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WASHINGTON, DC

Housing in the Nation's Capital 2009

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Published since 2002, *Housing in the Nation's Capital* is an annual series on emerging housing trends in the Washington, D.C. metropolitan area and the District of Columbia. The report provides the region with the facts needed to inform an ongoing dialogue among policymakers, housing professionals, and the public about the housing challenges facing our area. Reports and data from previous years are available at http://www.urban.org/center/met/hnc/.

The Urban Institute would like to thank the *Housing in the Nation's Capital* community advisory board, which plays a critical role in shaping the analysis plan, helping with interpretation of the results, and incorporating the findings into subsequent policy discussions and decisions. All errors and omissions remain the responsibility of the authors.

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About The Urban Institute

The authors are researchers at The Urban Institute, a nonprofit organization nationally known for its objective and nonpartisan research and educational outreach on social, economic, and governance problems facing the nation. Within the Institute, they work in the Metropolitan Housing and Communities Policy Center, whose work concentrates on factors that shape the quality of life in communities, the opportunities they offer residents, and the effectiveness of federal, state, and local public policies that govern urban housing and neighborhoods.

The views expressed are those of the authors and should not be attributed to The Urban Institute, its trustees, or its funders.

About Fannie Mae

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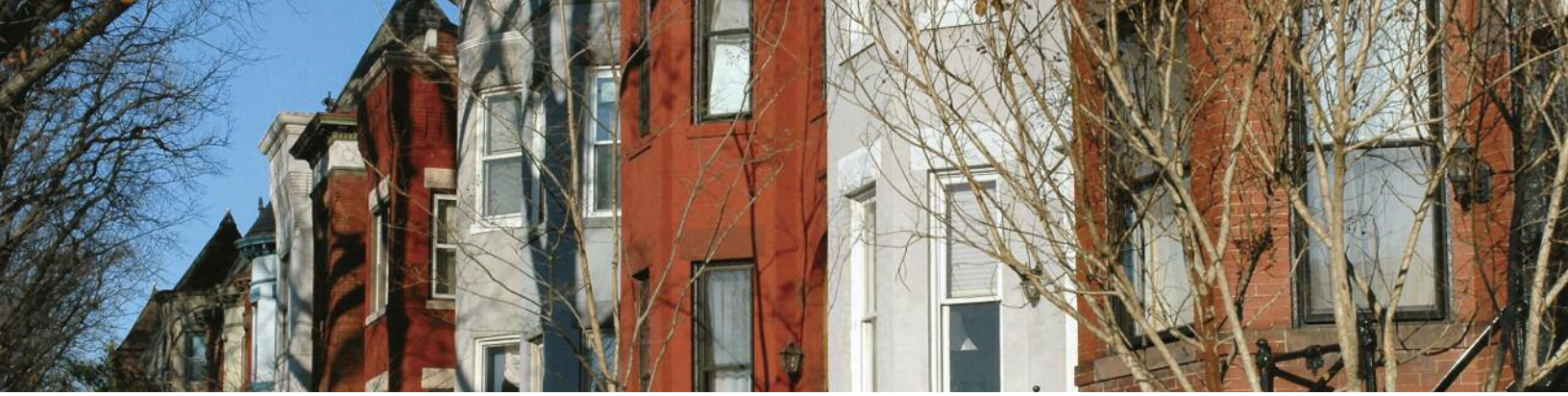
This publication was funded through a grant from Fannie Mae. The findings reported and the opinions expressed in this publication are those of the authors and do not necessarily represent the views of Fannie Mae or its officers or directors.

Acknowledgements

The authors thank Fannie Mae for providing us with the opportunity to examine housing conditions in our city and region; in particular, Patrick Simmons and Rosie Allen Herring reviewed content throughout the project and supported the community advisory process. Staff from three counseling agencies generously contributed client stories on which we based the case studies in the report: Marian Siegel from Housing Counseling Services, Inc.; Mary Hunter from the Housing Initiative Partnership, Inc; and Amy Mix and Kerry Diggin from the AARP-Legal Counsel for the Elderly. The in-depth analysis of foreclosure issues would not have been possible without the data supplied by the District of Columbia city agencies and The Community Partnership for the Prevention of Homelessness. Margery Austin Turner and Peter Tatian of the Urban Institute offered constructive advice at key points in the research. Maida Schifter provided management and editorial assistance, and Kaitlin Franks supplied vital research assistance. And we acknowledge with appreciation the editing contributions of David Martin, formerly at Fannie Mae, and Fiona Blackshaw of the Urban Institute. Finally, we greatly appreciate the comments provided by the advisory board, whose individual members are listed on the inside cover. Of course, all errors and omissions remain the responsibility of the authors.



Key Findings: Foreclosures in the Nation's Capital

Housing in the Washington, D.C. metropolitan area might not be in freefall, but it's proving to be a hard ride down from the top of the bubble. In just seven years, starting in mid-2000, the median price of existing single-family homes in the Washington, D.C. region shot up an incredible 106 percent. Since the summer of 2007, prices have fallen by about 30 percent in real terms. Foreclosures skyrocketed more than eightfold, initially dominated by riskier subprime loans. As unemployment jumped to 6.6 percent in June 2009 from only 3.8 percent one year before, the foreclosure problem spread into the prime market. Even though the home sales market shows early signs of bottoming out, the foreclosure crisis will continue to have widespread effects on households and neighborhoods throughout the Washington region.

By providing answers to the key questions below, this report begins to arm the region's policymakers with the information they need to face the foreclosure crisis. It concludes with implications in four policy areas: 1) preventing foreclosures 2) helping displaced families recover 3) connecting children in foreclosed homes to services and 4) addressing the impacts of foreclosures on neighborhoods.

How big is the foreclosure problem?

- Despite its relatively resilient economy, the Washington metropolitan area has not escaped the foreclosure crisis. In January 2007, 4,000 home loans in the region were in foreclosure; by June 2009, the figure had climbed to 33,600.
- Prevention efforts will not succeed for many households. For example, four out of five District households entering foreclosure in 2007 lost their homes.
- Minorities are disproportionately affected by foreclosure. From 2004 to 2006, eight out of 10 high-cost loans in the region (loans generally with higher risk of foreclosure) went to minority borrowers.

Which areas have the most foreclosures?

- Some counties have foreclosure rates that substantially exceed the regional rate of 2.7 percent. County foreclosure rates in June 2009 were highest in Prince George's (5.2 percent), Charles (3.9 percent), and Prince William (3.7 percent).
- Across the region, the highest foreclosure rates are found in ZIP codes in Prince George's County; Bladensburg (20710), Riverdale (20737), Adelphi (20783), and Brentwood (20722) had foreclosure rates ranging from 7.4 to 9.3 percent.
- Almost all of the region's counties contain foreclosure trouble spots. All counties except Arlington, Stafford, and Warren had ZIP codes with foreclosure rates over 3 percent.

What are the spillover effects of foreclosures?

- Homeowners are not the only ones facing disruption from foreclosure. Roughly half the households in the District of Columbia affected by foreclosure in April 2009 were renters—about 1,900 households.
- The residential instability often associated with foreclosures can have devastating effects on children's academic and social development. About 1,400 District public school children in the 2008–09 school year lived in a home that was in foreclosure, more than double the number just two years ago.
- Many foreclosed properties will not be reabsorbed quickly into the private market. As of June 2009, lenders owned at least 15,200 foreclosed homes in the region.
- Concentrations of foreclosed properties have the potential to harm their surrounding neighborhoods. Twenty ZIP codes accounted for almost one-fifth of all lender-owned properties, but only 7 percent of all mortgage loans.

What are the prospects for the housing market?

- About 104,200 mortgages—about 8 percent of all loans—were delinquent but not yet in foreclosure in June 2009. Of these, 51,500 were more than 90 days past due.
- Prime loans made up 11 percent of the mortgages delinquent more than 90 days in early 2007, but the prime share rose to 31 percent by June 2009.
- There were 35,900 homes listed for sale in June 2009, about five months of sales, and upcoming foreclosures could pile an additional 44,000 homes onto the market.

Introduction

This is the seventh in a series of annual reports about housing in the Washington metropolitan region. It assembles and analyzes the most current data on housing conditions and trends in the District of Columbia and the surrounding suburbs. Previous editions have explored a range of topics including housing and services for people with special needs, the links between housing and schools, and the changes in concentrated poverty in the region.

This year's report focuses on the foreclosure crisis and its effects on both the housing market and the residents of the city and suburban neighborhoods in our region. After years of strong economic and housing market growth in the region, in the past year the number of delinquencies and foreclosures rose quickly, housing prices fell, and the economy slowed. While some areas are relatively unaffected, other neighborhoods have been hit hard, and many households are facing disruptive moves and a tough rental market.

- **Chapter 1** explores how the metropolitan area is faring economically during the national recession, how demographic patterns have shifted, and what the region's prospects are for the future.
- **Chapter 2** reviews the latest housing market conditions for the region as a whole and how the city and suburban communities have fared comparatively, reviewing home sales volume and sale prices, the rental housing market, and homelessness in the region.
- **Chapter 3** focuses on the direct impact of the foreclosure crisis on the region, including information on delinquency and foreclosure rates, and profiles of minority communities in Prince George's County, Maryland, and Prince William County, Virginia, that have been hard hit by the crisis.
- **Chapter 4** turns to the ripple effects of the foreclosure crisis. It examines the many vulnerable

households, such as renters, families with children, and the elderly, affected by the crisis, and assesses how concentrated foreclosures compound the impact of the crisis on neighborhoods.

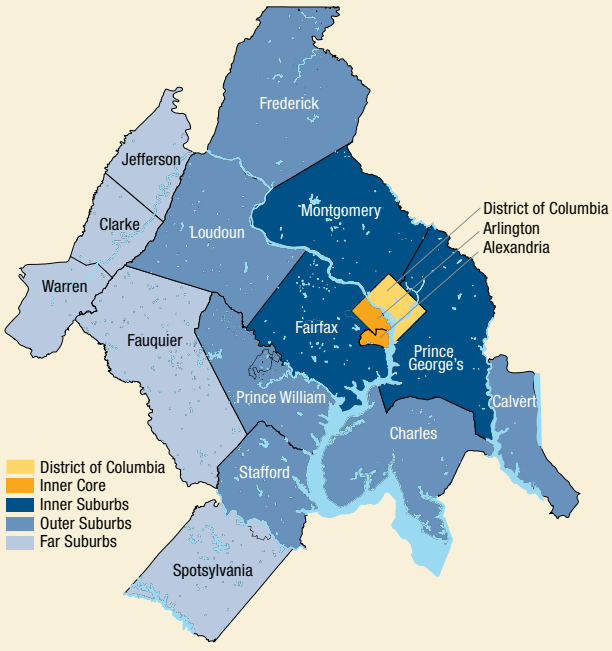
- **Chapter 5** highlights strategic opportunities for the Washington, D.C. region to respond to the crisis by using regional resources and partnerships to prevent further foreclosures, stabilize neighborhoods, and help households recover.

In the last three chapters, we present several vignettes based on stories from legal aid organizations and housing counseling agencies that illustrate the challenges facing households in foreclosure and the difficulty in finding solutions to save their homes.

In addition to the information and analysis presented in this volume, a condensed version of the foreclosure analysis in this report, *Foreclosures in the Nation's Capital*, along with detailed data tabulations and a technical appendix are available on the Urban Institute web site, *http://www.urban.org/center/met/hnc/*. The annual *Housing in the Nation's Capital* report is now further supplemented by the *District of Columbia Housing Monitor*, which provides more frequent updates on housing market conditions in the District of Columbia and its wards. Each issue of the *Monitor* (accessible at *http://www.neighborhoodinfodc.org/housing/*) provides both standardized market indicators and a special focus section highlighting data on a selected topic.

Finally, a note of explanation about geographic boundaries and definitions: The Washington metropolitan region spans three states and the District of Columbia. For the analysis presented here, we have adopted the federal government's 2008 definition of the Washington, D.C. Metropolitan Statistical Area (MSA) and have defined five major subareas within it (Figure I.1).

Figure I.1: Washington, D.C. Metropolitan Area Subareas



SOURCE: Data from Office of Management and Budget, 2008.

Chapter 1

Regional Economy Outpacing the Nation

Over the past two years, the United States economy and housing market have experienced more traumatic shocks than they have felt in over seven decades. This year's report focuses on gaining an understanding of how those shocks have played out in the housing market of the Washington, D.C. region—specifically, on the nature and extent of the foreclosure crisis locally and what ought to be done about it.

As always, however, changes in the housing market are powerfully conditioned by the state and dynamics of the metropolitan economy. The economy, along with related demographic forces, is a key determinate of the supply and demand factors that have shaped the housing slump so far and will surely be central in determining how and when we will be able to come out of it.

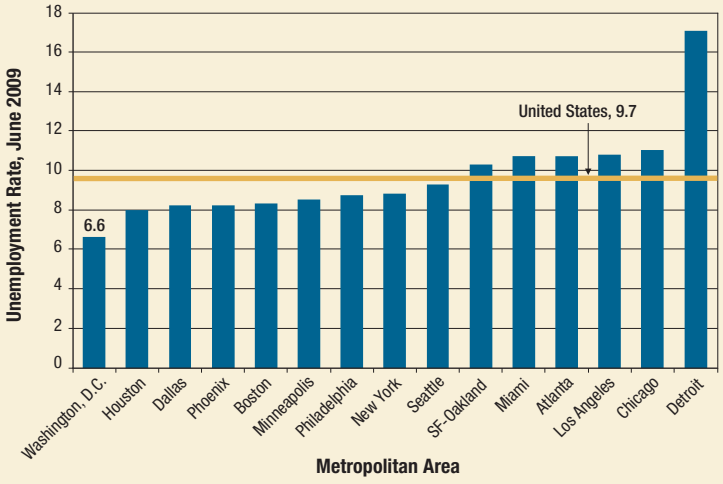
Accordingly, this chapter updates the region's economic and demographic context in these troubled times. Metropolitan Washington is indeed being hit hard by the national recession, yet its performance is one of the strongest of any region in the nation. This should bode well for its ability to emerge from the foreclosure crisis.

The Region's Economy: Outpacing the Nation

Earlier editions of this report stressed how the metropolitan Washington economy became stronger through diversification in the late 1990s. The shift was initially driven by a sizeable expansion of government contracting that drew new high-value service enterprise to the region. As these new firms expanded, they also began to sell products to a wider range of customers outside the region, generating even more job creation here. By the end of the decade, Washington saw growth in other sectors, particularly those that benefit from the city's role as the nation's capital (such as international finance and tourism).

With these strengths, regional employment held up in the early years of this decade as the national economy deteriorated; for example, the number of jobs grew 1.2 percent annually between 2001 and 2003 as the national total declined by 0.7 percent. As the decade moved on, the region continued to do well, but the nation began to catch up. Between 2005 and 2006, for instance, both registered healthy employment growth rates (1.7 percent for the region versus 1.8 percent for the United States as a whole). Still, the region's growth over the entire period was among the strongest for U.S. metropolitan areas; the number of jobs reached 3.0 million in 2008, up from 2.7 million in 2001.

Figure 1.1: Washington Outperforming Other Major Job Markets



SOURCE: Data from Local Area Unemployment Statistics, accessed July 2009.
NOTE: Data is not adjusted for seasonality.

Then the recession hit the nation with unexpected severity. Because of its government base, metropolitan Washington used to be thought of as "recession proof," but its new diversity makes it less impervious than it once was. In 1991, an estimated 39 percent of the region's economic activity was supported by either federal direct spending or procurement; by 2007, that share had dropped to 33 percent.[1] Accordingly, growth here stopped cold. From June 2008 to June 2009, total regional employment declined by 1.4 percent. But this is still comparatively solid performance. Over the same 12-month period, total U.S. employment dropped by 4.2 percent.

By several measures, the Washington region is weathering the downturn better than almost all other major metropolitan areas. At 6.6 percent, its June 2009 unemployment rate was the lowest among the top 15 U.S. labor markets—well below the 9.7 percent national average and even farther below the worst-performing regions, such as Los Angeles at 10.8 percent and Detroit at 17.1 percent (Figure 1.1).

Comparative Strength in Key Sectors

From June 2008 to June 2009, the nation saw serious employment declines in all sectors except govern-

ment. The Washington region did better sector by sector, either gaining jobs more rapidly or declining at a slower pace (Figure 1.2).

Figure 1.2: Government and Professional Services Sectors Still Growing in Region

	Region Employment June 2009 (000)	Percent Change in Employment June 2008-June 2009	
		Region	U.S.
Total	**2,989**	**(1.7)**	**(4.2)**
Government	664	0.7	0.1
Total Private	2,324	(2.0)	(5.1)
Professional/Business Services	693	0.6	(7.0)
Other Services	1,027	(1.7)	(1.3)
Trade, Transportation, Utilities	388	(3.5)	(4.6)
Manufacturing, Construction, Mining	217	(8.4)	(12.7)

SOURCE: Data from U.S. Bureau of Labor Statistics, Current Employment Statistics, accessed July 2009.
NOTE: Data is not adjusted for seasonality.

Total government employment increased both nationally and regionally over the year, but the region's growth rate was slightly higher: 0.7 percent versus 0.1 percent. However, problems persisted in the private sector. Total private employment declined in metropolitan Washington by 2.0 percent, but it fell by 5.1 percent nationally. Significantly, the region's performance surpassed the nation's the most in professional and business services, one of the leading sectors in the recovery earlier in this decade.

- Professional and business service employment in metropolitan Washington grew by 0.6 percent while it declined by 7.0 percent in the United States.
- The remaining other service sectors registered declines for the region (1.7 percent) while also dropping in the United States (1.3 percent). The education and health services sector stands out because it registered a gain of 0.8 percent locally and 2.2 percent nationally.
- Trade, transportation, and utilities employment dropped at both levels, but less here (3.5 percent) than nationally (4.6 percent).
- Employment in the goods-producing sectors (manufacturing, construction, and mining) declined over the year even more: by 8.4 percent for the region, by 12.7 percent for the United States.

Region's Wages Still Well Ahead of Nation, but Enormous Inequities Remain

Employment growth is critical, but it is not the only measure of a region's economic performance. Arguably, the level of wages and wage disparities for different groups are even more important to the well-being of the residents.

Evidence suggests that the wage levels in the Washington, D.C. region have been strong in recent years, but wage equity has not improved. For the five highest paid occupational groups in the region, the average hourly wage jumped from $40 to $45 between 2004 and 2007. These levels were about 20 percent above the national average for the same occupation groups in both years. Over the same period, the average wage for the five lowest paid occupations increased from $12 to $13, about 10 percent above the national average in both years.[2]

Most striking in this analysis is the enormous disparity between these groups. The wage for the five highest occupations remained at 3.4 times that for the five lowest in 2004 and 2007. While high-paid professionals continue to do very well in this region, circumstances remain difficult for those at the lower end of the spectrum.

The District's Economy: Healthy Growth This Decade, but a Dramatic Rise in Unemployment Recently, Particularly in the Poorest Wards

When the region's economy began to take off in the late 1990s, the District of Columbia lagged behind. The situation shifted, however, and economic activity in the District has boomed over most of this decade. Job growth averaged a healthy 1.1 percent annually from 2001 to 2008, when total employment reached an all-time high of 705,000. While many central-city economies in the United States have been losing regional share to their suburbs, this one is holding its own. The number of jobs in the District has consistently remained just under one-quarter of the region's total since 2000.

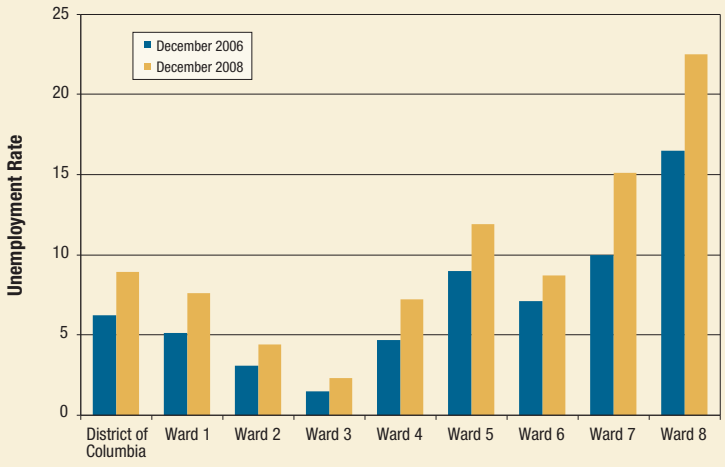
Many jobs in the District, of course, are held by commuters rather than District residents, but things have also been looking up for resident employment in this decade. The number of employed District residents grew by an average of 1.1 percent a year since 2001, reaching 310,000 in 2008.

District residents, however, are now disproportionately feeling the effects of the economic downturn. Comparing December levels, District unemployment remained fairly constant in 2006 and 2007 (at just over 6 percent) but jumped substantially to reach 8.9 percent in 2008. This is well over the regional rate.[3]

Rates vary dramatically across wards; not surprisingly, unemployment is most severe in the traditionally low-income neighborhoods along the city's eastern border. At 22.5 percent, the December 2008 figure for Ward 8 was 2.5 times the District av-

erage and almost 10 times the Ward 3 average of 2.3 percent (Figure 1.3).

Figure 1.3: Low-Income Wards Hit Hardest in Economic Downturn



SOURCE: Data from District of Columbia Department of Employment Services, accessed March 2009.
NOTE: Data is not adjusted for seasonality.

The disparities did not widen, however, as the unemployment levels rose across the city. For example, the Ward 8 unemployment rate increased from 16.3 percent in December 2007 to 22.5 percent in December 2008, but the ratio of Ward 8 to the District average actually went down slightly (from 2.7 to 2.5).

Region's Population Still Growing, but Slower than a Few Years Ago; Share in Central Areas Holding Up

The total population of the Washington region reached 5.4 million in 2008, up from 4.8 million in 2000. The average annual growth rate was 1.7 percent over the 2000–04 period, but it dropped to 0.9 percent over 2005–08.

Within the region, growth from 2000 to 2004 was fastest in the Outer Suburbs (4.2 percent), but it has been slowing in recent years (2005–08 rate of 2.0 percent). Still, the District and Inner Core have grown healthily over the decade, unlike many metropolitan areas where core areas are suffering absolute declines. Their share of region total population only dropped from 19 percent at the 2000 decennial census to 18 percent in 2008.

The District's population gained 20,100 people over 2000–08. This is an impressive increase in relation to the 1990s, when the city lost residents, but it is still below the 100,000 growth former Mayor Williams thought to be the city's potential. Alexandria and Arlington together also showed an impressive gain, experiencing a 34,900 net increase in residents over this period.

Region's Population Becoming More Racially Diverse, Most Notably in Virginia's Outer and Far Suburbs

The region's population has become more diverse as it has grown. From 2000 to 2008, the non-Hispanic white share of the region's population dropped from 56 to 51 percent, and the African American share

stayed fairly constant at around 26 percent. The Latino share, in contrast, grew from 9 to 12 percent, and that for other minorities grew from 9 to 11 percent. The trend of increasing racial diversity will also be reflected in the home-buying discussion in Chapter 2.

The District was the only major jurisdiction where the minority share decreased. The percentage of non-Hispanic white went up from 28 to 33 percent while that for African Americans dropped notably from 60 to 53 percent. Changes for Latinos and other minorities were comparatively modest, together increasing from 12 to 14 percent.

In the Maryland suburban counties in the region, the African American share went up slightly from 33 to 34 percent, while Latinos went up from 8 to 12 percent and other minorities from 9 to 10 percent.

The Virginia suburban counties overall also saw a modest increase for African Americans (from 11 to 12 percent) but a larger one for Latinos (from 10 to 14 percent). Other minorities went up slightly from 11 to 13 percent.

The most notable gains in minority share were in Virginia's Outer and Far Suburbs where the Latino share nearly doubled from 7 to 13 percent and that for other non-African American minorities went up from 5 to 9 percent. Prince William County's growing diversity is highlighted in Chapter 3.

Prospects

While the national economy appears to have moved away from the brink, there is little to suggest in mid-2009 that a rapid recovery is imminent. Similarly, the Washington, D.C. region shows no indications that a strong recovery has begun as yet. Nonetheless, the evidence reviewed in this chapter suggests that solid bases for growth are in place. In particular, the region is likely to benefit from the planned expansion of federal outlays over the rest of this year, so job prospects here will probably begin to improve sooner than for the United States as a whole. With a larger share of the labor force employed, housing demand will increase; there will be more stable buyers for the region's stock of foreclosed housing.

The region should leverage its economic strengths now to make serious progress during the recovery on the structural problems behind the persistent inequity that still characterizes the region's economy. Important here will be reenergizing the region's workforce development systems so a much larger share of the presently unemployed and low-wage workers can move up to more promising career ladders.

Chapter 2

Sales Market Sinks, but Affordability Problems Persist

The last decade brought one of the most turbulent housing markets in the Washington, D.C. region's recent history. The most recent data show that the region may be turning a corner as a whole, but markets in some areas of the region are still stagnant. As context for the foreclosure picture, this chapter describes the region's housing production trends, tracks the recent swings in home sales volumes and prices, and reviews how the rental market is faring. Going forward, the prospects for homeownership for minority families will be more limited, and affordability problems will persist for low- and moderate-income families despite the sharp market correction of the past two years.

Production at Lowest Point since the Early 1980s

Housing production in the Washington region began to slow long before the foreclosure crisis began garnering headlines, but the reduction accelerated during the economic slowdown. From a high of 38,000 in 2004, the number of housing units authorized by building permits had slowed by more than 40 percent by 2007, before the general economic picture had soured. The economic downturn in 2008 brought almost another 40 percent drop, resulting in only 13,700 housing units for the year, far below the previous low point of 18,400 units in 1981. Builder confidence does not seem to have rebounded; total units authorized in the first six months of 2009 were about 25 percent below the same period in 2008.

In the early 1990s, single-family production dominated the number of authorized housing units (80 to 90 percent), but the share has since been on a general decline. Just over two-thirds of the permits were for single-family units in 2008. In this decade, the multifamily construction increasingly added to the condominium stock, but rental housing likely will capture a greater share of construction in the near future, given the weak sales market.

Compared to the 64 percent regionwide decrease in authorized housing units between 2004 and

2008, the Far Suburbs fell the farthest (by 79 percent), followed by the District (72 percent). The Inner and Outer Suburbs fell by roughly two-thirds. The Inner Core stands out with a decline of 22 percent.

While production has slowed, housing developers are rapidly switching multifamily buildings previously intended as condominiums to rental housing. According to Delta Associates, 12,000 condominiums were cancelled or reprogrammed as rentals last year.[4] As of December 2008, the Washington metropolitan area had about 10,100 unsold condominium units, about six years of inventory, most of which are under construction or delivered.

Regional Sales Market Sinks, Outer Suburbs Hardest Hit

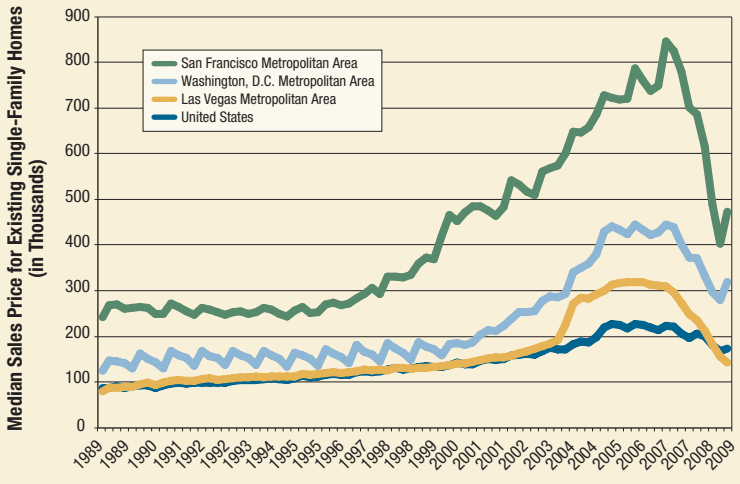
The major slowdown in home sales activity lagged about a year behind the housing production trends, with the volume plummeting 25 percent in 2006 from its 2005 level of 113,500. Sales fell sharply again in 2007 (22 percent), and then dipped another 5 percent to end at 63,100 in 2008. The sales trends for the first half of 2009 show some early signs of market recovery. The home sales volume of 29,700 from January through June 2009 was 11 percent above the level in the first half of 2008.

The market slump also led to a major increase in the amount of time homes took to sell. In 2008, the average time on the market for the region was 107 days, compared with 93 in 2007 and 26 in the hot market of 2005. About one-third of homes in 2007 took longer than 120 days to sell, ten times the mere 3 percent in 2005. As with home sales, this indicator improved over the past year; homes took an average of 90 days to sell in June 2009, down from 101 in June 2008.

After flat or modest increases throughout the 1990s, the region's median existing single-family home price more than doubled from the second quarter of 2000 to $445,300 in the second quarter of 2007.[5] Since then, the region's median price dropped to $319,200 in the second quarter of 2009, down about 30 percent after accounting for inflation. The region's trend has paralleled the pattern for the United States, where median single-family prices fell 24 percent over this same two-year period to end at $174,100 (Figure 2.1).[6] The region has not lost all of the gains from the boom; the latest median price was equal to the level in mid-2003. Among the 152 metropolitan areas with data available over these two years, Washington experienced the 25th largest decline. The seventeen metropolitan areas that still have rising home prices have relatively lower housing values

and escaped earlier price run-ups. Home prices in Cumberland, Maryland and Elmira, Texas, for example, grew by 10 and 15 percent, respectively, in real terms over this period. The metropolitan-area home markets hit harder than Washington in the recent downturn were in Florida, California, Nevada, and Arizona, along with a few rust belt cities, such as Lansing, Michigan. Two examples of the metropolitan areas that fared much worse are Cape Coral-Fort Myers, Florida (down 69 percent), Riverside, California (down 60 percent) and Las Vegas, Nevada (down 55 percent). These three metropolitan areas and most others in areas with the largest price declines also are suffering from the worst foreclosure problems.[7]

Figure 2.1: Price Run-up Preceded Current Crisis in Washington Region



SOURCE: Data from the National Association of Realtors.

The median price of existing condominiums did not climb as high or fall as far as single-family homes. The condominium price also peaked in the second quarter of 2007 at $298,400 and declined 20 percent to $244,800 in the second quarter of 2009.[8] The median condominium price in our region remains consistently higher than in the United States, which saw a similar drop of 24 percent to end at $176,900 in mid-2009.

The impact of the housing downturn varies widely within the region, with generally more negative effects farther out from the District. Since mid-2007, the District of Columbia has retained most of its gains from the boom period, with a small 2.6 percent decrease in the median home price to $417,900 by mid-2009.[9] The Inner Core saw a big drop of 17 percent from mid-2007 to 2008, but it remains the most expensive area in the region at a median price of $440,500 and shows a positive trend from 2008 to 2009. The hardest hit Outer and Far Suburbs have both lost about one-third of their average market value over these two years, with most Outer Suburb declines occurring from 2007 to 2008. The 2009 prices ended roughly back at their 2002-2003 price levels; $259,400 for the Outer Suburbs and $208,500 for the Far Suburbs.

A couple of counties stand out from their subareas. Prince George's County had participated in the boom years with its median sales price almost doubling from mid-2000 to mid-2007. Since then, the county's housing market has suffered, with prices down 32 percent by June 2009, compared with around 22-25 percent for Montgomery and Fairfax Counties. Prince George's median price at the end of the period ($225,000) was less than two-thirds of the Inner Suburbs' level. Among all the counties in the region, Prince William experienced the fastest rising prices (120 percent) from June 2000 to June 2007, and then the steepest decline in the following two years (down 47 percent). Its June 2009 price of $207,500 was about two-thirds of the regional average. Still, recent trends in both counties are more encouraging. From January to June 2009 the volume of sales had regained some of the losses suffered in the previous two years, and the Prince William inventory stabilized at about four months, below the regional average of five months. In addition, prices in Prince William showed some signs of a rebound, increasing 15 percent in the same period.

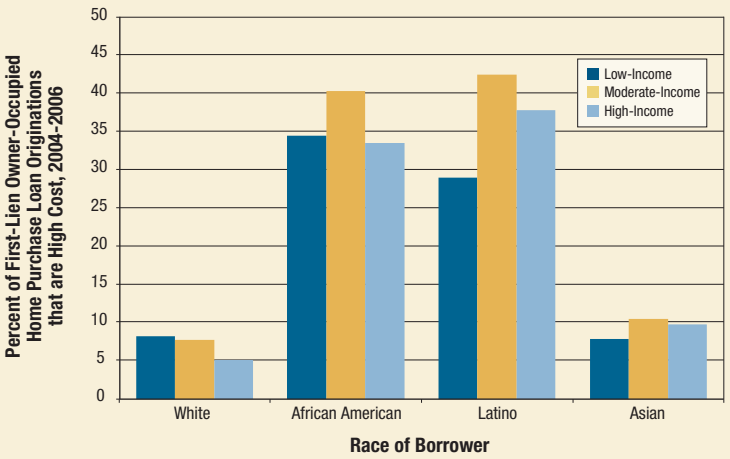
Recent Gains in Minority Homeownership at Risk

More Washington households than ever were homeowners by 2007.[10] The regional homeownership rate rose from 64 percent in 2000 to 68 percent in 2007. All minority groups participated in the progress. From 2000 to 2007, the African American rate increased more than 3 percentage points, ending at 53 percent. Asians and Latinos saw the greatest gains over this period. Asian homeownership rose from a relatively high 58 percent to 70 percent, and the Latino rate jumped from 44 percent to 58 percent.

The boom was in part fueled by a growing number of homebuyers using high-cost lending.[11] From 2004 to 2006, about 17 percent of homebuyers in the D.C. metropolitan area used high-cost mortgages. Prince George's (36 percent), Charles (27 percent), and Prince William (20 percent) Counties had the highest rates of high-cost mortgages. These counties also experienced the highest foreclosure rates, and concentration of these risky loans could affect the long-term health of neighborhoods.

Unfortunately, much of the minority gains in particular seem to have been facilitated through high-cost loans. From 2004 to 2006, minorities made up about half of all the home mortgage borrowers in the region

Figure 2.2: Subprime Lending Highest for Moderate- and High-Income Latinos and African Americans



SOURCE: Data from the Federal Financial Institutions Examination Council, Home Mortgage Disclosure Act, 2004 to 2006.
NOTE: The white, African American, and Asian race categories exclude Latino borrowers.

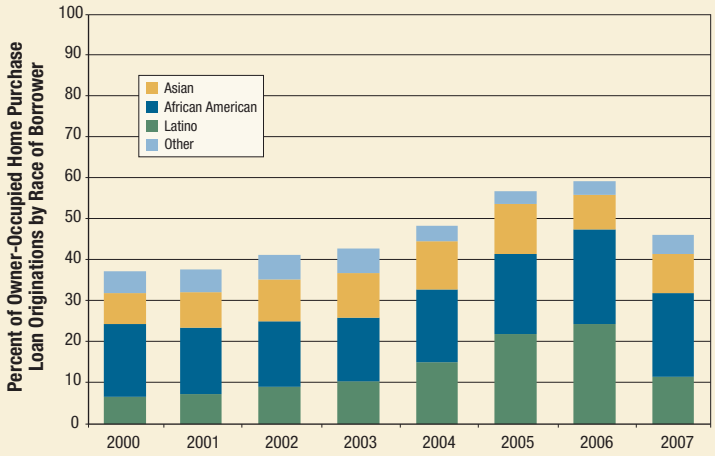
but about 80 percent of all the high-cost loans. Overall, over one-third of African American and Latino borrowers from 2004 to 2006 had a high-cost loan, about five times the rate for white borrowers. Even when controlling for income, minorities were much more likely to have a high-cost loan than non-Hispanic white borrowers; minority high-cost lending rates remain high across all income levels. Figure 2.2 shows high-cost lending rates for low-income (80 percent of area median income), moderate-income (80–120 percent of area median income), and high-income (120 percent of area median income and higher) households by race.[12] Moderate-income African American and Latino borrowers had the highest rates: four of every ten loans had higher interest rates. Unexpectedly, among Latinos, high-income borrowers used high-interest loans more often than low-income borrowers (38 percent versus 29 percent).

A mix of factors likely lies behind these disparities. The public data do not have critical lending determinants such as loan-to-value ratios or credit scores. Minority households may have the same income but fall short on those financial indicators. Low-income borrowers and immigrants may be less familiar with the home-buying process and less likely to shop for the most competitive loan, and social networks can reinforce the use of subprime brokers. However, studies have shown that a racial disparity remains after controlling for more detailed financial factors. Advocates have voiced concerns about lenders' racial steering of subprime mortgage lending to predominantly minority neighborhoods compared to white neighborhoods.[13]

In addition to reductions in minority homeownership due to foreclosures of subprime loans, the current strict lending standards are shutting out minority borrowers from future home buying. As shown in

Figure 2.3, minorities accounted for 37 percent of owner-occupied home mortgage borrowers in 2000.[14] By 2006, the share had soared to 59 percent. With subprime lending drying up and credit standards tightening, the overall minority share dropped sharply back to 46 percent in 2007. This is still slightly above their share of all households (44 percent). Latino homebuyers showed the largest decline in that year from 24 percent to 11 percent, a pattern which will be revisited in Chapter 3's section on Prince William County.

Figure 2.3: Minority Homeownership Gains Could Lose Ground



SOURCE: Data from the Federal Financial Institutions Examination Council, Home Mortgage Disclosure Act.
NOTE: The African American, Asian, and Other race categories exclude Latino borrowers.

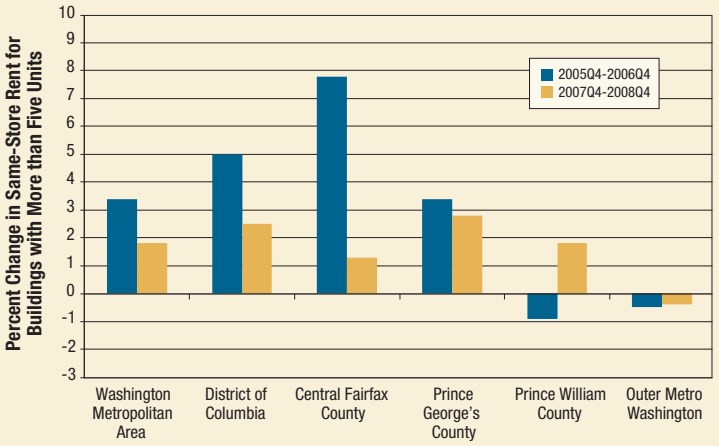
Rents Are Still Increasing, but More Slowly Than Before

In contrast to the home sales market, the rental market in the region remains strong, but it shows some signs of cooling. Average rents increased across the region, but at a slower pace than recently, and vacancy rates, though lower than national rates, are the highest they have been in recent years. The slowdown in growth in the rental market results, in part, from the changing conditions in the sales market. Condominium developers are adjusting to dramatic price declines in the sales market by converting sales units to rentals; these adjustments will continue to add to the rental stock and loosen the rental market, likely affecting rents as well as concessions. Indeed, recent data from Delta Associates indicate that discounts are on their way back, with one-third of metropolitan Washington's apartments offering up-front, one-time deals—for example, three months rent free or plasma TVs and iPhones. Other rental units that have become a part of the "shadow market," such as foreclosed units or owners renting their single-family home while waiting to sell, continue to increase.[15] All these factors could significantly drive down average rents in the market.

According to M/PF YieldStar, in the fourth quarter of 2008 the average rent for buildings with more than five units in the region was $1,325; this masks wide variation by jurisdiction.[16] At $1,850, average rents in Bethesda/Chevy Chase were the highest in the metropolitan area. North and South Arlington followed, with rents at $1,821 and $1,680, respectively. Average rents in the District of Columbia were still high, but at $1,521 they are lower than Inner Core suburbs. More affordable areas included Prince William and Prince George's Counties, which had the lowest average rents in the region at $1,060 and $1,078, respectively.

From fourth quarter 2007 to fourth quarter 2008, rents across the region increased 1.8 percent on a same-store basis (Figure 2.4).[17] This increase was smaller than the 3.4 percent increase from fourth quarter 2005 to fourth quarter 2006, but it clearly indicates that the rental market is steady, especially compared with national rents, which increased 3.2 percent in the first period but declined 0.3 percent between 2007 and 2008.[18] While rents continue to climb, albeit at slower rates, for most submarkets in the region, the change in rent on a same-store basis did decrease from fourth quarter 2007 to fourth quarter 2008 in North Arlington, Alexandria, Reston/Herndon, and the Outer Metro Washington area. Only Southeast Fairfax County had same-store rent growth over this time period substantially larger than that of the region (7.7 percent).

Figure 2.4: Rents Rising Slowly in Most Parts of the Region



SOURCE: Data from M/PF Yieldstar.

NOTES: The calculations reflect changes in the same building from one year to the next, and have not been adjusted for inflation. Data source follows the 1999 metropolitan definition, which includes three Far Suburban counties not included in the current area definition.

Vacancy Rates Are Similar to National Averages and Continue to Rise

Another sign that the market is cooling is high vacancy rates. The rental vacancy rate in the Washington, D.C. metropolitan area stood at 10.1 percent in the second quarter of 2009, a slight (0.6 point) increase from the end of 2008.[19] Vacancy rates in the region were similar to the national rate (10.6 percent), and ranked 32nd

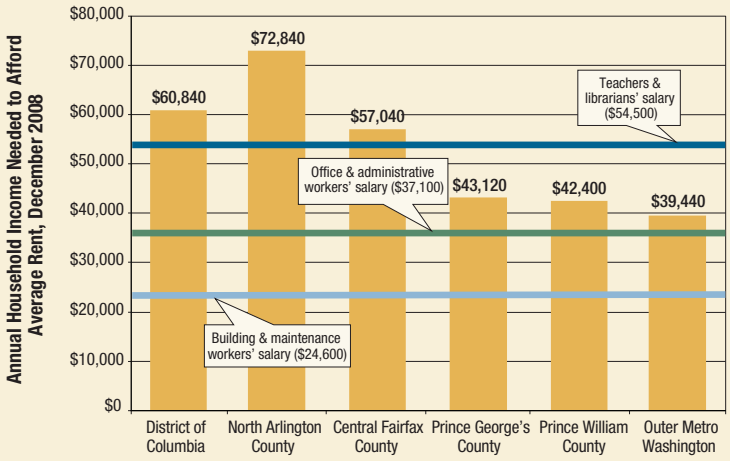
out of 75 areas with data available. They were much lower than the highest two rental vacancy rates in Memphis (25.8) and Birmingham-Hoover (22.7) and much higher than the tighter rental markets in the Bakersfield, Worcester, and Portland metropolitan areas, all with rental vacancy rates below 3 percent.

Rental Housing Remains Unaffordable to Moderate- and Low-Income Households

Even with the higher vacancy rates and slow-growth in rents, rents are unaffordable for many low-wage households. For example, the fair-market rent in the District of Columbia is $1,288. To afford this rent, a household must earn an income of $51,520 annually, or $24.77 an hour assuming a 40-hour workweek and 52 workweeks a year.[20] Figure 2.5 shows the annual income needed to afford the average rent in late 2008 in areas across the region. At these levels, building and grounds maintenance workers, office and administrative staff, and teachers and librarians find that rents in many areas are unaffordable.

High rents and low incomes leave many households with housing cost burdens. According to the most recent data from the American Community Survey, 37 percent of all renters paid more than 30 percent of their income toward rent in 2007. Not surprisingly, rent burden is concentrated among low-income renters: 72 percent of extremely low income renters (those households with incomes 30 percent of the area median income or less) were paying more than 30 percent of their income toward rent.[21] At such low income levels, paying 30 percent or more of household income for rent leaves little left over for other household expenses, such as food, health care, transportation, and other necessities and puts the household at risk of homelessness. This situation is unlikely to improve even when the economy begins to recover, given the wage trends reported in Chapter 1 for the lowest paid workers.

Figure 2.5: Rents Remain Unaffordable for Working Families



SOURCES: Data on rents from M/PF Yieldstar and on incomes from the Occupational Employment Survey.

Homelessness Is Increasing in the Region

The lack of affordable housing and the economy are contributing to increases in homelessness in the Washington area. Each year, usually during the last week in January, volunteers and staff from homeless service providers count the number of people who are sleeping on the street and in shelters, and the Metropolitan Washington Council of Governments (MWCOG) summarizes the data for the region. The latest survey in January 2009 showed that homelessness increased 2 percent from January 2008; changes varied significantly by jurisdiction, with the District and Alexandria, Montgomery, Frederick, Arlington, and Prince William Counties reporting increases.[22] Among this group, Arlington County reported the largest increase, with 25 percent more homeless people on the streets and in shelters. Conversely, Fairfax, Prince George's, and Loudoun Counties reported decreases in homelessness between 5 to 11 percent.

Between 2008 and 2009, the number and share of the region's homeless in families increased. Today, people in families, including almost 3,300 children, make up 44 percent of the homeless population in the region. In the District of Columbia, homelessness among families is up 20 percent in the past year. Administrators attribute this increase to the weak economy and to increases in the availability of transitional housing beds drawing some families into the system. Without a significant increase in the availability of affordable housing, advocates expect the numbers to grow.[23] The data bring good news too. The city has increased permanent supportive housing units as part of its plan to end homelessness, and the efforts appear to be paying dividends. In the District, the number of chronically homeless single adults decreased by 12 percent, from 2,184 in 2008 to 1,923 in 2009. Despite local budget cuts, it is expected that these efforts will continue. The Obama administration has proposed $19 million toward permanent supportive housing in the District in the 2010 budget.[24]

Without Significant Increases, Subsidized Housing Will Not Fill the Gap

With unemployment increasing, much more is needed to ensure households regionwide remain in stable housing and do not become homeless. Even before the recession, with major cuts in vouchers, loss of public housing stock, and expiring federal subsidy contracts, federally subsidized housing

failed to keep pace with rising demand. As of December 2008, approximately 22,800 households received housing vouchers, 10,000 households lived in public housing units, and 28,500 received project-based subsidies region wide.[25] Many more—approximately 47,100—lived in affordable Low Income Housing Tax Credit (LIHTC) units. The demand for subsidy far surpasses the supply. In the District, for example, 26,000 people are on the housing authority waiting list, leaving people waiting years to reach the top of the list. Given the size of most housing authority lists, and the scarcity of housing resources, the odds of low-income households receiving assistance are depressingly low.[26] Analysts estimate that only one in four people who qualify for subsidized housing nationally receives some assistance.[27]

Prospects

What are the prospects for the Washington, D.C. region's housing market? As of June 2009, 35,900 homes were on the market in the metropolitan area, with about 6,800 homes having sold that month.[28] At this sales rate, the inventory would take 5.3 months to clear, within the generally accepted range for a market in equilibrium. However, the upcoming foreclosures and the homes that are 90-day delinquent that will be discussed in the next chapter could pile an estimated 44,000 homes onto the market in the coming months.[29] Also, a shadow supply of homes potentially looms from homeowners who have delayed putting their homes on the market until prices stabilize.

On the demand side, the region's economic fundamentals are relatively sound, with a growing population and employment performance that significantly outpaces the nation. Reduced prices, low interest rates, and the federal tax credit for new homeowners are beginning to draw buyers back into the market. Even with early signs of improvement, however, longer-term housing market recovery is inextricably linked to clearing the backlog of lender-owned properties and reducing the number of future foreclosures.

Chapter 3

Foreclosures Increasing and More to Come

Washington's relatively strong economy described in Chapter 1 moderates the impact of foreclosures on the region, but many households are still facing the loss of their home due to unaffordable loans and family economic insecurity. As of June 2009, there were 104,200 homes with mortgages 30 or more days delinquent, another 33,600 loans in foreclosure, and at least 15,200 already foreclosed properties owned by banks. Altogether, more than one in ten mortgages in the region was in trouble. This chapter describes the current regional trends and looks to the future. The analysis shows the geographic patterns of foreclosures and troubled loans, zooming in on two of the most challenged counties—Prince George's and Prince William.

According to data published by RealtyTrac, 13.7 of 1,000 Washington, D.C. metropolitan area housing units were listed in a foreclosure filing during the first half of 2009, which slightly exceeded the national average of 11.9 and ranked 55th out of 203 metropolitan areas. Las Vegas topped this list with about 74.5 filings per 1,000 units—more than five times the Washington area rate.[30]

In order to examine mortgage delinquencies in addition to foreclosures, the regional analysis in this chapter uses mortgage loan data from LPS Applied Analytics, (formerly McDash Analytics, LLC), a firm that collects data from the major loan servicers.[31] The data have been adjusted to accommodate for known shortcomings, such as under-representing subprime loans and covering, on average, about two-thirds of the county's mortgage markets. According to these data, of the region's estimated 1.2 million outstanding first-lien mortgages in June 2009, 74 percent were prime loans, 11 percent were subprime, 9 percent were government-insured, and 7 percent were Alt-A loans (see sidebar and text below for more descriptions). Except for small declines in subprime lending, the distribution of loans remains very similar to the distribution in January 2007, the earliest data analyzed for this report.

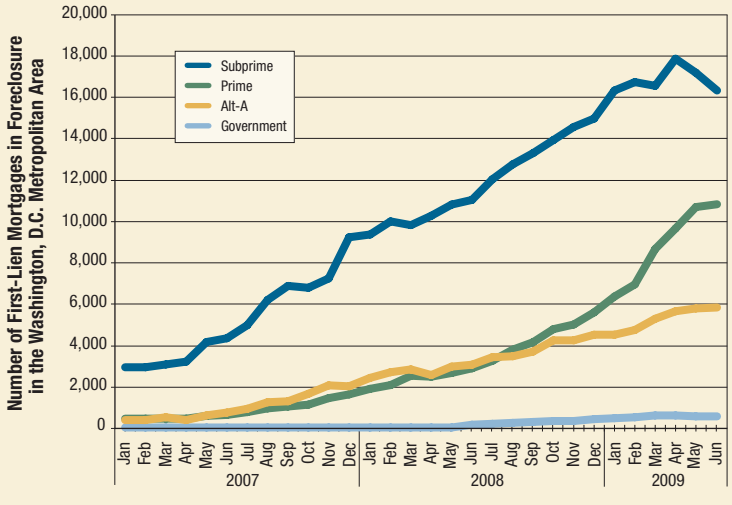
Measuring Foreclosures

Determining the magnitude of the foreclosure problem is more complex than one might expect. Foreclosure is the state legal process that a lender must follow to take possession of a property after an owner defaults on a mortgage. The steps vary by state, but generally lenders must begin the process with a written filing with either the local court or the deeds office. The borrower can avoid foreclosure by paying the amount owed, negotiating a compromise with the lender to keep the home, or selling the home and paying off the loan. Otherwise, the home is offered at a publicly advertised auction after either a judicial approval or a specified number of days. A third party may purchase the property, or the property can revert to the ownership of the bank. The latter case is referred to as a real estate owned, or REO, property. The time from start to finish can range from a few months to years. News coverage and public debate have included several different indicators capturing different stages of foreclosure, such as the number of properties first entering foreclosure, or the number of homes where foreclosure is completed and the property transfers from the original borrower. This analysis uses the number of mortgages currently in the foreclosure inventory—that is, those loans that have entered foreclosure but have not been remedied, paid off by a sale of the property, or had the title transferred to the lender.

Small Share of Risky Loans Drove Region's First Foreclosure Surge

In June 2009, about 2.7 percent of all mortgages in the Washington region were in foreclosure, similar to the 2.9 percent national rate.[32] This means that 33,600 mortgage loans in the region were in the foreclosure inventory: they had entered foreclosure but had not yet been remedied or liquidated (see sidebar).[33] As shown in Figure 3.1, foreclosures began to rise rapidly in spring 2007. By June 2009, the foreclosure inventory had increased more than eightfold since January 2007.

Figure 3.1: Foreclosure Inventory Climbed for All Loan Types, but Subprime Far Outpaced Others



SOURCE: Urban Institute analysis of data from LPS Applied Analytics, formerly McDash Analytics, LLC.

Mortgage Loan Grades:

Prime: The most common type of loan issued. These loans are issued to borrowers with high credit scores, steady incomes with full documentation, and all the supporting paperwork.

Subprime: Loans issued to higher-risk borrowers (meaning lower income and/or poor credit) and carrying a higher interest rate than prime loans.

Alt-A: Short for "alternative a-paper." These loans are often issued to borrowers with less than full documentation and/or lower credit scores and high loan-to-value (LTV) ratios.

Government: These are loans insured by the federal government for borrowers with steady incomes but lower down payments or credit scores.

Subprime loans have driven this initial surge in the region's foreclosures, and they are still disproportionately represented in the foreclosure inventory. These subprime loans were designed for borrowers with weak credit records or low down payments and carried higher interest rates. Most had prepayment penalties that discouraged borrowers from refinancing for better terms. Low initial teaser rates and adjustable rate terms made them affordable in the short term to lower-income households. The 16,300 subprime loans in foreclosure in mid-2009 accounted for about half the foreclosure inventory, even though subprime loans accounted for about 11 percent of all mortgages. The foreclosure rate for subprime loans reached 12 percent by June 2009, a dramatic change compared with the 1.9 percent facing foreclosure in January 2007.

Prime loans, used by homebuyers with sound credit and steady income, make up another third of the loans in foreclosure. While still a much smaller share of the inventory than subprime loans, the number of

Susan is a single mother to a 14 year-old girl and lives in Upper Marlboro, MD. She is a nurse who works on contract through a staffing agency. She went through a four-month period during which the agency could not place her, and she was unable to make her mortgage payment. At the same time, the interest rate on her adjustable-rate mortgage (ARM) reset and she had to pay more than 9 percent in interest. She came to Housing Initiative Partnership, Inc. (HIP), a HUD-approved counseling agency, seeking assistance. HIP helped her submit a loan modification application to lower her monthly payments by reducing her interest rate. HIP also submitted an application to the Maryland state program "Bridge to Hope," which provides interest-free loans to help individuals with subprime or exotic loans, to cover arrears due to Susan's ARM reset. Within a month, HIP secured the loan to cover a large portion of the arrears and succeeded in getting Susan's lender to reduce her interest rate to 5 percent for the life of the loan.

prime loans in foreclosure began to grow rapidly in fall 2008. Foreclosure counselors confirm that their clients' financial troubles are increasingly due to a job loss. The prime foreclosure rate was still low at 1.2 percent, but the sheer number means that just a small increase in the rate results in many loans added to the foreclosure inventory.

Alt-A loans accounted for 5,800 loans, or another 17 percent, of the June 2009 foreclosure inventory. Their foreclosure rate (7.2 percent) was between prime and subprime loans. Alt-A loan terms diverge from the traditional 30-year fixed rate mortgage. One type of Alt-A loan is a "low documentation" or "stated income" loan, where borrowers do not have to verify their income. A second type of Alt-A mortgage is an "Option ARM" loan, which is an adjustable-rate mortgage with a low initial interest rate that has multiple payment options including interest only or an even smaller minimum payment. If the payments made do not cover the full interest each month, borrowers begin to lose equity in their homes. This was less of a problem when the housing market was booming and such equity loss was offset by rising home values. Now that home prices have fallen, the loans with negative equity are difficult to refinance.

Government-backed loans, such as those insured by the Federal Housing Administration (FHA) or guaranteed by the Veterans Administration, accounted for the remaining 1.7 percent of the foreclosure inventory. Of the 108,400 government-backed loans in the region, fewer than 600 were in foreclosure in June 2009. These loans consistently have the lowest foreclosure rate—only 0.5 percent—even though they were cre-

ated to serve households with financial profiles similar to subprime borrowers. The government guarantee allows FHA lenders to offer very low interest rates, despite a borrower's imperfect credit or very low down payment. Most FHA-insured loans are fixed-rate loans where borrowers did not have to deal with rising payments from loan resets. Most FHA loan interest rates are at least 3 percentage points lower than the subprime loan rate, making the payments much more affordable.[34] On a $100,000 mortgage, homebuyers would save an average of $200 on their monthly payment by using a FHA-insured loan instead of a subprime one.[35]

Fewer Households Able to Avoid Foreclosure

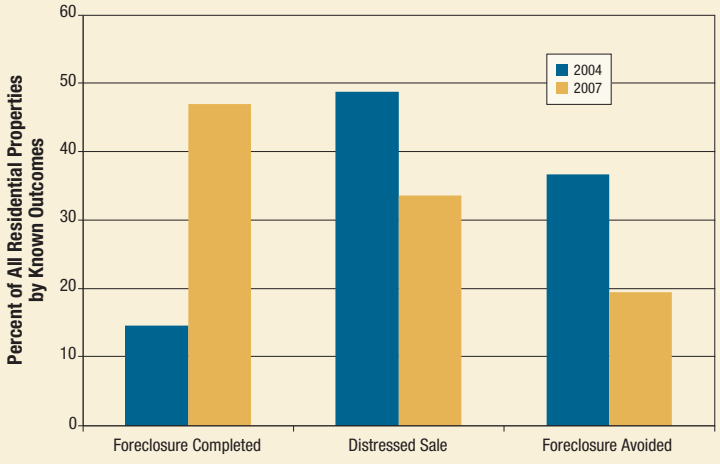
To measure the extent of household distress and results of counseling efforts, we would like to know how many households that begin the foreclosure process ultimately lose their homes. The regional mortgage performance data used in the previous section's analysis quantify the current foreclosure inventory, but they do not track the outcomes for individual homeowners in foreclosure. Local administrative data for the District of Columbia can give us one perspective on the issue. The city's property data systems allow users to link each notice of foreclosure sale (the start of the process) to any trustee's deed sale (completed foreclosure) or market sale to determine whether the owners were able to retain the property.[36]

For this analysis, we define three outcomes: a completed foreclosure, a distressed sale (any sale within a year after the last notice of foreclosure, which would include a short sale or deed-in-lieu), and an avoided foreclosure (properties with no sale or trustee's deed within a year of the last notice of foreclosure).[37] We emphasize distressed sales here because the foreclosure completion rate understates the amount of displacement that takes place when households are

in financial trouble. There is no way to know from administrative data whether owners sold at a time of their choosing, had to sell because they could no longer afford their mortgage, or entered into short sales to avoid foreclosure. These property owners may indeed be better off because a foreclosure will not appear on their credit record, but they and their families or tenants may still suffer the disruptions that moving causes as well as a loss of wealth and a vehicle for asset-building over the long term.

As shown in Figure 3.2, the completion rate was only 15 percent for property owners who entered the foreclosure process in 2004, a year when rising prices resulted in more equity and refinancing options for troubled owners. However, an additional 49 percent of owners ended the foreclosure process in a distressed sale. About 37 percent of property owners were able to avoid foreclosure. As the housing market began to slow, more than eight out of ten households entering foreclosure in 2007 lost their home. The foreclosure completion rate in that year rose to 47 percent for property owners, 32 percentage points higher than in 2004. A smaller share of households than in 2004 completed a distressed sale (34 percent). In 2007, the avoidance rate dropped to 19 percent, a dramatic shift from the 2004 rate. This decrease may have resulted from the slowdown in the housing market, but could also reflect borrowers who lacked equity in the home due to exotic mortgage products or serial refinancing to get cash out of the home.

Figure 3.2: More District Households Who Enter Foreclosure Lose their Homes



SOURCES: Data from District of Columbia Recorder of Deeds Online Public Records and Office of Tax and Revenue.
NOTE: Year represents the date when the first notice of foreclosure sale was issued.

Do Foreclosed Families End Up Homeless?

Displacement from one's home and potential residential instability that follows could set off a downward spiral that ultimately ends with the family seeking assistance from a homeless shelter. How many families affected by foreclosure will become homeless? Unfortunately, data on where families displaced by foreclosure move are quite scarce. It is

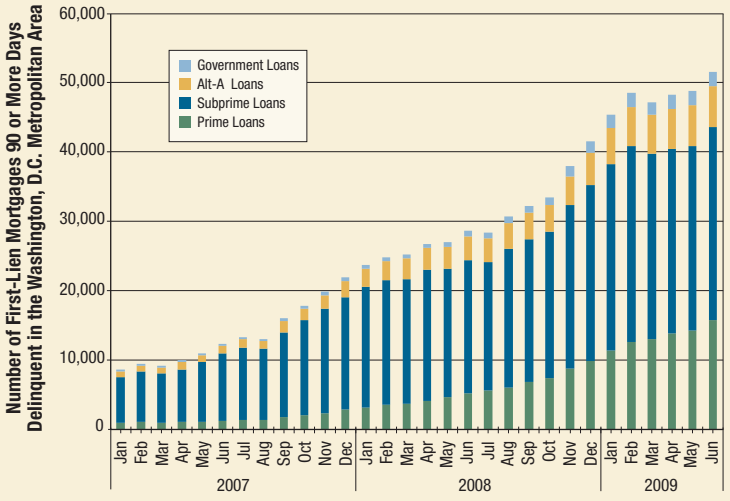
Helen, a 76-year-old widow of a military veteran, has lived in her home for more than thirty years and has a fixed income. She came to Housing Counseling Services, Inc. (HCS), a HUD-approved counseling agency, when she was four months behind on her mortgage. Although she had an affordable mortgage payment originally, she was convinced in 2005 to refinance into an Alt-A mortgage of over $425,000 in order to invest in a company that promised her quick financial returns, including enough to pay off her new large mortgage in five years. After a year, though, Helen learned that the investment would no longer return any cash. The investment company is now being criminally prosecuted, but it is unlikely Helen will ever see any of the money she "invested." Helen applied for several loan modifications, but her counselor thinks her limited income makes their approval unlikely. A "short sale" is also unlikely because Helen is so far underwater on her mortgage. She left her counseling session in a panic; after so long in her home, she is not willing to walk away, but cannot see a way to stay in her home.

likely that most families affected by foreclosure will not immediately become homeless; they may first move into other rental units or "double up" with friends or family. Many families who double up or who cannot find stable rental units may end up seeking assistance from homeless shelters once they exhaust their social networks and financial resources. Research shows that doubling up with friends or family is often a pre-cursor to homelessness.[38]

By looking at data in the District of Columbia we found that a small, but not insignificant, number of families requesting shelter at Virginia Williams Resource Center, the central intake shelter for families in the District, came from properties facing foreclo-

sure. Of the families requesting shelter, 3.6 percent reported that their homelessness "originated" in an address we identified as a foreclosure address.[39] Families came from renter-occupied (1.8 percent) and owner-occupied units (1.3 percent). It is unclear if the families requesting shelter were the leaseholders, the homeowners, or that these families have been living with family or friends who were in foreclosure. We should note that these data only tell part of the story—those who are showing up at the front door of the shelter system within a year of a notice of foreclosure. Further investigation is needed to understand the true impacts on residential instability and homelessness.

Figure 3.3: Serious Delinquencies Signal More Foreclosures to Come, with Rising Prime Loan Share



SOURCE: Urban Institute analysis of data from LPS Applied Analytics, formerly McDash Analytics, LLC.

Delinquencies Climbing for All Loan Types, but Prime Market Will Drive Next Wave

More and more of the region's homeowners are behind on their mortgage payments, indicating that there are more foreclosures to come. In June 2009, about 104,200 mortgage loans were delinquent but not yet in foreclosure, more than 8 percent of all loans in the Washington metropolitan area. Almost half of these households were seriously delinquent—that is, more than three months behind on their payments—and very likely will end up in foreclosure.[40] The delinquency rate pattern for prime versus subprime loans mirrors that for rates of loans in foreclosure. About 20 percent of all subprime loans were seriously delinquent, compared with only 2 percent of prime loans.

Prime loans are responsible for an increasing share in the foreclosure inventory. At the beginning of 2007, prime loans accounted for 11 percent of the serious delinquencies; by June 2009, the figure had climbed to 31 percent. From January to June 2009 alone, seriously delinquent loans rose by 6,200 to reach 51,500 (Figure 3.3). Almost three-quarters of the increase was due to prime loans. Given the rise in unemployment in the region from 3.8 percent in

June 2008 to 6.6 percent in June 2009, we expect the prime role in the crisis to continue to grow. More homeowners will have reduced income or lose their jobs and will struggle to keep up their mortgage payments. This has sobering implications for the chances of successful loan modifications; in these cases, just changing the loan terms will not compensate for a sudden loss of income or prolonged unemployment. (See Terry's story in the *Foreclosures in the Nation's Capital* brief on her struggle with modifying her loan.)

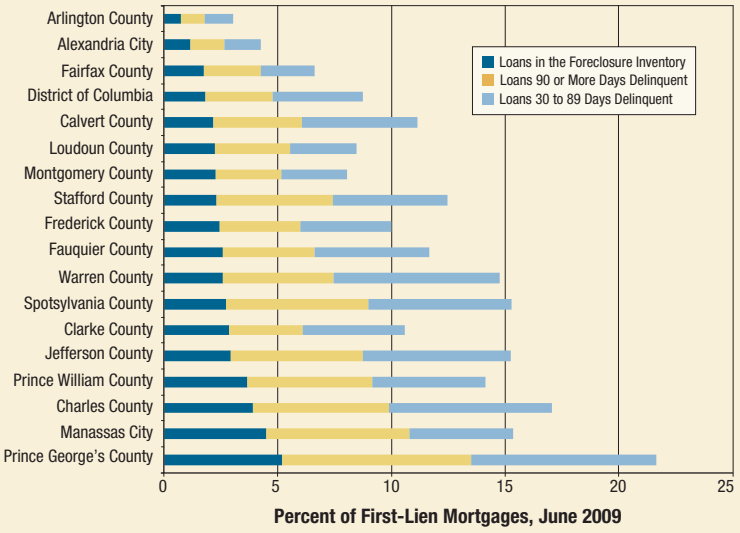
Although delinquencies are rising, nationwide loans that were originated in 2008 are less likely to be seriously delinquent than loans originated in 2006 and 2007. At 14 months after origination, 2008-vintage loans had a 90-day delinquency rate of approximately 0.5 percent, while 2006- and 2007-vintage loans had a 90-day delinquency rate of 1.5 percent.[41] Borrowers in 2009 are facing tougher underwriting criteria, as reflected in lower loan-to-value ratios and higher credit scores.

Foreclosed and Delinquent Loans Distributed Unevenly across Counties

Prince George's County, Maryland—the wealthiest majority African American county in the country—had the highest county foreclosure rate in June 2009 at 5.2 percent and accounted for nearly a third of the foreclosures in the region.[42] Charles County and Prince William County ranked second and third, with foreclosure rates of 3.9 and 3.7 percent, respectively. In contrast, Arlington County had the lowest rate of loans in foreclosure for the entire region: less than 1 percent.

Given the rising number of households behind on their mortgages, a summary measure of all noncurrent loans—those that are delinquent and those in foreclosure—can give a more complete picture of risk than viewing the indicators in isolation. As of

Figure 3.4: Eastern and Outer Counties Have the Highest Share of Troubled Loans



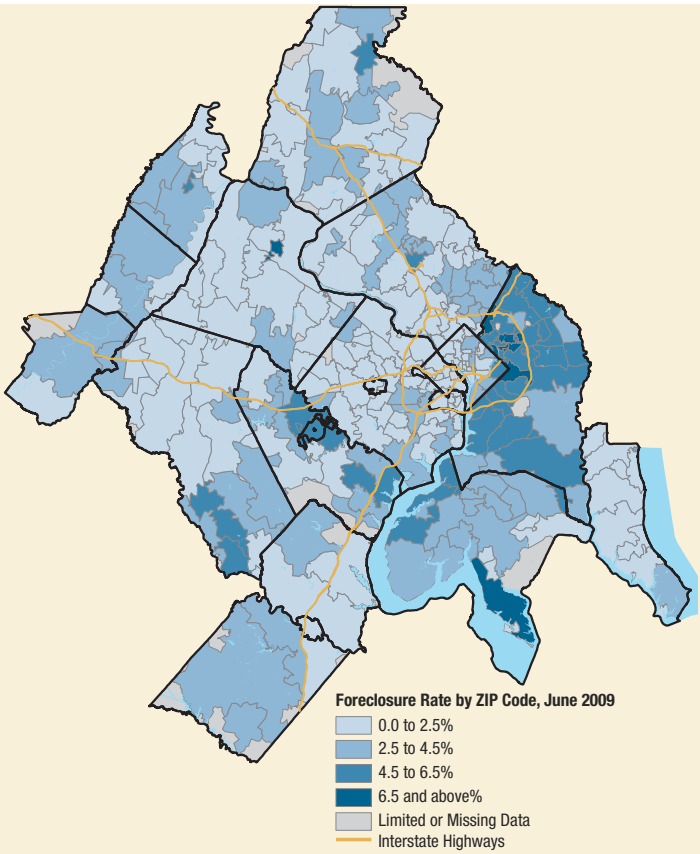
SOURCE: Urban Institute analysis of data from LPS Applied Analytics, formerly McDash. Analytics, LLC.
NOTE: Due to space constraints, the chart does not display the smaller independent cities in Virginia.

June 2009, about 11 percent of loans in the region were not current, similar to the national average but 2.7 times the rate in January 2007.[43] The share of loans in trouble varied widely by county (Figure 3.4).[44] The extreme rankings paralleled the foreclosure pattern, ranging from 3 percent in Arlington to 22 percent in Prince George's County. However, this measure allows for further insight on the housing crisis, as three of the Far Suburbs (Spotsylvania, Warren, and Calvert) and Stafford County in the Outer Suburbs showed a larger proportion of homeowners in trouble than their foreclosure rates alone would indicate. While Montgomery and Fairfax Counties fell in the lower ranks of the chart, their size means that even a lower rate translates to a large number of households in need. In fact, Montgomery and Fairfax directly followed Prince George's in the number of loans that are not current.

Some Neighborhoods in All Counties Threatened by Foreclosures

Figure 3.5 illustrates how foreclosure rates vary within counties. Within the counties with the highest foreclosure rates, the ZIP codes of Bladensburg (20710), Riverdale (20737), Adelphi (20783), and Brentwood (20722) in Prince George's County are among the most distressed areas in the entire region. These areas had foreclosure rates ranging from 7.4 to 9.3 percent. In Charles County, the communities of Indian Head (20640) and Bryans Road (20616) had rates over 5 percent. Across Prince William and Manassas city, the most affected ZIP codes were in Manassas (20109, 20111, and 20110) Dale City (22193), and Woodbridge (22191), where 4.5 to 5.2 percent of all loans were in foreclosure.

Figure 3.5: Foreclosure Rates Highest in Eastern and Outer Suburbs



Source: Urban Institute analysis of data from LPS Applied Analytics,formerly McDash Analytics, LLC.

Even jurisdictions with lower overall foreclosure rates have neighborhoods with heightened foreclosure levels. The remaining Outer and Far Suburban jurisdictions had much lower foreclosure rates (from 1.5 to 2.9 percent) than the top counties, but some of their neighborhoods had twice the average rates. Bealeton (22712) in Fauquier County, Ranson (25438) in Jefferson County, Sterling (20164) in Loudoun County, and Lusby (20657) in Calvert County had foreclosure rates of 4.1 to 5.2 percent.

Montgomery and Fairfax Counties, with 2.3 and 1.8 percent of loans in foreclosure, respectively, were faring much better than outer counties. But the general affluence of these counties does not extend to all their neighborhoods. Gaithersburg (20877), Silver Spring (20903), and Burtonsville (20866) have been trouble spots in Montgomery County, with foreclosure rates ranging from 4.3 to 5.4 percent. Within Fairfax County, the foreclosure problems were most extreme in Herndon (20170), Springfield (22150) and Lorton (22079), along with a few ZIP codes near Alexandria (22309, 22306, and 22312); from 3.1 to 3.7 percent of the loans in these ZIP codes were in foreclosure.

In the District of Columbia, 1.8 percent of all loans were in foreclosure. The communities of Deanwood (20019), Congress Heights (20032), Barry Farm/Anacostia (20020), and Brightwood Park/Petworth (20011) were facing the most difficulties with rates of 3.1 to 4.7 percent. Alexandria and Arlington had the lowest foreclosure problem in the region; together less than 1 percent of their loans were in foreclosure, and no ZIP code rate exceeded 2.1 percent.

To understand the story behind the troubled loan concentrations, the next two sections place the mortgage risk indicators for Prince George's and Prince William Counties in the demographic and housing market context, underscoring the impact on minority communities in particular.

Subprime Lending in Prince George's County Contributes to Market Decline

Home sales to minorities rose in part based on the risky loans that laid the groundwork for the current high rates of foreclosures and troubled loans. Unlike the other suburban counties in the Washington region, Prince George's population grew minimally from 2000 to 2008 (increasing only 2.2 percent) and has declined since 2005. The share of the population that was African American remained steady over this period at 63 to 64 percent. The county's non-Hispanic white share of population fell from 24 percent of the total population in 2000 to just 18 percent in 2008. On the other hand, the Latino population share almost doubled during this period to end at 13 percent.

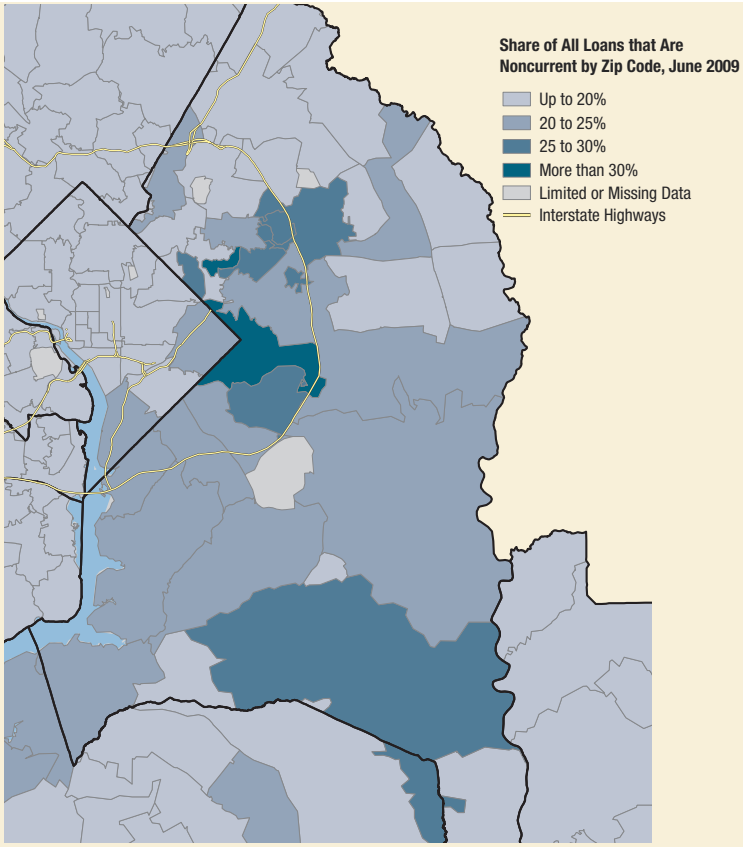
Although Prince George's housing boom was not as dramatic as in the nearby District, home purchase loan volume increased 93 percent from 2000 to 2005. African American home borrowers remained the largest racial and ethnic group, though their share decreased from 70 percent in 2000 to 58 percent by 2005.[45] The non-Hispanic white share also fell from 18 percent to 11 percent, commensurate with a jump in the Latino share from 6 percent in 2000 to 25 percent in 2005. By 2005, almost 90 percent of mortgages in the county were to minorities.

A significant share of the county's recent buyers used high-cost loans to purchase their homes. The most striking statistic is that more than 36 percent of the county's owner-occupied home purchase loans in 2004 to 2006 were high cost, compared with the regional rate of 17 percent.[46] Following regional patterns, the African American and Latino rates (both 41 percent) remained high across income levels, and more than double the rate for white borrowers (18 percent). High-cost lending rates for all race and income levels in Prince George's are higher than the corresponding rates for the region. For example, 15 percent of white high-income homebuyers used a high-cost purchase loan in Prince George's—almost three times their regional rate of 5 percent.

As with the rest of the region, home purchase loans fell precipitously in Prince George's County between 2005 and 2007—by 54 percent. Unsurprisingly, with the highest rate of high-cost loans, Prince George's County also exhibited the highest rate of troubled loans once the housing market crashed. More than

one in five loans (22 percent) in the county were noncurrent as of June 2009, compared with 11 percent in the region as a whole. The ZIP codes with the highest rates of troubled loans were concentrated close to the District border, in neighborhoods such as Bladensburg (20710) and Capitol Heights (20743), where 33 and 31 percent of loans, respectively, were noncurrent (Figure 3.6).

Figure 3.6: Prince George's Neighborhoods Show High Rates of Troubled Loans, Especially Inside the Beltway



Source: Urban Institute Analysis of data from LPS Applied Analytics,formerly McDash Analytics, LLC.

Latino Homeownership in Prince William County

In the past decade, Prince William County underwent a boom and bust that saw many families move in and purchase homes only to experience the housing market crash. The story is, in some part, one of Latino households who moved to the county seeking affordable homeownership. From July 2000 to July 2008, Prince William County experienced a 29 percent increase in population, from 283,800 to 364,700, half of which came from growth in the Latino population from 27,800 to 69,700. Many of these new residents were responding to attractive home prices, and homeownership in the county rose from 72 percent in 2000 to 75 percent by 2007.[47]

As the Latino population increased in Prince William County, so did home buying among Latino households. From 2000 to 2006 the number of home-purchase loans to Latinos shot up, from only 900 loans to 5,300. Moreover, the share of all owner-occupied home purchase loans to Latino borrowers jumped from 10 percent in 2000 to 37 percent in 2006. By 2007, the homeownership rate for Latinos was 70 percent, considerably higher than the regional rate for Latinos (58 percent).[48] The homeownership rate for Latinos also grew more than for any other demo-

graphic group in Prince William County in the decade, rising from 61 percent in 2000. The homeownership gap between white and Latino households shrank from a 16 percentage point difference in 2000 to just 10 points in 2007.[49]

Loosening lending standards fueled the boom in homeownership for all Prince William households but were especially influential for Latino households. From 2004 to 2006, about one in five home purchase loans in Prince William County was high cost, the third-highest county rate in the region after the two predominantly African American counties of Prince George's and Charles. Latino households held a large share of these loans—about 54 percent—compared with African American borrowers (19 percent) and non-Hispanic white borrowers (17 percent). Income alone does not explain the larger Latino share; over half of the Latino borrowers receiving high-cost loans were moderate-income, and an additional quarter were high-income.

Many Latino men had benefited from the housing boom, with almost half the male workers employed as construction workers in 2006, so their jobs were particularly vulnerable when the construction industry contracted sharply in the following two years. With less secure employment and greater shares of higher-cost loans, many Latino households who attained the American dream of homeownership are now finding themselves with unaffordable mortgage payments. As of June 2009, about one in seven home loans in Prince William was delinquent or in foreclosure. The county's median home price dropped 47 percent from June 2007 to June 2009, putting many recent borrowers underwater and limiting loan refinancing options. Further, Latinos are finding fewer homeownership opportunities in Prince William County; their share of all home purchase loans made in the county fell 21 percentage points between 2006 and 2007 to end at 17 percent.[50]

Chapter 4

Ripple Effects Threaten Residents and Neighborhoods

Rising foreclosure rates mean that more homeowners become displaced and lose any accumulated equity. They also cause secondary effects for families and neighborhoods, and these effects require the attention of policymakers, housing counselors, and human service organizations. This chapter explores a few aspects of these "ripple" effects. Neighborhoods with concentrations of foreclosures are at risk for high levels of neglected vacant homes, declines in property values, and associated problems of crime and disorder. Patterns of high-cost lending suggest that minority neighborhoods are more likely to be affected by foreclosure and vacancy rates than other areas in the region. Renters are also bearing a significant portion of the impact of the crisis. Despite local and federal protections, many renters unaware of their rights may face eviction because their landlords have been foreclosed upon; they could be forced to move quickly, potentially losing security deposits and facing limited affordable housing options. Children and the elderly are two other vulnerable populations affected by foreclosures. Children are particularly exposed to the impacts of financial distress and high mobility, and elderly homeowners facing foreclosure may have special housing needs, fixed incomes, and less time to repair credit and restore savings than adults in their prime.

Low-Poverty African American Neighborhoods Most at Risk

The density of high-cost loans in a neighborhood is one way to explore the characteristics of areas most heavily affected by foreclosures. Minority neighborhoods have substantially higher concentrations of high-cost loans. Predominately African American neighborhoods had more than twice the density level of high-cost loans (71 loans per 1,000 one- to four-family units) than predominately non-Hispanic white neighborhoods (32 loans per 1,000 one- to four-family housing units) from 2004 to 2006.[51] Predominately African American census tracts make up about one-fifth of tracts in the re-

gion but two-fifths of the tracts in the top quintile of high-cost loan density.

While one might think that most high-cost lending took place in the poorest areas, the density of these loans is actually higher in neighborhoods with lower poverty rates. For neighborhoods with less than 10 percent poverty, the density of high-cost loans in 2004–06 was 45 loans per 1,000 one- to four-family housing units. The density rose even higher to 53 in neighborhoods with moderate poverty levels of 10-20 percent. In contrast, higher-poverty neighborhoods (20 percent and higher) had the lowest rates of high-cost loans (about 40 per 1,000 one- to four-family housing units).

Looking at poverty rates and race together reveals that low-poverty African American census tracts have the highest densities of high-cost loans. Neighborhoods with more than 60 percent African American population and the lowest poverty rates had the highest density of any group—84 high-cost loans per 1,000 one- to four-family housing units in 2004–06. This rate was 2.6 times higher than the high-cost loan density of predominately white census tracts (32 loans per 1,000 one- to four-family units) with low poverty rates.

Neighborhoods with Weak Housing Markets Have Higher REO Concentration

The spillover effects of foreclosures can be destructive in neighborhoods with high rates of foreclosed and vacant properties. These homes and their lots may be poorly maintained, potentially attracting loitering and crime, and exacerbating the property value decline already expected from the increasing number of homes on the market.[52] The effect will be magnified in the case of foreclosed large multifamily properties, which are more difficult to secure and have more visual impact on a block. Although direct information is not available about vacant foreclosed properties, about 15,200 of the loans tracked in the servicer data were real estate owned in June 2009, that is, they completed the legal foreclosure process and their ownership had been transferred to the lender.[53] This figure significantly underestimates the real estate owned properties in the region because it excludes properties with loans that are no longer reported to LPS Applied Analytics as part of their active loan portfolio.

According to the LPS Applied Analytics measure, REOs are spatially concentrated and are more likely to be in neighborhoods with weaker housing de-

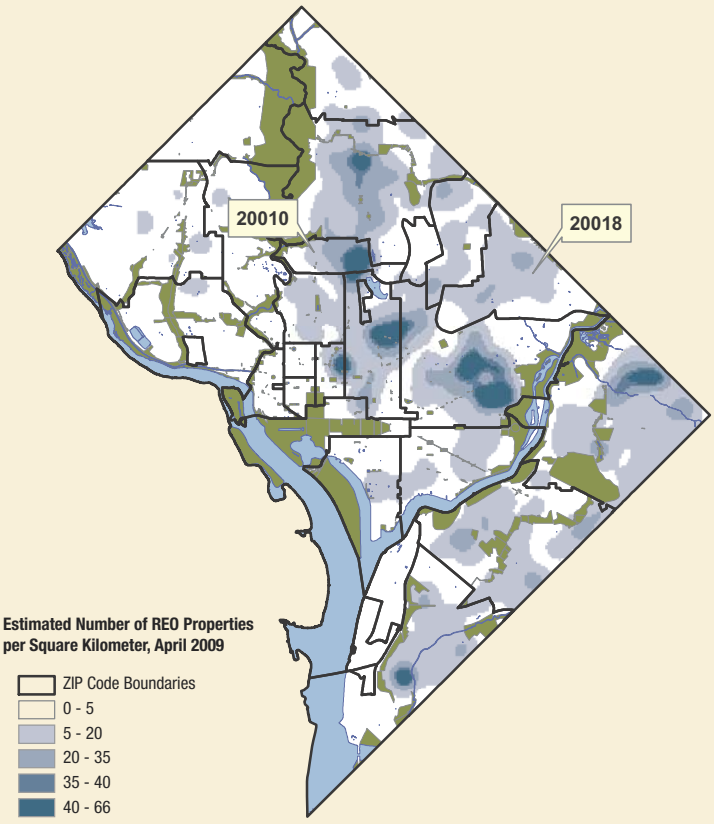
mand. The 20 ZIP codes with the highest share of REOs in June 2009 accounted for almost one-fifth of the lender-owned properties but only 7 percent of all mortgage loans. Higher shares of REO properties are correlated with indicators of weak housing markets: more severe recent price declines, higher active listing inventories, and higher foreclosure inventory rates.

A tenant contacted Housing Counseling Services, Inc. (HCS), a HUD-approved counseling agency, after all eight households in her apartment building were notified that they had to move out because the landlord had been foreclosed upon. A representative of the lender also encouraged tenants to move from the property. HCS met with all the tenants and held a training session on basic tenant rights and responsibilities. The tenants, who were all very low-income, decided to remain in the property, and notified the lender that they had valid tenancies. However, the building's water was then shut off due to nonpayment. The lender did not believe it was obligated to honor the leases or pay utilities, which were the landlord's responsibility. The tenants pooled their resources to get the water turned back on. HCS met with the lender's representative to clarify the lender's legal responsibilities. Tenants now pay their rent to the lender, after deducting the cost of the water bill. HCS has partnered with Washington Legal Clinic for the Homeless to continue to work with the tenants and make sure they are protected.

Local administrative data provide more detailed information about REO properties in the District. The REO inventory includes properties that are owned by a bank, servicer, or government agency (if previously owned by a private individual), either through a completed foreclosure sale or through a short sale or deed-in-lieu. The number of residential properties in the REO inventory fell steadily from about 420 in January 2003 to 250 in April 2007. The trend reversed dramatically over the next two years, reaching 1,110 properties in April 2009. Single-family homes represented about two-thirds of the REO inventory in April 2009, approximately the same share of the total foreclosure inventory. Condominiums represented about 17 percent of the REO inventory, while rental apartment buildings made up the remaining 16 percent.

Figure 4.1 shows substantial variation in the concentration of REOs across ZIP codes. ZIP code data alone give insufficient detail about where foreclosures will have the greatest impact. For example, there were 56 REO properties in 20010 (concentrated in Park View and Pleasant Plains) and 62 REO properties in 20018 (Woodridge/Brookland/Brentwood) in April 2009. Though they had similar numbers of REO properties, ZIP code 20010 covers a

Figure 4.1: REO Hotspots in the District of Columbia



SOURCES: Data from the District of Columbia Record of Deeds Online Public Records and the Office of Tax and Revenue

NOTE: Real Estate Owned (REO) properties include those owned by a bank, servicer, or government agency.

smaller geographic area and had areas with the highest density, whereas 20018 is much larger and only had mid-level density of REO properties. The neighborhoods in 20010 will likely experience more significant spillover effects than those in 20018, especially if these properties are vacant.

Almost Half of District Households Threatened by Foreclosure Are Renters

Just as certain neighborhoods are more vulnerable to the effects of the foreclosure crisis, certain groups of people are vulnerable. In the rental market, a large number of unsuspecting renter households who are paying their rent on time and complying with their lease may face moving or eviction because their landlord loses their home through foreclosure. The District of Columbia has some of the strongest protections for renters in the country. In the District, a renter cannot legally be evicted by the lender or the new individual owner only because of the foreclosure.[54] Federal law now allows for renters to stay at least 90 days after a foreclosure sale, and Fannie Mae and Freddie Mac are giving tenants who live in their REO properties the opportunity to stay. Even with these protections, however, housing counseling agencies report that renters do not always understand their rights, and some tenants who come to them for assistance have been illegally evicted.

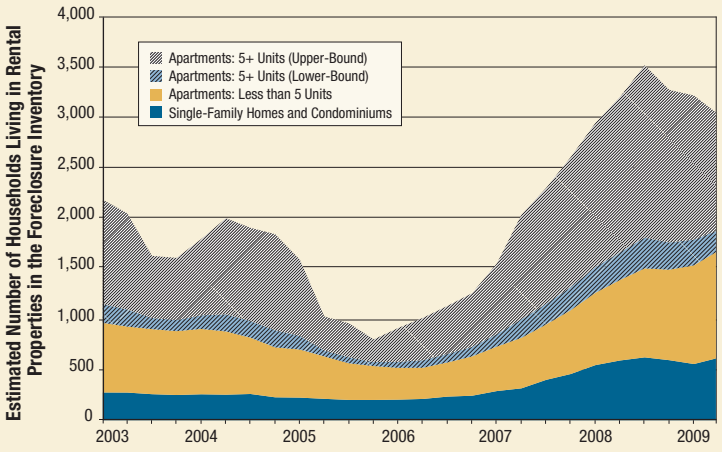
While the District has the highest renter population of the region, all counties will face some foreclosed properties that are renter occupied, and displaced renters may have fewer options to choose from in primarily

homeowner areas. Tenure information from public mortgage data identifies those buyers planning to use the home as a primary residence from other borrowers, but it does not differentiate among investors who plan to rent the property, those who plan to use the property as a second home, or those leaving the property unoccupied to fix up and resell. Nonetheless, the share of high-cost purchase mortgages that are investor owned provides a sense of the share of homes in the suburban areas that may be renter occupied and are at risk of foreclosure. About 9 percent of all high-cost loans were made to investors in the metropolitan area. The investor share of high-cost lending was higher in the District and Inner Core counties: 23 percent in the District, 15 percent in Arlington, and 13 percent in Alexandria. The Inner and Outer suburban counties had smaller shares—investors received 8 percent of the high-cost loans—while the Far Suburbs had a slightly larger investor share of 12 percent.

District administrative data give us a more detailed look at the types of properties (e.g., apartments, condominiums, single-family homes, renter-occupied, owner-occupied) that are in the foreclosure inventory. While the data provide information on the type and tenure of the building, they only provide categorical information on building size (i.e., fewer than five units or five or more units). By making assumptions about the number of units in renter-occupied foreclosed buildings, we can estimate how many renter households are affected by the crisis. We created two estimates: a lower-bound estimate, which assumes that all renter-occupied apartment buildings with five or more units have only five households, and an upper-bound estimate, which assumes these mid-size to large buildings contain, on average, 33 households.[55] Both estimates presuppose that apartment buildings with fewer than five units have three households in each building.

Using the lower-bound estimate, we found that as of April 2009, at least 1,900 renter households were living in properties in the District's foreclosure inven-

Figure 4.2: Most District Renters Affected by Foreclosure Live in Apartments



SOURCES: Data from the District of Columbia Recorder of Deeds Online Public Records and the Office of Tax and Revenue.

NOTES: Apartment buildings with fewer than five units are estimated to have three households. Apartment buildings with five or more units are estimated to have five households for the lower-bound estimate and 33 households for the upper-bound estimate.

tory; this represented at least 48 percent of the 3,900 households affected by foreclosures (Figure 4.2). The proportion of households affected by foreclosure that are renters grew from 37 percent in October 2005 to 55 percent in July 2008, before falling slightly to 48 percent in April 2009. If we use the upper-bound estimate, then as many as 3,100 renter households would have been affected by foreclosure in April 2009, and about 60 percent of the households at risk of displacement by foreclosure were renters. The majority of renter households affected by foreclosure live in multifamily buildings, with up to one-third of households living in single-family homes or condominiums in April 2009. [56]

While around half of the District's households affected by foreclosure were renters in April 2009, 37 percent of the properties in the foreclosure inventory were renter-occupied. All rental properties, except for condominiums, that began the foreclosure process in 2007 had high foreclosure completion rates, ranging from 50 percent for renter-occupied single-family homes to 68 percent for apartment buildings with five or more units. Condominiums had a lower rate of foreclosure completion (23 percent) but a higher rate of distressed sales (61 percent). Other rental buildings had distressed sale rates ranging from 12 percent of apartment buildings with five or more units to 36 percent of renter-occupied single-family homes. All rental properties had comparable rates of avoiding a completed foreclosure, from 13 percent for renter-occupied single-family homes to 20 percent for buildings with five or more units. Avoidance rates were higher for owner-occupants of either single-family homes or condominiums, at 24 and 26 percent, respectively.

Several factors may contribute to the higher avoidance rates for owner-occupied properties and the increased spillover effects for renters living in foreclosed properties. First, owners who reside in the property under foreclosure likely have more incentive to try to hold onto the property and cure the foreclosure; it is their place of residence, and for many this may be their main source of wealth. Additionally, most loan mitigation programs, including the Obama administration's Making Home Affordable program, only serve borrowers who are occupants and do not help modify mortgages for investment properties. At least two-thirds of the renter households affected by foreclosure in the District live in multifamily buildings. Because the financing for multifamily buildings is complex, often involving multiple parties and financing mechanisms, interested parties, like local govern-

ments or housing counselors, may not have the capacity or lead time to assist in avoiding the foreclosure. If the property is lost, the need for tenant outreach and assistance for displaced households is multiplied.

Public School Students Affected by Foreclosure Are Concentrated in a Few Neighborhoods

While the effects of foreclosure on property values and, to a certain extent, neighborhoods are documented, the effect of foreclosure on children is less well-known. One analysis estimates that approximately 1.9 million children nationally will be directly affected by subprime homeowner foreclosures; this number doesn't even include prime loan or renter-occupied foreclosures.[57]

The effects of foreclosure on children stem from both economic hardship and the consequences of involuntary residential and school moves. Research indicates that residential instability (frequent moves, doubling up with other families, homelessness) are associated with disruptions of family routines (i.e., consistent homework, meal, and bedtime schedules) and academic delays among children.[58] Other research shows that frequent residential moves as well as switching schools due to moving outside a school catchment area can produce such negative academic effects as poor academic performance (low test scores), grade retention, and dropping out of high school.[59] While public policies such as the McKinney-Vento Homeless Assistance Act enable children facing homelessness or doubling-up to remain in their current school regardless of the catchment area, no current policies enable children in foreclosed housing to do the same. Judging from the expected increases in foreclosures in the Washington, D.C. region, it is in the housing and education agencies' interests to pursue a policy to minimize the negative effects on children.

To shed light on the problem, we analyzed how many public school children live in properties affected by foreclosure in the District of Columbia.[60] Public school student data, including data for public charter school students, are currently the best available source for data on children, accounting for about 70 percent of all 3- to 17-year-olds.[61] For this analysis, we identified children affected by foreclosure to include any student who lived in a property that had entered the foreclosure process.[62]

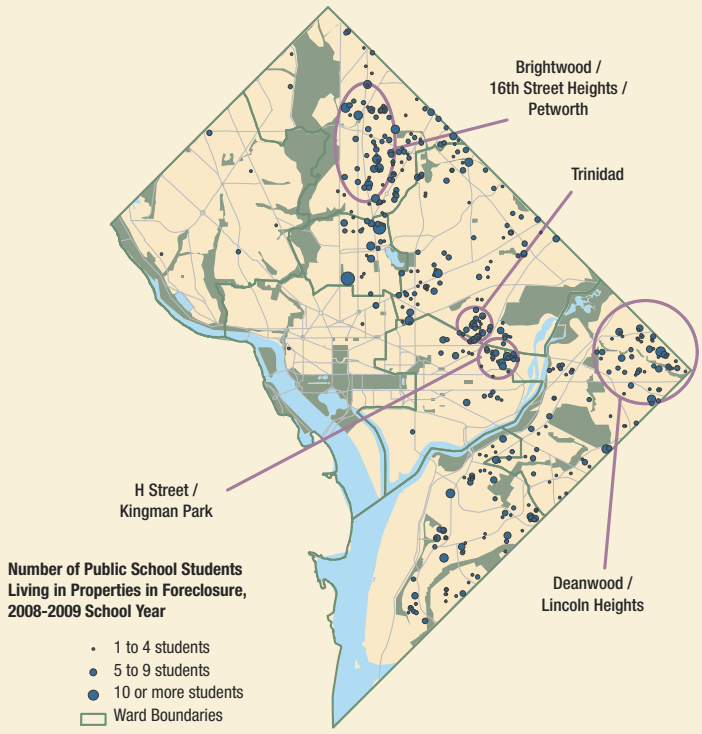
The number of public school students affected by foreclosure is relatively small. We found that approximately 2 percent of public school students (1,380 students) who were enrolled in October of the 2008–

09 school year were affected by foreclosure. The trend in the number of public school students living in foreclosed housing is similar to the overall foreclosure trend; the number of schoolchildren affected by foreclosure was lower during the housing market boom from 2004 to 2006, and then started to rise. Judging from the recent increases in the number of delinquent mortgages, we expect that the number of public school students affected by foreclosure will also continue to rise in the 2009–10 school year.

African American public school students are the primary group affected by foreclosures in the city, but the share of Latino students in foreclosed homes has been increasing. In 2003–04, 96 percent of all public school students affected by foreclosure were African American (990 students), which was greater than their share of the student body (83 percent). By 2008–09, the share of African American students in the process of foreclosure had dropped significantly, although they were still disproportionately affected. African American students made up 87 percent of all students in the foreclosure process (1,195 students) in 2008–09 and 81 percent of the entire student body. Meanwhile, a much smaller proportion of students (3 percent or 31 students) affected by foreclosure were Latino than the share of Latinos in the student body (11 percent) in 2003–04. However, by 2008–09, 12 percent of all students in the foreclosure process were Latino (165 students), about the same as their share of all students.

Looking at the District's neighborhoods, the public school students affected by foreclosure in 2008–09 were mostly clustered in five neighborhoods: Brightwood, 16th Street Heights/Petworth, Trinidad, H Street NE/Kingman Park, and Deanwood/Lincoln Heights (Figure 4.3). This clustering of affected public school students in the five neighborhoods virtually

Figure 4.3: District Students Affected by Foreclosures Are Concentrated



SOURCES: Data from District of Columbia Office of the State Superintendent of Education, Recorder of Deeds Online Public Records, and the Office of Tax and Revenue.

matches the clustering of all foreclosures in the District (regardless of whether the foreclosures include public school students), with one exception. There was a smaller concentration of students in Shaw than in the overall foreclosure population. As shown in Figure 4.3, only 11 public school students affected by foreclosure live west of Rock Creek Park.

Finally, we analyzed whether any students facing foreclosure were concentrated in particular public schools. Two traditional public high schools and a charter elementary school had the highest number of students affected by foreclosure with 24 in each school. Most schools that had relatively high shares of students affected by foreclosure were elementary schools located in Wards 1 and 4.

Seniors More Likely to Avoid Foreclosure

Like children, another group who would feel the impact of a foreclosure more strongly is elderly homeowners.[63] Not only do elderly homeowners face a disruptive move that could cause physical and emotional stress, it may be extremely difficult for them to quickly find a new place to live that is affordable on a fixed income, close to necessary amenities, and/or equipped with accessible features.[64] Additionally, any loss of wealth and savings for the elderly is more devastating given that it will likely be difficult to rebuild assets and may make them more vulnerable to other financial emergencies.

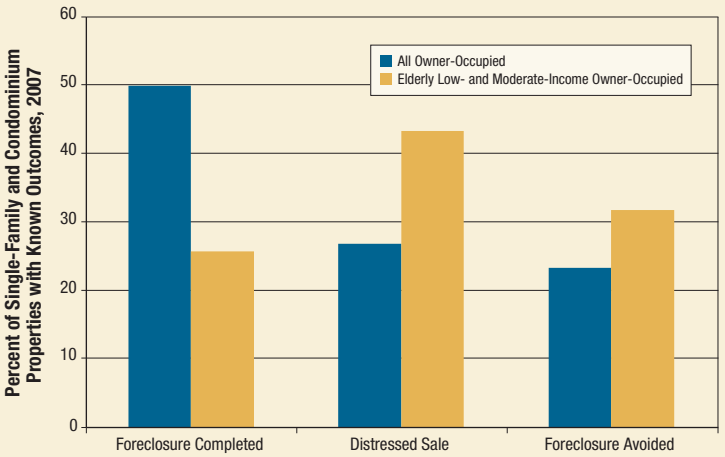
We do not have data on all elderly homeowners in the region, but a District of Columbia property-tax relief program allows us to identify senior citizens who have an annual household income of less than $100,000 and own their home.[65] These low- to moderate-income senior citizens represented 9 percent of the 1,700 total foreclosure inventory of owner-occupied properties in April 2009 in the District, down from about 15 percent in January 2003. Low- to moderate-income senior citizens made up about 21 percent of all owner-occupied properties. Unfortunately, no administrative data are available to identify senior citizens living in foreclosed rental units.

Low- to moderate-income senior citizens who enter the foreclosure process are more likely to avoid a completed foreclosure than all owner-occupants in the District, yet two-thirds ended up losing their homes (Figure 4.4). For senior citizens who entered foreclosure in 2007, only 25 percent completed a foreclosure, compared with 50 percent of all owner-occupants. However, senior citizens were more likely to resort to

distressed sales (43 percent) than all owner-occupants (26 percent). A distressed sale still may create housing, financial, and emotional challenges for an elderly homeowner, particularly for the physically disabled. Finding an accessible unit quickly may be difficult; as of spring 2007, only 30 to 40 percent of available rental units in the region were accessible for the elderly.[66]

Seventy percent of the senior citizens who began foreclosure in 2007 purchased their home before 2004, compared with only 38 percent of all owner-occupants who entered foreclosure in that year. About one-quarter of senior citizens bought their home during the height of subprime lending from 2004 to 2006, while over half of all owner-occupants purchased their homes during that period. Although most elderly homeowners lived in their homes before the housing boom, many may have refinanced into subprime loans or equity lines of credit during this period, draining their home equity and precipitating entering foreclosure.

Figure 4.4: Two-thirds of the District's Low- and Moderate-Income Seniors Entering Foreclosure Lose their Homes



SOURCES: Data from District of Columbia Recorder of Deeds Online Public Records and the Office of Tax and Revenue.

NOTES: The year represents the date on which the first notice of foreclosure was issued. Elderly low- and moderate-income households are identified by their participation in the Senior Citizen or Disabled Property Owner Tax Relief program.

Paulette, a 75-year-old African American woman, lived in the District of Columbia with her daughter and three grandchildren in a home that had been in her family since 1960. She was contacted by a predatory mortgage broker to refinance her mortgage, and met the broker at a fast-food restaurant to conduct the closing. Paulette was never provided with copies of the loan paperwork and never received the contracted cash settlement at closing. She was promised a fixed-rate mortgage and did not learn that she actually got an adjustable-rate mortgage until she received her statement. Due to her fixed income of only $1,100, she could not pay her mortgage or get a loan modification. The lender served a Notice of Foreclosure Sale. Legal Counsel for the Elderly (LCE) contacted the foreclosing attorneys and the pending foreclosure sale was canceled. LCE is working with a *pro bono* attorney to obtain required disclosures regarding Paulette's loan so that the loan can be evaluated for likely violations of the city's Consumer Protection Procedures Act and Truth in Lending Act.

Chapter 5

What Can the Region Do about the Crisis?

Although the foreclosure crisis has not been as severe in the Washington region as it has in some other parts of the country, it has devastated many families and neighborhoods. And, given the large inventory of delinquent loans and weak economic picture, the problem will not go away anytime soon.

This crisis has emerged out of a confluence of national problems. Fixing them may require fundamentally transforming our financial institutions and federal regulatory system. Predicting or prescribing the character of those transformations is beyond the scope of this report. Nonetheless, we can explore what local organizations might do to try to ameliorate the situation, recognizing that the policy environment remains uncertain.

This chapter begins by examining opportunities for local response in four policy domains:

- Preventing further foreclosures
- Helping displaced families recover
- Connecting children in foreclosed homes to services
- Addressing the impact of foreclosures on neighborhoods

It concludes by exploring opportunities for regional collaborative action to coherently monitor the next stages of market change and devise strategic responses. Recent experience suggests that efforts at that level hold promise. In fact, the real challenge is to develop a regional response capacity that would not only deal with the current crisis more effectively, but would also lay the foundation for addressing housing affordability, segregation, and other problems that have long plagued the housing market of metropolitan Washington, D.C.

Preventing Further Foreclosures

General Approach and Federal Support

Over the past two decades, local housing counseling capacity, in this region and nationally, has grown substantially. These groups educate would-be owners on homebuying and handling the ongoing responsibilities of ownership.[67] They also advise owners on managing their finances so they can avoid default and, if default occurs, on how to work with lenders to avoid foreclosure. The latter usually requires the lender to modify the mortgage terms (e.g., reduce interest rates, lengthen the repayment period) to make them affordable over the long term.

Through 2008, the federal response to the foreclosure crisis focused almost solely on counseling. In 2007, NeighborWorks America was given funding to create the Hope Now Alliance, a consortium of banks and other groups charged with facilitating loan modifications, and to provide additional counseling through its $180 million National Foreclosure Mitigation Counseling Program (NFMC).[68] In July 2008, the Housing and Economic Recovery Act (HERA) created a broader HOPE for Homeowners program in the Federal Housing Administration that supports the refinancing of loans at better terms for borrowers in or at risk of default.[69]

Through early 2009, however, no program had induced lenders to write down principal or reduce interest rates substantially, so results were negligible. The Comptroller of the Currency reported that the many modifications during the first half of 2008 were not restructured for long-term affordability, and more than half of the owners with modified mortgages redefaulted within six months.[70] In December, the secretary of the U.S. Department of Housing and Urban Development (HUD) reported that, due to high cost and difficult requirements, the HOPE for Homeowners program had hardly any take-up.[71]

In February 2009, the Obama administration announced a more extensive ($75 billion) initiative that could make more of a difference: the Homeowner Affordability and Stability Plan. The plan includes the Making Home Affordable program, designed to help up to 4 million owner-occupants who cannot afford their current mortgages. A combination of interest rate reductions and term extensions are to bring monthly payments down to 31 percent of owners' income for five years, after which the rate is gradually

increased again.[72] The program appears promising—over 235,000 trial modifications had been started as of the end of July—but at this writing, no study has evaluated the performance of these modifications.[73]

Juan and Maria are a hardworking couple who live in Clinton, Maryland with their three children. Both Juan and Maria have full-time jobs as cooks and also have had part-time jobs as caterers. They purchased their home in 2007 and entered into a loan with decent terms: a fixed interest rate of 6.25 percent for a 30-year mortgage. Their monthly mortgage payment was $2,600. With the downturn in the economy, their catering hours were reduced and the couple lost vital income for their family. When the Making Home Affordable Program was introduced, Housing Initiative Partnership, Inc. (HIP), a HUD- approved counseling agency, helped them apply for a loan modification. After months of working with HIP and their lender, they succeeded in securing a modified payment, including principal, interest, taxes and insurance, of $1,800, which is 31 percent of their gross income. The new payment is affordable with their reduced income, and the family will be able to stay in their house for the long term.

Foreclosure Prevention in the Washington Region

Considering 137,800 households in the region are behind on their mortgage payments, focused outreach and foreclosure prevention are critical. Unfortunately, the adequacy of the region's counseling resources or their progress in prevention have not been systematically assessed. However, conversations we had with a few major housing counseling groups here produced quite consistent results.[74]

- Most feel that housing counseling capacity in metropolitan Washington is probably a cut above that in most urban areas nationally. Professional groups are working in all parts of the region, with most likely the highest capacity in the District and Prince George's County. And groups sometimes work across jurisdictional boundaries, helping each other out as workloads shift to different areas.
- Despite the region's strengths, all local providers report that they are substantially behind in relation to demand and have to turn families away. The shortage of counselors means triaging clients, moving to small-group clinics instead of individual meetings, and not having the time required to successfully work out loans for individ-

ual households. Stress levels among staff are high, and government and foundation funding cutbacks have forced some nonprofits to furlough or lay off staff. All note the lack of Spanish-speaking counselors as a serious deficiency.

- The counseling organizations express frustration at the difficulties in working with the lenders to modify loans. They also agree that the new Making Home Affordable program already has one great benefit: when a loan begins review under this program for modification, foreclosure sales are postponed until the review can take place.
- Counseling staff note that the earlier the household receives counseling, the more likely foreclosure will be avoided. They also emphasize reaching out to those who have already entered foreclosure to warn them of the proliferation of scams offering "solutions" that will leave them in worse shape than they are in already.

What More Could the Region Do?

Since housing counseling requires training, the region's foreclosure counseling capacity cannot be significantly expanded in a very short period. Immediate actions could be taken, however, to improve delivery as a longer-term plan for building capacity is developed. One way is to build stronger regional support. A formalized regional housing counseling network possibly with the MWCOG as its secretariat, could tackle two critical tasks: improving outreach and expanding counseling capacity.

The first task would be expanded and better coordinated outreach. The region needs to better inform households at risk about how they can best get help. Coordinating outreach materials and methods would help streamline duplicative efforts, and having the stamp of the regional network on material would help residents differentiate this information from predatory solicitations. In addition, an *early warning system* would help identify families and neighborhoods with the highest foreclosure risk. Ongoing regional analysis could help the network understand how to better target outreach programs by location. Areas that have seen delinquencies go up rapidly but do not yet have extensive foreclosures would warrant a high priority in this regard.

The District of Columbia's local research partner, *NeighborhoodInfo DC*, has been monitoring the filing of foreclosure notices in the city for some time.[75] It merges the addresses of new foreclosure notices with property characteristics data and sends a weekly

list including owner name, the type of housing, and likely owner/renter status to the District of Columbia Department of Housing and Community Development and a local counseling agency so they can follow up by mail or in person to steer the owners to legitimate organizations for help. Renters in these properties are also sent notices about their rights under local and federal law. Suburban counties could explore this type of analytic partnership using their local administrative data.

A regional collaborative could also develop outreach programs to the owners and tenants of more affordable multifamily buildings located in key neighborhoods. If these buildings are identified early, prevention agencies could work with lenders and local governments to develop remedies specific to these types of properties to avoid foreclosure. Even if this is not successful, tenants could receive accurate information about renter protections and referrals to housing placement agencies or housing search sites.

The second task of a network could be to work jointly to expand housing counseling capacity within the region. After the current crisis and the need for foreclosure counseling subsides, the expanded number of professional counselors could shift their emphasis to first-time homebuyer programs and pre-purchase assistance, which will be needed more than ever in the post-subprime era. And funders would find it more efficient to support coordinated training of a regional network than to fund multiple programs for individual providers.

Given the circumstances, network members will no doubt want to work on an emergency *capacity-building plan* first. At present, the lack of systematic knowledge of our counseling capacity hinders the strategic design and promotion of any proposal, but a regional capacity assessment would remove this barrier. Similarly, an ongoing program to share information on counseling activity would support good decisions about resource allocation and further capacity building. In Chicago, several counseling groups partnered with a nonprofit research organization and developed monthly organizational reports about the number of families receiving various kinds of counseling (phone, group, individual sessions); combining the reports now gives them a consolidated picture of the services in the area.[76]

Helping Displaced Families Recover

General Approach and Federal Supports

Households who lose their homes to foreclosure will ultimately have to move and may end up in various housing situations. Some will become renters; others, with fewer resources, will double up by moving in with friends or family; and a small subset will seek help from the homeless service providers. These households will need a range of services to find a suitable living situation, rebuild their credit, and mitigate the effects of residential instability. The services the household needs depend on its current financial situation. For example, many homeowners may be able to find a rental unit on their own, though they may need assistance with rebuilding their credit and overcoming the financial setback associated with foreclosure. Other households, particularly low-income renters affected by foreclosure, will need to know their tenant rights (if they are living in a rental unit undergoing foreclosure) and may need transitional supports such as rapid re-housing.

The federal government provides limited resources to help households recover from foreclosure. Recent national legislation, dubbed the Helping Families Save Their Homes Act, gives renter households (including housing voucher holders) living in properties undergoing foreclosure the right to stay in their homes for up to 90 days after foreclosure or through the term of their lease. It is unclear if renters are aware of these protections or whether they will prevent unexpected or forced moves. Anecdotal evidence suggests that many renters may move before they are required to and that local government could do more to increase awareness.

Most displaced households who have to find a rental apartment will have to do it on their own. Those with damaged credit will face numerous barriers. Those who have lost a job or are experiencing severe financial setbacks will find locating a unit even more difficult. Further compounding the problem is the lack of affordable housing in the region. Despite dramatic drops on the sales side, rents remain unaffordable for moderate- and low-income households, and a significant shift of households from home owning to renting could put additional pressure on the affordability of the rental market and have far-reaching implications. For example, the high number of households competing for a small number of units threatens to exacerbate racial and economic segregation across

the region. Counties with low-cost housing, like Prince George's County, are likely to see an influx of low-income, minority renter households over the next few years.

For the small subset of families affected by foreclosure who are homeless or at imminent risk of homelessness, the American Recovery and Reinvestment Act of 2009 (ARRA) provided $1.5 billion to local communities for homeless prevention and rapid re-housing services. Given the high number of people in need, the challenge for local program administrators will be targeting these resources to those who are truly at risk of homelessness.

Finally, over the longer term, households who need help rebuilding credit may turn to HUD-funded programs, such as housing counseling that provides services on financial literacy and credit repair. The capacity of housing counseling agencies to help households after they complete foreclosure is unclear, and concerns about this issue are growing.

Helping Displaced Families in the Washington Region

As much of the effort locally focuses on preventing foreclosure, programs to assist foreclosed households recover from foreclosure seem to be the least developed pieces of the foreclosure response system in our region. Further, no single nonprofit or government entity is targeting resources to this group. For displaced households, housing search services are extremely limited. The District of Columbia and other jurisdictions offer online housing locators to help all households find affordable units. Unfortunately, the number of affordable housing units in the region limits the effectiveness of these databases, and most households have to find replacement rental units on their own. For low-income households affected by job loss or other financial setbacks, who need assistance paying for housing, accessing a housing subsidy can take years on a local housing authority waiting list. For renters affected by foreclosure, the District Office of Tenant Advocates offers educational materials on tenants' rights during foreclosure, and local legal aid clinics are fielding calls from tenants seeking assistance. Nonprofit capacity to respond to the growing need is unclear.

As mentioned above, ARRA provides resources for preventing homelessness and helping families who are currently homeless find new housing quickly. Rapid re-housing services provide housing search assistance, financial assistance for security deposit, and, if needed, some short- to medium-term hous-

ing subsidy. Several jurisdictions in the region received ARRA funds for homelessness prevention: the District of Columbia ($7.9 million), Prince George's County ($2.5 million), Fairfax County ($2.5 million), Prince William County ($800,000), Arlington County ($700,000), and Alexandria ($500,000).[77] It is too early to know whether this funding will support existing homelessness prevention programs, or if local governments will develop new services. Further, this funding is (and should remain) limited to low-income families who are at imminent risk of homelessness. Most middle- and moderate-income households recovering from foreclosure will not qualify for services.

What Can the Region Do Now?

Because of cuts in state and local budgets, jurisdictions in the region have limited capacity to provide services. This means local policymakers will have to coordinate, target, and leverage federal resources coming down the pipeline. In doing so, policymakers can take steps to mitigate the effects of foreclosure on homeowners, prevent residential instability, and avert its effects.

As noted above, households affected by foreclosure may have little information about the recovery services available to them, and renters affected by foreclosure may not know about their rights regarding eviction. An online resource list of service providers would help families look for credit repair counseling, housing rights information, housing search assistance, and rapid re-housing and homeless services. The information could be promoted through foreclosure counseling agencies, legal aid clinics, and other human services agencies. Particular effort should be made to connect with organizations serving the elderly homeowners and renters in foreclosed homes, who may be more isolated and for whom relocating may be particularly difficult.

Homeowners unable to avoid foreclosure who ultimately have to move will need immediate help finding landlords who will rent to households with damaged credit. A regionwide housing locator database would offer online listings of available housing to assist in their search. The District of Columbia and Maryland have such sites where users can filter listings by rent level, whether a credit check is required, and other factors. The region could use these systems as models and benefit from their lessons about launching and maintaining the site. More focused efforts on landlord outreach to ensure these databases are offering affordable listings are needed.

Connecting Children in Foreclosed Homes to Services

General Approach and Federal Supports

For families who experience homelessness or doubling up because of foreclosure, the McKinney-Vento Act requires that schools provide services that will mitigate the potential effects of residential instability on academic achievement for school-age children. Services typically include transportation to the school of origin (to ensure school continuity in the face of residential instability), referrals to educational programs and health services, tutoring, before- and after-school care, and the right to enroll immediately in a new school. Not all schools receive McKinney-Vento subgrants, and program funding levels do not meet the demand for services. Fortunately, some schools may get a boost from ARRA, which provides an additional $70 million to schools across the country.

Services for Children in Foreclosed Families in the Washington Region

There is no comprehensive review of how the region's schools identify homeless children and what services are available to them. Many parents may be too embarrassed to seek help, and they may fear being forced to change schools or become involved with Child Services. From preliminary discussions with public school homeless liaisons, we also know that the services provided range dramatically in the region.[78] For instance, one school district has a transportation manager who ensures that students can get to and from school regardless of where they are temporarily residing. Other school districts offer tailored meetings at the beginning of the school year to familiarize homeless parents with all the services available to them.

What More Could the Region Do?

Households with public school children who moved to a rental unit after foreclosure (i.e., did not become homeless) do not qualify for the McKinney-Vento protections described above and may be forced to switch schools midyear. A review of school district policies in the region about whether children who move out of their school's catchment area midyear are required to change schools would give us a better sense of the policy context for children affected by foreclosure. School officials could consider a program similar to McKinney-Vento that helps nonhomeless students affected by foreclosure remain in

their school of origin until the end of the school year. Because transportation and additional services have cost implications, these services could be targeted to high-need students. Even with best intentions, all schools are facing budget cuts as tax revenue falls, so it would be an uphill battle to introduce new programs or broaden eligibility for services.

Prevention organizations could partner with schools in areas with high-delinquency or foreclosure rates to reach out to parents in financial trouble, to promote foreclosure prevention services, host public education events, inform renters of their rights, and make families aware of the McKinney-Vento services. School districts could share information about programs for homeless students with housing counseling agencies that are serving families with children.

Given that the foreclosure levels and the share of households with children in the District are relatively low, we would expect there to be many more school-age children in the suburban counties than in the city who are facing the disruption of foreclosure. MWCOG already convenes a forum for local education officials to discuss common challenges. This forum could develop an agenda to learn more about foreclosures' impact on children across the region and share strategies to support families in foreclosure. MWCOG could also address student mobility and homelessness more broadly (not restricted to just foreclosures) so jurisdictions can share how they have used McKinney-Vento subgrants and any other innovative programs they have developed for this at-risk student population.

Addressing Foreclosure Impacts on Neighborhoods

General Approach and Federal Support

Local experience in addressing vacant and abandoned properties provides relevant lessons in responding to foreclosed properties.[79] In neighborhoods at risk of high foreclosure densities, local agencies need to focus on four types of activities:

- Securing and maintaining vacant foreclosed properties
- Expediting the private resale and rehabilitation of foreclosed properties
- Directly acquiring properties as needed for rehabilitation, resale to sustainable owners, etc.
- Maintaining and upgrading the neighborhood

These activities together are now generally termed neighborhood stabilization, the main goal of which is restoring a healthy private real estate market within neighborhoods. The July 2008 Housing and Economic Recovery Act established a $3.9 billion Neighborhood Stabilization Program (NSP) to help local governments fund this work. HUD allocated program funds by formula to states and localities, which had to submit plans for approval.[80] Jurisdictions received their allocations in the first quarter of 2009 and must spend all funds within 18 months.

Recognizing that the original funding was inadequate, Congress passed a second round of NSP funding (providing an additional $2 billion) as a part of ARRA in February 2009. Unlike the first iteration, the new program's funding will be allocated competitively. Nonprofits, as well as states and local governments, were eligible to submit proposals. Congress is considering another increment of funding, but observers are still concerned that the amounts will be inadequate in relation to the need. [81]

In this light, all jurisdictions need to efficiently target scarce federal and local stabilization resources. This requires identifying neighborhood differences in market conditions and foreclosure risks.[82] Where neighborhood markets are strong, for example, modest interventions may be sufficient. Public assistance in acquisition and rehabilitation may have the highest payoff in neighborhoods where market conditions are at intermediate levels; that is, where reasonable amount of public investment, along with code enforcement and strong maintenance efforts, might restore housing market health. After public acquisition of selected foreclosed properties, they could be conveyed to nonprofit housing groups and entities like community land trusts that could rehabilitate them for private sale or operate them as affordable housing into the future. Where market conditions are weakest, sizeable dollars spent on rehabilitation might be wasted because there is insufficient demand to recreate a sustainable market environment.

Here, public acquisition and land banking (boarding up or demolishing some properties as appropriate) may be a sensible strategy until the market revives enough to support other options.

Neighborhood Stabilization in the Washington Region

Six jurisdictions in the region received $22.7 million when NSP funds were first directly allocated in October 2008. Prince George's County received the most ($10.9 million), followed by Prince William County ($4.1 million), the District and Fairfax County ($2.8 million each), and Montgomery County ($2.1 million).[83]

All local plans for these funds entail mixes of acquisition, rehab, and resale. The Prince George's County plan stands out, in that 71 percent of its funding is going to down payment and closing cost assistance for families to purchase REOs (26 percent is planned for nonprofit acquisition and rehabilitation, and the remaining 3 percent is slotted for housing counseling organizations). In Fairfax County, $1.5 million has been set aside for second trusts with equity sharing for first-time homebuyers. The Montgomery County plan is unique in that all assisted properties will be targeted for rental occupancy over the long term.[84]

The most promising regional development in the second round of NSP is that six local jurisdictions (Prince George's, Prince William, and Fairfax Counties, the cities of Alexandria, Virginia, and Gaithersburg and Bowie, Maryland) have formed a consortium with MWCOG to compete jointly for funding.[85] These jurisdictions followed the principles outlined earlier in their planning; they used data on housing market conditions, delinquency rates, and the foreclosure inventory along with data on assets (including access to public transportation and employment centers) as a basis for targeting resources. This included data prepared for this report as well as other information compiled by *NeighborhoodInfo DC*. Other local jurisdictions, including the District, Montgomery County (as part of the State of Maryland proposal) and Loudoun County (as part of the Virginia proposal) have submitted separate NSP2 proposals.

The consortium recognized that responses are needed that cannot be handled by individual jurisdictions acting alone. A key example is the bulk purchase of REO properties across the region and the creation of a loan fund that will leverage NSP dollars with private capital for acquisition, rehabilitation, and resale of foreclosed properties (working with the Enterprise Community Loan Fund and the National

Community Stabilization Trust). Under the consortium's proposal, many properties would be resold to owner-occupants, but a significant share would be sold to nonprofits to operate as scattered-site rental housing, affordable to low-income families in communities close to job opportunities.

Monitoring and maintaining the vacant foreclosed properties not acquired in a publicly subsidized program adds another burden on local governments already experiencing budget shortfalls. To help in this effort, several area governments have current or proposed vacancy registries to be able to identify the party responsible for upkeep. As of August 2009, Prince George's County requires registration of residential property that is subject to foreclosure with the Department of Environmental Resources. The regulation also sets penalties for failure to register and maintain vacant residential property.[86] Virginia state law H.B. 2150 passed in April 2009 permits governments in Arlington, Loudoun, Prince William, Fairfax, and Alexandria to require that a notice be given to the local government when residential property becomes subject to a foreclosure sale.[87]

What More Could the Region Do?

The plan developed by the Metropolitan Washington Area Consortium offers an attractive model for neighborhood stabilization activity for other jurisdictions in the region. Indeed, it embodies some of the most innovative best practices anywhere, and it may turn out to be a national model. MWCOG could provide technical assistance to planners in other jurisdictions to help them use data on foreclosure risk, market strength, and related factors effectively. Smaller jurisdictions may not be able to afford much additional acquisition and rehabilitation activity, but all could gain by using the data to focus and prioritize their neighborhood maintenance and upgrading work (including targeted code enforcement) in the neighborhoods where it will have the highest payoff.

Additional regional fundraising efforts could be launched to expand the activities called for in the consortium's NSP2 plan. Plans for strategic additions could be presented to Maryland and Virginia state governments and philanthropies. In particular, expansion of bulk purchase of REOs, the planned loan fund, and the program to develop scattered-site affordable rentals could be centerpieces of those

proposals. These proposals should also include funds to build the capacity of local housing organizations to buy, hold, rehabilitate, and resell properties, as well as to manage both single-family and multifamily properties with tenants in place.

However, public fundraising cannot be expected to dispose of the bulk of the properties affected. In places with stagnant markets, REO homes may stay vacant for a long time, but eventually prices will drop sufficiently to entice new buyers, including those purchasing a home to live in as well as investors intending them for rental occupancy or simply holding them off market until values rebound. Strengthening local code enforcement systems (both standards and implementation) will be essential to ensure that these new absentee owners will be held responsible for good maintenance and management. Coordination of code enforcement agencies with police and neighborhood associations could also improve response efforts.

The number of REOs will rise as homes now in foreclosure move toward sale. To implement the ideas above, jurisdictions need to know which homes, both REOs and those still in foreclosure, are vacant. Developing effective vacancy registries, with property-level data made public quickly, would enable public agencies and other neighborhood stakeholders to incorporate current and accurate information into their decisionmaking.

Strengthening The Region's Response Capacity

Our review of current response activities suggests that individual jurisdictions acting independently will have difficulty mounting a sufficiently forceful response. Collaborative regional work cannot supplant individual jurisdiction efforts, but it can help catalyze responses and enhance their effectiveness.

What more could be done? A key regional contribution could be the regular provision of "report cards" on foreclosures, housing markets, and response actions. Having rich and up-to-date data on key facets of neighborhood change regionwide proved extremely important to decision making in the Metropolitan Washington Area Consortium's development of its NSP2 proposal. That proposal calls for monitoring this information as the project proceeds. Combining the foreclosure and REO data presented here with the

monthly realtor information on sales volume and prices provides the building blocks for a regularly-updated regional system. Reporting on program activities and performance could be developed to enhance understanding of the full picture and support good decisions about midcourse corrections. The reports would cover all four aspects of the foreclosure response system: foreclosure prevention, help for displaced households, services to children in foreclosed families, and neighborhood stabilization.

Regularly scheduled reviews convened by MWCOG would add much credibility to the process. With up-to-date information about the mortgage and broader housing market along with indicators of program activity, the region could leverage its sound economic base, proactive government agencies, and strong nonprofit service sector to better weather the crisis. These forums would result not in top-down program prescriptions, but in orderly reviews of new data and discussion of implications across jurisdictions that would motivate new policy ideas and commitments to action around priority concerns.

Beyond The Crisis: Implications for Future Policy Priorities

The foreclosure crisis and the national recession continue to interact and unfold in unpredictable ways. With almost 138,000 mortgage loans currently in delinquency or foreclosure, the effects of the crisis on our families and neighborhoods will continue to unfold. Our region will face ongoing challenges in responding to immediate demands—preventing foreclosures when possible, and mitigating the harm to households and neighborhoods when foreclosures cannot be avoided.

But, as the economic recovery phases in, the region can shift its focus to broader housing market issues, building upon the collaborations that are emerging in response to the foreclosure crisis. There is no shortage of critical issues to be taken on. One imperative that existed before the crash and must be addressed going forward is to expand the supply of affordable housing—both in the rental and sales markets. Substantial increase in rental demand due to the crisis will put more pressure on the region's already short supply of affordable housing and may

further exacerbate economic and racial segregation. In a post-subprime world, we must to consider what policies and supports need to be in place to encourage sustainable homeownership for low-income families. And the fair housing implications of the foreclosure crisis and its fallout merit serious attention.

The difficulty in answering this call to action in an environment with a weak economy and overwhelming demands on our key institutions must be recognized. Budget cuts brought on by the loss of property taxes and other revenue sources have constrained state and local government actions. Nonprofits have also had their funding slashed as local governments and foundations scale back grant-making. The safety net they provide for the most vulnerable households is vital to the region's health, but both sectors are struggling to keep pace with the growing need created by rising unemployment and foreclosures.

Still, these impediments are not insurmountable and there is no need for them to deter positive action in the near term. We enjoy the advantage of a sound economic base that experts predict will lift us out of the economic slump long before the rest of the country.[88] Furthermore, the current crisis has already catalyzed new partnerships and creative problem-solving in our region. Building off of that, stakeholders may be able to set the stage for a solid recovery in the region's housing market overall and do so in a way that begins to address the problems related to housing affordability and spatial segregation and disparity that plagued the region long before the current crisis began.

Endnotes

1 Estimates by the George Mason Center for Regional Analysis cited in Irwin and Hedgpeth (2009).

2 The experience was similar for wages in the District where the average hourly wage for five highest occupational groups increased from $41 in 2004 to $46 in 2007; that for five lowest increased from $12 to $14.

3 Data from the DC Networks Analyzer System, District of Columbia Department of Employment Services, accessed March 12, 2009.

4 Delta Associates (2008).

5 Data from the National Association of Realtors. Median home price amounts are reported in nominal dollars, but all change calculations have been adjusted by the Consumer Price Index of all items less shelter.

6 For the same period (second quarter of 2007–second quarter of 2009), the FHFA House Price Index, which is based on repeat sales or refinancings on the same single-family properties, marked a decline in the Washington region's home prices (down 20 percent after adjusting for inflation). The S&P/Case-Shiller® Home Price Index, which is also based on repeat sales, showed a 28 percent real decline over the same period.

7 RealtyTrac (2009).

8 Data from the National Association of Realtors. Median home price amounts are reported in nominal dollars, but all change calculations have been adjusted by the Consumer Price Index of all items less shelter.

9 Metropolitan Regional Information Systems (MRIS), Inc., includes the limited number of new homes that are sold by real estate agents, but it excludes the majority of new home sales that are handled directly by builders. Median prices for subareas are based on median county prices, weighted by the number of home sales in each county. Home price amounts are reported in nominal dollars, but all change calculations have been adjusted by the Consumer Price Index of all items less shelter.

10 These rates are calculated from the Decennial Census 2000 and the American Community Survey 2007, and differences are statistically significant at the 95 percent level.

11 As one measure of subprime lending, Home Mortgage Disclosure Act data identify "high-cost" loans, defined as those with interest rates 3 percentage points above a comparable U.S. Treasury yield. The rates in this paragraph and by race and income include conventional first-lien owner-occupied home purchase loans. While 2007 data are available, we use the sum of all loans from 2004 to 2006 for the high-cost indicators (about 65,200 loans) because it is the peak period of the housing boom and by 2007, the housing and credit markets had already started to tighten up and the number of high-cost loans decreased to 8,000 loans—31 percent of the 2006 level.

12 Incomes are categorized based on relationship to the U.S. Department of Housing and Urban Development area median family income for each year. In 2006, for example, borrowers with less than $72,240 annual household income are classified as low income; households with income of $72,240 to $108,360 are moderate income; and households with more than $108,360 are high income.

13 Karikari (2009).

14 These rates only include owner-occupied mortgages, those where the borrower intends to live in the home as a primary residence. Lien position is not available for data before 2004, so these figures include both first and second lien purchases to consistently compare lending by race and ethnicity over time.

15 M/PF YieldStar (2009).

16 M/PF YieldStar (2009). M/PF YieldStar's sample includes 55 percent of all existing units in the Washington, DC area. Larger buildings tend to be overrepresented in M/PF YieldStar data. M/PF YieldStar follows the 1999 Washington, D.C. metropolitan area definition, which includes three suburban counties not included in the current definition (King George and Culpeper Counties in Virginia and Berkeley County in West Virginia).

17 The percent change in rent on a same-store (same building) basis is calculated by M/PF YieldStar to help control for differences in rent that would result from changes in the survey sample each year. These data have not been adjusted for inflation.

18 M/PF YieldStar (2007).

19 The rental vacancy rate reported here is drawn from the Housing Vacancy Survey and only includes units that are "vacant for rent." The rate does not include rental units classified as "vacant other," that is those not on the market for rent or sale, and thus may underestimate the rental vacancy rate. Many foreclosures will fall into the "vacant other" category and not be represented in the rate. For more information, see "Housing Vacancies and Homeownership (CPS/HVS) FAQs," http://www.census.gov/hhes/www/housing/hvs/faq.html.

20 For more on housing wages across the country, see Wardrip, Pelletiere, and Crowley (2009).

21 Urban Institute tabulations of 2007 American Community Survey microdata.

22 All homelessness numbers in this section are drawn from the Homeless Services Planning and Coordinating Committee (2009). The survey includes the District of Columbia; the Inner Core; the Inner Suburbs; Frederick County; Loudoun County, and Prince William County.

23 Jenkins (2009).

24 District of Columbia Department of Human Services (2009).

25 Data from the Assisted Housing Inventory Research File, U.S. Department of Housing and Urban Development.

26 Reed (2009).

27 Turner and Kingsley (2008).

28 Data from Metropolitan Regional Information Systems (MRIS), Inc.

29 This estimation is based on figures from Experian (2008) and analysis of the District of Columbia administrative data by the Urban Institute. For a full description, see the technical appendix.

30 RealtyTrac (2009). RealtyTrac's reports include documents filed in all three phases of foreclosure: foreclosure starts, foreclosure sales, and real estate owned properties.

31 The data have been adjusted using several sources to account for the incomplete and biased coverage of the LPS Applied Analytics data. Active loans include current loans, delinquent loans, loans that have entered foreclosure, and loans that have gone through a foreclosure sale, but are still maintained by servicers. For a full description of the source data and methodology, see the technical appendix.

32 LPS Applied Analytics (2009).

33 This figure can be influenced by many factors including lenders' and courts' administrative capacity, foreclosure moratoriums by lenders or states, and the level of loan mitigation efforts.

34 Federal Housing Administration (2009).

35 Ibid.

36 See technical appendix for more details on the data sources and processing routines.

37 A foreclosure is also considered avoided if a notice of foreclosure cancellation was filed with the District of Columbia Recorder of Deeds and was not followed by a trustee's deed sale or other sale involving a bank or servicer.

38 U.S. Department of Housing and Urban Development (2009).

39 To explore the question of how foreclosure is affecting homelessness, we matched address data on where families who requested shelter at the Virginia Williams Resource Center reported that their "homelessness originated" with administrative data on foreclosures in the District. From February 2008 to July 2009, 1,059 families requested shelter at Virginia Williams. Of that group, we had legible addresses for 873 families. We matched addresses where homelessness originated for 31 applicants with foreclosure properties—that is, families reported that they had come from a property that had either received a notice of foreclosure 90 days before they requested shelter or up to a year after.

40 Adelino, Gerardi, and Willen (2009) report that only about 30 percent of 60- to 89-day delinquent borrowers "self-cured" without receiving a loan modification. Given the financial burden of an additional month's payment, we would expect the cure rate for 90-day delinquencies to be even lower.

41 LPS Applied Analytics (2009).

42 Manassas City, an independent city located within the Prince William County boundaries, has a rate nearly as high as Prince George's (4.5 percent).

43 LPS Applied Analytics (2009).

44 Due to space constraints, Figure 3.4 does not display the noncurrent loan percentages for the smaller independent cities in Virginia: Fairfax, Falls Church, and Fredericksburg. We are not

able to calculate mortgage performance data for Manassas Park city because the city's ZIP codes cross into adjacent jurisdictions. Since there is no ZIP code in which the majority of the area falls into Manassas Park boundary, the city's ZIP codes are assigned to the adjacent areas.

45 See footnote 14 for more detail about borrower characteristics in Home Mortgage Disclosure Act data.

46 See footnotes 11 and 12 for definitions of high-cost loans and relative income categories.

47 These rates are calculated from the Decennial Census 2000 and the American Community Survey 2007, and are statistically significant at the 95 percent level.

48 See footnote 14 for more detail about borrower characteristics in Home Mortgage Disclosure Act data.

49 These rates are calculated from the Decennial Census 2000 and the American Community Survey 2007, and are statistically significant at the 95 percent level.

50 With a net increase of only 200 Latinos from 2007 to 2008, the foreclosure crisis and subprime market collapse appear to have stemmed the growth of the Latino community in Prince William County. There is speculation that the more recent anti-immigrant legislation in 2007 only served to reinforce the trend. See Miroff (2007).

51 In this analysis, neighborhoods are census tracts that are classified as having a predominant race when a given race is more than 60 percent of the population. See footnote 11 for the definition of high-cost loans. Walker (2008) and Coulton et al. (2008) document the connection between high-cost loans and foreclosures.

52 Kingsley, Smith, and Price (2009).

53 Post-sale/REO foreclosures are all loans that have completed the litigation process but still must be tracked by the servicer. This means that either a sheriff sale has occurred and the property has reverted to the lender's ownership; the loan is awaiting transfer to government product; or a third party has acquired the title, entitling certificate, or title subject to redemption.

54 District of Columbia Office of the Tenant Advocate (2009).

55 Thirty-three units is the weighted average number of units in renter-occupied buildings with five or more units from the 2005 to 2007 3-year estimates in the American Community Survey.

56 Tatian (2009) looks in depth at renters and foreclosure in the District of Columbia.

57 Lovell and Isaacs (2008).

58 Macomber (2006).

59 A literature review of the effects of mobility on children is summarized in Scanlon and Devine (2001).

60 The public school data include both District of Columbia Public Schools and District of Columbia Public Charter School Board students. A forthcoming brief will explore the effect of foreclosures on students in the District in more detail as part of a three-city project on the effects on children of foreclosures sponsored by the Foundation to Promote Open Society. A project description is at http://www2.urban.org/nnip/foreclosures.html.

61 Calculated from the Census Bureau's Population Estimates, 2008.

62 For more detail about identifying students affected by foreclosure, see the technical appendix.

63 Kingsley, Smith, and Price (2009).

64 Turner et al. (2007).

65 These households are identified by their participation in the Senior Citizen or Disabled Property Owner Tax Relief program. The application listing the eligibility requirements is available at http://otr.cfo.dc.gov/otr/lib/otr/homestead_application_2009.pdf. The Office of Tax and Revenue does not record whether homeowners qualify through age, disability, or both criteria. Using the 2007 American Community Survey microdata, we estimate that a maximum of 11 percent of homeowners who would qualify for this credit could be non-elderly disabled.

66 Turner et al. (2007).

67 Much guidance has been developed in this area. See, for example, NeighborWorks (2007); Hirad and Zorn (2002); Cutts and Green (2004); and Ergungor (2008).

68 Mayer et al. (2008).

69 For more information about H.R. 3221, see U. S. Department of Housing and Urban Development (2008).

70 Applebaum and Merle (2008). The finding was based on data from the Office of Thrift Supervision covering 14 of the largest banks, which account for about 60 percent of the mortgage market.

71 ElBoghdady (2008).

72 White House (2009). Another component of the plan is to allow up to 4–5 million owners who have loans owned or guaranteed

by Fannie Mae or Freddie Mac and can afford their current payments to refinance through those institutions to enhance affordability over the longer term.

73 U.S. Department of the Treasury (2009).

74 Information gathered from informal conversations with Marian Siegel, director of housing counseling services in the District of Columbia; Mosi Harrington, executive director, and Mary Hunter, director of homeownership counseling of the Housing Initiative Partnership in Prince George's County; and Peggy Sand, executive director of the Baltimore Homeownership Preservation Coalition and technical advisor for the Metropolitan Washington Area Consortium Neighborhood Stabilization Program application and Neighborhood Stabilization Program. Additional views were gained at the Housing in the Nation's Capital Advisory Committee meeting, August 2009.

75 NeighborhoodInfoDC is a partnership of the Urban Institute and the Washington D.C. Local Initiatives Support Corporation (LISC).

76 Kingsley, Pettit, and Hendey (2009).

77 Metropolitan Washington Council of Governments (2009a).

78 Reports from McKinney-Vento homeless liaisons and state coordinators from Maryland, Virginia, and DC during a roundtable convened at the Urban Institute in August 2009.

79 A number of authors have developed guidance on how to address neighborhood impacts, much of it based on experience dealing with vacant and abandoned properties. Particularly valuable in this regard are Mallach (2006); Immergluck (2008); and Madar, Been, and Armstrong (2008).

80 For guidance on implementing this program locally, see Mallach (2008).

81 Mallach (2009).

82 Kingsley, Smith, and Price (2009).

83 Metropolitan Washington Area Consortium (2009b). States received separate allocations in the first round of NSP, and Virginia and Maryland subgranted some of their funding to jurisdictions in the region. Among the largest were Maryland's grants of $2.5 million to Montgomery County and $2.0 million to Prince George's County, but the state subgrants were generally much smaller.

84 Ibid.

85 Metropolitan Washington Area Consortium (2009). The District of Columbia participated in early meetings about the consortium proposal but ultimately did not join, in part because the nature of the city's foreclosure problem differed from that of the consortium member jurisdictions.

86 For more information, see the Prince George's County web site, http://www.co.pg.md.us/government/agencyindex/der/PDFs/frequently-asked-questions.pdf.

87 For more details, see the Virginia state legislature's web site, http://leg1.state.va.us/cgi-bin/legp504.exe?ses=091&typ=bil&val=HB2150.

88 Haynes (2009).

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Appendix A: Mortgage Performance Indicators by County

Figure A.1: Mortgage Performance Indicators, June 2009

	Percent of Mortgages 30-89 Days Delinquent	Percent of Mortgages 90 or More Days Delinquent	Percent of Mortgages in Foreclosure Inventory	Percent of Mortgages that are Real Estate Owned (REO)
Washington, D.C. Metropolitan Area	**4.2**	**4.1**	**2.7**	**1.2**
District of Columbia	**3.9**	**3.0**	**1.8**	**0.9**
Inner Core	**1.4**	**1.2**	**0.9**	**0.5**
Arlington County, VA	1.3	1.0	0.8	0.4
Alexandria city, VA	1.6	1.5	1.2	0.6
Inner Suburbs	**4.1**	**4.2**	**2.9**	**1.3**
Montgomery County, MD	2.9	2.9	2.3	0.8
Prince George's County, MD	8.1	8.3	5.2	2.3
Fairfax County, VA	2.4	2.5	1.8	0.8
Fairfax city, VA	2.0	2.6	1.7	0.9
Falls Church city, VA	1.5	0.9	1.1	0.5
Outer Suburbs	**4.6**	**4.6**	**3.0**	**1.3**
Calvert County, MD	5.1	3.9	2.2	0.6
Charles County, MD	7.1	6.0	3.9	1.1
Frederick County, MD	4.0	3.6	2.5	0.8
Loudoun County, VA	2.9	3.3	2.2	0.9
Prince William County, VA	5.0	5.5	3.7	2.1
Stafford County, VA	5.5	5.1	2.3	1.4
Manassas city, VA	4.6	6.3	4.5	2.7
Far Suburbs	**6.1**	**2.6**	**2.7**	**1.6**
Clarke County, VA	4.5	0.9	2.9	0.7
Fauquier County, VA	5.0	4.2	2.6	1.3
Spotsylvania County, VA	6.3	2.9	2.7	1.6
Warren County, VA	7.3	8.3	2.6	1.5
Fredericksburg city, VA	5.4	2.5	1.5	1.5
Jefferson County, WV	6.5	2.6	2.9	2.2

SOURCE: Urban Institute analysis of data from LPS Applied Analytics, formerly McDash Analytics, LLC.
NOTES: Mortgage performance indicators for Manassas Park city cannot be reported separately because its ZIP codes cross into other jurisdictions. The REO indicator significantly underestimates the lender-owned properties since it excludes properties that are no longer in the active loan portfolio.

Appendix B: Geographic Definitions

The analysis uses the federal government's 2008 definition of the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area. In addition, we define several subareas to facilitate comparisons within the region. As shown in Table B.1, these subareas are the District of Columbia; the Inner Core (Arlington County and the City of Alexandria); the Inner Suburbs (Montgomery County, Prince George's County, Fairfax County, the City of Falls Church, and the City of Fairfax); the Outer Suburbs (Calvert County, Charles County, Frederick County, Loudoun County, Prince William County, Stafford County, the City of Manassas, and the City of Manassas Park); and the Far Suburbs (four counties in Virginia, one Virginia city, and one county in West Virginia).

Figure B.1: Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area

District of Columbia

Inner Core	Arlington County, VA	Alexandria city, VA
Inner Suburbs	Montgomery County, MD	Prince George's County, MD
	Fairfax County, VA	Falls Church city, VA
	Fairfax city, VA	
Outer Suburbs	Calvert County, MD	Charles County, MD
	Frederick County, MD	Loudoun County, VA
	Prince William County, VA	Stafford County, VA
	Manassas city, VA	Manassas Park city, VA
Far Suburbs	Clarke County, VA	Fauquier County, VA
	Spotsylvania County, VA	Warren County, VA
	Fredericksburg city, VA	Jefferson County, WV

SOURCE: Data from Office of Management and Budget, 2008.

Appendix C: Data Resources

NeighborhoodInfoDC

NeighborhoodInfoDC is a partnership of the Urban Institute and the Washington D.C. Local Initiatives Support Corporation (LISC). It works to support community organizations, neighborhood leadership and residents, and government as they work to improve the quality of life for people throughout the District of Columbia. On their web site, you'll find data on D.C. neighborhoods and Wards—population, race and ethnicity, income, employment, education, public assistance, low birthweight and teen births, income, housing, and crime.
Web site: http://www.neighborhoodinfodc.org

Demographic and Population Data

American Community Survey (ACS)

The ACS is a nationwide household survey by the U.S. Bureau of the Census that will replace the decennial census long form. The content is similar to that of the decennial census (population, household, and housing characteristics), but the survey collects the data on a monthly basis to produce much more timely information. Currently, the ACS publishes annual estimates for the nation, the 50 states, the District of Columbia, and counties, cities, and metropolitan areas with population of 65,000 or more. Data are available in three forms: published profiles, summary data tables, and microdata.
Web site: http://www.census.gov/acs/www/index.html

American Community Survey Public Use Microdata Sample (PUMS) Files

PUMS files contain records for individuals and housing units from the American Community Survey, with names and addresses removed and geographic identifiers sufficiently broad to protect confidentiality. The Integrated Public Use Microdata Series (IPUMS), created by the Minnesota Population Center, is an invaluable tool for researchers to extract PUMS data by geographic area and sample size.
Web sites: http://www.census.gov/acs/www/Products/PUMS/
http://usa.ipums.org/usa/index.shtml

Census Bureau Population Estimates

The Census Bureau's Population Estimates Program publishes postcensal population estimates for the nation, states, metropolitan areas, counties, incorporated places, and county subdivisions. Data series for births, deaths, and domestic and international migration are used to update the decennial census base population counts. These estimates are used to monitor recent demographic changes and to allocate federal funds. They are also used as survey controls and as denominators for vital rates and per capita time series.
Web site: http://www.census.gov/popest/estimates.php

Employment and Economic Data

Current Employment Statistics (CES)

The CES is a monthly survey of payroll records conducted by the Bureau of Labor Statistics for the U.S. Department of Labor. The survey covers more than 300,000 businesses nationwide and provides detailed industry data on employment, hours, and the earnings of workers on nonfarm payrolls. Data are available for the nation, all 50 states, the District of Columbia, and more than 270 metropolitan areas.
Web sites: http://www.bls.gov/ces/home.htm
http://www.bls.gov/sae/home.htm

District of Columbia Department of Employment Services

The Department of Employment Services provides labor market data for the city through the online DC Networks Analyzer system. In addition to more detailed wages, industry, and occupation data for the city as a whole, the system offers estimated unemployment rates by Ward.
Web site: http://analyzer.dcnetworks.org/default.asp

Local Area Unemployment Statistics (LAUS)

The Bureau of Labor Statistics LAUS program produces monthly and annual employment, unemployment, and labor force data for the regions, states, counties, metropolitan areas, and select cities of the United States. State estimates (including those for the District of Columbia) are based on the Current Population Survey, while indicators for substate areas are based on data from several sources, including the Current Population Survey, the Current Employment Statistics program, and the Unemployment Insurance program.
Web site: http://www.bls.gov/lau/home.htm

Occupational Employment Statistics (OES)

The OES is an annual mail survey conducted by the Bureau of Labor Statistics for the U.S. Department of Labor. The survey collects data on nonfarm wage and salary workers to produce employment and wage estimates for more than 700 occupations in more than 400 industry classifications. Self-employed workers are excluded from the estimates because the OES does not collect data from this group. Estimates are available at the national, state, and metropolitan-area levels.
Web site: http://www.bls.gov/oes/home.htm

Housing Data

Building Permits

The U.S. Census Bureau collects data on new privately owned housing units authorized by building permits for permit-issuing jurisdictions (places and counties). The data files, released monthly, include the number of buildings and housing units authorized and the estimated construction cost.

Web site: http://www.census.gov/const/www/permitsindex.html

District of Columbia Land Records Electronic Filing System

Before a foreclosure sale can take place in Washington, D.C., a lender must provide written notice to the borrower at his or her last known address and file a copy with the District. When the property is sold at a foreclosure sale, a trustee's deed is issued. The District of Columbia Recorder of Deeds posts many documents, including Notices of Foreclosure and Trustee's Deeds, on its Land Records Electronic Filing System site. At the time of this writing, the site contained documents filed from November 1973 to September 2009.

Web site: http://www.washington.dc.us.landata.com

Home Mortgage Disclosure Act (HMDA)

HMDA requires certain mortgage lending institutions to disclose data about loan applications and approvals. Institutions required to file HMDA data include commercial banks, savings and loan institutions, credit unions, and mortgage companies that meet specific criteria. Data collected under HMDA are used to help determine whether lending institutions are meeting the housing credit needs of their communities; to help public officials target community development investment; and to help regulators enforce fair lending laws. The data include individual loan application records, including property census tract, loan amounts, approval or denial status, whether a loan had a high interest rate, and borrower and lender characteristics.

Web site: http://www.ffiec.gov/hmda/default.htm

House Price Index (HPI)

HPI is a measure designed to capture changes in the value of single-family homes for the nation, census divisions, states, and metropolitan areas. The HPI is published quarterly by the Federal Housing Finance Agency using data provided by Fannie Mae and Freddie Mac. The HPI is a weighted repeat sales index, meaning that it measures average price changes in repeat sales or refinancings on the same properties.

Web site: http://www.fhfa.gov/Default.aspx?Page=87

Housing Vacancy Survey

The Housing Vacancy Survey, a supplement to the Current Population Survey, estimates homeownership rates and vacancy rates on both a quarterly and an annual basis. Data are available for the nation, regions, the 50 states, and the 75 largest metropolitan areas. Data for the nation and regions date back to the 1960s, and data for the states and metropolitan areas date back to 1986.

Web site: http://www.census.gov/hhes/www/hvs.html

LPS Applied Analytics

LPS Applied Analytics' database covers more than 40 million active first mortgages and five million second mortgages, spanning the spectrum of agency, non-agency and portfolio products. The company offers data at the loan level and summary files for geographies such as ZIP codes and counties. This database contains more than 80 loan attributes, including product type detail, geographic detail down to ZIP level, ARM detail, FICO, document type, property value, occupancy type, property type, loan purpose and loan size.

Web site: http://www.lpsvcs.com/LossMit/DandA/Pages/default.aspx

Metropolitan Regional Information Systems, Inc. (MRIS)

MRIS—the nation's largest online real estate network for licensed agents, brokers, and appraisers—represents 25 county Associations of Realtors®. "The Real Estate Trend Indicator," the standard statistical report of market activity, is available through the MRIS web site for all of the counties in the Washington metropolitan area. The monthly and annual reports include information on the number of home sales by price range and number of bedrooms; they also report the average and median sale prices and home financing characteristics.

Web site: http://www.mris.com/reports/stats/

National Association of Realtors (NAR)

The NAR reports median sales prices of existing single-family and condominium homes for the United States and many metropolitan areas (2004 definitions). The web site reports the median price for metropolitan areas for the latest quarter and for the previous three years.

Web site: http://www.realtor.org/research.nsf/pages/ehspage/

S&P/Case-Shiller® Home Price Indices

The S&P/Case-Shiller® Home Price Indices measure the residential housing market, tracking monthly changes in the value of the residential real estate market in 20 metropolitan regions across the United States. Like the House Price Index listed above, these indices use repeat sales pricing to measure housing markets. First developed by Karl Case and Robert Shiller, this methodology collects data on single-family home resales. In addition, the S&P/Case-Shiller® U.S. National Home Price Index is a composite of single-family home price indices for the nine U.S. Census divisions and is calculated quarterly.

Web site:

http://www2.standardandpoors.com/portal/site/sp/en/us/page.topic/indices_csmahp/0,0,0,0,0,0,0,0,0,0,1,1,0,0,0,0,0.html

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