

# Understanding Foreclosure

What we need to know to restore neighborhoods and rebuild equity in a post-foreclosure and post-subprime environment.



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# Reconstructing the Market

Understanding what went wrong:

- Diverse paths to foreclosure require different kinds of remedial action
- Restoring long-term value to homeownership requires neighborhood level and context-specific interventions
- Asset-building requires healthy neighborhoods



# Neighborhood Restoration

- People
- Properties
- Planning Ahead to Restore Demand

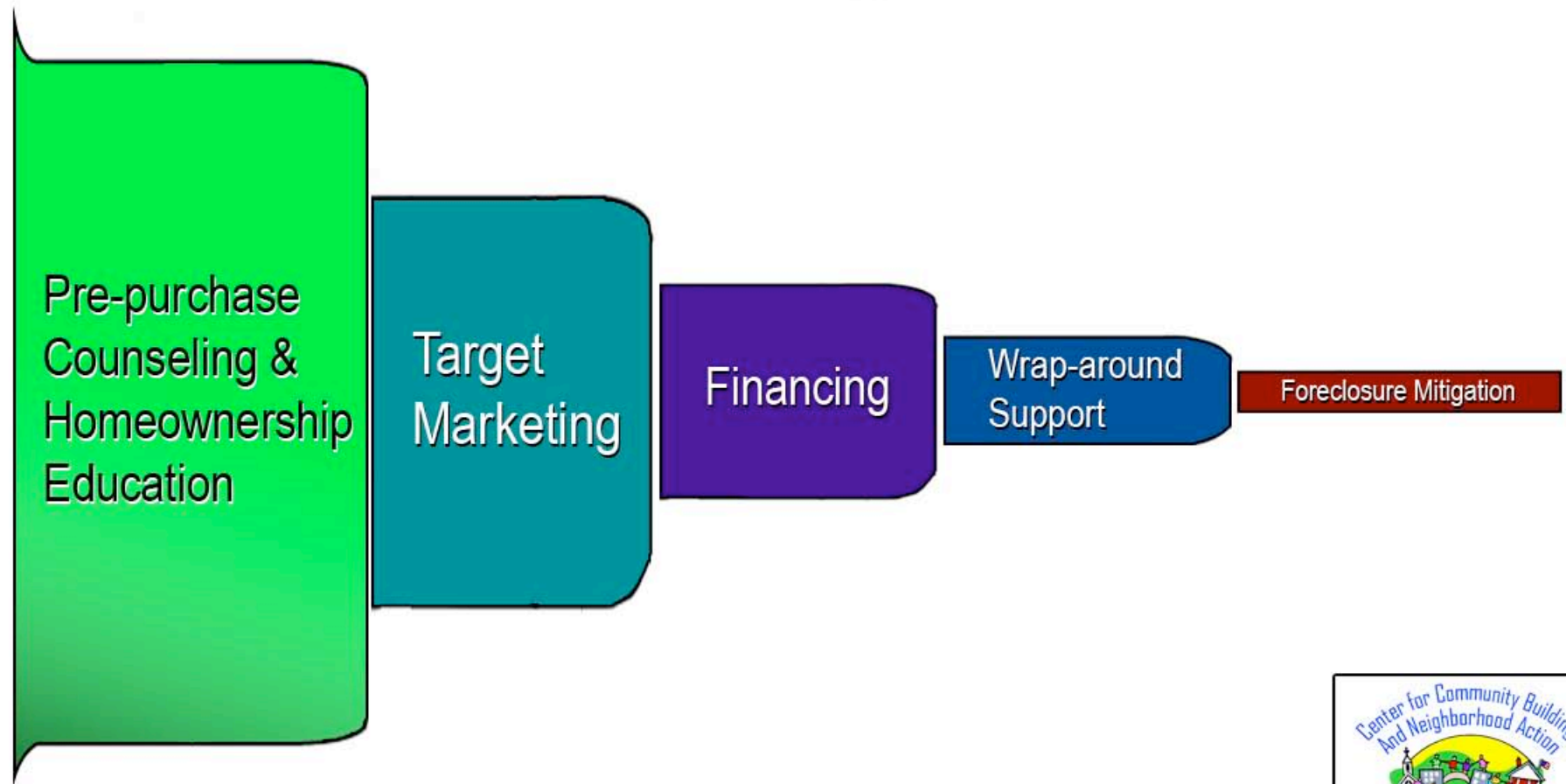


# Healthy Neighborhoods

- 
- Have a stable homeownership base
- Present well maintained properties
- Feel safe
- Attract buyers who have choices



# Pipeline Strategies to Support Homeownership and Sustain Neighborhoods



Contact [pbetts@memphis.edu](mailto:pbetts@memphis.edu)



# Linking Research with Action

- 
- Foreclosure Typology
- Neighborhood Zone Analysis
- Customized interventions to stabilize homeownership, restore neighborhoods, and reinvigorate equity building



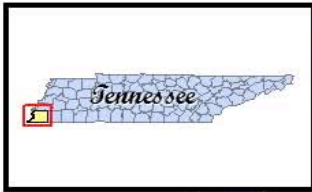
# 2007-2008 Foreclosures Memphis and Shelby County

- 11, 583 foreclosure notifications 2007
- 2008 through June: 6558
- 2008 pace up 10% from 2007
- 12,000-15,000 notifications expected for 2008
- Courthouse auctions up 25% 2008
- Expect courthouse auctions to be up from 65% to 85% of notifications in 2008



# Memphis & Shelby

2007 FORECLOSURES\* BY ZIP CODE



## Legend

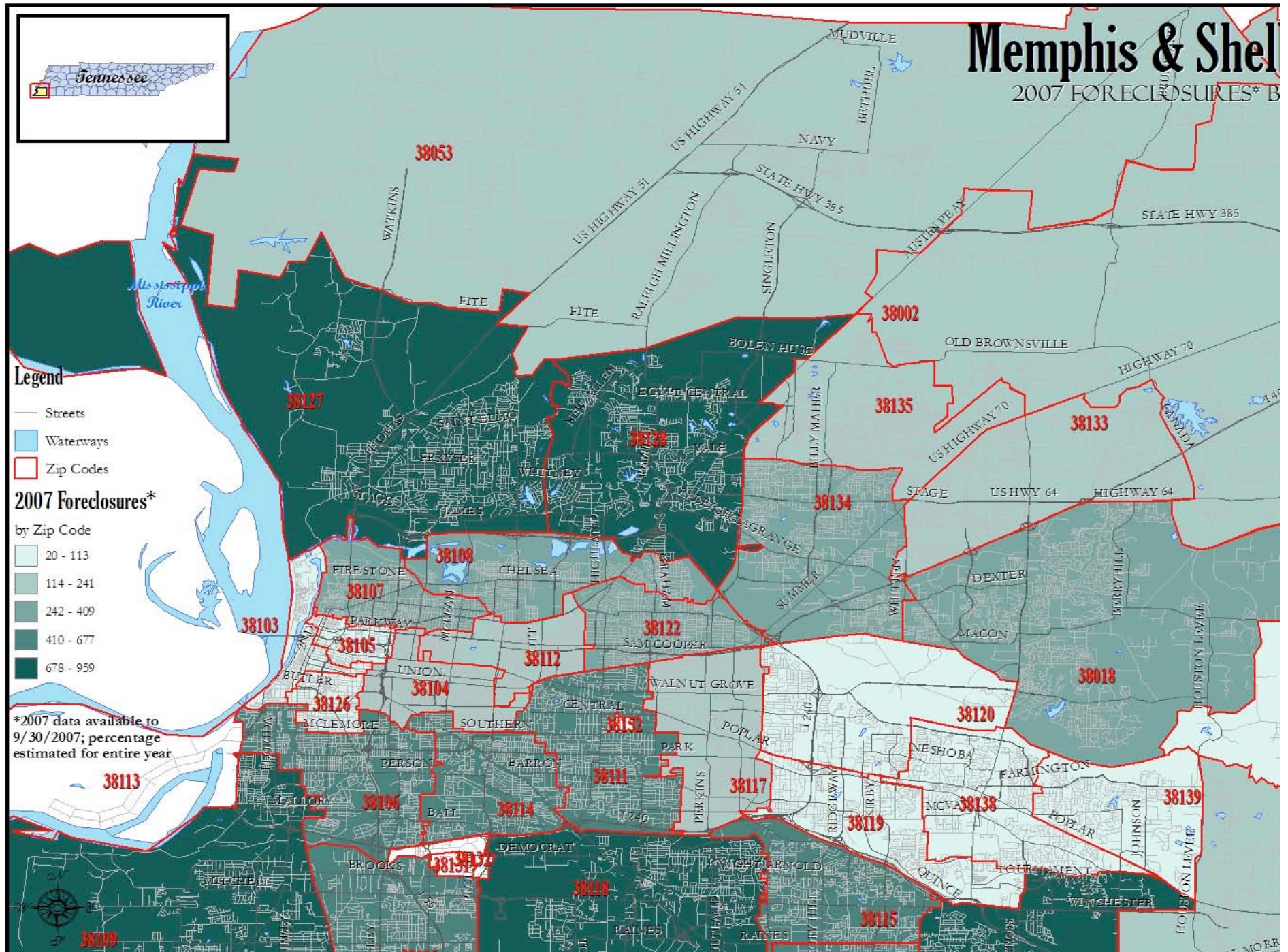
- Streets
- Waterways
- Zip Codes

## 2007 Foreclosures\*

by Zip Code

- 20 - 113
- 114 - 241
- 242 - 409
- 410 - 677
- 678 - 959

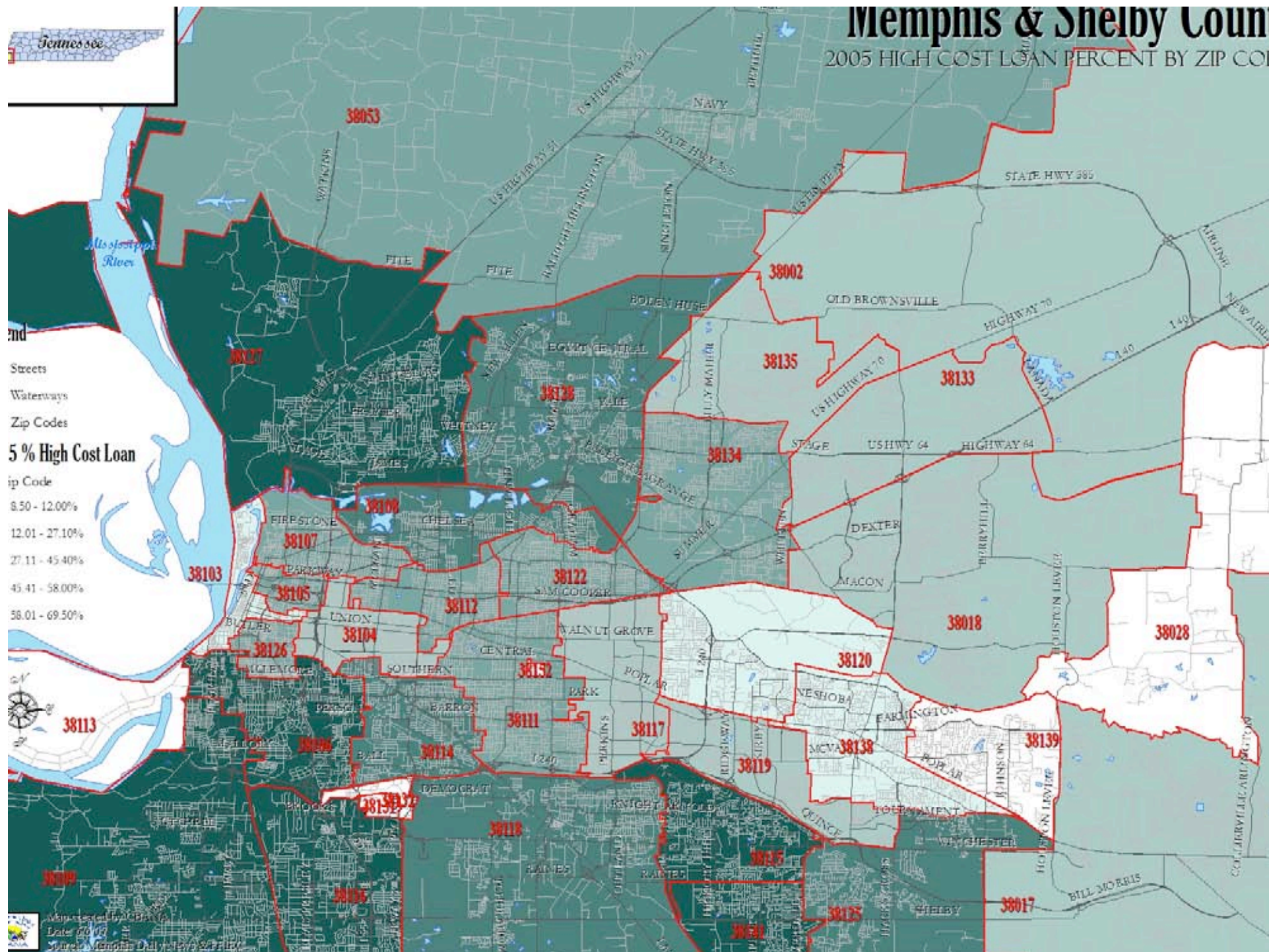
\*2007 data available to 9/30/2007; percentage estimated for entire year





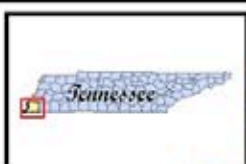
## Tennessee

2005 HIGH COST LOAN PERCENT BY ZIP CODE



Map created by: B. Smith  
Date: 6/6/03  
Source: American Dental Association





Map created by CBANA  
Date: 4/30/08  
Source: First American LoanPerformance



# First American LoanPerformance

PERCENT OF LOANS NOT CURRENT AS OF REPORTING BY ZIP CODE, SHELBY COUNTY

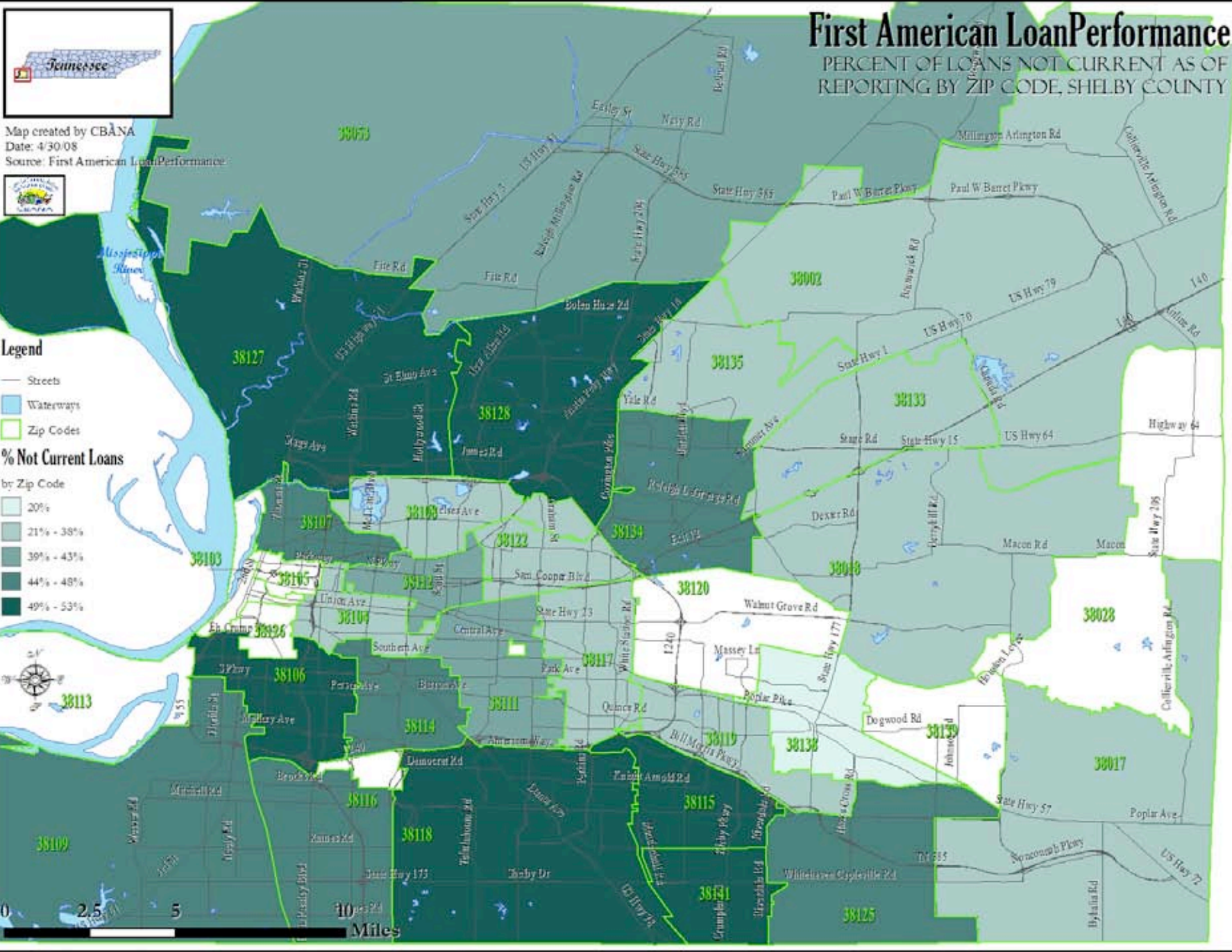
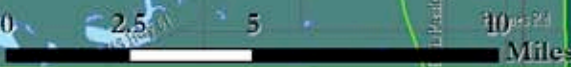
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- Streets
- Waterways
- Zip Codes

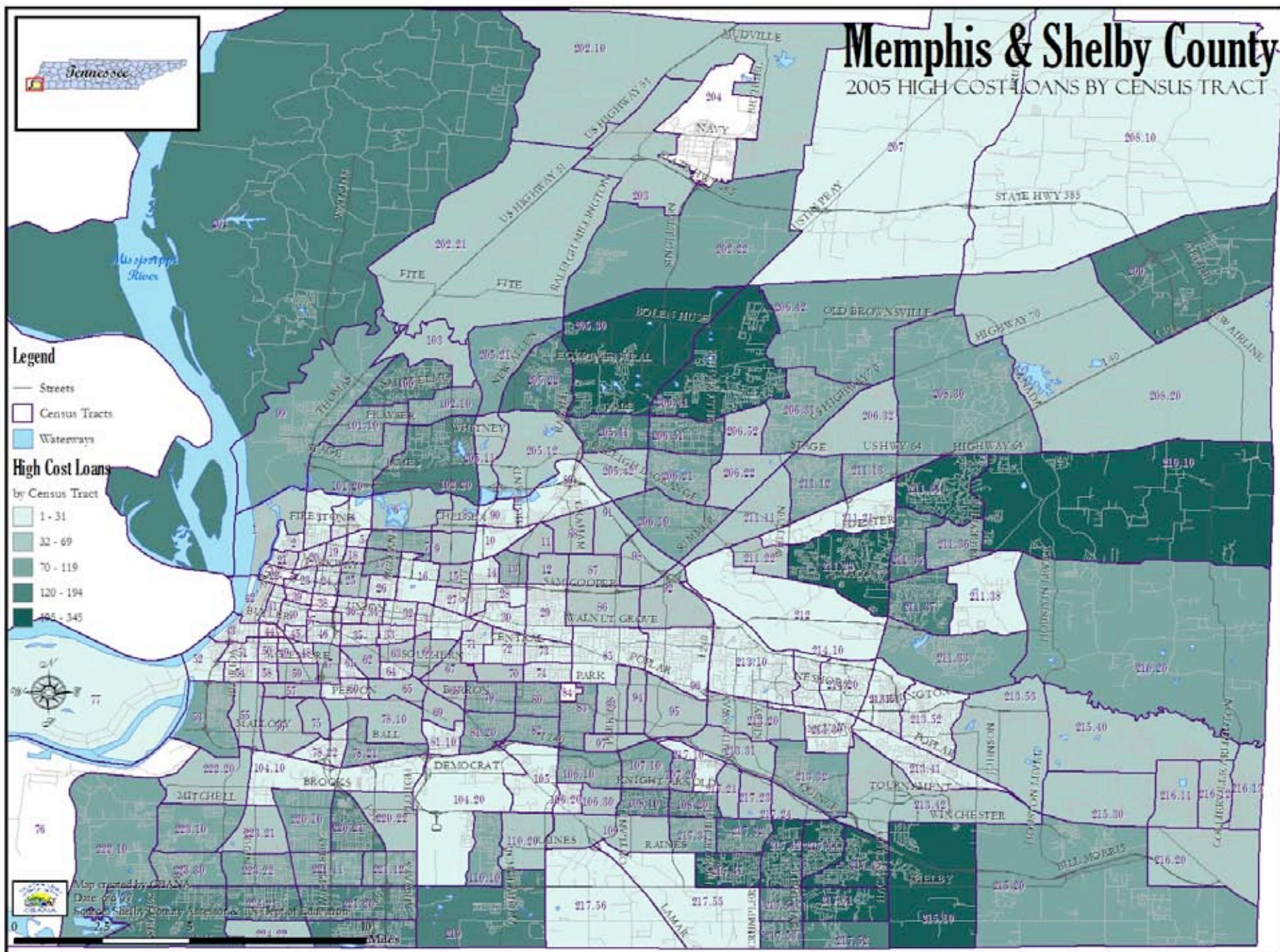
## % Not Current Loans

by Zip Code

- 20%
- 21% - 38%
- 39% - 43%
- 44% - 48%
- 49% - 53%









## 2007 FORECLOSURE DENSITY



## Stre

6







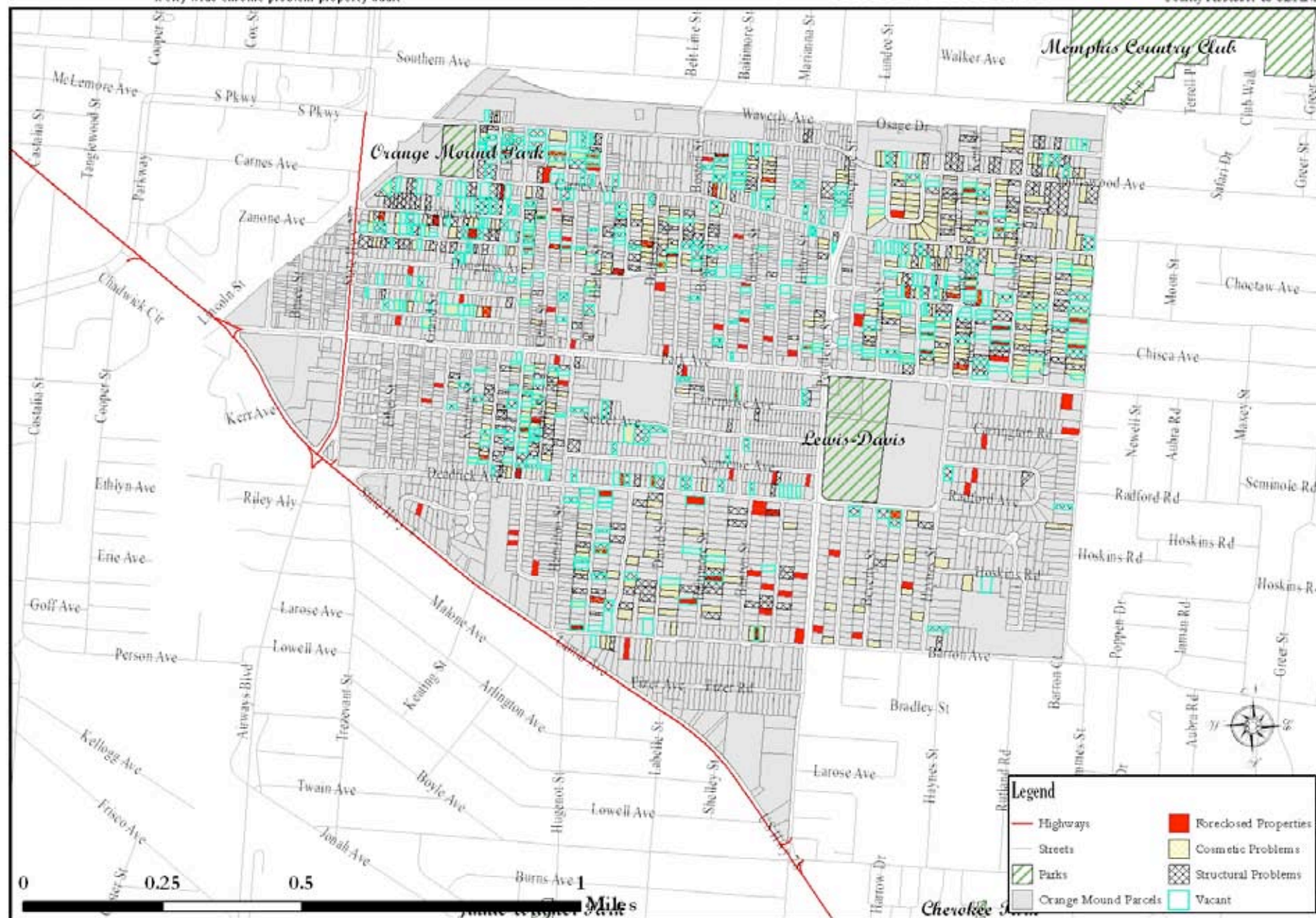
## Orange Mound, Memphis: 2007 FORECLOSURES & PROBLEM PROPERTIES

Map created by CBANA

Date: 7/23/08

Source: Memphis Daily News, Shelby

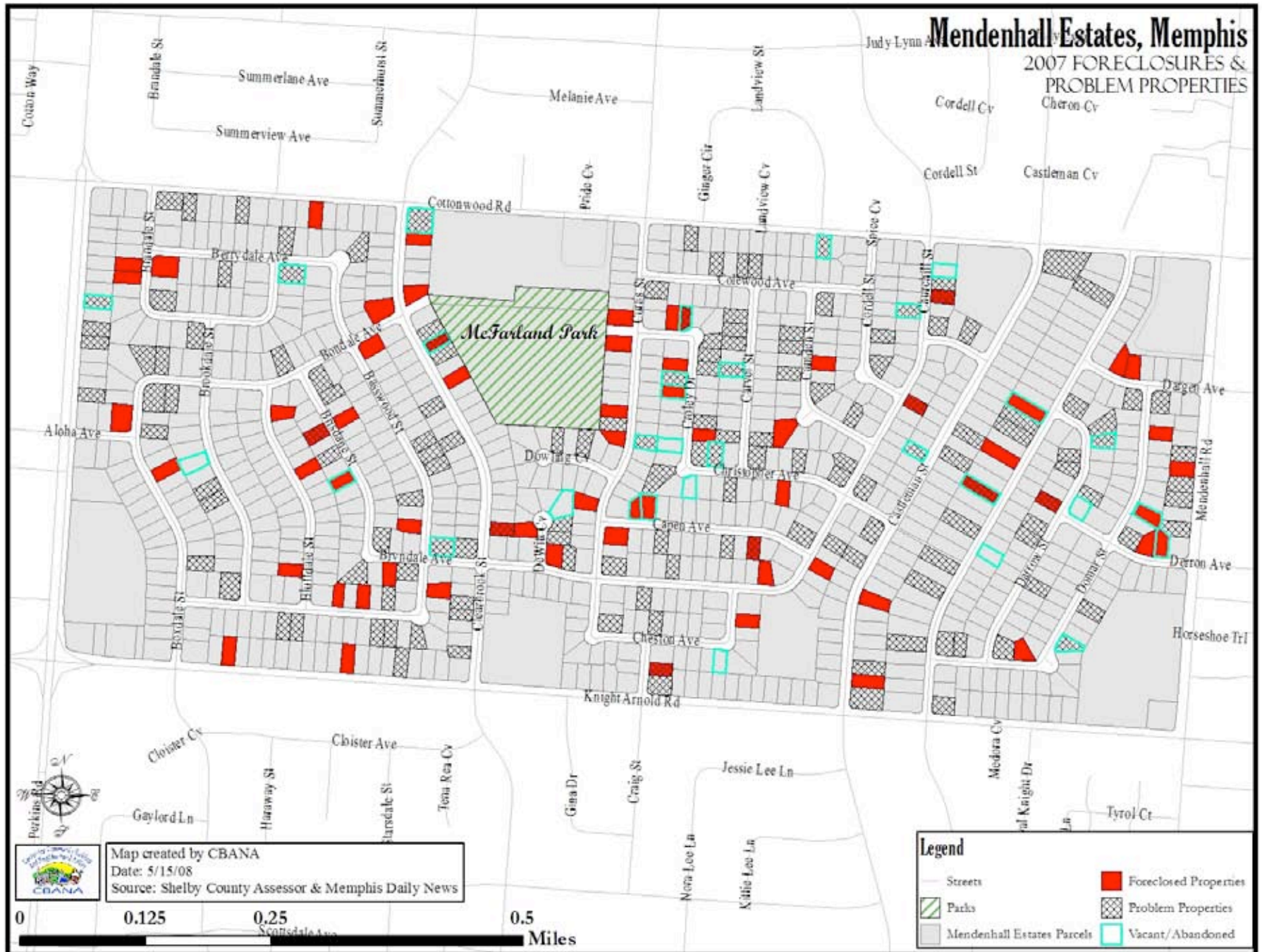
County Assessor & CBANA





# Mendenhall Estates, Memphis

2007 FORECLOSURES & PROBLEM PROPERTIES







# Marginal Buyers

*foreclosures involve borrowers for whom  
successful home ownership is  
questionable at time of purchase*





# Pushing the Affordability Envelope

*foreclosures involve homeowners who may  
have been successful had they negotiated a  
less expensive home purchase*

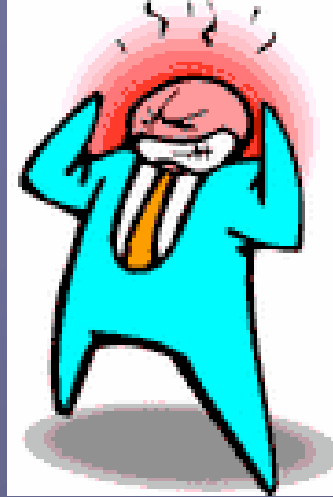




# Debt-Driven Equity Borrowing

*foreclosures involve longer-term  
homeownership and more recent efforts to  
deal with non-mortgage debt through  
home equity loans or cash out refinancing*





# Sudden Jeopardy

*foreclosures involve unanticipated financial insecurity among longer-term homeowners or new homeowners with erstwhile secure employment histories and little reason to anticipate a change in their status*





# Overextended Investors

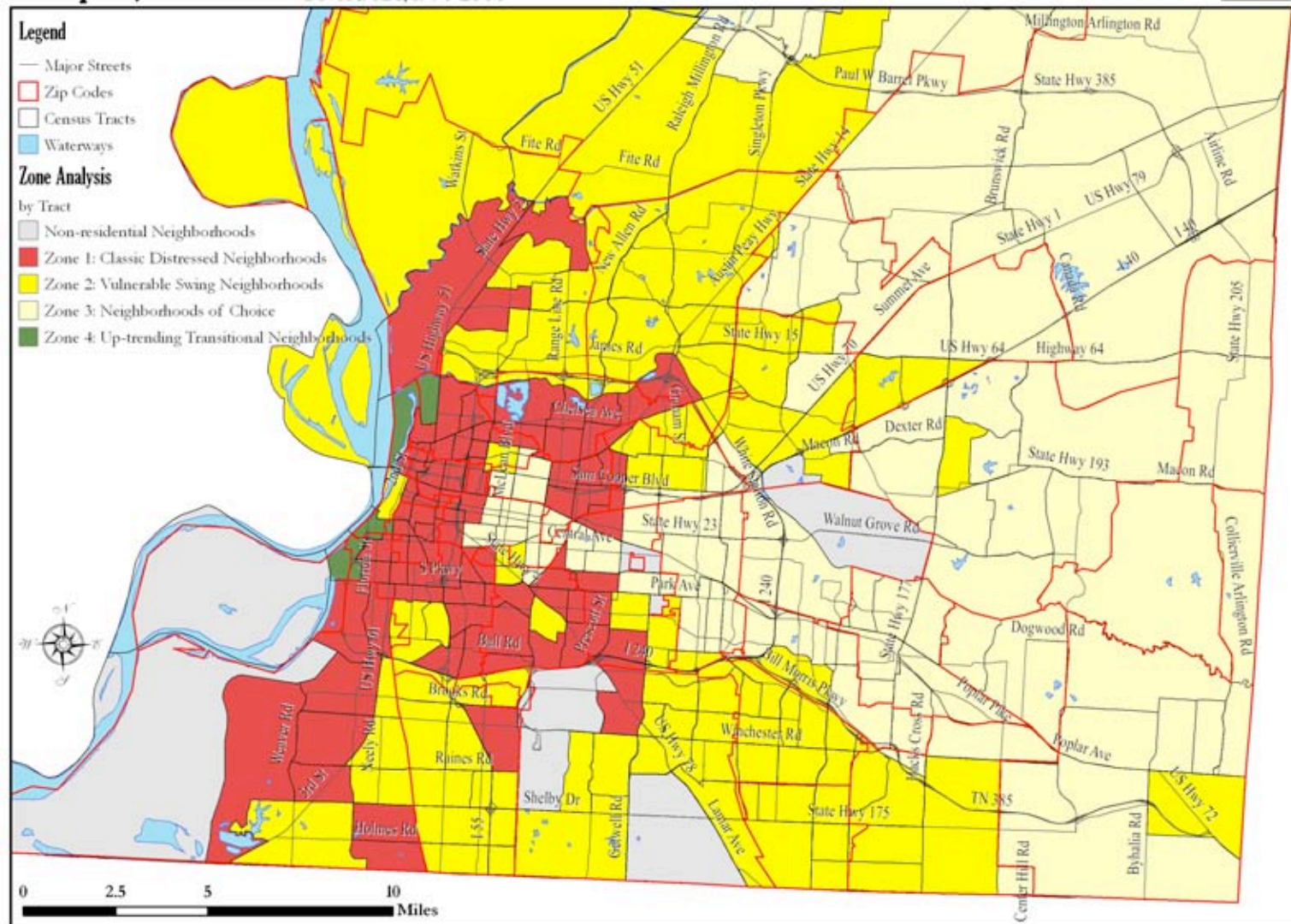
*foreclosures are driven by national real estate speculation or more localized entrepreneurship where housing in declining markets appeals to some business models*



# Shelby County Zones

## Memphis, Tennessee: ZONE ANALYSIS BY TRACT, 1990-2000

Map created by CBANA  
Date: 7/24/08  
Source: 1990 & 2000 US Census

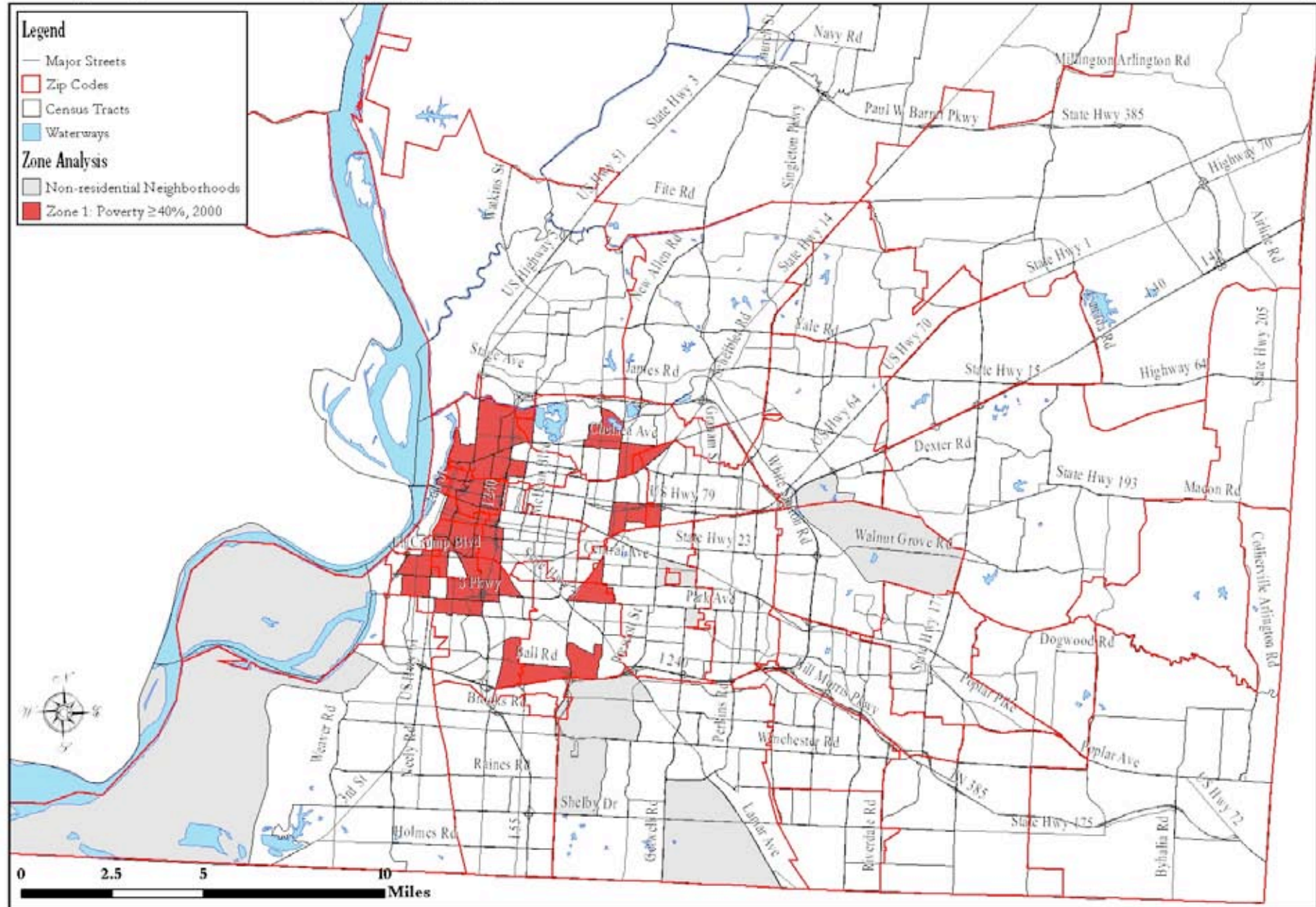




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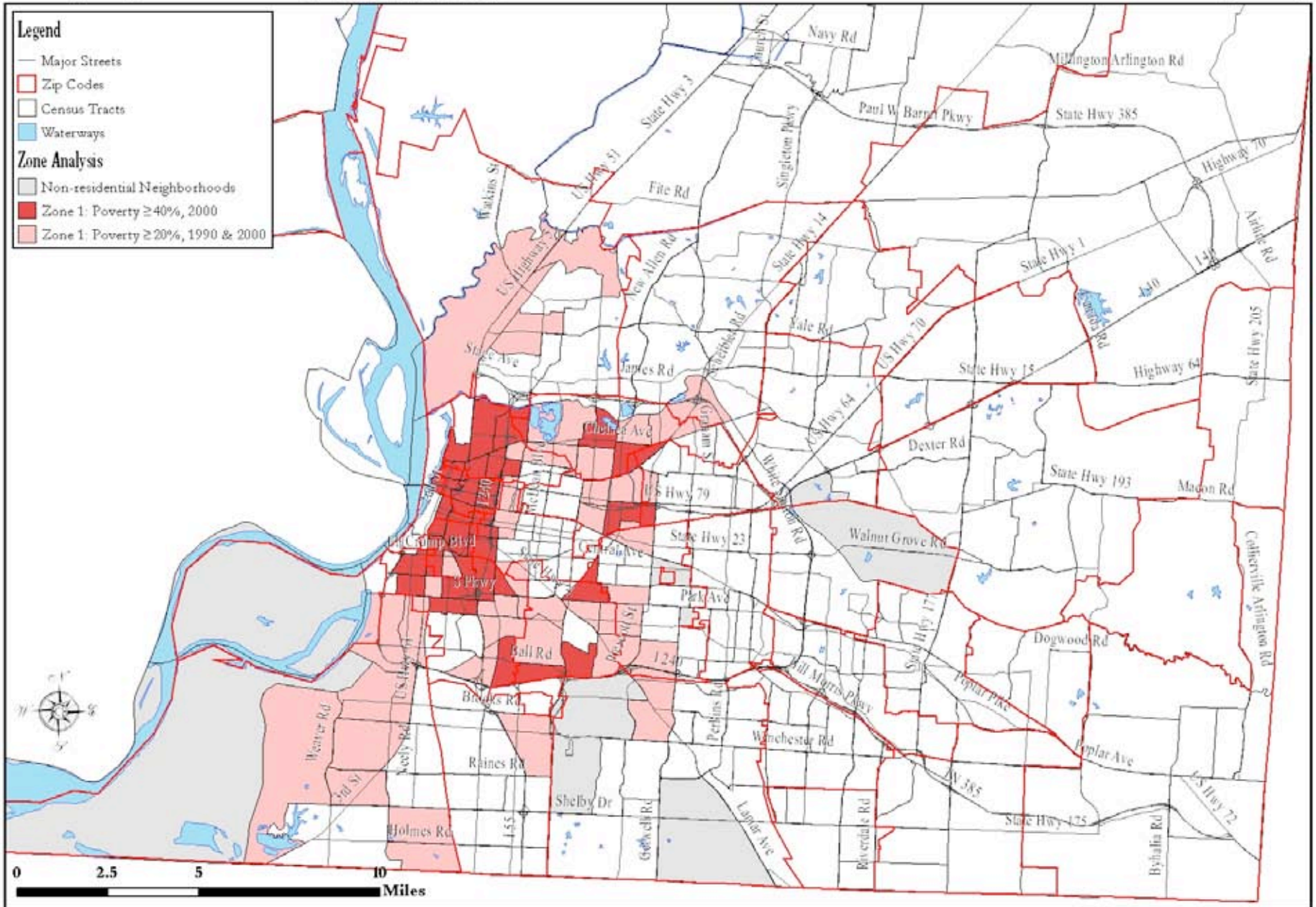
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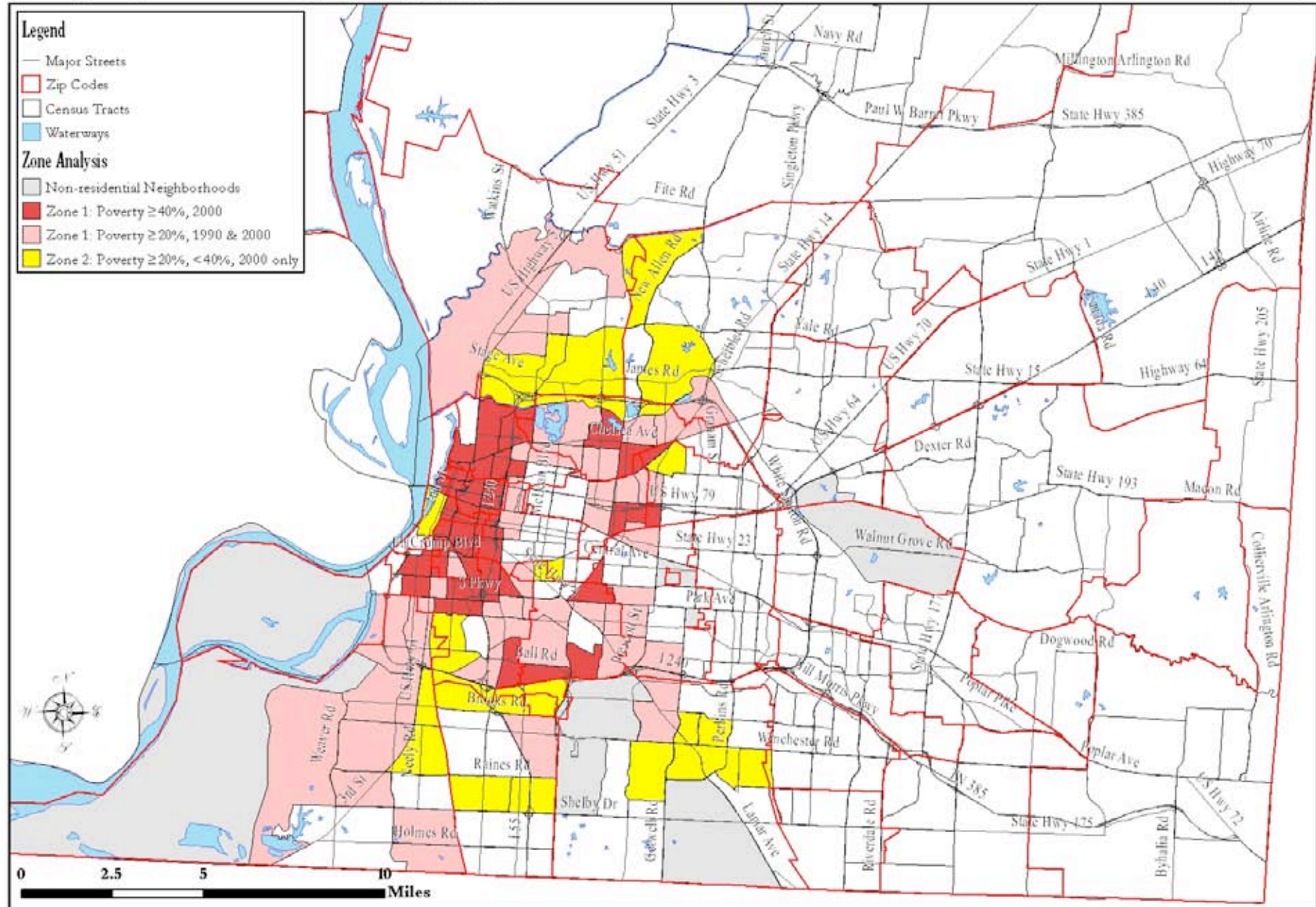




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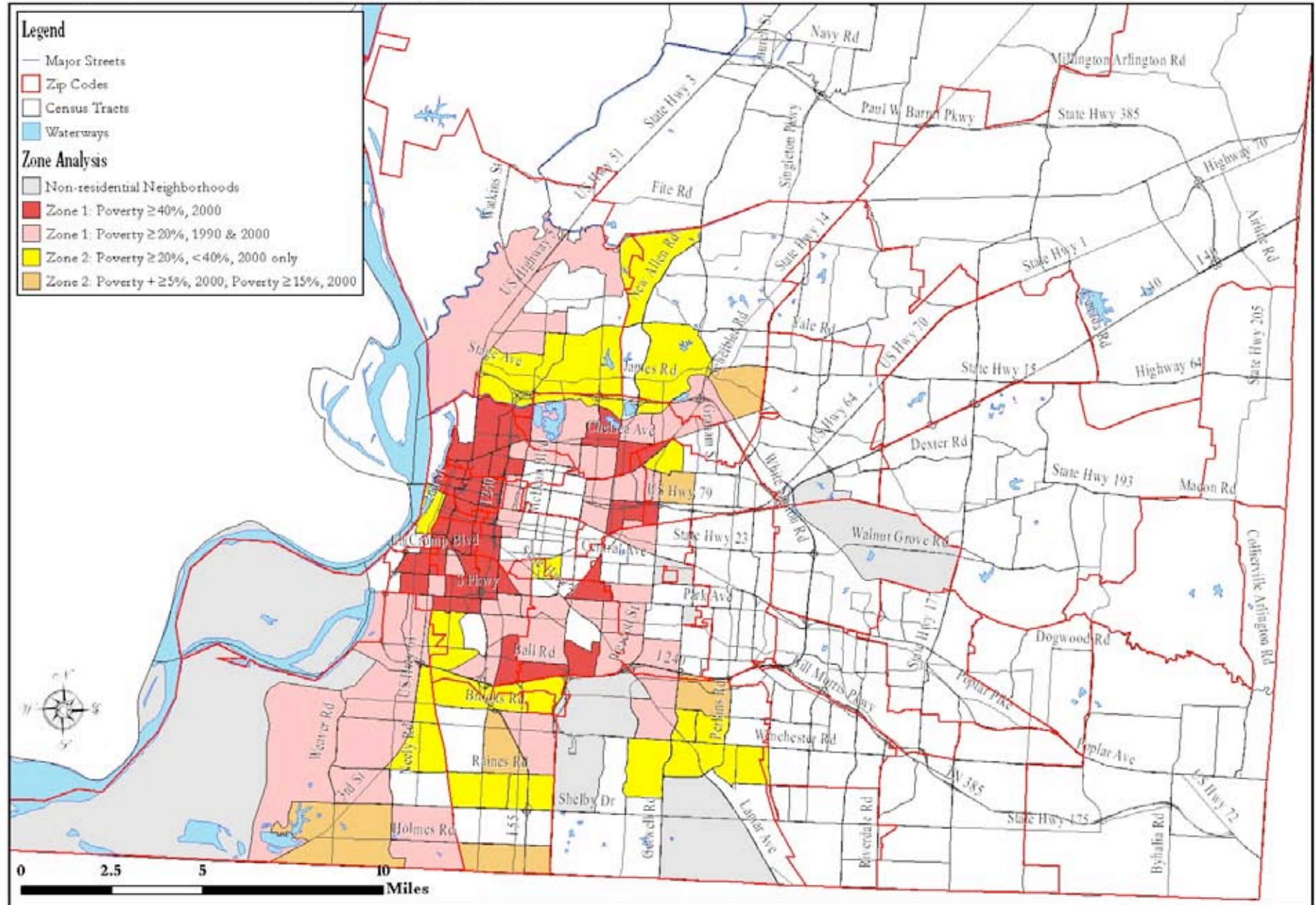




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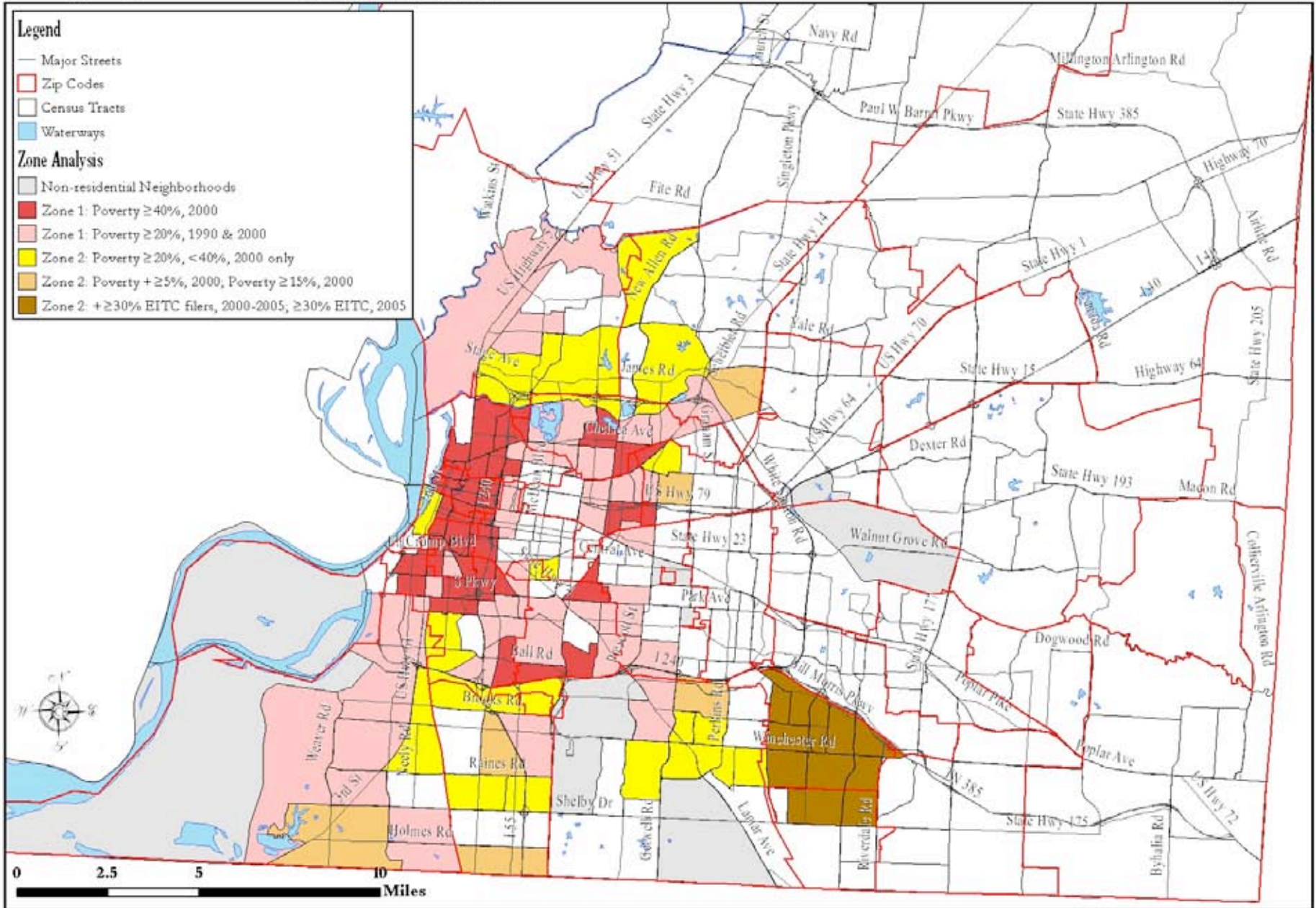
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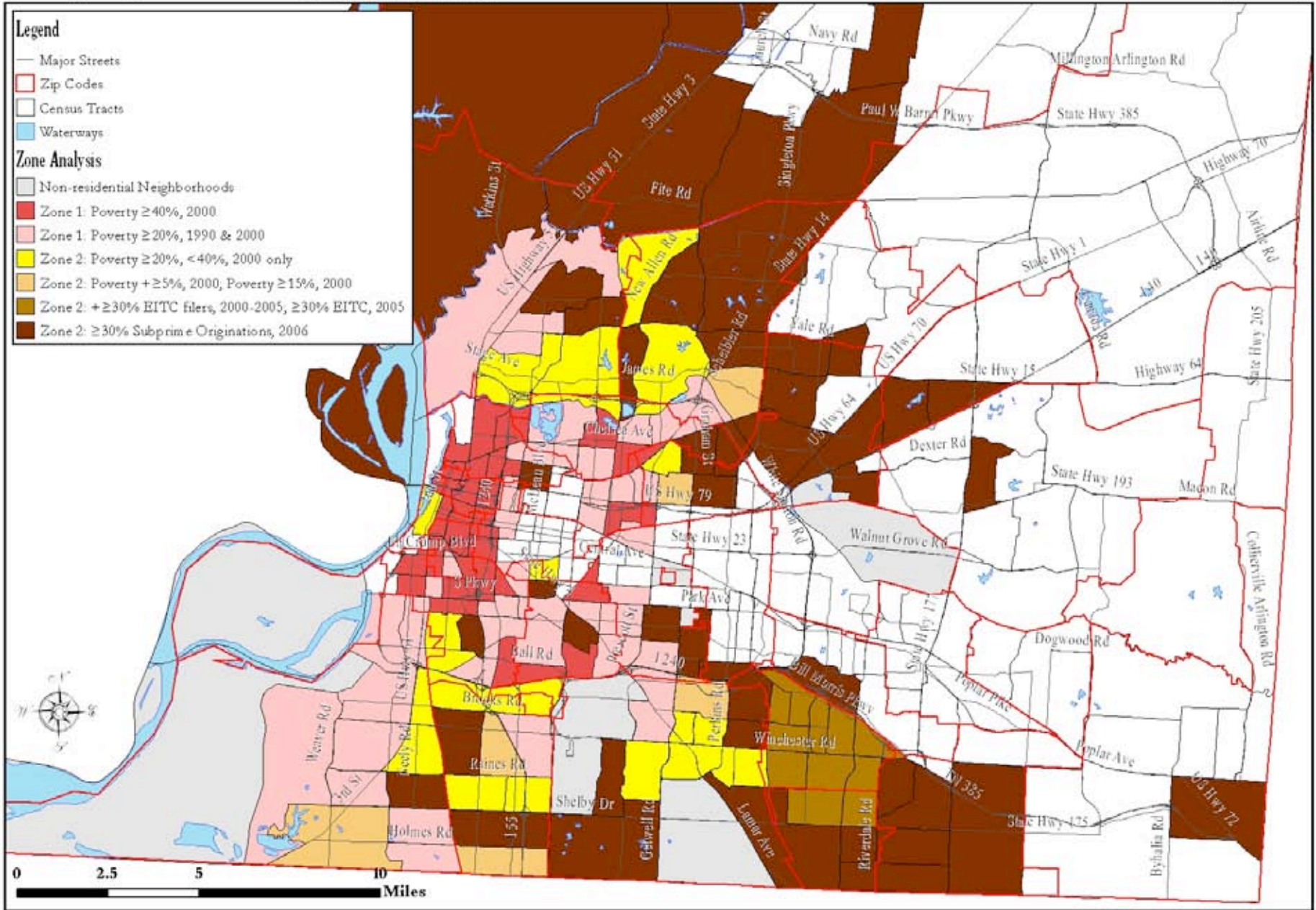
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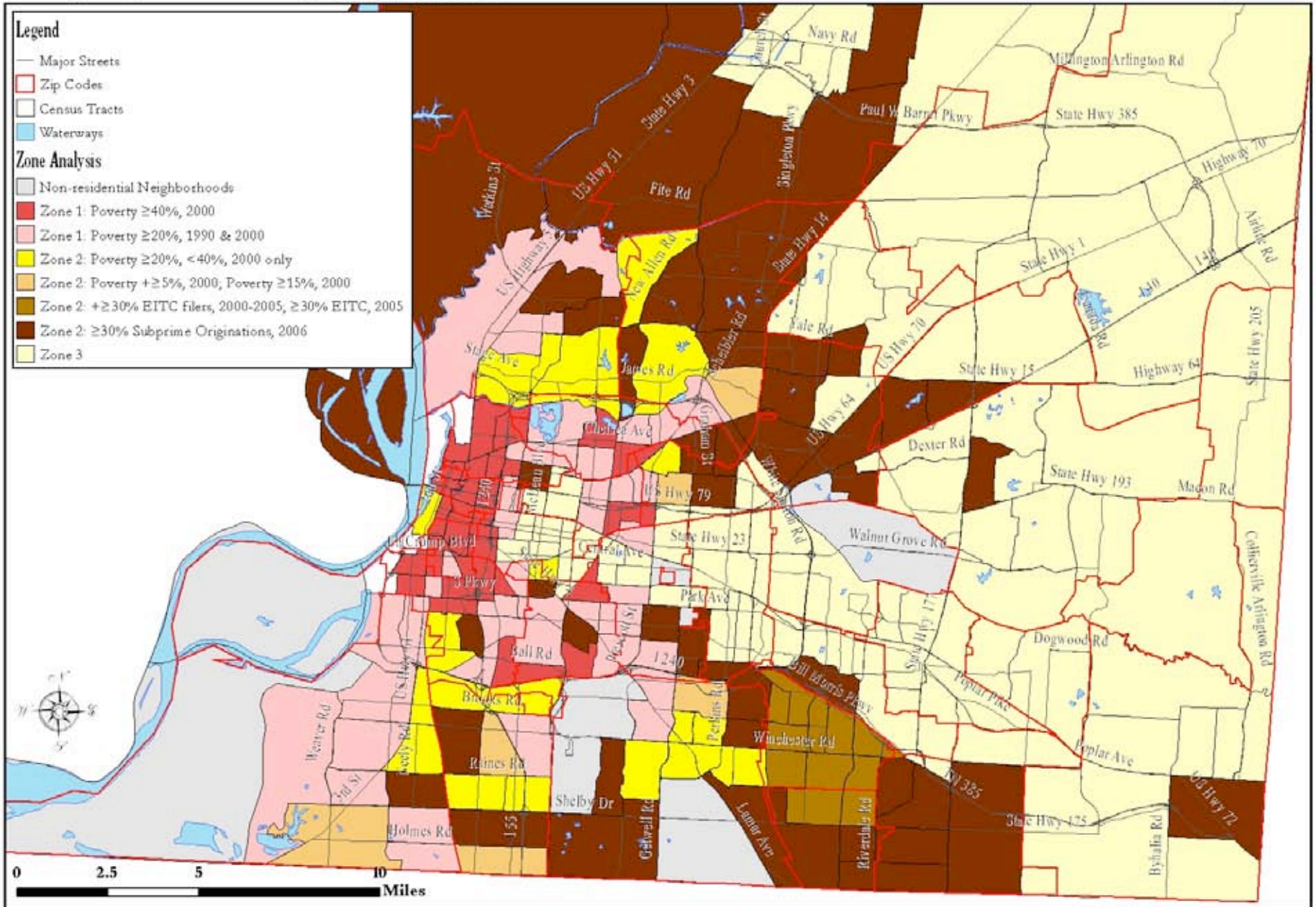
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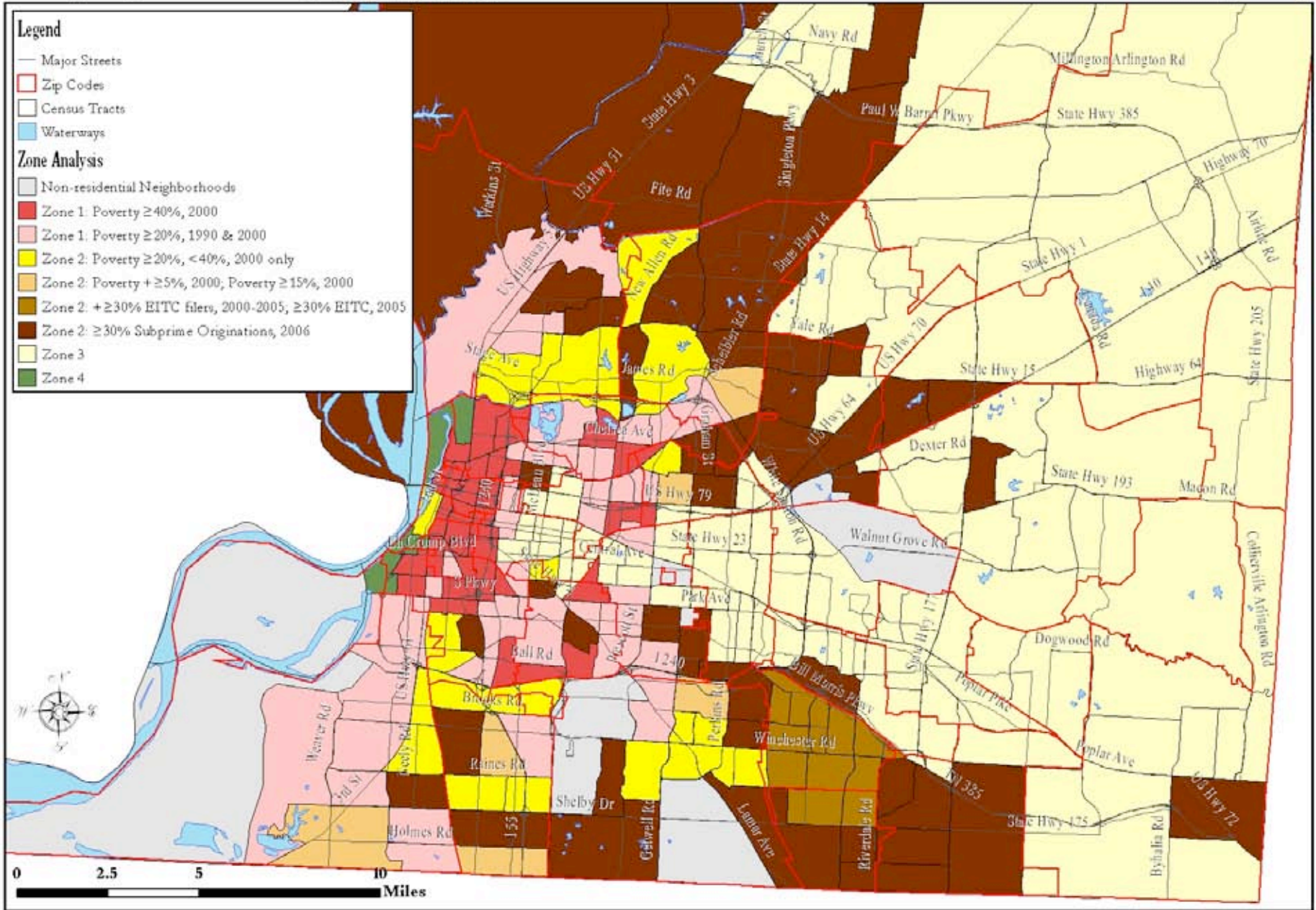
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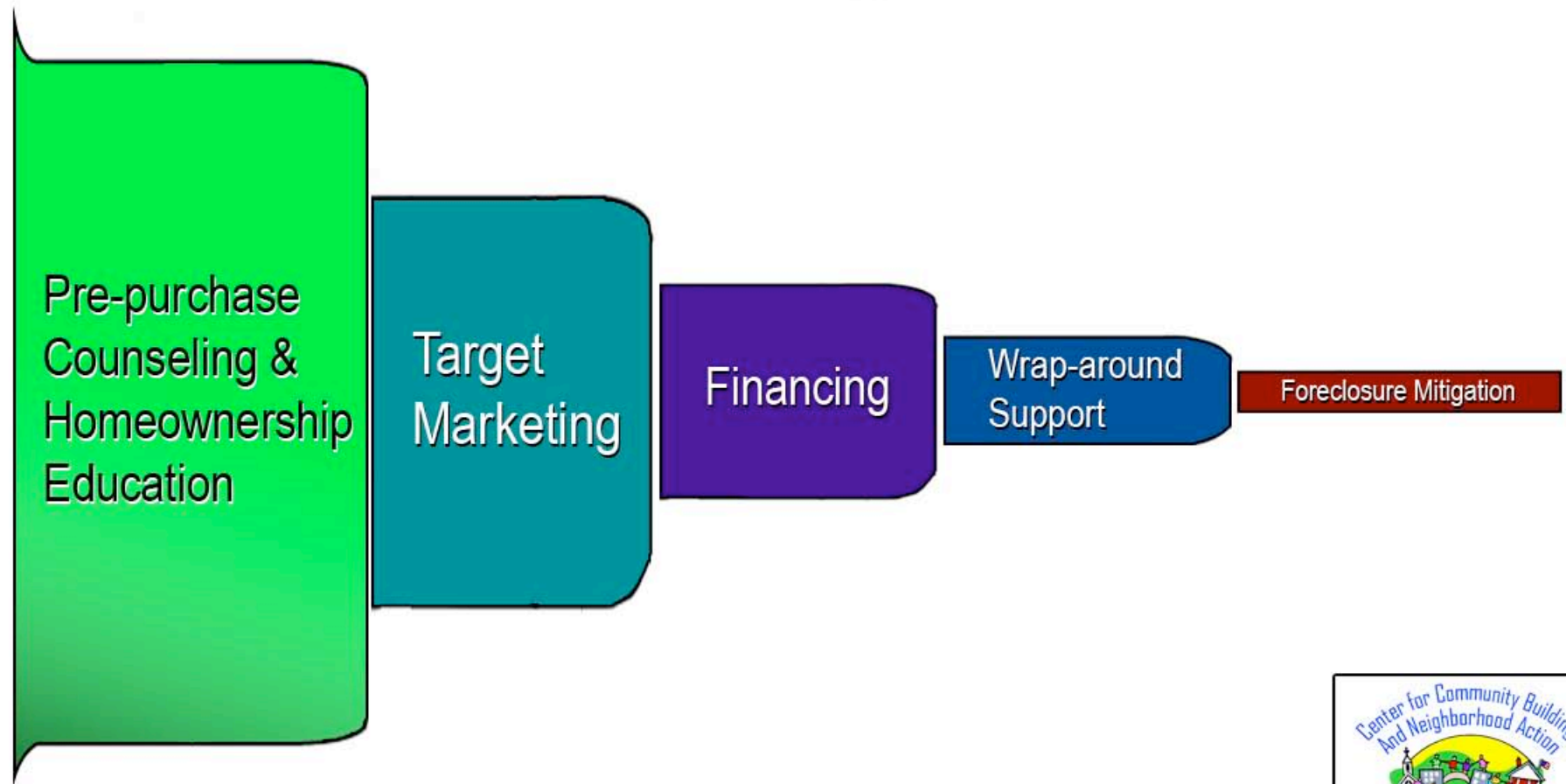
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# Pipeline Stages

- Stage 1: education and capacity-building among potential homeowners
  - Pre-purchase counseling and homeowner education
- Stage 2: redefining your post-foreclosure target market and marketing strategy
  - Role of affordability?
- Stage 3: innovative financing
  - Lease purchase?
- Stage 4: community support system for fledgling buyers
  - homeownership support systems that enable borrowers to make good financial decisions and access favorable short-term financing for emergency needs?
- Stage 5: foreclosure mitigation and built-in strategies to recapture, rehabilitate, and recycle foreclosed properties to sustain a base of successful homeownership