Targeting Foreclosure Interventions:

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

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*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

- Less than 0.046 (Bottom)
- 0.046 to 0.203 (Second)
- 0.203 to 0.373 (Third)
- 0.373 to 0.749 (Fourth)
- 0.749 to 4.45 (Top)
Distribution of 2002 Foreclosure Sales by Mortgage Duration

Duration between Mortgage Origination and Foreclosure Sale (in years)

Percent of Foreclosure Sales

<1 | 1 to 2 | 2 to 3 | 3 to 4 | 4 to 5 | 5 to 6 | 6 to 7 | 7 to 8 | 8 to 9 | 9 to 10 | >10
Distribution of Interest Rate Percentage Point Differences (Actual - Prevailing) for 2002 Foreclosed Mortgages

Percent of Foreclosure Sales

Percentage Point Category

-3 or less
-2.9 to -2
-1.9 to -1
-0.9 to 0
0 to 0.9
1 to 1.9
2 to 2.9
3 to 3.9
4 to 4.9
5 to 5.9
6 or more

- Adjustable
- Not Adjustable
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

<table>
<thead>
<tr>
<th></th>
<th>Foreclosed (N = 75)</th>
<th>Nonforeclosed (N = 198)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mean interest rate</strong></td>
<td>10.1%</td>
<td>7.9%</td>
</tr>
<tr>
<td><strong>Mean principal</strong></td>
<td>$71,675</td>
<td>$95,492</td>
</tr>
<tr>
<td><strong>Non-bank lender</strong></td>
<td>77.8%</td>
<td>62.2%</td>
</tr>
<tr>
<td><strong>Subprime lender</strong></td>
<td>47%</td>
<td>11%</td>
</tr>
<tr>
<td><strong>Other mortgage</strong></td>
<td>35%</td>
<td>8%</td>
</tr>
</tbody>
</table>

*Significant at .001 level; **Significant at .01 level
Foreclosure Sales Owing more than 100% of the Assessed Value

- Black dots: Less than 100%
- Red dots: 100% or more

Maps of Minneapolis and St. Paul showing the distribution of foreclosures.
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

- Other
- Hit
- Miss
- False Positive

Hennepin County
Minneapolis
Ramsey County
St. Paul
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