



DEPARTMENT OF NEIGHBORHOOD DEVELOPMENT EVELYN FRIEDMAN, CHIEF AND DIRECTOR

## INTRODUCTION

This *Foreclosure Trends* report covers changes in Boston's residential foreclosures from 1990 to 2008, with a more detailed look at foreclosure activity from 2006 to 2008.

The 1990/1991 recession saw a rapid increase in foreclosures. Foreclosure deeds (sales) peaked in 1992 with 1,679. The market recovered slowly. Foreclosures did not return to pre-recession levels until 1997 (see Chart 1).

Foreclosures fell to 2004's historic low of 25 and then began to greatly increase in 2005 (60), 2006 (261) and 2007 (703). The trend continued in 2008, with 1215 foreclosure deeds, an increase of 73% compared to 2007 and the third highest number of foreclosures since 1990.

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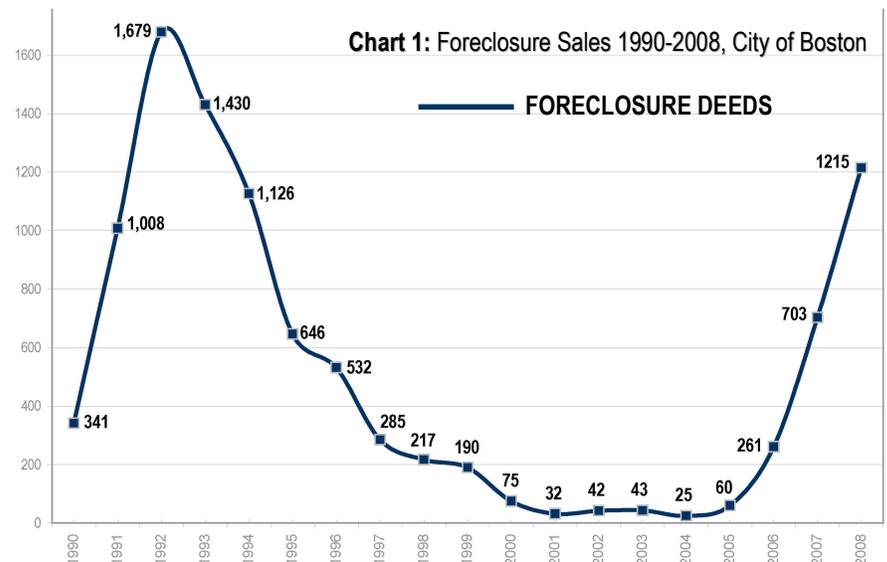
**Foreclosure Petition:** A lender must file a petition in land court to begin the foreclosure process.

**Foreclosure Deed:** The same as a foreclosure sale, this is the completion of the foreclosure process, including the auction.

**Residential Property:** Includes one-to-three family properties and condominiums based on data from City of Boston's Department of Assessing.

## 2008 FORECLOSURE OVERVIEW

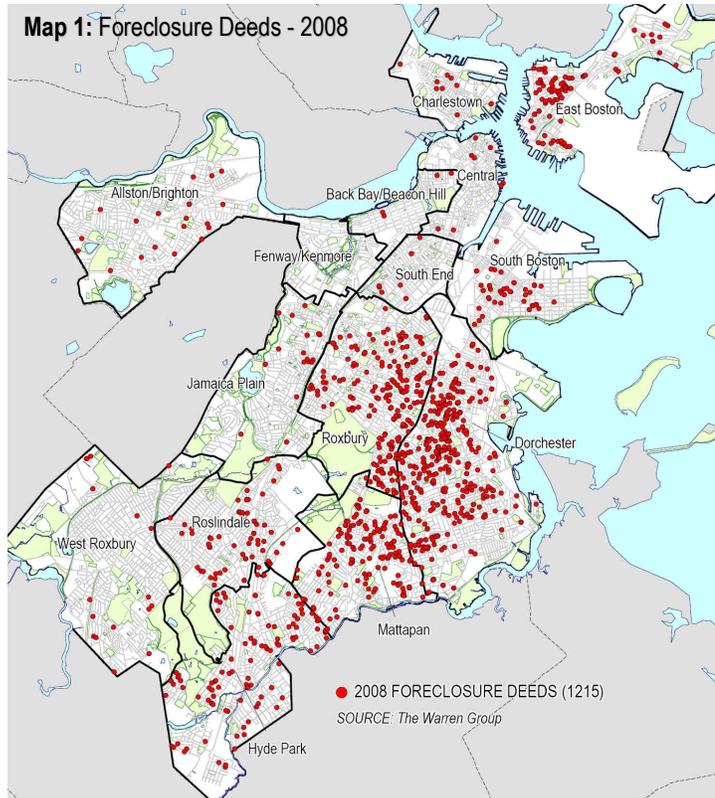
- There were 1215 foreclosure deeds registered in 2008, a 73% increase compared to 2007 (703).
- 1,900 properties were petitioned in 2008, a 22% decrease compared to 2007 (2,432).
- Approximately 64% of petitioned properties ended in foreclosure, up from 29% in 2007.
- The median age of a foreclosed mortgage was 2.1 years, up from 1.4 years in 2007.
- 72% of foreclosed mortgages were Adjustable Rate Mortgages (ARMs). 69% of these ARMs foreclosed before their first reset date.
- 75% of petitioned properties and 81% of foreclosure deeds were located in five neighborhoods: Dorchester, East Boston, Hyde Park, Mattapan, and Roxbury.
- Subprime lenders are the most prevalent originators of loans that go into foreclosure.
- The percentage of foreclosed properties being bought back by the foreclosing entities at auction sales, or Real Estate Owned (REO) properties, continued to increase from 48% in 2005 to 95% in 2008.





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Map 1: Foreclosure Deeds - 2008



## FORECLOSURE DEEDS

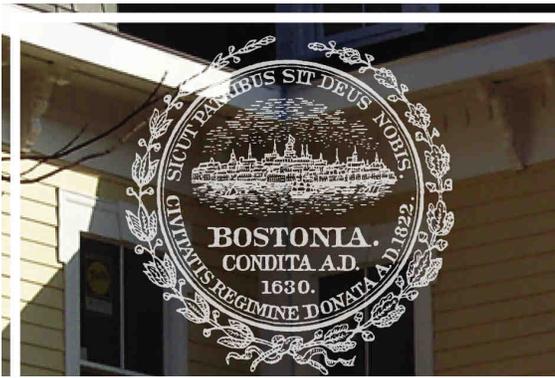
The number of foreclosure deeds by neighborhood and property type are below in Table 1, as well as, the percentage change between 2007 and 2008. Five neighborhoods; Dorchester, East Boston, Hyde Park, Mattapan, and Roxbury comprised 81% of all foreclosure deeds in 2008 up from 82% in 2007. These five neighborhoods comprise only 36% of residential properties; therefore, are overburdened with foreclosures. Roslindale experienced the largest percentage increase (135%) with 73 foreclosure deeds in 2008 compared to 31 in 2007.

Foreclosure deeds increased for all property types in 2008 compared to 2007 with condominiums experiencing the largest increase (162%). In the majority of neighborhoods the number of foreclosed condominiums increased with the largest percentage change in the neighborhoods of Dorchester (186%), Roslindale (250%), and Roxbury (226%). Approximately 80% of condominiums that foreclosed in 2008 were located in small residential properties with three or less units.

Table 1: Foreclosure Deeds by Neighborhood & Property Type

	FORECLOSURE DEEDS - 2007					FORECLOSURE DEEDS - 2008					%CHANGE				
	TOTAL	CONDO	1-FAM	2-FAM	3-FAM	TOTAL	CONDO	1-FAM	2-FAM	3-FAM	ALL	CONDO	1-FAM	2-FAM	3-FAM
ALLSTON-BRIGHTON	13	9	2	2	0	22	13	5	3	1	69%	**	**	**	**
BACK BAY BEACON HILL	5	4	1	0	0	4	2	2	0	0	**	**	**	**	**
CENTRAL	7	7	0	0	0	8	7	0	0	1	**	**	**	**	**
CHARLESTOWN	4	1	3	0	0	9	5	3	1	0	**	**	**	**	**
DORCHESTER	232	74	41	51	66	418	212	43	62	101	80%	186%	5%	22%	53%
EAST BOSTON	47	8	3	10	26	89	22	11	20	36	89%	**	**	100%	38%
FENWAY/KENMORE	3	3	0	0	0	3	3	0	0	0	**	**	**	**	**
HYDE PARK	82	8	34	31	9	111	19	50	36	6	35%	**	47%	16%	**
JAMAICA PLAIN	11	6	1	1	3	18	7	1	1	9	64%	**	**	**	**
MATTAPAN	92	19	26	24	23	151	46	35	36	34	64%	142%	35%	50%	48%
ROSLINDALE	31	10	6	12	3	73	35	15	17	6	135%	250%	**	42%	**
ROXBURY	124	31	20	31	42	236	101	17	57	61	90%	226%	-15%	84%	45%
SOUTH BOSTON	25	14	6	4	1	46	34	6	1	5	84%	143%	**	**	**
SOUTH END	10	1	8	0	1	7	5	1	0	1	**	**	**	**	**
WEST ROXBURY	17	3	11	3	0	20	8	11	1	0	18%	**	0%	**	**
<b>CITYWIDE</b>	<b>703</b>	<b>198</b>	<b>162</b>	<b>169</b>	<b>174</b>	<b>1215</b>	<b>519</b>	<b>200</b>	<b>235</b>	<b>261</b>	<b>73%</b>	<b>162%</b>	<b>23%</b>	<b>39%</b>	<b>50%</b>

\*No %Change is calculated for neighborhoods with less than 10 deeds or petitions



# Foreclosure Trends 2008

CITY OF BOSTON/TOMAS M. MENINO, MAYOR

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## FORECLOSURE PETITIONS

A foreclosure petition is the first public record in the foreclosure process. Sometimes homeowners are able to resolve the problem before a foreclosure auction is scheduled and/or before the foreclosure is complete. Homeowners sometimes can avoid foreclosure through mortgage modifications, refinancing or selling the property. In 2008, the number of foreclosure deeds was 64% of petitioned properties up from 29% in 2007.

Table 2, is the number of petitioned properties in 2007 and 2008 by neighborhood and property type. In the majority of neighborhoods and citywide, petitioned properties decreased compared to 2007. The decrease is most likely attributed to the implementation of the State's 90-day right-to-cure law on May 1, 2008. Chart 2 (page 4) shows monthly foreclosure numbers for 2008. Foreclosure petitions peaked in April of 2008 with 317 petitions and then plummeted to 39 petitions in May after the right-to-cure law was implemented. Petition numbers continued to stay below 100 per month through August until September when petition numbers rose above 200. In the last

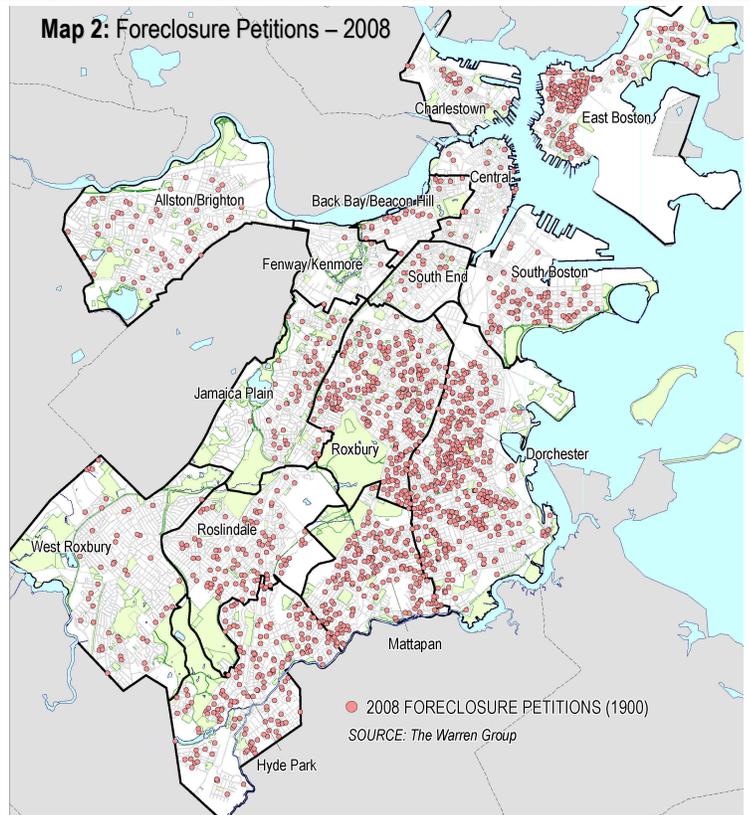
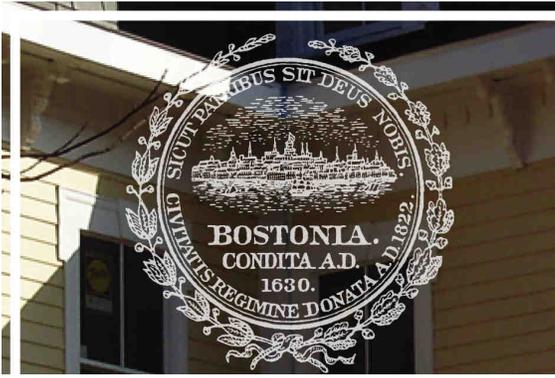


Table 2: Foreclosure Petitions by Neighborhood & Property Type

	FORECLOSURE PETITIONS - 2007					FORECLOSURE PETITIONS - 2008					%CHANGE				
	TOTAL	CONDO	1-FAM	2-FAM	3-FAM	TOTAL	CONDO	1-FAM	2-FAM	3-FAM	ALL	CONDO	1-FAM	2-FAM	3-FAM
ALLSTON-BRIGHTON	67	40	11	13	3	60	28	10	19	3	-10%	-30%	-9%	46%	**
BACK BAY BEACON HILL	14	12	1	1	0	23	20	1	1	1	64%	67%	**	**	**
CENTRAL	29	27	0	1	1	23	23	0	0	0	-21%	-15%	**	**	**
CHARLESTOWN	32	17	7	5	3	27	18	5	2	2	-16%	6%	**	**	**
DORCHESTER	709	243	111	160	195	513	244	60	99	110	-28%	0%	-46%	-38%	-44%
EAST BOSTON	168	41	23	36	68	185	32	28	41	84	10%	-22%	22%	14%	24%
FENWAY/KENMORE	10	9	0	0	1	4	3	0	0	1	**	**	**	**	**
HYDE PARK	249	34	132	74	9	193	30	89	62	12	-22%	-12%	-33%	-16%	**
JAMAICA PLAIN	65	14	11	19	21	56	14	10	13	19	-14%	0%	-9%	-32%	-10%
MATTAPAN	305	57	90	81	77	212	54	53	62	43	-30%	-5%	-41%	-23%	-44%
ROSLINDALE	133	38	41	37	17	110	31	33	31	15	-17%	-18%	-20%	-16%	-12%
ROXBURY	445	137	48	108	152	321	116	38	71	96	-28%	-15%	-21%	-34%	-37%
SOUTH BOSTON	95	55	15	11	14	97	62	16	9	10	2%	13%	7%	**	-29%
SOUTH END	36	28	6	0	2	22	20	1	0	1	-39%	-29%	**	**	**
WEST ROXBURY	75	15	46	14	0	54	15	25	12	2	-28%	0%	-46%	-14%	**
<b>CITYWIDE</b>	<b>2432</b>	<b>767</b>	<b>542</b>	<b>560</b>	<b>563</b>	<b>1900</b>	<b>710</b>	<b>369</b>	<b>422</b>	<b>399</b>	<b>-22%</b>	<b>-7%</b>	<b>-32%</b>	<b>-25%</b>	<b>-29%</b>

\*No %Change is calculated for neighborhoods with less than 10 deeds or petitions



# Foreclosure Trends 2008

CITY OF BOSTON/TOMAS M. MENINO, MAYOR

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## FORECLOSURE PETITIONS

quarter of 2008, petition numbers stayed below 200 but above 100 per month.

Similar to foreclosure deeds, the same five neighborhoods (Dorchester, East Boston, Hyde Park, Mattapan, Roxbury) comprised a large percentage of petitions (75%). To get a clearer sense of where high foreclosure areas exist in the city, it is useful to look at the percentage of housing units petitioned by census tract. This analysis normalizes the data and also shows pockets within larger neighborhoods such as Dorchester.

There were six census tracts located in the neighborhoods of Dorchester, Mattapan and Roxbury that had a petition rate greater than three times the citywide rate of 0.75%. As you can see in Map 3, there are large portions of Dorchester, Roxbury, Mattapan, Hyde Park and East Boston with census tracts that have petition rates greater than the citywide rate. Also, the northern section of Dorchester has a very low petition rate, as well as, the southern sections of Mattapan and Dorchester.

Map 3: Petition Rate Map - 2008

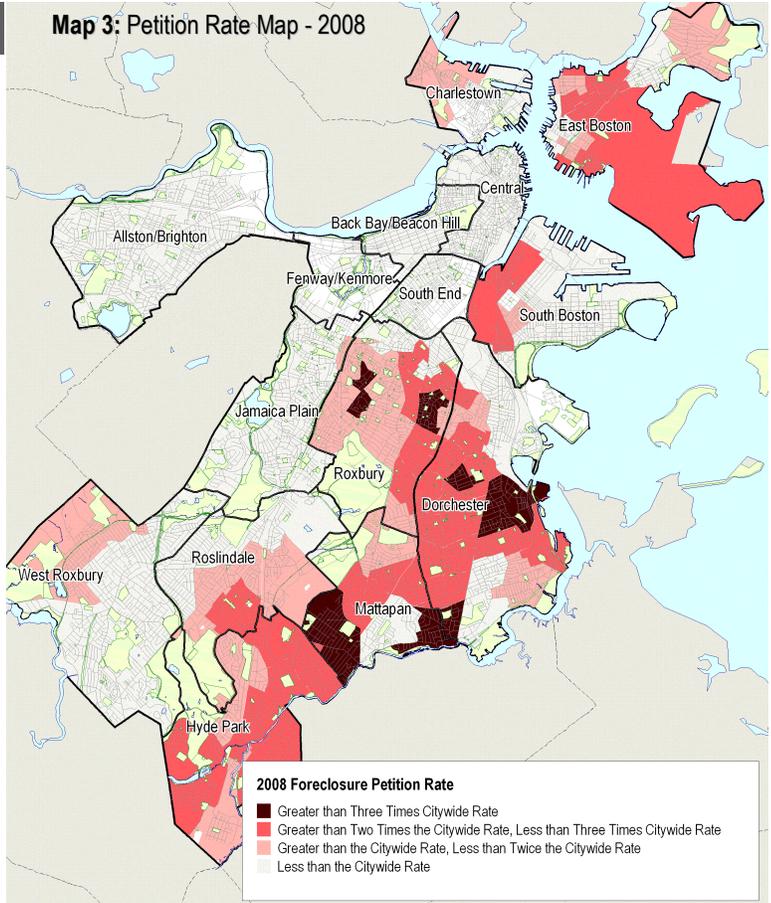
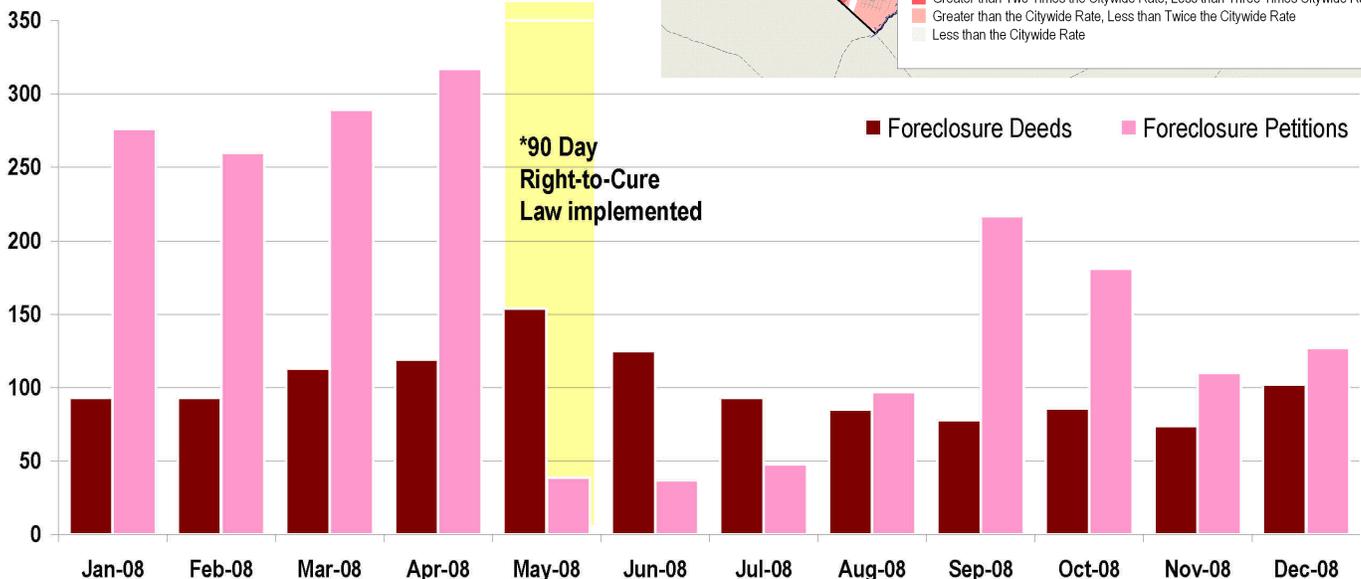


Chart 2: Monthly Foreclosure Activity - 2008





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**REAL ESTATE OWNED (REO) PROPERTIES**

At a foreclosure auction, the foreclosing entity wants to recover the outstanding mortgage amount and any foreclosure costs. If the auction bids do not cover these costs, the entity will “buy back” the property and then hire a real estate agent to sell the property. These properties are identified as Real Estate Owned (REO) properties. Similar to foreclosure deed trends, the number of REO properties have also increased in volume, and as a percentage of total foreclosure deeds. The percentage of foreclosures “bought back” increased from 48% in 2005 to 95% in 2008 (see Table 3). This can be attributed to the decrease in property values for the same time period. As of 12/15/08, there were approximately 950 existing REO properties in the city (see Map 3).

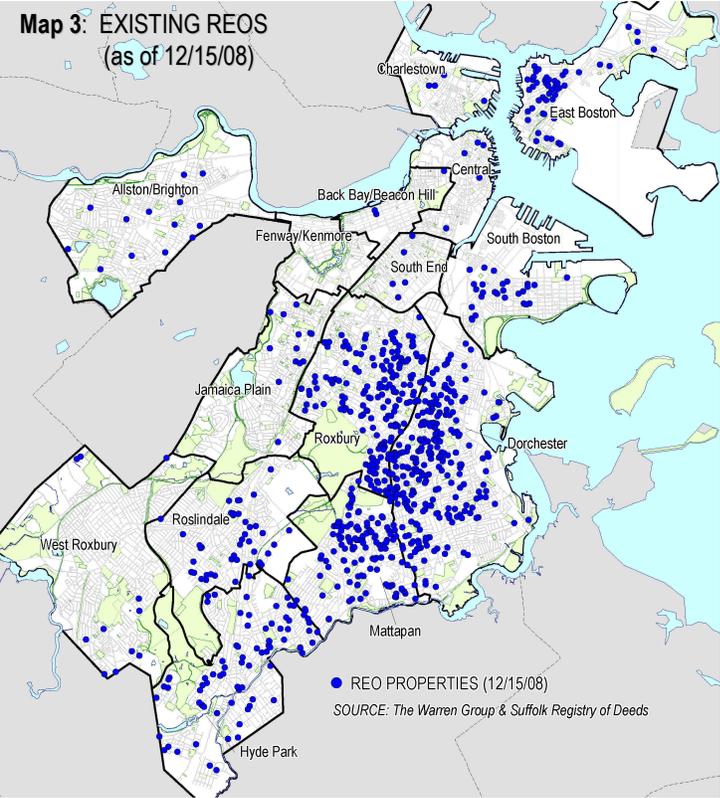
Vacant REO properties pose a significant risk to neighborhoods by attracting crime and lowering local property values. Over time, these properties begin to deteriorate and show signs of physical distress, adding to the City’s abandoned building inventory and ultimately destabilizing communities.

To immediately address this issue, Mayor Thomas M. Menino established the Foreclosure Intervention Team (FIT) in February of 2008, a multi-departmental team that addresses all issues that surround foreclosure and abandonment. Departments include: Boston Police, Inspectional Services, Neighborhood Development, Public Health Commission, Corporation Counsel, Public Works, Transportation, Office of Civil Rights, Property Management, Neighborhood Services, Rental Housing Resource Center, and the Boston Housing Authority. Three FIT areas were identified in 2008 in the neighborhoods of Dorchester and Roxbury.

City staff have begun surveying all REO properties, and where appropriate, have identified problem areas that require attention from one or more city departments. Of the 968 REO properties surveyed by December of 2008, City staff identified 344 properties as “troubled” or “abandoned”, meaning they showed signs of physical distress.

Table 3: REO Trends, 2005 - 2008

Year	Total Foreclosures	Private Buyer	REO
2005	60	31	29 (48%)
2006	261	50	211 (81%)
2007	703	60	651 (93%)
2008	1215	67	1148 (95%)



The Boston City Council has also taken steps to address issues related to foreclosures and REO properties. In February of 2008, ‘An Ordinance Regulating the Maintenance of Vacant, Foreclosing Residential Properties’ was adopted. The ordinance requires property owners to register vacant and/or foreclosing residential properties with the City and identify a local individual or company to maintain vacant properties.



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## AGE OF MORTGAGE

Homeowner economic distress can also be measured by the “age” of a mortgage (the length of time between the mortgage origination date and the foreclosure petition). Table 4 reveals that the median number of years between the mortgage and the initial foreclosure petition increased to 2.1 years in 2008 from 1.4 years in 2007. From 2005-2007, the majority of properties that were petitioned had mortgages that were less than 2 years old. In 2008, the majority of properties that were petitioned had mortgages between 1 year and 3 years old. Approximately 70% of foreclosed mortgages in 2008 were originated in 2005 and 2006 (See Table 5).

Table 4: Time between Mortgage and Foreclosure Petition - 2008

AGE OF MORTGAGE	2005	2006	2007	2008
%Less than 1 yr	34%	31%	30%	10%
% 1 yr to 2 yr	36%	37%	36%	36%
% 2 yr to 3 yr	15%	18%	17%	30%
% 3 yr to % 5 yr	7%	8%	11%	20%
% Greater than 5 yr	8%	6%	6%	4%
<b>Median Yrs of Mortgage</b>	<b>1.3</b>	<b>1.4</b>	<b>1.4</b>	<b>2.1</b>

## YEARS PROPERTY OWNED

Similar to age of mortgage trends, the number of years between the initial purchase of the property and the filing of a foreclosure petition increased from a low median of 2.2 years in 2007 to 3.4 years in 2008 (see Table 6). Also, the percentage of properties owned less than 2 years was increasing but decreased in 2008. In 2005, 38% of petitioned properties were owned for less than 2 years which increased to 40% in 2006 and 47% in 2007. In 2008, only 24% of petitioned properties were owned for less than 2 years. The percentage of petitioned properties owned between 2 years and 5 years increased in 2008 to 41% from 23% in 2007.

Table 5: Year Mortgage Originated – 2008 Foreclosure Deeds

YEAR ORIGINATED	TOTAL	%
pre-2005	170	14.0%
2005	283	23.3%
2006	565	46.5%
2007	194	16.0%
2008	3	0.2%

Analyzing the age of the mortgage and years the property was owned provides a better understanding of real estate conditions when the mortgage was originated. In 2008, for the majority of petitioned properties (66%), the mortgages were originated during the peak of the real estate market in 2005 and 2006. Therefore, with decreases in market values and sale volumes in the past three years (see Chart 3, page 6) it can be assumed many of these properties have lost equity and are continuing to do so. The decrease in value and loss in equity makes it increasingly challenging for homeowners to refinance or sell the property if they can not afford their mortgage payments.

Table 6: Number of Years Property Owned before Foreclosure Petition Filed - 2008

YEARS OWNED	2005	2006	2007	2008
%Less than 1 yr	21%	18%	22%	5%
% 1 yr to 2 yr	17%	22%	25%	19%
% 2 yr to 3 yr	7%	12%	12%	20%
% 3 yr to % 5 yr	12%	11%	11%	21%
% Greater than 5 yr	43%	37%	30%	35%
<b>Median Years Owned</b>	<b>3.66</b>	<b>2.5</b>	<b>2.2</b>	<b>3.4</b>



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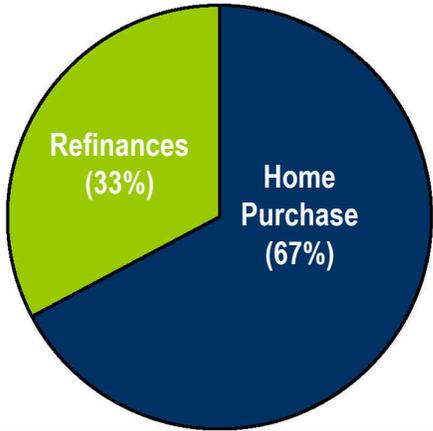
**LOAN ANALYSIS**

Foreclosure deed data collection was expanded in 2007 to get a better understanding of the types of mortgages that were being foreclosed. Public information is limited to the county registry; however, some data including information related to home purchases versus refinances and adjustable rate mortgages are available. Annual Percentage Rates (APR) were also available for the majority of Adjustable Rate Mortgages (ARMs) but were not available for fixed mortgages.

Of the 1,215 foreclosure deeds in 2008, 780 (67%) were home purchase loans while 380 (33%) were refinances (see Chart 4) (numbers include both owner-occupied and investor-owned properties). Compared to 2007 foreclosures, there was a slight decrease in refinance mortgages which comprised 39% of all foreclosure deeds.

In 2008, 872 (72%) of the foreclosure deeds were ARMs while 343 (28%) were fixed rate mortgages (Chart 5). This is a slight decrease from 2007, where 77% of foreclosures were ARMs. Of the 872 ARMs in 2008, 598 (69%) foreclosed before their first adjustable reset date, while only 263 (31%) foreclosed after their first adjustable reset date (Chart 6). This finding shows APR resets of ARMs are not the reason for the majority of foreclosures in 2008 but rather most ARMs were unmanageable in the first two years. The median initial APR of ARMs was 7.66% and the median maximum APR of ARMs was 14%.

Chart 4: Purpose of Loan, Foreclosure Deeds, 2008



Charts 5 & 6: ARM Loans, Foreclosure Deeds, 2008

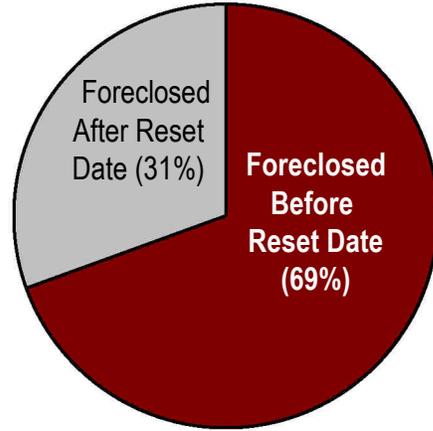
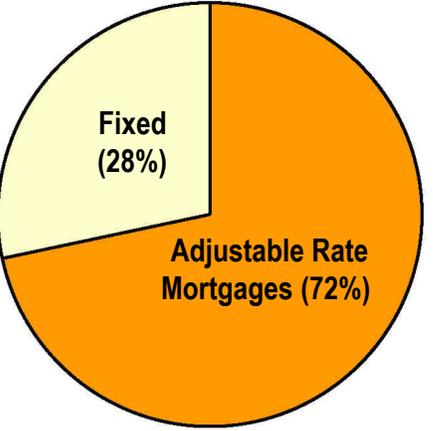
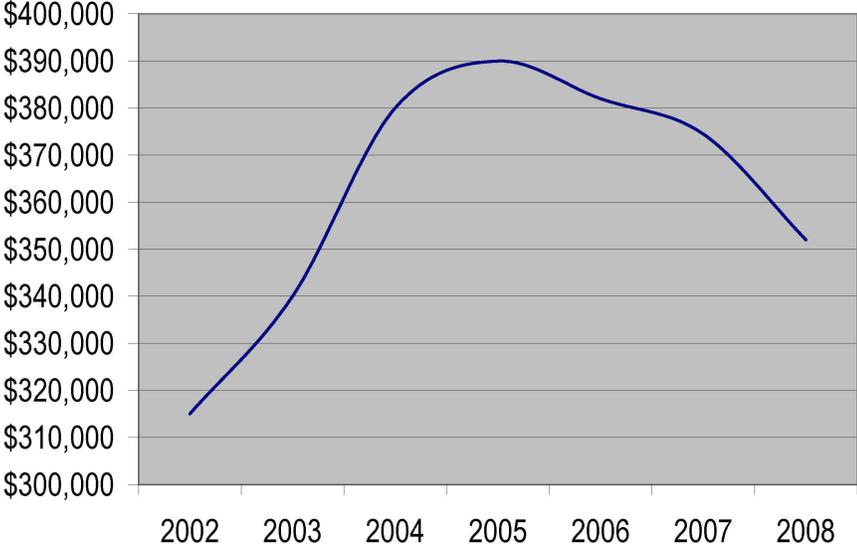


Chart 3: Citywide Residential Property Median Prices, 2002-2008





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## TENANCY

To identify whether a foreclosed property is owner-occupied, the residential exemption status from the City's Assessing Department is used. To receive residential exemption from the City, an individual must live at the property on January 1st of the upcoming tax bill year and submit appropriate documentation to the Assessing Department. Therefore, properties purchased after January 1 wait for the following year to apply for an exemption. It can be assumed then, that it takes 1.5 to 2 years for properties to receive residential exemption and for the change in status to be updated in Assessing data. Since 34% of 2008 foreclosed properties were purchased within the last 2 years, we must assume owner-occupied units are most likely underestimated using this data source (see Chart 7). However thus far, this is the most reliable and accessible source to identify owner-occupied properties.

The percentage of foreclosure deeds that were owner-occupied has decreased from 32% in 2006, to 29% in 2007, and to 24% in 2008 (see Table 7). The percentage of petitioned properties that were owner-occupied also decreased from 44% in 2006, to 40% in 2007, and to 38% in 2008 (see Table 8). The decrease of owner-occupied properties in foreclosure can be attributed to a couple factors; (1) As described above, owner-occupied properties are most likely underestimated using assessing data since 34% were purchased in the past 2 years. (2) With the decrease in median prices (see Chart 3), the number of speculative purchasers of investment properties are no longer seeing a potential profit in flipping properties and are letting the properties go into foreclosure.

Estimating the number of tenant-occupied properties is also challenging based on Assessing data. However, if the profile of properties owned for more than two years (36% owner-occupied, 64% investor-owned) were projected for the 34% owned for less than two years, and the 45% of the foreclosures on owner-occupied properties involving 2- and 3-family homes with one or two rental units were added, then it is estimated that about 77% housing units being displaced through foreclosure are tenant-occupied – three times the number of homeowners.

Chart 7: Residential Exemption for Foreclosure Deeds, 2008

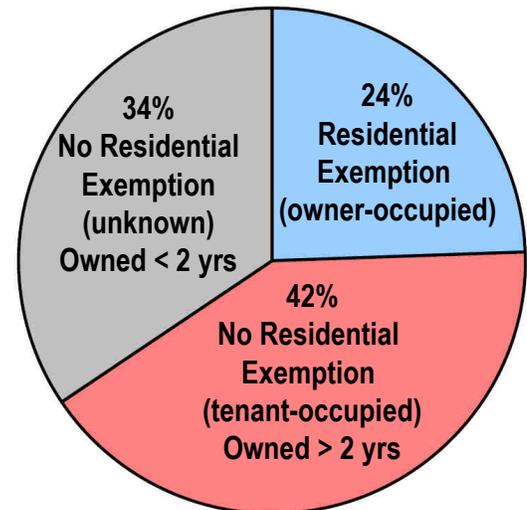


Table 7: Owner-Occupancy for Foreclosure Deeds, 2006-2008

Year	FORECLOSURE DEEDS			
	Owner-Occupied	Investor-Owned	Total	Owner-Occupied % of Total
2006	83	178	261	32%
2007	202	501	703	29%
2008	296	919	1,215	24%

Table 8: Owner-Occupancy for Foreclosure Petitions, 2006-2008

Year	FORECLOSURE PETITIONS			
	Owner-Occupied	Investor-Owned	Total	Owner-Occupied % of Total
2006	692	893	1,585	44%
2007	975	1,457	2,432	40%
2008	722	1,178	1,900	38%



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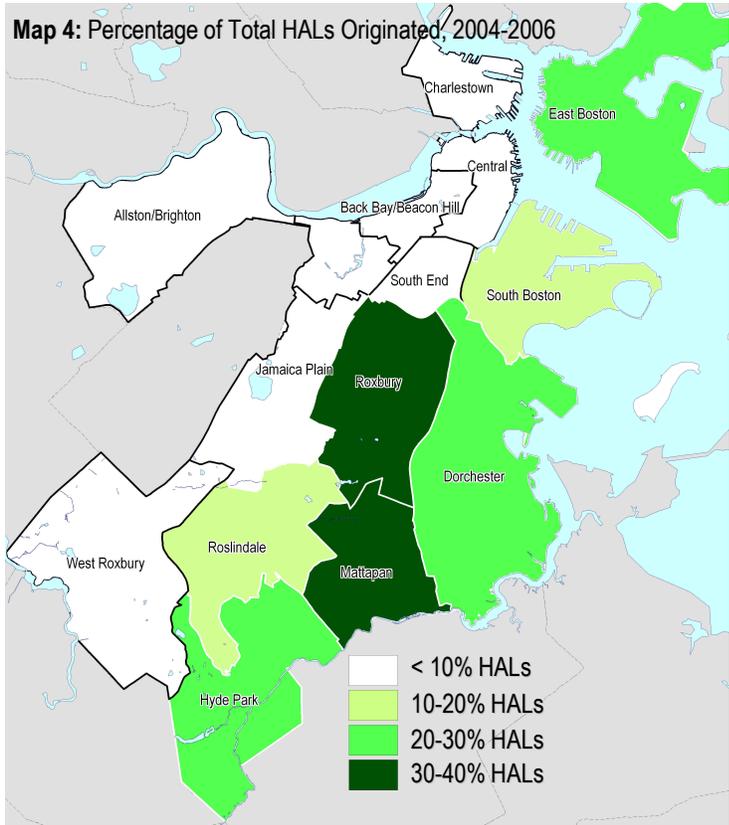
## DEMOGRAPHICS

Foreclosure data obtained through public records does not provide sufficient demographic information to enable us to understand who is being impacted by foreclosures. There are also challenges in extrapolating demographic information geographically or through other data sources without making general assumptions.

Based on geography, the majority of foreclosures in Boston are comprised in neighborhoods with the largest minority and low-income populations; therefore, these are most likely the same populations being impacted. Beyond the immediate impact to the borrower, the borrower’s family or tenants, there are also secondary impacts to minority and low-income communities with the growing inventory of vacant REO properties that attract crime and destabilize the overall community.

To get a better understanding of loan origination characteristics during 2004-2006, when 80% of 2008 foreclosure deeds were originated, the best data source is from the Home Mortgage Disclosure Act (HMDA). This data is analyzed each year by Jim Campen in the “*Changing Patterns*” series and published by the Massachusetts Community & Banking Council (MCBC).

Based on Campen’s analysis, Map 4 shows the percentage of High-APR Loans (HALs) originated in each neighborhood from 2004-2006. As you can see, Boston’s high-foreclosure neighborhoods are also the same neighborhoods with the highest percentage of HALs. For all loans (home-purchase and refinance loans) originated between 2004-2006, Boston neighborhoods with the largest minority populations and foreclosure numbers had the highest percent of HALs: Mattapan (37%), Roxbury (33%), Hyde Park (29%), Dorchester (29%), East Boston (25%). 43% of all HALs were originated in these five neighborhoods from 2004-2006.



In “*Changing Patterns XIV*”<sup>1</sup>, the following demographic findings were reported for HAL loans:

- In Boston, Black and Latino borrowers were much more likely to receive HALs than white or Asian counterparts. Among homebuyers, the HAL loan shares were 53.5% for blacks and 45% for Latinos, but only 11.7% for whites. Black homebuyers were 4.6 times and Latino homebuyers were 3.8 times likely to get a HAL loan than were their white counterparts.<sup>1</sup>

<sup>1</sup> Campen, Jim, 2008. “*Changing Patterns XIV*”, Massachusetts Community & Banking Council.  
<sup>2</sup> As defined in Jim Campen’s report: “High-APR Loans” are loans in which the spread between US Treasury Securities of the same maturity and the interest rate on a first lien loan is greater than 3%.



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**Table 9: 2008 Foreclosure Activity<sup>1</sup> for U.S. States**

Rate Rank	US State	Foreclosure Rate (%)
1	Nevada	7.29
2	Florida	4.52
3	Arizona	4.49
4	California	3.97
5	Colorado	2.41
6	Michigan	2.35
7	Ohio	2.25
8	Georgia	2.20
9	Illinois	1.91
10	New Jersey	1.80
--	<b>United States</b>	<b>1.84</b>
14	Massachusetts	1.64

**NATIONAL AND REGIONAL CONTEXT**

Tables 9 -11 provide an overview of foreclosure activity at the state and national level. Each table provides a foreclosure rate for comparison purposes. To calculate a foreclosure rate, Table 9 and 10 divide total properties entering a stage of foreclosure by the total number of housing units while Table 11 divides total foreclosure petitions by the total number of 1-4 unit residential properties.

Massachusetts was 14<sup>th</sup> among the 50 states, with foreclosure activity occurring on 1.64% of housing units. In 2007, Massachusetts ranked 19<sup>th</sup> and had a foreclosure rate of 0.66%. However, the state's rate is only 22% of Nevada's rate of 7.29% and lower than the national rate of 1.84% (see Table 9).

The Boston-Quincy metropolitan area ranked 44<sup>th</sup> among the nation's top 100 metropolitan areas with a foreclosure rate of 1.77% which was only 19% of Stockton, California's rate of 9.46% and below the national rate of 1.84% (see Table 10).

**Table 10: 2008 Foreclosure Activity<sup>1</sup> for Metropolitan Areas**

Rate Rank	Top 100 US Metropolitan Areas	Foreclosure Rate (%)
1	Stockton, CA	9.46
2	Las Vegas/Paradise, NV	8.89
3	Riverside/San Bernardino, CA	8.02
4	Bakersfield, CA	6.17
5	Phoenix/Mesa, AZ	6.02
6	Ft Lauderdale, FL	5.95
7	Orlando, FL	5.48
8	Miami, FL	5.21
9	Sacramento, CA	5.20
10	Detroit/Livonia/Dearborn, MI	4.52
--	<b>United States</b>	<b>1.84</b>
44	Boston/Quincy, MA	1.77

**Table 11: Foreclosure Activity<sup>2</sup> MA Cities**

Rate Rank	MA Cities (pop>90,000)	Foreclosure Rate (%)
1	Brockton	3.0%
2	Springfield	2.0%
3	Lowell	2.0%
4	Worcester	1.8%
5	Boston	1.3%
6	New Bedford	1.2%
7	Fall River	1.0%
8	Cambridge	0.3%
	<b>Massachusetts</b>	<b>1.0%</b>

When compared to other Massachusetts cities in 2008, Boston fared better than many other municipalities with populations over 90,000 (see Table 11). Brockton (3.0%), Springfield (2.0%), Lowell (2.0%), and Worcester (1.8%) had higher foreclosure rates than Boston (1.3%). However, Boston had a higher foreclosure rate than the State (1.0%). Cambridge had a significantly lower rate than the seven other cities and the State.

<sup>1</sup>Source: [www.realtytrac.com](http://www.realtytrac.com). "The household numbers are based on the US Census Bureau's estimates of total housing units. Foreclosure filings include foreclosure-related documents in all three phases of foreclosure: Default – Notice of Default (NOD) and Lis Pendens (LIS); Auction – Notice of Trustee Sale and Notice of Foreclosure Sale (NTS and NFS); and Real Estate Owned (REO) properties (that have been foreclosed on and repurchased by a bank)."

<sup>2</sup>Source: The Warren Group.



# Foreclosure Trends 2008

CITY OF BOSTON/TOMAS M. MENINO, MAYOR

DEPARTMENT OF NEIGHBORHOOD DEVELOPMENT EVELYN FRIEDMAN, CHIEF AND DIRECTOR

## ECONOMIC AND MARKET IMPACTS

Map 5: Change in Median Price, 2007-2008

The New England Economic Partnership (NEEP) fall 2008 forecast for the Massachusetts economy foresees the cumulative loss of 50,600 jobs (1.5%) between 2008 and 2012. The forecast estimated that annual average 2008 state job numbers would show a 0.1% gain over 2007, followed by losses of -2.1% in 2009 and -1.6% in 2010. This would be followed by positive job growth of 0.7% in 2011 and 1.5% in 2012. Under this "fall 2008 NEEP" scenario Boston would have 0.8% (5,612) fewer jobs in 2012 than it did in 2008.

As seen in Table 12 and Map 5, overall citywide median sale prices decreased in 2008 (-6%). At the neighborhood level, percentage change in median prices varied greatly, with the five high foreclosure neighborhoods experiencing the greatest decreases, ranging between -11% and -24%.

Looking forward in 2009, if economic forecasts and market trends continue, there could be potential impacts on foreclosures due to the combination of job loss and "underwater" mortgages. If a homeowner loses their job and owes more on their mortgage than its market value, the homeowner may enter foreclosure or walk away from the property. Only 20% of DND's foreclosure prevention clients identified "job loss" as the reason for mortgage problems in the first two years of the Foreclosure Prevention program.

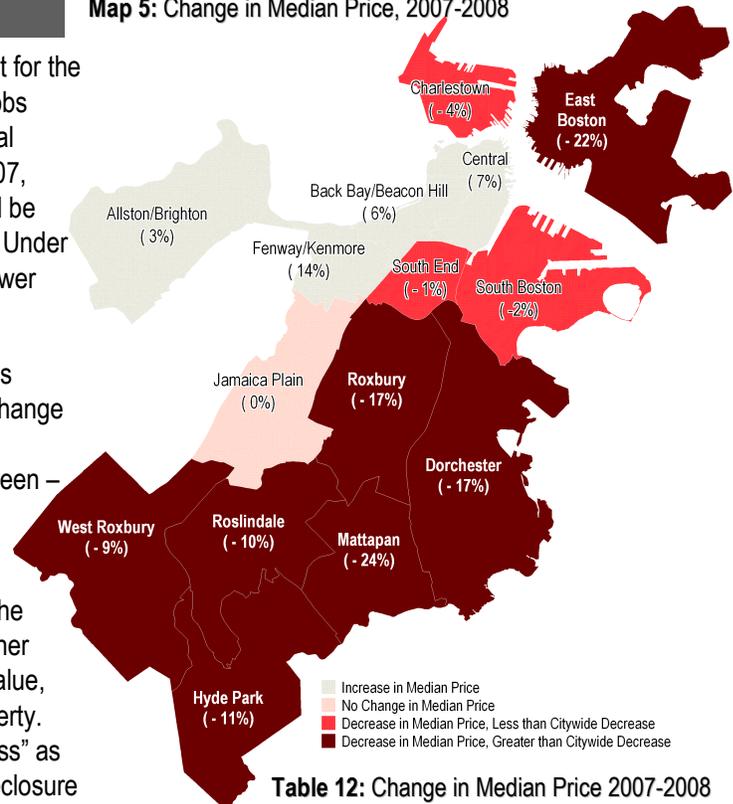


Table 12: Change in Median Price 2007-2008

	2008 MEDIAN PRICES <sup>1</sup>					%CHANGE 2007-2008				
	ALL	CONDO	1-FAM	2-FAM	3-FAM	ALL	CONDO	1-FAM	2-FAM	3-FAM
ALLSTON-BRIGHTON	\$302,500	\$273,000	\$440,000	\$552,800	\$611,500	3%	1%	-3%	-1%	-19%
BACK BAY BEACON HILL	\$630,000	\$620,000	\$2,125,000	-	-	6%	9%	4%	**	**
CENTRAL	\$562,500	\$557,500	-	-	-	7%	6%	**	**	**
CHARLESTOWN	\$430,000	\$412,000	\$590,000	-	-	-4%	-5%	-6%	**	**
DORCHESTER	\$257,000	\$235,000	\$288,000	\$288,000	\$300,000	-17%	-15%	-13%	-29%	-32%
EAST BOSTON	\$233,000	\$230,000	\$215,000	\$231,750	\$250,000	-22%	-16%	-20%	-33%	-40%
FENWAY/KENMORE	\$341,773	\$340,000	-	-	-	14%	15%	**	**	**
HYDE PARK	\$275,000	\$230,000	\$270,000	\$296,000	\$365,000	-11%	-9%	-14%	-24%	**
JAMAICA PLAIN	\$380,000	\$350,000	\$575,000	\$450,000	\$617,500	0%	5%	-1%	-23%	0%
MATTAPAN	\$228,000	\$125,000	\$210,000	\$245,000	\$260,000	-24%	-52%	-28%	-37%	-38%
ROSLINDALE	\$315,000	\$275,000	\$380,000	\$340,000	\$387,500	-10%	-6%	4%	-24%	-23%
ROXBURY	\$240,000	\$215,000	\$252,000	\$272,500	\$255,000	-17%	-22%	-14%	-12%	-43%
SOUTH BOSTON	\$375,000	\$370,000	\$400,000	\$435,000	\$565,000	-2%	0%	3%	-8%	-14%
SOUTH END	\$538,000	\$521,750	\$1,369,500	-	\$1,402,500	-1%	-1%	30%	**	**
WEST ROXBURY	\$350,000	\$257,500	\$365,000	\$430,000	-	-9%	5%	-11%	-10%	**
CITYWIDE	\$352,000	\$370,000	\$335,000	\$308,750	\$305,000	-6%	4%	-9%	-30%	-35%

<sup>1</sup> No median is calculated if there are less than 10 transactions

<sup>2</sup> NEEP, City of Boston forecasted by Boston Redevelopment Authority

\*\* Insufficient sales data to create a reliable median



# Foreclosure Trends 2008

CITY OF BOSTON/THOMAS M. MENINO, MAYOR

DEPARTMENT OF NEIGHBORHOOD DEVELOPMENT EVELYN FRIEDMAN, CHIEF AND DIRECTOR

## FORECLOSURE PREVENTION & INTERVENTION

Boston's *anti-foreclosure campaign* has three primary elements: 1) Foreclosure Prevention: helping homeowners make good financial decisions to prevent them from ever getting into foreclosure trouble; 2) Foreclosure Intervention: helping homeowners that find themselves in foreclosure trouble keep their homes; 3) Reclamation of Foreclosed Properties: fighting rising neighborhood disinvestment by getting bank-owned foreclosed properties back into the hands of homeowners and responsible investors.

With the increase in foreclosures, the City has responded with expanded foreclosure prevention services. The *First Choice Lenders* program (October 2006) has signed up six major banks to 1) adhere to model loan origination and foreclosure prevention business practices; 2) help refinance people out of bad loans, and 3) provide financial backing to the Foreclosure Prevention Fund that supports foreclosure prevention counseling and financial assistance. Since the beginning of the program, homeowners have been able to refinance out of over \$3 million in bad loans through First Choice Lenders.

In mid-2006, Boston expanded its in-house foreclosure intervention counseling capacity and established a foreclosure call center (617-635-HOME) to help homeowners in foreclosure trouble. Advertisements were placed in bus shelters and on billboards encouraging homeowners in trouble to call and seek help. Today, there are six community-based agencies providing foreclosure intervention counseling that received training from experts in the field, such as the National Consumer Law Center and NeighborWorks America. A letter is sent to every homeowner who receives a foreclosure petition informing them of the City's program and contact information. A networked client tracking and information system enables the Boston Home Center to keep track of all of its referrals as they progress through the foreclosure intervention process. In the program's first 2 years, 438 homeowners averted foreclosure with assistance from the Foreclosure Prevention Counseling Network, preserving over \$134 million in home values. Had all of those homeowners gone to foreclosure instead, Boston's foreclosure rate would have been 25% higher.

Educational services are also available and include: *Meet The Lenders* workshops to help homeowners and homebuyers connect with First Choice Lenders; "*How to Purchase a Foreclosed Property*"; "*How to Purchase a Home that Needs Work*"; and "*How to Live within Your Means*". New education and outreach efforts include a blanket mailing to communities with high foreclosure rates, and outreach through community health centers and churches.

In 2008, the City's efforts to reclaim foreclosed properties began with Mayor Menino's establishment of three FIT areas where the City has purchased and began redevelopment of a dozen units (see Page 5). The City also began working with lenders and servicers to purchase portfolios of properties in high-priority areas. These efforts have been further supported with HUD's Neighborhood Stabilization Program (NSP) which will assist the City with an estimated \$8 million in funding to acquire and redevelop foreclosed properties. To learn more about how and where the City will use NSP funds, see the HUD approved NSP Plan on the City's webpage: ([http://www.cityofboston.gov/dnd/PDFs/U\\_NSP\\_Substantial\\_Amendment.pdf](http://www.cityofboston.gov/dnd/PDFs/U_NSP_Substantial_Amendment.pdf)). In partnership with Community Development Corporations (CDC) and responsible private developers, the City intends to redevelop foreclosed properties and get them back into the hands of homeowners.

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For more information about this publication, contact Ron Farrar at (617) 635-0340 or [rfarrar.dnd@cityofboston.gov](mailto:rfarrar.dnd@cityofboston.gov)

*Note on Data Sources: Foreclosure deed data was obtained from The Warren Group (pre-2003, 2008) and the Suffolk County Registry of Deeds (2003 to 2007). Foreclosure petition data was obtained from [www.real-estate-analyst.com](http://www.real-estate-analyst.com) (2003/2004) and from The Warren Group (2005 to 2008). Owner-occupancy and property type information was obtained from City of Boston Assessing Department. Sales data was obtained from The Warren Group.*