**One-To-Four Family Home Foreclosures in South Dorchester: The Role of the Secondary Mortgage Market**

by

Sara Ellen Barcan

A.B., History and Literature
Harvard College, 1989

Submitted to the Department of
Urban Studies and Planning in Partial Fulfillment of
the Requirements for the
Degree of

Master in City Planning
at the

Massachusetts Institute of Technology
May 1994

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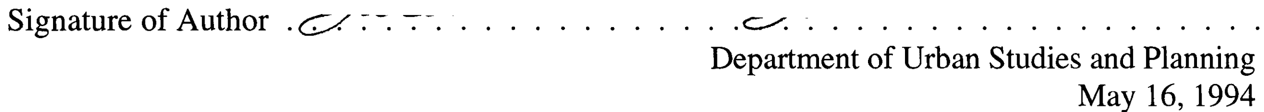

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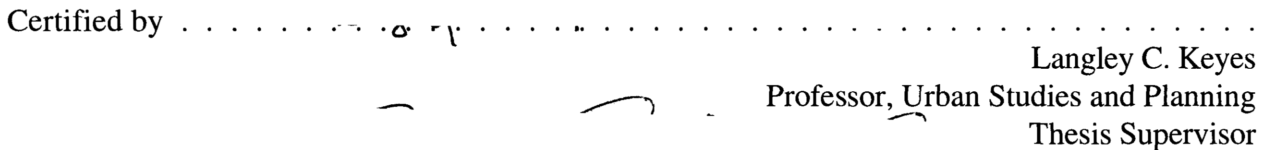

Certified by . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .
Langley C. Keyes
Professor, Urban Studies and Planning
Thesis Supervisor

Accepted by . . . . . . . . . . .
Ralph A. Gakenheimer
Chairman
Master in City Planning Committee

Rotch
MASSACHUSETTS INSTITUTE

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## Abstract

Since 1991, one-to-four unit properties in the area of Dorchester served by the Codman Square Neighborhood Development Corporation have suffered over 400 foreclosures, with nearly one third of those properties foreclosed on by the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). This wave of foreclosures threatens to devastate affected neighborhoods with the loss of housing units to irresponsible landlords, abandonment and arson. Many of these foreclosures resulted from excessively easy access to credit during the 1980's for short-term speculative purchasers.

In this thesis, I examined the data for the 123 properties foreclosed upon by Fannie Mae and Freddie Mac to show that the majority of them were triple-deckers owned by investors who bought in the mid-to-late 1980's. I interviewed lenders and real estate brokers to learn how these risky borrowers obtained credit, that loans often received little underwriting and that buyers, sellers, brokers and mortgage originators made many fraudulent deals that were then passed on to the secondary markets. I interviewed additional lenders as well as representatives from Fannie Mae and Freddie Mac to learn about their quality control practices and their relationships with mortgage lenders. I conclude that in the "unbundled" mortgage market that has existed since the mid-1980's, where most of the players have only a short-term interest in a given loan, there are few incentives to make sure that every loan is prudently underwritten.

Finally, I address the question of why Dorchester suffers so much more than other places from this unbundled mortgage market. I conlude that Dorchester's market for triple-deckers is unusual because there is weak demand among long-term investors (owner-occupant and absentee), leaving an opportunity for short-term, speculative investors to set prices in the market. When these individuals not only set prices but also receive credit easily, all buyers are forced to pay more and the market climbs as it did in the 1980's. When the market inevitably turns down, as in the early 1990's, the long-term investors are most severely affected, making an already weak market even less desirable. To prevent similar disasters from happening in the future, the secondary markets need to identify at-risk neighborhoods and need to force speculative investors need to risk more of their own cash on their investments.

Thesis Advisor: Langley C. Keyes
Title: Professor, Urban Studies and Planning

**One-To-Four Family Home Foreclosures in South Dorchester: The Role of the Secondary Mortgage Market**

## Acknowledgments

Numerous individuals share in the credit for this thesis. First, I would like to thank my advisor, Lang Keyes, for many hours of challenging discussions and helpful feedback on my written work, not to mention much-needed pep talks. My reader Ada Focer thought up the topic, shared her vast knowledge about the banking industry and the Dorchester real estate markets, and taught me a great deal about these subjects. I could not have formed many of the ideas in this thesis without Ada's and Lang's guidance. Richard Schramm also kindly jumped in at the last minute to help out with several discussions.

Three other individuals with whom I have worked at the Codman Square Neighborhood Development Corporation deserve mention. Linda Mandolini supervised last summer's research that led to this topic and was available for many informal discussions during my thesis. Her challenging insights and support for my research helped make the thesis possible and also kept me aware that my thesis might have "real-world" implications. Sophia Felix gathered and entered all of the data for my Somerville case; it would not exist without her! Mike Feloney, with whom I conducted the preliminary research for this thesis, deserves much praise for his hard work and detailed thought about foreclosures and neighborhood stabilization.

Many busy people gave graciously of their time so that I could interview them. These include Jeff Beck, Bob Pyre and Roger Meade of Hibernia Bank; Bob Engelstad and Marlisa Senchak of Fannie Mae; Ann Schnare and Andrea Stowers of Freddie Mac; Patrick Dober of Congressman Barney Frank's staff; Steve Sousa of the Massachusetts Mortgage Bankers Association; Louise Slattery of First Trade Union Bank; John Battaglia, Alice Jamal and Mark Tyburski of Citizens' Bank; and Jonathan Crutchley of Jonathan Crutchley Real Estate.

I could not have made it through this thesis without the camaraderie of my classmates. It was a privilege to go through this department with all of them. My thesis support group, Carolyn Brown, Lyne Bernard and Joanna Stone, shared advice and pancakes. Two friends in particular deserve special mention. Sophia Heller made the CRL more bearable with coffee breaks and a willing ear for complaints, and Janet Fisher offered endless sympathy and support via phone calls and cards, and came to the rescue with last-minute proofreading.

My parents, Bettye and Steve Barcan, get all the credit for my writing skills, not to mention love, encouragement and support throughout my education. Last, but not least, my husband, Marc Draisen, kept my spirits up with lots of love, many laughs, and delicious dinners.

**One-To-Four Family Home Foreclosures in South Dorchester: The Role of the Secondary Mortgage Market**

## Table of Contents


**Abstract**
**Acknowledgments**

**INTRODUCTION . . . . . . . . . . 6**
**Foreclosures as an Element of Neighborhood Destabilization in Dorchester**

**CHAPTER ONE . . . . . . . . . . 12**
**Census Data and History of Dorchester**

Dorchester: A General Description and a Brief History . . . 12
Neighborhood Destabilization in Dorchester: From B-BURG to Vacant Lots 21

**CHAPTER TWO . . . . . . . . . . 21**
**Foreclosure Data and Analysis in Codman Square Service Area**

Foreclosure Statistics for Codman Square NDC Service Area . . 21
Somerville - A Comparative Case . . . . . . 29
Reasons for high rate of foreclosure in Dorchester . . . 32

**CHAPTER THREE . . . . . . . . . . 38**
**The History and Function of the Secondary Mortgage Market**

Overview . . . . . . . . . 38
Products . . . . . . . . . 40
Relationship With Thrift Institutions . . . . . . 42
Growth . . . . . . . . . 44
Regulation . . . . . . . . . 46

**CHAPTER FOUR . . . . . . . . . . 48**
**The Unbundling of the Mortgage Market and its Effect on Mortgage Lending**
Origination . . . . . . . . . 48
Servicing . . . . . . . . . 55
Credit Risk . . . . . . . . . 57
Investment . . . . . . . . . 61
Conclusion . . . . . . . . . 61

**CONCLUSIONS . . . . . . . . . . 62**
**An Analysis of the Real Estate Markets in Codman Square and Some Recommendations for Action**
A Model For the Dorchester Market For Triple-Deckers . . . . 62
Recommendations . . . . . . . . 72

**EXHIBITS** . . . . . . . . . **78**
Exhibit One . . . . . . . . . 78
Map of Dorchester's Neighborhoods
Exhibit Two . . . . . . . . . 80
Map of Dorchester with Codman Square Neighborhood Development Corporation's Service Area Highlighted
Exhibit Three . . . . . . . . . 82
Methodology for Foreclosure Data Collection
Exhibit Four . . . . . . . . . 87
GIS Map of Codman Square Area Foreclosures
Exhibit Five . . . . . . . . . 89
Database of Foreclosures by Fannie Mae and Freddie Mac in Codman Square NDC's Service Area
Exhibit Six . . . . . . . . . 98
Database of Foreclosures by Fannie Mae and Freddie Mac in Somerville
Exhibit Seven . . . . . . . . . 101
Flowchart of Primary and Secondary Mortgage Markets
Exhibit Eight . . . . . . . . . 103
List of Individuals Interviewed

**Bibliography** . . . . . . . . . **105**

# INTRODUCTION

## *Foreclosures as an Element of Neighborhood Destabilization in Dorchester*

A walk down Bloomfield Street, which runs from Greenbrier Street near Dorchester's Four Corners to Geneva Avenue near Fields Corner, first takes you past a well-kept single family home. Although the outside could benefit from repainting, the owner has put time and care into the maintenance and upkeep of her property. The triple-decker directly across the street, however, is a different story. The porch sags and the front yard is filled with tall weeds and abandoned car tires, both signs that the house is either vacant or owned by someone who does not maintain it. The next few homes are in fair shape, inhabited but in need of repairs, and halfway down the block is a vacant lot filled with garbage and weeds. The lower half of the block is neater, with freshly painted homes, flowers blooming and less garbage, but the street ends at a large vacant lot that stretches all the way up Geneva Avenue from Bloomfield Street to Tonawanda, the next side street towards Field's Corner.

At eight o'clock on a Friday morning, who is outside? One family of four is getting into its car, strapping a toddler and an infant into their respective seats for the trip to day care while the parents go to work. Other families wait for school buses with their children. At 5:30 on a late spring afternoon, who is outside? Some of these families, black and white, Hispanic and Asian, are returning from work. Others carry bags of groceries back from the nearby Purity Supreme. A group of young men sits on a porch, watching passersby and talking about the latest movies. Teenagers walk by on their way home from school. Some exchange insults with the young men on the porch, one of whom says, "I'll catch up with you! You better be watching your back!"

What do people say about their neighborhood? One young mother, who has owned a home on the street for seven years, says, "I like my neighborhood. It's convenient to my job, and I like my children to live among all different kinds of people. But I don't feel as safe as I used to. I don't walk home from the T late at night anymore, especially since that young boy was shot last winter." On nearby Tonawanda Street, another long-time resident says he is ready to move because he is "tired of telling my kids that they can't go out to play anymore." A mile south on upscale Ashmont Hill, a 20-year resident tells of a house next door to hers on which the owner was foreclosed. Since the original owner left, a loan shark in Roxbury has taken possession of the property and operates it as a boarding house whose clientele include prostitutes and drug addicts. The next-door neighbor and her family recently spent a sleepless night when one of the men in the house fought with one of the prostitutes, causing the police to arrive at 3:00 a.m. The neighbor says that her children don't need to watch police shows to see urban violence because they can just stay home ...

Destabilization in a neighborhood like Dorchester takes a variety of forms, including decreased public safety, weakened retail services, vacant lots, abandoned buildings, foreclosures, and middle class flight. Destabilization also has a variety of causes, including crime, disinvestment, speculation, and lack of community organization. Housing is a key component in any effort to fight destabilization in a neighborhood. If there are stable, well-organized homeowners in a neighborhood, they not only maintain the housing stock but they also support local businesses and fight to keep crime and other problems out of their neighborhoods. On the other hand, in a neighborhood like Dorchester, which is heavily investor-owned and has suffered from the long-term effects of real estate speculation and abandonment, housing can also be a major source of blight and instability.

In the spring of 1993, the Codman Square Neighborhood Development Corporation, which serves a two-square mile section of southern Dorchester, decided that it needed to find a way to respond to the foreclosure, abandonment, increased crime and middle class flight that it was observing in the neighborhoods that it represents. As a community development corporation (CDC), the organization saw its appropriate role as focusing its efforts on improving and securing stable ownership of the neighborhood's housing stock as a way to begin to fight destabilization. The NDC hired two graduate student interns[1] to research the neighborhood's housing stock as well as its vacant lots and to examine some programmatic options for rehabilitating and developing the one-to-four family housing stock in its neighborhood. The interns focused their research on the NDC's service area, which is bounded by Geneva Avenue and Columbia Road on the north, Blue Hill Avenue on the west, Morton Street and Gallivan Boulevard in the south, and Dorchester Avenue on the east. Encompassing several distinct neighborhoods, from the Victorian mansions of Ashmont Hill to the vacant lots of Erie-Ellington, this service area houses a diverse group of people, black and white, poor, middle class and wealthy.

One of the results of this research was the finding that the agency's service area had suffered a very high level of foreclosures on one-to-four family properties beginning in 1991, with 150 in the six-month period of January to June 1993, and over 400 foreclosures during the years 1989 through 1993. Furthermore, even given the income diversity of the sub-neighborhoods within the Codman Square NDC's service area, the properties were scattered throughout it rather than being clustered in specific neighborhoods. In addition, roughly one third of the properties had been foreclosed on by the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac), the two government-sponsored enterprises that dominate the secondary mortgage market in the United States. The NDC wanted to know

[1]The interns were the author and Michael Feloney.

more about this set of properties and the reasons behind their foreclosure, and in particular to understand why the secondary markets were foreclosing on so many homes in Dorchester.

This new focus on the foreclosure issue represents the Codman Square NDC's renewed interest in one-to-four family housing as a crucial component of neighborhood stabilization. When it was founded in 1981, the NDC focused much of its attention on smaller properties, but in recent years has concentrated more on large multifamily buildings as well as commercial development. However, in addition to the organization's interest in neighborhood stabilization, more than 70% of the housing stock in its service area is made up of small properties, and therefore the one-to-four family stock merits the attention of local developers such as the Codman Square NDC. Since last summer, the NDC has begun to explore ways to get reinvolved in the one-to-four family housing stock, and is now pursuing financing from LISC and the Boston Community Loan Fund to rehabilitate and sell small properties to first-time owner-occupant homebuyers.

While the CDC looks forward to an opportunity to put some of the foreclosed and abandoned housing stock back into the hands of responsible owners, it will probably only be able to develop this housing at the rate of three to five buildings per year. With foreclosures happening at the rate of 150 in six months, however, three to five buildings can barely make a dent in the foreclosure problem. In addition, the loss of value in Dorchester's housing market, recession-based layoffs among lower-income workers, and neighborhood problems such as crime and blight all raise serious questions about the strength of the first-time homebuyer market in Codman Square's service area. The NDC understands that while it seeks to rebuild the physical captial and homeownership base it must also seek out the systemic problems in the local real estate market and the mortgage market that contribute to destabilization. This understanding has intensified the NDC staff

and board of directors' interest in learning more about the explanations for this high foreclosure rate, and in particular to be able to explain the high foreclosure rate among properties owned by Fannie Mae and Freddie Mac since that portfolio is such a high percentage of the foreclosures.

A brief examination of the title histories of some of the properties foreclosed upon by Freddie Mac and Fannie Mae showed that the majority of these properties were absentee-owned rather than owner-occupied. This discovery led to some additional questions. First, what did the title and tenure histories look like for the entire portfolio of 123 properties foreclosed upon by the government-sponsored enterprises between 1989 and 1993? Second, if so many investors were being foreclosed upon, and mortgage loans for investors are considered riskier and are therefore supposed to be priced higher than mortgage loans for owner-occupants, the NDC wondered whether these loans had been appropriately priced in terms of interest rates and especially loan-to-value ratios. Third, the NDC wanted to know which banks or mortgage companies had originated the mortgages and whether those were origination companies that were known for making high-risk and even fraudulent loans. Fourth, if there were problems with these loans from the beginning, how did the secondary market end up buying them? Were there loopholes in the mortgage market that might allow badly or fraudulently underwritten loans to make their way into the secondary market agencies' portfolios? Fifth, what were the specific characteristics of the real estate market in Dorchester that made it vulnerable to speculative investment and the foreclosure that ultimately results from those purchases?

These are the questions that I intend to explore in this thesis. By studying the foreclosure problem and its relationship to the secondary mortgage market, and by focusing on investor-owned properties, I believe that my research represents a departure from the existing body of literature on mortgage lending in low-income and minority

neighborhoods, for two reasons. First, this is not a consumer issue, like the "second mortgage scam" in which homeowners were swindled into signing away their homes to finance companies and home-improvement contractors. Second, the issues dealt with in this thesis move away from the research around redlining, which documents instances in which minority borrowers are denied mortgage credit based on their neighborhood and the color of their skin. Rather, this thesis will try to explore whether investors in particular kinds of real estate markets have had access to credit that is inappropriately matched with the value of the investment or the riskiness of the borrower, and to explain what the effect of this inappropriate credit has been on the overall housing market in the neighborhood. To look analytically at the "credit" issue it is necessary to understand the basic characteristics of the neighborhood's housing stock and income levels, examine the data on foreclosed properties in the neighborhood, and analyze the institutions that provide credit to purchasers of properties in the neighborhood to see how they affect the neighborhood.

Therefore, the thesis will include the following components. Chapter One describes census data and historic information on Dorchester, including previous destabilization experiences such as the Boston Bankers Urban Renewal Group and the second mortgage scam. The second chapter will explore the data on foreclosures by Fannie Mae and Freddie Mac, present some comparative data from the city of Somerville, and offer some possible reasons for the high foreclosure rate, leading up to an introduction of the role of the modern mortgage market in the foreclosure problem. The third chapter provides a background and overview of the secondary mortgage market, its history and operations. The fourth chapter uses information from interviews with lenders and secondary market officials to describe the "unbundled" mortgage market, in which the functions of origination, servicing, credit risk and investment are separated, thereby failing to create an incentive for most of the players in the market to consider the long-term implications of their lending and servicing practices. Finally, the conclusions will explore the connections

between the mortgage market and the foreclosures, offer an economic and institutional model to understand the special characteristics of the Codman Square real estate market, and offer some recommendations for initiatives to prevent some of the problems outlined in the thesis from happening again in the future.

# CHAPTER ONE
## *Census Data and History of Dorchester*

### Dorchester: A General Description and a Brief History

At 6.03 square miles, Dorchester is the largest neighborhood in the City of Boston. After Allston-Brighton, it is also the city's second most populated neighborhood, with 85,641 residents. The neighborhood stretches from South Boston on its northeastern edge, to the South End and Roxbury on its northwestern borders, to Franklin Park and Mattapan on its western and southern boundaries, to the Neponset River and the city of Quincy on its southeastern boundary, and along the Atlantic Ocean on its eastern side.

Founded as a separate town two months prior to the founding of Boston in 1630, Dorchester's rolling hills were originally farmland. In its second century, the town played an historic role in the Revolutionary War; one of the main north-south streets, Washington Street, is so named because George Washington used it in the defense of Dorchester Heights. During its first three centuries, its economy included shipbuilding, barrelmaking, rope making, grist mills and a chocolate factory. In the 19th century, wealthy Bostonians began to build their "cottages" on Dorchester's hills overlooking the sea. Later that century, the arrival of the railroads helped to encourage suburban development in Dorchester. As the streetcar system developed, in the late 19th and early 20th centuries, the area became home to many workers who commuted to Boston on Dorchester's streetcar system. The area experienced rapid growth during this period; upon Dorchester's annexation to the City of Boston in 1870, barely 10,000 people lived there, but 50 years later that number had swelled to 250,000.[2]

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[2]Maria Karagianis, "In Defense of Dorchester: An Appreciation of Life in a Boston Neighborhood," *The Boston Globe Magazine*, Sunday, December 26, 1993, pp. 13-15; Patrick Cooke et al, *Living in Dorchester.*

Dorchester has always been home to a variety of ethnic groups. First settled by Yankees, the area became home during the 19th and 20th centuries to thousands of Irish immigrants. During the 1920's, western Dorchester and Mattapan began to be settled by Italians and later by Jews moving south from Roxbury, followed in the 1960's, 1970's and 1980's by African-Americans as well as immigrants from Latin America, the Caribbean and Southeast Asia. Today, the neighborhoods west of Washington Street are mainly African-American, Cape Verdean and Caribbean, those between Washington Street and Dorchester Avenue house a mix of racial and ethnic groups, and the areas east of Dorchester Avenue are largely white and Irish Catholic.[3]

Dorchester's architecture includes many historic commercial and residential buildings. Neighborhoods like Ashmont Hill contain beautifully preserved mansions, some of which include ballrooms, stained glass windows, and parquet floors. These were the homes of wealthy pre-Victorian and Victorian Bostonians. Much of Dorchester is also characterized by the boxlike triple deckers that were built in the late 19th and early 20th century as housing for laborers and their families. Since most of the housing stock dates from the pre-World War II period and earlier, expensive repairs are not uncommon to make older homes livable.

Although it is considered a neighborhood in itself, Dorchester is in reality many small neighborhoods, including Codman Square, Lower Mills, Ashmont Hill, Jones Hill, Meetinghouse Hill, Field's Corner, Upham's Corner, Savin Hill and others. Many of these neighborhoods have their own commercial centers, depicted on the map in Exhibit One. In addition, many residents of Dorchester, even those who are not Catholic, traditionally identify themselves by the parish that they come from: St. Margaret's, St. Brendan's, St.

[3]Karagianis, p. 14.

Mark's, St. Matthew's, St. Angela's.[4]

This thesis will focus upon the part of Dorchester contained within the Codman Square Neighborhood Development Corporation's service area, which covers approximately two square miles of Dorchester's southern and central regions and contains nearly half of Dorchester's population. The service area runs from Geneva Avenue and Columbia Road on the north, to Morton Street and Gallivan Boulevard on its southern side. On the east, the service area runs to Dorchester Avenue, and on the west, it is bounded by Blue Hill Avenue. For a map of Dorchester with the Codman Square NDC's service area, highlighted, please see Exhibit Two.

As of the 1990 census, there were approximately 41,252 people living in the service area in a total of 14,399 units of housing. Like much of Dorchester, the Codman Square NDC's service area is characterized by small-scale housing; 78% of the units in the service area are in 1-4 family buildings. Furthermore, there is an abundance of 3-4 family housing, with 42% of the total housing stock contained within a 3-or 4-unit property. Finally, the housing stock in the service area is quite old, with 61% of it built prior to 1939.[5]

The neighborhoods within these two square miles are widely varied. They include the run-down streets and vacant lots of Four Corners (Washington Street and Bowdoin Street), where shopkeeper Manuel Monteiro lost his life last March when a gunman was disappointed at only finding $4 in the shop's cash register, to the mansions of Wellesley Park and Ashmont Hill. Most neighborhoods are somewhere in-between, with a mix of housing quality and safety levels.

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[4]Karagianis, p. 14.
[5]Barcan, Sara and Michael Feloney, Codman Square Neighborhood Development Corporation, Neighborhood Stabilization Project, October 1993, pp. 2-3.

In addition, residents with a variety of income levels live in the Codman Square NDC's service area. Within the twelve census tracts that roughly make up the area, 1989 median household incomes range from just $16,731 in a tract in the south/southwest part of the service area, to $43,050 in a northeastern census tract. The mean of all 12 medians is $27,849. Similarly, when we look at the numbers of families living below the poverty level, the number ranges from 8.2% of the total population in a southeastern census tract, to 40.4% in the same south/southwestern tract that also has the lowest household income. Finally, the average household income of an owner-occupant of a housing unit in the census tract is nearly twice that of a renter, at $47,086 vs. $25,552.[6]

The Codman Square NDC's service area also has a nagging vacant lot problem so severe that the CDC believes that a strategy to deal with it is crucial to any attempt to stabilize the neighborhood. As of July 1993, the service area contained approximately 750 city-owned vacant lots out of a total of 3,000 citywide.[7] Although the lots are scattered around the service area, some streets and neighborhoods have large clusters. Erie and Ellington Streets, in the northwestern part of the service area, together contain 62 vacant lots, or 8% of the total vacant lots in the service area. While this neighborhood is getting some new construction as the Mt. Bowdoin-Glenway Neighborhood Housing Services finishes up its Jacob's Place homeownership project, it is by far the exception. In a time with almost no new construction anywhere in the Boston area, and with a large stock of bank-owned and abandoned housing units that provide cheaper opportunities to produce affordable housing, there is little hope that these vacant lots will ever be rebuilt. While a few may become tot lots or community gardens, or be taken over by neighbors who wish to enlarge their yard space, most will remain vacant.

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[6]1990 Census.
[7]Barcan and Feloney, p. 10-11. It should be noted that the service area also contains privately-owned vacant lots, but there is no accurate count of this group of lots.

**Neighborhood Destabilization in Dorchester: From B-BURG to Vacant Lots**

Vacant Lots. The vacant lot problem becomes even more troubling given the usual origins: the end result of a process of foreclosure, abandonment, vandalism and arson. Although this thesis does not include data on the origins of each of the vacant lots in the Codman Square service area, many of them are likely the result of the last wave of foreclosure and abandonment in the neighborhood during the 1970's. This cause-and-effect relationship between foreclosure, abandonment and the ultimate loss of housing units as well as the spread of blight in the form of trash-filled lots and the burned-out or distressed structures that often become vacant lots helps to explain why the people who live and work in Dorchester are so alarmed by the high rates of foreclosures that they have witnessed in their neighborhoods since the early 1990's. Many residents believe that if they do not stop the foreclosures and ensure that foreclosed property is maintained and owned by responsible owners, they will lose additional units of housing, and ultimately "lose" additional sections of their neighborhoods to vacancy, abandonment and blight.

B-BURG. Another reason why people at the Codman Square NDC and people who live within its service area are so alarmed about the current rash of foreclosures is that they know that this is not the first time Dorchester's housing stock has suffered destabilization. In 1968, a group of 22 area banks known as the Boston Banks Urban Renewal Group (B-BURG) targeted South Dorchester and Mattapan, the neighborhood just southwest of Dorchester, for a redlining scheme to sell $29 million worth of Federal Housing Administration-insured mortgages to black residents. The portion of the B-BURG lending area that overlaps with the Codman Square NDC's service area is the portion of the district south of Talbot Avenue and west of Norfolk Street; this area was largely Jewish at the time. B-BURG's bankers steered minority buyers to the areas within the maps that the consortium provided. As participants in the program later revealed, going outside the line by even one block was not allowed; if a black family showed interest in a house outside of

the map's boundaries, they were told that they would not receive a mortgage in that area.[8]

Most of the sectors of the real estate sales industry, including brokers, appraisers and lenders, preyed upon buyers and sellers. Real estate brokers swarmed into Mattapan to hasten the departure of the area's Jewish residents through scare tactics. By frightening an already skittish community into believing that they needed to sell immediately or lose all of their property value, brokers commonly bought houses cheaply and marked them up for sale to black families. With guaranteed financing, it was easy to find buyers among a black population that had been squeezed out by urban renewal in Roxbury and gentrification in the South End, or who simply saw a long-desired opportunity to move up and out of poorer and more densely-populated sections of the city. In addition, there was widespread fraud among the FHA's appraisers, who commonly overappraised properties and ignored serious structural flaws. Higher appraisals meant higher mortgages, which was fine with the banks, who made a 1% fee for every mortgage they wrote. It is estimated that 65% of the homes sold under B-BURG required significant repairs within two years after their sale.[9]

B-BURG devastated the housing stock of the area within its boundaries, as well as the buyers who purchased the homes. With little or no equity and low cash reserves to deal with expensive repairs, many B-BURG buyers either abandoned their homes or were foreclosed upon. During the early 1970's nearly three quarters of all B-BURG homeowners failed to maintain their payments.[10] With FHA's protection, the banks had nothing to lose, and foreclosed on over one thousand homes within the B-BURG line.

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[8]Hillel Levine and Lawrence Harmon, *The Death of An American Jewish Community: A Tragedy of Good Intentions*, New York, The Free Press, 1992, pp. 167-180.
[9]Levine and Harmon, pp.207-208.
[10]Levine and Harmon, p. 267.

According to Hillel Levine and Larry Harmon, chroniclers of the B-BURG debacle, the local HUD office typically took over foreclosed homes after reimbursing the banks for their losses, but was unprepared to manage the properties. The authors say that "[t]he solution of choice. . .became condemnation - whatever the actual condition of the house. Vandals and arsonists practiced their craft, for both fun and profit."[11] The result was vacant lots, abandoned, deteriorated properties, and unstable property ownership patterns.

Dorchester continues to suffer the repercussions of B-BURG. Vacant lots dot the landscape, many older homes desperately need repairs, and real estate brokers, home improvement contractors and lenders still find opportunities to exploit a housing stock where owner-occupants have few resources and have had difficulty taking hold. In 1991, the so-called "Second Mortgage Scam" came to light when Massachusetts Attorney General Scott Harshbarger began investigating a series of foreclosures by banks, loan sharks and small contracting companies on hundreds of low-income and mainly elderly homeowners in Dorchester, Mattapan, Roxbury and Jamaica Plain.

Second-Mortgage Scam. Although there were numerous patterns of fraud that preceded the foreclosures, the typical modus operandi for these scams was as follows. First, an elderly or low-income homeowner, usually one who had lived in his or her home for enough years to build up some equity, would receive a visit from a contractor, who would tell the homeowner that he had noticed the home needed some repairs and that he could do both the financing and the repair work. In neighborhoods where minority residents have traditionally had difficulty accessing home equity loans from banks or other forms of credit for home improvement, such a pitch was often appealing. The homeowner would then sign a loan document to borrow money from the contractor or the finance company

[11]Levine and Harmon, p. 333.

for which he worked, without realizing that the document was actually a mortgage, giving the contractor a lien on the home.

After the homeowner entered into a contract with the contractor and his finance company, one or more of the following scenarios occurred. The contractor might fail to do the work, or complete only part of the work and then stop, or demand more money to continue working, or complete such shoddy work that the homeowner would need to find another contractor to redo the job. Since many of the mortgages were written at interest rates well above market rate, as high as 18 or 25%, with as many as forty points on the loans, it was inevitable that many homeowners would default on their mortgages, and that the contractors, finance companies or banks such as Fleet that had purchased these mortgages would foreclose. Sometimes the homeowner paid the fraudulent mortgage after receiving threats of violence from the second mortgage holder, but defaulted on a first mortgage. It is possible to drive around the streets of Dorchester and pick out which houses have been "scammed;" they are characterized by such details as half-finished siding jobs, and most of them are clearly abandoned.

The consciousness among long-time residents of the terrible devastation that B-BURG and the second mortgage scams have left in their paths makes them acutely sensitive to the potential for disaster that today's foreclosures represent. The legacies of these disasters create an obligation for Dorchester residents, housing advocates, and all those who care about the future of urban neighborhoods to understand what has created the foreclosure and abandonment problems of the 1990's, in order to prevent additional threats to neighborhood stability in Dorchester. In order to start to analyze the current wave of foreclosures, it is necessary to understand not only the foreclosures themselves and the characteristics of the foreclosed properties, but also to study the peculiarities of the Dorchester real estate market so that we can begin to distinguish between the market as it

operates normally and the market as it is affected by experiences such as B-BURG, the second-mortgage scam and the real estate crash of the late 1980's and early 1990's.

Finally, it is important to approach this study with a clear understanding of the limitations of public policy. A single CDC in Codman Square is not capable of dealing with a thousand vacant lots and abandoned properties in its service area, nor can it control the drugs, crime and poverty that make Dorchester a less desirable place for homeowners to purchase property than places like West Roxbury or Milton. It can, however, educate itself about the problems in its local real estate market, figure out whether there are speculators in the market receiving access to easy credit, and use that knowledge to advocate change in the private and public institutions that control local markets. It is in this spirit that I have conducted the research contained in the following chapters.

# CHAPTER TWO
## *Foreclosure Data and Analysis in Codman Square Service Area*

This chapter examines the one-to-three-family home foreclosures in Dorchester by Fannie Mae and Freddie Mac within the Codman Square service area from 1989 through January 1994. I will first present the data on foreclosures, as well as the information on lenders, occupancy, and the history of transactions on each property. Included in this section will be two mini-case studies in the form of title searches. Second, I will provide a comparative case study with similar statistics for the city of Somerville. Finally, I will discuss some of the possible reasons for the high level of secondary market foreclosures in the neighborhood. For a full explanation of the methodology used to gather foreclosure data, please turn to Exhibit Three.

### Foreclosure Statistics for Codman Square NDC Service Area

Between mid-1989 and January 1994, there were over 400 foreclosures, representing nearly one quarter of all real estate transactions, on 1-3 family properties in the Codman Square NDC's service area.[12] For a map depicting the locations of foreclosures in Codman Square between January 1990 and June 1993, please turn to Exhibit Four. Of these, 123 were foreclosed upon by Fannie Mae and Freddie Mac. Thus, the two secondary market agencies were responsible for close to one third of the area's foreclosures during the last five years. Although ideally we would like to know what percentage of all loans purchased by Fannie Mae and Freddie Mac in the Codman Square servicea area these loans represent, it was not possible to obtain this information from the

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[12]As the methodology section explains, the period for examination is based upon availability of on-line data, since *Banker and Tradesman* did not record foreclosure data in a readily recognizable way until mid-1989. Also, I have included one, two and three-unit properties only because the data service lumps four-unit properties together with 5-8 unit properties.

two secondary market agencies.[13] For a database showing the history of transactions, mortgage originators, property owners, number of units and ownership status at time of foreclosure on each of these properties, please turn to Exhibit Five.

Of the foreclosed-upon Dorchester properties, 72 or 63% are 3-family houses, 15 or 13% are 2-family houses, and 27 or 24% are single family homes.[14] According to the 1990 census, the breakdown of properties in the 12 census tracts that are roughly coterminous with the service area is as follows: of the 13,534 one-to-four family properties in the area, 2709 or 20% are single family, 26.% or 3560 are 2-family, and 7265 or 54% are 3-4 family properties.[15] Therefore, both single family homes and triple-deckers are overrepresented in the foreclosure numbers.[16]

The following contingency table shows the breakdown of ownership category by property type among the properties foreclosed upon by Fannie Mae and Freddie Mac. The four columns show the types of ownership, and the three rows show the property types. The

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[13]The ideal way to figure out what percentage of all Fannie/Freddie loans these loans represent would be to take the number of loans purchased by Fannie and Freddie in a given year as the denominator, and take the number of foreclosed properties from the Fannie/Freddie loans purchased that year as the numerator. The result of that division would be the foreclosure rate for that year. However, even if it had been possible to obtain the information from Fannie Mae and Freddie Mac, it would be difficult to get at this rate for several reasons. First, Fannie Mae records by zip code, and Freddie Mac by census tract; neither is an exact match with the service area. Second, since we only had origination information for roughly one half of the foreclosed loans in the data base, it would be necessary to research the rest of these at the Registry of Deeds. Third, we know that the *Banker and Tradesman* database search only turns up foreclosures after mid-1989. Therefore, the ideal way to get at the foreclosure rate would be to use Fannie and Freddie's foreclosure data and purchase data as the most accurate count of the two agencies' activity in the service area. However, it was not possible to obtain this information from either agency, although it was requested of both agencies.

[14]Here, I have used 114 rather than 123 as my base for the total number of properties, because information on property use only appeared in the record for 114 properties.

[15]Barcan and Feloney, p.1.

[16]It should also be noted that the census data lumps together 3 and 4 family properties while the foreclosure data considers 3-families alone, which means that triple deckers make up even less of the housing stock than the 53.7% would indicate, and therefore are even more overrepresented in the secondary market foreclosures than the above numbers show.

table should be read from left to right, as the percentages refer to the number of properties in each ownership category as a percentage of the properties in each use category.

**Table 2.1**
***Number of Units in Property by Ownership Status***
***Properties Foreclosed by Fannie Mae and Freddie Mac***

| | Owner-Occ | | Undetermined | | Investor-Owned | | Likely Inv-Owned | | TOTALS |
|---|---|---|---|---|---|---|---|---|---|
| Single family | 7 | 25% | 17 | 60.7% | 4 | 14.29% | 0 | 0% | 28 |
| Two-family | 1 | 7.14% | 8 | 57.14% | 4 | 28.57% | 1 | 7.14% | 14 |
| Triple decker | 10 | 13.7% | 16 | 21.92% | 43 | 58.9% | 4 | 5.48% | 73 |
| TOTALS | 18 | | 41 | | 51 | | 5 | | 115 |

Source: Compiled by author from *Banker and Tradesman* on-line database and telephone books.

The table shows that there were more investor-owned properties than any other category, with triple-deckers falling most heavily into the investor-owned category. The table demonstrates, then, that triple-deckers are by far the biggest part of the secondary market foreclosure problem, and that absentee-owned properties make up the bulk of the foreclosed triple-deckers.

Although it was not possible to obtain the data on mortgage origination for each property, the data were available for roughly half of the foreclosures. The breakdown of mortgages by years of origination was as follows:

**Table 2.2**
***Number of Foreclosed Mortgages by Year of Origination***
***Properties Foreclosed by Fannie Mae and Freddie Mac***

| Year of Origination | pre-1987 or unknown | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Number of Mortgages** | 54 | 16 | 18 | 19 | 13 | 1 | 0 | 0 | 121 |

Source: Compiled by Author from *Banker and Tradesman* on-line database

As the table shows, the bulk of the foreclosed mortgages were originated, and therefore purchased by Fannie Mae or Freddie Mac, during the mid and late 1980's.

Finally, the following table shows which companies wrote the original mortgages on the foreclosed properties. Many of these banks and mortgage companies, including Northeastern, Comfed, Merchants, University Bank and others have since failed. In other cases, lenders were affiliates of each other. This was the case for University Bank, which held both Northeastern and Sterling as subsidiaries that originated mortgages for the bank.[17]

[17]Conversation with Ada Focer, March 8, 1994.

**Table 2.3**
***Number of Mortgages Originated by Lender***
***Properties Foreclosed by Fannie Mae and Freddie Mac***

| Lender | # of Loans Made | Lender | # of Loans Made |
|---|---|---|---|
| Northeastern Mtg Co | 10 | Esplanade Mtg Co Inc | 1 |
| Comfed Savings Bank | 7 | First Eastern Mtg Co | 1 |
| Commonwealth Mtg | 6 | Keystone Mtg Corp | 1 |
| Sterling Mtg Co | 4 | Leader Mtg Co Inc | 1 |
| Other Private Lender | 3 | Lomas Mortgage USAInc | 1 |
| Seller | 3 | Mass Coop Bk | 1 |
| Merchants Mtg Co | 2 | New Boston Mtg | 1 |
| Powder House Mtg Co | 2 | Norwest Mtg | 1 |
| Progressive Consumers | 2 | Peoples Fed Svgs Bk | 1 |
| Shawmut Mtg Co | 2 | Plymouth Mtg Co | 1 |
| Cap Mtg Co Inc | 1 | Premiere Fndg | 1 |
| Centrust Mtg Corp | 1 | Provident Fncl Svc | 1 |
| Dime Real Estate Svcs | 1 | University Bank | 1 |

Source: Compiled by author from *Banker and Tradesman* on-line database.

Finally, since the time of foreclosure, 78 of the properties foreclosed upon by Fannie Mae and Freddie Mac have been resold. Of these, at least 16, and probably numerous others[18] have been purchased by realty trusts or other investors. Also, eight of the resold properties have already been sold a second time, some within days or weeks of the original purchase from Fannie Mae.

While the ownership status of foreclosed property owners helps to explain why some of these homes were at higher risk for foreclosure, in some cases the instability in the properties actually reaches farther back into the properties' history. The following title searches illustrate a typical history on a foreclosed property in the Codman Square service area:

[18]This number comes from a simple inspection of the *Banker and Tradesman* data to see which properties were purchased either by realty trusts or by individuals buying multiple properties at auction. No additional work was done to determine occupancy status of purchasers; it can be assumed, however, that at least some of the other purchasers are also investors.

***Title Search #1***
**107 Bloomfield Street - 3 units**

| Date | Event |
|---|---|
| June 7, 1993 - | Greenhays Realty Trust buys 107 Bloomfield Street from FNMA for $36,900, with a mortgage from Gerald Issokson for $36,900 |
| April 22, 1993 - | Anne Marie Brennan of Hyde Park, MA, foreclosed upon by Fannie Mae. |
| May 18, 1990 - | Anne Marie Brennan, then of 34 Whitfield Street, Dorchester, purchased from Dominic Lombardo of 166 Orchard Street, Watertown. Paid $210,000 with a $189,000 mortgage from Sterling Mortgage Company. |
| October 3, 1985 - | Dominic Lombardo purchased from Urban Homes, Inc. for $103,500. Borrowed $98,300 from WST Mortgage Corporation. Mortgage was adjustable, starting at 9.375%, with an annual change date on which 1.5% could be added to the current index. On the same date, WST sold the mortgage to Woonsocket Institute for Savings. |
| March 12, 1985 - | Jonathan Crutchley, as trustee of the 107 Bloomfield Street Realty Trust, sold the property for $55,000 to Urban Homes, Inc., of 921 Washington Street in Dorchester. Urban Homes obtained a $55,000 mortgage from Meetinghouse Cooperative Bank. |
| March 12, 1985 - | Jonathan Crutchley, of 512 Gallivan Boulevard #218 and as trustee for 107 Bloomfield Street Realty Trust, bought from Deborah Steward for $1000 and an agreement to assume a mortgage to the Provident Institute for Savings and water and sewer liens and property taxes. |
| September 24, 1984 - | Petition from the Lomas and Nettleton Company of Philadelphia to foreclose on Deborah Stewart's mortgage. |
| October 1, 1980 - | Mortgage assigned to Department of Housing and Urban Development. |
| May 10, 1978 - | Petition from the Provident Institute for Savings to foreclose on Deborah Stewart's mortgage. |
| April 21, 1977 - | Petition from the Provident Institute for Savings to foreclose on Deborah Stewart's mortgage. |
| March 26, 1976 - | Deborah Stewart purchased from Frank X. Machnig for $20,500. Received a mortgage from the Provident Institute for Savings for $19,850 at an interest rate of 8 1/2 %, with payments of $152.65 per month. |

Source: Compiled by author at Suffolk County Registry of Deeds.

***Title Search #2***
**105 Erie Street**

| | |
|---|---|
| October 1, 1993 - | Rockcity Realty Trust purchased from Freddie Mac for $8000. |
| March 19, 1993 - | Edward Fopiano of Scituate, MA, foreclosed on by Freddie Mac. |
| December 22, 1992 - | Petition to foreclose on Edward Fopiano. |
| June 21, 1991 - | Assignment of mortgage from Northeastern to FHLMC. |
| September 29, 1989 - | Fopiano received mortgage for $140,000 from University Bank. |
| September 20, 1989 - | Edward Fopiano of 9 Torrey's Lane in Scituate, MA, purchased property for $201,000 from Lynne K. Laneau and Gail Kanellos of Weymouth. Received mortgage from sellers for $98,750 at 12%, payable in 30 days. |
| May 27, 1987 - | Lynne K. Laneau and Gail Kanellos of Weymouth bought from Enid M. Nicholas and Myrna D. Dent of Hyde Park for $12,500.68. |
| January 17, 1986 - | Laneau, Kanellos, Nicholas and Dent paid $52,500 to James C. Green, Jr., trustee of James C. Green Realty Trust. Laneau and Kanellos took 1/3 shares each and Nicholas and Dent took 1/6 shares each. Mortgage of $46,346 from Northern Mortgage Company, Norwell, MA, at 11% or $441.68 per month. |
| May 31, 1974 - | James Green of 6 Harvard Park, Dorchester, bought from the Veterans' Administration for $2500. Received a mortgage for $2,250 at 8 1/4%, paying $19.19/month. |

Source: Compiled by author at Suffolk County Registry of Deeds.

Beginning with the earliest pieces of data, the history of each of these properties is as follows. In the case of 107 Bloomfield Street, Deborah Stewart originally purchased the property from Frank Machnig for $20,500 in 1976. She received a mortgage from Provident for $19,850, nearly 97% of the sales price. Starting just a year later, she had problems paying her mortgage, as evidenced by the petitions to foreclose from 1977 through 1984. In 1985 what appears to be a pre-foreclosure sale took place, in which Jonathan Crutchley, a local realtor in Dorchester, bought the property for $1000 plus mortgage, taxes and water and sewer liens. On the very same day, Crutchley sold the house to Urban Homes, Inc. for $55,000, probably a handsome profit given the small size of Deborah Stewart's mortgage; Urban Homes obtained a 100% mortgage on the property. Barely six months later, Urban Homes nearly doubled its investment by selling the property for $103,500 to Dominic Lombardo, who received a mortgage for nearly 95% of the sales

price. Five years later, when the market had already started to turn down, Anne Marie Brennan bought the property for $210,000, double what Lombardo had paid for it. Although the property was clearly an investment, because she was listed on the deed at another address, Sterling Bank gave her a mortgage for 90% of the sales price. Even though at that time Fannie Mae required owners of triple deckers to put down no less than 30% equity, the GSE bought the mortgage anyway, foreclosing on the property three years later. Since the foreclosure, the Greenhays Realty Trust has purchased the property for $36,900, with a 100% mortgage.

For 105 Erie Street, which, has a sister property, 103 Erie, with exactly the same history, the first piece of data shows that James Green bought the property from the Veterans' Administration for just $2500 in 1974. He received a mortgage for 90% of the purchase price. He held the property for twelve years and sold it to a group of four investors for $52,500, or 21 times the price he paid for it, in 1986. The investors received a mortgage of $46,346 on the property. Of these four investors, two of them, Lynne Laneau and Gail Kanellos each held a one-third share in the property, and the other two, Enid Nicholas and Myrna Dent, each held a one-sixth share. In May of 1987, Laneau and Kanellos bought the other two out of their shares for $12,500.68 each. Then, a little over two years later, these two owners sold the property to Edward Fopiano, an investor from Scituate, for the very large price of $201,000, nearly four times what they had paid for it in 1986. The sellers initially gave him a short-term mortgage for nearly half the sales price, but he then received a mortgage for $140,000 from University Bank, who sold it to Freddie Mac two years later. Freddie Mac foreclosed on Fopiano in 1993, selling the property to Rockcity Realty Trust for just $8000 six months after the foreclosure.

What these two properties have in common is that the owners at the time of foreclosure were absentee, but also that both properties had long histories of investment rather than

stable owner-occupancy. Both properties started out with an owner who purchased in the mid-1970's and held for a long time but was bought out by a buyer who paid relatively little and sold high. Both properties showed huge jumps in sales prices between the price paid by the interim investor and the final investor who ultimately lost the property in foreclosure, with the final prices so high as to seem implausible today. If these two examples are at all typical of other small properties in Dorchester, then we can begin to understand why so much of Dorchester's housing stock has been put at risk for foreclosure and destabilization.

**Somerville - A Comparative Case**

In order to understand more about what has happened in Dorchester, the Codman Square NDC and the author chose to explore a comparative case for the city of Somerville. We wanted to pick another area to study because we believe that the historic alteration in the mortgage market, the 1980's upturn in the real estate market, and the recent real estate crash have had a more severe effect on Dorchester than on other, more stable neighborhoods and cities. We selected Somerville, a small city of 4.3 square miles and 76,210 residents[19] just north of Boston and east of Cambridge, for several reasons. First, Somerville has a similar housing stock to Dorchester, with many two- and three-family properties. Second, Somerville has a higher household income than Dorchester but is not a wealthy suburban community. Finally, although Somerville has its share of investor-owned properties, it generally has a higher rate of owner-occupancy than Dorchester.

In Somerville, we counted 1478 real estate transactions on 1-3 family properties between June of 1989 and January of 1994. Of these, 139 were foreclosures. Thirty-six of the foreclosures, or just over one quarter, were by Fannie Mae or Freddie Mac. Of the properties foreclosed by the two secondary market agencies, 13 were three-family houses, 14 had two units, and nine were single-family homes. For a database showing the history of

[19]1990 Census.

transactions, names of owners, mortgage originators, and number of units, please turn to Exhibit Six.

While it was not possible to verify how many of these properties were investor-owned as compared to owner-occupied, some of the lenders turned out to be the same mortgage originators as in the case of Dorchester. In fact, in the portfolio of loans foreclosed by Fannie Mae and Freddie Mac, the three major players in the origination and sale of the loans were also three of the major players in Dorchester. The top lender in these Somerville properties was Comfed, which originated 5 of the 36 properties, followed by Northeastern with 4 loans, and Sterling, which made 2 of the 36 mortgages.

At just under 9% of total real estate transactions, then, Somerville has a very low rate of foreclosures as compared to the Codman Square service area, where foreclosures are nearly one quarter of all transactions for the June 1989-January 1994 time period.[20] Interestingly, Fannie Mae and Freddie Mac foreclosed upon roughly the same proportion of properties in each of the two geographic areas, although the rate was a little bit lower for Somerville. The two agencies were responsible for 25.8% of all foreclosures in Somerville and 29.7% of all foreclosures in our part of Dorchester.

Although foreclosures have certainly been a problem in Somerville during the past five years, the above numbers illustrate the fact that they have never reached the epidemic proportions of foreclosures in Dorchester. Although it was beyond the scope of this thesis to gather the data to support a full comparison between the two neighborhoods, I believe

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[20]The foreclosure rate for Dorchester is slightly overcounted. This is because the foreclosure numbers are precisely matched with the service area, which covers all of the 02124 zip code plus a little bit of 02121 and 02125. For the overall transactions, time did not permit such a precise count and therefore the overall transactions are derived just from a search of the 02124 zip code. However, if there is an overcount, it is likely to be by just a few percentage points, still leaving a large gap between the foreclosure rates in Dorchester and in Somerville.

that the following characteristics helped to keep Somerville from suffering a level of foreclosures comparable to Dorchester's. First, Somerville has a higher-rate of owner-occupancy than Dorchester, supported by a much stronger local demand for homeownership, both from natives of Somerville and from households that would choose to live in Cambridge but cannot afford to do so. Next, incomes in Somerville are higher than incomes in Dorchester, which also helps to strengthen demand for homeownership. Finally, from an examination of the *Banker and Tradesman* data, Somerville does not appear to have as much property-flipping and rapid turnover that Dorchester has had among its foreclosed properties, suggesting a lower level of investment by landlords interested in quick turnover and a more stable market.

Although it was not possible to gather all of the data for the Somerville case, it does begin to suggest that Dorchester is different from some other neighborhoods that have a similar housing stock and that experienced a boom-and-bust cycle over the last decade. The next section will explore some of the reasons why Dorchester has suffered so many foreclosures, and how those foreclosures relate to the secondary mortgage market.

**Reasons For High Rate of Foreclosure in Dorchester**

Why has Dorchester suffered such a high rate of foreclosure as compared to other neighborhoods? The answers to this question can be explored in two ways: through data analysis and through anecdotal evidence. Although this thesis set out to demonstrate through the use of data how Dorchester has been treated differently and/or has responded differently to conditions that exist far beyond its borders, it has not been possible to obtain all of the data necessary to make this case. Therefore, the following section will explore the questions around foreclosure in Dorchester using a combination of data and anecdotal information.

The data that I have gathered for this thesis paints the following picture of the Codman Square neighborhood's foreclosures: the foreclosed properties were largely investor-owned and mainly triple deckers, with a concentration of original mortgages written by mortgage companies and other lenders who are no longer in business. In addition, a large number of these mortgages were purchased by Fannie Mae and/or Freddie Mac. Some of these properties have long histories of flipping, absentee ownership and other signs of instability, and some properties have already been resold to investors at very low prices.

There are several data-driven ways in which to actually prove that Dorchester was in fact treated differently than Somerville and other communities by Fannie Mae and Freddie Mac:

1. Default rate. First, I would ideally like to be able to compare the overall foreclosure rates of Fannie Mae and Freddie Mac in Dorchester against their foreclosure rates in Somerville, to see whether more of their loans defaulted in Dorchester than in Somerville. In order to make this comparison, I would need to know how many loans each agency purchased, and how many of those loans went bad. The actual comparison would be between data on loans purchased in a given year with the number of loans

originated in that year that went bad. However, it has not been possible to get the data on total loans purchased within the Codman Square NDC's service area.[21]

2. Loan-to-value ratios. Next, as I will discuss in the section on anecdotal evidence, there is reason to believe that at least some of the properties did not receive mortgages that were appropriately priced for the risks that the properties represented to the holder of the credit risk, i.e., Fannie Mae and Freddie Mac. There are several issues related to pricing:

First, Fannie Mae and Freddie Mac set guidelines that specify the loan-to-value (LTV) ratios that they are willing to accept on the mortgages they buy, and those LTV's require a higher downpayment for investor and multi-unit properties based on the higher risks associated with those properties. Fannie Mae made a major change in its LTV standards in September 1988. The before-and-after for fixed-rate mortgages looks like the following:

**Table 2.4**
***Fannie Mae Loan-to-Value Ratios***

| **PRE-1988** | Owner-Occ | Inv-Owned | **POST-1988** | Owner-Occ | Inv-Owned |
|---|---|---|---|---|---|
| 1's | 95% | 80% | | 95% | 70% |
| 2's | 95% | 80% | | 90% | 70% |
| 3's | 95% | 80% | | 80% | 70% |
| 4's | 95% | 80% | | 80% | 70% |

Source: Fannie Mae Selling Guidelines, Announcement 09/06/88; Conversation with Robert Engelstad, April 8, 1994.

[21]The most accurate data would actually be the numbers of defaults and the numbers of purchases as compiled by Fannie Mae and Freddie Mac. See discussion in footnote 13.

Since the majority of the loans in the sample were originated prior to 1988, it is likely that many of the mortgages, especially on multi-unit properties, did not accurately reflect the risk level of the borrowers and the loan amounts. The new underwriting standards reflect an understanding that, in the words of Freddie Mac's Ann Schnare, "the best predictor of default is equity."[22] Too little equity in these properties may have contributed to their likelihood of defaulting. It should be noted that although the sample being discussed in this thesis is restricted to the Fannie Mae and Freddie Mac foreclosures, the two agencies have such wide influence that their standards are likely to be applied to loans that are sold to other investors besides the two government-sponsored enterprises.

However, Fannie Mae and Freddie Mac view their seller-servicer guidelines as standards rather than ironclad rules, so an understanding of the guidelines alone does not allow the researcher to assume that all loans will necessarily conform to the guidelines of the period in which they were originated. In order to see what the actual loan-to-value ratios were of the loans that Fannie Mae and Freddie Mac ultimately foreclosed upon, it is necessary to view the original mortgage documents at the Registry of Deeds for each of the properties in question. However, these documents are not reliable, because we know that at least in some cases, the mortgage documents reflect fraudulent sales prices and therefore it is impossible to determine the true loan-to-value ratios on those mortgages.

3. Fraud. Even if we could be confident that the secondary mortgage market and mortgage lenders knew how to calculate risk accurately when pricing mortgages, we cannot be sure that loan documents are necessarily accurate representations of the transactions that

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[22]Interview with Ann Schnare, Vice President of Housing Economics, and Andrea Stowers, Director of Affordable Housing, at Freddie Mac, Maclean, Virginia, March 14, 1994.

took place. There are numerous ways in which fraud can enter into a property transaction, but two major types affect loan-to-value ratios.

First, we know anecdotally that some investors passed themselves off as owner-occupants in order to receive more favorable mortgage terms. As I will discuss in Chapter 4, Bob Engelstad of Fannie Mae acknowledged that his agency became aware in 1991 that large numbers of 1-4 family properties classified as owner-occupied were in fact investor-owned.[23] If the mortgage originator and/or servicer does not make any effort to confirm residences, or if one or both of those parties actually plays a role in the misrepresentation, then it is fairly easy for an investor to pose as an owner-occupant.

Second, it was also common in Dorchester for buyers, sellers, real estate brokers and sometimes mortgage originators to misrepresent the sales price of a given property. According to Jonathan Crutchley, a real estate agent and property investor in Dorchester for sixteen years, with both condominiums and 1-4 family properties, certain lenders were almost certain to write mortgages on properties with fictional sales prices. Crutchley explained that by the late 1980's, property values were so high that no legitimate owner-occupant or investor could afford to purchase a small property. In order to sell a property, a broker would have to find a buyer who generally had little or no funds for a downpayment and would receive a 100% mortgage from the lender. In order to qualify for the secondary markets' loan-to-value ratio guidelines, the parties involved in the transaction would falsify the sales price to make it appear that the mortgage represented a smaller proportion of the value than it actually did. Crutchley believes that Fannie Mae and Freddie Mac were the victims of these scams and were not aware of the falsified documents until well after the loans began to go bad.

[23]Interview with Bob Engelstad, Senior Vice President of Mortgage and Lender Standards, Fannie Mae, Washington, DC, March 14, 1994.

4. Drop in Property Values. Another factor in the Dorchester real estate market that is often cited as a contributing factor to the high foreclosure rate is the rapid rise in values during the 1980's, followed by a rapid fall in the late 1980's and early 1990's. For example, the Case-Schiller index, which determines home prices using a repeat sales index approach, notes that the values of single-family homes rose by 168.8% in the Greater Boston area between 1982 and 1988/89, and fell 15.5% between 1988/89 and 1991.[24] These indices do not include foreclosure sales. In another measure of property values, median sales price, values of residential properties in the entire Dorchester neighborhood plummeted from a median of $164,000 in 1989, to $120,000 in 1991, to $89,000 in 1993.[25]

While declining property values certainly can be correlated with foreclosures, both because a seller who loses equity through declining value may be more likely to default, and because the recent real estate bust has also been accompanied by a recession that put homeowners at higher risk of foreclosure due to job loss, the heavily speculative activities and fraudulent real estate practices may also help to explain the extreme rise in property values towards the late 1980's. Jonathan Crutchley argues, however, that speculation fueled the rise in property values in the first place, pointing out that a few speculative sales with false sales prices or other artificially high prices led to a rise in prices for the entire market, since appraised values rose when sales prices rose. He commented, "When I started in this business we had local banks and the banker could look out his window and see the property. He knew what it was worth. These days it's different...you had the rise of all these mortgage companies, and you had all these

[24]Case Shiller Weiss, Inc., *Home Price Bulletin, Case-Shiller Home Price Indexes for Massachusetts, Fourth Quarter 1991.* Cambridge, MA, Case Shiller Weiss, 1992.
[25]*Banker and Tradesman, Annual Compreport, Suffolk County, 1993, Banker and Tradesman,* Boston, MA, 1994.

mortgage lenders that were salesmen paid on commission. And when they got hungry they needed to come up with buyers and transactions."[26]

Crutchley's analysis of how so many problem transactions slipped through the mortgage lending system, in many cases to be purchased by Fannie Mae or Freddie Mac, is a story about how the mortgage market has changed in the past two decades. The move from a local system to a national one, from a market controlled by local lenders with local knowledge to one dominated by Wall Street and by a series of other players without an understanding of local property markets, is a part of the explanation for the situation that we see in Dorchester today. The next two chapters will outline these changes in the mortgage market and offer some insight into how these changes affect neighborhoods such as Dorchester.

Chapter Three will provide some background and history on the secondary mortgage market. In Chapter Four, I will discuss the "unbundling" of the mortgage market and how the large institutions that affect all cities, towns and neighborhoods where property is bought and sold have changed over the past two decades. Finally, in the conclusion I will talk about the special nature of the Dorchester real estate market as compared to other markets such as Somerville, and offer a model for how these large, macro-level institutions have such a negative effect on the micro-level of Dorchester's neighborhoods and houses.

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[26]Interview with Jonathan Crutchley, April 13, 1994.

# CHAPTER THREE
## *The History and Function of the Secondary Mortgage Market*

### Overview

In the United States, the housing finance system consists of two separate mortgage markets, a primary market and a secondary market. In the primary market, borrowers who want to buy residential property for occupancy or investment receive their funds from a mortgage banker or savings institution. The secondary mortgage market is the capital market system under which mortgages are bought and sold by savings and loans, commercial banks, mortgage bankers and institutional investors. Upon their sale, mortgages are either held in portfolio by the investor or securitized and sold to other investors.

By providing a market for mortgages and mortgage-backed securities, the secondary market accomplishes two main goals. First, the market provides liquidity to mortgage lenders. Second, by replacing local lenders as the sole providers of mortgage capital, the secondary market assists in the geographic spread of mortgage capital around the nation.

The secondary market is dominated by three major players: Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and Government National Mortgage Association (Ginnie Mae). Fannie Mae and Freddie Mac are both federally chartered private corporations, also known as government-sponsored enterprises (GSE's), and Ginnie Mae is a government-owned corporation under the auspices of the Department of Housing and Urban Development (HUD). Although there are increasing numbers of private corporations that compete with these agencies for market share, the bulk of the mortgages sold on the secondary market are purchased by

one of these three agencies. For a chart demonstrating the role of the secondary market, please see Exhibit Seven.

Fannie Mae was the original secondary market agency, chartered as a government corporation under the National Housing Act of 1938. The agency was chartered to provide an investment market for mortgages insured by the Federal Housing Administration and Veterans' Administration, most of which were originated by mortgage bankers as opposed to depository institutions. Since 1972, when the federal government decided that it wanted to create a market for conventional mortgages and gave Fannie Mae the authority to purchase them, Fannie Mae has bought from savings institutions as well. Around half of Fannie Mae's annual purchases, financed either from equity or from bond issues, are for its own portfolio. The other half are in mortgage-backed securities.

In 1968, when the federal government converted Fannie Mae into a private corporation, it created Ginnie Mae to fulfill some of the special functions that Fannie Mae could no longer fill. Ginnie Mae does not purchase mortgages, but guarantees mortgages insured by FHA and VA, and converts them into "pass through" securities. These securities are backed by a pool of mortgages, and interest and principle payments are literally passed through to the investors. Because Ginnie Mae is actually an arm of the federal government, and therefore the agency's securities are backed by the "full faith and credit" of the U.S. government, these securities are especially desirable to investors.

The third major secondary market agency, Freddie Mac, is also a privately-held, publicly chartered corporation. Created under the Emergency Home Finance Act of 1970, the agency's mission was originally to provide a secondary market for mortgages originated by savings and loan institutions. Unlike Fannie Mae, Freddie Mac does not purchase mortgages for its own portfolio but rather securitizes all of its purchases.

Although Fannie Mae's and Freddie Mac's government sponsorship does not actually include government backing of their securities, the corporations are entitled to borrow from the U.S. Treasury. The companies enjoy other privileges as well, including exemption from state and local income taxes on their earnings and exemption from registering their securities with the Securities and Exchange Commission (SEC). According to the *Wall Street Journal*, "[t]he Treasury estimates these exemptions are worth $2 billion to $4 billion annually--benefits also shared by shareholders and by homebuyers."[27] The corporations' close relationship with the federal government arguably leads to a perception in the capital markets that Fannie Mae and Freddie Mac securities and debt instruments are safer investments than other issuers of similar securities, and therefore gives them a competitive edge over other players in the marketplace.[28]

**Products**

The investment products bought and sold by the secondary markets take a variety of forms:

- Whole Loans. A whole loan sale involves the transfer from a bank to an investor or to the secondary market of 100 percent of a loan or a pool of loans that are unsecured. Fannie Mae also sells some whole loans. Prior to the development of the secondary mortgage market and the security and bond instruments developed by the market, whole loans were the only way to invest in mortgages. They are considered an imperfect investment because they involve lengthy documentation processes when all the loan documents are transferred to an investor, because they are unsecured by

[27]Kenneth Bacon, "Attempt at Tighter Regulation, Lobbying Softens Bill Pushed by Critics Who Assail Implied U.S. Guarantee: Do Taxpayers Face Exposure?", *Wall Street Journal,* June 19, 1992, Sec. A, p. 1+.

[28]United States Treasury Department, *Report of the Secretary of the Treasury on Government Sponsored Enterprises*, May 1990, pp. A-15-A-16.

government backing, and because each loan's unique nature makes it hard to evaluate the quality of the investment.[29]

- Participation Sales. In a participation, an investor or the secondary market buys a share in a mortgage or a pool of mortgages, but the originating lender retains an ownership interest in the mortgage or mortgages being sold. Typically the investor will assume anywhere from a 50% to a 90% share, but the key difference between a whole loan and a participation is that with a participation the originating lender retains the fiduciary responsibility for the loan rather than passing it on to the investor.[30]

- Mortgage-Backed Securities. A mortgage-backed security (MBS) is formed when a group of mortgages with similar interest rates and sizes are pooled. Much of Fannie Mae's and Freddie Mac's business is made up of the MBS that each company creates. An investor who purchases an MBS receives an interest in the mortgage pool and receives monthly interest and principle payments from the security. MBS's are made more attractive to investors because they usually carry some sort of credit enhancement such as pool insurance or private insurance.[31] Also, while loans are often pooled according to common characteristics such as principal amount and interest rate, an MBS is considered a less risky way to invest than a whole loan, because the

[29]In his book Liar's Poker, Michael Lewis talks about the investment banking house Salomon Brothers' entry into the whole loan sales market. Lewis notes that because of the huge volume of whole loans flooding the market, and because Salomon Brothers stood to make a great deal of money as the only investment banking house prepared to participate in the mortgage market, the firm's traders did not check on each of the loans they bought, assuming that their profits would be so large as to offset any bad loans that might slip through. Although they turned out to be correct about the profits, this eagerness to purchase loans without taking the time to evaluate them perhaps set a precedent in the secondary mortgage market. Because the thrifts whose loans they were then had Fannie Mae or Freddie Mac guarantee them, it was possible to then sell the loans to Salomon Brothers' clients, who could buy the loans confidently knowing that either a GSE or a thrift held the credit risk on the loan. Michael Lewis, *Liar's Poker: Rising Through the Wreckage on Wall Street,* New York, Penguin Books, 1989, p. 107.
[30]Dall Bennewitz, *Introduction to the Secondary Mortgage Market: A Step Beyond,* U.S. League of Savings Institutions, 1989, pp. 24-25; Lynn S. Powell, *Secondary Mortgage Market Basics*, Washington, DC, Mortgage Bankers Association of America, 1990, p. 7.
[31]Bennewitz, pp. 31-32; Powell, p.7.

loans in the pools are usually diversified in terms of geography, borrower credit histories and quality of real estate collateral.[32] Finally, mortgage-backed securities can take a wide variety of forms, but they are all based on the principle of diversifying risk through pooling loans.

During the late 1970's and early 1980's, the role of the secondary mortgage market increased dramatically, and the role of Wall Street investment bankers especially influenced that growth. In order to understand how the secondary mortgage market grew to its current proportions, it is important to understand the crisis during this time period that befell the savings and loan institutions, which since the Depression era had dominated the primary mortgage market.

**Relationship with Thrift Institutions**

Chartered in 1936, the savings and loan institutions, or thrifts, were founded to "encourage family thrift and home ownership." The business of the thrifts has traditionally followed this dual mission; they take in deposits in the form of savings accounts and lend out money in the form of mortgages. The problem with this combination of activities is that savings accounts, which historically made up the bulk of the thrifts' liabilities, have a fixed interest rate for the depositor, traditionally around 6%, but no fixed date of maturity, because the depositor can remove all or part of the money from a savings account at will. At the same time, most of the thrifts' assets were in mortgages, which are long-term and have fixed dates of maturity.

Thrifts traditionally profited by loaning mortgage money at a higher rate than they paid out to depositors. However, if short-term interest rates rise quickly, as they did in 1979, this scheme fails, because the thrifts have to borrow money at a higher interest rate than they

[32]Powell, p. 29.

can lend it. To make matters worse, the long maturity time of mortgages means that even if long-term rates rise, most of the thrifts' assets continue to be in their older, lower-yield mortgages. When Federal Reserve Chairman Paul Volcker wanted to slow inflation in 1979, then, he simply hiked interest rates, which made the thrifts stop lending and resulted in the desired effect of slowing the economy but also caused the failure of nearly a quarter of the nation's savings and loans.[33] In addition, the thrifts faced the loss of many depositors from disintermediation, which happens when customers remove their savings from depository institutions because it is more profitable to invest elsewhere.

Depository institutions like S & Ls and commercial banks are known as financial intermediaries, because they take their depositors' money and invest it in securities like bonds, stocks or mortgages. For the depositor, the guaranteed interest rate and convenience of a savings account has traditionally made that an appealing way to save money. However, when interest rates spike as in 1979, consumers take their money and invest it in money markets, because primary investment becomes a much more lucrative way to earn interest than a savings account would be. The S & L's were further restricted from raising their interest rates to compete with the money markets by Regulation Q, part of the Banking Act of 1933.[34]

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[33]Lewis, p. 100.

[34]L. Ritter and W. Silber, *Principles of Money, Banking and Financial Markets*, New York, Basic Books, 1991, pp. 95-96. Ultimately, the Reagan administration's 1981 deregulation of the thrifts and other banking institutions phased out these interest rate restrictions as well as restrictions on NOW and money market accounts which the thrifts argued they needed to be able to offer in order to retain their customers.

## Growth

This precarious situation meant that in the early 1980's, America's thrift institutions were badly in need of cash. The combination of high interest rates and decreased deposits made the S & L's highly illiquid. In the late 1970's, Wall Street had just begun to get into the business of trading mortgages in the form of mortgage bonds, but the standstill in the mortgage lending business brought Wall Street's new product to a halt. When Congress passed a law in 1981 allowing a substantial tax break for thrifts who sold their mortgages and took losses, thrifts turned to Wall Street for liquidity and began to buy and sell mortgage loans in huge volume. In addition, the Wall Street firm of Salomon Brothers, which pioneered the secondary mortgage market, began to convince its clients that mortgages were a good investment, thereby creating a market for their mortgage products.

By creating a strong investment market for mortgages, Wall Street effectively restructured the American mortgage market. The following table illustrates the growth in the secondary mortgage market as a result of the rapid increase in sales volumes:

**Table 3.1**
***Total Residential Mortgage Obligations, Originations and Secondary Market Activity***
(Billions of Dollars)

| | **Total Residential** | | **FNMA + FHLMC + GNMA** | | |
|---|---|---|---|---|---|
| **Year** | Outstanding Debt | New Debt (Originations) | Outstanding | % of Residential Debt | Purchases |
| 1970 | 324.4 | 44.4 | 16.4 | 5.1% | 5.9 |
| 1975 | 541.0 | 88.6 | 56.8 | 10.5% | 13.2 |
| 1980 | 1011.6 | 146.3 | 173.2 | 17.1% | 32.0 |
| 1985 | 1517.4 | 280.6 | 479.2 | 31.6% | 135.1 |
| 1989 | 2420.7 | 388.9 | 991.8 | 41.0% | 228.4 |

Source: U.S. Treasury Department, Report of the Secretary of the Treasury on Government Sponsored Enterprises, p. B-18.
Note: This data lumps together single-family (1-4 units) with multifamily (5+ units) mortgages.

As the table illustrates, the amount of money in mortgages overall skyrocketed during the 1970's and 1980's. Outstanding debt increased from $324.4 billion in 1970 to $2420.7 billion in 1989, an increase of more than 700%. Secondary market activity also exploded. The share of residential debt bought by the three government-sponsored enterprises went from just over 5% of outstanding mortgages in 1970 to more than 40% of them in 1989. In addition, if growth can be measured by the amount of money spent on mortgage purchases, the three enterprises spent barely $6 billion in 1970 as compared to nearly $230 billion in 1989. Finally, outstanding mortgage purchases rose from $173 billion in 1980 to nearly $1 trillion by 1989.

In addition to boasting high volume, the two corporations have also generated tremendous profits. In 1991, Fannie Mae's earnings reached $1.36 billion while Freddie Mac's were at $555 million, and according to the *Wall Street Journal*, the companies' returns on equity are "two or three times the average for financial firms." Finally, as of 1992, the price for a share of Fannie Mae stock was $57.625, as compared to $2.375 just ten years earlier.[35]

The growth and profitability of these two agencies also translates into power both in the marketplace and in the political arena. For example, although it may be argued that Salomon Brothers was instrumental in launching the explosive growth of Fannie Mae and Freddie Mac during the early and mid-1980's, Salomon Brothers' plays a greatly diminished role in the mortgage markets today. According to the *Wall Street Journal*, Fannie Mae cut much of its business with Salomon Brothers in 1987 following Salomon's failed attempt to keep Fannie Mae from trading in Real Estate Mortgage Investment Conduits (REMICS), a highly profitable mortgage-backed security that Salomon Brothers had helped to invent. In addition, the government sponsored enterprises' power on Capitol Hill is legendary; as quasi-public corporations they enjoy the benefit of being an

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[35]Bacon, "Attempt at Tighter Regulation..." pp. 1+.

inside player at the same time that they can lobby and distribute political action committee (PAC) money like other private corporations.[36]

**Regulation**

Because of their peculiar status as quasi-public agencies, the regulation of the government-sponsored enterprises has been a subject of much debate. Currently, the Department of Housing and Urban Development (HUD) has general regulatory powers over both Fannie Mae and Freddie Mac, with the Secretary of the Treasury having approval power over the issuance of securities. While HUD has overseen Fannie Mae since its establishment as a privately-owned, publicly-chartered corporation, the agency only assumed these powers over Freddie Mac in 1989 following the passage of FIRREA. Previously, the Federal Home Loan Bank Board, abolished by FIRREA, regulated Freddie Mac. Most of HUD's regulatory powers are related to the GSEs' financial soundness and to the issuance of new stocks and bonds. In addition, HUD was traditionally supposed to require that "a reasonable portion of mortgage purchases be related to the national goal of providing adequate housing for low-and moderate-income families, ,but with reasonable economic returns to [Fannie Mae and Freddie Mac]."[37]

In 1992, the United States Congress increased HUD's regulatory powers over Fannie Mae and Freddie Mac when it passed the Government Sponsored Enterprises Regulatory Reform Act. The legislation's provisions included stricter minimum capital standards to protect against capital risk and interest rate risk.[38] In addition, the bill also strengthened affordable housing requirements with its so-called "30-30" provision. This requires that 30% of Fannie

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[36]Bacon, "Attempt at Tighter Regulation..." pp. 1+.
[37]U.S. Treasury Department, pp. A-13; B-12.
[38]"Capital risk" and "interest rate risk" are the two major types of risk that lenders and investors face. Capital risk is the risk of a given asset's failure, such as a mortgage default, in which the investor loses his or her capital. Interest rate risk is the risk of swings in interest rates, which lowers profits to investors or can even make an investor lose money.

Mae and Freddie Mac's purchases be loans made on properties in inner-city neighborhoods, and 30% be loans made on properties purchased by low-and moderate-income people; the two pools are allowed to overlap.[39] In addition, Fannie Mae and Freddie Mac will be providing Home Mortgage Disclosure Act (HMDA)-type data on loan purchases to HUD for a public-access database, although the exact content of the database is still being negotiated among HUD and the GSE's.

The tremendous growth of Fannie Mae and Freddie Mac has also led to greater standardization in the mortgage market. Both agencies provide their seller-servicers with a set of written guidelines for their relationships, covering such issues as underwriting, quality control and how to handle mortgage defaults. While both of the GSE's stress that these are to be treated as guidelines rather than as formal requirements, it is clear to most mortgage lenders that Fannie Mae and Freddie Mac set the standards for how to underwrite mortgages and which mortgages to make. Furthermore, because they know that the GSE's purchase such a large percentage of the country's mortgages, lenders have increasingly conformed their loans to Fannie Mae and Freddie Mac's standards. The relationship between lenders and the secondary markets will be explored further in the following chapter.

[39]Kenneth H. Bacon, "Senate Bill Setting New Requirements on Fannie Mae, Freddie Mac is Passed," *Wall Street Journal*, July 2, 1992, Sec. C, pp. 19+.

# CHAPTER FOUR
## *The Unbundling of the Mortgage Market and its Effect on Mortgage Lending*

As described in the preceding chapter, the hyper-development of the secondary mortgage market during the 1980's helped to bring about major changes in the mortgage lending industry. Economist Robert Van Order of Freddie Mac has described these changes as a process of "unbundling" the major functions of the mortgage lending process,[40] and his observations are echoed by lenders and other participants in the mortgage lending business. In essence, the four major functions of the mortgage market: origination, servicing, credit risk and investment, all of which prior to the 1980's tended to be held by a single entity, are now usually split between a variety of different players. This complete separation of roles and responsibilities has led to increased room for abuse within the mortgage lending system even as it has helped to create a mortgage market that runs with increased efficiency. This chapter will describe in detail the four major areas of involvement within the mortgage market, with a focus on the wide variety of individual players involved in a mortgage over its life.

### Origination

The first step in a mortgage is origination. Origination is the process in which the borrower actually gets his or her loan in the primary mortgage market. There are two major categories of mortgage originators, depository institutions and non-depository institutions. In general, depository institutions can sell directly to Fannie Mae and Freddie Mac. Non-depository institutions, many of which are mortgage companies, cannot sell directly to the secondary markets in most cases and are often known as "third party originators" because they sell their loans to banks, which then sell them to the secondary markets. A borrower may be prequalified and

[40]Van Order, Robert, Unpublished paper titled "Secondary Mortgage Markets in the United States: Their Evolution and Some Management Issues," November 1993, p. 1

referred to an originator by a real estate broker, or the borrower may shop around and find a mortgage originator on his or her own.

Real Estate Brokers. Whether or not the borrower is actually referred to a mortgage originator by a real estate broker, the realtor is usually a buyer's first stop on the trip to purchasing a house. Real estate brokerage is a fee-driven business. For their livelihood, brokers depend upon the fees that they charge to sellers, and sometimes to purchasers, in the case of buyer-brokers, of the properties that they list. Once a property is sold, the broker moves on to the next one. His or her main concern about completed deals is that they may lead to word-of-mouth referrals if the client is pleased with the broker's ability to move a piece of property. The broker's lack of involvement over the life of a mortgage loan may make some brokers vulnerable to the temptation of providing questionable information on borrowers.

In one example, Fannie Mae Vice President of Mortgage Lenders and Credit Standards Bob Englestad described a meeting that he had held with a group of real estate brokers from Boston in 1991. When one of the brokers mentioned the group's concern about the large number of investor-owners whose 1-4 family properties had been foreclosed upon, Englestad pointed out that Fannie Mae's records showed that investor-owners of 1-4 family housing in Massachusetts actually had lower default and delinquency rates than did owner-occupants of similar housing (see chart below).[41] Engelstad says that the brokers laughed and said, "'Do you mean that you actually

[41]***Serious Delinquency Rates (90+ Day and in Foreclosure)***
***Fannie Mae, 1991***

| # of Units | Investor & Owner-Occupied | | Owner-Occupied | |
|---|---|---|---|---|
| | Massachusetts | U.S. | Massachusetts | U.S. |
| One | 1.14 | .64 | 1.13 | .64 |
| Two | 2.22 | 1.81 | 2.26 | 1.21 |
| Three | 5.19 | 2.19 | 5.28 | 2.29 |
| Four | 5.78 | 1.61 | 7.06 | 1.81 |

Source: Federal National Mortgage Association.
Note: This chart suggests that owner-occupied mortgages had a higher rate of foreclosure than investor-owned mortgages; these are the numbers that the real estate brokers were disputing when they alleged that there had been fraud.

believed that those loans were all owner-occupied loans?'" At that point, Engelstad realized that the buyers had misrepresented their occupancy status, with the full knowledge of the brokers, who ultimately passed that false information on to the secondary markets and investors once the loans were sold.

Categories of Mortgage Originators. In Massachusetts, as described above, both depository institutions and non-depository institutions may originate mortgages. Although there is a spectrum of institutions within these categories that make mortgage loans, for the purposes of this thesis I will focus mainly on the contrast between full depository institutions, which are traditional mortgage lenders, and mortgage brokers. During this discussion I will use the term "banks" to refer to depository institutions and "mortgage companies" or "third-party originators" to refer to mortgage brokers. Depository institutions may either sell loans to the secondary markets or hold them in their own portfolio, while mortgage companies must sell all of their loans to investors or to other banks who then sell them to the secondary markets. Until January 1, 1992, only depository institutions were subject to regulation in Massachusetts, but as a result of abuses documented by Attorney General Scott Harshbarger and others during investigations the second mortgage scam, other types of mortgage originators have also become subject to the state's regulatory power.

According to Steve Sousa, Executive Director of the Massachusetts Mortgage Bankers' Association, the numbers of players in the mortgage market has shifted dramatically since the mid-1980's. Sousa believes that the number of banks originating mortgages was at its peak in the years 1986 through 1988, prior to the wave of bank failures and consolidations that has taken place since 1989. At that time, according to Sousa, the third-party origination business was just beginning to grow in Massachusetts.

Sousa estimates that during the mid-1980's, banks held around 40% of the mortgage origination business, with mortgage brokers holding 30% and other institutions holding the rest. Since that time, the market shares have shifted. The banks' share has shrunk to 30% or so, with mortgage brokers picking up the banks' share. In addition to obtaining a larger portion of the market share, Sousa believes that the actual number of mortgage companies has grown in Massachusetts during the early 1990's, with many of them active in the refinance business since interest rates dropped in 1991. In 1993, under the new regulatory legislation, there were 2000 licensed lenders of various kinds in Massachusetts, with 1530 banks and 300 licensed mortgage brokers.[42]

Other Players in the Origination Process. Regardless of the type of organization that originates the mortgage, there are several other players who will likely have a role in collecting, verifying and providing the information necessary to decide whether the borrower should receive a mortgage, for what amount and under what terms. First, the originator will use the services of an appraiser, either from its own staff or on a contract basis. The appraiser's job is to determine the value of the property. He or she performs this task by inspecting the property, taking photographs of it from all three sides and providing comparative sales prices for recent local sales. Appraisals are another area with potential for error and abuse.

Jeff Beck, an assistant vice president of commercial lending at Hibernia Savings Bank in Quincy, worked as an appraiser during the 1980's. He noted that the attitude of some mortgage originators was: "Don't tell us the value (of the property); we'll tell you the value." He described one occasion on which he had appraised a property and taken pictures that showed iron anti-theft bars covering the left-side first floor windows. When he brought the pictures to the mortgage company that was writing a loan for the property, he was asked to "'retake the left side picture from another angle that wouldn't show the bars.' These kinds of things happened all the time,"

[42]Interview with Steve Sousa, Executive Director of the Massachusetts Mortgage Bankers' Association, March 18, 1994.

says Beck. "If you wanted their business, you had to do it their way." Beck says he decided he didn't want the work badly enough to behave dishonestly, and gave up working for that particular mortgage company.[43]

Another player in the mortgage origination process is the title attorney. The title attorney's job is to research the history of transactions on the property in order to ensure that no individual other than the property's seller can claim to own the property. Because the title attorney, his or her staff or subcontractor sees all of the prior sales on the property, he or she is in an ideal position to identify land flips or other signs of false value in a property. However, the full history is usually not provided in the loan documentation; both Bob Englestad at Fannie Mae and Andrea Stowers at Freddie Mac report that whether full title history is actually part of the loan documentation is up to the individual loan seller. A certification of title is usually considered sufficient evidence that title is clear. Thus, although title searches are a required part of any mortgage origination process, the actual information generated by the title search is likely to be seen by nobody involved in the mortgage process except the title attorney.

In addition to title and appraisals, there is a standard set of information that a borrower is generally required to provide in order to obtain a mortgage. Fannie Mae and Freddie Mac provide the identical application form to their sellers. Required information includes: value of property, type of residence (primary, vacation home, investment), borrowers' employment and salary history and verification, borrowers' assets and liabilities, and details of the property transaction. For investment properties, the secondary markets also require comparable rent schedules. Fannie Mae has also recently begun to require that borrowers provide information on whether they own other properties; the corporation will not purchase loans on 1-4 unit buildings made to borrowers who own more than four properties.

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[43]Interview with Jeff Beck, Assistant Vice President of Commercial Lending, Roger Meade, Vice President of Mortgage Lending, and Robert Pyne, Assistant Vice President of Servicing, Hibernia Bank, Quincy, MA, March 10, 1994.

Underwriting. The next step of the mortgage origination process is underwriting, in which the information provided in the loan documentation is analyzed and verified. Lenders need to verify sources of downpayment funds, confirm employment, analyze the borrower's credit history and calculate debt-to-income ratios. If the loan has been originated by a mortgage banker or mortgage lender, the underwriting will take place in the same institution. If, however, the loan is originated by a mortgage broker and then sold to a lender or banker, the underwriting process becomes crucial if the new institution is concerned about quality of the loans that it buys and sells. While Fannie Mae and Freddie Mac provide guidelines for what is acceptable and what is not acceptable, there is much room for lenders to make their own judgments and allow exceptions.

Roger Meade, the vice-president of mortgage lending for Hibernia Savings Bank in Quincy, says that he has learned to be very scrupulous about underwriting the loans that his bank purchases from originators. Says Meade, "I've got underwriters working for me and my job is to rip the pieces out of them. I tell my underwriters to tear every one of those loans apart and put them back together so at least they understand them." Meade says he is aware that originators have a different set of motivations than bankers like himself. First, he points out, originators have to be concerned about their volume, because they generally work on commission, unlike bankers who collect a salary even on a slow week. Secondly, he believes that originators are not likely to have any allegiance to the company for whom they work. He recalls that during the mid and late 1980's, when there was a great deal of activity in the mortgage market, originators who were working for him would routinely quit without giving him notice if another lender or banker offered the originator more money for his or her loans.[44]

Jeff Beck of Hibernia points out that while banks like his have survived in part because of their prudent underwriting, that was not the case for many lenders in the late 1980's. Says Beck:

[44]Meade, March 10, 1994.

> You could close a mortgage and get 50 basis points for your fee- on a $200,000 mortgage that would be $1000. Then, you could sell and get your principle back on the spot plus a point or more in profit, plus fees. By the time you were done you could have made $6-10,000 from that one loan. You're not going to let a little underwriting stand in the way of making so much profit! The loan is just a vehicle to get profit in your pocket. You don't care about the buyer, or the tenants, or the people who live there.[45]

The ability, then, to make profit on a loan on the front end, without needing to be involved with the loan over the long term, allowed those originators who so chose to ignore questions about the ability of a given loan to perform over the long term. While Hibernia's close attention to underwriting has helped them to avoid taking on many bad loans, other lenders have not been so lucky. According to Ann Schnare, Vice President of Housing Economics at Freddie Mac, her company has seen a noticeably higher default rate among loans originated by mortgage brokers than among loans originated by bank.

The fact that a large number of loans sold to Fannie Mae and Freddie Mac each year are not actually originated by the institutions that sell them, then, raises questions about the secondary markets' ability to control for quality or to force their sellers to control for quality in the loans originated by mortgage brokers. Both companies require their sellers to run quality control processes to check samples of the loans they purchase and sell, and Freddie Mac actually maintains a blacklist of individuals with whom it refuses to do business either directly or as principals of the company's seller-servicers. Fannie Mae, however, neither maintains such a list nor makes any specific proscriptions about its sellers' relationships with third-party originators, saying that those relationships are between the sellers and their originators. If in fact it is third-party origination that is one predictive factor for delinquency and foreclosure, this loose policy may offer loopholes for questionable loans to slip through.

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[45]Beck, March 10, 1994.

**Servicing**

Once the loan is underwritten and approved, it can then be packaged for sale to Fannie Mae, Freddie Mac or one of their competitors. At that point, the institution selling the loan has the choice of whether to sell the loan "servicing retained" or "servicing released." If the seller retains servicing on a given loan, then that organization will collect payments from the borrower, remit payments to the secondary market purchaser, and will be responsible for handling any delinquencies or other problems that may arise. A lender that sells a loan with servicing released will contract with another company, often in another part of the country from both the lender and the loan, to collect payments, remit payments and handle questions, delinquencies and defaults. Thus, not only is the servicing of the loan increasingly likely to be separate from the actual credit risk associated with ownership of the loan, but it is also likely to be a function that is separate from both origination and sale of the loan.

There are a variety of opinions on whether retention vs. release of servicing is a good predictor of a loan's likelihood of default. The highly automated and technology-based nature of loan servicing over the past few years has helped to bring down the costs of mortgages; as Freddie Mac's Ann Schnare points out, the spread between the cost of capital and the actual cost of a mortgage has become increasingly narrow in the past few years.[46] However, there is the question of whether highly automated servicing firms, which are often based in locations remote from the loans they are servicing, have the capability to help individual borrowers work out problems with their mortgages, or even to identify those problems before they become severe. While neither Fannie Mae nor Freddie Mac has reported higher delinquency rates for sellers who release servicing, Freddie Mac's Director of Affordable Housing, Andrea Stowers, believes that "(t)he servicing industry is not very well-developed. Servicing systems on the single-family side are not

[46]Schnare, March 14, 1994.

set up to deal with problems. They are just set up to spit out a notice at 15 days and 30 days, not to pick up a phone."[47]

The Fannie Mae and Freddie Mac guidelines confirm that the secondary markets do not expect the servicer to simply terminate delinquent mortgages. Both sets of guidelines for servicers offer workout options that include temporary indulgences, refinancing, and preforeclosure sales. The secondary markets also provide guidelines for how to contact a borrower that is in default, with the expectation that the servicer will contact the borrower first by letter, then by telephone, and finally in person. However, because these are guidelines rather than rules, the servicer can really decide for itself how to handle a delinquent loan. The easiest option may simply be to foreclose, since it is the secondary markets and not the servicer who will take the loss.

The bankers at Hibernia Savings Bank believe that their own ability to avoid problems with delinquencies and foreclosures has been strongly linked to their own choice to retain servicing on all of their loans, both those that they keep in portfolio and those that they sell on the secondary markets. The bank has even sued other lenders in order to take over the servicing on loans that the other lenders have sold to Hibernia, because in their experience "they handle their own money better than they handle ours."[48]

At Hibernia, Robert Pyre is the assistant vice president for loan servicing. He has serviced loans at Hibernia or other banks for 19 years. Hibernia's delinquency rate on the loans that it has sold to Fannie Mae and Freddie Mac is currently zero. Pyre and his colleagues attribute their success to several factors related to the bank's retention of servicing. First, both Beck and Meade agree that Pyre is an expert at servicing loans, saying that "Bobby knows that loans are going to be

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[47]Schnare, March 14, 1994.
[48]Beck, March 10, 1994.

delinquent before they are."[49] Pyre's experience has taught him how to look for indications that a borrower may become delinquent so that he can take care of the problem early on.

Secondly, Roger Meade believes that Pyre's presence at the bank helps to keep him scrupulous when he approves loans, saying that "(i)f I make a crummy loan, Bobby will come to my office."[50] For Hibernia Savings Bank, then, having the servicer right there in the office makes a difference in the actual quality of the loans that are made and sold to Fannie Mae and Freddie Mac.

Finally, Pyre believes that most servicers, particularly servicers that do not play a role in other aspects of the mortgage business, do not take full advantage of the fairly loose guidelines provided by Fannie Mae and Freddie Mac. He attributes his success at preventing delinquency to his willingness to make personal contacts with delinquent borrowers and to offer them the range of workout solutions that the secondary markets allow.

**Credit Risk**

After a loan is sold to Fannie Mae or Freddie Mac, these two agencies usually assume the credit risk, should the borrower default. This is a change since 1989; before that time, the credit risk sometimes stayed with the lender. Although the secondary markets' contracts with their seller-servicers include an automatic buyback provision, Fannie Mae and Freddie Mac can only require a seller to repurchase a loan if it can be proven that the loan was fraudulently or negligently underwritten. Fannie Mae's Bob Englestad estimates that around 90% of loan defaults have no problems in their underwriting and have gone bad for other reasons. While 90% may sound like a healthy majority, this means that fully 10% of the loans that the corporation has foreclosed on have had problems in their underwriting. Taken one step further, this means that in 10% of the cases where loans have gone bad, a lender was either negligent or committed fraud. Finally, if the

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[49]Meade, March 10, 1994.
[50]Meade, March 10, 1994.

number is 10% across all foreclosed loans, the number could be much higher in particular neighborhoods that have suffered heavy foreclosure losses, such as Dorchester.

Because Fannie Mae and Freddie Mac need to rely on the honesty and capability of so many different players to ensure the quality and long-term performance of the loans that they purchase, the GSE's have developed quality control systems to evaluate both loans and sellers and have also developed quality control requirements that they expect their lenders to follow on the loans that they buy and sell. Although Bob Engelstad states that Fannie Mae has not made many changes to its quality control processes, the bankers, trade association and secondary market employees interviewed for this thesis agree that Fannie Mae and Freddie Mac have tightened their quality control processes following the wave of delinquencies and foreclosures in the late 1980's and early 1990's.

Fannie Mae enforces its underwriting standards in several ways, according to Bob Englestad. First, the agency is "cautious about who we buy from."[51] This caution may be a reaction to some of the defaults that Fannie Mae suffered on loans that the corporation bought in the late 1980's. Both Steve Sousa and the bankers at Hibernia agree that Fannie Mae and Freddie Mac purchased loans from sellers, particularly loans originated by mortgage companies, with whom they would almost certainly not work today.

Second, Fannie Mae conducts underwriting reviews. Some reviews are conducted on a discretionary basis while other loans are chosen at random for review. The agency reviews around 4-5% of all of the loans that it purchases at random, while it selects its discretionary loans based upon the lender, the mortgage product or the market. Englestad says that usually his staff selects discretionary loans based upon the lender, particularly if Fannie Mae has observed that the lender has a history of delinquent loans or other problems. In addition, the agency checks the

[51]Englestad, March 14, 1994.

underwriting for all problem loans. There are three points at which Fannie Mae's underwriters will check to understand how a problem loan was underwritten: the first check will take place 30-60 days after the purchase of the loan if the borrower is late, the second during the first six months if there is an "early payment default" and the third takes place at foreclosure. All defaults and foreclosures have their underwriting examined by Fannie Mae, unless there is a job loss, illness or other obvious explanation for the borrower to default. These checks on foreclosed loans have not always been part of Fannie Mae's practice; the corporation began checking all foreclosed loans in 1985 and has started examining early payment defaults just within the last two or three years.

In addition, Fannie Mae audits its sellers and servicers as institutions. There are three types of audits. First, Fannie Mae may conduct reviews of the lender's administration on either a random or discretionary basis. Second, the corporation has a home office audit team, which operates mainly on a discretionary and occasionally on a random basis. Third, Fannie Mae sometimes reviews loan origination practices on a discretionary basis. When Fannie Mae conducts on-site operational reviews of its lenders, it examines all of the seller's practices with regard to origination, quality control, servicing and its other activities. Englestad notes that in keeping with the spirit of the guidelines, they do not look for the seller-servicers to follow specific rules so much as they look at how they follow the practices that they have set out for themselves. For example, since some institutions do all their origination in-house while others wholesale their origination, Fannie Mae does not judge an individual seller-servicer by its type of origination but rather how the institution controls for quality. Typically, on-site auditors will also ask to see the institution's quality control system, to examine some loans that have come through the system, and to understand what steps the institution has taken to remedy errors or problems that show up during quality control.

Other information that Fannie Mae seeks in a review of an institution includes, for a random sample of the random portion of the loans reviewed, reverification of all credit information provided by the loan's seller. In the case of discretionary loans, the initial or "desk" review will determine how often the agency will go beyond checking that required information exists in the loan's file. In cases that have missing or questionable information, the agency may order a new credit report or a field review of the appraisal. In addition, Fannie Mae may check the comparable sales to verify that they are real and to see whether there are better matches than the original comps provided.

While the information that Fannie Mae examines for both loans and institutions has not changed significantly since the 1980's, technology now allows the corporation to aggregate and analyze more information than ever before. It can compare a given lender's track record to other lenders on the basis of size, geography, wholesaling success, retailing success, and can control for property quality, loan size and other factors. While it does track the success of lenders' wholesale operations, the company does not actually check on the success with specific third-party originators.

In addition, Fannie Mae is currently preparing to put to work a new database that will help the agency to complete its quality control functions. With the database, Fannie Mae will be able to run credit reports on borrowers as well as title searches and comparable sales. Although the title search function will alert underwriters to land flips and other questionable aspects of a property's history, Fannie Mae plans to use it mainly to detect hidden secondary financing. Hidden secondary financing is of particular concern to the secondary markets because such financing effectively raises the loan-to-value ratio on the property, increasing the risk for lenders and secondary markets.

These quality control functions represent the secondary markets' attempt to overcome the remoteness from mortgage origination, selling and servicing that the unbundling process has created. As the two agencies become more sophisticated at aggregating and analyzing information, it remains to be seen whether better information will prevent problems from arising.

**Investment**

The final group of players in the unbundled mortgage market is the investor. Investors purchase loans either directly from mortgage companies or, more often, from Fannie Mae, Freddie Mac and other secondary market entites in the form of whole loans, participations or mortgage-backed securities. Commonly, investors are pension funds, insurance companies, and other institutional investors seeking long-term, low-risk investments. Some investors buy Fannie Mae and Freddie Mac MBS because they believe that these corporations' association with the federal government makes their securities especially safe, but all investors count on the secondary markets to control for quality and to analyze accurately the credit risk in each mortgage sold as a security or other type of investment. It is questionable whether Fannie Mae and Freddie Mac have actually been able to price their securities in a way that accurately reflects the high risk of buying in an unbundled market.

**Conclusion**

The unbundled market represents a radical change from the old mortgage market, where most players had a long-term stake in the process. In evaluating the true risk level of loans bought and sold within this market, it is necessary to analyze performance incentives for different players in this new market. The secondary markets must be able to quantify the difference in risk between a loan made by a Hibernia Bank and a loan made by a Sterling Mortgage Company, and to use those calculations to guide their decisions about the prices at which they buy and sell mortgages.

## CONCLUSIONS

### *An Analysis of the Real Estate Markets in Codman Square and Some Recommendations for Action*

In this conclusion, I will try to bring together the two main pieces of this thesis: foreclosures in Dorchester and the unbundled mortgage market. I will argue that for most of the Codman Square NDC's service area, three factors, the housing stock, low-income residents and low rates of owner-occupancy, create a market that is at special risk for high rates of speculative investment leading to foreclosure and abandonment. Finally, I will make some recommendations for how Fannie Mae and Freddie Mac should change their policies in order to remove some of the existing incentives for speculative investment, in order to help prevent similar disasters from happening in the future.

### A Model for the Dorchester Market for Triple-Deckers

The unbundled mortgage market is the end result of a revolution in the institutional framework that makes up the mortgage lending business. The development of the secondary mortgage market has played a large role in the dramatic alterations that the primary mortgage market has experienced. As we have seen in the preceding two chapters, the new, unbundled mortgage market is not only highly profitable, but because of its efficiencies and increased competition among primary lenders has also made mortgage credit less expensive for borrowers. Consumers have much more choice about mortgage products and interest rates than at any time in history. All of these are positive improvements, for people in Dorchester and nationwide.

The down side, however, is that most of the players in the primary mortgage market are, and have been since the mid-1980's, driven largely by origination fees, brokers'

commissions and other up-front profits that are determined largely by the volume of loans and sales that they make. In places like Somerville, this phenomenon may contribute to an increase in foreclosures especially when particularly reckless lenders concentrate their activity in the town, but the general stability of the market helps to keep the problem from becoming overwhelming. In particular, this stability is characterized by what the real estate journalist Ada Focer has called a "home grown" demand for owner-occupied triple deckers, both from Somerville natives who wish to remain there and from households who would prefer to purchase in Cambridge but cannot afford to do so.[52]

What distinguishes Dorchester from Somerville is that the market for owner-occupancy of small multifamily properties has been steadily weakening for nearly a generation, leaving a wide opening for speculative buyers of these properties. For most of the sub-neighborhoods and sub-real estate markets that make up the Codman Square NDC's service area, with their combination of small properties, low-to-moderate income residents and low rates of owner-occupancy, this unbundled market can contribute to disaster when the institutions that determine who receives credit in a neighborhood have little or no long-term stake in the future of the neighborhood and the properties within it. The result is that even if inner-city properties and triple deckers make up a relatively portion of Fannie Mae and Freddie Mac's portfolios, problem loans on those properties are likely to be concentrated in a very small set of geographic areas. The following economic model will help to explain why it is that Dorchester is at higher risk for speculative investment.

In urban economics, the classic monocentric model of competition[53] for housing purchases says that every household makes a simple trade-off between housing costs and commuting costs when deciding how much to bid on the unit of housing that the household will

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[52]Conversation with Ada Focer, May 10, 1994.
[53]Arthur O'Sullivan, *Urban Economics, Second Edition,* Homewood, IL, Richard Irwin, Inc., 1993, Chapter 8.

occupy. In general, land is assumed to be cheaper as one moves farther from the city, so larger units of housing (i.e., houses as opposed to apartments, or houses with larger lots) are assumed to be cheaper in the suburbs than in the city. In addition, the monocentric model assumes that as people's incomes rise, they undergo an "income effect" that makes them want to buy more housing as their salaries rise.

In 1956, the economist Charles Tiebout[54] expanded upon the monocentric world by proposing his theory of pure public goods. In Tiebout's world, consumers of housing not only consider housing and commuting but also consider a bundle of goods and services provided by the area in which they buy (or rent) their home. What these two models suggest, then, is that the wealthy will be inclined to bid on housing outside the city because the poor will not be able to bear the high level of commuting costs required to live in the suburbs, and the wealthy will win those bids for suburban housing. Second, the poor will win bids for housing inside the city, since their inability to pay commuting costs as well as their inability to compete with wealthy people in the suburbs will leave them with the city as their only housing location choice. Finally, if the poor and even the middle class are also minorities, discrimination in suburban towns (and in some urban neighborhoods) may also play a role in restricting their housing bids to specific inner-city neighborhoods.

Although poor people and minorities often have to compete for a stock of housing that is a) low in quality and b) an insufficient number of units to house them, the monocentric model argues that they will largely compete against each other when they bid on housing in the city. In neighborhoods like Dorchester, however, we need to introduce another player into this housing market model, namely, investors in properties. Because housing finance is divided by the secondary markets and therefore the primary markets into two

[54]Charles Tiebout, "A Pure Theory of Local Expenditures," *Journal of Poltical Economy*, October 1956.

categories, single-family (one-to-four units), and multifamily (more than four units), and because investors can get mortgages in either category but owner-occupants can only get mortgages in the one-to-four category, homeowners compete with investors in the one-to-four family category. In particular, investors are most likely to bid for fours, threes, twos and ones in that order, and homeowners go in the opposite direction, because investors prefer a larger income stream and more "rentable" units, and because homeowners prefer to get as close to the single-family home as they possibly can.

When considering the Codman Square Neighborhood Development Corporation's service area in light of these various purchasers of small properties, there are two key points to keep in mind. First, the service area contains a variety of sub-markets, but for the purposes of this discussion we will focus on two major markets. One market is the market for single-family Victorians, arguably the most desirable properties in Dorchester and often located in the safest portions of the service area. This market is, and was during the 1980's, almost entirely dominated by owner-occupants, many of whom are upper-income professionals prepared to bid high for these properties. Investors are unlikely to compete in this market, because they are unwilling to bid at the level that the owner-occupants set. There are two neighborhoods in the service area, Ashmont Hill and Melville Avenue-Wellesley Park, that fit this description.

The second major market in the service area, which is far more characteristic of the Codman Square neighborhood, is the market for multifamily properties. Although in general owner-occupants prefer to bid on single or if necessary two-family properties, triple deckers have traditionally represented the least expensive way to move into homeownership, particularly for immigrants who often view multifamily properties as an opportunity to house extended families and lower-income households looking for a foothold in the world of homeownership. There are two key differences between these

two markets, differences which were especially pronounced during the 1980's. First, the owner-occupants with the most cash, the greatest likelihood of being fluent in English, and the most opportunities to gain information about the local market gravitate toward higher-value single family homes and bid largely against each other, while the owner-occupants with the smallest amount of cash, the least likelihood of fluency in English, and the fewest opportunities to gather information about the real estate market will gravitate toward triple deckers and compete with investors to buy them. Second, the owner-occupant market for triple-deckers is a fairly weak market, because the potential buyers have marginal incomes, many of the properties are in unsafe neighborhoods, buildings are often old and in need of repair, and conventional financing can be hard to obtain for a low-income buyer purchasing an older, multi-unit property in an inner-city neighborhood. The weakness of this market leaves an opening for investor-owners that simply does not exist in Dorchester's single-family market or in other real estate markets with heavy owner-occupancy.

When investors bid for housing, their participation almost certainly alters the market, for several reasons. First, investors are likely to be able to outbid owner-occupants, because if purchasing and owning rental housing is their business, they are likely to have more access to equity for a downpayment than a single owner-occupant, especially one of low or moderate income. One example of this is the so-called "low-doc/no-doc" mortgage programs of the 1980's, where for purchasers who made substantial downpayments of 50% or more, lenders were willing to grant mortgages with very little documentation provided by the borrower. In many cases, a group of investors would each put in a small fraction of the downpayment, receive a low-doc or no-doc mortgage, and end up defaulting. This cash advantage on the part of investors is particularly true in the market for triple deckers, where the poorest owner-occupants participate.

Second, bearing in mind that an efficient market with perfect competition is characterized by perfect information among all consumers, it is likely that investors have better information about the local real estate market than owner-occupants. By purchasing properties regularly over time, having connections with local real estate brokers, attending foreclosure auctions, and watching the local markets, investors are likely to have information that is superior to owner-occupants who buy property in the same neighborhood. One Dorchester realtor stated that "There is a list of a dozen or so local investors that every realtor knows, and when we need to move a property, we call them." Again, given that the triple-decker market attracts a lot of immigrants and lower-income households who may not have the ability or the connections to gather information about real estate, this market is likely to have a strong information differential between owner-occupants and investor-owners.

Because its housing market is heavily composed of twos and threes, because poverty and lack of access to credit have produced fewer native homeowners than in other neighborhoods, because public safety and other problems have discouraged middle class families from putting down roots, and because programs like HUD 235 and B-BURG have historically led to high rates of foreclosure and therefore opportunities to pick up bargain properties at auction, Dorchester has a long history of investor-owners purchasing small properties. Investors in a neighborhood like Dorchester are not necessarily detrimental to the neighborhood. Although Dorchester has always had its share of slumlords, there are also small property owners in Dorchester who buy twos and threes, fix them up, and manage them responsibly or sell them after adding substantial value to them. These people help to maintain and increase the area's stock of decent, reasonably priced rental housing. In both of these cases, the investment objectives of the owners are either to hold the property over the long term and benefit from the cash flow that the rent provides, or to sell faster but with substantial value added.

However, during the 1980's, the combination of rapidly rising home values and the increasing availability of mortgage credit allowed a new breed of investor with a different set of objectives to enter the property market in Dorchester and elsewhere. Instead of viewing housing as a residence, and a long-term investment, these investors saw it as a speculative investment like any other, to be held for as short a time as possible and sold for the highest attainable profit. If the investor misrepresented himself as an owner-occupant, he could invest with a very small capital risk on his part of 10% or so. When the investor was part of a land-flipping scam, buying and selling the property in very rapid succession, that margin of equity became smaller and smaller until he was almost entirely risking borrowed money that the investor probably did not intend to pay back.

Out of the experience of the 1980's, then, emerges two main landlord prototypes. The first is the traditional "property landlord," who buys property as an investment and holds it over the long term; seven years is considered the time horizon for most real estate investments. Property landlords can fall into two general categories: those who maintain their properties responsibly, thereby making a contribution to the neighborhood, and those who act as slumlords, holding onto properties over the long term without much attention to maintenance. In both cases, these landlords expect to profit from rent; the landlord who maintains and adds value to his property also expects to profit from increased value at the time of sale but like an owner-occupant sees this profit as the result of equity and value build-up over a relatively long time period. The other type of landlord is this new breed, the "cash landlord" whose goal is to use as little equity as possible to obtain a return on his investment in as short a time he can. The radical difference between the investment objectives of these two types of landlords is best exemplified by some research conducted by Ada Focer, who in the process of documenting transactions on houses in the Four Corners neighborhood learned from the tenants there that they did not know who

owned their building and that no one had ever collected rent from them.[55] Clearly, these property owners anticipated profits from these properties that were far bigger than the rent represented.

It can be argued that because both owner-occupants and long-term investors purchase property for the purpose of holding over a relatively long period of time, these two "bidders" on property will be willing to pay roughly the same price for their properties. Even the greater ability of investors to raise cash for equity and perhaps to have better access to information about the markets is somewhat mitigated by the fact that owner-occupants have always enjoyed an advantage because the secondary markets' loan-to-value ratios favor owner-occupants.

However, if we assume that the cash landlord had in mind a quick turnaround with a huge windfall, he would have been willing to pay at least enough to outbid the owner-occupant and the property landlord. And, if he was willing to misrepresent himself as an owner-occupant, he would erase the disadvantage presented by his higher downpayment requirement. If this happened just a few times, appraised values would go up enough to make property values rise for all buyers no matter what their intent. Furthermore, once these cash-investors sold their properties at additionally inflated prices, sometimes at arm's length and sometimes to friends or colleagues, appraised values would rise further. In other cases, mortgage companies were so desperate to do a high volume of loans that they dictated to appraisers what the values of particular properties would be. So, a market that was already on the upswing began to spiral upward even more rapidly.

Under this scenario, all bidders for properties in Dorchester were forced to pay higher prices for the homes that they purchased, and they did. By 1988-1989, however, two

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[55]Conversation with Ada Focer, May 10, 1994.

things happened. First of all, as discussed in Chapter Two, Fannie Mae changed its underwriting guidelines in 1988, which squeezed the market for 3's and 4's in particular and removed a lot of potential buyers, both investor-owners and owner-occupants, from that sector of the housing market. Second, values were at such a record high that owner-occupants and landlord-investors found it increasingly difficult to bid for these properties, and many of them simply disappeared from the market. An already thin market became even thinner, and real estate brokers, mortgage bankers, appraisers and other volume-driven players literally created transactions just to put dinner on the table every night. It is likely that many if not most of these transactions involved no downpayment at all, and that the owners of the properties purchased them never intending to make the first mortgage payment on them. The result of this process was a wave of foreclosures that has included these cash landlords as well as long-term investors and owner-occupants who held large mortgages on properties whose values have plummeted. This decline in values as well as a credit crunch made it very difficult to sell properties in the early 1990's, and the foreclosure epidemic began in earnest in 1991, and heated up in 1992 and 1993.

Now that the crash has come, as was inevitable after such inflated growth, it is the long-term investors, both owner-occupants and absentees, who are suffering from the decline in property values in the Codman Square service area. Some have lost their properties, unable to make their payments on such high mortgages. Others have lost all of their equity and are either trapped in their homes or will lose them to foreclosure eventually. The drop in equity has meant that few were able to take advantage of the refinancing opportunities that the decline in interest rates offered. Even middle-class and upper-middle class owners in markets like Ashmont Hill are suffering. Their homes have lost as much as 50 to 60% of value, and even though their higher incomes may allow them to maintain mortgage payments, they may be unable to pay other bills or save for the future.

Some observers of this market have argued that Dorchester's foreclosure problem is merely the result of an overheated market in which the institutions involved were badly burned and have since learned their lessons. They argue that the problem is gone now and that the threat of being cut off by Fannie Mae and Freddie Mac or by seller-servicers in the case of third-party originators is enough to keep mortgage originators in line. To some extent, this is true. Many of the institutions responsible for originating these loans have now failed and are gone from the marketplace. Fannie Mae deserves commendation for tightening up its quality control procedures and requirements. Banks that survived the real estate crash have tightened up their underwriting practices and are more cautious about the loans they make.

But are these things enough? I would argue not. First, the damage done to the real estate market will not be easily repaired. With crime, schools and other factors driving as many buyers as can afford it to purchase in the suburbs, the thin market in Dorchester is weakening further. Second, even if some of the worst originators have been weeded out, the individuals who worked for those organizations have in some cases resurfaced at other institutions. Third, although some of the recent foreclosure sales have led to first-time homeownership opportunities that will stabilize those properties and hopefully the streets on which they are located, history and the weakness of the market tell us that in many cases these foreclosed properties will continue to be owned by investors, who know that foreclosure sales are a great opportunity to pick up properties for very little money. We have already observed some foreclosure sales in which properties were bought for $15,000 or $20,000 and sold for double that amount in a month or so, such a small period of time that there is no way that amount of value could have been put into the property, so we must assume that a new wave of speculative buying and selling is starting in Dorchester. Fourth, the elements that have always put Dorchester at risk have not changed: low incomes, high rates of investor-ownership and a housing stock dominated

by triple deckers. Fifth, if mortgage companies trying desperately to stay afloat were in part to blame for some of the fraudulent transactions of the late 1980's, we are about to see a lot more hungry mortgage companies as interest rates rise and the refinancing wave that has kept so many mortgage companies thriving comes to an end. Finally, although Fannie Mae and Freddie Mac do maintain tight underwriting guidelines and are improving their data collection on both properties and seller-servicers, it is not clear that the secondary market agencies have identified the correct data that they need to gather in order to prevent cash landlords from gaining access to credit in the future.

**Recommendations**

Given that Dorchester, and presumably other similar neighborhoods, have the above reaction to the unbundled market, what can we do to close some of the loopholes that allow such risky transactions to slip through? The best way to accomplish this goal is to find a way to rebundle the mortgage market, or at least to replicate some of the strengths of the bundled market, the banks in particular and other players as well have a long-term stake in the real estate market of the neighborhood in which they lend and therefore watch the market carefully. As the leaders and as key beneficiaries of the unbundled mortgage market, Fannie Mae and Freddie Mac need to play a key role in any solutions to the problems of credit accessibility for speculative investors. In addition, their federal charters and their mission statements, at least on the part of Fannie Mae, suggest that they play a role in helping all Americans have easier access to housing, which therefore gives them the responsibility to deal with this problem that has increased urban blight and damaged property values for long-term investors in the inner city.

The two most important elements that need to be reintroduced are 1) accountability for the players involved in the front end of the market and 2) monitoring of the real estate market and the transactions that take place within it. At the same time, we also need to

find ways to discourage speculative investing by cash landlords. The following section will build upon these broad categories of recommendations and make some suggestions as to how these goals might be attained.

1. <u>Accountability for front-end players.</u>

Currently, there are two major ways that the secondary markets can sanction the behavior of their seller-servicers with regard to the quality of the loans that the seller-servicers originate. First, the GSEs can require that sellers repurchase loans that have problems in their underwriting. Second, Fannie Mae and Freddie Mac can cut off their relationship with a seller-servicer who repeatedly sells badly underwritten or fraudulent loans. The problem with these two methods, however, is that unless the GSEs happen to catch a problem loan through a random review, they will be unable to detect a problem until after the fact, when there is a default. Fannie Mae and Freddie Mac may be able to recoup their losses by forcing a repurchase in the case of problem underwriting, but the neighborhood is still left with a foreclosed property and all of its attendant problems.

In order to make seller-servicers truly accountable for their actions, there are two options. First, there may be an argument for "rebundling" some of the roles that are currently split up. One way to accomplish this goal is by requiring that in neighborhoods with markets like Dorchester, appraisals, origination, servicing or some combination of these functions be handled by community-based organizations or locally-invested lenders. Second, it may be a mistake for sellers to relinquish all credit risk on the loans that they sell to the secondary market. Fannie Mae is currently launching a pilot program which allows more generous loan-to-value ratios on owner-occupied 2-4's with the originating lender keeping a percentage of the credit risk; this program is worth studying to see whether seller credit risk makes lenders more interested in the long-term success of the loans that they make.

2. Data-gathering and monitoring by the secondary markets. Today's computer technology allows Fannie Mae and Freddie Mac to track more data about their loans and seller-servicers than ever before. The following are some recommendations about how to use it.

- As Chapter Four points out, Freddie Mac currently maintains a blacklist of mortgage originators from whom they will not purchase loans directly or indirectly. Fannie Mae should adopt the same practice. Both entities should be more aggressive about monitoring their seller-servicers to ensure that they do not do business with third-party originators with histories of fraudulent lending or hire those individuals into their own organizations.

- Fannie Mae currently has the capacity to aggregate loan data from its sellers that includes a breakdown of whether the loans in question were wholesale or retail loans. The institution should expand that database to aggregate data about the default rates of loans made by specific third-party originators, in order to detect situations in which bad loans are widely spread among different seller-servicers. Freddie Mac should follow the same practice.

- Although Fannie Mae's Bob Engelstad has said that the institution will soon have the capacity to do twenty-year title searches in-house on the properties for which they buy mortgages, it is not clear that Fannie Mae actually intends to use its data capacity for that purpose. Both institutions should require full title searches and all of the information contained therein to be a part of the file for any loan that they purchase. Title certification is not enough, because a full title search can reveal a lot of information about the history and real value of the property in question. For properties in high-risk areas such as Dorchester, secondary market underwriters should review this title, and just as they sometimes require that appraisals be

reconducted by a second party, they should also require additional title searches if there are questions about the original search.

- Finally, and most importantly, the secondary markets should assign a special urban data-gathering unit to detect markets that cash landlords have entered. Although it is difficult to detect a cash landlord at the time that he or she is initially borrowing, it is easy to find markets that have small multiunit properties with very rapid turnover, and that is the key sign that there is speculative activity in the market. Once the secondary markets have identified these high-risk areas, they can begin to identify specific properties, buyers and sellers that pose especially high risk or appear to be involved in land-flipping schemes. After identifying the sales that are based on rapid turnover or flipping, the unit should assign an appraisal expert to remove the artificial values represented by those sales from the list of comparable sales, and produce comparables that more accurately reflect local property values. Fannie Mae and Freddie Mac should then require that their seller-servicers adopt these more accurate property values when originating mortgages. The information gathered through this process leads into the final set of recommendations, which involves removing the incentives for speculation.

3. Creating a disincentive for speculative investment.

Since it is difficult to identify a speculative buyer at the time of investment, and because each time a given speculator borrows he or she may use a different loan officer or mortgage originator, it may not be possible to simply refuse credit to speculative buyers. Therefore, it is necessary to remove them from the market by taking away their profit motivation for being there. Creating more accurate comparables will begin to achieve that purpose by reducing the amount of the mortgage that a speculator, as well as whoever he or she plans to sell to ultimately, can obtain. However, under this scenario speculators

will still be able to access mortgage credit with a relatively small down payment. A more effective method of reducing incentives for speculation would be to require a very high downpayment of 50% or 60% for properties sold within a given period, for example one year, of their previous sale. Only by forcing speculators to risk more of their own cash will it be possible to stop them from manipulating Dorchester's residential markets for their own gain.

While the above recommendations begin to deal with the problems of a speculative real estate market, they are only the start of solving the problems of destabilization in Dorchester's housing market. The Codman Square NDC and other local organizations with the help of the City of Boston and the State of Massachusetts have much work to do to bring some of the local housing stock back on line as first-time homebuyer opportunities, long-term investments or mutual housing associations. Owner-occupants and struggling small landlords in the neighborhood need access to capital to repair their properties. With a comprehensive approach that deals with the existing foreclosed and abandoned stock but also understands how to prevent the systemic problems in the real estate and capital markets from creating another cycle of speculation, foreclosure and abandonment, the institutions that play a role in the operation of Dorchester's real estate market can help it to become healthier.

## Exhibit One

## Map of Dorchester's Neighborhoods

**3** LOCATION OF NEIGHBORHOODS IN DORCHESTER

NEW MARKET SQUARE

EDWARD EVERETT SQUARE.

COLUMBIA POINT

UPHAMS CORNER

MEETING HOUSE HILL

SAVIN HILL

MT. BOWDOIN

FIELDS CORNER

FRANKLIN FIELD

POPES HILL

NEPONSET

CODMAN SQUARE.

ASHMONT

CEDAR GROVE

MATTAPAN

LOWER MILLS

# DORCHESTER

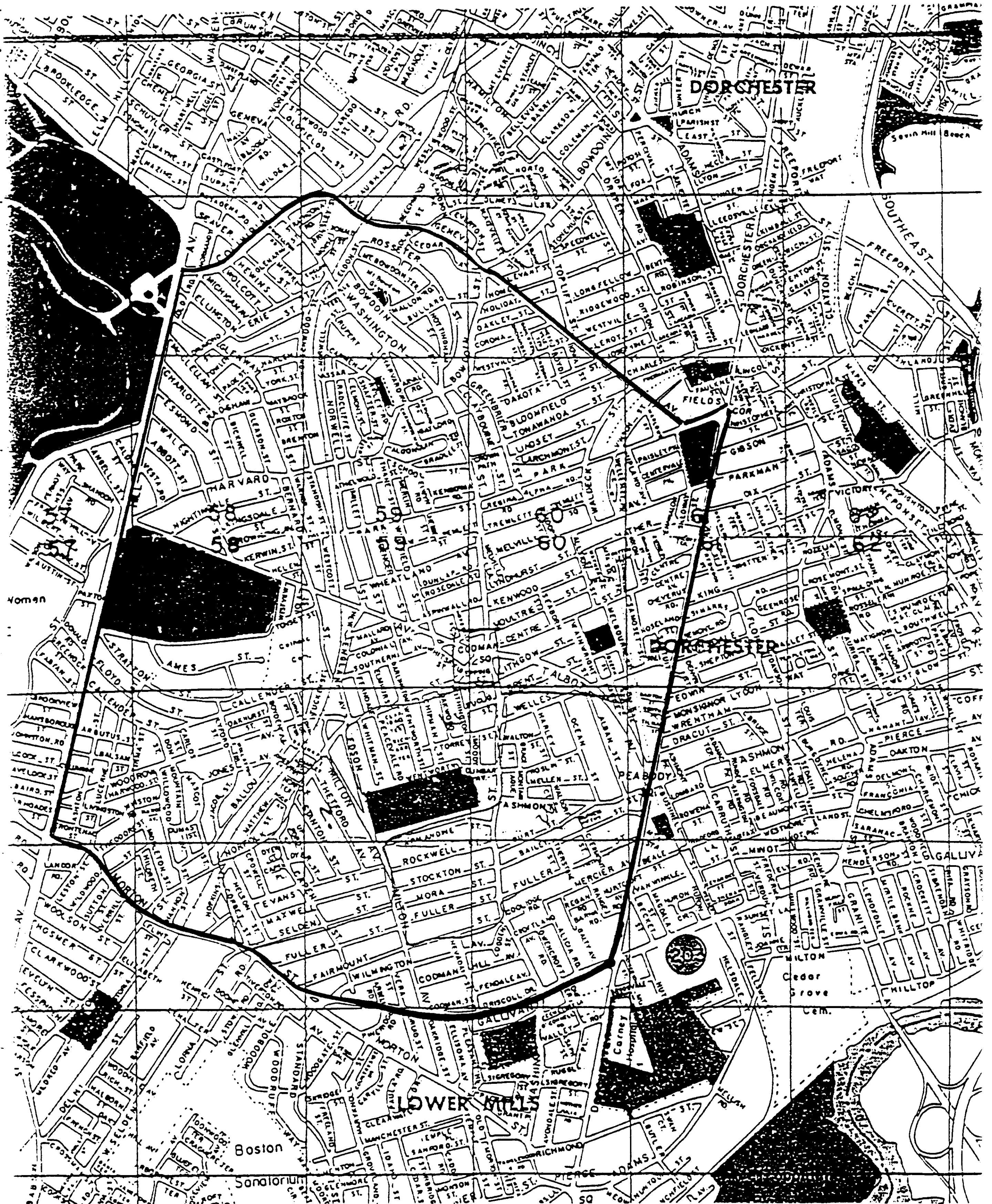
DISTRICT PLANNING PROGRAM

BOSTON REDEVELOPMENT AUTHORITY

**Exhibit Two**

**Map of Dorchester with Codman Square Neighborhood Development Corporation Service Area Highlighted**

Codman Square NDC Service Area



# Exhibit Three

# Methodology for Foreclosure Data Collection

**Methodology for Foreclosure Data Collection**

Foreclosure data came from the *Banker and Tradesman* on-line service, a database that records real estate transactions for parts of Massachusetts, Connecticut and Rhode Island. The database has information dating back to 1987. The information contained in the database originates in the registry of deeds for each county covered by the on-line service. For each entry, the database records address, date of sale, price, buyer, seller, and in some cases property use, number of rooms, square footage, mortgage amount, mortgage originator and deed type. Properties can be searched according to region, city or town, street name, zip code, sale price, property use, or buyer/seller name. Although the on-line service is not all-inclusive (it does not, for example, include petitions to foreclose) and does not always contain complete information on every property, it is the most efficient way to search for a group of transactions such as foreclosures by Fannie Mae and Freddie Mac.

The specific methodology for locating the 121 properties in the database for this thesis was as follows:

1. I searched for all 1-to-3 family properties in the 02121 through 02124 zip codes that had been purchased by Federal National Mortgage Association or Federal Home Loan Mortgage Corporation. Since the database is not set up to permit searches by deed type, which would isolate foreclosures, it made the most sense to search by Fannie Mae and Freddie Mac as purchasers, since that is how a foreclosure is recorded.[1]

   Although technically my study focused on 1-to-4 family housing, *Banker and Tradesman* does not have a separate use category for four-unit buildings; they are part

[1] The author was not aware until early April that *Banker and Tradesman* only began recording foreclosures as lender purchases in mid-1989. Therefore, it is only possible to present data on foreclosures beginning with that year, and even for 1989 we should assume that the data underestimates the actual number of foreclosures.

of the 4-8 designation. Since there was no way to pull out the four-family buildings, and since four-unit buildings are a relatively small part of the housing stock, it made sense to restrict my search to the 1-to-3 family properties.

I included in my data files the information on buyer, seller, address, price, date and property use.

2. After isolating all of the Fannie Mae and Freddie Mac foreclosures, I discarded all transactions outside of the Codman Square service area, using a map as well as my knowledge of the neighborhood. Once I had finished this task, I had the complete list of all the 1-to-3 family properties foreclosed upon by Fannie Mae and Freddie Mac during the past five years.

3. Next, I conducted a separate search on each address that had been turned up by the previous search. In this way, I could track the history of all transactions on the property. The key information to be gathered through this search included several key elements. First, the search could detect land flips, which show up as a series of transactions in a short period of time (sometimes as little as a few weeks and other times as long as a year) on the same property, in which the price of the property escalates with each transaction. Some flips are also detectable because the participants in the transaction have the same last name, or because particular names show up repeatedly.

   The second major piece of information that the address search elicited was the names of the lenders involved in the original transaction for the mortgage on which the secondary market eventually foreclosed. There were two categories of properties for which the mortgage lender was not available: those for which mortgages were written

prior to the time period covered by the database, and those for which the lender information was simply not included in the transaction record. It was possible, however, to record lenders for 57 of the properties, and the patterns in this information will be discussed below.

4. My next task was to determine whether these properties had been owner-occupied or investor-owned at the time of the foreclosure. Although there is no completely reliable way to determine owner-occupancy, I used three resources to help determine occupancy status. First, I used telephone books for the year prior to the foreclosure, and looked up the name of each property owner on whom Fannie Mae and Freddie Mac had foreclosed. I soon realized, however, that there were too many variables that determined whether I could find a name or not. Missing names might be unlisted numbers, households without phones, or residents of an area not included in the Boston directory. In other cases, phones might be listed under the name of another family member, who in some cases might have a different last name. The second method to determine owner-occupancy was the reverse telephone directory, which allows a user to look up an address or phone number and see the names listed there. Although this search turned up some additional verifications of investor-owned or owner-occupied, it also does not account for unlisted numbers, households without phones, or phones listed under another name. Finally, we went back to the on-line database and searched by the names of every property owner to see whether they owned multiple properties. If they were listed as owning more than two properties, I listed them as an investor-owner, even though there was no way to tell whether the foreclosed property had been a primary residence. I assumed that the ownership of multiple properties indicated a higher credit risk on the part of the property owner, and

therefore could have been a factor in the mortgage default and/or a predictor of higher credit risk than an owner with only one property.[2]

[2] Although this method does not determine whether the foreclosed property was a primary residence or not, I assumed that an owner of multiple properties was automatically at higher risk of defaulting on his or her mortgage than an owner of just one or two properties. In fact, the most recent version of Fannie Mae guidelines state that the agency will not purchase a mortgage written to a property owner who owns four or more properties, indicating that the secondary markets recognize multiple investment properties as a major risk factor for default.

## Exhibit Four

## GIS Map of Codman Square Area Foreclosures

# FORECLOSURES IN CODMAN SQUARE

## 1/90 -- 6/93

☆ = FORECLOSED HOUSING UNIT

▨ = OWNER OCCUPANCY < 30%

*SOURCE: UNION NEIGHBORHOOD ASSISTANCE CORPORATION*

## Exhibit Five

## Database of Foreclosures by Fannie Mae and Freddie Mac in Codman Square NDC's Service Area

## *Foreclosed One-to-Three Family Properties by Fannie Mae and Freddie Mac in Codman Square Service Area*

| No. | Street Name | Units | Date | Buyer | Seller | Owner-Occupied | Price | Lender | Mtg. Amt | Foreclosure |
|---|---|---|---|---|---|---|---|---|---|---|
| 33 | Algonquin St | | 10/3/88 | Harris C. Johnson | Kottman Marj Est | | $130,000 | Merchants Mtg | $104,000 | |
| 33 | Algonquin St | 3 | 12/17/90 | FHLMC | Harris C. Johnson | no | $120,093 | | | yes |
| 35 | Alpha Rd | | 12/1/88 | Richard Towns | Lennox Z. Rodney | | $237,000 | New Boston Mtg | $189,600 | |
| 35 | Alpha Rd | 3 | 10/9/92 | FNMA | Richard Towns | no | $224,722 | | | yes |
| 35 | Alpha Rd | | 10/9/92 | Edna J. Hadrick | FNMA | | $81,900 | FNMA | $77,805 | |
| 41 | Alpha Rd | | 2/10/89 | T. Marc Giroux | Thomas W. Lincoln | | $157,900 | Progressive Cnsmrs | $126,200 | |
| 41 | Alpha Rd | 3 | 10/27/92 | FHLMC | Alpha Rd RT 41 | no | $224,492 | | | yes |
| 41 | Alpha Rd | | 4/21/93 | Clifton Owens | Barclays American | | $65,000 | Boston Five | $45,500 | |
| 122 | Armandine St | 2 | 12/11/92 | FHLMC | Ranel B. Sinclair | don't know | $142,590 | | | yes |
| 122 | Armandine St | | 12/13/93 | Austin A. Mcleod | FHLMC | | $20,000 | | | |
| | Aspinwall Rd | 3 | 11/8/93 | FHLMC | Philliman Menzie | don't know | $87,406 | | | yes |
| 3 | Bailey St | | 8/14/87 | William H. Weathersby | Carol R. Horne | | $185,000 | Provident Fncl Svc | $129,500 | |
| 3 | Bailey St | | 12/30/93 | Donna Ible | FNMA | | $60,000 | Huntington | $58,710 | |
| 3 | Bailey St | 3 | 4/5/93 | FHLMC | William H. Weathersby | no | $234,438 | | | yes |
| 8 | Bailey St | | 1/4/94 | FHLMC | James Lombardi | no | $75,000 | | | yes |
| 22 | Bailey St | | 6/30/88 | Alliance Funding Co | Gem Jackson | | $46,500 | | | |
| 22 | Bailey St | 1 | 4/5/93 | FNMA | Terence Murray | yes | $90,900 | | | yes |
| 22 | Bailey St | | 6/30/93 | Joel A. Samuel | Bay Loan Inv Bk | | $64,900 | FNMA | $61,650 | |
| 87 | Bailey St | | 3/3/89 | Martin McGowan | Patrick J. Fahy | | $205,000 | Northeastern Mtg | $184,500 | |
| 87 | Bailey St | | 12/14/93 | FNMA | Martin McGowan | yes | $63,000 | | | yes |
| 85 | Ballou Ave | | 3/6/87 | Mark E. Grannum | Doretha Mizell | | $1,000 | | | |
| 85 | Ballou Ave | | 4/24/92 | Huntington Mtg | Josephine Grannum | | $127,335 | | | |
| 85 | Ballou Ave | 1 | 6/19/92 | FNMA | Huntington Mtg Co | don't know | $127,335 | | | yes |
| 8 | Bloomfield St | | 8/2/88 | Joseph E. Douyon | Stephen W. Bostwick | | $183,000 | Keystone Mtg Corp | $163,000 | |
| 8 | Bloomfield St | 3 | 9/16/93 | FNMA | Joseph E. Douyon | don't know | $68,000 | | | yes |
| 107 | Bloomfield St | | 5/22/90 | Anne M. Brennan | Domenic M. Lombardo | | $69,300 | | | |
| 107 | Bloomfield St | 3 | 4/22/93 | FNMA | Anne M . Brennan | no | $69,300 | | | yes |
| 107 | Bloomfield St | | 6/7/93 | Greenhays RT | FNMA | | $36,900 | Gerald Issokson | $36,900 | |
| 51 | Bowdoin St | | 10/7/92 | Paul D. McDonald | FHLMC | | $31,390 | Shawmut Mtg Corp | $27,100 | |
| 51 | Bowdoin St | 3 | 8/18/93 | FHLMC | George Cardoza | no | $57,684 | | | yes |
| 182 | Bowdoin St | . | 9/2/93 | Carolyn A. Hall | FHLMC | | $43,000 | Fleet RealEst Fndg | $40,850 | |
| 182 | Bowdoin St | 1 | 12/1/93 | FHLMC | Leroy Shillingford | no | $98,400 | | | yes |
| 351 | Bowdoin St | | 8/6/90 | Elizabeth Lefevre | Veronique L. Michelot | | $210,000 | Sterling Mtg Co | $188,000 | |
| 351 | Bowdoin St | 3 | 6/25/92 | FNMA | Elizabeth Lefevre | no | $43,200 | | | yes |
| 351 | Bowdoin St | | 6/25/92 | Jose Carvalho | FNMA | | $25,000 | | | |
| 75 | Brent St | 1 | 8/18/93 | FNMA | Ibrahim A. Rashid | don't know | $71,825 | | | yes |
| 75 | Brent St | | 10/25/93 | Zozislaw Dziegielewski | FNMA | | $35,850 | Fncl Enterprises | $30,000 | |
| 10 | Brenton St | 3 | 12/16/91 | FHLMC | Jeanette F. Byron | no | $101,800 | | | yes |
| 10 | Brenton St | | 3/30/92 | Reginald Cesar | FHLMC | | $101,800 | | | |
| 62 | Burt St | | 4/1/87 | Carolyn Domai | Thu V. Doan | | $160,000 | Peoples Fed Svgs Bk | $120,000 | |
| 62 | Burt St | 3 | 3/10/92 | FHLMC | Ha J. Nguyen | yes | $178,663 | | | yes |

Source: *Banker and Tradesman* On-Line Service

*Foreclosed One-to-Three Family Properties by Fannie Mae and Freddie Mac in Codman Square Service Area*

| No. | Street Name | Units | Date | Buyer | Seller | Owner-Occupied | Price | Lender | Mtg. Amt | Foreclosure |
|---|---|---|---|---|---|---|---|---|---|---|
| 75 | Callender St | | 8/26/87 | Kay M. Khouri | Neville Buchanan | | $142,000 | Commonwealth Mtg | $128,500 | |
| 75 | Callender St | 2 | 10/23/92 | FNMA | Solomon G. Harry | don't know | $42,500 | | | yes |
| 75 | Callender St | | 5/27/93 | Santos Santiago | FNMA | no | $18,500 | | | yes |
| 75 | Callender St | | 9/16/93 | Jose L. Vidro | Santos Santiago | | $20,000 | | | |
| 4 | Carlos St | 1 | 12/1/92 | FHLMC | Albert M. Pinckney | don't know | $8,963 | | | yes |
| 7 | Centervale Pk | | 5/1/87 | Warren Brackebusch | Dorothy L. Todd | | $170,000 | Northeastern Mtg | $153,000 | |
| 7 | Centervale Pk | | 4/2/90 | Hilton Raymond | Hannigan Agnes Es | | $145,000 | Northeastern | $137,700 | |
| 7 | Centervale Pk | 1 | 3/19/92 | FNMA | Stephen Raymond | yes | $106,250 | | | yes |
| 7 | Centervale Pk | | 10/1/92 | Alan McGoldrick | FNMA | | $100,000 | FNMA | $95,000 | |
| 11 | Champlain Cir | 1 | 3/3/92 | FNMA | Alberta Mattox | yes | $84,000 | | | yes |
| 11 | Champlain Cir | | 8/27/93 | Virginia V. Bridgeman | FNMA | | $39,000 | FNMA | $37,050 | |
| 89 | Claybourne St | | 2/26/90 | Brian A. Cohoon | Donnie W. Cobb | | $20,000 | | | |
| 89 | Claybourne St | | 3/28/90 | Branwyn Merrill-Cook | Brian A. Cohoon | | $111,000 | | | |
| 91 | Claybourne St | | 7/22/87 | Louis Exilhomme | Robert B. Gersten | | $175,000 | Comfed Savings Bk | $140,000 | |
| 91 | Claybourne St | 3 | 7/8/93 | FHLMC | Louis Exilhomme | prob. not | $118,000 | | | yes |
| 91 | Claybourne St | | 10/1/93 | Edith Barthelemy | FHLMC | | $70,000 | First Eastern | $52,500 | |
| 89 | Claybourne St | | 2/26/90 | Brian A. Cohoon | Nellie L. Cobb | | $20,000 | | | |
| 89 | Claybourne St | | 8/24/90 | Anne M. Brennan | Gwendolyn Klutsch | | $239,900 | Premiere Fndg | $191,920 | |
| 89 | Claybourne St | 3 | 11/10/93 | FHLMC | Anne M. Brennan | no | $71,288 | | | yes |
| | Claybourne St | | 11/2/93 | FNMA | Abidh Hosein | no | $126,000 | | | yes |
| 6 | Clermont St | | 1/30/87 | Annie Moore | Janice B. Joyce | | $124,000 | Comfed Savings Bk | $74,000 | |
| 6 | Clermont St | 1 | 5/20/93 | FHLMC | Annie Moore | yes | $44,500 | | | yes |
| 6 | Clermont St | | 9/22/93 | Donna D. Scarlett | FHLMC | | $75,000 | Bancboston | $71,250 | |
| 62 | Colonial Ave | | 7/1/87 | Jean-Claude Labissiere | Noella Baptiste | | $55,000 | | | |
| 62 | Colonial Ave | 1 | 12/2/93 | FNMA | Jean Claude Labissiere | yes | $110,351 | | | yes |
| 664 | Columbia Rd | | 1/4/90 | Edward M. Fopiano | Virginia C. Grammer | | $132,500 | Seller | $132,000 | |
| 664 | Columbia Rd | 3 | 4/23/92 | FNMA | Edward M. Fopiano | no | $58,500 | | | yes |
| 664 | Columbia Rd | | 7/1/92 | David Margill | FNMA | | $64,500 | FNMA | $58,050 | |
| 765 | Columbia Rd | 3 | 3/19/92 | FHLMC | Kathleen Fitzgerald | yes | $218,950 | | | yes |
| 765 | Columbia Rd | 3 | 6/21/93 | FHLMC | Kathleen Fitzgerald | yes | $244,543 | | | yes |
| 765 | Columbia Rd | | 6/21/93 | Joanna Chielminski | FHLMC | | $75,000 | Fleet RealEst Fndg | $75,269 | |
| 19 | Corona St | | 8/8/88 | Paul Dardano | Ronald Gordon | | $105,000 | | | |
| 19 | Corona St | | 12/6/88 | Eugene L. Flynn | Paul Dardano | | $139,000 | University Bk | $162,700 | |
| 19 | Corona St | 3 | 12/14/92 | FHLMC | Daniel J. Flynn | no | $86,450 | | | yes |
| 19 | Corona St | | 5/7/93 | Mariana Vaz | FHLMC | | $59,000 | Bancboston | $50,150 | |
| 39 | Corona St | | 6/29/89 | Reserve Armand | Michelet Leonard | | $160,000 | Commonwealth Uni | $144,000 | |
| 39 | Corona St | 3 | 1/7/93 | FNMA | Reserve Armand | no | $147,000 | | | yes |
| 39 | Corona St | | 4/30/93 | Heriberto Hernandez | FNMA | | $16,900 | FNMA | $15,210 | |
| 17 | Crowell St | | 6/1/89 | Wilfrid Maingrette | Richard D. Malcolm | | $180,000 | Northeastern Mtg | $171,000 | |
| 17 | Crowell St | 3 | 2/26/93 | FNMA | Jeanne Maingrette | no | $35,250 | | | yes |
| 116 | Dakota St | | 11/16/88 | Denis Joseph | Tieu V. Dang | | $158,000 | Cap Mtg Co Inc | $142,200 | |

Source: *Banker and Tradesman* On-Line Service

## *Foreclosed One-to-Three Family Properties by Fannie Mae and Freddie Mac in Codman Square Service Area*

| No. | Street Name | Units | Date | Buyer | Seller | Owner-Occupied | Price | Lender | Mtg. Amt | Foreclosure |
|---|---|---|---|---|---|---|---|---|---|---|
| **116** | **Dakota St** | 3 | 5/20/93 | FNMA | Anne M. Joseph | don't know | $81,600 | | | yes |
| 116 | Dakota St | | 12/27/93 | SM Joseph Chowdhury | FNMA | | $43,000 | FNMA | $40,850 | |
| **4** | **Darlington St** | 1 | 12/3/93 | FHLMC | Steven B. Hawkesworth | don't know | $54,100 | | | yes |
| 20 | Darlington St | | 10/31/89 | Teresa J. Combs | Miihh W. Ha | | $210,000 | Esplanade Mtg Co Inc | $189,000 | |
| **20** | **Darlington St** | 3 | 3/26/93 | FNMA | Teresa J. Combs | no | $112,470 | | | yes |
| 32 | Devon St | | 5/11/87 | Albert C. Weeks | Albert C. Weeks | | $20,000 | Other Private Lender | $20,000 | |
| 32 | Devon St | | 5/10/88 | Arthur Banks | Devon St RT | | $131,346 | Other Private Lender | $30,346 | |
| **32** | **Devon St** | 2 | 6/24/92 | FHLMC | Arthur Banks | no | $90,000 | | | yes |
| **51** | **Devon St** | 3 | 11/27/92 | FNMA | Paul O'Loughlen | no | $267,710 | | | yes |
| 51 | Devon St | | 12/24/92 | Charles W. Duffy | FNMA | | $34,900 | FNMA | $27,920 | |
| **99** | **Devon St** | 3 | 12/4/92 | FHLMC | Alvin D. Lewis | no | $42,000 | | | yes |
| 99 | Devon St | | 3/16/93 | John F. Powell | FHLMC | | $22,500 | | | |
| **124** | **Devon St** | 2 | 6/23/93 | FHLMC | Johnny S. Young | no | $44,341 | | | yes |
| 18 | Edson St | | 2/11/88 | Gary T. Woods | Kenneth R. Bell | | $15,500 | | | |
| 18 | Edson St | | 1/18/89 | Cawley Invst Grp Ltd | Gary T. Woods | | $12,500 | | | |
| **18** | **Edson St** | | 1/26/93 | FHLMC | Edward J. Redmond | no | $105,000 | | | yes |
| 18 | Edson St | | 12/16/93 | Edson St RT 18 | FHLMC | | $27,000 | Theodore Grossman | $30,000 | |
| 93 | Ellington St | | 11/29/89 | Raymond R. McVeigh | Michael G. Kenny | | $225,000 | First Eastern Mtg Co | $202,500 | |
| **93** | **Ellington St** | 3 | 9/25/92 | FNMA | Raymond P. McVeigh | no | $240,434 | | | yes |
| 10 | Epping St | | 5/5/87 | R. Decosta | Brenda Daly | | $145,900 | Dime Real Estate Svcs | $116,700 | |
| 10 | Epping St | | 11/13/89 | Garden Mgmt Co Inc | Reuben Decosta | | $98,000 | | | |
| 10 | Epping St | | 11/28/89 | Herbert Riggs | Garden Mgmt | | $121,000 | | | |
| 10 | Epping St | | 11/28/89 | Agatha Lewis | Herbert Riggs | | $160,000 | | | |
| **10** | **Epping St** | 2 | 6/8/92 | FNMA | Earl Wright | no | $66,600 | | | yes |
| 10 | Epping St | | 8/14/92 | Kuntie Sudhu | FNMA | | $48,900 | FNMA | $44,010 | |
| 103 | Erie St | | 7/24/87 | Lynne K. Laneau | Enid M. Nicholas | | $12,500 | | | |
| 103 | Erie St | | 9/21/89 | Edward Fopiano | Lynne K. Laneau | | $201,000 | Seller | $98,750 | |
| **103** | **Erie St** | 3 | 2/25/93 | FHLMC | Edward Fopiano | no | $169,913 | | | yes |
| 103 | Erie St | | 10/1/93 | Rockcity RT | FHLMC | | $12,000 | | | |
| 105 | Erie St | | 7/25/87 | Lynne K. Laneau | Enid M. Nicholas | | $12,500 | | | |
| 105 | Erie St | | 9/21/89 | Edward Fopiano | Lynne K. Laneau | | $201,000 | Seller | $98,750 | |
| **105** | **Erie St** | 3 | 6/9/93 | FHLMC | Edward Fopiano | no | $184,261 | | | yes |
| 105 | Erie St | | 10/1/93 | Rockcity RT | FHLMC | | $8,000 | | | |
| 48 | Fowler St | | 7/27/89 | David Crawford | Urian A. McKenzie | | $75,000 | | | |
| 48 | Fowler St | | 6/13/90 | Theseia N. Tribble | David Y. Gyewu | | $125,000 | | | |
| **48** | **Fowler St** | 3 | 8/12/93 | FHLMC | Theresa N. Tribble | don't know | $137,123 | | | yes |
| **109** | **Fuller St** | 3 | 7/23/92 | FHLMC | Bernard A. Donovan | no | $45,900 | | | yes |
| 109 | Fuller St | | 9/11/92 | Calizte Dorisca | FHLMC | | $30,000 | | | |
| 196 | Fuller St | | 6/15/89 | Lionel Fanfan | Jean B. Fanfan | | $225,000 | Commonwealth | $180,000 | |
| **196** | **Fuller St** | 3 | 4/20/93 | FNMA | Lionel Fanfan | don't know | $90,100 | | | yes |
| 196 | Fuller St | | 11/4/93 | Samuel Hightower | FNMA | | $74,500 | Hyde Park Svgs | $52,150 | |

Source: *Banker and Tradesman* On-Line Service

## *Foreclosed One-to-Three Family Properties by Fannie Mae and Freddie Mac in Codman Square Service Area*

| No. | Street Name | Units | Date | Buyer | Seller | Owner-Occupied | Price | Lender | Mtg. Amt | Foreclosure |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | |
| **23** | **Gaylord St** | 3 | 3/5/92 | FNMA | Andre J. Alves | yes | $133,712 | | | yes |
| 23 | Gaylord St | | 4/15/92 | A. Alexander | FNMA | | $30,500 | | | |
| 343 | Geneva Ave | | 4/4/90 | Michael J. Loney | Jeffrey E. Roche | | $230,000 | | | |
| **343** | **Geneva Ave** | 3 | 7/27/93 | FNMA | Michael J. Loney | no | $72,000 | | | yes |
| 347 | Geneva Ave | | 3/1/90 | Paul F. O 'Brien | Jeffrey E. Roche | | $230,000 | Other Private Lndr | $205,000 | |
| 347 | Geneva Ave | | 6/19/93 | Jose H. Pena | FNMA | | $50,000 | | | |
| **347** | **Geneva Ave** | 3 | 4/2/93 | FNMA | Paul F. O'Brien | no | $45,000 | | | yes |
| **359** | **Geneva Ave** | 3 | 2/25/93 | FNMA | Olegario A. Depina | yes | $107,100 | | | yes |
| 359 | Geneva Ave | | 12/2/93 | Pars Property RT | FNMA | | $20,000 | | | |
| 359 | Geneva Ave | | 12/16/93 | Hai T. Nguyen | Pars Property RT | | $32,000 | | | |
| 423 | Geneva Ave | | 5/13/88 | Lawrence A. Lepore | 423 Geneva Ave RT | | $175,000 | Leader Mtg Co Inc | $140,000 | |
| **423** | **Geneva Ave** | 3 | 10/23/92 | FNMA | Lawrence A. Lepore | no | $100,800 | | | yes |
| 423 | Geneva Ave | | 12/30/92 | Jose H. Pena | FNMA | | $59,900 | | | |
| 515 | Geneva Ave | | 4/21/89 | Miguel Andrade | Juan Rosa | | $179,000 | Comfed Savings Bk | $161,100 | |
| **515** | **Geneva Ave** | 3 | 5/13/93 | FNMA | Miguel Andrade | don't know | $70,000 | | | yes |
| 515 | Geneva Ave | | 7/30/93 | Savitree Buchan | FNMA | | $78,000 | FNMA | $74,100 | |
| **164** | **Glenway St** | 2 | 7/22/93 | FNMA | Everett Hill | yes | $48,000 | | | yes |
| **187** | **Glenway St** | 3 | 10/21/91 | FHLMC | Rudolph H. Graham | no | $157,450 | | | yes |
| 187 | Glenway St | | 11/14/91 | Martin C. Ward | FHLMC | | $17,500 | | | |
| 187 | Glenway St | | 11/22/91 | Rafael M. Neves | Martin C. Ward | | $30,000 | | | |
| **36** | **Holiday St** | 1 | 3/4/91 | FHLMC | William T. King | don't know | $92,500 | | | yes |
| | **Homes Ave** | | 4/5/93 | FNMA | Crisaloda Cabral | don't know | $84,150 | | | yes |
| **11** | **Iowa St** | 3 | 11/16/92 | FHLMC | Allan J. Brown | don't know | $133,000 | | | yes |
| 11 | Iowa St | | 6/4/93 | Monica D. Brown | FHLMC | | $30,000 | Shawmut Mortgage | $93,750 | |
| 30 | Larchmont St | | 5/24/90 | Jean F. Sanon | Shiran Ali | | $173,000 | Sterling Mtg Co | $155,700 | |
| **30** | **Larchmont St** | 2 | 3/11/92 | FNMA | Harold Sanon | don't know | $101,700 | | | yes |
| 35 | Lithgow St | | 12/22/89 | Kenneth Forde | Richard D. Malcolm | | $192,500 | Northeastern Mtg | $173,200 | |
| **35** | **Lithgow St** | 3 | 10/4/93 | FHLMC | Kenneth Forde | no | $101,700 | | | yes |
| 35 | Lithgow St | | 12/17/93 | Jose L. Gonzalez | FNMA | | $62,500 | FNMA | $562,250 | |
| | **Lithgow St** | 3 | 12/2/93 | FNMA | Yvon Senecharles | don't know | $63,000 | | | yes |
| 9 | Lonsdale St | | 4/1/88 | Patrick J. MacLellan | Florence MacLellan | | $175,000 | Plymouth Mtg Co | $140,000 | |
| **9** | **Lonsdale St** | 3 | 8/28/91 | FHLMC | William P. Olsen | no | $70,000 | | | yes |
| 9 | Lonsdale St | | 9/24/91 | James B. Shields | FNMA | | $62,000 | FNMA | $58,900 | |
| 9 | Lonsdale St | | 4/28/93 | Tinh K. Do | James B. Shields | | $85,000 | Norwest Mortgage | $83,172 | |
| 46 | Lonsdale St | | 6/8/88 | Mitchell Nash | Conley Helen L. Est | | $140,000 | | | |
| 46 | Lonsdale St | | 7/19/89 | Ann M. Conroy | Lonsdale St RT | | $175,000 | Northeastern | $157,500 | |
| **46** | **Lonsdale St** | 3 | 5/25/93 | FNMA | Gerard F. Connolly | yes | $99,000 | | | yes |
| 46 | Lonsdale St | | 12/23/93 | Lonsdale RT 46 | FNMA | | $35,000 | | | |
| **107** | **Lonsdale St** | 3 | 4/29/93 | FNMA | William Collins | no | $120,004 | | | yes |
| 15 | Mallon Rd | | 6/8/90 | Mario Lefevre | Tyrone Kindell | | $200,000 | Sterling Mtg Co | $172,000 | |
| **15** | **Mallon Rd** | 3 | 3/11/92 | FNMA | Mario Lefevre | don't know | $85,500 | | | yes |

Source: *Banker and Tradesman* On-Line Service

*Foreclosed One-to-Three Family Properties by Fannie Mae and Freddie Mac in Codman Square Service Area*

| No. | Street Name | Units | Date | Buyer | Seller | Owner-Occupied | Price | Lender | Mtg. Amt | Foreclosure |
|---|---|---|---|---|---|---|---|---|---|---|
| 15 | Mallon Rd | | 6/12/92 | Miriam Kindell-Raye | FNMA | | $50,000 | FNMA | $47,500 | |
| 4 | Marlowe St | 3 | 11/25/92 | FNMA | Kevin J. Parker | prob. not | $178,868 | | | yes |
| 4 | Marlowe St | | 8/13/93 | Radhica Ramnarain | Knutson Mtg Corp | | $85,000 | Baybank Mtg Corp | $85,000 | |
| 35 | Maxwell St | 3 | 2/4/92 | FHLMC | Pauline S. Narrine | no | $80,199 | | | yes |
| 35 | Maxwell St | | 12/2/92 | Bills RT | FHLMC | | $46,500 | | | |
| 25 | McClellan St | | 4/14/93 | Fleet Bk of MA NA | Omar G. Reid | yes | $142,833 | | | yes |
| 25 | McClellan St | 2 | 5/4/93 | FNMA | Fleet Bk of MA NA | | $142,833 | | | yes |
| 25 | McClellan St | | 10/1/93 | Alicia L. Reid | FNMA | | $66,000 | Fleet RealEst | $62,700 | |
| 6 | Melbourne St | | 9/12/88 | John T. Monaghan | Ruth A. Dewitt | | $175,000 | Northeastern Mtg | $157,500 | |
| 6 | Melbourne St | | 12/13/88 | John C. Flaherty | John T. Monaghan | | $218,000 | Northeastern | $196,000 | |
| 6 | Melbourne St | 3 | 3/30/93 | FNMA | John C. Flaherty | no | $80,750 | | | yes |
| 6 | Melbourne St | | 9/8/93 | CDB Realty NT | FNMA | | $39,000 | | | |
| 14 | Melbourne St | | 8/12/87 | P.J. Crossey | Michael J. Coyne | | $125,000 | Northeastern Mtg | $125,000 | |
| 14 | Melbourne St | 1 | 2/6/92 | FNMA | Patrick J. Crossey | don't know | $111,390 | | | yes |
| 14 | Melbourne St | | 5/1/92 | Ba V. Tran | FNMA | | $27,500 | | | |
| 24 | Melbourne St | 3 | 9/16/93 | FHLMC | Chanh Q. Trinh | yes | $60,149 | | | yes |
| 14 | Merlin St | 1 | 1/25/93 | FNMA | Marie Winbush | no | $32,500 | | | yes |
| 14 | Merlin St | | 12/17/93 | Isabelle H. Edwards | Colm Dunphy | | $87,000 | Norwest Mortgage | $85,129 | |
| 11 | Middleton St | 3 | 5/9/91 | FHLMC | Patrick L. King | don't know | $87,500 | | | yes |
| 11 | Middleton St | | 11/1/91 | Fritz F. Gabriel | FHLMC | | $70,000 | Huntington MtgCo | $634,000 | |
| 49 | Milton Ave | | 12/28/90 | Leroy W. Myers | FHLMC | | $107,900 | Northeastern Mtg | $101,600 | |
| 49 | Milton Ave | 1 | 09/22/89 | FHLMC | Sylvester Mitchell | don't know | $95,788 | | | yes |
| 70 | Milton Ave | 1 | 11/5/93 | FNMA | John Thompson | yes | $42,500 | | | yes |
| 87 | Mora St | 1 | 7/30/93 | FHMLC | Aslyn I. Holder | no | $72,000 | | | yes |
| • | Mora St | 3 | 11/8/93 | FNMA | Eudes C. Freitas | no | $81,000 | | | yes |
| 19 | Mountain Ave | | 9/4/87 | Elvin Cardona | Floyd O. Craft | | $117,000 | Centrust Mtg Corp | $111,150 | |
| 19 | Mountain Ave | 1 | 4/16/93 | FNMA | Elvin Cardona | don't know | $142,200 | | | yes |
| 25 | Nelson St | 2 | 12/29/92 | FHLMC | Leroy McLaurin | don't know | $95,391 | | | yes |
| 25 | Nelson St | | 8/16/93 | 25 Nelson RT | FHLMC | | $28,340 | Shawmut Mtg Co | $24,500 | |
| 55 | Nightingale St | | 11/8/88 | Laurent Mathieu | Edmund A. Henry | | $175,000 | Commonwealth Mtg | $157,500 | |
| 55 | Nightingale St | 3 | 1/3/94 | FNMA | Laurent Mathieu | no | $73,100 | | | yes |
| 100 | Nightingale St | | 5/11/87 | Samuel Davids | Larry D. Kemp | | $115,000 | Progressive Consmrs | $103,500 | |
| 100 | Nightingale St | 3 | 2/2/93 | FHLMC | Samuel Davids | don't know | $13,500 | | | yes |
| 100 | Nightingale St | | 4/12/93 | Rock City T | FHLMC | | $73,100 | | | |
| 300 | Norfolk St | 1 | 6/26/91 | FHLMC | Umi Kutubu | don't know | $47,847 | | | yes |
| 300 | Norfolk St | | 10/13/92 | Herbert Davis | FHLMC | | $15,000 | | | |
| | Nottingham St | | 6/10/87 | J.S. Rosa | Juan Reynolo | | $98,000 | Commonwealth Mtg | $71,600 | |
| | Nottingham St | 2 | 12/9/93 | FNMA | Jose S. Rosa | prob. not | $93,600 | | | yes |
| 7 | Oakley St | 1 | 5/27/93 | FHLMC | Jacqueline L. Larkin | don't know | $52,010 | | | yes |
| 7 | Oakley St | | 11/19/93 | Maria Jesus | FHLMC | | $75,000 | BayBank Mtg Corp | $63,800 | |
| 27 | Page St | | 9/30/88 | Kenco Rlty Corp | James Small | | $100,000 | | | |

Source: *Banker and Tradesman* On-Line Service

## *Foreclosed One-to-Three Family Properties by Fannie Mae and Freddie Mac in Codman Square Service Area*

| No. | Street Name | Units | Date | Buyer | Seller | Owner-Occupied | Price | Lender | Mtg. Amt | Foreclosure |
|---|---|---|---|---|---|---|---|---|---|---|
| 27 | Page St | | 5/22/89 | Patricia Coakley | Kenco Rlty Corp | | $165,000 | Norwest Mtg | $132,000 | |
| **27** | **Page St** | 3 | 10/7/92 | FHLMC | Dolores Murphy | no | $153,288 | | | yes |
| 27 | Page St | | 4/5/93 | Yvette Straughter | FHLMC | | $55,000 | Bancboston Mtg | $52,250 | |
| **6** | **Paisley Park** | 1 | 2/28/92 | FHLMC | Robert R. Swan | yes | $181,522 | | | yes |
| 6 | Paisley Park | | 6/25/92 | Charles L. Clemons | FHLMC | | $92,700 | Shawmut Mtg Co | $88,000 | |
| 352 | Park St | | 3/1/90 | Charles Carroll | Jeffrey E. Roche | | $250,000 | Shawmut Mtg Co | $200,000 | |
| **352** | **Park St** | 3 | 9/21/92 | FNMA | Charles Carroll | don't know | $233,670 | | | yes |
| 352 | Park St | | 11/30/92 | Rolene Kendrick | FNMA | | $49,900 | FNMA | $47,405 | |
| **27** | **Pasadena Rd** | 3 | 6/14/93 | FNMA | Grace M. Locker | yes | $126,485 | | | yes |
| 7 | Peacevale Rd | | 8/15/91 | Royal Funding Corp | Naomi Williams | | $30,000 | | | |
| **7** | **Peacevale Rd** | 1 | 2/28/92 | FHLMC | Matthias Williams | don't know | $49,830 | | | yes |
| 7 | Peacevale Rd | | 7/2/92 | Dennis J. Mahoney | FHLMC | | $48,410 | Shawmut Mtg Co | $41,100 | |
| 7 | Peacevale Rd | | 12/17/93 | Bertha M. Woods | Dennis J. Mahoney | | $52,000 | Mass Cp Bk | $20,000 | |
| 21 | Peacevale Rd | | 7/26/88 | Hector Maga | Burabe David | | $80,000 | Other Private Lndr | $75,000 | |
| **21** | **Peacevale Rd** | 2 | 3/13/92 | FNMA | Dariela Maga | don't know | $160,000 | | | yes |
| 21 | Peacevale Rd | | 7/14/92 | Leonard Markir | FNMA | | $32,000 | | | |
| 21 | Peacevale Rd | | 4/27/93 | Sheri M. Williams | Peacevale Rd RT 21 | | | | | |
| 15 | Rosedale St | | 5/31/90 | Lugman A. Ahmad | Edith Thames | | $132,000 | Northeastern Mtg Co | $132,000 | |
| **15** | **Rosedale St** | 1 | 12/9/92 | FNMA | Velma D. Blackwell | don't know | $12,750 | | | yes |
| 15 | Rosedale St | | 5/27/93 | Barbara G. Daughtry | FNMA | | $50,000 | FNMA | $47,500 | |
| **18** | **Rosedale St** | 1 | 12/27/91 | FNMA | Rashidah Ahmad | don't know | $157,255 | | | yes |
| 18 | Rosedale St | | 2/2/93 | Winifred Grannum | FNMA | | $29,900 | Neworld Bank | $60,000 | |
| **19** | **Rosedale St** | 1 | 8/24/93 | FHLMC | Pierre L. Jacques | don't know | $34,980 | | | yes |
| 1 | Roseland St | | 2/12/88 | H. Patrick Arundel | Michael E. Carey | | $155,000 | Comfed Savings Bank | $139,500 | |
| **1** | **Roseland St** | | 1/13/93 | FHLMC | H. Patrick Arundel | yes | $90,000 | | | yes |
| 1 | Roseland St | | 8/13/93 | Tuoi Vantruong | FHLMC | | $80,000 | Empire of Am Rlty Cr | $73,440 | |
| **14** | **Rosseter St** | 3 | 11/4/92 | FNMA | John C. Ryan | prob not | $73,000 | | | yes |
| 14 | Rosseter St | | 11/5/92 | Marian Sklodowski | FNMA | | $40,900 | | | |
| 14 | Rosseter St | | 12/31/93 | Jimmy Bland | Marian Sklodowski | | $110,000 | Quincy Savings Bk | $110,000 | |
| 15 | Santuit St | | 6/13/89 | Patrick J. Naughton | P. McLaughlin | | $195,000 | Mass Cp Bk | $175,500 | |
| **15** | **Santuit St** | 3 | 4/2/92 | FNMA | Patrick J. Naughton | yes | $71,500 | | | yes |
| 15 | Santuit St | | 4/8/93 | Maria MIcciantuono | FNMA | | $68,000 | FNMA | $61,200 | |
| **323** | **Seaver St** | 3 | 2/24/92 | FHLMC | Everald G. Grant | no | $28,000 | | | yes |
| 323 | Seaver St | | 7/23/93 | Rock City RT | FHLMC | | $16,000 | | | |
| **412** | **Seaver St** | 2 | 11/23/92 | FNMA | Mary A. Rieves | don't know | $87,300 | | | yes |
| 412 | Seaver St | | 10/25/93 | Arnold C. Sprott | FNMA | | $44,500 | Neworld Bank | $61,050 | |
| **26** | **Stockton St** | 3 | 12/29/92 | FNMA | Mazama T. Davids | no | $106,281 | | | yes |
| 26 | Stockton St | | 4/20/93 | Jeffrey N. Springer | FNMA | | $62,900 | FNMA | $59,755 | |
| **35** | **Taft St** | 3 | 10/7/93 | FHLMC | Paul Bradley | don't know | $212,677 | | | yes |
| 35 | Taft St | | 10/22/93 | Hoa T. Nguyen | FHLMC | | $45,000 | Bancboston Mtg Corp | $40,500 | |
| **287** | **Talbot Ave** | 3 | 5/26/93 | FHLMC | Louis J. Bayard | no | $48,000 | | | yes |
| 287 | Talbot Ave | | 9/14/93 | Karen O. Elvis | FHLMC | | $58,000 | | | |

Source: *Banker and Tradesman* On-Line Service

## *Foreclosed One-to-Three Family Properties by Fannie Mae and Freddie Mac in Codman Square Service Area*

| No. | Street Name | Units | Date | Buyer | Seller | Owner-Occupied | Price | Lender | Mtg. Amt | Foreclosure |
|---|---|---|---|---|---|---|---|---|---|---|
| 67 | Tonawanda St | 2 | 3/9/93 | FHLMC | Margaret B. Reber | no | $100,000 | | | yes |
| 67 | Tonawanda St | | 12/29/93 | Mildred Jameau | FHLMC | | $84,500 | Carl I. Brown & Co. | $84,717 | |
| 62 | Torrey St | | 2/12/88 | David E. Kaye | Jonathan Kaye | | $175,000 | Powder House Mtg Co | $157,500 | |
| 62 | Torrey St | 3 | 3/9/93 | FHLMC | David E. Kaye | no | $55,250 | | | yes |
| 11 | Vassar St | | 2/1/88 | Dorel M. Thomas | David J. Bowden | | $173,000 | Powder House Mtg Co | $155,700 | |
| 11 | Vassar St | 3 | 7/30/93 | FNMA | Dorel M. Thomas | don't know | $69,700 | | | yes |
| 11 | Vassar St | | 10/28/93 | Jean R. Luc | FNMA | | $27,250 | | | |
| 11 | Vinson St | | 11/25/88 | Nouphanh Nouphanh | Salvatore Napoli | | $135,000 | Lomas Mortgage USAInc | $121,500 | |
| 11 | Vinson St | | 10/1/91 | FNMA | Viengngeune Viengngeun | don't know | $135,948 | | | yes |
| 11 | Vinson St | | 12/12/91 | Ramnarace Ramnarain | FNMA | | $82,500 | FNMA | $70,000 | |
| 11 | Vinson St | | 6/11/93 | Roxanne Hazelwood | Ramnarace Ramnarain | | $90,500 | Boston Safe Dep & Tr | $67,875 | |
| 9 | W.Tremlett St | 1 | 6/11/92 | FHLMC | Steven Copeland | don't know | $100,357 | | | yes |
| 18 | W.Tremlett St | | 8/3/89 | Narine Deodat | Shyam Baldeo | | $195,000 | Northeastern Mtg Co | $156,000 | |
| 18 | W.Tremlett St | 3 | 6/16/92 | FHLMC | Narine Deodat | no | $191,688 | | | yes |
| 18 | W.Tremlett St | | 11/19/92 | Loretta Oliva | FHLMC | | $33,900 | | | |
| 18 | W.Tremlett St | | 11/19/92 | Hemraj Ramcharran | Loretta Oliva | | $63,000 | Commonwealth United | $61,233 | |
| 52 | W.Tremlett St | | 2/12/87 | Jeannette Byron | I. Leopold Cyrus | | $132,000 | Comfed Savings Bk | $105,600 | |
| 52 | W.Tremlett St | 3 | 1/4/93 | FHLMC | Jeanette Byron | don't know | $153,975 | | | yes |
| 52 | W.Tremlett St | | 9/1/93 | Tyrone Davis | FHLMC | | $16,000 | | | |
| 15 | Wainwright St | 3 | 2/27/92 | FNMA | Charles J. Murphy | don't know | $162,000 | | | yes |
| 15 | Wainwright St | | 4/15/92 | Allan Hewitt | FNMA | | $55,000 | FNMA | $52,000 | |
| 235 | Washington St | | 1/22/87 | John Sullivan | Marcus Johnson | | $70,000 | | | |
| 235 | Washington St | | 7/2/88 | Edward Fopiano | John Sullivan | | $63,000 | | | |
| 235 | Washington St | 3 | 11/16/92 | FHLMC | Edward Fopiano | no | $180,294 | | | yes |
| 235 | Washington St | | 2/12/93 | Cuthbert I. Mayers | FHLMC | | $18,000 | Shawmut Mtg Co | $12,600 | |
| 320 | Washington St | 3 | 8/3/93 | FHLMC | Norman W. Williams | no | $95,000 | | | yes |
| 411 | Washington St | | 12/14/89 | Charlotte E. Graham | Jennie M. Dallas | | $195,000 | Northeastern Mtg Co. | $175,500 | |
| 411 | Washington St | 3 | 12/27/91 | FNMA | Herod Graham | no | $130,500 | | | yes |
| 411 | Washington St | | 12/31/92 | Azusa Christian Comm | FNMA | | $25,000 | | | |
| 909 | Washington St | | 6/22/88 | Gladstone A. Malvo | Beavis Mary Est | | $165,000 | Merchants Mtg Co | $123,700 | |
| 909 | Washington St | 2 | 12/28/93 | FHLMC | Donovan Malvo | don't know | $90,000 | | | yes |
| 66 | Welles Ave | | 1/21/87 | Solomon Kenea | McCready John E. | | $170,000 | Comfed Savings Bk | $153,000 | |
| 66 | Welles Ave | 1 | 1/14/93 | FNMA | Solmon Kenea | no | $83,000 | | | yes |
| 18 | Westcott St | | 7/28/89 | Sara L. Gross | Frank L. Walters | | $145,000 | Shawmut Mtg Co | $116,000 | |
| 18 | Westcott St | 1 | 4/21/93 | FHLMC | Sara L. Gross | don't know | $88,218 | | | yes |
| 58 | Westville St | 1 | 4/5/93 | FNMA | Errol Hinds | don't know | $88,400 | | | yes |
| 108 | Westville St | | 12/14/89 | Efelio Rivera | Bloomfield RT 182-4 | | $110,000 | Commonwealth United | $99,000 | |
| 108 | Westville St | 2 | 12/30/92 | FNMA | Efelio Rivera | don't know | $89,000 | | | yes |
| 161 | Westville St | | 2/24/87 | Joseph Gozzo | Margarita Liriano | | $135,000 | Dime Real Estate Svcs | $108,000 | |
| 161 | Westville St | 3 | 2/21/91 | FNMA | Joseph Gozzo | no | $165,625 | | | yes |
| 161 | Westville St | | 12/27/91 | Karen Englehart | FNMA | | $22,000 | Barry J. Gordon | $27,600 | |

Source: *Banker and Tradesman* On-Line Service

***Foreclosed One-to-Three Family Properties by Fannie Mae and Freddie Mac in Codman Square Service Area***

| No. | Street Name | Units | Date | Buyer | Seller | Owner-Occupied | Price | Lender | Mtg. Amt | Foreclosure |
|---|---|---|---|---|---|---|---|---|---|---|
| 161 | Westville St | | 6/8/93 | Jacquelyn Salado | Francis Fraine | | $20,000 | | | |
| 216 | Westville St | | 4/3/90 | Westville St RT | Marc D. Koenig | | $11,455 | | | |
| **216** | **Westville St** | 3 | 5/6/93 | FHLMC | Marc D. Koenig | prob. not | $79,307 | | | yes |
| 34 | Whitfield St | | 4/13/90 | Anne M. Brennan | Dorothy Henry | | $208,000 | Sterling Mtg Co | $187,200 | |
| **34** | **Whitfield St** | 3 | 5/14/93 | FNMA | Anne M. Brennan | no | $112,500 | | | yes |
| 34 | Whitfield St | | 7/19/93 | Shawmut Fin Tr | FNMA | | $31,500 | | | |
| 23 | Withington St | | 10/13/87 | Emerson B. Springer | Violet Davis | | $160,000 | Comfed Savings Bk | $144,000 | |
| **23** | **Withington St** | 3 | 3/19/93 | FNMA | Emerson B. Springer | no | $164,400 | | | yes |
| 23 | Withington St | | 4/29/93 | Irene A. Keazer | FNMA | | $59,000 | FNMA | $56,050 | |

Source: *Banker and Tradesman* On-Line Service

## Exhibit Six

## Database of Fannie Mae and Freddie Mac Foreclosures in Somerville

***Foreclosed One-to-Three Family Properties by Fannie Mae and Freddie Mac in Somerville***

| No. | Street Name | Units | Date | Buyer | Seller | Price | Lender | Mtg. Amt | Foreclosure |
|---|---|---|---|---|---|---|---|---|---|
| 21-23 | Alston St. | 3 | 7/20/89 | Yves Isidor | Ifeanyi A Menkiti | $259,000 | University Bank NA | $207,200 | |
| **21-23** | **Alston St.** | 3 | 4/23/92 | FNMA | Yves Isidor | $144,000 | | | yes |
| 21-23 | Alston St. | 3 | 10/19/92 | Albin Sun+ | FNMA | $60,000 | FNMA | $45,000 | |
| **16-A** | **Austin St.** | 3 | 2/16/93 | FHLMC | Robert W. Scott | $67,200 | | | yes |
| 11 | Cameron Ave. | 3 | 11/14/88 | David O Ragwar+ | Mary A Andella | $230,000 | Comfed Savings Bk | $184,000 | |
| **11** | **Cameron Ave.** | 3 | 1/5/93 | FNMA | James O. Ragwar | $134,400 | | | yes |
| 11 | Cameron Ave. | 3 | 1/21/94 | David J Bouck+ | FNMA | $125,000 | Shawmut Mtg Co | $118,750 | |
| 162 | Central St. | 2 | 6/5/89 | Matthew Brennan+ | Paul J. Cedrone+ | $252,500 | Northeastern Mtg Co | $227,200 | |
| **162** | **Central St.** | 2 | 1/5/93 | FNMA | Matthew F. Brennan | $145,800 | | | yes |
| 162 | Central St. | 2 | 6/3/93 | Marina E. ---------- | FNMA+ | $170,500 | Shawmut Mtg Co | $161,950 | |
| 8 | Douglas Ave. | 2 | 4/2/90 | Jean O. Senat | Phillip E. Goss | $190,000 | Northeastern Mtg Co | $171,000 | |
| **8** | **Douglas Ave.** | 2 | 4/22/93 | FNMA | Jean O. Senat | $158,400 | | | yes |
| 8 | Douglas Ave. | 2 | 11/1/93 | Frederick T. Igoe+ | FNMA + | $158,400 | FNMA | $158,400 | |
| **18** | **Farragut Ave.** | 1 | 10/22/92 | FHLMC | Laurenco Coelho | $75,000 | | | yes |
| 18 | Farragut Ave. | 1 | 2/22/93 | Kimberly Smolinksy | FHLMC | $119,000 | First Eastern Mtg Co | $75,000 | |
| 74 | Fremont St. | 2 | 9/1/89 | Michael McKenna | Mary Sprouse+ | $240,000 | Other Bus Lender | $180,000 | |
| **74** | **Fremont St.** | 2 | 8/12/93 | FHLMC | Joan M. Mckenna | $157,800 | | | yes |
| 74 | Fremont St. | 2 | 12/2/93 | Yo Yi Chen | FHLMC | $133,000 | | $106,400 | |
| 24 | Glendale Ave. | 2 | 4/18/89 | Saalman Azam+ | 24 Glendale Ave RT | $250,000 | Northeastern Mtg Co | $187,500 | |
| **24** | **Glendale Ave.** | 2 | 10/14/93 | FHLMC | Shama Azam | $160,000 | | | yes |
| 24 | Glendale Ave. | 2 | 1/13/94 | Jenel Cherilus+ | FHLMC | $132,000 | East West Mtg Svcs | $105,600 | |
| **9** | **Hall St.** | 1 | 9/27/93 | FHLMC | Kevin D. Flynn | $76,723 | | | yes |
| 25 | Hawthorne St. | 2 | 6/15/88 | Verna Richards+ | Helen E. McDonald | $230,000 | BayBank Middlesex | $184,000 | |
| **25** | **Hawthorne St.** | 2 | 4/27/93 | FNMA | Richard C. Mclaughlin | $144,000 | | | yes |
| 25 | Hawthorne St. | 2 | 8/30/93 | Frank C. Ray+ | FNMA | $141,500 | FNMA | $127,350 | |
| | **Highland Ave.** | 2 | 3/22/94 | FNMA | Arnold Duclersaint | $180,000 | | | yes |
| 56 | Hinckley St. | 2 | 7/29/92 | Marine Midland Bank | Syed O. Rahim+ | $139,500 | | | yes |
| **56** | **Hinckley St.** | 2 | 9/18/92 | FNMA | Marine Midland Bk NA | $139,500 | | | yes |
| 56 | Hinckley St. | 2 | 9/18/92 | Dale E. Lorgeree | FNMA | $85,000 | FNMA | $80,750 | |
| 163 | Hudson St. | 2 | 10/9/87 | Donald F. Luzaitis+ | Christopher Reilly+ | $249,900 | Comfed Savings Bk | $199,000 | |
| **163** | **Hudson St.** | 2 | 6/26/92 | FNMA | Donald F. Luzaitis | $151,200 | | | yes |
| 163 | Hudson St. | 2 | 8/13/92 | Allison T Gushee+ | FNMA+ | $136,300 | FNMA | $122,650 | |
| **35-37** | **Jackson Rd.** | 3 | 4/9/93 | FNMA | Michael Keiselbach | $137,635 | | | yes |
| **66** | **Jacques St.** | 1 | 10/14/93 | FHLMC | George Spiliotis | $81,090 | | | yes |
| 15 | Lee St. | 1 | 6/27/90 | Bakhtawa Singh+ | Thomas Chandler + | $180,000 | Leader Mtg Co | $162,000 | |
| **15** | **Lee St.** | 1 | 6/17/93 | FNMA | Bakhtawar Singh | $138,000 | | | yes |
| 15 | Lee St. | 1 | 3/18/94 | Douglas Meacham+ | FNMA+ | $125,000 | Hibernia Savings Bk | $100,000 | |
| 37 | Lewis St | 3 | 8/26/88 | Pierre H. Grandoit | Kathleen P. Maroney | $312,500 | Comfed Savings Bank | $250,000 | |
| 37 | Lewis St | 3 | 9/5/89 | Jean T. Duperval+ | Pierre H. Grandoit | $346,000 | Northeastern Mtg Co | $290,000 | |
| **37** | **Lewis St** | 3 | 5/10/93 | FNMA | Duperval Jean Y. Est | $140,250 | | | yes |
| 37 | Lewis St | 3 | 7/13/93 | Avtar Singh | FNMA | $149,900 | FNMA | $149,900 | |
| 33 | Lexington Ave. | 2 | 5/31/88 | Joseph R. Fiorello+ | Anne N. Ciccone | $237,000 | Bank of Boston MA | $189,600 | |
| **33** | **Lexington Ave.** | 2 | 4/12/93 | FNMA | Joseph R. Fiorello | $207,843 | | | yes |
| 33 | Lexington Ave. | 2 | 6/17/93 | Carlos C. Best+ | FNMA | $153,800 | Shawmut Mtg Co | $146,100 | |
| **1** | **Linden St.** | 1 | 2/26/92 | FHLMC | Juan A. Fernandez | $71,288 | | | yes |

Source: *Banker and Tradesman* On-Line Service

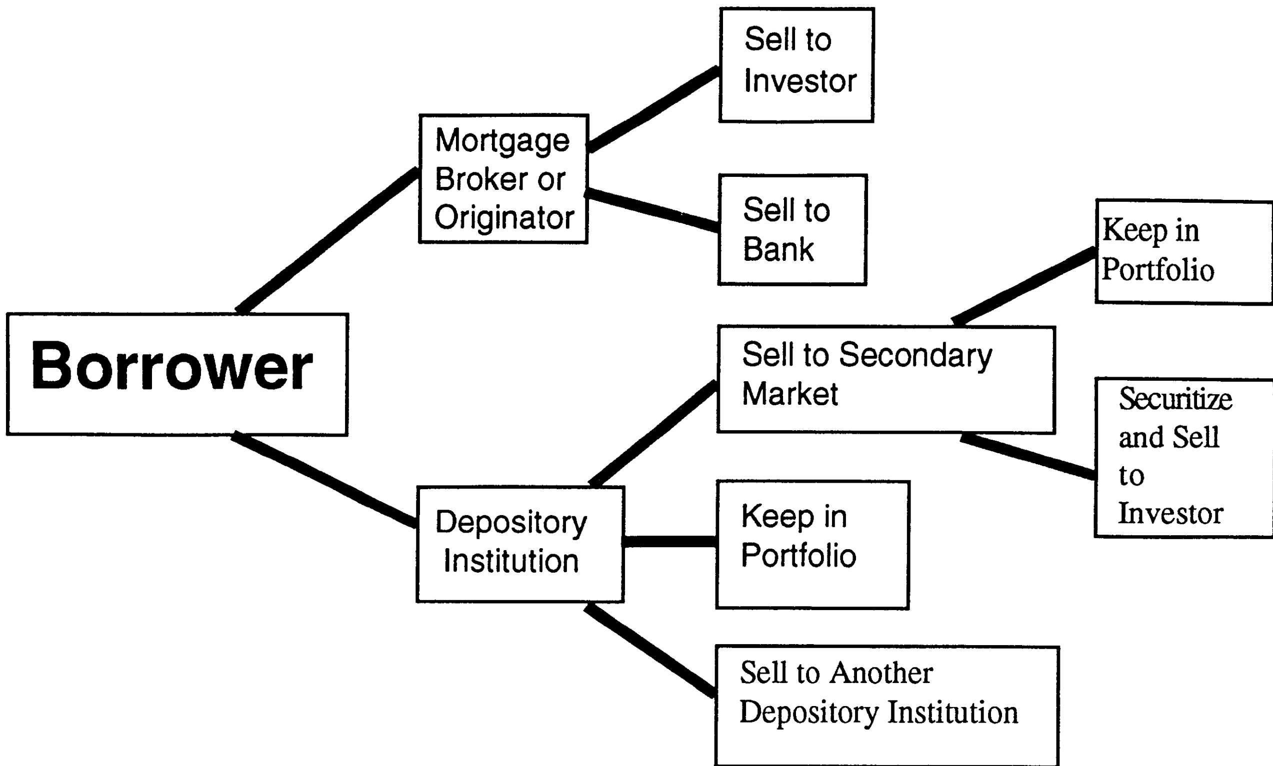
*Foreclosed One-to-Three Family Properties by Fannie Mae and Freddie Mac in Somerville*

| No. | Street Name | Units | Date | Buyer | Seller | Price | Lender | Mtg. Amt | Foreclosure |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Linden St. | 1 | 6/15/92 | Sharon M. Hall | FHLMC | $65,000 | Shawmut Mtg Co | $61,750 | |
| 335-337 | Lowell St. | 2 | 6/30/88 | Giuseppe Colomba | James F. Reagan | $215,000 | Pioneer Fin Cp Bk | $172,000 | |
| **335-337** | **Lowell St.** | 2 | 4/22/93 | FHLMC | Giuseppe Colomba | $215,548 | | | yes |
| 335-337 | Lowell St. | 2 | 1/21/94 | Jose H. Carreiro | FHLMC | $151,000 | Shawmut Mtg Co | $143,450 | |
| **398** | **Medford St.** | 3 | 10/5/92 | FHLMC | Arthur M. Levine | $215,015 | | | yes |
| 398 | Medford St. | 3 | 12/31/92 | Gabriel P. Lorius | FHLMC | $165,000 | Shawmut Mtg Co | $148,500 | |
| 4 | Nashua St. | 2 | 3/2/90 | Cazmis Kozerski | Carolyn R. Wood+ | $195,000 | First Eastern Mtg Co | $135,000 | |
| **4** | **Nashua St.** | 2 | 10/17/91 | FNMA | Cazmis Kozerski | $154,120 | | | yes |
| 4 | Nashua St. | 2 | 10/25/91 | Eric S. Bosco | FNMA | $126,900 | FNMA | $107,850 | |
| 21 | Newbury St. | 2 | 9/1/89 | Fred Syllien | Marie A. Conners+ | $160,000 | Comfed Savings Bank | $128,000 | |
| **21** | **Newbury St.** | 2 | 1/14/94 | FNMA | Fred Syllien | $139,410 | | | yes |
| **42** | **Otis St.** | 1 | 8/31/92 | FHLMC | Maria J. Leite | $98,000 | | | yes |
| 42 | Otis St. | 1 | 11/19/93 | Joseph D. Grillo | FHLMC | $59,900 | Shawmut Mtg Co | $87,950 | |
| **67** | **Pearl St.** | 3 | 7/8/93 | FHLMC | Robert W. Scott | $161,864 | | | yes |
| **7** | **Porter Ave.** | 1 | 11/16/92 | FHLMC | Charles F. Fraumeni | $121,547 | | | yes |
| 7 | Porter Ave. | 1 | 11/3/93 | Caryn L. Youngholm | FHLMC | $84,900 | Shawmut Mtg Co | $80,650 | |
| 78-80 | Prichard Ave. | 3 | 9/19/89 | Sencio Lherisse+ | Christos Poutahidis | $165,000 | Mtg Corp East III | $132,000 | |
| **78-80** | **Prichard Ave.** | 3 | 1/5/93 | FNMA | Sencio Lherisse | $88,900 | | | yes |
| 78-80 | Prichard Ave. | 3 | 11/2/93 | Nancy Earley | FNMA | $150,000 | Shawmut Mtg Co | $30,000 | |
| **111** | **Sacramento St.** | 1 | 11/4/92 | FHLMC | Michael T. Donoghue | $60,000 | | | yes |
| **111** | **Sacramento St.** | 1 | 10/29/93 | FHLMC | Michael T. Donoghue | $113,062 | | | yes |
| 111 | Sacramento St. | 1 | 12/30/93 | Margaret J Butler | FHLMC | $44,500 | E. Cambridge Svgs Bk | $35,200 | |
| **18** | **School St.** | 3 | 5/15/92 | FHLMC | Mohammad N. K. Mohammad | $246,366 | | | yes |
| 40 | Temple St. | 3 | 12/28/89 | Line Horacius+ | Melania Pacchielat+ | $232,000 | Sterling Mtg Co | $208,000 | |
| **40** | **Temple St.** | 3 | 10/14/93 | FNMA | Line Horacius | $139,500 | | | yes |
| 40 | Temple St. | 3 | 2/28/94 | Arnulfo Fernandez+ | FNMA+ | $120,000 | FNMA | $114,000 | |
| 31-33 | Temple St. | 3 | 9/3/87 | Rufino Espitia | Stephen A. Miller+ | $210,000 | Other Bus Lender | $168,000 | |
| **31-33** | **Temple St.** | 3 | 8/27/92 | FHLMC | Rufino Espitia | $201,000 | | | yes |
| 31-33 | Temple St. | 3 | 3/12/93 | Abdelmajid Laroussi+ | FHLMC | $98,000 | East West Mtg Svcs | $78,400 | |
| 18 | Virginia St. | 1 | 8/4/88 | Genevieve McCallum | Elmas Winters Jr | $156,000 | Comfed Savings Bank | $124,800 | |
| **18** | **Virginia St.** | 1 | 11/16/92 | FHLMC | Thomas McCallum | $159,166 | | | yes |
| 339 | Washington St. | 2 | 8/13/90 | Arthur Dasilva+ | Jose Machado+ | $230,000 | Sterling Mtg Co | $207,000 | |
| **339** | **Washington St.** | 2 | 2/10/94 | FNMA | Arthur Dasilva | $119,000 | | | yes |
| 39-41 | Waterhouse St. | 3 | 8/21/89 | Stephen J. Bremis | Cosmo Taglino+ | $125,500 | Central Coop Bank | $232,000 | |
| 39-41 | Waterhouse St. | 3 | 8/21/89 | Stephen J. Bremis | Bruno Ciccariello | $125,500 | | | |
| **39-41** | **Waterhouse St.** | 3 | 4/2/93 | FNMA | Stephen J. Bremis | $152,100 | | | yes |
| 39-41 | Waterhouse St. | 3 | 10/18/93 | Christine M. Leblois | FNMA | $125,000 | FNMA | $112,500 | |
| 102-104 | Wheatland St. | 3 | 2/24/88 | Antonio Andrade | Exchange Realty Trust | $210,000 | Plymouth Mtg Co | $189,000 | |
| **102-104** | **Wheatland St.** | 3 | 8/25/92 | FNMA | Antonio Andrade | $149,000 | | | yes |
| 102-104 | Wheatland St. | 3 | 10/26/92 | Louis E. Carbone | FNMA | $75,000 | | | |

Source: *Banker and Tradesman* On-Line Service

## Exhibit Seven

## Flowchart of Primary and Secondary Mortgage Markets


Borrower
Mortgage Broker or Originator
Sell to Investor
Sell to Bank
Depository Institution
Sell to Secondary Market
Keep in Portfolio
Sell to Another Depository Institution
Keep in Portfolio
Securitize and Sell to Investor

# Exhibit Eight

# List of Individuals Interviewed

## Individuals Interviewed

| | |
|---|---|
| Jeff Beck, Roger Meade, Robert Pyer, Hibernia Bank | March 10, 1994 |
| Robert Engelstad, Marlisa Senchak, Fannie Mae | March 15, 1994 |
| Ann Schnare, Andrea Stowers, Freddie Mac | March 15, 1994 |
| Patrick Dober, Congressman Barney Frank's office | March 16, 1994 |
| Steve Sousa, Mass. Mortgage Bankers' Association | March 18, 1994 |
| Louise Slattery, First Trade Union Bank | April 7, 1994 |
| John Battaglia, Alice Jamal, Mark Tyburski, Citizens' Bank | April 7, 1994 |
| Jonathan Crutchley, Crutchley Real Estate | April 15, 1994 |

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Federal National Mortgage Association, *Selling Guidelines, One-to-Four Unit Properties.*

Federal National Mortgage Association, *Servicing Guidelines, One-to-Four Unit Properties.*

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