

Housing Policy Debate >
Volume 20, 2010 - Issue 4

377 Views | 33 CrossRef citations to date | 1 Altmetric

Articles

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

Dan Immergluck 

Pages 619-645 | Published online: 04 Oct 2010

 Cite this article  <https://doi.org/10.1080/10511482.2010.505872>

Sample our
Health and Social Care
Journals
>> **Sign in here** to start your access
to the latest two volumes for 14 days

 Full Article  Figures & data  References  Citations  Metrics Reprints & Permissions

Read this article

Abstract

A key concern among policymakers and community developers in recent years has been the extent to which lender-owned homes, often called real estate owned or “REO” properties, accumulate in different local housing markets during the mortgage crisis. This paper describes the accumulation of REO properties in 356 metropolitan statistical

About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click “Settings”. For further information about the data we collect from you, please see our [Privacy Policy](#).

Accept All

Essential Only

Settings

Acknowledgments

I would like to thank the editor and anonymous reviewers for helpful comments on an earlier draft of this paper. I also want to thank the Community Affairs unit of the Federal Reserve Bank of Atlanta for supporting this work through its visiting scholars program. All opinions and any errors in this work remain solely my responsibility.

Notes

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

²Cutts and Merrill (2008) found that the proportion of properties in post-sale redemption that were redeemed was approximately 17 percent in the 2004 to 2006 period – which includes the peak of the national housing market – but declined towards the latter part of the period as housing markets began to weaken.

³While longer pre-foreclosure periods may be expected to reduce REO entrants, they may still risk problems of encouraging vacancy or abandonment, especially if borrowers abandon properties or reduce maintenance during the pre-foreclosure period.

⁴Servicers reporting data to LPS identify loans as grade “B” or “C”, common industry terminology for subprime loans, which constitute subprime loans, and these loans are identified in the data set. Prime and near-prime loans fall into the remaining category.

⁵In multi-unit buildings, the median number of units located in state A is 30 percent of the total units in the state. This activity may be related to any loans that were originated by August 2008 would provide an overly conservative measure of REO

About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click “Settings”. For further information about the data we collect from you, please see our [Privacy Policy](#).

[Accept All](#)[Essential Only](#)[Settings](#)

activity and growth, especially given the poor loan performance of the many loans that originated after August 2006.

⁷Groups 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.

⁸In 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.

⁹By “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 where annual appreciation rates were generally under 10 percent annually over the 2002 to 2006 period, but had stable or increasing population levels.

¹⁰REO in the early part of the study period would be expected to be affected by unemployment conditions well ahead of August, 2006. Thus, August 2005 was chosen as the initial condition period for the unemployment rate because unemployment is expected to affect REO primarily via affecting foreclosure rates and entering REO.

¹¹The national unemployment rate in the construction sector, for example, increased from 6.7 percent in 2006 to 10.8 percent in 2008, and spiked to a nonseasonally-adjusted rate in January of 2009 of 18.2 percent, more than double the January 2006 level of 9 percent. All figures are from the US Bureau of Labor Statistics.

¹²In War means for the square and the two its own c their res centroid

About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click “Settings”. For further information about the data we collect from you, please see our [Privacy Policy](#).

Accept All

Essential Only

Settings

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.

¹³Both 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

People also read

Recommended articles

Cited by
33

“Our Customer Is America”: Housing Insecurity and Eviction in Las Vegas, Nevada’s Postcrisis Rental Markets >

Eric Seymour et al.
Housing Policy Debate
Published online: 9 Nov 2020

About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click “Settings”. For further information about the data we collect from you, please see our [Privacy Policy](#).

 Accept All

Essential Only

Settings



Information for

- Authors
- R&D professionals
- Editors
- Librarians
- Societies

Opportunities

- Reprints and e-prints
- Advertising solutions
- Accelerated publication
- Corporate access solutions

Open access

- Overview
- Open journals
- Open Select
- Dove Medical Press
- F1000Research

Help and information

- Help and contact
- Newsroom
- All journals
- Books

Keep up to date

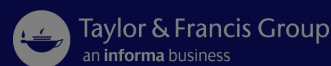
Register to receive personalised research and resources by email

 Sign me up



Copyright © 2024 Informa UK Limited Privacy policy Cookies Terms & conditions

Accessibility



About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click “Settings”. For further information about the data we collect from you, please see our [Privacy Policy](#).

 Accept All

Essential Only

Settings