

# FORECLOSURE TRENDS 2016

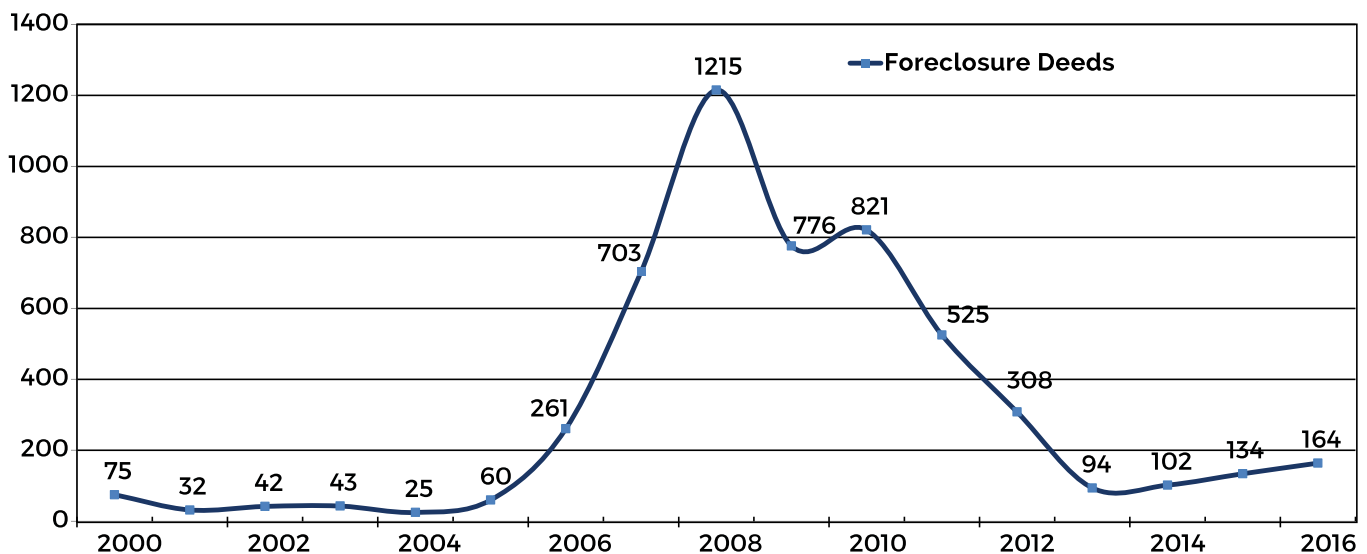
## 2016 FORECLOSURE OVERVIEW

- Foreclosure Initiations (petitions) increased by 7%, from 500 in 2015 to 533 in 2016.
- The percentage of homeowner petitions have remained the same at 59% (313 total) in 2016.
- Four neighborhoods had 62% (330 total) of all petitions: Dorchester (127), Roxbury (82), Hyde Park (64), and Mattapan (57).<sup>1</sup>
- Completed foreclosures (deeds) increased by 22%, from 134 in 2015 to 164 in 2016.
- Thirty-five percent (57 total) of the 2016 foreclosure deeds were on homeowners.
- Sixty-nine percent (113) foreclosure deeds occurred in the same top neighborhoods as petitions: Dorchester (35), Hyde Park (30) Mattapan (24) and Roxbury (24).
- Among the top ten most populous Massachusetts cities, Boston ranks 8th lowest in both the rate of foreclosure petitions and the rate of foreclosure deeds per 1,000 residential parcels.
- Boston's foreclosure petition rate (4.4/1,000) and the foreclosure deed rate (1.3/1,000) are less than half that of the statewide rate for petitions (10.2/1,000) and foreclosures (3.0/1000) respectively.
- At year-end 2016, the City identified 163 real estate owned (REO) properties, down 33% from 218 at the end of 2013.

<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, 2000-2016



# FORECLOSURE TRENDS 2016

## FORECLOSURE PETITIONS

Foreclosure petitions increased from 500 in 2015 to 533 in 2016, a 7% increase (Table 2). This increase is significantly smaller than last year, which saw an increase of 55%. The decrease in the growth of petitions suggests that the backlog of unprocessed petitions, resulting from banks delaying until new foreclosure rules and regulations had passed in 2013, is continuing to decline.<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. The Boston Home Center closed 73 cases related to petition in 2016, 57 (78%) of which received positive resolutions (primarily loan modifications) and avoided foreclosure, 10 (14%) received counseling or home preservation services, while six (8%) were foreclosed or were denied workouts.

Sixty-two percent of petitioned properties occurred in four neighborhoods: Dorchester (127), Roxbury (82), Hyde Park (64), and Mattapan (57), despite the fact that these four neighborhoods have only one-third of the total residential properties in Boston. The concentration of petitions in the top four neighborhoods decreased by 6% from last year as a result of a decrease of 17 petitions in Hyde Park and Mattapan. On the other hand, the largest increases in petitions by neighborhood occurred outside of the top four neighborhoods for total petitions: East Boston (+12), South Boston (+7), and the South End (+6). As in last year, Dorchester was the only neighborhood to have more than 100 petitions as well as 25+ petitions in all residential property categories.

Seventy-one percent of petitioned properties were condominiums and single-families. The largest increase in petitions by property type were condominiums with 48, while petitions of two-family properties decreased by 28.

<sup>2</sup> 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).

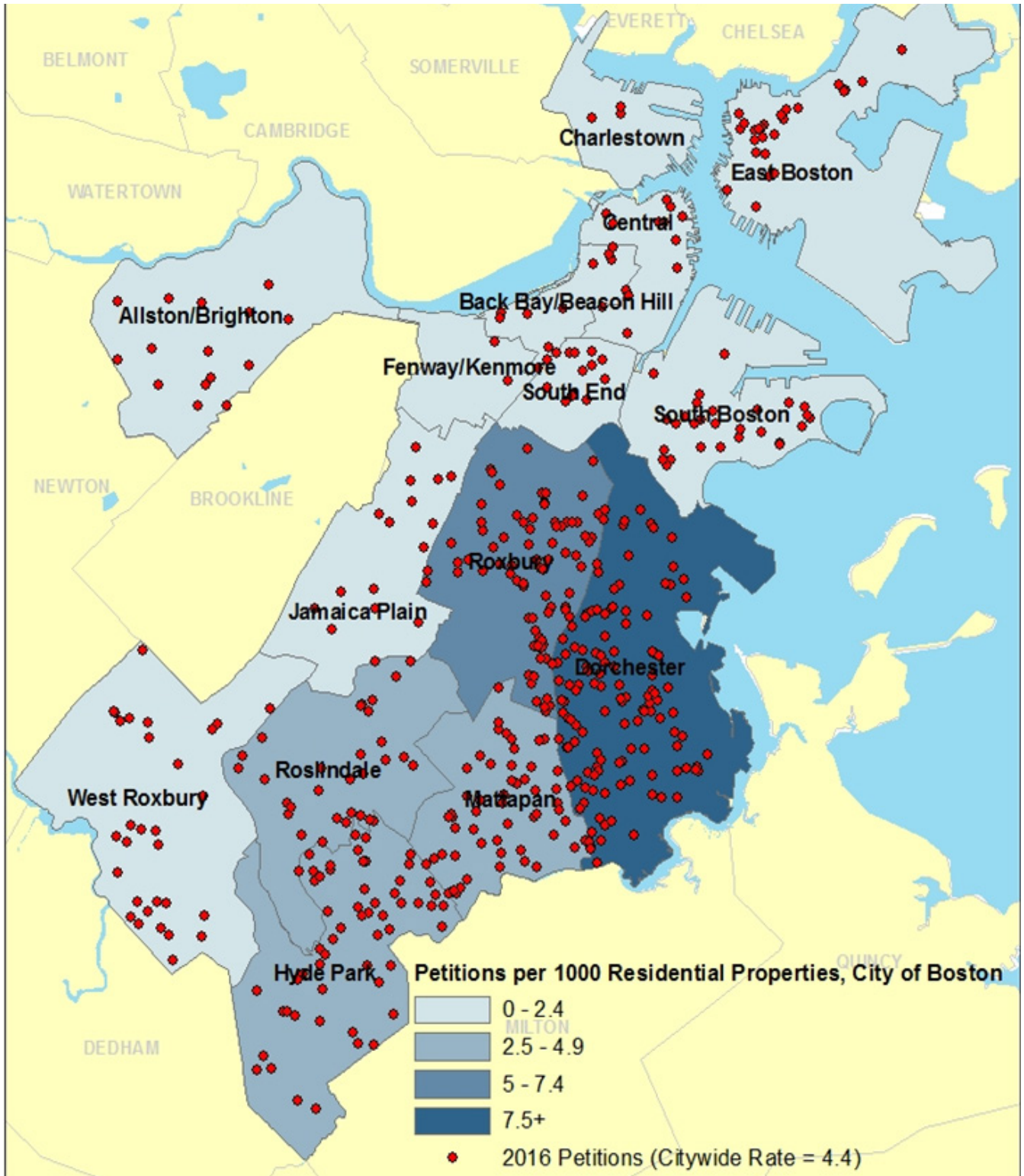
**TABLE 1. FORECLOSURE PETITIONS BY NEIGHBORHOODS & PROPERTY TYPE**

	2015					2016					# 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	15	6	1	5	3	18	6	7	3	2	3	0	6	-2	-1
Back Bay/Beacon Hill	10	8	1	1	0	10	8	0	0	2	0	0	-1	-1	2
Central	12	12	0	0	0	14	11	2	0	1	2	-1	2	0	1
Charlestown	6	2	3	1	0	3	1	1	1	0	-3	-1	-2	0	0
Dorchester	123	25	39	28	31	127	31	43	28	25	4	6	4	0	-6
East Boston	14	4	4	5	1	26	9	5	4	8	12	5	1	-1	7
Fenway	2	2	0	0	0	5	5	0	0	0	3	3	0	0	0
Hyde Park	72	14	42	15	1	64	14	37	13	0	-8	0	-5	-2	-1
Jamaica Plain	12	3	4	2	3	16	7	5	2	2	4	4	1	0	-1
Mattapan	66	6	25	22	13	57	7	24	17	9	-9	1	-1	-5	-4
Roslindale	28	6	8	12	2	33	15	10	6	2	5	9	2	-6	0
Roxbury	79	15	14	24	26	82	20	17	17	28	3	5	3	-7	2
South Boston	24	9	9	4	2	31	16	7	2	6	7	7	-2	-2	4
South End	10	7	2	0	1	16	14	2	0	0	6	7	0	0	-1
West Roxbury	27	4	21	2	0	31	7	22	0	2	4	3	1	-2	2
<b>CITYWIDE</b>	<b>500</b>	<b>123</b>	<b>173</b>	<b>121</b>	<b>83</b>	<b>533</b>	<b>171</b>	<b>182</b>	<b>93</b>	<b>87</b>	<b>33</b>	<b>48</b>	<b>9</b>	<b>-28</b>	<b>4</b>



# FORECLOSURE TRENDS 2016

MAP 1. FORECLOSURE PETITIONS AND RATE BY NEIGHBORHOOD, 2016



# FORECLOSURE TRENDS 2016

## FORECLOSURE DEEDS

Foreclosure deeds rose by 22%, from 134 in 2015 to 164 in 2016. From 2015-2016 foreclosures grew by 11% less compared to 2014-2015, with 6% less concentration in the top four neighborhoods. In 2016, there were 113 (69%) foreclosures in the top four neighborhoods: Dorchester (35), Hyde Park (30), Mattapan (24), and Roxbury (24). Roxbury had the sharpest increase in the foreclosure count from 14 to 24, followed by an increase of eight in West Roxbury. With the exception of Charlestown, every neighborhood had at least one foreclosure. Except for Charlestown, Dorchester, and Jamaica Plain saw two to six fewer foreclosures in 2016.

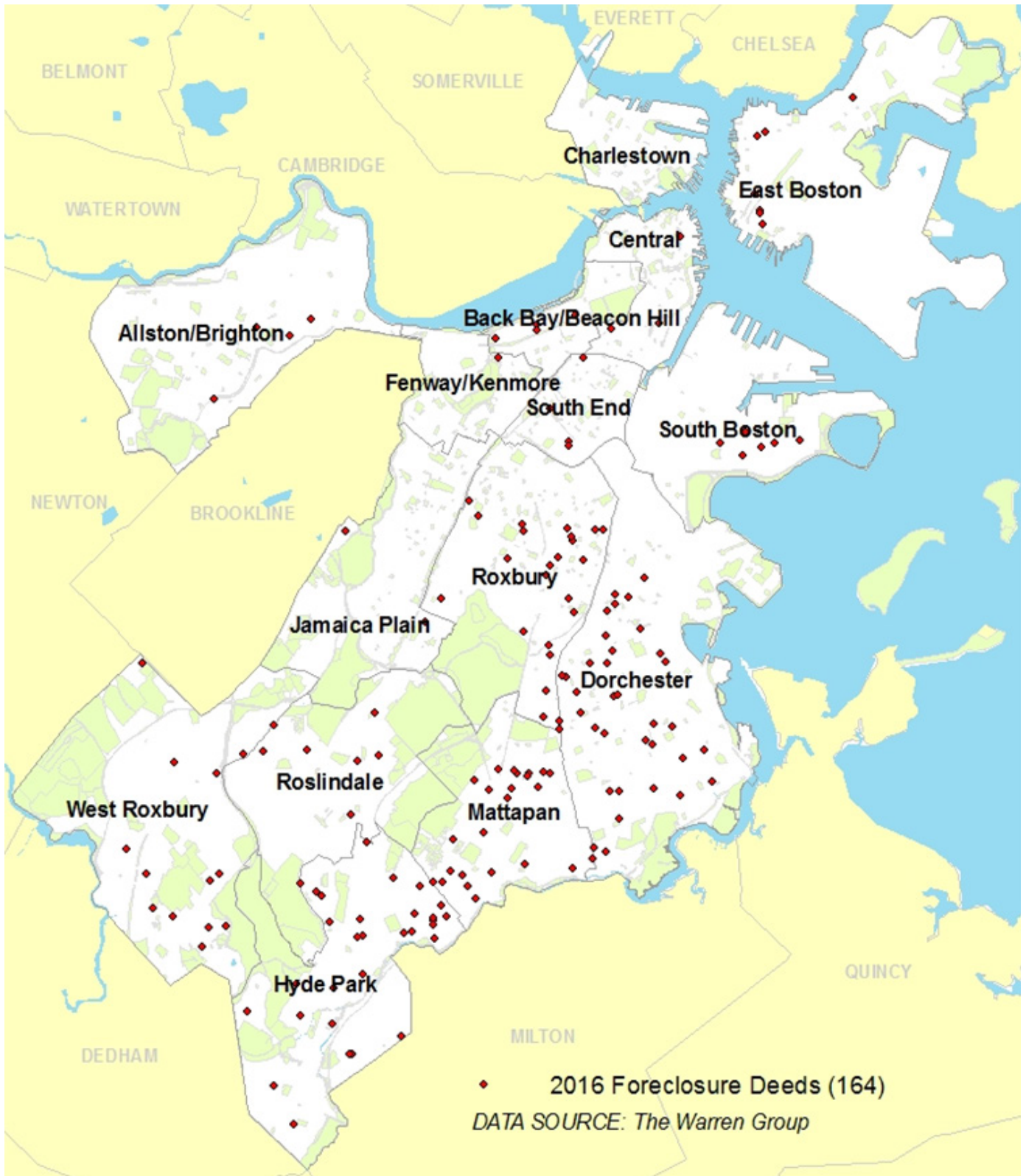
	2015					2016					# CHANGE				
	TOTAL	CONDO	1-FAM	2-FAM	3-FAM	TOTAL	CONDO	1-FAM	2-FAM	3-FAM	ALL	CONDO	1-FAM	2-FAM	3-FAM
Allston/Brighton	3	1	2	0	0	4	3	0	0	1	1	2	-2	0	1
Back Bay/Beacon Hill	2	2	0	0	0	4	4	0	0	0	2	2	0	0	0
Central	3	3	0	0	0	3	3	0	0	0	0	0	0	0	0
Charlestown	3	3	0	0	0	0	0	0	0	0	-3	-3	0	0	0
Dorchester	41	23	6	7	5	35	11	11	6	7	-5	-12	5	-1	2
East Boston	3	3	0	0	0	7	1	3	2	1	4	-2	3	2	1
Fenway	0	0	0	0	0	1	1	0	0	0	1	1	0	0	0
Hyde Park	25	5	16	4	0	30	5	15	6	4	5	0	-1	2	4
Jamaica Plain	4	4	0	0	0	2	1	0	0	1	-2	-3	0	0	1
Mattapan	21	1	10	4	6	24	3	12	6	3	3	2	2	2	-3
Roslindale	5	3	1	1	0	7	4	2	1	0	2	1	1	0	0
Roxbury	14	7	2	3	2	24	7	4	9	4	10	0	2	6	2
South Boston	1	1	0	0	0	6	5	0	0	1	5	4	0	0	1
South End	4	4	0	0	0	4	4	0	0	0	0	0	0	0	0
West Roxbury	5	2	2	0	1	13	3	9	1	0	8	1	7	1	-1
CITYWIDE	134	62	39	19	14	164	55	56	31	22	30	-7	17	12	8

From 2015 and 2016, there was a decrease of six 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. The percentage of condominium foreclosures in small associations (buildings with fewer than four units) also fell from 41% (25 condominiums) in 2015 to 27% (15 condominiums) in 2016, the lowest percentage since 2013 (31%).

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%
2016	55	15	27%

# FORECLOSURE TRENDS 2016

MAP 2. FORECLOSURE DEEDS, 2016



# FORECLOSURE TRENDS 2016

## TENANCY

In 2016, the percentage of petitions of owner-occupied properties remained at 59% and has remained in the 56%-59% range since 2011 (see Table 4). Nonetheless, given the overall increase in petitions from 2015 and 2016, an additional 18 owner-occupied properties were petitioned in 2016. 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 2016, 57 (35%) foreclosed properties were owner-occupied, up from 54 (40%) in 2015. Despite this, foreclosures on owner-occupants decreased by 5% due to the 30 additional foreclosure deeds during the period (Table 5).

The residential exemption status from the City of Boston's Assessing Department is used to identify whether or not a foreclosed property is owner-occupied. 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 are probably underestimated using this data source, but it remains the most reliable and accessible source to identify owner-occupied properties. 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.

The 164 foreclosed properties comprise 239 units of housing. This estimate is likely high, since it assumes 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, however, it is estimated that about 183 (77%) tenant-occupied households were or will soon be displaced as a result of foreclosures. This is a 7% increase over last year.

TABLE 4. OWNER-OCCUPANCY & FORECLOSURE PETITIONS, 2007-2016

YEAR	OWNER-OCCUPIED	INVESTOR OWNED	TOTAL	% OWNER-OCCUPIED
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%
2016	313	220	533	59%

TABLE 5. OWNER-OCCUPANCY & FORECLOSURE DEEDS, 2007-2016

YEAR	OWNER-OCCUPIED	INVESTOR OWNED	TOTAL	% OWNER-OCCUPIED
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%
2015	54	80	134	40%
2016	57	107	164	35%

TABLE 6. ESTIMATE OF TENANT-OCCUPIED HOUSING UNITS IN FORECLOSED PROPERTIES, 2010-2016

YEAR	#OF FORECLOSED PROPERTIES	# OF HOUSING UNITS	EST. UNITS TENANT OCCUPIED	%
2010	821	1,244	996	80%
2011	525	780	549	70%
2012	308	466	363	78%
2013	94	137	102	74%
2014	102	135	101	75%
2015	134	181	127	70%
2016	164	239	183	77%



# FORECLOSURE TRENDS 2016

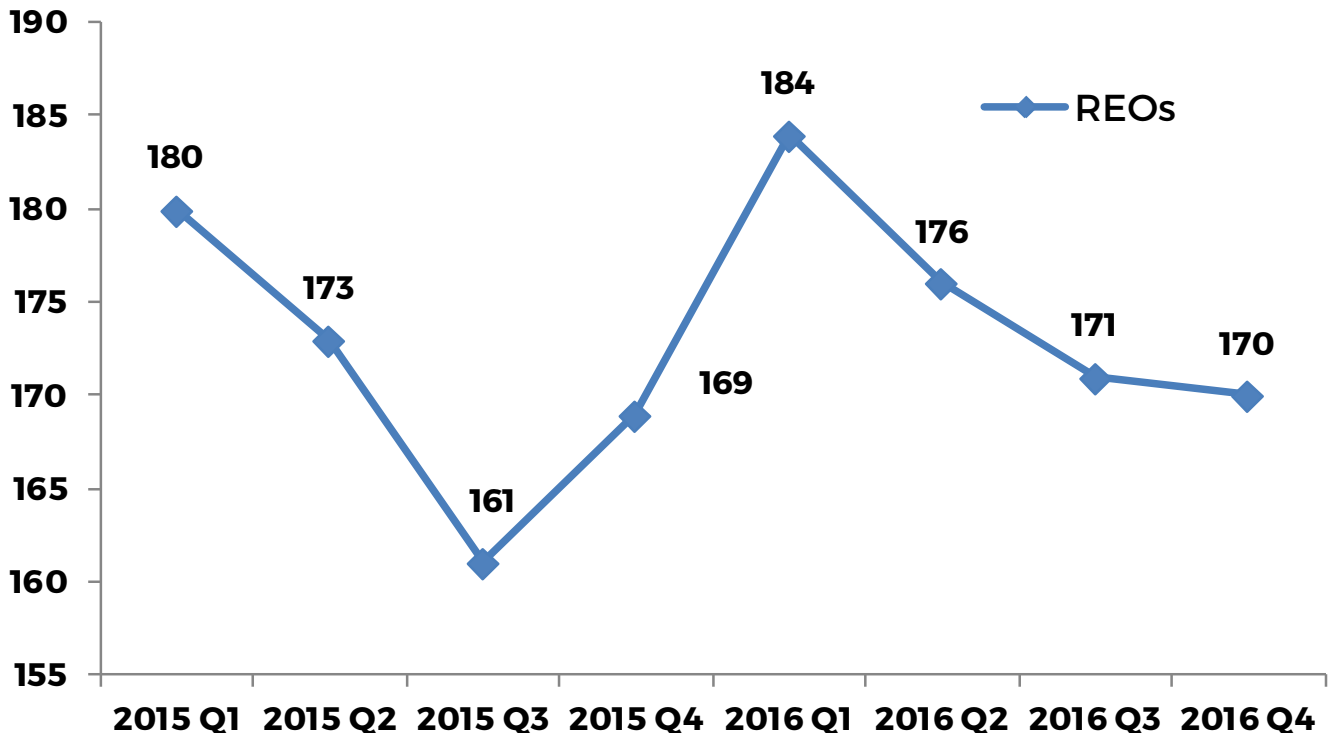
## REAL ESTATE OWNED PROPERTY

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 buyer. This happens when the purchase price offered is lower than the amount the lender is owed. Of the 164 properties foreclosed in 2016, lenders bought back 109 (66%), a 12% increase from last year.

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 2016, 109 new properties became REO (Table 7), an increase of 37 from 2015. At year end 2016, the City identified 163 properties that were still REO after considering properties that were either sold or foreclosures that were rescinded in Land Court (see Chart 2). This represents a net increase of four REOs compared to the 2015 year end count.

YEAR	TOTAL FORECLOSURES	PRIVATE BUYER	REO
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%)
2016	164	55	109 (66%)

CHART 2. END OF QUARTER REO COUNT 2015-2016<sup>3</sup>



<sup>3</sup> 2015 REO numbers have been revised since the 2015 Foreclosure Trends Report.

## FORECLOSURE TRENDS 2016

### REAL ESTATE OWNED PROPERTY. cont.

While the goal outlined in Boston 2030 was to reduce the number of REO properties by 50% from 218 to 109 by 2016, the current REO count of 163 represents a 33% decline from the 2013 end of year count.

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 distressed 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. Currently, there are seven REO properties that the City has identified as distressed, four of which have been distressed since 2007-2011, and three of which were newly identified as distressed in 2016.

### LOAN ANALYSIS

Of the 164 foreclosure deeds recorded in 2016, 52% resulted from refinancing and 48% were from home purchase loans (see Table 8). Surprisingly, most of the foreclosures (92 or 56%) were on fixed-rate mortgages. The remaining 72 (44%) foreclosure deeds were on adjustable-rate mortgages (ARMs). However, the number and percentage foreclosures on ARMs has increased by 9% since 2014.

Table 9 shows that the median number of years between the mortgage origination and the foreclosure petition increased to 10.2 years in 2016, up from nine years in 2015. The median time between mortgage origination has been increasing steadily since 2007 when the median age was only 1.4 years. The growth in the median age of the mortgage to 10.2 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 (page 9) which shows foreclosures by date of origination.

**TABLE 8. FORECLOSURE DEEDS 2014-2016  
PURPOSE OF LOAN AND TYPE**

PURPOSE OF LOAN	2014	2015	2016	CHANGE FROM 2014
Home Purchase	47%	43%	48%	1%
Refinance	51%	57%	52%	1%
Non-Loan	2%	0%	0%	-2%
<b>TYPE OF LOAN</b>				
TYPE OF LOAN	2014	2015	2016	CHANGE FROM 2014
Adjustable Rate	35%	41%	44%	9%
Fixed Rate Mortgage	63%	59%	56%	-7%
No Mortgage	2%	0%	0%	-2%

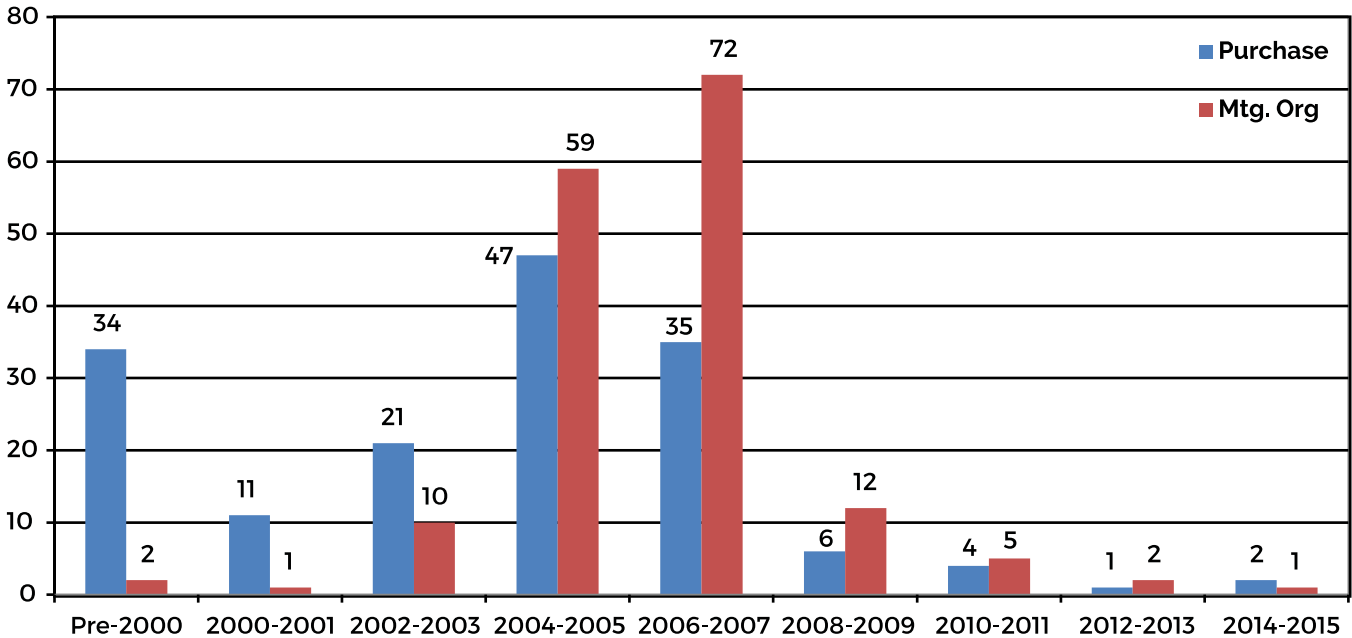
**TABLE 9. YEARS OWNED & AGE OF MORTGAGE  
AT TIME OF PETITION FILING, 2007-2016**

FORECLOSURE PETITION YEAR	YEARS OWNED	AGE OF MORTGAGE
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
2016	15.8	10.2



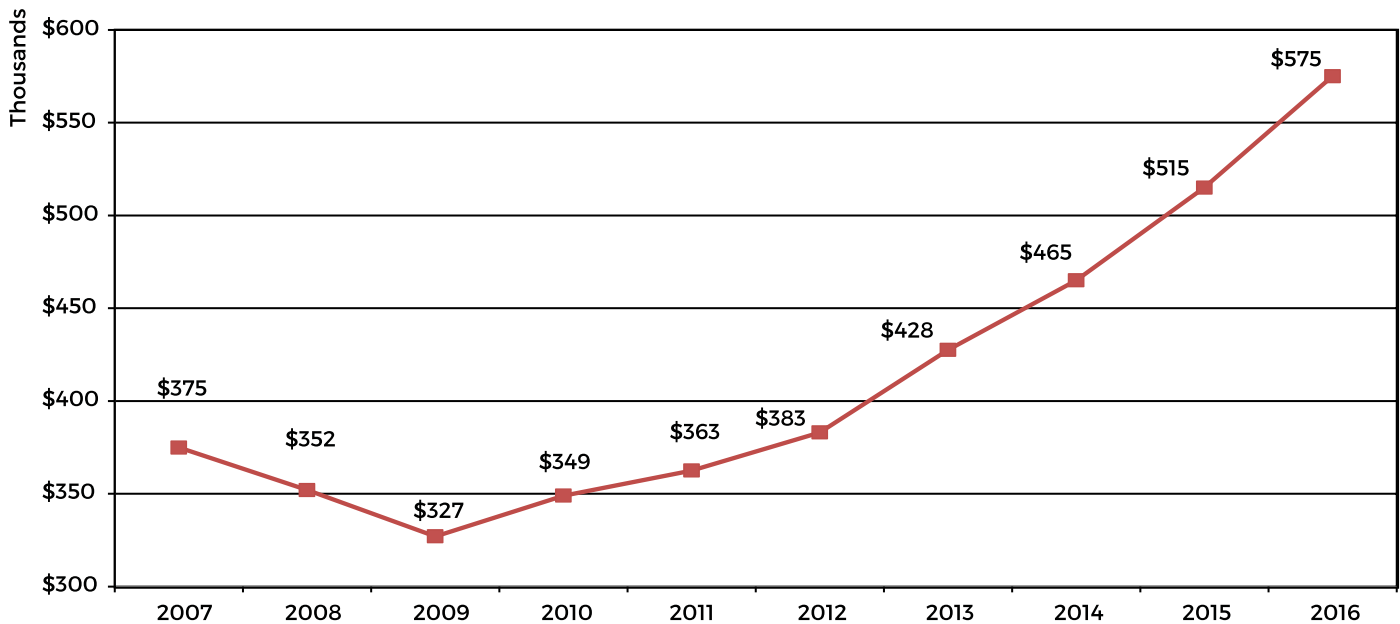
## FORECLOSURE TRENDS 2016

CHART 3. YEAR PURCHASED AND MORTGAGE ORIGINATED (FORECLOSURE DEEDS 2016)<sup>4</sup>



Even though the 2016 residential median sales price is 51% above the 2007 price (Chart 4), the tightened credit market has made it difficult for some borrowers to refinance if they cannot afford their mortgage payment despite the increase in home equity.

CHART 4. BOSTON RESIDENTIAL MEDIAN SALE PRICE, 2007-2016



<sup>4</sup> There are three foreclosures for which the original purchase date of the property could not be found.

# FORECLOSURE TRENDS 2016

## REGIONAL AND STATE CONTEXT

The following tables show foreclosure petitions and deeds per 1,000 residential parcels (single-family, multifamily, and condominiums) for Massachusetts cities with populations over 90,000 as well as for the whole state. Boston ranks eighth lowest for foreclosure petitions and for foreclosure deeds, among the top ten most populated Massachusetts municipalities in 2016, a rate significantly below that of the state and that of comparable cities. In addition, Boston's 2016 petition rate (4.4/1,000) is less than half of the Massachusetts' rate (10.2/1,000).

**TABLE 9. FORECLOSURE PETITION RATE FOR TOP 10 MOST POPULATED MASSACHUSETTS CITIES<sup>5</sup>**

RANK	MA CITIES POP ≥ 90,000	2015	2016	CHANGE	2015 FORECLOSURE RATE PER 1,000 RESIDENTIAL PARCELS	2016 FORECLOSURE RATE PER 1,000 RESIDENTIAL PARCELS	CHANGE
1	BROCKTON	355	400	45	16.2	18.1	1.9
2	SPRINGFIELD	481	607	126	13.5	17.0	3.5
3	WORCESTER	396	496	100	10.3	12.9	2.6
4	NEW BEDFORD	220	244	24	10.8	12.0	1.2
5	LYNN	193	212	19	10.3	20.0	2.4
6	FALL RIVER	146	150	4	9.1	9.3	0.2
7	LOWELL	209	195	-14	9.7	9.0	-0.7
8	BOSTON	500	533	33	4.1	4.4	0.2
9	QUINCY	94	95	1	4.0	4.0	0.0
10	CAMBRIDGE	16	19	3	0.7	0.9	0.1
	<b>TOTAL COUNT</b>	<b>2,567</b>	<b>2,915</b>	<b>348</b>	<b>7.6</b>	<b>8.5</b>	<b>1.0</b>
	<b>MASSACHUSETTS</b>	<b>10,356</b>	<b>11,744</b>	<b>1,388</b>	<b>5.4</b>	<b>6.1</b>	<b>0.7</b>

Boston's foreclosure rate (1.3/1,000) is also less than half of the state's rate (3.0/1,000). The state petition rate also grew faster than the City's petition and foreclosure rates between 2015 and 2016.

**TABLE 10. FORECLOSURE DEED RATE FOR TOP 10 MOST POPULATED MASSACHUSETTS CITIES<sup>6</sup>**

RANK	MA CITIES POP ≥ 90,000	2015 DEEDS	2016 DEEDS	CHANGE	2015 FORECLOSURE RATE PER 1,000 RESIDENTIAL PARCELS	2016 FORECLOSURE RATE PER 1,000 RESIDENTIAL PARCELS	CHANGE
1	SPRINGFIELD	236	338	102	6.6	9.5	2.9
2	NEW BEDFORD	121	188	67	5.9	9.2	3.3
3	BROCKTON	123	171	48	5.6	7.7	2.1
4	FALL RIVER	87	118	31	5.4	7.3	1.9
5	WORCESTER	184	268	84	4.8	7.0	2.2
6	LOWELL	77	118	41	3.5	5.4	1.9
7	LYNN	79	90	11	4.2	4.8	0.6
8	BOSTON	134	164	30	1.1	1.3	0.2
9	QUINCY	26	30	4	1.1	1.3	0.2
10	CAMBRIDGE	4	3	-1	0.2	0.1	0.0
	<b>TOTAL COUNT</b>	<b>1,071</b>	<b>1,488</b>	<b>417</b>	<b>3.2</b>	<b>4.4</b>	<b>1.2</b>
	<b>MASSACHUSETTS</b>	<b>4,111</b>	<b>5,858</b>	<b>1,747</b>	<b>2.1</b>	<b>3.0</b>	<b>0.9</b>

<sup>5</sup> 2015 petition numbers in this table have been revised significantly (except Boston) and differ from those reported in the 2015 Foreclosure Trends Report.

<sup>6</sup> While Boston and Quincy have the same petition rate, Boston was ranked 8th due to its greater percentage increase in foreclosures from 2015 to 2016. The numbers in Table 10 have been revised (except Boston) from those reported in the 2015 Foreclosure Trends Report.

