Unresolved Foreclosures: Addressing Zombie Properties in Cook County

March 11, 2014

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Overview

• 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

• 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

- 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 not
  - necessarily vacant or abandoned
Methodology

• 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.)

• 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

• 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

Data sources: Record Information Services, American Community Survey, Cook County Circuit Court, Cook County Recorder of Deeds
Distribution of Zombies by Income

- 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

Data sources: Record Information Services, American Community Survey, Cook County Circuit Court, Cook County Recorder of Deeds
Spatial Distribution of Zombies

Cook County Income Quintiles by Census Tract

Estimated Zombie Properties per Thousand Mortgageable Properties in Cook County

Source: 2011 American Community Survey Five-Year Estimates

Source: Woodstock Institute Analysis of Data Provided by Real Estate Information Services

In Cook County, the distribution of zombie properties is shown by income quintile. Quintile One is represented in red, while Quintile Five is in blue. The estimated zombie properties per thousand mortgageable properties are color-coded, with light shades indicating lower densities and dark shades indicating higher densities.
Policy-related Issues

• 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

• 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

• 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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