

Foreclosures & the Community

Virginia Foreclosure Prevention Community Impact

Richmond, VA

July 23, 2008

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Center for Community Capital

*Research and analysis on the
transformative power of capital*





The National Crisis

“... the decline in housing prices is not over but ... prices are actually accelerating to the downside. ”

The Local Crisis

- Different Markets = Different Profiles.
- Neighborhoods and Clusters.
- Resources to Assess the Situation and Set Strategy.



North Carolina f/c filings

June 2008 Foreclosure Start Hotspots	Impact Since Start of Crisis		2008 Year to Date			Rolling 12-Month Change			Rolling 3-Month Change			Month to Month Change		
	January 2005-June 2008 Foreclosure Start Totals		January 2008-June 2008 Foreclosure Starts Compared to January 2007-June 2007 Foreclosure Starts			July 2007-June 2008 Foreclosure Starts Compared to July 2006-June 2007 Foreclosure Starts			April 2008-June 2008 Foreclosure Starts Compared to April 2007-June 2007 Foreclosure Starts			June 2008 Foreclosure Starts Compared to May 2008 Foreclosure Starts		
	Number of Foreclosure Starts January 2005-June 2008	Foreclosure Starts January 2005-June 2008 as Percent of Year 2000 Owner-Occupied Housing Units	Number of Foreclosure Starts in January 2008- June 2008 and June 2008	Change in Number between January 2008- June 2008 and January 2007- June 2007	Percent Change between January 2008- June 2008 and January 2007- June 2006	Number of Foreclosure Starts in July 2007-June 2008	Change in Number between July 2008 and July 2006-June 2007	Percent Change between July 2008 and July 2006- June 2006	Number of Foreclosure Starts in April 2008-June 2008	Change in Number between April 2008-June 2008 and April 2007- June 2007	Percent Change between April 2008-June 2008 and April 2007- June 2006	Number of Monthly Foreclosure Starts in June 2008	Change in Number between May 2008 and June 2008	Percent Change in Foreclosure Starts between May 2008 and June 2008
GRAHAM	31	1.1%	11	9	450%	17	12	240%	6	6	-	2	0	0%
GRANVILLE	1,106	8.9%	164	11	7%	334	29	10%	63	-14	-18%	17	-5	-23%
GREENE	280	5.6%	49	6	14%	91	16	21%	25	6	32%	10	1	11%
GUILFORD	11,279	10.7%	2,107	503	31%	3,925	780	25%	986	227	30%	336	-39	-10%
HALIFAX	593	4.0%	84	12	17%	181	24	15%	33	3	10%	11	0	0%
HARNETT	1,901	8.0%	315	53	20%	603	81	16%	150	35	30%	51	7	16%
HAYWOOD	814	4.6%	136	-2	-1%	298	70	31%	71	12	20%	23	-13	-36%
HENDERSON	1,017	3.4%	186	54	41%	316	60	23%	88	28	47%	25	-11	-31%
HERTFORD	294	4.7%	45	9	25%	88	10	13%	20	5	33%	10	5	100%
HOKE	758	8.9%	125	17	16%	214	-2	-1%	63	18	40%	22	2	10%
HYDE	72	4.2%	15	11	275%	27	13	83%	12	11	1100%	2	-5	-71%
IREDELL	3,186	8.9%	529	73	16%	1,004	170	20%	291	90	45%	90	-16	-15%
JACKSON	614	6.4%	129	-10	-7%	202	8	4%	65	2	3%	25	6	32%
JOHNSTON	3,421	10.0%	559	102	22%	1,066	172	19%	261	46	21%	103	30	41%
JONES	163	5.0%	19	-9	-32%	42	-1	-2%	6	-6	-50%	3	2	200%
LEE	847	6.4%	123	-17	-12%	248	-20	-7%	67	4	6%	26	-5	-16%
LENOIR	756	4.7%	92	-8	-8%	196	-47	-19%	38	-14	-27%	11	-4	-27%
LINCOLN	1,657	8.8%	242	29	14%	491	48	11%	121	30	33%	43	-4	-9%
MACON	299	2.9%	64	23	56%	111	40	56%	40	16	67%	12	-4	-25%
MADISON	202	3.3%	34	9	36%	71	19	37%	12	4	50%	2	-2	-50%
MARTIN	300	4.2%	43	-8	-16%	87	-5	-5%	19	-10	-34%	4	-8	-67%
MCDOWELL	521	4.1%	81	5	7%	146	0	0%	37	4	12%	10	-2	-17%
MECKLENBURG	25,793	15.1%	4,349	557	15%	8,497	1,069	14%	2,026	250	14%	694	-1	0%
MITCHELL	168	3.2%	38	18	80%	67	27	68%	16	7	78%	6	0	0%



Charlotte: MSA Holding; Starter Neighborhoods Blasted

The Charlotte Observer, "Sold A Nightmare – A year long special report"

- Value is up!
- 35 f/c:1000 homeowners (1:28).
- 80% of foreclosures on homes < \$150,000.
- Clusters: 35 new developments w/ f/c rate > 20%.
- Subprime loans = 24% of foreclosure; FHA = 30%.



Charlotte NC foreclosures 2003-2007

Finding foreclosures

Map:

- 1 Click area of interest to zoom. Repeat if needed.
- 2 Select "Show property info" in top map toolbar. Then click a foreclosure.
- 3 Addresses you select appear below. Click an address to view Mecklenburg County info, including sales history.



Memphis – Hickory Hill: Foreclosure Drives Market in “2nd Ring”

Phyllis G. Betts. University of Memphis/Brookings. 11/2006.

PROFILE

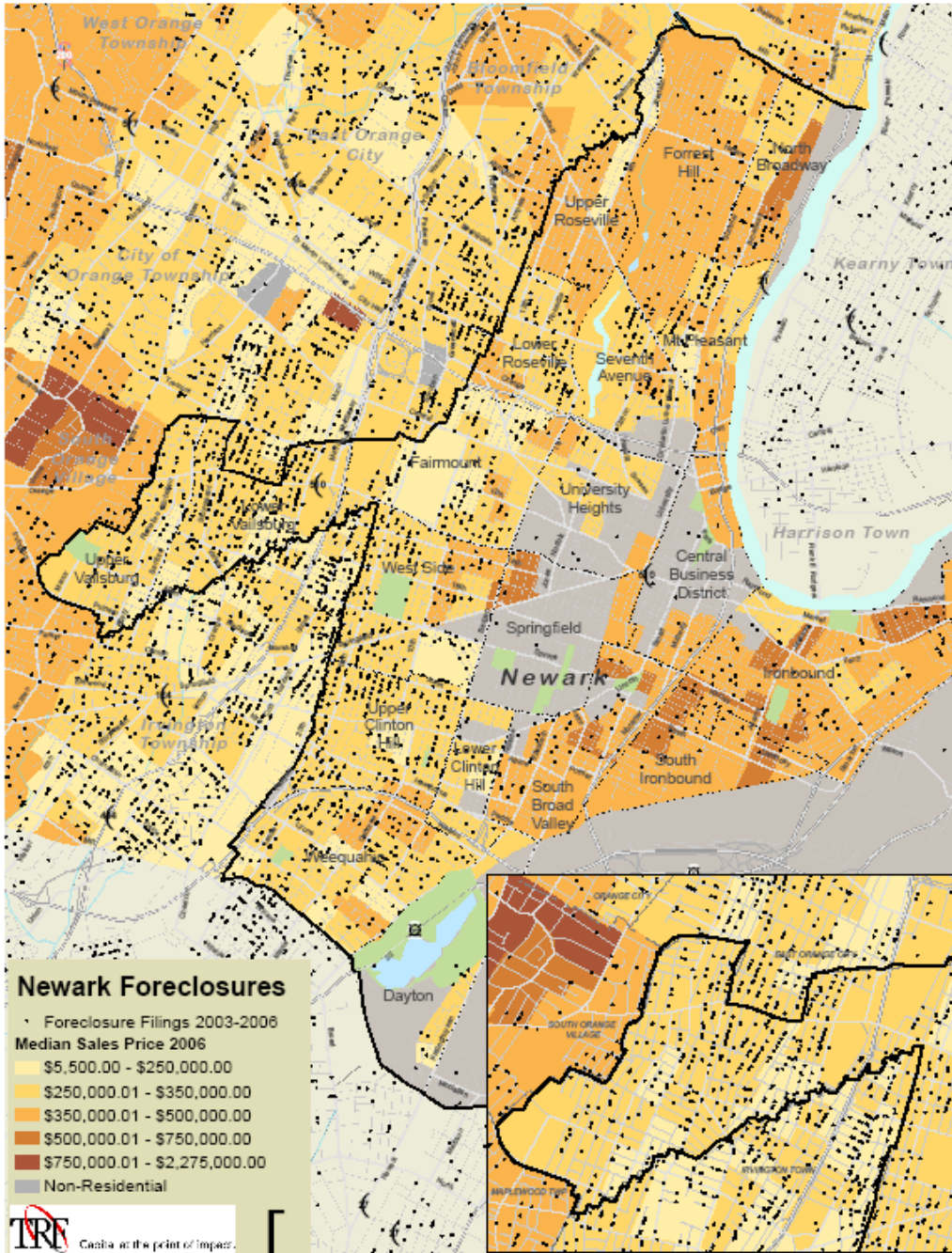
- 20,000 Housing Units/75% owner (down from 95% 10 yrs prior).
- Well above city average education and income.
- Developing indications of distress

ANALYSIS

- HMDA, Census, EITC data, public records, tax data, crime data, Housing Agencies.
- Other Partners: CDCs, Police Department, Neighborhood Association.

LEARNINGS

- *Foreclosure Tolerant* lending and *Foreclosure Driven* neighborhood.
- Monitoring Database.
- Chain of Title analysis; Problem Properties identified & audited.
- Application to other transitional neighborhoods.



Newark – Vailsburg:
Crisis spreads to
“safe” areas

Courtesy of: TRF



Virginia

- www.realtytrac.com
 - Northern Va, DC commuter markets
- versus
- Richmond



Data Sources

HMDA

McDash/LP/Fed

Property Records

**(RealtyTrac/
Corelogic, ...)**

Property Tax Records

Census

Other local data

Information gathering

Lending patterns

Lending patterns

Delinquency trends

Foreclosure trends & activity

Lending patterns

Foreclosures and REO

Chain of Title

Loan Amounts/liens

Sales & Prices

Delinquencies (leading indicator)

Neighborhood characteristics

Crime rates

Complaints

EITC-take up

Section 8 voucher use

Code violations

Down payment assistance

Resident surveys

Property inventories/surveys



*"We are connected....In the end, it impacts everybody."
-Chairman, Mecklenburg County Commissioners*



Community Impacts

- Each foreclosure in a “block”¹ lowers value by another .9%
- \$200 billion in housing wealth lost to neighbors²
- Decrease in tax revenues
 - On property
 - On sales tax
 - On transfer fees
- Increase in local costs
 - Demolition, inspections, legal fees, police & fire, etc.³
- Gross Metropolitan Product growth ↓ (1% lower growth)⁴

¹ Immergluck & Smith (2006); 1/8 mile

² Center for Responsible Lending (2008)

³ Apgar & Duda (2005)

⁴ Global Insights (2007)

State & Local Opportunities

Preventive:

- Consumer protections, enforcement, licensing
- Facilitating access to the right products.
- Clustering problem – zoning/planning solution?
- Early detection and understanding of local mortgage finance conditions & patterns.

Curative:

- Counseling resources
- Foreclosure/Service interventions
- Increase costs of holding properties
- Redevelopment opportunities
- Take-out financing



Alternative Strategies





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