

A profile of the mortgage crisis in an LMI community

Paul Willen, Federal Reserve Bank of Boston

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Joint with Lynn Fisher (MIT and UNC)
and Lauren Lambie-Hansen (MIT)

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Philadelphia, PA, May 14, 2010

I am speaking today as a researcher and a concerned citizen and not as a representative of the FRB Boston or the Federal Reserve System.

...a cyclone has wheeled through.

- Purpose of this paper is to quantify the effects of the mortgage crisis on a community.
- How can we measure the effects of a crisis.
- Statistics give us.
 - Good news.
 - Bad news.

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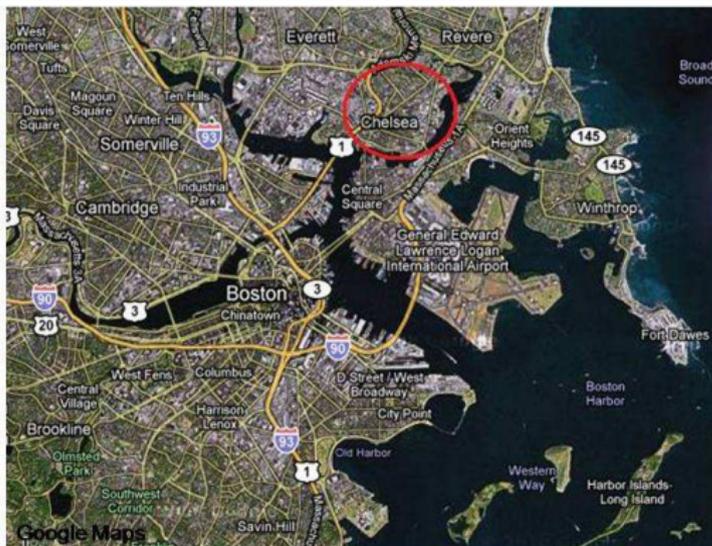
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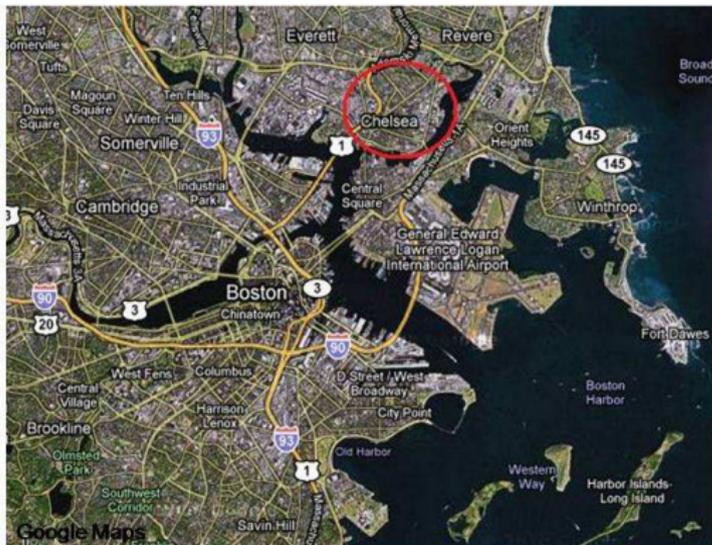
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Chelsea



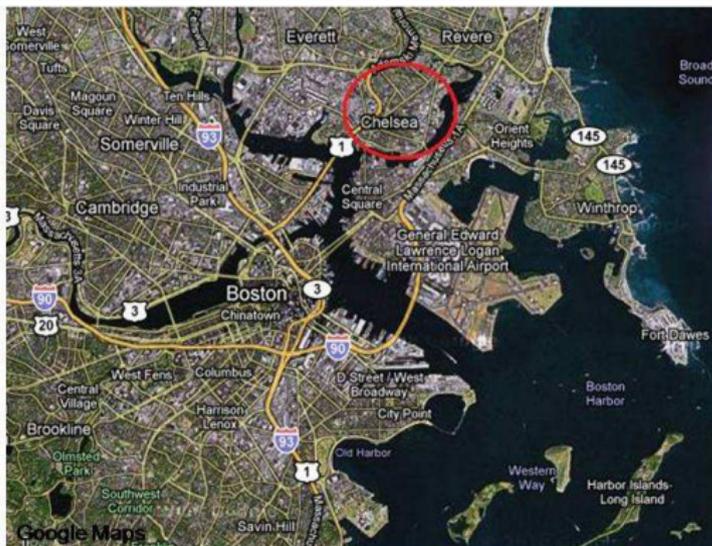
- Population: 33,561
- 56% Hispanic or Latino
- 90%+ in LMI census tracts.
- 2 sq mi. – one of the 50 most densely populated cities in U.S.

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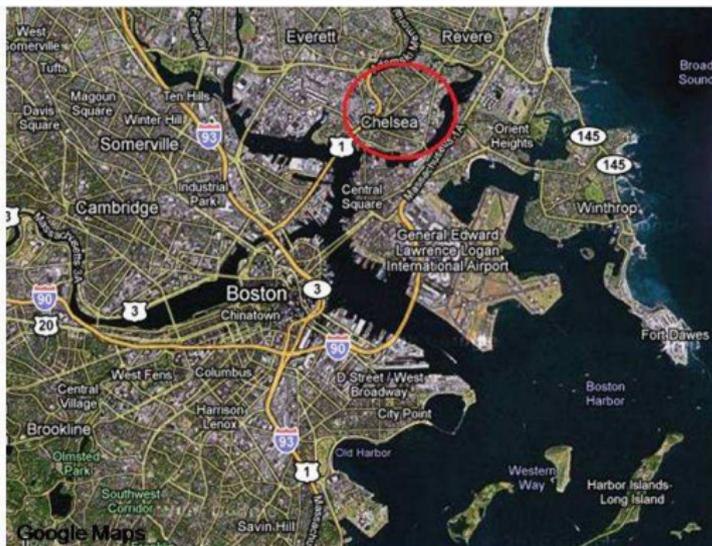
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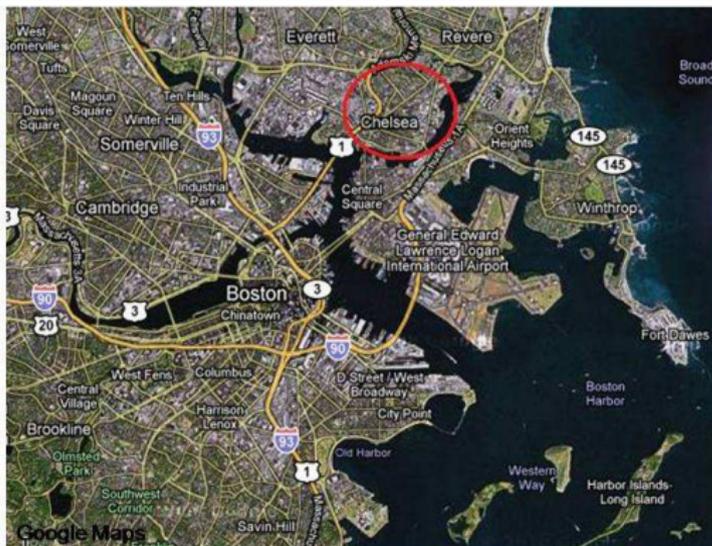
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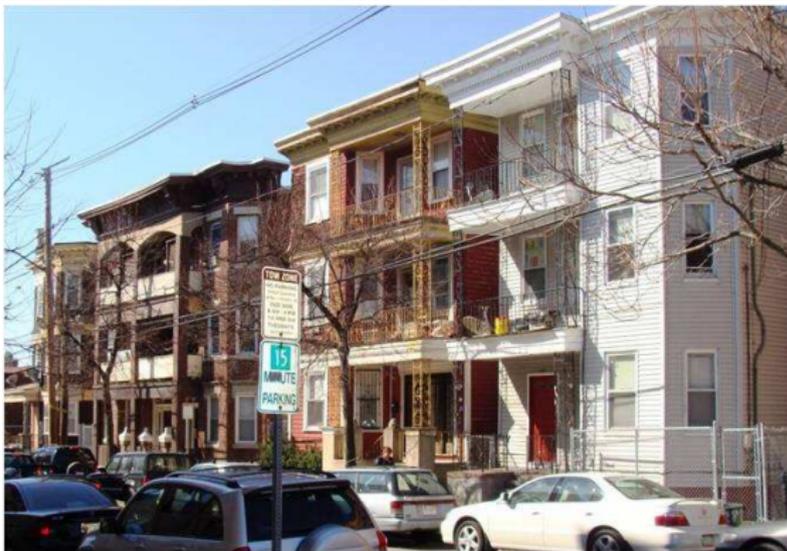
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Housing Stock



- 12,798 housing units.
- 8,158 built before 1940.
- 4,609 owner occupied.
- 6,579 in 2-4 unit buildings.

Housing Stock



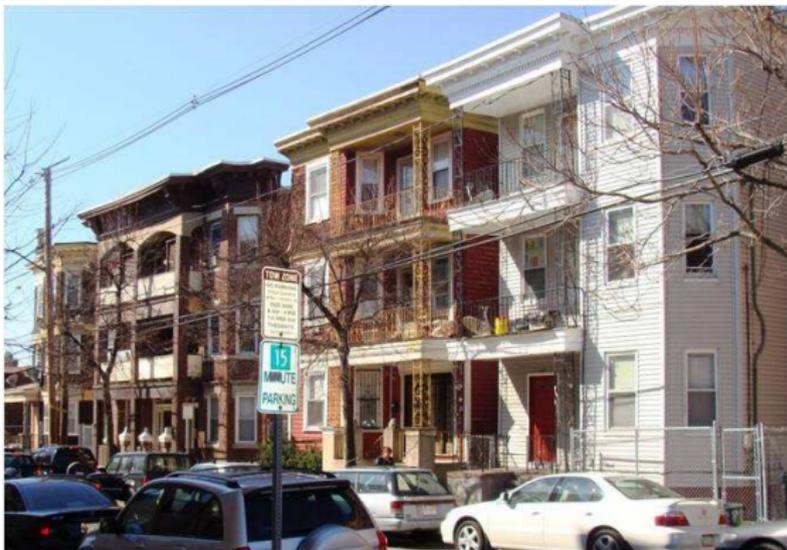
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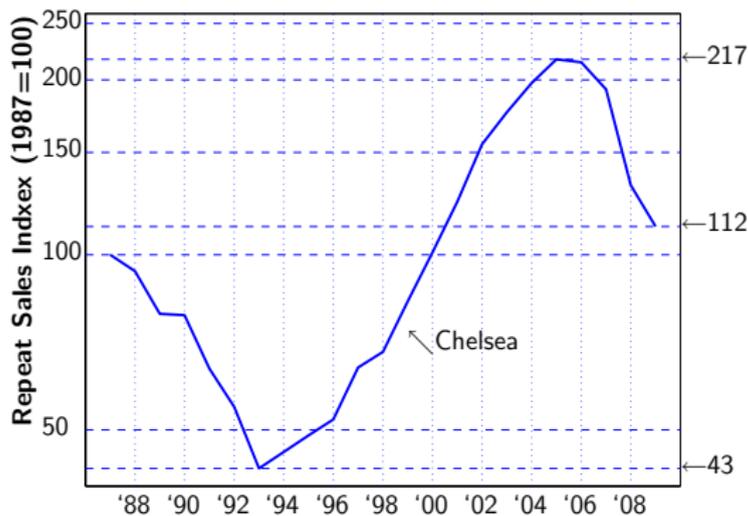
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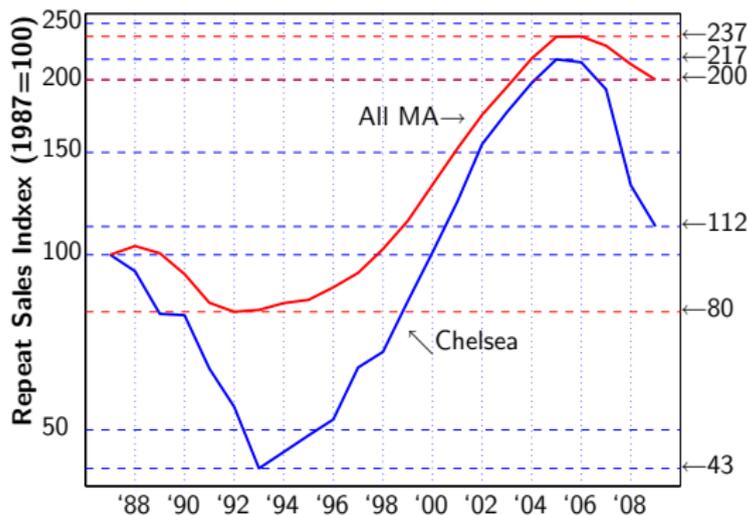
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Falling Prices



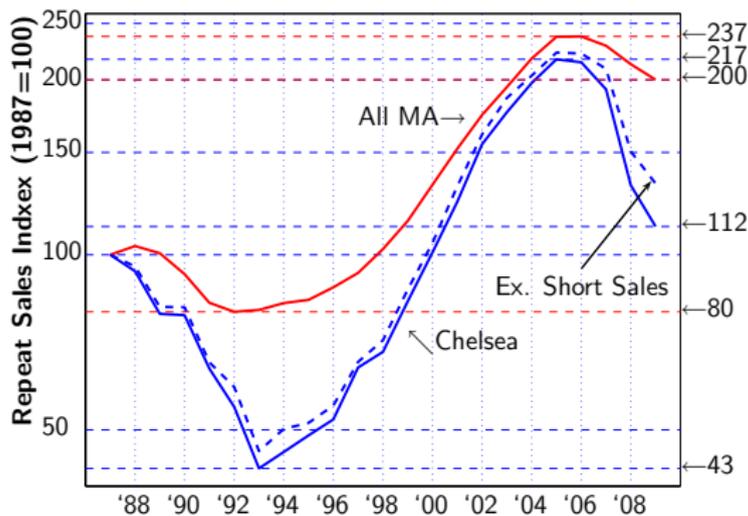
- Prices have collapsed in Chelsea, as they did in the last cycle
- Far more volatile than the state as a whole
- Short sales seem to be driving some of it...

Falling Prices



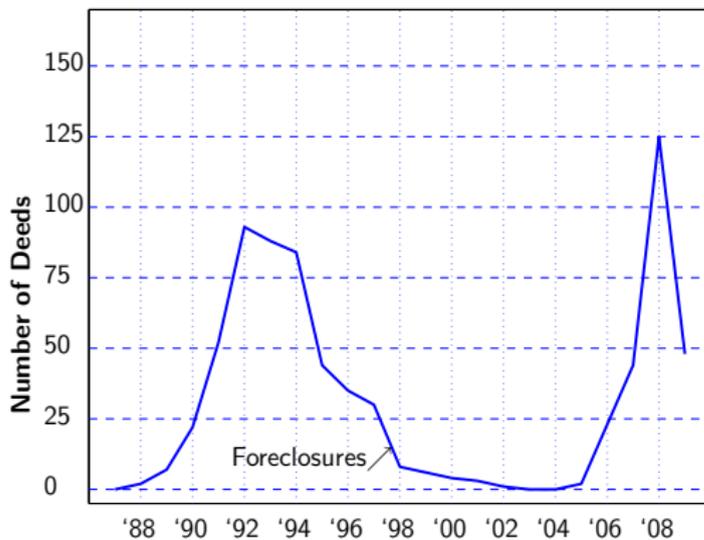
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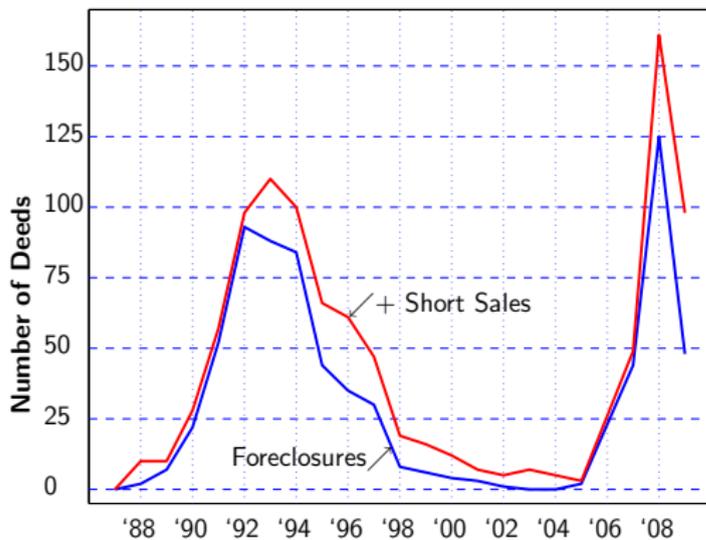
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Foreclosures



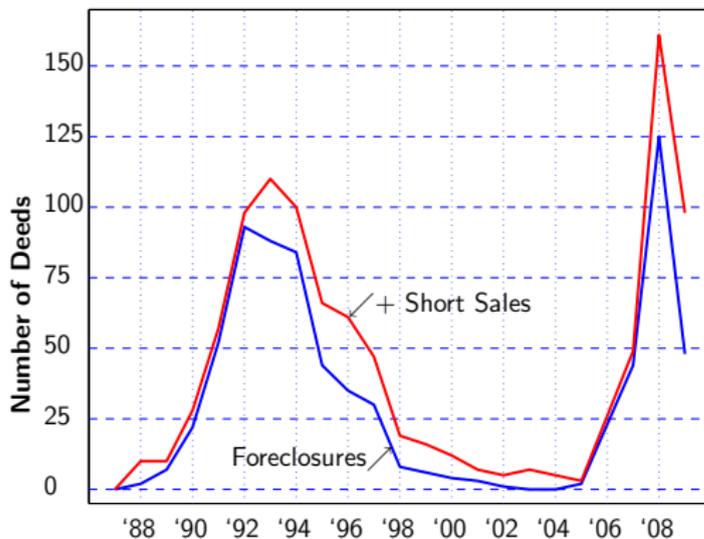
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- 263 foreclosures since 2006 (6%)
- 357, if we include short sales (8%)

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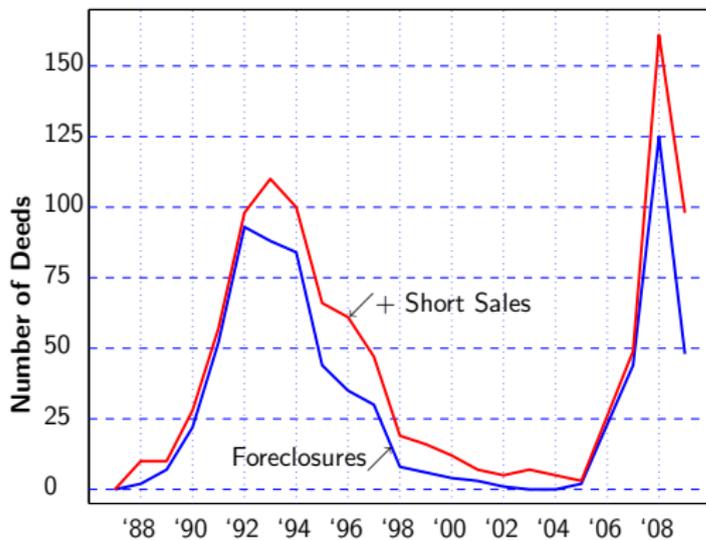
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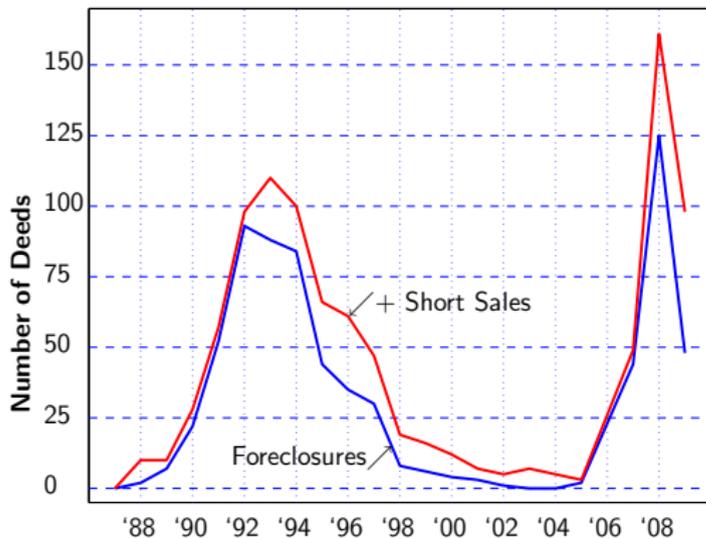
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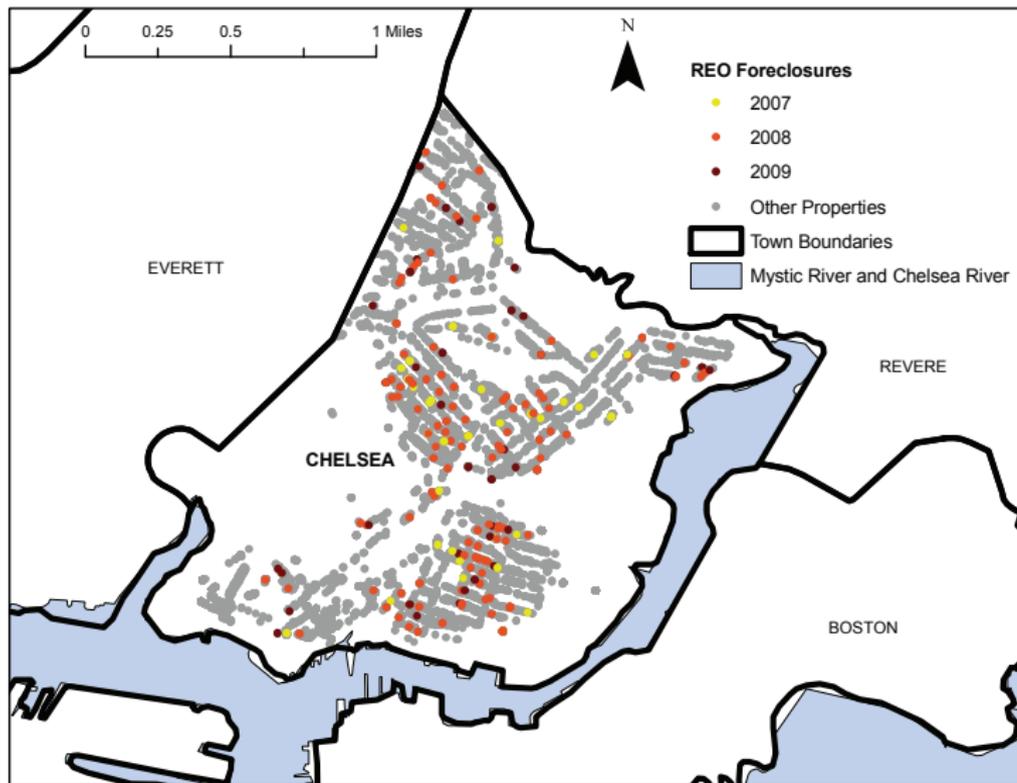
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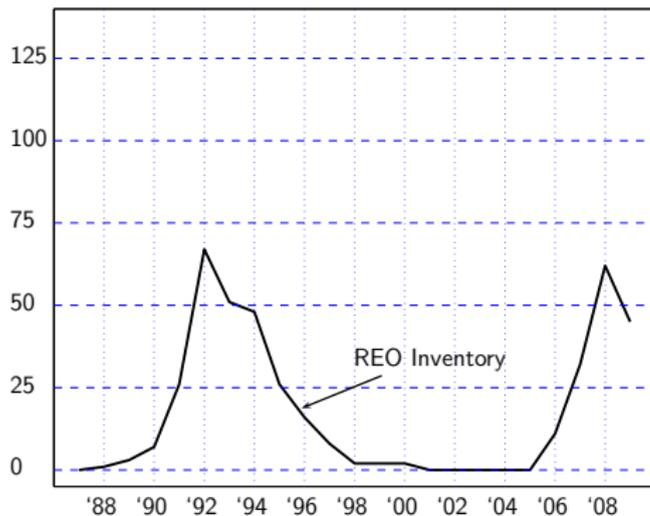


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Location of Foreclosures

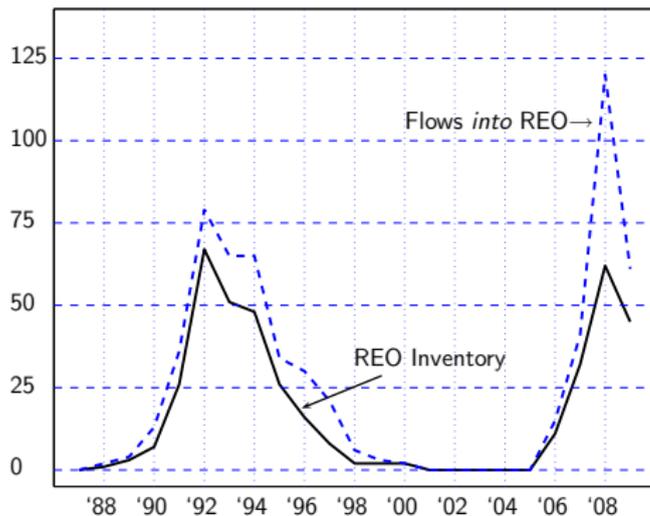


REO not building up



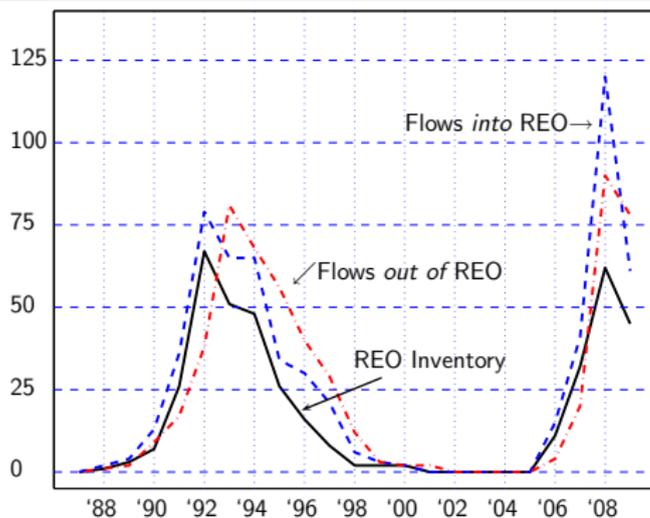
| | Troubled Properties | Foreclosure REO | Auction | Short Sale | % Enter REO |
|------|---------------------|-----------------|---------|------------|-------------|
| 2007 | 49 | 41 | 3 | 5 | 84% |
| 2008 | 161 | 120 | 5 | 36 | 75% |
| 2009 | 121 | 61 | 10 | 50 | 50% |

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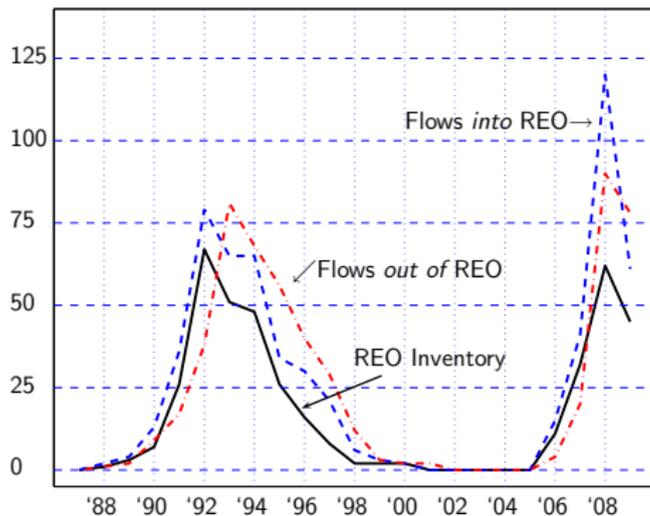
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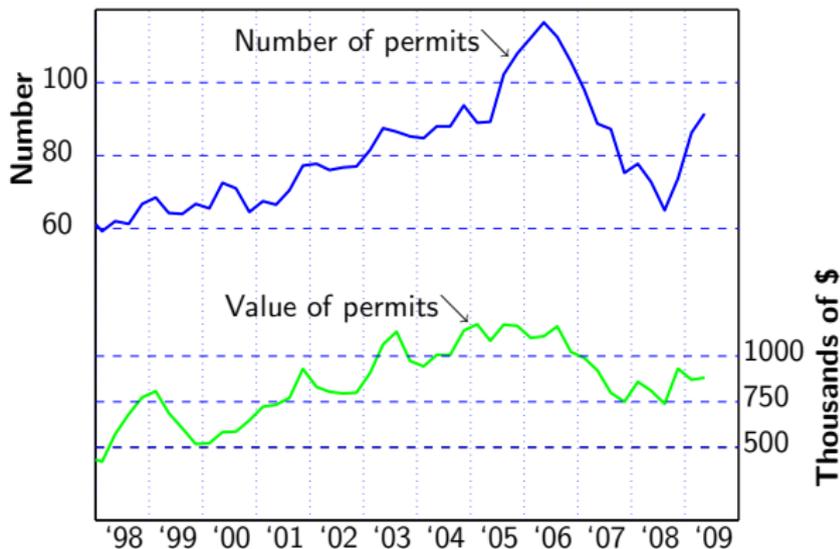
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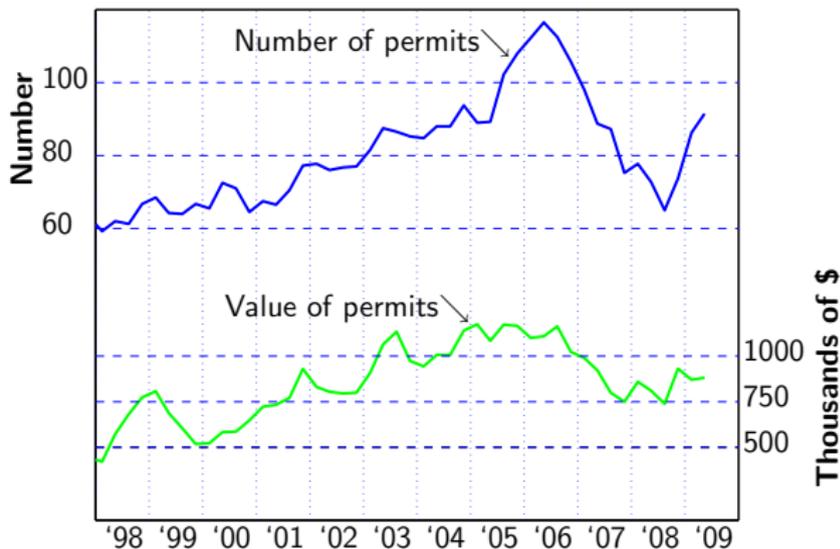
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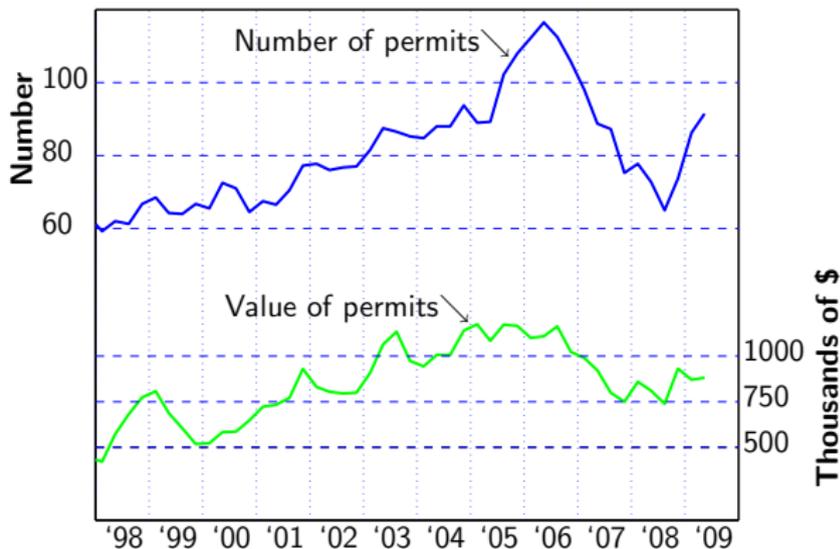
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- Especially when we look at the amounts.
- Return to pre-bubble years.

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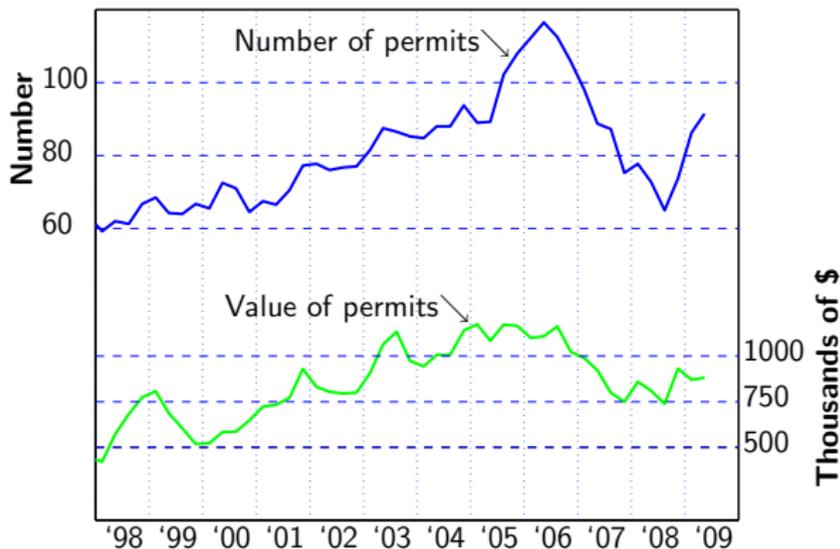
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No fire sales

- What about the owners with equity?
 - Have they given up on Chelsea?
 - Or are they forced to sell in a down market?
- Focus on homeowners with > 5 years tenure.

| Year | # of sales | as % of all sales |
|------|------------|-------------------|
| 2004 | 390 | 72% |
| 2005 | 398 | 76% |
| 2006 | 254 | 67% |
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