U.S Department of Housing and Urban Development
U.S. Department of the Treasury

Spotlight on the Housing Market in Miami-Fort Lauderdale-Pompano Beach, Florida

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

The Miami-Fort Lauderdale-Pompano Beach, FL Metropolitan Statistical Area (Miami) is located along the southeastern coast of Florida and includes three counties: Broward, Miami-Dade (includes City of Miami) and Palm Beach. The challenges in the Miami housing market, as in other parts of Florida, have been more severe than those in most areas of the nation. Miami currently ranks first in the nation for the share of mortgages at risk of foreclosure - those 90 or more days delinquent or in the foreclosure process. Contributing to the high share of distressed mortgages is the third longest foreclosure processing time among states, as lender processing delays and a backlog in the courts contribute to a high share of mortgages extending the foreclosure pipeline. During the early part of the last decade, local home prices rose at nearly double the pace of the national average. Since that time, home prices in Miami have fallen more steeply than in most parts of the country. Reduced property values and the extent of underwater mortgages in the current market were partly fueled by investor speculation and excess housing construction in the years prior to the housing crisis, but were also driven by rising defaults due to unsustainable subprime mortgages beginning in 2007, then by the economic downturn and climbing unemployment. Economic conditions in Miami are improving, but the local housing market remains fragile – with high concentrations of distressed mortgages, large numbers of vacancies, and 45 percent of home mortgages underwater. In addition, lack of access to credit remains a barrier for potential and existing homeowners. However, the Administration's broad approach to stabilize the housing market has been a real help to homeowners in Miami 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:

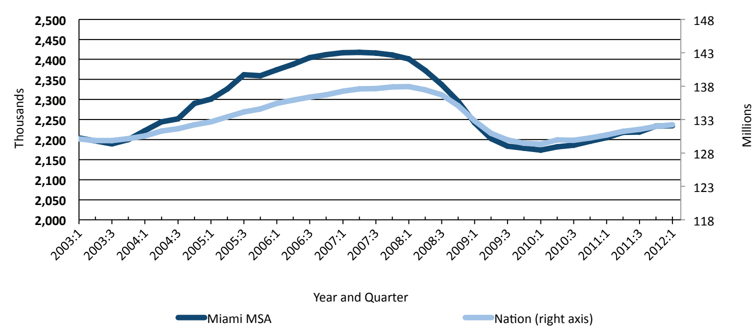
With a population of 5.56 million people according to the most recent Census, the Miami MSA is the 8th largest in the nation. From 2000 to 2010, population growth was moderate, increasing at an average rate of 1.1 percent per year. In Miami-Dade County, where the City of Miami is located, the population increased by an average of 24,250 people, or 1.1 percent, annually from 2000 to 2010. During the decade spanned by the Census, new housing production exceeded household growth in the Miami MSA; net annual housing unit growth at 1.5 percent was greater than the corresponding population and household growth rates of 1.1 and 1.0 percent, respectively. Although Miami normally has a relatively larger stock of housing units that are held for seasonal use compared to other areas, the growth in the housing stock between Census counts indicates excess construction 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 Miami increased by an average of 12,250 units, or 5.0 percent, annually during the 2000s, higher than the national rate of

Miami Housing Unit Growth Outpaced Population and Household Growth During the Past Decade

Date of Census	4/1/2000	4/1/2010
Miami Population	5,007,956	5,564,635
Annual Growth Rate	-	1.1%
Miami Households	1,905,394	2,097,626
Annual Growth Rate	-	1.0%
Miami Housing Units	2,149,749	2,464,417
Annual Growth Rate	-	1.5%

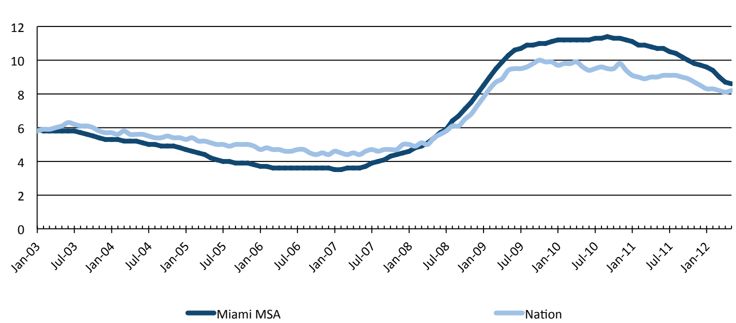
Source: Census Bureau (2000 and 2010 Decennial)

Job Market Conditions Improving for Miami and Nation
Quarterly Nonfarm Employment



Seasonally Adjusted Data
Source: Bureau of Labor Statistics

Unemployment Rate Remains High, But Shows Improvement
Monthly Unemployment Rate (Percent)

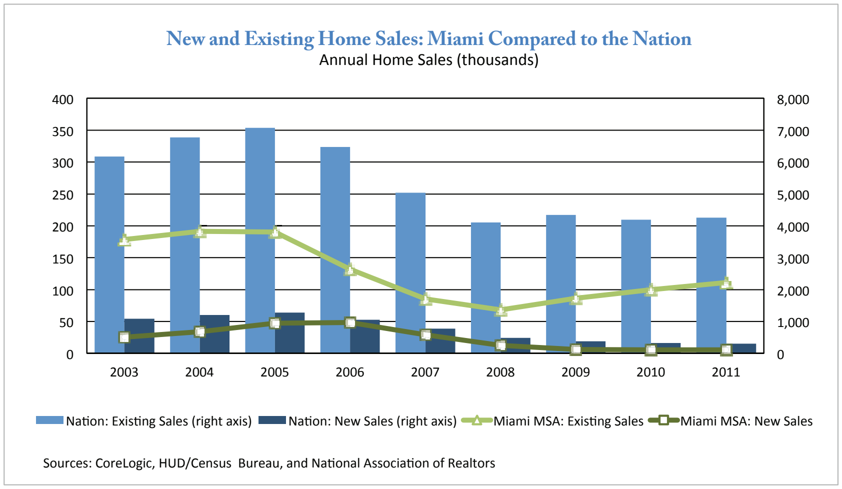


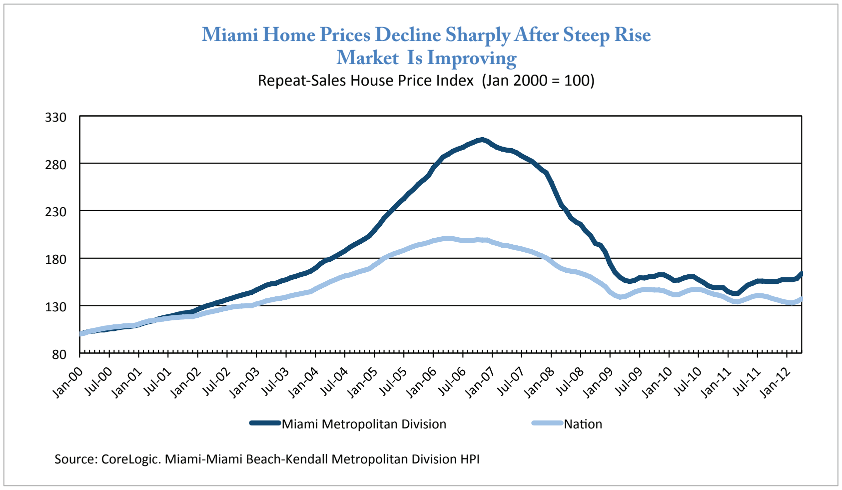
Seasonally Adjusted Data
Source: Bureau of Labor Statistics

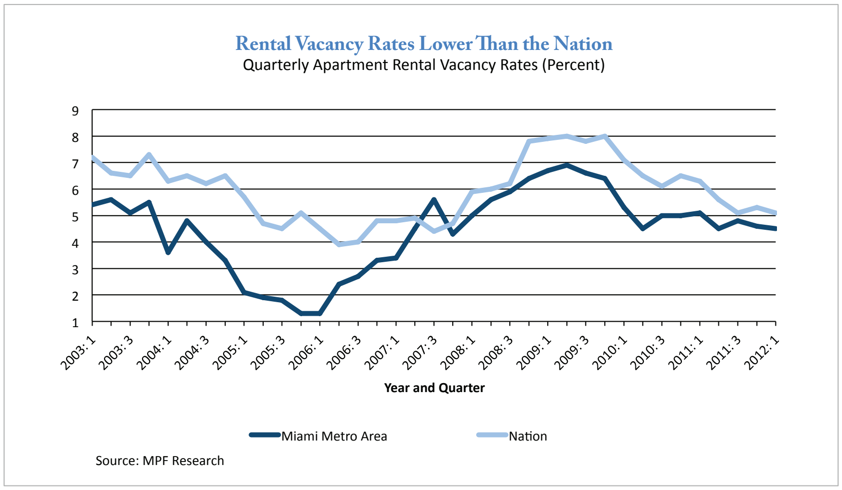
4.4 percent during the same period. Investor speculation was a major cause of overbuilding in Miami in the years leading into the crisis, with investor home purchases representing a larger share of total purchases than in the nation. Specifically, from 2000 to 2006, home sales to investors in the Miami-Miami Beach-Kendall Metropolitan Division rose from 8 to 19 percent of all sales, while the corresponding increase for the nation was 8 to 15 percent. Another cause of overbuilding in Miami prior to the crisis was speculative construction of inner city condominium units which did not sell to owner occupants or investors. According to Condo Vultures® LLC, greater downtown Miami added approximately 22,250 condominium units during the boom that began in 2003. As of the fourth quarter of 2011, approximately 56 percent of downtown condominium units were renter-occupied, according to the Miami Downtown Development Authority.

A modest economic recovery is underway in Miami. The local economy expanded by an average of 60,800 jobs, or 2.8 percent, per year, from the third quarter of 2003 through the second quarter of 2007. As a result of the recent recession, significant job losses occurred, averaging 108,400 jobs, or 4.5 percent, per year, beginning the third quarter of 2007 through the first quarter of 2010. The local economy has made modest gains in the years since, with an average of 30,300 jobs, or 1.4 percent, added each year. The education and health services, professional and business services, and retail trade sectors have been the major contributors to job growth since the recovery began, increasing by a combined total of 27,800 jobs per year. Employment declines, mainly in the construction and government sectors, partially offset the above gains during the same period by a combined average of 8,500 jobs per year. The national unemployment rate peaked in October 2009 at 10.0 and fell to 8.2 percent by June 2012. The unemployment rate for the Miami MSA has followed a similar trend, improving from a high of 11.4 in September 2010 to 8.6 percent in May 2012.

Home sales in the Miami MSA have improved since 2008. Existing home sales began a steep decline in 2006 but have increased steadily since 2008. New home sales fell from 2007 through 2009 and have remained at historically low levels. Sales of bank-owned properties and short sales remain high at 27 percent of existing home sales in the Miami market, slightly higher than the national rate of 24 percent. The high proportion of distressed sales contributes to weakness in home prices. The CoreLogic repeat-sales house price index (HPI) shows that the rise in home prices in the Miami-Miami Beach-Kendall Metropolitan Division was nearly double the national pace between 2000 and mid-2006. Investor speculation helped fuel the rise in house prices – home sales to investors averaged 18 percent in Miami between 2003 and 2006 – much higher than the 14 percent share for the nation. Home prices in Miami fell much farther from their peak in 2006 than did average prices for the nation – Miami prices were down 49 percent as of November 2009, nearly two-thirds more than the 31 percent national peak-to-low decline. Home prices in Miami have fluctuated since the end of the house price bubble but have been rising since early 2011 and are currently 5 percent higher than their 2009 low.







Despite excess construction the Miami rental housing market is doing well, with vacancy rates falling since 2009. According to MPF Research, the overall apartment vacancy rate in Miami was 4.5 percent in the first quarter of 2012, down from 5.1 percent a year earlier, compared with the decline in the national vacancy rate to 5.1 from 6.3 percent. During the first quarter of 2012, average rents in Miami increased by 4 percent from a year ago to $1,146. The average rent nationwide also increased by 4 percent to $1,061 during the same period.

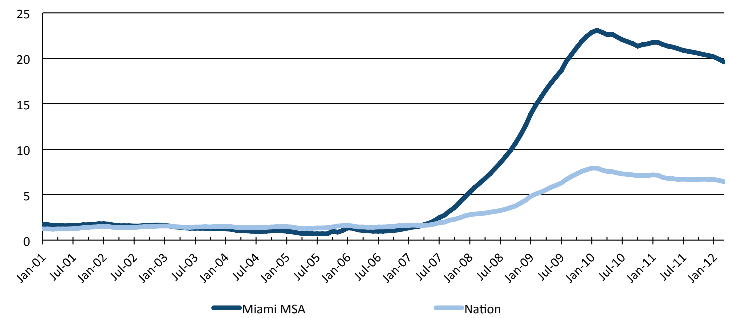
Trends in Mortgage Delinquencies and Foreclosures:

Miami homeowners continue to struggle with high rates of mortgage delinquency and foreclosure. As of May 2012, Miami placed 1st 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. However, the foreclosure situation in Miami is improving. LPS data show that mortgages at risk of foreclosure decreased by 6.2 percent during the past year, from 164,400 in May 2011 to 154,200 in May 2012, compared with a national decline of 1.0 percent during the same period. CoreLogic data since 2000 show that the rate of mortgages at risk of foreclosure in the Miami MSA had been consistent with the national rate through the end of 2006, but rose sharply 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 rapidly in Miami – from 1.3 to 12.7 percent of active mortgages during 2007 and 2008. The comparable rise for the nation was 1.6 to 4.4 percent. According to the Florida Housing Data Clearinghouse, Home Mortgage Disclosure Act data indicate that high-cost or subprime loans accounted for nearly 53 percent of total loans in the Miami MSA in 2006. Beginning in 2009, more prime loans went into foreclosure, 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 Miami rose to a high of 23.1 percent in early 2010, but has since declined to 19.6 percent. The rise in severely delinquent mortgages was less steep in the rest of the nation, peaking at 7.9 percent in early 2010 and declining since that time to 6.4 percent.

Foreclosure Completion Rates in the Miami MSA				
	Second Quarter 2012		Since April 1, 2009	
Area	Foreclosure Completions	Foreclosure Rate	Foreclosure Completions	Foreclosure Rate
Miami MSA	6,000	0.2%	101,900	4.1%
Nation	160,500	0.1%	2,853,800	2.2%

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

Share of Distressed Mortgages Substantially Higher Than the Nation
Mortgages 90+ Days Delinquent (Percent of All Active Mortgages)



Source: CoreLogic

A partial explanation for the high level of mortgages at risk of foreclosure in Miami is the time it takes to complete a foreclosure in Florida. According to Realty Trac, the average foreclosure processing time in Florida, which employs the judicial foreclosure process, was 861 days in the second quarter of 2012 (third longest among states) – more than twice the national rate of 378 days. The longer processing time tends to increase the number of foreclosures in the pipeline and delay completed foreclosures. Lengthy processing times notwithstanding, the foreclosure completion rate since April 2009 in the Miami MSA, at 4.1 percent, is nearly double the national rate of 2.2 percent. Foreclosure completions have been trending downward in the Miami MSA and nationally. For the first quarter of 2012, completed foreclosures in Miami are 30 percent below the previous quarter and 54 percent below their peak, while completed foreclosures in the nation are down 13 percent from the previous quarter and 44 percent below their peak. Both peaks occurred in the third quarter of 2010. However, lender process reviews and court backlogs continue to affect foreclosure completions. CoreLogic reports that 44.7 percent of mortgages in the Miami-Miami Beach-Kendall Metropolitan Division were underwater in the first quarter of 2012 – compared to 23.7 percent nationally – representing additional homeowners potentially at risk.

The Administration's Efforts to Stabilize the Miami Housing Market:

From the launch of the Administration's assistance programs in April 2009 through the end of May 2012, nearly 147,500 homeowners received mortgage assistance in the Miami metropolitan area. Nearly 66,900 interventions were started through the Home Affordable Modification Program (HAMP) and the Federal Housing Administration (FHA) loss mitigation and early delinquency intervention programs. An estimated additional 80,600 proprietary mortgage modifications have been made through HOPE Now Alliance servicers. While some homeowners may have received help from more than one program, the number of times assistance has been provided in the Miami MSA is nearly 50 percent higher than the number of foreclosures completed during this period (100,000). In addition, more than 287,000 Miami homeowners stand to benefit from the $8.5 billion in relief provided to the state under the landmark Mortgage Servicing Settlement announced in February 2012. Nationwide, the settlement will provide more than $37.8 billion in benefits that include payments to the participating states, payments to borrowers, refinance funding, fee reductions and homeowner benefits. Nearly 1.7 million Americans will benefit from the mortgage settlement.

Together, the Administration's Neighborhood Stabilization Program (NSP) and Hardest Hit Fund programs, as well as the provisions of the mortgage servicing settlement, are helping to stabilize the Miami 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.

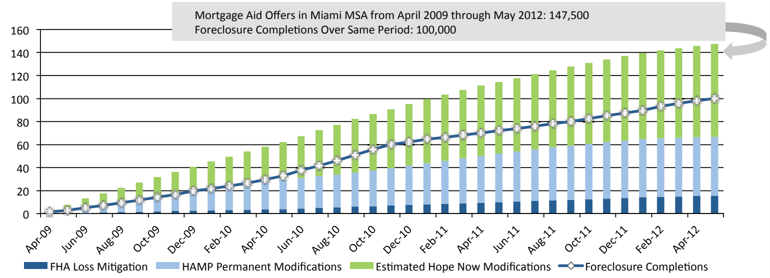
Overall, a total of $426.8 million has been awarded to 26 NSP grantees in the Miami MSA: 20 cities, including the principal cities of Miami, Fort Lauderdale, Pompano Beach, West Palm Beach, Miami Beach, Deerfield Beach, Boynton Beach, and Homestead; all three counties in the MSA; and two consortia, the Lake-Worth Community Redevelopment Agency and the Neighborhood Housing Services of South Florida. The government jurisdictions received a total of $191.1 million in NSP1 funds, 50 million in NSP2 funds, and $72.1 million in NSP3 funds, and the consortia received a total of $112.6 million in NSP2 funds. Approximately 740 households have already benefited from NSP, and activities funded by the program are expected to provide assistance to an additional 4,243 owner-occupied and renter households. Examples of how these funds have been put to use are provided below.

- The **Neighborhood Housing Services of South Florida (NHS)**, a consortium of six non-profit members, has focused its $89 million NSP2 grant on the north central part of Miami-Dade County where the housing stock is aging and there has been a long term trend of middle-class flight to the suburbs. NHS is targeting NSP funds to areas where their investments can have a substantial impact on neighborhoods. Within a 12 block area in the Overtown neighborhood, NHS is rehabilitating five foreclosed multifamily apartment buildings encompassing a total of 100 units. In the former high-crime Triangle neighborhood, NHS is renovating four multifamily buildings with 40 residential units within a three block area. In Brownsville, NHS has teamed up with a for-profit developer of affordable housing to tear down an apartment complex that has been a pocket of crime and drug abuse and replace it with a three-story garden style apartment complex with 100 units.

- The **City of Miami** was awarded a total of $16.6 million in NSP1 and NSP3 funds. A portion of these funds has gone towards rehabilitating the Camacho Building, a foreclosed unfinished building in the heart of the Little Havana neighborhood. With the City's assistance, a local developer purchased the property and finished the development. The building's 24 one-bedroom rental units are presently being leased to elderly residents at or below 50% of area median income. The Miami Beach Community Development Corporation, a non-profit organization that has worked to revitalize neighborhoods and enhance the quality of community life, will own and operate the building. Another Miami NSP project, Vista Mar, leveraged NSP funds with low income housing tax credits to turn a vacant lot into a housing development with one-, two- and three- bedroom units, a six-story parking garage and green features.

Mortgage Aid Provided More Than 147,000 Times to Mitigate Rising Foreclosures

Miami MSA: Cumulative Offers of Aid by Source Compared with Foreclosures Since April 1, 2009 (Thousands)



Note: Data on HOPE Now proprietary mortgage modifications are not available at the metropolitan area level. However, HOPE Now Alliance reports 214,400 non-HAMP modifications since April 1, 2009 in Florida of which 38 percent are estimated by HUD to have occurred in the Miami MSA. This chart excludes HAMP trial modifications not made permanent.

Sources: Departments of HUD and Treasury, HOPE Now Alliance, and Realty Trac.

Miami MSA NSP Activity (Housing Units)	Projected	Completed
NSP1 Total	**1833**	**701**
Clearance and demolition	101	67
Construction of new housing	691	113
Homeownership assistance to low-and moderate income	266	238
Rehabilitation/reconstruction of residential structures	775	283
NSP2 Total	**2619**	**24**
Clearance and demolition	10	0
Construction of new housing	667	0
Homeownership assistance to low-and moderate income	108	11
Rehabilitation/reconstruction of residential structures	1834	13
NSP3 Total	**531**	**15**
Clearance and demolition	39	4
Construction of new housing	270	0
Homeownership assistance to low-and moderate income	101	11
Rehabilitation/reconstruction of residential structures	121	0

- The **City of Hialeah**, also in Miami-Dade County, was awarded a total of $7.6 million in NSP1 and NSP3 funds. The City is creatively combining a portion of these funds with local funds and in-kind services to develop city-owned and operated projects. One such project is Villa Teresita, a 33-unit complex of affordable rental housing for elderly families. On January 20, 2012, the City of Hialeah was recognized for its exemplary use of NSP1 funds by receiving the Audrey Nelson Community Development Achievement Award.

- **Lake Worth Community Redevelopment Agency**, a 22-member consortium in Palm Beach County, has been instrumental in building cooperative relationships among local agencies, law enforcement personnel, neighborhood associations, and cultural and educational organizations. With a $23.2 million NSP2 grant, Lake Worth has worked to stem a "free fall" in property values in targeted areas and to reconnect neighborhoods by removing destabilizing influences and promoting green, pedestrian and bicycle-friendly communities. The consortium has acquired and rehabilitated foreclosed and abandoned properties as well as arranged for the provision of social services by non-profit partners who have a long history of assisting individuals and families in need. So far, the consortium has generated 200 Section 3 contracts with small, local firms, accounting for about 20% of all subcontracted dollars. Section 3 refers to the Department's program for providing preference to low- and very low-income residents of the community where grant funds are spent and the businesses that substantially employ these persons.

- **Palm Beach County** received grants from all three NSP programs totaling $89.0 million. The County utilized $20 million to provide first and second mortgage financing to income eligible homebuyers for the acquisition and rehabilitation of foreclosed properties. The income generated from these mortgage programs is reinvested to finance additional mortgages, both sustaining the program and increasing the public benefit generated by the NSP dollars. To date, the County's Department of Economic Sustainability has used $23 million of NSP funds to acquire 132 foreclosed homes in the community's hardest hit neighborhoods and has overseen the restoration of these homes through homebuyer programs. Palm Beach County has also used NSP funds to aid in developing vacant commercial property by building a homeless resource center, a key element to the County's Ten Year Plan to End Homelessness. The Phillip D. Lewis Center opened in June 2012, and is now offering a beacon of hope to homeless individuals and families throughout the community.

- The **City of Tamarac**, in Broward County, has received a total of $6.2 million in NSP1 and NSP3 funding. The City used the NSP1 grant to purchase and rehabilitate foreclosed or abandoned properties, benefiting 53 households. With NSP3 funds, the City developed a new strategy to allocate funds for acquisition, rehabilitation, and disposition so that income could be generated and reused within the program. The City also partnered with Home Depot for the donation of landscaping products to encourage homeowners near NSP3 acquired homes to improve their properties. A coordinated effort from numerous city departments has fostered a comprehensive approach to neighborhood stabilization in both NSP programs.

As part of the State of Florida's housing recovery efforts, the ***Florida Hardest-Hit Fund*** was launched on April 18, 2011 to help Florida homeowners who have experienced a substantial decrease in income due to job loss or underemployment by providing a mortgage payment bridge while they seek new or better employment. The *Florida Hardest-Hit Fund* is funded by $1.06 billion from the Administration's **Hardest Hit Fund** and administered by the Florida Housing Finance Corporation. Program eligibility was recently modified to reach more homeowners with steeper assistance. Assistance is provided in one of two ways:

- **Unemployment Mortgage Assistance Program (UMAP)** provides up to twelve months of payments (with a cap of $24,000) to the mortgage lender to assist unemployed/underemployed borrowers with their first mortgage until they can resume full payments on their own.

- **Mortgage Loan Reinstatement Payment (MLRP) Program** is used to bring a delinquent mortgage current (up to $25,000) for a homeowner who has returned to work or recovered from underemployment.

The homeowner's household income is reviewed to determine the level of assistance needed and the minimum mortgage payment that may be contributed by the borrower. Eligible homeowners close on a 0-percent interest subordinate loan similar to a home equity line of credit. The first 20 percent of the loan will be forgiven eighteen months after the loan closing, and the balance will be forgiven at a rate of 20 percent per year thereafter. Homeowners must have a documented hardship due to unemployment or underemployment through no fault of their own.

Florida homeowners who believe they may be eligible for these programs should visit **www.FLHardestHitHelp.org**. Florida has these funds available until 2017 or until all funds are expended to help struggling homeowners and prevent avoidable foreclosures.