

Why the Buyer Matters: Foreclosure, Vacancy, Tax-Delinquency and REO

REO Servicing in the Mortgage Crisis

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The views expressed herein are those of the authors and not necessarily those of the Federal Reserve Bank of Cleveland or Board of Governors of the Federal Reserve System.

Please, Don't Blame my Employer

The views and opinions expressed here today are mine alone, and not necessarily those of the Federal Reserve Bank of Cleveland, the Board of Governors, or other Banks in the Federal Reserve System

The Research

- Cuyahoga County
- Measuring the external costs of vacant and abandoned properties (w/Whitaker)
- Analyzing property speculation(w/Ergungor)

The External Costs of Vacant and Abandoned Property: Preliminary Results

- Previous research on foreclosure and home values
 - Immergluck and Smith (2006)
 - Mikelbank (2008)
 - Schuetz, Been and Ellen (2008)
 - Harding, Rosenblat and Yao (2009)
 - Lin, Rosenblat and Yao (2009)
 - Hartley (2010)
- We add property tax delinquency and vacancy
- We analyze purchases and sales by institution type

The External Costs of Vacant and Abandoned Property: Preliminary Results

- We identify the type of buyer/seller
- Institutional
 - Banks
 - Investors (list of known property investors)
 - Non-profits
 - Government
- Non-Institutional
 - Everyone else

The External Costs of Vacant and Abandoned Property: Preliminary Results

- All buyers & sellers, all types of property:
 - Each vacancy w/in 250 ft -2%
 - Each tax-delinquency w/in 250 ft -2%
 - Each foreclosure w/in 250 ft \emptyset
- Excluding institutional buyers and sellers:
 - Each vacancy w/in 250 ft -4.5%
 - Each vacancy w/in 1000 ft -1%

The External Costs of Vacant and Abandoned Property: Preliminary Results

- We identify the type of buyer/seller

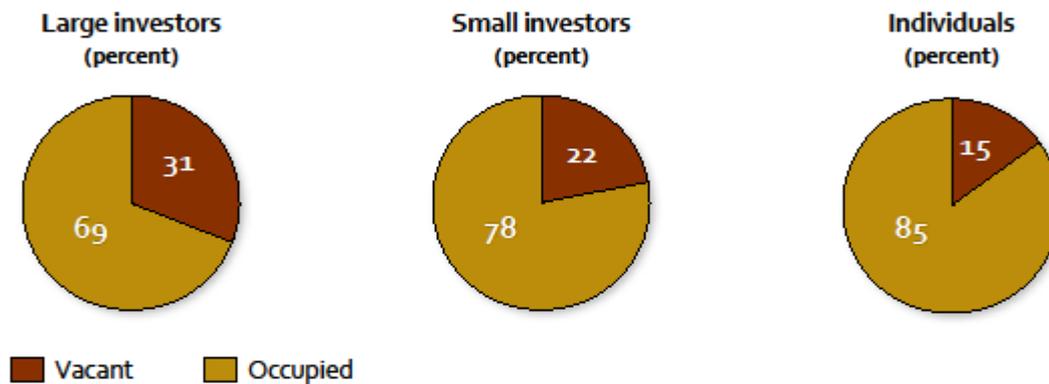
● Institutional	Buy	Sell
- Banks	-52%	-30%
- Investors	∅	∅
- Non-profits	∅	∅
- Government	-35%	-19%
● Non-Institutional		
- Everyone else	(comparison group)	

Analyzing Property Speculation

- Not all speculation is bad
- Looked at vacancy and tax-delinquency to identify harmful transactions
- Identified different buyers and sellers (2007-2009)
 - Individuals: 3 or fewer transactions
 - Small investors: 4 to 10 transactions
 - Large investors: more than 11 transactions
 - Financial Institutions
 - Government Agencies

Vacancy By Purchaser Type

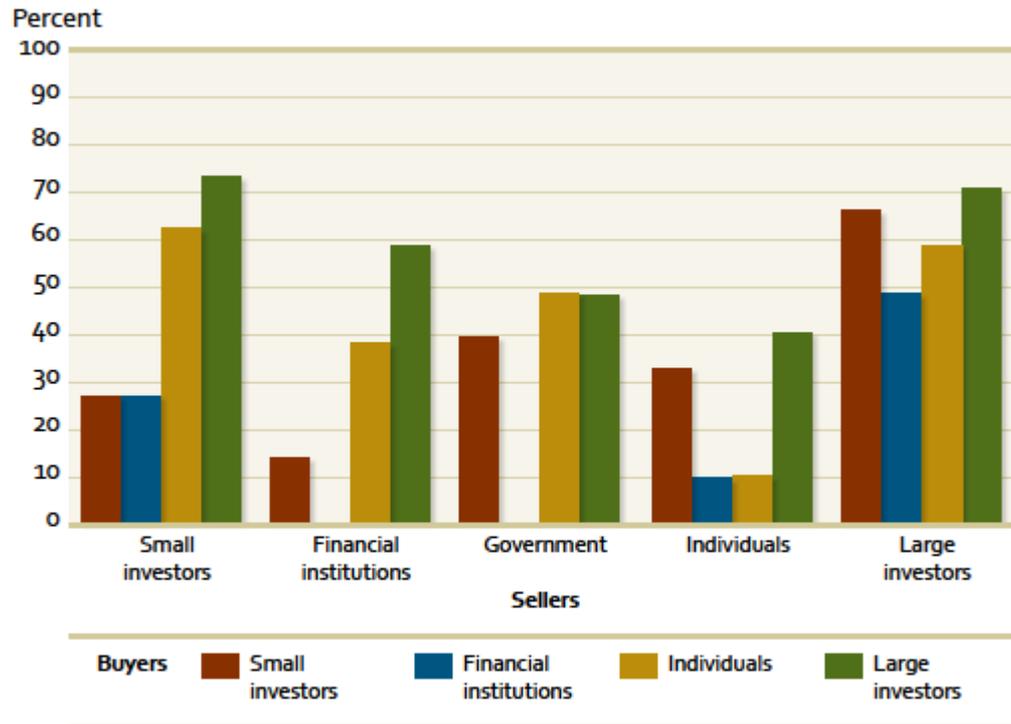
Figure 1. Outcomes for homes sold out of foreclosure, Cuyahoga County, 2007–09



Source: Cuyahoga County Auditor.

Low-Value Properties: Fell into Tax-Delinquency by Purchaser Type

Figure 2a. Properties that fell into tax delinquency, Cuyahoga County, 2009: Low-value transactions

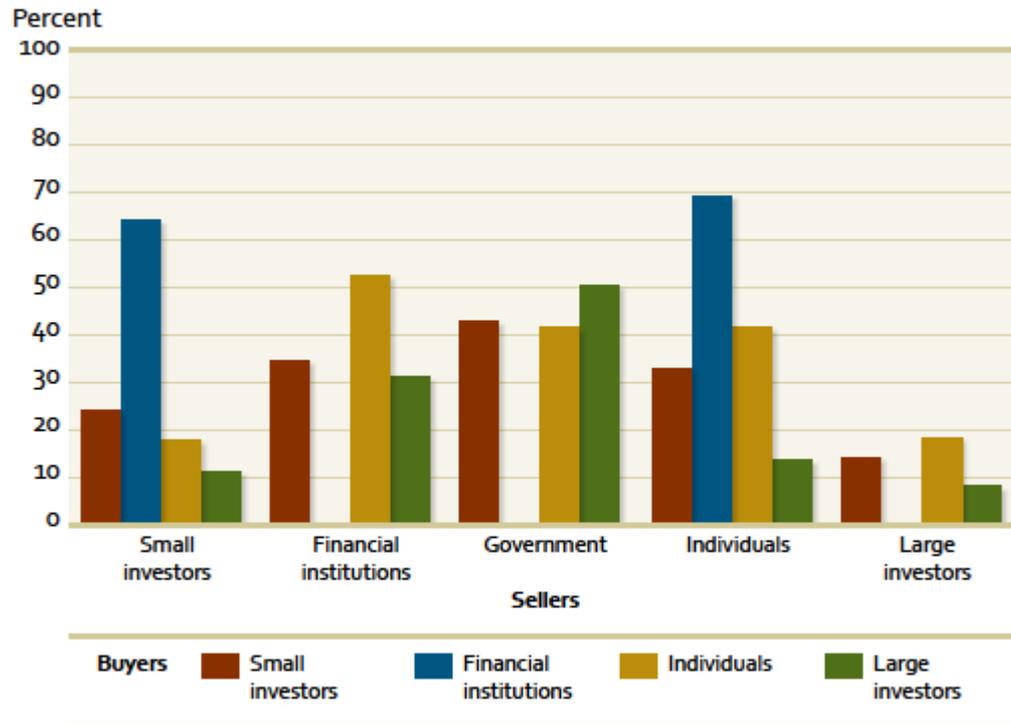


Note: Low-value transactions have conveyance amounts of less than \$10,000.

Source: Cuyahoga County Auditor.

All Properties: Properties that Became Current by Purchaser Type

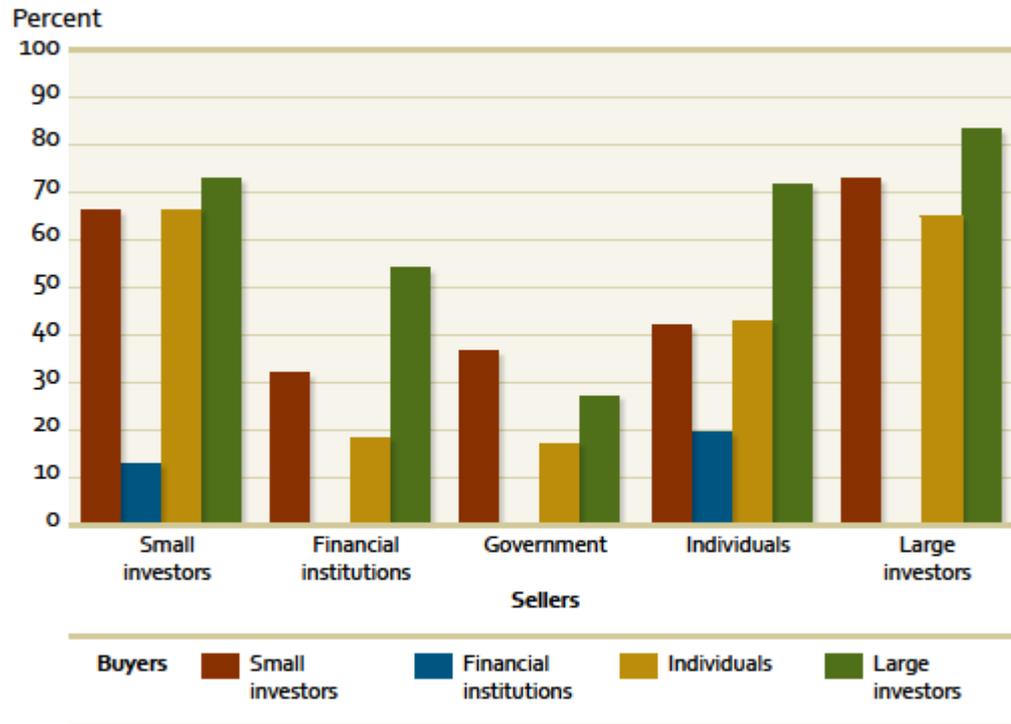
**Figure 3a. Properties that became current, Cuyahoga County, 2009:
Low-value transactions**



Note: Low-value transactions have conveyance amounts of less than \$10,000.
Source: Cuyahoga County Auditor.

All Properties: Properties Where the Tax Balance Grew by Purchaser Type

Figure 4a. Properties whose tax balance grew after a purchase, Cuyahoga County, 2009: Low-value transactions



Note: Low-value transactions have conveyance amounts of less than \$10,000.
Source: Cuyahoga County Auditor.