

# Special Report

## Foreclosures in Rhode Island

WINTER 2011



HousEART at 16 Bernon Street, Providence by artist Lydia Stein



HousEART at 515 Chalkstone Avenue, Providence by artist Lynn Harlow

The foreclosure crisis is a persistent problem for the Ocean State. **Through the fourth quarter of 2010, Rhode Island continued to rank highest in New England in both foreclosure starts and serious delinquencies.**<sup>1</sup>

Over the last two years, **the foreclosure crisis has affected an average of 13,750 Rhode Island home-owning families every quarter**, either through foreclosure or serious delinquency. This translates into roughly one in every 10 mortgaged homeowners in our state.<sup>2</sup>

**Every Rhode Island household and community suffers from our foreclosure crisis:**

- Homes within a 300-foot radius of a foreclosed property lose up to 1% of their value,<sup>3</sup> totaling **up to \$5.6 billion in lost wealth for Rhode Island families over just the last two years.**<sup>4</sup> Most of these families rely on their homes as a principal source of equity.
- A foreclosure **dramatically erodes the tax base**, adding to intense pressure on municipalities to raise taxes on other property owners.<sup>5</sup>
- A foreclosure **creates new municipal costs**—as much as \$34,000 for a single property.<sup>6</sup>

In this second special report on foreclosures in Rhode Island, HousingWorks RI delves deeper by looking at the number of foreclosures in each of Rhode Island's 39 cities and towns and the negative impact these foreclosures have on our communities.

## SPECIAL REPORT: FORECLOSURES IN RHODE ISLAND

## Introduction – How We Got Here

The severe undersupply of affordable homes in the Ocean State made Rhode Island susceptible to the current foreclosure crisis. Increased home prices, coupled with a decreased supply of affordable homes, reduced family incomes and increased lending, resulted in increasingly risky behavior on the part of mortgage lenders and borrowers, particularly in the subprime market.<sup>7</sup>

Rhode Island's home prices began to increase dramatically after the year 2000. **Between the first quarter of 2000 and the first quarter of 2006 home prices increased at the steepest rate in the state's history,<sup>8</sup> with an average increase of almost 21% just in 2003—the highest in the United States that year.** This rapid rise in home prices, up to twice the increase in other New England states, contributed to the severe shortage of homes that our working families could afford.

At the same time the supply of new housing stock was not keeping pace with our New England neighbors. **In fact, Rhode Island ranked as the state with the lowest rate of housing production in the United States between 2000 and 2008.<sup>9</sup>** The lagging supply of homes further fueled the appreciation of housing prices here.

Between 2000 and 2006, Rhode Island experienced a decline in its median wage—the only state in New England to do so.<sup>10</sup> Despite the decrease in wages, the amount our working families could borrow for a home mortgage increased dramatically. By 2006, prospective homeowners could readily borrow up to nine times their stated income, with little or no down payment required.<sup>11</sup>

The resulting explosion in risky borrowing contributed to the artificial ballooning of house prices we now recognize as a housing bubble.<sup>12</sup> The more money people could borrow, the higher home prices rose, continuing to fuel the need to borrow even more—at even greater risk. **This vicious cycle in the housing market created the “illusion of affordability.”** Even though the inadequate supply of long-term affordable homes made the Ocean State ripe for subprime lending, the deep economic recession exacerbated the so-called “subprime” crisis. After the original surge of subprime foreclosures and adjustable rate mortgage (ARM) resets, prime mortgage foreclosures due to income loss and unemployment continue to plague our state.

### The Cycle of Unaffordability Fueled by Subprime Lending



Foreclosed home on Hope Street, Woonsocket, acquired for rehabilitation by NeighborWorks® Blackstone River Valley



Architect's rendering of Hope Street home after rehabilitation partially funded through Building Homes Rhode Island.

## SPECIAL REPORT: FORECLOSURES IN RHODE ISLAND

## So Where are We Now?

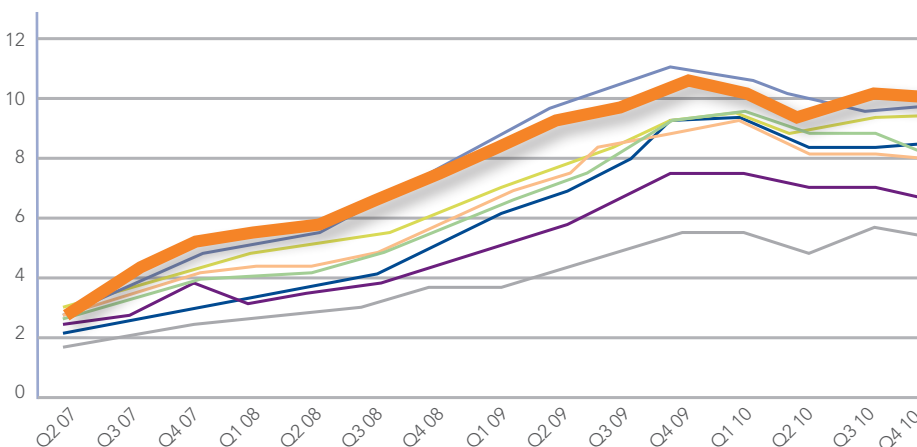
In this report, we look at the number of residential foreclosure and mortgagee deeds filed in each of Rhode Island's cities and towns. Our 24-month analysis, from January 2009 through December 2010, provides our first-ever picture of how these foreclosures are impacting each of our municipalities as well as our state as a whole.

**Rhode Island continues to rank as the state with the highest rate of foreclosures and serious delinquencies in New England, with over 13,300 mortgages either in the foreclosure process or more than 90 days delinquent during the fourth quarter of 2010<sup>13</sup>—20% higher than Massachusetts, 17% more than Connecticut, 34% more than New Hampshire, 7% higher than Maine, and almost double Vermont's rate.<sup>14</sup> Rhode Island was among the 10 states in the country with the highest rates of foreclosure starts.<sup>15</sup>**

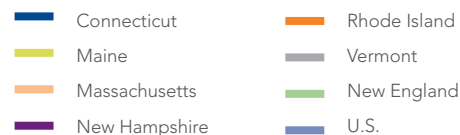
### Combined % of Foreclosure Initiations & Seriously Delinquent Loans

All Loans

Rhode Island and New England (Q2 07-Q4 10)



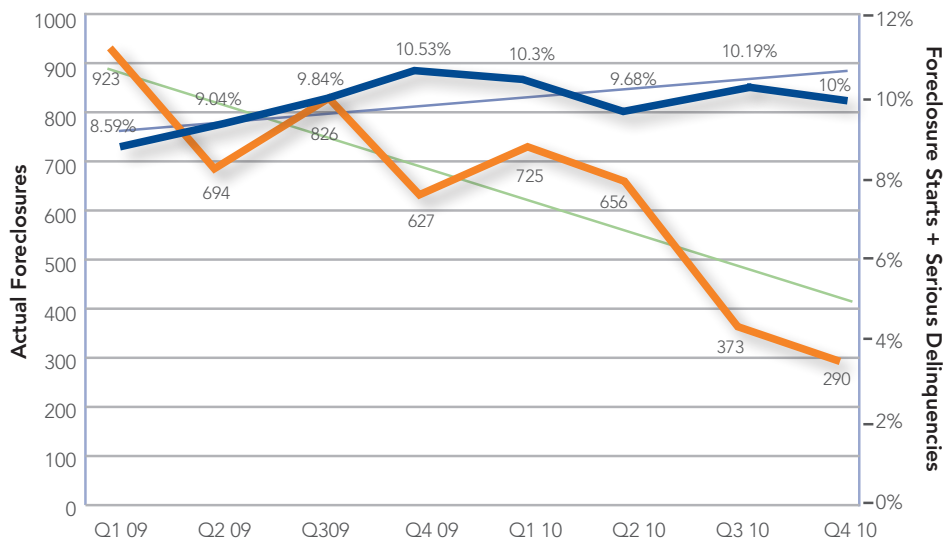
Source: Mortgage Bankers Association, National Delinquency Survey



### Actual Foreclosures\* & Mortgage Delinquencies

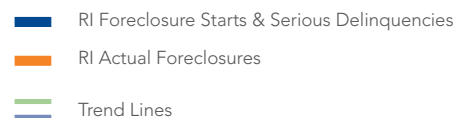
All Loans

Rhode Island (Q2 07-Q4 10)



Source: HousingWorks RI analysis of The Warren Group data; Mortgage Bankers Association

In 2009 alone, there were 2,852 residential foreclosures filed in Rhode Island, averaging 238 per month. During 2010 there were 1,886 residential foreclosure deeds filed, averaging 157 per month. The number of Rhode Island mortgages considered seriously delinquent dropped slightly in the fourth quarter of 2010.



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

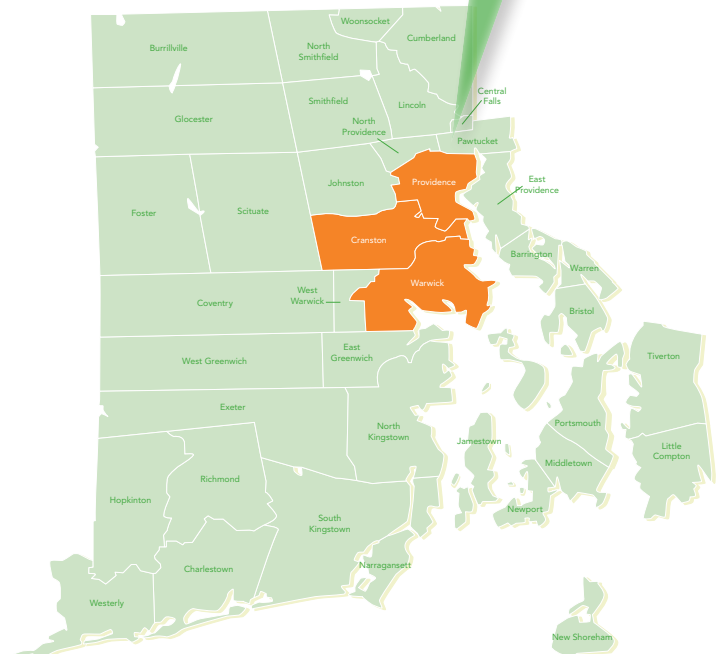
## SPECIAL REPORT: FORECLOSURES IN RHODE ISLAND

## So Where are We Now? (cont.)

In the two years from January 2009 through December 2010 there were a total of **4,738 actual foreclosures\* filed in Rhode Island**.<sup>16</sup> Residential foreclosures include single-family homes, condominiums, and multi-family properties. Single-family homes accounted for 57.7% of all Rhode Island foreclosures, for a total of 2,732 homes. Condominiums represented Rhode Island's smallest share of foreclosed homes with 338 condominium foreclosures representing 7.1% of the state's total. Multi-family properties accounted for 35.2% of all residential foreclosures, for a total of 1,668 properties.

### single-family foreclosures

The top three communities for single-family foreclosures were **Warwick with 486, Providence with 351, and Cranston with 216.**



### multi-family foreclosures

Multi-family foreclosures represented the majority of foreclosures in Providence, Woonsocket, and Central Falls, and contributed to more than 25% of foreclosure activity in Cranston, Pawtucket and West Warwick. These six cities accounted for 85% of the state's total of multi-family foreclosures over the past two years, representing **1,416 properties**.

**"As the nation struggles against the fallout from the mortgage crisis, now is a good time to develop initiatives that would transform the large inventory of foreclosed properties into the next generation of affordable rental housing."**

- Harvard's Joint Center for Housing Studies, *America's Rental Housing: The Key to a Balanced National Policy*, 2008.

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

## SPECIAL REPORT: FORECLOSURES IN RHODE ISLAND

Historically, multi-family properties have been particularly vulnerable to boom-and-bust cycles. In Rhode Island, like other areas, multi-family properties appreciated and also depreciated at a higher rate than single-family homes.

## Median Home Prices

Historical Rhode Island Single Family and Multi-Family Median Home Prices



Source: HousingWorks RI analysis of RI Association of Realtors statistics

### Why are foreclosed properties so hard to buy: Sylvia and Marco's Story\*

Sylvia is a retail salesperson and her husband Marco is a customer service representative. With a budget of \$175,000, they are looking to purchase their first home with their two children.

Sylvia and Marco set out to buy a foreclosed property hoping to score a deal. The couple scour the public notice section of their local newspaper and find a three-bedroom home up for auction. They are prepared and bring the \$5,000 needed to place a bid, but the starting bid is higher than they expected—the bank has bid the outstanding mortgage in an effort to recoup its losses.

Sylvia and Marco continue their search, but opt to purchase a property from a bank owned, or REO, transaction. They tour multiple properties, but are discouraged with the damage done to each of the homes. Holes in walls, cut electrical wires, copper plumbing completely removed, and lead paint put them over budget with renovation costs.

They finally find a property with manageable renovations, but a title search discloses a \$7,000 lien on the property for outstanding property taxes. Sylvia and Marco would have to pay off the debt as part of their purchase. Sylvia and Marco learn of an Affordable Home for sale in their neighborhood in pristine condition that is well within their budget. They begin the application process with the local Community Development Corporation selling the home.

|                | BUDGET FOR FORECLOSED PROPERTY | BUDGET FOR AFFORDABLE HOME |
|----------------|--------------------------------|----------------------------|
| Purchase Price | \$150,000                      | \$164,000                  |
| Closing Costs  | \$4,500                        | \$4,900                    |
| Lien on Title  | \$7,000                        | \$0                        |
| Renovations    | \$25,000                       | \$N/A                      |
| <b>Total</b>   | <b>\$186,500</b>               | <b>\$168,900</b>           |

\*Based on Housing Network of Rhode Island curriculum


**SPECIAL REPORT: FORECLOSURES IN RHODE ISLAND**

Actual foreclosures\* in 15 of Rhode Island's 39 cities and towns accounted for over 86% of all foreclosures in our state. The communities of Providence, Warwick, Cranston and Pawtucket

**City/Town Actual Foreclosures, 24 Months (January 2009 - December 2010)**

| City/Town        | Total Foreclosures | Single Family | Condominium | Multi-Family |
|------------------|--------------------|---------------|-------------|--------------|
| Providence       | 1213               | 351           | 46          | 816          |
| Warwick          | 556                | 486           | 27          | 43           |
| Pawtucket        | 429                | 193           | 25          | 211          |
| Cranston         | 315                | 216           | 16          | 83           |
| Woonsocket       | 299                | 123           | 17          | 159          |
| North Providence | 215                | 117           | 64          | 34           |
| Johnston         | 189                | 140           | 20          | 29           |
| West Warwick     | 183                | 108           | 22          | 53           |
| Coventry         | 147                | 130           | 7           | 10           |
| East Providence  | 124                | 104           | 3           | 17           |
| Central Falls    | 117                | 17            | 6           | 94           |
| Cumberland       | 90                 | 75            | 2           | 13           |
| Lincoln          | 85                 | 46            | 14          | 25           |
| Westerly         | 67                 | 51            | 7           | 9            |
| Burrillville     | 61                 | 41            | 9           | 11           |
| South Kingstown  | 58                 | 55            | 2           | 1            |
| North Kingstown  | 53                 | 46            | 1           | 6            |
| Smithfield       | 52                 | 35            | 11          | 6            |
| Newport          | 50                 | 16            | 18          | 16           |
| Tiverton         | 39                 | 36            | 2           | 1            |

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


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represent the top four communities affected by the crisis, with over 53% of all foreclosure deeds filed during this time period.

| City/Town        | Total Foreclosures | Single Family | Condominium | Multi-Family |
|------------------|--------------------|---------------|-------------|--------------|
| Glocester        | 37                 | 35            | 0           | 2            |
| Narragansett     | 34                 | 28            | 4           | 2            |
| Portsmouth       | 32                 | 29            | 1           | 2            |
| North Smithfield | 29                 | 24            | 2           | 3            |
| Bristol          | 27                 | 19            | 4           | 4            |
| Scituate         | 26                 | 25            | 0           | 1            |
| Hopkinton        | 24                 | 24            | 0           | 0            |
| West Greenwich   | 24                 | 23            | 0           | 1            |
| Barrington       | 22                 | 20            | 0           | 2            |
| East Greenwich   | 22                 | 18            | 2           | 2            |
| Warren           | 22                 | 12            | 2           | 8            |
| Middletown       | 19                 | 16            | 1           | 2            |
| Richmond         | 19                 | 16            | 1           | 2            |
| Charlestown      | 14                 | 14            | 0           | 0            |
| Exeter           | 14                 | 14            | 0           | 0            |
| Foster           | 13                 | 13            | 0           | 0            |
| Little Compton   | 11                 | 11            | 0           | 0            |
| Jamestown        | 5                  | 5             | 0           | 0            |
| Block Island     | 2                  | 0             | 2           | 0            |
| Total            | 4,738              | 2,732         | 338         | 1,668        |

## SPECIAL REPORT: FORECLOSURES IN RHODE ISLAND

## The Impacts of Foreclosures

Foreclosures exert downward pressure on home prices.<sup>17</sup>

**Research by The Federal Reserve Banks of Boston and Atlanta also confirms that foreclosures reduce the value of nearby properties.**<sup>18</sup> Despite consensus of the negative effect of foreclosures, research to quantify foreclosure's costs has varied. A widely accepted study analyzing Chicago property data estimated that a nearby foreclosure could negatively impact home sales by as much as 0.9%.<sup>19</sup> This has been supported by a current working paper to be published in the *American Economic Review*. The paper analyzed 1.8 million home sales between 1987-2009 in Massachusetts, and estimates that a foreclosure decreases a property value by as much as 27% and has a negative spillover effect on nearby properties of up to 1%.<sup>20</sup>

Because of variation in these studies and others, the Center for Responsible Lending suggests a conservative estimate of 0.744% decline in property value for a home within 1/8 mile of a foreclosure. Using census tract data and foreclosure estimates through 2012 to calculate the effect of the crisis, **the average decline in value for 331,175 homes in Rhode Island will be \$13,745 through 2012, for a total loss of \$5.624 billion in lost home value statewide.**<sup>21</sup>

### Impact on Municipalities

**Foreclosures decrease municipal revenue from an eroding tax base while increasing expenditures due to the need for additional services.**

A cluster of foreclosures leads to direct long-term municipal costs for enhanced property maintenance, trash collection fees, and added police and fire protection. Using the City of Chicago as an example, William Apgar and Mark Duda worked to document such municipal costs of foreclosures. Their study adds up direct costs to cities and towns in 26 separate categories, with total municipal expenditures ranging from \$430 annually to greater than \$34,000. (See right chart.)<sup>22</sup>

Roughly two-thirds of total local revenues in Rhode Island are generated through the property tax.<sup>23</sup> This leaves municipalities vulnerable to decreased revenue associated with decreased property values.

The average decline in value for 331,175 homes in Rhode Island will be \$13,745 through 2012, for a total loss of \$5.624 billion in spillover effects.

Facing declining revenue with increased expenditures could force municipalities to either cut services or increase taxes. Ultimately, decreased tax bases could also result in increased municipal borrowing costs if bond markets begin to question a municipality's ability to repay debt given a declining tax base.<sup>24</sup>

### Estimated Municipal Costs of Foreclosures

#### Scenario A / \$430

↳ Vacant property secured by its owner.

#### Scenario B / \$5,380

↳ Vacant property secured by the municipality and slated for conservation.

#### Scenario C / \$12,425

↳ Vacant property secured by the municipality and slated for demolition.

#### Scenario D / \$19,227

↳ Abandoned property prior to the completion of the foreclosure process, resulting in unpaid taxes and utilities.

#### Scenario E / \$34,199

↳ Abandoned property prior to the completion of the foreclosure process, resulting in building demolition.

Source: Apgar, W. and Duda, M. *Collateral Damage: The Municipal Impact of Today's Foreclosure Boom* (2005)

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## Impact on Homeowners and Renters

As the majority of housing in many of the state's suburban and rural communities, single-family homes are an important component of a stable economy. The loss of value resulting from a single foreclosure can have a devastating impact on neighboring homeowners. Declines in property values effectively trap many current owners in their homes that are worth less than their mortgages. **In Rhode Island it is estimated that 1 in 5 homeowners are currently "underwater" with their mortgages, meaning they owe more on their mortgage than the value of their home.**<sup>25</sup>

Rhode Island's foreclosure crisis is different than that in other states because of the significant share of multi-family properties affected in the state's urban communities. Rhode Island's communities contain a significant share of properties made up of duplexes, three-unit flats, and larger apartment complexes. Over 35% of all Rhode Island foreclosures between 2009 and 2010 were multi-family homes that form the bulk of rental housing in many communities.

The foreclosure of a multi-family property typically leaves renters of that property with the threat of eviction. For every homeowner who loses his or her home to foreclosure, an average of 2 to 3 families living in multi-family homes also find themselves without shelter. Of the 1,668 multi-family properties foreclosed from January 2009 through December 2010, 777 were two-unit properties, 636 were three-unit properties, and 255 were apartment buildings. **In all, it is estimated between 4,000 to 4,500 renters were affected during that 24-month period.**<sup>26</sup>

Given the continued decline in property values, it is tempting to assume that the foreclosure crisis has effectively helped to solve Rhode Island's lack of affordable homes. However, the increased demand for rental homes coupled with a decreased supply has made the affordable housing crisis in Rhode Island much worse. In fact, U.S. Census Bureau's 2009 American Community Survey data estimates that 49% of Rhode Island renters are cost-burdened, spending more than 30% of their incomes on housing expenses.

**Almost half of Rhode Island renters are paying more than 30% of their incomes on housing related expenses.**



## Visions II - A Providence Success Story

With foreclosures forcing residents from homes and the number of vacant houses increasing, the Smith Hill Community Development Corporation knew they needed to take action to ease the negative impact of foreclosures on their community. The result is Visions II, an aggressive redevelopment of the Smith Hill neighborhood.

The 18-month, \$12.4 million project which included \$2.5 million in Building Homes Rhode Island funds is converting 19 empty houses into 52 two-, three- and four-bedroom apartments.

"By putting the neighborhood houses in the worst physical shape back on-line, we will not only be improving the overall housing stock, but the project will, we believe, have a multiplier effect for the entire community," said Smith Hill CDC project manager Christian Caldarone.

An important component of Visions II supports the creation of more owner-occupied multi-family homes in the Smith Hill neighborhood. The Smith Hill CDC is targeting some of the properties for eligible buyers who will live in the multi-family homes while earning rental income from the other apartments in their building.

"These owner-occupied multi-family homes will bring homeowners to the neighborhood and also allow the accumulation of intergenerational wealth," Caldarone said. "By using rental income to supplement a family's earned income, more money can be saved and passed down, which allows a pathway to prosperity."

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## Helping to ease Rhode Island's crisis

It is clear that the impact of the foreclosure crisis runs deep, but there are programs working in Rhode Island to help some families and communities avoid the worst effects. In a few places, strategic investments have helped families to avoid foreclosure. Redeveloping properties that have already been foreclosed is proving to be a successful approach in easing the negative impact of the crisis.



### Building Homes Rhode Island: \$50 million in state funding

It has been just over four years since the majority of Rhode Island voters approved a \$50 million bond to create affordable apartments and starter homes throughout the state. The state's Housing Resources Commission is the state agency charged with the distribution of \$12.5 million a year for four years through the Building Homes Rhode Island (BHRI) program. All BHRI moneys will be fully spent by July 2011 and it is expected that over 1,000 affordable homes in 31 Rhode Island communities will have been built with BHRI dollars.

In particular, BHRI dollars helped to stabilize communities from the effects of foreclosures by assisting in the purchase and rehabilitation of foreclosed properties in the Ocean State. During its first three years, BHRI has awarded nearly \$22 million to rehabilitate and turn 440 foreclosed or dilapidated units into quality affordable homes throughout the state.

HousingWorks RI studied the economic impact\* of BHRI and found that the \$37.5 million invested in the first three years of the program offered a return of \$15.80 per \$1 invested, generating \$600 million in total economic activity. Further, construction activity supported by BHRI has accounted for 48 percent of the total estimated cost of residential construction permitted in Rhode Island from 2007 to 2009.<sup>27</sup>

In Rhode Island, construction and real estate industries have consistently accounted for about one fifth of our gross state product, and one in every 10 jobs in our state belongs to one of these two industries.<sup>28</sup> It is estimated that the entire \$50 million of bond moneys will support more than 6,100 jobs throughout Rhode Island, with over 3,000 jobs in the construction sector alone.



Cherry Street, Pawtucket home rehabilitated by Pawtucket Citizens Development Corporation, partially funded by BHRI.

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\* For methodology and more information about BHRI's impact on Rhode Island's economy, please see our Special Report: Measuring the Economic Impact of Affordable Housing in RI, available at [www.HousingWorksRI.org](http://www.HousingWorksRI.org)

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**Neighborhood Stabilization Program: \$25.9 million in federal funding for redevelopment**

Distressed properties don't have to result in blighted neighborhoods, and thanks to the federal Neighborhood Stabilization Program (NSP), many foreclosed properties in Rhode Island are being transformed into homes that our families can afford. NSP funding allows states and local governments to acquire land and property; to demolish or rehabilitate abandoned properties; and/or to offer down payment and closing cost assistance to low to moderate-income homebuyers.

In Rhode Island, funding through the first and third rounds of NSP is making a significant impact on lives of Rhode Island families. In NSP1, the Rhode Island Office of Housing and Community Development, in partnership with Rhode Island Housing, received a total of \$19.6 million to target 11 communities that have been hardest hit by foreclosures. Of the \$6.3 million granted to Rhode Island in NSP3, \$1,309,231 was granted to the City of Providence, with the remainder to be used statewide.

You can look at Rhode Island's plan for this ambitious federal program and follow its progress on the Housing Resources Commission's website—[www.hrc.ri.gov](http://www.hrc.ri.gov).

**Hardest Hit Fund Rhode Island: \$80 million in federal funding for distressed homeowners to avoid foreclosure**

Unlike funding directed to the development of affordable homes, 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. In 2010, the U.S. Treasury made \$80 million available to Rhode Islanders to help those at risk of losing their homes due to a hardship such as job loss or underemployment. Rhode Island Housing was designated by the Treasury to oversee the funding and officially launched the Hardest Hit Fund Rhode Island (HHFRI) in December 2010.

HHFRI is intended for homeowners who have a documented financial hardship, and have exhausted all options to maintain mortgage payments and avoid foreclosure. The amount of assistance varies depending on need. Assistance generally ranges from \$4,000 to \$8,000 per family, however, the 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.

For more information visit [www.hhfri.org](http://www.hhfri.org).

**HousEART**

The **HousEART** featured in this report is a community-wide transformative art project in the Smith Hill neighborhood of Providence. The program connects artists with community volunteers to bring life and color to foreclosed, vacant houses and celebrate the positive changes that are soon to take place through redevelopment. For a better look at the **HousEART** program, visit the Smith Hill Community Development Corporation website at: [www.smithhillcdc.org/artproject](http://www.smithhillcdc.org/artproject)

**HousEART** at 9 Osborn Street, Providence by artist Michelle Peckham



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## References &amp; Endnotes

- <sup>1</sup> Mortgage Bankers Association, National Delinquency Survey, Third Quarter, 2010
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- <sup>3</sup> Campbell, John, Stefano Giglio, and Parag Pathak, Forced Sales and House Prices, December 2009, pp 20-21
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- <sup>5</sup> Apgar, William C. and Mark Duda, Collateral Damage: The Municipal Impact of Today's Foreclosure Boom, Homeownership Preservation Foundation, May 11, 2005. pp 10-15
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- <sup>7</sup> HousingWorks RI, Special Report: Foreclosures in Rhode Island, Winter 2010
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- <sup>11</sup> Tilson, Whitney, An Overview of the Housing and Economic Crisis—and Why There Is More Pain to Come, February 2010, p 11
- <sup>12</sup> Carr, James, Responding to the Foreclosure Crisis, National Community Reinvestment Coalition, Testimony to the United States House of Representatives, January 2008
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- <sup>19</sup> Immergluck, Dan and Geoff Smith, There Goes the Neighborhood: The Effect of Single-Family Mortgage Foreclosures on Property Values, The Woodstock Institute, June 2005, p 9
- <sup>20</sup> Campbell et al., op. cit.
- <sup>21</sup> Center, op. cit.
- <sup>22</sup> Apgar and Duda, op. cit.
- <sup>23</sup> State of Rhode Island Division of Municipal Finance, Municipal Budget Survey, Fiscal Year 2010
- <sup>24</sup> State of Connecticut Office of Legislative Research, Effects of Foreclosure Crisis in Connecticut, 2010-R-0019, February 16, 2010
- <sup>25</sup> CoreLogic, Data Shows Third Consecutive Quarterly Decline in Negative Equity, December 13, 2010
- <sup>26</sup> HousingWorks RI and Rhode Island Housing's analysis of foreclosure and mortgagee deed filings in Rhode Island
- <sup>27</sup> Construction Statistics, op. cit.
- <sup>28</sup> Federal Reserve Bank of Boston

## Conclusions

If Rhode Island is to build a strong and diversified economy, our policymakers must invest in strategies that will ensure a long-term supply of affordable homes, like Building Homes Rhode Island and the Neighborhood Opportunities Program. It is clear that the housing crisis has played a key role in Rhode Island's current economic recession. Likewise, programs working to mitigate the impact of foreclosures will benefit the state's economy while simultaneously increasing the supply of affordable homes.

Rhode Island is one of nine states with no dedicated stream of funding for affordable housing. For Rhode Island to remain truly competitive in attracting and retaining businesses and talented young people, the state must establish a permanent funding stream for the development of affordable homes. Without consistent investments in the development of affordable homes, Rhode Island remains vulnerable to instabilities in the housing market and ensuing problems such as the foreclosure crisis.

The foreclosure crisis cannot be fixed overnight. It requires long-term solutions. There are proven approaches already working in Rhode Island. It would be shortsighted not to support successful housing programs in an attempt to balance the State's budget deficit. Policymakers looking for the best path to economic recovery should look to the development of affordable homes—which has proven to be key to long-term economic development and market stability.

**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.

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**HousingWorksRI**   
Quality affordable homes for all

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