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Sold Short: Residential Foreclosures in Kent County, 2004 – 2007

Community Research Institute-Johnson Center

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Sold Short: Residential Foreclosures in Kent County, 2004 – 2007

Johnson Center
at Grand Valley State University

Sold Short: Residential Foreclosures in Kent County 2004–2007
Report #1 in the Foreclosure in Focus Series

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Residential Foreclosure: Dismantling the Dream of Home Ownership

The ownership, disposition, quality, availability, and affordability of housing in any community is closely connected to the economic and social well being of that community and its residents. With the current crisis in foreclosures and sub-prime lending in a large percentage of housing markets across the U.S., the potential ripple effects of this issue have become a regular staple for reporting on the evening news.

The burdens of foreclosure are heavy —not just for individual borrowers, but for our entire community. When foreclosures become an increasing part of our landscape, quality of life in Kent County is "sold short."

- *Families' dreams and aspirations* are sold short when they lose the equity invested in a home prior to foreclosure, suffer severe and long-term damage to their credit rating, are dislocated from their neighborhoods and schools, and suffer the shame that foreclosure engenders.
- *Neighborhoods* are sold short when increases in vacant and abandoned properties invite blight and crime, when remaining homeowners see the values of their homes decrease, and when financial institutions lose confidence in neighborhood viability and disinvest in those areas.
- *Our community as a whole* is sold short when increased foreclosures bring down local property values and thus the tax base of the county and its municipalities - diminishing the funds available for local services and improvements. In addition, each foreclosed property can cost local government agencies an average of $7,000 (and sometimes as high as $34,000) in costs for inspections and monitoring of violations, court actions, police and fire services, unpaid utilities, and demolitions[1].

Given the pressing potential impacts of escalating residential foreclosures on our county's economic and social well-being, a clear understanding of the trends and their impact is needed. Working with the help and support of partners within the Kent County government and from local foundations and nonprofits, the Community Research Institute set out to formulate key questions, extract relevant data, and analyze and interpret this data in the context of the local landscape and Michigan foreclosure laws. Data was obtained through the Kent County Bureau of Equalization office and geo-coded with the assistance of parcel layers provided by the Kent County Information Technology department.

This brief represents the first in what we hope will be a series of analyses exploring the dynamics of residential foreclosure in Grand Rapids and Kent County, Michigan. This brief serves as an introduction to the issue and focuses on presenting clear data on the number, rates, and trends in residential foreclosure in Kent County from January, 2004 through December, 2007.

1 William C. Apgar, Mark Duda, and Rochelle Nawrocki Gorey. (2005). The Municipal Cost of Foreclosures: A Chicago Case Study. Minneapolis, MN: Homeownership Preservation Foundation.

The Foreclosure Process

In Michigan, state law provides for what is known as “foreclosure by advertisement”. This means that every mortgage loan in the state includes a *power of sale* provision that grants the lender the right to foreclose on the property at public auction if the homeowner defaults on the terms of the mortgage, without requiring a judicial process or court order. A typical timeline for the stages of this foreclosure process is described below.

Stage 1: Delinquency

If a homeowner becomes 10–15 days or more delinquent on a mortgage payment, most lenders will begin to attempt to contact the homeowner and inquire about payment status. The homeowner will also begin to accrue late fees on the mortgage payment at this time, per the provisions spelled out in the mortgage. From 30 to (typically) 90 days past due the lender or company that services the loan will continue to make collection calls and other efforts. During this time, additional late fees and charges continue to accrue on the past due amount. Homeowners have their best chance of finding a way out of foreclosure if they begin negotiating a loan workout option, payment plan, refinance, short sale, or other foreclosure alternative as early as possible. Unfortunately, far too many homeowners avoid contact with their lenders during this period out of shame or feelings of overwhelm or intimidation.

Stage 2: Notice of Default

Lenders vary in the length of time they will allow a mortgage to be delinquent before initiating formal steps to foreclosure. However, once they do initiate, the foreclosure clock – one with firm timelines – begins to tick, and the loan workout options available to homeowners begin to rapidly dwindle. This begins with a *notice of default* (also known as a “demand letter” or “notice to accelerate”) sent to the borrower’s home or address of record by certified mail, which activates the lender’s power of sale as specified in the mortgage contract. The notice of default describes the amount past due (including payments, late fees, and additional legal fees) and sets forth a given period of time in which the default must be “cured” (that is, the entire past due balance and fees owed must be brought current) to avoid foreclosure. The notice of default will also indicate that if not brought current, the lender may (1) *accelerate the indebtedness* of the mortgage (i.e., make the entire loan immediately due and payable); and (2) proceed to foreclose on the property.

Stage 3: Advertisement and Notification of Sheriff’s Sale

Michigan has specific requirements for the advertisement and notification of a pending foreclosure sale. The mortgage company must publish a Notice of Sale in a newspaper of common circulation in the county in which the property resides, at least once per week for four consecutive weeks. For properties in Kent County, this is typically the *Legal News.* The Notice of Sale includes the scheduled date of public auction of the property and information about the mortgagor, the mortgagee, other parties to the mortgage, the date of the mortgage, the amount claimed due, the legal description of the property, and the length of the redemption period. Within 15 days after the first publication a copy of the Notice of Sale must be posted in a conspicuous place on the property.

Stage 4: Sheriff’s Sale

The Sheriff’s Sale event can be held as little as one week after the end of the required publication period. The Sheriff’s Sale is the watershed event in the process, representing the official foreclosure of the property. At this event, the property is sold at public auction to the highest bidder, and a Sheriff’s Deed is issued to this person or entity. While it is extremely difficult, it is still legally possible for the homeowner to bid on his or her own property and win back title to the house. However, this is quite unlikely, because any viable options for a new mortgage have probably already been exhausted by the time of the Sheriff’s Sale. In many cases, the mortgage holder will purchase the property from itself in order to retain the ability to resell and thus recoup some of its losses. Once the Sheriff’s Sale occurs, the homeowner will have a record of foreclosure on his or her credit report, regardless of whether or not he or she is able to subsequently redeem the property.

Stage 5: Redemption Period

Once the Sheriff's Sale has occurred, the property is considered "Real-Estate Owned" (REO). However, while the company (or, in some cases, individual) claiming the property now has deed to the property, this deed does not become active for a certain period of time, called the redemption period. The redemption period for most homeowners facing foreclosure is 6 months from the date of Sheriff's Sale. However, this period can be as much as one year for certain mortgages, or shortened to as little as 30 days if the holder of the Sheriff's Deed can make an acceptable claim that the homeowner has abandoned the property. The deed holder cannot re-sell the property to a new owner until the redemption period for the property has elapsed. This allows a fixed amount of time in which the homeowner may either redeem the home from the deed holder or work to sell the home to a new owner, using the proceeds to pay off the redemption amount. It is important to note, however, that neither of these options removes the record of foreclosure from the homeowner's credit history. In addition, the homeowner may legally continue to live in the home during the redemption period; for homeowners aware of this right, this can provide a period of time in which to regroup and identify a new place to live. Once the redemption period has elapsed, the (former) homeowners can be evicted from the home within approximately 30 days.

After Foreclosure: What Next?

Those who have lost a home to foreclosure can expect at least several years of bad credit history, in which credit-based financial products will be difficult to obtain , and the attainable ones very expensive. For families who have gone through foreclosure on their own home, there is also the painful process of finding a new place to live, potentially settling into a new neighborhood and/or school system, and starting over. Because families with foreclosure histories are haunted by their bad credit, finding quality housing—even as renters—can be difficult. In addition, the local rental market may simply lack enough good options for individuals and families transitioning out of home ownership.

For lenders, foreclosure is followed by a long and costly process of attempting to sell the home to recoup some of the property's value and to mitigate their losses. Contrary to what some may believe, foreclosure is an extremely expensive proposition for lenders, with some estimates suggesting an average of $60,000 per foreclosure in legal fees, lost interest, and costs to manage and sell the foreclosed properties[1]. In the meantime, foreclosed properties often become neighborhood eyesores, vacant and unmaintained.

1 Focardi (2002), cited in Cutts, Amy C., & Green, Richard K. (2005). Innovative servicing technology: smart enough to keep people in their houses, Working Paper Series. Harvard University: Harvard University Joint Center for Housing Studies.

Data and Methods

Our data set was created from an export of recorded deed transactions on properties that had at least one sheriff's deed recorded for a foreclosure between January 1, 2004 and December 31, 2007. The Community Research Institute obtained the data analyzed in this brief through its data sharing agreement with Kent County. Sales history records for properties that had at least one Sheriff's Deed recorded between 2004 and 2007 were electronically transferred to CRI for analysis. CRI then prepared and ran data-cleaning routines to select which records met our criteria to be counted as a foreclosure.

We used sheriff's deeds recorded with the Kent County Register of Deeds and forwarded to the Bureau of Equalization to identify properties that had been foreclosed. For the purposes of the current analysis, we counted only residential properties. We defined residential properties as those that have a property classification code with the County indicating they are either a single family home or a house converted to multiple units[1].

We also corrected for multiple sheriff's deeds that we determined were likely to be part of one "series" of foreclosure actions for a particular home/homeowner. For some properties, multiple sheriff's documents or deeds were filed before the property was turned over to new ownership. In some cases this may have been because a homeowner recovered the property within the redemption period but fell back into a foreclosure situation; in others, other legal actions may have complicated the chain of foreclosure. Counting situations like this multiple times can produce a misleading account of the true foreclosure picture, particularly when looking at the figures within smaller geographic areas. Because of this, we counted only the *first* sheriff's deed filed against a property for each change in ownership. Once a property was sold or transferred to a new owner (as documented by a deed of sale other than a sheriff's deed), any new sheriff's deed on that property was counted separately.

Determining Counts and Rates by Geography

This report represents our first steps in exploring the patterns, causes, and consequences of residential foreclosure in our community. The focus of the current analysis was to determine accurate counts and rates of foreclosure in:

- The cities, townships, and villages in Kent County; and
- The various neighborhoods that make up the City of Grand Rapids.

The locations of individual properties were translated into map coordinates, and these coordinates were coded by the census geography, neighborhood (within the City of Grand Rapids) and city, village, or township jurisdiction each belonged to – a process known as geo-coding. Over 99.5% of all properties with a foreclosure were successfully identified and assigned to corresponding geographic areas. This process allowed us to determine how many residential foreclosures have occurred at each of these geographic levels.

Because different areas within Kent County vary widely in size, simple counts of foreclosures can be misleading in understanding the extent of the problem in specific areas. To address this, we calculated the rate of residential foreclosures as a percentage of homes at each level of geography we examined. We estimated the number of houses by using the county's parcel database, acquired through our partnership with the Kent County Department of Information Technology. Using the same logic that we applied for determining which foreclosures to count as "residential", we counted all parcels with a property class indicating single family or multiple unit conversions and aggregated these to each level of geography. This allows a reasonably accurate estimate of foreclosure rates that can be scaled to multiple geographic levels within Kent County.

The maps included in this brief show the concentration and extent of property foreclosures

[1] These are both represented by a property classification code of "401 – RESIDENTIAL/IMPROVED" – that is, properties classified for residential use and containing a house/building ("improvement"); we are not able to distinguish further between homes serving as rentals and homes that are currently owner occupied at this stage of the work. Additional data sources may make estimation of owner-occupied vs. rental property foreclosures feasible in a future analysis.

in Kent County. Individual foreclosed properties were aggregated to grids of equally-sized cells (0.5 square miles covering Kent County and 5 acres covering the Grand Rapids area). The two grids were created to serve three purposes:

- Facilitate comparing geographic areas of different sizes;
- Provide sufficient detail for visualizing geographic patterns at two different scales (cities/townships and neighborhoods); and
- Preserve the privacy of homeowners.

Each cell was then color coded showing the total number of foreclosures in each cell between 2004 and 2005 (combined) and 2006 and 2007 (combined).

Behind the Numbers in the News: Where Do Different Foreclosure Estimates Come From?

With foreclosure becoming such a prominent issue, reports on state and national trends in mortgage delinquency and foreclosures are becoming a frequent news story. Most of these estimates come from two sources:

RealtyTrac (www.realtytrac.com) data counts properties in any stage of the formal foreclosure process (that is, properties that have received a notice of default, that are under posted notice of pending Sheriff's Sale, and that have had a sheriff's deed issued). As such, it is likely to overestimate the number of actual foreclosures, since some mortgage defaults are cured during the notice period. The rates reported by RealtyTrac are based on US Census estimates for total housing units. However, the Bureau of the Census considers each domicile (whether single-family, or an apartment within a multi-family home) to be a separate housing unit. Therefore, the rates reported by RealtyTrac are likely to under-represent the actual rate of individual houses foreclosed. In addition, caution should be used when comparing these rates across states, as the rates may differ widely in their accuracy based on the composition of multi-family rental properties in each state.

Mortgage Banker's Association (www.mortgagebankers.org) data for foreclosures is based on survey data from companies that service mortgages. The National Delinquency Survey (NDS) is conducted on a quarterly basis and generates estimates based on a non-random, broad market sample of more than 44 million mortgage loans serviced by these companies. Sampled loans include first-lien mortgages on one-to-four-unit residential properties. NDS provides measures of the number of loans in various stages of delinquency (but not yet entering foreclosure), the number of foreclosure filings initiated by mortgage servicers during the quarter, and the number of loans in any stage of the foreclosure process. States vary widely in the length of time required for the foreclosure process, so foreclosure initiations are typically used as the basis for trends and cross-state comparison. Rates reported in the NDS are based on the number of first-lien residential loans in service. As such, these rates are likely to better represent the number of homes entering and in foreclosure than those produced by RealtyTrac. However, it is important to keep in mind that foreclosure initiations do not necessarily represent the number of foreclosed homes.

Because the methodologies vary so widely, we urge caution when considering the data in this report alongside reported trends at the state and national level. Each approach to estimating foreclosure has its own limitations. Of the two sources described above, we believe that rates from the Mortgage Banker's Association are a somewhat better (though by no means ideal) match for the local foreclosure rates presented here. However, discrepancies will exist between the number of foreclosure filings and the actual foreclosures by Sheriff's Deed. In addition, because it takes a minimum of four weeks between the time a lender initiates foreclosure and the date of a Sheriff's Sale, discrepancies in timing of the data should also be considered.

Residential Foreclosures in Kent County

The number and rates of residential foreclosures for each city, township, and village in Kent County are summarized in Table 1. Overall, foreclosure rates across the county increased by 183% between 2004 and 2007. As of 2004, only 0.6% of homes in Kent County were foreclosed - a figure well in line with historical national averages. However, the rate of foreclosure has increased each year since then, with the most dramatic growth occurring in 2006 (a jump of 1,000 more homes in one year, an increase of nearly 72% over 2005). While the pace of increase slowed somewhat in 2007, the growth in foreclosures has continued. A total of 3,212 homes were foreclosed in Kent County in 2007 — 1.8% of all homes in the county. Looking across all years, a total of 8,066 homes (4.5% of homes in the county) were foreclosed between 2004 and 2007.

Hardest Hit Areas

As the maps on pages 10 and 11 illustrate, both Grand Rapids and the suburban communities adjacent to Grand Rapids have experienced high numbers of foreclosures. This is certainly the case for the cities of Wyoming and Kentwood, where not only have more properties been foreclosed, but foreclosures occur in close proximity to one another. Figure 3 on page 12 illustrates at a glance the relative rates of foreclosure across Kent County cities, villages, and townships. Rates of foreclosure are plotted by year for each governmental unit, with panels ordered by 2007 rate of foreclosure from lowest (bottom left corner) to highest (top right corner). Thus, the seven areas with the highest rates of foreclosure in 2007 are shown across the top row. The dashed lines in each panel plot the overall Kent County average rates as a point of reference; it is apparent that these seven areas are also those that, by and large, have had foreclosure rates above the overall county average. Chief among these for sheer number and impact of foreclosures are the cities of Grand Rapids (increasing from 551 foreclosures in 2004 to 1,573 foreclosures in 2007) and Wyoming (increasing from 185 foreclosures in 2004 to 507 in 2007).

Quick Facts:

Residential foreclosures in Kent County have increased 183% since 2004. The biggest jump occurred in 2006.

In 2007, 3,212 residential foreclosures were counted across Kent County— 1.8% of all homes in the county

Foreclosures are most prominent in Grand Rapids and Wyoming — but smaller cities and villages in northern Kent County have been hit particularly hard, posting some of the highest rates of foreclosure in the county.

Although loan failures are most severe in urban and suburban areas of the county, smaller and less urbanized places are also experiencing higher numbers and concentrations of foreclosures as well.

As Figure 3 reveals, foreclosure is not only a significant problem for Grand Rapids and its adjacent cities. Smaller villages and cities in the northwest parts of the county such as Sand Lake, Sparta, Kent City, Casnovia, and Cedar Springs also proved to be highly vulnerable. The relatively small number of residential homes within the borders of these smaller cities and villages means that even a few foreclosures per year can quickly add up. For example, the 21 foreclosures in Sand Lake over the past four years collectively add up to 14.3% of all homes in the village turning over in foreclosure during that time. These trends in the concentration of foreclosures are also apparent in the comparative maps on pages 10 and 11.

Foreclosures Move Into Unexpected Places

All but one of the areas examined in Kent County showed a net increase in the number of foreclosures from 2004 to 2007, and many of these areas increased by over 200%. The most dramatic increases occurred in areas where foreclosure has previously been quite rare. In 2004, a foreclosure in some of the wealthier parts of Kent County was nearly unheard-of. However, in several of these same areas, foreclosures have taken a considerable upturn.

Table 1. Foreclosures in Kent County cities, townships, and villages. Figures represent the number and rate of residential foreclosures in each area within the county, the total number of residential foreclosures in the 4-year study period, and the percentage increase in foreclosures from 2004 to 2007.

Foreclosure Counts and Rates: Kent County Cities, Villages and Townships 2004-2007

Government	Total Homes	2004 Count (Rate)	2005 Count (Rate)	2006 Count (Rate)	2007 Count (Rate)	2004 - 2007 TOTAL Count (Rate)	% Change
City of Cedar Springs	793	13 (1.6%)	7 (0.9%)	23 (2.9%)	19 (2.4%)	62 (7.8%)	46%
City of East Grand Rapids	3,821	2 (0.1%)	10 (0.3%)	25 (0.7%)	14 (0.4%)	51 (1.3%)	600%
City of Grand Rapids	55,149	551 (1.0%)	679 (1.2%)	1,186 (2.2%)	1,573 (2.9%)	3,989 (7.2%)	185%
City of Grandville	4,844	16 (0.3%)	24 (0.5%)	40 (0.8%)	36 (0.7%)	116 (2.4%)	125%
City of Kentwood	11,986	70 (0.6%)	97 (0.8%)	134 (1.1%)	179 (1.5%)	480 (4.0%)	156%
City of Lowell	1,092	7 (0.6%)	17 (1.6%)	22 (2.0%)	22 (2.0%)	68 (6.2%)	214%
City of Rockford	1,732	9 (0.5%)	7 (0.4%)	16 (0.9%)	16 (0.9%)	48 (2.8%)	78%
City of Walker	6,346	23 (0.4%)	20 (0.3%)	35 (0.6%)	79 (1.2%)	157 (2.5%)	243%
City of Wyoming	21,524	185 (0.9%)	216 (1.0%)	346 (1.6%)	507 (2.4%)	1,254 (5.8%)	174%
Ada Township	4,282	1 (0.0%)	4 (0.1%)	9 (0.2%)	20 (0.5%)	34 (0.8%)	1,900%
Algoma Township	3,197	9 (0.3%)	4 (0.1%)	16 (0.5%)	30 (0.9%)	59 (1.8%)	233%
Alpine Township	2,815	8 (0.3%)	8 (0.3%)	19 (0.7%)	26 (0.9%)	61 (2.2%)	225%
Bowne Township	982	0 (0.0%)	4 (0.4%)	4 (0.4%)	3 (0.3%)	11 (1.1%)	*
Byron Township	5,892	13 (0.2%)	14 (0.2%)	22 (0.4%)	44 (0.7%)	93 (1.6%)	238%
Caledonia Township	3,362	12 (0.4%)	9 (0.3%)	22 (0.7%)	46 (1.4%)	89 (2.6%)	283%
Cannon Township	4,859	22 (0.5%)	16 (0.3%)	30 (0.6%)	38 (0.8%)	106 (2.2%)	73%
Cascade Township	6,233	16 (0.3%)	17 (0.3%)	24 (0.4%)	45 (0.7%)	102 (1.6%)	181%
Courtland Township	2,603	16 (0.6%)	10 (0.4%)	25 (1.0%)	41 (1.6%)	92 (3.5%)	156%
Gaines Township	6,001	15 (0.2%)	32 (0.5%)	55 (0.9%)	95 (1.6%)	197 (3.3%)	533%
Grand Rapids Township	5,549	9 (0.2%)	10 (0.2%)	31 (0.6%)	40 (0.7%)	90 (1.6%)	344%
Grattan Township	1,523	4 (0.3%)	7 (0.5%)	19 (1.2%)	20 (1.3%)	50 (3.3%)	400%
Lowell Township	1,620	5 (0.3%)	11 (0.7%)	11 (0.7%)	22 (1.4%)	49 (3.0%)	340%
Nelson Township	1,630	19 (1.2%)	12 (0.7%)	15 (0.9%)	31 (1.9%)	77 (4.7%)	63%
Oakfield Township	2,319	13 (0.6%)	18 (0.8%)	17 (0.7%)	34 (1.5%)	82 (3.5%)	162%
Plainfield Township	9,853	26 (0.3%)	30 (0.3%)	74 (0.8%)	94 (1.0%)	224 (2.3%)	262%
Solon Township	1,856	15 (0.8%)	17 (0.9%)	25 (1.3%)	28 (1.5%)	85 (4.6%)	87%
Sparta Township	1,355	4 (0.3%)	11 (0.8%)	8 (0.6%)	16 (1.2%)	39 (2.9%)	300%
Spencer Township	1,698	21 (1.2%)	12 (0.7%)	26 (1.5%)	11 (0.6%)	70 (4.1%)	-48%
Tyrone Township	1,139	6 (0.5%)	11 (1.0%)	16 (1.4%)	19 (1.7%)	52 (4.6%)	217%
Vergennes Township	1,413	5 (0.4%)	7 (0.5%)	7 (0.5%)	16 (1.1%)	35 (2.5%)	220%
Village of Caledonia	435	1 (0.2%)	4 (0.9%)	5 (1.1%)	5 (1.1%)	15 (3.4%)	400%
Village of Casnovia	66	0 (0.0%)	0 (0.0%)	2 (3.0%)	2 (3.0%)	4 (6.1%)	*
Village of Kent City	235	2 (0.9%)	2 (0.9%)	11 (4.7%)	7 (3.0%)	22 (9.4%)	250%
Village of Sand Lake	147	3 (2.0%)	6 (4.1%)	9 (6.1%)	3 (2.0%)	21 (14.3%)	0%
Village of Sparta	1,235	13 (1.1%)	14 (1.1%)	24 (1.9%)	31 (2.5%)	82 (6.6%)	138%
Kent County Total	179,586	1,134 (0.6%)	1,367 (0.8%)	2,353 (1.3%)	3,212 (1.8%)	8,066 (4.5%)	**183%**

For example, between 2004 and 2007 the foreclosure rate increased by over 300% in Grand Rapids Township; 283% in Caledonia Township, 600% in East Grand Rapids, and by 1900% in Ada Township. Whereas Ada Township had only one foreclosure in 2004, this figure has more than doubled each year since then, reaching a high of 19 foreclosures in 2007. Similarly, East Grand Rapids had a total of two foreclosures (approximately 0.1% of homes) in 2004, but this bloomed to a high of 25 foreclosures in 2006. While the overall rates of foreclosure remain low in these parts of the county relative to other areas, the rapid growth rates are striking and suggest that significant housing and financial issues are hitting these parts of the county as well.

Figure 1. Concentration of residential foreclosures in Kent County, 2004 and 2005 (combined).

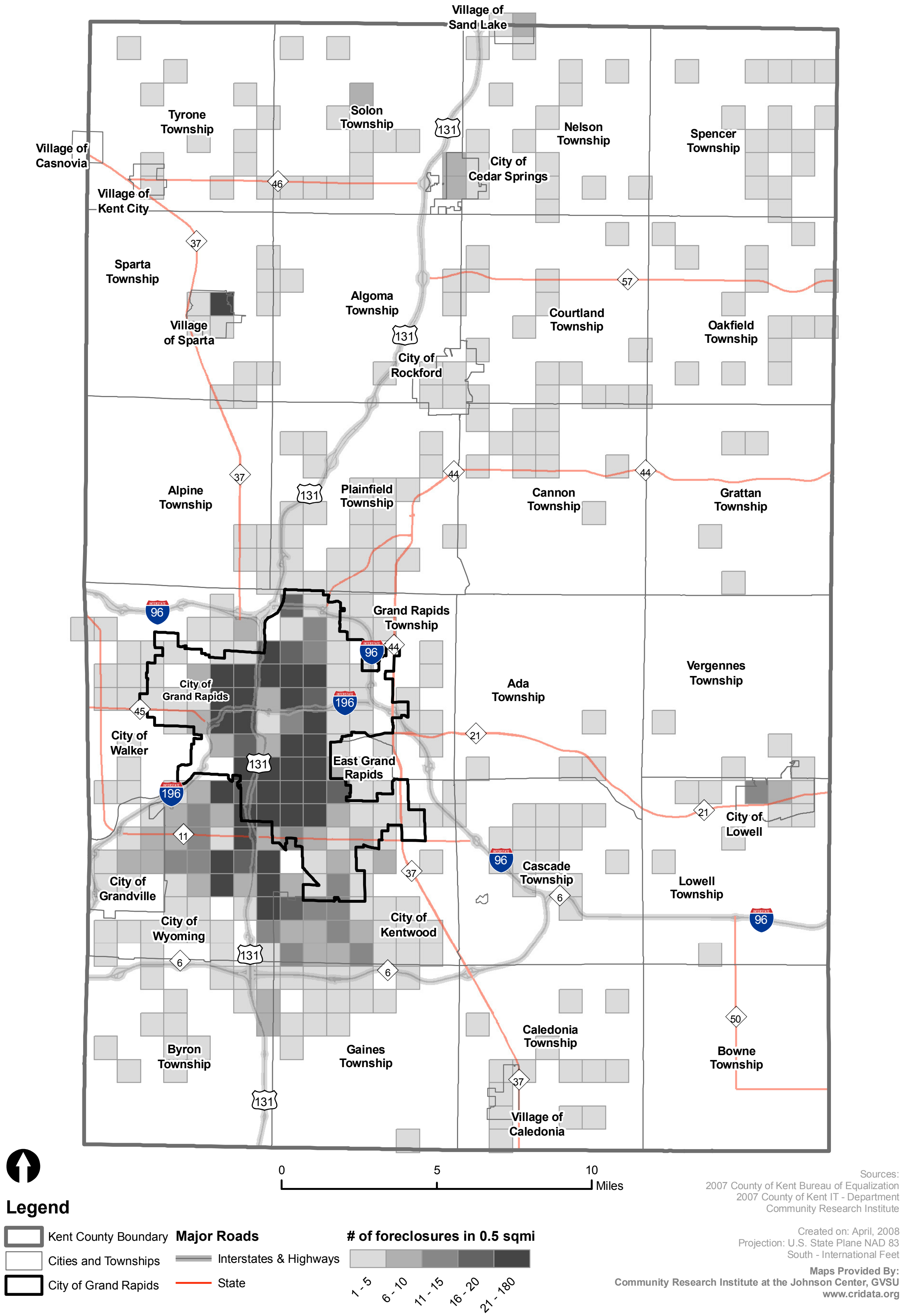
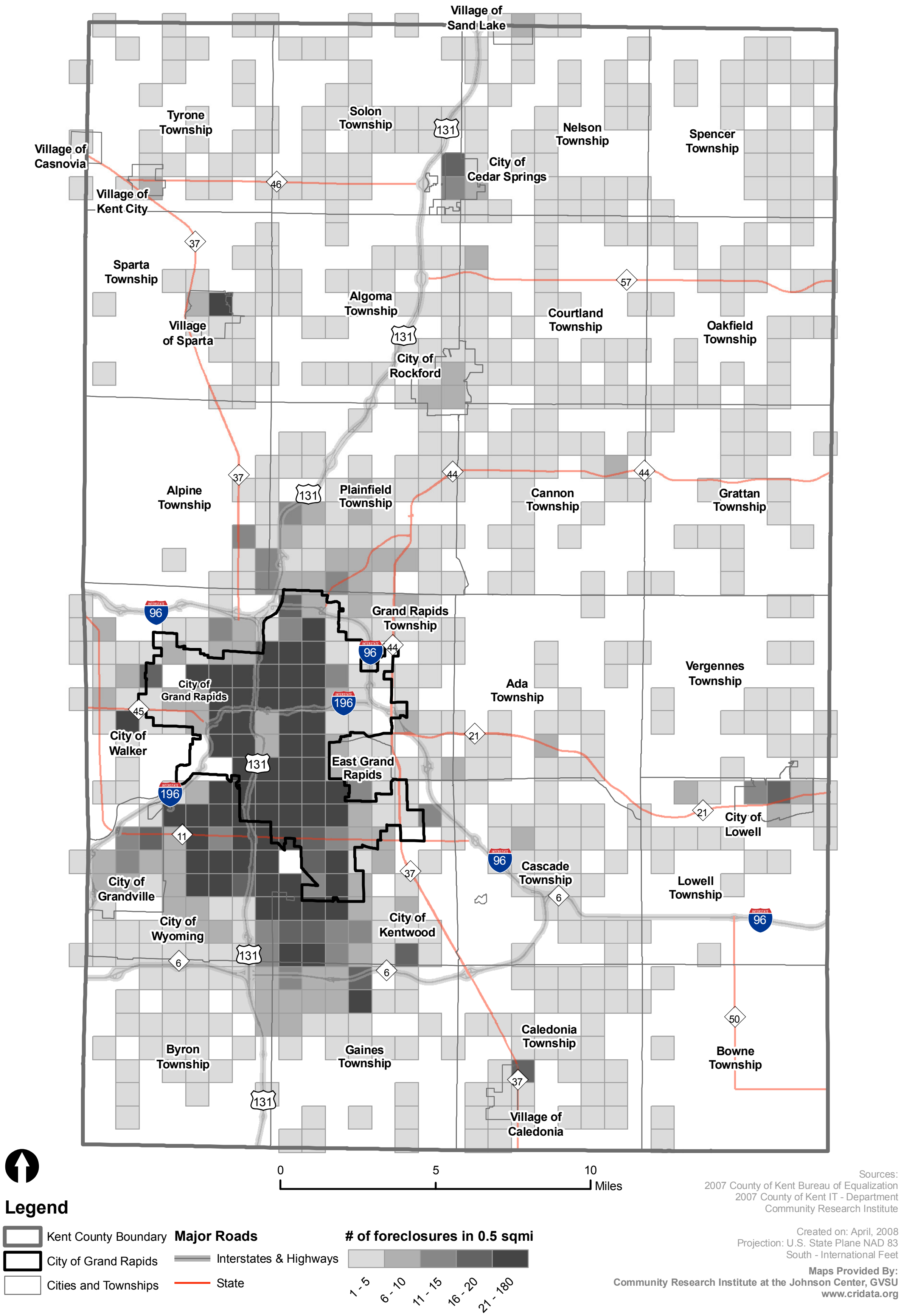


Figure 2. Concentration of residential foreclosures in Kent County, 2006 and 2007 (combined).



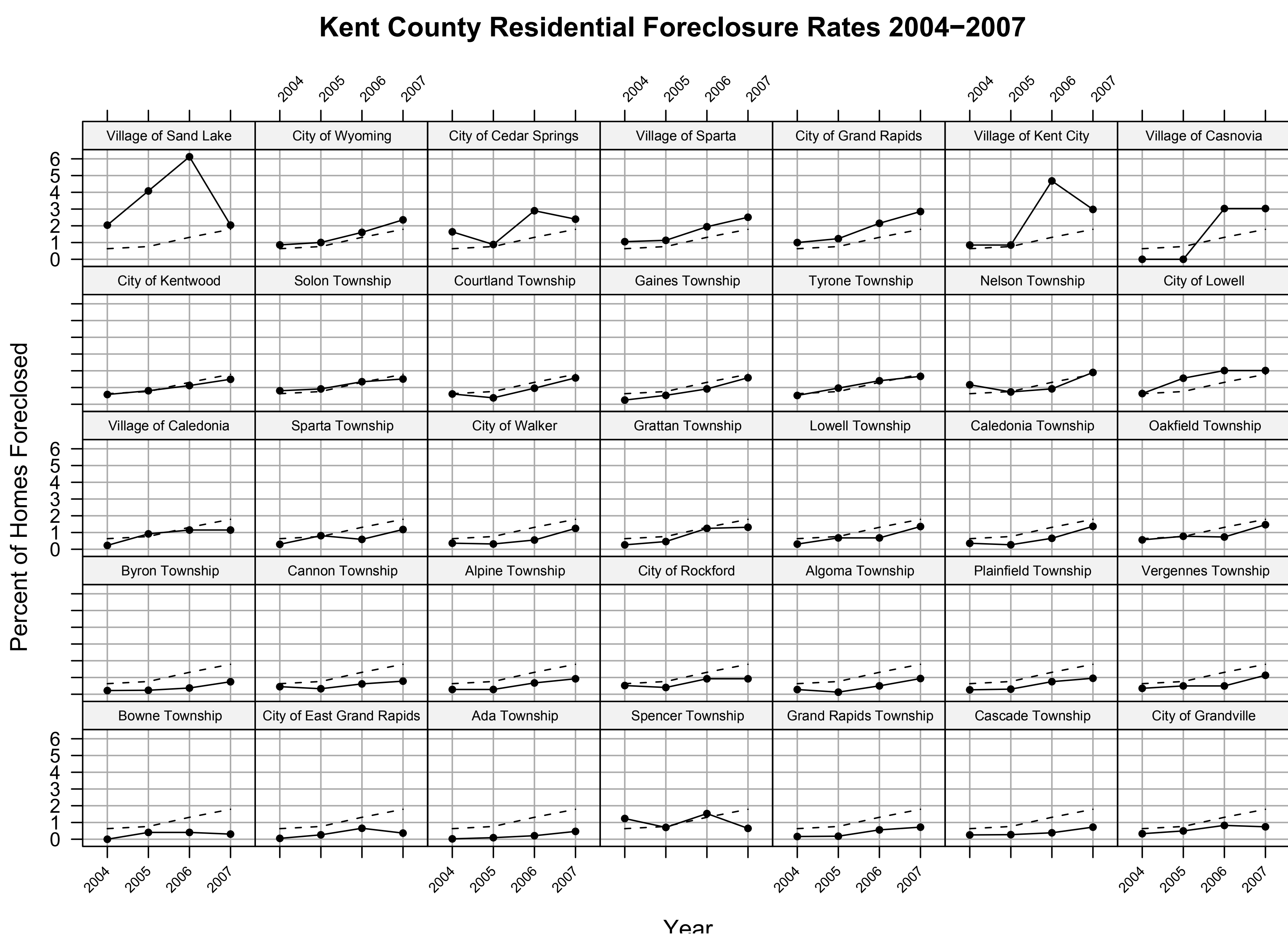


Figure 3. Rates of residential foreclosure by year from 2004-2007 for Kent County cities, villages, and townships. Panels are arranged in order of increasing rate of foreclosure (based on 2007 rates), starting from the lower left corner and moving from left to right and bottom to top.

A Closer Look: Foreclosures in Grand Rapids

Foreclosures within the City of Grand Rapids increased 185% from 2004 through 2007. While the foreclosure rate was just around 1% in 2004, it has risen steadily since then to reach 2.9% of all homes in 2007. Over the past four years 7.2% of all homes in the city have been foreclosed (see Table 2 below).

Geographic disparities in foreclosure are evident within the city of Grand Rapids as well. Taking a closer look at these patterns (see maps in figures 4 and 5), it is apparent that the number and concentration of foreclosed properties is most intense in many of the central city neighborhoods, particularly in the south east and along the U.S. 131 corridor of the city. However, it is important to note that the volume and concentration of foreclosures are likely related to the number of housing units available in a particular geography.

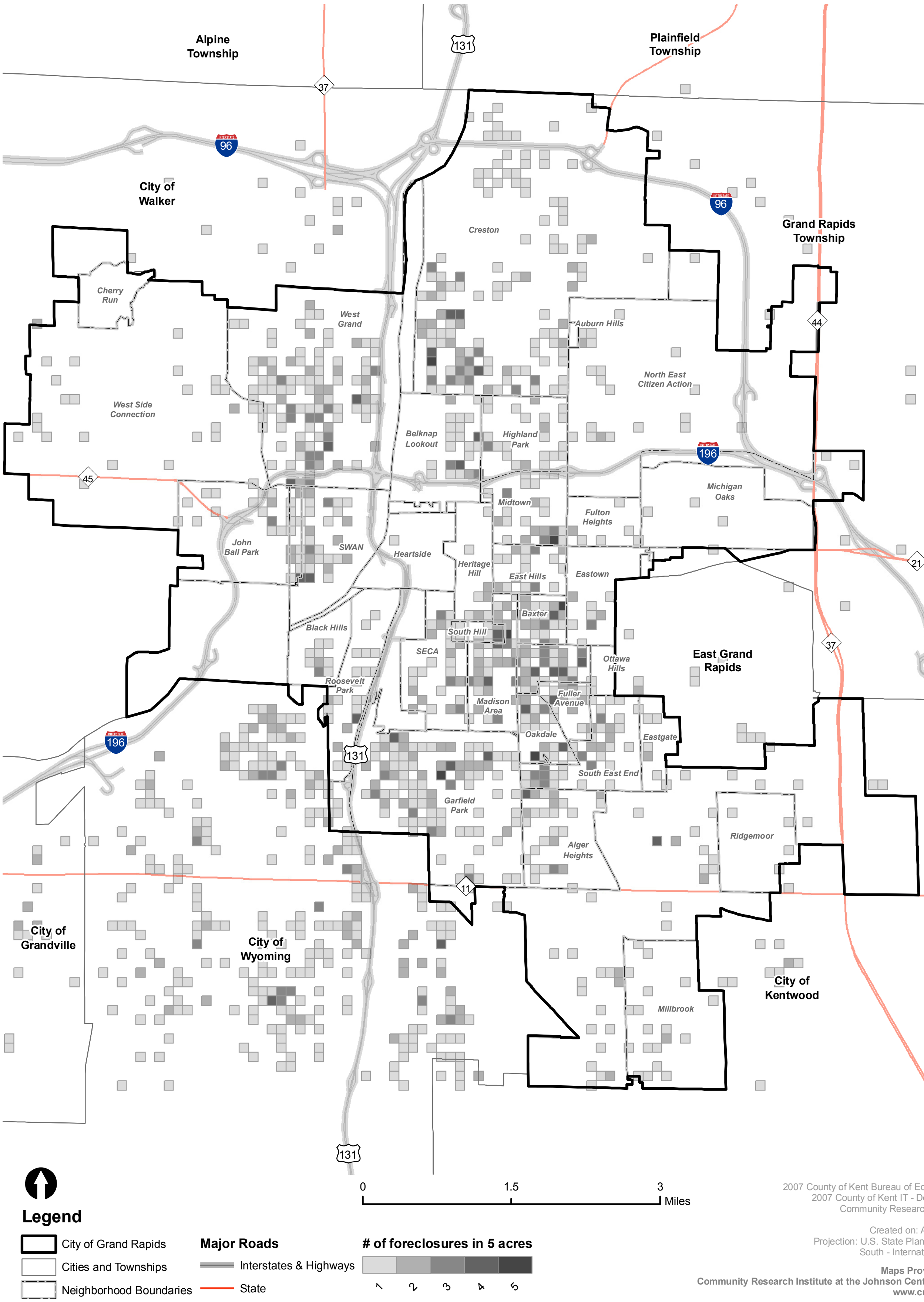
Continued on page 17

Table 2. Foreclosures in Grand Rapids neighborhoods. Figures represent the number and rate of residential foreclosures in each area within the county, the total number of residential foreclosures in the 4-year study period, and the percentage increase in foreclosures from 2004 to 2007. Figures for 2007 represent foreclosures through 12/31/2007.

Foreclosure Counts and Rates: Grand Rapids Neighborhoods 2004-2007

Neighborhood	Total Homes	2004 Count (Rate)	2005 Count (Rate)	2006 Count (Rate)	2007 Count (Rate)	2004 - 2007 TOTAL Count (Rate)	% Change
Alger Heights	1,622	20 (1.2%)	17 (1.0%)	38 (2.3%)	38 (2.3%)	113 (7.0%)	90%
Baxter	761	16 (2.1%)	24 (3.2%)	30 (3.9%)	57 (7.5%)	127 (16.7%)	256%
Belknap Lookout	1,309	15 (1.1%)	18 (1.4%)	40 (3.1%)	43 (3.3%)	116 (8.9%)	187%
Black Hills	269	4 (1.5%)	8 (3.0%)	10 (3.7%)	13 (4.8%)	35 (13.0%)	225%
Cherry Run	232	0 (0.0%)	0 (0.0%)	1 (0.4%)	4 (1.7%)	5 (2.2%)	*
Creston	8,576	78 (0.9%)	99 (1.2%)	153 (1.8%)	179 (2.1%)	509 (5.9%)	129%
East Hills	1,038	13 (1.3%)	11 (1.1%)	24 (2.3%)	44 (4.2%)	92 (8.9%)	238%
Eastgate	567	5 (0.9%)	1 (0.2%)	3 (0.5%)	13 (2.3%)	22 (3.9%)	160%
Eastown	1,281	6 (0.5%)	5 (0.4%)	23 (1.8%)	23 (1.8%)	57 (4.4%)	283%
Fuller Avenue	627	13 (2.1%)	15 (2.4%)	23 (3.7%)	40 (6.4%)	91 (14.5%)	208%
Fulton Heights	753	4 (0.5%)	3 (0.4%)	4 (0.5%)	7 (0.9%)	18 (2.4%)	75%
Garfield Park	4,654	70 (1.5%)	73 (1.6%)	142 (3.1%)	186 (4.0%)	471 (10.1%)	166%
Heartside	256	0 (0.0%)	1 (0.4%)	0 (0.0%)	3 (1.2%)	4 (1.6%)	*
Heritage Hill	878	2 (0.2%)	9 (1.0%)	6 (0.7%)	15 (1.7%)	32 (3.6%)	650%
Highland Park	1,172	11 (0.9%)	17 (1.5%)	31 (2.6%)	37 (3.2%)	96 (8.2%)	236%
John Ball Park	1,696	14 (0.8%)	21 (1.2%)	33 (1.9%)	47 (2.8%)	115 (6.8%)	236%
Madison Area	1,223	28 (2.3%)	38 (3.1%)	58 (4.7%)	75 (6.1%)	199 (16.3%)	168%
Michigan Oaks	703	2 (0.3%)	2 (0.3%)	0 (0.0%)	3 (0.4%)	7 (1.0%)	50%
Midtown	1,332	19 (1.4%)	18 (1.4%)	31 (2.3%)	35 (2.6%)	103 (7.7%)	84%
Millbrook	1,523	6 (0.4%)	13 (0.9%)	20 (1.3%)	28 (1.8%)	67 (4.4%)	367%
North East Citizen Action	2,263	7 (0.3%)	15 (0.7%)	29 (1.3%)	28 (1.2%)	79 (3.5%)	300%
Oakdale	704	18 (2.6%)	17 (2.4%)	38 (5.4%)	41 (5.8%)	114 (16.2%)	128%
Ottawa Hills	256	0 (0.0%)	0 (0.0%)	4 (1.6%)	2 (0.8%)	6 (2.3%)	*
Ridgemoor	808	2 (0.2%)	1 (0.1%)	5 (0.6%)	5 (0.6%)	13 (1.6%)	150%
Roosevelt Park	1,181	13 (1.1%)	15 (1.3%)	30 (2.5%)	49 (4.1%)	107 (9.1%)	277%
South East Community	1,067	12 (1.1%)	33 (3.1%)	42 (3.9%)	64 (6.0%)	151 (14.2%)	433%
South East End	4,116	77 (1.9%)	90 (2.2%)	145 (3.5%)	209 (5.1%)	521 (12.7%)	171%
South Hill	279	6 (2.2%)	8 (2.9%)	13 (4.7%)	13 (4.7%)	40 (14.3%)	117%
South West Area Neighbors (SWAN)	1,650	29 (1.8%)	28 (1.7%)	52 (3.2%)	88 (5.3%)	197 (11.9%)	203%
West Grand	5,195	68 (1.3%)	81 (1.6%)	146 (2.8%)	186 (3.6%)	481 (9.3%)	174%
Westside Connection	4,979	13 (0.3%)	18 (0.4%)	50 (1.0%)	41 (0.8%)	122 (2.5%)	215%
Non Neighborhood Association Areas	4,372	25 (0.6%)	29 (0.7%)	49 (1.1%)	72 (1.6%)	175 (4.0%)	188%
Grand Rapids Total	55,149	551 (1.0%)	679 (1.2%)	1,186 (2.2%)	1,573 (2.9%)	3,989 (7.2%)	**185%**

Figure 4. Concentration of residential foreclosures in Grand Rapids, 2004 and 2005 (combined).

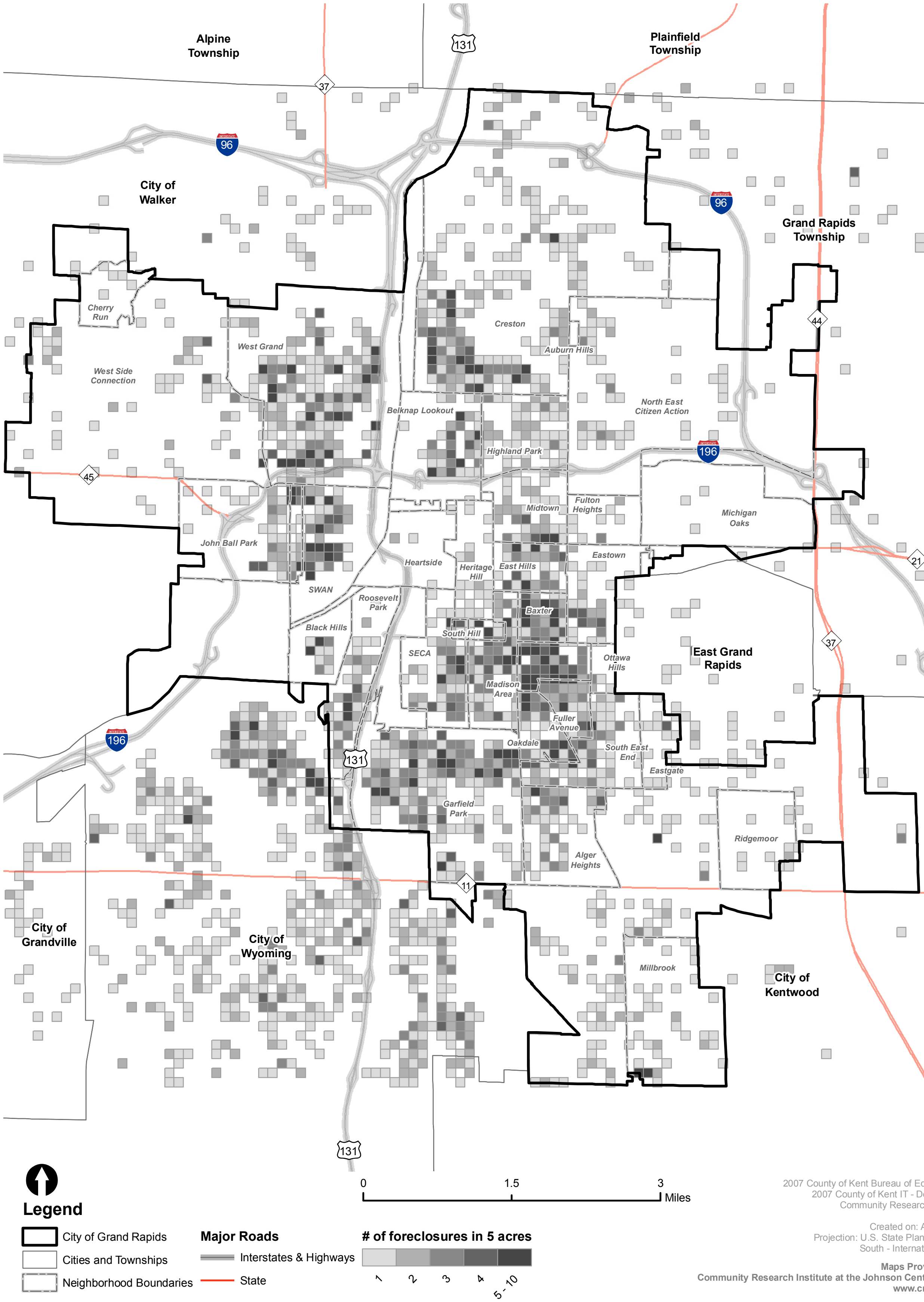


Sources:
2007 County of Kent Bureau of Equalization
2007 County of Kent IT - Department
Community Research Institute

Created on: April, 2008
Projection: U.S. State Plane NAD 83
South - International Feet

Maps Provided By:
Community Research Institute at the Johnson Center, GVSU
www.cridata.org

Figure 5. Concentration of residential foreclosures in Grand Rapids, 2006 and 2007 (combined).



Sources:
2007 County of Kent Bureau of Equalization
2007 County of Kent IT - Department
Community Research Institute

Created on: April, 2008
Projection: U.S. State Plane NAD 83
South - International Feet

Maps Provided By:
Community Research Institute at the Johnson Center, GVSU
www.cridata.org

Residential Foreclosures in Grand Rapids Neighborhoods 2004−2007

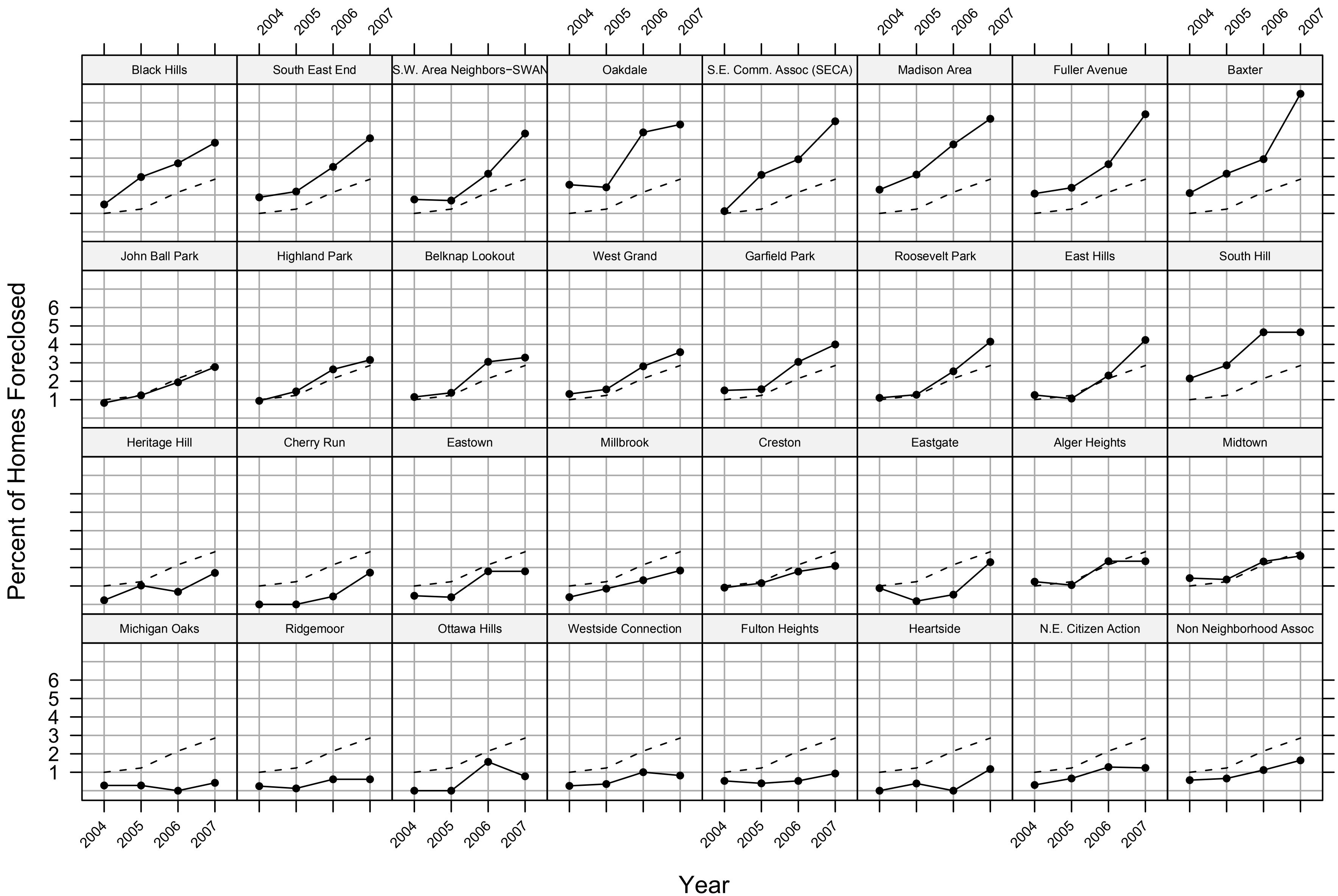


Figure 6. Rates of residential foreclosure by year from 2004-2007 for Grand Rapids neighborhoods. Panels are arranged in order of increasing rate of foreclosure (based on 2007 rates), starting from the lower left corner and moving from left to right and bottom to top.

Continued from page 13

Figure 6 illustrates clearly the trends in rate of foreclosure by neighborhood within the city, taking the number of housing units into account. As with the plot of county trends, neighborhood panels are displayed in order of increasing rate of foreclosures in 2007, starting with the lowest rate in the bottom left corner and ending with the highest rate in the top right corner. The dashed line represents the overall rate for the city of Grand Rapids. Viewing this figure, it is apparent that wide disparities exist in the rates of foreclosure from one neighborhood to another. In fact, five neighborhoods (Baxter, Fuller Avenue, Madison Area, South East Community, and Oakdale) had 2007 foreclosure rates more than twice the rate for Grand Rapids as a whole, ranging from 5.8 to 7.5% of homes in these neighborhoods. Four of these neighborhoods (with the exception of South East Community) showed early signs of distress, each indicating over 2% of homes foreclosed in 2004. These neighborhoods and others with high rates of foreclosure may require comprehensive efforts to stabilize their local housing situation. These patterns also illustrate that foreclosure patterns within the City of Grand Rapids correspond to neighborhood demographics[1], with low income and African-American neighborhoods disproportionately affected by foreclosure. As Table 2 shows, several lower-income and predominantly minority neighborhoods in Grand Rapids have seen over 15% of neighborhood homes lost to foreclosure in the past four years, with the most significant damage happening just in the past two years.

The right-hand column of Table 2 includes the percentage change in foreclosures from 2004 to 2007. It is worthwhile to note that only four neighborhoods in the city had less than a 100% increase in foreclosures in this period; and 13 neighborhoods increased by 200% or more. The fastest rates of growth occurred in Heritage Hill (650% increase), South East Community (433% increase), Millbrook (367% increase), and Eastown (283% increase).

Quick Facts:

Residential foreclosures in Grand Rapids have increased 185% since 2004. The biggest jump occurred in 2006.

In 2007, 1,573 residential foreclosures were counted across the city of Grand Rapids — representing 2.9% of homes.

Five neighborhoods each had more than 2 times the City average. These neighborhoods were disproportionately low income and African American.

1 Information on demographics and other characteristics of each neighborhood can be found on the CRI website at www.cridata.org.

Summary and Implications

The data presented in this report provides an important first look at the status of residential foreclosures in Kent County and Grand Rapids. Overall, these initial findings confirm with firm numbers the perception that foreclosure is a burgeoning issue in our community. This data highlights that rates of foreclosure are increasing significantly throughout the county.

The Impact of Localized Pockets of Foreclosure

In addition, both the GIS maps at the county level and the neighborhood-level data for Grand Rapids highlight that residential foreclosures are a localized phenomenon, developing and concentrating in particular areas within cities, villages, and townships. This can pose particular challenges for home owners, neighborhoods, and the community, as high concentrations of foreclosure and vacancy escalate the decline in property values for the surrounding area. This decline perpetuates the cycle of foreclosure, as other area residents confronting economic trouble face reduced options and odds for preventing the loss of their own homes.

At this point in our research, we do not yet have estimates of the full economic impact of these foreclosures on the larger community. Prior research has shown that foreclosures produce significant reductions in surrounding property values. For example, one model conservatively estimates that each foreclosure within 1/8 mile of a single-family home reduces the value of that home by 0.9 percent[1]. These estimates were derived in a Chicago sample in years prior to the current economic and real estate environment, and it is possible that with the high concentration of foreclosures in some areas in Kent County, the impact could be considerably worse. In addition, lost property values and corresponding tax revenue are only one component of the cost of foreclosure. Using an average estimated cost of $7,000 per foreclosure[2], the 8,066 Kent County foreclosures from 2004 through 2007 may have cost our municipalities over $56.4 million in supervision, upkeep, and lost utility revenue. Indeed, by these calculations, foreclosures in 2007 alone carry an estimated cost to the city of Grand Rapids over $11 million.

1 Immergluck, D., & Smith, G. The external costs of foreclosure: the impact of single-family mortgage foreclosures on property values, Housing Policy Debate, 17(1).

2 Apgar, W. G., Duda, M., & Gorey, R. N. (2005). The municipal cost of foreclosures: a chicago case study, Homeownership Preservation Foundation, Housing Finance Policy Research Paper.

Different Areas of the County May Require Different Strategies

While the foreclosure issue has clearly spread to some extent throughout the county, the data also suggests that areas vary considerably in the extent of their foreclosure problems and the pace at which foreclosure issues are increasing. These two distinctly different trends suggest that different responses may need to be crafted for different areas. In addition, areas are likely to vary from one part of the county to the next in terms of the economic context and issues underlying the foreclosure problem. Preliminary analysis indicates that while coordination of efforts across the county is needed, strategies to address the foreclosure issue may also need to incorporate systematic approaches for the following types of areas:

- Central and southeast Grand Rapids neighborhoods
- North and west Grand Rapids neighborhoods
- Bordering south cities/suburbs (e.g., Wyoming, Gaines Township, Kentwood)
- Struggling small cities and villages in northern Kent County
- Rapidly emerging trouble spots in east and southeast suburban townships (e.g., Ada, Lowell, Cascade, Caledonia, Grand Rapids Township)

For example, some of the Grand Rapids neighborhoods hardest hit by this issue are those with higher proportions of minorities and lower-income residents – populations that have in many communities been disproportionately targeted by predatory and subprime lending practices. Smaller, working-class cities and villages in the northern areas of the county may need special outreach to counteract their distance from many of the foreclosure prevention resources in Grand Rapids. The needs of these communities may differ yet again from some of the areas with the fastest-growing rates of foreclosure (such as Ada Township and East Grand Rapids) which have historically had high median incomes and property values. While areas across the county may be suffering from job losses, the context in which financial setbacks play out, the resources available to residents, and the particular strategies likely to be most effective may vary widely. These are issues that we will need to explore further.

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