

## About zombie properties and community stability

Woodstock Institute's report *Unresolved Foreclosures: Patterns of Zombie Properties in Cook County* examines the extent to which mortgage servicers are filing for foreclosure and then not pursuing the case to resolution in different types of communities in Cook County, Illinois. The report defines a zombie property as a property with a foreclosure filing that has not been resolved for more than three years. Because neither the borrower nor the servicer has clear control of the property, neither has an incentive to assume responsibility for the property. Zombie properties, therefore, are likely to threaten neighborhood stability by being poorly maintained or blighted, especially in lower-income neighborhoods. The report concludes with recommendations to reduce the negative impact of zombie properties on communities in Cook County. **Woodstock Institute estimates that there are more than 11,700 zombie properties in Cook County, including more than 5,800 in the City of Chicago.**

Mortgage servicers filed 217,035 residential foreclosures in Cook County between 2008 and the end of 2012. Not all foreclosure filings become bank-owned, however. Other possible outcomes include cases where the borrower retains ownership of the home (case dismissal, loan modification, release of the debt, curing the foreclosure), cases where the borrower loses ownership of the home (sale to a third party, deed in lieu transaction), cases where the filing is dismissed and re-filed, or cases where the foreclosure is not resolved and remains pending (zombie properties).

A servicer may choose to walk away from a foreclosure and allow the property to become a zombie if it determines that the cost of proceeding with the foreclosure and securing and maintaining the property will exceed its expected return from the sale of the property. Factors that may contribute to a servicer's decision to walk away include whether the property is in a distressed neighborhood, local property values, and the physical condition of the property.

When a servicer walks away from the foreclosure, that action creates a number of potential problems even if the building is still occupied. The foreclosure filing is a cloud on the title, preventing the current owner from selling the property without the case being resolved. The current owner may lack financial resources to invest in maintenance or pay property taxes; even if the owner can afford it, he or she may lack a long-term incentive to maintain the property since the servicer may eventually take ownership of the home. In many cases, the owner moves and abandons the property, leaving it vacant and as a potential source of problems for the neighborhood.

## Findings

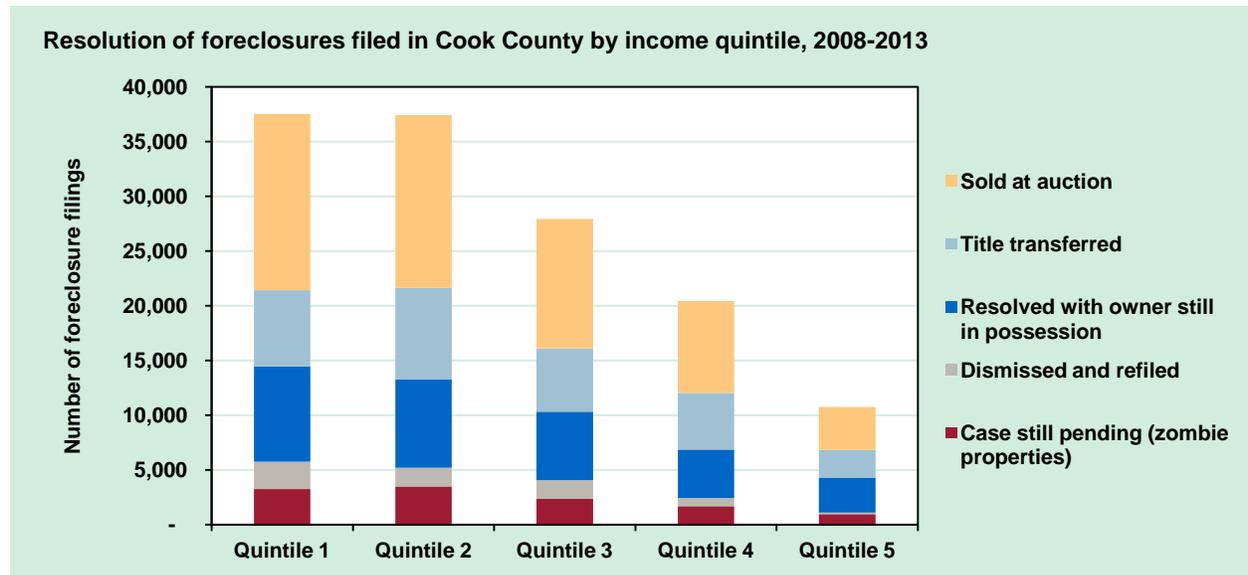
**Nearly 60 percent of foreclosures filed between 2008 and 2010 in Cook County were not sold at a foreclosure auction within three years.** Of the 134,043 foreclosures filed in Cook County between 2008 and 2010, 56,009 (41.8 percent) were sold at auction between 2009 and 2012, while 78,034 (58.2 percent) were not sold at auction within that period.

**Properties with foreclosure filings in high minority census tracts were more likely to be sold at auction than properties in low minority census tracts.** A property in foreclosure in a census tract that was 80 percent or more minority was about 11 percent more likely to be sold at auction than a property in foreclosure in a census tract that was less than 20 percent minority.

**Approximately 8.7 percent (more than 11,700 properties) of foreclosures filed between 2008 and 2010 in Cook County became zombie properties.** Zombie properties are properties with a foreclosure filing that has not been resolved after more than three years. Woodstock Institute estimates that there are more than 5,800 zombie properties in the City of Chicago. If trends continue for foreclosures filed in 2011 and 2012, Woodstock Institute estimates that there will be an additional 7,200 zombie properties in Cook County, including nearly 3,200 in the City of Chicago, by 2015.

**Zombie properties are disproportionately concentrated in lower-income communities.**

Properties in census tracts in the three lowest income quintiles (bottom 60 percent of income) are more than ten percent more likely to become zombie properties than are properties in census tracts in the two highest income quintiles. Tracts in the bottom two income quintiles (bottom 40 percent of income) contain 57.5 percent of zombie properties, while only 22.5 percent of zombie properties are in tracts in the top two income quintiles.



**Zombie properties are more likely to occur in racially homogenous communities.** Properties entering foreclosure in census tracts that are 80 percent or more minority are 18 percent more likely to become zombie properties than average, while properties entering foreclosure in census tracts that are 80 percent or more white are four percent more likely to become zombie properties than average.

Ways to mitigate the negative impact of zombie properties include:

- Mortgage servicers should be required to notify borrowers, local governments, and courts when they decide to stop pursuing a foreclosure.
- Mortgage servicers should coordinate with local governments, nonprofits, and land banks to return zombie properties to productive use.
- Municipalities should enact vacant buildings ordinances that hold servicers and mortgagees accountable for maintaining homes, even before taking title to the home.
- Municipalities should seek creative ways to expand or leverage existing code enforcement resources.
- The Federal Housing Finance Agency (FHFA) should withdraw its lawsuit against the City of Chicago’s vacant buildings ordinance.
- The Cook County Land Bank Authority (CCLBA) needs a dedicated funding source.
- The National Monitor should more vigorously enforce the anti-blight provisions of the National Mortgage Foreclosure Settlement.

## Estimated zombie properties by Chicago community area and Cook County subregion

| Community Area         | Total Zombie Properties | Zombies per 1,000 Mortgageable Properties |
|------------------------|-------------------------|---|
| Albany Park            | 82                      | 9.51                                      |
| Archer Heights         | 29                      | 9.43                                      |
| Armour Square          | 3                       | 1.10                                      |
| Ashburn                | 149                     | 12.33                                     |
| Auburn Gresham         | 138                     | 11.03                                     |
| Austin                 | 252                     | 11.78                                     |
| Avalon Park            | 36                      | 10.29                                     |
| Avondale               | 82                      | 8.97                                      |
| Belmont Cragin         | 223                     | 14.04                                     |
| Beverly                | 31                      | 4.45                                      |
| Bridgeport             | 29                      | 3.44                                      |
| Brighton Park          | 81                      | 8.74                                      |
| Burnside               | 15                      | 15.60                                     |
| Calumet Heights        | 42                      | 7.87                                      |
| Chatham                | 83                      | 10.02                                     |
| Chicago Lawn           | 192                     | 16.74                                     |
| Clearing               | 52                      | 7.26                                      |
| Douglas                | 26                      | 12.19                                     |
| Dunning                | 112                     | 8.43                                      |
| East Garfield Park     | 66                      | 17.35                                     |
| East Side              | 32                      | 5.03                                      |
| Edgewater              | 75                      | 5.73                                      |
| Edison Park            | 11                      | 2.81                                      |
| Englewood              | 126                     | 17.90                                     |
| Forest Glen            | 26                      | 4.06                                      |
| Fuller Park            | 9                       | 14.20                                     |
| Gage Park              | 94                      | 12.94                                     |
| Garfield Ridge         | 67                      | 6.05                                      |
| Grand Boulevard        | 86                      | 22.03                                     |
| Greater Grand Crossing | 97                      | 11.64                                     |
| Hegewisch              | 12                      | 4.01                                      |
| Hermosa                | 58                      | 11.96                                     |
| Humboldt Park          | 166                     | 15.00                                     |
| Hyde Park              | 20                      | 3.95                                      |
| Irving Park            | 105                     | 7.94                                      |
| Jefferson Park         | 44                      | 5.38                                      |

| Community Area     | Total Zombie Properties | Zombies per 1,000 Mortgageable Properties |
|--------------------|-------------------------|---|
| Kenwood            | 28                      | 8.06                                      |
| Lakeview           | 75                      | 3.22                                      |
| Lincoln Park       | 46                      | 2.73                                      |
| Lincoln Square     | 52                      | 6.16                                      |
| Logan Square       | 122                     | 7.34                                      |
| Loop               | 51                      | 8.60                                      |
| Lower West Side    | 35                      | 5.41                                      |
| McKinley Park      | 21                      | 5.23                                      |
| Montclare          | 46                      | 13.54                                     |
| Morgan Park        | 60                      | 8.50                                      |
| Mount Greenwood    | 21                      | 3.39                                      |
| Near North Side    | 151                     | 6.59                                      |
| Near South Side    | 53                      | 9.14                                      |
| Near West Side     | 91                      | 7.27                                      |
| New City           | 122                     | 13.76                                     |
| North Center       | 27                      | 2.70                                      |
| North Lawndale     | 94                      | 16.27                                     |
| North Park         | 29                      | 7.08                                      |
| Norwood Park       | 54                      | 4.28                                      |
| Oakland            | 11                      | 14.02                                     |
| O'Hare             | 38                      | 13.21                                     |
| Portage Park       | 144                     | 8.47                                      |
| Pullman            | 22                      | 8.47                                      |
| Riverdale          | 7                       | 4.12                                      |
| Rogers Park        | 97                      | 11.34                                     |
| Roseland           | 152                     | 11.33                                     |
| South Chicago      | 95                      | 12.52                                     |
| South Deering      | 43                      | 8.74                                      |
| South Lawndale     | 99                      | 9.00                                      |
| South Shore        | 122                     | 15.64                                     |
| Uptown             | 53                      | 5.03                                      |
| Washington Park    | 37                      | 27.42                                     |
| Washington Heights | 87                      | 10.72                                     |
| West Elsdon        | 46                      | 10.77                                     |
| West Englewood     | 160                     | 17.11                                     |
| West Garfield Park | 52                      | 14.16                                     |

| Community Area | Total Zombie Properties | Zombies per 1,000 Mortgageable Properties |
|----------------|-------------------------|---|
| West Lawn      | 116                     | 14.14                                     |
| West Pullman   | 128                     | 14.30                                     |
| West Ridge     | 187                     | 12.60                                     |
| West Town      | 110                     | 5.77                                      |
| Woodlawn       | 91                      | 19.98                                     |
| Chicago        | 5,828                   | 9.17                                      |

| Community Area        | Total Zombie Properties | Zombies per 1,000 Mortgageable Properties |
|-----------------------|-------------------------|---|
| North Cook County     | 653                     | 5.19                                      |
| Northwest Cook County | 1,371                   | 7.25                                      |
| South Cook County     | 1,607                   | 13.61                                     |
| Southwest Cook County | 854                     | 6.10                                      |
| West Cook County      | 1,396                   | 9.21                                      |