Impacts of the Subprime/Foreclosure Crisis on Weak Housing Market Neighborhoods

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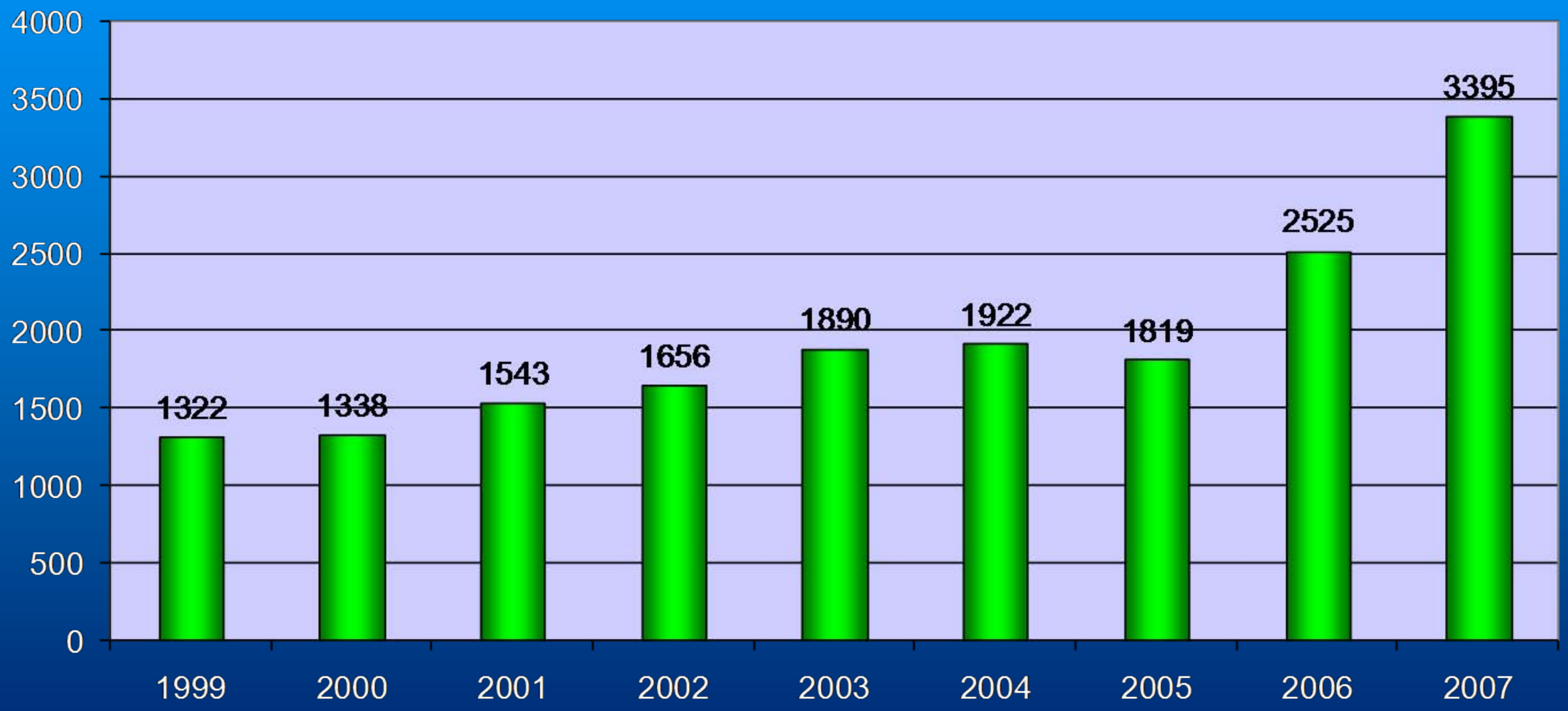
National and Regional Context

- St. Louis is close to the national average in delinquencies and foreclosures.
- National Avg. metro mortgage delinquencies was 3.15%, St. Louis was at 3.22%, Kansas City was at 3.51%
- Jackson County appears to have the worst problem in Missouri, with St. Louis County, City and St. Charles County next, based on Realty Trac data.

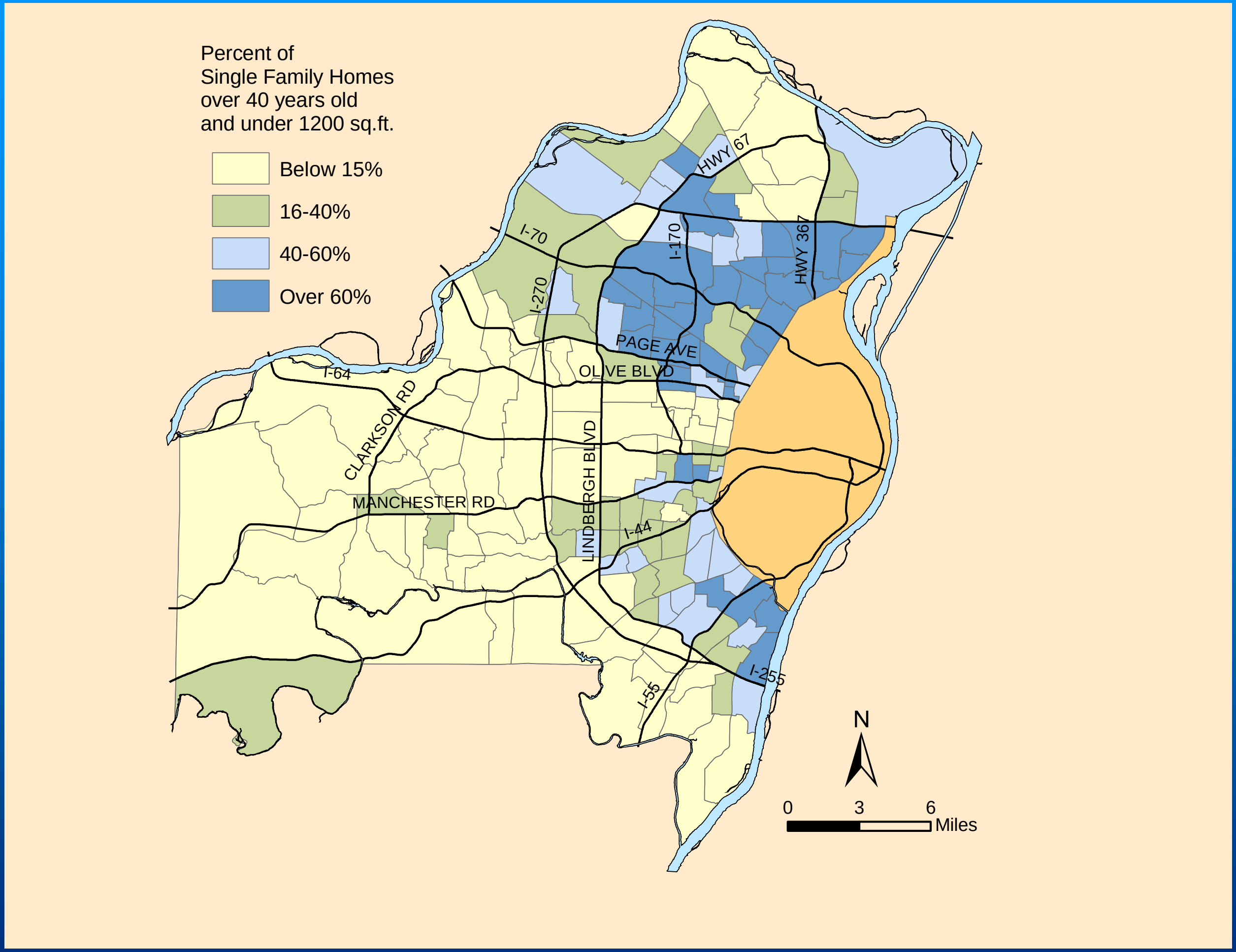
Foreclosures are up sharply in 2007: January 1- November 30 Comparison



During the first 11 months of 2007, St. Louis County foreclosures increased another 32% over the comparable time period in 2006. However, the increase is below national rates of increase.

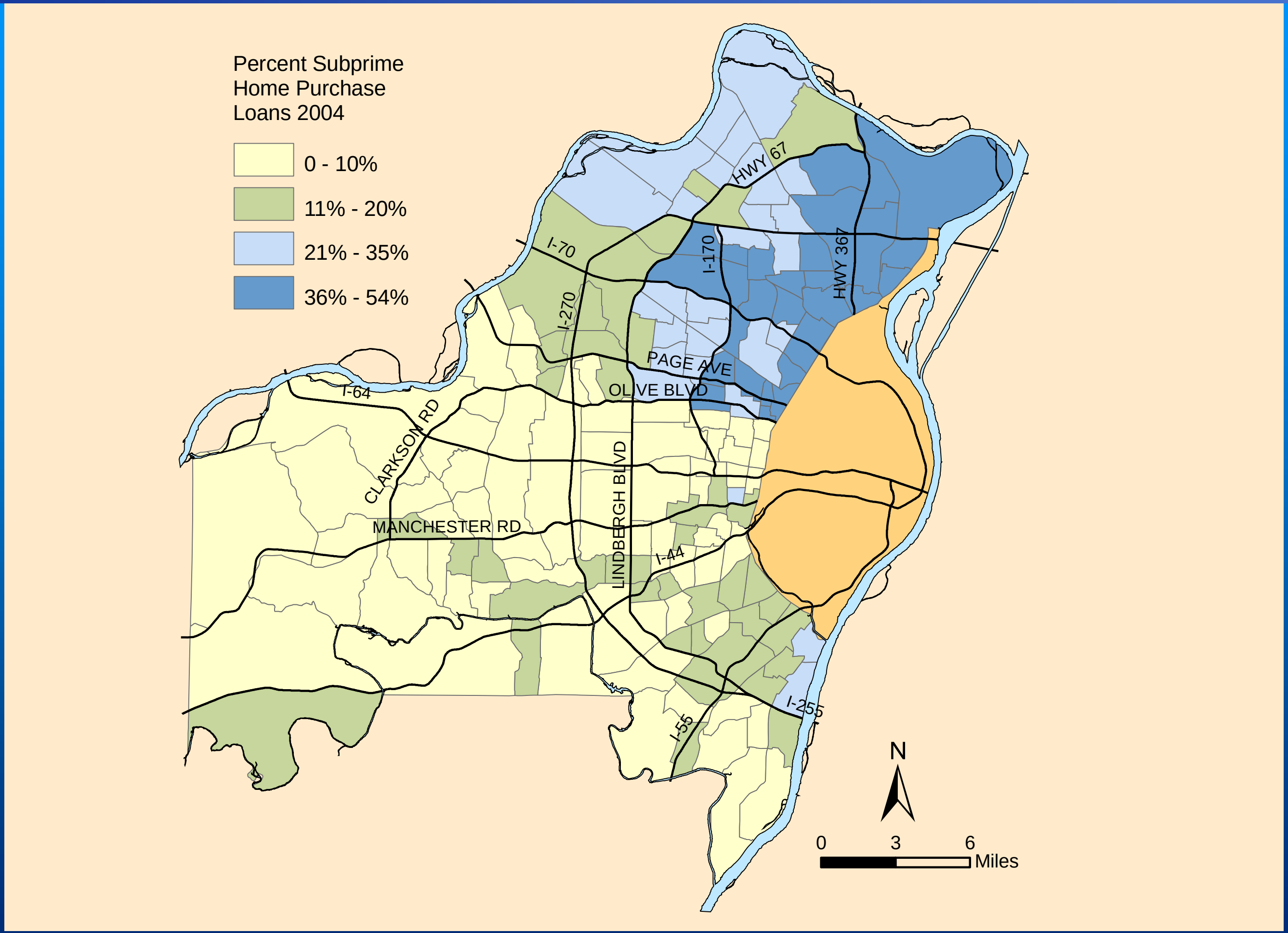
Challenges of “small house” Communities

Over 100,000 homes in St. Louis County that are over 40 years old and under 1200 square feet.



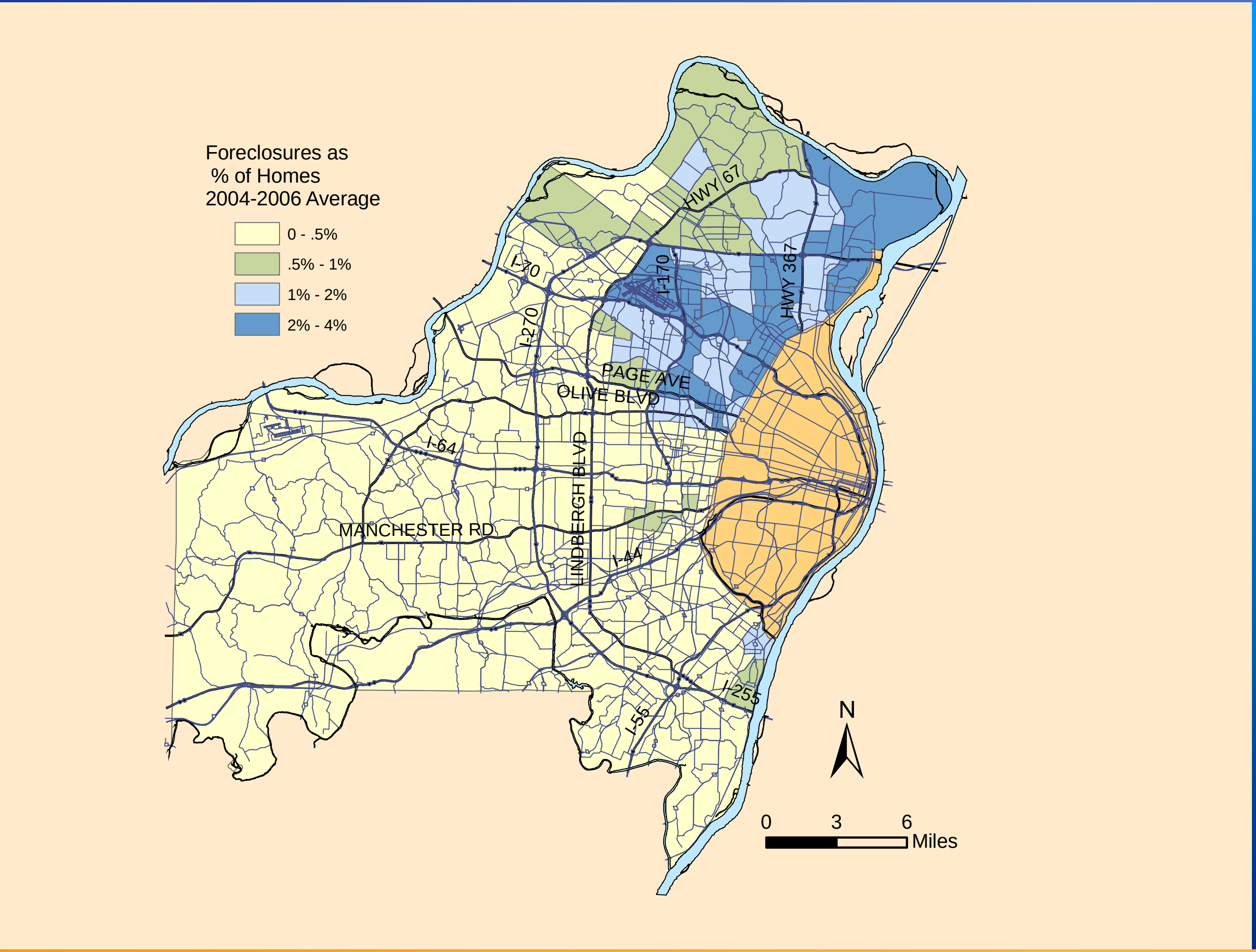
Many of St. Louis County communities are primarily composed of older homes of modest size. Maintaining property values and attractiveness of older communities is a top County priority.

Subprime Loans in St. Louis County



Areas with high concentrations of subprime lending are at risk for high prevalence of foreclosure. Recent estimates that 20% of such homes are foreclosed on from Fed. Reserve-Boston.

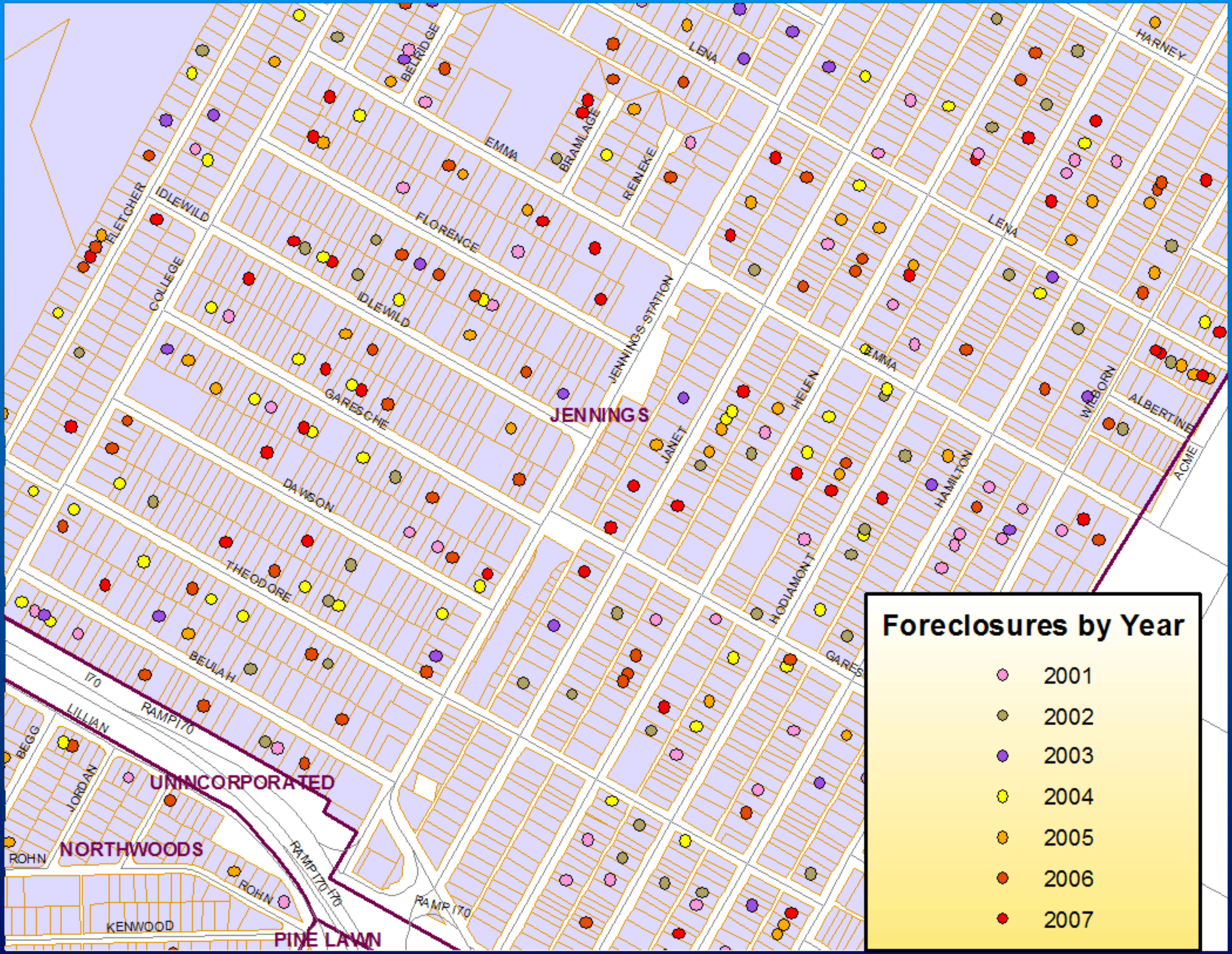
Foreclosure Patterns in St. Louis County



Foreclosures are strongly concentrated, following the pattern of sub prime mortgage lending. Concentrations of foreclosures can have devastating impacts on neighborhoods.

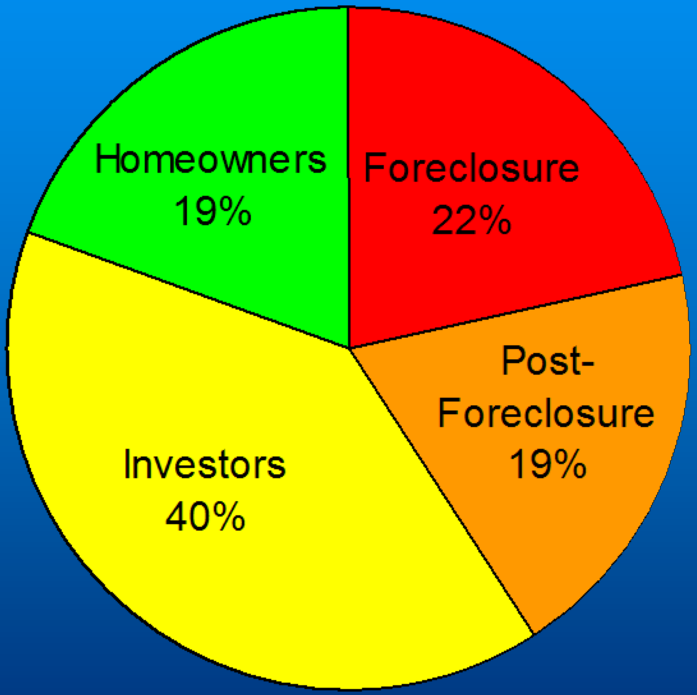
Concentrations of Foreclosures

Foreclosures are often clustered in neighborhoods. Also, the same property may be subject to foreclosure repeatedly.



Foreclosure Dominated Housing Markets: Country Club Hills Example

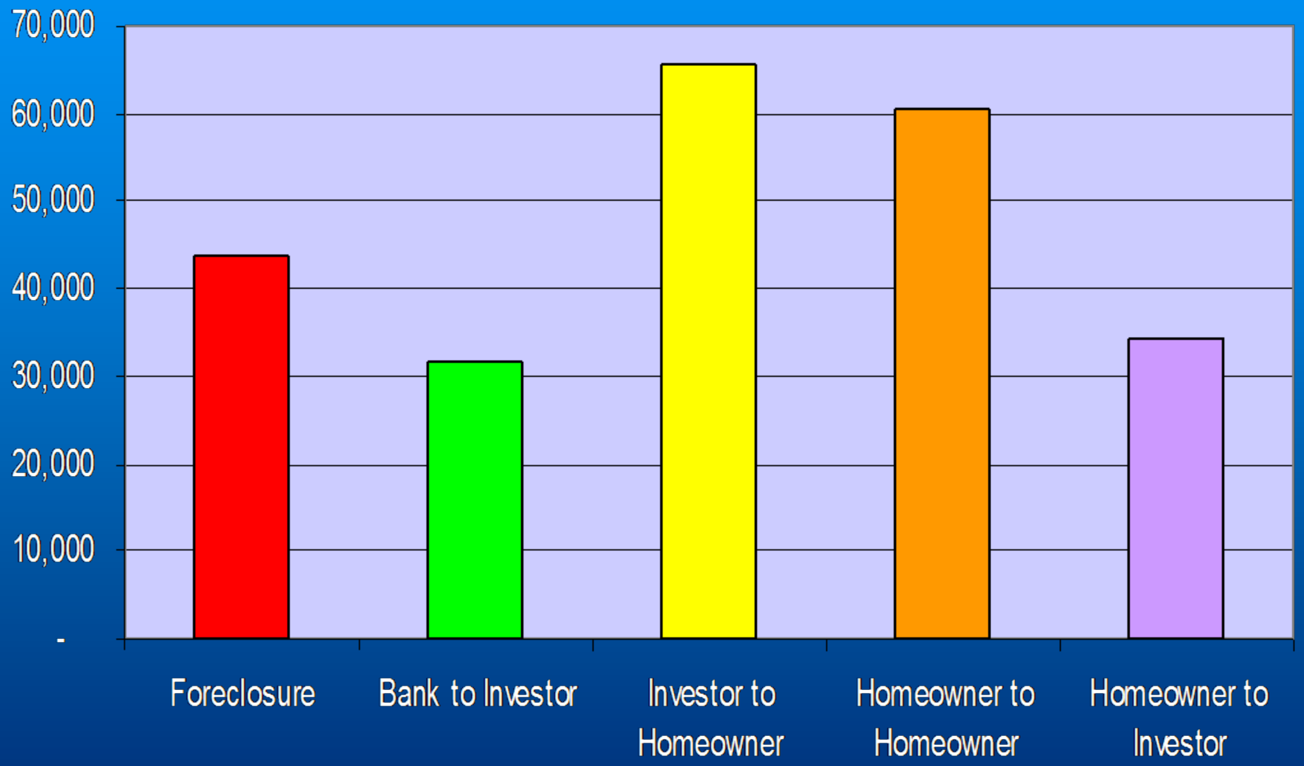
- Foreclosures and disposition of properties by banks dominate market activity.
- Investors buy properties from banks and resell.
- Homeowner to Homeowner transactions are only 1/5th of property transfers.



During 2002-2006 in Country Club Hills , @ 20 % of property sales were foreclosures, typical for high foreclosure areas. Foreclosure and disposition of properties by investor purchase from lenders, and resale to homeowners dominates the housing market.

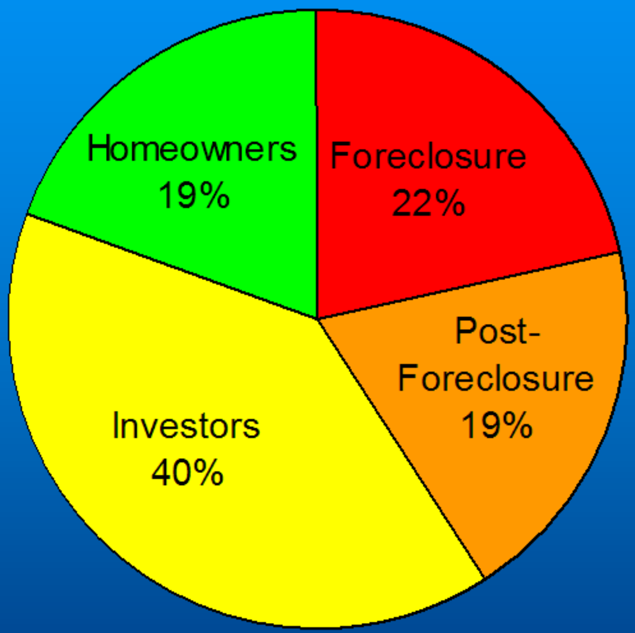
Neighborhood Equity Drains: Country Club Hills Example

- Multi-level markets with “wholesale” and “retail” transactions.
- With repeated foreclosures, homeowners may collectively lose money rather than gain.

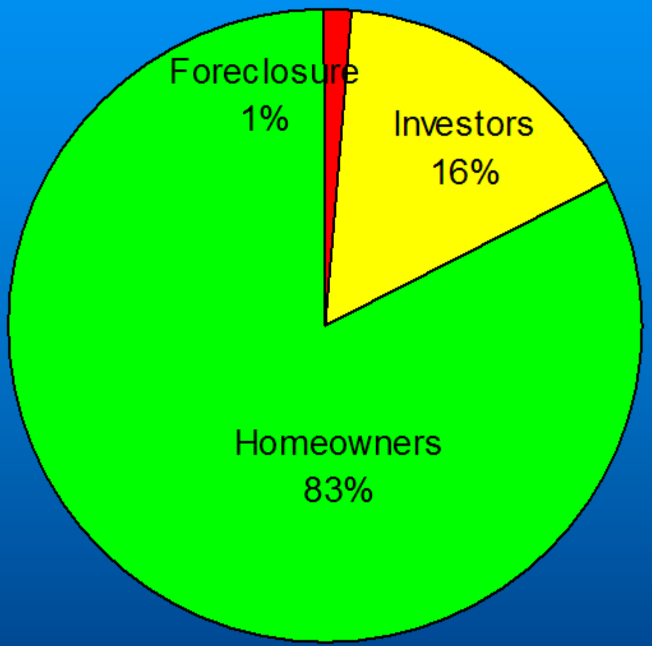


Average Sale Prices 2002-2006: Banks recouped about 2/3 of loan value from sales to investors. Investors purchased from banks at avg. price of $32k, from homeowners at avg. price of $34k, sold at avg. price of $65k. Varying degrees of property rehab took place. The role of investors is complex, and it is simplistic to see them as villains.

Country Club Hills and Green Park: Comparison of Housing Market Activity



Country Club Hills



Green Park

In Green Park 7% of properties were sold each year on average. In Country Club Hills, sales were 13% of total properties per year (excluding post-foreclosure sales from banks). High turnover in the neighborhood isn't helpful for homeowners when they attempt to sell their homes.

An example of a "frequent foreclosure" property

Date	Days Elapsed	Type	Price	Seller	Buyer
2/19/2004		Reg. Sale	121,000	Homeowner	Homeowner
6/24/2005	491.00	Forclsure	104,508	Homeowner	Servicer
4/26/2006	306.00	REO sale	82,000	Servicer	Investor
8/18/2006	114.00	Reg. Sale	140,000	Investor	Homeowner
2/12/2007	178.00	Forclsure	126,565	Homeowner	Servicer
8/20/2007	189.00	REO sale	90,000	Servicer	Investor

Time Vacant	609.00
Time Occupied	669.00
Homeowner equity losses	29,927
Lender Losses from REO sale	59,073

Here is a property in the Hathaway Trails Subdivision North of I-270, which is not an area where foreclosures are prevalent. It's a very typical St. Louis County home (1500 sq. ft. / 3 BR – 2 bath / built in 1970). The combination of homeowner equity loss, lender losses, and time vacant is destructive.

Neighborhood and Local Govt. Impacts

- Lengthy periods of property vacancy with lack of upkeep, grass-cutting.
- Home contents often dumped on curb for city/county to clean up.
- Negative impacts on adjacent property owners.

What is long term impact on weak market neighborhoods?

- Investors will be main purchasers of foreclosed properties.
- Homeownership rates will decline as investors shift from resale to rentals.
- Property appreciation and investment in weak market neighborhoods will slow.