

# Foreclosure: Personal Crisis, Community Crisis

Housing Justice Network National Meeting  
December 7, 2008

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

# Presentation Overview

## **The foreclosure crisis and:**

- The characteristics of the affected housing stock
- The tenure of displaced households
- The income of displaced households
- Eviction and subsequent homelessness
- The characteristics of hard-hit neighborhoods

## **For each topic, I'll 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

## Housing Stock Characteristics (Recent Reports)

### Small Multi-Unit Stock

- 37% of the foreclosure filings in the City of Chicago in 2007 were on 2-6 unit buildings<sup>1</sup>
- 60% of the 15,000 foreclosure filings in New York City last year were on multi-unit buildings<sup>2</sup>
- Two-to-four unit buildings in Massachusetts account for only 10% of residential purchases but 30% of the state's foreclosures<sup>3</sup>
- Multi-unit buildings make up 46% of Lowell's and 73% of Lawrence's foreclosures in MA<sup>4</sup>

### *NLIHC's Findings*

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

## The Tenure of Affected Households (Recent Reports)

### Percentage of foreclosed homes that were NOT owner-occupied:

- 25% of single-family homes in California<sup>5</sup>
- 25% in Kalamazoo, MI<sup>6</sup>
- 29% in Mecklenburg County, NC<sup>7</sup>
- 29% in Cuyahoga County, OH<sup>8</sup>
- 1/3 to 2/3 of San Diego County's 50 daily foreclosures<sup>9</sup>
- 43% in Hennepin County, MN<sup>10</sup>
- 45% in Tulsa since August 2006<sup>11</sup>
- 50% in New York City<sup>12</sup>
- 50% in Springfield, MA<sup>13</sup>
- 50% in Chicago<sup>14</sup>
- An estimated 60% this year in Boston<sup>15</sup>
- An estimated 60% in the Las Vegas region last year<sup>16</sup>
- 2/3 of foreclosure-related evictions executed by the sheriff's deputy in Greensboro, NC<sup>17</sup>

### Numbers

- 1,700 apartment units have been foreclosed on in Los Angeles in the last 18 months. Calls to the county's consumer affairs office from tenants in foreclosed units have risen from 10 per week to 60-75 per week<sup>18</sup>
- 2,500 renter households in Chicago could be evicted as a result of foreclosure this year<sup>19</sup>
- An estimated 4,000 renters have been evicted as a result of foreclosure in Ohio<sup>20</sup>
- The number of renters with Section 8 vouchers being displaced by foreclosure "is significant - and growing" in CA, with more than 100 such cases in Sacramento County in July alone<sup>21</sup>

## *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%

# Renters at Risk

	Magnitude of Risk			Severity of Risk	
	Households Living in 1-4 Unit Buildings			% of All Mortgages Either in Foreclosure or REO	Renters at Risk
	Total	Renter-Occupied	Renters Earning <=50% SMFI		
Rhode Island	340,385	94,533	41,363	4.25%	1,759
Ohio	3,749,514	775,390	353,404	6.44%	22,777
Louisiana	1,241,320	314,431	145,112	3.70%	5,364
California	9,015,782	2,580,924	888,157	5.72%	50,842
Michigan	3,165,628	485,034	235,723	6.38%	15,036
Arkansas	877,693	231,542	98,612	3.12%	3,076
Alabama	1,390,424	293,547	139,821	3.50%	4,892
Nevada	692,652	184,332	47,057	8.10%	3,812
Mississippi	829,833	183,442	77,417	4.49%	3,472
District of Columbia	126,113	41,701	14,873	2.01%	299
Illinois	3,738,652	733,407	329,702	4.33%	14,267
Kentucky	1,308,121	284,818	120,584	4.22%	5,084
Massachusetts	1,946,104	466,102	199,975	2.84%	5,681
Tennessee	1,917,826	407,592	167,540	4.40%	7,373
Georgia	2,635,768	544,735	226,311	4.48%	10,139
New York	4,619,650	1,198,320	451,195	3.51%	15,841
Indiana	2,060,439	396,714	155,813	5.67%	8,836
Florida	5,029,734	1,015,569	340,785	7.00%	23,856
Oklahoma	1,141,423	281,583	111,259	2.94%	3,272
Missouri	1,929,685	422,460	182,376	2.90%	5,287
Pennsylvania	4,132,957	848,788	367,345	3.19%	11,732
New Jersey	2,509,051	520,090	216,622	3.62%	7,841
...	...	...	...	...	...
<b>U.S.</b>	<b>87,809,752</b>	<b>19,173,432</b>	<b>7,574,104</b>	<b>---</b>	<b>300,444</b>

Source: NLIHC tabulations of the 2007 American Community Survey PUMS housing file and the Foreclosure Response Project's Foreclosure Needs Score data

## Income of Affected Households (Recent Reports)

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 4<sup>th</sup> Q '07 had incomes of less than \$42,000 (87% of median income in the US)<sup>22</sup>
- 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<sup>23</sup>

### *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)	<b>35%</b>
0-30% AMI	17%
31-50% AMI	17%
Other Low Income (51-80% AMI)	34%
Total Low Income (0-80% AMI)	<b>69%</b>
Not Low Income	31%

# Eviction & Homelessness (Recent Reports)

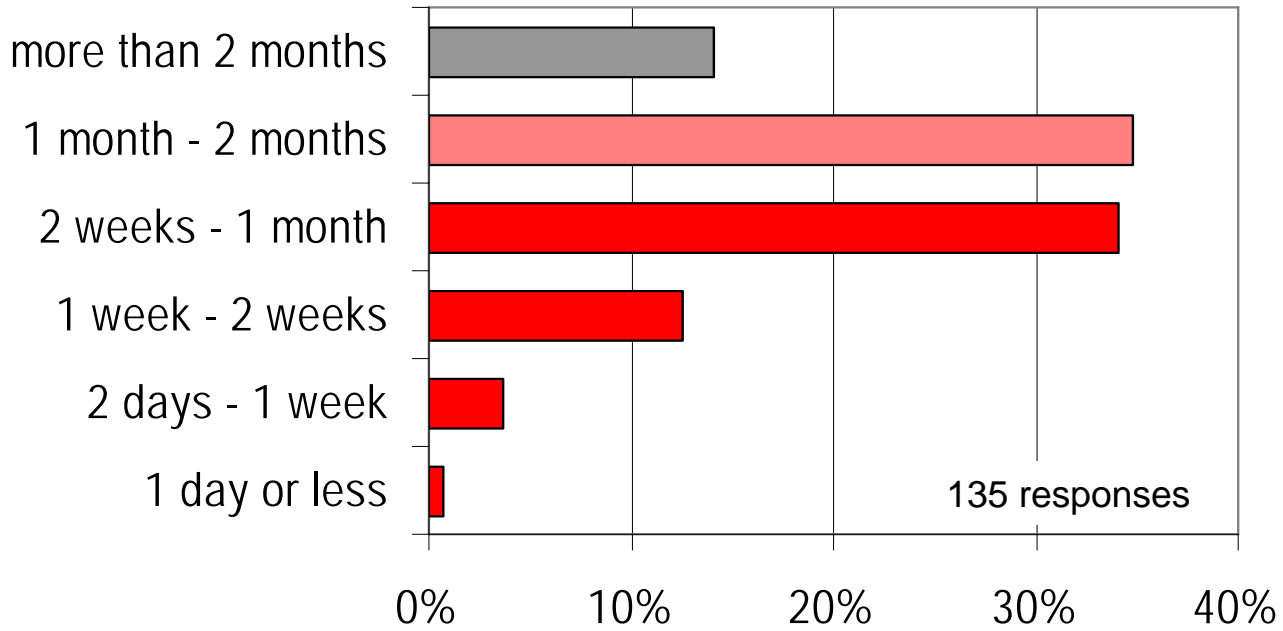
## Eviction

- Calls to HOME Line from renters facing foreclosure in Minnesota increased from 78 in 2006 to 424 in 2007<sup>24</sup>
- 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<sup>25</sup>
- Evictions in the Boston Housing Court more than doubled from 2006 to 2007<sup>26</sup>
- 5,000 families have been evicted from their rental homes in the last 18 months in Nevada<sup>27</sup>
- As many as 600 renters have been evicted in Pasco County, FL, this year<sup>28</sup>
- There are 100 more foreclosure-related evictions per month in Wake County, NC, this year than last, and many of those losing their homes are renters<sup>29</sup>

## Homelessness

- 928 homeless adults in Michigan list “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<sup>30</sup>
- At least 2-3% of those in Boston’s homeless shelters are there because of the foreclosure crisis<sup>31</sup>
- 5% of those living in shelters or on the streets in Richmond, VA, were former owners or renters displaced by foreclosure, and the number of homeless children has increased by 10%<sup>32</sup>
- 6% of 50 families interviewed in Cleveland who had lost their home to foreclosure spent time in a shelter<sup>33</sup>
- 7% of the 161 applicants for Section 8 interviewed in Minnesota report losing their home to foreclosure<sup>34</sup>
- 7.7% of Longmont, CO’s homeless population attribute their situation to eviction or foreclosure<sup>35</sup>
- An estimated 10% of those affected by foreclosure in Minneapolis go directly to a homeless shelter<sup>36</sup>

# NLIHC's Findings



*Percent of housing counselors aware of evicted renters in the following living situations:*

Apt. nearby	Family nearby	Apt. else-where	Family else-where	Assisted housing	Friend nearby	Homeless shelter	Hotel, motel	Friend else-where	Car, outside, camp site, etc.
78%	76%	67%	61%	60%	56%	52%	51%	44%	30%

## Characteristics of Hard-Hit Neighborhoods (Recent Reports)

- The foreclosure rate in Chicago's high-minority neighborhoods was 2.5 times the regional rate<sup>37</sup>
- Foreclosure rates in high-minority and high-poverty neighborhoods were 3.6 - 5.4 times higher than in other parts of Cleveland<sup>38</sup>
- 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<sup>39</sup>
- 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<sup>40</sup>

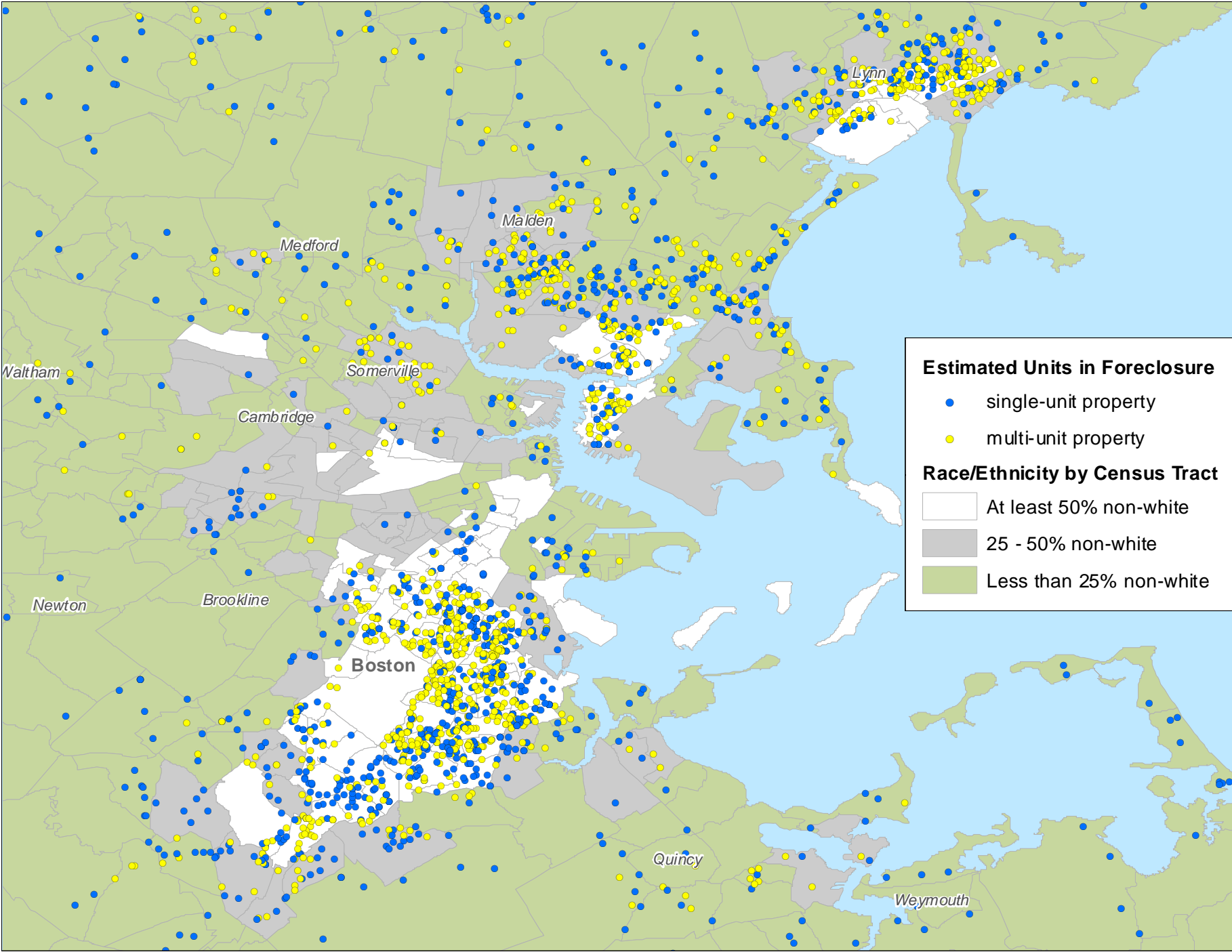
# NLIHC's Findings

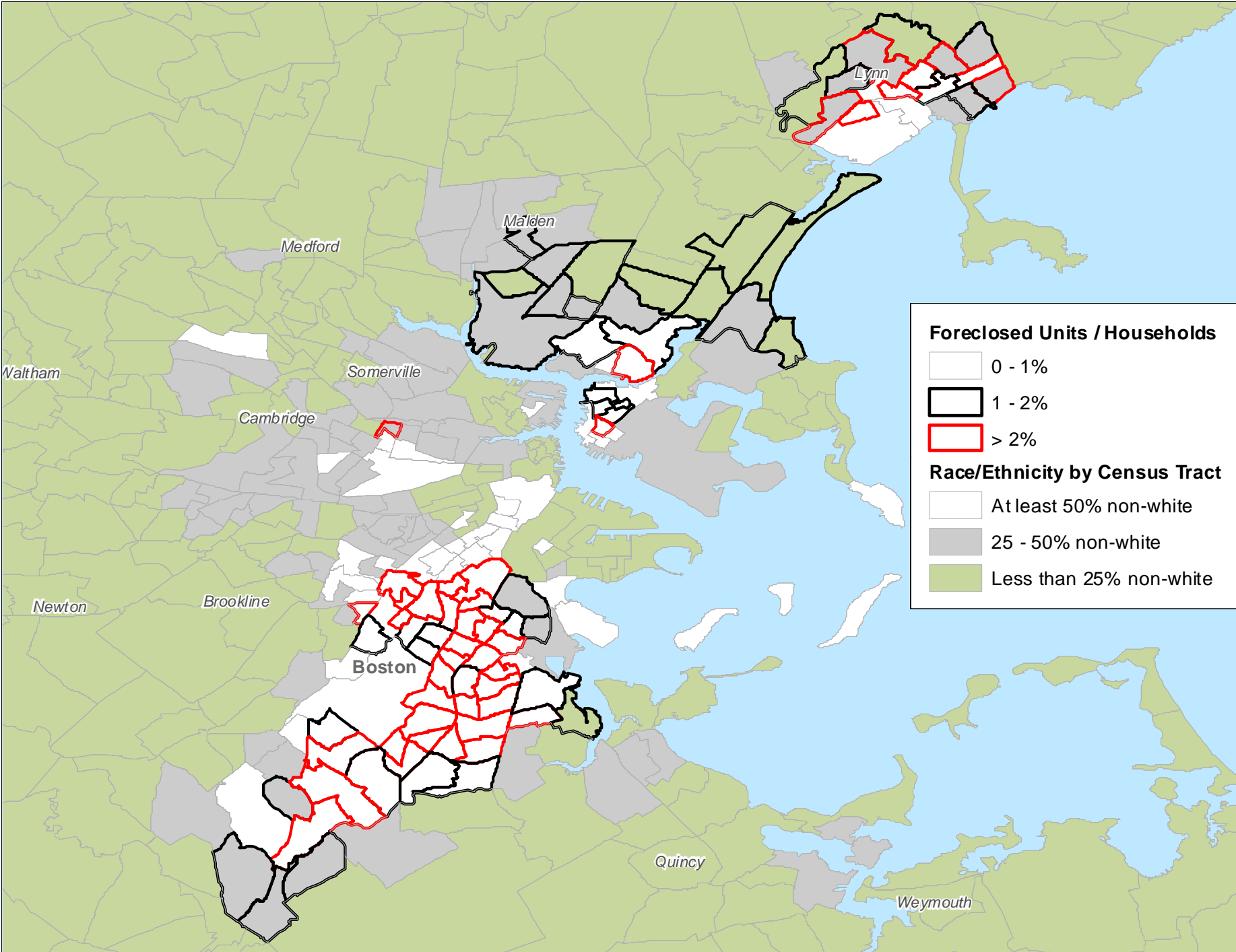
(values higher than the regional average are in red)

	Proportion of Foreclosed Properties with 2+ Units		
	White Quartile	Middle Half	Non-White Quartile
Low Poverty	7%	8%	8%
Average Poverty	10%	17%	31%
High Poverty	26%	33%	58%

	Foreclosure Rate		
	White Quartile	Middle Half	Non-White Quartile
Low Poverty	0.21%	0.24%	0.52%
Average Poverty	0.28%	0.32%	0.60%
High Poverty	0.63%	0.46%	1.32%

Both the share of foreclosed properties with 2+ units and foreclosure rates are highest in high-minority, high-poverty neighborhoods.





# 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.

# NLIHC Research

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

Wardrip, K.E., & Pelletiere, D. (2008, May 8). *Research Note #08-01 – Properties, units and tenure in the foreclosure crisis: An initial analysis of properties at the end of the foreclosure process*. Washington, DC: National Low Income Housing Coalition.

--- (2008, June 17). *Research Note #08-02 – Neighborhood poverty and tenure characteristics and the incidence of foreclosure in New England*. Washington, DC: National Low Income Housing Coalition.

--- (2008, July 17). *Research Note #08-03 – Income and tenure of households seeking foreclosure counseling: A report from recent surveys*. Washington, DC: National Low Income Housing Coalition.

## Other Works Cited

<sup>1</sup> Smith, G., & Duda, S. (2008, August). *Foreclosure fallout: An analysis of foreclosure auctions in the Chicago region*. Chicago, IL: Woodstock Institute.

<sup>2</sup> Furman Center for Real Estate & Urban Policy. (2008, April 14). *New analysis of NYC foreclosure data reveals 15,000 renter households living in buildings that entered foreclosure in 2007*. New York, NY: Author.

<sup>3</sup> Foote, C. L., Gerardi, K., Goette, L., and Willen, P. S. (2008, May 30). *Subprime facts: What (we think) we know about the subprime crisis and what we don't*. Public Policy Discussion Papers, Federal Reserve Bank of Boston

<sup>4</sup> Fraser, J. (2008, July). 2008 Foreclosures by property type for Lowell and Lawrence. *Merrimack Valley Housing Report*, 1 (2), 2-3.

<sup>5</sup> Lazarus, D. (2008, February 13). Shadow victims of the mortgage crisis: Renters. *Los Angeles Times*.

<sup>6</sup> Jessup, K. (2008, Jul. 1) Foreclosures jump 66% in Kalamazoo: housing services 'swamped' with requests for counseling. *Kalamazoo Gazette*.

<sup>7</sup> Carlock, C. (2008, July 14). Landlords defaulting, and renters suffer. *Charlotte Observer*.

<sup>8</sup> Rothstein, D. (2008, June). *Collateral Damage: Renters in the foreclosure crisis*. Cleveland, OH: Policy Matters Ohio.

## Other Works Cited (cont'd)

- <sup>9</sup> Graham, M. (2008, Jul. 12). Foreclosure's unseen victims. *The San Diego Union-Tribune*.
- <sup>10</sup> Hennepin County Task Force. (2007, October 18). *Hennepin County foreclosure task force report – October 18, 2007*.
- <sup>11</sup> Graham, G. (2008, Oct. 12). Landlords hit hard by foreclosure. *Tulsa World*.
- <sup>12</sup> Furman Center for Real Estate & Urban Policy. (2008, April 14). *New analysis of NYC foreclosure data reveals 15,000 renter households living in buildings that entered foreclosure in 2007*. New York, NY: Author.
- <sup>13</sup> Turner, M. (2008, Nov. 27). Springfield: City of foreclosures. *Valley Advocate*.
- <sup>14</sup> Leland, J. (2008, Oct. 8). Sheriff in Chicago ends evictions in foreclosures. *The New York Times*.
- <sup>15</sup> Crimaldi, L. (2008, Nov. 23). Eviction spike leaving more Bay Staters out in the cold. *Boston Herald*.
- <sup>16</sup> Eckhouse, B. (2008, Oct. 2). Political rivals agree on helping tenants in foreclosed homes. *Las Vegas Sun*.
- <sup>17</sup> WFMY2, CBS, Greensboro, NC. (2008, Oct. 23). The foreclosure crisis: A day in the life of an evictor.
- <sup>18</sup> Bartholomew, D. (2008, Sept. 19). Renters feel impact of home foreclosures. *Los Angeles Daily News*.
- <sup>19</sup> Spielman, F. (2008, Aug. 15). New laws to protect renters from foreclosure. *Chicago Sun-Times*.
- <sup>20</sup> WKRC12, CBS, Cincinnati, OH. (2008, Nov. 17). Foreclosure forcing tenants out.
- <sup>21</sup> Heisel, W. (2008, Aug. 26). Foreclosures ensnare low-income renters. *Los Angeles Times*.
- <sup>22</sup> Homeownership Preservation Foundation. (2008, January 15). Nation's foreclosure prevention hotline shatters previous call records (press release).
- <sup>23</sup> Coulton, C., Chan, T., Schramm, M., & Mikelbank, K. (2008, June). *Pathways to foreclosure: A longitudinal study of mortgage loans, Cleveland and Cuyahoga County, 2005-2008*. Cleveland, OH: Case Western Reserve University.
- <sup>24</sup> Heath, B., and Jones, C. (2008, April 4). Mortgage defaults force Denver exodus. *USA Today*.
- <sup>25</sup> Rothstein, D. (2008, June). *Collateral Damage: Renters in the foreclosure crisis*. Cleveland, OH: Policy Matters Ohio.

## Other Works Cited (cont'd)

- <sup>26</sup> Appelbaum, B. (2007, October 21). Default crisis is evicting renters. *Boston Globe*.
- <sup>27</sup> Rucker, P. (2008, June 16). Renters, soldiers feeling foreclosure pain. *Reuters*.
- <sup>28</sup> WTVT13, FOX, Tampa, FL. (2008, Oct. 10). Pasco renters displaced by foreclosures on landlord's properties.
- <sup>29</sup> WTVD11, ABC, Raleigh, NC. (2008, Oct. 10). Renters being kicked out of foreclosed properties.
- <sup>30</sup> Ritter, Barbara. (2008, April 29). Email from Michigan's HMIS Director.
- <sup>31</sup> Crimaldi, L. (2008, Nov. 23). Eviction spike leaving more Bay Staters out in the cold. *Boston Herald*.
- <sup>32</sup> WTVR 6, CBS, Richmond, VA. (2008, Aug. 25). Foreclosures & the homeless.
- <sup>33</sup> Rothstein, D. (2008, June). *Collateral Damage: Renters in the foreclosure crisis*. Cleveland, OH: Policy Matters Ohio.
- <sup>34</sup> Minnesota Housing Partnership. (2008, Nov.) *Survey of applicants to the Minneapolis Public Housing Authority Section 8 waiting list*. Minneapolis, MN: Author.
- <sup>35</sup> Roachat, S. (2008, Nov. 21). Myths about homelessness dispelled at local event. *Longmont Times-Call*.
- <sup>36</sup> Traudes, C. (2008, Nov. 10). Housing crisis puts pressure on fight against family homelessness. *Downtown Journal*.
- <sup>37</sup> Woodstock Institute. (2008, March). *Foreclosures in the Chicago region continue to grow at an alarming rate*. Chicago, IL: Author.
- <sup>38</sup> Coulton, C., Chan, T., Schramm, M., & Mikelbank, K. (2008, June). *Pathways to foreclosure: A longitudinal study of mortgage loans, Cleveland and Cuyahoga County, 2005-2008*. Cleveland, OH: Case Western Reserve University.
- <sup>39</sup> Center for Responsible Lending. (2008, January 18). *Subprime spillover: Foreclosures cost neighbors \$202 billion; 4.6 million homes lose \$5,000 on average*. Washington, DC: Author.
- <sup>40</sup> Been, V. (2008, May 21). *External effects of concentrated mortgage foreclosures: Evidence from New York City*. Testimony before Committee on Oversight and Government Reform, Subcommittee on Domestic Policy.