

TRENDS IN DELINQUENCIES AND FORECLOSURES IN ARIZONA

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Federal Reserve Bank of San Francisco

Outline of Presentation

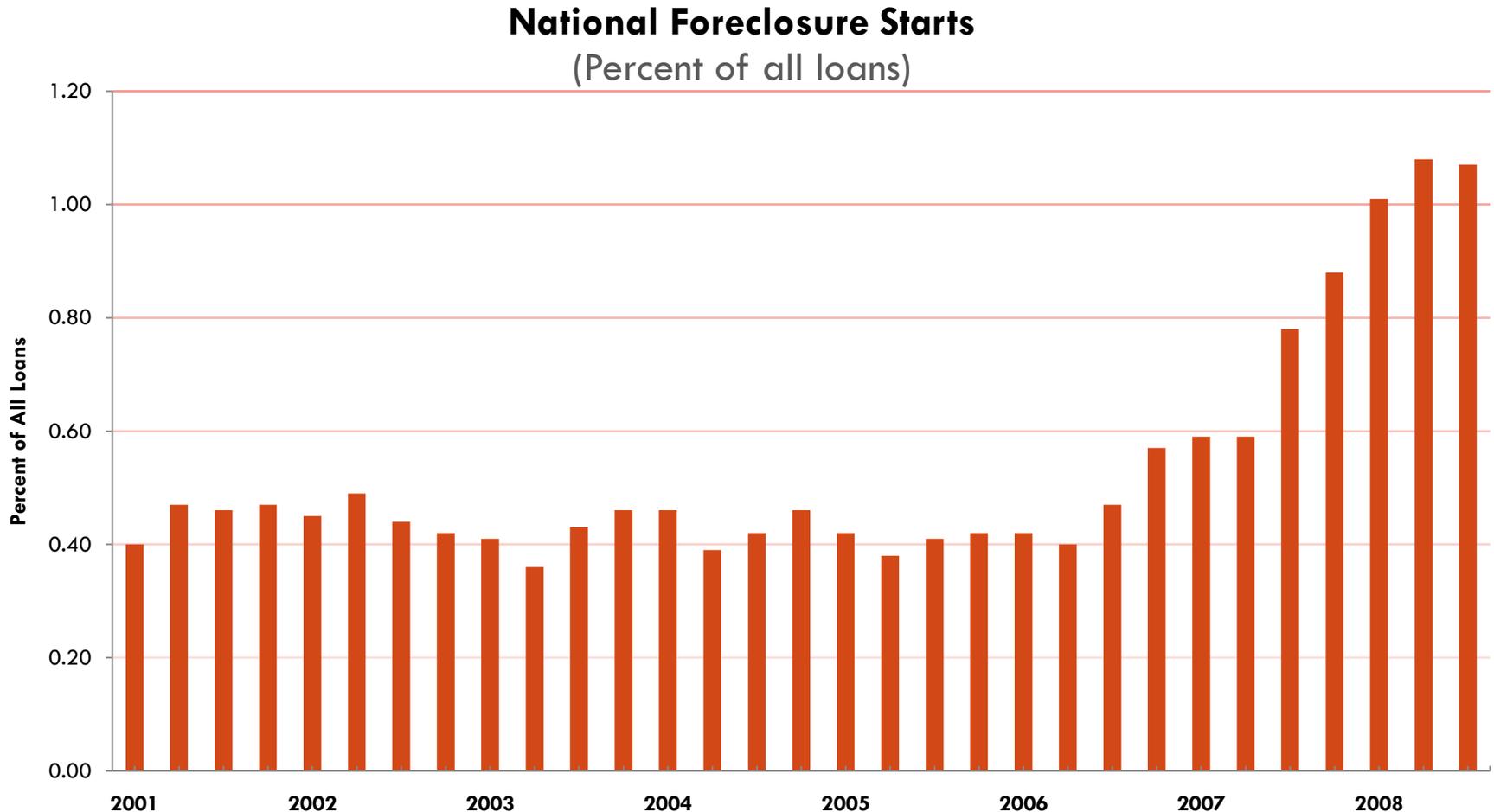
- National Trends
 - ▣ Rising foreclosures
 - ▣ House price declines
 - ▣ Rising unemployment
- Arizona
 - ▣ Trends in foreclosure
 - ▣ Housing market softening
 - ▣ Rising unemployment
 - ▣ Scale of loan modifications still falls short of need

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 3rd Quarter of 2008
- Factors driving foreclosures nationally
 - House price declines
 - Rising unemployment, coupled with turmoil in financial and credit markets, may further influence foreclosure rate going forward

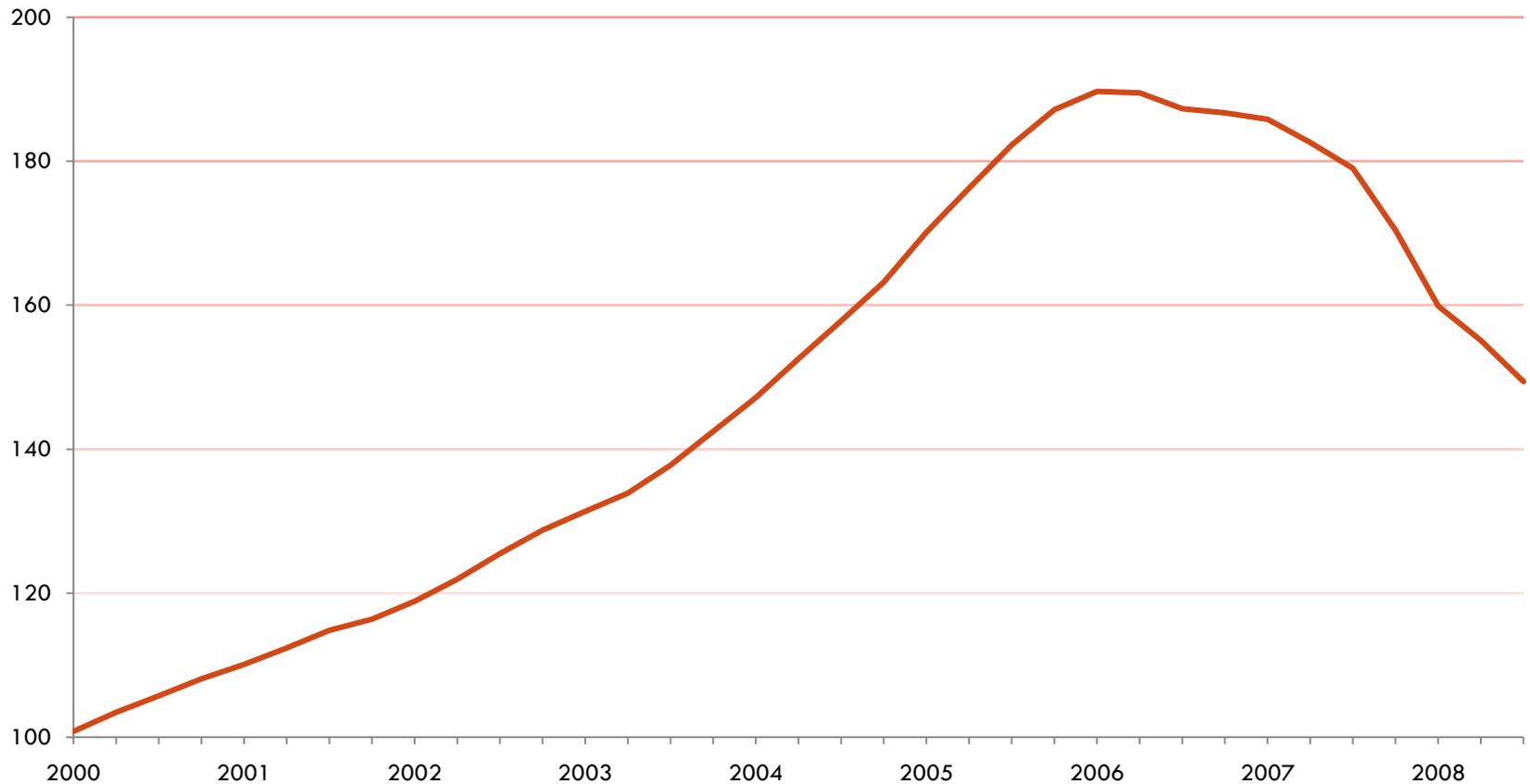
After Steady Rise, National Foreclosure Starts Dipped Slightly in 3rd Quarter of 2008



Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008

Nationally, House Prices Continue to Decline

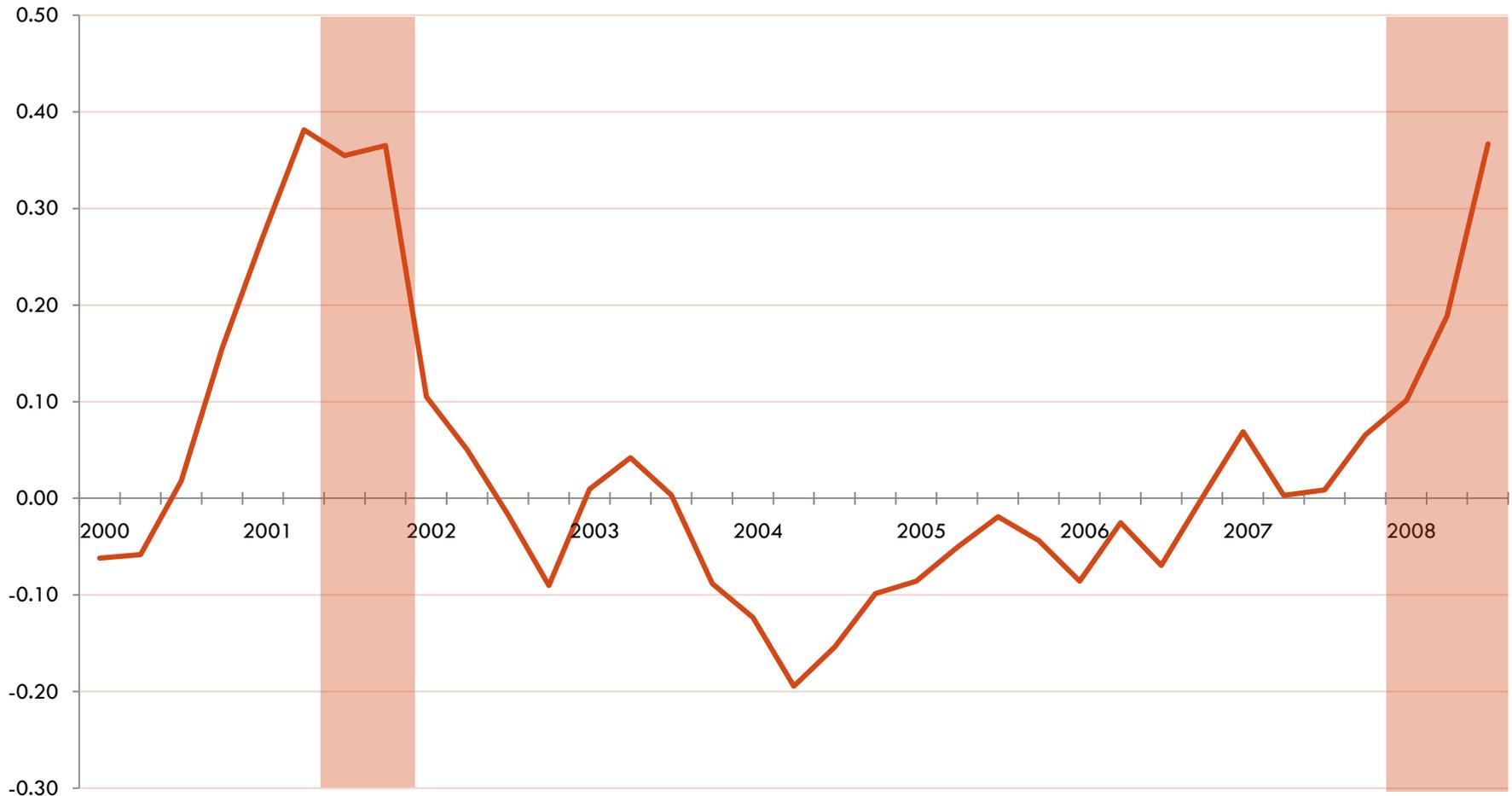
Case-Shiller National House Price Index
(2000 = 100, quarterly)



Source: Case - Shiller Home Price Index, 3rd Q 2008

Recession Marks Significant Jump in National Unemployment Insurance Claims

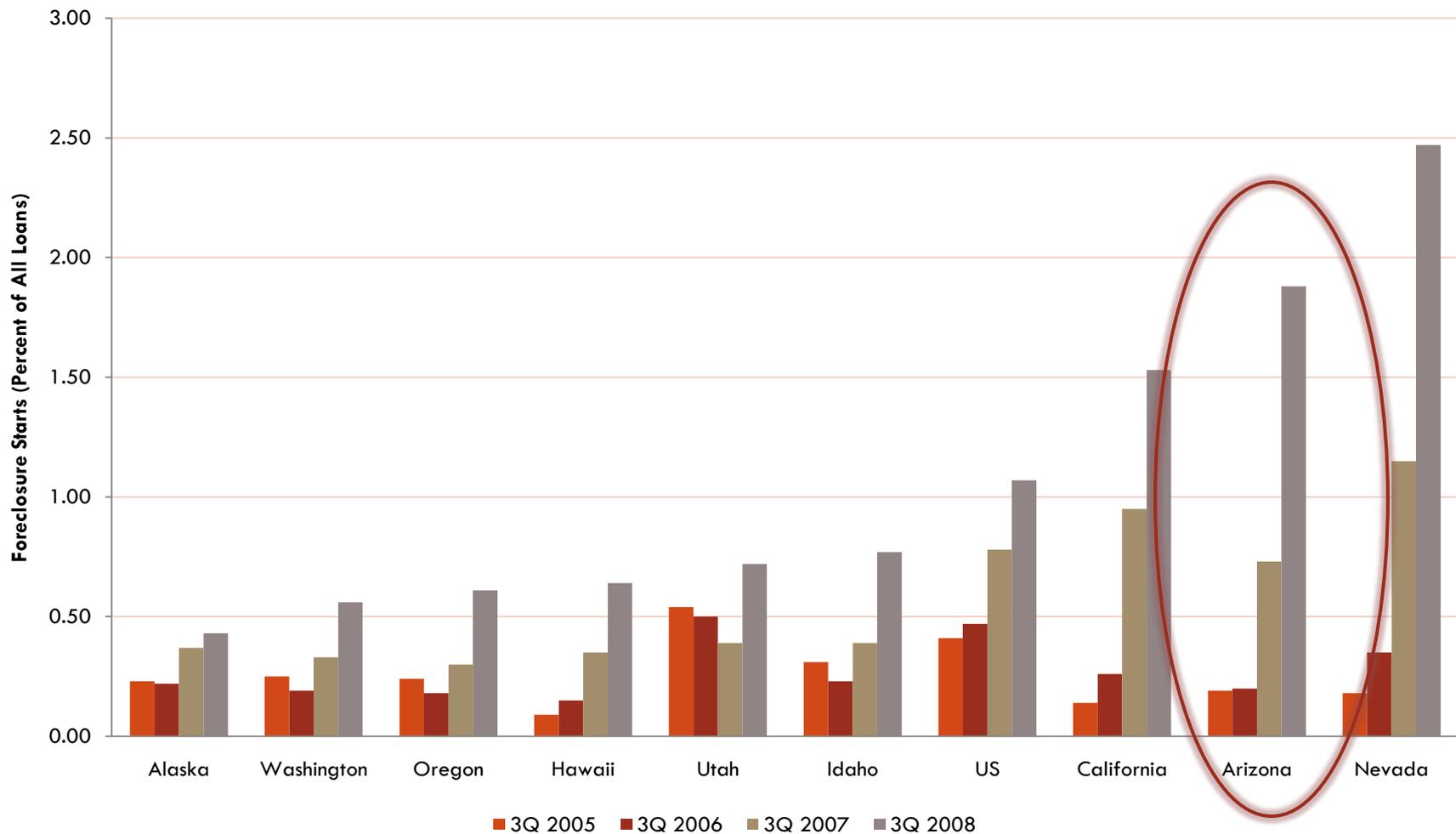
National Unemployment Insurance Claims, Percent Change Year-over-Year



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

Arizona Trends

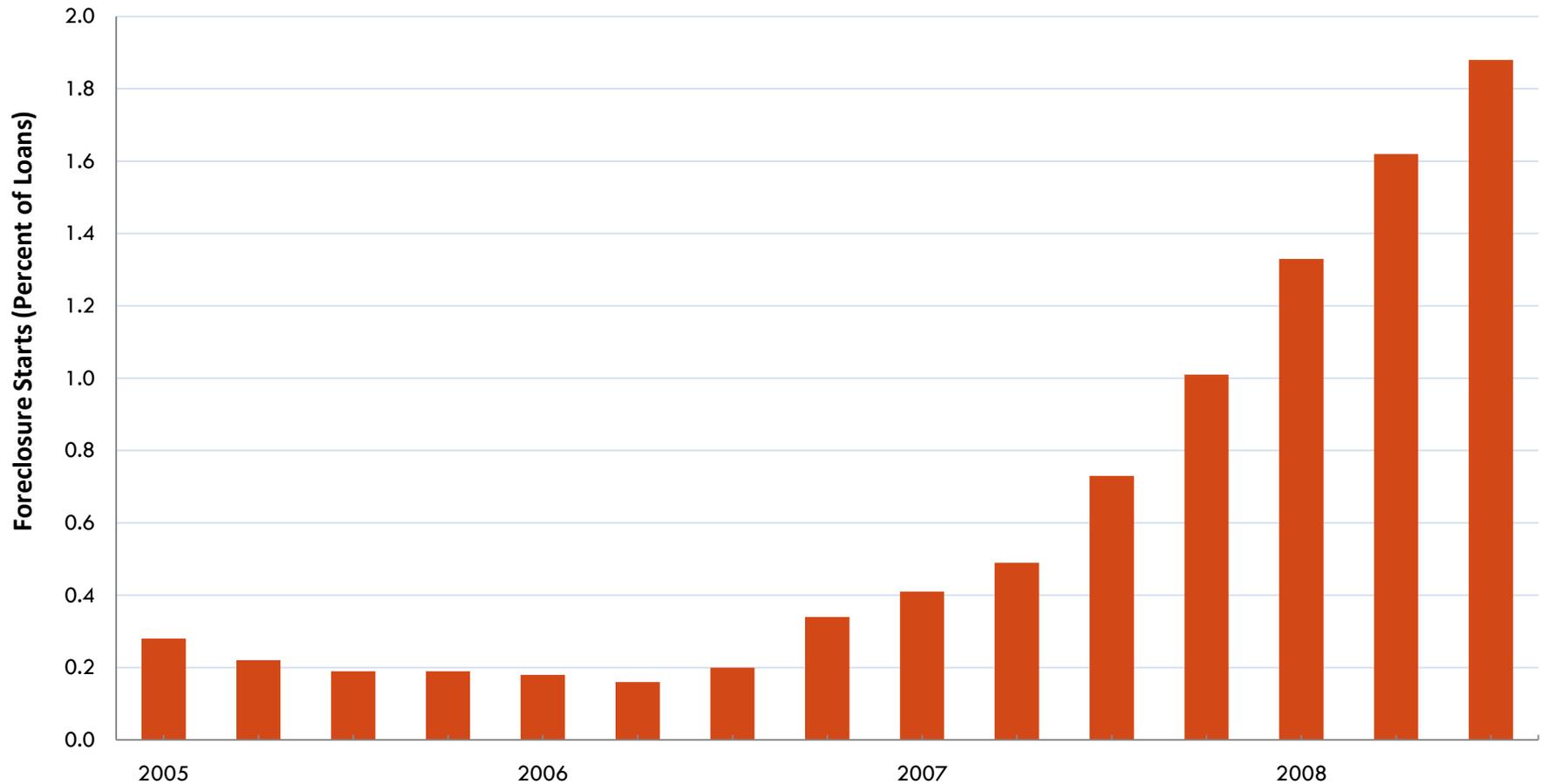
Foreclosures in Arizona Have Risen Significantly, Well Above US Average



Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008

Unlike National Trends, Arizona Saw a Continued Increase in Foreclosure Starts in 3rd Quarter 2008

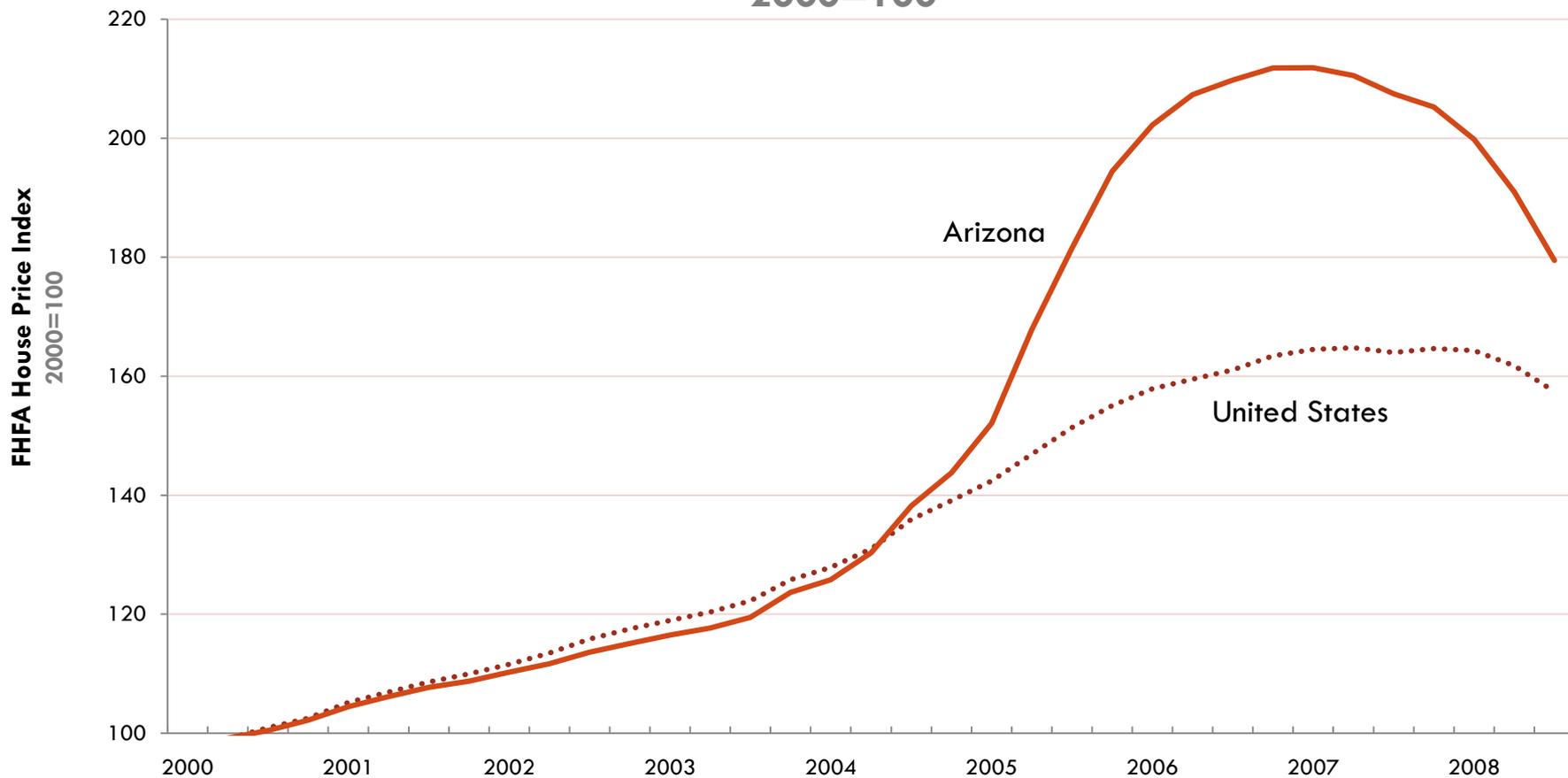
Arizona Foreclosure Starts (Percent of All Loans)



Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008

Arizona Has Seen Dramatic House Price Declines Since the Peak of “Housing Boom”

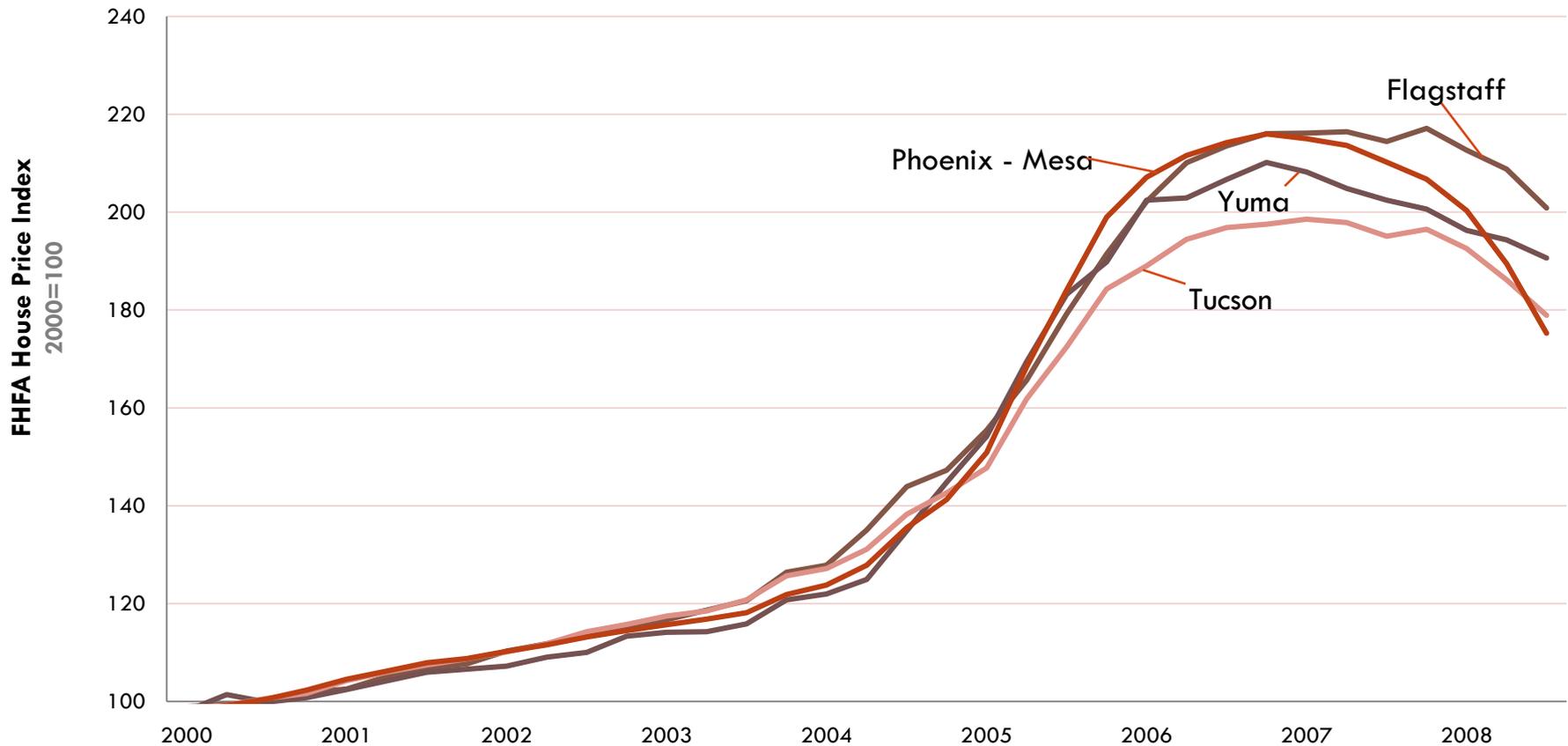
FHFA House Price Index (formerly OFHEO)
2000=100



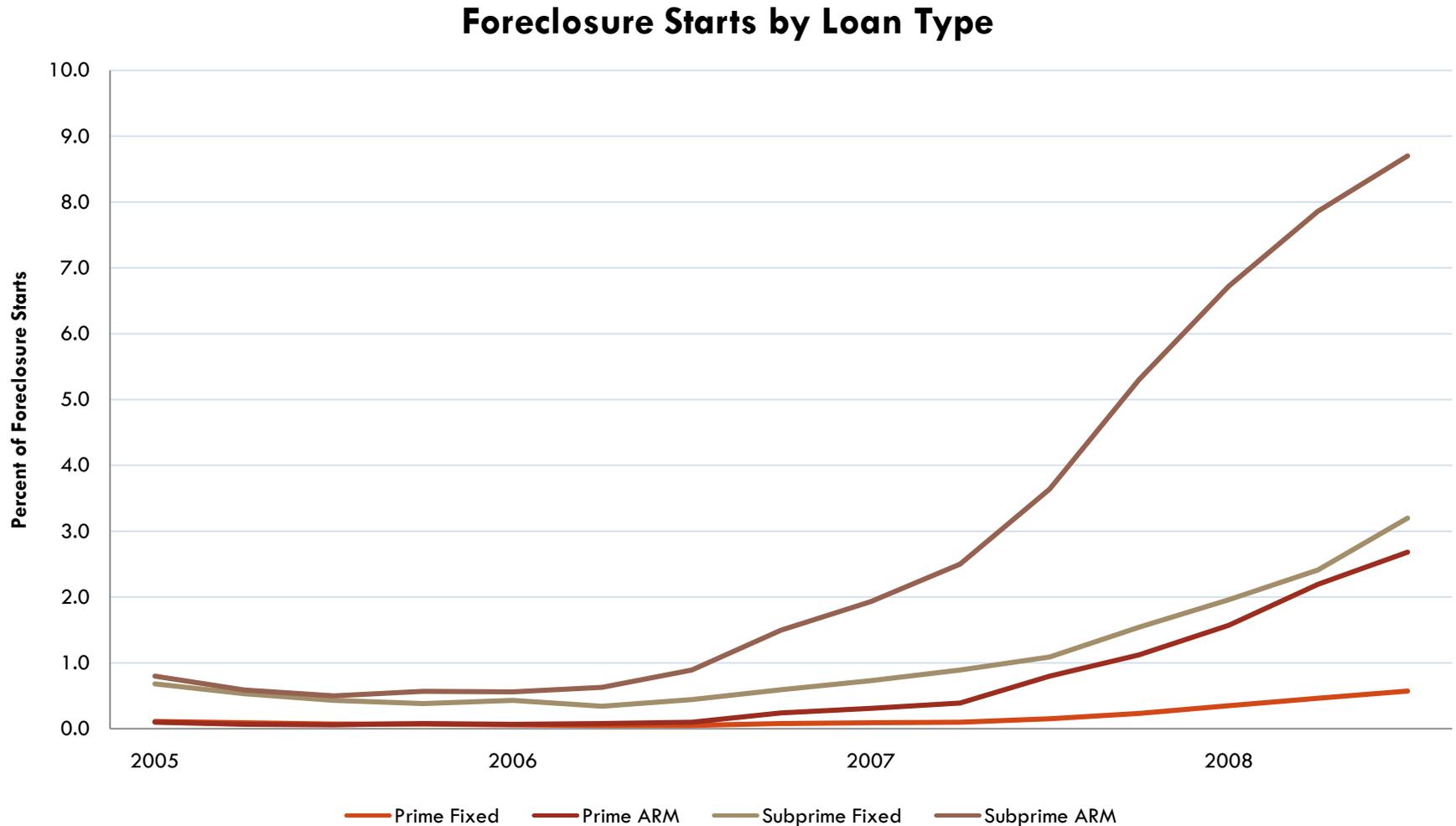
Source: Federal Housing Finance Agency (formerly OFHEO), 3rd Quarter 2008

Phoenix Experiencing Greatest Declines in House Values

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



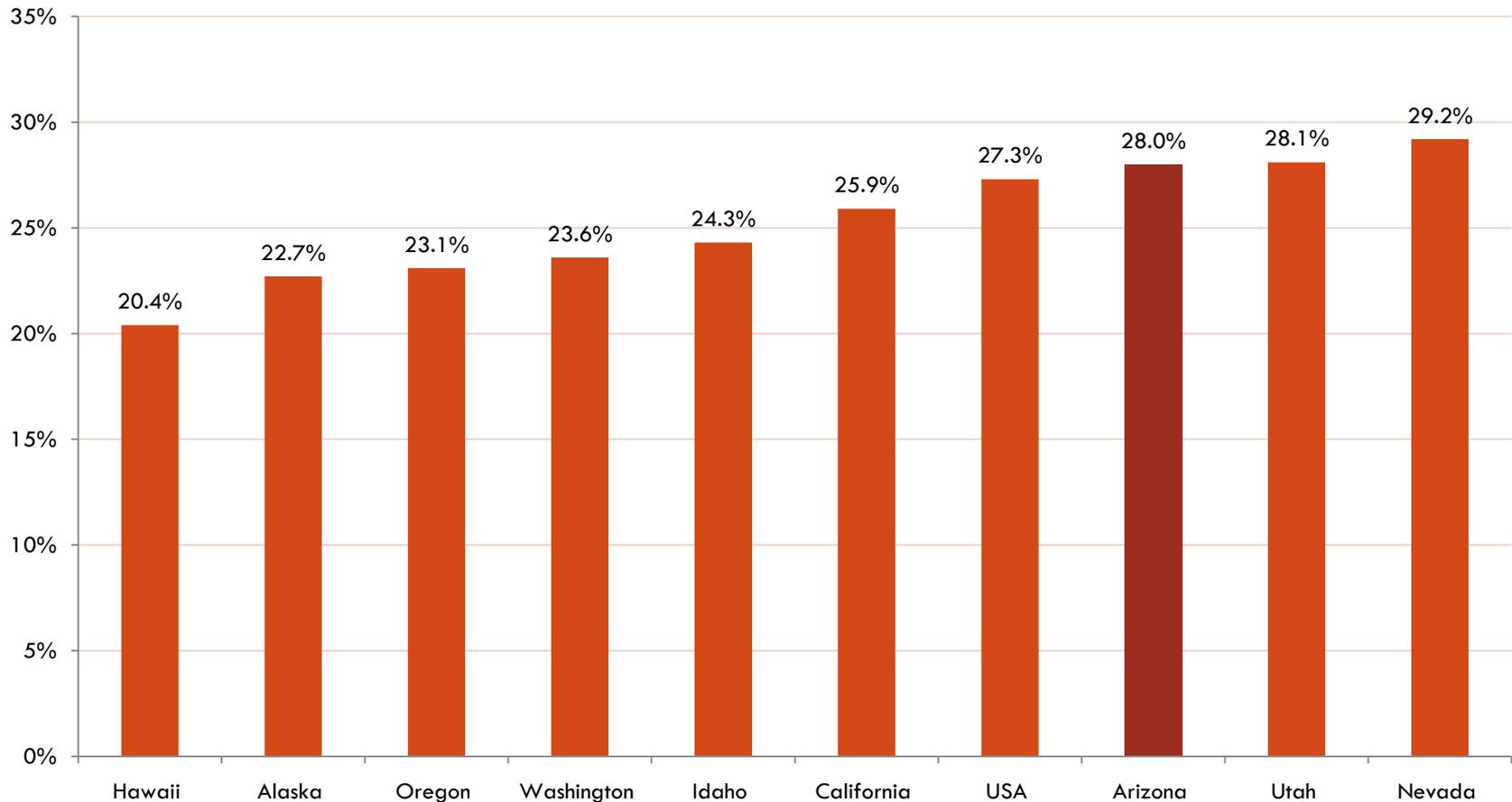
Arizona's Foreclosures Remain Concentrated in Subprime ARM Market, though Subprime Fixed and Prime ARM also Rising



Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008

Arizona Saw High Rates of High-Cost Lending During Subprime Boom

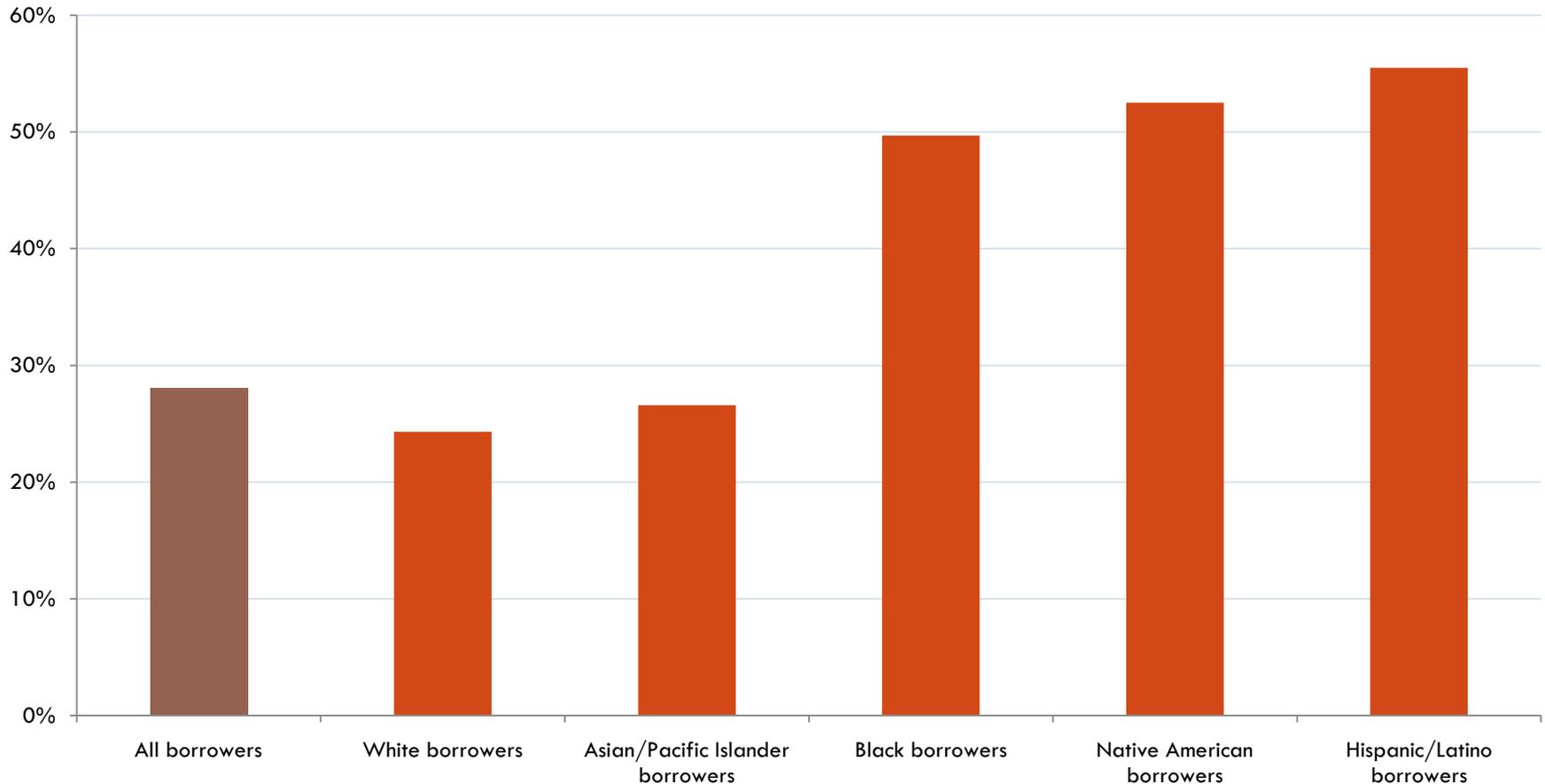
Percent of All Borrowers with High Interest Conventional Loans, 2005



Source: Home Mortgage Disclosure Act Data, 2005

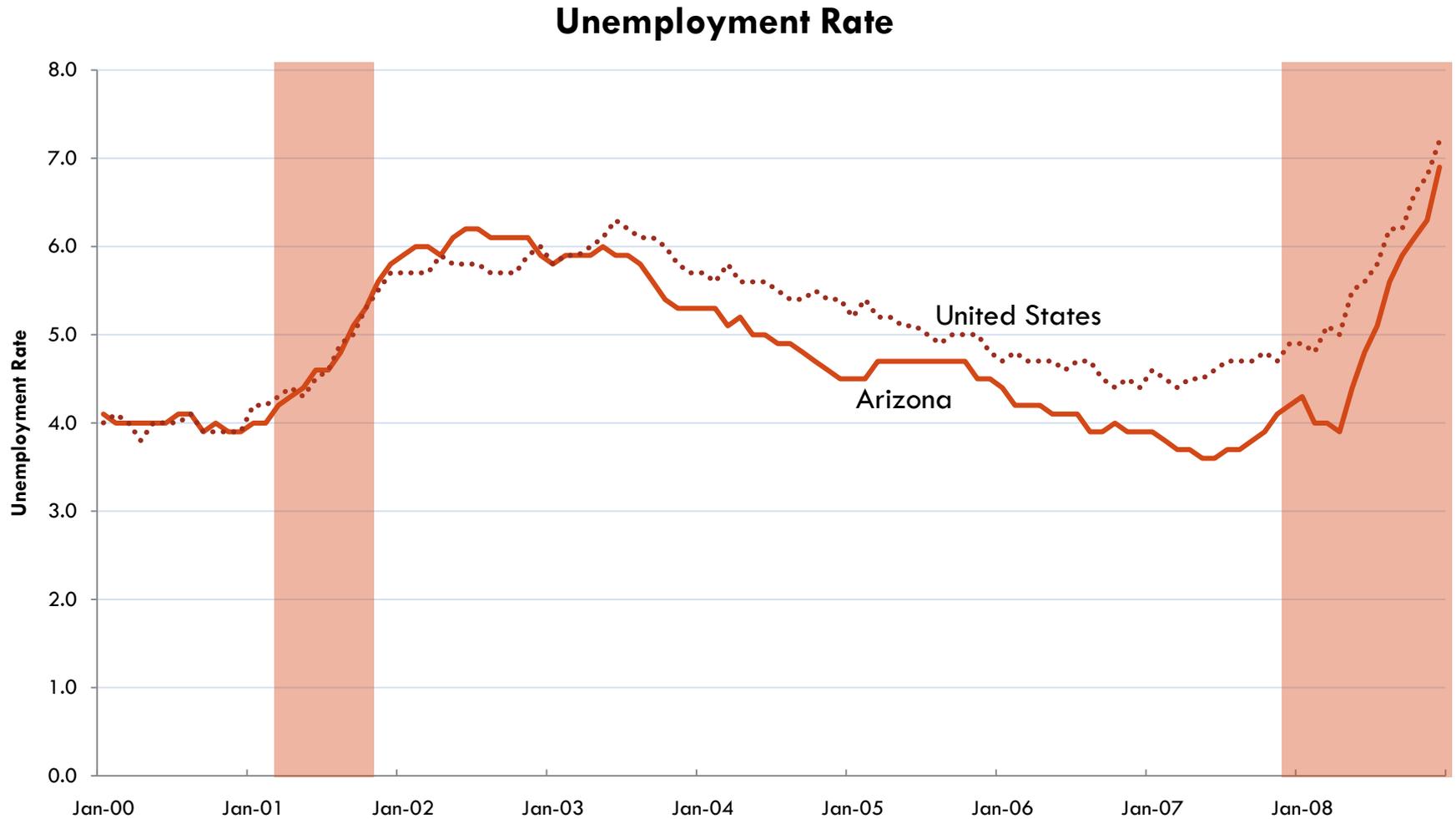
High Cost Lending in Arizona More Prevalent Among Minority Groups, Especially Latinos

High Cost Conventional Loans by Race, 2005



Source: Home Mortgage Disclosure Act Data, 2005

Unemployment Rate in Arizona is Rising

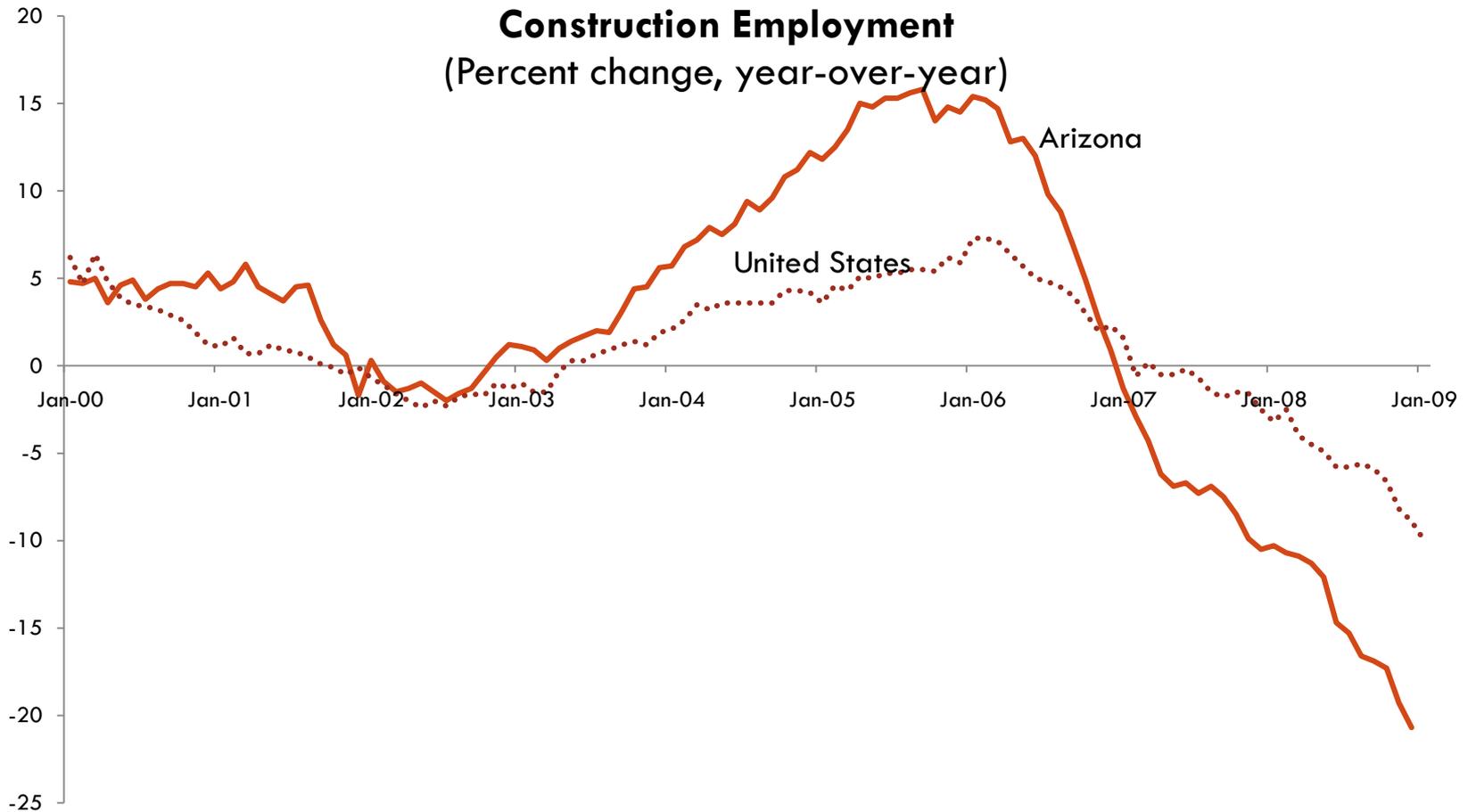


Source: Bureau of Labor Statistics, December 2008

Employment Trends by Industry in Arizona

Arizona	Total Employed (thousands) Dec-08	Percent Change		
		1-mo.*	3-mo.*	12-mo.
Total	2,543.9	-7.6	-9.9	-4.3
Trade, Transportation & Utilities	493.5	-7.7	-12.7	-5.7
Government	433.8	-1.6	-0.8	0.9
Professional & Business Svcs.	372.1	-14.8	-19.1	-7.0
Educational & Health Svcs.	318.7	4.6	3.1	2.9
Leisure & Hospitality	265.4	-6.1	-6.1	-3.5
Manufacturing	175.9	-4.0	3.3	-2.4
Financial Activities	172.4	-4.7	-11.0	-4.0
Construction	167.2	-30.8	-33.6	-20.7
Other Services	94.3	-2.5	-2.9	-1.8
Information	39.3	-5.9	-8.7	-7.7
Natural Resources & Mining	11.3	-51.4	-35.3	-7.4

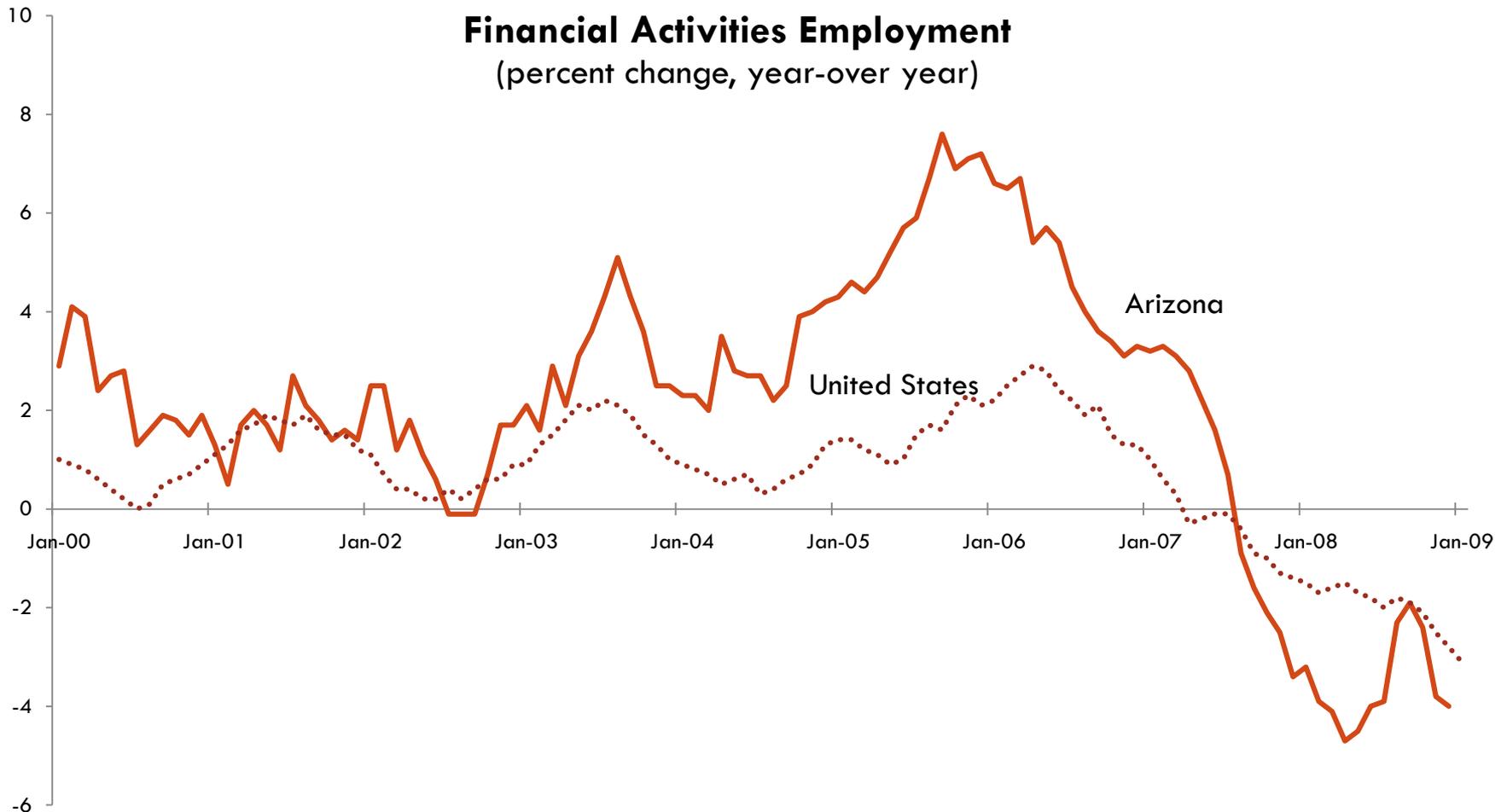
Significant Drop in Construction Employment



Source: Bureau of Labor Statistics, January 2009

Significant Drop in Financial Activities Employment

Employment

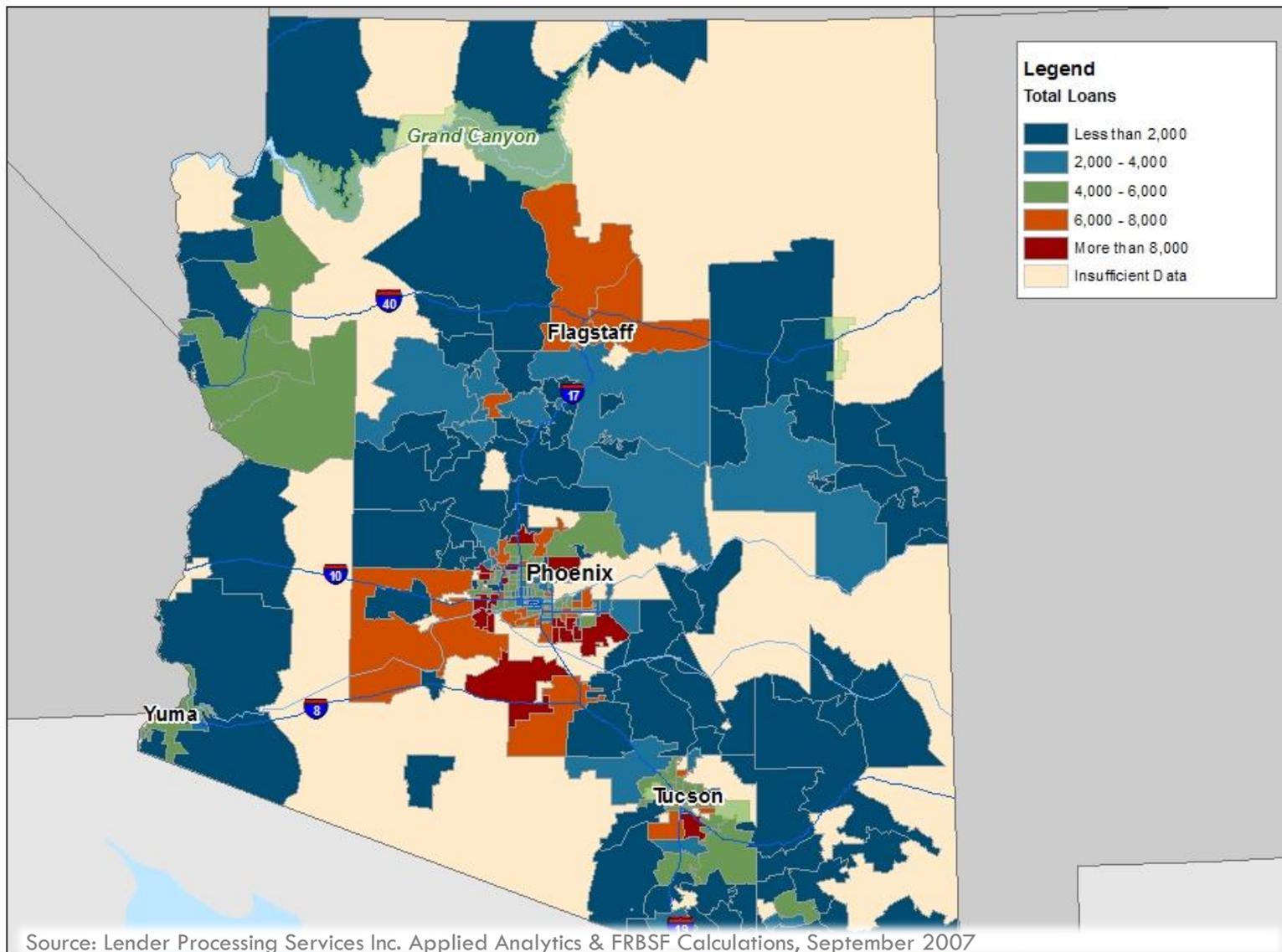


Source: Bureau of Labor Statistics, January 2009

Arizona Foreclosure Data Maps

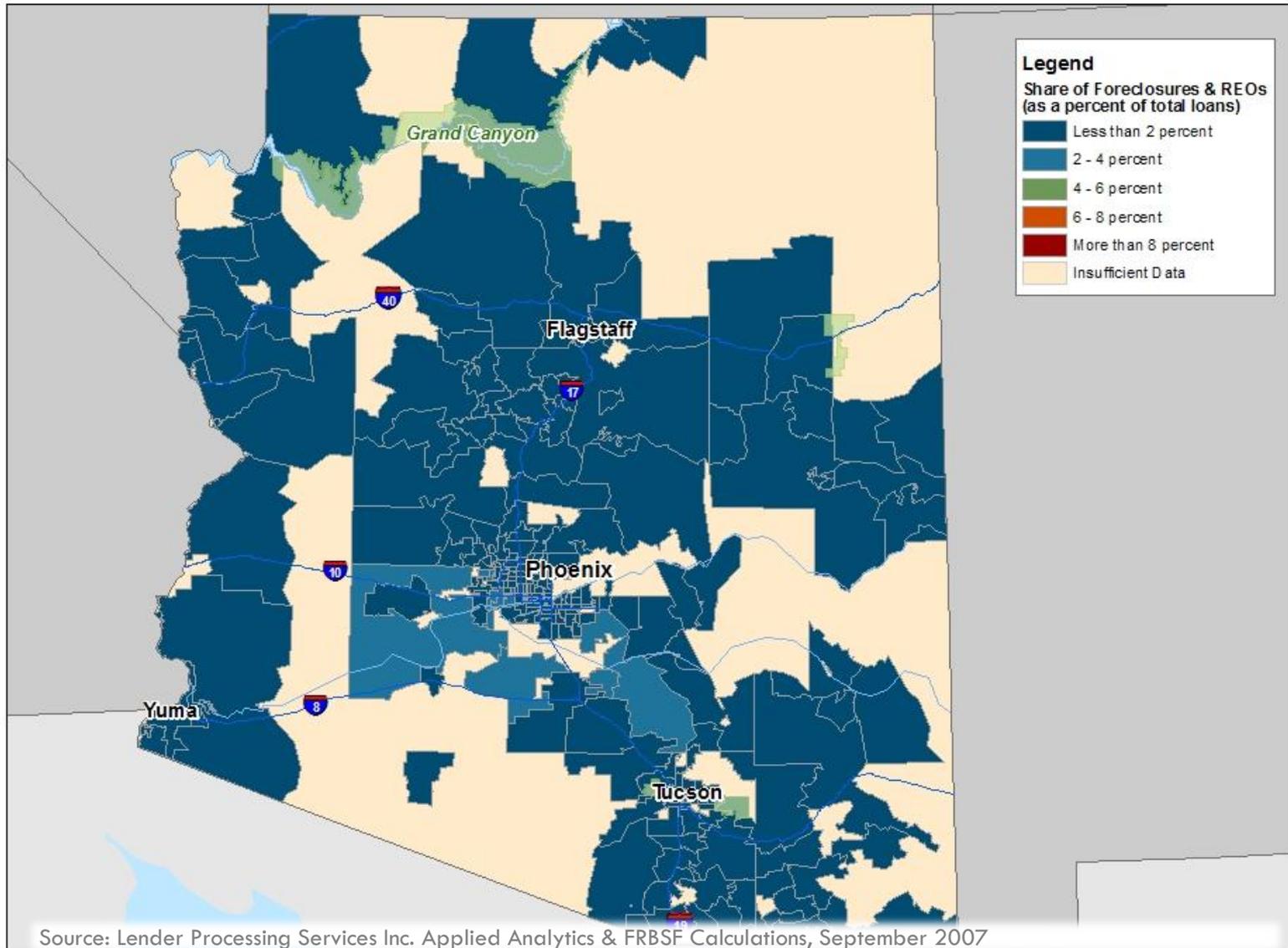
Distribution of Lending Volumes

September 2007



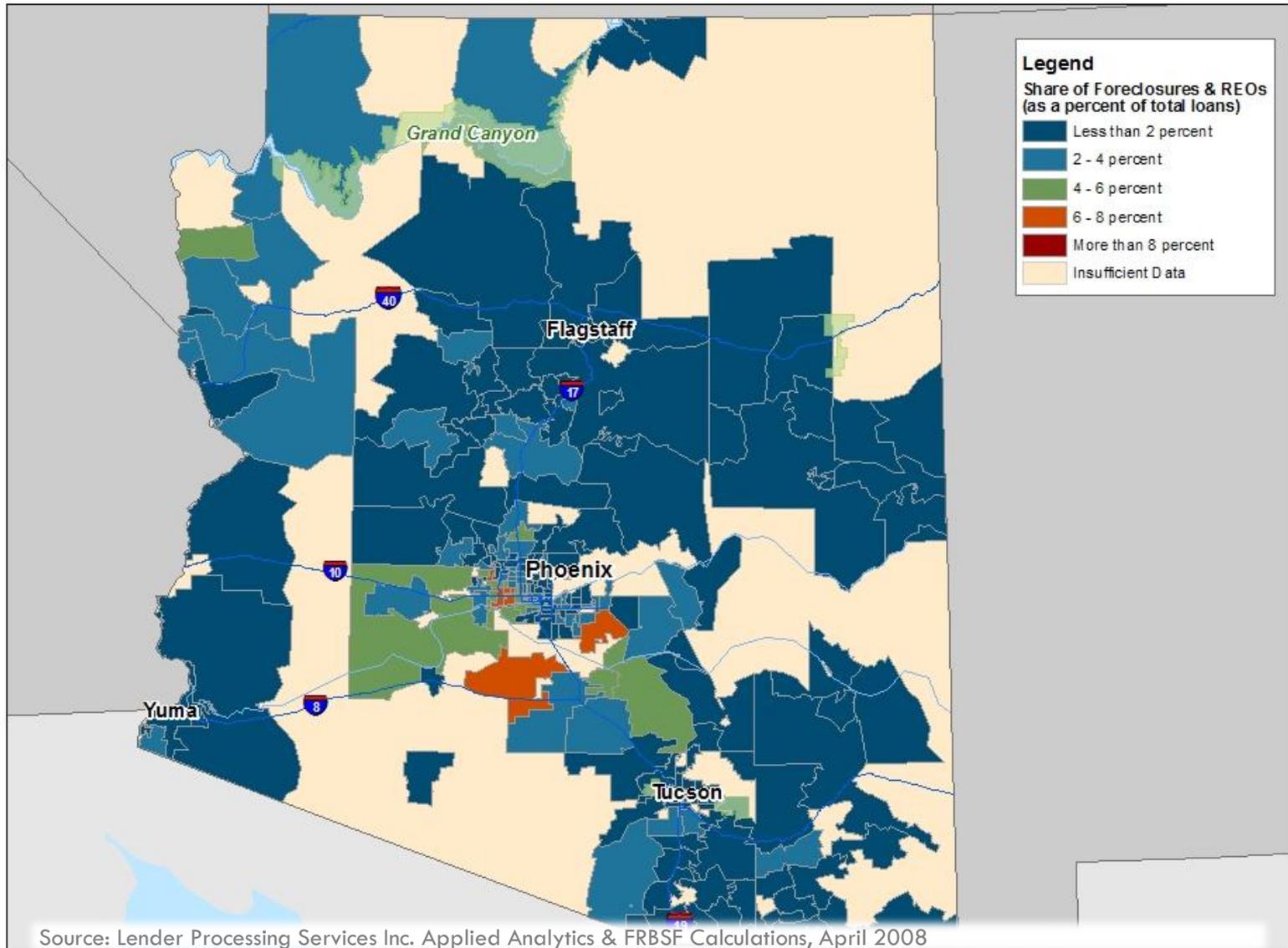
Areas Affected by Concentrated Foreclosures

September 2007



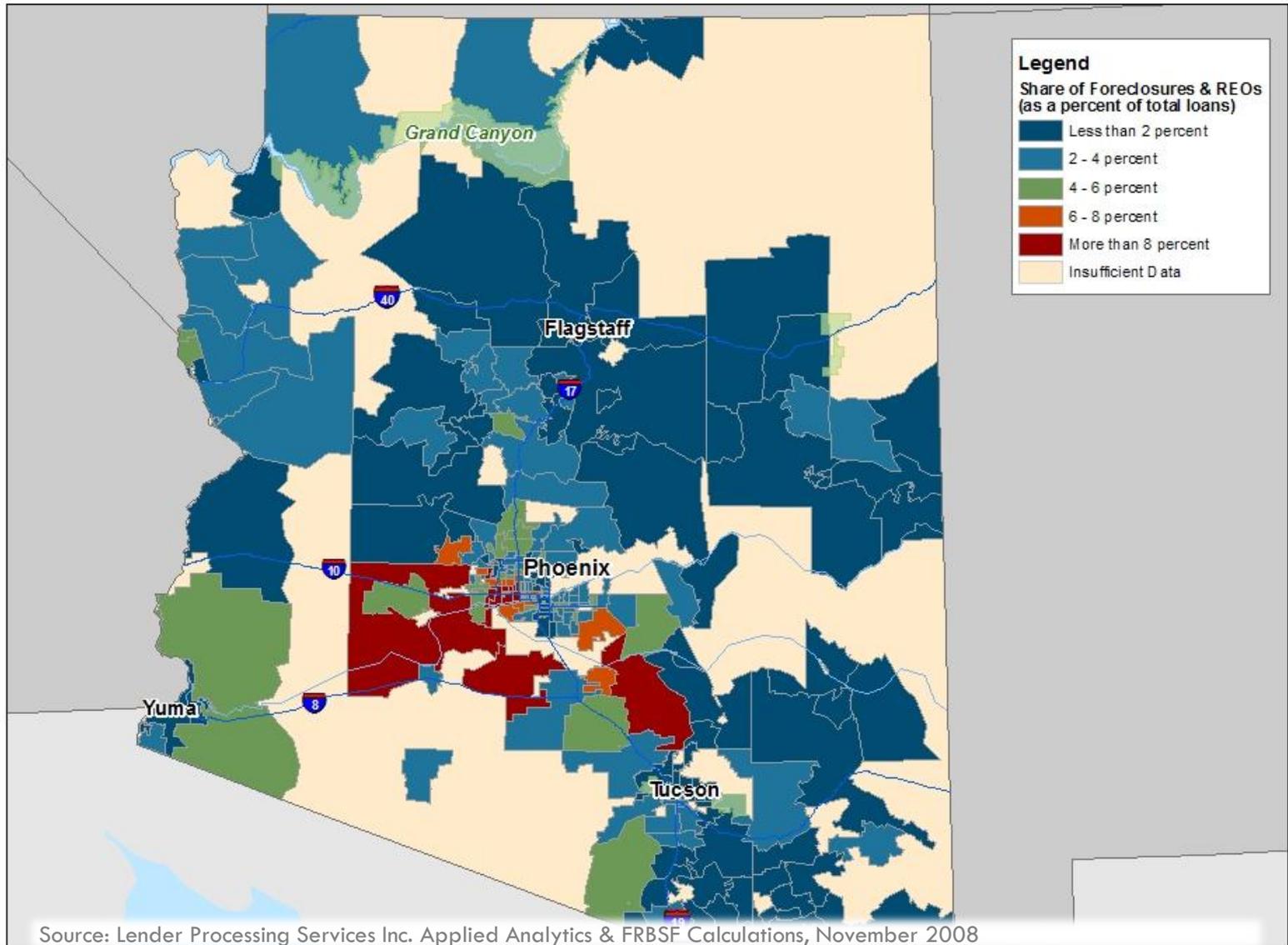
Areas Affected by Concentrated Foreclosures

April 2008



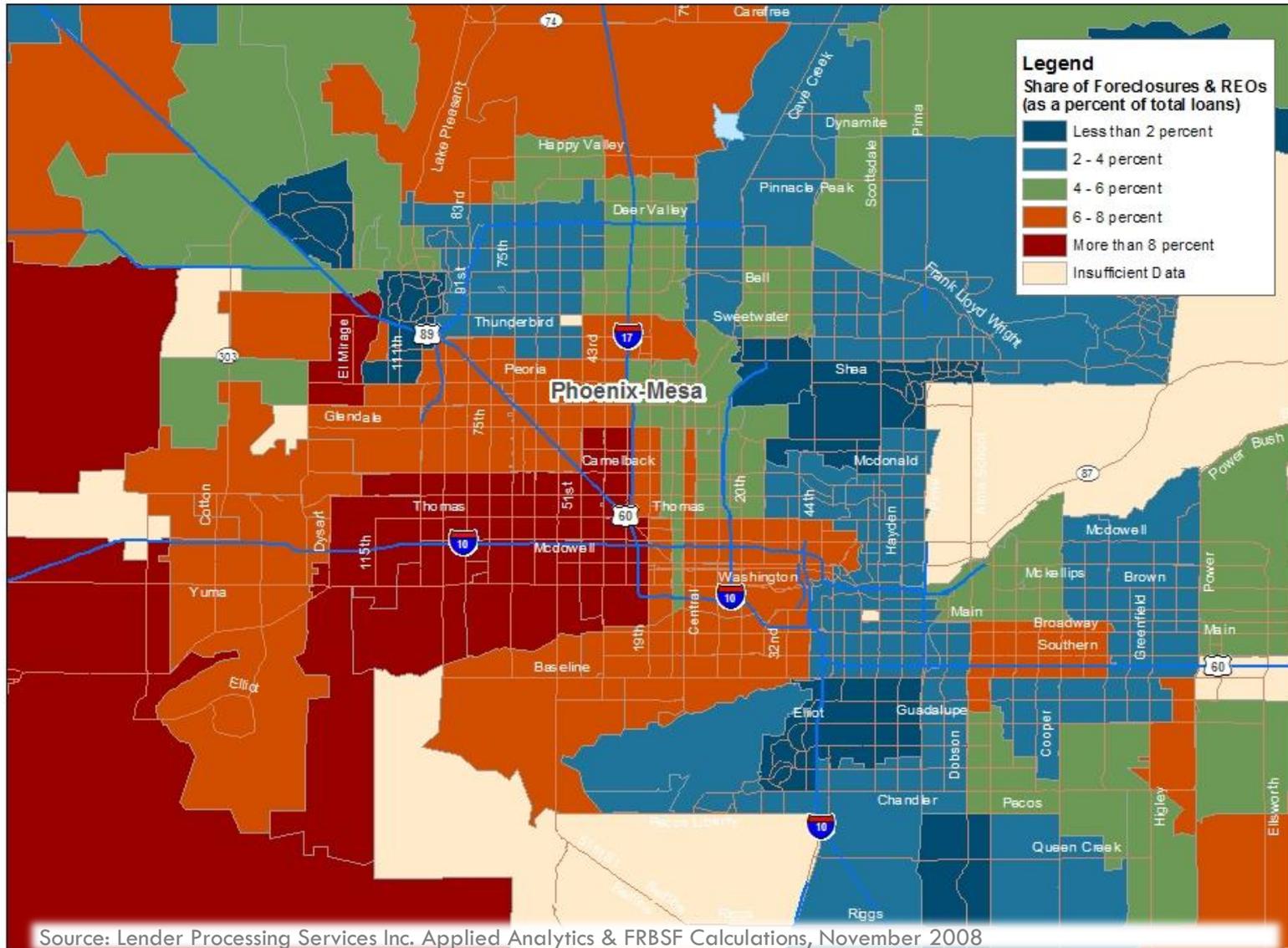
Areas Affected by Concentrated Foreclosures

November 2008



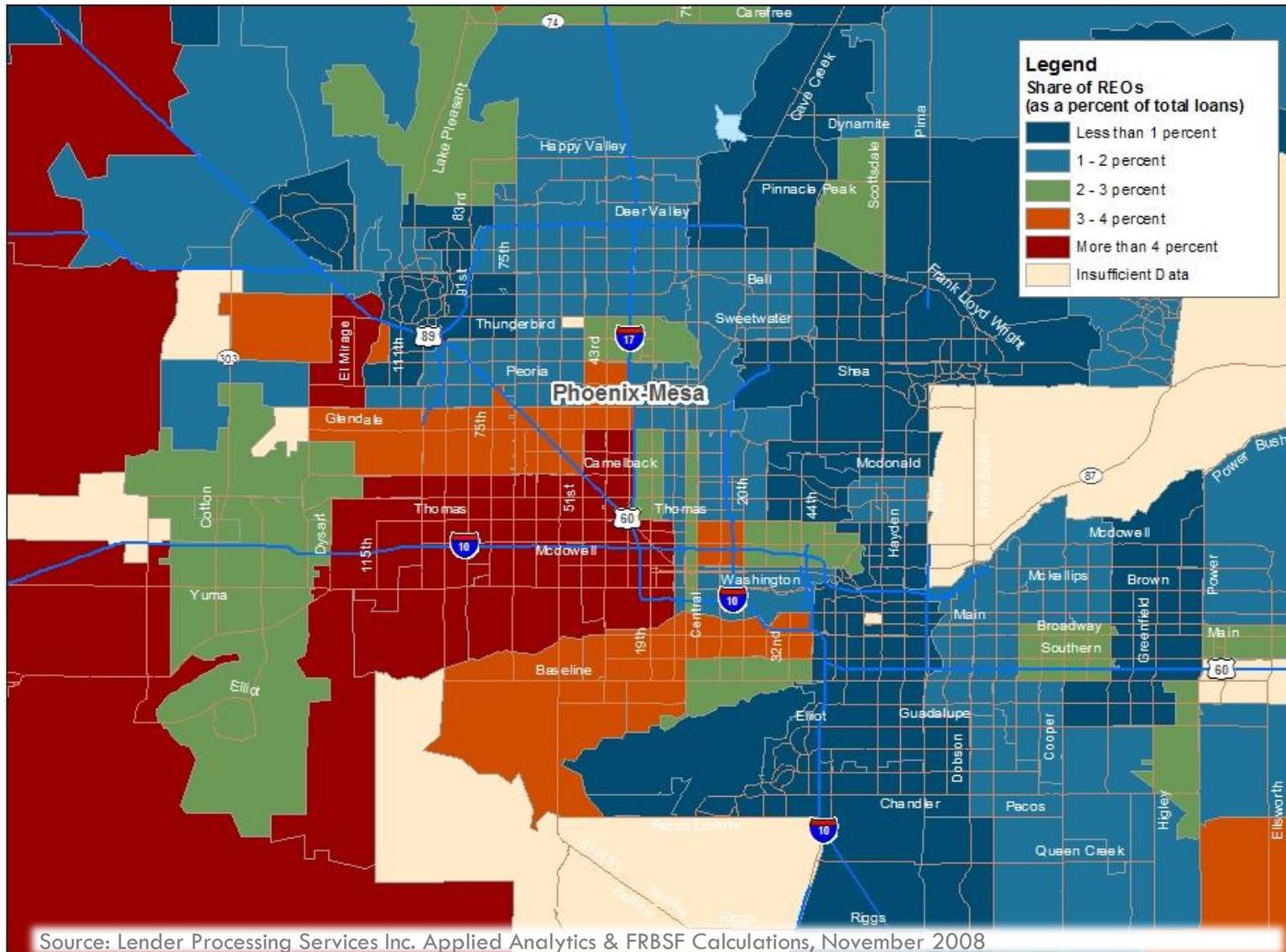
Areas Affected by Concentrated Foreclosures

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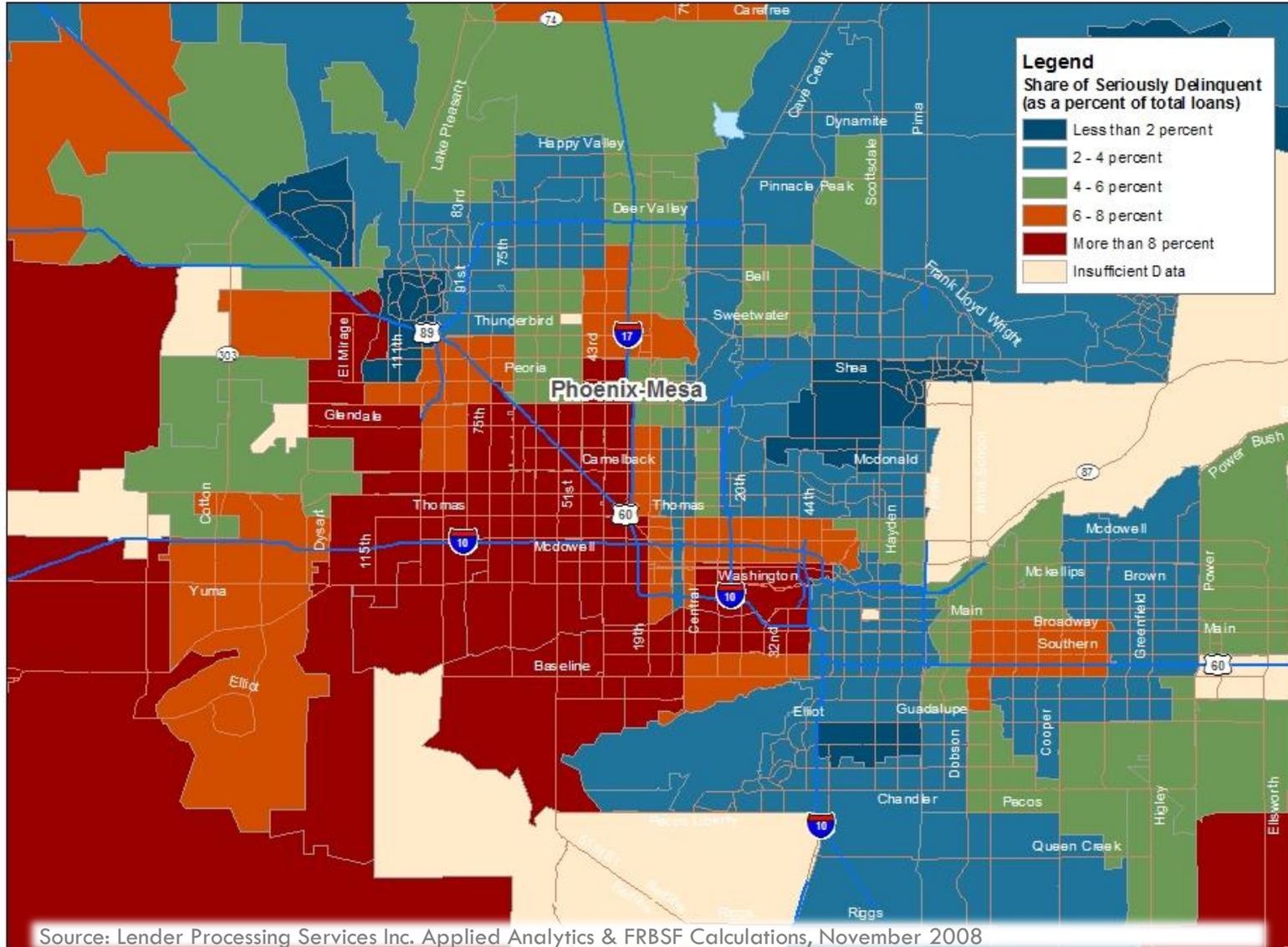
Areas with Concentrations of REO Properties

November 2008



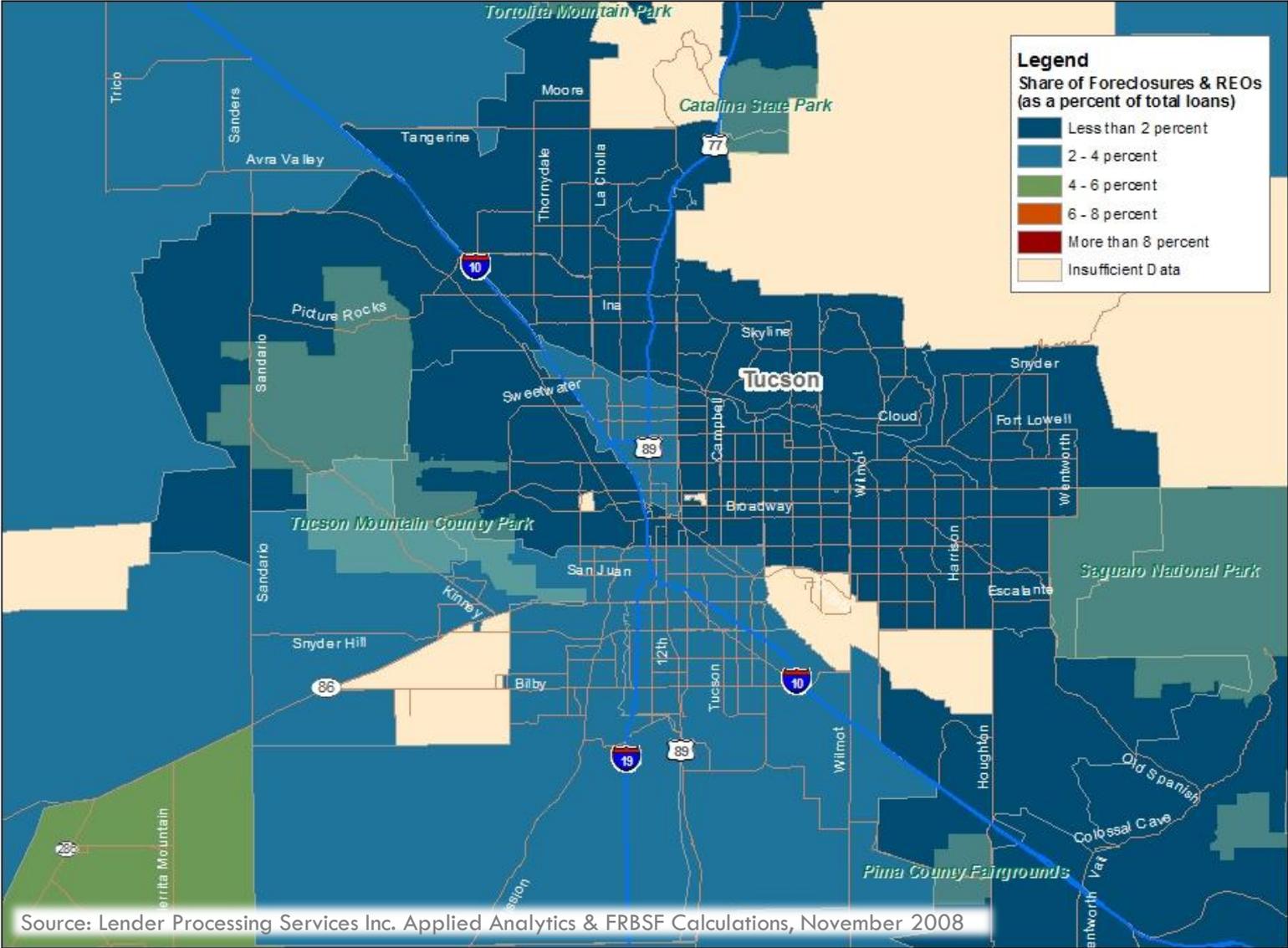
Areas at Risk of Additional Foreclosures

November 2008



Tucson Not Hit as Hard as Phoenix

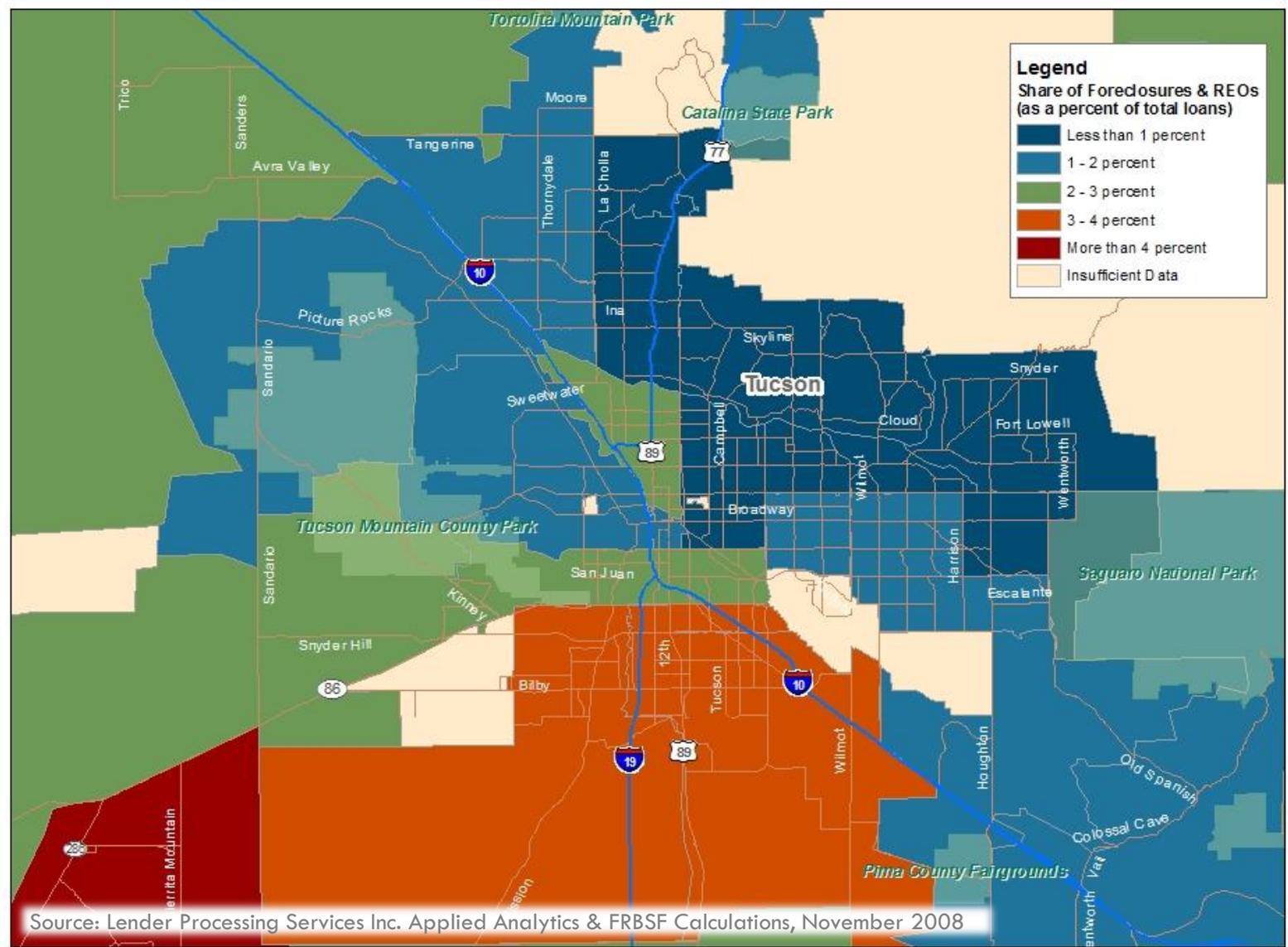
November 2008



Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, November 2008

But Foreclosures Concentrated in Specific Neighborhoods

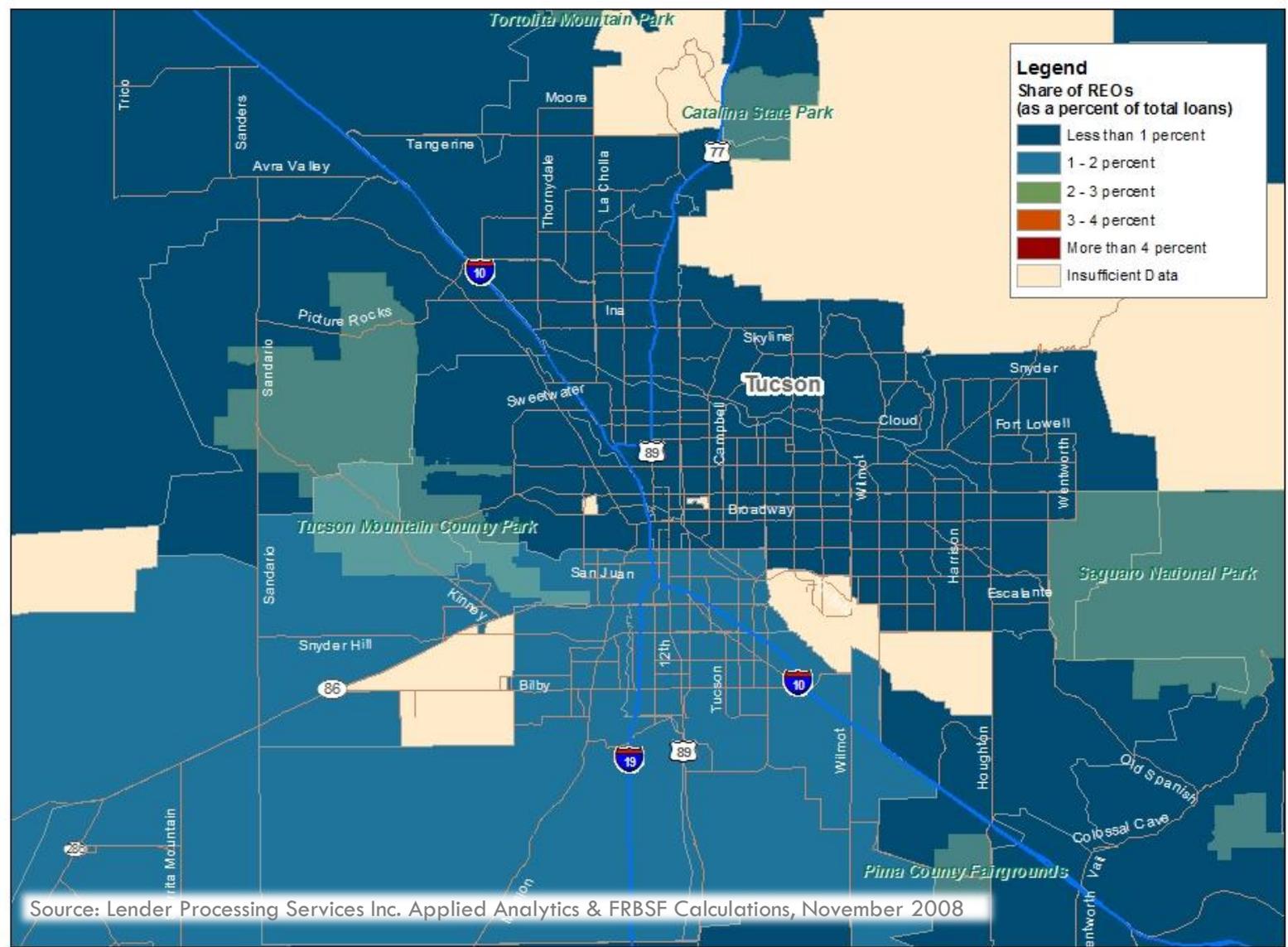
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Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, November 2008

Areas with Concentrations of REO Properties

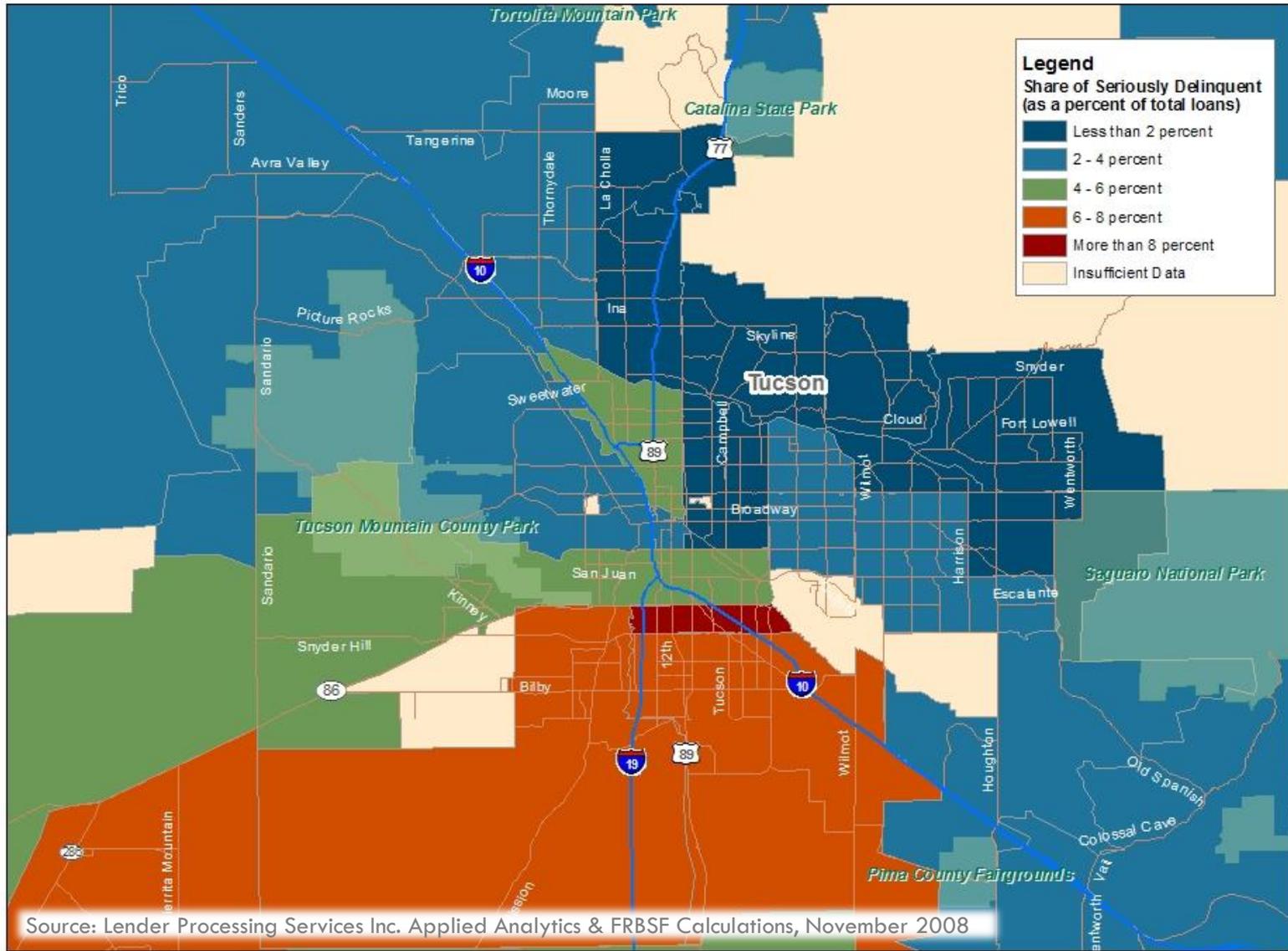
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Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, November 2008

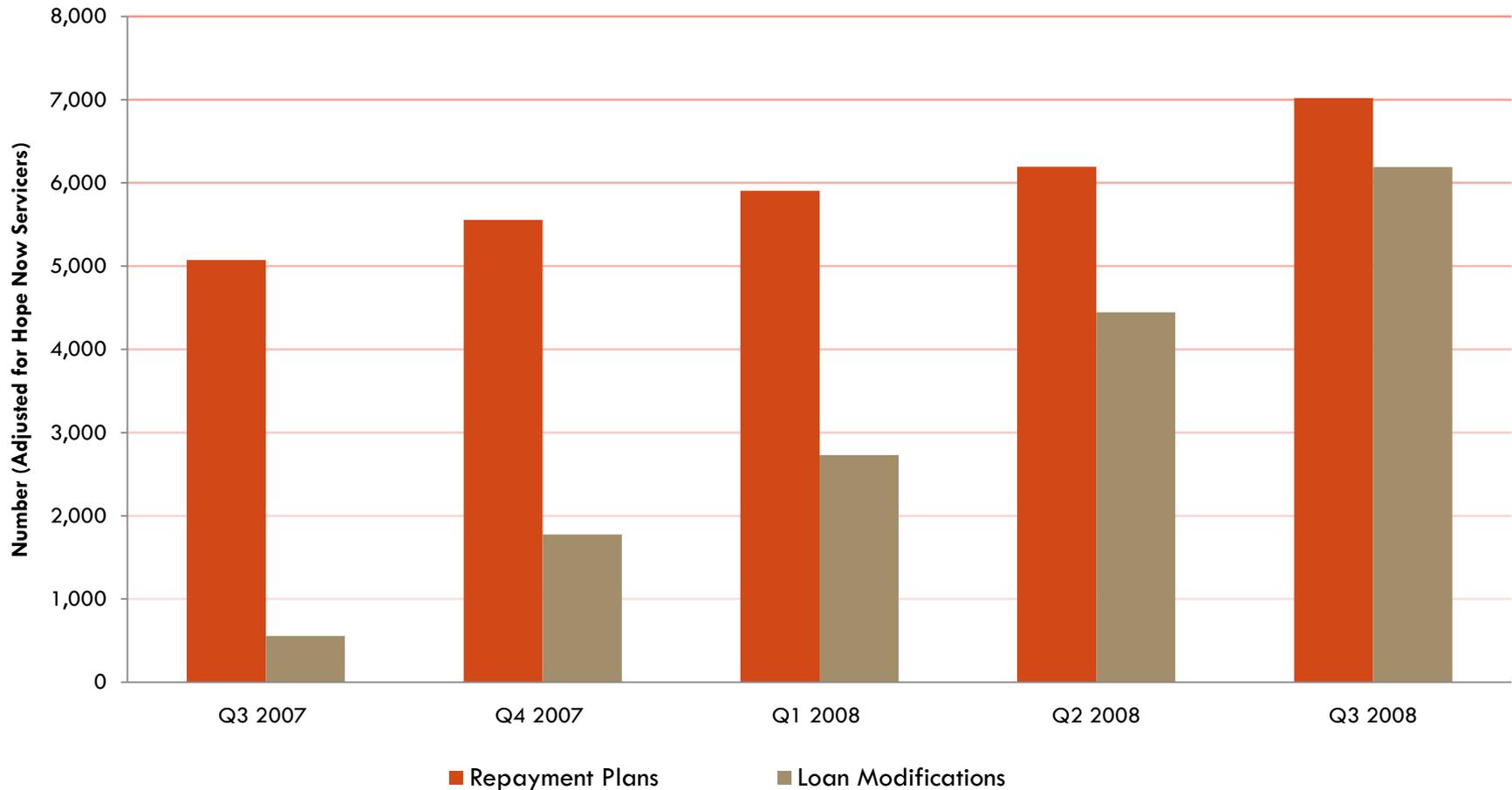
Areas at Risk of Additional Foreclosures

November 2008



Loan Modifications as Share of Loan Workouts Have Increased

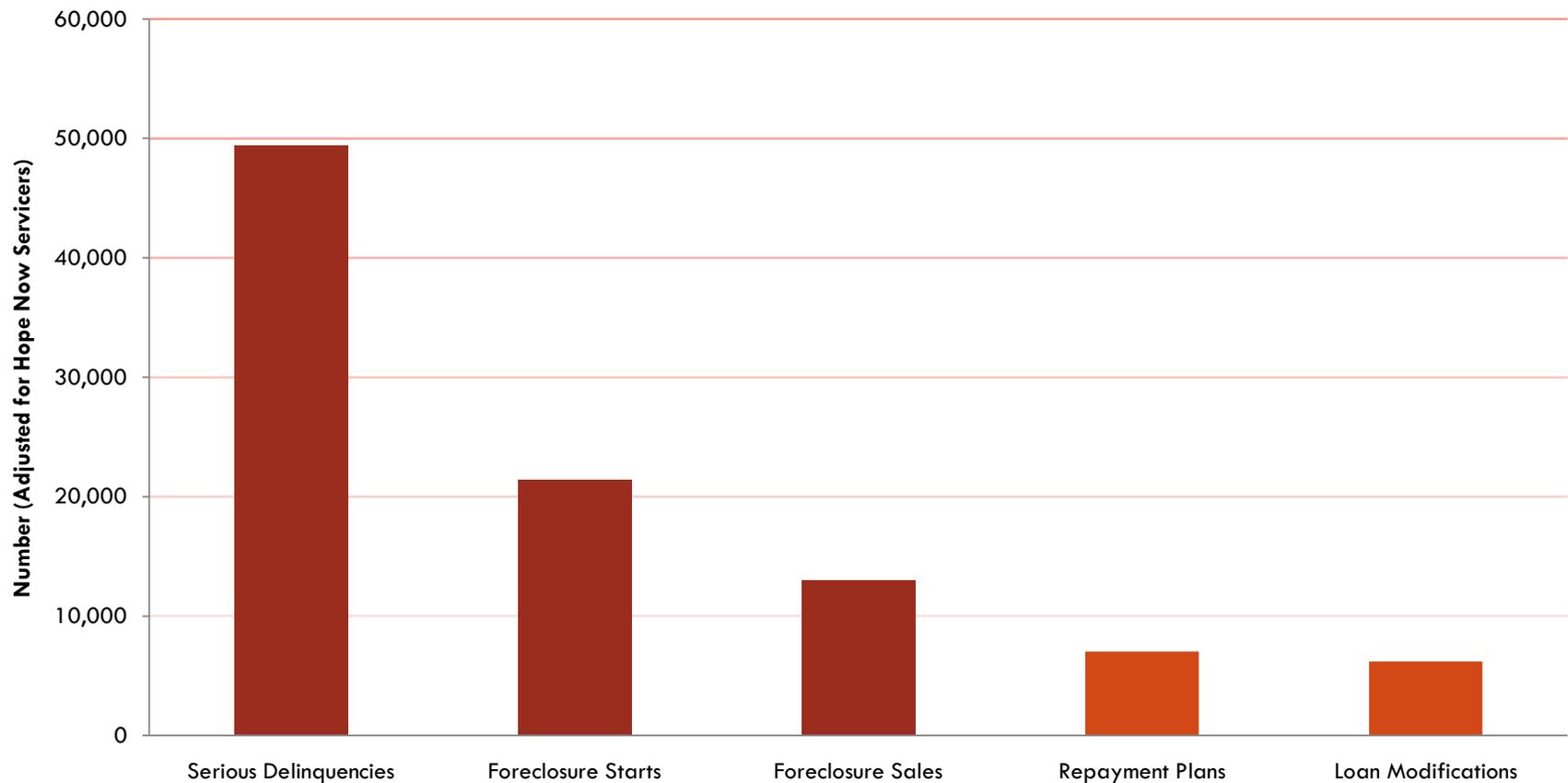
Arizona Loan Workouts



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

Yet, Workouts Still Fall Short of Need

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



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

Conclusions

Conclusions

- Multi-pronged strategy is needed to stem foreclosure crisis
- Continued foreclosure prevention efforts are critical
 - Foreclosure Prevention: Borrower Outreach, Refinance and Loan Modification (including principal reduction)
 - Reaching these borrowers now may help to prevent unnecessary foreclosures
 - Encourage borrowers to contact the Hope Hotline by calling (888) 995-HOPE or visiting www.995hope.org

Conclusions

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

For More Information: FRBSF Community Development Website

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

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COMMUNITY DEVELOPMENT

Highlights

Focus on Community Development Policy
Community Investments: Volume 20, Issue 3, 2008
In this issue, we highlight new ideas, innovations, and questions around the topic of community development policy. The articles consider the role of policy in channeling public and private investment into community development efforts, with topics ranging from established federal policies, such as the Community Reinvestment Act and the Community Development Block Grant program, to more recent movements such as stakeholder-driven community development and microenterprise.

The Enduring Challenge of Concentrated Poverty in America
In 2006, the Community Affairs Offices of the Federal Reserve System partnered with the Brookings Institution to examine the issue of concentrated poverty. The resulting report, *The Enduring Challenge of Concentrated Poverty in America: Case Studies from Communities Across the U.S.* contributes to our understanding of the dynamics of poor people living in poor communities, and the policies that will be needed to bring both into the economic mainstream. [Download Full Report \(PDF 6.8MB\)](#)

Foreclosure Resource Center
For the latest information on the Federal Reserve's efforts to mitigate the impact of foreclosures, including local data presentations and research reports, visit our new Foreclosure Resource Center.

Programs and Information

Community Reinvestment Act (CRA)
Information on the CRA, its implementing regulations, the regulatory agencies, and other resources to assist in complying with and understanding the CRA.

Community Development Issues
From affordable housing to "banking the unbanked," learn more about community development issues and initiatives within the Federal Reserve's 12th District.

Center for Community Development Investments
The Center is dedicated to innovations in research and practice that increase the flow of investment capital to low- and moderate-income communities.

Events and Conferences
Participate in one of the many events sponsored by the Community Development Department.

Publications
Access online copies of *Community Investments*, the *Community Development Investment Review*, and research papers.

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Upcoming Events

- Stabilizing Communities Series: Acquiring REOs in Compliance with NSP
February 3
- San Francisco CA
February 4
- Fresno CA
- Innovative Financial Services for the Underserved - Research Conference
April 16 - 17
Washington D.C.

Financial Education Resource Center
Find a variety of resources on financial education

CRA Regulatory Information - Links to CRA resources for financial institutions and community groups.

Bank on San Francisco - Program information and information about replicating program

Community Development Assessments - Demographic, economic, and community development profiles for each state in the Twelfth District.

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