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Southwest Chicago Foreclosure Study

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THE SOUTHWEST FORECLOSURE PROJECT

A Research Report Prepared for
The Southwest Organizing Project,
Neighborhood Housing Services of Gage Park and Chicago Lawn, and
the Greater Southwest Development Corporation

The Center for Urban Research and Learning
Loyola University Chicago

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INTRODUCTION

The Chicago community areas of Chicago Lawn and Gage Park have seen rising numbers of home mortgage foreclosures over the last decade. The high rate of foreclosures has led to an abundance of vacant homes, which in turn affect the safety and overall quality of the area. Part of the increase and high rate of foreclosures problem relates to the practices of predatory lenders and fraudulent brokers (who often inflate applicants' income to qualify them for loans they cannot afford). However, foreclosures have continued to increase after the predatory lending reforms introduced in the past five years. Additionally, it does not appear that predatory lending explains a majority of the foreclosures that occur in these neighborhoods.

The Center for Urban Research and Learning at Loyola University Chicago was contacted by the Southwest Organization Project to conduct a research project in conjunction with them, their institutional member, Neighborhood Housing Services of Chicago Lawn and Gage Park, and the Greater Southwest Development Corporation. This project seeks to identify the principles causes of foreclosures in these neighborhoods; to identify areas within the communities with a higher concentration of foreclosure and relate this to demographic, socioeconomic characteristics and housing stock in those areas; and to identify approaches to dealing with foreclosure as an issues.

This project seeks to identify where in these community areas foreclosures are most prevalent, and to determine what characteristics of these parts of the neighborhood (usually census tracts) make them more likely to experience high foreclosures. Furthermore, we want to examine the cause of mortgages going into foreclosure – namely whether specific types of loans more likely to result in foreclosures than others, whether specific actors (realtors, lenders, et. al.) connected to higher rates of foreclosure, and what types of borrowers are going into foreclosure. Finally, we seek to sample successful foreclosure prevention programs conducted by community-based organizations elsewhere to attempt to find some best practices that can be applied in Chicago Lawn and Gage Park.

MORTGAGE AND FORECLOSURE BACKGROUND

Once a buyer has decided to go with a certain lender and signed a purchase contract, it is time for an actual credit approval verifying income, liabilities, and the ability to repay the loan. Most loan applicants go to their loan interview with a signed copy of purchase contract. A purchase contract for the house will specify the amount of a down payment, the price that will be paid for the house, and proposed closing date. When the applicant goes to apply for a mortgage (a lien on the real property that gives the right to take the property by foreclosure if a default on the loan occurs and states that the buyer and the lender legal rights and obligations including the responsibility to make the mortgage payments, principal and interest, and pay real estate taxes and insurance on time), the lender will use all these data to calculate whether the house can serve as collateral for the amount of money to be borrowed. The ability to obtain a mortgage to a great extent depends on the information contained in one's credit report.

The lender begins to verify the provided information and the loan approval process begins by assessing the three areas of underwriting – collateral, credit reputation and capacity. If the application is found acceptable, the firm commitment is issued to the borrower and the lender prepares for the closing of the mortgage. If an application is turned down, federal law requires the lender to inform the applicant, in writing, the specific reasons for the denial. If it is fully understood why the loan was denied, the applicant may be able to find answers or alternatives that will satisfy the lender. There are several reasons why an applicant can be denied. Most

frequent are insufficient income or insufficient funds for down payment, low appraised value of the property, or bad credit history.

The final step before the house is officially owned by the applicant is two separate closings: the closing of a loan and the closing of the sale. Once there is a commitment letter received from the lender, a closing date is settled. The applicant will be required to pay for the closing costs and down payment at the settlement. If repairs or maintenance on the property are part of the purchase agreement, the applicant should make a final inspection of the property. A note or a deed of trust is placed on the mortgage.

Managing the mortgage payment is important. Over-obligating or unexpected repair bills may jeopardize the ability to keep up house payments; the primary causes of foreclosure and bankruptcy are unanticipated personal crisis. The day of the month on which the mortgage payment is due, usually the first day of the month, is set out in the mortgage note. The payment is considered late if the lender receives it after the due date, and the lender usually will charge a late payment fee when the money is not received within 15 days of the due date (the timing and amount of late charges may vary from lender to lender). Payments made, including any late charges assessed, before the next payment due date will be accepted by the lender, but if the buyer owes two or more mortgage payments, the home is in serious jeopardy. Unless specific arrangements are made with your lender, you must remit all payments and late charges before the money will be accepted and the loan considered current. If not, foreclosure is the next step.

Foreclosure is the legal process by which a borrower in default under a mortgage is deprived of his or her interest in the mortgaged property. The borrower is three plus months behind on the mortgage payment. This usually involves a forced sale of the property at public auction with the proceeds of the sale being applied to the mortgage debt. If the property is worth less than the total amount owed on the mortgage loan, the lender or HUD could seek a deficiency judgment. Not only is the home lost but the owner could owe the lender or HUD and additional debt.

Most owners are unaware of the alternatives to foreclosure. The options include:

1. **Special Forebearance:** The lender may be able to arrange a repayment plan based on the owner's financial situation. The lender may provide for a temporary reduction or suspension of the payments. Owners can qualify for this if they have recently lost their job or their source of income or if they had an unexpected increase in living expenses.
2. **Mortgage Modification:** The owner may be able to refinance the debt and/or extend the term of the mortgage loan. This will reduce payments
3. **Partial Claim:** The lender may be able to work with the owner to obtain an interest free loan from HUD to bring mortgage current. Qualifications include: loan at least four months delinquent, but no more than 12 months delinquent; not in foreclosure; and the owner is able to begin making full mortgage payments. The lender files a Partial Claim, HUD will pay lender amount to bring mortgage current. A Promissory Note is executed and a lien is placed on property until Promissory Note is paid in full which is due if property is sold or owner leaves, or when mortgage matures.
4. **Pre-foreclosure sale:** Owner sells property to pay off the mortgage loan to avoid foreclosure.
5. **Deed-in-lieu of Foreclosure:** Owner can voluntarily "give back" the property to the lender. It won't save the house but it will help chances of getting another mortgage loan in the future.

The secondary mortgage market is the market where mortgage loans are bought and sold or a market in which existing mortgages and mortgages-backed securities are traded. At settlement or

shortly after closing on a loan, the lender may notify the borrower that the mortgage is being sold to a secondary mortgage market investor. Because of the long-term nature of mortgages, the secondary market is an essential factor in maintaining lender liquidity.

The secondary market also provides a significant means of redistributing funds nationwide, moving them from areas where there are surpluses to areas where additional funds are needed.

There are three options in the origination process: 1) mortgage originator can also be a mortgage investor by holding mortgages originated in portfolio; 2) mortgage originator sells loan to an investor that holds the loan in portfolio; or 3) mortgage originator sells loan to conduit that packages loans into securities and sells interests in the securities to investors.

The federal government's role in the operation of the secondary mortgage market began in the 1930's with the creation of Federal Housing Administration in 1934. In 1938, the federal government created the Federal National Mortgage Association (Fannie Mae) to purchase FHA-insured loans. The idea was that mortgage lenders would be more willing to originate the FHA fixed rate mortgage if they did not have to hold them in portfolio. By selling, lenders could find more mortgages. In 1968, Fannie Mae split into two organizations – Fannie Mae and Ginnie Mae (Government National Mortgage Association). Ginnie Mae is responsible for providing a secondary market for FHA/VA loans and other mortgages to support federal housing assistance efforts. They are guaranteed by the full faith and credit of the U.S. government.

In 1970, Congress created Federal Home Loan Mortgage Corporation (Freddie Mac). It was created to provide a secondary mortgage market for conventional mortgages with its focus on providing a secondary market for thrifts. Their dominant approach was to purchase mortgages, package them into securities and sell the securities to investors.

The fundamental aim of government involvement in the provision of a secondary mortgage market is to increase the funding of mortgages through the capital markets, thereby efficiency and ultimately insuring that mortgage credit will be readily available at lower prices.

The secondary market impacts home foreclosures in two ways. First, because mortgage are traded on the secondary market, it makes it difficult to determine which lenders are responsible for initiating loans that go into foreclosure. Secondly, the secondary market can make it profitable to issue a loan that is likely to go into foreclosure, especially when loans are issue fraudulently or are packaged in the secondary market.

COMMUNITY BACKGROUND

Chicago Lawn and Gage Park are community areas on Chicago's southwest side, which are defined by the CRI and P Railroad (approximately 4900 South) to the North, the Penn Central Railroad (halfway between Damen and Western Ave) to the East, the GT and W Railroad (just east of Central Park Ave) to the West, and the Belt Railway (7500 South) to the South. 59th Street forms the border between the two community areas, Gage Park lying on the north of Chicago Lawn.

The present Chicago Lawn represents the merger of two separate communities, Marquette Manor and old Chicago Lawn (originally west of Kedzie Avenue and North of Marquette Road). James Webb and John Eberhart pioneered the community Chicago Lawn's original southwest

development in 1876. In fact, much of the Eberhart subdivision still stands today. From 1900 to about 1920, Chicago Lawn saw a bit of a standstill in development. In 1920, a jump started in construction. Part of the reason for the new accelerated building was population growth. The population grew in 1920 from 14,000 to 47,000 ten years later. New residents came from New City and the Englewood neighborhoods. Chicago Lawn, a relatively late development in comparison to the rest of Chicago, began the construction of new single-family homes. This was a new form architecture referred to as the Chicago bungalow and Chicago Lawn earned the title the “bungalow belt.” At this point many Chicago Lawn residents were employed skilled workers, mechanics, and supervisory personnel. Chicago Lawn continued to experience population growth, in 1940 the community reached to 49,291. In 1960, Chicago Lawn had a population of 51,000. The population slipped in 1980 to 47,000. However, by 1990 Chicago Lawn’s population had grown back to 51,000.

Chicago Lawn began a growth spurt because of white flight and the dawning of more diverse ethnic groups in the area. The migration of racial diverse groups such as African-Americans and Hispanics prompted the white middle class to move further down the southwest side and to the southwest suburbs. This marked the beginning of the racial conflicts to plague the area between 1960 and 1970. In the mid-1960s there were open house marches in Chicago Lawn due to civil rights coalitions. In 1966, Dr. Martin Luther king led a march into Marquette Park, which evolved into a riot after Dr. King was struck by a rock. The area saw further racial violence over the integration of a near by Gage park High school. The American Nazi Party held their world headquarters on West 71st Street. The Nazi party and the Ku Klux Klan worked to rally neighborhood residents against African-Americans. The 1980’s however, were inducted with an integrated Chicago Lawn. The census data of the year 1990 shows that Hispanics make up 28% of the population and African-Americans make up 27%. Diversity has been accomplished in a big way since the sixties.

Today, Chicago Lawn is a very diverse community but unlike many communities that experience this type of racial demographic change, Chicago Lawn has experienced stable high rates of investment. Private investment has helped turn around an almost non-existing shopping district with new restaurants and stores. A marquee land mark of the private sector is the Sears store on 63rd street which provides a community based department store and home of employment to many area constituents (*Chicago Community Fact Book, 1990*)

Gage Park, a neighboring community of Chicago Lawn, has similar history. The first residents of the community in 1840 and the 1850’s were German farmers. The community was named after political activist and original member of the South Park Commission, George W. Gage. The South Park Commission organized to establish a system of parks and roads for the south west side since its inception. Land for a park was purchased in 1873 at Garfield Boulevard and Western Avenue. In 1911, the same plot of land was resold as a sub-division. The year of 1889 marks the annexation of Gage Park to the city of Chicago as part of the town of Lake.

Gage Park started to experience its first main development phase between 1905 and 1919. Hundreds of brick bungalows and two-flats were built and offered to new residents. These developments attracted workers from the southwest Clearing Industrial District and the Kenwood manufacturing site. The 1920s saw a rise in population growth that increased to 31,500. The racial make up of the community at that time represented an array of Europeans: Austrians, Italians, Lithuanians, Irish, Poles, Germans, and Czechs. The 1930s saw a decrease in residential construction mainly due to the Great Depression.

In the 1960s, Gage Park reflected national trends dealing with civil right issues. As in Chicago Lawn, Gage Park was a site for coalition movements and organized protests. Gage Park did not include many Black families until 1970, when Blacks became densely populated at Western Avenue and 55th street. In 1972, Gage Park High School was a protest location due to redistricting in which allowed more blacks and Hispanics into the school. Today enrollment is 48% Black and 29% Hispanic.

The 1990 census indicates that Gage Park has a steady and substantial African-American population. It is to be noted that most Black Americans live on the eastern and southeastern edge of Gage Park. The Hispanic population has seen an increase as well. The Hispanic population grew from 1,700 in 1980 to 10,500 in 1990. Hispanic constituted 38% of the total population and Blacks 5% in 1990. (*Chicago Community Fact Book, 1990*).

FORECLOSURE PROBLEM

The communities of Gage Park and Chicago Lawn have seen a rising number of foreclosures, a troubling trend for several organizations working within these communities. The rising number of foreclosures parallel both national and area-wide trends. Nationally, the number for foreclosures rose from under 100,000 in 1981 to over 300,000 in 1992 (US Department of Housing and Urban Development, 1996). The foreclosure rate has grown dramatically over the past two decades, representing a growth of 284% between 1980 and 1998 (Sopko, et. al, 2002). Foreclosures in the Chicago region escalated over the past decade. Between 1993 and 1998, the number of foreclosures completed in the Chicago region doubled – from 2,074 to 3,964 (NTIC, 1999); foreclosures started increased 74% – from 4,927 to 8,556 from 1993 to 2001 (NTIC, 2002). The Gage Park and Chicago Lawn community areas saw increases of 144% and 93% of foreclosures started between 1993 and 2001, respectively. Both community areas rank in the top third of community areas, with Chicago Lawn having the 4th highest number of foreclosures in 2001 among Chicago's 77 community areas (NTIC, 2002).

High numbers of foreclosures have many negative effects, including uprooting families and leaving properties abandoned – driving down the values of neighbor's homes. Many abandoned homes stay boarded up for months due to the processing length of government agencies (Boylan, 2001). Abandoned homes are often scenes of rapes, murders, and drug activity, which has caused the city to tear town empty houses and to fine banks and mortgage companies that do not board up and secure homes adequately. However, boarded up home significantly depress attractiveness and home values within a community (Boylan, 2001).

The rise in the foreclosure rate can be partially explained by the growing problem of predatory loans. In general terms, a predatory loan is one that offers little or no benefit to the borrower while reaping an excessive profit for a mortgage company or broker. Packaged by unscrupulous lenders as a way to refinance a current mortgage while consolidating other debt at a lower interest rate and getting some cash on the side, these loans actually trap borrowers into a cycle of rising debt which can often lead to foreclosure or bankruptcy. Characteristics include targeting minority neighborhoods and low-income and elderly home owners; excessive interest rates; high fees often financed into the loan; high-pressure and deceptive sales tactics; “flipping,” or the frequent refinancing of a loan while being forced to pay additional fees; and single-premium credit

insurance¹ (Smith, 2003). Predatory lending is a subset of subprime lending, which entails higher interest loans to higher risk borrowers. According to estimates, subprime lending grew by 900% in number and value of loans between 1993 and 1998 (US Department of Housing and Urban Development, 1999; Sopko, et. al., 2002). Subprime and predatory loans are disproportionately targeted at low-income, minority, and elderly populations (Sopko, et. al, 2002; US Department of Housing and Urban Development, 1999; AARP, 2002). In Chicago, 41% of subprime refinancing occurs in African-American communities, versus 10% of overall refinancing, and African Americans (regardless of income) are more likely to be recipients of subprime loans (US Department of Housing and Urban Development, 1999; ACORN, 2002). Within the city, the number of subprime refinances increase by over 1500% from 1993 to 1998 (US Department of Housing and Urban Development, 2000, NTIC, 1999). The number of foreclosure because of subprime loans jumped from 30 in 1993 to over 1400 in 1998, representing 1.4% and 35.7% of all foreclosures in those years, respectively (NTIC, 1999).

Nonetheless, predatory and subprime loans cannot entirely explain the rise in the number of foreclosures in Chicago or in these communities. Based on NTIC's report, over 64% of all foreclosures in 1998 were from prime loans. Likewise, the number of foreclosures completed in 1998 from prime loans represented a 25% increase from 1993 (NTIC, 1999). Furthermore, while both the City of Chicago and the Illinois regulatory bodies adopted reforms aimed at curbing predatory loans (s.f. Smith, 2003) in the past five years, the number of foreclosures continue to rise. While predatory and subprime loans play a major role in the rise in foreclosures, other factors must also be fueling foreclosure increases.

METHODOLOGY

The three principle questions for this study identified by the Southwest Organizing Project and the other groups working on the Southwest Side and by CURL were very broad in scope. The goals of the project were to examine what the causes of high foreclosure rates in the community were, to scrutinize why certain areas were being targeted by predatory and other problematic lenders, and to explore possible approaches to foreclosure prevention. These questions were boiled down into three major research efforts. First, to identify all available demographic and housing characteristics of the Chicago Lawn and Gage Park communities and the census tracts that make them up and compare these with foreclosure data to examine trends in the location of foreclosures. Second, to examine the characteristics of foreclosed properties themselves to determine trends in which types of properties/loans are foreclosed upon. Finally, to briefly undertake a survey of successful foreclosure prevention programs undertaken at the neighborhood level across the country. The delivery of these finding were to be given to the community partners in three forms: this formal report, a community profile book highlighting key demographic variables of each census tract, and provision of a CD containing all the raw data obtained for this study.

The following table (Table 1) outlines the sources of the data used in this study. Much of this data had been acquired previously by the Center for Urban Research and Learning for a previous study. Additionally, HMDA – the Home Mortgage Data Act – data was obtained for this project, in part with the assistance of the Woodstock Instituted and in part from data purchased from Federal Financial Institutions Examination Council (FFIEC). Data on foreclosures started was

¹ Single premium credit insurance is an essentially worthless product which is often financed into a loan unbeknownst to the borrower and can add up to 20 percent to the principle of the loan. Its intent is to guarantee loan payments in case of the borrower losing a job, falling ill, or dying, but typically the terms of the insurance are such where the borrower rarely sees any advantage.

acquired from the Foreclosure Report of Chicago, a for-profit company that collects information on foreclosure filings, this data is the propriety of the Southwest Organizing Project.

TABLE 1: DATA SOURCES

VARIABLE	SOURCE
Demographic Data: Total Population, By Race, By Age, Household Income, Poverty Status, Education Level by Census Tract	US Bureau of the Census. 2000 Census. Downloaded via www.census.gov .
Housing Data: Total Housing Units, By Occupancy Status, By units in Structure, Occupant Tenure, Proportion of Income on Housing Costs, Home Values, Rents by Census Tract	US Bureau of the Census. 2000 Census. Downloaded via www.census.gov .
Housing Sales: Individual level data of residential sales including sales price, address, date of sale, and realtor involved	Multiple Listing Service of Northern Illinois. Download via www.mlsni.com . With subscription. Only sales through member realtors available.
Subsidized Housing: Individual or aggregated data on number of units/buildings subsidized by specific governmental entities.	Chicago Housing Authority, Illinois Housing Development Authority, City Of Chicago – Department of Housing, CHAC, Inc., U.S. Department of Housing and Urban Development – data provided directly to CURL
Home Mortgage (HMDA): Aggregate Data by census tract by type of loan, lender, purpose of loan, borrower race, borrower income. Individual level containing above data.	Aggregate Data – Woodstock Institute – data compiled from HMDA data provided directly to CURL Individual Data – Federal Financial Institutions Examination Council – HMDA data purchased by CURL
Foreclosures Started: Individual level data with date foreclosure started, address of foreclosure, original loan information, attorney filing, lender filing	Foreclosure Report of Chicago – data purchased by SWOP

ANALYSIS

Census Data²

Population

- According to the 2000 Census, Gage Park had just over 39,000 residents (up from 27,000 in 1999). Chicago Lawn was about one-and-a-half times the size, with just over 61,000 residents in 2000 (also up from 51,000 in 1990). This represents a 20% increase in Chicago Lawn and a 45% increase in Gage Park
- The most populous census tracts in these communities were tracts 6304 and 6308 in Gage Park (with 6,784 and 6,797 residents respectively) and 6603, 6606, 6608, and 6610 in Chicago Lawn (with 8,304; 7,505; 6,616 and 6,526 respectively). Tracts 6306 and 6601 each had fewer than 500 residents.

Race

- Gage Park is a predominantly Hispanic community, with 79.3% of the population of Hispanic or Latino heritage; 7% of Gage Park residents are African American and 12% are White, Non-Hispanic. Chicago Lawn is a majority African-American Community, with 52.5% of residents of African-American descent; 32.5% and 10% of Chicago Lawn residents are Hispanic and White, respectively.
- This represents a decrease of Whites and a substantial increase of minorities (largely Hispanic in Gage Park and African-American in Chicago Lawn) since 1990. Gage Park's White population declined from 15,000 to 5,000 from 1990 to 2000, while its Hispanic population nearly tripled – from 11,000 to 31,000. Chicago Lawn saw its White population decline from 22,000 to 6,000 and its African-American population increase from 13,000 to 32,000.
- Tracts 6303, 6304, 6305, 6308 (all in Gage Park) all have a Hispanic/Latino population over 80%. All Gage Park Tracts save 6306 (the least populous) have majority Hispanic populations. Tracts 6602, 6603, and 6604 in Chicago Lawn all have majority Hispanic populations.
- Census Tract 6607 has the largest percentage of African-American residents, with over 97%; tracts 6601, 6609, and 6610 in Chicago Lawn all have an African-American population over 80%. Tracts 6603 and 6608 also have over 60% African-American populations.

Median Household Income

- Gage Park and Chicago Lawn had similar median household incomes in 2000, at \$36,463 and \$35,983 respectively
- Tracts 6605, 6610, 6611 (all Chicago Lawn) all had median incomes of over \$40,000
- Tracts 6301, 6601, and 6607 all had median incomes of under \$30,000.

Poverty

- The poverty rates for Chicago Lawn and Gage Park were similar – 19.8% and 19.0% respectively
- Tracts 6301, 6607, and 6609 had the highest poverty rates in 2000 all near or slightly above 30% of residents below poverty

Age

- Both Chicago Lawn and Gage Park had child populations (18 years and younger) of about 36% and senior populations (65 years of age and older) of about 6% in 2000.

² Source: US Bureau of the Census, Census 2000. www.census.gov. Survey Conducted April 2000.

- Tract 6601, while the smallest in Chicago Lawn, had an unusually high proportion of seniors (44%) and a low proportion of children (12%). All other tracts ranged between 3% and 10% of seniors and 30% and 39% children. 6603, 6606, and 6301 had the smallest proportion of seniors (under 4.5%), while 6309, 6609, and 6611 all had over 9% seniors. Tracts 6602 and 6602 had over 38% children while 6306 and 6610 and less than 34%.

Education (over 25 years of age)

- Chicago Lawn adults, on average, have a higher level of education attainment than those of Gage Park. 65% of Chicago Lawn residents over 25 have obtained a high school diploma, versus 46% in Gage Park. Similarly, 9% of Chicago Lawn residents have a bachelor's degree versus 6% in Gage Park.
- Tracts 6302, 6303, 6304, 6305, 6309 and 6604 all have over 50% of the population with less than a high school diploma
- Tract 6306, 6608, 6609, 6610, and 6611 all have over 10% of the adult population with a bachelor's degree or higher.

Housing Data³

Total Housing Units

- Chicago Lawn has about 18,500 housing units, or about 1.5 times that of Gage Park's 10,200. This represents an increase of about 700 in Chicago Lawn since 1990, but an increase of almost 4,000 in Gage Park. While the 40% increase in units in Gage Park parallels the population growth, the 3% in Chicago Lawn is substantial smaller than its population growth. These totals represent about 3.8 residents per unit in Gage Park and 3.3 in Chicago Lawn. The resident per unit decreased in Gage Park (from 4.2) while increasing in Chicago Lawn (from 2.9).
- All of the tracts with over 2,000 housing units lie in Chicago Lawn – 6602, 6603, 6606, 6608, and 6610.

Vacancy

- Vacancy in Chicago Lawn was higher than Gage Park, at 7.7% versus 5%. Both community areas saw an increase in the vacancy rate from 1990, from 6.3% in Chicago and from 4.6% in Gage Park.
- Three tracts had over 10% vacant units – 6306 in Gage Park (the smallest tract), 6602 and 6609 in Chicago Lawn. The lowest vacancy rates were 3.5% in both 6308 and 6309 and 2.9% in tract 6611.

Owner rent breakdown

- Gage Park has a higher proportion of Owner-Occupied Units (57% of all units) than Chicago Lawn (48%) and a lower proportion of Renter-Occupied Units (37% to 44%). Both community areas saw increases in the proportion of renter-occupied units since 1990.
- Tracts 6309 and 6607 had over 60% owner-occupied, while tract 6611 had by far the highest proportion of owner-occupied units at 76.1%.
- Tracts with over 55% renter-occupied units were 6601, 6603, 6606, and 6609 (all in Chicago Lawn)

Rent

³ Source: US Bureau of the Census, Census 2000. www.census.gov. Survey Conducted April 2000.

- Median Gross Rents in Chicago Lawn and Gage Park were similar, at \$580 and \$546 respectively.
- Four tracts had median rents of over \$600 – 6609, 6610, 6611 and 6306. Tract 6301 had a median rent below \$500

Home Value

- Median Home Values (for owner occupied units) were about \$6,000 higher in Gage Park than Chicago Lawn - \$97,790 versus \$91,411
- Tracts 6303, 6308, 6309, 6601, 6611 all have median home values of over \$100,000. The median home value for Tracts 6307, 6606, 6607, 6608, 6609, and 6610 were all under \$90,000.

Income Spent on Housing

- About 30% of homeowners spent more than 30% of their income on housing costs in both community areas (29.9% in Gage Park and 32.9% in Chicago Lawn). While this represent a jump from 25% in Chicago Lawn from 1990, the proportion in Gage Park nearly doubled, from 15%.
- Tracts 6601, 6602, and 6607 all had over 40% of homeowners spending more than 30% of their income on housing, while tracts 6605, 6305, and 6301 had fewer than 25%.

Tenure

- Over half of all residents moved into their current unit in the past five years (as of the 2000 Census) in Chicago Lawn, and nearly half in Gage Park.
- Over 60% had moved in the past 5 years in tracts 6302, 6306, 6603, 6606, and 6609; while only 28% had move in the same time frame in tract 6607.

Units in Structure

- Gage Park and Chicago Lawn both have over 40% of units in One-unit detached structures (i.e. single-family homes), with 42% in Chicago Lawn and 46% in Gage Park
- Tracts 6303, 6308, 6309, 6604, 6605, 6607, 6610, 6611 all have over 50% single-family homes, with 6607 at 67% and Tract 6611 and nearly 75%.

Housing Sales⁴

Single Family Detached

- The volume of sales was greater in Chicago Lawn than Gage Park – with 411 in 2002 versus 222. The average sales price in Chicago Lawn (\$113,000) was less than Gage Park (\$134,000). The number of sales recorded doubled throughout decade, but largely due to adding real estate agencies to data – sales have been relatively constant since 1997. Average Sales Prices increased 83% in Gage Park and 63% in Chicago Lawn from 1992 to 2002 (in nominal dollars)
- Three tracts had average sales prices of over \$140,000 – tracts 6303, 6304, and 6308. Tracts 6604, 6605, and 6611 had average sales prices of over \$130,000 in 2002. The lowest average sales prices in 2002 were in tracts 6606 (\$81,000), 6607 (\$58,000), 6609 (\$53,000 with only 6 sales) and 6610 (\$80,000). Except in census tracts with very limited number of sales, the change in sales prices from 1992 to 2002 varied from 43% to 93% increases.
- The greatest number of sales occurred in tract 6611 – 85 sales in 2002. Tracts 6307, 6308, 6604, 6605, 6608, and 6610 all had between 40 and 60 sales in 2002.

⁴ Source: Multiple Listing Services of Northern Illinois. www.mlsni.com.

Multifamily (5 or more unit buildings) and Multiunit (3 to 5 units buildings)

- Volume of sales was greater in Chicago Lawn than Gage Park – with 148 multiunit sales and 21 multifamily sales in 2002 versus 68 and 7 in Gage Park. Average Sales Price in Chicago Lawn multiunit building (\$154,000) less than Gage Park (\$179,000), but vice versa on multifamily buildings (\$339,000 versus \$290,000). Average Sales Prices increased 68% in Gage Park and 45% in Chicago Lawn from 1992 to 2002 on multiunit buildings and 94% in Chicago Lawn multifamily buildings.
- The highest number of multiunit sales in 2002 occurred in tracts 6602 and 6609, with over 25 each.

Subsidized Housing

- Overall, there is little publicly assisted housing in the Gage Park and Chicago Lawn communities, though there has been significant numbers of Chicago Department of Housing Assisted Mortgages in both communities and Housing Choice Voucher Residents in Chicago Lawn.
- Chicago Lawn and Gage Park have very few Chicago Housing Authority Units (16 and Gage Park and 22 in Chicago as of 1999) – each community area representing less than one-tenth of one percent of the citywide total. Most of these units are located in tracts 6301, 6303, and 6604. There are no buildings receiving HUD funding.
- 59 buildings in Gage Park and 140 in Chicago Lawn received Chicago Department of Housing Assisted Mortgages between 1996 and 1999 – representing 2.7% and 6.3% percent of the citywide total (Chicago Lawn and Gage Park both rank in the top 10 of Chicago's 77 community areas in number of DOH Assisted Mortgages – 2nd and 8th, respectively). DOH also provides financing for 1 building (containing 86 units) in Gage Park and 2 buildings (with 162 units) in Chicago Lawn in exchange for these developers providing units for low-income residents – this represents less than 1% of the citywide total in both communities.
- The Illinois Housing Developing Authority (IHDA) provides a similar subsidy for 2 buildings in Chicago Lawn providing 162 rent-assisted units – one-half of 1% of the citywide total.
- Over 951 families receive Housing Choice Vouchers (formerly Section 8 Vouchers) in Chicago Lawn versus 142 in Gage Park. Tracts 6602, 6606, 6608, 6609 and 6610 all have over 100 voucher holders in 2001. The number of voucher holders doubled in Chicago Lawn since 1997 and tripled Gage Park in the same time frame. These totals represent 0.5% of voucher holders citywide for Gage Park, and 3.7% for Chicago Lawn. This places Chicago Lawn among the highest 12 community areas in the city, although they have substantial fewer voucher holders than Austin or South Shore, each which have over 2,000.

HMDA Data (Home Mortgage Loans) 1999-2001

- Home purchase loans and refinances make up the bulk of mortgage loans in Gage Park and Chicago Lawn between 1999 and 2001; home improvement loans represent a much smaller number of loans. Refinance loans were the most common type in 1999 and 2001, while home purchase loans were the largest category of loans in 2000.
- The number of home purchase loans in Gage Park remained virtually constant throughout the three year. Chicago Lawn saw a slight up tick in the number of loans in 2000, followed by a significant decrease in 2001. The number of refinance loans dropped substantially from 1999 to 2000, but the number doubled in 2002. Three possible explanations exist for the shift – lower interest rates in 2001 encouraged refinancing, banks and mortgage agencies increased

marketing of home refinance, or homeowners who had put off refinancing in 2000 decided to do so in 2001 (thus explaining both the drop and subsequent increase). The number of home improvement loans decline in both 2000 and 2001, to half of the number in 1999. This may be the consequence of economic slowdown or on a crackdown on predatory loans (which are frequently home improvement loans/lines of equity).

- Tract 6611 had by far the most home purchase loans in all three years with over 110 in each year; Tract 6603 approached 100 home purchase loans in 2000. Tract 6610, however, had the most refinanced loans and home improvement loans in 1999 and 2000. Tracts 6603, 6608, and 6611 also had over 100 refinance loans in 1999. With the jump in refinance loans in 2001, several tracts had over 150 refinance loans: tracts 6611, 6604, 6304, 6603. Tract 6611 had the most home improvement loans in 2001, but the total was only 22.
- 6303, 6304, and 6309 tripled the number of home refinances between 2000 and 2001. No major jumps in the number of home purchase loans or home repair loans were apparent at the tract level
- About half of all home purchase loans went to “moderate income” borrowers, with about 20% going to “middle income” and “low income”, respectively. One home refinance and home improvement loans, about 40% went to moderate income borrowers, with low income borrower’s proportion rising to one-quarter (more borrowers income was unavailable on home refinance and home improvement loans). High income borrowers represent only about 6% of all loans in all categories. Differences across years and between Gage Park and Chicago Lawn were negligible.
- On home purchase loans, Hispanic borrowers consistently receive about 80% of all home loans in Gage Park, and between 39% and 45% of home purchase loans in Chicago Lawn in the three year time period. Blacks received around 40 to 45% of home purchase loans in Chicago Lawn (less than 10% in Gage Park), while Whites represented less than 10% of these loans in all years in both community areas. Both Hispanic and Blacks had lower proportions of refinance loans and home improvement loans; while Whites certainly had a higher percentage of refinance loans than home purchase loans, there were more borrowers where race was not collected for refinance and home improvement loans.
- 24% of mortgage loans were under \$50,000; 38% between \$50,000 and \$100,000; 30% between \$100,000 and \$150,000 and 6% over \$150,000 in 1999, 2000, 2001.
- Most loans were classified as conventional loans (78%). 21% were FHA insured; the remainder were either Veterans Administration guaranteed or Farm Service Agency/Rural Housing Service loans.
- The leading lenders in the community were Bank One (1041 loans), Country Wide Home Loans (892) and Ameriquest Mortgage Company (795).

Foreclosure Analysis

- There were 1,930 foreclosures started in Gage Park and Chicago Lawn between 1999 and April 15, 2003.
- The number of foreclosures started in both Gage Park in Chicago Lawn was substantially higher in 2001 and 2002 (with a similar rate through mid-April 2003) than in 1999 and 2000.

In 2001 and 2002 there were over 500 foreclosures started between the two community areas in each year, versus 381 and 370 in 1999 and 2000, respectively.

- Chicago Lawn represents a majority of these foreclosures, on average having triple the number of foreclosures of Gage Park. In 2002, Chicago Lawn had 409 foreclosures started versus 118 in Gage Park. While Chicago Lawn has a larger population than Gage Park, it still has a disproportionate number of foreclosures.
- Over the four and a quarter year period, census tracts 6602 and 6610 had the greatest number of foreclosures, with over 200 each (255 in 6610). Tracts 6606, 6609 and 6611 all had over 150 foreclosures started between 1999 and 2003. Tracts 6307 (which had by far the most foreclosure in Gage Park) and 6608 had more than 130 foreclosures started. Tracts 6603 and 6607 had over 100. The yearly trends by tract mirrored the community wide trend – almost all tracts saw greater foreclosures in 2001 and 2002.
- Almost all of the foreclosures occurred on 1 or 2 story residences and 2 to 6 unit apartment building. Over two-thirds (1,330) of the 1,930 foreclosures were on 1 or 2 story residences and most of the remaining (555) was on 2 to 6 units apartment building or storefronts with apartments. Tracts 6602 and 6609 represented had the largest number of foreclosures on apartment buildings.
- Most of the foreclosures started were on mortgages from recent years. 57% were on mortgages originating in 1998 or later. An additional 34% were on mortgages from 1993 through 1997. Two-thirds of the mortgages foreclosed on were originated with three years of filing of the foreclosure; 80% were within five years.
- A majority of foreclosures (55%) were on mortgages of between \$50,000 and \$100,000. Twelve percent were on mortgages of less than \$50,000, 26% between \$100,000 and \$150,000 and 7% on mortgages of over \$150,000. Compared with mortgage loans began in 1999 to 2001, foreclosures occurred disproportionately on loans between \$50,000 and \$100,000, with a lower proportion of loans under \$50,000 and over \$100,000.
- 60% of foreclosures occurred on conventional mortgages, while one-third occurred on FHA-insured loans (a higher proportion than the share of FHA loans among all loans in the 1999-2001 period). 3% of all foreclosures were on VA loans (an additional 3% the loan type was unknown)
- 29% of foreclosures started occurred on Adjustable Rate Mortgages; and additional 5% occurred on Balloon Payment Mortgages.
- Unfortunately, for 30% of the foreclosures, the interest rate on the mortgage was unavailable. For the remaining 1371 foreclosed properties, 31% were between 7% and 9% APR, and an additional 31% between 9 and 11%. Only 5% were under 7%. Over half (53%) were over 11% APR, with 8% of foreclosures on loans with interest rates over 13% annually. While the current fixed-rate 30-year mortgage rate is under 6%, it was slightly over 8% as recently as 2000, and reached 9% in 1994. Nonetheless, given the origin date of mortgages foreclosed on, it appears that most foreclosures occur on loans at least 2% above the national 30-year treasury rate.

- The lenders filing suits to foreclosure properties in Gage Park and Chicago Lawn most frequently were Country Home Loans (125 foreclosures started), Chase Manhattan Mortgage (104), and MERS (97). Three other lenders started between 50 and 60 foreclosures – Homeside Lending, Well Fargo Home Mortgage, and Washington Mutual Bank. Most of these lenders were among the highest in total mortgages in the area: Countrywide ranking second, Chase 10th, Homeside 12th, Wells Fargo 24th, and Washington Mutual 7th (MERS could not be paired with a lender from the HMDA data).
- Of the 1,930 foreclosures, 682 were paired with the realtor involved in the most recent sale acquired from MLS data. Of these foreclosures, five realtors were involved in 15 or more: RE/MAX Home Center, Mi Casa Real Estate, Century 21 Salmanca, Century 21 Dabbs South, AMRO Real Estate, RE/MAX Preferred Brokers. Of these, AMRO Realty represents the highest foreclosure to sales ratio (80%); Century 21 Dabbs South and RE/MAX Preferred were both over 20%.

FINDINGS

Census Tract Level Relationships

Correlations between all variables analyzed at the census tract level were run. As expected, data measuring similar items – median income and poverty rate, percent Hispanic and percent African American, percent of children and seniors, and median home values and average sales price – were highly correlated. Other variables with significant correlations were household income and sales price/home value, household income and number of sales in 2002, household income and percent owner occupied; vacancy rates and race (positive relationship with percent African-American, negative with percent Hispanic); higher vacancy with lower percentage of owner occupied units and single-family homes; a positive relationship between percent owner occupied and number of sales, negative between owner-occupancy and percent moving in the last five years (i.e. owner occupancy and longer tenure correlate); positive relationships between percent of single-family homes and number of sales and longer tenure; and between race and education (higher education levels were positively related to percent African American and negatively related to percent Hispanic). The key findings were:

- Race was strongly correlated with median home values and average sales prices. Tracts with higher African American percentages had lower average sales prices and median home values (conversely, higher percentages of Whites and Hispanics correlated with higher sales prices/home values).
- Higher vacancy rates were negatively related to both the number of sales and to the average sales price and home values in the census tracts. Tracts with a higher proportion of units vacant typically had fewer home sales and lower home values than those with lower vacancy.
- The number of foreclosures between 1999 and April 2003 were correlated with only four variables in these census tracts: median home values, median sales prices, percent African-American, and percent Hispanic. Higher home values and sales prices were negatively related to the number of foreclosures. This seems counterintuitive, as one would expect greater difficulty in payment for homebuyers taking out loans on more expensive properties. The number of foreclosures was also significantly related to the African-American percentage of the population (in a positive direction) and negatively related to the Hispanic proportion. This may indicate either that African-Americans have greater difficulty meeting mortgage payments, or that subprime and predatory lenders are targeting predominantly African-American communities.

Causality in these three findings was examined using ordinary least square linear regression. This statistical tool is used to measure the relationship among variables, taking all other variables into account. Given this study only examines 19 census tracts in two community areas, obtaining statistically significant results may be difficult (but when it occurs it indicates a substantial effect) and results may not reflect trends outside the area studied.

- Taking into account vacancy rates, proportion of owner occupied units, number of single family home sales, and percentage of both African American and Hispanic residents; the home values in these census tracts appear negatively related to all variables except owner occupancy. Only the African-American percentage is significant, and has the largest impact in suppressing home values. Each 1% increase in African American percentage, everything else being equal, results in a \$600 decrease in the median home value.
- Fewer single-family home sales in 2002 were related most strongly with the percent Hispanic in the census tract, then with African-American percentage and with vacancy rates. Only the Hispanic percentage was statistically significant.
- Using five variables explained 90% of the variance in the total number of foreclosures in census tracts since 1999. The total number of units, quite obviously, was most significantly related, followed by the percent African American⁵ (vs. White, Hispanic, and Other). Owner occupancy was also significant and positively related to the number of foreclosures. Median home values and percent of homeowners spending 30% or more of their income on housing were not statistically significant, but improved the prediction. Other variables (including education level, age categories, number of housings sales, and income) were tested but were not significant and did not improve the prediction

Overall, we can state two crucial findings related to the location of foreclosures in Gage Park and Chicago Lawn. Areas with a higher proportion of owner occupied units are more likely to experience a higher rate of foreclosures, indicating home owners are more likely to have difficulty with their mortgage and with foreclosure than realtors and rental building owners (paralleling our analysis of the types of buildings being foreclosed on). Furthermore, areas with larger African-American populations have greater foreclosure rates, either because of targeting by subprime and predatory lenders, difficulties in the African-American community in paying mortgages, or some other factors unmeasured in this analysis.

Findings from Foreclosure Analysis

Based on the analysis of individual foreclosure records in the Chicago Lawn and Gage Park communities and comparison with home mortgage and demographic variables, five trends are clear. First, the number of foreclosures has continued to rise over the past few years. Given the NTIC report's estimated of 234 foreclosures in the communities combined in 1993, foreclosures have jumped to nearly 400 in 1999 and 2000 and increased to over 500 in 2001 and 2002. The new predatory lending regulations appear to have not had any effects (though the loans foreclosed on likely were not impacted by these regulations) and foreclosure rates in recent years have continued to swell. The problem is getting worse.

⁵ As the high correlation between racial variables confounded significant finding, a regression run with both Hispanic and African American variables and one only looking at percent Hispanic indicate that percent Hispanic is positively related to foreclosures relative to White and Others, but negatively related relative to African-Americans, Whites and Others. This implies that while Hispanic tracts may experience more foreclosures and a higher foreclosure rates than mostly White areas, given the demographics of the tracts studied, majority Hispanic tracts were less likely to see high numbers of foreclosures than largely African-American areas.

Secondly, while a number of rental and multi-unit buildings have been foreclosed upon, foreclosure rates appear higher on single-family homes. Thus, high foreclosures affect homeowners more than realtors and rental property owners.

Thirdly, most foreclosures within a few years of the origination of the mortgages. This indicates that borrowers who are most likely to be foreclosed on have difficulty paying their mortgages from the beginning. Those who avoid problems during the first few years seem to be much less likely to have to endure foreclosure.

Fourthly, FHA insured loans represent a disproportionate number of the loans foreclosed upon. While only 21% of all mortgage loans issued from 1999 to 2001 were FHA insured, 33% percent of the foreclosures were based on FHA-insured mortgages (although the FHA-proportion of mortgages may have been higher in earlier years)

Finally, a substantial proportion of foreclosures occurred on mortgages with interest rates at least two points above the 30-year treasury rate for the year given. While these may not necessarily be “high cost” or predatory loans, they are certainly higher cost loans than prime borrowers would receive. Furthermore, adjustable rate mortgages and balloon payment loans featured into a significant number of foreclosures. Thus, it appears that subprime and dubious lending contributes substantially to the foreclosure rate.

CONCLUSIONS AND RECOMMENDATIONS

This report indicates that home mortgage foreclosure is more than just a perceive problem in the Chicago Lawn and Gage Park communities. The rate of foreclosures is very high, relative to other community areas (especially for Chicago Lawn); while he city of Chicago, as well as much of the nation, has seen the number of foreclosures rise dramatically over the last decade. The foreclosure rate in Chicago Lawn and Gage Park has continued to rise over the past few years, or has at least maintained its high rate over the past three. Certainly home foreclosures are, and should be, a major concern for the residents and community activists in these communities.

It appears from the data, that home foreclosures are disproportionately affecting African American homebuyers, which may or may not be due to inappropriate practices by lenders. It also seems that most foreclosures are occurring on mortgages with higher than desired interest rates. If borrowers were able to get loans at lower rates, it would likely substantially reduce their chances of defaulting on the loan. Finally, most foreclosures occur in the first few years of a loan, indicating that inexperience with loans, poor planning and budgeting, and loans that are too costly for the borrower are the primary causes, rather than long-term financial woes or even financial crises.

Two strategies may be employed to address the problems of home mortgages. On the one had, community organizations can attempt to work with homeowners and borrowers by providing foreclosure prevention services. Mortgage prevention services, as the case studies in the appendix highlight, often include education and counseling in budgeting, credit and loan information, and case management. Counseling, education, and case management services can be geared either towards those thinking of buying a home and beginning the loan process, as well as being directed at homeowners in the foreclosure process, to assist them in avoiding foreclosure. Services may also include temporary financial assistance.

The second approach entails advocacy and organizing work directed at lawmakers, lenders, and realtors. Laws at the local, state, or national level may prove useful in reducing the likelihood of homes going into foreclosure. More likely, both public pressure and cooperation with local lenders and realtors to alter their practices and work within the communities to prevent foreclosures will have substantial benefit to the community.

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APPENDIX: FORECLOSURE PREVENTION PROGRAMS CASE STUDIES

The following organizations are examples of initiatives that have been launched around the nation to attack the causes of foreclosure and ensure healthy and viable community development.

NUESTRA Community Development Corporation

Nuestra Comunidad Development Corporation (Nuestra) is a nonprofit community development organization founded in 1981 by residents of the Dudley neighborhood in Boston, Massachusetts, to take control of the land, build new housing, and leverage their combined energies for a better future.

Nuestra conducts its community development initiatives through six programmatic departments: Real Estate Development, Property Management, Economic Development, Homeownership Services, Community Organizing and Youth Development.

The operating budget of Nuestra, according to Anna Boyd in the department of accounting, is \$2,000,230.00.

Nuestra's foreclosure prevention program is administered under their Homeownership Services Department. The following information focuses on Nuestra's Foreclosure prevention program and has been taken from the Nuestra website www.nuestracdc.org.

Nuestra's NeighborWorks Homeownership Center provides a variety of services, which are designed to strengthen, increase and retain homeowners in our neighborhood. Through the Center, Nuestra has developed the Nuestra Fund, a newly certified as a Community Development Financial Institution (CDFI) by the U.S. Treasury Department.

Services of the NeighborWorks HomeOwnership Center include the following:

- First-time Home Buyer classes, taught in English, Spanish, Cape Verdean Creole, French Creole, Vietnamese and American Sign Language.
- Home Improvement & Second Mortgage Lending
- One to One counseling (Credit, Budgeting and Economic Literacy)
- Predatory Lending Education & Foreclosure Prevention
- Post Purchase classes & Landlord/Tenant Education

Accomplishments

Through the Homeownership Center, in the year 2000 alone, Nuestra graduated 474 individuals from our First-time Homebuyers' course, provided one to one counseling for 320 individuals and assisted 92 individuals with the purchase of their first home.

Nuestra's affiliation with the Neighborhood Reinvestment Corporation and others provided them with loan capital for home improvement loans to current homeowners who do not qualify for traditional bank financing. With this capital, we closed or approved 10 Home Improvement/Second Mortgage Loans totaling \$469,252.

In the areas served by Nuestra, as in lower income neighborhoods, predatory lending practices lead to a high number of unjust foreclosures. Along with counseling, Nuestra worked out 27 foreclosure prevention cases, thus saving several families from losing their homes. Nuestra was also able to provide credit counseling to 114 individuals and budgeting and financial literacy

counseling to 139 families. Finally, Nuestra graduated 15 homeowners from our Post Purchase class, educating them on maintaining their assets.

The Facts

The rate of homeownership in the community is 21% and falls far below national rates, which exceed 50%. Low incomes and a lack of familiarity with the home buying process limit residents' ability to qualify for a mortgage to purchase or rehabilitate a home. Furthermore, continually escalating prices, in which prices of homes rose 40% over 9 months, have imposed more obstacles for home purchases. While Roxbury is Boston's poorest neighborhood, it sees the greatest rise in housing costs.

Nuestra and other community organizations do not want these circumstances to lead to extensive gentrification where longtime residents are forced out due to out of control rents. We must fight to preserve and increase current residents' stake in the community, while creating an economically viable neighborhood.

Nuestra and partnering organizations are working to educate consumers on the home purchase process, assist them throughout the process, help them avoid predatory lending and maintain and increase their wealth.

NUESTRA Comunidad Development Corporation
56 Warren St.
Suite 200
Roxbury, MA 02119
Contact: Evelyn Friedman efreidman@nuestracdc.org
(617) 427-3599
www.nuestracdc.org

Family Housing Fund

The Family Housing Fund's mission is to preserve and expand quality affordable housing for families with low and moderate incomes in the seven county metropolitan area of Minneapolis and Saint Paul. The Fund's served geographical area is focused on the cities of Minneapolis and St. Paul.

The Family Housing Fund works with local governments and nonprofit organizations to help low- and moderate-income families become successful home owners. The Fund's programs assist families before they purchase their homes, at the time of purchase, and after the family has purchased a home.

With its pre-purchase assistance, the Fund supports counseling and education for prospective homebuyers on topics such as budgeting and home maintenance. With its purchase assistance, the Fund provides grants and loans to assist families with closing costs, down payments, and mortgage debt. With its post-purchase assistance, the Fund supports the Mortgage Foreclosure Prevention Program, which provides counseling and emergency funds to prevent families from losing their homes.

The Family Housing Fund's foreclosure prevention program is administered by the Twin Cities Habitat for Humanity, which in November of 1995 published a study that examined the costs of foreclosure prevention counseling and of providing financial assistance to homeowners at risk of losing their homes as a result of foreclosure. In addition to this. The following was taken from the Family Housing Fund website on their foreclosure prevention program:

A review of the accomplishments of the Mortgage Foreclosure Prevention Program in Minneapolis and Saint Paul, Minnesota, and a look at recent developments in home ownership and foreclosure prevention around the country resulted in the following findings and recommendations.

Findings

The Mortgage Foreclosure Prevention Program (MFP Program)

- In its first six years of operation, the MFP Program provided intensive counseling to almost 1,700 homeowners and demonstrated success by helping over half of them reinstate their mortgages.
- Foreclosure prevention counseling remains a cost-effective and viable way to stabilize homeowners at risk of losing their home through foreclosure. The cost of the counseling and financial assistance to homeowners is considerably less than the losses experienced by mortgage insurers.
- It costs the MFP Program, on average, \$2,800 to help a homeowner reinstate a mortgage. This compares to average foreclosure losses to mortgage insurers in the range of \$10,000 to \$28,000, depending on the type of mortgage insurance and location of the home.
- The mortgages reinstated by the MFP Program at the three Minneapolis/Saint Paul sites saved mortgage insurers an estimated \$7.6 million in foreclosure losses during the first six years of program operation. Total program costs, including financial assistance to the homeowners, amounted to \$2.5 million during the same period.

The Mortgage Foreclosure Prevention Program

The Mortgage Foreclosure Prevention Program (MFP Program) completed six years of operation in June 1997. It started at two sites in Minneapolis and Saint Paul, Minnesota, in 1991, with initial funding from the Northwest Area Foundation and administrative support from the Family Housing Fund. Data collection and analysis have been conducted since the beginning of the program by the Wilder Research Center, the research arm of the Amherst H. Wilder Foundation.

In 1992 the Minneapolis/Saint Paul program was expanded with the establishment of a third site in Minneapolis. At the same time, and with Northwest Area Foundation support, the program was replicated at four additional locations: two sites in the cities of Portland and Hillsboro, Oregon; one site in Coeur D'Alene, Idaho; and one site in Cedar Rapids, Iowa, bringing the total number of MFP Program sites to seven.

The program has three objectives:

- To stabilize homeowners at risk of losing their home to foreclosure.
- To stabilize neighborhoods by preventing vacant and boarded houses.
- To save public and private dollars by preventing foreclosure-related losses.

The program offers a variety of services: in-depth counseling to address financial and personal issues that may affect a homeowner's ability to make the mortgage payments, intervention and

advocacy with mortgage servicers or lenders, financial assistance in some cases, referrals to other community services, and assistance in accessing funds from other programs that can contribute to the homeowner's financial stability.

A more in depth analysis of the Family Housing Fund's foreclosure prevention program and of the study itself can be obtained from their website and the following contact information:

Family Housing Fund
(612) 375-9644
Contact Dana Snell at the Twin Cities Habitat for Humanity office
(612) 331-4090
www.fhfund.org

Community Development Corporation of Utah

The Community Development Corporation of Utah (CDC) mission is to help low-income families throughout the entire state of Utah achieve homeownership and become stable partners in their community. People with disabilities, those living in substandard housing, those on public assistance who are seeking self-sufficiency, and people in danger of being homeless or institutionalized receive priority attention.

The Community Development Corporation of Utah (CDC) is a U.S. Department of Housing and Urban Development approved counseling agency CDC and they provide a full range of pre and post-purchase counseling and education services that encompass their foreclosure prevention program. Homebuyer education classes and pre-purchase counseling prepare the first-time homebuyer for the home purchase process and the responsibilities of homeownership. Post-purchase counseling reduces the risk for low-income families who might be in danger of defaulting on their home mortgage, and helps them weather emergencies that may strain their limited cash reserves. Mortgage Counseling assists those who think they are going to have a problem making their mortgage payment. Foreclosure counseling provides assistance to those who are actually in the foreclosure process.

Community Development Corporation of Utah
Contact: Carol Lafreniere slccdc@slcdc.org
(801) 994-7222
www.slcdc.org

San Antonio Housing Trust

The SAHT integrates a homebuyer counseling element into every program it administers. The Housing Trust receives daily clientele referrals for counseling from Fannie Mae, HUD, City of San Antonio, San Antonio Development Agency, San Antonio Housing Authority, and Habitat for Humanity. In addition the SAHT accepts "walk-in" counseling clients.

The clients are evaluated as to counseling needs and housing options. The Housing Trust offers four (4) types of homeownership counseling in both English and Spanish (including written materials). These include a Homeownership session, Credit Counseling, Financial Management, and Default and Foreclosure Prevention Counseling.

Default & Foreclosure Prevention Counseling (Individual Only)

Default and Foreclosure Prevention Counseling involves working with clients who are undergoing life obstacles such as employment, and health problems which are jeopardizing them as homeowners due to the resulting financial setbacks. As a result the counseling approach is substantively different from the other counseling activities. A partnership with the City of San Antonio's Community Initiatives Department and the local lending community has allowed the Housing Trust's Counseling Program to successfully assist these clients. Community Initiatives has programs that assist clients with their mortgage payments and utility bills, and local lenders respect the Housing Trust's work with homebuyers and are willing to be flexible in working out solutions for each client. The Housing Trust counselor maintains a relationship with the client to deal with the long-term outcomes of the problems they are facing. A tight budget and repayment plan is determined with each client and close monitoring of the situation is maintained. This number is kept low due to the Housing Trust's persistent Prevention Counseling.

More information can be obtained at the San Antonio Housing Trust website, www.sahousingtrust.org, or from the following contact information:

Contact: Eduardo R. Magaloni, Program Officer, ext.2
eduardom@sahousingtrust.org
Reception: 210-735-2772
Facsimile: 210-735-2112
PO Box 15915
San Antonio, TX 78212.

Rondo Community Land Trust

The Rondo Community Land Trust is a non-profit housing organization serving the geographical area of St. Paul, Minnesota, dedicated to creating and preserving affordable homeownership opportunities for low to moderate income households. Homebuyers with Rondo Community Land Trust (CLT) purchase only the house and enter into a 99-year ground lease agreement with Rondo CLT for the land. By taking the cost of the land out of the real estate transaction, land trust homes are more affordable than houses on the open real estate market. Rondo CLT homeowners agree that when and if they choose to sell their homes, they will sell to another low-to-moderate income household and that they will sell the house for the original purchase price plus 25% of any increase in appreciation in the home's value. For example, if the home is purchased for \$100,000, and the value of the home has increased to \$200,000, the owner agrees to sell the home for \$125,000. By limiting market appreciation Rondo CLT ensures future affordability. At the same time, the homeowner earns equity and appreciation in real estate by owning their own home.

The Rondo Community Land Trust is able to provide affordable housing to families of St. Paul in several interesting ways:

House Moving and Rehabs

Rondo CLT is one of the few non-profit developers in the area that moves houses. Rondo CLT moves buildings slated for demolition to vacant lots for extensive rehabilitation and sale as affordable housing. To see a recent house move and rehab, click

Sustainable Construction

Rondo CLT works to promote the preservation of resources for future generations by incorporating sustainable construction methods, energy efficient technologies, and the reuse of building materials into as many of its projects as possible.

Homebuyer Initiated Program

The Homebuyer Initiated Program (HIP) helps income-qualified households purchase and fix-up the home of their choice with the help of two grants:

HIP Buy-Down Grant: provides a reduction of the purchase price of a house currently on the real estate market.

HIP Rehab Grant: HIP provides a grant for improvements and rehabilitation to homes purchased through HIP. The aim of this grant is to address major repair issues so that the families don't have to worry about large home repairs in the first few years of homeownership

This program brings houses from the open real estate market into the affordable land trust and ensures that these houses are structurally and mechanically sound.

The Rondo Community Land Trust has a foreclosure prevention program, however, at the time of this write up Greg Finzell, the coordinator was unable to conduct a phone interview. More information about the Rondo Community Land Trust and its foreclosure prevention program can be obtained by the following contact information; (there will also be an information packet included in this report on Rondo CLT).

Rondo Community Land Trust

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