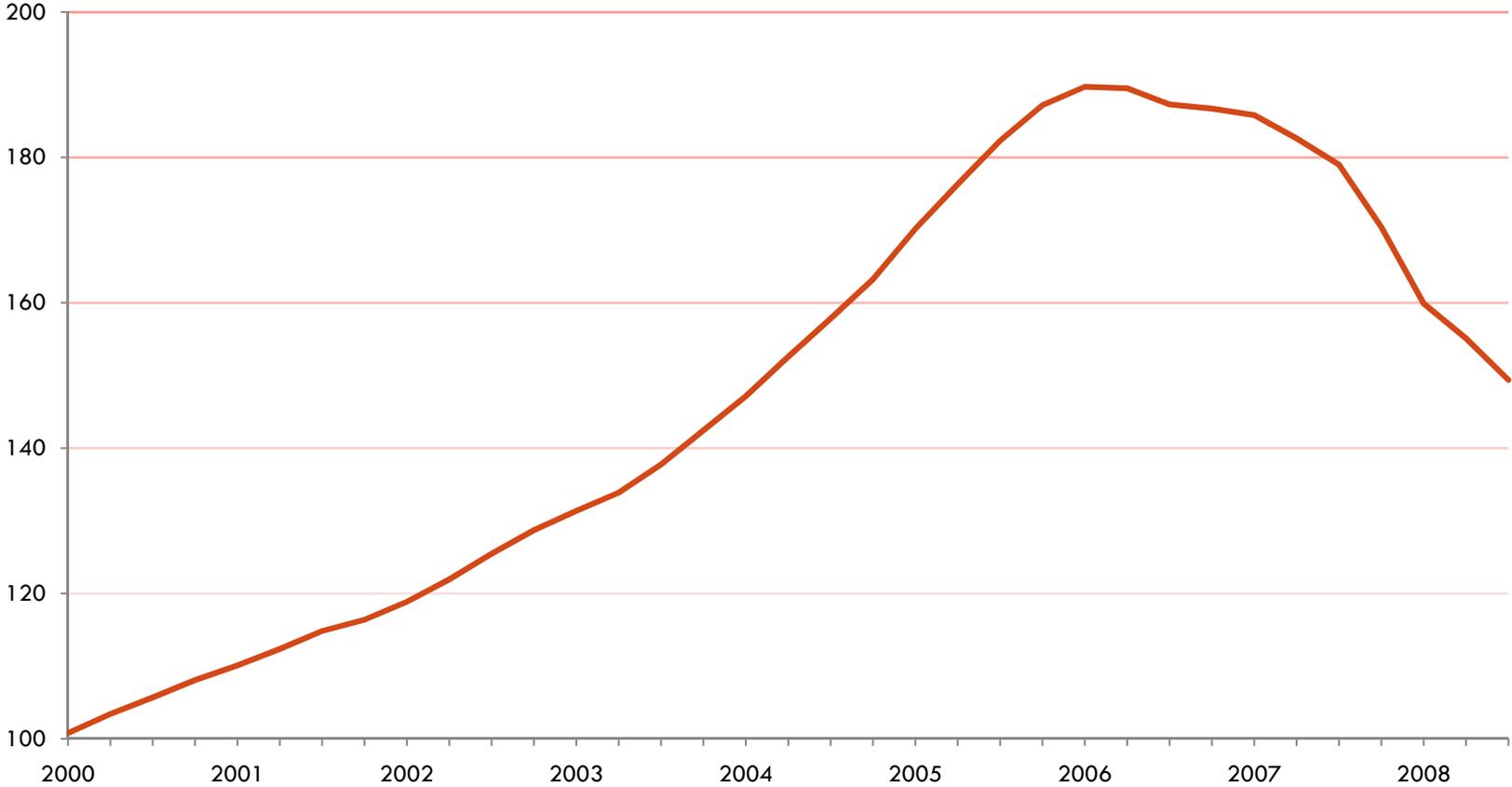
# After Steady Rise, National Foreclosure Starts Dipped Slightly in 3<sup>rd</sup> Quarter of 2008



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

# Nationally, House Prices Continue to Decline

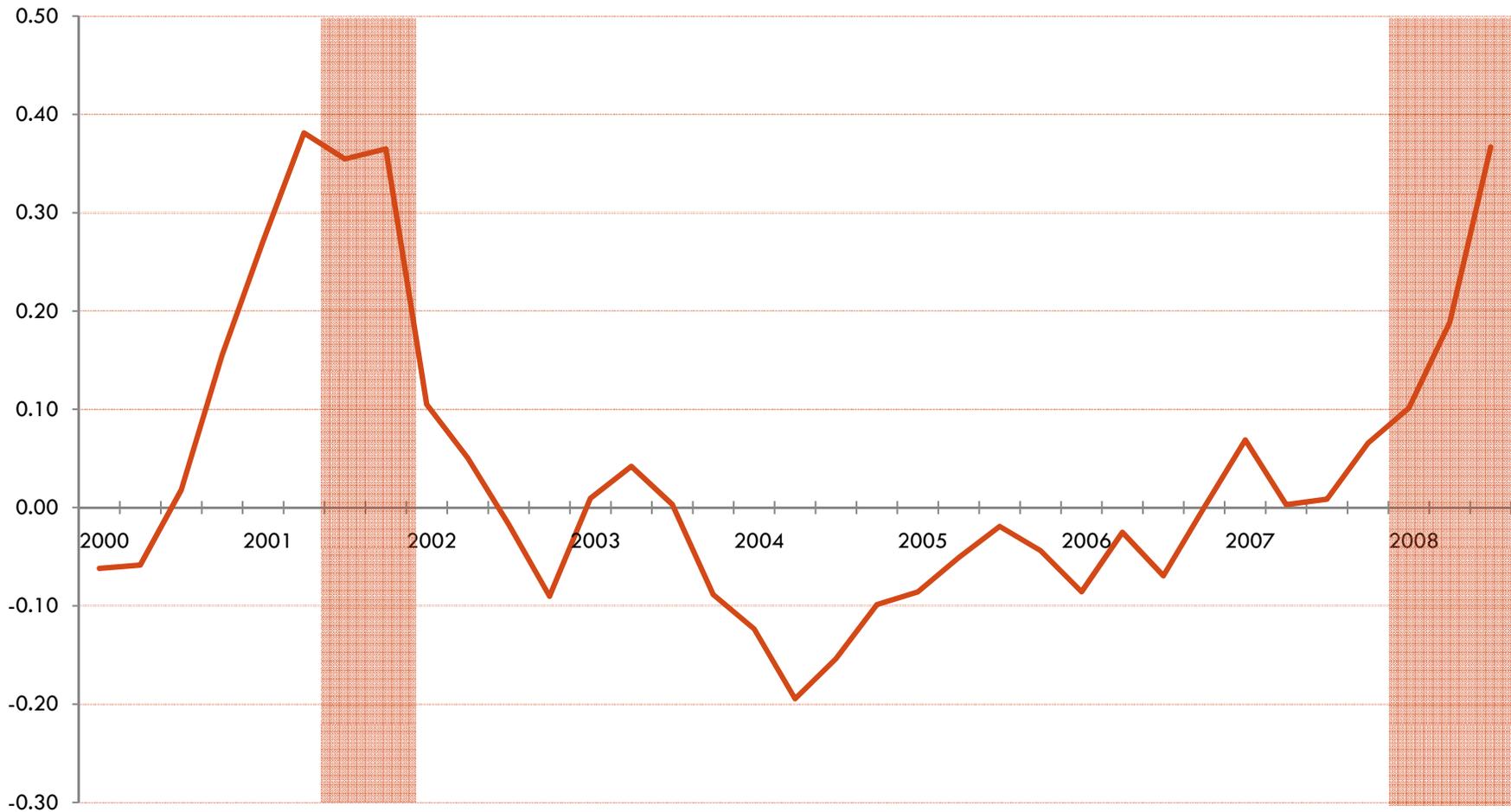
**Case-Shiller National House Price Index**  
(2000 = 100, quarterly)



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

# Recession Marks Significant Jump in National Unemployment Insurance Claims

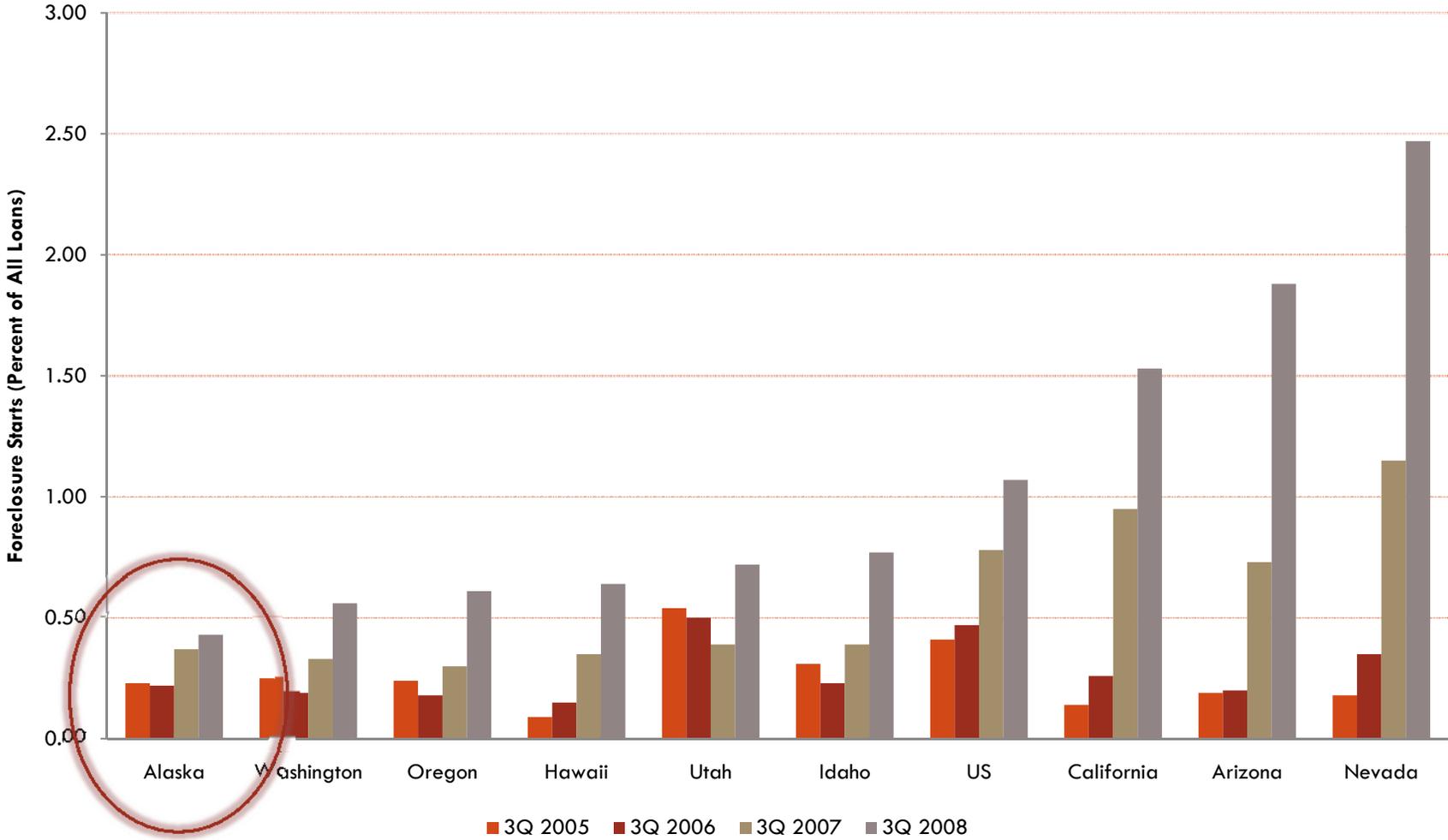
**National Unemployment Insurance Claims, Percent Change Year-over-Year**



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

# Alaska Trends

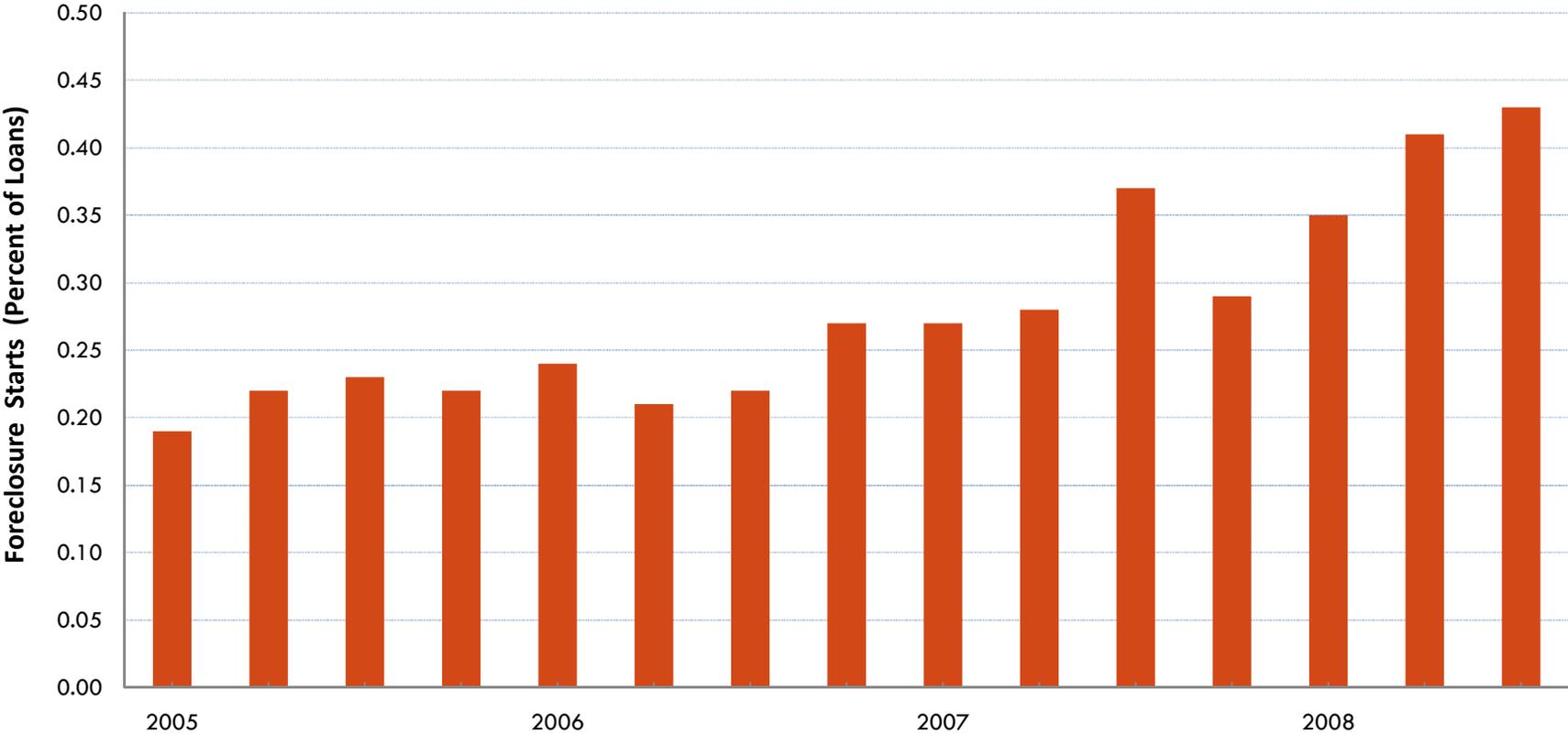
# Foreclosures in Alaska Have Risen, but Still Below US Average



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

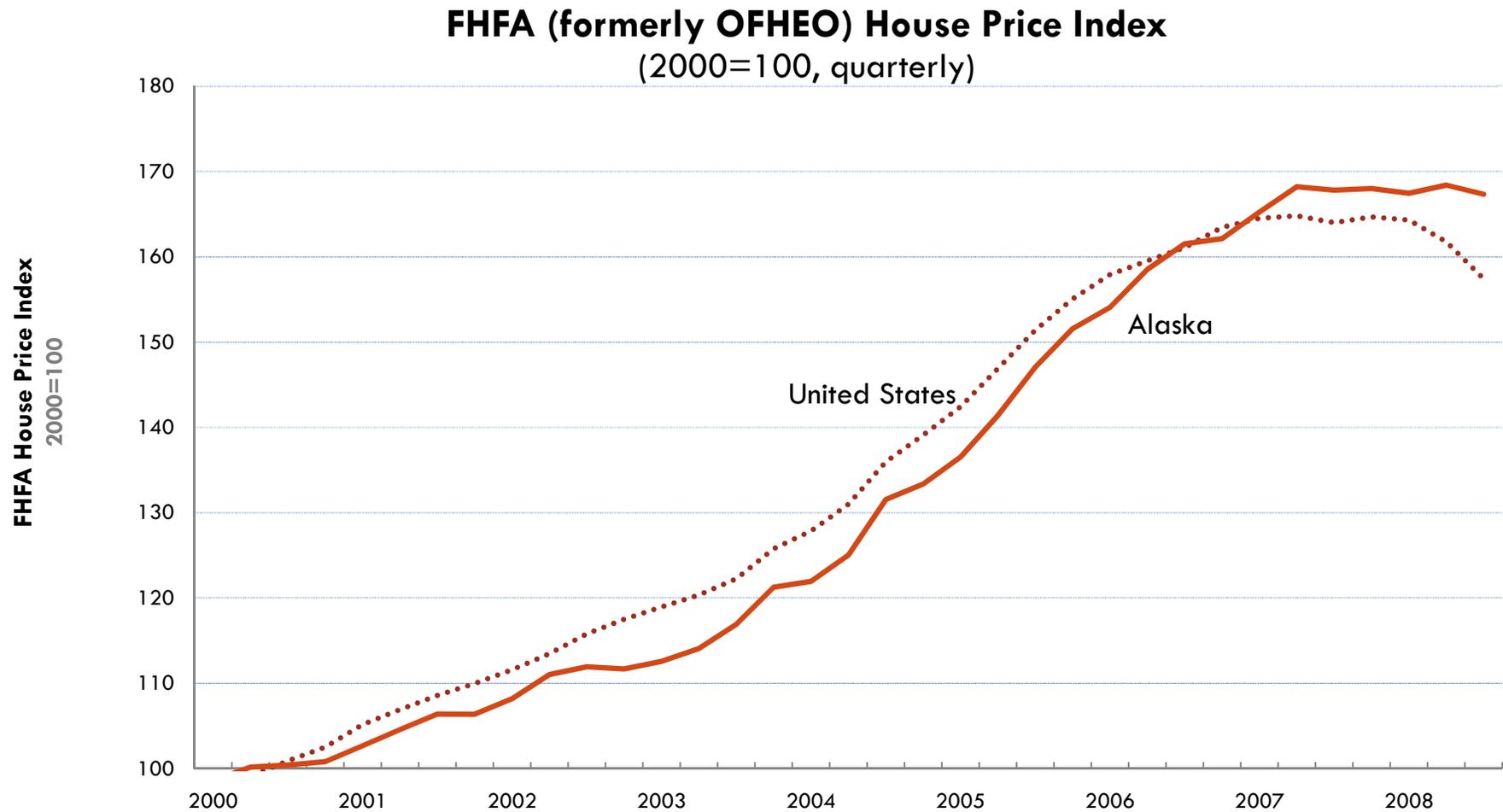
# Yet Unlike National Trends, Alaska Saw a Small Increase in Foreclosure Starts in 3<sup>rd</sup> Quarter 2008

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



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

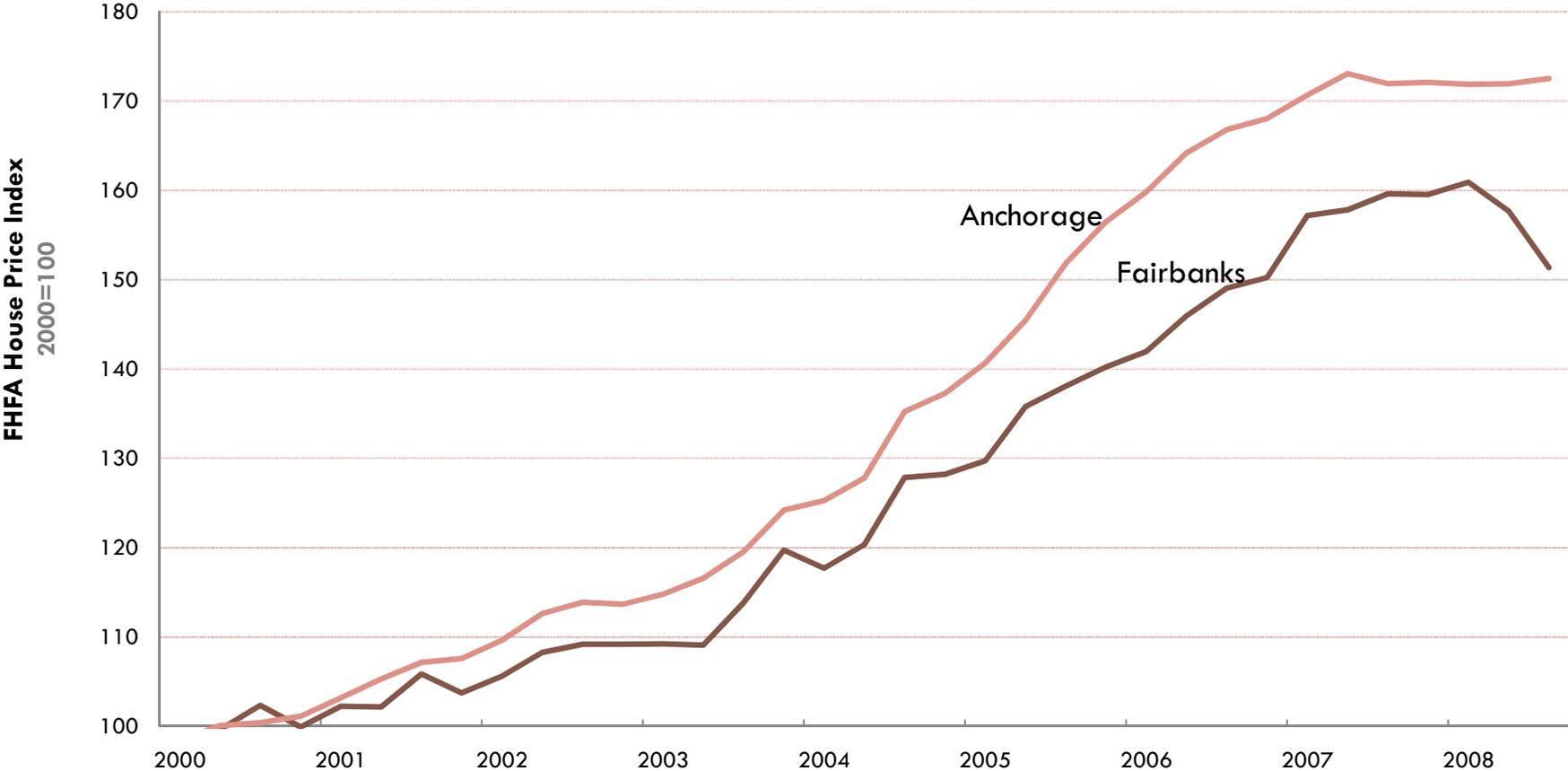
# Alaska's Real Estate Market is Starting To Flatten



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

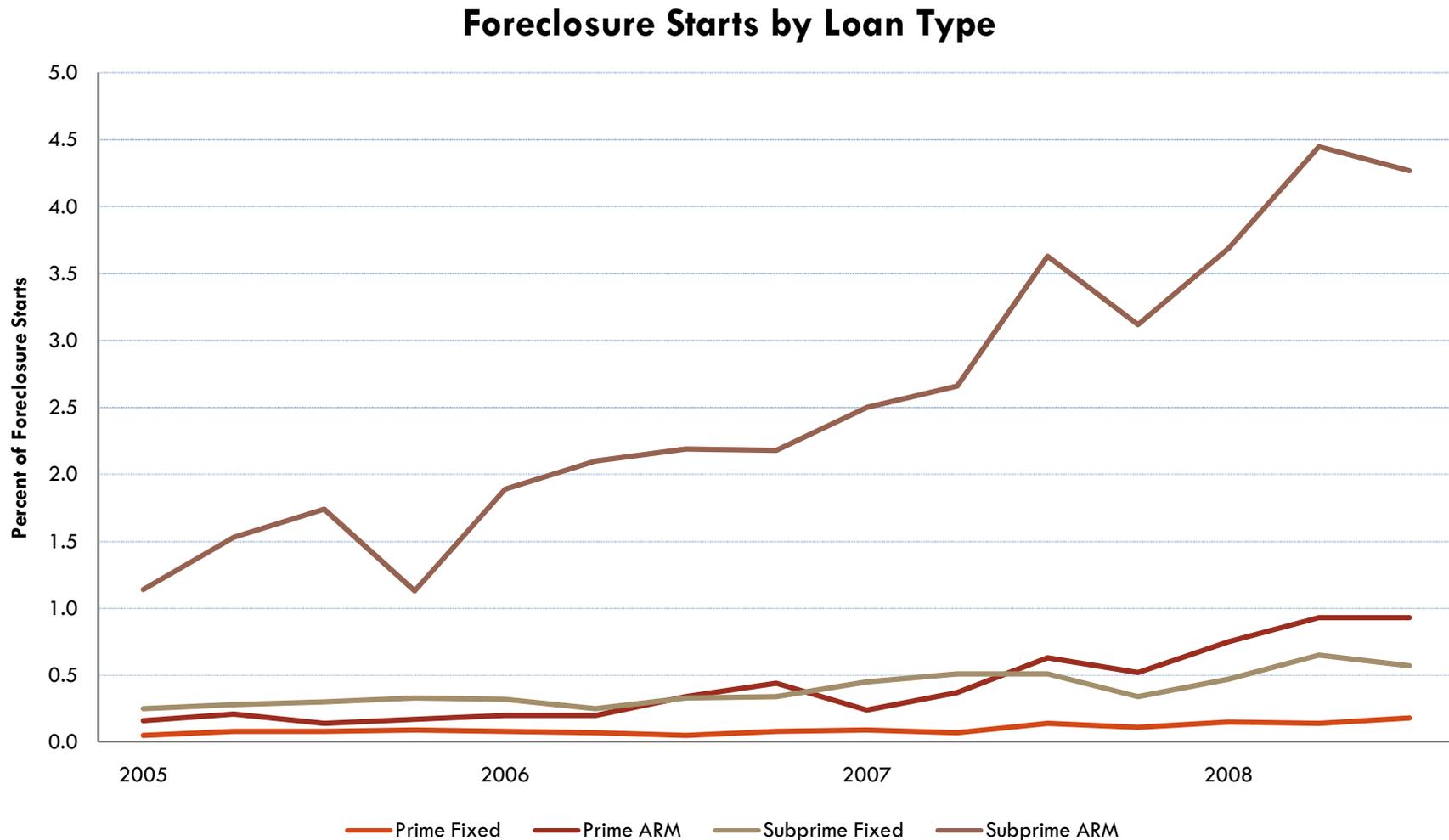
# At Metro Level, Fairbanks Experiencing Greatest Declines in House Values

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



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

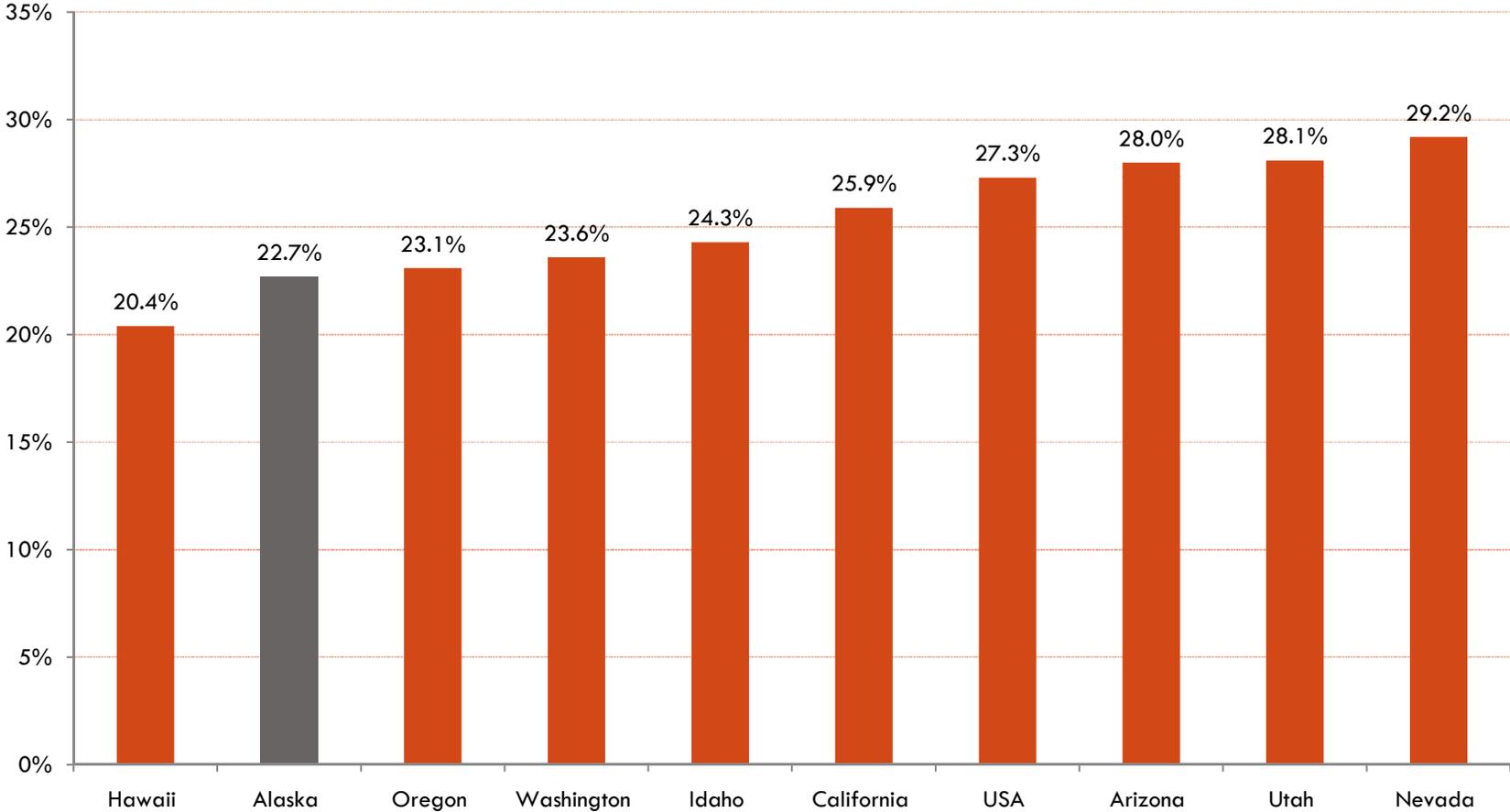
# Alaska's Foreclosures are Concentrated in Subprime ARM Market



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

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

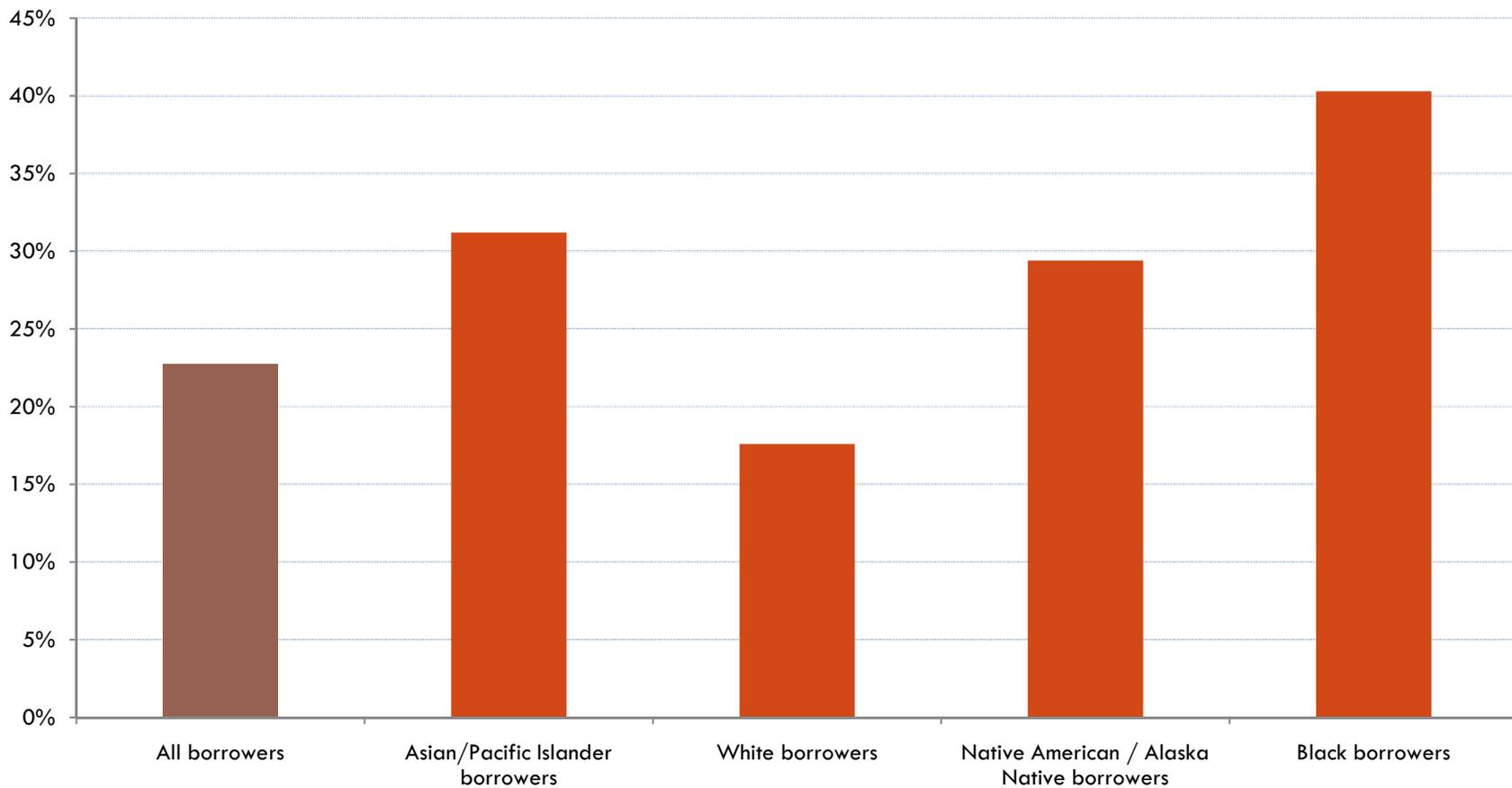
**Percent of All Borrowers with High Interest Conventional Loans, 2005**



Source: Home Mortgage Disclosure Act Data, 2005

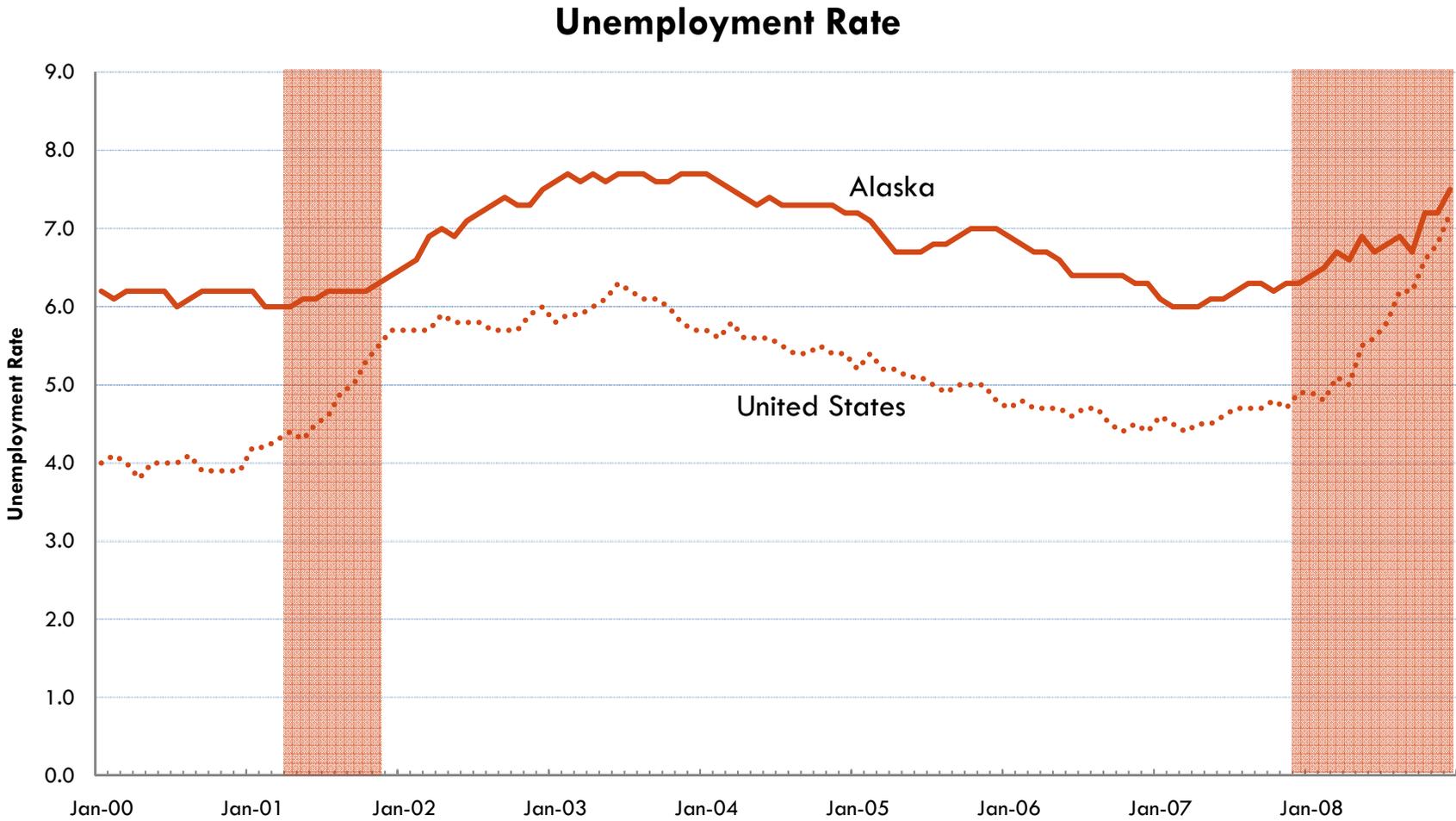
# High Cost Lending in Alaska More Prevalent Among Some Minority Groups

**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, December 2008

# Employment Trends by Industry in Alaska

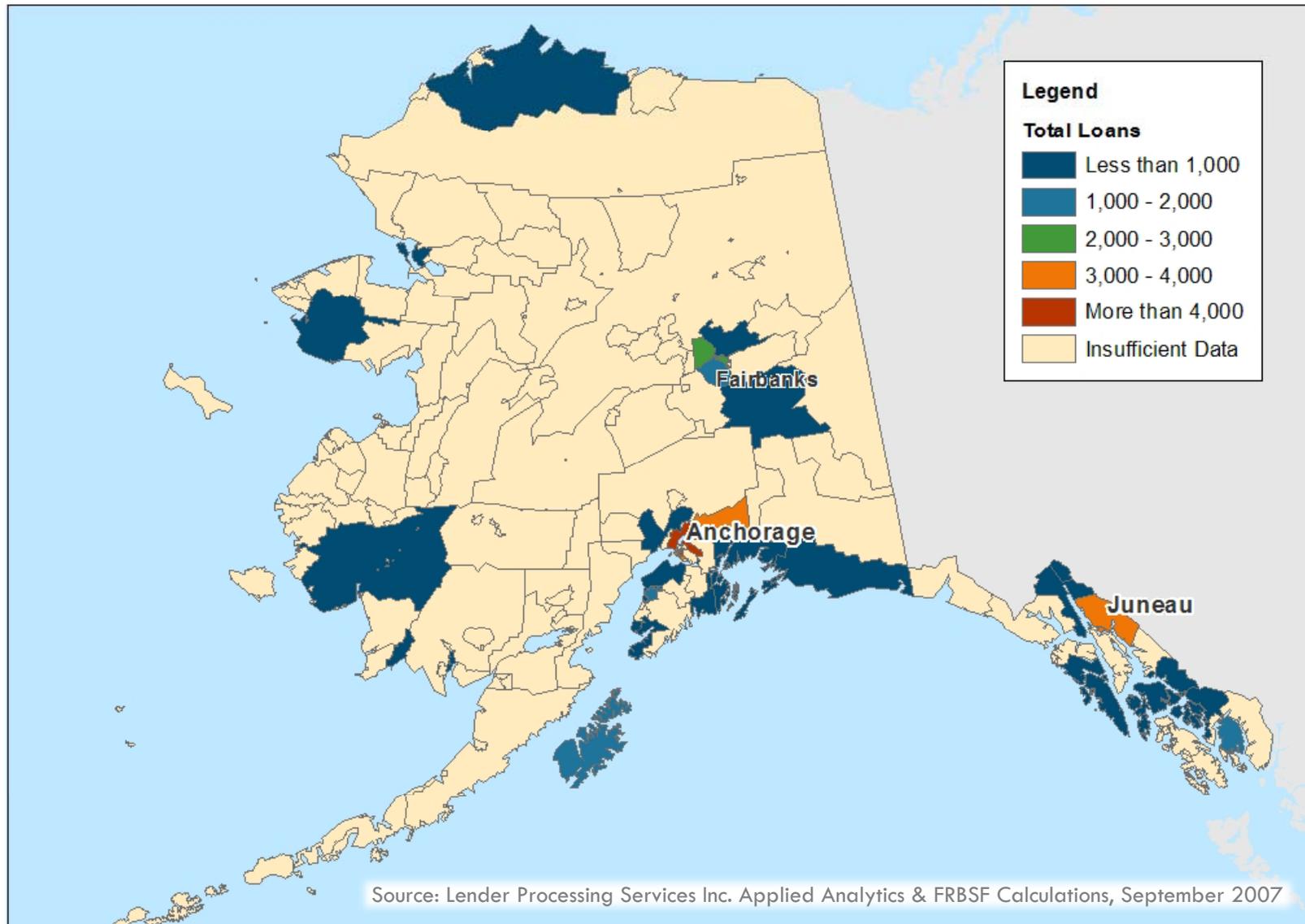
Alaska	Total Employed (thousands)	Percent Change		
		1-mo.*	3-mo.*	12-mo.
	Dec-08			
Total	320.2	-5.5	1.8	0.9
Government	82.5	-4.3	0.0	1.2
Trade, Transportation & Utilities	64.6	-5.4	5.1	0.9
Educational & Health Svcs.	37.3	-6.2	1.1	1.6
Leisure & Hospitality	31.5	-3.7	-1.3	-0.9
Professional & Business Svcs.	25.3	-4.6	-6.1	2.0
Construction	17.2	15.1	4.8	-0.6
Natural Resources & Mining	15.5	8.1	11.0	8.4
Financial Activities	14.6	-7.9	2.8	-1.4
Manufacturing	13.1	-46.5	3.1	-5.1
Other Services	11.6	0.0	3.5	0.9
Information	7.0	0.0	5.9	1.4

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

# Alaska Foreclosure Data Maps

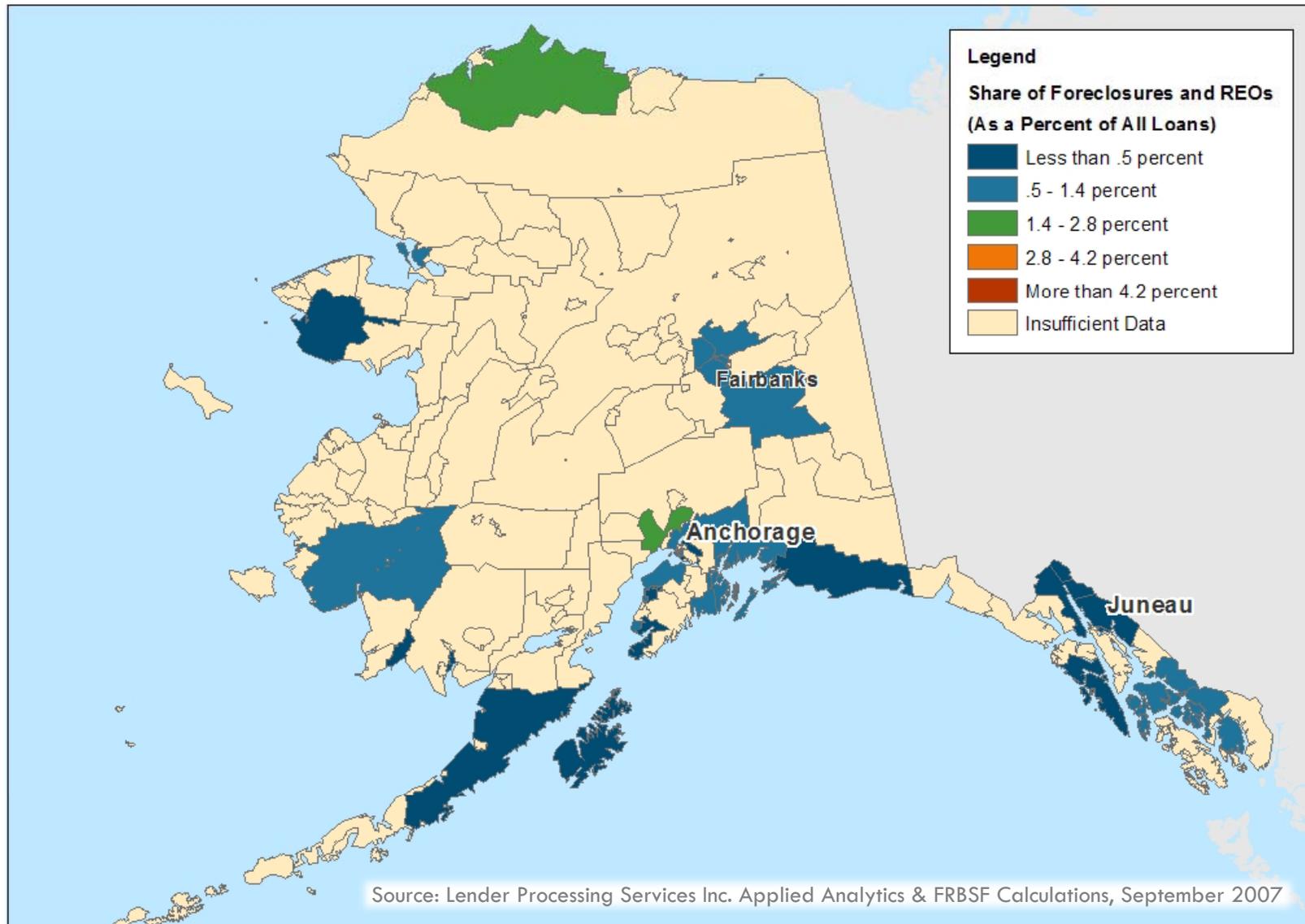
# Distribution of Lending Volumes

September 2007



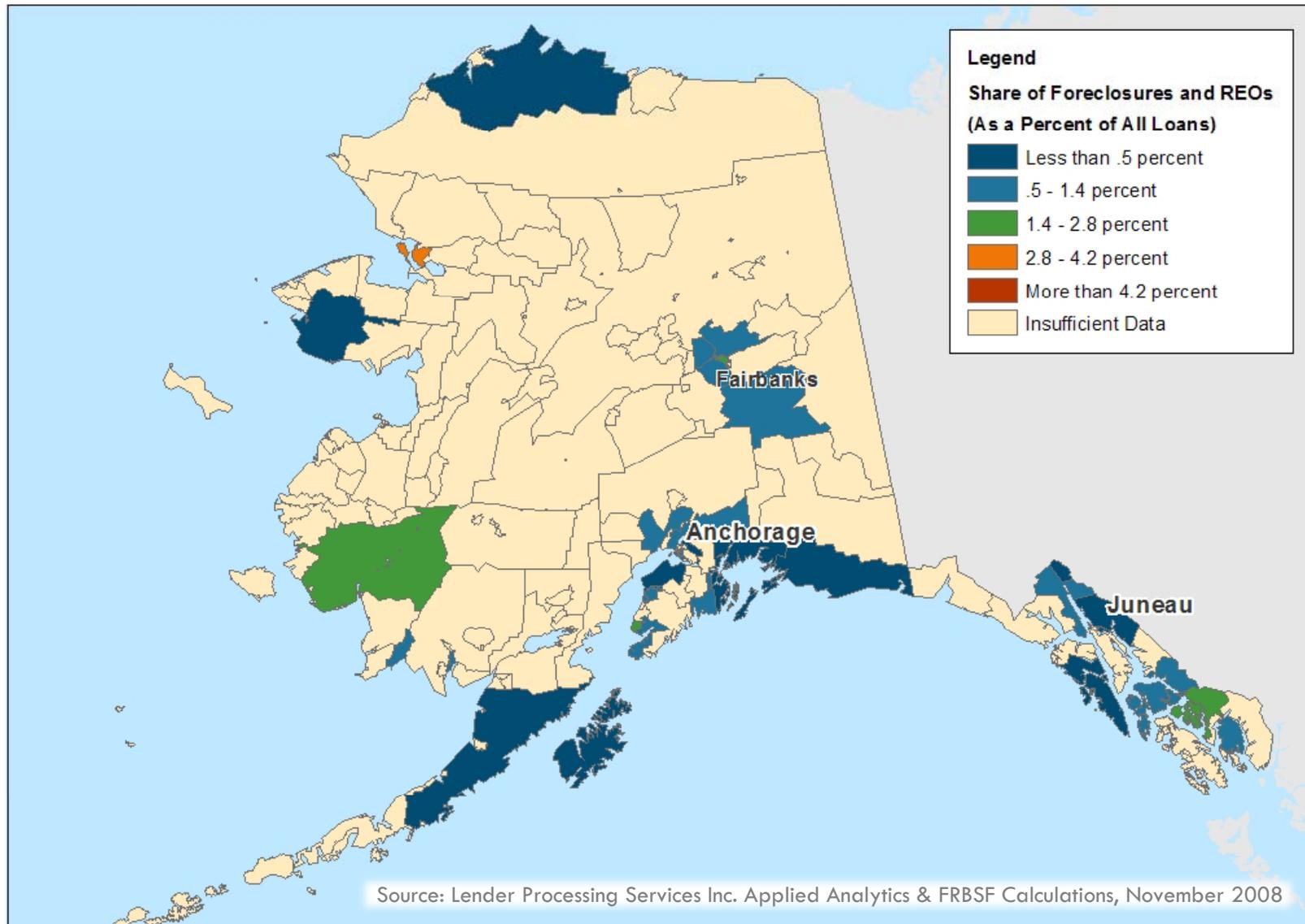
# Areas Affected by Concentrated Foreclosures

September 2007



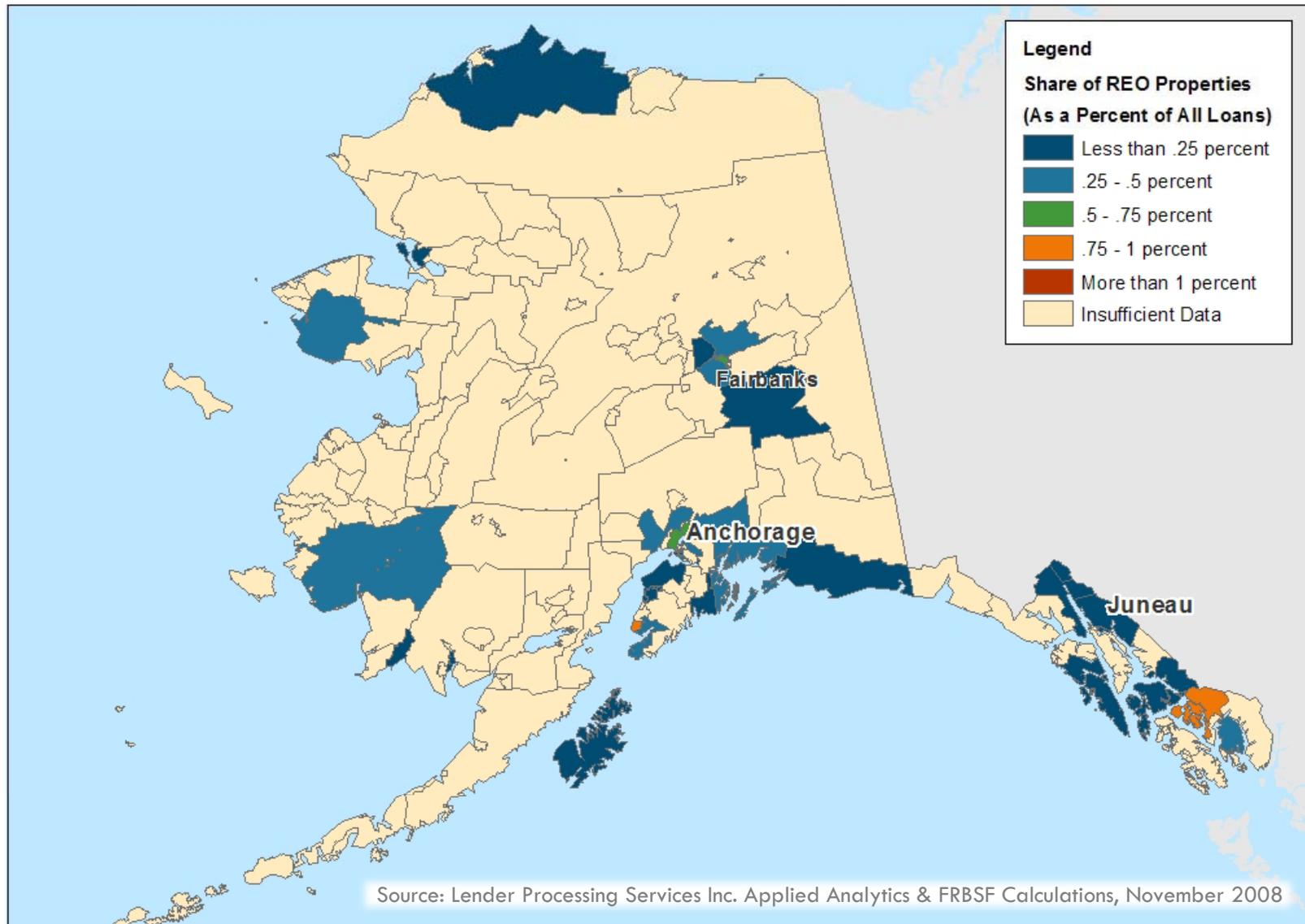
# Areas Affected by Concentrated Foreclosures

November 2008



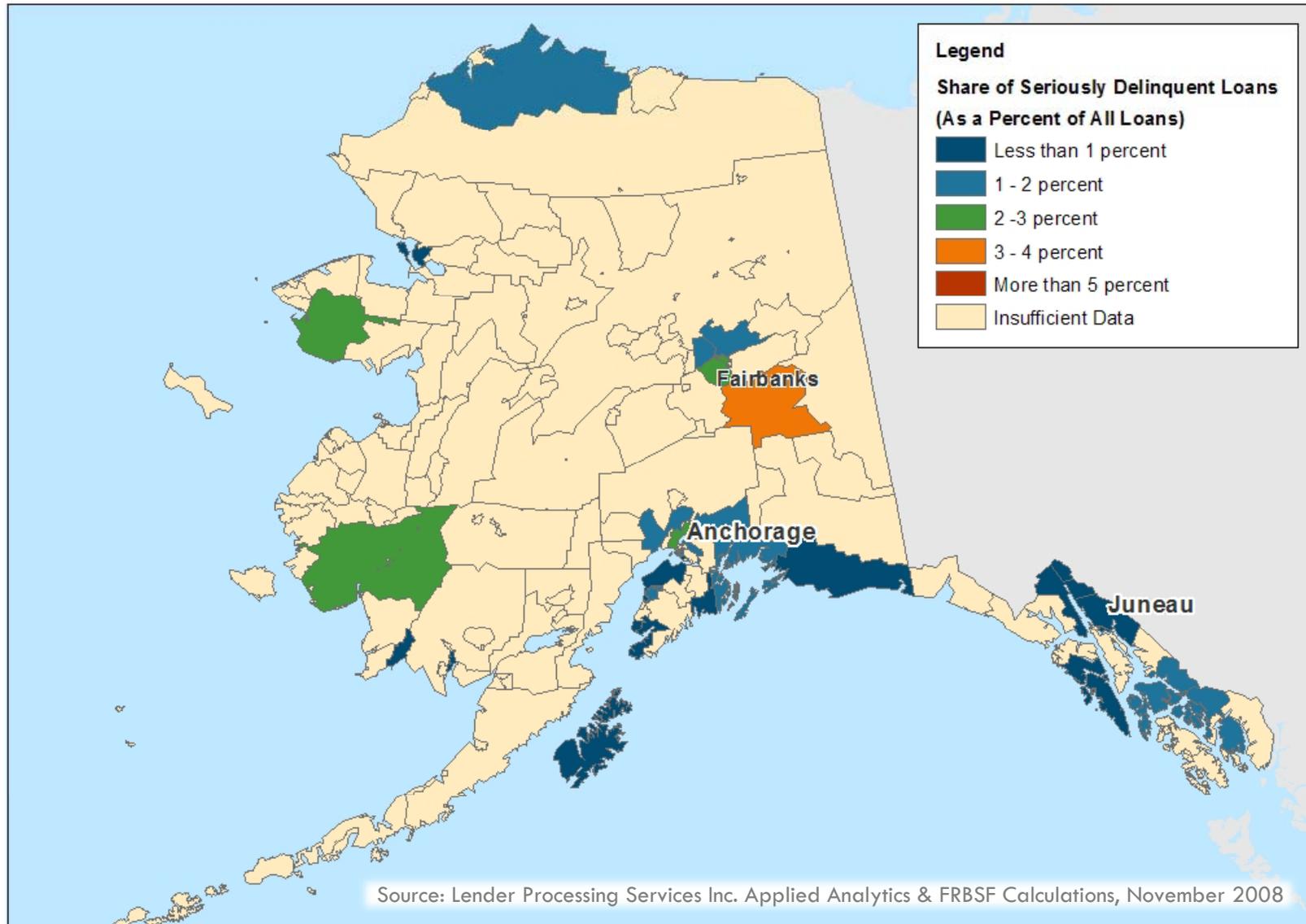
# Areas with Concentrations of REO Properties

November 2008



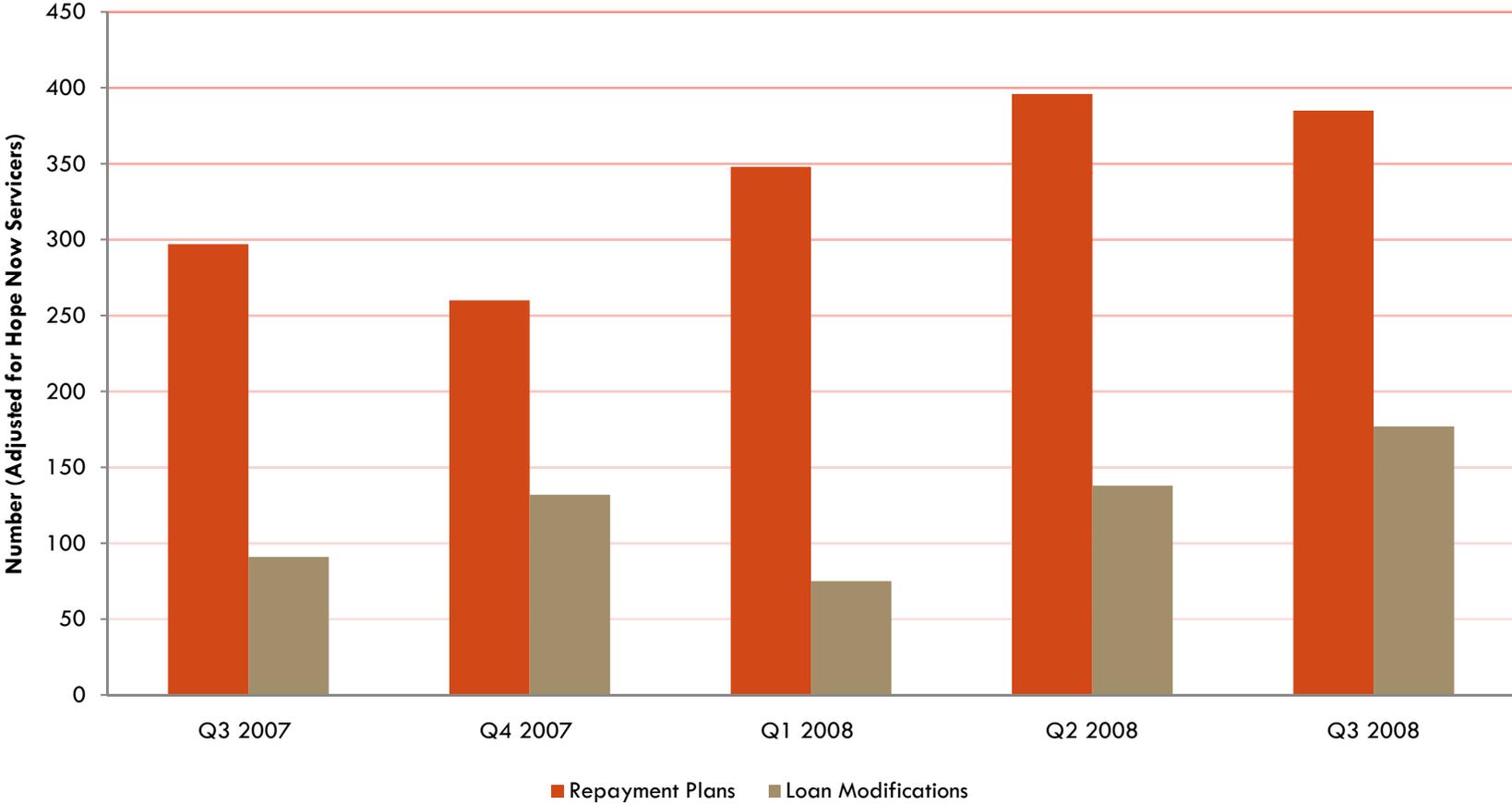
# Areas at Risk of Additional Foreclosures

November 2008



# Loan Modifications as Share of Loan Workouts Have Increased

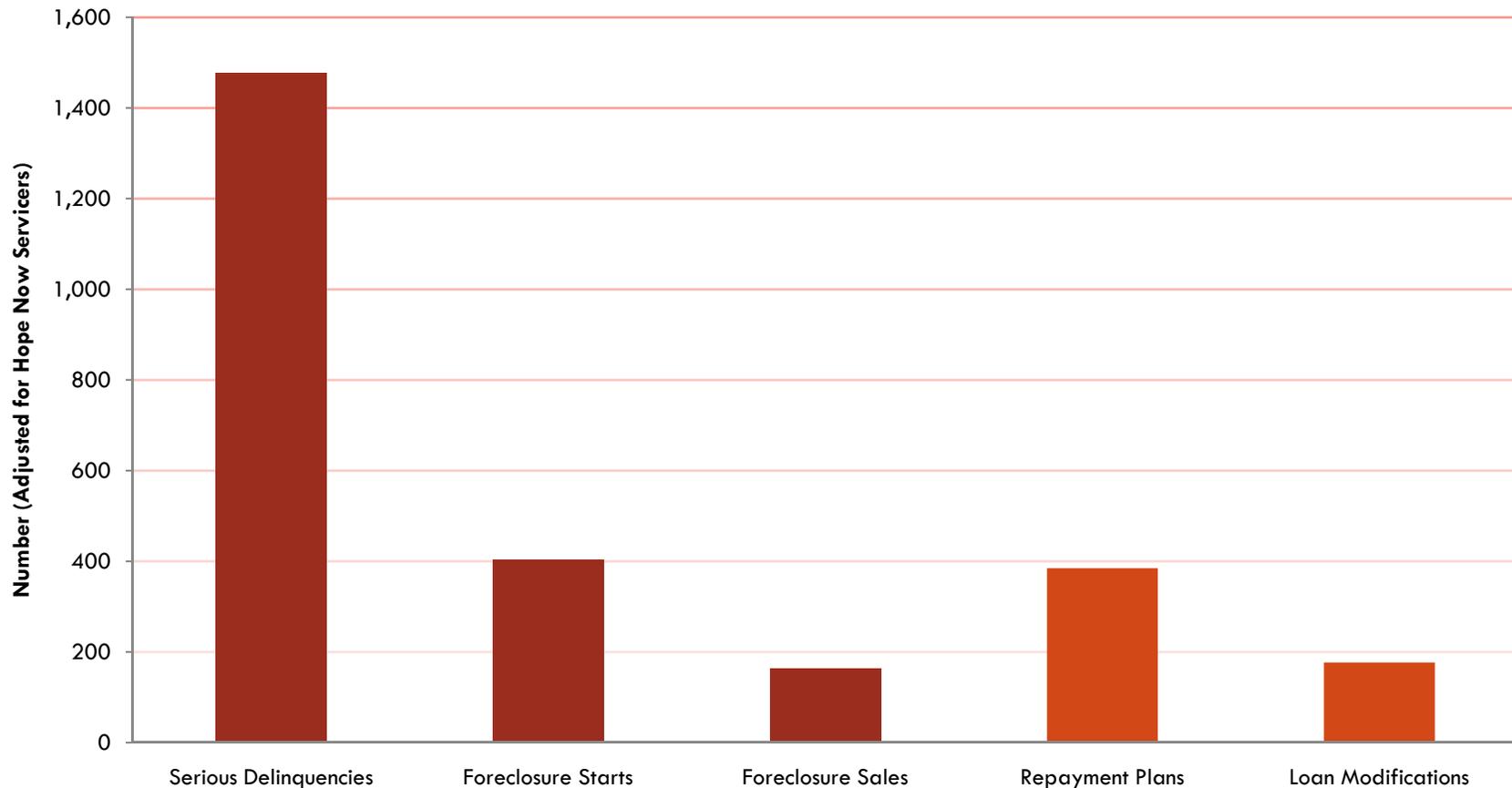
### Alaska Loan Workouts



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

# Yet, Workouts Still Fall Short of Need

## Foreclosure & Delinquencies v. Loan Workouts in Alaska 3rd Quarter 2008



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

# So far, Alaska has been Largely Insulated from Foreclosure Crisis

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- 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](http://www.995hope.org)

# Conclusions



- Other strategies that can help to mitigate the negative impacts of foreclosure on families and neighborhoods
  - ▣ Addressing vacant properties: ensuring that servicers maintain properties
  - ▣ REO property disposition: return REO properties into productive use, affordable housing
  - ▣ Ensuring continued access to credit and homeownership: credit repair, financial education, responsible lending

# For More Information: FRBSF Community Development Website

- Links to other resources and research on foreclosure trends and mitigation strategies
- All publications, presentations available on our website
- Conference materials also posted shortly after events

The screenshot shows the FRBSF Community Development website. The header includes the Federal Reserve Bank of San Francisco logo and navigation links. The main content area is titled 'COMMUNITY DEVELOPMENT' and features a 'Highlights' section with three articles: 'Focus on Community Development Policy', 'The Enduring Challenge of Concentrated Poverty in America', and 'Foreclosure Resource Center'. There are also sections for 'Programs and Information', 'Events and Conferences', 'Publications', and 'About Us'. A 'TOOL BOX' on the right side contains links for 'Fed Links', 'Subscriptions', 'Publications', 'Search', 'Research Pubs', 'FAQ', 'Glossary', 'Site Map', 'Careers', and 'Email Us'. A search bar and a 'POPULAR CONTENT' section are also visible.

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