

4.5 - Foreclosure activity slow to resume (pdf version)

Bank processing continues to lag in wake of legal challenges

([Foreclosure Monitor](#) is an effort by MHP to help public officials determine how best to use their resources to help homeowners and neighborhoods hard-hit by foreclosure).

By Tim H. Davis

BOSTON, Feb xx, 2012 --- Despite predictions that foreclosure activities would increase once lenders put various legal challenges behind them, foreclosure distress has declined since a year ago and remains at less than half of what it was during its peak in 2010. Foreclosure Monitor's quarterly analysis of Warren Group data shows that the number of housing units in distress declined 8.6 percent in Massachusetts from Jan. 1, 2011 to Jan. 1, 2012, and 6.0 percent from our last report in October.



As Foreclosure Monitor [explained](#) last June, lenders slowed down their activities in the first half of last year due to the "robo-signing" scandal. When foreclosure petitions spiked 106 percent from May to July, it appeared that lenders had resumed activities. That proved not to be the case as the average number of petitions filed in the last four months of 2011 was 1,095, a 44 percent drop from June-Sept. 2010, the four-month period just before the robo-signing scandal became national news.

Reasons vary on why the slowdown has continued. Lack of lender capacity to process foreclosures and address title problems may be one reason. Another reason could be that the nation's top mortgage lenders have been waiting for a settlement with the U.S. government over charges of widespread mortgage fraud (a \$25 billion [settlement](#) was announced earlier this month).

In Massachusetts, an improving economic picture may also be a factor. As of Dec. 2011, [unemployment in Massachusetts](#) stood at 6.8 percent, lower than the national rate of 8.5 percent. In addition, in its latest report, [Lender Processing Services, Inc.](#) found that 10.2 percent of Massachusetts mortgages were non-current (delinquent or in the foreclosure process) as of Dec. 2011, down 3.5 percent from 2010 and below the national rate of 12.3 percent. Even with an improving economy, the backlog of properties remains significant. Unless lenders increase their activity, it will take years for all the foreclosures to work through the system and for the real estate market to recover.

Communities: Springfield distress increase & other trends

While the rate of distress continues to be higher in suburban/rural communities than in Boston and the state's 24 [Gateway cities](#), the shift appears to be stabilizing and two cities are showing renewed foreclosure activity from one year ago.

Rank/ Municipality*	Total Housing Units in Municipality (2010 Census)	Total Distressed Units (Jan-1-2012)	Number of Distressed Units per 1,000 Housing Units			
			1-Jan-11	1-Jan-12	Percent Change	Rank One Year Ago
1. Brockton	35,552	1,000	31.25	28.13	-10.0%	1
2. Plympton	1,043	25	10.55	23.97	127.3%	106
3. Randolph	12,008	278	23.73	23.15	-2.5%	3
4. Springfield	61,706	1,401	21.67	22.70	4.8%	6
5. Winchendon	4,199	91	22.39	21.67	-3.2%	5
6. Templeton	3,139	67	17.52	21.34	21.8%	20
7. Fitchburg	17,117	357	19.75	20.86	5.6%	12
8. Lynn	35,776	735	25.49	20.54	-19.4%	2
9. North Brookfield	2,058	42	20.89	20.41	-2.3%	9
10. Lawrence	27,137	553	22.96	20.38	-11.2%	4
11. Athol	5,231	102	17.01	19.50	14.6%	22
12. Holland	1,365	26	11.72	19.05	62.5%	90
13. Warren	2,211	41	15.38	18.54	20.6%	41
14. Ashburnham	2,599	48	16.16	18.47	14.3%	32
15. Berkley	2,187	40	18.75	18.29	-2.4%	14
16. Halifax	3,014	55	17.92	18.25	1.9%	18
17. Worcester	74,645	1,355	20.90	18.15	-13.1%	8
18. Avon	1,769	32	14.13	18.09	28.0%	52
19. Taunton	23,896	414	18.16	17.33	-4.6%	17
20. Carver	4,600	79	18.91	17.17	-9.2%	13
Massachusetts	2,808,254	27,727	10.80	9.87	-8.6%	

Source: MHP analysis of foreclosure data. Distressed properties are all those properties where a foreclosure petition has been filed or an auction scheduled in the previous year, or is bank held (up to two years).

*Only municipalities with 1,000 units of housing or more were ranked.

Back in Oct. 2010, Foreclosure Monitor reported that for the first time, suburban/rural communities had a higher rate of distress than cities (50.6 to 49.4 percent). That gap has widened over the last 15 months to 52.3-47.7 as of Jan. 1, 2012. However, the shift appears to be stabilizing as the percentage of distress in cities is down 0.2 percent from Oct. 2011.

160 Federal Street | Boston, Massachusetts 02110 | Tel: 617-330-9955 | Fax: 617-330-1919

462 Main Street | Amherst, Massachusetts 01002 | Tel: 413-253-7379 | Fax: 413-253-3002

www.mhp.net

What is concerning is that while most Massachusetts cities are showing year-over-year declines, Fitchburg (5.6 percent) and Springfield (4.8 percent) are showing increases. Given the long-term distress experienced in both communities, this is a worrisome trend.

In terms of Springfield, while the June 1 tornado caused damage to some 800 properties and did hit some areas with high levels of foreclosure, much of the tornado's track was in non-residential areas and areas where foreclosures were relatively few. While one cannot discount the tornado's impact on the real estate market, recent increases in foreclosure activity has largely been in neighborhoods that were not in the tornado's path.

This is the 12th consecutive quarter that Foreclosure Monitor has analyzed foreclosure data from The Warren Group by community, zip code and census tract. Through this research, we see some clear patterns emerging that are affecting three different types of regions/communities:

- Low income, urban communities: Distress remains high due to weak local demand and the hangover from the sub-prime loan crises. Within this category, there are two types of communities; stable regional markets (e.g., Dorchester and Chelsea within Greater Boston) that will recover more quickly and weaker regional markets (e.g., Springfield and Fitchburg) that will take longer to recover.
- Worcester County: Foreclosure activity remains high in both urban and rural areas. More research is needed to identify the problems in Worcester County, but my theory is that given the affordability of Worcester County compared to closer-in communities to Boston and the high-tech suburbs on both Route 128 (I-95) and I-495, the excess demand in the regional market flowed towards Worcester County. With overall regional (Greater Boston) demand down, current buyers are able to purchase closer to job sources, leaving Worcester County with weakened demand.
- Southeastern Massachusetts: The concentration of top 20 towns in Plymouth County highlights the high levels of distress in this part of Massachusetts, though it is not limited to Plymouth County. High levels of distress can be found in adjacent towns in Bristol and Norfolk Counties. The weak market in Southeastern Massachusetts may be similar to the problems encountered in Worcester County. Until total demand increases in the Greater Boston region, Southeastern Massachusetts may continue to suffer.

Here are some other highlights from our latest community analysis:

- Cities showing strong year-over-year percentage declines include Lynn (-19.4), Everett (-23 percent) and Revere (-21 percent).
- Boston ranked 144th of the 293 municipalities in its rate of distress, but had the highest *number* of distressed units due to its sheer size. As of Jan. 1, 2012, Boston had 2,303 distressed units, an 18.9 percent decline from last year.
- In a change from the third quarter of 2011, Springfield has passed Worcester and now has the second-highest number of distressed units (1,401 units) in the state, followed by Worcester (1,355 units) and Brockton (1,000).

Zip codes: Worcester County zip codes improve

The US Census Bureau has released 2010 Census data for zip codes. As a result, the distress rates for this report (and going forward) will be based on updated housing counts. Census tract and municipal data was released previously and have been used for previous reports. For the second quarter, Templeton's 01436 remained the most distressed zip code in Massachusetts. Brockton's 02302 was the most distressed zip code in July.

Rank/ Town*	Zip Code	Total Housing Units in Zip Code (2010 Census)	Total Distressed Units (Jan-1-2012)	Number of Distressed Units per 1,000 Housing Units			
				1-Jan-11	1-Jan-12	Percent Change	Rank One Year Ago
1. Templeton	01436	1,214	39	20.59	32.13	56.0%	31
2. Brockton	02302	11,857	371	33.99	31.29	-7.9%	1
3. Springfield	01109	10,818	311	28.01	28.75	2.6%	5
4. Oak Bluffs	02568	3,113	86	31.16	27.63	-11.3%	2
5. East Longmeadow	01108	10,992	302	25.11	27.47	9.4%	13
6. Worcester	01603	7,950	215	26.29	27.04	2.9%	9
7. Springfield	01104	9,381	253	23.13	26.97	16.6%	21
8. Brockton	02301	23,673	629	29.99	26.57	-11.4%	3
9. Lowell	01850	5,938	150	21.05	25.26	20.0%	28
10. Springfield	01151	3,699	90	21.63	24.33	12.5%	25
11. Plympton	02367	1,043	25	10.55	23.97	127.3%	165
12. Worcester	01607	3,850	91	29.87	23.64	-20.9%	4
13. Wareham	02538	1,739	41	24.73	23.58	-4.7%	14
14. Lawrence	01841	15,506	365	26.96	23.54	-12.7%	8
15. Randolph	02368	12,021	278	23.71	23.13	-2.5%	18
16. Lynn	01905	9,187	212	27.54	23.08	-16.2%	7
17. Berkley	02718	2,442	56	20.48	22.93	12.0%	32
18. Dorchester (Boston)	02121	10,589	235	26.16	22.19	-15.2%	10
19. Springfield	01107	4,252	93	20.23	21.87	8.1%	34
20. Winchendon	01475	4,179	91	22.49	21.78	-3.2%	22

Source: MHP analysis of foreclosure data. Distressed properties are all those properties where a foreclosure petition has been filed or an auction scheduled in the previous year, or is bank held (up to two years).

* Only zip codes with at least 1,000 housing units are ranked.

In a shift from the Oct. 2011 Foreclosure Monitor report, Worcester County zip codes no longer dominate our list of most distressed zip codes. Worcester County zip codes continue to improve overall, with only four in the top 20 as of Jan. 1, down from seven in Oct. 2011, and five in Jan. 2011. Hampden County now has the highest number of zip codes in the top 20 (five, of which four are in Springfield), and there was an increase in distress in all five of these zip codes. Plymouth County also has four zip codes in the top 20 as of Jan. 1, 2012.

Census Tract: Top 20 most distressed in just six cities

While the number of housing units in a zip code can range from dozens to more than 20,000, the number of units in a census tract generally ranges from a 1,000 to 3,000, providing a smaller area of analysis that shows us where the high levels of distress are in urban neighborhoods.

Rank/ Town*	Census Tract	Total Housing Units in Census Tract (2010 Census)	Total Distressed Units (Jan-1-2012)	Number of Distressed Units per 1,000 Housing Units			
				1-Jan-11	1-Jan-12	Percent Change	Rank One Year Ago
1. Worcester	7324	2,458	108	39.06	43.94	12.5%	18
2. Brockton	5110	1,089	43	45.91	39.49	-14.0%	4
3. Worcester	7319	2,255	88	39.91	39.02	-2.2%	15
4. Springfield	8017	2,144	83	29.85	38.71	29.7%	58
5. New Bedford	6514	1,400	54	31.43	38.57	22.7%	46
6. Mattapan (Boston)	1002	1,013	39	28.63	38.50	34.5%	67
7. Brockton	5113.01	1,823	70	44.98	38.40	-14.6%	7
8. Brockton	5101	1,727	66	32.43	38.22	17.9%	42
9. Springfield	8004	2,411	92	34.84	38.16	9.5%	35
10. Lynn	2063	1,312	50	43.45	38.11	-12.3%	9
11. Mattapan (Boston)	1003	1,262	48	29.32	38.03	29.7%	61
12. New Bedford	6511	1,883	69	21.77	36.64	68.3%	140
13. Springfield	8022	1,260	46	28.57	36.51	27.8%	68
14. Brockton	5115	1,544	56	40.80	36.27	-11.1%	12
15. Lynn	2065	1,160	42	45.69	36.21	-20.8%	6
16. Lynn	2062	1,686	61	38.55	36.18	-6.2%	21
17. Brockton	5104	1,260	45	54.76	35.71	-34.8%	1
18. Lynn	2071	1,093	39	45.75	35.68	-22.0%	5
19. Brockton	5111	1,871	66	35.28	35.28	0.0%	32
20. Springfield	8023	2,552	90	36.05	35.27	-2.2%	27

Source: MHP analysis of foreclosure data. Distressed properties are all those properties where a foreclosure petition has been filed or an auction scheduled in the previous year, or is bank held (up to two years).

* Only Census Tracts with at least 1,000 housing units are ranked.

For the second quarter in a row, Worcester's tract 7324 has the highest rate of distressed units, with a 12.5 percent increase in distress over January 1, 2011. Worcester's tract 7319 also placed in the top 20, at number three, though this tract had a 2.2 percent decline over the year. Brockton has six of the 20 hardest hit census tracts (the same number as Oct. 2011), though four of these tracts had a decline in distress from the year before.

Springfield and Lynn had four tracts each in the top 20 while two each were located in New Bedford and the Mattapan section of Boston. The biggest increase in distress was New Bedford's tract 6511, where distress

increased 68 percent since a year ago, bringing this tract from 140th to 12th. While it is not immediately clear the reasons for this increase in distress, 23 percent of the distressed units in this tract are located on one short section of Weld Street.

More information

The following links are provided for readers to directly access regular sources of foreclosure and real estate trends, some of which are mentioned in the proceeding analysis:

- Foreclosure data: [The Warren Group](#) released 2011 year-end foreclosure deed and petition data for Massachusetts, showing a 30.3 percent decline in the number of foreclosure deeds from 2010 to 2011 and a 47.2 percent decline in the number of foreclosure petitions. Much of this decline can be attributed to lenders reducing their foreclosure efforts in wake of the fall 2010 "robo-signing scandal." Foreclosure activity did pick up during the second half of 2011, as there were 56.1 percent more foreclosure deeds and 37.7 percent more foreclosure petitions in Dec. 2011 than in Dec. 2010. Even with this increase, foreclosure activity has not returned to the peaks in activity from earlier in 2010. Dec. 2011 foreclosure deeds were 45.6 below the Mar. 2010 peak; Dec. 2011 petitions were 65.9 percent below the Aug. 2010 peak.

Nationally, foreclosure activity (as reported by [RealtyTrac](#)) was down 34 percent from 2010 to 2011. Despite this annual decline (similar to Massachusetts), there was an increase in activity during the second half of 2011, leading RealtyTrac officials to state, "We expect that trend [the increase in activity] to continue this year, boosting foreclosure activity for 2012 higher than it was in 2011, though still below the peak of 2010." According to RealtyTrac's Dec. 2011 data, Massachusetts ranked 20th in foreclosure activity, and while foreclosure activity in Massachusetts increased from Dec. 2010 to Dec. 2011, this is counter to the national monthly data; national foreclosure activity declined 20 percent from Dec. 2010 to Dec. 2011.

- Real estate sales data: [The Warren Group](#) and the [Massachusetts Association of Realtors \(MAR\)](#) recently released their monthly and annual real estate sales figures. The two use somewhat different data sets for analysis. The Warren Group reported a 5.0 percent decline in the number of single family sales from Dec. 2010 to Dec. 2011, and a 4.2 percent decline in single family sales prices, while the Mass. Association of Realtors reported a 0.3 percent decline in single family sales and a 4.0 percent decline in single family sales prices.

As for 2010 compared to 2011, The Warren Group reported a 5.8 percent decline in the number of single-family homes sales and a 3.1 percent decline in the median sales price. For the same period, MAR reported a 1.7 percent decline in the sales volume and a 3.3 percent decline in the median sales price for single family homes.

The [S&P/Case-Schiller Price Index](#) will not release year-end data until the end of February, but in its most recent release, it is clear that housing markets across the country remain weak, with annual price declines from Nov. 2010 to Nov. 2011 in every metro measured except Detroit and Washington, D.C. While sales prices declined 1.6 percent in Boston from 2010 to 2011, Cleveland, Dallas, Denver, Detroit and Washington D.C., performed better. Prices have declined in metro Boston each of the last four months. November prices were only 0.8 percent higher than the trough of the recession, in April 2009, and current price levels are the same as February 2003.