

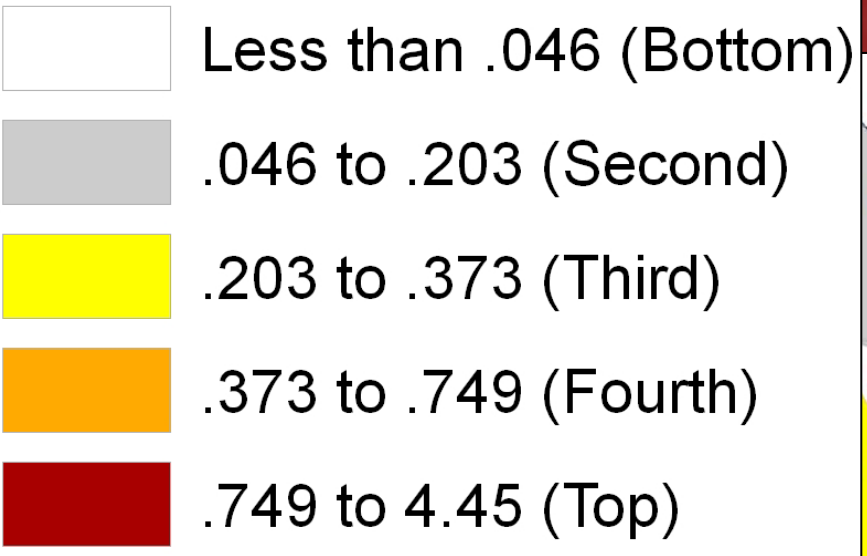
Targeting Foreclosure Interventions: Neighborhood Characteristics Associated with High Foreclosure Rates in Hennepin and Ramsey Counties

Michael Grover, Federal Reserve Bank of Minneapolis

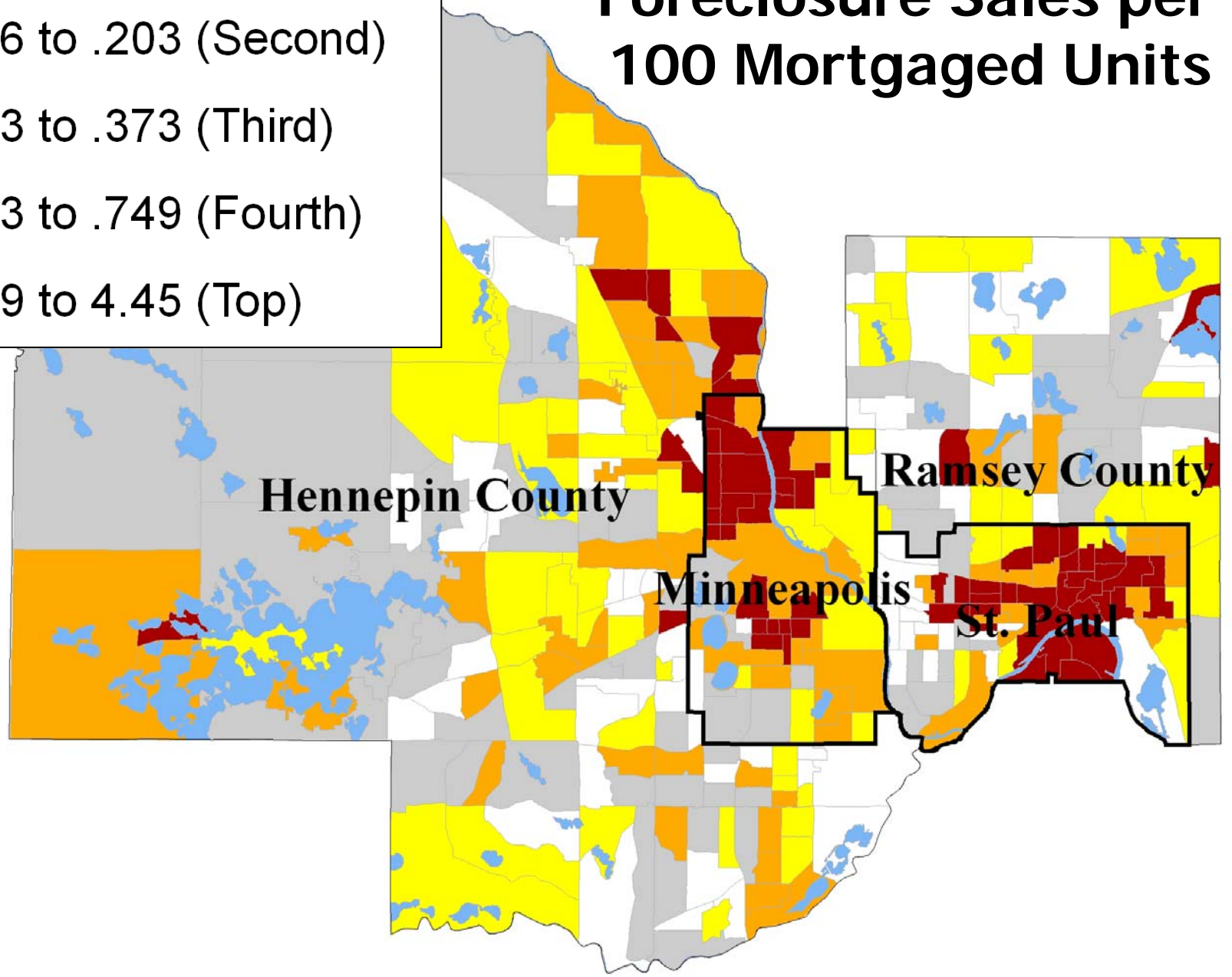
Laura Smith, Dept. of Geography, Macalester College

Richard M. Todd, Federal Reserve Bank of Minneapolis

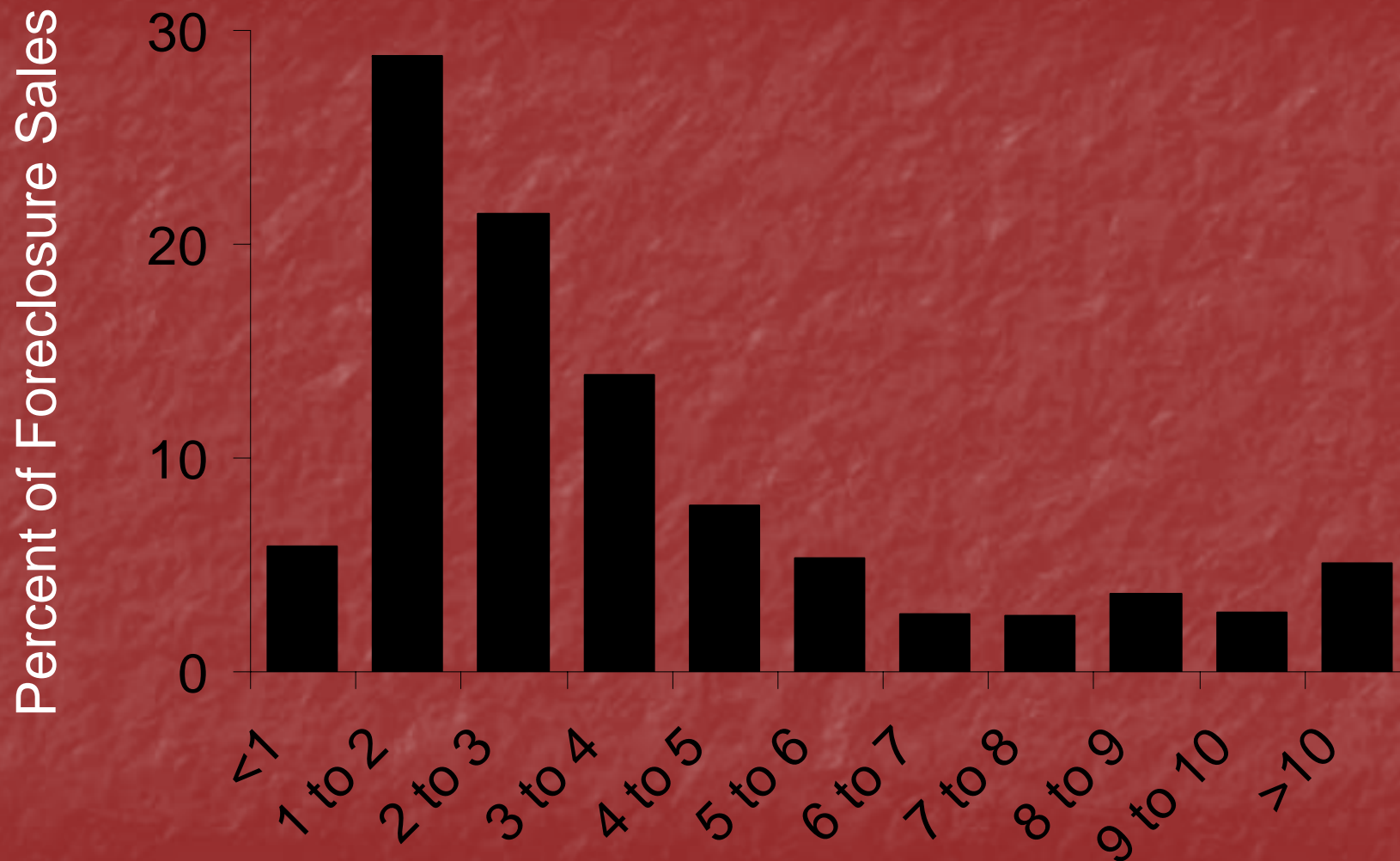
*The views expressed here are those of the authors and not necessarily those of the Federal Reserve Bank of Minneapolis or the Federal Reserve System.



Foreclosure Sales per 100 Mortgaged Units

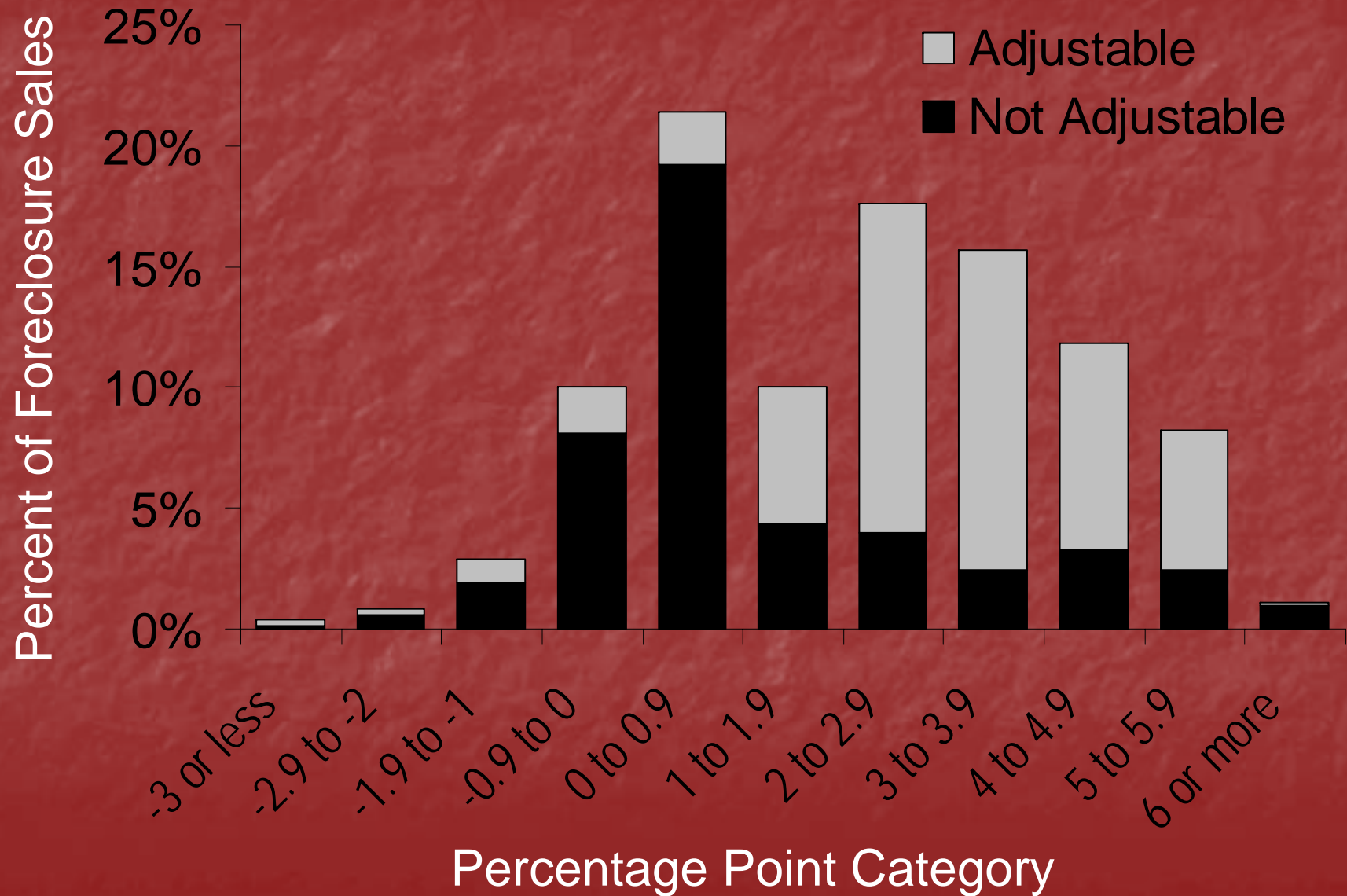


Distribution of 2002 Foreclosure Sales by Mortgage Duration



Duration between Mortgage Origination and Foreclosure Sale
(in years)

Distribution of Interest Rate Percentage Point Differences (Actual - Prevailing) for 2002 Foreclosed Mortgages



2002 Foreclosure Sale Characteristics

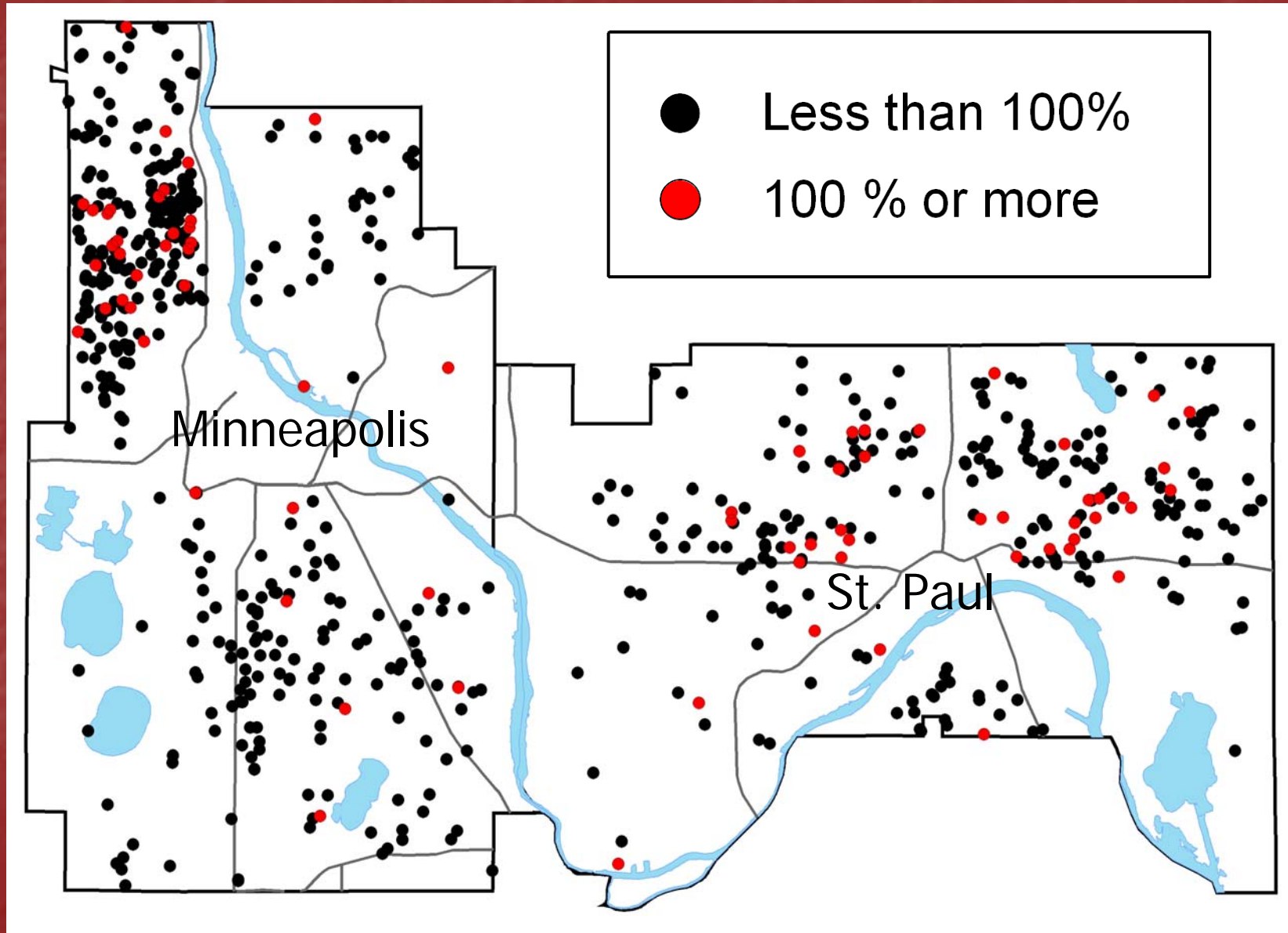
- By type of lending institution:
 - Bank – 17%
 - Bank affiliate – 11%
 - Other lender – 72%
- Higher rates in areas with higher non-white population percentage

Mortgage Comparison in a High-Foreclosure Area

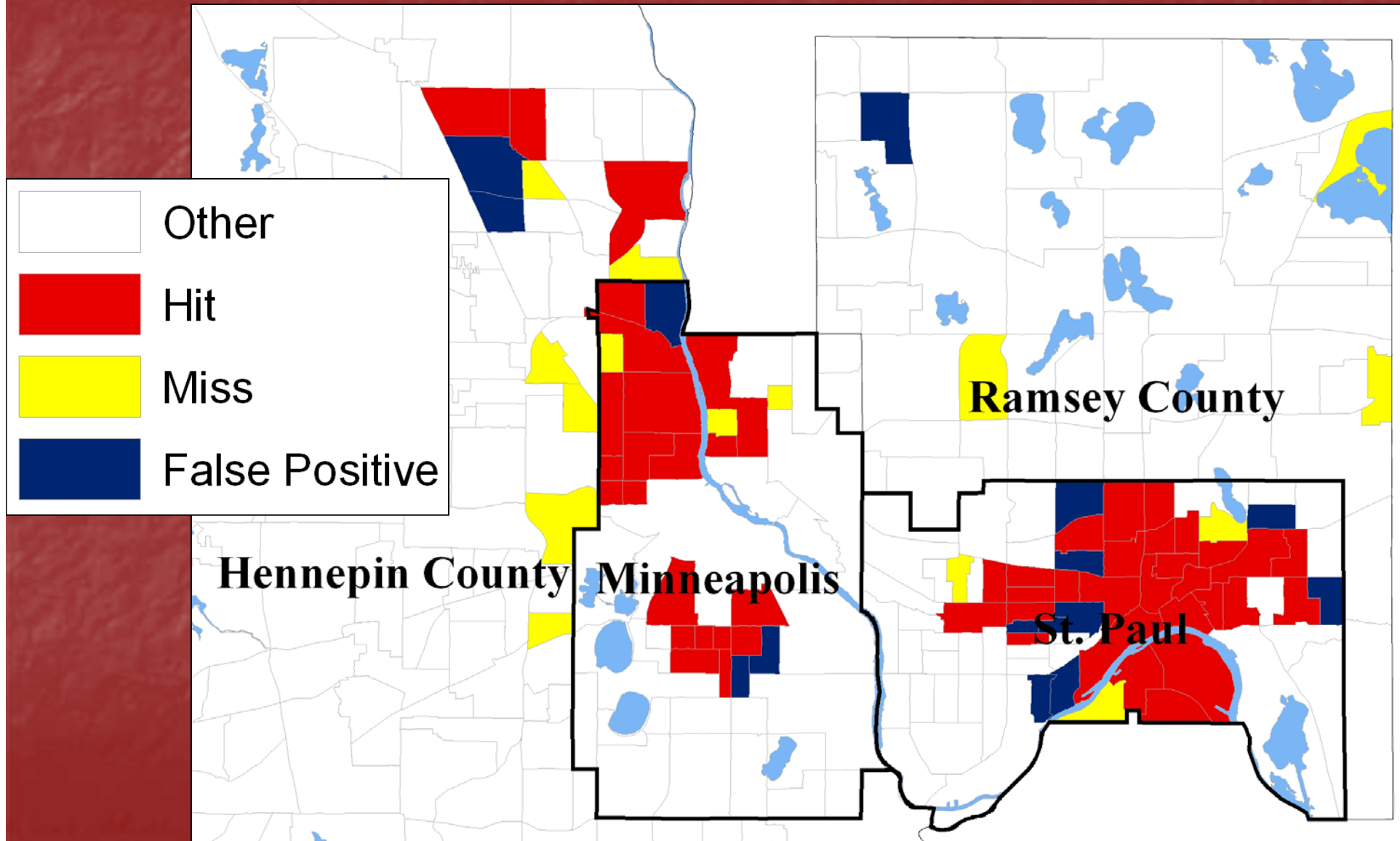
	Foreclosed (N = 75)	Nonforeclosed (N = 198)
Mean interest rate*	10.1%	7.9%
Mean principal*	\$71,675	\$95,492
Non-bank lender**	77.8%	62.2%
Subprime lender*	47%	11%
Other mortgage*	35%	8%

*Significant at .001 level; **Significant at .01 level

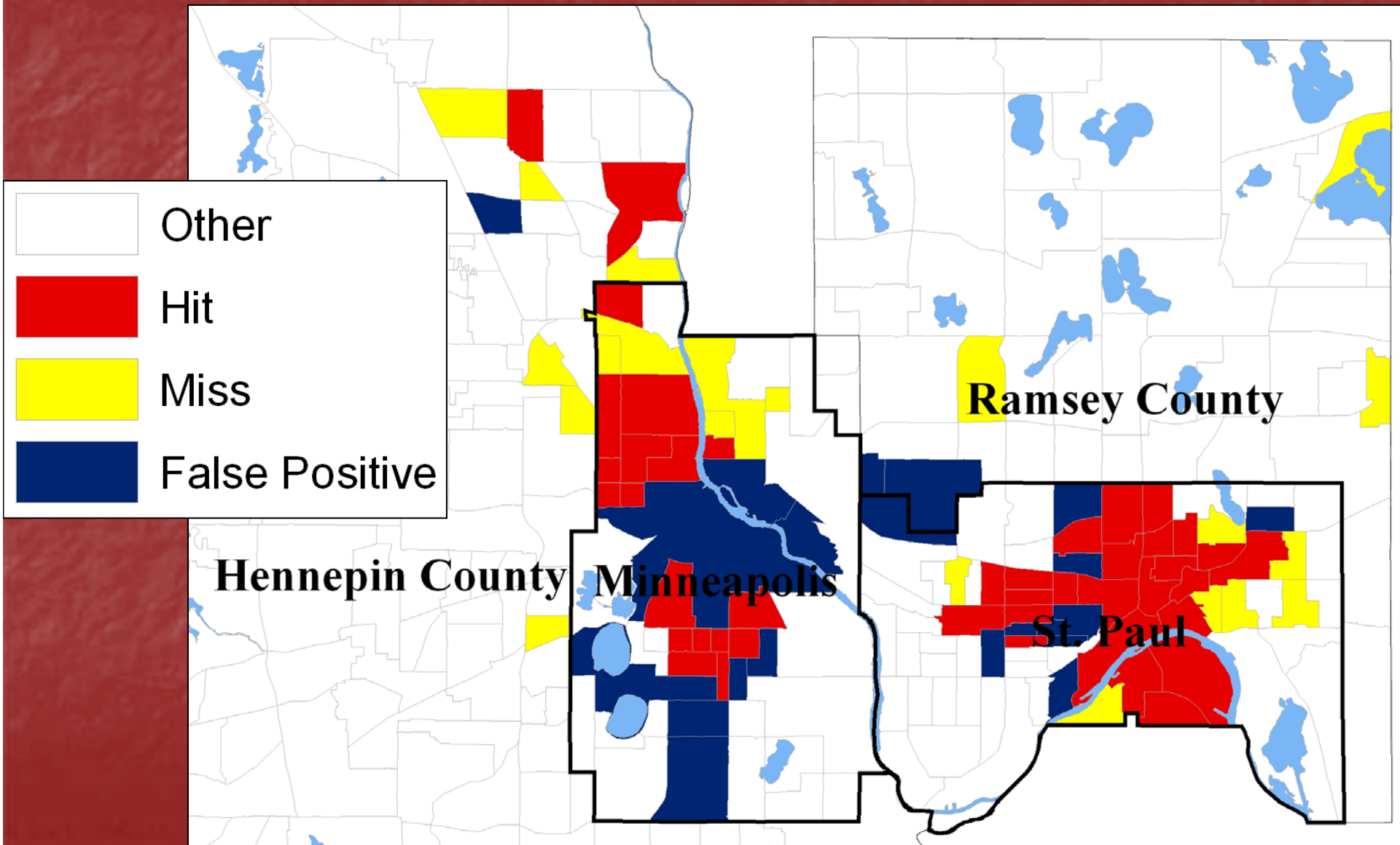
Foreclosure Sales Owing more than 100% of the Assessed Value



Very High Credit Risk as a Predictor of Tracts in the Top Quintile of 2002 Foreclosure Sales Rates



Minority Population Percent as a Predictor of Tracts in the Top Quintile of 2002 Foreclosure Sales Rates



Foreclosure Model

- Dependent variable: 2002 Foreclosure Sale Rate
- Three categories of independent variables:
 - Credit risk
 - Minority homeownership transition
 - Demographic (e.g. age)
- Credit score vs. HMDA proxy variable

Recommendations

- Electronic format
- Updating/adding key information to foreclosure notices and sales documents
- Database repository with historical and current records
- Make neighborhood credit-score-based measures available