Using Data to Target Foreclosure Interventions

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Presentation Overview

- A framework for getting started
    - Asking questions
- The trouble with foreclosure data

- Data sources and interventions
    - An overview of common and less common sources
- Layering data and Early Warning Systems

- Public/Web-based data and mapping resources

- Summary

Getting Started

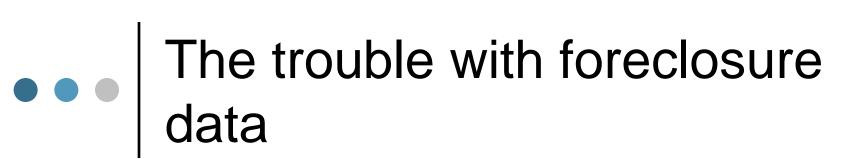➤ Before getting started, ask some basic questions:

  ▪ Who do I want to know about?

  ▪ What do I want to know?

  ▪ When do I want to know it?

  ▪ Why do I want to know it?

  ▪ How do I plan to intervene?

Getting Started

➤ Who?

- Individual or aggregate borrowers

➤ What?

- Status or terms of the mortgage (e.g., current, delinquent, ARM)
- Status of the property (e.g., investor owned, in REO, vacant or abandoned)
- Status of the borrowers (e.g., credit history)

Getting Started

➤ When?

- Event or action related to the mortgage or property (e.g., loan origination, delinquency, foreclosure)
- Past, present or future

➤ Why?

- Focus of the intervention (e.g., Identify and contact borrowers)

➤ How?

- Intervention (e.g., canvassing homes in a neighborhood)

The trouble with foreclosure data

➤ Lessons learned from Minneapolis Fed analysis of the geographic distribution of foreclosures in the Twin Cities:

- Detailed data on foreclosures is not easy to gather
- Data on foreclosures is not always timely
- Proxies can be useful (some of the time)
- "Trade-offs" often exist (e.g., timeliness vs. geographic detail) with data
- No comprehensive data system to meet the needs of all partners currently exists

Report can be found at: www.minneapolisfed.org/community/pubs/foreclosureinterventions.pdf

Data Sources

➤ Common

- County records
- RealtyTrac and Foreclosures.com
- Mortgage Bankers Association
- Home Mortgage Disclosure Act
- LoanPerformance

➤ Less common

- Credit scores
- Other "administrative" data

Data sources:
County Records

➤ State law guides the foreclosure process

➤ Notice of foreclosure and foreclosure sale notice

- Pros:
  - Timely
  - Public documents
  - Comprehensive information
- Cons
  - Limited electronic access
    - Paper records are still common
  - Limited ability to link to other public records

Data sources: RealtyTrac.com, et al.

➤ Notice of foreclosure and foreclosure sale notice

- Pros:
  - Timely
  - Electronic format
  - Geographic detail
- Cons
  - Limited geographic coverage
  - Limited historical information
  - Modest subscription cost

Data sources: MBAA

➤ Loan delinquencies and foreclosure starts

- Pros:
  - Timely
  - Distinguishes loans by type/ARM
  - Historical series
  - Comparative
- Cons
  - State level aggregation not good for targeting interventions
  - Modest subscription cost

Data sources: LoanPerformance

➤ Private firms that tracks the performance of a large pool of securitized subprime and Alt-loans

- Pros:
  - Good information about the loan and borrower
  - Covers the riskiest pool of loans in the mortgage market
  - Comprehensive coverage and an ongoing database
- Cons
  - Does not cover prime loans
  - Time lag of three months
  - Aggregated to the ZIP Code-level
  - *Very* costly subscription (see also www.newyorkfed.org and www.frbsf.org/community)

Data sources: HMDA

➤ Federal regulation that requires financial institutions to disclose loan application information

➤ Indicator

- Pros:
  - Good information about the loan and borrower
    - Investor-owned properties
  - Distinguish high-cost loans
  - Comprehensive (80 percent of the mortgage market)
  - Free (www.ffiec.gov/hmda)
- Cons
  - Time lag of one-year
  - Aggregated to the census tract
  - Custom analysis may require some data analysis expertise (see also www.dataplace.org)

Data sources: Credit scores

➤ Three National Credit Bureaus sell aggregate information

➤ Indicator

- Pros:
  - Credit scores can be a good indicator of a household's financial position
  - Often can differentiate between mortgaged and non-mortgaged households
- Cons
  - Time lag of one year of more
  - Aggregated to census tract
  - Modest cost

Data sources: Administrative data

➤ Delinquent utility bills

- Water, electricity and other municipal services

➤ Delinquent property taxes

➤ Counts of property related crimes

➤ Property status

- Homestead credit

➤ Housing price trends

Data sources:
Layering multiple sources

Top quintile of current balances of active subprime loans by ZIP code
Above average estimated foreclosure rates, 2006
Top quintile in lowest credit scores by census tract, 2004

Legend:
- No foreclosure data available
- Below average foreclosure rate (0.55 and below)
- Above average foreclosure rate (above 0.55)
- Top quintile subprime loan balance ($14 million and above)
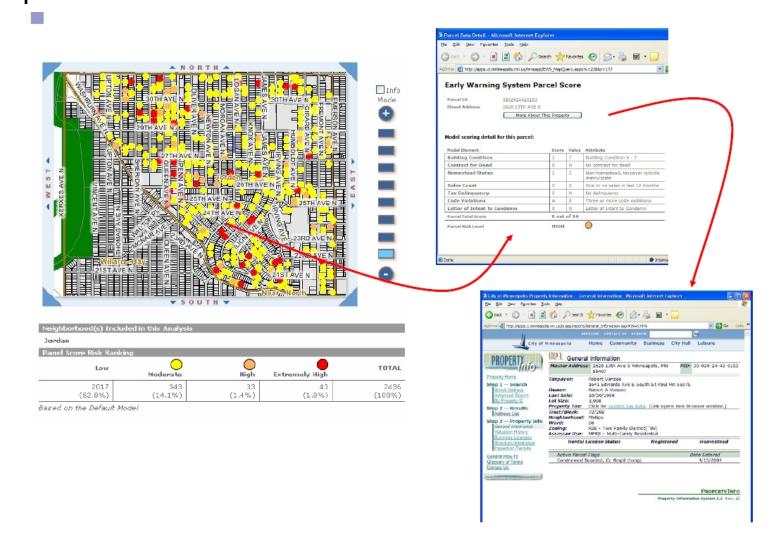- Top quintile in lowest credit scores

Sources:
Foreclosure rate data from HousingLink and Greater Minnesota Housing Fund, "Foreclosures in Greater Minnesota";
foreclosure rates calculated from 2006 sheriff's sales compared to 2005 household counts from the State Demographer's Office
UBS extract of data from LoanPerformance; Subprime Loans Originated between 2000 - June 2007, Data current as of June 2007
Credit score data from the Federal Reserve Bank of Minneapolis using data from the Federal Reserve Board of Governors
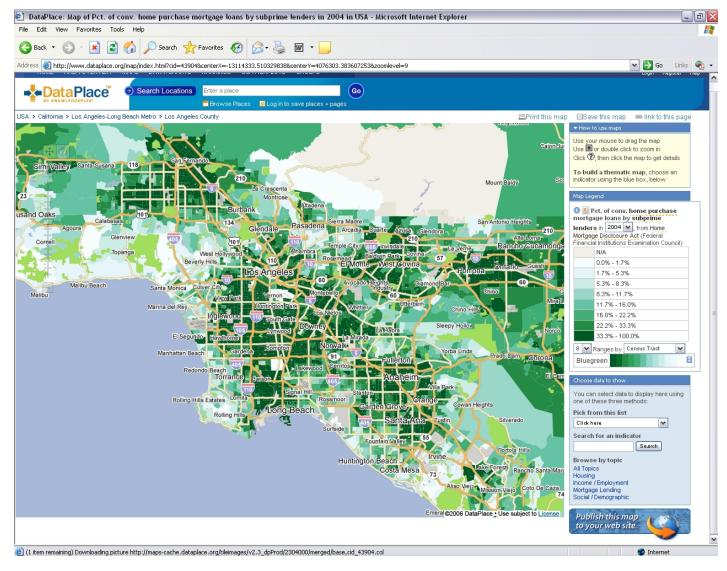
Data sources: Early Warning Systems

➤ Linking multiple sources of data, often through GIS application, to get ahead of the curve

➤ City of Minneapolis

- Identifying vacant and abandoned properties ahead of time
- Used eight layers of administrative data (property status, code violations, delinquencies) across data silos to rank properties by four risk categories
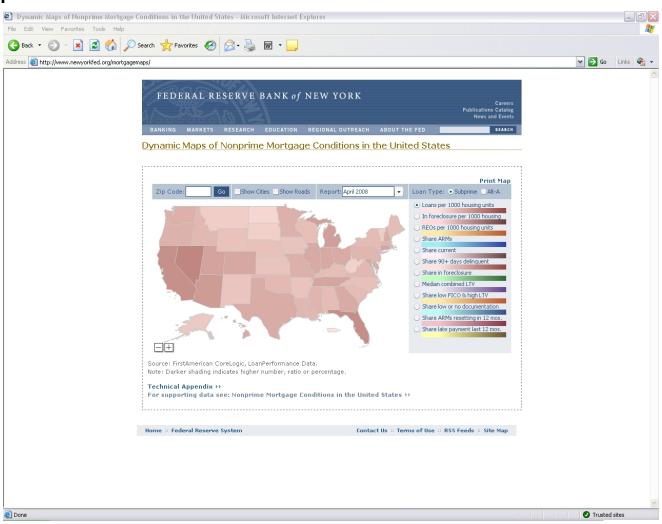- Recently expanded to incorporate other data and address foreclosure-related issues
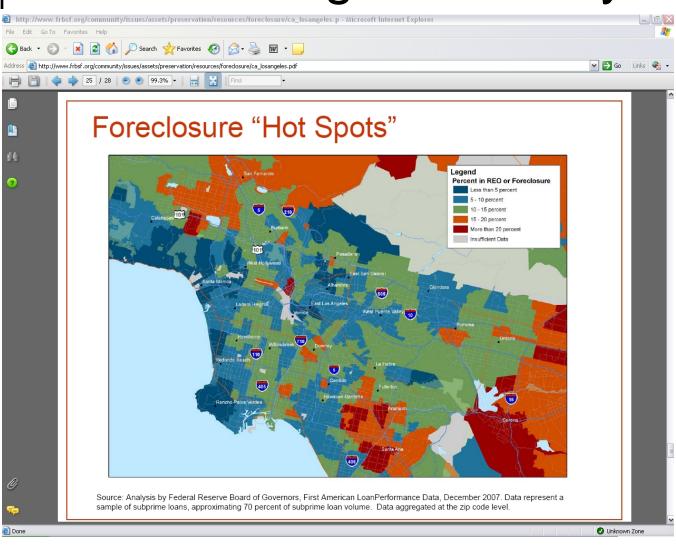
Data sources:
Early Warning Systems

Internet resources: www.dataplace.org

Internet resources: www.newyorkfed.org

Internet resources: www.frbsf.org/community

Summary

➤ Data and warning systems are an important tool to help target intervention efforts

➤ Data you choose to use will depend on various factors, including how you plan to mitigate foreclosure activity in your community

➤ Think about how you can partner with others to maximize resources and knowledge

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