

*Properties, Units, and Tenure in the Foreclosure Crisis:
An Initial Analysis of Properties at the End of the Foreclosure Process
in New England*

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Introduction

The foreclosure crisis is popularly represented by the image of a family losing a single-family home that it owns. But foreclosure is affecting a much broader portion of families in the U.S., because U.S. housing stock is much more diverse than single-family homes and housing tenure in the U.S. takes forms other than homeownership.

Roughly one-third of households in the U.S. rent their homes and a significant number of both renters (23.4 million) and owners (4.2 million) live in multi-family buildings. In fact, 26% of the homes in this country are located in multi-family buildings (U.S. Census Bureau). Conversely, nearly 39% of the unsubsidized rental homes and 17% of those that are subsidized² are single-family units (Joint Center for Housing Studies at Harvard University [JCHS], 2008). Therefore it is no surprise that more than just single-family homes are being foreclosed upon in the U.S. and many foreclosed single-family homes are occupied by renters. This study briefly reviews the emerging evidence on the tenure and character of the housing stock facing foreclosure and looks specifically at property unit counts from detailed foreclosure records from four states: Connecticut, Massachusetts, New Hampshire, and Rhode Island.

¹ This version corrects an inadvertent misrepresentation of the assumptions used to estimate the proportion of renters affected.

² In general a unit is considered subsidized if its rent is made affordable to low-income households through a program that provides direct or indirect payments or other financial benefits to owners or tenants to cover the gap between what it costs to operate the housing and what low income tenants can afford. These data are from the American Housing Survey and are based on a series of questions about who owns a unit, who contributes to the rent, and how rents and eligibility to live in a unit are set and may include tenants assisted by private as well as federal, state, and local government programs.

Nationally, the available evidence suggests that a significant portion of the homes caught in the advanced stages of foreclosure are likely rentals or in properties that contain more than one unit. In the four New England states that are the focus of this research, the majority of homes in the final stages of the foreclosure process are in multi-family buildings. NLIHC estimates that roughly 45% are rentals. Moreover, the number of multi-family units owned by the bank or being scheduled for auction is increasing faster than for single-family homes.

These data make clear that limiting assistance to single-family homeowners or single-family properties in local, state, or national responses to the crisis will exclude a large number of affected families, including many lease-abiding renters who are the blameless victims of this crisis.

The Emerging Picture

No federal or otherwise broadly accepted and standardized national foreclosure dataset exists at this time. Currently a variety of public and private organizations collect these data from courthouses, newspapers, and other sources. This makes determining and settling on definitive numbers of renters caught in the foreclosure crisis difficult. Still some indications of the tenure pattern and trend of the national crisis are emerging.

One source of information for national foreclosure data is the Mortgage Bankers Association's National Delinquency Survey. According to the survey, almost one in five of all foreclosure starts at the end of 2007 were one- to four-unit rental properties (As cited in JCHS, 2008). More recent data, however, suggest that the proportion of foreclosures affecting renters may be much greater nationally – and an even more serious concern in some states and many localities.

In March 2008, a report based on data from RealtyTrac, which collects foreclosure data from 2,500 counties in the country, stated that “38 percent of foreclosures now involve rental properties,” affecting “at least 168,000 households nationwide” (As cited in CBS Evening News, 2008, March 27). According to the report, roughly half of the recent foreclosures in Nevada, Illinois, and New York involved rental properties.

Similar information is emerging in specific markets. For example, in New York City, there were 15,000 foreclosure filings in 2007; 60% were on properties with two or more units and half of the more than 30,000 households living in properties in foreclosure were renter households (Furman Center, 2008). Citing data from the Federal Reserve Bank of Boston, Appelbaum (2007) estimates that 29% of the properties foreclosed on in the first eight months of 2007 in Massachusetts were multi-family, although multi-family buildings represented only 10% of the properties in the state. More recent data from the first quarter of 2008 indicate that 43% of all foreclosures in Boston were either two- or three-family homes (Pikounis, 2008). And similarly in Hennepin County, Minnesota, through October 2007, 43% of foreclosed properties in the county – and 60% in Minneapolis – were not owner-occupied. These properties had the potential to adversely affect between 2,500 and 3,000 tenant households (Hennepin County Task Force, 2007).

As these figures indicate, when multi-family units are foreclosed on, renters lose their homes. In Minnesota, calls to a tenant hotline from renters facing eviction as a result of foreclosure increased from 78 in 2006 to 424 in 2007 (Heath & Jones, 2008). In Boston, cases of eviction due to foreclosure heard by the Housing Court at least doubled from 2006 to 2007, reaching roughly 20 per week (Appelbaum, 2007). The number of similar cases tripled in the Cleveland Housing Court from September 2006 to September 2007 (Harris, 2007). And in Providence, RI, lenders sought to evict more than 400 tenants from foreclosed homes in the first three months of this year (Arditi, 2008).

An In-Depth Look at Four States in New England

The lack of comprehensive, publicly available national data makes research on the tenure and characteristics of foreclosed homes extremely difficult. The next best option is to analyze data available through private companies that collect and disseminate, often for a fee, data on foreclosed properties in particular counties, states, or geographic regions. In this context, NLIHC chose to do an exploratory analysis of data on residential properties near the end of the

foreclosure process from the Warren Group³, which collects data in four New England states: Connecticut, Massachusetts, New Hampshire, and Rhode Island.

Being at the end of the foreclosure process means either a foreclosure auction has been scheduled or ownership has already transferred to the lender (REO, or real estate owned) as a result of foreclosure. Units with a petition to foreclose or categorized as “lis pendens”⁴ in the data may never be seriously threatened; the current owners can emerge from foreclosure. Those with an auction scheduled are clearly and publically threatened, however, and in the case of REO properties the foreclosure is complete and the previous owners have lost ownership. Thus, it is in these properties that tenants and owner occupants face the greatest likelihood of eviction as a result of foreclosure. As a practical matter, data for units in these terminal stages of the foreclosure process are consistent for all four states, whereas data on other stages are available for only select states (e.g., petition to foreclose and lis pendens in Massachusetts; lis pendens in Connecticut).⁵

Table 1: Foreclosure Auction and REO Properties and Units, by Multi-family Status, January 2007 to March 2008

	Properties	Units
Four-State Total	14,993	23,440
Multi-family	4,736	13,183
Percent of Total	32%	56%

Source: NLIHC tabulations of Warren Group Data. See appendix for details.

As is shown in Table 1, a total 14,993 residential properties entered the final stage of foreclosure in these four states between January 1, 2007, and March 31, 2008.⁶ Fully 32% of these properties were multi-unit buildings. Since these multi-unit foreclosures likely affect more than one family, NLIHC estimates that the properties in foreclosure contained over 23,000 homes and the majority, over 13,000 (56%) of these homes, were foreclosed upon as part of multi-unit buildings. This number excludes

³ The Warren Group provides real estate professionals and consumers with detailed property-level information on real estate listings in New England. For a monthly fee, clients can access information on properties in various stages of foreclosure in four states (see www.warrengroupforeclosures.com/fcsub/start.asp, retrieved May 5, 2008)

⁴ Lis pendens refers to a pending legal action or lawsuit concerning property ownership. When filed by a lender against a property owner, this action often indicates that a property is at risk of foreclosure.

⁵ Though these data do not contain information on sheriff sales and its is not a category available for all states, in Massachusetts a sheriff sale is another way in which the foreclosure process may conclude when the owner loses tenure.

⁶ For bank-owned/REO properties, the lender assumed ownership during this time period. For foreclosure auction transactions, the auction was scheduled to occur during these 15 months. As described in the appendix, the data were cleaned to reconcile properties listed as both REOs and auctions and duplicate auctions notices, likely due to canceled, postponed or rescheduled auctions.

condominium units, which are foreclosed upon as single units. (See appendix for details.) NLIHC estimates that roughly 45% of these units are rentals.⁷

Table 2 illustrates the variation within the four states. Not surprisingly, the summaries for Massachusetts and Connecticut, the two most populous and economically diverse states, both correspond to what is presented in Table 1. In New Hampshire, a smaller more rural state, only 12% of the foreclosures were of multi-unit buildings, representing 28% of the homes in foreclosure. In Rhode Island, nearly 70% of the foreclosed homes were in multi-unit buildings, themselves 41% of the foreclosed properties (Table A2 in the appendix provides greater state-by-state detail).

Table 2: Foreclosure Auction and REO Properties by Property Type and State, January 2007 to March 2008

	CT		MA		NH		RI	
	Properties	Units	Properties	Units	Properties	Units	Properties	Units
Total	2,295	3,495	8,087	12,644	2,299	2,818	2,312	4,483
Single-family	1,535	1,535	5,349	5,349	2,017	2,017	1,356	1,356
Percent of Total	67%	44%	66%	42%	88%	72%	59%	30%
Multi-family	760	1,960	2,738	7,295	282	801	956	3,127
Percent of Total	33%	56%	34%	58%	12%	28%	41%	70%

Source: NLIHC tabulations of Warren Group Data. See appendix for details.

All available evidence is that the foreclosure crisis continues to worsen, as borne out by this analysis of the data in these four New England states. Overall, the number of *properties* that were set for auction or became bank-owned in the first quarter of 2008 was 394% greater than in the same quarter a year earlier. Using the unit-per-property assumption described in the appendix, Table 3 looks at quarterly trends by property type on a *unit* basis.

⁷ According to 2006 American Community Survey data, 15% of the occupied single-family attached and detached units in the U.S. are rented. Assuming that the same proportion of the foreclosed single-family units analyzed here were occupied by renters and that the proportion of owners of multiunit properties that do not live on-site is also 15%, renters would make up 45% of households affected by foreclosure. Even using the extremely conservative assumptions that all single-family homes were owner-occupied and an owner lives in each multi-family unit, 36% of the units affected by these foreclosures were renter-occupied. Conversely if all single family homes were counted as being owner occupied and none of the multi-family building owners lives on-site, an estimated 56% of the homes were renter-occupied.

Table 3: Estimated Foreclosure Auction and REO *Units* by Property Type and Quarter

Total Units	1st Q 2007	2nd Q 2007	3rd Q 2007	4th Q 2007	1st Q 2008	% Change, 1Q07-1Q08
Multi-family Residence	804	1,464	2,542	3,500	4,874	507%
Single-family Residence	817	1,274	1,844	2,574	3,748	359%
Total	1,621	2,738	4,386	6,074	8,622	432%

Source: NLIHC tabulations of Warren Group Data. See appendix for details.

An estimated 8,622 homes became REO or were scheduled for auction in these four New England states in the first three months of 2008, up 432% from the 1,621 units in this predicament in the first quarter. Outpacing the total, the number of units in multi-family properties owned by the bank or facing foreclosure was up over 500% and grew from roughly one-half of all units a year ago to represent 57% in the first quarter of 2008.

Conclusion

The findings presented here from New England are largely consistent with recent media reports and research into the multi-family nature of the foreclosed stock and the tenure of the displaced households. Our analysis of data from four states in New England indicate that roughly one-third of all foreclosed properties are part of the multi-family stock, and more than one-half of the affected units are located in these properties. Though more research into these data and across the country remains to be done, this initial analysis confirms that the foreclosure crisis is not limited to – and may not even be predominated by – single-family, owner-occupied households.

Appendix

Results presented here reflect NLIHC tabulations of foreclosure auction and bank-owned/REO data provided by the Warren Group for four states in New England: Connecticut, Massachusetts, New Hampshire, and Rhode Island. Property-level transactions included in these tabulations were limited to ten property types that intuitively applied to residential buildings.

There were initially 17,252 properties listed as REO or with an auction notice. Of these, 16,448 were associated with one of the 10 residential property types. Of these, 332 were determined to be duplicates. Most were duplicate (likely canceled/postponed/rescheduled) auctions though a few were listed as both REO and auctions. Eliminating 1,123 REOs and auctions dated after March 31, left a final dataset of 14,993 properties.

Based on its type, which was included in the Warren Group data, NLIHC categorized each into either the single- or multi-family category to generate a conservative estimate of the number of units contained in each property type. Table A1 distinguishes between single- and multi-family properties and shows the unit per property assumptions used to produce the data tables in this research note.

Table A1: Property Types and Unit Estimates

Category	Property Type	Estimated Units Per Property
Single-family		
	1-Fam Res	1
	Condominium	1
	Mobile Home	1
Multi-family		
	2-Fam Res	2
	3-Fam Res	3
	1-4 Fam Res	2.5
	2-5 Fam Res	3.5
	4-8 Unit Apt	6
	9 + Unit Apt	9
	Apt Bldg	10

Table A2 expands upon the data provided in Table 2 by showing the number of properties and units by type, rather than aggregating the data by the broader single- and multi-family categories.

Table A2: Foreclosure Auction and REO Properties by Property Type

Property Type	Total		CT		MA		NH		RI	
	Properties	Units	Properties	Units	Properties	Units	Properties	Units	Properties	Units
Single-family										
1-Fam Res	8,606	8,606	1,341	1,341	4,155	4,155	1,853	1,853	1,257	1,257
Condominium	1,602	1,602	193	193	1,190	1,190	120	120	99	99
Mobile Home	49	49	1	1	4	4	44	44	0	0
Multi-family										
2-Fam Res	2,156	4,312	311	622	1,549	3,098	127	254	169	338
3-Fam Res	1,316	3,948	209	627	985	2,955	48	144	74	222
1-4 Fam Res	252	630	216	540	0	0	36	90	0	0
2-5 Fam Res	743	2,601	0	0	0	0	50	175	693	2,426
4-8 Unit Apt	246	1,476	17	102	198	1,188	18	108	13	78
9 + Unit Apt	14	126	1	9	6	54	0	0	7	63
Apt Bldg	9	90	6	60	0	0	3	30	0	0
Total	14,993	23,440	2,295	3,495	8,087	12,644	2,299	2,818	2,312	4,483
Single-family	10,257	10,257	1,535	1,535	5,349	5,349	2,017	2,017	1,356	1,356
Percent of Total	68%	44%	67%	44%	66%	42%	88%	72%	59%	30%
Multi-family	4,736	13,183	760	1,960	2,738	7,295	282	801	956	3,127
Percent of Total	32%	56%	33%	56%	34%	58%	12%	28%	41%	70%

Source: NLIHC tabulations of Warren Group Data.

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