



Left Behind:

Troubled Foreclosed Properties and Servicer Accountability in Chicago

About troubled foreclosed properties and servicer accountability in Chicago

Properties in the foreclosure process that are not occupied or proactively maintained by mortgage servicers are at high risk of falling into disrepair and having a significant negative impact on the community. This is especially true for troubled properties that have been in this state for extended periods of time, raising concerns that the servicer has chosen to charge-off the mortgage after initiating foreclosure.

By combining data from the City of Chicago on vacant and potentially vacant buildings with data on foreclosure filings, completed foreclosure auctions, and property transfers, Woodstock Institute identified a set of vacant properties that have at some point been part of the foreclosure process. Through this process, Woodstock Institute identified a group of “red flag” properties which are troubled vacant properties where a foreclosure has been filed, but no outcome has been reached.

For such vacant properties, particularly those that have been in the foreclosure process for many years, there are concerns that the servicer has chosen to “walk away” from the property, leaving no clear accountable party for problems that may arise there. The report also identifies a group of lender-owned, foreclosed properties that most likely are vacant and not in compliance with the City of Chicago’s vacant building regulations.

Findings

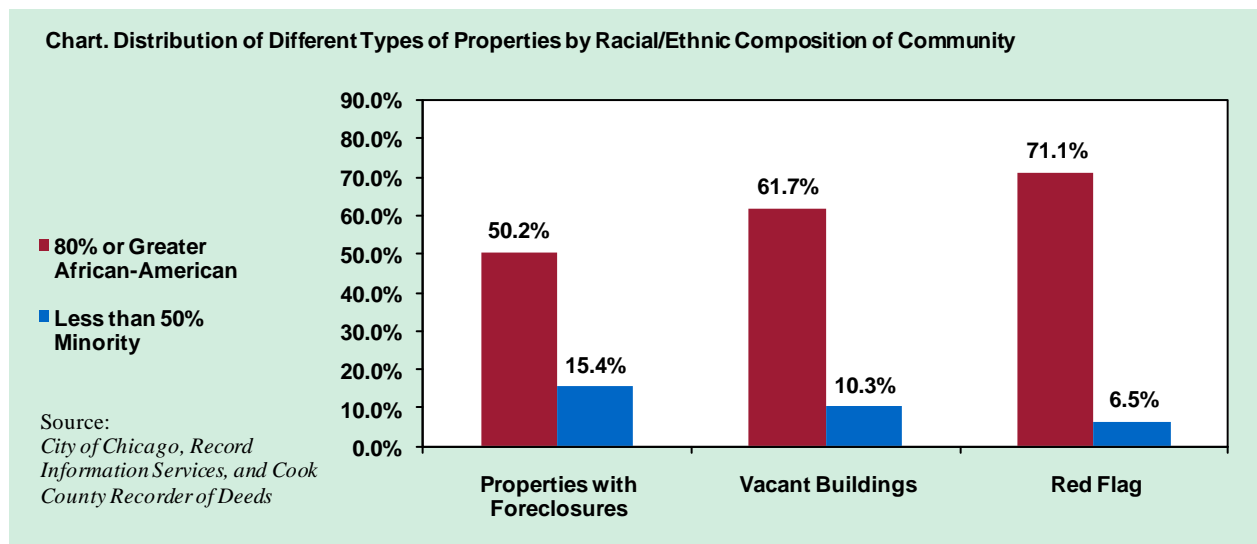
Foreclosures make up a significant portion of properties on the City’s vacant buildings index. There were 18,320 properties on the City’s vacant buildings index as of September 2010. Of these, 12,674, or 69.2 percent, were associated with a foreclosure filed between 2006 and the first half of 2010. Of these 12,674 properties, 10,778 were related to a foreclosure filing which was linked to a subsequent outcome, such as a completed foreclosure auction or a property transfer such as a short sale. There were 1,896 red flag properties on the City’s vacant buildings index where there was a foreclosure filing with no subsequent outcome.

Table. Composition of City of Chicago’s Vacant Buildings Index by Relationship to a Foreclosure Filing.

	Properties	Share
Non-Foreclosure Related	5,646	30.8%
Foreclosure Related - With Outcome	10,778	58.8%
Foreclosure Related - No Outcome	1,896	10.3%
Total Properties on Vacant Buildings Index	18,320	100.0%

These “red flag” properties are of significant concern to City officials and communities, particularly if they sit vacant for extended periods of time. Of the red flag properties identified, over 40 percent of these red flag homes have been in the foreclosure process for more than a year and a half, which means their loan servicers likely have decided not to complete foreclosure.

“Red flag” foreclosures are disproportionately concentrated in Chicago’s African American communities. Over 71 percent of red flag homes are located in highly African-American communities, compared to only 6.5 percent in predominantly white communities. African-American communities are 11 times more likely to have a red flag home than are white communities, while they are 3 times more likely to have a foreclosed property and 6 times more likely to have a vacant building.



There are a substantial number of properties in the citywide inventory of likely vacant lender-owned properties that are not registered with the City as vacant properties. There are 2,558 lender-owned single family homes that are likely vacant but not registered with the City of Chicago. This represents over 57 percent of the inventory of lender-owned single family homes in the City as of the third quarter of 2010. These homes are likely not secured and maintained to the standards required by the City of Chicago and may be in an advanced state of disrepair.

Recommendations

- **Keep homes occupied**—Loan servicers should proactively pursue solutions, such as sustainable loan modifications, that allow homeowners to stay in their homes whenever possible.
- **Hold servicers accountable**—State and federal regulators should ensure that loan servicers are implementing strategies to limit the damage that vacant properties have on communities.
- **Increase ability to enforce existing vacant property rules**—Local governments should be given more authority to ensure that mortgage servicers maintain vacant properties up to required standards.
- **Increase data sharing to increase information on vacant buildings**—Better coordination of data among different levels of government would allow for more efficient enforcement of vacant property registration and maintenance requirements and early identification of compliance issues.

More information

For more information, please visit www.woodstockinst.org or contact Geoff Smith at 312/368-0310.