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Articles

The accumulation of lender-owned homes during the US mortgage crisis: examining metropolitan REO inventories

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Abstra

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Keywords:

foreclosure mortgage vacant/abandoned property housing

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Notes

[1]For examples of local government and nonprofit responses to vacant, foreclosed properties see www.stablecommunities.com or http://www.foreclosure-response.org/browse_map.html.

[2]Cutts and Merrill (2008) found that the proportion of properties in post-sale
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[6]If the entrance of well-seasoned loans is not controlled for, increased REO activity may merely reflect the expansion of the sample over time. At the same time, many loans were originated after August 2006. Therefore, merely restricting the REOs to those for loans originated by August 2006 would provide an overly conservative measure of REO activity and growth, especially given the poor loan performance of the many loans that originated after August 2006.

[7]Groups 1 and 2 combined accounted for 86 percent of all reported REO in the LPS data set as of August 2008 and for 64 percent of the increase in reported REO over the August 2006 to August 2008 period.

[8]In recent years many distressed borrowers had loans with interest rates well above the low prevailing market rates. When this happens, the effective, “mark-to-market” value of the loan increases. As a result, some borrowers faced both increases in the effective market values of their loans as well as declining market values of their homes, leading to rapidly escalating “mark-to-market” loan-to-value ratios.

[9]By “formerly hot” housing markets, I mean MSAs where prices increased steeply – with appreciation rates typically reaching well over 10 percent annually – over the 2002 to 2006 period, during the biggest national run up in housing values. “Weak market” MSAs are those where population growth was very low over this period and “relatively stable” markets are those were annual appreciation rates were generally under 10 percent annually tion levels.

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the two clustering variables. The procedure begins with each observation constituting its own cluster. At this initial step, the sum of squared distances of all observations from their respective cluster centroids is zero, since each observation is its own respective centroid. At each successive step in the procedure, two clusters are merged so that they result in the minimum increase in the sum of squared distances of all observations from their respective centroids. The two variables used here were standardized to deal with problems of differences in scale and variance.

[13]Both Minnesota and Michigan, the two large states with the very long post-sale redemption periods, have relatively short pre-foreclosure periods, at an estimated 53 and 38 days, respectively.

Related Research Data

Forced Sales and House Prices
Source: National Bureau of Economic Research
Constructing a New Asset Class: Property-led Financial Accumulation after the Crisis
Source: eScholarship, University of California
Variations in Housing Foreclosures by Race and Place, 2005–2012
Source: SAGE Publications
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