FAIR HOUSING CENTER of CENTRAL INDIANA

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FHCCI Releases Report on Indy's Changing Neighborhoods and the Impact of Investors, Foreclosures, and Mortgage Lending

INDIANAPOLIS, IN – The housing market in Indianapolis, like many urban centers, is in a time of change. House prices soared and peaked during the pandemic, interest rates are now rising, and homeownership has become increasingly unaffordable to low- and moderate-income residents. These trends do not only affect individual home seekers, who are locked out of access to the wealth that homeownership provides. They also affect neighbors and entire communities, who experience spillover effects such as upward pressure on rents, hazards from poorly maintained properties, and rising living costs from gentrification.

In the new analysis by the Fair Housing Center of Central Indiana (FHCCI), titled **State of Fair Housing Report – Our Changing Neighborhoods: The Impact of Investors, Foreclosures, and Mortgage Lending**, the FHCCI examines these forces and how neighborhoods, and the people who live in them, are being affected. This report focuses on four factors related to homeownership and fair housing: mortgage lending, gentrification, foreclosures, and activity from outside investors. We identify neighborhood-level patterns to show how some communities and industry actors benefit from the new status quo, while low-to-moderate income and communities of color more often face financial hardship and displacement.

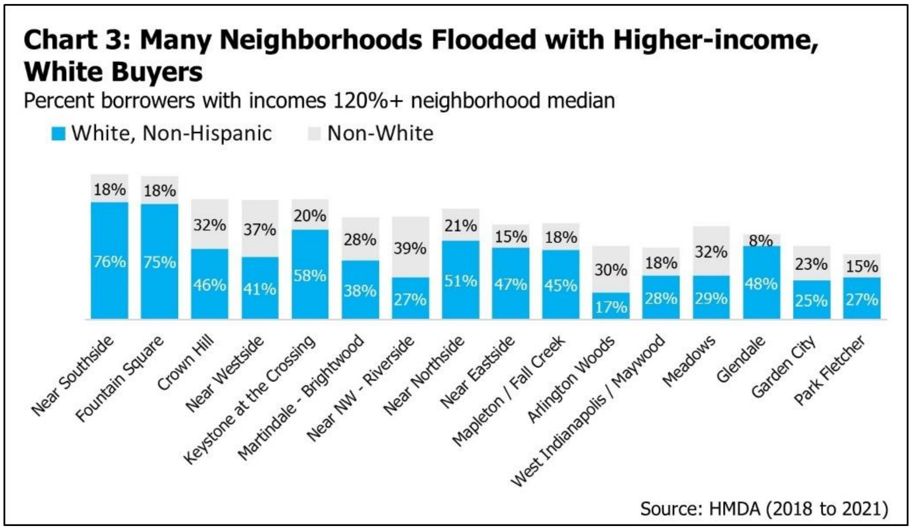
Homeownership Changing

The homeownership rate in Marion County, Indiana has declined by 7% since 2010. Neighborhoods of color have had a sharper decline in homeownership (-14% decrease) than white neighborhoods (-4%).

- Some neighborhoods in Marion County have added homeowners, including the Near Northside (+29%), Fountain Square (+18%), and Mapleton / Fall Creek (+16%). These three neighborhoods have had increasing white and decreasing Black populations.
- Homeownership rates have declined significantly in historically Black central Marion neighborhoods like Martindale-Brightwood (-13%). Many neighborhoods on the southside of Marion County have fast growing Black populations. These include Valley Mills (-30%), Southern Dunes / Glenns Valley (-13%), and South Perry / Southport (-13%).

Changing Demographics Show Signs of Gentrification and Displacement in Urban Core

Comparing the change in demographics and home purchasing in two Indianapolis sections - the urban core, versus the southside - highlights two contrasting trends of neighborhood change - gentrification and displacement, versus moderate growth.



- In historically Black neighborhoods surrounding downtown, the influx of upper-income, mostly white homebuyers, increasing investor purchases, and skyrocketing home prices point to gentrification. This refers to a pattern of neighborhood change, where the benefits of increasing homeownership go to these affluent newcomers, rather than long-time low-to-moderate income residents of color, who have suffered from historic disinvestment and now may be displaced by rising costs and unavailability of affordable housing.
- On the southside of the city, a different demographic shift has fueled growth in the local Black, Asian, and Hispanic populations. This, coupled with a more moderate increase in home values and more low-to-moderate homebuyers, indicates a healthier kind of neighborhood growth.

Increased Lending in Underserved Neighborhoods: Progress or a Problem?

Mortgage lending is on the rise in many low-to-moderate income and neighborhoods of color. However, again, those increases come from higher income, mostly white homebuyers.

- Historical lending inequities persist: In terms of access to mortgage credit, low-to-moderate income and neighborhoods of color receive half the number of mortgage originations as more affluent and white neighborhoods.
- Black neighborhoods had between 10% and 15% of mortgage applications denied, while white neighborhoods had denial rates between 2% and 4%.
- Low-to-moderate income (+12%) and predominantly neighborhoods of color (+7%) have had stronger increases in mortgage lending rates. In 2021, more borrowers received loans in low-to-moderate income and neighborhoods of color since at least 2007. But this is not the full story. Nearly half of loan originations in Marion County’s low-to-moderate neighborhoods were for higher-income borrowers. More than 65% of those higher-income buyers are white, non-Hispanic. This is another indicator of gentrification in these neighborhoods.

Risky Lending and Foreclosures Reduce Success of Homeownership

Foreclosure rocked Marion County during the Great Recession. In recent years, as home values have risen sharply, home seekers have been looking for ways to access homes that are increasingly unaffordable. Adjustable-rate and interest-only loans allow borrowers to afford a home purchase with a lower monthly payment for a time-bound introductory period, but higher payments down the road put borrowers at risk of foreclosure.

- In 2013, the FHCCI analyzed more than 1,000 foreclosed mortgages and found that foreclosures in neighborhoods of color were 30% more likely to have risky, sometimes predatory mortgage terms.
- From 2018 to 2021, approximately 1,600 loans were originated with risky terms (such as adjustable rates, prepayment penalties, and interest-only terms) – accounting for between 2% and 4% of lending in Marion County.
- Marion County now averages 150 to 275 foreclosure filings per month, far below the highs of the Great Recession. But skyrocketing home values, property taxes, the growing presence of risky loans, and an increasing number of households falling behind on their mortgages make fertile ground for foreclosures to rise.
- Neighborhoods of color, where the foreclosure rate was twice as high as in white neighborhoods during the Great Recession, continue to see the highest level of foreclosure activity today. Tax foreclosures are also on the rise, especially in neighborhoods of color.

Investors Take Advantage of Distressed Homeowners' Losses

Investor-owned single-family rental properties are another factor contributing to declining homeownership rates. Large investors purchase foreclosed properties and turn them into rental homes. Every property purchased by an investor is one less property that could potentially become (or remain) owner occupied.

- An estimated 15% of single-family rental properties in Indianapolis – more than 15k homes – are owned by large, national investment companies. This far outnumbers the national rate of 3%.
- Through the process of foreclosure and investor purchases, some blocks in Indianapolis have gone from majority owner-occupied to entirely renter-occupied, with

Panel 9: Homeownership on North Pershing and North Sheffield Streets in the Near Westside neighborhood have shifted over twenty years from being 50% owner-occupied in 2002 to being 100% occupied by rental properties – 80% of which are owned by institutional investors, a change accelerated by foreclosures, especially during the foreclosure crisis.

mostly investor landlords. Half of foreclosed properties sold at auction in 2021 are currently investor-owned.

- Tax foreclosure volume has increased 17% since 2021 and 27% over the 2018 data available from Marion County. Near Eastside and Martindale-Brightwood, have had the highest number of tax lien foreclosures annually with approximately 150 per year. In the past year, the Near Westside, Near Southside, and Near Northside have seen tax sale volume increase by 50% or more year over year.
- In Indianapolis, almost 40% of Marion County Public Health Department code violations were attached to investor-owned properties at the time of the violation (this includes multi- and single-family properties).

To download the full report, visit the FHCCI's News Page or our Reports Page. In recent years, the FHCCI has released the following consumer driven housing reports including:

- At What Cost? Rents, Burdens, Evictions, and Profits in Marion County
- FHA & VA Mortgage Lending in Marion County 2018-2021
- Mortgage Lending in Marion County 2018-2020
- Fair Housing Complaint Filing 2000-2018

The Fair Housing Center of Central Indiana (FHCCI) is a private, nonprofit fair housing organization in Indianapolis, Indiana. Its mission is to ensure equal housing opportunities by eliminating housing discrimination through advocacy, enforcement, education, and outreach. For more information, visit: www.fhcci.org

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