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# The Foreclosure Crisis and Community Development: Exploring REO Dynamics in Hard-Hit Neighborhoods

Ingrid Gould Ellen, Josiah Madar  & Mary Weselcouch

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## Abstract

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estimate the types of purchasers, and determine whether purchased REO properties are flipped.

Keywords::

Foreclosure

housing market

neighborhoods

neighborhood change

neighborhood stabilization

REO

## Notes

- 1 However, if the property is occupied by legal renters, under federal law, the REO owner must honor the remaining term of the lease or, if longer, allow the tenant to remain for at least 90 days after the lender takes title. See Title VII of the Helping Families Save Their Homes Act of 2009. Public Law 111-22, effective 20 May 2009 ([www.gpo.gov/fdsys/pkg/PLAW-111publ22/pdf/PLAW-111publ22.pdf](http://www.gpo.gov/fdsys/pkg/PLAW-111publ22/pdf/PLAW-111publ22.pdf)).
- 2 For a list of jurisdictions with vacant property registries, see [http://www.safeguardproperties.com/Services/Vacant\\_Property\\_Registration.aspx](http://www.safeguardproperties.com/Services/Vacant_Property_Registration.aspx)
- 3 Although no three jurisdictions can broadly represent all US markets, we focused on these three because they represent three urban areas with distinct market conditions for which data was readily available.
- 4 In New York City, we rely primarily on a specific ‘foreclosure auction’ flag included in the data provided by the New York City Department of Finance. Because the flag is not applied consistently, we have created a new flag, ‘foreclosure auction’, by adding the ‘foreclosure’ flag to the ‘foreclosure auction’ flag. The ‘foreclosure’ flag is applied to properties that are in the process of being sold by the City of New York, either through a public auction or through a private sale. The ‘foreclosure auction’ flag is applied to properties that are in the process of being sold by the City of New York, either through a public auction or through a private sale. The ‘foreclosure’ flag is applied to properties that are in the process of being sold by the City of New York, either through a public auction or through a private sale. The ‘foreclosure auction’ flag is applied to properties that are in the process of being sold by the City of New York, either through a public auction or through a private sale.



5 In a small number of cases, we observe multiple deeds purporting to transfer the same property into REO filed within a very short time frame which, given the foreclosure timeline, we believe to be administrative errors or correction deeds filed to amend earlier deeds. Accordingly, for any series of multiple transfers into REO within a defined time frame (within a year in Atlanta or Miami or three years in New York City), we only count the first such transaction as an entry into REO. This step drops 548 entries into REO in New York City, 2302 entries into REO in Fulton County, and 10 825 in Miami-Dade County. In Miami-Dade, many of these are probably correction deeds, which, unlike those in Fulton County and New York City, cannot be directly identified with the data.

6 We also automatically change a property's status to non-REO after it has been in REO for seven years, under the assumption that such properties were in fact sold out of REO at some point through a deed that was not recorded or improperly filed by the register's office.

7 HUD makes available all action plans and required reporting of NSP funding recipients at [https://hudnshelp.info/index.cfm?do = viewGranteeAreaResults](https://hudnshelp.info/index.cfm?do=viewGranteeAreaResults).

8 It is somewhat puzzling that the sales market in Miami-Dade County's hardest-hit tracts does not appear to be more dominated by REO properties than the market in other tracts. This finding appears to be due, at least in part, to our underestimation of the number of mortgageable properties in each tract. Because we rely on 2006–2010 ACS, we are unable to count vacant and rental condominium units and more recent construction. Accordingly, it is likely that we significantly overestimate the REO density

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