

TRENDS IN DELINQUENCIES AND FORECLOSURES IN HAWAII

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

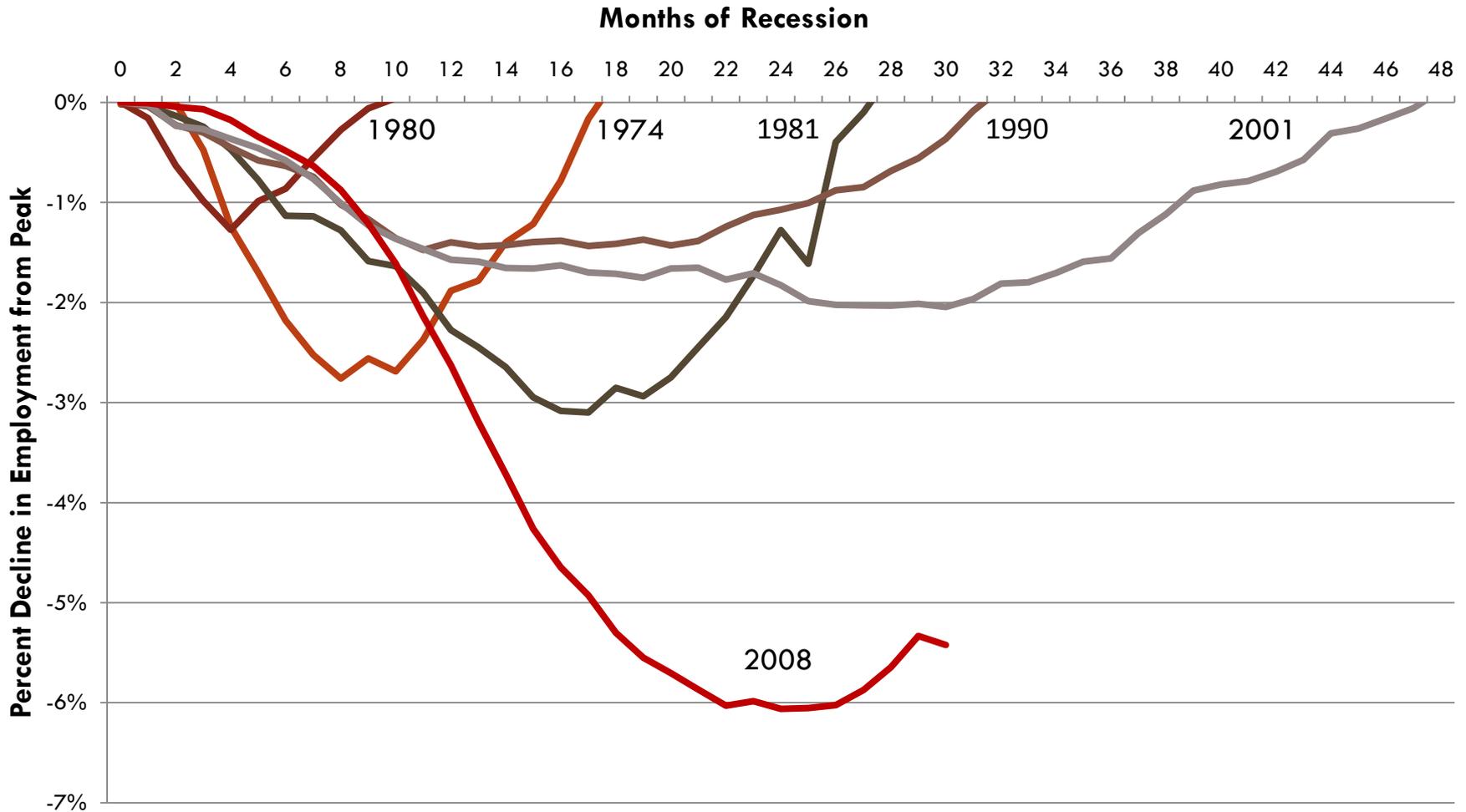
National Trends

Unemployment continues to hover around 10%



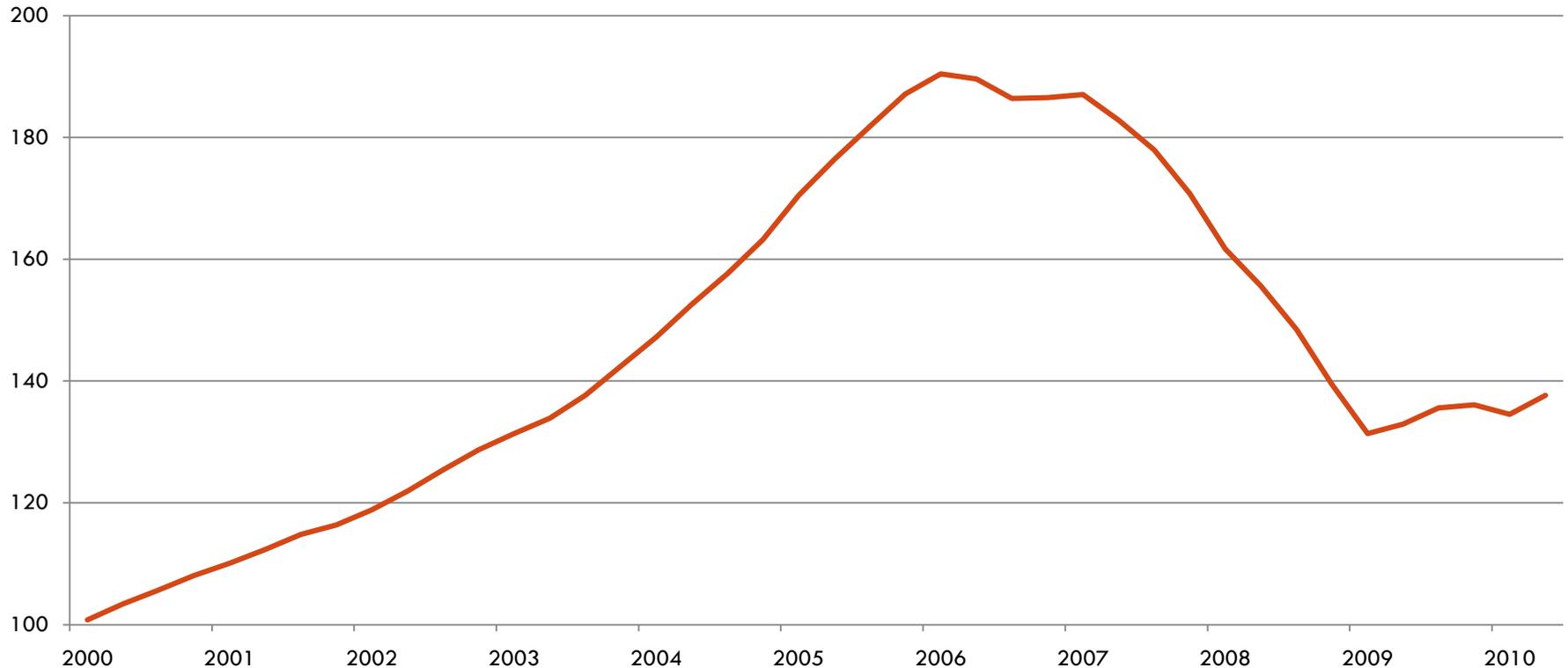
Source: Bureau of Labor Statistics, September 2010

Depth of this economic downturn eclipses past recessions



Case-Shiller shows tepid housing recovery

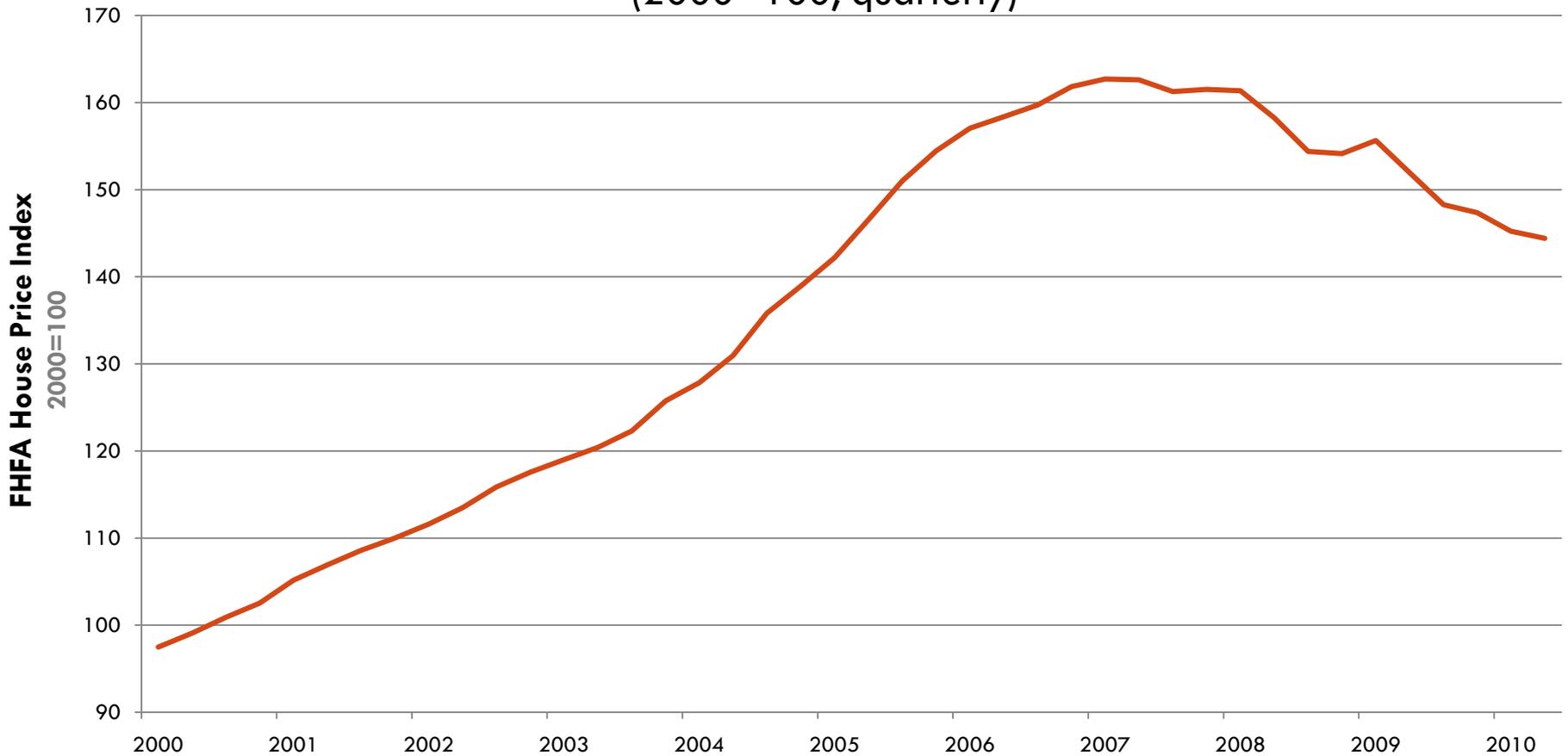
Case-Shiller National House Price Index
(2000 = 100, Quarterly)



Source: Case - Shiller Home Price Index

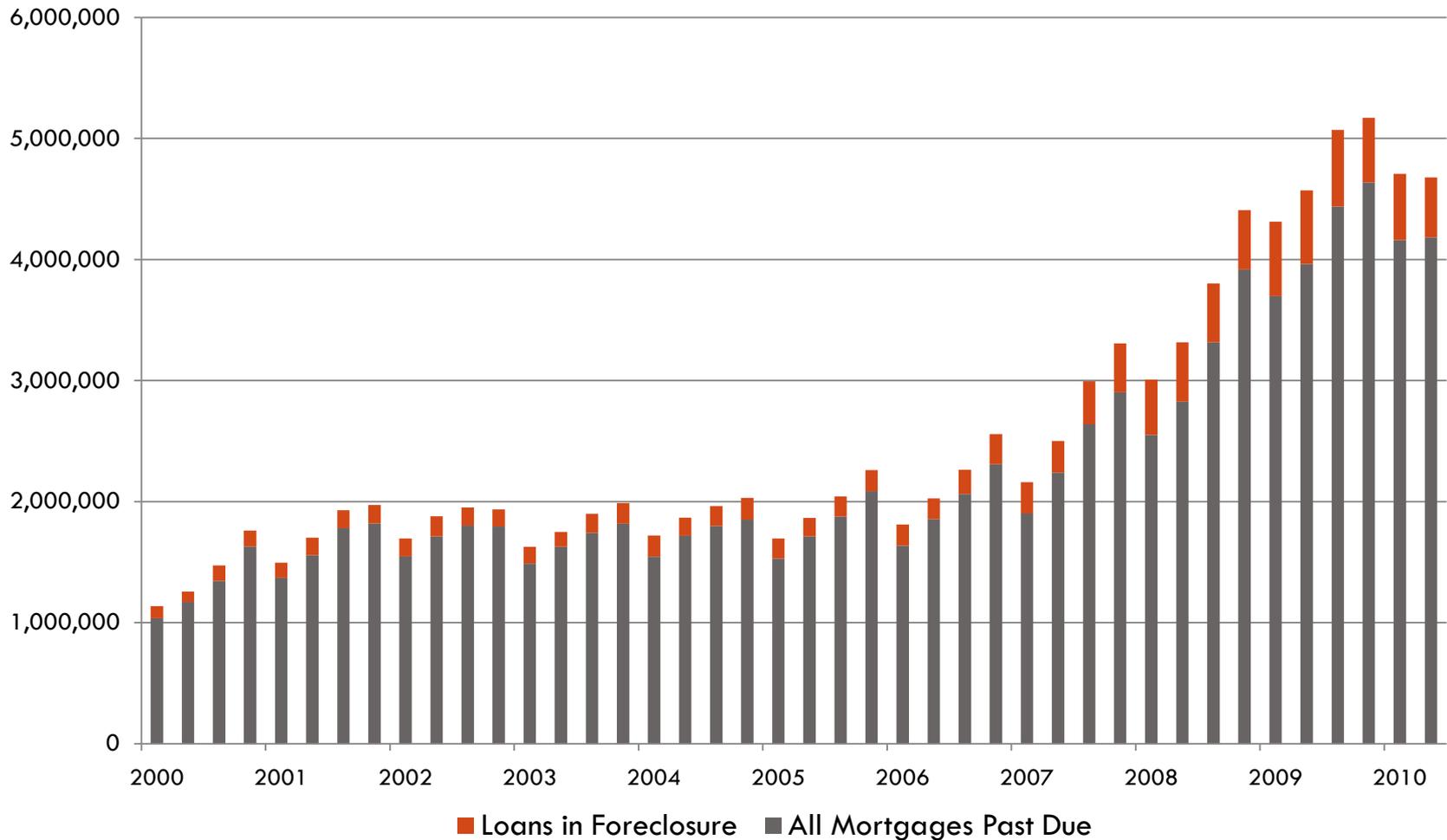
FHFA House Price Index continues to fall, reflecting activity at lower end of market

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



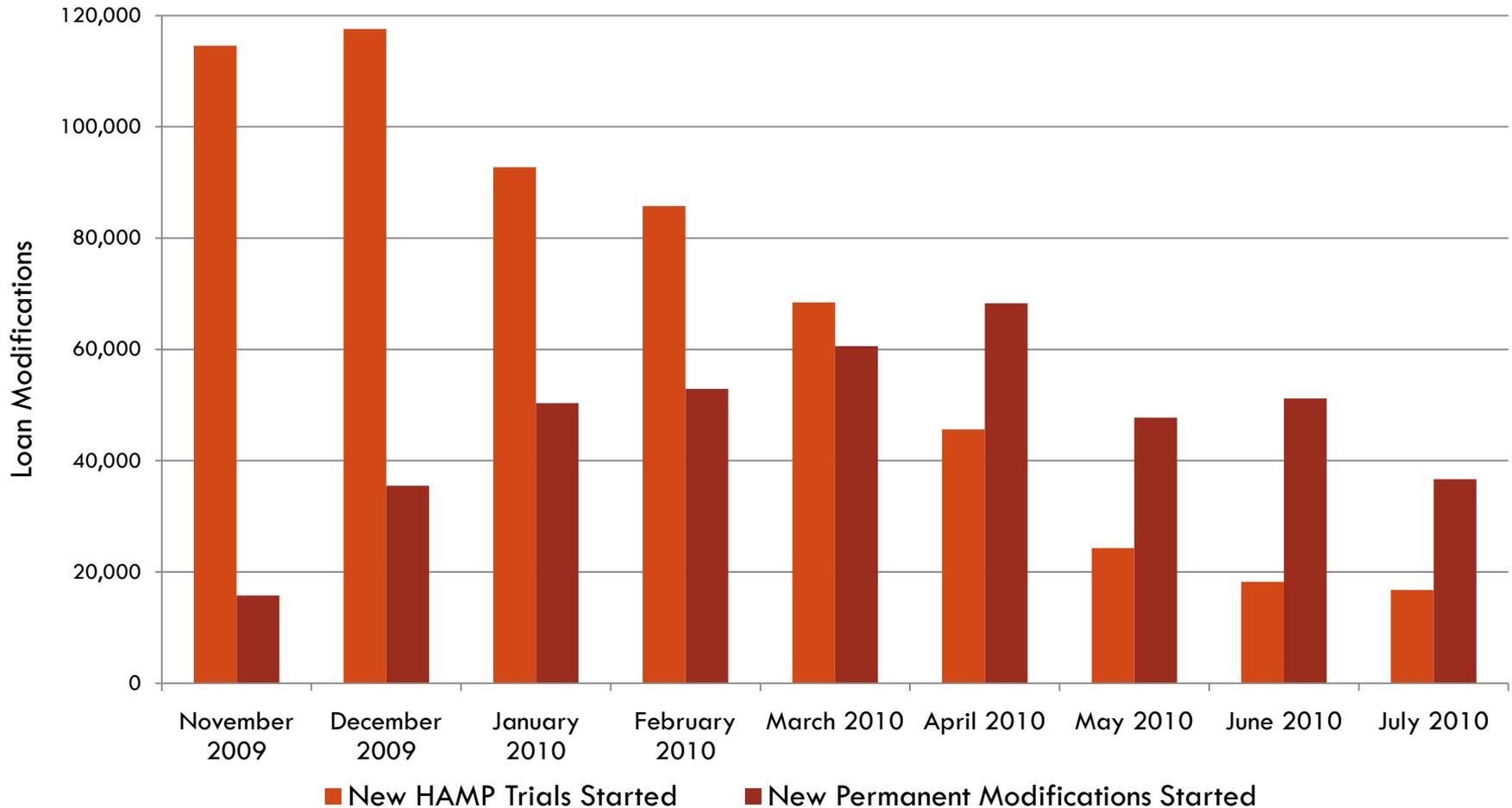
Source: Federal Housing Finance Agency (formerly OFHEO)

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



Source: Mortgage Bankers Association, National Delinquency Survey

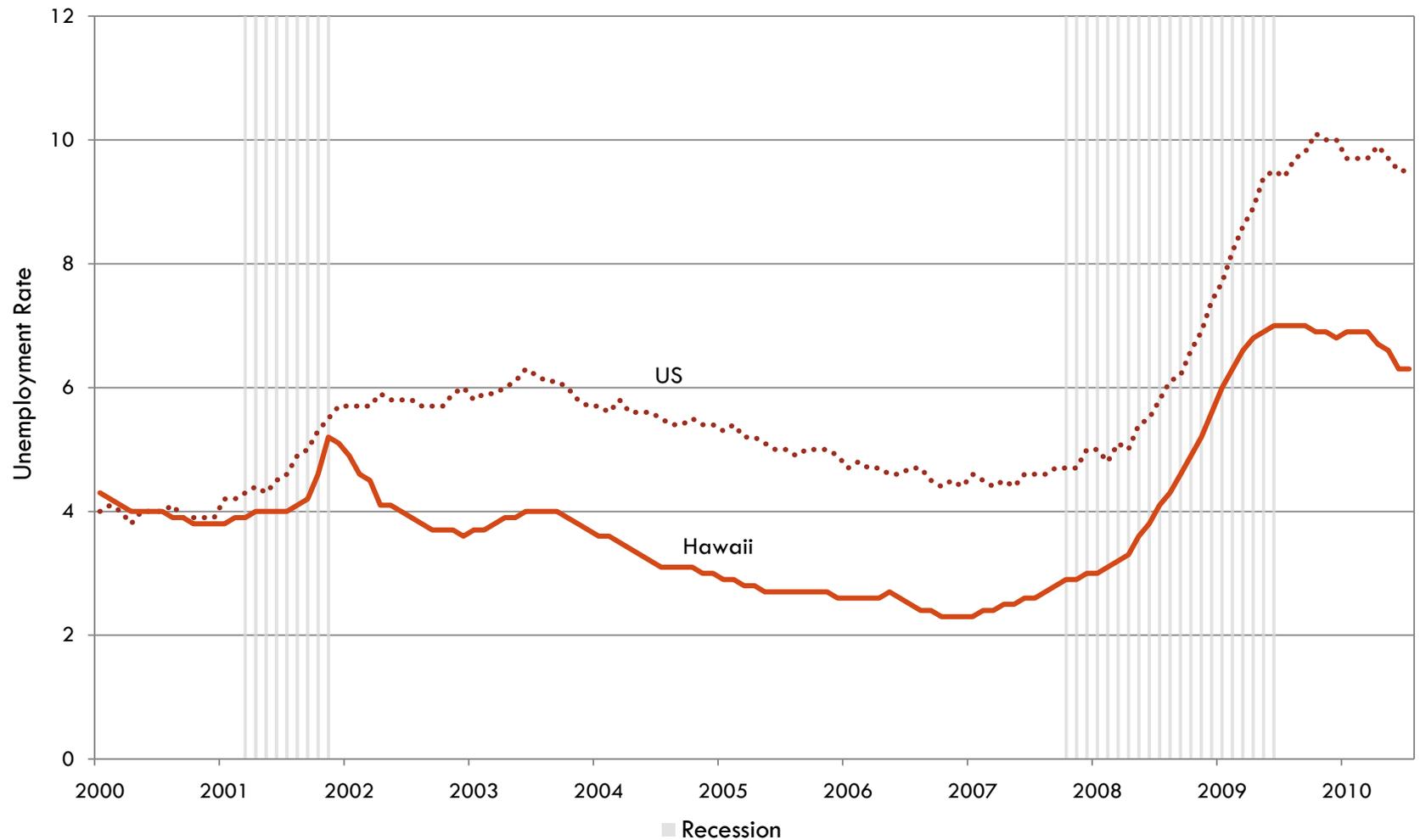
HAMP modifications down slightly in July; borrowers still face challenges in obtaining permanent modifications



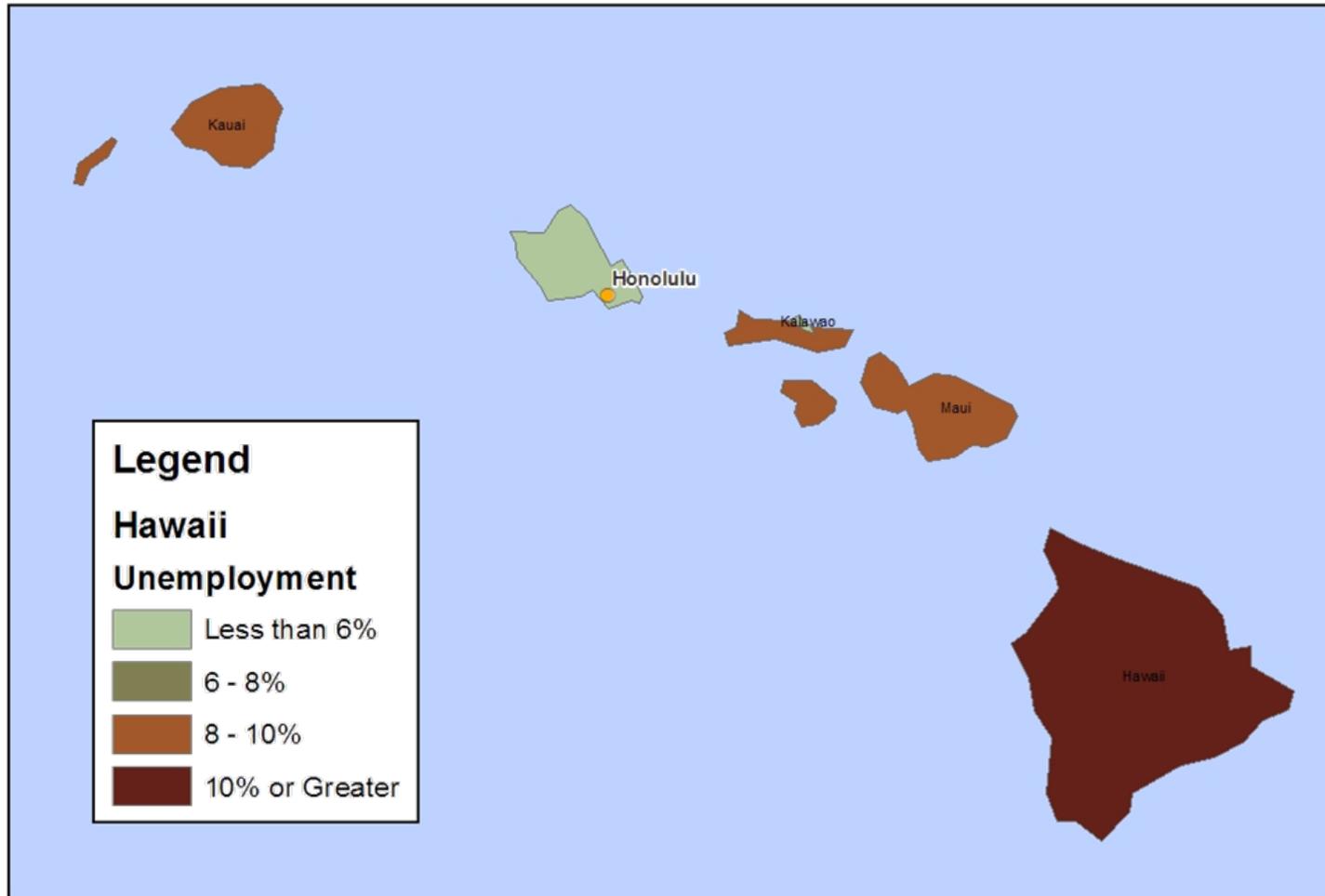
Source: HAMP Service Performance Report Through July 2010

Hawaii Trends

Unemployment rate in Hawaii drops in 2010

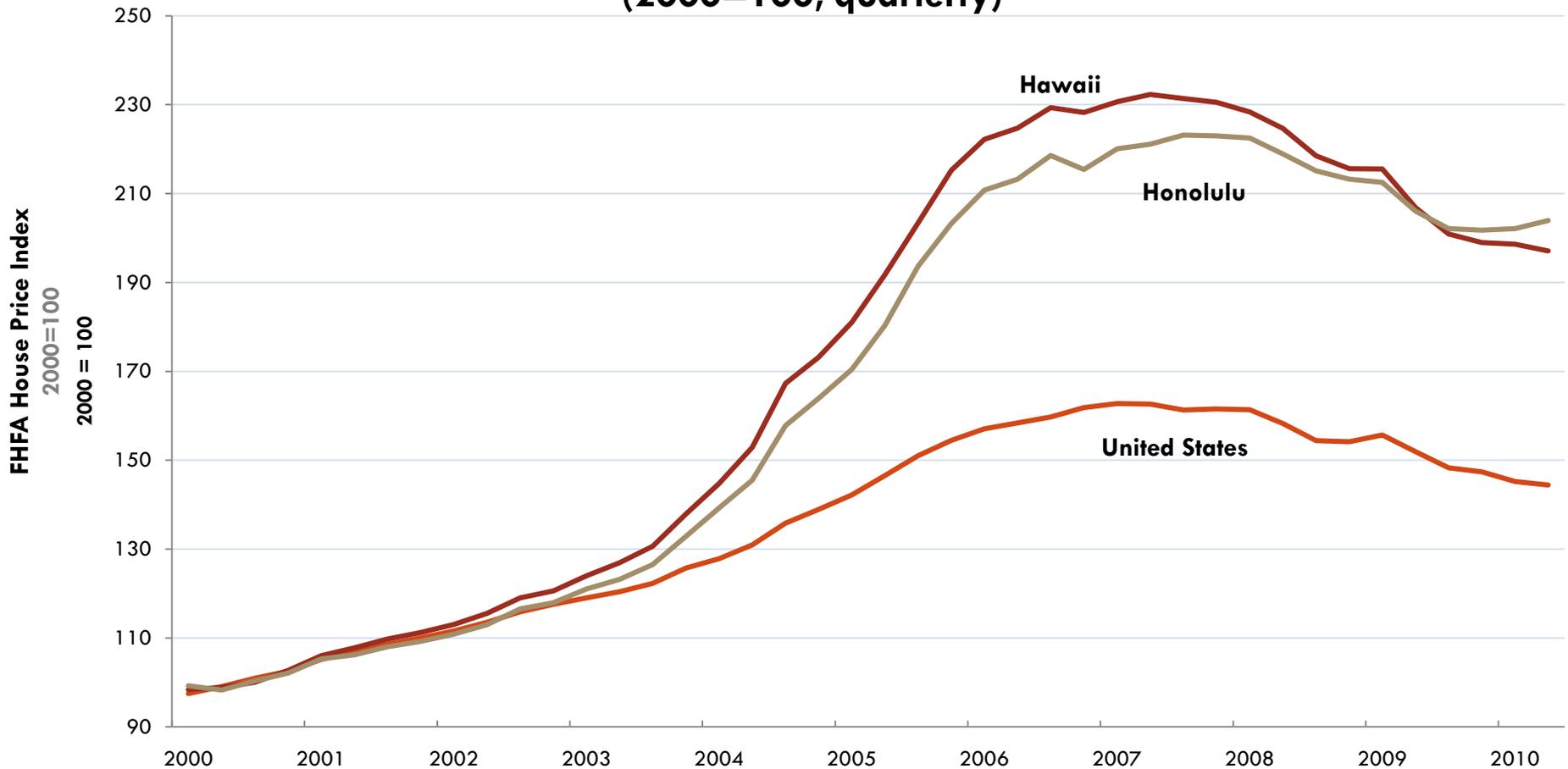


Unemployment in Hawaii highest on big island



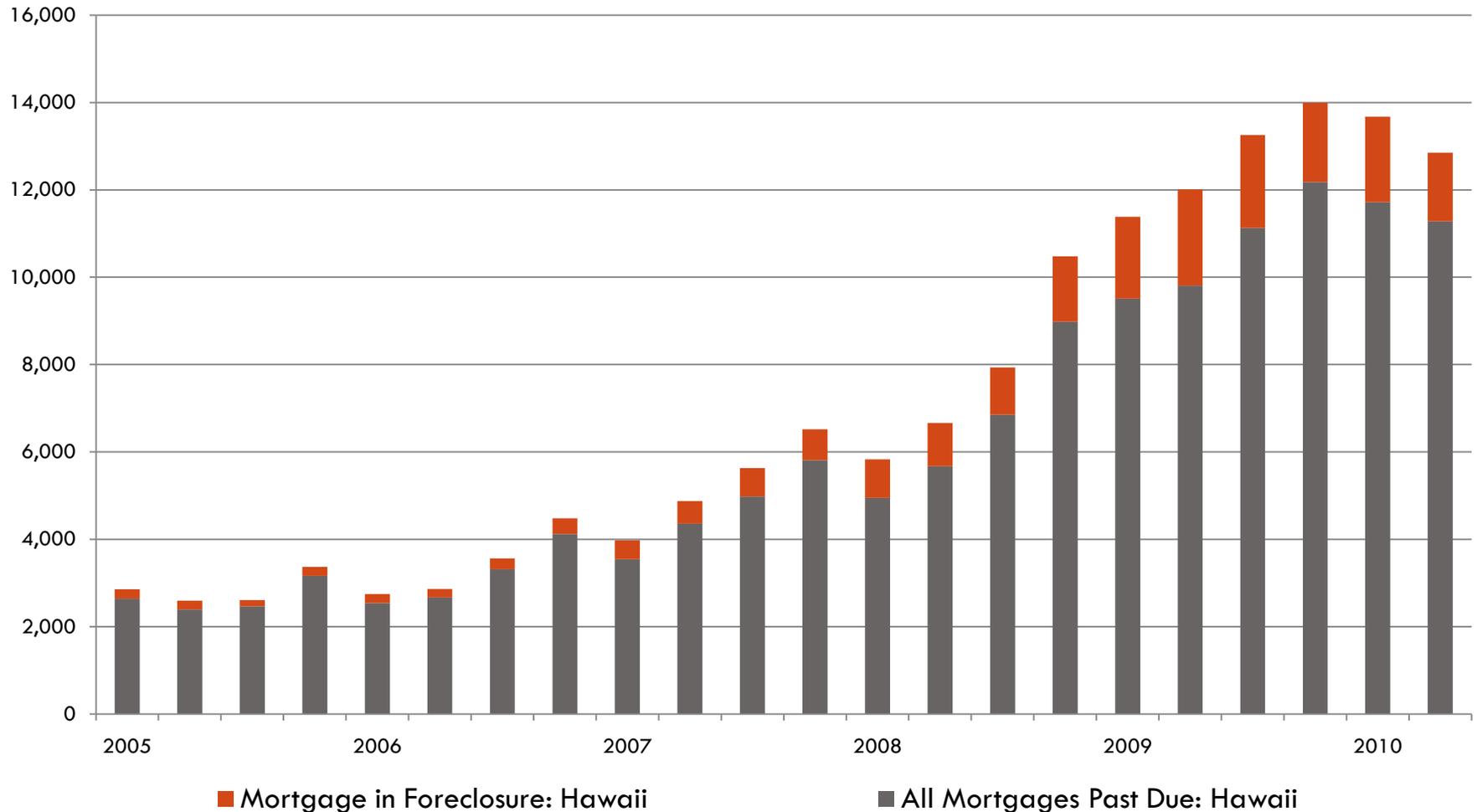
Hawaii's real estate market seems to be stabilizing

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



Source: Federal Housing Finance Agency (formerly OFHEO)

The number of distressed properties – delinquent and in foreclosure – also seems to be stabilizing

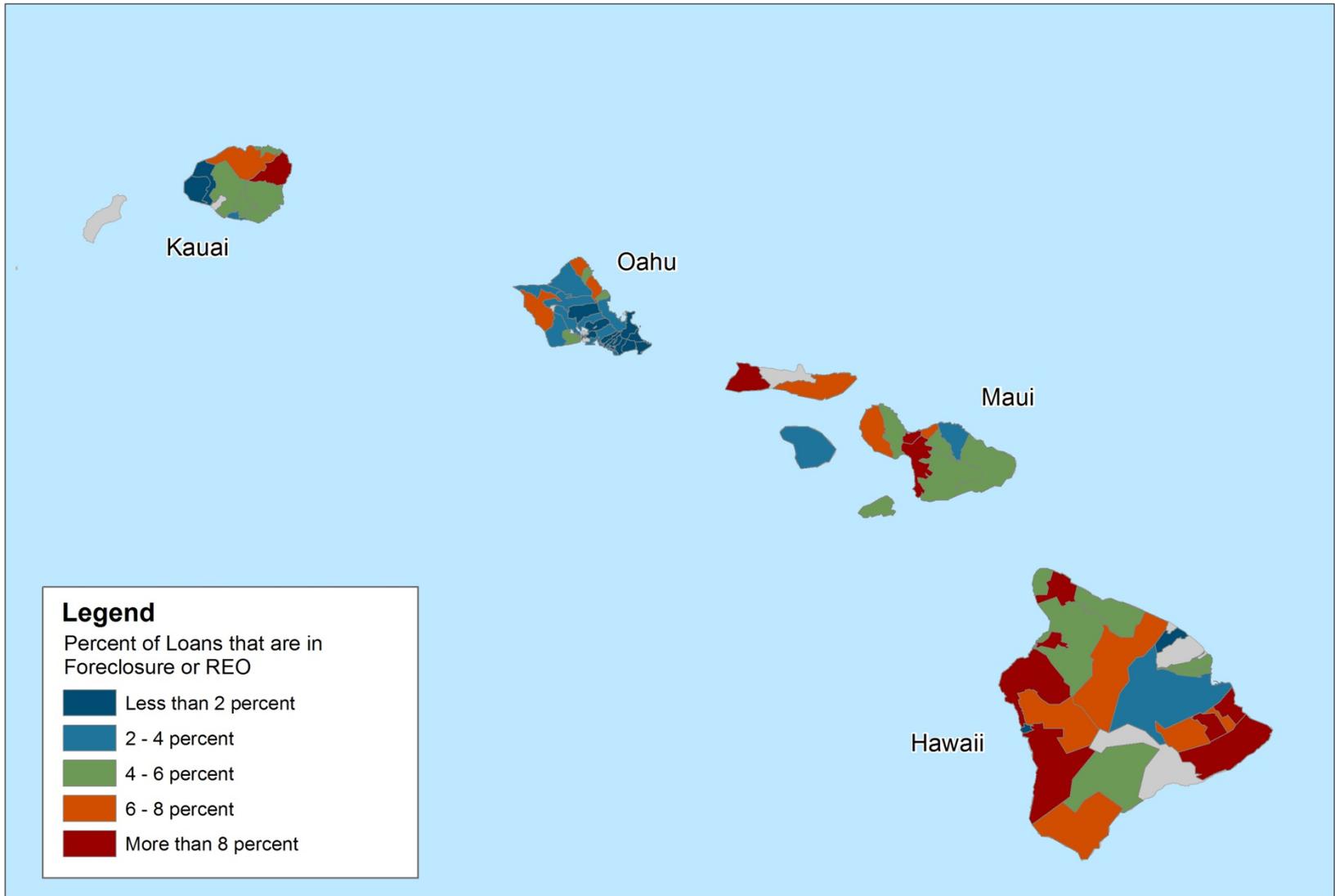


Source: Mortgage Bankers Association, National Delinquency Survey

Hawaii Foreclosure Maps

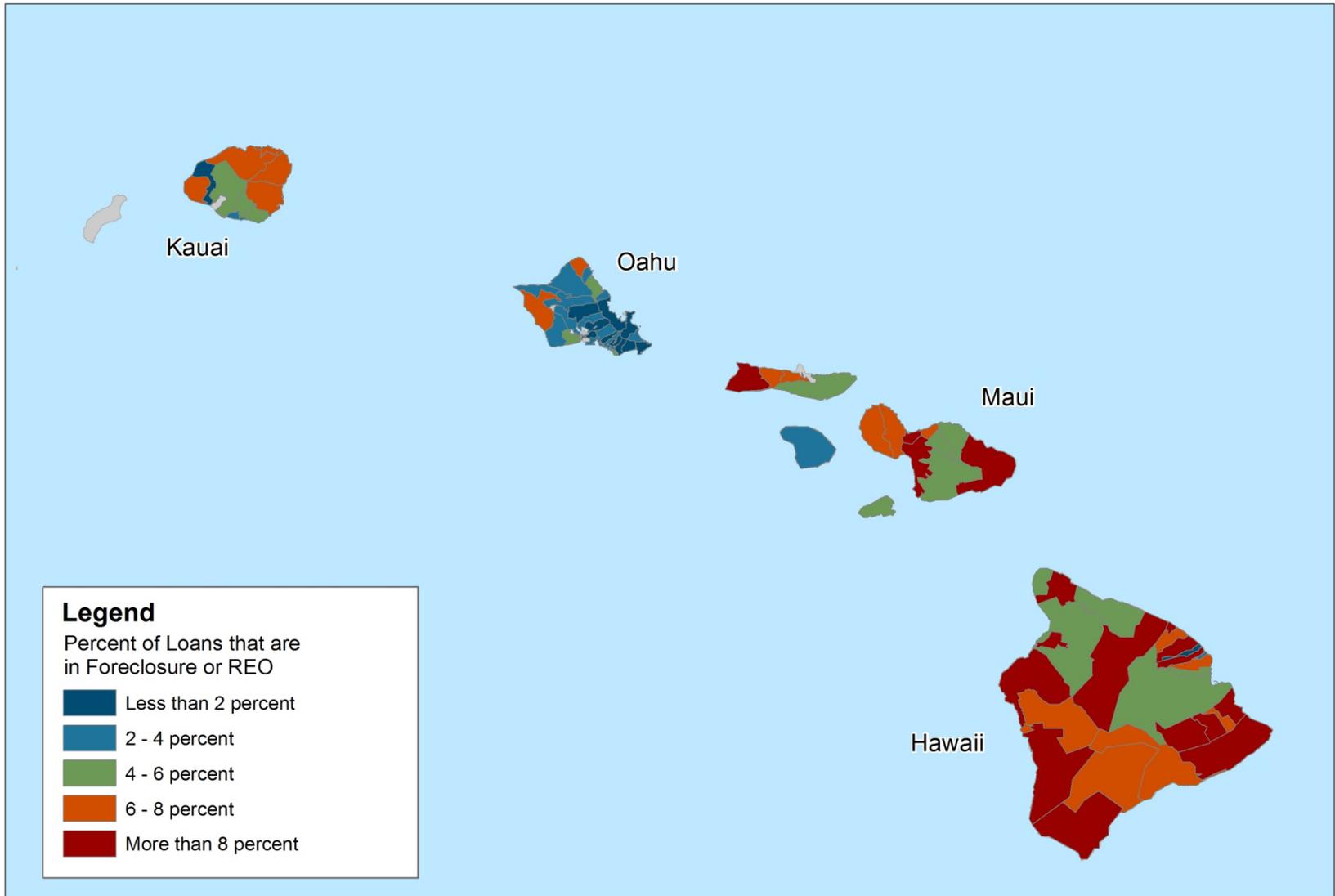
Areas Affected by Concentrated Foreclosures

February 2010



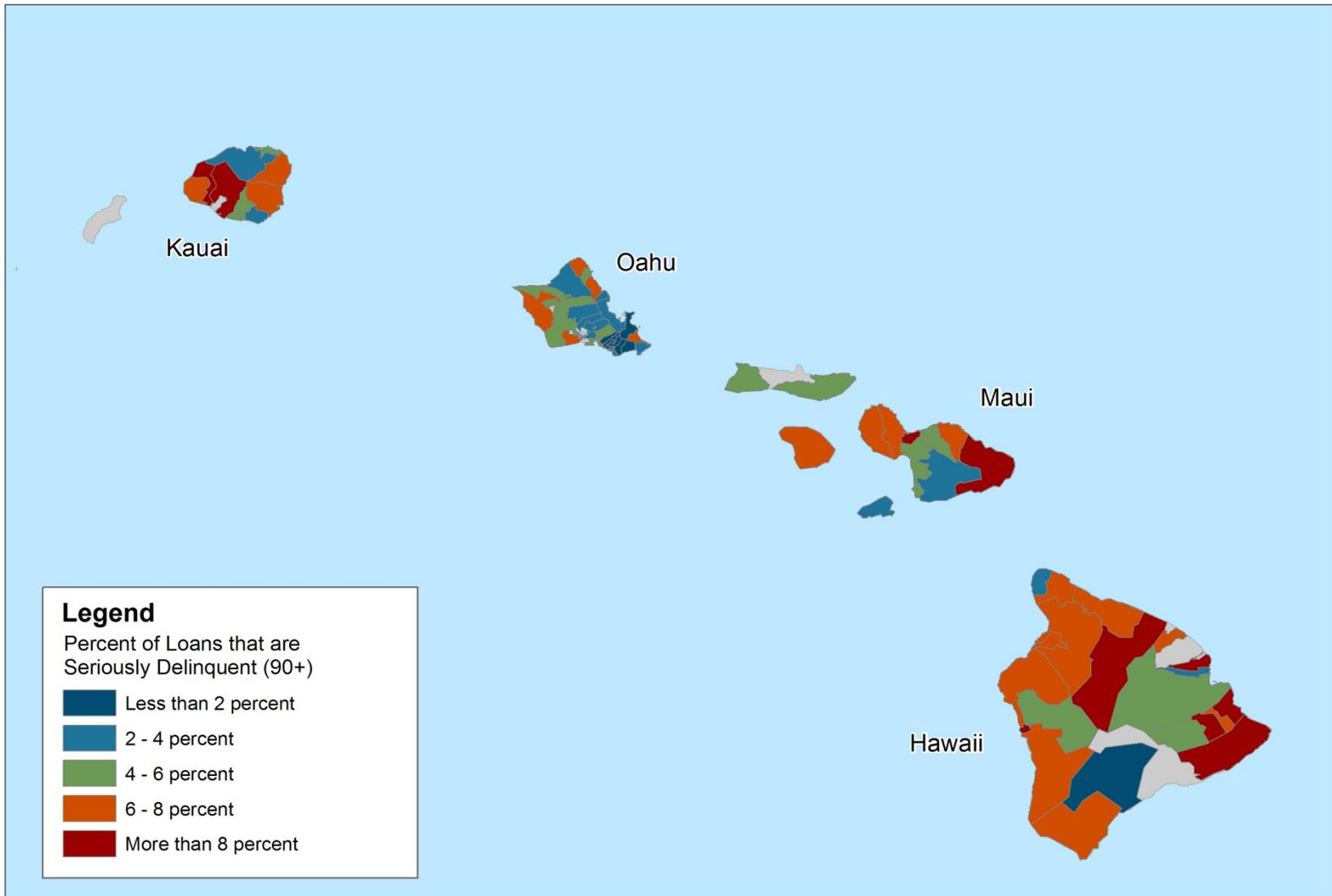
Areas Affected by Concentrated Foreclosures

July 2010



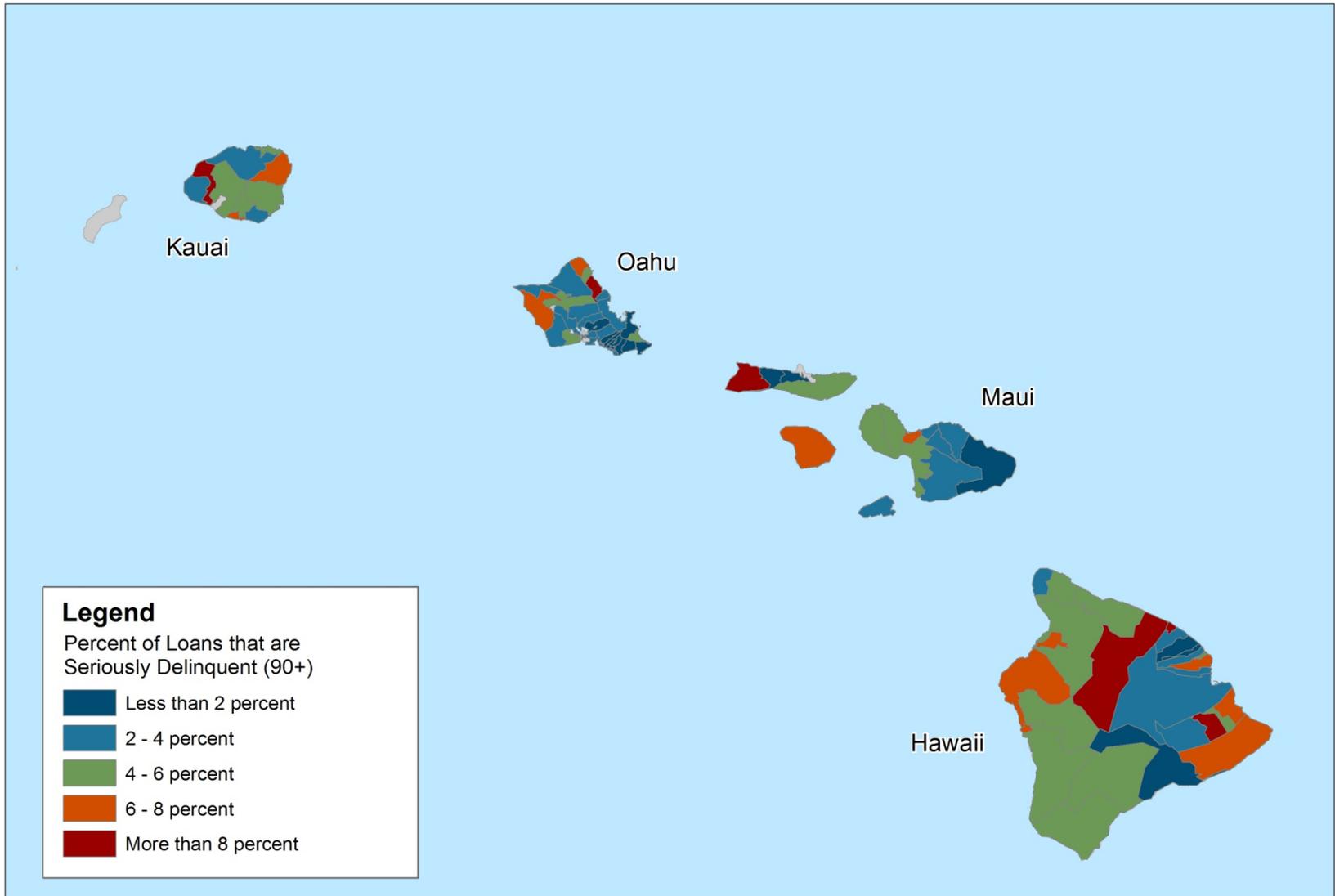
Areas at Risk of Additional Foreclosures

February 2010



Areas 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>

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 shows the homepage of the Federal Reserve Bank of San Francisco's Community Development website. The header includes the bank's name and navigation links for Careers, Fed Links, and Subscriptions. A secondary navigation bar lists various topics: About the Fed, News and Events, Economic Research and Data, Educational Resources, Community Development, Consumer Information, Banking Information, and Services for Financial Institutions. Below this is a breadcrumb trail: Home | Community Reinvestment Act (CRA) | Community Development Issues | Center for Community Development Investments | Events and Conferences | Publications | About Us.

The main content area is titled "COMMUNITY DEVELOPMENT" and features a "Highlights" section with three items:

- 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.

Below the highlights is a "Programs and Information" section with four sub-sections:

- 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.

On the right side of the page, there is a "TOOL BOX" with links for Fed Links, Subscriptions, Publications, Search, Research Pubs, FAQ, Glossary, Site Map, Careers, and Email Us. Below this is a search bar with a "go" button. Further down is a "POPULAR CONTENT" section titled "Upcoming Events" with two items:

- 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.

At the bottom of the right sidebar, there are links for "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," and "Bank on San Francisco - Program information and information about replicating program."

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