Preserving Communities in the Wake of the Foreclosure Crisis

Metropolitan Housing Coalition
June 26, 2012 | Louisville, Kentucky

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In Chicago region and across the country, foreclosure filings have stabilized at new, higher levels.
Local impact of foreclosure during the economic crisis is clear: communities of color disproportionately impacted.

Source: Woodstock analysis of data provided by Record Information Services
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Source: Woodstock analysis of data provided by Record Information Services
Single Family Foreclosure in the Six County Chicago Region by Type of Mortgage, 2008-2011

Source: Woodstock analysis of data provided by Record Information Services
Accumulation of Foreclosure Activity in Communities of Color, 2006 to 2010

Source: Woodstock analysis of data provided by Record Information Services
Loan-to-value ratios of properties with mortgages in Chicago six county region, fourth quarter of 2011

Source: Proprietary data on negative equity; 2010 Decennial Census
Average home equity and outstanding mortgage debt per property in the Chicago six county region, fourth quarter 2011

<table>
<thead>
<tr>
<th>Percentage Range</th>
<th>Mortgage</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 Percent or less Minority</td>
<td>$108,069</td>
<td>$10,000</td>
</tr>
<tr>
<td>10-19.9 Percent Minority</td>
<td>$101,152</td>
<td>$5,000</td>
</tr>
<tr>
<td>20-49.9 Percent Minority</td>
<td>$60,379</td>
<td>$40,000</td>
</tr>
<tr>
<td>50-79.9 Percent Minority</td>
<td>$20,761</td>
<td>$35,174</td>
</tr>
<tr>
<td>80 Percent or more African American</td>
<td>$79,167</td>
<td>$6,800</td>
</tr>
<tr>
<td>50 Percent or more Latino</td>
<td>$242,989</td>
<td>$35,174</td>
</tr>
</tbody>
</table>

Source: Proprietary data on negative equity; 2010 Decennial Census
Change in Prime Home Purchase and Refinance Lending in Communities of Color, 2006 to 2008

Source: Home Mortgage Disclosure Act
There is Tremendous Polarization in Credit Score Distributions

Source: June 30, 2009 sample of national credit bureau data
Forging Solutions

- Design responses to today’s economic realities
- Prioritize community needs
- Collaborate to work at a regional scale
Design responses to today’s economic realities

- **Challenge:** Concentrated negative equity
  
  - **Response:** FHFA should allow Fannie Mae- and Freddie Mac-backed loans to engage in principal reductions
Design responses to today’s economic realities

• **Challenge:** Persistent unemployment
  – **Response:** Provide payment assistance to unemployed homeowners through programs like **Hardest Hit Fund**

Image source: Kheel Center at Cornell University, Creative Commons license
Design responses to today’s economic realities

• **Challenge:** Concentrated low credit scores in communities of color
  
  – **Response:** Support efforts to build credit for credit-underserved populations
  
  – Use **additional data** to build credit
  
  – Utilize **manual, relationship-based underwriting** when appropriate
Prioritize community needs

- **Land banks** allow for sustainable and efficient planning of vacant property reuse
  - Exist in 12 states
  - Pilot project in south Cook County, IL
Prioritize community needs

- City of Chicago, Cook County vacant buildings ordinances require servicers to **maintain properties throughout the foreclosure process**
  - In 6 months:
    - Vacant building registrations grew more than 2x
    - Fine revenue grew by 123%
Collaborate to work at regional scale

- **Regional Home Ownership Preservation Initiative** brought regional stakeholders together to:
  - Communicate best practices throughout the region
  - Improve data collection, delivery of housing counseling
  - Support regional housing collaboratives
  - Document impact of foreclosure crisis and analyze local needs
Collaborate to work at regional scale

- **Sub-regional housing collaboratives** formed around NSP and have worked to plan housing priorities across municipal boundaries
  - Collaboratives attracted more than $29 million in federal funds to areas that rarely have access
  - Channeling diverse funds to stabilize target areas
Advocate for stronger community investment and consumer protection laws

• Work with the **Consumer Financial Protection Bureau** to enhance consumer protections

• Ask regulators to modernize the **Community Reinvestment Act**
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