

TRENDS IN DELINQUENCIES AND FORECLOSURES IN NORTHERN CALIFORNIA

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Outline of Presentation



□ National Trends

- Recession and turmoil in financial markets has had broad repercussions, especially for lower-income households
 - Signs of stabilization in financial markets and consumer spending

□ California

- Rising unemployment across broad range of sectors
 - Ongoing weakness in the labor market may continue to push up foreclosures and poses risks to the recovery of the housing sector
- Trends in foreclosures
 - California saw a sharp rise in foreclosure starts in 1st quarter 2009, followed by slight drop
- House prices continue downward trend

National Trends

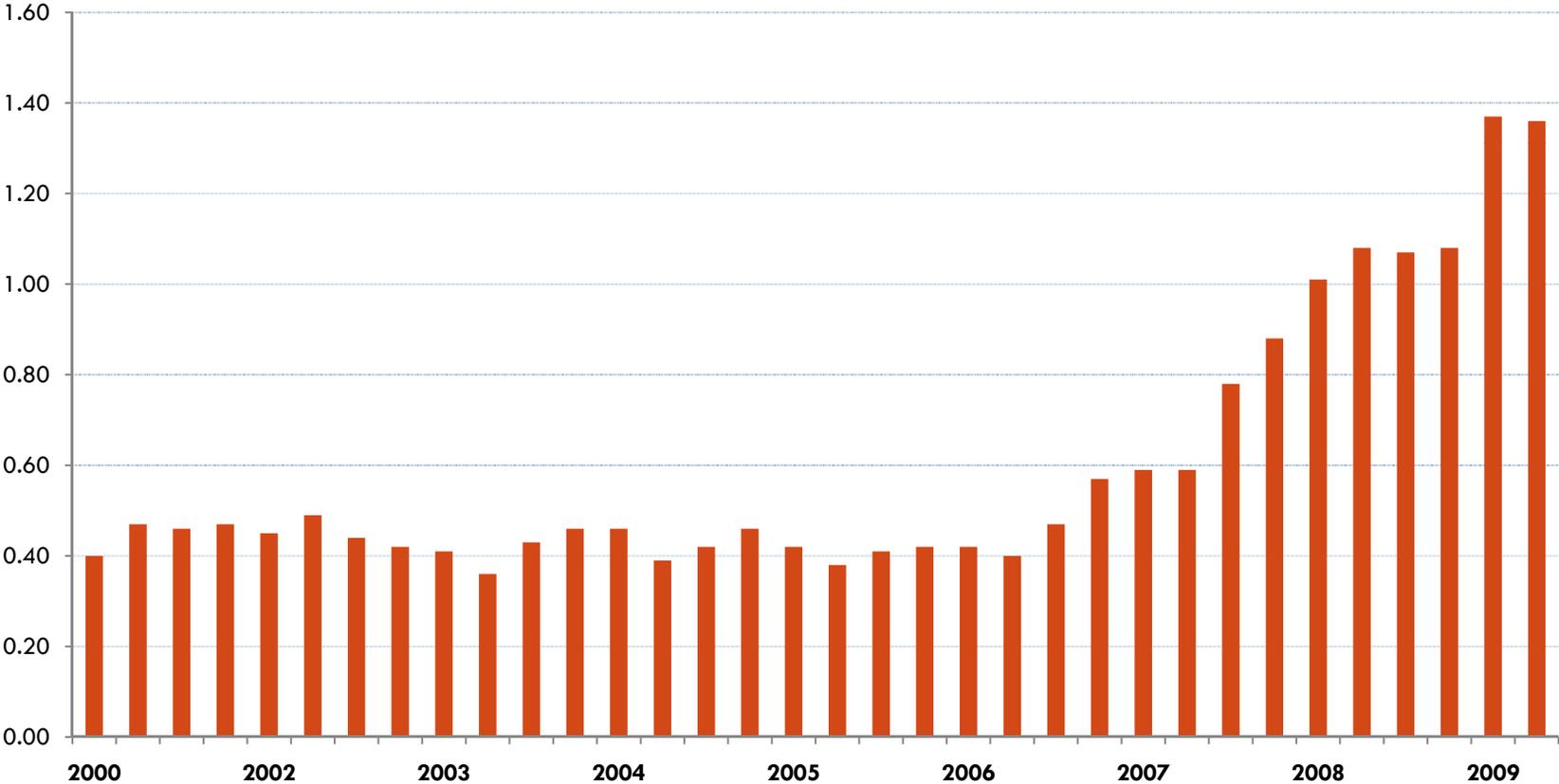
Weakness in Labor Market Grave Concern



Source: Bureau of Labor Statistics

National Foreclosure Starts Rose Sharply in 1st Quarter of 2009

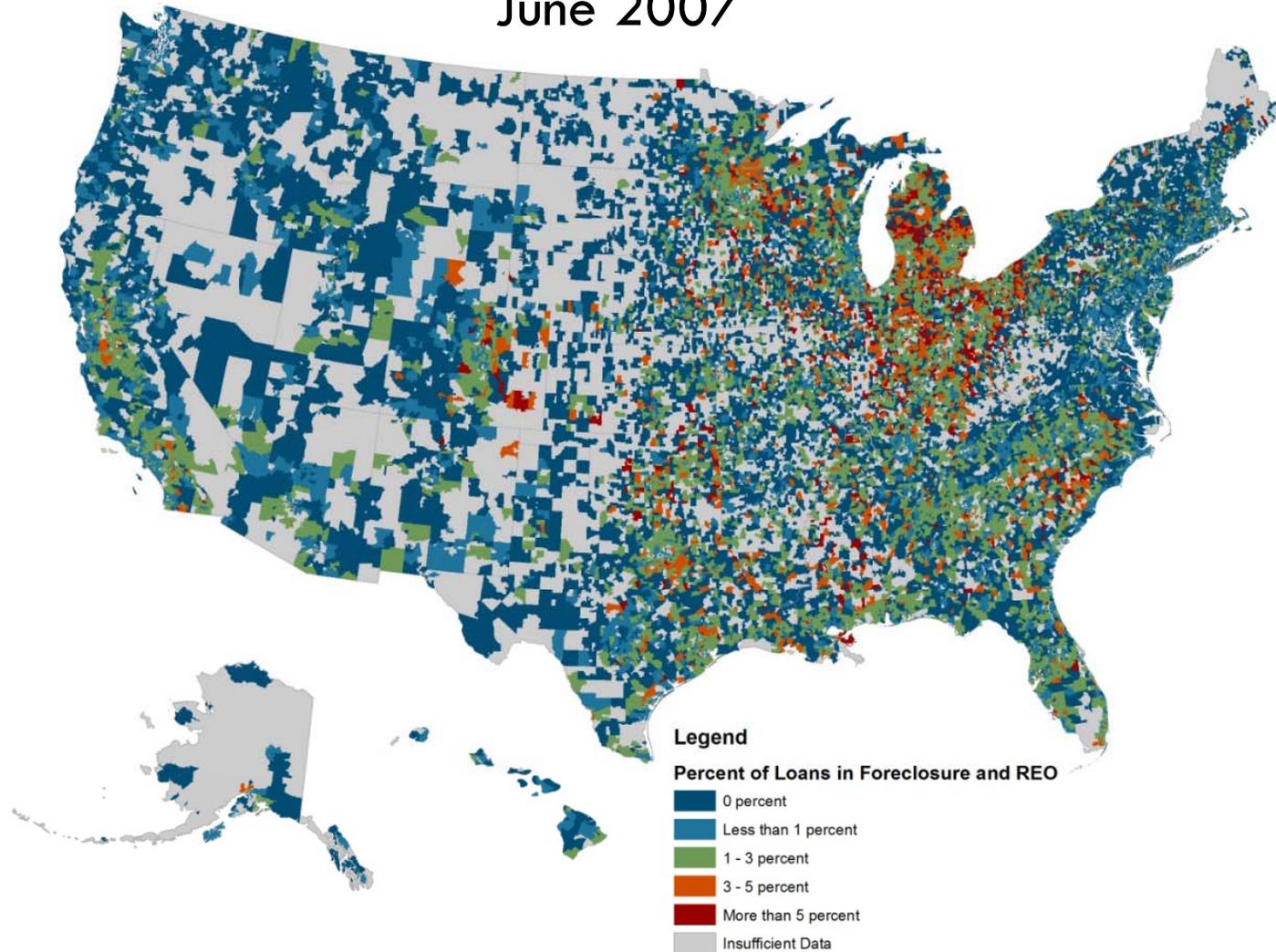
National Foreclosures Starts
Percent of All Loans



Source: Mortgage Bankers Association, National Delinquency Survey

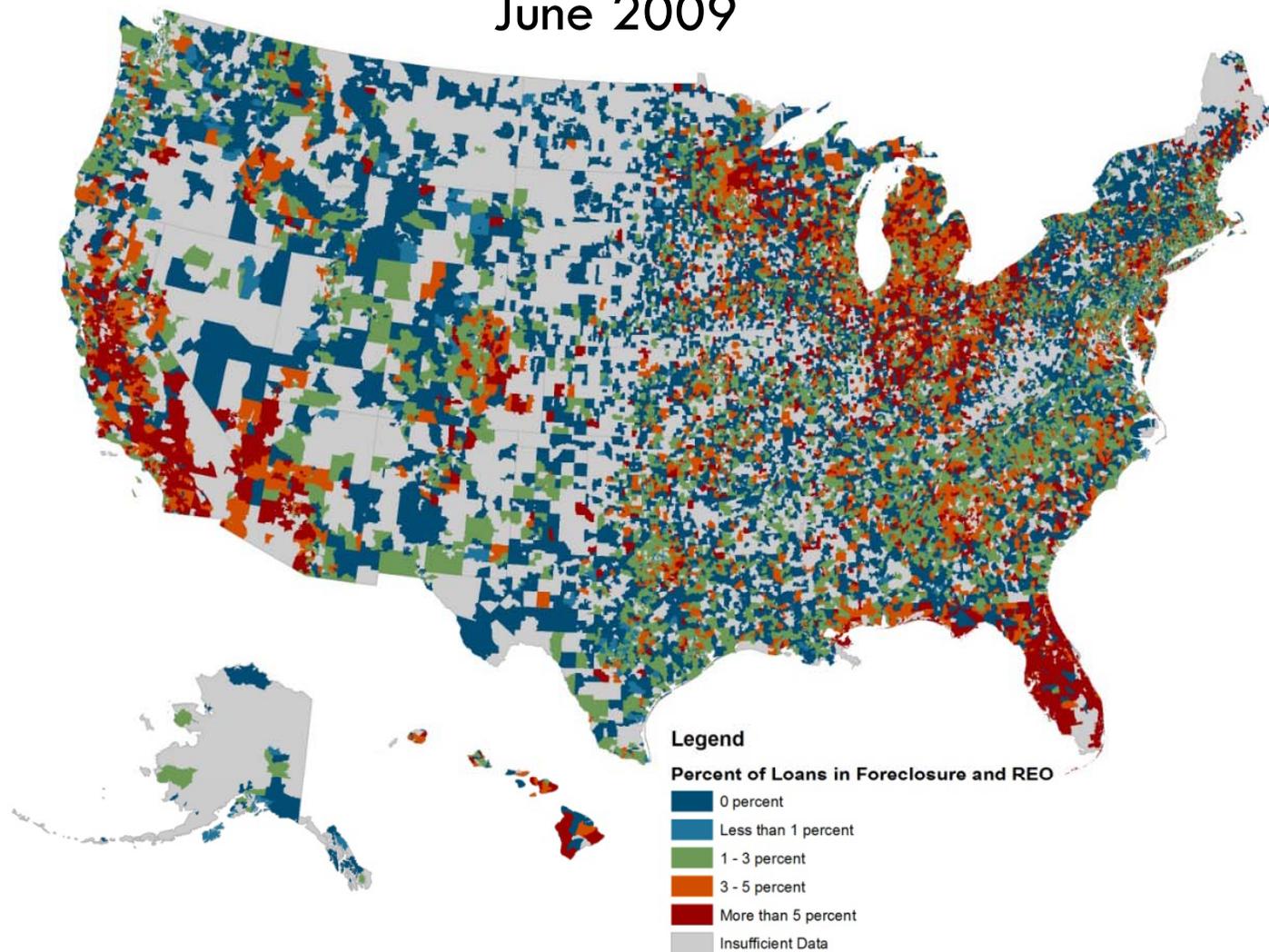
In Last 2 Years, Foreclosure Crisis Has Spread Beyond “Rust Belt” Cities

June 2007



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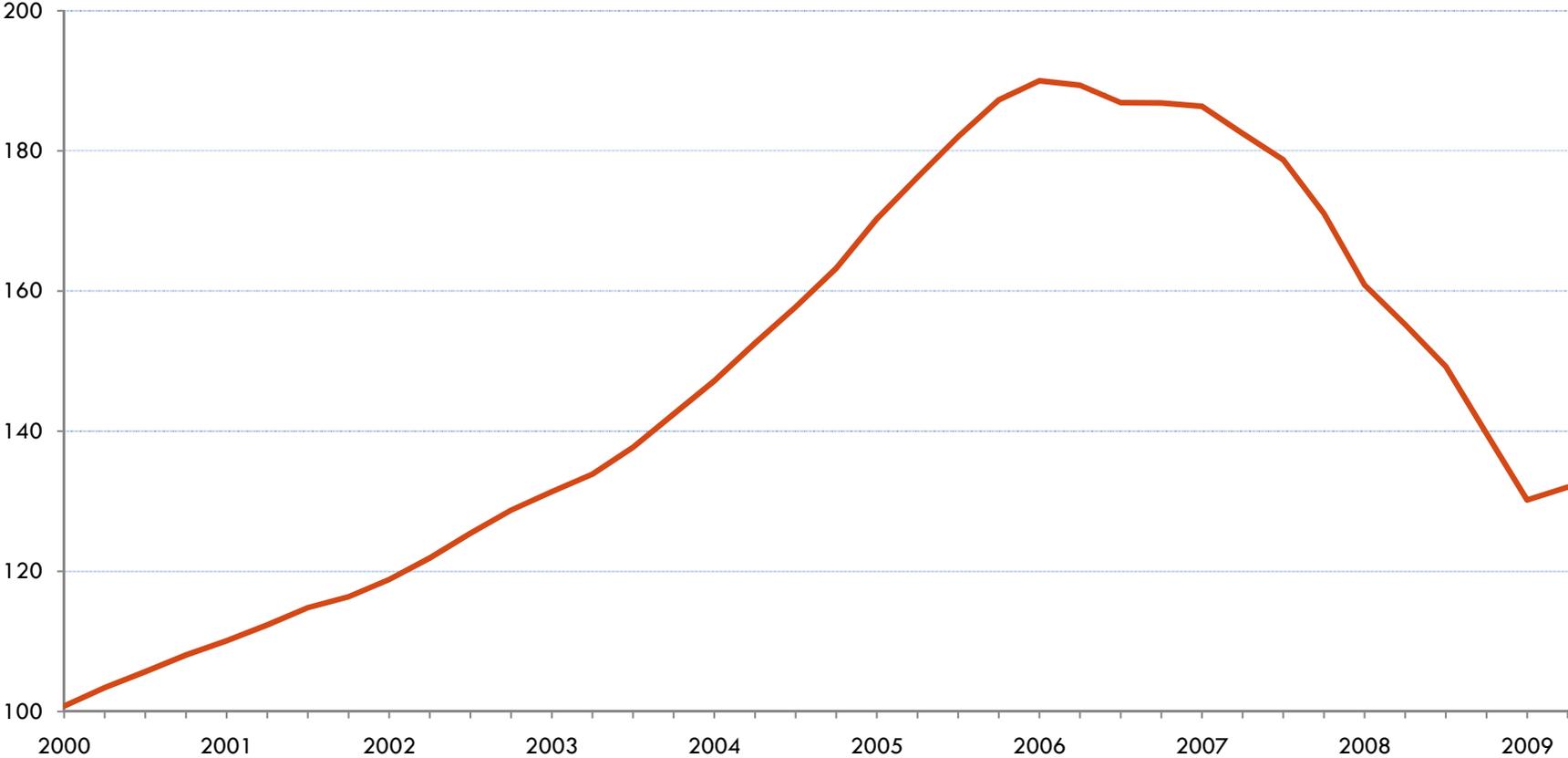
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House Prices Rose Slightly in 2nd Quarter 2009



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



Source: Case - Shiller Home Price Index

How Does This Compare to Great Depression?

	Current Crisis	The Great Depression
GDP decline	3.9%	36%
Unemployment	9.4%	25%
Stock Market decline	48%	87%
Mortgage Delinquency	10.5%	50%
Bank Failures	100	Thousands

Source: FRBSF and Haver Analytics, as of July 2009.

And Certain Market Indicators are Looking Up



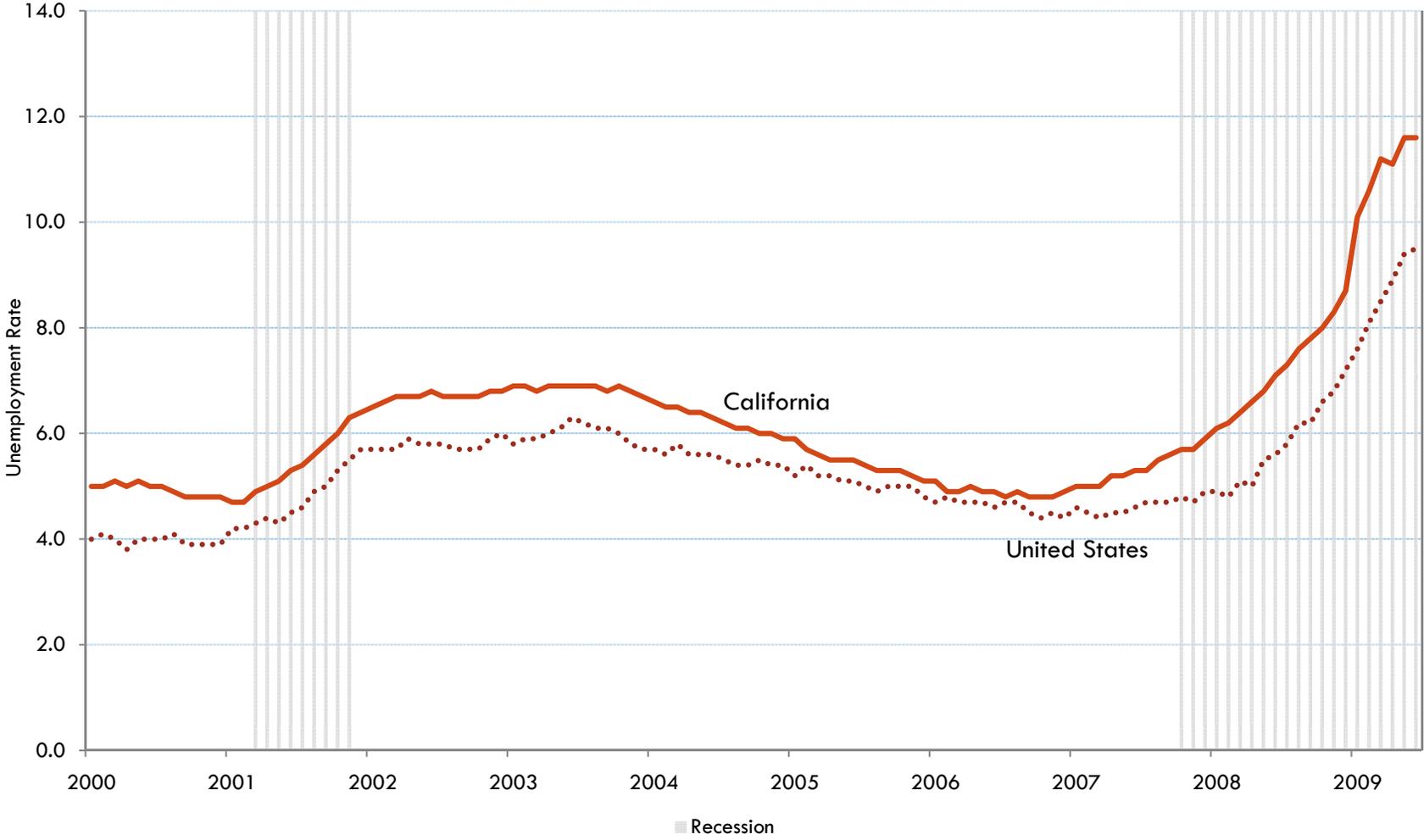
- Financial markets are improving, and the crisis mode that has characterized the past year is subsiding.
- The housing sector, which has been at the center of the economic and financial crisis, also looks to be stabilizing—albeit, at a very depressed level. Housing starts and new home sales have leveled off, and existing home sales have edged up in recent months.
- Income from the federal fiscal stimulus, as well as some improvement in confidence, has helped stabilize consumer spending. Since consumer spending accounts for two-thirds of all economic activity, this is a key precondition for economic recovery.

Nevertheless, Recession is Likely to Have Long-Lasting Impacts, Especially for Lower-Income Families

- 48 states face significant budget shortfalls, and are cutting public services such as health benefits for children and public education.
- Tightening lending standards will make it more difficult for families and small businesses to access credit: the Federal Reserve's quarterly Senior Loan Officer Opinion Survey on Bank Lending Practices found that 65 percent reported tightened standards for the fourth quarter of 2008.
- CDFIs are increasingly facing liquidity constraints; their borrowers are in more need of 'patient' capital at the same time it is becoming harder to provide it.

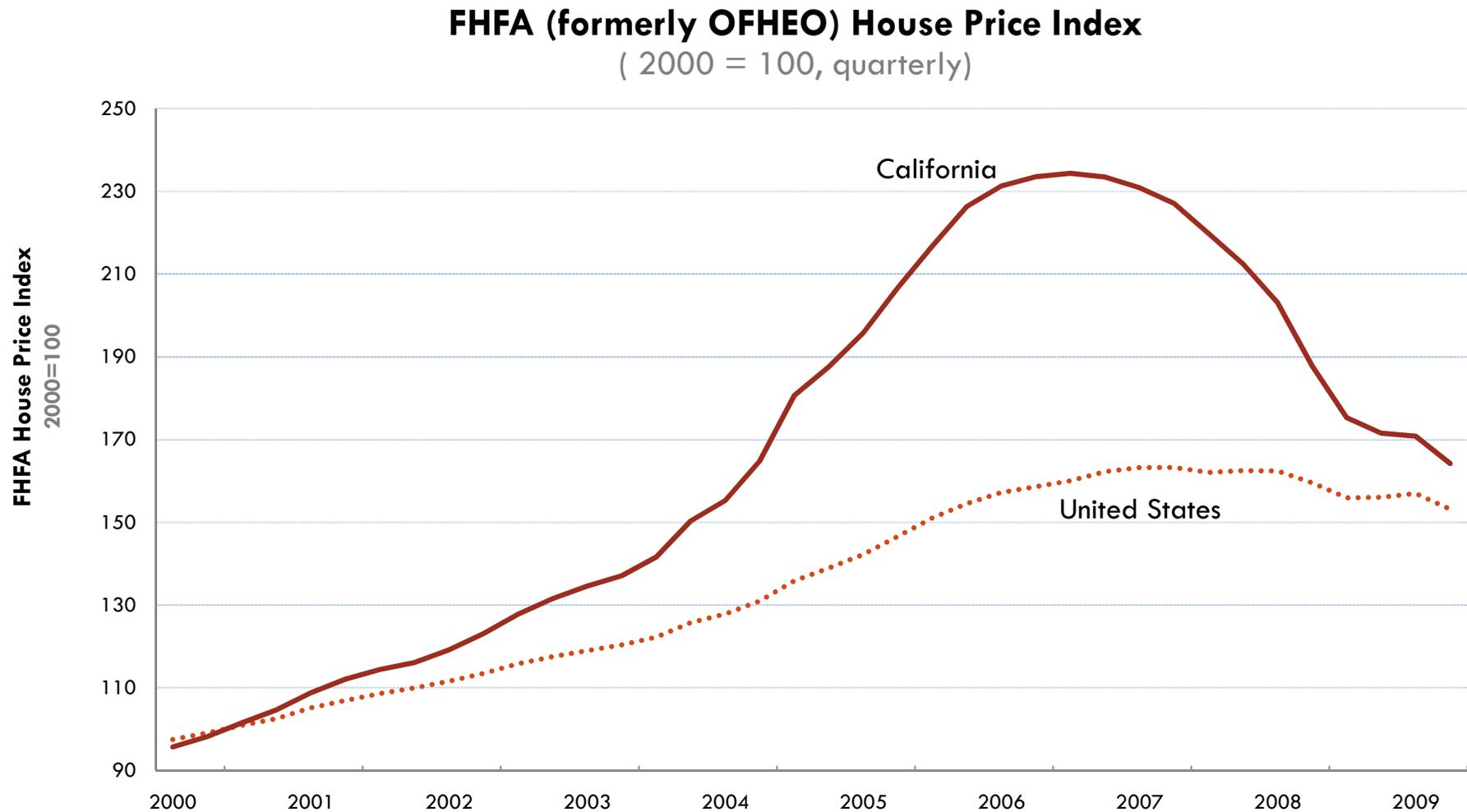
California Trends

Unemployment Rate in California Has Risen Sharply



Source: Bureau of Labor Statistics

California Has Seen Significant and Steep Decline in House Prices

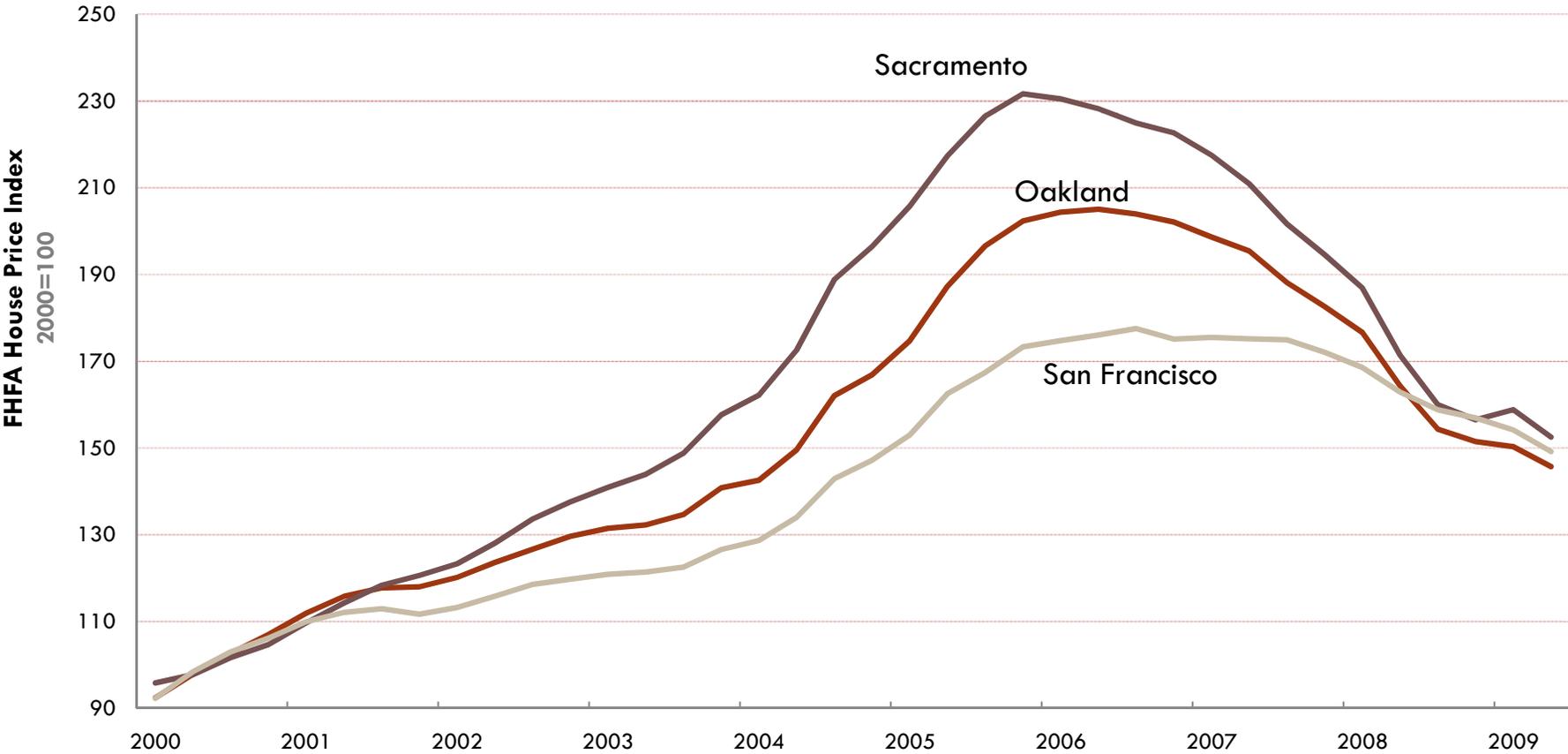


Source: Federal Housing Finance Agency (formerly OFHEO)

Sacramento and Oakland have seen Dramatic Changes in House Prices



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

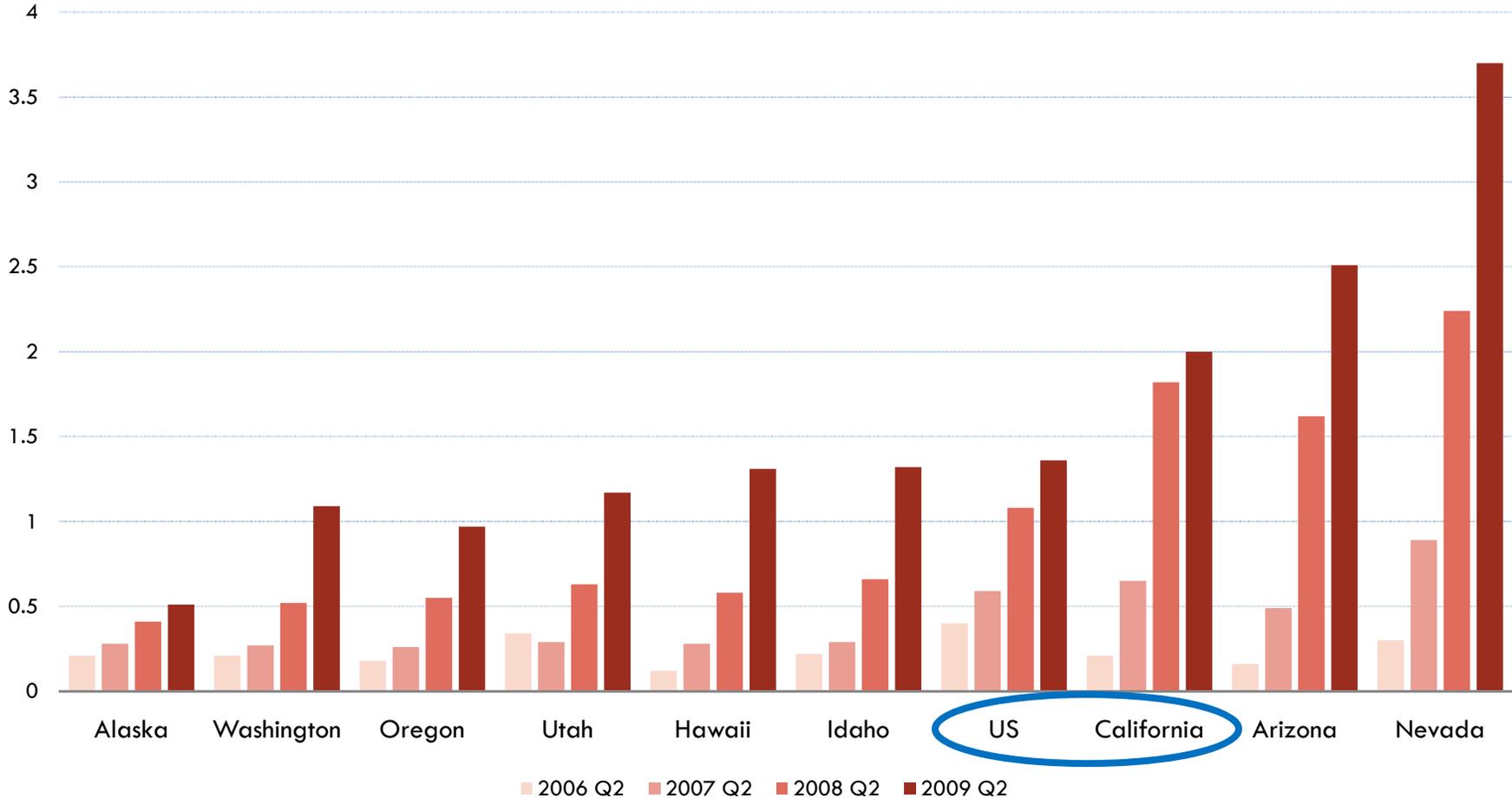


Source: Federal Housing Finance Agency (formerly OFHEO)

Foreclosure Start Rate in California is Above the National Average



Foreclosure Starts (Percent of All Loans)

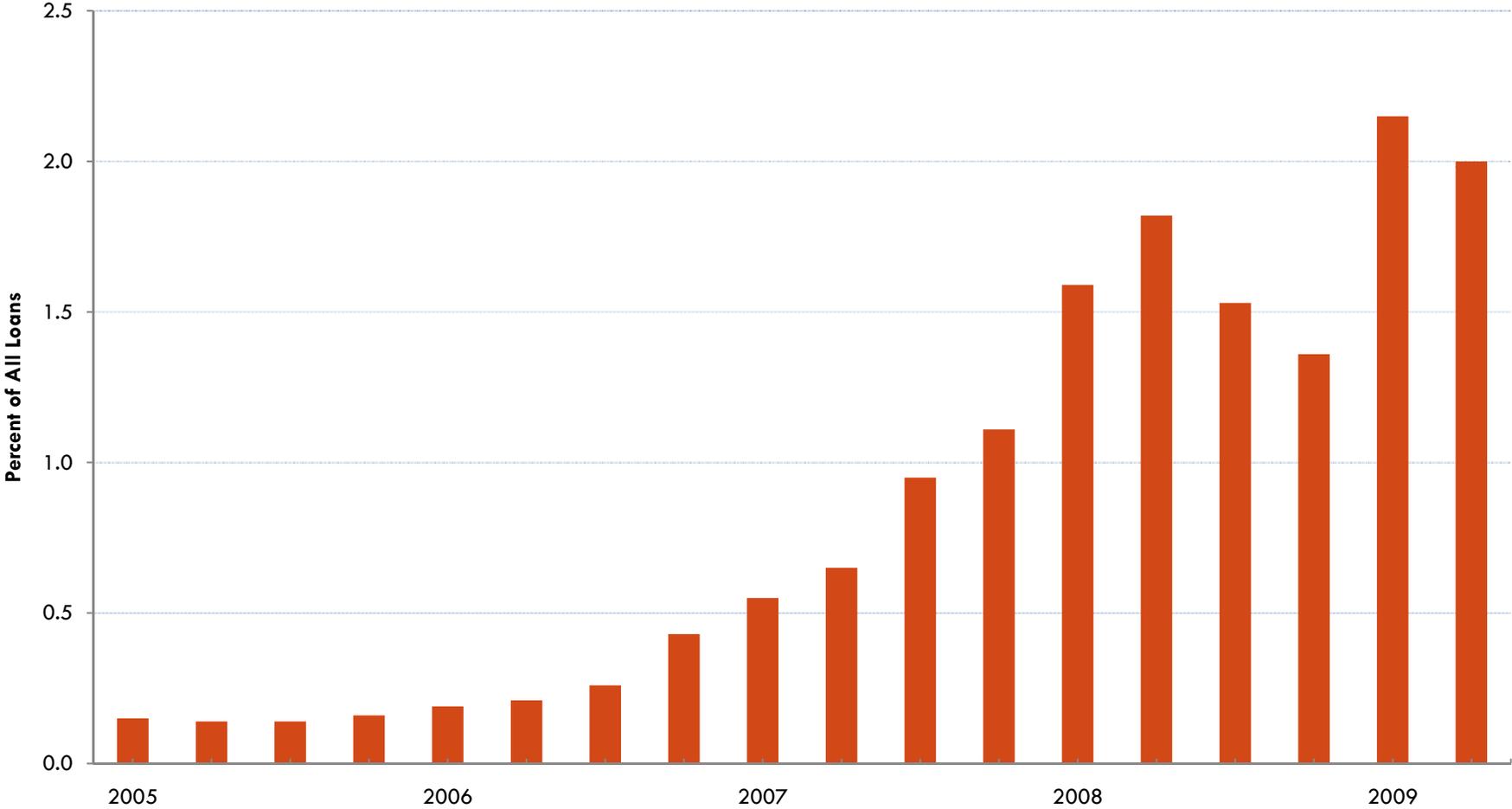


Source: Mortgage Bankers Association, National Delinquency Survey

California Saw a Sharp Rise in Foreclosure Starts in 1st Quarter 2009, Followed by Slight Drop



California: Foreclosure Starts

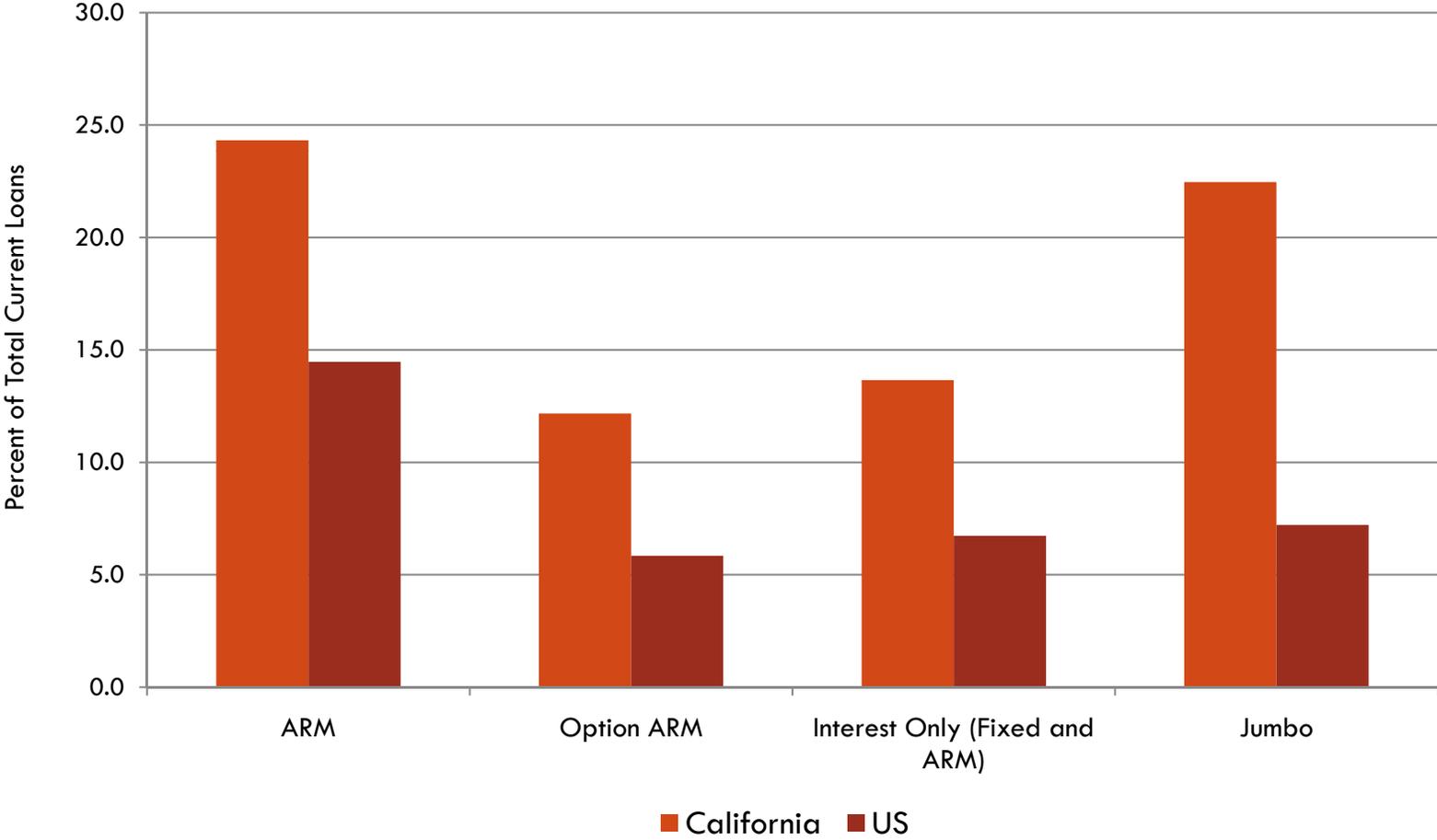


Source: Mortgage Bankers Association, National Delinquency Survey

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



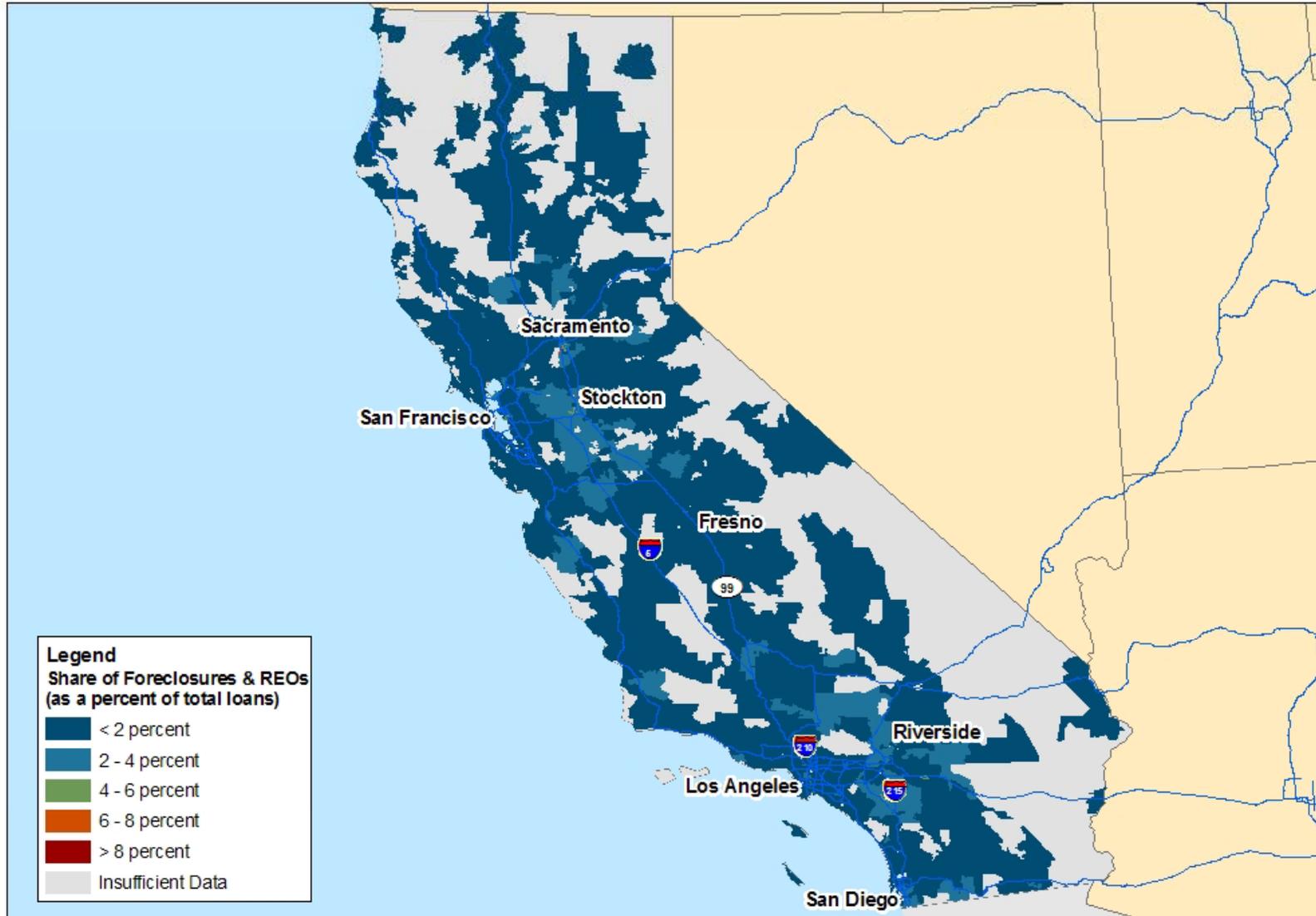
Characteristics of Remaining “Current” Loans



State & Local Data Maps

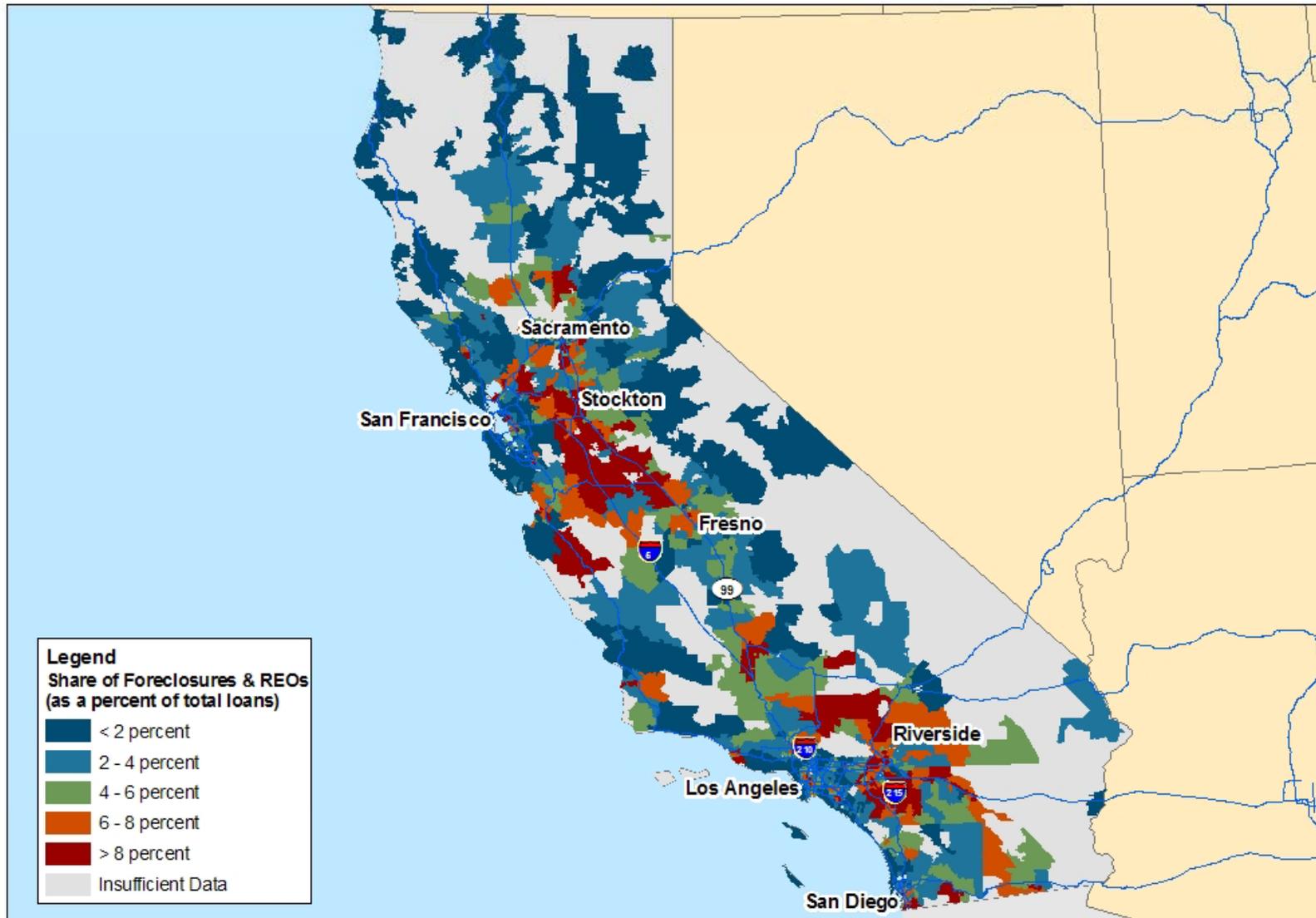
Areas Affected by Concentrated Foreclosures

June 2007



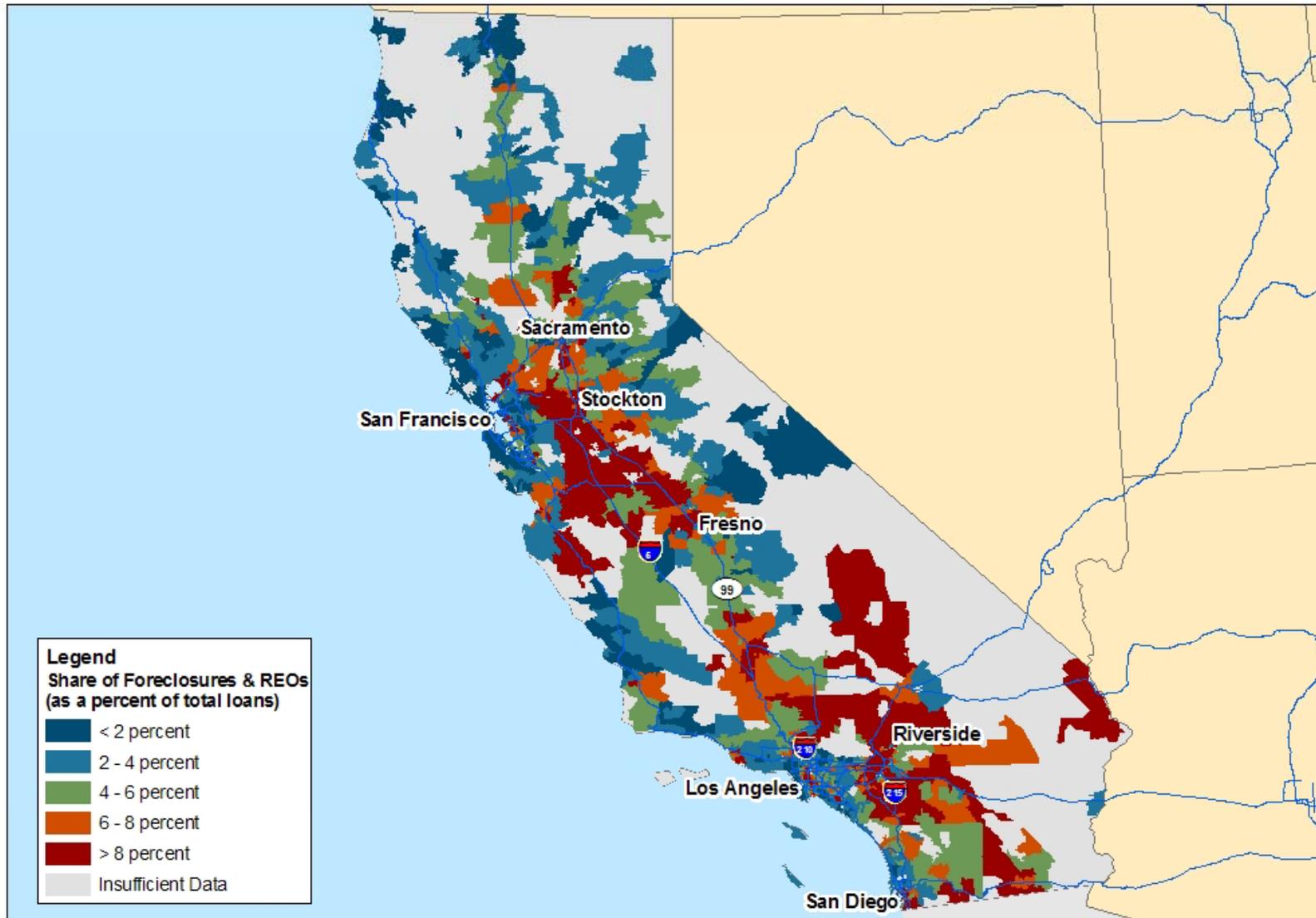
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June 2008



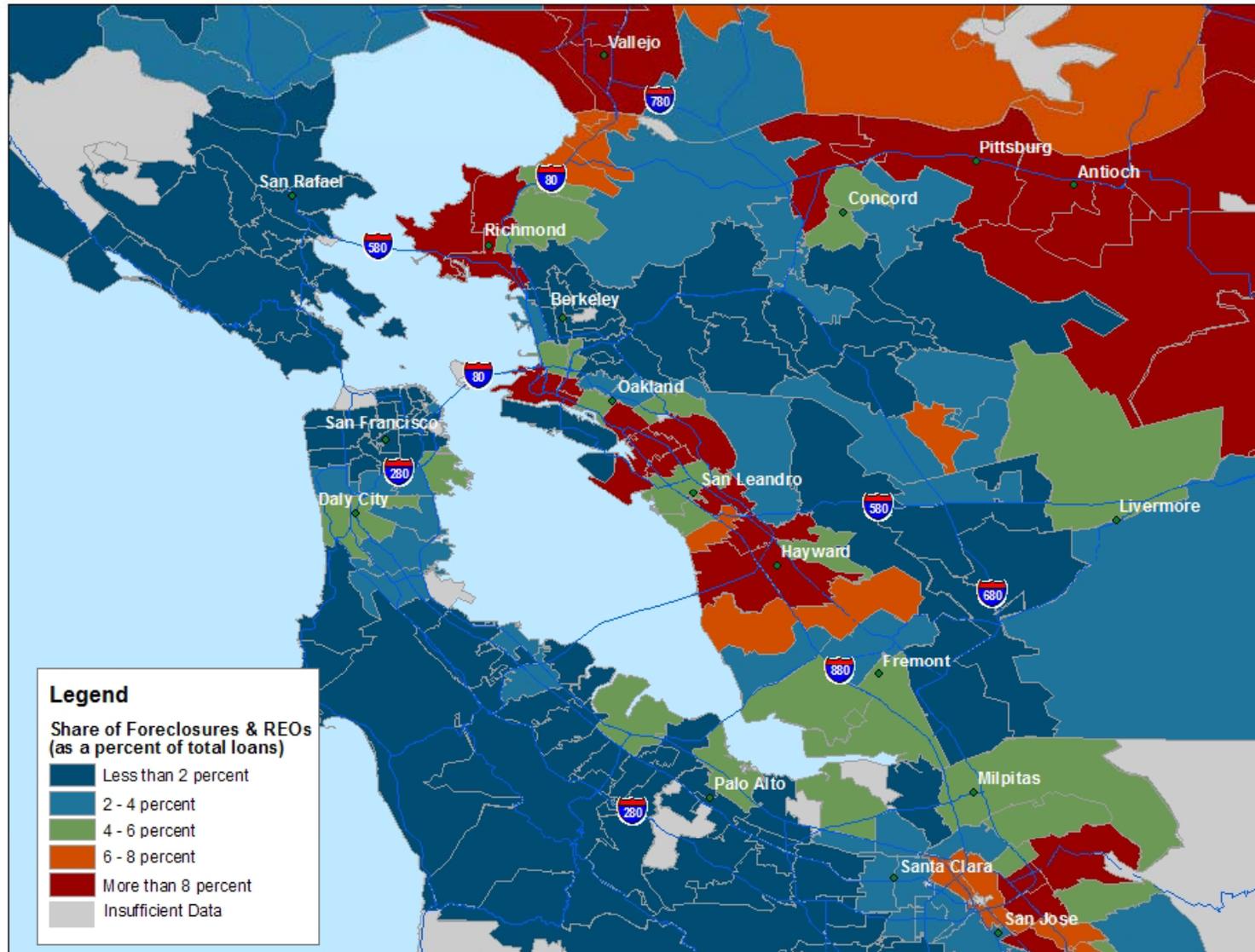
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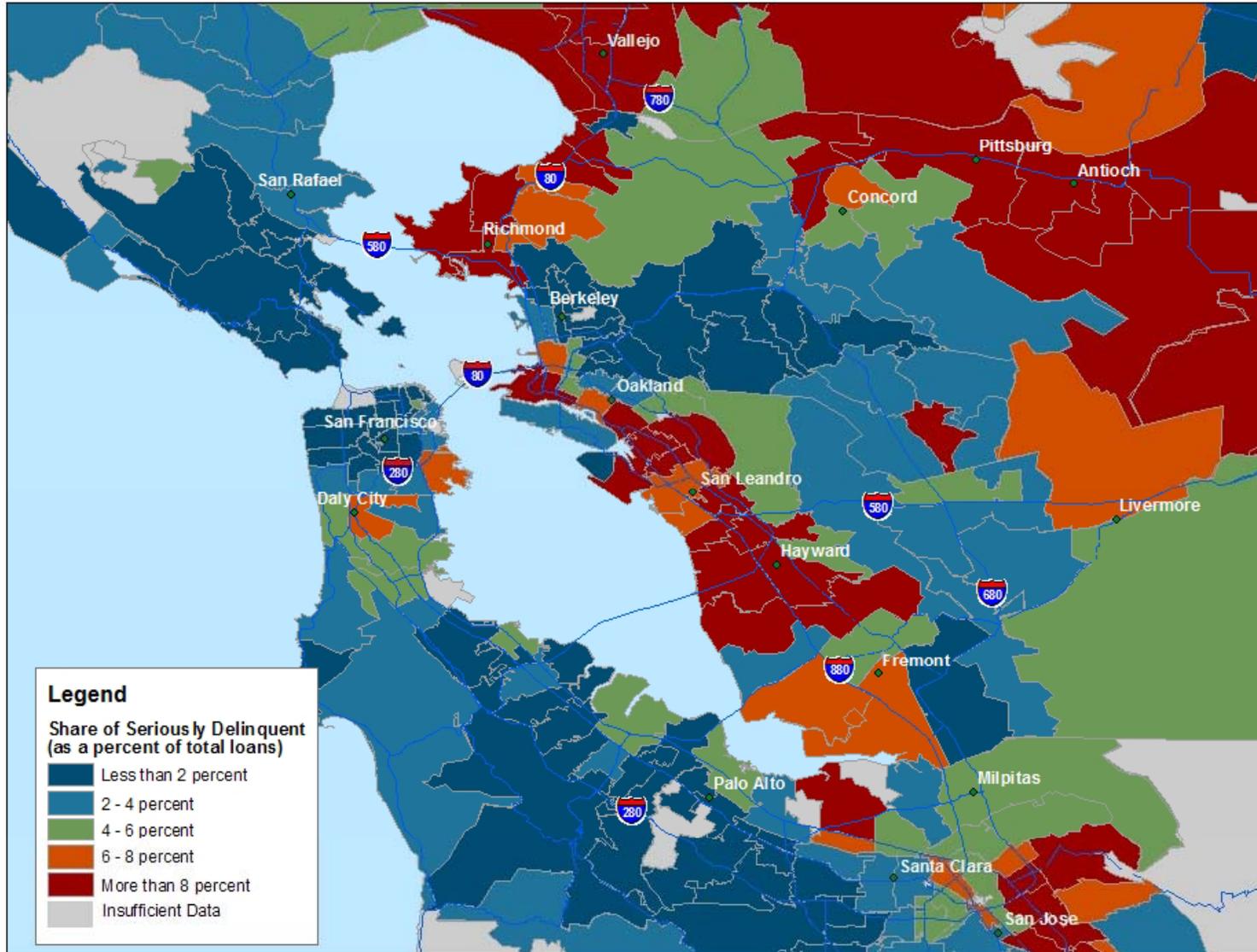
June 2009



Source: Lender Processing Services Inc. Applied Analytics

Areas at Risk of Additional Foreclosures

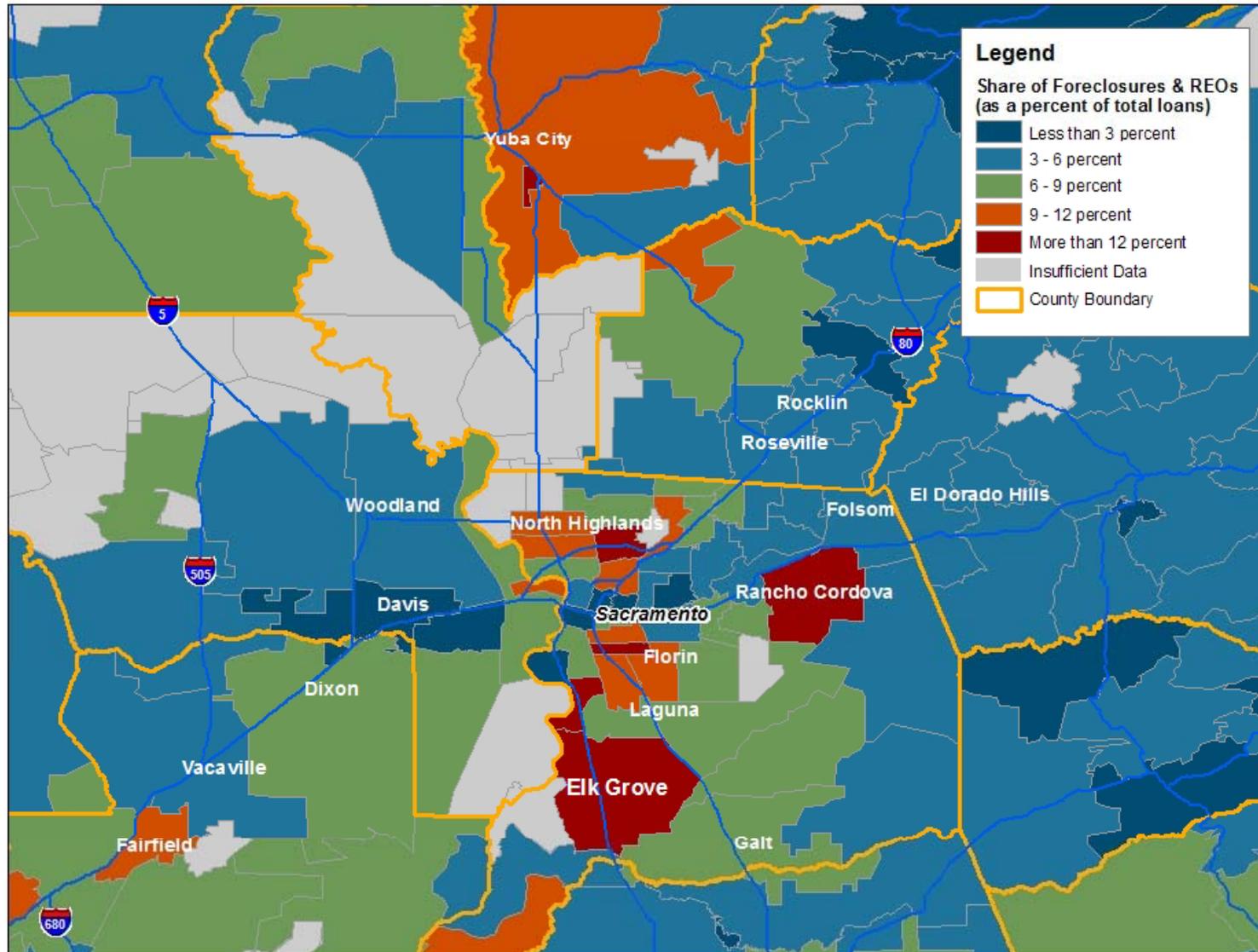
June 2009



Source: Lender Processing Services Inc. Applied Analytics

Areas Affected by Concentrated Foreclosures

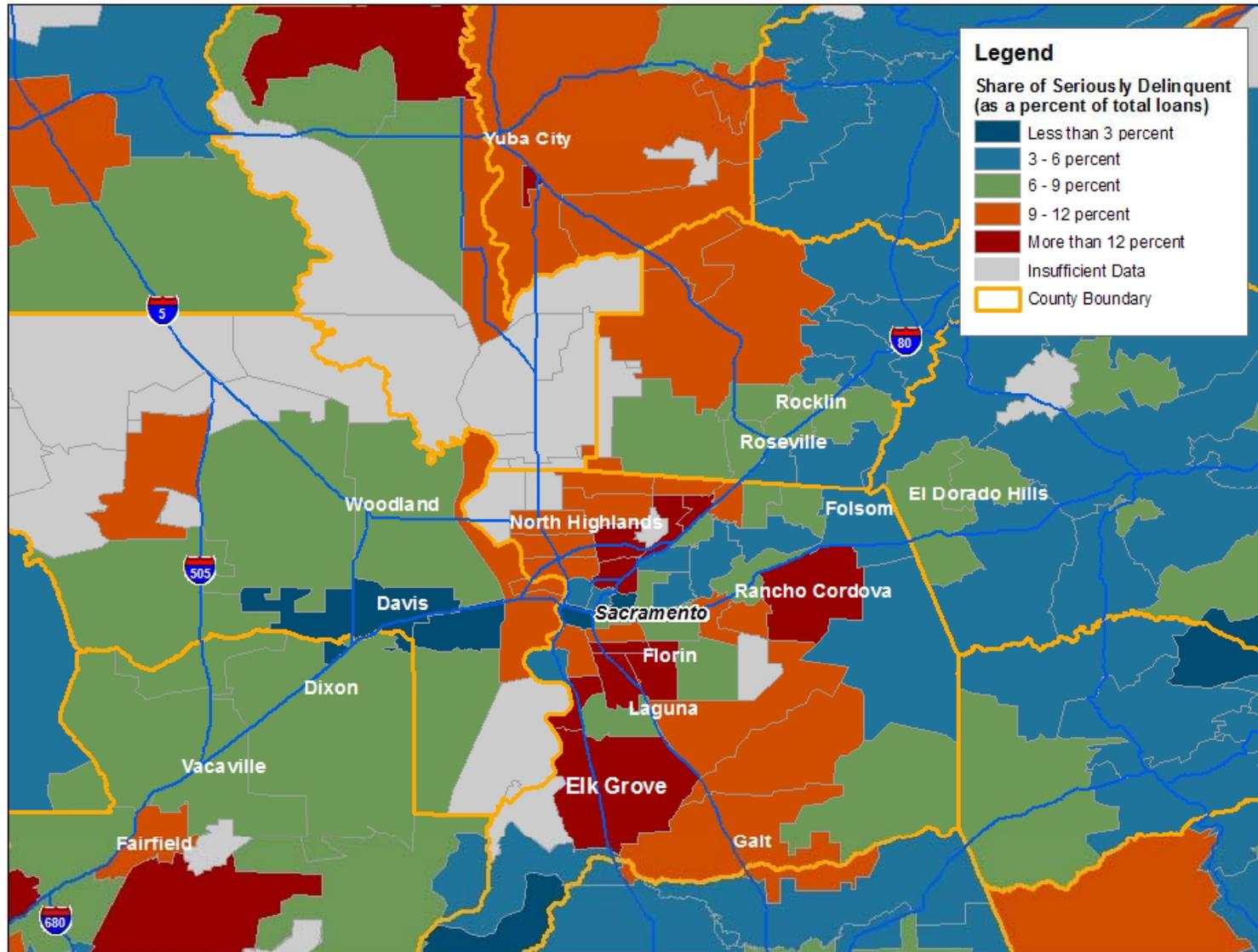
June 2009



Source: Lender Processing Services Inc. Applied Analytics

Areas at Risk of Additional Foreclosures

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Source: Lender Processing Services Inc. Applied Analytics

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 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', and 'Research Pubs', along with 'FAQ', 'Glossary', 'Site Map', 'Careers', and 'Email Us'. A search bar is also present. Below the highlights, there are sections for 'Programs and Information' (Community Reinvestment Act (CRA), Community Development Issues, Center for Community Development Investments) and 'Events and Conferences' (Participate in one of the many events sponsored by the Community Development Department). A 'Publications' section offers access to online copies of Community Investments, the Community Development Investment Review, and research papers. An 'About Us' section provides more information about the Community Development Department and its staff. On the far right, there is 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 links to 'Financial Education Resource Center', 'CRA Regulatory Information - Links to CRA resources for financial institutions and community groups', and 'Bank on San Francisco - Program information and information about replicating program'.

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