

Remarks at the Federal Reserve Conference on REO and Vacant Property Strategies for Neighborhood Stabilization

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A Key Question:

*Are we addressing
a **housing** problem,
a **foreclosure** problem,
or a **community** problem?*

Focus Matters

An exercise...

- A search of keywords represented in the names of non-profits at this conference:
 - “Community” or “Neighborhood” – 5
 - “Housing” – 2
 - “Foreclosure” or “REO” – 1
- The ranking seems right in the titles, but may differ from the policy responses

How You Frame the Problem Affects the Solutions You Propose

- If a **foreclosure** problem –
 - Focus on avoiding or mitigating foreclosures
 - Possibly focus on legal proceedings ... improve legal framework for foreclosure and bankruptcy
- If a **housing** problem –
 - Change to more sustainable financing model
 - Focus on a sustainable home ownership model
- If a **community** problem –
 - A more holistic approach – State/Federal Revenue Sharing
 - Focus on communities with *clusters* of REO/foreclosures

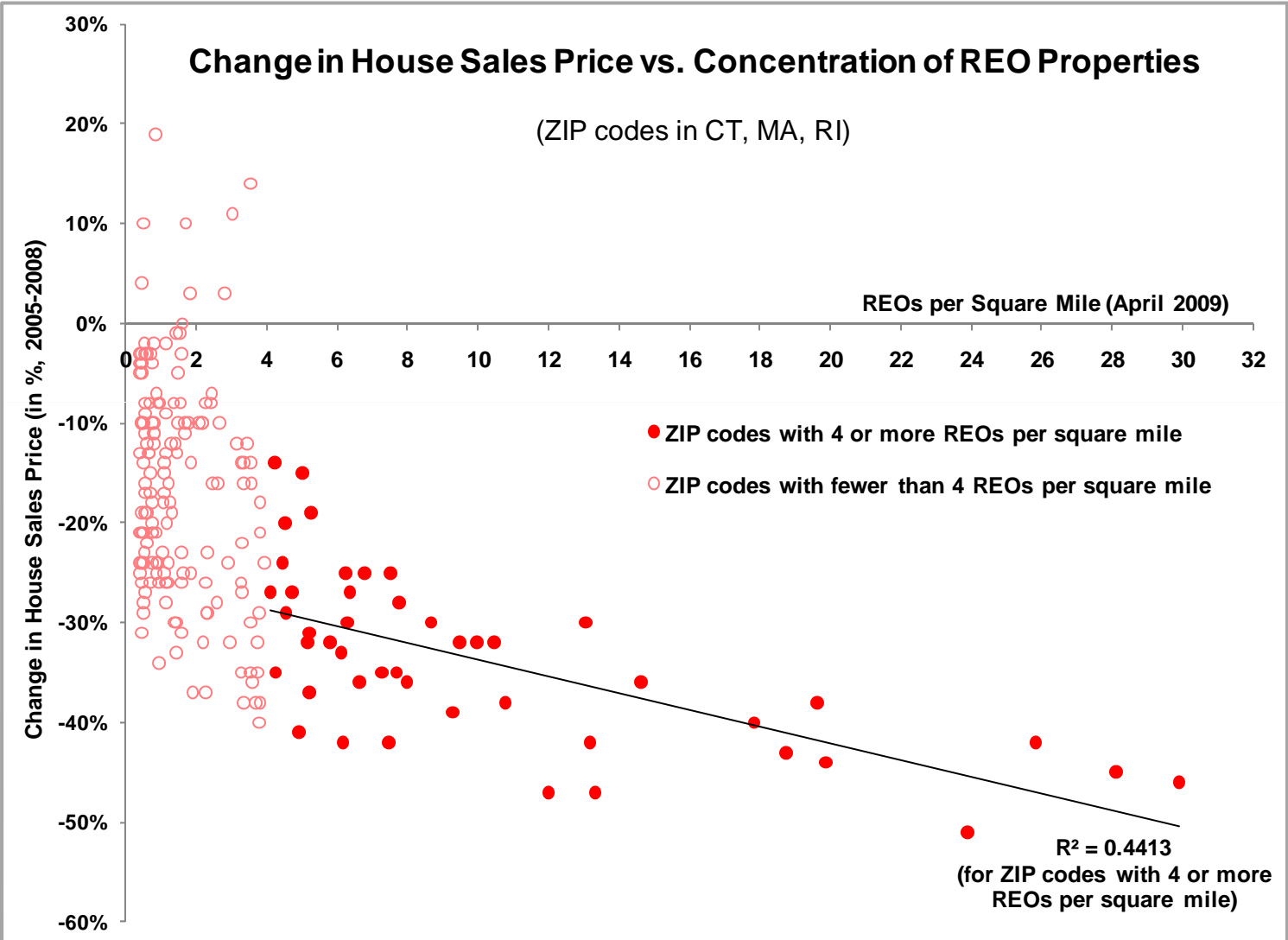
Are We Framing The Right Problem?

- Clearly all three are elements of this crisis
- However, my own view is that too little policy focus has been on *community* problems because the focus has been on *housing* and *foreclosures*

*A housing problem,
a foreclosure problem,
or a community problem?*

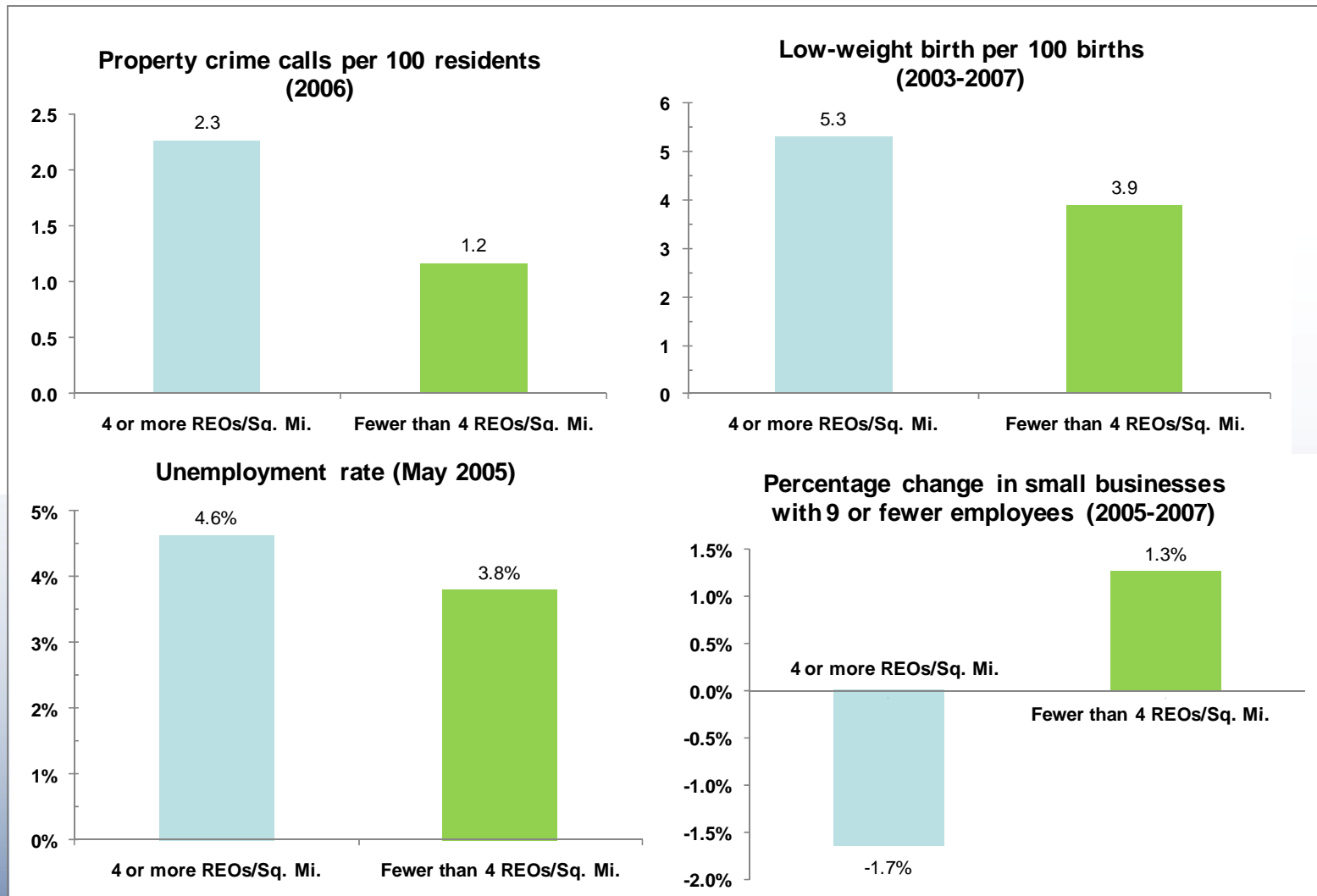
**Let's examine some evidence,
From New England and Greater Boston...**

Falling home prices correlate with the prevalence of REO



Source: Federal Reserve Bank of Boston, based on raw data from the Warren Group and LPS Applied Analytics

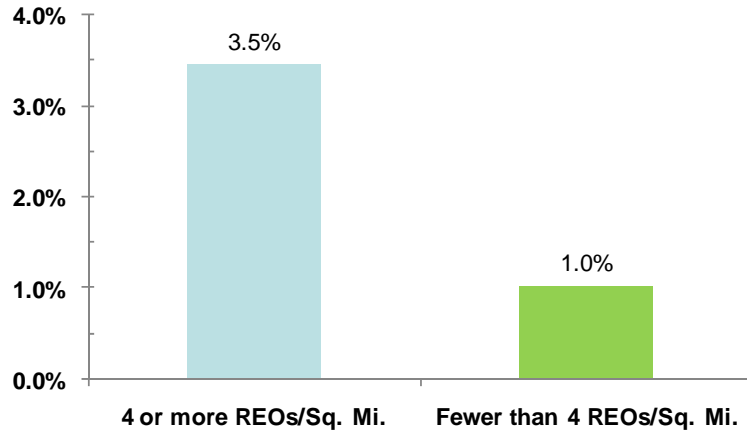
Communities with a high concentration of REO properties were faring worse by measures of public safety, public health, and economic vitality



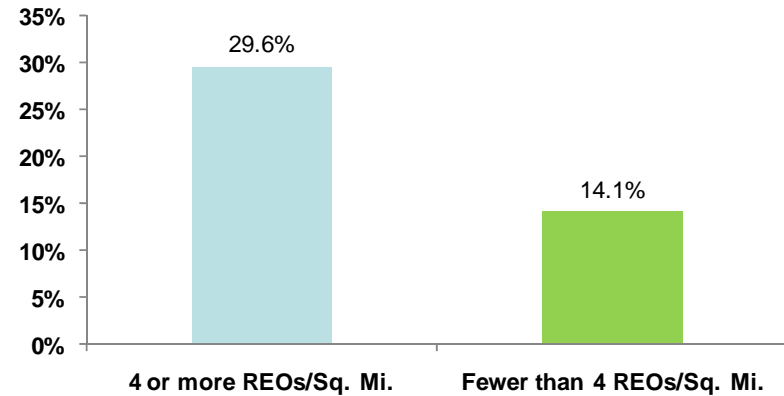
Source: Federal Reserve Bank of Boston, based on data from MA Executive Office of Public Safety and Security, MA Health and Human Services, US Bureau of Labor Statistics, US Census Bureau

Communities with a high concentration of REO properties were faring worse by measures of education and municipality fiscal capacity

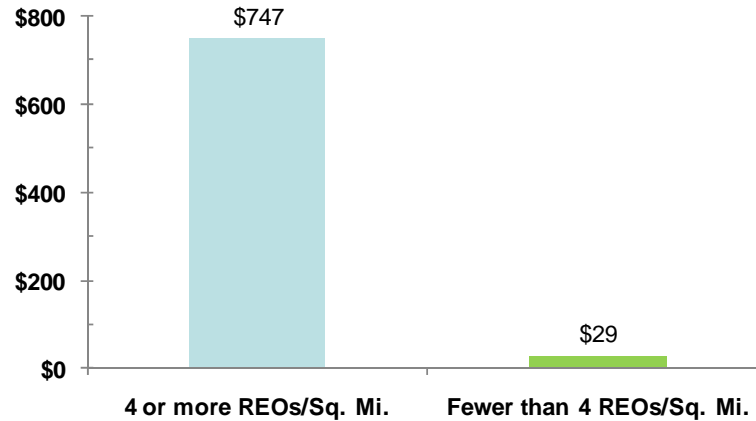
High school dropout rate (2005-2006)



Percent of students who failed statewide standardized math test (2007-2008)



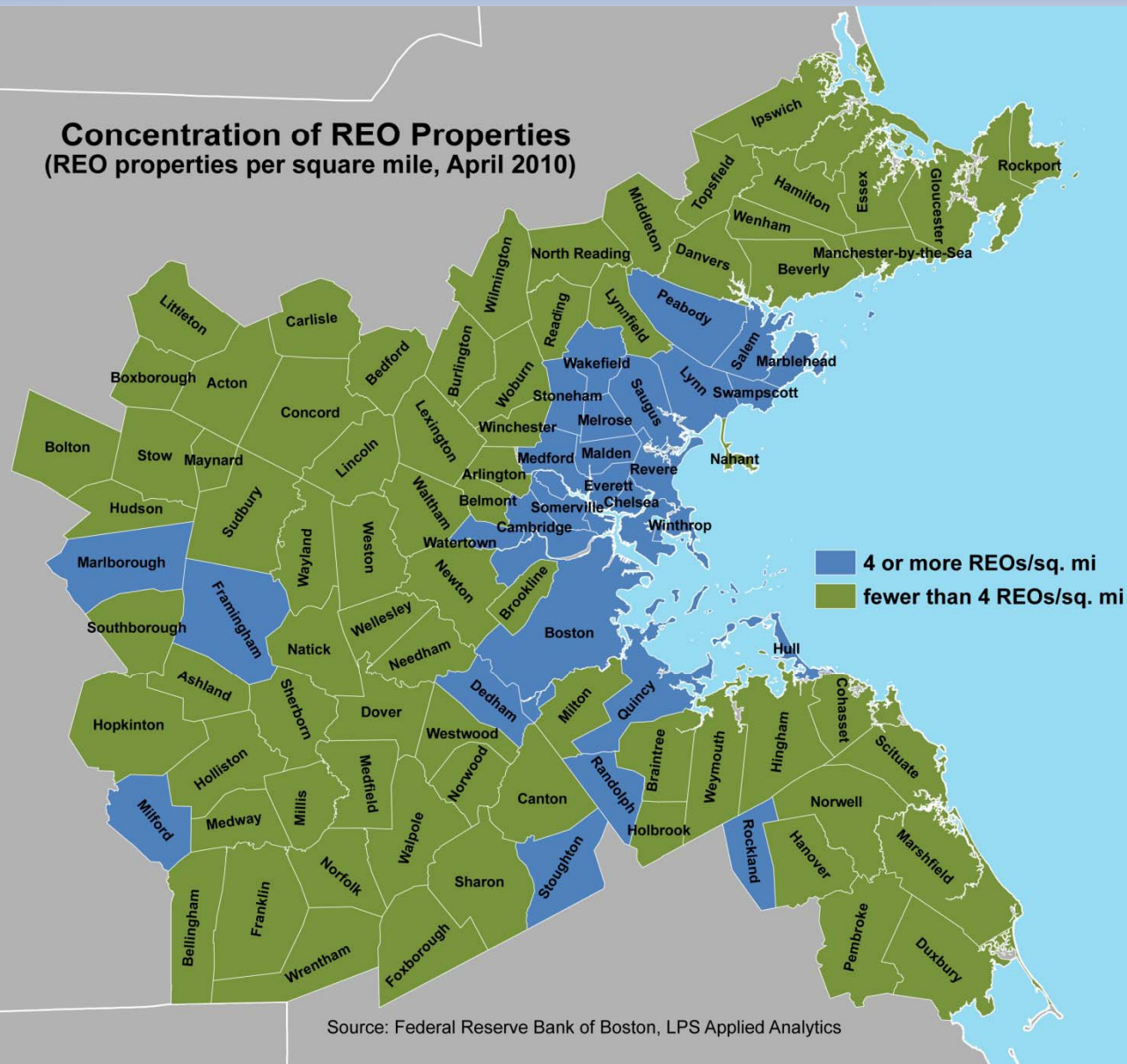
Fiscal gap in municipal revenue capacity and revenue need (FY 2007, per capita)



Source: Federal Reserve Bank of Boston, based on data from MA Department of Elementary and Secondary Education

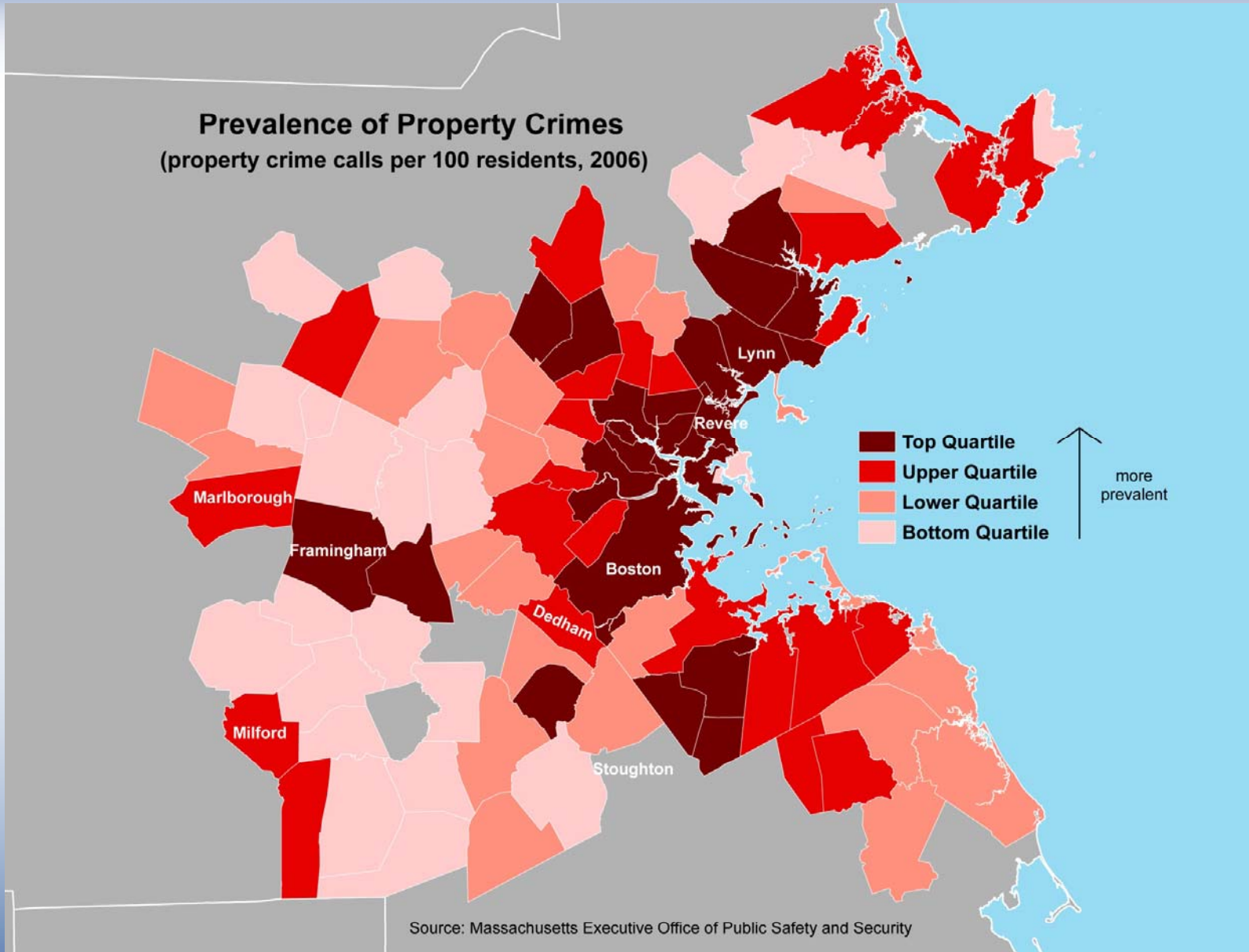
Maps show that clusters of REO are associated with depressed home prices, but also a host of other community problems...

Concentration of REO Properties (REO properties per square mile, April 2010)

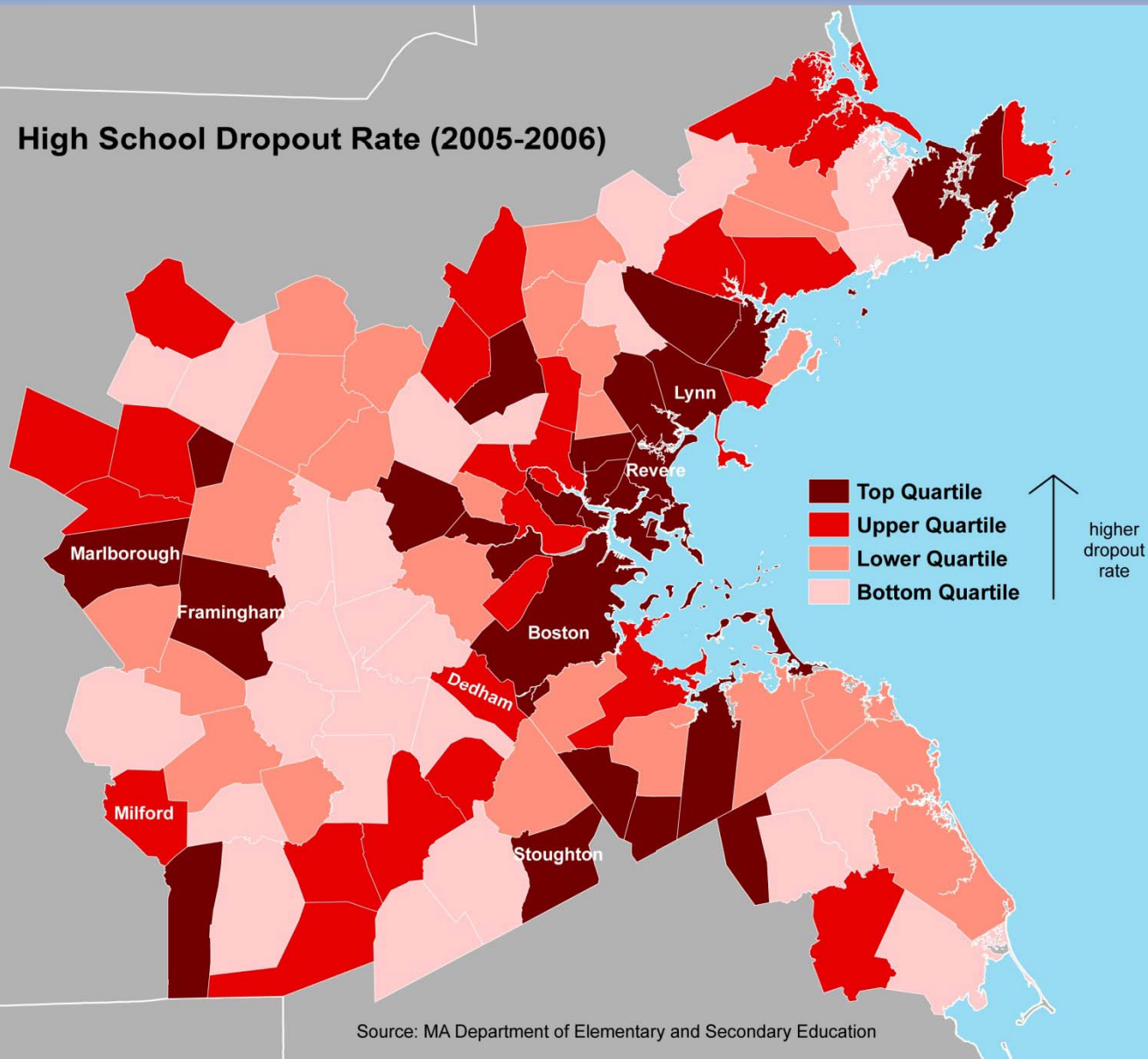


Source: Federal Reserve Bank of Boston, LPS Applied Analytics

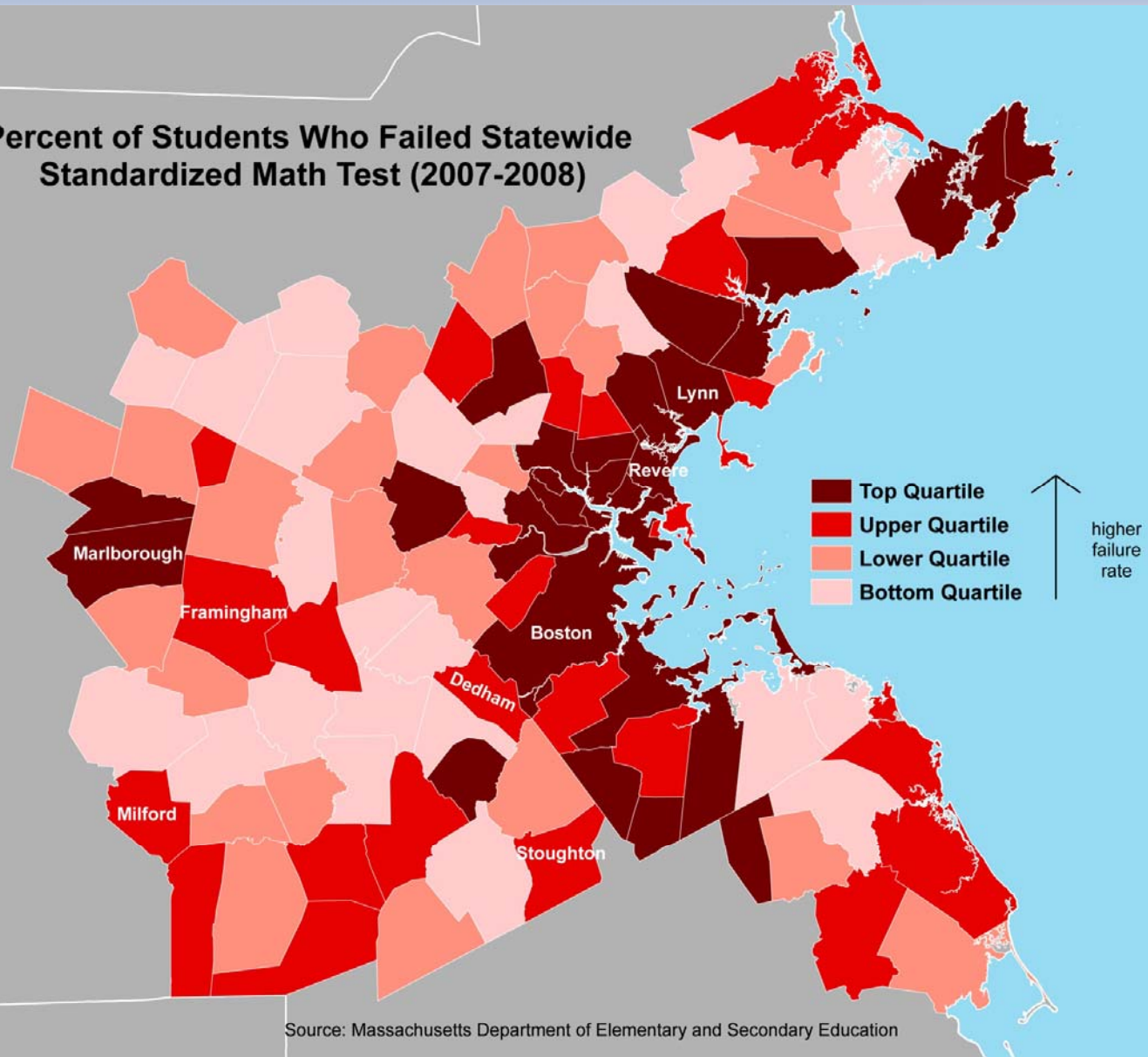
Prevalence of Property Crimes (property crime calls per 100 residents, 2006)



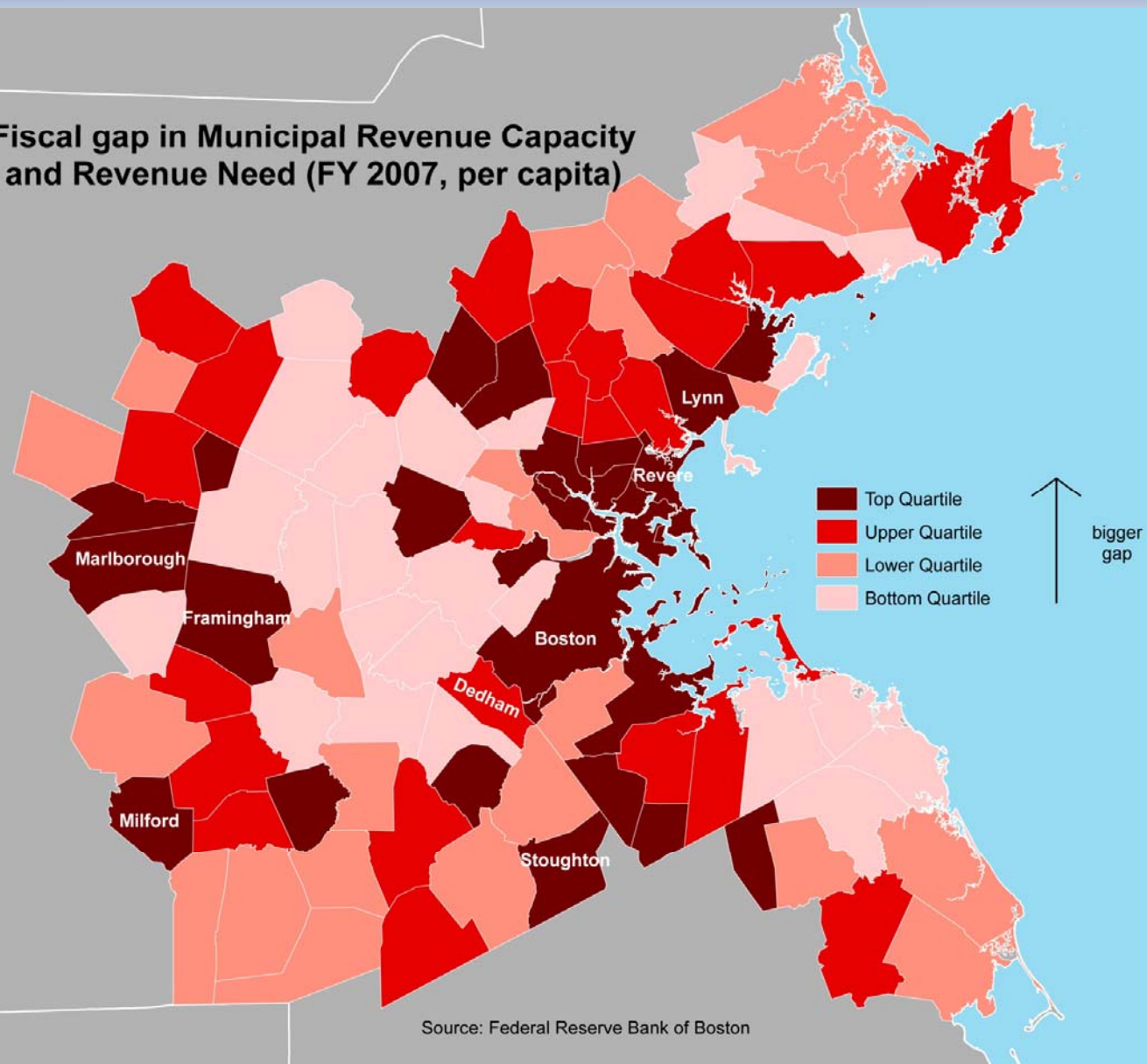
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Percent of Students Who Failed Statewide Standardized Math Test (2007-2008)



Fiscal gap in Municipal Revenue Capacity and Revenue Need (FY 2007, per capita)



Policy / Research Observations

- Clusters of REO are associated with depressed home prices, but also a host of **other community problems**
- **Causality** must be better understood between foreclosures/REO and other community problems – including the impact on children
- We need a more **holistic** approach

Policy / Research Response

- More funding for holistic solutions is needed
- More research on which holistic solutions *work* is needed
- Boston Fed researchers are working to shed light on facets of the problem:
 - New study: MA funding (state aid) is not going to communities with the *most need and least capacity* to address problems
 - On-going research looking at collateral damage of crisis