

Statement of
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Before the
Council of the District of Columbia,
Public Roundtable on
National Homeownership Month

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Good morning. My name is Peter Tatian, and I am a senior researcher in the Urban Institute's Metropolitan Housing and Communities Policy Center and the director of NeighborhoodInfo DC, an information resource for the District of Columbia.¹ As part of this roundtable on National Homeownership Month, I appreciate the opportunity to provide the Council with updated data on housing foreclosures in Washington, D.C.

While the foreclosure mediation law passed by the Council in November 2010 has significantly slowed the foreclosure process, many D.C. homeowners remain troubled. The most recent data from the D.C. Recorder of Deeds show very little new foreclosure activity this past year. As shown in table 1, while 2,269 single-family homes, 1,238 condominium units, and 479 multifamily properties received foreclosure notices in 2010, only about 270 such properties in total received notices in 2011. The number of notices in early 2012 is similarly low. The lack of new foreclosure notices, however, does not result from an improvement in the financial situations of D.C. homeowners. Data published by the Federal Reserve Bank of Richmond indicate that 2.98 percent of D.C. mortgages were 90 days or more past due in the first quarter of 2012, a *slightly higher* level than one year earlier (2.82 percent in the first quarter of 2011).²

Both data and anecdotal evidence suggest that, while the foreclosure process has slowed, the problem has not gone away. As shown in figure 1, the foreclosure inventory in the third quarter of 2011 was 2,240 single-family homes and condominiums, about the same level as in mid-2008. These latest figures need to be interpreted with caution, however. Because no notice is typically filed when a foreclosure process is cancelled, we can only directly observe when properties in foreclosure are sold (either at a foreclosure

¹ NeighborhoodInfo DC is a partnership between the Urban Institute and the Washington, D.C., Local Initiatives Support Corporation. For more information, please visit <http://www.NeighborhoodInfoDC.org>.

² Jake Blackwood, Lisa Hearl, and Sonya Ravindranath Waddell, "Housing Market and Mortgage Performance in Maryland and the District of Columbia: First Quarter 2012," http://www.richmondfed.org/community_development/resource_centers/foreclosure/research_and_pubs/mortgage_performance_summaries/index.cfm#tabview=tab1.

auction or as a market sale) or revert to REO.³ As the foreclosure process has become longer since the passage of the mediation law, it has become more difficult to estimate accurately whether homeowners have successfully avoided foreclosure. Foreclosure levels may increase again as troubled homeowners that do not receive assistance begin to move through mediation.

Finally, foreclosure-related sales continue to affect the D.C. housing market. Wards 4, 5, 7, and 8 have particularly high shares of REO, foreclosure, and distressed sales of single-family homes and condominiums (figure 2).⁴ In Ward 8, more than a third of the home sales in the third quarter of 2011 were foreclosure-related transactions. These types of sales can have an adverse impact on the local housing market and depress neighborhood property values.

As the problems caused by the housing crisis have not gone away, the city would be justified in continuing to help protect homeowners, renters, and neighborhoods from the negative impacts of foreclosures. In particular, Urban Institute research on the National Foreclosure Mitigation Counseling program proves that assistance from housing counselors makes it more likely that troubled homeowners will have positive outcomes, including higher rates of foreclosure cures, better loan modifications with reduced monthly payments, and lower mortgage redefault rates.⁵ Further, experience with mediation programs elsewhere, such as in Maryland, has shown that mediation works best when homeowners are fully prepared and get the kind of assistance that housing counselors provide.

I hope the information I presented today will be useful in formulating your responses to the ongoing foreclosure crisis. Thank you.

Additional data and information on foreclosures in the District of Columbia can be found at <http://www.neighborhoodinfodc.org/foreclosure>.



Peter A. Tatian is a senior research associate in the Urban Institute's Metropolitan Housing and Communities Policy Center. He thanks Leah Hendey, Rob Pitingolo, and Fiona Blackshaw for their help in preparing this testimony.

The views expressed in this testimony are those of the author and should not be attributed to the Urban Institute, its trustees, or its funders.

³ REO stands for real estate-owned and refers to when a property reverts to the mortgage lender through a foreclosure or deed in lieu of foreclosure.

⁴ Distressed sales are non-foreclosure sales that occur while the property is in foreclosure and can include sales by the owner and short sales.

⁵ More details on this research can be found in the Urban Institute brief, "Has Foreclosure Counseling Helped Troubled Homeowners?" available at <http://www.urban.org/publications/412492.html>.

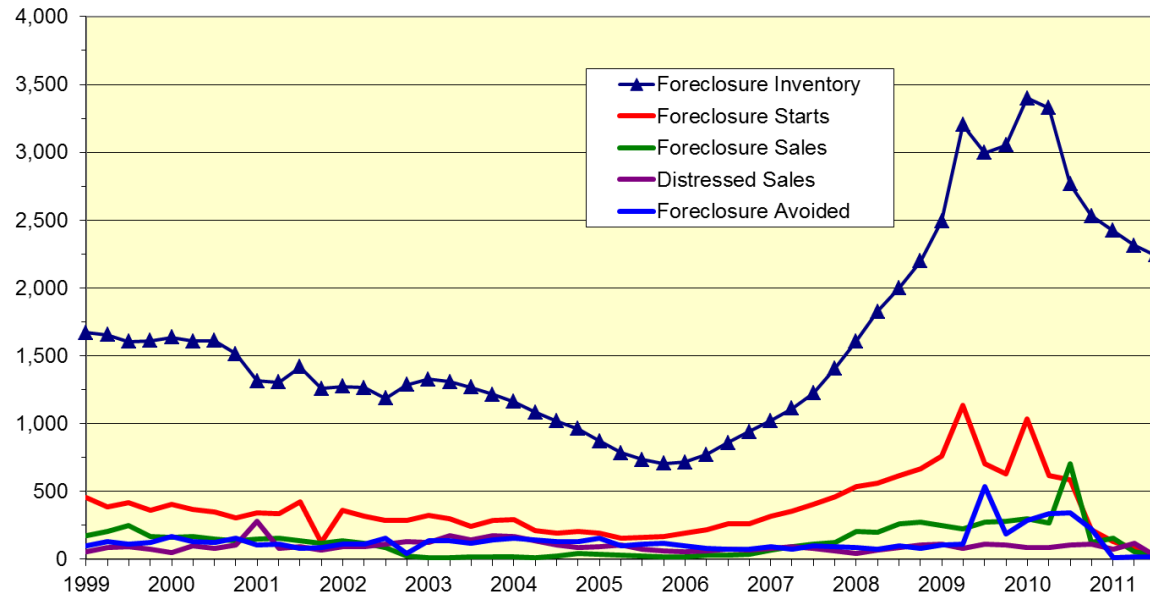
Table 1. Washington, D.C., Residential Properties Issued Foreclosure Sale Notices through 4th Quarter, 2000–11

	<i>Properties Issued a Notice of Foreclosure Sale</i>		
	Single-family homes	Condominium units	Multifamily (co-ops/rentals)
2000	1,636	153	404
2001	1,383	168	300
2002	1,490	161	301
2003	1,364	158	253
2004	1,041	147	191
2005	762	133	114
2006	873	197	159
2007	1,354	324	273
2008	2,240	532	493
2009	2,787	1,255	590
2010	2,269	1,238	479
2011	15	224	22

Source: D.C. Recorder of Deeds and D.C. Office of Tax and Revenue data tabulated by NeighborhoodInfo DC.

Figure 1. Quarterly Residential Foreclosure Trends in Washington, D.C., Q1 1999 - Q3 2011

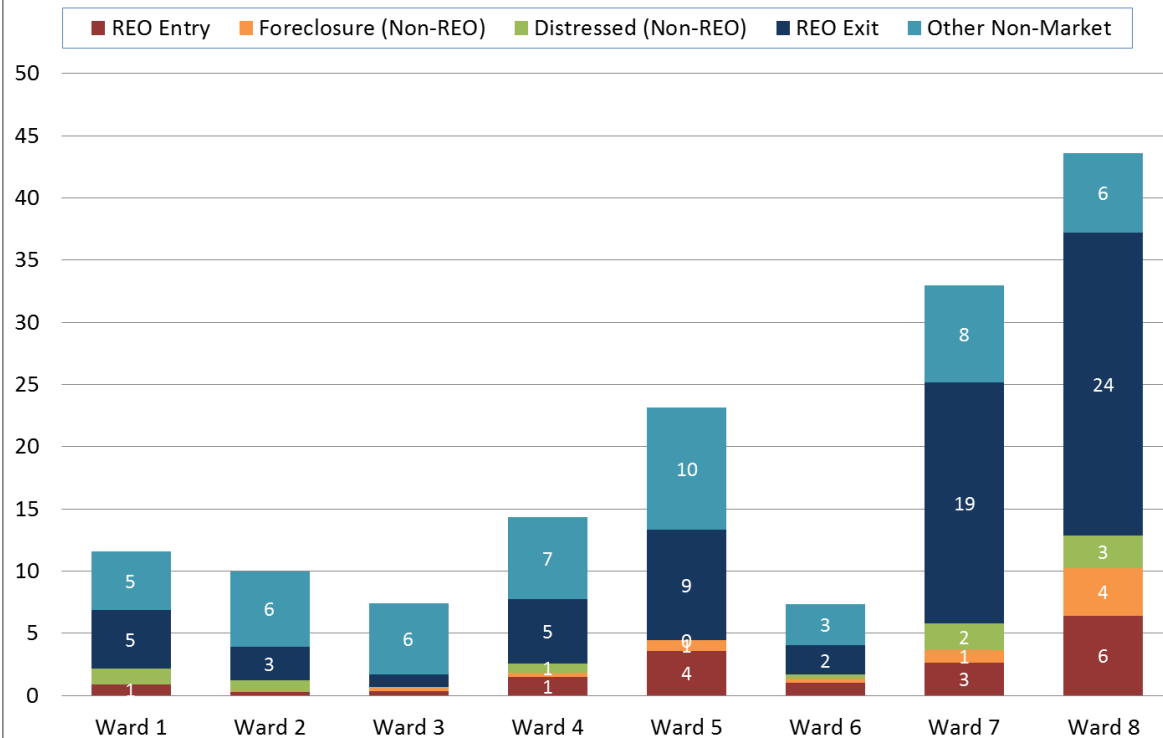
Number of Single-Family Homes and Condominium Units



Source: D.C. Recorder of Deeds and Office of Tax and Revenue data tabulated by NeighborhoodInfo DC.

Notes: Sharp changes in foreclosure inventory, foreclosure starts, and foreclosure sales in 2009-Q2, 2010-Q1, and 2010-Q3 are the result of large condominium developments. Properties with notices of foreclosure sale recorded on or before November 17, 2009, are counted in the foreclosure inventory until sold or until 365 days have passed with no additional activity. Due to the passage of the mediation legislation in November 2010, which lengthened the foreclosure process, properties with notices of foreclosure sale recorded after November 17, 2009, are counted in the foreclosure inventory until sold or until 730 days have passed. A foreclosure is considered to be "avoided" if no sale has occurred after the respective period of time has passed. For more information, see <http://www.neighborhoodinfo.dc.gov/Foreclosure/notes.html>.

Figure 2. Percent of Non-Market Single-Family Home and Condominium Sales in Washington, D.C., by Type and Ward, Third Quarter 2011



Source: D.C. Recorder of Deeds and Office of Tax and Revenue data tabulated by NeighborhoodInfo DC.