

TRENDS IN DELINQUENCIES AND FORECLOSURES IN NORTHERN CALIFORNIA

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Lena Robinson, Community Development Department,
Federal Reserve Bank of San Francisco

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

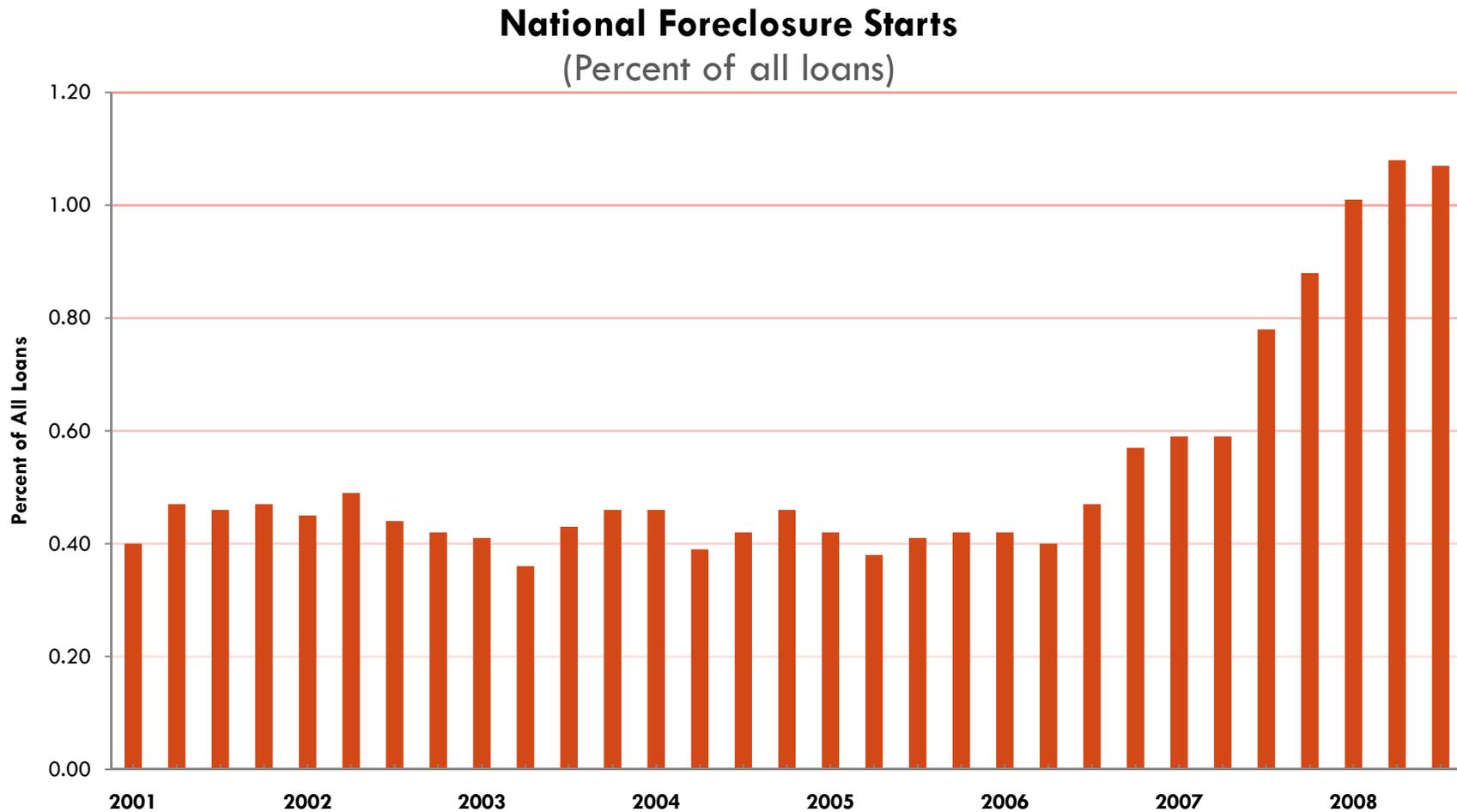
National Trends

National Trends



- Foreclosures rose steadily in 2008, with wide repercussions for US economy
 - 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

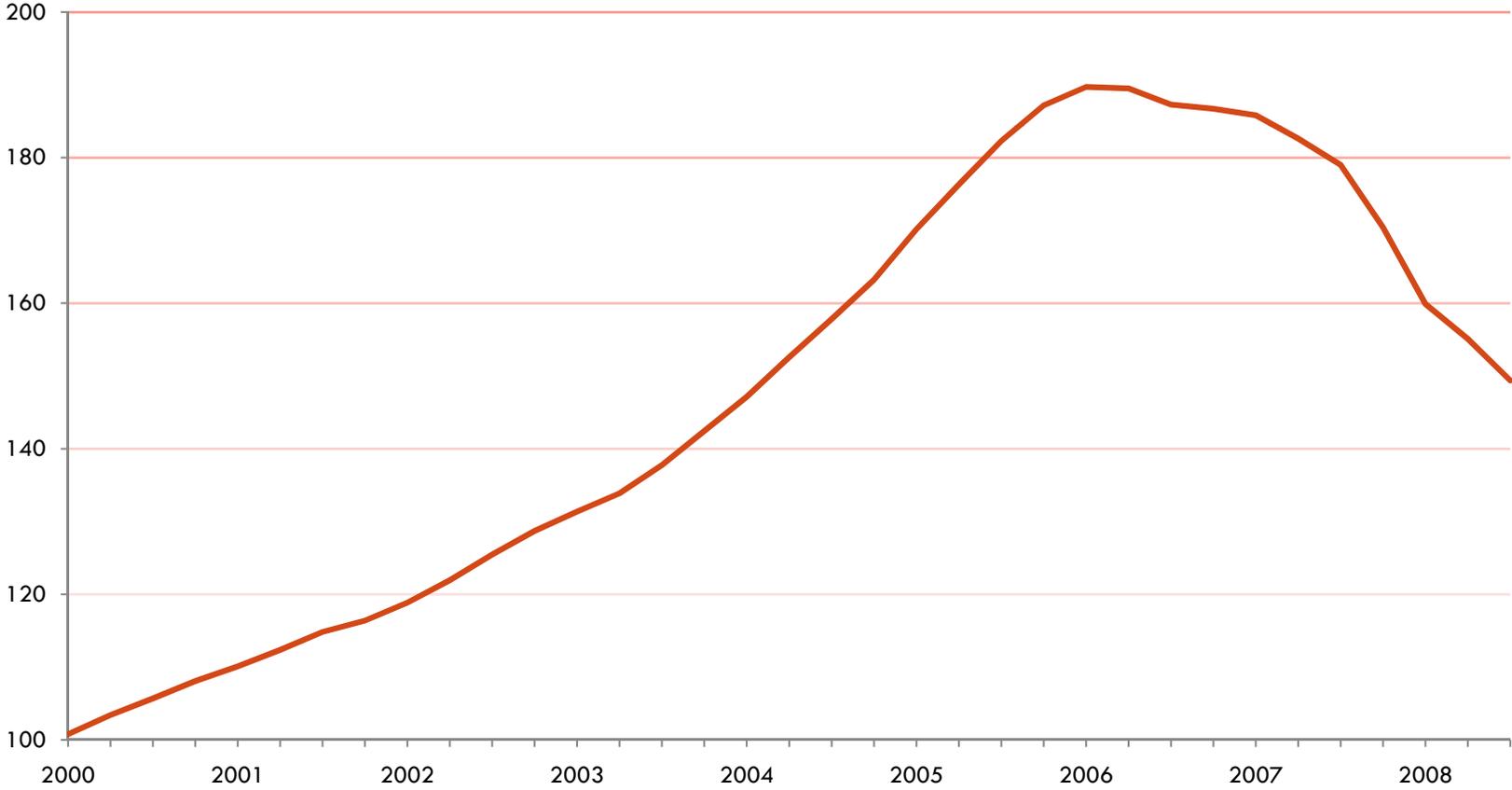
After Steady Rise, National Foreclosure Starts Dipped Slightly in 3rd Quarter of 2008



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

Nationally, House Prices Continue to Decline

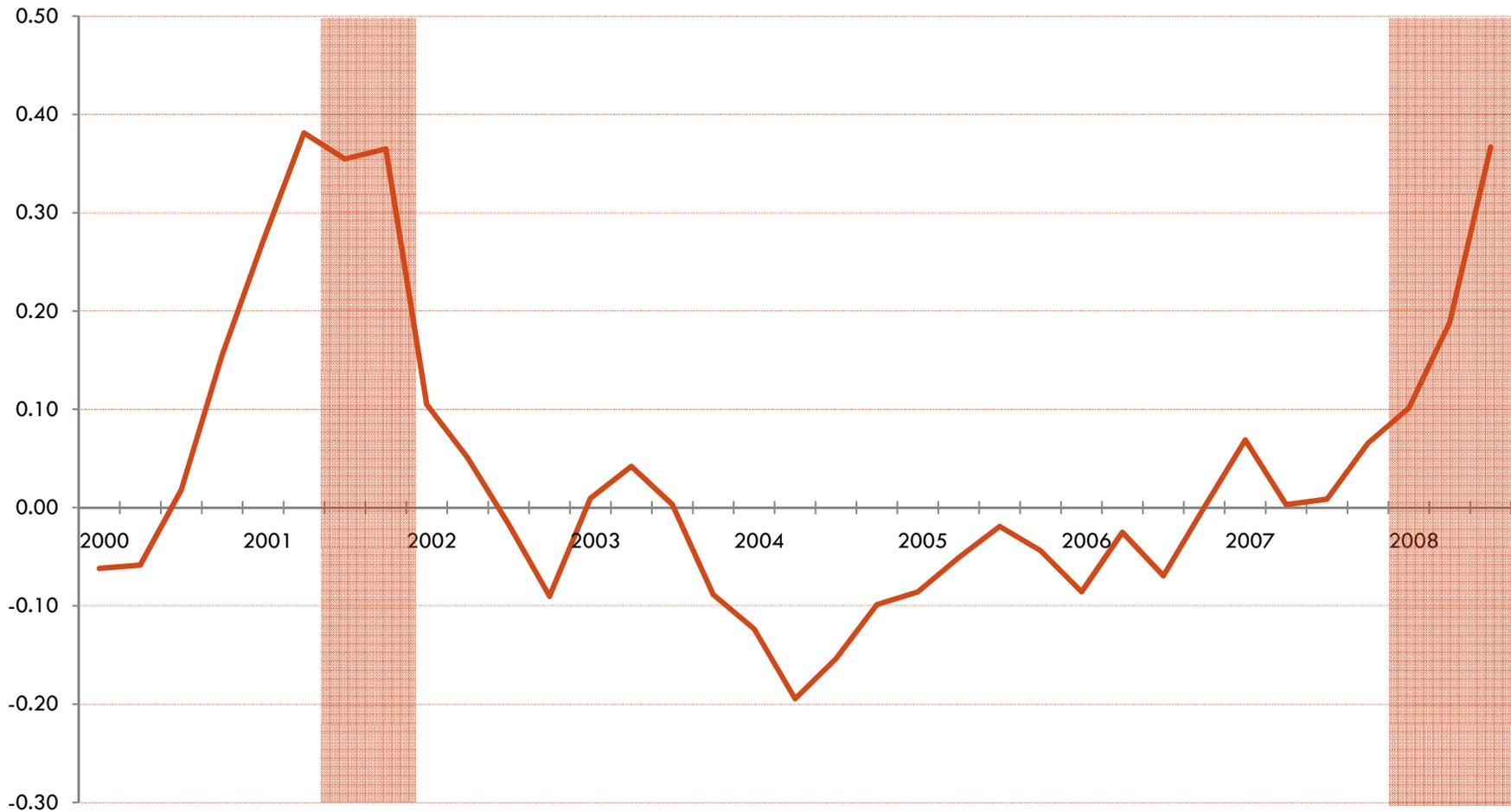
Case-Shiller National House Price Index
(2000 = 100, quarterly)



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

Recession Marks Significant Jump in National Unemployment Insurance Claims

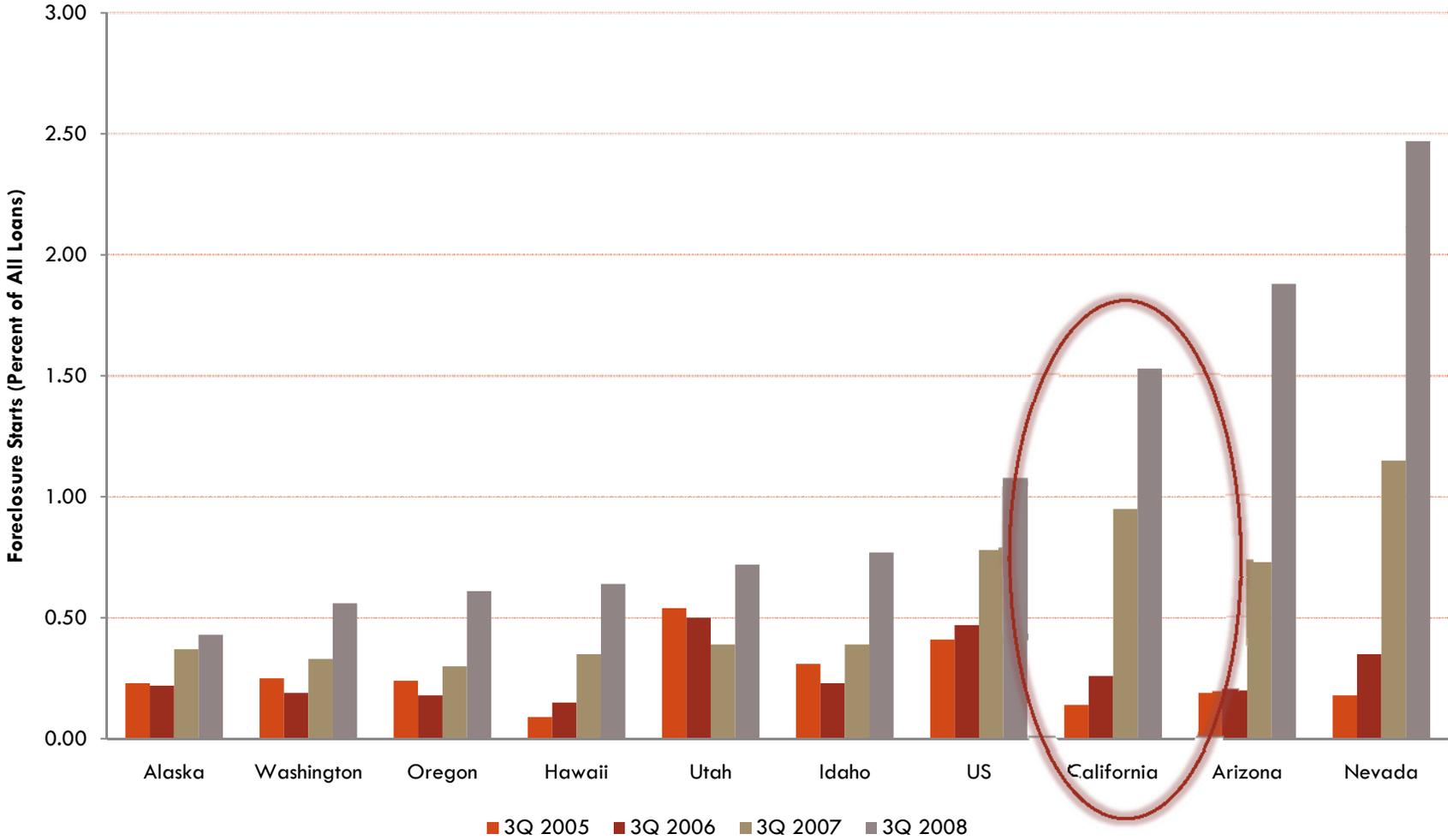
National Unemployment Insurance Claims, Percent Change Year-over-Year



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

California Trends

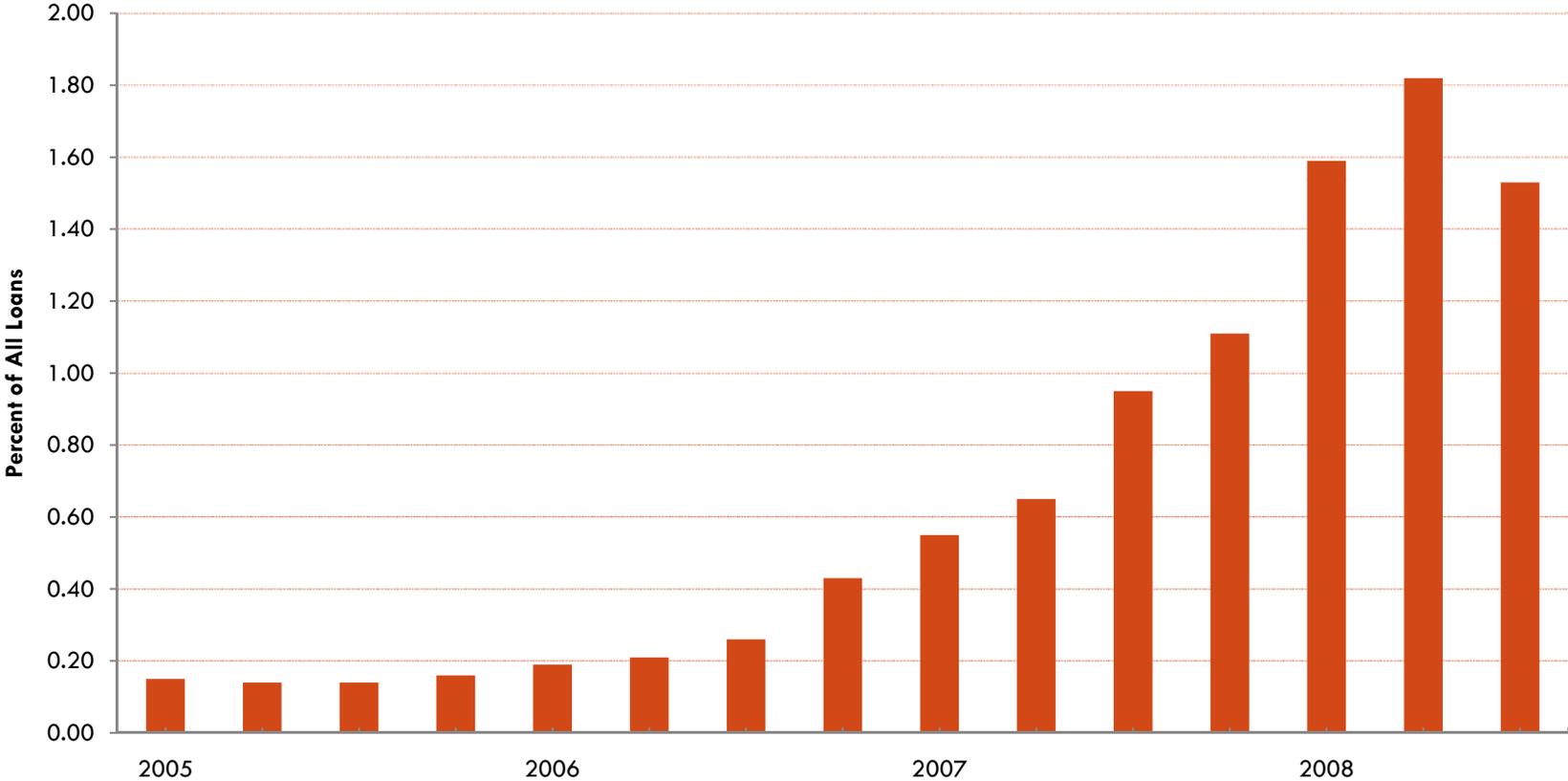
Foreclosures in California Have Risen Significantly, Surpassing US Average



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

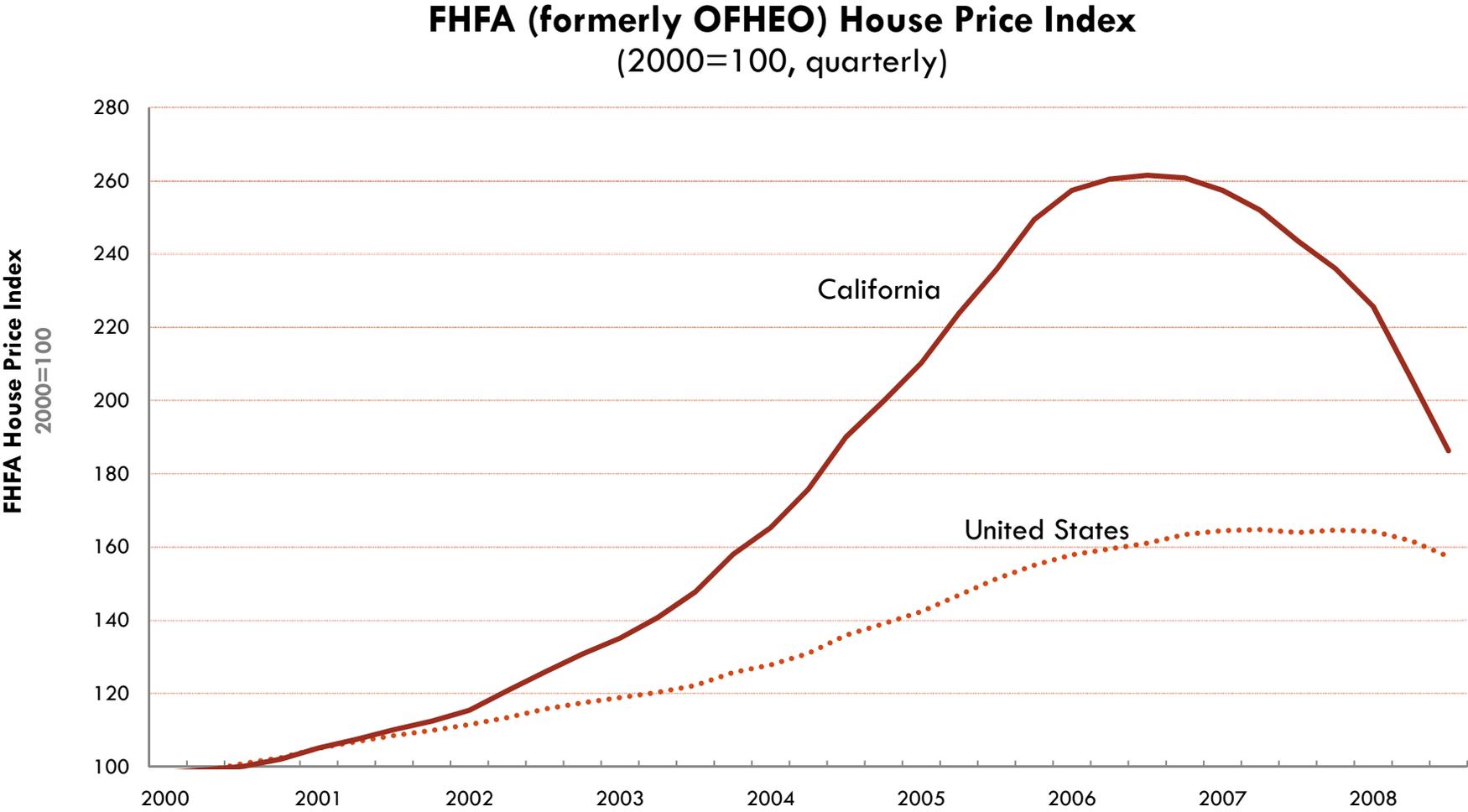
Like National Trends, California Saw a Decrease in Foreclosure Starts in 3rd Quarter 2008

California: Foreclosure Starts



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

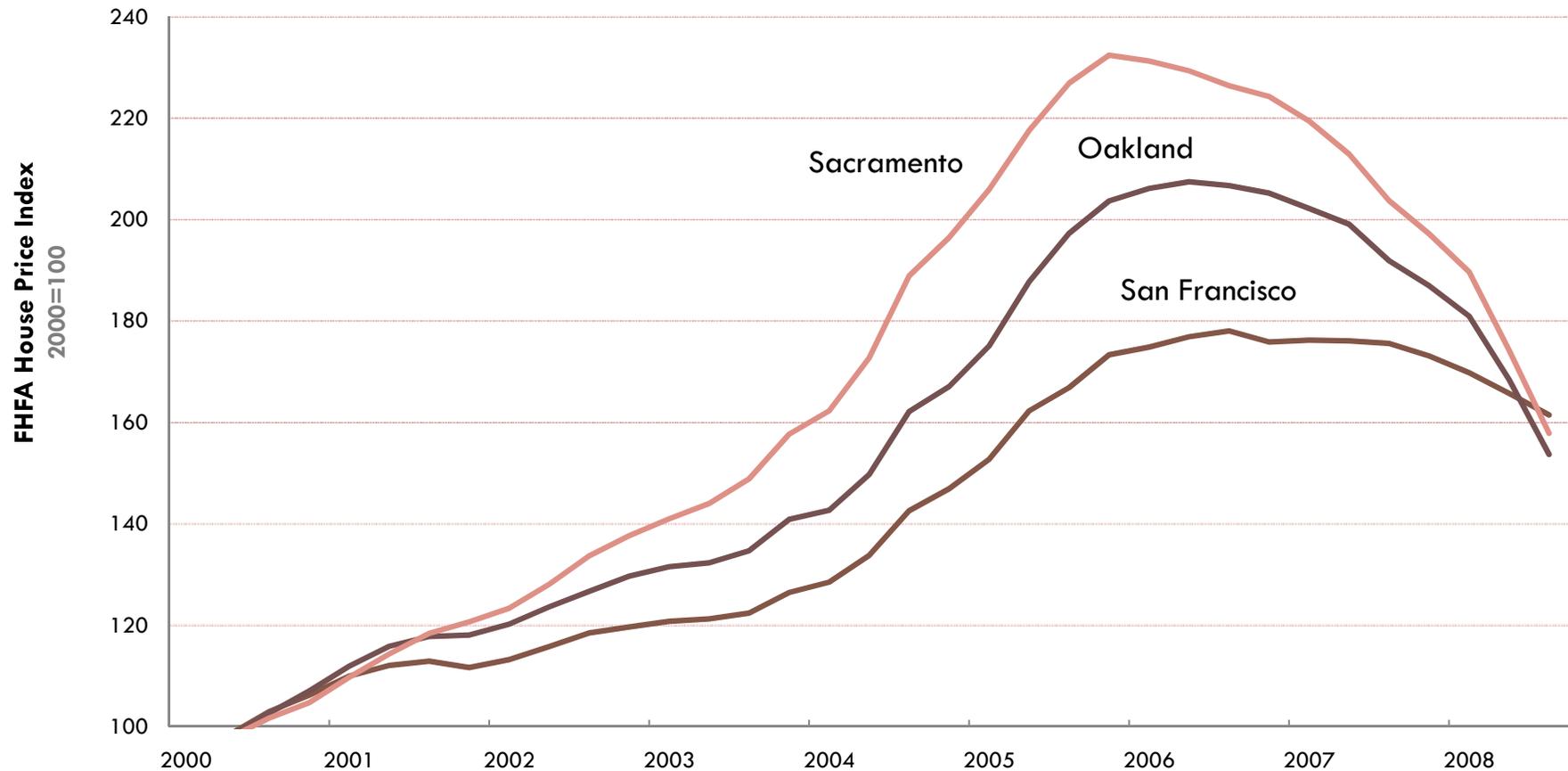
California Has Seen Significant and Steep Decline in House Values



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

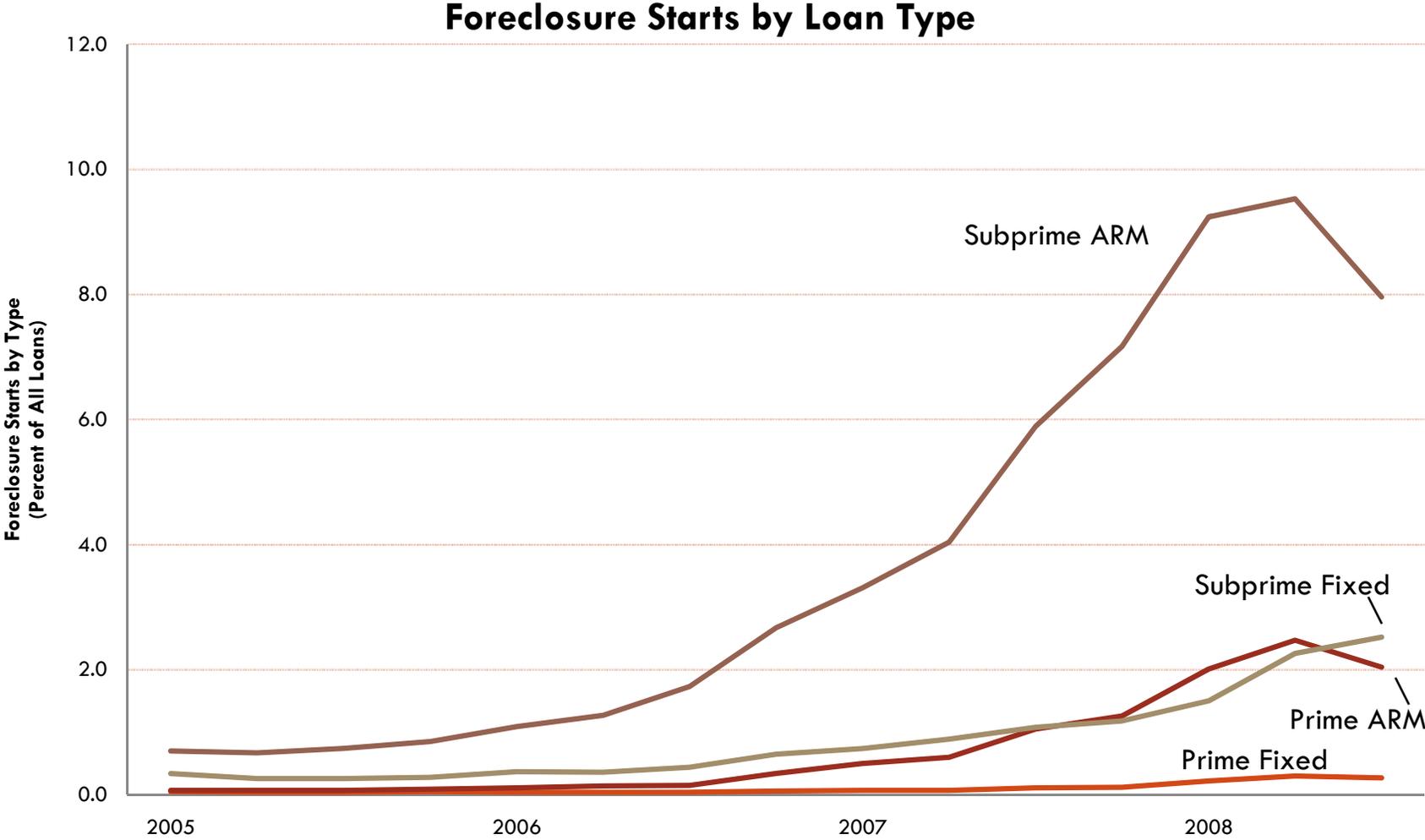
Metropolitan Areas also Experiencing a Softening Real Estate Market

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



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

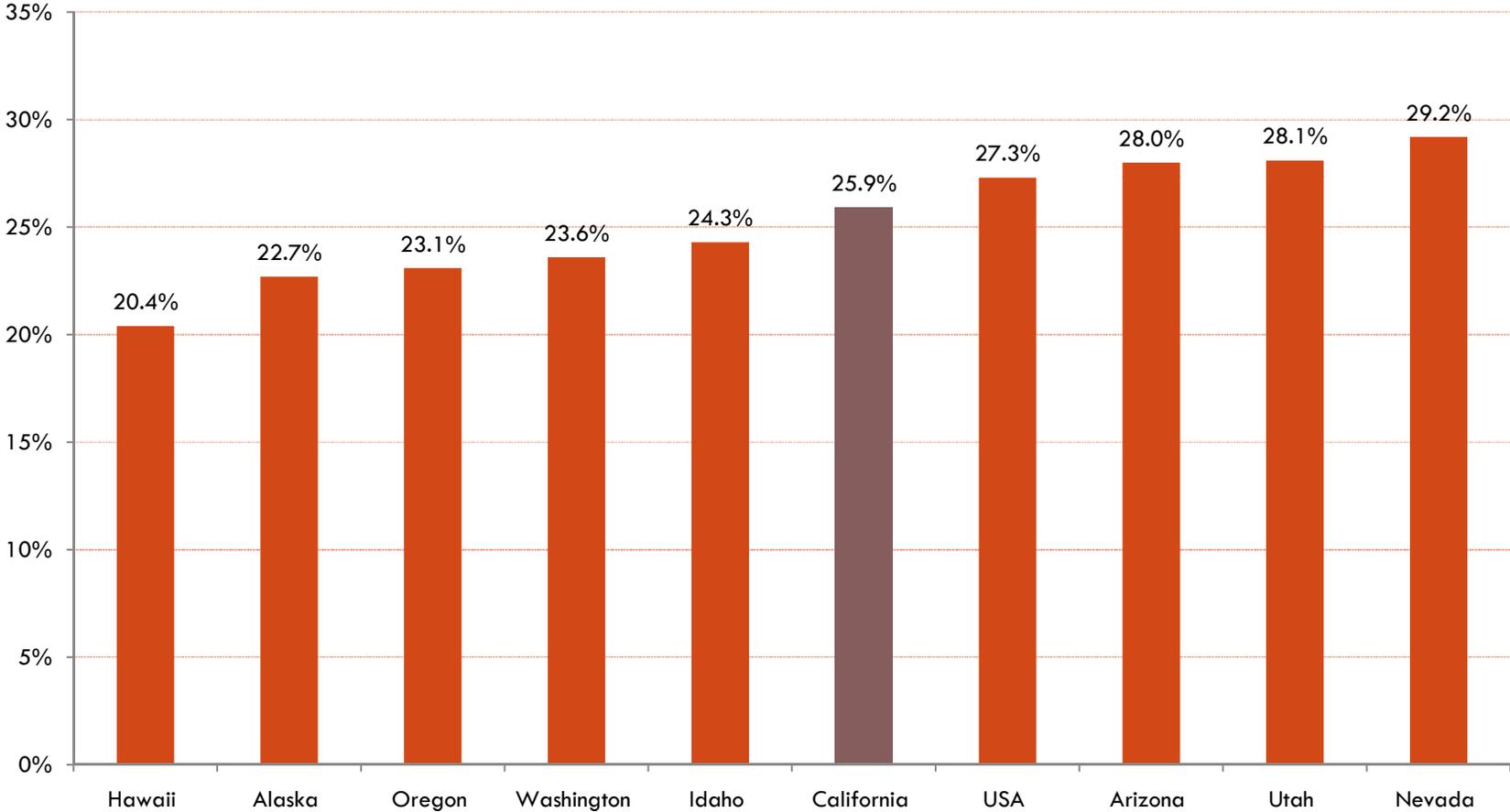
California's Foreclosures are Concentrated in Subprime ARM Market



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

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

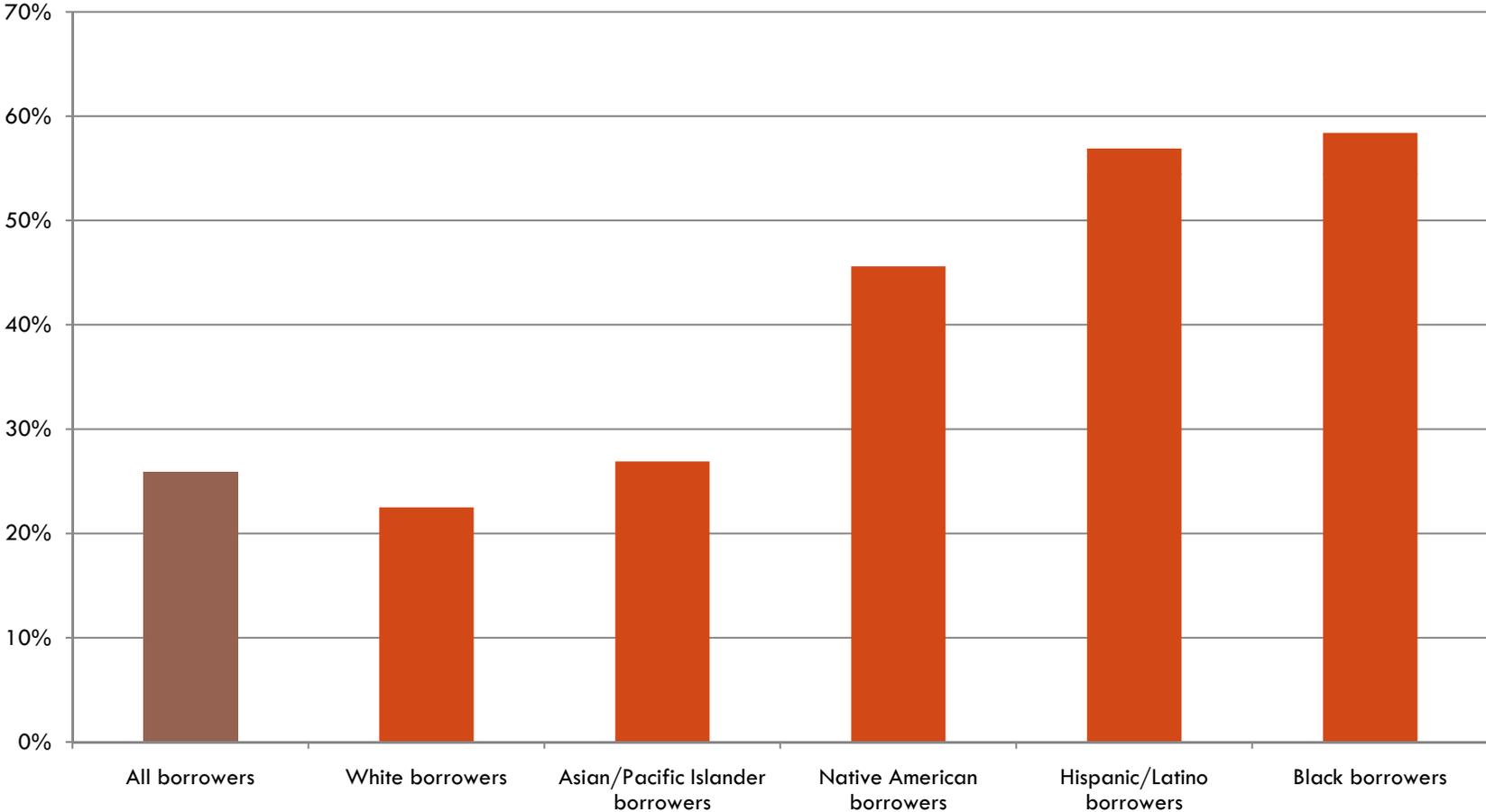
Percent of All Borrowers with High Interest Conventional Loans, 2005



Source: Home Mortgage Disclosure Act Data, 2005

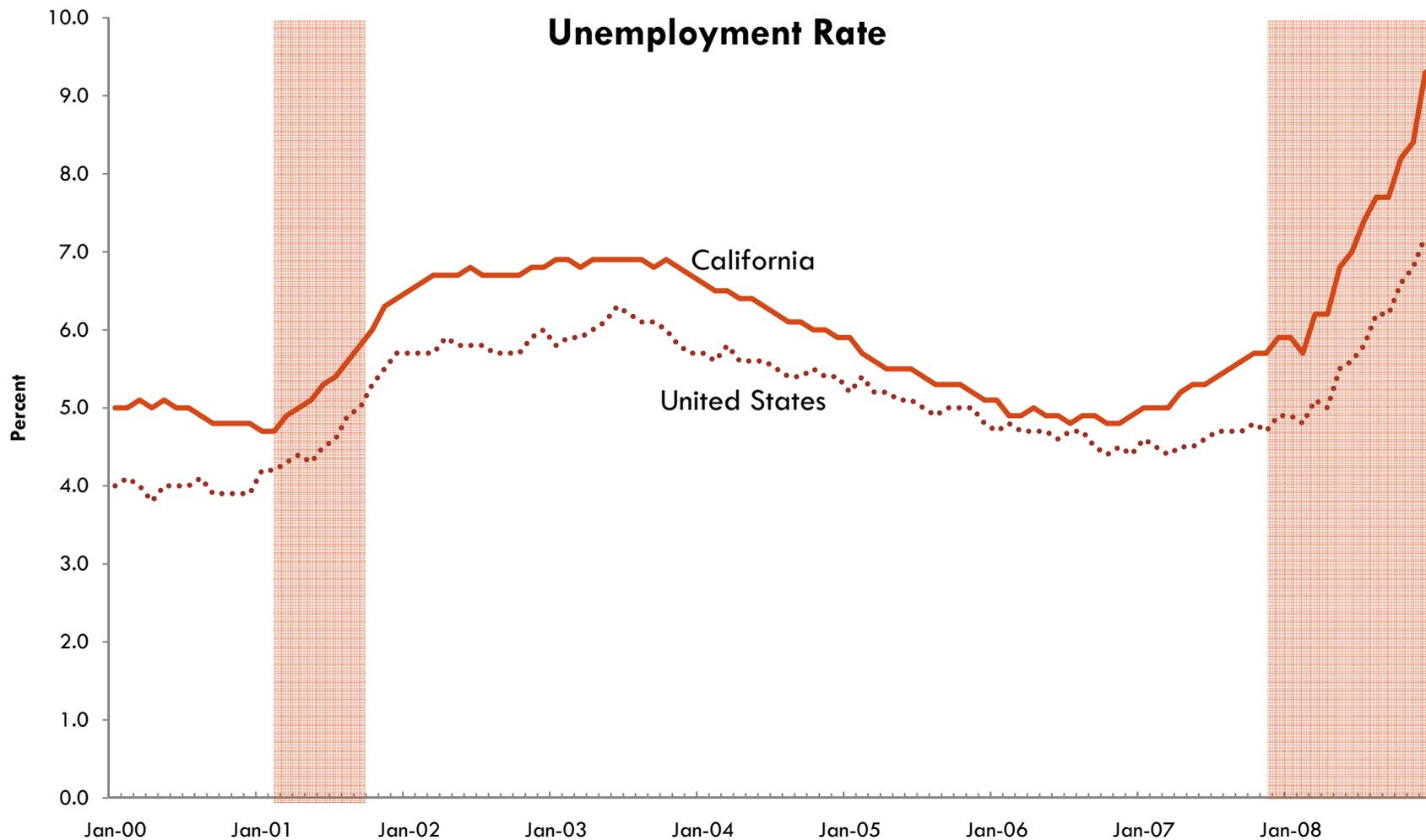
High Cost Lending in California More Prevalent Among Minority Borrowers

California: High Cost Conventional Loans by Race, 2005



Source: Home Mortgage Disclosure Act Data, 2005

Unemployment Rate in California on the Rise, May Affect Future Foreclosures



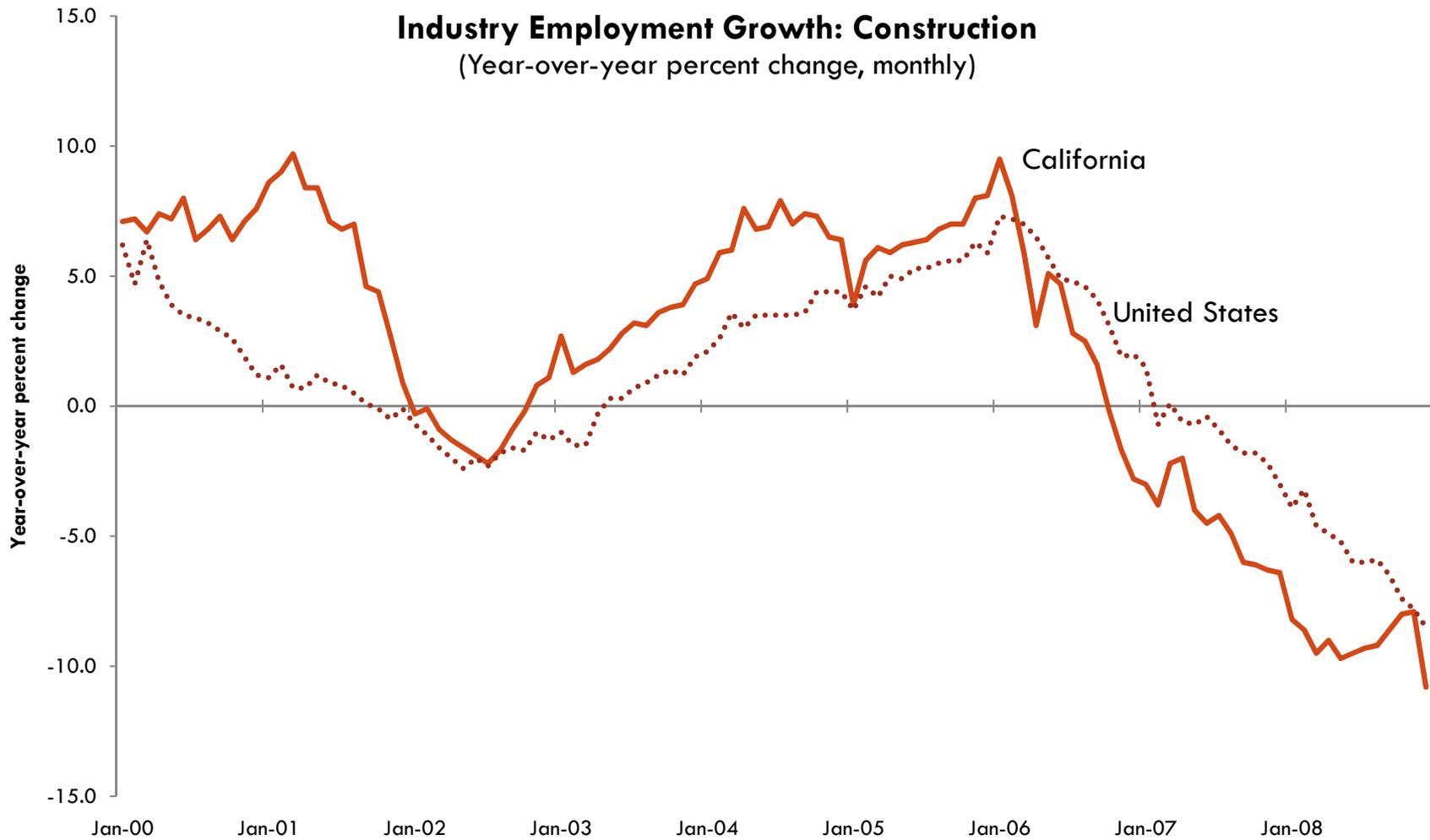
Source: Bureau of Labor Statistics, December 2008

Employment Trends by Industry in CA

California	Total Employed (thousands) Dec-08	Percent Change		
		1-mo.*	3-mo.*	12-mo.
Total	14,913.6	-6.1	-4.7	-1.7
Trade, Transportation & Utilities	2,815.9	-10.2	-9.1	-3.2
Professional & Business Svcs.	2,252.0	-4.4	-3.5	-1.1
Educational & Health Svcs.	1,738.2	1.6	2.8	3.1
Leisure & Hospitality	1,543.3	-5.1	-5.0	-1.2
Manufacturing	1,405.4	-7.8	-7.1	-3.2
Financial Activities	857.0	-4.5	-3.7	-3.4
Construction	763.4	-22.8	-19.1	-10.8
Other Services	513.6	-2.1	-1.2	-1.0
Information	468.8	-17.8	-4.2	-1.3
Government	211.1	-0.7	-0.2	0.2
Natural Resources & Mining	26.6	-12.6	-4.4	4.3

Source: Bureau of Labor Statistics, December 2008; *Annualized.

Significant Drop in Construction Employment

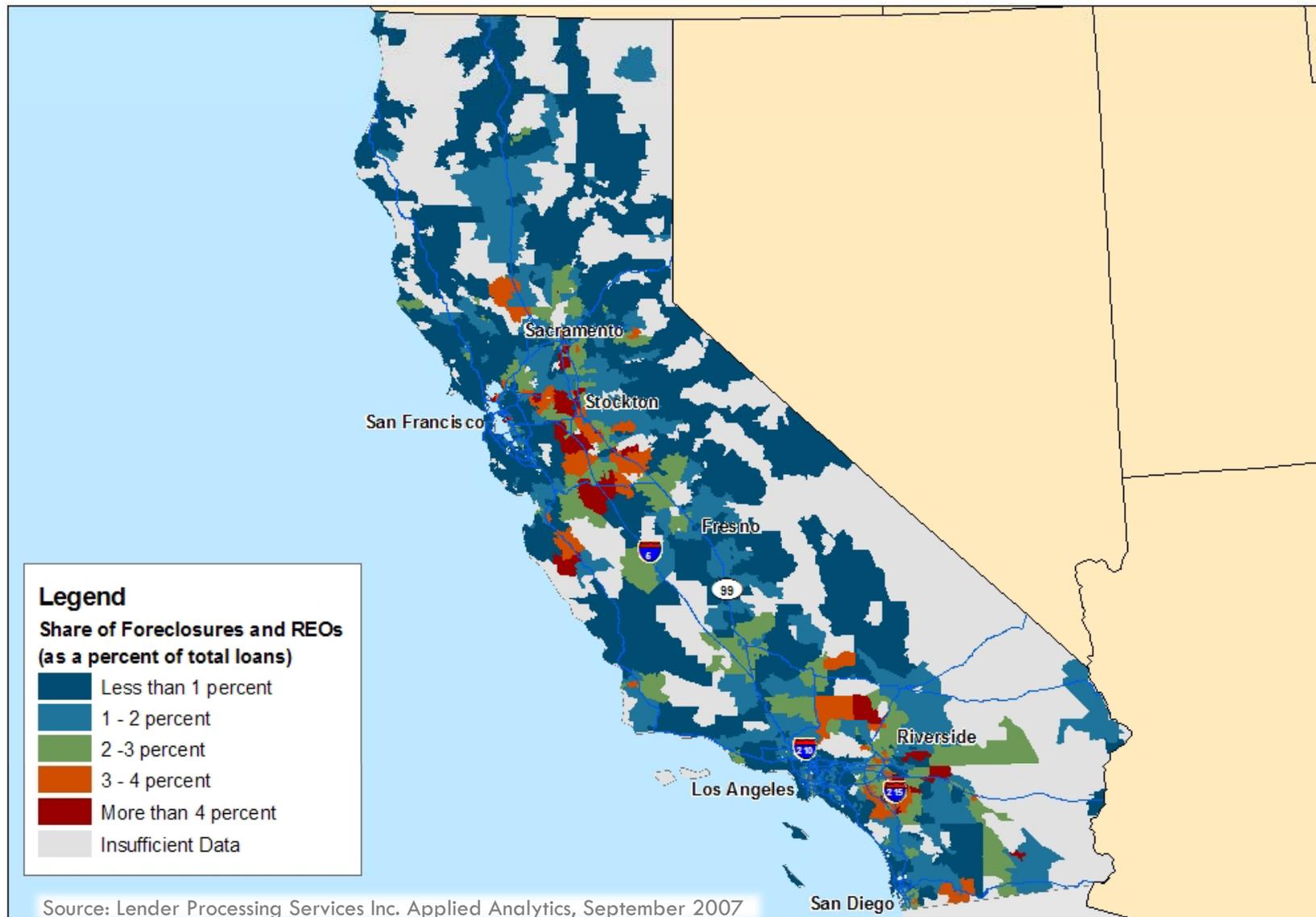


Source: Bureau of Labor Statistics, December 2008

State & Local Data Maps

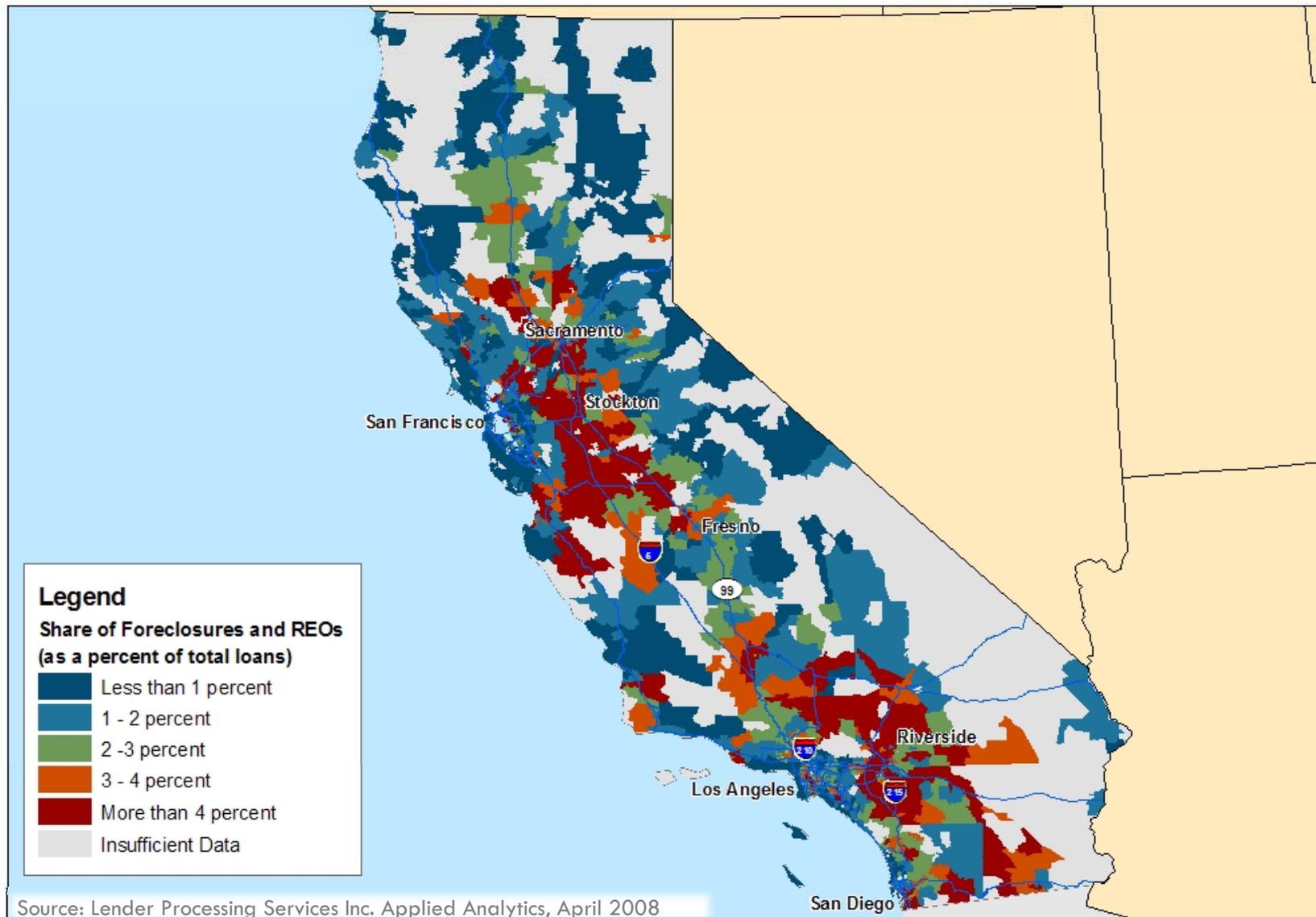
Areas Affected by Concentrated Foreclosures

September 2007



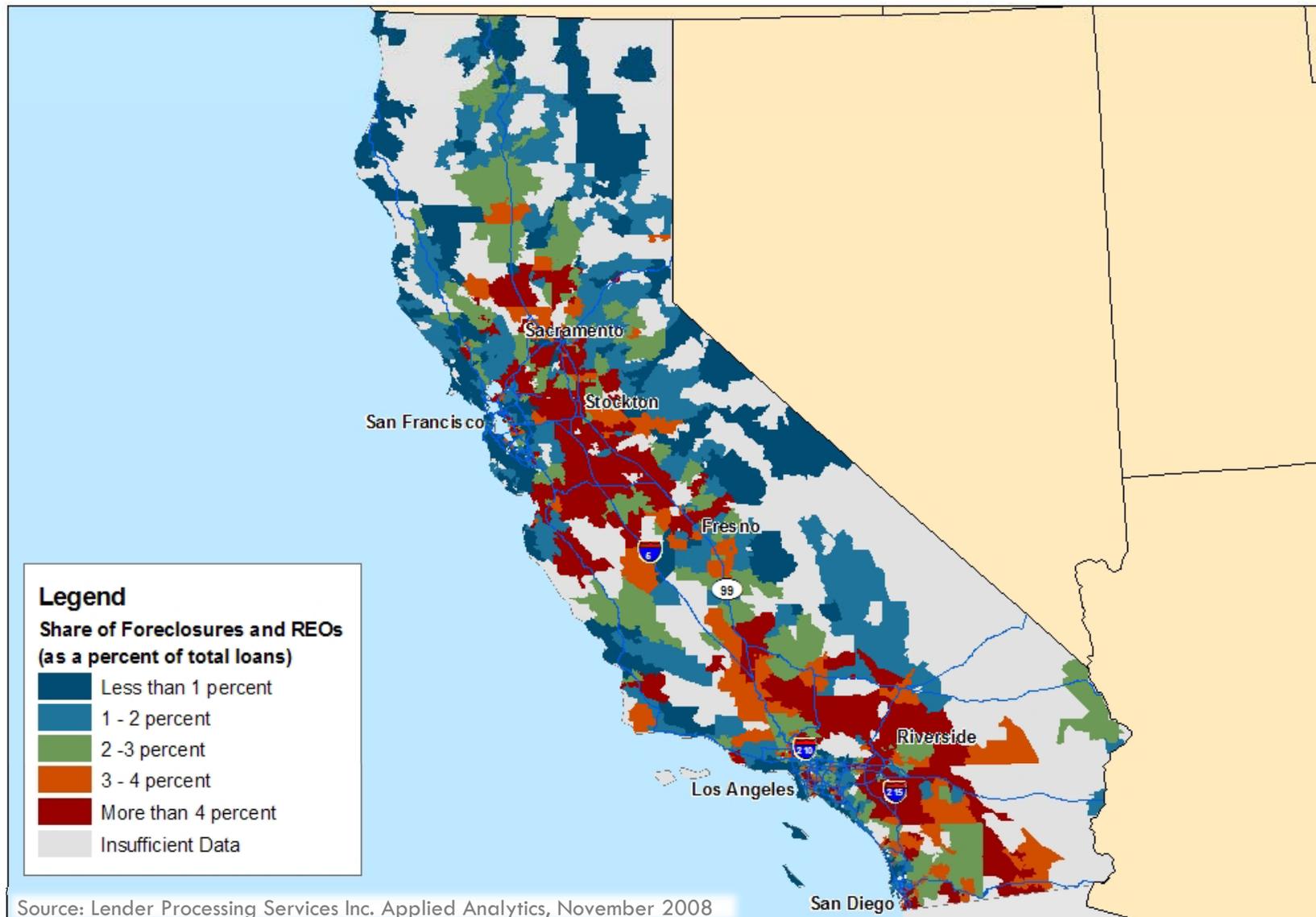
Areas Affected by Concentrated Foreclosures

April 2008



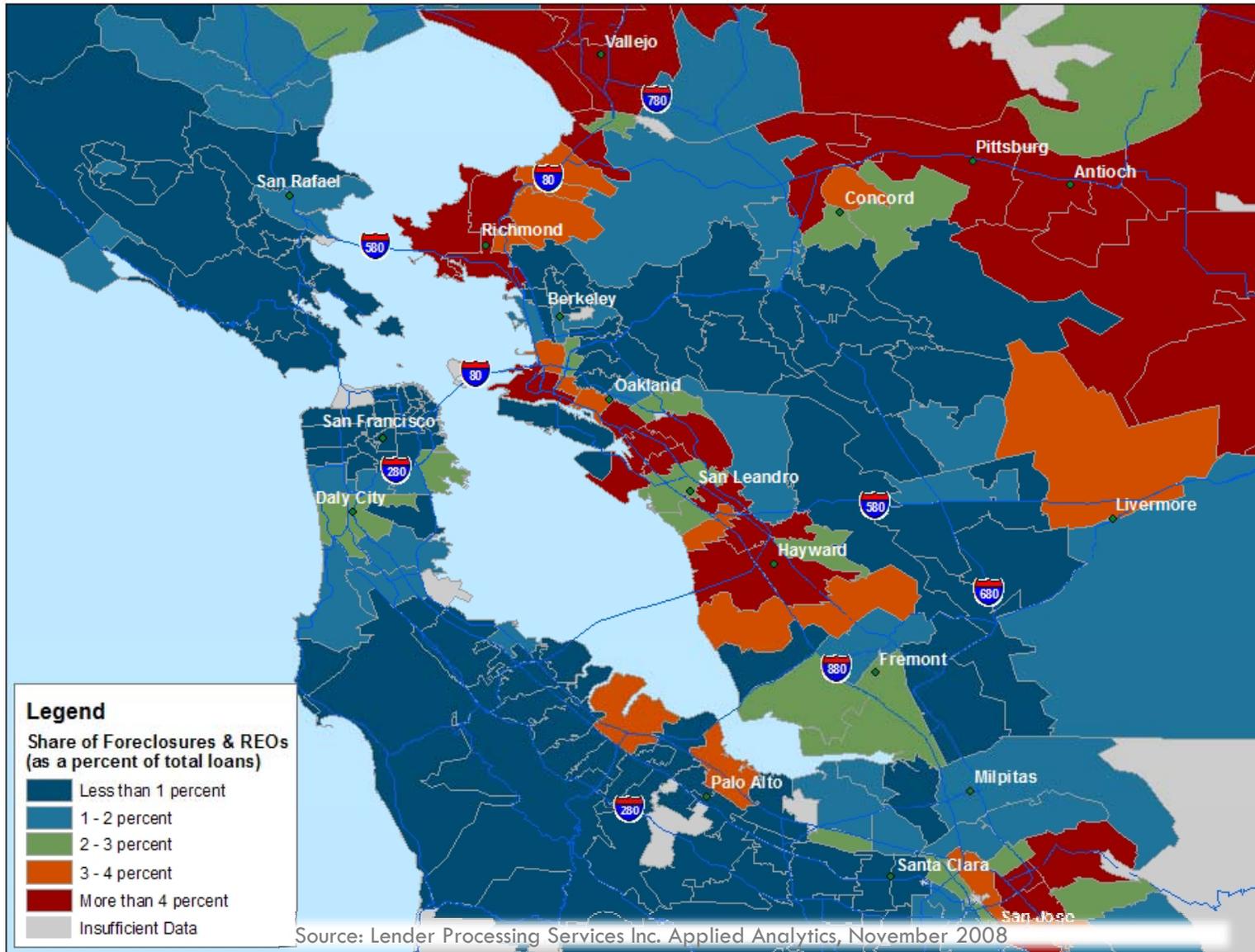
Areas Affected by Concentrated Foreclosures

November 2008



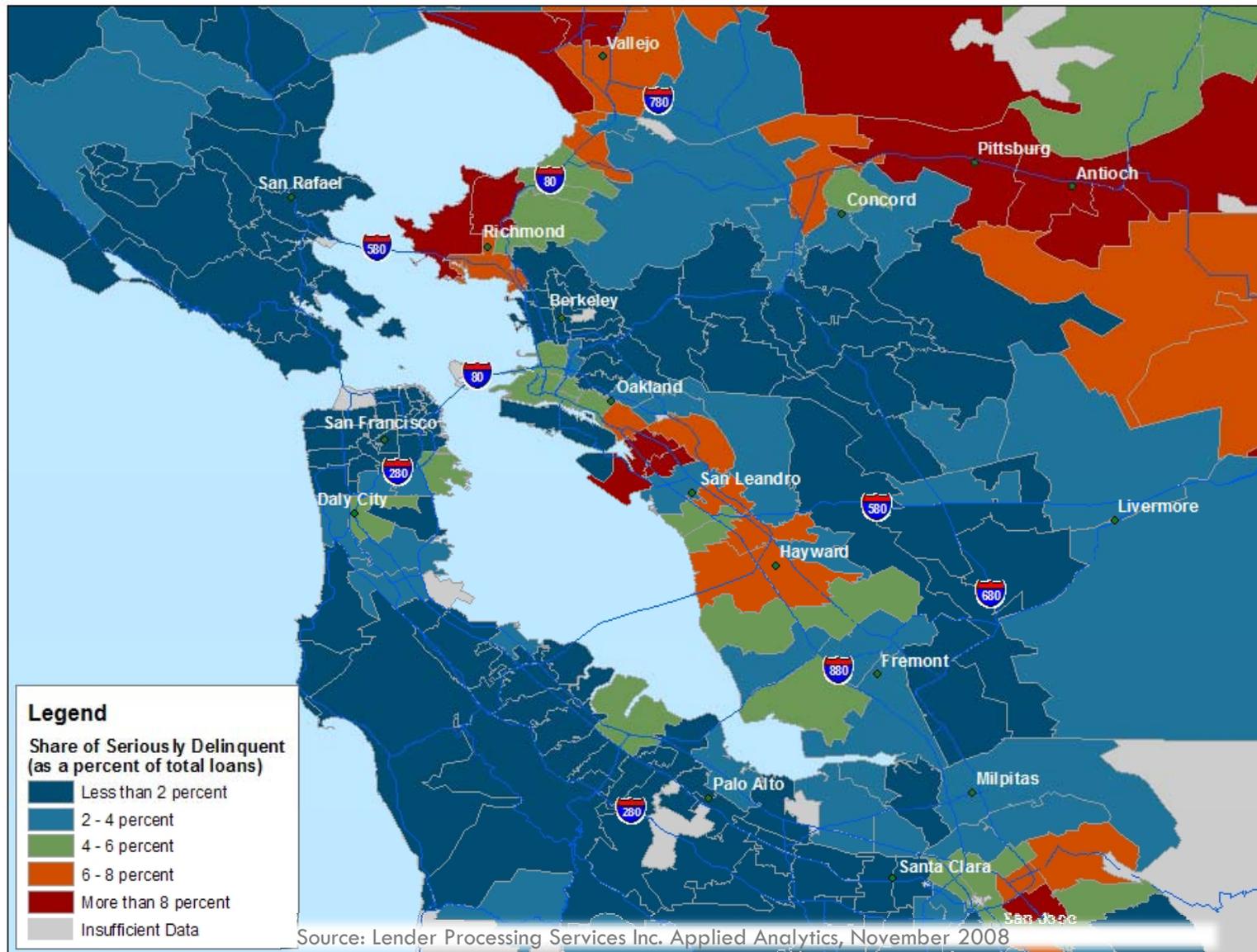
Bay Area Data Maps

Neighborhoods Affected by Concentrated Foreclosures November 2008



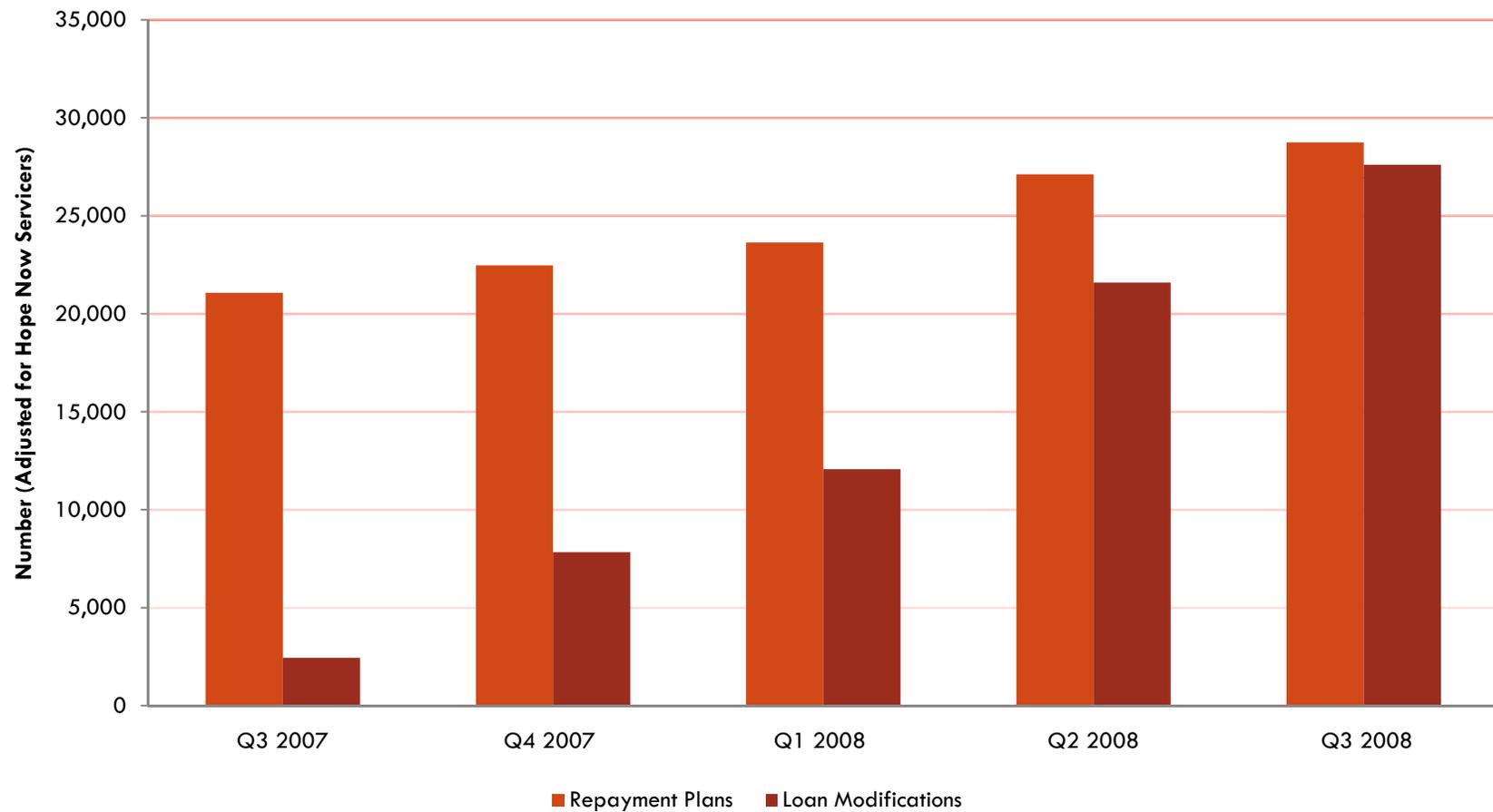
Neighborhoods at Risk of Additional Foreclosures

November 2008



Loan workouts have increased

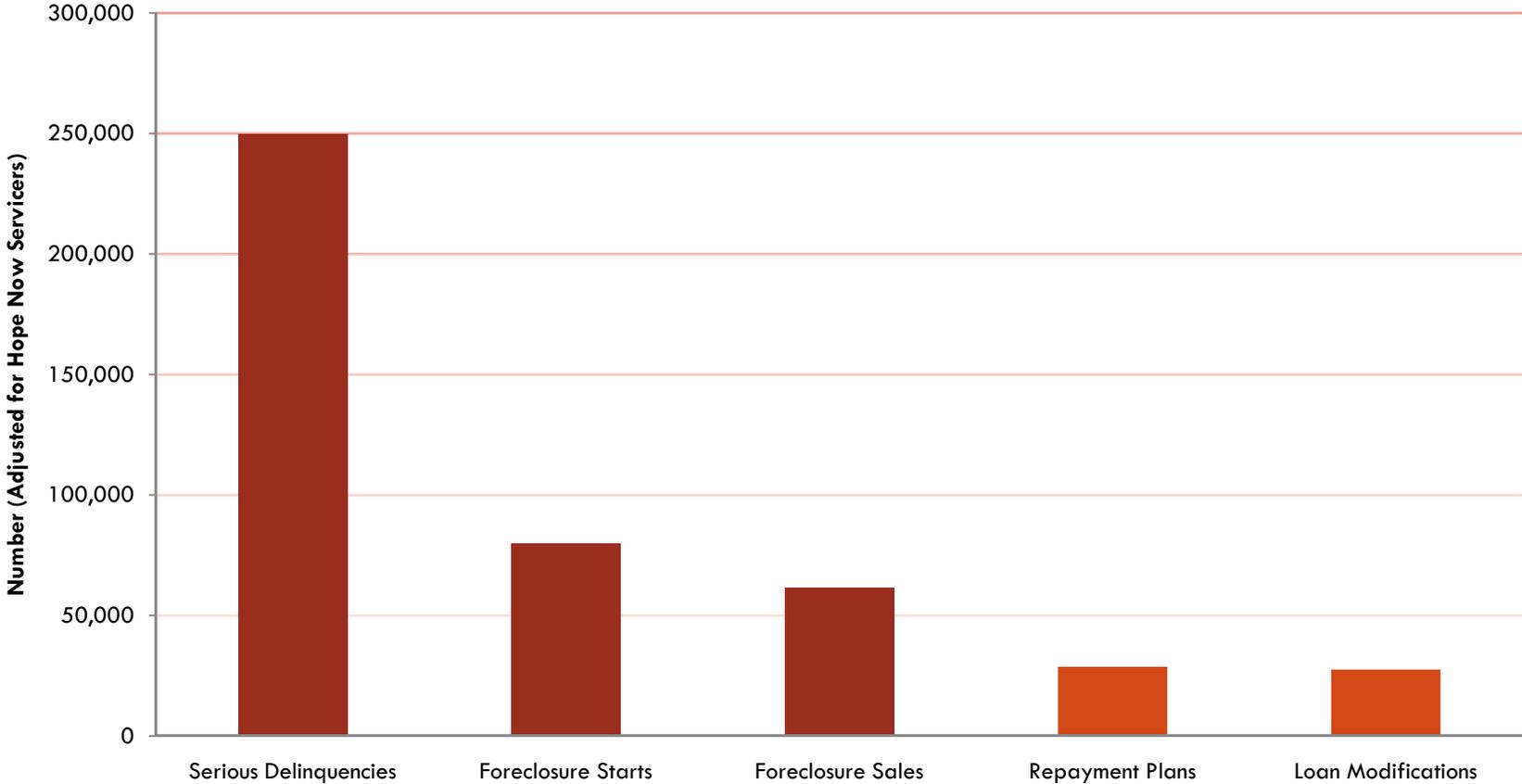
California Loan Workouts



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

Yet, Still Fall Short of Need

**Foreclosure & Delinquencies v. Loan Workouts in California
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

The screenshot shows the FRBSF Community Development website. The header includes the Federal Reserve Bank of San Francisco logo and navigation links: Careers | Fed Links | Subscriptions. Below the header is a menu with categories: About the Fed, News and Events, Economic Research and Data, Educational Resources, Community Development, 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'. 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 is also present.

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