



Spotlight on the Housing Market in Reno-Sparks, Nevada



The Obama Administration's Efforts to Stabilize the Housing Market and Help American Homeowners | November 2012

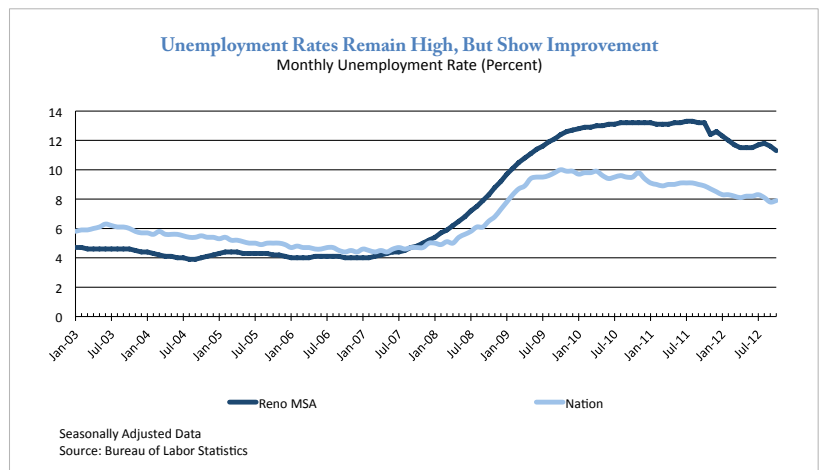
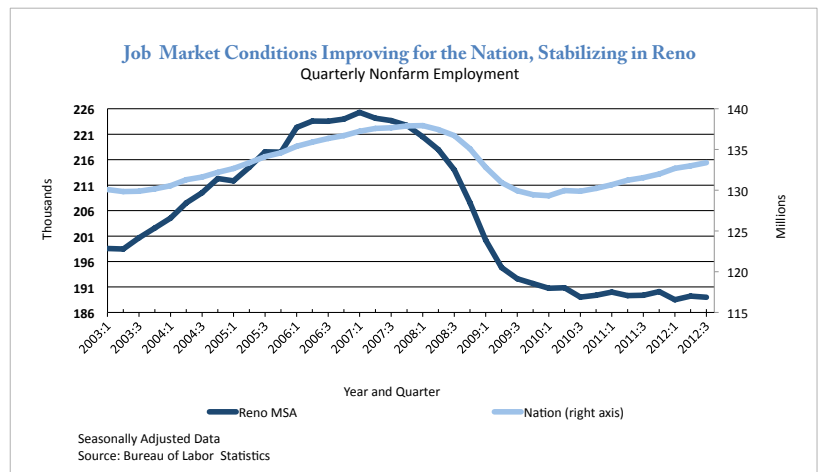
The Reno-Sparks, NV Metropolitan Statistical Area (Reno) is located in northwestern Nevada and includes two counties: Washoe (including the cities of Reno and Sparks) and Storey. The challenges in the Reno MSA housing market have been more severe than those in most areas of the nation. The MSA currently ranks 49th in the nation for the share of mortgages at risk of foreclosure - those 90 or more days delinquent or in the foreclosure process. During the early part of the last decade, local home prices rose at a pace that was 27 percent greater than the national average. Since that time, home prices in Reno have fallen more steeply than in most parts of the country. Falling property values and the resulting underwater mortgages were partially fueled by investor speculation and excess housing construction in the years leading up to the housing crisis. Rising defaults as a result of unsustainable mortgage lending and rising unemployment during the subsequent recession added further to the decline in property values. Economic conditions in Reno are stabilizing, but the local housing market remains fragile with a high concentration of distressed sales, large numbers of vacancies, and 49 percent of home mortgages underwater. However, the Administration's broad approach to stabilize the housing market has been a real help to homeowners in Reno and surrounding cities. This addendum to the Obama 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:

With a population of 425,417 people according to the most recent Census, the Reno-Sparks MSA is the 116th largest in the nation. From 2000 to 2010, population growth was moderate, increasing at an average of 8,250 people, or 2.4 percent a year. From 2000 to 2007, 6,125 people a year moved into the area, accounting for 68 percent of total population growth. As economic conditions worsened from 2008 to 2010, an average of 260 people a year moved out of the MSA, slowing population growth. During the decade spanned by the Census, new housing production exceeded household growth in the Reno-Sparks MSA. Net annual housing unit growth of 2.8 percent was greater than the corresponding population and household growth rates of 2.4 percent. The growth in the Reno housing stock between Census counts indicates an excess of housing construction that may have contributed to the steep price declines observed after 2006. Investor speculation was likely a major factor in the overbuilding in the years leading up to the crisis, as a larger share of Reno area home purchases were by non-occupant investors than the corresponding share for the nation. Specifically, from 2000 to 2006 investor home sales rose from 11.2 to 18.8 percent of total sales in Reno, while the corresponding increase for the nation was from 7.8 to 14.6 percent of sales. Speculative overbuilding

Reno Housing Unit Growth Outpaced Population and Household Growth During the Past Decade		
Date of Census	4/1/2000	4/1/2010
Reno-Sparks Population	342,885	425,417
Annual Growth Rate	-	2.4%
Reno-Sparks Households	133,546	165,187
Annual Growth Rate	-	2.4%
Reno-Sparks Housing Units	145,504	186,831
Annual Growth Rate	-	2.8%

Source: Census Bureau (2000 and 2010 Decennial)





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likely raised the local vacancy rate, which according to the Census Bureau, increased by an average of 970 units, or 8.1 percent, annually in Reno during the 2000s, nearly double the national average increase of 4.4 percent during the same period.

Reno's economy is stabilizing. The local economy experienced robust economic growth prior to the 2007 recession. From the third quarter of 2003 through the first quarter of 2007, nonfarm payrolls expanded at an average annual rate of 7,200 jobs, or 3.6 percent. Job losses began in the second quarter of 2007 and continued through the third quarter of 2010, declining at an average annual rate of 10,400 jobs, or 4.6 percent. The Reno economy has stabilized since then, with total jobs at approximately 189,400 from the fourth quarter of 2010 through the third quarter of 2012. The professional and business services and the leisure and hospitality sectors have added jobs since the recovery began, while job losses primarily in the government and construction sectors offset this growth. The national unemployment rate peaked in October 2009 at 10.0 percent, falling to 7.9 percent by October 2012. The unemployment rate for Reno peaked at 13.3 percent in August 2011 before declining to 11.3 percent by October 2012.

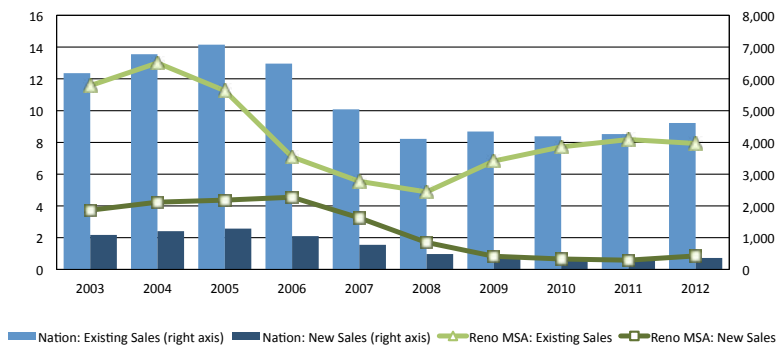
Existing home sales in the Reno MSA have improved since 2008 and new home sales are beginning to strengthen.

Existing home sales peaked in 2004 at 13,000 units, declined to a low of 4,875 by 2008, but recovered to a rate of 8,175 homes sold by 2011. New home sales peaked in 2006 at 4,550 units, began a steep downward trend in 2007, and have been at historically low levels since 2009, although annualized average sales through September 2012 indicate sales are beginning to strengthen. Sales of bank-owned properties and short sales remain high at 43 percent of existing home sales - nearly double the national rate of 23 percent. The prevalence of distressed sales in Reno has contributed to the prolonged weakness in home prices as well as the low levels of new home construction and sales. The CoreLogic repeat-sales house price index (HPI) shows that the growth in Reno-Sparks home prices between 2000 and mid-2006 was 27 percent greater than the national increase. Investor speculation helped fuel the rise in house prices - home sales to investors averaged 21 percent between 2003 and 2006 - much greater than the 13 percent share for the nation. Home prices in the area fell further from their peak in April 2006 - prices in the Reno MSA were down 44 percent as of May 2009 compared to a national peak-to-low decline of 31 percent. While the rate of decline slowed after 2009, home values in Reno continued to fall by an additional 5 percent from their 2006 peak - although home values have improved in 2012. House prices for the nation have risen slightly since the end of the bubble.

Despite weak rent growth, the rental housing market is doing well with vacancy rates falling since 2009.

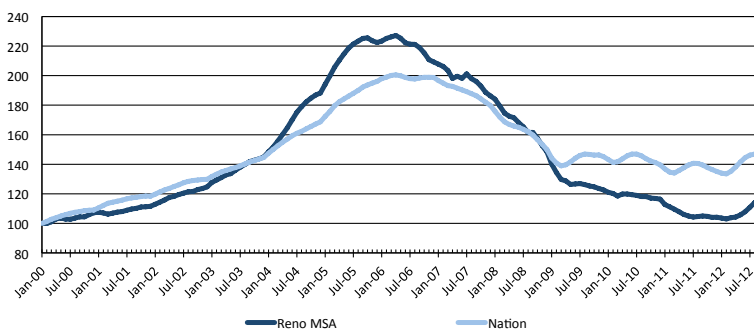
According to MPF Research, the Reno apartment vacancy rate was 4.8 percent in the third quarter of 2012, down from 5.0 percent a year earlier, while the national apartment vacancy rate declined from 5.1 to 4.6 percent. During the third quarter of 2012, the average rent in Reno increased by 1 percent from the previous year to \$752. National average rent levels increased by 4 percent to \$1,086 during the same period.

New and Existing Home Sales: Reno Compared to the Nation
Annual Home Sales (thousands)



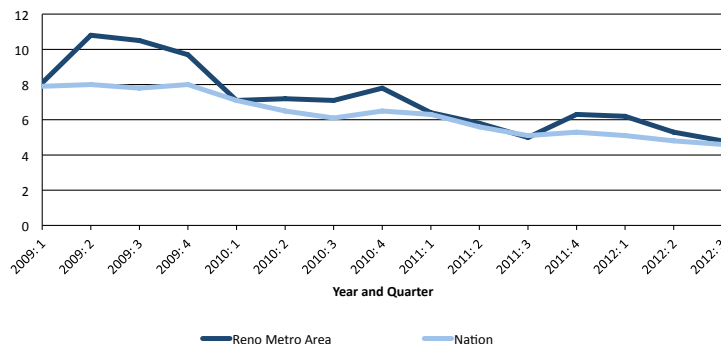
Sources: CoreLogic, HUD/Census Bureau, and National Association of Realtors. Home sales for 2012 are estimated.

Reno Home Prices Declined Sharply After Steep Rise
Repeat-Sales House Price Index (Jan 2000 = 100)



Source: CoreLogic. Reno-Sparks MSA HPI

Rental Vacancy Rates Decline Since 2009, Now Comparable to the Nation
Quarterly Apartment Rental Vacancy Rates (Percent)



Source: MPF Research

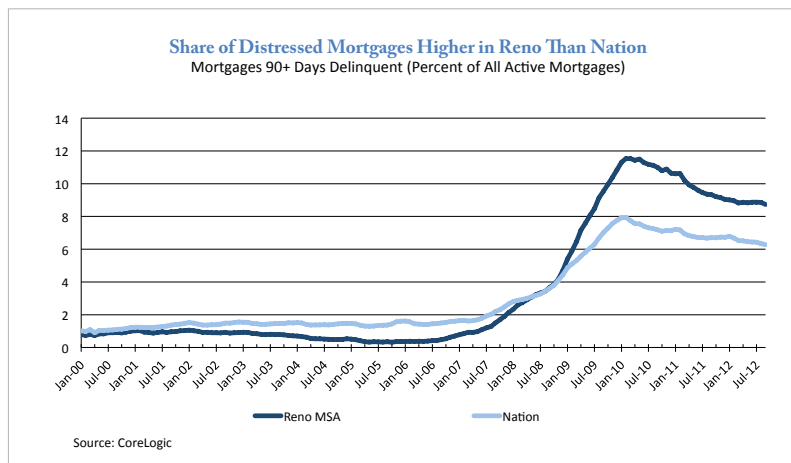


Trends in Mortgage Delinquencies and Foreclosures:

Reno homeowners continue to struggle with high rates of mortgage delinquency and foreclosure. According to LPS Applied Analytics, as of September 2012 Reno placed 49th out of 366 metropolitan areas ranked by share of mortgages at risk of foreclosure (90 or more days delinquent or in the foreclosure process). However, the foreclosure situation is improving in Reno. LPS data show that mortgages at risk of foreclosure decreased by 12.9 percent during the last year, from 6,475 in September 2011 to 5,625 in September 2012, compared with a national decline of 6.0 percent during the same period. CoreLogic data since 2000 indicate that the rate of mortgages at risk of foreclosure in the Reno MSA had been below the national rate but rose sharply during the foreclosure crisis. In the first years of the crisis when single-family foreclosures were largely associated with unaffordable loan products, mortgages at risk of foreclosure in Reno rose from 0.7 percent to 4.7 percent of active mortgages during 2007 and 2008; the comparable rise for the nation was 1.6 to 4.4 percent. Beginning in 2009, more prime loans went into foreclosure, triggered by loss of income, unemployment, and high negative equity according to research by the Federal Reserve Bank of Chicago. During this time, the share of severely delinquent mortgages in Reno rose to a high of 11.5 percent in mid-2010, but has since declined to 8.7 percent. The rise in severely delinquent mortgages was less steep for the rest of the nation, peaking at 7.9 percent in early 2010 and declining to 6.3 percent currently. Recent changes to laws affecting the foreclosure process by the Nevada legislature have slowed the growth in foreclosures. Effective October 2011, the Nevada law halted future "robo-signing" efforts in the state by imposing strict penalties on banks and lenders found committing foreclosure fraud. As a result, mortgages entering the foreclosure process have declined sharply as banks and lenders ensure that foreclosures are handled properly. According to data provided by the Center for Regional Studies from Tigor Title of Nevada, Inc., notices of default filed in Washoe County declined from 1,682 in the third quarter of 2011 before the new law passed, to 56 in the fourth quarter of 2011 after its passage. Notices of default remain at low levels through the third quarter of 2012 at 451. The new law has also had the effect of extending the foreclosure timeline. As of the third quarter of 2012 - the average year-to-year processing time increased by 42 percent to 520 days. Lenders may foreclosure on a mortgage using a judicial or non-judicial process in Nevada.

Foreclosure Completion Rates in the Reno-Sparks MSA				
Area	Third Quarter 2012		Since April 1, 2009	
	Foreclosure Completions	Foreclosure Rate	Foreclosure Completions	Foreclosure Rate
Reno-Sparks MSA	240	0.1%	9,640	5.2%
Nation	159,600	0.1%	3,066,900	2.3%

Note: Foreclosure Rates as Percent of All Housing Units; Data through October 2012 for Foreclosures since April 2009
Source: Realty Trac and Census Bureau



The new law notwithstanding, the foreclosure completion rate in the Reno MSA since April 2009 is 5.2 percent of housing units, more than double the national rate of 2.3 percent. Foreclosure completions have been trending downward nationally and in the Reno MSA. As of September 2012, completed foreclosures in Reno dropped 45 percent below the previous quarter and 65 percent below the previous year, while completed foreclosures in the nation are down 1 percent from the previous quarter and 18 percent from the previous year. Lenders' review of internal procedures related to the foreclosure process and backlogs in the courts for states with a judicial process also contributed to the decline in foreclosure activity. In the wake of the February 2012 mortgage servicers' settlement, foreclosure activity is starting to pick up again, primarily in states where the process slowed dramatically in the last two years. CoreLogic reports that 49 percent of mortgages in the Reno MSA were underwater as of the second quarter of 2012 – compared to 22 percent nationally – representing additional homeowners potentially at risk.

The Administration's Efforts to Stabilize the Reno Housing Market:

From the launch of the Administration's assistance programs in April 2009 through the end of September 2012, nearly 9,700 homeowners received mortgage assistance in the Reno metropolitan area. Nearly 5,400 interventions were completed through the Home Affordable Modification Program (HAMP) and the Federal Housing Administration (FHA) loss mitigation and early delinquency intervention programs. An estimated additional 4,300 proprietary mortgage modifications have been made through HOPE Now Alliance servicers. While some homeowners may have received help from more than one program, the number of times assistance has been provided in the Reno MSA is slightly higher than the number of foreclosures completed during this period (9,600). In addition, it is estimated that over 10,000 Nevada homeowners are currently benefiting from over \$900 million in refinancing, short sales and completed or trial loan modifications, including principal reduction on first and second lien mortgages, provided under the landmark National Mortgage Servicing Settlement. Nationwide, the settlement has provided more than \$26.1 billion in consumer relief benefits to over 300,000 families. That is in addition to the \$2.5 billion in payments to participating states and \$1.5 billion in direct payments to borrowers who were foreclosed upon between 2008 and 2011.

Together, the Administration's Neighborhood Stabilization Program (NSP) and Hardest Hit Fund programs, as well as the provisions of the mortgage servicing settlement, are helping to stabilize the Reno housing market.



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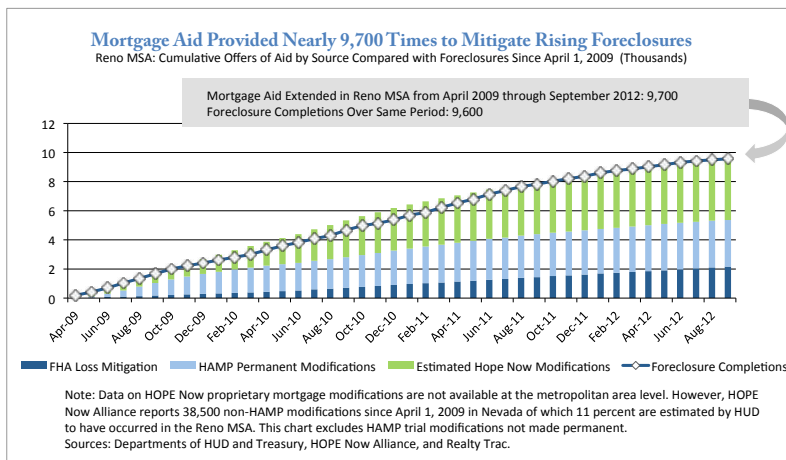
Given over three rounds, the Neighborhood Stabilization Program has invested \$7 billion nationwide to help localities work with non-profits and community development corporations to turn tens of thousands of abandoned and foreclosed homes that lower property values into homeownership opportunities and the affordable rental housing that communities need.

NSP1 funds were granted to all states and selected local governments on a formula basis under Division B, Title III of the Housing and Economic Recovery Act (HERA) of 2008; NSP2 funds authorized under the American Recovery and Reinvestment Act (the Recovery Act) of 2009 provided grants to states, local governments, nonprofits and a consortium of nonprofit entities on a competitive basis; and NSP3 funds authorized under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 provided neighborhood stabilization grants to all states and select governments on a formula basis.

In addition to stabilizing neighborhoods and providing affordable housing, NSP funds have helped save jobs. Each home purchased, rehabilitated and sold through the NSP program is the result of the efforts of 35 to 50 local employees.

Overall, a total of \$29.9 million has been awarded to 3 NSP grantees in the Reno MSA. The City of Reno received \$4,818,796 as a sub-award from the State of Nevada's NSP1 allocation. The Reno Housing Authority received an NSP2 award of \$20,995,000. Under NSP3, the City of Reno and Washoe County received a total of \$3,709,642. Washoe County also received an NSP3 sub-award from the State of Nevada for \$400,000. Approximately 227 households have already benefited from NSP, and activities funded by the program are expected to provide assistance to an additional 109 owner-occupied and renter households. Examples of how these funds have been put to use are provided below.

- The **City of Reno** received \$3,199,941 in NSP1 funds from the state of Nevada to acquire and rehabilitate abandoned or foreclosed homes for resale to qualified households (incomes between 81 and 120 percent of the area median income or AMI). The City received another \$1,378,429 from the State to acquire, rehabilitate, and operate a long-term rental project for households with incomes at or below 50 percent of AMI. These funds were then passed through to the City of Reno Housing Authority to carry out the activities. A total of 24 households have already purchased rehabilitated homes and another 11 households are currently renting NSP homes managed by the Reno Housing Authority. The average NSP investment is \$130,811 per home. A total of \$793,882 has been generated from the sale of the NSP homes and will be used to fund additional projects.
- **Reno Housing Authority's (RHA)** NSP2 program has met with great success. The Reno Housing Authority focused on purchasing vacant and foreclosed properties and rehabilitating them to a high standard by installing xeriscape (drought-tolerant) landscaping, for example. The properties are being rented or sold. Families with incomes under 50 percent of adjusted median income (AMI) qualify for rental properties, and families with incomes between 51 percent and 120 percent of AMI



Reno MSA NSP Activity (Housing Units)	Projected	Completed
NSP1 Total	107	108
Homeownership assistance to low-and moderate income	32	42
Rehabilitation/reconstruction of residential structures	75	66
NSP2 Total	200	119
Homeownership assistance to low-and moderate income	137	33
Rehabilitation/reconstruction of residential structures	63	86
NSP3 Total	29	0
Clearance and demolition	5	0
Construction of new housing	14	0
Rehabilitation/reconstruction of residential structures	10	0

Notes: The number of households assisted under NSP1 exceeds the grantee's projection, as costs were lower than anticipated allowing more households to be assisted. Rehabilitated units that were completed under NSP2 are higher than projected because some renters of these homes are expected to purchase their unit and will eventually be included in the homeownership assistance category.

qualify for either a lease-to-own program or a sale program. To date, RHA has purchased 140 homes. Sixty-three of these properties have been set aside as rental units, 62 of which are occupied. Forty-five of these properties have been set aside for direct sale, 32 of which have been sold. Thirty-two of the 140 homes are part of the lease-to-own program, 24 of which have been leased with one sold. Those not yet occupied are either undergoing rehabilitation or are available to be rented, sold, or leased. RHA has expended 100 percent of the NSP2 grant, with all expenditures from the grant required by February 2013.

The Nevada Affordable Housing Assistance Corporation (NAHAC) oversees the **Nevada Hardest Hit Fund®**, which was launched in February 2011 and funded through a \$194 million allocation from the Administration's **Hardest Hit Fund** program. NAHAC was selected to oversee the 'Fund' serving as a support arm for the Nevada Housing Division, Nevada's Housing Finance Agency. Nevada Hardest Hit Fund provides several programs to assist Nevada homeowners who are at high risk of default or foreclosure. These programs include: Principal Reduction Program, Second Mortgage Reduction Plan, Short-Sale Acceleration Program, and Mortgage Assistance Program (unemployment and reinstatement assistance). Nevada provides nine months of unemployment assistance to qualified borrowers; they also provide up to \$16,500 for the removal of 2nd liens, and \$50,000 for unmatched principal curtailment in conjunction with a HARP loan refinance. The number of homeowners benefitting from the program has continued to increase due to strong demand, and the state expects to commit all of their funds on behalf of families in the near term – well before the program end date of 2017. For more information see: <http://nevadahardesthitfund.nv.gov>.