U.S Department of Housing and Urban Development
U.S. Department of the Treasury

# Spotlight on the Housing Market in Riverside-San Bernardino-Ontario, California

The Obama Administration's Efforts to Stabilize The Housing Market and Help American Homeowners | July 2011

The Riverside-San Bernardino-Ontario Metropolitan Statistical Area (Riverside MSA), which includes Riverside and San Bernardino Counties in California, has been one of the hardest hit areas in the state of California and the nation following the housing market downturn. The mortgage crisis in Riverside and in many other parts of California is unique – both in the sheer magnitude of the problem and in the severity of home value declines. The current fragility in Riverside's housing market - with much lower property values and many severely underwater mortgages - is the result of several prior years of rapidly rising home prices supported by widely available, but unsustainable, adjustable rate mortgages. However, the Administration's broad approach to stabilizing the housing market has been the source of real help to homeowners in Riverside and surrounding cities. This bimonthly addendum to the Administration's housing scorecard provides a summary of trends and conditions in the local economy and the impact of the Administration's efforts to stabilize the housing market and help local homeowners.

## Population Growth, Employment, and Housing Market:

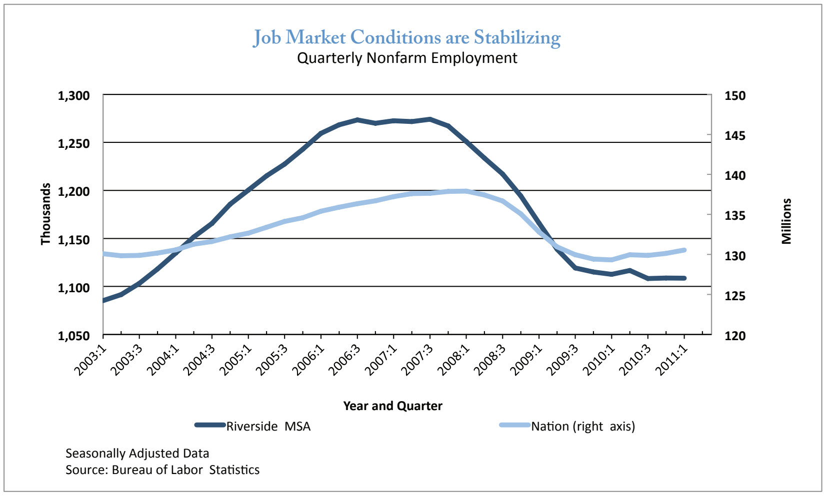
The Riverside MSA has seen rapid population growth since 2000, increasing by 30 percent – a total of 970,100 – to more than 4.2 million as of April 2010. More than 70 percent of growth during the first half of the 2000's was due to new residents moving into the area. Strong employment gains drove a 3.4 percent population increase between 2000 and 2007. Since then, as the housing crisis began and the local economy weakened, population growth slowed to an annual average of 63,900, or 1.6 percent.

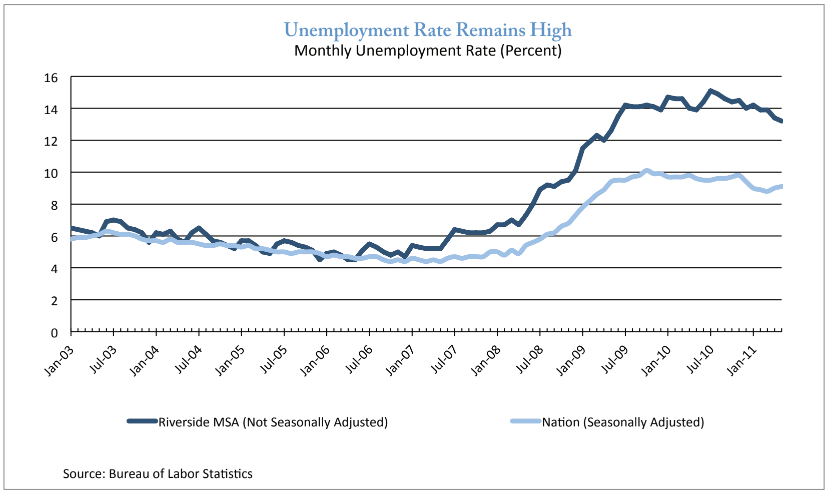
**Housing Crisis Slowed Population Growth in Riverside**

| Date | Riverside MSA Population | Annual Growth Rate From Prior Date |
|---|---|---|
| 4/1/2000 | 3,254,800 | |
| 7/1/2007 | 4,048,900 | 3.4% |
| 4/1/2010 | 4,224,900 | 1.6% |

*Source: Census Bureau (2000 Decennial, 2007 CPS, and 2010 Decennial)*

Area employment declined steeply through the third quarter of 2009 and has since remained stagnant. Nearly 1.1 million people were employed in the MSA as of March 2011 – approximately the same as a year ago – while the nation saw a 1 percent job growth rate during the same period. Local payrolls remain 164,800 jobs below pre-recession levels with construction jobs accounting for nearly half of local job losses. The average unemployment rate was 14.2 percent for the 12 months ending May 2011, the same as a year prior. The national average unemployment rate during the same period was 9.3 percent, down slightly from 9.8 percent a year ago.



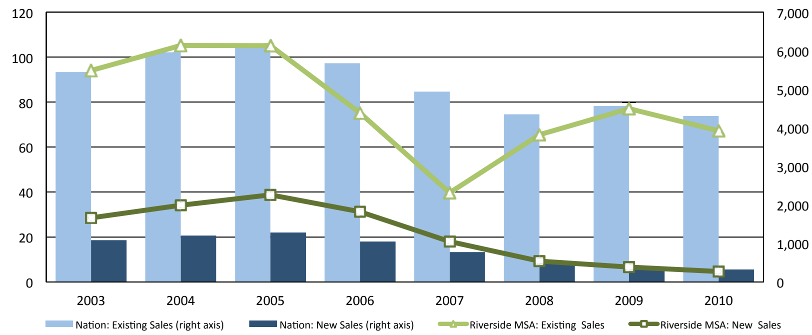
The home sales market remains soft in the Riverside MSA. Existing home sales rose in 2008 and 2009, though the boost was due in part to sales of distressed homes – foreclosures and short sales – which currently represent 57 percent of all existing home sales in the MSA compared with 32 percent nationally. Local home sales fell in 2010 and continue to decline in 2011. During the first four months of 2011, existing home sales declined by 18 percent compared with the first four months of 2010, while new home sales declined 45 percent, according to CoreLogic. The high proportion of distressed sales has kept Riverside home prices depressed. The CoreLogic repeat-sales house price index shows that home prices in Riverside rose faster and fell farther than in the rest of the nation. Home prices in Riverside dropped 54 percent from their peak in August 2006 to their low in May 2009 – a much steeper descent than the national average peak-to-low decline of 31 percent. While the overall market remains fragile, local home prices have shown signs of stabilizing since May 2009 and are currently higher than their 2009 lows. The local rental market is improving with apartment vacancy rates at 6 percent in the first quarter of 2011, down from 8 percent a year earlier and slightly below the national average of 6.2 percent according to Reis Inc. The average rent for a Riverside apartment, at $1,040, is just 1 percent higher than a year ago. The average rent nationwide increased by 1.9 percent to $1,047 during the same period.

## Trends in Mortgage Delinquencies and Foreclosures:

Homeowners in Riverside and San Bernardino have struggled with some of the highest levels of mortgage delinquency and foreclosure in the nation. As of May 2011, Riverside and San Bernardino Counties were ranked 7th and 10th in the nation for the most mortgages that were 90 or more days delinquent or in the process of foreclosure, according to LPS Applied Analytics. Through the efforts of numerous state and local entities in partnership with the federal government, the number of mortgages at risk of foreclosure (90 or more days delinquent or in the process of foreclosure) in the Riverside area declined from 103,560 in May 2010 to 74,250 in May 2011, according to LPS Applied Analytics. Similarly, CoreLogic data shows that the share of mortgages 90 or more days delinquent dropped from 17 percent to 12 percent over the past year, which was larger than the national decline from 8 to 7 percent over the same period. Realty Trac data show that completed foreclosures have also declined in Riverside over the past year, dropping from 9,400 in the first quarter of 2010 to 7,600 in the first quarter of 2011, although lender process reviews continue to affect foreclosure completions locally and nationally. However, the data continue to paint a mixed picture as nearly half of all mortgages in the Riverside area (47%) are in negative equity – more than twice the national rate of 23% as reported by CoreLogic – representing more homeowners and loans potentially at risk.

**Existing and New Single-Family Home Sales: Riverside Compared to the Nation**

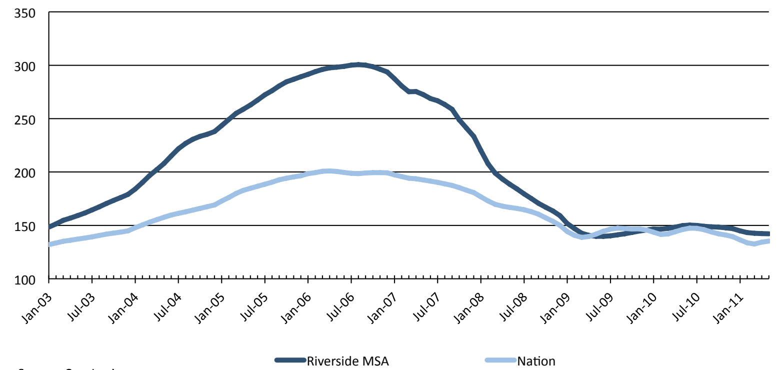
Annual Home Sales (thousands)




Sources: CoreLogic, HUD/Census Bureau, and National Association of Realtors

**Riverside Price Declines More Severe Than in Nation, Market Remains Fragile**

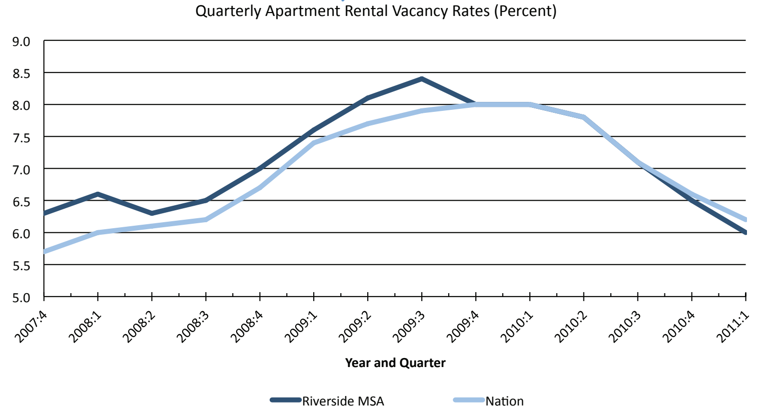
Housing Price Index for Single-Family Homes (Jan 2000 = 100)




Source: CoreLogic

**Local Rental Vacancy Rates Similar to the Nation**

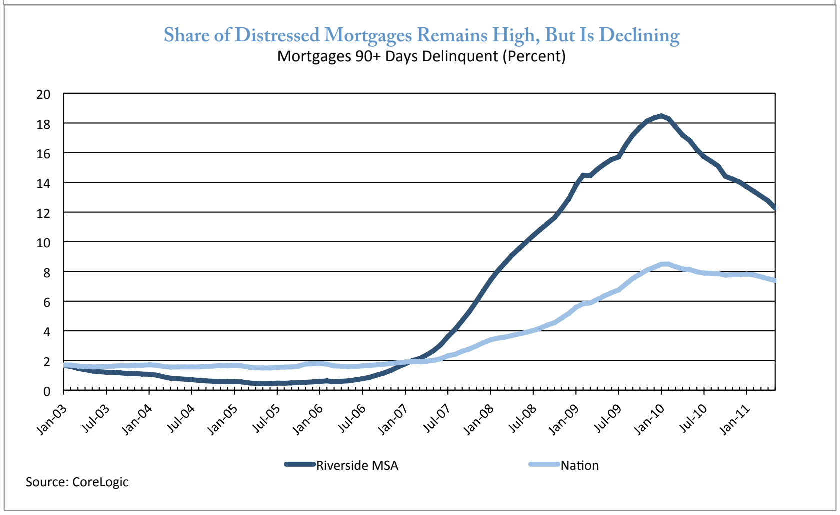
Quarterly Apartment Rental Vacancy Rates (Percent)




Source: Reis, Inc.

| Foreclosure Completion Rates in Riverside Outpace The Nation | | | | |
|---|---|---|---|---|
| | First Quarter 2011 | | Since April 1, 2009 | |
| Area | Foreclosure Completions | Foreclosure Rate | Foreclosure Completions | Foreclosure Rate |
| Riverside MSA | 7,628 | 0.5% | 79,609 | 5.4% |
| Nation | 215,046 | 0.2% | 2,068,092 | 1.6% |

*Note: Foreclosure Rates as Percent of All Housing Units; Data through May 2011 for Foreclosures since 2009*
*Source: Realty Trac and Census Bureau*

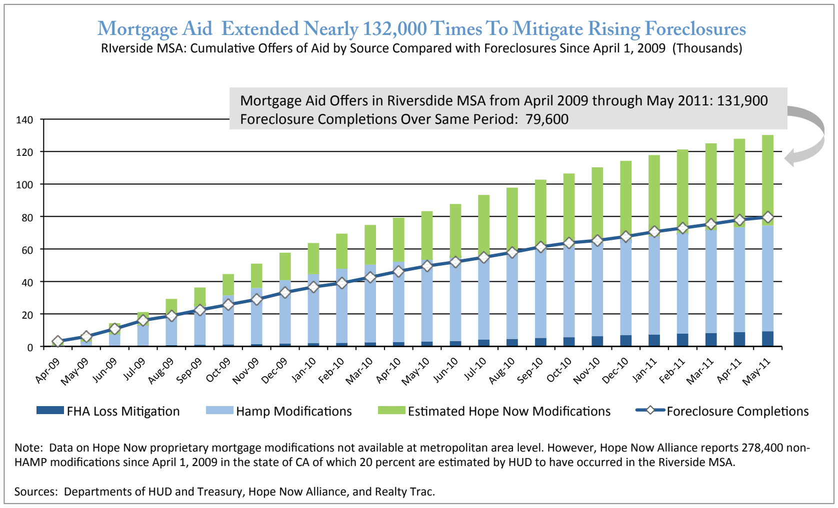


Share of Distressed Mortgages Remains High, But Is Declining

# The Administration's Efforts to Stabilize the Riverside Housing Market:

From the launch of the Administration's assistance programs through the end of May 2011, approximately 132,000 mortgage assistance interventions have been offered to homeowners in the Riverside metropolitan area. More than 76,000 interventions were offered through the Home Affordable Modification Program (HAMP) and the Federal Housing Administration (FHA) loss mitigation and early delinquency intervention programs. An estimated additional 56,000 proprietary modifications have been offered through Hope Now Alliance servicers. While some homeowners may have received help from more than one program, the number of times assistance has been offered is two-thirds higher than the number of foreclosures completed during this period (80,000) in the Riverside MSA.

In addition to offers of mortgage aid to homeowners, the Administration's Neighborhood Stabilization Program (NSP) and Hardest Hit Fund (HHF) have been helping to stabilize the Riverside housing market.



Mortgage Aid Extended Nearly 132,000 Times To Mitigate Rising Foreclosures

| Riverside MSA NSP Activity (Housing Units) | Projected | Completed |
|---|---|---|
| NSP1 Total | 2160 | 1141 |
| Clearance and demolition | 124 | 0 |
| Homeownership assistance to low- and moderate-income | 896 | 258 |
| Rehabilitation/reconstruction of residential structures | 1140 | 883 |
| NSP2 Total | 150 | 0 |
| Rehabilitation/reconstruction of residential structures | 150 | 0 |
| NSP3 Total | 502 | 0 |
| Clearance and demolition | 4 | 0 |
| Construction of new housing | 200 | 0 |
| Homeownership assistance to low- and moderate-income | 121 | 0 |
| Rehabilitation/reconstruction of residential structures | 177 | 0 |

Sixteen jurisdictions in the Riverside MSA have received NSP grants: the Town of Apple Valley, the cities of Corona, Fontana, Hemet, Hesperia, Moreno Valley, Ontario, Rancho Cucamonga, Rialto, Riverside, San Bernardino, Victorville, Perris, Indio, and the counties of Riverside and San Bernardino.

Overall, $133.5 million in NSP1, $8.3 million in NSP2, and $50.1 million in NSP3 funds have been awarded to these sixteen jurisdictions. Approximately 1,141 households have already benefited from NSP, and activities funded by the program are expected to provide assistance to an additional 1,671 owner and renter households. Here are some examples of how these funds have been put to use:

- The **City of Riverside** aggressively leveraged its $6.5 million NSP1 grant, bringing an additional $5 million in local redevelopment agency funds – named the Targets of Opportunity (TOO) program – and a $20 million private line of credit to the community. With a total of $31.5 million in available funds, the city is now able to purchase, rehabilitate, and sell or rent foreclosed homes to eligible homebuyers/renters. The grantee is also making homebuyer assistance available to income-qualified households that purchase a rehabilitated home. This combined approach led to the city's NSP/TOO program to be named as a finalist in the National League of Cities Municipal Excellence Awards for 2010.

- In the **City of San Bernardino**, the 19th and Sunrise neighborhood had one of the highest crime rates in the city. Within a three block area, there were 71 distressed fourplex properties – each with a different owner. The neighborhood became the primary target for NSP1 funding. A nonprofit community housing organization was selected to acquire and rehab 25 of the distressed properties, turning them into well-managed and affordable family rental units.

- The **City of Victorville** used almost its entire NSP1 grant to acquire a foreclosed 66-unit apartment complex and planned to use outside funding for the rehabilitation. When those funds did not materialize, Victorville applied for a portion of the $6 million NSP grant made available to San Bernardino County. The City of Victorville was one of three projects selected for funding, with a grant of $4.7 million to rehab the Hillcrest Court Apartments. The rehabilitation project is now underway and should be completed in fall 2011.

- Riverside County has one of the highest foreclosure rates in the state of California. In response to the tremendous need to stabilize neighborhoods that have been most heavily hit by foreclosure and to advance the county's priority of homeownership, the Riverside County NSP direct-to-buyer program provides first time homebuyers with purchase price assistance and optional rehabilitation funds. Thirty-eight households have purchased foreclosed homes through the program, including seventeen homebuyers who used rehab funding to make energy efficient enhancements and improve their home's curb appeal.

- The **City of Indio**, in partnership with Rancho Housing Alliance, has focused $8.3 million in NSP2 funds to acquire, renovate and sell single family homes within three census tracts.

- The **City of Desert Hot Springs** in Riverside County has been hit with a combination of high unemployment, foreclosure and vacancy rates and a steep decline in average home sales price. With county NSP funds and city redevelopment funds, the grantee acquired and finished construction of the 60-unit Hacienda Hills Apartments. Half of the units were reserved for very low-income households and the remaining were restricted to low-income households. The grantee achieved full occupancy of the apartments within one month.

- Because it spans over 7,200 square miles, Riverside County designed its NSP1 program to attract many development partners. To date the county has generated more than $16 million in program income - equivalent to one-third of its original grant. Program income can be reinvested to fuel additional NSP projects.

- The **City of Moreno Valley** acquired two apartment complexes in desperate need of rehabilitation in a transitional neighborhood. The NSP program provided a total of 27 2-bedroom units for very low income families with amenities that will help reduce tenants' utility expenses. Construction is underway, with completion anticipated in 2012.

- The **City of Rialto** structured its NSP1 program to include two separate consulting firms: one to manage the administration, contracting and grant requirements and another to handle property acquisition, rehabilitation and disposition. This approach helped the grantee to generate program income equivalent to 58% of the original grant amount which can be used to acquire and rehabilitate additional properties. To date, the grantee has acquired 34 single family homes that were later rehabilitated and sold to eligible homebuyers.

As part of the state's housing recovery efforts, the California Housing Finance Agency (CalHFA) is implementing a comprehensive program called *Keep Your Home California* using almost $2 billion in funding from the U.S. Treasury Department's Hardest Hit Fund to implement local solutions to borrower mortgage defaults and address the range of factors that contribute to a family's financial problems. The *Keep Your Home California* programs help low and moderate income families experiencing financial hardship to stay in their homes whenever possible. The CalHFA HHF programs include:

- *Unemployment Mortgage Assistance Program* (UMA) – Intended to assist homeowners who have experienced involuntary job loss, providing temporary financial assistance in the form of a mortgage payment subsidy. UMA funds can provide up to six months of benefits.

- *Mortgage Reinstatement Assistance Program* – Intended to assist homeowners who have fallen behind on their mortgage payments due to a temporary change in a household's circumstance. These funds can provide benefits of up to $15,000 per household.

- *Principal Reduction Program* – Intended to assist homeowners at risk of default because of an economic hardship coupled with a severe decline in the home's value. The principal reduction program is often a prelude to loan modification. (Servicers that contribute through matching funds increase the benefit for homeowners).

- *Transition Assistance Program* (TAP) – Intended to promote community stabilization by providing homeowners with relocation assistance when it is determined that they can no longer afford their home. TAP is used in conjunction with a servicer-approved short sale or deed-in-lieu of foreclosure program in order to help homeowners transition into stable and affordable housing.

All major national servicers are participating in at least one of California's programs. California homeowners who believe they are eligible for assistance can call 888-954-KEEP (5337) to work with a counselor to apply for the program. California has this assistance available until the end of 2017 to help prevent avoidable foreclosures.