Rural Housing Research Note

Foreclosure in Rural America: An Update

Housing Assistance Council

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Housing Assistance Council
1025 Vermont Avenue, N.W.
Suite 606
Washington, DC 20005
202-842-8600 (voice)
202-347-3441 (fax)
hac@ruralhome.org
www.ruralhome.org

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HAC, founded in 1971, is a nonprofit corporation that supports affordable housing efforts in rural areas of the United States. HAC provides technical housing services, loans from a revolving fund, housing program and policy assistance, research and demonstration projects, and training and information services. HAC is an equal opportunity lender.

INTRODUCTION

Today, the foreclosure crisis continues to devastate financial markets, local communities, and individual homeowners across the nation. Foreclosures have affected rural America, yet it is difficult to determine the extent and scope of housing distress in rural areas due to a lack of quality data on home mortgage markets and lending activity. The diversity of rural mortgage markets, combined with a lack of access to accurate data, create ongoing challenges to understanding and addressing the mortgage default and foreclosure problem in rural America. The Housing Assistance Council (HAC) presents new information to update the initial report and assessment of the foreclosure situation in rural America, published in 2009.

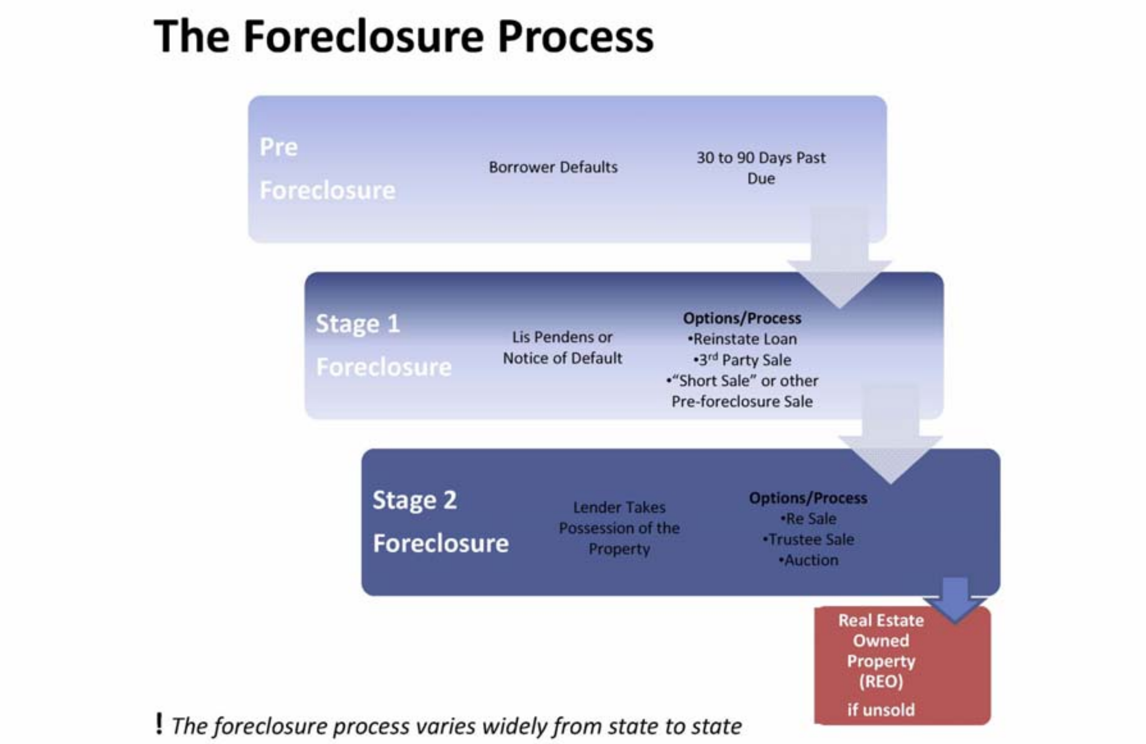
Rural Backdrop

Foreclosure activity in rural areas has not been as widely discussed or exposed as conditions in cities and urban areas. This lack of investigation into rural mortgage markets is in part attributable to the dearth of quality information from which to assess the situation. The diversity of rural housing markets, along with the vast rural landscape itself, contributes to this lack of understanding. The United States is a very large country that encompasses many markets with varying economic conditions. Assessing the level of foreclosure and housing distress is complicated by several factors, including geography, location, and residence.

The Foreclosure Process

Foreclosure is a legal and real estate process through which a lender recovers the amount owed on a defaulted loan. Default is a breach of loan terms in a mortgage contract and is usually associated with missed payments (Chen 2008). There are generally two major processes, or stages, of foreclosure. In stage one of the foreclosure process, a lender presents the borrower with a default notice, sometimes referred to as a "lis pendens" filing. At this point the borrower is approaching repossession but still may avoid foreclosure though payment, a loan "work-out," or a pre-foreclosure sale. In stage two, the bank or lender actually takes possession of the property and the borrower no longer owns the home (Chen 2008). After stage two, the lender may proceed through an array of options in reselling the foreclosed property.

This is a simplistic summation of the foreclosure process, and it is important to note that property laws differ significantly by state. The exact process, time, and costs associated with the foreclosure of a home vary widely from jurisdiction to jurisdiction. The wide variation in laws and procedures also affects the reporting and assessment of a nationwide foreclosure estimate.



The High Cost of Mortgage Borrowing in Rural America

Limited access to quality credit and affordable mortgage financing is a significant factor affecting the performance of rural mortgages. Rural areas generally have fewer financial institutions than urban markets, resulting in less competition and increased costs to consumers (Mikesell 1998). The recent proliferation of subprime lending has also greatly influenced rural mortgage markets. The growth of subprime and low-downpayment lending has allowed many low-income households to achieve homeownership. However, a significant number of these loans were made on thin equity cushions and blemished credit records (Belsky 2001). The economic crisis, with record job losses, has spelled disaster for many homeowners with subprime credit.

Subprime loans tend to have higher interest rates and shorter terms than the more conventional prime loans because they are assumed to go to borrowers who are at a higher risk of default. Subprime lenders are more active in low-income and minority communities and, while statistically reliable data are unavailable, there is evidence that subprime lending was abundant in rural areas over the past few years.

As defined by the 2009 Home Mortgage Disclosure Act (HMDA),[1] “high-cost” mortgages are those loans with an interest rate at least 3 percentage points for first-lien loans (5 percentage points for secondary-lien loans) higher than Treasury securities of comparable maturity (FFIEC 2009). In 2009, approximately 134,134, or 5.5 percent, of all home purchase originations in the United States were classified as high-cost loans. In rural areas, approximately 11 percent of all home purchase originations were high-cost loans, accounting for 26 percent of all high-cost loans nationwide.

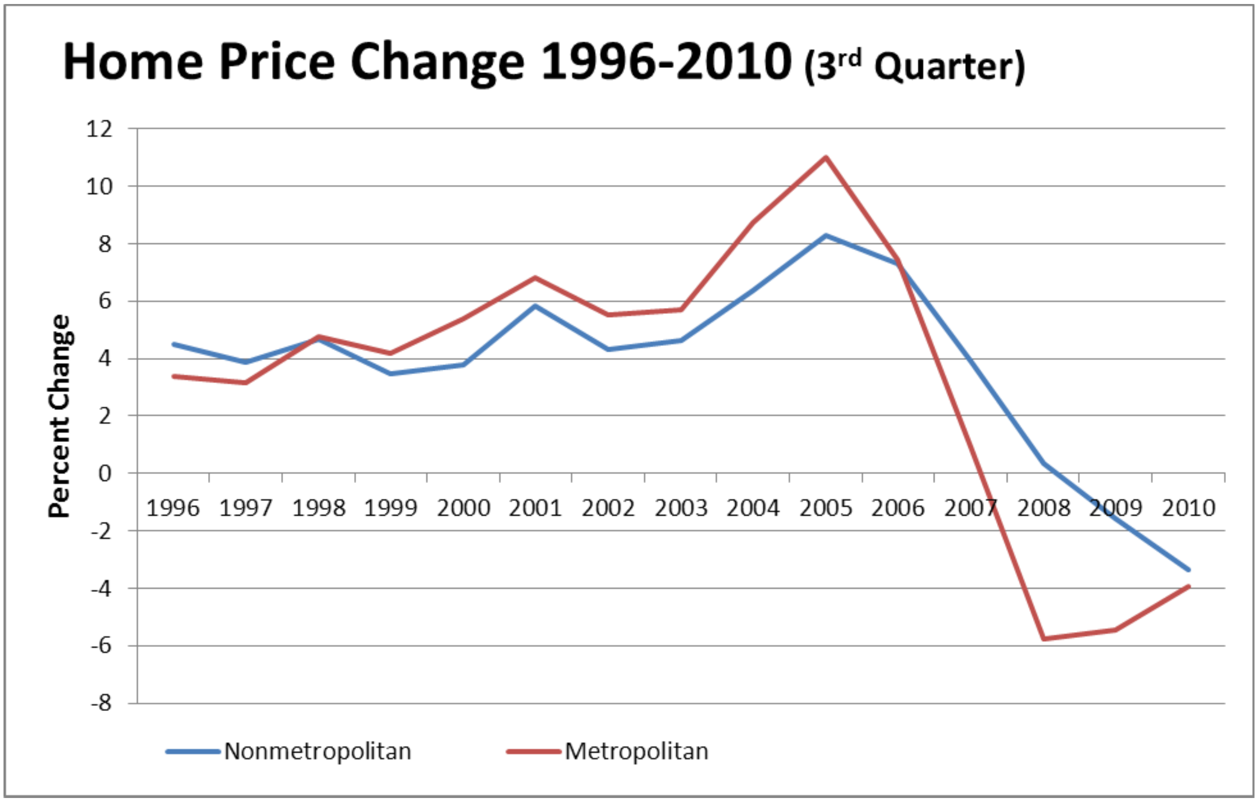
Rural minorities have disproportionate levels of high-cost loans. Approximately 27 percent of rural minorities with HMDA-reported home purchase originations had high-cost loans, compared to 17 percent for rural white non-Hispanics. The level of high-cost lending was also higher for low-income rural borrowers. Approximately 36 percent of rural home purchase originations reported by HMDA were high-cost for households with annual incomes below $25,000. In contrast, only 12 percent of rural households with incomes above $100,000 had high-cost loans.

The prevalence of subprime lending in rural America has also been exacerbated by predatory lending practices that have been implemented by some subprime lenders. According to the National Community Reinvestment Coalition (NCRC), predatory loans are those that (1) charge more in interest and fees than is necessary to cover the associated risk, (2) contain abusive terms and conditions, (3) do not take into account the borrower's ability to repay, and/or (4) target women, minorities, and communities of color (NCRC 2009). These practices significantly increase costs and strip equity from borrowers, and they have been linked to the wider mortgage crisis.

The Impact of Housing Prices

One factor widely linked to the national housing crisis was housing price fluctuation. Starting in the early 2000s, unprecedented — and in many instances unsustainable — price increases drove the housing frenzy. Recently, a troubled economy, record home foreclosures, and tightened credit availability have depressed markets and sent housing prices plummeting in many locales across the nation. Real housing prices have dropped to 1990s levels in some metropolitan markets (Joint Center for Housing Studies 2009). Yet there is some indication that the boom and bust cycle for housing prices experienced in many markets did not follow the same pattern in rural America. According to Federal Housing Finance Agency (FHFA) figures, many rural homes did in fact experience price increases over the past few years; however, these gains were not as dramatic as their metropolitan counterparts. Likewise, rural areas did not initially witness price declines as precipitous as those in urban locales. In the past year, however, nonmetro housing prices have continued to decline while metropolitan housing prices have stabilized and are starting to rebound (FHFA 2011).

[1] While HMDA data are a critical resource for understanding lending trends, there are limitations to these data, especially for rural areas. Only depository institutions with assets of $37 million or more that are headquartered in a metropolitan area were required to report lending activity under HMDA in 2007. Consequently, an undetermined amount of rural lending information is not available since many small, rural financial institutions are not required to report lending information.



RURAL FORECLOSURE: A FRESH LOOK AT THE DATA

There are varying sources and estimates of housing foreclosures across the United States. Many of these estimates use differing data collection methodologies and processes (Kan 2008). Some data collectors use public records while others rely on internal business and loan level information. Yet other sources compile indirect and external factors to craft their foreclosure estimates. Whatever the source, data collection methods used in developing foreclosure estimates are labor-intensive and subject to error (Bialik 2008). While most of these information sources generally agree that foreclosures have been on the rise, the scope, magnitude, and location of foreclosure estimates vary substantially by reporter.

In 2009 HAC assessed the quality and availability of foreclosure data for rural communities by analyzing five prominent data sources that have presented foreclosure estimates over the past few years.[2] These sources were private, nonprofit, and wholly public or government entities.

In its 2009 report, HAC had difficulty presenting a definitive estimate of the number of rural households experiencing housing foreclosures due to methodological incongruities and an overall lack of mortgage information for rural communities.[3] In the current Research Note, HAC investigates recently released data from one newly-released federal data source to help ascertain whether the foreclosure picture in rural America is any clearer than it was a few years ago.

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[2] The data sources presented do not constitute an exhaustive list of foreclosure information sources. Yet they do provide examples of some more commonly consulted resources on foreclosure analysis.

[3] To access HAC's initial report titled *What Is the Housing Foreclosure Situation in Rural America?*, please visit www.ruralhome.org/storage/documents/foreclosure09.pdf.

Considering the aforementioned shortcomings in identifying accurate data on rural mortgage foreclosures, it is still important to have some kind of understanding, beyond anecdotal accounts, of the degree to which foreclosures are occurring in rural communities. An estimate of foreclosure activities, based on data from available sources, serves as a starting point from which to refine knowledge as data collection efforts improve. Only through exploring the available data are we able to highlight potential problems and missing information.

The following analysis provides an estimate of rural foreclosures and mortgage delinquency from July 2009 to June 2010 using area mortgage lending data made available by the U.S. Department of Housing and Urban Development (HUD) as part of the Neighborhood Stabilization Program, Round 3 (NSP-3). The study presents foreclosure activity at the county and census tract levels, highlighting rural communities.

HUD NSP-3 Data

HUD's Neighborhood Stabilization Program (NSP) provides emergency assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities (HUD 2010).[4] The federal government provides grants to state and local governments, along with some non-governmental organizations, to purchase foreclosed properties. NSP was established in response to the dramatic downturn in the housing market and is viewed as a way to stabilize neighborhoods that might otherwise suffer from abandoned homes and other buildings. There have been three rounds of NSP funding, NSP-1, NSP-2, and the most recent, NSP-3.

One component of the NSP program is the production of area mortgage data to assist in funding allocations. These data collection efforts do not provide direct foreclosure counts but instead generate estimates of foreclosure activity. NSP-3 produced census tract–level estimates of foreclosure starts and completions. These estimates were based on both state foreclosure counts and characteristics of counties, census tracts, block groups, and neighborhoods. The process involved allocating state foreclosure counts to local jurisdictions based on selected neighborhood characteristics.[5] The data include an estimate of foreclosure starts and completions for the period from July 2009 through June 2010 for each block group in the United States.

The NSP-3 foreclosure completion estimates partially rely on data from the private company RealtyTrac. The NSP-3 estimates of foreclosure starts, likewise, are extrapolations from state data, which rely on both HMDA and RealtyTrac records as key elements in arriving at county numbers. In both cases, these data sources have limitations, particularly in relation to rural areas.[6] It is important to note that the results generated in these analyses serve as a best

[4] Information on NSP can be found at the HUD website. In particular, the HUD USER website (www.huduser.org/portal/datasets/NSP.html) provides background information and makes the NSP-3 data available to the public.

[5] Please see the NSP-3 data dictionary document (available at www.huduser.org/portal/datasets/NSP.html) for information regarding the method used to determine foreclosure starts and completions.

[6] RealtyTrac is one of the more familiar and commonly quoted sources of foreclosure estimates presented in the popular press. Limitations related to overrepresentation in some areas (namely urban) and underrepresentation in others (primarily rural) lead to substantial concern when trying to derive rural foreclosure estimates from RealtyTrac data. For more information about RealtyTrac foreclosure data, please consult the Appendix.

estimate and a starting point, not a definitive assessment of foreclosure activity in rural[7] America.

Foreclosure Starts and Completions

NSP-3 data estimate that approximately 257,000 rural homes started the foreclosure process and 124,431 had entered real estate owned (REO) status between June 2009 and July 2010. Stated another way, up to 380,000 rural homeowners either lost or were on their way to losing their homes. This number is considerably lower than the rural foreclosure estimate of 738,000 generated by NSP-2 data (2008-2009). While these differences may actually reflect some decline in activity, it is possible that differences are also related to the calculation methods employed.[8] Approximately 12 percent of all foreclosure starts and completions in the 2009-2010 period occurred in rural counties.

Table 1. Foreclosures by Rural-Urban Status

Geography*	2009-2010**			
	Foreclosure Starts		Completed Foreclosures	
	Number	Percentage	Number	Percentage
Urban	1,882,253	87.98	890,735	87.74
Rural	257,229	12.02	124,431	12.26
Total	2,139,482		1,015,166	

*Urban N = 771 and Rural N = 2,369. There is one census area (Skagway-Hoonah-Angoon Alaska: 02232), which happens to be rural, where foreclosure and HMDA data were missing.
**This is an estimate of foreclosure starts and completions from July 2009 to June 2010.

Rural Foreclosure Starts and Completions as a Proportion of Housing Units

The NSP-3 data generally indicate that foreclosed homes are less common in rural communities than in urban areas. Foreclosure starts are also lower in rural communities.

Table 2. NSP-3 Rural-Urban Foreclosure Estimate, By Housing Units

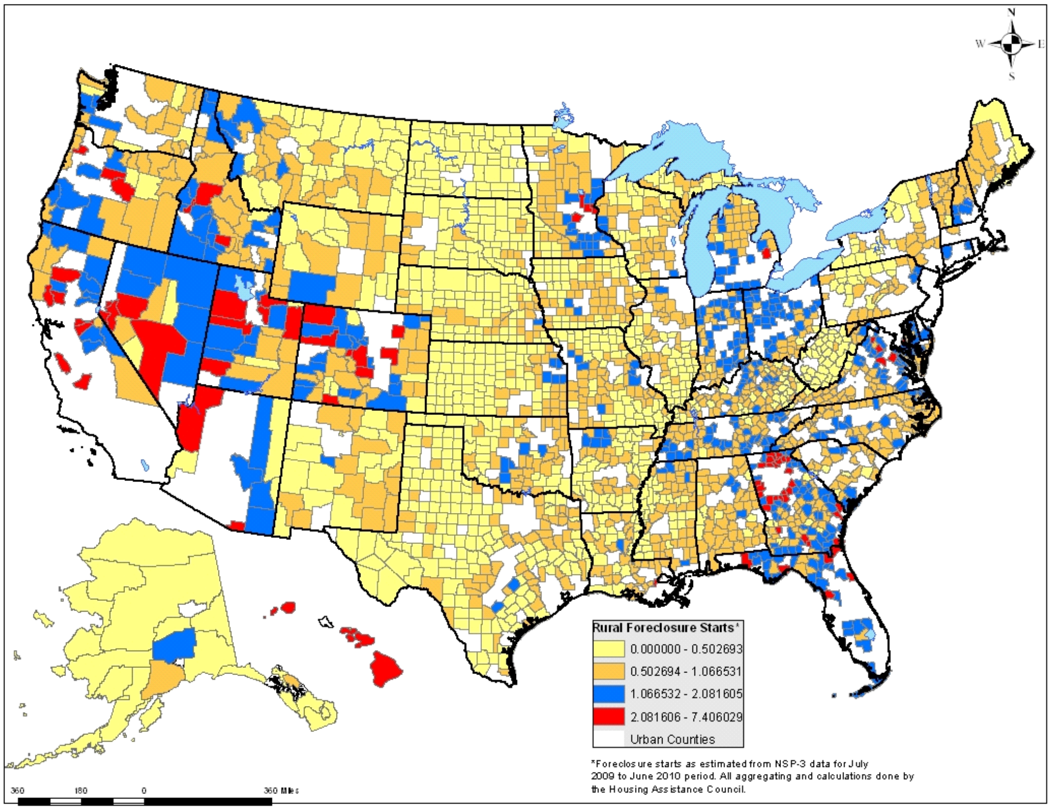
Geography	Foreclosure Starts (2009-10)	Percent all Housing Units	Completed Foreclosures (2009-10)	Percent All Housing Units	Housing Units 2007	Percent by Area
Urban	1,882,253	1.91	890,735	0.90	98,444,813	77.92
Rural	257,229	0.92	124,431	0.45	27,902,093	22.08
Total	2,139,482	1.69	1,015,166	0.80	126,346,906	

[7] A modified, county-based definition of *rural* was incorporated into the analysis: all counties located outside a designated metropolitan area, plus all counties that are part of a metropolitan area but that contain no urbanized population. As such, this approach uses both residential information, as found in the U.S. Census definition, and economic connections, as found in the Office of Management and Budget (OMB) definition, to establish a precise measure. Maps in the Appendix display urban and rural counties (defined as areas, because including all county boundaries clutters maps, making them hard to read) as defined in this study.

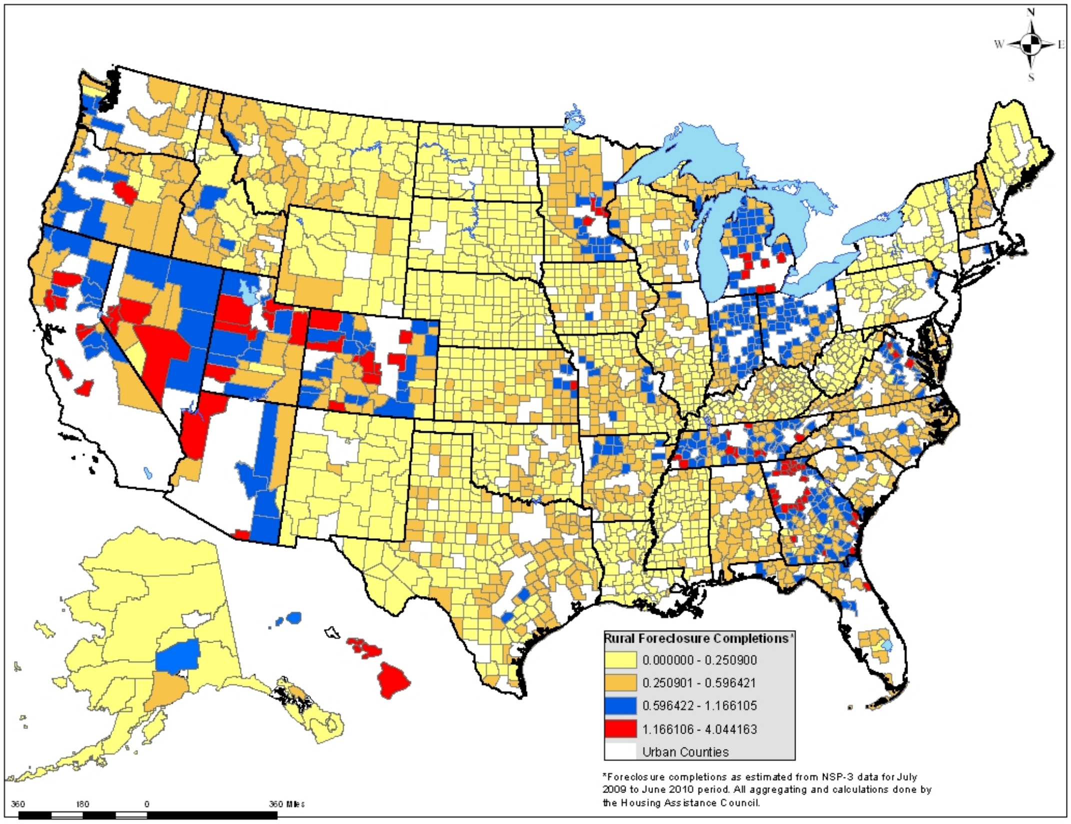
[8] Overall foreclosure rates began to decline in 2010, which may explain some differences in the NSP-2 and NSP-3 estimates. Also, there could be differences between the approach used in NSP-1 and NSP-2 foreclosure estimates and the one used in NSP-3 that might account for differences.

Geographically, several rural areas indicated relatively high rates of foreclosure starts when compared to the number of housing units. Counties in the West (California, Colorado, Idaho, Nevada, Utah, and Washington), Midwest (Indiana, Michigan, and Ohio), and Southeast (Florida, Georgia, and Tennessee) stand out as having greater levels of foreclosure starts than other areas These areas were hit hard during the recent downturn and in some cases, such as California, had dramatic increases in home values that later dropped just as dramatically. Minnesota, Hawaii, and Virginia also had high rates of estimated foreclosures, but these occurred in geographically isolated areas.

Map 1. NSP-3 Estimates, Rural County Foreclosure Starts per Housing Units, July 2009-June 2010



Map 2. NSP-3 Estimates, Rural County Foreclosure Completions per Housing Units, July 2009-June 2010



NSP-3 figures reveal that in much of the Great Plains foreclosures are below the national average. This could be related to the lack of a housing bubble to begin with as well as less economic decline, particularly in mineral-rich areas like North Dakota.

Mortgage Delinquency in Rural Areas

The mortgage delinquency indicator in NSP-3 is an estimate, by census tract, of the proportion of mortgages that are 90 days past due or greater, up to foreclosure. There was a 7.1 percent median delinquency rate for rural census tracts, which is slightly lower than the delinquency rate for urban census tracts, 7.6 percent.

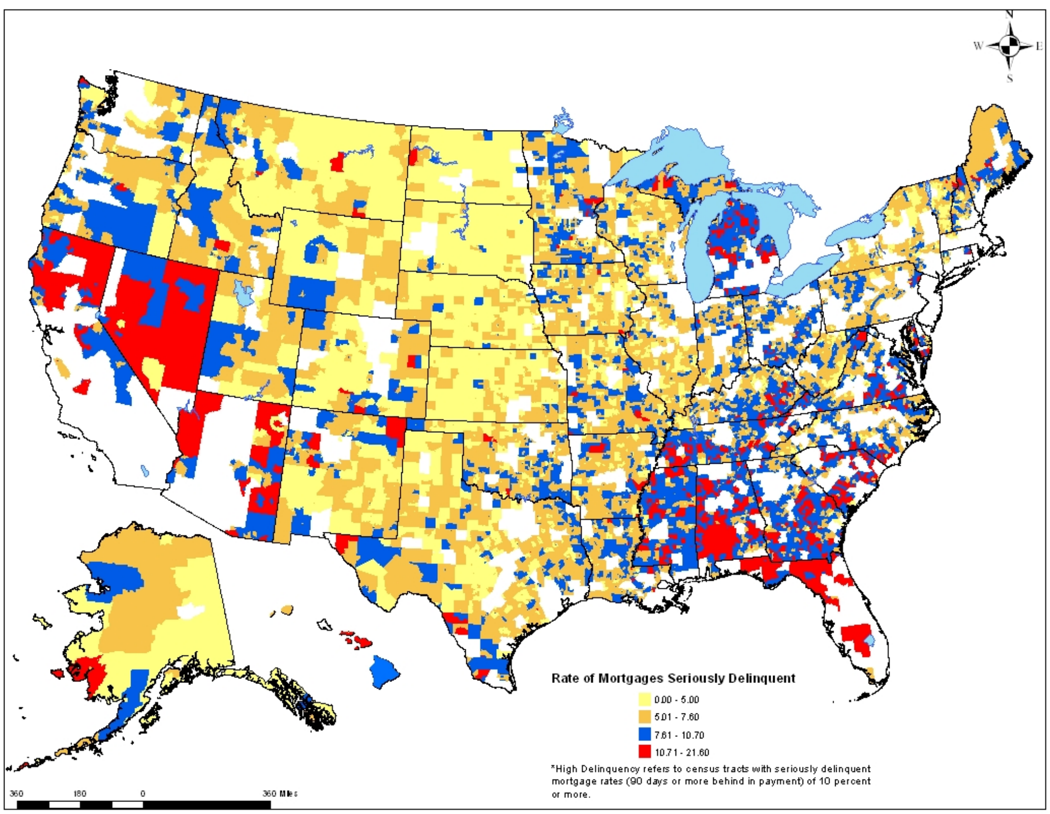
States with the highest rural delinquency rates also had relatively high levels of mortgage delinquency overall. In certain states, such as Arizona, Florida, and Nevada, the housing distress problems have been well documented. However, foreclosures in certain Southern states, such as Alabama, Mississippi, and Tennessee, appear to be less conspicuous.

Table 3. NSP-3 Specific Serious Mortgage Delinquency Rates

State	Rural Seriously Delinquent Rate
Florida	12.70
Nevada	12.35
Arizona	11.80
California	10.70
Alabama	9.90
South Carolina	9.90
Michigan	9.40
Mississippi	9.10
Tennessee	9.10
Georgia	9.00

Map 3 highlights census tracts where the proportion of seriously delinquent mortgages is high. The map clearly shows the Southeast, Midwest, and West as suffering the highest levels of mortgage delinquency. In particular, rural Florida, Michigan, and Nevada have substantial areas with high levels of mortgage delinquency. In contrast, rural communities in the Great Plains and Northeast have fewer communities suffering high delinquency rates.

NSP-3 Estimates, Rural Census Tracts with High Rates of Seriously Delinquent Loans, July 2009-June 2010



LEFT OUT? SPECIAL CONSIDERATIONS FOR RURAL AMERICA

In most respects, housing in rural areas is not much different than housing in the nation as a whole. However, some housing characteristics are unique to rural America. Two areas where rural housing conditions are quite different include manufactured homes and government-assisted loan programs. To provide a more complete assessment of foreclosure activity in rural areas, lending patterns in these unique rural housing markets are briefly addressed.

Manufactured Housing

Manufactured homes are an important source of housing, especially in rural areas. Nationwide, approximately 7 percent of occupied housing units are mobile or manufactured homes. In rural areas the prevalence of manufactured housing is more than twice the national rate, and nearly two-thirds of all manufactured homes are located in rural communities.

While many physical and structural attributes of manufactured housing have improved, issues related to financing and the investment value of this type of housing have not progressed as well. More than half of rural households living in manufactured homes own their units “free and clear” of any mortgage debt. For manufactured home residents who do not own their homes outright, financing generally falls within one of two major types, personal property or mortgage financing. Personal property or “chattel” loans are generally used when the manufactured home is purchased separately from the site. Personal property loans generally involve lower down payment costs than standard mortgage lending. However, personal property loans typically carry a higher interest rate and shorter term than conventional real estate mortgages. Most manufactured homes are classified as personal property and are likely to be financed with consumer or chattel loans. In the case of default, consumer loans are less likely to proceed through the standard foreclosure process and more likely to go through the process of “repossession,” much like an automobile.

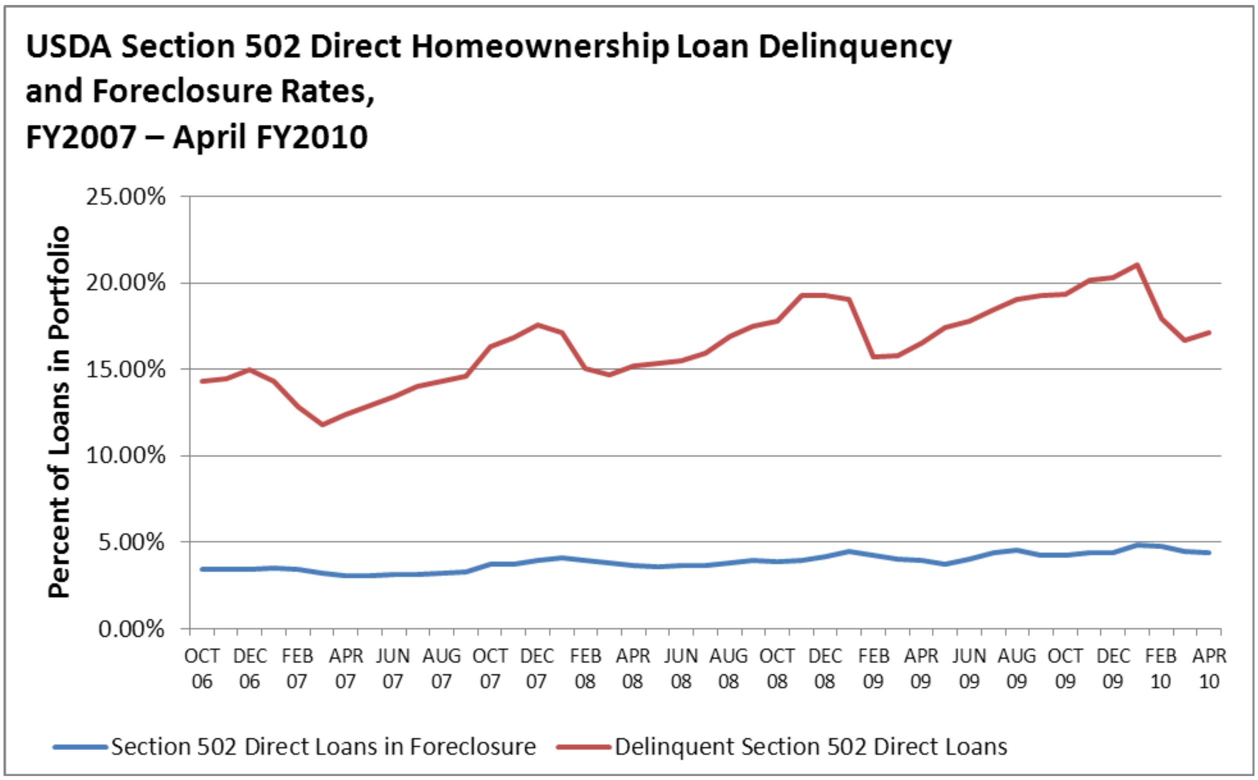
Most foreclosure data sources omit loans for manufactured housing based on the nature of their financing, thereby making it extremely difficult to provide any reliable estimate of foreclosure or housing distress among households living in manufactured housing.

Federally Funded Rural Housing Loans

While the recent subprime mortgage meltdown has contributed to a significant crisis in the housing market, it is important to remember that it is possible to do subprime lending in a way that meets rigorous lending criteria and produces sustainable homeownership for low-income borrowers.

Since the mid-1930s, the federal government has supported the production of low- and moderate-income rural housing (Belden 1984). This assistance has directly improved the housing conditions of millions of low-income rural Americans. One of the more prominent federally funded housing programs for rural areas is the U.S. Department of Agriculture’s (USDA’s) Section 502 Homeownership Loan Program. The Section 502 program provides both direct and guaranteed mortgage assistance for low- and moderate-income households**.** Since the 1950s, USDA's Section 502 program has helped more than 2.5 million low-income households become homeowners. This USDA direct homeownership program, along with countless other local community development financial institutions that provide affordable lending products to low-income borrowers, is often referred to as "subprime lending done right."

Similar to national trends, the Section 502 loan portfolio experienced increases in both delinquencies and foreclosures in fiscal year 2010. As of the third quarter of fiscal year 2010, approximately 17.1 percent of single-family direct loans were more than 30 days delinquent, and more than 4 percent of the direct loan portfolio was in foreclosure (USDA 2010). Despite increases in problem loans, the overall foreclosure rate among USDA loans is less than half the rate for market subprime fixed rate loans. (MBA 2010).



POLICY AND PROGRAMMATIC RECOMMENDATIONS:
A WAY FORWARD FOR RURAL AMERICA

It is undeniable that systemic and structural faults in our nation's housing and finance system directly contributed to the unprecedented foreclosure crisis. Understanding the magnitude and scope of the foreclosure problem is imperative to formulating an appropriate and adequate response. Policymakers and housing practitioners rely on these data to craft programs to address foreclosures in their communities.

The NSP-3 foreclosure data highlighted in this report provide new information and insights into the foreclosure situation in our nation. However, there are still substantial limitations inherent in these and most other data sources that inhibit a precise accounting or understanding of foreclosures and mortgage activities in our nation's rural communities. In light of these shortcomings it is incumbent on researchers, policy makers, and advocates to continually assess data and its sources to improve our understanding of rural mortgage markets. This level of understanding can help to ensure fair and equitable lending practices in all markets and areas of the nation, including rural America.

The recently enacted Dodd-Frank consumer protection act contains a provision that will create a new default and foreclosure database to be jointly administered by HUD and the new Consumer Financial Protection Bureau (CFPB). While not many details of the proposed database are currently known, it is hoped that this resource will provide much-needed information on the foreclosure situation in rural America. The Dodd-Frank act also mandates improvements to the Home Mortgage Disclosure Act (HMDA).

Until these new and more accessible data are available, a reliable estimate of the number of rural households that are in the process of foreclosure is unattainable. However, at a minimum, we can safely assume that hundreds of thousands of rural households are facing the economic crisis of foreclosure or serious housing distress. Furthermore, these housing problems may linger in rural communities due to lack of economic vitality and diversification. The following recommendations are presented not only improve the reporting of housing conditions but also to assist households and communities damaged by the foreclosure epidemic.

Recommendations for Homeowners Facing Foreclosure

Rural residents facing foreclosure should be provided the opportunity to modify their loan, including the following:

- reducing high mortgage interest rates;
- eliminating prepayment penalties;
- converting adjustable-rate mortgages (ARMs) to fixed-rate mortgages;
- modifying mortgage terms to reduce loan amounts, lower interest rates, delay ARM adjustments, extend loan terms, and eliminate credit counseling requirements; and
- providing tax relief so that mortgage debt forgiven by lenders is not taxed as income (a law enacted in December 2007 provides such relief for three years).

Additional loans could help some owners. An owner in danger of foreclosure because of an unexpected, one-time event such as a job loss or medical crisis may be able to make payments on an additional, short-term loan.

Renters should be protected from sudden eviction when lenders foreclose on property owners. Rural renters are among the poorest and worst-housed groups in the nation. In many areas they are also vulnerable to eviction if the home they rent is foreclosed on.

Rural homeowners with mortgages guaranteed by USDA should be able to refinance with mortgages made directly by USDA. Mortgages made by private lenders and guaranteed by the U.S. Department of Agriculture (USDA) Section 502 program carry higher interest rates than Section 502 direct loans, for which USDA is the lender. Additionally, USDA should use its authority to defer payments on Section 502 direct loans when deferral would help prevent foreclosure.

Owners of manufactured and mobile homes should be provided opportunities to obtain standard mortgage loans to replace the personal property loans often used to purchase their homes. Manufactured homes with installment loans are sometimes difficult to title as real estate. In addition, households with personal property loans are often not afforded consumer protections such as the Real Estate Settlement Procedures Act (RESPA) and the Home Ownership Equity Protection Act (HOEPA) (CFED 2009). Furthermore, personal property loans are not subject to reporting under the Home Mortgage Disclosure Act (HMDA).

Post-purchase counseling programs should be expanded. Increased funding should be provided to train and assist rural organizations in the design and implementation of post-purchase counseling courses. Post-purchase counseling should be an eligible use for HOME and USDA Section 523 funds.

Solutions for Rural Homeowners Not Currently in Crisis

Public policy must address abusive lending terms and activities.

The Community Reinvestment Act should be supported and strengthened, and should apply fully to the small lenders that provide much of rural America's home financing.

Federal standards should be adopted for mortgage originators.

Proven homeownership programs should be supported, including USDA direct loans, self-help "sweat equity" construction, and individual development accounts that encourage saving for down payments and other costs of homeownership.

Pre-purchase counseling should be widely available and affordable.

Education about predatory and subprime lending should be improved and increased.

Because affordable and reliable Internet access is not always available in rural areas, outreach and help must be made available through other media.

Recommendations for Improving Reporting of Housing Foreclosure and Loan Delinquency, Especially for Rural Areas

Establish reliable foreclosure data for all rural areas. The federal government, either through FHFA or HUD, should establish frequent and easily available foreclosure data at the local community level for the entire nation, including rural areas.

Improve existing data on housing finance. The Home Mortgage Disclosure Act (HMDA) should be amended to include reporting for *all* mortgage lending institutions and rural communities.

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APPENDIX: DATA AND METHODS

About the Data

HUD NSP 3

The Neighborhood Stabilization Program (NSP) is recently enacted federal legislation established for the purpose of stabilizing communities that have suffered from foreclosures and housing abandonment. NSP is administered by the U.S. Department of Housing and Urban Development (HUD) and provides grants to address the problems associated with homes that have been foreclosed upon and are creating economic problems for their communities. NSP requires states and local jurisdictions to allocate funding to areas (1) with the greatest percentage of home foreclosures, (2) the highest percentage of homes financed by subprime mortgage-related loans, and (3) identified by the grantee as likely to face a significant rise in the rate of home foreclosures. To assist local jurisdictions in determining their needs, HUD developed foreclosure estimates.

In developing these estimates, HUD asserts that there is no reliable foreclosure estimate for the nation as a whole. As such, the agency developed its own estimates for use in the program from various sources. HUD's foreclosure data do not reflect actual foreclosures, but instead utilize neighborhood characteristics that estimate foreclosures. These factors are associated with a high level of risk for foreclosures and use composite indicators such as high cost loans, falling home values, above average unemployment, and delinquency and foreclosure estimates from an array of data sources. Foreclosure estimates from HUD's composite methodology were compared to data from private sources and further modified on the basis of these private estimates.

RealtyTrac

RealtyTrac is one of the more familiar and commonly quoted sources of foreclosure estimates presented in the popular press. This California web-based company collects and processes home sales and the listings of foreclosure data. RealtyTrac provides information to investors, industry and real estate professionals, and consumers buying and selling properties. The company provides data listings and reporting at various levels of geography including the county level.

RealtyTrac presents data for approximately 2,200 counties across the United States. This excludes roughly 900 counties, most of which are predominately rural. RealtyTrac does not openly disclose its methodology for data collection; however, company representatives indicated that they generally do not collect data for a county if it has less than 10,000 housing units.[i] The company has reportedly improved its quality control measures; however, duplicate and multiple counting of foreclosure entries is a particular concern when citing RealtyTrac data.[ii] Limitations related to over-representation in some areas (namely urban), and under-representation in others (primarily rural), indicate substantial concern when trying to derive rural foreclosure estimates from RealtyTrac data.

Methodology
Initially the raw NSP-3 data from HUD were aggregated to the county level, summing foreclosure starts and completions for each jurisdiction. Aggregating provides some reference point of rural foreclosures in relation to urban areas. The county was used as the primary unit of analysis because it is the basis of the rural definition employed in the study. To standardize foreclosure counts, the proportion of all county housing units which were either foreclosure starts or completions were completed, allowing for comparison of one jurisdiction to another. Delinquent loans (defined as 90 days behind in payments or more), utilized census tract-level data.

Defining Rural
A modified definition of rural that utilizes a county-based method was incorporated into the analysis. All counties located outside a designated metropolitan area plus all counties that are part of a metropolitan area but that contain no urbanized population were included. As such, this approach uses both residential information, as found in the US Census definition, and economic connections, as found in the Office of Management and Budget (OMB) definition, to establish a precise measure.

NOTES

[i] RealtyTrac. Telephone discussion with ReatlyTrac representative, Mike Smith. July 25, 2008.

[ii] Galvin, Andrew. "Tracking the Truth on Foreclosures," *The Orange County Register.* November 18, 2007.