

**Low income households and foreclosure:  
An update on research at the  
National Low Income Housing Coalition**

Presented at the  
Housing Statistics Users Group  
Washington, D.C.

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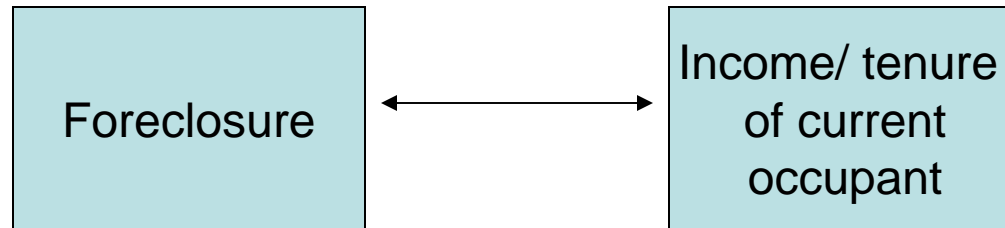
# **NLIHC's foreclosure research objectives**

- The direct effects of foreclosure and credit problems on low income people.
  - Who, What, Where, When, and How?
  - What is the pattern and the trend?
- How are credit/foreclosure problems affecting low income people indirectly?
  - Neighborhood effects, home prices, rental markets
- What effects will this have on federal low income housing programs? What services are needed?

# **Presentation objectives**

- Present the results of our research thus far,  
and
- Get feedback on what we have done and  
what we have missed

**Is there an existing direct link between a foreclosure and income in the data?**



We have not found one.

# Major data sources

- Securitization (LP, McDash)
  - Only available at zip level aggregations
  - Only securitized loans
  - Aggregate loan characteristics
- HMDA
  - Tract level info
  - No delinquency/foreclosure data(?)
  - Lag
- Deeds registry (Realtytrac/local services/NPOs)
  - Address level info
  - All deed transfers and mortgages
  - Limited property characteristics
  - Limited loan characteristics

# Foreclosure data choice

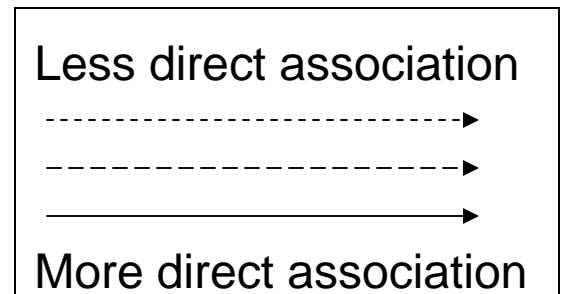
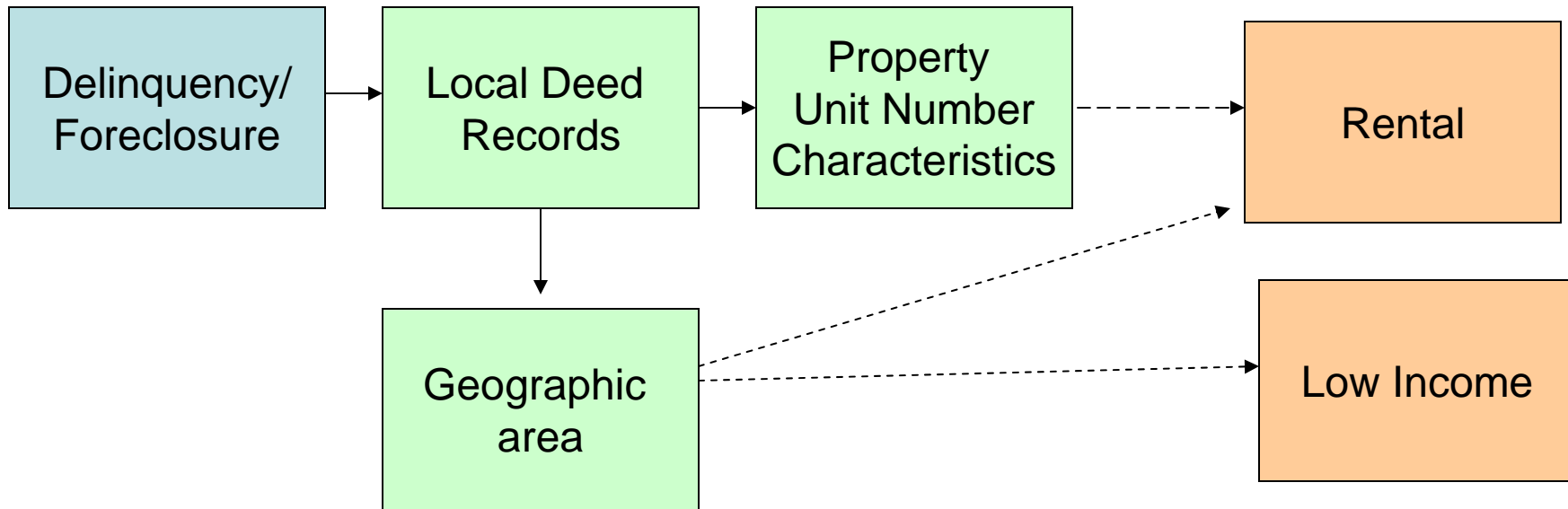
NLIHC interested in:

- households/housing units not loans.
- tenure stability and choice not loan performance

so we chose to use:

- Warren Group (CT, RI, MA, NH)
- Deed registry data
- 2007 – Q1 2008
- We chose to focus only on scheduled auctions and REOs, not delinquency
- Foreclosure rate is *units* to households (2000)

# The links in our analysis



# The unit/property assumptions

Property Type	Estimated Units Per Property	Total Properties
<b>Single-Unit Buildings</b>		
1-Family Residence	1	8,377
Condominium	1	1,557
Mobile Home	1	48
<b>Multi-Unit Buildings</b>		
2-Family Residence	2	2,133
3-Family Residence	3	1,293
1-4 Family Residence	2.5	248
2-5 Family Residence	3.5	724
4-8 Unit Apt	6	244
9 + Unit Apt	9	13
Apt Bldg	10	8

# The multi-unit/rental link

	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	32%	56%

- We can say with relative certainty: 1/3 of properties are multi-unit, accounting for 56% of units

- Estimating the share of rental properties is sensitive to the assumptions, but the significance of the sector is clear.

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%

# The geography/income and tenure link

Foreclosures in CT, MA, NH, and RI

Foreclosed properties	14,645
Foreclosed units	22,942
Total households	4,628,280
Foreclosure rate	0.50%

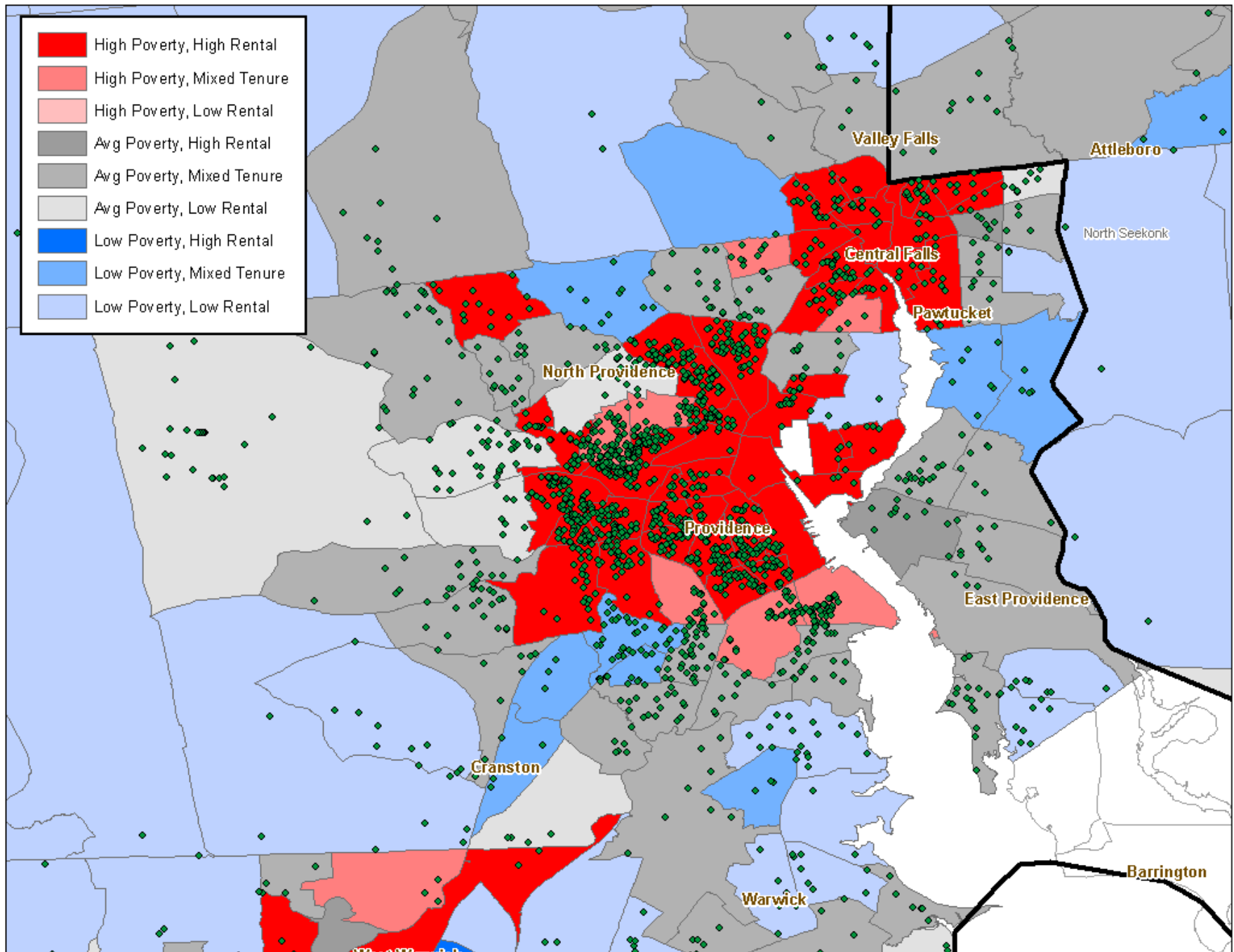
Neighborhoods by Typology

		Percent Renter		
		Low	Average	High
Poverty Rate	Low	632	236	21
	Average	247	490	155
	High	10	166	717

Foreclosure Rate by Neighborhood Typology

		Percent Renter			
		Low	Average	High	Total
Poverty Rate	Low	0.24%	0.21%	0.27%	<b>0.23%</b>
	Average	0.33%	0.35%	0.28%	<b>0.33%</b>
	High	0.26%	<b>0.75%</b>	<b>1.06%</b>	<b>0.99%</b>
	Total	<b>0.26%</b>	<b>0.38%</b>	<b>0.88%</b>	<b>0.50%</b>





# Service survey

- Who is seeking counseling services?
  - What income level are counselors seeing?
  - What is the tenure of clients pre- and post-foreclosure?
  - Etc.

*NLIHC has conducted a preliminary survey of 1500*

*HUD approved counselors and related rental  
eviction service providers*

## **Servicer survey (cont.)**

Survey conducted in two parts.

- First survey
  - Collected preliminary information
  - Cleaned distribution list
  - 436 replied in full or part (30% response rate)
  - Respondents helped identify agencies that assist evicted renters
- Second Survey
  - Included agencies that assist evicted renters
  - 329 replied in full or part (22% response rate)

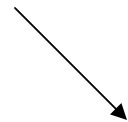
## **First survey – selected findings**

- 64% have counseled families renting units affected by foreclosure, though homeowners make up the majority of clients for nearly all respondents
- 57% report that the number of renters displaced by foreclosure is up in the last 12 months; 35% say it's unchanged; 8% say there are fewer
- 68% report renters usually have between 2 weeks and 2 months to vacate a foreclosed unit
- 61-78% know of displaced renters that now live in an apt. nearby; a relative's home nearby; an apt. elsewhere; a relative's home elsewhere.
- 52% know of renters who have ended up in a homeless shelter.

# Second survey – selected findings

Distribution of Client Income Collected by Housing Counselors	Foreclosure Client Data	All Client Data
	N=92	N=59
At Least Half Earn <=50% of AMI	26%	47%
At Least Half Earn <=80% of AMI	82%	92%
At Least Half Earn <= AMI	97%	100%
Total	100%	100%

• Low-income clients make up the majority for 82-92% of agencies surveyed. Again, the foreclosure data indicate slightly higher incomes.

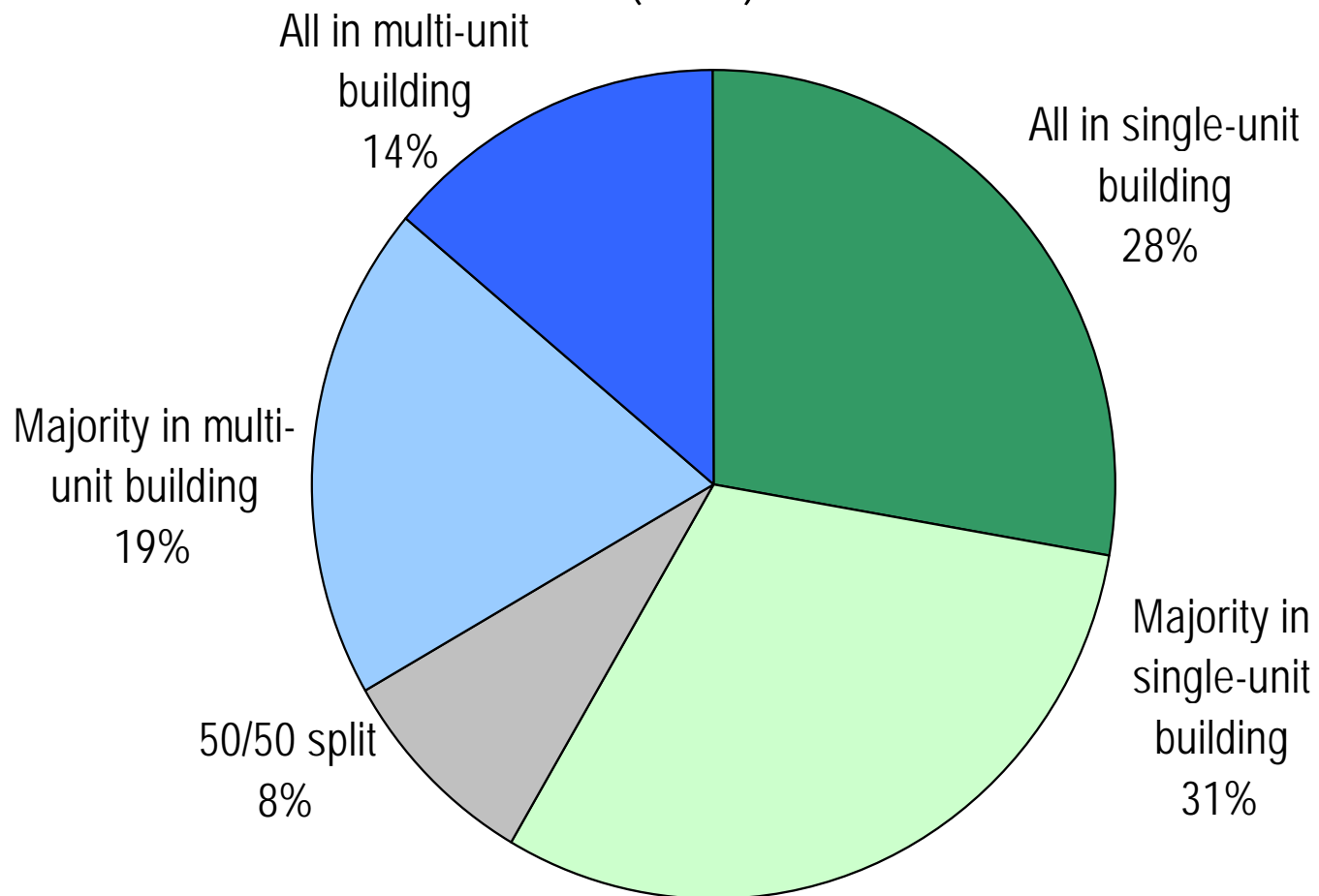


Agencies Reporting Foreclosure Client Income Only			
Foreclosure Clients in Last 12 Months (Owner & Renter)	Fewer than 100	100-500 Clients	More than 500
Number of Agencies	43	37	8
At Least Half Earn <=50% of AMI	28%	24%	38%
At Least Half Earn <=80% of AMI	72%	92%	88%
At Least Half Earn <= AMI	95%	100%	100%
Total	100%	100%	100%

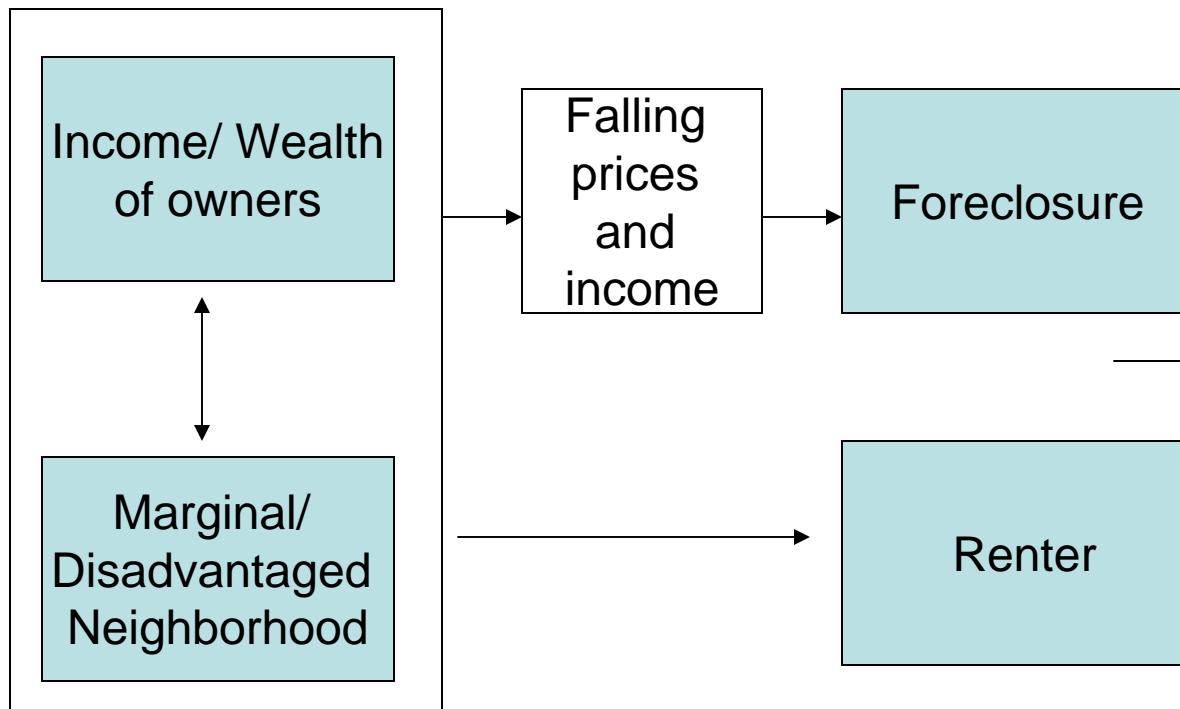
• Foreclosure clients for the largest agencies appear to have slightly lower incomes.

# Nationally, the majority of foreclosed renters that counselors see are in single family units

Type of housing stock occupied by displaced renters before foreclosure  
(N=72).



# Preliminary thoughts on our findings - Poor people and neighborhoods most vulnerable



**The influence of tenure/ multiunit status independent of neighborhood remains uncertain.**

Possible channels for such an effect include:

- “Speculators” more likely to buy unviable rental properties and more willing to “walk.”
- Properties have higher Combined Loan to Value ratios.
- Small owner/renters particularly sensitive to vacancy and rental income volatility.