

# Unresolved Foreclosures: Addressing Zombie Properties in Cook County



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# Overview

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- Purpose of the research
- Methodology for estimating the number and distribution of zombie properties
- Findings from the research
  - number of zombie properties
  - spatial distribution of zombie properties
- Policy responses

# Purpose of the Research

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- Understand the extent of the problem
  - estimate the number of zombie properties
- Show where the problem is most pronounced
- Make the information available to stakeholders
  - provide an informed basis for policy

# Zombie Properties Defined

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- Zombie properties are
  - properties stuck in the foreclosure process
  - foreclosure action filed
  - case unresolved for more than three years
  - no transfer of title on record
- Zombie properties are not
  - necessarily vacant or abandoned

# Methodology

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- Examined foreclosure filings from 2008-2010
  - only properties not sold at auction between 2009-2012
- Stratified sample of 500 properties
  - based on weighted census tract income by quintile
- Sample in proportion to number of unauctioned filings in each quintile

# Methodology (cont.)

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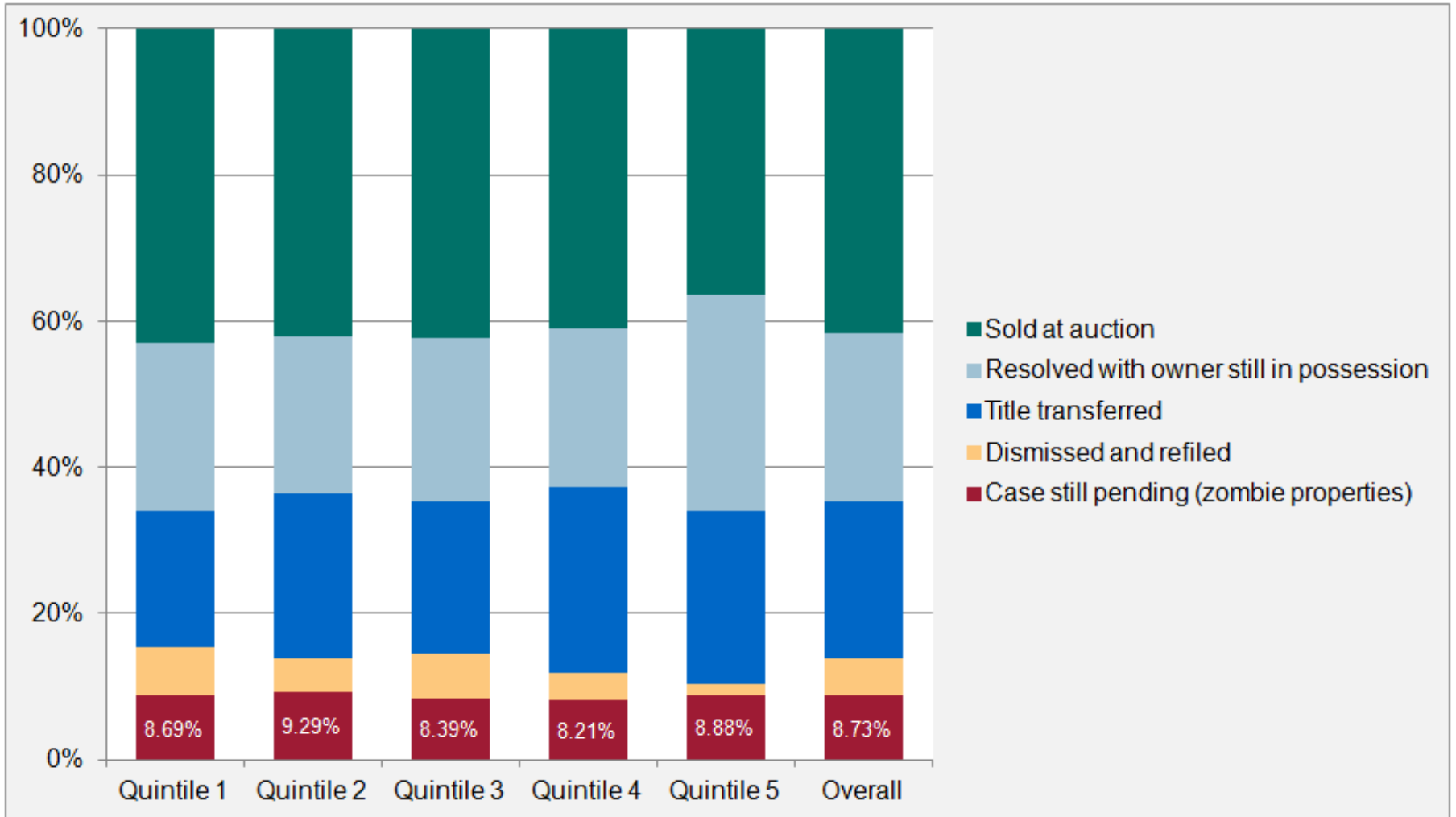
- Outcomes based on records from Circuit Court and Recorder of Deeds
- Four categories
  - resolved with owner in possession
  - resolved with owner relinquishing title
  - case dismissed and re-filed against same owner
  - case unresolved and still pending

# From Filings to Zombies

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- Estimating the probability that a property entering foreclosure will become a zombie property
  - probability that the property will not be sold at auction – first calculation from all filings
  - times the probability that a property not sold at auction will remain an unresolved foreclosure – second calculation from sample

# Probability of Becoming a Zombie



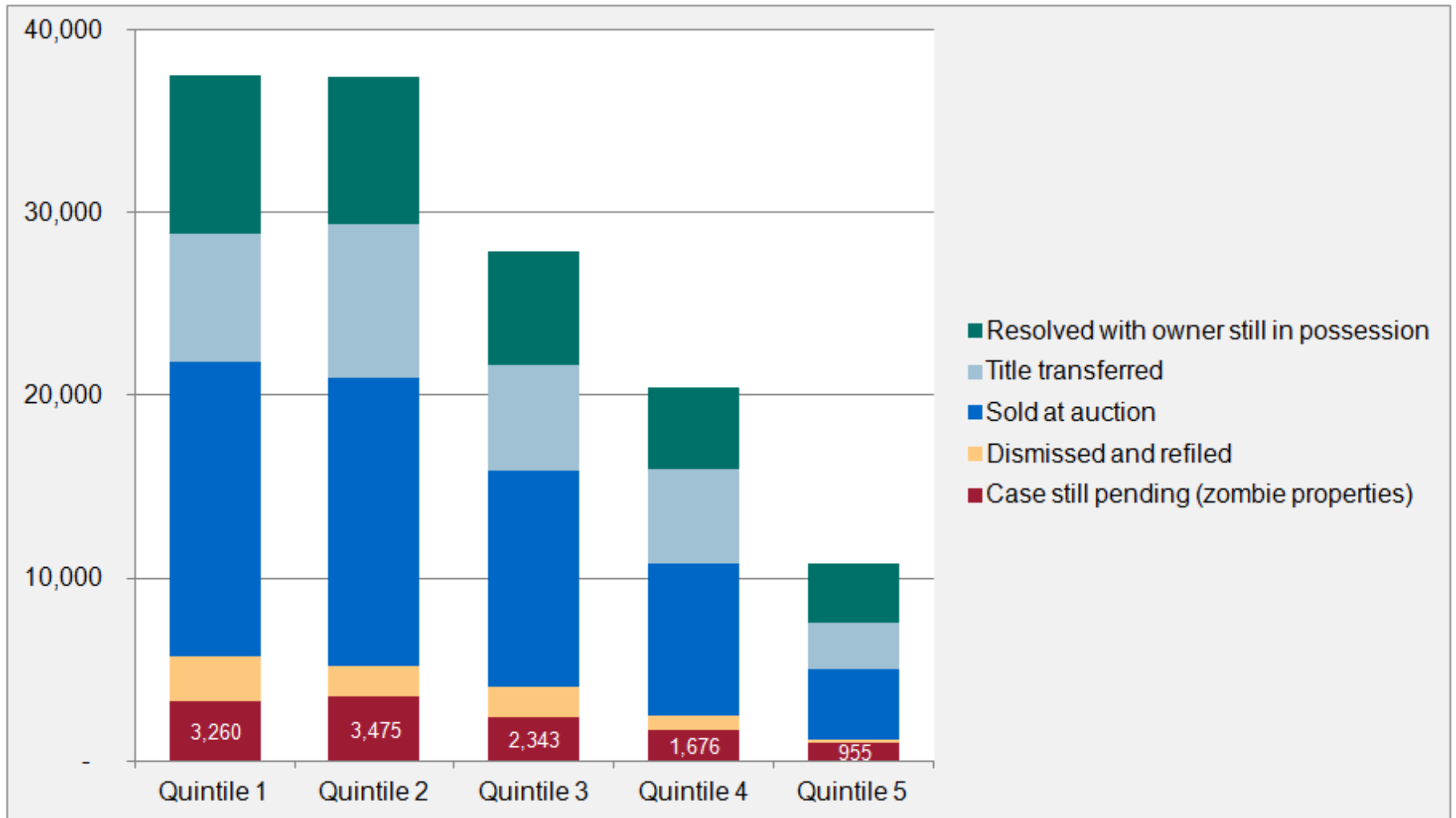


# Distribution of Zombies by Income

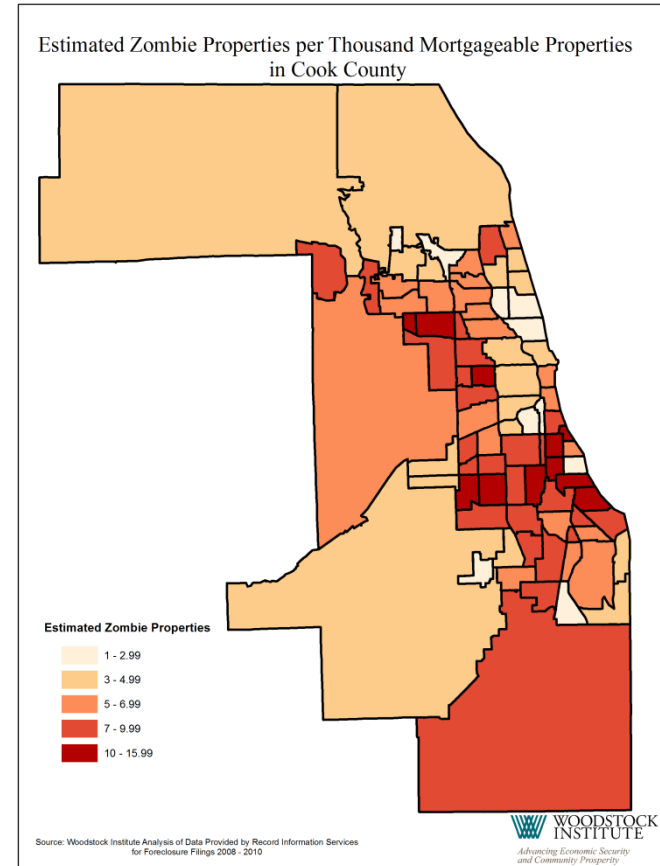
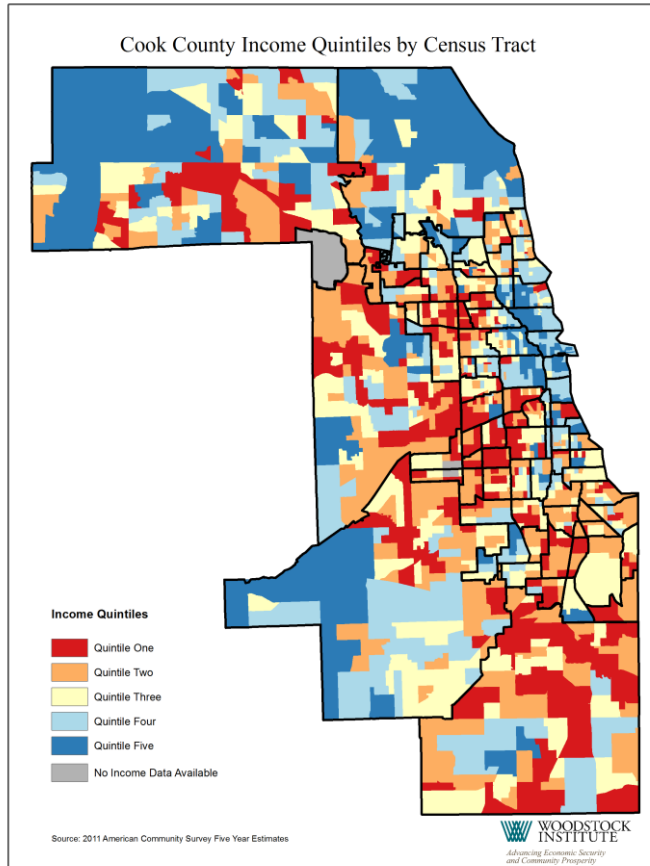
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- Probability of becoming a zombie property varies slightly by income quintile
  - properties in lower quintiles less likely not to be sold at auction
  - more likely to be unresolved
- Many more filings in lower quintiles
  - more properties to become zombies
- 57.5 percent in bottom two quintiles
- 22.5 percent in top two quintiles

# Estimated Number of Zombies



# Spatial Distribution of Zombies



# Policy-related Issues

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- Zombie properties are concentrated in lower-income neighborhoods
- Impact will depend on condition of the property
  - servicers may not maintain properties in some neighborhoods as well as in others
- Zombie properties may further destabilize already distressed neighborhoods
  - hindering recovery

# Policy Responses

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- Vacant building ordinances
  - servicer responsible for securing and maintaining property during foreclosure
  - Fannie and Freddie do not have to comply
- Vacant building registries
  - significant variation in extent of data collected
- Land banks as vehicle to clear titles
- Fast track docket for vacant properties

# Additional Recommended Policies

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- FHFA compliance with local vacant building ordinances
- Mandatory notice to stakeholders if not going to complete the process
  - local government and borrower
- Vigorous local code enforcement
- NMFS monitor enforce anti-blight provisions

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