

# Emerging Issues for the Chicago Housing Market

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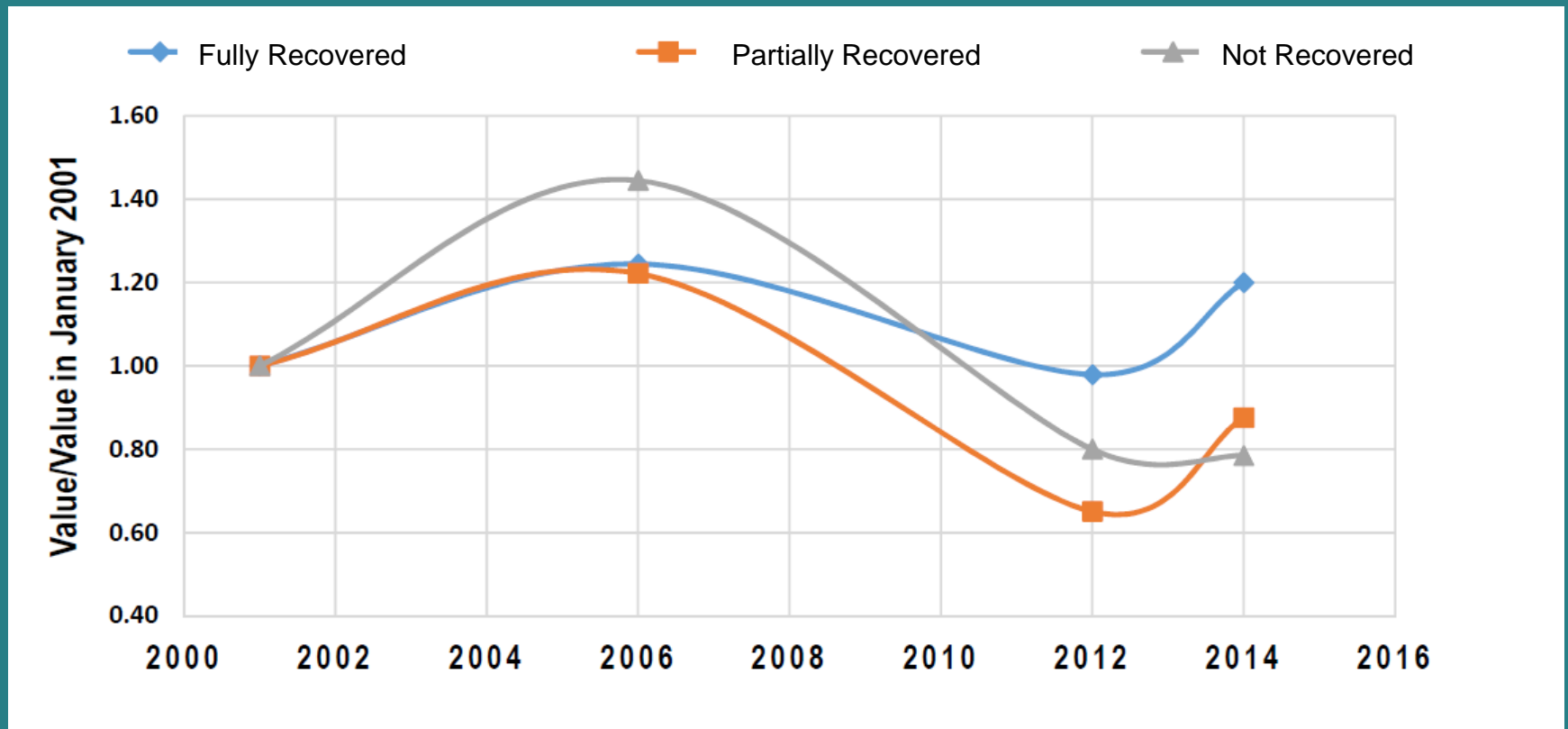


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# Overview of Topics

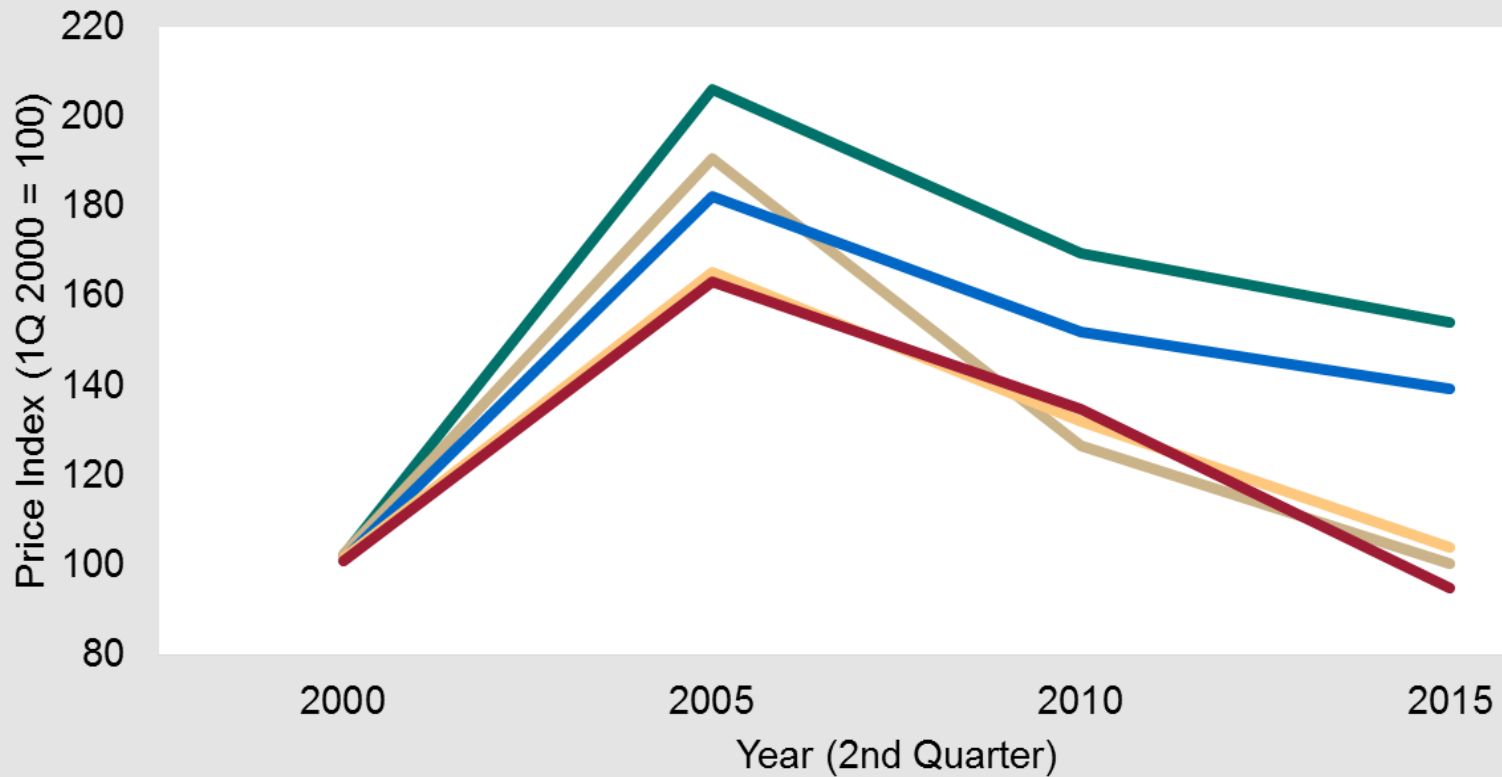
- Negative equity
- HAMP and HELOC resets
- Mortgage lending and disparities
- Zombie properties

# Bubble, Bust, and Some Recovery



Source: Raymond, Elora, Kyungsoon Wang, and Dan Immergluck. 2015. Race and Uneven Recovery: Neighborhood Home Value Trajectories in Atlanta before and after the Housing Crisis

# Cook County Price Index



— Bridgeport/Brighton Park  
— Bronzeville/Hyde Park  
— South Chicago/West Pullman

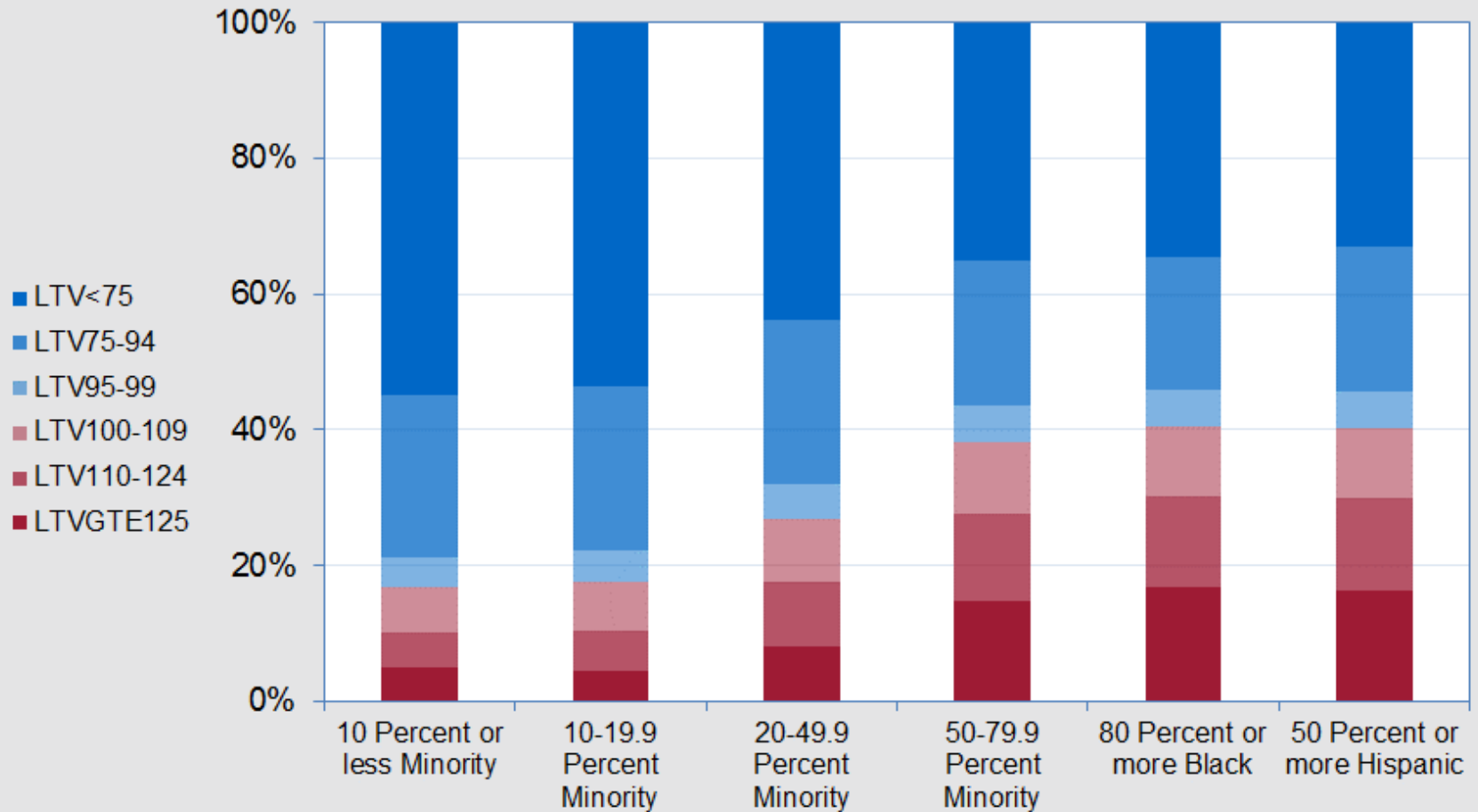
— Englewood/Greater Grand Crossing  
— Auburn Gresham/Chatham

# Chicago Region Data

- Mortgage data for 4<sup>th</sup> Q 2011, zip code level, included:
  - LTV range
  - number of mortgaged properties
  - total amount of mortgage debt
  - total value of mortgaged properties
- Merged with 2010 census data

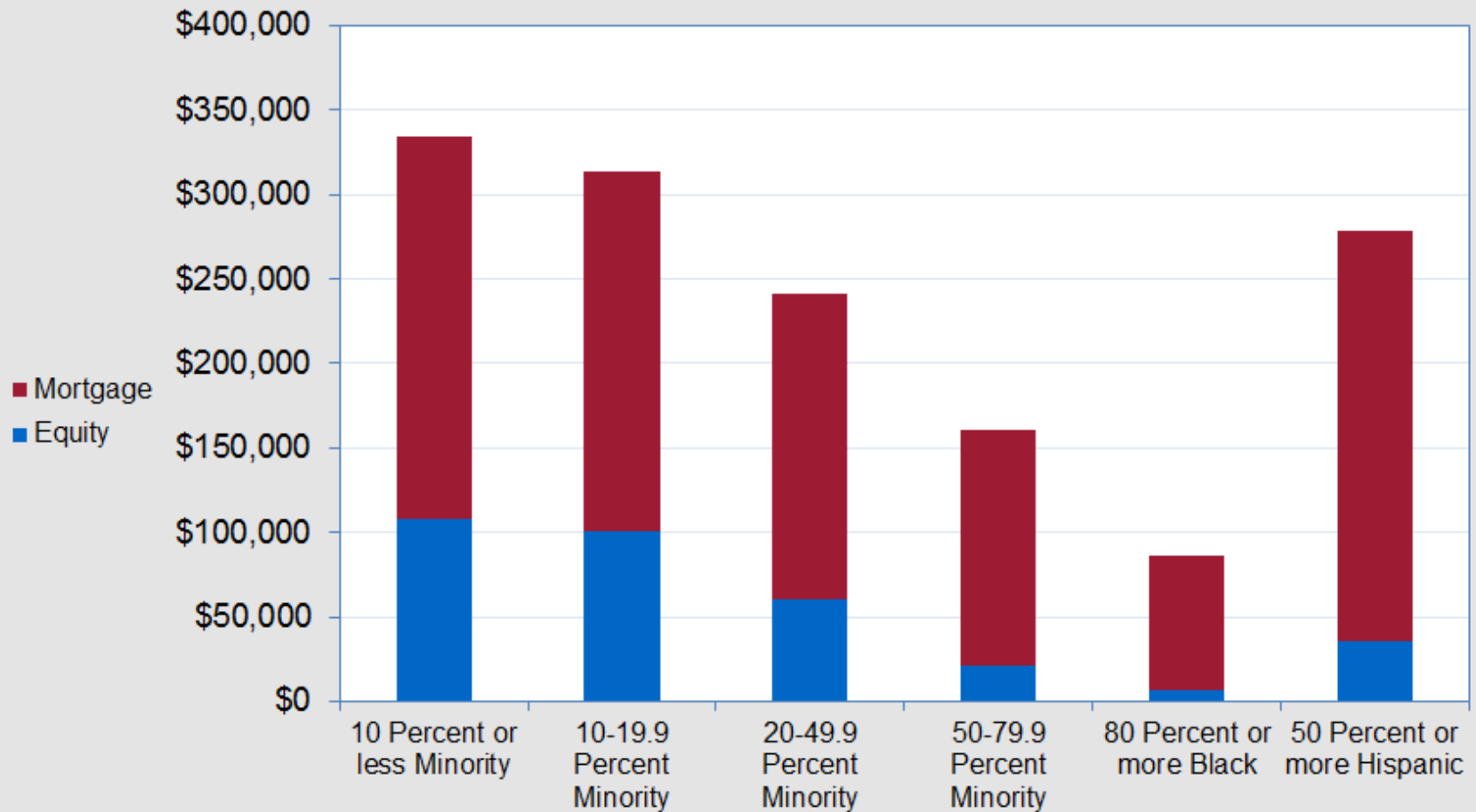
# Negative Equity by Race

LTV Ratios of Mortgaged Properties, 4th Q 2011



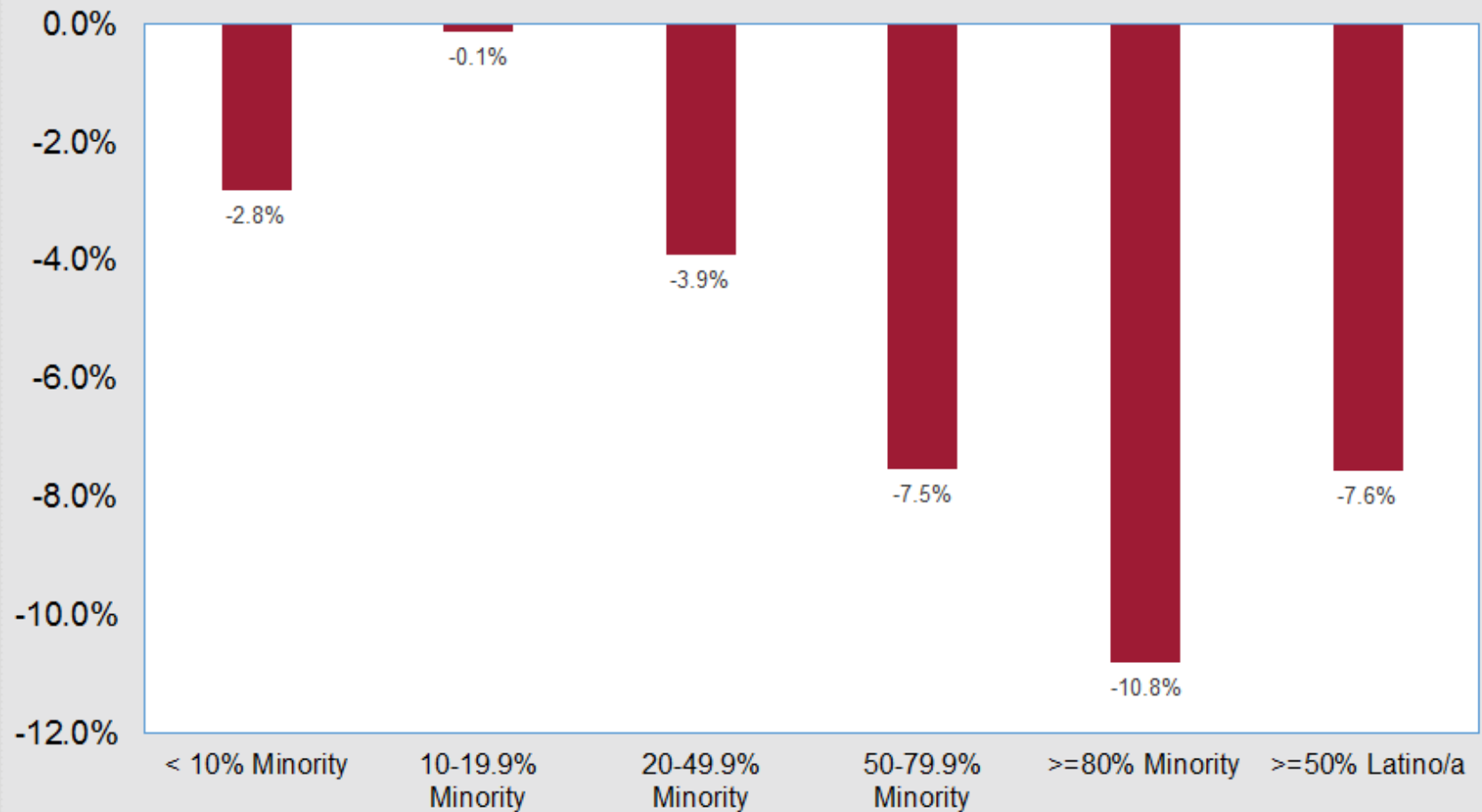
# Home Equity by Race

Average Home Equity and Mortgage, 4th Q 2011



# Uneven Recovery, 2010 to 2014

Change in Average Home Value Index, 2010 - 2014





# Negative Impacts of Negative Equity

- Drives foreclosures
  - can't refinance or downsize
  - increase risk if LTV > 110
  - 7 times greater if LTV >150
- Limits opportunity
  - can't move
- Reduces incentive to maintain property
  - increases blight, with spillover effects

# Policy Implications

- Need to find ways to get homeowners out of negative equity status
  - principal reduction
  - short sale, deed in lieu
- Need to act soon
  - avoid spillover
  - threat increase with resets on HAMP modifications and HELOCs

# HAMP and HELOC Resets

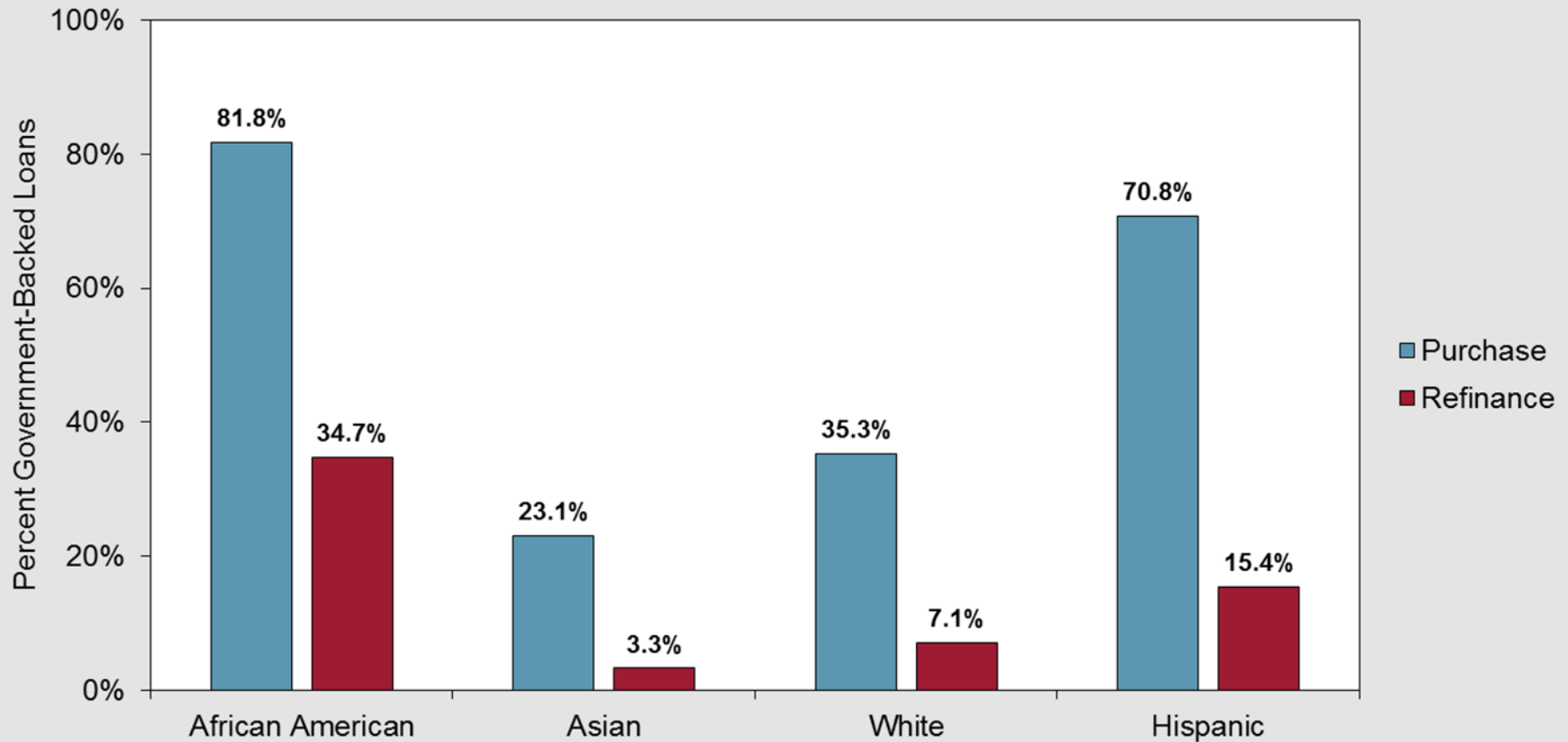
- HAMP modifications
  - 40 years, payment based on current income
  - rate reset in two years
  - balloon payment at end of term
- HELOCs
  - 10 year, interest only
  - then fully self-amortizing

# Mortgage Lending and Disparities

- CFPB QM and QRM rules
  - ability to repay standard limited DTI ratio
  - banks are more risk-averse
  - TRID requirements
- Rise of nonbank lenders
  - pullback by banks
  - Countywide again?
  - 18% of GBLs in 2010, 64% now

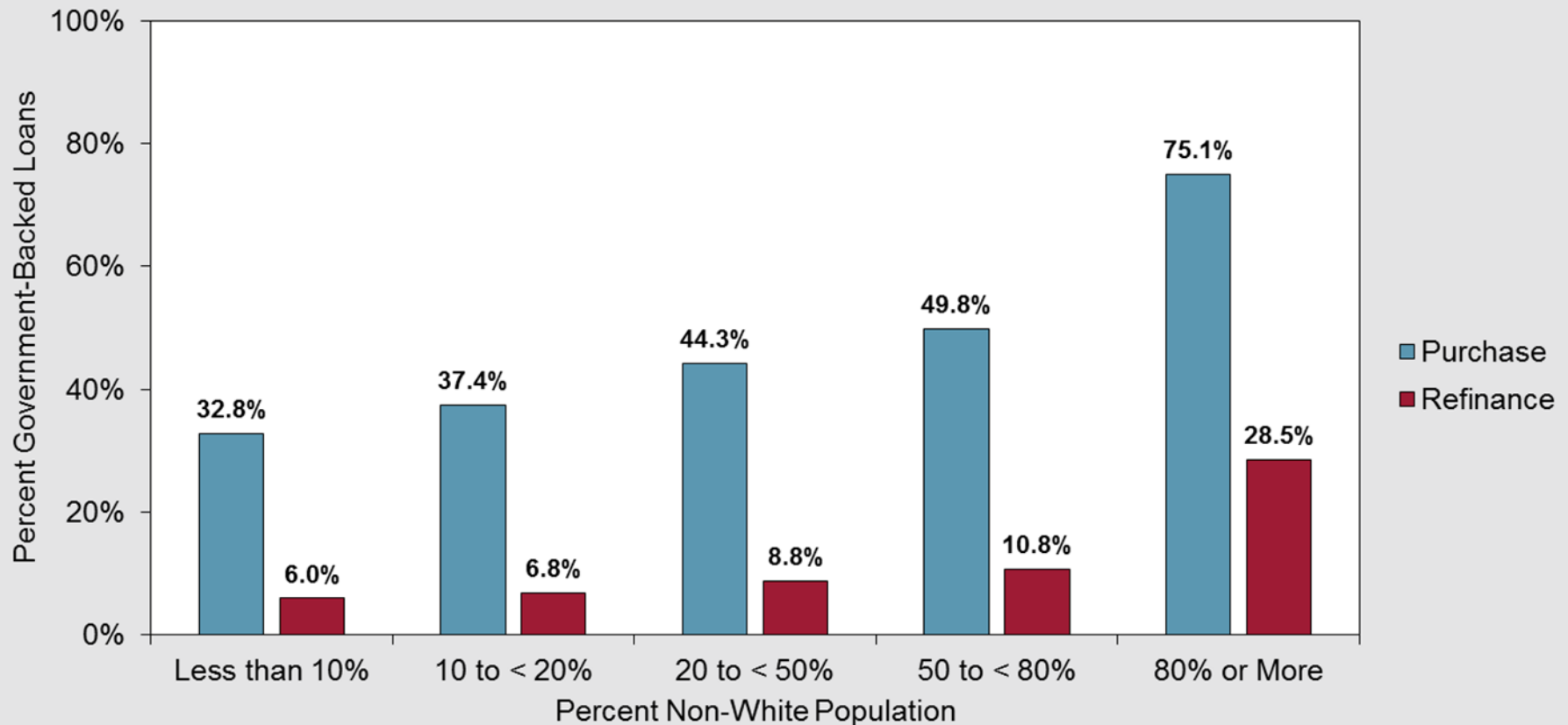
# Potential Steering

## Percent Government-backed Purchase Loans, by Race of Borrower

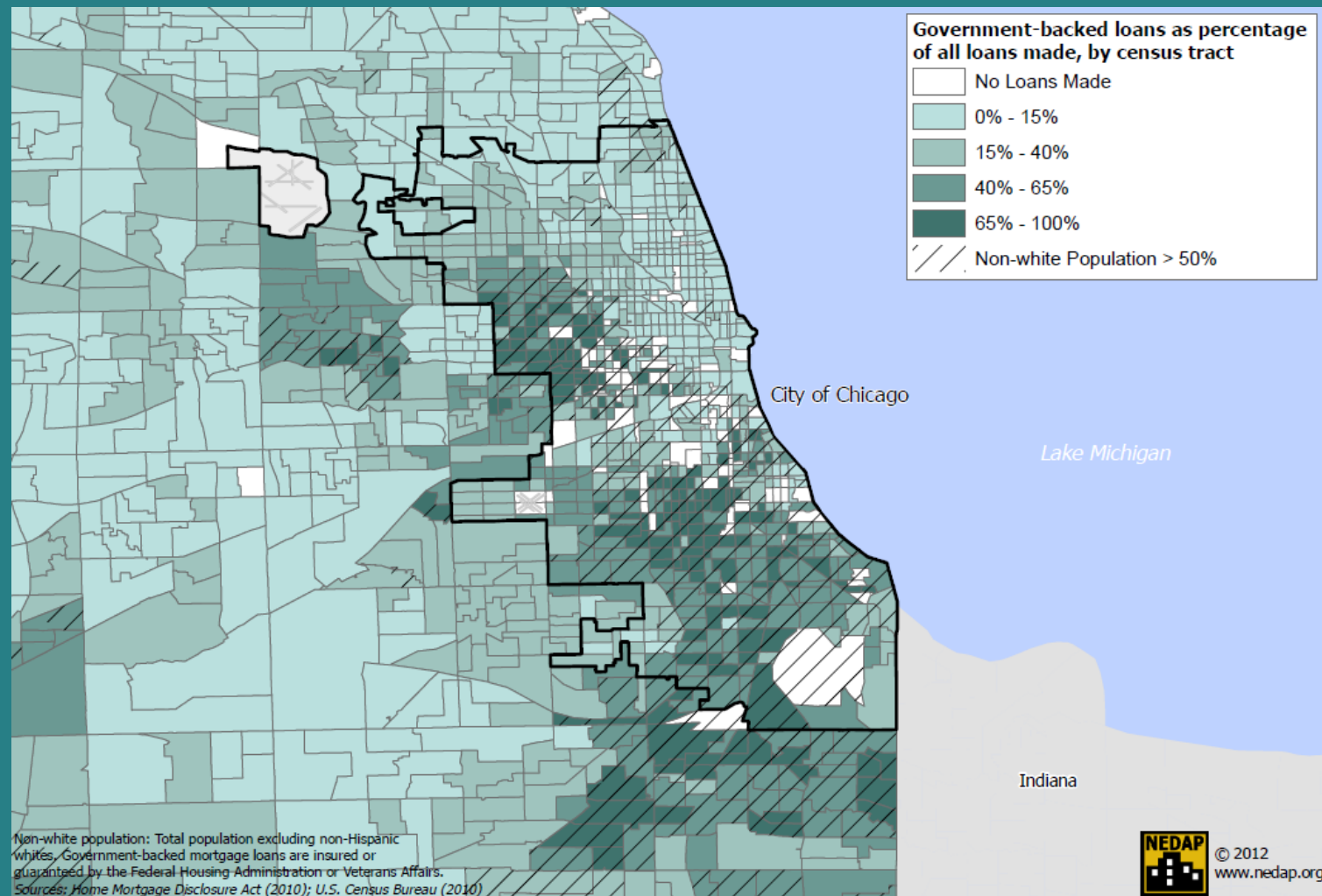


# Potential Redlining

## Percent Government-backed (FHA/VA) Purchase Loans, by Race of Census Tract



# Potential Redlining Mapped

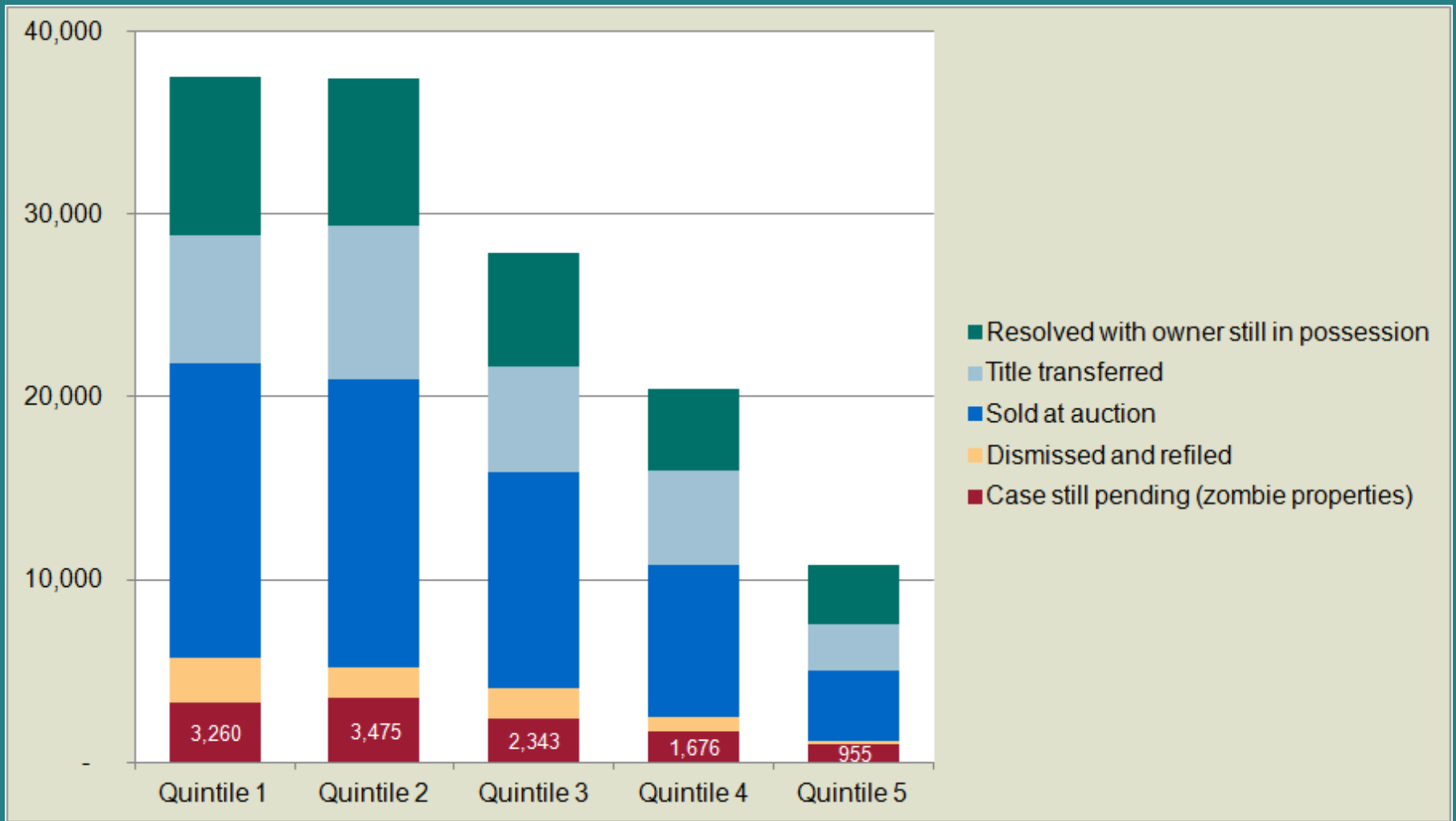


# Zombie Properties Defined

- Zombie properties are
  - properties stuck in the foreclosure process
  - foreclosure action filed
  - case unresolved for more than three years
  - no transfer of title on record
- Zombie properties are not
  - necessarily vacant or abandoned

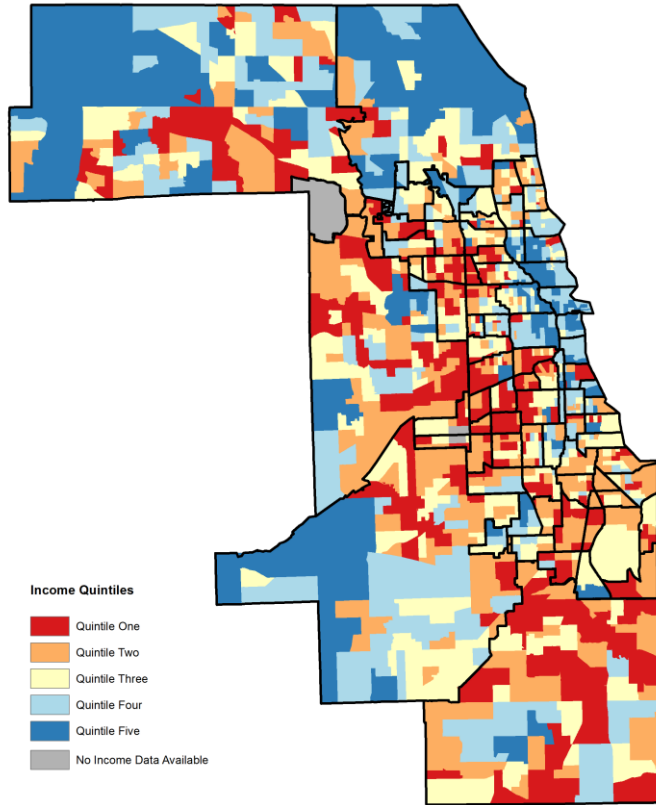


# Estimated Number of Zombies



# Spatial Distribution of Zombies

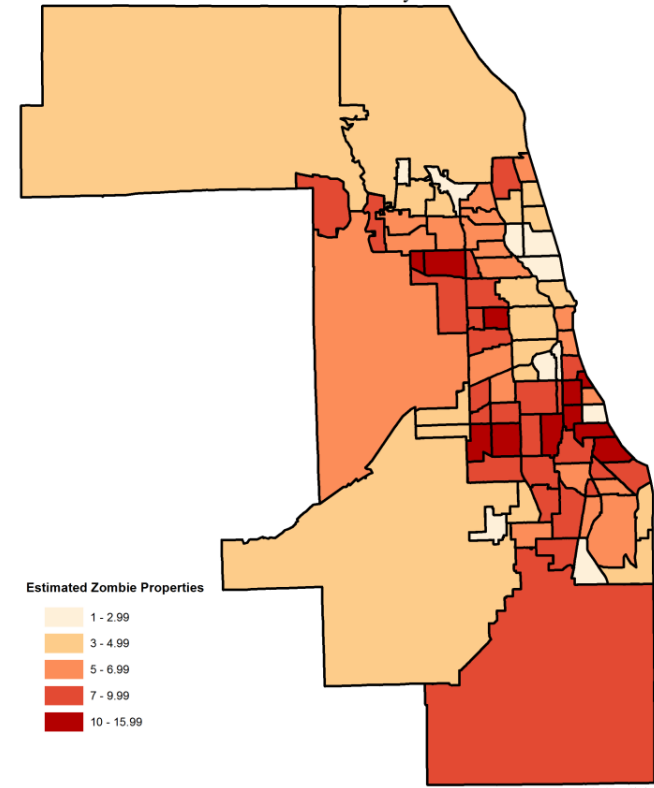
Cook County Income Quintiles by Census Tract



Source: 2011 American Community Survey Five Year Estimates

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Estimated Zombie Properties per Thousand Mortgageable Properties in Cook County



Source: Woodstock Institute Analysis of Data Provided by Record Information Services for Foreclosure Filings 2008 - 2010

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# Policy-related Issues

- Zombie properties are concentrated in lower-income neighborhoods
- Impact will depend on condition of the property
  - servicers may not maintain properties in some neighborhoods as well as in others
- Zombie properties may further destabilize already distressed neighborhoods
  - hindering recovery

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