

Statement of

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District Government Home Foreclosure Prevention Programs

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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 director of NeighborhoodInfo DC, an information resource for the District of Columbia.¹ I appreciate the opportunity to provide this testimony highlighting data compiled by NeighborhoodInfo DC on housing foreclosures in Washington, D.C.

The most recent data that we have analyzed show that foreclosure activity in the District of Columbia has slowed in recent months but remains at relatively high levels. Furthermore, any slowdown now is likely a temporary pause resulting from the passage of the new local foreclosure mediation law and mortgage documentation problems affecting servicers nationally. Many D.C. homeowners are still having difficulty paying their mortgages, which puts them at risk of foreclosure down the road. Finally, the city's housing market continues to be affected by the crisis because of high levels of foreclosure-related sales in certain neighborhoods.

Accompanying my testimony are tables and charts that show the current foreclosure situation in the city. According to records provided by the D.C. Recorder of Deeds, 2,277 single-family homes, 1,237 condominium units, and 473 cooperative and rental properties received a foreclosure notice in 2010 (table 1). Although these numbers were down slightly from 2009, they are among the highest levels of foreclosure activity we have seen in the past 10 years.

Figure 1 shows the current foreclosure inventory of single-family homes and condominiums. Total foreclosure inventory fell sharply in 2010, from a peak of 3,400 housing units to about 2,300 by the fourth quarter. Foreclosure starts and foreclosure sales also declined over the year. This seemingly positive trend, however, may not last. The new foreclosure mediation law effectively placed a moratorium on foreclosure starts while the program was put into place. In addition, the foreclosure documentation, or "robo-signing," problems of servicers have also slowed down new foreclosure filings nationally. It is reasonable to expect foreclosure activity to increase again once the mediation program is fully operational and the servicer documentation issues get resolved.

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>.

Furthermore, many D.C. homeowners continue to have trouble paying their mortgages. Data on delinquencies (figure 2) show that about 3,000 homeowners were three or more months behind on their mortgage payments by the end of 2010. These delinquent homeowners are not yet in foreclosure but are likely headed for foreclosure if they cannot resolve their situation.

Finally, increasing numbers of foreclosure-related sales continue to affect the D.C. housing market. In particular, Wards 4, 5, 7, and 8 have very high shares of REO, foreclosure, and distressed sales of single-family homes and condominiums.² In Ward 8, more than half of the home sales in the fourth quarter of 2010 were foreclosure-related transactions. These types of sales can have an adverse impact on the local housing market and depress neighborhood property values.

These data show that the problems caused by the housing crisis have not abated and that the city should continue to take steps to protect homeowners, renters, and neighborhoods from the negative impacts of foreclosures. Although there are many types of assistance that can be helpful, Urban Institute research on the National Foreclosure Mitigation Counseling program shows that assistance provided by 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 rates of mortgage redefault.³ And, although I expect that the new mediation program will be beneficial for many homeowners, experience with similar programs, 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 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. The author would like to thank Leah Hendey, Ashley Williams, Rebecca Grace, and Zach McDade for their help in preparing data for 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.

² 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. Distressed sales are non-foreclosure sales that occur while the property is in the foreclosure process and can include sales by the owner and short sales.

³ For more details on UI research on this topic, see <http://www.urban.org/housing/foreclosure-mitigation.cfm>.

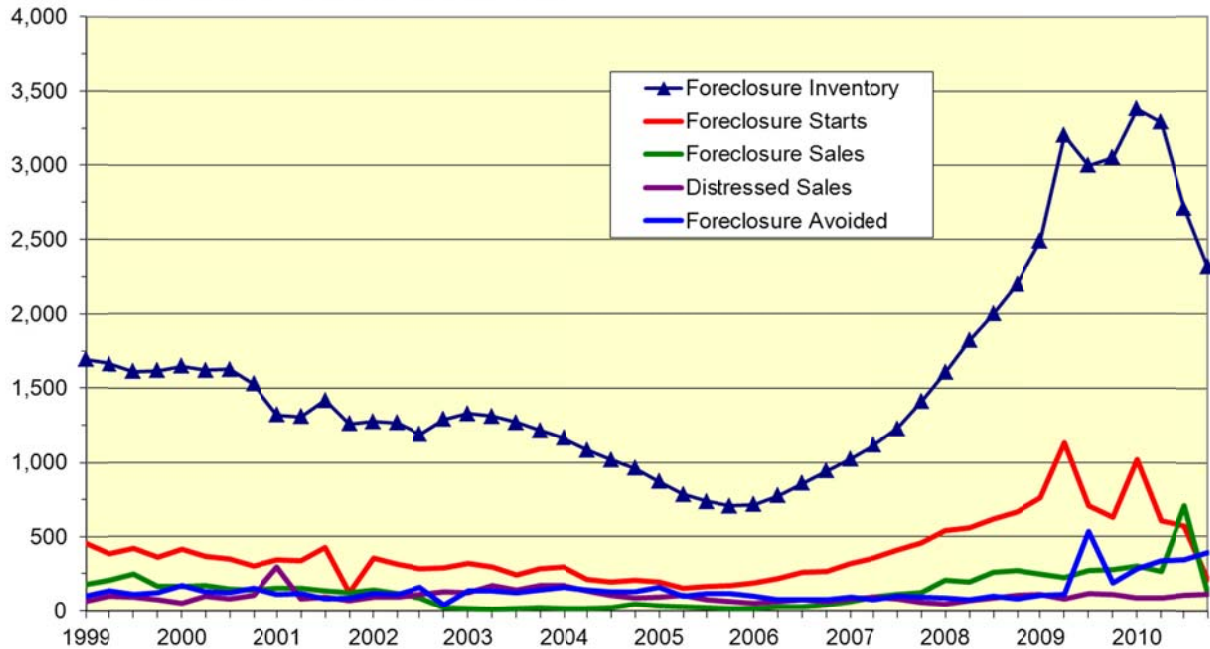
Table 1. Residential Properties Issued a Notice of Foreclosure Sale through 4th Quarter, 2000 – 2010 Washington, D.C.

Properties Issued a Notice of Foreclosure Sale			
	Single-family homes	Condominium units	Multifamily (Coops/Rental)
2000	1,651	153	389
2001	1,390	168	294
2002	1,494	161	297
2003	1,365	158	253
2004	1,045	147	188
2005	763	133	114
2006	873	197	159
2007	1,358	323	267
2008	2,250	525	481
2009	2,801	1,255	575
2010	2,277	1,237	473

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

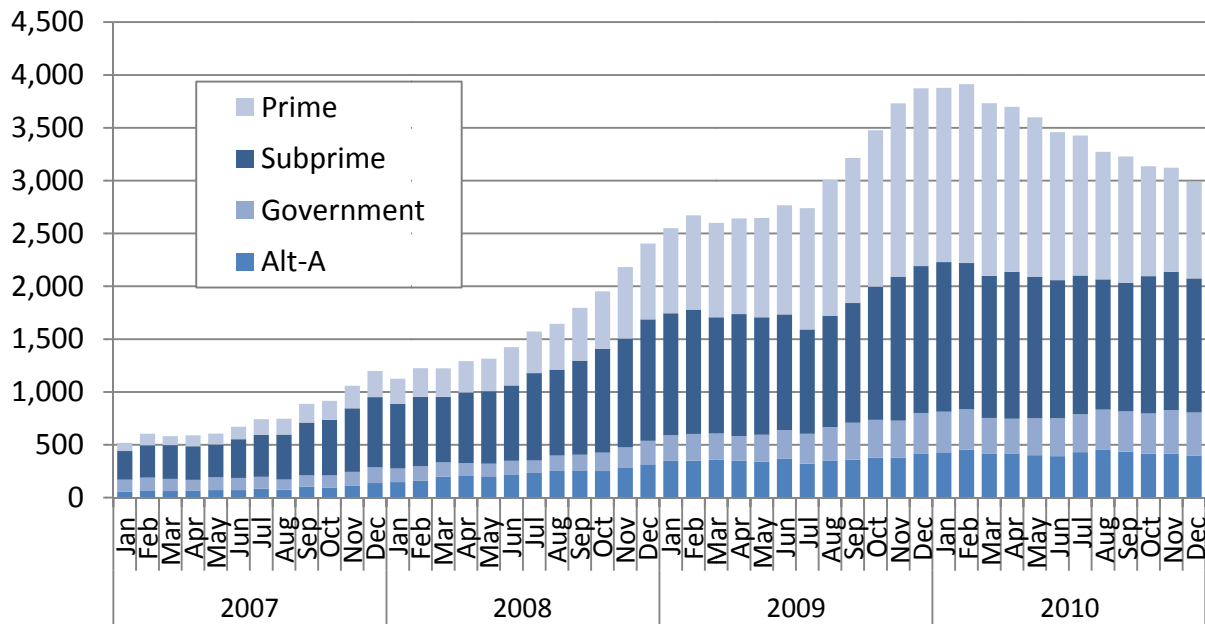
Figure 1. Residential Foreclosure Trends, 1999 Q1 - 2010 Q4 (Quarterly), Washington, D.C.

Number of Single-Family Homes and Condominium Units



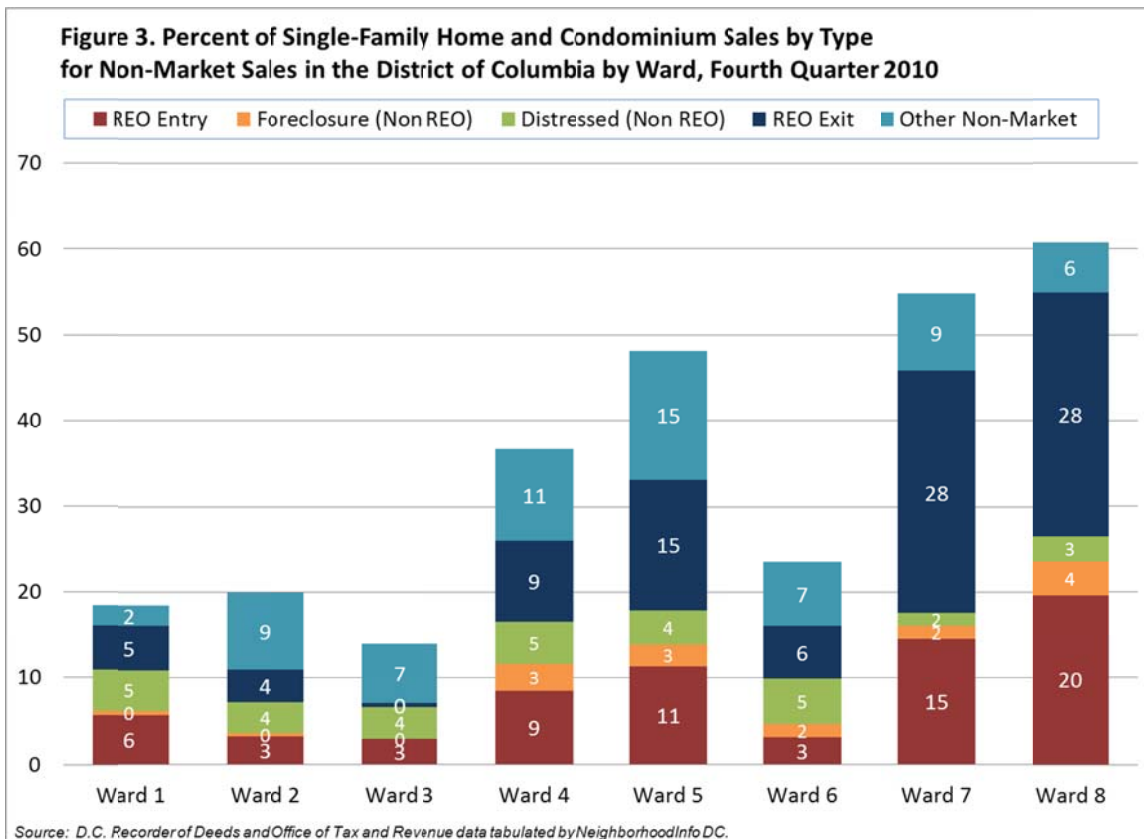
Source: D.C. Recorder of Deeds and Office of Tax and Revenue data tabulated by NeighborhoodInfo DC.
 Note: Sharp fluctuations in foreclosure inventory, starts, sales, and foreclosures avoided are the result of large condominium developments entering and exiting foreclosure in 2009 and 2010. For more details, see <http://www.neighborhoodinfodc.org/foreclosure/notes.html>.

Figure 2. Number of First-lien Mortgages 90 or More Days Delinquent, Washington, D.C., 2007-2010



Source: LPS Applied Analytics data tabulated by NeighborhoodInfo DC.

Figure 3. Percent of Single-Family Home and Condominium Sales by Type for Non-Market Sales in the District of Columbia by Ward, Fourth Quarter 2010



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