

Foreclosures in Rhode Island

SPRING 2012

Since 2007, for 15 consecutive quarters, Rhode Island had consistently ranked worst in New England for foreclosure initiations and seriously delinquent loans.¹ But the foreclosure crisis continues to evolve:

- **As of the fourth quarter 2011, Rhode Island still leads the region in foreclosure starts, but trailed Maine and Connecticut for seriously delinquent loans.²**
- **The number of actual residential foreclosures increased in 2011 with over 2,000 foreclosure deeds filed.³**

So what does this mean for Rhode Islanders? With multi-family properties making up close to one third of Rhode Island's actual foreclosures, many renters have been impacted by the threat of eviction, and over 6,300 rental homes have been lost. The increased demand for apartments coupled with a decreased supply has made affording a quality rental home much harder for Rhode Islanders.

This could be more even more of a problem moving forward since many of the programs we have relied on in the past to turn foreclosed properties into affordable homes, like the state's Building Homes Rhode Island program (BHRI) and the federal Neighborhood Stabilization Program have been fully expended.

In this third special report on foreclosures in Rhode Island, HousingWorks RI continues to look at the number of actual foreclosures in each of Rhode Island's 39 cities and towns and also at the opportunities for Rhode Island to rebuild and revitalize our communities, while strengthening our economy.



Hope Street home in Woonsocket, before and after rehabilitation by NeighborWorks® Blackstone River Valley, partially funded through Building Homes Rhode Island.

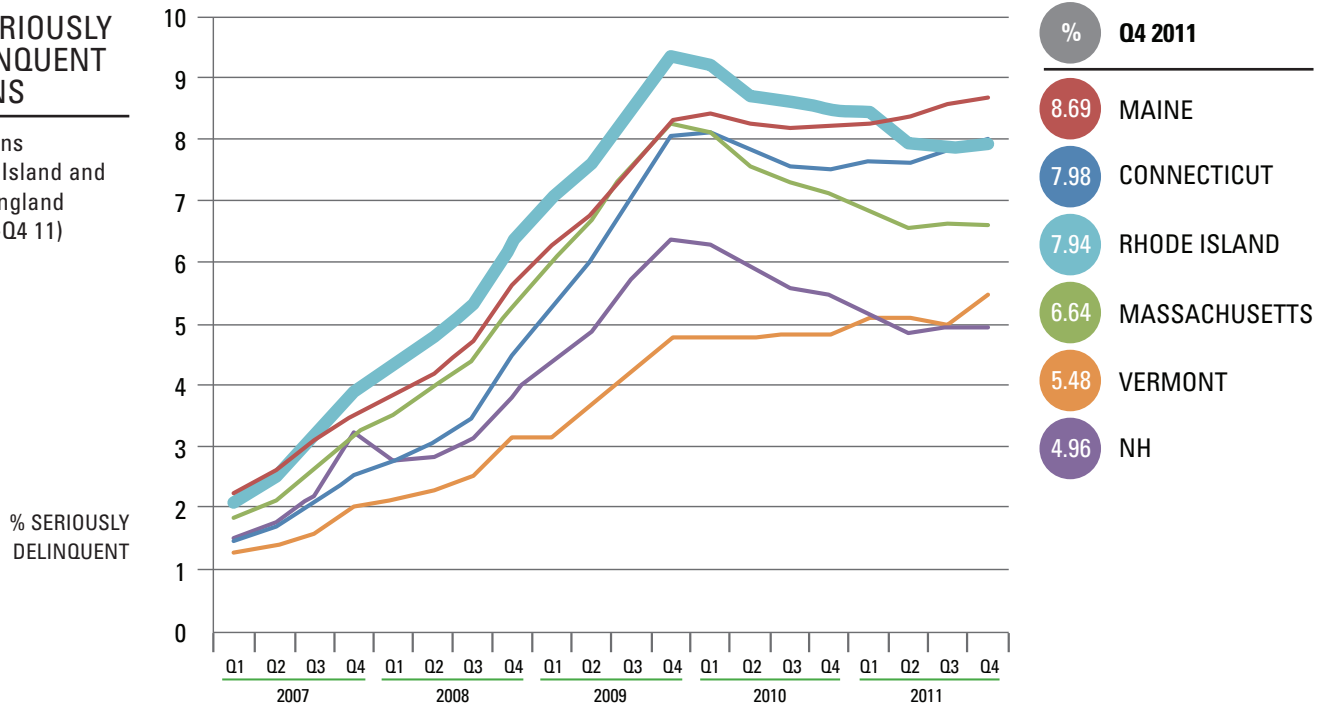
SPECIAL REPORT: FORECLOSURES IN RHODE ISLAND

Current Picture

In our third annual Special Report on Foreclosures, we review data from January through December 2011 and update data from our second annual Special Report. Analyzing the number of actual residential foreclosures from the Warren Group and data from the Mortgage Bankers Association's National Delinquency Survey offers a thorough look at the state of the foreclosure crisis in Rhode Island.

% SERIOUSLY DELINQUENT LOANS

All Loans
Rhode Island and
New England
(Q1 07-Q4 11)



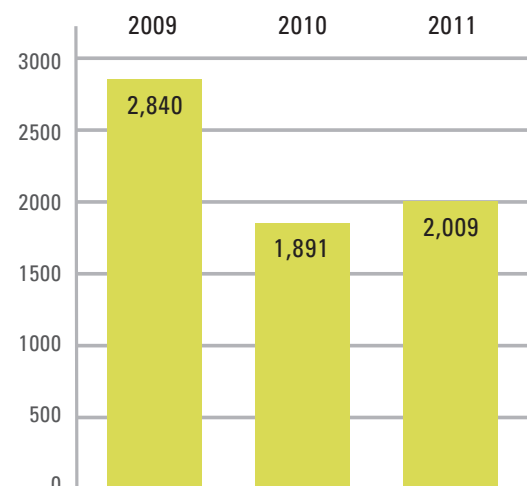
Source: Mortgage Bankers Association, National Delinquency Survey

2011 saw Rhode Island's rate of foreclosure initiations and serious delinquencies decline overall. During the fourth quarter of 2011, about 10,500 mortgages were either in the foreclosure process or more than 90 days delinquent, down from over 11,000 during the fourth quarter of 2010.⁴ But while this number declined, the number of actual foreclosures increased slightly from 2010 to 2011.

During 2010, there were 1,891 residential foreclosure deeds filed throughout Rhode Island, averaging 157 per month. In 2011, that number increased to 2,009 actual foreclosure deeds filed throughout the state, averaging 167 per month.⁵

*Actual foreclosures represent both mortgagee and foreclosure deeds filed as allowed by Rhode Island Law.

ACTUAL FORECLOSURES* 2009 - 2011



Source: HousingWorks RI's analysis of The Warren Group data

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No community in Rhode Island has been immune to the volatile housing market, but foreclosures affect communities differently depending on the location of those foreclosures. For example, in the state's urban communities, high concentrations of foreclosures can blight entire neighborhoods with boarded up buildings. In a smaller municipality, foreclosures may be less visible, scattered throughout the community.

From January 2009 through December 2011 there were a total of 6,740 actual foreclosures filed throughout Rhode Island. As seen in Figure 1, the state's larger communities were hit hardest by the number of homes foreclosed because of their large supply of housing. Warwick had the highest number of single-family residential foreclosures for the 36-month period, beating out Providence.

Looking at the number of actual foreclosures as a percentage of a municipality's housing stock in Figure 2 offers a different look at how the number of foreclosures relates to a community's housing stock. This analysis shows Central Falls as most heavily impacted, with close to 14 percent of its 1,157 mortgaged homes foreclosed from 2009 through 2011, the bulk being multi-family properties.

Figure 1: HousingWorks RI's analysis of The Warren Group data, 2009 through 2011

Figure 2: HousingWorks RI's analysis of The Warren Group data, 2009 through 2011 and US Census Bureau American Community Survey, 5-year estimate

Fig. 1 Map showing all foreclosures filed 2009 – 2011

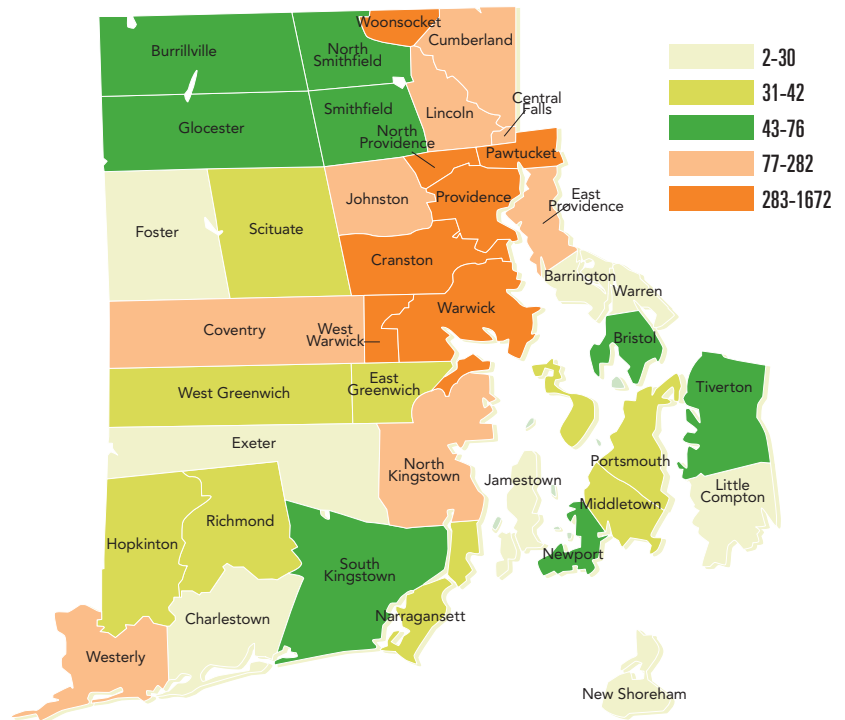
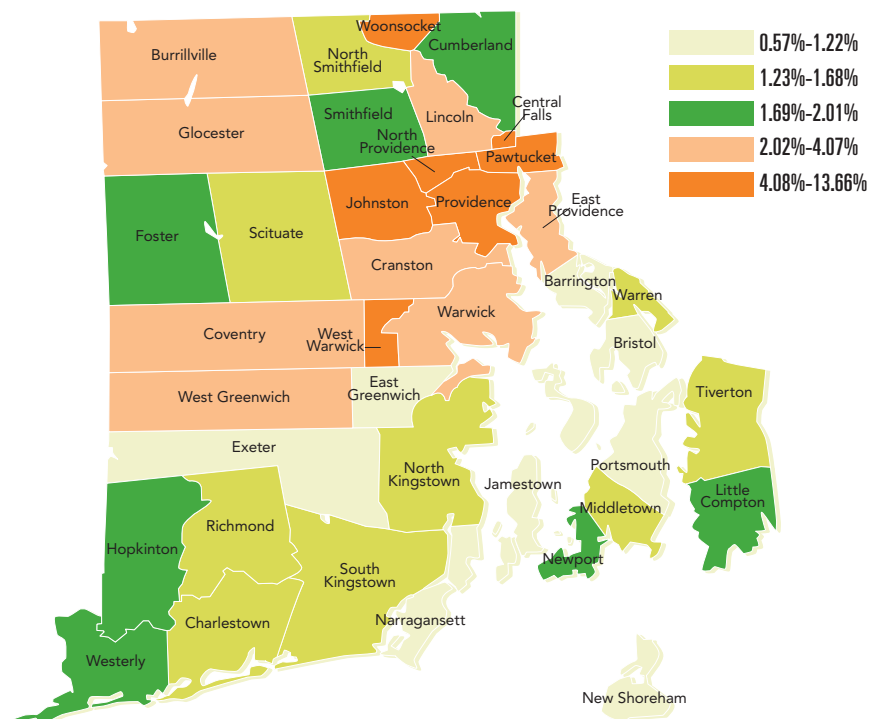


Fig. 2 Map showing foreclosures as % mortgaged housing stock 2009 – 2011



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Municipal Rankings - Actual Foreclosures as % of Mortgaged Stock (2009-2011)

City/Town	Total Foreclosures	Single Family	Condo	Multi-Family	Mortgaged Stock	Total Foreclosures as % of Mortgaged Stock	2011 Total
Central Falls	158	22	9	127	1,157	13.66	42
Providence	1672	522	102	1048	17,088	9.78	460
Woonsocket	399	171	33	195	4,859	8.21	100
Pawtucket	595	273	36	286	9,152	6.50	165
North Providence	328	184	97	47	6,227	5.27	115
West Warwick	293	172	37	84	5,669	5.17	111
Johnston	282	222	25	35	5,961	4.73	94
Warwick	786	686	42	58	19,366	4.06	233
Cranston	471	338	30	103	14,703	3.20	150
Coventry	242	217	12	13	8,242	2.94	96
West Greenwich	37	35	0	2	1,300	2.85	13
Lincoln	113	64	18	31	4,484	2.52	27
Burrillville	76	53	10	13	3,213	2.37	15
Glocester	58	55	0	3	2,466	2.35	20
East Providence	175	146	5	24	8,346	2.10	52
Westerly	87	62	13	12	4,323	2.01	21
Hopkinton	42	42	0	0	2,136	1.97	18
Newport	65	19	21	25	3,592	1.81	15
Foster	21	21	0	0	1,163	1.81	9
Little Compton	12	12	0	0	678	1.77	1
Cumberland	127	108	5	14	7,342	1.73	38
Smithfield	75	53	13	9	4,443	1.69	23
Scituate	38	37	0	1	2,260	1.68	12
Richmond	34	30	2	2	2,018	1.68	15
North Smithfield	45	37	4	4	2,706	1.66	16
North Kingstown	88	75	4	9	5,755	1.53	35
Warren	30	19	3	8	2,007	1.49	8
Charlestown	27	25	2	0	1,832	1.47	14
Tiverton	51	48	2	1	3,596	1.42	12
South Kingstown	73	67	4	2	5,689	1.28	15
Middletown	31	22	6	3	2,497	1.24	12
Narragansett	38	32	4	2	3,120	1.22	4
Bristol	47	32	6	9	4,177	1.13	20
East Greenwich	31	26	2	3	2,896	1.07	9
Portsmouth	38	35	1	2	3,642	1.04	6
Exeter	16	16	0	0	1,610	.99	3
New Shoreham	2	0	2	0	202	.99	0
Barrington	30	26	1	3	3,675	.82	8
Jamestown	7	7	0	0	1,221	.57	2
TOTAL	6,740	4,011	551	2,178	184,813	3.65%	2,009

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Impact on Renters

Rhode Island's foreclosure crisis has significantly affected renters in the state due to the large share of multi-family properties that have been foreclosed.

Nearly one third of the residential foreclosure deeds filed from 2009 through 2011 were multi-family homes, the bulk being in the state's urban core. As seen in Figure 3, Central Falls, Cranston, Pawtucket, Providence, and Woonsocket had the highest numbers of multi-family foreclosures.

The community most heavily impacted by multi-family foreclosures was Central Falls, with 80 percent of the city's residential foreclosures being multi-family homes. In Providence, multi-family foreclosures represented 63 percent of the city's total. Combined, these two cities accounted for 54 percent of the state's total number of multi-family foreclosures from 2009 through 2011.

Each multi-family foreclosure affects multiple rental homes, which in turn threatens tenants with possible eviction. For every multi-family property foreclosed, approximately two to three families find themselves without shelter. As seen in Figure 4, HousingWorks RI estimates over 6,300 apartments were lost due to the 2,178 multi-family foreclosures from 2009 through 2011.

Fig. 3 Multi-family foreclosures 2009 - 2011

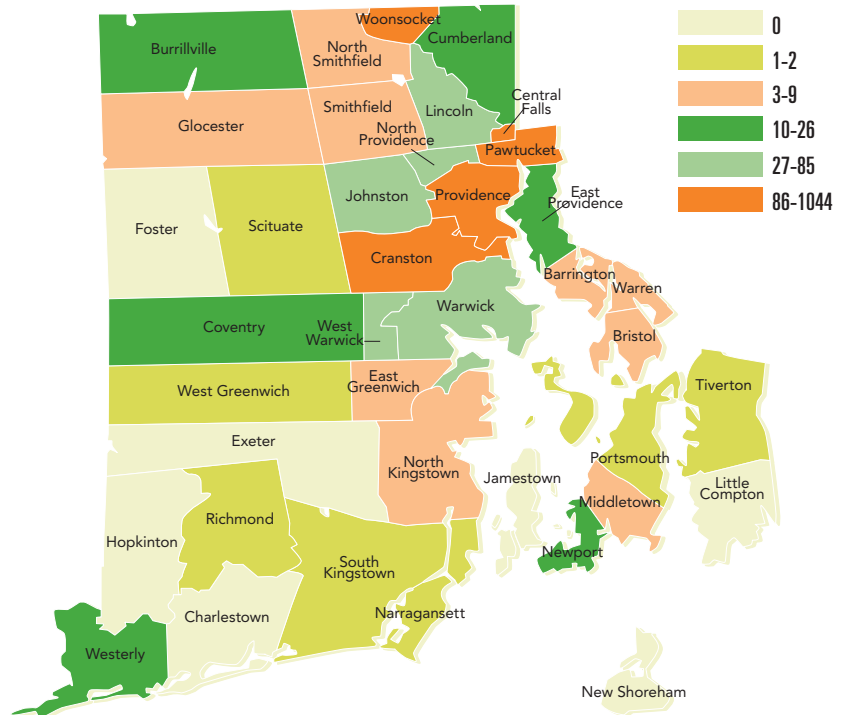


Figure 3: HousingWorks RI's analysis of The Warren Group data, 2009 through 2011

Fig. 4 Impact of multi-family foreclosures 2009 - 2011

Type of Multi-family	Avg. # of Homes in Multi-family	Foreclosed Multi-family	Total Units Lost
2 apts.	2	1,031	2,062
2-5 apts.	3.5	65	227
3 apts.	3	823	2,469
4-8 apts.	6	248	1,488
apt. bldg.	5.5	6	33
9+ apts.	9	5	45
TOTAL MULTI-FAMILY		2,178	6,324
TOTAL SINGLE-FAMILY AND CONDO			4,562
TOTAL HOMES LOST			10,886

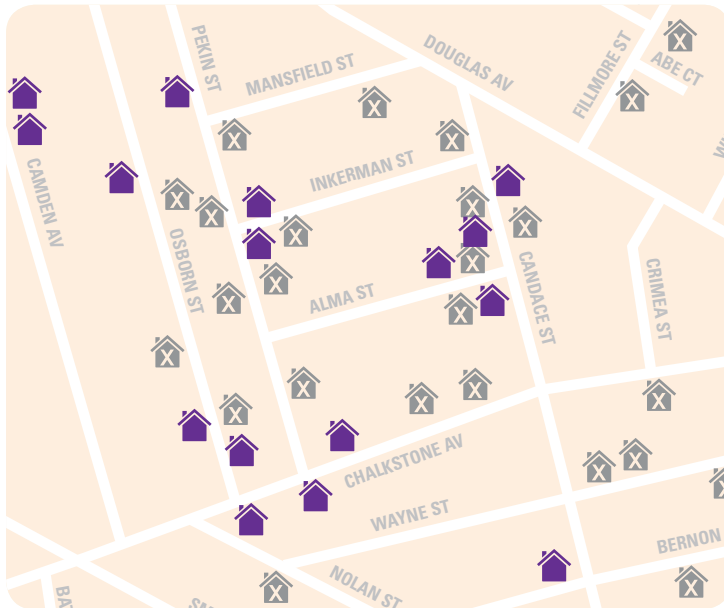
Methodology:



Apt Bldg's were individually researched using property address to determine available realtor information regarding total square footage, number of bedrooms, and number of bathrooms. One (1) unit was assumed for every bathroom listed with the majority of units assumed as two (2) bedroom. 2-5 Family residential properties were assumed to have the average of three and one half (3.5) units per; 4-8 Unit Apt properties were assumed to have the average of six (6) units per; and 9+ Unit Apt was assumed to have nine (9) units per.

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Building Homes Rhode Island Helping to Stabilize Local Communities

Fig. 5 Foreclosures in Smith Hill, Providence



 Foreclosures rehabilitated with help of BHRI  Other foreclosures

When voters overwhelmingly passed a \$50 million affordable housing bond in 2006, it was hard to imagine the foreclosure crisis to come or how those bond dollars would help in easing the crisis. The state's Building Homes Rhode Island program has been instrumental in stabilizing communities from the effects of foreclosures by assisting in the purchase and rehabilitation of foreclosed properties throughout the state.

About \$19 million of Building Homes Rhode Island funds were used to create over 530 long-term affordable rental and 40 ownership homes out of what were once foreclosed units.

As seen in last year's special report, the Smith Hill Community Development Corporation's Vision II project is an example of how public investment in long-term affordable housing can stabilize a neighborhood from the blight of foreclosures and build pathways to prosperity.

The Smith Hill CDC is working to convert 19 empty houses, 18 of which were previously foreclosed, into 52 two-, three- and four-bedroom apartments. Some of the properties will be owner-occupied multi-family homes, offering eligible buyers the opportunity to earn rental income to supplement their earned income. To date, 31 homes have been completed and are currently occupied.

The \$12.4 million project received \$2.5 million from the state's Building Homes Rhode Island program and has supported between 175 and 200 workers.



Homes rehabilitated by the Smith Hill Community Development Corporation as part of the Visions II development.

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Helping to Ease Rhode Island's Crisis

The state's investment in the development of long-term affordable homes is just one strategy working to stabilize Rhode Island's housing market and economy. For every actual foreclosure deed filed, another two mortgages are at risk of foreclosure.⁶ Below are efforts happening at the national level that can help ease the crisis locally.

Hardest Hit Fund Rhode Island – helping distressed homeowners avoid foreclosure

The Hardest Hit Fund is a federal program intended to prevent avoidable foreclosures by helping homeowners who are temporarily unable to make their mortgage payments. Rhode Island Housing was designated by the U.S. Treasury to oversee funding of the program and to help those at risk of losing their home due to a hardship such as job loss or underemployment.

HHFRI is intended for homeowners who have a documented financial hardship and have exhausted all options. Generally, assistance is available up to \$25,000 and in special circumstances up to \$50,000 per family to help make mortgage payments and avoid foreclosure. Funds are paid on behalf of the homeowner directly to lenders for mortgage payments or to third parties for obligations such as property taxes. These HHFRI payments are intended to complement existing federal and lender programs.

Over 1,600 Rhode Island families have been approved for more than \$23 million in foreclosure-prevention funds.⁷ HHFRI has assisted Rhode Islanders in every county, but not surprisingly, the majority of program participants through December 2011 come from Providence and Kent counties. 65 percent of those seeking assistance through HHFRI claimed the hardship of unemployment.⁸

Mortgage Foreclosure Settlement – more help for loan modifications and underwater homeowners

In February, the nation's five largest mortgage service providers agreed to a landmark foreclosure settlement for foreclosure abuses and mortgage servicing practices. Rhode Island's Attorney General Peter F. Kilmartin, along with 48 other state attorneys general and U.S. Attorney General Eric Holder, agreed to the \$25 billion settlement which translates to an estimated \$172 million in relief for Rhode Island homeowners.

The bulk of that money, over \$152 million, comes in the form of loan modifications for Rhode Island borrowers including principal reduction and lower interest rates. Another \$3 million would go to Rhode Island borrowers who lost their homes to foreclosure from 2008 through 2011 and suffered servicing abuses. The state will receive a direct payment of approximately \$8.6 million to help fund consumer protection and state foreclosure protection efforts.

While these dollars do not assist in the redevelopment of foreclosed properties, the settlement does offer Rhode Island's distressed borrowers the opportunity to refinance their loans. Many housing experts agree that writing down balances for "underwater" homeowners is a key strategy to limiting foreclosures.

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References & Endnotes

- ¹ Mortgage Bankers Association, National Delinquency Surveys 2007-2011
- ² Mortgage Bankers Association, National Delinquency Survey Q4 2011
- ³ HousingWorks RI's analysis of The Warren Group data
- ⁴ Mortgage Bankers Association, National Delinquency Survey Q4 2010 and Q4 2011
- ⁵ HousingWorks RI's analysis of The Warren Group data
- ⁶ Rhode Island Housing's analysis of The Warren Group initiations data, Board of Directors Report, March 2012
- ⁷ Rhode Island Housing, through March 2012
- ⁸ Ibid.
- ⁹ HousingWorks RI, Issue Brief: Rental Housing in Rhode Island, Winter 2011

HousingWorks RI is a coalition working to ensure that all Rhode Islanders have a quality, affordable home—an essential component of our state's economy. HousingWorks RI taps the talents, experience, information, and energies of more than 140 members including banks, builders, chambers of commerce, colleges, community-based agencies and advocates, faith groups, manufacturers, preservationists, realtors, municipal officials, and unions.

HousingWorks RI's vision is a state with communities that embrace a variety of housing choices so Rhode Islanders, regardless of income, can live in quality, affordable homes in vibrant and thriving neighborhoods.

This report made possible with funding from The Rhode Island Foundation, Rhode Island Housing, The United Way of Rhode Island, Bank of America, and Webster Bank.

Conclusion

Rhode Island enjoys a unique position in the nation's landscape as the smallest state in the country, and the ability to make an impact is much greater than its physical scale. The foreclosure crisis has highlighted how linked the state's economy is to its housing market. Persistent high unemployment numbers only exacerbate the problem.

The high rates of multifamily foreclosures in the state have resulted in the rental housing market becoming one of the most vulnerable segments of our economy. 40 percent of Rhode Islanders rent their homes and 1 in 4 of those renters are extremely cost burdened, spending more than 50 percent of their income on housing expenses.⁹

Other states are taking decisive actions to grow their supply of long-term affordable rental homes. For example, in Massachusetts, the Governor's FY 2013 budget recommends spending almost \$375 million on housing programs, an increase of more than \$25 million over current spending in FY 2012. In Connecticut, the Governor recently announced that he is substantially increasing the state's commitment to affordable housing as a driver for economic growth, bringing that state's total commitment to nearly \$500 million over the next ten years.

For Rhode Island to remain truly competitive in attracting and retaining businesses and growing a vibrant workforce, the state must elevate long-term affordable housing into its overall economic development strategy and develop a consistent funding policy for long-term affordable housing development and operation. The \$25 million housing bond included in the Governor's FY2013 budget is a first step, but lawmakers must consider a \$50 million housing bond in order to maintain the success of the state's Building Homes Rhode Island program. Investment in affordable housing programs will help the state emerge from the foreclosure crisis economically stronger.

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