

FORECLOSURE TRENDS 2015

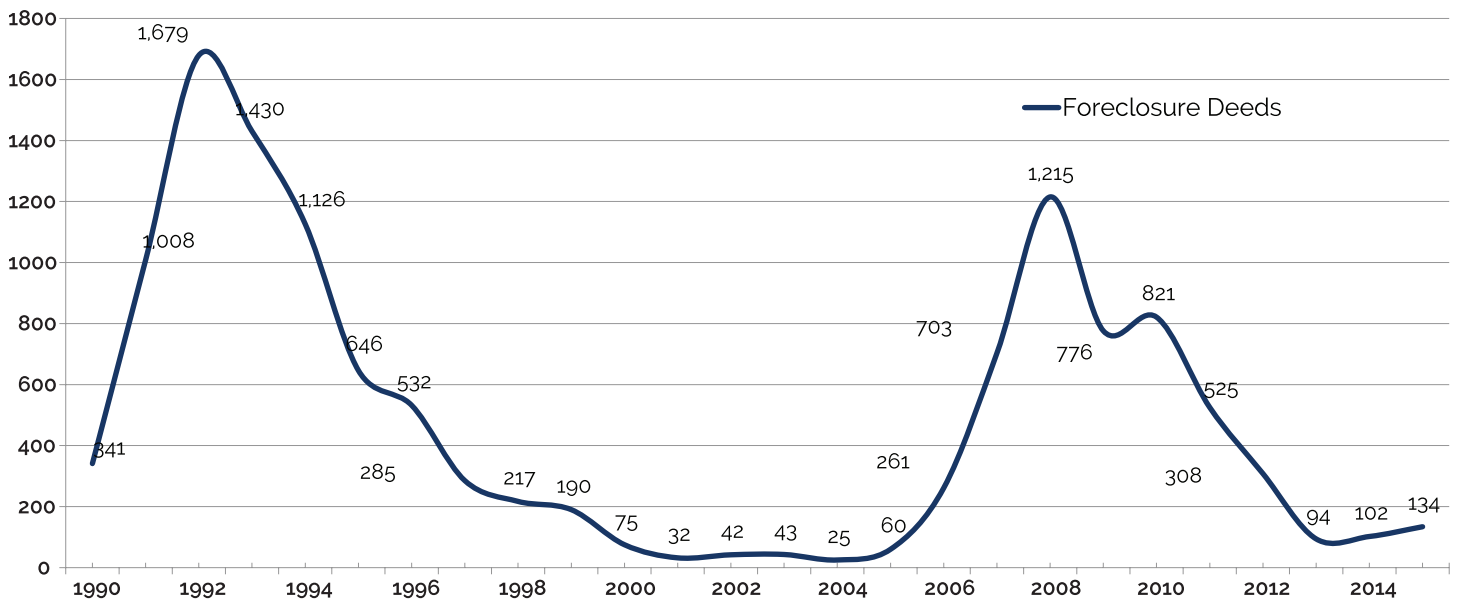
2015 FORECLOSURE OVERVIEW

- Foreclosure petitions increased by 55%, from 322 in 2014 to 500 in 2015. Nonetheless, the 2015 total represents the third lowest number of petitions in a single year over the past 10 years.
- 295 (59%) of the 500 petitions in 2015 were on homeowners, up from 179 (56%) in 2014.
- Foreclosure deeds increased by 31%, from 102 in 2014 to 134 in 2015.
- 54 (40%) of the 134 foreclosures in 2015 were on homeowners, up from 34 (33%) in 2014.
- 68% of petitions occurred in four neighborhoods: Dorchester (123), Roxbury (79), Hyde Park (72), and Mattapan (66);
- 75% of foreclosures occurred in the same top neighborhoods as petitions: Dorchester (41), Hyde Park (25), Mattapan (21) and Roxbury (14).
- Among the top ten most populous Massachusetts cities, Boston ranks 9th in the rate of foreclosures and petitions per 1,000 residential parcels.
- Boston's foreclosure petition rate (4.1/1,000) is less than half that of the statewide rate (9.0/1,000), while the city's rate of foreclosure deeds (1.1/1,000) is slightly over half the statewide rate (2.1/1000).
- At year-end 2015, the City identified 169 properties that were still REO after considering properties that were either sold or foreclosures that were rescinded in Land Court. This represents a decrease of 16 from the year-end 2014 count of 185.

1 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, 1990-2015



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FORECLOSURE PETITIONS

Foreclosure petitions increased from 322 in 2014 to 500 in 2015, a 55% increase. Nonetheless, the 2015 total represents the third lowest amount of petitions in a single year since 2005. The rise of petitions in 2015 is largely due to legislative revisions to the foreclosure process which caused banks to delay initiating foreclosure until revisions were finalized². 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. Out of the 125 petition related cases that were closed by the Boston Home Center in 2015, 116 (93%) received positive resolutions (primarily loan modifications) and avoided foreclosure, while nine (9 or 7%) were foreclosed.³

Sixty-eight percent (the same as last year) of petitioned properties occurred in four neighborhoods: Dorchester (123), Hyde Park (72), Mattapan (66), and Roxbury (79), 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 80 petitions overall as well as 25+ petitions in all residential property categories.

The largest increase in petitions has come from Roxbury, Hyde Park, Dorchester, and Mattapan which increased by 38, 29, 28 and 25 respectively. Smaller increases occurred in West Roxbury, Central and Roslindale by 14, 9 and 9 respectively. All other planning districts increased by 6 or less. While West Roxbury saw the greatest percentage increase at 108%, the growth in petitions of West Roxbury is less alarming given that the total petitions are fewer than 30. Roxbury, on the other hand, nearly doubled between 2014 and 2015 increasing from 41 to 79 (93%). Roxbury also saw the single biggest growth of petitions by property type at 16 (160%) for three-family properties.

² 2014-2015 Greater Boston Housing Report Card: http://www.northeastern.edu/dukakiscenter/wp-content/uploads/2015/03/Housing_Report_2014-15.pdf

³ The Boston Home Center (BHC) helps Boston residents purchase, improve, and keep their homes. BHC offers training and financial help to first-time homebuyers, guidance and funding for homeowners for home improvements, and counseling to help families avoid foreclosure.

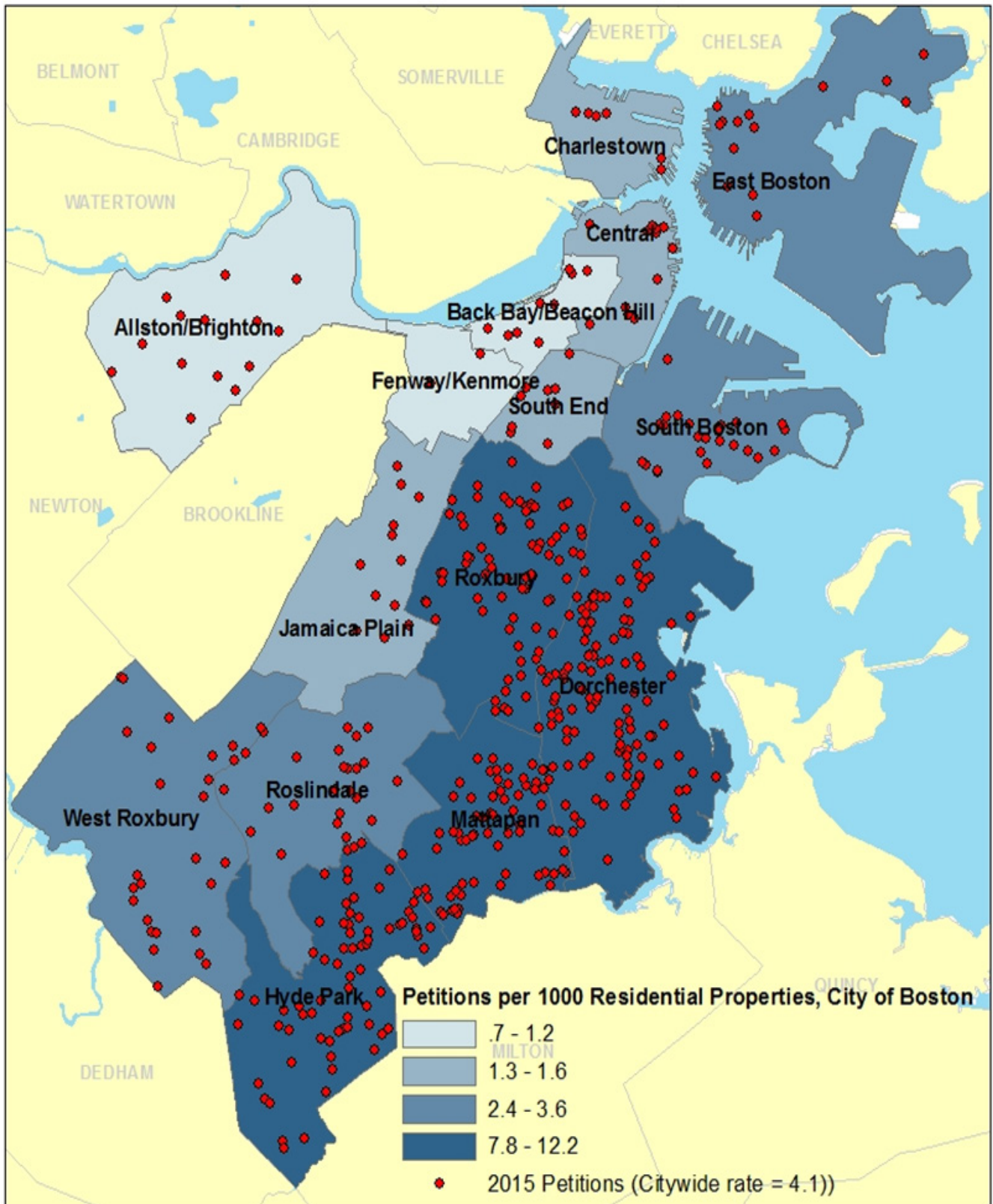
TABLE 1. FORECLOSURE PETITIONS BY NEIGHBORHOODS & PROPERTY TYPE

	TOTAL	2014				TOTAL	2015					ALL	# CHANGE			
		CONDO	1-FAM	2-FAM	3-FAM		CONDO	1-FAM	2-FAM	3-FAM	CONDO		1-FAM	2-FAM	3-FAM	
Allston/Brighton	13	9	1	2	1	15	6	1	5	3	2	-3	0	3	2	
Back Bay/Beacon Hill	6	6	0	0	0	10	0	1	1	0	4	2	1	1	0	
Central	3	3	0	0	0	12	12	0	0	0	9	9	0	0	0	
Charlestown	5	1	3	1	0	6	2	3	1	0	1	1	0	0	0	
Dorchester	95	27	28	23	17	123	25	39	28	31	28	-2	11	5	14	
East Boston	8	2	3	1	2	14	4	4	5	1	6	2	1	4	-1	
Fenway	0	0	0	0	0	2	2	0	0	0	2	2	0	0	0	
Hyde Park	43	2	29	11	1	72	14	42	15	1	29	12	13	4	0	
Jamaica Plain	10	7	2	0	1	12	3	4	2	3	2	-4	2	2	2	
Mattapan	41	6	18	11	6	66	6	25	22	13	25	0	7	11	7	
Roslindale	19	7	6	4	2	28	6	8	12	2	9	-1	2	8	0	
Roxbury	41	11	7	13	10	79	15	14	24	26	38	4	7	11	16	
South Boston	19	13	5	0	1	24	9	9	4	2	5	-4	4	4	1	
South End	6	5	1	0	0	10	7	2	0	1	4	2	1	0	1	
West Roxbury	13	2	9	1	1	27	4	21	2	0	14	2	12	1	-1	
CITYWIDE	322	101	112	67	42	500	123	173	121	83	178	22	61	54	41	



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MAP 1. FORECLOSURE PETITIONS AND RATE BY NEIGHBORHOOD, 2015



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FORECLOSURE DEEDS

Foreclosure deeds rose by 31%, from 102 in 2014 to 134 in 2015. As in last year, seventy-five percent of foreclosed properties occurred in the same four neighborhoods as for petitions: Dorchester (41), Hyde Park (25) Mattapan (21) and Roxbury (14). Dorchester had the sharpest increase in the foreclosure count from 24 to 41, of which 23 were condominiums. In terms of percentage, the increase was led by Mattapan, which saw an increase of 110% from 10 in 2014 to 21 in 2015. With the exception of Fenway/Kenmore, every neighborhood has at least one foreclosure. Allston/Brighton, East Boston, Fenway/Kenmore, Roxbury and West Roxbury saw declines in foreclosures between one to six deeds.

TABLE 2. FORECLOSURE DEEDS BY NEIGHBORHOODS & PROPERTY TYPE

	2014					2015					# 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	5	4	1	0	0	3	1	2	0	0	-2	-3	1	0	0
Back Bay/Beacon Hill	2	2	0	0	0	2	2	0	0	0	0	0	0	0	0
Central	0	0	0	0	0	3	3	0	0	0	3	3	0	0	0
Charlestown	1	1	0	0	0	3	3	0	0	0	2	2	0	0	0
Dorchester	24	12	7	2	3	41	23	6	7	5	17	11	-1	5	2
East Boston	9	3	2	3	1	3	0	0	0	0	-6	0	-2	-3	-1
Fenway	1	1	0	0	0	0	0	0	0	0	-1	-1	0	0	0
Hyde Park	17	4	11	2	0	25	4	16	5	0	8	0	5	3	0
Jamaica Plain	3	3	0	0	0	4	4	0	0	0	1	1	0	0	0
Mattapan	10	3	3	3	1	21	1	10	4	6	11	-2	7	1	5
Roslindale	3	1	1	1	0	5	3	1	1	0	2	2	0	0	0
Roxbury	17	5	4	4	4	14	7	2	3	2	-3	2	-2	-1	-2
South Boston	1	1	0	0	0	1	1	0	0	0	0	0	0	0	0
South End	3	3	0	0	0	4	4	0	0	0	1	1	0	0	0
West Roxbury	6	4	2	0	0	5	2	2	0	1	-1	-2	0	0	1
CITYWIDE	102	47	31	15	9	134	61	39	20	14	32	14	8	5	5

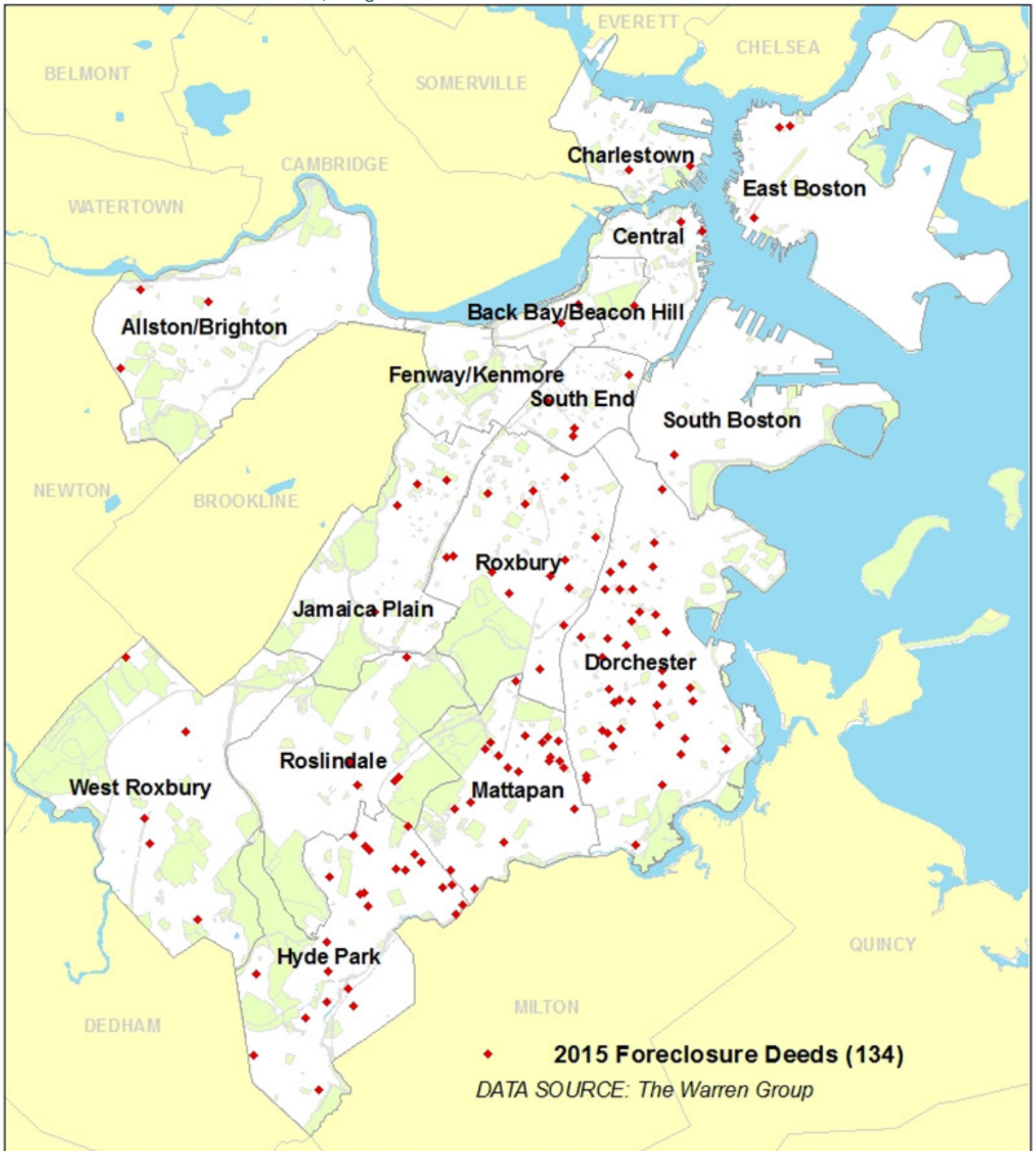
Between 2014 and 2015, there was an increase of 14 condominiums foreclosed. Condominium foreclosures can be more detrimental to small condo associations than larger ones because larger properties are better able to mitigate the negative impacts of foreclosure. Despite the 30% increase in foreclosed condominiums, the percentage of condominium foreclosures in small associations (buildings with fewer than four units) increased by just 3% from 38% (18) in 2014 to 41% (25) in 2015, but 10% since 2013. 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%
2015	61	25	41%

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MAP 2. FORECLOSURE DEEDS, 2015



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TENANCY

The percentage of owner-occupied petitions increased by just 3% between 2014 and 2015, despite a 31% increase in petitions during the same period. Nonetheless, given the overall increase in petitions from 2014 and 2015, an additional 116 owner-occupied properties were petitioned in 2015. This is the third 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 2015, 54 (40%) of foreclosures deeds were for owner-occupied properties, up from 34 (33%) in 2013, an increase of 20 (7%) (Table 5). 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 134 foreclosed properties comprise 181 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 127 (70%) of housing units displaced through foreclosures were tenant-occupied. Given the rise in homeowners foreclosed over last year (7%), there has been a 5% drop in the estimated number of tenants displaced over this same period.

TABLE 4. OWNER-OCCUPANCY & FORECLOSURE PETITIONS, 2006-2015

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%
2015	295	205	500	59%

TABLE 5. OWNER-OCCUPANCY & FORECLOSURE DEEDS, 2006-2015

YEAR	OWNER-OCCUPIED	INVESTOR OWNED	% OWNER-OCCUPIED
2006	83	178	32%
2007	202	501	29%
2008	296	919	24%
2009	185	591	24%
2010	242	579	29%
2011	196	329	37%
2012	103	205	33%
2013	35	59	37%
2014	34	68	33%
2015	54	80	40%

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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 the purchase price offered is lower than the amount the lender is owed. Of the 134 properties foreclosed in 2015, lenders bought back 72 (54%), a 5% drop from last year. However, given the increase in the number of foreclosed properties, the number of properties that became REO increased by 12. Nonetheless, it is a healthy sign that the percentage of REO properties has decreased despite the overall increase in the total foreclosure count.

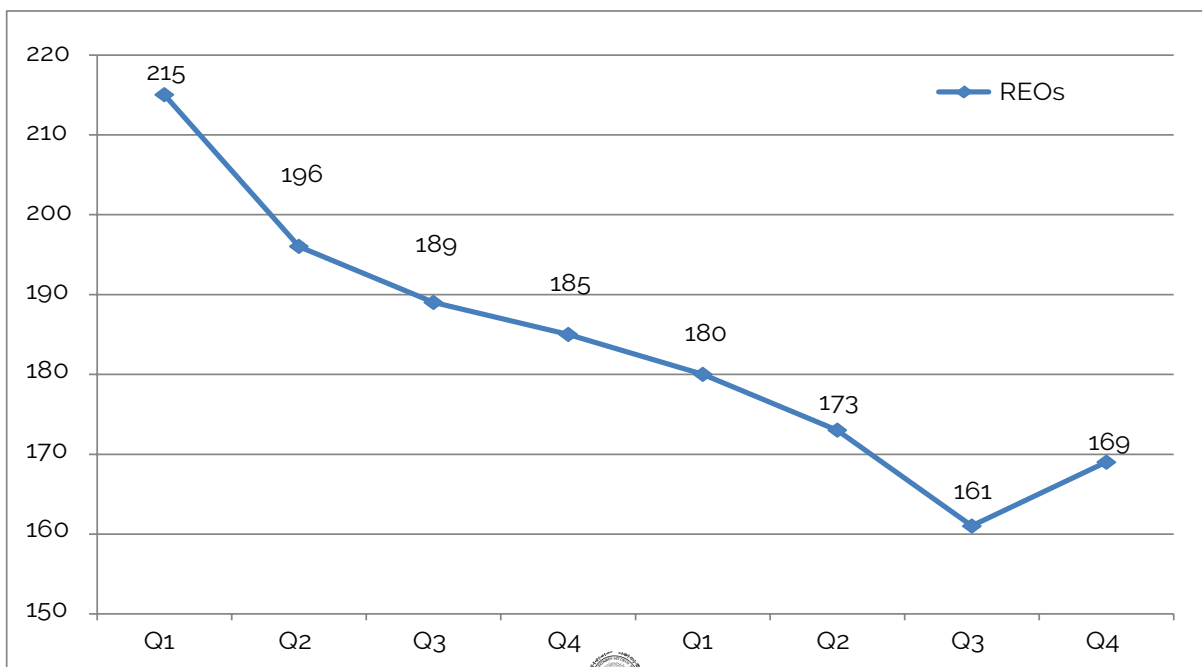
Over the course of a year, the REO inventory is in flux as some properties become REO at auction while others are bought by a private buyer. In 2015, 72 new properties became REO (Table 6), an increase of 12 from 2014, but a decrease of 5%. At year end 2015, the City identified 169 properties that were still REO after considering properties that were either sold or foreclosures that were rescinded in Land Court. This represents a decrease of 16 from the 185 count in 2014.

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 City's 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.

TABLE 6. 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%)
2015	134	62	72 (54%)

CHART 2. END OF QUARTER REO COUNT 2014-2015



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LOAN ANALYSIS

Of the 134 foreclosure deeds recorded in 2015, 57% resulted from refinancing and 43% from conventional loans. This represents a 6% increase from 2014, where 51% of foreclosures were a result of refinancing.

In 2015, 55 (41%) foreclosure deeds were on adjustable-rate mortgages (ARMs), while 79 (63%) were fixed-rate mortgages. This is an increase in the percentage of ARMs from 2014 where 36 (35%) of foreclosure deeds were ARMs.

Table 8 shows that the median number of years between the mortgage origination and the foreclosure petition increased to 9 years in 2015, up from 8.4 years in 2014. The median time between mortgage origination has been increasing steadily since 2005 when the median age was only 1.3 years. The growth in the median age of the mortgage to 9 years reflects that the majority of mortgages that are being foreclosed on today originated during the last housing crisis in which borrowers were often the victims of predatory lending and unfavorable loan terms. This is confirmed in Chart 3 which shows foreclosures by date of origination.

**TABLE 7. FORECLOSURE DEEDS 2014 & 2015
PURPOSE OF LOAN AND TYPE**

PURPOSE OF LOAN	2014	2015	CHANGE
Home Purchase	47%	43%	-4%
Refinance	51%	57%	6%
TYPE OF LOAN			
TYPE OF LOAN	2014	2015	CHANGE
Adjustable Rate	35%	41%	6%
Fixed Rate Mortgage	63%	59%	-4%

**TABLE 8. YEARS OWNED & AGE OF MORTGAGE
AT TIME OF PETITION FILING, 2005-2015**

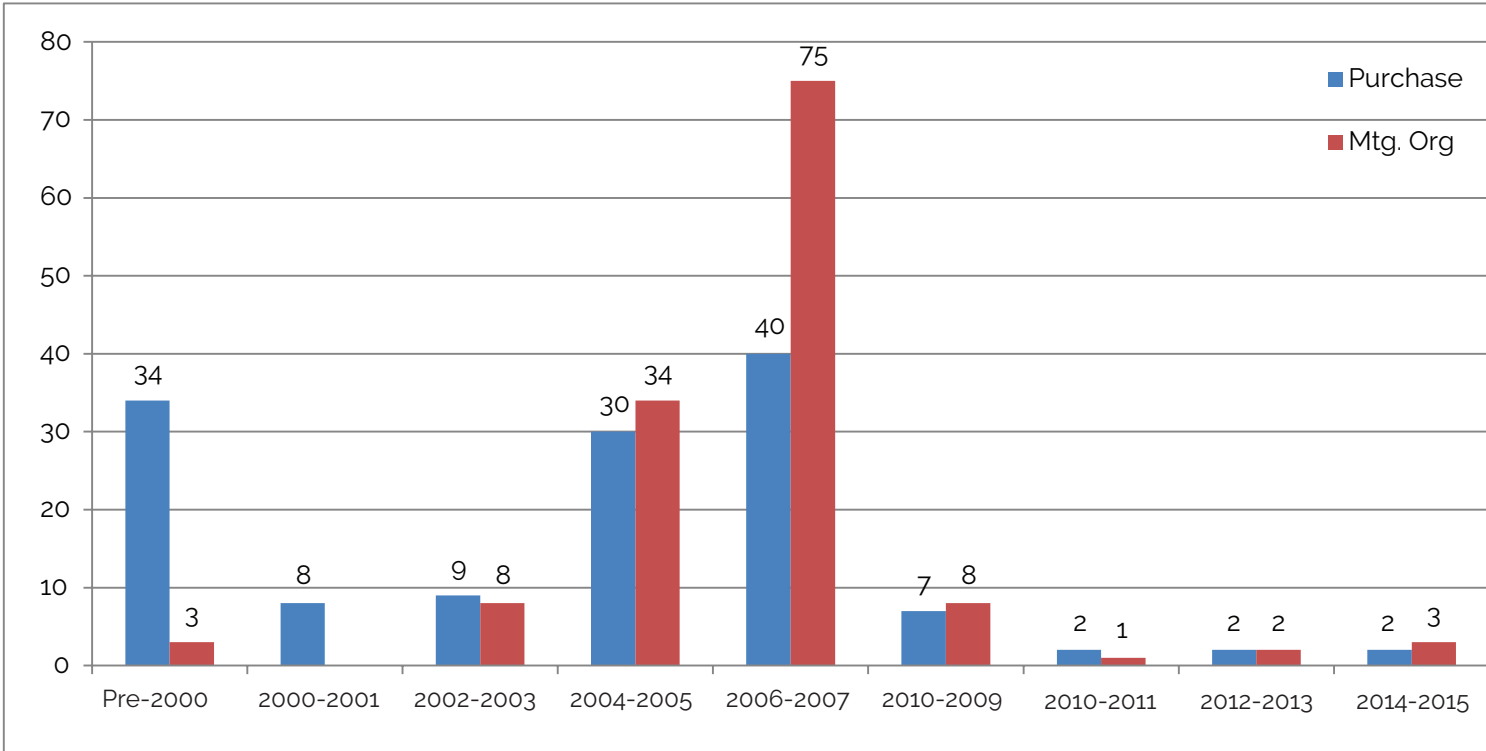
FORECLOSURE PETITION YEAR	YEARS OWNED	AGE OF MORTGAGE
2005	3.7	1.3
2006	2.5	1.4
2007	2.2	1.4
2008	3.4	2.1
2009	4.7	3
2010	6	4.2
2011	7.7	5.1
2012	8.7	6.1
2013	11.4	7.2
2014	9.8	8.4
2015	10.3	9.0

Chart 3 on page 9 shows that 81% (109) of mortgages foreclosed on in 2015 were originated between 2004-2005 or between 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 2008.³ There is an even higher concentration of foreclosed mortgages during these year intervals than the foreclosed mortgages in 2014 during the same period (68%).

³ The total numbers of foreclosures in 2014 were 102, 98 of which were mortgage foreclosures and three were non-loan foreclosures. See Table 8.

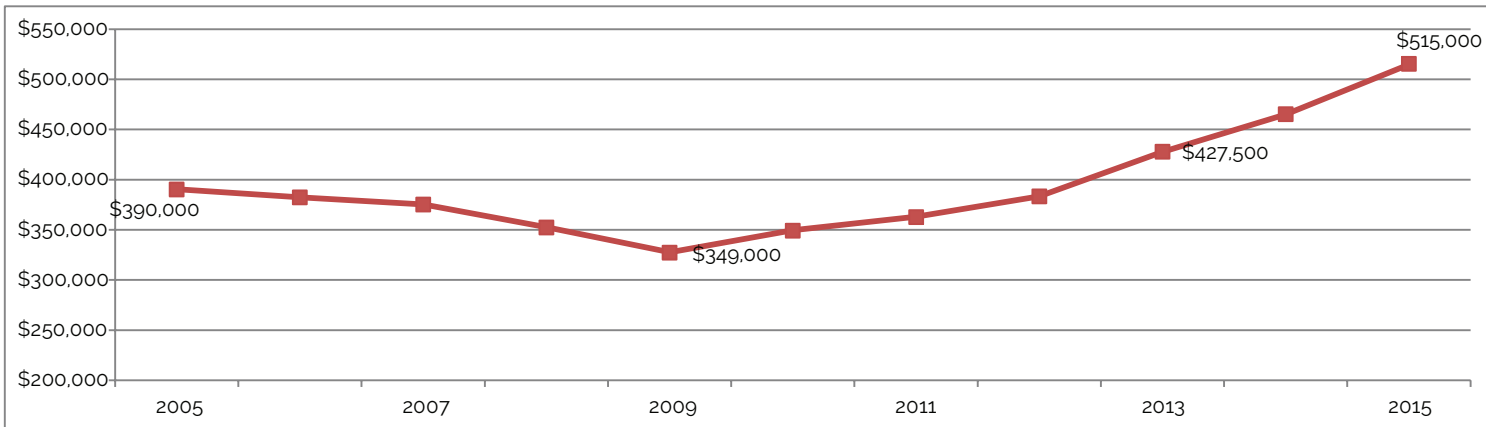
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CHART 3. YEAR PURCHASED AND MORTGAGE ORIGINATED (FORECLOSURE DEEDS 2015)



Even though the 2015 median sales price is 25% above the 2005 price (Chart 4.), 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



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REGIONAL AND STATE CONTEXT

The following tables show foreclosure petitions and deeds per 1,000 residential parcels (single-family, multi-family, condos) for Massachusetts cities with populations over 90,000. Boston ranks ninth (9th) for both foreclosure petitions and foreclosure deeds among the top ten most populated Massachusetts municipalities in 2015 significantly below the state and comparative cities. In addition, Boston's 2015 petition rate (4.1) is less than half of the state (9.0).

TABLE 9. FORECLOSURE PETITION RATE FOR TOP 10 MOST POPULATED MASSACHUSETTS CITIES

RANK	MA CITIES POP ≥ 90,000	2014	2015	CHANGE	2014 FORECLOSURE RATE PER 1,000 RESIDENTIAL PARCELS	2015 FORECLOSURE RATE PER 1,000 RESIDENTIAL PARCELS	CHANGE
1	SPRINGFIELD	665	953	298	18.7	27.1	8.4
2	BROCKTON	392	578	186	17.8	26.2	8.4
3	NEW BEDFORD	331	447	116	16.2	21.9	5.7
4	WORCESTER	462	741	279	12.0	19.3	7.3
5	LOWELL	247	418	171	11.4	19.3	7.9
6	FALL RIVER	227	282	55	14.2	17.6	3.4
7	LYNN	103	195	92	5.5	10.3	4.9
8	QUINCY	103	173	70	4.4	7.4	3.0
9	BOSTON	322	500	178	2.7	4.1	1.5
10	CAMBRIDGE	20	28	8	0.9	1.3	0.4
	TOTAL COUNT	2,872	4,325	1,453	8.5	12.7	4.3
	MASSACHUSETTS	12,327	17,341	5,014	6.4	9.0	2.6

Boston's foreclosure rate (1.1) is slightly over half the state's rate (2.1). The change in the petition and foreclosure rates for the city was also outpaced by the state between 2014 and 2015.

TABLE 10. FORECLOSURE DEED RATE FOR TOP 10 MOST POPULATED MASSACHUSETTS CITIES

RANK	MA CITIES POP ≥ 90,000	2014 DEEDS	2015 DEEDS	CHANGE	2014 FORECLOSURE RATE PER 1,000 RESIDENTIAL PARCELS	2015 FORECLOSURE RATE PER 1,000 RESIDENTIAL PARCELS	CHANGE
1	SPRINGFIELD	143	234	91	4.0	6.6	2.6
2	NEW BEDFORD	68	120	52	3.3	5.9	2.5
3	BROCKTON	84	123	39	3.8	5.6	1.8
4	FALL RIVER	64	86	22	4.0	5.4	1.4
5	WORCESTER	145	184	39	3.8	4.8	1.0
6	LYNN	53	79	26	2.8	4.2	1.4
7	LOWELL	77	77	0	3.6	3.5	0.0
8	QUINCY	30	26	-4	1.3	1.1	-0.2
9	BOSTON	102	134	32	0.8	1.1	0.3
10	CAMBRIDGE	5	4	-1	0.2	0.2	0.0
	TOTAL COUNT	771	1,067	296	2.3	3.1	0.9
	MASSACHUSETTS	3,153	4,098	945	1.6	2.1	0.5

