



FURMAN CENTER
FOR REAL ESTATE & URBAN POLICY
NEW YORK UNIVERSITY
SCHOOL OF LAW • WAGNER SCHOOL OF PUBLIC SERVICE



Foreclosure Crisis in New York City: Causes and Consequences

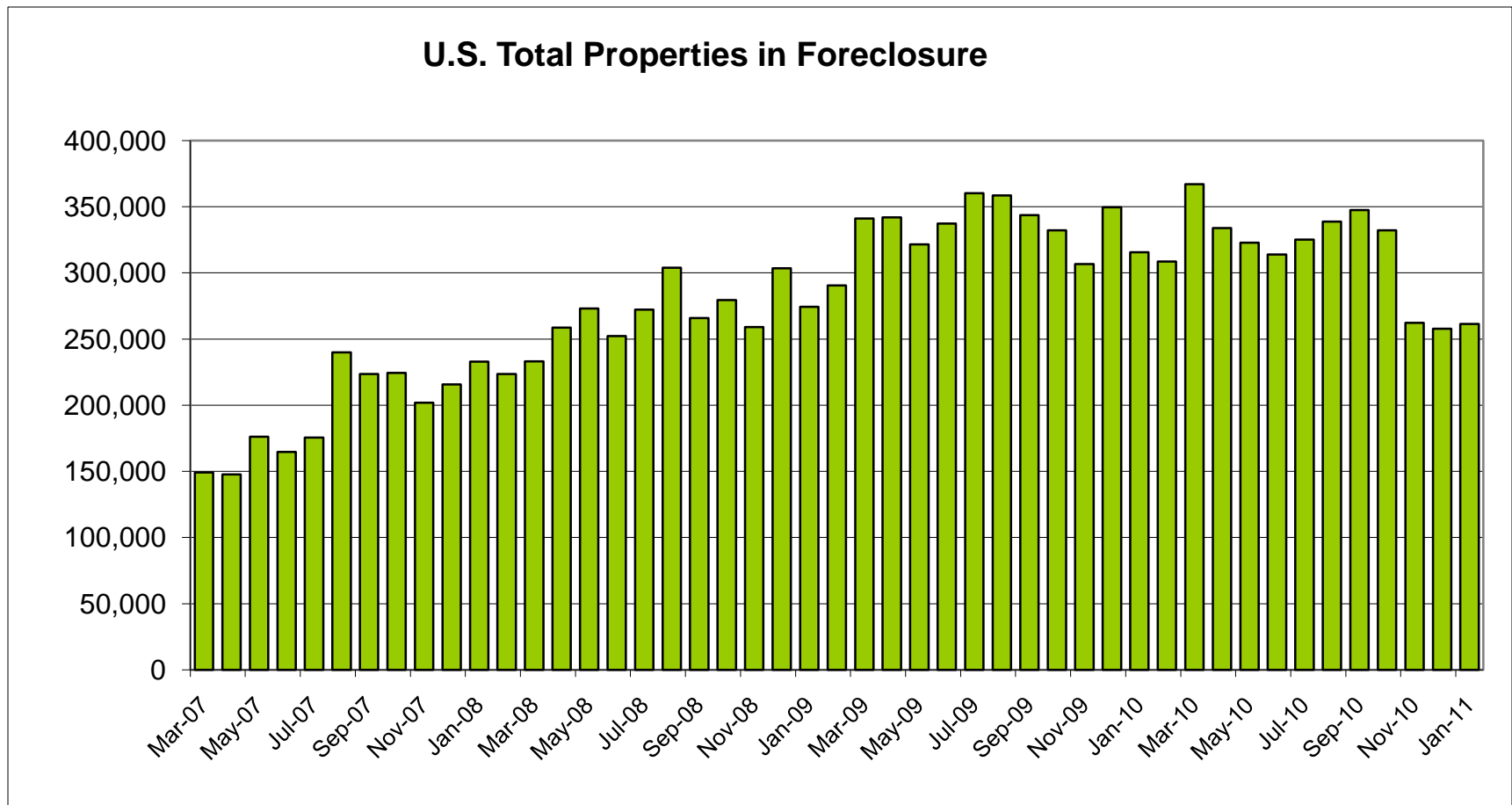
American Planning Association: New York Metro Chapter

Ingrid Gould Ellen

March 21, 2010

National Foreclosure Trends

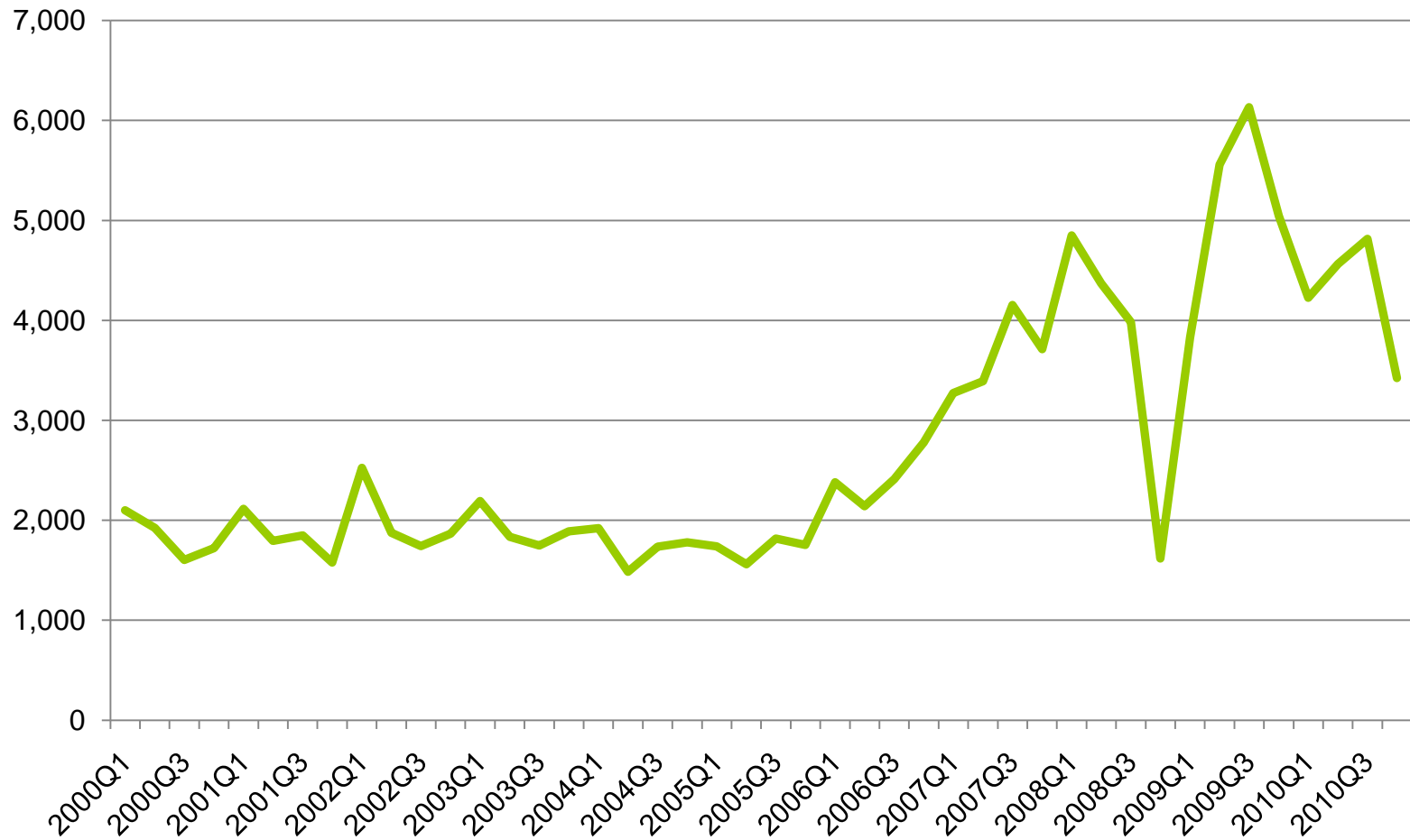
(March 2007 – January 2011)



Source: RealtyTrac

NYC Foreclosure Trends

(2000Q1– 2010 Q4)



Source: Public Data Corporation, Furman Center

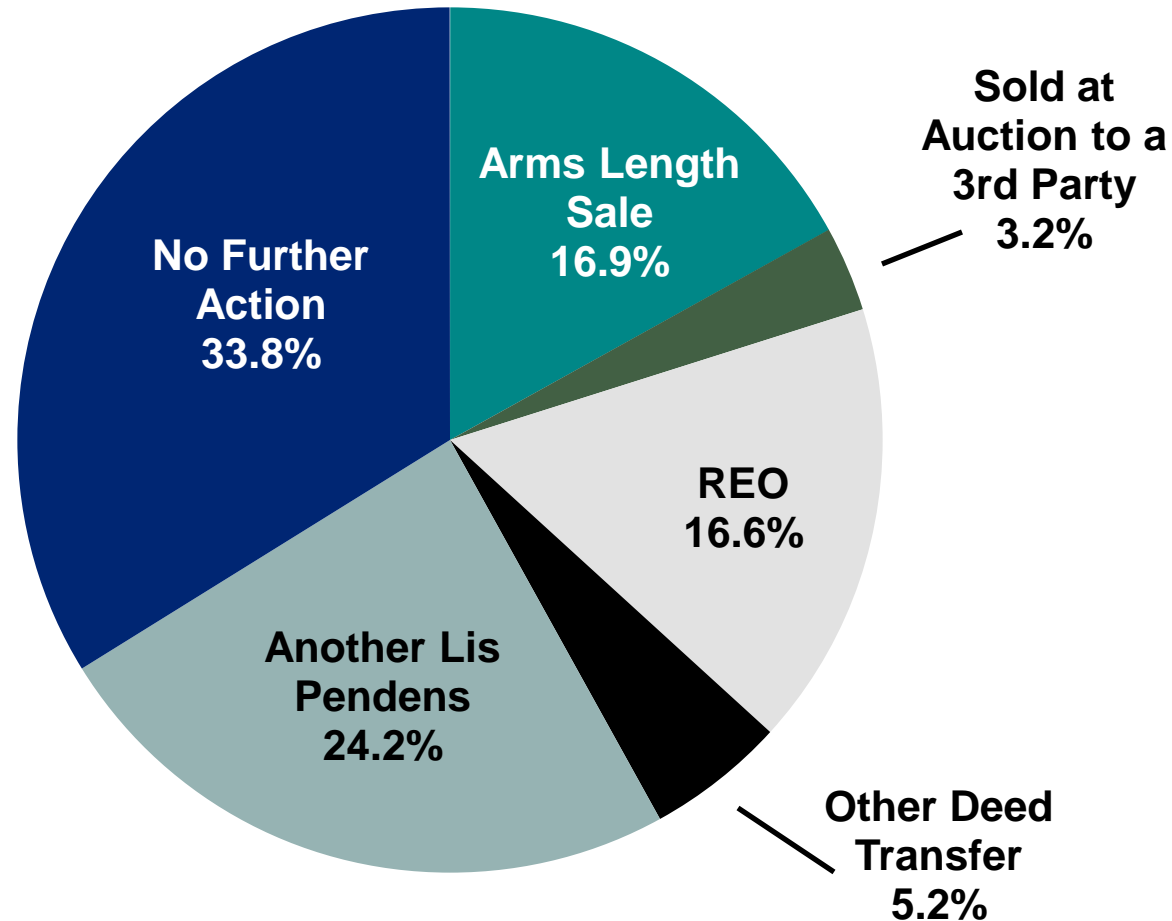
Foreclosures in the US & NYC

Lis Pendens Filings for All Residential Property Types

	2004	2005	2006	2007	2008	2009	2010
Bronx	934	829	1,254	1,660	1,628	1,962	1,974
Brooklyn	2,555	2,586	3,569	5,310	5,067	6,984	6,240
Manhattan	196	179	207	262	334	724	722
Queens	2,397	2,457	3,716	5,964	6,235	8,294	6,246
Staten Island	778	784	989	1,262	1,538	2,138	1,729
New York City	6,860	6,835	9,735	14,458	14,802	20,102	16,911
U.S. (all foreclosures)	-	885,462	1,259,098	2,203,295	3,157,806	3,957,643	3,862,637

Source: Public Data Corporation and Realty Trac

Outcomes of Properties that Received a Lis Pendens in 2007

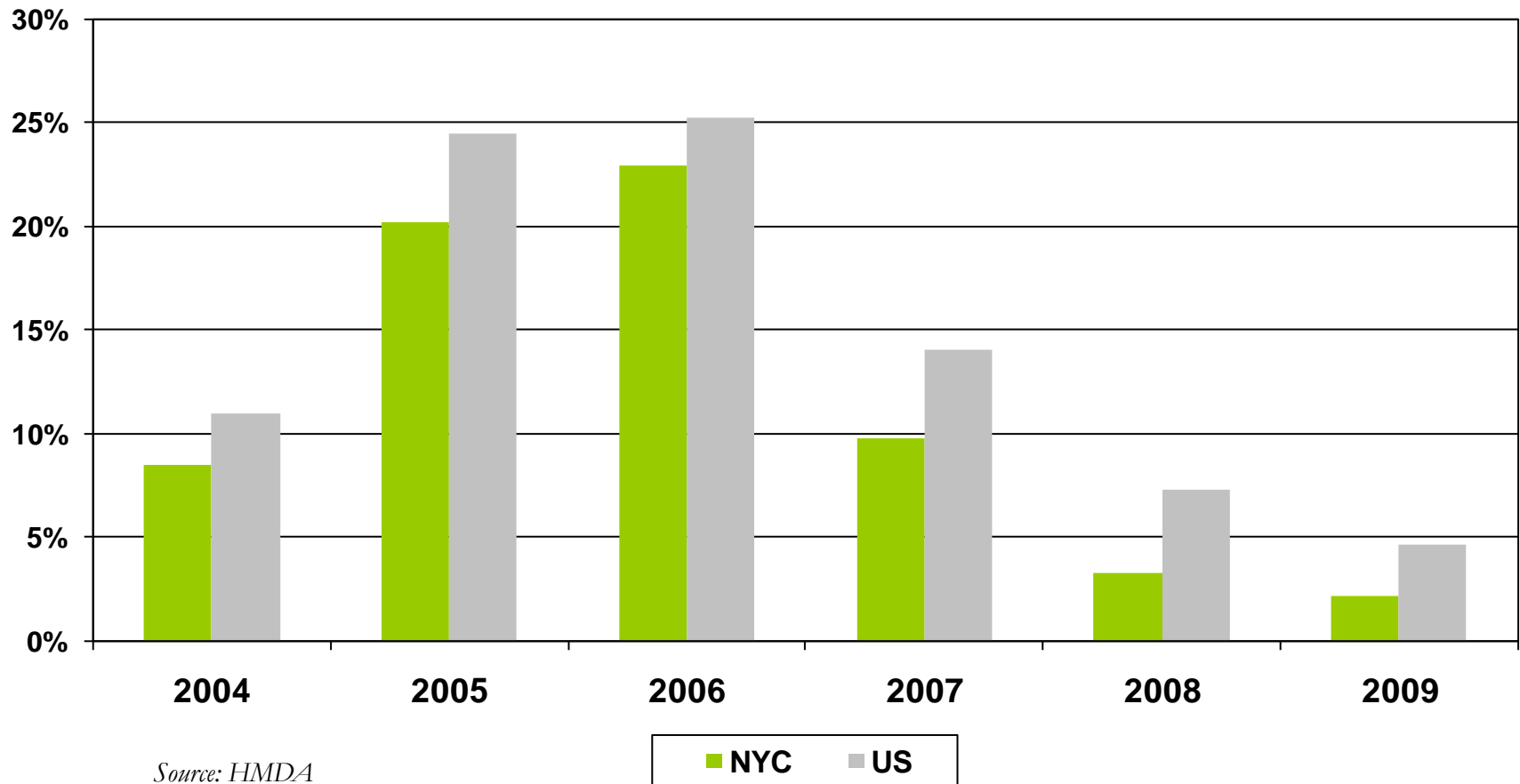


Reasons for Rise in Foreclosures

- Risky underwriting
 - Over-leveraged borrowers
 - High debt to income ratios
- Economic downturn
 - Job losses among borrowers
- Fall in house prices

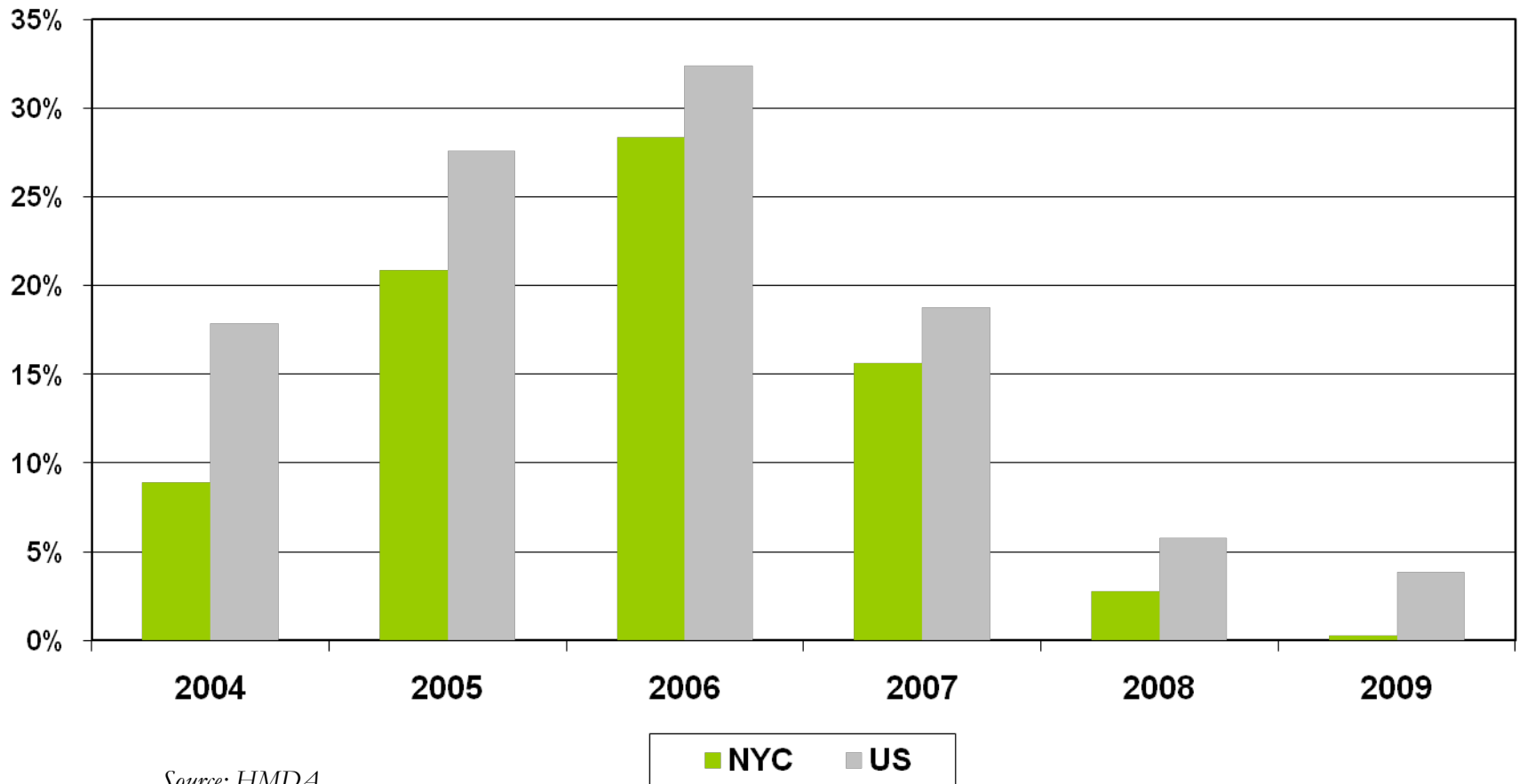
High Cost Lending Rate

Conventional, First-lien, Home Purchase Loans



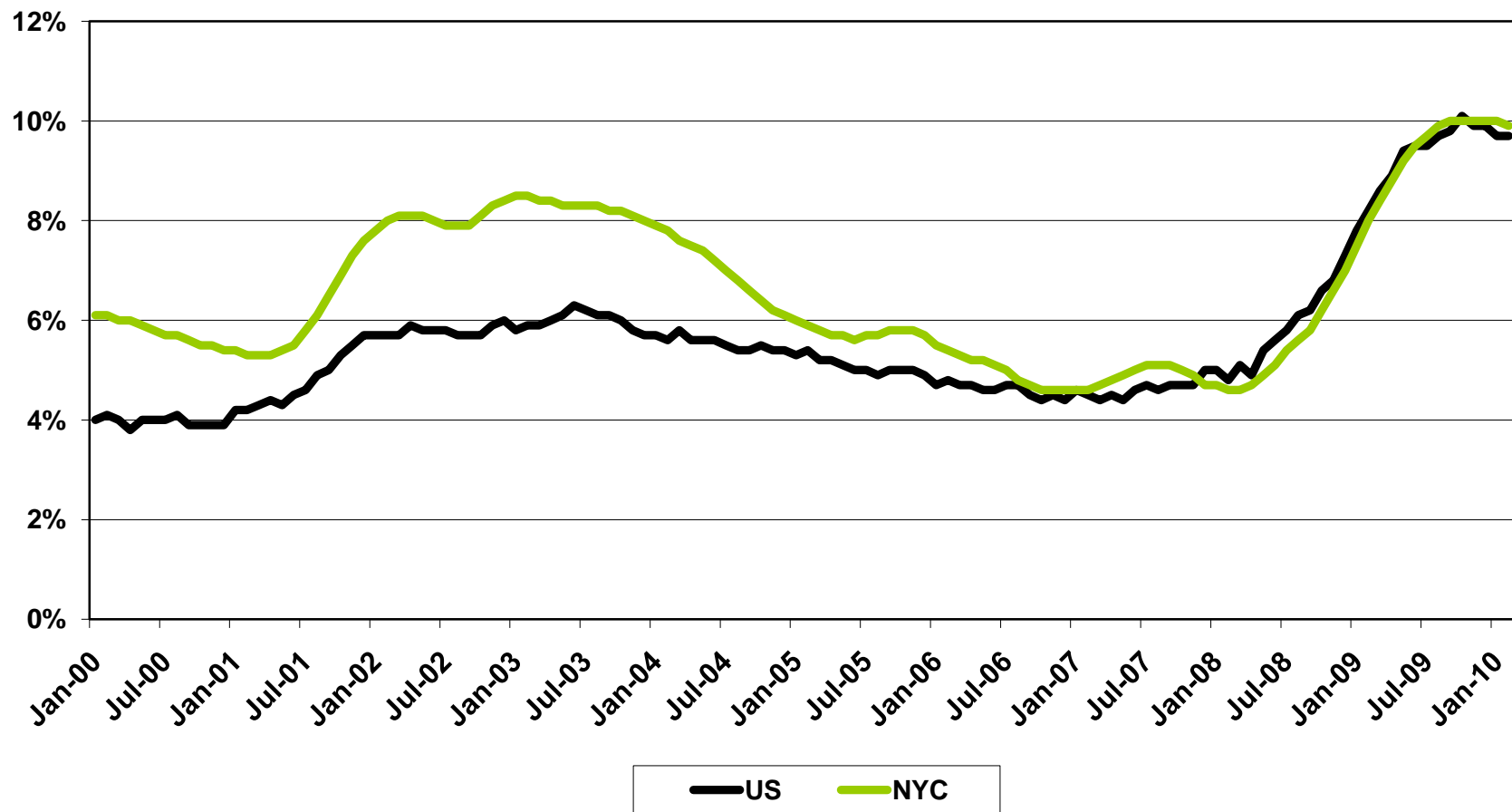
Piggyback Lending Rate

Conventional, Home Purchase Loans



NYC & US Unemployment Rate

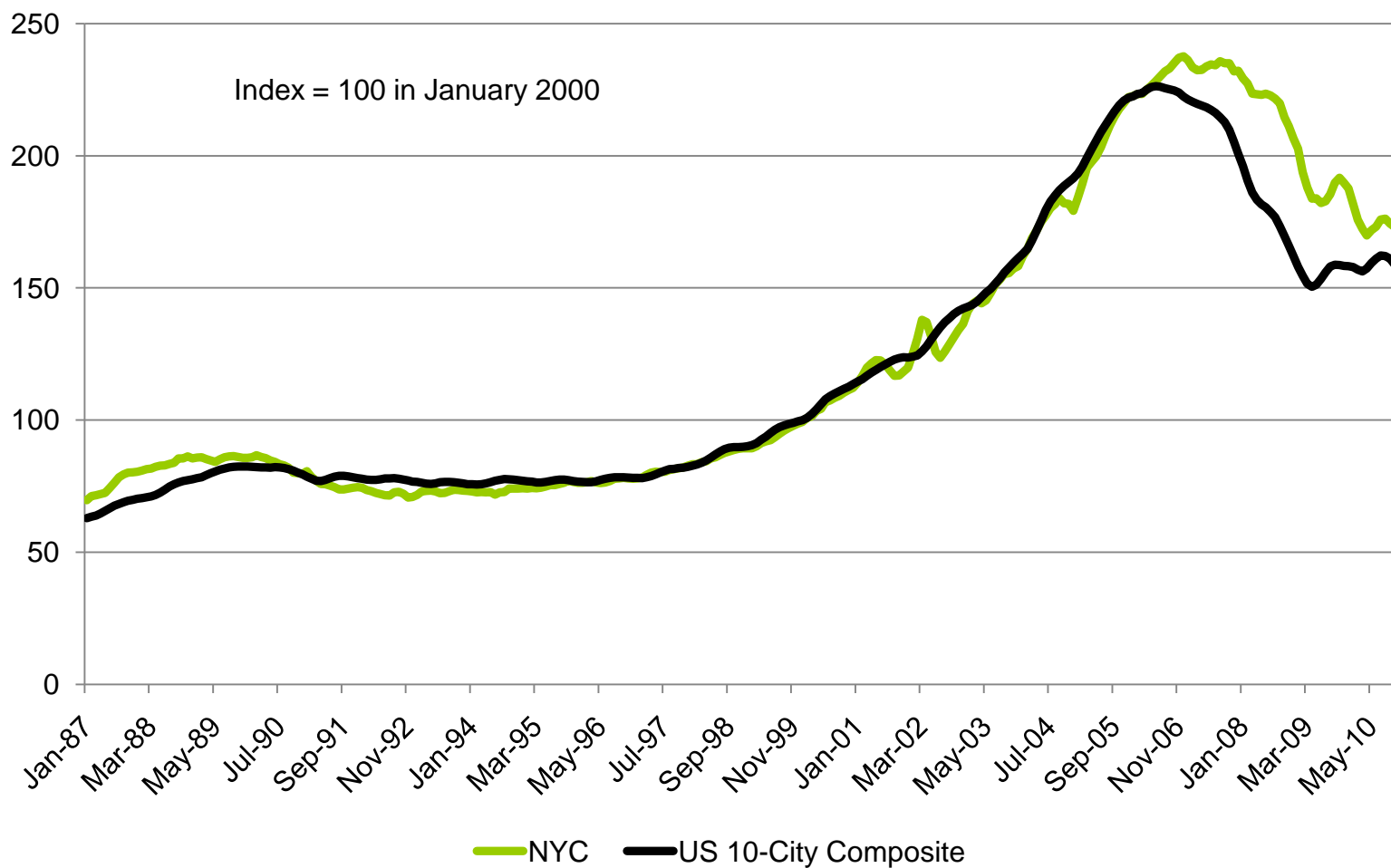
January 2000 – January 2011



Source: Current Population Survey, Local Area Unemployment Statistics

NYC and US Housing Price Index

January 1987 – November 2010



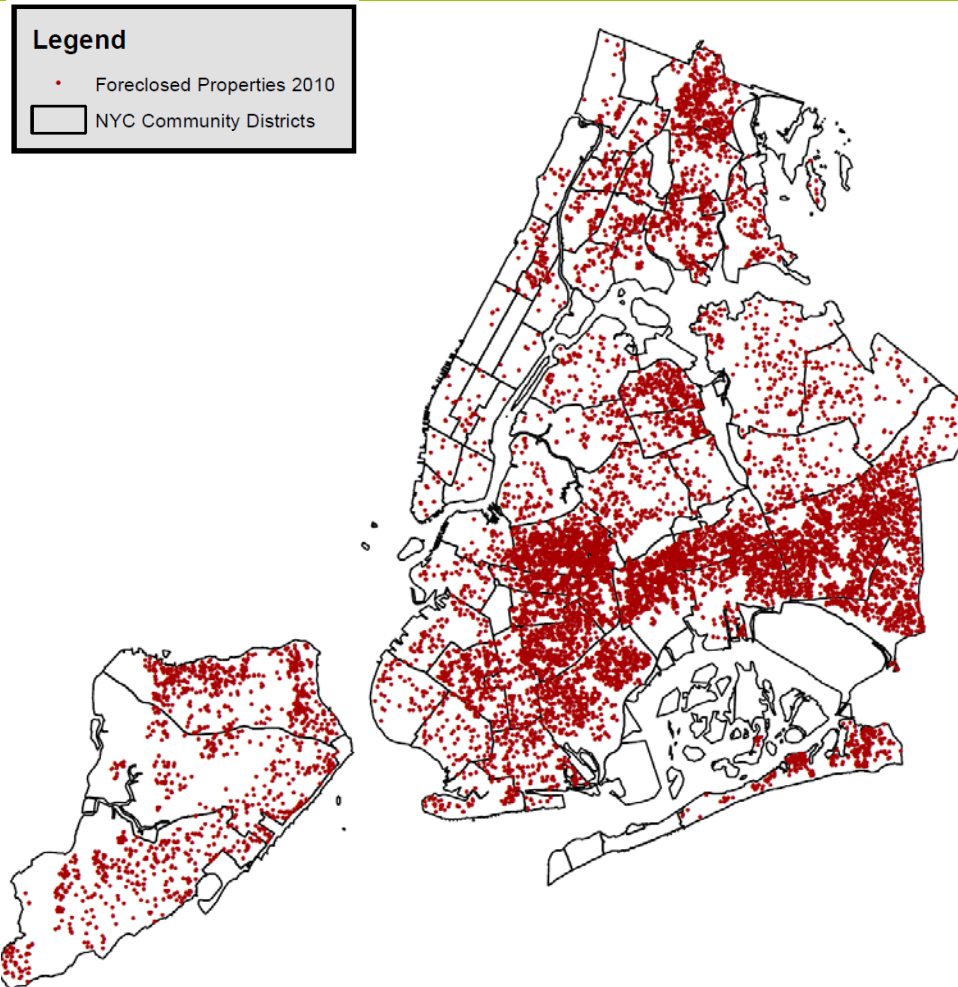
Overall Decline in Housing Prices

	Decline between Peak and Q4 2010		Decline between Peak and Q4 2010
Los Angeles	-37%	NYC	-27.8%
Phoenix	-54%	Brooklyn	-31.5%
NYC Metro	-22.6%	Manhattan	-9.9%
CS, 10-City	-30.4%	Queens	-42.2%

Collateral Costs of Foreclosures

- Neighboring properties and communities
 - The value of neighboring properties may fall
 - Crime in the surrounding neighborhood may rise
- Renters
 - Renter households who had been living in properties entering foreclosure are dislocated
- Children
 - Children may suffer from moves to new schools and communities

Properties that Entered Foreclosure, 2010

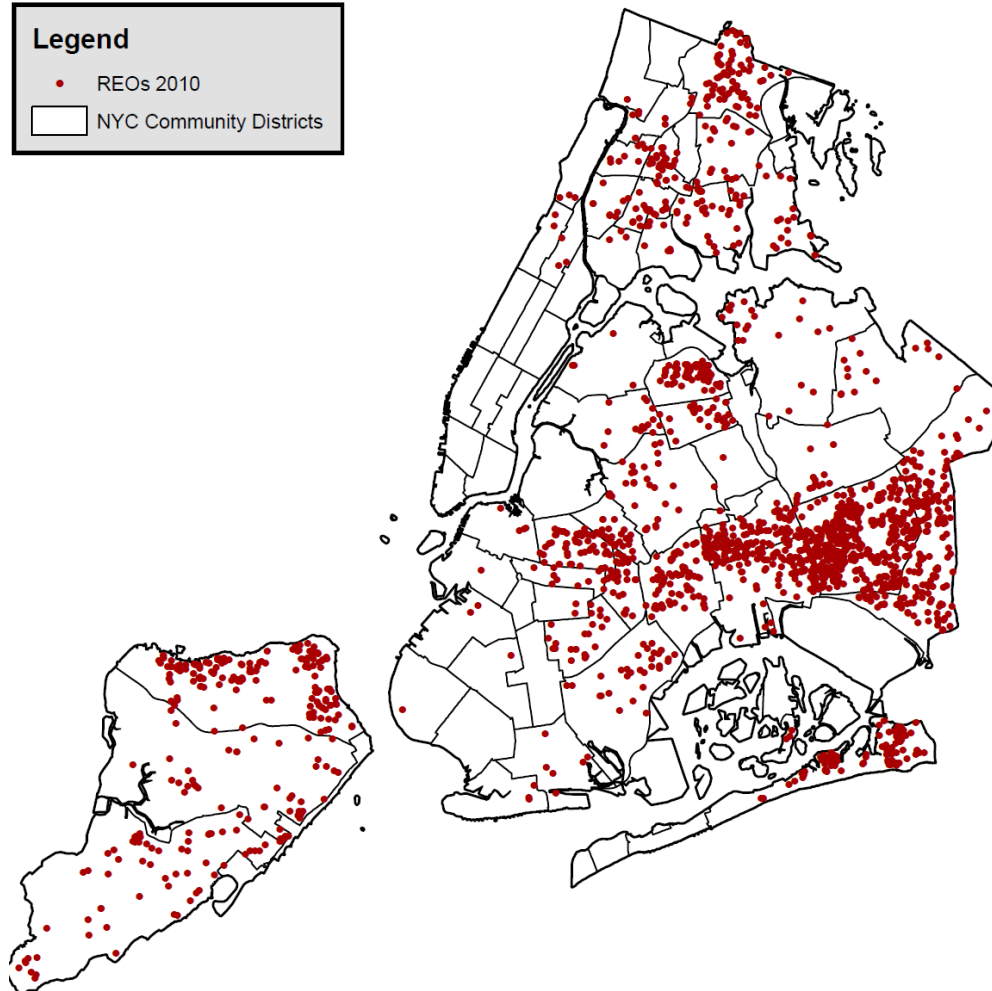


Neighborhoods Hardest Hit by Foreclosures

- Community districts with the most foreclosure filings in 2010:

■ Jamaica/Hollis (412)	1,517
■ Queens Village (413)	1,405
■ East New York/Starrett City (205)	941
■ Flatlands/Canarsie (218)	911
■ Bedford Stuyvesant (203)	834
■ St. George/Stapleton (501)	753
■ S. Ozone Park/Howard Beach (410)	634
■ Kew Gardens/Woodhaven (409)	629
- Combination of 1-4 family housing stock + high foreclosure rate

Properties that Became Real Estate Owned, 2010



Estimated Share of Households Living in Buildings in Foreclosure Who Are Renters

	2007	2008	2009	2010
Bronx	59.4%	62.9%	69.3%	66.7%
Brooklyn	56.0%	57.4%	59.3%	61.0%
Manhattan	82.2%	87.4%	77.7%	96.0%
Queens	37.8%	40.0%	39.6%	41.6%
Staten Island	27.2%	27.1%	26.3%	25.9%
NYC	49.9%	52.6%	54.4%	66.5%

How Foreclosures Affect Children

- May be forced to move homes as owners sell to pay off mortgage debt or bank completes foreclosure
 - New housing situation may be less stable
 - May be forced to move to new neighborhood/school
- Mobility and stress from uncertainty/instability may lead to reduced performance in school
- Affected students may be concentrated in particular schools.

Results: School Mobility

- The probability of moving to a new school is 2.2 percentage points higher for students living in buildings in foreclosure.
- *Property Type?* Foreclosure effect tends to be somewhat stronger for students living in 2-4 unit and larger multifamily buildings (i.e., renters) than for students living in single family homes.
- *Foreclosure Outcome?* Foreclosure effect tends to be somewhat stronger for children living in foreclosed properties that go all the way to auction (as compared to those resolved through sales or modifications, or still unresolved).

Results: Do Students who Move Post-Foreclosure Suffer a Decline in School Quality?

- Students who move post-foreclosure tend to move to schools with lower proficiency rates.
 - But... little evidence that students living in properties that entered foreclosure moved to worse schools on average, than other students who move.
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Future Research on Consequences

- Continued analysis of impact of foreclosures on crime
 - Analysis of foreclosures on children's academic performance
 - Study of how the housing crash is affecting household savings, retirement and behavior
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