

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

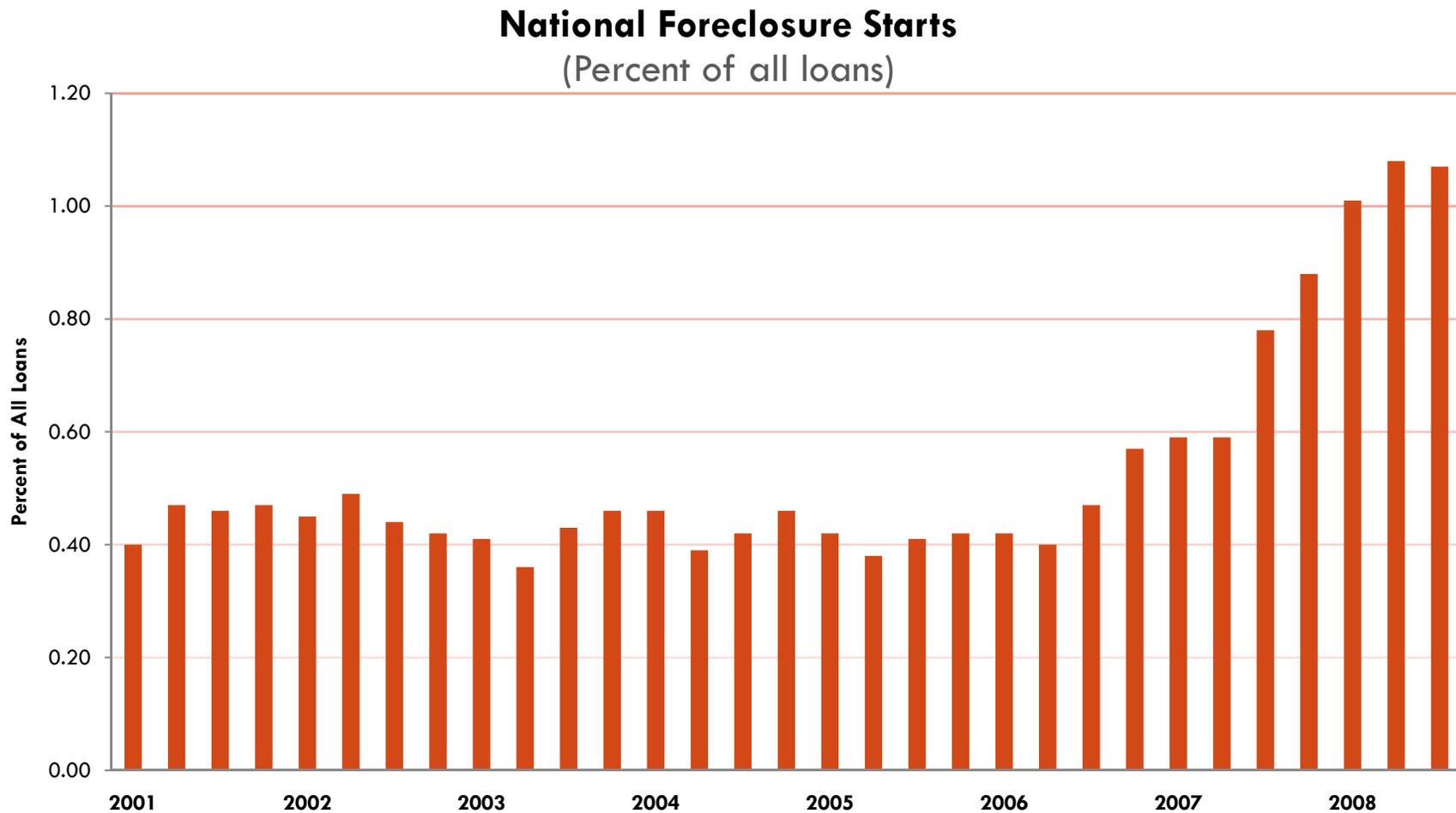
National Trends

National Trends



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

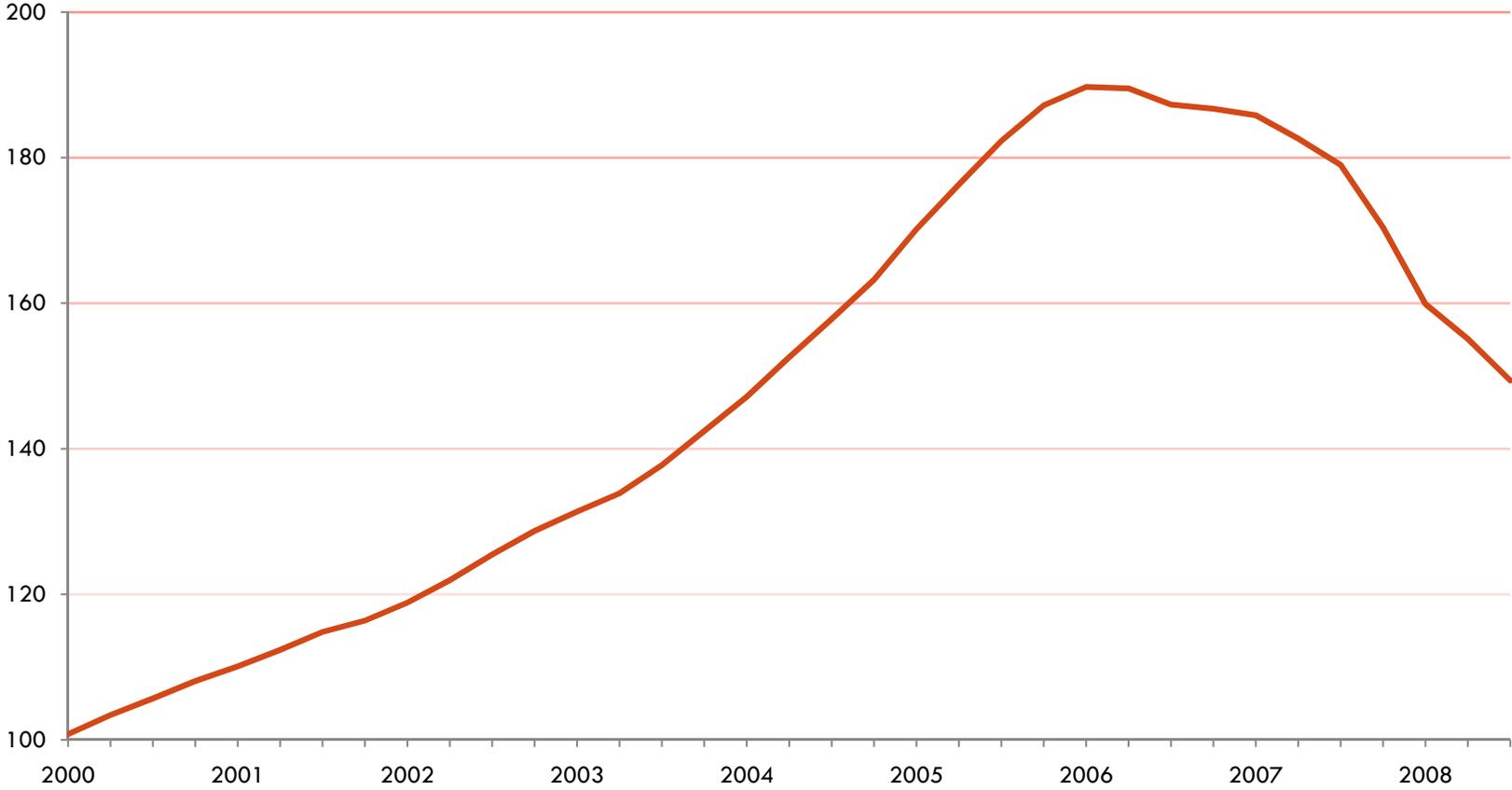
After Steady Rise, National Foreclosure Starts Dipped Slightly in 3rd Quarter of 2008



Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008

Nationally, House Prices Continue to Decline

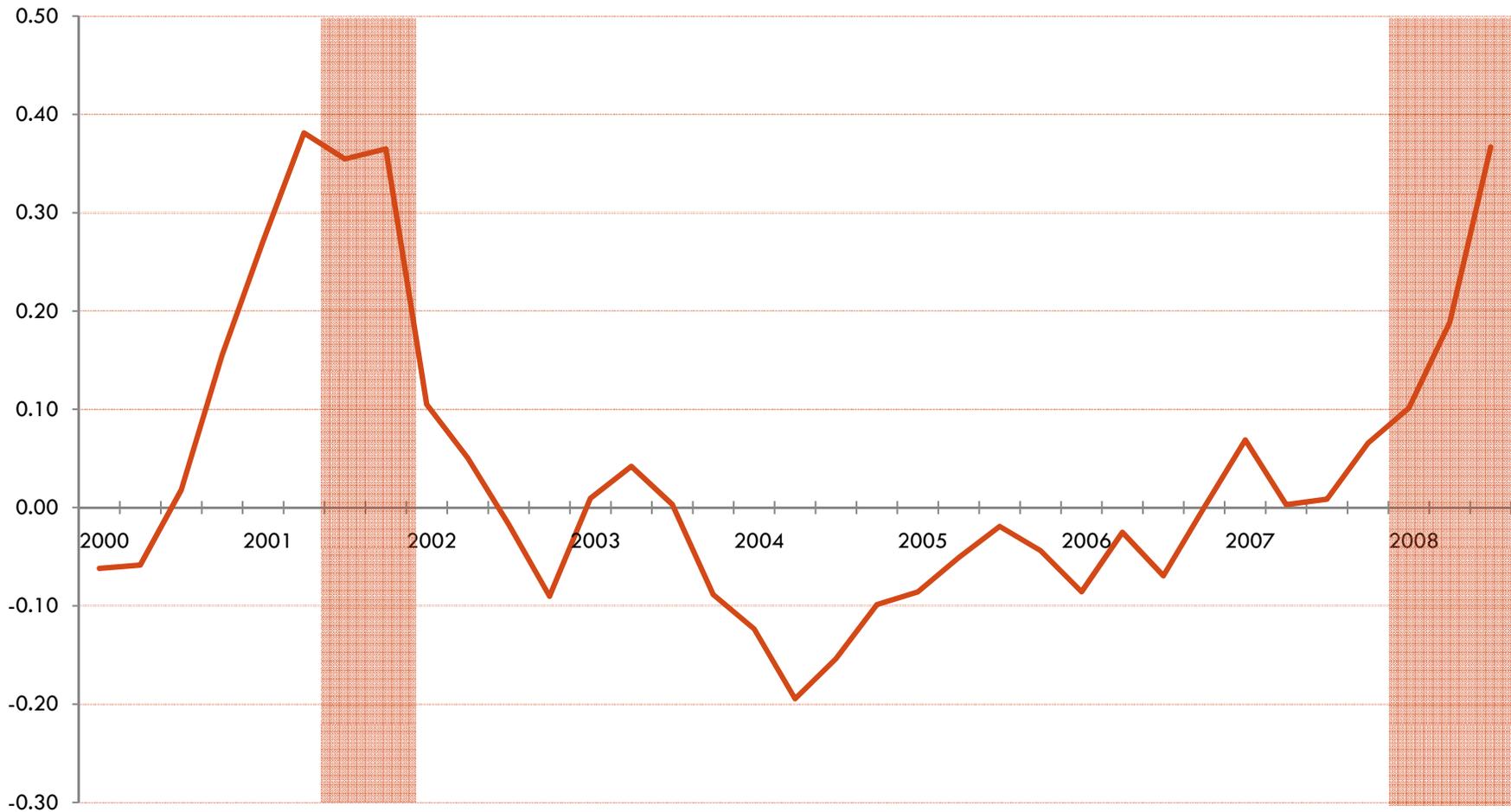
Case-Shiller National House Price Index
(2000 = 100, quarterly)



Source: Case - Shiller Home Price Index, 3rd Q 2008

Recession Marks Significant Jump in National Unemployment Insurance Claims

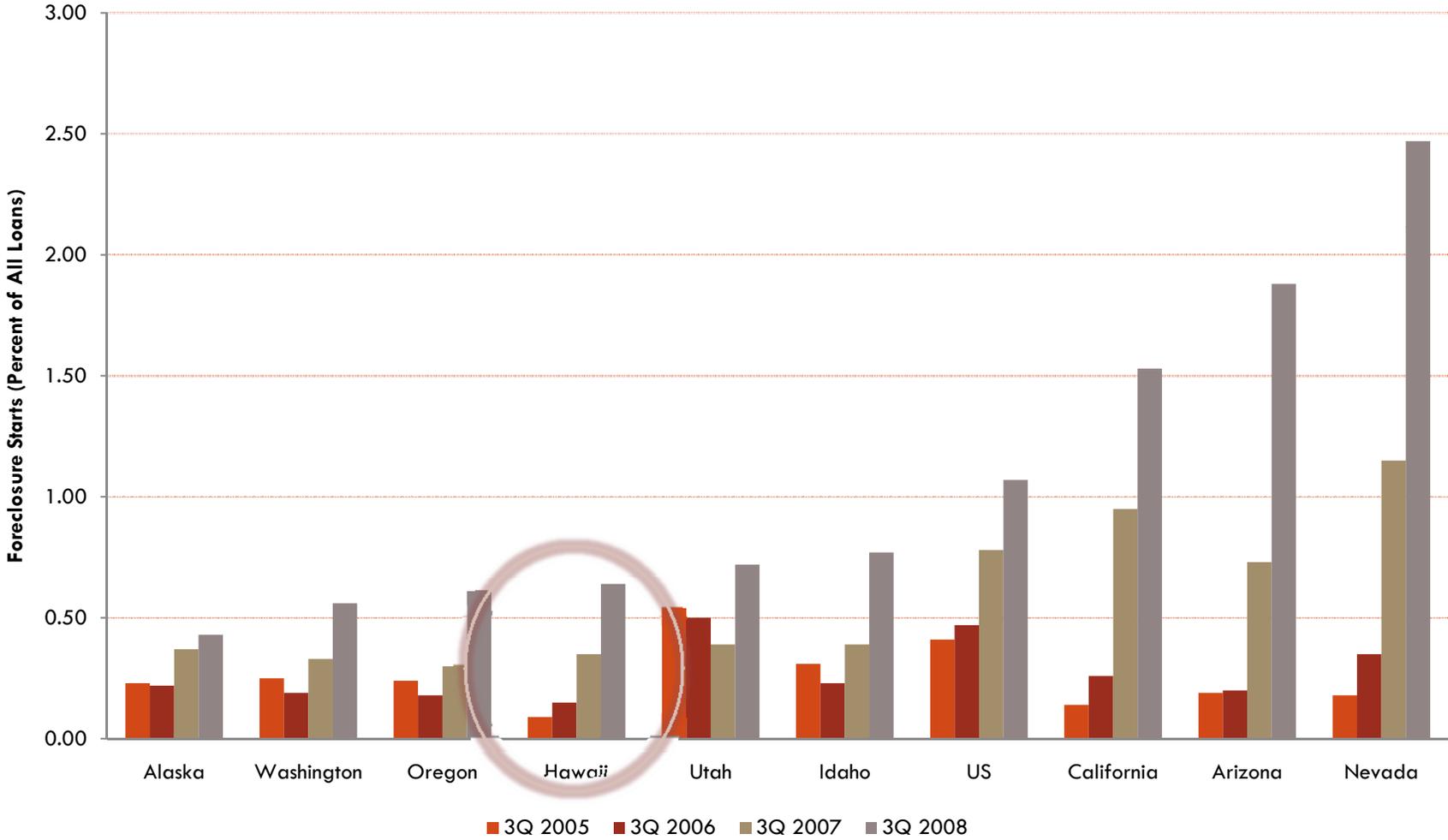
National Unemployment Insurance Claims, Percent Change Year-over-Year



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

Hawaii Trends

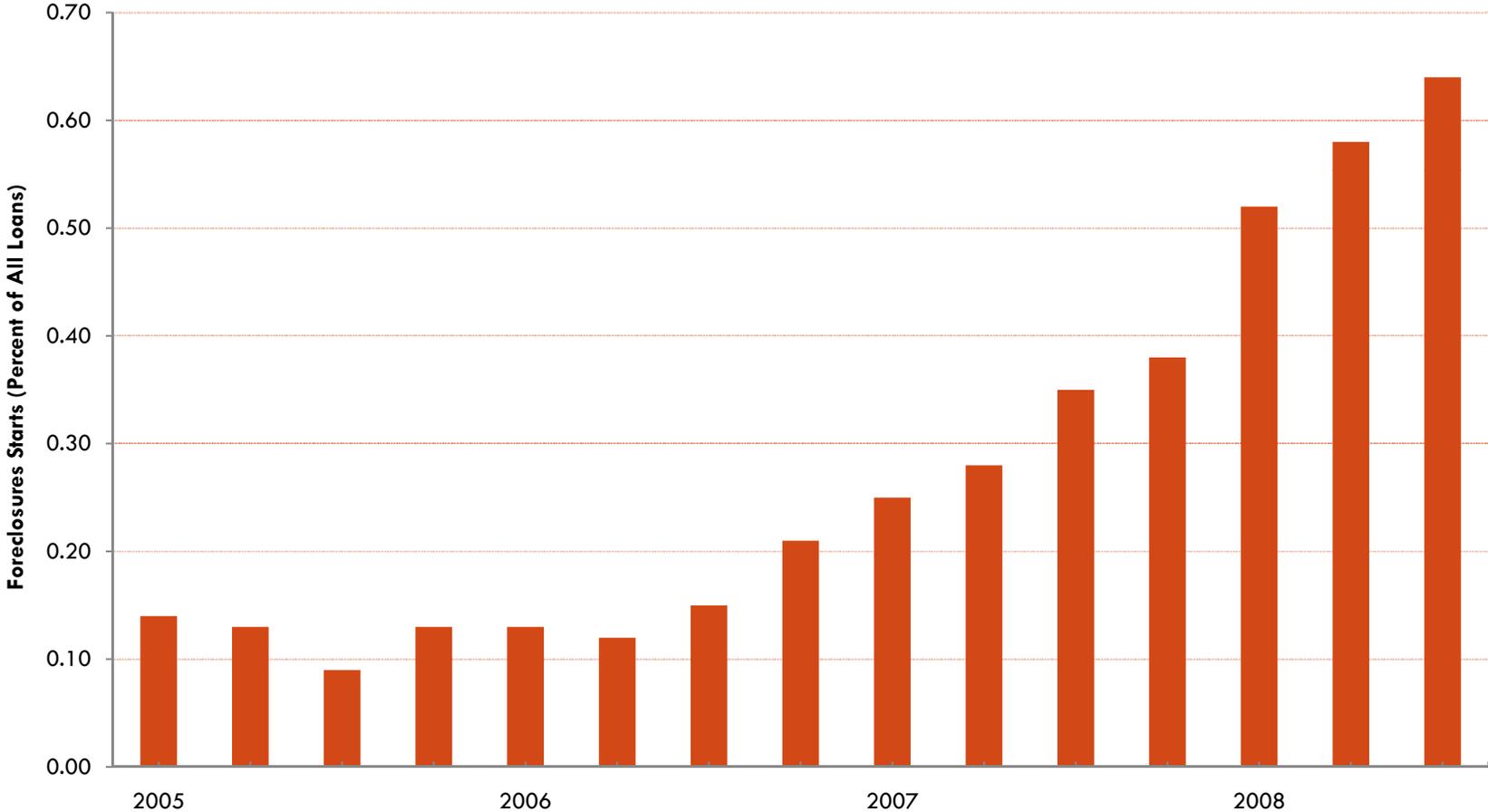
Foreclosures in Hawaii Have Risen Significantly, but Still Below US Average



Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008

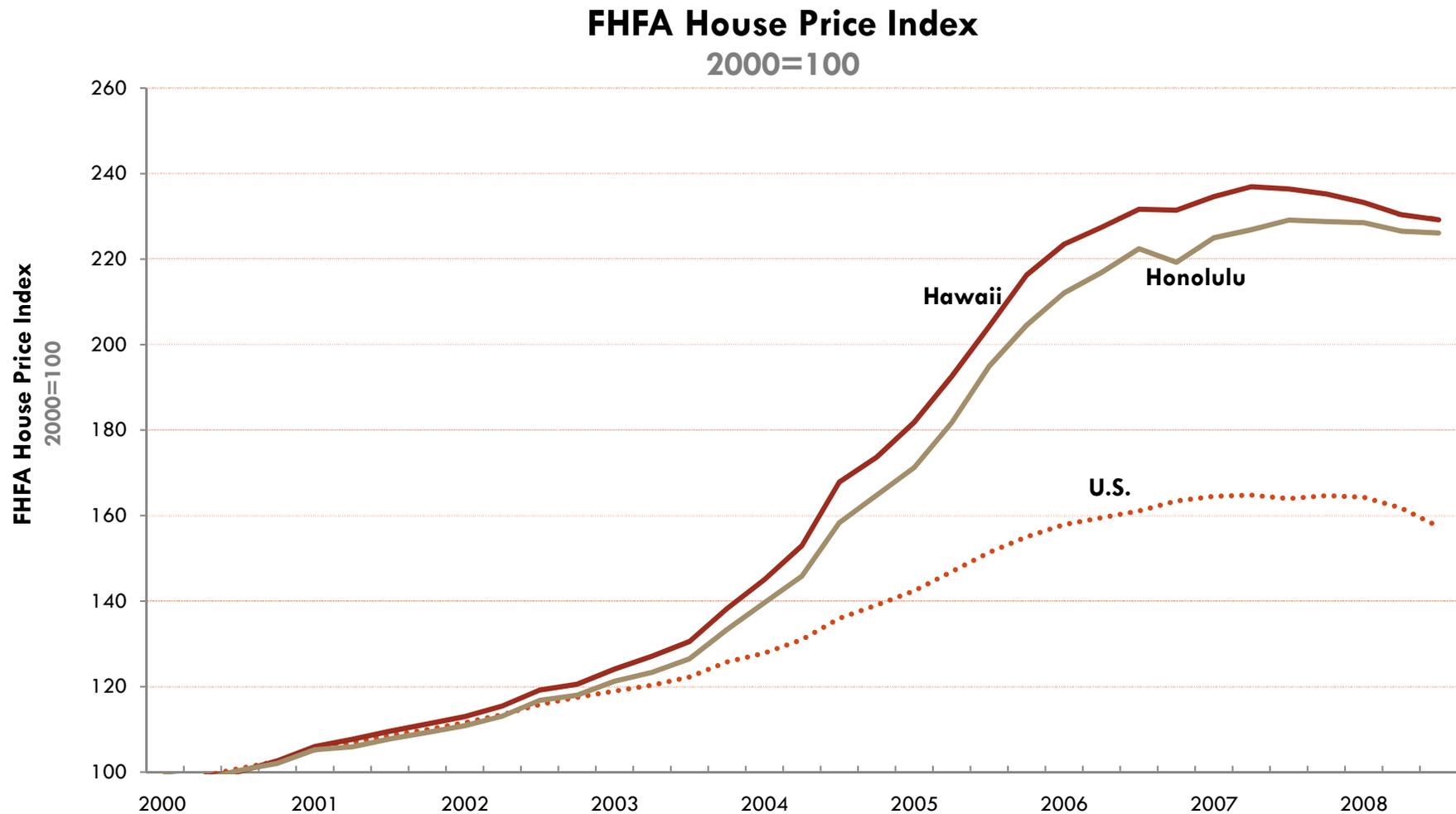
Yet Unlike National Trends, Hawaii Saw a Continued Increase in Foreclosure Starts in 3rd Quarter 2008

Hawaii: Foreclosure Starts



Source: Mortgage Bankers Association, National Delinquency Survey, 3rd Q 2008

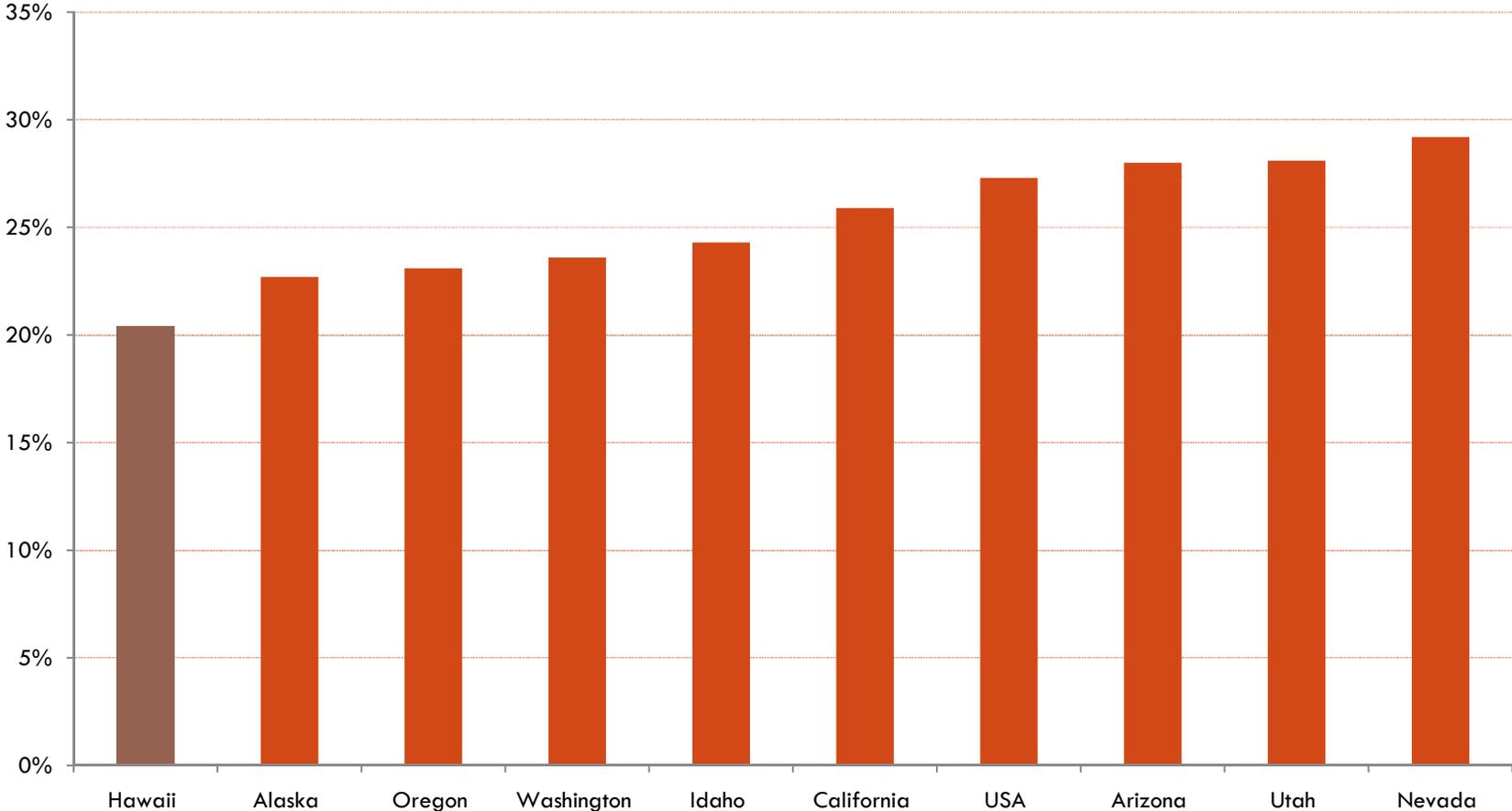
Softening of Real Estate Market



Source: Federal Housing Finance Agency (formerly OFHEO), 3rd Quarter 2008

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

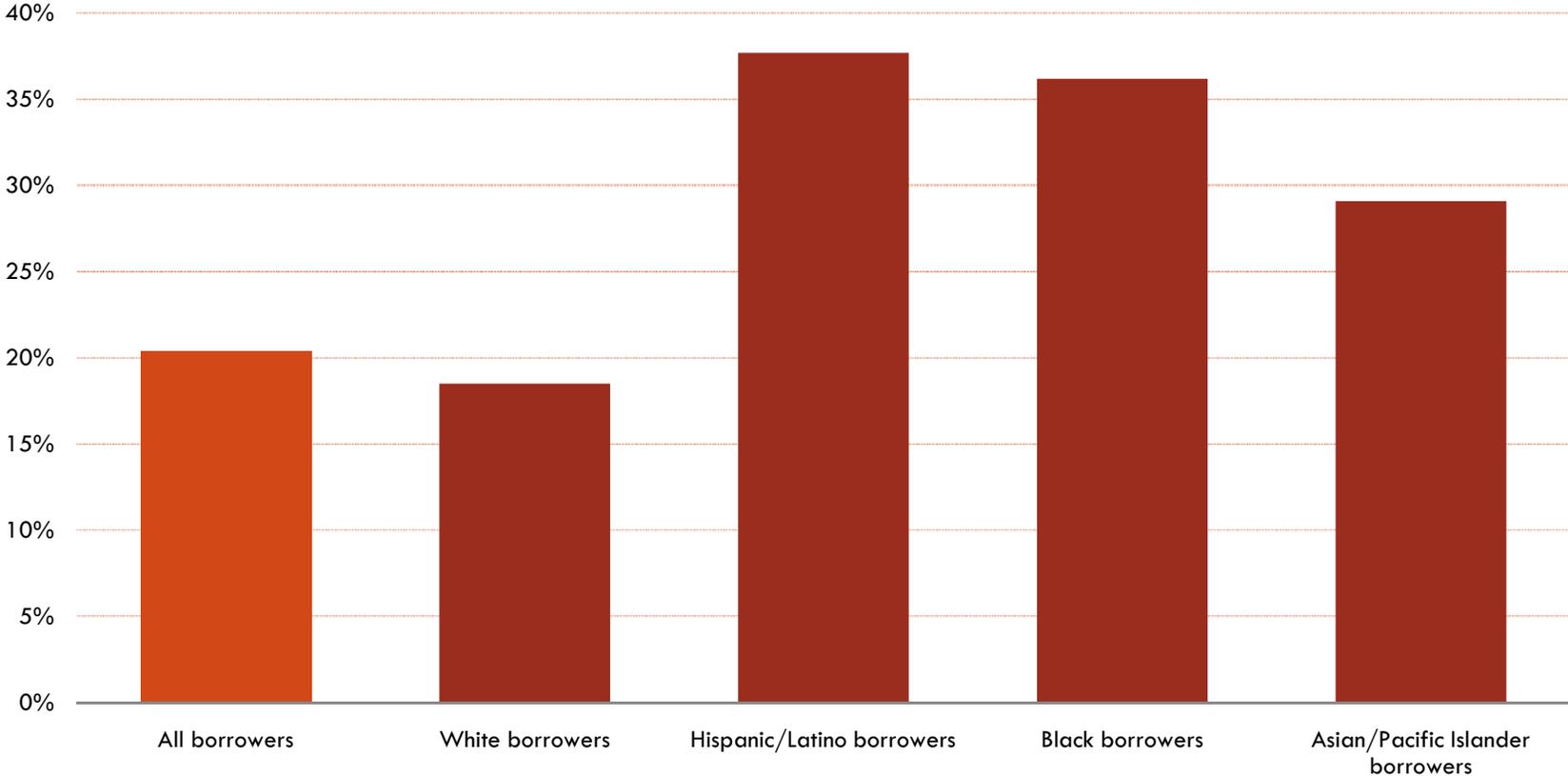
Percent of All Borrowers with High Interest Conventional Loans, 2005



Source: Home Mortgage Disclosure Act Data, 2005

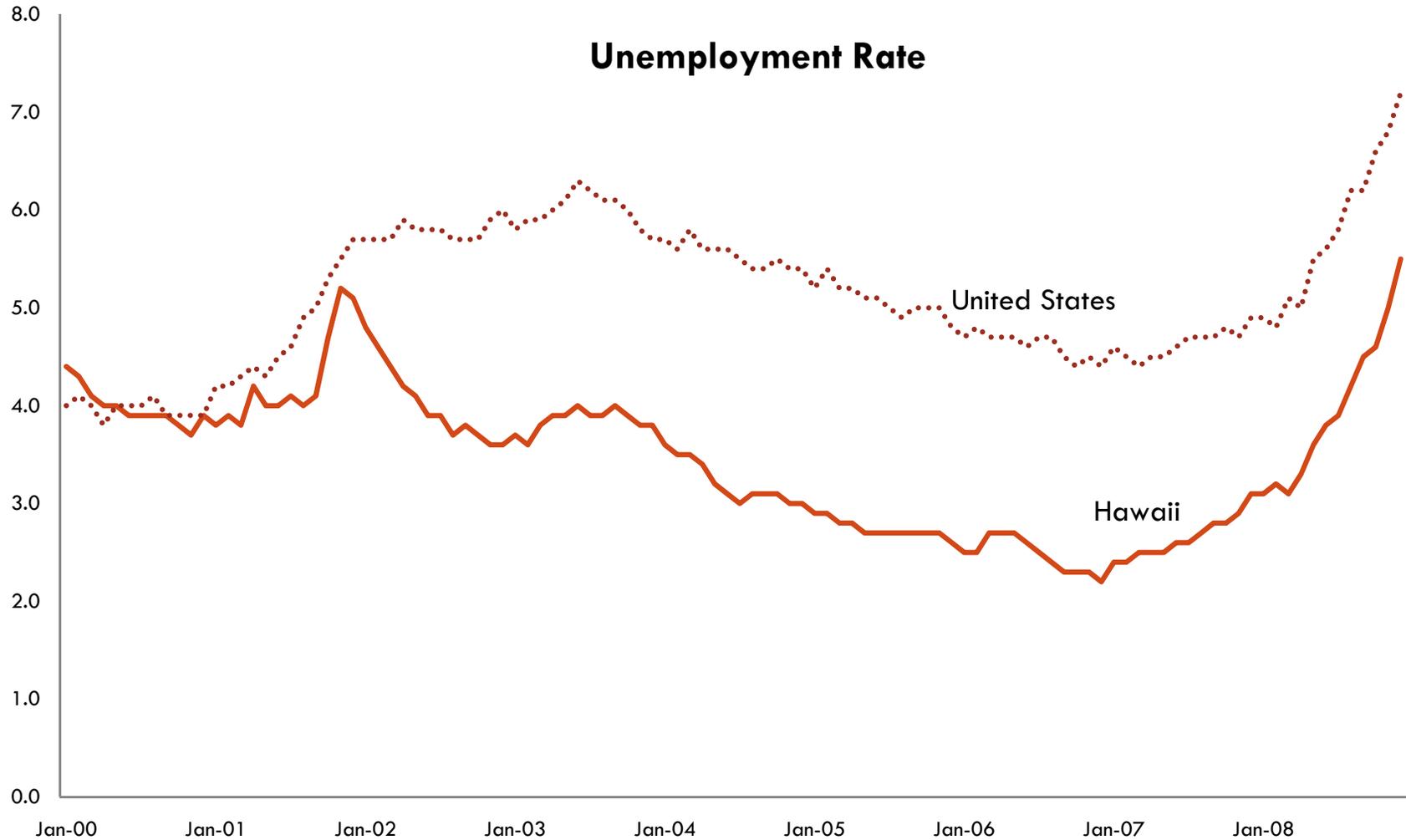
High Cost Lending in Hawaii More Prevalent Among Minority Borrowers

Hawaii: High Interest Conventional Loans by Race, 2005



Source: Home Mortgage Disclosure Act Data, 2005

Unemployment Rate on the Rise



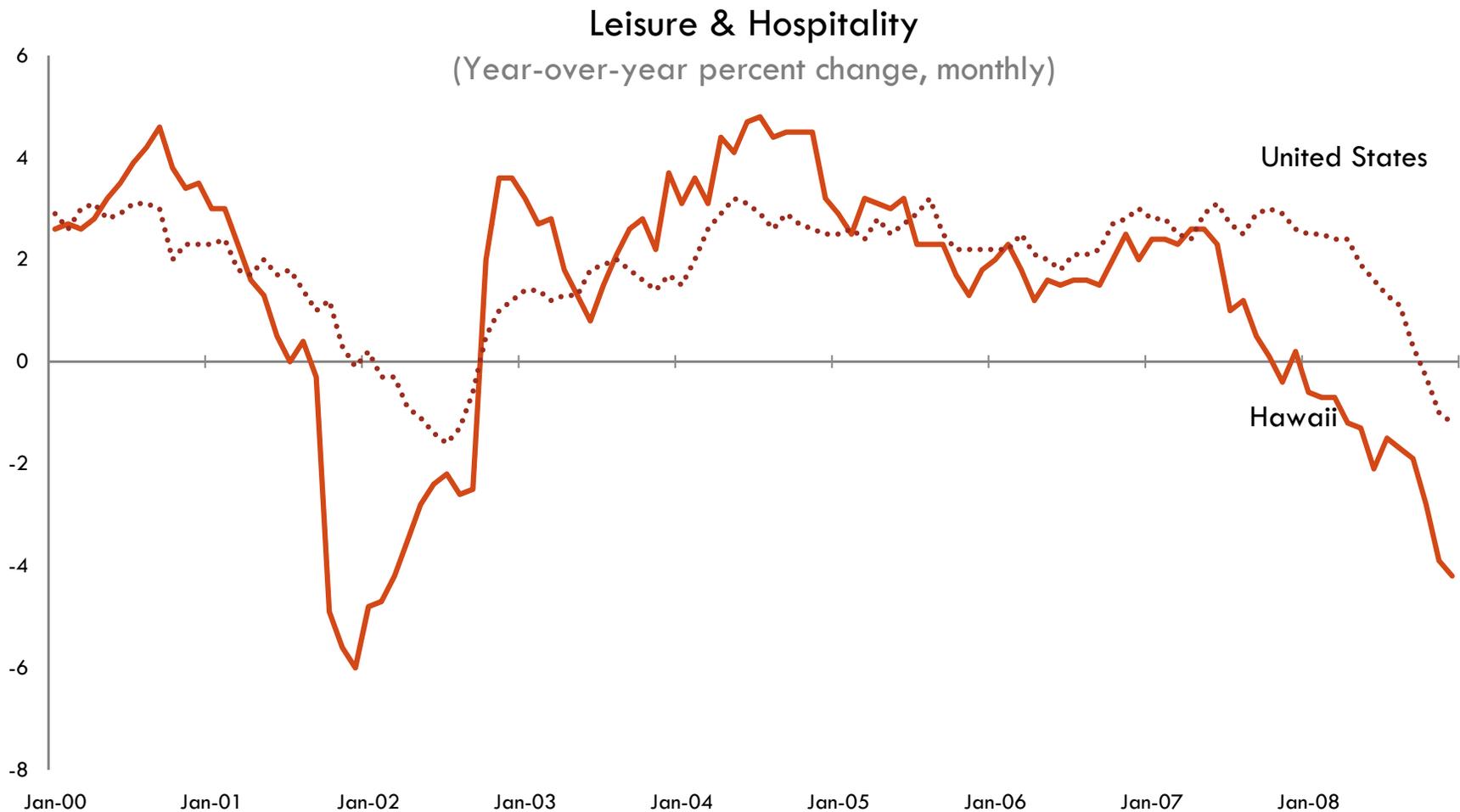
Source: Bureau of Labor Statistics, December 2008

Employment by Industry

Hawaii	Total Employed (thousands) Dec-08	Percent Change		
		1-mo.*	3-mo.*	12-mo.
Total	612.6	-13.9	-6.0	-2.1
Government	125.6	-36.8	1.6	2.2
Trade, Transportation & Utilities	115.7	-10.7	-6.3	-4.5
Leisure & Hospitality	104.8	1.2	-8.3	-4.2
Educational & Health Svcs.	74.2	-1.6	-2.1	1.8
Professional & Business Svcs.	74.2	-16.0	-10.5	-3.3
Natural Resources, Mining & Construction	36.7	-22.8	-19.1	-8.2
Financial Activities	29.1	-11.1	-5.8	-2.9
Other Services	27.4	0.0	-1.4	2.2
Manufacturing	14.8	-14.0	-5.3	-1.9
Information	9.5	-59.0	-34.4	-9.0

Source: Bureau of Labor Statistics, December 2008; *Annualized.

Significant Drop in Tourism Employment

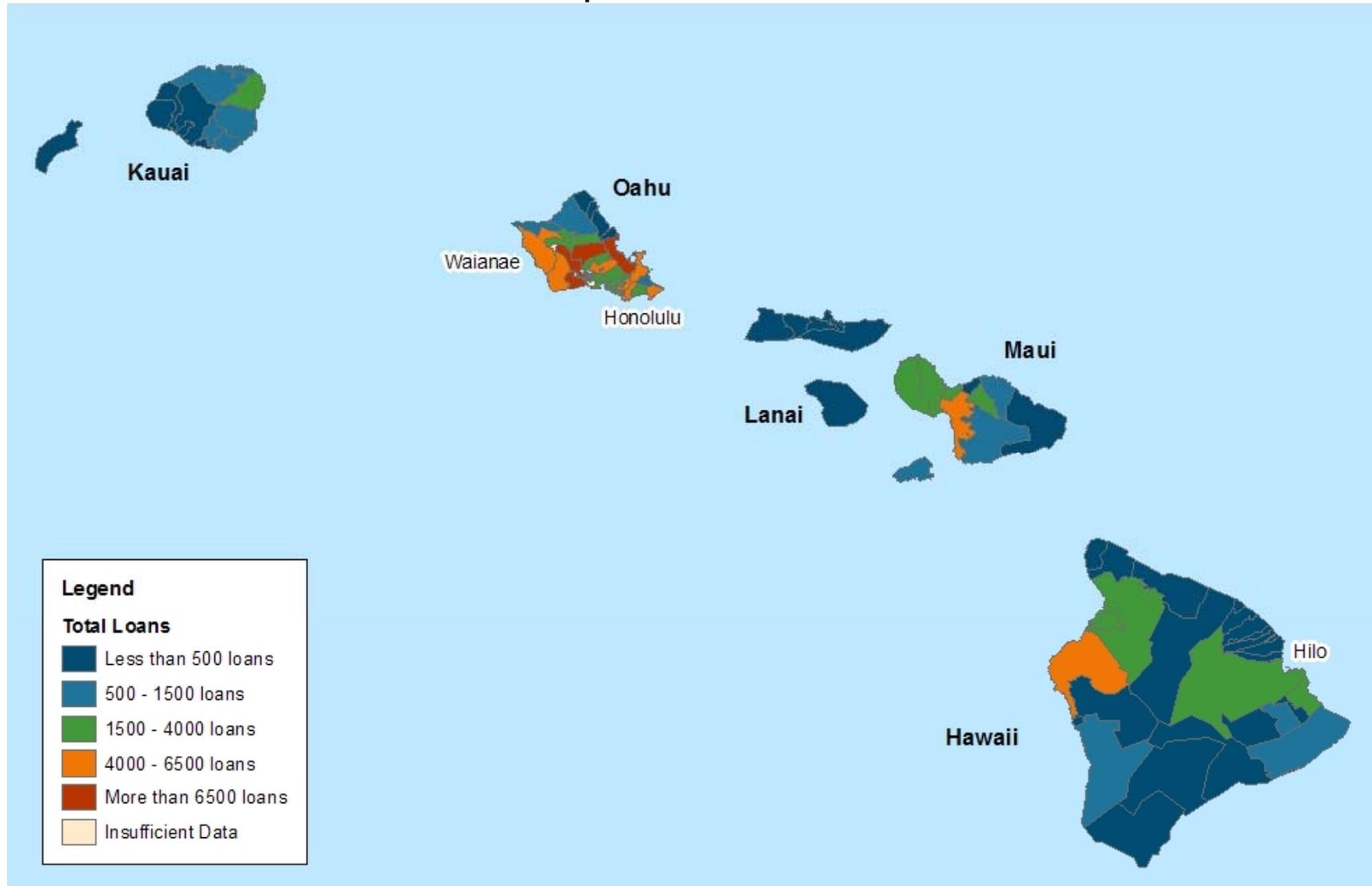


Source: Bureau of Labor Statistics, December 2008

Hawaii Foreclosure Maps

Distribution of Lending Volumes

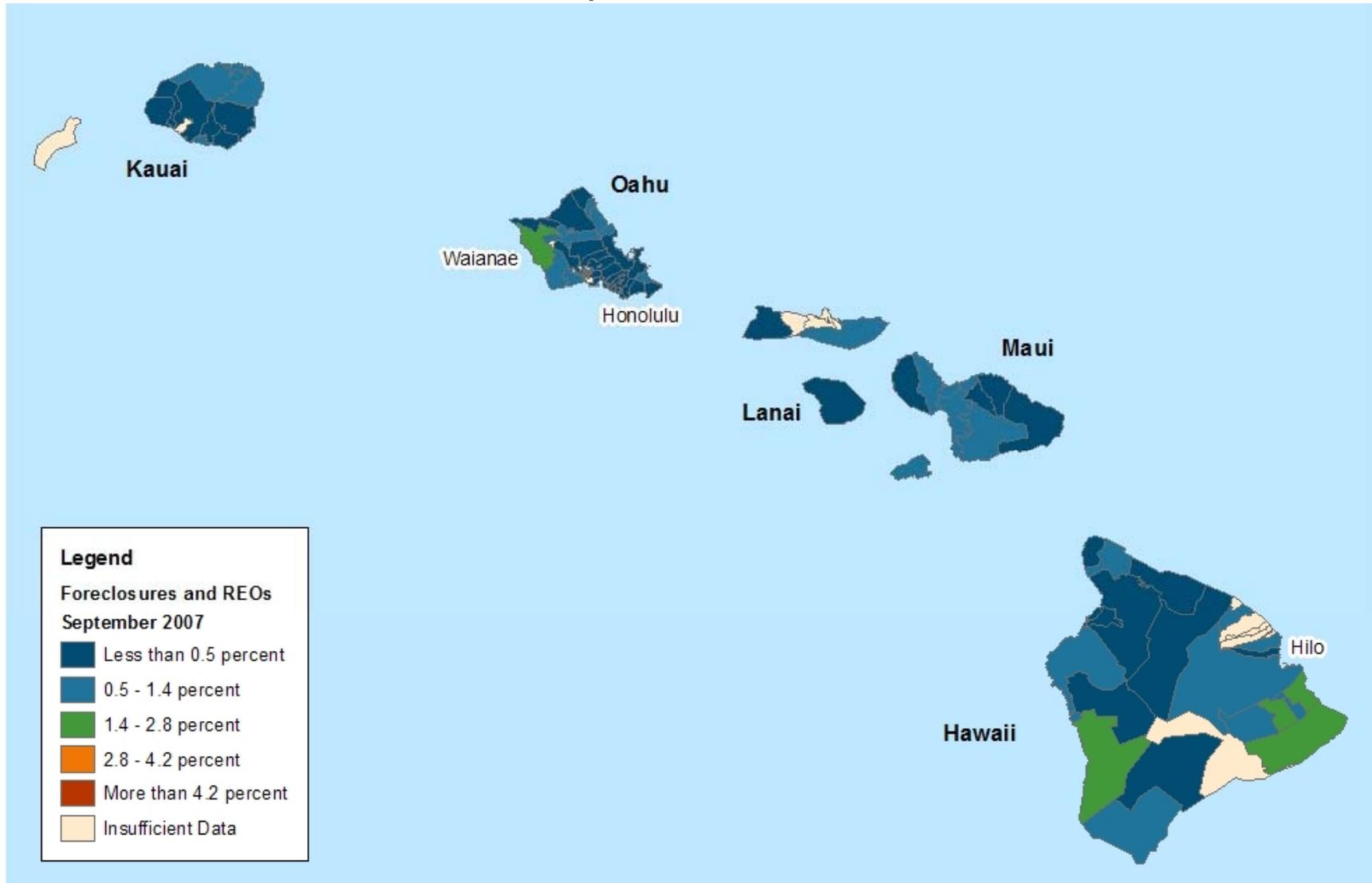
September 2007



Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, September 2007

Areas Affected by Concentrated Foreclosures

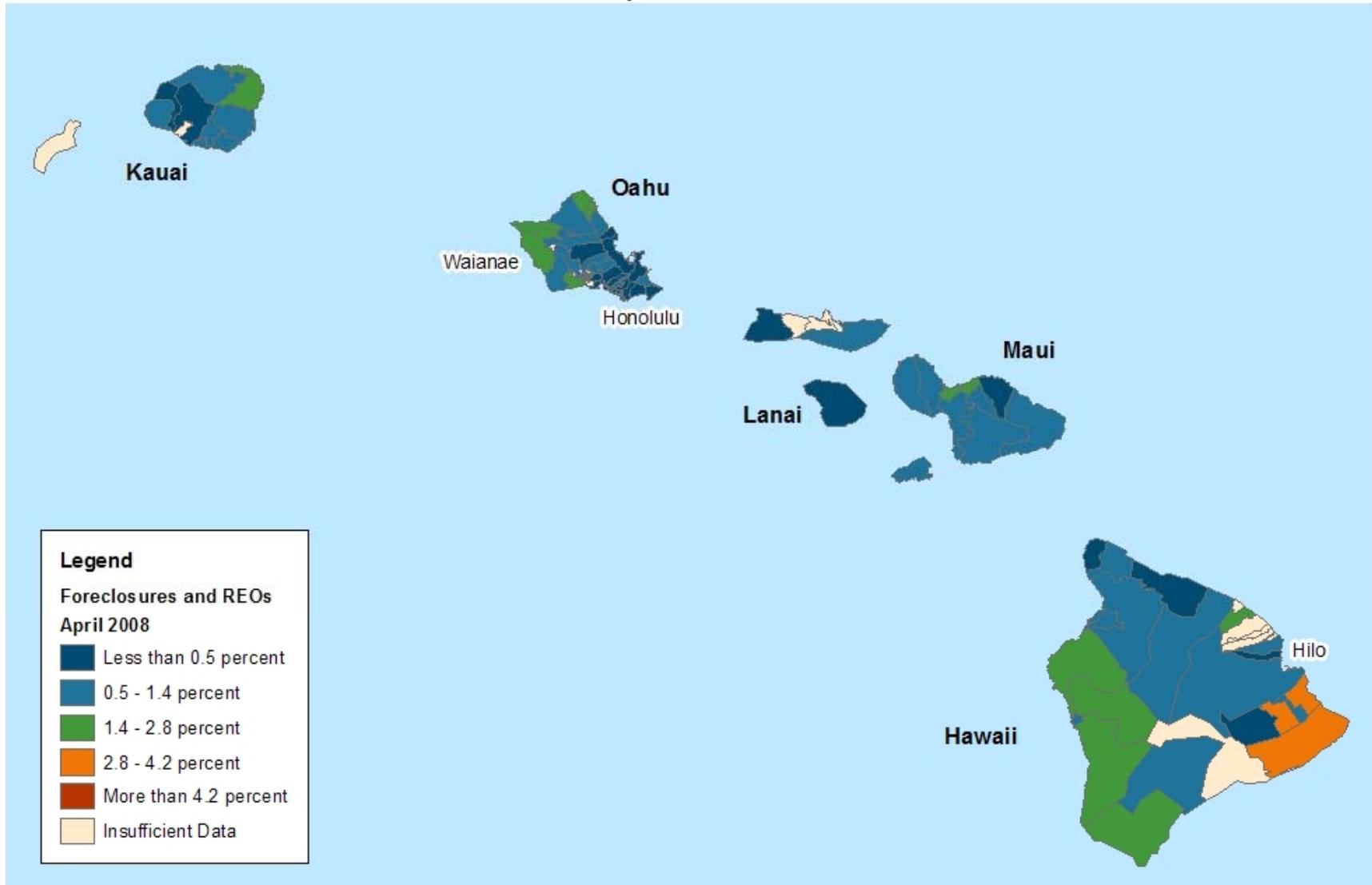
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Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, September 2007

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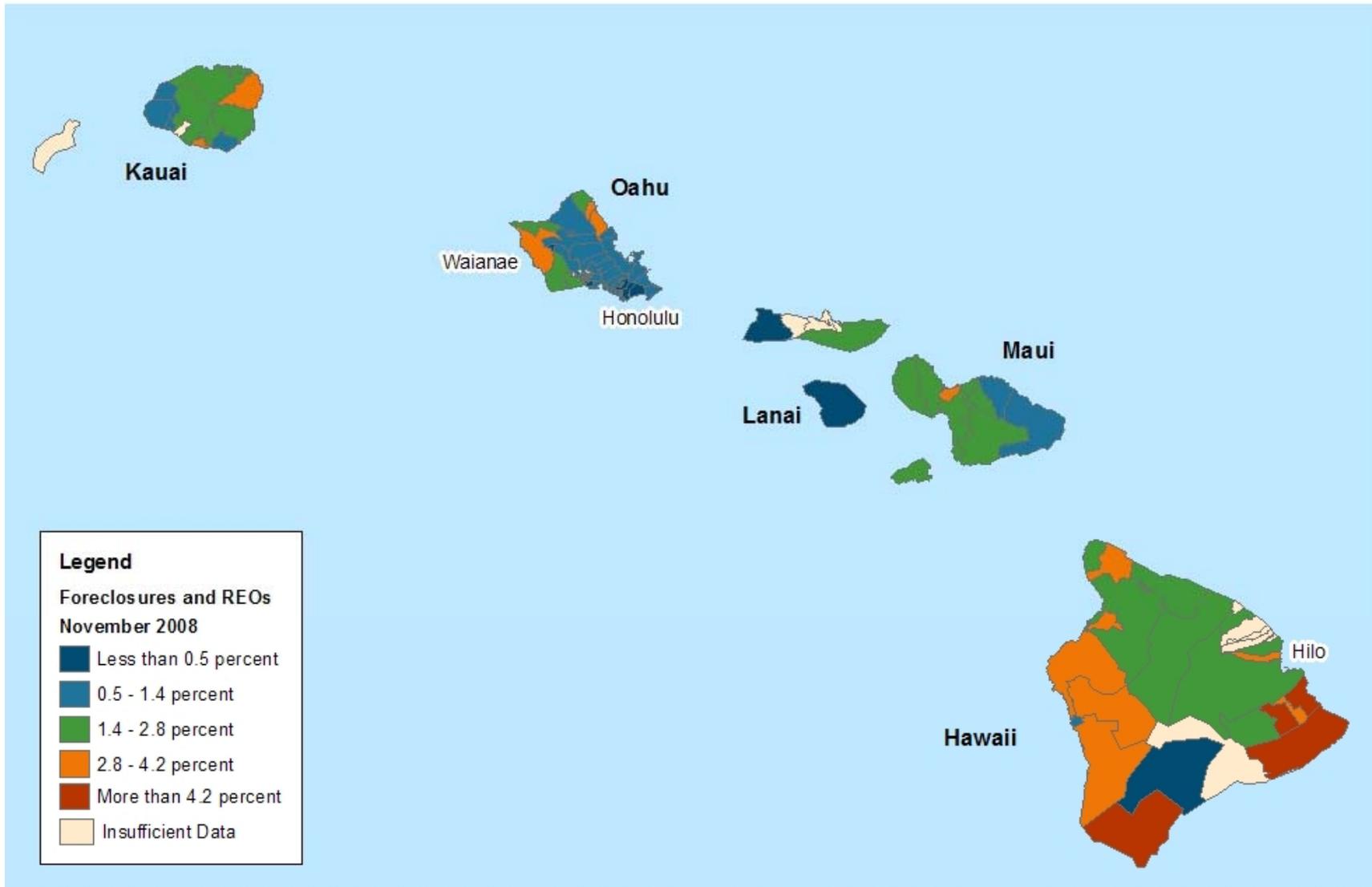
April 2008



Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, April 2008

Areas Affected by Concentrated Foreclosures

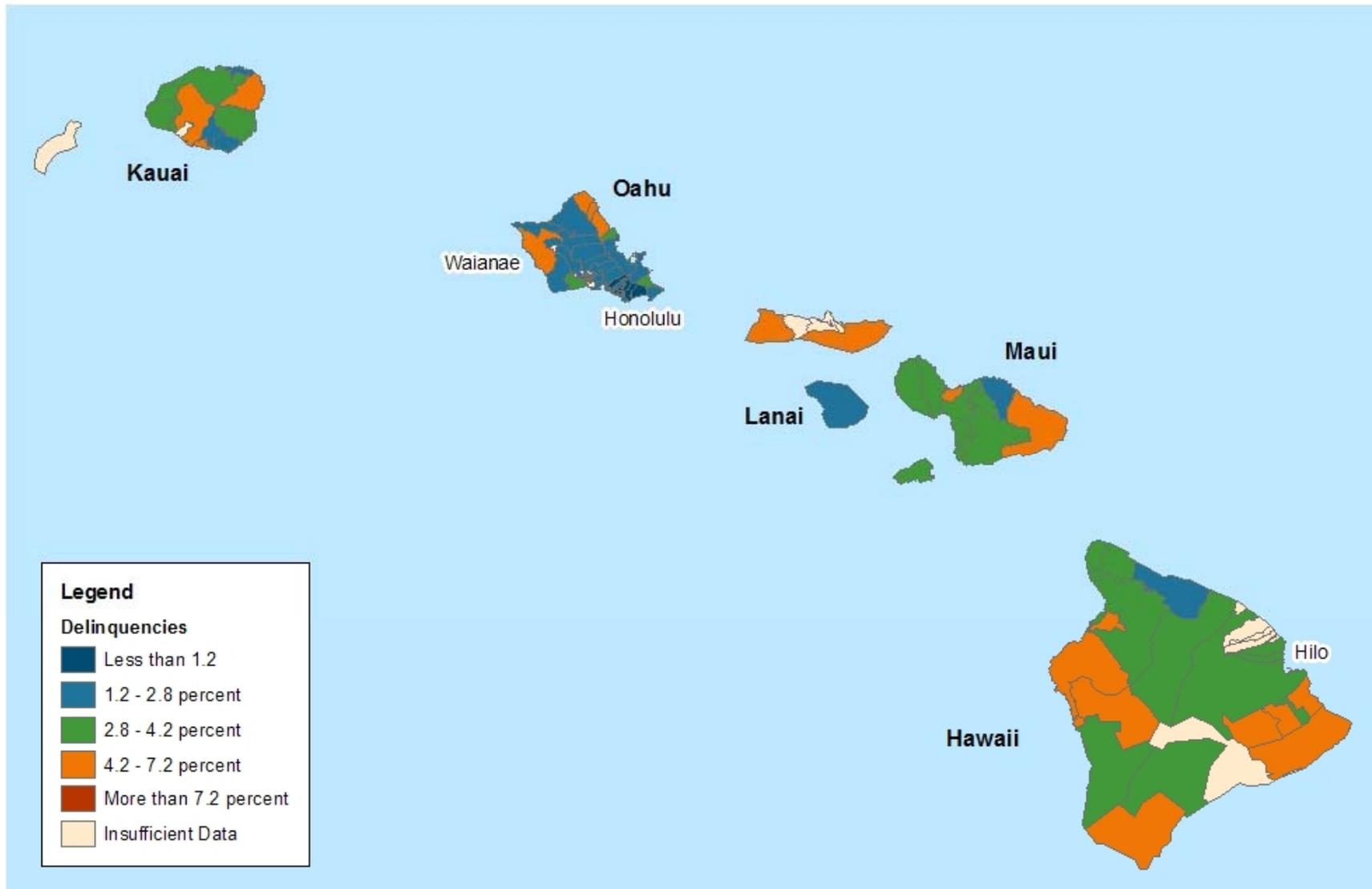
November 2008



Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, November 2008

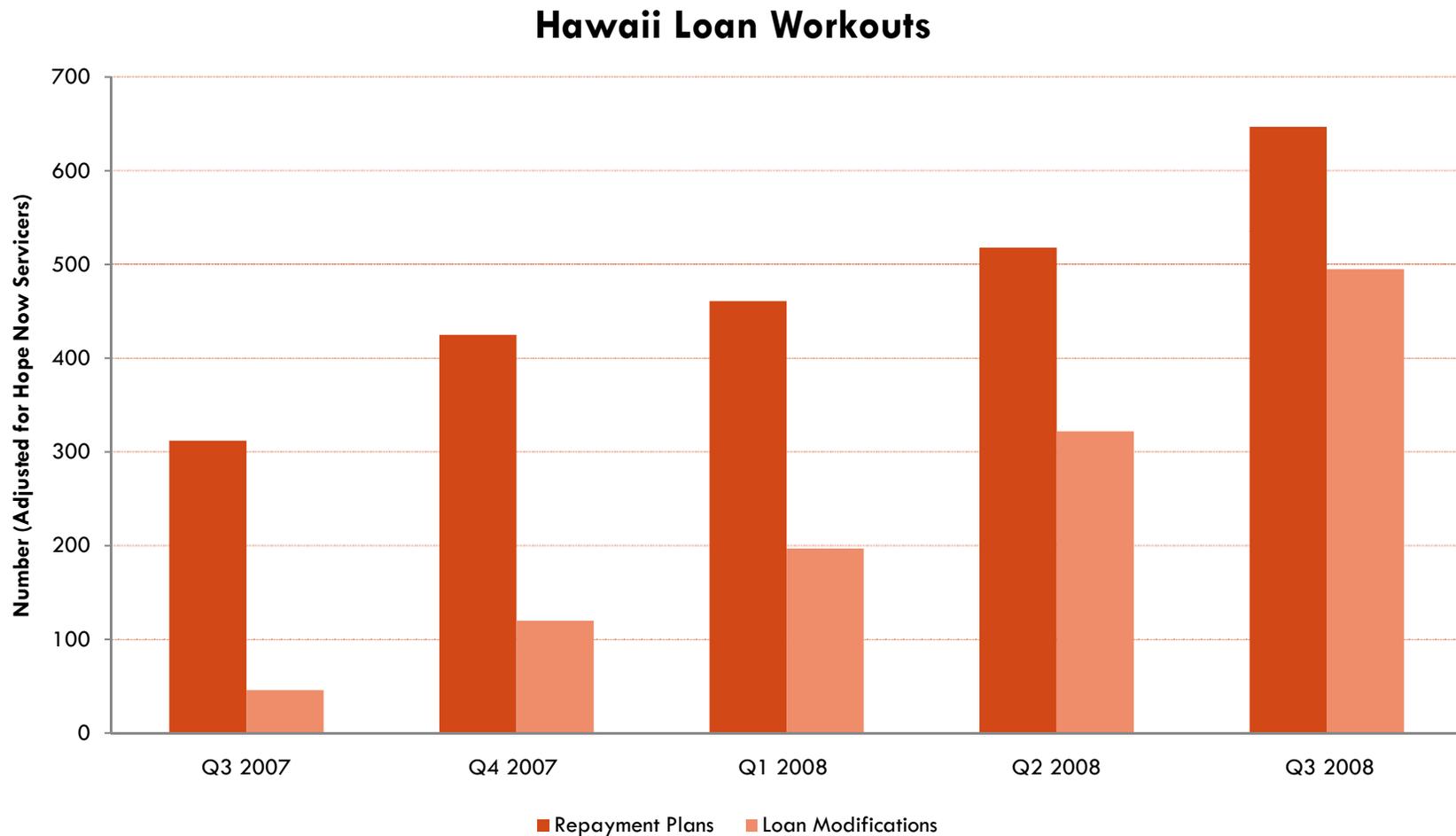
Areas at Risk of Additional Foreclosures

November 2008



Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, November 2008

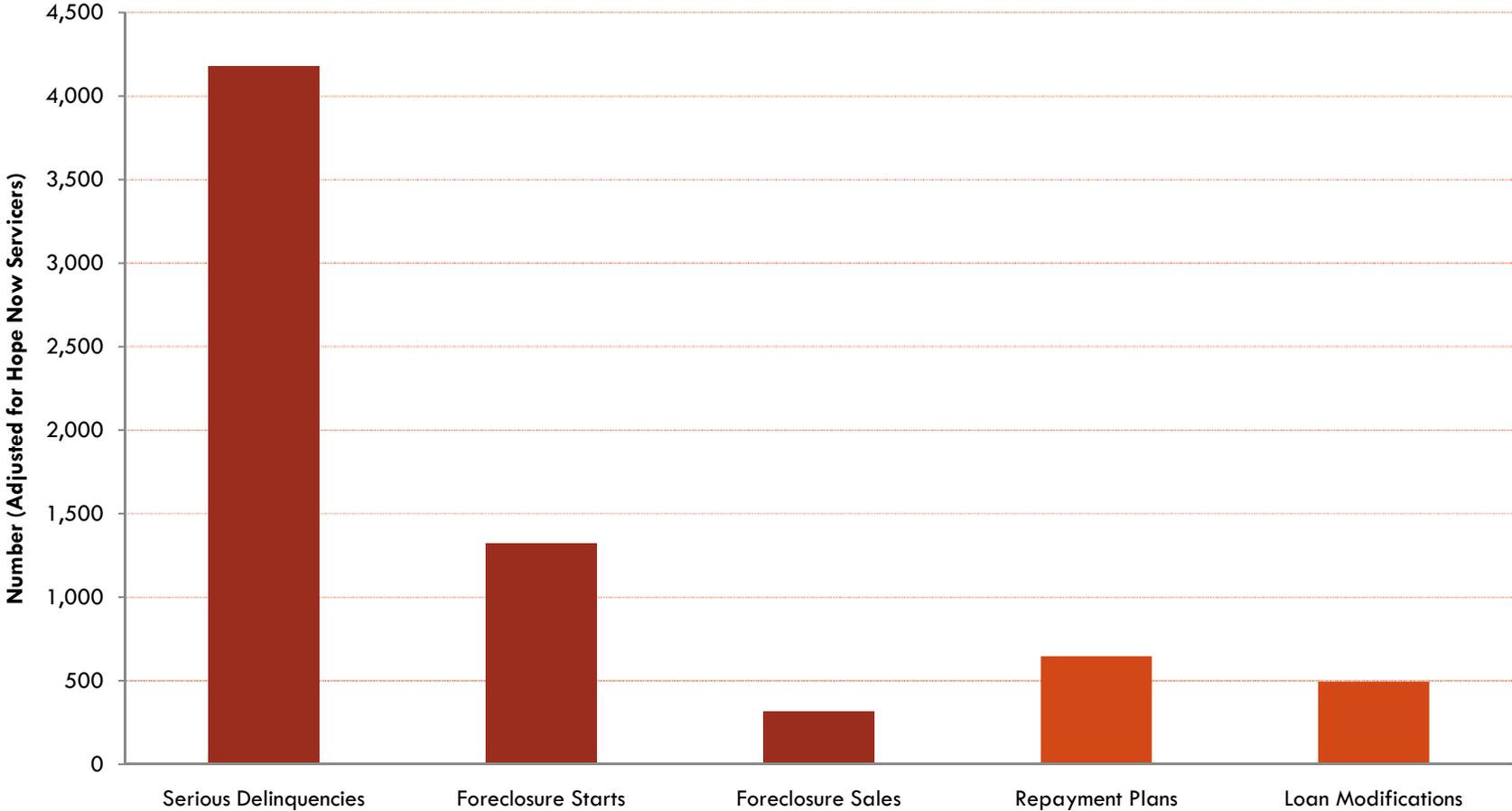
Loan workouts have increased



Source: Hope Now Alliance Servicing Data, 3rd Quarter 2008

Yet, Still Fall Short of Need

Delinquencies Foreclosures v. Loan Workouts in Hawaii

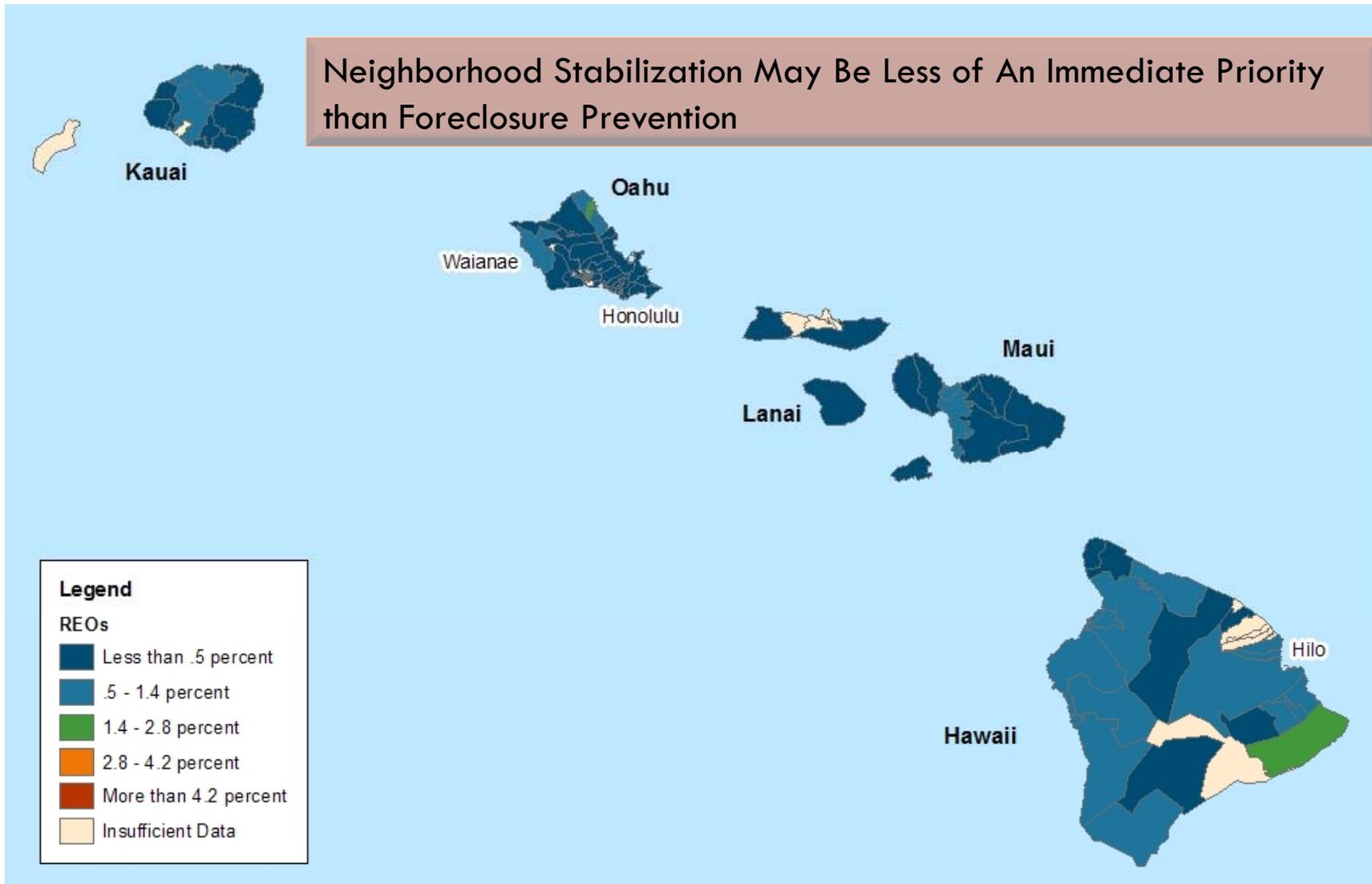


Source: Hope Now Alliance Servicing Data, 3rd Quarter 2008

Areas with Concentrations of REO Properties

November 2008

Neighborhood Stabilization May Be Less of An Immediate Priority than Foreclosure Prevention



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

Conclusions



- 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

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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.

Events and Conferences
Participate in one of the many events sponsored by the Community Development Department.

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.

Publications
Access online copies of *Community Investments*, the *Community Development Investment Review*, and research papers.

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.

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

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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/>