

Setting A Research and Legislative Agenda

Transforming Foreclosed Properties Into Community Assets

NYU Furman Center for Real Estate and Urban Policy
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*Research and analysis on the
transformative power of capital*



Topics

- I. Identifying the Problem (Market Assessment)
- II. Devising a Strategy (Product Development)
- III. Assessing the Strategy (Measurement & Evaluation)

- IV. Policy/Research Agenda (Various Ideas)

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The National Crisis

“... the decline in housing prices is not over but ... prices are actually accelerating to the downside.”

The Local Crisis

- Different Markets = Different Profiles.
- Neighborhoods and Clusters.
- Resources to Assess the Situation and Set Strategy.

Memphis – Hickory Hill: Foreclosure Drives Market in “2nd Ring”

Neighborhood Housing Markets and the Memphis Model; Linking information to Neighborhood Action in Memphis, TN. Phyllis G. Betts. University of Memphis/Brookings. 11/2006.

PROFILE

- 20,000 Housing Units/50,000 residents.
- Well above city wide average education and income.
- 75% owner occupied in 2000 (down from 95% in 1990).
- Developing pockets of poverty & Increased use of housing vouchers.

ANALYSIS

- HMDA, Census, EITC data, public records, tax data, crime data, Housing Agencies.
- Other Partners: CDCs, Police Department, Neighborhood Association.

LEARNINGS

- Foreclosure Tolerant lending and Foreclosure Driven neighborhood.
- Database.
- Chain of Title analysis; Problem Properties identified & audited.
- Application to other transitional neighborhoods.

Charlotte: MSA Holding; Starter Neighborhoods

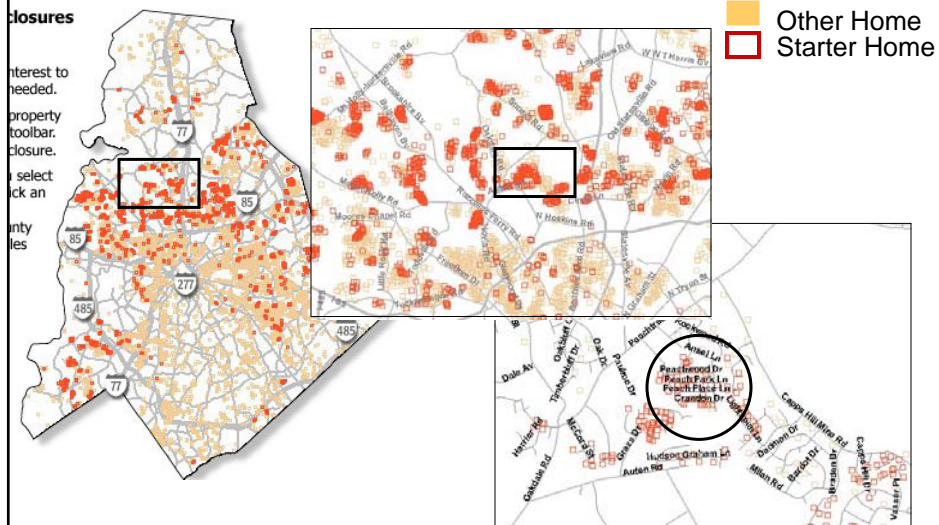
Blasted

The Charlotte Observer, "Sold A Nightmare - A year long special report"

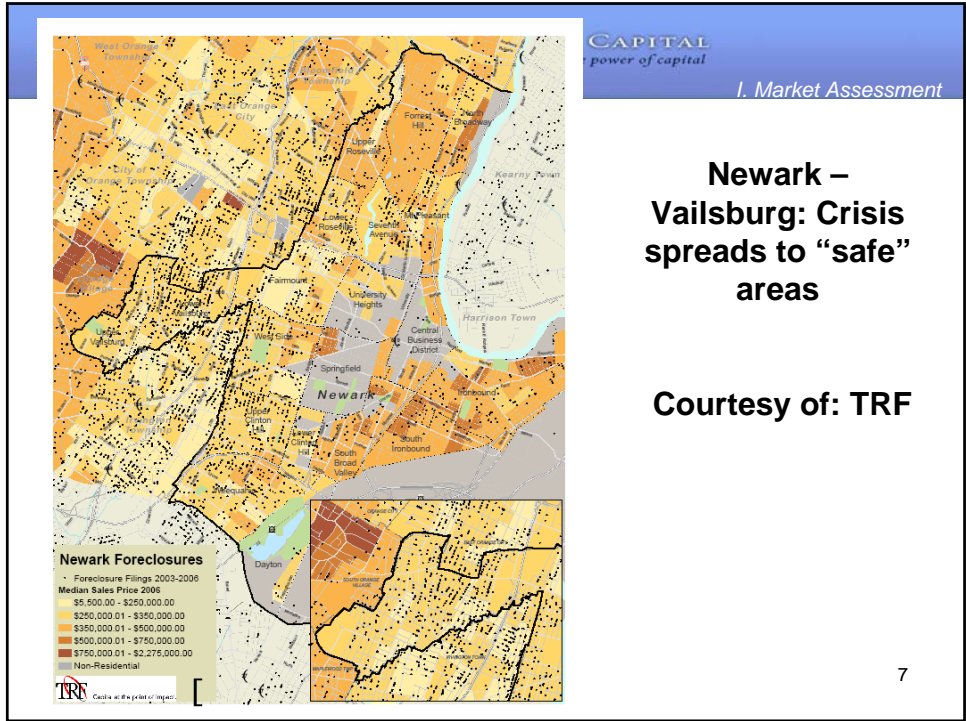
- Value is up!
- 35 f/c:1000 homeowners (1:28).
- 80% of foreclosures on homes < \$150,000.
- Clusters: 35 new developments w/ f/c rate > 20%.
- Subprime loans = 24% of foreclosure; FHA = 30%.

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Charlotte NC foreclosures 2003-2007



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I. Market Assessment

Data Sources

HMDA	Lending patterns
McDash/LP/Fed	Lending patterns
	Delinquency trends
	Foreclosure trends & activity
Property Records (RealtyTrac/ Corelogic, ...)	Lending patterns
	Foreclosures and REO
	Chain of Title
	Loan Amounts/liens
	Sales & Prices
Property Tax Records	Delinquencies (leading indicator)
Census	Neighborhood characteristics
Other local data	Crime rates
	Complaints
	EITC-take up
	Section 8 voucher use
	Code violations
	Down payment assistance
Information gathering	Resident surveys
	Property inventories/surveys

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Market Assessment Research Agenda

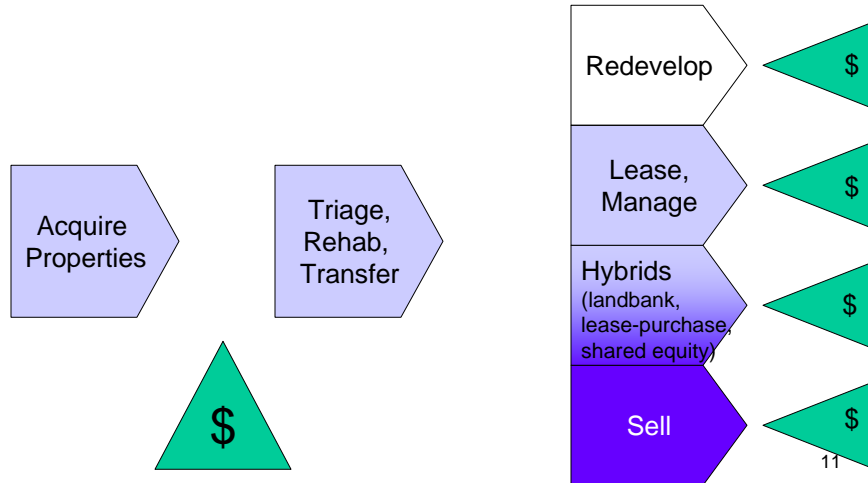
- Best sources and applications of available data (and pitfalls).
- Resources: from toolkits & templates to consultants.
- Cooperative and/or centralized opportunities for data acquisition.
- Local engagement in creating and maintaining information.



II. Devising Strategy (Product Development Approach)

- Several linked but distinct steps.
- Processes still being tested.
- Learning from success and failure.
- Increasing “Speed to Market”.

Linked But Distinct Steps



Product Development Research Agenda

- Provide a Managed, Real-time Learning Environment.
- Inventory and Document Best Practices.
- Learn from Failure too.
- Identify opportunities for Collective Action.

Strategy depends on resources and problem

Alternative Strategies



Evaluation

Depends on problem & strategy.

Activity Measures: # properties; % of target;
\$ invested &/or repaid; Profile of occupants;
Costs.

Monitoring: foreclosure rate, vacancies, vandalism,
crime r, hood satisfaction, property tax delinquency, REO inventory, time
on market, returns.

Owner/Occupancy Rates or Affordable Units, house value trends,
In-migration

Measured vs Baseline.

Impact Indications

- vs city/MSA Baseline
- vs other similar neighborhoods
- vs (or in context of) other interventions

Example: Walltown, Durham, NC

Neighborhood Transformation: Impacts and Lessons from the Walltown Homeownership Project Self-Help, 2008

- 28-block area
- 20% Owner-occupancy; 8% vacancy
- Self-Help acquired/sold 77 units (160 residents) beginning in 1994
- Metrics
 - Volume of development
 - % of non-subsidized housing units
- 10 Years Later:
 - 80% residents cite favorable change
 - Poverty down -2.5% vs +.2% for city
 - H&CD Dept survey of housing quality: <1% “deteriorated” vs 21% in 1996
 - Complaints & Crime way down
 - Important Lessons Learned

Walltown: Property Values



Figure 3: Changes in Building Values in Walltown Neighborhood, 1999 to 2005³³

Example: Richmond, NiB

Targeted Investments for Neighborhood Revitalization; Galster, Tatian, Accordino; Journal of the American Planning Association; Autumn 2006.

- 1998 – LISC & City of Richmond (thru 2004); Target CDBG & HOME \$ in few neighborhoods (300 blocks).
- Counterfactual: How neighborhoods would fare without intervention, based on other distressed neighborhoods and city-wide.
- Metric: Sales price trends.
- NiB property values outperformed control areas AND citywide.
- \$21 million investment* = \$45 million marginal value; tax payback within 20 years.
- Suggests that targeted, neighborhood/block level approach effective.



Policy – Research Agenda

- The case for federal funding.
- How should aid be designed & allocated?
 - Locally Driven.
 - Effectiveness.
- Bridging local real estate markets to national capital markets.
 - How do local solutions engage the capital markets?
 - The case for servicer/lender/investor cooperation.
 - Ways to avoid the problem in the future.

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Research - Other:

- Clustering problem -- zoning solution?
- Early detection and understanding of local mortgage finance conditions & patterns.
- Why some neighborhoods less effected?
- Spillover mechanisms?
- Effects on Wealth (individual & community/short-term & long-term).
- How did they get here? Where did they go?
- The right mortgage products.

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*"We are connected....In the end, it impacts everybody." -
chairman, Mecklenburg County commissioners*

"We can't wait." – Trenton, NJ Mayor, Douglas H. Palmer