



Foreclosure Trends Trends 2013

CITY OF BOSTON/MAYOR MARTIN J. WALSH

DEPARTMENT OF NEIGHBORHOOD DEVELOPMENT SHEILA A. DILLON, CHIEF AND DIRECTOR

2013 FORECLOSURE OVERVIEW

- Foreclosure deeds declined 69%, from 308 in 2012 to 94 in 2013.
- Foreclosure petitions declined 74%, from 890 in 2012 to 232 in 2013.
- Adjustable-rate mortgages were responsible for 38% of foreclosures in 2013, and only 6% foreclosed before their first reset date.
- Only 35 homeowners (37% of all foreclosure deeds) were foreclosed on in 2013, down from 103 in 2012.
- 70% of petitioned properties and 69% of foreclosure deeds were in five neighborhoods: Dorchester, East Boston, Hyde Park, Mattapan, and Roxbury.
- The percentage of foreclosed properties that became Real Estate Owned (REO) decreased from 75% in 2012 to 59% in 2013.
- The number of REO properties in Boston declined to 237 at the end of 2013, down from 364 at the end of 2012.

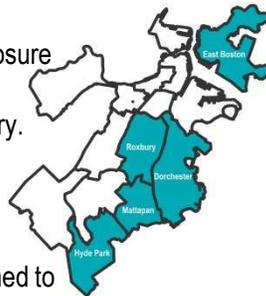
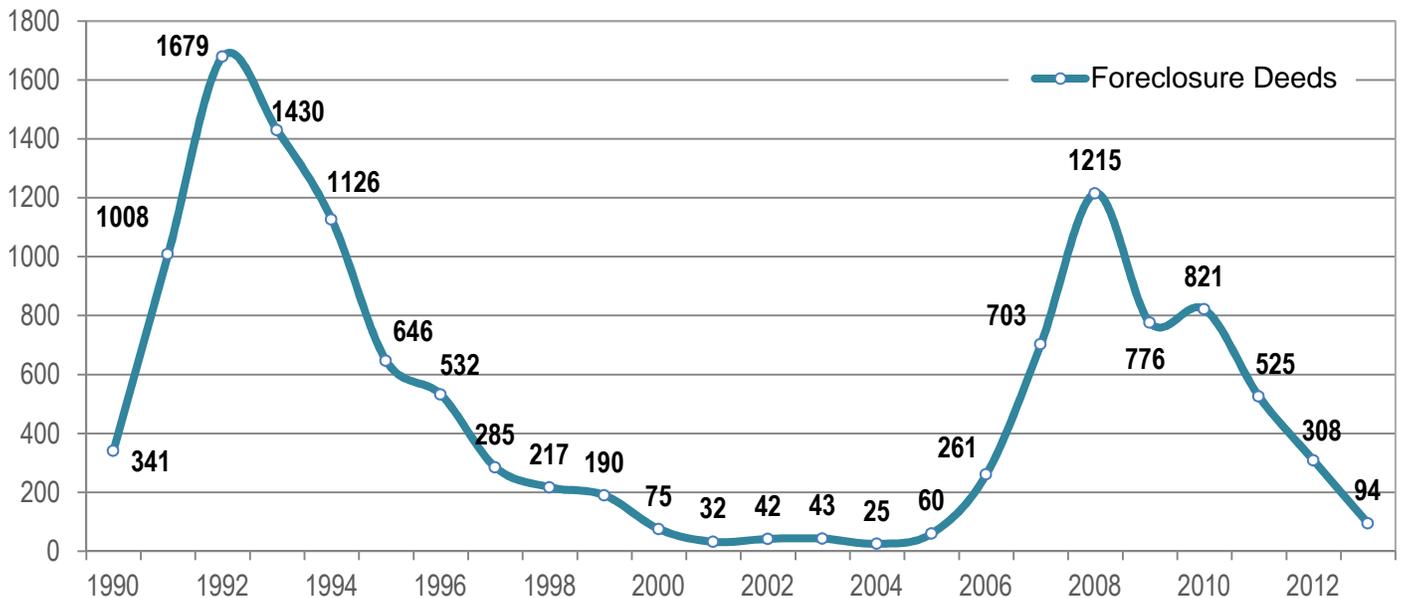


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Chart 1: Foreclosure deeds in Boston, 1990-2013



Foreclosure Petition: A lender must file a petition in land court to begin the foreclosure process.

Foreclosure Deed: The foreclosure deed is the completion of the foreclosure process, including the auction.

Residential Property: Condominiums and one-, two-, and three-family homes as identified by the City of Boston Assessing Department.



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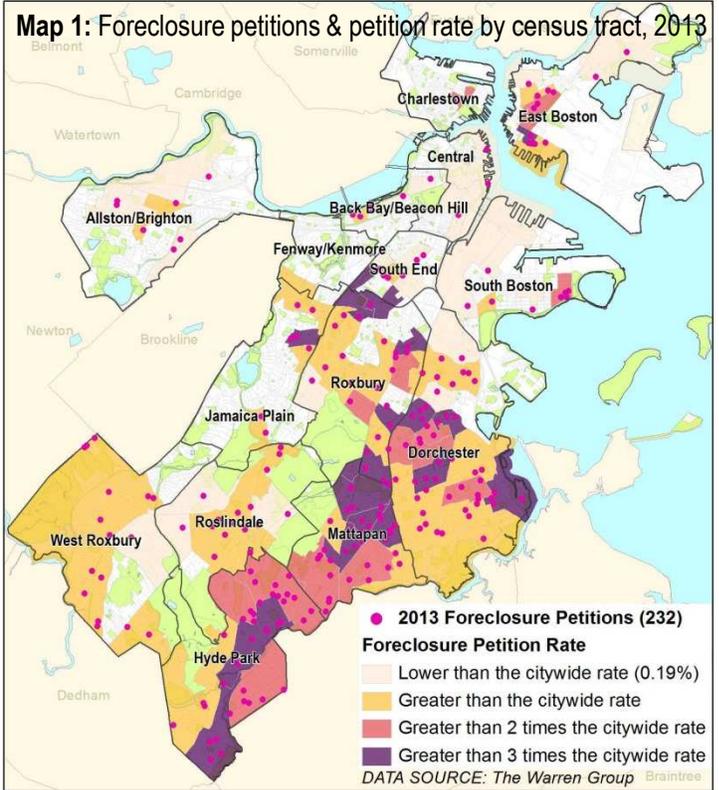
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FORECLOSURE PETITIONS

Foreclosure petitions dropped 74% in 2013 compared to 2012 (Table 1) and are the lowest they have been in over ten years. The foreclosure petition rate is down to 0.19% in 2013, compared to 0.75% in 2012. Furthermore, many of the owners of these petitioned properties will be able to avoid foreclosure through alternate resolutions, such as mortgage modifications, mortgage write-downs, refinances, or short sales. Between 2005 and 2013, over two times as many foreclosure petitions were filed than foreclosure deeds were recorded.

Foreclosure petitions declined in every neighborhood in Boston. The greatest percentage decrease was in the Charlestown (-91%), and the largest overall decline was in Dorchester (-133). Still, Dorchester had the most foreclosure petitions (52), and the census tract with the highest petition rate, 1.22%, was located in Mattapan (Map 1). As has been the case since the start of the current foreclosure crisis, 70% of foreclosure petitions were concentrated in Dorchester, East Boston, Hyde Park, Mattapan, and Roxbury, despite the fact that these five neighborhoods account for only a third of residential properties in Boston.

Table 1: Foreclosure petitions by neighborhood & property type



	FORECLOSURE PETITIONS - 2012					FORECLOSURE PETITIONS - 2013					% 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	31	17	8	5	1	7	2	3	1	1	-77%	-88%	**	**	**
BACK BAY BEACON HILL	22	21	1	0	0	5	5	0	0	0	-77%	-76%	**	**	**
CENTRAL	24	24	0	0	0	3	3	0	0	0	-88%	-88%	**	**	**
CHARLESTOWN	11	6	2	2	1	1	0	0	1	0	-91%	**	**	**	**
DORCHESTER	185	45	56	40	44	52	15	10	13	14	-72%	-67%	-82%	-68%	-68%
EAST BOSTON	61	17	11	15	18	14	3	5	0	6	-77%	-82%	-55%	-100%	-67%
FENWAY/KENMORE	4	3	0	0	1	0	0	0	0	0	**	**	**	**	**
HYDE PARK	130	11	80	35	4	38	5	18	11	4	-71%	-55%	-78%	-69%	**
JAMAICA PLAIN	18	7	5	2	4	7	1	1	2	3	-61%	**	**	**	**
MATTAPAN	100	17	36	32	15	35	6	12	12	5	-65%	-65%	-67%	-63%	-67%
ROSLINDALE	56	12	25	13	6	16	5	8	1	2	-71%	-58%	-68%	-92%	**
ROXBURY	129	32	23	36	38	23	4	4	5	10	-82%	-88%	-83%	-86%	-74%
SOUTH BOSTON	45	27	9	5	4	8	5	1	2	0	-82%	-81%	**	**	**
SOUTH END	24	22	1	0	1	6	6	0	0	0	-75%	-73%	**	**	**
WEST ROXBURY	50	18	29	2	1	17	6	10	1	0	-66%	-67%	-66%	**	**
CITYWIDE	890	279	286	187	138	232	66	72	49	45	-74%	-76%	-75%	-74%	-67%

*No percent change is calculated for neighborhoods with fewer than 10 petitions.

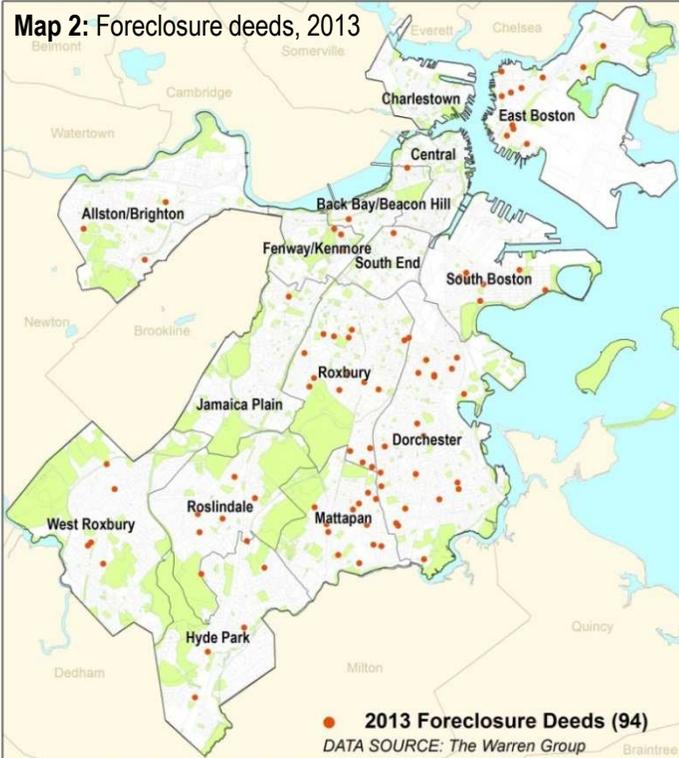


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Map 2: Foreclosure deeds, 2013



FORECLOSURE DEEDS

Just as foreclosure petitions declined significantly in 2013, foreclosure deeds declined 69%, down to 94 (Table 2). This is the third year in a row that foreclosure deeds declined, bringing them to the lowest they have been in eight years and 92% below the 2008 peak of 1,215. Similar to foreclosure petitions, 69% of 2013 foreclosure deeds were concentrated in Dorchester, East Boston, Hyde Park, Mattapan, and Roxbury (Map 2). Central Boston experienced the greatest percentage decrease in foreclosure deeds (-100%), and Dorchester had the greatest decrease in volume (-59). Fenway/Kenmore is the only neighborhood that experienced a slight increase in foreclosure deeds, up to three recorded in 2013.

In 2013, foreclosure deeds decreased for all property types, with two-family homes declining by the greatest percentage (-77%) and condominiums by the greatest volume (-82). For condominiums, foreclosures can be more detrimental to small associations than large ones, so it is positive that only eleven foreclosed condominiums were in buildings with fewer than four units. The percentage of condominiums in small associations also declined slightly, from 32% in 2012 to 31% in 2013.

Table 2: Foreclosure deeds by neighborhood & property Type

	FORECLOSURE DEEDS - 2012					FORECLOSURE DEEDS - 2013					% 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	11	5	1	4	1	3	1	1	1	0	-73%	**	**	**	**
BACK BAY/BEACON HILL	9	9	0	0	0	2	1	1	0	0	**	**	**	**	**
CENTRAL	14	14	0	0	0	0	0	0	0	0	-100%	-100%	**	**	**
CHARLESTOWN	3	3	0	0	0	0	0	0	0	0	**	**	**	**	**
DORCHESTER	79	23	24	13	19	20	7	6	3	4	-75%	-70%	-75%	-77%	-79%
EAST BOSTON	30	11	7	4	8	11	5	3	0	3	-63%	-55%	**	**	**
FENWAY/KENMORE	1	1	0	0	0	3	3	0	0	0	**	**	**	**	**
HYDE PARK	43	10	19	12	2	5	2	2	1	0	-88%	-80%	-89%	-92%	**
JAMAICA PLAIN	6	4	2	0	0	1	1	0	0	0	**	**	**	**	**
MATTAPAN	23	2	7	9	5	12	1	5	4	2	-48%	**	**	**	**
ROSLINDALE	18	8	6	3	1	6	2	3	1	0	-67%	**	**	**	**
ROXBURY	41	8	6	18	9	17	5	5	3	4	-59%	**	**	-83%	**
SOUTH BOSTON	12	8	3	0	1	7	5	0	1	1	-42%	**	**	**	**
SOUTH END	4	3	0	1	0	1	1	0	0	0	**	**	**	**	**
WEST ROXBURY	14	9	3	2	0	6	2	3	1	0	-57%	**	**	**	**
CITYWIDE	308	118	78	66	46	94	36	29	15	14	-69%	-69%	-63%	-77%	-70%

*No percent change is calculated for neighborhoods with fewer than 10 deeds.



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REAL ESTATE OWNED PROPERTIES

A property becomes Real Estate Owned (REO), or bank-owned, when it goes to foreclosure auction and, instead of being purchased by a third party investor, it is bought back by the bank or lender. Of the 94 properties that were foreclosed on in 2013, banks bought back 59%, down from 75% in 2012 (Table 3).

Over the course of a year, the REO inventory is constantly in flux as some properties become REO at foreclosure auction and others are sold by a bank or lender to a private buyer. Chart 2 shows a point-in-time count of REOs at the end of each year. As of December 31, 2013, 237 properties were REO in Boston (Map 3), down 35% (-127) from 2012.

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. Properties that were actively REO as of December 31, 2013 were bank-owned for a median of 825 days, up from 501 days in 2012. This increase in the amount of time that properties remain REO may be indicative of delays unique to individual properties, such as title issues.

Table 3: Percentage of properties that become REO, 2005-2013

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%)

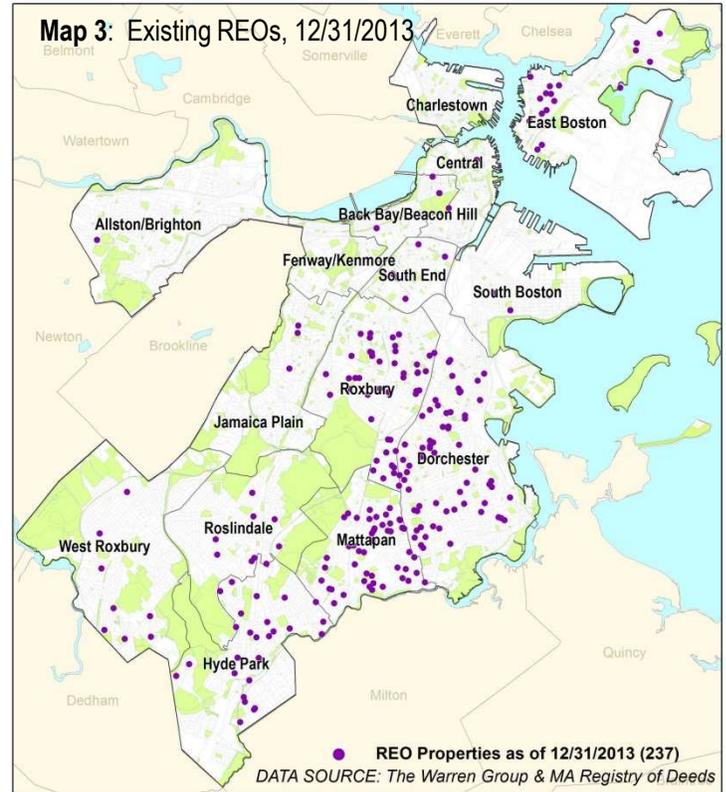


Chart 2: Existing REO properties, 2005-2013





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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). Table 4 shows that the median number of years between the mortgage origination and the foreclosure petition increased to 7.2 years in 2013, up from 6.1 years in 2012. The median time between mortgage origination and foreclosure petition has been increasing steadily since 2005, when the median age was only 1.3 years.

Chart 3 shows that, for foreclosed properties, 46% (43) of mortgages were originated between 2005 and 2006 when interest rates were high and the housing market had not yet crashed. Even though market values have been increasing since 2009 and the 2013 median sales price is 10% above the 2005 peak (Chart 4, page 6), the tightened credit market has made it difficult for some borrowers to refinance if they cannot afford their mortgage payments. In addition, another 19% of mortgages were originated in 2007 just before Boston’s unemployment rate began to rise and the U.S. entered an economic recession, thereby leaving many without jobs and means to pay their mortgages.

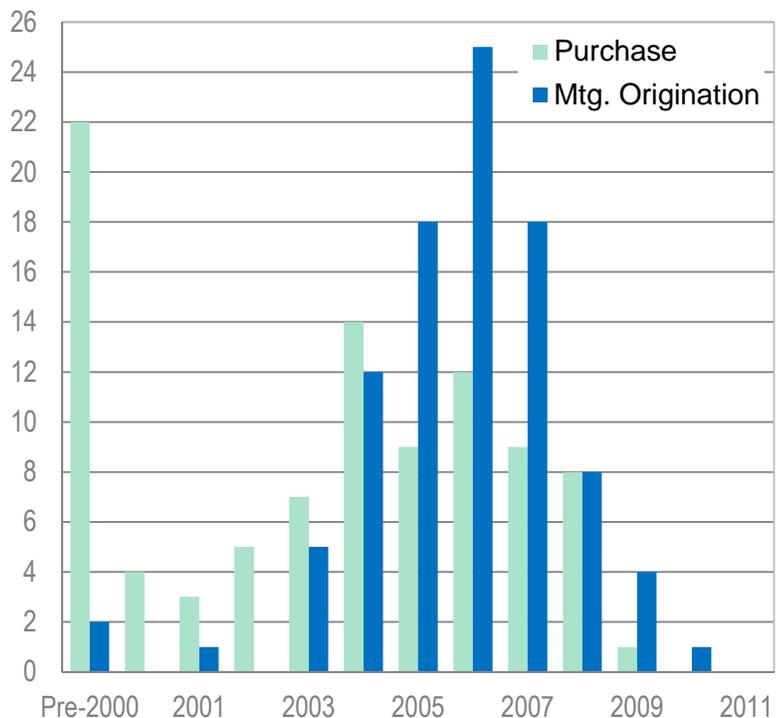
YEARS PROPERTY OWNED

As seen in Chart 5 (page 6), most foreclosed properties were the result of mortgage refinances, as opposed to home purchase loans. Therefore, it is not the case anymore that most foreclosed properties were purchased at the height of the housing bubble. In fact, the median number of years between the initial purchase of the property and the filing of a foreclosure petition jumped from 8.7 years in 2012 to 11.4 years in 2013 (Table 4). Furthermore, for foreclosed properties, a full 23% were purchased before 2000, whereas only 22% were purchased in 2005 and 2006.

Table 4: Years owned & age of mortgage at time of foreclosure petition filing, 2005-2013

FORECLOSURE PETITION YEAR	MEDIAN YEARS OWNED	MEDIAN 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	3.0
2010	6.0	4.2
2011	7.7	5.1
2012	8.7	6.1
2013	11.4	7.2

Chart 3: Year purchased & mortgage originated, foreclosure deeds, 2013





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LOAN ANALYSIS

Of the 94 foreclosure deeds recorded in 2013, 46% (43) resulted from home purchase loans, and 54% (51) resulted from refinances (Chart 5). This represents a slight shift up from 2012, when 44% of foreclosures were the result of home purchase loans.

In 2013, 38% (36) of foreclosure deeds were adjustable-rate mortgages (ARMs) while 62% (58) were fixed-rate mortgages (Chart 6). This is an increase from 2012 when 31% (97) of foreclosure deeds were ARMs. Of the 36 ARMs in 2013, only 6% (2) foreclosed before their first rate reset date and 94% (34) foreclosed after their first reset date (Chart 7). Since 2007, when DND began collecting ARM data, the percentage of mortgages that foreclosed after their reset dates has steadily increased each year, from 28% in 2007 to 94% in 2013, which suggests that foreclosures are impacted more by the date of origination than by the reset date. For foreclosure deeds recorded in 2013, the median initial annual percentage rate (APR) of ARMs was 6.824% (APRs are not available from the Registry of Deeds for fixed-rate mortgages).

Chart 4: Boston residential median sale price, 2002-2013

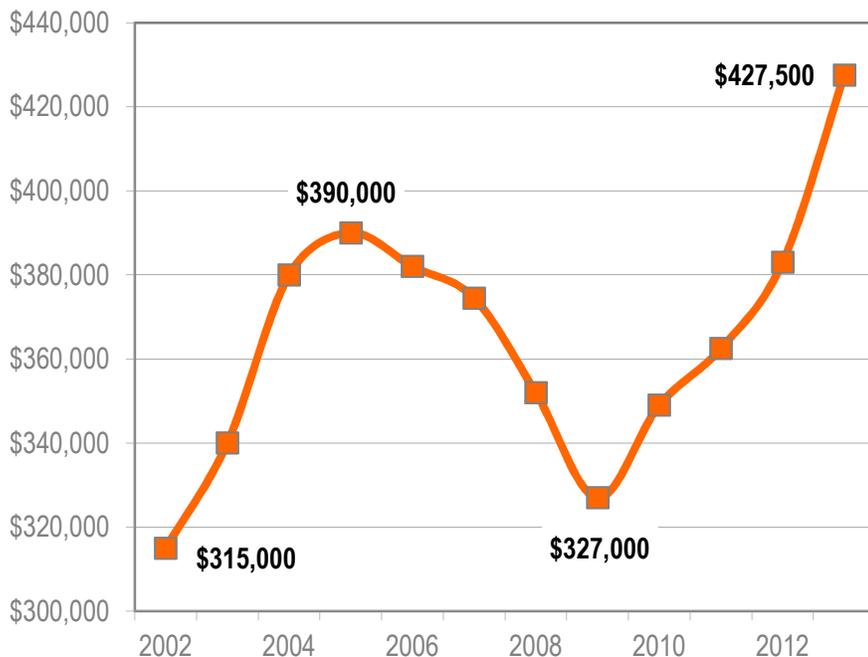
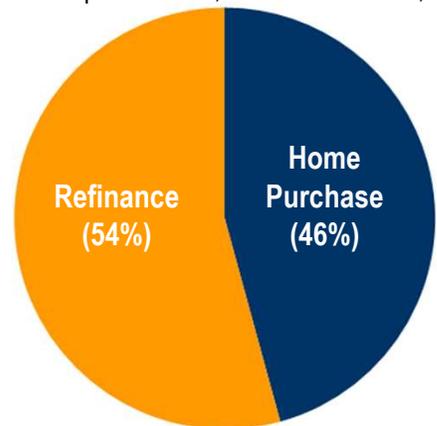
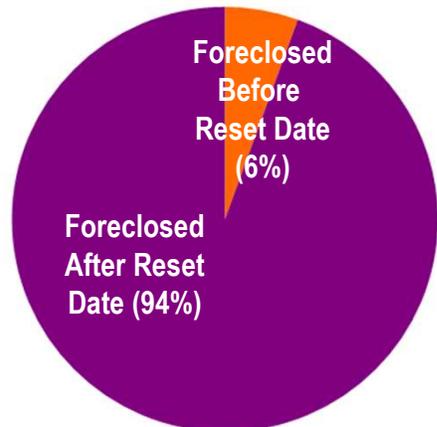
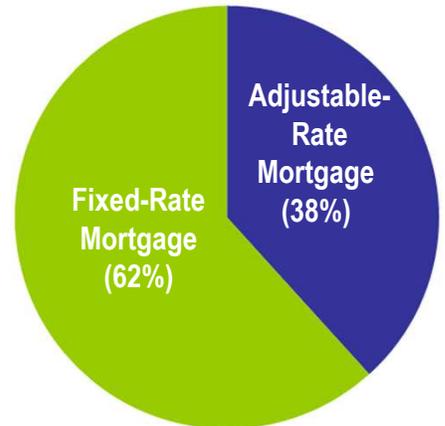


Chart 5: Purpose of loan, foreclosure deeds, 2013



Charts 6 & 7: ARM loans, foreclosure deeds, 2013





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TENANCY

In 2013, 37% of foreclosures were for owner-occupied properties (Chart 5), up from 33% in 2012. The percentage of foreclosure petitions that were for owner-occupied properties decreased, though, from 58% in 2012 to 56% in 2013. Table 6 shows that 2013 is the first year since 2009 that the percentage of foreclosure petitions that affect homeowners has decreased. 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 2006 (Table 7).

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 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 94 foreclosed properties comprise 137 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 and 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 74% (102) of housing units displaced through foreclosure were tenant-occupied. That is almost three times the number of homeowners (35) displaced by foreclosure.

Chart 5: Owner-occupancy, foreclosure deeds, 2013

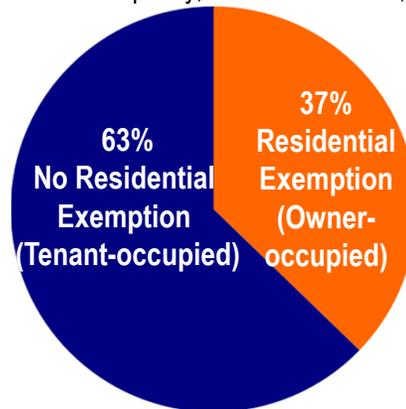


Table 6: Owner-occupancy, foreclosure petitions, 2006-2013

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%

Table 7: Owner-occupancy, foreclosure deeds, 2006-2013

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%



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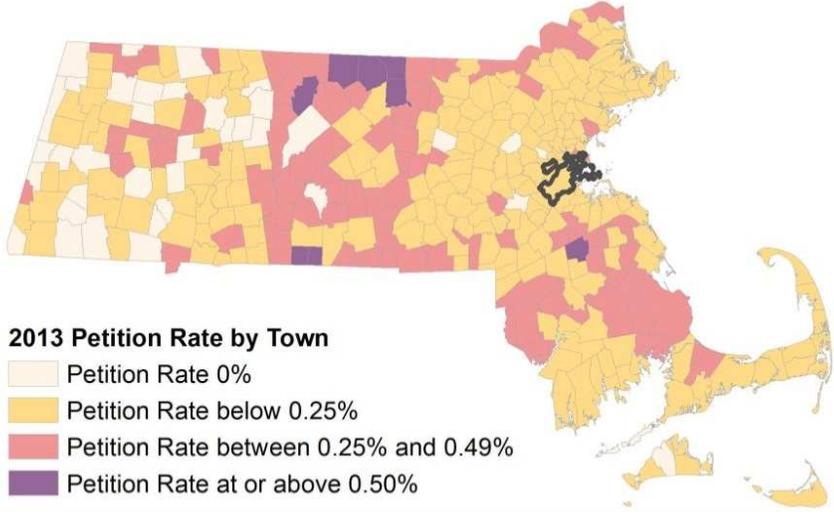
NATIONAL AND REGIONAL CONTEXT

The foreclosure petition rate in Massachusetts decreased from 0.61% in 2012 to 0.19% in 2013 (Table 8). Among the nine cities in Massachusetts with populations over ninety thousand, Boston had the second lowest rate, 0.11%. With a very low rate of 0.01%, Cambridge is the only large city in the state with a lower foreclosure rate than Boston. Map 4 shows the 2013 foreclosure petition rates of all cities and towns in Massachusetts. No city or town had a rate over 0.75%.

The national foreclosure rate decreased from 1.39% in 2012 to 1.04% in 2013, and the foreclosure rate in Massachusetts decreased from 1.08% in 2012 to 0.35% in 2013 (Table 9). Massachusetts also dropped in rank from 22nd to 42nd among the fifty states.

The rates in Table 8 and Map 4 vary slightly from the rates in Table 9 because they measure different foreclosure activity. To calculate the foreclosure rate, Table 8 and Map 4 divide foreclosure petitions by housing units, whereas Table 9 divides properties entering any stage of foreclosure (default, petition, auction, foreclosure deed, or REO) by total housing units.

Map 4: Foreclosure petition rates, Massachusetts, 2013



DATA SOURCE: The Warren Group & 2010 U.S. Census

Table 8: Foreclosure petition rates for MA cities, 2013

RATE RANK	U.S. STATES	FORECLOSURE RATE
1	Florida	3.01%
2	Nevada	2.16%
3	Illinois	1.89%
4	Maryland	1.57%
4	Ohio	1.53%
6	Georgia	1.40%
7	Connecticut	1.36%
8	South Carolina	1.36%
9	Arizona	1.25%
10	Delaware	1.23%
--	United States	1.04%
42	Massachusetts	0.35%

DATA SOURCE: The Warren Group & 2010 U.S. Census

Table 9: Foreclosure activity for the U.S., 2013

RATE RANK	MA CITIES (POP>90,000)	FORECLOSURE RATE
1	Brockton	0.51%
2	Springfield	0.40%
3	Worcester	0.27%
4	Lynn	0.25%
5	Lowell	0.24%
6	New Bedford	0.22%
--	Massachusetts	0.19%
7	Quincy	0.14%
8	Boston	0.11%
9	Cambridge	0.01%

DATA SOURCE: www.RealtyTrac.com



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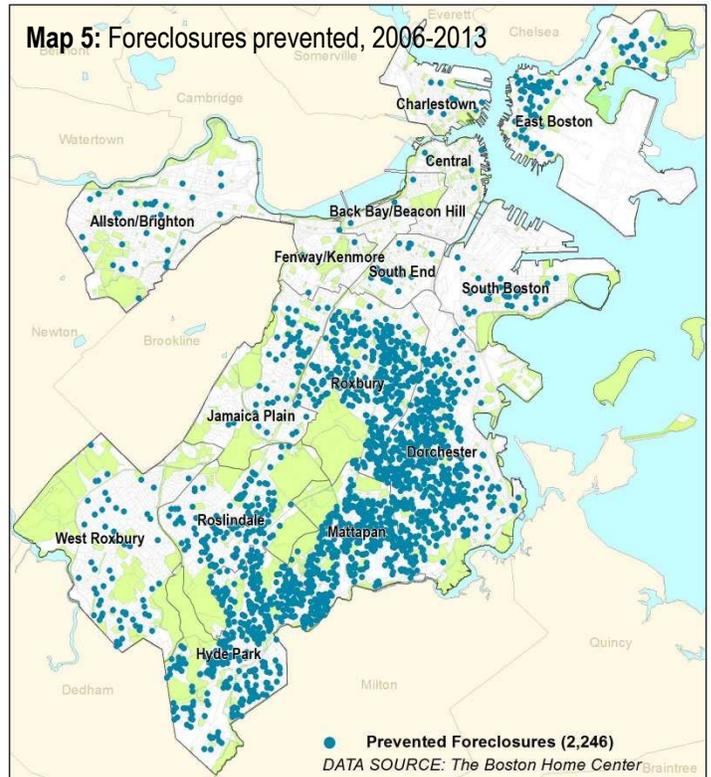
BOSTON'S ANTI-FORECLOSURE INITIATIVES

The City of Boston's anti-foreclosure efforts date back to 1999 with the "Don't Borrow Trouble" campaign that was created to warn homebuyers about risky new mortgage products. Since then, the City has helped homeowners avoid foreclosure, from early prevention efforts targeted to new homebuyers through intervention efforts aimed at homeowners who are being foreclosed on.

For prevention, the Boston Home Center (BHC) offers a variety of classes and workshops to help people learn about homeownership, meet and work with responsible lenders, purchase a home, and prevent foreclosure. In addition, the BHC does periodic targeted outreach to all homeowners in neighborhoods with concentrated foreclosures, regardless of foreclosure status.

For foreclosure intervention, the BHC partners with the Foreclosure Prevention Counseling Network, which consists of five community-based agencies that receive training from experts in the field. Together the BHC and the Foreclosure Prevention Counseling Network provide foreclosure intervention counseling in person and through Boston's foreclosure prevention hotline, 617-635-HOME. Some homeowners seek counseling on their own, but many come after they receive outreach from the BHC. Specifically, the BHC sends postcards with information on available services to every homeowner in the city who receives a foreclosure petition. The BHC then tracks all homeowners from this first point of referral through resolution. Since the program's inception in October 2006, 2,246 homeowners have averted foreclosure with assistance from the Foreclosure Prevention Counseling Network (Map 5), preserving over \$660 million in home values.

In addition, between 2009 and 2012, the City received \$23.8 million from the U.S. Department of Housing and Urban Development's Neighborhood Stabilization Program (NSP) I, II, and III, thereby allowing the City to expand its anti-foreclosure and neighborhood stabilization efforts. With NSP and the City's affordable housing programs, such as Leading the Way III, the City acquired 50 REO properties (112 units). The City, along with non-profit and responsible for-profit developers, helped renovate and sell or rent



these properties as affordable housing. Supplementing these efforts, the City has helped 140 homebuyers purchase 206 REO or short sale units, 101 homeowners renovate 122 formerly REO and short sale units, and developers purchase 67 REO units.

Foreclosure Trends is published by the Policy Development & Research Division of the City of Boston Department of Neighborhood Development.

For more information about this publication, contact Laura Delgado at (617) 635-0240 or Laura.Delgado@Boston.gov

Note on Data Sources: Foreclosure deed data were obtained from The Warren Group (pre-2003 and 2008-2013) and the Suffolk County Registry of Deeds (2003-2007). Foreclosure petition data were obtained from The Warren Group (2005-2013). Owner-occupancy and property type data were obtained from City of Boston Assessing Department. Sales data were obtained from The Warren Group.