Minnesota Housing Finance Agency

**Research Summary**

# Residential Foreclosures in Minnesota – Winter 2011

Minnesota's foreclosure crisis has destabilized the housing market in many parts of the state, and the crisis continues. As part of its mission to advance affordable housing opportunities and foster strong communities, Minnesota Housing has established the prevention and remediation of foreclosures as one of its strategic priorities. To monitor the evolving crisis, Minnesota Housing purchased data on the delinquency and foreclosure status of residential mortgages from LPS Applied Analytics. These data will help Minnesota Housing and its partners target their prevention and remediation efforts and effectively use resources in the hardest hit areas.

While the magnitude of the foreclosures crisis may have started to level off in 2010, the crisis is expected to continue.

- The state's delinquency rate for residential mortgages has increased significantly over the last several years. Between the fourth quarter of 2005 and the fourth quarter of 2009, the percentage of mortgages that were at least 60 days past due quadrupled from 1.10% to 4.71%.[1] On the positive side, the delinquency rate declined during all four quarters of 2010. By the fourth quarter of 2010, the rate was down to 3.43%, which is still very high by historical standards.

- After rising from 6,500 in 2005 to 26,000 in 2008, the number of residential sheriff sales has been between 23,000 and 26,000 for the last three years, ending 2010 with 25,673 sales.[2]

These changes did not occur evenly across the state. Overall, the crisis appears to be shifting from the core neighborhoods of North Minneapolis and the East Side of St. Paul to the outer suburbs and Greater Minnesota. This shift is shown in Maps 1a through 3b. (The 'a' maps show a statewide picture, while the 'b' maps isolate the metro area.) The maps focus on zip codes with above-average rates of troubled loans. Troubled loans are 60 or more days delinquent, in pre-sale foreclosure (foreclosure documents have been filed but sheriff sale has not occurred), or in post-sale foreclosure or REO (real estate owned). Post-sale/REO loans are foreclosures that have already occurred, pre-sale foreclosures are those in process, and delinquent loans may enter into foreclosure in the future.

[1] Mortgage Bankers Association, *National Delinquency Survey*. The delinquency rate applies to loans that are at least 60 days past due but have not started the foreclosure process.
[2] HousingLink, *2010 Foreclosures in Minnesota: A Report Based on County Sheriff Sales Data*, February 9, 2011; http://www.housinglink.org/Files/ForeclosuresInMN_2010_Annual.pdf.

In the attached maps, zip codes shaded in red or blue are foreclosure hotspots. They have an above average number of troubled loans per household. (The zip codes shaded in gray have below average rates.) The most heavily impacted zip codes have heavy black outlines and solid shading. Their troubled loan rates are at least twice as high as the statewide rate. The less heavily impacted zip codes have a lighter outline and are shaded with white dots. Their rates are higher than the statewide rate but not twice as high.

The coloring also identifies zip codes with increasing or decreasing numbers of troubled loans over the last year. Zip codes with an increasing number are shaded in red, with a darker shade representing a larger increase. Zip codes with a decreasing number are shaded in blue, with a darker shade representing a larger decrease.

As the maps show:

- North Minneapolis and the East Side of St. Paul were hit very hard by the initial foreclosure crisis and have well over twice as many post-sale /REO loans per household as the state overall. See the heavy outline and solid shading in these neighborhoods in Map 1b. While the number of post-sale/REO loans in these zip codes increased (represented in the lightest shade of red), the increase was smaller than in other parts of the state (darker shades of red).

- While some parts of the state experienced a large increase in pre-sale foreclosures, North Minneapolis and the East Side of St. Paul actually experienced a decline. These areas are shaded in light blue in Maps 2a and 2b. North Minneapolis and East St. Paul have fewer loans in the foreclosure pipeline than they have had in the past.

- North Minneapolis and East St. Paul, like most areas of the state, experienced a decline in the number of loans at least 60 days past due. See Maps 3a and 3b. Overall, fewer loans are poised to enter the foreclosure pipeline.

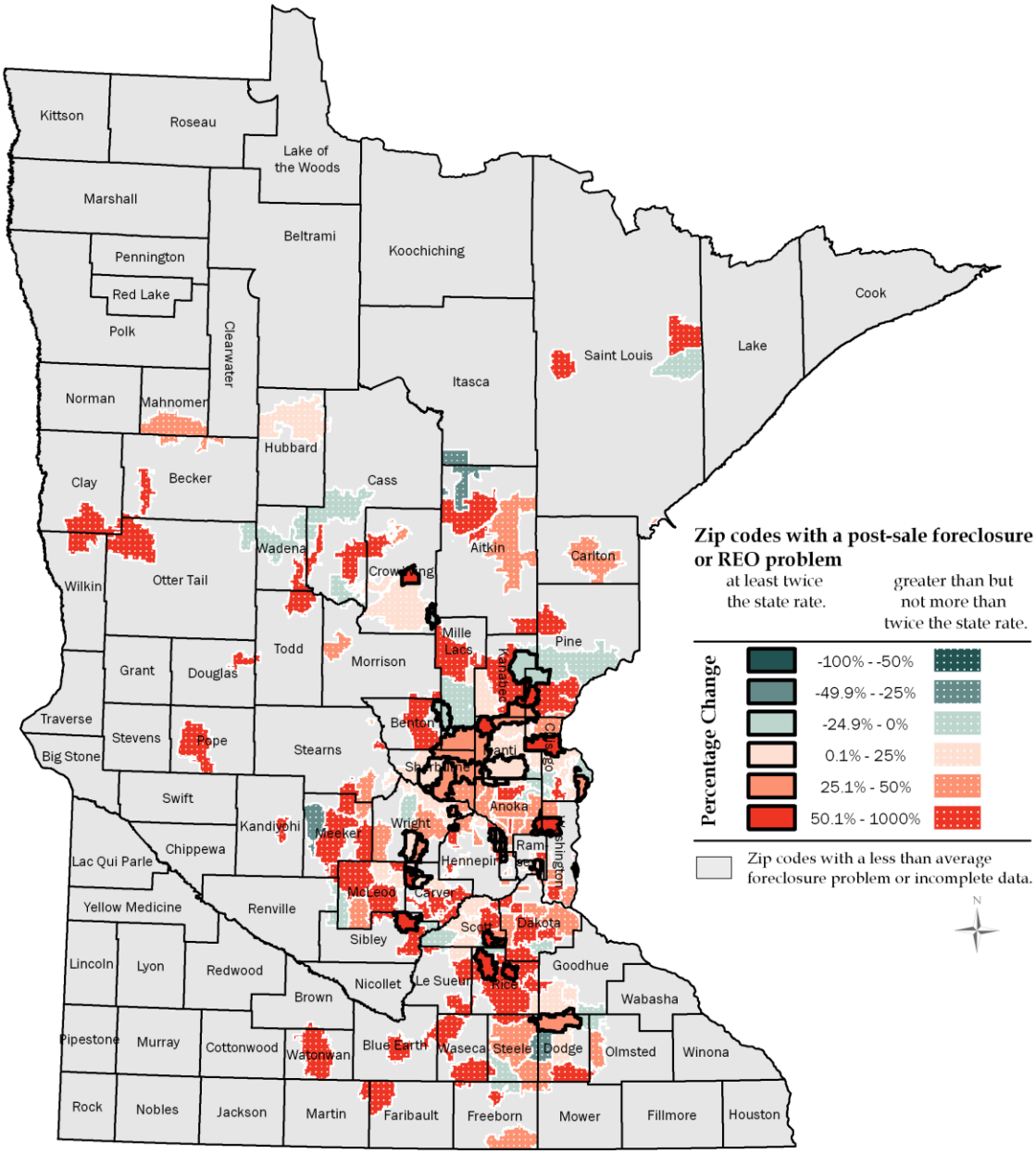
- The biggest increases in post-sale/REO loans were concentrated in the outer ring of the metro area and counties further out, including Rice, Le Sueur, Sibley, McLeod, Renville, Meeker, Benton, Kanabec, and Pine.

For a more detailed assessment of the current foreclosure crisis, see the full report at:

http://www.mnhousing.gov/idc/groups/secure/documents/admin/mhfa_009626.pdf.

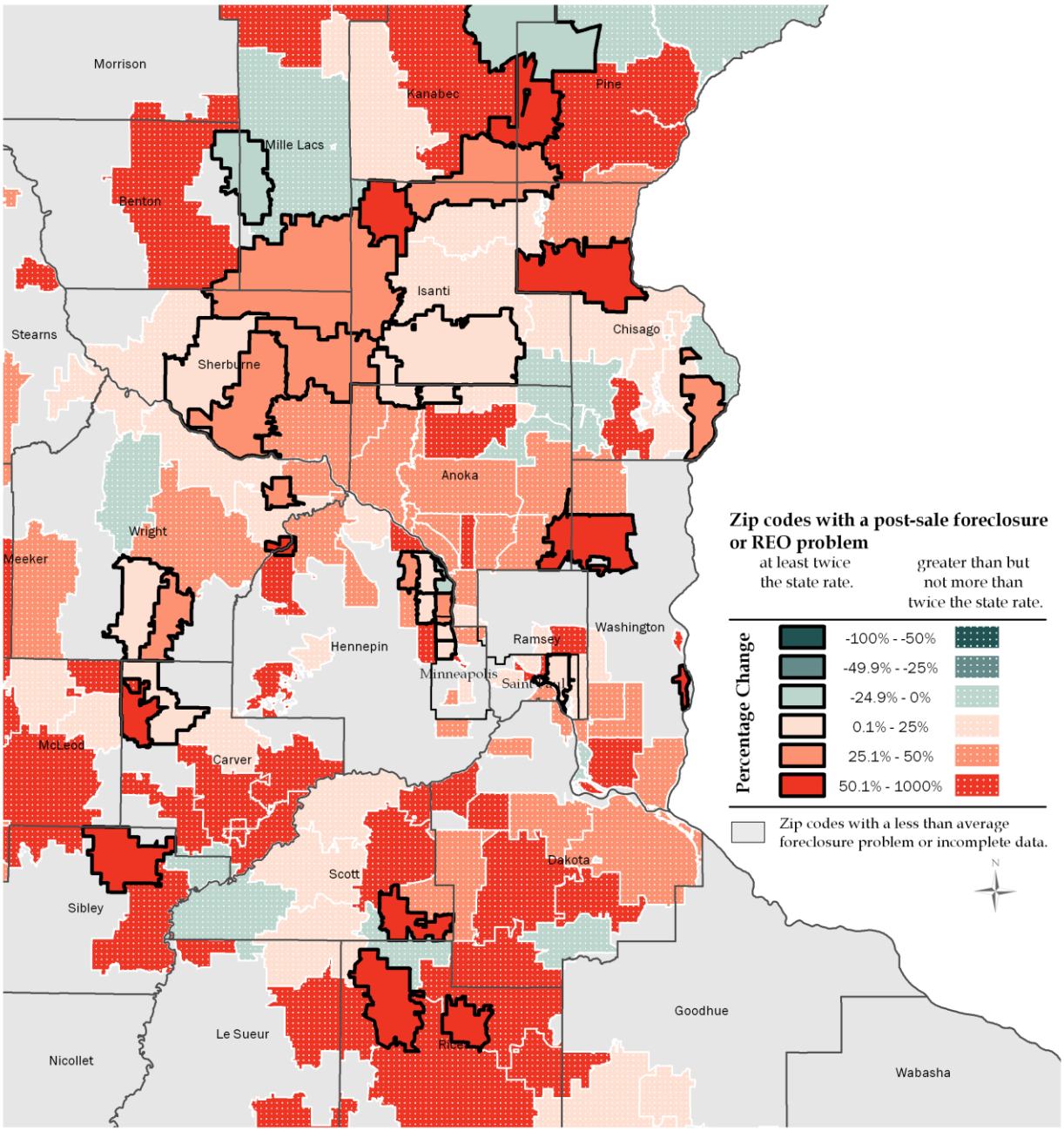
Minnesota Housing will continue to monitor the evolving foreclosure crisis in Minnesota and provide quarterly updates.

Map 1a
Percentage Change in Loans in Post-Sale Foreclosure or REO
December 2009 - December 2010



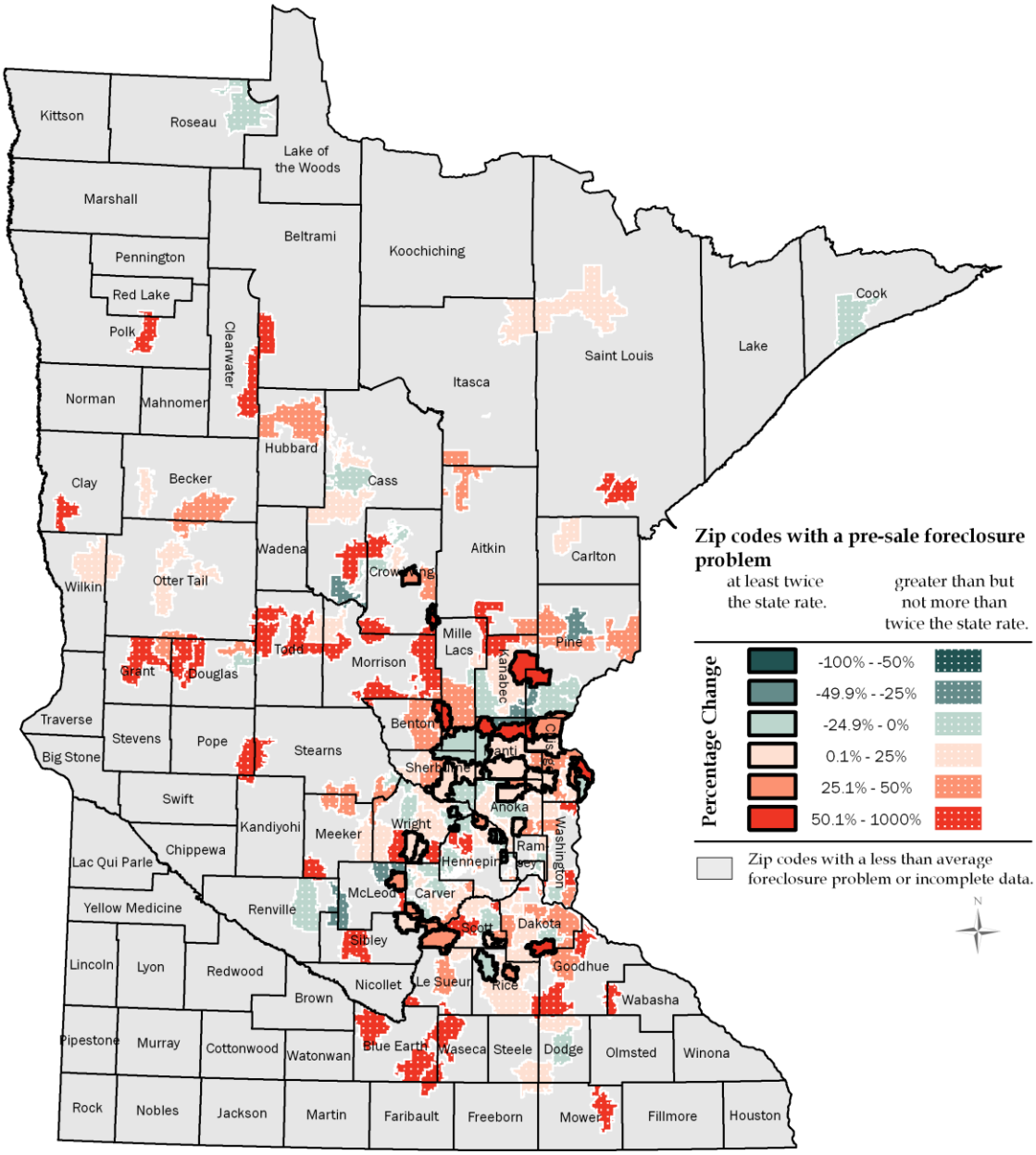

Source: Minnesota Housing analysis of data from LPS Applied Analytics.

Map 1b
Percentage Change in Loans in Post-Sale Foreclosure or REO
December 2009 - December 2010



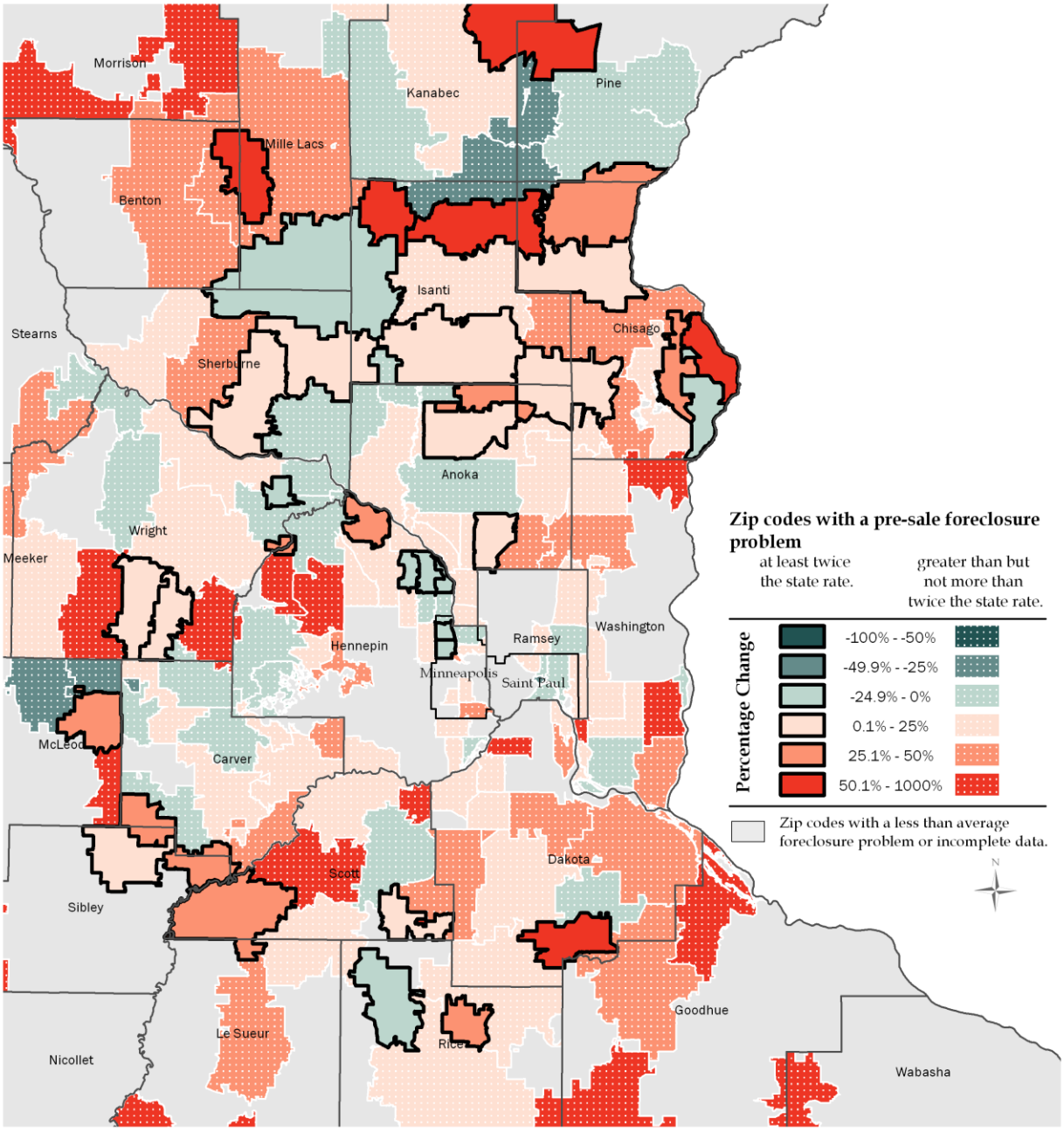

Source: Minnesota Housing analysis of data from LPS Applied Analytics.

Map 2a
Percentage Change in Loans in Pre-Sale Foreclosure
December 2009 - December 2010



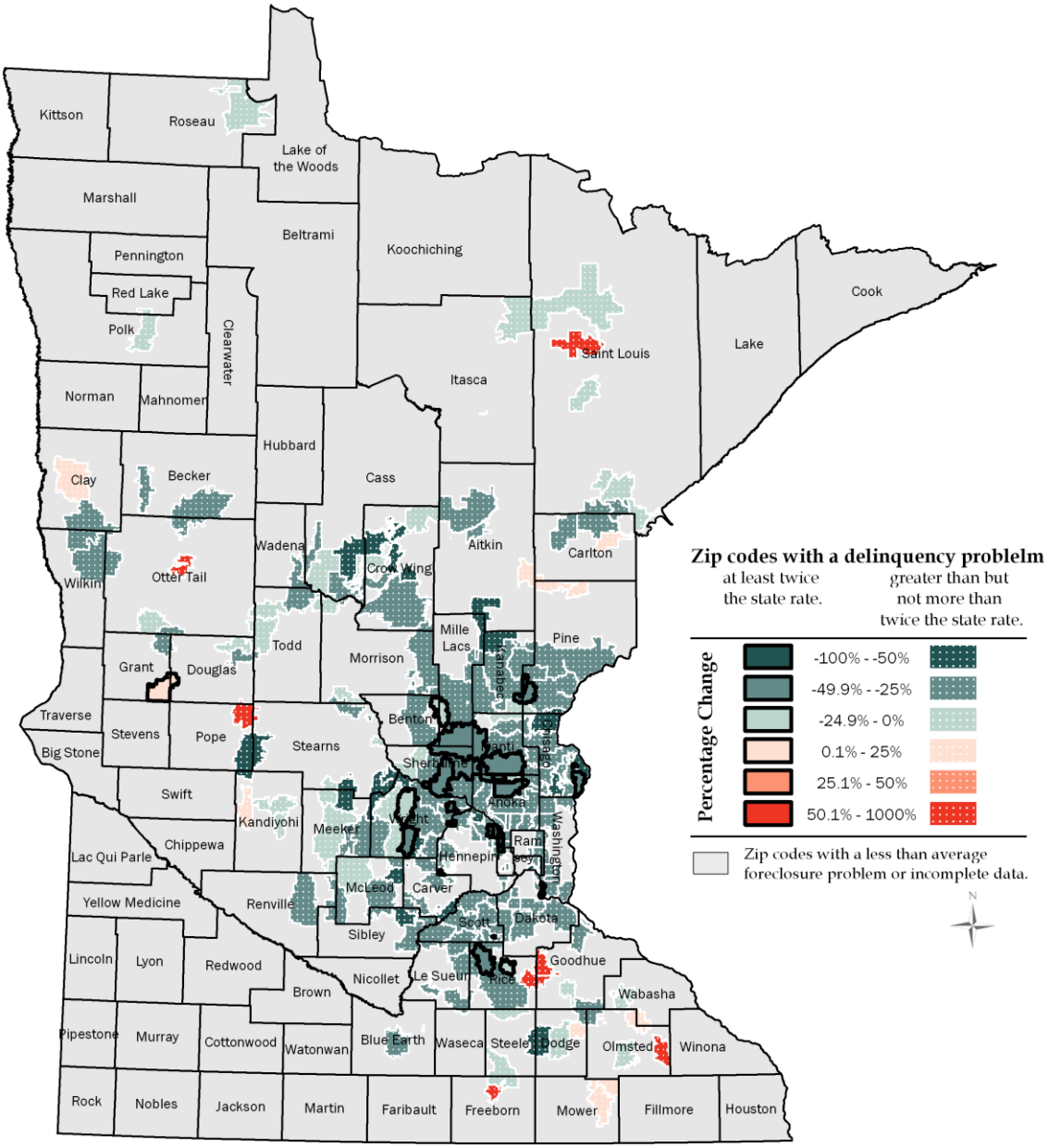

Source: Minnesota Housing analysis of data from LPS Applied Analytics.

Map 2b
Percentage Change in Loans in Pre-Sale Foreclosure
December 2009 - December 2010



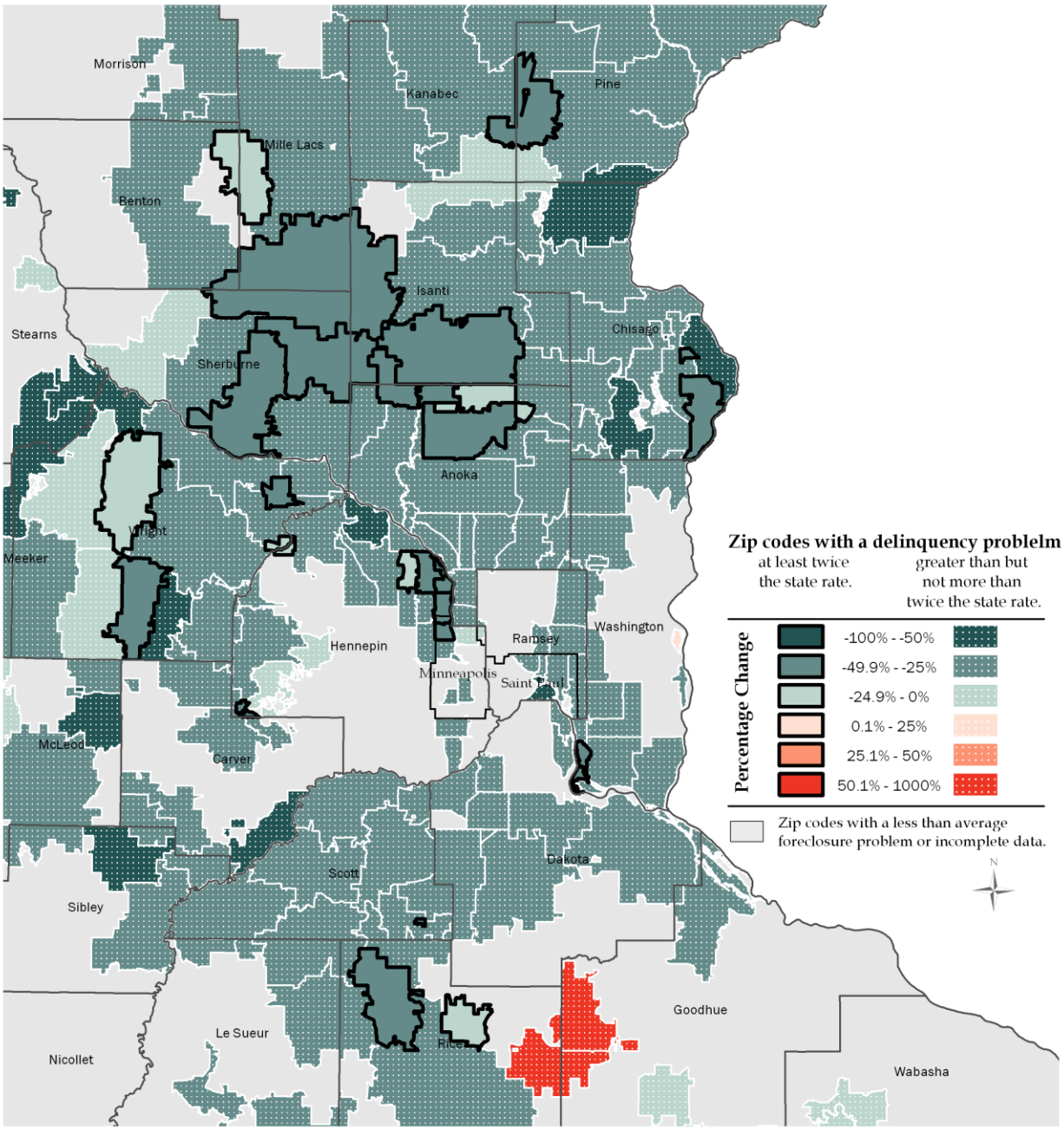

Source: Minnesota Housing analysis of data from LPS Applied Analytics.

Map 3a
Percentage Change in Loans in Delinquency
December 2009 – December 2010




Source: Minnesota Housing analysis of data from LPS Applied Analytics.

Map 3b
Percentage Change in Loans in Delinquency
December 2009 – December 2010




Source: Minnesota Housing analysis of data from LPS Applied Analytics.