

Mortgage Delinquencies and Foreclosures: Oregon



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Analysis of First American LoanPerformance data provided by
the Federal Reserve Board of Governors. Do not cite or reproduce without permission.

Overview of presentation

- What are current trends in delinquencies and foreclosures in Oregon?
 - Mortgage Bankers Association data
 - Trends in Delinquencies and Defaults
 - HOPE NOW Alliance Servicer Data
- What are the primary drivers of foreclosures?
 - Declining house values
 - High proportion of subprime loans and poor underwriting standards
- What neighborhoods in Oregon are witnessing increased issues with foreclosures?
 - McDash data on foreclosures and REOs
 - LoanPerformance data on subprime loans
- What responses are needed?

Data caveats

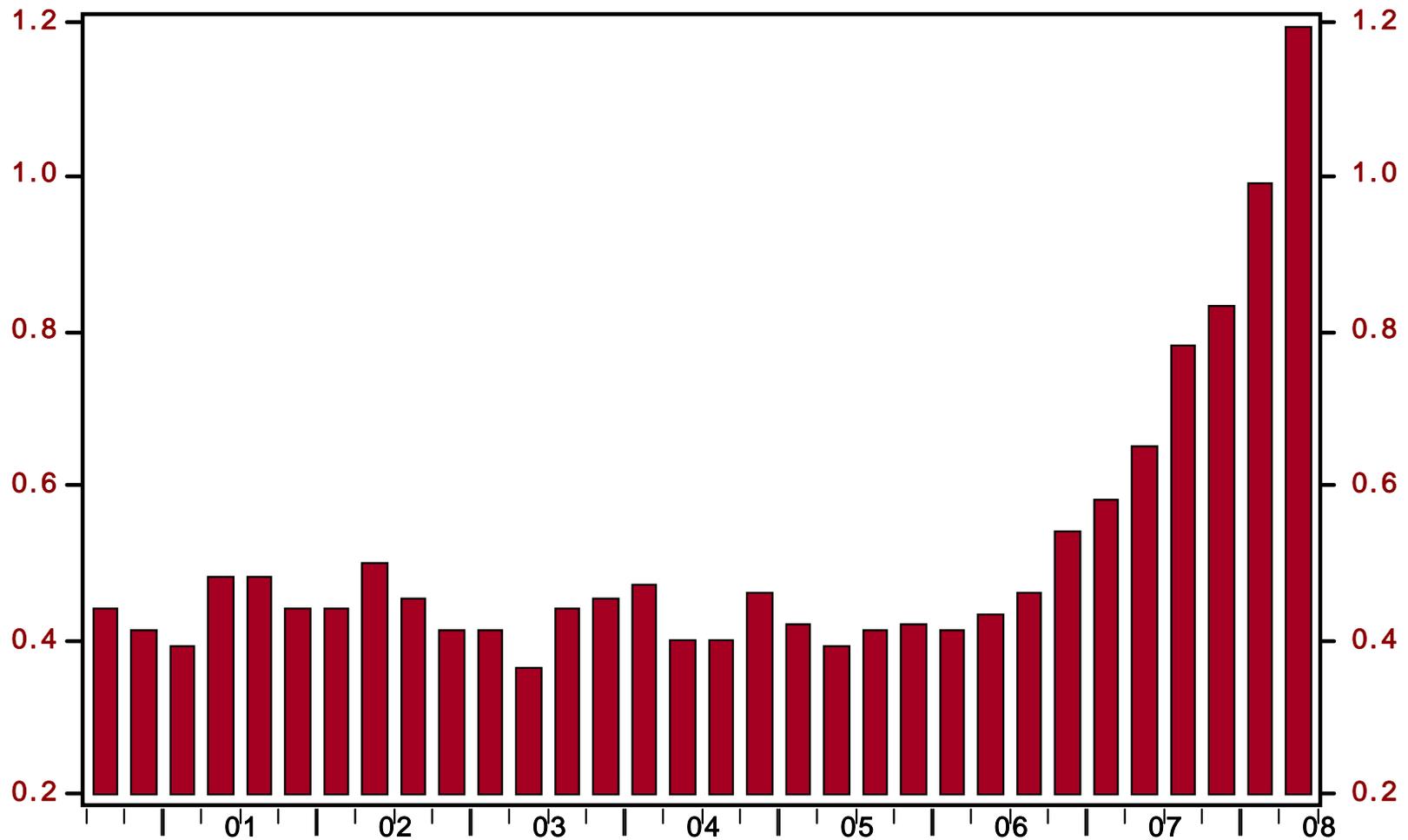
- ❑ Data on the real estate and mortgage markets are collected by many different sources, most costly and proprietary
- ❑ As a result, it is important to consider the limitations of data presented
 - Different definitions of subprime may affect the reporting of rates of delinquencies and foreclosures
 - Different methodologies and different sampling methods may affect the reports
 - Aggregated data at the zip code level can mask significant geographic variation and the types of borrowers affected

Trends in Delinquencies and Foreclosures



Significant increase in national foreclosure starts

Foreclosure Starts: Percent of all Loans

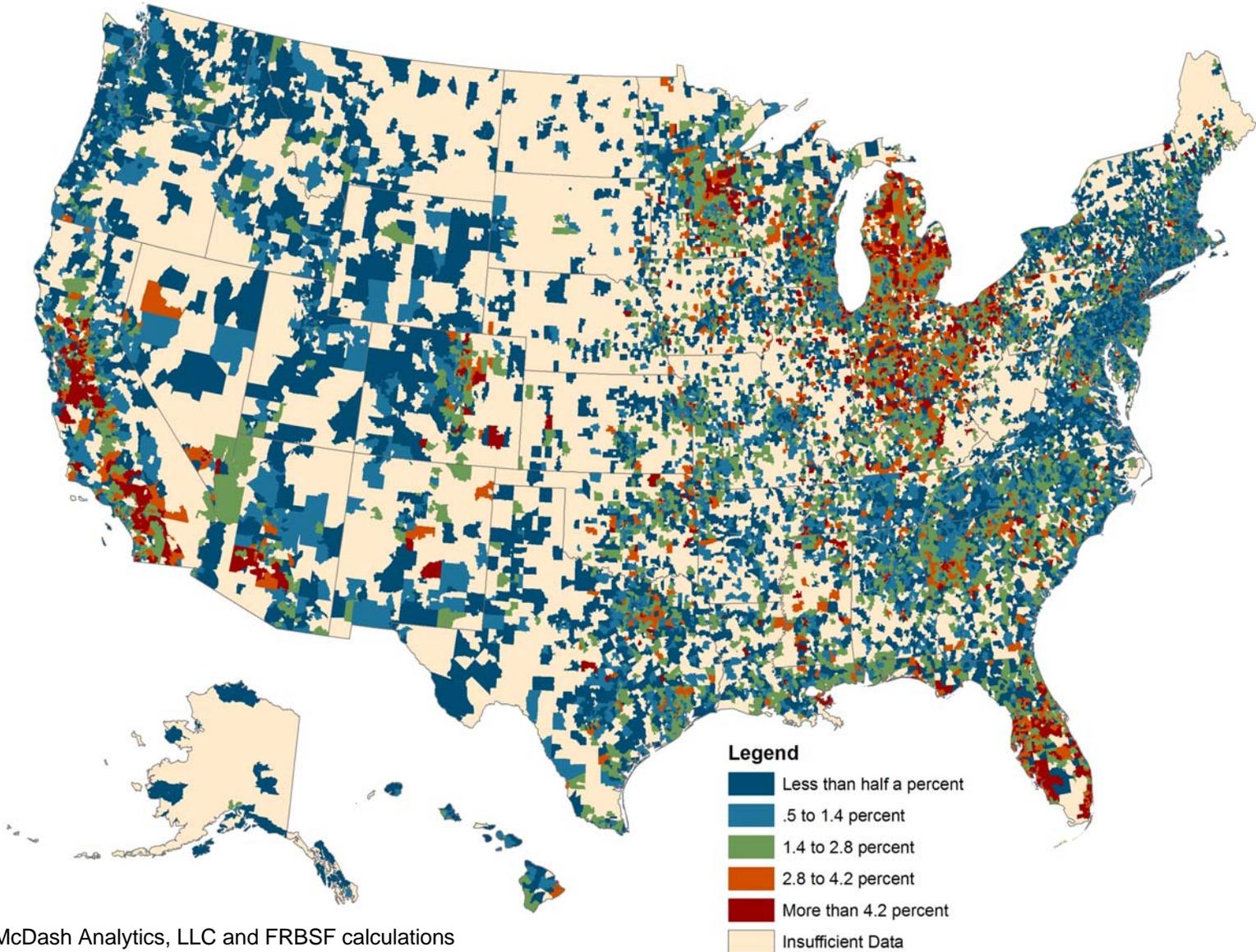


Source: Mortgage Bankers Association /Haver Analytics

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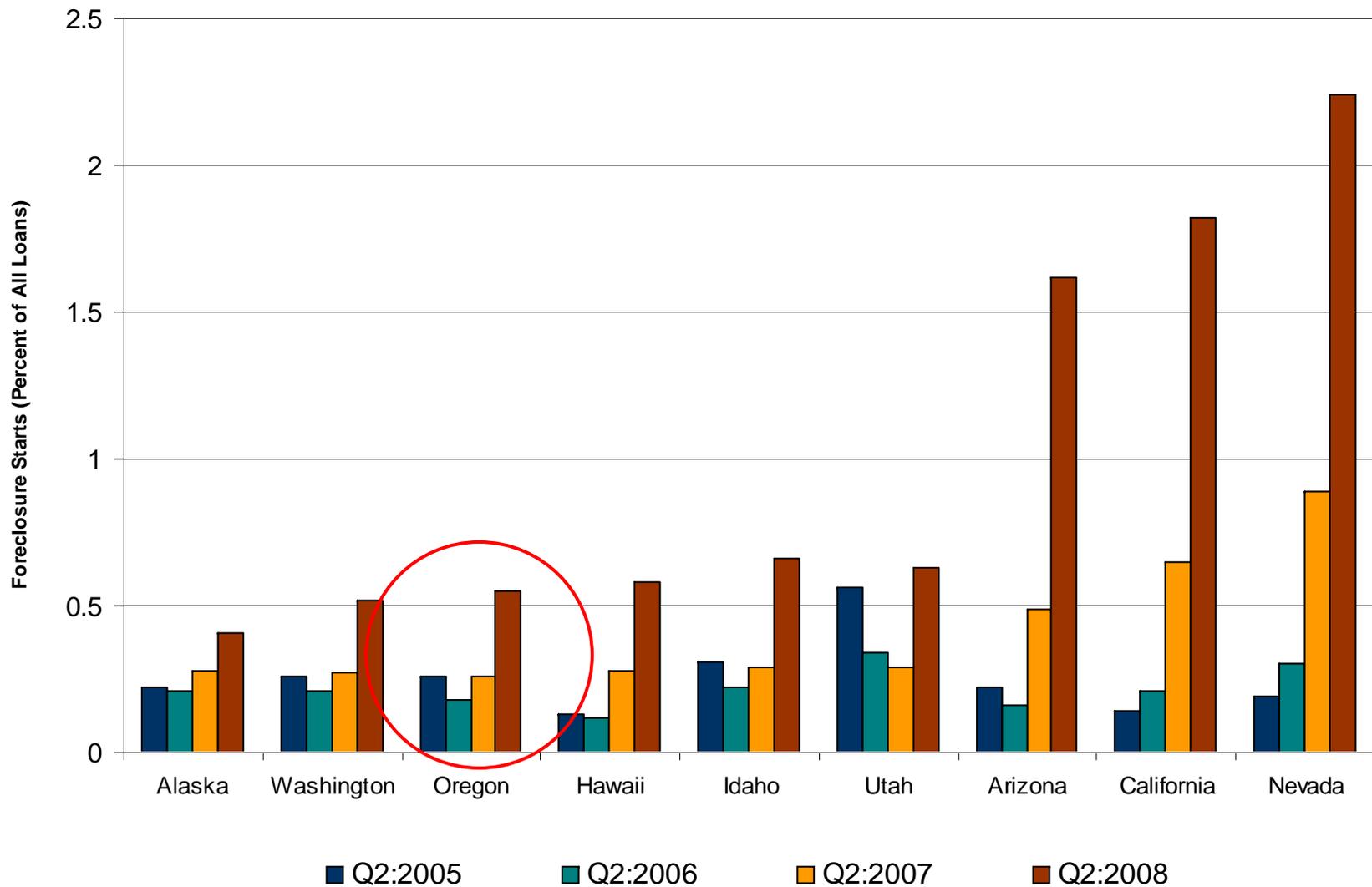
Distribution of Foreclosures Uneven Across the United States

Percent of Loans in Foreclosure or REO, April 2008



Source: McDash Analytics, LLC and FRBSF calculations

Oregon has seen an increase in foreclosure starts, but rates remain lower than other 12th District states



Source: Mortgage Bankers Association, National Delinquency Survey, 2nd Quarter 2008.

Delinquency rates vary significantly by mortgage type

Oregon: Delinquency and Foreclosure Rates, 2nd Qtr 2008

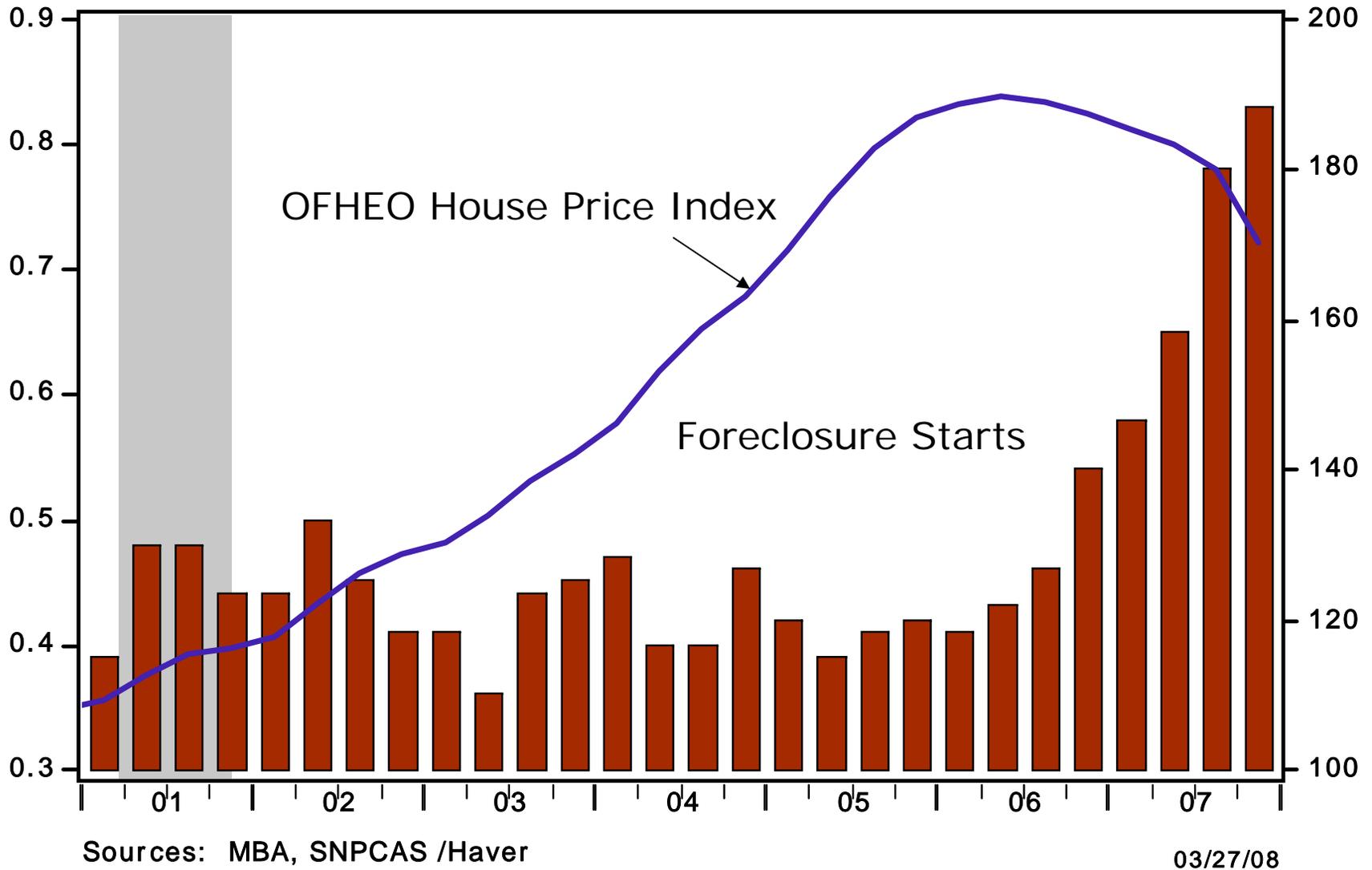
Mortgage Type	Percent Past Due		Foreclosures Started	
	1 st Qtr 2007	2 nd Qtr 2008	1 st Qtr 2007	2 nd Qtr 2008
Prime Fixed	1.00	1.51	.07	.16
Prime ARM	2.08	4.24	.20	.89
Subprime Fixed	5.12	10.75	.59	1.67
Subprime ARM	8.65	15.27	1.52	4.36

Source: Mortgage Bankers Association, National Delinquency Survey, 2nd Qtr 2008

Trends in House Values

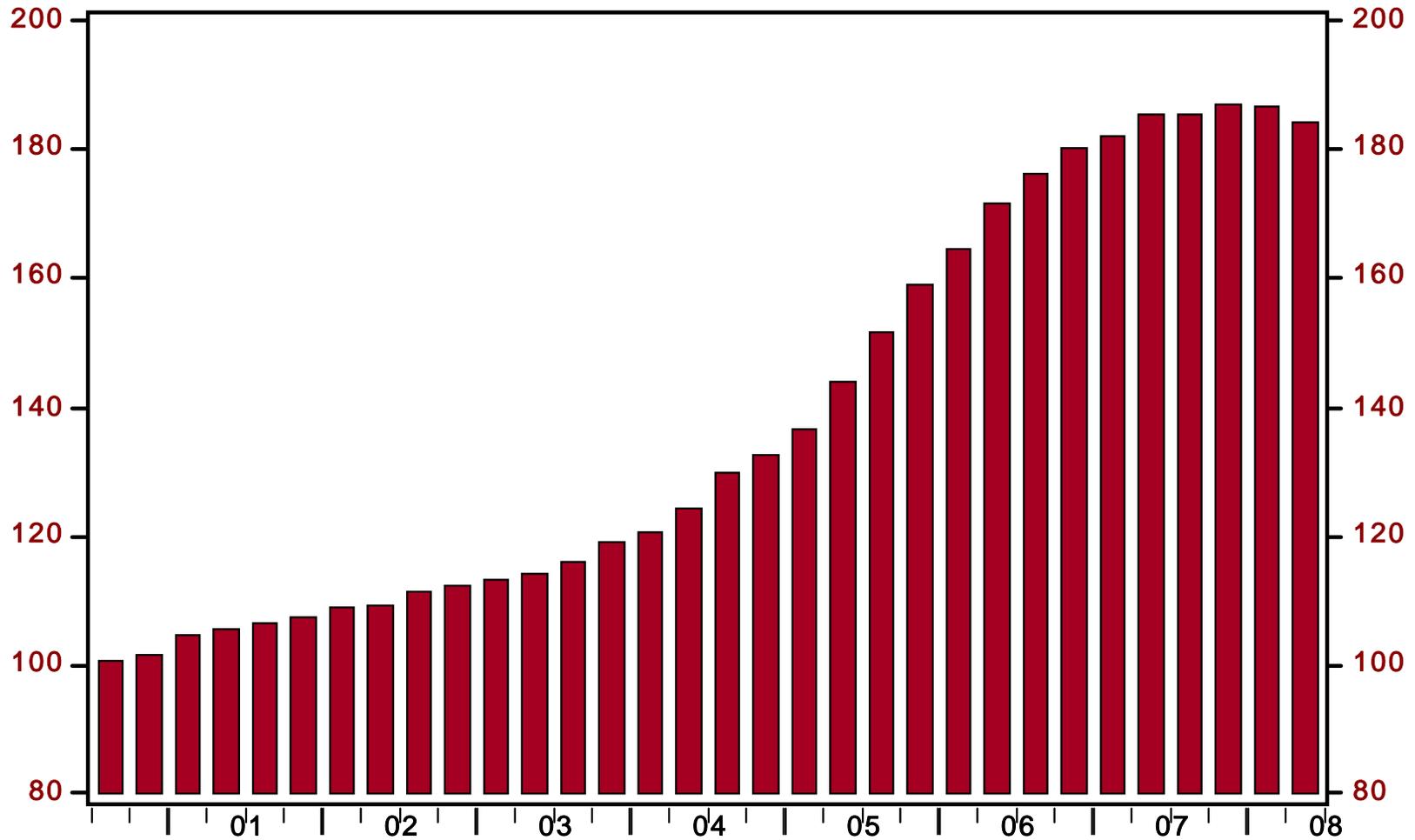


Nationally, Subprime Foreclosure Rates Closely Track Declines in House Values



Oregon's housing market softening

OFHEO House Price Index (2000=100)

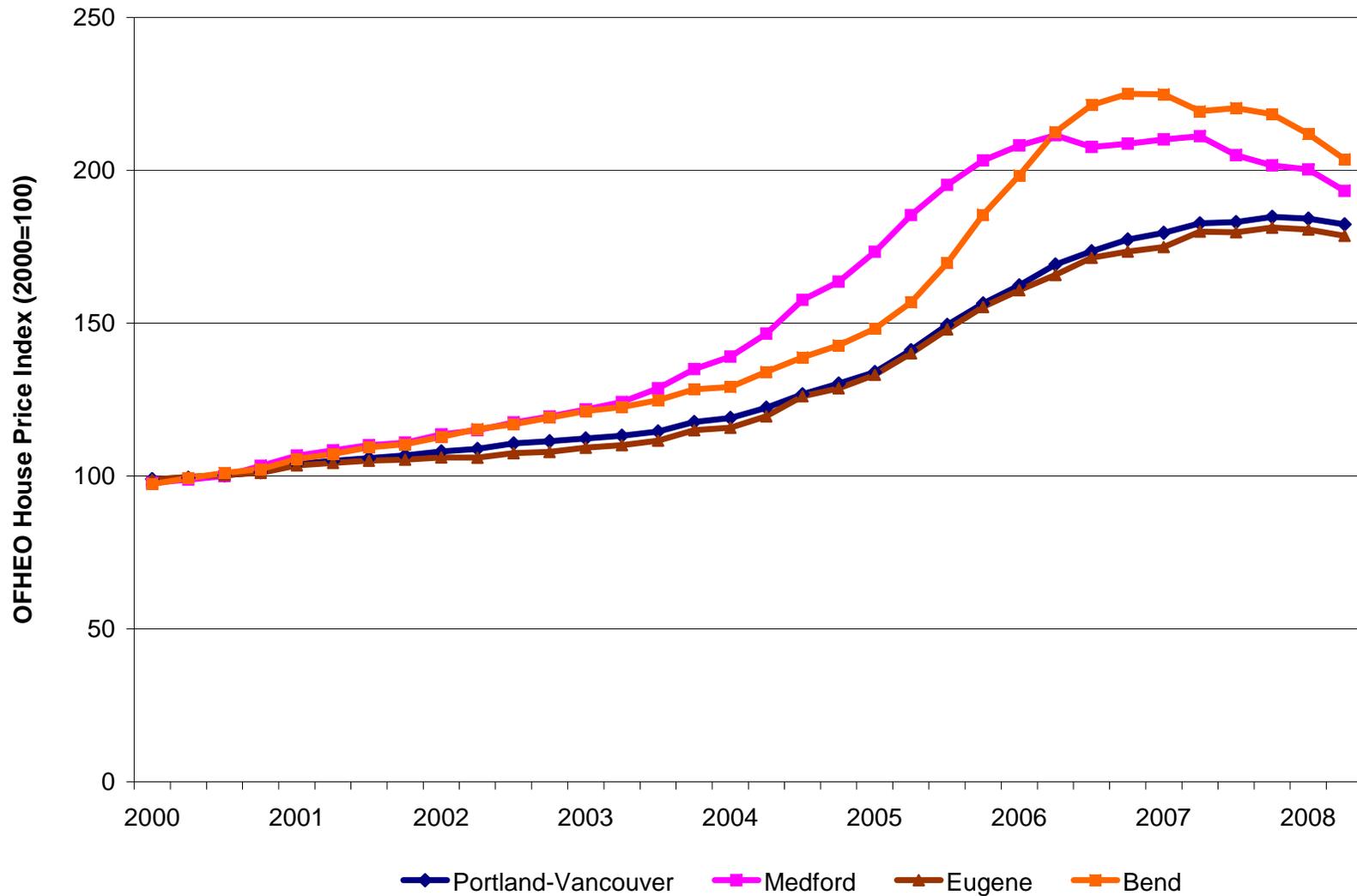


Source: OFHEO /Haver

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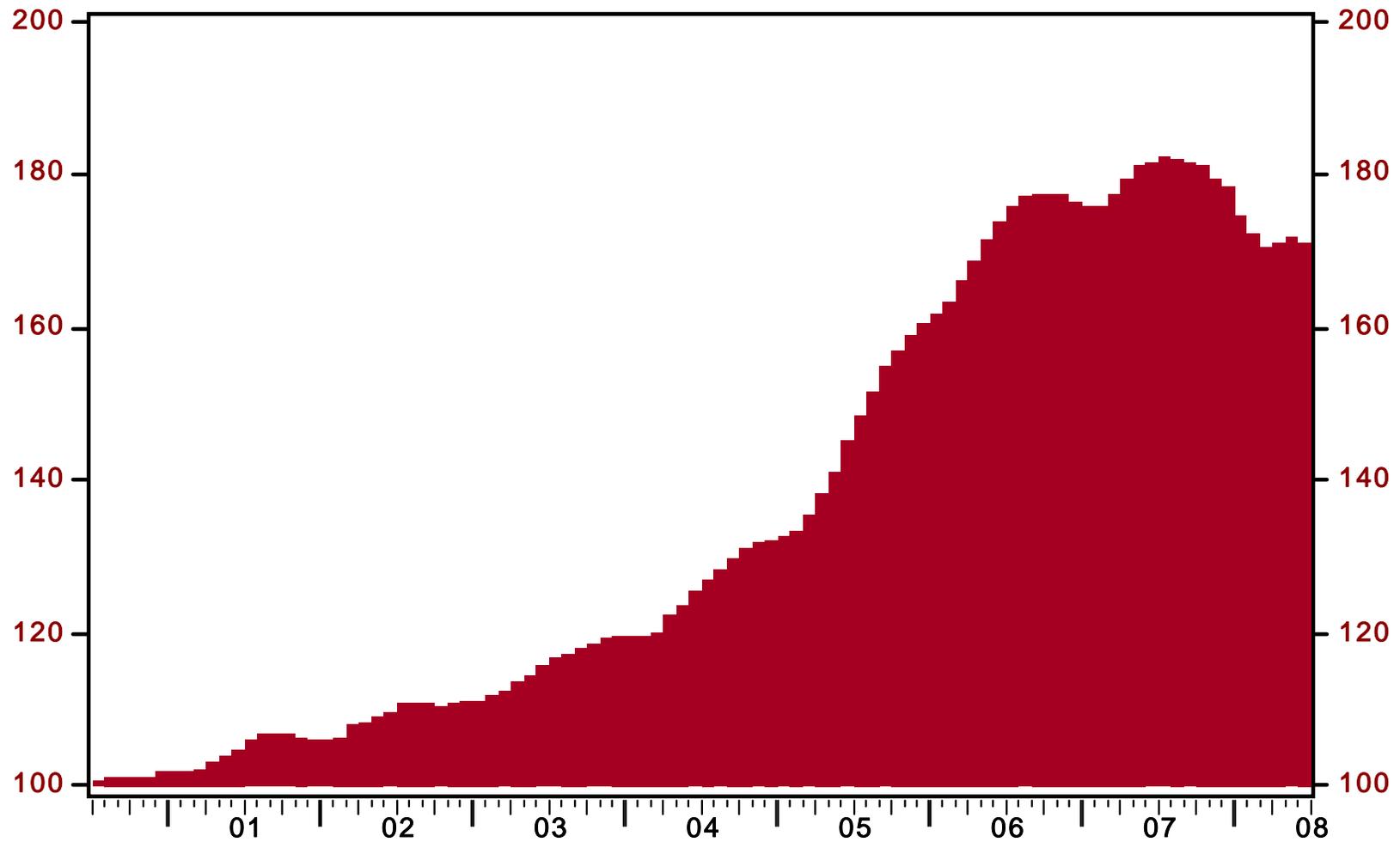
Bend and Medford have seen greatest price declines

OFHEO House Price Index (2000=100)



Though Case-Shiller index also shows declines in Portland area

Case Shiller House Price Index (2000=100)



Source: S&P, Fiserv, and MacroMarkets LLC /Haver Analytics

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What do these trends mean for Oregon?

- ❑ In other markets, price declines have exposed unsustainable underwriting
- ❑ Economic research suggests that foreclosure rates are closely tied to declining house values
- ❑ Oregon vulnerable to same dynamic if house prices continue to fall, particularly given the tightened credit markets and difficulties borrowers may face in refinancing
 - Although subprime lending was not as extensive in Oregon as in states such as California and Nevada, in 2006, approximately 1 in 4 loans in Oregon was a higher-cost loan

More can be done to assist troubled borrowers

HOPE NOW Servicer Data for Oregon

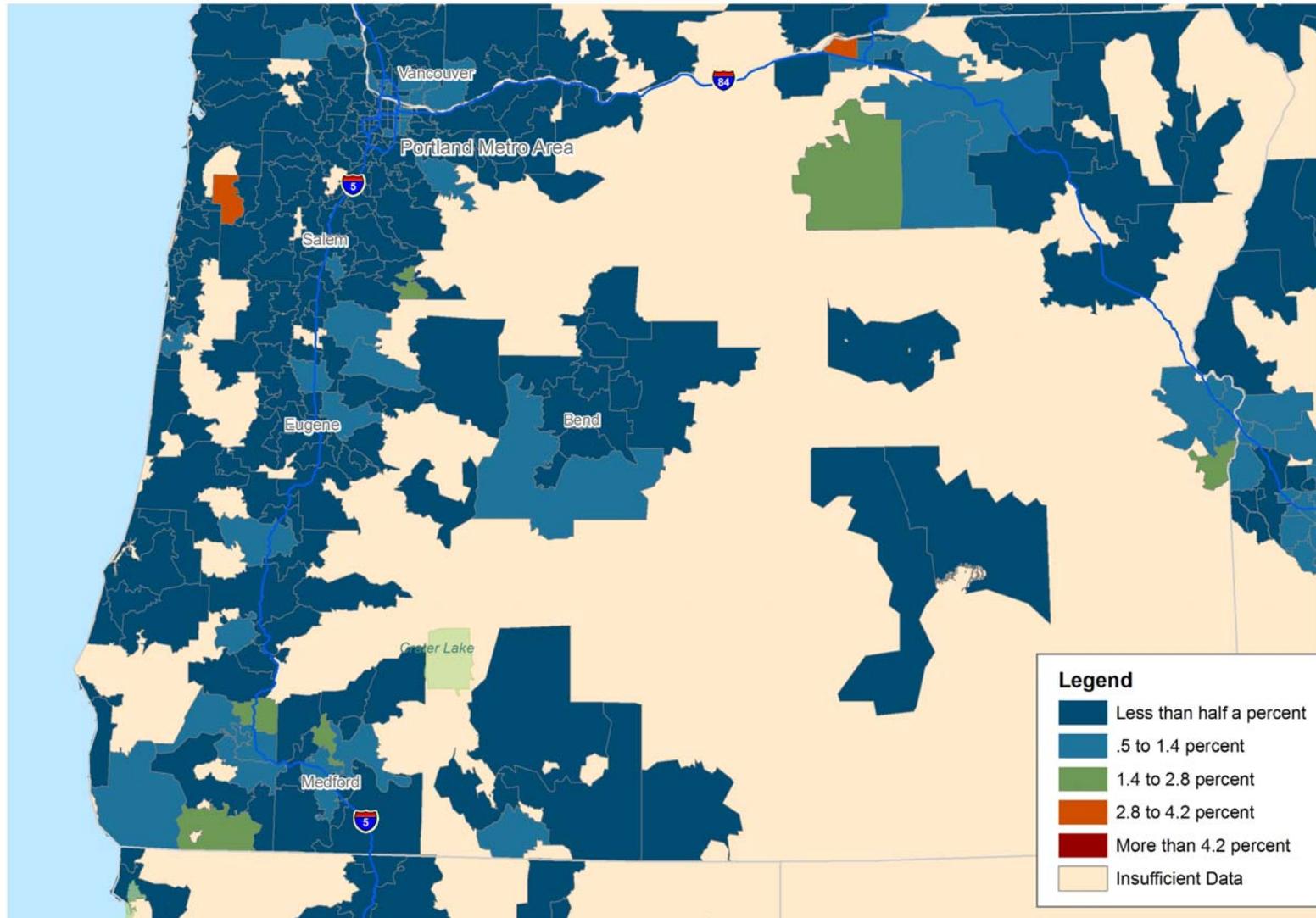
	2 nd Qtr 2007	2 nd Qtr 2008
60+ Delinquency Rate	1.02%	1.76%
Repayment Plans	1,927	1,899
Loan Modifications	233	1,205
Foreclosure Sales	285	1,114

Source: Hope Now Servicing Data, July State Data Tables 2008, includes both prime and subprime loans

Oregon “Hot Spots”

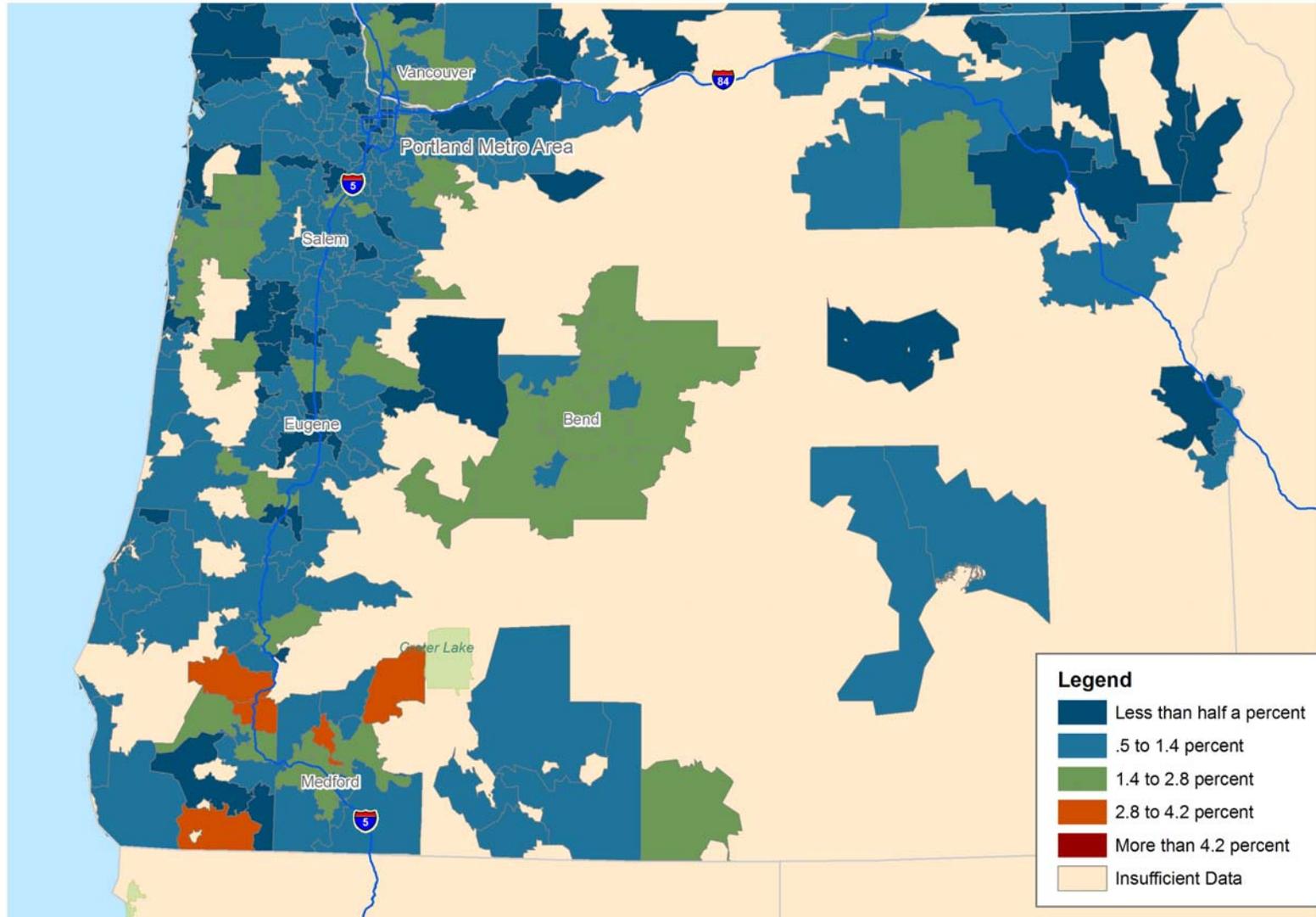


Oregon Neighborhood Foreclosure Rates September 2007



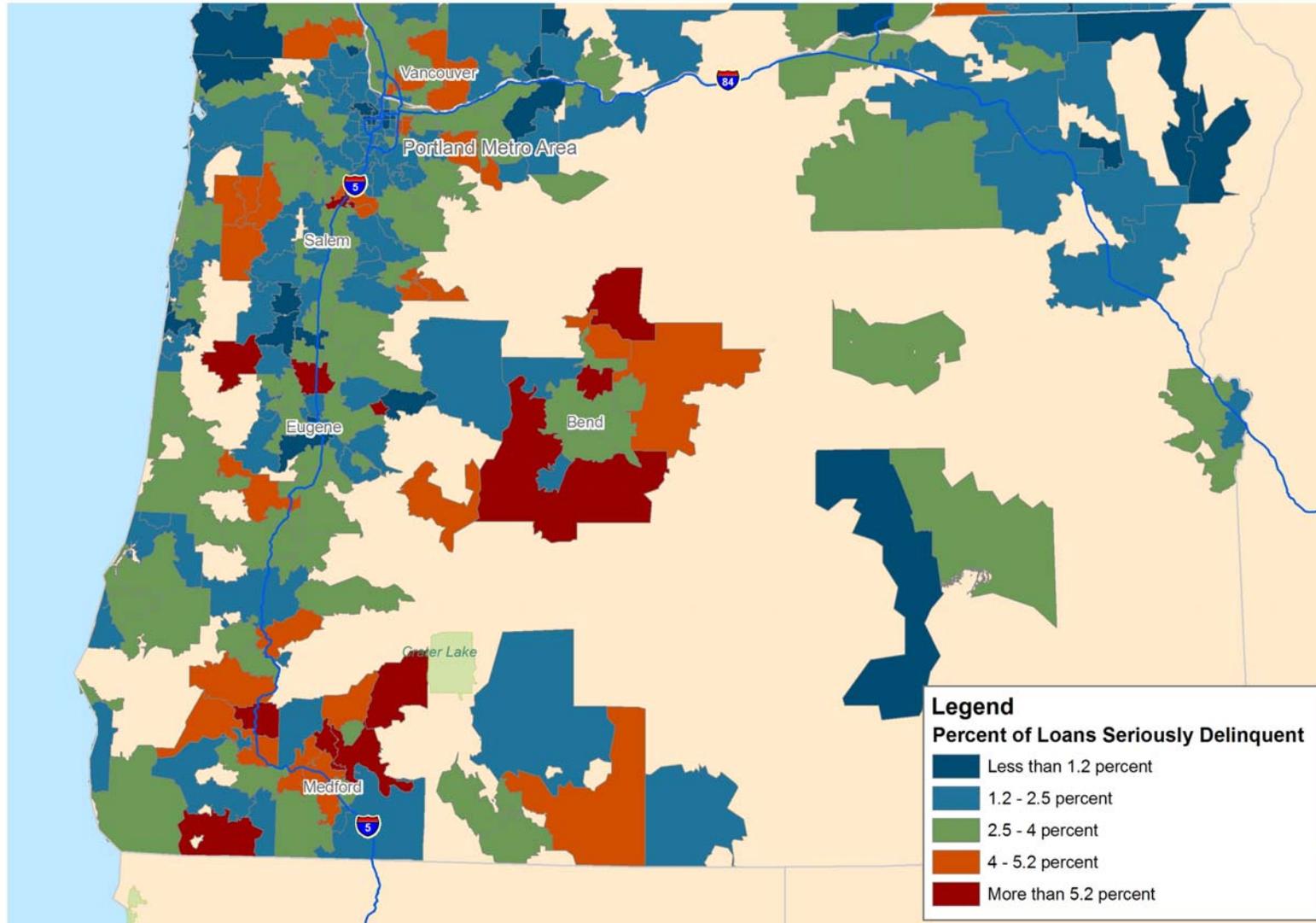
Source: McDash Analytics, LLC and FRBSF calculations, Data from September 2007.

Oregon Neighborhood Foreclosure Rates August 2008



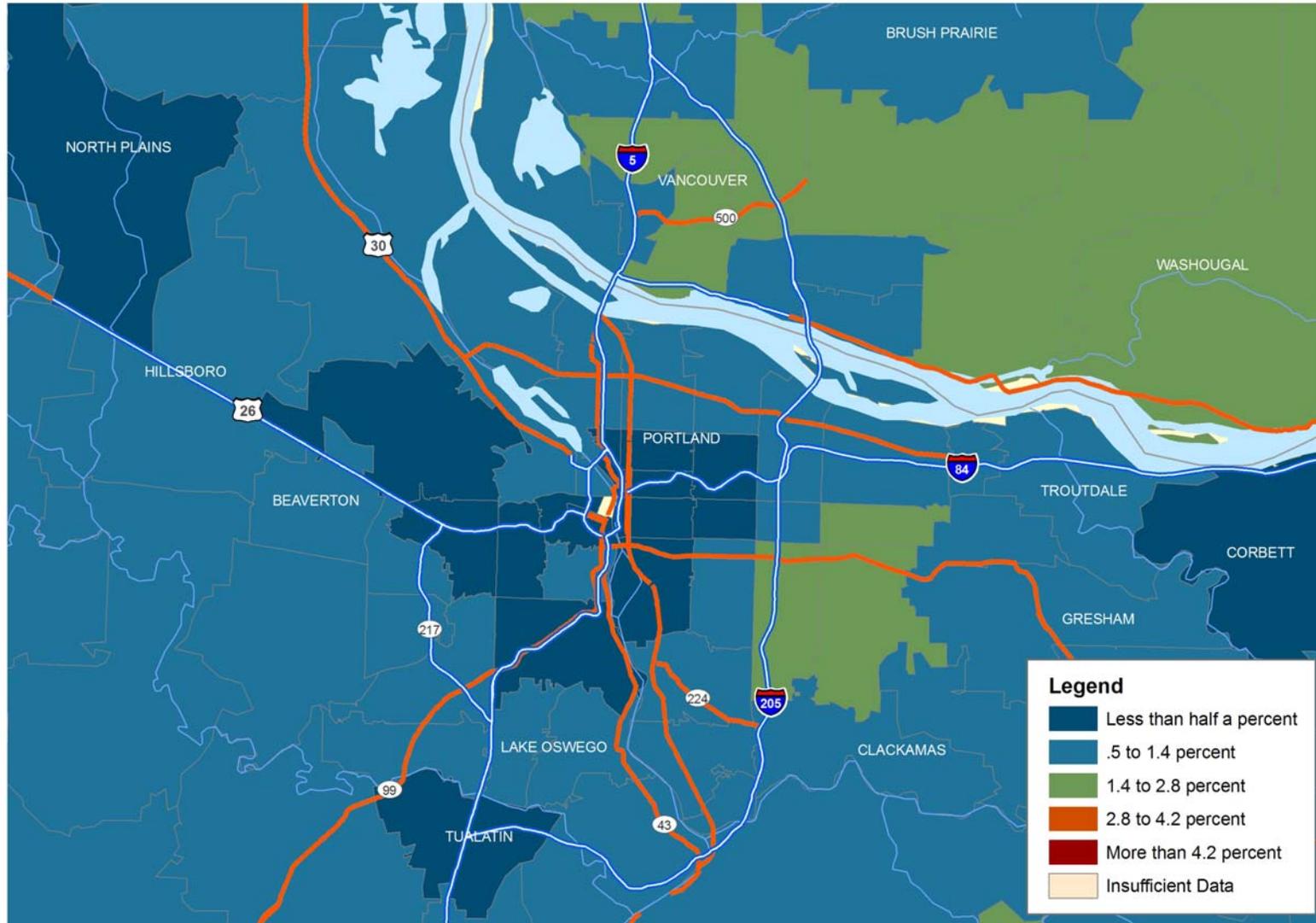
Source: McDash Analytics, LLC and FRBSF calculations, Data from August 2008

Oregon Neighborhood Delinquency Rates August 2008



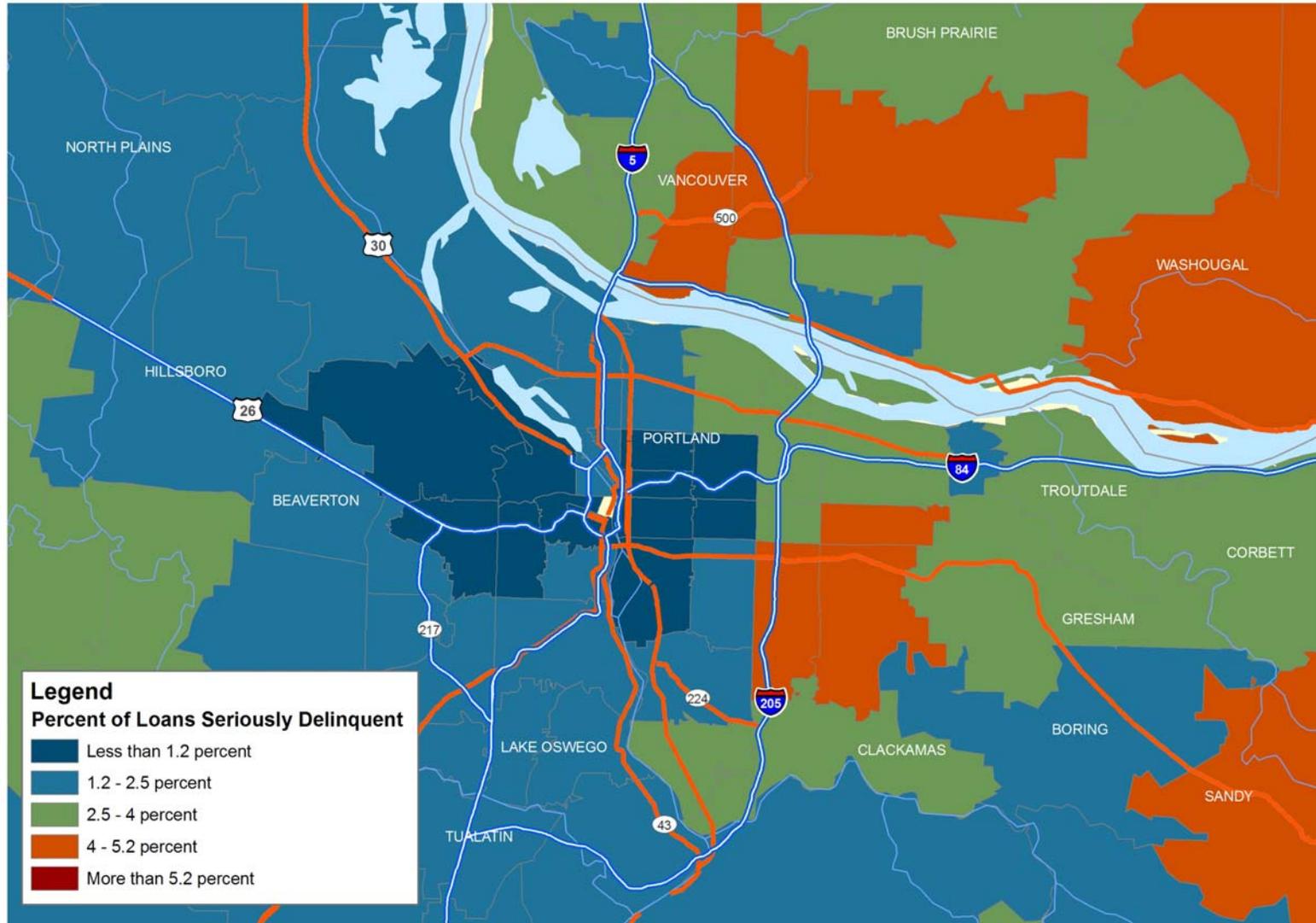
Source: McDash Analytics, LLC and FRBSF calculations, Data from August 2008

Portland-Vancouver Neighborhood Foreclosure Rates August 2008



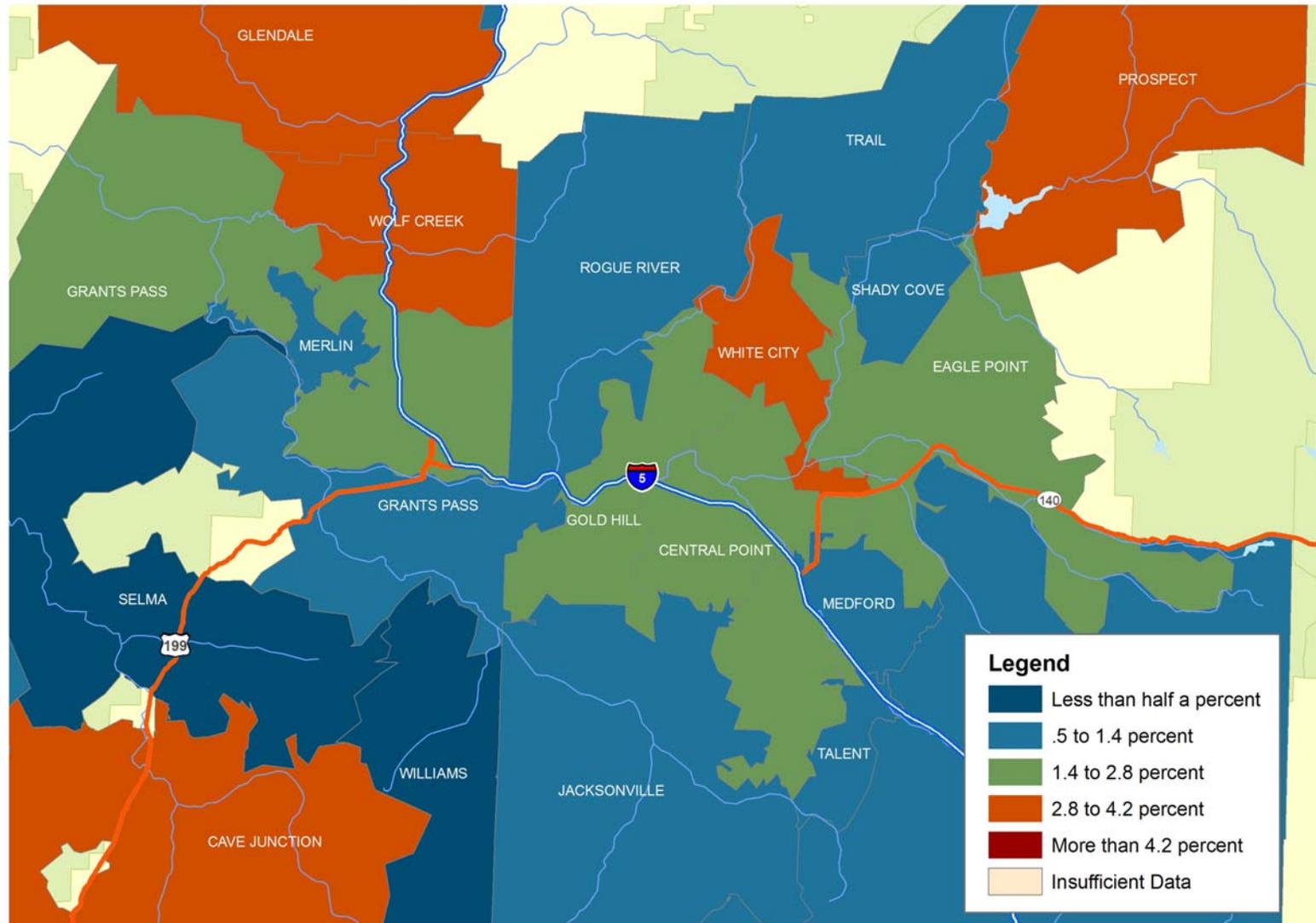
Source: McDash Analytics, LLC and FRBSF calculations, Data from August 2008

Portland-Vancouver Neighborhood Delinquency Rates August 2008



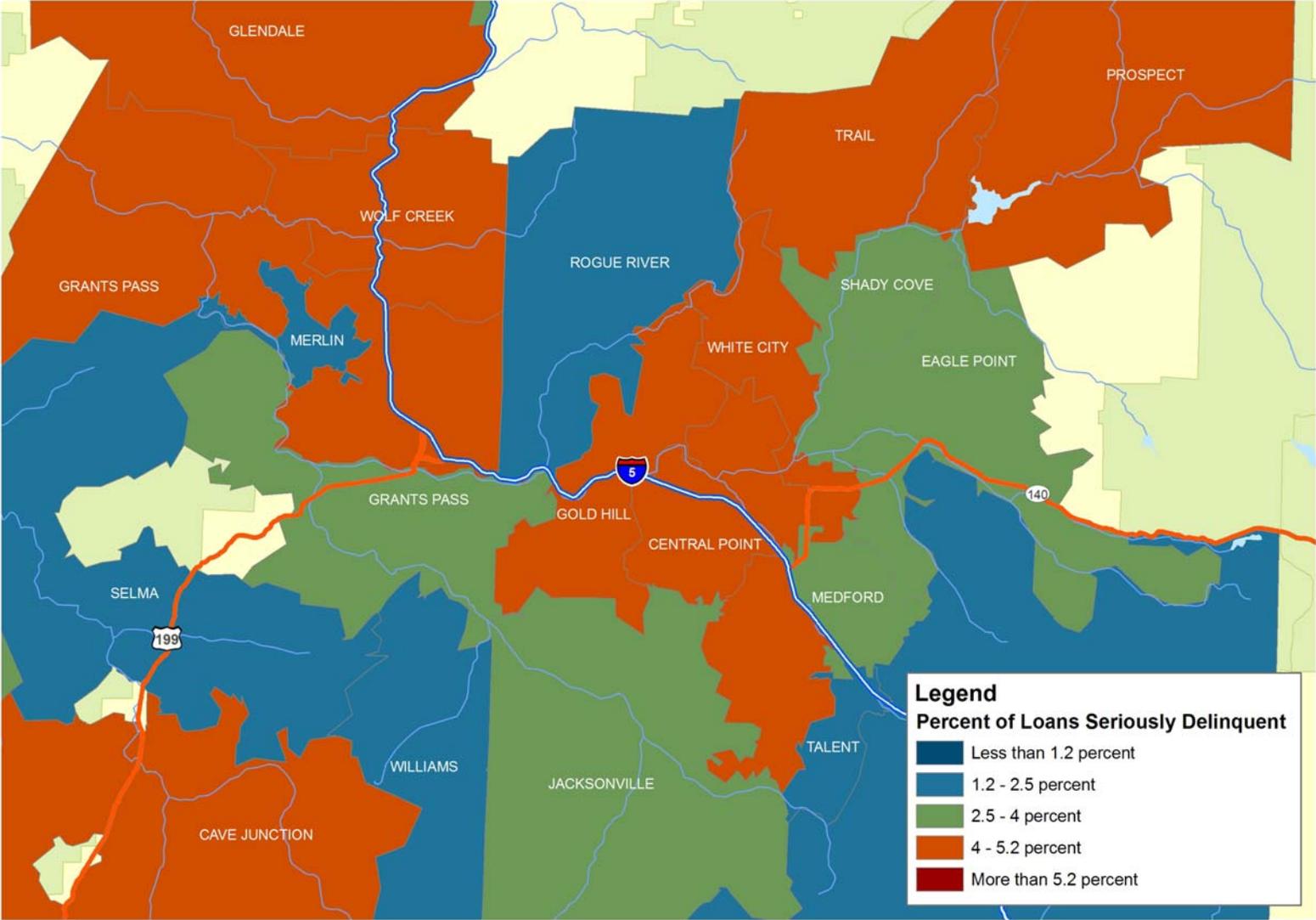
Source: McDash Analytics, LLC and FRBSF calculations, Data from August 2008

Medford Neighborhood Foreclosure Rates August 2008



Source: McDash Analytics, LLC and FRBSF calculations, Data from August 2008

Medford Neighborhood Delinquency Rates August 2008



Source: McDash Analytics, LLC and FRBSF calculations, Data from August 2008

Conclusions

- ❑ Oregon may see a continued increase in delinquencies and foreclosures
 - If house values continue to soften, delinquencies and foreclosures will likely rise, and families may have a more difficult time refinancing loans
- ❑ Multi-pronged strategy is needed to stem the foreclosure crisis
 - Foreclosure Prevention: borrower outreach, refinance and loan modification
 - ❑ Reaching these borrowers now may help to prevent unnecessary foreclosures
 - ❑ Encourage borrowers to call **(888) 995-HOPE** or visit www.995HOPE.org

Conclusions

- Multi-pronged strategy is needed to stem the foreclosure crisis
 - Foreclosure Prevention: borrower outreach, loan modification (including principal reduction)
 - Addressing Vacant Properties: ensuring that servicers maintain properties
 - REO Property Disposition: working with nonprofits and city governments to redevelop REO properties into affordable housing units
 - Ensuring continued access to credit and homeownership: financial education, responsible lending