

Statement of

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JOINT PUBLIC OVERSIGHT ROUNDTABLE ON AFFORDABLE HOUSING

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Good morning. My name is Peter Tatian and I am a senior researcher in the Urban Institute's Metropolitan Housing and Communities Policy Center. I am also director of NeighborhoodInfo DC, an information resource for the District of Columbia.¹ I am happy to provide this testimony highlighting data compiled by NeighborhoodInfo DC on housing foreclosures and project-based Section 8 housing in Washington, D.C.

Foreclosures

First, I will talk about foreclosures. The delinquency rate for all mortgages, and especially subprime or high-cost mortgages, has increased over the past year, and these higher delinquencies have resulted in more foreclosures. Increased delinquency and foreclosure rates are largely the result of resets to adjustable-rate loans that were made with a low "teaser" rate that was initially affordable to the borrower. Nationally, subprime adjustable-rate mortgages accounted for 7 percent of mortgages outstanding, but 43 percent of all foreclosures initiated in the third quarter of 2007 (Stokes and Mechem 2007).

Consistent with national trends, a local increase in subprime lending has been followed by a surge in home foreclosures. In the District of Columbia, subprime lending increased from 3.2 percent of conventional home purchase and refinance mortgage loans in 2002, to 12.5 percent in 2005 (Tatian 2007a). Levels of subprime lending have been highest in Wards 4, 5, 7, and 8, where almost four of every ten home purchase loans was a high-cost loan in 2005 (Tatian 2007b).

According to data from the D.C. Recorder of Deeds analyzed by NeighborhoodInfo DC, the number of notices of foreclosure filed against residential property owners in D.C. has almost doubled between 2005 and 2007 (table 1). The highest number of notices filed in 2007 were in Ward 5 (523 notices), Ward 7

¹ NeighborhoodInfo DC is a partnership between the Urban Institute and the Washington, D.C., Local Initiatives Support Corporation. For more information, please visit <http://www.NeighborhoodInfoDC.org>.

(462), and Ward 4 (393). As map 1 makes clear, neighborhoods with higher levels of subprime lending are now seeing more foreclosures.

This is obviously a crucial issue for the hundreds of families who may lose their homes. But foreclosures can have serious negative impacts on neighborhoods and the District government as well. In addition to the direct costs of dealing with foreclosed properties, property values decline in areas near foreclosed homes, which would reduce homeowners' equity and decrease the city's property tax revenues.

Project-Based Section 8

For my second topic, I will briefly discuss the situation with project-based Section 8 housing in the District. This is a topic that NeighborhoodInfo DC has been following for some time. As part of our quarterly *District of Columbia Housing Monitor*, we regularly report the number of units in the Section 8 program as well as track units that have left the program.

As of January 1, the District of Columbia had 9,966 active housing units subsidized under Section 8 and other federal multifamily programs (table 2). Contracts for over a quarter of these units (2,729 units) are set to expire this year, putting these units at risk of being lost from the city's affordable housing stock. If past experience is a guide, however, many units will have their rental assistance contracts renewed—although for short terms of one to two years.

Since 2000, a total of 1,995 units have exited the Section 8 program, representing about 15 percent of the city's Section 8 housing stock. The largest numbers of lost units have been in Ward 8 (1,091 units), Ward 5 (327 units), and Ward 2 (310 units).

Losses to the Section 8 program may not necessarily result in a net loss in affordable housing. Some properties may continue to be subsidized by other programs after leaving Section 8, or they may be purchased by their tenants, through D.C.'s Tenant Opportunity to Purchase Act, and kept affordable. In fact, the Office of the Deputy Mayor for Planning and Economic Development reports that several properties that left the Section 8 program will be preserved as affordable housing through New Communities or other city-funded initiatives. While this is good news, exits from the Section 8 program are a loss of a valuable federal subsidy, since Section 8 funds cannot be subsequently reallocated to another property.

Section 8 units are particularly important to the affordable housing picture in the District of Columbia because they, along with public housing, are units with deep subsidies that extend affordability to households with the lowest incomes. In its final report, the Comprehensive Housing Strategy Task Force stressed the importance of trying to preserve all of the city's federally subsidized housing units.

Thank you for giving me the opportunity to speak to you today.



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The views expressed in this testimony are those of the author and should not be attributed to the Urban Institute, its trustees, or its funders.

References

Stokes, Aleis, and John Mechem. 2007. *Delinquencies and Foreclosures Increase in Latest MBA National Delinquency Survey*. Washington, DC: The Mortgage Bankers Association. <http://www.mortgagebankers.org/NewsandMedia/PressCenter/58758.htm>.

Tatian, Peter A. 2007a. *Subprime and High Interest Rate Mortgage Lending in the Washington, D.C., Region*. Washington, DC: NeighborhoodInfo DC. <http://www.NeighborhoodInfoDC.org/housing>.

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Table 1. Notices of Foreclosure Sale for Residential Property by Year and Ward, Washington, D.C., 2001 – 2007

| | Number of Notices Issued by Year | | | | | | | |
|-------------------|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Total | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| D.C. Total | 13,621 | 2,286 | 2,327 | 2,147 | 1,695 | 1,221 | 1,515 | 2,430 |
| Ward 1 | 1,229 | 223 | 197 | 180 | 134 | 109 | 161 | 225 |
| Ward 2 | 599 | 72 | 80 | 64 | 63 | 60 | 94 | 166 |
| Ward 3 | 296 | 33 | 36 | 40 | 43 | 46 | 34 | 64 |
| Ward 4 | 2,187 | 355 | 378 | 389 | 242 | 186 | 244 | 393 |
| Ward 5 | 3,073 | 600 | 519 | 460 | 379 | 249 | 343 | 523 |
| Ward 6 | 1,807 | 337 | 338 | 270 | 200 | 144 | 180 | 338 |
| Ward 7 | 2,793 | 425 | 475 | 492 | 395 | 266 | 278 | 462 |
| Ward 8 | 1,626 | 240 | 304 | 250 | 236 | 157 | 180 | 259 |
| Unknown | 11 | 1 | - | 2 | 3 | 4 | 1 | - |

Source: D.C. Record of Deeds data tabulated by NeighborhoodInfo DC.

Table 2. Assisted Housing Units in Section 8 Multifamily Projects by Ward, Washington, D.C.

| | Number of Assisted Units By Ward | | | | | | | | |
|--|----------------------------------|-------|-------|----|----|-------|-------|-------|-------|
| | D.C. Total | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Current active units (as of Jan 1, 2008) | 9,966 | 1,972 | 1,127 | 58 | 54 | 1,736 | 1,384 | 1,228 | 2,407 |
| Upcoming expiring (Jan 2008 - Dec 2008) | 2,729 | 591 | 294 | 40 | 0 | 178 | 761 | 466 | 399 |
| Renewals (Jan 2007 - Dec 2007) | 4,739 | 942 | 330 | 40 | 0 | 781 | 1,060 | 894 | 692 |
| Expirations (Jan 2007 - Dec 2007) | 1,274 | 46 | 105 | 0 | 0 | 0 | 248 | 113 | 762 |
| Cumulative losses (Jan 2000 - Jun 2007) | 1,995 | 100 | 310 | 0 | 0 | 327 | 116 | 51 | 1,091 |

Source: HUD Section 8 database (12/28/07 and earlier) tabulated by NeighborhoodInfo DC.

Map 1. Location of Owner-Occupied Properties that Received a Notice of Foreclosure Between January 2005 and September 2007 and the Proportion of Home Mortgages Made by Subprime Lenders in 2005, Washington, D.C.

