



FURMAN CENTER POLICY BRIEF

Do Foreclosures Cause Crime?

In the last few years, the mortgage foreclosure crisis has uprooted millions of households and destabilized many communities around the country. Policymakers, local governments, and neighborhood residents are concerned about the effects these foreclosed homes have on surrounding communities and on crime in particular. These concerns are hardly groundless – in theory, foreclosures lead to physical deterioration, which might signal fewer neighborhood protections against social disorder and crime. Further, foreclosures may increase residential turnover, which may weaken the informal social controls in a neighborhood that help to prevent crime. Finally, foreclosures may lead to prolonged vacancies, which change the perceived costs of committing crimes such as theft, drug sales, and vandalism by providing a safe haven for criminal activity and signaling that fewer eyes on the street are monitoring criminal activity. But, while these theories have merit, we have little hard evidence showing that foreclosures lead to increased criminal activity. In a recent study, the Furman Center set out to uncover whether foreclosures actually have caused neighborhood crime to increase in New York City. This policy brief summarizes our findings and

highlights what they tell us about how to help communities hard hit by the foreclosure crisis.

Background

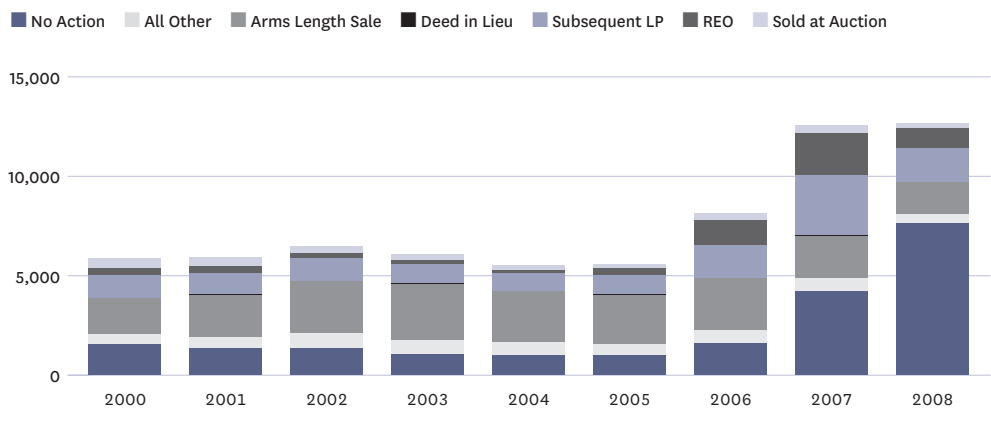
Foreclosure in New York State is a judicial process, meaning that banks or other lenders must file a case in court in order to foreclose on a home. To initiate a mortgage foreclosure, the foreclosing party files a *lis pendens*, a legal document that signals a dispute about the property, in the county clerk's office. We refer to the filing of the *lis pendens* as the "foreclosure start." During the period of time we studied, 2004 through 2008, lenders issued over 48,000 *lis pendens* in New York City. These foreclosures were concentrated in parts of Queens, Brooklyn, the Bronx, and Staten Island that are made up of one- to four-family homes.

The foreclosure process in New York takes longer on average than it does in any other state.¹ Some properties linger in the foreclosure pipeline for years before they go to auction. Many properties that receive

¹ RealtyTrac. (2012, July 10). *1 Million Properties With Foreclosure Filings in First Half of 2012*. Retrieved from <http://www.realtytrac.com/content/foreclosure-market-report/midyear-2012-us-foreclosure-market-report-7291>



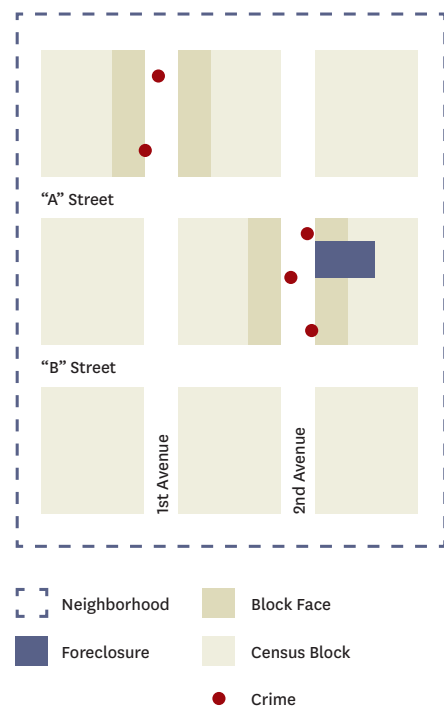
Figure 1: Outcomes of *Lis Pendens*, within 3 years of the *lis pendens*, by year of LP filing, through Q4, 2010



foreclosure notices do not go to auction; owners are able to avoid foreclosures by catching up on their mortgage payments, getting loan modifications, selling their homes, or handing over their deeds to the foreclosing bank. Figure 1 shows, for foreclosure cases started between 2000 and 2008, the share of cases resolved in each of these ways three years after issuance. We do not observe an outcome for a subset of the properties that receive a *lis pendens*. Some of these homeowners may become current on their mortgages through means other than a sale to a new owner; however we cannot observe loan modifications or payment of arrears. Therefore, we assume that a foreclosure is “cured” after 18 months if we do not observe an auction or sale before the end of 2011.

In our study, we investigated how foreclosure starts affect crime in the neighborhoods around them. To examine the relationship between foreclosures and crime in New York City, we analyzed detailed, point-specific foreclosure and crime data. We first mapped the over 96,000 “blockfaces” (the two sides of a block across the street from one another) in the entire city (Figure 2). Next we mapped every foreclosure notice in the city from 2003-2010. We then layered

Figure 2: Blockface Geography

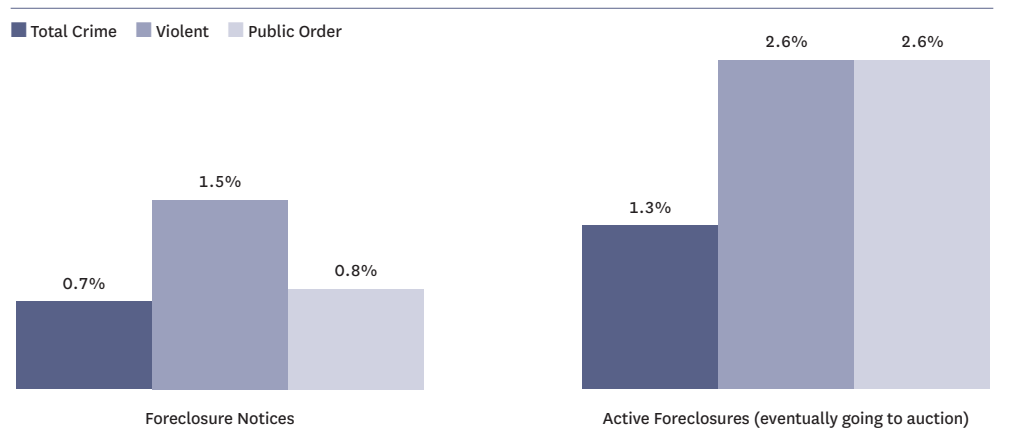


information on all crimes² reported in New York City between 2004 and 2008 onto our blockface map. To isolate the impact of foreclosures on crime, we compared the crime level on each blockface in quarters when the

² We created four measures of crime—total crime, violent crime, property crime, and public order crime. The public order crime category includes lower-level crimes such as graffiti, prostitution, loitering, and drug crimes.



Figure 3: Relationship between Foreclosure and Crime: Estimated Effect Sizes



blockface experienced foreclosure activity. Therefore, we assume that foreclosure is “cured” after 18 months if we do not observe an outcome (auction, refinance, etc.) in the data at any point after the notice of foreclosure.

Are Foreclosures Causing Crime?

The goal of our study was to rigorously test whether foreclosures lead to an increase in crime. As explained above, we constructed a detailed dataset that allowed us to see the effect that an additional foreclosure on a blockface has on future crime on that blockface and the surrounding blockfaces. We found that foreclosure starts have a positive and significant impact on total crime, violent crime, and public order crime. An additional foreclosure start in the prior quarter is associated with a 0.7 percent increase in total crime, a 1.5 percent increase in violent crime, and a 0.8 percent increase in public order crimes (Figure 3). Interestingly, we found no relationship between a foreclosure start and future property crime, which may reflect the fact that properties in foreclosure are less attractive targets for property crimes or that property crimes near foreclosures are less likely to be reported than other types of crime.

In addition to examining the effect of a new foreclosure notice, we also considered whether the subset of properties that ultimately goes to auction affects crime differently than the subset that is resolved in other ways even while they are still in the foreclosure process.³ We found that properties that go to auction have a larger effect on crime than properties that are able to avoid a foreclosure auction. An additional property that either will go to auction or has already gone to auction leads to a 1.3 percent increase in total crime, a 2.6 percent increase in violent crime, and a 2.6 percent increase in public order crime on the same blockface. (Further analysis suggests that results are mostly driven by properties that are on their way to auction rather than REO properties.)

To determine whether foreclosures are leading to crime, rather than simply associated with crime, we examined whether foreclosures that will be filed in the future are associated with higher crime before the foreclosure notice is filed. We found that they are not. Moreover, even after controlling for these future foreclosure notices, foreclosure

³ This measure of active foreclosures is a count of the number of properties on a blockface in a quarter that are anywhere between the notice of foreclosure stage and auction or REO or have already become REO. Most of these properties, however, have not yet gone to auction.



notices issued in the recent past continue to show a strong positive association with crime, providing strong evidence that foreclosures actually lead to crime.

That said, for all types of crime, we found that foreclosure activity appears to be linked to subsequent crime only when there have been three or more foreclosure notices issued on a blockface. Also, we found evidence that the effects of foreclosures are larger in precincts with moderate and high levels of crime than in lower crime areas.

Finally, the effects of foreclosures on crime do not appear to simply reflect a displacement of crime from neighboring blockfaces to the blockfaces with foreclosure activity. We found that foreclosure starts on adjacent blockfaces (all of the street segments that are contiguous to the blockface in question) lead to significant increases in crime on a blockface, but the effect is smaller than that for foreclosure starts issued to properties on the same blockface. It remains possible however, that the “new” crime is simply moving from blocks that are further away. Ultimately, we were not able to determine whether foreclosures result in net increases in overall crime in a city or metropolitan area. The key lessons emerging from this research show that foreclosures lead to increased crime in their immediate surroundings, adding strong evidence to the claims that foreclosures can threaten the stability of hard-hit communities.

Responding to the Effects the Foreclosure Crisis is Having on Local Crime

Our findings show that multiple foreclosures on a single blockface lead to an increase in violent and public-order crime, particularly in areas that have moderate to high existing crime rates. These findings warrant attention from government and community groups working in communities

hard hit by the foreclosure crisis. The key lessons resulting from this research are highlighted below.

Prioritize areas with concentrated foreclosures.

Our findings show that the greatest increases in crime occur on blockfaces where there have been three or more foreclosures, especially where existing crime rates are moderate to high. Policing and community stabilization efforts concerned with combating these effects should prioritize neighborhoods that have a greater share of such blockfaces. Because our results show that the effects of foreclosure starts on a blockface spill over to the surrounding blockfaces, they also suggests that policing efforts should include the area surrounding blockfaces with many foreclosures.

Focus on the pipeline.

Our analysis suggests that homes in the foreclosure process are causing crime to increase on their blockfaces even before the foreclosed house is sold at auction. Yet, many community stabilization efforts have been focused on addressing the impacts of post-auction bank-owned properties. Our findings suggest that community stabilization efforts should be widened to address the ways in which homes still in the foreclosure process can threaten their neighborhoods. Efforts to help homeowners in distress maintain and repair properties, with a particular focus on helping those who have the most financial hardship, might help address some of the visible factors that lead to increased crime.

Of course, the intervention that would most directly address the problems we found is expediting the resolution of foreclosure cases. Helping homeowners resolve their cases more quickly, with modifications where possible and short sales and deeds in lieu of foreclosure where they are not, will not



only help the homeowners involved, but will also help their communities move through the crisis more quickly. And, where homeowners have abandoned properties, moving expeditiously to foreclosure should also be a priority. For example, New Jersey recently adopted a law that will allow for expedited foreclosures on properties established to be vacant and abandoned.⁴ A strategy that combines faster resolution of foreclosures for abandoned homes and streamlined foreclosure-prevention options for homeowners who are at risk is likely go a long way to reduce the harms caused by properties lingering in the foreclosure process.

⁴ Burd, J. (2012, December 7). Experts react to N.J. bill to expedite foreclosure of vacant homes. NJ BIZ. Retrieved from <http://www.njbiz.com/article/20121207/NJBIZ01/121209861/Experts-react-to-NJ-bill-to-expedite-foreclosure-of-vacant-homes>

Tailor the response to the local causes.

For policymakers and community groups to respond most effectively to the negative effects of foreclosures in a neighborhood, they must learn quickly which properties are abandoned and which properties are being neglected. Thus, strong working relationships between policymakers and community-based groups who see problems on the ground are critical for crafting effective solutions.

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About the Furman Center

The Furman Center for Real Estate and Urban Policy is a joint center of the New York University School of Law and the Robert F. Wagner Graduate School of Public Service at NYU. Since its founding in 1995, the Furman Center has become a leading academic research center devoted to the public policy aspects of land use, real estate development, and housing.

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