

Review of Virginia Foreclosure Trends

December 8, 2010

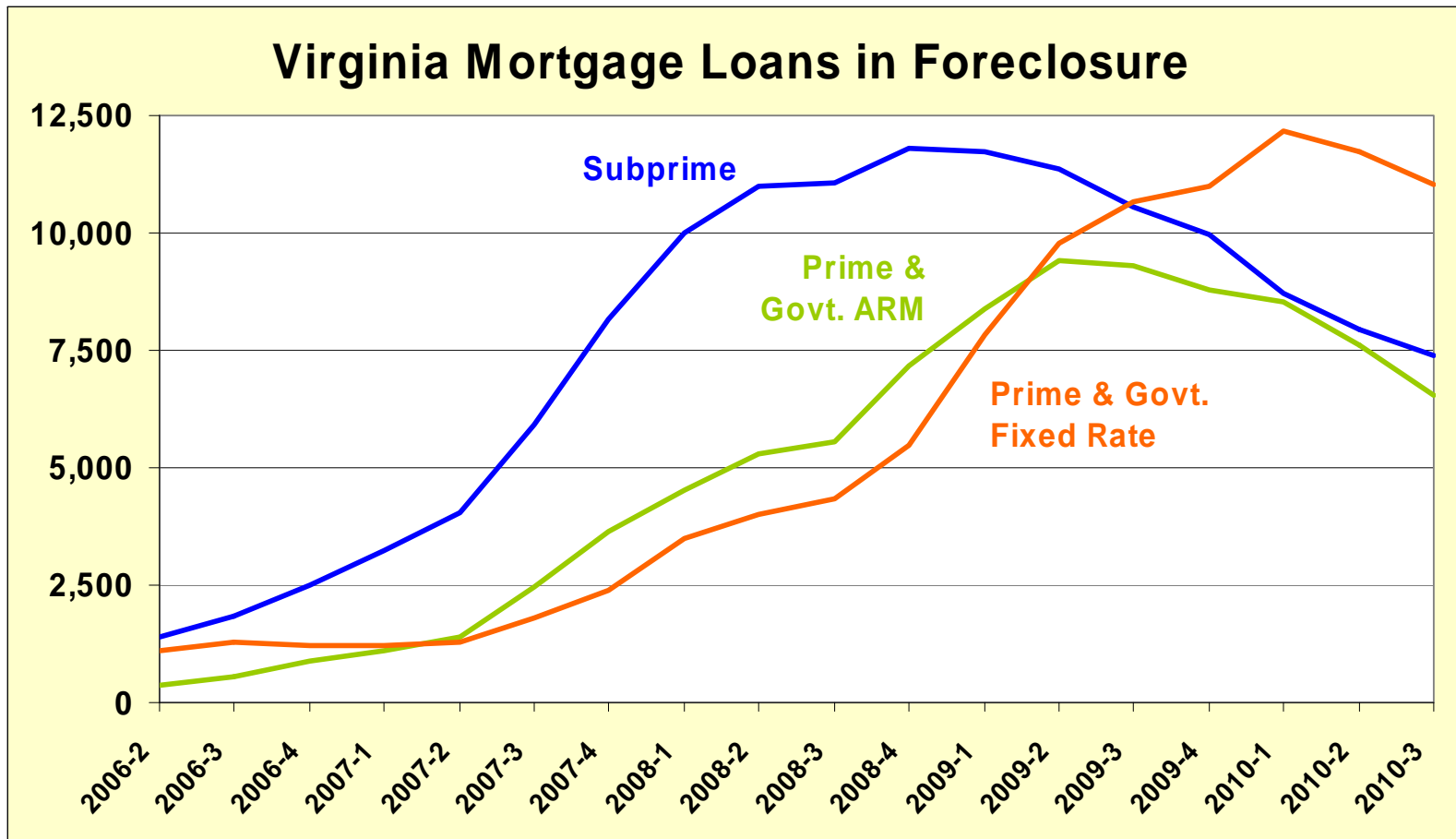
Virginia Housing Development Authority



Where Virginia now stands:

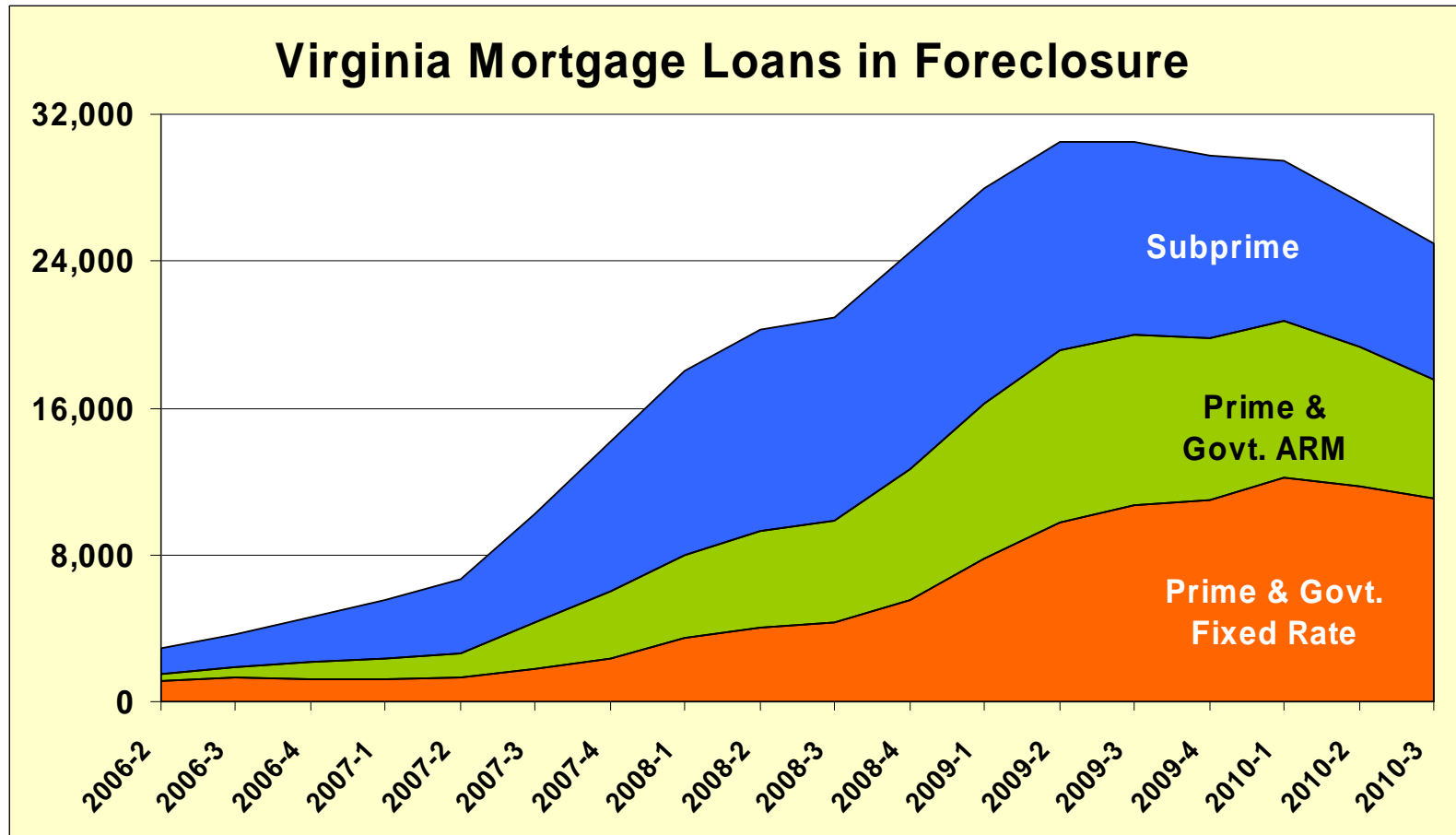
1. Overall, Virginia's foreclosure and default metrics have shown consistent improvement for several quarters.
2. An initial turnaround in the core of the Northern Tier region has more than offset ongoing deterioration downstate.
3. Despite positive signs in the Northern Tier, Virginia's foreclosure problem is far from over.

Subprime foreclosures are well into decline, and prime foreclosures have clearly peaked.



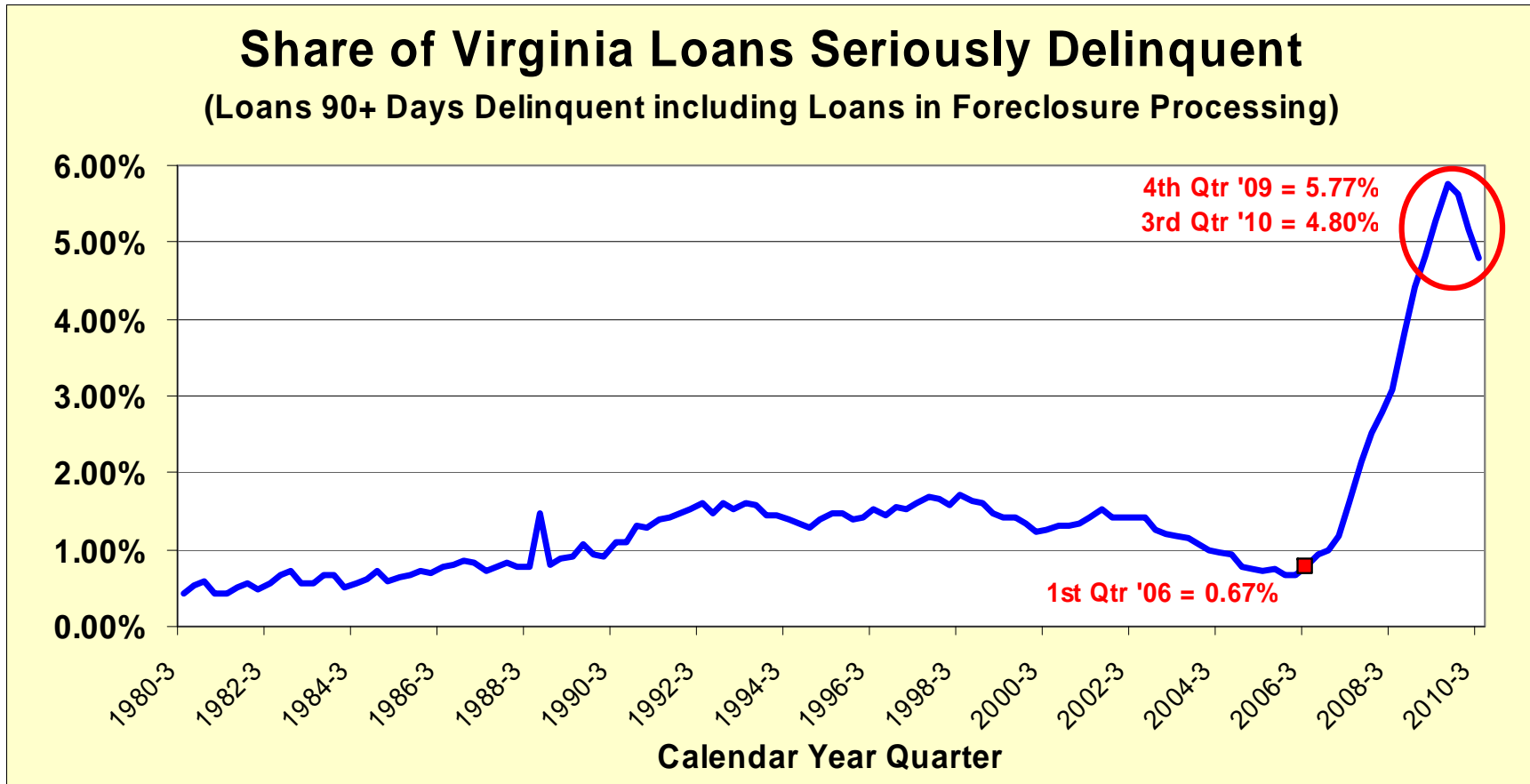
Source: Mortgage Bankers Association (MBA)

Now that the second wave has crested, total loans in foreclosure are falling.



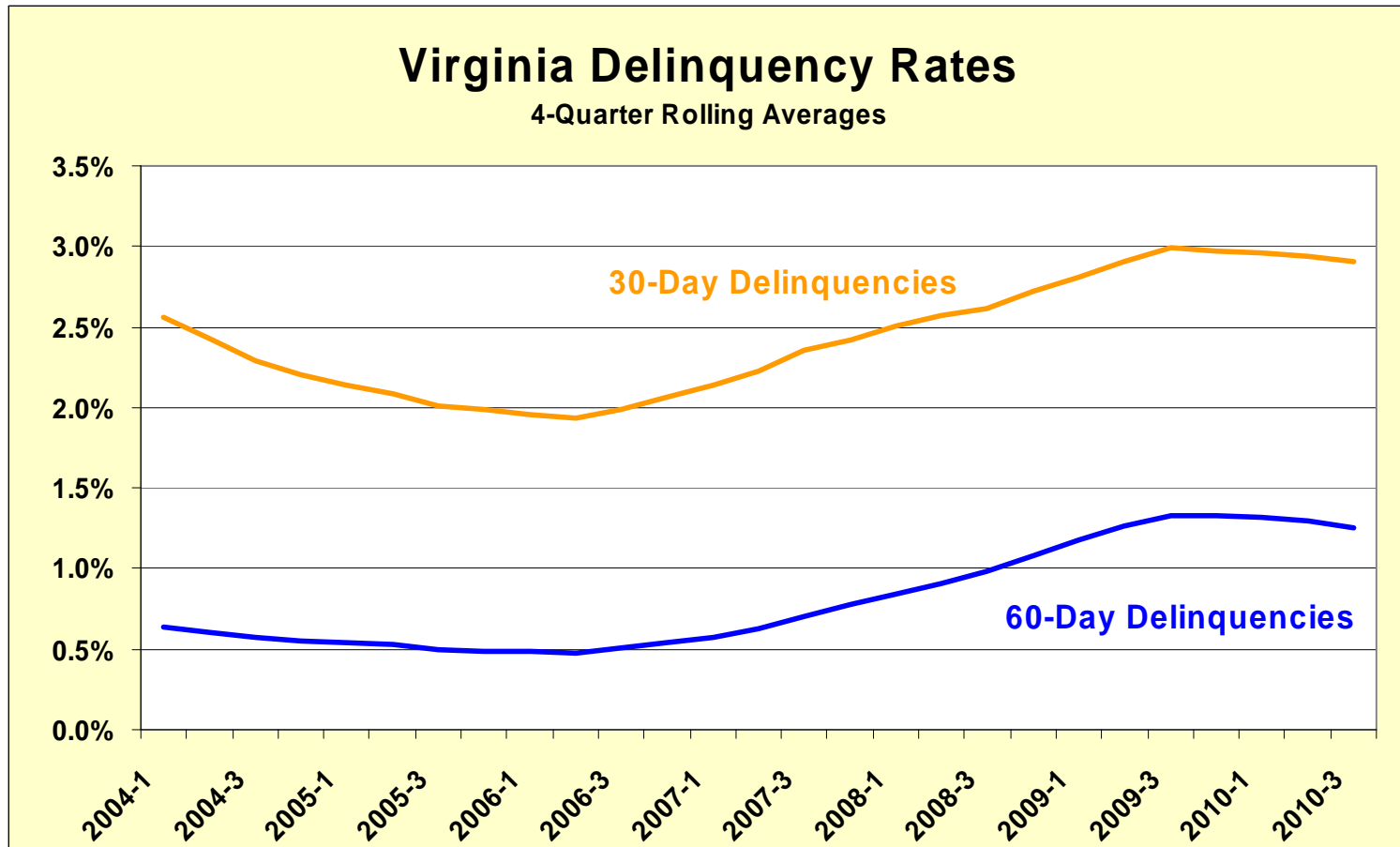
Source: Mortgage Bankers Association (MBA)

In the 3rd Qtr. of 2010, the serious delinquency rate continued to drop.



Source: Mortgage Bankers Association (MBA)

Likewise, early delinquency rates are showing continued small declines.

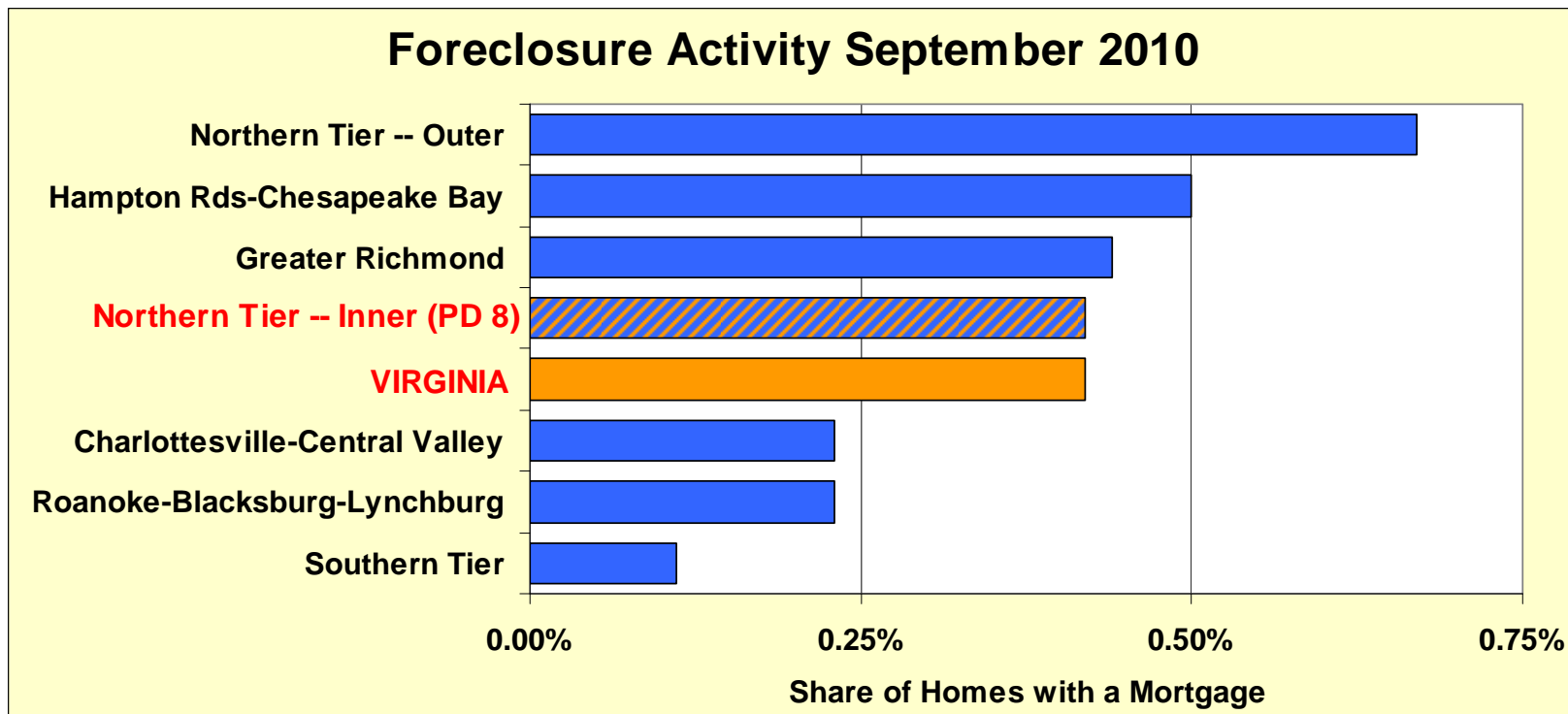
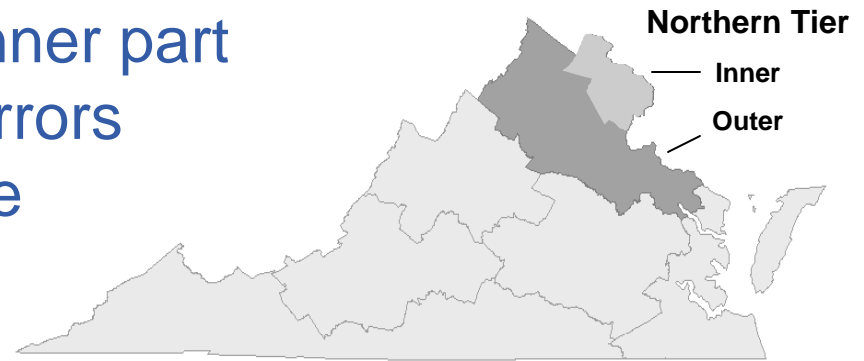


Source: Mortgage Bankers Association (MBA)

The Northern Tier Region is leading the turnaround in foreclosure activity.

- The Northern Tier was hit first and hardest by the foreclosure crisis, but now shows initial signs of recovery.
- Progress is most pronounced in the inner part of the region (Planning District 8) where the recovery in jobs and a strong investor market for distressed properties are driving improvement.

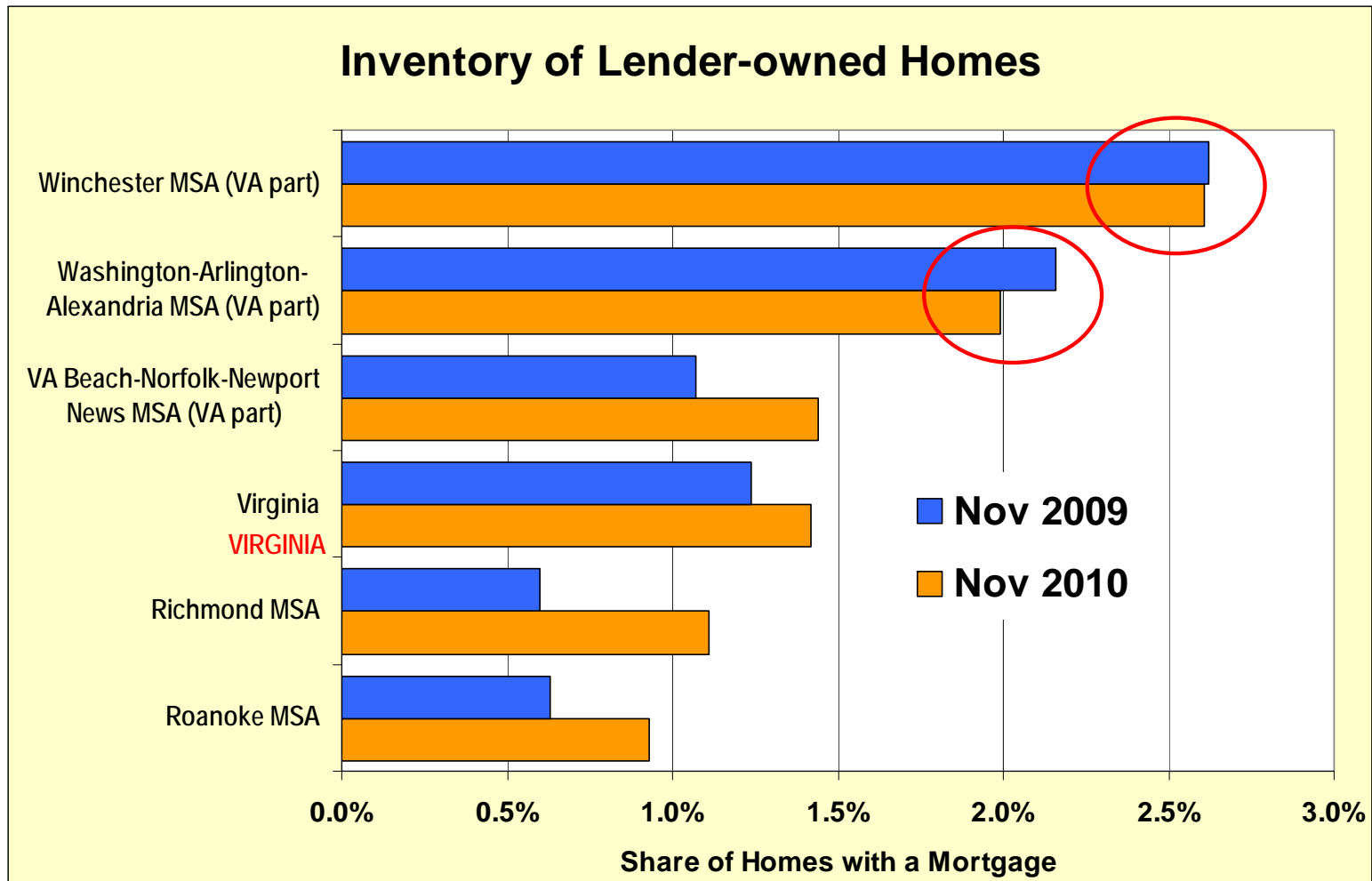
Foreclosure activity in the inner part of the Northern Tier now mirrors the statewide rate due to the area's relatively low rate of unemployment.



*Trustee sales and lender repossessions

Source: RealtyTrac and Census Bureau

The Northern Tier's inventory of lender-owned homes has stabilized.

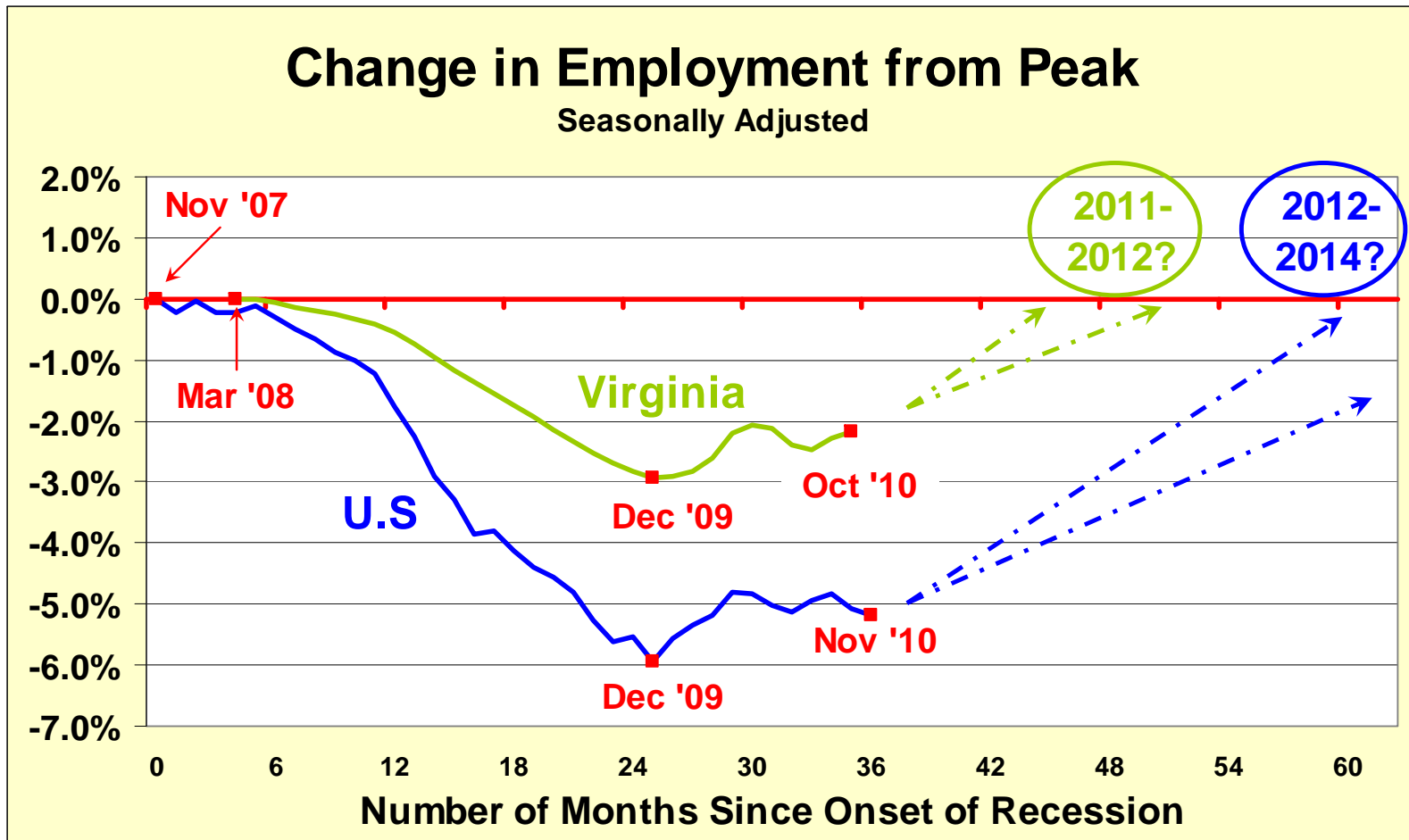


Source: RealtyTrac and Census Bureau

Despite positive signs in the Northern Tier, the foreclosure problem is far from over.

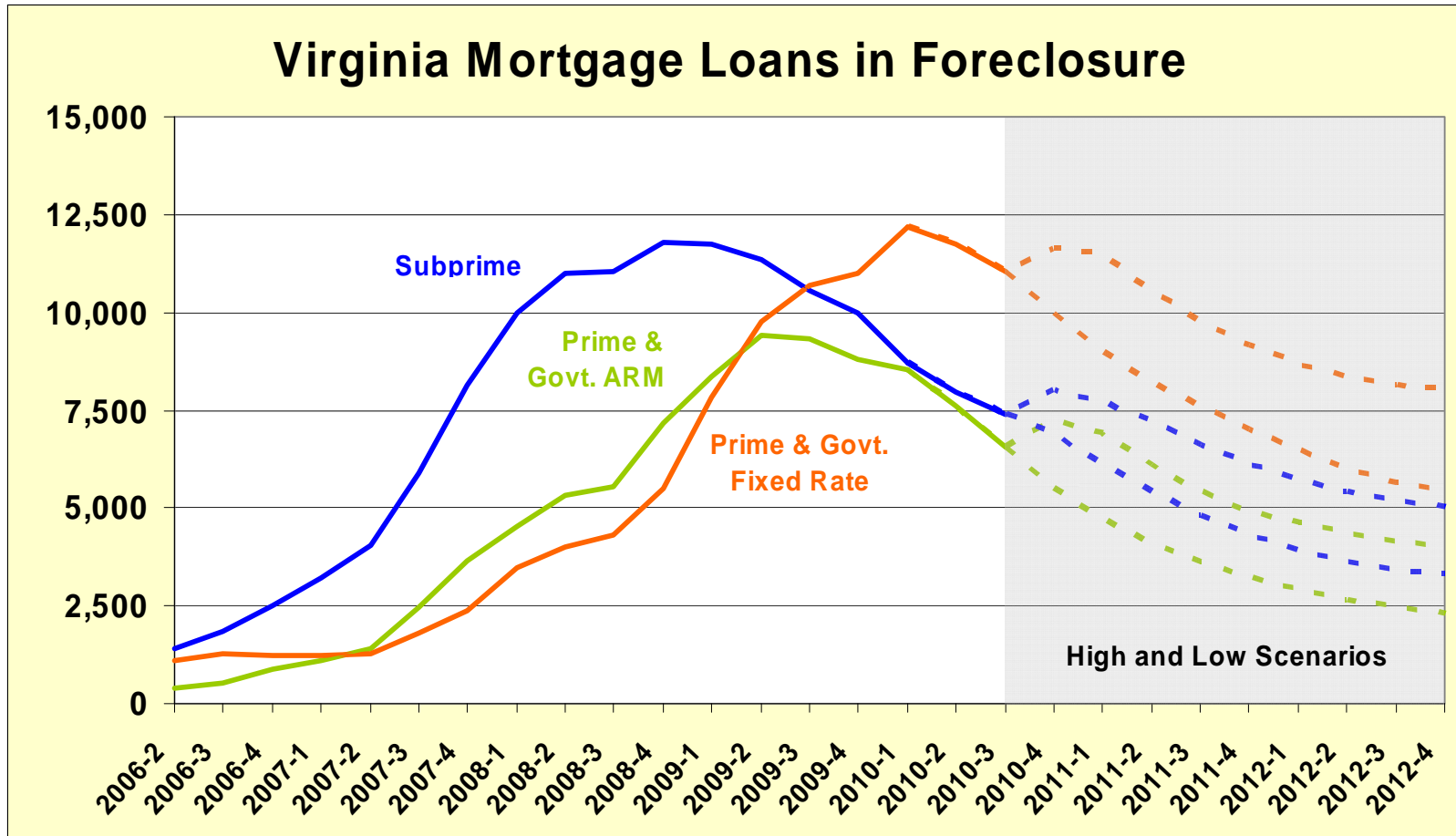
- Slow economic growth and fiscal stress will continue to retard the recovery of lost jobs.
- 4th Quarter lender foreclosure moratoria have temporarily slowed progress in resolving the portfolio of seriously delinquent loans, and increased the growth of the “shadow inventory.”
- Renewed declines in home sales and large inventories of distressed properties will restrain any further rebound in home prices, keeping large numbers of homeowners “under water.”

Nationally and in Virginia, the recovery in employment still has a long way to go.



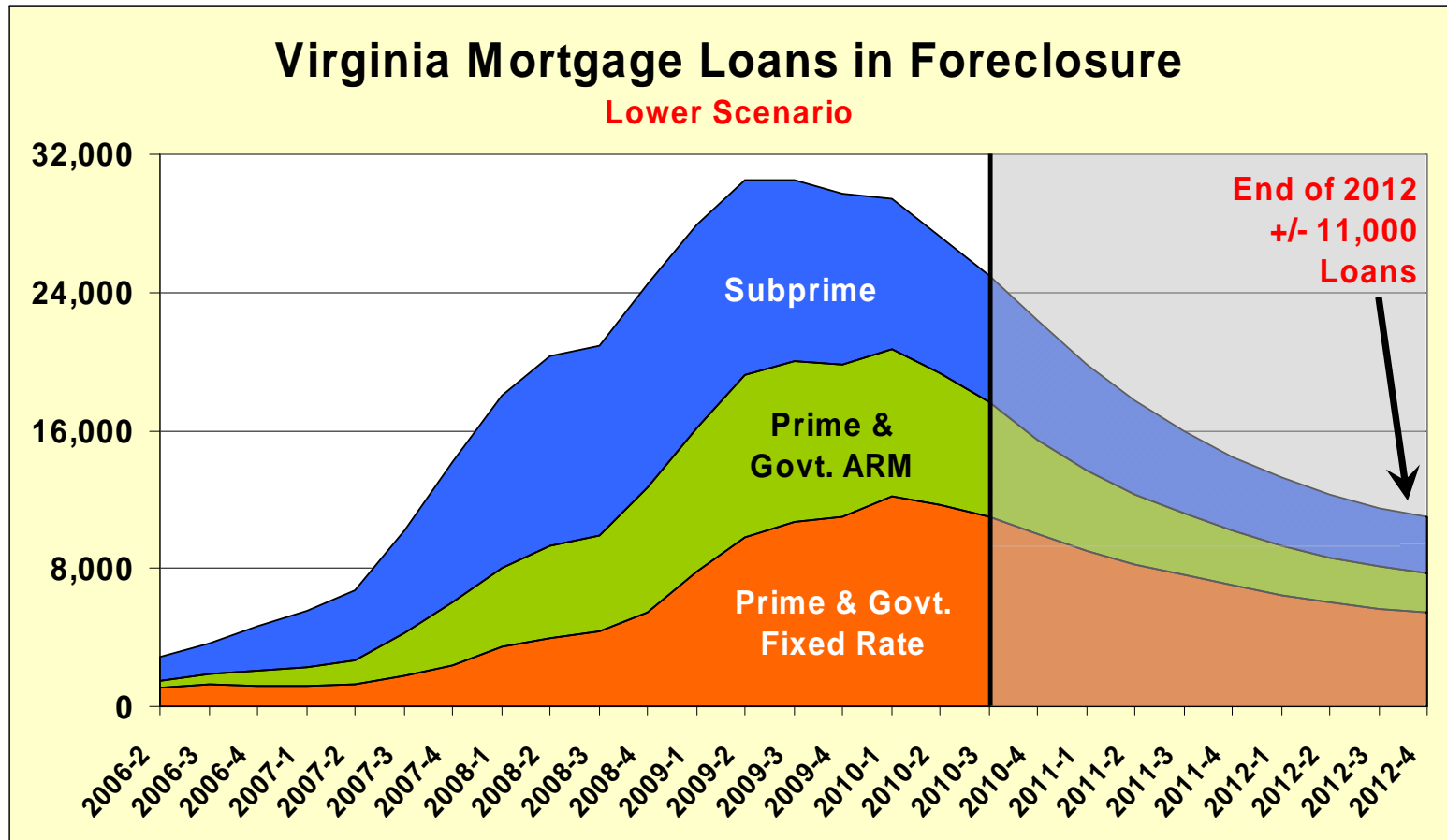
Source: Virginia Employment Commission

4th Qtr lender moratoria add uncertainty about the trajectory of future foreclosure declines.



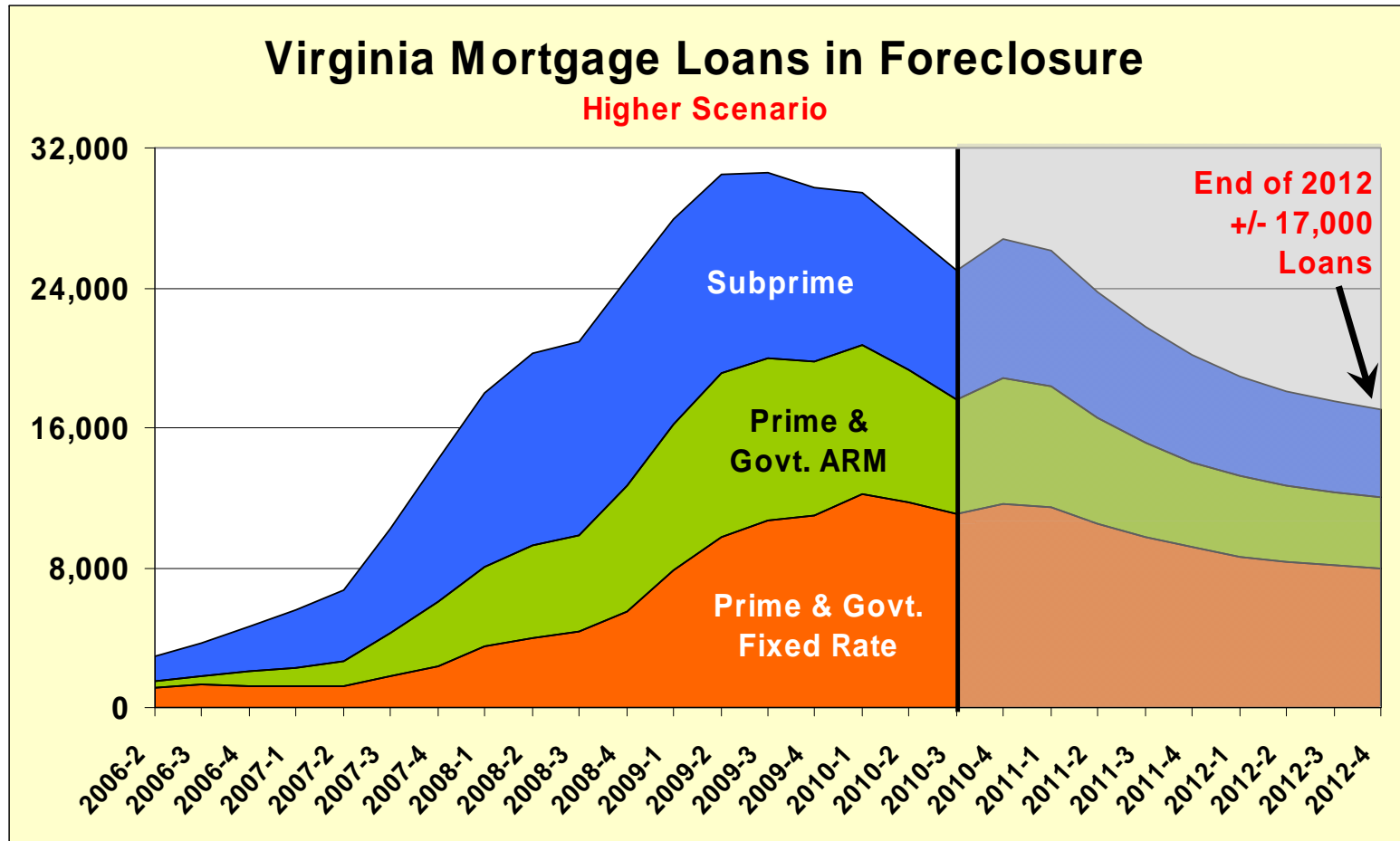
Source: Mortgage Bankers Association (MBA)

Even if positive trends hold, the market will be impacted through at least 2012 ...



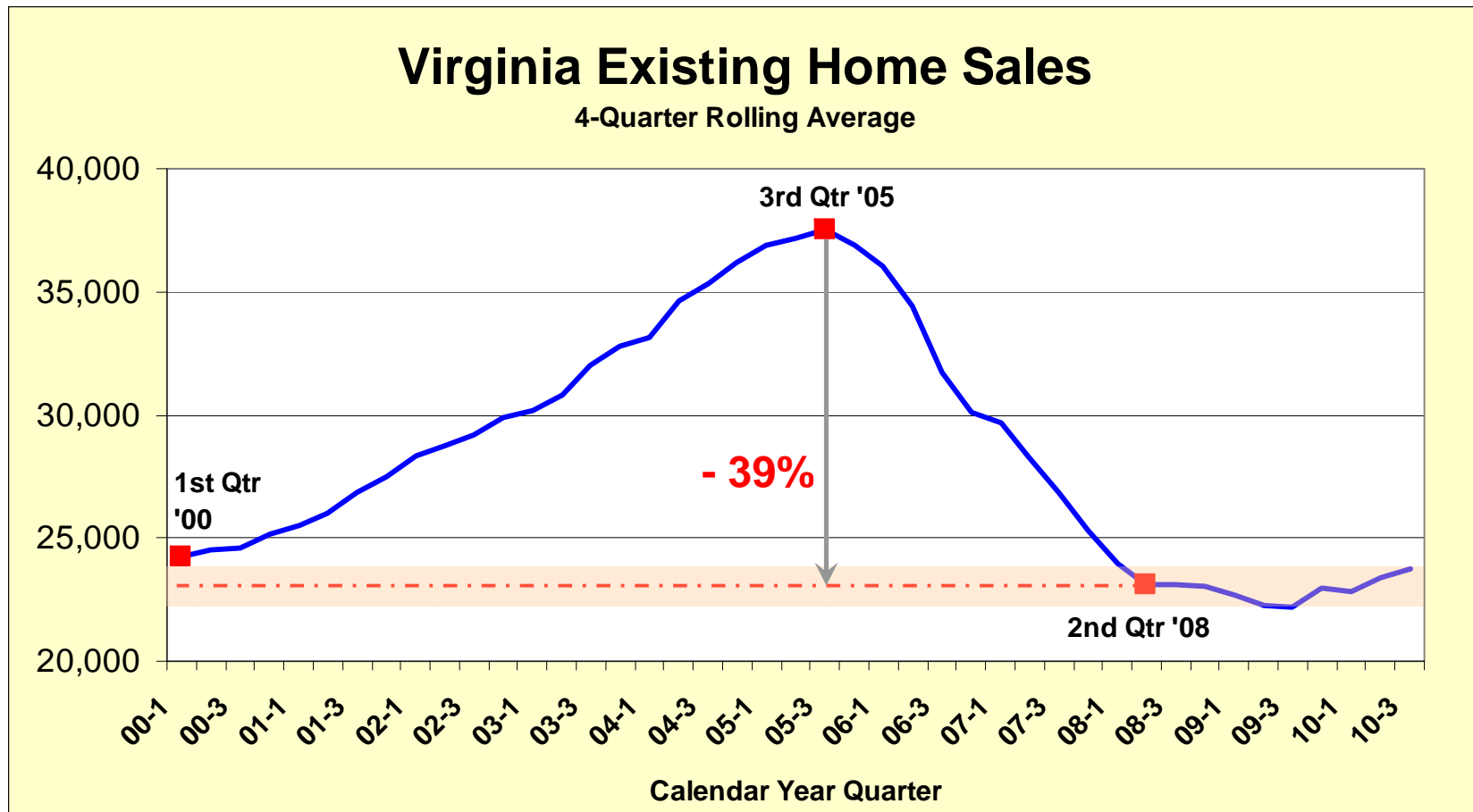
Source: Mortgage Bankers Association (MBA)

...but, further processing setbacks and market weakness could significantly prolong resolution.



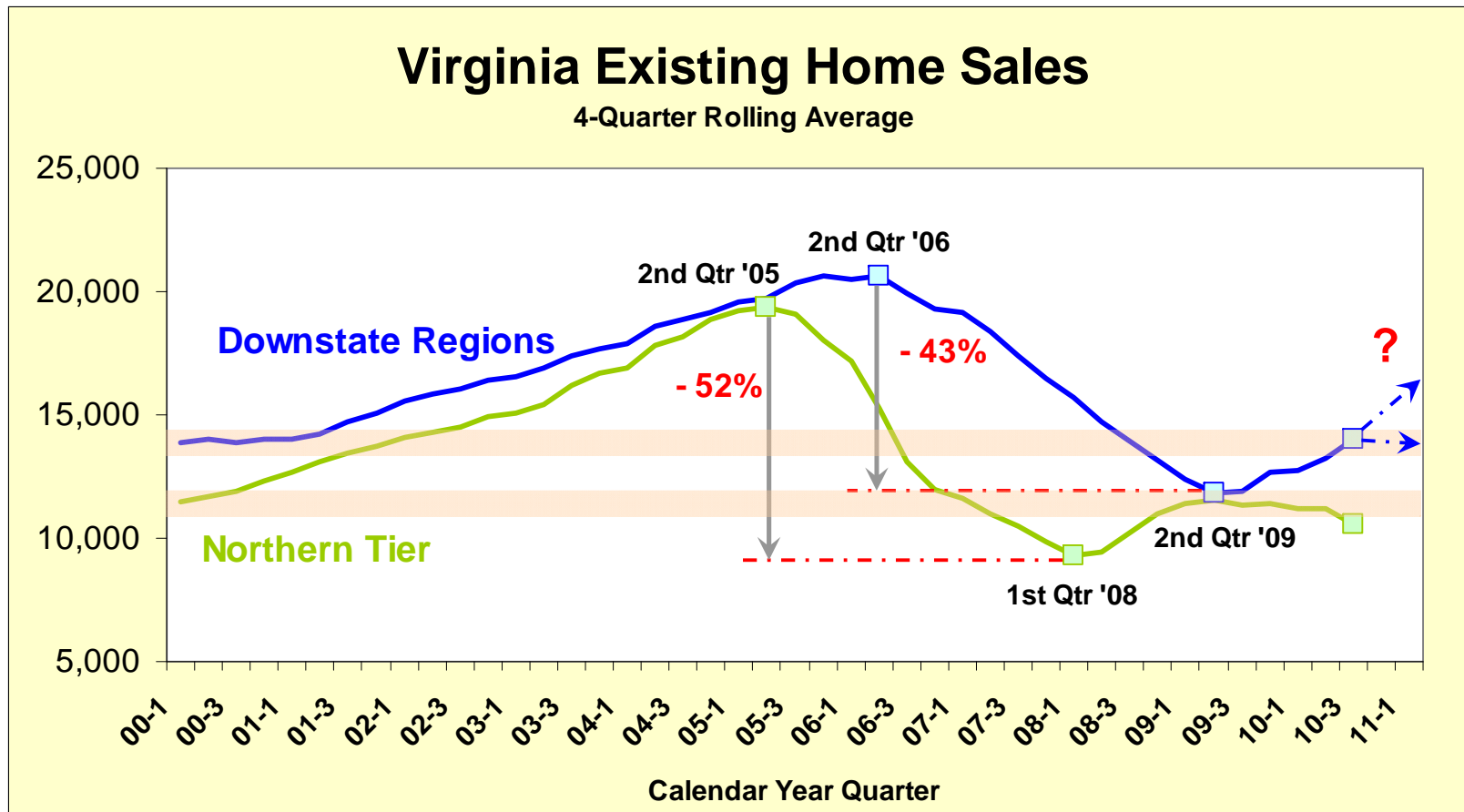
Source: Mortgage Bankers Association (MBA)

Statewide, existing home sales have remained stagnant for over two years.



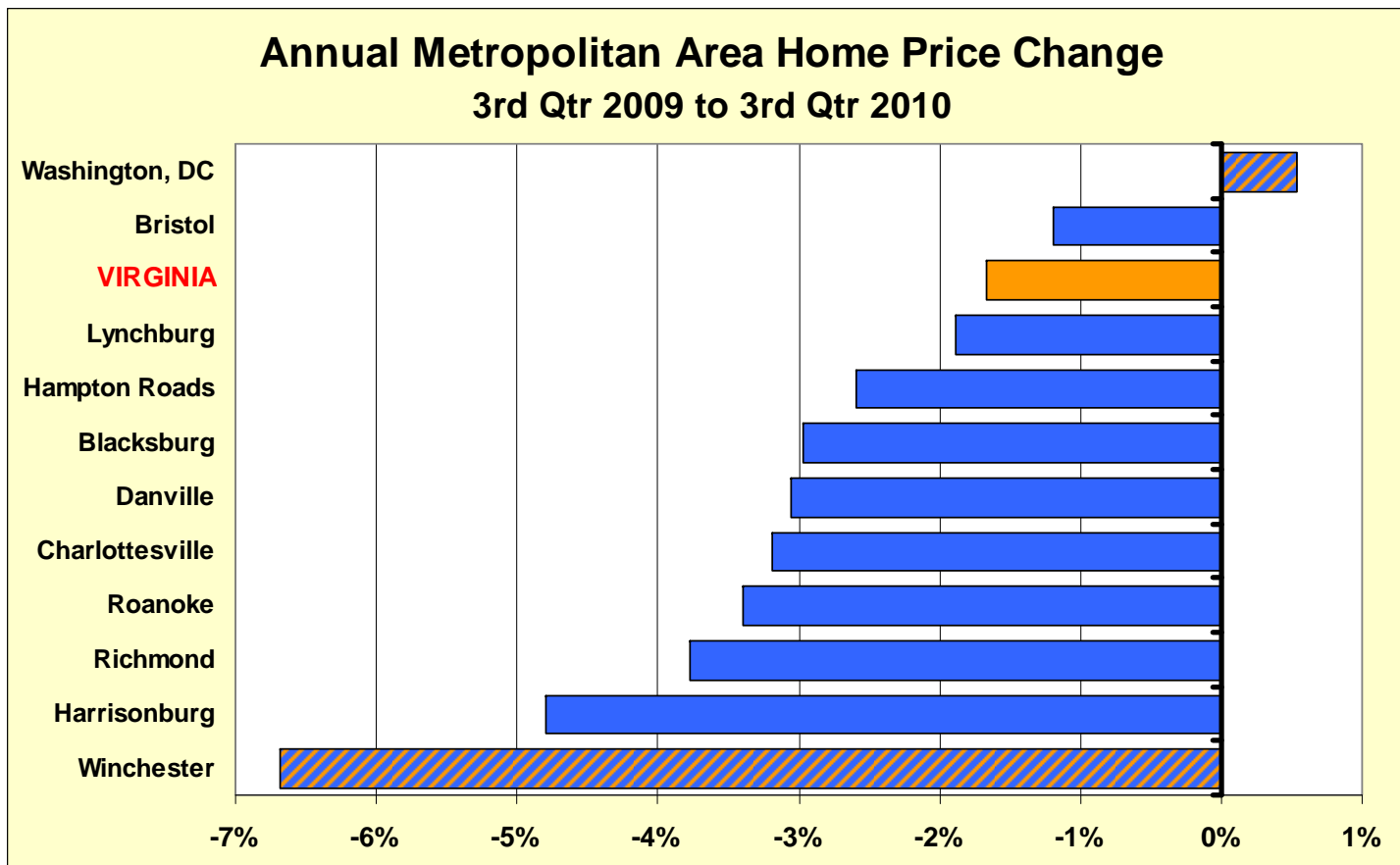
Source: Virginia Association of Realtors (VAR)

Northern Tier sales raise doubts about the sustainability of recent downstate increases.



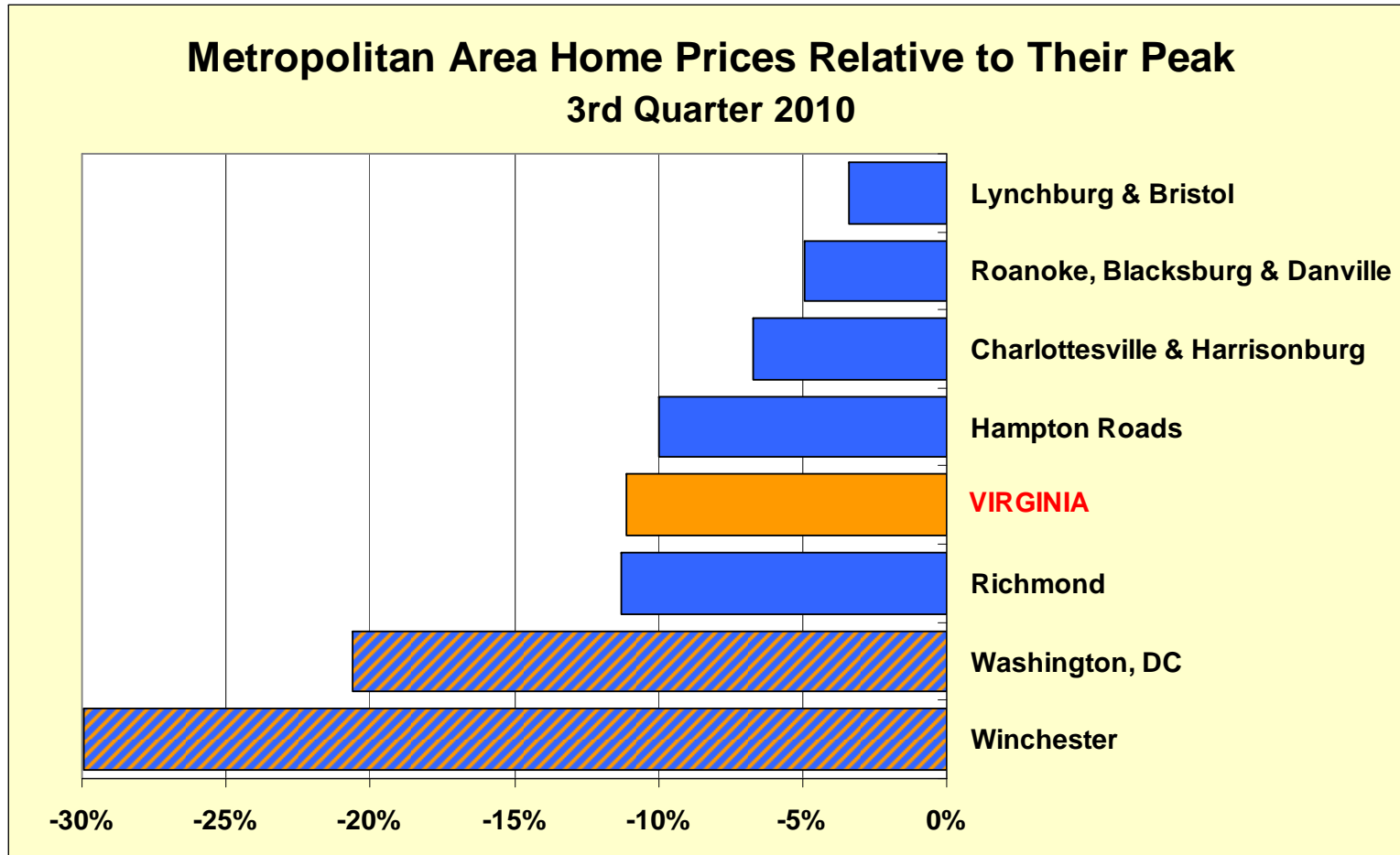
Source: Virginia Association of Realtors (VAR)

The inner part of the Northern Tier is the only market to see an annual rise in prices.



Source: Federal Housing Finance Agency (FHFA) Home Price Index

Nonetheless, Northern Tier prices remain significantly below their peak.



Source: Federal Housing Finance Agency (FHFA) Home Price Index

In Summary:

- While foreclosure levels have peaked and begun to decline, it will take substantial time to fully resolve the inventory of distressed loans and properties.
- Weak home purchase demand continues to inhibit the resolution of the lender-owned inventory of homes. The reinforcing interplay of declining home values and large distressed home inventories has not yet been broken.
- The 2011 spring home buying season will be critical to the initiation of a meaningful reduction in home inventories and a more sustainable market recovery.