

TRENDS IN DELINQUENCIES AND FORECLOSURES IN CENTRAL CALIFORNIA

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Outline of Presentation

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

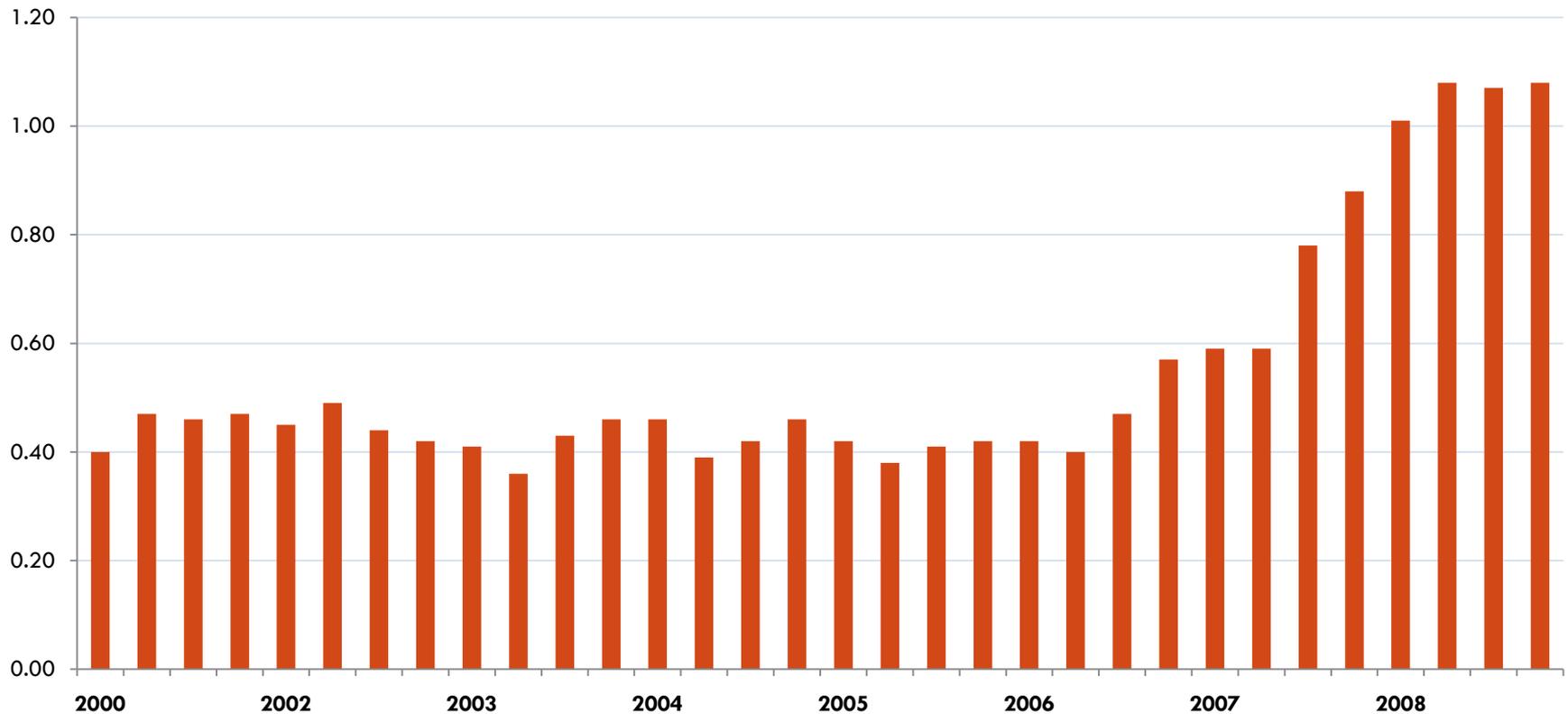
National Trends

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

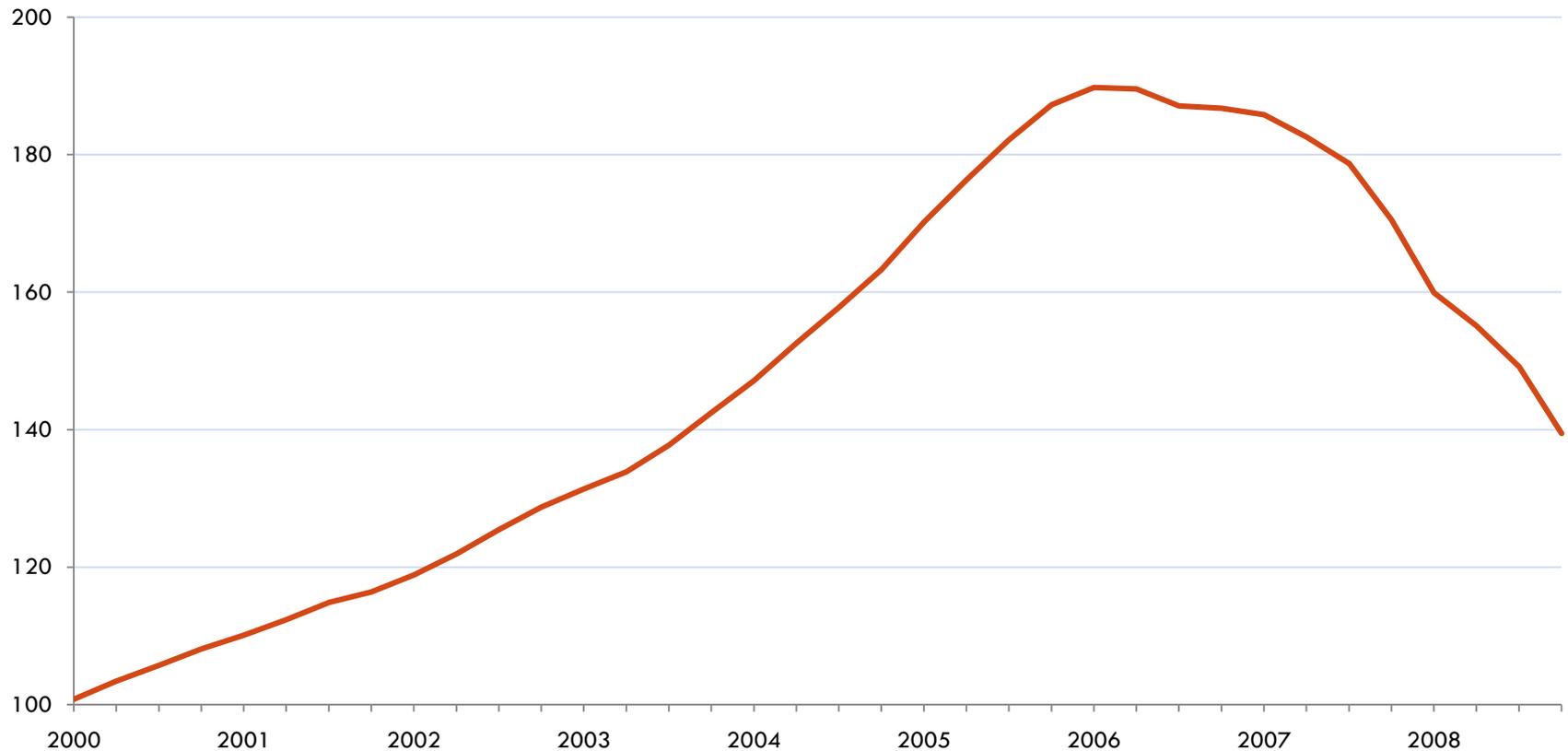
National Foreclosures Starts
Percent of All Loans



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

Nationally, House Prices Continue to Decline

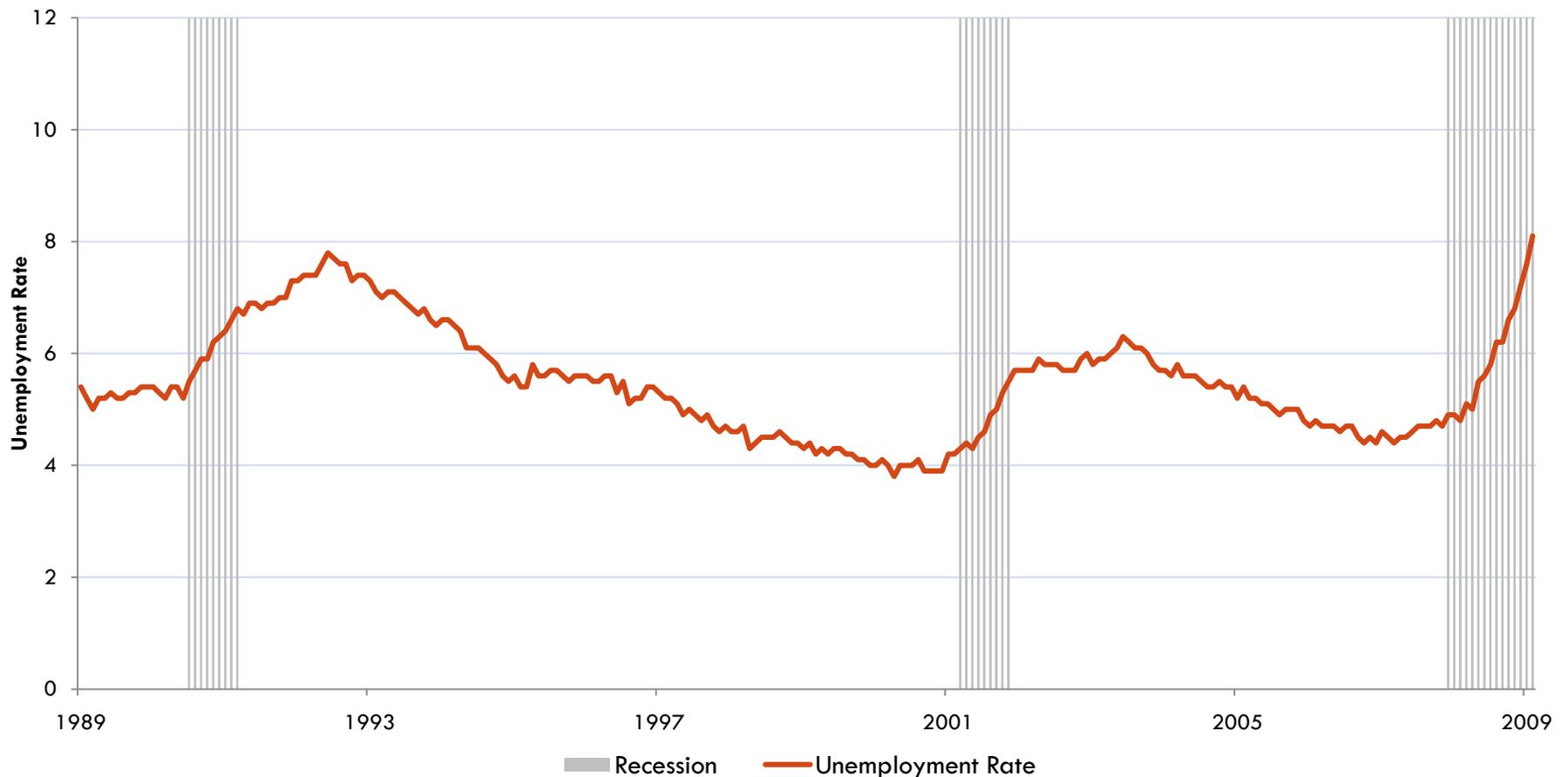
Case-Shiller National House Price Index
(2000 = 100, quarterly)



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

Recession Marks Significant Jump in Unemployment

U.S. Unemployment Rate

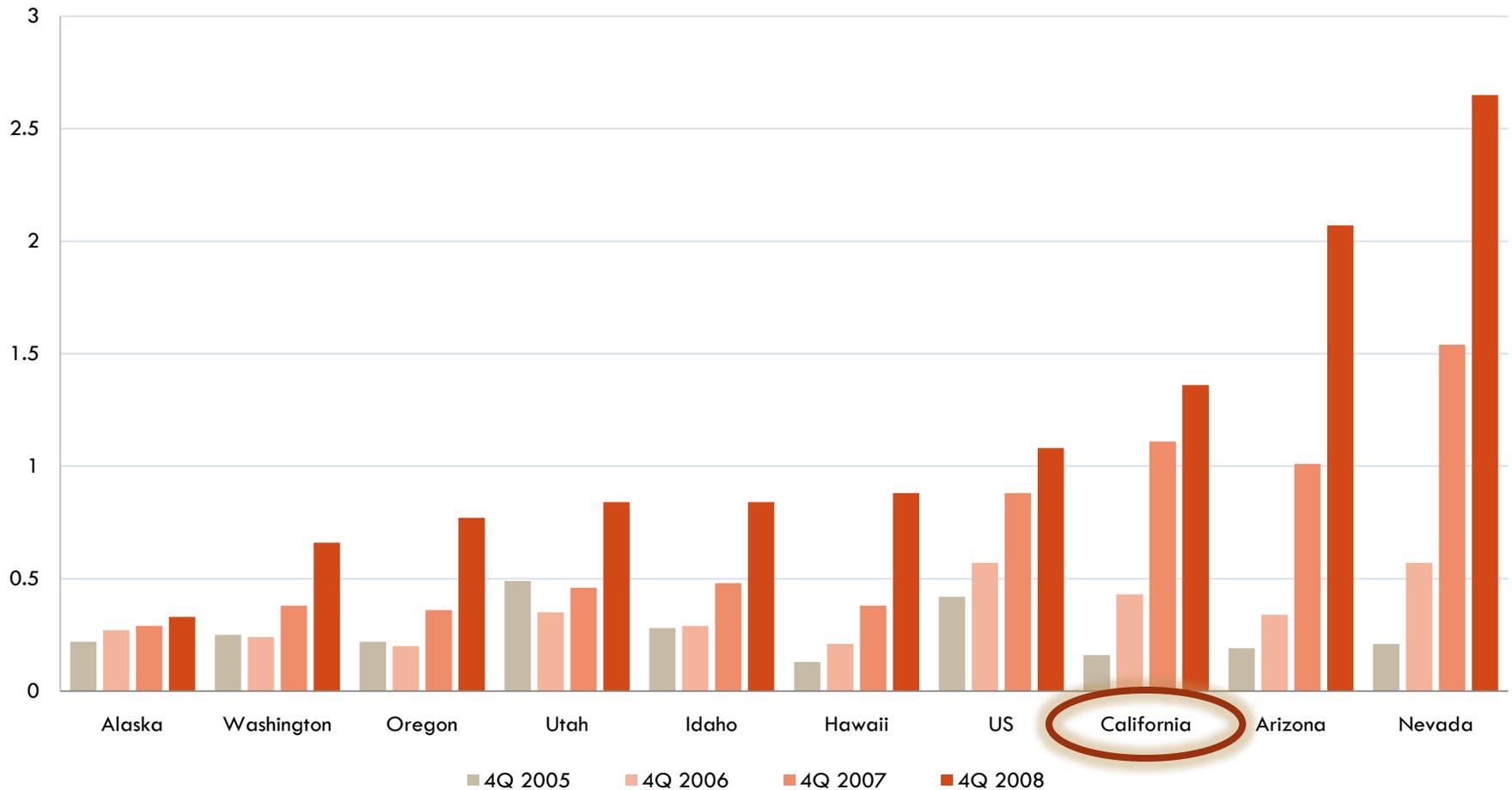


Source: Bureau of Labor Statistics

California Trends

Foreclosures in California are Above the National Average

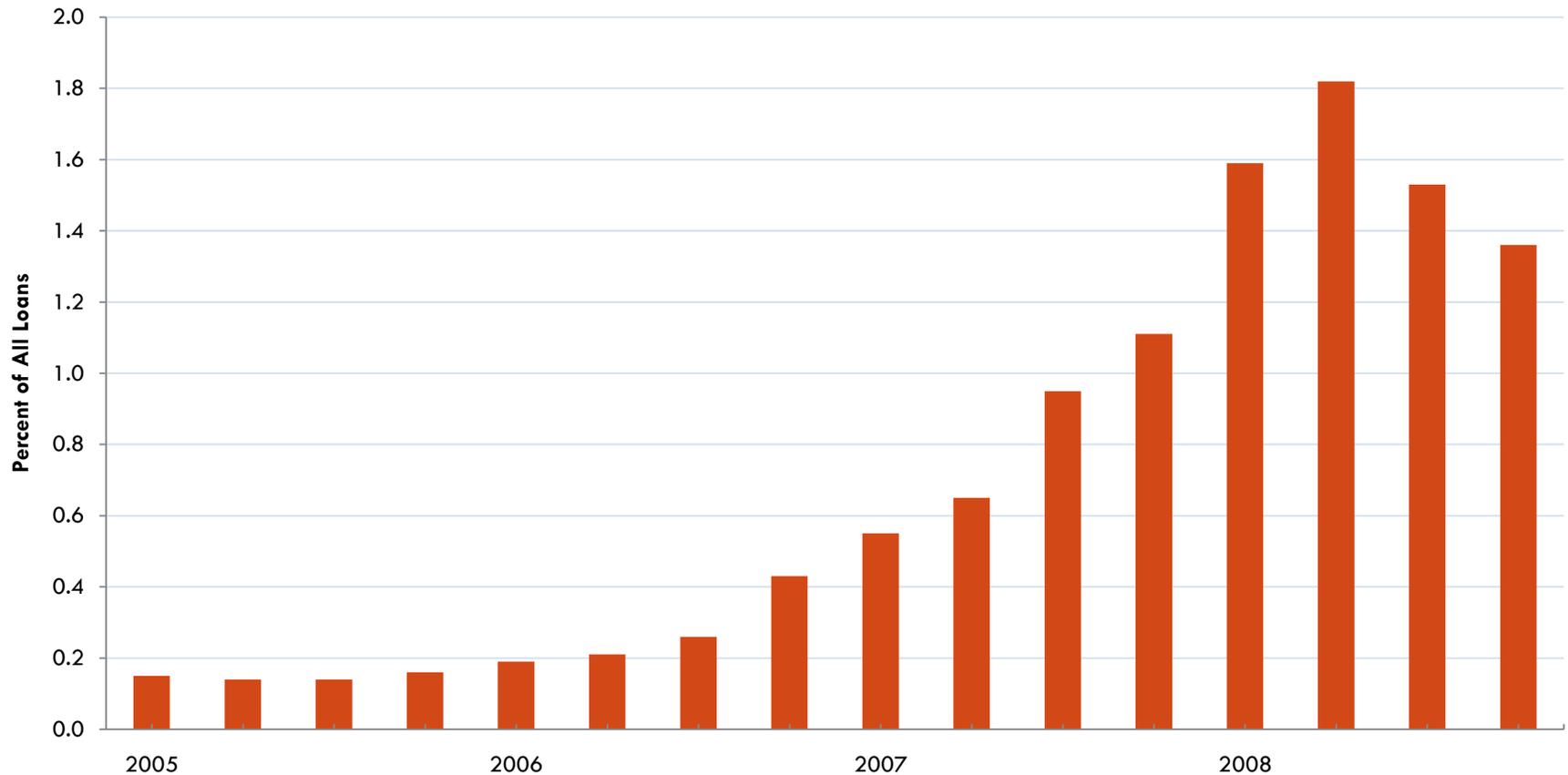
Foreclosure Starts (Percent of All Loans)



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

Unlike National Trends, California Saw a Decrease in Foreclosure Starts in 4th Quarter 2008

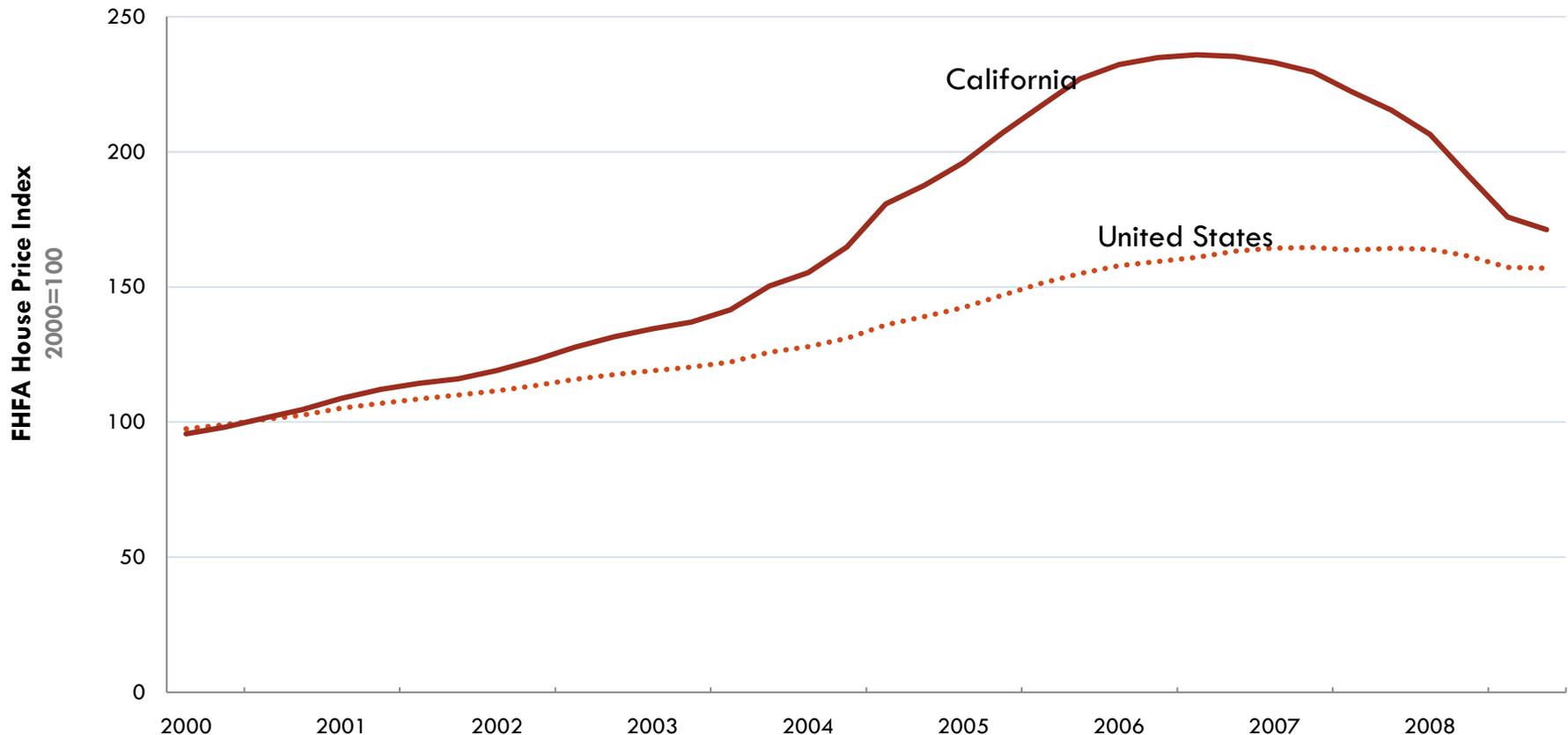
California: Foreclosure Starts



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

California Has Seen Significant and Steep Decline in House Prices

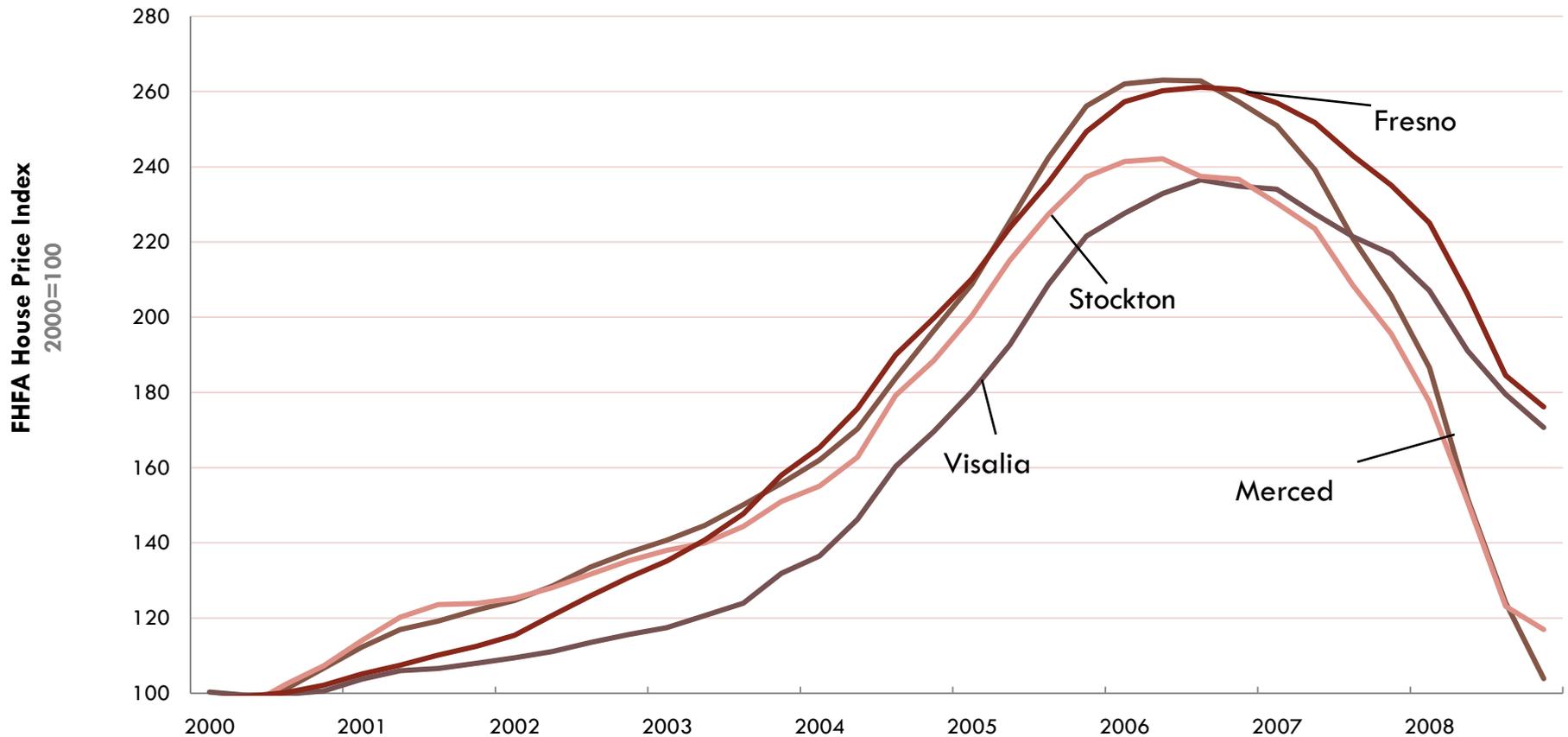
FHFA (formerly OFHEO) House Price Index
(2000=100, quarterly)



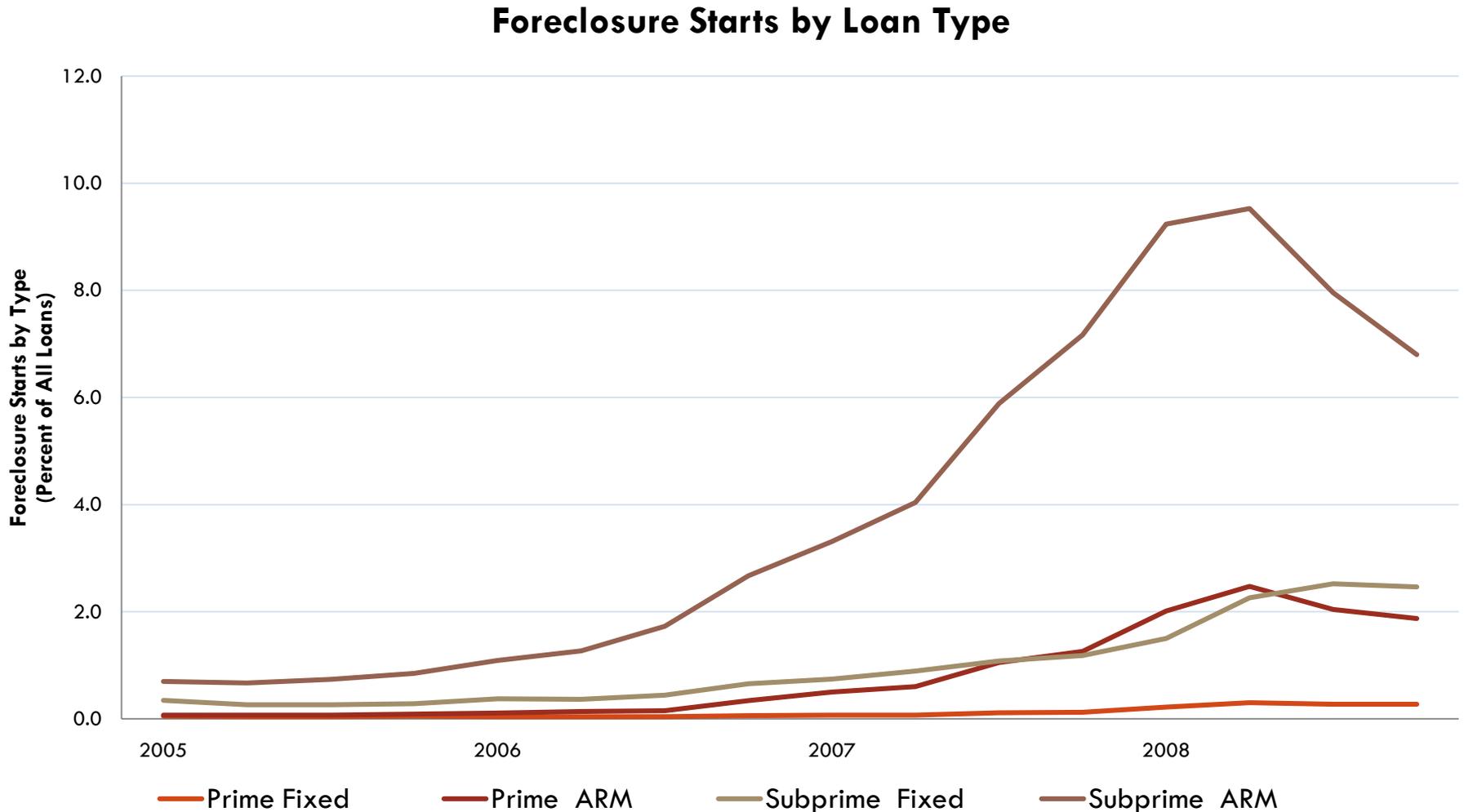
Central Valley MSAs Have Seen Greatest Declines in House Prices

FHFA House Price Index (formerly OFHEO): Central California

(2000 = 100, quarterly)



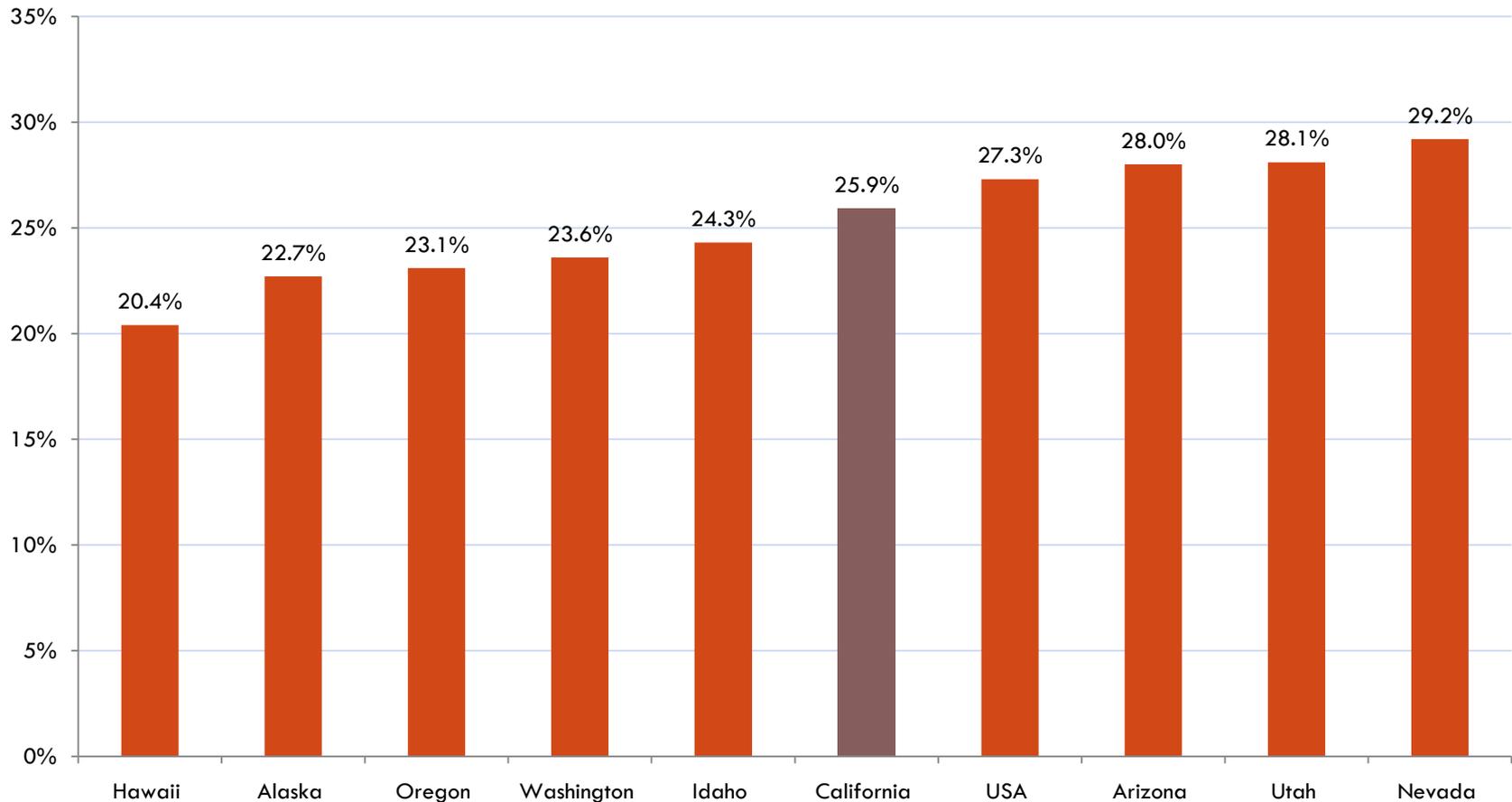
California's Foreclosures are Concentrated in Subprime ARM Market



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

Approximately 1 in 4 California Households Received a High Cost Loan during the Housing Boom

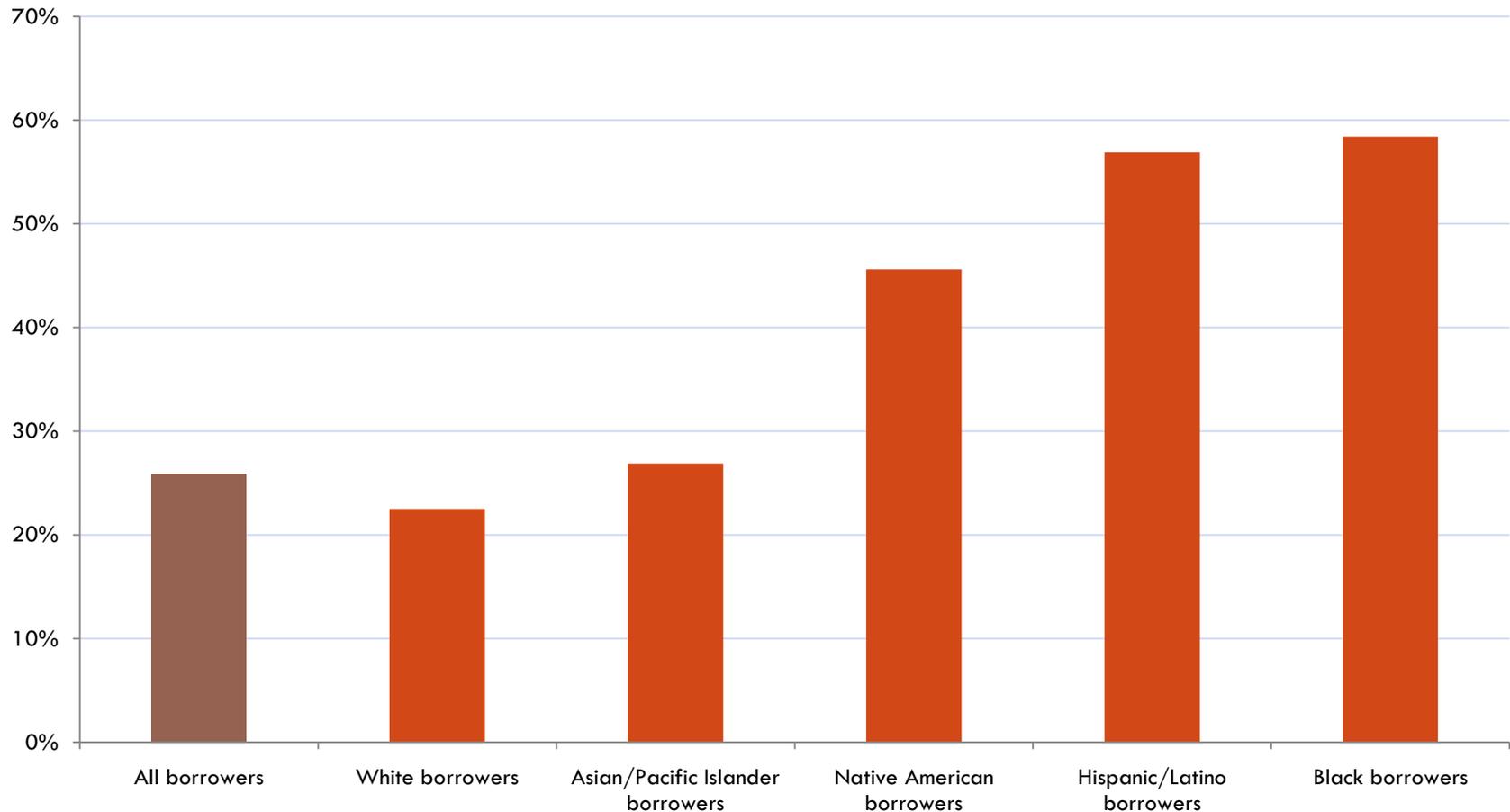
Percent of All Borrowers with High Interest Conventional Loans, 2005



Source: Home Mortgage Disclosure Act Data, 2005

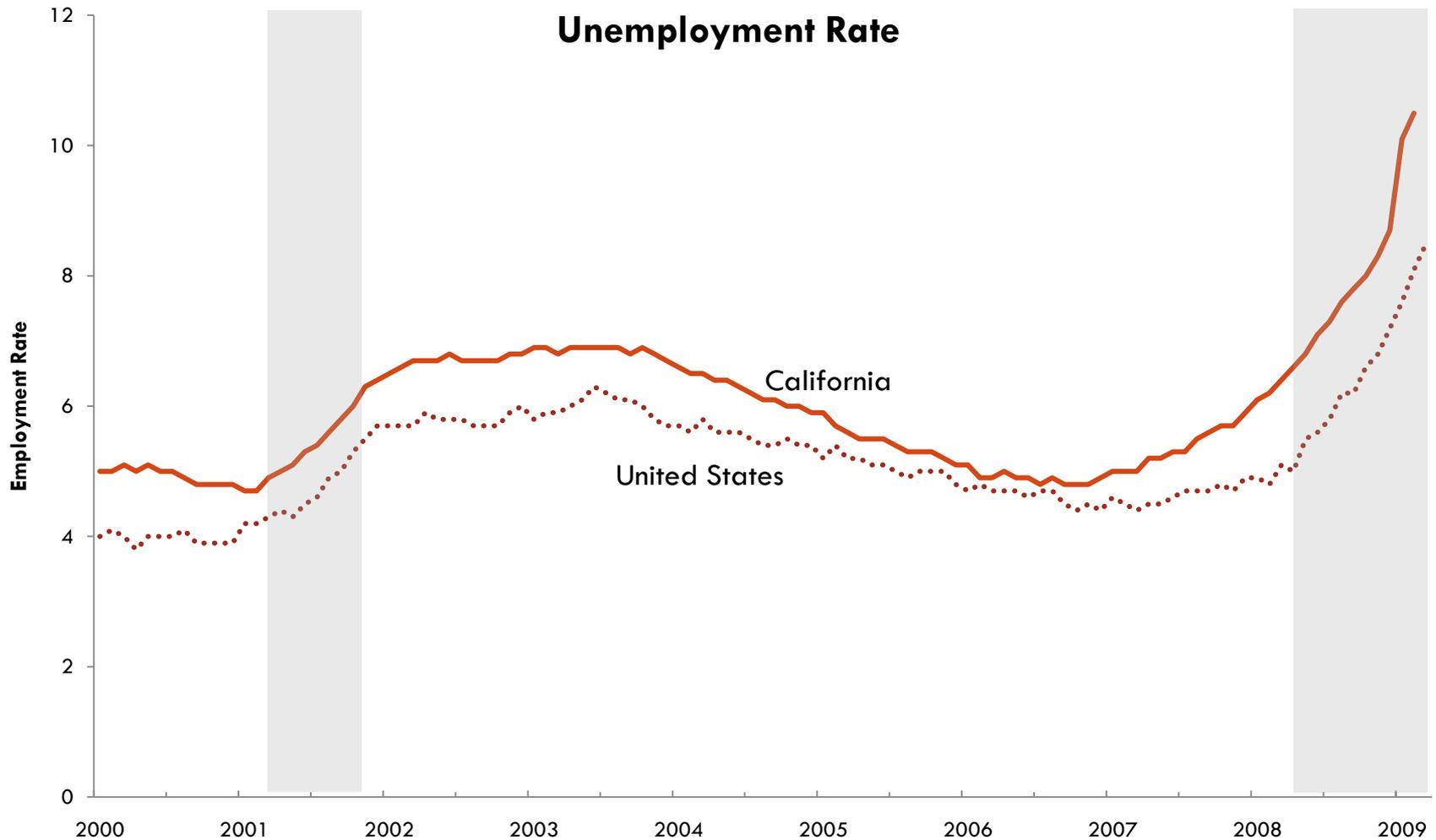
High Cost Lending in California More Prevalent Among Minority Borrowers

California: High Cost Conventional Loans by Race, 2005



Source: Home Mortgage Disclosure Act Data, 2005

Unemployment Rate in California Has Risen Sharply, May Affect Future Foreclosures



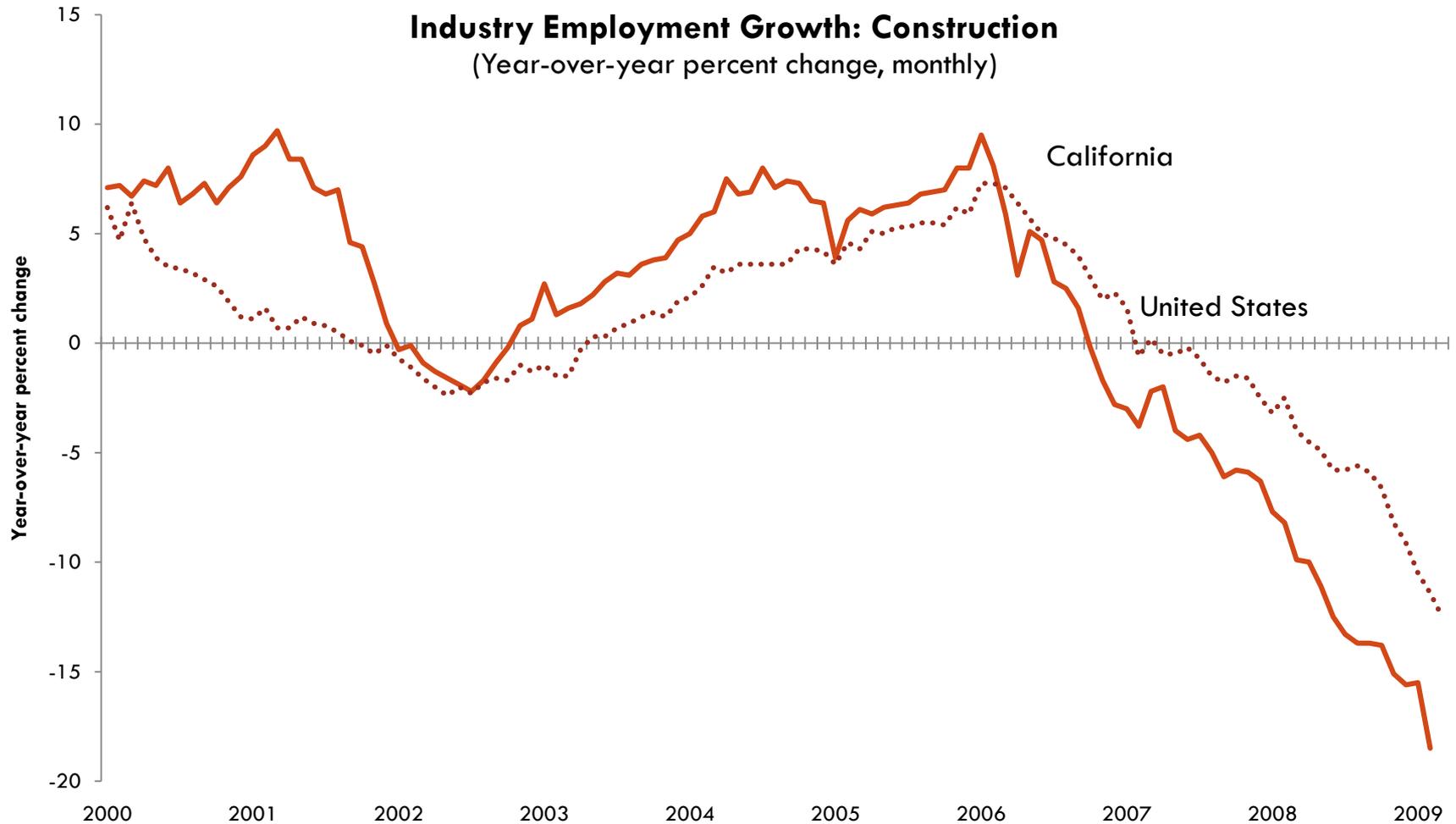
Source: Bureau of Labor Statistics, March 2009

Employment Trends by Industry in CA

California	Total Employed (thousands) February 2009	Percent Change		
		1-mo.*	3-mo.*	12-mo.
Total	14,534.8	-9.1	-7.3	-4
Trade, Transportation & Utilities	2,742.5	-6.7	-6.9	-5.5
Professional & Business Svcs.	2,164.8	-15	-9.9	-4.5
Educational & Health Svcs.	1,742.5	3	0.9	1.8
Leisure & Hospitality	1,533.5	-10.9	-5	-2.8
Manufacturing	1,355.4	-13.1	-12.3	-6.2
Financial Activities	816.7	-10	-7	-6
Construction	681.9	-41.2	-25.7	-18.5
Other Services	510.0	-3	-3	-1.2
Information	450.7	23.6	-22.3	-4
Government	2,508.6	-1.5	-1.3	-0.3
Natural Resources & Mining	28.2	-19	-2.8	0.4

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

Significant Drop in Construction Employment

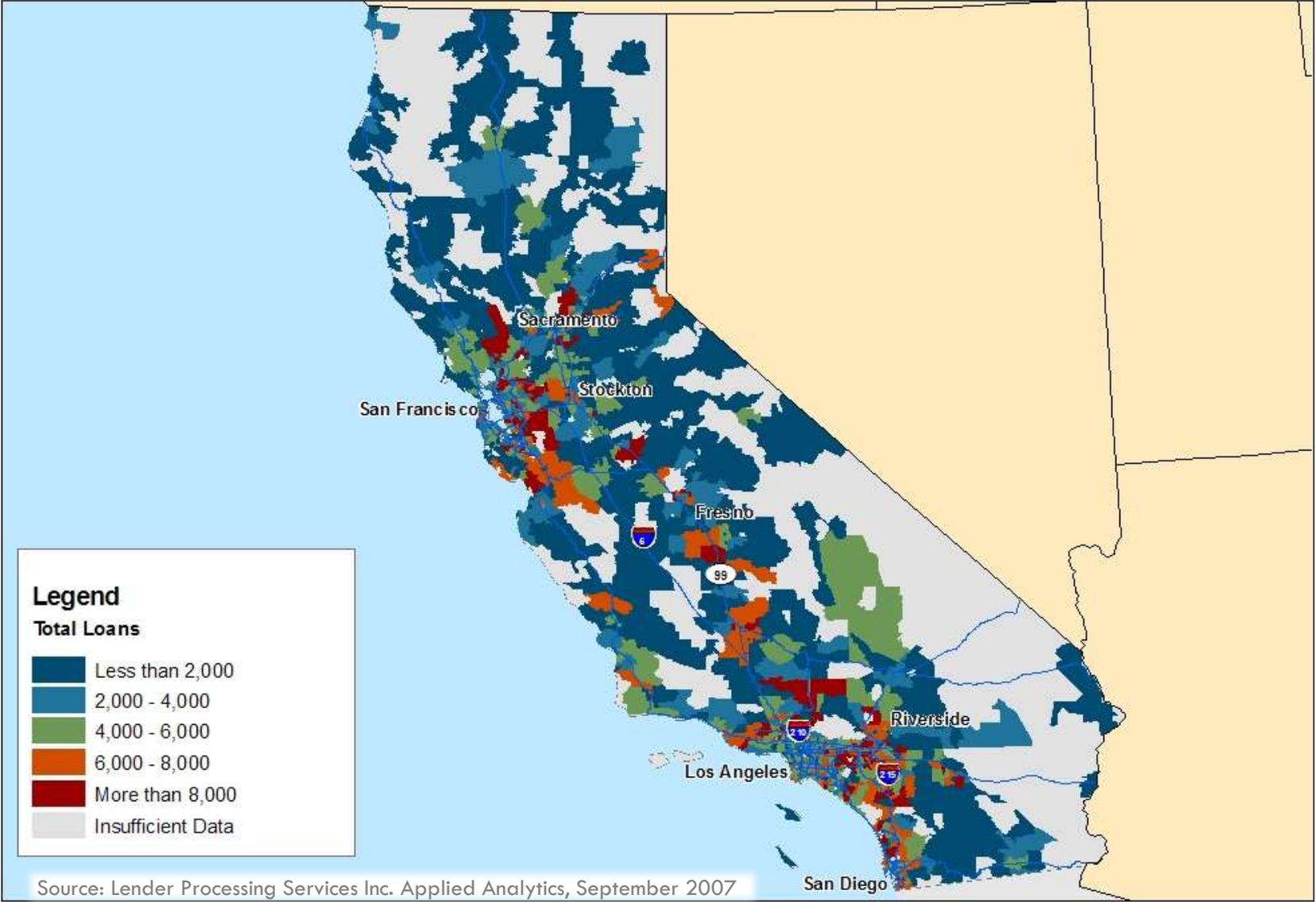


Source: Bureau of Labor Statistics, March 2009

State & Local Data Maps

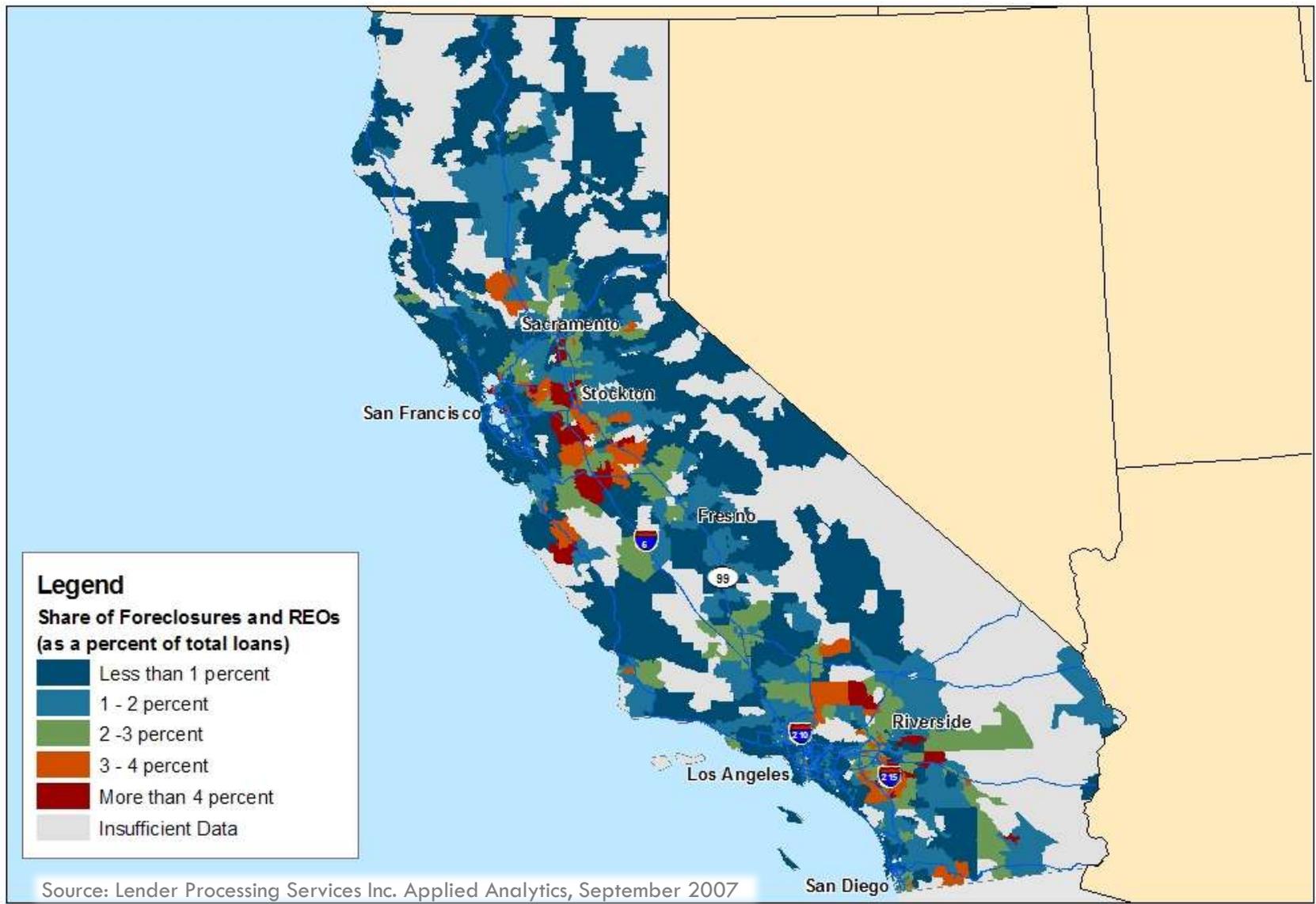
Lending Volumes

September 2007



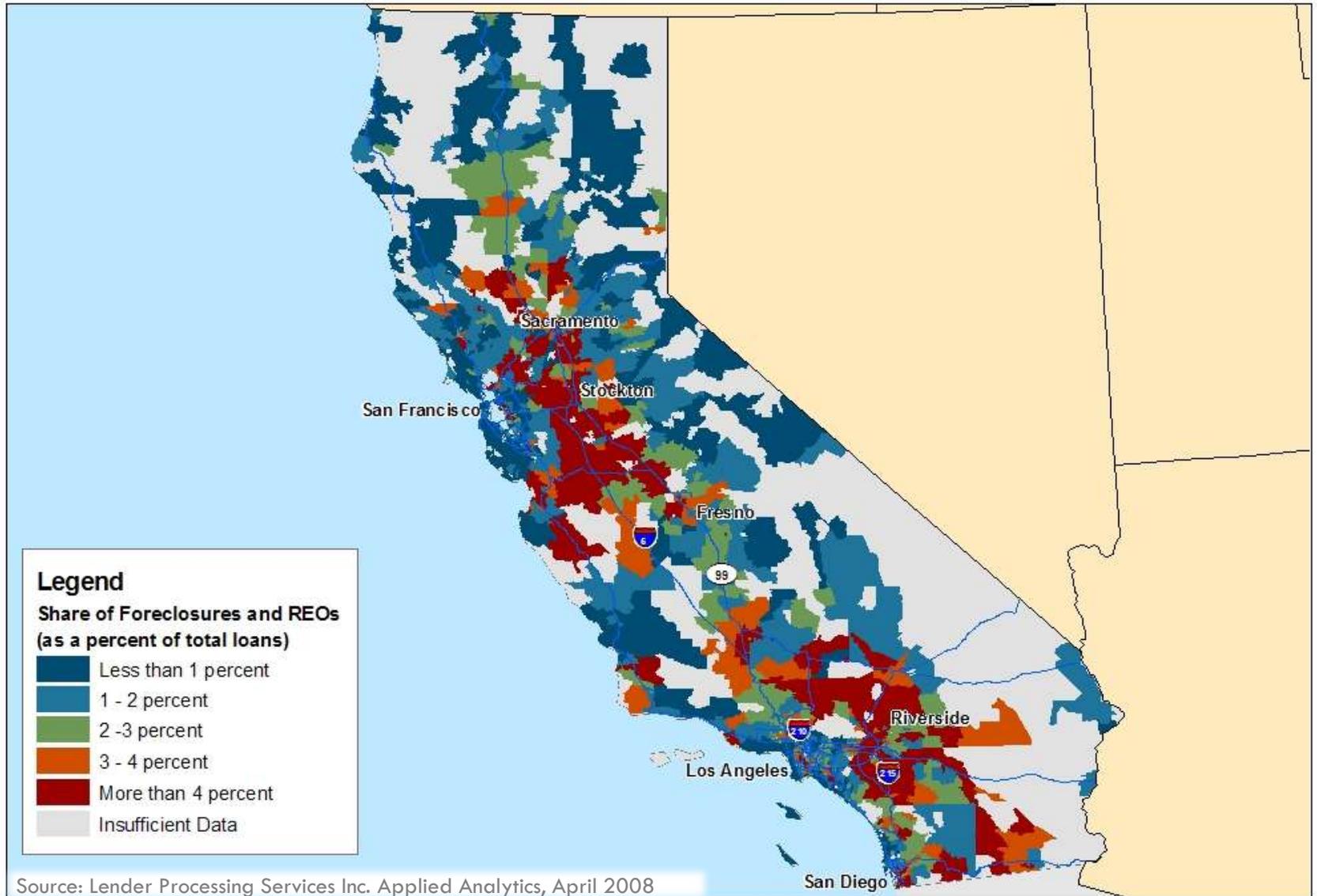
Areas Affected by Concentrated Foreclosures

September 2007



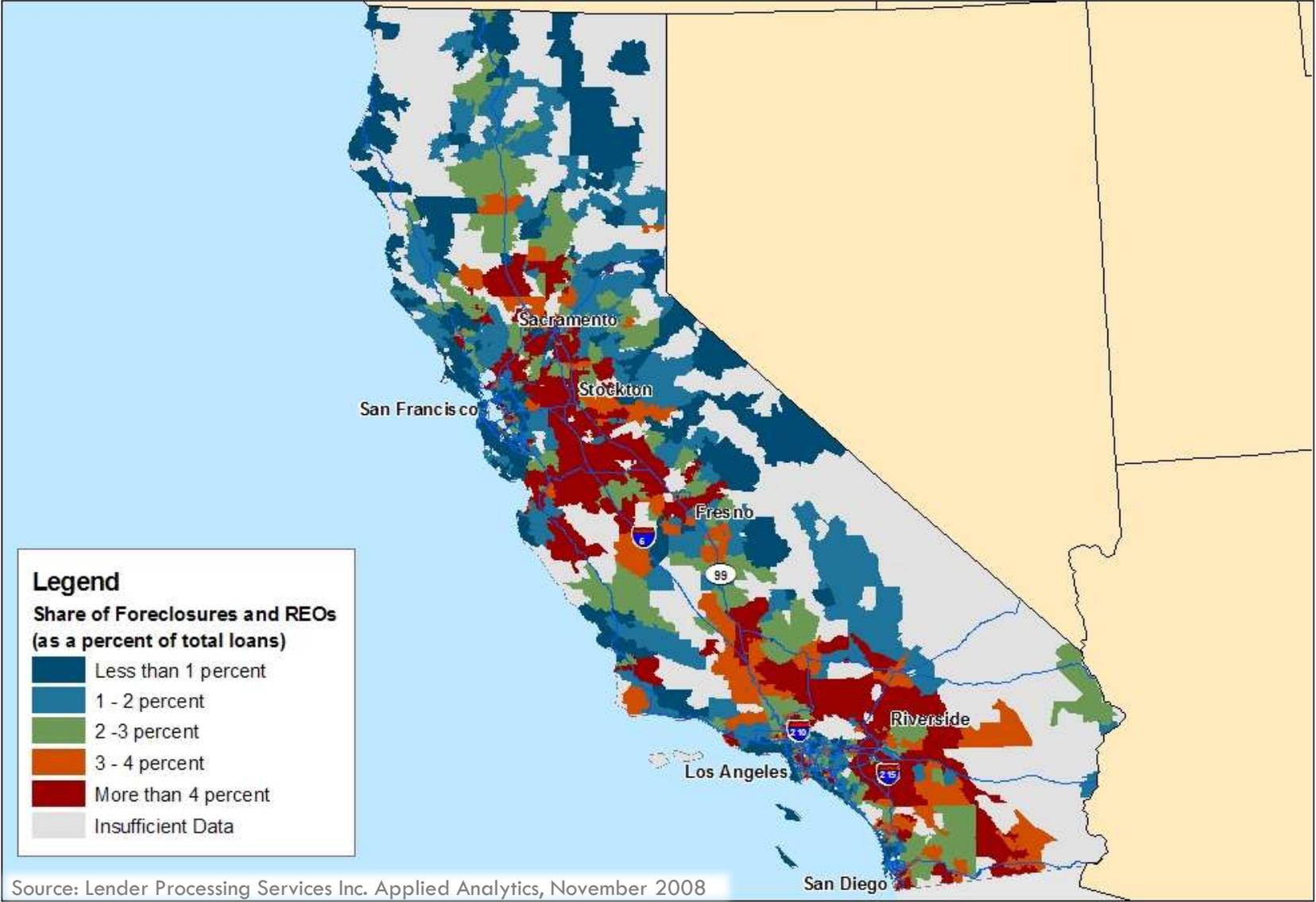
Areas Affected by Concentrated Foreclosures

April 2008



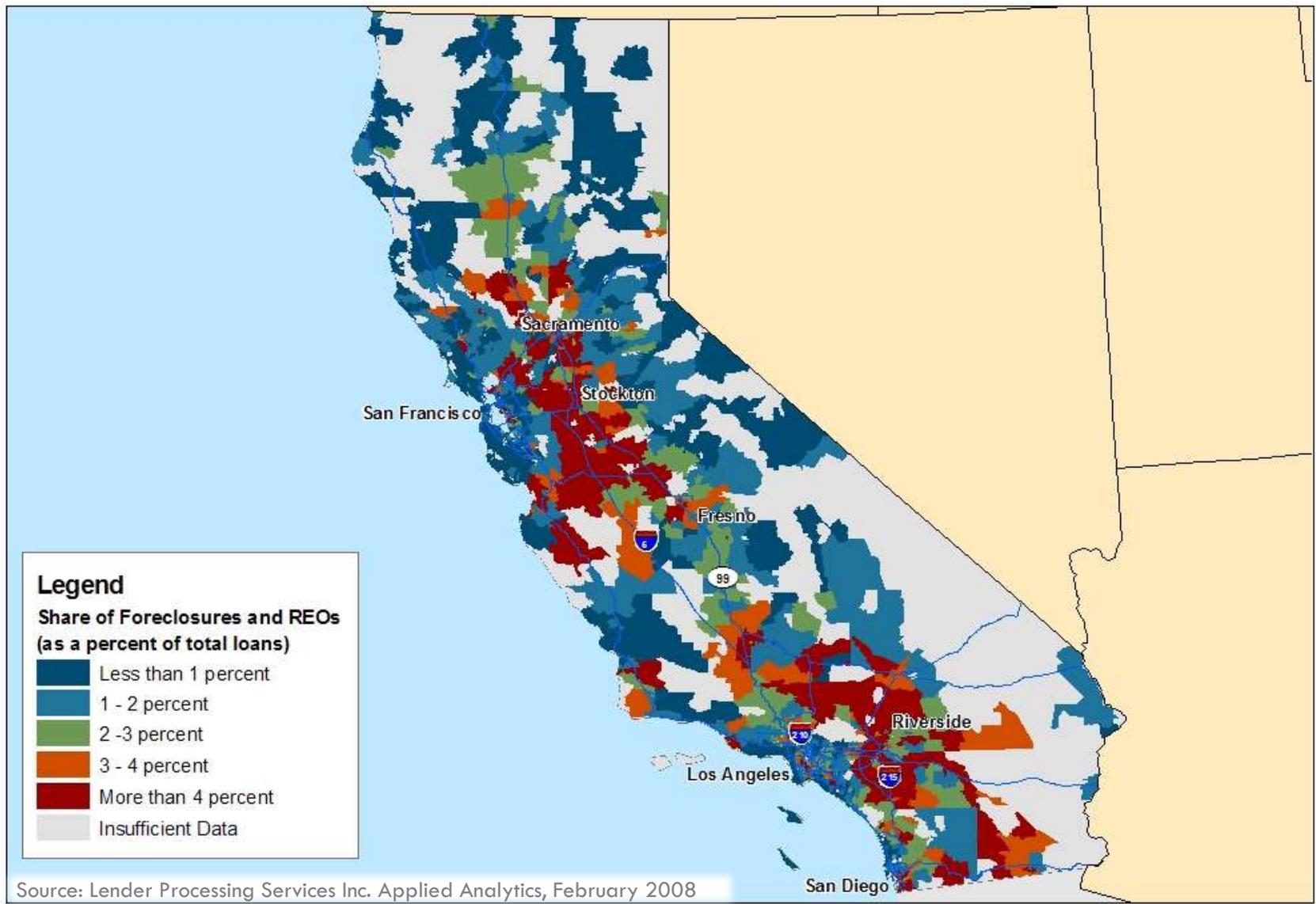
Areas Affected by Concentrated Foreclosures

November 2008



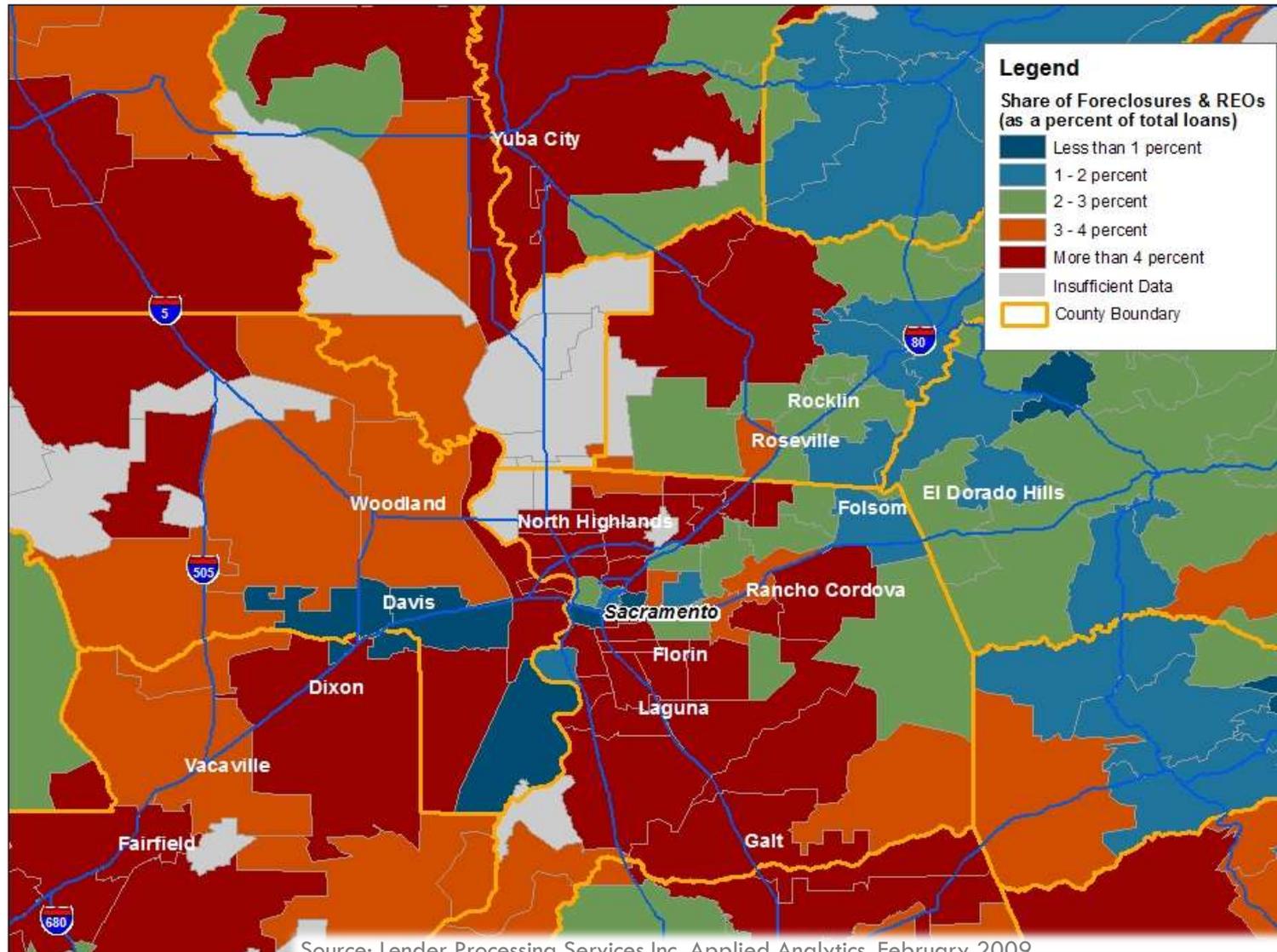
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February 2009



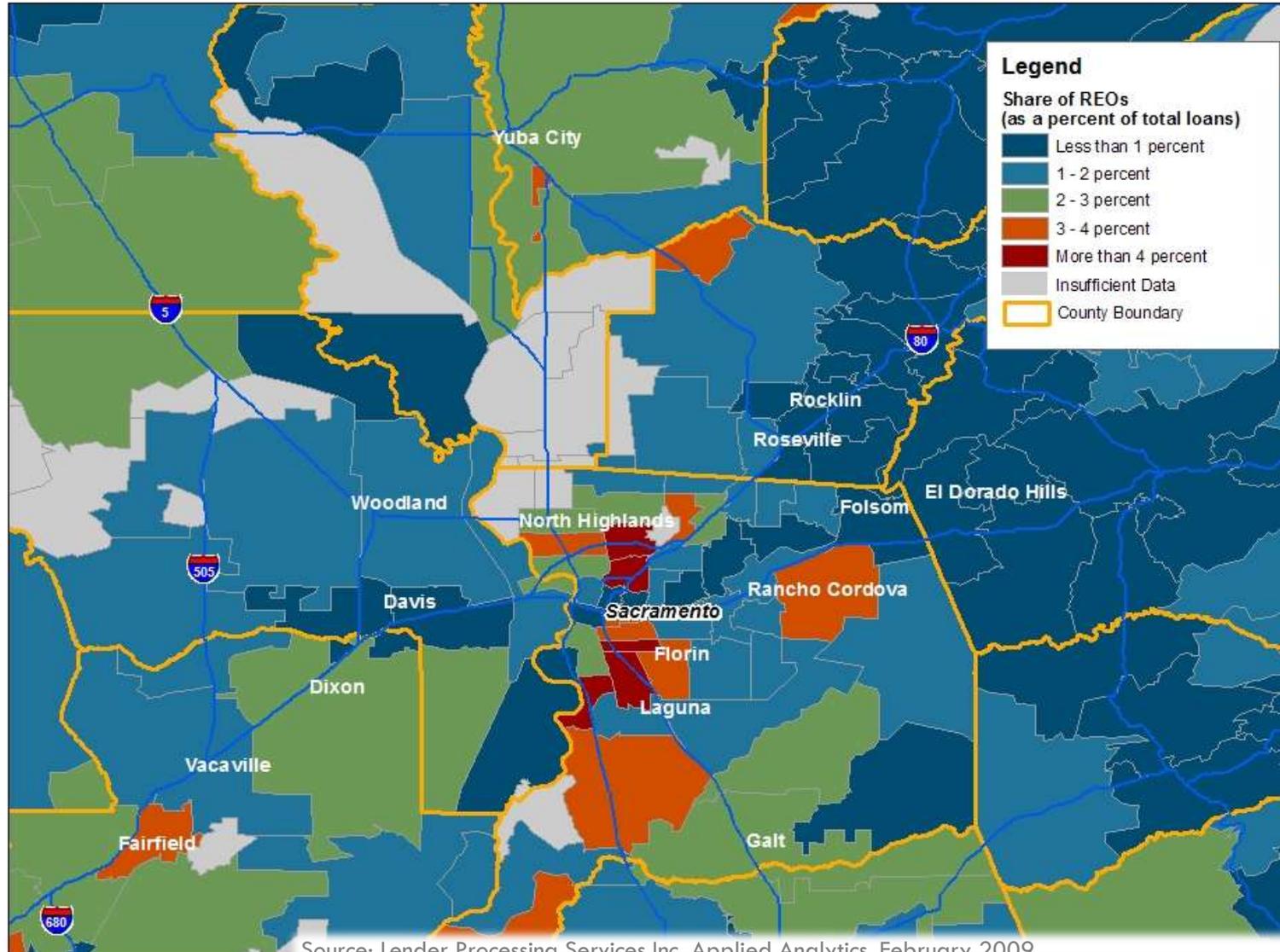
Neighborhoods with Concentrations of Foreclosures

February 2009



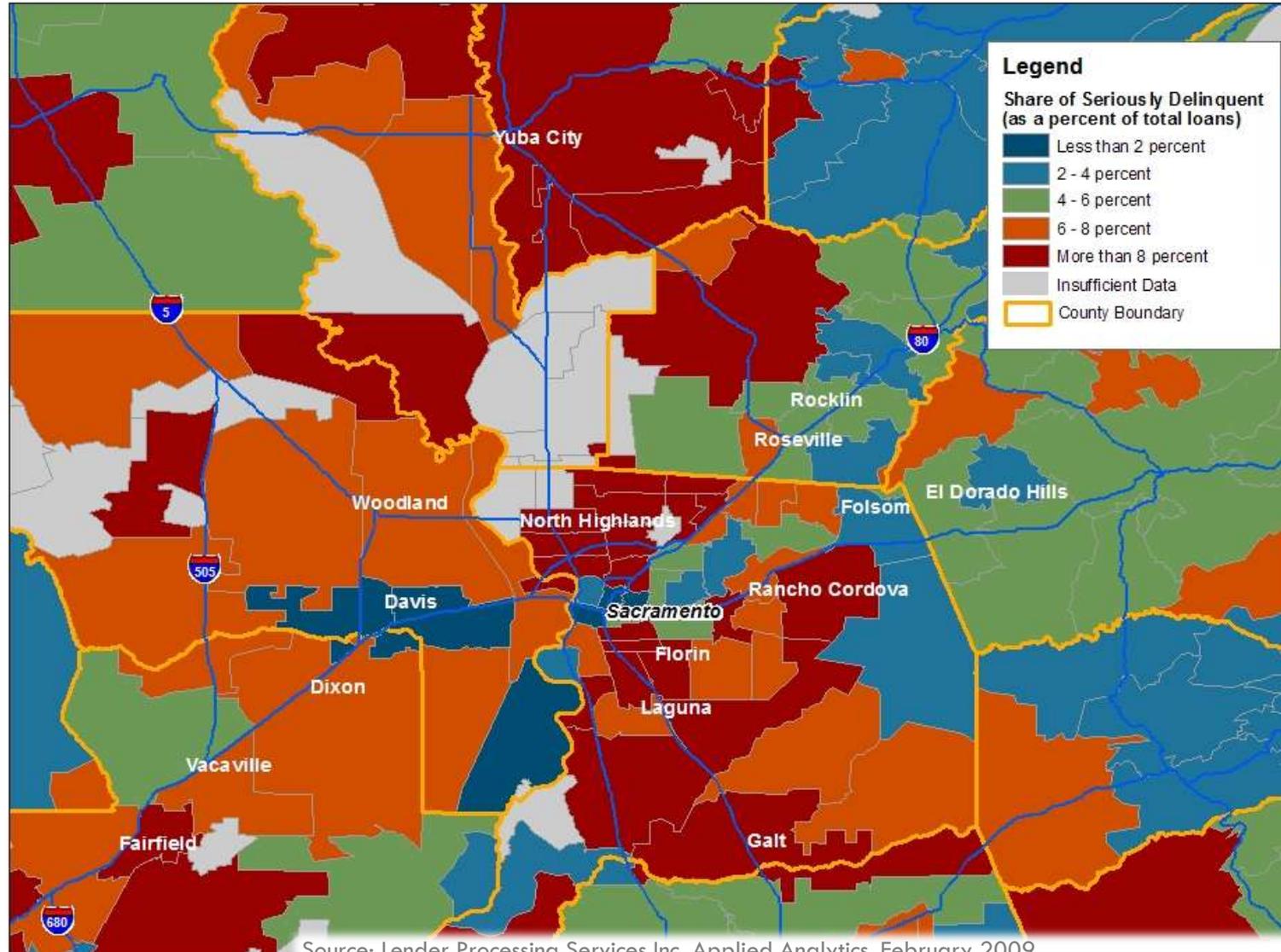
Source: Lender Processing Services Inc. Applied Analytics, February 2009

Concentration of REO Properties February 2009



Source: Lender Processing Services Inc. Applied Analytics, February 2009

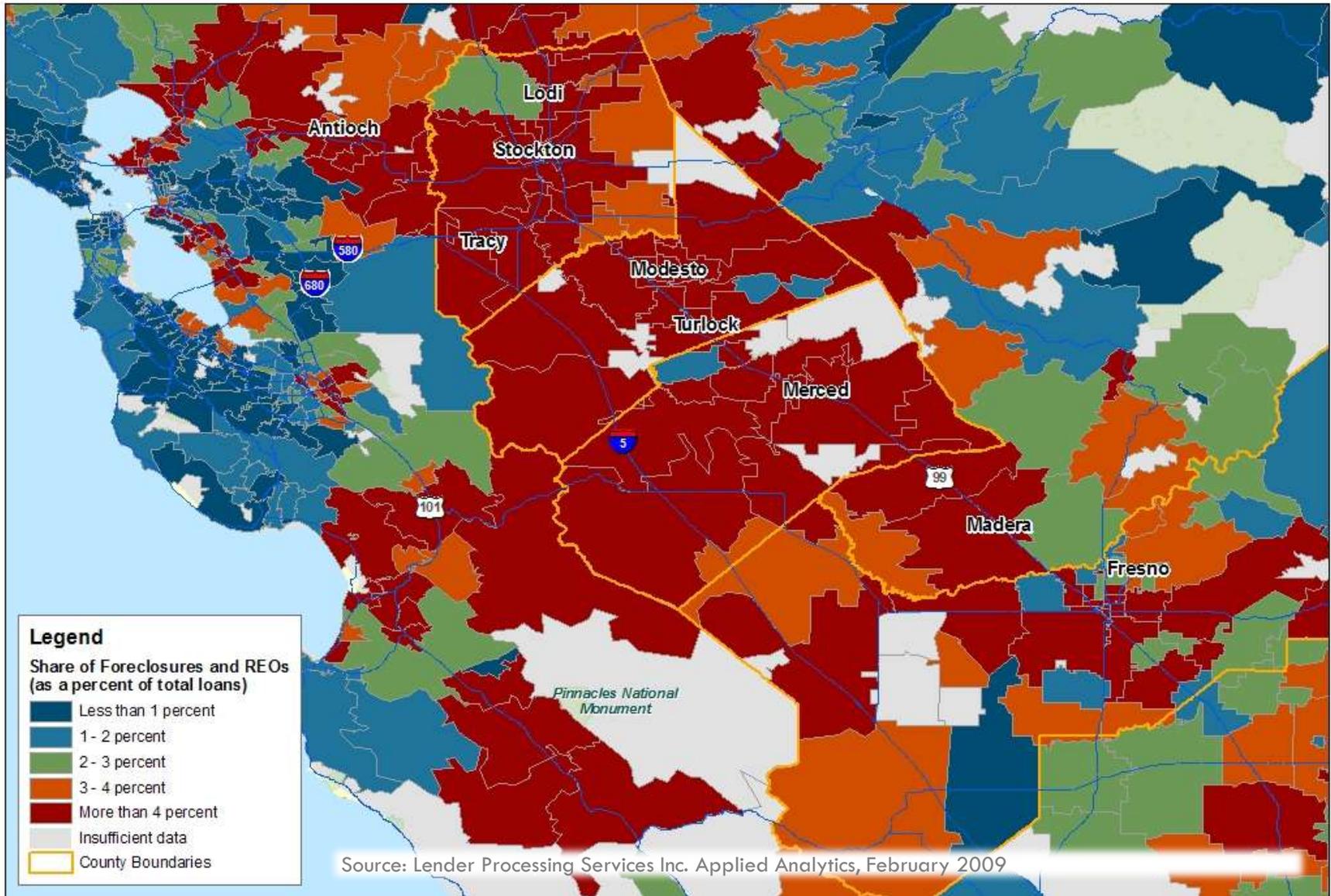
Areas at Risk of Additional Foreclosures February 2009



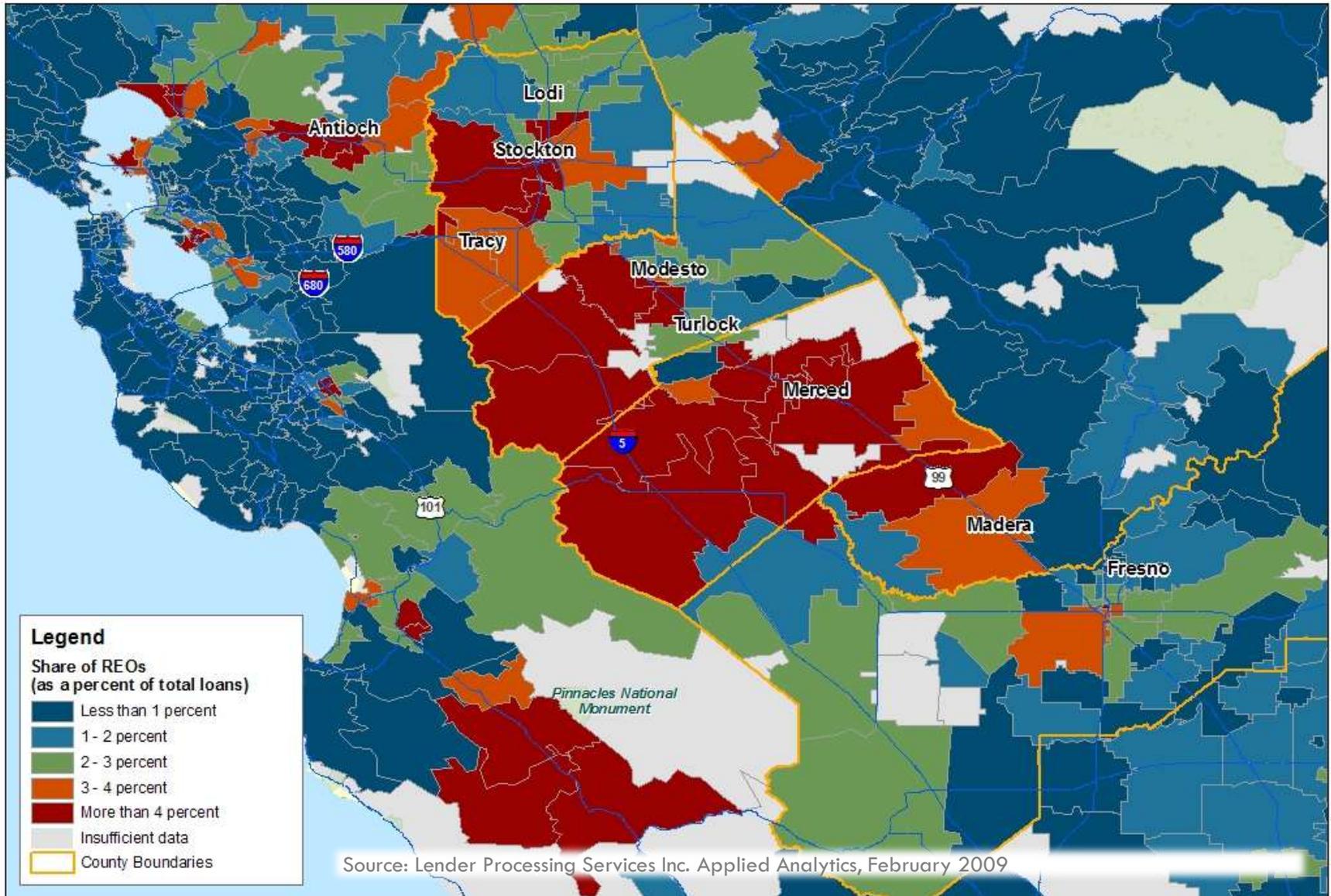
Source: Lender Processing Services Inc. Applied Analytics, February 2009

Neighborhoods with Concentrations of Foreclosures

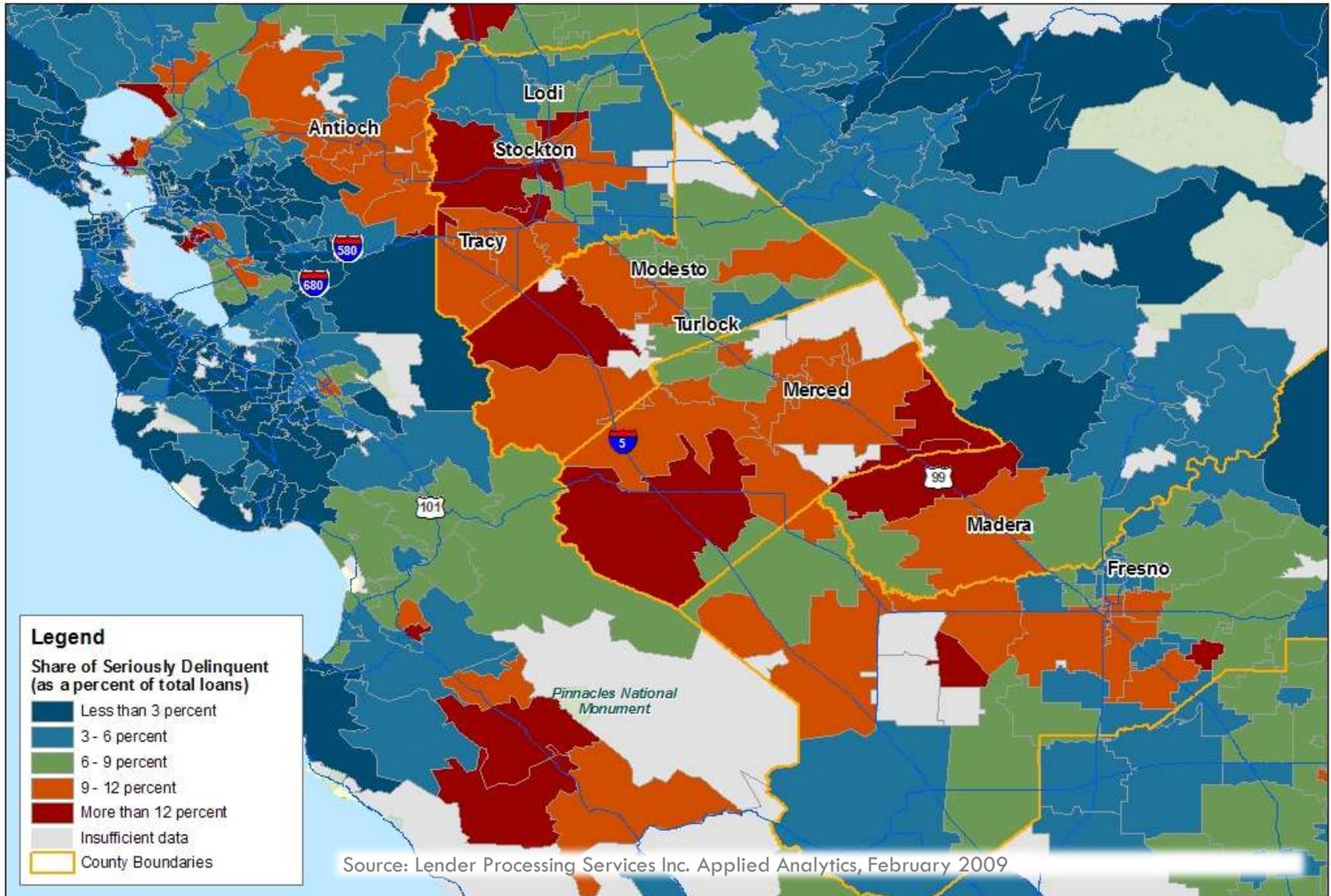
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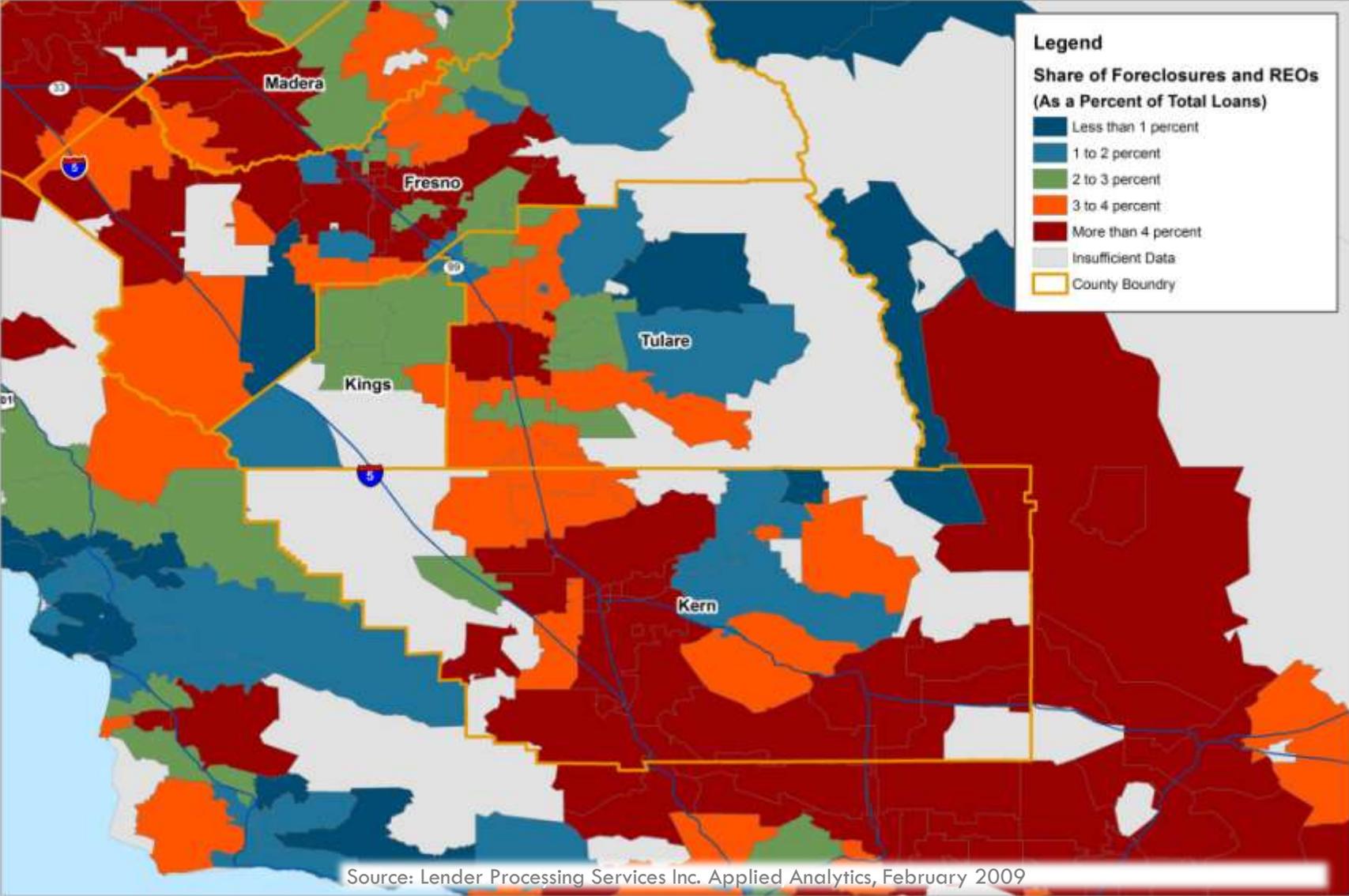
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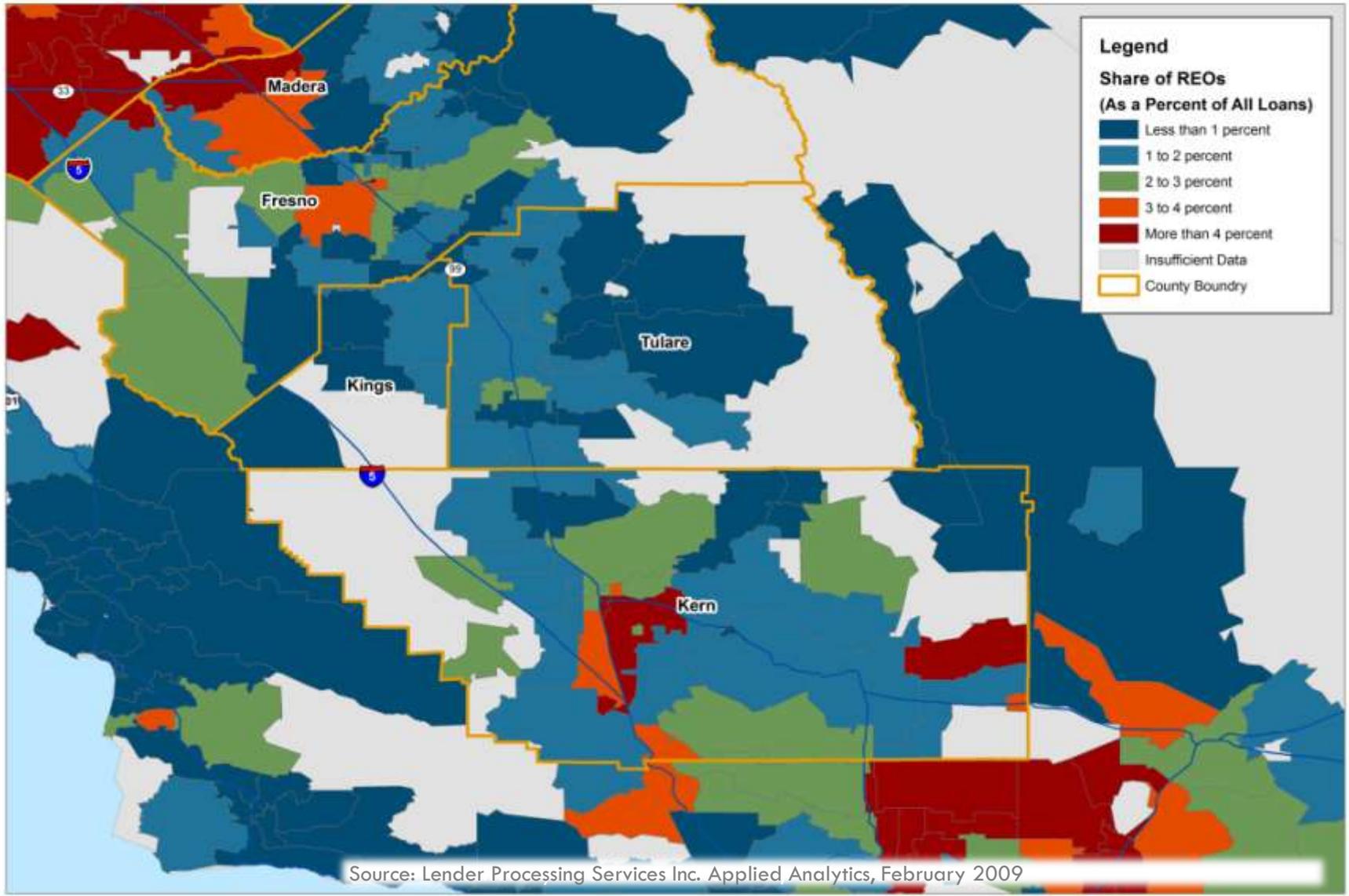
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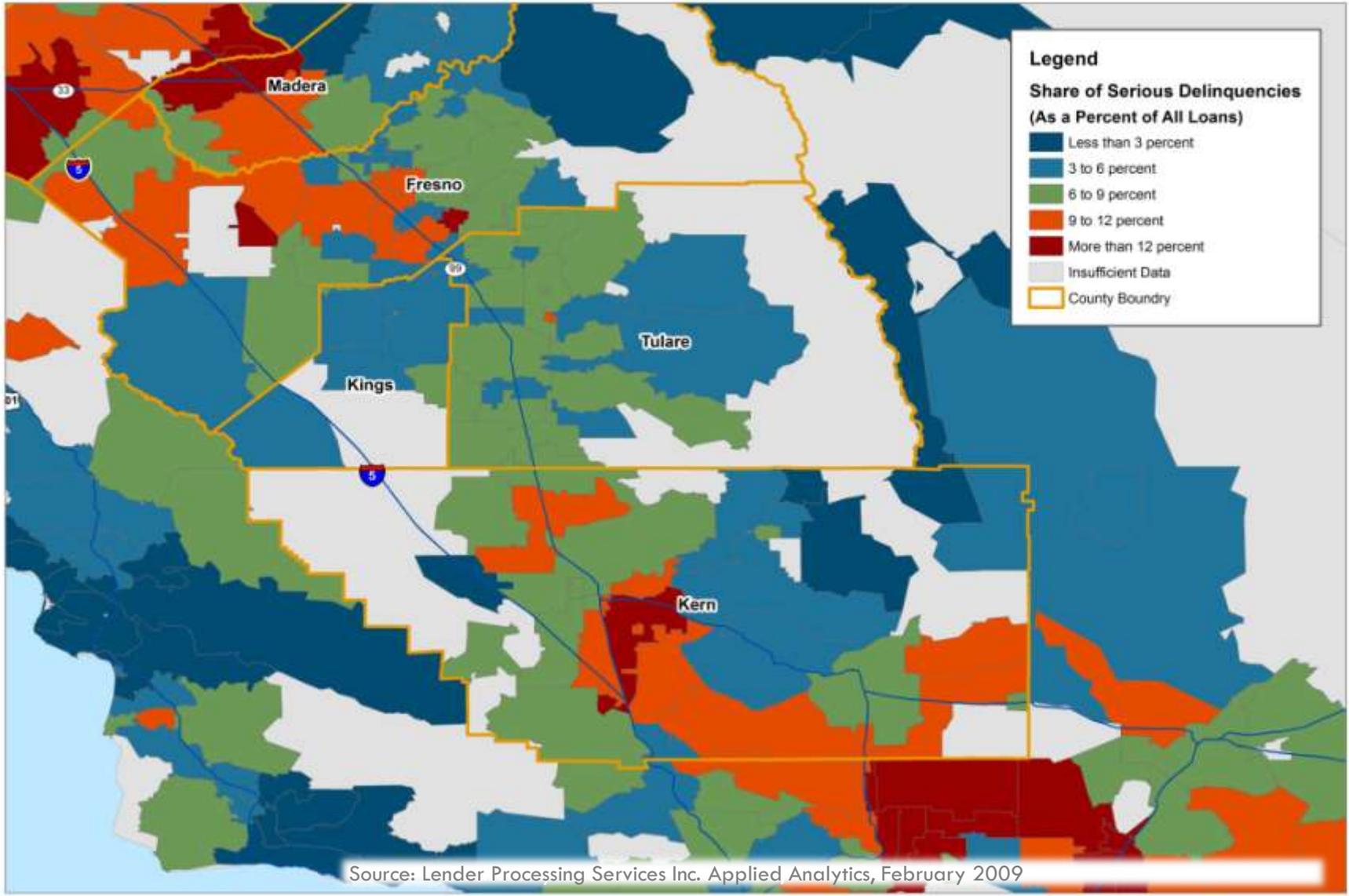
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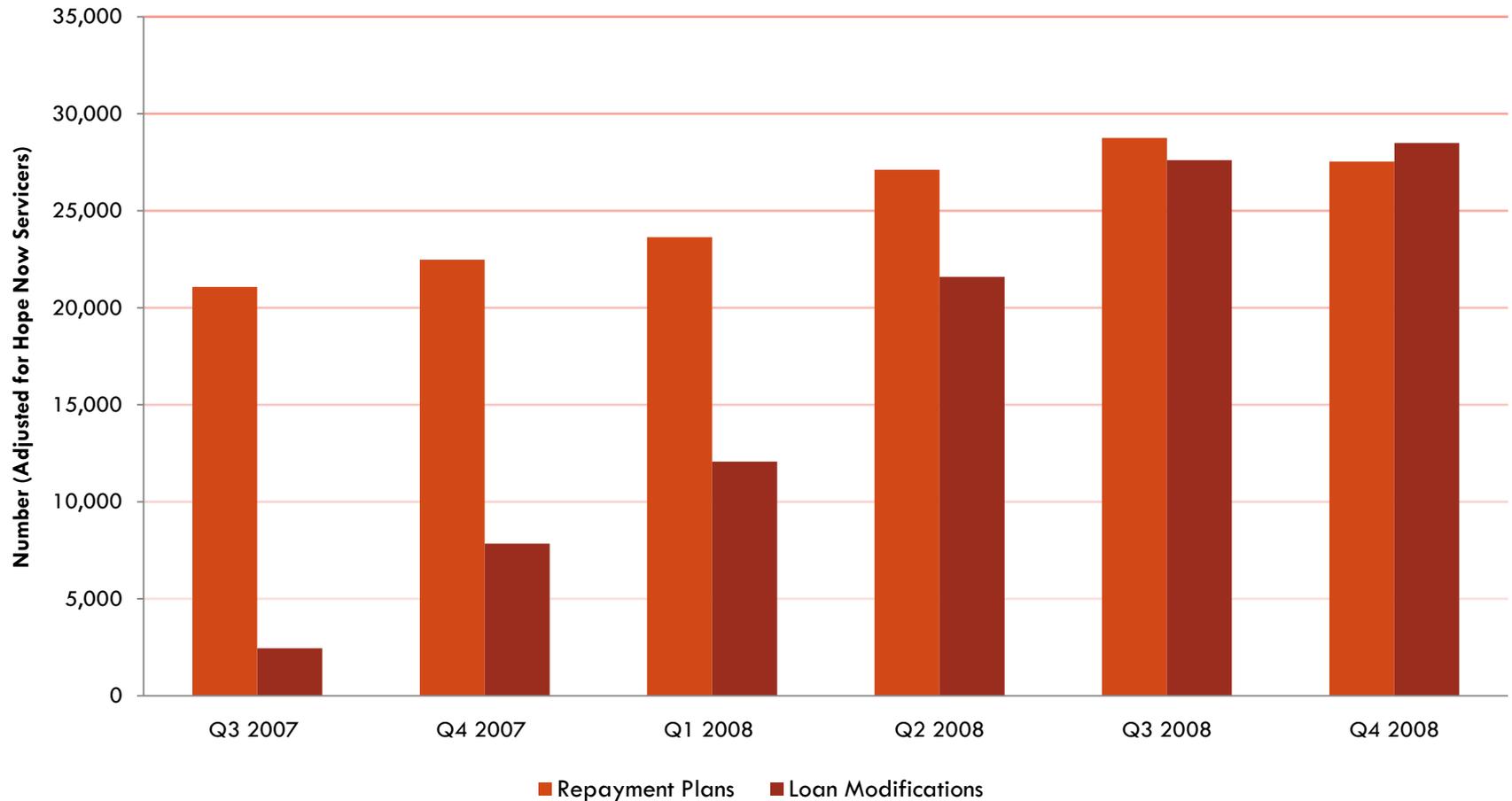
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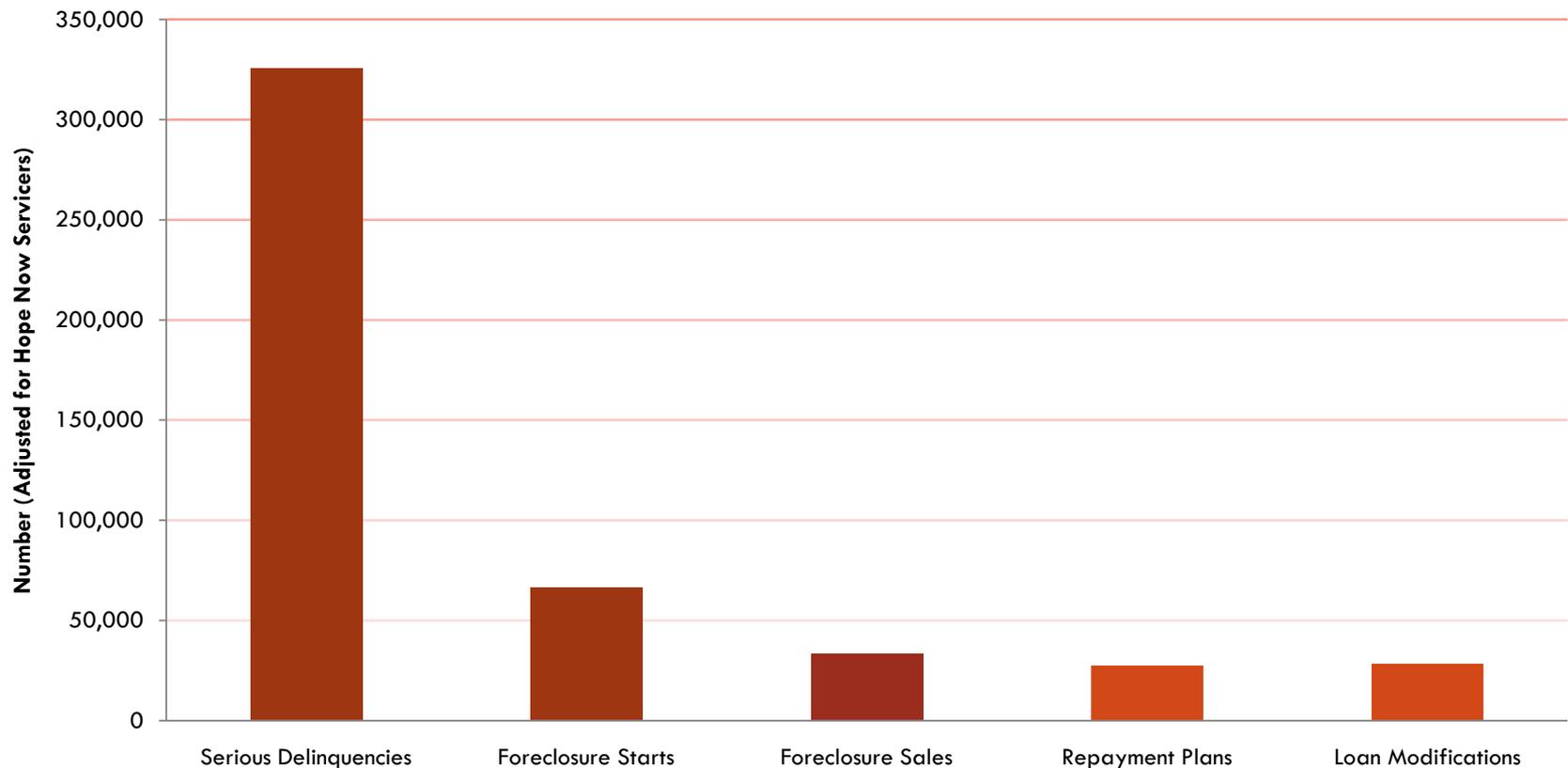
Loan workouts reach approximately 55,000 borrowers each quarter

California Loan Workouts



Yet, still more than 300,000 borrowers in California were seriously delinquent on their mortgage in 4th Qtr 2008

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



Source: Hope Now Alliance Servicing Data, 4th 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

The screenshot displays the website for the Federal Reserve Bank of San Francisco's Community Development department. At the top, there is a navigation bar with links for 'Careers', 'Fed Links', and 'Subscriptions'. Below this is a secondary menu with categories: 'About the Fed', 'News and Events', 'Economic Research and Data', 'Educational Resources', 'Community Development' (highlighted), 'Consumer Information', 'Banking Information', and 'Services for Financial Institutions'. 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'. To the right, there is a 'TOOL BOX' with links for 'Fed Links', 'Subscriptions', 'Publications', 'Search', and 'Research Hub'. Below that is a 'POPULAR CONTENT' section listing upcoming events like 'Marketing Communities: Ensuring FDIC in Compliance with CFPB' and 'Innovative Financial Services for the Underserved'. At the bottom, there are sections for 'Programs and Information' (including CBA, Community Development Issues, and the Center for Community Development Investments), 'Events and Conferences', 'Publications', and 'About Us'.

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