

behind the numbers

data analysis from the
center on urban poverty
and community development

BRIEF NO. 6
HOUSES IN TRANSITION:
A REPORT ON PROPERTIES
OWNED BY FINANCIAL
INSTITUTIONS AND REAL ESTATE
ORGANIZATIONS IN
CUYAHOGA COUNTY, 2007

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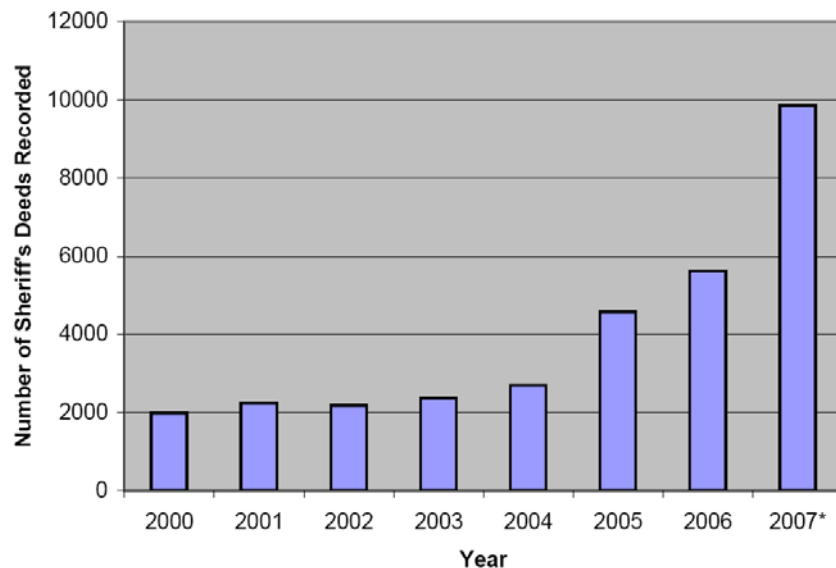
The rapid rise in foreclosure rates and housing abandonment in Cleveland and its surrounding suburbs is garnering national attention and threatening to overwhelm the government agencies and community organizations that address the problem. Indeed, Ohio has the highest rate of foreclosure in the nation, and Cuyahoga County has the highest among Ohio counties.¹ Because the seeds of this foreclosure and abandonment crisis were sown in part by significant changes in the credit industry in the 1990s,² and further complicated by demographic and economic changes in the region, it is anticipated that foreclosure rates will continue to be high in the coming years.

Abandoned homes and buildings have a significant impact on a neighborhood, threatening housing values and contributing to disorder and decay.³ Therefore, community and neighborhood organizations attempt to intervene in this process upstream, to prevent foreclosure and abandonment and return housing to viability and marketability before it is too late.⁴ Civic leaders and elected officials

want to know what policy and programmatic options can reduce this destructive cycle.

The end point for many properties that enter the foreclosure process is sheriff's sale. At this point, the property is often purchased by the lending institution that holds the lien. Real estate organizations may also own these properties for a period following sheriff's sale. Also, the Department of Housing and Urban Development (HUD) and the Department of Veteran's Affairs (VA) buy those properties that had been purchased with government backed loans that went into default. It often takes considerable time for properties owned by financial and real estate institutions to return to individual ownership and occupancy, and there is concern that the concentration of unoccupied homes may become problematic for the community. As the number of foreclosures and sheriff's sales increases, it could make it even more difficult to move homes back into ownership by private individuals and families and to prevent extended periods of vacancy.

Recorded Sheriff's Deeds



Recorded Sheriff's Deeds have risen dramatically over the past 3 years.
*Number of Sheriff's Deeds in 2007 is estimated based on May, 2007 trend.

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Methodology and Limitations

Recorded sheriff's deeds issued from January 1, 2000 through February 28, 2007 for single, two, or three family dwellings and condominiums were placed into a dataset for analysis. The properties bought at sheriff's sale that were resold were then deleted from this dataset. This list of properties was then supplemented by residential properties bought at sheriff's sale between May 23, 2005 and February 27, 2007, which had yet to be recorded. The resulting parcels were categorized based on ownership as follows: financial and real estate institution owned; community development; land bank; and those not related to a business or organization.

This analysis does not include the following: (a) those properties transferred to another financial institution or real estate holding company after the sheriff's deed was recorded, and (b) those properties transferred to a financial institution or real estate holding company without involving a sheriff's deed.

The number of single, two, or three family homes and condominiums sold at sheriff's sale in Cuyahoga County rose rapidly in 2005 and 2006 and has escalated into the first quarter of 2007.

As of February 2007, a total of 9,175 of these sheriff's deeds on single, two, three family homes and condominiums were owned by financial and real estate institutions. These properties represented 2.05% of the single, two, three family homes and condominiums in the county. Most of the properties in the hands of financial and real estate institutions as of February 2007 had completed foreclosure some time in 2006, but approximately 10% of them had been without a private individual owner for more than 14 months.

Properties owned by banks and financial institutions are concen-

trated in the southeastern and northeastern inner ring suburbs as well as the northeast, southeast, and near west side neighborhoods within the city of Cleveland.

The rapid increase in foreclosures in Cuyahoga County has resulted in many homes currently being owned by financial and real estate

institutions. Communities with concentrations of these homes need to be concerned about their occupancy status and about the time that may elapse before they can be moved back into private individual ownership.

Though this report does not include homes for which a foreclosure has been filed but has not reached the point of sheriff's sale, some of these may also be unoccupied and cause for concern.

Further detailed analysis needs to be conducted to address a number of remaining issues. These include: the length of time properties stay owned by financial and real estate institutions; differences in patterns of financial and real estate ownership over time; the relationship between mortgage originators and foreclosures; how neighborhood factors and housing types affect lending practices and financial and real estate institution ownership after sheriff's sale, and methods for predicting which properties are at-risk for abandonment and approximating the number of vacant and abandoned residential properties in Cleveland and Cuyahoga County.

Top 10 Neighborhoods For Financial and Real Estate Institution Owned Parcels

Neighborhoods/Municipalities	Number Bank/REO Owned	Percent Bank/REO Owned
East Cleveland	473	8.09
Euclid	439	2.56
Glenville	399	6.27
Cleveland Hts.	381	2.51
Maple Hts.	380	3.65
South Broadway	362	5.47
Mt. Pleasant	349	5.63
Garfield Hts.	306	2.61
Union-Miles	304	6.26
Corlett	255	5.27
Cleveland	5,293	3.98
Cuyahoga Suburbs	3,869	1.23
Total*	9,175	2.06

*13 parcels unassigned to a geography

These ten neighborhoods represent 40% of financial and real estate owned properties in Cuyahoga County.

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sources and notes

¹Shiller, Z., (2006). *Foreclosure Growth in Ohio*. Policy Matters.

²Immergluck, D. & Smith, G. (2005). Measuring the effect of sub-prime lending on neighborhood foreclosures: Evidence from Chicago. *Urban Affairs Review*, 40, 362-389.

³Scadifi, B., et al. (1998). An economic analysis of housing abandonment. *Journal of Housing Economics*. 7, 287-303.

⁴Hiller, A., Culhane, D., Simth, T. & Tomlin, C. (2003). Predicting housing abandonment with the Philadelphia Neighborhood Information System. *Journal of Urban Affairs*, 25, 91-105.

about this publication

This *Behind the Numbers*, published May 2007, was written by Michael Schramm, programmer/analyst at the Poverty Center, and Claudia Coulton, the Lillian F. Harris Professor at the Mandel School of Applied Social Sciences, Associate Dean of Research and Training, and the Center's Co-Director. *Behind the Numbers* is edited and prepared for publication by Jeff Hagan, Director of Communications for the Mandel School.

Founded in 1988 as the Center on Urban Poverty and Social Change, the Center changed its name in 2006 to the Center on Urban Poverty and Community Development. The Center's commitment to addressing the issues of urban poverty remains at the core of its work, as does a commitment to social change. The new name emphasizes the means through which such change must take place.

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