Mortgage Lending and Foreclosure Patterns in Chicago Neighborhoods

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Woodstock Institute

• Chicago-based non-profit research and policy organization working locally and nationally to promote economic development in lower-income and minority communities

• Work with financial institutions, policy makers, regulators, and community organizations to promote access to affordable mortgage products, small business loans, and other financial services in underserved communities

• Concerns around subprime mortgage lending and the impact of foreclosures have been key community development issue
  – Research
  – Policy
  – Alternatives
Mortgage Lending Context – Potential Problem

Loans

• Higher Cost Mortgages
  – Defaults on subprime, adjustable rate mortgages have been the leading cause of foreclosures
  – City of Chicago market share – 38.4%
  – Market share in highly minority communities – 57.5%

• Investment Properties
  – Borrowers more likely to walk away
  – Impact on renters
  – Percent of loans to non-owner occupants – 14%

• Defunct Subprime Lenders
  – Concerns around lending practices and servicing
  – Percent of total Chicago loans – 12.5%

• Junior Liens
  – Indicator of low levels of equity
  – More challenging work-outs
  – Percent of home purchases with junior lien – 39%

• FHA Loans
  – Currently small market share, but likely to increase
  – FHA/VA market share – 1.3%
Mortgage Lending Context – Potential Problem Loans

Market Share Higher Cost Loans, 2006

Very High APR Loans, 2006
Mortgage Lending Context – Potential Problem Loans

Percent Loans to Non-Owner Occupied Properties, 2006

Percent Home Purchase Loans with Junior Liens, 2006
Quarterly Changes in Chicago Area Foreclosure Starts, 2003 to 2007

Source: Woodstock Institute analysis of data from Foreclosure Report of Chicago
2007 Foreclosures in Chicago

- City of Chicago - 85 percent increase between 2005 and 2007
  - Albany Park – 341%
  - North Park – 330%
  - West Ridge – 244%
  - Near South Side – 225%
  - Avondale – 191.4%

- City of Chicago - 13,872 single family properties with foreclosure filings
  - Austin – 810
  - West Englewood – 669
  - Roseland – 580
  - Englewood – 516
  - Chicago Lawn - 513
• City of Chicago - 24.4 single family foreclosures per 1,000 mortgageable properties

• Top Five
  – Washington Park – 103.3
  – Grand Boulevard – 87.2
  – Woodlawn – 82.6
  – West Garfield Park – 75.7
  – Englewood – 68.7

• Bottom Five
  – Armour Square – 2.0
  – Edison Park – 3.7
  – Lincoln Park – 5.0
  – Lakeview – 5.5
  – North Center – 5.6
Concerns about the Subprime Market
Concerns about the Subprime Market
Foreclosure Outcomes

- Possible Outcomes of Foreclosure Filing
  - Negotiate loan modification and/or repayment plan – Homeowner
  - Negotiate short sale – Third Party Buyer
  - Deed in lieu of foreclosure – REO
  - Foreclosure goes to auction – Legal completion of foreclosure process
    - Buyer – Third Party Buyer
    - Lender – REO

- Growing number of foreclosures going to auction
  - 2005 – 2,271
  - 2007 – 6,103
  - 169% increase

- Growing number of auctions going to plaintiff
  - 2005 – 64 percent
  - 2007 – 96 percent
2007 Foreclosures in Chicago

- **City of Chicago** - 10.3 single family auction REOs per 1,000 mortgageable properties

- **Top Five**
  - Washington Park – 52.2
  - Grand Boulevard – 46.5
  - Englewood – 45.3
  - Woodlawn – 41.4
  - W. Englewood – 40.8

- **Bottom Five**
  - Edison Park – 0.7
  - Lincoln Park – 0.8
  - Mount Greenwood – 0.9
  - Armour Square – 1.0
  - North Center – 1.4
Concerns about the Subprime Market
Concerns about the Subprime Market