DATA DIGEST

A STATISTICAL PROFILE OF THE PIONEER VALLEY REGION

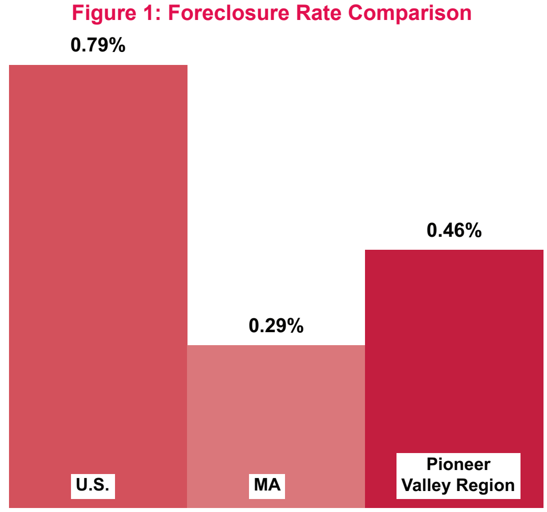
Home Foreclosures in the Pioneer Valley Region

Examining the Regional Impacts of a National Crisis: Geographic and Socio-Economic Trends Related to Foreclosures in the Pioneer Valley Region 2008

In recent years, the United States has been experiencing dramatically elevated levels of home foreclosures with 0.79% of all housing units under foreclosure in 2008. Relevant data confirms that the Pioneer Valley region has not been spared.

In fact, the region appears to be experiencing the effects of this trend in a more profound way than is evident in the rest of Massachusetts. With a rate of 0.46% of all housing units under foreclosure in 2008, the Pioneer Valley region as a whole (encompassing the 43 cities and towns that comprise the Hampden and Hampshire county areas) was situated well above the Commonwealth's overall rate of 0.29% (see Figure 1).

Figure 1: Foreclosure Rate Comparison



Source: The Warren Group; Foreclosure.com

Moreover, the urban core areas of the Pioneer Valley experienced foreclosure rates twice as high as that of the region overall, surpassing a staggering 0.9% of all housing units under foreclosure.

These are troubling statistics, especially given that home foreclosures have been shown to have a variety of negative effects on a community. In addition to the difficulty it causes for the former homeowner, a foreclosed home can become a magnet for vandalism and crime, and can substantially drive down the value of neighboring properties.

This report examines home foreclosures within the Pioneer Valley region in the year 2008, with the goal of identifying and exploring geographic concentrations of foreclosure, the demographic characteristics of the people who live in these affected areas, and highlights possible relationships between foreclosure rates and socio-economic characteristics of the population who live there.

The Foreclosure Crisis: A Brief Background

Throughout the nation, foreclosure rates began to climb in 2007, rose steadily through 2008, and, by all accounts, have continued their ascent well into 2009. In searching for an explanation for this epidemic of foreclosures, a number of experts have pointed to the prevalence of sub-prime lending that has become a major characteristic of the U.S. housing market over the past three decades.

Sub-prime borrowers often obtain a loan with a relatively low, competitive interest rate, only to find that in a few short years when their adjustable loan rate resets, they can no longer afford their monthly payment.

Unfortunately, as the national media has continued to uncover and report, the practice of sub-prime lending became pervasive over the period leading up to the current crisis, and such lending often occurred with little to no government oversight or regulation. This has resulted in many sub-prime loans being awarded to borrowers who otherwise might not have been approved. Subsequently, many of these borrowers now find themselves in default on their sub-prime loans because they are unable to afford their increased monthly payments.

This inability to afford monthly payments due to an interest rate reset, in combination with plummeting home values, is now widely perceived to be a primary cause of America's current foreclosure crisis.

Methodology

This analysis is representative of foreclosure trends in the Pioneer Valley region for a fixed period of time, namely calendar year 2008. It is not intended to provide a detailed analysis of long-term trends and it does not attempt to explain potential change over time. Instead, its principal goal is to identify and examine geographic concentrations of foreclosures in the Pioneer Valley region, the demographic characteristics of the people who live in these geographies, and to uncover any possible relationships that might exist between foreclosure rates and prevailing socio-economic characteristics. Calendar year 2008 was chosen for analysis purpose because, at the time of analysis, it was the one full year for which data was available during which the crisis was both serious and ongoing.

Home foreclosure data compiled for the Pioneer Valley region represents all foreclosure deeds that were filed between January 1 and December 31, 2008. These data were was procured from the Warren Group, a collector and publisher of real estate data for the state of Massachusetts.

It is important to note that the data used to conduct the Pioneer Valley region analysis includes foreclosure deeds only. People often use the "foreclosure" label to also include preliminary filings, delinquency notices, and processes that may be interrupted and do not ultimately result in an actual foreclosure deed.

In order to provide the most accurate and least confusing information, preliminary filings and the like have not been included in the data gathered for the Pioneer Valley region.

In contrast, foreclosure rates for the state of Massachusetts and for the United States were drawn from Foreclosure.com, a web-based data clearinghouse that compiles information from lenders and government agencies, and may include data other than foreclosure deeds.

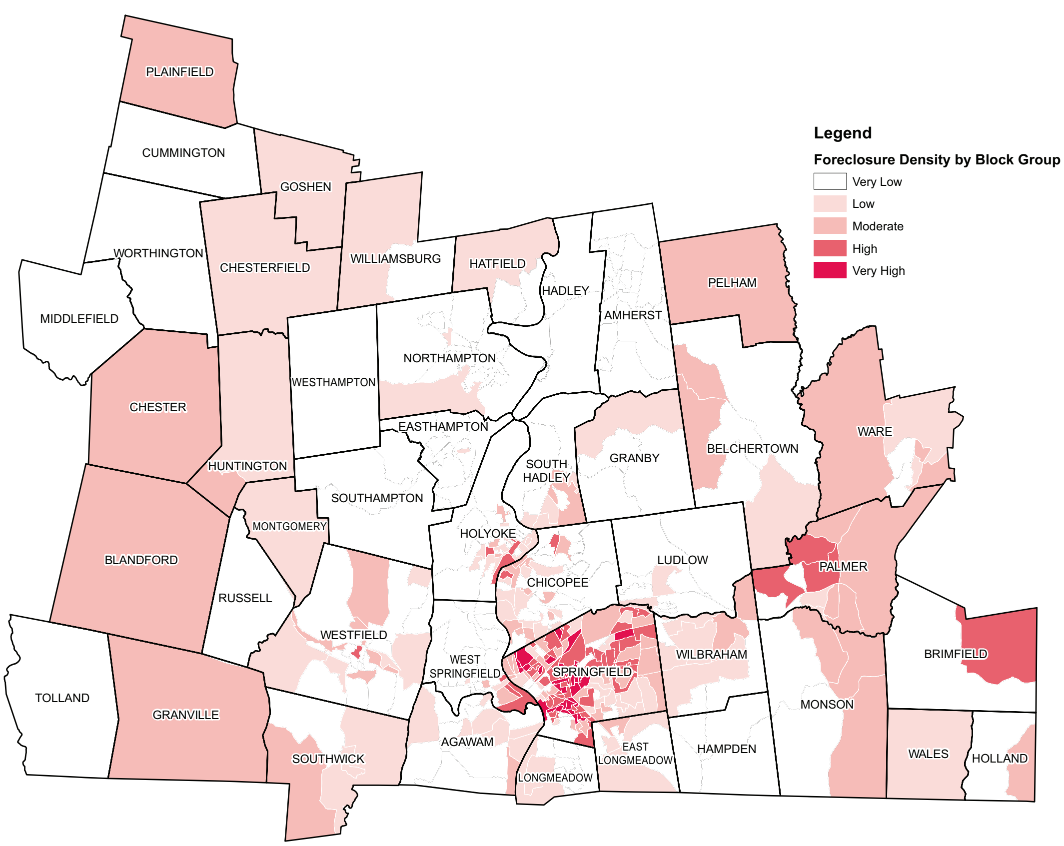
If using different data sources caused any inconsistency in making comparisons, it would be that the national and state foreclosure rates were actually slightly lower than the rates that are reported in this analysis.

Regional Foreclosure Trends

As compared to the United States national foreclosure rate of 0.79%, the Pioneer Valley region, at 0.46%, was faring better than the nation as a whole in 2008. However, when compared to the state of Massachusetts, with a statewide foreclosure rate of 0.29%, the Pioneer Valley region was weathering a more difficult storm.

A closer look at data for the Pioneer Valley region also reveals a geographically uneven distribution of the 1,136 home foreclosures in the region. Figure 2 illustrates this trend as it shows a high concentration of foreclosures within the urban core communities of the Pioneer Valley region, most especially Springfield, Chicopee, and Holyoke.

Figure 2: Foreclosure Density In The Pioneer Valley Region



Source: The Warren Group

Table 1A:

Regional Rankings by Foreclosure Rate					
Rank	County	2008 Foreclosures	Population*	# Housing Units	2008 Foreclosure Rate
1	Hampden County	1,039	456,228	185,876	0.56
2	Hampshire County	97	152,251	58,644	0.17
Piomeer Valley Region		**1,136**	**608,479**	**244,520**	**0.46**

*Population and Housing data is from the 2000 U.S. Census. 2008 Foreclosure figures are from the Warren Group.

Table 1:

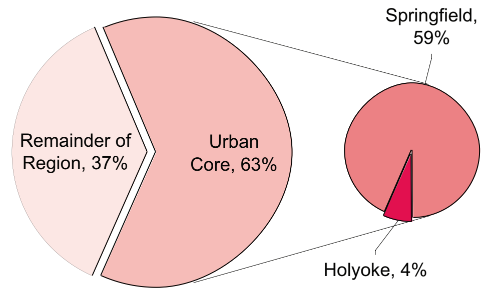
Municipality Rankings by Foreclosure Rate					
Rank	City/Town	2008 Foreclosures	Population*	# Housing Units	2008 Foreclosure Rate
1	Springfield	670	152,082	61,172	1.10
2	Chester	5	1,308	580	0.86
3	Palmer	38	12,497	5,402	0.70
4	Brimfield	9	3,339	1,396	0.64
5	Plainfield	2	589	311	0.64
6	Blandford	3	1,214	526	0.57
7	Pelham	3	1,403	556	0.54
8	Huntington	5	2,174	935	0.53
9	Ware	23	9,707	4,336	0.53
10	Granville	3	1,521	595	0.50
11	Monson	13	8,359	3,213	0.40
12	Montgomery	1	654	257	0.39
13	Chesterfield	2	1,201	524	0.38
14	Holland	5	2,407	1,317	0.38
15	Wales	3	1,737	796	0.38
16	Goshen	2	921	536	0.37
17	Holyoke	51	39,838	16,210	0.31
18	Southwick	11	8,835	3,533	0.31
19	Chicopee	75	54,653	24,424	0.31
20	West Springfield	37	27,899	12,259	0.30
21	Belchertown	14	12,968	5,050	0.28
22	Westfield	40	40,072	15,441	0.26
23	Wilbraham	13	13,473	5,048	0.26
24	Agawam	29	28,144	11,659	0.25
25	East Longmeadow	12	14,100	5,363	0.22
26	Cummington	1	978	452	0.22
27	South Hadley	15	17,196	6,784	0.22
28	Williamsburg	2	2,427	1,073	0.19
29	Granby	4	6,132	2,295	0.17
30	Russell	1	1,657	641	0.16
31	Ludlow	11	21,209	7,841	0.14
32	Hatfield	2	3,249	1,431	0.14
33	Longmeadow	7	15,633	5,879	0.12
34	Middlefield/ Worthington**	1	1,812	845	0.12
35	Hampden Town	2	5,171	1,846	0.11
36	Southampton	2	5,387	2,025	0.10
37	Northampton	11	28,978	12,405	0.09
38	Easthampton	4	15,994	7,083	0.06
39	Amherst	4	34,874	9,427	0.04
40	Tolland	0	426	478	0.00
41	Hadley	0	4,793	1,953	0.00
42	Westhampton	0	1,468	623	0.00

*Population and Housing data is from the 2000 U.S. Census. 2008 Foreclosure figures are from the Warren Group.

**The towns of Middlefield and Worthington are combined because they share census block groups, which was the geographic level at which demographic data such as population and housing units was combined with foreclosure deeds, making it impossible to allocate an accurate population and housing unit to either town. Thus they are treated as one census geography for the purposes of calculating a foreclosure rate, etc.

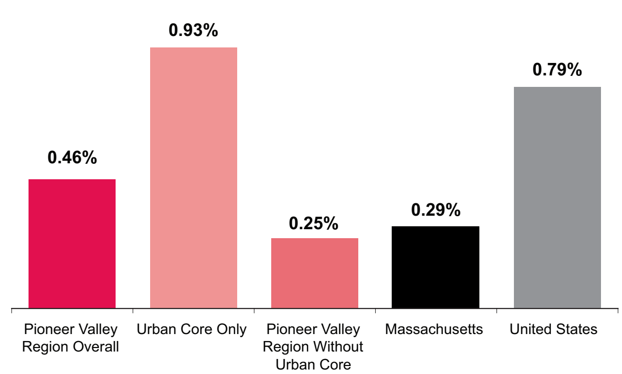
In fact, two of the Pioneer Valley region urban core cities, namely Springfield and Holyoke, which account for just under one third of the region's total population and housing stock accounted for nearly two thirds of the region's foreclosures in 2008 (see figure 3). It is also noteworthy to point out that when the urban core is excluded, the foreclosure rate for the Pioneer Valley region drops to 0.25%, a rate that's actually lower than that for the state overall. In contrast, when the home foreclosure rate is calculated for the region's urban core alone, we see a density of home foreclosures that far exceeds that of the nation as a whole with a rate of nearly 0.93% of all units (see figure 4).

Figure 3: Distribution of Pioneer Valley Region Foreclosures: Urban Core & Remainder Of Region



Source: The Warren Group

Figure 4: Foreclosure Rate Comparison Revisited: A Closer Look at the Urban Core



Source: The Warren Group; Foreclosure.com

Neighborhood Foreclosure Trends

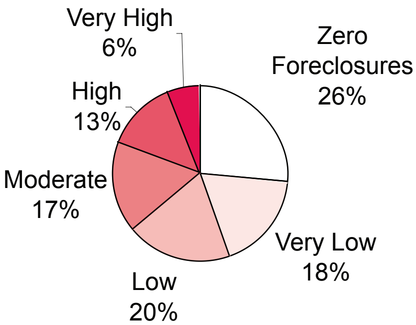
In order to provide a more finely detailed geographic analysis, the total 1,136 foreclosures in the Pioneer Valley region for 2008 were split into their respective Census Block Group geographies. There are 450 block groups in the region, of which 330 (or 73%) had at least one foreclosure in 2008. For the 330 block groups that suffered at least one foreclosure, a foreclosure rate was calculated. Based upon these calculations, the block groups were then subdivided into categories ranging from those with zero foreclosures to those with foreclosure rates that were deemed very high. The breakdown of the categories and how many block groups fell into each can be seen in Table 2.

Table 2: Foreclosure Category Breakdown

	% Of Pioneer Valley Region Block Groups	Foreclosure Rate	% of Overall Pioneer Valley Region Rate
Overall Rate (.46)			
Zero Foreclosures	26.67%	0%	0%
Very Low	17.78%	>0 - 0.23%	.01 - 49.9%
Low	19.56%	0.24 - 0.46%	50 - 99.9%
Moderate	16.89%	0.47- 0.91%	100 - 199.9%
High	12.89%	0.92 - 1.81%	200 - 399.9%
Very High	6.22%	1.82 - 4.30%	400%+

Source: The Warren Group

Figure 5: Distribution of Pioneer Valley Region Block Groups by Foreclosure Rate Category

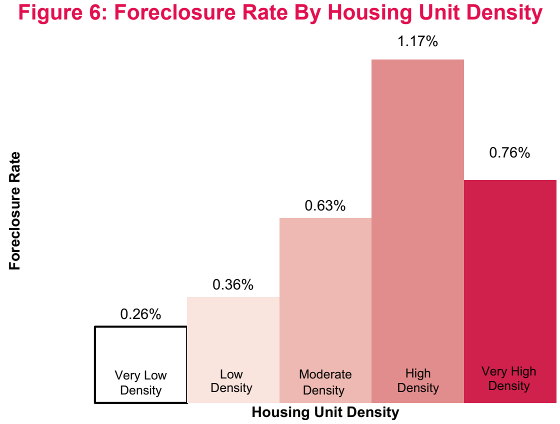


At this detailed level, one can readily see a wide range of difference between and among the block groups. Focusing on the lowest versus the highest foreclosure rates registered through the Pioneer Valley region, the rates varied from 0% (no foreclosures in the block group) to 4.3% (more than five times the national rate, nine times the overall rate for the region, and almost 15 times the rate for Massachusetts). Although there were a number of block groups (19%) that had what could qualify as a high or very high foreclosure rate in 2008, it is important to note here that these block groups were not the majority. In fact, of the 450 block groups in the Pioneer Valley region, nearly 27% had no foreclosures at all. In addition, 76% of the block groups in the region were ranked below the national foreclosure rate of 0.79%, and exactly half (50%) fell below the Massachusetts statewide foreclosure rate of 0.29%.

A particular concern, however, can be seen in statistics for the City of Springfield. With a 1.10%, the foreclosure rate in Springfield, the "City of Homes" was almost 2.5 times higher than that of the Pioneer Valley region overall and was nearly quadruple the rate for the state of Massachusetts. Further, of the 30 Census Block Groups in the region with the highest 2008 foreclosure rates, 29 were located in Springfield; only one was located in Holyoke.

The concentration of high foreclosure rates within the region's urban areas was reinforced through an examination of the 450 block groups in terms of their housing unit density (housing units per square mile). The block groups were categorized into five levels based on their density, from those with very low unit density (reflecting a more rural condition), to those with very high unit density (reflective of an urban condition). Generally, it was found that those block groups with a higher density of housing units per square mile had a higher rate of foreclosures per 100 housing units. Of special note is the fact that 90% of the block groups that were classified as high or very high density were located in Springfield and Holyoke, including 100% of those categorized as very high density. Accordingly, it can be argued that if there is a high rate of foreclosures in a densely populated neighborhood, the adverse consequences to that neighborhood, the host community, and the surrounding region will be sever and difficult to reverse and overcome, especially within a short time frame.

Figure 6: Foreclosure Rate By Housing Unit Density



Source: The Warren Group; U.S. Census Bureau

Socioeconomic Characteristics and Sub-Prime Lending

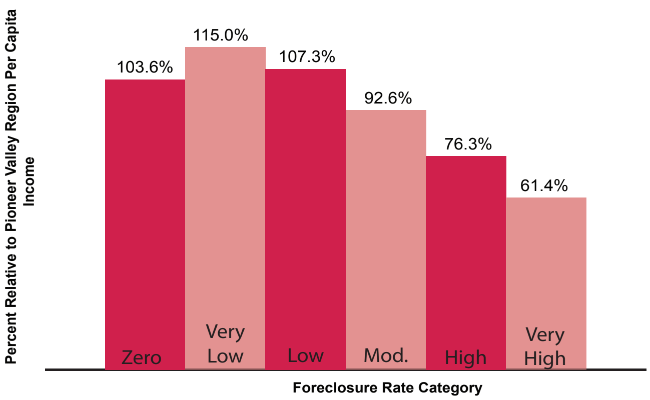
A report published by the Pioneer Valley Planning Commission in 2003 entitled "Owning a Place to Call Home" was the product of a thorough examination of the socio-economic statistics of Springfield Metropolitan Area residents who applied for a mortgage between 1996 and 2001. Subsequently revisited and updated in 2005, the report illuminated some important and disturbing trends. First, the report found that loan denial rates generally responded to applicant income levels (lower income, higher denial rate) but it also found a significant relationship existed between the race or ethnicity of a loan applicant and the outcome of an application. Even while controlling for income, it was found that applicants who were Black or Hispanic were much more likely to be denied a loan than white applicants. Secondly, the report asserted that sub-prime mortgage lenders may have been targeting their efforts at low-income communities of color, evidenced by the volume of sub-prime loan applications originating in the urban core communities of the Springfield Metropolitan Area. It was found that geographies with the highest levels of sub-prime activity in 2001 had significantly lower incomes, had larger populations of persons of color, and were younger.

The findings of "Owning a Place to Call Home" were significant in that they pointed to concentrations of sub-prime lending activity in specific demographic and geographic groupings, most notably in minority communities within the urban core. It follows that if the current foreclosure crisis is indeed related to the practice of sub-prime mortgage lending, one should see elevated foreclosure levels concentrated in these same demographic and geographic nodes. This does, in fact, seem to be the case with the data from 2008. Demographic analysis of the block groups suggested significant relationships between race and foreclosure rate, as well as income and foreclosure rate, with the highest rates of foreclosure in 2008 being found in the communities of the greatest minority population and the lowest income, all concentrated within the urban core area of the Pioneer Valley region.

Demographic and Socioeconomic Comparisons of Foreclosure Rate Categories

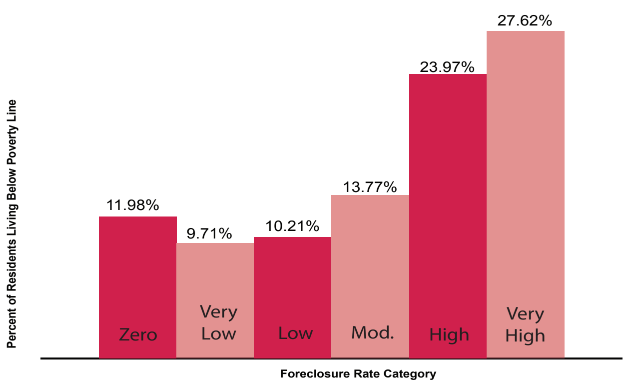
First, and perhaps most obviously, the 2008 foreclosure data shows a clear relationship between income levels and foreclosure rates. Relative to the Pioneer Valley region's per capita income, those block groups categorized in the low, very low, and zero foreclosures categories all had per capita income figures that were above the rate for the region overall. In contrast, those block groups falling into the moderate, high, and very high foreclosure rate categories all had per capita income figures that were below that of the region overall along with higher percentages of residents living below the poverty line (see Figures 7 and 8).

Figure 7: Income Compared to Region Among Foreclosure Rate Categories



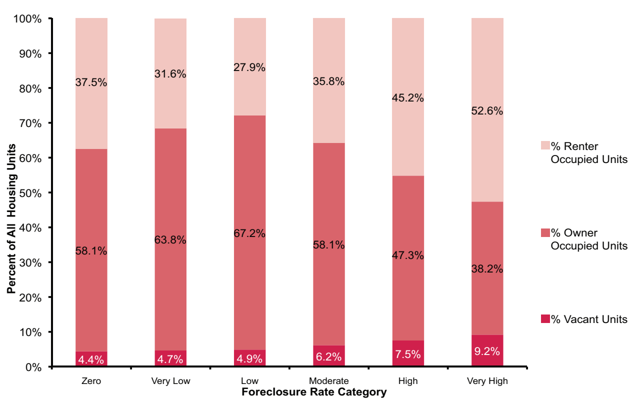
Source: The Warren Group; U.S. Census Bureau

Figure 8: Percent Residents Living Below Poverty Line by Foreclosure Rate Category



Source: The Warren Group; U.S. Census Bureau

Figure 9: Housing Comparison Among Foreclosure Rate Categories



Source: The Warren Group; U.S. Census Bureau

Home foreclosure rates also appeared to be related to housing occupancy characteristics. As Figure 9 highlights, there is a link between foreclosure rate categories and their respective percentages of vacant, owner-occupied, and renter-occupied housing units.

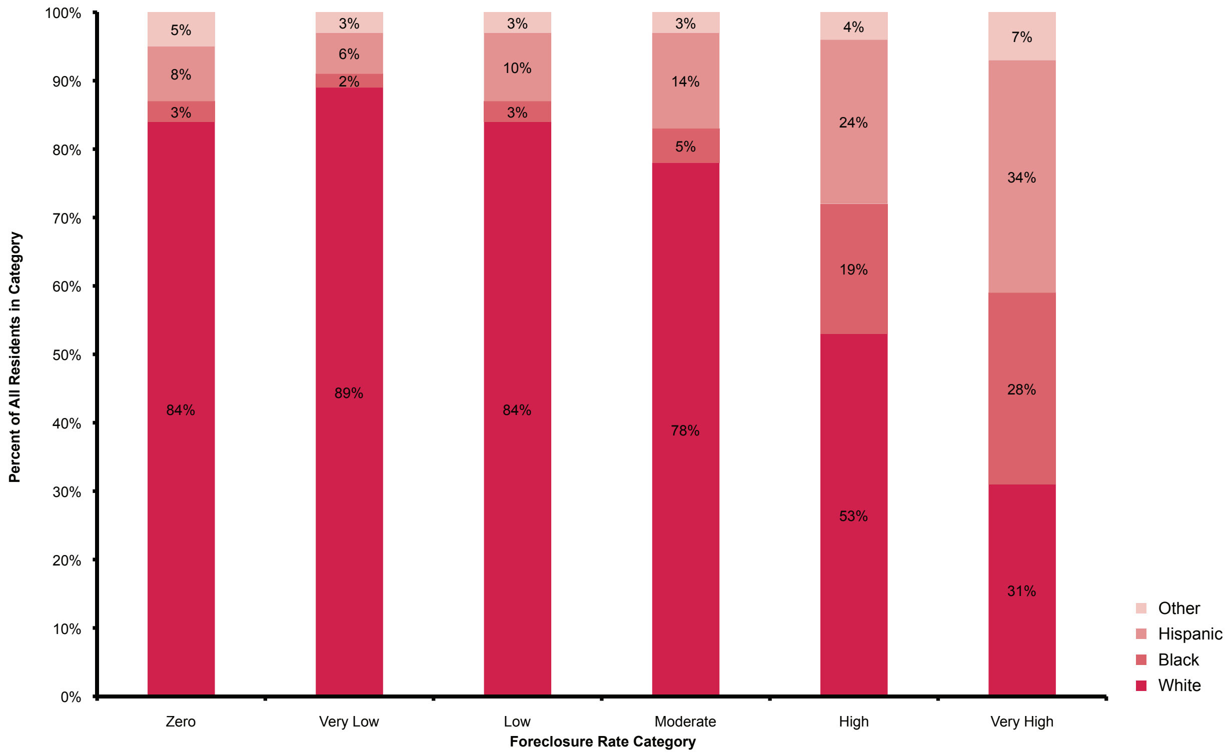
The categories with lower foreclosure rates had relatively fewer vacant units, more owner occupancy, and generally less renter occupancy than did those with higher foreclosure rates in 2008.

Finally, and perhaps most striking, there are significant linkages between foreclosure rates and race. The data suggests that the block groups with lower rates of foreclosure in 2008 had significantly higher percentages of white residents than did their counterparts with higher foreclosure rates (see figure 10). In fact, approximately 75% of the block groups categorized in the zero, very low, and low foreclosure rate categories had white populations of 80% or more. This is in contrast to the block groups categorized as having moderate, high, and very high foreclosure rates, of which only approximately 40% had white populations of 80% or higher. Further, of the 28 block groups in the very high foreclosure rate category, not one had a white population of 80% or higher. Inversely, black and Hispanic population percentages were noted to increase with higher foreclosure rates, as can also be seen in Figure 10.

Overall, these relationships point to a dynamic in which the communities that were suffering from higher foreclosure rates in the region in 2008 were those with lower income levels, those with more vacant and rented homes, and those with fewer white residents and significantly larger minority populations.

Zooming out to the regional level, this dynamic expresses itself again in the relationship between the region's urban core (home to more than 60% of the region's total foreclosures in 2008) and the rest of the region. Available data show clearly that the urban core as a whole had significantly higher percentages of minority populations, higher poverty levels, lower income levels, and lower owner occupancy than did the rest of the region.

Figure 10: Racial Distribution Comparison Among Foreclosure Rate Categories



Source: The Warren Group; U.S. Census Bureau

Conclusion

Significantly elevated levels of home foreclosure are an unfortunate reality of the current U.S. housing market and. As such, the Pioneer Valley region did not avoid the damage unleashed by the national crisis. Although the region did less well than the state of Massachusetts in 2008, it never the less had a foreclosure rate that fell well below the national average. Moreover, the region had a relatively low level of foreclosures outside its urban core. In fact, there was a dramatically uneven distribution of home foreclosures throughout the region in 2008.

From the regional level to the neighborhood level, foreclosure rates appeared to be higher in those areas where there were greater proportions of the population who were of racial minorities, had lower income levels, and less owner occupancy.

The concentration of foreclosures in the urban core of the Pioneer Valley region (particularly the city of Springfield) coupled with the clear linkages between demographic characteristics and home foreclosure rates highlight the need for further detailed analysis to explain the root causes for these linkages, as well as identification of demographic and geographic targets where increased loan education and foreclosure prevention programs could prove beneficial.

Secondly, government oversight and regulation of sub-prime lenders again needs to be taken up and advanced as a public policy initiative so as to minimize, if not avoid, the serious and adverse consequences of issuing home mortgage loans that do not fit the needs and qualifications of the borrower, whether it be because they qualify for better and more stable loan rate or because they do not have the knowledge or financial resources to make lending and home ownership a sensible and sustainable proposition at the present time.

Catalyst for Regional Progress
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