

TRENDS IN DELINQUENCIES AND FORECLOSURES IN SOUTHERN CALIFORNIA

September 2010

Community Development Research
Federal Reserve Bank of San Francisco

National Trends

- According to John Williams, Director of Research at the FRBSF, the economic outlook is for a slow and modest recovery
 - ▣ Unemployment still a major concern, and unlikely to see significant drops in the unemployment rate in the next year
 - ▣ While the housing market appears to be stabilizing, recovery is muted, and construction starts and home sales are both down in the most recent period
 - ▣ Growth of real gross domestic product (GDP), the broadest measure of the strength of the economy, is hovering around 2 percent in the current quarter
- Large “shadow” inventory of properties in delinquency or some stage of the foreclosure process also remains a concern

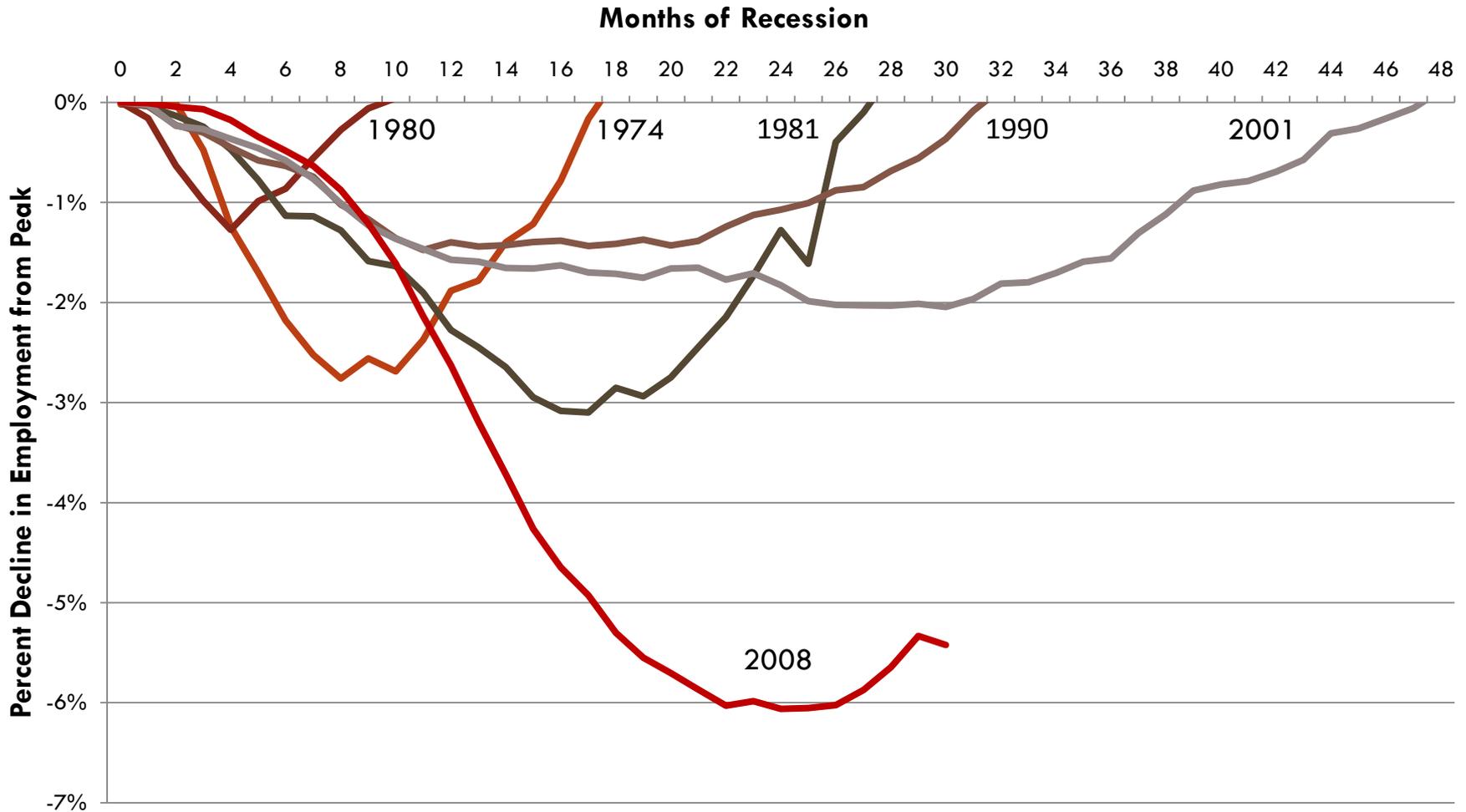
National Trends

Unemployment continues to hover around 10%



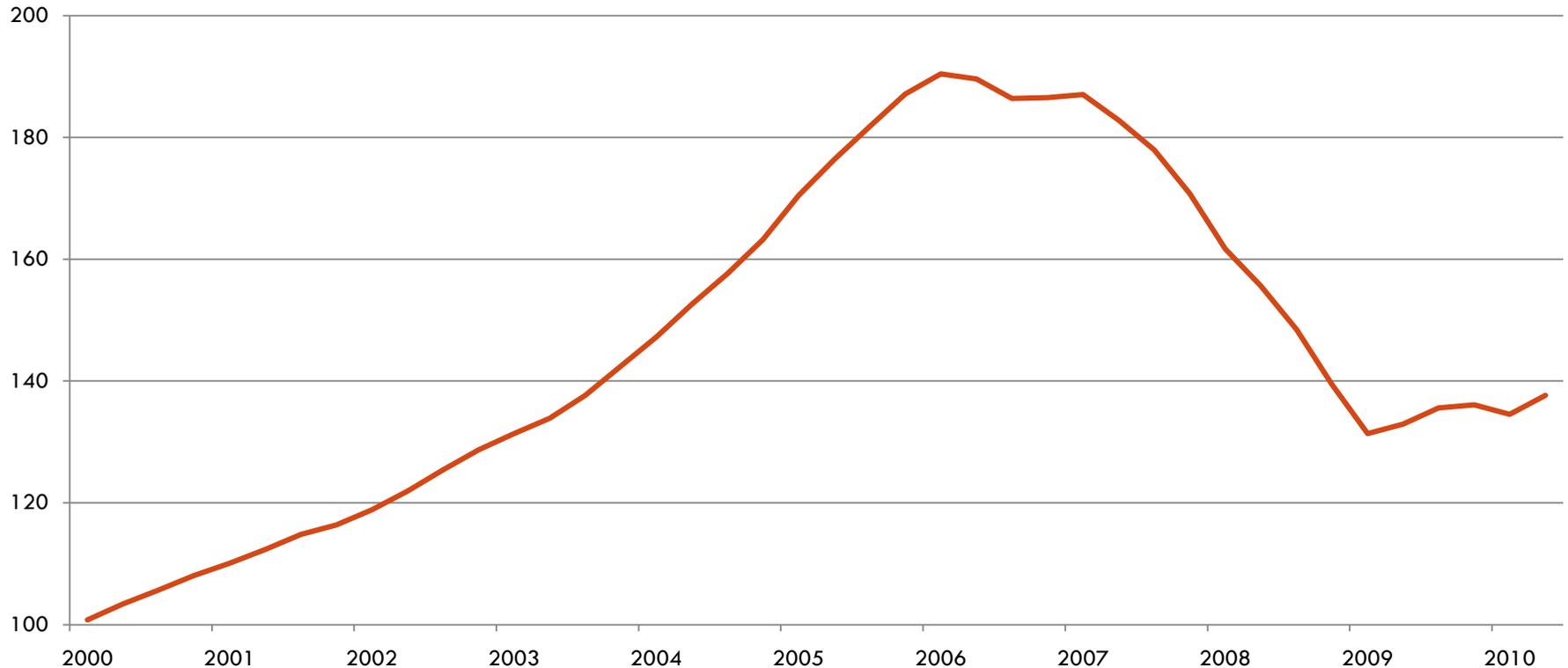
Source: Bureau of Labor Statistics, September 2010

Depth of this economic downturn eclipses past recessions



Case-Shiller shows tepid housing recovery

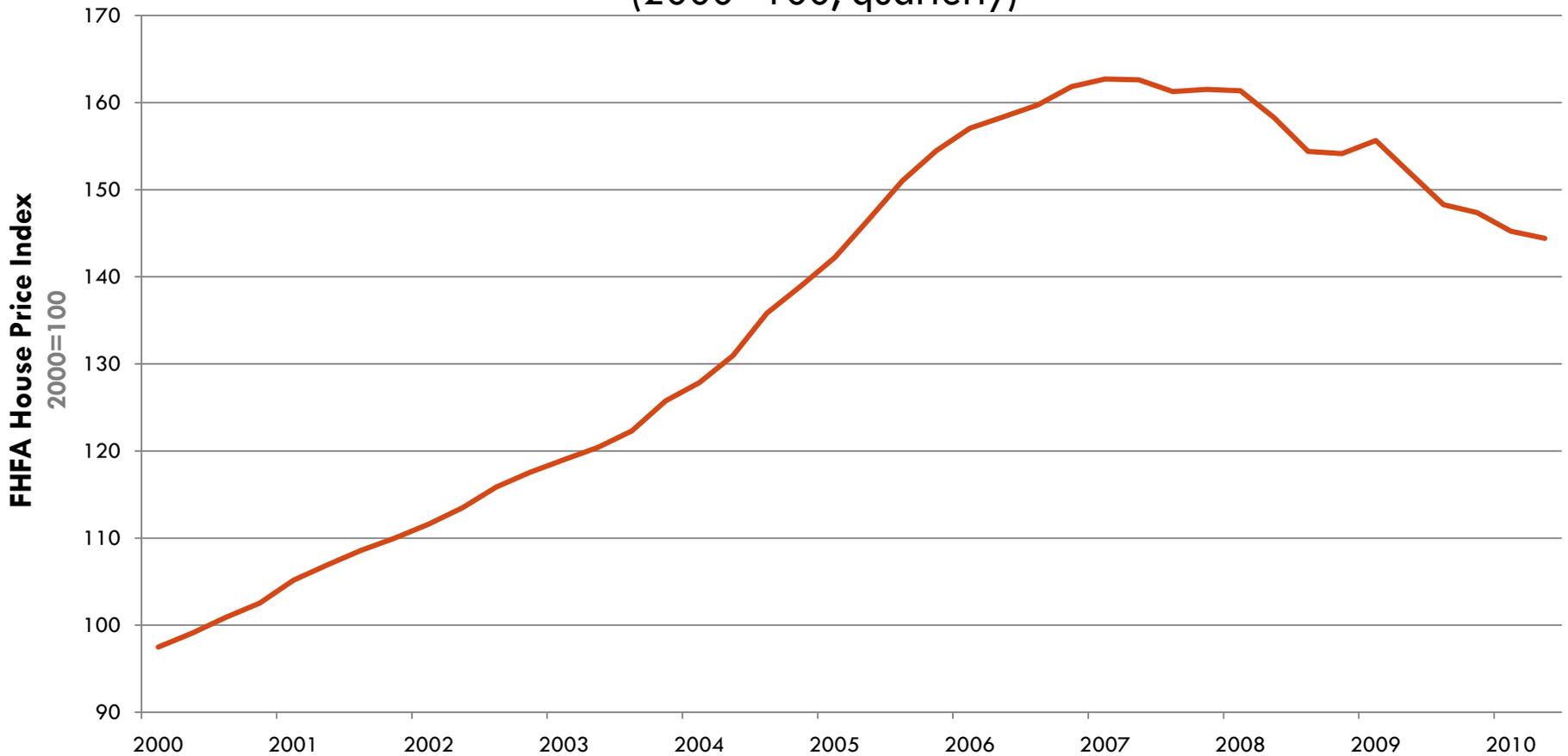
Case-Shiller National House Price Index
(2000 = 100, Quarterly)



Source: Case - Shiller Home Price Index

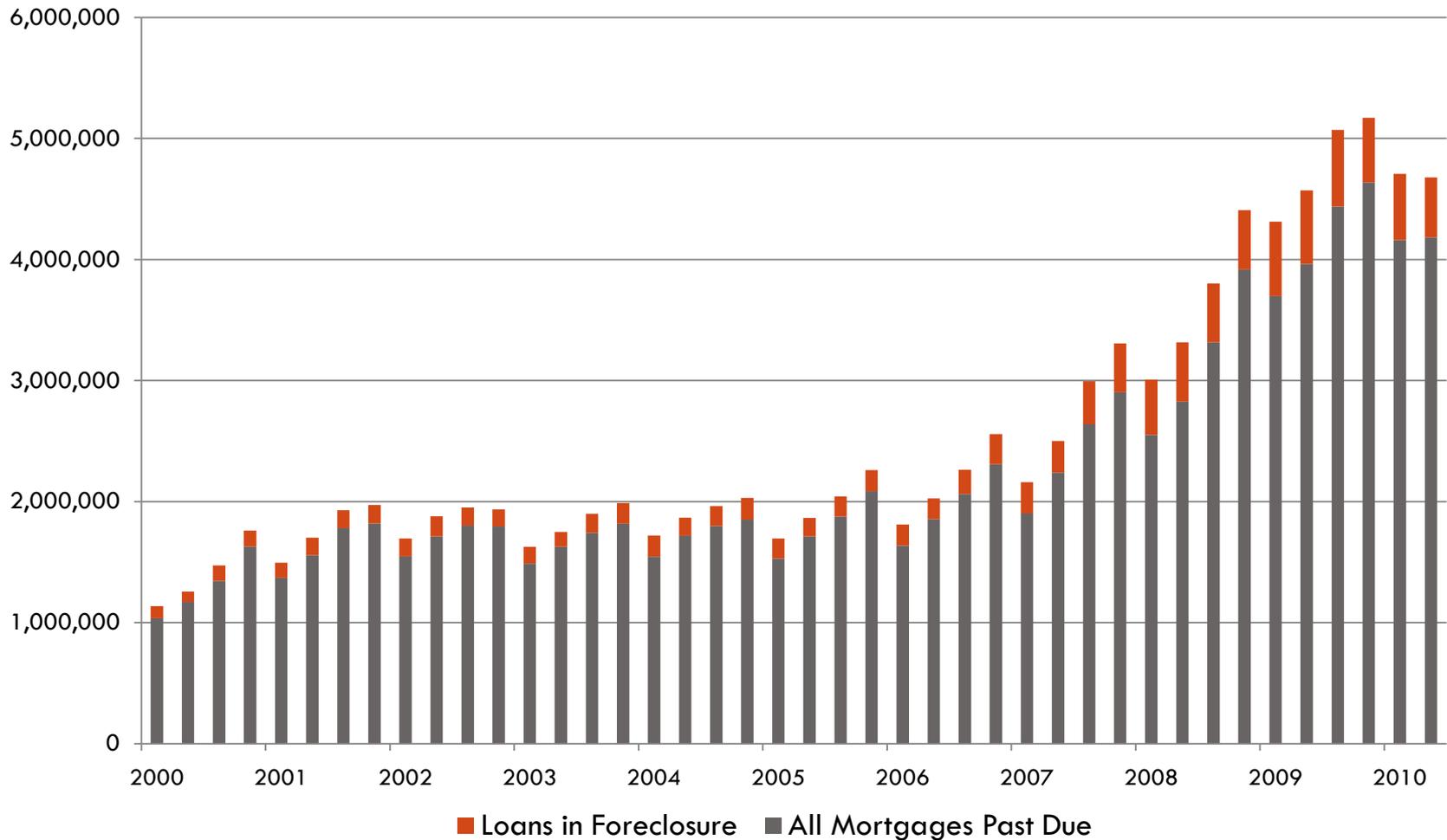
FHFA House Price Index continues to fall, reflecting activity at lower end of market

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



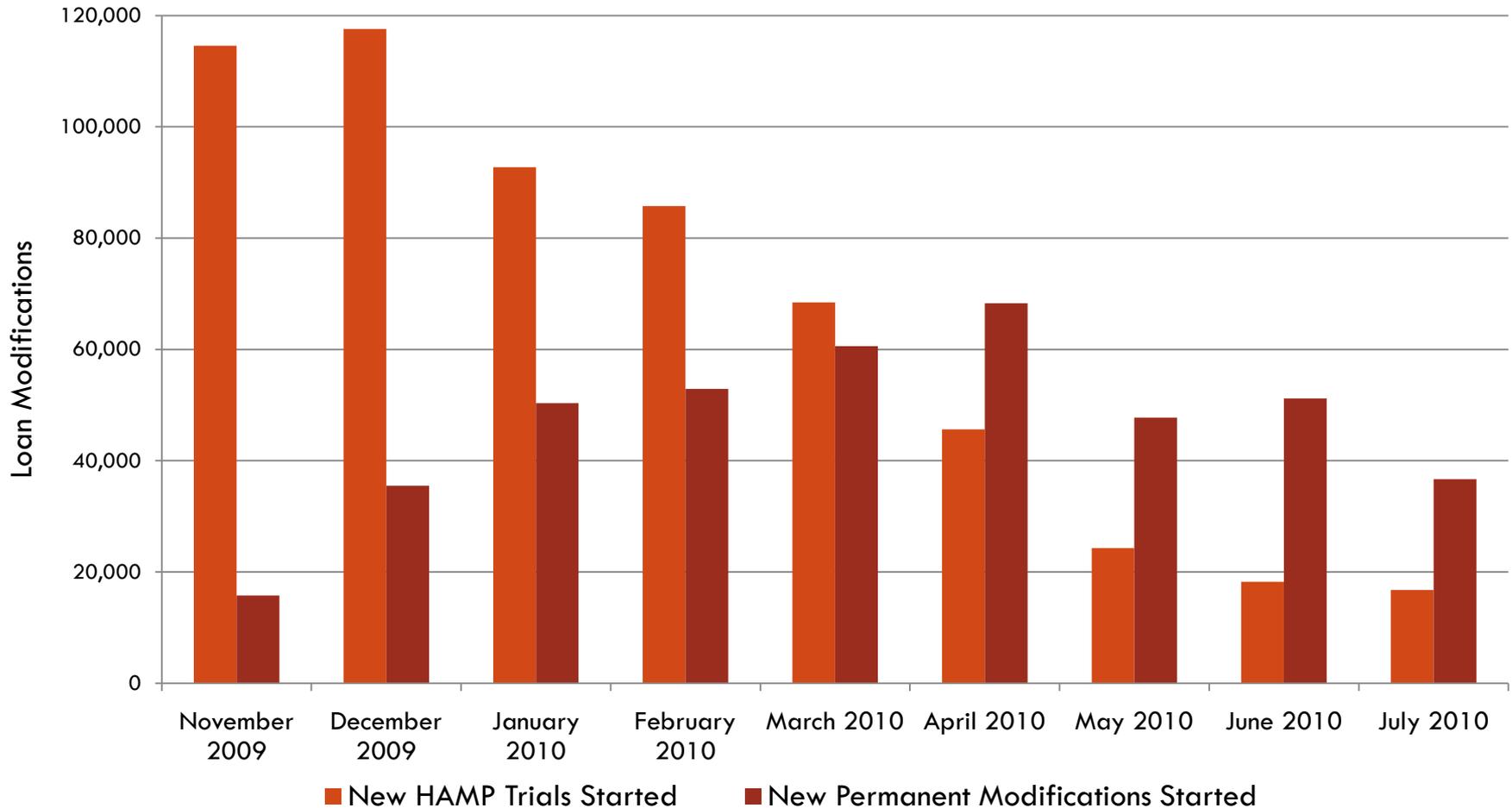
Source: Federal Housing Finance Agency (formerly OFHEO)

Overall delinquencies drop, but still more than 4.5 million homes in distress



Source: Mortgage Bankers Association, National Delinquency Survey

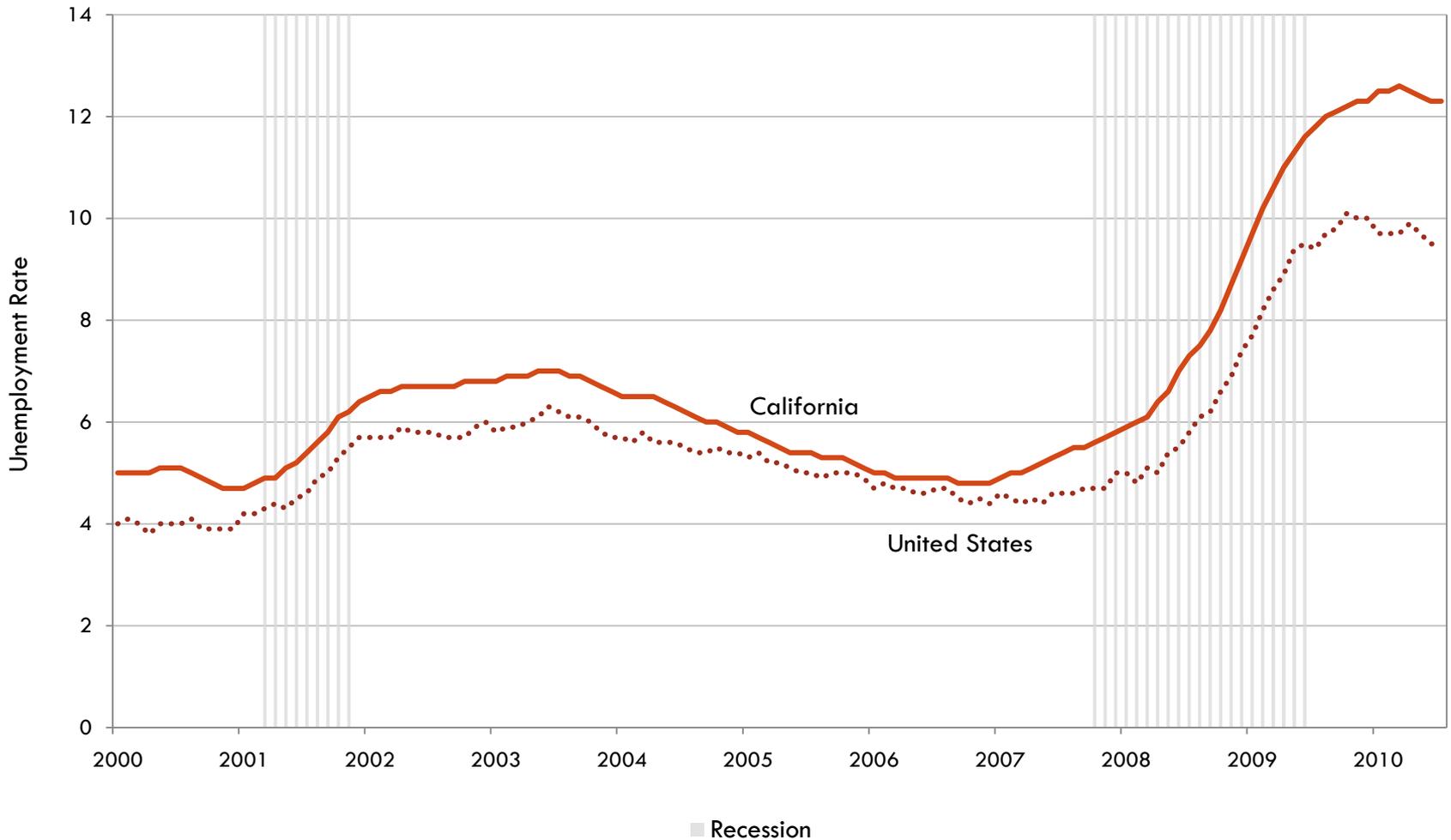
HAMP modifications down slightly in July; borrowers still face challenges in obtaining permanent modifications



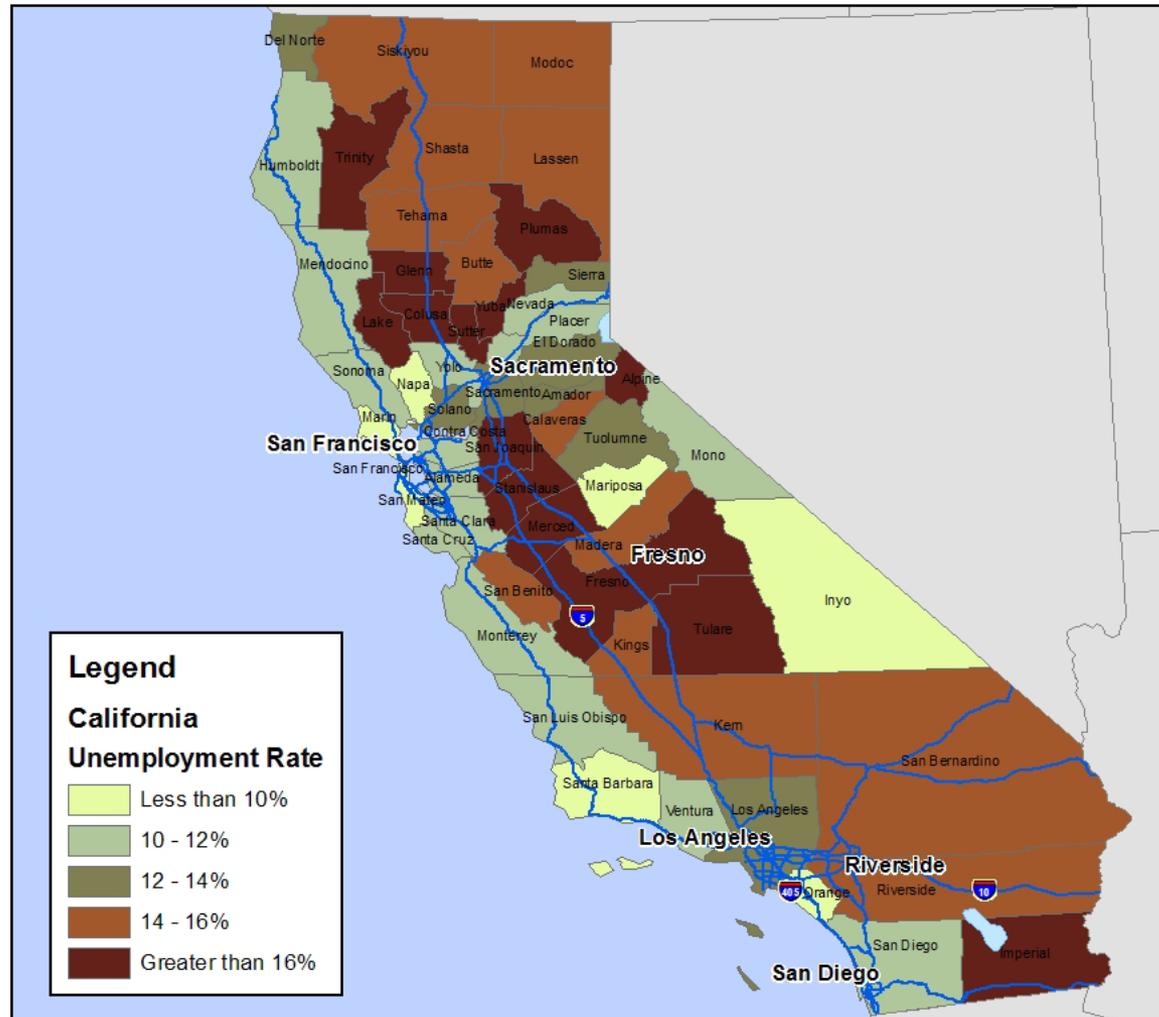
Source: HAMP Service Performance Report Through July 2010

California Trends

California's unemployment drops slightly, but still well above national average



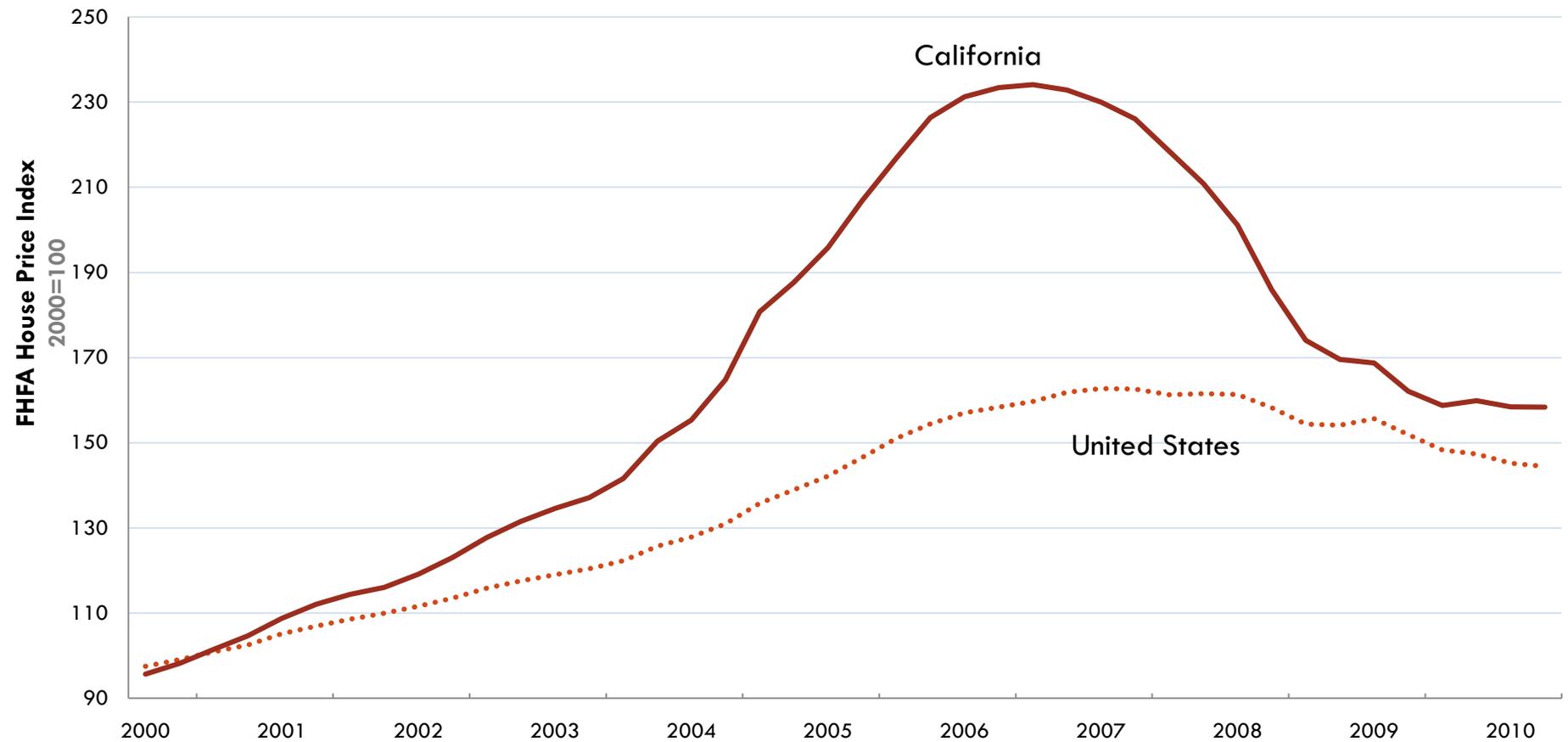
Unemployment rates particularly high in Central Valley and Inland Empire



Source: Bureau of Labor Statistics, July 2010

California house prices appear to be stabilizing

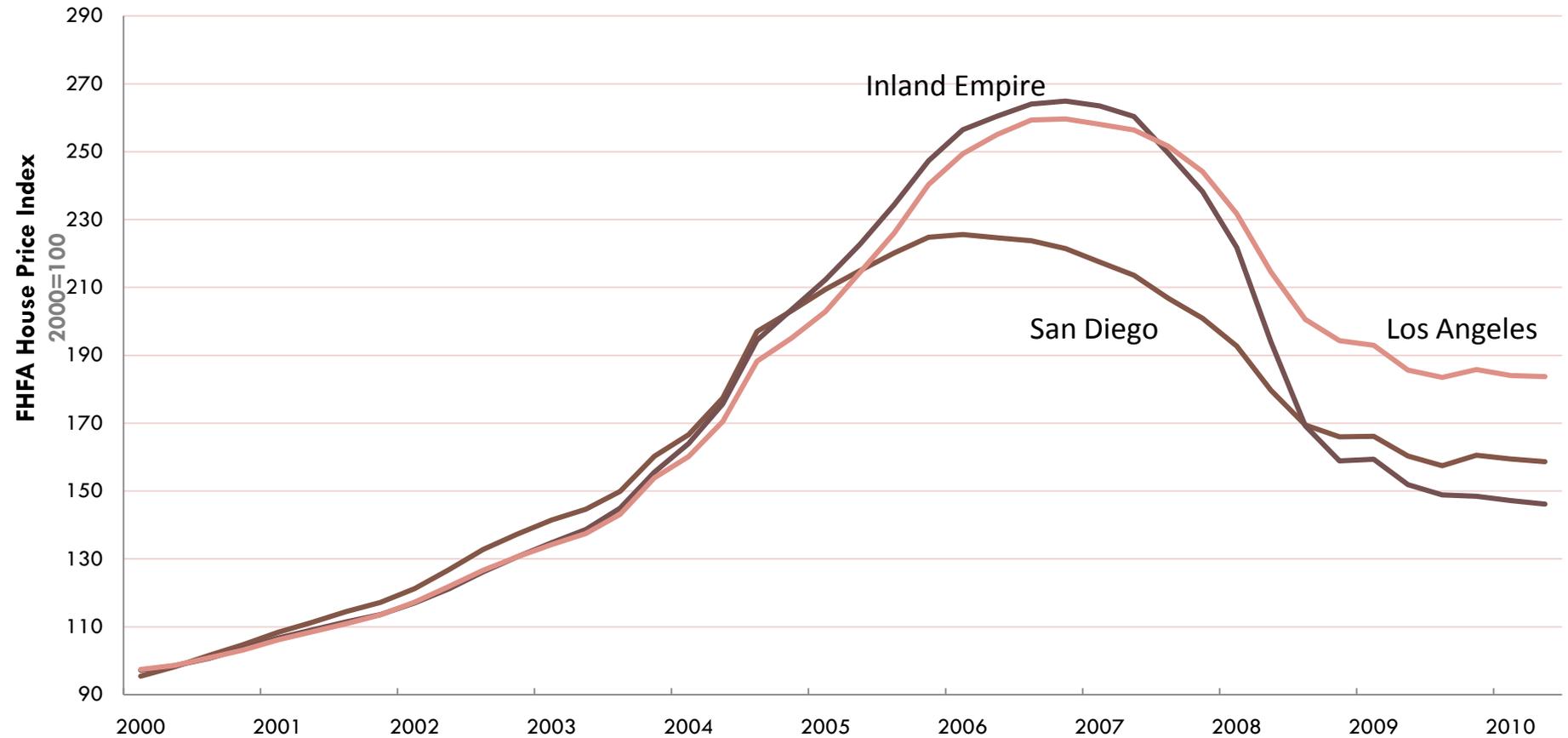
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Source: Federal Housing Finance Agency (formerly OFHEO)

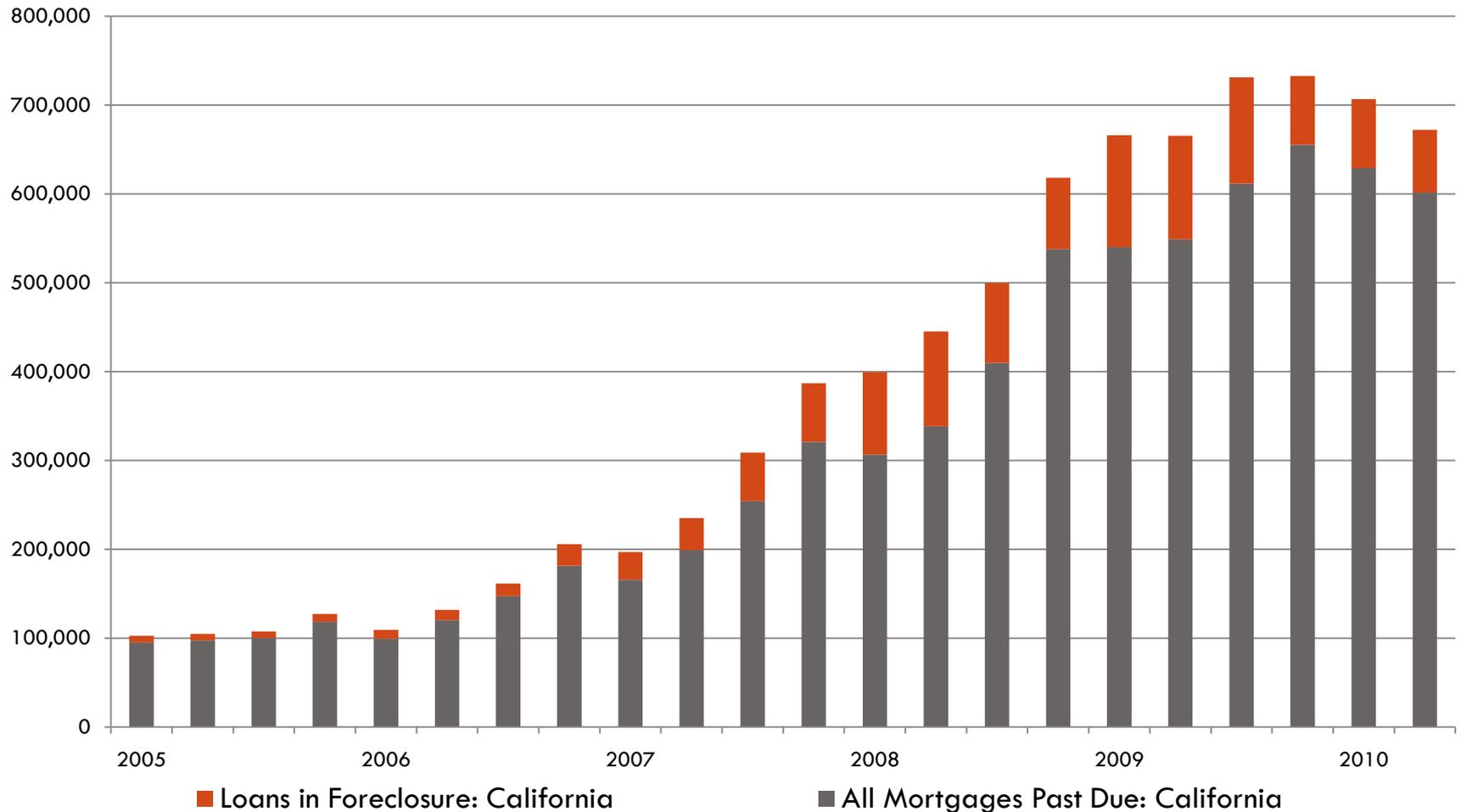
Southern CA MSA house prices seem to be stabilizing

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



Source: Federal Housing Finance Agency (formerly OFHEO)

The number of distressed properties – delinquent and in foreclosure – has dropped slightly

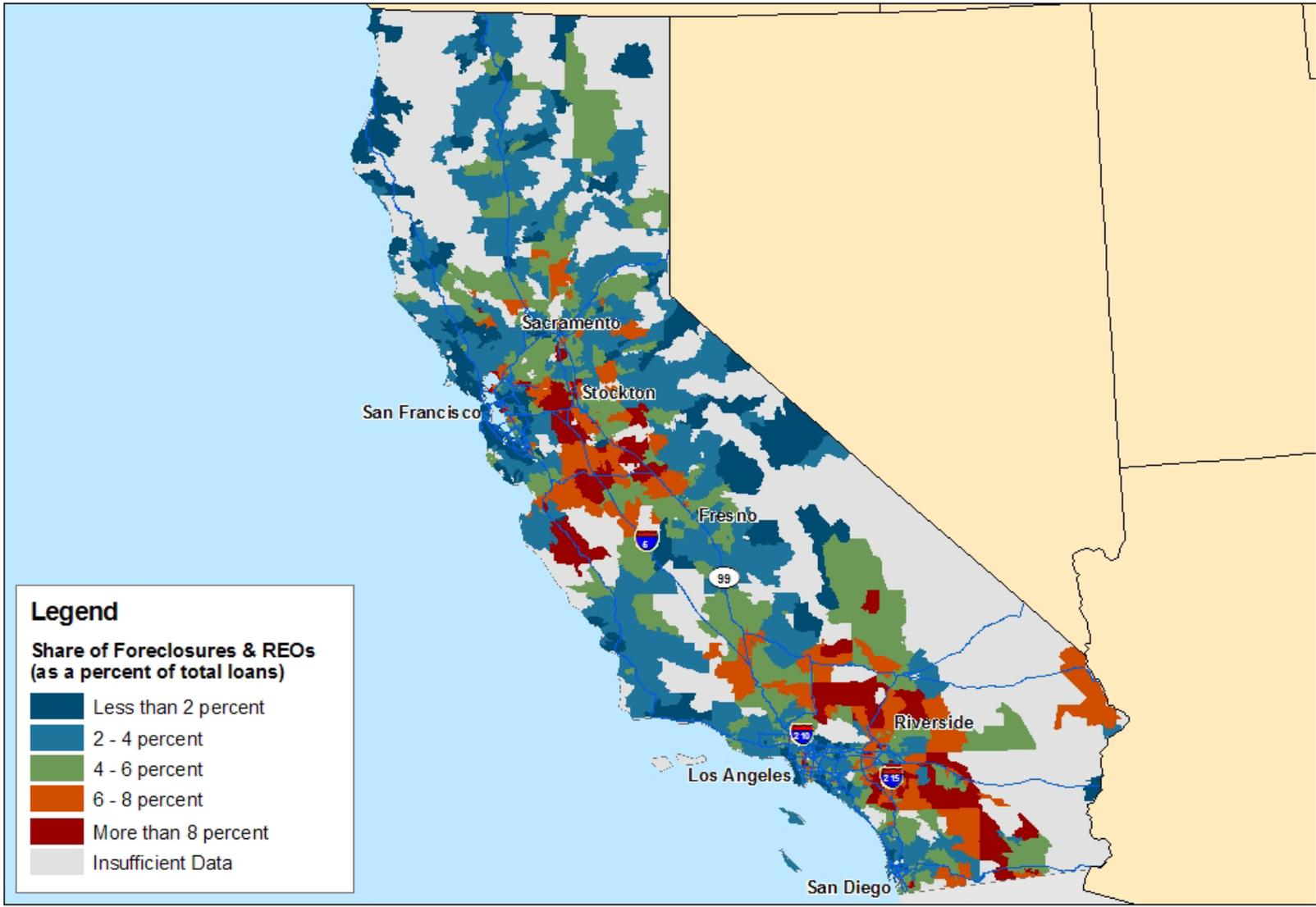


Source: Mortgage Bankers Association, National Delinquency Survey

State & Local Data Maps

Areas Affected by Concentrated Foreclosures

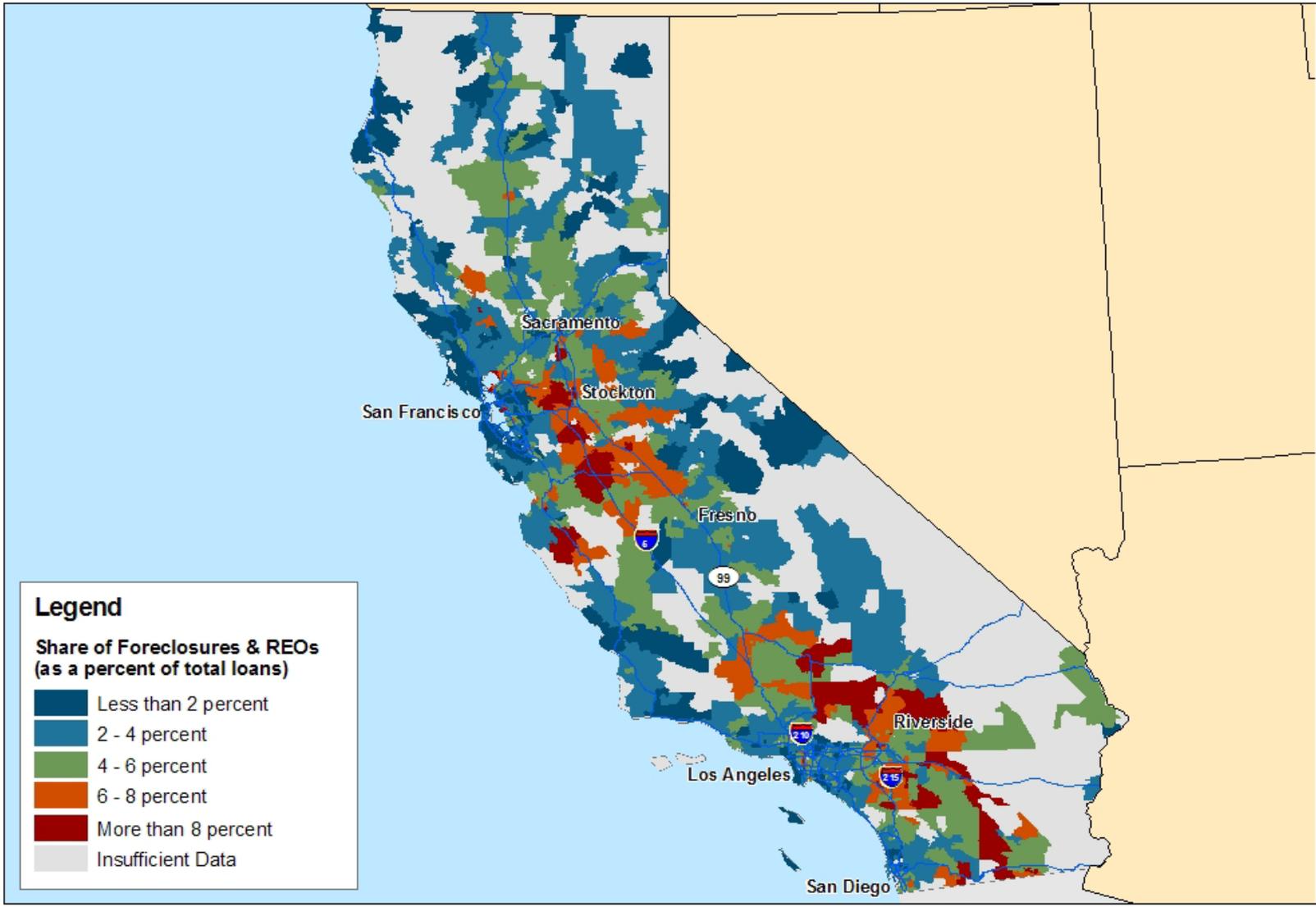
February 2010



Source: Lender Processing Services Inc. Applied Analytics

Areas Affected by Concentrated Foreclosures

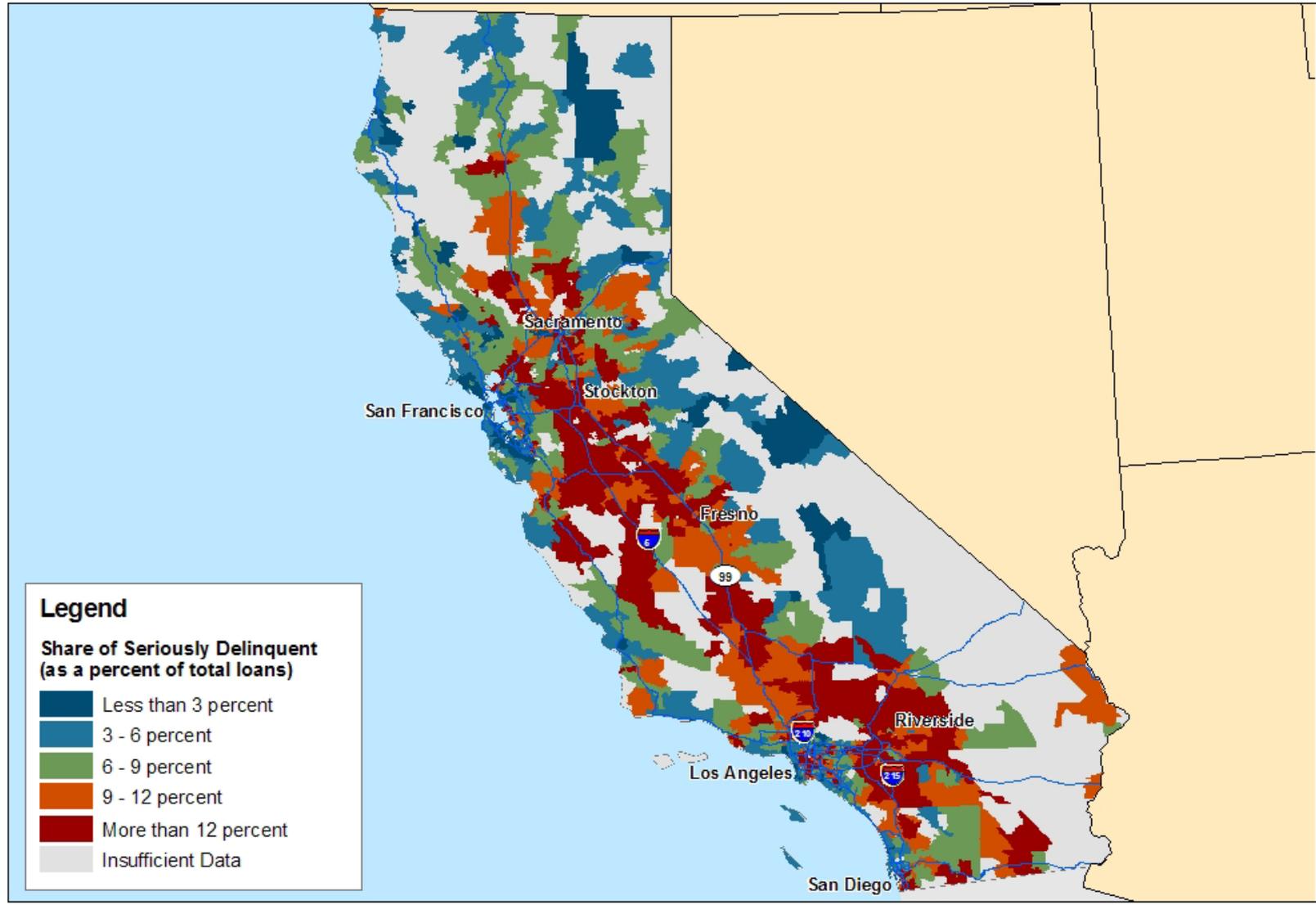
July 2010



Source: Lender Processing Services Inc. Applied Analytics

Areas at Risk of Additional Foreclosures

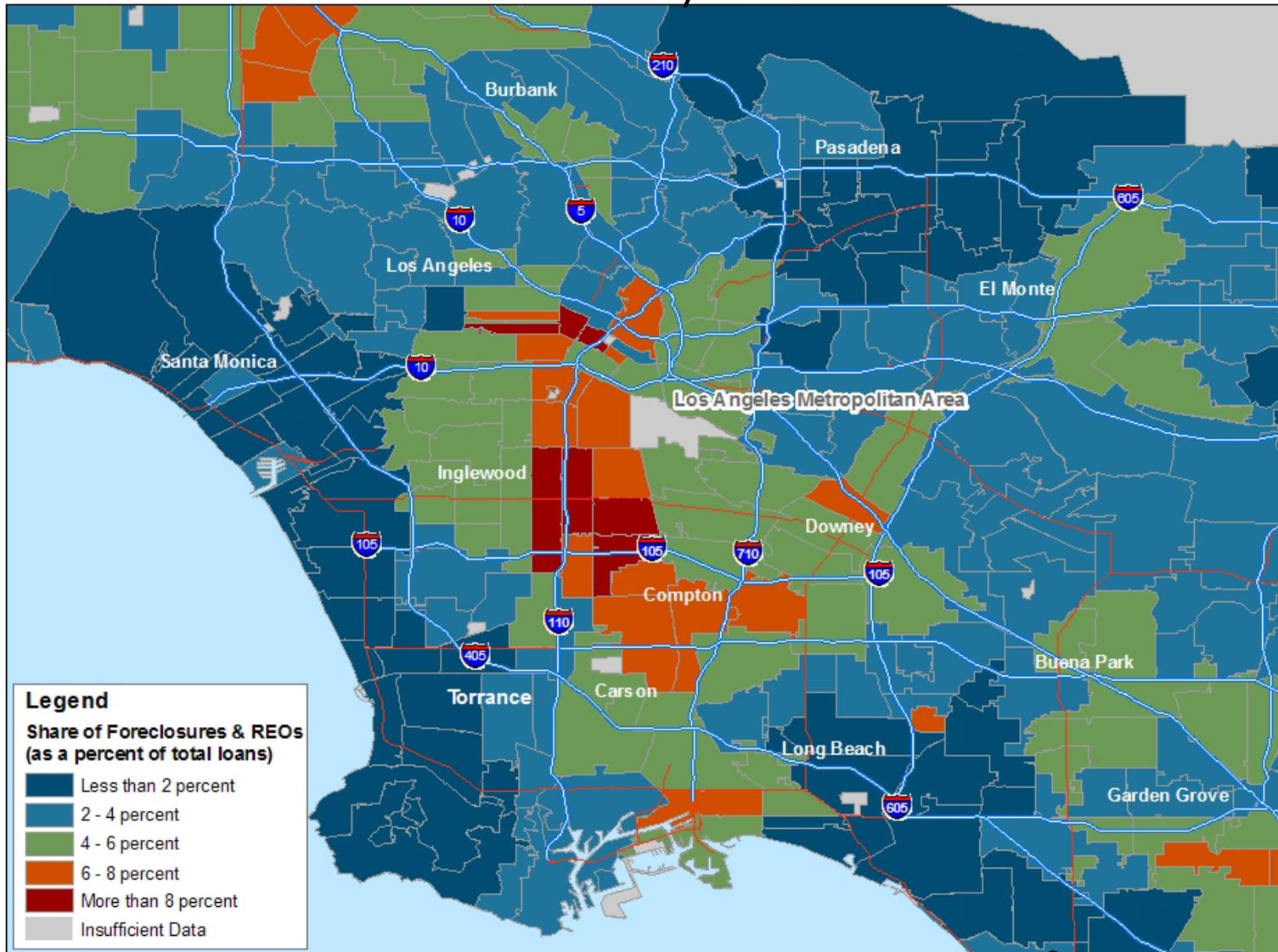
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Source: Lender Processing Services Inc. Applied Analytics

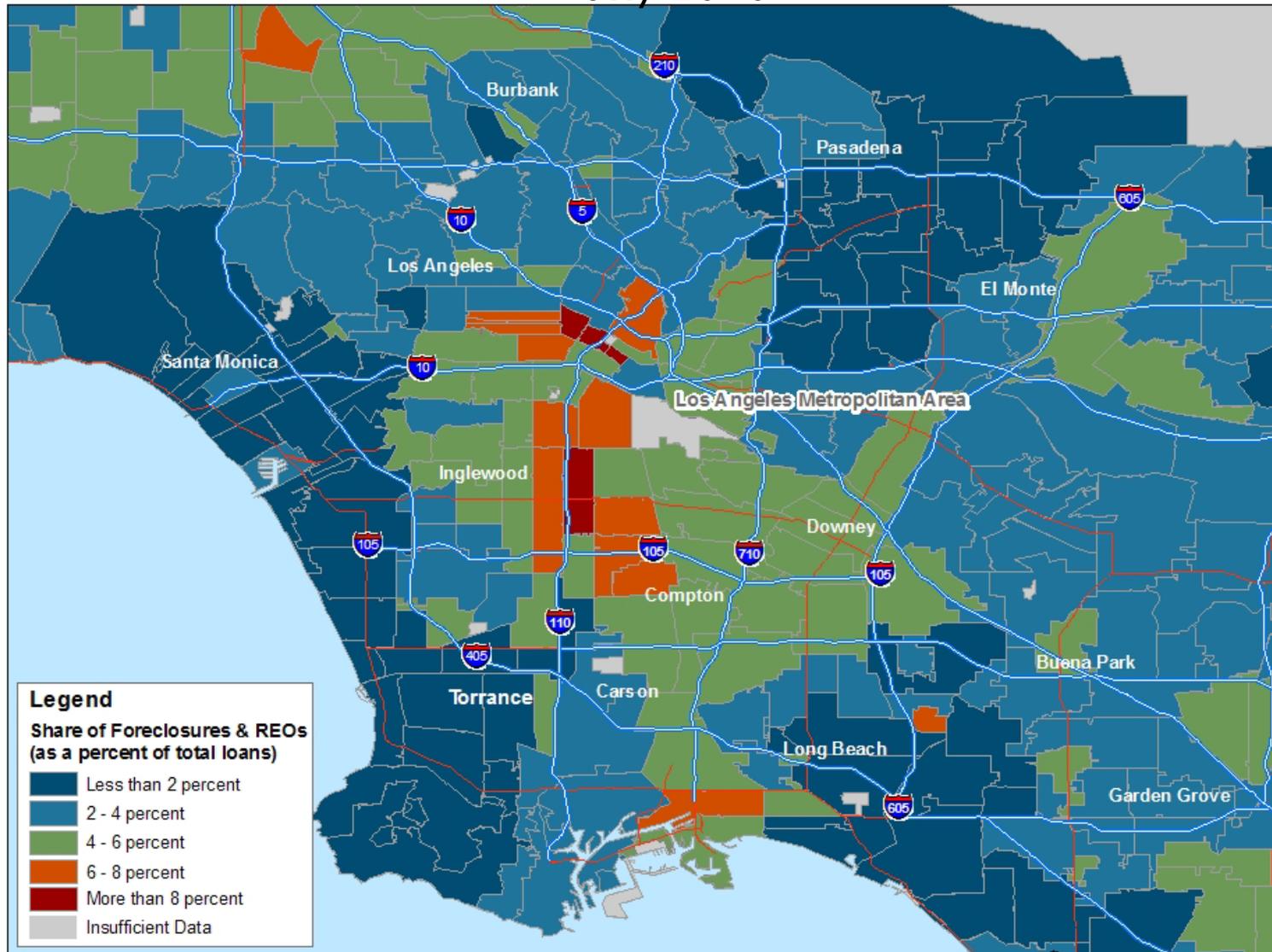
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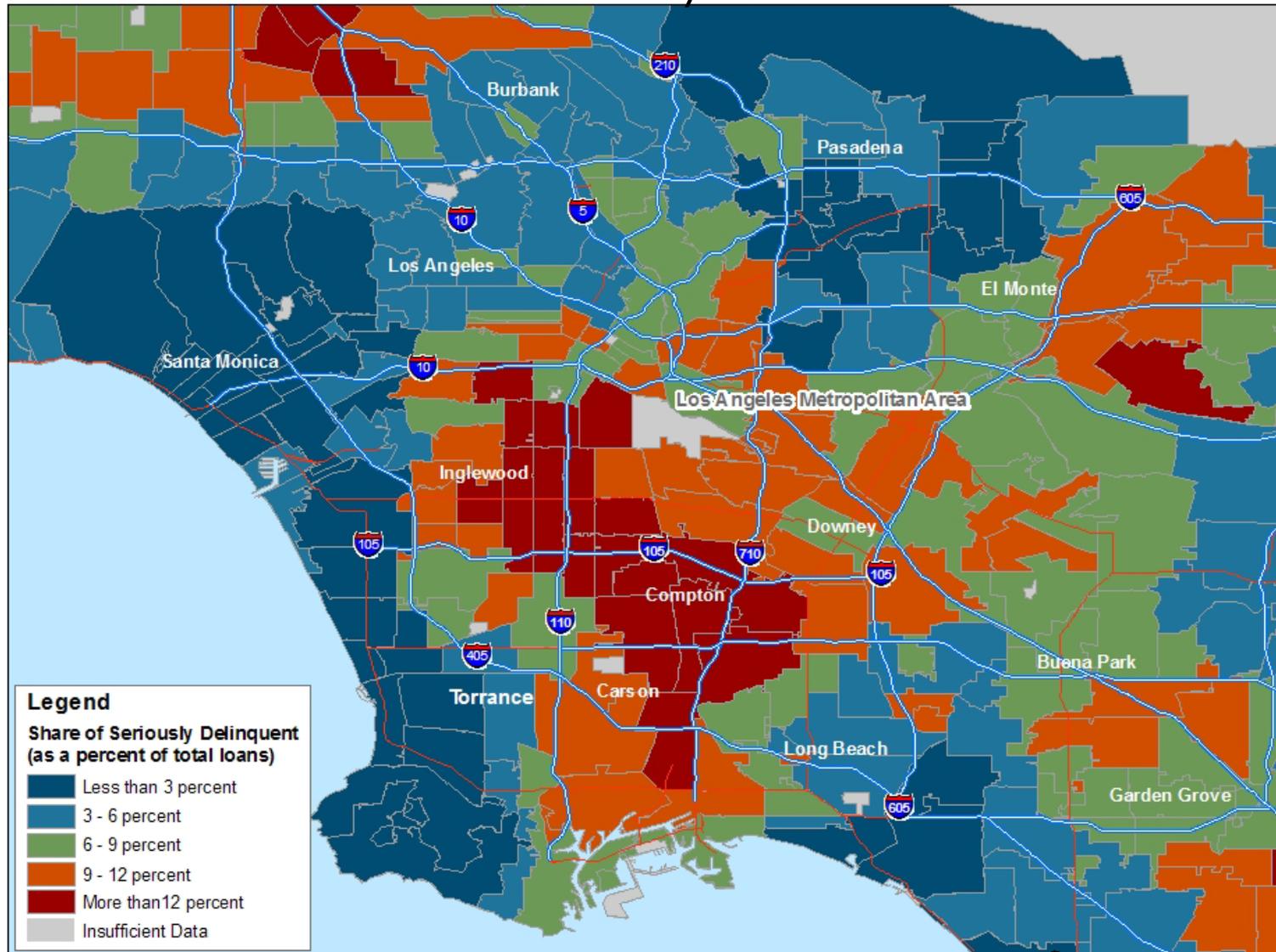
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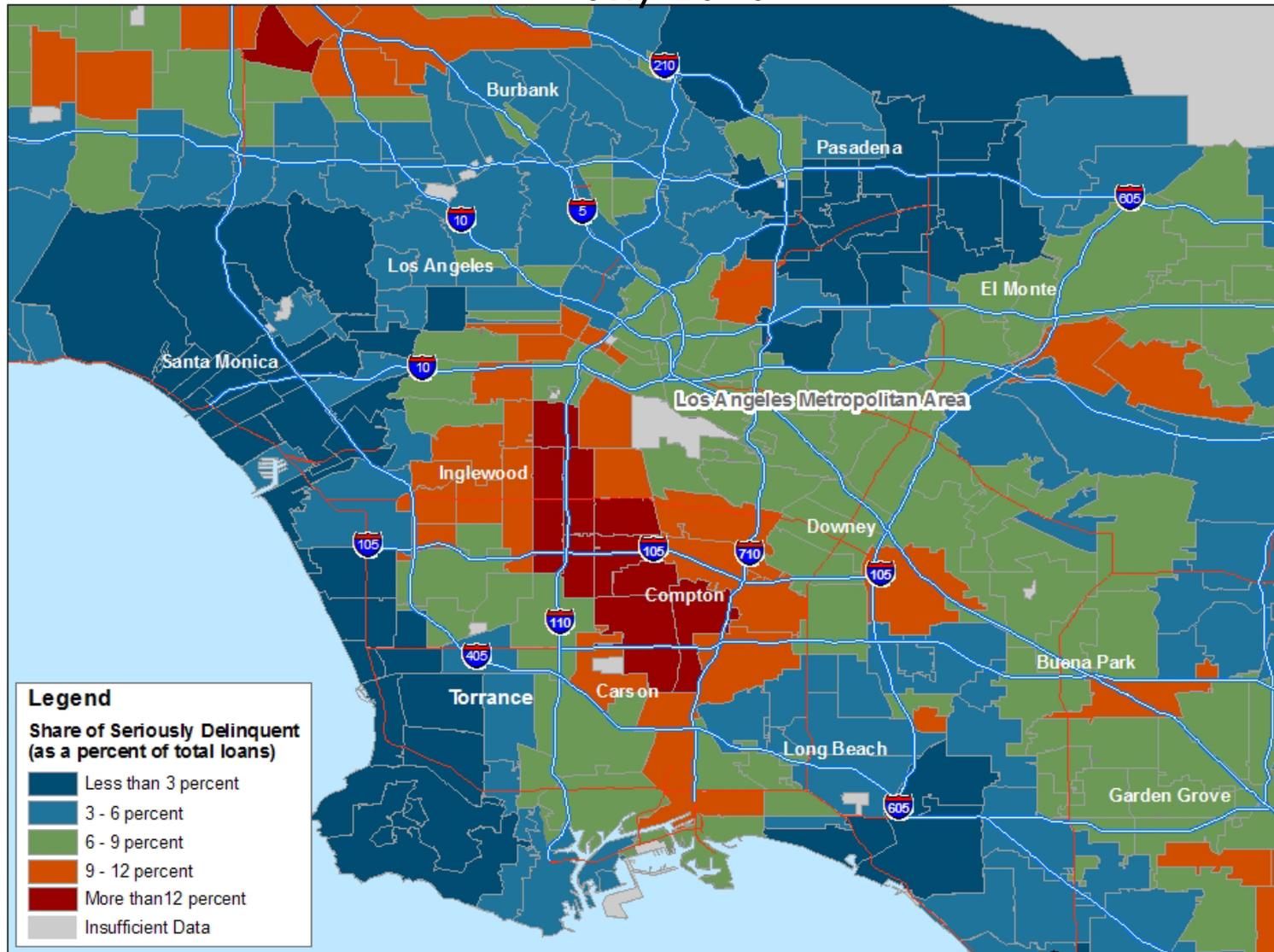
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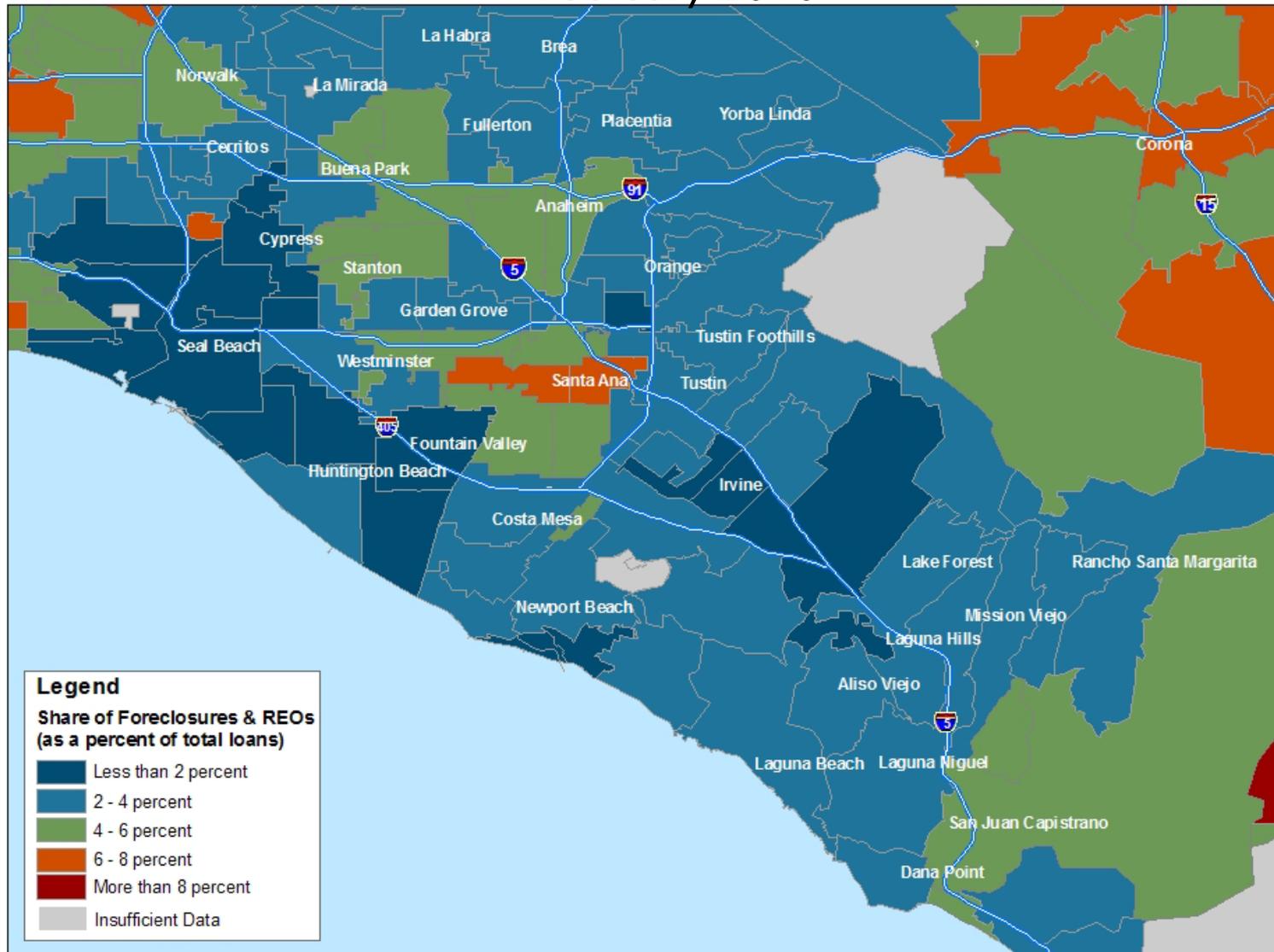
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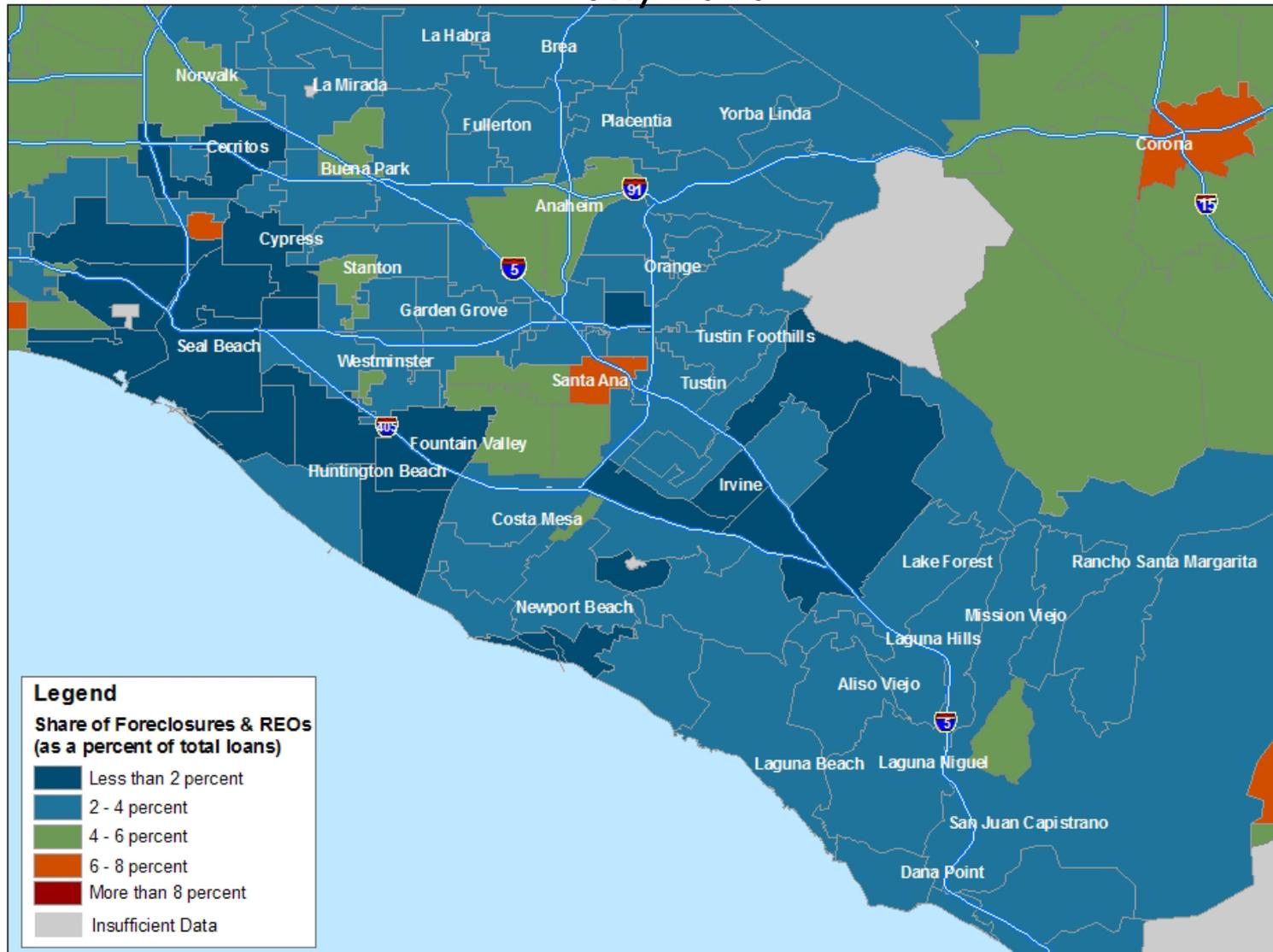
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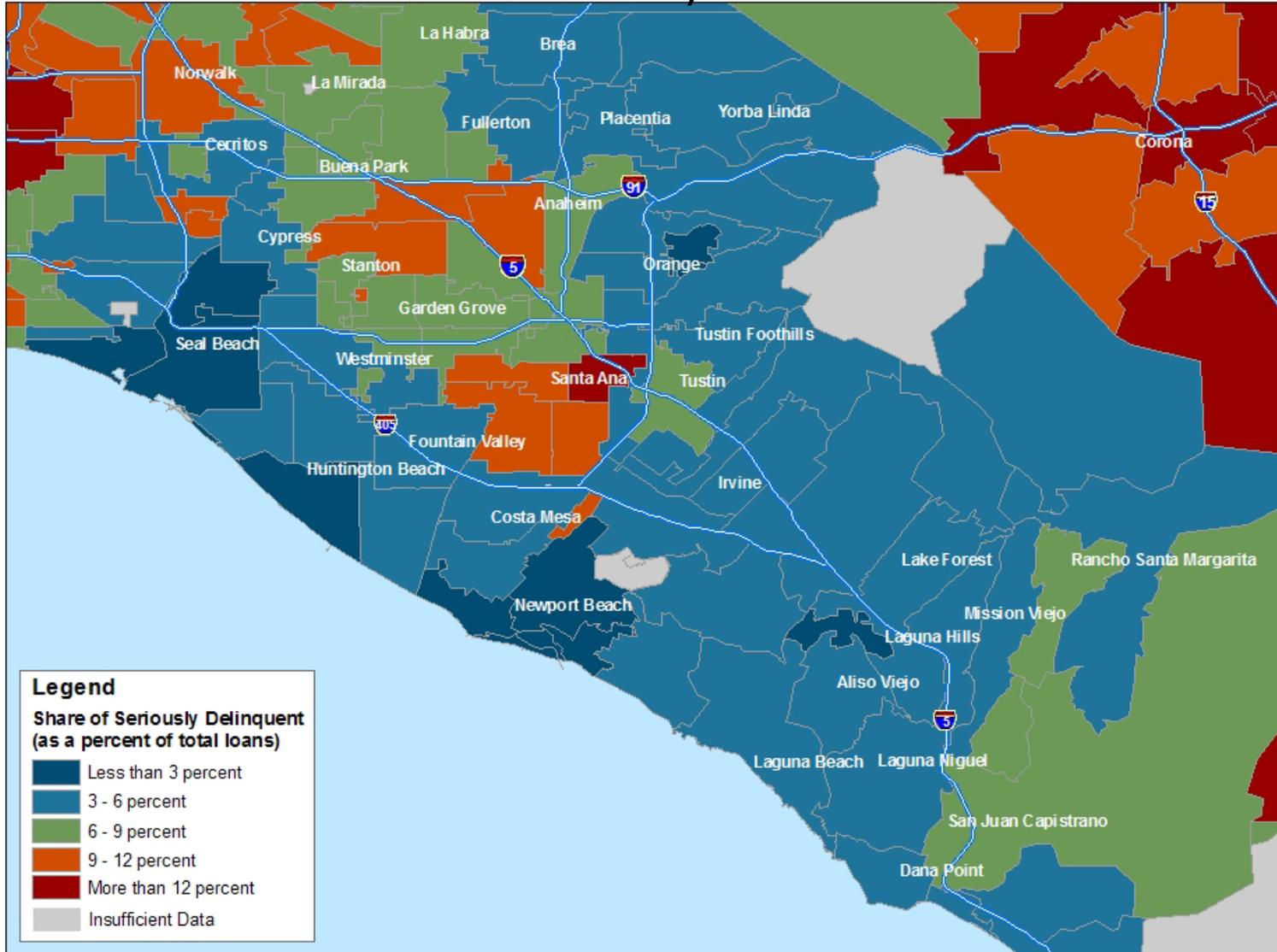
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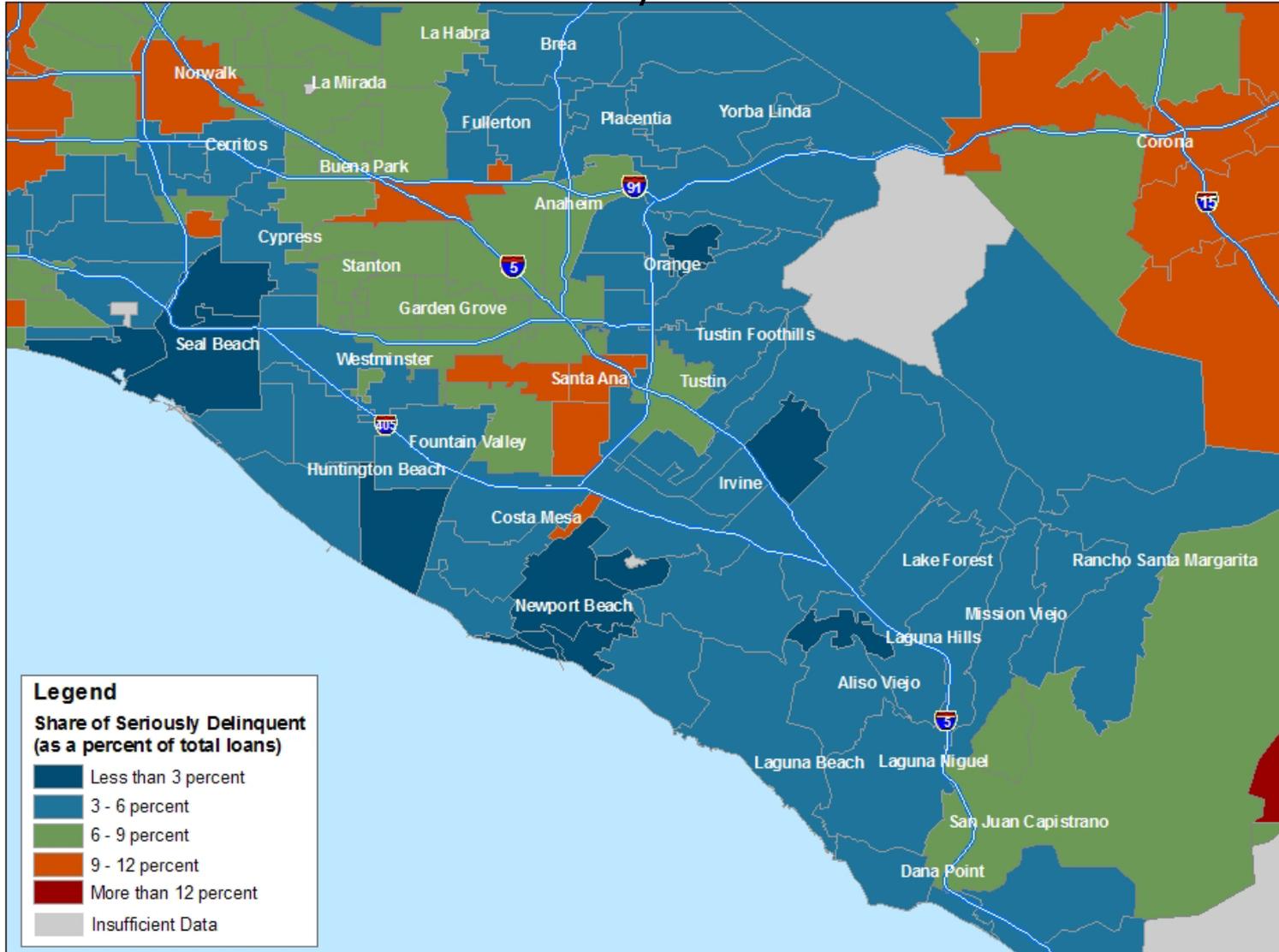
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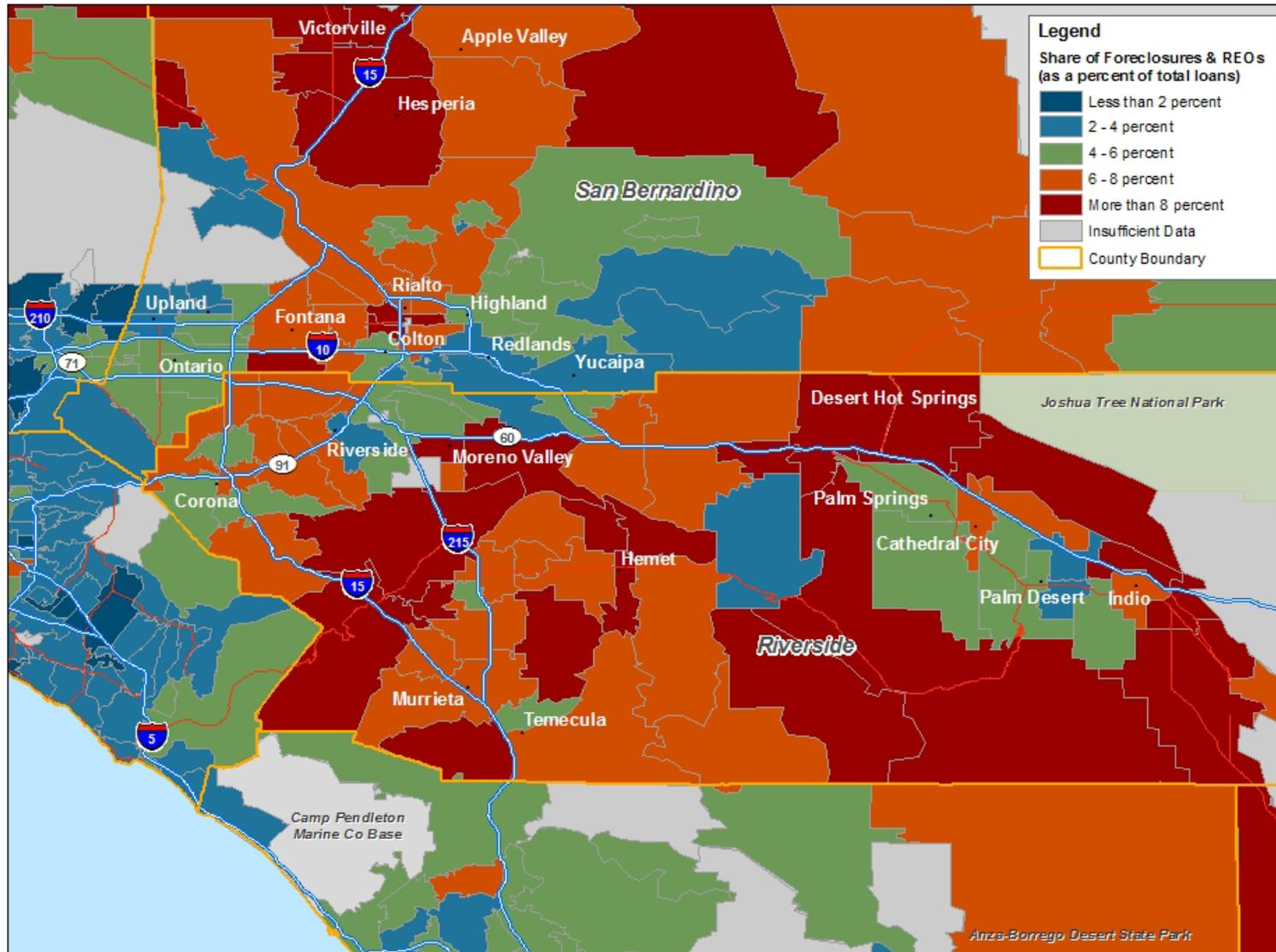
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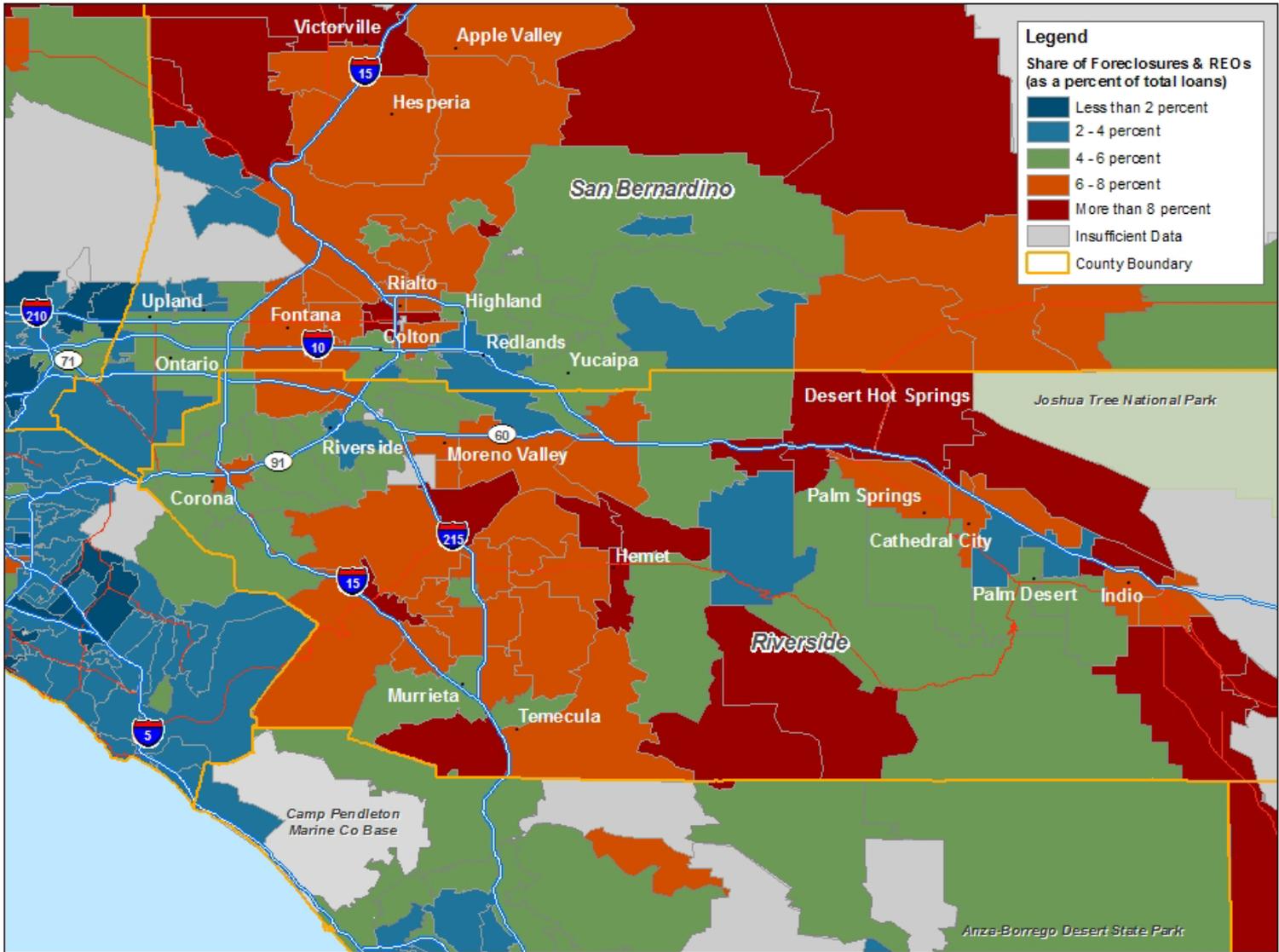
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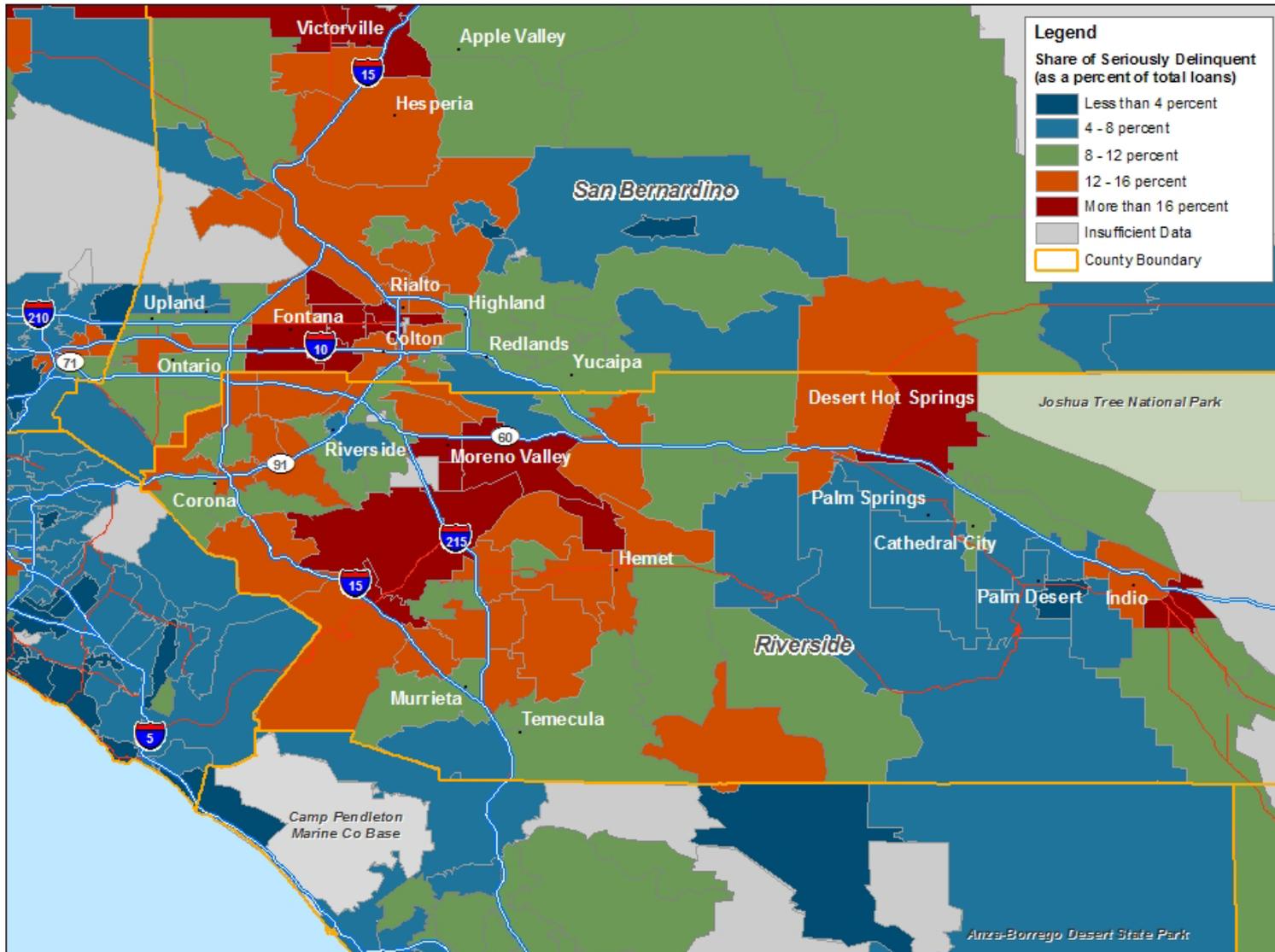
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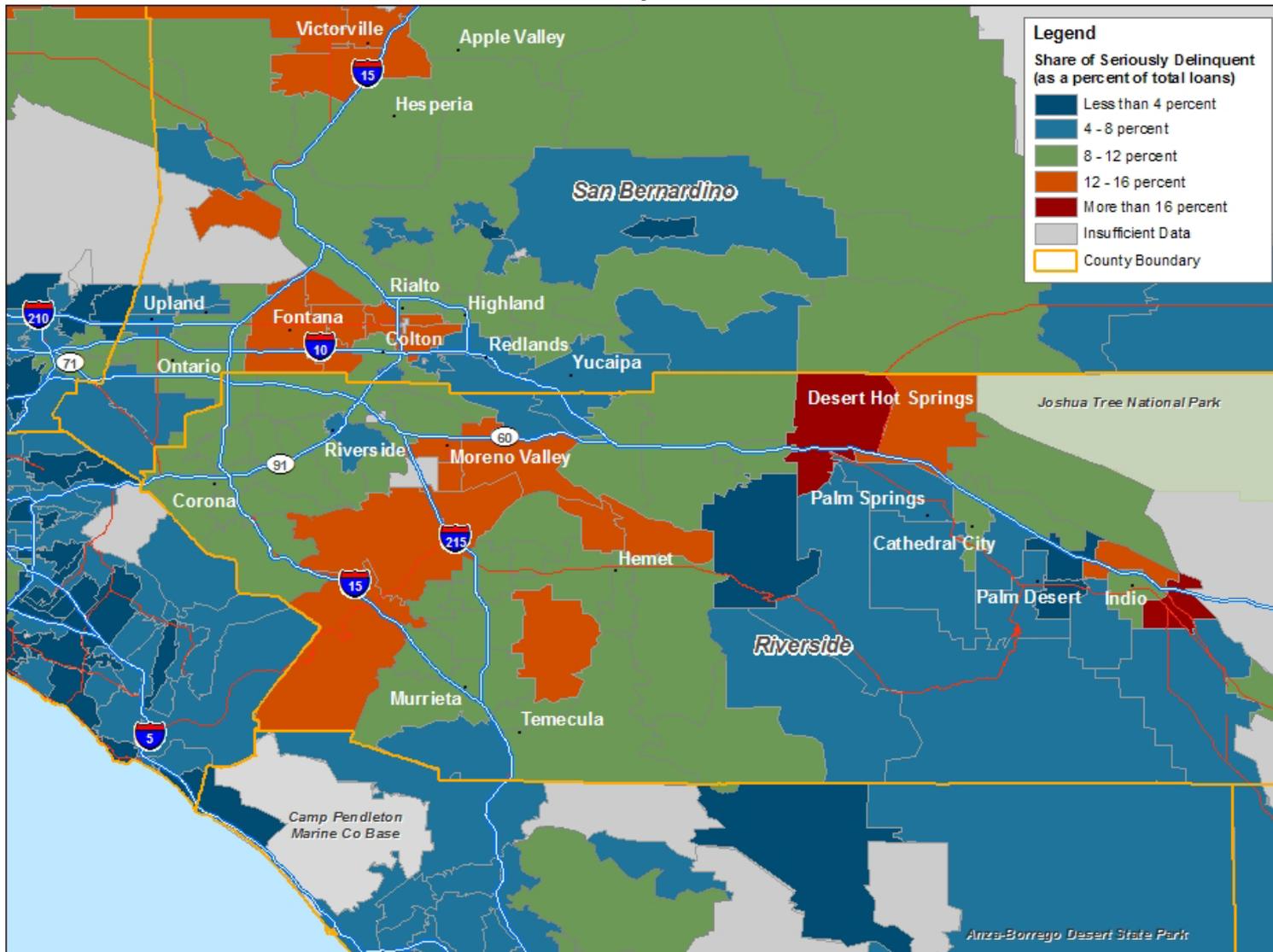
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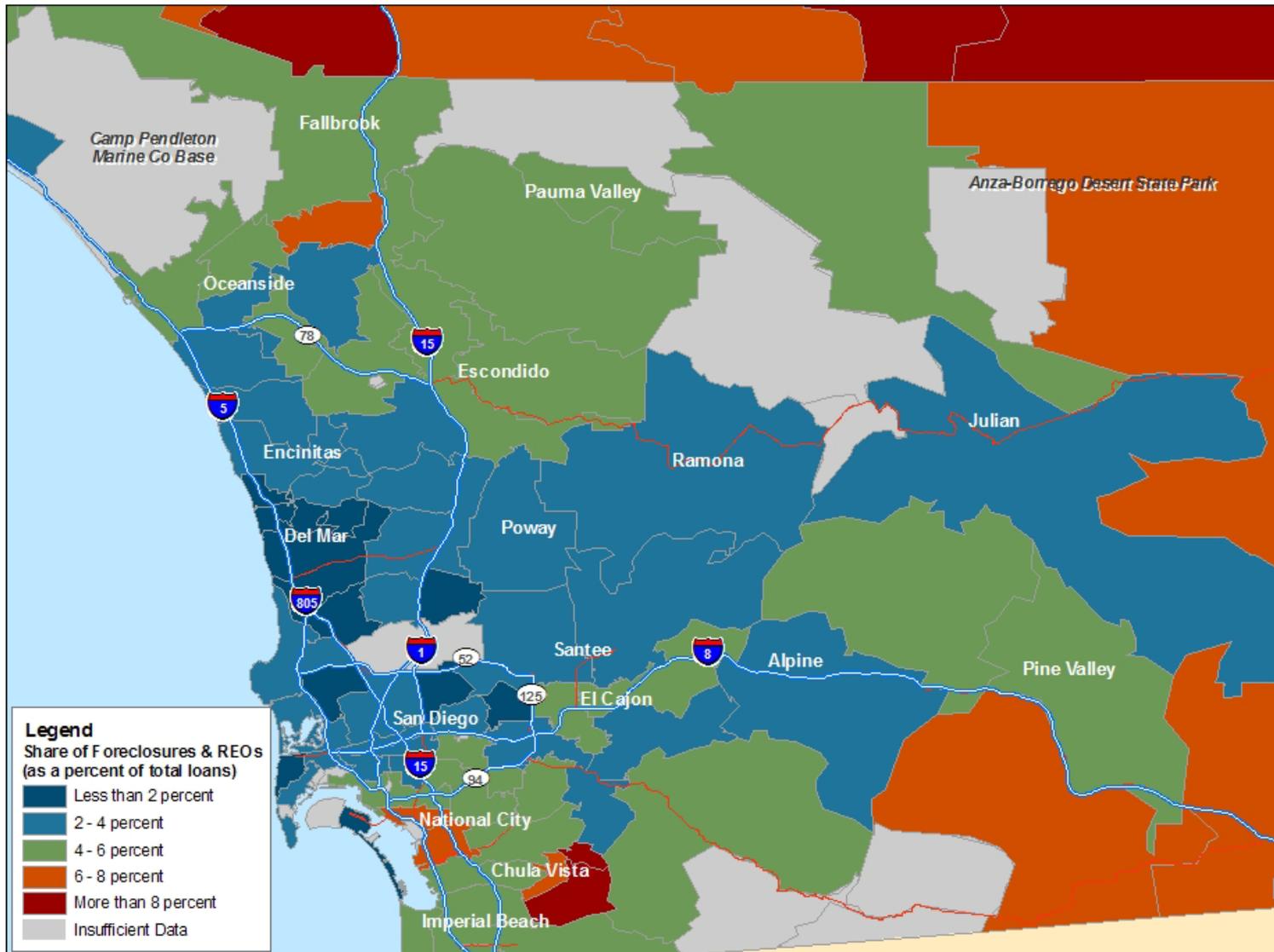
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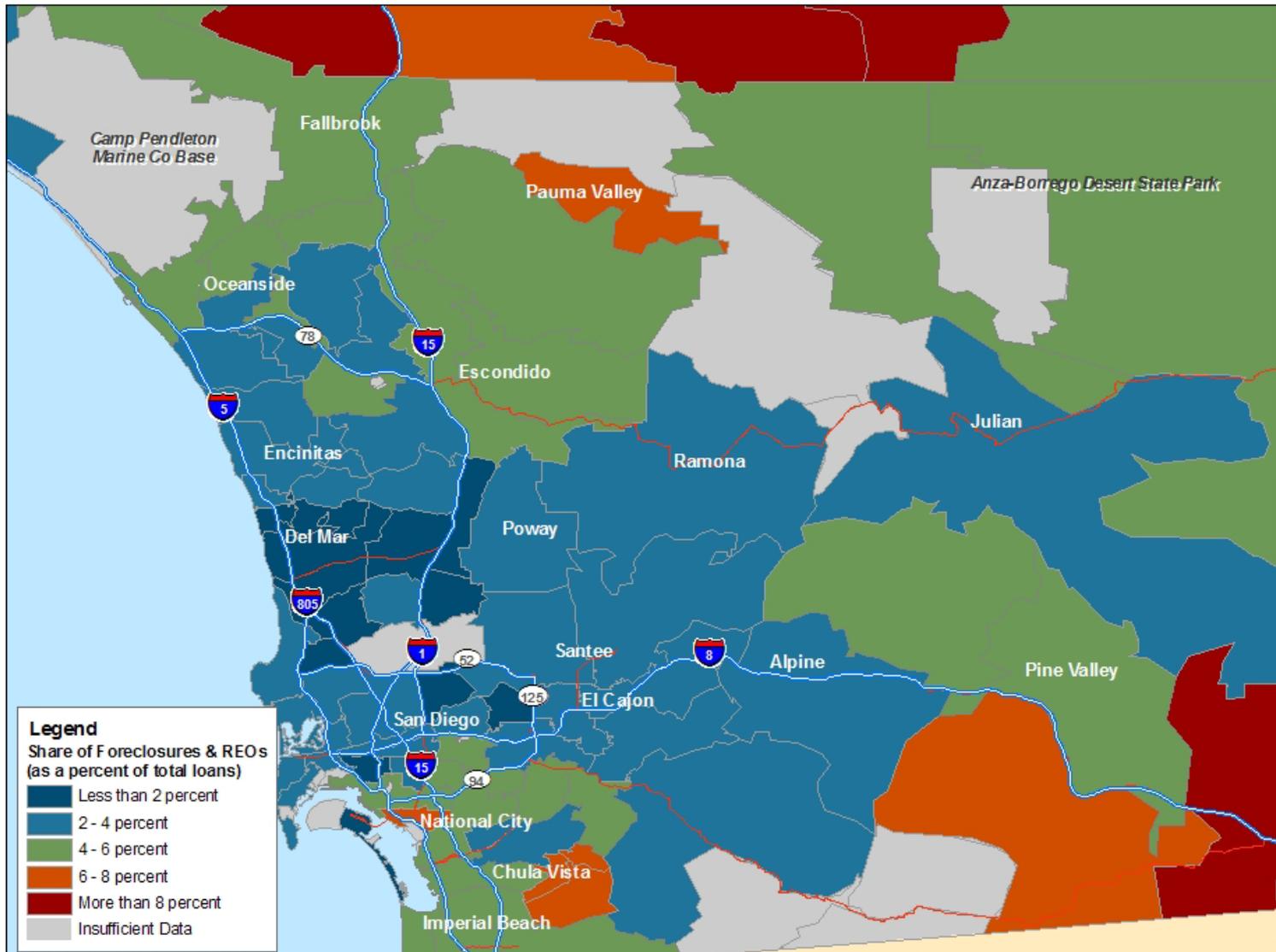
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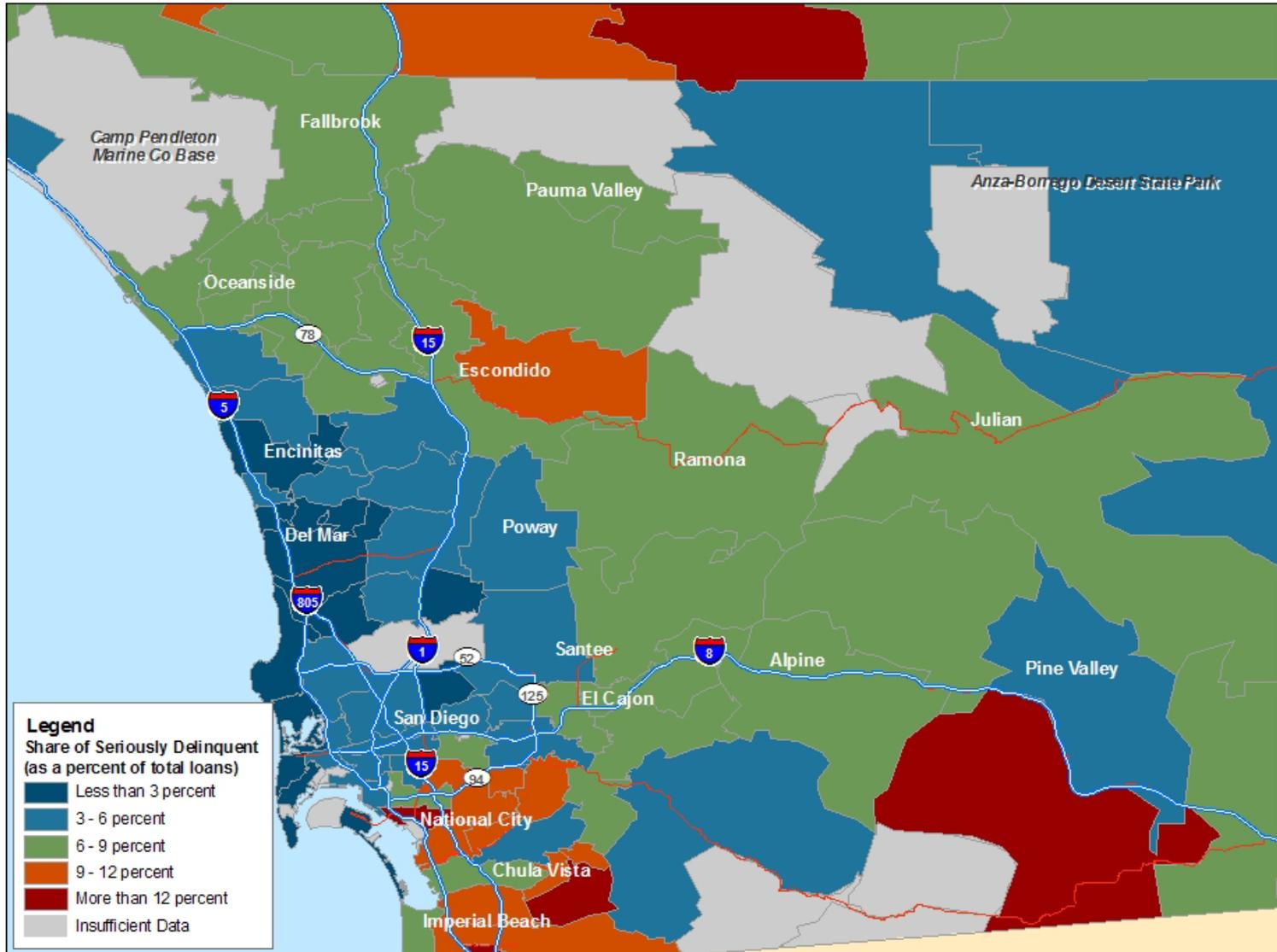
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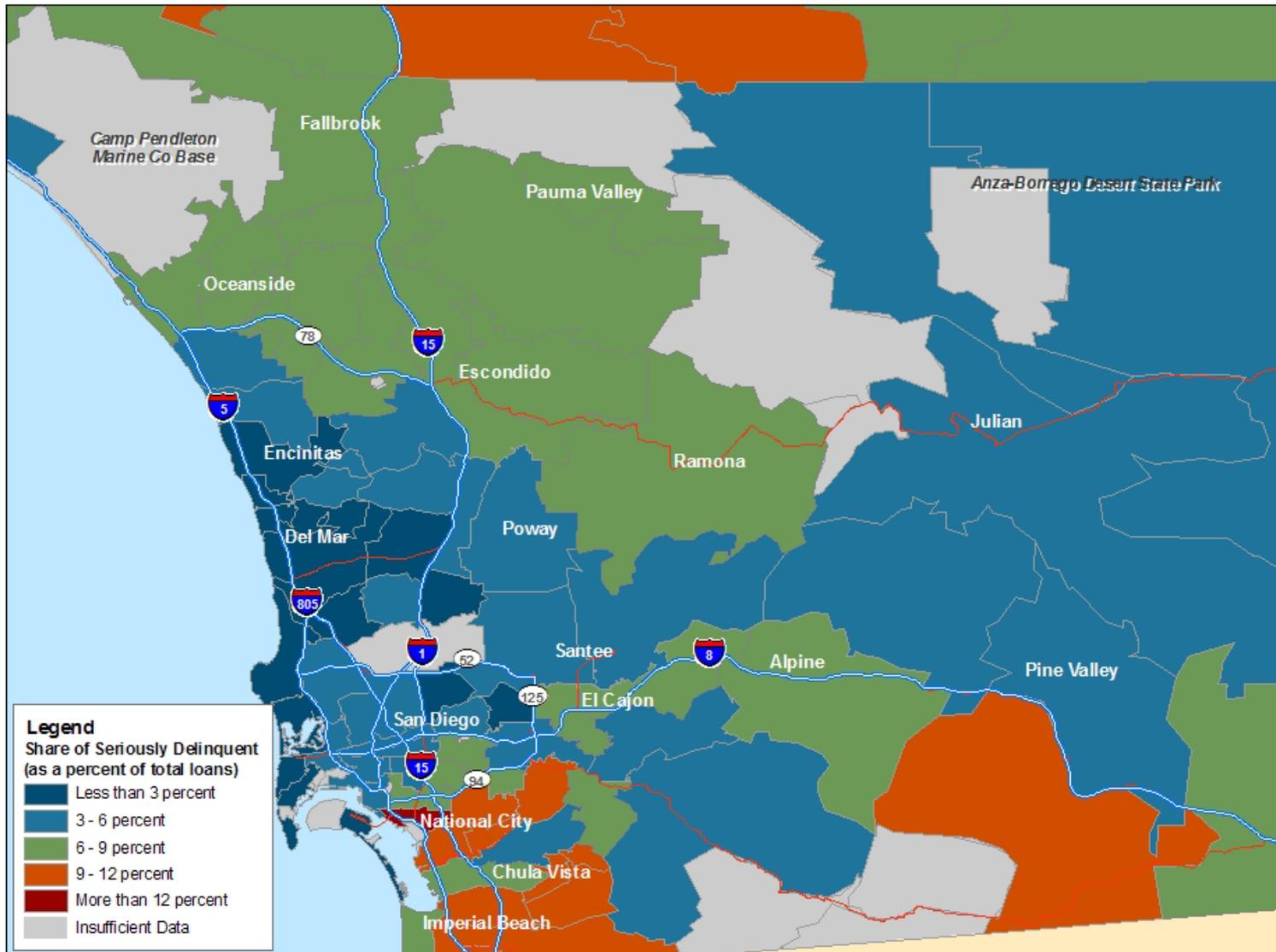
Neighborhoods at Risk of Additional Foreclosures

February 2010



Neighborhoods at Risk of Additional Foreclosures

July 2010



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>
- FDIC Brochure:
<http://www.fdic.gov/consumers/loans/prevention/rescue/index.html>

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

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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.

About Us
Learn more about the Community Development Department and its staff.

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POPULAR CONTENT

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/>