

TRENDS IN DELINQUENCIES AND FORECLOSURES IN NORTHERN CALIFORNIA

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Federal Reserve Bank of San Francisco

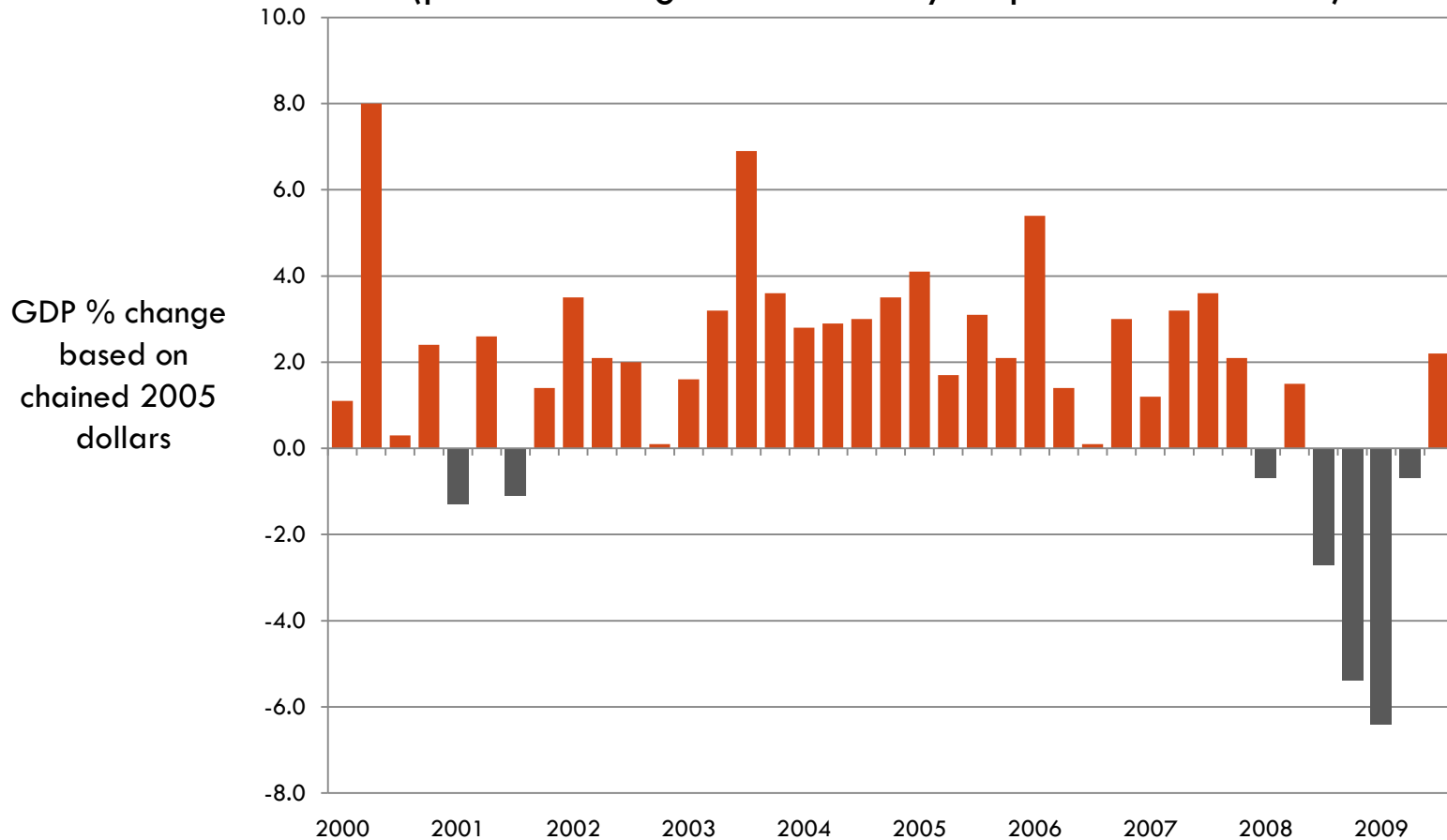
National Trends

- Signs that the economy is starting to grow and move out of the recession
 - GDP positive for the first time since start of 2008
- Major weaknesses still exist in the housing, labor, and credit markets
- Foreclosures continue to rise
 - Although the HAMP program has succeeded in reaching 728,408 distressed borrowers (as of November 2009), few of these modifications have been made permanent and scale still falls significantly short of need.

National Trends

GDP Shows Positive Growth in 3rd Quarter 2009

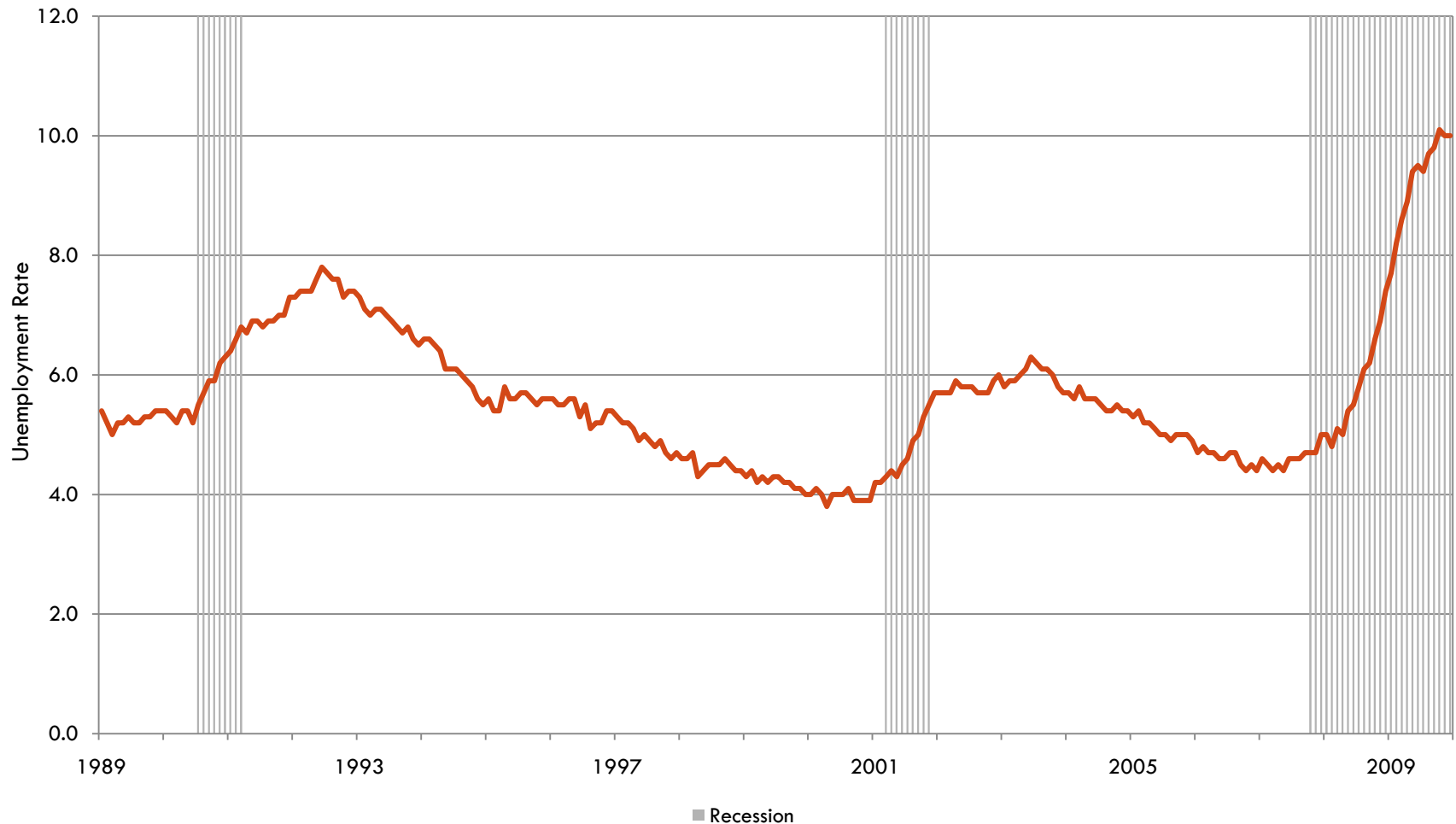
Real Gross Domestic Product
(percent change at seasonally adjusted annual rate)



Source: Bureau of Economic Analysis

Weakness in Labor Market Grave Concern

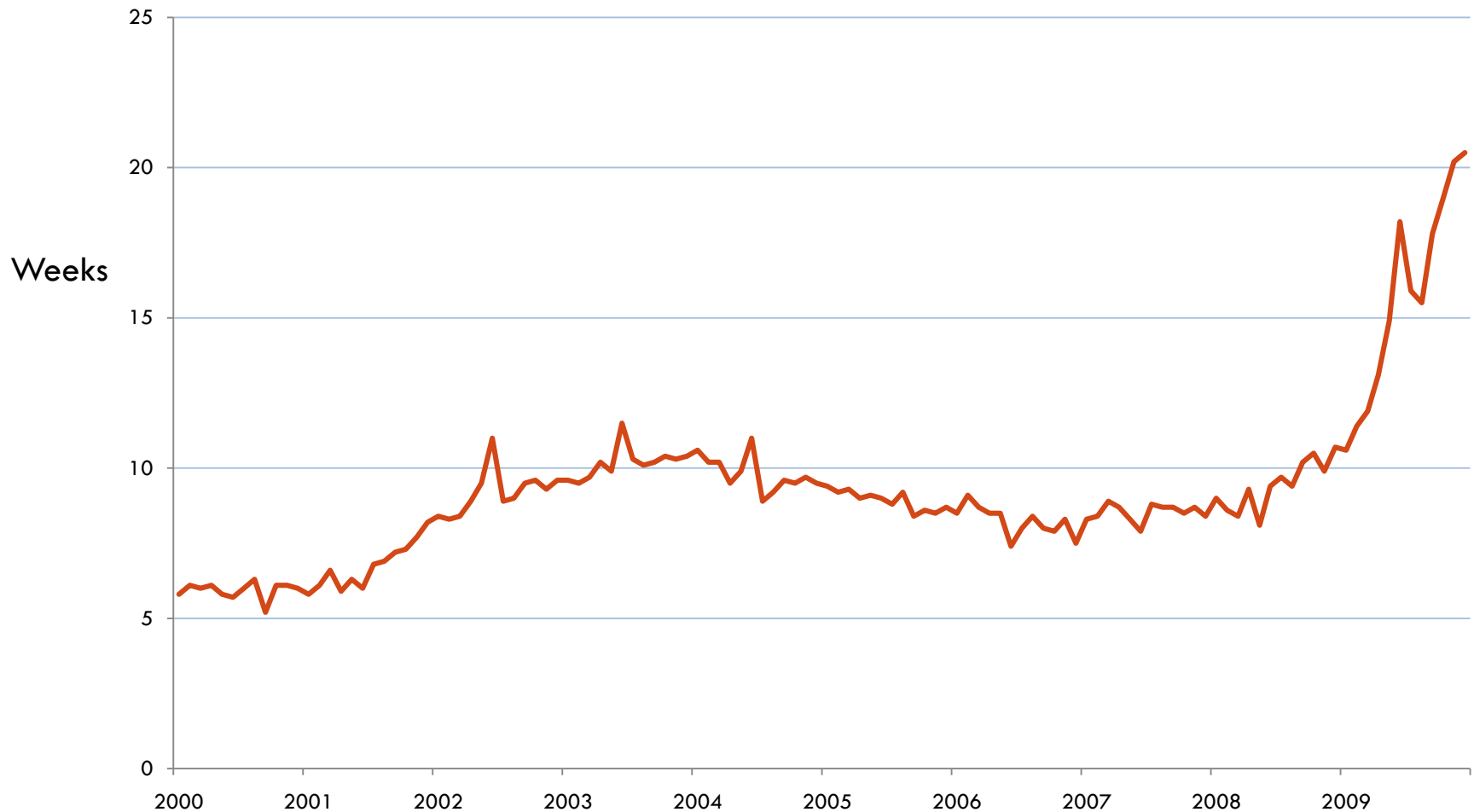
U.S. Unemployment Rate



Source: Bureau of Labor Statistics, December 2009

Dramatic Increase in Duration of Unemployment

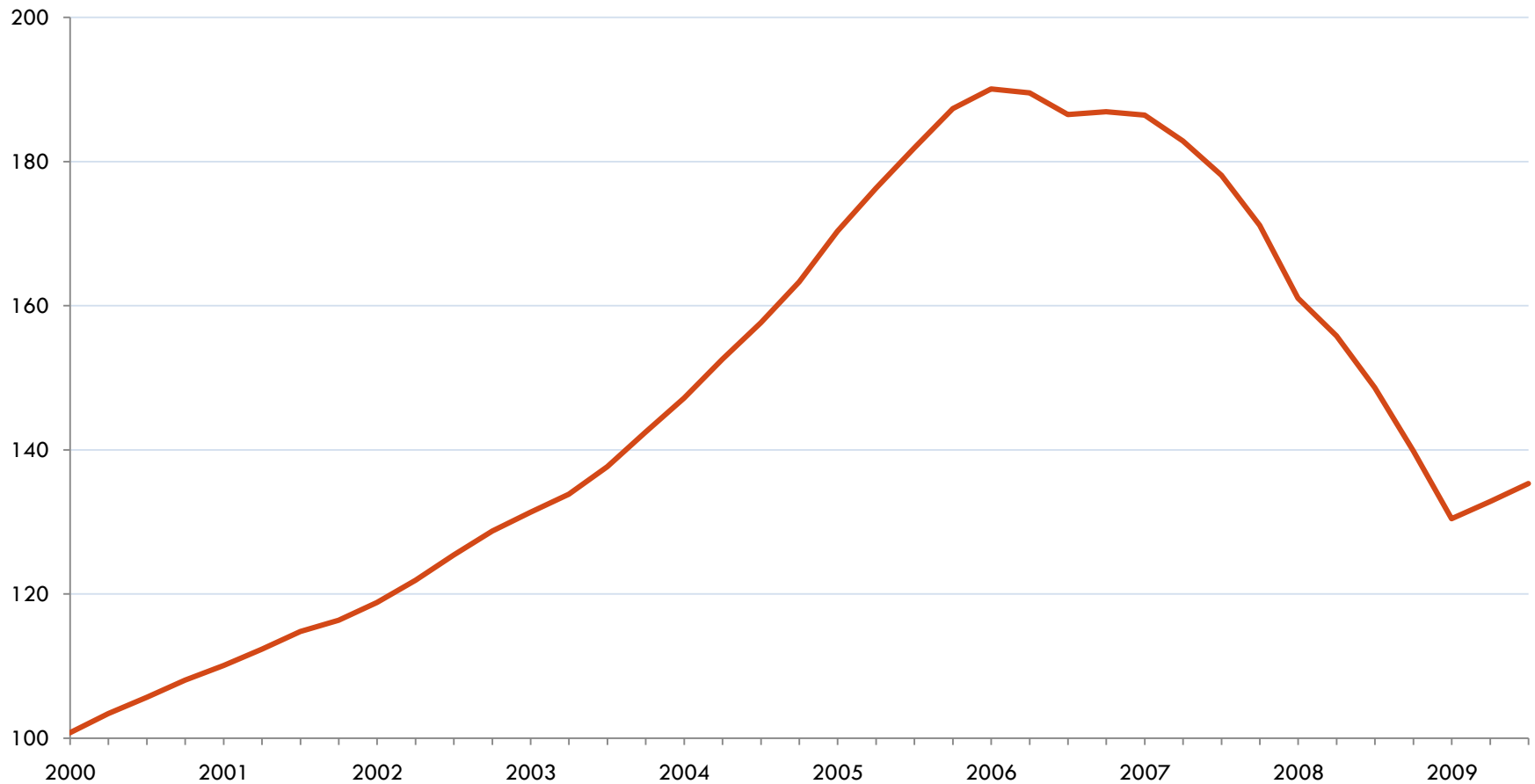
Median Duration of Unemployment



Source: Bureau of Labor Statistics

Case-Shiller Shows Continued Uptick in House Prices in 3rd Qtr 2009

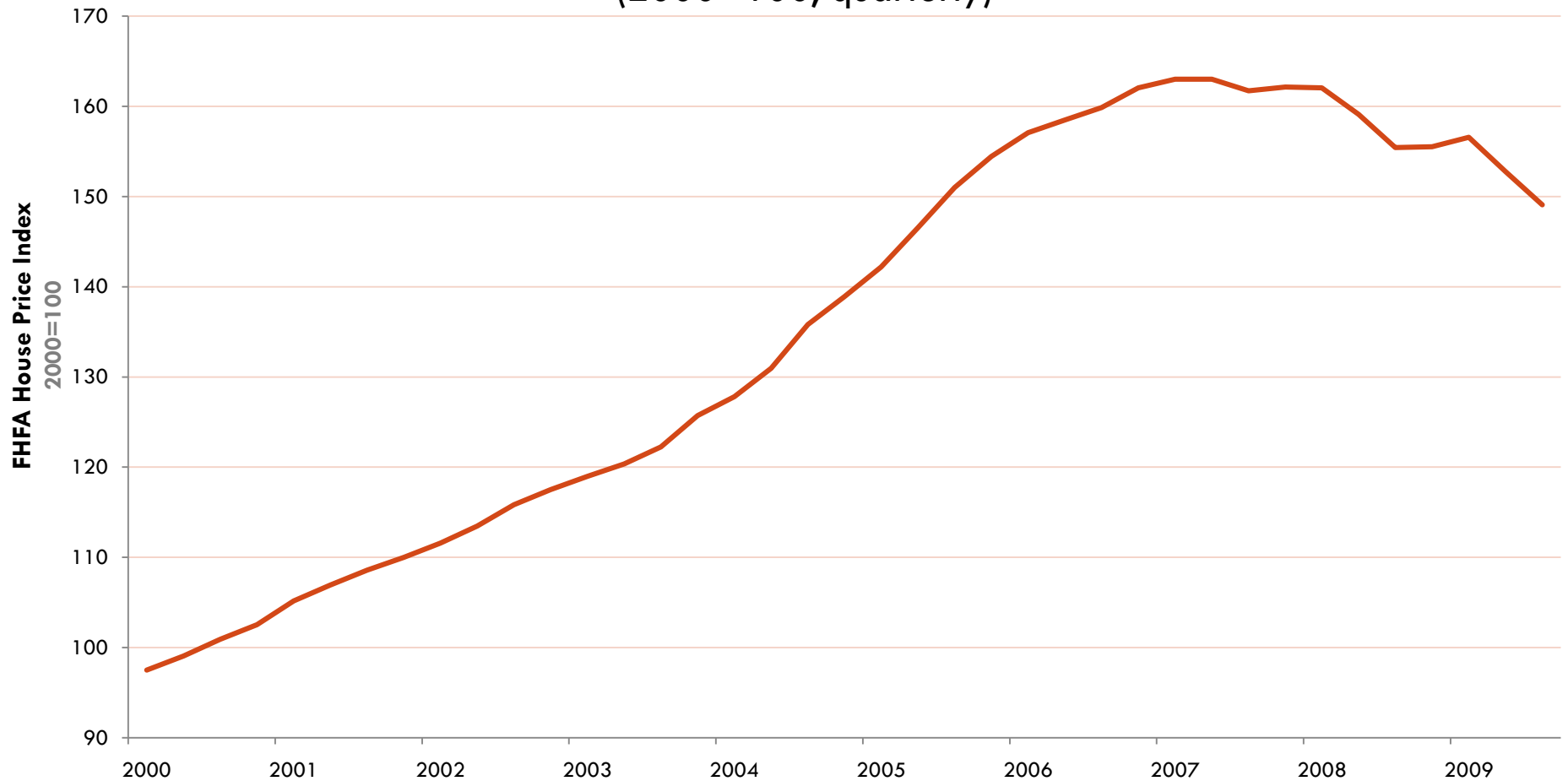
Case-Shiller National House Price Index
(2000 = 100, quarterly)



Source: Case - Shiller Home Price Index

FHFA Shows Continued Declines, Reflecting Activity at Lower End of Market

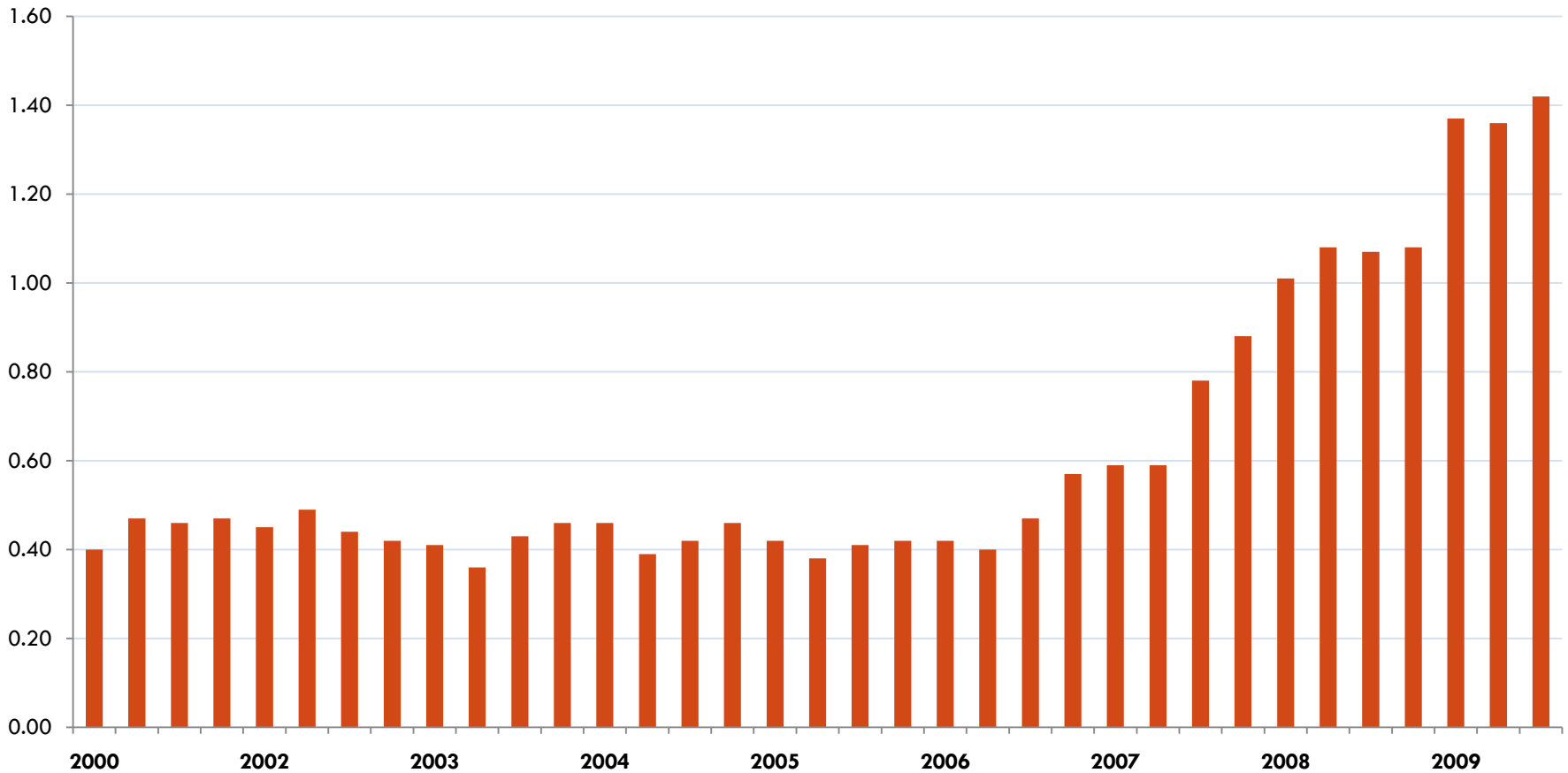
FHFA (formerly OFHEO) House Price Index
(2000=100, quarterly)



Source: Federal Housing Finance Agency (formerly OFHEO)

National Foreclosure Rate Remains High

National Foreclosures Starts Percent of All Loans

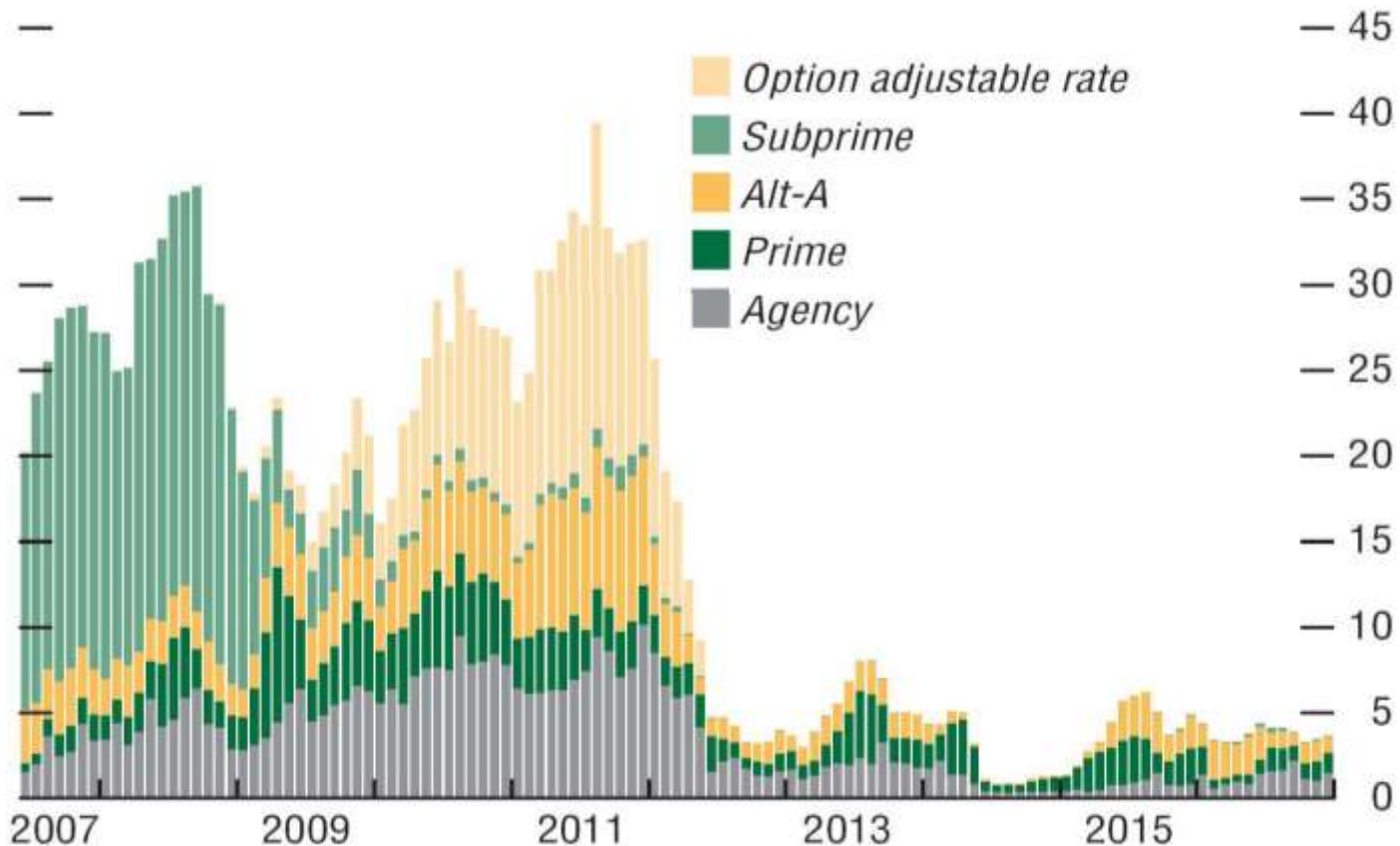


Source: Mortgage Bankers Association, National Delinquency Survey

Concern that Upcoming Resets will Continue to Drive New Foreclosures

Monthly Mortgage Rate Resets

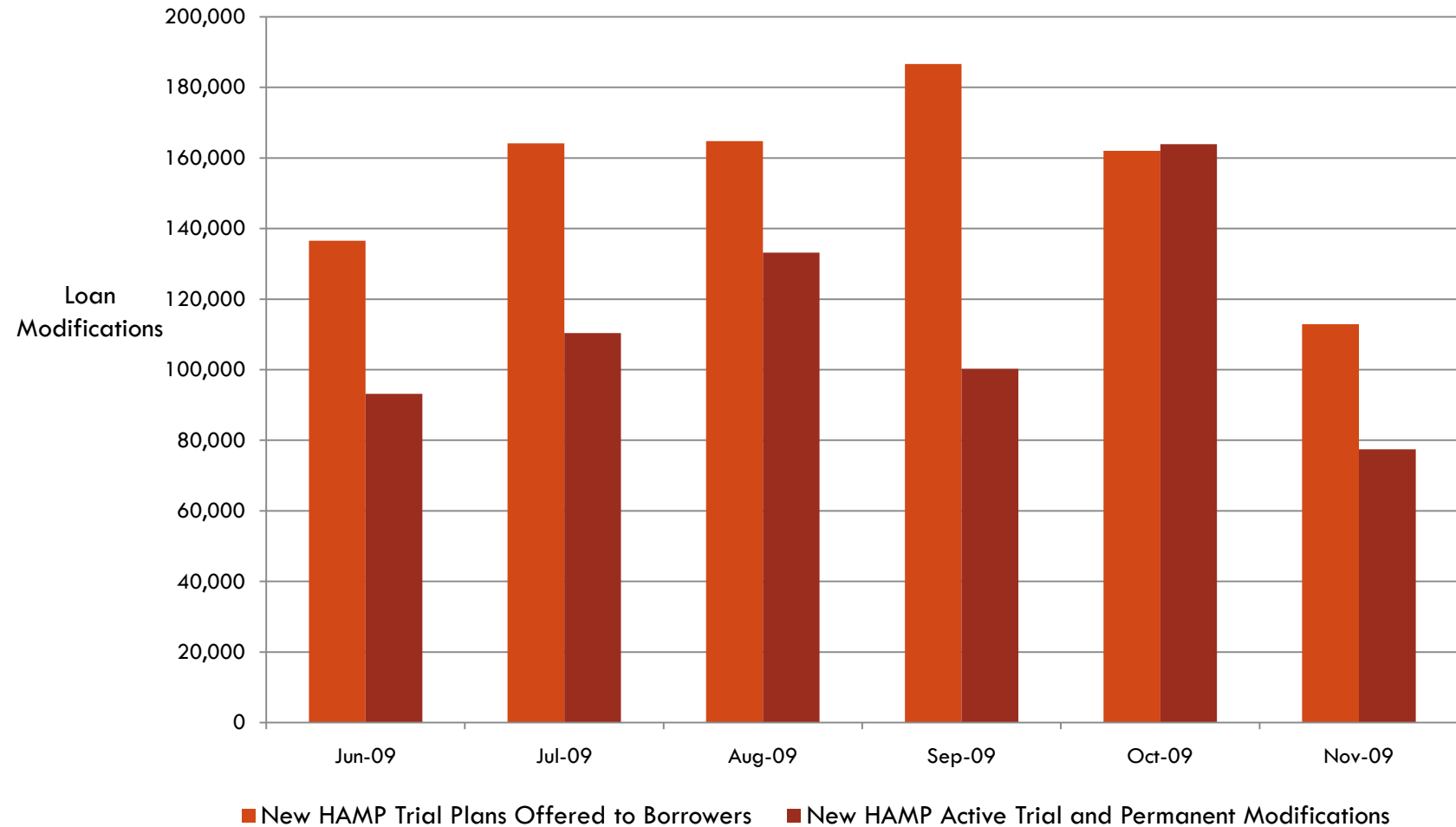
(first reset in billions of US dollars)



Source: Credit Suisse: Assessing Risks to Global Financial Stability, p. 8.

<http://www.imf.org/external/pubs/ft/gfsr/2007/02/pdf/chap1.pdf>

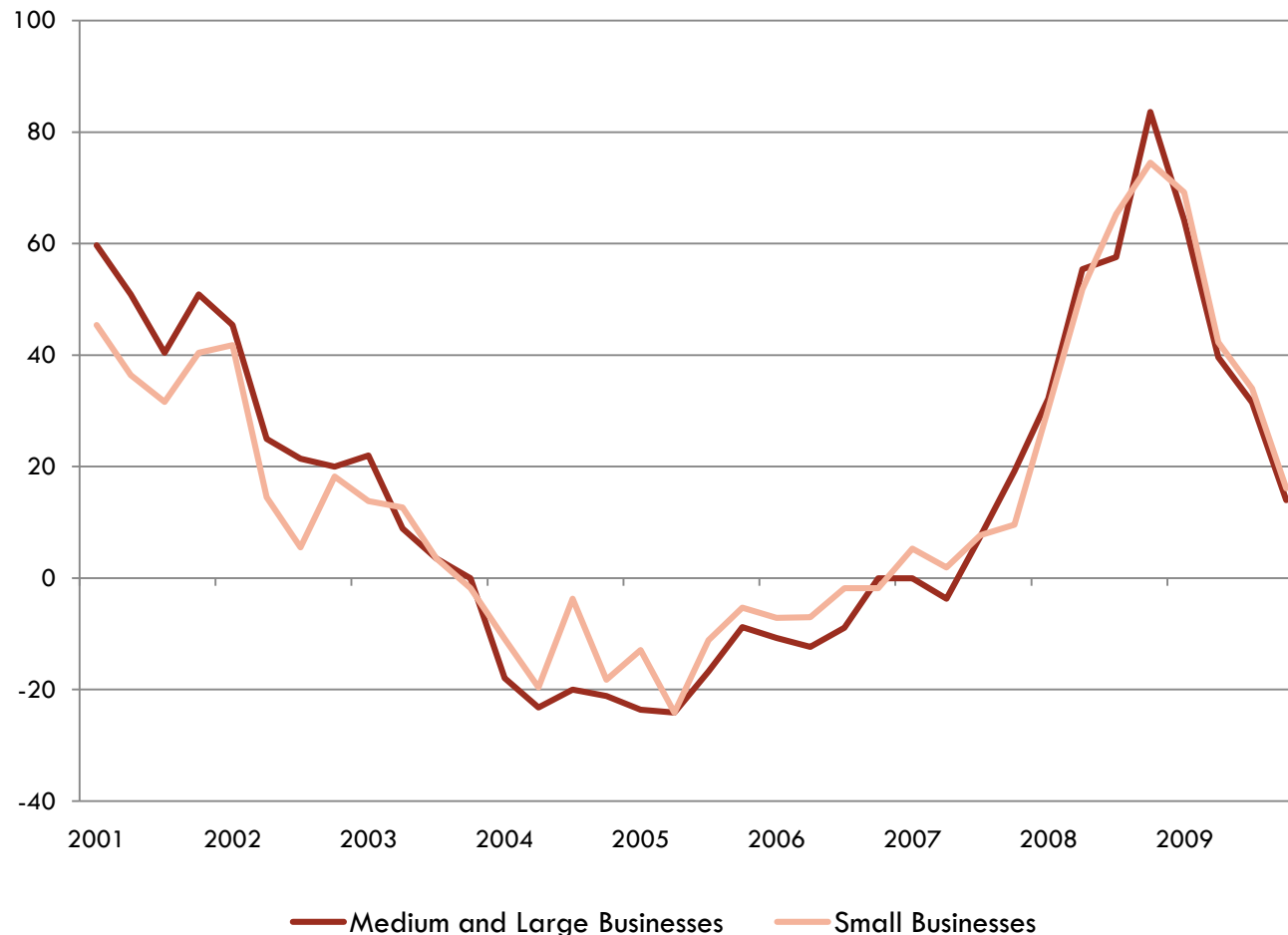
Loan Modifications: Home Affordable Modification Program



Source: HAMP Service Performance Report Through Nov. 2009:
<http://www.financialstability.gov/docs/MHA%20Public%20121009%20Final.pdf>

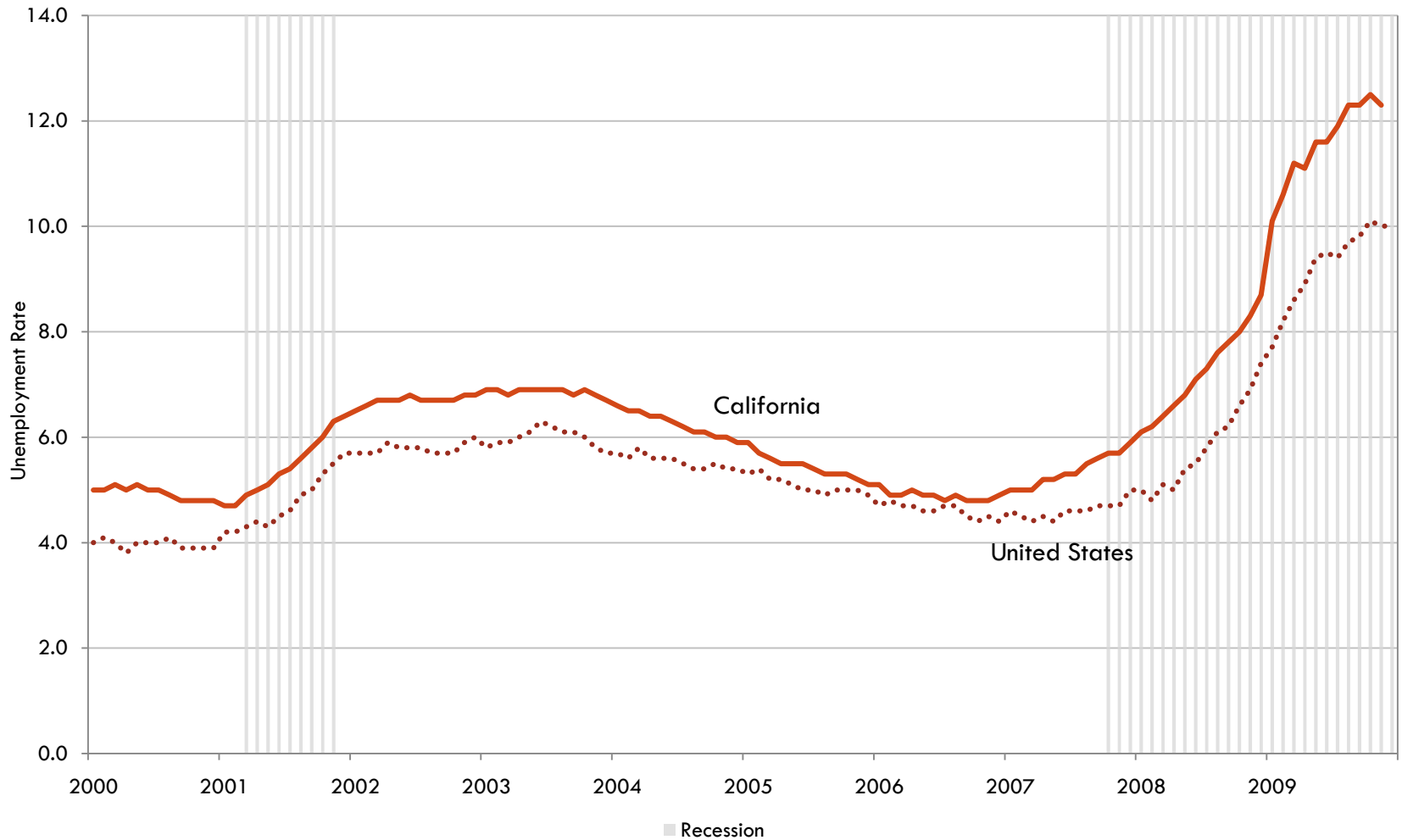
Although there are Signs of Improvement, Small Businesses Still Face a Tightened Credit Market

Senior Loan Officer Opinion Survey on Bank Lending:
Net Percentage of Domestic Respondents Tightening
Standards for C&I Loans



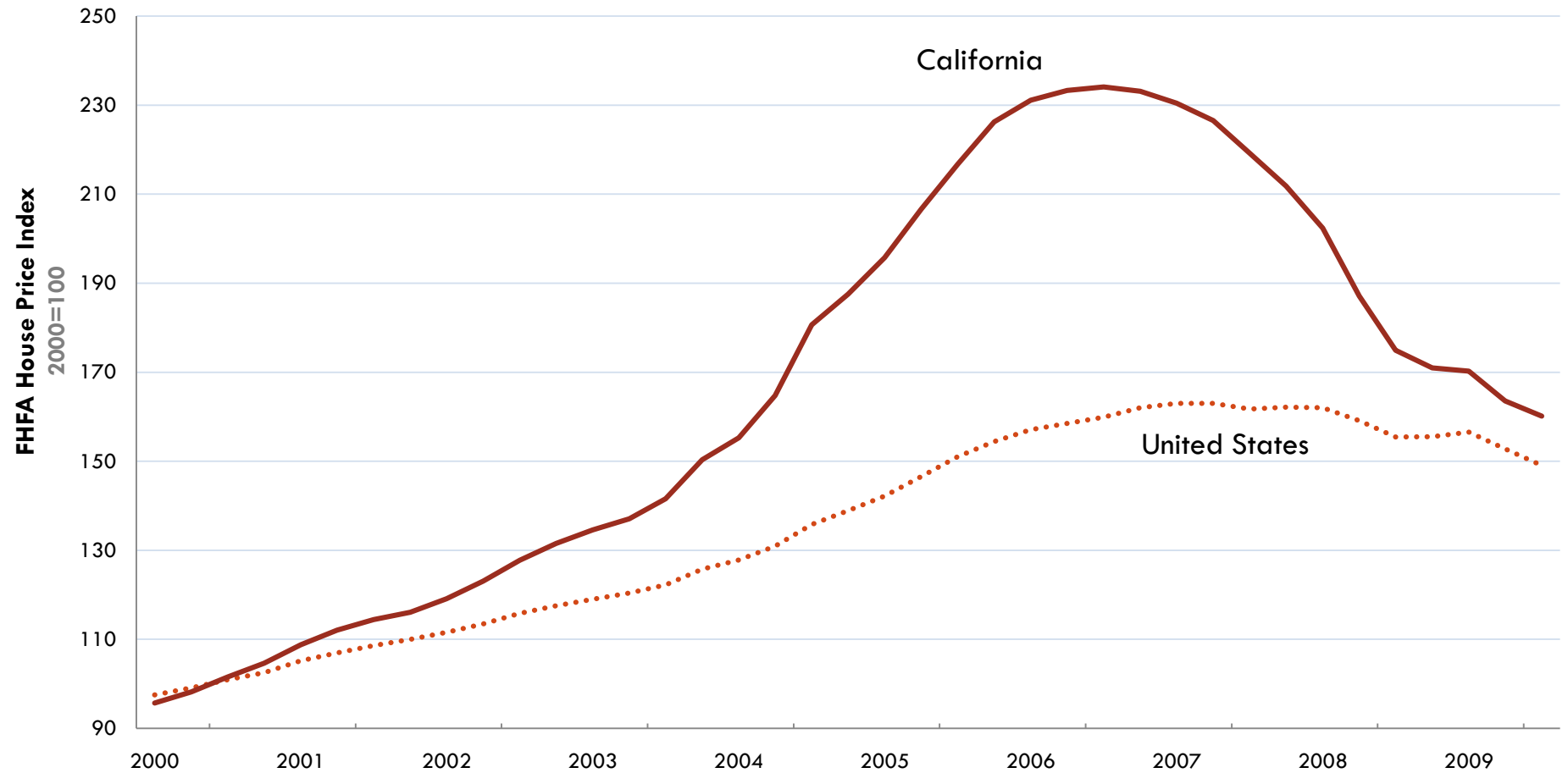
California Trends

Unemployment Rate Remains Very High



California Has Seen Significant and Steep Decline in House Prices

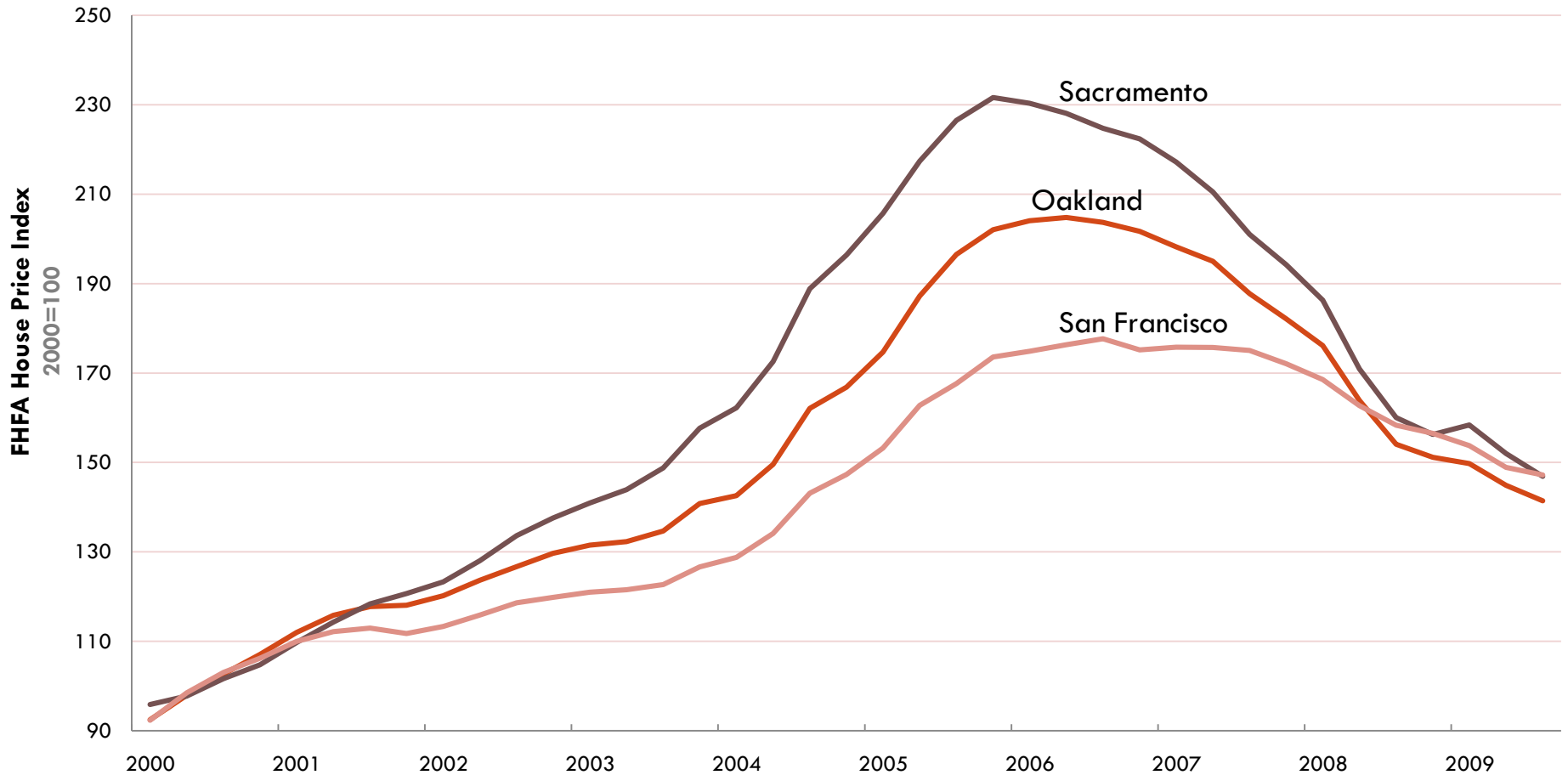
FHFA (formerly OFHEO) House Price Index
(2000=100, quarterly)



Source: Federal Housing Finance Agency (formerly OFHEO)

Northern CA MSAs Experiencing Significant House Price Declines

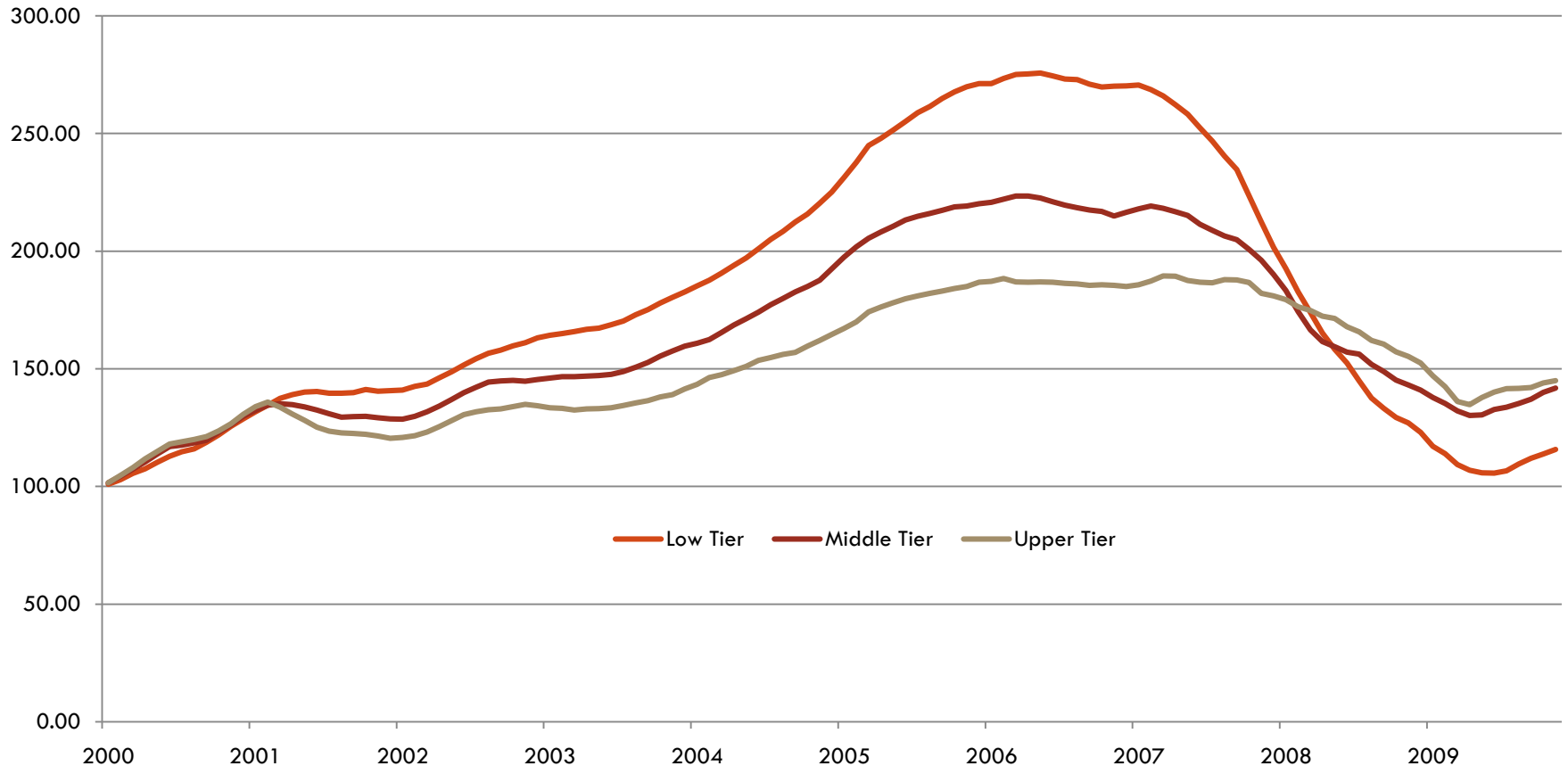
FHFA House Price Index: Northern California
(2000 = 100)



Source: Federal Housing Finance Agency (formerly OFHEO)

Low Tier Has Seen Greatest Changes in House Prices

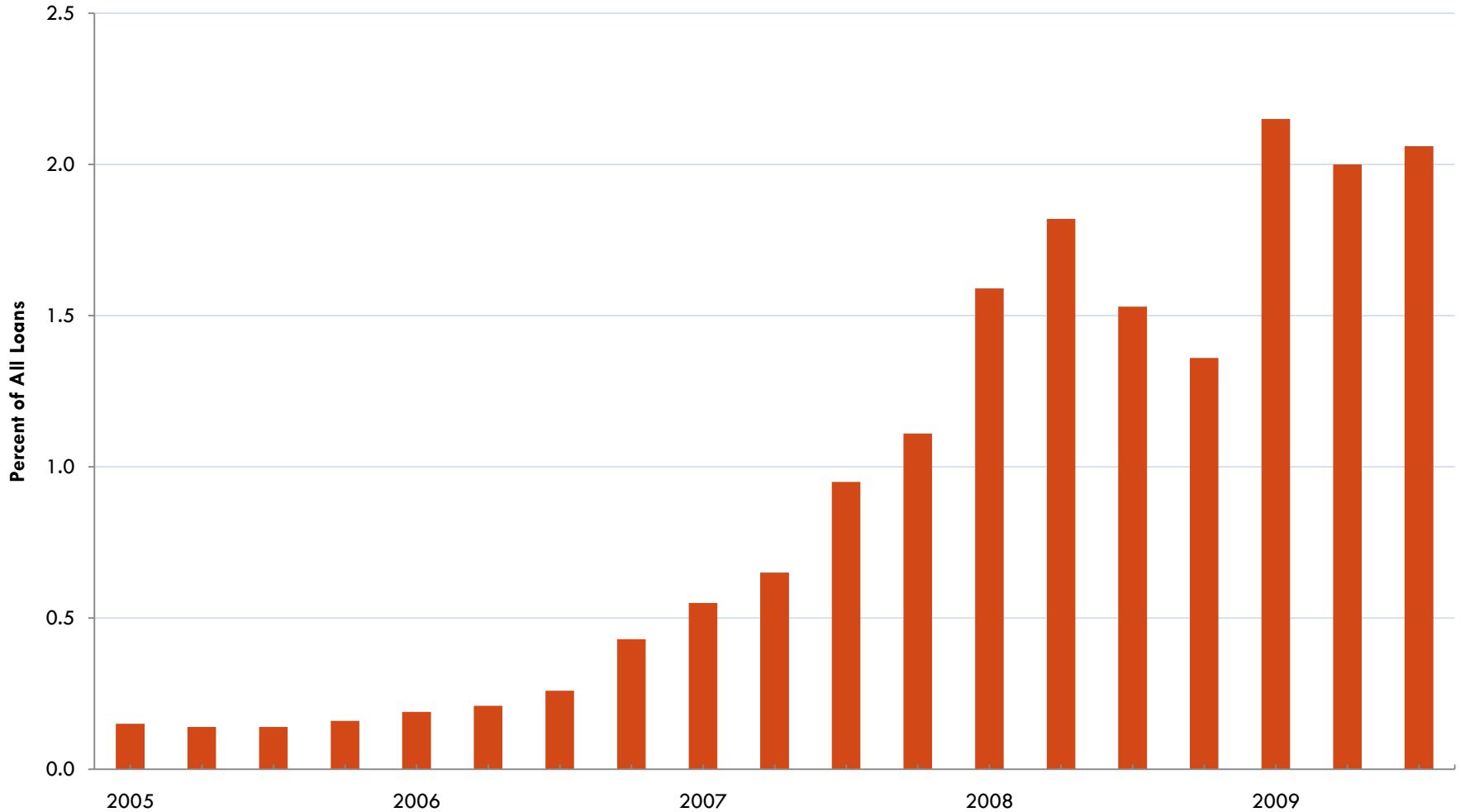
Tiered Case- Shiller Home Price Index: San Francisco
(2000 = 100)



Source: Case - Shiller Home Price Index

California Foreclosure Starts Leveling Off

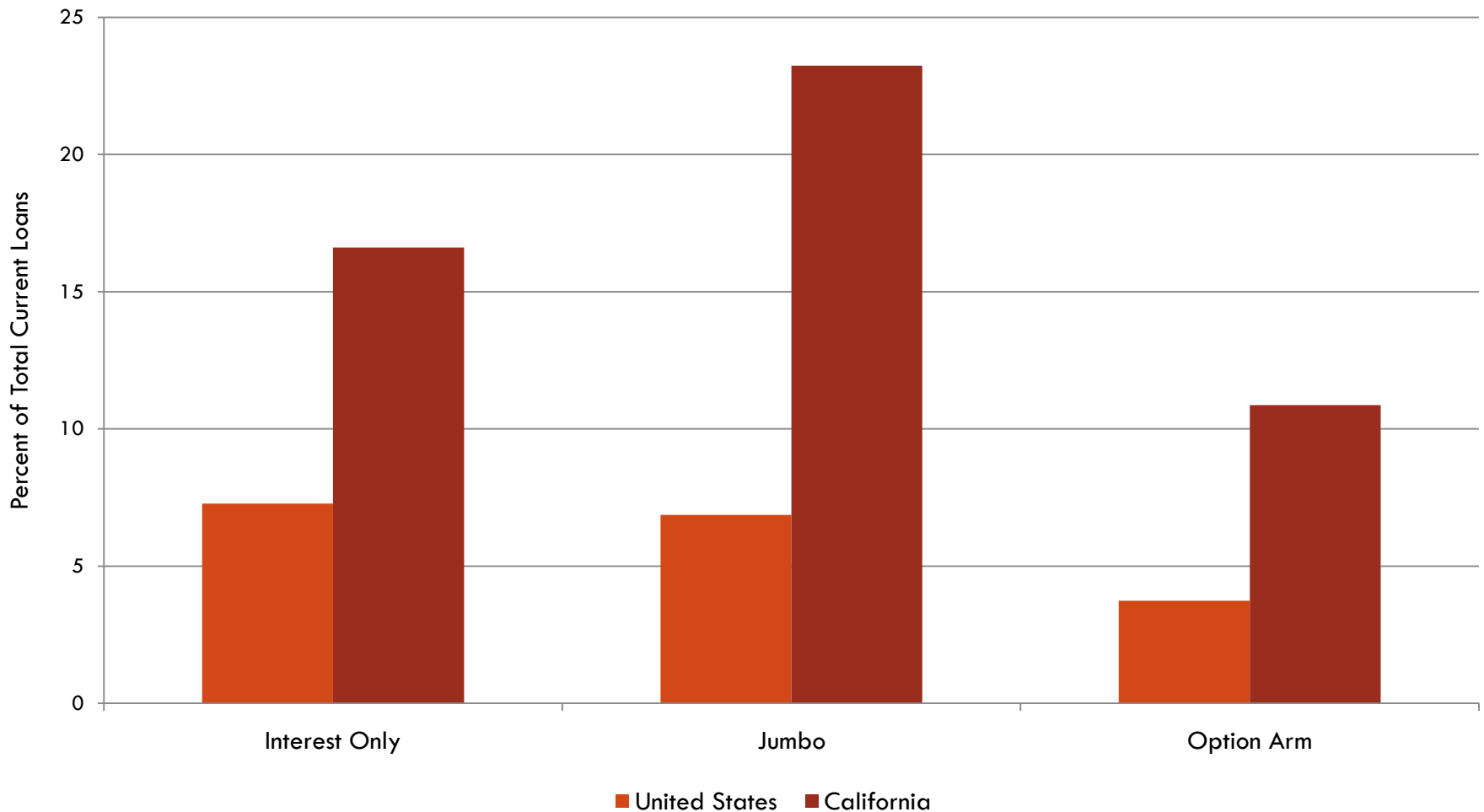
California: Foreclosure Starts



Source: Mortgage Bankers Association, National Delinquency Survey

Growing Concerns over Sustainability of Loans with Payment Options (in subprime, prime and Alt-A markets)

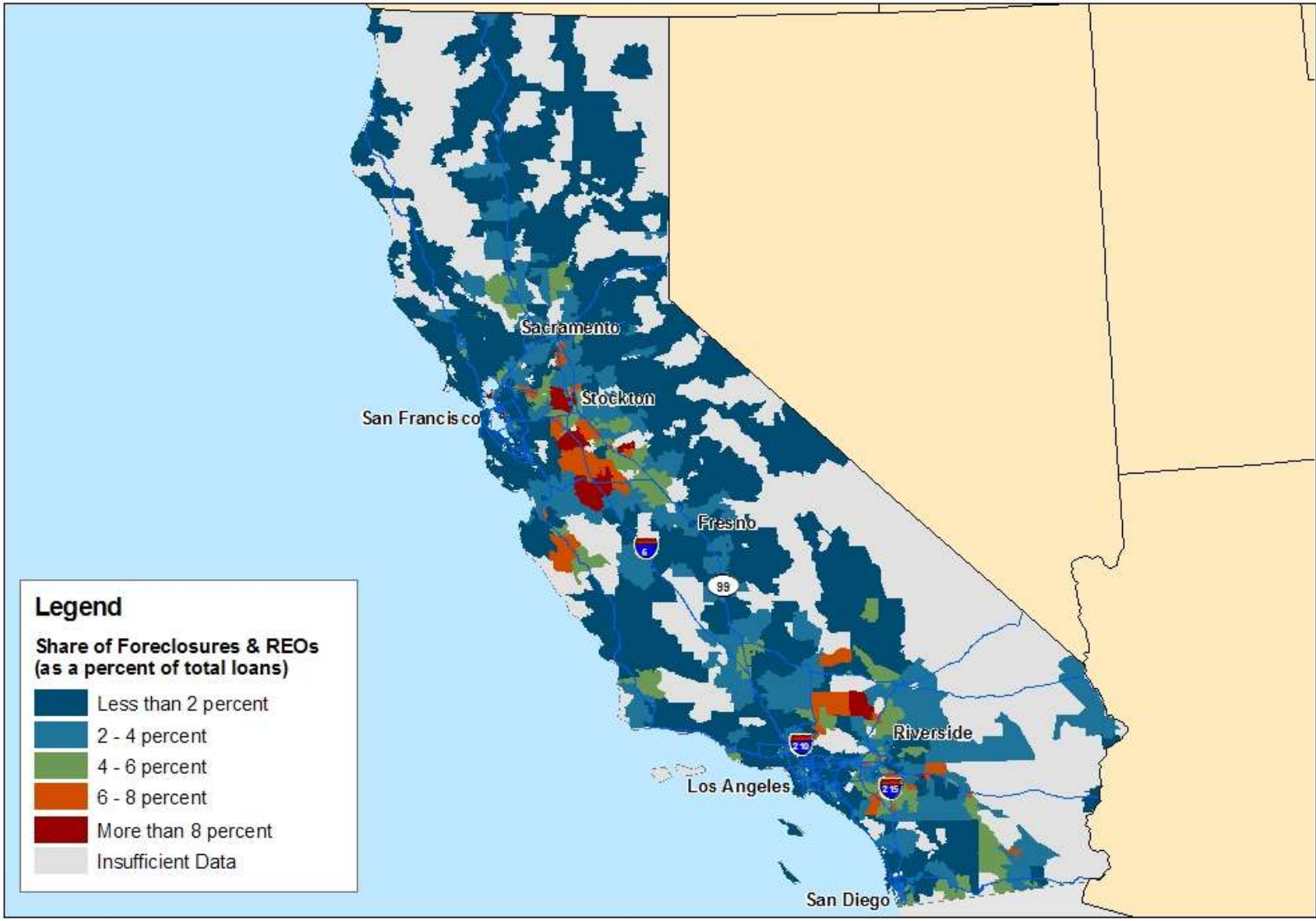
Characteristics of Remaining "Current" Loans



State & Local Data Maps

Areas Affected by Concentrated Foreclosures

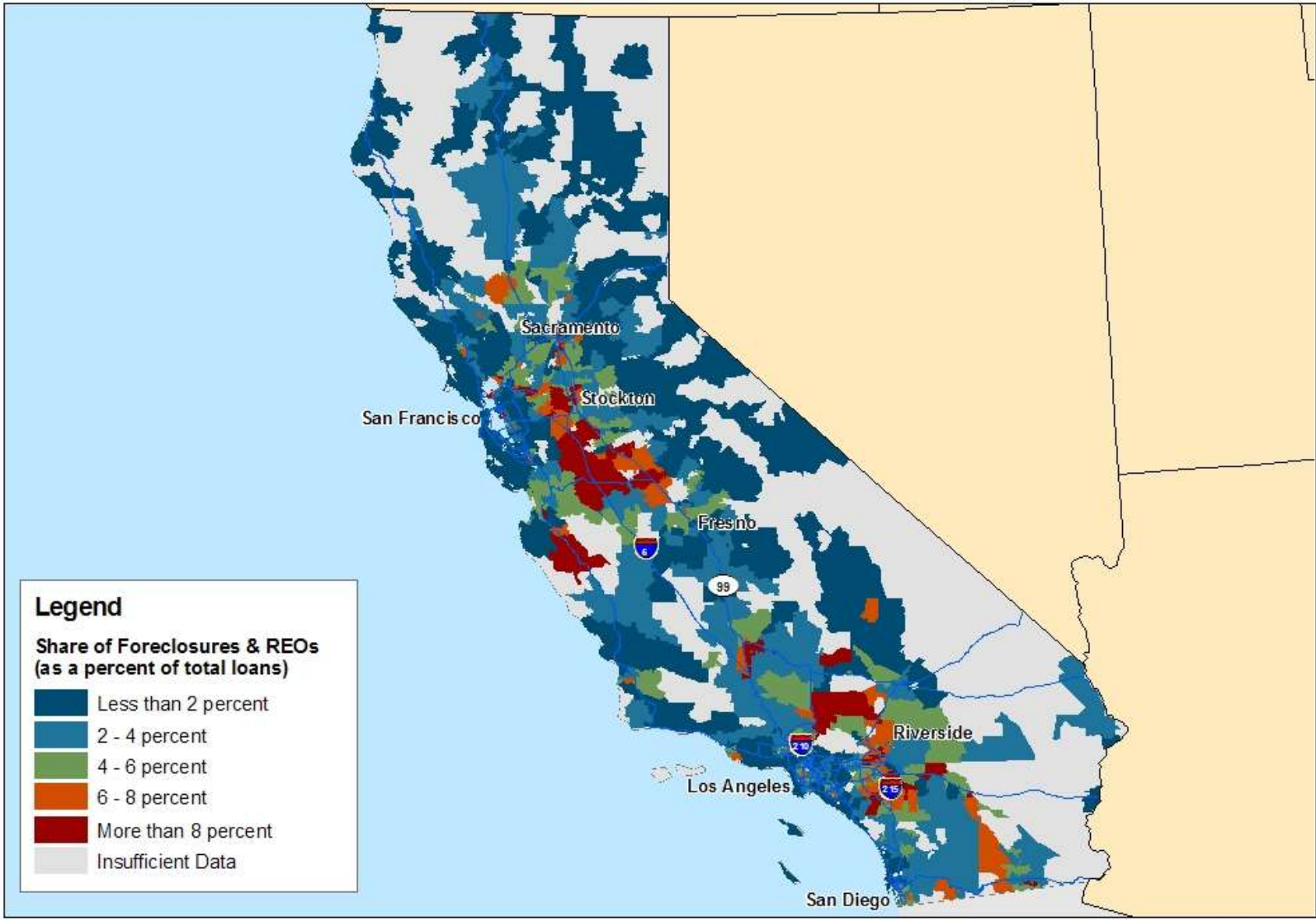
February 2008



Source: Lender Processing Services Inc. Applied Analytics

Areas Affected by Concentrated Foreclosures

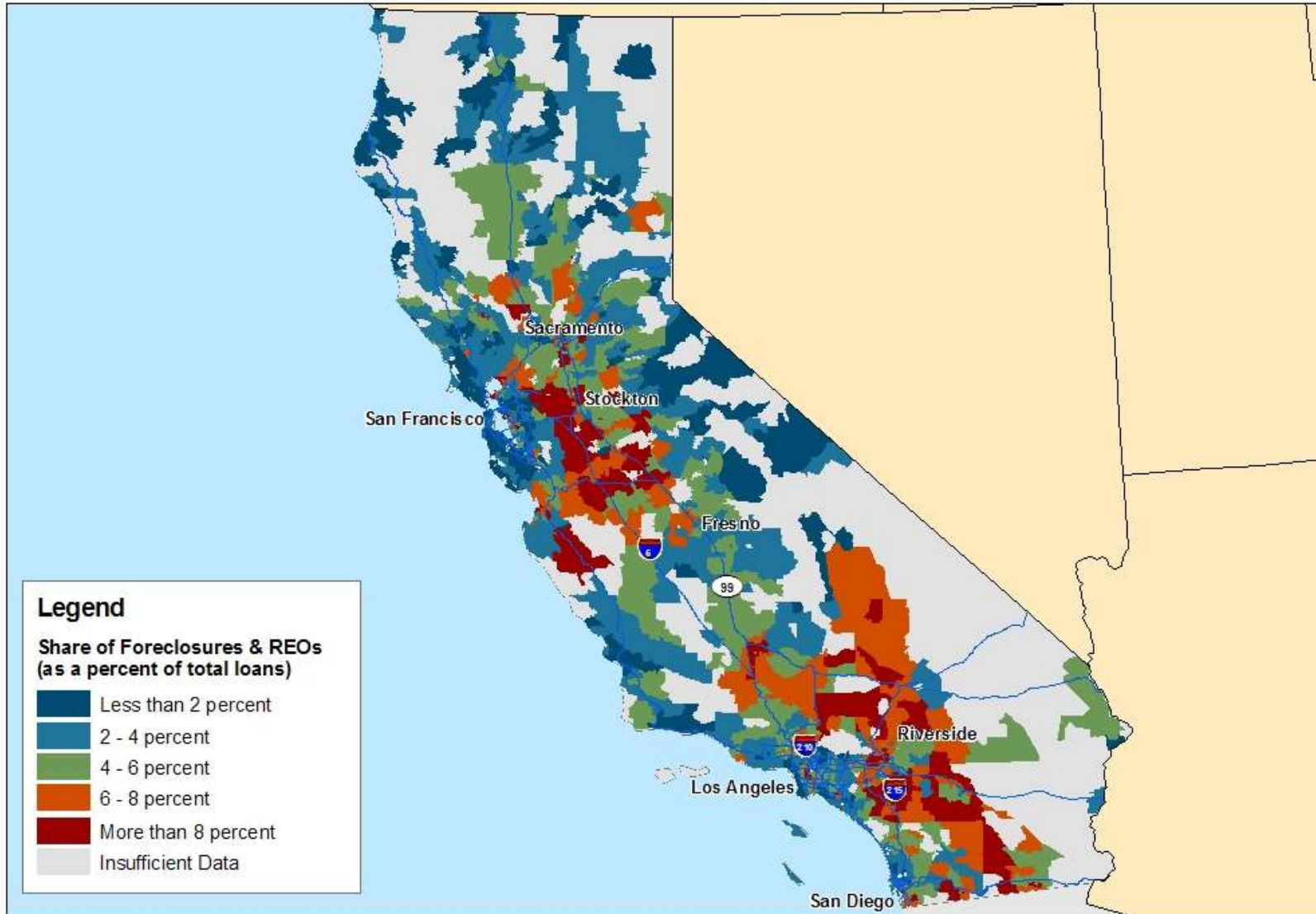
November 2008



Source: Lender Processing Services Inc. Applied Analytics

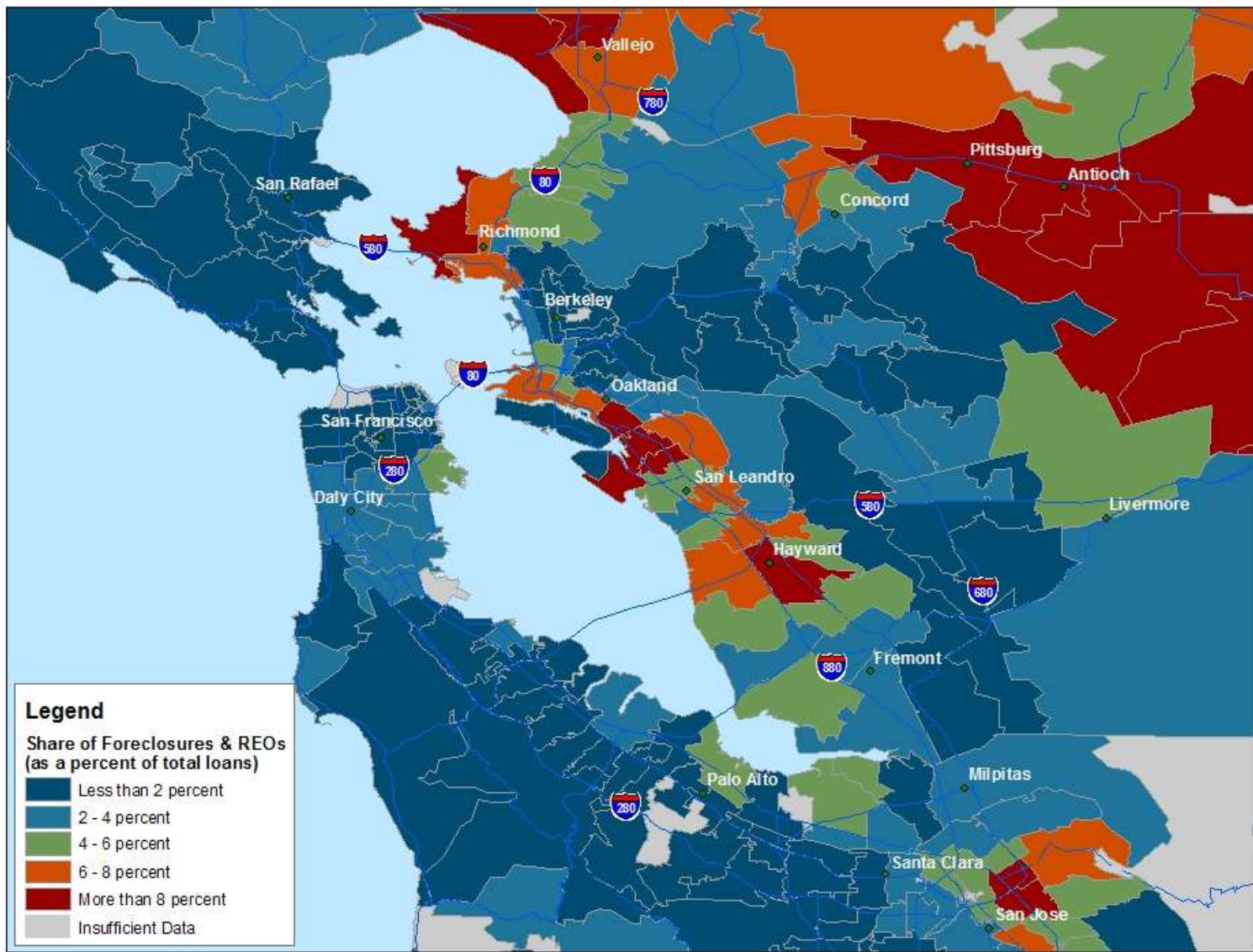
Areas Affected by Concentrated Foreclosures

November 2009



Areas Affected by Concentrated Foreclosures

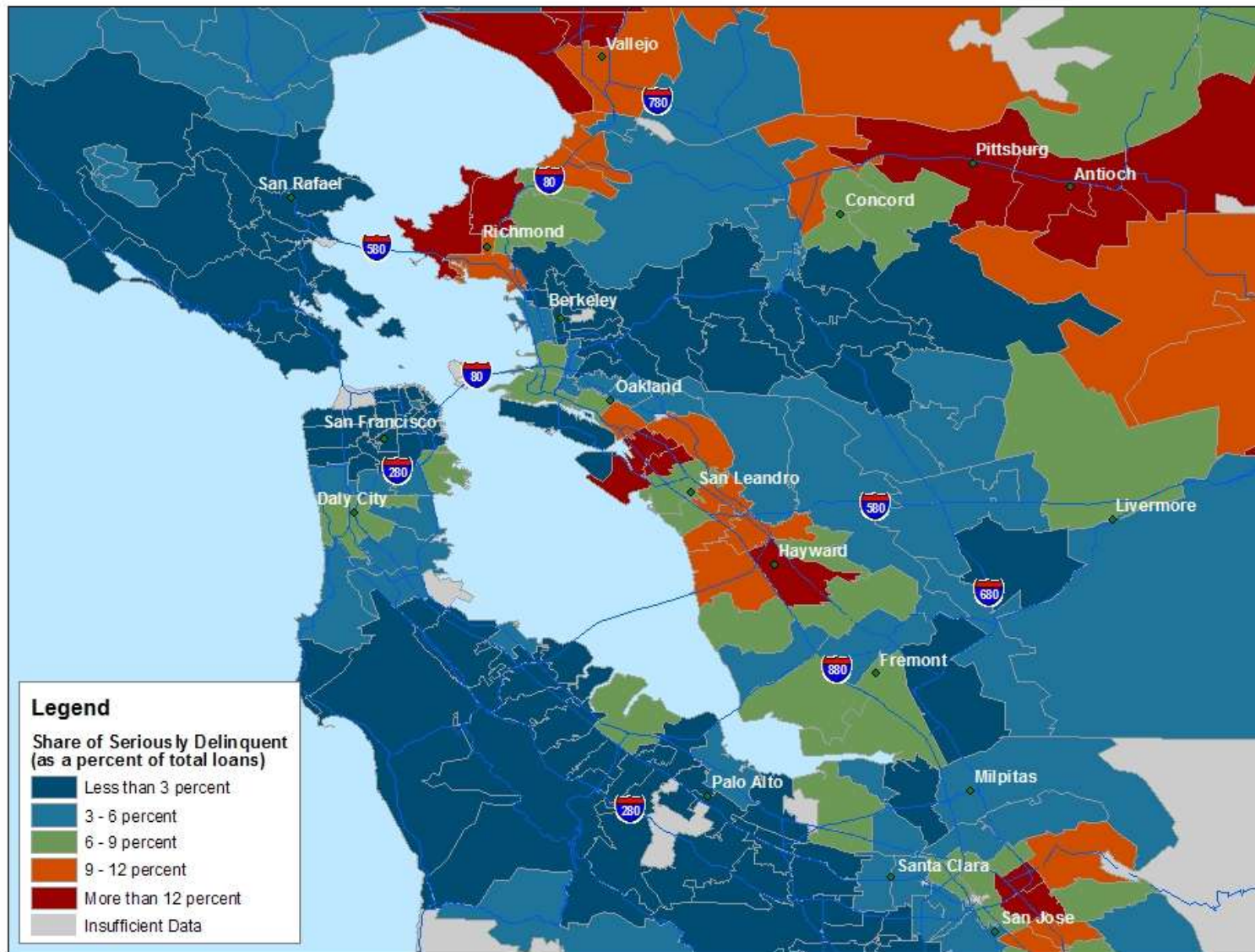
November 2009



Source: Lender Processing Services Inc. Applied Analytics

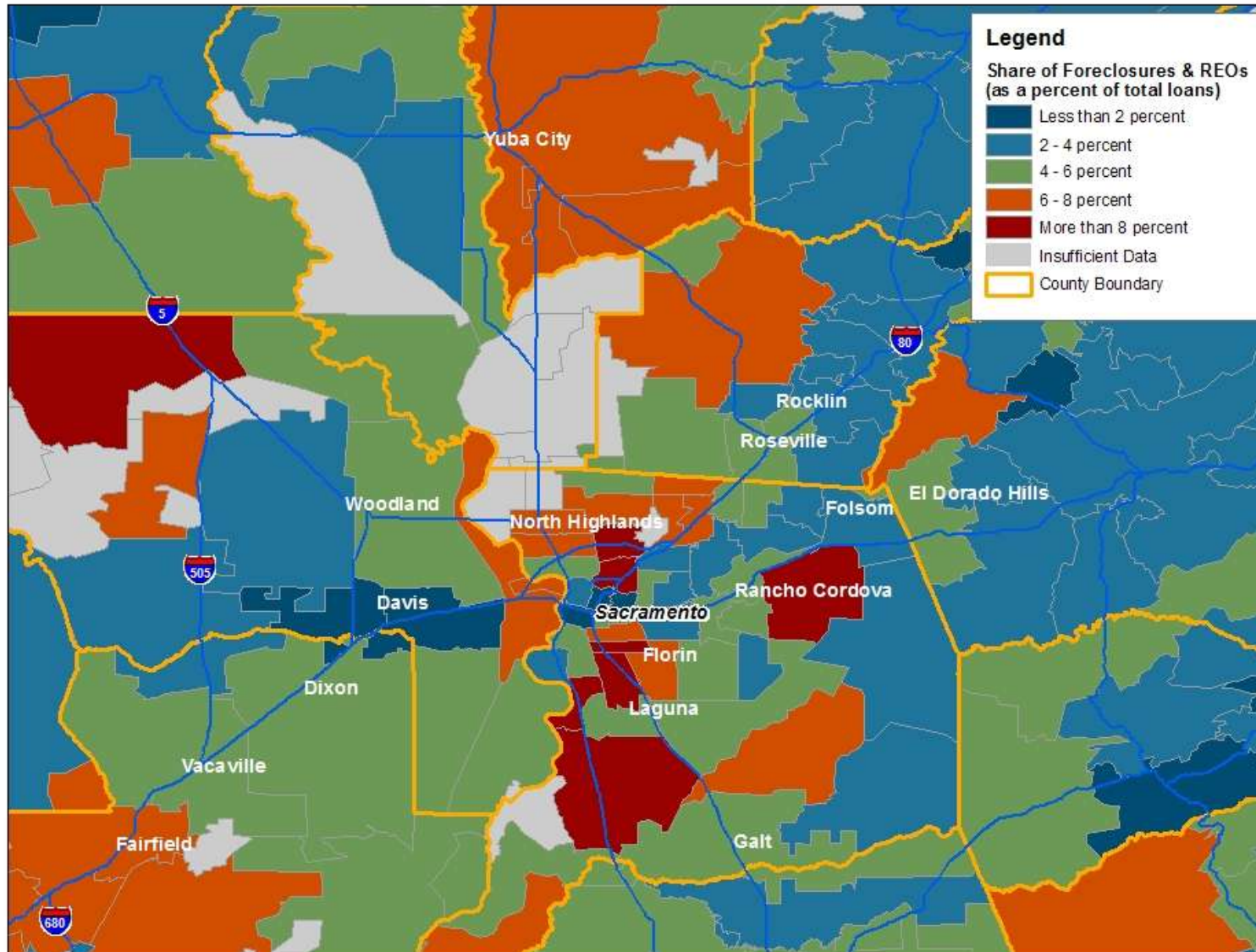
Areas at Risk of Additional Foreclosures

November 2009



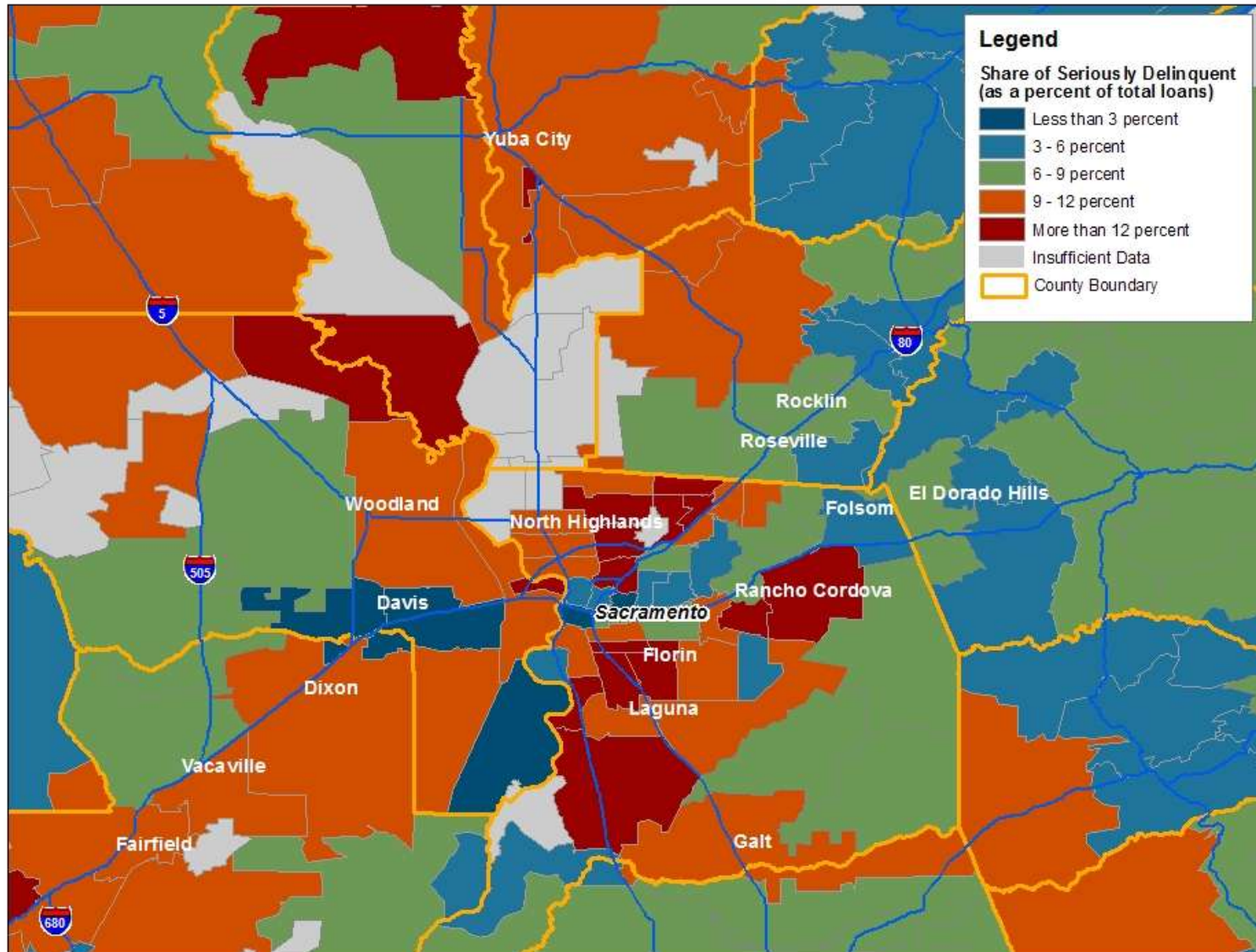
Areas Affected by Concentrated Foreclosures

November 2009



Areas at Risk of Additional Foreclosures

November 2009



Conclusions

Continued Need for Foreclosure Prevention

- Important to reach borrowers with ‘preventable’ foreclosures
 - Borrower Outreach Events
 - Create a foreclosure prevention workbook -- for an example see Arizona’s:
http://www.pima.gov/current/2008_November%20English%20Workbook.pdf
 - Making Homes Affordable
 - Federal program provides both loan modification and refinance options
 - Online form available that allows borrowers to assess if they qualify for the program
 - <http://makinghomeaffordable.gov/eligibility.html>

Preventing Foreclosure Scams

- Foreclosure scams are proliferating, especially in markets with investor interest
 - ▣ Some counties are sending notices to all delinquent borrowers to warn them about foreclosure scams
 - ▣ Free media kit available from the Federal Reserve which includes a PSA and other resources:
<http://www.federalreserveeducation.org/pfed/mediakit.cfm>
 - ▣ NeighborWorks PSA: <http://www.youtube.com/nwpad>
- Other 5 Tip brochures and resources available from the Federal Reserve
<http://www.federalreserve.gov/consumerinfo/fivetips.htm>

Stabilizing Communities and Helping Families After Foreclosure

- Develop service delivery and resources for families who go through foreclosure
 - Rental housing assistance
 - Credit repair
 - Minimizing disruption for children (e.g. allowing them to finish the school year in their old school)
- Minimize negative spillover effects of vacant properties on surrounding neighborhood
 - Ensure servicer maintenance of REOs
 - Work with lenders/servicers to acquire and rehab foreclosures for affordable housing

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. The header includes the bank's name and navigation links for 'Careers', 'Fed Links', and 'Subscriptions'. A secondary menu lists various services: 'About the Fed', 'News and Events', 'Economic Research and Data', 'Educational Resources', 'Community Development' (highlighted), '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', and 'Publications'. 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'. A 'Programs and Information' section lists 'Community Reinvestment Act (CRA)', 'Community Development Issues', and 'Center for Community Development Investments'. A 'Events and Conferences' section mentions participation in state events. A 'Publications' section lists online copies of 'Community Investments', 'Community Development Investment Review', and research papers. An 'About Us' section provides information about the department and its staff. On the right side, there is a 'TOOL BOX' with links for 'Fed Links', 'Subscriptions', 'Publications', 'Search', and 'Research Hub'. Below this is a search bar. Further down is a 'POPULAR CONTENT' section listing upcoming events such as 'Marking Community Banker Assuring FDIC in Compliance with CE' and 'Innovative Financial Services for the Underserved'. At the bottom right, there are links for 'Financial Education Resource Center', 'CRA Regulatory Information', and 'Bank on San Francisco'.

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