Understanding Foreclosure

What we need to know to restore neighborhoods and rebuild equity in a post-foreclosure and post-subprime environment.
Phyllis Betts, Director
Center for Community Building and Neighborhood Action
pbetts@memphis.edu

School of Urban Affairs and Public Policy
University of Memphis
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

Pre-purchase Counseling & Homeownership Education

Target Marketing

Financing

Wrap-around Support

Foreclosure Mitigation

Contact 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 in 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
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

Legend
- Major Streets
- Zip Codes
- Census Tracts
- Waterways

Zone Analysis
by Tract
- Non-residential Neighborhoods
- Zone 1: Classic Distressed Neighborhoods
- Zone 2: Vulnerable Swing Neighborhoods
- Zone 3: Neighborhoods of Choice
- Zone 4: Up-trending Transitional Neighborhoods

Map created by CHANA
Date: 7-24-08
Source: 1990 & 2000 U.S. Census

0 2.5 5 10 Miles
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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**