

*Summary of the City-Commissioned Foreclosure Study*  
*“Understanding Mortgage Foreclosure Trends in Shaker Heights, Ohio”*

By Mark Duda and William Apgar

The City commissioned a study, funded by grant money from the U.S. Department of Housing and Urban Development (HUD) for the City’s Fair Housing Assistance Program, to look at the lending and foreclosure trends in the City and to, among other things, determine, to the extent possible, whether lending and foreclosure patterns indicate any potential violations of fair housing law (i.e. possible discrimination on the basis of race or some other protected class). Another purpose of the Study was to determine where and how to best focus the City’s resources in order to address the problems that foreclosures bring to cities.

- The study looks at mortgage foreclosure activity in the City between 2000 and 2006.
- The study’s authors conclude: **“Shaker Heights has managed to avoid much of the serious disinvestment that is present in many other inner ring suburbs,” due to its “reputation for (an) excellent schools system and attractive and well planned” neighborhoods.**
- “...the City is working cooperatively with the Northeast Ohio First Suburbs Consortium to better understand the changing demand patterns, and identify methods to strengthen the appeal of Shaker Heights in the overall housing market, and in doing so, affirmatively market the City’s generally high quality housing stock and attractive neighborhoods.”
- “At the same time” the report continues, “the rising number of foreclosures threatens to undermine the stability of selected neighborhoods, especially those located along the City’s western and southern borders. Building on its long standing policy for aggressive nuisance abatement, the City uses a series of ‘carrots and sticks’ to insure that properties experiencing economic distress do not become a blighting influence on entire neighborhoods.”
- **“Given its history of active engagement in helping to develop and preserve good quality housing opportunities in stable residential communities, Shaker Heights should continue its proactive approach to community problem solving. ...”**
- **“...initiatives now underway, along with its implementation of some or all of the recommendations presented in this report, will serve to minimize the adverse consequences of the ongoing foreclosure boom by among other things reducing the number of foreclosure prone loans made in the first place, and helping the City identify and manage new foreclosure hot spots that may emerge in the years ahead.”**
- The study notes that the numbers of foreclosures have risen significantly throughout the nation, and in the State of Ohio, in recent years. Ohio is at the forefront of the problem, and Cuyahoga County has been particularly hard hit.
- In most of the City the foreclosure rate in Shaker Heights is lower than or comparable to the rates in University Heights, Pepper Pike, Beachwood, Orange, and Woodmere.
- The number of dwelling units subject to Sheriff’s Sales each year is a little over 1% (125/12,994), or 2.13% of all mortgages.
- The hardest hit areas in the City are the South Moreland, North Moreland, West Lomond, East Lomond, and Ludlow neighborhoods. South Moreland has the highest foreclosure rate.

- The key to the problem is that *non-prime refinancing* loans have been push-marketed to residents in lower income and minority areas. These areas also have large shares of FHA and VA loans. In South Moreland, for example, with the highest foreclosure rate, nearly half of all loans are non-conventional.
- In Ohio, 3.3% of mortgages are in foreclosure (1% of prime loans and 10.8% of sub-prime loans).
- In Cuyahoga County, there are 2 times as many foreclosures than in the next highest county in the State (up 12% from 2004 to 2005).
- In Shaker Heights, 1.3% of mortgaged homes are subject to foreclosure sales each year (though the rate was 2.13% in 2005).
- In most parts of the City the rate of homes subject to foreclosure sales is well under 1%. In the Boulevard neighborhood, only 12 foreclosure sales have occurred in the past 6 years (2000-2006). In Mercer only .34% of homes were subject to foreclosure sales.
- In 24 of the 32 block groups the number of foreclosure sales has been virtually unchanged in the past 6 years. (Or another way to look at it is that  $\frac{3}{4}$  of the growth in foreclosures in the City is concentrated in  $\frac{1}{4}$  of the City.)
- A high level of refinancing loans is correlated with the elevated foreclosure rate.
- Non-owner occupied property has a higher correlation with a higher level of foreclosures.
- Non-prime loans has a high correlation to higher levels of foreclosures.
- The highest correlation is between income and race and foreclosure rates. The foreclosure rate in mostly non-white block groups is 9 times higher than in mostly white areas.
- In many areas of the City foreclosures are a modest problem, and the foreclosure rate is fairly stable. In other areas, foreclosures are not a major problem now but could become one, and in a few neighborhoods it is now a serious problem.