ADDRESSING THE FORECLOSURE CRISIS:
ACTION-ORIENTED RESEARCH IN THREE CITIES

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## CONTENTS

1. **INTRODUCTION AND SUMMARY** ........................................................................................................ 1
   - RESULTS ............................................................................................................................................... 2
   - IMPLICATIONS .................................................................................................................................... 3
   - STRUCTURE OF THE REPORT ............................................................................................................... 5

2. **METROPOLITAN CONTEXTS** ............................................................................................................... 6
   - DEMOGRAPHIC, SOCIAL, AND ECONOMIC CONDITIONS .............................................................. 6
   - HOUSING MARKETS COMPARED ..................................................................................................... 9
   - MORTGAGE MARKET TURBULENCE ................................................................................................. 12

3. **THE PROGRAM IN ATLANTA** ........................................................................................................... 16
   - INSTITUTIONAL AND POLICY ENVIRONMENT ............................................................................... 16
   - DATA ASSEMBLY AND INITIAL ANALYSIS ..................................................................................... 17
   - USING THE DATA TO MOBILIZE RESPONSE—PHASE 1 ............................................................ 18
   - THE NEXT STAGE OF NEIGHBORHOOD STABILIZATION .......................................................... 21
   - STRATEGIC SUPPORT FOR INDIVIDUAL NEIGHBORHOODS .................................................... 22
   - FUTURE PROSPECTS ..................................................................................................................... 23

4. **THE PROGRAM IN CHICAGO** ........................................................................................................... 24
   - INSTITUTIONAL AND POLICY ENVIRONMENT ............................................................................... 24
   - PROJECT DESCRIPTION .................................................................................................................. 25
   - DATA ASSEMBLY ............................................................................................................................ 26
   - PROGRAM ANALYSIS RESULTS ..................................................................................................... 26
   - FUTURE PROSPECTS ..................................................................................................................... 29

5. **THE PROGRAM IN WASHINGTON, D.C.** .......................................................................................... 30
   - INSTITUTIONAL AND POLICY ENVIRONMENT ............................................................................... 30
   - DATA ASSEMBLY AND INITIAL ANALYSIS ..................................................................................... 32
   - USING THE DATA—REGIONAL PLANNING FOR NSP2 ............................................................... 34
   - FUTURE PROSPECTS ..................................................................................................................... 38

REFERENCES .................................................................................................................................................. 39

ENDNOTES .................................................................................................................................................. 41
1. INTRODUCTION AND SUMMARY

In September 2008, the Urban Institute initiated a project to manage efforts by National Neighborhood Indicators Partnership (NNIP) organizations in three metropolitan areas to help local stakeholders use data to design more effective strategies to address the foreclosure crisis. The three areas are Atlanta, Chicago, and Washington, D.C. This document is the final report of that project.

Coordinated by the Urban Institute, NNIP is a network of local civic groups and university institutes in 32 cities that operate neighborhood-level data systems and conduct action-oriented research. Most of the local NNIP partners have been assembling and analyzing information to better understand how the foreclosure crisis is playing out in their areas and how to respond to it. The Urban Institute itself has been engaged in several studies of the issue, learning more about program options as well as conducting research on the nature and severity of the problem in different types of settings nationwide.\(^1\) In Atlanta, the NNIP partner is Neighborhood Nexus. (Two of its participants have taken the lead in this work: the Atlanta Regional Commission (ARC) and the Office of University-Community Partnerships (OUCP) at Emory University.) In Chicago, the NNIP partner is the Metropolitan Chicago Information Center (MCIC). In Washington, D.C., the NNIP partner is NeighborhoodInfo DC, a collaboration between the Urban Institute and the Washington, D.C., Local Initiatives Support Corporation (LISC).

The patterns and effects of foreclosures vary substantially across metropolitan areas and across neighborhoods within metropolitan areas. Good data and analysis of the dynamics of neighborhood change are therefore vital to addressing the issue effectively. Unfortunately, from what we heard through the NNIP network in 2008, few local responses to the foreclosure crisis to that point were based on solid data. Local actions to address the crisis seemed generally fragmented with hardly any attempts to monitor the development of the problem or responses to it coherently.

We hypothesized that creative applications of neighborhood-level data could be developed and begin to influence local policy fairly quickly. Accordingly, we designed a one-year project to conduct a practical test of this idea. In the first six months of the project, NNIP partners in the three sites would collect data, conduct initial analyses, establish working relationships with local stakeholders, and develop a strategy for one or more data-driven policy interventions (which
would most likely extend beyond the project period). In the subsequent six months, they would work with the decision makers to begin implementation of the data-driven strategies. We recognized that no meaningful strategy to address important aspects of the foreclosure crisis could be completed in such a short period of time, but we expected enough progress could be made within our one-year timeframe to serve as a reasonable test of our hypothesis.

RESULTS

The early experiences in all three study sites support our hypothesis. By August 2009, NNIP partners in each site had not only assembled and analyzed relevant new data, but had also used the data to engage key decision makers in promising new activities to address the foreclosure crisis.

- In Atlanta, the NNIP partner completed a metropolitan-wide analysis of foreclosure and REO trends by neighborhood over several years and used that work to mobilize the first region-wide collaborative meetings on the foreclosure issue. Participants have expressed strong interest in continuing the regional collaboration. In the past few months the NNIP partner has: (1) used its data as the basis for collaborative regional funding proposals under the second wave of the federal government’s Neighborhood Stabilization Program (NSP2); (2) helped selected neighborhoods in DeKalb County use data to prepare more in-depth foreclosure response strategies; and (3) taken steps toward creating a long-term institutional framework for continuing regional analysis and deliberations around the foreclosure crisis and longer term housing market issues.

- In Chicago, the NNIP partner took a different approach, acquiring and linking records in the client database of a housing counseling organization to records on foreclosures. The team worked with agency staff to examine the characteristics and foreclosure outcomes of the households they counseled and think about developing approaches for handling that agency’s workload. The NNIP partner has also begun to share the results more broadly, with the objective of improving performance of other counseling groups in the Chicago area.

- In Washington, D.C., the NNIP partner is pursuing a strategy similar to that in Atlanta. It completed a baseline, region-wide mapping analysis of trends for a variety of neighborhood housing market indicators and presented results to a meeting of local officials and other stakeholders assembled by the Metropolitan Washington Council of Governments (COG). The partner then conducted policy analyses that formed the basis of an NSP2 proposal submitted by a COG-led regional consortium. In the NSP2
proposal, strategic targeting of resources to neighborhoods was based not only on indicators of comparative foreclosure risk, but also on how those risks interacted with factors such as neighborhood housing market strength and accessibility to jobs and transportation. The proposal explicitly calls for ongoing analysis by the NNIP partner to monitor foreclosure trends and program performance as the basis for mid-course corrections in the future. Also, the NNIP partner has developed what we believe to be the nation’s first “foreclosure report card;” a system for recurrently reporting on the changing status of the foreclosure problem for the District of Columbia.

IMPLICATIONS

While the work needs to proceed farther before drawing firm conclusions about the role of neighborhood-level data in responding to the foreclosure crisis, we are encouraged by the results to date. The foreclosure crisis is having a profound effect on America’s communities and is unprecedented in its complexity. In previous eras with foreclosure increases, communities did not have up-to-date neighborhood-level information to tailor their responses and track outcomes. The early experience in this project suggests that, while it is always difficult to do so, data on foreclosures and other relevant neighborhood-level indicators can be assembled and applied in a relatively short period of time when data-savvy local institutions like the NNIP partners already exist.

This project illustrates the use of data for both foreclosure prevention and neighborhood stabilization efforts. For the former, working hand-in hand with the counseling organizations in Chicago and Washington, D.C., NNIP partners supported the strategic planning and outreach efforts of the overextended agencies that would never have the time or in-house skills to manipulate and analyze complicated data sets. In the neighborhood stabilization arena, partners in Atlanta and Washington, D.C., were well-positioned to assist in the quick-turnaround applications to the federal Neighborhood Stabilization Programs. National experts have emphasized that sensible stabilization strategies must take into account variations in neighborhood housing market indicators beyond the foreclosure risk alone, such as changes in the volume of sales transactions and sales prices. Our partners not only reinforced this message to local actors, but gave government agencies the information to put the principles into practice.

The local initiatives needed both access to foreclosure-related data and institutional capacity to move forward. NeighborhoodInfo DC was able to move quickly on a variety of fronts because it had invested in the development of a sophisticated property data system from city administrative data over the last decade, demonstrating the value of the NNIP model of a long-term multi-purpose data warehouse. Even so, NeighborhoodInfo DC had to purchase mortgage
Addressing the Foreclosure Crisis: Action Oriented Research in Three Cities

Data from commercial firms to get regional data and delinquency information. Atlanta and Chicago, who were at the beginning of their property analysis work, depended even more on private data sources. The three sites faced a learning curve around data cleaning issues such as duplication and unclear field definitions, such as classifications of REOs. In addition, there were strict restrictions on dissemination to the public. Being forced to rely on for-private companies represents a considerable barrier for communities interested in using data for foreclosure-response strategies.

The communication skills and reputation of local established institutions were critical to the early successes we saw in these three cities. The data were not useful until the numbers were transformed into understandable formats that answered stakeholders’ questions. As neutral brokers, NNIP partners could bridge geographic and topical divisions and look across the entire foreclosure-response system. For example, NeighborhoodNexus considered the political aspects of this project one of their major roles—ensuring the right people were at the table and assembling a network that could address the many aspects of the foreclosure crisis in a cohesive way. Other cities interested in better coordination among government and nonprofit actors should plan for the time needed for communication and coalition-building, alongside the data analysis.

This project makes a good case for national support not only for local data intermediaries, but also for the institutional contexts that can put data to good use. The foreclosure problem—like many other urban challenges—is difficult to address when approached jurisdiction-by-jurisdiction in the nation’s institutionally fragmented metropolitan areas. Strengthening collaborative regional institutional frameworks should be a priority.

On a positive note, when foreclosure and other housing data are presented in an intelligible manner, relevant stakeholders appear eager to use the information to guide interventions. In Atlanta and Washington, this may be due to the fact that the data offered the first coherent region-wide picture of the foreclosure challenge. Stakeholders had clearly been frustrated in trying to make sense out of a stream of anecdotal accounts of foreclosure problems in the local press, which is the only evidence on the issue many of them had been exposed to before this project.

The final lesson from this project relates to building explicit connections among policy areas. The data assembled and analyzed for this project forced recognition that effectively addressing the foreclosure problem requires thinking through issues related to transportation and environmental policy in conjunction with housing policy. As they saw the spatial pattern of foreclosure risk in their regions both the Atlanta and Washington partners understood that they would have to take comparative accessibility and other smart growth themes into account in
setting priorities for neighborhood stabilization. This is the sort of “thinking beyond the stovepipes” that the current administration in Washington indicates it hopes to promote in the quest of sustainable metropolitan development. It may be that this data-centered approach is a way to make such thinking a habit that will last beyond the current crisis and extend to approaches for addressing the pressing metropolitan policy issues of the future.

**STRUCTURE OF THE REPORT**

Chapter 2 presents data that describe the project’s three metropolitan contexts. It compares and contrasts trends in social, economic, and housing conditions (including subprime lending) in the three project sites.

Chapters 3, 4 and 5 then present our case studies of activities, findings and accomplishments in the three study sites. These sections open with a brief scan of the relevant institutions that exist in each region and whether and how they mobilized to address the foreclosure problem before this project began. Information on accomplishments is presented after that, beginning with a summary of the data assembled and analyses conducted. These sections close by describing the partners’ planning and implementation activities, their strategic approaches, the impacts on the crisis to date, and longer term expectations.
2. METROPOLITAN CONTEXTS

Economic and housing market conditions and trends will affect how the foreclosure crisis plays out in any given metropolitan area. Accordingly, this section reviews pertinent data to show contrasts in conditions and trends between the three metropolitan areas.

- We first compare demographic, social and economic characteristics of the metros and how they have changed during the decade.
- The second section compares housing market conditions in the three metropolitan areas and the nation as a whole.
- The final section examines the mortgage market and, in particular, patterns of subprime lending.

We stress at the outset that the data available at the time of analysis generally ran through 2007, so that we are describing a period that saw reasonably strong economic growth and a notable surge in the housing market. We have very few measures to depict the decline that has encompassed most of the country since then. The trends and comparisons we note for the 2000-07 period, therefore, are not a basis for predicting the future. Still, we believe the fundamentals of the regional economy and housing market suggest how much an area may be suffering from the current recession as well as its prospects for recovery. This in turn affects the potential for additional foreclosures from rising unemployment, the public and private resources available for foreclosure response, and the types of strategies best suited to address foreclosures in the local context.

DEMOGRAPHIC, SOCIAL, AND ECONOMIC CONDITIONS

Metropolitan Chicago (2007 population of 9.52 million), Washington (5.31 million), and Atlanta (5.27 million) are, respectively, America’s 3rd, 5th and 9th largest metropolitan areas (Table 2.1). Atlanta’s population grew most rapidly between 2000 and 2007, with an annualized growth rate of 3.1 percent compared to the national rate of 1.0 percent. At 1.5 percent, metro Washington’s rate was also above the national average, but Chicago’s, at 0.7 percent, lagged the nation.
Racial/ethnic minorities make up much higher shares of total population in these metros (44 to 49 percent) than they do in the nation (34 percent). All three saw sizeable increases in their minority shares between 2000 and 2007: +6 percentage points for Atlanta, +4 for Washington, and +3 for Chicago.

Table 2.1
Social Conditions and Income, Metropolitan Areas

<table>
<thead>
<tr>
<th></th>
<th>Average U.S.</th>
<th>Atlanta</th>
<th>Chicago</th>
<th>Washington DC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population (000) 2000</td>
<td>281,422</td>
<td>4,248</td>
<td>9,098</td>
<td>4,796</td>
</tr>
<tr>
<td>2007</td>
<td>301,621</td>
<td>5,272</td>
<td>9,523</td>
<td>5,306</td>
</tr>
<tr>
<td>% change/yr. 2000-07</td>
<td>1.0</td>
<td>3.1</td>
<td>0.7</td>
<td>1.5</td>
</tr>
<tr>
<td>% pop. minority, total 2000</td>
<td>31</td>
<td>40</td>
<td>41</td>
<td>45</td>
</tr>
<tr>
<td>2007</td>
<td>34</td>
<td>46</td>
<td>44</td>
<td>49</td>
</tr>
<tr>
<td>% pop. Hispanic 2000</td>
<td>13</td>
<td>6</td>
<td>16</td>
<td>9</td>
</tr>
<tr>
<td>2007</td>
<td>15</td>
<td>9</td>
<td>20</td>
<td>12</td>
</tr>
<tr>
<td>% pop. non-Hispanic black 2000</td>
<td>12</td>
<td>28</td>
<td>18</td>
<td>26</td>
</tr>
<tr>
<td>2007</td>
<td>12</td>
<td>31</td>
<td>18</td>
<td>26</td>
</tr>
<tr>
<td>% population below poverty 2000</td>
<td>12</td>
<td>10</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>2007</td>
<td>13</td>
<td>11</td>
<td>11</td>
<td>7</td>
</tr>
<tr>
<td>% 25 or over with college degree 2000</td>
<td>24</td>
<td>31</td>
<td>29</td>
<td>42</td>
</tr>
<tr>
<td>2007</td>
<td>27</td>
<td>34</td>
<td>32</td>
<td>47</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, 2000 Census and 2007 American Community Survey

Compositions of their minority populations differ, however. African American shares of the total vary from 31 percent in Atlanta to 26 percent in Washington and 18 percent in Chicago (still all higher than the 12 percent national average). These shares have remained relatively stable over the decade. In strong contrast, the Hispanic population share, while much smaller, has grown rapidly everywhere between 2000 and 2007: from 16 to 20 percent in Chicago, 9 to 12 percent in Washington and 6 to 9 percent in Atlanta.

There were important contrasts between these areas in terms of economic well being as well. The average poverty rate in 2007 was much lower in Washington (7 percent) than the other two metros (11 percent) or the nation on average (13 percent). Education may be one factor
explaining these differences. Washington also had the highest share of its adult population with college degrees (47 percent compared to 34 and 32 percent in Atlanta and Chicago respectively).

Table 2.2

<table>
<thead>
<tr>
<th>Economic Conditions and Trends</th>
<th>Ave. 100 Largest Metros</th>
<th>Metropolitan Atlanta</th>
<th>Metropolitan Chicago</th>
<th>Metropolitan Washington DC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees (000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>816</td>
<td>1,896</td>
<td>12</td>
<td>4,275</td>
</tr>
<tr>
<td>2000</td>
<td>895</td>
<td>2,305</td>
<td>9</td>
<td>4,554</td>
</tr>
<tr>
<td>2002</td>
<td>894</td>
<td>2,330</td>
<td>10</td>
<td>4,401</td>
</tr>
<tr>
<td>2007</td>
<td>954</td>
<td>2,614</td>
<td>9</td>
<td>4,664</td>
</tr>
<tr>
<td>% change. per year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995-00</td>
<td>1.9</td>
<td>4.0</td>
<td>4</td>
<td>1.3</td>
</tr>
<tr>
<td>2000-02</td>
<td>(0.0)</td>
<td>0.6</td>
<td>33</td>
<td>(1.7)</td>
</tr>
<tr>
<td>2002-07</td>
<td>1.3</td>
<td>2.3</td>
<td>18</td>
<td>1.2</td>
</tr>
<tr>
<td>2000-07</td>
<td>0.9</td>
<td>1.8</td>
<td>17</td>
<td>0.3</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics, Local Area Unemployment Statistics Series

Perhaps the most important factor lying behind many of these past differences, and future prospects, is the comparative strength of the economies in these regions. How well were the three metros doing economically through 2007? The question is more complicated than it might seem. The American economy has gone through three major phases since the mid-1990s and different metros have done better in some phases than others. The old stereotype of growth in the Sunbelt and decline in the rustbelt is much too oversimplified to serve as a guide.

The left hand column on Table 2.2 tells what is now a familiar story. The last half of the 1990s represented one of America’s historic economic booms, as employment in the nation’s 100 largest metros grew at a rate of 1.85 percent annually. Over the next two years employment declined by -0.05 percent per year, and then picked up again through 2007 but at a 1.31 percent annual rate, well below that of the late 1990s.

Metropolitan Atlanta outperformed the 100 metros in all three phases, with employment growing at 2.2 times the 100 metro average in the late 1990s, continuing to grow in the 2000-02 period as the national economy declined, and then growing at 1.8 times the large metro rate after that. Among the largest 100 metros, its performance was the 4th best in the nation in the first phase. Its rank dropped to 33rd during the second phase and picked up again in the third to 18th.
The Washington metropolitan area also did well over this cycle, especially in the last two phases. Its employment growth rate was below that of the 100 metros in the late 1990s, but it did expand in the first two years of this decade, and then grew at 1.4 times the large metro rate after that. Its rank went from 49th in the first phase to 27th in the second and 31st in the third.

Chicago’s economic performance has exceeded that of many metros in the Midwest of late, but it has not been as strong as that of the other two metros noted above. Its employment growth rate was one third lower than the 100 metro average in the late 1990s; it lost employment significantly in the first two years of this decade and since then experienced a growth rate 11 percent below the large metro average. Its rank went from 64th in the first phase, down to 92nd in the second, but back up to 53rd in the third.

HOUSING MARKETS COMPARED

Consistent with its growth in population and employment, Atlanta’s housing stock grew fastest among the three metros. Atlanta’s housing stock grew by 3.6 percent per year between 2000 and 2007, compared with 1.7 percent for Washington, 1.4 percent for the U.S. on average, and 1.2 percent for Chicago (Table 2.3).

With the enormous national boom in housing production earlier this decade, vacancy rates rose significantly between 2000 and 2007. Nationally, the homeowner vacancy rate climbed from 2.0 to 2.5 percent. Atlanta, which has grown fastest among our three metros, also has the market with the most slack. Its owner vacancy rate reached 4.3 percent in 2007, notably above the national average. The rate for Chicago was just slightly above the nation’s (2.7 percent) and, for Washington, just below it (2.3 percent).

Rental vacancy rates at the national level have also increased, from 7.0 percent in 2000 to 8.0 percent in 2007. Again, Atlanta is the comparatively loose market with rental vacancies at 11.5 percent, up from 6.7 percent in 2000. In 2007, Chicago came next at 8.1 percent, and Washington’s rate fell below the national average at 7.4 percent, but both had experienced notable increases since the decade’s start.

One of our most important national goals during the first part of this decade was the expansion of homeownership. Much progress was made on that goal prior to the housing bust. The fact that interest rates remained low during this period no doubt helped explain the expansion. Another explanation, however, was that the housing finance industry clearly began to serve a broader class of borrowers. In the mid-1990s, new federal policies were designed to increase homeownership in general, and among low-income and minority populations and
neighborhoods in particular. The mortgage industry began to pay attention to the new policy incentives but also began to recognize these directions as real market opportunities it had been undervaluing before. Whatever the causation, the period was one of marked change, bringing

Table 2.3
Metropolitan Housing Conditions and Trends

<table>
<thead>
<tr>
<th></th>
<th>Average</th>
<th>Atlanta</th>
<th>Chicago</th>
<th>Washington DC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Housing Stock</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of housing units</td>
<td>2000</td>
<td>115,905</td>
<td>1,645</td>
<td>3,462</td>
</tr>
<tr>
<td>(000)</td>
<td>2007</td>
<td>127,895</td>
<td>2,113</td>
<td>3,752</td>
</tr>
<tr>
<td>% chg./ yr</td>
<td>2000-07</td>
<td>1.4</td>
<td>3.6</td>
<td>1.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1.7</td>
<td></td>
</tr>
<tr>
<td>Vacancy rate (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renters</td>
<td>2000</td>
<td>7.0</td>
<td>6.7</td>
<td>5.8</td>
</tr>
<tr>
<td>Renters</td>
<td>2007</td>
<td>8.0</td>
<td>11.5</td>
<td>8.1</td>
</tr>
<tr>
<td>Owners</td>
<td>2000</td>
<td>2.0</td>
<td>2.1</td>
<td>1.6</td>
</tr>
<tr>
<td>Owners</td>
<td>2007</td>
<td>2.5</td>
<td>4.3</td>
<td>2.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2.3</td>
<td></td>
</tr>
<tr>
<td><strong>Homeownership</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Homeownership rate</td>
<td>2000</td>
<td>60</td>
<td>67</td>
<td>65</td>
</tr>
<tr>
<td>(%)</td>
<td>2007</td>
<td>67</td>
<td>70</td>
<td>69</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>68</td>
<td></td>
</tr>
<tr>
<td>Minority homeowner-</td>
<td>2000</td>
<td>47</td>
<td>48</td>
<td>46</td>
</tr>
<tr>
<td>ship rate (%)</td>
<td>2007</td>
<td>50</td>
<td>55</td>
<td>53</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td>57</td>
<td></td>
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<tr>
<td><strong>Housing Affordability</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Pay &gt;30% income for housing</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Renters</td>
<td>2007</td>
<td>49</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Owners</td>
<td>2007</td>
<td>49</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>47</td>
<td></td>
</tr>
<tr>
<td>Average Home Value/</td>
<td>2007</td>
<td>4.0</td>
<td>3.4</td>
<td>4.1</td>
</tr>
<tr>
<td>HH income (owners)</td>
<td></td>
<td></td>
<td>4.8</td>
<td></td>
</tr>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>House Prices</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FHFA Index</td>
<td>00Q1-06Q4</td>
<td>5.5</td>
<td>2.5</td>
<td>5.3</td>
</tr>
<tr>
<td>% chg./yr.</td>
<td>06Q4-08Q2</td>
<td>5.3</td>
<td>(5.9)</td>
<td>(4.4)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(5.5)</td>
<td>(11.7)</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, 2000 Census, 2007 American Community Survey and Federal Housing Finance Agency (FHFA)
national homeownership rates to historic levels. From 2000 to 2007, America’s homeownership rate went up from 60 to 67 percent overall, and from 47 to 50 percent for minorities.

How well did our three metros fare by homeownership attainment measures? They also gained, resulting in 2007 homeownership rates at least somewhat above the national average in all cases: 70 percent in Atlanta, 69 percent in Chicago and 68 percent in Washington. Their minority ownerships rates also consistently exceeded the national norm: 55 percent, 53 percent and 57 percent, respectively. Unfortunately, these gains have since been substantially eroded by the foreclosure crisis.

Prices had increased dramatically over the decade and housing affordability problems were indeed severe in many metropolitan areas by 2007. The average home value in metropolitan Washington in 2007 was 4.8 times the average income of the region’s homeowners. The corresponding ratio was 4.1 in Chicago and 4.0 in the nation on average. Only the Atlanta ratio remained notably lower, at 3.4. Renters were also affected. The federal standard for affordability is that tenants should not pay more than 30 percent of their income for rent. The table shows that in all three metros and the nation as a whole, around half of all renters were paying in excess of that standard in 2007.

One data source available to us to tell the story of what has happened to metropolitan housing markets since 2007 is the FHFA house price index. Kingsley and Pettit (2009) compare price changes from the 1st quarter of 2000 to the 4th quarter of 2006 (a good approximation of the housing boom period) to those for the period since (1st quarter of 2007 through 2nd quarter of 2008) for the nation’s 100 largest large metro areas.

The changes were indeed abrupt and dramatic. House prices in these areas on average increased by 5.5 percent annually in the former period, and then declined at an even faster 5.9 percent annual rate in the latter period. Most interesting is that those metros that had experienced the fastest house price appreciation in the early part of the decade (mostly in California, Florida, Nevada and Arizona) have consistently suffered the worst losses since then. Other U.S. metro areas had slower price increases in the early years of the decade but, since the 4th quarter of 2006, have not experienced such serious declines as the previously “hot markets.”

Among our three metros, Washington comes closest to the profile of the hot market group, with an 11.5 percent per year rate of increase during the early years and almost exactly the same rate of decline since late 2006. Metro Chicago, in contrast, saw rates of change almost the same as the average for all areas: +5.3 percent annually in the former period and -5.5 percent
Table 2.4
Mortgage Market Conditions and Trends

<table>
<thead>
<tr>
<th></th>
<th>Ave. 100 Largest Metros</th>
<th>Atlanta</th>
<th>Chicago</th>
<th>Washington DC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages originated/</td>
<td>1997</td>
<td>44</td>
<td>65</td>
<td>48</td>
</tr>
<tr>
<td>1,000 units in 1-4 unit structures in 2000</td>
<td>2000</td>
<td>55</td>
<td>81</td>
<td>62</td>
</tr>
<tr>
<td></td>
<td>2006</td>
<td>80</td>
<td>144</td>
<td>84</td>
</tr>
<tr>
<td></td>
<td>2007</td>
<td>54</td>
<td>87</td>
<td>53</td>
</tr>
<tr>
<td>Subprime % of purchase mortgages</td>
<td>1997</td>
<td>4</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>2000</td>
<td>8</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>2006</td>
<td>12</td>
<td>13</td>
<td>15</td>
</tr>
</tbody>
</table>

Source: Analysis of Home Mortgage Disclosure Act data files.
Note: subprime data presented for 2006 rather than 2007 because 2006 was the peak year for subprime activity

annually in the latter. Metro Atlanta’s changes were smaller in both periods with a gain of 2.5 percent per year in the former period and a loss rate of 4.4 percent per year in the latter.

MORTGAGE MARKET TURBULENCE

It is possible to examine mortgage market trends in these areas using information provided in the Home Mortgage Disclosure Act (HMDA) data files. Consistent with our discussion above, these data show that the decade prior to 2007 was a period of unprecedented change in America’s mortgage markets. As shown in Table 2.4, in the 100 largest metropolitan areas the mortgage origination rate (the number of home purchase loans originated per 1,000 existing housing units in 1–4 unit structures) grew from 55 in 2000 to reach 80 in 2006, before dropping back to 54 in 2007. (Throughout this analysis, we use the number of housing units in one-to-four family structures as of the 2000 Decennial Census as the denominator for standardized indicators). The median inflation-adjusted amount (2007 $) of home purchase loans grew from $139,000 in 1997 to $151,000 in 2000 and again to $182,000 in 2006.

All three metros that are the subject of this paper also experienced extraordinary increases in mortgage origination over this period. Chicago’s rates were closer to the average of the 100 largest metros, but levels in Atlanta and Washington climbed to heights considerably above that average in 2006, before dropping somewhat in 2007.
The next block of numbers on Table 2.4 relate to the most noteworthy aspect of the recent expansion in mortgage lending: subprime loans. The subprime mortgage market offered loans to people with impaired or limited credit histories in return for higher rates and fees. It has allowed many low- and moderate-income families to become homeowners that never could have qualified for loans in the market of the early 1990s. However, the downside is now also well-known. Predatory or irresponsible lending terms set up borrowers for financial difficulties from the start, and even loans with reasonable terms imposed less stringent standards for credit histories and down payment amounts. Thus, subprime loans bear a much higher risk of foreclosure than is typical in the prime market.\(^6\)

The table shows that the subprime share of all home purchase mortgages in the top 100 metros climbed from only 4 percent in 1997 to 8 percent in 2000 and then again to 12 percent in 2006. All three of our metro areas experienced similar increases in subprime shares, reaching about the same levels in 2006 (Chicago was then highest with 15 percent).

The remainder of this chapter examines how the incidence of subprime lending varies across neighborhoods (census tracts) in the three metropolitan areas. Our real interest is in the likely pattern of foreclosures, but we have not had access to consistent national data on foreclosures per se. Subprime lending densities should serve as a reasonably good proxy for foreclosures through early 2009. We define our subprime density measure as the average number of subprime loans per 1,000 existing housing units (in 1–4 unit structures) per year over the 2002 to 2006 period. A high density of subprime lending heightens the risk of foreclosure and negative spillover effects from foreclosures like declines in property values and increasing crime rates.\(^7\)

This subprime density measure varies dramatically for different types of neighborhoods. First, it differs substantially by the predominant race of the neighborhood. For the 100 largest metros, the rate is 6 subprime loans per 1,000 existing units on average across all tracts and 5 where whites are the predominant race (more than 60 percent of the population). Subprime density increases to 9 subprime loans per 1,000 units where blacks predominate, 11 where Hispanics are the predominant group, and 10 when another race is predominant or there is no predominant race.

Subprime lending density varies with the poverty rate of the tract as well. For the top 100 metros, across all races, the density is highest at 8 in tracts with poverty rates between 10 and 20 percent and 20 and 30 percent. It stands at 5 for tracts with poverty rates below 10 percent and 6 for those with poverty in excess of 30 percent.
FIGURE 2.1: DENSITY OF LOANS FROM SUBPRIME LENDERS BY PREDOMINANT RACE AND POVERTY RATE OF CENSUS TRACT (Median number of loans from subprime lenders per 1,000 units in 1-4 unit structures, averaged for 2002-2006)

Source: Analysis of Home Mortgage Disclosure Act and U.S. Census Bureau, decennial census data.
Putting variables on neighborhood racial composition and poverty rate together for the 100 largest metros, Figure 2.1 shows that within race categories, subprime densities are always highest in the lowest poverty category and drop down consistently as poverty rates increase. The highest densities occur where Hispanics are predominant; ranging from 23 per 1,000 units in low poverty tracts to 8 in the highest poverty group. Predominantly African American tracts come next with 15 in the lowest poverty group and 6 in the highest.

These relationships do not hold up consistently across our three metropolitan areas, however. Atlanta has by far the highest average subprime density overall (12 subprime loans per 1,000 units compared to 6 for the top 100 metros on average) and subprime lending there is clearly concentrated in African American neighborhoods. In low poverty neighborhoods where blacks are predominant, the Atlanta average is 25, but unlike the general rule for the top 100 metro, the rate goes up again (to 26) in the highest poverty neighborhoods. In metropolitan Atlanta, there are hardly any predominantly Hispanic neighborhoods, but fairly high subprime densities are also reached in the “Other and Mixed Race” category and, here too, the highest subprime lending density (20) occurs in the neighborhoods with the highest poverty rates.

Chicago has the second highest overall subprime density of the three metro areas (9 per 1,000 units) and the pattern for predominantly black tracts there is very similar to Atlanta’s: higher subprime densities than for other racial groups and the highest densities for tracts with the lowest poverty rates (22) and the highest (23). Unlike Atlanta, however, Chicago has a sizeable number of predominantly Hispanic neighborhoods and subprime densities for these areas are second highest overall. However, patterns in predominantly Hispanic tracts are more like those found for the top 100 metros: highest density for low poverty tracts (18), ranging down to the lowest in the most distressed tracts in the group (11). In Chicago, densities in the Other and Mixed Race category are also substantial and follow a pattern generally similar to that for Hispanics.

In metropolitan Washington, the overall subprime density was 8 subprime loans per 1,000 units, just slightly below the average for Chicago. The highest density on the Washington chart (25) is for predominantly Hispanic neighborhoods in the 20–30 percent poverty range. There are comparatively few Hispanic tracts in the region, however, so the most serious problems again are in the predominantly black neighborhoods. In metropolitan Washington, the pattern for predominantly black areas is similar to that for the top 100 metros, with the highest density (21) in low poverty neighborhoods and the lowest density in tracts with poverty rates of 30 percent or more (5).
3. THE PROGRAM IN ATLANTA

The NNIP partner in Atlanta is *Neighborhood Nexus*, a collaboration of several local organizations. The two that have worked together to play the leading role in this project are the Office of University-Community Partnerships (OUCP) at Emory University and the Atlanta Regional Commission (ARC), the regional planning and intergovernmental coordinating agency for 10 central counties in the Atlanta metropolitan area.

INSTITUTIONAL AND POLICY ENVIRONMENT

Metropolitan Atlanta has had some of the institutional elements needed for a full-scale foreclosure response effort, but their capacities have been uneven and, through mid-2008, they had not come together to mount a forceful approach. Although other counselors certified by the U.S. Department of Housing and Urban Development (HUD) operate in the area, Consumer Credit Counseling Services (CCCS) has been the principal provider of foreclosure prevention services in the Atlanta region. CCCS, which now provides counseling primarily by telephone, has 18 offices in the Atlanta region as well as several in other states and is an important partner in the HOPE Now Alliance.

Another important player in foreclosure prevention is Atlanta Legal Aid’s Home Defense Project (HDP) which helps families negotiate restructuring of their loans. HDP has become known for enlisting a proactive state legislator to help it access high-level bank officials to expedite lender responsiveness.

With respect to neighborhood recovery, six local jurisdictions received funding under the first round of the Neighborhood Stabilization Program (NSP) (the City of Atlanta and Clayton, Cobb, DeKalb, Fulton and Gwinett Counties) and that program served as a catalyst for expanded interest in foreclosure response in the region. These jurisdictions have met to discuss their plans, but the plans are quite distinct and vary as to goals and approach. ARC and several other entities have convened workshops to help local governments build capacity for foreclosure response planning generally and NSP planning and implementation in particular.
Compared to many urban areas in the Midwest and northeast, metropolitan Atlanta has not had the richest fabric of community development organizations, but it does have important assets in this regard. One of them is the Atlanta Neighborhood Development Partnership (ANDP), a long established and respected nonprofit intermediary. Enterprise Community Partners is also an important actor. Another, potentially, is the Atlanta-Fulton County Land Bank Authority, which is being revamped so it can play a larger role in acquiring and holding foreclosed properties.

The ARC started holding meetings to stimulate interest in foreclosure issues before this project began, but it substantially strengthened its role in addressing Atlanta’s foreclosure crisis by contributing to the data-oriented work of this project (discussed more below).

The policy environment around foreclosure issues in Georgia is considerably less supportive of borrower interests than in many other states. It is a non-judicial foreclosure state, implying a short foreclosure process that is not subject to court supervision. The expected time from initial notice to sale is 47 days, which offers the borrower little time to find a way to become current on the loan or negotiate alternatives to foreclosure (Cutts and Merrill 2008). State law more broadly offers few borrower protections. The legislature passed a tough anti-predatory lending statute in 2002, but after a campaign by the financial industry and related interests, and a change in governors, key provisions were weakened or overturned.

DATA ASSEMBLY AND INITIAL ANALYSIS

In the fall of 2008, the Neighborhood Nexus team (ARC and OUCP) began work on this project by holding meetings with local agencies and nonprofit groups to explore their interests and needs in responding to the foreclosure crisis. Meetings with DeKalb County’s Department of Community Development and the Atlanta Legal Aid agency were particularly important because both agencies quickly understood the importance of the issue and have since been active collaborators in the work.

ARC/OUCP began their data work with acquisition of two primary longitudinal data sets. The first, provided by the Urban Institute, included 1997–2007 data at the census tract level from the Home Mortgage Disclosure Act (HMDA) files. These data allowed for identification of census tracts throughout the region with high concentrations of subprime lending.

They acquired a second data set from the commercial firm Equity Depot. The Equity Depot data consisted of monthly compilations of mortgage foreclosure filings (at the property-level) in the greater Atlanta area with associated characteristics and attributes of these properties. These
data were obtained for May 2003 through May 2008. (Additional data from Equity Depot for the period June 2008 to June 2009 has been requested but not yet received.)

For each of these data sets, the ARC/OUCP team created a series of maps to display the shifting spatial distribution of subprime lending and foreclosure filings. For the latter, they created a series of monthly maps that showed how the spatial pattern of foreclosures changed from May 2003 to May 2008 (Figure 3.1). Whereas HMDA data indicated primary concentrations of subprime lending in the City of Atlanta (Chapter 2), the newer data from Equity Depot showed how foreclosures have more recently been spreading beyond the City and into all of the adjacent suburban counties (Figure 3.1).

An important aspect of the analysis was differentiating loan densities by location and type of borrower. The data showed that subprime loans in city neighborhoods had gone mostly to investor borrowers whereas loans in suburbs went mostly to owner-occupants. This contrast underscored the need to consider very different types of response strategies in different types of neighborhoods.

**USING THE DATA TO MOBILIZE RESPONSE—PHASE 1**

The ARC/OUCP team made several presentations of their analysis in late 2008 which generated considerable interest among a variety of local stakeholder groups. This allowed them to form and convene a diverse Advisory Committee in January 2009. The Committee includes more than 50 individuals from relevant government, nonprofit and private for-profit (mostly financial) institutions.

The initial meeting began with a presentation of the mapping analysis, and then the participants discussed how they saw their own roles, responsibilities and current activities in addressing the crisis. This was the first time that all of the key actors in the region had shared with each other information on their current programmatic efforts. The team felt that their data presentation motivated a much richer understanding of the challenge in the discussions to follow; i.e., the data “got their foot in the door” to mobilizing serious joint consideration of response strategies.

Over the next two months, the team convened three additional meetings of subgroups within the Committee on: (1) foreclosure prevention; (2) mitigation of foreclosure impacts; and (3) property reclamation and household recovery. In these sessions, participants further clarified their current roles and plans, discussed approaches for making response activities more effective and also identified additional research questions that needed to be answered (Rich, Carnathan, and Immergluck 2009). This yielded the first systematic description of actors and roles related to foreclosure-response ever assembled at the regional level in Atlanta (summarized in Table 3.1).
Figure 3.1. Mortgage Foreclosure Filings, May 2003 through May 2008

Source: Rich, Carnathan, and Immergluck (2009)
### Table 3.1. Foreclosure Prevention Programs & Activities

<table>
<thead>
<tr>
<th>Activity/Programs:</th>
<th>Who Is Involved?</th>
<th>Operating or Planned/In Process?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreclosure Counseling and Home Ownership Counseling, including: Loan Modifications Classes &amp; Clinics Individual Sessions</td>
<td>Atlanta Legal Aid Consumer Credit Counseling Service (CCCS) D&amp;E, The Power Group Neighborhood Assistance Corporation of America (NACA) Reynoldstown Revitalization Corp. The IMPACT! Group The Urban League DeKalb Housing Counseling Cobb Housing, Inc. Green Forest CDC ACORN Home Free USA Metro Fair Housing Services Several private attorneys</td>
<td>All Operating, ongoing</td>
</tr>
<tr>
<td>Legal claims on behalf of borrowers</td>
<td>Atlanta Legal Aid Georgia Law Center Georgia Legal Services—planning</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Sound Reverse Mortgages for some senior home owners</td>
<td>Atlanta Legal Aid</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Financial Support for Foreclosure Housing Counseling</td>
<td>NeighborWorks America Georgia Department of Community Affairs DeKalb County Gwinnett County Fulton County City of Atlanta U.S. Department of Housing and Urban Development IFFLA The Urban League SEEDCO Fannie Mae SunTrust JP Morgan Chase / WaMu</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Technology Systems: Hope Hotline—24/7 call centers for borrowers</td>
<td>collaborative</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Best Fit Program—automated refi analysis system</td>
<td>NeighborWorks America</td>
<td>Used by TIG, RRC</td>
</tr>
<tr>
<td>Loss Mitigation Express—used in Florida</td>
<td></td>
<td>Not used in Georgia</td>
</tr>
<tr>
<td>Saves Homes Program—underwriting for refi’s</td>
<td>Developed by and for NACA</td>
<td>Not used in Georgia</td>
</tr>
<tr>
<td>NEOCANDO System—predicts foreclosures by geography</td>
<td>Developed in Cleveland, OH</td>
<td>Not used in Georgia</td>
</tr>
</tbody>
</table>
### Activity/Programs:

<table>
<thead>
<tr>
<th>Activity/Programs:</th>
<th>Who Is Involved?</th>
<th>Operating or Planned/In Process?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Training for Housing Counselors</td>
<td>NeighborWorks America / NCHEC</td>
<td></td>
</tr>
<tr>
<td>Professional Training for Legal Services Lawyers</td>
<td>IFFLA</td>
<td></td>
</tr>
<tr>
<td>Pro-active outreach to delinquent homeowners</td>
<td>Sun Trust</td>
<td>Ongoing</td>
</tr>
<tr>
<td></td>
<td>Chase/WaMu</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fannie Mae</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Some other lenders not present</td>
<td></td>
</tr>
<tr>
<td>Clayton County Foreclosure Resource Center</td>
<td>D&amp;E</td>
<td>Ongoing</td>
</tr>
<tr>
<td></td>
<td>CCCS</td>
<td></td>
</tr>
<tr>
<td>Collaborations with servicers &amp; housing counseling agencies to standardize the workout process.</td>
<td>CCCS has developed a program</td>
<td>Ongoing and In Process</td>
</tr>
<tr>
<td>Loan fund for distressed borrowers (limited)</td>
<td>Resources for Residents and Communities (RRC)</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Rich, Carnathan, and Immergluck (2009)

### THE NEXT STAGE OF NEIGHBORHOOD STABILIZATION

In the first phase of the federal government’s NSP process, HUD granted funds to Community Development Block grant (CDBG) jurisdictions and states by formula. In the second phase, jurisdictions and other entities had to compete for resources. Nonprofits as well as local governments could compete, and proposals by regional coalitions were encouraged. Proposals were in preparation in June and July 2009 and, given the analytic work noted above, this timing was indeed fortuitous for ARC, which took the lead in developing the NSP2 proposal for a Consortium of local governments in the Atlanta region.

Most of the potential participants in the NSP2 proposal Consortium had seen the presentations on foreclosure trends provided earlier by ARC/OUCP. Their data provided confidence that many of the indicators at the neighborhood level that would be needed to assist in targeting resources were available—particularly the data on recent trends in foreclosure incidence. Ultimately, six suburban counties (Clayton, DeKalb, Douglas, Gwinnett, Henry and Rockdale) decided to join ARC in the Consortium. All of these counties were among those facing the most serious surges in foreclosures in the region at the time.9 The other key participant in the NSP2 Consortium is the Atlanta Neighborhood Development Partnership (ANDP) noted above, which will assist in overall coordination and will provide technical assistance, training and marketing assistance to ARC and the individual jurisdictions.
The NSP2 proposal states that “the Consortium’s integrated approach will be focused solely on acquisition, rehab and repopulation of foreclosed and abandoned properties . . . Target areas in each county were selected to address areas of greatest need balanced with potential for immediate impact to suspend the spiral of declining prices by concentrating acquisitions . . .” 10

The Consortium plans to offer soft second mortgage financing to homebuyers, lease-purchasers and owners of rental units. For units receiving Consortium second mortgages, the affordability period is to extend five years beyond the HOME requirements.11 Mortgage payments will go into a regional housing trust fund to be used solely for affordable housing. The Consortium’s application also includes a plan for substantially leveraging HUD NSP2 funding and for the aggressive marketing of properties to responsible buyers.

ARC/OUCP data were also made available to assist in another NSP2 proposal prepared in the Atlanta region by the Georgia State Trade Association of Nonprofit Developers (GSTAND). Neither ARC nor OUCP assisted with the analysis directly, but it is expected that the use of the same data sets on foreclosure trends and other market conditions should promote consistency in plans coming from the region.

STRATEGIC SUPPORT FOR INDIVIDUAL NEIGHBORHOODS

Emory’s OUCP has begun in-depth neighborhood analysis of foreclosure impacts in the East Lake Terrace neighborhood in DeKalb County. East Lake Terrace has long suffered from problems associated with concentrated poverty but has also been hit particularly hard by predatory lending and foreclosures. The project involves a team of faculty and students, working with the East Lake Terrace Neighborhood Association (ELTNA), the DeKalb Community Development Department and related community groups and associations.

This effort is seen as a special opportunity to complement the strategic work at the regional level discussed above. In addition to a better informed regional targeting of resources, effective responses to the foreclosure crisis are likely to require a mix of other actions within individual neighborhoods by multiple actors ranging from public agencies to the residents themselves. OUCP wants to test a strategy development process in this context that is much more information-intensive than has been typically possible in most cities in the past.

The team is starting with a structured interactive program with the residents entailing asset mapping as well as frank discussions of issues and concerns. Data from the asset maps will then be brought together with the rich GIS information that has been assembled on neighborhood conditions and trends for the broader foreclosure response effort. Joint
examination of the data should help in identifying opportunities for potential remediation strategies.

A second, similar, effort is planned for another DeKalb neighborhood, Wesley Chapel. OUCP has made a presentation to the neighborhood association and hands-on work with local stakeholders should begin soon, potentially in partnership with the ANDP and NeighborWorks affiliates.

**FUTURE PROSPECTS**

Atlanta’s Neighborhood Nexus partners, ARC and OUCP, plan to continue monitoring foreclosures and other housing market trends, making the results widely available and using the data to design (and adjust) neighborhood stabilization strategies at both the regional and neighborhood levels.

In the short term, ARC and OUCP also continue to convene relevant players working on the foreclosure crisis in Atlanta. Another meeting of the Advisory Committee is being planned for October 2009 and will include updates on data, further discussions of program activities, and presentations on the ELTNA model.

But the team also hopes to find ways to sustain the regional monitoring/coordination work in a long-term institutional arrangement. One possibility is to make this work a permanent function of ARC’s Regional Forum, which already conducts quarterly meetings on housing issues. The idea of establishing a website to disseminate updates on the data and information on programs and policies is also being explored, and this could work hand in hand with recurring Regional Forums.
4. THE PROGRAM IN CHICAGO

The Metropolitan Chicago Information Center (MCIC), the NNIP partner in Chicago, is a nonprofit organization providing unbiased and quality research, information, and consulting services. For this project, MCIC analyzed the client records of the Greater Southwest Development Corporation (GSDC) to better understand the foreclosure counseling services provided in the Chicago Lawn neighborhood.

INSTITUTIONAL AND POLICY ENVIRONMENT

The Chicago metropolitan area benefits from rich organizational resources in combating foreclosures, with one of the strongest civic infrastructures in the country. In 2003, the Home Ownership Preservation Initiative (HOPI) was formed as a collaboration among 22 financial institutions, the Neighborhood Housing Services, the City of Chicago and the Federal Reserve Bank of Chicago. As foreclosures spread to the suburbs in the current crisis, the city model was extended to create the regional Home Ownership Preservation Initiative (RHOPPI). In addition to the original partners, RHOPPI includes the Chicago Metropolitan Agency for Planning (CMAP), counseling agencies, and research organizations. The regional initiative has four workgroups: Homeowner/Homebuyer Counseling, Refinance and Financial Resources, Foreclosed Properties, and Research. MCIC participates in the RHOPPI Research workgroup with other research organizations to discuss the sources and processing of foreclosure data.

In addition to RHOPPI, the Foreclosure Prevention and Mitigation Project, sponsored by the MacArthur Foundation and the city of Chicago, encompasses foreclosure prevention and neighborhood stabilization activities. Planned investments total $68 million. Organizations implementing the program include:

- Neighborhood Housing Services of Chicago, Greater Southwest Development Corporation and the Legal Assistance Foundation. These organizations conduct extensive outreach throughout Chicago and provide group and individual counseling services. MacArthur grant funds enabled them to extend their efforts. The MacArthur
Foundation also dedicated funds in the form of low-interest loans to support mortgage credit access and refinancing products to Chicago residents.

- **Lawyers' Committee for Better Housing.** The committee provides legal services for renters facing eviction and works with building owners who are delinquent on their mortgages. Legal services include representation for rental fraud or other cases, and help so that renters facing eviction can keep their homes or gain additional time to find alternate, comparable housing.

- **Mercy Housing.** In partnership with the City of Chicago and other local housing developers, Mercy Housing addresses challenges resulting from the rapidly increasing inventory of vacant properties throughout Chicago. MacArthur grant funds are dedicated for the acquisition, rehab and disposal of vacant properties. Up to 3,500 properties—including resale, rent-to-own, rental, and redevelopment—will be acquired under this initiative.

The local efforts to respond to the foreclosure crisis in Chicago have been bolstered by the state legislative context and federal funding. Illinois is a judicial foreclosure state, with the expected time from the foreclosure notice to sale lasting on average about nine months (Cutts and Merrill 2008). In the fall of 2008, the state legislature passed laws protecting the rights of renters in foreclosed homes (Young and Guyer 2008). The Chicago community has also taken advantage of federal programs. The Neighborhood Stabilization Program (NSP) granted $55 million to the city of Chicago, $28 million to Cook County and $11 million total to Aurora, Elgin, Joliet and Cicero. In response to the NSP2 call for proposals, the city of Chicago applied for $98 million, and Cook County, NHS, and several suburban cities formed the Chicago Metropolitan Neighborhood Stabilization Program 2 Consortium to request $79 million.

**PROJECT DESCRIPTION**

MCIC's main role in the Foreclosure Prevention and Mitigation Project centers on the neighborhoods in the New Communities program, the MacArthur Foundation’s comprehensive community improvement initiative. The Foundation funded MCIC to work closely with several housing counseling agencies to develop a consistent format for reporting housing counseling activities. MCIC now compiles the individual organizations’ monthly reports to create a more complete picture of foreclosure prevention efforts in the New Communities neighborhoods. With about nine months of counseling data assembled to date, MCIC has provided valuable information about service capacity and client needs. By presenting the aggregated information
back to the RHOPI. MCIC has spurred new conversations about common issues, such as loan modification strategies.

Through these data collection efforts, MCIC staff cultivated relationships with the counselors, learning about their day-to-day challenges and their concerns about the data collection process. MCIC learned through this experience that counseling organizations did not have the capacity to review their own program data in detail or to track clients’ housing outcomes post-counseling.

MCIC used the current project to begin to address this gap, in partnership with the Greater Southwest Development Corporation (GSDC). GSDC is a nonprofit community development corporation working on residential, commercial, and industrial revitalization efforts in Southwest Chicago. Among other programs, GSDC offers first-time homebuyer services, foreclosure prevention counseling, and other types of financial counseling. MCIC had originally hoped to work with additional agencies, but found a lot of resistance to sharing client records, even with privacy protections.

Through the creation of a unique database linking GSDC client counseling information to the city’s administrative property data, MCIC set out to (1) characterize the clients and housing counseling services of GSDC in the Chicago Lawn neighborhood; (2) report the housing outcomes for the counseled households; and (3) analyze which foreclosure counseling activities appear most effective, given neighborhood housing market conditions.

DATA ASSEMBLY

MCIC first cleaned and geo-coded GSDC’s individual level data for clients served between March 2005 and February 2009. Restricting the analysis to homes located in the Chicago Lawn area resulted in 598 counseling records. Foreclosure filing and auction data for the same time period were obtained from a private company, Record Information Services. MCIC then matched the two files together, using a parcel-to-address crosswalk developed by the Real Estate Center at DePaul University.

PROGRAM ANALYSIS RESULTS

Over these four years, about 37 percent (220 of 598) of GSDC client records matched to a foreclosure filing. In 2006, foreclosures only represented one-third of the GSDC counseling cases, but by 2008, households in foreclosure accounted for more than 80 percent of GSDC’s counseling workload (Figure 4.1). Figure 4.2 maps GSDC’s client base and shows the organization’s widespread assistance throughout the Chicago Lawn neighborhood, yet the
organization only served 5 percent of all foreclosed properties in the neighborhood between 2005 and 2008. The remaining foreclosed households may have received services from other counseling agencies, but the magnitude of the need for counseling in this neighborhood is clear.

FIGURE 4.1: GREATER SOUTHWEST DEVELOPMENT CORPORATION’S CLIENTS BY FORECLOSURE STATUS

Counseling Clients Experiencing a Foreclosure Filing, by Year of Filing

Source: GSDC; analysis by MCIC
FIGURE 4.2: MAP OF GREATER SOUTHWEST DEVELOPMENT CORPORATION’S COUNSELING CLIENTS

Counseling Clients Experiencing Foreclosure in the Chicago Lawn Area 2005-2008

Source: Cole (2009)
MCIC also used the database assembled for this project to explore unique state legislation (HB4050) in effect between 2006 and 2007 that mandated that households intending to buy homes in designated areas (including Chicago Lawn) receive housing counseling prior to the purchase. GSDC counseled 50 potential homeowners under this program. About half of the HB4050 clients received their counseling in one hour or less, and the median time between the first and last appointments for the HB4050 clients was very short (two days). Given the short duration of interaction, it is not surprising that these counseling sessions did not appear to inoculate these buyers from foreclosures—one out of three of GSDC’s HB4050 clients had a foreclosure filing before the end of 2008.

FUTURE PROSPECTS

MCIC does not know the full payoff of their analysis yet, but this project took the first steps toward building relationships between research and counseling organizations and successfully combining client and administrative data to improve the design and assessment of counseling programs. GSDC is currently reviewing the analysis results, and considering how the findings can help their advocacy and service work. MCIC plans to showcase this project on their e-newsletter, and also share it with counseling agencies in the New Communities neighborhoods and regional counseling groups in the RHOPI network.

One unexpected benefit of working in-depth with the GSDC client data is that MCIC discovered ways to revise the standard monthly housing counseling and outreach summary reports collected from local agencies. This will result in more complete and accurate counseling data going forward. On the research side, MCIC is also exploring how counseling client data can be used to analyze the impacts of recently passed legislation that delays the foreclosure process for those seeking counseling.

The MCIC-GSDC partnership provides a replicable model of a research partner and counseling agency going beyond tracking outputs to evaluating the success of counseling services in a relatively low-cost and credible way. One major challenge MCIC found was that the counseling agency staff are so overburdened with service needs they have little time to devote to program analysis. Having a real-life example can demonstrate the benefits of investing time in the partnerships and data collection to stretched counseling agencies.
5. THE PROGRAM IN WASHINGTON, D.C.

The NNIP partner in Washington, D.C., is *NeighborhoodInfo DC* (a collaboration between the Urban Institute and the Washington, D.C., Local Initiatives Support Corporation, LISC), which has conducted many previous studies of housing market conditions in the city and its region.¹³

**INSTITUTIONAL AND POLICY ENVIRONMENT**

The potential for a regional response to the foreclosure crisis in metropolitan Washington is complicated by the fact that the metropolis is composed of sizeable territories in three state-level entities that are legally independent of each other: the District of Columbia and the states of Maryland and Virginia.¹⁴

The most important region-wide actor is the Metropolitan Washington Council of Governments (COG), which has a positive history of collaboration across state and local boundaries that includes conducting regular analyses and holding forums on housing issues. Before this project began, COG held a Regional Housing Foreclosure Summit in May 2008 and released a report evaluating the scope of the foreclosure problem in the region by the Center for Regional Analysis at George Mason University.¹⁵ COG has also made grants to six counseling agencies.

Within the region, the strongest civic infrastructure engaged in housing issues is found in the District of Columbia. The District government, working in collaboration with many nonprofits and funders, completed in 2006 an analytically based housing strategy (Comprehensive Housing Strategy Task Force 2006). *NeighborhoodInfo DC* played an important role in providing analysis to support the strategy and has built close relationships with all of the key actors in the city. Most prominently, these include the District’s Department of Housing and Community Development (DHCD) and Housing Finance Agency and four key nonprofit groups: the Affordable Housing Alliance (AHA); the Coalition for Nonprofit Housing and Economic Development (CNHED); the local office of LISC; and Housing Counseling Services, probably the strongest counseling resource now working on foreclosure prevention in the District.
Many of the region’s suburbs, however, also have capacity to address housing problems, although it is being sorely strained in the present crisis. Governments of all inner-ring suburban jurisdictions (Alexandria City and Arlington, Fairfax, Prince George’s, and Montgomery counties) have professional housing staffs. Prominent housing counseling groups operating in the suburbs include the Housing Initiative Partnership (HIP); the Latino Economic Development Corporation, Arlington Home Ownership Made Easier, and the Loudon Financial Counseling Program (Nonprofit Roundtable 2008).

The policy/legal environment in the Washington region is complicated because of the variation by state in foreclosure procedures. In the District, which has a non-judicial policy, the foreclosure process can move very quickly. Under the District process, a Notice of Foreclosure Sale can be issued by the lender after the borrower is in default. This notice is sent to the borrower and recorded at the District Recorder of Deeds. It sets a date for the foreclosure auction, typically 30 to 45 days after the notice is issued, and informs the borrower of the payment needed to cure the loan and cancel the foreclosure proceedings. Because the Notice of Foreclosure Sale is recorded in computer-based administrative records, NeighborhoodInfo DC has been able to track initiation of the foreclosure process in the city. (See below for additional discussion of how NeighborhoodInfo DC has used these data.)

Maryland has a judicial foreclosure process, which takes a little longer to complete. Maryland reformed its process in April 2008 to slow it down further and give borrowers more time to cure their defaults. The law now requires lenders to send a Notice of Intent to Foreclose to homeowners 45 days prior to filing for foreclosure in court. A borrower also must be served with papers after the court action is filed, and an auction cannot take place sooner than 45 days after the borrower receives notice of the foreclosure action. The borrower is able to cure the default up until the day before the foreclosure auction. Currently, the Baltimore NNIP partner, Baltimore Neighborhood Indicators Alliance (BNIA), is working with the state to analyze the Notices of Intent in the hopes of getting information identifying at risk properties out to counseling agencies early on in the process when there are more options to prevent a foreclosure.

Virginia, on the other hand, is a non-judicial state, and a “power of sale” clause in the deed of trust authorizes a sale of the property by the lender if the borrower defaults. A sale of the property by the lender takes about 45 days, during which the lender must provide the borrower with notice of the foreclosure sale at least 30 days prior. Borrowers with subprime loans can receive an additional 30 days before the sale if they contact the lender about curing the default. Because the notice of foreclosure is not filed with a court or administrative office, it is difficult for counseling agencies to target their services to those most in need of assistance.16
DATA ASSEMBLY AND INITIAL ANALYSIS

Two other projects sponsored by Fannie Mae contributed to the data work of this project. The first was a grant to the Urban Institute to prepare another edition in its *Housing in the Nation’s Capital (HNC)* report series, this time featuring analysis of the foreclosure crisis in the Washington, D.C., region (Pettit et al. 2009). Two valuable new region-wide files with data at the zip code level were acquired for the HNC report: (1) data from LPS Applied Analytics on the foreclosure inventory and delinquencies; and (2) data from Metropolitan Regional Information System (MRIS) on home sales volumes and prices. Both files have been made available for use by *NeighborhoodInfo DC* in the current project, to help officials from various regional jurisdictions plan and implement foreclosure response programs.

The second Fannie Mae grant enabled *NeighborhoodInfo DC* to support DHCD in monitoring and managing the city’s foreclosure problem. This entailed building historic parcel-level files on foreclosures (notices of foreclosure and how each case was resolved) from District administrative records, to complement DHCD’s substantial existing data holdings on District properties. The new data have been used to construct what we believe to be the nation’s first “foreclosure report card:” a system for recurrently reporting on the changing status of the foreclosure problem in the city by ward and neighborhood. Results were presented to key audiences in May 2009 and were well covered by the local media (O’Connell 2009).

Figure 5.1 presents data from the parcel-level files that show how foreclosure filings in the District have been resolved since 2003. There are three possible outcomes: (1) the foreclosure is avoided because the borrower is able to remedy the default; (2) a “distressed sale” occurs (the borrower also remedies the default but has to sell the property to do so); and (3) foreclosure sale takes place. From 2003 through 2005, the District’s housing market was at its hottest. Prices were going up and borrowers with financial difficulties could easily sell their property and avoid the foreclosure. The total number of foreclosure notices dropped significantly and among notices filed, only a small share led to foreclosure completion. Since 2005, however, those trends have been reversed. The number of foreclosure notices has gone up rapidly and the share leading to a completed foreclosure has gone up substantially as well, accounting for almost half of the cases resolved (47 percent) for properties that first received foreclosure notices in 2007.
Another benefit of rapid access to records on foreclosure notice is that the data can be used in prevention. *NeighborhoodInfo DC* now regularly provides the addresses of properties that have recently received foreclosure notices to Housing Counseling Services, so that they can reach out to troubled borrowers much more rapidly than was possible before.

These data and analyses offer models that could help other jurisdictions in the region manage their foreclosure problems. Accordingly, a part of this project has entailed planning for work with stakeholders in selected other jurisdictions in the region to apply the approaches developed in the District of Columbia work.
USING THE DATA—REGIONAL PLANNING FOR NSP2

In the last few months of 2008 and early 2009, NeighborhoodInfo DC was assembling and cleaning its new data and learning from its work on foreclosure issues with the District of Columbia. It had informal discussions with COG about possible uses of data in responding to the foreclosure crisis at the regional level, but the first real opportunity to put these ideas into practice occurred in May 2009.

As was the case for the NNIP partner in Atlanta, an opportunity arose via HUD’s solicitation for NSP2 grants. COG convened a meeting on May 22, 2009, attended by the housing directors of COG local member jurisdictions and housing sector private and nonprofit leaders, as well as COG staff. The purpose was to discuss the possibility of developing a regional Consortium proposal to HUD for NSP2 funding. Due to its work on the present project, NeighborhoodInfo DC had the data at the ready. It presented analysis completed to that point on recent trends in foreclosures and other housing market indicators at both the neighborhood and regional levels as the substantive basis for a Consortium proposal approach.

Meeting participants expressed considerable interest in the Consortium idea and six local governments ultimately agreed to join COG in the NSP2 proposal: the cities of Alexandria, VA, Bowie, MD and Gaithersburg, MD plus Prince George’s County, MD, and Fairfax and Prince William Counties in VA. Combined, the Consortium members represent more than half of the total population in the COG region. NeighborhoodInfo DC’s analysis of foreclosure patterns at the ZIP-code level showed that Prince George’s County and Prince William County contain many of the region’s neighborhoods most seriously affected by foreclosures (Figure 5.2). The term “foreclosure inventory” as used here refers to loans where property owners have received notices of foreclosure but the case has yet resulted in foreclosure or been finally resolved in other ways.

Based on its presentation at the initial meeting, NeighborhoodInfo DC was invited to join the proposal development working group and thereafter provided the analytic support (involving further market analysis and relating foreclosure risk levels and market conditions for different types of neighborhoods to various mixes of program activity) for the Consortium proposal.

According to the NSP2 Notice of Funding Availability (NOFA) issued by HUD, applicants had to target NSP2 funding to specific census tracts that had high foreclosure risk (as defined by HUD). Due to the size of the jurisdictions involved in the Consortium, there were hundreds of census tracts that qualified. In order to narrow down the list of qualified neighborhoods and identify tracts to target with NSP2 dollars, the Consortium used the data assembled by
NeighborhoodInfo DC to select “tipping point” neighborhoods: those that were facing serious foreclosure problems and, given data on other contextual factors, would benefit the most from NSP2 funds.

The Consortium used the strategic framework outlined by the Urban Institute in a report on the impacts of foreclosures on families and communities for the Open Society Institute (Kingsley, Smith, and Price 2009). This framework recognized that neighborhood market strength as well as foreclosure risk had to be considered in targeting limited funding (e.g., if neighborhood markets are too weak, NSP funds might not be enough to create the turnaround needed to make investment sustainable).

However, the analysis contained in the proposal also looked at other factors that might affect the impact of NSP2 expenditures. Specifically, the factors included tracts’ accessibility to public transit and major roads/freeways, proximity to major employment centers, receipt of recent significant public/private investment, and nearness to other neighborhoods with strong housing markets. (Figure 5.3)

Having obtained the LPS Applied Analytics data on the foreclosure inventory and the MRIS data on sales, NeighborhoodInfo DC was able to provide the Consortium with an analysis of how high foreclosure risk neighborhoods fit into the strategic framework for a coordinated foreclosure response system and help them target neighborhoods that had strong or intermediate markets. These types of markets were prioritized because the Consortium members intend to pursue two primary activities if funded: (a) acquisition and rehabilitation of foreclosed properties, and (b) homebuyer assistance.

Notably, the Consortium also took advantage of the economies of scale offered by its membership and outlined in the NSP2 proposal steps to acquire foreclosed properties in bulk for the region, possibly in partnership with the National Community Stabilization Trust, rather than solely in a piecemeal fashion, jurisdiction by jurisdiction. Their NSP2 application also proposes to leverage any award by developing a regional loan fund for development groups, including non-profits, to acquire foreclosed properties. A portion of the NSP2 award would be used as the loan loss reserve for the fund. The proposal was completed and submitted to HUD in July 2009.
Figure 5.2. Pct. of Loans in Foreclosure Inventory in the Washington, D.C., Metropolitan Area.

Source: Data from LPS Applied Analytics, formerly McDash Analytics, LLC tabulated by NeighborhoodInfo DC.

June, 2009
Figure 5.3: Selected Tracts for the Metropolitan Washington Area Consortium Neighborhood Stabilization Program 2

Legend
- County Borders
- Metro Lines
- Commuter Rail Lines
- Future Rail Lines
- Future Light Rail Stations
- Major Roads
- COG Activity Centers
- Selected COG NSP2 Tracts

Source: NeighborhoodInfoDC and The Metropolitan Washington Council of Governments

1 inch equals 6 miles
FUTURE PROSPECTS

The NSP2 proposal explicitly calls for NeighborhoodInfo DC to continue to update and monitor its indicators and participate in COG planning sessions to support the design of mid-course corrections should the application be funded. Even if the Consortium’s application is not funded, however, efforts will be made to continue updating the data and monitoring the housing situation to benefit ongoing strategic planning by COG and its members. NeighborhoodInfo DC also hopes to continue to work with individual jurisdictions that have participated in the Consortium. This will include assisting them in: (1) using data from the Urban Institute for strategic planning; (2) improving their own local parcel level data bases for foreclosure-related work; and (3) developing recurrent report cards on the status of foreclosure problems within their boundaries (using the approach developed for DHCD as a model).

NeighborhoodInfo DC’s broader goal is to work with COG to build on the foundation established through the NSP2 discussions in promoting more regional approaches to housing and community development issues. One initiative now being discussed, for example, is a formal (quantitative) assessment of the housing counseling capacity in the region as a basis for developing plans to strengthen it. The work may also include conducting additional region-wide forums that would present updated data on the foreclosure crisis and highlight how various local governments are responding. Efforts will be made to gain press coverage of these events, and exploit other opportunities for disseminating results, in order to promote public education and regional approaches.
REFERENCES


ENDNOTES

1 Examples of recent work of relevance by NNIP partners include: Been and Glasshauser (2009); Betts, Goethe, and Foster (2008); Charkoff and Rotondaro (2008); and Coulton, Mikelbank, and Schramm (2008). Recent work by Urban Institute authors includes Kingsley, Smith, and Price (2009); Kingsley and Pettit (2009); Tatian and Hendey (2009); and a considerable amount of the content provided at http://www.foreclosure-response.org.


3 The FHFA index is based on conforming conventional home purchase mortgages purchased or guaranteed by Fannie Mae and Freddy Mac. For a complete explanation, see http://www.fhfa.gov/Default.aspx?Page=81.

4 Under HMDA, lenders are required to file reports on virtually all mortgage applications they receive in metropolitan areas. The reports include data on the location (census tract) of the property, race and income of the borrower, and whether the mortgage was denied or originated. While the Act's purpose was to provide a basis for assessing discrimination in mortgage lending, the HMDA data also provided for the first time a basis for monitoring housing market activity year-by-year at the neighborhood level. A comprehensive review of HMDA data and its possible uses is provided in Pettit and Droesch (2007).

5 This denominator includes single-family attached and detached homes, condominiums, manufactured homes, and owner occupied and rental housing units in buildings with two-to-four units. Nationally comparable data on this denominator are not available at the neighborhood level since 2000, but using the constant 2000 number should not distort the indicators by much in most cases because the size of the housing stock in a neighborhood typically changes very slowly. There would be distortion, however, where the size of the stock has changed markedly since 2000.

6 In this report, we define subprime loans as conventional loans (i.e., not government-insured) originated by lenders identified by the U.S. Department of Housing and Urban Development as specializing in subprime lending. Specifically, subprime lenders are defined as those with subprime loans accounting for at least half of their conventional lending in that year. Since 2004, the HMDA files also present data on “high cost” loans, which may be a better definition in some respects. However, we rely on the lender-based definition because it can be used in comparisons with earlier years.

7 We use the annual average of the subprime origination rate from 2002 through 2006 (the peak period of subprime lending activity) to represent the level of subprime activity in our analysis. This is because the rates vary from year to year, and choosing the value for any one year might not reliably represent the level for the period as a whole. This can be important at the tract level, where mortgage origination rates can differ notably from one year to the next. While this may not be as much of an issue at the metropolitan level, we use the same five year average to be consistent with tract comparisons.

8 Information in this section was drawn from Rich, Carnathon, and Immergluck (2009) and Swanstrom, Chapple, and Immergluck (2009).
A separate NSP2 consortium proposal was submitted by the City of Atlanta and Fulton County, representing approaches to addressing foreclosure issues in the central city which, as noted, differed in a number of respects from the challenges faced in the suburbs.

Atlanta Region NSP2 Consortium Stabilization Program Application #830203027.

Jurisdictions must ensure that HOME-funded housing units remain affordable 20 years for new construction of rental housing and 5 to 15 years for construction of homeownership housing and housing rehabilitation, depending on the amount of HOME subsidy. See http://www.hud.gov/offices/cpd/affordablehousing/programs/home/index.cfm for more information.

Section developed from information in Cole (2009) and Swanstrom, Chapple, and Immergluck (2009).

The work of NeighborhoodInfo DC is documented on its web site: http://www.neighborhoodinfodc.org/.

While the officially defined metropolitan area includes one county in West Virginia, the Metropolitan Washington Council of Governments’ service area only includes the District and counties in Maryland and Virginia.


For more information, please see http://dllr.maryland.gov/finance/consumers/mortforeinfo.shtml#process and http://www.virginiaforeclosureprevention.com/steps.asp

Results were presented at a public “Housing Monitor Forum” on May 5, 2009, which was attended by over 60 representatives of government agencies and community nonprofits, and in City Council testimony on May 28. (See “Statement of Peter A. Tatian before the Council of the District of Columbia on the Impact of Foreclosures on Home Ownership and Affordable Housing in the District of Columbia,” May 28, 2009)


The Metropolitan Washington Area Consortium NSP2 Application can be found at http://www.mwcog.org/publications/recovery/nsp2.asp.