Understanding Foreclosure and Strengthening Housing Markets in a Post-Subprime Environment

Neighborhood Housing Markets Modeling
Memphis, Tennessee

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CBANA: Linking Research with Action

- Research on neighborhoods, housing, poverty, equality of opportunity, and disparities in health and quality of life for women, families and children
- Partnernering with community-based organizations to implement data-driven strategies for social change
- Community-based student internships
- InfoWorks for a Greater Memphis
InfoWorks Memphis

• To create and disseminate actionable knowledge and stimulate community-based problem-solving
• Neighborhood-level drill down

• housing and neighborhoods
• education
• income and employment
• families and children
• community safety
• health and mental health
• economic development
• environment and transportation
• culture and amenities
• social capital
Our Work on Foreclosure

- HMDA Lending Study with the Community Development Council of Greater Memphis
- SouthEast Memphis Initiative
- Parcel-based analysis with The Urban Institute
- Property Transaction Database with The Brookings Institution Urban Markets Initiative
Property Transaction Database

- Brookings Pilot Neighborhoods
- Drill down: chain of title research at local and neighborhood level
- Theorize up: implications for housing policy

- Time to foreclosure from sale
- Time to foreclosure from re-finance
- Cash-out refinance
- Bankruptcy
- Owner-occupant or investor
- Non-local investor
- High volume investor
- Individual or corporate investor
- Evidence of flipping
- Lenders/servicers
- Tax arrears
SouthEast Memphis Initiative

- Comprehensive community initiative in southeast Memphis Hickory Hill annexation area and beyond
- Data-driven interventions in partnership with the Southeast Memphis CDC
- UMI: Property Transaction Database
- **Contextualizing** foreclosure and rethinking *local* housing markets in a post-subprime environment
Post-Subprime Coalition

- Picking up where Anti-Predatory Lending Coalition left off
- CBANA as research partner

- Community Development Council of Greater Memphis
- Memphis Area Legal Services
- Memphis DEBTS Collaborative
- Federal Reserve Memphis Branch
- HUD Memphis Field Office
- Seedco Housing Counseling Network
- United Housing/Neighborworks
- Memphis Area Association of Realtors
- Better Business Bureau
- NAACP
- AARP
- New Partners?
Local Data: Foreclosure in Context

- *Parcel-based systems integrate neighborhood-level data*
- *Summarize and differentiate neighborhood-level issues*
- *Contextualize contributing factors within neighborhoods*
- *Refine AND counter anecdotal understanding*
- *Illuminate leverage points for intervention*
- *Theorize up to drive policymaking*
Doing More with Neighborhood Level Analysis

- Creating “actionable knowledge” through context
- Issue framing: what is driving foreclosure in *this* neighborhood and what *can be done* about it?
  - Intervention: dealing with the fallout for homeowners and for neighborhoods
  - Prevention: rethinking home ownership and housing equity for low to moderate income families, households with credit problems, and households in overpriced markets
- Mobilizing non-profit and grassroots involvement
  - Asset mapping
Beyond Rescue: Re-establishing Healthy Housing Markets

• What is effective post-subprime demand likely to look like in the absence of intervention?

• How much home ownership can be realistically supported with appropriate market interventions?

• What would those market interventions look like?
Data Sources are Critical
Loan Performance Database

Subprime Foreclosure in Progress Rate

Monthly Percent

- Tennessee
- Memphis
- US

Year and Month

1998 1999 2000 2001 2002 2003 2004

Data Sources are Critical
Loan Performance Database
Foreclosure Facts
Memphis and Shelby County

• 2000-2007: 60,000+ Shelby County foreclosure notifications

• 2007 (estimate) up 151% from 2000 – more than doubling from 4609 to 11,000+

• Local high volume neighborhoods may be 50% failure rate on subprime loans
Subprime Lending Targets
Shelby County

- HMDA 2006. 35% subprime
  - Down from 38% 2005
  - Up from 25% in 2004 and prior
  - Targets African Americans

- Twenty of 32 Shelby County zipcodes have subprime rates of at least one-third
  - 60% of all zipcodes
  - Targets African American and integrated neighborhoods

- Eleven zipcodes at least 50% subprime
  - One of every three zipcodes county-wide Local high volume neighborhoods may be 50% failure rate on subprime loans
  - Local high volume neighborhoods ~ 50% failure rate on subprime loans
## Suburban Foreclosures 2000-2005

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**Legend**

- Lakeland/Arlington
- Millington
- Partial Memphis/Cordova - County
- Memphis City
- Collierville
- Bartlett
- Eads/Fisherville
- Germantown
From high cost lending to foreclosure?

- From Zones to Taxonomy
- Type I. Marginal buyers: Zone 2
- Type II. Pushing the envelope: Zone 3
- Type III. Home Repair Liens: Zone 1
- Type IV. Economic Jeopardy: Multi-Zone
- Type V. Overextended investors: Zone 2

- From Taxonomy to Customized Interventions
- From Rescue to Market Reformulation
A Post-Sub-prime Market

- Estimating effective demand by neighborhood
- Preparing for vacancies and transition of single family housing to the rental market
- Supporting home ownership for marginal buyers
- Supporting transition to the rental market for former homeowners
Customizing Market Interventions to Support Local Home Ownership

- Financial literacy-consumer education
- Pre-purchase and wrap-around home-ownership support for low-mod buyers
- Credit repair and financial management support
- Appropriate financial products: Retail banks and CDFI
- Good-faith mortgage brokering: non-profit?
- Good-faith real-estate brokering: non-profit?
- Innovative use of lease-purchase
- Reclaiming a critical mass of single family properties: land trust arrangements?