

# TRENDS IN DELINQUENCIES AND FORECLOSURES IN HAWAII

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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

## □ Hawaii

- 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
  - Hawaii has seen a rapid and steep increase in foreclosure starts
- Housing market continues to soften

# National Trends

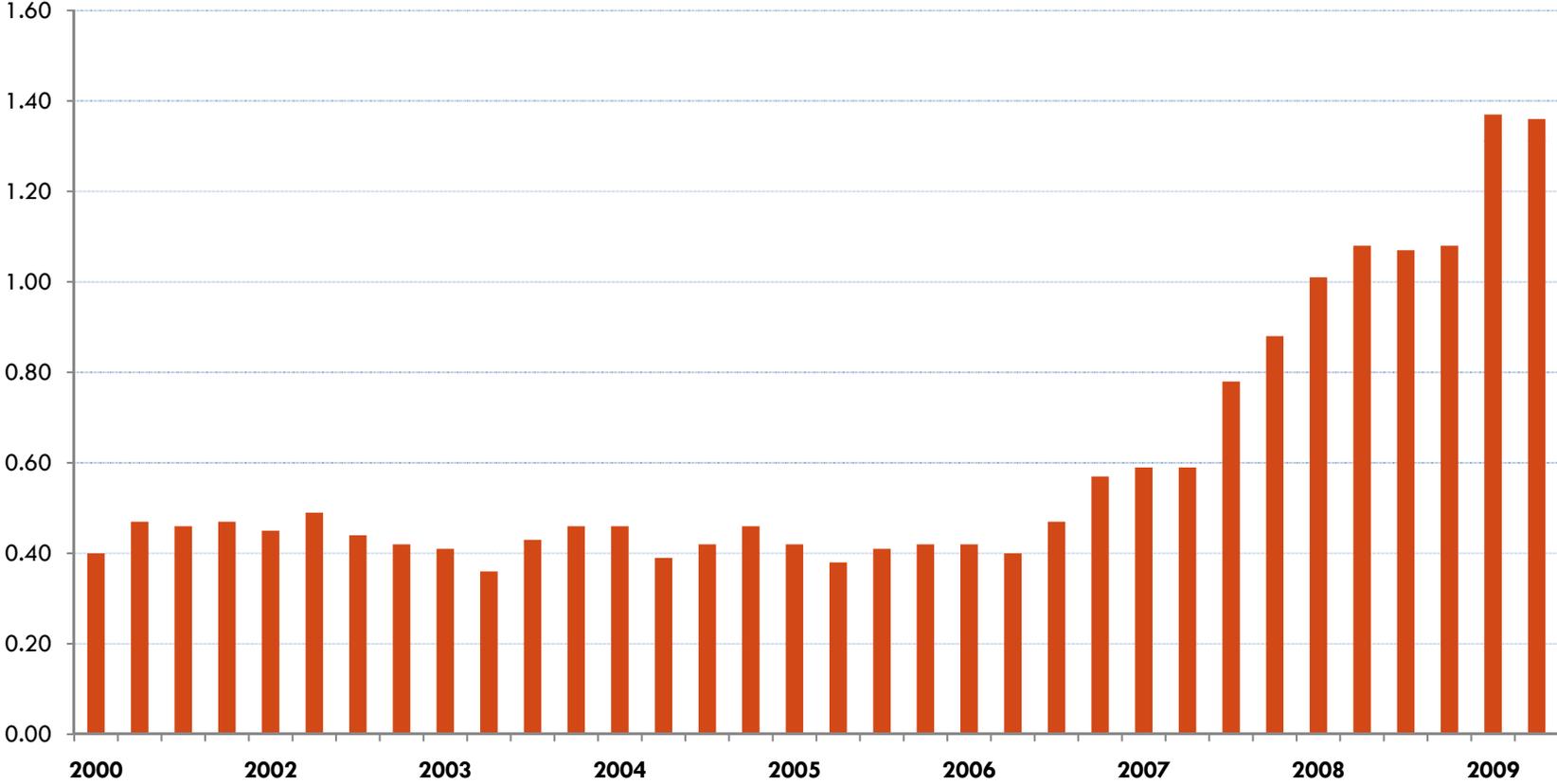
# Weakness in Labor Market Grave Concern



Source: Bureau of Labor Statistics

# National Foreclosure Starts Rose Sharply in 1st Quarter of 2009

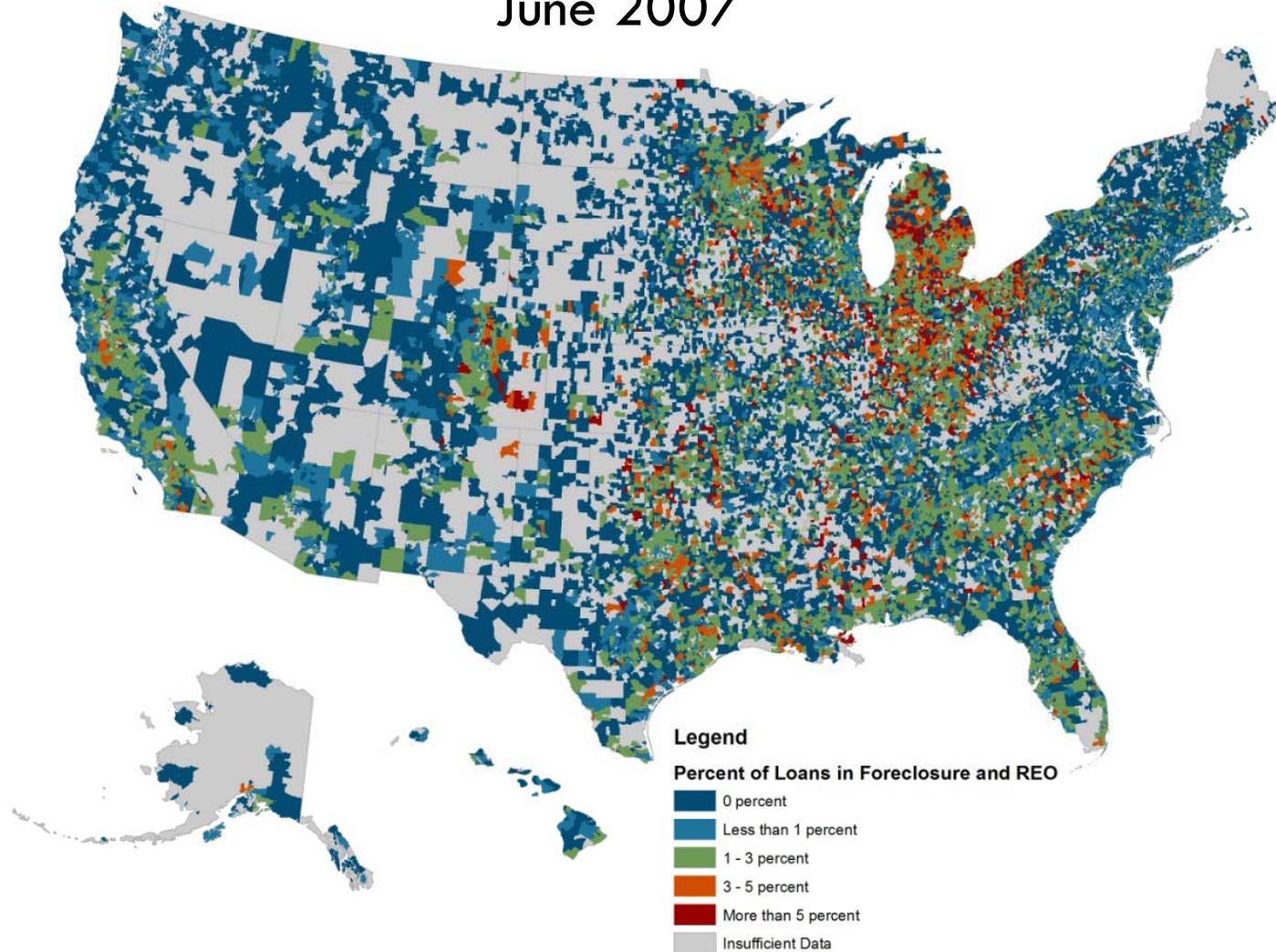
**National Foreclosures Starts**  
Percent of All Loans



Source: Mortgage Bankers Association, National Delinquency Survey

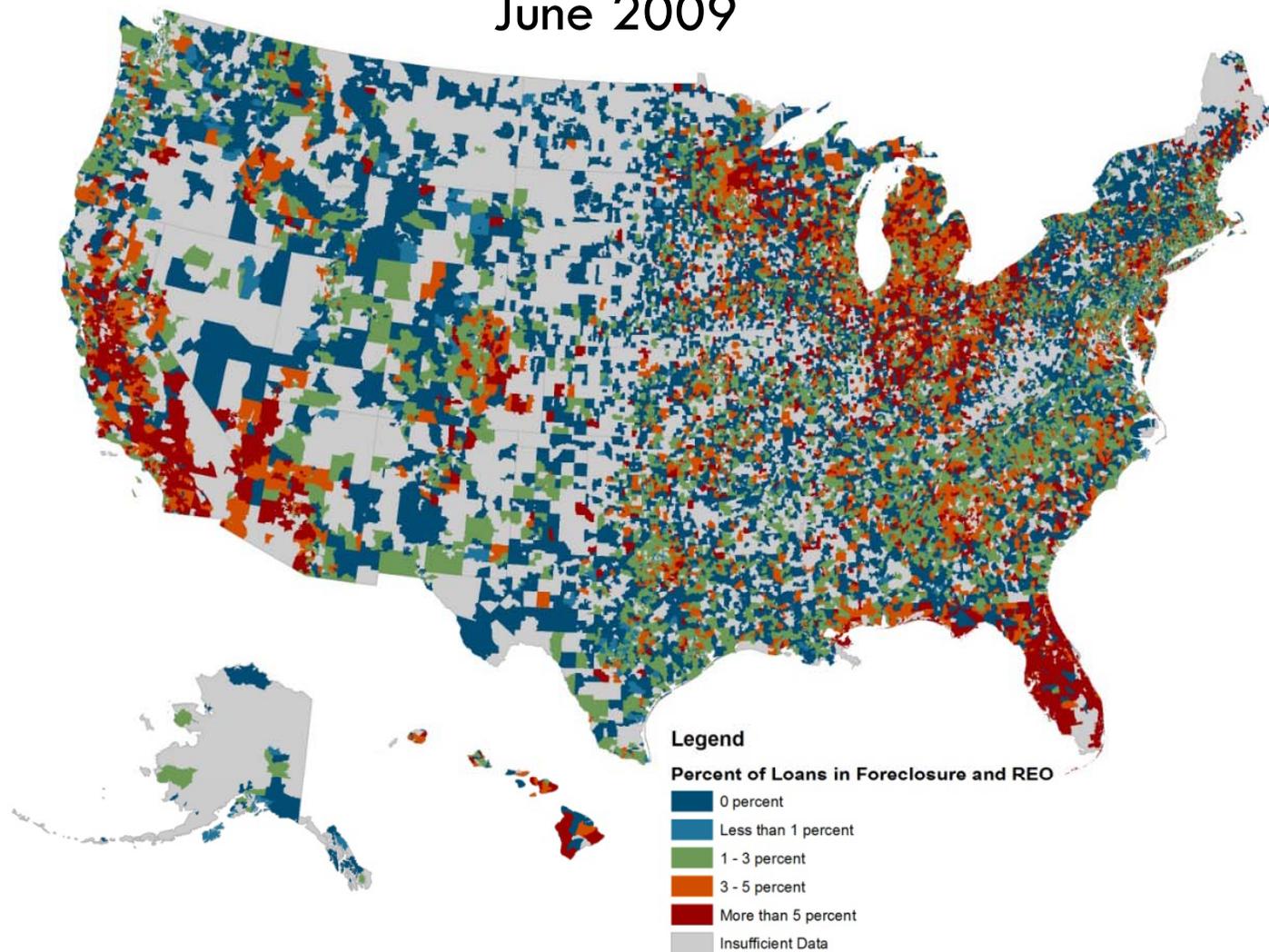
# In Last 2 Years, Foreclosure Crisis Has Spread Beyond “Rust Belt” Cities

June 2007



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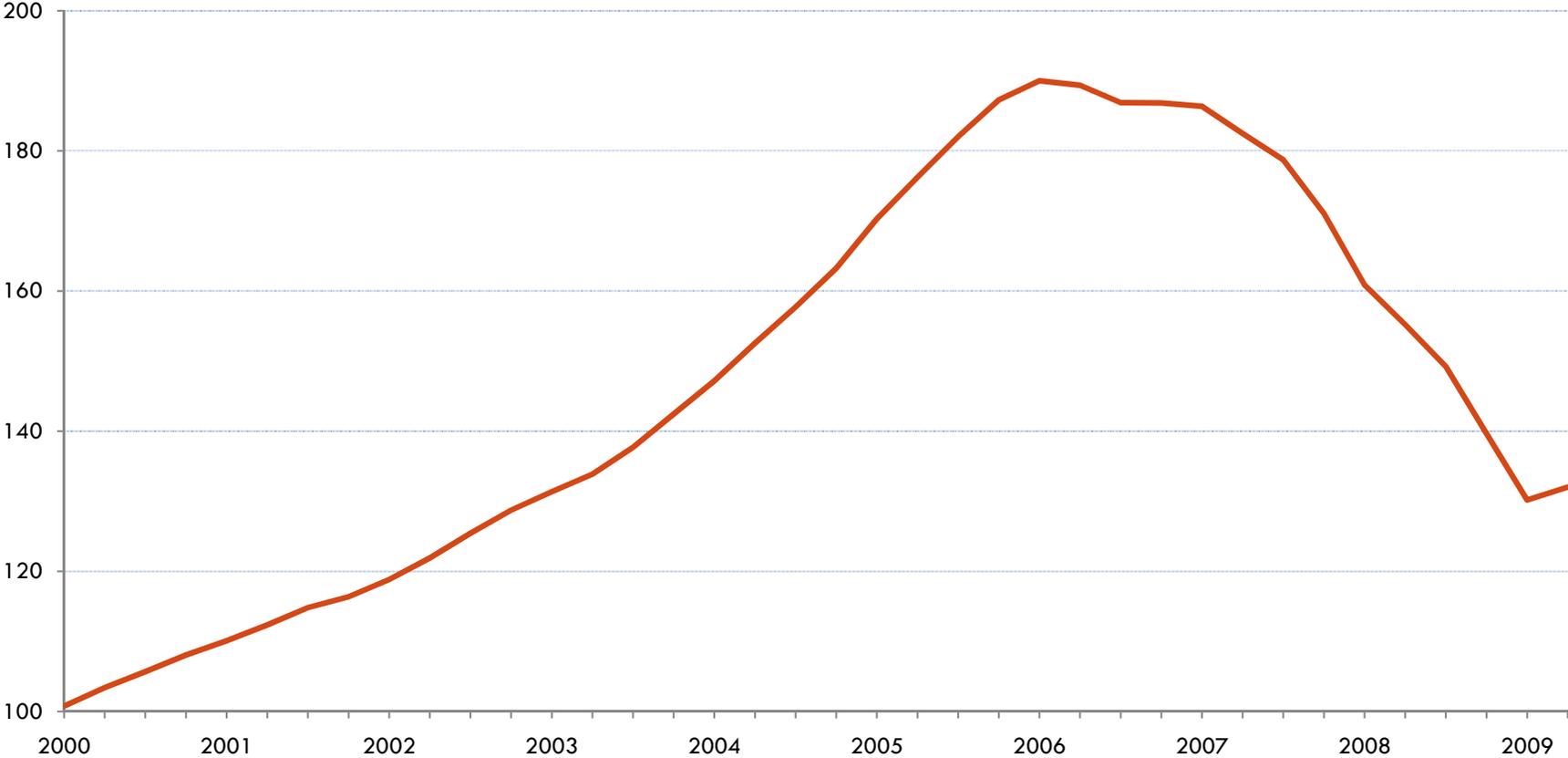
June 2009



# House Prices Rose Slightly in 2<sup>nd</sup> 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.

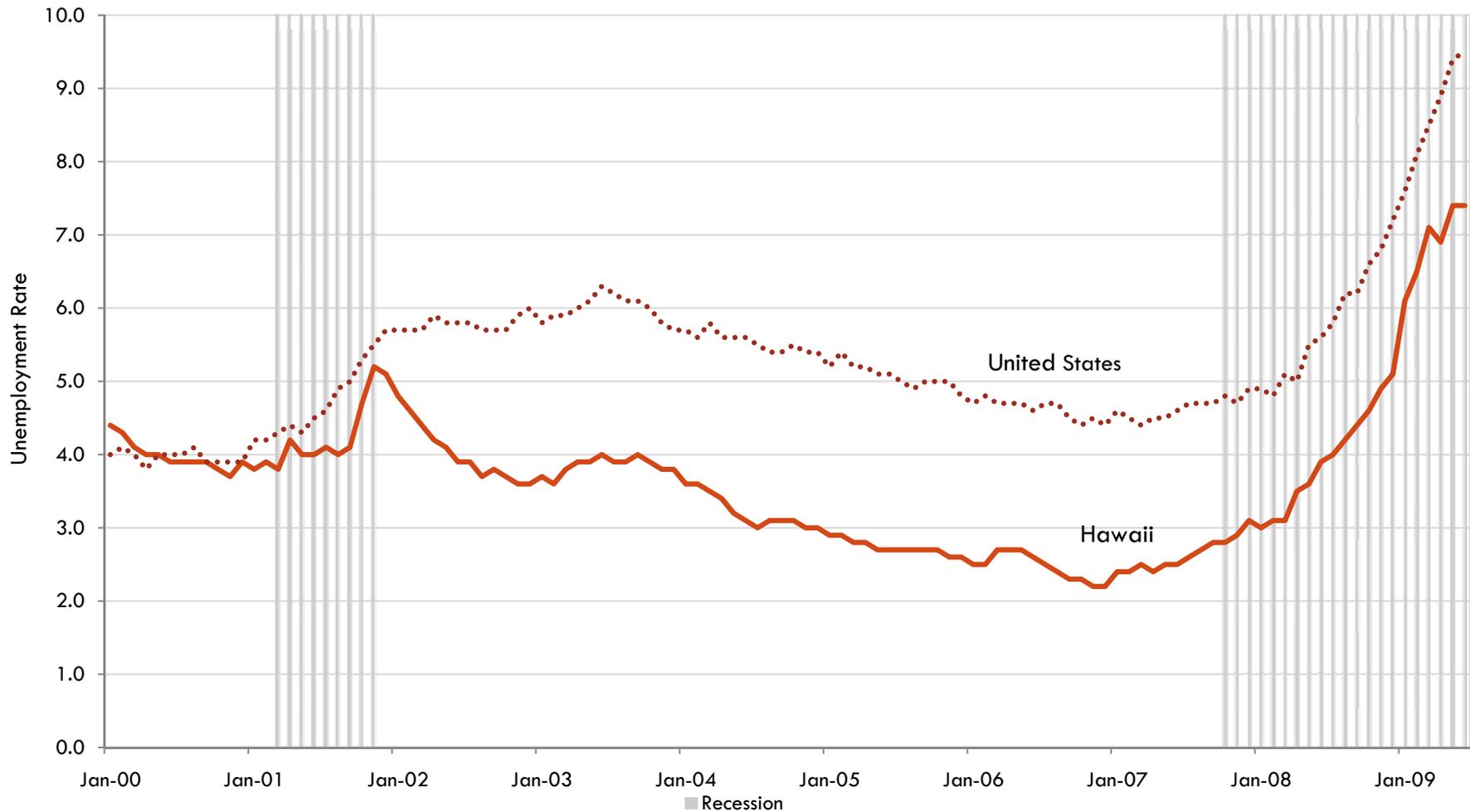
# Hawaii Trends

# Hawaii and the Economic Crisis

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- Hawaii has been somewhat insulated from the severe housing and foreclosure crisis that has hit other 12<sup>th</sup> District states like Arizona, California, and Nevada
  - ▣ In 2007 and 2008, relatively low rates of foreclosure
  - ▣ Modest house price declines
  - ▣ Lower unemployment than US
- However, recent data show that Hawaii is starting to see stronger effects, and trends point to significant difficulties in labor and housing market

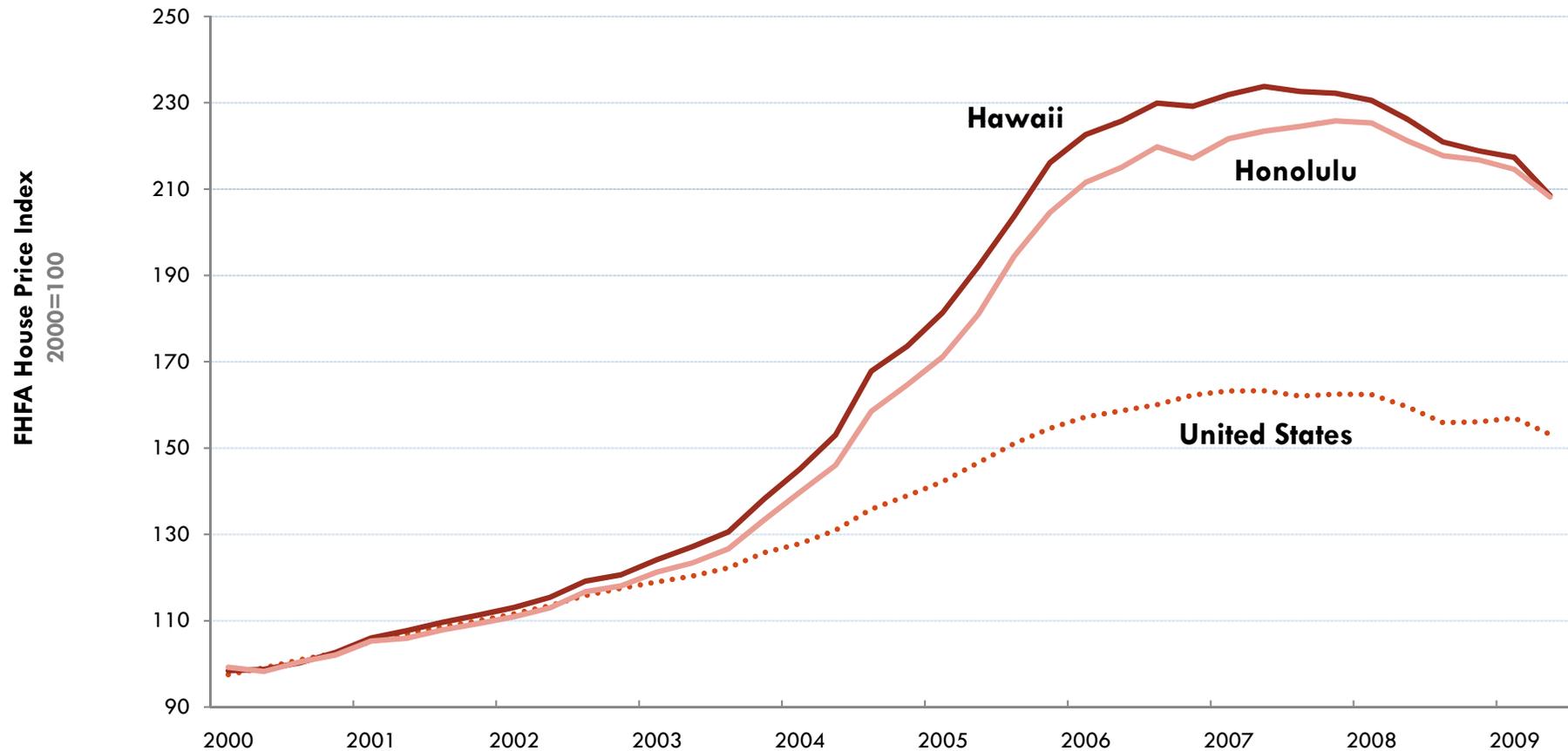
# Unemployment Rate Rising Steeply in 1<sup>st</sup> Half of 2009



Source: Bureau of Labor Statistics

# Real Estate Market Continues to Soften

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

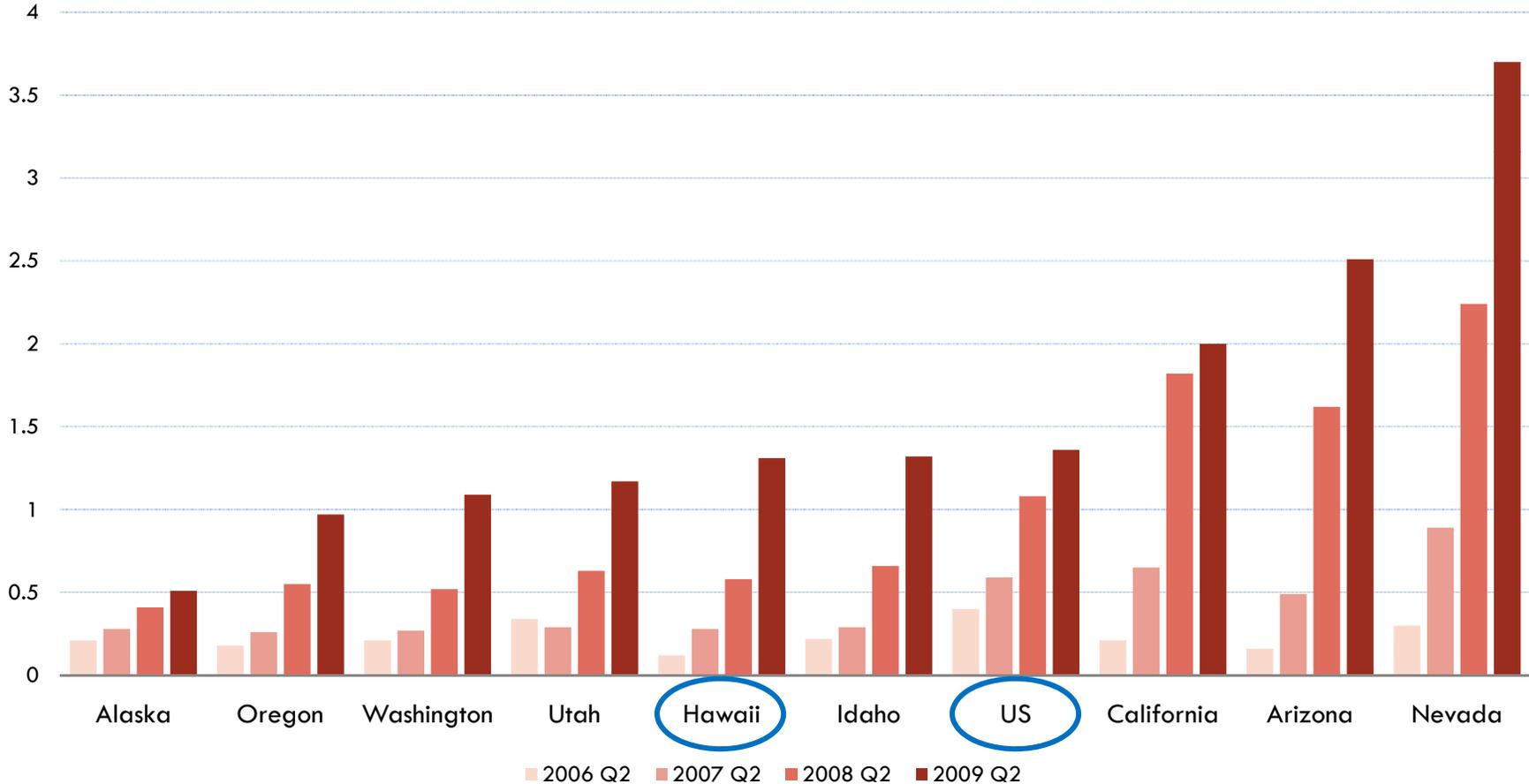


Source: Federal Housing Finance Agency (formerly OFHEO)

# Hawaii Seeing Rapid Increase in Foreclosure Starts, Approaching National Average for First Time



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

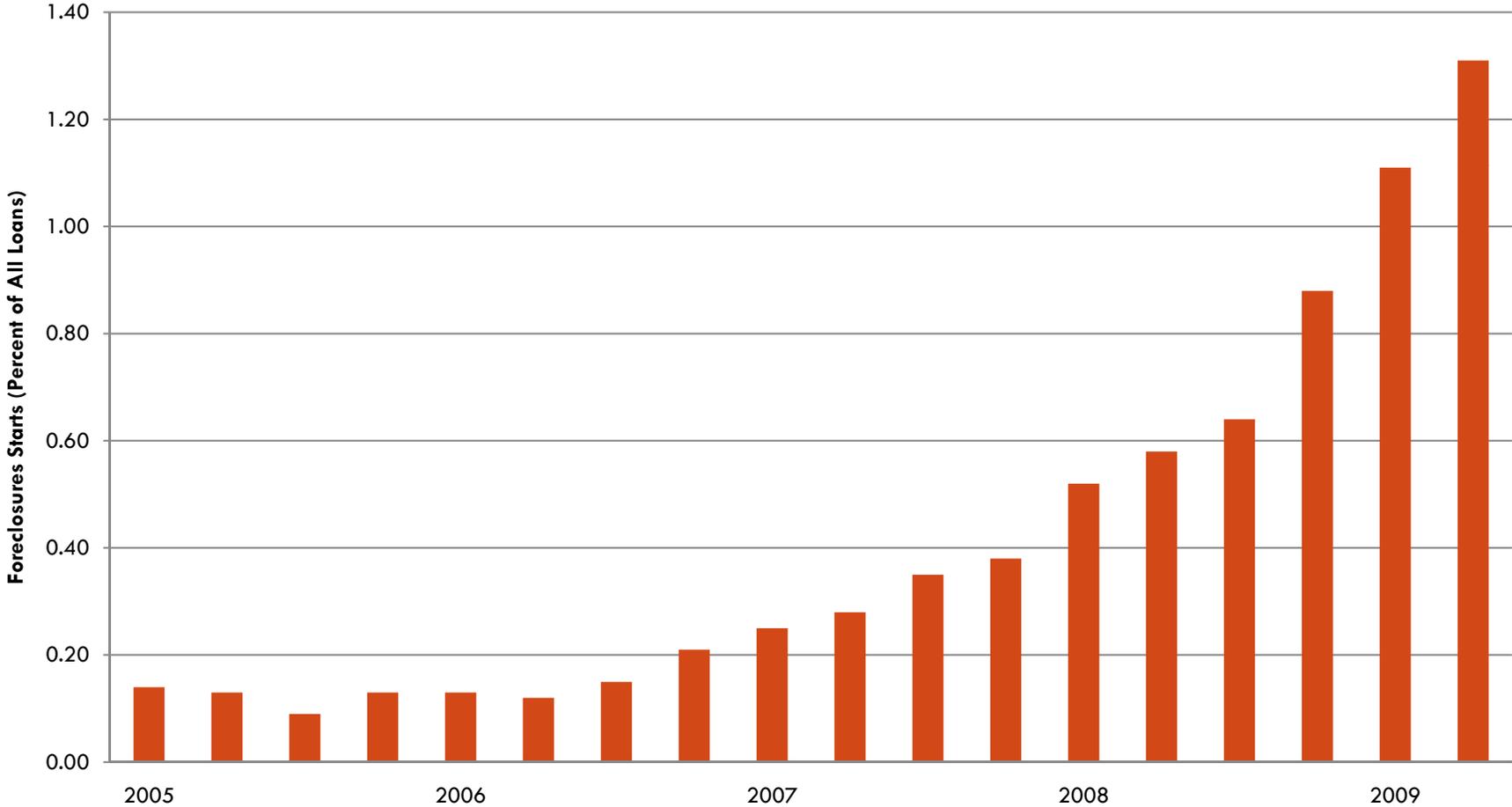


Source: Mortgage Bankers Association, National Delinquency Survey

# Foreclosure Rate Doubled over Last 3 Quarters



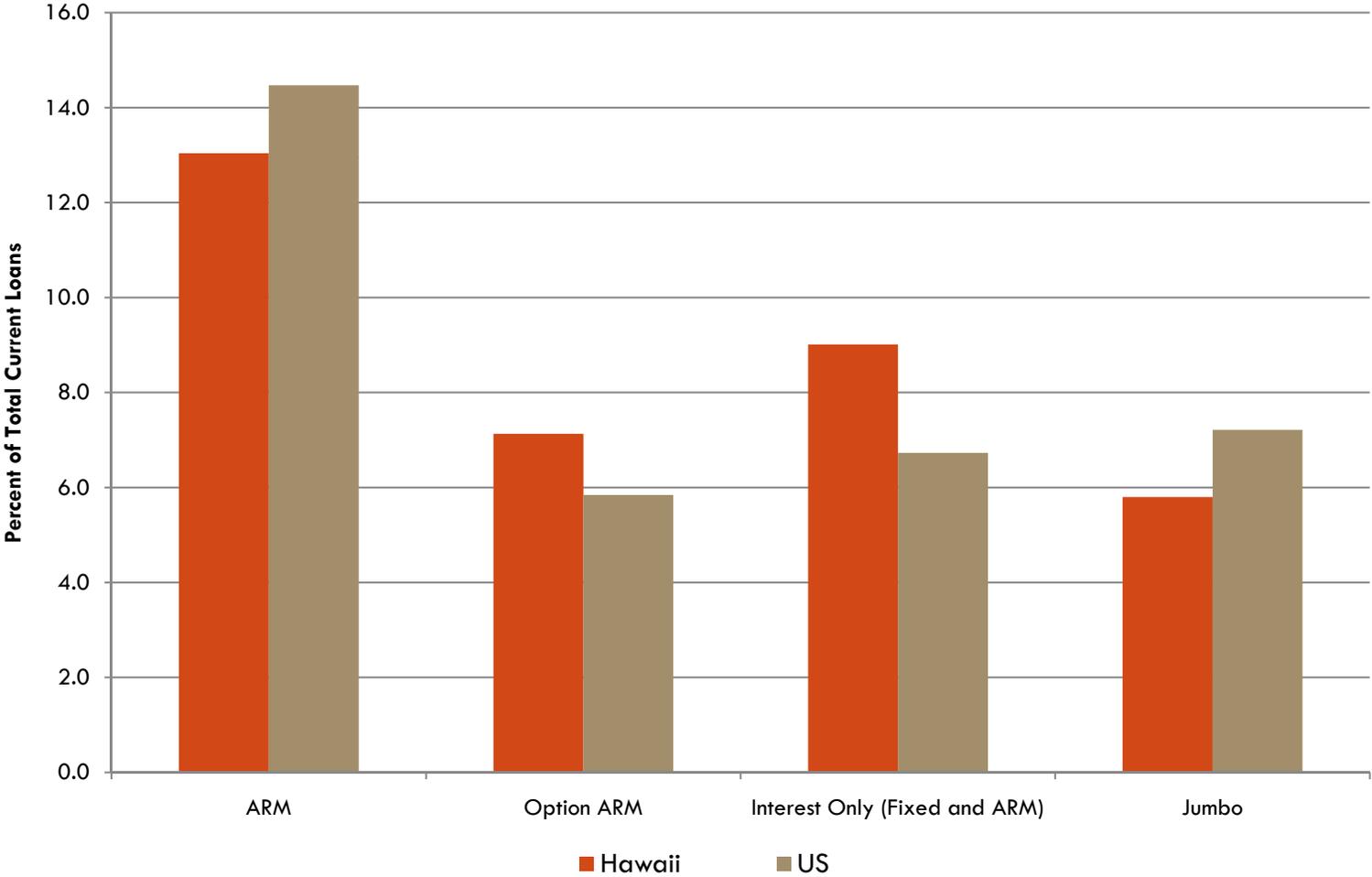
## Hawaii: Foreclosure Starts



Source: Mortgage Bankers Association, National Delinquency Survey

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

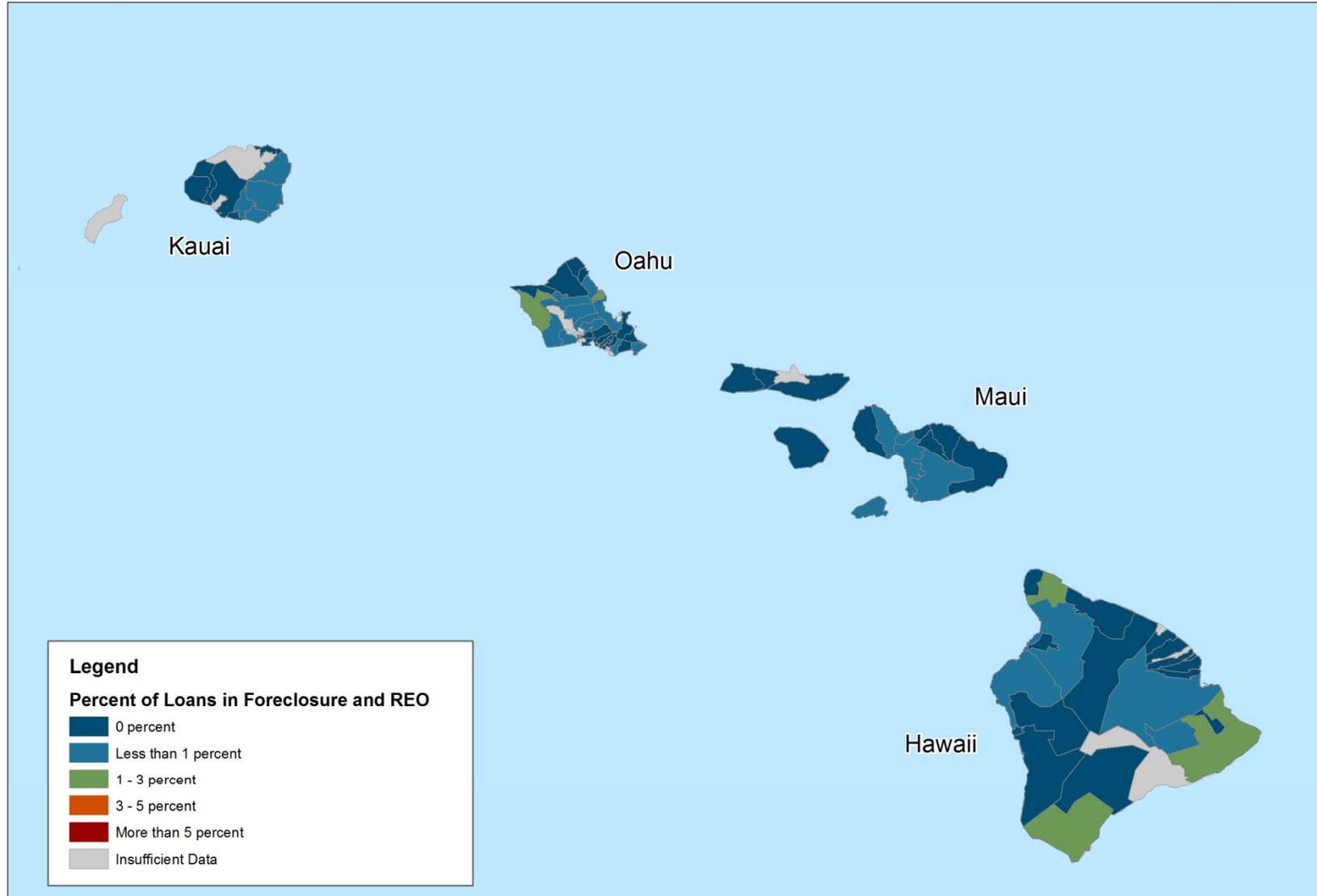
### Characteristics of Remaining "Current" Loans



# Hawaii Foreclosure Maps

# Areas Affected by Concentrated Foreclosures

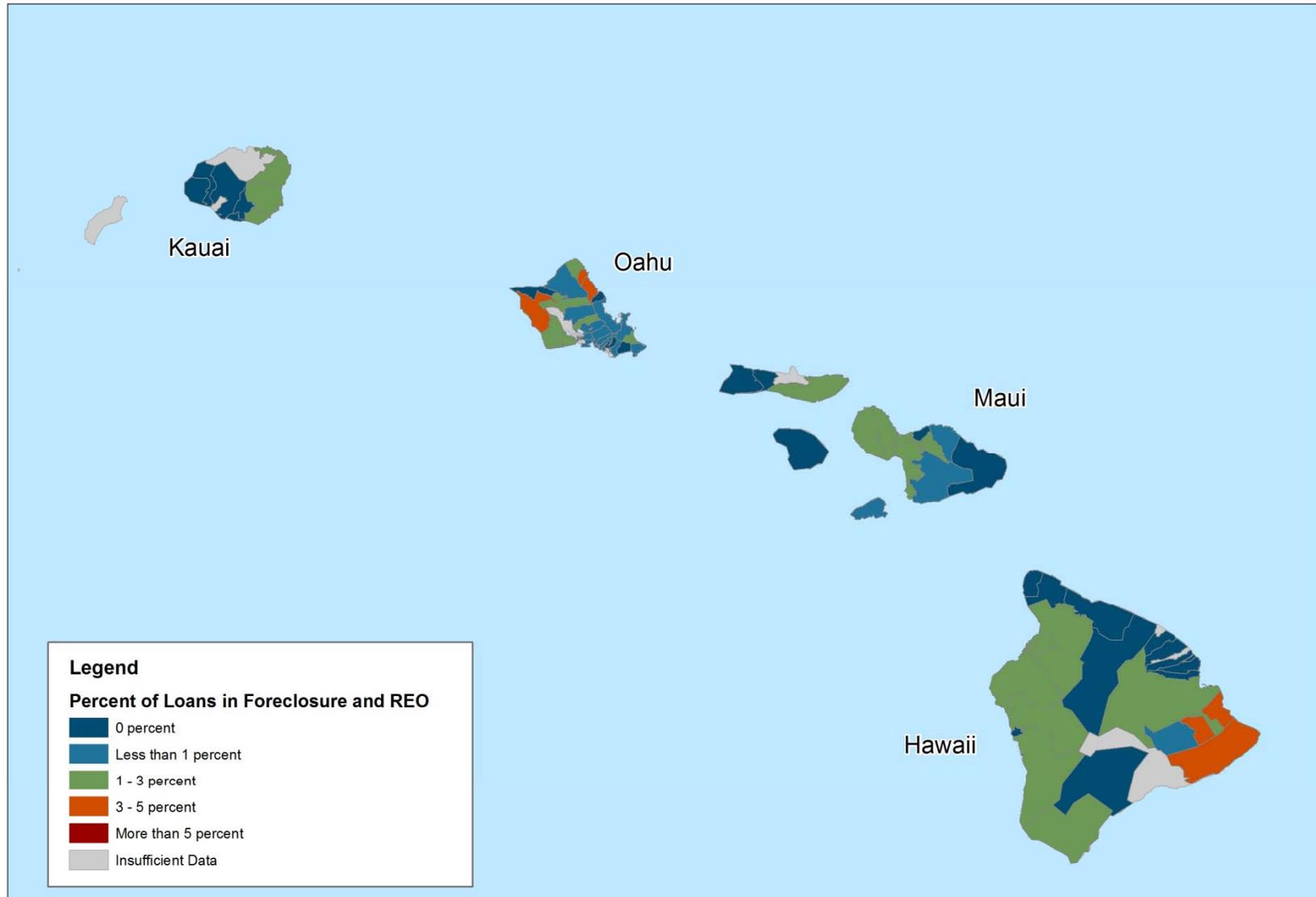
June 2007



Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations

# Areas Affected by Concentrated Foreclosures

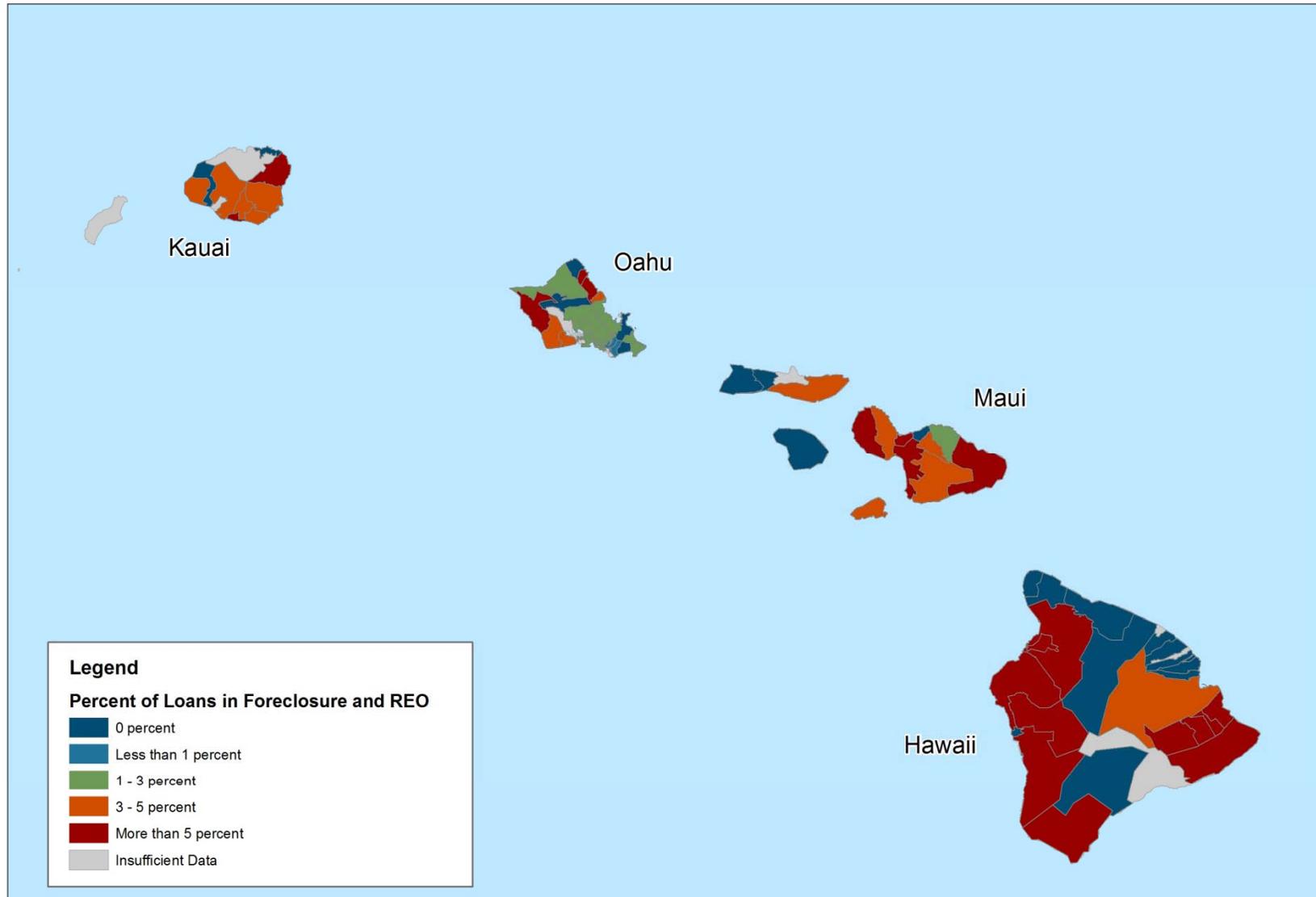
June 2008



Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations

# Areas Affected by Concentrated Foreclosures

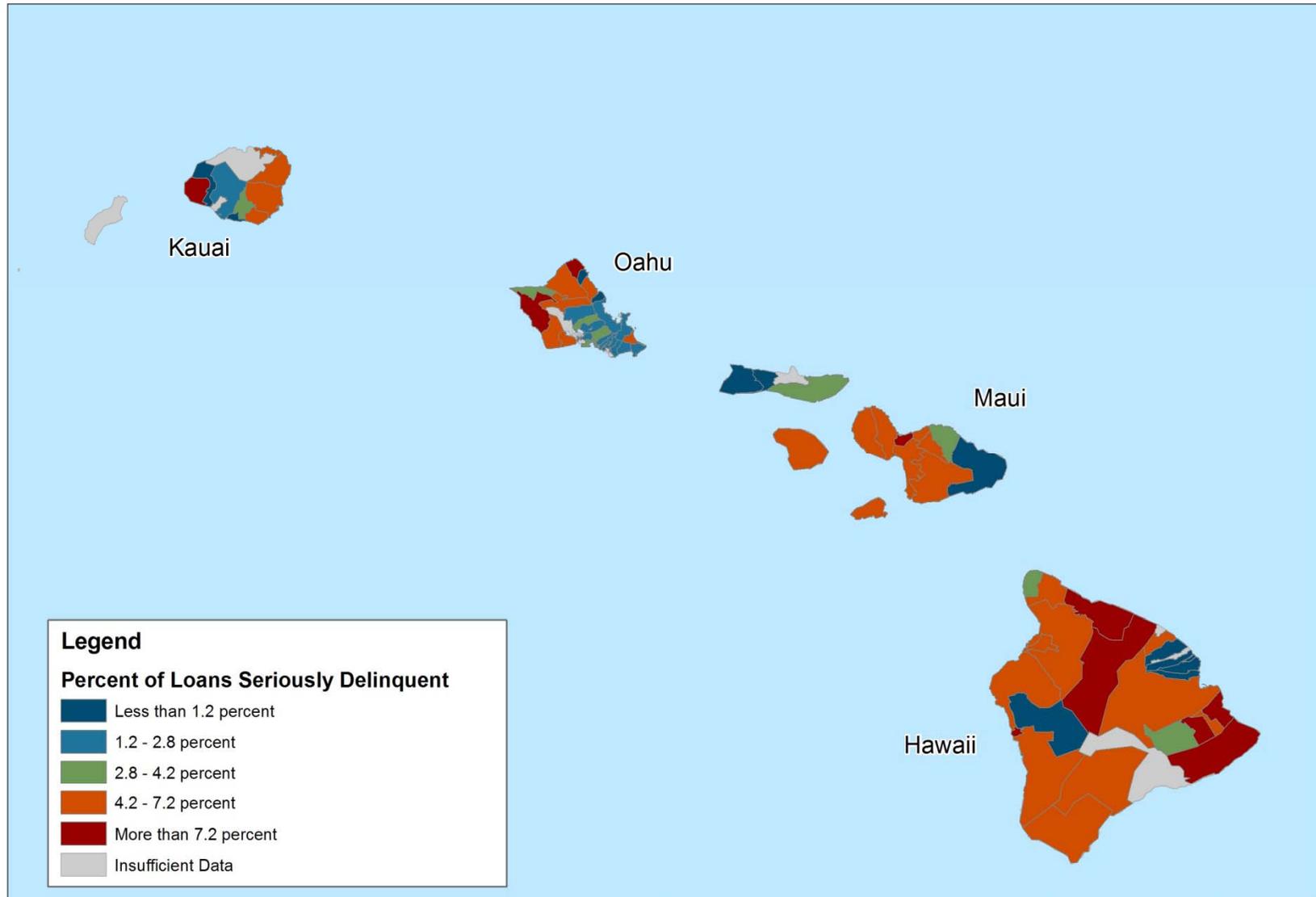
June 2009



Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations

# Areas at Risk of Additional Foreclosures

June 2009



Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations

# 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](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

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- 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

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- 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 FRBSF Community Development website. The header includes the Federal Reserve Bank of San Francisco logo and navigation links. 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 and a 'POPULAR CONTENT' section are also visible.

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