



DEPARTMENT OF NEIGHBORHOOD DEVELOPMENT CHARLOTTE GOLAR RICHIE, CHIEF AND DIRECTOR

OVERVIEW

This *Foreclosure Trends* report covers changes in Boston's residential foreclosures from 1990 to 2006, with a more detailed look at foreclosure activity from 2004 to 2006.

The 1990/1991 recession saw a rapid increase in foreclosures and a decrease in sales prices. Foreclosure deeds (sales) peaked in 1992 with 1,679 which was 43.8% of all sales transactions. The market recovered slowly. Foreclosures did not return to pre-recession levels until 1997 (see Chart 1).

Foreclosures fell until 2004's historic low of 25, while 2006 saw an increase of 335% with 261 foreclosures compared to

60 in 2005. Foreclosures as a percentage of real estate transactions also grew to 2.8% in 2006 from 0.6% in 2005.

The Department of Neighborhood Development began to collect foreclosure petition data in 2003. With four years of data, the following trends are now identifiable:

- Foreclosure petitions increased 312% from 2004 to 2006, and 70% of 2006 petitions were clustered in Dorchester, Hyde Park, Mattapan and Roxbury.
- These clusters correspond to low/moderate income neighborhoods.
- Subprime lenders are the most prevalent loan originators of loans that go into foreclosure.

This increase in foreclosure activity is a source of concern, though it is unclear whether it will have the same effect on the market as created by the early 1990's wave of foreclosures. Regardless, every foreclosure represents the loss of a family's most important asset and a potential destabilizer to a street or neighborhood.

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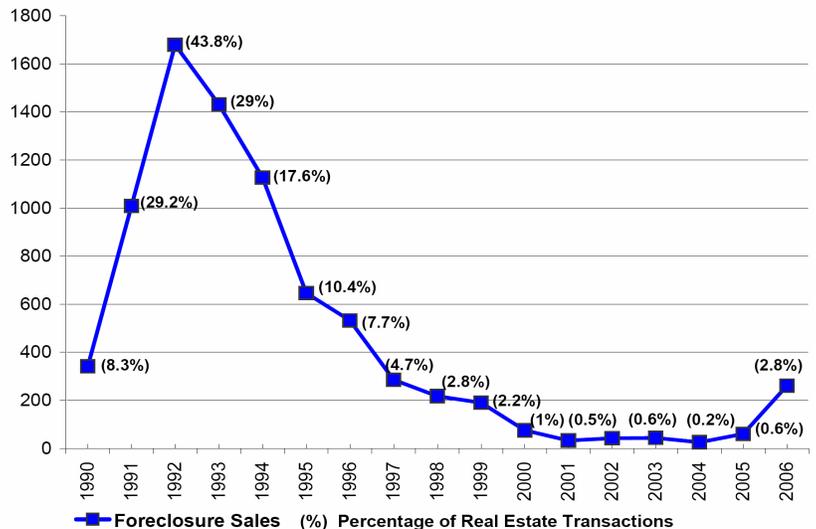
TERMINOLOGY

Foreclosure Petition: A lender must file a petition in 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.

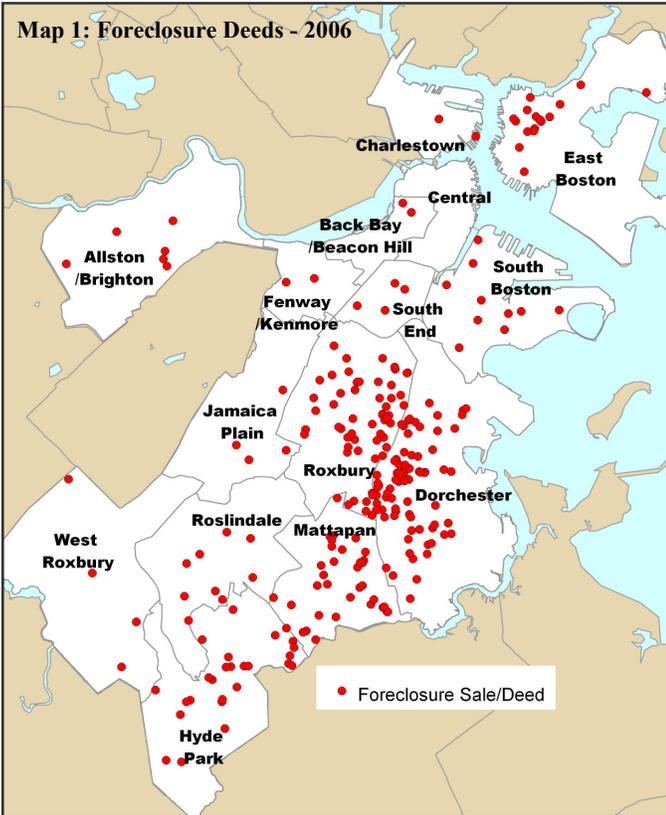
Residential Property: Includes one to three family properties and condominiums based on data from City of Boston's Department of Assessing.

Chart 1: Foreclosure Sales 1990-2006, City of Boston





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FORECLOSURE DEEDS

Below, Table 1 is a snapshot of foreclosures at three points in the market: the foreclosure peak (1992), a recovered market with decreasing foreclosures (1998), and today's market (2006). In 1992, Allston/ Brighton and Dorchester had the most foreclosures (both at 19%). By 1998, Allston/Brighton had dropped to eighth among the neighborhoods (5%). This is largely due to a recovery from the speculative boom and bust in the local condominium market. Dorchester (29%), Roxbury (16.1%) and Mattapan (13.4%) together accounted for 59% of foreclosures. This pattern repeated in 2006, as these neighborhoods accounted for 65% of foreclosures. Back Bay/Beacon Hill, Central, Charlestown, Fenway/Kenmore, South End and West Roxbury neighborhoods each accounted for less than 2% of 2006 foreclosures, and together accounted for 6% of foreclosure deeds.

Table 1: Foreclosure Deeds, By Neighborhood - 1992, 1998 and 2006

Neighborhood	1992 Foreclosure Deeds	1992 % of Total	1998 Foreclosure Deeds	1998 % of Total	2006 Foreclosure Deeds	2006 % of Total
Allston/Brighton	312	18.6%	11	5.1%	6	2.3%
Back Bay/Beacon Hill	73	4.3%	0	0.0%	3	1.1%
Central	59	3.5%	2	0.9%	0	0.0%
Charlestown	43	2.6%	0	0.0%	3	1.1%
Dorchester	311	18.5%	63	29.0%	76	29.1%
East Boston	134	8.0%	12	5.5%	17	6.5%
Fenway/Kenmore	86	5.1%	6	2.8%	3	1.1%
Hyde Park	54	3.2%	18	8.3%	26	10.0%
Jamaica Plain	103	6.1%	5	2.3%	6	2.3%
Mattapan	94	5.6%	29	13.4%	36	13.8%
Roslindale	76	4.5%	13	6.0%	9	3.4%
Roxbury	144	8.6%	35	16.1%	57	21.8%
South Boston	75	4.5%	12	5.5%	11	4.2%
South End	89	5.3%	6	2.8%	4	1.5%
West Roxbury	24	1.4%	5	2.3%	4	1.5%
Unknown	2	0.1%	0	0.0%	0	0.0%
Citywide	1679	100.0%	217	100.0%	261	100.0%



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FORECLOSURE PETITIONS

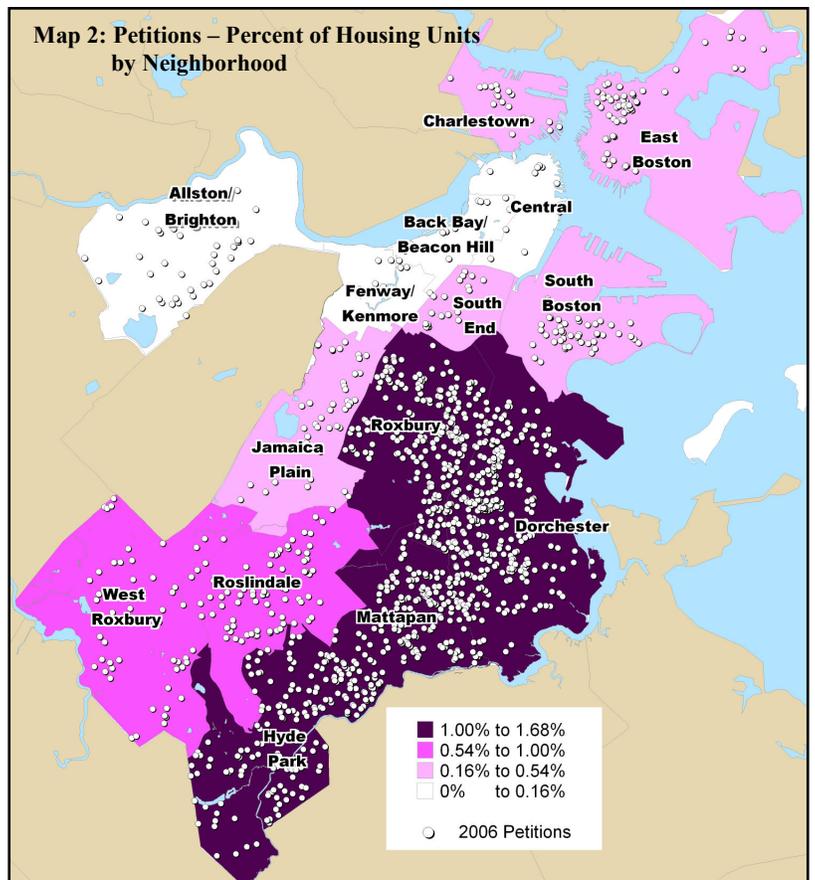
Foreclosure deeds are too few to serve as an accurate guide to financially distressed real estate. An analysis of foreclosure petitions provides deeper insights. A foreclosure petition is the first public step in the foreclosure process. Many owners are able to resolve the problem before an auction is scheduled and/or before the foreclosure is complete. During 2006, the number of foreclosure deeds was 16% of the foreclosure petitions filed, up from 10% in 2005 but at similar levels as 2003.

Table 2 (page 4), is a snapshot of foreclosure petitions in 2004, 2005 and 2006. Citywide, petitions increased 53.5% from 2004 to 2005 and 168% from 2005 to 2006. From 2005 to 2006, all neighborhoods experienced large increases, with Dorchester (430), Hyde Park (200), Mattapan (190) and Roxbury (283) comprising 70% of all foreclosure petitions.

All of Boston’s neighborhoods, except the South End and Charlestown, more than doubled the number of foreclosure petitions from 2005 to 2006. Neighborhoods with 20 or more petitions in 2005 that experienced significant percentage increases included: Dorchester, East Boston, Hyde Park, Jamaica Plain, Mattapan, Roslindale, Roxbury and South Boston. Although Back Bay/Beacon Hill, Central and Fenway/Kenmore also experienced percentage increases, each of these neighborhoods started out with less than 10 petitions in 2005.

To get a clearer sense of the problem, it is useful to look at the number of foreclosure petitions compared to the number of housing units from the 2000 US Census. Table 2 provides the detailed numbers by neighborhood, but Map 2 (see below) highlights the differences between neighborhoods. There were foreclosure petitions filed on more than 1% of housing units in Dorchester (1.3%), Mattapan (1.45%), Roxbury (1.26%) and Hyde Park (1.68%).

Jamaica Plain, South End, Fenway/Kenmore, Charlestown, Central, Back Bay/Beacon Hill, East Boston, West Roxbury, South Boston and Allston/Brighton all had foreclosure petition rates less than Citywide (0.63%). Roslindale was above the Citywide rate but lower than 1%.





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Table 2: Foreclosure Petitions of Residential Properties by Neighborhood

Neighborhood	2004 Petitions	2005 Petitions	%Change 04 to 05	2006 Petitions	%Change 05 to 06	2006 Petitions as % of Housing Units ¹
Allston/Brighton	21	18	-14.3%	46	155.6%	0.15%
Back Bay/Beacon Hill	11	6	-45.5%	20	233.3%	0.11%
Central	4	6	50.0%	16	166.7%	0.12%
Charlestown	12	12	0.0%	21	75.0%	0.27%
Dorchester	118	165	39.8%	430	160.6%	1.30%
East Boston	15	23	53.3%	64	178.3%	0.42%
Fenway/Kenmore	4	3	-25.0%	8	166.7%	0.06%
Hyde Park	33	71	115.2%	200	181.7%	1.68%
Jamaica Plain	10	20	100.0%	56	180.0%	0.35%
Mattapan	42	76	81.0%	190	150.0%	1.45%
Roslindale	22	26	18.2%	99	280.8%	0.75%
Roxbury	47	102	117.0%	283	177.5%	1.26%
South Boston	18	28	55.6%	60	114.3%	0.42%
South End	13	19	46.2%	25	31.6%	0.16%
West Roxbury	15	16	6.7%	67	318.8%	0.54%
Citywide	385	591	53.5%	1585	168.2%	0.63%

¹ 2000 US Census.

AGE OF MORTGAGE

Homeowner economic distress can also be measured by the “age” of a mortgage (the length of time between the mortgage date and the foreclosure petition). Table 3 reveals that the median number of years between the mortgage and the initial foreclosure petition slightly increased from 2005 to 2006 but has fallen from 3.21 years in 2003 to 1.44 years in 2006. In 2003, only 37.5% of the mortgages were less than two years old. In 2006, 68.7% of the mortgages were less than two years old.

Interest rates of less than 6% in 2003/2004 encouraged many homeowners to refinance. While this would have lowered the average “age” for all mortgages, the significant decrease from 2003 to 2006 for those in foreclosure may also be tied to: (1) Economically distressed homeowners refinanced in order to “buy time”, but could not sustain the new loan, or (2) Homeowners (especially investor owners) who acquired financing anticipating they would be able to sell the property quickly at a substantial profit, but market softness made this impossible.

Table 3: Time between Mortgage and Foreclosure Petition

	2003	2004	2005	2006
Median Age of Mortgage (Yrs)	3.21	2.27	1.34	1.44
% Less than 1 Year	17.2%	19.2%	34.4%	31.3%
% 1 to 2 Years	20.3%	26.8%	36.0%	37.3%
% Less than 2 Years	37.5%	46.0%	70.4%	68.7%



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YEARS PROPERTY OWNED

Similar to the trend in the age of mortgages, the number of years between the initial purchase of the property and the filing of a foreclosure petition decreased from a median of 5.55 years in 2004 to 2.5 years in 2006 (see Table 5). As would be expected, there is a difference between owner occupied and absentee owned properties.

The median years that an owner occupant owned a property before a petition filing decreased from 5.2 years in 2004 to 3.7 years in 2006. For absentee owners, this same median dropped from 5.61 years in 2004 to 2.3 years in 2006.

Looking at the specific number of years that properties have been owned, only 13.8% of properties had been owned less than two years in 2004. In 2006, 40.1% of homes with foreclosure petitions had been owned less than two years. This could be the result of the following: (1) An increase in speculative purchases, and/or (2) An increase in the number of buyers purchasing beyond their financial means.

Table 5: Number of Years Property Owned before Foreclosure Petition Filed

Years Property Owned	Owner Occupied			Absentee Owned			Total		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
Less than 1 Year	2.3%	19.8%	17.1%	5.6%	21.9%	18.4%	4.1%	20.9%	17.9%
1 to 2 years	8.0%	12.6%	18.5%	11.1%	20.9%	24.9%	9.7%	16.8%	22.2%
2 to 3 Years	9.1%	4.9%	10.0%	7.4%	9.6%	13.6%	8.2%	7.3%	12.1%
3 to 5 years	28.4%	11.5%	10.8%	18.5%	12.8%	11.6%	23.0%	12.2%	11.3%
5 to 10 years	37.5%	33.0%	19.5%	41.7%	25.1%	18.3%	39.8%	29.0%	18.8%
More than 10 years	14.8%	18.1%	24.1%	15.7%	9.6%	13.2%	15.3%	13.8%	17.8%
Median Years Owned	5.2	5.12	3.7	5.61	2.56	2.3	5.55	3.66	2.5

HOMES SOLD BEFORE FORECLOSURE SALE

In a strong sales market, many homeowners can sell the property and cover the outstanding mortgage amount before the foreclosure process is completed. Table 8 reveals that in 2004, 33% of those in the foreclosure process sold the property. This decreased to 18% in 2005. In 2006 numbers are still inconclusive, however, there was an additional decrease to 11.5%. It also appears that absentee owners were much less likely to sell the property than in 2005 (15.3% in 2005, 9.6% in 2006) and compared to owner occupied. Sales prices were flatter and sale volumes decreased in 2006, so it would be expected that those who bought on speculation with large mortgages would be less likely to cover the mortgage amount with a sale.

Table 8: Percent of Owners Selling before Property Foreclosed

Owner Type	Year		
	2004	2005	2006*
Owner Occupied	30.0%	20.5%	13.9%
Absentee Owned	36.6%	15.3%	9.6%
Total	33.0%	18.1%	11.5%

* Please note that this includes petitions filed in late 2006, and therefore these owners have had less time to complete a sale of the property. Original sales were found for 75% of foreclosure petitions filed. Missing data can be due to differing or lack of Parcel ID's, lack of clear connection between current owner and past purchasers and purchases prior to 1989. In this respect, this data should be used primarily to identify trends only.



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OWNER OCCUPANCY

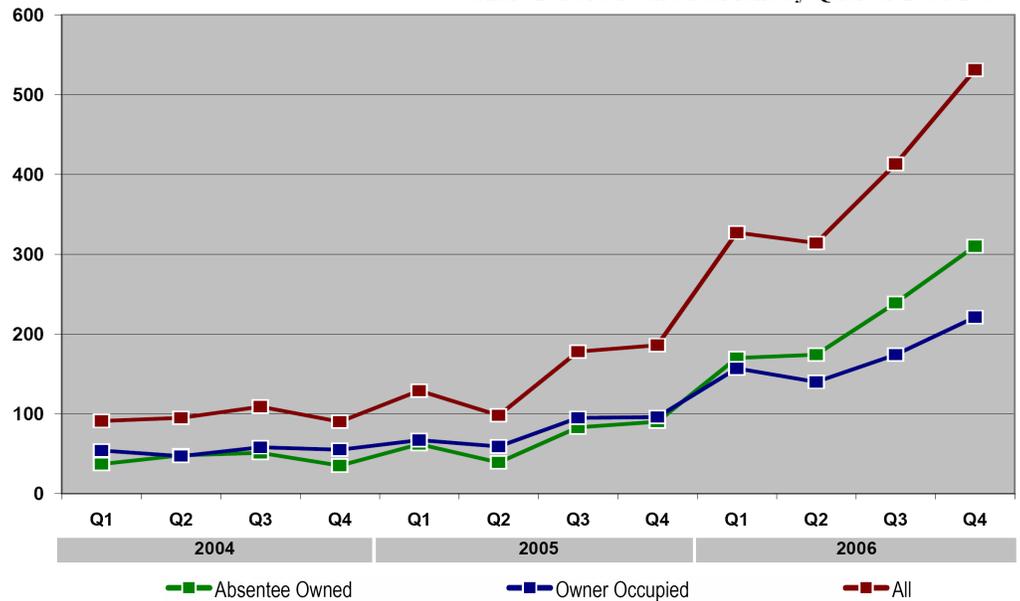
The percentage of foreclosure deeds that are owner-occupied has decreased from 48% in 2005 to 32% in 2006 but is at the same percentage level as 2004. The percentage of foreclosure petitions that are owner-occupied has decreased and gone below 50% (see Table 4). This is likely a reflection of the fact that speculative purchasers of investment properties are no longer seeing a potential profit in flipping the property and are letting the properties go before they sink more money into mortgage payments.

Shown graphically (Chart 2), a different and more dramatic story emerges for foreclosure petitions in the last three years. The overall number of foreclosure petitions has increased almost every quarter, with a 186% increase from Q4 of 2005 to Q4 of 2006. The chart also shows the recent trend of absentee-owned properties experiencing a larger percentage increase than owner-occupied properties. In Q4 of 2005, the two were at similar levels but in Q4 of 2006, absentee-owned properties increased by 244% while owner-occupied properties increased by 130%.

Table 4: Owner Occupancy for Foreclosure Deeds and Petitions, 2004-2006

Year	FORECLOSURE DEEDS				FORECLOSURE PETITIONS			
	Owner Occupied	Absentee Owned	Total	Owner Occupied % of Total	Owner Occupied	Absentee Owned	Total	Owner Occupied % of Total
2004	8	17	25	32%	214	171	385	56%
2005	29	31	60	48%	317	274	591	54%
2006	83	178	261	32%	692	893	1585	44%

Chart 2: Foreclosure Petitions by Quarter 2004-2006



Note on Data Sources: Non-residential foreclosure activity is not discussed in this report. Foreclosure deed data was obtained from *The Warren Group* (pre-2003) and the Suffolk County Registry of Deeds (2003 to 2006). Foreclosure petition data was obtained from www.real-estate-analyst.com (2003/2004) and from *The Warren Group* (2005 to 2006). Owner-occupancy and property type information obtained from City of Boston Assessing Department. Sales data obtained from *The Warren Group*.

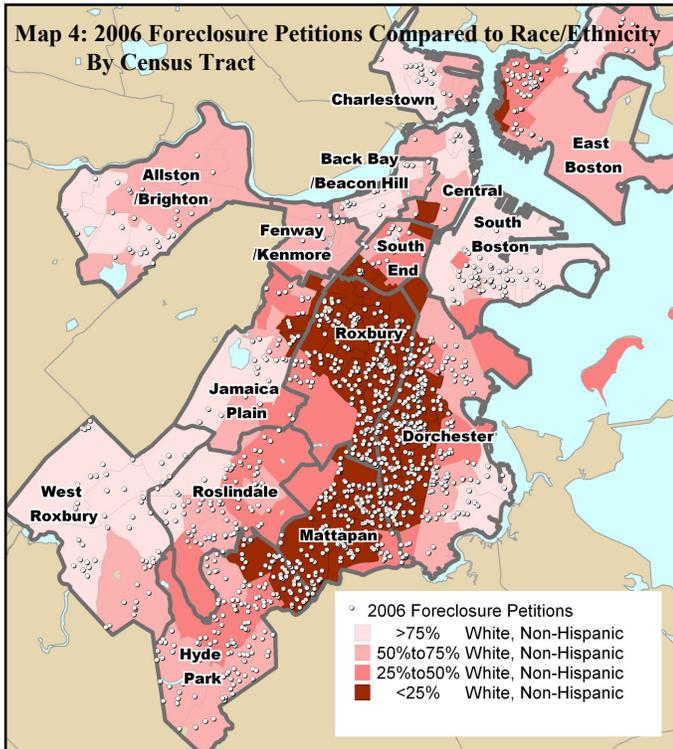
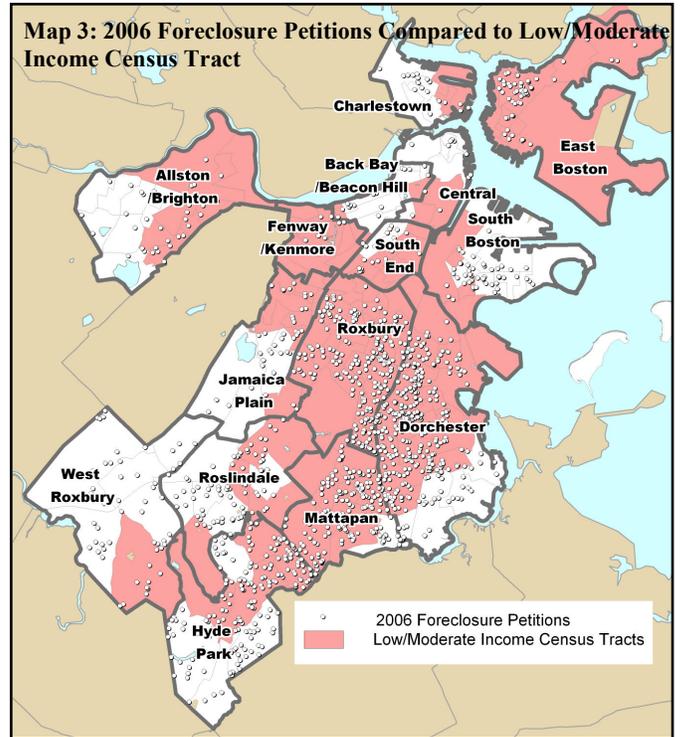


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DEMOGRAPHICS

The income of those in foreclosure is not available, but as Map 3 reveals, foreclosure petitions are clustered in low/moderate income census tracts (tracts in which more than 51% of households earn less than 80% of Area Median Income). In 2006, 66% of all foreclosure petitions filed were in low/moderate income areas.

From this map it is also clear that foreclosure petitions are more clustered in some low/moderate income areas than in others, with the heaviest clusters in Dorchester, Roxbury, Mattapan and Hyde Park. According to the work of Jim Campen¹, in these same neighborhoods 41-58% of owner-occupant home-purchase loans and 27-37% of owner-occupant refinance loans were “High-APR Loans”² in 2005.



The race/ethnicity of those in foreclosure is also not available, but Map 4 reveals that foreclosure petitions are in certain census tracts. In 2006, 44% of all foreclosure petitions filed were in census tracts with less than 25% white, non-Hispanic populations, which only comprise 22% of total households in the City of Boston.

¹Campen, Jim, 2007. “Borrowing Trouble? VII: High Cost Mortgage Lending in Boston, Greater Boston and Massachusetts, 2005,” Massachusetts Community & Banking Council.

² As defined in Jim Campen’s report listed in footnote ¹, “High-APR Loans” are loans in which the spread between US Treasury Securities of the same maturity and the interest rate on a 1st lien loan is greater than 3%.



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Table 7: 2006 Foreclosure Activity¹

State	% of Households with Foreclosure Activity in 2006	Rank
Colorado	3.0%	1
Georgia	2.5%	2
Nevada	2.4%	3
Texas	1.9%	4
Michigan	1.9%	5
Indiana	1.9%	6
Florida	1.7%	7
Ohio	1.7%	8
Utah	1.7%	9
Tennessee	1.5%	10
Connecticut	0.8%	17
Massachusetts	0.6%	25
Rhode Island	0.3%	33
Maine	0.03%	48
New Hampshire	0.02%	49
Vermont	0.01%	50
United States	1.1%	

Table 8: Q3 of 2006 Foreclosure Activity¹ for Metropolitan Areas

Metropolitan Area	% of Households with Foreclosure Activity in Q3 2006	Rank
Detroit, MI	1.25%	1
Ft. Lauderdale, FL	1.14%	2
Denver, CO	1.11%	3
Miami, FL	1.10%	4
Dallas, TX	1.01%	5
Indianapolis, IN	1.00%	6
Ft. Worth, TX	0.99%	7
Atlanta, GA	0.94%	8
Las Vegas, NV	0.87%	9
Memphis, TN	0.70%	10
Boston-Quincy, MA	0.14%	78
United States	0.28%	

NATIONAL AND REGIONAL CONTEXT

It is important to review national and regional data to understand that though the recent increase in Boston’s foreclosure activity is of concern, Boston is experiencing less foreclosure activity than is seen in many other parts of the country. Table 7 includes 2006 data on the 10 states with the most foreclosure activity, as well as, the New England states. Massachusetts was 25th among the 50 states and the District of Columbia, with foreclosure activity occurring on 0.6% of households. This is only 20% of the Colorado rate of 3.0% of households and lower than the national rate of 1.1%.

Table 8 includes a snapshot of data from Q3 of 2006 for metropolitan areas. The Boston-Quincy metropolitan area ranked 78th among the nation’s metropolitan areas with a foreclosure rate of 0.6%, which was below the national rate of 0.28%.

When compared to other Massachusetts cities in 2006, Boston fared better than many other cities with populations over 90,000 (see Table 9). Brockton (2.31%), Springfield (1.8%), Lowell (1.3%), Worcester (1.2%), and New Bedford (1.04%) had higher foreclosure rates than the State (0.74%). Boston (0.70%) had a slightly lower foreclosure rate than the State and half the rate of Brockton and Springfield. Cambridge had a significant lower rate than the seven other cities and the State.

Table 9: Foreclosure Activity by Massachusetts City²

Massachusetts Cities (population > 90,000)	% of Housing Units with Foreclosure Activity in 2006
Brockton	2.31%
Springfield	1.80%
Lowell	1.30%
Worcester	1.20%
New Bedford	1.04%
Boston	0.70%
Fall River	0.69%
Cambridge	0.11%
Massachusetts	0.74%

¹Source: www.realtytrac.com. “The RealtyTrac 2006 U.S. and Metropolitan Foreclosure Market Report provides the total number of homes entering some stage of foreclosure nationwide, in each of the nation’s 100 largest Metropolitan Statistical area, and by state. RealtyTrac’s report includes properties in all three phases of foreclosure: Pre-foreclosures – Notice of Default (NOD) and Lis Pendens (LIS); Foreclosures – Notice of Trustee Sale and Notice of Foreclosure Sale (NTS and NFS); and Real Estate Owned, or REO properties (that have been re-purchased by a bank).” Given the different processes for foreclosure in each state, this data is useful for comparative purposes, but more specific, local data should be used to analyze and confirm the condition of a local market.”

²Source: Foreclosuremass.com, foreclosure filings for cities with population over 90,000 in Massachusetts for the period 1/1/2006 to 12/31/2006. The number of filings is divided by the number of housing units from the 2000 US Census.



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Table 10: 2006 Foreclosure Deeds by Originating Lender

Rank	Originating Lender	Number	% of All Foreclosures
1	Ameriquest/Argent	32	12.3%
2	Fremont Investment & Loan	26	10.0%
3	Meritage Mortgage	22	8.4%
4	Option One Mortgage	17	6.5%
5	New Century Mortgage	11	4.2%

Table 11: 2006 Foreclosure Deeds by Foreclosing Institution

Rank	Foreclosing Institution	Number	Percent of All Foreclosures
1	MERS	53	20.3%
2	Deutsche Bank	34	13.0%
3	Wells Fargo Bank	25	9.6%
4	US Bank	23	8.8%
5	Meritage Mortgage	12	4.6%

Table 12: 2006 Foreclosures Purchased by Foreclosing Institution ("REO" Property)

Foreclosure Deeds by REO	2005	2006	Percent Change
Private Buyer	31	50	61%
REO Property	29	211	628%
Total	60	261	335%
REO Percent of Total	48%	81%	

LENDERS

Table 10 lists the top lenders responsible for originating mortgages that were foreclosed in 2006. Ameriquest/Argent had 12% of foreclosures in 2006, though their share of the overall Boston mortgage market in 2005 was only 2.6% (2005 HMDA data). All five of the top originating lenders specialize in subprime lending based on HMDA reporting to HUD¹ and originated 41% of all foreclosure sales for 2006.

Table 11 lists the top foreclosing institutions, which are not the same as the top originators. Many mortgages are serviced through the Mortgage Electronic Registration Service (MERS) processing service, or larger lenders, such as Deutsche Bank and Wells Fargo.

At the foreclosure auction, the foreclosing institution wants to recover the outstanding mortgage amount and any foreclosure costs. If auction bids do not cover these costs, the institution will "buy back" the property and then hire a real estate agent to sell the property. These properties are identified as Real Estate Owned or REO properties. In 2005, 48% of foreclosures in Boston were "bought back," and this increased to 81% in 2006 (Table 12). Such an increase is indicative of a softening real estate market. Foreclosing lenders begin to take a loss on such properties and local real estate markets with an increasing rate of REO properties could experience price declines.

Foreclosure Trends is published by the Policy Development & Research Division of the City of Boston Department of Neighborhood Development.

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¹Source: <http://www.huduser.org/datasets/manu.html>. All lending institutions were included in the 2004 and 2005 Subprime List.