



Summary Report: Update on Housing in Cumberland & Perry Counties, PA

I. Introduction

The Redevelopment and Housing Authorities of the County of Cumberland (RHACC) contracted with The Reinvestment Fund (TRF) to gather and analyze housing and economic data descriptive of Cumberland and Perry counties. All of those data have been tabulated and mapped / charted in an accompanying presentation. This Summary Report is designed to provide background on the: (1) data sources; (2) general findings; (3) identification of specific trends worthy of special interest to the RHACC.

This is a time of almost unprecedented challenges in the labor and housing markets in America. Notwithstanding some recent good economic news, as a country we remain in a very difficult place. Unemployment remains high; job creation is almost non-existent; personal bankruptcy filings have risen substantially since 2006; housing markets are suffering from price declines and excess inventory; mortgage markets remain impacted by elevated foreclosures. But all of these things are not happening equally across the nation or even within states. This data collection effort is designed to inform efforts to address housing and economic issues within the counties of Cumberland and Perry counties - to the extent that they are issues in these areas.

Resources, human and economic, are generally constrained and so making data-based decisions about the deployment of resources is the only way to address issues in the counties in the most impactful way. It is our hope that the data collection and observations facilitates that data-based approach to intervention.

II. Findings

A. Population

- Both Cumberland and Perry counties are growing at a rate substantially greater than the Commonwealth.
- Notable in the growth is the role of domestic migration into Cumberland County since 2000.

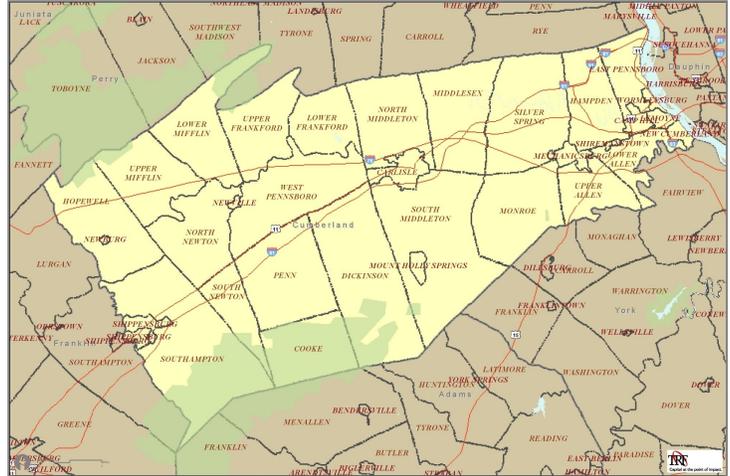


Figure 1: Cumberland County

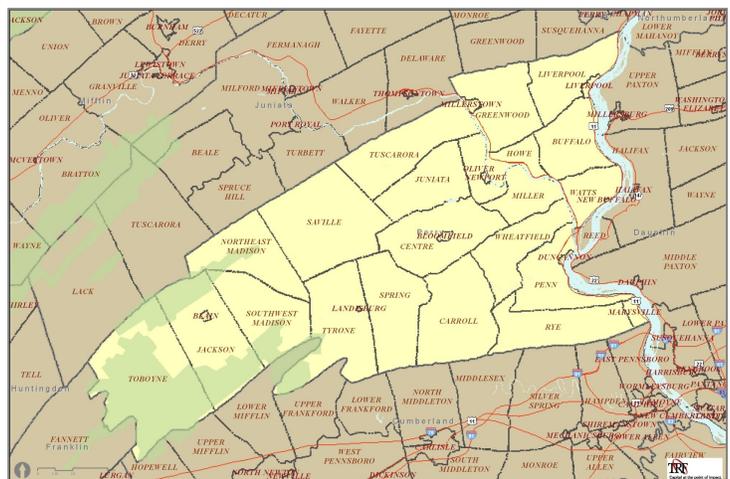


Figure 2: Perry County

- Both counties are aging, with increasing percentages of their respective populations in the 55 and older age groupings.
- Although growing as a percent of the population, both African Americans and Hispanics represent smaller groups in Cumberland and Perry counties than they do in PA.

B. Housing Stock

- In both Cumberland and Perry counties, the housing stock has grown since 2000. It is notable however that the growth in Cumberland is both greater than Perry County and the Commonwealth.
- The ratio of population per housing unit is relatively steady in Perry County but dropping in Cumberland County.
- Homeownership in Perry County rose between 2000 and 2007 to 82.2%; this is higher than the rate in Cumberland County (73%), which was stable over that time, and the Commonwealth (71.7%) which rose very slightly.
- Vacancy in Cumberland County was low and dropping between 2000 and 2007 (4.3%); its rate was well lower than that within Perry County (12.2%) and that of the Commonwealth (10.9%) - which represented a rise over 2000.
- Permitting for new construction in both Cumberland and Perry counties was almost exclusively for single-family homes. Cumberland experienced a significant drop off between 2007 and 2008 while Perry experienced a slight rise.

C. Home Prices and Rents

- Important to note that home prices in the ACS three-year estimates do not include that period of time during which home prices nationally experienced the greatest downturn. Both Cumberland and Perry counties experienced home price rises between 2000 and 2008 (3-year estimate) but not at as great a rate as the Commonwealth, which rose over 60%. Home prices in Cumberland County (over \$171,000 in 2008) were well above the statewide average (\$155,400); Perry County average prices were slightly below (\$138,100).

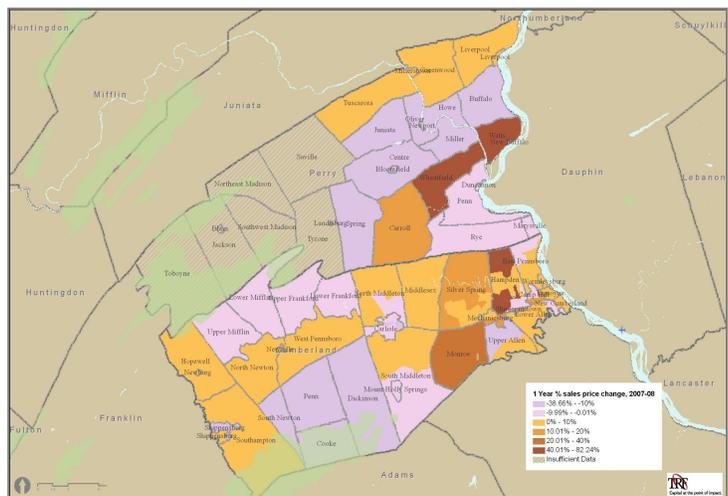


Figure 1: Sale Price Changes, 2007-2008

- Figure 3 and the maps in the accompanying presentation depict, at the Census tract level, where home prices changed based on actual sales between 2007 and 2008. Within Cumberland County, many of the places that experienced population growth also experienced home price increases.
- Homeowners in Cumberland and Perry counties were slightly more likely to have mortgages against their homes than statewide.
- Although housing cost burdens for homeowners in both Cumberland and Perry counties rose, they did not reach the levels of financial distress experienced statewide. Not only did burdens rise for owners with mortgages, those burdens also rose for owners without mortgages. This would be a result of increasing owner costs (e.g., taxes, insurance, condo fees, and utilities) in relation to income.
- Gross rents in Cumberland County were higher than those in Perry County and the Commonwealth. Moreover, the Cumberland rents rose at a more substantial rate (28.1%) than in Perry (24.7%) but less than PA (34.7%). While rents rose at a greater rate statewide, Cumberland's median gross rent (\$738) exceeded the statewide average (\$715).
- Rental affordability in Cumberland and Perry counties deteriorated between 2000 and 2007 as evidenced by rises in the ratio of rent-to-income. Notwithstanding the rise, both Cumberland and Perry counties were - at the average - more affordable than the Commonwealth.
- Of particular concern is the rise in the percent of renter occupied households spending 50+ percent of income on housing. Between 2000 and 2007, this percentage rose in both counties - and statewide.
- There are approximately 200 public housing units in Cumberland County; as of 2000, those units were virtually all occupied.
- There are approximately 780 HUD-assisted units in Cumberland County and they are a mixture of Section 8 and 202/811 eligibility. In Perry County there are 50 assisted units and they are Section 8 eligible.
- There are approximately 250 USDA Rural Housing subsidized units in Cumberland County and 82 in Perry County. In Cumberland County, all are 1- or 2-bedroom units; in Perry County, they are all 1-bedroom units.

D. Income and Economic Characteristics

- In comparison to the Commonwealth, households at the modest and middle-income levels comprise a larger percent of all households in Cumberland and Perry counties. And unlike the Commonwealth, there does not appear to be appreciable growth between 2000 and 2007 in the lowest income categories.
- Nearly three-in-ten households in Cumberland and Perry counties earn more than \$75,000; approximately one-in-four earn less than \$25,000.

E. Employment and Industry

- Unemployment in both Cumberland and Perry counties rose, as they did virtually everywhere across the state and country; Perry County’s unemployment rate is, and has been for decades, higher than Cumberland’s. Having said that, the rates in both counties are lower than the statewide and US averages.

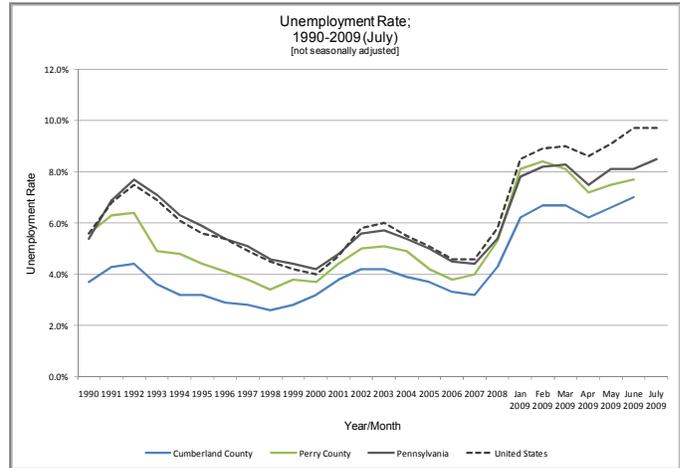


Figure 2: Unemployment Rate, 1990-2009

- As might be expected, the number of recipients of public assistance rose - especially in Cumberland County.

- The largest employers in Cumberland County are within the government sector; also among the largest employers are institutions within the “eds and meds” sectors. Employers are clustered to the west of the county in the Shippensburg area; employment is also clustered in the center of the county within the Carlisle area, and in the eastern portion in an around Mechanicsburg.

- Within Perry County there are a number of private employers and local government within the group of largest employers. To the extent that there is clustering of employment, it is in the middle of Perry County - in and around Bloomfield.
- Both Cumberland and Perry counties have significant numbers of farms and those numbers rose between 2002 and 2007. Moreover not only did the number of farms grow but so too did the percent of land in each county dedicated to agriculture. Perry County farms, in comparison to those in Cumberland County, tend to be substantially larger (based on acreage).

F. Home Financing

- In both Cumberland and Perry counties, the number of FHA-endorsed mortgages rose considerably since 2007. The percent of those mortgages, however, for the purchase of homes dropped substantially.

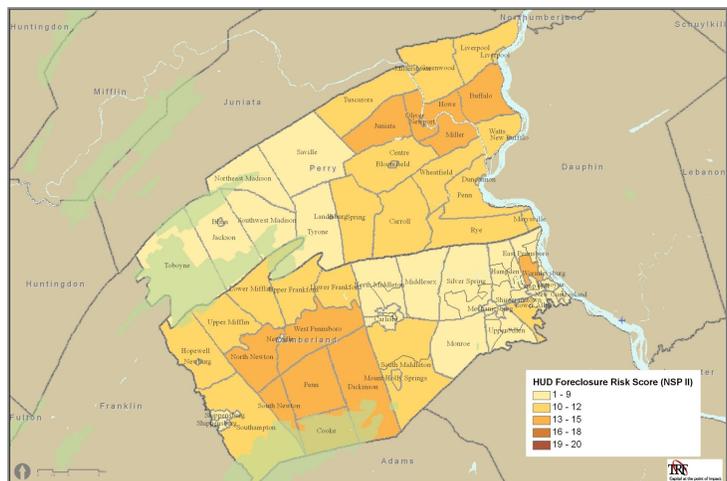


Figure 3: HUD NSP II Foreclosure Risk Score

- The percentages of loan applications denied - both for purchase money and mortgage refinances - are higher in Perry than Cumberland County.

- Average loan amounts tend to be higher in Cumberland than Perry County - commensurate with what the home price data show.
- Both Cumberland and Perry counties, like other parts of the Commonwealth and US, experienced a rise in the percent of loans that were high-cost (or subprime); that percent dropped off after 2006. High-cost loans are those for which lenders are required by law to report the interest rate because it exceeds the given threshold by three percentage points (if a purchase loan) or five percentage points (for mortgage refinances).
- Few areas manifest a sufficiency of foreclosure risk or risk of vacancy, as estimated by HUD, to be eligible on their own for federal Neighborhood Stabilization funds.
- Mortgage delinquency - of all mortgage types - is however on the rise between 2008 and 2009. Of particular concern within Perry County would be the areas in and around Watts, New Buffalo, Rye and Marysville. Within Cumberland County, Upper and Lower Mifflin, North Newton, Newville, Shippensburg, Southampton, Upper Frankford, Lemoyne and East Pennsboro are areas of concern.
- Applications to the State’s HEMAP program were reasonably steady between 2000 and 2005. After 2005, however, the number of applications rose dramatically, especially in Cumberland County, in which the number rose by more than 70%.
- Act 91 notices reveal that between the 4th quarter of 2008 and the 2nd quarter of 2009, the number of homeowners in Cumberland County facing imminent foreclosure was 1,603; in Perry County, that number was 339. It is difficult to discern any “trend” over this short time period and because the reporting requirement for Act 91 notices is so new to the Commonwealth. But a comparison of the number of HEMAP applications per year to the number of Act 91 Notices - even assuming a significant drop-off between the Notices and HEMAP applications - suggests that there will be a significant increase in the number of homeowners facing foreclosure in the not-too-distant future.

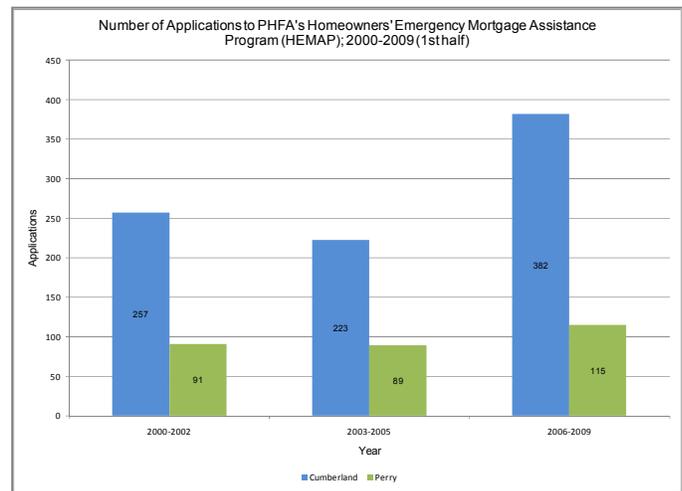


Figure 4: Number of HEMAP Applications

III. Data Sources

Data for this effort come from many sources. Our goal with each of the sources was to ensure, to the extent possible, that each data source was reliable. To that end, most data sources were governmental; those that were not were at least of known quality. Each source is now detailed:

- (1) US Department of Commerce, Bureau of the Census: From the Census, we gathered data from the 2000 Summary File 3 database and from the 3-year estimates reported in the American Community Surveys (ACS) of 2005-2007 and 2006-2008. Three-year estimates have the disadvantage of not being immediately

up-to-date but the decided advantage of being more stable than any single-year ACS sample may represent. That is especially the case in smaller places (e.g., Perry County) where the actual sample used by the ACS is relatively small. Also from the Census we utilized estimates of population and housing units prepared and reported by the Population Division. Finally from the Census, we utilized individual level data from its Public Use Microdata Samples. These individual-level Census data represent the only way to create customized computations not otherwise reported in the standard tables.

- (2) US Department of Agriculture, National Agricultural Statistics Service: This was the data source to describe the size and nature of agricultural activity in Cumberland and Perry counties.
- (3) Federal Housing Finance Agency: The Federal Housing Finance Agency gathers and reports data on the sale price of housing. The Housing Price Index reported herein, is a widely used measure of trends in the price of homes purchased. These data are not available sub-state or metropolitan area, so index values are not be reported for Cumberland or Perry counties.
- (4) US Bureau of Labor Statistics: This is generally viewed as the most reliable source of data on the employment status. Data are reported monthly and can be obtained for counties.
- (5) US Department of Housing and Urban Development: HUD's Mid-Atlantic Homeownership Center provided county-level data to TRF on Federal Housing Administration (FHA) endorsements. HUD does not make these loans; endorsements show the extent to which FHA-insured loans are involved in financing the purchase and refinance of housing.
- (6) PA Department of Labor and Industry, Center for Workforce Information and Analysis: This was our source of data on the (largest) employers in Cumberland and Perry counties.
- (7) PA Department of Public Welfare, Office of Income Maintenance: DPW reports are the source of county-level reports of TANF-Aid to Dependent Children and receipt of Cash Assistance.
- (8) PA State Tax Equalization Board: STEB gathers information from political sub-divisions within the Commonwealth with the purposes of: a) establishing the aggregate market value of taxable real estate; b) creating a common level ratio to ensure tax uniformity across the Commonwealth. STEB's estimates are the legal figures for taxable real estate in the counties.
- (9) PA Department of Revenue: This is one of our data sources for income levels and sources of income for Cumberland and Perry counties.
- (10) Home Mortgage Disclosure Act (HMDA): HMDA data are the best and most recent data descriptive of the sources, amounts, and characteristics of home mortgages for the purchase and improvement of homes as well as the refinance of existing mortgages.
- (11) PA Housing Finance Agency (PHFA): PHFA is the administrator of the nationally regarded Homeowners' Emergency Mortgage Assistance Program (HEMAP). HEMAP provides assistance to persons facing mortgage foreclosure whose delinquency arose from a variety of circumstances (e.g., unemployment, loss of income, serious medical problem).
- (12) Lender Processing Services: LPS is one of a few private firms that gather, summarize and provide data on the delinquency status of home mortgages. We used these data to characterize, for each zip code, the

level of mortgage delinquency by loan type - prime fixed rate, prime ARM, subprime fixed rate, subprime ARM. As this is a sample, there were instances where we made the judgment that the sample was too small to report data; we suppressed those areas on the maps.

- (13) National Establishment Time Series (NETS): The NETS database builds on more than 35 million records of business establishments initially from Dun and Bradstreet. Compared to governmental sources (e.g., BLS) NETS is more desirable for our purposes; it has data on government employment as well sole proprietors.
- (14) Boxwood-Means, Inc.: Boxwood Means, Inc. is a real estate research firm and Value Added Reseller of residential and commercial data from the nation's largest vendor of real estate information. They gather data from their vendor and calculate the volume of home sales and the median home sale price at various levels of geography. TRF has licensed this database from Boxwood Means for use in its PolicyMap.com application.

IV. Conclusions

In the main, Cumberland and Perry counties seem to be faring reasonably well over the last few years. They are growing while much of the Commonwealth is either growing slower or actually shrinking. And they are growing through domestic migration, suggesting that these are choice places.

Although the area has not been immune from the economic downturn, hollow as this may seem to those who have been impacted, as communities, they have not been as adversely impacted in some significant ways. Unemployment is up, but not to the extent that it increased elsewhere. Income is reasonably steady - or even rising. And as a percent of the population, modest and middle income households are actually slowly growing.

Where the challenges appear is in the housing market and the extent to which growing legions of households are facing significant mortgage delinquency and foreclosure. Without doubt, many of these households will lose their homes and unless those displaced households leave Cumberland and Perry counties, the rental market will have to absorb these former owners. In the main, they will likely need affordable rental units in size ranges now difficult to find - at least among the subsidized stock. These households will have damaged credit and limited funds for down-payment. Many will not qualify for the elderly or special needs housing developed in Cumberland County over the last few years.

Counseling resources are limited in that there appears to be little or few HUD or PHFA approved agencies actually in Cumberland or Perry counties; most nearby resources are clustered in Harrisburg. For those homeowners wishing to avail themselves of HEMAP and HAMP (or a variety of other programs now available for homeowners facing delinquency and foreclosure), especially for those homeowners not close to Harrisburg, this represents a hardship. Furthermore, linking high-quality housing counseling, to the extent practicable, to the various first-time homebuyer and repair/renovation programs offered by the CCHRA may represent an opportune moment in time to ensure that homeowners are embarking on a path that will support sustainable homeownership in Cumberland and Perry counties.

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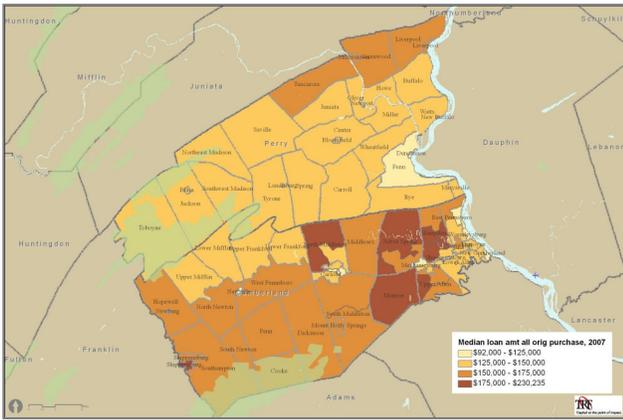


Figure 5: Median Purchase Mortgage Amount, 2007

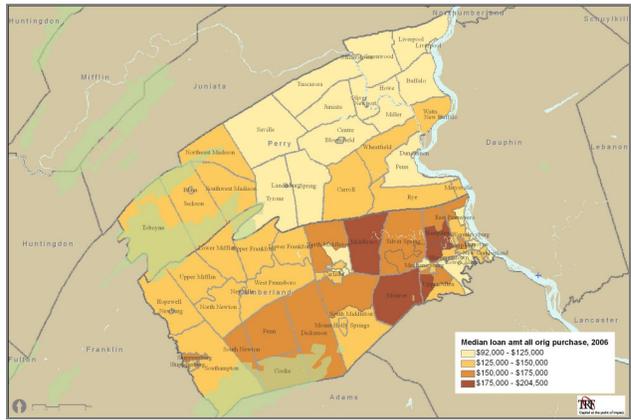


Figure 8: Median Purchase Mortgage Amount, 2008

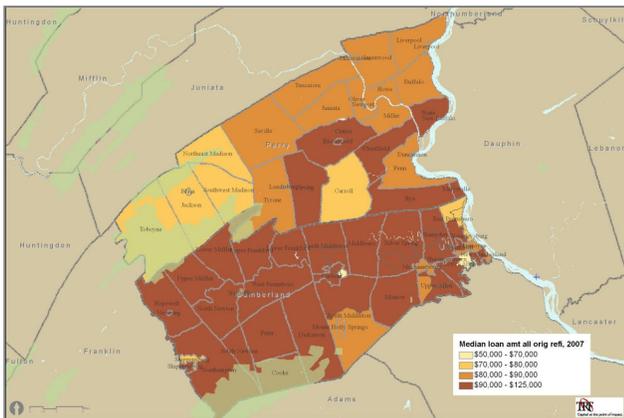


Figure 9: Median Refinance Mortgage Amount, 2007

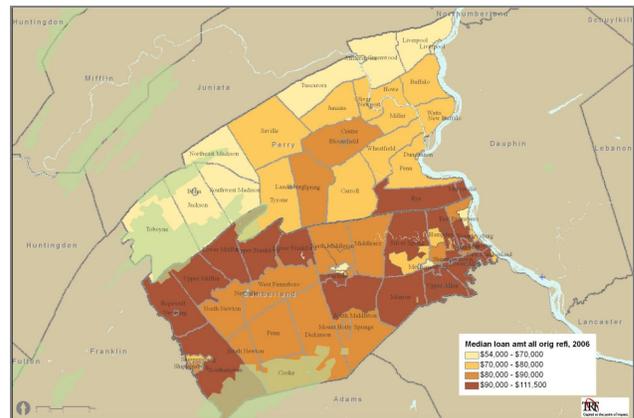


Figure 10: Median Refinance Mortgage Amount, 2008

ABOUT TRF

The Reinvestment Fund (TRF) is an innovator in capitalizing distressed communities and stimulating economic growth for low- and moderate-income families. TRF identifies the point of impact where capital can deliver its greatest financial and social influence. TRF's investments in homes, schools and businesses reclaim and transform neighborhoods, driving economic growth and improving lives through the Mid-Atlantic region. Since its inception in 1985, TRF has made more than \$900 in community investments.

TRF has also received national recognition for its research and housing-related policy analyses. TRF's data analyses focus on helping identify opportunities to invest TRF's own resources as well as providing services to the public sector and private clients seeking assistance with the own strategies to preserve and rebuild vulnerable communities.

TRF has emerged as a highly regarded source of objective information for public officials and private investors. TRF's Policy Solutions Group, led by Ira Goldstein, has conducted extensive analyses of predatory lending and foreclosures throughout the Mid-Atlantic region under contracts to the PA and DE State Departments of Banking and the Federal Reserve Bank of Philadelphia.