

Foreclosure's Invisible Victims:

Recent Research on the Foreclosure Crisis

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Presented by
Keith Wardrip

Research Analyst

National Low Income Housing Coalition
keith@nlihc.org; (202) 662-1530 ext. 245

Presentation Overview

The impact of the foreclosure crisis on...

- The Multi-Unit Housing Stock
- Renters
- Eviction
- Post-Eviction Housing
- Low Income Households
- Neighborhood Stability

For each topic, we present:

- Recent research findings, state/local reports, national/local press, etc.
- NLHC's original research, based on:
 - Analysis of 14,993 foreclosure filings in CT, MA, NH, and RI (January 2007 – March 2008)
 - Surveys of 1,484 housing counseling agencies

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Recent Reports – Foreclosure & Multi-Unit Housing Stock

Very little research has investigated the characteristics of the properties that are entering foreclosure...

- 35% of the 13,872 foreclosure filings in the City of Chicago last year were on 2-6 unit buildings (Woodstock Institute, May)
- 60% of the 15,000 foreclosure filings in New York City last year were on multi-unit buildings (Furman Center)

NLIHC's Findings

One-third of the properties and over half of the units in the final stages of foreclosure in New England are in multi-unit buildings.

	Properties	Units
Total	14,993	23,440
Single-Unit	10,257	10,257
Percent of Total	68%	44%
Multi-Unit	4,736	13,183
Percent of Total	32%	56%

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Recent Reports – Foreclosure & Renters

- 20% of all foreclosures were not owner-occupied in 3Q '07 (Mortgage Bankers Association as cited in Joint Center for Housing Studies of Harvard University)
- 25% of foreclosed *single-family* homes in California were occupied by renters (Lazarus)
- 25% of foreclosed homes in Kalamazoo, MI, were renter-occupied (Jessup)
- 29% of foreclosed properties in Mecklenburg County, NC, are renter-occupied or vacant (Carlock)
- 29% of foreclosure filings in Cuyahoga County are for rental properties (Rothstein)
- 43% of foreclosures in Hennepin County and 60% in Minneapolis were not owner-occupied (Hennepin County Task Force)
- 50% of households living in foreclosed buildings in New York City were renters (Furman Center)

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NLIHC's Findings

What type of unit did renter households occupy when they were evicted? (72 responses)	
All resided in single-unit bldg	27.8%
Majority resided in single-unit bldg	30.6%
50/50 split	8.3%
Majority resided in multi-unit bldg	19.4%
All resided in multi-unit bldg	13.9%
Total	100.0%

58% of housing counselors reported that most or all of their renter clients evicted by foreclosure lived in single-unit buildings.

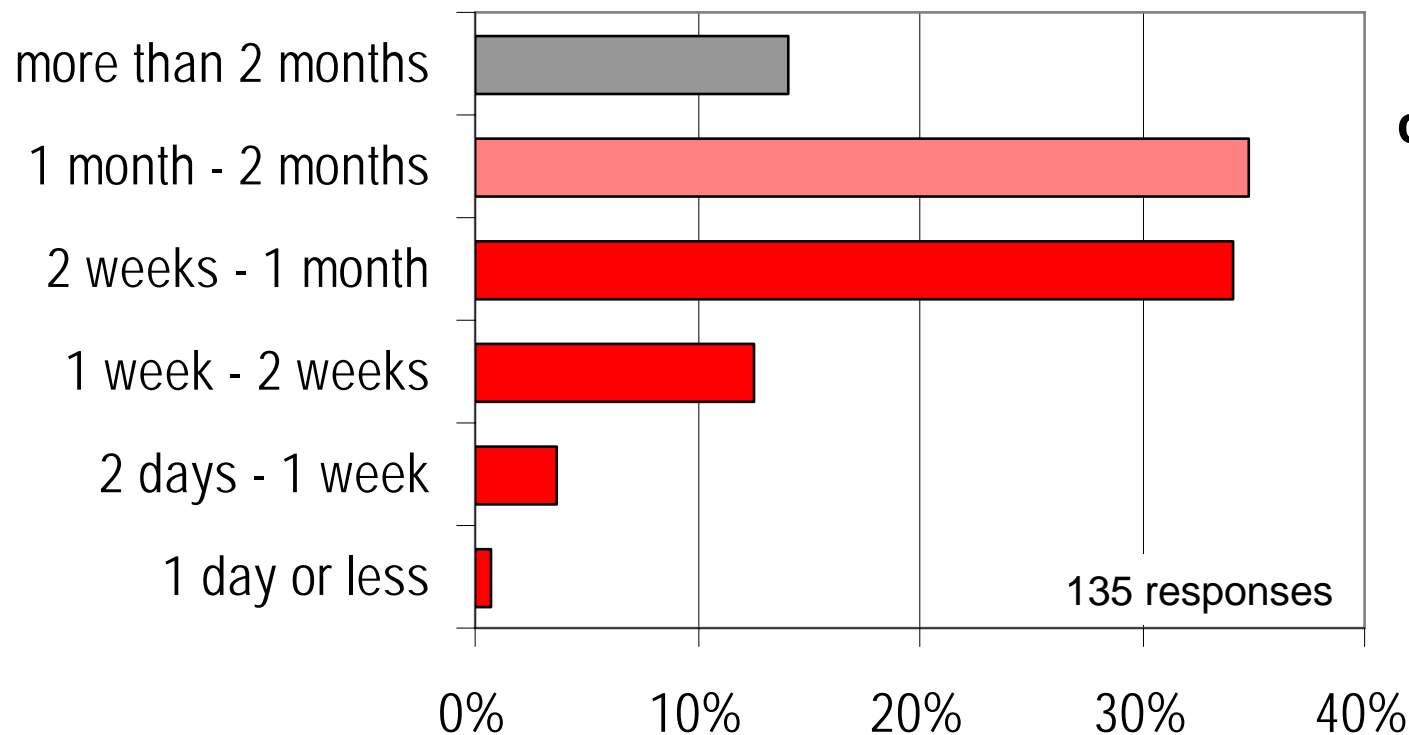
Depending on the assumptions, over a third to nearly two-thirds of the 23,000 foreclosed units in New England may have housed renters.

Estimated Percent Renter-Occupied Assuming...		
	the owner lives in the multi-unit property	all units in multi-unit properties are rented
all single-units are owner-occupied	36%	56%
85% of single-units are owner-occupied	43%	63%

Recent Reports – Foreclosure & Eviction

- Calls to HOME Line from renters facing foreclosure in Minnesota increased from 78 in 2006 to 424 in 2007 (Heath & Jones)
- The number of renters facing foreclosure and seeking help from the Cleveland Tenants Organization grew from 243 in 2006 to 420 in 2007. In the first quarter of 2008 alone, there were 373 calls (Rothstein)
- Foreclosure-related evictions approved by the Cleveland Housing Court nearly doubled from 2006 to 2007 (Rothstein)
- Evictions in the Boston Housing Court more than doubled from 2006 to 2007 (Appelbaum)
- 5,000 families have been evicted from their rental homes in the last 18 months in Nevada (Rucker)

NLIHC's Findings



86% of housing counselors report that renters typically have less than 2 months to vacate a foreclosed property; 51% report less than 1 month

“Renters are being ask to vacate foreclosed housing yet their security deposit is not returned. Renters are given only 10 days to vacate foreclosed homes.” --- MN

“The renters have very little warning of losing their homes...No one, including the owner, tells them what is going on in most cases, and they rarely get their security deposits returned.” --- IL

“Renters are usually reassured by their housing provider that the foreclosure paperwork was a mistake/will be worked out and generally don't realize they have to vacate until the 11th hour.” --- OH

Recent Reports – Foreclosure & Post-Eviction

- 76% of state and local homeless coalitions report that those going through foreclosure stay with family/friends after eviction, followed by emergency shelters (54%), living on the streets (42%), and renting (38%) (Erlenbusch, et al)
- 928 homeless adults in Michigan listed “foreclosure” as one of the top two reasons for their homelessness in 2007. The number in 1Q ‘08 was 217% higher than in 1Q ‘06 (Ritter)
- Three of the 50 families interviewed in Cleveland spent time in a shelter; most rent another unit or stay with family and friends (Rothstein)
- Finding a place to live after a foreclosure-related eviction costs a household renting in Cleveland an estimated \$2,558, on average (Rothstein)

NLIHC's Findings

Housing counselors are seeing a variety of outcomes for renters evicted by foreclosure, homelessness among them.

"We have been seeing an increase in families requesting assistance with security deposits and first months rent and rent assistance because they have been foreclosed on." --- MO

Are you aware of evicted renters ending up in the following situations? (132 to 142 responses)	Yes	No	Don't Know
An apartment or home for rent nearby	78%	5%	17%
A relative's home nearby	76%	6%	18%
An apartment or home for rent in another community	67%	9%	24%
A relative's home in another community	61%	11%	28%
Assisted/Subsidized housing	60%	21%	19%
The home of a nonrelative nearby	56%	11%	34%
Homeless shelter	52%	22%	26%
Hotel/Motel	51%	18%	30%
The home of a nonrelative in another community	44%	16%	40%
Automobile/Outside/Camp Site	30%	29%	40%

"The rental market has become significantly more challenging due to the current foreclosure crisis... There are both tenants that are displaced by foreclosure as well as potential buyers that can't or don't want to enter into homeownership that are now competing with other tenants for limited rental units." --- MA

"[My city] lacks available affordable housing and the wait for Section 8 housing is typically 4 years. We have found difficulty in relocating displaced homeowners due to foreclosure as landlords are still taking credit scores into consideration and typically are charging above market rents due to the increased demand for affordable rental housing." --- CA

Recent Reports – Foreclosure & Income

Not much is known about the incomes of owner and renter households impacted by foreclosure...

- 61% of 143,000 households calling the 888-995-HOPE hotline in 4th Q '07 had incomes of less than \$42,000 (87% of median income in the US) (Homeownership Preservation Foundation)

- Households earning <50% of the area median income in Cleveland were two times more likely to enter foreclosure than those earning >120% of the median income (Coulton)

NLIHC's Findings

Income Category by Area Median Income (AMI) <small>(101 responses; 38 for 0-30% and 31-50% categories)</small>	Average
Very Low Income (0-50% AMI)	35%
0-30% AMI	17%
31-50% AMI	17%
Other Low Income (51-80% AMI)	34%
Total Low Income (0-80% AMI)	69%
Not Low Income	31%

On average, 69% of housing counselors' foreclosure-related clients are Low Income. Over one-third earn less than 50% of the area median income.

"The foreclosure issue seems to transcend all income levels although the hardest hit appears to be low to moderate income individuals." --- FL

"Many of the households we are seeing are of low to moderate income. Usually there is a loss of job or a medical emergency that puts the household in this position... We are also seeing households on fixed incomes that are unable to keep up with the increased cost of fuel and food." --- NY

"Many of my clients are the same type of clients that have always, and will always face these kinds of problems - low income families that have no room for savings." --- UT

Recent Reports – Foreclosure & Neighborhood Destabilization

- The foreclosure rate in Chicago’s high-minority neighborhoods was 2.5 times the regional rate (Woodstock Institute, March)
- Foreclosure rates in high-minority and high-poverty neighborhoods were 3.6-5.4 times higher than in other parts of Cleveland (Coulton)
- Values of homes near foreclosed properties are estimated to decline by an average of \$5,000 as a result of their proximity, resulting in a \$202 billion reduction in local tax base (Center for Responsible Lending)
- Proximity to a concentration of foreclosed properties in New York has been shown to reduce a home’s sales price by as much as 3.7%, or \$8,000 (Been)

Recent Research on the Foreclosure Crisis, 7/23/08

NLIHC's Findings

New England property foreclosure rates are highest in high-poverty neighborhoods, which are also characterized by other indicators of socioeconomic disadvantage.

		Percent Renter			
		Low	Average	High	Total
Poverty Rate	Low	0.21%	0.19%	0.21%	0.21%
	Average	0.30%	0.27%	0.20%	0.26%
	High	0.25%	0.51%	0.50%	0.50%
	Total	0.24%	0.29%	0.43%	0.32%

Median Neighborhood Characteristics	High Poverty, High Renter	Avg. Poverty, Mixed Tenure	Low Poverty, Low Renter	All Neighborhoods
Property Foreclosure Rate	0.50%	0.27%	0.21%	0.32%
Poverty rate	20.4%	6.0%	2.5%	6.0%
Percent renter	71.1%	30.5%	10.9%	30.4%
Median household income	\$31,056	\$50,305	\$70,755	\$50,435
Median home value	\$110,300	\$146,800	\$195,750	\$152,750
Percent non-white	43.4%	7.6%	4.5%	8.5%
% without a high school degree	29.9%	14.3%	7.6%	13.4%

Conclusions

Based on NLIHC's research, state and local studies, and stories in the popular press, the following can be said about foreclosure:

- Multi-unit buildings constitute a significant share of foreclosures in some areas, and they have the capacity to displace many households at once.
- A large proportion of households being displaced by foreclosure are renters, and many find themselves in unstable, tenuous living situations after eviction.
- Households seeking foreclosure counseling by and large earn less than 80% of the area median income, and many earn much less than that.
- Foreclosures are concentrated in neighborhoods already considered high-poverty and socioeconomically disadvantaged.
- Cities and states are feeling the foreclosure crisis in different ways depending on their histories, laws, housing stock, and populations, but no area appears to be immune.

Recent Research on the Foreclosure Crisis, 7/23/08

NLIHC Research

NLIHC's findings presented here are drawn from three research notes, available at www.nlihc.org/template/page.cfm?id=21.

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