



Foreclosures in the Chicago Region Skyrocketed in 2006

Woodstock Institute

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An analysis by Woodstock Institute of Chicago area foreclosures show that foreclosure filings in the region grew at an alarming rate in 2006 and have reached their highest point in recent memory. Results show:

- There were nearly 29,000 foreclosures in the Chicago region in 2006 (Table 1). This was the highest level of foreclosure in the last eight years. Previously, the highest level of regional foreclosures was in 2002 where there were nearly 25,900 foreclosures filed in the region.
- Region-wide, foreclosure saw a one year increase of over 36 percent between 2005 and 2006. The city of Chicago and south Cook County had the highest number of total foreclosures. The biggest increases were seen in North Suburban Cook County, DuPage County, and Will County which saw increases in foreclosures of 52 percent, 46 percent, and 45 percent respectively.

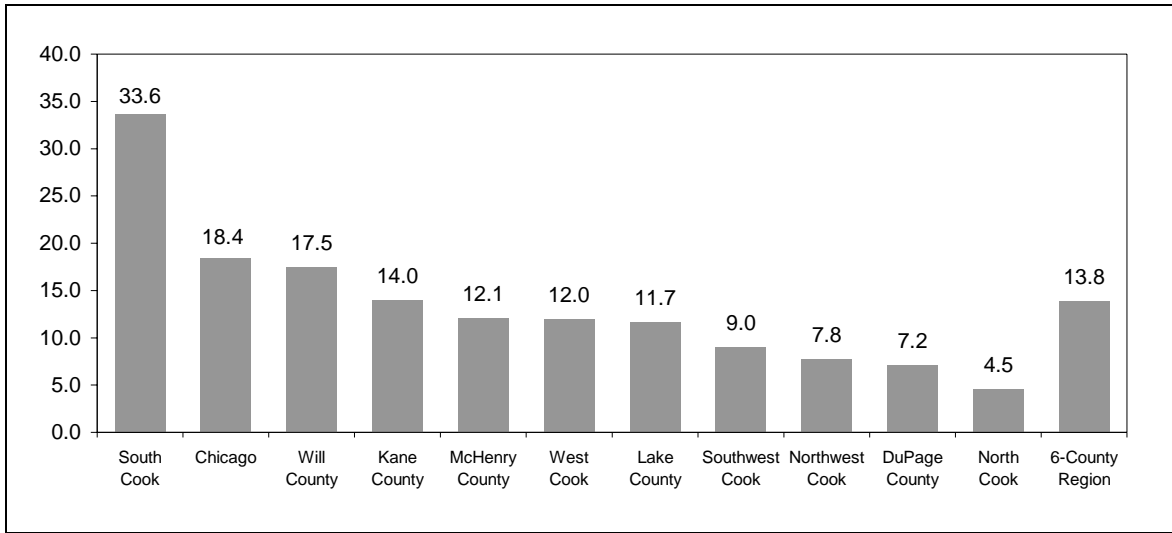
Table 1. Chicago Area Foreclosure Filings, 1999 to 2006¹

	Foreclosure Filings								Change 05 to 06
	1999	2000	2001	2002	2003	2004	2005	2006	
Chicago	7,285	7,037	8,533	9,907	8,188	7,195	7,499	10,268	36.9%
North Cook	378	396	427	499	408	360	378	575	52.1%
Northwest Cook	892	847	1,002	1,130	1,019	942	990	1,472	48.7%
West Cook	1,269	1,211	1,457	1,611	1,421	1,282	1,390	1,793	29.0%
Southwest Cook	826	779	976	1,197	1,066	946	959	1,240	29.3%
South Cook	2,464	2,445	3,218	3,818	3,389	3,169	3,290	4,174	26.9%
Cook County Total	13,114	12,715	15,613	18,162	15,491	13,894	14,506	19,522	34.6%
DuPage County	1,162	1,154	1,428	1,621	1,467	1,282	1,288	1,886	46.4%
Kane County	755	765	943	1,229	1,217	972	1,174	1,614	37.5%
Lake County	1,198	1,305	1,520	1,879	1,687	1,476	1,631	2,219	36.1%
McHenry County	219	633	614	812	736	729	809	1,014	25.3%
Will County	1,257	1,420	1,811	2,179	1,911	1,781	1,894	2,742	44.8%
6-County Region	17,705	17,992	21,929	25,882	22,509	20,134	21,302	28,997	36.1%

- South Suburban Cook County, the City of Chicago, and Will County had the highest levels of foreclosure in the region (Figure 1). South Suburban Cook had nearly 34 foreclosures per 1,000 mortgageable properties, a number nearly 2.5 times greater than the regional average. The City of Chicago had 18.4 foreclosures per 1,000 mortgageable properties. Within the city, however, there was substantial variation in foreclosure levels by neighborhood. Figure 2 shows that neighborhoods in the south and west sides of the city had the highest levels of foreclosure in the region.

¹Foreclosure information comes from Woodstock Institute analysis of data collected by the Foreclosure Report of Chicago. Where information is available, the analysis screens out foreclosures on all non-single family properties. Additionally, for this analysis, any instance where multiple foreclosures have been filed on a single property within three months (such as when a home has a first and second mortgage) will be considered as one foreclosure. Also, any foreclosure record that had an address that could not be geocoded was omitted.

Figure 1. Chicago Area Foreclosures Per 1,000 Properties, 2006



The recent spike in foreclosures is in large part a product of the ongoing crisis in the subprime lending market. This crisis has been fueled by a number of factors including the growing popularity of a variety of risky adjustable rate mortgage (ARM) products that allow borrowers to have low initial monthly payments that reset to much higher levels after a few years. These products often have interest rates that are fixed at a very low rate for an initial period of up to two or three years, but then adjust rapidly upward. Many of these products also offer the possibility of making interest only or negative amortization payments. Option ARM loans, for example, give borrowers four payment options each month that include a minimum negative amortization payment. These payments do not cover the monthly interest owed on the loan and actually add to principal of the mortgage rather than reducing it. A recent analysis shows that roughly 75 percent of borrowers with option ARMs are making the minimum, negative amortization payment.² While such products keep monthly payments low, they eventually reset to much higher levels. It is at this reset point when borrowers often run into trouble.

The growing popularity of these complicated and risky products in the subprime market combined with loose mortgage underwriting standards that often include no documentation of borrower income have driven foreclosure rates to record highs and there is no end in sight. These loans were increasingly popular in 2005 and 2006. For example, the share of mortgage originations that were option ARM loans increased from 8.4 percent in 2005 to 12.3 percent through May, 2006.³ This indicates that the current foreclosure troubles may only be the beginning.

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² See Simon, Ruth. August 21, 2007. "Option ARMs Remain Popular Despite Risks and Higher Rates." Real Estate Journal.com (<http://www.realestatejournal.com/buysell/mortgages/20060821-simon.html>).

³Ibid.

Figure 2. 2006 Foreclosures in the Chicago Six-County Area
Foreclosures per 1,000 Mortgageable Properties

