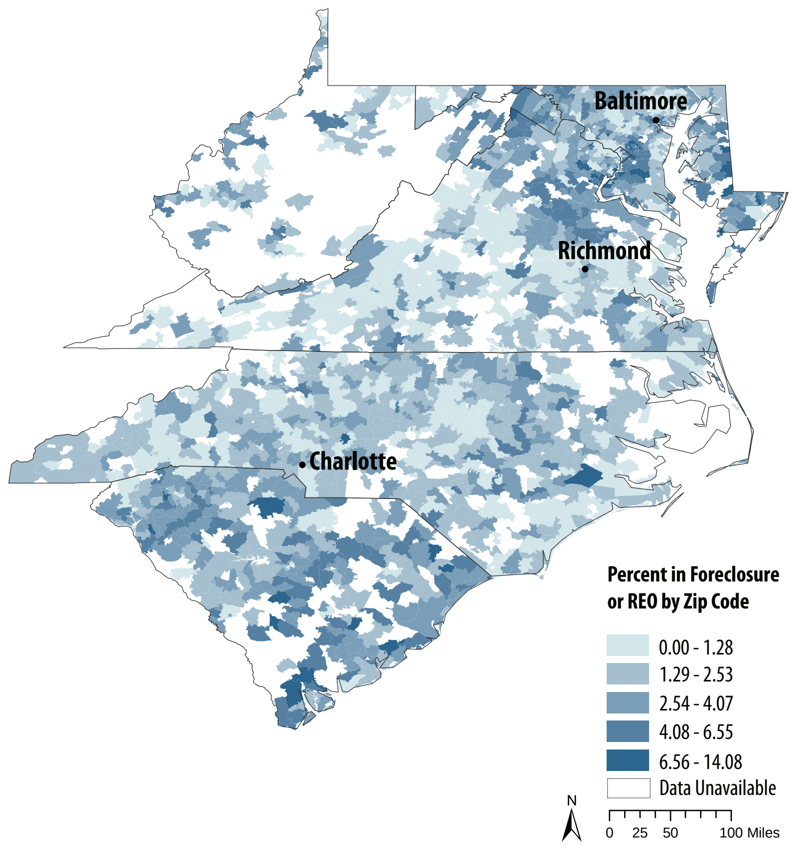
FIGURE 2

Fifth District: Percentage of Owner-Occupied Loans in Foreclosure or REO*



Geographic Area	Number of First-Lien, Primary Owner Loans	Percent of First-Lien, Primary Owner Loans with Payments 90+ Days Past Due (%)	Percent of First-Lien Primary Owner Loans in Foreclosure or REO (%)
DC	112,356	2.93	2.58
MD	1,264,712	4.36	3.34
NC	1,668,461	4.00	1.60
SC	787,404	3.75	2.84
VA	1,675,275	3.33	2.39
WV	158,364	3.78	2.80
5th District	5,666,572	3.82	2.48
United States	53,407,272	4.48	3.91

Source: Federal Reserve Bank of Richmond estimates in the map and chart above, using LPS (Lender Processing Services, Inc) Applied Analytics and Mortgage Banker's Association data. (These numbers are adjusted to compensate for the datasets' estimated coverage of the market). Data is from February 2009. In the map, uncategorized zip codes have fewer than one hundred loans or no available data.
* REO is defined as real estate owned by the lender (after the foreclosure but before the house is sold).

Richmond Fed Partners with HOPE NOW and NeighborWorks America to Help Homeowners

The Federal Reserve Bank of Richmond joined HOPE NOW and NeighborWorks America to sponsor an event for Carolina borrowers facing foreclosure. The event drew hundreds of homeowners seeking a chance to meet with their mortgage lenders to receive possible mortgage resolutions. The event, held in Charlotte, N.C., connected 15 servicers, 12 housing counselors and 12 nonprofit organizations who provided over 600 people at risk of losing their homes with information that could help prevent foreclosure and improve their credit.

Weaknesses within the housing market and rising unemployment rates have left families uncertain about the viability of homeownership. Areas once unaffected by foreclosure are now experiencing unemployment and spillover effects from adjacent communities. The Federal Reserve Bank of Richmond has identified the Charlotte region as an area with increasing mortgage delinquency and foreclosure challenges. In January 2009, according to LPS Applied Analytics, 4 percent of the loans in the Charlotte region were more than 90 days delinquent, a figure higher than the state average.

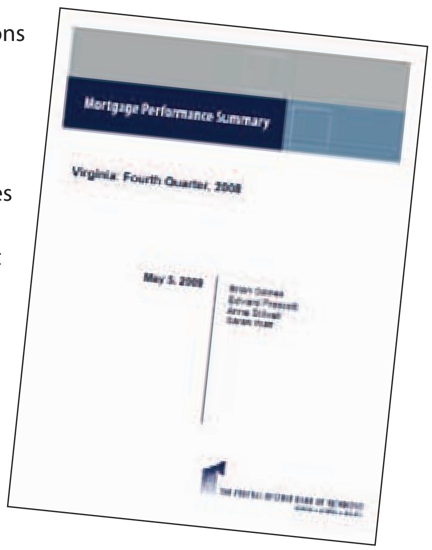
Data recently released from the Bureau of Labor Statistics show that the unadjusted rate of unemployed persons for the Charlotte region in February 2009 reached 11.7 percent compared with 11.3 percent for North Carolina.

Visit the Richmond Fed's Foreclosure Resource Center for foreclosure prevention resources at **www.richmondfed.org/community_development/foreclosure_resource_center**.

Virginia Mortgage Performance Summary Shows Slightly Better than National Average Picture

A report released by the Federal Reserve Bank of Richmond shows that despite pockets of foreclosures and delinquencies, Virginia mortgages overall are performing better than the national average. The report looks at the background, composition and performance of prime and subprime mortgage loans in Virginia. (Subprime mortgages loans are those made to people with credit scores at 620 or below.)

The Commonwealth ranks 41st among the nation's 50 states with subprime mortgages accounting for 8.8 percent of loans compared to the national average of 11.7 percent, according to fourth quarter 2008 data. The number of Virginia subprime loans in foreclosure was 9.4 percent compared to the national average of 13.7 percent.



Still, the dire economic conditions that prevailed in 2008 and 2009 continue to create hardships for homeowners and communities nationwide. As a result, mortgage loan delinquencies and foreclosures are rising, explained Edward "Ned" Prescott, research economist and vice president. "It's important to keep in mind that mortgage delinquencies continue to increase nationwide and Virginia is no exception," he noted.

The Richmond Fed also looked at mortgage performance throughout the Commonwealth.

"There is a lot of variation in mortgage performance throughout the Commonwealth, but the outer ring of Northern Virginia is in the worst shape and has been for some time," Prescott said. The report ties the poor performance in Northern Virginia to the big increase and ensuing drop in house prices there. There also was a large fraction of interest-only loans taken out in Northern Virginia compared with the rest of the Commonwealth.

The entire report can be accessed at **http://e1web802/research/regional_economy/reports/mortgage_performance_summaries/va/2008/fourth_quarter/index.cfm**.

"The recent experience has shown some ways in which financial innovation can misfire. Regulation should not prevent innovation, rather it should ensure that innovations are sufficiently transparent and understandable to allow consumer choice to drive good market outcomes . . . Other questions about proposed innovations should be raised: For instance, how will the innovative product or practice perform under stressed financial conditions? What effects will the innovation have on the ability and willingness of the lender to make loans that are well underwritten and serve the needs of the borrower? These questions about innovation are relevant for safety-and-soundness supervision as well as for consumer protection."

– Ben S. Bernanke, Chairman, Federal Reserve Board of Governors

Federal Reserve System's Sixth Biennial Community Affairs Research Conference, Washington, D.C., April 17, 2009 Financial Innovation and Consumer Protection

The entire speech can be accessed at **www.federalreserve.gov/newsevents/speech/bernanke20090417a.htm**.