Poverty, Housing Stress, and Foreclosure: What’s the Difference that Place Makes?

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Abstract

While the post-2007 increase in foreclosures has significantly impacted the US housing market and households across the country, rural-urban differences in foreclosure rates have failed to attract significant attention. To add geographic richness to the foreclosure literature, this paper examines place-based differences in mortgage default rates across the US, with particular attention to Ohio. Counties are classified as urban, suburban, micropolitan, and rural, and their foreclosure rates are regressed against poverty rates and other place-based indicators. The paper adopts an innovative methodology that understands poverty as a continuum, and its conclusions relate differences in rural-urban poverty to households’ ability to cope with housing stress.

Results

1. Descriptives

<table>
<thead>
<tr>
<th>Measure</th>
<th>Urban</th>
<th>Suburban</th>
<th>Micropolitan</th>
<th>Subprime</th>
<th>Rural</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreclosure Rate</td>
<td>6.3%</td>
<td>4.8%</td>
<td>8.6%</td>
<td>6.1%</td>
<td>4.2%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Unemployment</td>
<td>4.2%</td>
<td>3.8%</td>
<td>4.4%</td>
<td>3.7%</td>
<td>3.6%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Subprime Lending</td>
<td>3.8%</td>
<td>3.7%</td>
<td>3.9%</td>
<td>3.8%</td>
<td>3.4%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Poverty</td>
<td>15%</td>
<td>18%</td>
<td>19%</td>
<td>20%</td>
<td>17%</td>
<td>18%</td>
</tr>
</tbody>
</table>

2. Correlations

- Correlations between foreclosure rate and place-based indicators (Kaplan and Sommers, 2009)
- Higher foreclosure rates in older metros’ central cities and Sunbelt cities’ suburban areas (Immergluck, 2011)
- Important gaps in the literature
- What is the impact of county type/context on foreclosure determinants?
- What is the role of poverty and income – beyond measures of central tendency – on foreclosure rates?

Data and Methods

- Dataset compiled by HUD for NSP I Program
- Foreclosures 1/2007-6/2008 (Mortgage Bankers Association)
- Subprime 2004-2006 (HMDA)
- Employment and income from ACS 2005-2009 estimates
- County classifications from Census Bureau
- Judicial classification from RealtyTrac

Methods

- Descriptive analysis and difference of means t-test
- Zero-order correlations between foreclosure rate and place-based indicators

Analysis and Conclusions

- Overall: differences between urban and rural areas do exist
- Complex nature of income
- Negative relation between foreclosure and (near-) poverty
- Rural and Micropolitan counties:
  - Poverty and middle-class matter more
  - Unemployment matters less
- Urban counties: subprime and employment matter more
- Relationship with housing/job markets
- Rural counties: manufactured homes and the exurbs
- Rural counties: hyper-mobility
- Urban counties: higher housing costs, larger rental markets
- Relationship with race
  - Urban counties: racial/ethnic minorities and subprime lending
- Possibly coincidental relationship with judicial-only states