Foreclosure Crisis in New York City: Causes and Consequences

American Planning Association: New York Metro Chapter

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March 21, 2010
National Foreclosure Trends
(March 2007 – January 2011)

U.S. Total Properties in Foreclosure

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**

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

*Source: Public Data Corporation and Realty Trac*
Outcomes of Properties that Received a Lis Pendens in 2007

- No Further Action: 33.8%
- Arms Length Sale: 16.9%
- REO: 16.6%
- Another Lis Pendens: 24.2%
- Sold at Auction to a 3rd Party: 3.2%
- Other Deed Transfer: 5.2%
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

Source: HMDA
Piggyback Lending Rate
Conventional, Home Purchase Loans

Source: HMDA

NYU’s Furman Center for Real Estate and Urban Policy
NYC & US Unemployment Rate
January 2000 – January 2011

Source: Current Population Survey, Local Area Unemployment Statistics

NYU’s Furman Center for Real Estate and Urban Policy
NYC and US Housing Price Index
January 1987 – November 2010

Index = 100 in January 2000

NYC
US 10-City Composite
## Overall Decline in Housing Prices

<table>
<thead>
<tr>
<th>Location</th>
<th>Decline between Peak and Q4 2010</th>
<th>Decline between Peak and Q4 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles</td>
<td>-37%</td>
<td>NYC</td>
</tr>
<tr>
<td>Phoenix</td>
<td>-54%</td>
<td>Brooklyn</td>
</tr>
<tr>
<td>NYC Metro</td>
<td>-22.6%</td>
<td>Manhattan</td>
</tr>
<tr>
<td>CS, 10-City</td>
<td>-30.4%</td>
<td>Queens</td>
</tr>
<tr>
<td>NYC Metro</td>
<td>-27.8%</td>
<td>Manhattan</td>
</tr>
<tr>
<td>Manhattan</td>
<td>-31.5%</td>
<td>Queens</td>
</tr>
<tr>
<td>Queens</td>
<td>-9.9%</td>
<td>Queens</td>
</tr>
<tr>
<td>Queens</td>
<td>-42.2%</td>
<td>Queens</td>
</tr>
</tbody>
</table>

NYU’s Furman Center for Real Estate and Urban Policy
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

<table>
<thead>
<tr>
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<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bronx</td>
<td>59.4%</td>
<td>62.9%</td>
<td>69.3%</td>
<td>66.7%</td>
</tr>
<tr>
<td>Brooklyn</td>
<td>56.0%</td>
<td>57.4%</td>
<td>59.3%</td>
<td>61.0%</td>
</tr>
<tr>
<td>Manhattan</td>
<td>82.2%</td>
<td>87.4%</td>
<td>77.7%</td>
<td>96.0%</td>
</tr>
<tr>
<td>Queens</td>
<td>37.8%</td>
<td>40.0%</td>
<td>39.6%</td>
<td>41.6%</td>
</tr>
<tr>
<td>Staten Island</td>
<td>27.2%</td>
<td>27.1%</td>
<td>26.3%</td>
<td>25.9%</td>
</tr>
<tr>
<td>NYC</td>
<td>49.9%</td>
<td>52.6%</td>
<td>54.4%</td>
<td>66.5%</td>
</tr>
</tbody>
</table>
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.
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