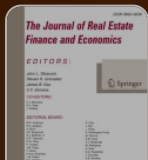


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# Foreclosure, REO, and Market Sales in Residential Real Estate

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apparent for the measurement of price changes, net sale proceeds and returns to residential real estate.



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of these items addressed as a concession at closing. This impacts both settlement and net proceeds, but not recorded price. Acknowledgement is made that these minor changes are also likely to not be represented in MLS data.

5. These sales will appear as normal transactions as the conveyor will not be a lender or collateral holder. In the present case, with a third-party bidder sale there will be no lender in the chain of title making identification as a distressed asset problematic. While it is possible to identify through required notices and deed types whether a property was under foreclosure, the public sale record such as assessor's data will typically show as an arms-length transaction without debt. Proper filtering of the transactions is essential and studies and reports to date are generally silent on this issue. Concurrently, in a MLS database, type of sale is typically self-reported. A transaction with no

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process is related to conveyance of ownership from the borrower to the lienholder. Hence, TOM is not the focus in this paper since the foreclosure auction process is not a traditional sale, but is instead the legal process whereby a lender exercises a right to acquire a property subsequent to default. Benefield and Hardin ([2015](#)) provide a review of TOM studies that highlights inconsistent empirical results and suggest that the TOM debate for typical sales remains open to debate.

10. For more details about the autoregressive spatial model, please see Kelejian and Prucha ([1998](#)) and Clauretje and Daneshvary ([2009](#)). Also, Drukker et al. ([2013a](#), [b](#)).

11. We use both assessor's data and MLS data for property attributes. The MLS

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14. It is noted that even in a normal market case, the lender/servicer should/will look at net transaction proceeds. Also, in the absence of a large number of third-party bidder acquisitions, the influence of these properties on repeat sale or other index measures is minimal.
15. For example, from Real Trends, at [www.realtrends.com](http://www.realtrends.com), the average real estate commission is 5.4 %.
16. We delete recorded prices less than \$20,000, as those prices are less likely to reflect market value of the property. We also calculate capital gains for a pair of repeat sales for lenders based on fitted value of the properties. In other words, instead of using the recorded auction prices for the properties that

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Number of bedrooms in a house

**Bedroom :**

**Acre :** Acreage of a house

**Cashsale :** A dummy variable, equal to 1 if the transaction is a cash sale, and 0 otherwise

**Garage :** A dummy variable, equal to 1 if a house has at least one garage

**Closet :** A dummy variable, equal to 1 if a house has a walk-in closet

**Noair :** A dummy variable, equal to 1 if a house does not have any air conditioning system

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