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Foreclosure Trends in Iowa, 2006 to 2012

Jerry Anthony
Housing Policy Program
University of Iowa Public Policy Center

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Introduction

This brief report provides an overview of the national foreclosure crisis and its manifestation in the state of Iowa between 2006 and 2012. The report is structured in three parts. The first part is a brief description of the foreclosure crisis at the national level. The second part describes the impacts of this national crisis in the state of Iowa, and spatial variations in foreclosure activity. The third part of the report describes crisis management and mitigation efforts in the state.

National Trends

Between 2006 and 2008, the U.S. experienced the largest housing market collapse since the Great Depression. This collapse triggered the Great Recession of 2007-09, that in turn further deepened the housing crisis. By the fourth quarter of 2009, the mortgage delinquency rate in the US was almost seven percent; much higher than the long-term pre-collapse average of less than two percent. Between January 2007 and December 2011, over four million home foreclosures were completed nationwide. Between 2006 and 2011, home values declined for 53 consecutive months and home prices dropped by over 26%, both numbers exceeding what was experienced during the Great Depression.[1] Across the nation in the fourth quarter of 2012, about 13.8 million homeowners with a mortgage were "underwater" with a collective negative equity of about $1 trillion. At year-end 2013, about 3 million borrowers were behind on their mortgage payments, and 1.24 million in various stages of the foreclosure process.[2] Many homes are still underwater, and therefore at higher risk of foreclosure; in fact, in December 2013, 9.3 million properties, or about a fifth of all homes in the country, were reported to be "deeply underwater" (i.e., borrowers owed at least 25% more on the mortgage than the home was worth).[3]

Fortunately, in mid-year 2014, it seems fairly clear that both the US economy and the housing markets are rebounding from the Great Recession. The Dow Jones Industrial Average has risen over 3,000 points in two years -- from 13,100 in March 2012 to 16,300 in March 2014, and has remained at or near the 16,000 mark ever since. The national unemployment rate fell from a high value of 10.0% in October 2009 to 6.75% in February 2014, and continues to decline. The number of completed foreclosures in the U.S. dropped significantly between 2012 and 2013 – from 820,498 to 620,111.[4] Home prices have risen steadily between 2013 and 2014; between April 2013 and April 2014, home prices rose in every state in the country. While the average home price increase nationally over this period was 10.5%, several states (such as California and Nevada) posted much higher price increases.[5]

1 Al Yoon. Home price drops exceed Great Depression. Reuters New Service. January 11, 2011. http://www.reuters.com/article/2011/01/11/us-usa-housing-prices-idUSTRE70961E20110111?source=patrick.net#fixedpanelContainer .

2 Diana Olick. Foreclosures could rise if Congress doesn't help. CNBC. February 10, 2014. http://www.cnbc.com/id/101403655 .

3 Lee Christie. Foreclosures hit six-year low in 2013. CNN Money. January 16, 2014. http://money.cnn.com/2014/01/16/real_estate/foreclosure-crisis/ .

4 Core Logic. National Foreclosure Report. January 2014. http://nationalmortgageprofessional.com/news46579/foreclosure-inventory-drops-more-30-percent-year-over-year-december

5 The Associated Press. U.S. home prices rise 10.5 percent in April, but pace slows. June 3, 2014. http://www.newsday.com/classifieds/real-estate/u-s-home-prices-rise-10-5-percent-in-april-but-pace-slows-1.8318637

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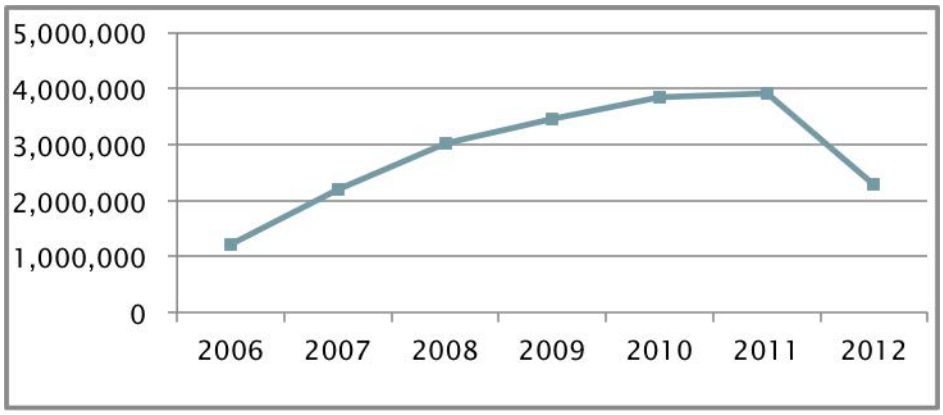
Figure 1: National trends in foreclosure filings



Effects of the foreclosure crisis

Even though the nation is now recovering from the foreclosure crisis, the devastating damage inflicted by the foreclosure crisis is far from over. Foreclosure has significant negative effects on families, municipalities and local economies. For families that lose homes through foreclosure first there is the loss of shelter and loss of home equity (which for over 80% of U.S. households is the largest, and often the only, source of wealth). Nationally, 10.9 million homes went into foreclosure from 2007 through 2011, resulting in the loss of $7 trillion in home equity.[6] Additionally, there is also a social stigma associated with foreclosure; a forced transition to financially unsustainable, less-desirable or temporary housing; long-term negative impacts on credit scores and future access to credit; and the psychological trauma of the event for all family members. Finally, for school-aged children in families experiencing foreclosure, there is likely a disruption of schooling or relocation to a new school.

The property value-deflating effect of a foreclosure engulfs neighboring properties not in foreclosure by causing equity erosions through contagion. Over the past six years, nationally, families not in foreclosure proceedings themselves have lost an average of about $21,000 in home equity (and collectively about $1.95 trillion) by virtue of being in close proximity to foreclosed properties.[7] This contagion effect multiplies property tax revenue losses for local governments at a time when they incur increased costs from managing vacant properties.[8] While estimates of direct municipal revenue losses vary from city to city, one well-regarded study pegs it at about $5,000 per property facing foreclosure.[9]

The housing market collapse and the Great Recession have enduring impacts on housing affordability. A common measure of the lack of housing affordability is the number of households that are housing cost-

6 Debbie Gruenstein Bocian, Peter Smith and Wei Li, "Collateral Damage: The Spillover Costs of Foreclosures", Center for Responsible Lending (October 2012).
7 Ibid.
8 Debbie Gruenstein Bocian, Peter Smith and Wei Li, "Collateral Damage: The Spillover Costs of Foreclosures", Center for Responsible Lending (October 2012) p.2.
9 William Apgar, Mark Duda and Rochelle Gorey. 2005 The Municipal costs of Foreclosure: A Chicago case study. Homeownership Preservation Foundation, Minneapolis.

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burdened – that is, spend over 30% of their income for housing costs. Many households pay over 50% of their income for housing costs and are considered to be severely housing cost-burdened. While households that experience a job loss can expect to see a rise in their housing cost-burdens, the recent crisis has increased cost burdens of even those who retained employment. In 2008, 21.8% of households with adults with wage income were severely cost-burdened (i.e., paying over 50% of their income towards housing costs); by 2010, this percentage had increased to 23.6%. This includes renter and owner households; however, a greater percentage of renter households were severely cost – burdened both in 2008 and 2010 (22.8% in 2008 and 25.6% in 2010, as compared to 20.8% in 2008 and 21.6% in 2010 for owner households). [10] Fifty-eight percent of renters earning less than 30% AMI were cost-burdened compared to only 23% of owners at that income level. Likewise, 31% of renters below 50% AMI were severely cost-burdened while only 27% of owners were so distressed. While renters generally are more cost-burdened than owners, over the last few years rental costs have increased at a higher rate than owner costs while renter incomes decreased at a higher rate than owner incomes.[11] There was significant variation among the states in the number of housing cost-burdened working families, with 24 states experiencing significant increases in the proportion of severely cost-burdened families between 2008 and 2010[12], and eight states experiencing very little.

The housing crisis and the Great Recession have taken their toll on financial institutions. While the closure of several of the bigger financial institutions – such as Washington Mutual and Countrywide -- has attracted national media coverage, many small and medium-sized banks have also had to close. Between January 2007 and May 2013, 484 bank failures were recorded by the FDIC.[13] The year 2010 was the worst year for bank failures – 157 were recorded by the FDIC that year. Although the number of failed banks at the national level is decreasing (only 92 failed in 2011, 51 in 2012 and 14 in the first few months of 2013),[14] these failures highlight the enduring impacts of the crisis on the nation's financial infrastructure.

Foreclosure Trends in Iowa

The state of Iowa saw a small increase in mortgage delinquency and foreclosure activity in the early 2000s, as compared to the late 1990s. Delinquency and foreclosure activity rate in the state remained stable through the third quarter of 2006. After that Iowa began to feel the effects of the emerging national foreclosure crisis. [See Figure 2]. The percentage of all mortgages past due rose from about 4% of all mortgages serviced in 2006 (third quarter) to 7.3% in 2009 (fourth quarter). This ratio has fallen from its 2009 peak and in 2012 (third quarter) was at 5.24% -- still much

10 Center for Housing Policy. 2012. Housing Landscape 2012. Available at: http://www.nhc.org/media/files/Landscape2012.pdf. Accessed on May 3, 2013.
11 Ibid.
12 Ibid.
13 FDIC's failed bank list available at: http://www.fdic.gov/bank/individual/failed/banklist.html. Accessed on May 31, 2013.
14 Ibid.

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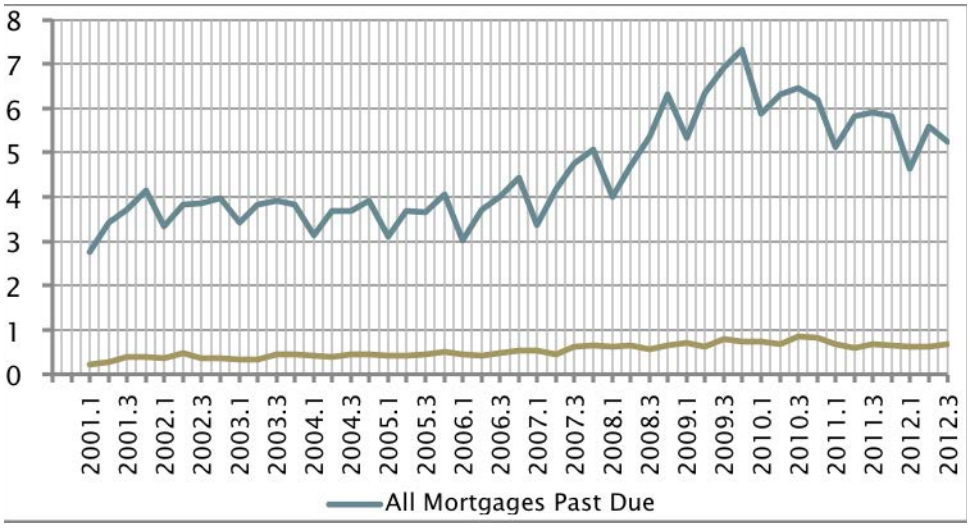
higher than levels in 2006. A similar trend can be seen in the number of foreclosure processes that were initiated – they went up from 0.47% of all mortgages in 2006 (third quarter) to a peak of 0.86% in 2010 (third quarter), and then declined to 0.67% in 2012 (third quarter). That said, there was one alarming development in the state: in 2006, the number of subprime loans that went into foreclosure climbed rapidly and in the first quarter of 2007, Iowa had the fourth largest number of subprime loans in foreclosure in the country.[15] Fortunately, by June 2009 the size of Iowa's subprime foreclosure inventory dropped to 26th in the nation.

Figure 2: Percentage of mortgages past due and foreclosures started in Iowa



Source: Proprietary quarterly delinquency data for Iowa from the Mortgage Bankers Association

In comparing foreclosure trends in Iowa with national trends, the similarities and differences are clear and hardly surprising. Foreclosure rates in the US rose dramatically from 2006 onward, rising from about 1.2 million that year and peaking at about 3.9 million in 2011. From the beginning of 2012, foreclosure rates have seen a steady decline. In Iowa new foreclosures increased from 0.54% in December 2006 to 0.64% by December 2008, a relatively modest increase compared to the national trend. They then increased sharply to a high value of 0.86% by October 2010, when nationally the foreclosure rate was slowly down. In a sense then, the peak of the foreclosure crisis hit Iowa a bit after the rest of the nation experienced it. Moreover, foreclosure trends in Iowa and the nation clearly differ in scale. In March 2008, when the housing crisis was well-established, Iowa had only one foreclosure for every 2,125 households at a time when the national average was one in 776. This foreclosure rate placed Iowa 28th among the 50 states in terms of normalized foreclosure rate.[16] Iowa's relatively modest foreclosure crisis is quite possibly because the state did not experience as big a housing

15 2007 National Delinquency Survey produced by the Mortgage Bankers Association.
16 Melinda Fulmer. 2008. Foreclosure rates across the US. Available at: http://realestate.msn.com/article.aspx?cp-documentid=13107798. Accessed on May 14, 2013.

boom in the early 2000s as many other states, nor experience as many faulty mortgage lending practices as most other states, or have as bad an economic recession as other states.

Trends in foreclosure auctions and REO events in Iowa 2006-2012

A foreclosure once initiated can result in one of four possible outcomes:

a) the homeowner cures the delinquency and the foreclosure process is aborted;

b) the homeowner is able to get a loan modification at terms that are mutually acceptable to the lender and the homeowner, and are affordable to the homeowner.

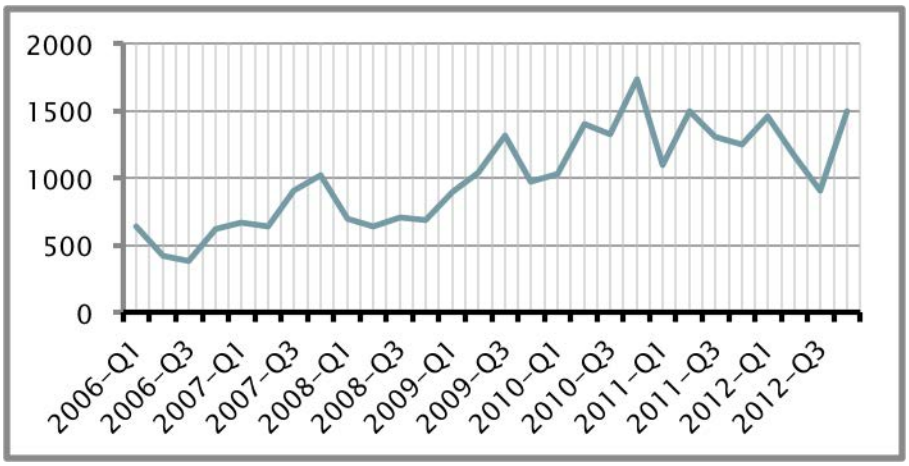
c) the homeowner sells the property and submits the proceeds to the lender, aborting the foreclosure process; or

d) the homeowner is unable to cure the delinquency or sell the property, and the foreclosure process concludes with the homeowner losing the property in a public auction or to the lender.

The number of auctions and REO sales are good indicators of completed foreclosure activity.

In Iowa, there were just over 600 REO sales in the first quarter of 2006. [See Figure 3 below]. The number of REO sales increased steadily for the next almost four years, peaking in the fourth quarter of 2010 at about 1,750. Since then the number of REO sales have been on a slow downward trajectory with about 1,500 sales in the fourth quarter of 2012.

Figure 3: REO Sales in Iowa 2006-2012



Source: Proprietary quarterly delinquency data for Iowa from the Mortgage Bankers Association

Although foreclosure activity in the state remained steady from 2006 to 2008, increased considerably from 2008 to 2010, and has been declining since then, the number of foreclosure auctions has exhibited a slightly

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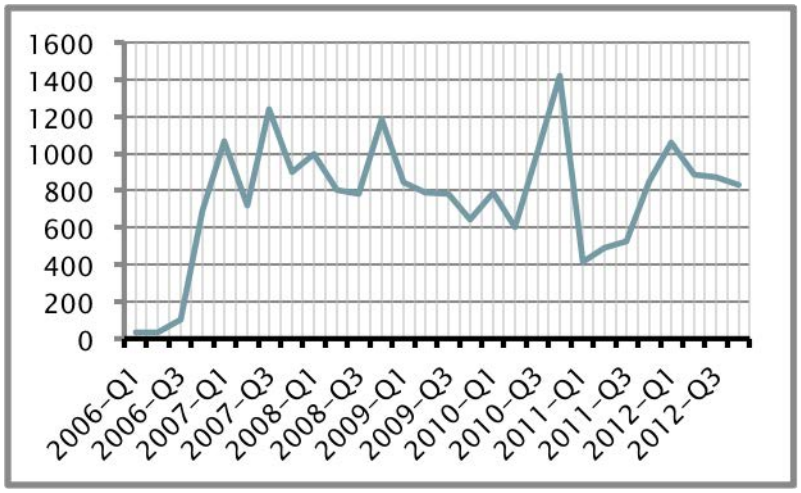
different trend. There was a sharp increase in foreclosure auctions from near zero to over 1000 per quarter between 2006 and 2007; since then it fluctuated around the 1000 auctions per quarter with a sharp increase in the fourth quarter of 2010 and a sharp dip in the first quarter of 2011.

Figure 4: Foreclosure auctions in Iowa 2006-2012

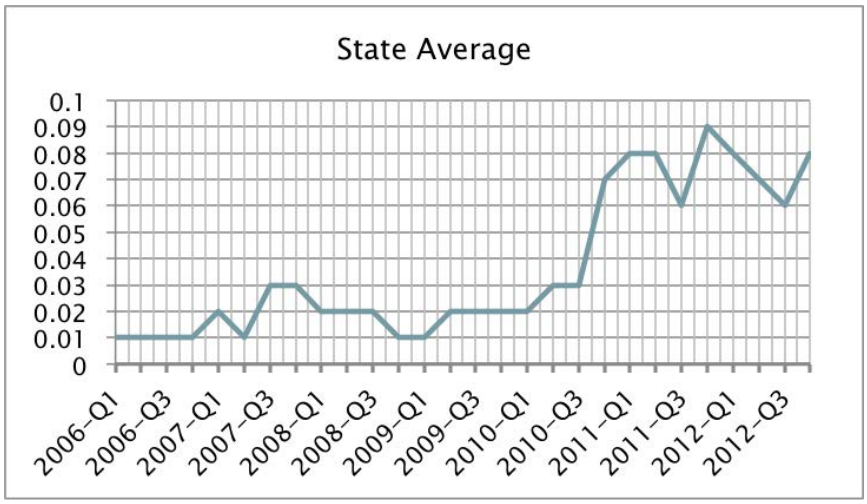


Source: Proprietary quarterly delinquency data for Iowa from the Mortgage Bankers Association

Spatial variation in trends in Iowa

In this segment of the report we explore spatial variations in the incidence of foreclosure events in the state from 2006 to 2012. Figure 5 shows the trend-line for households experiencing any kind of foreclosure event in the state; and the figure confirms what was noted earlier – that the foreclosure crisis in Iowa started escalating only in 2010, well after it was full-blown across the nation.

Figure 5: Percentage of households in Iowa experiencing a foreclosure event

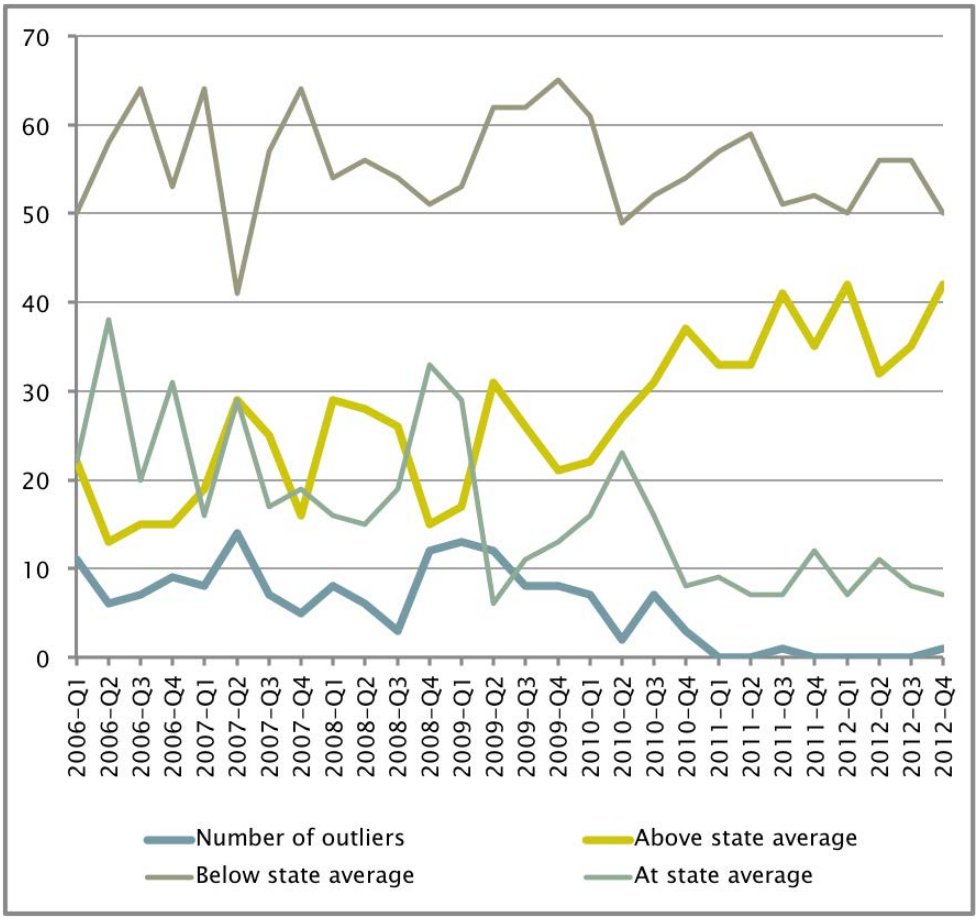


Source: Proprietary data on foreclosure events in Iowa from RealtyTrac

When we examine trends in households experiencing a foreclosure event on a county by county basis, a distinct pattern emerges. [See Figure 6 on the next page.] Figure 6 was constructed using information about the percentage of households in each county that experienced a foreclosure event and then comparing this percentage to the statewide rate. A county with a percentage more than thrice the statewide mean was deemed an outlier. The figure also shows how many counties had rates higher or lower or at the state average, and from these the difference between the number of counties that had a higher rate than the state and those with a lower rate can be inferred.

The overall picture that this figure presents is that when the crisis began, it was confined to a few counties and as it progressed, more and more counties became engulfed in it. This is indicated by several trends. One, as the crisis progressed, the number of counties that had rates higher than the state mean steadily increased while those with rates lower than the state mean steadily decreased. Second, the difference in the number of counties that had below state average rates and those that had above, declined from about 30 in 2006 to about 10 in 2012 suggesting a convergence of rates of foreclosure events. And third, the number of outlier counties decreased from around 8-9 in each quarter to almost none in 2011 and 2012, suggesting that formerly non-outlier counties were catching up with outlier counties as the crisis progressed.

Figure 6: Iowa counties experiencing foreclosure events at rates above, below or at the state average



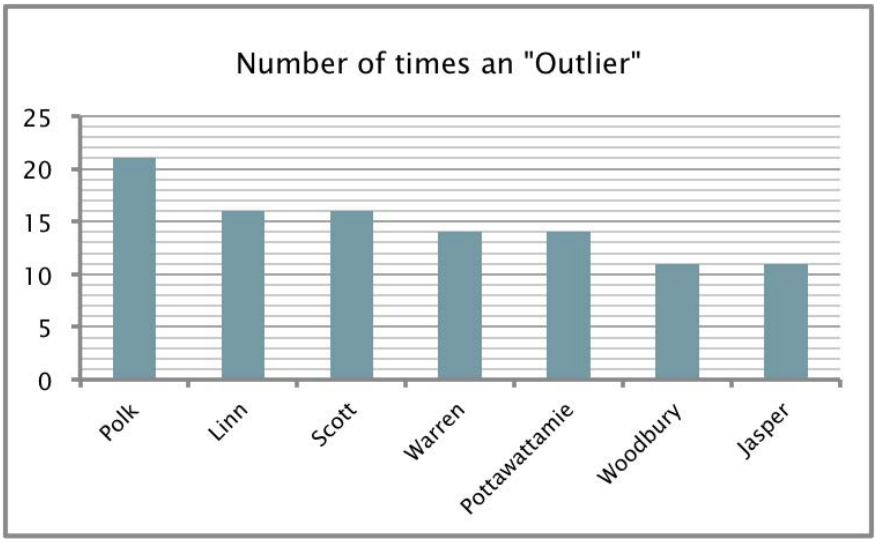
Source: Proprietary data on foreclosure events in Iowa from RealtyTrac

Worst and least affected counties

Seven counties consistently had higher rates of foreclosure events than the state: they are Polk, Scott, Linn, Warren, Pottawattamie, Woodbury and Jasper. Of these, Polk by far was the most consistent outlier[17](see Figure 7 below). These counties represent major urban areas of the state and have significant concentrations of population. Polk, Warren and Jasper counties are part of the Des Moines-Newton-Pella Combined Statistical Area (CSA) with a 2010 population close to 700,000. Scott County is part of the Quad Cities metropolitan area; Linn County is one of three counties that comprise the Cedar Rapids metropolitan area while Pottawattamie County is one of three Iowa counties included in the Omaha-Council Bluffs metropolitan area.

17 A county with a foreclosure event rate in any quarter over three times the state average for that quarter is deemed an outlier for that quarter.

Figure 7: Counties with consistently high rates of foreclosure events, 2006-2012



Source: Proprietary data on foreclosure events in Iowa from RealtyTrac
Note: There are 28 quarters from 2006 to 2012, so a county could be an outlier a maximum of 28 times.

While there were some counties that experienced higher foreclosure rates than the state, there were approximately 50 counties that throughout the period 2006-2012 experienced much lower rates of foreclosure events than the state as a whole. Of these, the following seven had the lowest average rates between 2006 and 2012 – Winneshiek (the lowest rate and least affected of all Iowa counties by the crisis), Ida, Kossuth, Allamakee, Ringgold, Osceola and Sioux. (See Figure 8 below). Four of these counties – Winneshiek, Kossuth, Allamakee and Osceola are on the northern border of the state, far away from major population centers. Three of the counties – Ringgold, Osceola and Ida -- had less than 7,100 people each in 2010. Sioux County with a 2010 population of about 34,000 was the most populous of these seven counties.

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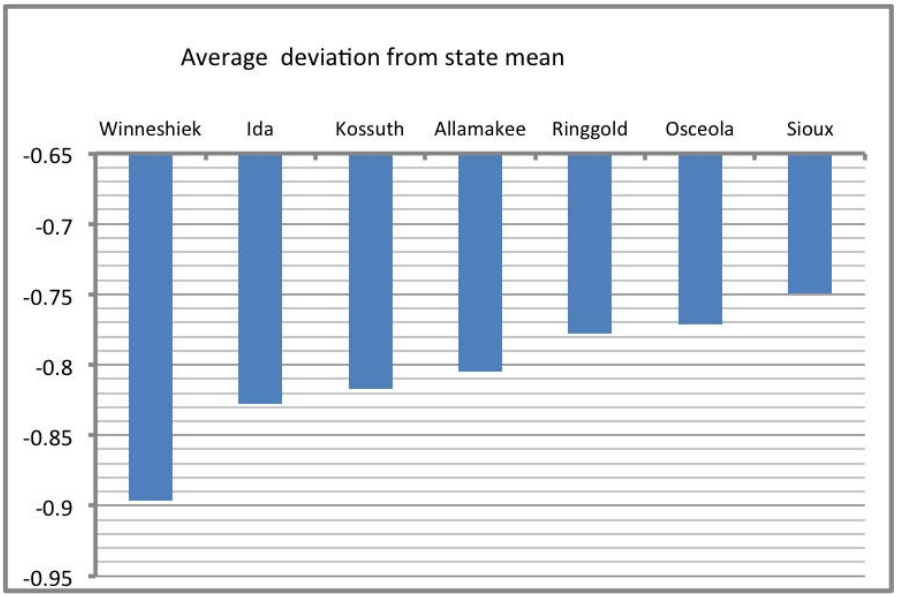
Figure 8: Counties with consistently lower rates of foreclosure events, 2006-2012



Source: Proprietary data on foreclosure events in Iowa from RealtyTrac

Foreclosure hot spots by zip code

Using zip-code level data we examined foreclosure hot spots[18] in the top three outlier counties – Polk, Linn and Scott at two different points in time – December 2010 and December 2012.

Polk County has 81 zip code areas. In December 2010, 26 of them registered foreclosure events. Of these, 20 areas had rates higher than the national average of 1 in 501. The highest rate was recorded in 50323 in Urbandale (1 in 60 houses), a rate over 8 times the national rate average in December 2010. Overall, twenty areas had rates higher than the national average (see Table 1 below). Zip codes 50317 and 50315 – both in Des Moines -- had the highest number of foreclosure events (71 and 63, respectively).

18 Hotspots meaning places that had higher rates of foreclosure activity than the national average at that point in time.

Table 1: Hot spots in Polk County in December 2010

City	Zip Code	Popula-tion	Hous-ing Units	1 in every X HU	LIS	NFS	REO	Total
Urbandale	50323	1,071	423	60	2	2	3	7
Alleman	50007	514	180	180	0	0	1	1
Des Moines	50320	17,488	7,105	203	20	5	10	35
Des Moines	50316	18,866	7,433	219	18	5	11	34
Polk City	50226	3,723	1,403	234	3	1	2	6
Altoona	50009	13,457	5,333	242	13	4	5	22
Des Moines	50317	46,427	19,167	270	41	14	16	71
Des Moines	50315	40,740	17,564	279	42	7	14	63
Mitchellville	50169	3,413	1,207	302	4	0	0	4
Bondurant	50035	3,421	1,276	319	2	1	1	4
Des Moines	50313	18,768	8,290	319	18	2	6	26
Des Moines	50310	35,215	16,007	341	28	11	8	47
Runnells	50237	2,971	1,053	351	0	3	0	3
Grimes	50111	6,475	2,507	358	4	0	3	7
Clive	50325	14,799	5,768	361	8	4	4	16
West Des Moines	50266	18,887	8,977	374	5	5	14	24
Johnston	50131	10,250	4,140	376	9	2	0	11
Elkhart	50073	820	390	390	1	0	0	1
Des Moines	50312	18,554	9,330	491	12	1	6	19
Des Moines	50311	21,593	9,342	492	10	6	3	19

Source: Proprietary data on foreclosure events in Iowa from RealtyTrac

In December 2012, no foreclosure events were recorded in 55 of the 81 Polk County zip codes. The highest activity rate was in zip code 50316 in Des Moines where 161 foreclosure events (about 1 in every 161 houses) were noted in December 2012. This was about 5 times the national rate of 1 in 810 houses, and made this area the 14th most affected in the state. Eighteen other zip codes had rates higher than the national rate (see Table 2 below), while seven zip codes had foreclosure rates below the national rate. Zip code 50317 had the dubious distinction of having the highest number of foreclosure events in the county in December 2012.

Between December 2010 and 2012, the number and rates of foreclosure events in Polk County declined, just as they did in the nation and the state. The total number of foreclosure events in the county dropped from 483 in December 2010 to 422 by December 2012. However, the percentage of zip codes in the county that had foreclosure events remained unchanged at 32%. The percentage of zip codes with rates higher than the national average dropped a bit from 24.7% in December 2010 to 23.5% in December 2012. Foreclosure events seem to be fading in the suburbs of the Des Moines and concentrating within Des Moines. In 2010, only 40% of the high-rate zip codes were located in Des Moines; by December 2012, 58% were. Also, in 2010, 68% of all foreclosure events in the county were located in Des Moines; in 2012, it had increased to 70%. That said, Altoona, Bondurant, Clive, Grimes, and Urbandale – all suburbs of Des Moines – were hot spots both in December 2010 and 2012 (though Urbandale's foreclosure rate fell from being the highest among the hot

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spots in December 2010 to one of the lowest by December 2012.

Table 2: Hot spots in Polk County in December 2012

City	Zip Code	Population	Housing Units	1 in every X HU	LIS	NFS	REO	Total
Des Moines	50316	16,440	6,439	161	6	16	18	40
Des Moines	50317	36,207	15,027	212	20	28	23	71
Des Moines	50315	35,853	15,242	258	21	14	24	59
Altoona	50009	16,136	6,319	333	7	5	7	19
Des Moines	50320	20,027	7,825	356	15	4	3	22
Des Moines	50313	17,376	7,158	358	6	9	5	20
Des Moines	50321	7,846	3,444	383	5	1	3	9
Des Moines	50310	30,221	13,915	409	9	16	9	34
Des Moines	50311	15,113	6,364	455	3	3	8	14
Bondurant	50035	5,387	1,958	490	0	1	3	4
Des Moines	50312	15,339	7,923	660	5	1	6	12
Clive	50325	15,448	6,081	676	2	2	5	9
Urbandale	50322	31,530	13,800	690	9	5	6	20
Ankeny	50021	21,595	9,017	694	3	3	7	13
Des Moines	50327	10,467	4,197	700	3	2	1	6
West Des Moines	50265	31,653	14,137	707	6	9	5	20
Des Moines	50314	12,465	4,985	712	2	1	4	7
Urbandale	50323	10,201	3,637	727	2	0	3	5
Grimes	50111	9,407	3,670	734	1	1	3	5

Source: Proprietary data on foreclosure events in Iowa from RealtyTrac

Linn County has 32 zip code areas. In December 2010, 13 of these registered foreclosure events; 19 had none (see Table 3 below). The highest rate of foreclosure events was in 52227 in Ely -- 1 in 198 houses or about two-and-a-half times the national rate. Only three zip codes had rates higher than the national average of 1 per 501 houses. The highest number of events – 18 -- occurred in zip code 52404 in Cedar Rapids, though the rate of foreclosure events within this zip code was well below the national average.

Table 3: Hot spots in Linn County in December 2010

City	Zip Code	Popula-tion	Hous-ing Units	1 in every X HU	LIS	NFS	REO	Total
Ely	52227	1,919	791	198	2	0	2	4
Central City	52214	3,660	1,705	341	4	0	1	5
Springville	52336	2,517	1,059	353	0	2	1	3

Source: Proprietary data on foreclosure events in Iowa from RealtyTrac

In December 2012, 14 Linn County zip codes registered foreclosure events. Four of these had rates higher than the national rate of 1 in 810 houses (see Table 4), and a fifth had a rate quite close to it. The highest rate was

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in zip code 52253 (Lisbon) – 1 in 633 houses. The highest number of events – 21 – was in zip code 52402 in the city of Cedar Rapids, though the rate of events here was below the national average.

Table 4: Hot spots in Linn County in December 2012

City	Zip Code	Population	Housing Units	1 in every X HU	LIS	NFS	REO	Total
Lisbon	52253	3,192	1,266	633	0	0	2	2
Cedar Rapids	52403	23,673	10,728	671	8	0	8	16
Palo	52324	1,890	735	735	0	0	1	1
Walker	52352	2,025	784	784	0	0	1	1
Cedar Rapids	52411	6,896	2,432	811	1	0	2	3

Source: Proprietary data on foreclosure events in Iowa from RealtyTrac

Between December 2010 and December 2012, the number and rates of foreclosure events in Linn County declined marginally. In December 2010, there were 91 foreclosure events in Linn County, while in December 2012, there were only 86 events. However, the percentage of zip codes with foreclosure events increased marginally from 40.6% to 43.8% over this period. That said, foreclosure events seemed to be fading in areas outside of Cedar Rapids. In December 2010, 64% of the events happened in Cedar Rapids; two years later, 72% of the events happened in Cedar Rapids. And this shift in foreclosure activity towards the city of Cedar Rapids is reflected in the fact that no Cedar Rapids zip code was a hot spot in December 2010 but two were in December 2012.

Scott County has 22 zip codes. In December 2010, 12 of these zip codes (54.5%) registered foreclosure events. Four of these had foreclosure rates higher than the Dec 2010 national average of 1 in 501, with one zip code – 52758 in McCauseland – registering the highest rate in the state (1 in 47).[19] The highest number of events occurred in a Le Claire zip code – 52753.

Table 5: Hot spots in Scott County in December 2010

City	Zip Code	Population	Housing Units	1 in every X HU	LIS	NFS	REO	Total
McCausland	52758	108	47	47	0	0	1	1
Davenport	52801	1,014	717	359	0	0	2	2
Donahue	52746	1,072	400	400	1	0	0	1
Le Claire	52753	4,356	1,844	461	0	3	1	4

Source: Proprietary data on foreclosure events in Iowa from RealtyTrac

In December 2012, 13 of the 22 zip codes in Scott County registered foreclosure events. And ten of these areas had foreclosure rates higher than the Dec 2012 national average of 1 in 810. The highest number of

19 McCauseland has only 47 houses, and one of these had foreclosure event in December 2010. So its high ranking on the foreclosure rate list may be an artifact of the small size of the town.

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events (34) occurred in a Davenport zip code – 52804.

Table 6: Hot spots in Scott County in December 2012

City	Zip Code	Population	Housing Units	1 in every X HU	LIS	NFS	REO	Total
Buffalo	52728	1,110	460	115	2	1	1	4
Dixon	52745	633	273	273	0	1	0	1
Davenport	52802	10,868	4,556	325	3	8	3	14
Davenport	52804	27,379	11,433	336	8	13	13	34
Blue Grass	52726	4,468	1,774	355	1	3	1	5
Walcott	52773	2,380	1,127	376	1	0	2	3
Davenport	52803	22,174	10,305	382	10	11	6	27
Long Grove	52756	2,133	857	429	1	0	1	2
Le Claire	52753	5,153	2,181	436	2	2	1	5
Davenport	52806	27,503	11,803	454	10	11	5	26

Source: Proprietary data on foreclosure events in Iowa from RealtyTrac

Between December 2010 and December 2012, the percentage of zip codes in Scott County that had one or more foreclosure events increased from 54.5% to 59%, and the number of foreclosure events increased from 80 to 137 – a 71% increase. Thus in Scott County, foreclosure events increased significantly in number and marginally in geographic spread, though a majority of events were concentrated in Davenport both in December 2010 (75%) and December 2012 (76%). Of the three counties that we examine here, Scott County shows a clearly different pattern from the other two. In Polk and Linn counties, the number and rate of foreclosure activity decreased from December 2010 to December 2012 while increasing in concentration in the biggest city in the county, Des Moines and Cedar Rapids, respectively. In Scott County the rate of foreclosure activity increased; and there was no trend towards a greater concentration of these events in its largest city, Davenport.

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Zip codes affected statewide and the worst hit zip codes

The percentage of Iowa zip codes with a foreclosure event rose between 2010 and 2011 and then fell. In December 2010, 34% of Iowa zip codes had a foreclosure event; this increased to 37% by December 2011 and then fell to 32% by December 2012

The three zip codes with the highest rates of the foreclosure events were:

In December 2010:

- 52758 in McCausland (Scot County), 1 in 47 homes
- 50323 in Urbandale (Polk County), 1 in 60 homes, and
- 50256 in Tracy (Marion County), 1 in 78 homes

In December 2011:

- 52235 in Hills (Johnson County), 1 in 5 homes
- 50078 in Ferguson (Marshall County), 1 in 51 homes, and
- 51648 in Percival (Fremont County), 1 in 65 homes

In December 2012:

- 50673 in Stout (Grundy County), 1 in 80 homes
- 51550 in Magnolia (Harrison County), 1 in 86 homes, and
- 52220 in Conroy (Iowa County), 1 in 94 homes

The three zip codes with the highest number (not rate) of foreclosure events were:

In December 2010

- 50317 with 71 events
- 50315 with 63 events, and
- 50310 with 47 events
  (all in Des Moines in Polk County).

In December 2011

- 50315 in Des Moines (Polk County) with 70 events
- 50317 in Des Moines (Polk County) with 60 events,
- 51501 in Council Bluffs (Pottawattamie County) with 51 events.

In December 2012

- the same three zip codes as in December 2011, with 71, 59 and 46 events, respectively.

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Foreclosure mitigation efforts in Iowa

Even though Iowa was not as hard hit by the foreclosure crisis as the rest of the nation, Iowans too have experienced the high costs of this crisis. When the foreclosure crisis began to emerge at the national level in 2007, government entities in the state were quick to react. In September of 2007, the Office of the Attorney General introduced the Iowa Mortgage Hotline, a toll-free number that any resident of the state facing mortgage distress could use to call for help. Between September 2007 and September 2013, this hotline received over 21,000 calls from distressed borrowers. Once the hotline was established, the Iowa Homeownership Education Project (IHOEP), representing housing counselors around the state, began working with the Iowa Mediation Service (IMS) and Attorney General's office to establish a referral process and division of duties. From March 2008 onwards, the Office of the Attorney General, the Iowa Finance Authority (IFA), IMS and IHOEP began coordinating the work of IMS and IHOEP's members that were providing foreclosure prevention counseling. Attorneys with Iowa Legal Aid (ILA) provide foreclosure avoidance assistance and foreclosure services as well as community legal education and outreach. As of September 2012, ILA had assisted over 7,000 clients with challenging legal issues related to foreclosure.[20] Setting up Iowa Mortgage Help early in the foreclosure crisis may be one reason why Iowans have received a high level of housing counseling per foreclosure. As of June 30, 2012, among states where counselors delivered at least 10,000 units of housing counseling, Iowa's ratio of housing counseling units delivered to foreclosures (1.875) was higher than all states except Minnesota and Rhode Island.[21]

In addition to launching Iowa Mortgage Help, the Iowa Attorney General's office played a leadership role in negotiating the National Mortgage Settlement announced in February 2012. A bipartisan group of state attorneys general and federal officials achieved this landmark $25 billion settlement with the five largest loan servicers – Ally/GMAC, Bank of America, Citi, JP Morgan Chase, and Wells Fargo – over mortgage foreclosure fraud and unacceptable mortgage servicing practices. This settlement helped distressed families across the nation and in Iowa. Enhanced loan modifications helped many financially distressed homeowners have new mortgage loans that they could afford while families that lost their homes due to unfair foreclosure practices received cash payments as compensation for the harm they suffered and to help them get back on their feet. Settlement funds also provided resources for housing counseling and state-level foreclosure prevention programs. The total national consumer benefit from this settlement is estimated to be in excess of $50 billion. In addition to the monetary allocations, the

20 Julie Noland, "Iowa Mortgage Help: A Statewide Response to the Foreclosure Crisis", Iowa Finance Authority Annual Meeting 2012.

21 The concept of housing counseling 'units' is explained in the National Foreclosure Mitigation Counseling (NFMC) Program Congressional Update (December 10, 2012) p.8: "Counseling services provided by NMFC program funds are categorized by 'level' depending on the counseling activities involved. For example, a basic-level counseling session (referred to as Level One) includes helping the client develop a budget and action plan to avoid foreclosure, with the client then executing the plan. Advanced-level counseling (referred to as Level Two) general provides hands-on assistance to help the client meet the goals defined in the action plan. Because individual NFMC program clients may receive one or both levels of counseling services, and to account for cost differences in providing different service levels, they are tracked separately and referred to as 'units' of produced counseling."

accord required comprehensive reform of mortgage loan servicing, and this may well be the most consequential outcome of the settlement. As of August 2013, these five servicers had provided $39.58 million in relief to 1,192 Iowa homeowners.[22] The average relief in Iowa was $33,205 per borrower. In addition, 243 Iowa homeowners obtained mortgage refinances through the settlement. The refinances resulted in an average rate reduction of 3.47%, with average savings of $39,620 per house and collective savings of $9.63 million in finance charges.[23] And in June 2013, over 6,000 Iowa homeowners that submitted a valid mortgage servicing abuse claim received a payment of $1,480 each.[24] The five banks complied with all consumer relief requirements of the settlement in early 2014 and the number of Iowans helped is likely larger than reported above.[25]

In December 2013, a $2.1 billion national settlement with Ocwen Financial Corporation was announced. This settlement, between Ocwen and 49 state attorneys general, the District of Columbia and the federal Consumer Finance Protection Bureau, was achieved under the leadership of the Iowa Attorney General's Office. This settlement will provide distressed Iowa homeowners with over $3.5 million in first lien principal reduction and over $1,000 each to about 864 homeowners that lost their homes through foreclosure.

22 State Consumer Relief Information Iowa, August 2013. Made available in July 2014 by the Office of Mortgage Settlement Oversight, 301 Fayetteville St., Suite 1801, Raleigh, NC 27601.

23 Ibid.

24 Iowa Department of Justice, Office of the Attorney General website, http://www.iowaattorneygeneral.gov

25 The Office of Mortgage Settlement Oversight issued a final crediting report in April 2014. However, the report does not provide state-specific final numbers.

Conclusion

The foreclosure crisis arrived in Iowa several months after it had become a full-blown problem in the rest of the nation. When it did arrive, it was initially located in just a few counties but over time more counties across the state become engulfed. But even at its peak, the foreclosure crisis in Iowa was much less severe than in the nation as a whole. That said, there were certain areas in the state – some counties and certain zip codes within counties – that experienced foreclosure events at rates higher than the national average.

There are multiple reasons why the crisis in Iowa was less severe than in other states. These include a stable economy, a moderated inflation of housing prices in the period 2000-2005 (as compared to the rest of the nation) and heightened vigilance by state agencies to minimize unscrupulous mortgage lending practices by banks and financial institutions for several years prior to the crisis. Also, when the crisis broke, early actions by state agencies helped lower the harm caused by the crisis to families, communities and the state. More recently, the 2012 and 2013 settlements secured with the active leadership and engagement of the Iowa Attorney General's Office have brought tangible benefits to households wrongfully harmed by banks and financial institutions during the foreclosure crisis.

Even though the worst of the crisis is now over, foreclosure rates are still high and many homeowners are still at great risk of being delinquent on their mortgages and being foreclosed. Thus, agencies within the state need to remain vigilant about foreclosure rates, delinquent mortgages, and lending practices of financial institutions. These agencies should also allocate sufficient funds for such monitoring efforts, intervene as needed, and document outcomes from interventions. Without these measures, the harmful effects of the foreclosure crisis will continue to significantly handicap many Iowa families, communities, and the state's economy, and will linger around for much longer.

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