

Statement of

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Council of the District of Columbia,
Committee on Public Services and Consumer Affairs

FORECLOSURES IN THE DISTRICT OF COLUMBIA

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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 appreciate the opportunity to provide this testimony highlighting data compiled by NeighborhoodInfo DC on housing foreclosures in Washington, D.C.

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 were high-cost loans 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 has almost doubled between 2005 and 2007 (table 1). The most notices filed in 2007 were in Ward 5 (523 notices), Ward 7 (462), and Ward 4 (393). As map 1 makes clear, neighborhoods with higher levels of subprime lending are now seeing more foreclosures.

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>. The author would like to thank Leah Hendey and Justin Resnick for their help in preparing data and maps for this testimony.

The latest data, for the first quarter of 2008, indicate that foreclosures are continuing to increase. As shown in figure 1, 832 residential property parcels had a notice of foreclosure filed in the first three months of 2008, the highest level in the past 18 years and 60 percent higher than a year ago. The most residential properties with foreclosure notices were in Wards 5 and 7 (170 properties each), Ward 4 (136), and Ward 6 (130).

Although the city's relatively stable housing market has protected it from the large-scale foreclosures occurring in some U.S. cities, the data suggest that, even in D.C., the foreclosure situation will likely get worse before it gets better. Data from the Federal Reserve indicate that at least 2,000 subprime adjustable-rate loans in D.C. will reset in the next two years.² The situation is especially serious for homeowners living in wards and neighborhoods experiencing larger concentrations of foreclosures. Many of these neighborhoods, such as those east of the Anacostia River, had been exhibiting strong home price growth through this past year, indicating a renewed interest in these communities. Large concentrations of foreclosures, however, could be a serious setback toward efforts to increase homeownership and attract investment to these neighborhoods.

The D.C. Council is justified in being concerned about this situation and in considering measures that may help people avoid foreclosure and remain in their homes. I hope the data I presented will be useful in helping formulate those responses and target them to neighborhoods where the problem is most severe. Thank you for giving me the opportunity to speak to you today.



Peter A. Tatian is a senior research associate in the Urban Institute's Metropolitan Housing and Communities Policy Center. The author would like to thank Leah Hendey for her help in preparing this testimony.

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.

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² Federal Reserve Bank of New York (2007). The number of subprime loans that will reset is likely much higher as the data only represent about 47 percent of subprime loans nationally.

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

	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. Recorder of Deeds data tabulated by NeighborhoodInfo DC.

Map 1. 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.

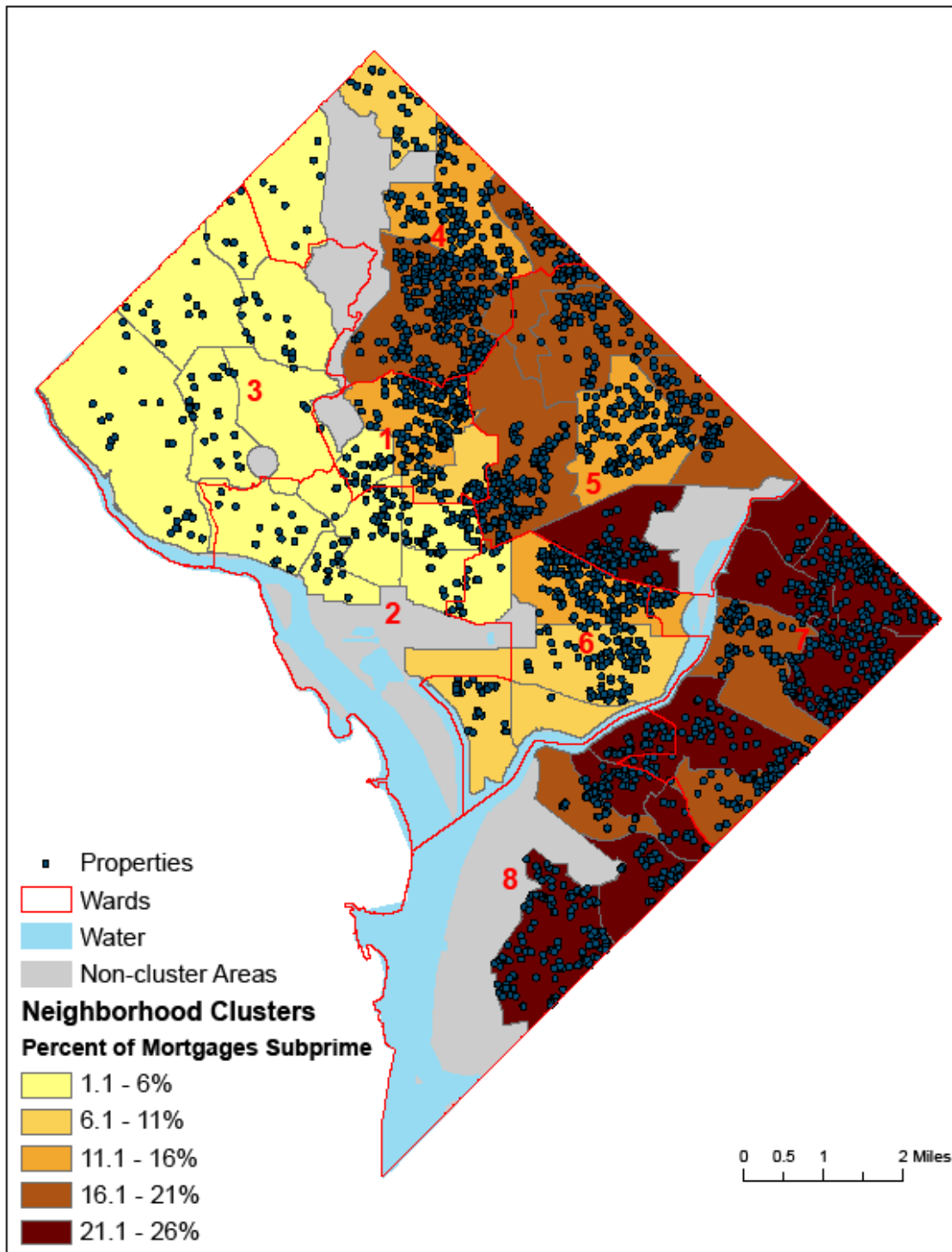
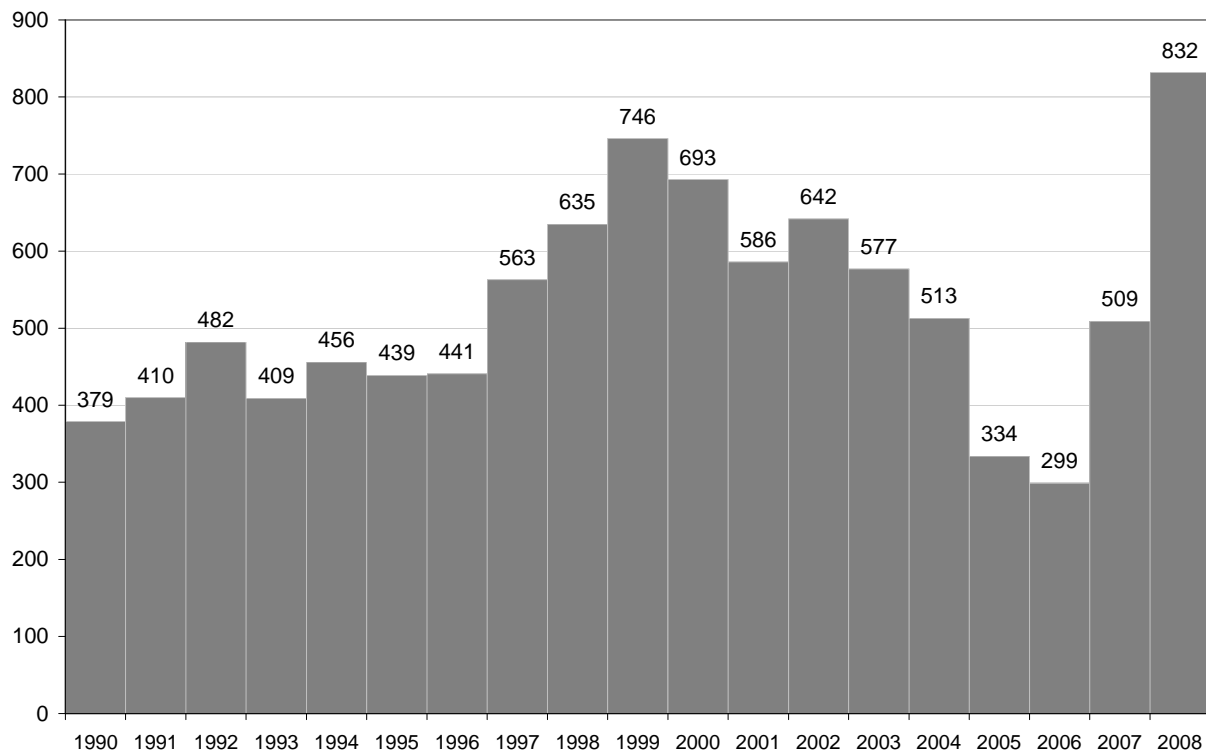


Figure 1. Residential Property Parcels with a Notice of Foreclosure Sale, Washington, D.C., 1st Quarter 1990 – 1st Quarter 2008



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