

TRENDS IN DELINQUENCIES AND FORECLOSURES IN CALIFORNIA

January 2010

Community Development Department, Federal Reserve
Bank of San Francisco

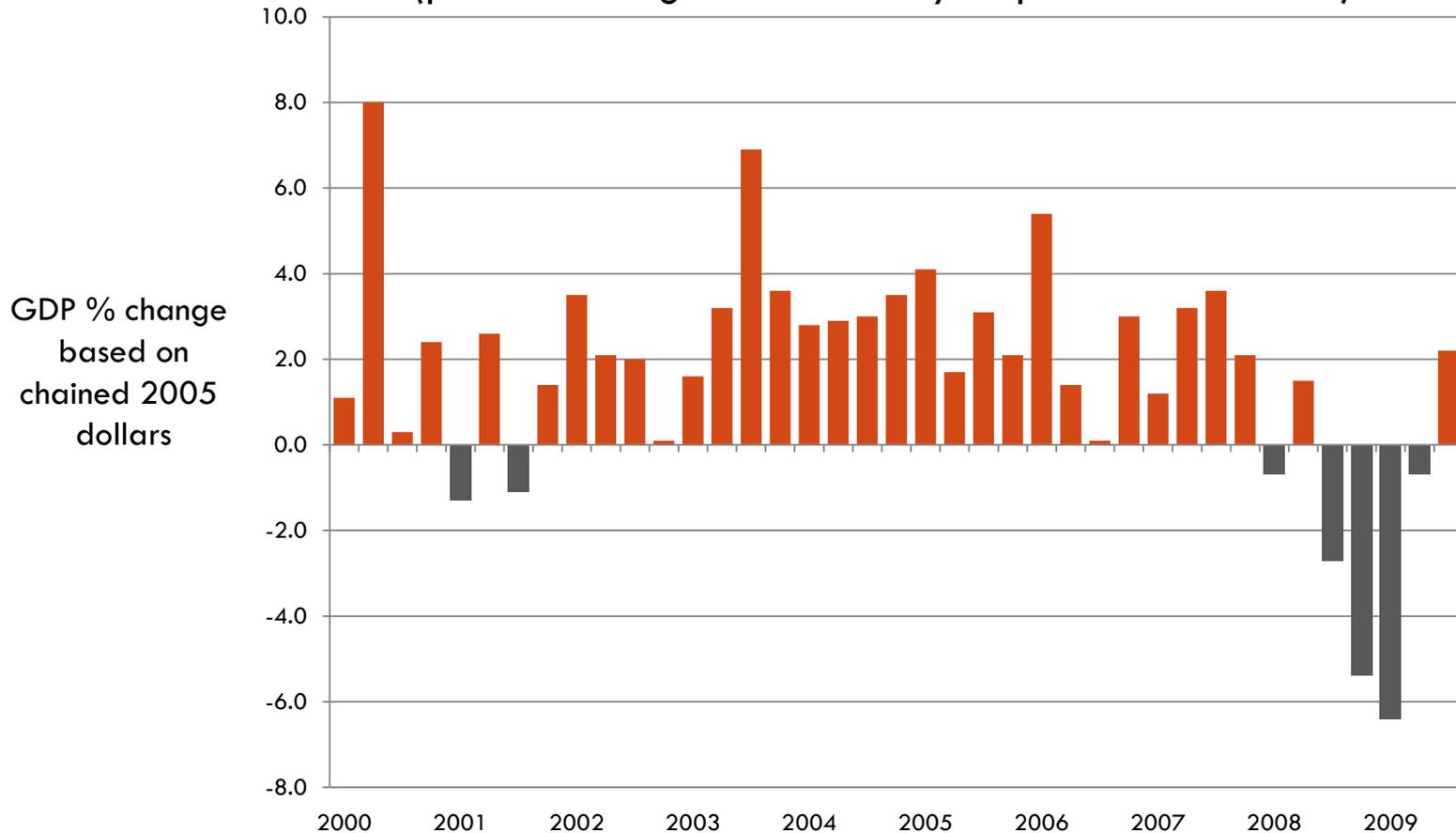
National Trends

- 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

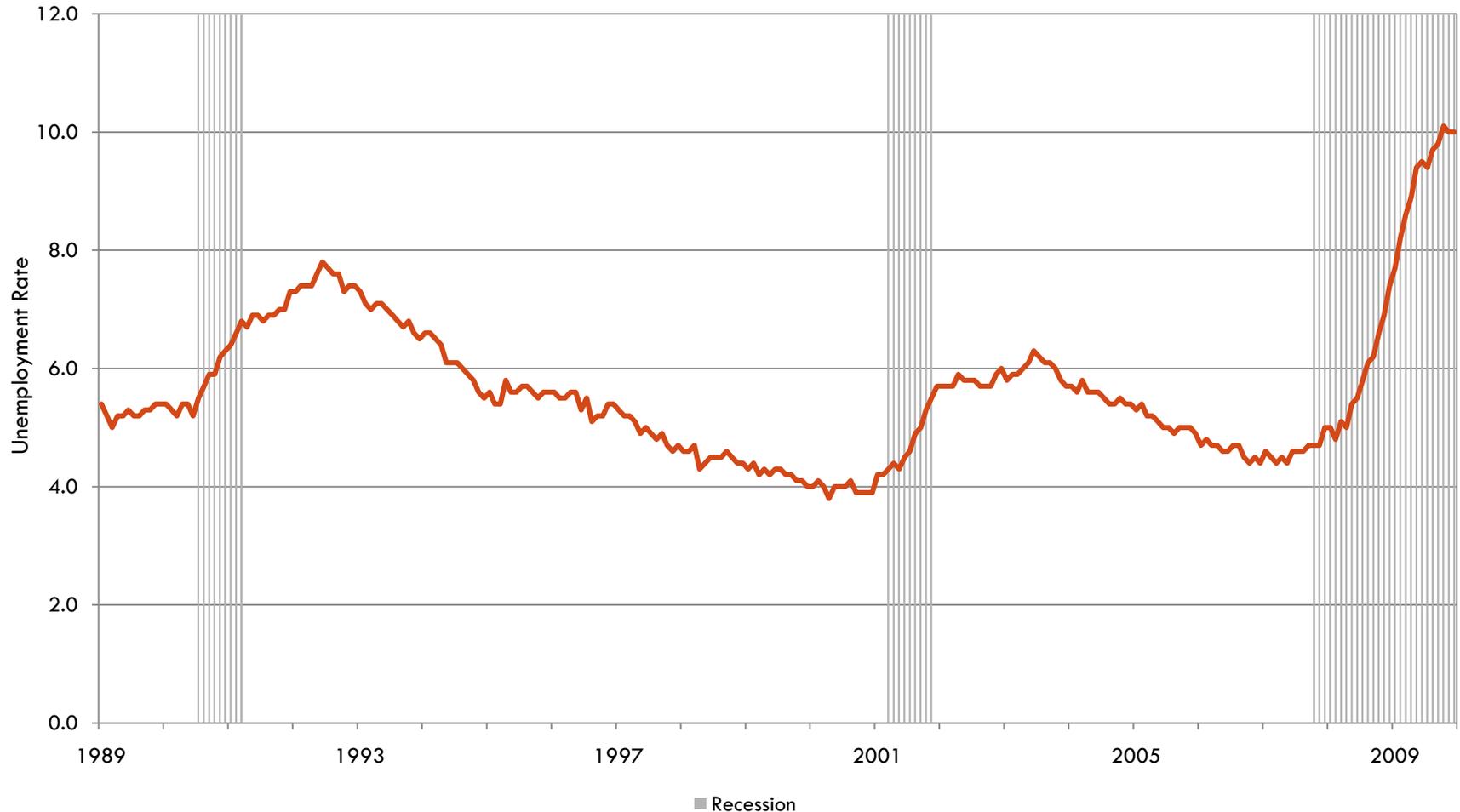
Real Gross Domestic Product
(percent change at seasonally adjusted annual rate)



Source: Bureau of Economic Analysis

Weakness in Labor Market Grave Concern

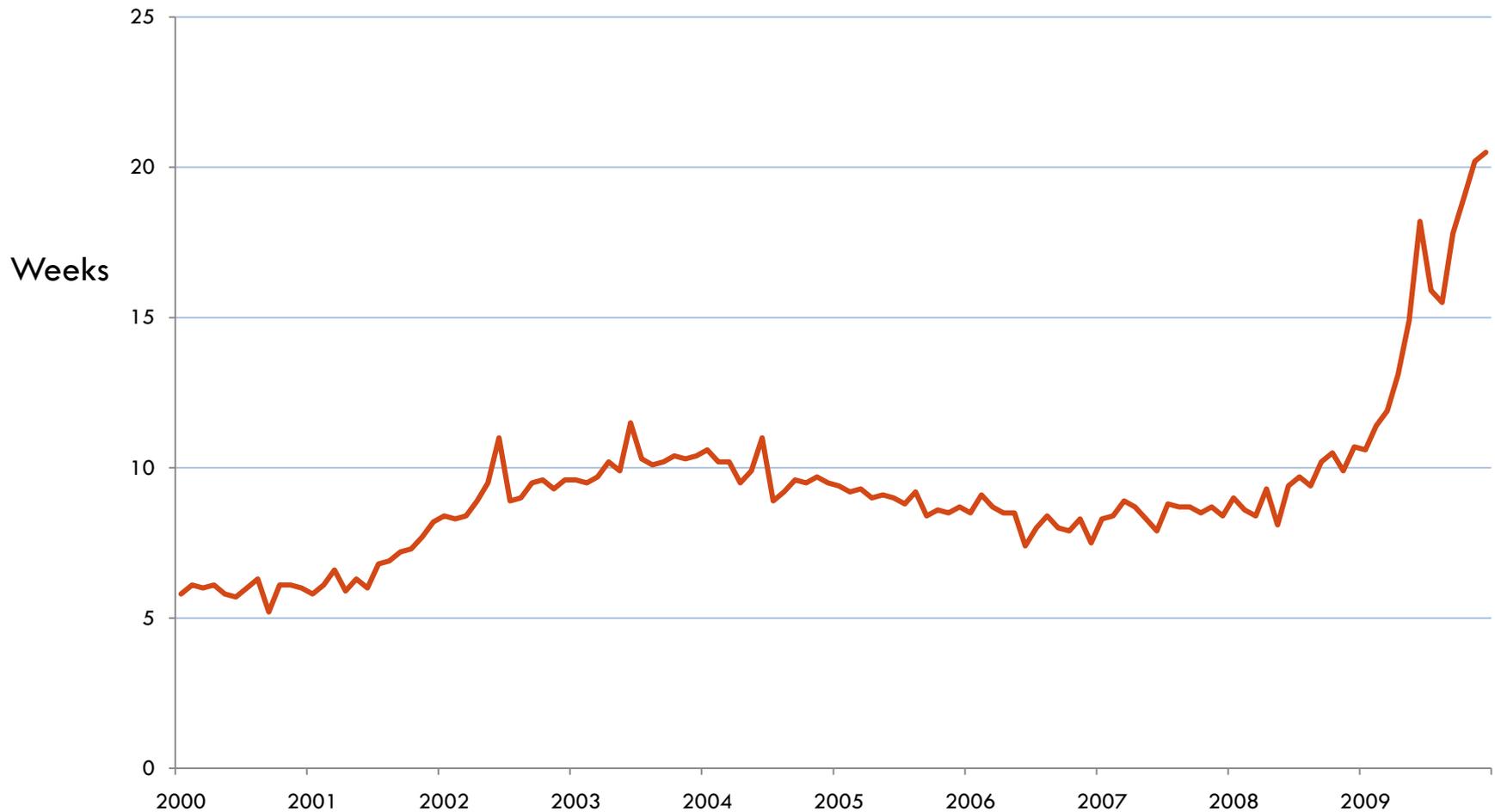
U.S. Unemployment Rate



Source: Bureau of Labor Statistics, December 2009

Dramatic Increase in Duration of Unemployment

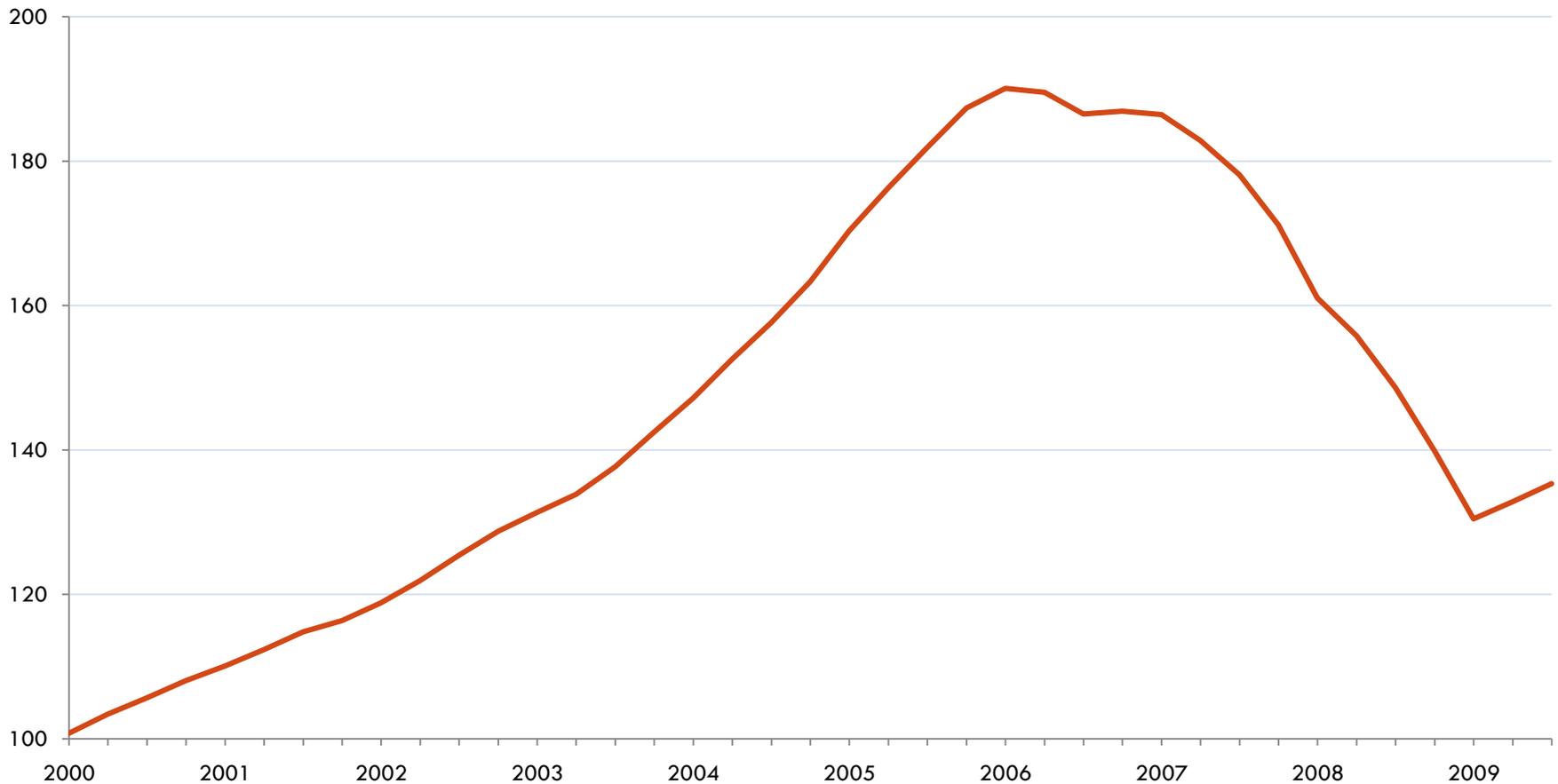
Median Duration of Unemployment



Source: Bureau of Labor Statistics

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

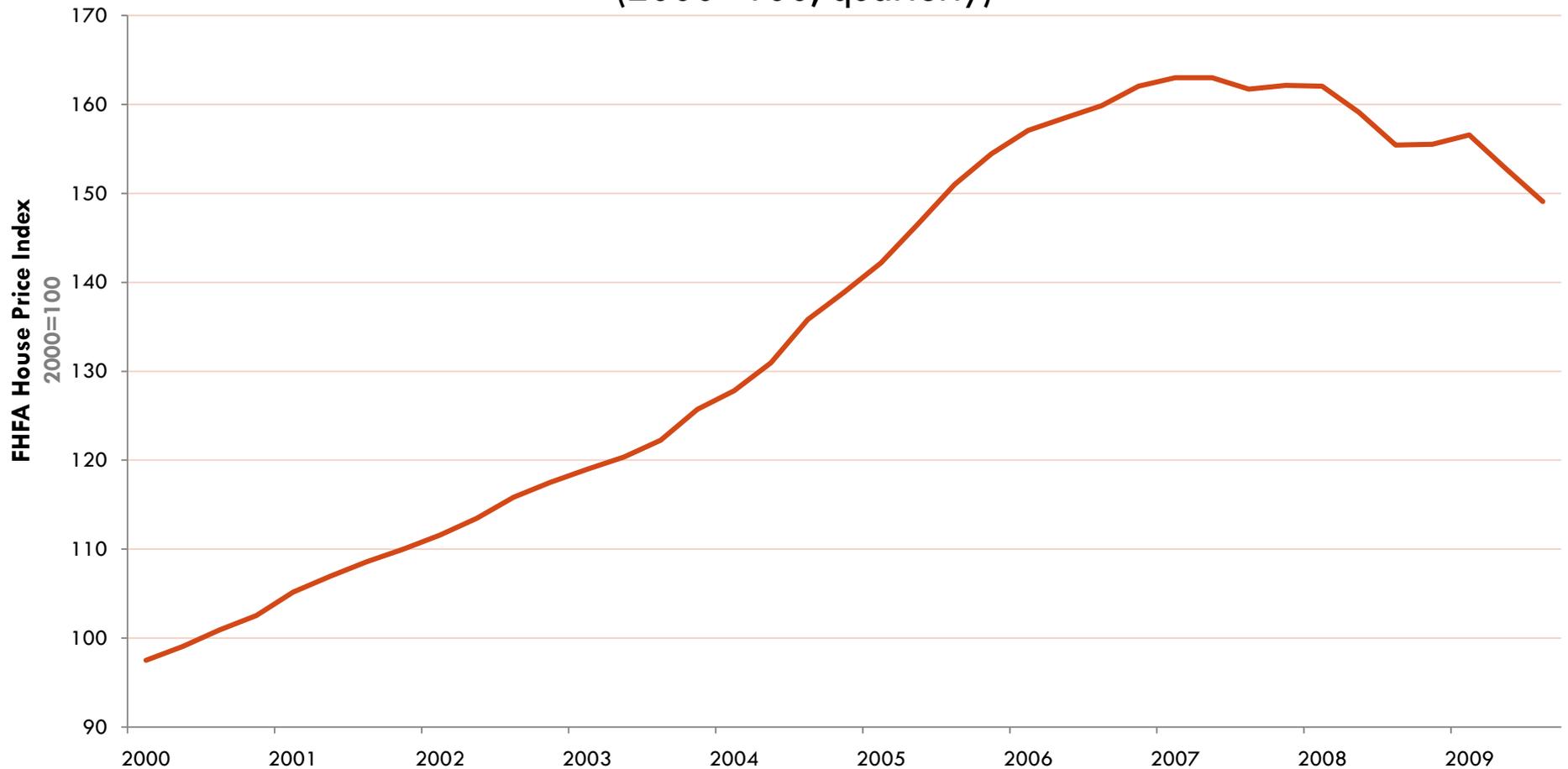
Case-Shiller National House Price Index
(2000 = 100, quarterly)



Source: Case - Shiller Home Price Index

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

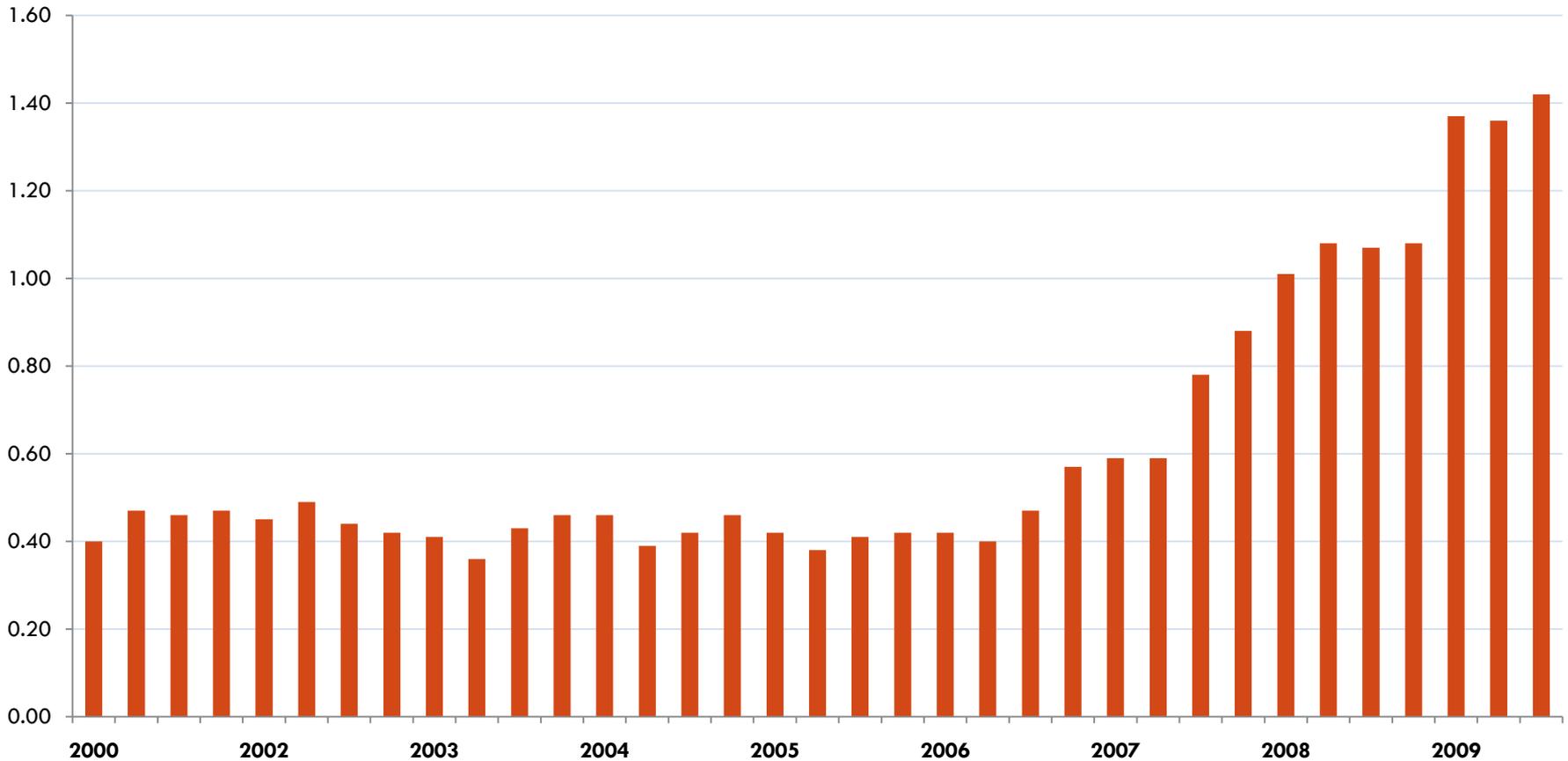
FHFA (formerly OFHEO) House Price Index
(2000=100, quarterly)



Source: Federal Housing Finance Agency (formerly OFHEO)

National Foreclosure Rate Remains High

National Foreclosures Starts Percent of All Loans

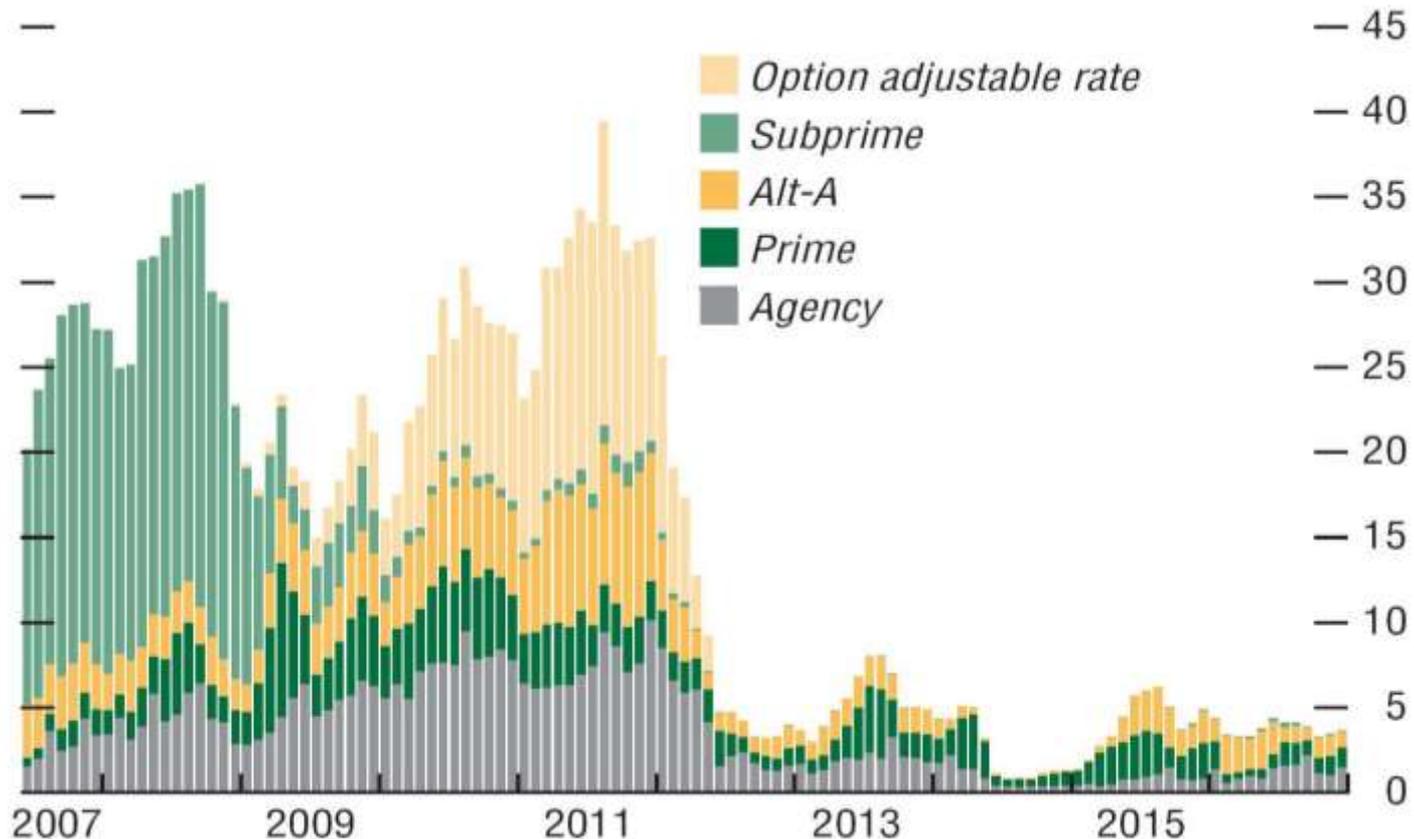


Source: Mortgage Bankers Association, National Delinquency Survey

Concern that Upcoming Resets will Continue to Drive New Foreclosures

Monthly Mortgage Rate Resets

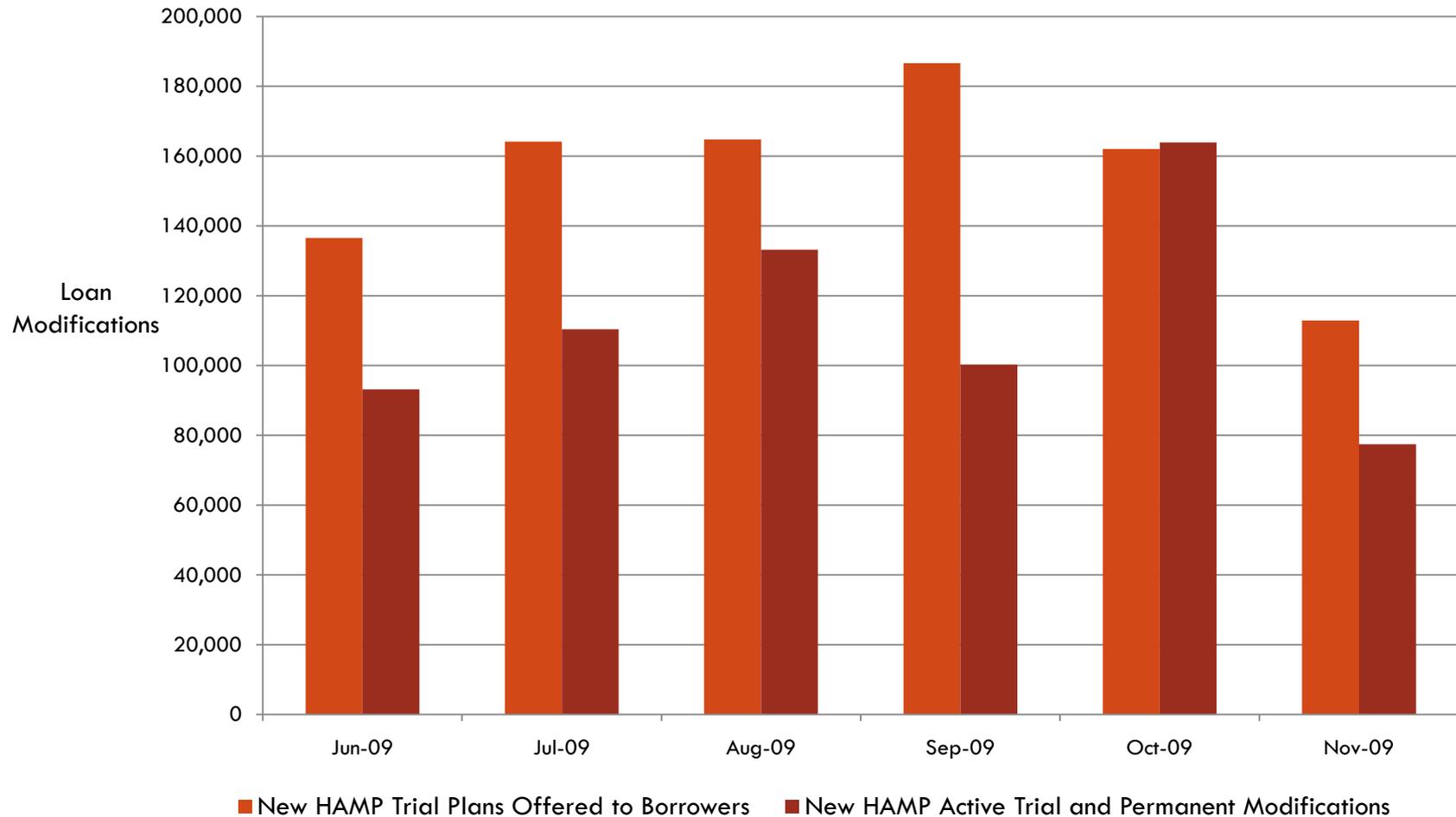
(first reset in billions of US dollars)



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

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

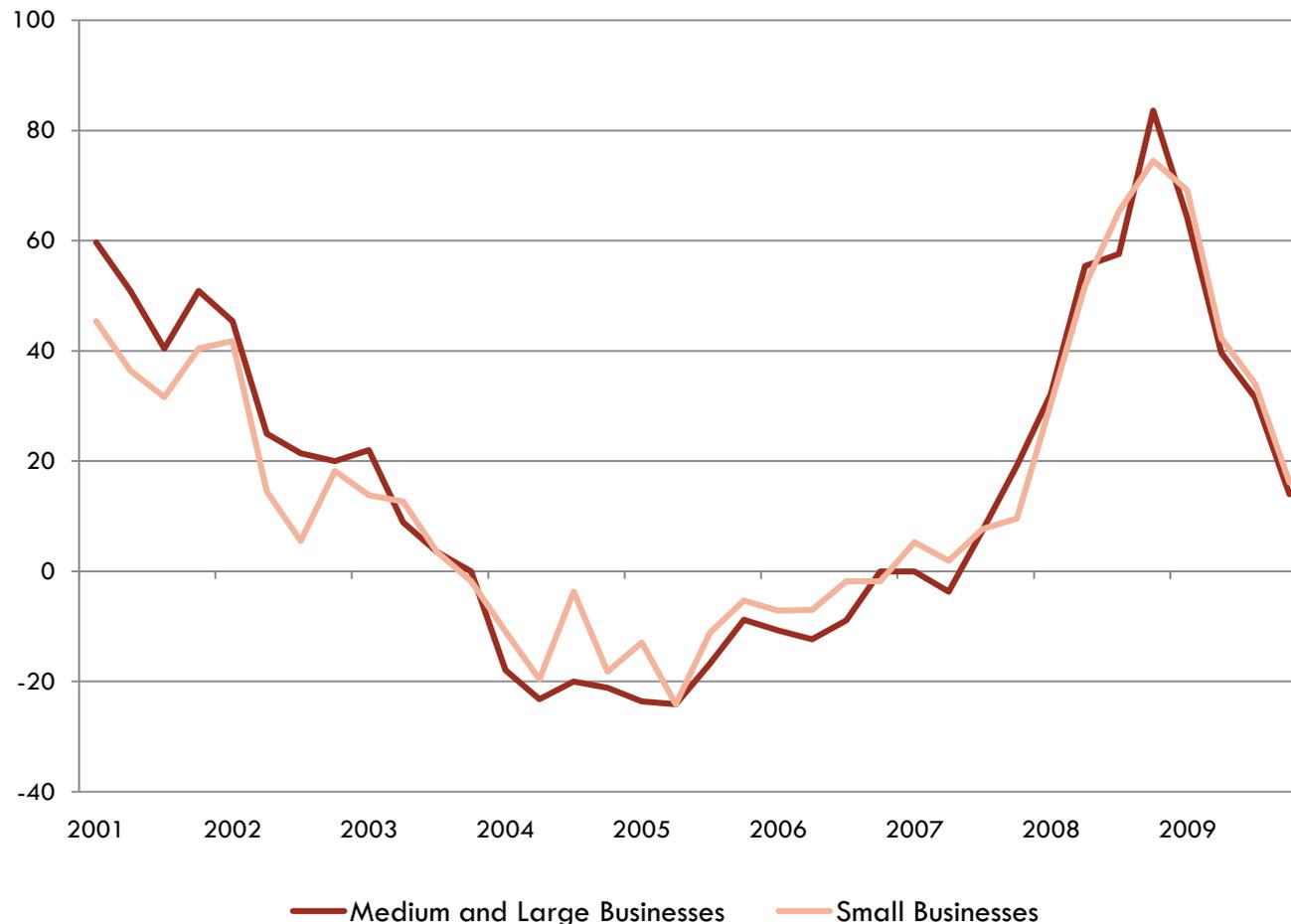
Loan Modifications: Home Affordable Modification Program



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

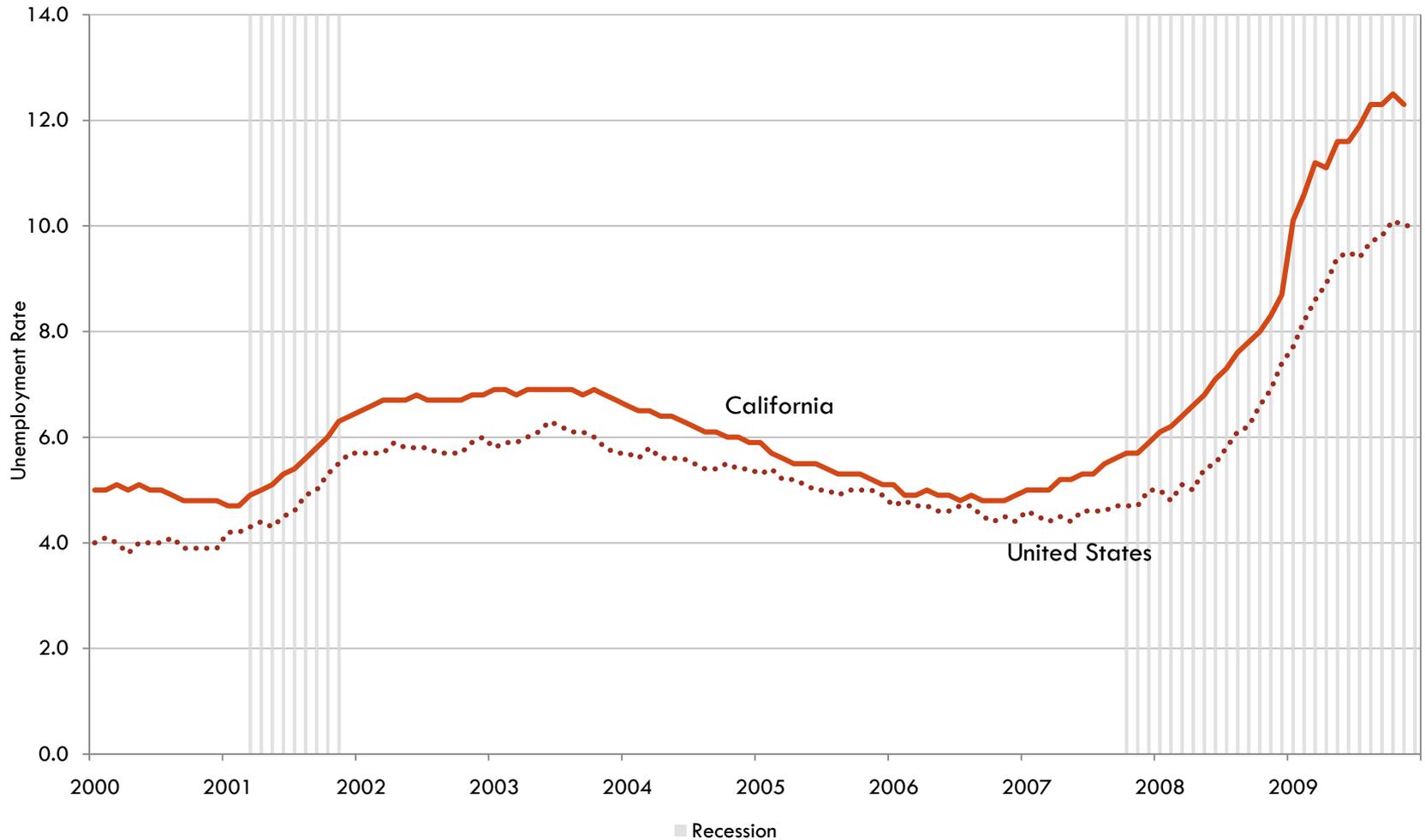
Although there are Signs of Improvement, Small Businesses Still Face a Tightened Credit Market

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



California Trends

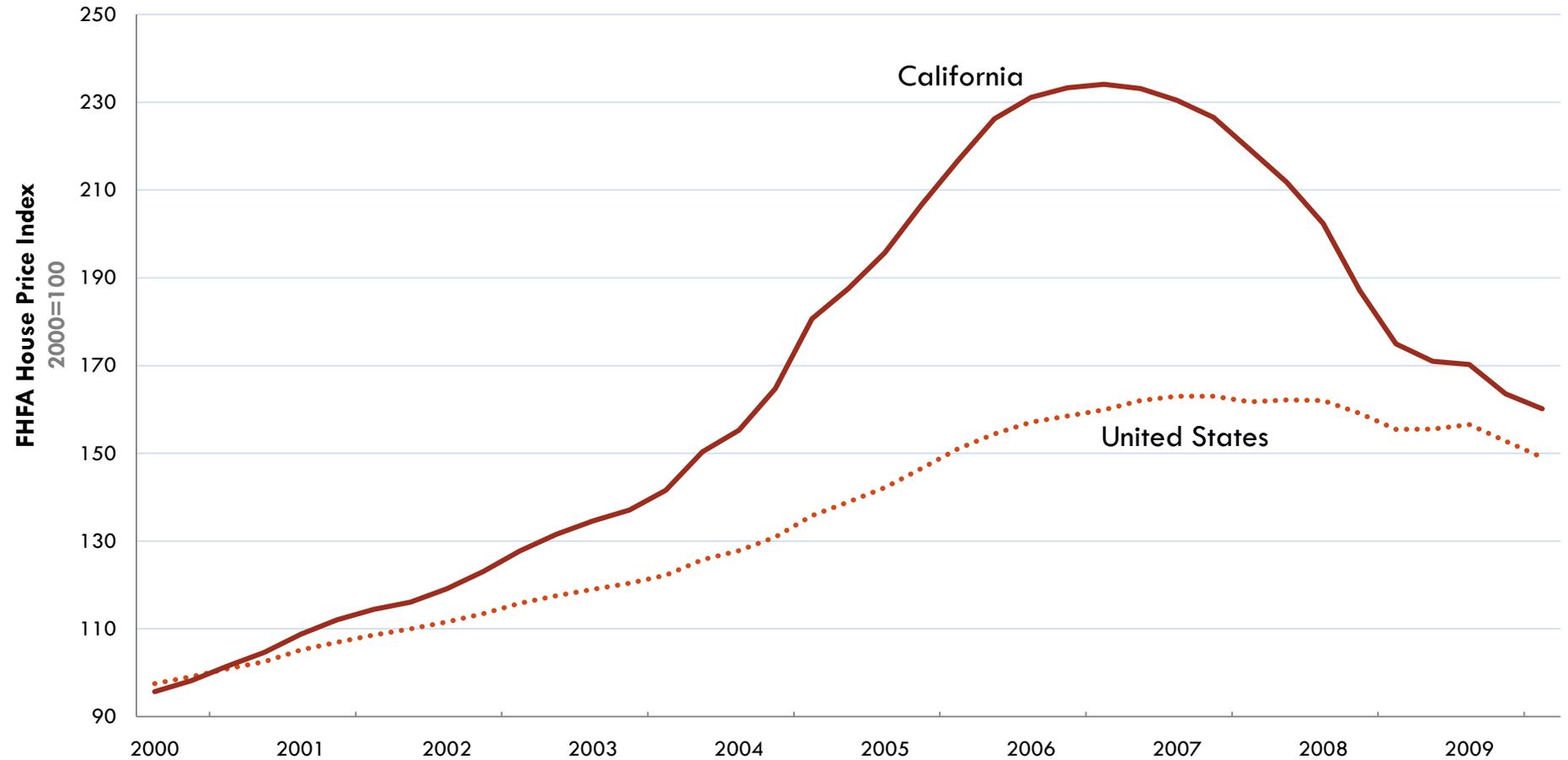
Unemployment Rate Remains Very High



California Has Seen Significant and Steep Decline in House Prices

FHFA (formerly OFHEO) House Price Index

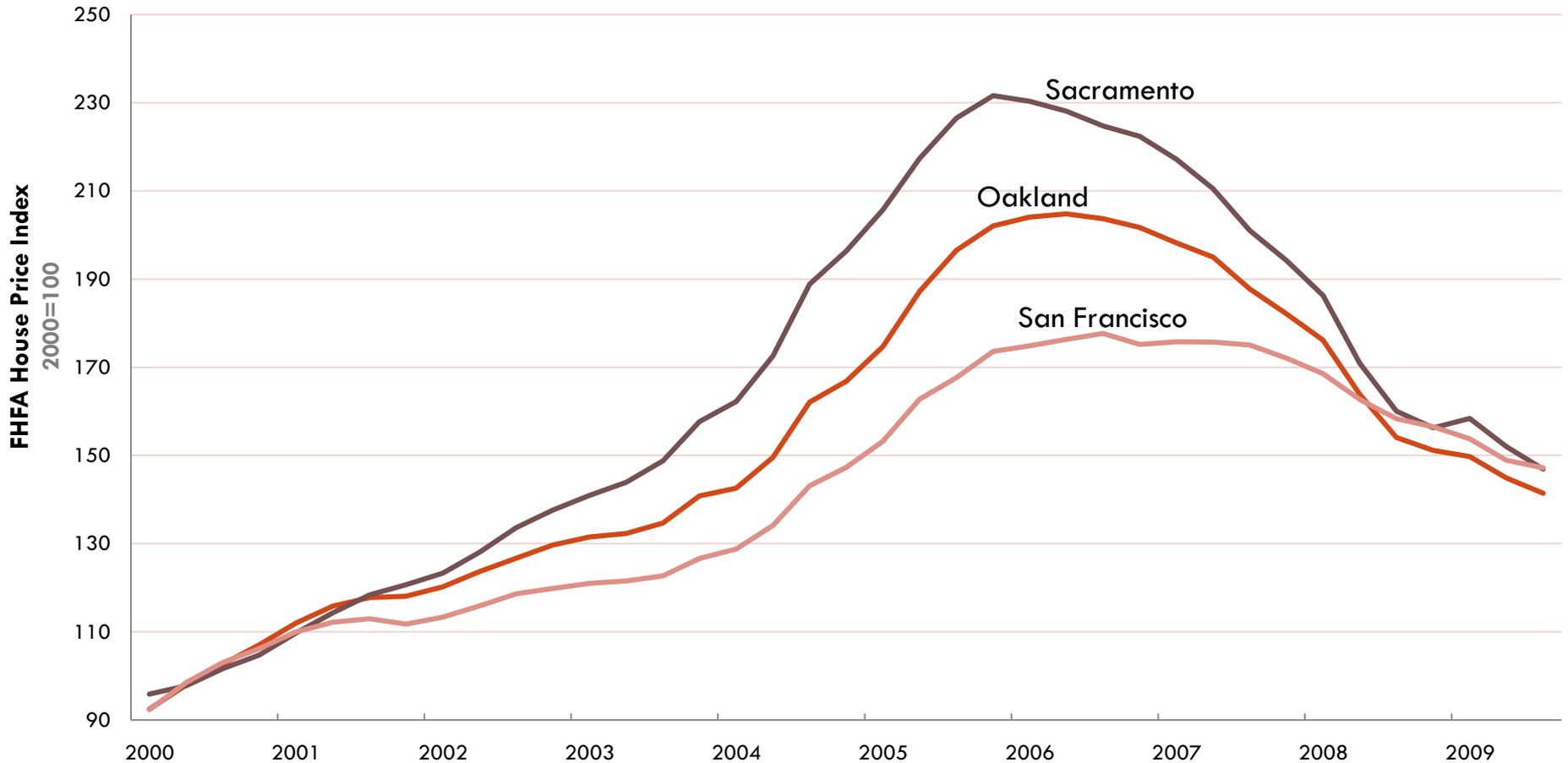
(2000=100, quarterly)



Source: Federal Housing Finance Agency (formerly OFHEO)

Northern CA MSAs Experiencing Significant House Price Declines

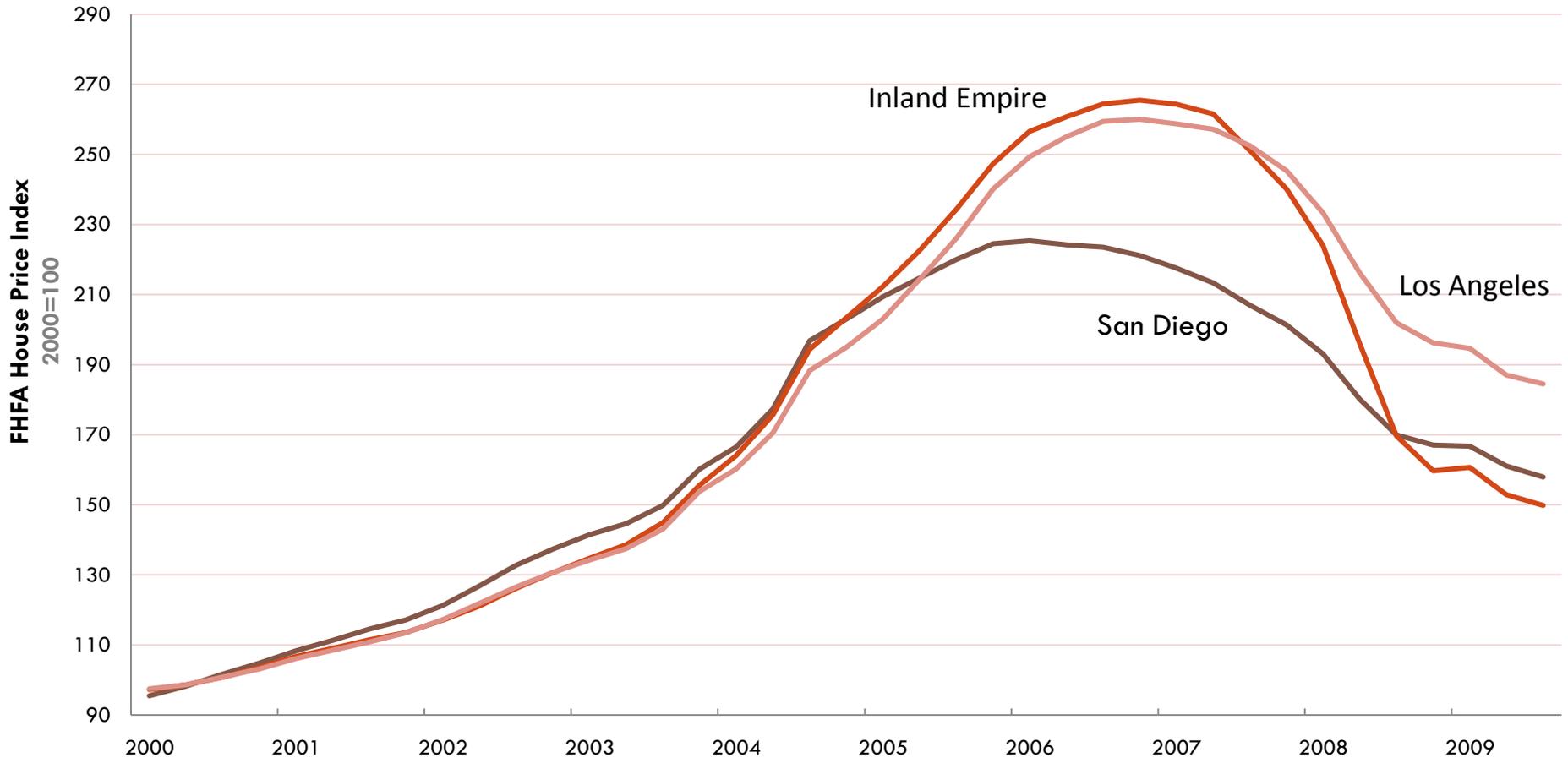
FHFA House Price Index: Northern California
(2000 = 100)



Source: Federal Housing Finance Agency (formerly OFHEO)

Southern California MSAs also Experiencing Declining House Prices

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

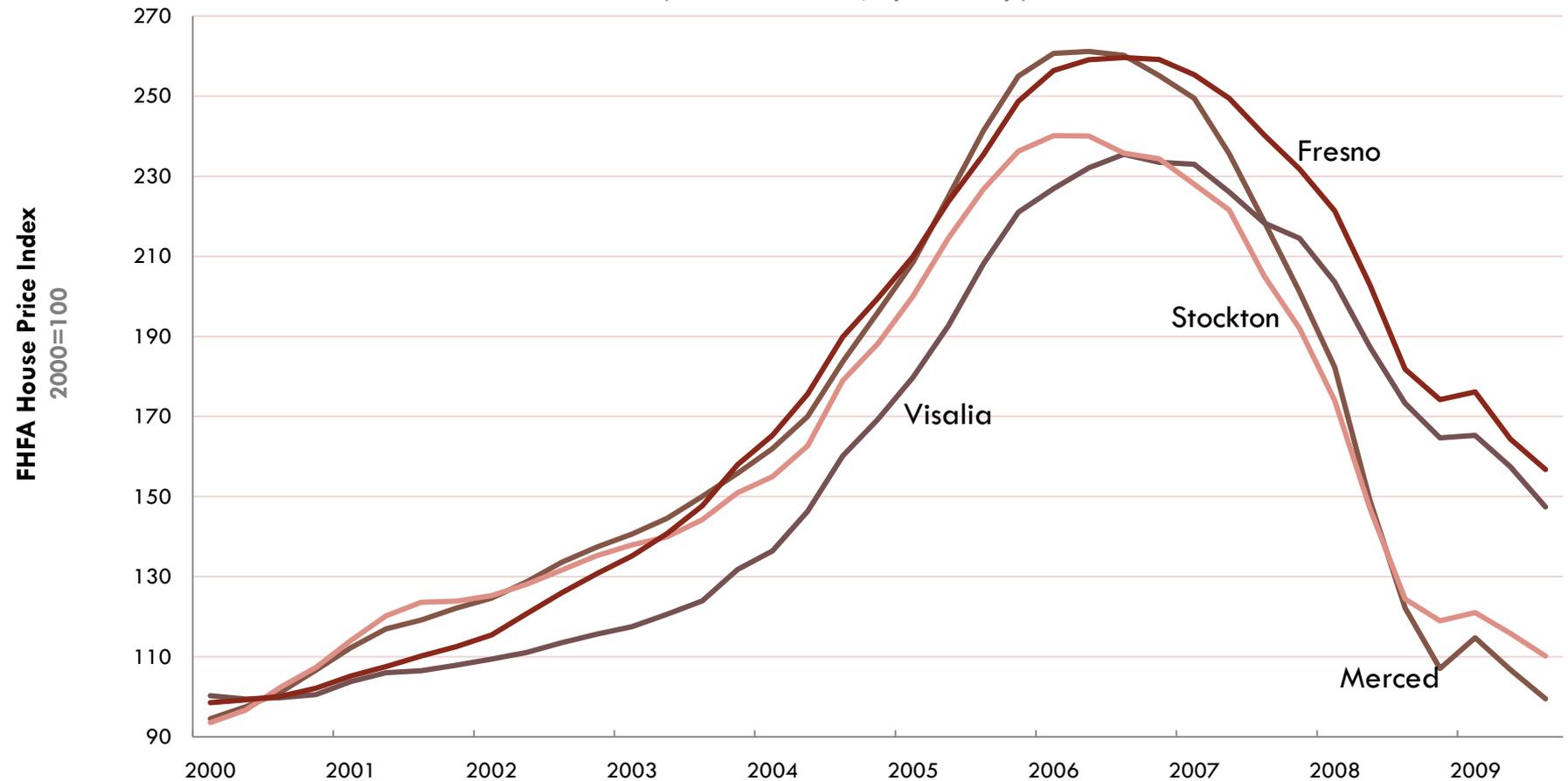


Source: Federal Housing Finance Agency (formerly OFHEO)

Central Valley Cities Have Seen Greatest House Price Declines

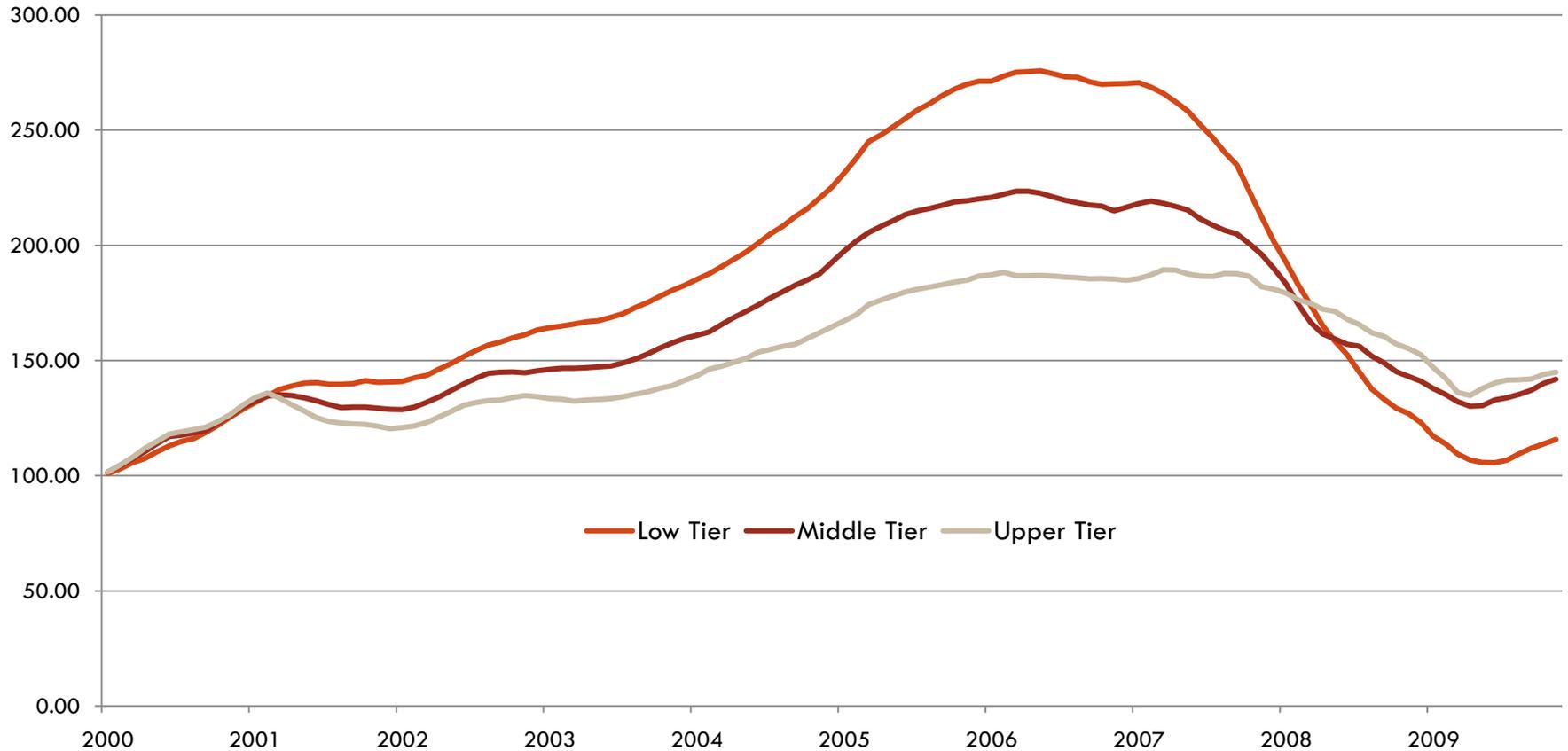
FHFA (formerly OFHEO) House Price Index: Central California

(2000 = 100, quarterly)



Low Tier Has Seen Greatest Changes in House Prices

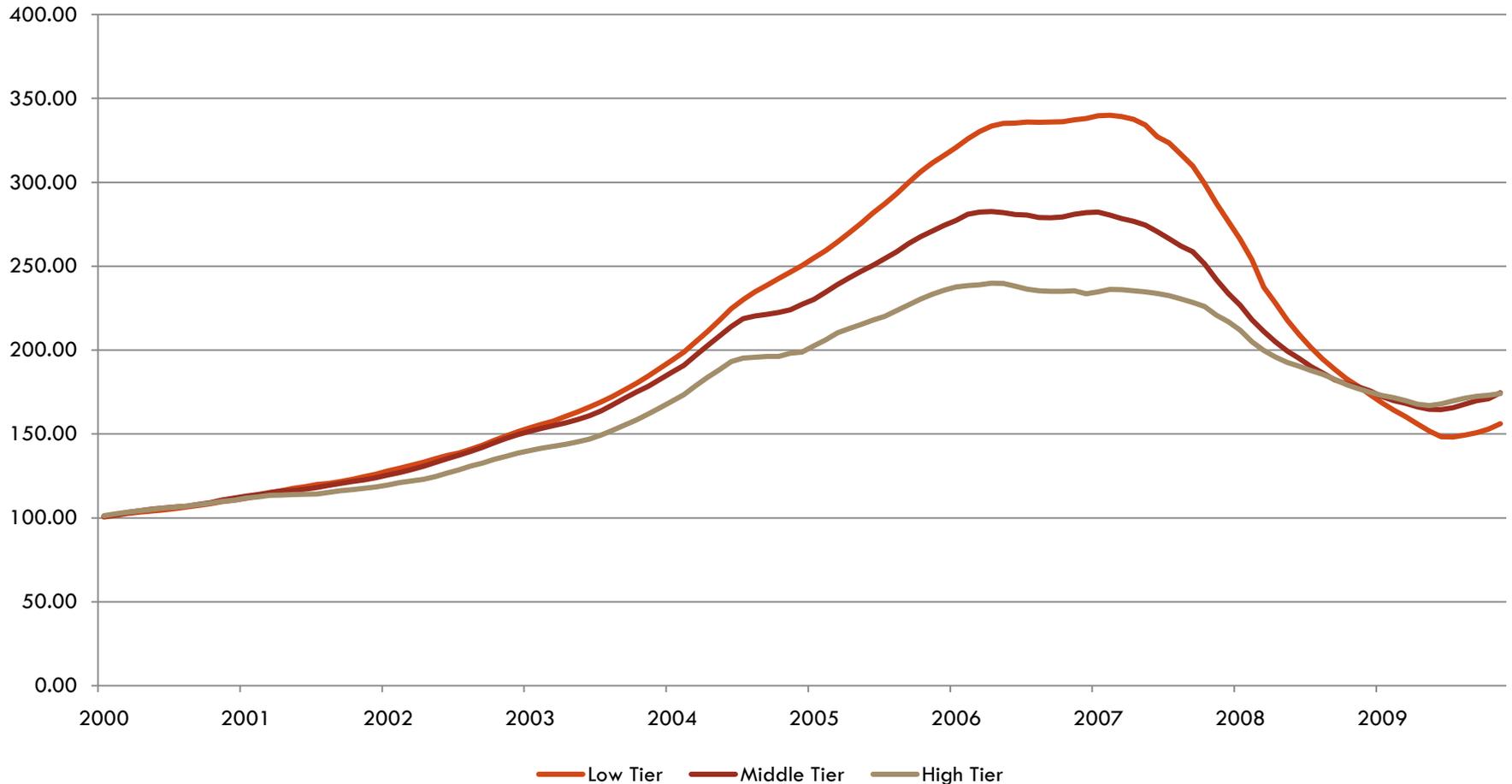
Tiered Case- Shiller Home Price Index: San Francisco
(2000 = 100)



Source: Case - Shiller Home Price Index

Low Tier Has Seen Greatest Changes in House Prices

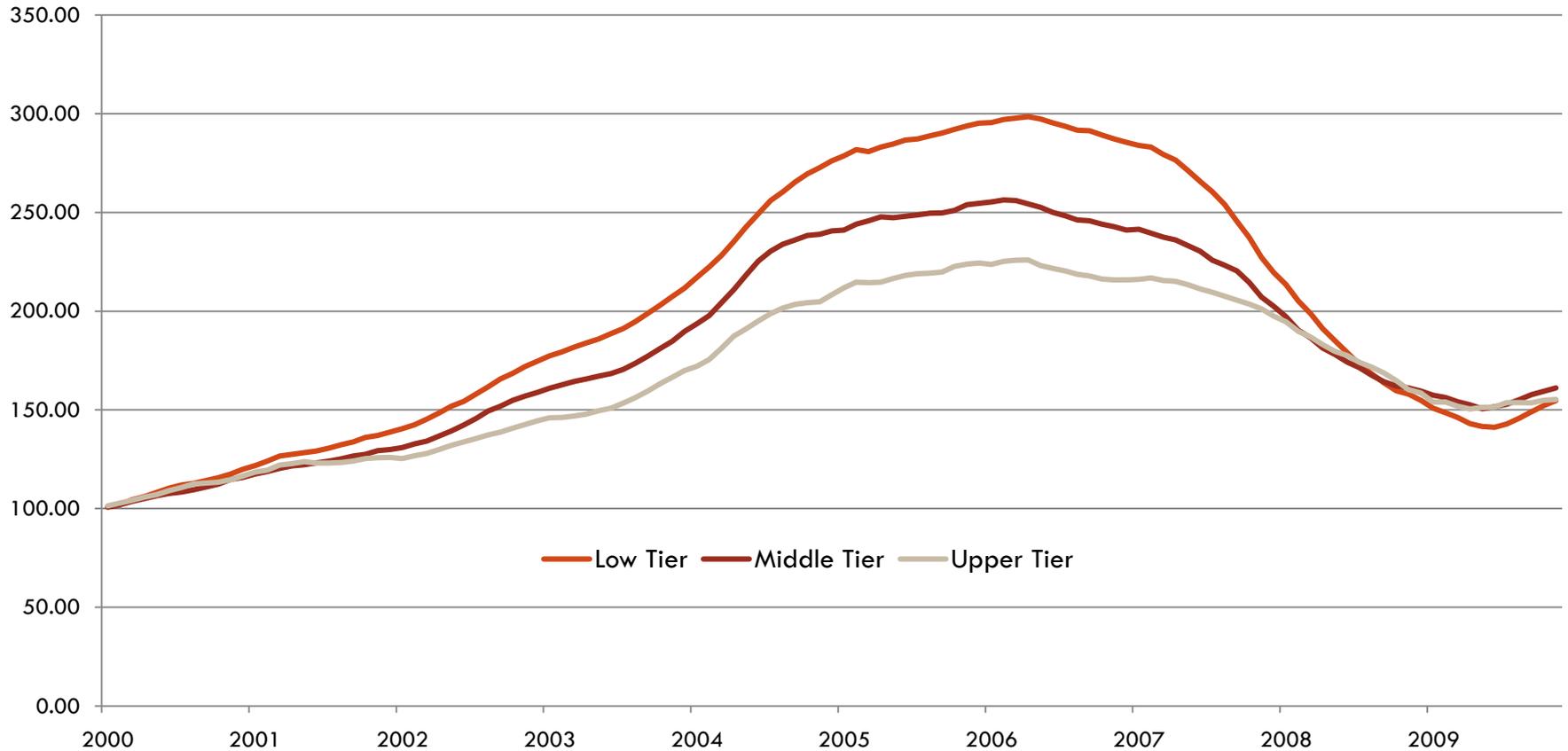
Tiered Case- Shiller Home Price Index: Los Angeles
(2000 = 100)



Source: Case - Shiller Home Price Index

Low Tier Has Seen Greatest Changes in House Prices

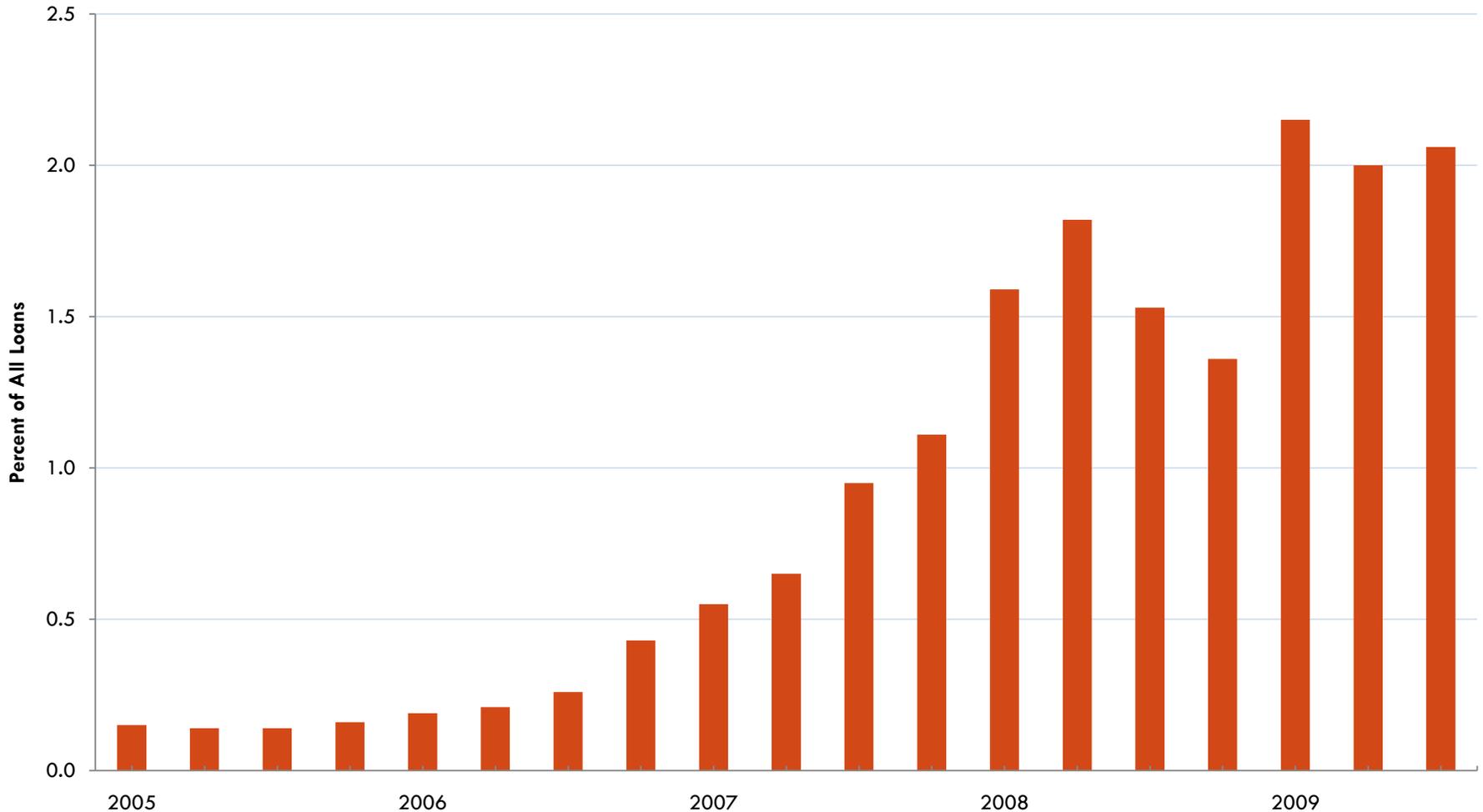
Tiered Case- Shiller Home Price Index: San Diego
(2000 = 100)



Source: Case - Shiller Home Price Index

California Foreclosure Starts Seem to be Leveling Off

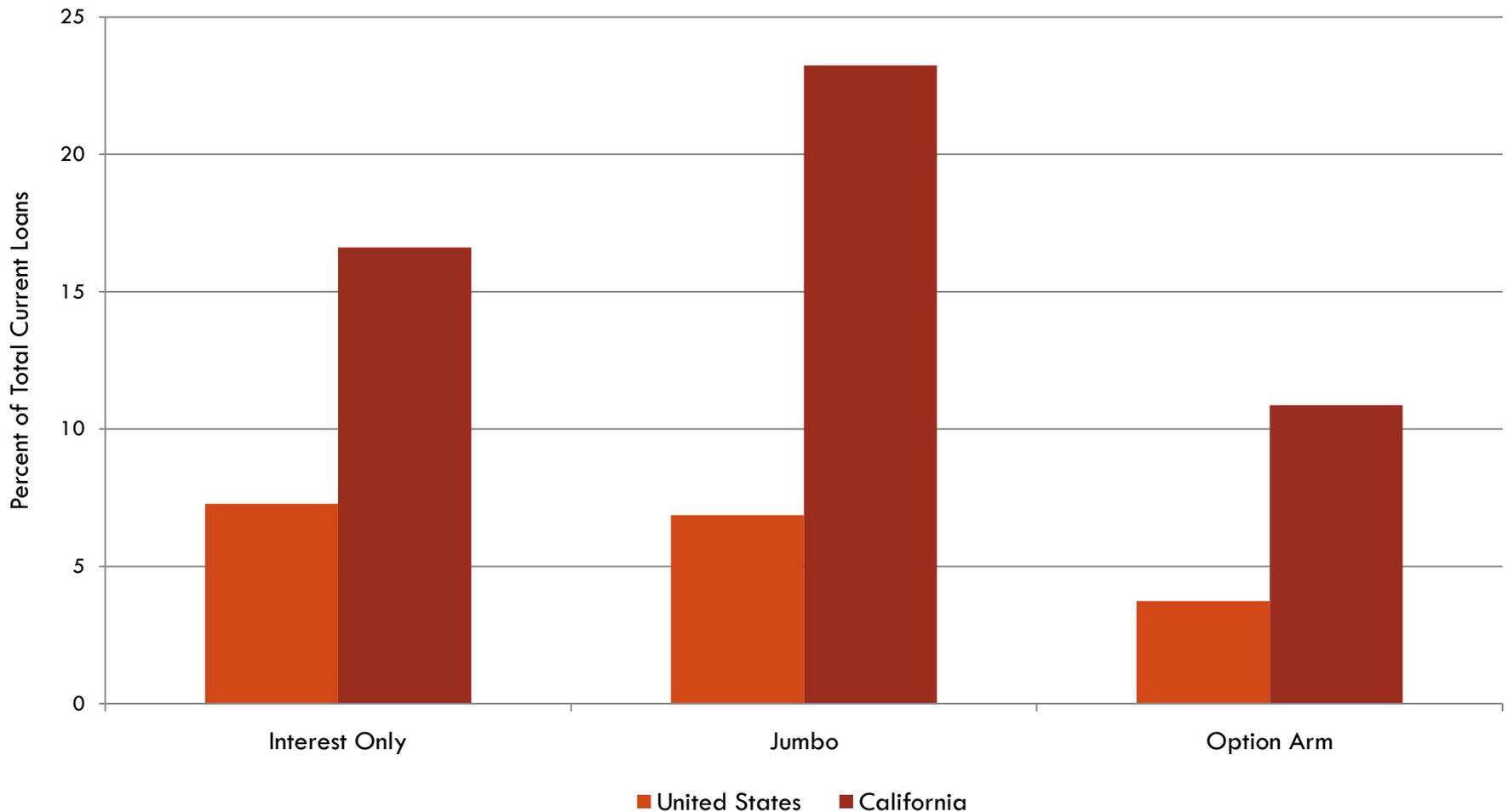
California: Foreclosure Starts



Source: Mortgage Bankers Association, National Delinquency Survey

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

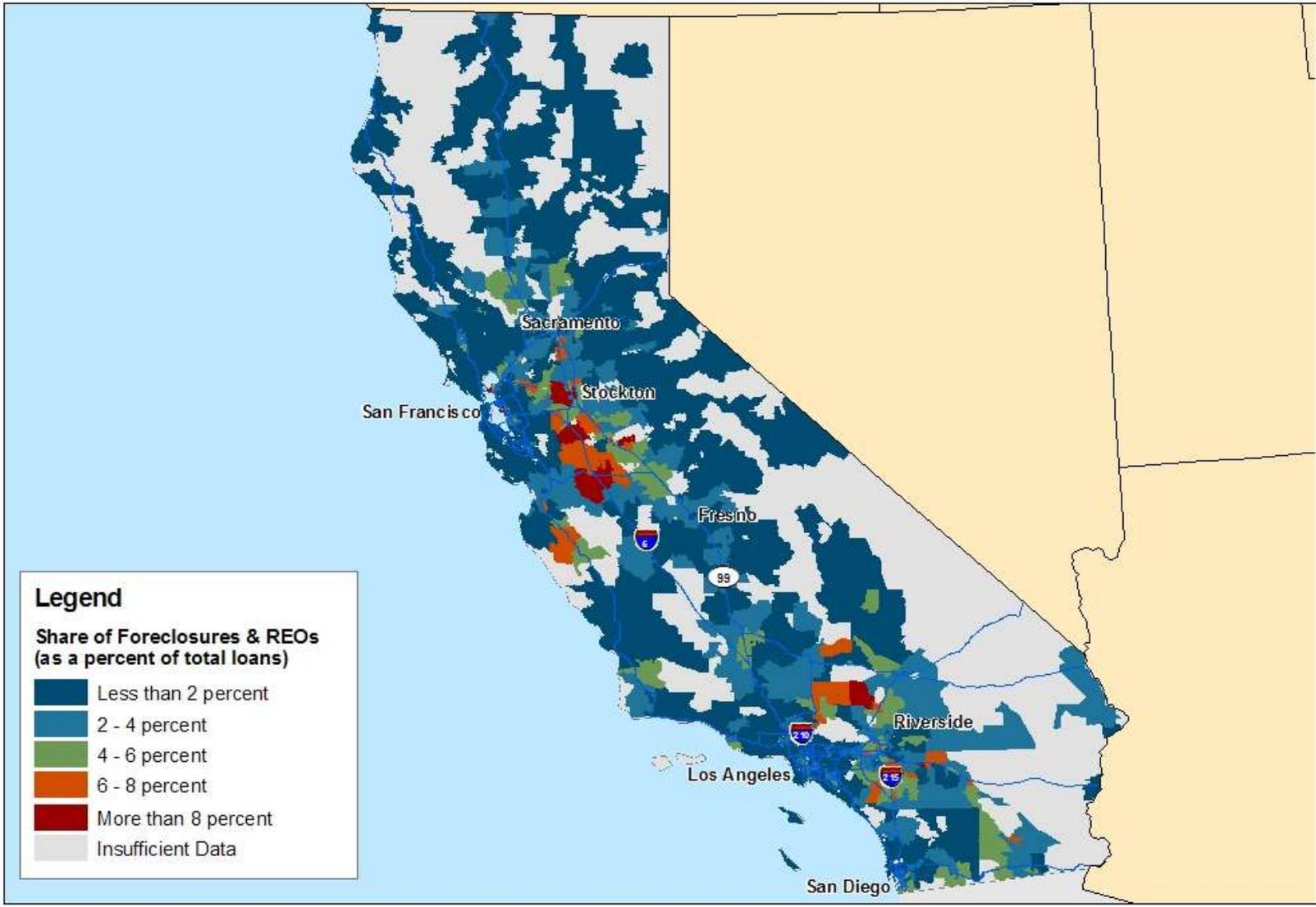
Characteristics of Remaining "Current" Loans



State & Local Data Maps

Areas Affected by Concentrated Foreclosures

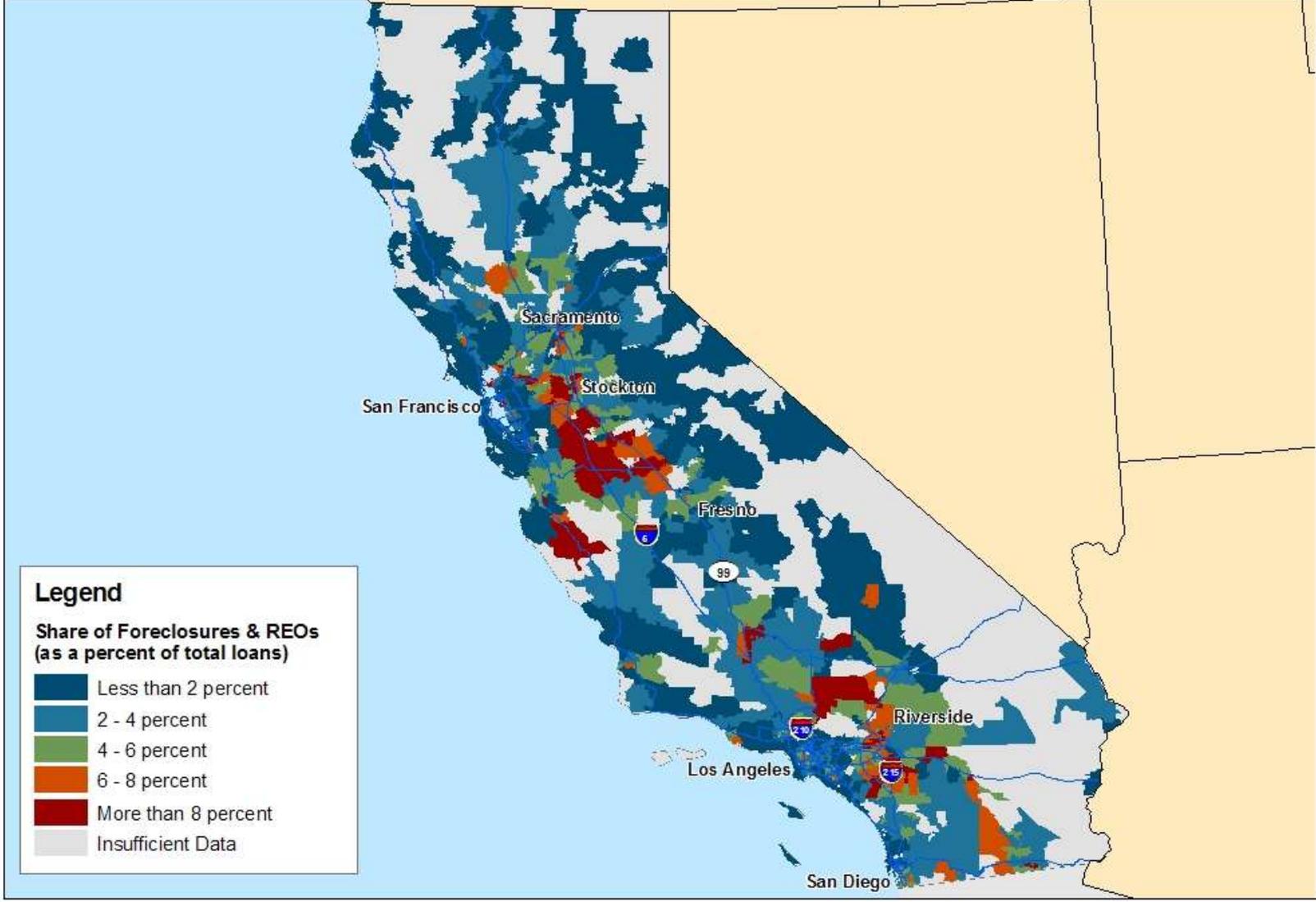
February 2008



Source: Lender Processing Services Inc. Applied Analytics

Areas Affected by Concentrated Foreclosures

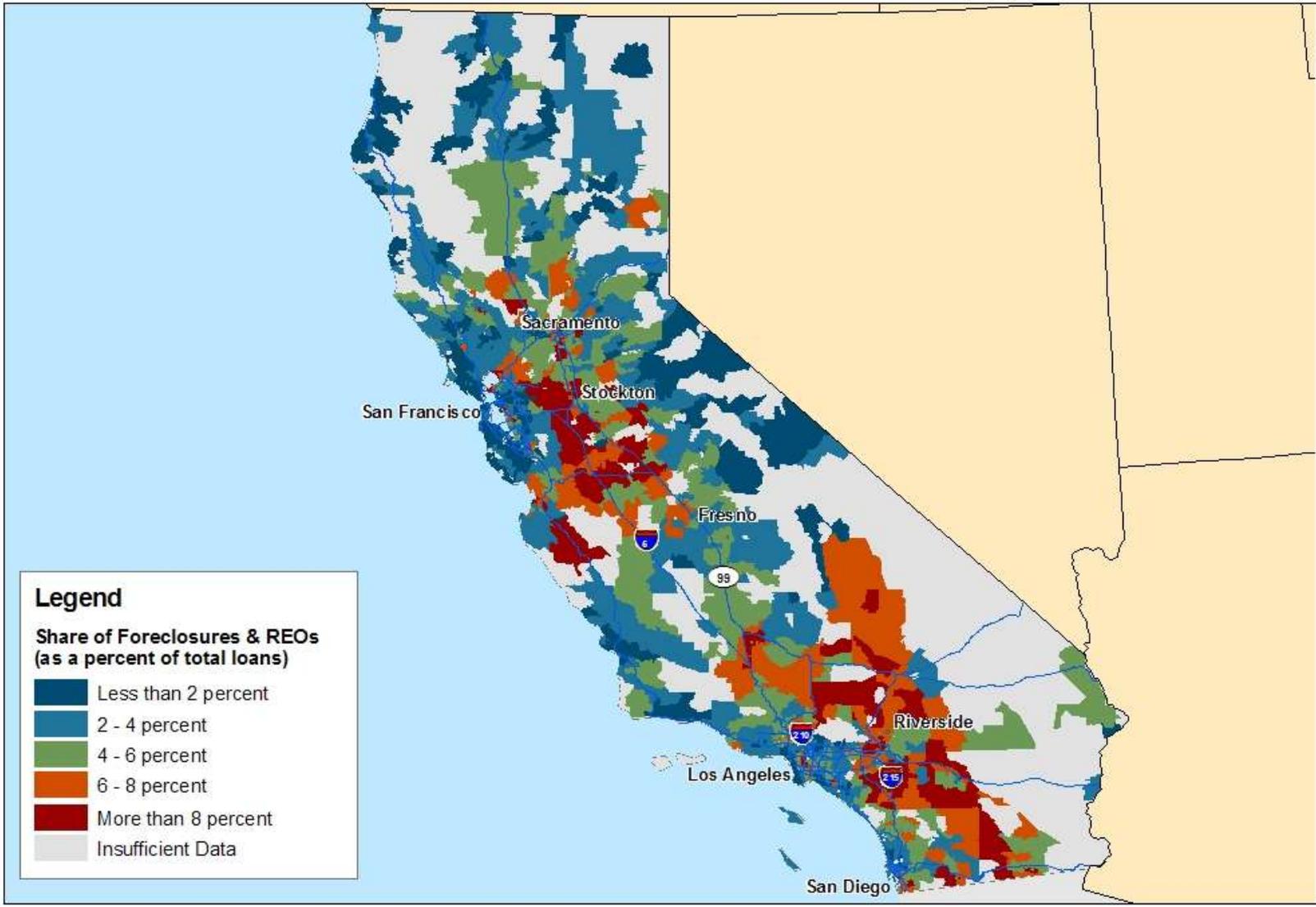
November 2008



Source: Lender Processing Services Inc. Applied Analytics

Areas Affected by Concentrated Foreclosures

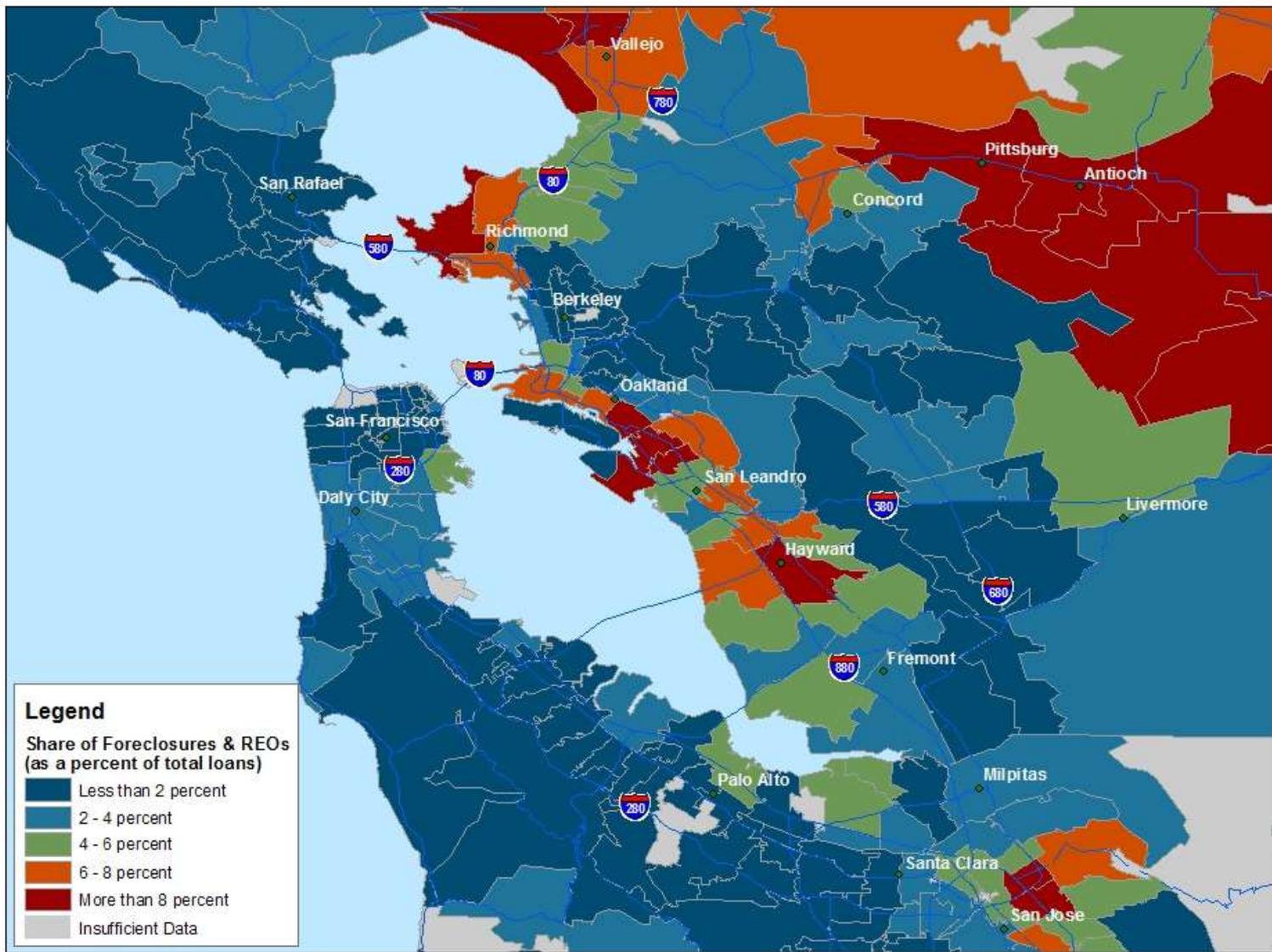
November 2009



Source: Lender Processing Services Inc. Applied Analytics

Areas Affected by Concentrated Foreclosures

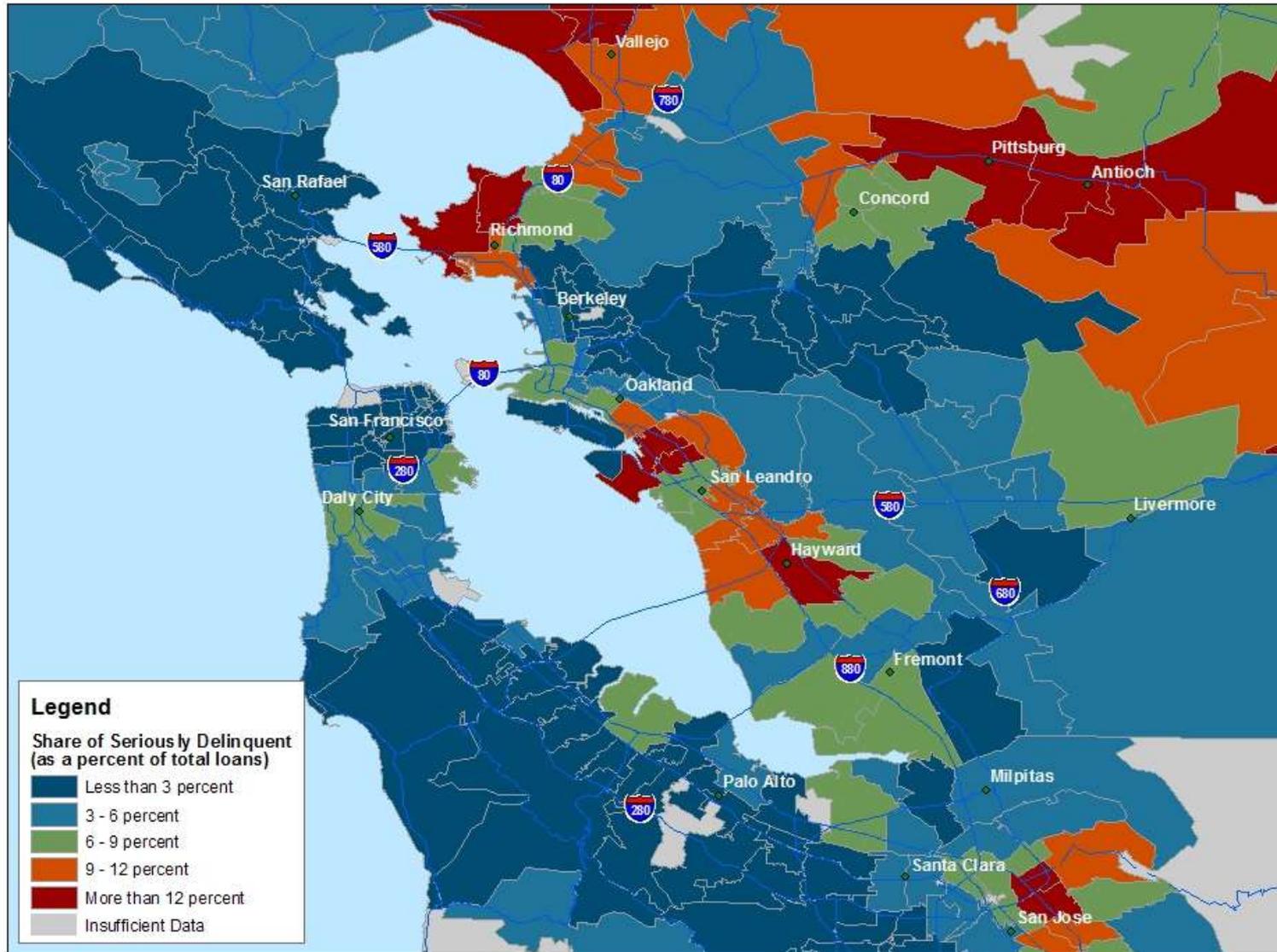
November 2009



Source: Lender Processing Services Inc. Applied Analytics

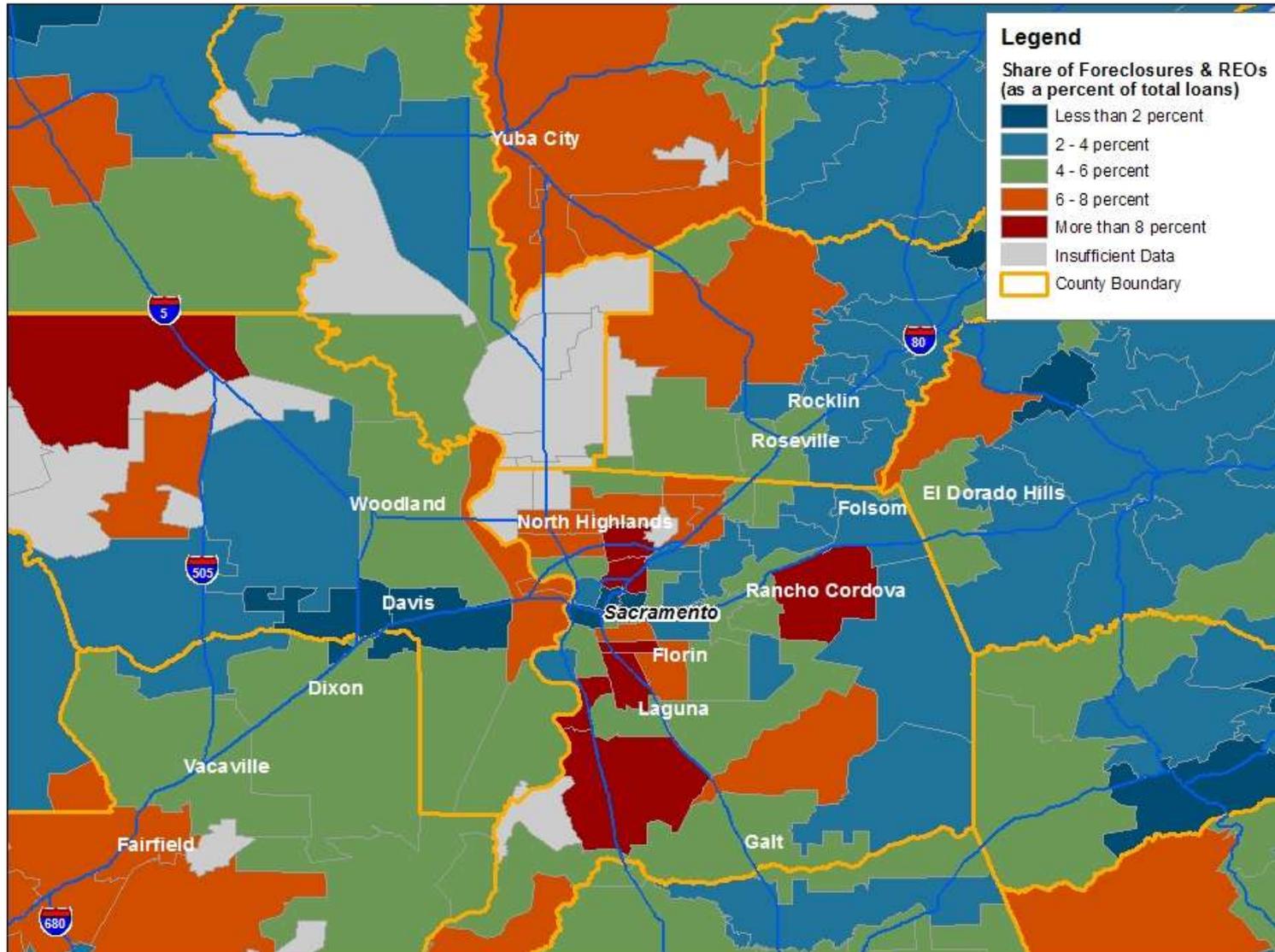
Areas at Risk of Additional Foreclosures

November 2009



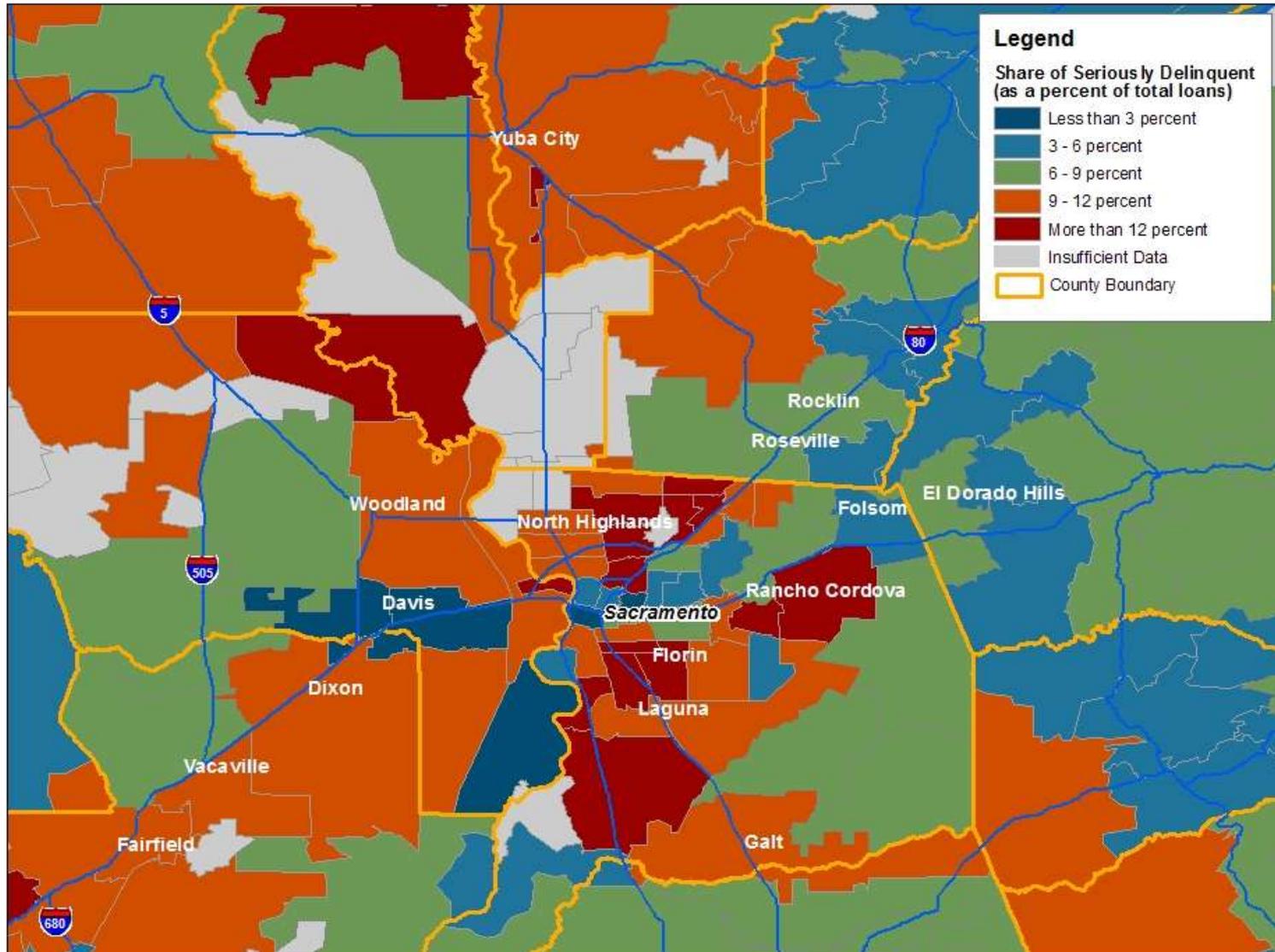
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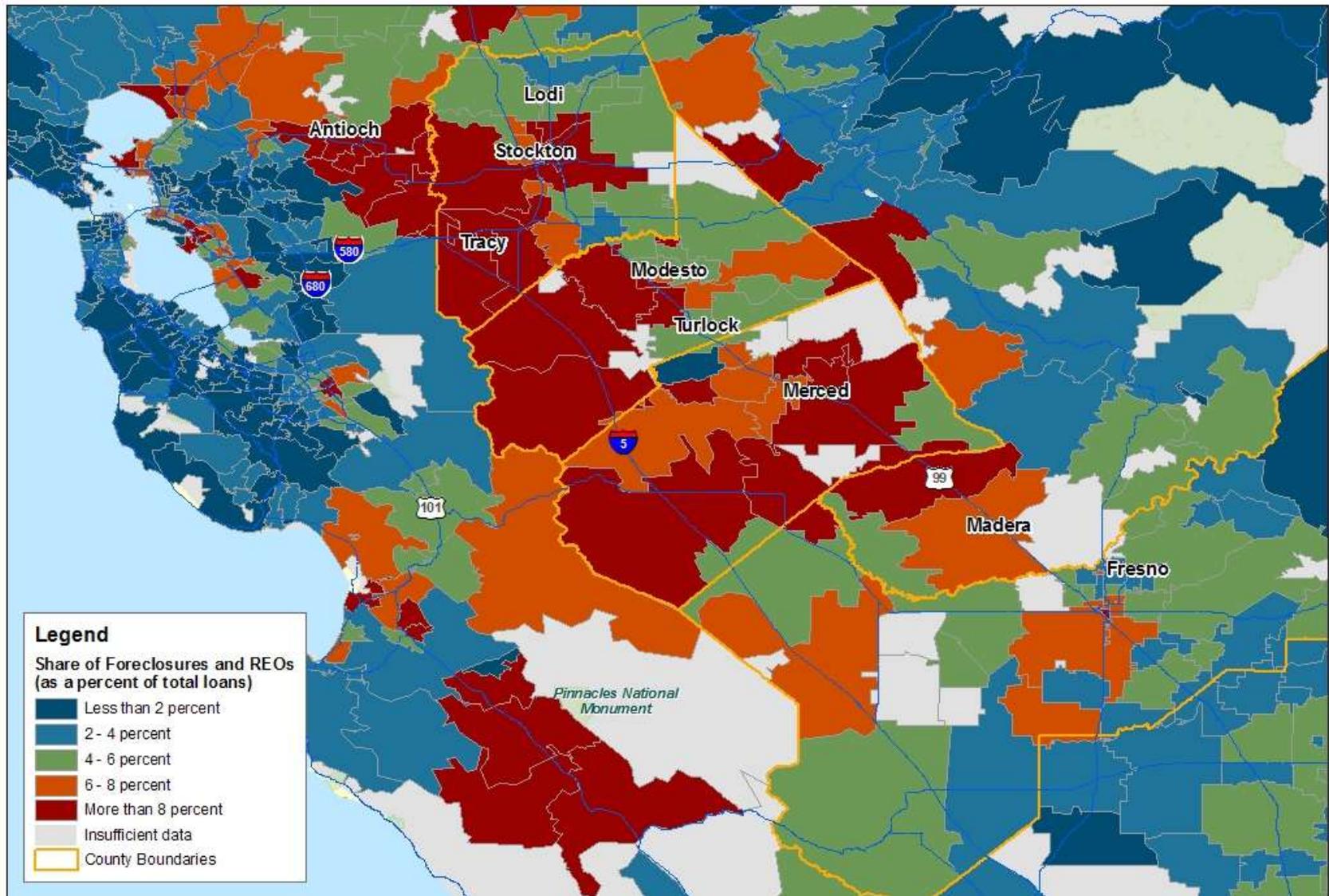
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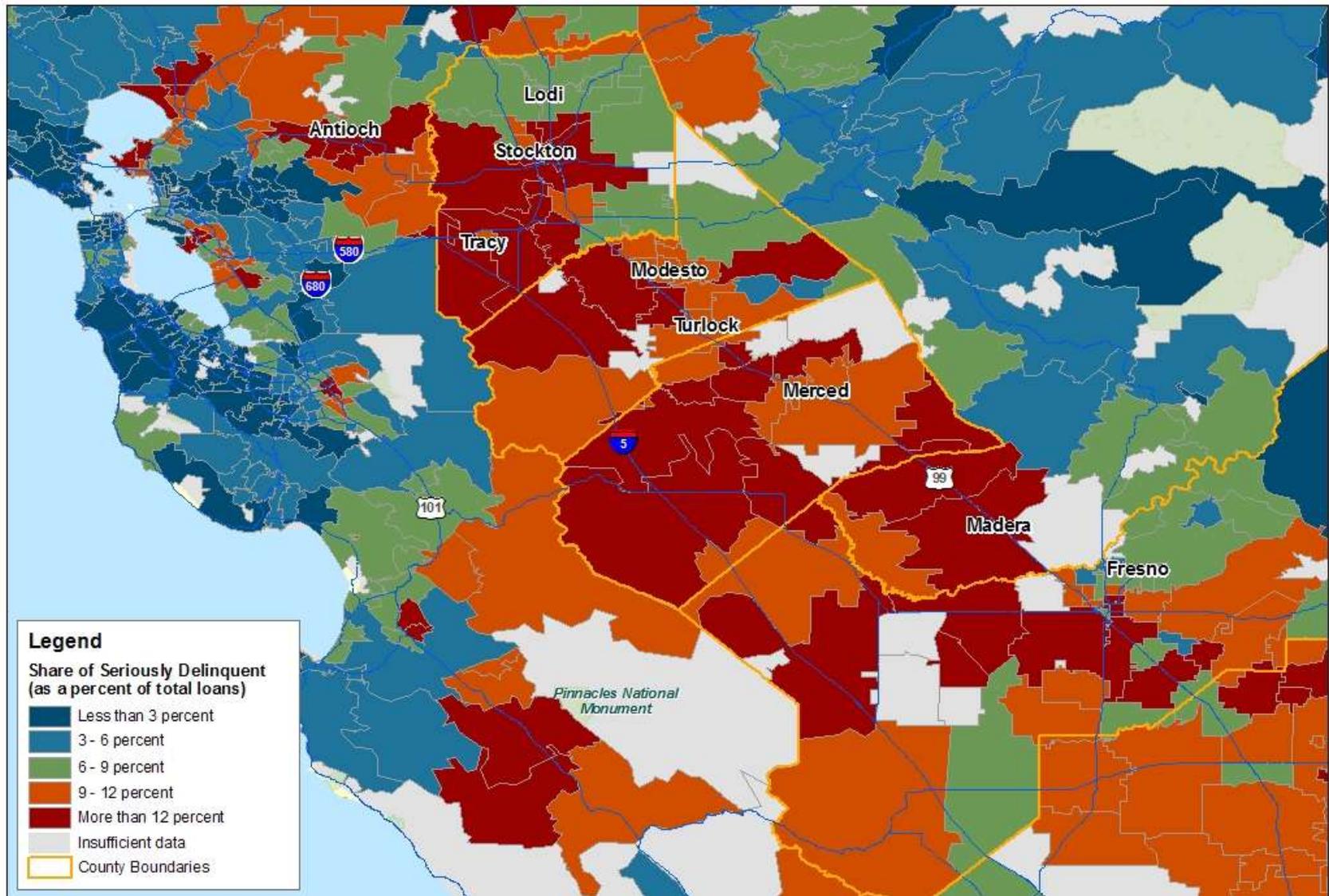
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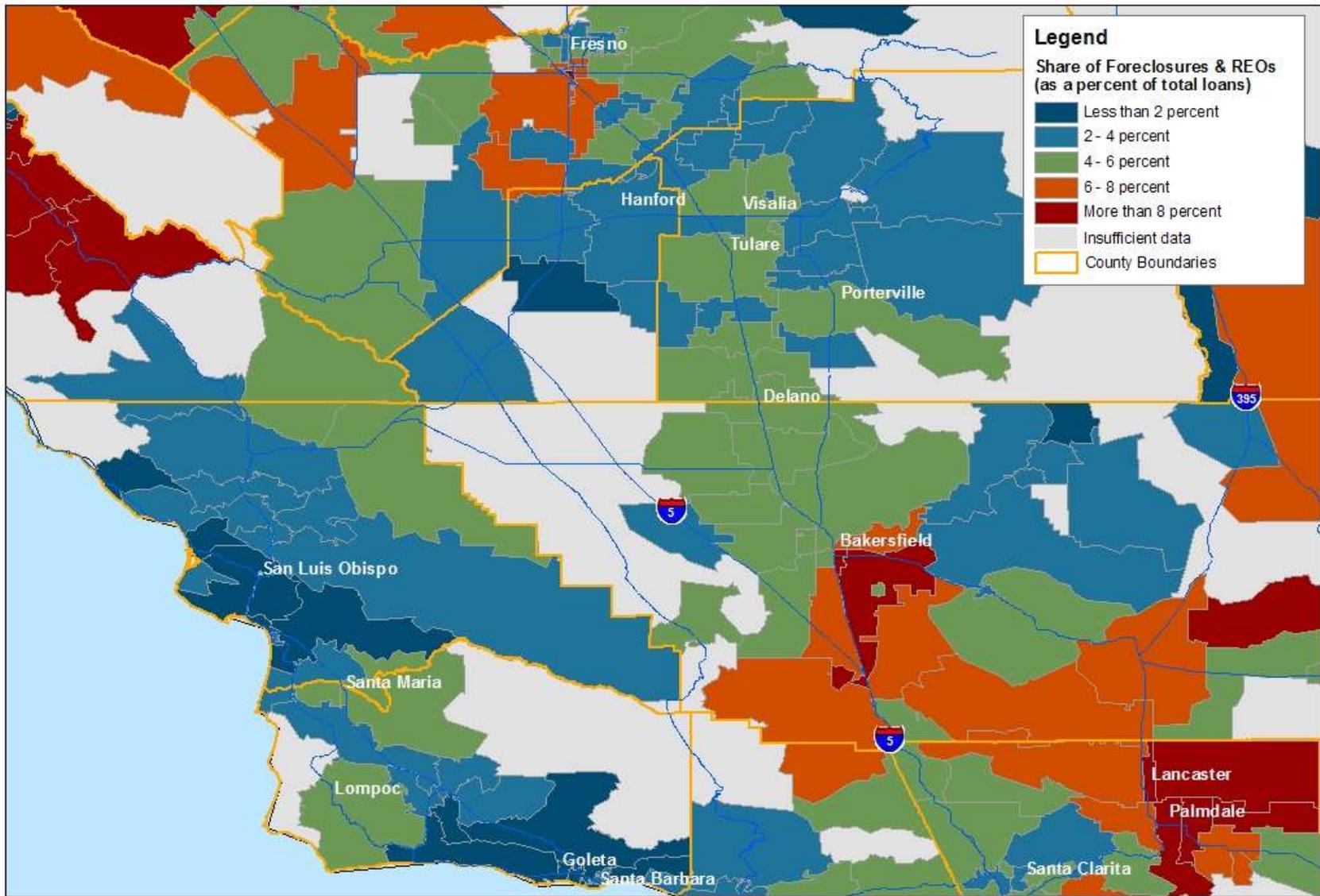
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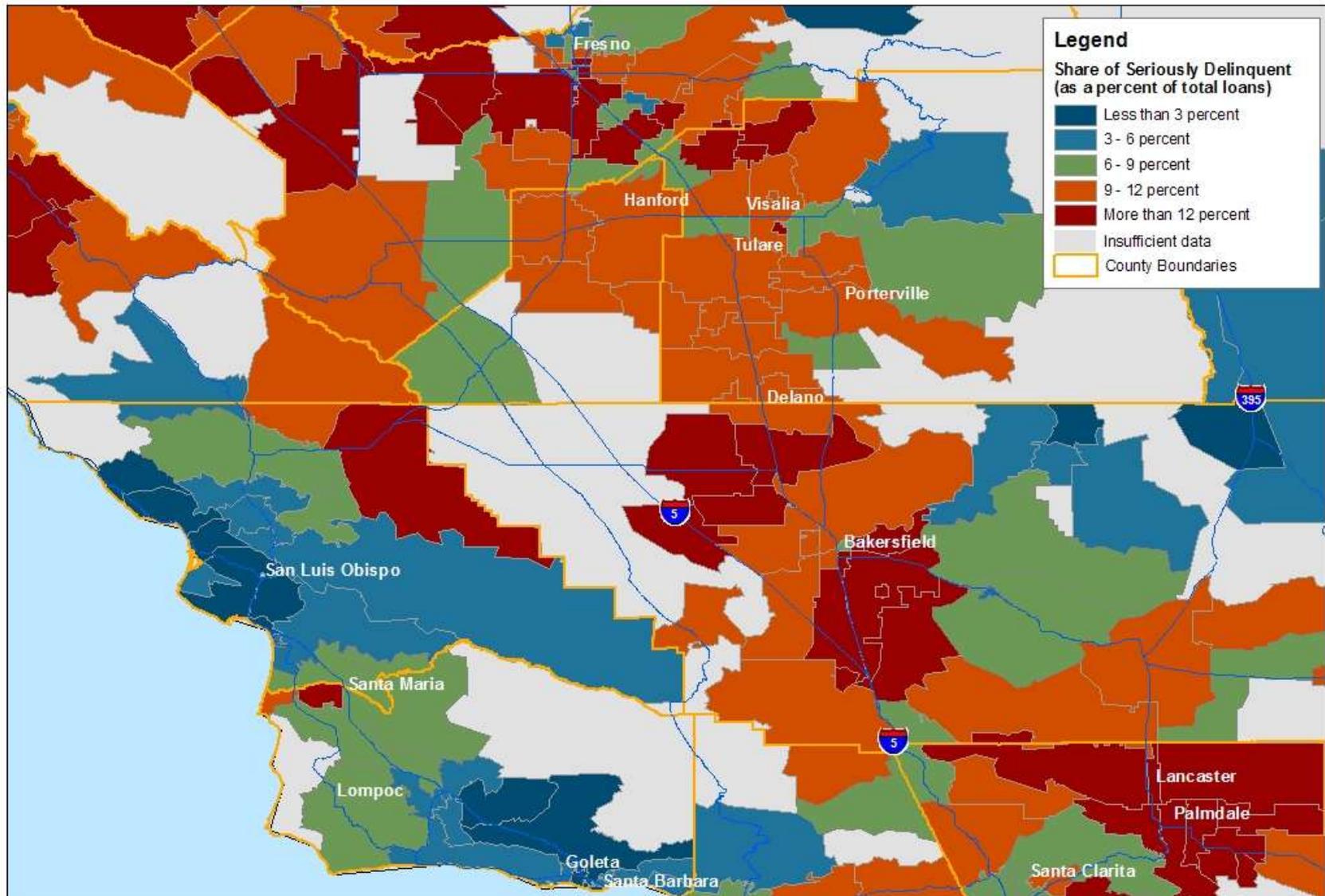
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Source: Lender Processing Services Inc. Applied Analytics

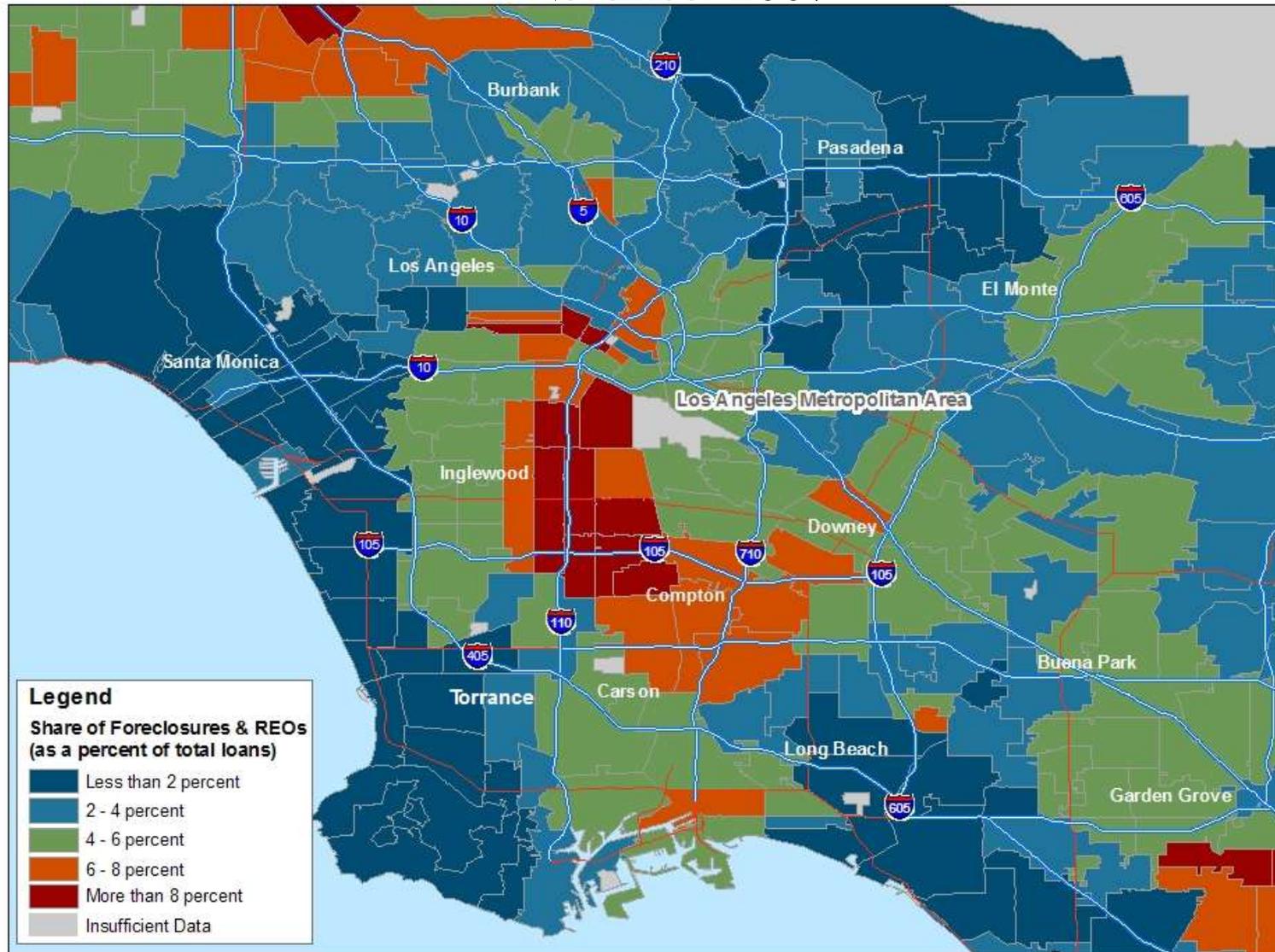
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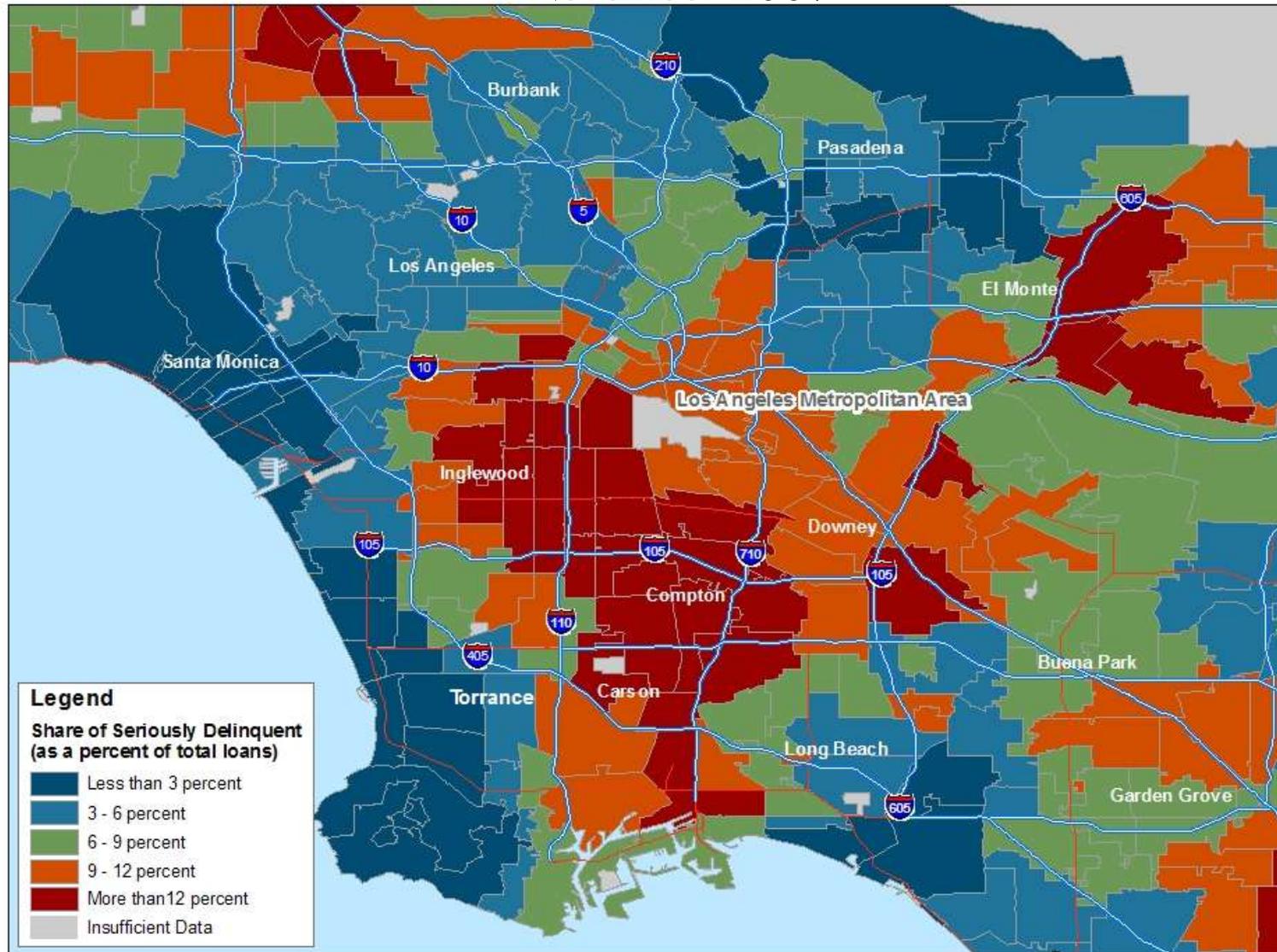
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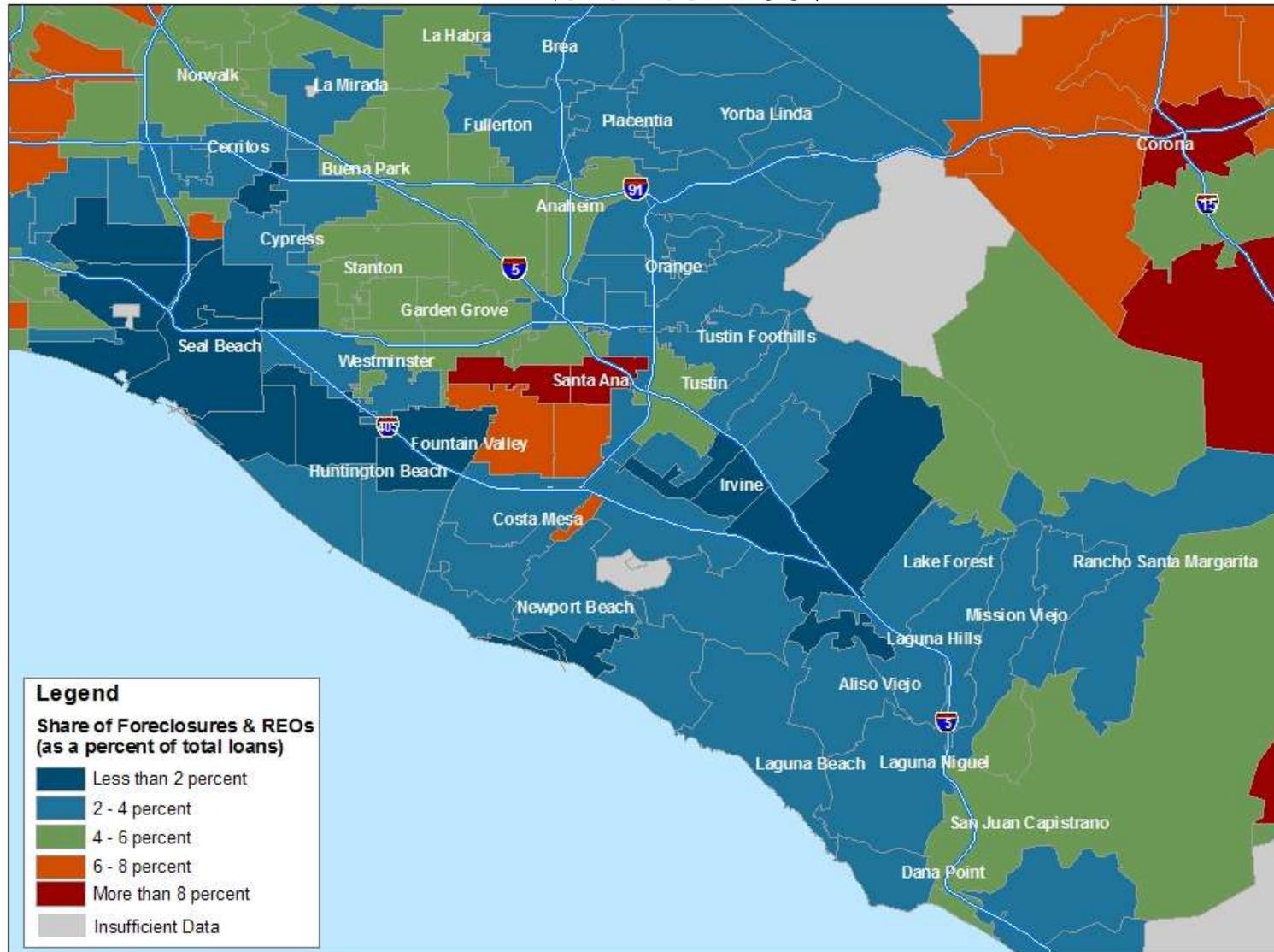
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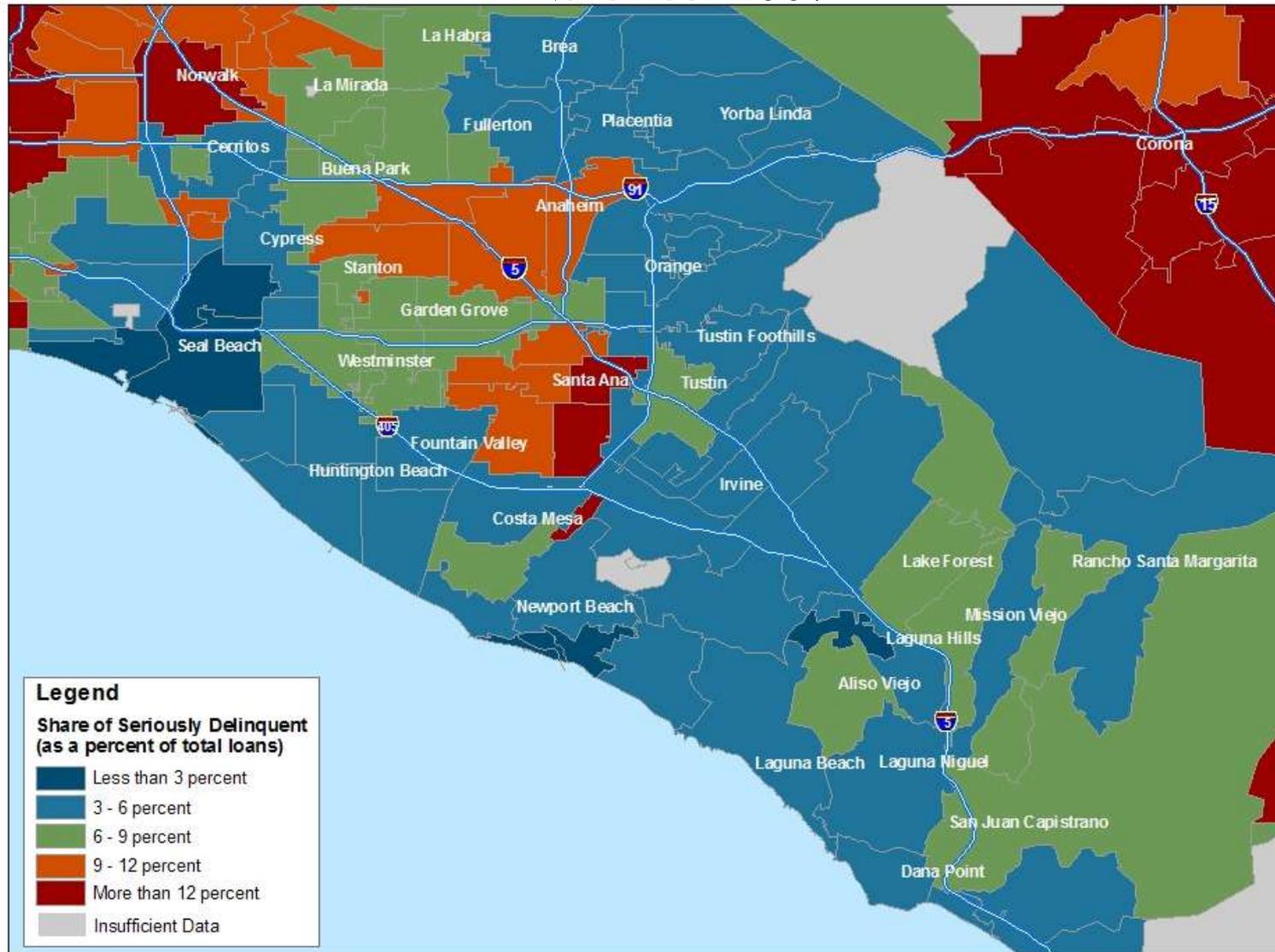
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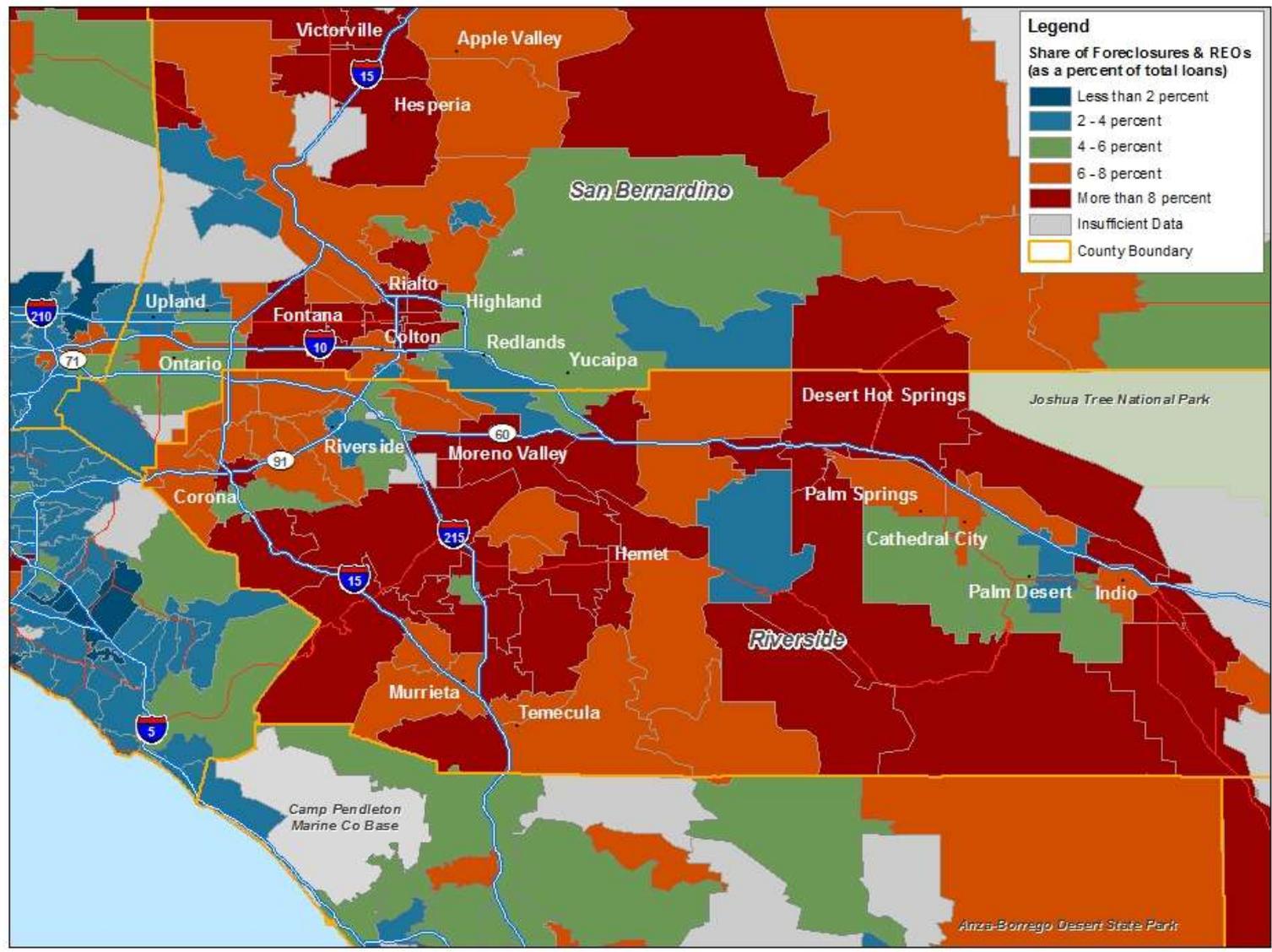
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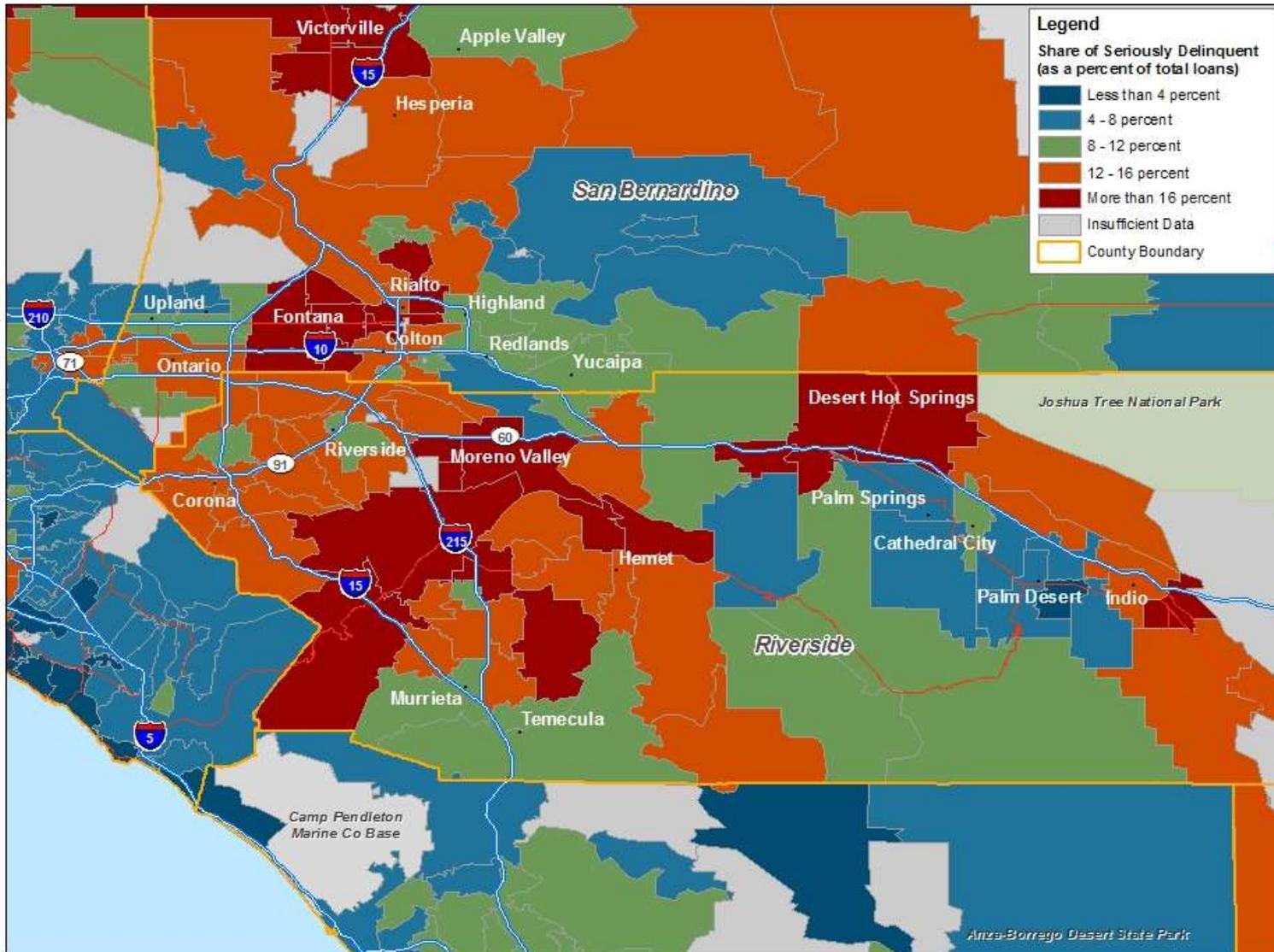
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Source: Lender Processing Services Inc. Applied Analytics

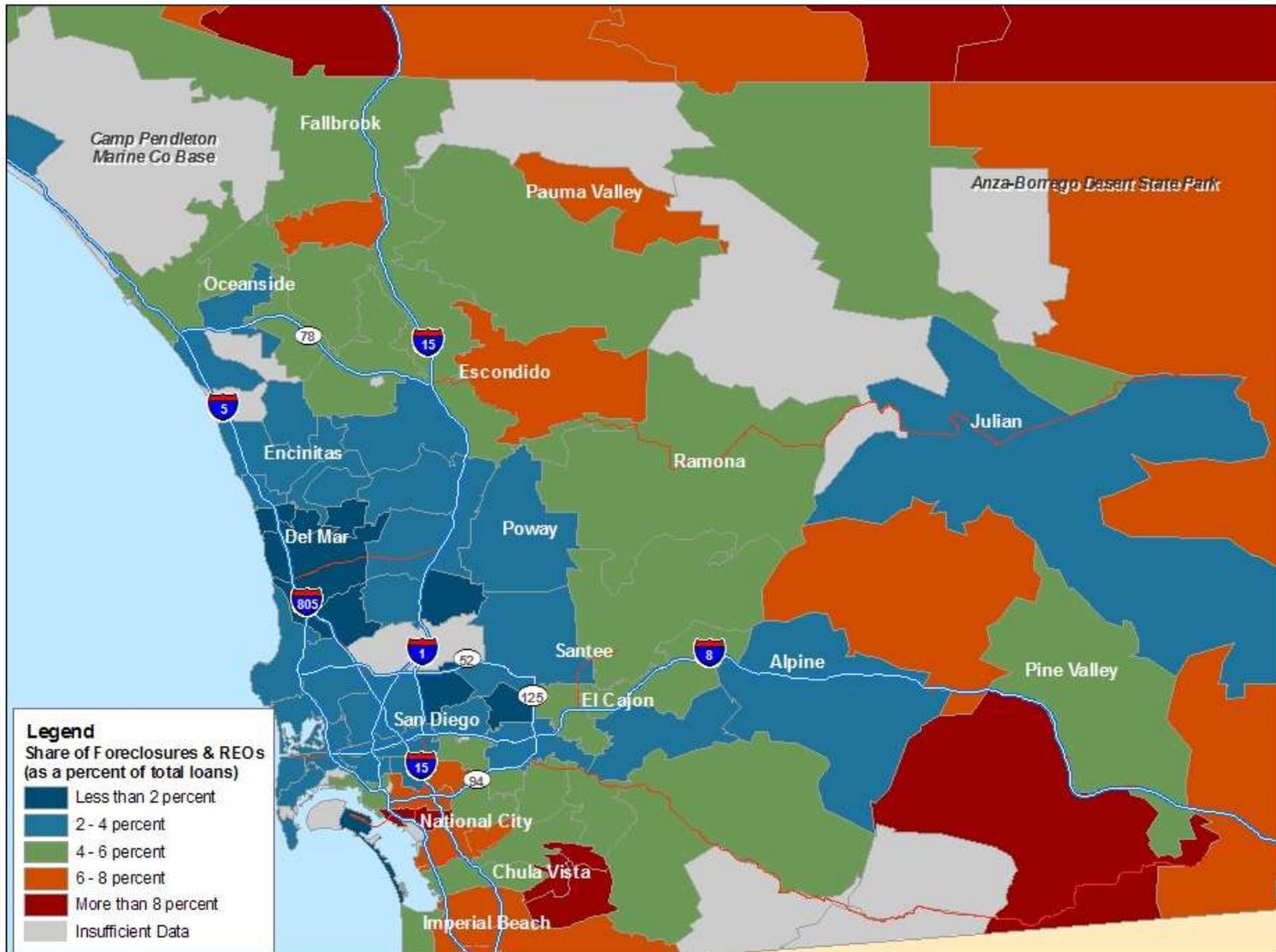
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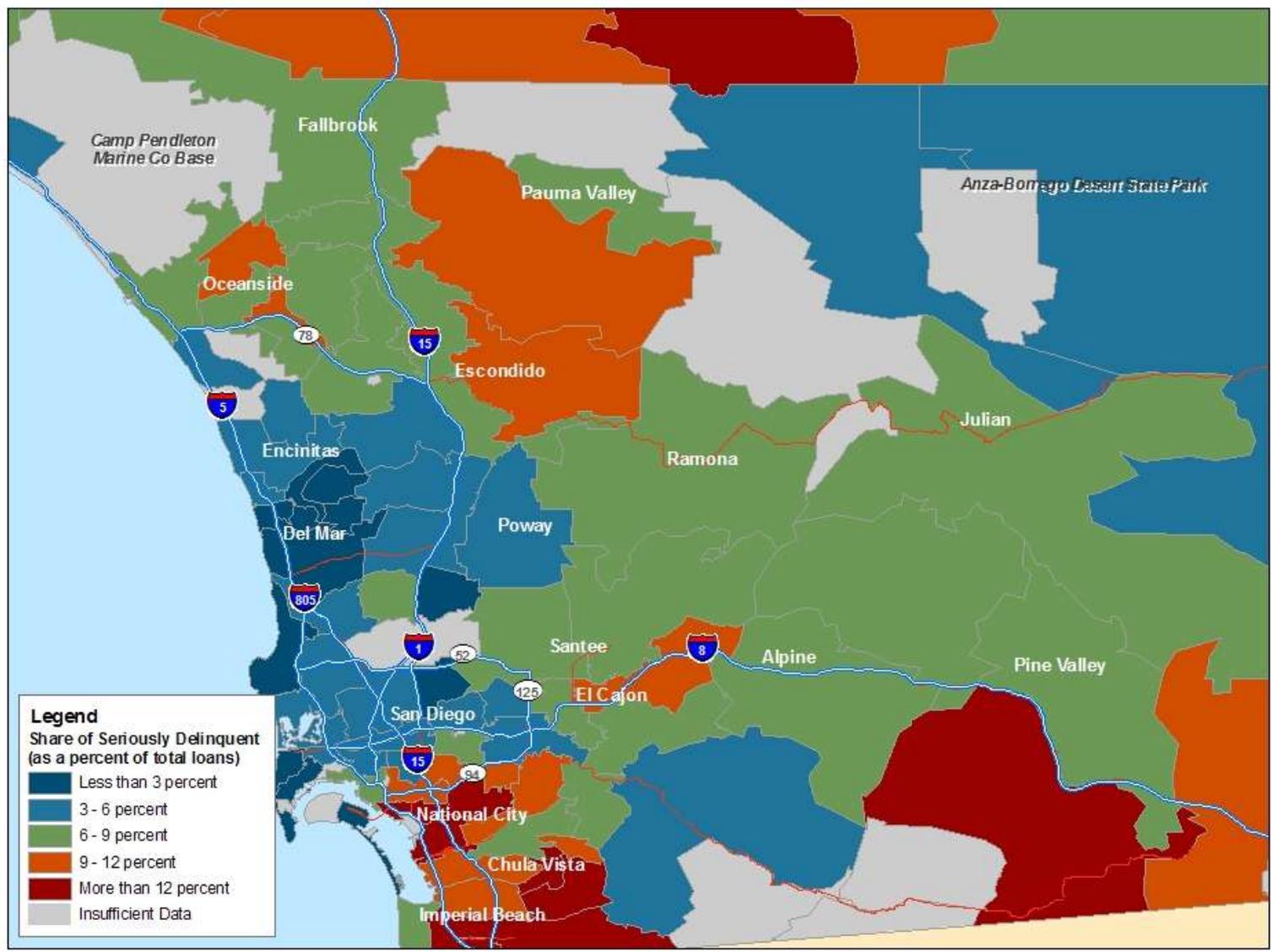
Areas Affected by Concentrated Foreclosures

November 2009



Neighborhoods at Risk of Additional Foreclosures

November 2009



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 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'. A sub-menu for 'Community Development' includes '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', '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 such as 'Marking Community Banker Assuring FDIC in Compliance with E.O. February 3' and 'Innovative Financial Services for the Underserved - Research Conference April 16 - 17 Washington D.C.'. At the bottom, there are sections for 'Programs and Information' (including CRA, Community Development Issues, and Center for Community Development Investments), 'Events and Conferences', 'Publications', and 'About Us'.

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