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Mortgage Lending and Foreclosure Patterns in Chicago Neighborhoods

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Woodstock Institute

City of Chicago Five Year Housing Plan
Advisory Group Meeting
Federal Reserve Bank of Chicago
Chicago, IL
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Woodstock Institute

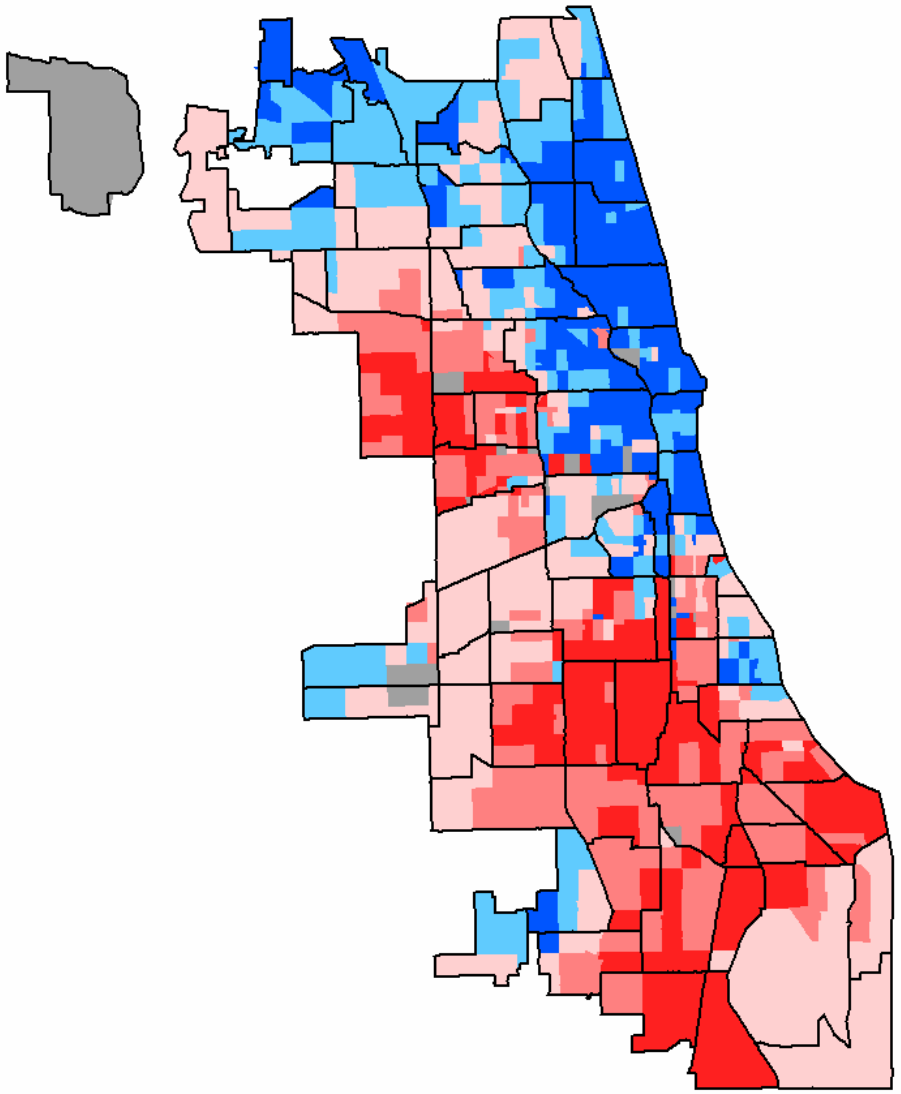
- Chicago-based non-profit research and policy organization working locally and nationally to promote economic development in lower-income and minority communities
- Work with financial institutions, policy makers, regulators, and community organizations to promote access to affordable mortgage products, small business loans, and other financial services in underserved communities
- Concerns around subprime mortgage lending and the impact of foreclosures have been key community development issue
  - Research
  - Policy
  - Alternatives

Mortgage Lending Context – Potential Problem Loans

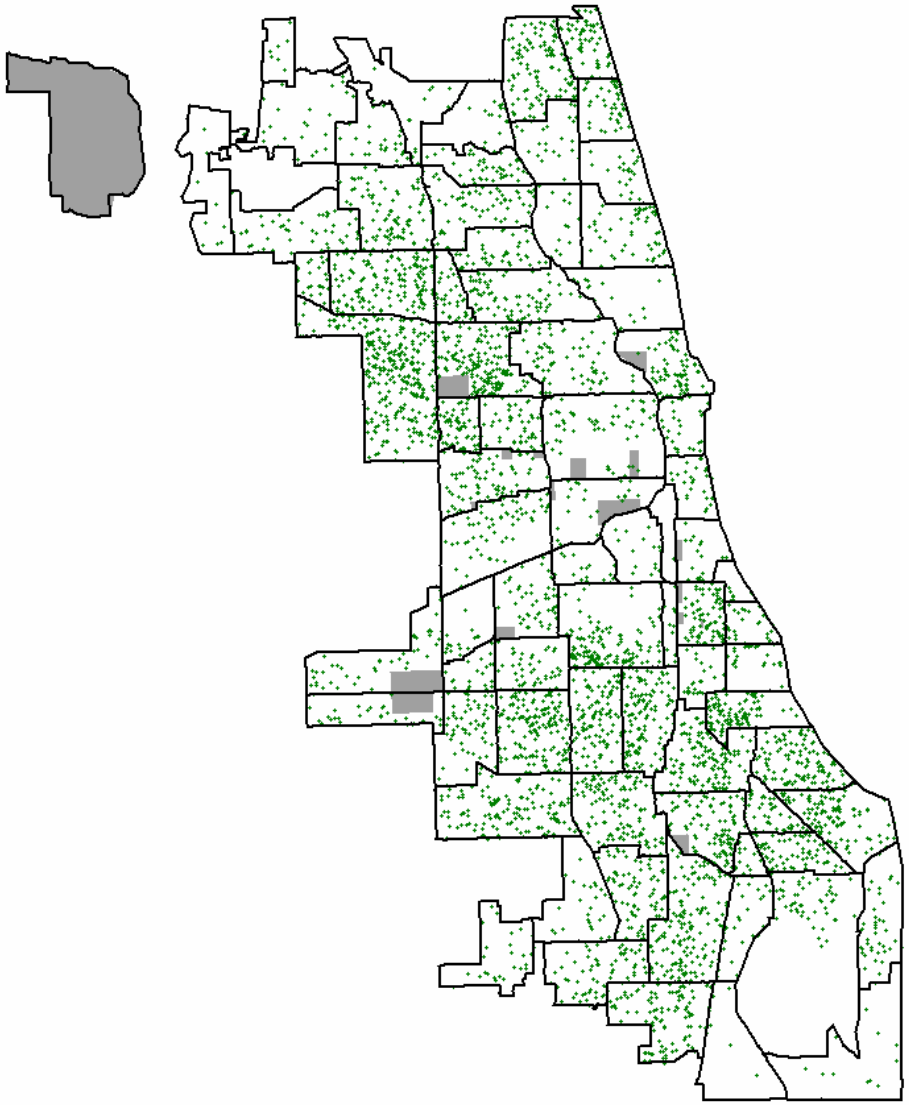
- Higher Cost Mortgages
  - Defaults on subprime, adjustable rate mortgages have been the leading cause of foreclosures
  - City of Chicago market share – 38.4%
  - Market share in highly minority communities – 57.5%
- Investment Properties
  - Borrowers more likely to walk away
  - Impact on renters
  - Percent of loans to non-owner occupants – 14%
- Defunct Subprime Lenders
  - Concerns around lending practices and servicing
  - Percent of total Chicago loans – 12.5%
- Junior Liens
  - Indicator of low levels of equity
  - More challenging work-outs
  - Percent of home purchases with junior lien – 39%
- FHA Loans
  - Currently small market share, but likely to increase
  - FHA/VA market share – 1.3%

Mortgage Lending Context – Potential Problem Loans

Market Share Higher Cost Loans, 2006

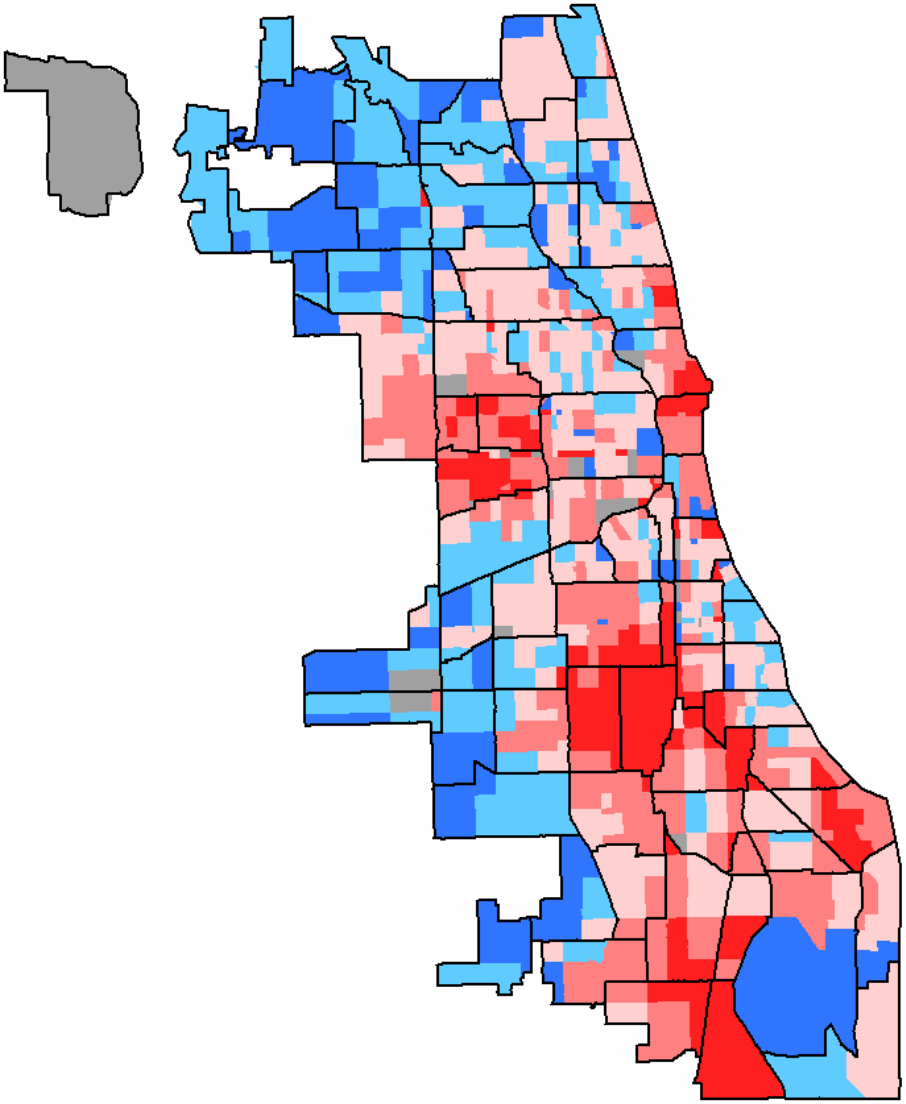


Very High APR Loans, 2006

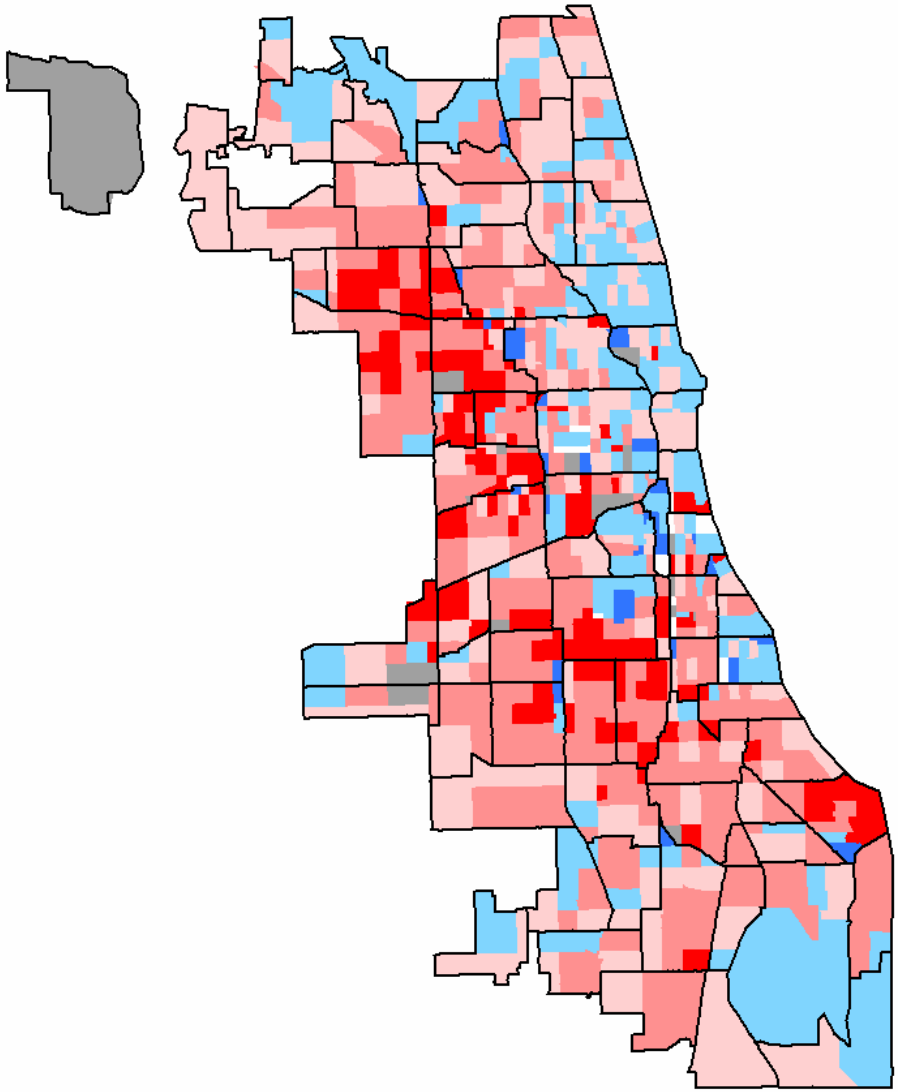


Mortgage Lending Context – Potential Problem Loans

Percent Loans to Non-Owner Occupied Properties, 2006

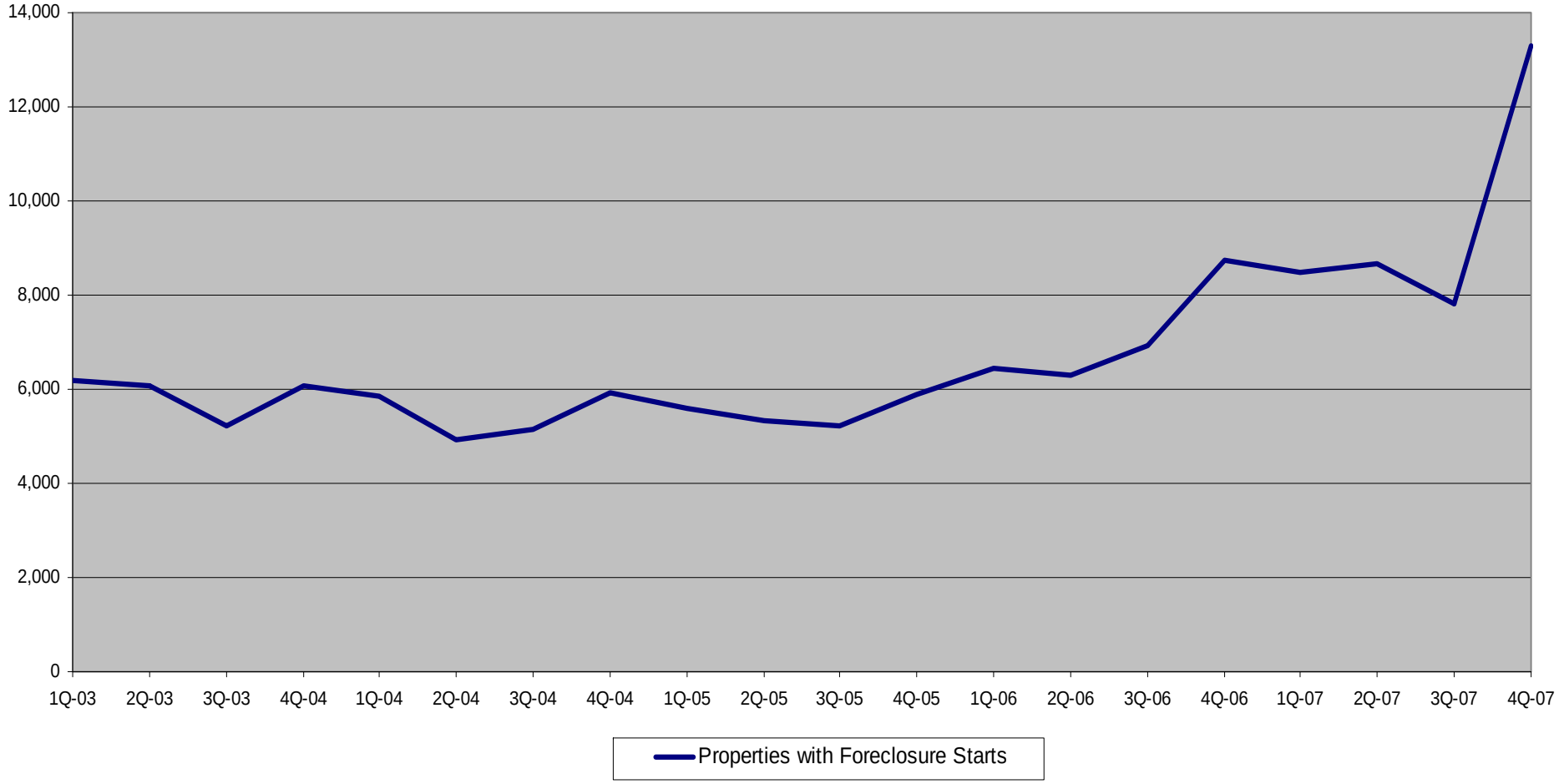


Percent Home Purchase Loans with Junior Liens, 2006



Foreclosure Trends in the Chicago Region

Quarterly Changes in Chicago Area Foreclosure Starts, 2003 to 2007

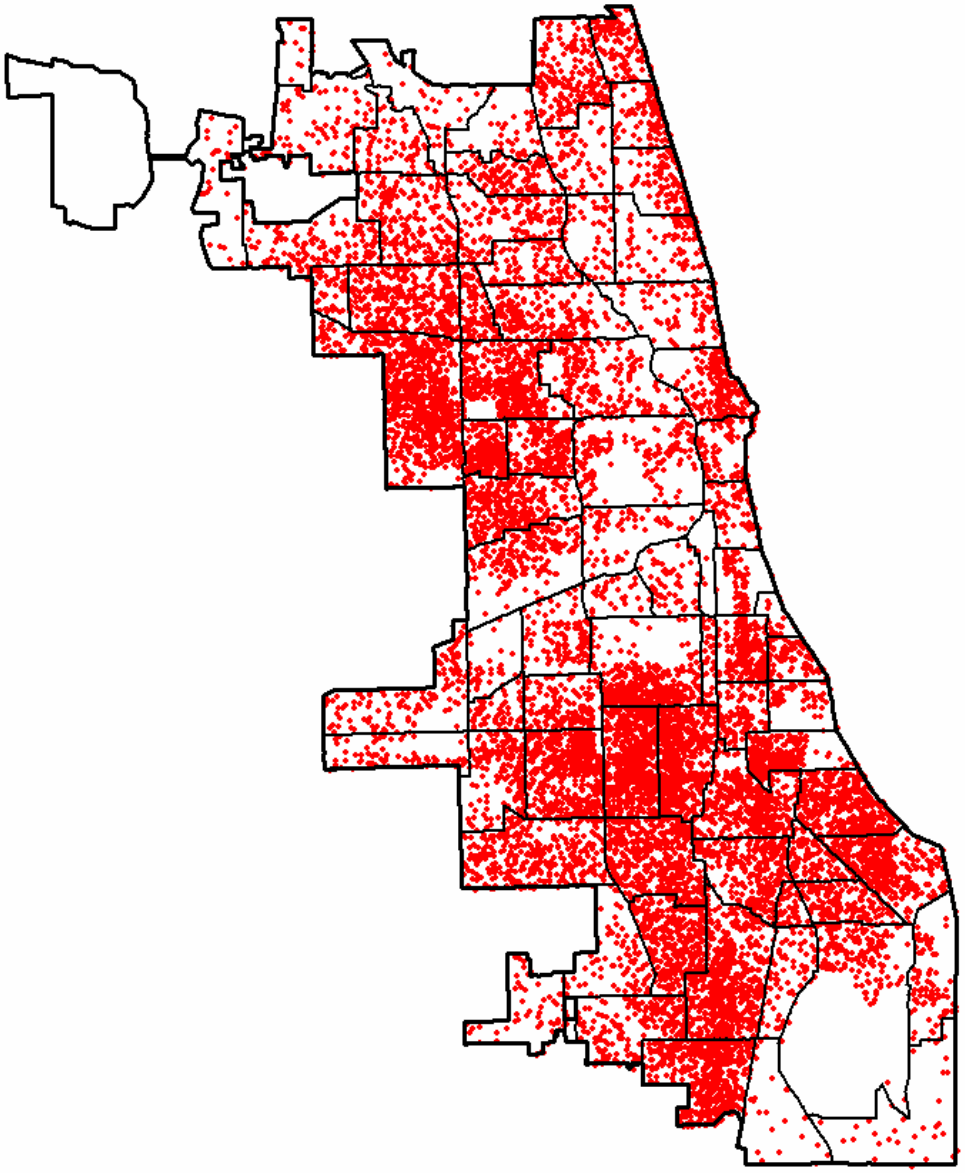


Source: Woodstock Institute analysis of data from Foreclosure Report of Chicago

2007 Foreclosures in Chicago

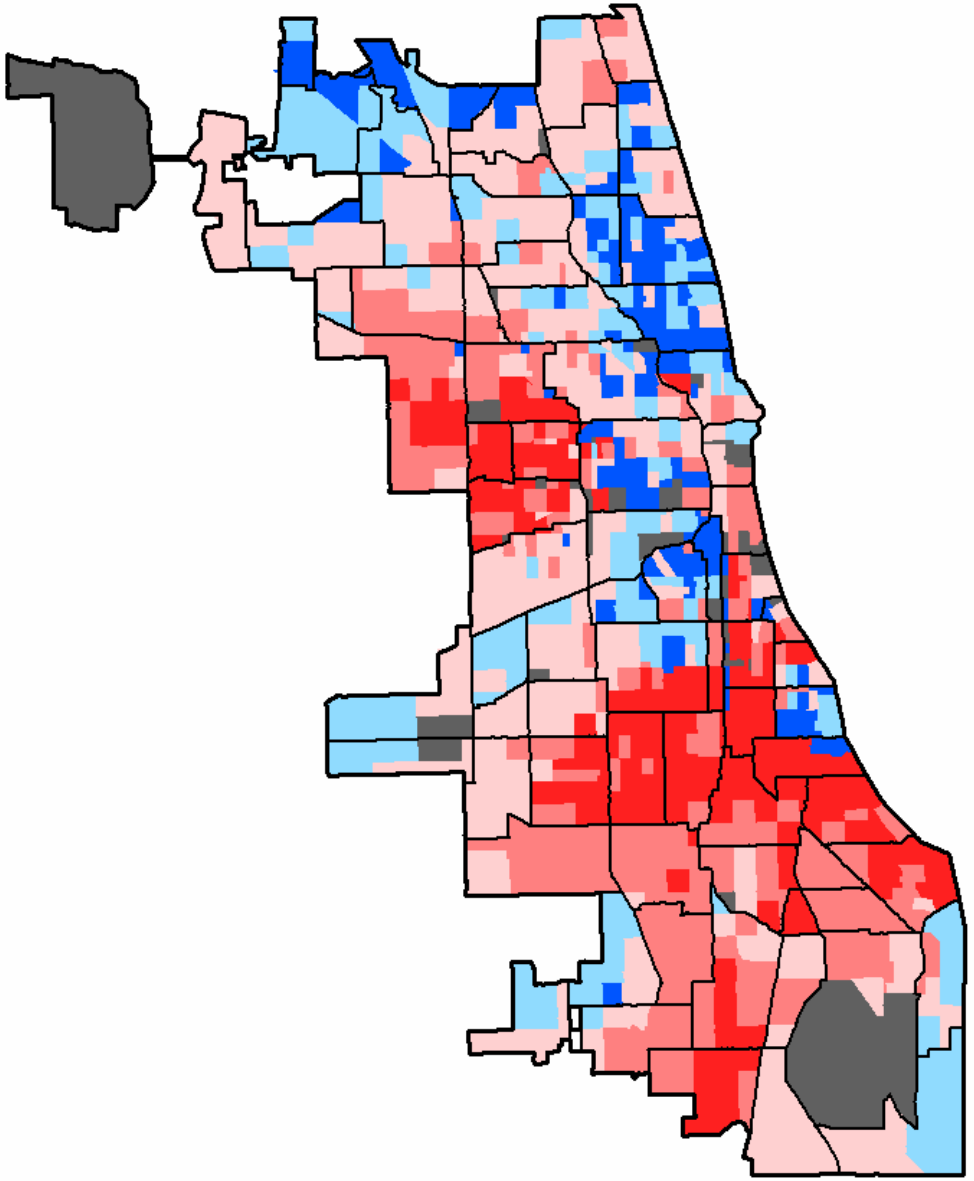
- **City of Chicago - 85 percent increase between 2005 and 2007**
  - Albany Park – 341%
  - North Park – 330%
  - West Ridge – 244%
  - Near South Side – 225%
  - Avondale – 191.4%

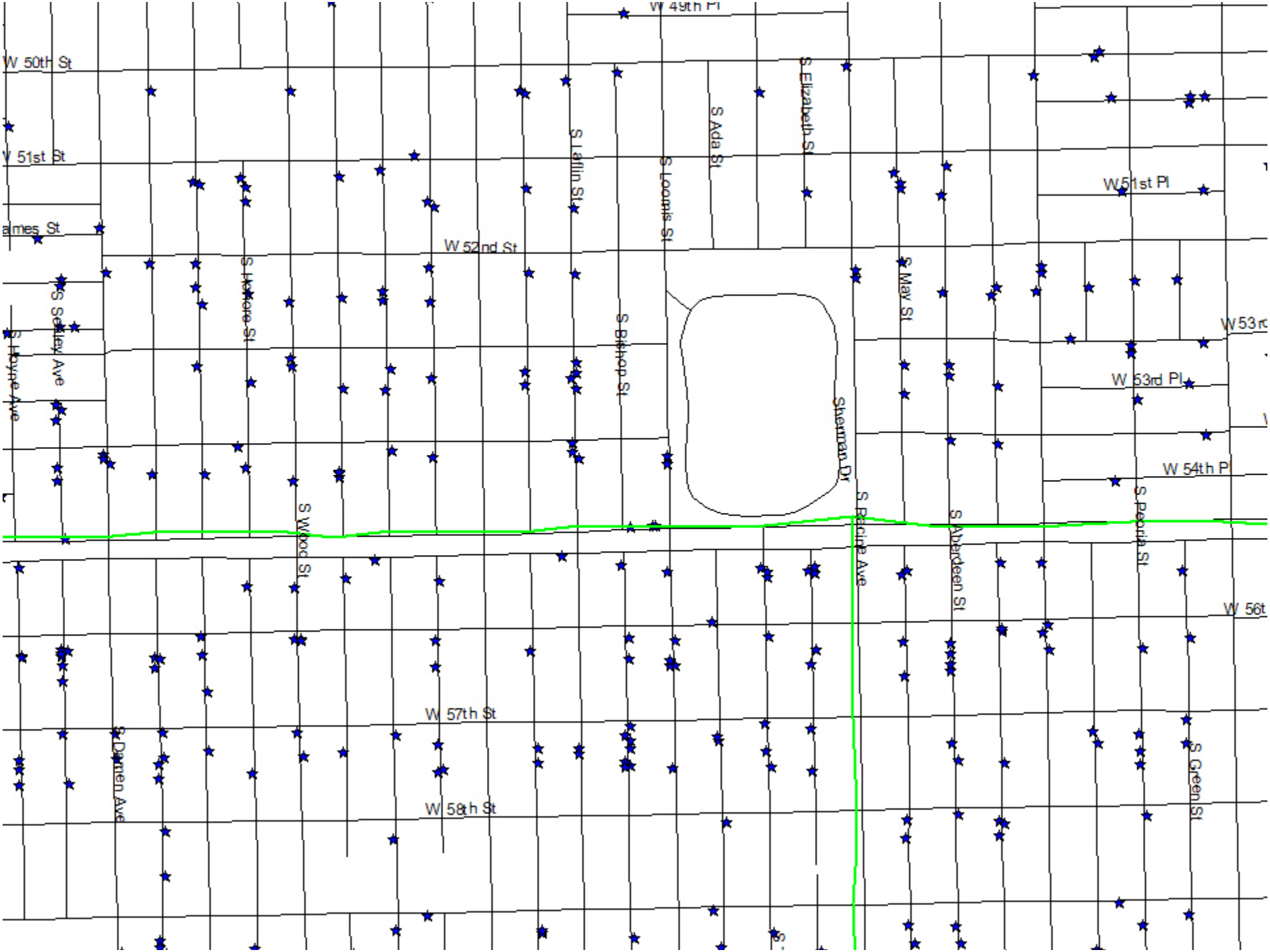
- **City of Chicago - 13,872 single family properties with foreclosure filings**
  - Austin – 810
  - West Englewood – 669
  - Roseland – 580
  - Englewood – 516
  - Chicago Lawn - 513



2007 Foreclosures in Chicago

- **City of Chicago - 24.4 single family foreclosures per 1,000 mortgageable properties**
- **Top Five**
  - Washington Park – 103.3
  - Grand Boulevard – 87.2
  - Woodlawn – 82.6
  - West Garfield Park – 75.7
  - Englewood – 68.7
- **Bottom Five**
  - Armour Square – 2.0
  - Edison Park – 3.7
  - Lincoln Park – 5.0
  - Lakeview – 5.5
  - North Center – 5.6

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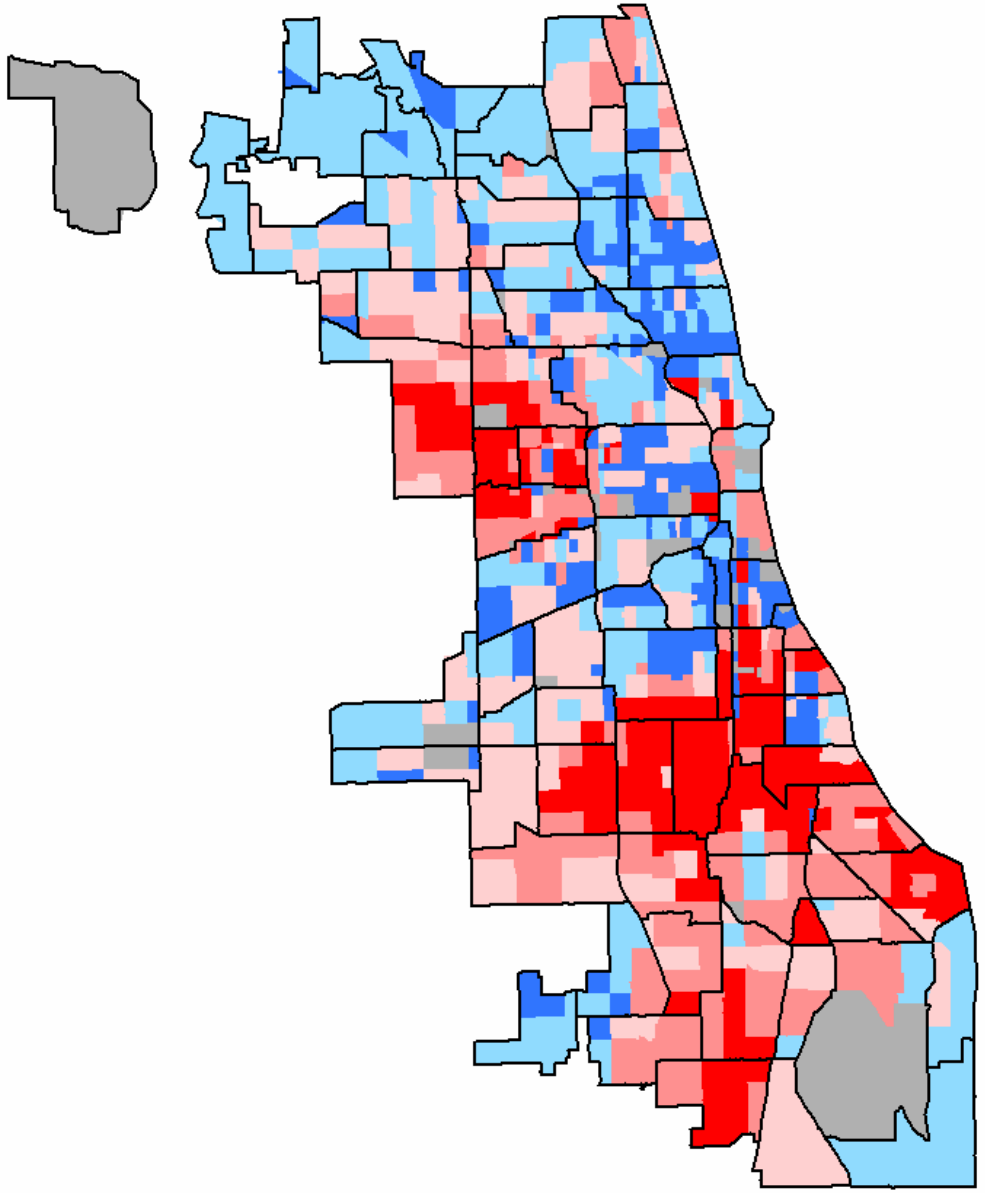
Foreclosure Outcomes

- Possible Outcomes of Foreclosure Filing
  - Negotiate loan modification and/or repayment plan – Homeowner
  - Negotiate short sale – Third Party Buyer
  - Deed in lieu of foreclosure – REO
  - Foreclosure goes to auction – Legal completion of foreclosure process
    - Buyer – Third Party Buyer
    - Lender – REO
- Growing number of foreclosures going to auction
  - 2005 – 2,271
  - 2007 – 6,103
  - 169% increase
- Growing number of auctions going to plaintiff
  - 2005 – 64 percent
  - 2007 – 96 percent

2007 Foreclosures in Chicago

- **City of Chicago - 10.3 single family auction REOs per 1,000 mortgageable properties**
- **Top Five**
  - Washington Park – 52.2
  - Grand Boulevard – 46.5
  - Englewood – 45.3
  - Woodlawn – 41.4
  - W. Englewood – 40.8
- **Bottom Five**
  - Edison Park – 0.7
  - Lincoln Park – 0.8
  - Mount Greenwood – 0.9
  - Armour Square– 1.0
  - North Center – 1.4



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