

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF MINNESOTA**

---

Nichole Williams, et al.

Civil: 09 cv 1959 ADM/JSB

Plaintiffs.

vs.

**AFFIDAVIT OF  
MARK IRELAND**

Timothy F. Geithner, as United States Secretary  
of the Treasury, et al.

Defendants.

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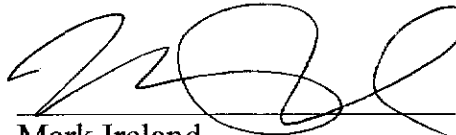
Mark Ireland, being first duly sworn, states as follows:

1. I am an attorney, licensed to practice law in the United States District Court for the District of Minnesota. I am the supervising attorney of the Foreclosure Relief Law Project, a program of the Housing Preservation Project and I represent the Plaintiffs.
2. Attached as Exhibit A is a true and correct copy list of participating servicers in the Home Affordable Modification Program according to the Treasury Department's website, as of July 27, 2009.
3. Attached as Exhibit B is a true and correct copy of foreclosure data collected by HousingLink.
4. Attached as Exhibit C is a true and correct copy of foreclosure report issued by the Center for Responsible Lending in May 2009.


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5. I supervised and helped conduct a review of public foreclosure data from Hennepin County and Washington County. Although securitization often made it difficult to identify the servicer of the foreclosed mortgage loan, I estimate that between 40% and 60% of the foreclosed loans were serviced by HAMP participants.

Dated: July 28, 2009

  
Mark Ireland

Subscribed and sworn to before me  
This 28<sup>th</sup> day of July 2009.

  
Notary Public



89cv1959 ADM/LTG  
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## Mortgage Servicer List

Home > Contact Your Mortgage Servicer

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### CONTACT YOUR MORTGAGE SERVICER

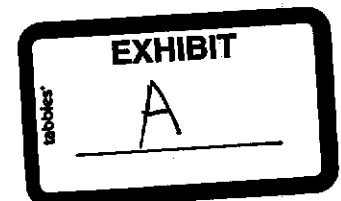
Once you have determined if you are eligible for a Home Affordable Refinance or Modification, the next step is to contact your mortgage servicer to discuss your situation. A wide array of servicers have agreed to participate in the Home Affordable Modification program and have already engaged borrowers and expanded capacity to begin the modification process for eligible homeowners. In addition, all servicers for loans owned by Fannie Mae and Freddie Mac are required to participate. The following is a list of servicers who have formalized their commitment to the program through a signed contract:

Search for Your Mortgage Servicer:  [show all servicers](#)

Name	Web Site	Phone
American Home Mortgage Servicing, Inc.	<a href="http://www.ahmsi3.com">www.ahmsi3.com</a>	1-877-304-3100
Aurora Loan Services LLC	<a href="https://myauroraloan.com/">https://myauroraloan.com/</a>	1-800-550-0508
Bank of America, N.A.	<a href="http://www.bankofamerica.com/mha/">www.bankofamerica.com/mha/</a>	1-800-846-2222
Bayview Loan Servicing, LLC	<a href="http://www.bayviewloanservicing.com">www.bayviewloanservicing.com</a>	1-800-457-5105
CCO Mortgage	<a href="http://www.ccomortgage.com">www.ccomortgage.com</a>	1-800-234-6006
Carrington Mortgage Services, LLC	<a href="http://www.carringtonms.com">www.carringtonms.com</a>	1-888-267-2417
Chase Financial LLC	<a href="http://www.chase.com">www.chase.com</a>	1-866-550-5705
CitiMortgage, Inc.	<a href="http://www.mortgagehelp.citi.com">www.mortgagehelp.citi.com</a>	1-866-915-9417
Citizens First Wholesale Mortgage Co.	<a href="https://www.cfwmortgage.com/">https://www.cfwmortgage.com/</a>	1-800-477-1086
Countrywide Home Loans Servicing LP	<a href="http://my.countrywide.com/media/hasp.html">http://my.countrywide.com/media/hasp.html</a>	1-800-669-6607
Farmers State Bank	<a href="https://farmersstate-oh.com">https://farmersstate-oh.com</a>	1-800-350-2844
First Federal Savings and Loan	<a href="https://www.ourfirstfed.com/home/home">https://www.ourfirstfed.com/home/home</a>	1-800-800-1577
GMAC Mortgage LLC	<a href="http://www.qmacmortgage.com">www.qmacmortgage.com</a>	1-800-766-4622
Green Tree Servicing LLC	<a href="http://www.qtservicing.com">www.qtservicing.com</a>	1-800-643-0202
Home Loan Services, Inc.	<a href="http://www.viewmyloan.com">www.viewmyloan.com</a>	1-800-622-5035
IBM Southeast Employees Federal Credit Union	<a href="http://www.ibmsecu.org">www.ibmsecu.org</a>	1-800-873-5100
Lake National Bank	<a href="http://www.lakenationalbank.com">www.lakenationalbank.com</a>	1-440-205-8100
Mission Federal Credit Union	<a href="http://www.missionfcu.org">www.missionfcu.org</a>	1-800-500-6328
MorEquity, Inc.	<a href="http://www.morequity.com">www.morequity.com</a>	1-800-628-9324

### Helpful Links

- › [Understanding Your Mortgage Statement](#)
- › [Refinance Eligibility](#)
- › [Modification Eligibility](#)



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Mortgage Center, LLC	<a href="http://www.mortgagecuso.com">www.mortgagecuso.com</a>	1-866-856-3750
National City Bank	<a href="http://www.nationalcitymortgage.com">www.nationalcitymortgage.com</a>	1-800-523-8654
Nationstar Mortgage LLC	<a href="http://www.nationstarmtg.com">www.nationstarmtg.com</a>	1-888-850-9398
Ocwen Financial Corporation, Inc.	<a href="http://www.ocwen.com">www.ocwen.com</a>	1-800-746-2936
PNC Bank, National Association	<a href="http://www.pnc.com">www.pnc.com</a>	1-888-762-2265
RG Mortgage Corporation	<a href="http://www.rgmortgage.com/mortgage">www.rgmortgage.com/mortgage</a>	1-888-264-4674
Residential Credit Solutions	<a href="https://www.residentialcredit.com/default.aspx">https://www.residentialcredit.com/default.aspx</a>	1-800-737-1192
Saxon Mortgage Services	<a href="http://www.saxononline.com">www.saxononline.com</a>	1-800-594-8422
Select Portfolio Servicing	<a href="http://www.spservicing.com">www.spservicing.com</a>	1-888-818-6032
ShoreBank	<a href="http://www.sbk.com">www.sbk.com</a>	1-800-905-7725
Technology Credit Union	<a href="http://www.techcu.com">www.techcu.com</a>	1-800-553-0880
Wachovia Mortgage, FSB	<a href="http://www.wachovia.com">www.wachovia.com</a>	1-800-922-4684
Wells Fargo Bank, NA	<a href="http://www.wellsfargo.com/homeassist">www.wellsfargo.com/homeassist</a>	1-800-678-7986
Wescom Central Credit Union	<a href="http://www.wescom.org">www.wescom.org</a>	1-888-493-7266
Wilshire Credit Corporation	<a href="https://www.wcc.ml.com">https://www.wcc.ml.com</a>	1-888-502-0100

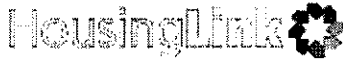
\* Subsidiary

We will continue to update this list as additional servicers execute formal participation agreements. If your servicer is not listed, please bookmark this page and check back with us soon. In the interim, you can locate your servicer by reviewing the information on your monthly mortgage statement or find a list of servicers on the [Hope Now Alliance website](#).



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Affordable Rental Housing Information  
For The Twin Cities & Selected Regions of  
Minnesota

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## Minnesota Foreclosure Information

To learn more about how HousingLink can meet your data needs, please contact [Dan Hyllon](#) at 612-520-9222.

Sign up for foreclosure updates

Email

If you are a renter dealing with foreclosure, please click [here](#).

## Foreclosures by Region

Region	2005 Foreclosures	2006 Foreclosures	2007 Foreclosures	2008 Foreclosures	Q1 2009 Foreclosures
Twin Cities Metro	3,759	7,039	12,974	17,268	3,237
Greater MN	2,707	4,777	7,430	8,997	1,920
Minnesota	6,466	11,816	20,404	26,265	5,157

### New: Minnesota Foreclosure Quarterly Update

Released: April 2009

This update provides a summary of Minnesota regional foreclosures trends from Q1 2008 through Q1 2009. It also includes foreclosure counts for all Minnesota counties for the 1st quarter of 2009.

[Q1 2009 Update](#) (.pdf)

### Minnesota Foreclosure Supplement Report (2008)

Foreclosures in Minnesota: A Report Based on Sheriff's Sale Data

Released: February 2009

This supplement report is a follow-up to previously released Minnesota Foreclosure Reports. Key updated data includes final 2008 foreclosure counts and rates for all Minnesota counties. HousingLink was commissioned to complete this report by the Greater Minnesota Housing Fund, Minnesota Housing, Family Housing Fund, and the Minnesota Home Ownership Center.

[View Full Report](#) (.pdf)

## Foreclosure Maps

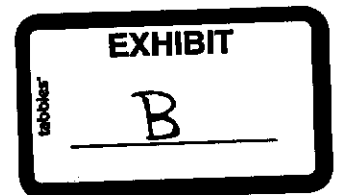
[Minnesota foreclosures by county \(2005-2008\)](#) (.pdf)

[Minnesota foreclosure rates by county \(2005-2008\)](#) (.pdf)

## Foreclosure Report Archive

[Minnesota Foreclosure Report](#) (.pdf)

Released: April 2008



**Twin Cities Metro Foreclosure December 2006 Snapshot (.pdf)**

Released: November 2007

**Minnesota Foreclosure Supplement (.pdf)**

Released: October 2007

**Greater Minnesota Foreclosure Report 2007 (.pdf)**

Released: July 2007

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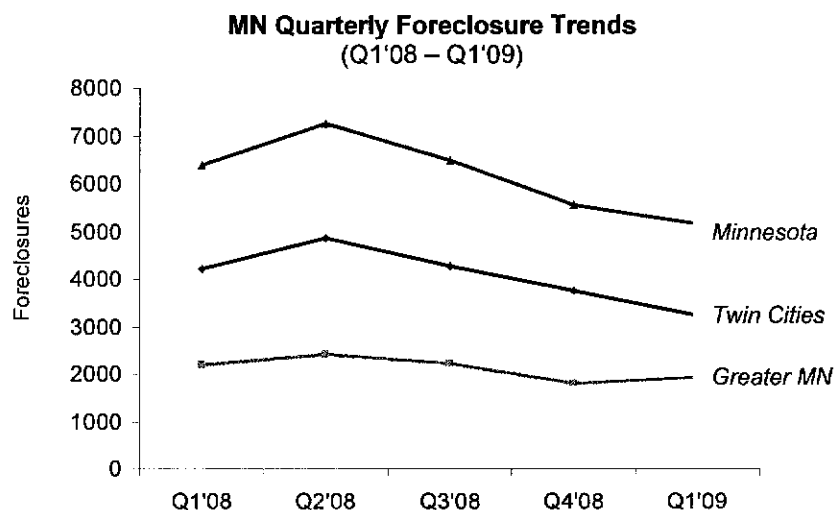


## Minnesota Foreclosure Update

1<sup>st</sup> Quarter 2009

Funded by: Minnesota Foreclosures Partners Council

Source: MN county residential mortgage sheriff's sales. Data collected by CURA and HousingLink



### Change in Foreclosures Q1'08 – Q1'09

	Q1 2008	Q1 2009	% Change Q1'08 – Q1'09 <sup>1</sup>
Minnesota	6,407	5,157	-19.5%
Twin Cities	4,213	3,237	-23.2%
Greater Minnesota	2,194	1,920	-12.5%

↑ 25 counties   ↓ 56 counties   ↔ 6 counties

### Minnesota County Foreclosures (sorted by County)

Rank Q1'09 Foreclosures	County	Q1 2008 # Foreclosures	Q1 2009 # Foreclosures	% Change Q1'08 - Q1'09
25	Aitkin	14	29	107%
3	Anoka	475	464	-2%
37	Becker	19	17	-11%
28	Beltrami	21	26	24%
20	Benton	41	40	-2%
63	Big Stone	1	5	400%
22	Blue Earth	34	32	-6%
52	Brown	11	10	-9%
39	Carlton	31	15	-52%
14	Carver	81	77	-5%
43	Cass	27	14	-48%
57	Chippewa	6	6	0%
12	Chisago	77	84	9%
34	Clay	16	20	25%
64	Clearwater	10	5	-50%
81	Cook	1	1	0%
72	Cottonwood	3	3	0%
9	Crow Wing	104	102	-2%
4	Dakota	552	323	-41%
40	Dodge	24	15	-38%
21	Douglas	26	39	50%

<sup>1</sup> The percent change calculation is based on counties that were able to report their foreclosure counts in both Q1 '08 and '09.

Rank Q1'09	County	Q1 2008 # Foreclosures	Q1 2009 # Foreclosures	% Change Q1'08 - Q1'09
44	Faribault	11	13	18%
55	Fillmore	8	9	13%
29	Freeborn	47	26	-45%
30	Goodhue	55	26	-53%
58	Grant	2	6	200%
1	Hennepin	1823	1,349	-26%
59	Houston	2	6	200%
41	Hubbard	7	15	114%
11	Isanti	105	88	-16%
48	Itasca	26	11	-58%
67	Jackson	8	4	-50%
27	Kanabec	33	27	-18%
36	Kandiyohi	22	18	-18%
82	Kittson	0	1	-
78	Koochiching	7	2	-71%
73	Lac Qui Parle	2	3	50%
79	Lake	12	2	-83%
74	Lake of the Woods	3	3	0%
18	Le Sueur	52	43	-17%
83	Lincoln	2	1	-50%
45	Lyon	12	13	8%
77	Mahnomen	7	3	-57%
75	Marshall	3	3	0%
56	Martin	15	8	-47%
23	McLeod	27	32	19%
51	Meeker	13	11	-15%
17	Mille Lacs	59	44	-25%
31	Morrison	31	23	-26%
24	Mower	40	30	-25%
84	Murray	6	1	-83%
42	Nicollet	11	15	36%
65	Nobles	8	5	-38%
85	Norman	5	1	-80%
15	Olmsted	88	68	-23%
35	Otter Tail	18	20	11%
68	Pennington	5	4	-20%
19	Pine	51	42	-18%
66	Pipestone	1	5	400%
53	Polk	7	10	43%
47	Pope	3	12	300%
2	Ramsey	737	579	-21%
87	Red Lake	0	0	-
76	Redwood	6	3	-50%
60	Renville	15	6	-60%
16	Rice	79	64	-19%
69	Rock	3	4	33%
49	Roseau	10	11	10%
13	Saint Louis	113	79	-30%
7	Scott	248	196	-21%
8	Sherburne	125	177	42%
54	Sibley	18	10	-44%
10	Stearns	119	97	-18%
26	Steele	39	28	-28%
80	Stevens	2	2	0%
61	Swift	8	6	-25%
33	Todd	22	21	-5%
70	Traverse	2	4	100%
38	Wabasha	24	17	-29%
50	Wadena	4	11	175%
46	Waseca	10	13	30%
5	Washington	297	249	-16%
62	Watsonwan	10	6	-40%
86	Wilkin	8	1	-88%
32	Winona	24	22	-8%
6	Wright	268	217	-19%
71	Yellow Medicine	5	4	-20%



## Minnesota County Foreclosures (sorted by 2009 foreclosures)

Rank	Q1'09 Foreclosures	County	Q1 2008 # Foreclosures	Q1 2009 # Foreclosures	% Change Q1'08 - Q1'09
1		Hennepin	1823	1,349	-26%
2		Ramsey	737	579	-21%
3		Anoka	475	464	-2%
4		Dakota	552	323	-41%
5		Washington	297	249	-16%
6		Wright	268	217	-19%
7		Scott	248	196	-21%
8		Sherburne	125	177	42%
9		Crow Wing	104	102	-2%
10		Stearns	119	97	-18%
11		Isanti	105	88	-16%
12		Chisago	77	84	9%
13		Saint Louis	113	79	-30%
14		Carver	81	77	-5%
15		Olmsted	88	68	-23%
16		Rice	79	64	-19%
17		Mille Lacs	59	44	-25%
18		Le Sueur	52	43	-17%
19		Pine	51	42	-18%
20		Benton	41	40	-2%
21		Douglas	26	39	50%
22		Blue Earth	34	32	-6%
23		McLeod	27	32	19%
24		Mower	40	30	-25%
25		Aitkin	14	29	107%
26		Steele	39	28	-28%
27		Kanabec	33	27	-18%
28		Beltrami	21	26	24%
29		Freeborn	47	26	-45%
30		Goodhue	55	26	-53%
31		Morrison	31	23	-26%
32		Winona	24	22	-8%
33		Todd	22	21	-5%
34		Clay	16	20	25%
35		Otter Tail	18	20	11%
36		Kandiyohi	22	18	-18%
37		Becker	19	17	-11%
38		Wabasha	24	17	-29%
39		Carlton	31	15	-52%
40		Dodge	24	15	-38%
41		Hubbard	7	15	114%
42		Nicollet	11	15	36%
43		Cass	27	14	-48%
44		Faribault	11	13	18%
45		Lyon	12	13	8%
46		Waseca	10	13	30%
47		Pope	3	12	300%
48		Itasca	26	11	-58%
49		Roseau	10	11	10%
50		Wadena	4	11	175%
51		Meeker	13	11	-15%
52		Brown	11	10	-9%
53		Polk	7	10	43%
54		Sibley	18	10	-44%
55		Fillmore	8	9	13%
56		Martin	15	8	-47%
57		Chippewa	6	6	0%
58		Grant	2	6	200%
59		Houston	2	6	200%
60		Renville	15	6	-60%
61		Swift	8	6	-25%
62		Watonwan	10	6	-40%
63		Big Stone	1	5	400%
64		Clearwater	10	5	-50%
65		Nobles	8	5	-38%
66		Pipestone	1	5	400%
67		Jackson	8	4	-50%
68		Pennington	5	4	-20%

Rank Q1'09 Foreclosures	County	Q1 2008 # Foreclosures	Q1 2009 # Foreclosures	% Change Q1'08 - Q1'09
69	Rock	3	4	33%
70	Traverse	2	4	100%
71	Yellow Medicine	5	4	-20%
72	Cottonwood	3	3	0%
73	Lac Qui Parle	2	3	50%
74	Lake of the Woods	3	3	0%
75	Marshall	3	3	0%
76	Redwood	6	3	-50%
77	Mahnomen	7	3	-57%
78	Koochiching	7	2	-71%
79	Lake	12	2	-83%
80	Stevens	2	2	0%
81	Cook	1	1	0%
82	Kittson	0	1	--
83	Lincoln	2	1	-50%
84	Murray	6	1	-83%
85	Norman	5	1	-80%
86	Wilkin	8	1	-88%
87	Red Lake	0	0	--

#### Minnesota County Foreclosures (sorted by percent change)

Rank Q1'09 Foreclosures	County	Q1 2008 # Foreclosures	Q1 2009 # Foreclosures	% Change Q1'08 - Q1'09
63	Big Stone	1	5	400%
66	Pipestone	1	5	400%
47	Pope	3	12	300%
58	Grant	2	6	200%
59	Houston	2	6	200%
50	Wadena	4	11	175%
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42	Nicollet	11	15	36%
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49	Roseau	10	11	10%
12	Chisago	77	84	9%
45	Lyon	12	13	8%
57	Chippewa	6	6	0%
72	Cottonwood	3	3	0%
74	Lake of the Woods	3	3	0%
75	Marshall	3	3	0%
80	Stevens	2	2	0%
81	Cook	1	1	0%
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20	Benton	41	40	-2%
33	Todd	22	21	-5%
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67	Jackson	8	4	-50%
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83	Lincoln	2	1	-50%
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77	Mahnomen	7	3	-57%
48	Itasca	26	11	-58%
60	Renville	15	6	-60%
78	Koochiching	7	2	-71%
85	Norman	5	1	-80%
79	Lake	12	2	-83%
84	Murray	6	1	-83%
86	Wilkin	8	1	-88%
82	Kittson	0	1	--
87	Red Lake	0	0	--

[Code of Federal Regulations]  
[Title 7, Volume 15]  
[Revised as of January 1, 2009]  
From the U.S. Government Printing Office via GPO Access  
[CITE: 7CFR3560.203]

[Page 568-569]

TITLE 7--AGRICULTURE

CHAPTER XXXV--RURAL HOUSING SERVICE, DEPARTMENT OF AGRICULTURE

PART 3560\_DIRECT MULTI-FAMILY HOUSING LOANS AND GRANTS--Table of Contents

Subpart E\_Rents

Sec. 3560.203 Tenant contributions.

(a) Tenant contributions. A tenant's contribution to rent charged for a rental unit in an Agency financed housing project is based on the tenant's income, as calculated on the Agency's tenant certification forms, and the availability of Agency or non-Agency rental subsidies.

(1) Tenant contributions. Borrowers must set tenant contributions to rent at the highest of the following standards but never more than the note rent:

(i) Thirty percent of monthly adjusted income;

(ii) Ten percent of gross monthly income;

(iii) An amount equal to the portion of an assistance payment specifically designated to meet the household's shelter costs if the household is receiving assistance payments from a public agency; or

(iv) The basic rent, unless RHS rental assistance is provided to the household.

(2) Tenant contribution surcharge. Tenants in a Plan I housing project with incomes above the eligibility standards set in Sec. 3560.152(a)(1) must pay a 25 percent surcharge in addition to note rent.

(b) Adjustment of tenant contribution. Borrowers must adjust the tenant contribution whenever there is a change in tenant household status or income sufficient to generate a revised tenant certification in accordance with Sec. 3560.152(e) or an Agency approved rent or utility allowance change that affects the tenant contribution amount.

[[Page 569]]

(c) Overage. If a tenant's tenant contribution is higher than basic rent, borrowers must remit to the Agency the rent collected in excess of the basic rent and up to the note rent.



**Soaring Spillover: Accelerating Foreclosures to Cost Neighbors \$502 Billion in 2009 Alone; 69.5 Million Homes Lose \$7,200 on Average**

**Over Next Four Years, 91.5 Million Families to Lose \$1.9 Trillion in Home Value; \$20,300 on Average**

May 2009

*NOTE: This is CRL's third report on the spillover impact of mortgage foreclosures. Our first report, issued in Jan. 2008, estimated that the 1.1 subprime foreclosures projected in CRL's 2006 "Losing Ground" study would cause a \$202 billion decline in home values in their communities.<sup>1</sup> In August 2008, we updated our subprime foreclosure projection to 2.2 million and estimated that those foreclosures would cause a \$352 billion total decline in property values.<sup>2</sup> This new report is based on new CRL projections of 2.4 million foreclosures for all loans (not just subprime) in 2009, and 9 million during 2009-2012. This report also reflects a somewhat more conservative methodology for calculating the spillover impact, as described below.*

The constant barrage of news headlines on the economic crisis makes it easy to become numb to the financial pain American families are experiencing. However, the numbers paint a picture we cannot ignore. Foreclosures today are the highest ever seen in the modern mortgage market. While the problem started with subprime loans (which CRL predicted back in 2006<sup>3</sup>), it has now spread to "Alt-A" and prime loans as well. Today, 1 in 8 home loans (and 1 in 4 subprime loans) are either delinquent or in foreclosure.<sup>4</sup>

Projections of foreclosures have skyrocketed from CRL's 2006 estimate of 1.1 million subprime foreclosures to a January 2009 Goldman Sachs estimate of 13 million foreclosures on all types of loans through 2014.<sup>5</sup> Based on current market data, CRL now projects that some 2.4 million foreclosures will occur in 2009, and 9 million during 2009-2012.<sup>6</sup>

In addition to the devastating impact these foreclosures will have on the affected households, they will also cause a "spillover" effect by depressing the value of nearby homes—most owned by families who are paying their mortgages on time. Today, almost half of all home sales are foreclosures or "short sales" of properties sold at substantial discount.<sup>7</sup> This has resulted in lower property values for homeowners and a reduced tax base for communities.

We estimate that, in 2009 alone, foreclosures will cause 69.5 million nearby homes to suffer price declines averaging \$7,200 per home and resulting in a \$502 billion total decline in property values. These projections—representing only property value declines caused by nearby foreclosures, not other price drops associated with short sales or the slowdown in local housing markets—are based on CRL research combined with data from Credit Suisse, Moody's Economy.com, and the Mortgage Bankers Association.<sup>8</sup>

### **Background**

When a home goes into foreclosure, the negative effects extend beyond individual families losing their homes to surrounding neighbors and the wider community. Published research by several researchers indicates that a foreclosure on a home lowered the price of other nearby



single-family homes.<sup>9</sup> Depending upon the geography and time period studied, the estimated impact of a foreclosure on nearby property values ranged from 0.6% to 1.6%.

For this analysis, CRL used a conservative estimate of a 0.744 percent home value decline for each foreclosure within 1/8 of a mile, based on a recent study by Harding, Rosenblatt & Yao (2008).<sup>10</sup> This is lower than the 0.9 percent decline used in our two previous spillover reports, which were based on a study by Immergluck and Smith (2006).<sup>11</sup> Harding *et al* find an average effect of foreclosure on an immediate neighbor of somewhat over one percent—similar to the 0.9 percent effect reported by Immergluck and Smith. However, Harding *et al* also find a sharper decline with distance and estimate that properties within zero to 300 feet on average experience a 1.3 percent decline in value, while properties within a 300-660 foot ring (660 feet = one eighth of a mile) have a 0.6 percent decline. Based on these statistics, we calculate that the average decline on a property within 1/8 of a mile of a foreclosure is 0.744 percent.<sup>12</sup>

### **Key Findings**

We project that, nationally, foreclosures on home loans originated will have the following impact on the neighborhoods and communities in which they occur:

- **Foreclosures in 2009 will cause 69.5 million neighboring homes to experience a devaluation of \$501.9 billion in total. This means homeowners living near foreclosed properties will see their property values decrease about \$7,200 on average.**
- **Over the next four years, foreclosures will affect 91.5 million nearby homes, reducing property values \$1.86 trillion in total, or \$20,300 per household.**

These national results are the aggregation of CRL estimates of the foreclosure spillover impact for 56,777 census tracts or similar geographies.<sup>13</sup> In each geography assessed, the cost to neighbors is affected by three factors: the number of projected subprime foreclosures, the density of local housing units, and the current value of those homes. (See “Calculating the Spillover Effect” below for further details on our analysis.)

Finally, our findings understate the total foreclosure “spillover” impact because we only include counties located in Metropolitan Statistical Areas (MSAs). A typical MSA comprises a core urban area with a population of 50,000 or more, together with adjacent communities that are economically or socially linked to that core area. Approximately 76 percent of the U.S. population lives in an MSA.<sup>14</sup>

### **Fueling The Economic Downturn**

Lower home values mean families have less home equity. Homeowners who had counted on using their home equity to finance their retirement, cover tuition costs, start a small business, or pay medical bills in many cases no longer have this option. And they often can't get a loan from a bank for these purposes either, as high foreclosures have caused a "credit crunch" as many lenders have scaled back lending to use their capital for loan losses.

This loss of household wealth also has eroded consumer confidence, which—combined with the credit crunch and lower consumer spending—has led to today's economic recession. And the downward spiral continues as job losses and the stock market decline caused by the recession are reducing household wealth further and making even more families vulnerable to losing their homes.

Finally, the combination of lower property values and recession has decimated state and local tax bases and revenue. The shortfall in state revenues through 2011 is estimated to total \$350 billion or higher.<sup>15</sup>

### Calculating the “Spillover” Effect

To assess the impact of foreclosed subprime loans on neighboring homes, we first allocated our estimated 2.4 million foreclosures and 9.0 million foreclosures during 2009-2012 by state. Within each state, we allocated foreclosures by census tract, based on foreclosure rates obtained from the Mcdash Analytics database for first lien mortgages secured by single family house, condo, townhome, or multifamily home and the number of mortgages at the census tract level from HMDA 2004 to 2007 (1<sup>st</sup> lien mortgages only).<sup>16</sup> We then obtained data on the local housing unit densities and median house prices for each census tract.<sup>17</sup> Assuming that the predicted foreclosures within each census tract are evenly distributed throughout the tract, we calculated the number of houses expected to be within an eighth of mile of each foreclosure. We then estimate that each foreclosed property will cause the value of these neighboring homes to decline by 0.744 percent.<sup>18</sup>

### Conclusion

By any measure, the epidemic of home losses is severe, and will not only harm the families who lose their homes, but also nearby homeowners who suffer drops in their property values and communities who suffer the impact of lower tax revenues. With millions of foreclosures predicted to occur in the next few years, it is imperative that policymakers take action to assist homeowners struggling today and enact common-sense regulations to ensure this disaster does not happen again.

**Table 1: Foreclosure Spillover Impact by State**

State	Spillover Impact of 2.4MM Foreclosures in 2009			Spillover Impact of 9.0MM Foreclosures in 2009-2012		
	Number of Neighboring Homes Experiencing Devaluation	Decrease in House Values from Foreclosure Effect (\$ millions)	Average Decline in Home Value	Number of Neighboring Homes Experiencing Devaluation	Decrease in House Values from Foreclosure Effect (\$ millions)	Average Decline in Home Value
Alabama	449,062	\$483.5	\$1,077	948,411	\$1,788.7	\$1,886
Alaska	79,765	\$168.0	\$2,106	124,028	\$621.3	\$5,009
Arizona	2,061,079	\$13,984.9	\$6,785	2,261,220	\$51,734.3	\$22,879
Arkansas	184,535	\$164.3	\$890	442,075	\$607.9	\$1,375
California	11,379,799	\$169,456.0	\$14,891	12,249,824	\$626,870.0	\$51,174
Colorado	1,343,372	\$4,252.8	\$3,166	1,581,158	\$15,732.5	\$9,950
Connecticut	736,082	\$2,086.5	\$2,835	1,126,426	\$7,718.3	\$6,852
Delaware	182,775	\$554.8	\$3,035	292,609	\$2,052.3	\$7,014
District of Columbia	274,653	\$6,176.7	\$22,489	281,838	\$22,848.6	\$81,070
Florida	7,341,423	\$89,571.0	\$12,201	8,028,664	\$331,351.0	\$41,271
Georgia	1,850,583	\$3,553.5	\$1,920	2,823,007	\$13,145.5	\$4,657
Hawaii	274,275	\$4,049.1	\$14,763	359,505	\$14,979.8	\$41,668
Idaho	242,403	\$479.7	\$1,979	337,094	\$1,774.8	\$5,265
Illinois	3,618,332	\$34,150.9	\$9,438	4,283,681	\$126,335.3	\$29,492

State	Spillover Impact of 2.4MM Foreclosures in 2009			Spillover Impact of 9.0MM Foreclosures in 2009-2012		
	Number of Neighboring Homes Experiencing Devaluation	Decrease in House Values from Foreclosure Effect (\$ millions)	Average Decline in Home Value	Number of Neighboring Homes Experiencing Devaluation	Decrease in House Values from Foreclosure Effect (\$ millions)	Average Decline in Home Value
Indiana	1,344,662	\$1,633.1	\$1,215	1,904,624	\$6,041.5	\$3,172
Iowa	317,552	\$323.8	\$1,020	565,479	\$1,197.7	\$2,118
Kansas	402,244	\$420.7	\$1,046	668,950	\$1,556.2	\$2,326
Kentucky	521,729	\$605.2	\$1,160	857,834	\$2,238.7	\$2,610
Louisiana	497,571	\$708.2	\$1,423	936,151	\$2,619.8	\$2,798
Maine	109,483	\$206.9	\$1,890	218,171	\$765.2	\$3,507
Maryland	1,603,118	\$8,451.8	\$5,272	1,971,842	\$31,265.8	\$15,856
Massachusetts	1,578,224	\$10,218.5	\$6,475	2,260,670	\$37,801.8	\$16,722
Michigan	2,511,134	\$5,497.8	\$2,189	3,227,395	\$20,337.9	\$6,302
Minnesota	1,116,300	\$3,478.1	\$3,116	1,505,378	\$12,866.7	\$8,547
Mississippi	195,269	\$175.0	\$896	458,361	\$647.4	\$1,412
Missouri	1,066,438	\$1,588.0	\$1,489	1,597,889	\$5,874.4	\$3,676
Montana	55,270	\$71.8	\$1,299	132,241	\$265.6	\$2,008
Nebraska	269,313	\$290.7	\$1,079	423,158	\$1,075.4	\$2,541
Nevada	938,285	\$14,717.2	\$15,685	995,753	\$54,443.8	\$54,676
New Hampshire	147,465	\$301.2	\$2,043	295,195	\$1,114.3	\$3,775
New Jersey	2,646,917	\$17,913.5	\$6,768	3,234,032	\$66,266.9	\$20,490
New Mexico	308,477	\$568.4	\$1,843	461,179	\$2,102.7	\$4,559
New York	5,295,621	\$65,340.7	\$12,339	6,420,239	\$241,715.4	\$37,649
North Carolina	1,042,806	\$1,401.4	\$1,344	2,227,064	\$5,184.4	\$2,328
North Dakota	46,329	\$46.9	\$1,012	111,742	\$173.3	\$1,551
Ohio	2,827,700	\$4,657.2	\$1,647	3,853,373	\$17,228.6	\$4,471
Oklahoma	540,764	\$510.8	\$945	836,097	\$1,889.6	\$2,260
Oregon	818,698	\$2,487.1	\$3,038	1,089,889	\$9,200.7	\$8,442
Pennsylvania	2,455,378	\$6,627.5	\$2,699	3,640,624	\$24,517.4	\$6,734
Rhode Island	331,175	\$1,520.3	\$4,591	409,167	\$5,624.1	\$13,745
South Carolina	573,661	\$949.4	\$1,655	1,130,236	\$3,512.3	\$3,108
South Dakota	42,876	\$40.6	\$947	99,924	\$150.2	\$1,503
Tennessee	826,063	\$1,043.4	\$1,263	1,456,250	\$3,860.0	\$2,651
Texas	4,313,240	\$5,403.1	\$1,253	6,596,254	\$19,987.8	\$3,030
Utah	581,348	\$1,549.4	\$2,665	712,255	\$5,731.8	\$8,047
Vermont	24,920	\$38.5	\$1,545	61,199	\$142.5	\$2,328
Virginia	1,656,450	\$7,053.0	\$4,258	2,209,005	\$26,091.1	\$11,811
Washington	1,543,854	\$5,267.9	\$3,412	2,104,655	\$19,487.8	\$9,259
West Virginia	98,853	\$93.9	\$950	244,538	\$347.4	\$1,421
Wisconsin	844,117	\$1,530.2	\$1,813	1,383,078	\$5,660.5	\$4,093
Wyoming	29,505	\$37.6	\$1,274	76,577	\$139.0	\$1,815
United States	69,540,947	\$501,900.6	\$7,217	91,516,008	\$1,856,685.9	\$20,288



## Notes

- <sup>1</sup> *Subprime Spillover: Foreclosures Cost Neighbors \$202 Billion; 40.6 Million Homes Lose \$5,000 on Average*. Center for Responsible Lending. (January 18, 2008).
- <sup>2</sup> *Updated Projections of Subprime Foreclosures in the United States and Their Impact on Home Values and Communities*. Center for Responsible Lending. (August 2008).
- <sup>3</sup> Ellen Schloemer, Wei Li, Keith Ernst, & Kathleen Keest, *Losing Ground: Foreclosures in the Subprime Market and Their Cost to Homeowners*, The Center for Responsible Lending, (December 2006).
- <sup>4</sup> *Fourth Quarter 2008 National Delinquency Survey*. Mortgage Bankers Association. (March 2009).
- <sup>5</sup> Jan Hatzius & Michael A. Marschoun, *Home Prices and Credit Losses: Projections and Policy Options*, Goldman Sachs Global ECS Research (January 13, 2009).
- <sup>6</sup> CRL's estimate of 2.4 million foreclosures in 2009 is estimated based on annualized run rate of foreclosure starts reported in 3Q 2008 MBA National Delinquency Survey, grossed up to reflect entire mortgage market (MBA covers 80%). The 9.0 million foreclosures projected for 2009-2012 comes from Credit Suisse, specifically Rod Dubitsky, Larry Yang, Stevan Stevanovic and Thomas Suehr, *Foreclosure Update: Over 8 Million Foreclosures Expected*, Credit Suisse (December 4, 2008).
- <sup>7</sup> Lawrence Yun. *Economists' Commentary: Existing Home Sales in February [2009]*. National Association of Realtors. (March 23, 2009). Available at [http://www.realtor.org/research/economists\\_outlook/commentaries/commentary\\_ehs032309](http://www.realtor.org/research/economists_outlook/commentaries/commentary_ehs032309)
- <sup>8</sup> Our analysis also utilizes research by Harding, Rosenblatt, and Yao that shows an average 0.744 percent decline in home values for properties within 1/8 mile of a foreclosure. Harding, John P., Rosenblatt, Eric and Yao, Vincent W. *The Contagion Effect of Foreclosed Properties*. (July 15, 2008). Available at <http://ssrn.com/abstract=1160354>
- <sup>9</sup> Studies reviewed include the following:
- Immergluck, Dan and Geoff Smith. "The External Costs of Foreclosure: the Impact of Single-Family Mortgage Foreclosures on Property Values." *Housing Policy Debate*, 17(2006): 57-79.
  - Harding, John P., Rosenblatt, Eric and Yao, Vincent W, "The Contagion Effect of Foreclosed Properties" (July 15, 2008). Available at <http://ssrn.com/abstract=1160354>
  - Lin, Zhenguo, Eric Rosenblatt and Vincent W. Yao. "Spillover Effects of Foreclosures on Neighborhood Property Values." *Journal of Real Estate Finance and Economics*, forthcoming (2008). Available at <http://www.springerlink.com/content/rk4q0p4475vr3473/>
  - OFHEO. "Highlights - Part 2: Foreclosures and House Prices." OFHEO News Release, 29 Nov, 2007: 11-17.
  - Rogers, William H., and William Winter, 2009. "The Impact of Foreclosures on Neighboring Housing Sales." *Forthcoming, Journal of Real Estate Research*.
  - Calomiris, Charles W., Stanley D. Longhofer, and William Miles. "The Foreclosure-House Price Nexus: Lessons from the 2007-2008 Housing Turmoil," Unpublished manuscript presented at 2008 AREUEA mid-year meeting, 4 July 2008.
- <sup>10</sup> See note 2.
- <sup>11</sup> Immergluck, Dan and Geoff Smith. "The External Costs of Foreclosure: the Impact of Single-Family Mortgage Foreclosures on Property Values." *Housing Policy Debate*, 17(2006): 57-79.
- <sup>12</sup> We determined the relative area encompassed by each ring, and found the inner circle (0-300 feet) is 25/121ths of the area encompassed by the outer ring (300-660 feet). Therefore, the expected decline for the entire 1/8 mile circle (both rings) is calculated as  $25/121 * 1.3\%$  expected home value decline (.269) plus  $96/121 * 0.6\%$  expected home value decline (.476) = .744.
- <sup>13</sup> Specifically, Block Numbering Areas (BNAs), which are geographic entities similar to census tracts and delineated in counties (or the statistical equivalents of counties) without census tracts. In 2005 HMDA data,

there are total of 387 MSAs. For these MSAs, there are total of 1,158 counties and 53,293 census tracts. In 2006 HMDA data, there are total of 387 MSAs. For these MSAs, there are total of 1,158 counties and 53,245 census tracts. Combining both years yields 56,777 census tracts.

- <sup>14</sup> Metropolitan statistical areas are geographic entities defined by the U.S. Office of Management and Budget for use by Federal statistical agencies in collecting, tabulating, and publishing Federal statistics. For more details, see <http://www.census.gov/population/www/estimates/metroarea.html>
- <sup>15</sup> Iris J. Lav and Elizabeth McNichol. *State Budget Troubles Worsen*. Center for Budget and Policy Priorities. (March 13, 2009 update). Available at <http://www.cbpp.org/cms/?fa=view&id=711>
- <sup>16</sup> All the mortgages were outstanding by the middle of 2008. For any of the mortgages, if it was in foreclosure process, or if it had at least three late payments for the past 12 months by the middle of 2008, the mortgage was projected to foreclose eventually. If an area covered by a 5-digit Zip code had at least 100 loans in the database, then for this area, the number of mortgages projected to foreclose was divided by the total number of outstanding loans to yield a foreclosure rate. If an area covered by a 5-digit Zip code had less than 100 loans in the database, then its foreclosure rate was estimated from a larger area covered by a zip code of fewer digits which should have at least 100 loans. One census tract could be in multiple zip codes. Foreclosure rates for census tracts were weighted averages of zip code level foreclosure rates weighted by allocation factors of the census tract to zip codes. The number of mortgages at census tract level was aggregated from HMDA 2004 to 2007 (1<sup>st</sup> lien mortgages only). It was then multiplied its foreclosure rates to give us the number of foreclosures for each census tract. In our database, there are total of 7.3 million mortgages expected to foreclose based on the above criteria. We then divided our national projections of 2.4 million foreclosures in 2009 and 9.0 million in 2009-2012 to calculate "scale factors", which were then applied to the McDash/HMDA estimated foreclosures for each census tract.
- <sup>17</sup> Housing units and median house values at census tract level are from the Summary File 3 database of 2000 Census. Housing units was further updated to 2007 numbers by using Census 2007 Survey estimates at county level. Median house value was further updated to 2Q2007 value by using OFHEO HPI at MSA level for metro areas and at state level for rural areas.
- <sup>18</sup> For a census tract, let A be the area size in square miles, B be the number of foreclosed subprime loans, C be the number of housing units, and D be the median house price. Let  $G=64A/\pi$ . Then the number of neighboring homes experiencing devaluation is given by

$$H = \begin{cases} C, & \text{if } B \geq G \\ C \times B \div G, & \text{if } B < G \end{cases} \quad (1).$$

The dollar amount of decrease in house value/tax base from foreclosure effect is given by

$$I = 0.009 \times C \times D \times B \div G \quad (2).$$