

# TRENDS IN DELINQUENCIES AND FORECLOSURES IN HAWAII

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# Outline of Presentation

- National Trends
  - ▣ Rising foreclosures
  - ▣ House price declines
  - ▣ Rising unemployment
- Hawaii
  - ▣ Trends in foreclosure
    - Increase in delinquencies and signs of borrower distress
  - ▣ Housing market softening
  - ▣ Rising unemployment, especially in tourism industry
  - ▣ Scale of loan modifications still falls short of need

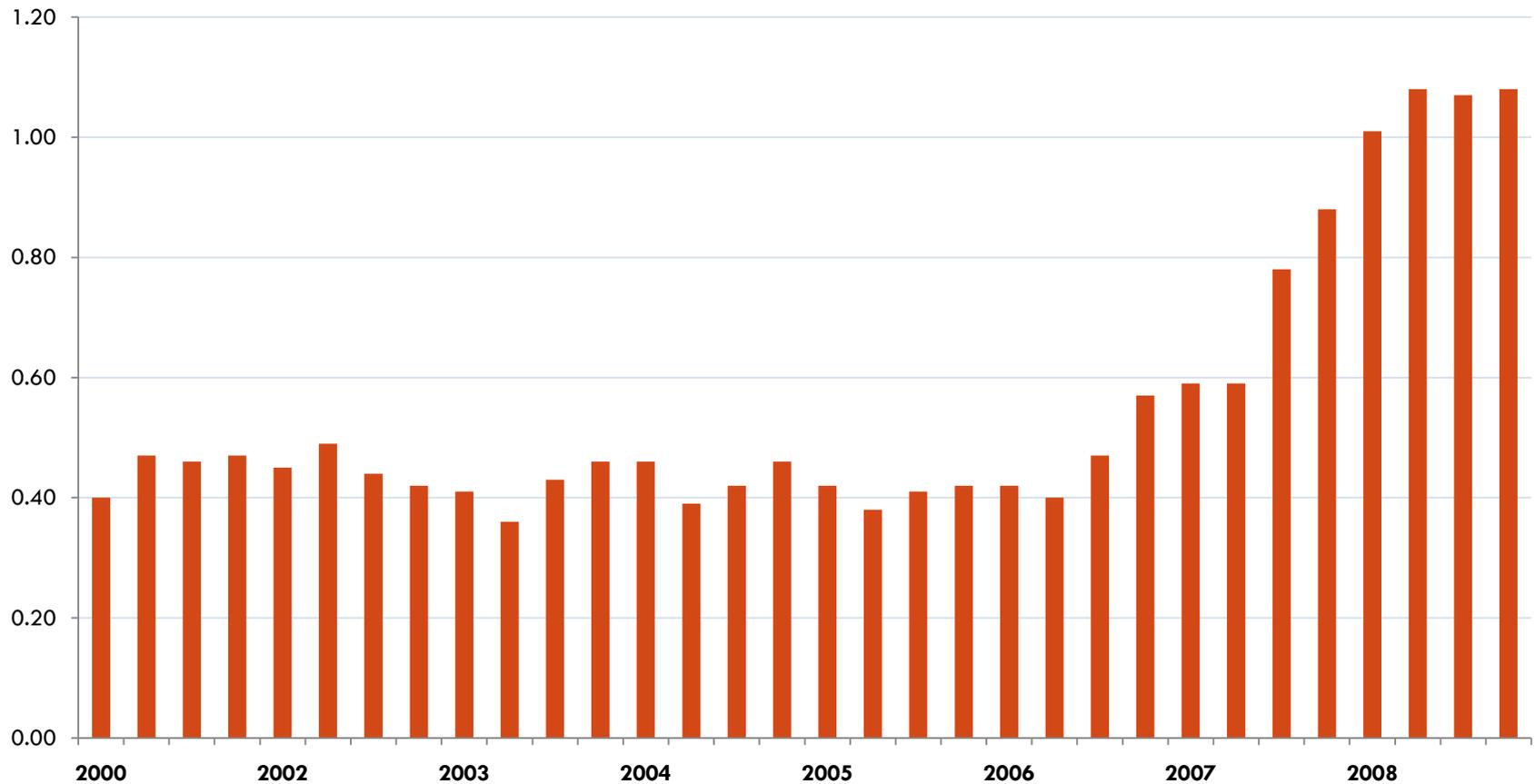
# National Trends

# National Trends

- Foreclosures rose steadily in 2008, with wide repercussions for US economy
  - After a slight decline in the national foreclosure rate in the 3<sup>rd</sup> Quarter of 2008, rose again in 4<sup>th</sup> Quarter
- Factors driving foreclosures nationally
  - House price declines
  - Rising unemployment, coupled with turmoil in financial and credit markets, may further influence foreclosure rate going forward

# National Foreclosure Starts Rose Again in 4th Quarter of 2008

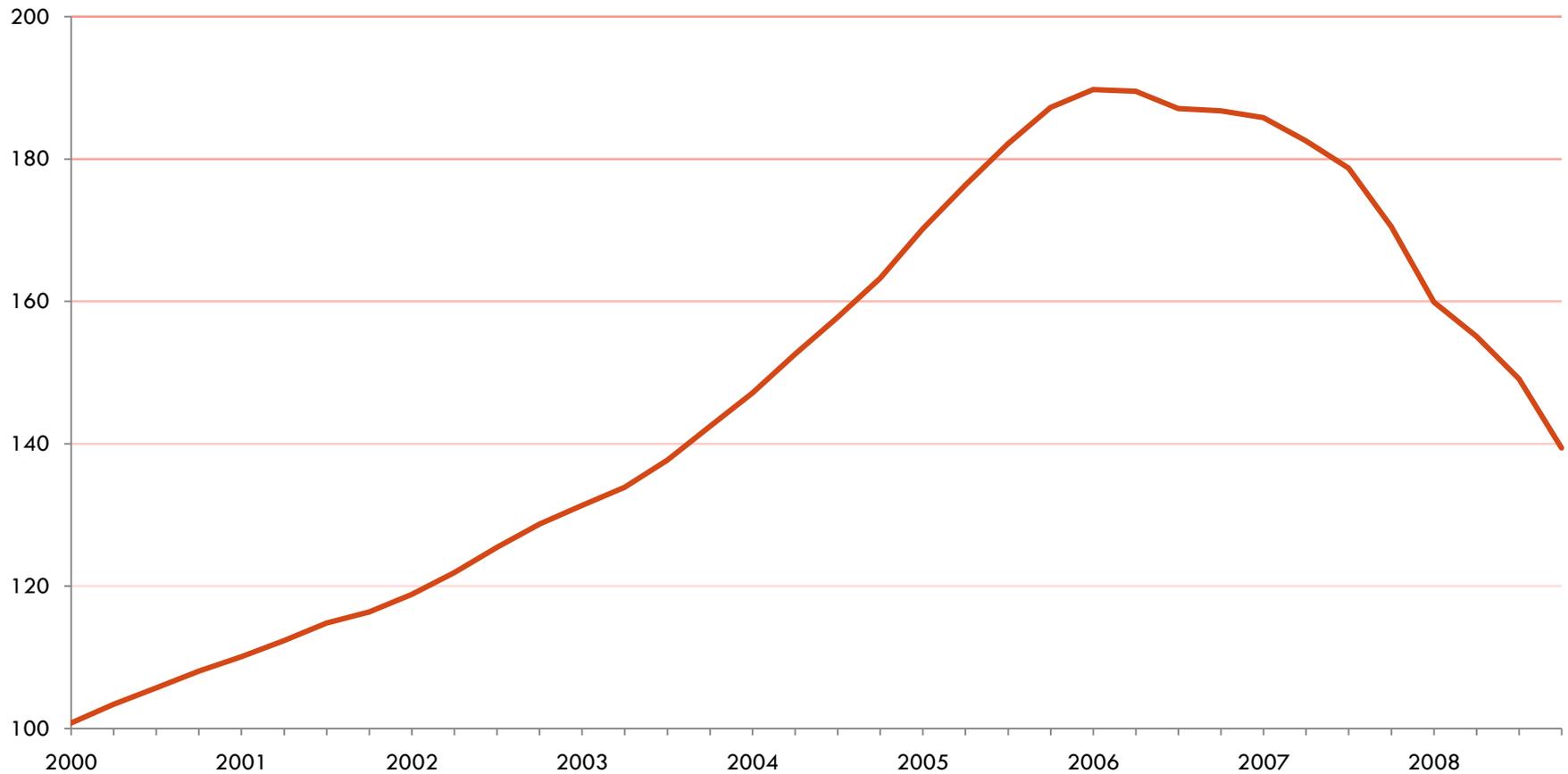
**National Foreclosures Starts**  
Percent of All Loans



Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008

# Nationally, House Prices Continue to Decline

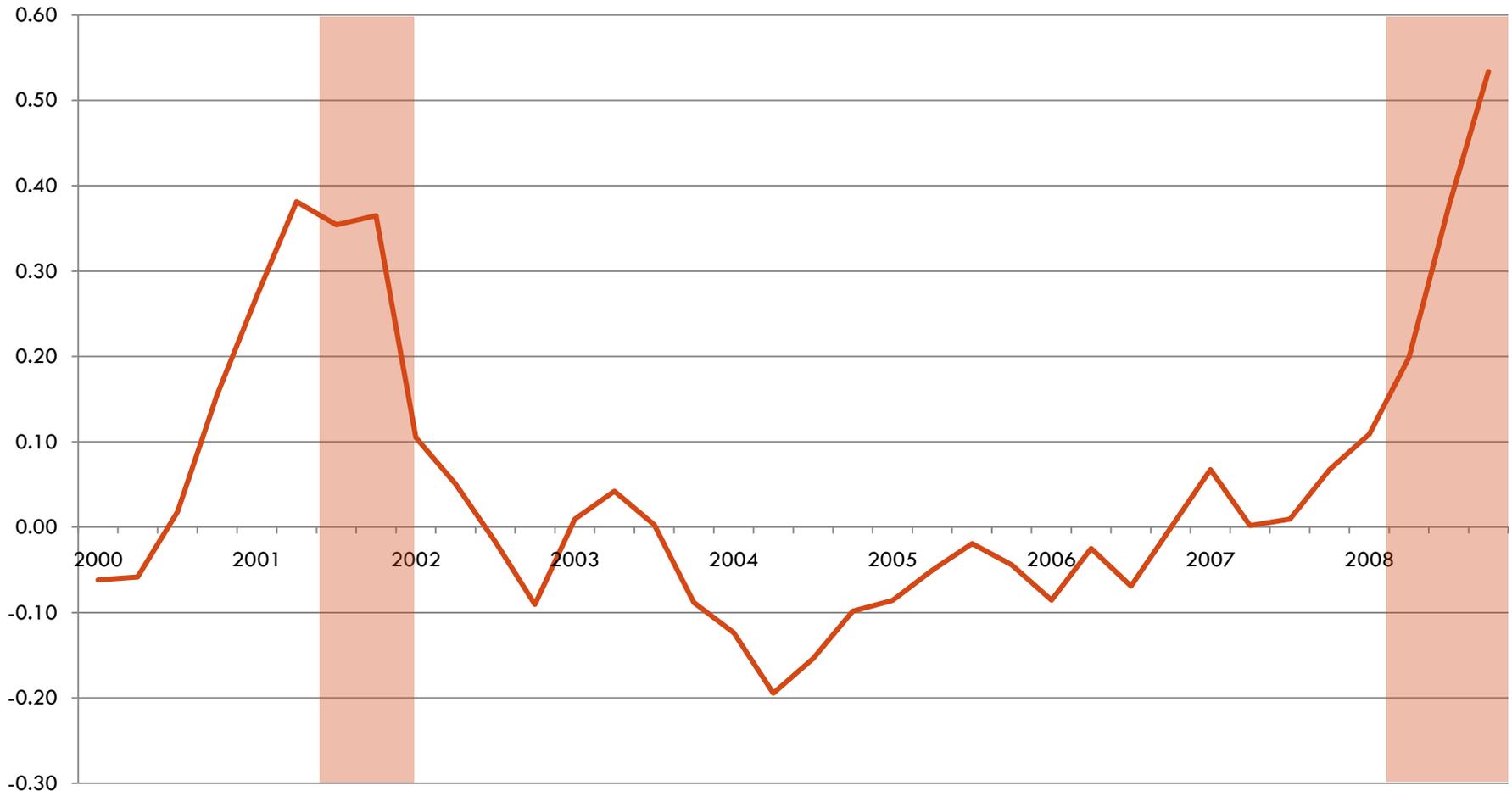
**Case-Shiller National House Price Index**  
(2000 = 100, quarterly)



Source: Case - Shiller Home Price Index, 4th Q 2008

# Recession Marks Significant Jump in National Unemployment Insurance Claims

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

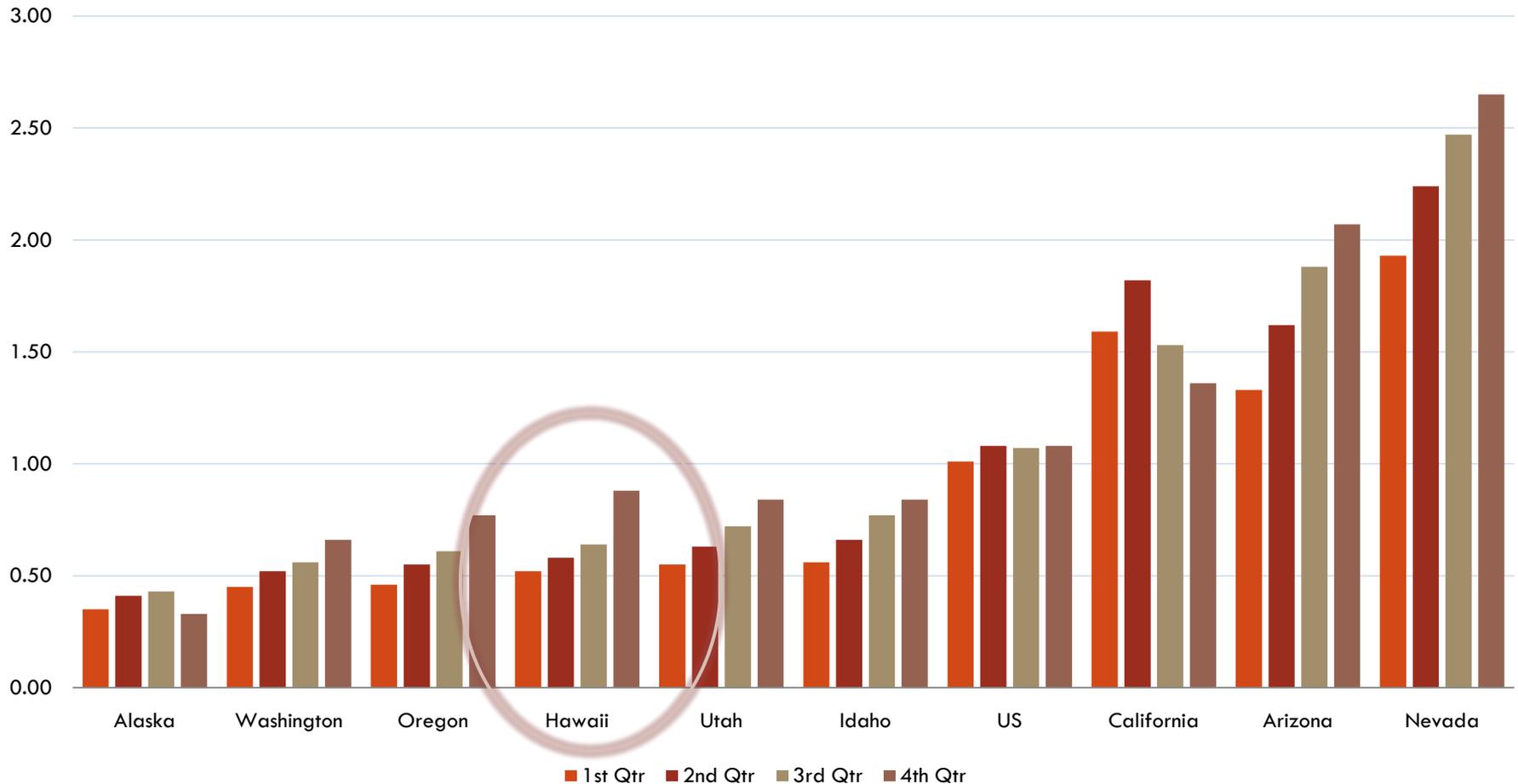


Source: Haver Analytics and FRBSF Calculations, annual percent change, 2000 Q3 - 2008 Q4

# Hawaii Trends

# Hawaii Saw Steady Rise in Foreclosures in 2008, but Still Below US Average

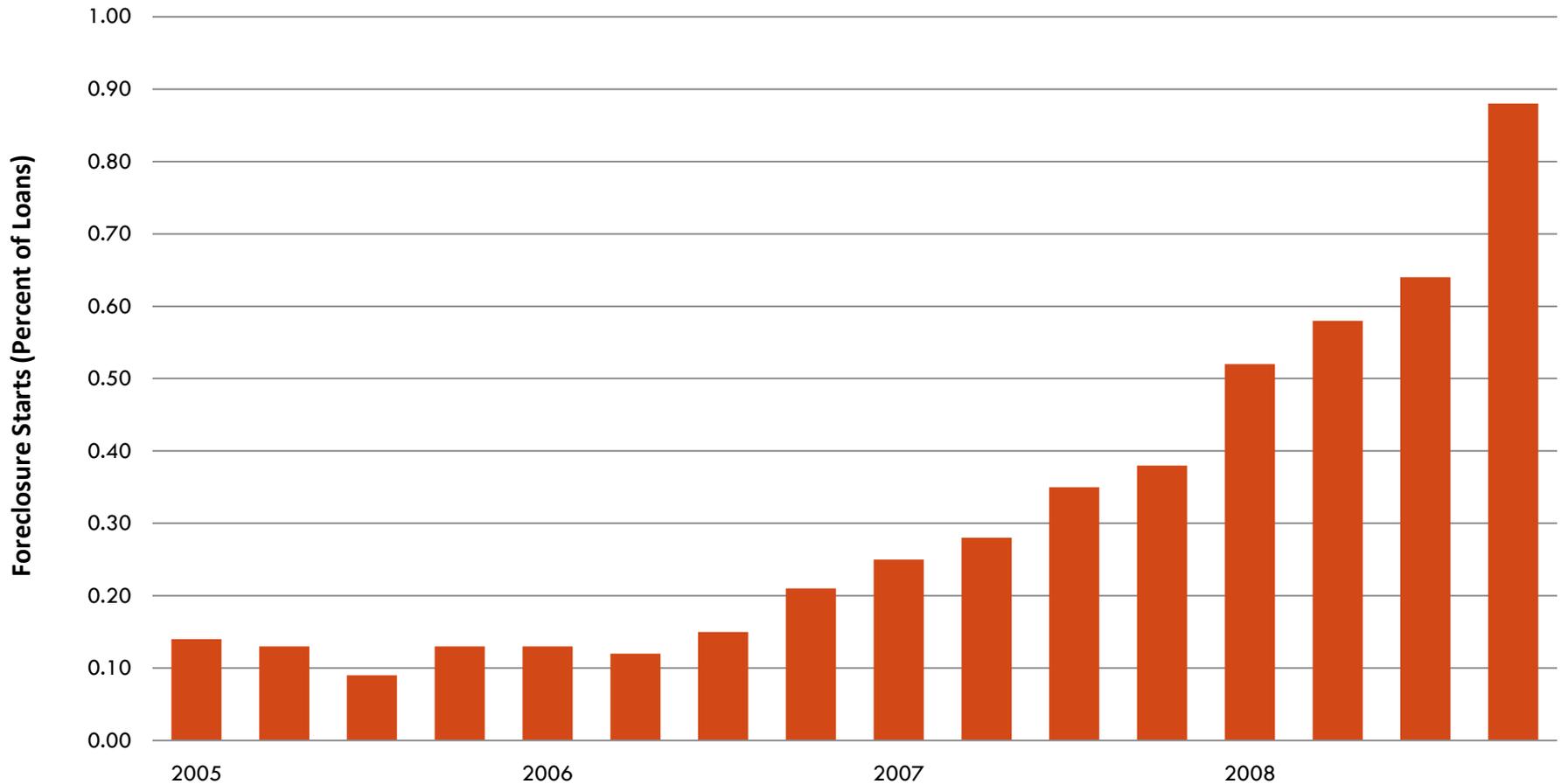
**Foreclosure Starts in 2008 (Percent of All Loans)**



Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008

# Hawaii Saw a Large Jump in Foreclosure Starts in the 4th Quarter of 2008

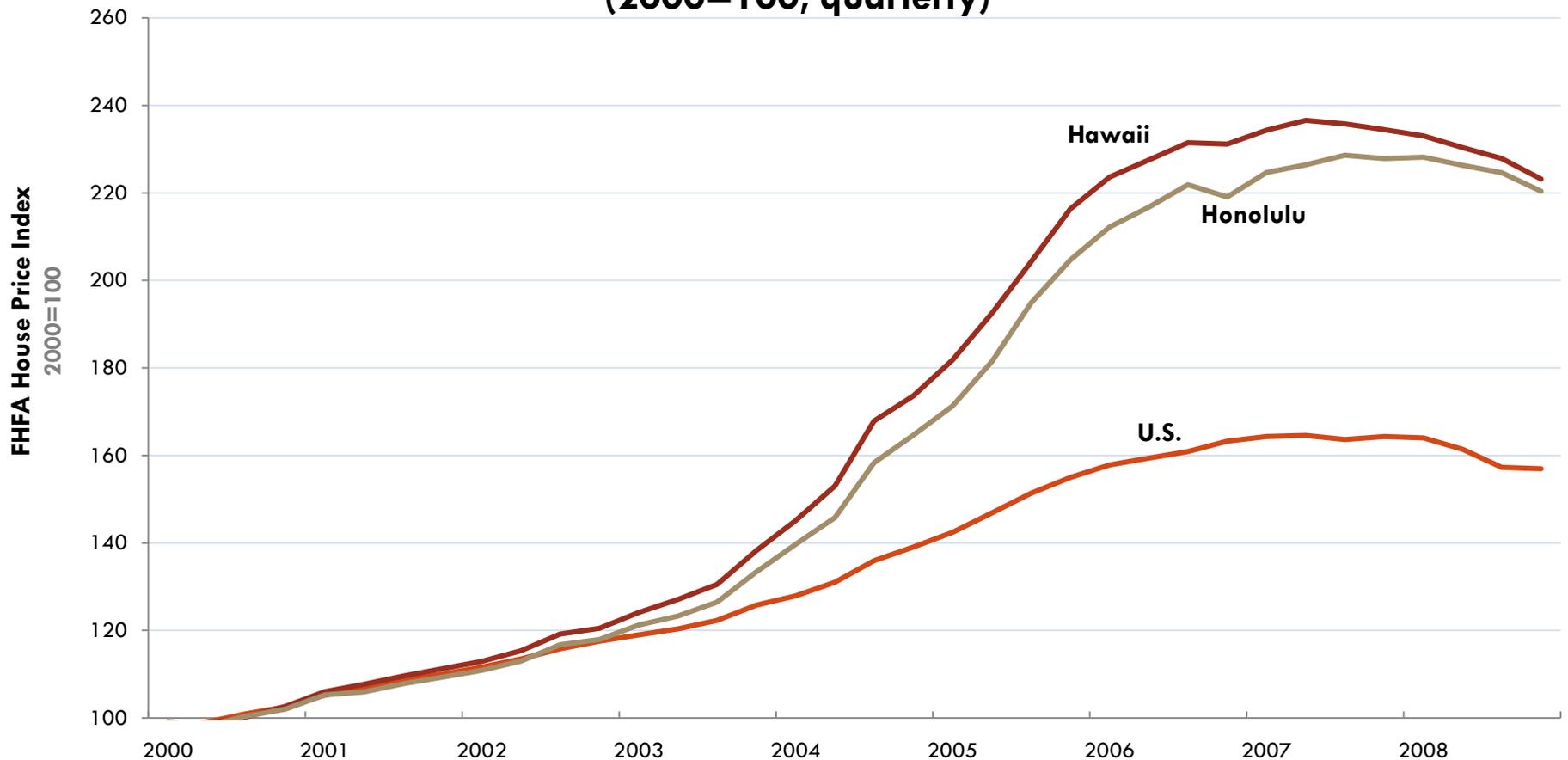
## Foreclosure Starts, Hawaii, 4th Quarter 2008



Source: Mortgage Bankers Association, National Delinquency Survey, 3<sup>rd</sup> Q 2008

# Continued Softening of Real Estate Market in 4<sup>th</sup> Quarter 2008

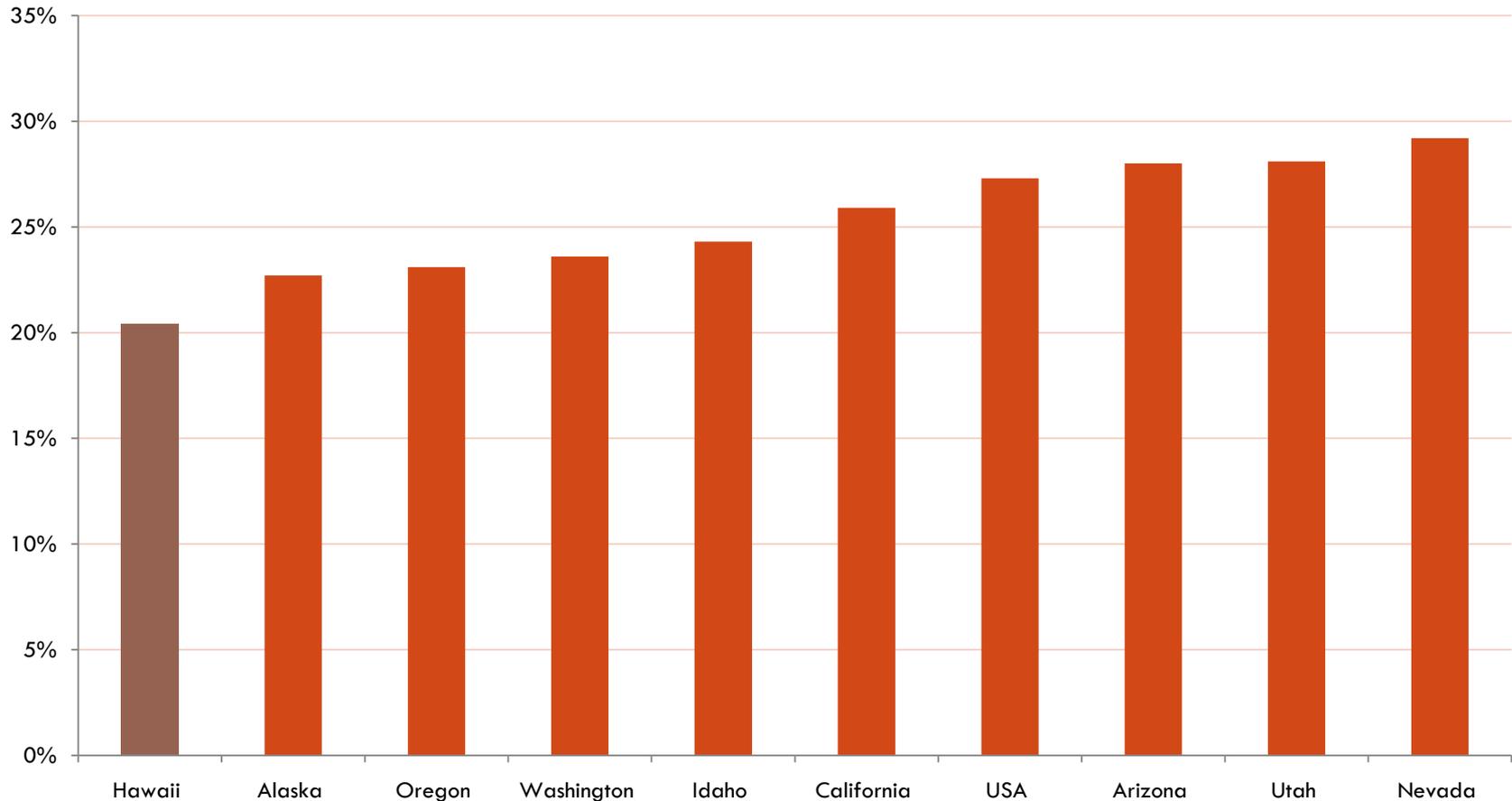
**FHFA (formerly OFHEO) House Price Index  
(2000=100, quarterly)**



Source: Federal Housing Finance Agency (formerly OFHEO), 4th Quarter 2008

# Hawaii Saw Lower Rates of High-Cost Lending During Subprime Boom than National Average

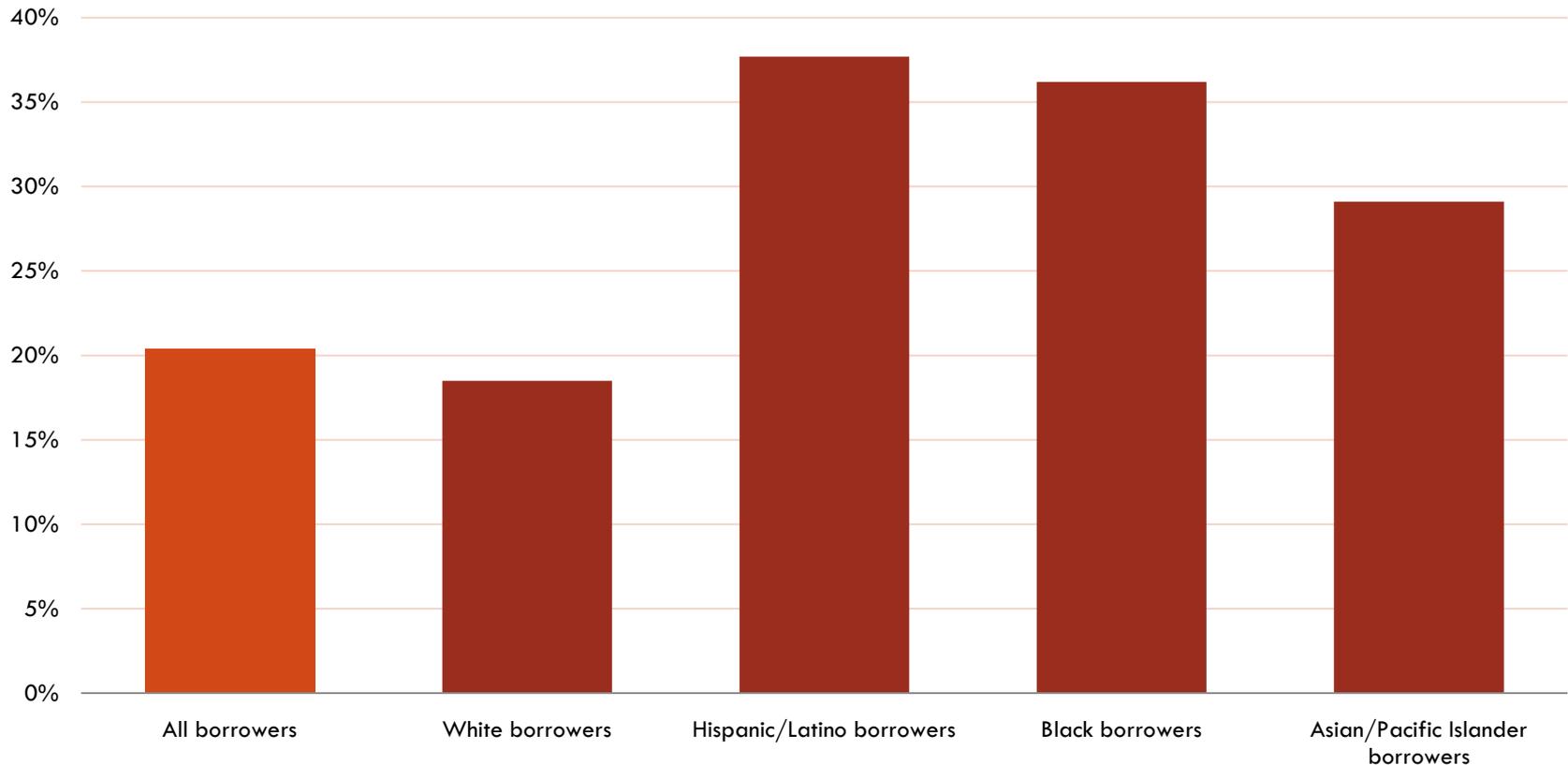
**Percent of All Borrowers with High Interest Conventional Loans, 2005**



Source: Home Mortgage Disclosure Act Data, 2005

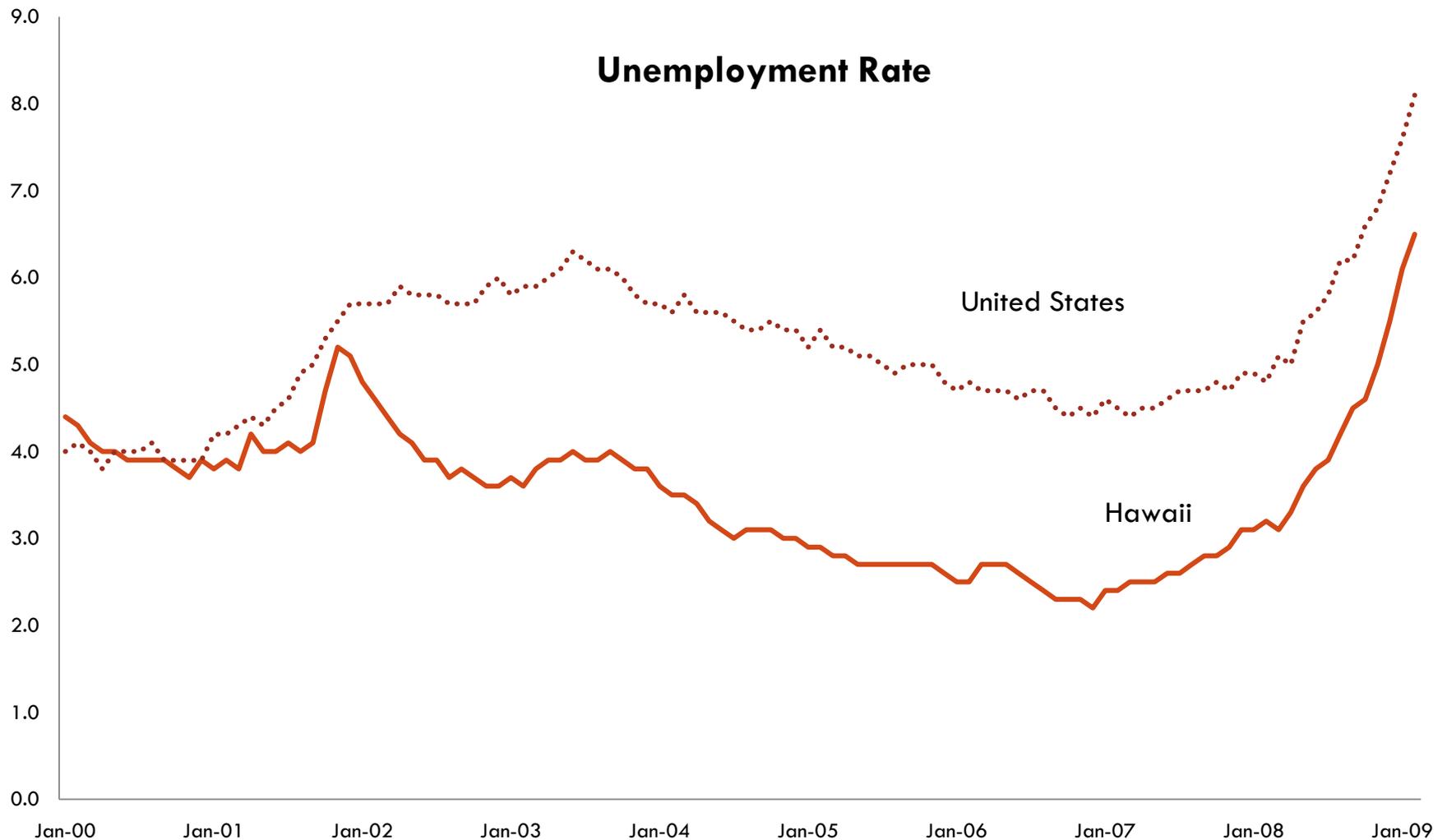
# High Cost Lending in Hawaii More Prevalent Among Minority Borrowers

**Hawaii: High Interest Conventional Loans by Race, 2005**



Source: Home Mortgage Disclosure Act Data, 2005

# Unemployment Rate on the Rise



Source: Bureau of Labor Statistics, February 2009

# Employment by Industry

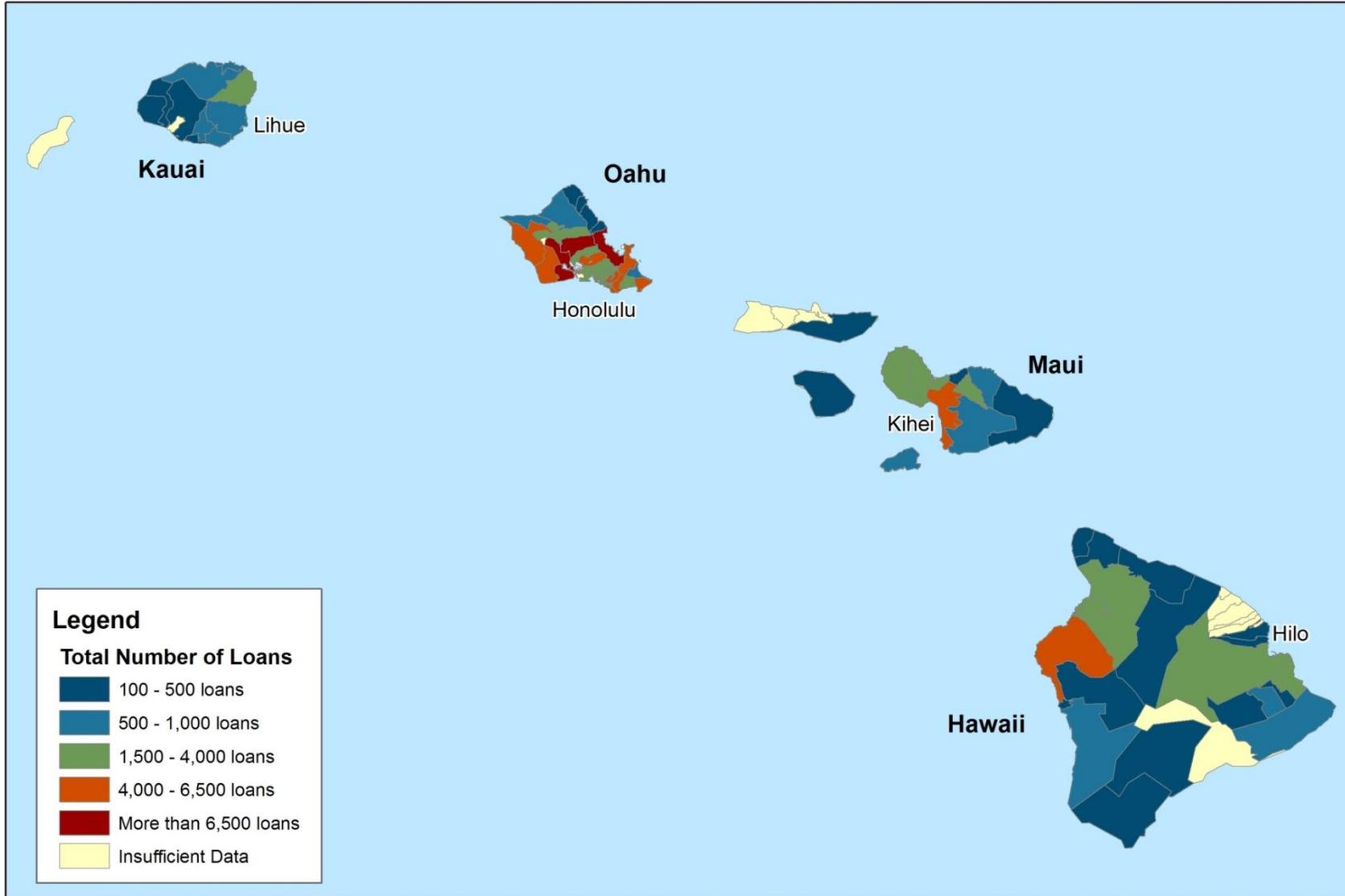
Hawaii	Total Employed (thousands)	Percent Change		
		Feb - 09	1-mo.*	3-mo.*
Total	607.4	-7.0	-4.2	-3.1
Government	125.1	-19.6	-15.6	1.5
Trade, Transportation & Utilities	114.5	-1.0	-4.1	-5.8
Leisure & Hospitality	103.3	-6.7	-3.4	-6.0
Educational & Health Svcs.	74.6	1.6	2.2	1.2
Professional & Business Svcs.	74.4	6.7	1.6	-2.5
Natural Resources, Mining & Construction	35.5	-26.0	-18.0	-9.9
Financial Activities	28.8	-11.7	-2.7	-3.4
Other Services	27.1	14.3	0.0	-1.1
Manufacturing	14.5	-4.9	-2.8	-4.6
Information	9.6	-26.8	0.3	-5.0

Source: Bureau of Labor Statistics, February 2009; \*Annualized.

# Hawaii Foreclosure Maps

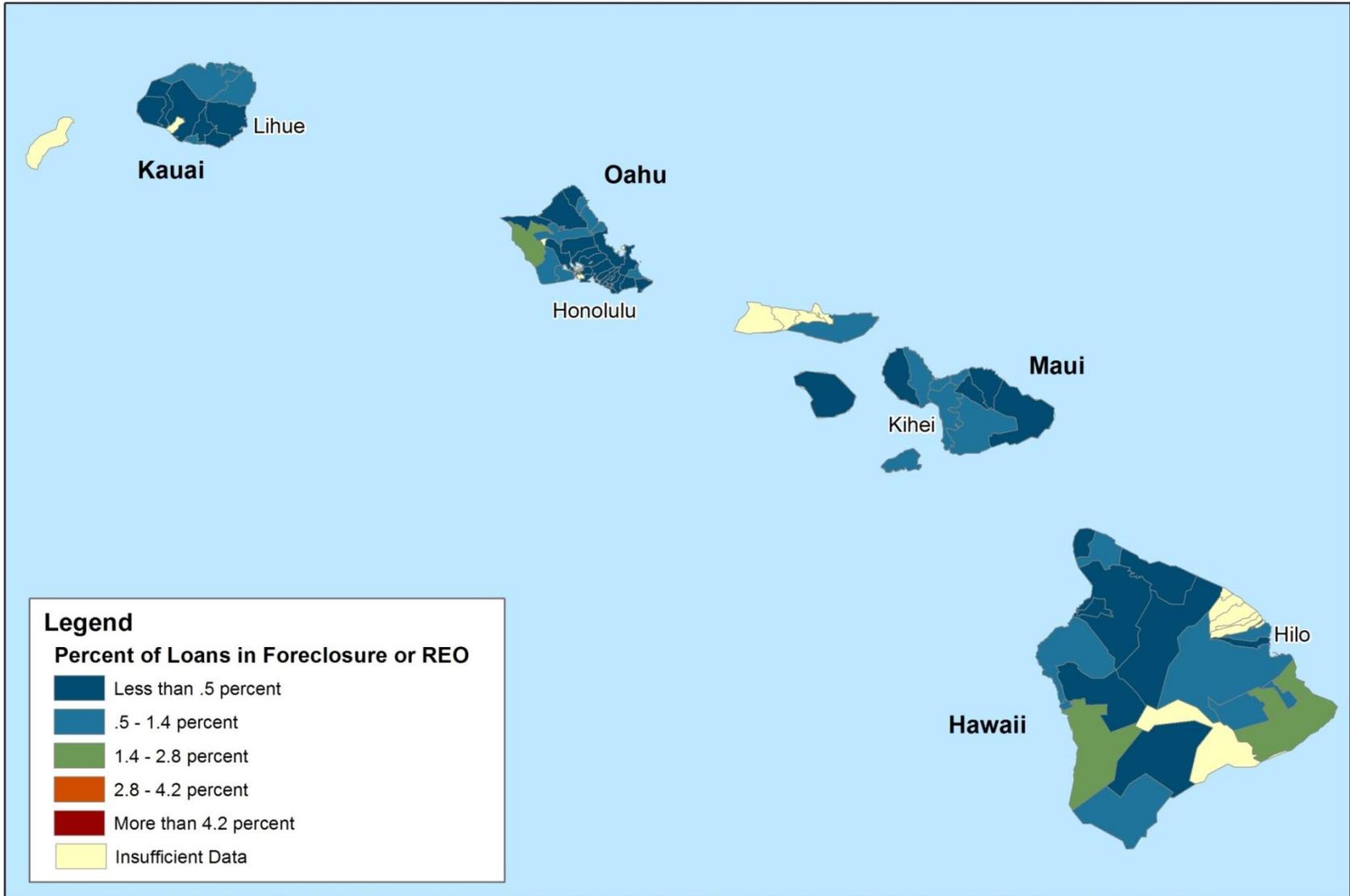
# Distribution of Lending Volumes

September 2007



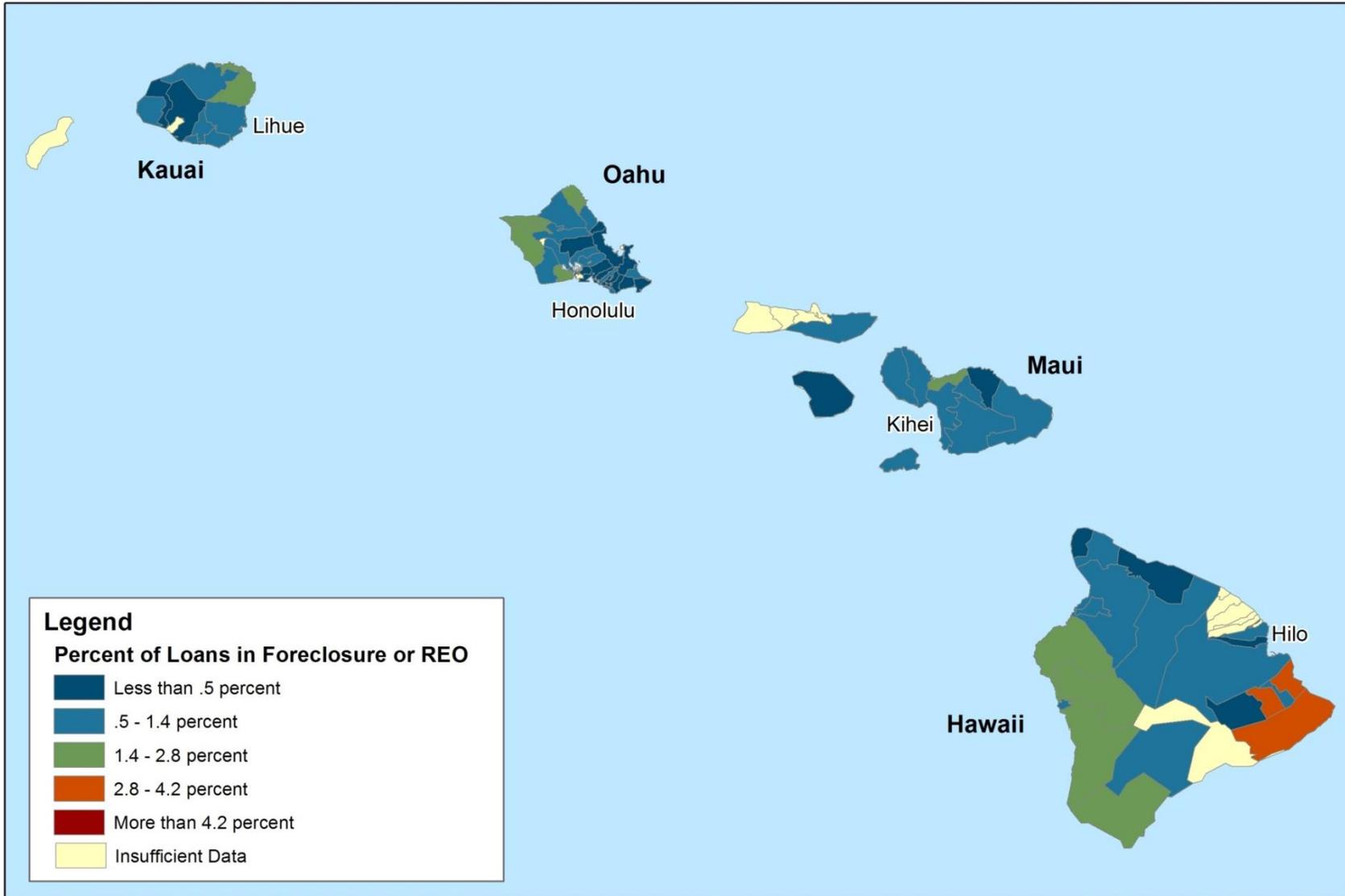
# Areas Affected by Concentrated Foreclosures

September 2007



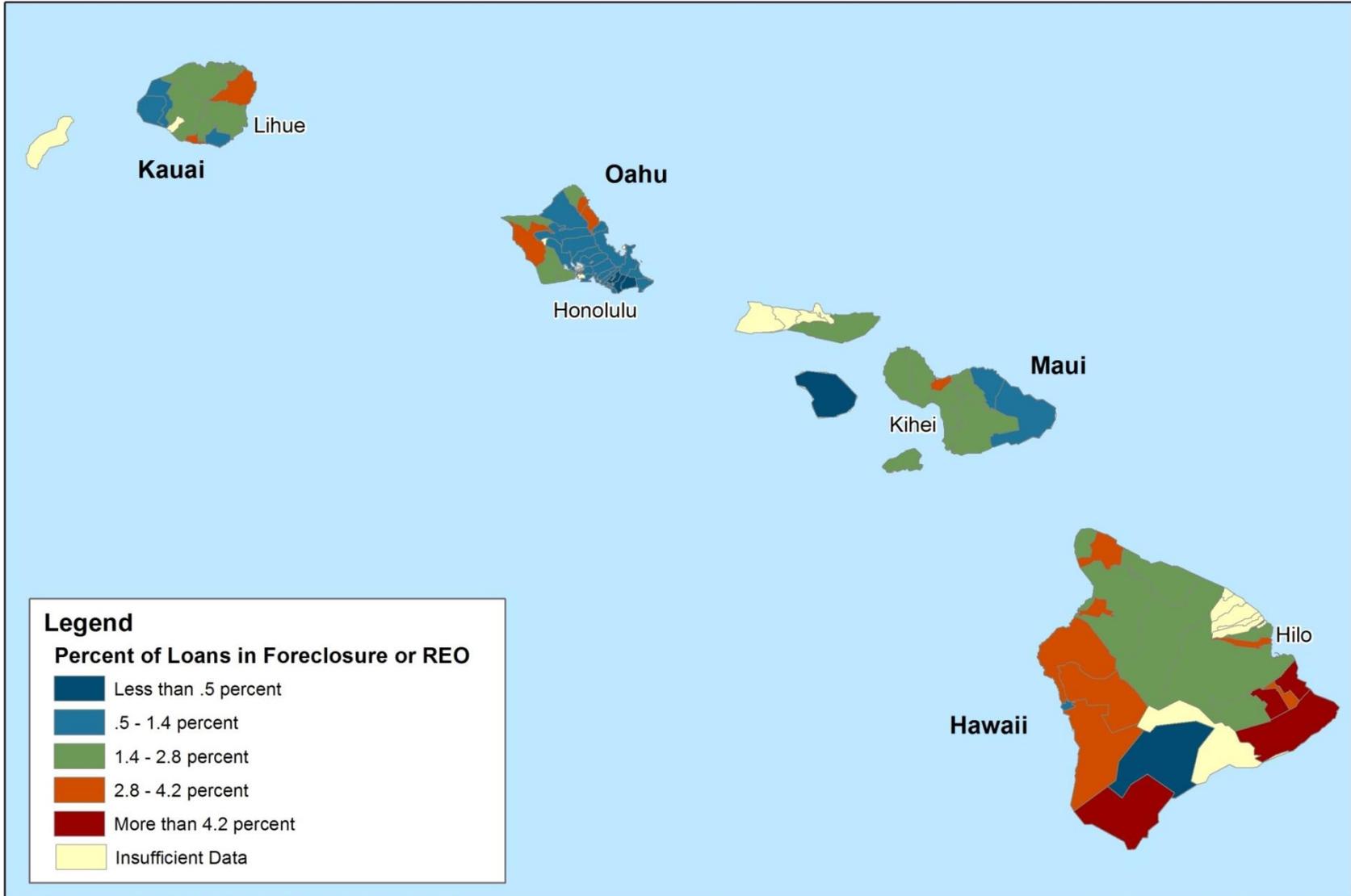
# Areas Affected by Concentrated Foreclosures

April 2008



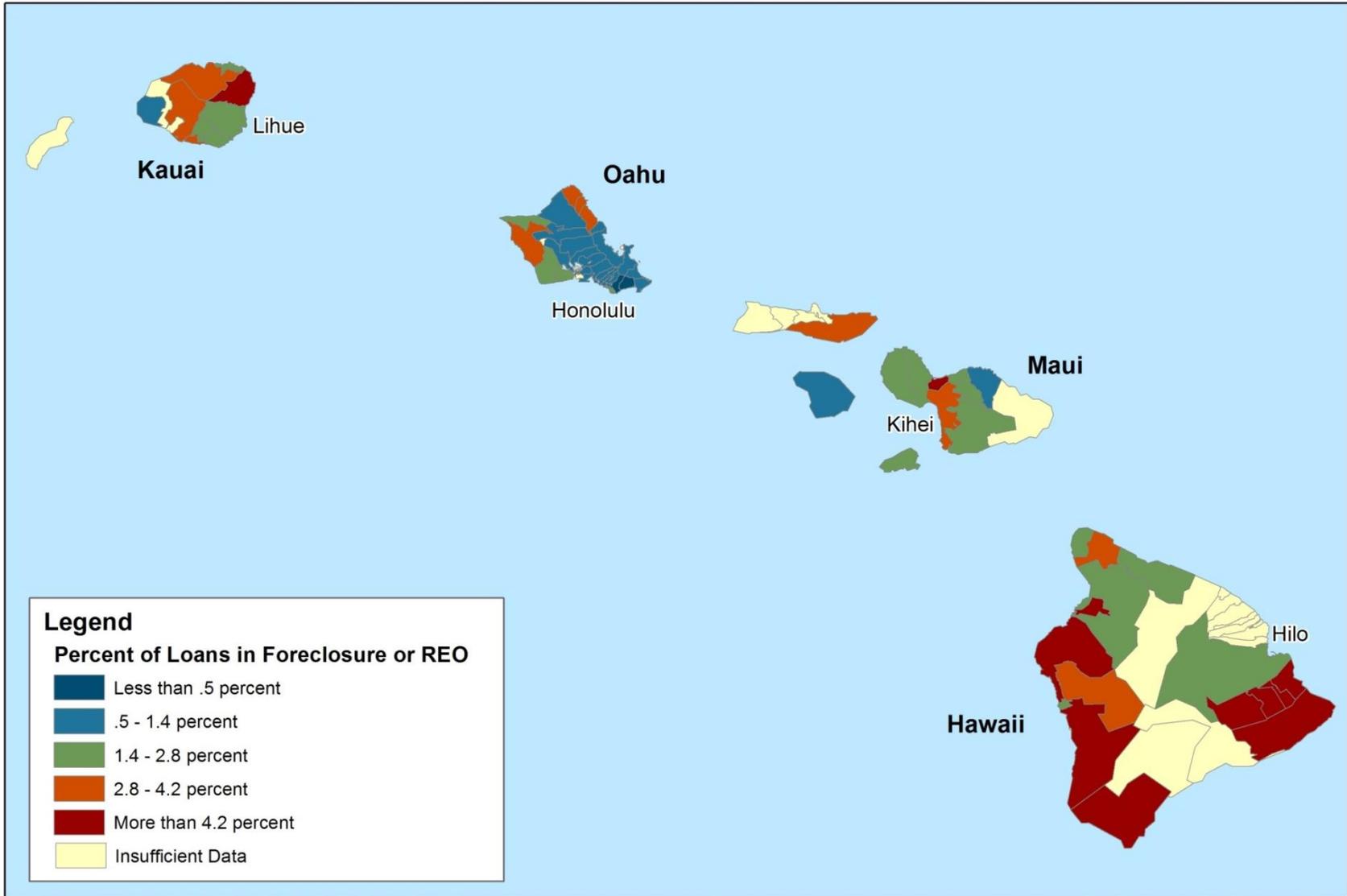
# Areas Affected by Concentrated Foreclosures

November 2008



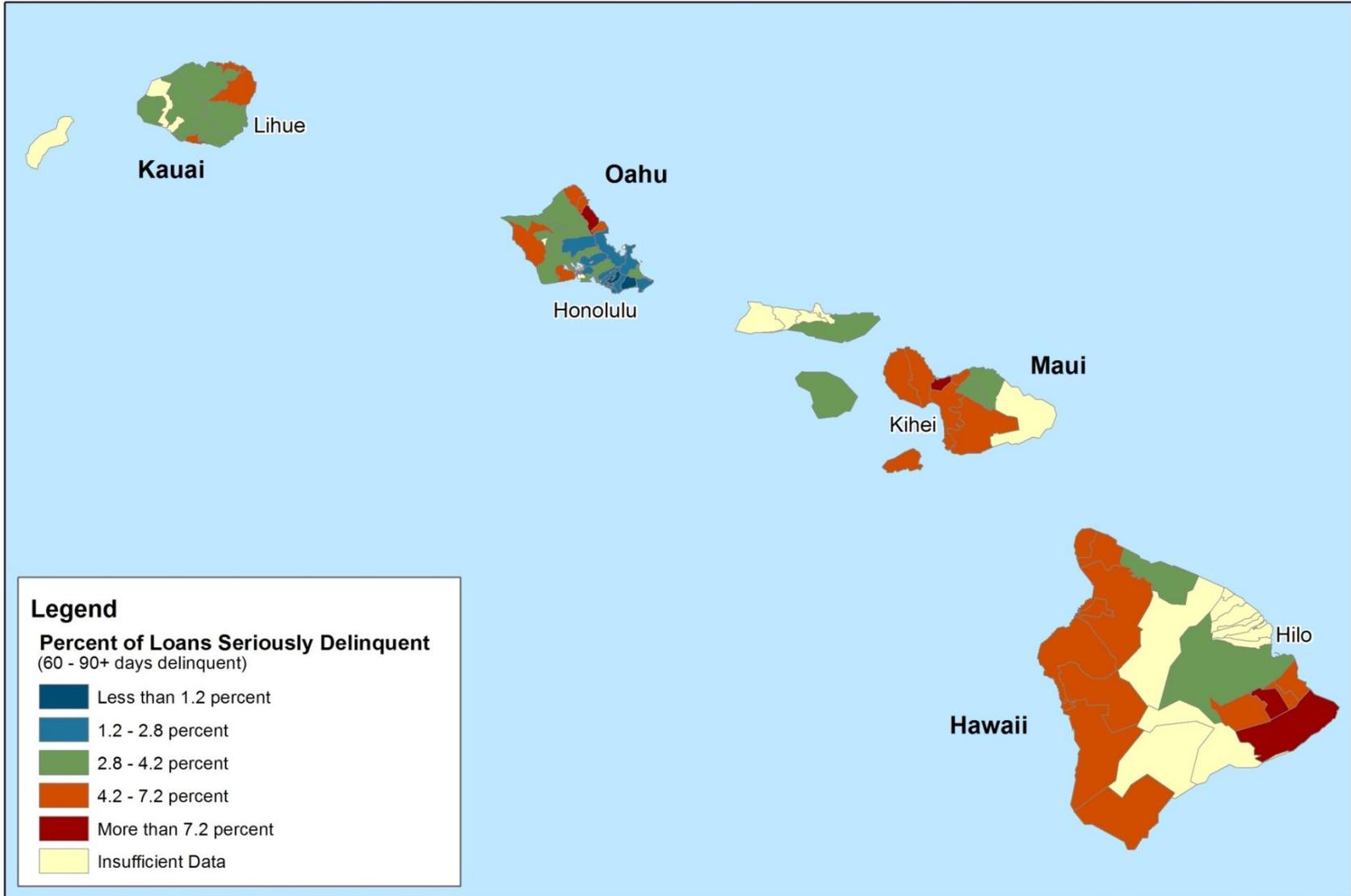
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February 2009



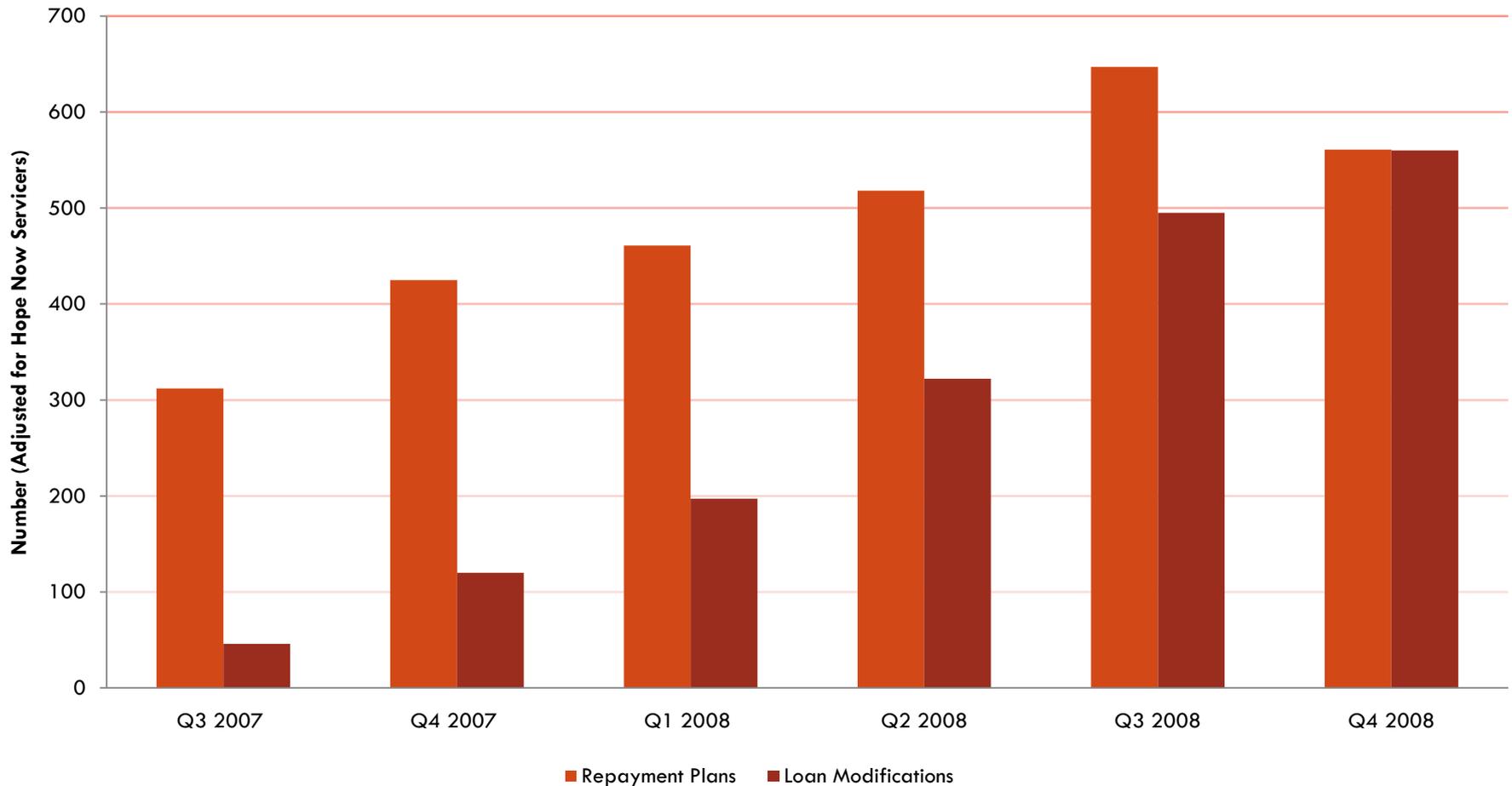
# Areas at Risk of Additional Foreclosures

February 2009



# Modifications Growing as a Share of Loan Workouts

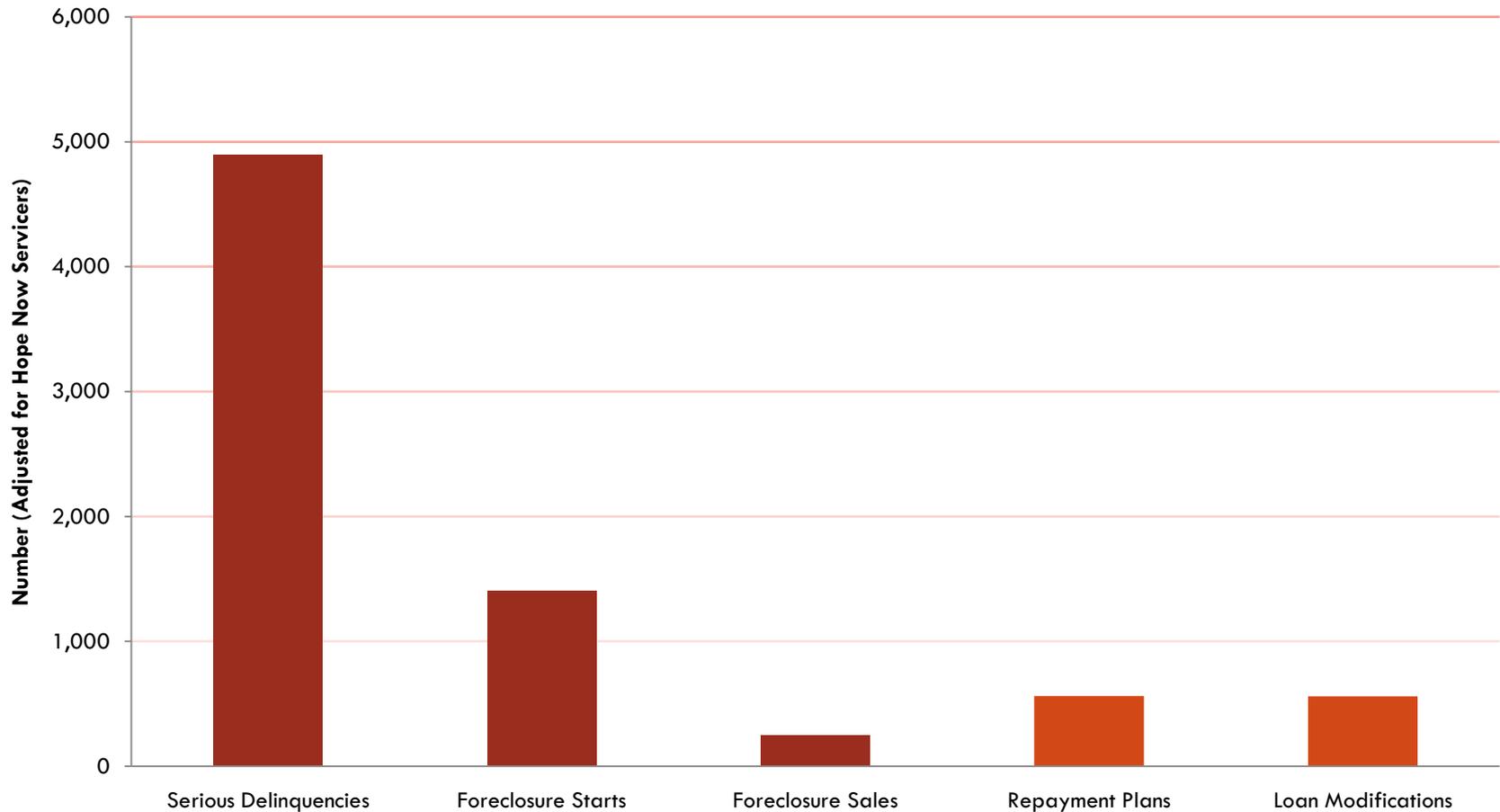
## Hawaii Loan Workouts



Source: Hope Now Alliance Servicing Data, 4<sup>th</sup> Quarter 2008

# Yet, Still Fall Short of Need

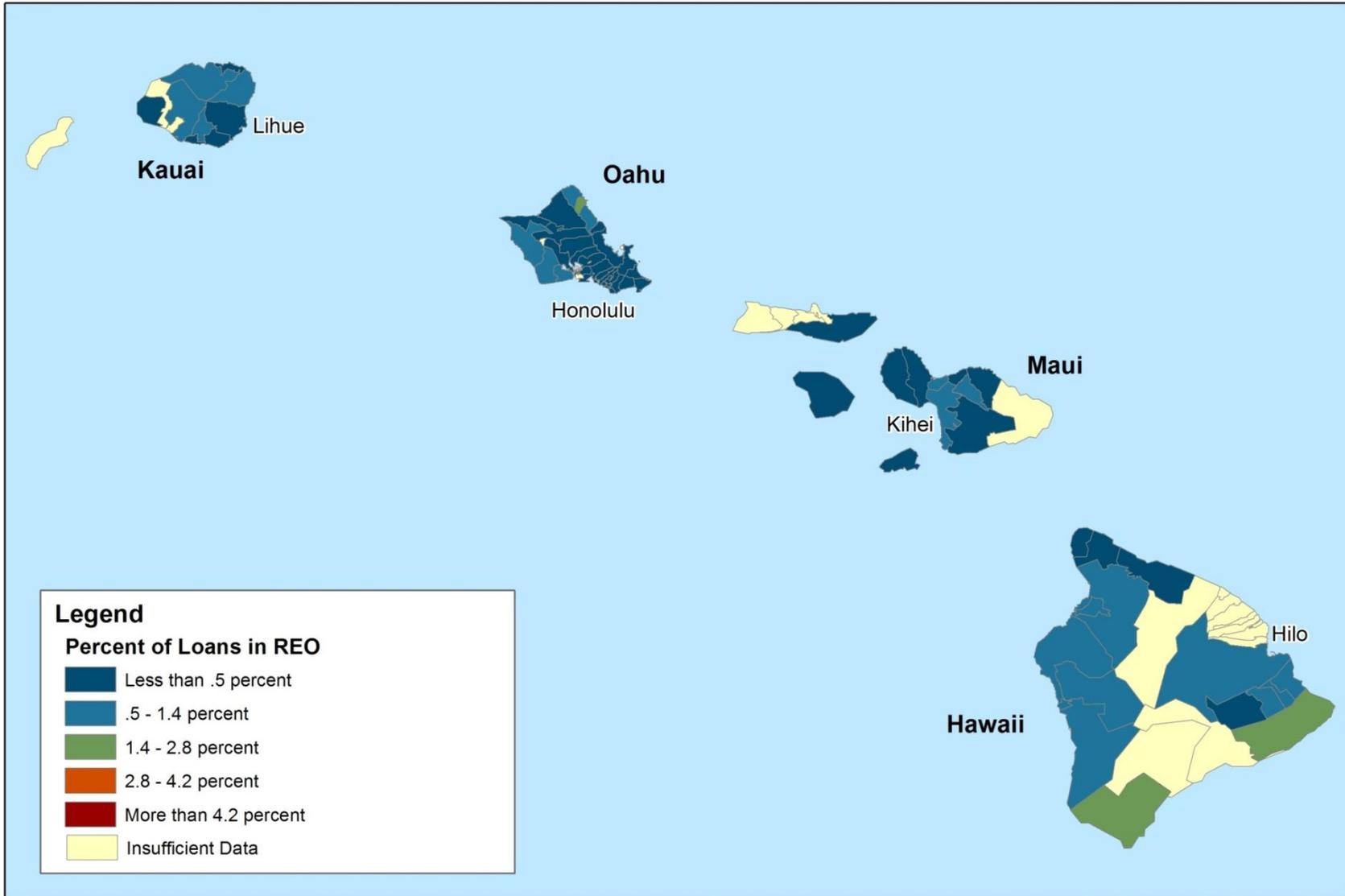
## Foreclosure & Delinquencies v. Loan Workouts in Hawaii



Source: Hope Now Alliance Servicing Data, 4<sup>th</sup> Quarter 2008

# Areas with Concentrations of REO Properties

February 2009



Source: McDash Analytics & FRBSF Calculations, February 2009

# Conclusions

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- Hawaii is likely to see a continued increase in delinquencies and foreclosures
- Multi-pronged strategy is needed to stem foreclosure crisis, but for Hawaii foreclosure prevention should be top priority
  - 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](http://www.995hope.org)

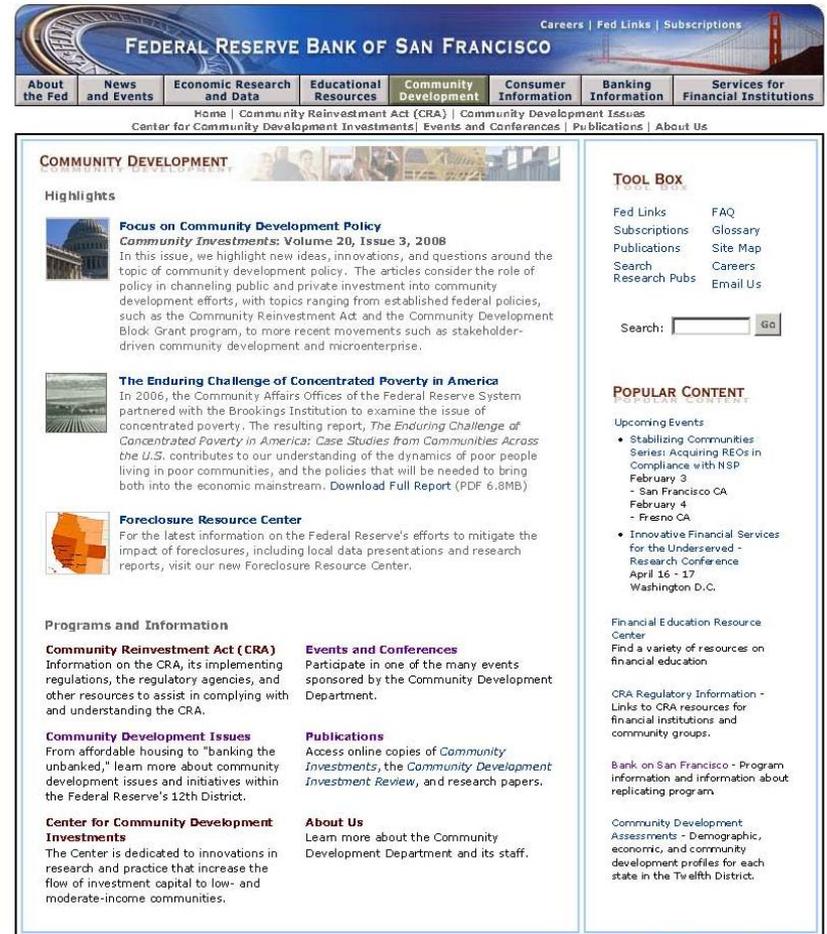
# Conclusions

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- 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 website for the Federal Reserve Bank of San Francisco's Community Development Center. The header includes the bank's name and navigation links like 'Careers | Fed Links | Subscriptions'. A main menu lists various sections: 'About the Fed', 'News and Events', 'Economic Research and Data', 'Educational Resources', 'Community Development', 'Consumer Information', 'Banking Information', and 'Services for Financial Institutions'. Below the menu, 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', 'The Enduring Challenge of Concentrated Poverty in America', and 'Foreclosure Resource Center'. A 'TOOL BOX' on the right contains links for 'Fed Links', 'Subscriptions', 'Publications', 'Search', and 'Research Pubs'. Below that is a 'POPULAR CONTENT' section listing upcoming events such as 'Stabilizing Communities Series' and 'Innovative Financial Services for the Underserved - Research Conference'. 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/>