

# FORECLOSURE TRENDS 2014

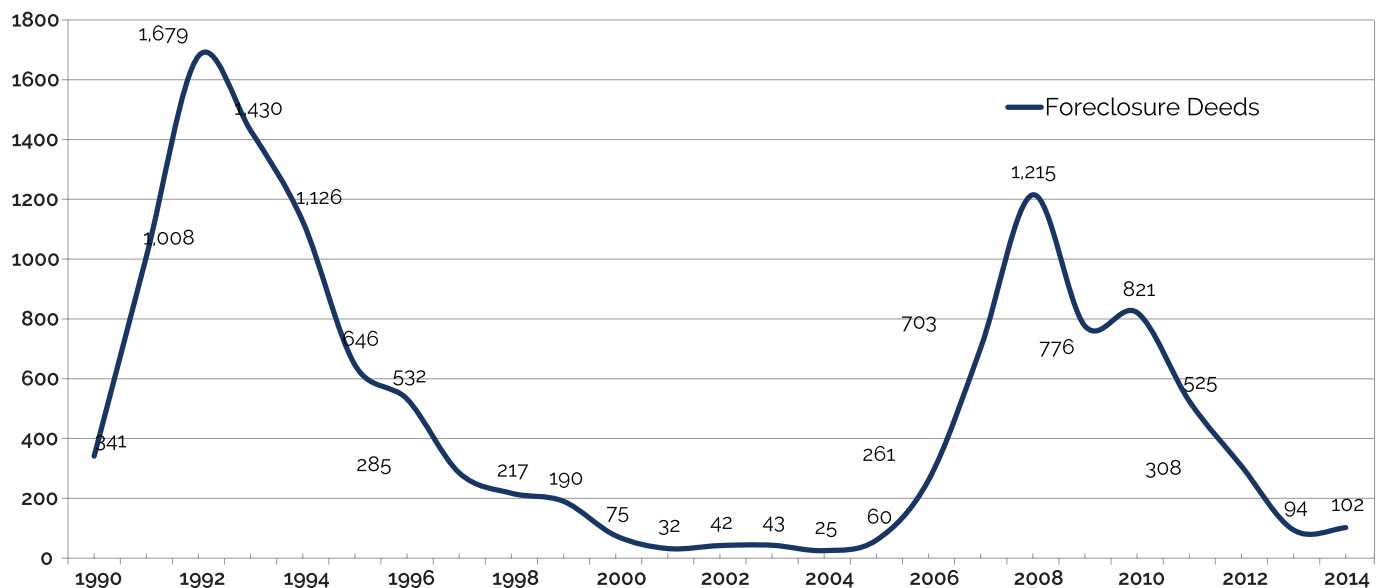
## 2014 FORECLOSURE OVERVIEW

- Foreclosure petitions increased by 39%, from 232 in 2013 to 322 in 2014. Nonetheless, the 2014 total represents the second lowest number of petitions in a single year over the past ten years.
- Foreclosure deeds increased by 9%, from 94 in 2013 to 102 in 2014.
- 68% of petitioned properties occurred in four neighborhoods<sup>1</sup>: Dorchester (95), Hyde Park (43), Mattapan (41), and Roxbury (41);
- 67% of foreclosed properties occurred in the same neighborhoods: Dorchester (24), Hyde Park (17), Roxbury (17), and Mattapan (10).
- 34 homeowners were foreclosed on in 2014, down from 35 in 2013.
- Adjustable-rate mortgages were responsible for 35% of foreclosures in 2014, down 3% from 2013, and none foreclosed before their reset date.
- The percentage of foreclosed properties that were bought back by the lender (REO) in 2014 was 59%, the same as in 2013, but increased by five properties as a result of the increase in total foreclosures from 2013 to 2014.
- At year-end 2014, the City identified 185 properties that were still REO after considering properties that were either sold or foreclosures that were rescinded in Land Court.

<sup>1</sup> Neighborhoods are defined by the Department of Neighborhood Development's geographic boundary referred to as Planning Districts and may not necessarily align with neighborhood boundaries from other sources.

FORECLOSURE PETITION	A lender must file a petition in Land Court to begin the foreclosure process.
FORECLOSURE DEED	Issued at the completion of the foreclosure process, including the auction.
RESIDENTIAL PROPERTY	Condominiums, one-, two-, and three-family homes as designated by the City of Boston Assessing Department.

CHART 1. FORECLOSURE DEEDS IN BOSTON, 1990-2014



# FORECLOSURE TRENDS 2014

## FORECLOSURE PETITIONS

Foreclosure petitions increased by 39% in 2014 compared to 2013, rising from 232 to 322. The 2014 total, however, is still the second lowest number of petitions in a single year since 2005. The rise of petitions is attributed to legislative action and subsequent revisions, which caused banks to delay initiating foreclosures until revisions were finalized.<sup>2</sup> Many of the owners of these petitioned properties will be able to avoid foreclosures through alternate resolutions, such as mortgage modifications, mortgage write-downs, refinances, or short sales.

Sixty-eight percent of petitioned properties were in four neighborhoods: Dorchester (95), Hyde Park (43), Mattapan (41), and Roxbury (41), despite the fact that these four neighborhoods have only one-third of the total residential properties in Boston. Dorchester was the only neighborhood to have more than 50 petitions, and had 20+ petitions in all residential property categories except three-family.

The largest increase in petitions occurred in Dorchester (+43), Roxbury (+18), and South Boston (+11). There were smaller increases in Allston/Brighton (+6), Mattapan (+6), Hyde Park (+5), Charlestown (+4), Jamaica Plain (+3), and Roslindale (+3). Petitions in Back Bay/Beacon Hill increased by one, while petitions in Central, Fenway/Kenmore, and South End saw no change. Only East Boston (-6) and West Roxbury (-4) saw a decrease.

Petitions of condominiums and single-family properties increased by 35 (53%) and 40 (56%) respectively from 2013 to 2014. Two-family petitions grew by 18 (37%), while the percentage of three-family properties petitions declined by 3 (-7%). The largest increase by property types petitioned in a single neighborhood was single-family and condos in Dorchester, increasing by 18 (180%) and 12 (80%) respectively, followed by an increase of 11 (61%) petitioned single-family properties in Hyde Park.

2 2014-2015 Greater Boston Housing Report Card: [http://www.northeastern.edu/dukakiscenter/wp-content/uploads/2015/03/Housing\\_Report\\_2014-15.pdf](http://www.northeastern.edu/dukakiscenter/wp-content/uploads/2015/03/Housing_Report_2014-15.pdf)

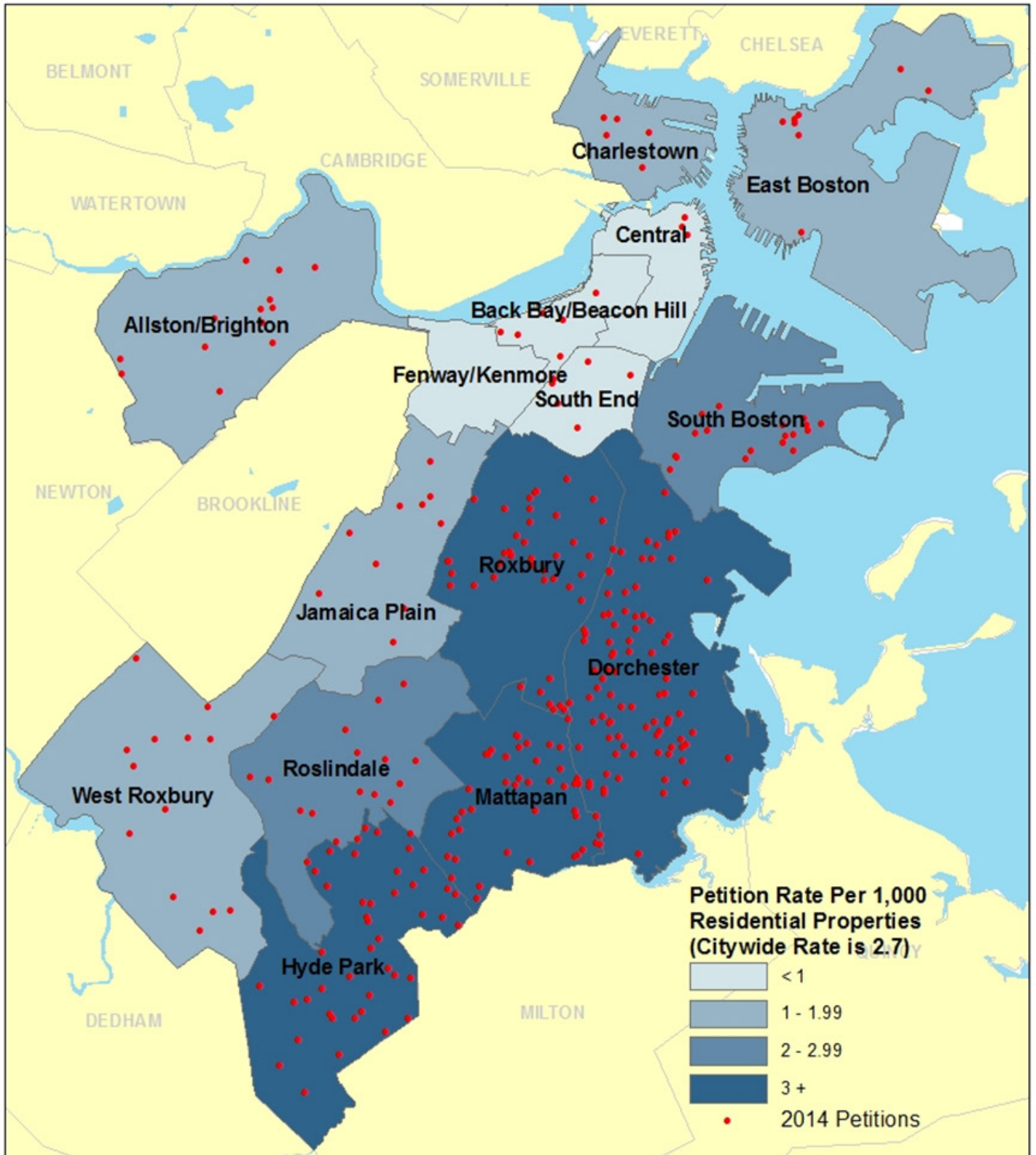
**TABLE 1. FORECLOSURE PETITIONS BY NEIGHBORHOODS & PROPERTY TYPE**

	2013					2014					# CHANGE				
	TOTAL	CONDO	1-FAM	2-FAM	3-FAM	TOTAL	CONDO	1-FAM	2-FAM	3-FAM	ALL	CONDO	1-FAM	2-FAM	3-FAM
Allston/Brighton	7	2	3	1	1	13	9	1	2	1	6	7	-2	1	0
Back Bay/Beacon Hill	5	5	0	0	0	6	6	0	0	0	1	1	0	0	0
Central	3	3	0	0	0	3	3	0	0	0	0	0	0	0	0
Charlestown	1	0	0	1	0	5	1	3	1	0	4	1	3	0	0
Dorchester	52	15	10	13	14	95	27	28	23	17	43	12	18	10	3
East Boston	14	3	5	0	6	8	2	3	1	2	-6	-1	-2	1	-4
Fenway	0	0	0	0	0	2	2	0	0	0	2	2	0	0	0
Hyde Park	38	5	18	11	4	43	2	29	11	1	5	-3	11	0	-3
Jamaica Plain	7	1	1	2	3	10	7	2	0	1	3	6	1	-2	-2
Mattapan	35	6	12	12	5	41	6	18	11	6	6	0	6	-1	1
Roslindale	16	5	8	1	2	19	7	6	4	2	3	2	-2	3	0
Roxbury	23	4	4	5	10	41	11	7	13	10	18	7	3	8	0
South Boston	8	5	1	2	0	19	13	5	0	1	11	8	4	-2	1
South End	6	6	0	0	0	6	5	1	0	0	0	-1	1	0	0
West Roxbury	17	6	10	1	0	13	2	9	1	1	-4	-4	-1	0	1
<b>CITYWIDE</b>	<b>232</b>	<b>66</b>	<b>72</b>	<b>49</b>	<b>45</b>	<b>322</b>	<b>101</b>	<b>112</b>	<b>67</b>	<b>42</b>	<b>90</b>	<b>35</b>	<b>40</b>	<b>18</b>	<b>-3</b>



# FORECLOSURE TRENDS 2014

MAP 1. FORECLOSURE PETITIONS AND PETITION RATE BY NEIGHBORHOOD, 2014



# FORECLOSURE TRENDS 2014

## FORECLOSURE DEEDS

From 2013 to 2014 foreclosure deeds rose by 9%, from 94 in 2013 to 102 in 2014. Seventy-five percent of foreclosed properties occurred in the same four neighborhoods as for petitions: Dorchester (24), Hyde Park (17), Roxbury (17), and Mattapan (10). Hyde Park had the sharpest increase in the total foreclosure count from 5 to 17, an increase of 12. In terms of percentage, the increase was led by Dorchester, which saw an increase of 20% from 20 in 2013 to 24 in 2014. With the exception of Central, every neighborhood has at least one foreclosure.

**TABLE 2. FORECLOSURE DEEDS BY NEIGHBORHOODS & PROPERTY TYPE**

	2013					2014					# CHANGE				
	TOTAL	CONDO	1-FAM	2-FAM	3-FAM	TOTAL	CONDO	1-FAM	2-FAM	3-FAM	ALL	CONDO	1-FAM	2-FAM	3-FAM
Allston/Brighton	3	1	1	1	0	5	4	1	0	0	2	3	0	-1	0
Back Bay/Beacon Hill	2	1	1	0	0	2	2	0	0	0	0	1	-1	0	0
Central	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Charlestown	0	0	0	0	0	1	1	0	0	0	1	1	0	0	0
Dorchester	20	7	6	3	4	24	12	7	2	3	4	5	1	-1	-1
East Boston	11	5	3	0	3	9	3	2	3	1	-2	-2	-1	3	-2
Fenway	3	3	0	0	0	1	1	0	0	0	-2	-2	0	0	0
Hyde Park	5	2	2	1	0	17	4	11	2	0	12	2	9	1	0
Jamaica Plain	1	1	0	0	0	3	3	0	0	0	2	2	0	0	0
Mattapan	12	1	5	4	2	10	3	3	3	1	-2	2	-2	-1	-1
Roslindale	6	2	3	1	0	-3	1	1	1	0	-3	-1	-2	0	0
Roxbury	17	5	5	3	4	17	5	4	4	4	0	0	-1	1	0
South Boston	7	5	0	1	1	1	1	0	0	0	-6	-4	0	-1	-1
South End	1	1	0	0	0	3	3	0	0	0	2	2	0	0	0
West Roxbury	6	2	3	1	0	6	4	2	0	0	0	2	-1	-1	0
<b>CITYWIDE</b>	<b>94</b>	<b>36</b>	<b>29</b>	<b>15</b>	<b>14</b>	<b>102</b>	<b>47</b>	<b>31</b>	<b>15</b>	<b>9</b>	<b>8</b>	<b>11</b>	<b>2</b>	<b>0</b>	<b>-5</b>

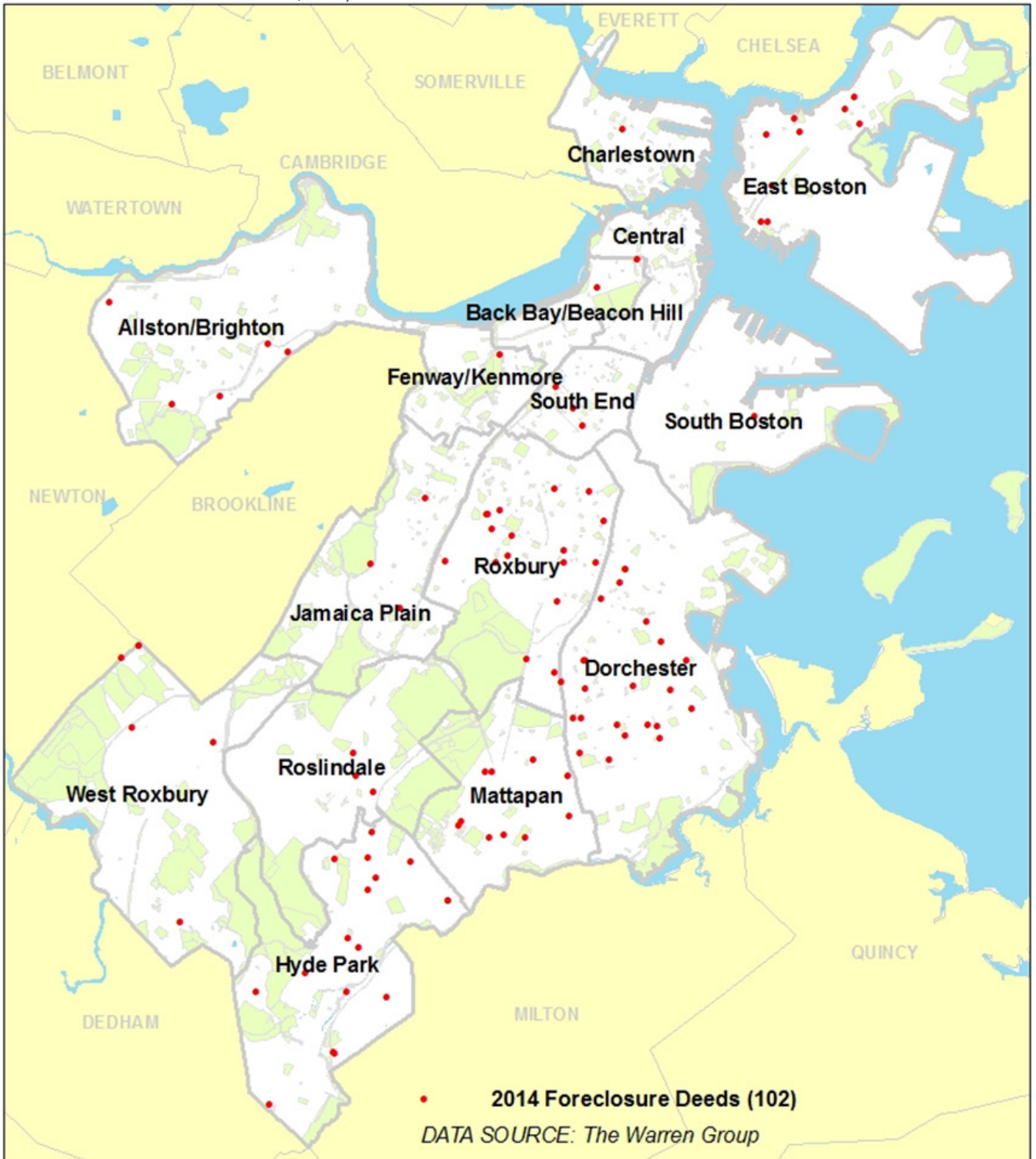
In 2014, condominiums were the most foreclosed residential property type (see Table 2). Between 2013 and 2014, the number of foreclosed condominiums increased 31% from 36 to 47. Condominium foreclosures can be more detrimental to small condo associations than larger ones because larger properties are better able to mitigate the negative impacts of foreclosure. Despite the 31% increase in foreclosed condominiums, the percentage of condominium foreclosures in small associations (buildings with fewer than four units) increased by just 7% from 31% (11) in 2013 to 38% (18) in 2014. Therefore, it is positive that the impact on the small condominium associations has been minimal given the overall increase in foreclosed condos.

**TABLE 3. PERCENTAGE OF FORECLOSED CONDOMINIUMS WITH FOUR UNITS OR FEWER**

YEAR	FORECLOSED CONDOMINIUMS	FORECLOSED CONDOMINIUMS IN SMALL ASSOCIATIONS (≤ 4 UNITS)	% SHARE SMALL ASSOC.
2013	36	11	31%
2014	47	18	38%

# FORECLOSURE TRENDS 2014

MAP 2. FORECLOSURE DEEDS, 2014



# FORECLOSURE TRENDS 2014

## TENANCY

The percentage of owner-occupied petitions remained the same at 56%, despite an increase in petitions between 2013 and 2014. Nonetheless, given the overall increase in petitions from 2013 and 2014, an additional 48 owner-occupied properties were petitioned in 2014. This is the second lowest petitioned owner-occupied count since 2006. While over half of petitions affect homeowners, not all petitions lead to foreclosure, and homeowners in foreclosure have better access to foreclosure counseling and prevention resources than investors. Furthermore, investor-owned properties consistently have accounted for over 60% of foreclosure deeds since 2007.

In 2014, 33% of foreclosures deeds were for owner-occupied properties (Table 5), down from 37% in 2013. This also represents a decline in the total count of owner-occupied properties from 2013 and the lowest count for all years tracked in the table.

To identify whether a foreclosed property is owner-occupied, the residential exemption status from the City of Boston's Assessing Department is used. To receive a residential exemption from the city, an owner must live at a property on January 1st of the upcoming tax bill year and submit appropriate documentation to the Assessing Department. Owner-occupied units likely are underestimated using this data source, but it remains the most reliable and accessible source to identify owner-occupied properties.

The 102 foreclosed properties comprise 135 units of housing. To estimate the number of tenant-occupied units affected by foreclosure, it is assumed that all properties without a residential exemption are tenant-occupied and that the owner-occupied two- and three-family homes have one or two rental units, respectively. This estimate likely overestimates the number of tenants affected because it relies on the Assessing Department's residential exemption status and assumes that all units are occupied at the time of foreclosure. Using this method, though, it is estimated that about that about 101 (75%) of housing units displaced through foreclosures were tenant-occupied. This is about three times the number of homeowners (34) displaced by foreclosure.

**TABLE 4. OWNER-OCCUPANCY & FORECLOSURE PETITIONS, 2006-2014**

YEAR	OWNER-OCCUPIED	INVESTOR OWNED	TOTAL	% OWNER-OCCUPIED
2006	692	893	1,585	44%
2007	975	1,457	2,432	40%
2008	722	1,178	1,900	38%
2009	968	1,232	2,200	44%
2010	748	793	1,541	49%
2011	418	314	732	57%
2012	520	370	890	58%
2013	131	101	232	56%
2014	179	142	322	56%

**TABLE 5. OWNER-OCCUPANCY & FORECLOSURE DEEDS, 2006-2014**

YEAR	OWNER-OCCUPIED	INVESTOR OWNED	TOTAL	% OWNER-OCCUPIED
2006	83	178	261	32%
2007	202	501	703	29%
2008	296	919	1,215	24%
2009	185	591	776	24%
2010	242	579	821	29%
2011	196	329	525	37%
2012	103	205	308	33%
2013	35	59	94	37%
2014	34	68	102	33%

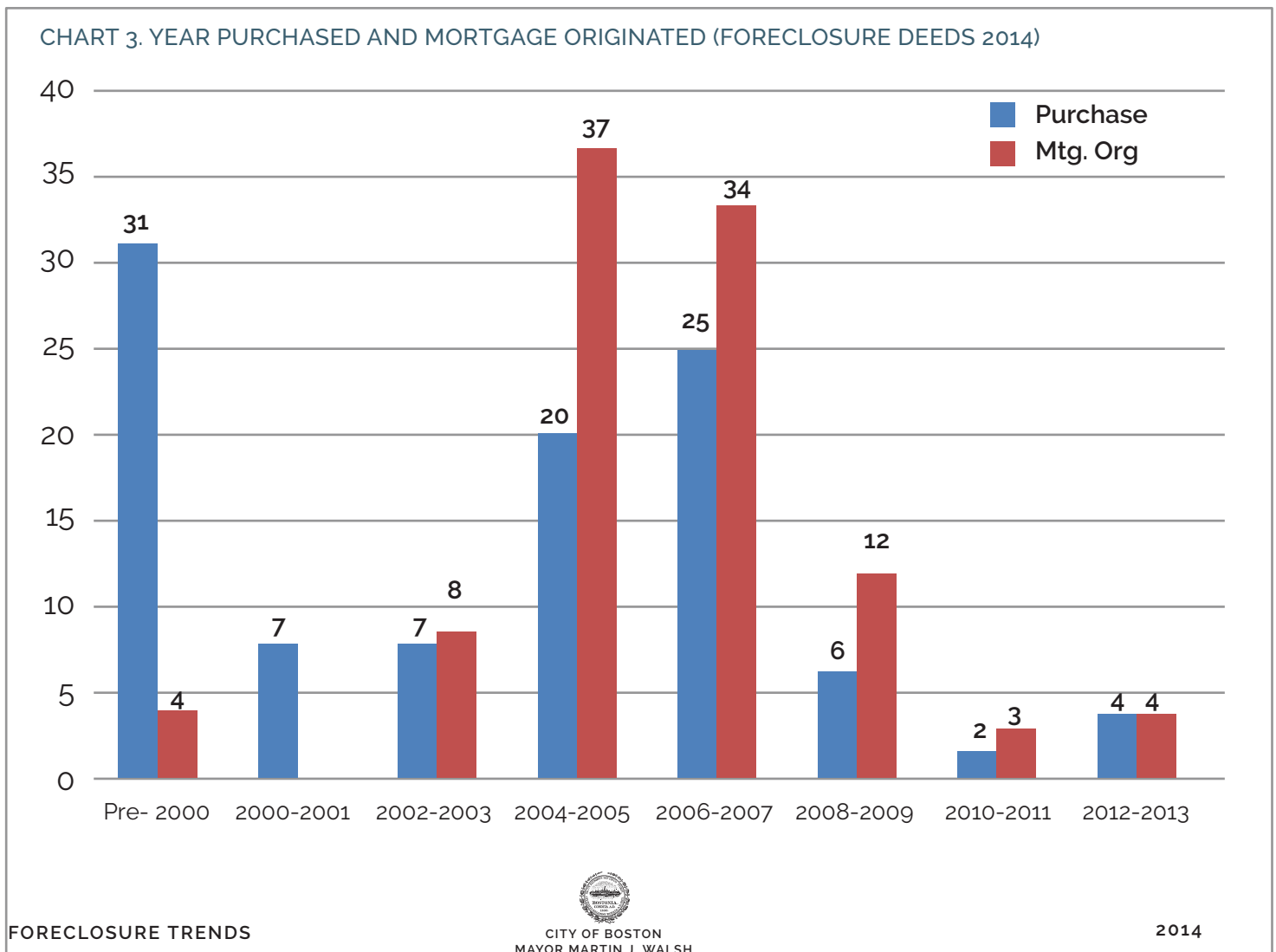
## FORECLOSURE TRENDS 2014

### AGE OF MORTGAGE

Homeowner economic distress can be measured by the “age” of a mortgage (the length of time between the mortgage origination and the foreclosure petition or deed); the older the mortgage the less economic distress. Table 4 shows that the median number of years between the mortgage origination and the foreclosure petition increased to 8.4 years in 2014, up from 7.2 years in 2013. The median time between mortgage origination has been increasing steadily since 2005 when the median age was only 1.3 years.

Chart 3 shows that 70% (71) of mortgages foreclosed on in 2014 were originated between 2004-2005 and 2006-2007 during the peak of the subprime mortgage crisis when banks were providing mortgages at high-interest rates to riskier borrowers leading to the recession of 2008.

In addition, 12% of mortgages were originated in 2007 (down from 19% in 2013) just before Boston’s unemployment rate began to rise and the US entered an economic recession, thereby leaving many without jobs and means to pay their mortgages.

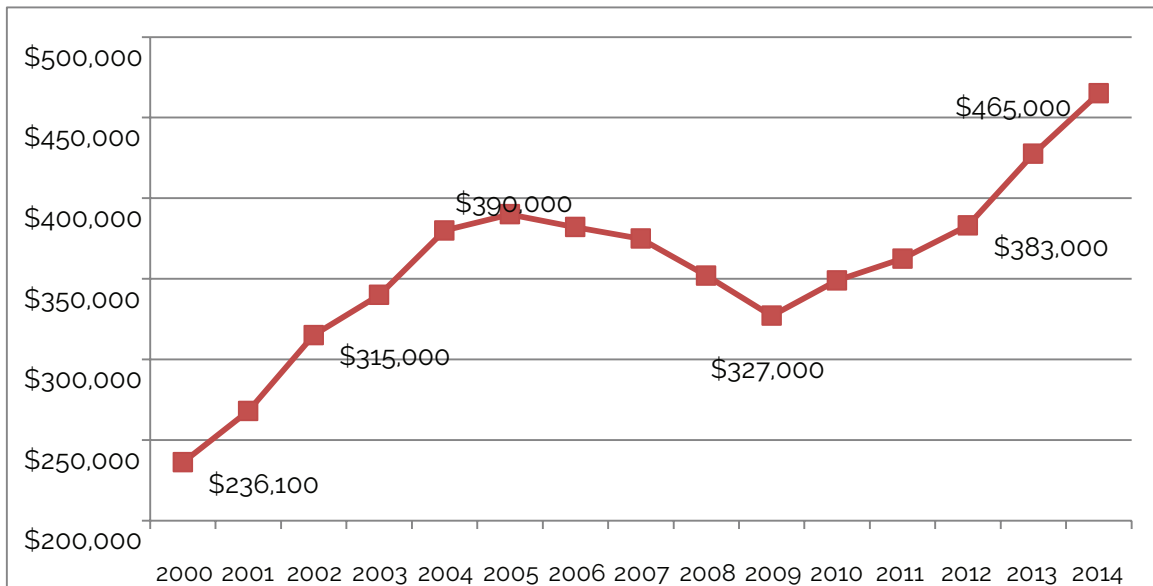


## FORECLOSURE TRENDS 2014

### AGE OF MORTGAGE, cont.

Even though market values have been increasing since 2009 and the 2014 median sales price is 18% above the 2005 peak (Chart 4, page 8), the tightened credit market has made it difficult for some borrowers to refinance if they cannot afford their mortgage payment.

CHART 4. BOSTON RESIDENTIAL MEDIAN SALE PRICE, 2000-2014



### LOAN ANALYSIS

Of the 102 foreclosure deeds recorded in 2014, 52% resulted from refinancing, 48% from conventional loans. This represents a 2% increase from 2013, where 46% of foreclosures were the result of home purchase loans. This is the second year in a row, albeit minor, where there has been an increase in home purchase loans resulting in foreclosures.

In 2014, 35% (36) of foreclosure deeds were adjustable-rate mortgages (ARMs), while 63% were fixed-rate mortgages. This is a decrease in the percentage of ARMs from 2013 when 38% (36) of foreclosure deed were ARMs. Of the 36 ARMs in 2014, none were foreclosed before their reset date. The continued decrease in the percentage of ARMs foreclosed after the reset date since DND has been collecting ARM data in 2007 suggests that foreclosures are impacted more by the date of origination than by the reset date.

For foreclosure deeds recorded in 2014, the median initial annual percentage rate (APR) was 6.1250% (APRs not available from the Registry of Deeds for fixed-rate mortgages).

TABLE 6. FORECLOSURE DEEDS 2014, PURPOSE OF LOAN AND TYPE

PURPOSE OF LOAN	% OF SHARE
Home Purchase	48%
Refinance	52%
TYPE OF LOAN	
TYPE OF LOAN	% OF SHARE
Adjustable Rate	35%
Fixed Rate Mortgage	65%



# FORECLOSURE TRENDS 2014

## REAL ESTATE OWNED PROPERTY

A property becomes Real Estate Owned (REO) or lender-owned, when it goes to foreclosure auction and it is bought back by the lender, instead of being purchased by a third-party investor. This happens when purchase price offered is lower than the amount the lender is owed. Of the 102 properties foreclosed in 2014, lenders bought back 59%, the same percentage as the previous year. However, given the increase in the number of foreclosed properties, the number of properties that became REO increased by five.

Over the course of a year, the REO inventory is constantly in flux as some properties become REO at a foreclosure auction and others are sold by a bank or lender to a private buyer. In 2014, 60 new properties became REO. At year-end 2014, the City has identified 185 properties that were still REO after considering properties that were either sold or foreclosures that were rescinded in Land Court.<sup>3</sup>

Vacant REO properties can pose a significant risk to neighborhoods by attracting crime and lowering local property values. Over time, REO properties can begin to deteriorate and show signs of physical distress, adding to the cities abandoned building inventory and ultimately destabilizing communities. For these reasons, properties that remain REO for long periods of time are of greater concern than properties that are resold quickly.

<sup>3</sup> The City of Boston acknowledges that there has been a significant drop in REOs from their 2008 peak of 800+, however, given revisions in the method of identifying REO properties, direct comparisons to previous data is unavailable at this time.

**TABLE 7. PERCENTAGE OF PROPERTIES CLASSIFIED REO, 2005-2014**

YEAR	TOTAL FORECLOSURES	PRIVATE BUYER	REO
2005	60	31	29 (48%)
2006	261	50	211 (81%)
2007	703	60	651 (93%)
2008	1,215	67	1,148 (95%)
2009	776	140	636 (82%)
2010	821	188	633 (77%)
2011	525	117	408 (78%)
2012	308	78	230 (75%)
2013	94	39	55 (59%)
2014	102	42	60 (59%)

**TABLE 8. YEARS OWNED & AGE OF MORTGAGE AT TIME OF PETITION FILING, 2005-2014**

FORECLOSURE PETITION YEAR	YEARS OWNED	AGE OF MORTGAGE
2005	3.7	1.3
2006	2.5	1.4
2007	2.2	1.4
2008	3.4	2.1
2009	4.7	3
2010	6	4.2
2011	7.7	5.1
2012	8.7	6.1
2013	11.4	7.2
2014	9.8	8.4