The Residential Foreclosure Crisis: Where Do We Go From Here

Presentation for
The Association of the Bar of the City of New York

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& its Institute for Affordable Housing Policy
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

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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%
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

Index = 100 in January 2000

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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

Legend
- * Foreclosed Properties 2010
  - NYC Community Districts
Properties that Became Real Estate Owned, 2010
## Estimated Share of Households Living in Buildings Entering Foreclosure Who Are Renters

<table>
<thead>
<tr>
<th></th>
<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.
Future Research on Consequences

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