

Residential Foreclosures in the City of Buffalo, 1990-2000



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Executive Summary

The U.S. residential housing market has experienced a rising foreclosure rate since 1980, despite the nation's unprecedented economic growth over the past two decades. In the context of this rising trend, the city of Buffalo experienced a dramatic rise in residential foreclosures between 1990 and 2000. In 2000, there were nearly 800 foreclosures, representing a nearly fourfold increase from a decade earlier.

The forces contributing to the national rise in foreclosures may be having a disparate impact on central cities, particularly those in slow-growth areas such as upstate New York. Although foreclosure actions were up throughout the Buffalo-Niagara metro area, they were about twice as likely to occur in the city than in the suburbs. However, this finding should come as no surprise. In cities like Buffalo, homeownership typically entails a match between a region's lowest income borrowers and its most precarious real estate markets. Such circumstances raise concerns over the added risk of financial harm to vulnerable segments of the population, but even more troubling is the threat to the often struggling neighborhoods in which those people reside. Residential foreclosures in the central-city context frequently lead to extended vacancies, property deterioration, and an accelerated decline in surrounding home values.

In response to concerns over such issues, the Federal Reserve Bank of New York's Buffalo Branch investigated residential foreclosure trends in Buffalo from 1990 to 2000. Our primary objective was to describe the context in which foreclosures took place over that period. To that end, we examined the recent rise in the number of foreclosures, analyzed the characteristics of the neighborhoods in which foreclosures occurred, and broadly identified the nature of foreclosed loans. We analyzed Buffalo as a whole and examined how the characteristics of foreclosure vary among the city's communities.

Our major findings follow.

Economic Context

The rise in foreclosures has taken place in the context of a sluggish economy, but absent severe economic distress. Thus, whatever the cause of the increase— be it local or national— it is not surprising that the effect would be more evident in a city like Buffalo. Evidence suggests that the foreclosure process itself disproportionately affects low- and moderate-income homeowners because they lack the resources to avert or forestall foreclosure. Such homeowners clearly represent a considerable portion of the Buffalo housing market.

Foreclosure Trends

It is clear that Buffalo witnessed a large rise in residential foreclosures between 1990 and 2000. The incidence of foreclosure is up significantly in all city communities, and the largest increases are found in those communities with relatively few foreclosures in 1990. However, although foreclosures rose across the city, they have maintained a consistent spatial pattern, tending to concentrate in a concentric ring around the city's periphery.

Foreclosures by Neighborhood Characteristics

Income Status

Overall, 59 percent of foreclosures occurred in higher income census tracts. Higher income tracts also had a higher rate of foreclosure. But while foreclosure was more likely to occur in higher income census tracts, it was also more likely to occur in tracts that had experienced a significant decline in income than in tracts with little or no change.

Minority Status

The majority of foreclosures in the city of Buffalo, 63 percent, occurred in minority census tracts. Over half the foreclosures in minority tracts were located in one of the eleven tracts that had transitioned from white to minority over the 1990-2000 period. Clearly, those census tracts that are transitioning from white to minority are experiencing the greatest incidence of foreclosure, particularly those areas undergoing rapid change.

Housing Condition

In general, the city of Buffalo tends to have much of the region's oldest housing. Yet surprisingly, foreclosures are most concentrated in communities with relatively newer, better conditioned housing and comparatively high homeownership rates.

The Real Estate Market

A generally reduced demand for housing has contributed to an overall decline in property values. The communities showing the most significant decline in home prices tend to have high foreclosure rates. Declining home values are likely contributing to foreclosures in these neighborhoods, and they may be a direct result of them as well, since foreclosed properties typically sell for appreciably less than surrounding properties. Our findings suggest that foreclosure is contributing to the decline of home prices in Buffalo, because foreclosed properties have accounted for a significant share of sales in the city. It is likely that these distressed properties are priced lower than they would be if sold conventionally.

Mortgage Lending Trends

Foreclosures on FHA and Conventional Loans

Foreclosure rates in Buffalo tended to be higher on Federal Housing Administration (FHA) mortgages than on conventional mortgages. However, in terms of distribution, foreclosures were more likely to be on conventional loans: about 59 percent, versus 38 percent for FHA loans.

Purchase, Refinance, and Assumed Loans

Citywide, the loans taken by foreclosed borrowers were more likely to be for the purchase of a home than for a refinancing, and purchase loans overall performed somewhat worse than refinancing loans. Purchase mortgages accounted for 56 percent of foreclosures, compared with 34 percent for refinance loans. Even higher concentrations were found in Buffalo's East Delavan and North East communities.

Subprime Lending

Subprime lenders in Buffalo originated slightly more than one-fifth of all foreclosures in 2000. Two-thirds of the foreclosures attributable to subprime lenders occurred on refinance mortgages, while a third were associated with purchase mortgages. Two low-income minority communities exhibited an exceptionally high share of foreclosed loans originated by subprime lenders: Ellicott-Masten (45 percent) and East Side (36 percent). This result is consistent with research showing that subprime lending is more prevalent among minorities. However, this association between subprime foreclosures and socioeconomic characteristics does not hold true in all cases. Additionally, there appears to be little relationship between overall foreclosure rates and subprime foreclosures, as the two communities with the highest foreclosure rates, North East and East Delevan, did not show high shares of foreclosures on subprime loans.

Borrower Circumstances at Foreclosure

Age of the Loan

Overall, 39 percent of loans foreclosed in 2000 were young loans that moved into default in less than four years, while 27 percent were seasoned loans older than eight years. The average loan was 5.8 years old at the time of default. Despite Buffalo's high share of foreclosures on young loans, 61 percent were more than four years old. Thus, the older foreclosures alone represented a significant growth in foreclosures over the 1990s. The shares of loans that foreclosed in less than four years in the Buffalo communities of Ellicott-Masten (59 percent), East Side (54 percent), and Riverside (52 percent) were well above the city's overall share.

Owner Tenure

The average tenure of city homeowners whose loans foreclosed in 2000 was 8.6 years. Foreclosures were evenly distributed among short-, medium-, and long-tenure homeowners, suggesting that the circumstances behind this aspect of foreclosures varied widely.

Additional Liens

At the time of default, a substantial share of Buffalo homeowners were experiencing additional financial stress. Half of all properties foreclosed in 2000 had at least one additional lien. Slightly more than 20 percent of foreclosed properties had more than one mortgage, while another 8 percent had other types of liens held by financial institutions. Just 5 percent of additional liens were attributable to medical expenses.

Foreclosure Judgment Amount

The average judgment amount for Buffalo foreclosures in 2000 was \$48,744. For the city as a whole, the median judgment amount was 107 percent of the original loan amount, with all communities showing comparable ratios. The ratio is even higher when judgments are compared with current assessed values. The judgment amount was 119 percent of current assessed value, suggesting that the typical Buffalo homeowner owed about 20 percent more on his or her mortgage loan than the current value of the home. Remarkably, the median “judgment-to-value” ratio for foreclosures in 2000 exceeded 100 percent in every Buffalo community. These ratios tended to be higher in lower income communities; Ellicott-Masten and East Side, for example, showed ratios in excess of 150 percent.

Conclusions and Implications

The growth in foreclosures in Buffalo is widespread and the factors behind it are complex. Moreover, the incidence of foreclosure is up significantly in all communities.

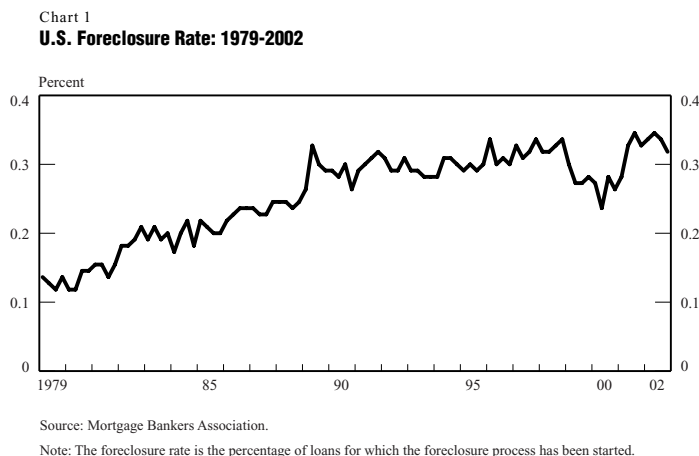
A central finding of our study is that foreclosures were most concentrated in Buffalo’s higher income minority neighborhoods. Yet these neighborhoods still possess lower incomes compared with the Buffalo-Niagara metro area in general. This phenomenon appears to be tied to patterns of urban change. For decades, the minority population in Buffalo has been migrating outward from the inner city, generally to newer, better conditioned housing in adjacent neighborhoods. The neighborhoods at the peak of this transition— those with the highest rate of minority change— had the highest rate of foreclosure. Today, urban change has progressed to the extent that such neighborhoods tend to be located along Buffalo’s borders. The high rate of foreclosures in these outer

neighborhoods is cause for concern. On the one hand, they are likely to provide some of the region's best homeownership opportunities for low- and moderate-income minorities. On the other hand, the spatial concentration of foreclosures in these neighborhoods is likely to result in socioeconomic decline.

Increasing the rate of homeownership continues to be a noteworthy policy objective. Unfortunately, the ultimate outcome of a home loan may be a foreclosed property. The recent rise in foreclosures in the city of Buffalo may in part reflect the risks associated with homeownership—particularly as an investment in a declining market—and the difficulties faced by financial institutions and the government in providing housing and financial products suitable for low-income homeownership in urban neighborhoods. To date, few studies weighed the benefits of raising homeownership rates in central cities against the costs of foreclosures. Quite often, homeownership and foreclosure rates are observed in aggregate, and the policy effect is not evaluated at the local level. Yet, needless to say, a residential foreclosure is more than an economic statistic; it is also a home located in a neighborhood. If that neighborhood is urban, the foreclosed home is more likely to fall into disrepair, become vacant, and be demolished. This simple truth calls for a harder look at the relationship between homeownership and foreclosure. By providing a thorough examination of the characteristics of foreclosures, this study takes a step in that direction.

Chapter 1: Introduction

In 2000, there were nearly 800 residential foreclosures in the city of Buffalo, representing a nearly fourfold increase from a decade earlier. Escalation in foreclosed mortgage loans, however, was not solely a Buffalo problem: a study of Rochester observed a remarkably similar trend, finding a tripling of foreclosures to more than 1,000 from 1990 to 1999.¹ In addition, the United States has experienced a rising trend in the foreclosure rate since 1980, despite the unprecedented economic growth of the past two decades (Chart 1). This somewhat surprising national phenomenon has only added to the uncertainty over why foreclosure rates have been on the rise.



Notwithstanding this uncertainty, the forces contributing to the national rise in foreclosures may be having a disparate impact on central cities, particularly those in slow-growth areas such as upstate New York. Although foreclosure actions were up throughout the Buffalo-Niagara metro area, they were about twice as likely to occur in the city than in the suburbs.² However, this finding should come as no surprise. In cities like Buffalo, homeownership typically entails a match between a region's lowest income borrowers and its most precarious real estate markets. Such circumstances raise concerns

¹ See Housing Council, 2000. This study tracks foreclosures in Rochester from 1990 to 1999 and provides a good basis for comparison with our findings. In some instances, we replicated analyses in the Rochester study to facilitate comparison.

over the added risk of financial harm to vulnerable segments of the population, but even more troubling is the threat to the often struggling neighborhoods in which those segments reside. Residential foreclosures in the central-city context frequently lead to extended vacancies, property deterioration, and an accelerated decline in surrounding home values.

In response to such concerns, the Federal Reserve Bank of New York's Buffalo Branch investigated residential foreclosure trends in Buffalo from 1990 to 2000. This study provides a detailed account of our findings.

Objective

Our primary objective is to describe the context in which foreclosures took place over the study period. To that end, we examine the recent rise in the number of foreclosures, analyze the characteristics of the neighborhoods in which foreclosures occurred, and broadly identify the nature of foreclosed loans. In doing so, we analyze Buffalo as a whole and examine how the characteristics of foreclosure vary among the city's communities.

Because our analysis is descriptive, we do not attempt to explain the causes or impacts of foreclosures. However, when supported by sufficient evidence, we draw inferences and conclusions on observed patterns and trends. Additionally, although we do not address the issue of causation, we seek to lay the groundwork for future research by providing a thorough analysis of the context of foreclosure.

Finally, this investigation is largely a response to concerns raised by local housing advocates. Accordingly, we hope it will provide them with useful information to assist in their continuing work.

Methodology

We present a case study of foreclosures in Buffalo from 1990 to 2000. Our investigation uses descriptive statistical analyses to evaluate a broad range of characteristics associated with foreclosed properties over the period. It has five main components:

² This finding is an estimate based on the number of foreclosure judgments in 2000 in the city of Buffalo compared with the number of *lis pendens* filed in all of Erie County. A *lis pendens* is the legal notice of initiation of foreclosure proceedings.

- a brief evaluation of the economic context in which the rise in foreclosures took place,
- an assessment of the trend and spatial distributions of foreclosures,
- a descriptive analysis of foreclosures in 2000 based on the socioeconomic and housing characteristics of the affected neighborhoods,
- a descriptive analysis of foreclosures in 2000 based on lender characteristics and loan type, and
- an examination of borrower circumstances at foreclosure.

We study the 1990-2000 period for several reasons. First, the starting and ending dates match decennial census years, which facilitates our analysis of neighborhood socioeconomic and housing characteristics. Second, the period approximately coincides with the previous business cycle, which enables us to track foreclosures over an economic recession and an expansion. Third, we believe that a ten-year period offers a sufficient time frame from which to obtain a good sense of foreclosure trends.

To assess the characteristics of foreclosures by location and to obtain an adequate sampling of foreclosures, we divide Buffalo into eight study areas (Table 1) based on twelve city-defined planning communities.³

Table 1

Buffalo Communities and Their Socioeconomic Characteristics

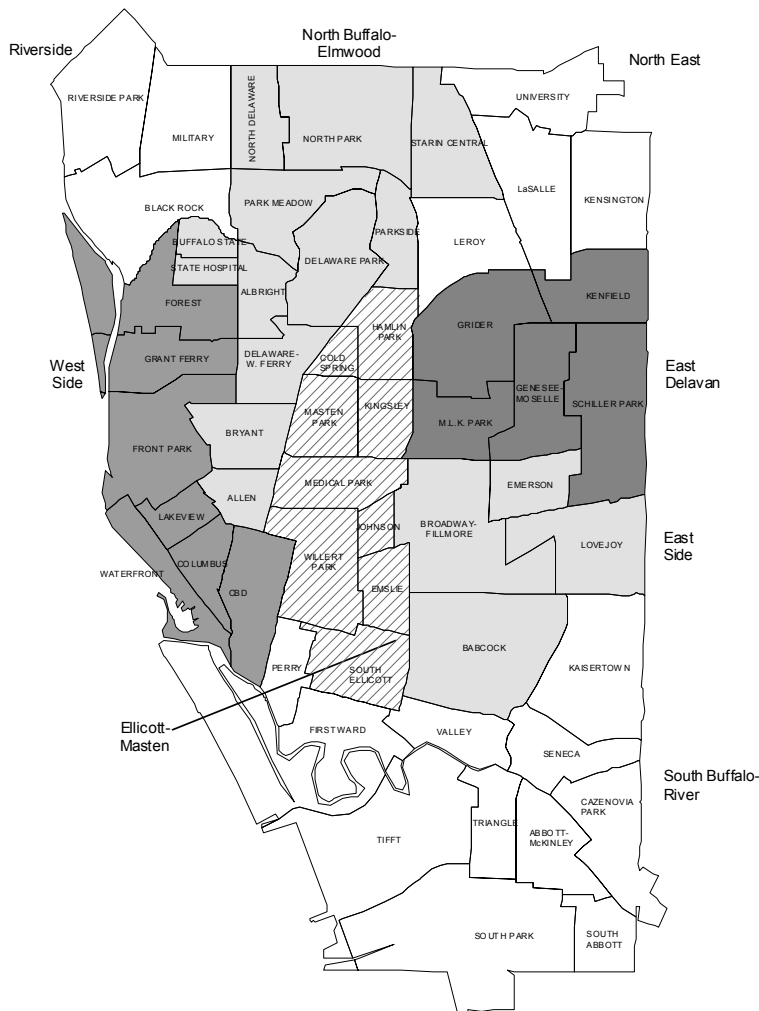
	Average Household Income		Minority Population	
	Percent	Percentage Point	Percent	Percentage
	of MSA 1999	Change 1989-1999	2000	Point Change 1990-2000
North Buffalo-Elmwood	91	-16	23	9
South Buffalo-River	78	-1	6	3
North East	74	-3	71	20
Riverside	63	-3	18	11
East Delavan	63	1	85	16
West Side-Central	63	3	45	16
Ellicott-Masten	59	8	87	-2
East Side	50	-4	43	16
City of Buffalo	70	-2.1	45	9
Buffalo-Niagara MSA	100	N/A	16	3

Source: U.S. Bureau of the Census, "Census of Population and Housing."

³ The twelve planning communities are Central Business District, West Side, Riverside, North Buffalo, Elmwood, North East, East Delavan, East Side, South Buffalo, Buffalo-River, Ellicott, and Masten.

These eight areas provide a convenient basis for analysis because they tend to have similar socioeconomic and housing characteristics and are themselves made up of census tracts. In addition, these communities consist of neighborhoods that are generally recognizable to the local community (Map 1). To facilitate a comparison of socioeconomic conditions and changes among communities, we also present average household income as a percentage of the average household income of the Buffalo-Niagara metro area, the percentage of the population that is minority, and the percentage change in these characteristics over the 1990s. We define “minority” as all non-whites and whites of Hispanic origin.

Map 1
City of Buffalo Planning Communities and Neighborhoods



Source: City of Buffalo, Division of Planning.

Limitations of the Study

The methodology used in this study limits our findings in several ways. Foremost, the analysis is descriptive and does not try to explain the causes or impacts of foreclosures. In some cases, what appear to be associations between foreclosures and characteristics may simply be coincidences. We do not perform the statistical analysis necessary to assess individual relationships and determine the direction of causation between variables. The large size of our eight study areas also limits community comparisons. This occurs in part because communities--although tending to consist of similar neighborhoods--are not homogenous. They may contain neighborhoods with diverse socioeconomic and other characteristics. Thus, in some instances, the average value of a characteristic at the community level may be quite different than that of its component neighborhoods.

Furthermore, many of the phenomena that we examine exist at the neighborhood, block, or even street level; much of this intracommunity transformation may be missed by our analysis. Finally, because there are few local-level foreclosure studies from which to extract data and analysis, this investigation incorporates a limited number of comparisons with other regions. The absence of an adequate frame of reference restricts our ability to place our findings in perspective and to understand how the rise in Buffalo foreclosures compares with trends in other cities. (A discussion of sampling and data collection methods and associated limitations is found in Appendix A.)

Chapter 2: The Economic Context of Foreclosures

This chapter presents a brief overview of economic conditions in the Buffalo area. We first examine the broad metro area economy (hereafter referred to as the Buffalo-Niagara MSA¹), then focus on the city itself.

Regional Economic Conditions

A sudden rise in residential foreclosures is often attributable to a shock to the regional economy, such as a severe recession or a significant decline in an important industry. The Buffalo-Niagara MSA did not experience severe economic distress in the 1990s, but employment and income in the region were essentially stagnant. Our 1990-2000 study period approximately coincides with the previous business cycle, which began with a national recession that ran from mid-1990 to early 1991 and ended when the ensuing expansion reached its peak in early 2001. The recession lasted somewhat longer in the metro area than in the nation as a whole, and the expansion was much less robust.² Consequently, by the end of the 1990-2000 period, metro area employment had risen just 1.9 percent compared with 20.4 percent for the nation.³ The lack of new industry may have suppressed incomes in the region, as median household income increased just 2.0 percent from 1990 to 2000--about half the increase nationwide.⁴ Despite the weak performance of the Buffalo metro area economy, however, unemployment remained relatively moderate over the decade, with rates similar to those of the nation (Chart 2).

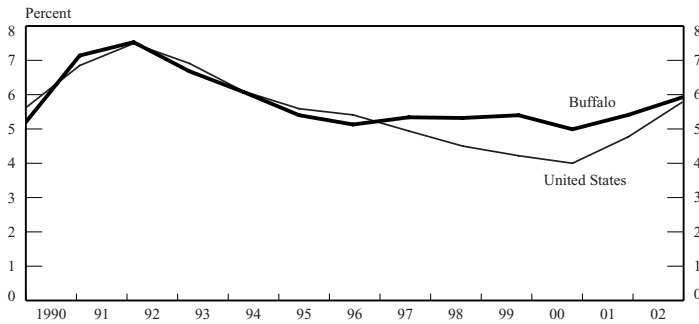
¹ The Buffalo-Niagara MSA (metropolitan statistical area) is defined by the U.S. Census Bureau as Erie and Niagara counties.

² Deitz and Garcia, 2002.

³ U.S. Department of Commerce, Bureau of Labor Statistics, 1990, 2000.

⁴ U.S. Department of Commerce, Bureau of the Census, 1990, 2000.

Chart 2
**Unemployment Rate: Buffalo-Niagara Metropolitan Statistical Area
 and the Nation: 1990-2002**



Source: U.S. Department of Labor.

City Economic Conditions

Although the city of Buffalo did not suffer from a severe shock to the regional economy in the 1990s, it continued to house a disproportionate share of the metro area’s low-income and unemployed residents. Moreover, the city’s economic condition relative to the region’s worsened: in 1989, the city’s median household income equaled 65.8 percent of income in the metro area; by 1999, that ratio had declined to 63.7 percent. The city’s low average income is due in part to chronically high unemployment. Buffalo’s unemployment rate was 13 percent in 2000, about twice the metro rate and a percentage point higher than it was in 1990.⁵

In summary, Buffalo’s increase in foreclosures took place in an environment of slow growth but absent a significant economic stimulus. Still, whether the increase was attributable to local or national forces, it is not surprising that the effect would be more apparent in a city like Buffalo. Evidence suggests that the foreclosure process itself disproportionately affects low- and moderate-income homeowners because they lack the resources to avert or forestall foreclosure.⁶ Such homeowners clearly represent a considerable portion of the Buffalo housing market.

⁵ U.S. Department of Commerce, Bureau of the Census, 1990, 2000.

⁶ Lauria, 1998.

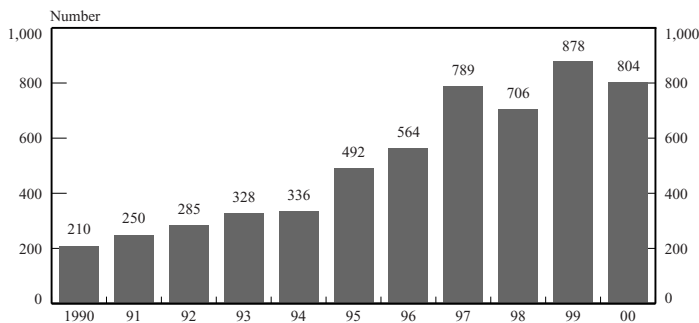
Chapter 3: Foreclosure Trends and Spatial Analysis

Foreclosures rose during the 1990s throughout Buffalo. But some areas saw larger increases than others and foreclosure rates were not constant across neighborhoods, with some experiencing more significant changes. This chapter outlines the changes in foreclosures during the 1990s and puts them in geographic perspective. Section I looks at the general trend in foreclosures, while Section II examines their spatial distribution.

I. The Trend in Foreclosures

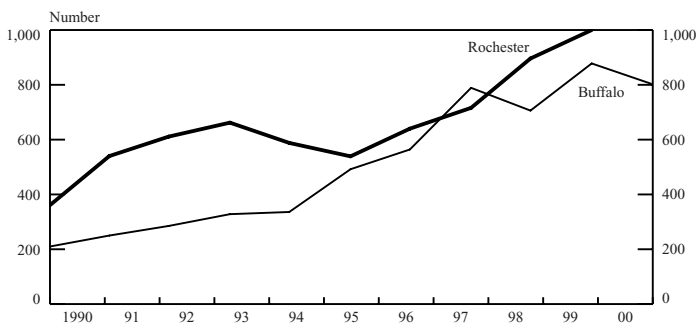
Chart 3 shows residential foreclosures in Buffalo for each year from 1990 to 2000. The annual number of foreclosures grew slowly early in the decade and then rose rapidly after 1994, resulting in a 135 percent increase over only a three-year period. By the end of the decade, the trend seemed to be leveling off, but foreclosures had increased more than 280 percent over the ten-year period. Rochester's pattern differed from Buffalo's to some degree (Chart 4), with a rapid rise and small decline early in the 1990s. Nevertheless, Rochester experienced a similar mid-decade rise and a similar overall increase, with foreclosures growing almost 180 percent from 1990 to 1999. The pattern of foreclosures seen by Rochester in the early 1990s may reflect the performance of its regional economy. The Rochester metropolitan area has been undergoing a painful economic restructuring due to the decline of its photographic equipment and imaging industries. The loss of many well-paying jobs in these industries—especially during the recession of the early 1990s—may have triggered foreclosures throughout the metro area, including the city of Rochester.

Chart 3
Residential Foreclosures in Buffalo: 1990-2000



Source: *Buffalo Law Journal*.

Chart 4
Residential Foreclosures in Buffalo and Rochester: 1990-2000



Sources: *Buffalo Law Journal*; Housing Council.

It is difficult to compare residential foreclosures in Buffalo with those in other areas because foreclosure data are not readily available and precious little research has been conducted on other cities. However, there is evidence that other areas are seeing a similar growth in foreclosures. A study of a three-county region in Ohio noted a nearly 180 percent increase in foreclosures from 1997 to 2001, and a report on foreclosures in the city of Chicago found a 67 percent rise from 1993 to 1998.¹ The Chicago study allows an interesting comparison of the incidence and growth of foreclosures in the mid-1990s (Table 2). It shows that Buffalo experienced the greatest rise in foreclosures from 1993 to 1998 and Rochester the smallest. However, by 1998, Rochester's foreclosure rate was higher.

¹ Bellamy, 2002; Kiley, Kotelchuck, and Nieto Gomez, 1999.

Table 2

Foreclosures in Chicago, Rochester, and Buffalo, 1993-98

City	Foreclosures, 1993	Foreclosures, 1998	Percentage Change, 1993-98	Foreclosure
				Rate (Percent) 1998 (1)
Chicago	1,265	1,905	51	0.17
Rochester	662	896	35	0.90
Buffalo	328	706	115	0.48

Sources: *Buffalo Law Journal*; Housing Council, 2000; Kiley, Kotelchuck, and Nieto Gomez, 1999.

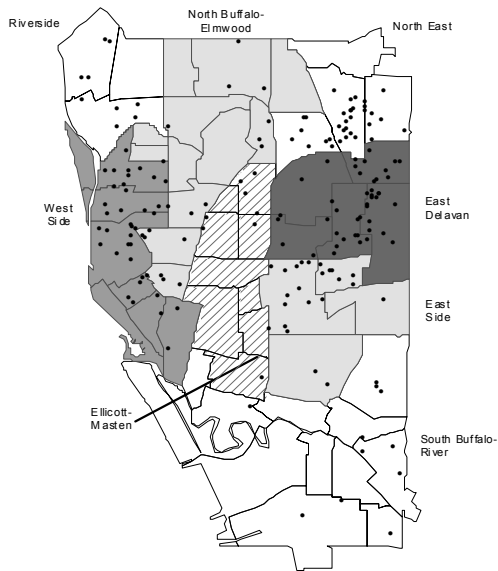
(1) The foreclosure rate is foreclosures per housing unit.

II. The Spatial Distribution of Foreclosures

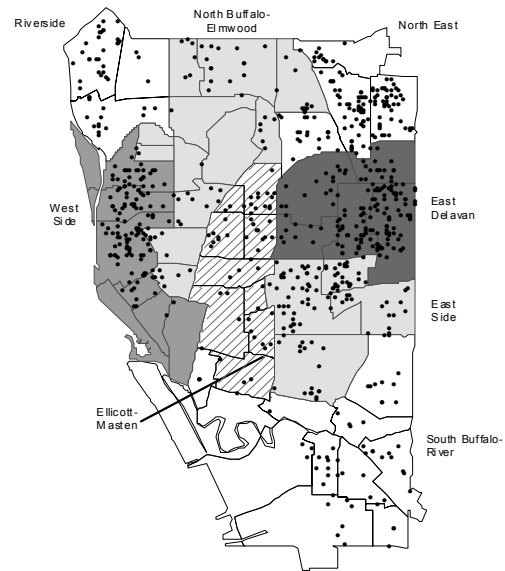
Maps 2 and 3 compare the location of foreclosures across the city of Buffalo in 1990 and 2000.² Three general observations can be made about the spatial distribution of foreclosures in these years. First, foreclosures have generally increased throughout the city and in almost every residential neighborhood. Second, foreclosures tend to occur in a pattern, with high concentrations manifesting as a ring around the city. Third, the spatial distribution of foreclosures has shifted outward: in 1990, the greatest concentration of foreclosures was found just inside the city's outer ring; by 2000, the outer ring was experiencing the greatest incidence of foreclosures.

² Maps of intervening years between 1990 and 2000 are in Appendix B.

Map 2
**Foreclosures by Neighborhood:
City of Buffalo, 1990**



Map 3
**Foreclosures by Neighborhood:
City of Buffalo, 2000**



Sources: City of Buffalo, Division of Planning; *Buffalo Law Journal*.

Table 3 shows how the growth and spatial shift in foreclosures have affected the eight Buffalo communities in our analysis by comparing the incidence and rate of foreclosures at the beginning and end of the study period.³ It is interesting to note that while the incidence of foreclosures is up significantly in all city communities, the largest increases are found in those communities that had relatively few foreclosures in 1990.

³ The foreclosure rate is calculated by dividing the number of foreclosures by the total number of housing units in a geographic area. Calculating the rate in this manner emphasizes the impact of foreclosures on neighborhoods.

Table 3

Number and Rate of Foreclosures by Community, 1990 and 2000

Community	Foreclosures, 1990	Foreclosures, 2000	Percent Change, 1990-2000	Foreclosure Rate (Percent), 2000 (2)
North East	39	145	271	1.03
East Delavan	51	176	245	0.96
East Side	24	89	270	0.56
Riverside	11	55	400	0.49
South Buffalo-River	16	95	493	0.48
West Side-Central	39	103	164	0.47
Ellicott-Masten	10	53	430	0.32
North Buffalo-Elmwood	20	62	210	0.22
Buffalo total	210	778 (1)	270	0.53

Sources: *Buffalo Law Journal*; Housing Council, 2000; Kiley, Kotelchuck, and Nieto Gomez, 1999.

(1) The total represents 804 foreclosures reported in the *Buffalo Law Journal* less 26 that we eliminated due to inaccurate addresses or geocoding problems.

(2) The foreclosure rate is foreclosures per housing unit.

Buffalo's communities can be broken down into three categories according to their foreclosure rates in 2000. The North East and East Delavan communities had relatively high foreclosure rates, with foreclosures occurring at about twice the average city rate. The Ellicott-Masten and North Buffalo-Elmwood communities were at the other end of the spectrum, with foreclosures occurring at about half the city rate. The remaining four communities had foreclosure rates similar to the city average. The two communities with high foreclosure rates had a high percentage of minority residents in 2000, experienced a significant increase in their minority population from 1990 to 2000, and are moderate to lower middle income. Notably, the two communities with low foreclosure rates possess quite different socioeconomic characteristics: the North Buffalo-Elmwood community is predominately white and middle income while the Ellicott-Masten community is predominately minority and low income. The relationship between foreclosures and minority status and income is explored in the next chapter.

As one could expect, communities that demonstrate foreclosure clustering in Map 3 tend to have high foreclosure rates. An exception is West Side-Central, where the relatively high-density neighborhoods cause foreclosures to appear to be more concentrated than in other neighborhoods. Additionally, the overall rate is buffered by a

low rate of foreclosure in the predominately renter-occupied Lower West Side. Nevertheless, census tract level data show that parts of the Upper West Side are clearly witnessing foreclosure rates significantly above the city average.

Overall, it is clear that Buffalo has experienced a significant rise in residential foreclosures over the study period. Although foreclosures are up across the city, they have maintained a consistent spatial pattern, tending to concentrate in a concentric ring around the periphery of the city. These relationships are explored in our discussion of the neighborhood characteristics of foreclosures.

Chapter 4: Foreclosures by Neighborhood Characteristics

In this chapter, we discuss the relationship between foreclosure and the characteristics of Buffalo's neighborhoods. Whatever the cause of the rising trend in foreclosures, it is clear they have a spatial component, that is, they are occurring more in some areas of the city than in others. Studies have shown an association between foreclosures and such neighborhood factors as race, income, and neighborhood transition (how the neighborhood is changing).¹ We analyze two broad categories of neighborhood characteristics that we suspect are associated with foreclosures in the city of Buffalo: Section I analyzes foreclosures by socioeconomic characteristics, including income and race, and Section II examines foreclosures by housing characteristics.

I. Socioeconomic Characteristics

Foreclosures by Income Status

To observe the relationship between neighborhood income and foreclosures in Buffalo, we categorize foreclosures in 2000 by the median household income of census tracts. A tract was labeled higher income if its median household income was above the city median and labeled lower income if it was below that benchmark. As noted, the city's median household income in 2000—about \$25,000—was 63.7 percent of the Buffalo-Niagara MSA median. As a result, many of the census tracts considered higher income for this analysis are in reality moderate-income tracts. Nevertheless, this test provides a means to compare how foreclosures are distributed according to the relative income of census tracts.

Overall, 59 percent of foreclosures occurred in higher income census tracts while 41 percent occurred in lower income tracts (Table 4). Most foreclosures occurred in stable income tracts, with only about 5 percent occurring in the ten tracts that changed income status from 1990 to 2000. The foreclosure rate for stable higher income tracts was 0.64 percent, somewhat higher than the 0.44 percent rate found in stable lower income

¹ See Bradford, 1979; Klump, Douglas, and Rose, 2002; Lauria, 1998; and U.S. General Accounting Office, 1997.

tracts. Foreclosures were clearly both more prevalent and more likely to occur in higher income tracts than in lower income ones.

Table 4

Foreclosures by Income Status and Change

	Census Tracts	Foreclosures	Foreclosure	
			Rate (Percent) (1)	Percentage of Foreclosures
Income status and change				
Stable lower income (< city median)	39	290	0.44	37
Changed to lower income	6	30	0.37	4
Changed to higher income (> city median)	4	7	0.38	1
Stable higher income	38	451	0.64	58
Rate of income change				
Large decline (>20 percentage points)	10	121	0.71	16
Small decline (>10 to 20 percentage points)	13	107	0.44	14
No significant change (<10 percentage points)	47	473	0.55	61
Significant increase (>10 percentage points)	17	77	0.40	10

Sources: U.S. Department of Commerce, Bureau of the Census, "Census of Population and Housing;" Buffalo Law Journal; author's calculations.

(1) The foreclosure rate is foreclosures per housing unit.

This finding suggests that there may be a tipping point beyond which the correlation between income change and foreclosure becomes significant (Table 4). In other words, it appears that *rapid* income change is the important factor in the association with foreclosure, rather than income change alone. The relationship between foreclosure and income change is not evident except in census tracts that experienced more than a 20 percent decline in median household income. These tracts had a foreclosure rate of 0.71 percent. Thus, while foreclosure was more likely to occur in higher income census tracts than in lower income tracts, it was also more likely to occur in tracts that had experienced a significant decline in income than in tracts that had witnessed little or no change.

Foreclosures by Minority Status

To observe the relationship between foreclosures and minority status, we categorize foreclosures in 2000 by minority concentrations based on census tracts. As noted, we consider all non-whites and whites of Hispanic origin to be minorities. A census tract is categorized as minority if more than 50 percent of its population falls under the

aforementioned definition. Based on the 2000 decennial census, 63 percent of foreclosures occurred in minority census tracts while 37 percent occurred in white tracts.

However, Buffalo's minority composition is dynamic. To clarify the association between foreclosures and transition, we examine the location of foreclosures based on the change in minority status of census tracts from 1990 to 2000. Census tracts were assigned to four categories: stable minority (minority in 1990 and 2000), changed to minority (white in 1990, minority in 2000), changed to white (minority in 1990, white in 2000), and stable white (white in 1990 and 2000). Foreclosure rates were then calculated for each category. Through this lens, we obtain a clearer picture of the dynamics of foreclosure in Buffalo (Table 5). Over half the foreclosures that occurred in minority census tracts in 2000 were located in one of the eleven tracts that had transitioned from white to minority over the 1990-2000 period. Census tracts that had changed from white to minority had a foreclosure rate of 1.03 percent, by far the highest among the four categories and almost double the city's rate of 0.53 percent. Only two census tracts changed from minority to white. These tracts have relatively few housing units and had just two foreclosures in 2000.

Table 5
Foreclosures by Minority Status and Change

	Census Tracts	Forelosures	Rate (Percent) (1)	Percentage of Foreclosures
Minority status and change				
Stable minority (>50 percent minority)	29	240	0.54	31
Changed from white to minority	11	252	1.03	32
Changed from minority to white (>50 percent white)	2	2	0.12	0
Stable white	46	284	0.38	37
Rate of change in minority population				
Large increase (>20 percentage points)	17	332	0.88	43
Small increase (>10 to 20 percentage points)	19	125	0.40	16
No significant change (<10 percentage points)	50	321	0.42	41
Significant decline (>10 percentage points)	2	0	0.00	0

Sources: U.S. Department of Commerce, Bureau of the Census, "Census of Population and Housing;" *Buffalo Law Journal*; author's calculations.

(1) The foreclosure rate is foreclosures per housing unit.

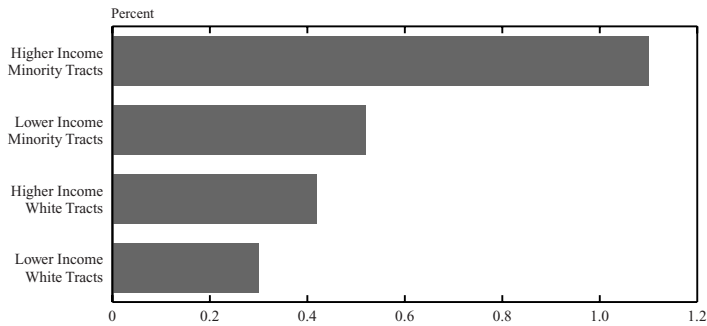
By separating out transitioning census tracts, we can compare foreclosure rates between stable minority and stable white tracts. Stable minority tracts demonstrate a somewhat higher rate of foreclosure than their white counterparts, 0.54 percent as opposed to 0.38 percent. However, the rate of stable minority tracts is only about half the rate of tracts that changed from white to minority. Clearly, it is the census tracts that are transitioning from white to minority that are experiencing the greatest incidence and rate of foreclosure.

We then test how the rate of transition correlates with foreclosure. In Table 5, we calculate foreclosure rates based on the rate of minority population increase from 1990 to 2000. As might be expected, the foreclosure rate is clearly the highest in tracts that experienced more than a 20 percent rise in minority population. However, it is worth noting that there is little difference in the rates between tracts that had a small increase in minority population and those that had no significant change. This finding suggests that, as in the case of income, there may be a tipping point beyond which the correlation between minority change and foreclosure becomes significant. It appears that rapid minority change is the important factor in the association with foreclosure.

Income and Minority Status Combined

Chart 5 depicts the association between foreclosure and combined income and minority status. Using the same definitions as we did earlier, we divide Buffalo's census tracts into four socioeconomic categories based on their minority population and median household income in 2000 and calculate foreclosure rates for these groupings. Foreclosures are clearly most likely to occur in higher income minority census tracts. These neighborhoods are likely to provide some of the region's better homeownership opportunities for low- and moderate-income minorities.

Chart 5
Foreclosure Rate by Minority and Income Status Combined: 2000

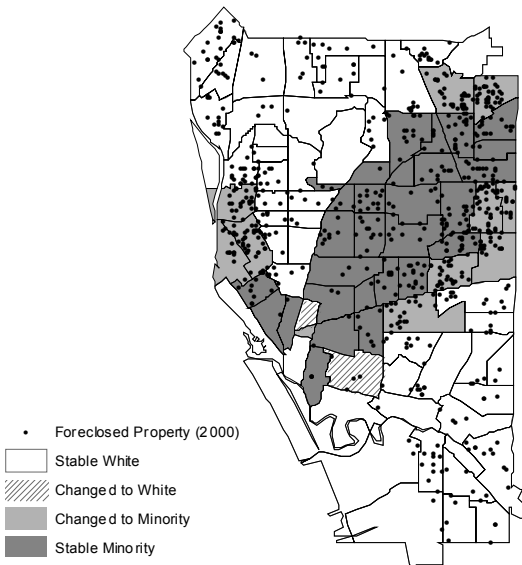


Sources: U.S. Department of Commerce, Bureau of the Census, "Census of Population and Housing;" *Buffalo Law Journal*; author's calculations.

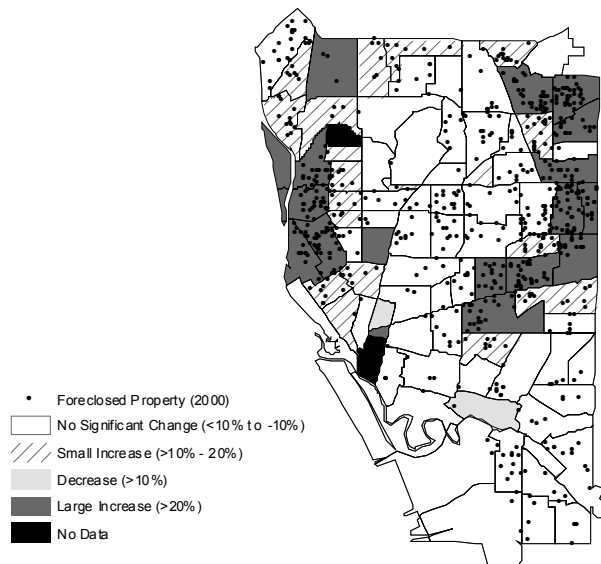
Spatial Analysis of Foreclosures by Socioeconomic Characteristics

Maps 4 and 5 demonstrate the relationship between foreclosures and racial transition. Foreclosures in 2000 were clearly concentrated in neighborhoods exhibiting the greatest change in minority population. The maps also show that the minority population has tended to move outward, with the greatest racial change occurring in a concentric ring around the periphery of the city.

Map 4
Foreclosures and Racial Status by Census Tract: City of Buffalo, 1990-2000



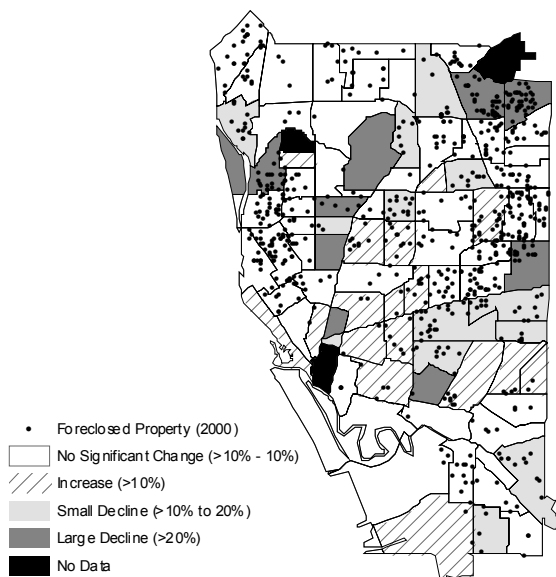
Map 5
Minority Population Change by Census Tract: City of Buffalo, 1990-2000



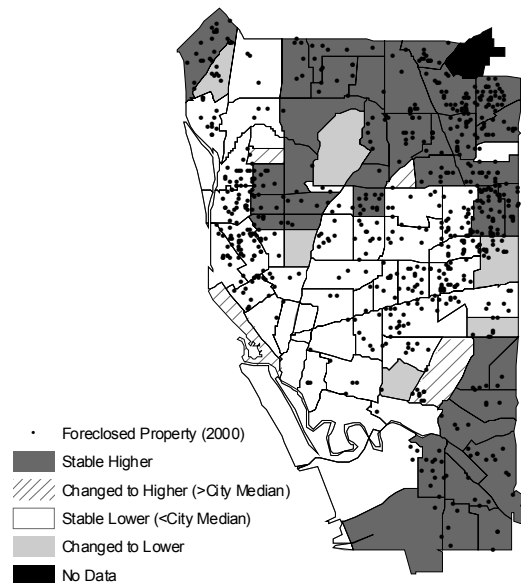
Sources: U.S. Bureau of Census; City of Buffalo, Division of Planning; *Buffalo Law Journal*.

The relationship between income and foreclosure is less evident, with a high incidence in both higher and lower income tracts (Map 6). Nevertheless, it is apparent that the highest concentration of foreclosures occurred in the higher income minority tracts located in Buffalo's North East and East Delavan communities. Still, Map 7 shows that some of these tracts saw their median incomes decline over the study period. Map 7 also shows that incomes were more likely to have decreased in the city's peripheral neighborhoods and more likely to have increased in the inner city. This pattern follows generally observed trends of urban transformation, whereby neighborhood decline tends to spread outward as the housing stock ages, while renewal often begins at the core. Some studies suggest a relationship between these patterns of neighborhood transition and the spatial distribution of foreclosures. Our findings appear to be consistent with those of such studies.

Map 6
**Income Change by Census Tract:
 City of Buffalo, 1990-2000**



Map 7
**Median Income Type by Census Tract:
 City of Buffalo, 1990-2000**



Sources: U.S. Bureau of Census; City of Buffalo, Division of Planning; *Buffalo Law Journal*.

II. Housing Characteristics

Housing Condition and Ownership

To explore the relationship between housing and foreclosures, we analyze several measures of housing condition and the homeownership patterns of Buffalo and its communities. Buffalo has some of the region's least desirable housing. In 2000, the city had 28 percent of the Buffalo-Niagara metro area's housing units yet more than half of the region's pre-1939 stock and vacancies. As a result, the city tends to have a relatively small share of metropolitan home sales. For example, Buffalo garnered just 11 percent of the region's total sales in 2002. At the same time, both the city's and region's populations are declining, and the city's share of the metro population is declining as well. Therefore, the city has an oversupply of housing, reflected by an increase in vacancies and a decline in units (Table 6). Moreover, Buffalo's most distressed properties tend to be located in the inner city, as demonstrated by the distribution of vacancies in 2000 (Map 8).

Table 6
Communities by Housing Condition, 1990-2000 (Percent)

Community	Built 1939 or Earlier	Built 1990 or Later	Vacant, 2000	Change in Vacancies, 1990-2000	Change in Housing Units, 1990-2000	Foreclosure Rate, 2000
East Side	65	2	23	92	-10.2	0.56
Riverside	62	2	13	56	-0.3	0.49
North Buffalo-Elmwood	62	2	9	19	4.5	0.22
West Side-Central	60	2	20	85	-4.0	0.47
South Buffalo-River	56	2	10	65	-0.5	0.48
Ellicott-Masten	54	7	22	4	-9.7	0.32
East Delavan	53	3	19	48	-8.8	0.96
North East	48	2	12	89	-0.3	1.03
Buffalo total	58	3	16	49	-3.5	0.53
Buffalo-Niagara MSA	31	7	8	41	3.9	N/A

Sources: U.S. Department of Commerce, Bureau of the Census, "Census of Population and Housing;" author's calculations.

Map 8
Residential Vacancies: City of Buffalo, 2002



Source: City of Buffalo, Division of Planning.

Note: Gray areas represent all parcels of land in Buffalo; areas in black represent vacant parcels zoned for residential use.

Inner-city decline is also suggested by the high percentage of housing units built before 1939, evident in the West Side-Central and East Side communities, as well as by high vacancy rates and a loss of housing units, evident in the Ellicott-Masten community. The Ellicott-Masten and West Side-Central communities also show relatively low homeownership rates, a common characteristic of older neighborhoods in which housing has aged and been converted to rental property (Table 7). In Buffalo, like many cities,

lower income minorities have historically tended to populate these older inner-city neighborhoods.

Table 7

Communities by Owner-Occupancy Rate, 1990 and 2000 (Percent)

Community	Owner-Occupancy Rate	Owner-Occupancy Rate
	(Occupied Units), 1990	(Occupied Units), 2000
South Buffalo-River	54	59
North East	53	52
East Delavan	47	48
Riverside	46	44
East Side	41	42
Ellicott-Masten	33	40
North Buffalo-Elmwood	41	39
West Side-Central	25	28
Buffalo total	42	43
Buffalo-Niagara MSA	65	66

Sources: U.S. Department of Commerce, Bureau of the Census, "Census of Population and Housing;" author's calculations.

However, foreclosures are most concentrated in two of Buffalo's peripheral neighborhoods: the North East and East Delavan communities. These communities have newer, better conditioned housing and relatively high homeownership rates. Moreover, housing in these neighborhoods is relatively affordable (Table 8). Thus, the North East and East Delavan communities most likely provide some of the city's better homeownership opportunities.

Real Estate Markets

We also analyzed median home prices from 1998 to 2002 to assess their association with Buffalo foreclosures in 2000. Home prices have a significant relationship with foreclosure, as declining values can leave homeowners with debt in excess of the proceeds expected from the sale of the property, leaving few options once the foreclosure process has begun. (This issue is discussed in detail in Chapter 5.) Moreover, homeowners faced with rapidly declining home values might have little incentive to work out an alternative to foreclosure even if they could.

Property values have been declining in Buffalo. Over the 1998-2002 period, the median price of a home sold in the city declined 13 percent, compared with a 4 percent rise for the entire metro area. Median home prices are not a direct indicator of the average assessed value of housing because they reflect only homes sold in a particular year. Nevertheless, median home prices can help us understand how neighborhood housing values are currently behaving.

The condition and performance of the real estate markets varied greatly among Buffalo's communities, in terms of both sales activity and prices (Table 8). Moreover, the behavior of these markets appears to be tied to socioeconomic and housing characteristics. Buffalo's lower income minority communities—West Side-Central, East Side, and Ellicott-Masten—had little sales activity in the years studied. Judging by Ellicott-Masten's high median values in 1998 and 2002, new housing is all that is selling in that community. However, North Buffalo-Elmwood and South Buffalo-River--both higher income areas with a majority of white residents--had relatively high activity in 2002. The North East and East Delavan communities showed the highest activity among minority communities, supporting the evidence that these communities are attracting minority homeownership.

Table 8
Nominal Median Home Prices, 1998-2002

	1998		2002		1998-2002	
Community	Total Units	Median Price (Dollars) (1)	Total Units Sold	Median Price (Dollars)	Percentage Change in Sales	Percentage Change in Median Price
West Side-Central	28	24,850	49	11,400	75	-54
East Delavan	117	20,000	133	12,555	14	-37
East Side	32	35,710	46	26,750	44	-25
South Buffalo-River	160	56,500	212	47,950	33	-15
North East	136	38,400	172	34,250	26	-11
Riverside	72	37,375	105	35,000	46	-6
Ellicott-Masten	32	54,000	65	54,000	103	0
North Buffalo-Elmwood	225	87,900	318	92,038	41	5
Buffalo total	839	53,000	1,130	45,900	35	-13
Buffalo-Niagara MSA	9,096	81,408	9,897	84,288	9	4

Sources: Buffalo-Niagara Board of Realtors; author's calculations.

(1) Prices are not adjusted for inflation.

The most telling statistic, however, is the fall in the median sale price (Table 8). The West Side-Central, East Delavan, and East Side communities showed a precipitous decline in prices over the four-year period, while only North Buffalo-Elmwood posted a gain. The significant and widespread decline in home prices took place despite an upsurge in sales, suggesting a large amount of lower end home sales in the city.

The communities showing the most significant decline in home prices tended to have high foreclosure rates. However, this relationship can also go in either direction. Declining home values can be considered among the most direct causes of foreclosure because of their aforementioned influence on the behavior of distressed homeowners. But declining real estate values may be an effect of foreclosure as well, since foreclosed properties typically sell for appreciably less than surrounding properties.

There is evidence that foreclosure is likely affecting housing values in Buffalo. Although we lack precise data on the sale of foreclosed homes, this phenomenon is suggested by the high number of foreclosed properties relative to total sales in recent years: foreclosures approached 800 in 2002, and annual sales were only about 1,100. Although these foreclosures do not represent homes sold during a given year, it is clear that foreclosed properties account for a significant proportion of the city's real estate transactions. The flood of foreclosed properties on the market may be responsible for the upturn in sales. At the same time, these bargain-priced homes could be suppressing median home values.

Like socioeconomic characteristics, housing characteristics appear to have a bearing on the spatial distribution of foreclosures in Buffalo. Foreclosures are found to be concentrated mostly in minority communities with relatively high homeownership rates and affordable housing in relatively good condition. Once again, this finding is consistent with that of previous studies. It also suggests that foreclosures are occurring most in Buffalo neighborhoods that offer the best homeownership opportunities to low- and moderate-income minorities.

Chapter 5: Mortgage Lending Trends and Foreclosures by Loan Type and Lender Type

Overall, mortgage lending was on the rise in Buffalo in the 1990s, increasing 24 percent between 1992 and 2000. This growth is somewhat smaller than that of the nation, which saw mortgage lending increase 37 percent from 1993 to 2000. However, Buffalo's growth in lending is significant when one considers that the city lost population over the period of analysis. In this chapter, we analyze mortgage lending trends, emphasizing the distinction between conventional and Federal Housing Administration (FHA) loans. Section I examines FHA and conventional lending trends and the distribution of foreclosures between these loan groups, and calculates a foreclosure rate proxy based on this distinction; Section II examines foreclosures by type of lending institution and explores the relationship between foreclosures and subprime lending.

I. FHA and Conventional Lending

We analyzed foreclosures in 2000 according to the two main categories of mortgage loans: FHA loans, which are insured by the Federal Housing Administration, and conventional loans, which are not government insured. (VA loans, which are insured by the Veterans Administration, make up a small percentage of mortgage loans and are not discussed in this study.)

There are several reasons for the association between foreclosure and the type of mortgage loan. FHA provides mortgage insurance on loans with low down-payments and high debt-to-income values. While these flexible underwriting standards enable more low-income borrowers to own homes, they also create more risk.¹ Nationwide, foreclosure rates are generally twice as high on FHA loans as they are on conventional ones, and the gap has been growing. The difference in foreclosure rates is attributable largely to the higher average loan-to-value (LTV) ratios of FHA loans, a measure of the loan amount relative to the property's total value. An LTV of 100 percent indicates a loan amount equal to the property value; an LTV of 80 percent indicates that the mortgagee has borrowed 80 percent of the value of the home. Virtually all research on

¹ FHA borrowers tend to be younger, more credit constrained, and live in areas with below-average incomes. See Bunce et al., 1995.

delinquencies, defaults, and foreclosures finds a positive association with LTV ratios. In the 1990s, FHA LTVs moved above 95 percent, compared with approximately 75 percent for conventional loan LTVs.²

While conventional loans have a generally lower foreclosure rate, the category includes subprime loans. Subprime loans are typically offered to borrowers with less than A-rated credit.³ As a result, these loans tend to carry higher fees and interest rates than prime loans to compensate for their additional risk. As might be expected, subprime loans have been found to foreclose at a significantly higher rate than prime loans. The Mortgage Information Corporation, a financial database firm, reports that A-rated prime loans become “seriously delinquent” at a rate of 0.53 percent, compared with 6.8 percent for B-rated subprime loans and 20.5 percent for D-rated subprime loans.⁴ Therefore, if a substantial portion of conventional mortgages in a particular market is subprime, the foreclosure rate may be affected.

Finally, loans in each of the two categories--FHA and conventional--can be either purchase loans or refinance loans. Subprime loans can be either conventional purchase loans or conventional refinance loans, but subprime refinance loans are more common. Additionally, existing FHA and conventional mortgages can be assumed. However, this practice has become rare since the early 1990s.

Lending Trends

From 1992 to 2000, conventional lending in Buffalo grew at about twice the rate of FHA lending, rising 27 percent over the period. This trend was also seen nationwide, as conventional lending made considerable inroads into historically underserved markets in the 1990s. For example, conventional lending to blacks rose 122 percent nationally from 1993 to 2000.⁵

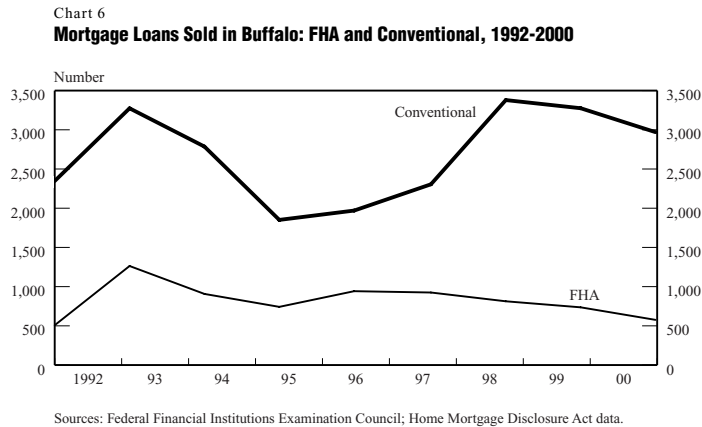
² U.S. Department of Commerce, Bureau of the Census, 1991-2001. For details on the relationship between LTVs and loan default and foreclosure, see Quercia, 1992.

³ However, there is evidence that many borrowers in the subprime market could qualify for prime loans. Franklin Raines, Chairman and CEO of Fannie Mae, in a speech to the National Community Reinvestment Coalition in Washington, D.C., on March 20, 2000, identified Fannie Mae research indicating that the proportion of such borrowers could be as high as 50 percent.

⁴ Nichols, Pennington-Cross, and Yezer, 2000.

⁵ Collins, 2002.

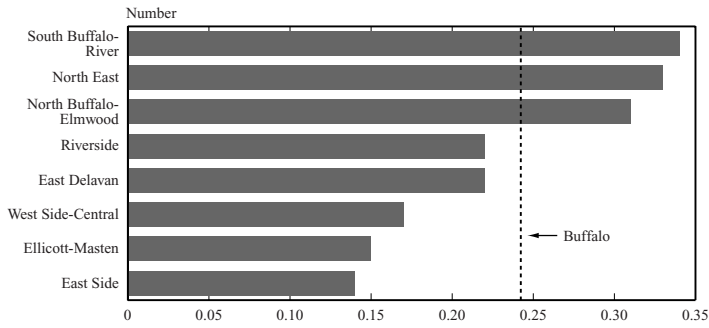
Chart 6 plots the trends in FHA and conventional lending in Buffalo over the 1992-2000 period. Interestingly, both types of loans followed a pattern of growth and decline early in the period, but later in the decade conventional lending grew substantially while FHA lending leveled off. As we discuss later, a good portion of the increase in conventional lending was likely attributable to subprime lending. Over the 1992-2000 period, 23 percent of loans made in Buffalo were FHA loans, while conventional loans accounted for 77 percent. Nationwide, FHA loans represented about 14 percent of all outstanding mortgages.⁶ FHA loans have historically been more prevalent in central cities due to the lack of conventional prime lending.



While mortgage lending grew over the 1992-2000 period, the volume of lending varied throughout the city. Chart 7 shows the number of mortgage loans originated from 1992 to 2000 per the number of occupied housing units for the eight Buffalo study areas. As one might expect, the areas demonstrating high sales activity in Table 7 also saw the most lending.

⁶ U.S. Department of Commerce, Bureau of the Census, 2001, “American Housing Survey.”

Chart 7
Mortgage Loans Originated per Occupied Housing Unit: 1992-2000



Sources: Federal Financial Institutions Examination Council; Home Mortgage Disclosure Act data.

Table 9 gives a more complete picture of lending patterns from 1992 to 2000 by showing the distribution of lending among the three major types of loans: FHA purchase, conventional purchase, and conventional refinance. While FHA also insures refinance loans, these loans accounted for just 4 percent of all loans over the study period. In Buffalo as a whole, conventional refinance loans were by far the most common loan type, accounting for 44 percent of lending. Furthermore, lending was essentially split evenly between purchase loans and refinance loans.

Table 9
Percentage of All Loans Originated from 1992 to 2000, by Type

Community	FHA Purchase	Conventional Purchase	Conventional Refinance
East Delavan	25	26	40
East Side	22	28	42
Riverside	21	35	35
North East	20	30	41
South Buffalo-River	20	28	44
Ellicott-Masten	19	27	50
West Side-Central	17	33	44
North Buffalo-Elmwood	13	34	48
Buffalo total	19	30	44

Sources: Federal Financial Institutions Examination Council; Home Mortgage Disclosure Act data.

While the level of lending over the 1992-2000 period varied among communities, the distribution of lending across major loan types was fairly similar. FHA lending was somewhat more prevalent in East Delavan and less common in North Buffalo-Elmwood than was typical, while Riverside demonstrated a relatively low share of conventional refinance lending. But generally, the differences in lending patterns by loan type were not significant.

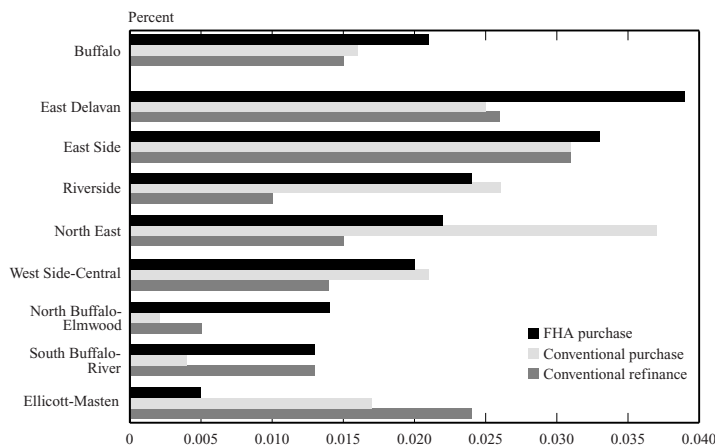
Foreclosure Rates on FHA and Conventional Mortgages

Through an analysis of mortgage lending patterns, we improve our understanding of the context in which the rise in foreclosures took place. Lending data also allow us to assess the performance of the three major types of loans. The performance of loans is indicative of the relative risk associated with each loan type. The level of risk among loan types can vary because of differing terms (for example, loan-to-value ratio, interest rate, fees) and differing pools of borrowers (for example, those with a good versus those with a poor credit history). Additionally, an examination of the performance of loans across Buffalo communities helps to explain the patterns of foreclosure by loan type observed earlier in this study. Although we are unable to determine a foreclosure rate directly, we can get a sense of loan performance by calculating the percentage of all loans originated from 1992 to 2000 that foreclosed in 2000. The results for Buffalo and its communities are depicted in Chart 8.

Using this foreclosure rate proxy, we see that for Buffalo overall, FHA purchase mortgages originated from 1992 to 2000 were more likely to have foreclosed in 2000 than were either kind of conventional mortgage. This result might be expected, given the fact that the standard FHA foreclosure rate is typically twice that of the conventional rate. However, in this case, the FHA rate appears to be somewhat less than twice the conventional rate. This difference could simply be due to the fact that the standard foreclosure rate is calculated differently than our substitute for that variable. However, the foreclosure rates for FHA loans and for conventional loans in Buffalo could be closer for other reasons. For example, as we discuss later, there has been significant growth in the share of subprime conventional loans. The increase in these riskier, high-cost loans may be raising the foreclosure rate of conventional loans generally.

Chart 8 further suggests that purchase loans overall performed somewhat worse than refinancing loans in the city as a whole. The foreclosure rate proxies for both FHA and conventional purchase loans are higher than the rate for conventional refinance loans. This finding is somewhat contrary to conventional wisdom, which suggests that much of the recent rise in foreclosures results from a high rate of foreclosure on subprime refinance loans.

Chart 8
**Percentage of Loan Types Originated from 1992 to 2000
 that Foreclosed in 2000**



Sources: Federal Financial Institutions Examination Council; Home Mortgage Disclosure Act data; Erie County Civil Court records; Erie County property database; author's calculations.

Also noteworthy is how the performance of loans varied among Buffalo's communities, once again suggesting that the factors behind foreclosure differ as well. Overall, loans performed much better in some communities than in others, as did certain loan types. Standing in particular contrast are the two communities where foreclosures are most prevalent. In East Delavan, FHA purchase loans performed the worst, while in the North East community, conventional purchase loans showed the worst performance.

It is also evident that in each community, the performance of the three types of loans tended to be similar. As might be expected, there appears to be a strong correlation between loan performance and income, with lower income communities showing generally high foreclosure rates and higher income communities exhibiting the opposite trend. Ellicott-Masten is a notable exception to this finding, as loans performed relatively

well in this low-income community. Surprisingly, in fact, Ellicott-Masten demonstrated the lowest foreclosure rate on FHA purchase loans among all Buffalo communities.

The association between poor loan performance and low income may appear contradictory to our findings in Chapter 3, which show higher foreclosure rates in higher income census tracts. However, the foreclosure rates used in Chapter 3— and generally in this report— are based on the percentage of foreclosures per housing unit, not on the percentage of foreclosures per loan origination. Because Buffalo’s lower income communities tend to see a low volume of lending, they may also show a low number of foreclosures— and thus a low foreclosure rate based on housing units— despite comparatively poorly performing loans.

In the previous two analyses, we examined factors—the volume of lending and loan performance—that might have influenced foreclosure on the various types of loans. We now turn to the effects of the patterns found in those analyses by examining the distribution of foreclosures by loan type. Our discussion addresses the share of foreclosures on either FHA or conventional loans and the share of foreclosures on purchase, refinance, or assumed loans.

Distribution of Foreclosures between FHA and Conventional Loans

Table 10 shows foreclosures in 2000 according to the two main categories of mortgage loans. For Buffalo overall, 38 percent of foreclosures were on FHA loans and 59 percent were on conventional ones. This finding is consistent with our results on lending and loan performance, in which FHA loans were found to account for 23 percent of lending but foreclosed at a higher rate than did conventional loans. Interestingly, FHA foreclosures represented a much larger share of foreclosures in Rochester in 1998, accounting for 60 percent of the total. This difference, as we discuss, may be due in part to a larger proportion of subprime foreclosures in Buffalo. However, if we consider only prime loans, about two-thirds of Rochester foreclosures were FHA compared with about one-half of Buffalo foreclosures. This finding appears to be attributable to a higher volume of FHA lending in Rochester than in Buffalo rather than to differences in FHA loan performance. In the Rochester study, FHA loans were estimated to account for about 40 percent of originations, significantly more than the 23 percent we found in Buffalo. At

the same time, there is evidence that FHA loans performed slightly worse in Buffalo than they did in Rochester in the 1990s.⁷

Table 10

Percentage Distribution by Type of Foreclosed Loan: FHA and Conventional

Community	FHA	Conventional
East Delavan	48	52
South Buffalo-River	45	48
West Side-Central	39	61
North Buffalo-Elmwood	38	54
East Side	36	61
Riverside	34	62
North East	33	63
Ellicott-Masten	14	83
Buffalo total	38	59

Sources: Erie County Civil Court records; Erie County property database; author's calculations.

Note: Totals do not sum to 100 percent because VA loans are not shown.

For the most part, the percentage of FHA and conventional foreclosures did not vary substantially among Buffalo’s communities, although there were some exceptions. The cases in which the patterns of FHA and conventional foreclosures were atypical can be explained in part by the patterns observed in the previous two analyses. However, differences appear to have more to do with variations in loan performance than with variations in lending patterns. For instance, Ellicott-Masten had an exceptionally small proportion of foreclosures on FHA loans—just 14 percent—and a correspondingly high 83 percent share of foreclosures on conventional loans. However, the community shows a distribution of FHA and conventional lending similar to Buffalo as a whole (Table 10). Thus, Ellicott-Masten’s pattern of foreclosures by loan type is better explained by the fact that FHA loans in this neighborhood performed much better than conventional loans (Chart 7). Loan performance also accounts largely for the relatively high share of FHA foreclosures found in East Delavan, 48 percent. While the community did see a somewhat higher volume of FHA lending in the 1990s than the city did generally, the

⁷ See Klump, Douglas, and Rose, 2002, in which an analysis of FHA loans originated from 1996 to 2000 found the default rate to be slightly higher in Buffalo than in Rochester.

performance of those loans was extremely poor in comparison. In contrast, the other community with a high overall foreclosure rate, North East, had a relatively low proportion of FHA foreclosures, just 33 percent. Once again, this difference appears to be attributable more to loan performance. FHA loans performed better in the North East than in East Delavan, while conventional loans performed worse.

Distribution of Foreclosures among Purchase, Refinance, and Assumed Loans

Citywide, the loans taken by borrowers whose property foreclosed in 2000 were much more likely to be for the purchase of a home than for a refinancing. Purchase mortgages accounted for 56 percent of foreclosures in 2000, compared with 34 percent for refinance loans (Table 11).

Because lending in Buffalo for the most part is distributed evenly between purchase and refinance loans, the disparity in the share of foreclosures is most likely due to the superior performance of refinance loans (Chart 8).

Table 11

**Percentage Distribution by Type of Foreclosed Loan:
Purchase, Refinance, and Assumed**

Community	Purchase	Refinance	Assumed
Riverside	79	14	7
North East	67	23	11
West Side-Central	61	30	9
East Delavan	59	30	11
North Buffalo-Elmwood	50	42	8
Ellicott-Masten	45	48	7
East Side	43	43	14
South Buffalo-River	41	55	3
Buffalo total	56	34	9

Sources: Erie County Civil Court records; Erie County property database; author's calculations.

The distribution of foreclosures between purchase and refinance loans varied widely among Buffalo's communities and emphasized the communities' different experiences. Purchase loans accounted for a somewhat higher proportion of foreclosures in the East Delavan and North East communities—the two areas experiencing the highest rate of foreclosure— than in Buffalo overall. However, the patterns in the distribution of foreclosures by loan type demonstrated in Table 11 appear to be tied more to the patterns of loan performance displayed in Chart 7 than to the overall foreclosure rates of communities. In some parts of Buffalo, the ratio of purchase to refinance foreclosures was the opposite of the ratio for Buffalo overall. In South Buffalo-River and Ellicott-Masten—two very different communities in socioeconomic terms— refinance loans accounted for a larger share of foreclosures than did purchase loans. This was especially true for South Buffalo-River, where 55 percent of foreclosures were on refinance loans. Conversely, Riverside, which is racially similar but generally has lower income than South Buffalo-River, presented a very different pattern: almost 80 percent of its foreclosures arose from purchase loans. Clearly, different phenomena are at work in these two communities. One phenomenon is transition. As Table 1 and Map 5 indicate, Riverside saw a significant amount of racial change over the 1990s; this may be another community attracting new, low-income minority homeowners.

Overall, the distribution of foreclosures between purchase and refinance loans found in our analysis is similar to the distribution observed in the 1998 Rochester study. However, one area in which the findings differed significantly was the percentage of foreclosures that were assumed mortgages. In 2000, 9 percent of Buffalo's foreclosures were assumed mortgages, a significantly lower share than Rochester's 23 percent in 1998. Assumed loans were not unusual in the 1980s, but they have become rare today due to lender restrictions. The wide difference between Buffalo and Rochester may indicate a difference in the dynamics of foreclosure between the two cities. For example, a greater proportion of Rochester foreclosures may have been assumed loans from the 1980s. Some difference in the share of foreclosed loans that were assumed is also apparent among Buffalo's communities. Assumed-loan foreclosures, for instance, were rare in South Buffalo-River, representing just 3 percent of foreclosures, but they were much more common in East Side, accounting for 14 percent. Because assumed mortgages

are becoming more rare, they are likely to account for a declining share of future foreclosures.

Therefore, although communities differed in their shares of 2000 foreclosures that arose from purchase, refinance, or assumed loans, it is evident that in Buffalo as a whole foreclosures were much more likely to arise from the purchase of a home than from the refinancing of an existing mortgage. Moreover, our analysis of loans by type—FHA and conventional—suggests that foreclosures on conventional purchase mortgages are especially common.

In many ways, our findings on mortgage lending trends and foreclosures by loan type in Buffalo are not surprising. FHA loans were found to foreclose at a higher rate than conventional loans, although possibly less so than might be expected. However, because FHA loans accounted for a substantially smaller share of lending than did conventional loans, FHA loans were associated with a smaller share of foreclosures. One notable finding is that FHA loans represented a significantly smaller proportion of foreclosures in Buffalo than in Rochester. The difference between the cities appears to result largely from variation in the relative volumes of FHA lending. Furthermore, the results presented here demonstrate the differences among communities according to such factors as loan performance and foreclosure distribution by loan type. Such differences highlight the observation that in terms of residential foreclosures in Buffalo, there are many stories to tell.

II. Originating Lenders and Subprime Lending

In this section, we examine foreclosures by the type of lending institution as well as explore how foreclosures occur in relation to subprime lending.

A surprising number of lenders have been active in the Buffalo mortgage market. We sampled 285 cases of foreclosures in 2000 and identified 82 different originating lenders. Three types of lending institutions originated 96 percent of loans that foreclosed in 2000: independent mortgage companies, depository institutions, and bank or holding company subsidiaries.⁸ Although subprime lenders can fall under any of these three

⁸ We were able to determine the type of lender in 88 percent of the cases for which we collected data. The three major types of lenders originated 96 percent of loans in these cases.

categories, the great majority are independent mortgage companies. In our study, about three-fourths of the subprime lenders that originated loans that foreclosed in 2000 were independent mortgage companies.

We identified lenders as subprime if they were designated as such by the U.S. Department of Housing and Urban Development (HUD).⁹ However, we note that this is an imperfect method of identifying subprime lending, because HUD designates a lender as subprime if more than 50 percent of its loans are subprime. Hence, HUD-designated subprime lenders also make prime loans, and lenders not designated subprime by HUD also make subprime loans.

Subprime loans accounted for an increasing share of the mortgage market in the 1990s. As noted, these loans are typically offered to higher risk borrowers, so they carry higher fees and interest rates and foreclose at a higher rate than prime loans. Thus, the growth in subprime lending could have contributed to the rise in foreclosures from 1990 to 2000.

Type of Lending Institution

Table 12 presents the distribution of foreclosures by originating lender. Independent mortgage companies, which have been capturing an increasing share of the mortgage lending market, originated 54 percent of loans foreclosed in 2000. This proportion is substantially higher than the shares of the other two lender types combined.

⁹ U.S. Department of Housing and Urban Development, 1993-2000.

Table 12

Percentage of Foreclosed Loans by Type of Originating Lender

Community	Independent Mortgage Company	Depository Institution	Bank or Holding Company Subsidiary
Ellicott-Masten	76	4	19
East Side	71	8	12
South Buffalo-River	63	20	20
West Side-Central	62	17	28
East Delavan	47	15	34
North Buffalo-Elmwood	47	27	16
North East	42	30	20
Riverside	39	20	39
Buffalo total	54	18	24

Source: Erie County Civil Court records.

Because independent mortgage companies are more likely to be subprime lenders, their loans might be expected to foreclose at a higher rate than those of depository institutions or bank or holding company subsidiaries. We did not measure the volume of mortgage lending by the three types of lenders, so we are unable to assess the performance of the loans they originated. However, results from the 1998 Rochester study suggest that loans originated by independent mortgage companies do not perform as well as those originated by other types of lenders. While independent mortgage companies originated about a third of all loans in Rochester from 1992 to 1998, their loans accounted for almost half of the foreclosures in 1998.

Table 12 also shows the disparity in the share of foreclosures by lender type among Buffalo communities. For example, depository institutions originated a very small share of loans foreclosed in 2000 in the Ellicott-Masten and East Side communities, while independent mortgage companies originated an exceptionally high share in both communities. In the North East community, however, depository institutions originated a relatively high proportion of loans foreclosed in 2000. Again, although we did not assess lending patterns by lender type, these findings suggest that certain types of lenders are more active in some neighborhoods than in others. It is also interesting to note that in the communities with the greatest concentration of foreclosures in 2000, independent mortgage companies originated a below-average share of foreclosed loans.

Subprime Lenders

Nationwide, there is evidence of dramatic growth in the subprime market over the past decade. According to Home Mortgage Disclosure Act (HMDA) data, the subprime share of the mortgage market was less than 1 percent in the early 1990s; by the end of the decade, that share had risen to almost 9 percent. Although some of this growth has been attributed to improvements in HMDA reporting, it is clear that subprime lending has become an important component of the mortgage market. Evidence also suggests that this type of lending is especially popular with minority borrowers. For instance, HMDA data indicate that blacks received 2.4 to 3.0 times as many subprime loans as whites with comparable incomes in 2000.¹⁰

Given subprime lending's dramatic rise, its prevalence among minority borrowers, and its higher rate of foreclosure, it is reasonable to suspect that such lending is contributing to Buffalo's growth in foreclosures. Table 13 shows the percentage of foreclosures originated by subprime lenders. For Buffalo overall, these lenders originated slightly more than one-fifth of foreclosures in 2000. Two-thirds of the foreclosures attributable to subprime lenders occurred on refinance mortgages, while a third occurred on purchase mortgages.

¹⁰ Bradford, 2002.

Table 13

**Percentage of Foreclosed Loans Originated
by HUD-Designated Subprime Lenders**

Community	All Loans Originated by		
	Subprime Lenders	Purchase	Refinance
Ellicott-Masten	45	10	31
East Side	36	11	25
East Delavan	24	9	15
South Buffalo-River	21	3	17
North Buffalo-Elmwood	15	0	15
West Side-Central	15	6	9
Riverside	14	14	0
North East	11	5	4
Buffalo total	21	7	14

Sources: Erie County Civil Court records; Erie County property database; U.S. Department of Housing and Urban Development (HUD); author's calculations.

By comparison, the 1998 Rochester study found that just 8 percent of foreclosures were associated with subprime lenders. The difference could be attributable to the timing of the two studies. Because the growth in subprime lending is a recent occurrence, the impact on foreclosures may have been greater in 2000 than in 1998. However, evidence suggests that subprime lending is more common in Buffalo than in Rochester, at least among blacks. One study found that in 2000, almost 75 percent of conventional refinance loans to blacks in the Buffalo-Niagara metro area were originated by subprime lenders, compared with only 45 percent in the Rochester metro area.¹¹

In our study, two Buffalo communities exhibited an exceptionally high share of foreclosed loans originated by subprime lenders: Ellicott-Masten, 45 percent, and East Side, 36 percent. Both communities are lower income and have a high concentration of minorities. Also, in both instances, refinance loans by subprime lenders were by far the most prevalent. Subprime lending was dominated by refinance loans in most Buffalo neighborhoods. Riverside, however, proved the exception: all foreclosed loans originated by subprime lenders were for a purchase. Table 13 indicates that the overall incidence of subprime foreclosures varied widely among Buffalo's communities.

¹¹ Bradford, 2002, pp. 38-9.

Table 13 also demonstrates a socioeconomic component of subprime foreclosures. The three communities in which subprime foreclosures were most prevalent were predominately minority and low income. This finding is consistent with research revealing that subprime lending is more common among minorities.¹² However, in our study, the highest income minority community— North East— showed the lowest rate of subprime foreclosure overall. The only lower income minority community with a substantial Hispanic population— West Side-Central--had a relatively low rate as well. Moreover, South Buffalo-River— a higher income white community— had a relatively high percentage of foreclosures on refinance loans made by subprime lenders, while Riverside— a low-income white community— had a small share of subprime foreclosures. Thus, the association between subprime foreclosure and the socioeconomic characteristics of Buffalo’s communities is not clear cut.

Finally, there appears to be little relationship between overall foreclosure rates and subprime foreclosures, as the two communities with high foreclosure rates did not show high shares of foreclosures on subprime loans. As noted, subprime foreclosures were least prevalent in the North East community and were only slightly above average in East Delavan.

Interest Rate Proxy for Subprime Lending

We now examine the effect of subprime lending on foreclosures by looking at the interest rates on foreclosed loans. Although subprime loans may have several features that distinguish them from prime loans, the most important difference is their higher interest rates. Research suggests that the added risk inherent in subprime loans justifies the charging of an additional 1.5 percent to 4 percent by lenders for providing credit.¹³ Using this standard, we calculate the number of percentage points by which the interest rate exceeded the average interest rate at the time of the loan.¹⁴ We divide foreclosures in 2000 into three categories based on this difference: very high cost (greater than 4 percent), high cost (2 percent to 4 percent), and average cost (less than 2 percent).

¹² Even when controlling for such factors as income and credit history, studies consistently find that black borrowers have a higher probability of using the subprime market. See, for example, Nichols, Pennington-Cross, and Yezer, 2000.

¹³ Goldstein, 1999, p. 9.

As Table 14 shows, high-cost and very-high-cost loans combined made up 30 percent of Buffalo foreclosures in 2000, with very-high-cost loans alone accounting for 19 percent.

Table 14

Percentage of Foreclosures Above National Average Mortgage Rate

Community	Greater Than 4	2-4 Points Above	Greater Than 2
	Points Above the National Rate	the National Rate	Points Above the National Rate
Ellicott-Masten	46	21	68
East Side	41	4	44
East Delavan	17	15	31
West Side-Central	13	16	29
North Buffalo-Elmwood	15	8	23
North East	13	9	22
South Buffalo-River	15	4	19
Riverside	7	10	17
Buffalo total	19	11	30

Sources: Erie County Civil Court records; Freddie Mac Primary Mortgage Market Survey; author's calculations.

This result suggests that subprime loans represent a somewhat greater proportion of foreclosures than is indicated by the subprime lending activity in Table 13. It also provides evidence that use of HUD's method of designating subprime lenders might underestimate subprime lending. Moreover, this result may be indicative of the fact that lenders not designated as subprime are making high-cost loans. Although we did not determine the share of high-cost loans by lender type, we note that traditional lenders clearly were responsible for some of the high-cost loans that foreclosed in 2000.

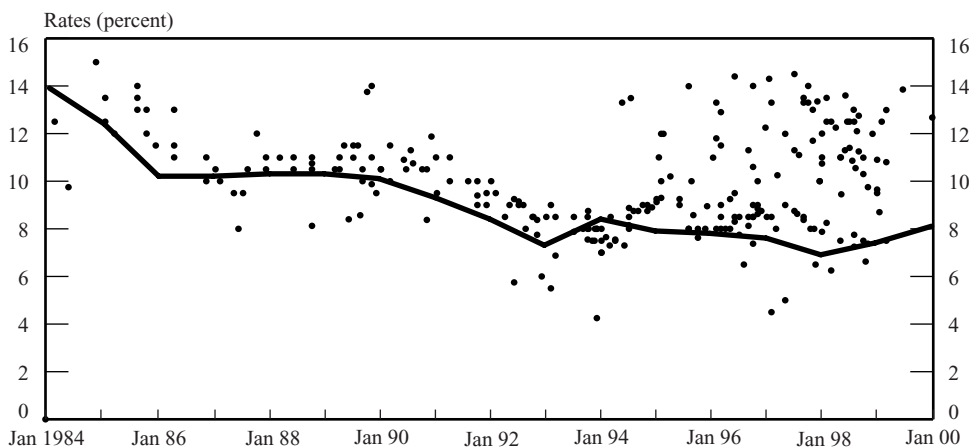
As might be expected, the Ellicott-Masten and East Side communities show the highest shares of foreclosures attributable to high-cost loans. As in Buffalo as a whole, high-cost loans represent a higher proportion of foreclosures than loans made by subprime lenders. In Ellicott-Masten, for instance, high- and very-high-cost loans were associated with almost 70 percent of foreclosures in 2000. Even more remarkable is the share of foreclosures attributable to very-high-cost loans in the Ellicott-Masten and East

¹⁴ The average interest rate is from the Freddie Mac Primary Mortgage Market Survey.

Side communities, 46 percent and 41 percent, respectively. Subprime lending is clearly a significant contributor to foreclosures in these two communities.

Most high-cost loans that foreclosed in 2000 were originated in the second half of the 1990s. Chart 9 plots the interest rate of each loan foreclosed in 2000 by its date of origination and the average rate on a thirty-year fixed rate mortgage over the same period. It is evident from the chart that loans foreclosed in 2000 and originated prior to 1994 typically had average interest rates. A substantial share of loans originated after 1994 that foreclosed in 2000, however, appear to be subprime.

Chart 9
Interest Rate on Foreclosed Loans in Buffalo by Origination Date and Average Annual Rate on Thirty-Year Fixed-Rate Mortgages in the United States: 1984-2000



Sources: Erie County Civil Court records; Freddie Mac.

Note: The line indicates the average annual rate on the thirty-year fixed-rate mortgages.

Our investigation of interest rates on foreclosed loans, complemented by our analysis of loan originations by subprime lenders, leaves no doubt that subprime lending accounted for a sizable share of Buffalo foreclosures in 2000. Moreover, foreclosures on subprime loans were significantly more prevalent in Buffalo in 2000 than they were in Rochester in 1998. Most foreclosures on subprime loans in Buffalo were originated later in the decade, and thus are likely responsible for some of the rise over that period. However, the share and patterns of subprime foreclosures observed in this study suggest that these foreclosures are only partly responsible for the overall rise in foreclosures from

1990 to 2000. Finally, we also found that foreclosures on subprime loans were most concentrated in low-income communities with large minority populations. This finding is consistent with research indicating that subprime lending is more prevalent among minorities. However, the association between subprime foreclosures and socioeconomic characteristics is not fully clear.

Chapter 6: Borrower Circumstances at Foreclosure

Although an examination of lenders and lending trends helps to shed light on the nature of foreclosures, it is also important to understand the circumstances of borrowers that can lead to foreclosure. In this chapter, we analyze the difficulties faced by borrowers that likely influence their ability to meet their loan obligations. Section I looks at the age of the loan and the length of time for which borrowers own their property until foreclosure; Section II examines the level of burden faced by borrowers at foreclosure.

I. Age and Tenure

Age of the Loan

While it is difficult to ascertain the factors contributing to any single foreclosure, the length of time for which a borrower was able to meet the loan terms prior to default may offer some clues. The age of a loan at default may be indicative of the quality of the underwriting, the borrower's preparedness for homeownership, or the level of change in borrower or neighborhood condition. Loans that move into default quickly may be the result of unforeseen circumstances; however, they are more likely to raise questions about the diligence of the originating lenders and borrowers. Older foreclosed loans, though, are less likely the result of lender or borrower imprudence, since the loan terms had been met for an extended period of time prior to default; these loans are more likely due to changing borrower or neighborhood conditions that are difficult to foresee. For example, a foreclosure may be caused by diminished income resulting from job loss, a sudden economic emergency, or declining real estate values—a particularly damaging occurrence that we explore in this chapter.

We determine the age of a foreclosed loan at default by measuring the length of time from the date of origination to the date the *lis pendens* was filed. We then separate foreclosures in 2000 into two age categories: less than four years old and more than eight years old (Table 15).

Table 15
Age of Loan at Default: Foreclosures in 2000

Percentage Less Than Four Years and
 Percentage More Than Eight Years

Community	Less Than Four Years	More Than Eight Years
Ellicott-Masten	59	21
East Side	54	25
Riverside	52	17
South Buffalo-River	41	17
North East	39	30
East Delavan	33	31
North Buffalo-Elmwood	31	31
West Side-Central	22	31
Buffalo total	39	27

Sources: Erie County Civil Court records; Erie County property database; author's calculations.

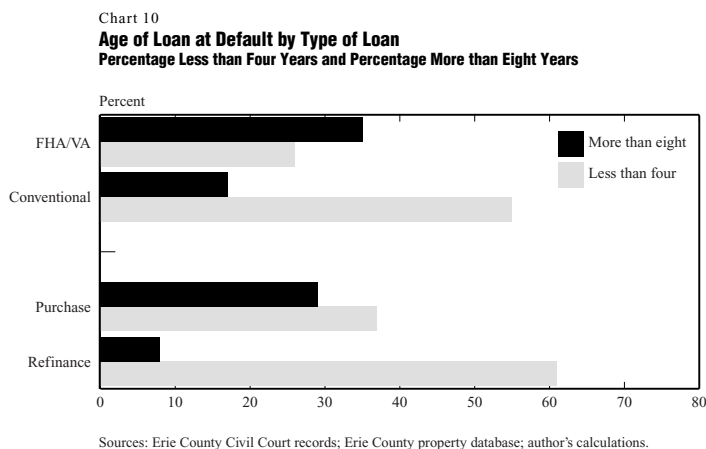
Overall, 39 percent of loans that foreclosed in 2000 were young loans that moved into default in less than four years, while 27 percent were seasoned loans older than eight years. The average loan was 5.8 years old at default, nearly identical to the age found in the Rochester study.

While foreclosures on young loans are common in Buffalo as a whole, they are even more prevalent in some Buffalo communities. The shares of loans that foreclosed in less than four years in Ellicott-Masten (59 percent), East Side (54 percent), and Riverside (52 percent) were well above the share for the city as a whole. This finding suggests that a particularly high concentration of risky loans has been made in those parts of the city. It is probably not a coincidence that the Ellicott-Masten and East Side communities show a high concentration of subprime lending, and that Riverside— while exhibiting a low proportion of such lending overall— has the highest share of subprime purchase mortgages among Buffalo communities.

Despite the high share of foreclosures on young loans in the city, 61 percent were more than four years old. Thus, the older foreclosures alone represent a significant growth in foreclosures over the decade. In the communities with the highest foreclosure rates— East Delavan and North East— foreclosures tended to be split among loans that

foreclosed in less than four and more than eight years. Overall, the share of foreclosures on loans more than eight years old tended to be similar among communities, with Riverside, 17 percent, and South Buffalo-River, 17 percent, demonstrating somewhat smaller percentages than that of Buffalo as a whole.

We also looked at how the age of foreclosed loans varied by the type of loan (Chart 10). Conventional loans were much more likely than FHA loans to foreclose quickly (55 percent versus 26 percent); the same can be said for refinance loans vis-à-vis purchase loans. These findings suggest that different types of loans have different underwriting standards, or borrower pools at varying risk levels. In this case, a good part of the disparity may reflect the influence of subprime lending. As we discussed, higher risk subprime loans are most often for conventional refinancings.



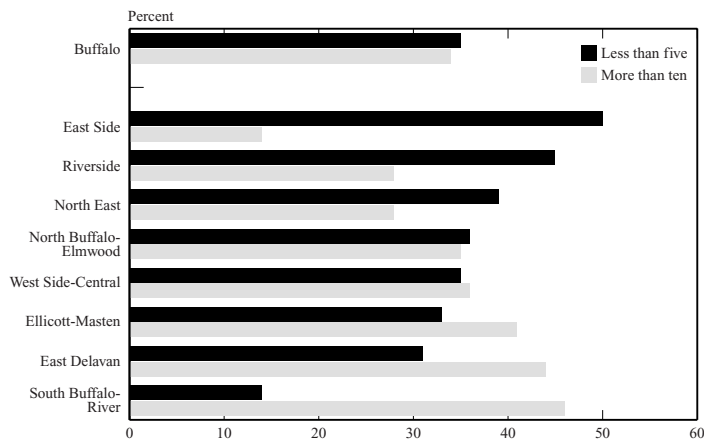
Owner Tenure

We now shed light on the contribution of refinance loans to early foreclosure by looking at how long borrowers owned their property prior to foreclosure. Owner tenure may also be indicative of the amount of equity homeowners had accrued in their property.

Furthermore, distinguishing between short- and long-tenure owners helps to clarify the nature of neighborhood transition. Short-tenure homeowners are more likely to be in-movers— new residents to a neighborhood— while long-tenure homeowners are more likely to be out-movers— residents leaving a neighborhood.

Citywide, the average tenure of homeowners whose loans foreclosed in 2000 was 8.6 years. This finding is similar to that of the Rochester study, where the average tenure was 8.3 years. We divide foreclosures in 2000 into three categories based on owner tenure: short tenure (less than five years), mid tenure (five to ten years), and long tenure (more than ten years). About a third of all foreclosed borrowers in Buffalo fell under each category, suggesting that the circumstances behind these foreclosures varied widely.

Chart 11
Owner Tenure of Foreclosures by Community: 2000
Foreclosed Borrowers Who Owned Their Property for Less than Five
and More than Ten Years



Sources: Erie County Civil Court records; Erie County property database; author's calculations.

Owner tenure varied among Buffalo's communities as well. Chart 11 shows the percentage of foreclosed borrowers in each community who owned their homes for less than five and more than ten years. Two communities stand out for their wide differences in the percentage of foreclosed borrowers in each category. Half of the foreclosed borrowers in East Side had owned their home for less than five years, while only 14 percent had owned their home for more than ten years. East Side's high share of short-tenure owners along with the community's high share of foreclosures on young loans suggest the prevalence of foreclosures on high-risk purchase loans. In fact, about one-fourth of East Side's foreclosures in 2000 were purchase loans that defaulted in less than four years. South Buffalo-River, conversely, had significantly more long-tenure than

short-tenure borrowers facing foreclosure in 2000. However, like East Side, South Buffalo-River had an inordinate share of foreclosures on loans less than four years old at the time of default. This relationship suggests that South Buffalo-River had a relatively large share of foreclosures on high-risk refinance loans to long-tenure homeowners. In 2000, refinance loans made to long-tenure homeowners who defaulted in less than four years accounted for about a fifth of all foreclosures in that community.

The relationship between owner tenure and foreclosures in 2000 also differs between the two communities with high foreclosure rates. Foreclosed borrowers in the North East community were more likely to be short-tenure owners, while those in the East Delavan community were more likely to be owners of long tenure. Both communities tended to have similar shares of foreclosures on young and old loans. Thus, foreclosures in the North East community were more likely attributable to in-movers, while those in the East Delavan community were more likely attributable to out-movers. Overall, owner tenure shows little relationship with the rate of foreclosure. Moreover, the divergent patterns of foreclosure and owner tenure among communities further suggest that the dynamics of foreclosure differ widely.

II. Borrower Burden

To clarify the relationship between borrower financial condition and foreclosure, we examined foreclosures in terms of borrower debt. In particular, we looked at additional liens held against borrowers. We also analyzed the overall burden faced at foreclosure: the judgment amount relative to the property's value.

Additional Liens

Distressed homeowners often experience financial burdens in addition to delinquent mortgages. To provide some measure of the financial situation of homeowners at the time of default, we analyzed foreclosures in 2000 to assess the incidence and nature of additional lien holders. Such an analysis may shed light on the factors contributing to default. For example, medical liens suggest illness as a contributing factor, whereby a homeowner may at once be saddled with increased expenses and diminished income. By examining additional liens, we also gain an understanding of the capacity of homeowners

to arrange solutions to their financial problems. Homeowners with substantial debt in addition to their mortgage loan see their options severely restricted, and are more likely to be unable to stop the foreclosure process once it is under way.

At the time of default, a substantial share of Buffalo homeowners were experiencing additional financial stress. Half of all properties foreclosed in 2000 had at least one additional lien. Chart 12 shows the various types of additional liens and the percentage of foreclosed properties with each type. Slightly more than 20 percent of foreclosed properties had additional mortgages, while another 8 percent included other kinds of liens by financial institutions. Just 5 percent of additional liens were attributable to medical expenses. A greater proportion of homeowners in the Rochester study were found to experience additional financial burdens, with 65 percent of foreclosed properties showing at least one additional lien at the time of default. The difference was almost entirely due to higher incidences of retail, state, and federal tax liens.

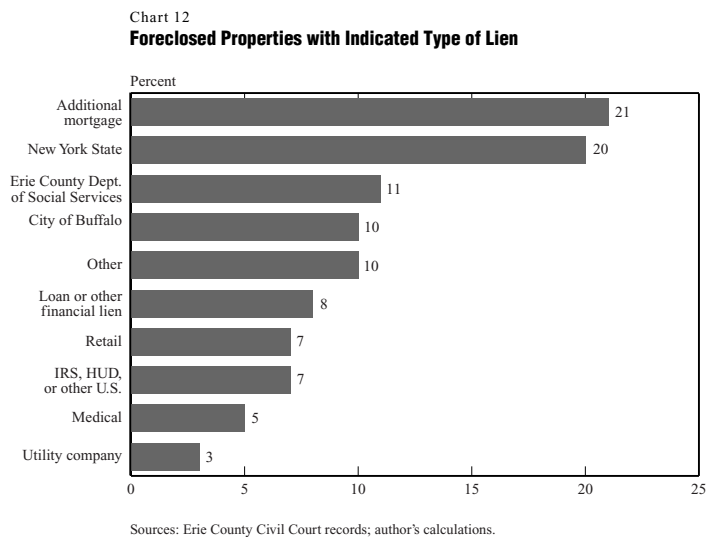


Table 16 displays by community the percentage of foreclosed properties with additional liens. Communities differed widely in terms of this variable, and the presence of additional liens appears to have little relationship with the foreclosure rate or with other easily identifiable factors.

Table 16

**Percentage of Foreclosed Properties
with Additional Liens, by Community**

Community	Foreclosed Properties
Ellicott-Masten	70
North East	64
Riverside	55
South Buffalo-River	50
West Side-Central	48
North Buffalo-Elmwood	43
East Delavan	41
East Side	37
Buffalo total	50

Sources: Erie County Civil Court records;
author's calculations.

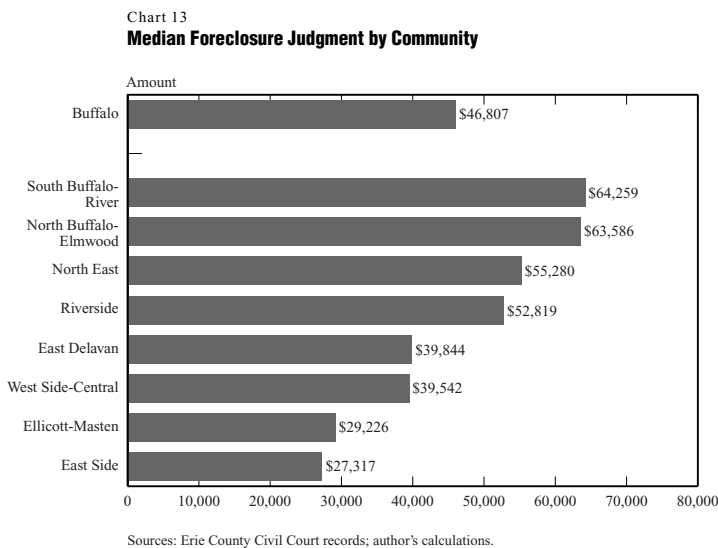
For instance, the two lowest income communities were at either end of the spectrum, with Ellicott-Masten showing additional liens on 70 percent of foreclosures and East Side demonstrating just 37 percent. The North East community--exhibiting one of the highest foreclosure rates in the study--had a percentage of properties with additional liens similar to that of Ellicott-Masten, which had a low foreclosure rate. So while the presence of additional liens might indicate the financial situation of a community's distressed homeowners, as well as their ability to forestall foreclosure, it appears to be just one factor among many contributing to foreclosures in Buffalo.

Foreclosure Judgment Amount

Another measure of the burden faced by borrowers is the amount owed to the lender. In particular, if this amount is high--perhaps even exceeding the value of the property, if sold--foreclosure may be unavoidable. The foreclosure judgment amount consists primarily of the outstanding balance on the mortgage loan's principal, and includes owed interest and attorney and court fees. Together with such factors as the condition of the housing market and homeowner finances, the size of this debt may suggest why distressed homeowners were unable to prevent or were inclined to allow foreclosure.

Moreover, the unpaid balance on mortgage loans provides some indication of the loan-to-value ratio at the time of loan origination.

The total judgment amount for Buffalo foreclosures in 2000 was almost \$38 million, resulting in an average judgment of \$48,744. The average judgment amount in Rochester in 1998 was estimated to be \$56,706, suggesting similarities in the circumstances confronted by homeowners in the two cities. Chart 13 presents the median judgment amounts for Buffalo and its communities.



As might be expected, judgment amounts were higher in communities with higher priced homes, because mortgage loans are likely to be larger in such areas. But although the amount owed on loans that foreclosed in 2000 on average varied among communities, the state of those loans tended to be remarkably similar. Table 17 shows the ratio of median judgment amounts and median loan amounts. Throughout Buffalo, the typical homeowner had not even made a dent in his or her loan principal at the time of foreclosure judgment. For the city as a whole, the median judgment amount was 107 percent of the original loan amount, with all communities showing comparable ratios. These findings suggest that although the circumstances behind individual foreclosures differ in many ways, the mechanism of those foreclosures may be similar. That is, there may be commonality in the factors that trigger foreclosures.

Table 17

Median Loan Amounts

Community	Percentage of Judgment to Loan Amount
East Delavan	107
East Side	110
Ellicott-Masten	110
North Buffalo-Elmwood	103
North East	109
Riverside	107
South Buffalo-River	104
West Side	105
Buffalo total	107

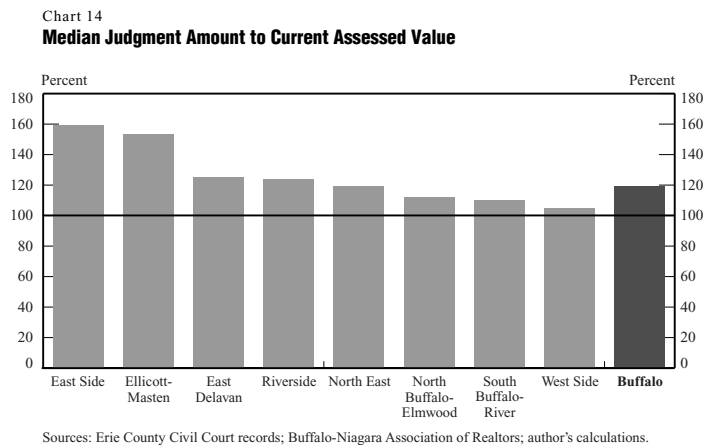
Sources: Erie County Civil Court records;
author's calculations.

Perhaps the best indicator of the forces that triggered Buffalo foreclosures in 2000 is the ratio of judgment amounts to current assessed values. While homeowners may have become delinquent on their mortgage payments for any number of reasons, many faced a similar predicament once they were into the foreclosure process: their homes tended to be worth significantly less than the remaining balance on their mortgage loans. For Buffalo overall, the judgment amount was 119 percent of current assessed value, suggesting that the typical Buffalo homeowner owed about 20 percent more on his or her mortgage loan than the current value of the home. Thus, a large proportion of distressed homeowners would have been unable to prevent foreclosure through the sale of their property. At the same time, homeowners faced with such circumstances might have had little incentive to work out an alternative to foreclosure even if they could.

Buffalo's high ratio of judgment amounts to current assessed values--hereinafter referred to as the judgment-to-value ratio--could be the result of several factors. Without question, a leading contributor is the decline in home prices in the city. As mentioned earlier, Buffalo's median home price dropped 13 percent from 1998 to 2002. Thus, it is likely that a significant number of city homeowners watched the value of their home sink below their loan principal in a short time. But other factors could also be responsible for the excessive judgment-to-value ratio. Some homes, for example, might have received erroneous assessments at the time of purchase. Such assessments have resulted in

inordinately high loan amounts, and correspondingly high judgment-to-value ratios once an accurate assessment was made. A more likely contributor to high judgment-to-value ratios, however, is loans with high loan-to-value ratios. It is not unusual today for mortgage loans to be originated at LTVs in excess of 100 percent, with some LTVs rising to as high as 125 percent. Therefore, some foreclosures accompanied by elevated judgment-to-value ratios could simply reflect high LTVs at origination. We did not determine LTVs directly in our investigation, so it is difficult to assess their effect on Buffalo’s overall judgment-to-value ratios. However, an analysis of judgment-to-value ratios and home prices by community can suggest where high LTV loans were more likely to have been a factor in foreclosure. Moreover, such an analysis can underscore the difficulties faced by homeowners throughout the city.

Remarkably, the median judgment-to-value ratio for foreclosures in 2000 exceeded 100 percent in every Buffalo community, again suggesting similarity in the circumstances faced by distressed homeowners in Buffalo (Chart 14). Overall, judgment-to-value ratios tended to be higher in lower income communities. Ellicott-Masten and East Side, for example, showed ratios in excess of 150 percent, illustrating the particularly difficult situation confronted by homeowners there.



Because we examine judgment-to-value ratios only at foreclosure, we do not have information on loan-to-value ratios on all loans. This information is necessary to draw inferences about the relationship between the foreclosure rate and high LTVs. Thus, it

would be imprudent to make any association between foreclosure rates and judgment-to-value ratios; it is more important to note the similarity in their high values. It is useful, however, to examine the possible connection between judgment-to-value ratios and property rates.

Communities with comparatively more decline in home prices might be expected to show higher judgment-to-value ratios at foreclosure. However, community judgment-to-value ratios do not correlate with the decline in property values found in our analysis and presented in Table 8. For example, West Side-Central demonstrated the most significant decline in home prices of Buffalo communities over the 1998-2002 period, 54 percent, but its judgment-to-value ratio was the lowest among the communities. The circumstances in Ellicott-Masten were reversed, with the community demonstrating no drop in median home prices from 1998 to 2002, but a high judgment-to-value ratio in 2000. In some cases, the inconsistency between home prices and judgment-to-value ratios may simply be due to timing; current assessed values used in this analysis are largely from 2000, while the terminal year for the change in home prices is 2002. The disparity also suggests that the change in home values might differ between the houses being sold and the houses experiencing foreclosure in these communities.

It would not be surprising to find current assessed values on foreclosed properties changing differently from home prices on recent sales. Due to the relatively large size of the communities, it is likely that the behavior of the housing market varies within them. For instance, the homes selling most in Ellicott-Masten over the 1998-2002 period are likely those built over the past decade. This may be why home prices in that community appear stable. However, the value of older homes is surely declining in some Ellicott-Masten neighborhoods, and such homes may represent a larger share of foreclosures than do new homes. In some cases, foreclosure itself may be responsible for a discrepancy between the values of foreclosed properties and those of recently sold homes. West Side-Central, for example, is seeing an increase in sales accompanied by a large drop in home prices. This seems to indicate an increase in the share of lower-end homes on the market. Many of these homes may in fact be recently foreclosed properties selling for bargain prices. Thus, the assessed value of a foreclosed home may be higher than its distressed sale price after foreclosure.

But the discrepancy between judgment-to-value ratios and home prices may not lie in the denominator of that ratio at all, but in the numerator. Communities showing the greatest discrepancy may be seeing a large share of foreclosures on high LTV mortgages, leading to relatively high foreclosure judgment amounts and thus judgment-to-value ratios exceeding what would be expected given housing price behavior. A large share of foreclosures on high LTV loans could in part explain what is happening in Ellicott-Masten, as well as in East Side. In both cases, the changes in home prices from 1998 to 2002--0 percent and 25 percent, respectively— fail to explain the inordinately high judgment-to-value ratios. In contrast, foreclosures on high LTV loans appear less prevalent in West Side-Central and South Buffalo-River, since those communities show low judgment-to-value ratios relative to the change in home prices.

Therefore, while it is difficult to ascertain the effect of high LTV loans on foreclosures in Buffalo as a whole, there is evidence that these loans make up a substantial share of foreclosures in some parts of the city. Overall, though, the implications of large loan balances on homes located in declining real estate markets are clear: once they are behind in their mortgage payments, many homeowners either have few options, or see few alternatives to foreclosure.

Chapter 7: Conclusion and Implications

In this study, we have analyzed a broad range of characteristics potentially associated with foreclosures in Buffalo over the 1990-2000 period. Although these characteristics could be associated with foreclosures in a number of ways, we did not assess the nature of those relationships. But while we did not attempt to determine the causes of the rise in foreclosures, our investigation sheds light on the context in which they occurred.

Overall, Buffalo has experienced a significant rise in residential foreclosures during the study period. The increase took place in an environment of slow growth but absent any significant negative economic stimulus. However, the city continued to house a disproportionate share of the metro area's poor. At a time when foreclosures are rising nationwide, it is not surprising that the effect would be more noticeable in the region's central city. Evidence suggests that the process itself disproportionately affects low- and moderate-income homeowners because they lack the resources both to avert default during difficult economic times and to halt the foreclosure process once it has begun. Such homeowners clearly represent a considerable portion of the Buffalo housing market.

In addition, it is clear that the growth in foreclosures is widespread and that the factors behind it are complex. The incidence of foreclosure is up significantly in all Buffalo communities, and the largest increases are found in those communities with relatively few foreclosures in 1990. But while foreclosures are up across the city, they have maintained a consistent spatial pattern, tending to concentrate in a concentric ring around the city's periphery. This spatial distribution appears to be associated with the socioeconomic and housing characteristics of Buffalo's neighborhoods, which in turn have followed generally observed patterns of urban transformation.

Neighborhoods

A central finding of our study is that foreclosures were most concentrated in Buffalo's higher income minority neighborhoods. But above all, this phenomenon appears to be tied to patterns of urban change. For decades, the minority population in Buffalo has been migrating outward from the inner city, generally moving to newer, better conditioned housing in adjacent neighborhoods. The neighborhoods at the peak of this transition—

those with the highest rate of minority change— had the highest rate of foreclosure. In present day Buffalo, urban change has progressed to the extent that such neighborhoods tend to be located along the city's borders.

The high rate of foreclosures in Buffalo's outer neighborhoods is cause for concern. Today, housing suitable for lower income homeownership is limited; almost none is newly built, and much in Buffalo has aged and has been converted into rental property. Moreover, history shows that in the Buffalo-Niagara MSA, the low- and moderate-income minority populations have tended to concentrate in urban neighborhoods. As a result, Buffalo communities such as North East and East Delavan are likely to provide some of the region's best homeownership opportunities for this group. However, the spatial concentration of foreclosures in these neighborhoods is likely to result in socioeconomic decline.

Transformation on the regional scale is further exacerbating the circumstances of Buffalo's homeowners, especially those in transitioning neighborhoods. The declining city population has been reducing the demand for city housing, resulting in a decrease in property values. Not surprisingly, the neighborhoods showing the most significant decline in home prices tend to have higher foreclosure rates. Declining home values are likely contributing to foreclosures in these neighborhoods, and they may be a direct result of them as well, since foreclosed properties typically sell for appreciably less than surrounding properties. Our findings suggest that foreclosure is contributing to the decline of home prices in Buffalo, because foreclosed properties have accounted for a significant share of sales in the city. It is likely that these distressed properties are priced lower than they would be if sold conventionally.

Lending, Lenders, and Loans

More than anything else, our analysis of the lending process demonstrates the complex dynamics of foreclosure in Buffalo, and indicates that there are a number of different stories to tell. Lending, lender, and loan characteristics generally varied widely among individual foreclosures and among neighborhoods.

In many ways, our findings on mortgage lending trends and foreclosures by loan type are not surprising. The 1990s brought deregulation to the financial sector and

renewed efforts to increase homeownership among minorities and people with low and moderate incomes. These efforts appear to have been successful in raising the volume of lending in Buffalo, as total lending grew 24 percent from 1992 to 2000. However, the rise largely results from an increase in conventional lending— both prime and subprime— a pattern observed in much of the United States and concentrated in Buffalo’s higher income communities.

Federal Housing Administration loans were found to foreclose at a higher rate than conventional loans, although possibly less so than might be expected. However, because FHA loans accounted for a substantially smaller share of lending than did conventional loans, FHA loans made up a smaller share of foreclosures. Nevertheless, Buffalo had nearly 300 foreclosures on FHA loans in 2000— almost 50 percent more than the total of all foreclosed loans in 1990— and FHA loans foreclosed at an especially high rate in some parts of the city.

Subprime lending was responsible for a sizable share of Buffalo foreclosures as well, totaling about one-fifth of all foreclosures. Most foreclosures on subprime loans in Buffalo were originated later in the decade, and thus are likely responsible for a portion of the rise in foreclosures over that period. However, the share and patterns of subprime foreclosures found in this study suggest that they are only partly responsible for the overall rise in foreclosures from 1990 to 2000.

Overall, we found the characteristics of foreclosures in Buffalo to be strikingly similar to those in Rochester in the 1990s. However, the cities exhibited some differences in the sources of foreclosures. Foreclosures on FHA loans were more prevalent in Rochester, while foreclosures on subprime loans were more prevalent in Buffalo. Rochester’s higher proportion of FHA foreclosures is likely due to its relatively higher volume of FHA lending. The difference in foreclosures on subprime loans is less clear; it could, for example, be related to the timing of the two studies. Because the growth in subprime lending is a recent occurrence, the impact on foreclosures may have been greater in 2000 than in 1998. However, evidence from other research suggests that subprime lending is more common in Buffalo than in Rochester, at least among blacks.

Perhaps our most noteworthy finding regarding loan types is that more than 40 percent of foreclosed loans were neither FHA nor subprime. The majority of these prime

conventional loans were for a home purchase. Foreclosures on such loans likely grew significantly over the study period as well.

The pattern of Buffalo foreclosures by loan type offers evidence of an across-the-board increase in failing mortgages, and suggests the diverse circumstances behind foreclosures. This point is emphasized by the manner in which the lending-related characteristics of foreclosures varied among Buffalo's neighborhoods. Communities were found to differ in a number of ways, such as in the most prevalent type of foreclosed loan, the performance of loans, and the age of loans at foreclosure.

Variation was especially evident in the two communities where foreclosures were most prevalent. In East Delavan, FHA purchase loans foreclosed at a rate substantially above the city average and accounted for almost half of all foreclosures. In the North East community, conversely, conventional purchase loans showed the worst performance. These findings suggest that despite socioeconomic, geographic, and other similarities, different phenomena are at work in these two communities.

As might be expected, we found a strong correlation between loan performance and income, with lower income communities showing generally higher foreclosure rates than their higher income counterparts. However, lower income communities tended to have less lending, and thus relatively low concentrations of foreclosures. We also found foreclosures on subprime loans to be most concentrated in lower income communities with large minority populations. This result is consistent with research showing that subprime lending is more prevalent among minorities. However, this association between subprime foreclosures and socioeconomic characteristics does not hold true in all cases.

Also suggesting concern is our finding that almost 40 percent of loans foreclosed in 2000 were young loans that moved into default in less than four years. While the underlying factors behind these foreclosures are unclear, their prevalence suggests that the market includes a substantial portion of high-risk loans. This result also begs two important questions: What combination of market forces, government policy, and other factors could be converging to create incentives leading to such circumstances? and How is the loss resulting from this risk being distributed among the borrowers, lenders, taxpayers, neighborhoods, the city, and society as a whole? But once again, notwithstanding the high share of early foreclosures, more than 60 percent of loans were

more than four years old at default. Thus, foreclosures on these older loans themselves represent significant growth in foreclosures over the decade.

Borrowers

Overall, our study suggests that there is no simple explanation for the rise in foreclosures; the divergent patterns of foreclosure among communities raise more questions than they answer. But while the circumstances that brought homeowners to the brink of foreclosure may have varied, many faced a similar predicament once they entered the foreclosure process: their homes tended to be worth significantly less than the remaining balance on their mortgage loans. Thus, a large proportion of distressed homeowners were unable to prevent foreclosure through the sale of their property and had little incentive to work out an alternative to foreclosure even if they could.

In some cases, the high judgment-to-value ratios faced by borrowers at foreclosure may be due to high loan-to-value ratios at origination. Without question, though, a leading contributor to these circumstances is the widespread decline in home prices in the city. Consequently, homeownership can be a precarious proposition in some Buffalo neighborhoods because it is an investment likely to depreciate over time.

The Homeownership-Foreclosure Equation

In many ways, the increase in and the distribution of foreclosures may result from socioeconomic forces over which city government, housing advocacy groups, and federal agencies have little control. The forces behind urban and regional change are powerful and pervasive. However, our findings suggest the need for a comprehensive evaluation of urban homeownership policy. In cities such as Buffalo, homeownership often entails a match between a region's lowest income borrowers and its most precarious real estate markets. The recent rise in foreclosures may in part reflect the risks associated with such a match, and the difficulty that both the markets and the government have in providing housing and financial products suitable for low-income homeownership in urban neighborhoods.

Homeownership is generally believed to be good for people, good for neighborhoods, and good for society as a whole. It is no wonder that many wish to see

the benefits of homeownership extended to as many individuals as possible. Consequently, the growth in homeownership among underrepresented groups has been trumpeted as a success. To date, however, there has been little effort to weigh the benefits of raising homeownership rates in central cities against the cost of foreclosures. Quite often, homeownership and foreclosure rates are observed in aggregate, and the policy effect is not evaluated at the local level. But a residential foreclosure is more than an economic statistic; it is also a home located in a neighborhood. If that neighborhood is urban, the foreclosed home is more likely to fall into disrepair, become vacant, and be demolished. Thus, an already distressed neighborhood is more likely to see its condition worsen. This simple fact calls for a hard look at both ends of the homeownership-foreclosure equation. By providing a thorough examination of the characteristics of foreclosure, this study takes a step in that direction. However, a thorough investigation of the impact of foreclosures on neighborhoods is needed to better understand the implications of opening up homeownership opportunities to hard-to-finance groups.

By emphasizing the characteristics of foreclosures, our study stops far short of an analysis of the benefits and risk of homeownership. However, one key finding should draw particular attention to the current framework of home financing in urban communities: Efforts to increase homeownership among underrepresented groups in Buffalo resulted in a 24 percent rise in lending from 1992 to 2000, yet the city's homeownership rate grew just 1 percent in the 1990s. Because the city lost a significant number of housing units over the decade, the slight increase in homeownership actually represented a *loss* of more than 3,500 homeowners. Over the same period, more than 5,000 city residents fell behind in their mortgage payments, defaulted on their loans, and lost their homes. Thus, the consequences of efforts to increase homeownership--at least in the city of Buffalo--should be considered with great care.

Appendix A: Data Collection and Sampling

Primary data for our study were collected from three sources: the *Buffalo Law Journal*, Erie County Civil Court foreclosure records, and the Erie County property database. The trend in foreclosures from 1990 to 2000 was determined by a 100 percent count of foreclosure judgments reported in the *Buffalo Law Journal*. The characteristics of foreclosures in 2000 were based on a representative sample of civil court and property records. Of a reported 804 foreclosure judgments in 2000, we eliminated 26 because of inaccurate addresses or geocoding problems, resulting in a sampling universe of 778.

A sample was taken from each community to enable comparison of foreclosure characteristics in 2000. Sizes ranged from 30 to 60 based on total foreclosures in each community, and resulted in a total sample of 305. In 20 cases, the foreclosure process had been stopped, leaving a total of 285 foreclosures in 2000, for an overall sampling rate of 37 percent. Community sampling rates ranged from 31 percent to 55 percent. For Buffalo as a whole, reported data have been weighted to reflect the percentage of all foreclosures in each community and to correct for differences in community sampling rates. An overview of sampling characteristics is presented in the table.

Sample Characteristics

Community	Year 2000 Foreclosures	Percent of Total	Foreclosures Sampled	Sampling Rate (Percent)
Ellicott- Masten	53	7	29	55
Riverside	55	7	29	53
North Buffalo-Elmwood	62	8	26	42
North East	145	19	57	39
West Side-Central	103	13	33	32
East Side	89	11	28	31
East Delavan	176	23	54	31
South Buffalo-River	95	12	29	31
Buffalo total	778	100	285	37

Sources: Erie County Civil Court records; author's calculations.

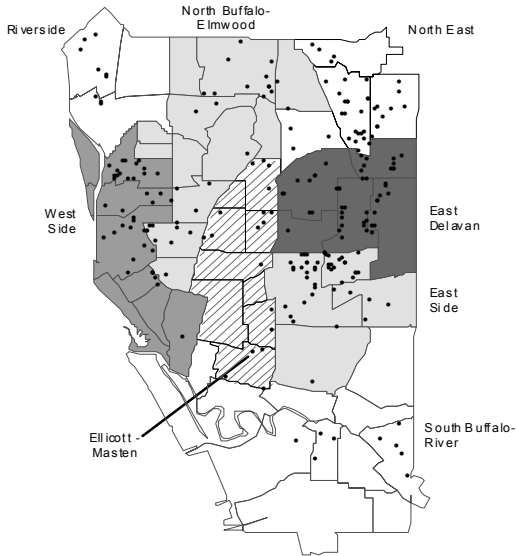
Because data from civil court and property records are sampled, the data may contain statistical errors. However, due to the high sample rates, data for individual communities and for the city as a whole should be relatively accurate. Still, statistical errors limit the

accuracy of comparisons among communities. Figures presented are strictly estimates, and margins of error are not presented.

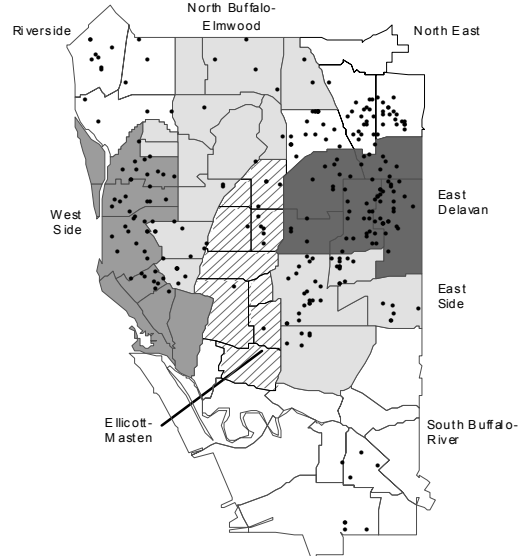
Secondary data were collected from the U.S. Bureau of the Census, the U.S. Department of Labor, and the Buffalo-Niagara Association of Realtors. The Census Bureau provided data on neighborhood socioeconomic characteristics, housing condition, and homeownership. The Department of Labor was the source for regional economic data. The Buffalo-Niagara Association of Realtors supplied data on the housing markets.

Appendix B: Supplemental Maps

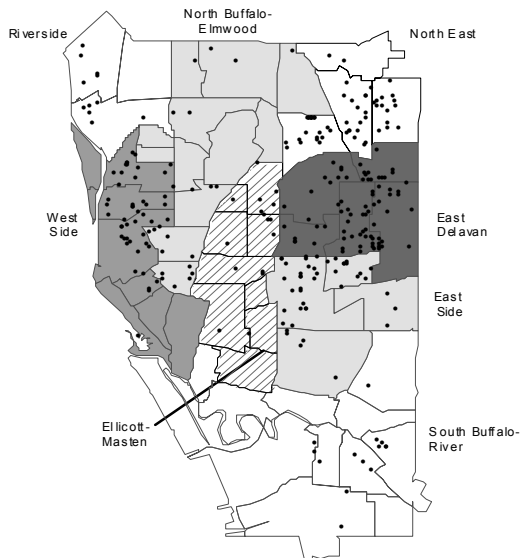
Foreclosures by Neighborhood, 1992



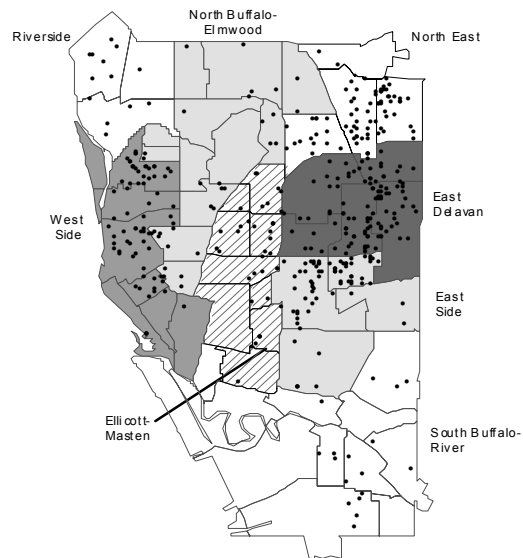
Foreclosures by Neighborhood, 1993



Foreclosures by Neighborhood, 1994



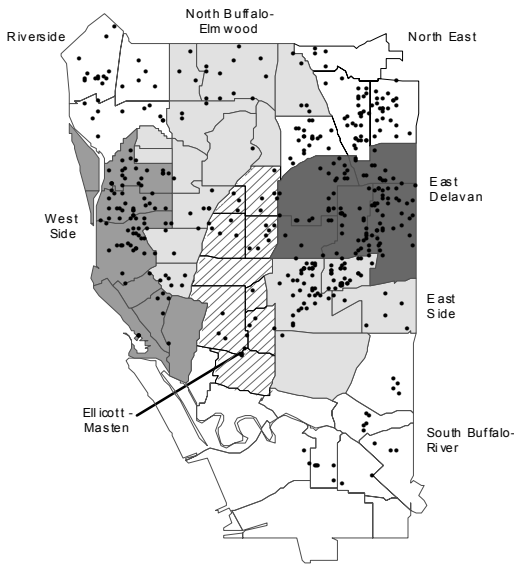
Foreclosures by Neighborhood, 1995



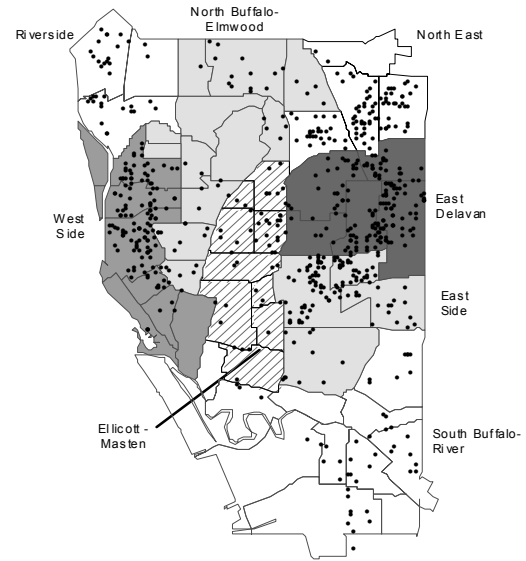
Data Sources: City of Buffalo, Division of Planning, *Buffalo Law Journal*.

Appendix B: Continued

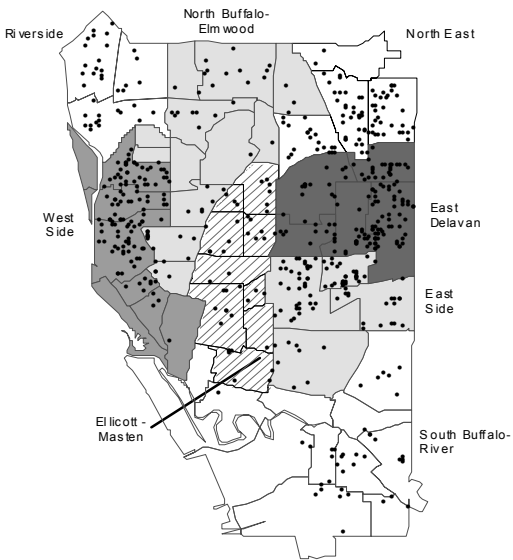
Foreclosures by Neighborhood, 1996



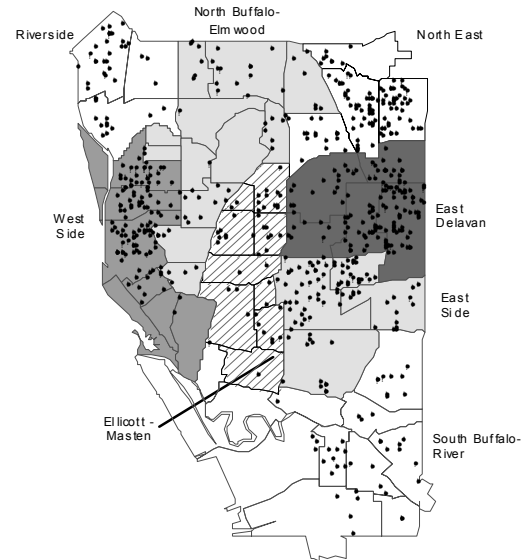
Foreclosures by Neighborhood, 1997



Foreclosures by Neighborhood, 1998



Foreclosures by Neighborhood, 1999



Data Sources: City of Buffalo, Division of Planning, *Buffalo Law Journal*.

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