



# Spotlight on the Housing Market in Cincinnati-Middletown, Ohio-Kentucky-Indiana

The Obama Administration's Efforts to Stabilize the Housing Market and Help American Homeowners | May 2012

The Cincinnati-Middletown OH-KY-IN Metropolitan Statistical Area (Cincinnati) is located along the Ohio River and includes 15 counties in 3 states: Hamilton in southwestern Ohio (includes City of Cincinnati) and four other Ohio counties; six counties in Kentucky; and three counties in Indiana. The challenges in the Cincinnati housing market have been more severe than those in many areas of the nation. The foreclosure crisis in Cincinnati, as in other parts of the Midwest, developed much earlier than in other parts of the country. As early as 2002, the share of distressed mortgages rose above the national average - the rise in distressed mortgage shares did not begin until 2007 in most other regions. The Cincinnati MSA did not see the rapid appreciation of the house price bubble; yet, local house prices have fallen below their 2000 levels. Declining property values in Cincinnati were fueled in part by excess housing construction in the years prior to the housing crisis, but mainly by rising defaults, driven first by unsustainable mortgages, then by the economic downturn and climbing unemployment. Economic conditions in Cincinnati are starting to improve, but the local housing market remains fragile - with high concentrations of distressed mortgages (those 90 or more days delinquent or in foreclosure), large numbers of vacant homes, and nearly 25 percent of home mortgages underwater. However, the Administration's broad approach to stabilize the housing market has been a real help to homeowners in Cincinnati and surrounding cities. This addendum to the Obama Administration's Housing Scorecard provides a summary of trends and conditions in the local economy and the impact of the Administration's efforts to stabilize the housing market and help local homeowners.

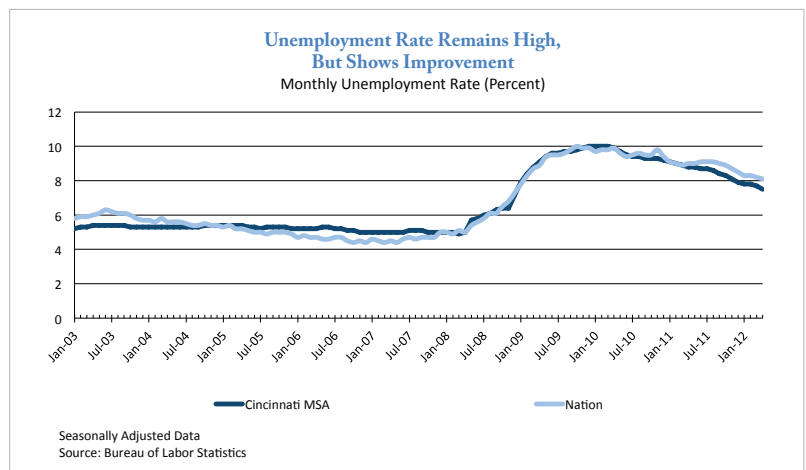
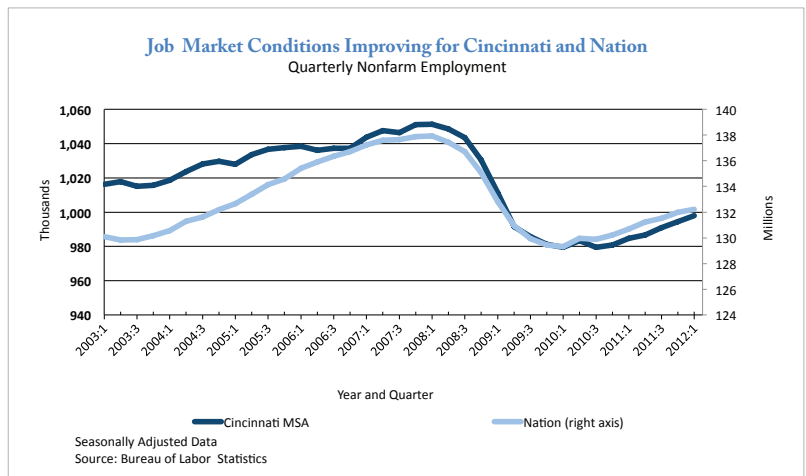
## Population Growth, Employment, and Housing Market:

With 2.13 million people according to the most recent Census, the Cincinnati MSA is the 27th largest in the nation. From 2000 to 2010, population growth was slow, increasing at an average rate of just 0.6 percent per year. Natural population growth (births minus deaths) accounted for nearly all of that increase, as an average of only 350 more people moved into the Cincinnati MSA each year than moved out. In Hamilton County, the population declined by an average of 4,300 people, or 0.5 percent, annually.

During the decade spanned by the Census, new housing production exceeded household growth in the Cincinnati MSA; net annual housing unit growth at 1.0 percent was greater than the corresponding population and household growth rates of 0.6 and 0.7 percent, respectively. This excess construction, while not as great as in some parts of the nation, nevertheless contributed to an oversupply of housing and may have led to steeper price declines after 2006. According to the Census Bureau, the number of vacant units in Cincinnati increased by an average of 3,300, or 6.1 percent annually during the 2000s, higher than the national rate of 4.4 percent during the same period. While overbuilding in some other metro areas was fueled by investor speculation, investor home purchases in Cincinnati represented a relatively small share of total purchases in the years leading into the crisis. However, subprime lending increased significantly in the Cincinnati MSA in that time, as data prepared by the Cincinnati Enquirer shows that the number of subprime mortgages increased from 5,836 in 1995 to 15,969 in 2005 and that one in every seven new local borrowers in 2005 received a subprime loan.

Cincinnati Housing Unit Growth Outpaced Population and Household Growth During the Past Decade		
Date of Census	4/1/2000	4/1/2010
Cincinnati Population	2,009,664	2,130,151
Annual Growth Rate	-	0.6%
Cincinnati Households	779,226	830,608
Annual Growth Rate	-	0.7%
Cincinnati Housing Units	833,067	917,396
Annual Growth Rate	-	1.0%

Source: Census Bureau (2000 and 2010 Decennial)





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### A modest economic recovery is underway in Cincinnati.

The local economy had expanded by an average of 8,020 jobs per year since the third quarter of 2003, representing a 0.8 percent pace of growth. But job losses were significant as a result of the recent recession: during the two year period beginning the first quarter of 2008, the region averaged 35,900 jobs lost, or a 3.4 percent annual decline. The local economy has made modest gains in the years since, with an average of 9,250 jobs added annually, or 0.9 percent. The professional and business services, leisure and hospitality, and manufacturing sectors have been the major contributors to job growth during the past 2 years, increasing jobs by a combined total of 13,000 per year. Employment declines, mainly in the government, offset job gains during this same period by an average of 2,000 jobs lost each year. The national unemployment rate peaked in October 2009 at 10.0 and fell to 8.2 percent by May 2012. The unemployment rate for the Cincinnati MSA has followed a more favorable trend, improving from a high of 10.0 in March 2010 to 7.5 percent in April 2012.

### Home sales in the Cincinnati MSA remain at low levels.

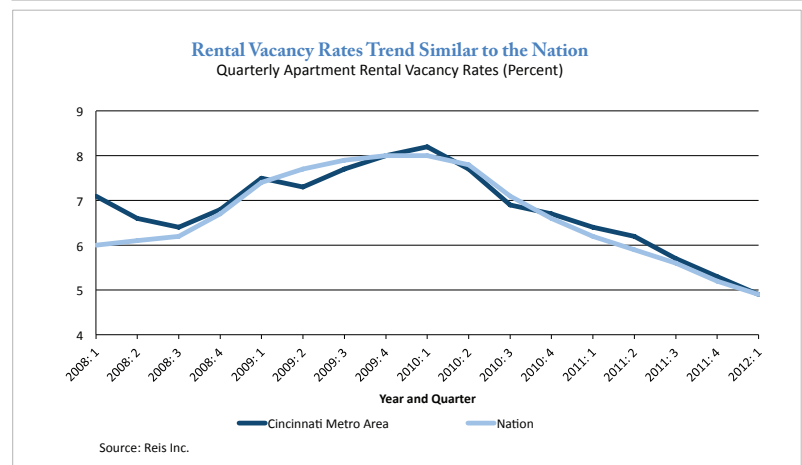
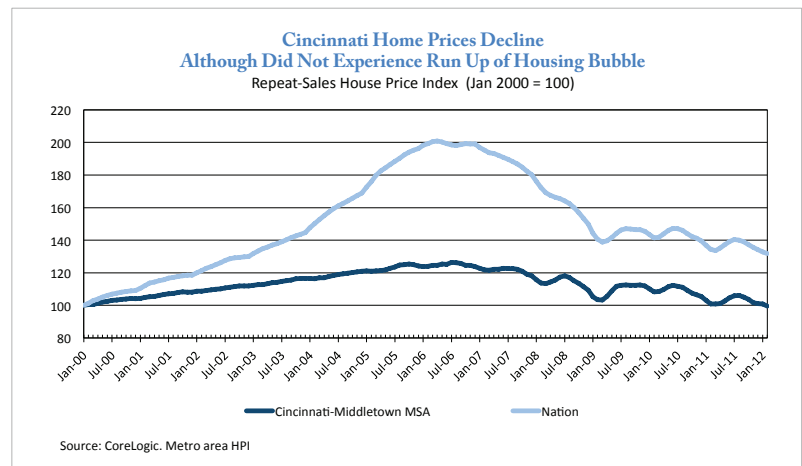
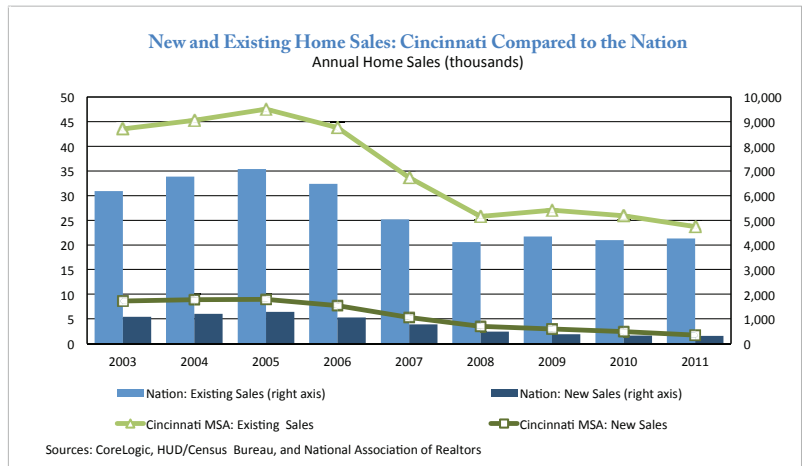
Existing home sales began a steep decline in 2006 but have leveled off since 2008. New home sales also fell sharply from 2006 through 2008 and have continued a slow decline. Sales of bank-owned properties and short sales remain high at 30 percent of existing home sales in the Cincinnati market and are in line with the national rate of 29 percent. The high proportion of deeply discounted distressed sales has contributed to the continued weakness in home prices. A relatively sluggish economy, slow population growth, an excess housing supply, and distressed sales seen earlier than in the rest of the nation kept Cincinnati home price increases much lower than national rates. The CoreLogic repeat-sales house price index (HPI) shows that the rise in home prices in the Cincinnati-Middletown MSA was approximately one-quarter the national pace between 2000 and mid-2006. From their peak in 2006 to the end of the house price bubble in March 2009, home prices fell by 18 percent in Cincinnati, approximately half the national average peak-to-low decline of 31 percent. The net effect for Cincinnati is that home prices are now where they were at the beginning of 2000. Without distressed sales, Cincinnati house prices would be at much higher 2003 levels, as seen in national home prices.

### The Cincinnati rental housing market has improved since 2011.

According to Reis Inc., the overall apartment vacancy rate in Cincinnati was 4.9 percent in the first quarter of 2012, down from 6.4 percent a year earlier and similar to the decline in the national vacancy rates from 6.2 to 4.9 percent. During the first quarter of 2012, average rents in Cincinnati increased by 2 percent from a year ago to \$732. The average rent nationwide also increased by 2 percent to \$1,070 during the same period.

## Trends in Mortgage Delinquencies and Foreclosures:

Cincinnati homeowners continue to struggle with high mortgage delinquency and foreclosure levels. As of March 2012, Cincinnati placed 111th out of 366 metropolitan areas ranked by share of mortgages at risk of foreclosure (90 or more days delinquent or in the foreclosure process) according to LPS Applied Analytics. LPS data also show that Cincinnati area mortgages at risk of foreclosure increased by 5.1 percent during the past year, from 16,750 in March 2011 to 17,600 in March 2012, compared with a national decline of 2.4 percent during the same period. CoreLogic data since 2000 show that the rate of mortgages at risk of foreclosure in Cincinnati had been consistently higher than the nation's before mid-2008, but rose less steeply during the



foreclosure crisis. In the first years of the crisis when single-family foreclosures were largely associated with unaffordable loan products, mortgages at risk of foreclosure rose more slowly in Cincinnati - from 2.5 to 3.9 percent of active mortgages during 2007 and 2008. The comparable rise for the nation was 1.6 to 4.4 percent. Beginning in 2009, foreclosures were increasingly associated with prime loans and were triggered by loss of income, unemployment, and negative equity according to research by the Federal Reserve Bank of Chicago. During this time, the share of severely delinquent mortgages in Cincinnati rose to 5.9 percent in early 2010, and after dipping, remains at that level. Severely delinquent



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Foreclosure Completion Rates in the Cincinnati MSA				
Area	First Quarter 2012		Since April 1, 2009	
	Foreclosure Completions	Foreclosure Rate	Foreclosure Completions	Foreclosure Rate
Cincinnati MSA	1,300	0.1%	17,900	1.9%
Nation	185,500	0.1%	2,693,300	2.0%

Note: Foreclosure Rates as Percent of All Housing Units; Data through March 2012 for Foreclosures since April 2009  
Source: Realty Trac and Census Bureau

mortgages rose more dramatically for the nation, peaking at 7.9 percent in early 2010, but have since declined to 6.6 percent.

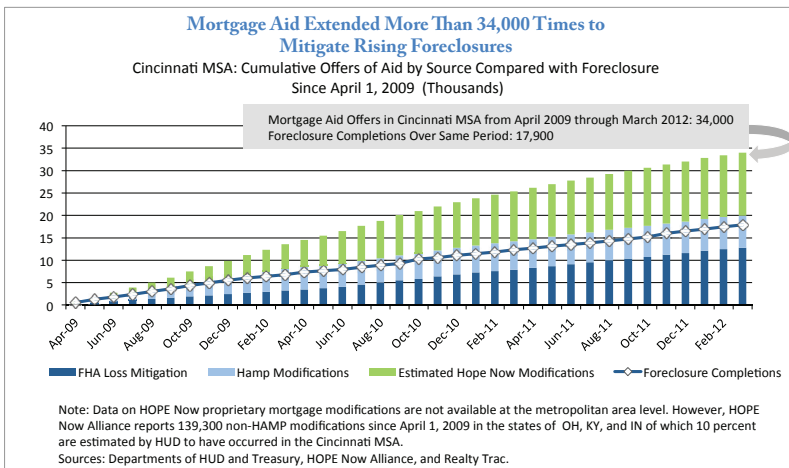
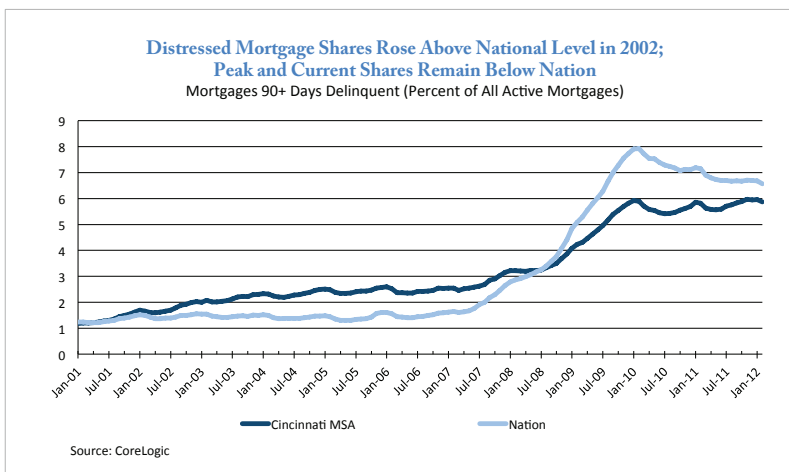
Realty Trac data indicate that the foreclosure completion rate since April 2009 in Cincinnati, at 1.9 percent, is slightly less than the national rate of 2.0 percent. Although foreclosure completions have been on the decline nationally over the past year, foreclosure completions have been relatively flat in Cincinnati during the same time period; however, lender process reviews continue to affect foreclosure completions locally and nationally. CoreLogic reports that 25 percent of mortgages in the Cincinnati MSA are currently underwater – compared to 23 percent nationally - representing additional homeowners and loans potentially at risk.

### The Administration's Efforts to Stabilize the Cincinnati Housing Market:

From the launch of the Administration's assistance programs in April 2009 through the end of March 2012, nearly 34,000 mortgage assistance interventions have been offered to homeowners in the Cincinnati metropolitan area. Nearly 20,000 interventions were offered through the Home Affordable Modification Program (HAMP) and the Federal Housing Administration (FHA) loss mitigation and early delinquency intervention programs. An estimated additional 14,000 proprietary mortgage modifications have been offered through HOPE Now Alliance servicers. While some homeowners may have received help from more than one program, the number of times assistance has been offered in the Cincinnati MSA is nearly double the number of foreclosures completed during this period (17,900). In addition to offers of mortgage aid to homeowners, the Administration's Neighborhood Stabilization Program (NSP) and Hardest Hit Fund have helped to stabilize the Cincinnati housing market.

Given over three rounds, the **Neighborhood Stabilization Program** has invested \$7 billion nationwide to help localities work with non-profits and community development corporations to turn tens of thousands of abandoned and foreclosed homes that lower property values into homeownership opportunities and the affordable rental housing that communities need.

NSP1 funds were granted to all states and selected local governments on a formula basis under Division B, Title III of the Housing and Economic Recovery Act (HERA) of 2008; NSP2 funds authorized under the American Recovery and Reinvestment Act (the Recovery Act) of 2009 provided grants to states, local governments, nonprofits and a consortium of nonprofit entities on a competitive basis; and NSP3 funds authorized under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 provided neighborhood stabilization grants to all states and select governments on a formula basis.



In addition to stabilizing neighborhoods and providing affordable housing, NSP funds have helped save jobs. Each home purchased, rehabilitated and sold through the NSP program is the result of the efforts of 35 to 50 local employees.

Overall, a total of \$52.7 million has been awarded to five NSP grantees in the Cincinnati MSA: the cities of Cincinnati and Middletown, OH; the counties of Hamilton and Butler, OH; and one consortium, the Cincinnati-Hamilton County Consortium, led by Hamilton County and including as members the City of Cincinnati, the Cincinnati Metropolitan Housing Authority (CMHA), Local Initiatives Support Corporation (LISC), and the Model Group. The four government jurisdictions received a total of \$22.7 million in NSP1 funds and \$6.0 million in NSP3 funds, and the consortium received a total of \$24.1 million in NSP2 funds. Approximately 513 households have already benefited from NSP, and activities funded by the program are expected to provide assistance to an additional 920 owner-occupied and renter households. Examples of how these funds have been put to use are provided below.

- The **City of Cincinnati and Hamilton County** were awarded a total of \$10.5 million in NSP1 funds. A portion of these funds has been targeted towards ten city and 15 county neighborhoods which were statistically identified as having the greatest need. The funds have had the effect of stabilizing these communities through three major activities: the purchase and redevelopment of properties to increase affordable homeownership, the creation of affordable rental housing, and hazard abatement and demolition of blighted properties. In total, NSP1 funds have affected more than 621 blighted and foreclosed units across this region.
- The **City of Middletown** was awarded \$2.1 million under NSP1. The funds have been used to demolish blighted properties and to rehabilitate properties that are functionally obsolete and visibly deteriorating. The city has a large vacancy problem,



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with nearly 3,000 vacant housing units; removing blighted properties eliminates their destabilizing effect on neighborhoods. The NSP1 funds have also been used to purchase, rehabilitate, and sell properties that were deteriorating, vandalized, and a source of frequent crime to low income families.

- The **Cincinnati-Hamilton County Consortium** has targeted NSP2 funds to areas where stagnant population growth, high unemployment, and a weak housing market have led to high foreclosure and vacancy. The funds have been used for the acquisition, demolition, and redevelopment of rental and owner-occupied units across seven communities. One example of the Consortium's work is the rehabilitation of the Elberon, a landmark apartment building in Cincinnati that had once held a place of prominence in the East Price Hill community. After years of neglect, the building was blighted, vacant and in foreclosure. In partnership with the local non-profit Price Hill, the Consortium utilized NSP2 funds in conjunction with low income housing tax credits to redesign the historic building into 37 units of affordable senior housing. In another Consortium development, known as "Villas of the Valley," a struggling community was transformed into a desirable neighborhood. In this project, the Consortium member, Model Group, demolished 15 dilapidated multi-family buildings and replaced them with 42 detached rental cottages for low income seniors, 35 multi-family rental units for low income families, and four single-family units for homeowners. In a third Consortium project, the Cincinnati Metropolitan Housing Authority (CMHA) put NSP2 funds to use by beginning construction on an affordable senior living facility in Mt. Healthy. Known as the Reserve on South Martin, the complex will include 60 rental units for residents 55 years and older when completed in 2012. In total, the NSP2 funds have impacted more than 100 blighted and foreclosed properties across the region.
- Under NSP3, the **City of Cincinnati** and **Hamilton County** were awarded a total of \$4.6 million. The city and county are using a part of these funds in six local communities to continue the implementation of the stabilization activities initiated under NSP1 and NSP2. The city and county are collaborating with local non-profit development organizations in this endeavor.
- Using NSP1 and NSP3 funds, **Hamilton County** is also working with Habitat for Humanity to rehabilitate single-family homes for low income families in targeted communities. As part of the program, the future homeowners volunteer their labor in renovating the homes, allowing the NSP development subsidy to benefit a greater number of households.

As part of the State of Ohio's housing recovery efforts, the **Restoring Stability: A Save the Dream Ohio Initiative** helps Ohio homeowners struggling to make their monthly house payments or those who have already fallen behind on their mortgage. Through the program, the Ohio Housing Finance Agency (OHFA) is administering \$570 million from the Administration's **Hardest Hit Fund** to help families avoid foreclosure.

The *Restoring Stability* programs include:

**Rescue Payment Assistance:** The Rescue Payment Assistance program provides payments to mortgage servicers to help delinquent homeowners who can demonstrate a financial hardship become current on their mortgages. The payments can cover principal, interest, fees, delinquent taxes or escrow shortage and homeowners insurance. Homeowners need to demonstrate the ability to make future mortgage payments for at least six months. Rescue Payment Assistance are structured as a zero-interest, deferred payment loan that is forgiven over five years, or repaid from sales proceeds if the home is sold sooner.

Cincinnati MSA NSP Activity (Housing Units)	Projected	Completed
<b>NSP1 Total</b>	<b>654</b>	<b>477</b>
Clearance and demolition	513	417
Construction of new housing	15	13
Rehabilitation/reconstruction of residential structures	126	47
<b>NSP2 Total</b>	<b>127</b>	<b>32</b>
Clearance and demolition	19	15
Construction of new housing	4	1
Rehabilitation/reconstruction of residential structures	104	16
<b>NSP3 Total</b>	<b>139</b>	<b>4</b>
Clearance and demolition	80	4
Rehabilitation/reconstruction of residential structures	59	0

**Mortgage Payment Assistance:** This program provides up to 15 months of mortgage payments for unemployed and underemployed homeowners. Mortgage Payment Assistance is structured as a zero-interest, deferred payment loan that is forgiven over five years, or repaid if the home is sold or the loan is refinanced sooner.

**Mortgage Modification with Contribution Assistance:** The program provides a payment to mortgage servicers to reduce a participating homeowner's mortgage principal in connection with a modification. As a result of this assistance, the homeowner should be able to qualify for a loan modification through the Administration's Home Affordable Modification Program (HAMP) or other programs that can make the monthly mortgage payment more affordable. The assistance provided by Restoring Stability is structured as a zero-interest, deferred payment loan that is forgiven over five years, or repaid if the home is sold or the loan is refinanced sooner.

**Transitional Assistance:** The Transitional Assistance program provides homeowners who cannot sustain homeownership with an alternative to foreclosure by offering an incentive to mortgage servicers to complete short sales or deed-in-lieu of foreclosure agreements. Transitional Assistance allows homeowners to exit their homes if they have exhausted all other options for maintaining homeownership or if they need to relocate to gain meaningful employment. If necessary, the plan may also make an incentive payment to a second lien holder to release other liens on the property.

**Lien Elimination Assistance:** This program provides a payment to a participating homeowner's mortgage servicer and other lien holders to extinguish existing liens. To qualify for Lien Elimination Assistance, the servicer must agree to release the lien and the homeowner must demonstrate the ability to stay current on any remaining liens attached to the property, property taxes and homeowner's insurance. The assistance provided by Restoring Stability is structured as a zero-interest, deferred payment loan that is forgiven over five years, or repaid if the home is sold or the loan is refinanced sooner.

To date, over 150 mortgage servicers have agreed to participate in at least one of the Restoring Stability programs. The programs make extensive use of local HUD-approved housing counseling agencies to help homeowners access the program and apply for assistance. Ohio homeowners who believe they may be eligible can visit [www.savethedream.ohio.gov](http://www.savethedream.ohio.gov). Ohio has these funds available until 2017 (or until all funds are utilized to assist struggling homeowners) to prevent avoidable foreclosures.