

Some Indicators of Where Washington Area Tenants May Be Involved in Foreclosure

Washington Metro Area Tenants in Foreclosure Conference

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The views expressed here are those of Breck Robinson and Richard Todd and not necessarily those of the Federal Reserve Banks of Minneapolis or Richmond or of the Federal Reserve System

Summary

- Work in progress
 - Very preliminary (still checking it)
 - Not up to date yet (as of June 2009)
 - Limited coverage (no 5+ unit buildings)
- Preliminary findings
 - Tenants at risk across much of the area
 - Degree of tenant exposure varies a lot
 - Foreclosures on owner-occupied 2-, 3-, and 4-plexes are an important part of the problem

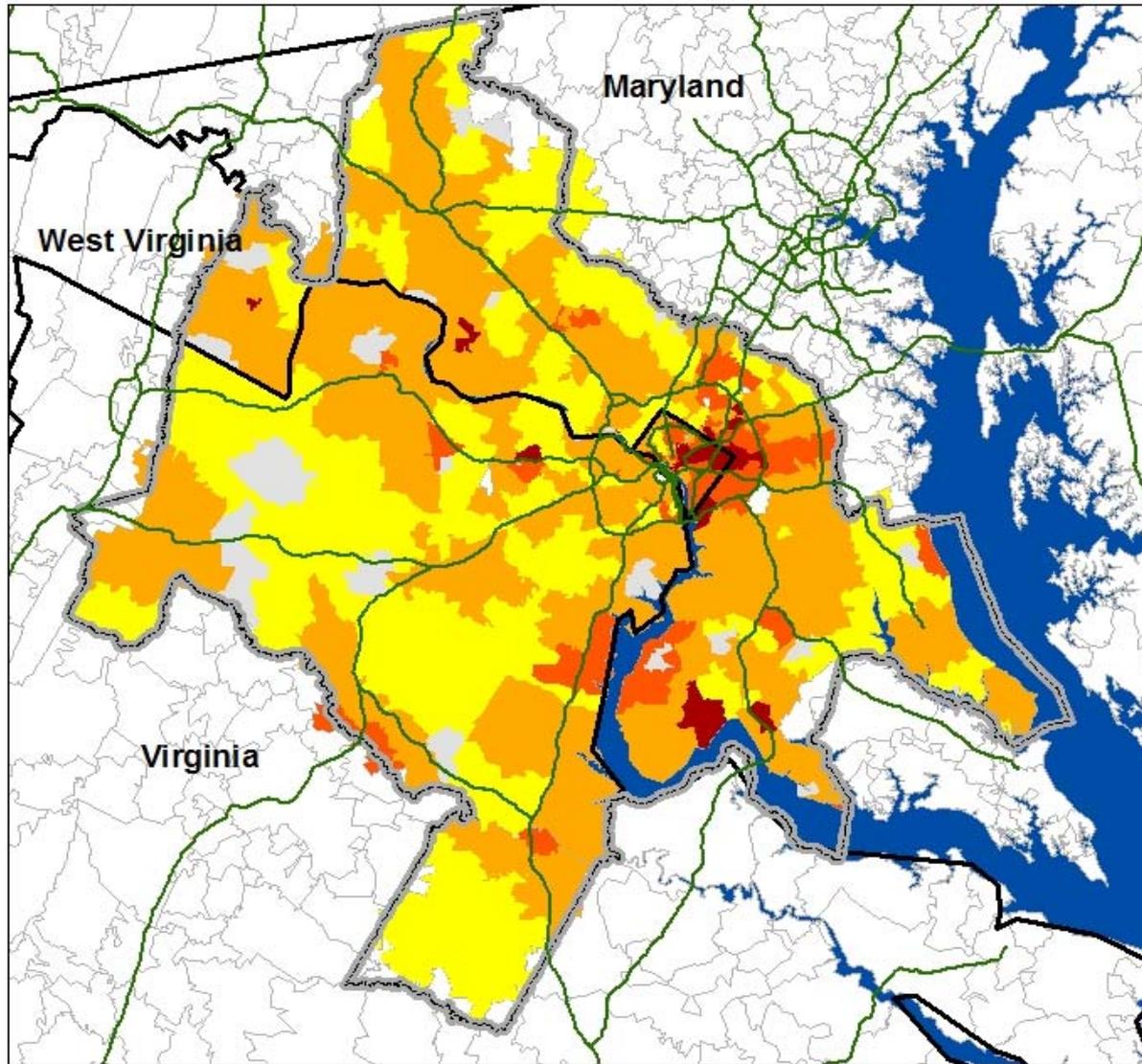
“Work in Progress”

- We have previously studied the role of non-occupant owners in the boom and bust
- To shift to tenants’ issues, we must:
 - focus on the present, not on how we got here
 - include owner-occupied duplexes, triplexes, and quads, which we had excluded
- Our results today are only preliminary

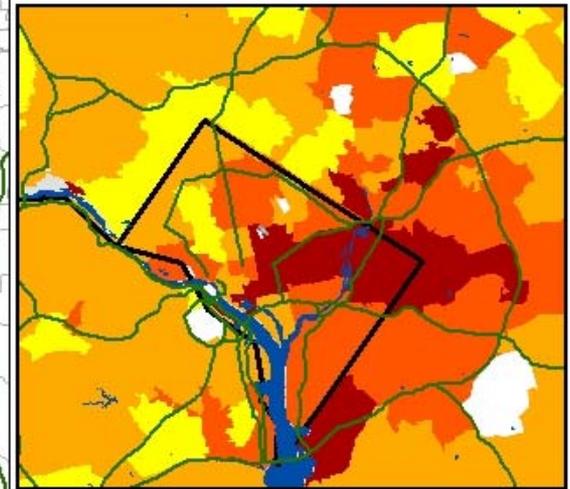
Guide to Some Data on “How We Got Here”

- Data from residential mortgage servicers
(FRB Richmond calculations based on LPS data)
- Loans to non-occupant investors
- Prevalence = investor loans per housing unit
- Performance = investor loan foreclosure rate
- Impact = Prevalence x Performance
(the number of foreclosures on investor mortgages per housing unit)
- Indexed to DC area averages for 2004-07

Prevalence of Investor Mortgages, 2006 (per housing unit)



District of Columbia inset



Legend

- No INV mortgages
- 0 to 66
- 67 to 133
- 134 to 200
- More than 200
- Interstate highway
- MSA boundary
- State boundary

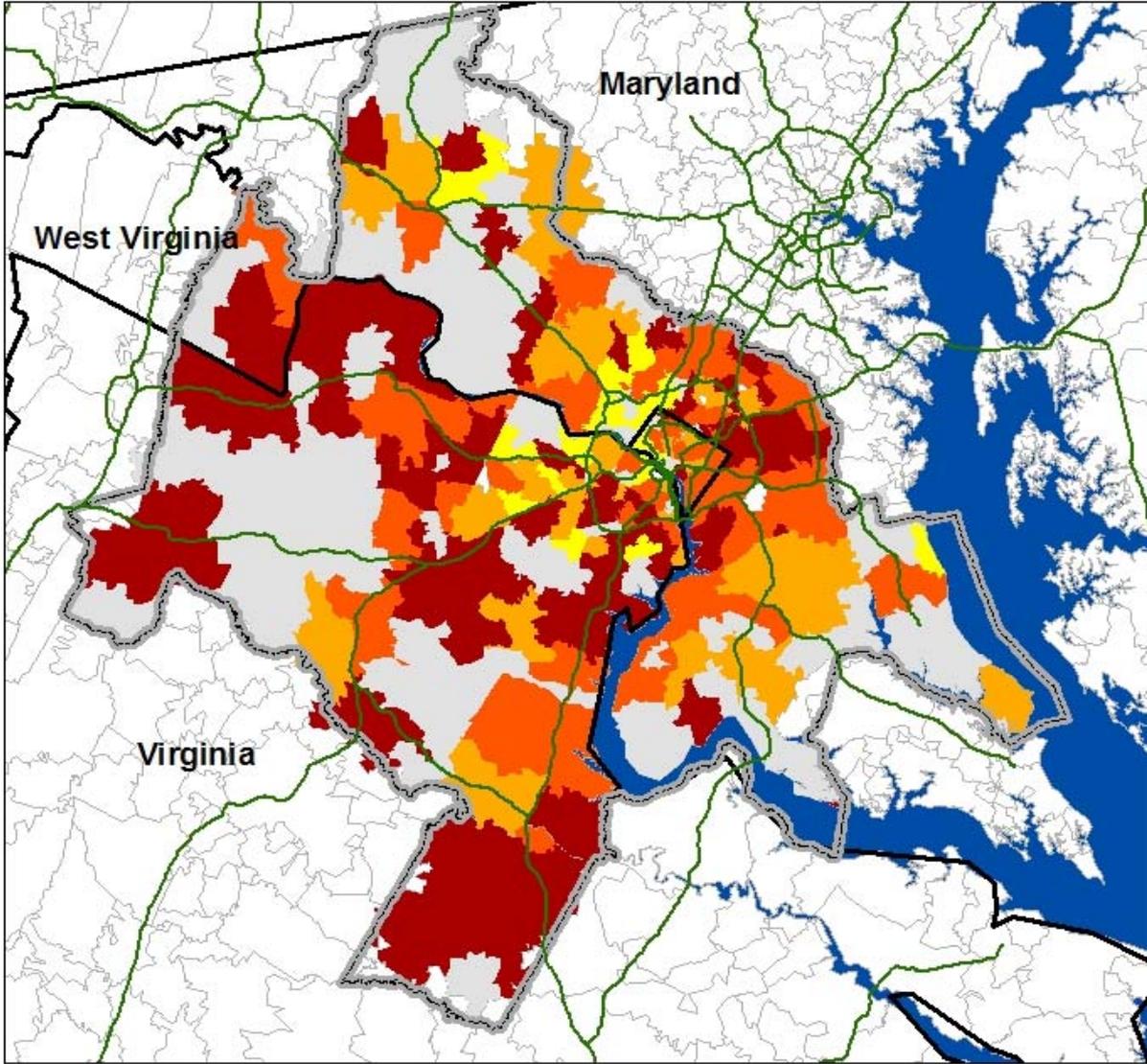
0 2.5 5 10 Miles



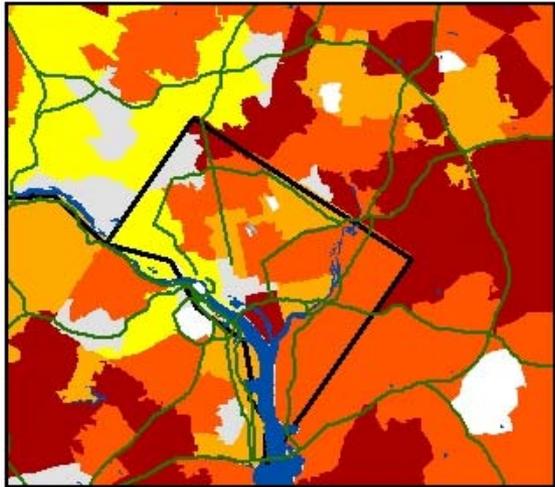
Local ratio as a percentage of the MSA average, 2004-2007

Cartographer: Michael Grover, FRB Minneapolis.
Data: Breck Robinson, FRB Richmond; ESRI.

Performance of Investor Mortgages, 2006 (foreclosure rate)

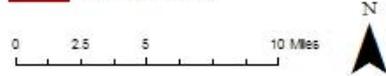


District of Columbia inset



Legend

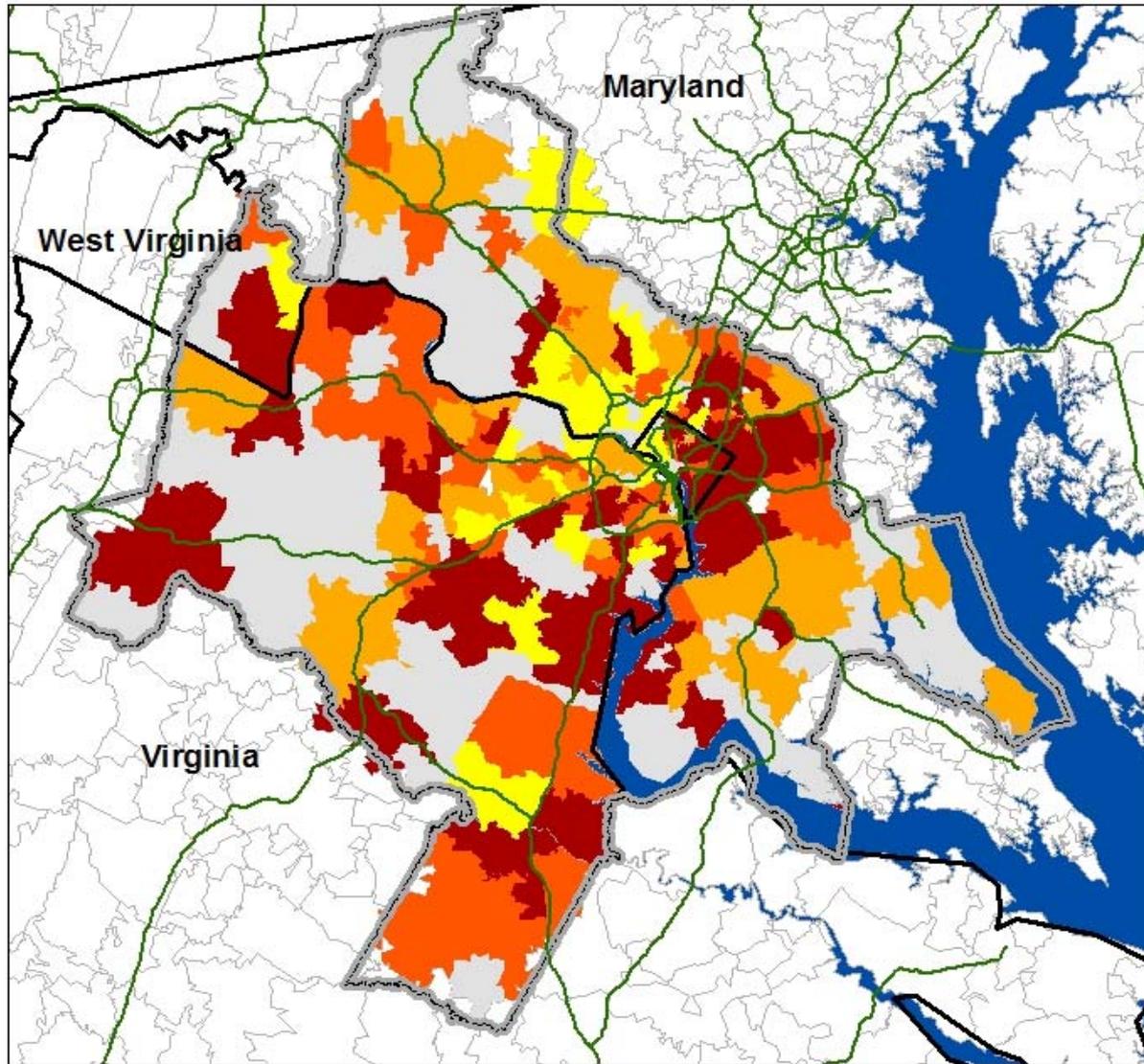
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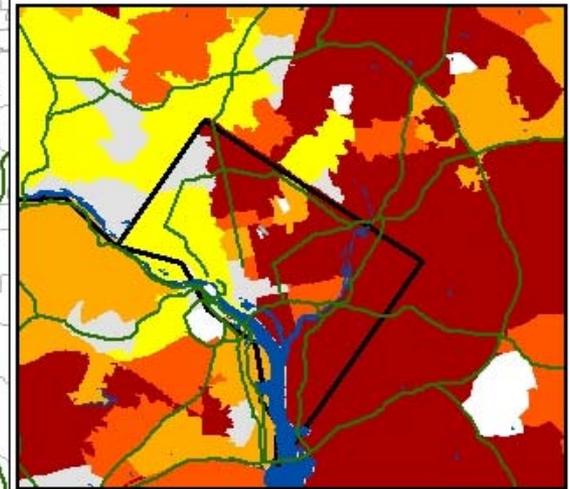
Local ratio as a percentage of the MSA average, 2004-2007

Cartographer: Michael Grover, FRB Minneapolis.
Data: Breck Robinson, FRB Richmond; ESRI.

Impact of Investor Foreclosures, 2006 (per housing unit)



District of Columbia inset



Legend

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0 2.5 5 10 Miles



Local ratio as a percentage of the MSA average, 2004-2007

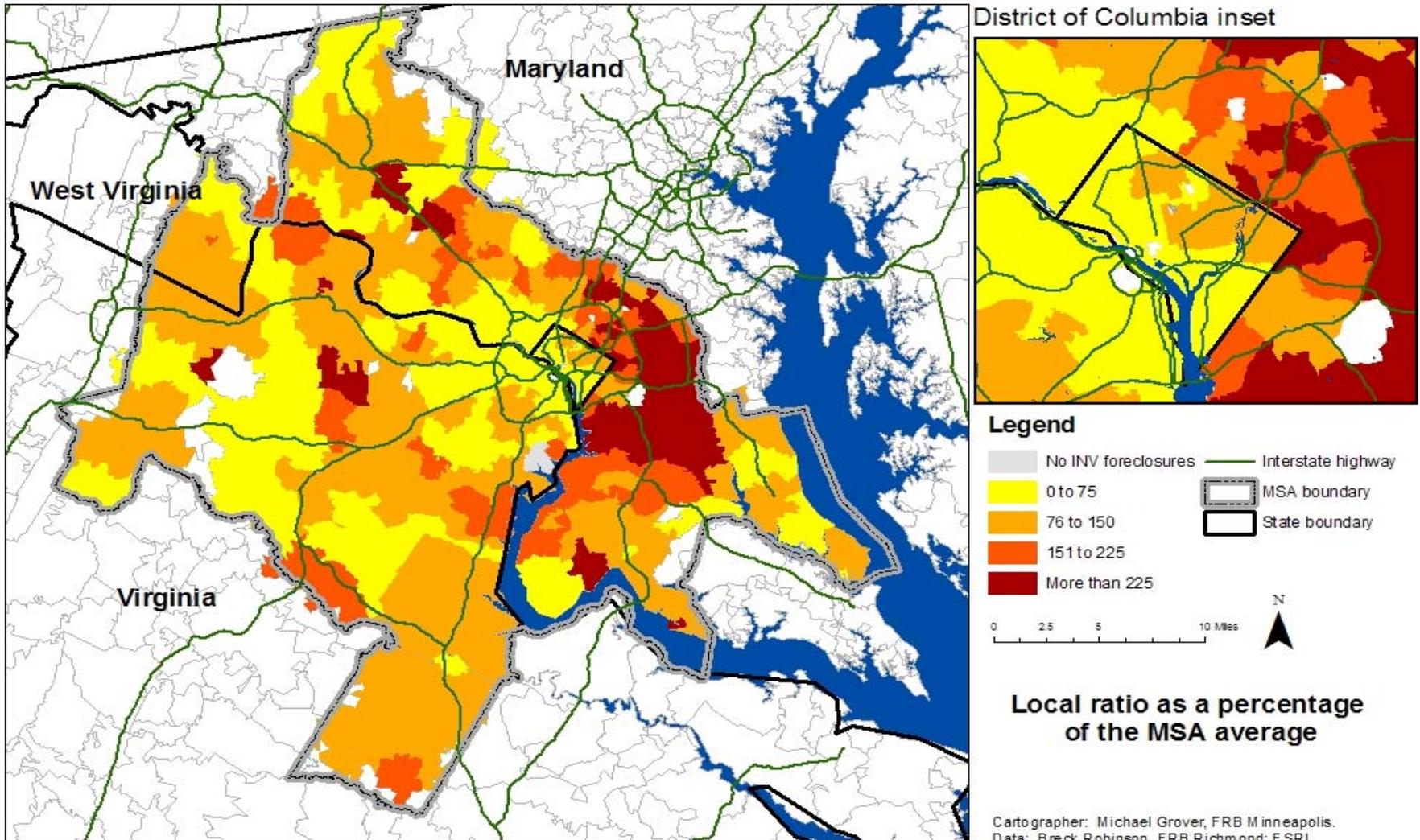
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Getting Closer to Tenants Now

- Keep investor-owned 1- to 4-unit homes but add owner-occupied 2- to 4-unit homes
- Ignore when the loan was issued; include all loans in foreclosure “now”
- Today, “now” means June 2009
- Compute foreclosures per total housing units, for foreclosures on 1- to 4-unit buildings with rental units
- Rank ZIP areas by their % of area average

This map and its data are preliminary and should not be cited or reproduced

Impact of 1-4 Unit Rental Foreclosures, July 2009 (per housing unit)

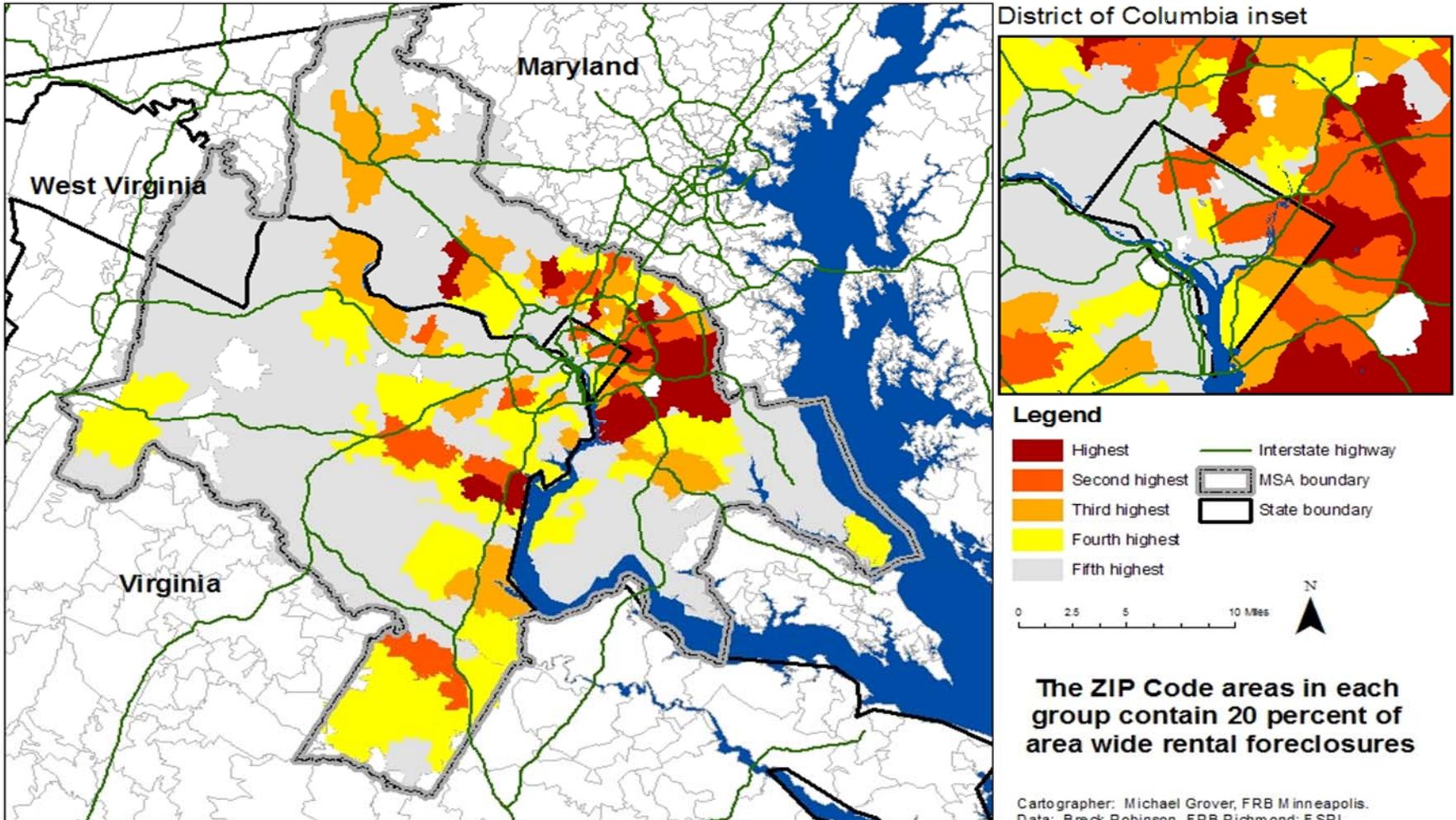


Getting a Feel for the Numbers

- On average across the metro, the incidence of foreclosures with rental units equals about 0.5% of total housing units
- In 40 ZIP areas, this ratio reaches 1% or more (and 2% or more in a handful)
- In most ZIP areas, over 90% of rental foreclosures are on owner-occupied 2+plexes

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Number of Rental Foreclosures per ZIP Code, July 2009



Conclusions

- Caution – Preliminary work, not final yet
- ZIP areas with high impact from rental mortgages may have high prevalence, poor performance, or both
- Tenants at risk across much of the area
- Degree of tenant exposure varies a lot
- Foreclosures on owner-occupied 2-, 3-, and 4-plexes are important

Ideas on What We Do Next

- We'd like your feedback and suggestions
- Expand “how we got here” to include loans on owner-occupied duplexes, etc.
- Bring tenant foreclosure data up to date
- Expand tenant analysis to include delinquent mortgages (REOs?)
- See if we can automate to make such data regularly available for multiple metro areas

Questions and Comments?