



Spotlight on the Housing Market in Cleveland-Elyria-Mentor, Ohio



The Obama Administration's Efforts to Stabilize The Housing Market and Help American Homeowners | September 2011

The Cleveland-Elyria-Mentor, Ohio Metropolitan Statistical Area (Cleveland MSA) includes Cuyahoga, Geauga, Lake, Lorain and Medina Counties in northeastern Ohio. The foreclosure crisis in Cleveland and other parts of the industrial Midwest developed much earlier than in other areas of the nation. As early as 2003, the share of distressed mortgages in Cleveland was above the national average and rising – the rise in distressed mortgage shares did not begin until 2007 in most other regions. The Cleveland MSA did not see the rapid appreciation of the housing bubble; yet, local home prices fell by nearly as great a percentage as those for the rest of the nation. By the start of the national mortgage crisis in 2007, Cleveland had already experienced several years of above average unemployment and population declines, and high cost or subprime loans were defaulting at eight times the rate of other mortgages. For all of these reasons, the housing market in Cleveland remains fragile – with low property values, deeply-discounted foreclosed properties affecting neighborhood values, and many severely underwater mortgages. However, the Administration's broad approach to stabilizing the housing market has been a source of real help to homeowners in Cleveland and surrounding cities. This addendum to the Administration's housing scorecard provides a summary of trends and conditions in the local economy and the impact of the Administration's efforts to stabilize the housing market and help local homeowners.

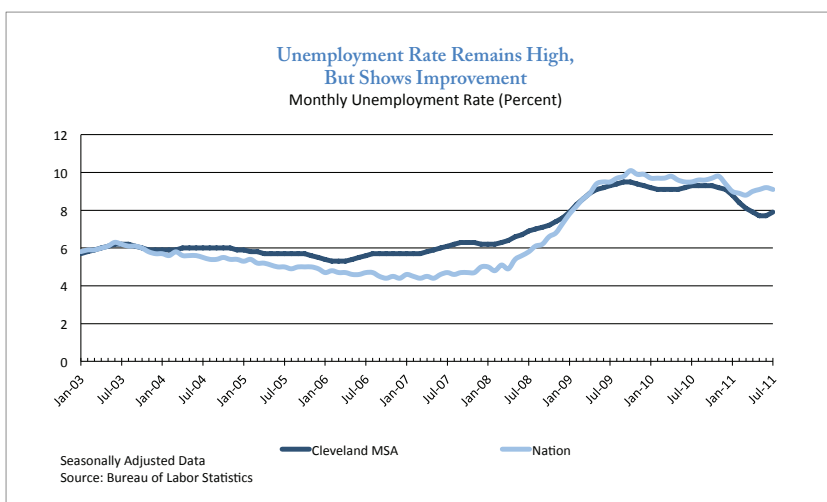
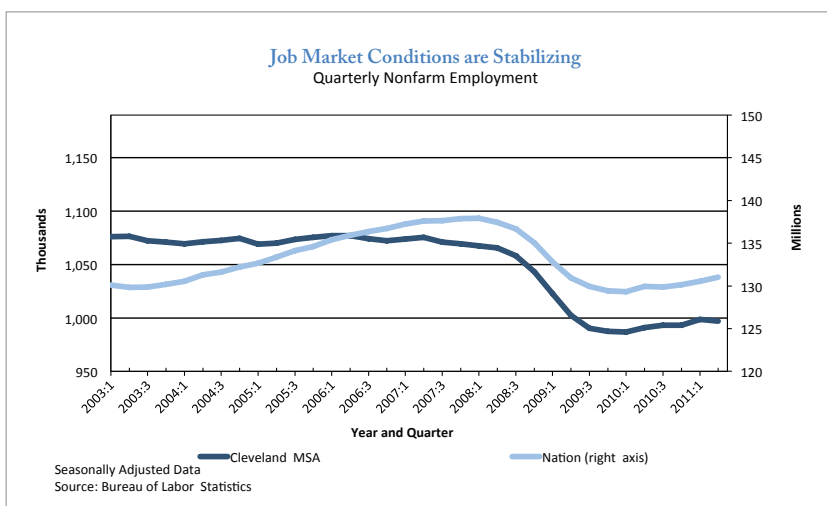
Population Growth, Employment, and Housing Market:

The population of the Cleveland MSA has fallen at an annual rate of 0.3 percent since 2000. The most recent decennial Census count, at less than 2.1 million as of April 2010, represents a decline of 70,900 persons since the previous Census. During this time, an average of 11,500 people moved out of the area each year, which was driven by an average loss of 14,500 jobs each year. Population loss peaked in the year ending July 2006 but has slowed by more than half that level since.

Population Has Declined in Cleveland Over the Past Decade		
Date	Cleveland MSA Population	Annual Growth Rate From Prior Date
4/1/2000	2,148,143	
4/1/2010	2,077,240	-0.3%

Source: Census Bureau (2000 and 2010 Decennial)

Area employment fell in 8 of the past 10 years primarily due to job losses in the manufacturing sector, which accounted for more than 40 percent of all job losses. Slightly more than one million people were employed in the MSA as of July 2011 – up by 0.7 percent from a year ago – while the nation saw a 0.9 percent job growth rate during the same period. Local payrolls remain 137,600 jobs below the record high of 1,138,200 jobs recorded in May 2000. The average unemployment rate was 7.9 percent as of July 2011, down considerably from 9.3 percent a year earlier. The decline in the unemployment rate is mainly attributed to a net increase in employment of 13,090. Employment gains occurred in education and health services (6,800), professional and business services (3,900), and the wholesale and retail trade sector (3,500), while offset by a decline in government services (3,500). Even the manufacturing sector showed an increase of 1,700 jobs in the year ending July 2011. The national average unemployment rate during the same period was 9.1 percent, down from 9.5 percent in July 2010.



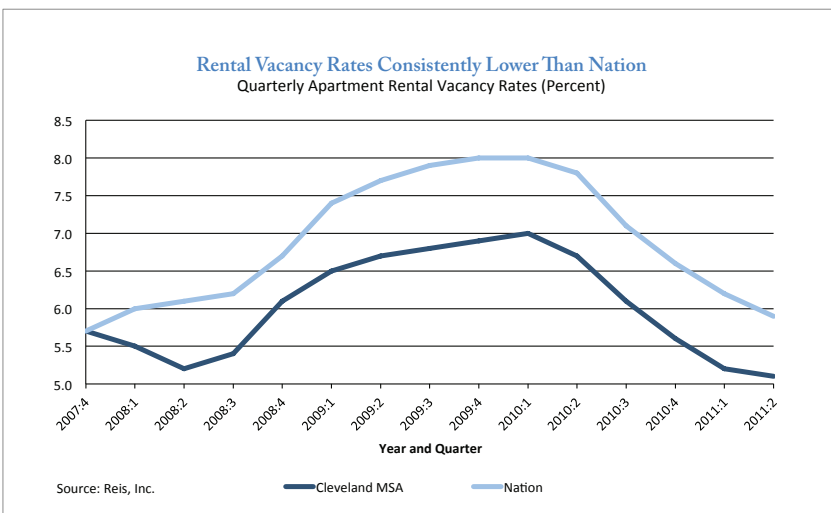
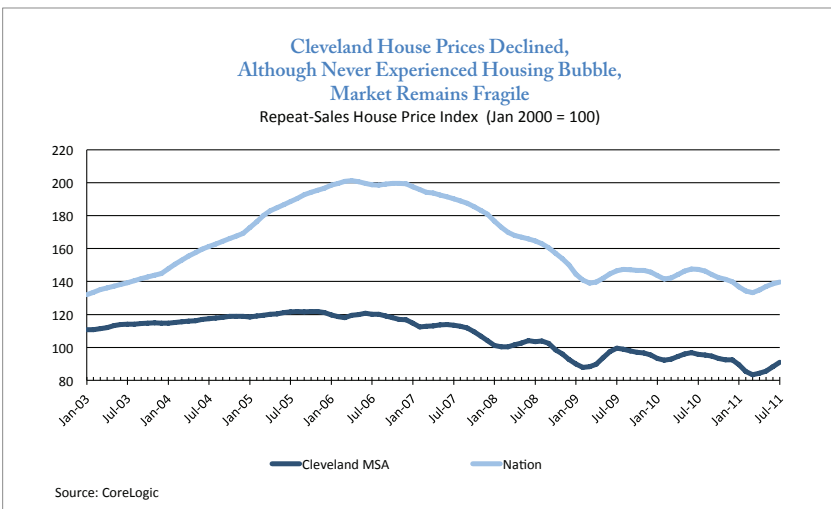
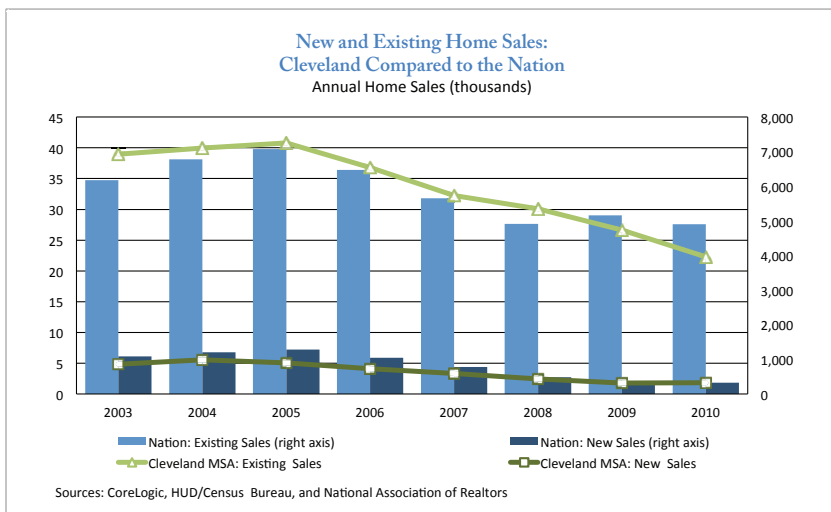


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Home sales remain soft in the Cleveland MSA. Existing home sales have declined steadily since 2005 and new home sales have been declining since 2004, although the market saw a slight increase between 2009 and 2010. During the first six months of 2011, existing home sales declined by 20 percent compared with the first six months of 2010, while new home sales declined 42 percent, according to CoreLogic. Sales of distressed homes – foreclosures and short sales – currently represent 27 percent of all existing home sales in the Cleveland market, on par with the national rate. The high proportion of distressed sales – which were sold at deep discounts according to Case Western University researchers – has weakened Cleveland home prices overall. The CoreLogic repeat-sales house price index shows that home prices in Cleveland rose at one-fifth the national pace between 2000 and 2005. Although home prices in Cleveland never experienced the bubble that was seen in the rest of the nation, prices nonetheless declined 28 percent from their peak in October 2005 to their low in February 2009 – similar to the national average peak-to-low decline of 29 percent. While the Cleveland market remains fragile, local home prices have shown signs of stabilizing since February 2009 and are currently above the lows seen in 2009. The local rental market is also showing signs of improvement with an average apartment vacancy rate of 5.1 percent in the second quarter of 2011, down from 6.7 percent a year earlier and below the national average of 5.9 percent according to Reis Inc. The average rent for an apartment, at \$739, is only 1 percent higher than a year ago. The average rent nationwide increased by 2 percent to \$1,053 during the same period.

Trends in Mortgage Delinquencies and Foreclosures:

Homeowners in Cleveland are still struggling with high levels of mortgage delinquency and foreclosure. As of July 2011, LPS Applied Analytics ranked the Cleveland MSA 42nd out of 367 metropolitan areas for the percentage of mortgages that were 90 or more days delinquent or in the process of foreclosure. Through the efforts of numerous state and local entities in partnership with the federal government, the number of mortgages at risk of foreclosure (90 or more days delinquent or in the process of foreclosure) in the Cleveland area declined from 19,471 (9.6 percent of all mortgages) in July 2010 to 18,975 (8.7 percent) in July 2011, compared with a national decline from 7.5 to 6.8 percent. CoreLogic data since 2000 show that the share of distressed mortgages (90 or more days delinquent) has been consistently higher in Cleveland than in the nation. Since peaking in February 2010 at 8.7 percent, 90-plus-day delinquency rates have fallen to 7.8 percent. This compares with a national decline from 8.5 percent to 7.2 percent over the same period. Realty Trac data show that completed foreclosures have also declined in Cleveland over the past year, dropping from 1,840 in the second quarter of 2010 to 690 in the second quarter of 2011, although lender process reviews continue to affect foreclosure completions locally and nationally. CoreLogic reports that 27 percent of mortgages in the Cleveland MSA are currently in negative equity compared with 23 percent nationally – representing even more homeowners and loans potentially at risk.





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Foreclosure Completion Rates in the Cleveland MSA				
Area	Second Quarter 2011		Since April 1, 2009	
	Foreclosure Completions	Foreclosure Rate	Foreclosure Completions	Foreclosure Rate
Cleveland MSA	690	0.1%	16,200	1.7%
Nation	203,876	0.2%	2,203,386	1.7%

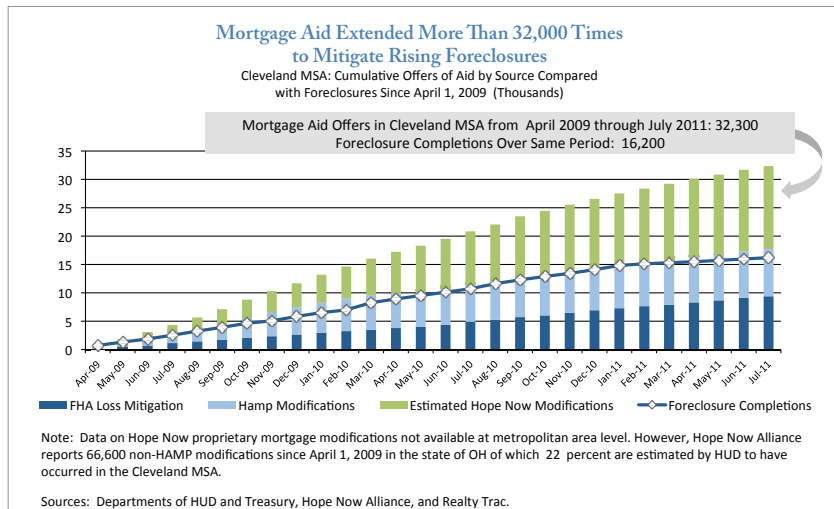
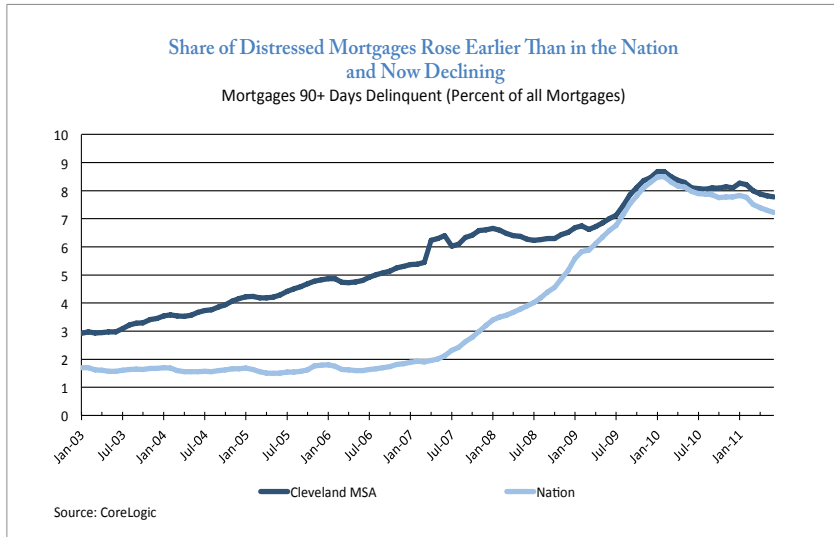
Note: Foreclosure Rates as Percent of All Housing Units; Data through July 2011 for foreclosures since 2009
Source: Realty Trac and Census Bureau

The Administration's Efforts to Stabilize the Cleveland Housing Market:

From the launch of the Administration's assistance programs in April 2009 through the end of July 2011, approximately 32,300 mortgage assistance interventions have been offered to homeowners in the Cleveland metropolitan area. Nearly 17,700 interventions were offered through the Home Affordable Modification Program (HAMP) and the Federal Housing Administration (FHA) loss mitigation and early delinquency intervention programs. An estimated additional 14,600 proprietary modifications have been offered through Hope Now Alliance servicers. While some homeowners may have received help from more than one program, the number of times assistance has been offered is nearly double the number of foreclosures completed during this period (16,200) in the Cleveland MSA.

In addition to offers of mortgage aid to homeowners, the Administration's Neighborhood Stabilization Program (NSP) and Hardest Hit Fund have been helping to stabilize the Cleveland housing market.

Cleveland MSA NSP Activity (Housing Units)	Projected	Completed
NSP1 Total	4012	1407
Clearance and demolition	1457	847
Homeownership assistance to low- and moderate-income	32	14
Rehabilitation/reconstruction of residential structures	2523	546
NSP2 Total	2225	4
Rehabilitation/reconstruction of residential structures	605	0
NSP3 Total	1620	4
Clearance and demolition	875	0
Construction of new housing	432	0
Homeownership assistance to low- and moderate-income	56	0
Rehabilitation/reconstruction of residential structures	387	0



Given over three rounds, the **Neighborhood Stabilization Program** has invested \$7 billion nationwide to help localities work with non-profits and community development corporations to turn tens of thousands of abandoned and foreclosed homes that drag down property values into homeownership opportunities and the affordable rental housing communities need.

Eight jurisdictions in the Cleveland MSA have received NSP grants: the cities of Cleveland, East Cleveland, Elyria, Euclid, and Lorain and the counties of Cuyahoga, Lake, and Lorain. The Cuyahoga County Land Reutilization Corporation, a consortium between the City of Cleveland and Cuyahoga County, has also received an NSP grant.

Overall, \$38.8 million in NSP1, \$40.8 million in NSP2, and \$13.1 million in NSP3 funds have been awarded to these nine grantees in the Cleveland MSA. Local authorities in Cleveland devised a sophisticated mapping system of foreclosures with the aid of Case Western Reserve University, which provides crucial detail about every property in focus areas and helps the jurisdictions in the MSA to act strategically in their efforts to revitalize neighborhoods. Approximately 1,411 households have already benefited from NSP, and activities funded by the program are expected to provide assistance to an additional 5,701 owner and renter households. Here are some examples of how these funds have been put to use:



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- The **City of Cleveland**, in partnership with **Cuyahoga County**, developed an innovative NSP1 program to improve neighborhoods by removing or rehabilitating foreclosed properties in communities through concentrated investments and the leveraging of private funds. The program was implemented through nonprofit partnerships with proven performance records and builds on existing neighborhood plans. The City of Cleveland had roughly 18,000 vacant lots, about 5,000 of which were land banked. The vacant lots had the effect of decreasing property values and the quality of neighborhoods for residents. One of the city's NSP1 programs supports a pilot land reuse initiative. Once vacant properties were acquired, the program provided grants to grassroots neighborhood groups, churches, schools and individuals to carry out reclamation projects. The projects will be maintained by the community groups once completed. The city selected 47 environmentally sustainable land reuse projects that are being conducted on 125 vacant parcels of land held by Cleveland's Land Reutilization Program. Twenty-five projects focus on urban agriculture and are coordinated by The Ohio State University Extension. ParkWorks Inc. coordinates twenty-two groups that focus on urban greening. Additional funding for this pilot program was received from the Surdna Foundation and in-kind services were received from the USEPA Brownfield Program, among others. This approach has yielded significant results. For example, in one Cleveland Census block group, the vacancy rate dropped by nearly 40 percent between 2008 and 2010. So far, Cleveland has used NSP1 funds to remove the destabilizing influence of 86 properties and to rehabilitate 13 homes.
- Building on the success of their partnership using NSP1 funds, Cleveland and Cuyahoga County are collaborating on an NSP2 program. The **Cuyahoga County Land Reutilization Corporation** is using more than \$40 million in funds to implement a comprehensive revitalization program designed to stabilize 20 target areas hit by the foreclosure crisis. One of the key components of this innovative NSP2 program is the elimination of vacant and vandalized properties in an environmentally sustainable manner. With funding from the City of Cleveland, the program includes a deconstruction project developed by Urban Lumberjacks of Cleveland. Blighted homes are removed in an environmentally sustainable manner through the careful disassembly of structures so that parts can be salvaged and reused. The NSP programs are also providing jobs for Cleveland residents.
- The **City of Lakewood** recently received \$250,000 in NSP3 funds from the Cuyahoga County Department of Development. The Lakewood Department of Planning and Development submitted a proposal through a competitive process and was awarded the largest dollar amount possible in this round of funding. The NSP money along with other investments by the city will be targeted to a core part of Lakewood. The area bounded by Ridgewood and Clarence, Detroit and Madison, has been hard hit in the housing crisis and this money will go a long way toward acquiring homes that have been abandoned. The city's proposal includes obtaining vacant homes for rehabilitation on Clarence Avenue and also investing in properties on Alameda and Lakewood Avenues.

As part of the State of Ohio's housing recovery efforts, the **Restoring Stability: A Save the Dream Ohio Initiative** helps Ohio homeowners struggling to make their monthly house payments or those who have already fallen behind on their mortgage. Through the program, the Ohio Housing Finance Agency (OHFA) is administering \$570 million from the Administration's **Hardest Hit Fund** to help families avoid foreclosure.

The *Restoring Stability* programs include:

Rescue Payment Assistance: The Rescue Payment Assistance program provides payments to mortgage servicers to help delinquent homeowners who can demonstrate a financial hardship become current on their mortgages. The payments can cover principal, interest, fees, delinquent taxes or escrow shortage and homeowners insurance. Homeowners need to demonstrate the ability to make future mortgage payments for at least six months. Rescue Payment Assistance is structured as a zero-interest, deferred payment loan that is forgiven over five years, or repaid from sales proceeds if the home is sold sooner.

Partial Mortgage Payment Assistance: This program provides partial mortgage payments while unemployed homeowners search for a job or participate in job training. Through the program, homeowners are required to make affordable monthly payments of no less than 25% of their current total monthly payment. *Restoring Stability* covers the remainder of the payment. Partial Mortgage Payment Assistance is structured as a zero-interest, deferred payment loan that is forgiven over five years, or repaid if the home is sold or the loan is refinanced sooner.

Modification Assistance with Principal Reduction: The program provides a payment incentive to mortgage servicers to reduce a participating homeowner's mortgage principal to the level necessary to achieve a loan modification for an affordable monthly mortgage payment – ideally down to a 115% loan-to-value ratio or less. The mortgage servicer will need to agree to provide principal forbearance or forgiveness equal to or greater than the *Restoring Stability* payment. As a result of this assistance, the homeowner should be able to qualify for a loan modification through the Administration's Home Affordable Modification Program (HAMP) or other programs that can make the monthly mortgage payment even more affordable. The principal reduction provided by *Restoring Stability* is structured as a zero-interest, deferred payment loan that is forgiven over five years, or repaid if the home is sold or the loan is refinanced sooner.

Transitional Assistance: The Transitional Assistance program provides homeowners who cannot sustain homeownership with an alternative to foreclosure by offering an incentive to mortgage servicers to complete short sales or deed-in-lieu of foreclosure agreements. Transitional Assistance allows homeowners to exit their homes if they have exhausted all other options for maintaining homeownership or if they need to relocate to gain meaningful employment. If necessary, the plan may also make an incentive payment to a second lien holder to release other liens on the property.

To date, over 150 mortgage servicers have agreed to participate in at least one of the *Restoring Stability* programs. The programs make extensive use of local HUD-approved housing counseling agencies to help homeowners access the program and apply for assistance. Ohio homeowners who believe they may be eligible can visit www.savethedream.ohio.gov. Ohio has these funds available until 2017 (or until all funds are utilized to assist struggling homeowners) to prevent avoidable foreclosures.