

Mortgage Delinquencies and Foreclosures: Utah



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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 Do not cite or reproduce without permission.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 Utah?
 - 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
 - Declines in underwriting standards
- What neighborhoods in Utah are witnessing increased issues with foreclosures?
 - McDash data on foreclosures and REOs
 - LoanPerformance data on subprime loans
- What responses are needed?

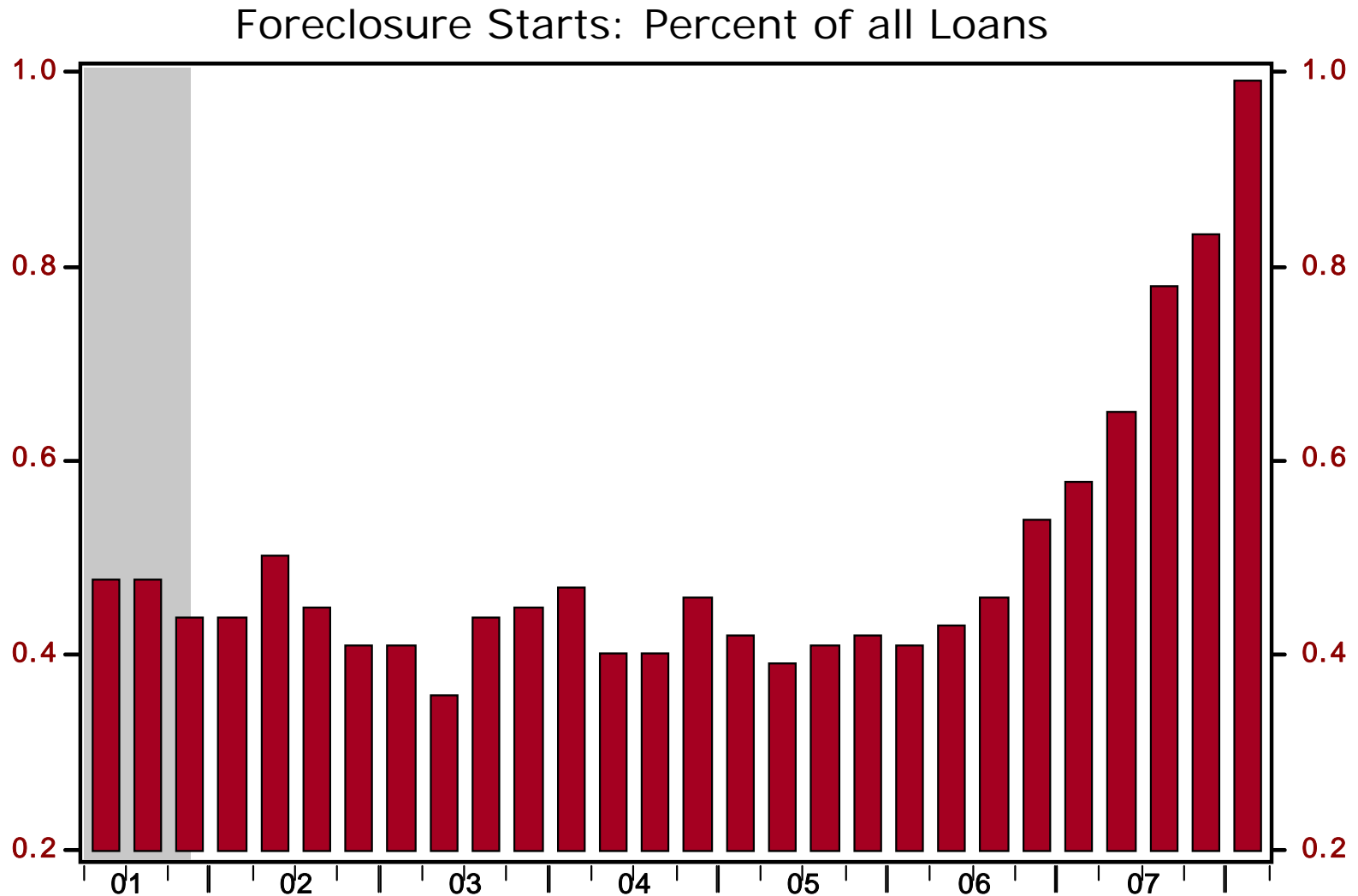
Data Caveats

- ❑ 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



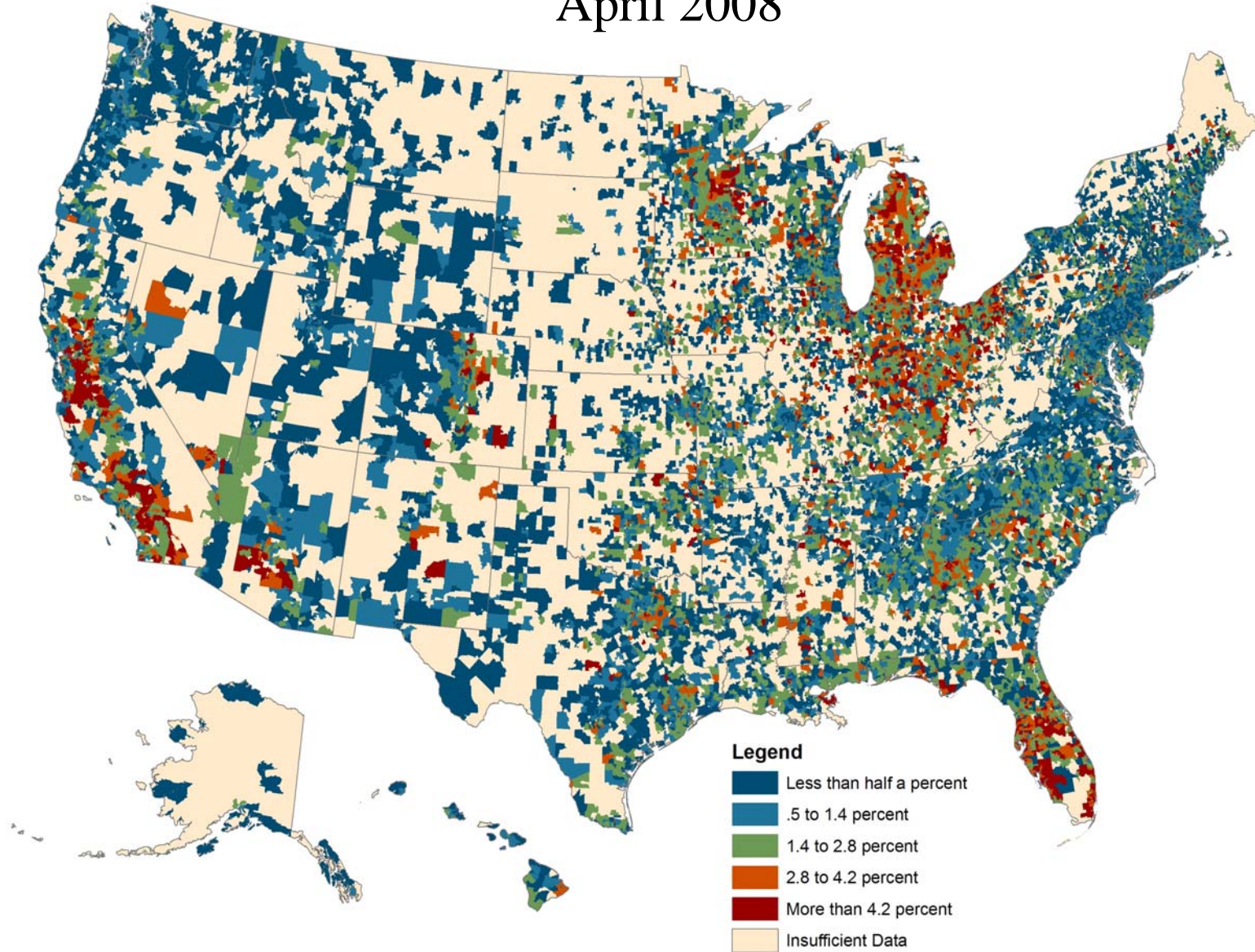
Significant Increase in National Foreclosure Starts



Source: Mortgage Bankers Association, National Delinquency Survey, 1st Quarter 2008

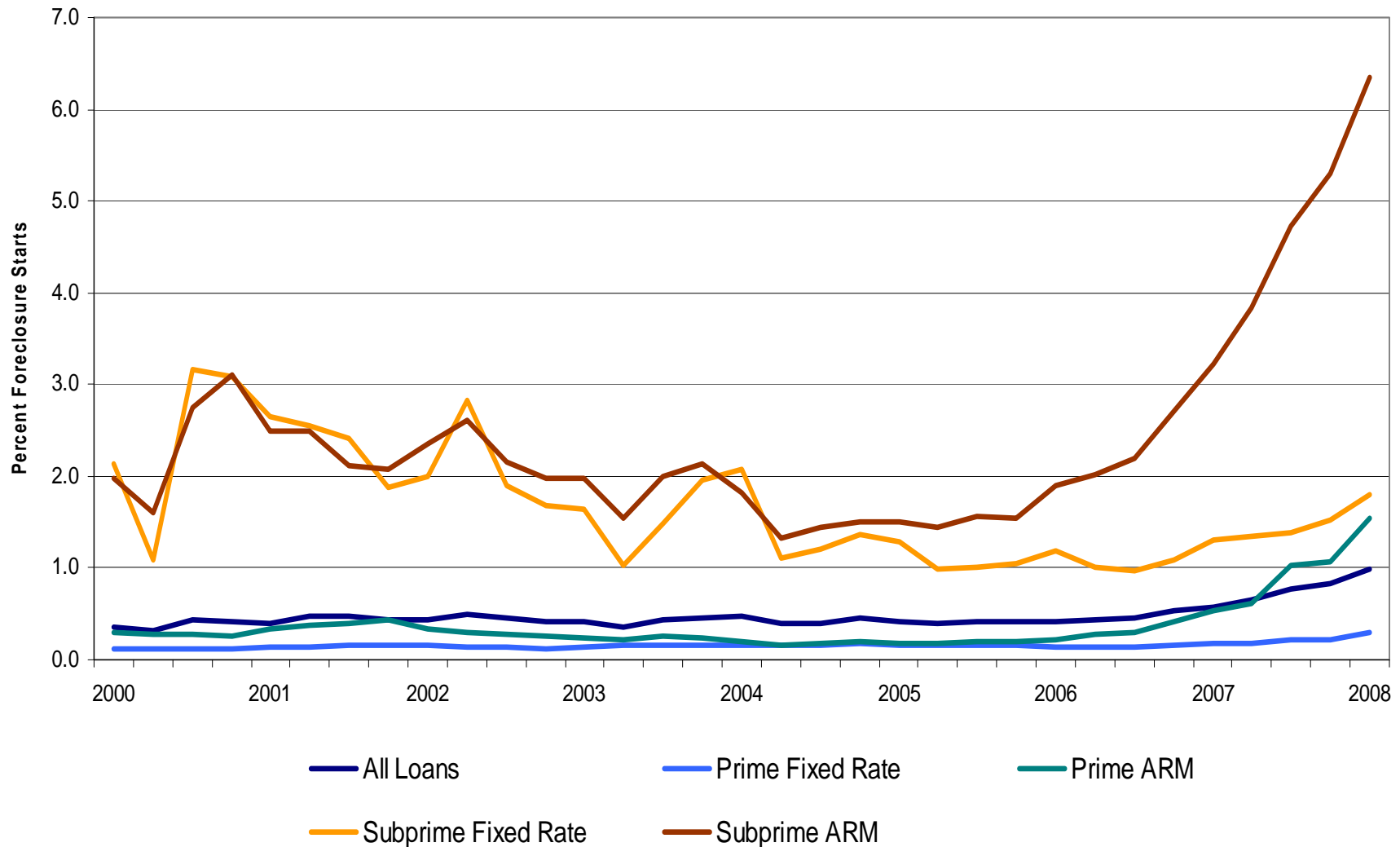
Percent of Mortgage Loans in Foreclosure or REO (by zip code)

April 2008



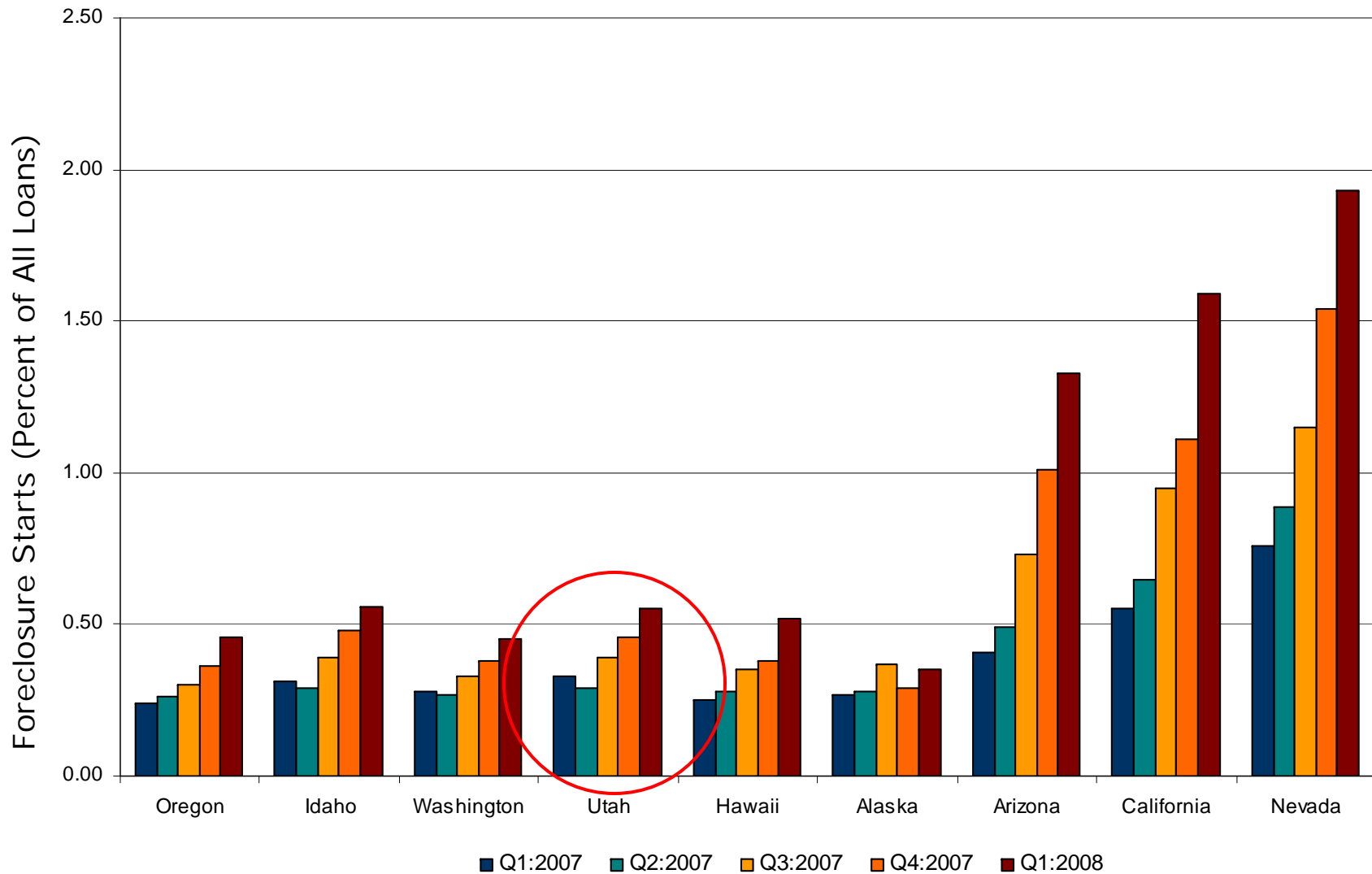
Source: McDash Analytics, LLC and FRBSF calculations

Foreclosures Concentrated in Subprime ARM Market



Source: Mortgage Bankers Association, National Delinquency Survey, 1st Quarter 2008

Utah has seen an increase in foreclosure starts, but rates remain lower than national average



Source: Mortgage Bankers Association, National Delinquency Survey, 1st Quarter 2008.

1st Quarter 2008 Servicer Data Also Show Increasing Rates of Foreclosure and Delinquency in Utah

Utah, 60+ Delinquencies, Prime and Subprime Loans				
Q1-2007	Q2-2007	Q3-2007	Q4-2007	Q1-2008
5,616 (1.58%)	5,548 (1.52%)	5,927 (1.6%)	6,868 (1.84%)	7,791 (2.09%)
Utah, Foreclosure Starts, Prime and Subprime Loans				
Q1-2007	Q2-2007	Q3-2007	Q4-2007	Q1-2008
1,379	1,198	1,503	1,782	2,092

Source: Hope Now Servicing Data, April State Data Tables 2008

Delinquency Rates Vary Significantly by Mortgage Type

Utah: Delinquency and Foreclosure Rates, 1st Qtr 2008

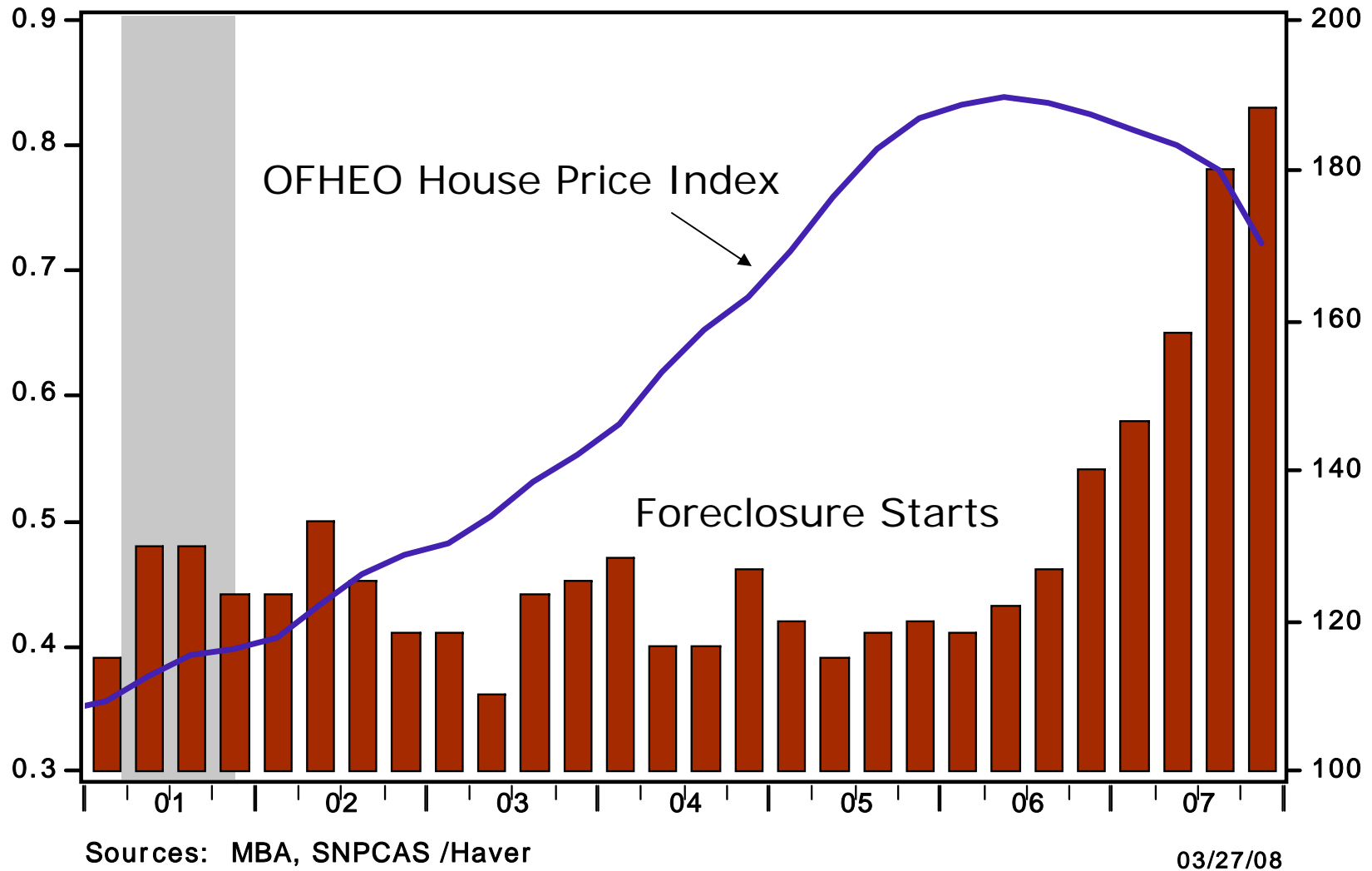
Mortgage Type	Percent Past Due		Foreclosures Started	
	1st Qtr 2007	1st Qtr 2008	1st Qtr 2007	1st Qtr 2008
Prime Fixed	1.37	1.69	0.11	0.16
Prime ARM	2.40	4.04	0.24	0.83
Subprime Fixed	5.26	8.75	0.70	1.14
Subprime ARM	7.88	13.93	1.42	3.27
FHA	6.89	6.48	.47	.46

Source: Mortgage Bankers Association, National Delinquency Survey, 1st Qtr 2008

Trends in House Values

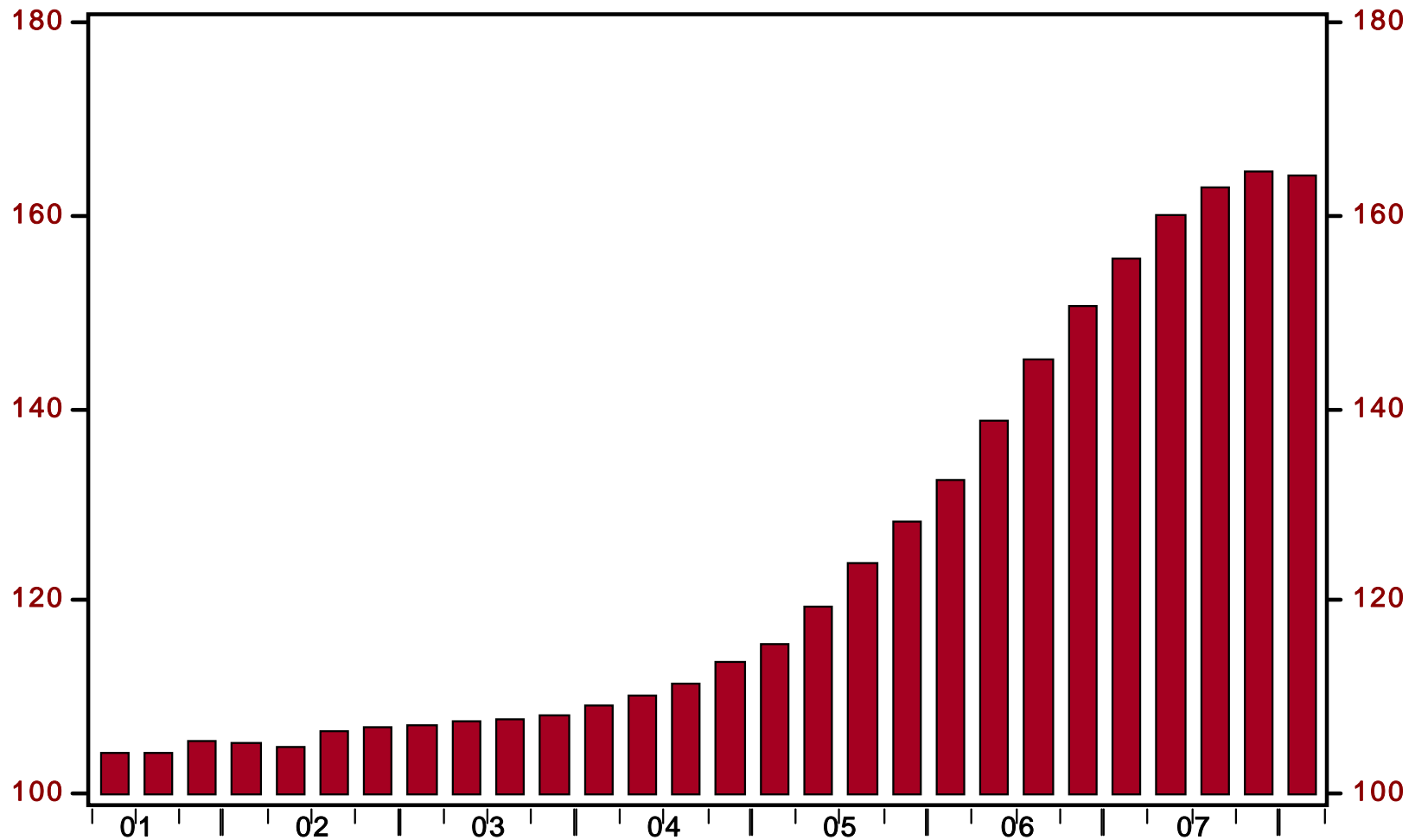


Nationally, Subprime Foreclosure Rates Closely Track Declines in House Values



Utah's Housing Market Softening

OFHEO House Price Index (2000=100)

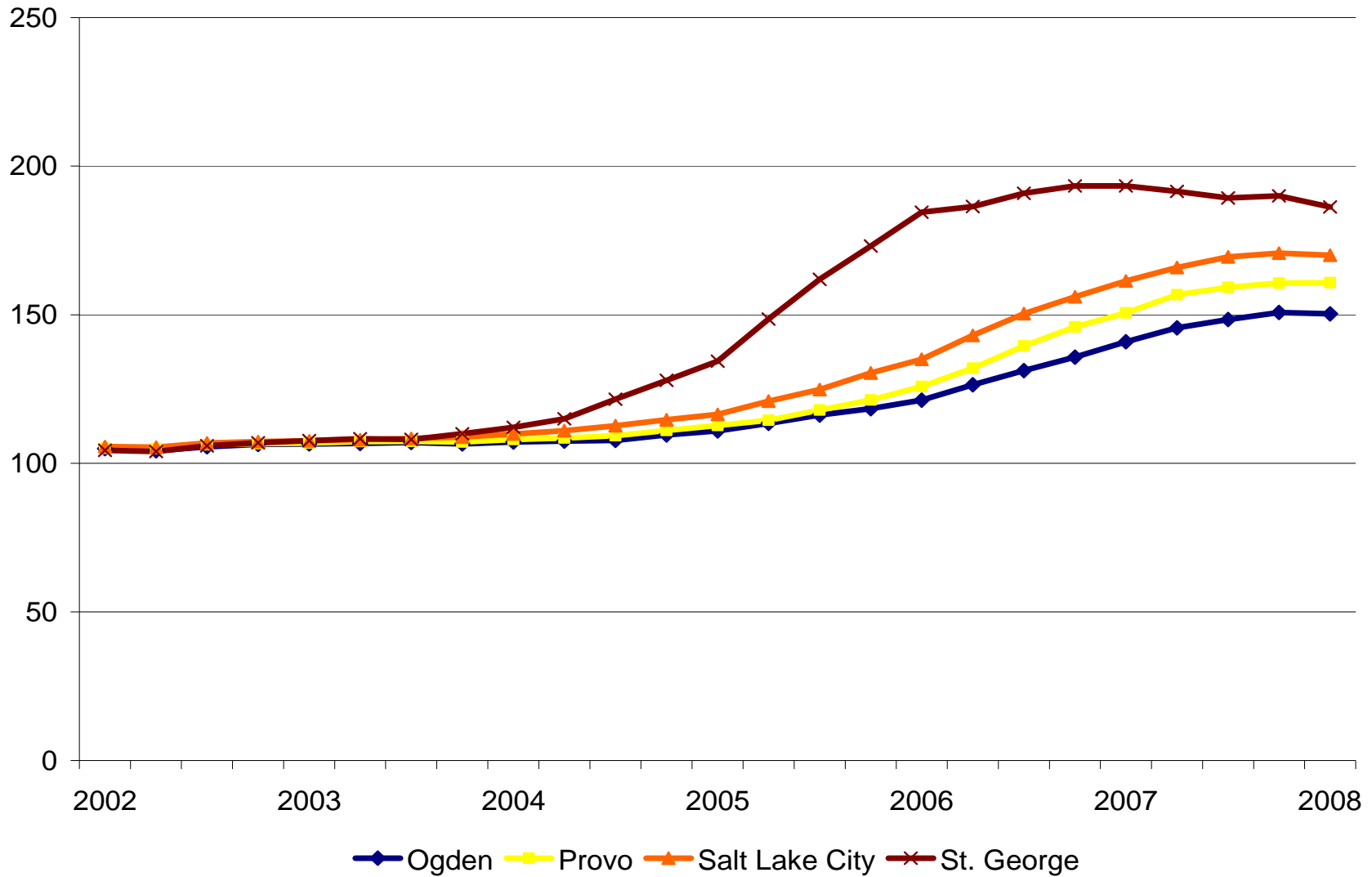


Source: OFHEO /Haver

07/23/08

Metropolitan Areas Also Seeing Softening

OFHEO House Price Index (2000=100)



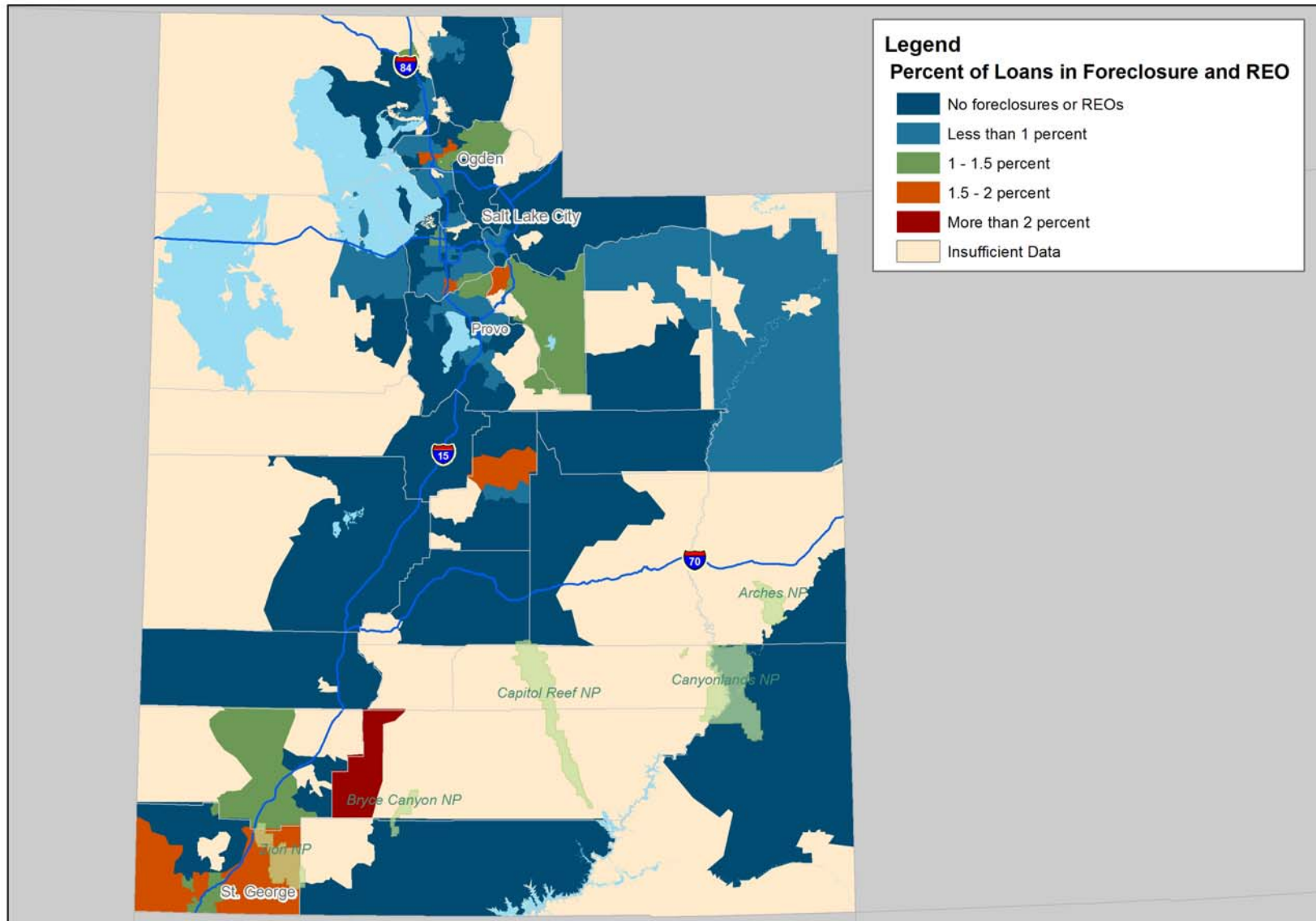
Utah Did See Surge in Subprime Lending

- Economic research suggests that the current mortgage crisis has been driven by declining house values
 - Utah vulnerable to same dynamic if house prices fall
- According to the Pew Center for the States, 1 out of 25 homeowners in Utah are projected to face foreclosure in 2008-2009, the 5th highest projected foreclosure rate in the nation
- Critical to help distressed borrowers now, and refinance into more sustainable loan products

Utah “Hot Spots”

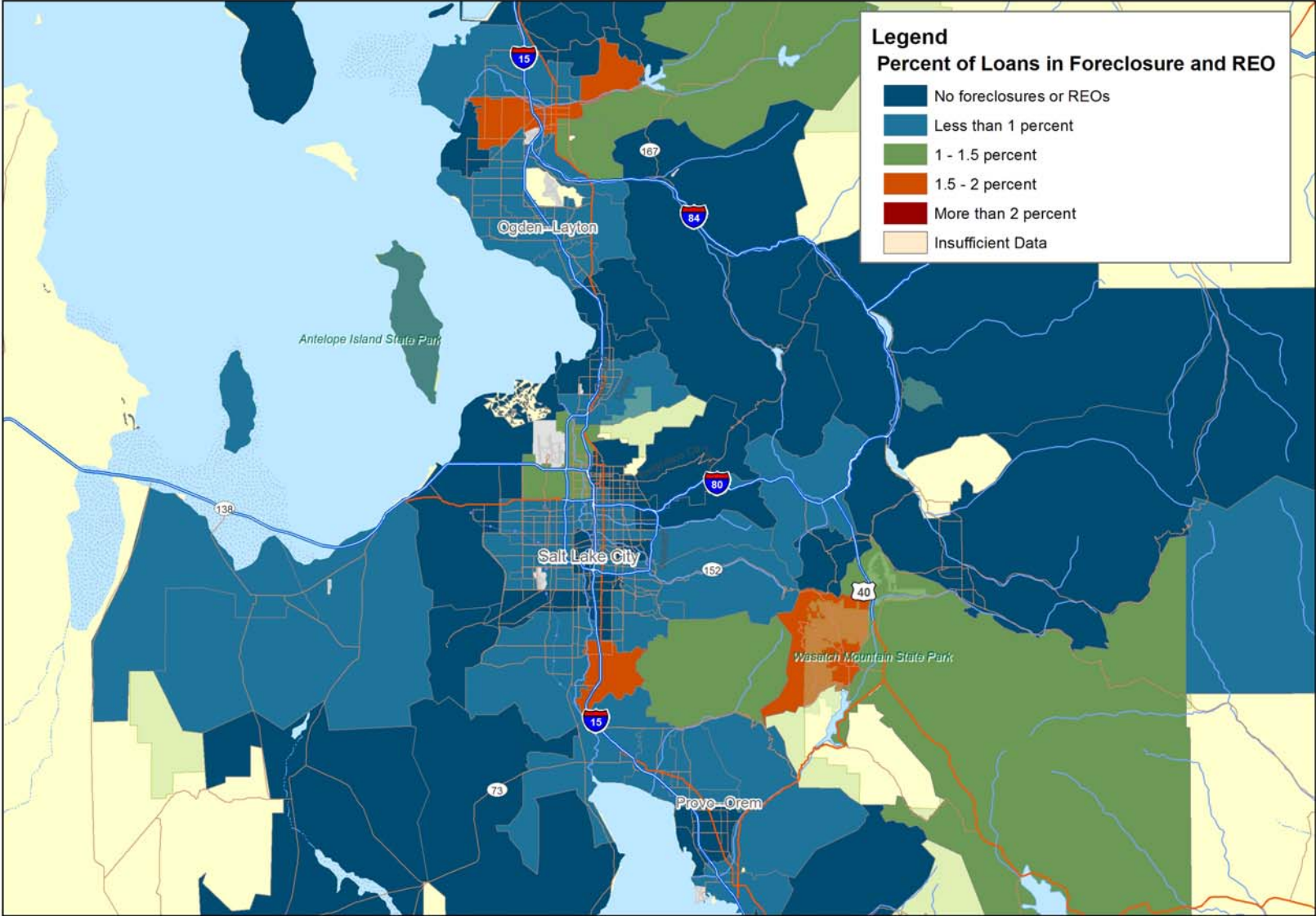


Utah – Emerging Foreclosure “Hot Spots”



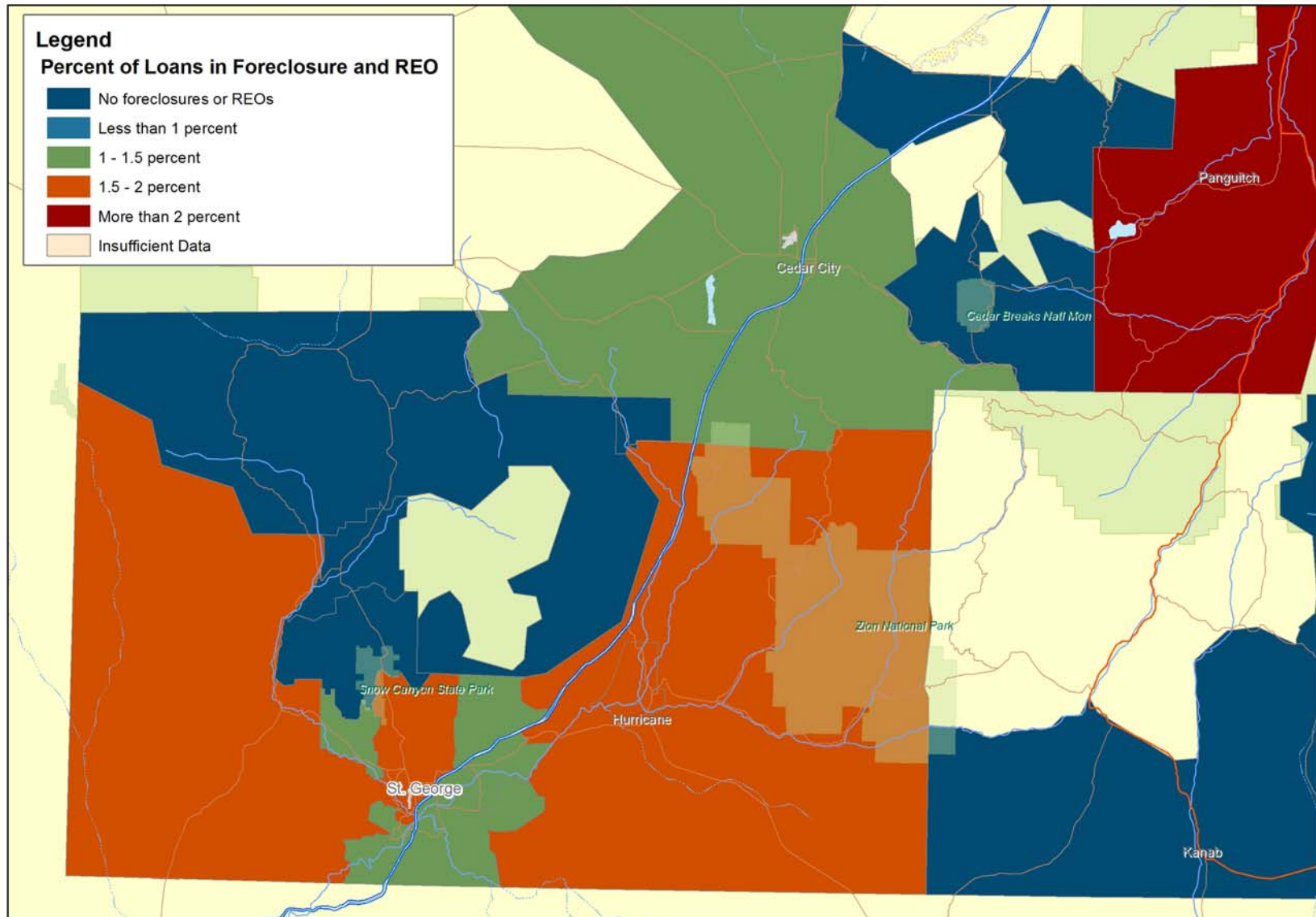
Source: McDash Analytics, LLC and FRBSF calculations, Data from April 2008

Salt Lake City – Foreclosure “Hot Spots”



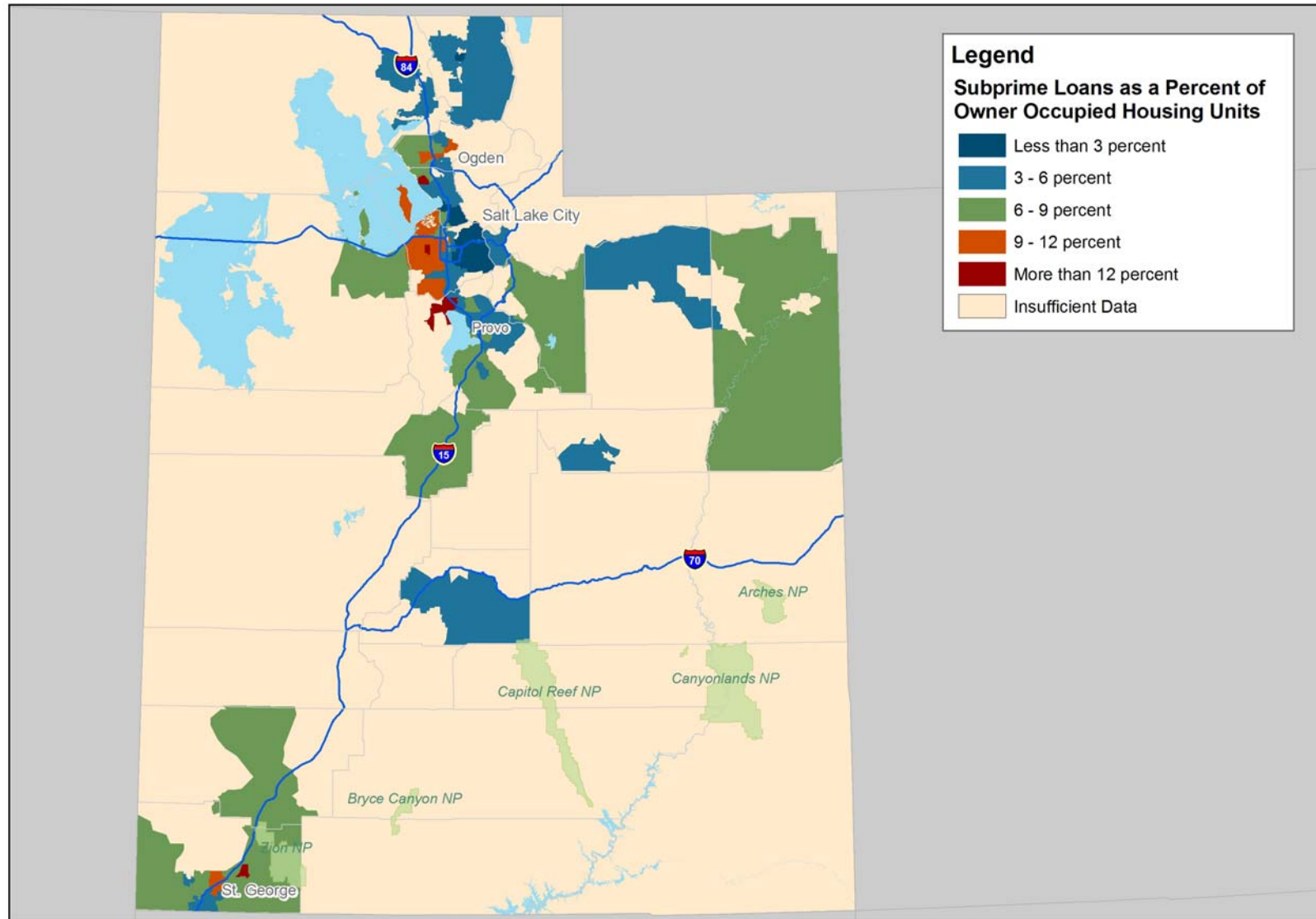
Source: McDash Analytics, LLC and FRBSF calculations, Data from April 2008

St. George Area – Foreclosure “Hot Spots”



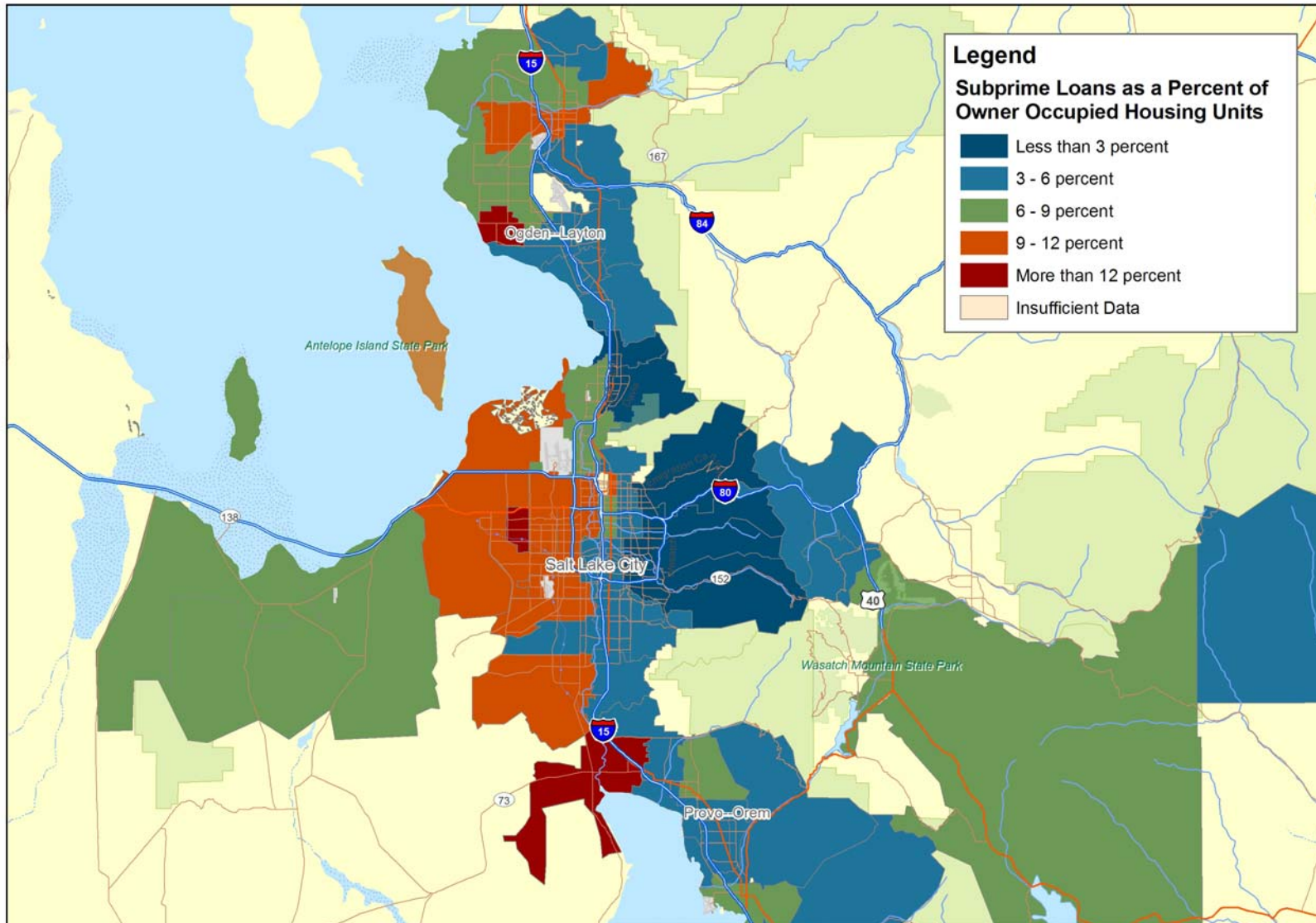
Source: McDash Analytics, LLC and FRBSF calculations, Data from April 2008

Utah - Concentrations of Subprime Loans



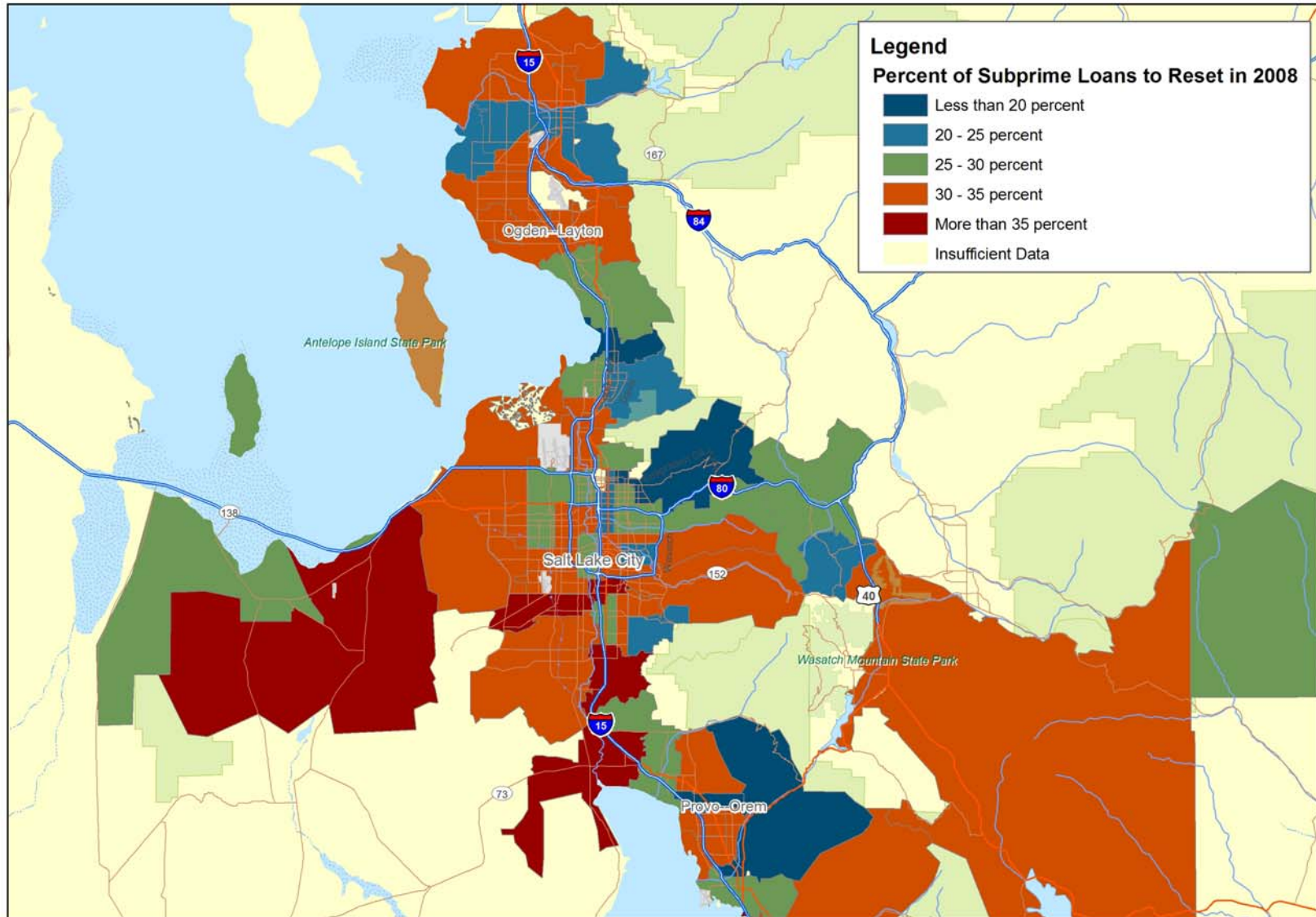
Source: Analysis by Federal Reserve Board of Governors, First American Loan Performance Data, March 2008. Data represent a sample of subprime loans, approximating 70 percent of subprime loan volume. Data aggregated at the zip code level.

Salt Lake City - Concentrations of Subprime Loans



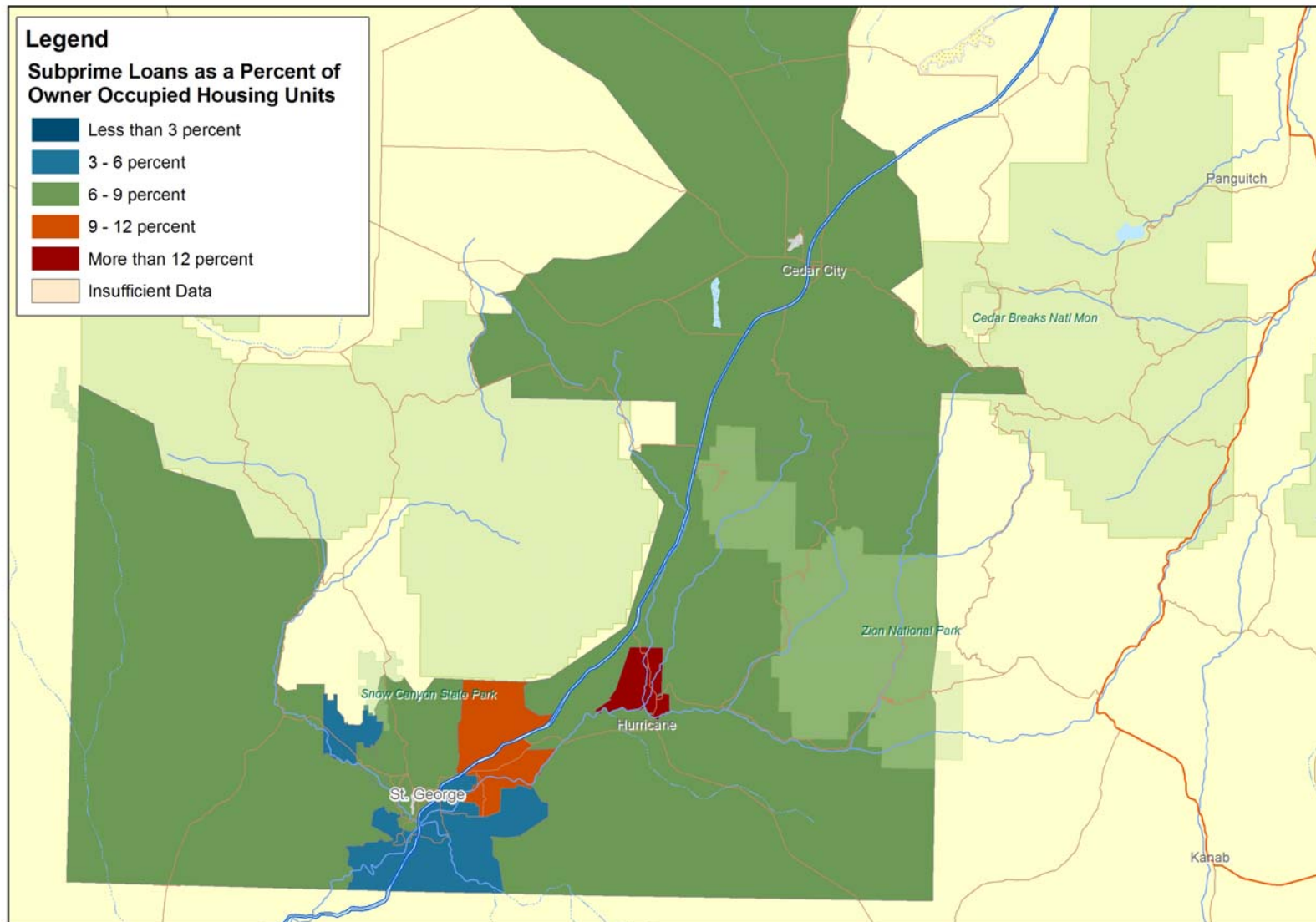
Source: Analysis by Federal Reserve Board of Governors, First American Loan Performance Data, March 2008. Data represent a sample of subprime loans, approximating 70 percent of subprime loan volume. Data aggregated at the zip code level.

Salt Lake City – Subprime Loans to Reset in 2008



Source: Analysis by Federal Reserve Board of Governors, First American LoanPerformance Data, March 2008. Data represent a sample of subprime loans, approximating 70 percent of subprime loan volume. Data aggregated at the zip code level.

St. George - Concentrations of Subprime Loans



Source: Analysis by Federal Reserve Board of Governors, First American Loan Performance Data, March 2008. Data represent a sample of subprime loans, approximating 70 percent of subprime loan volume. Data aggregated at the zip code level.

Conclusions

- ❑ Utah is likely to see a continued increase in delinquencies and foreclosures
 - If house values continue to soften and start to decline, 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