

TRENDS IN DELINQUENCIES AND FORECLOSURES IN WASHINGTON

April 2009

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Federal Reserve Bank of San Francisco

Outline of Presentation



- National Trends
 - ▣ Rising foreclosures
 - ▣ House price declines
 - ▣ Rising unemployment
- Washington
 - ▣ Trends in foreclosure
 - ▣ Housing market softening
 - ▣ Rising unemployment
 - ▣ Scale of loan modifications still falls short of need

National Trends

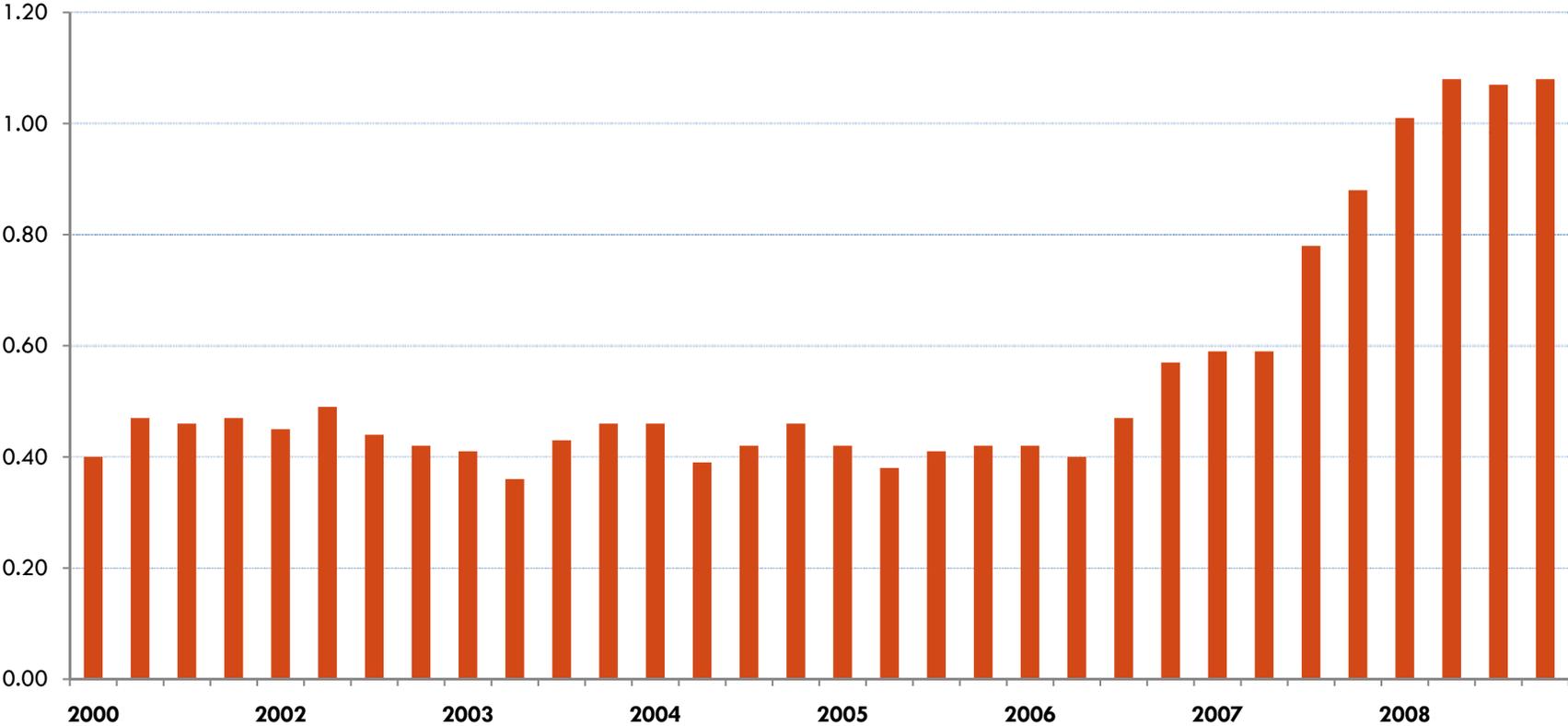
National Trends



- Foreclosures rose steadily in 2008, with wide repercussions for US economy
 - ▣ After a slight decline in the national foreclosure rate in the 3rd Quarter of 2008, rose again in 4th Quarter
- Factors driving foreclosures nationally
 - ▣ House price declines
 - ▣ Rising unemployment, coupled with turmoil in financial and credit markets, may further influence foreclosure rate going forward

National Foreclosure Starts Rose Slightly in 4th Quarter of 2008

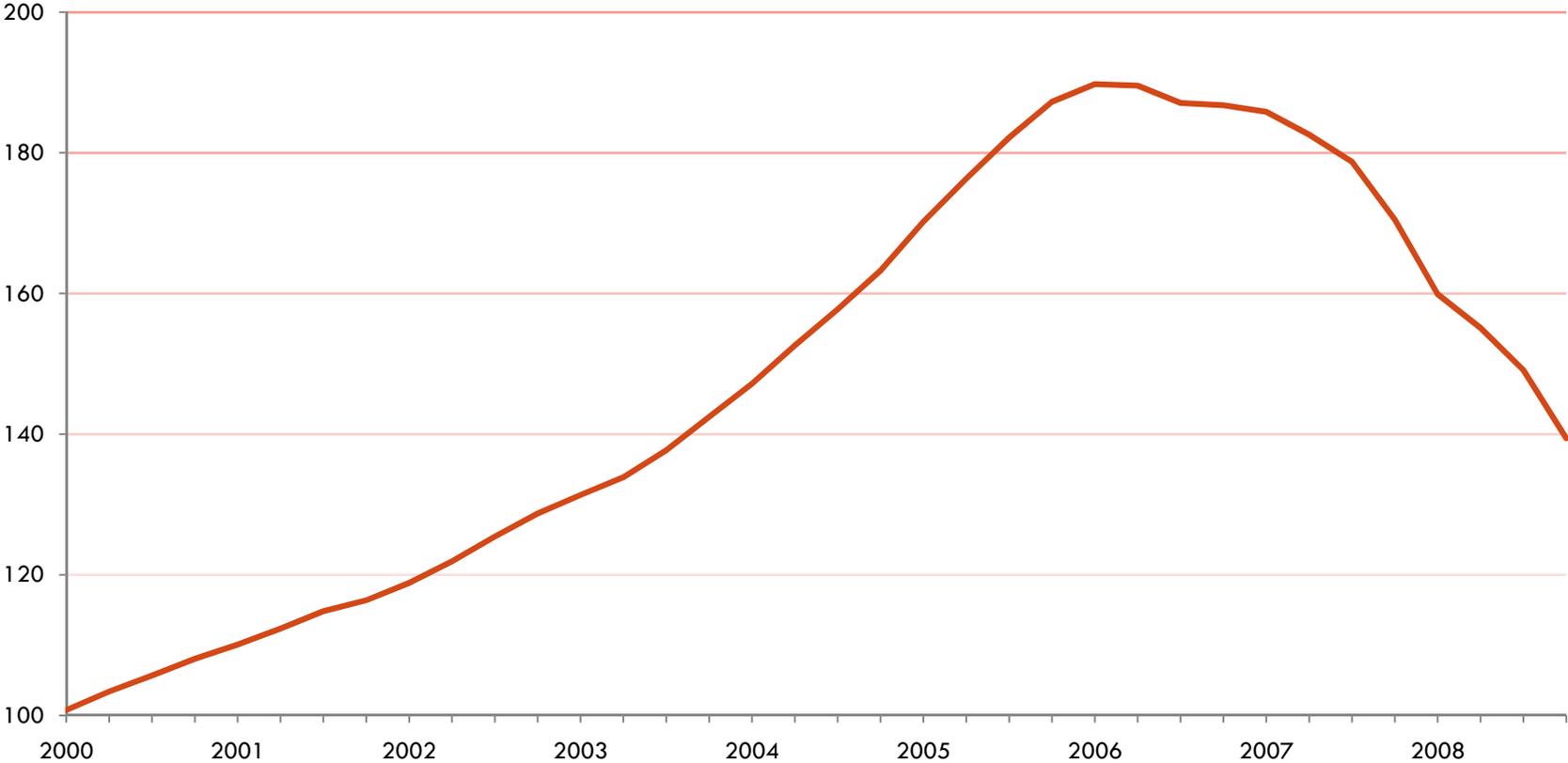
National Foreclosures Starts
Percent of All Loans



Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008

Nationally, House Prices Continue to Decline

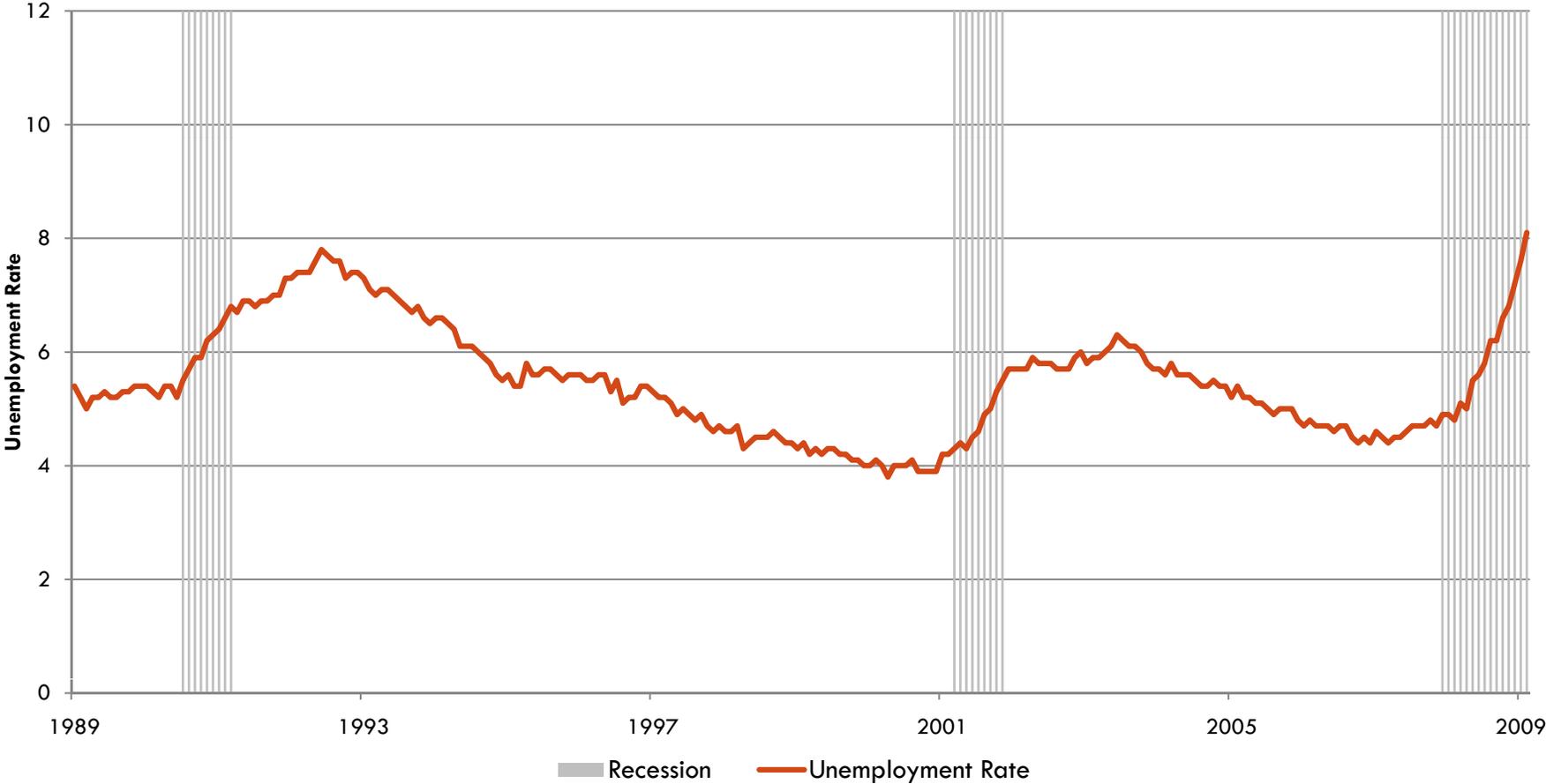
Case-Shiller National House Price Index
(2000 = 100, quarterly)



Source: Case - Shiller Home Price Index, 4th Q 2008

Recession Marks Significant Jump in Unemployment

U.S. Unemployment Rate

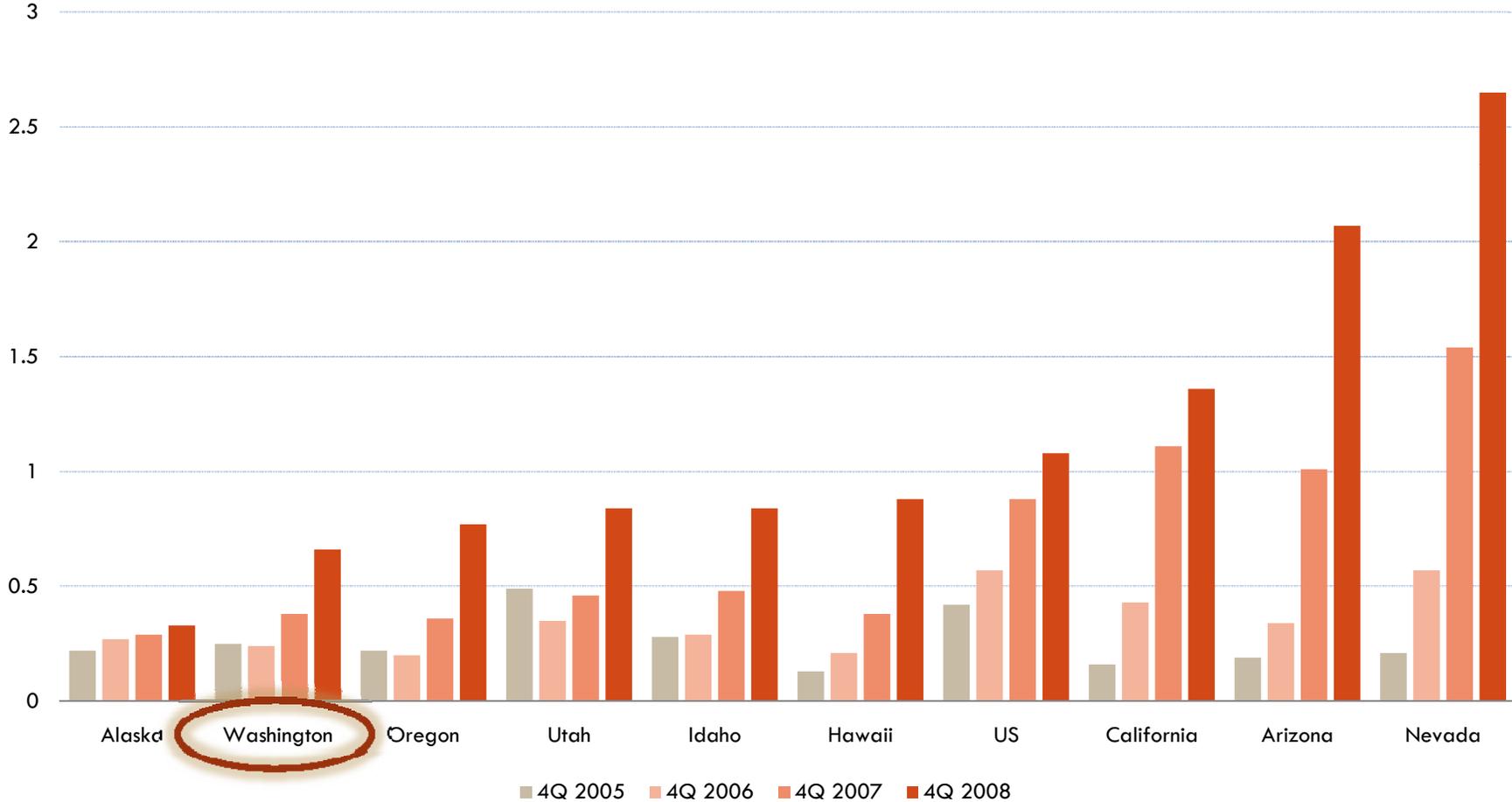


Source: Bureau of Labor Statistics

Washington Trends

Foreclosures in Washington Have Risen Significantly, But Remain Below US Average

Foreclosure Starts (Percent of All Loans)

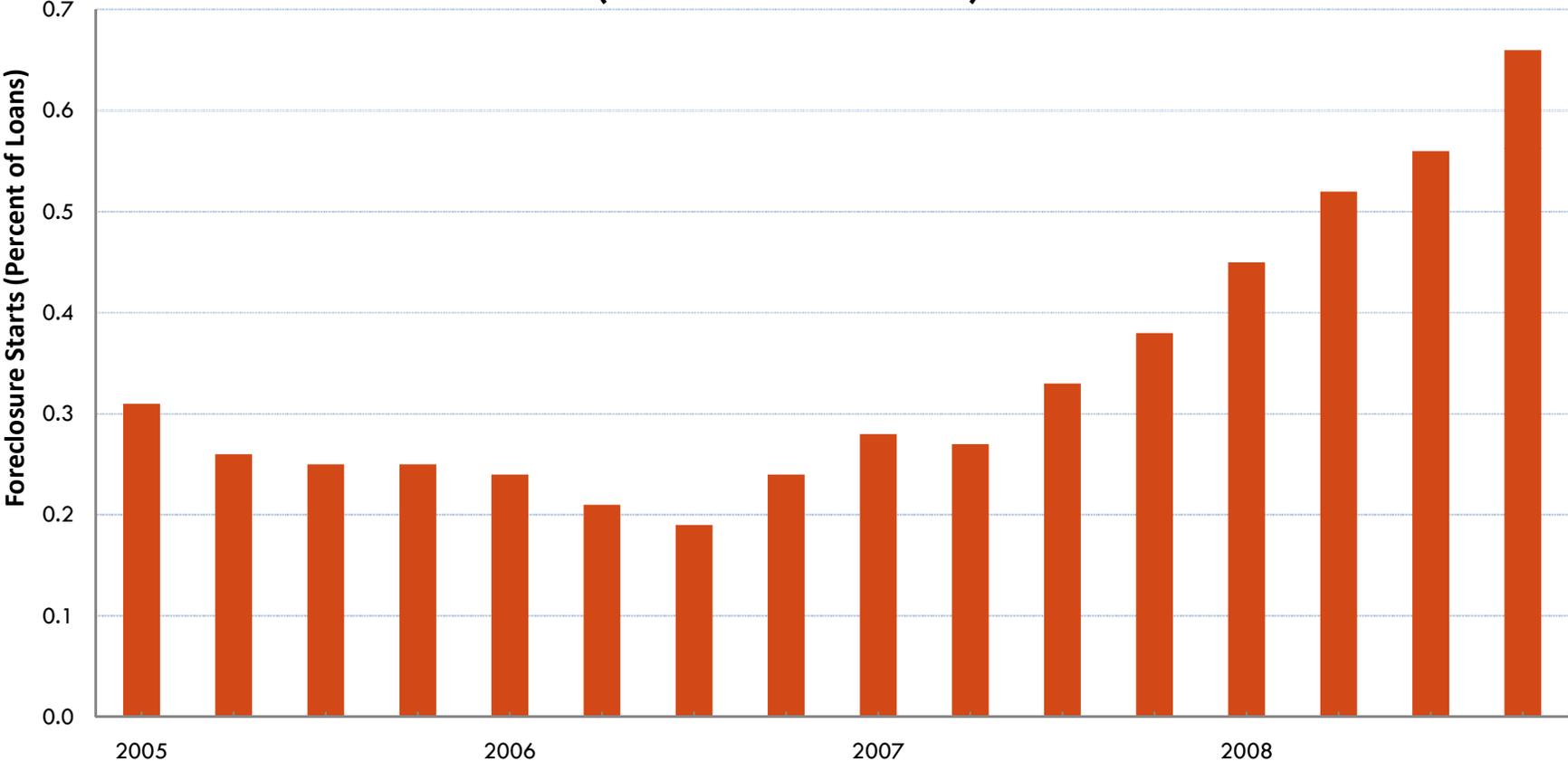


Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008

Washington Saw a Significant Jump in Foreclosure Starts in 4th Quarter 2008

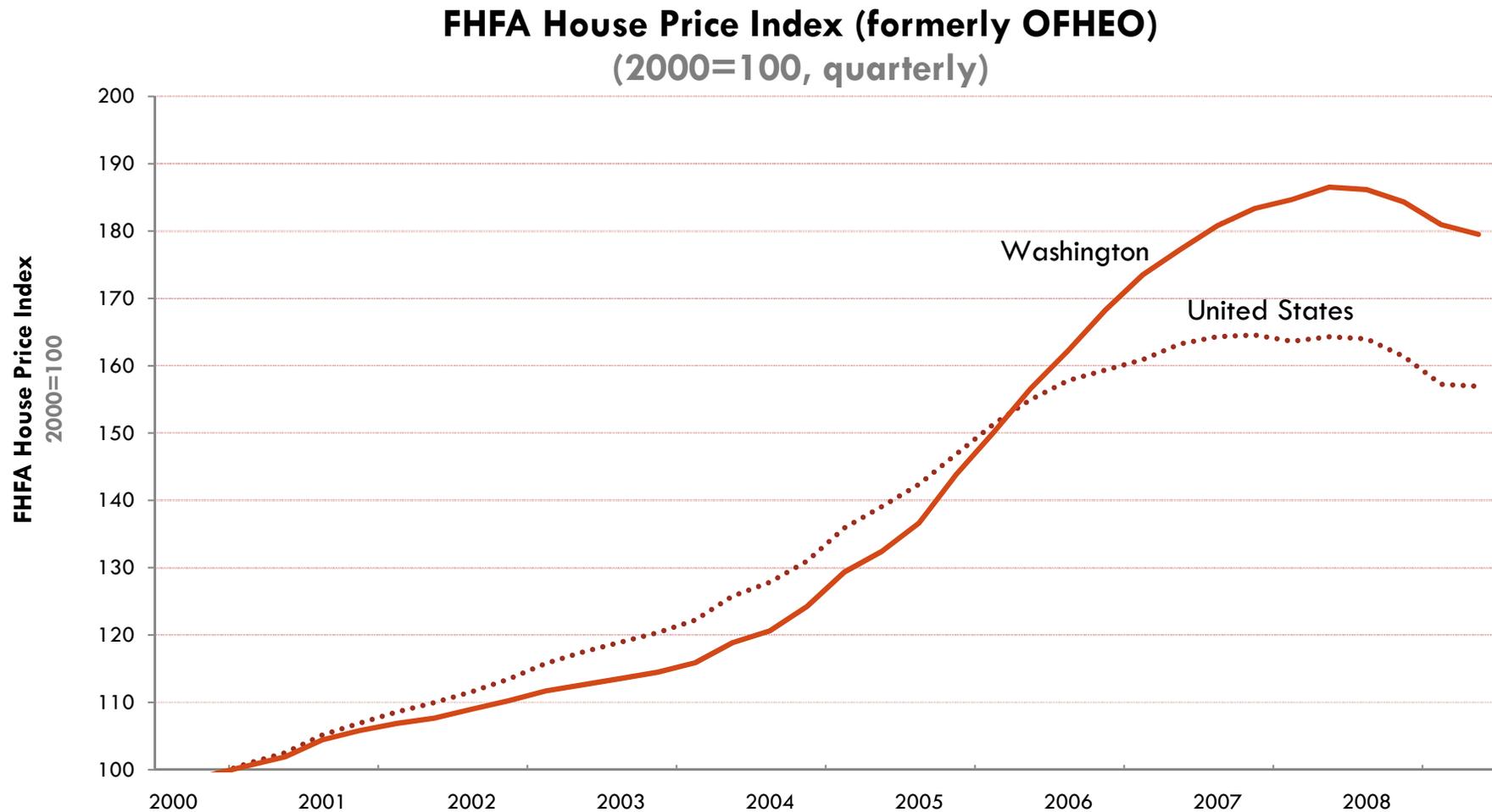


**Washington Foreclosure Starts
(Percent of All Loans)**



Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008

Washington's House Values Continue to Decline, but Curve Flattening Slightly

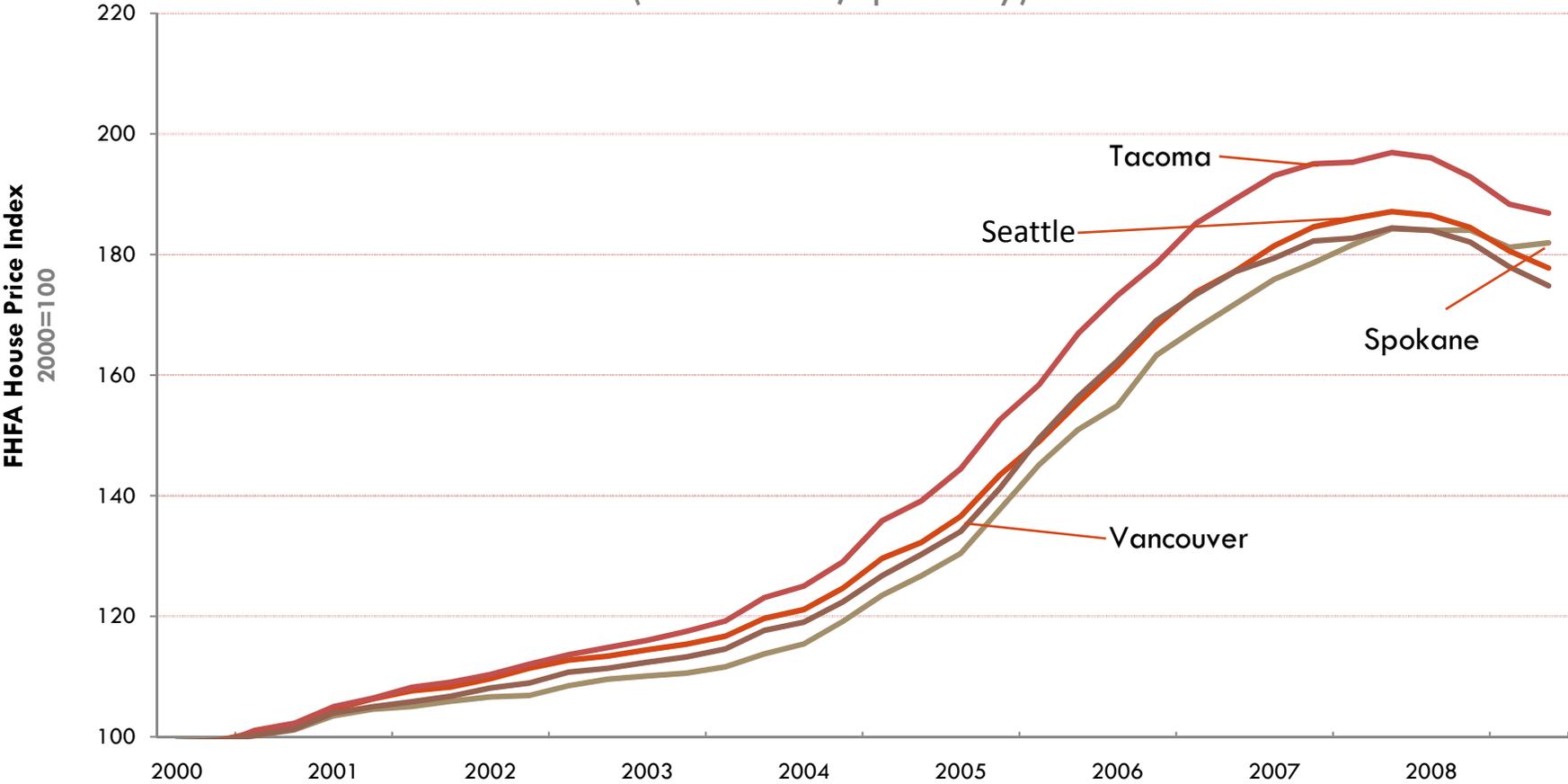


Source: Federal Housing Finance Agency (formerly OFHEO), 4th Quarter 2008

Most Metro Areas Also Experiencing Declines



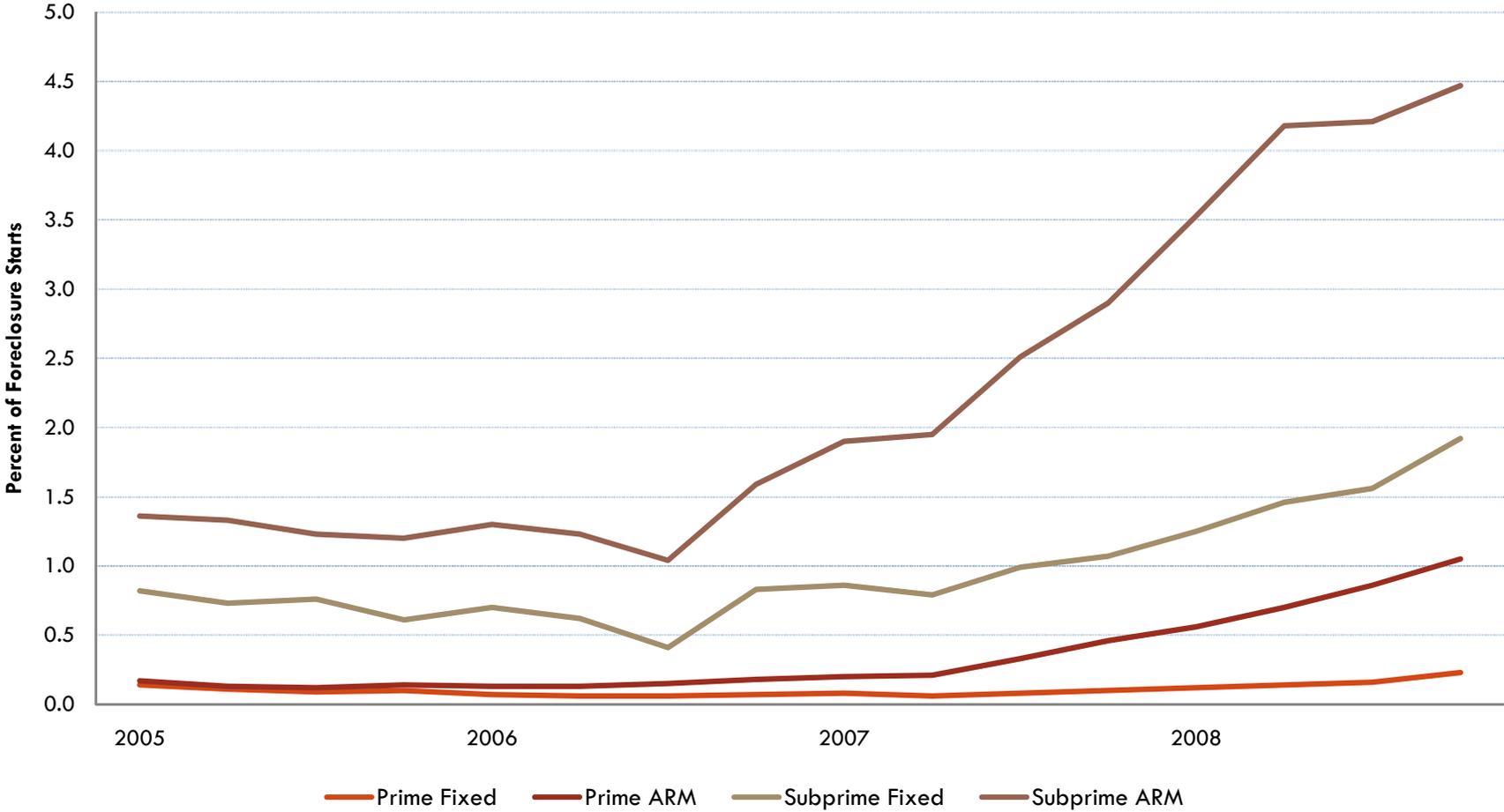
FHFA House Price Index (formerly OFHEO)
(2000=100, quarterly)



Source: Federal Housing Finance Agency (formerly OFHEO), 4th Quarter 2008

Washington's Foreclosures are Concentrated in Subprime ARM Market

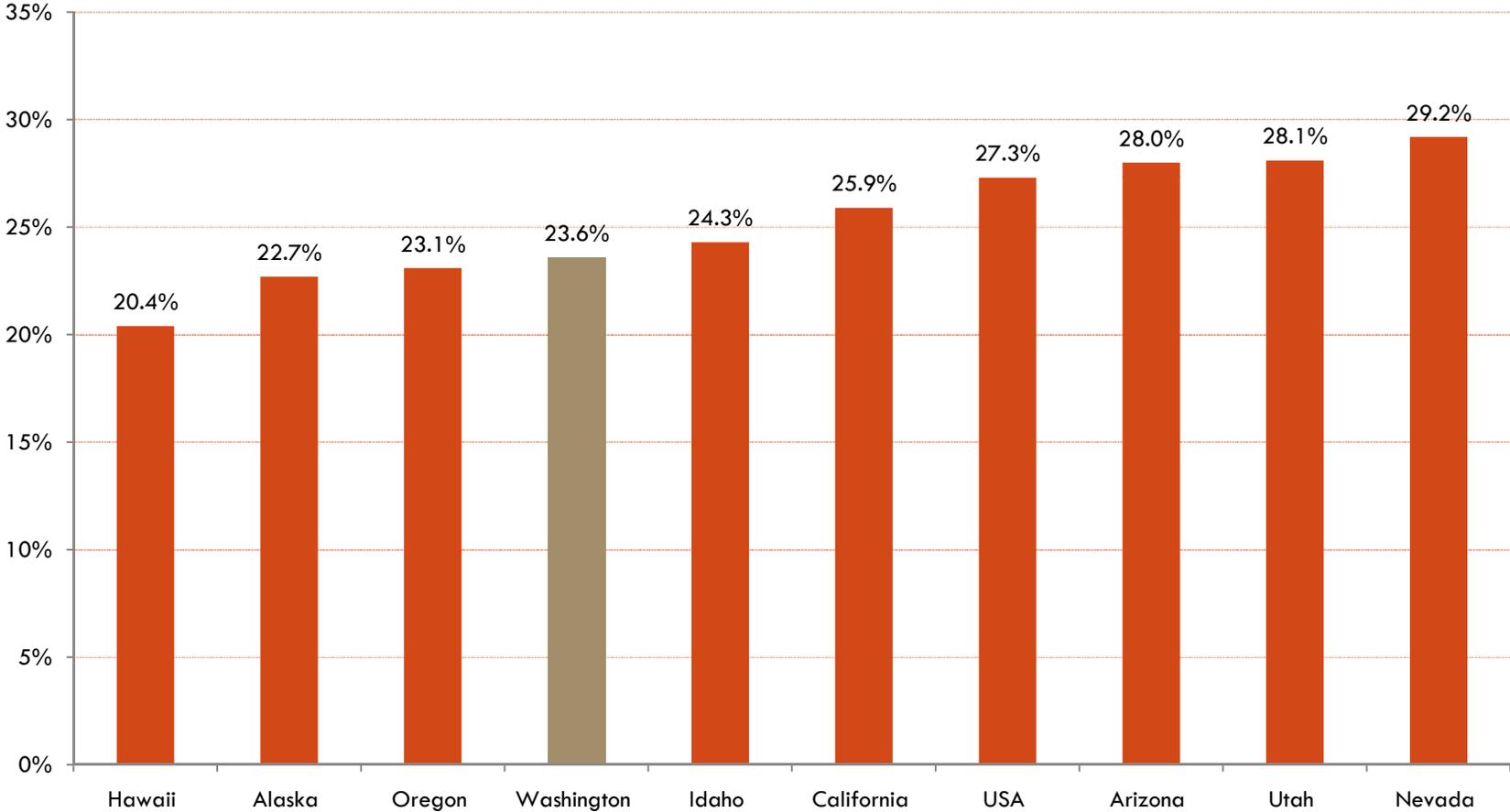
Foreclosure Starts by Loan Type



Source: Mortgage Bankers Association, National Delinquency Survey, 4th Q 2008

Washington Saw High Rates of High-Cost Lending During Subprime Boom, but Still Lower than National Average

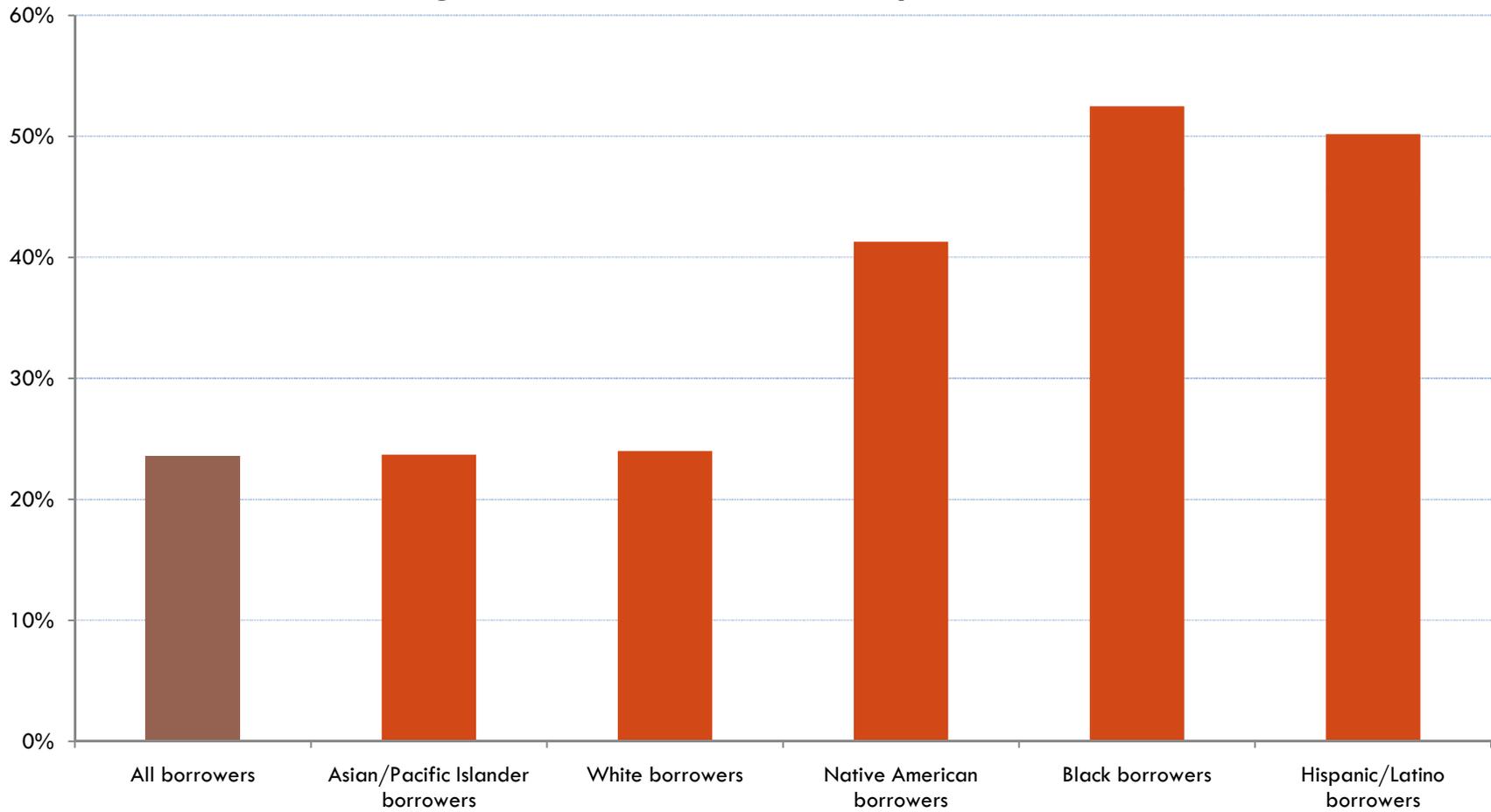
Percent of All Borrowers with High Interest Conventional Loans, 2005



Source: Home Mortgage Disclosure Act Data, 2005

High Cost Lending in Washington More Prevalent Among Some Minority Groups

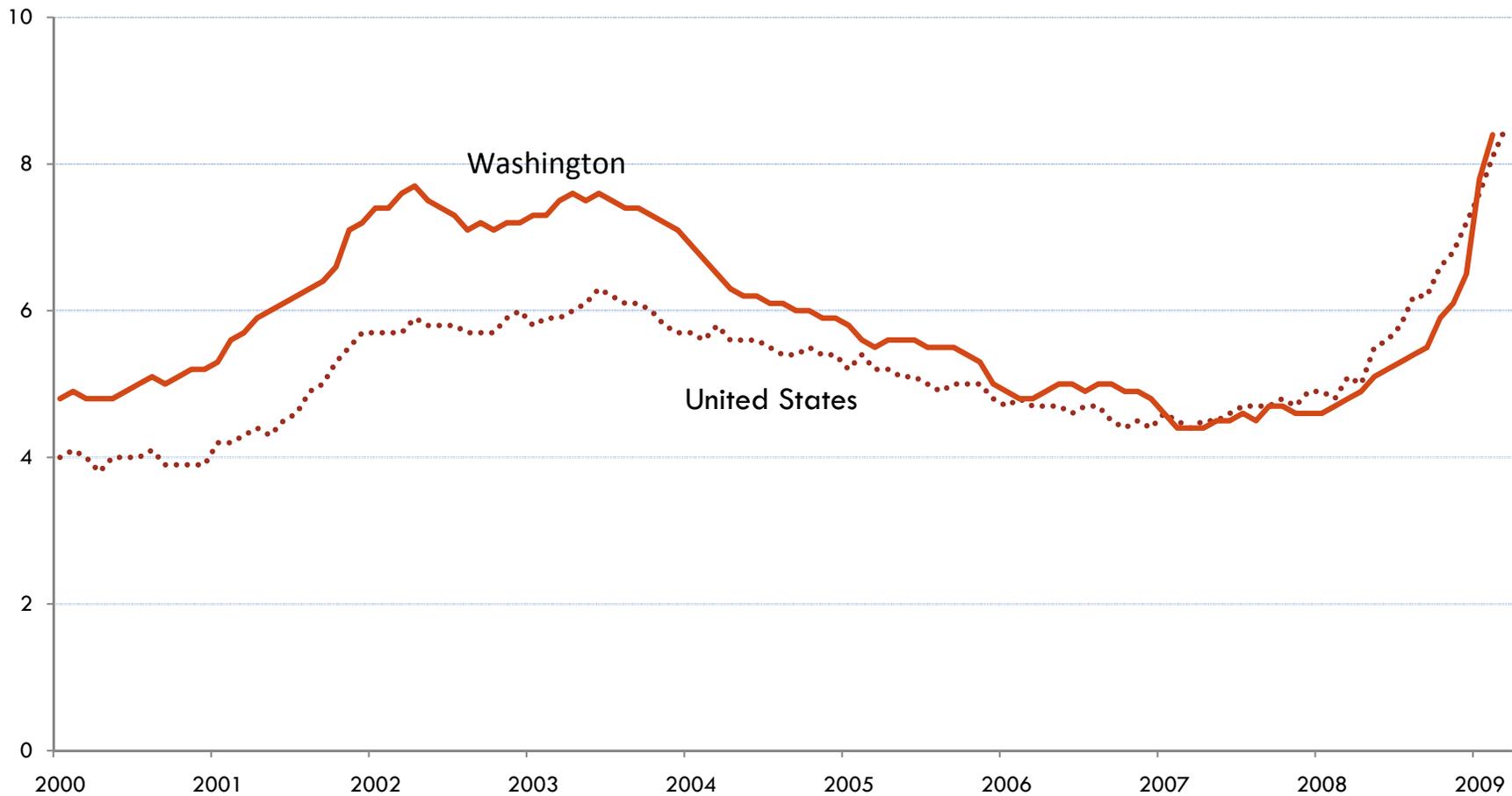
High Cost Conventional Loans by Race, 2005



Source: Home Mortgage Disclosure Act Data, 2005

Unemployment Rate in Washington Has Mirrored National Trends

Unemployment Rate



Source: Bureau of Labor Statistics

Employment Trends by Industry in Washington

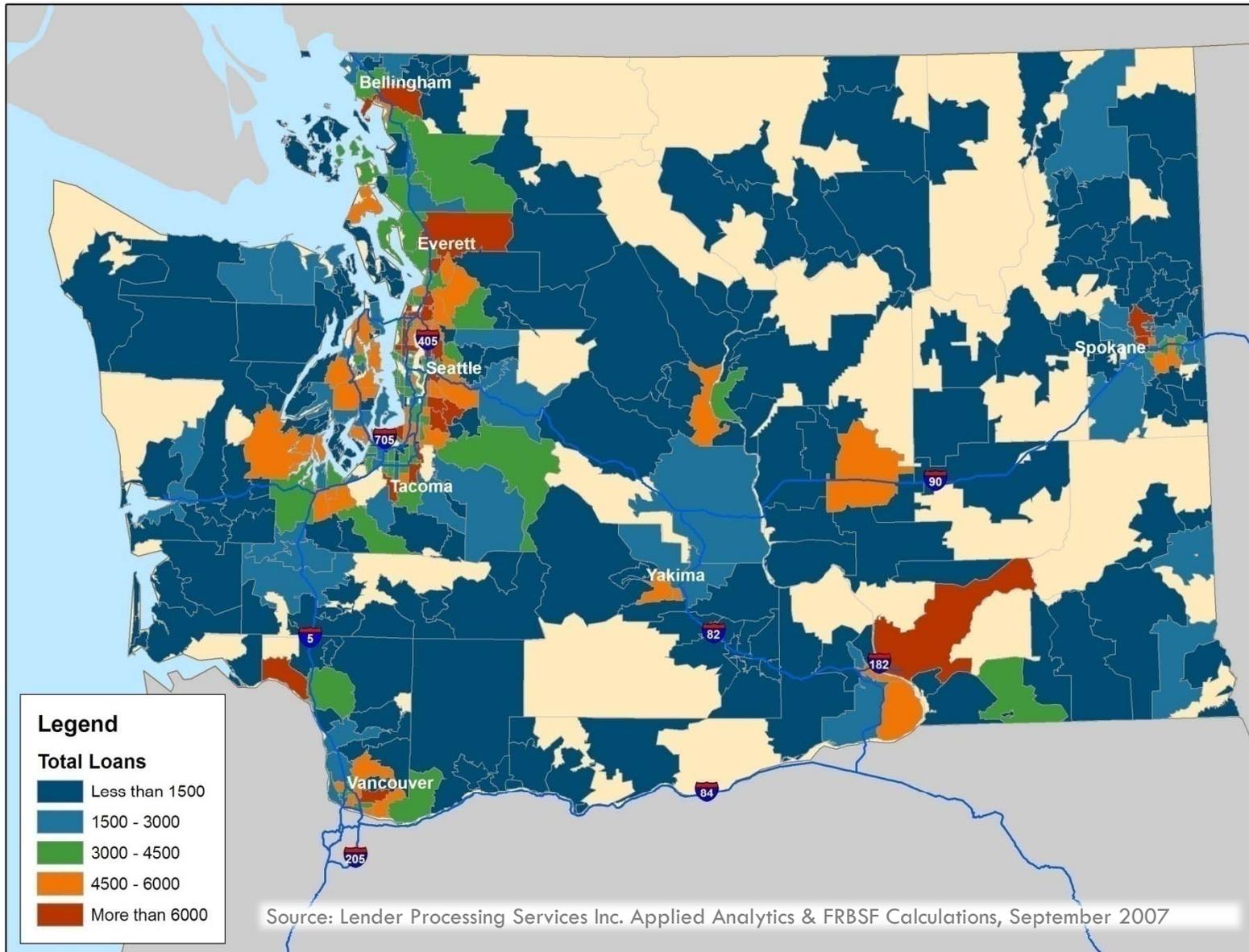
Washington	Total Employed (thousands)	Percent Change		
	Feb-09	1-mo.*	3-mo.*	12-mo.
Total	2889.1	-11.0	-6.7	-2.8
Government	548.7	-1.5	-1.4	1.1
Trade, Transportation & Utilities	532.7	-13.2	-6.3	-4.7
Educational & Health Svcs.	361.5	-7.6	-4.3	1.2
Professional & Business Svcs.	330.9	-37.7	-15.1	-5.5
Leisure & Hospitality	283.5	-1.3	-2.5	-0.4
Manufacturing	278.2	-8.6	-12.2	-6.2
Construction	185.4	-26.4	-15.9	-10.6
Financial Activities	150.5	9.2	2.4	-2.7
Other Services	107.5	5.8	-1.8	0.3
Information	103.3	2.4	-9.8	-1.1
Natural Resources & Mining	6.9	-29.0	-24.4	-10.4

Source: Bureau of Labor Statistics, February 2009, *Annualized

Washington Foreclosure Data Maps

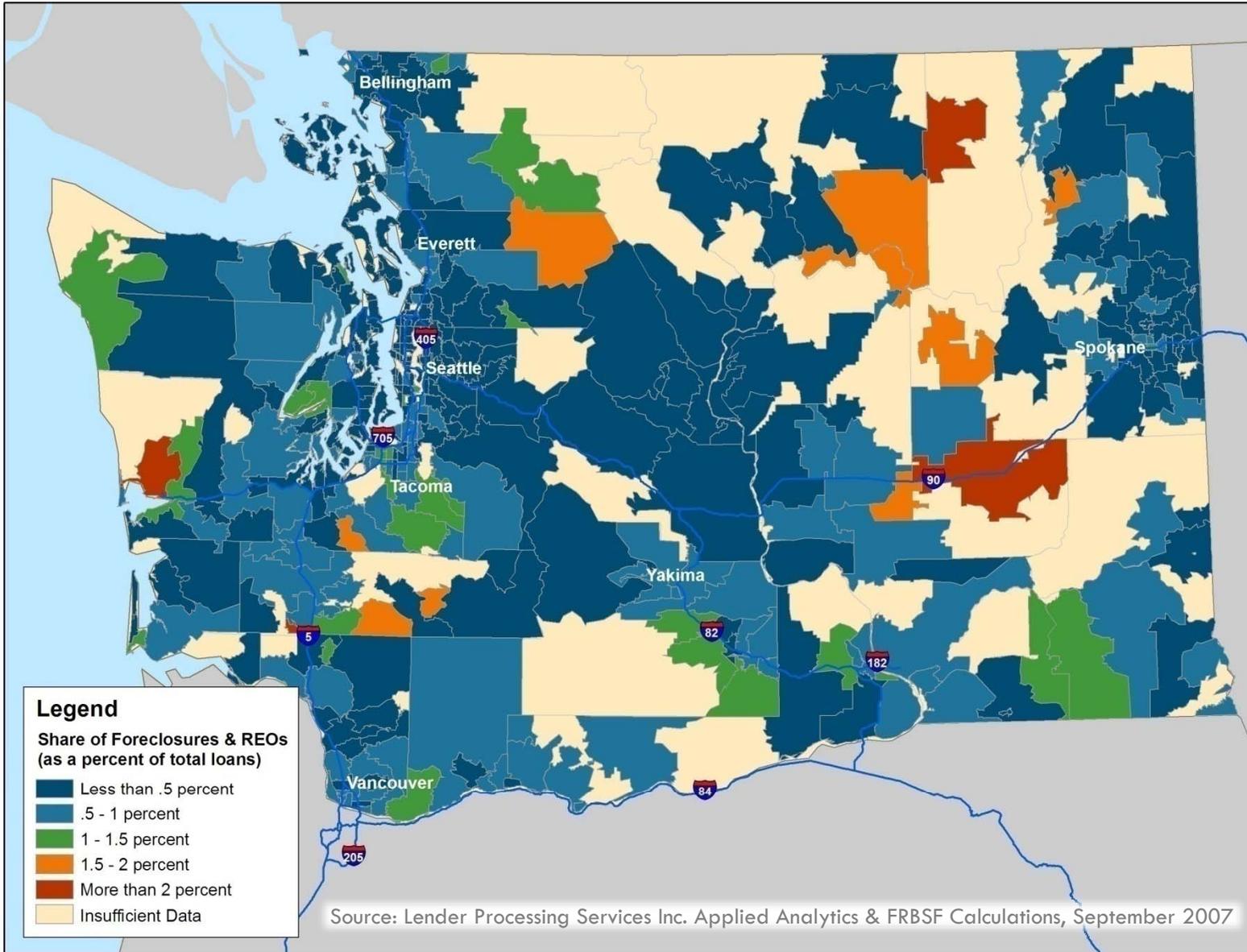
Distribution of Lending Volumes

September 2007



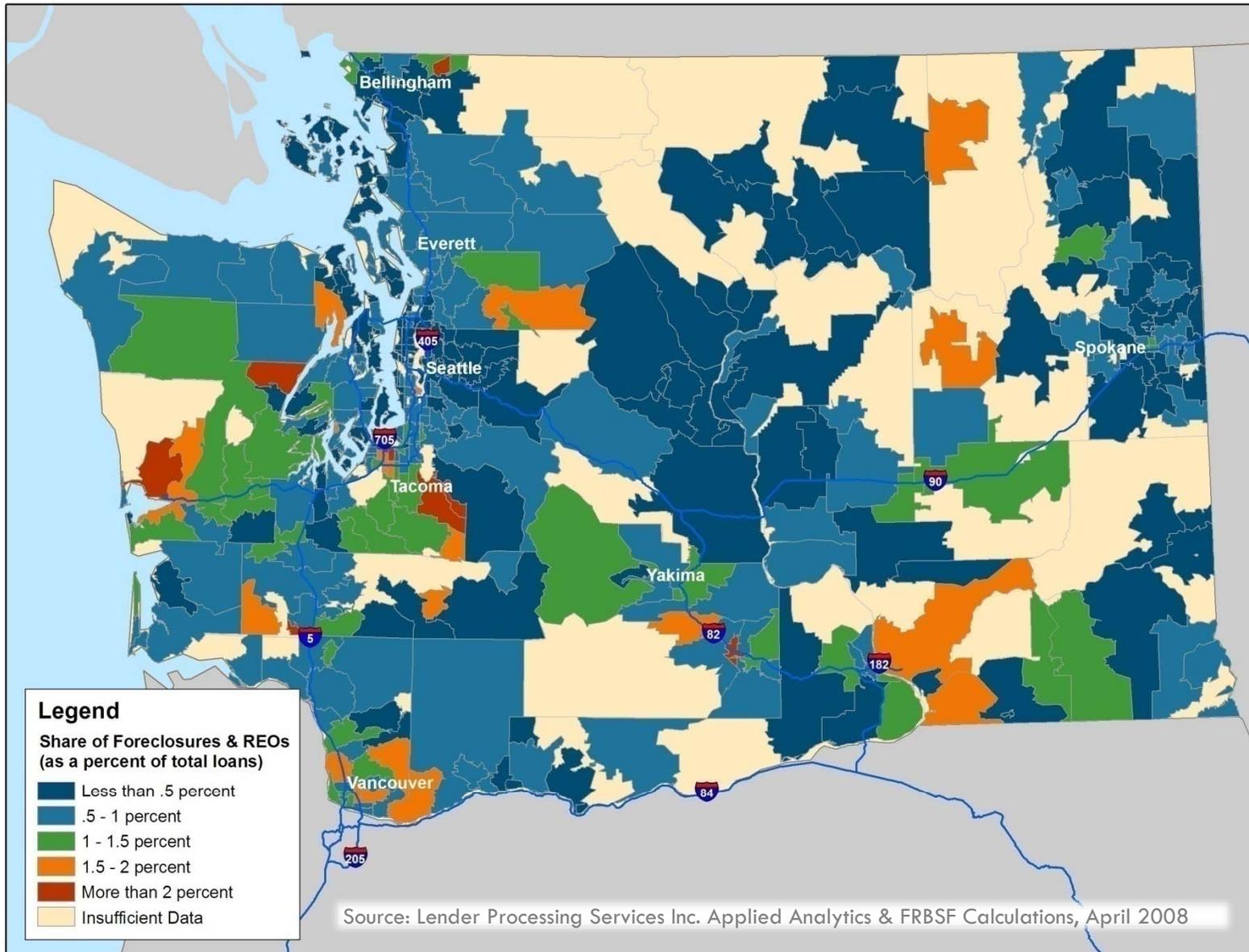
Areas Affected by Concentrated Foreclosures

September 2007



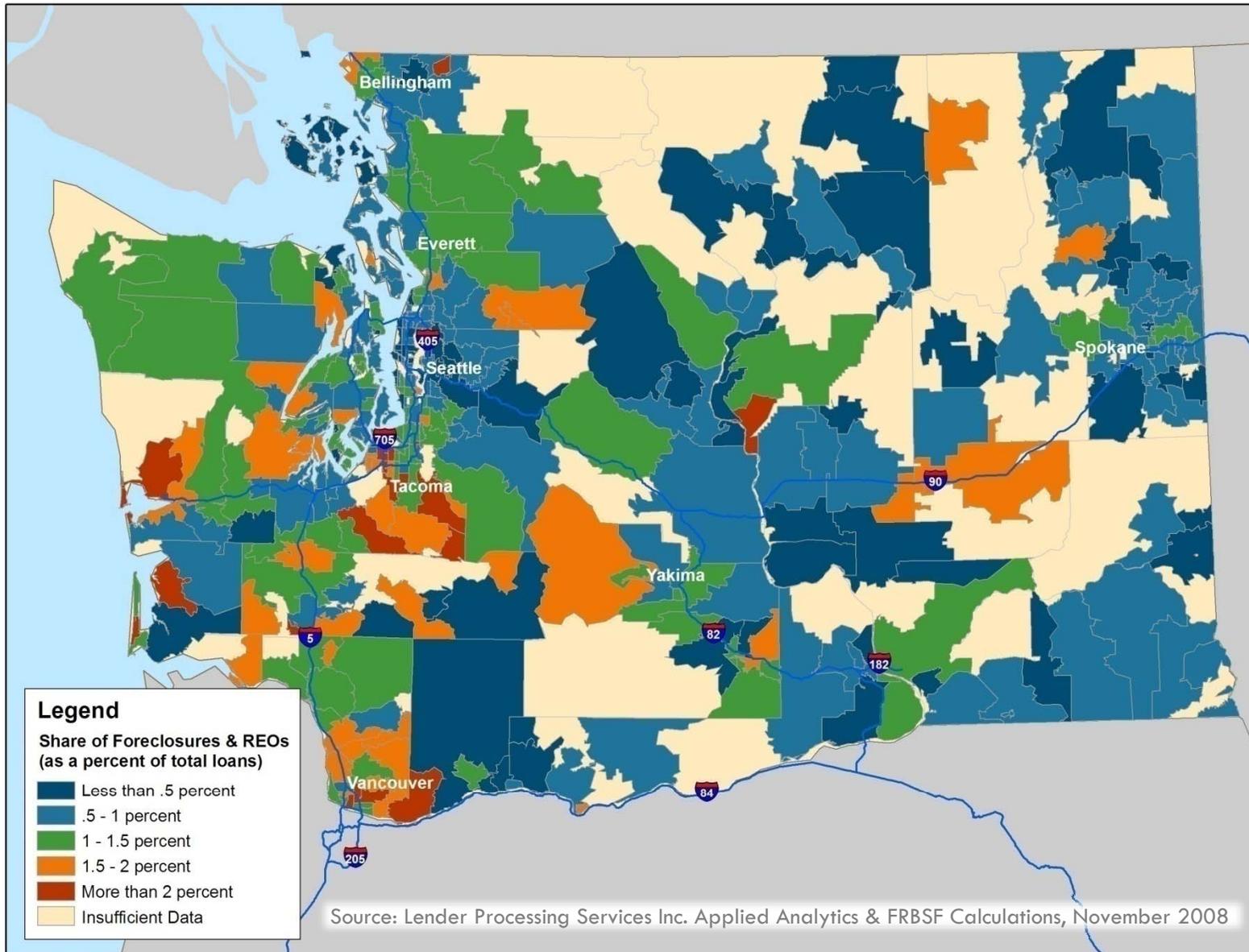
Areas Affected by Concentrated Foreclosures

April 2008



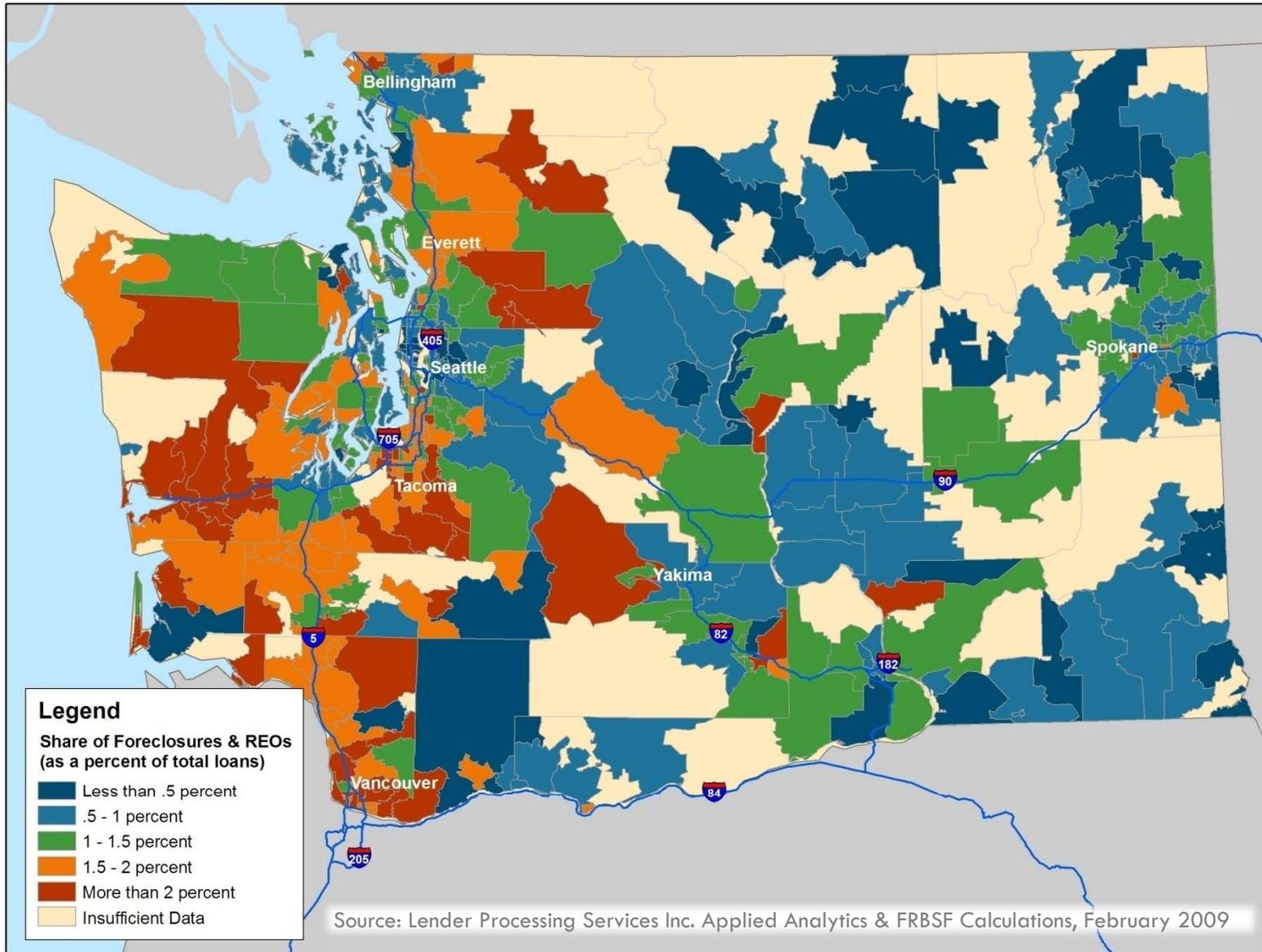
Areas Affected by Concentrated Foreclosures

November 2008



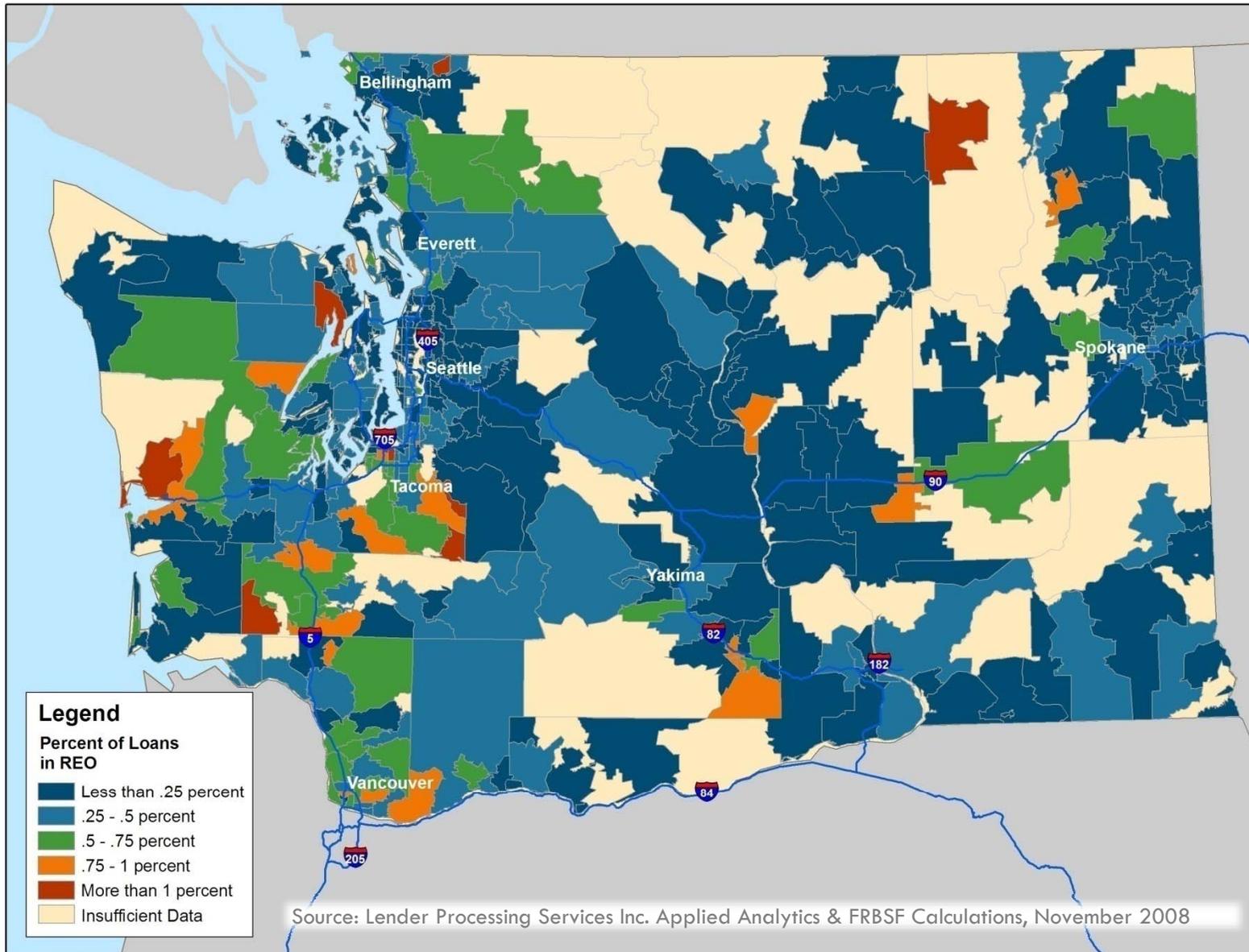
Areas Affected by Concentrated Foreclosures

February 2009



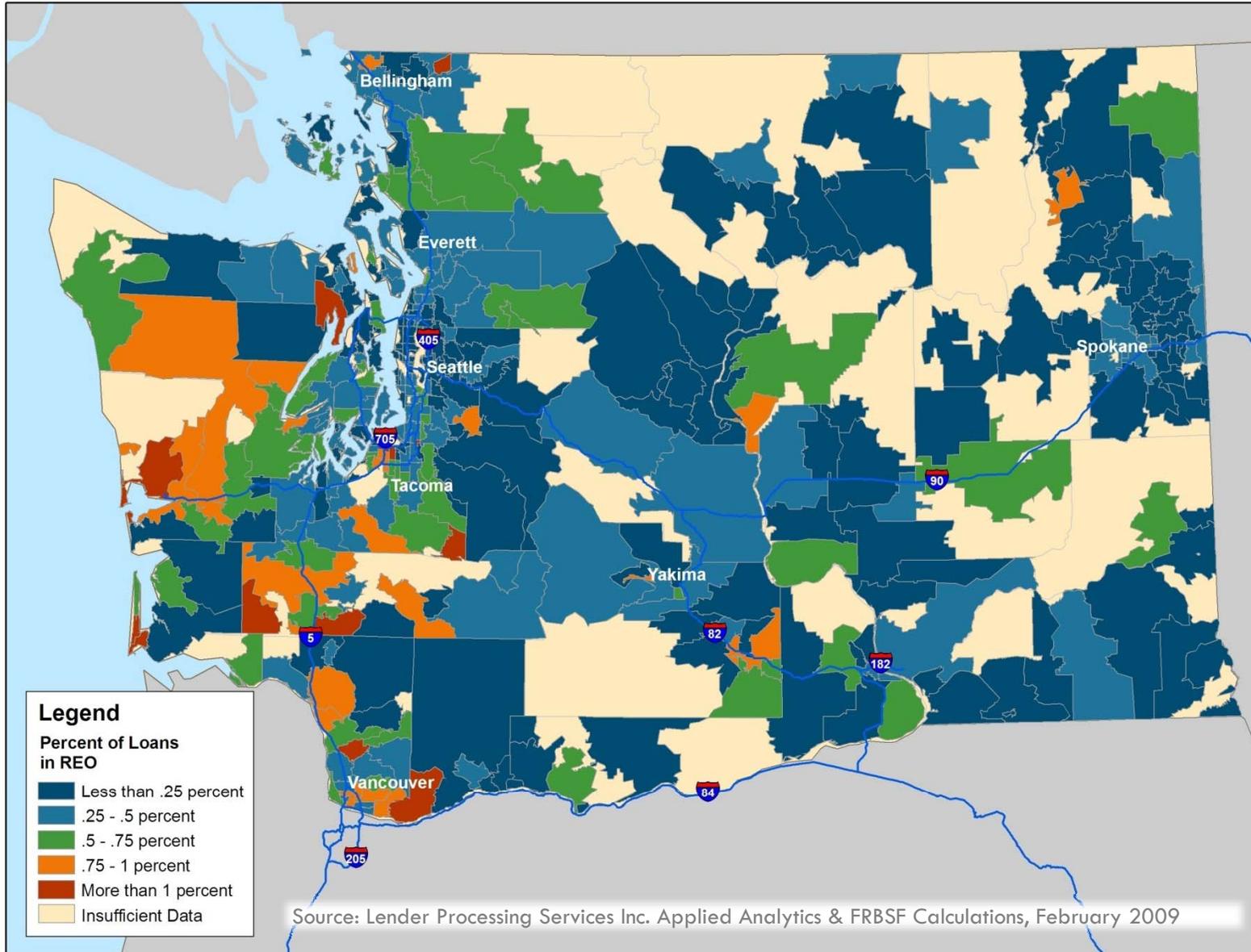
Areas with Concentrations of REO Properties

November 2008



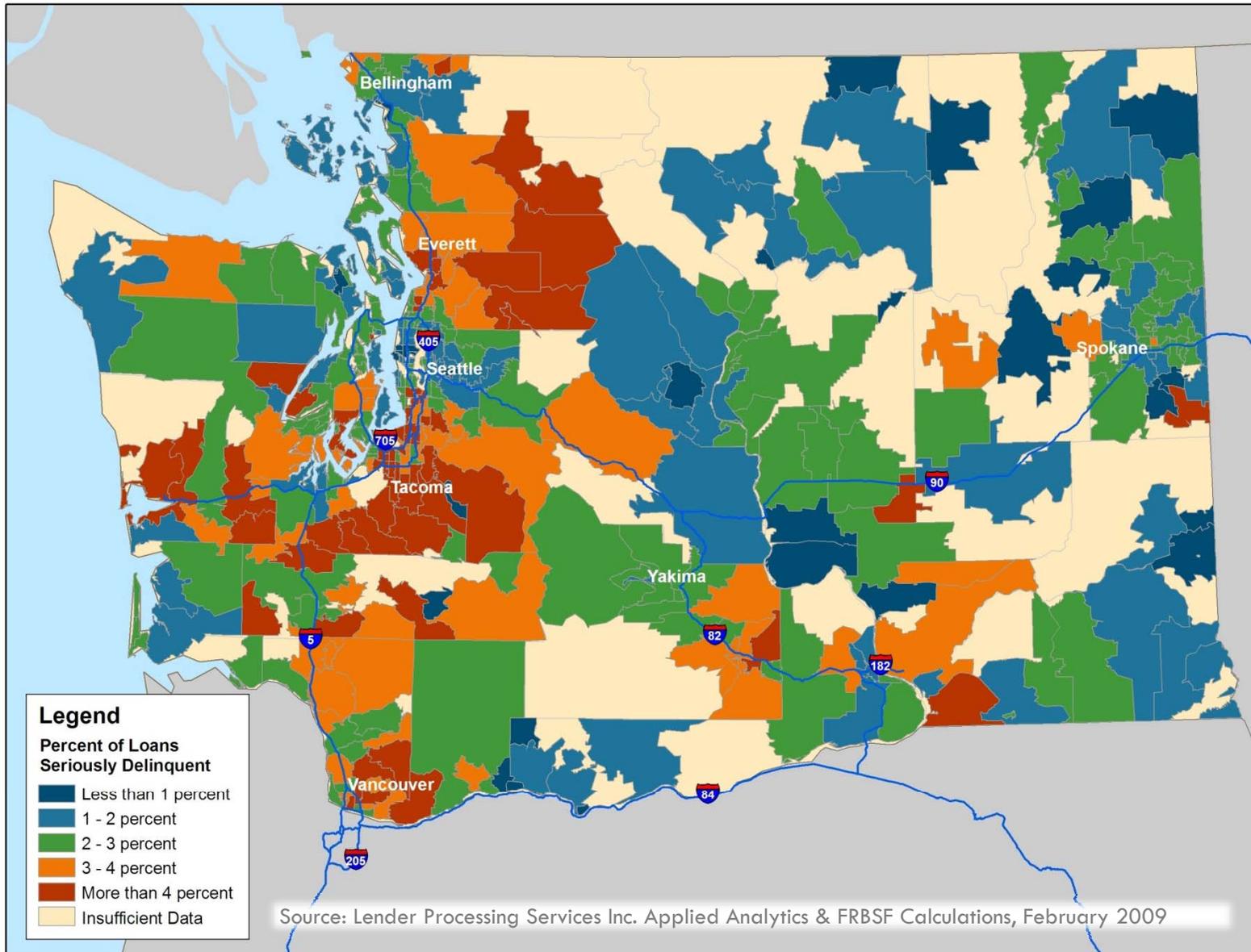
Areas with Concentrations of REO Properties

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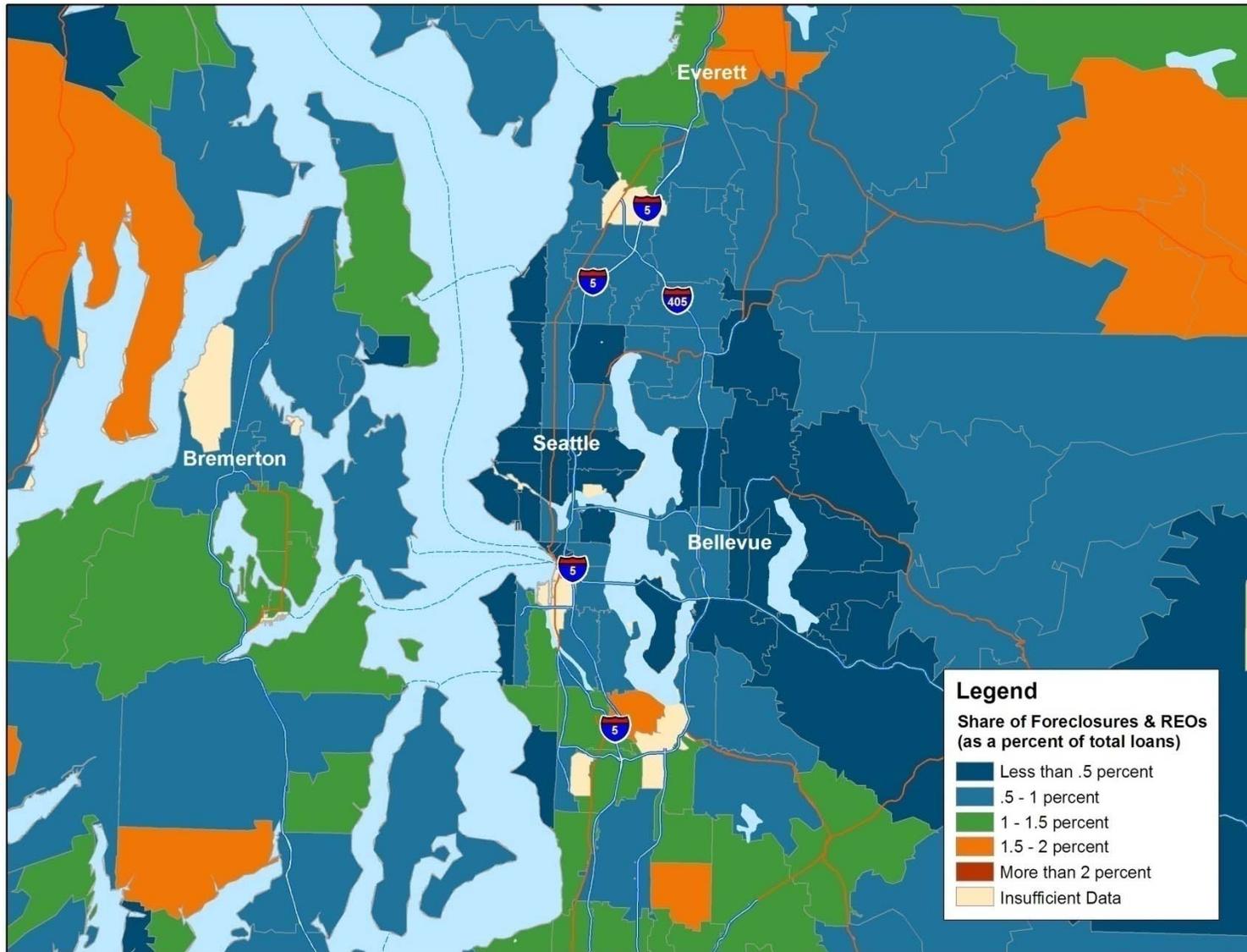
Areas at Risk of Additional Foreclosures

February 2009



Areas of Concentrated Foreclosures

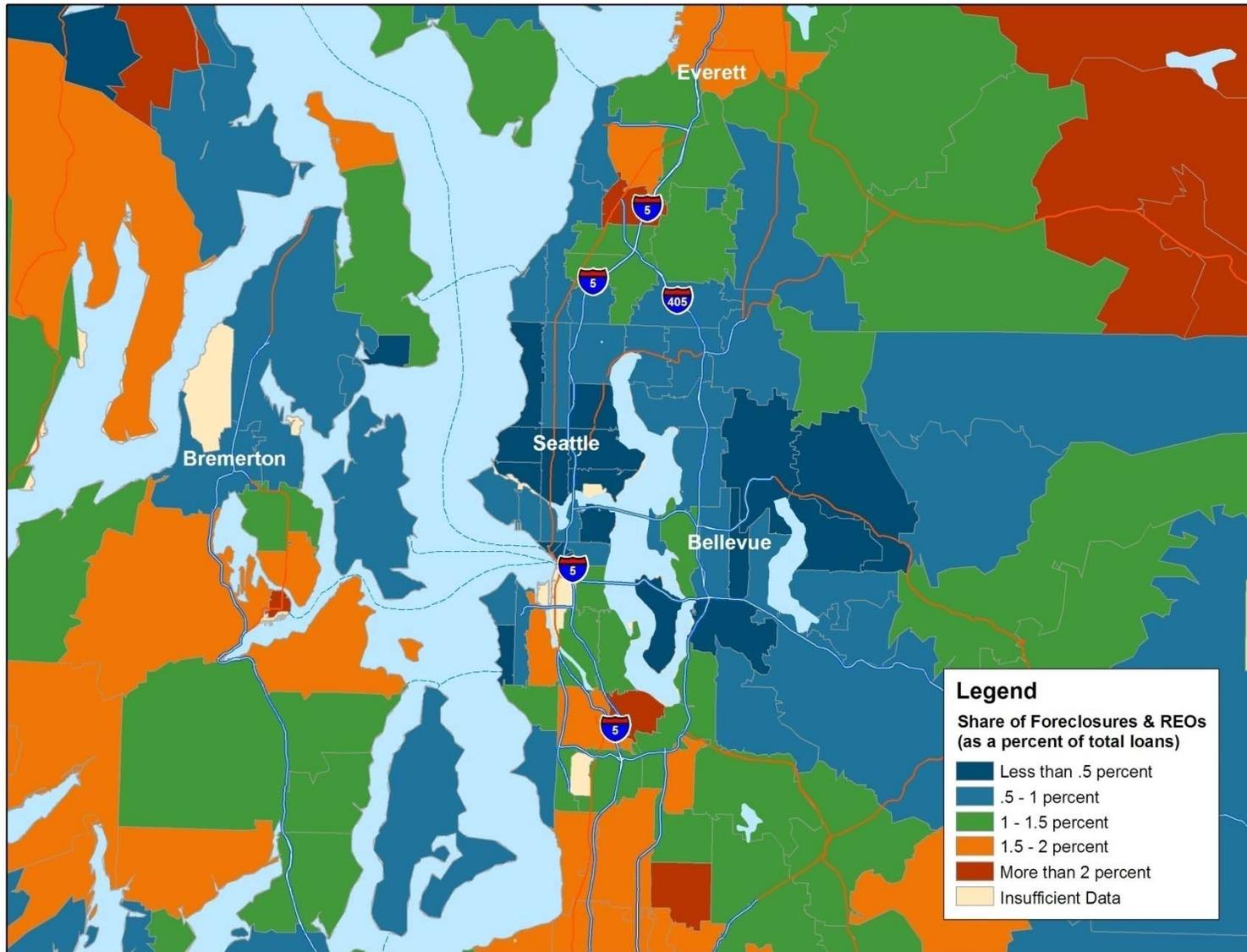
November 2008



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

Areas of Concentrated Foreclosures

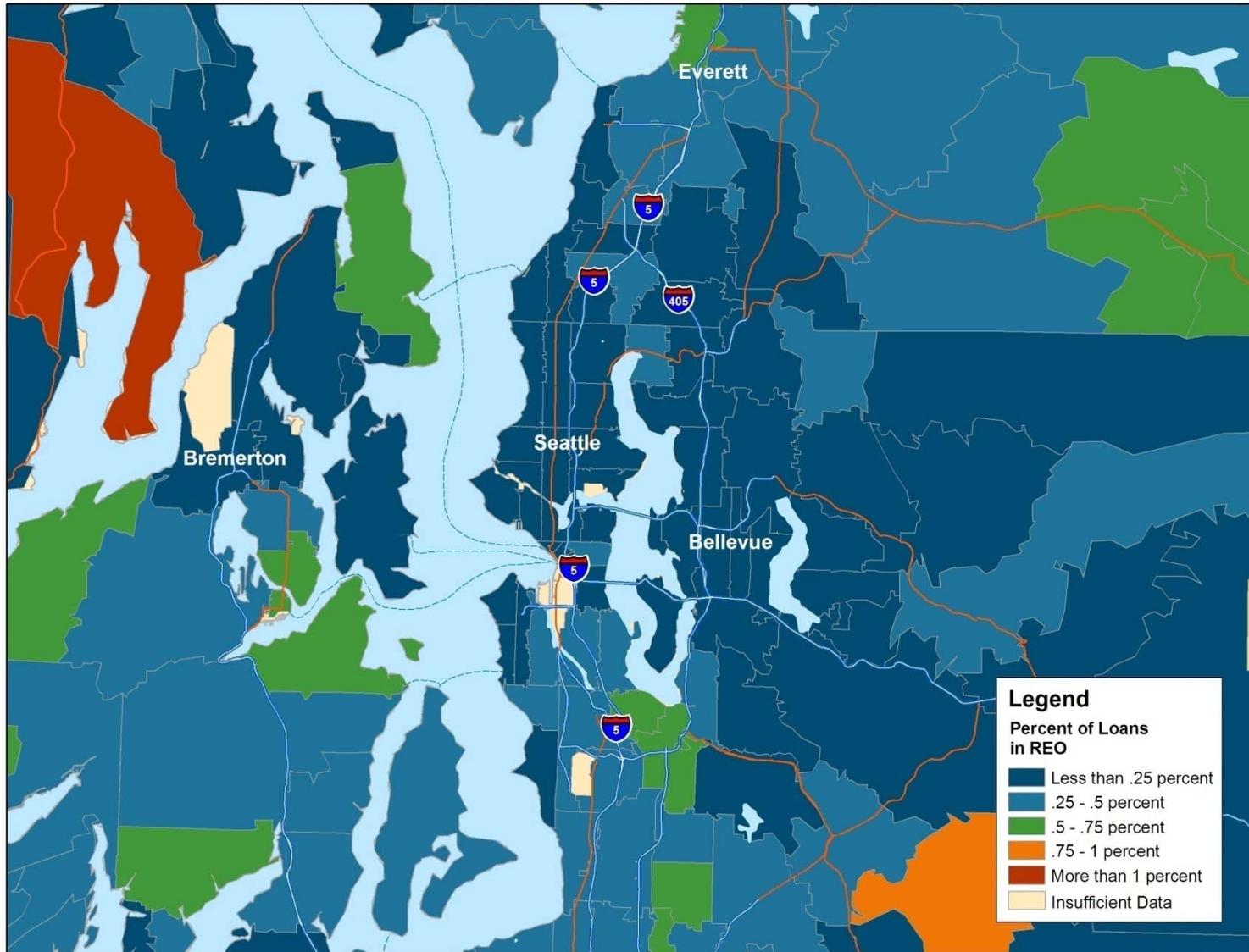
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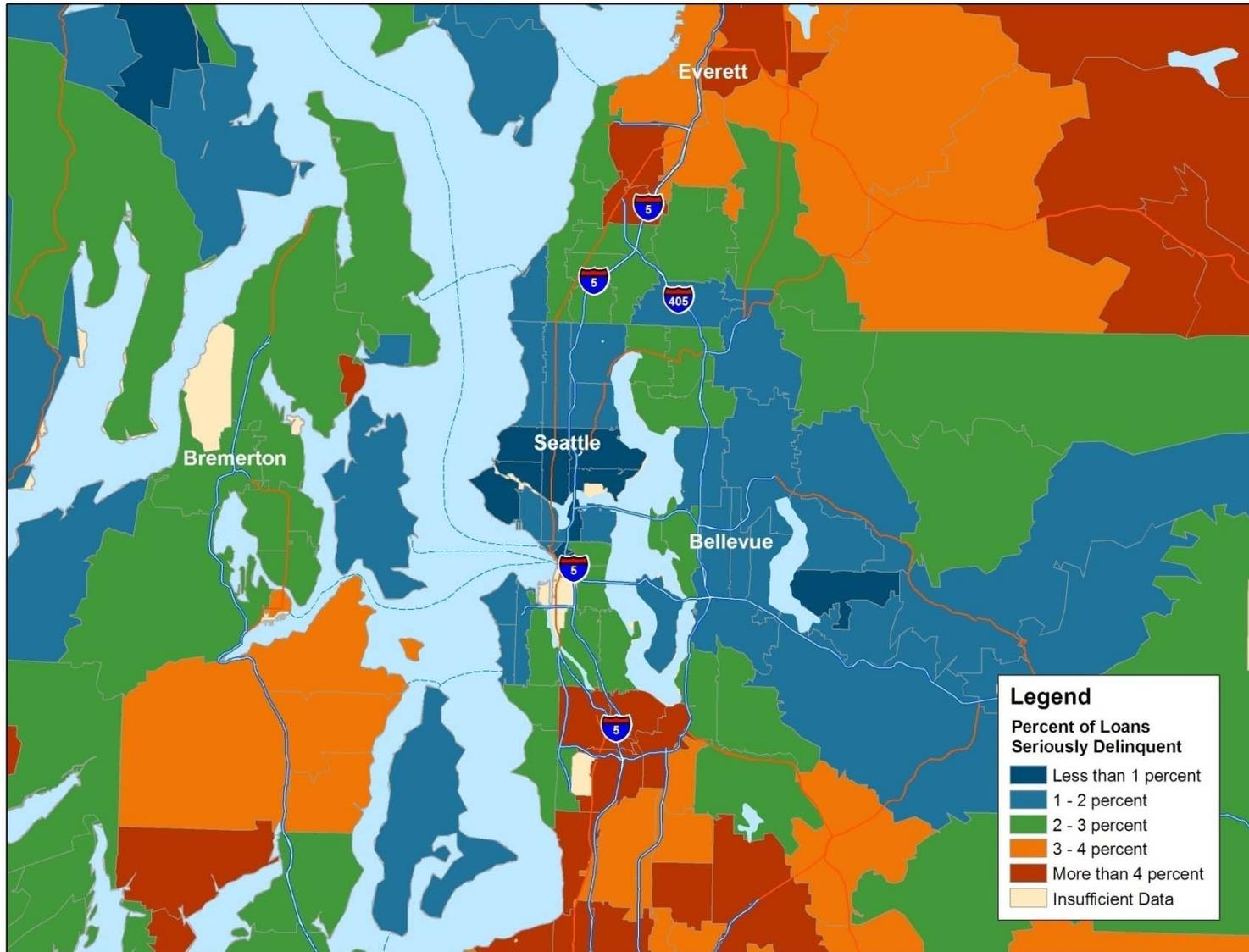
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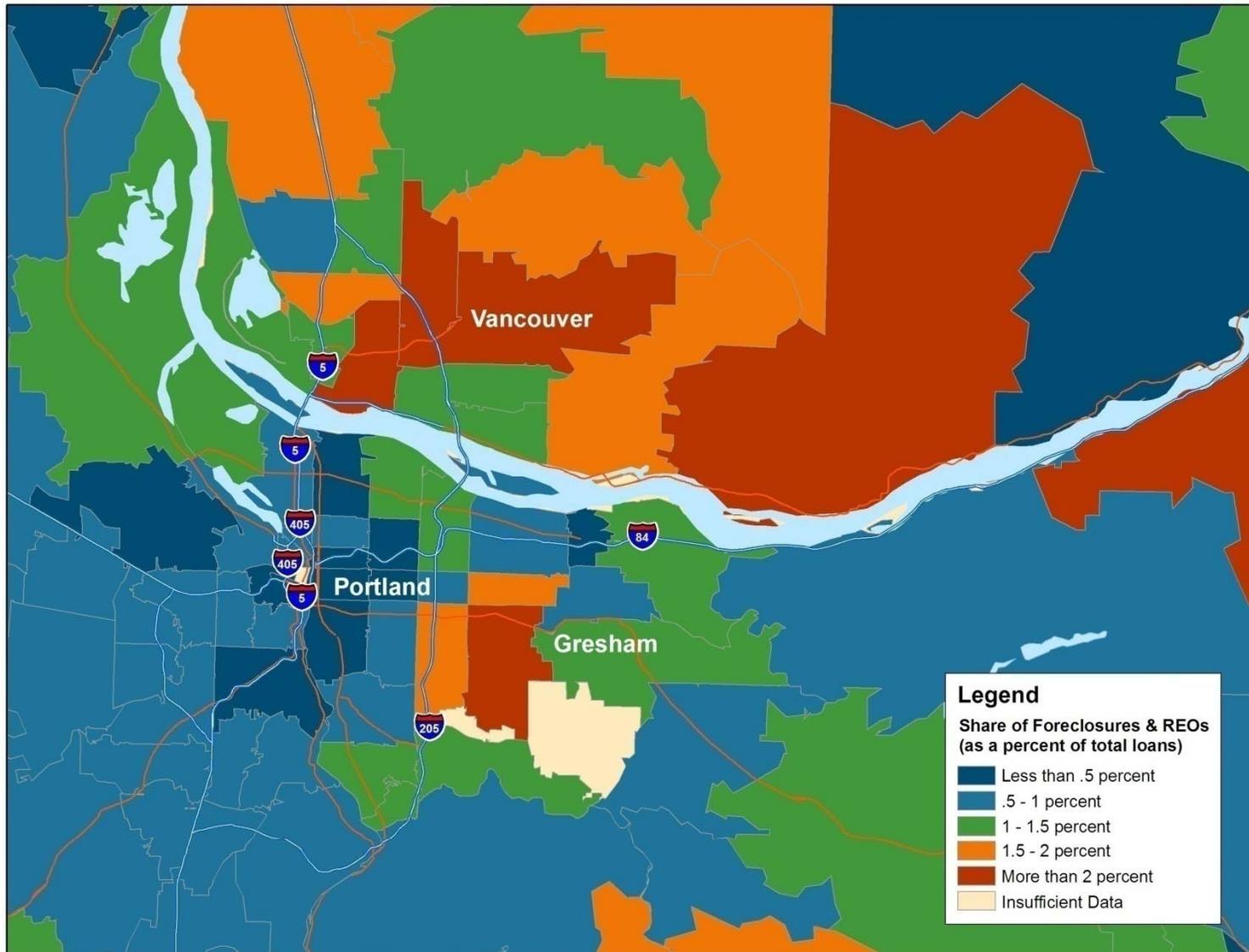
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Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, February 2009

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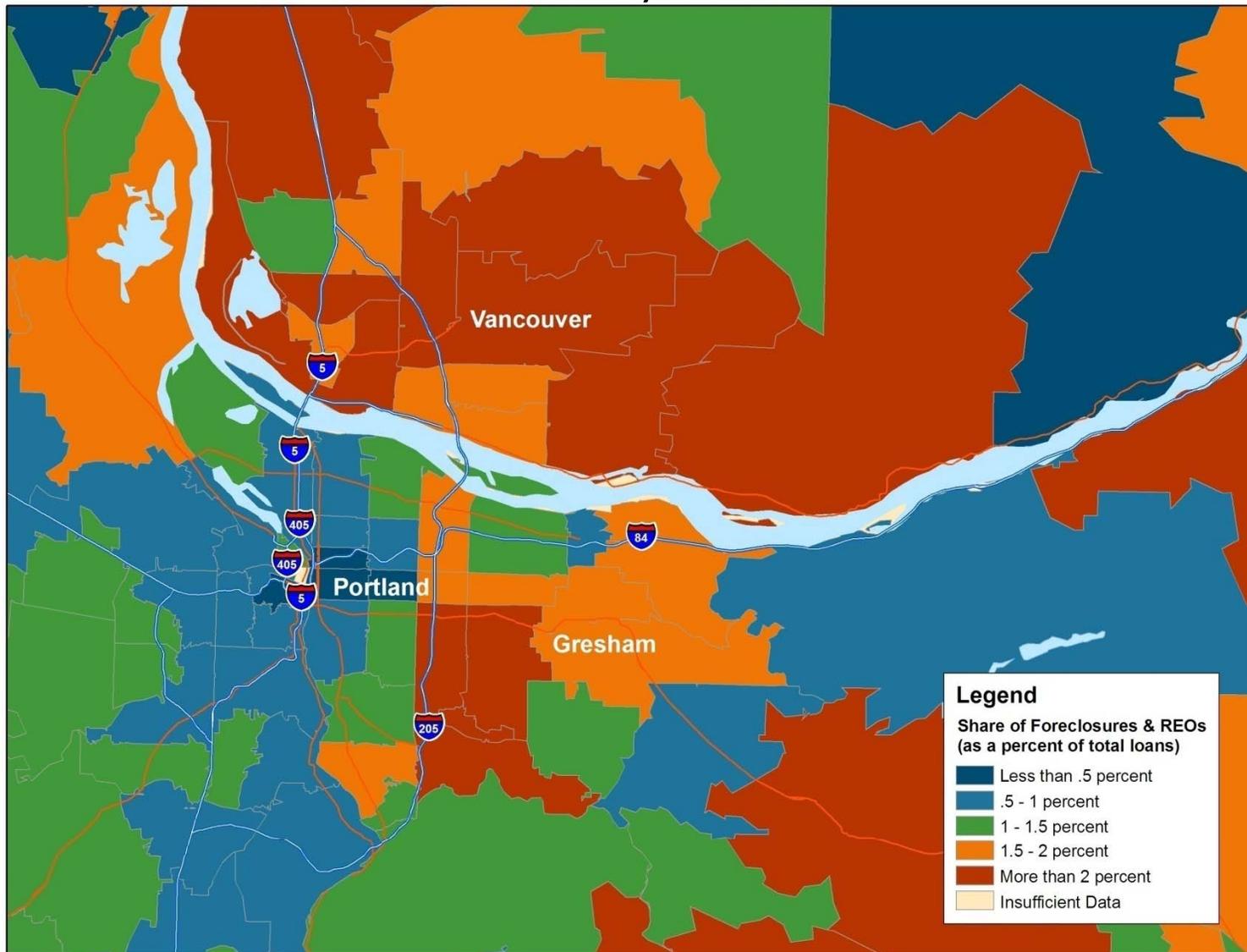
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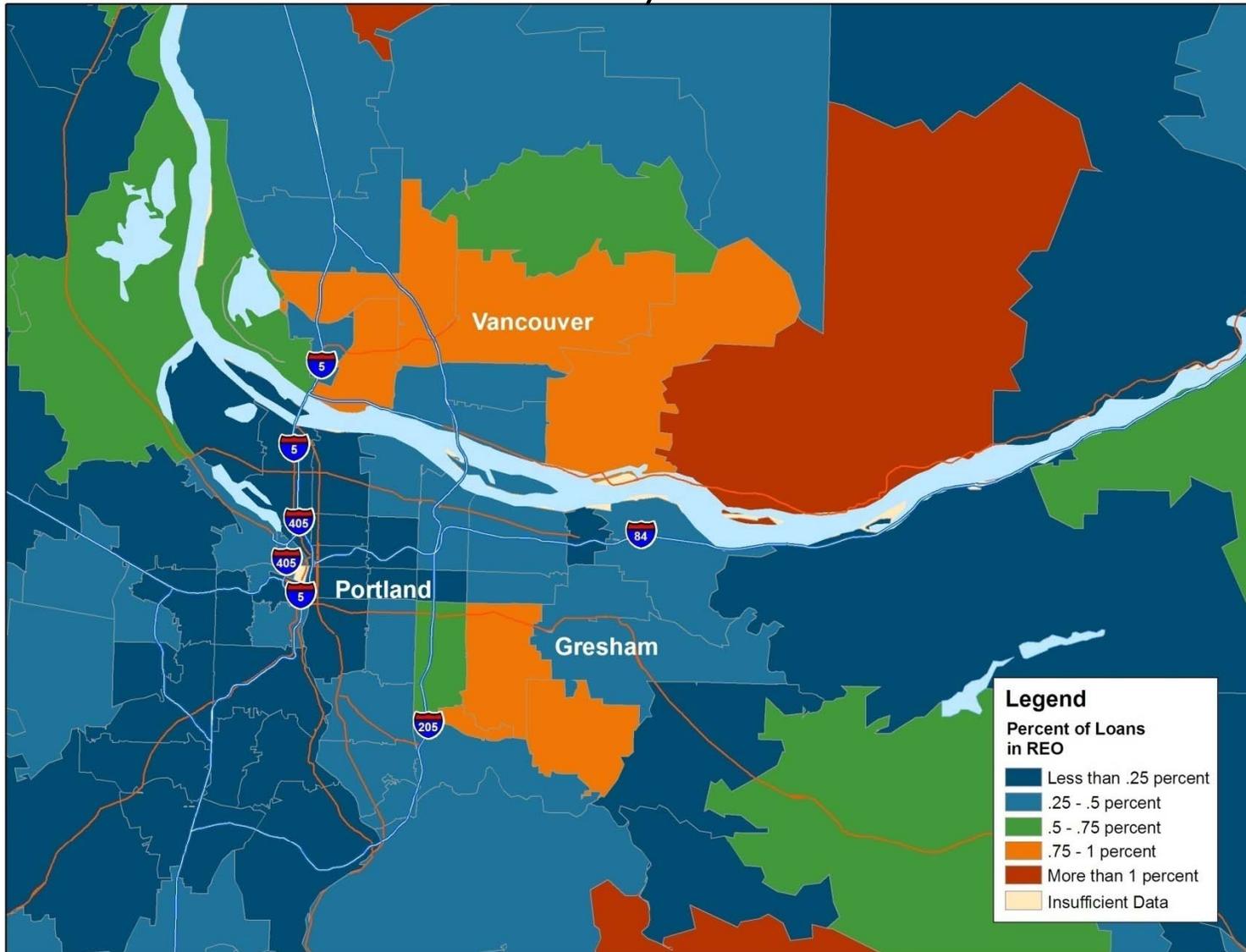
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Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, February 2009

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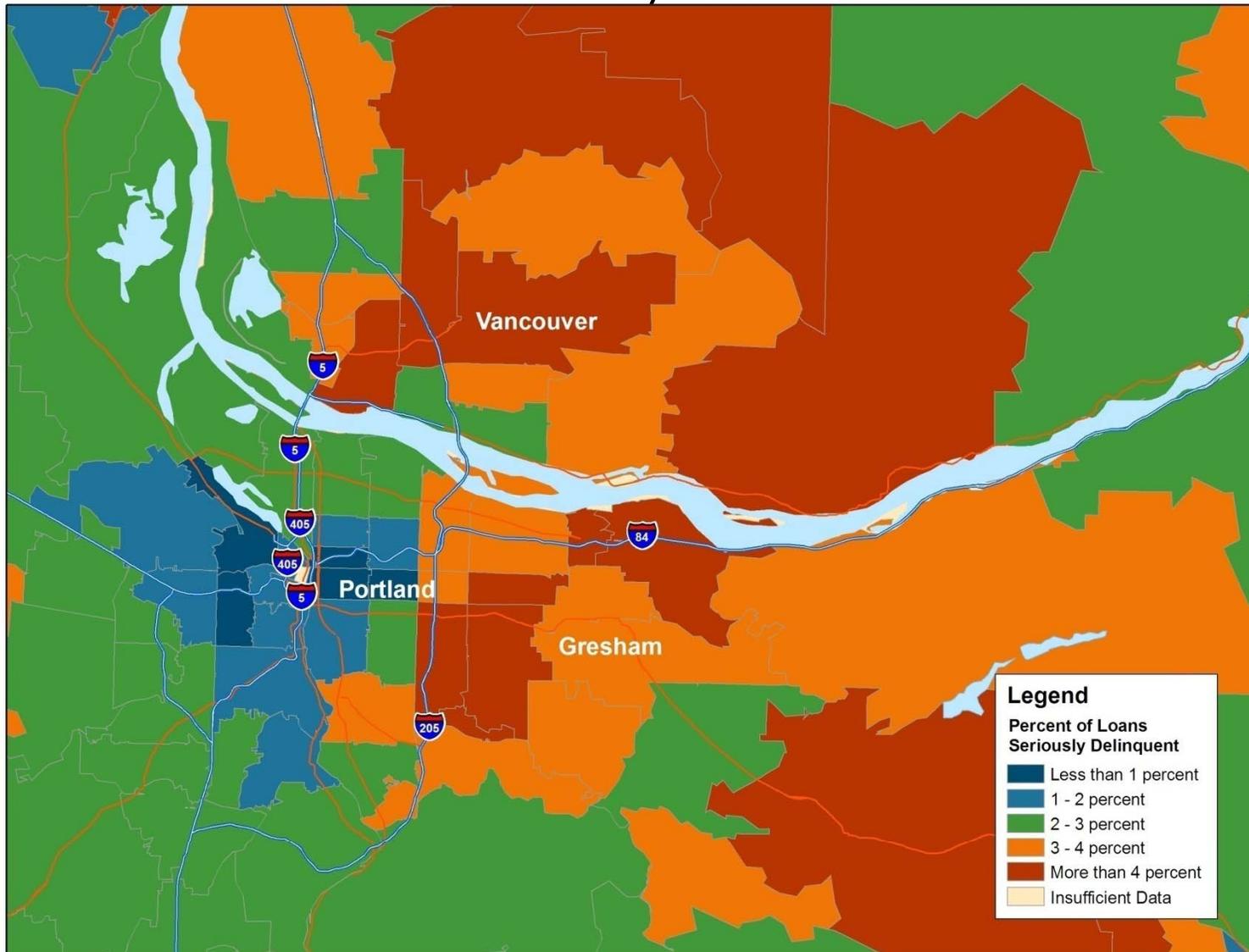
February 209



Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, February 2009

Areas at Risk of Additional Foreclosures

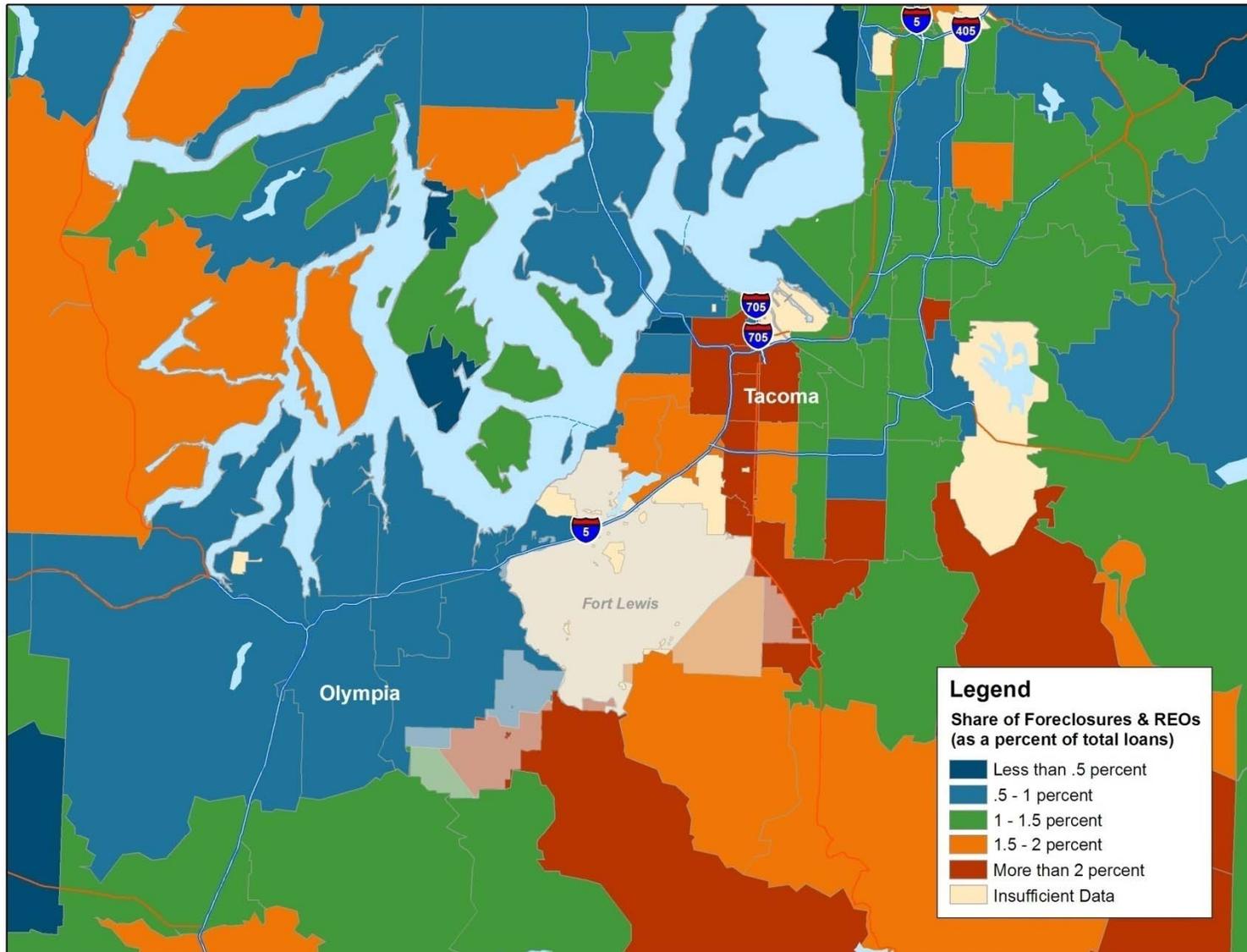
February 2009



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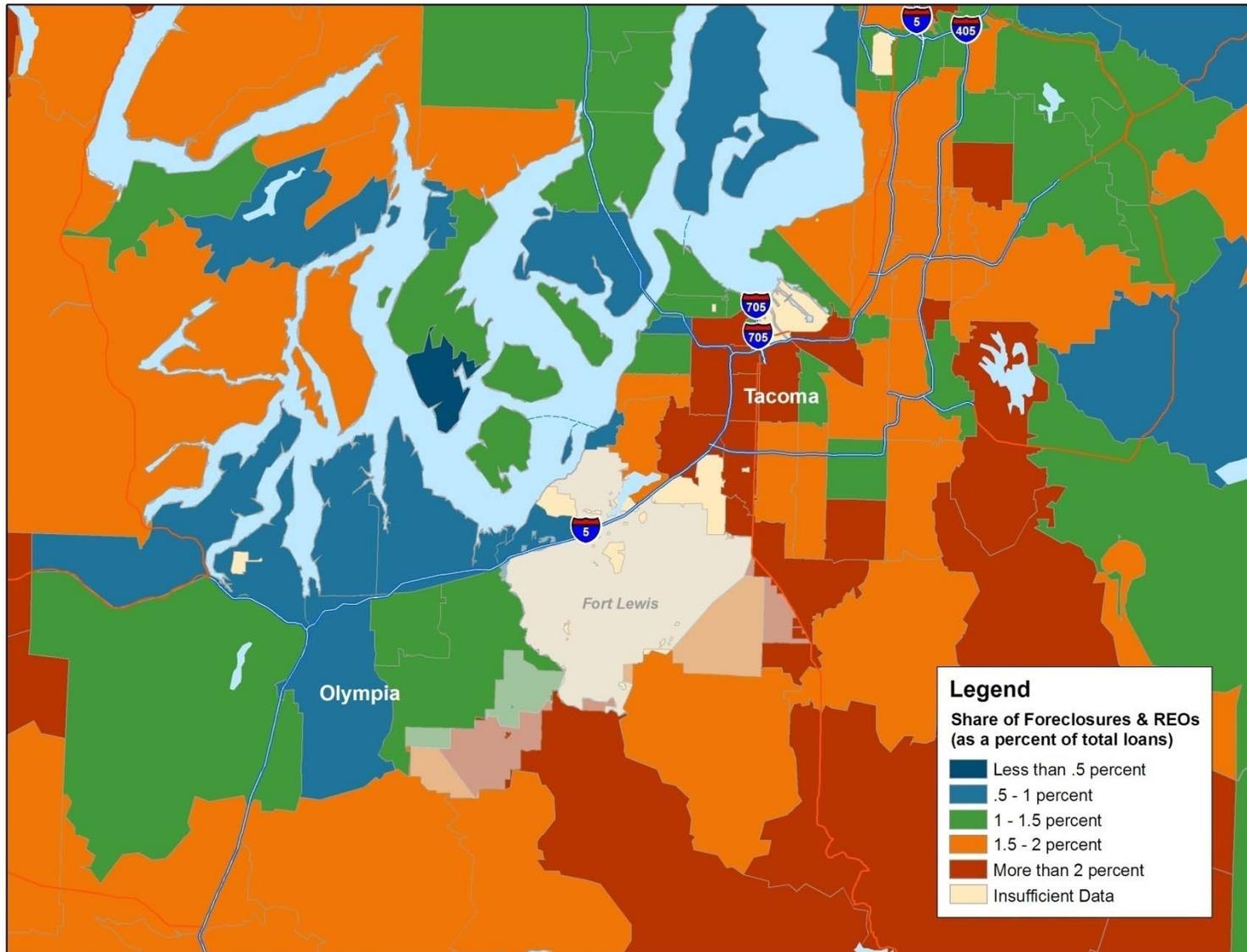
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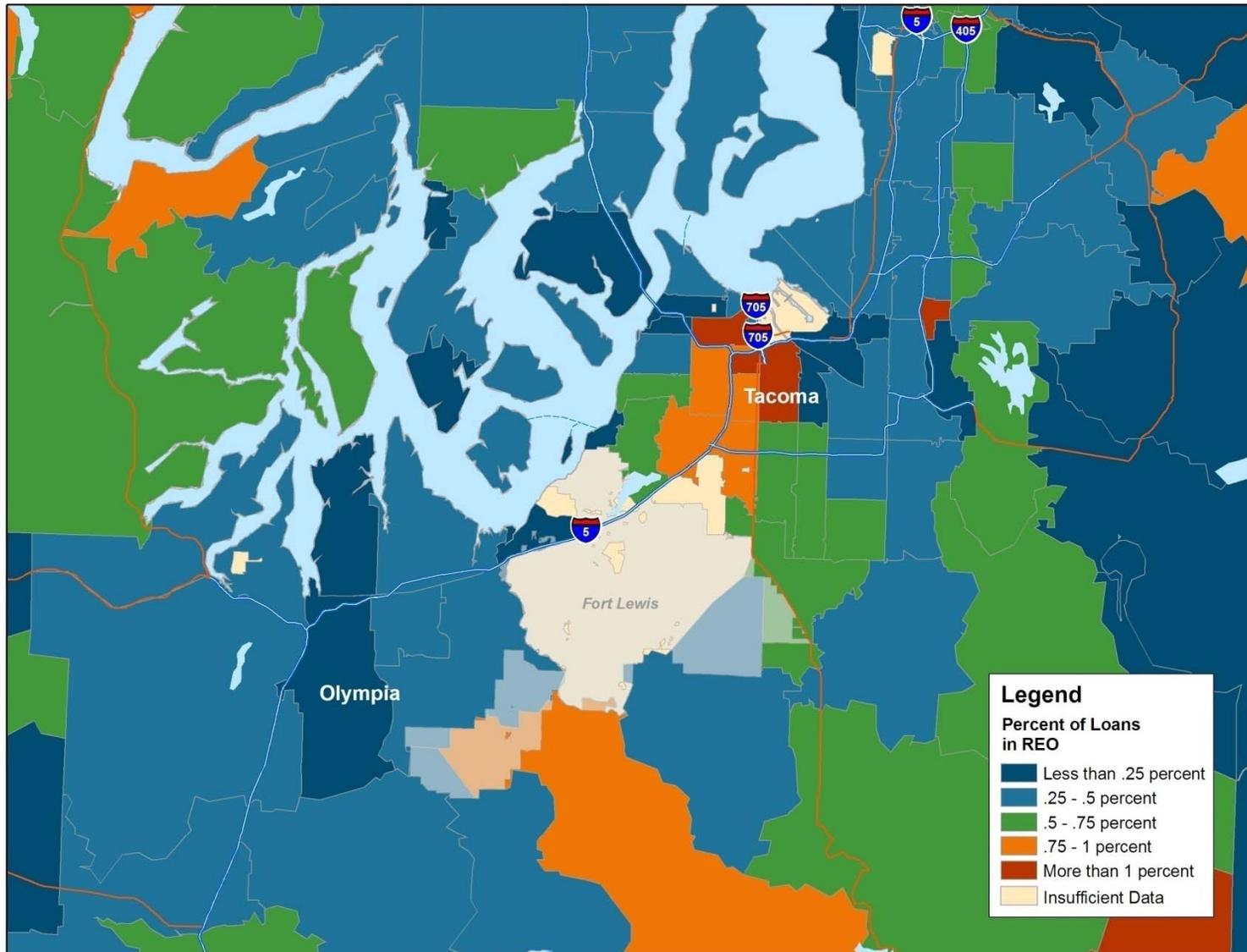
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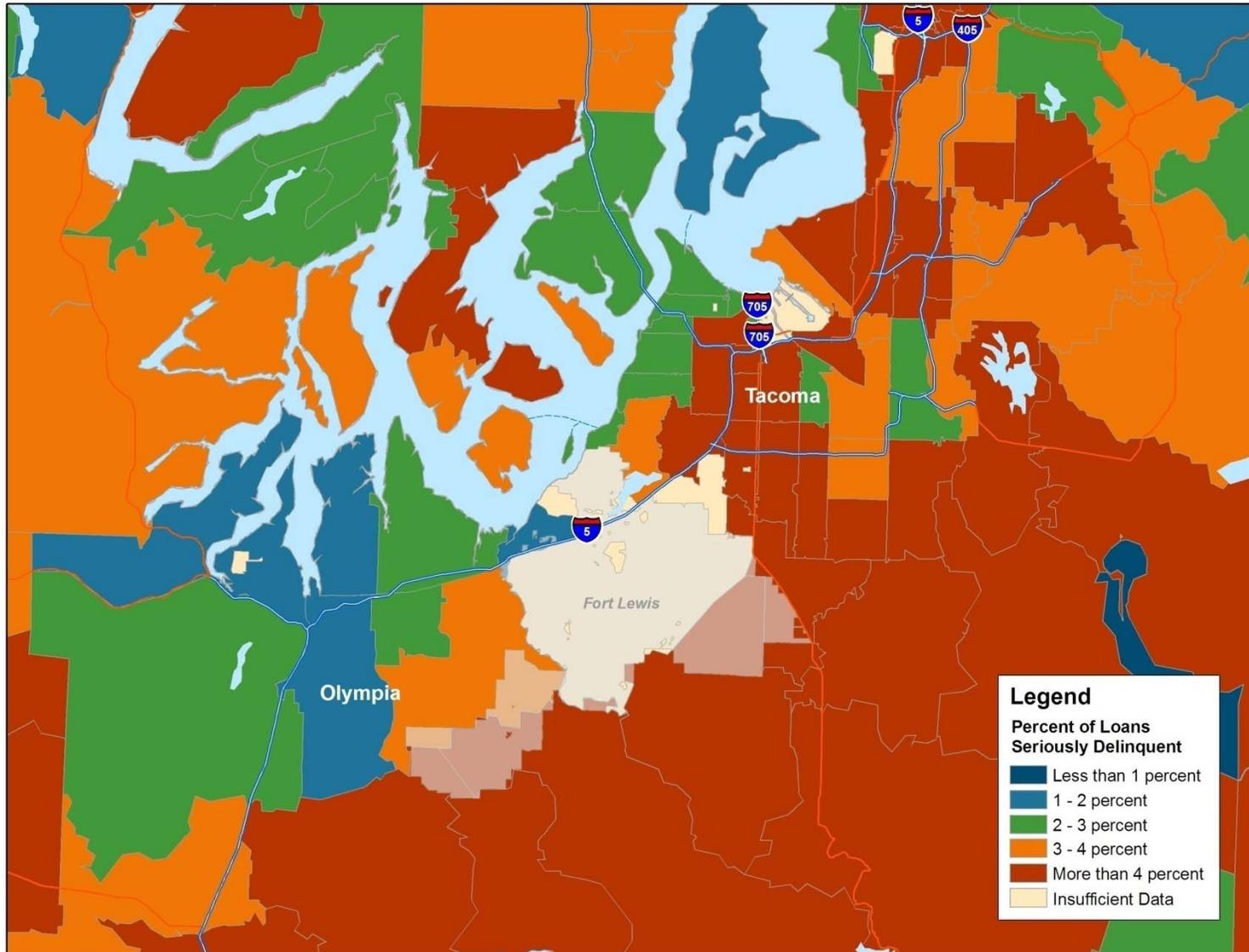
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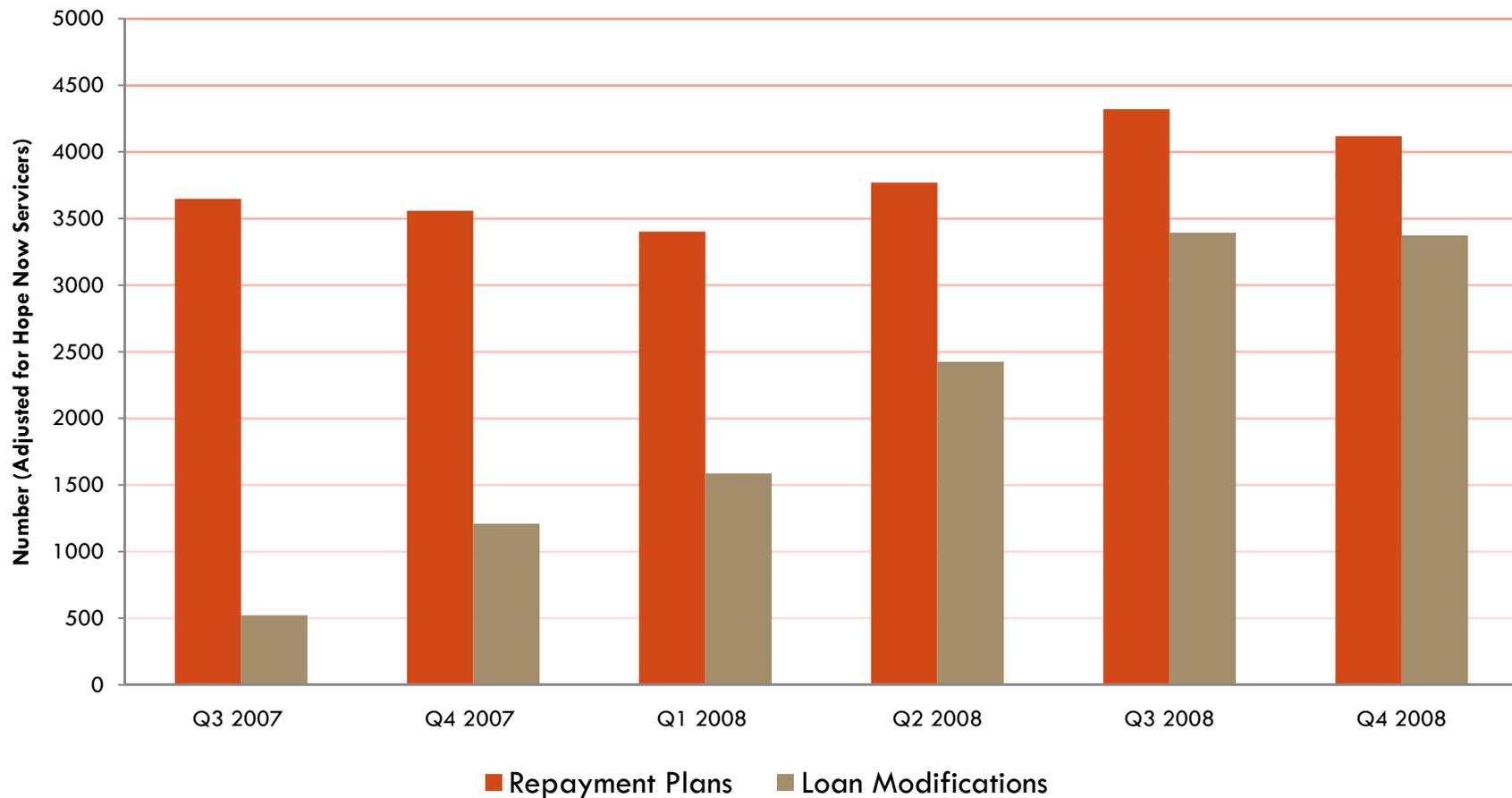
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Source: Lender Processing Services Inc. Applied Analytics & FRBSF Calculations, February 2009

Loan Modifications as Share of Loan Workouts Have Increased

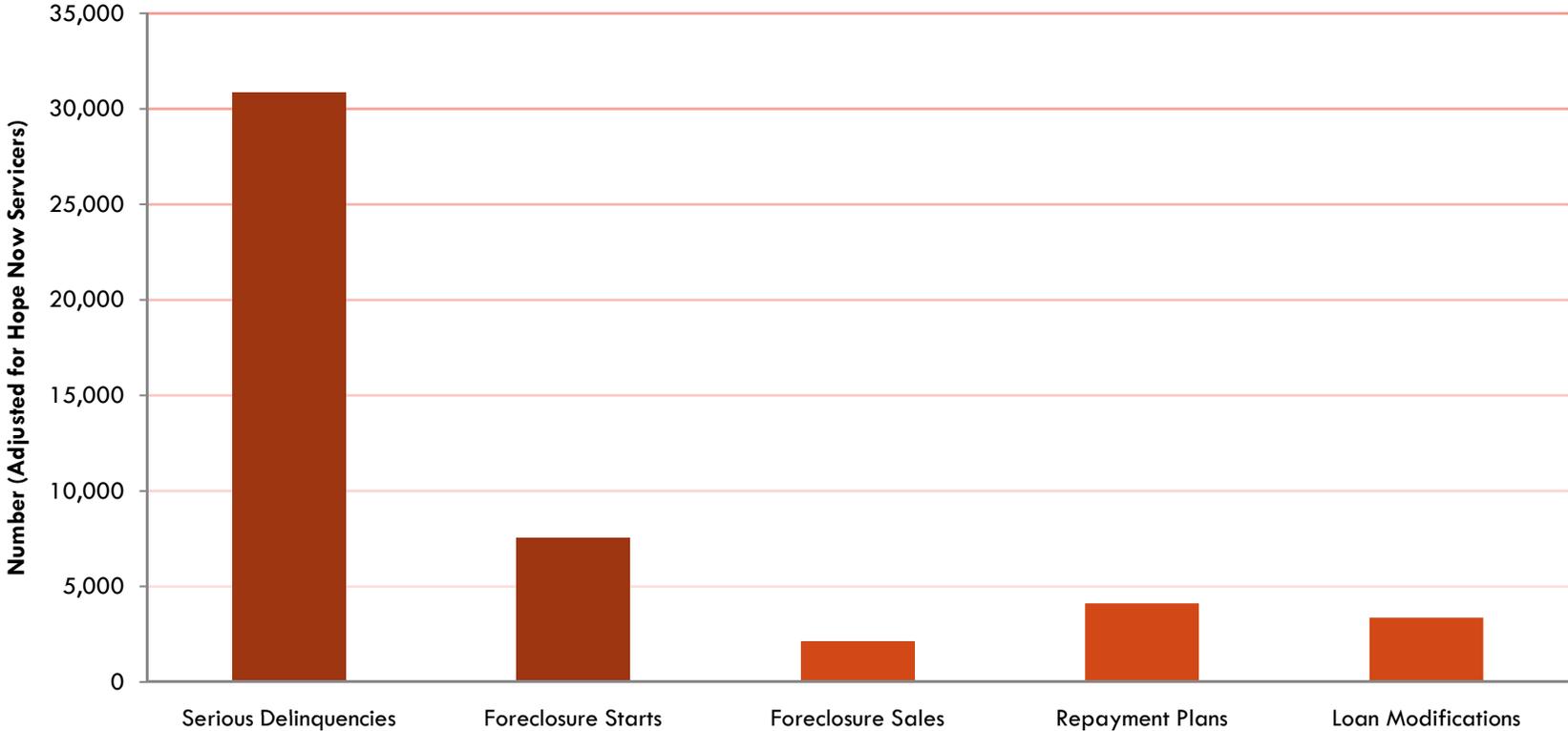
Washington Loan Workouts



Source: Hope Now Alliance Servicing Data, 4th Quarter 2008

Yet, Workouts Still Fall Short of Need

**Foreclosure & Delinquencies v. Loan Workouts in Washington
4th Quarter 2008**



Source: Hope Now Alliance Servicing Data, 4th Quarter 2008

Conclusions

Conclusions



- Multi-pronged strategy is needed to stem foreclosure crisis
- Continued foreclosure prevention efforts are critical
 - 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/>