NEO CANDO: Using data to aid in code enforcement activity in Cleveland and Cuyahoga County

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Foreclosure research

- Foreclosure and Beyond
- Pathways to Foreclosure
- Beyond REO
Welcome to NEO CANDO

Owner: John Smith
Address: 742 Evergreen Ter
Build. Sq. Feet: 1,524
Prop. Sq. Feet: 10,378
Delinquent Taxes: $0
Market Value: $171,000

NEO CANDO Features

- UPDATE - Properties Owned by Financial Institutions Report
- Cuyahoga County Early Childhood Municipal Profiles
- Be sure to join the NEO CANDO User Group
- All Poverty Center News
The Foreclosure Pathway

Racial and geographic characteristics put certain borrowers at HIGH RISK

- Financial literacy
- Access to local banks
- Safe and sound products

Foreclosure Filing
- Foreclosure prevention

- Targeted outreach

Sheriff's Sale
- Foreclosure intervention or mediation

REO

Default

Subprime Loan

Borrower
Foreclosure Filings, Cuyahoga County

Prepared by: Center on Urban Poverty and Community Development, Mandel School of Applied Social Sciences, Case Western Reserve University
Density of Residential Sheriff's Deeds, 2006
Cuyahoga County, OH

Prepared by: Center on Urban Poverty and Community Development,
Mandel School of Applied Social Sciences,
Case Western Reserve University
October 30, 2007
Source: NEO CANDO (http://neocando.case.edu)
Cuyahoga County Auditor
Cleveland 18.9% (25,028)
Suburbs 6.8% (22,116)
Cuyahoga 10.3% (47,144)
Foreclosure Filings vs. Sheriff Sales, Cuyahoga County
Proportion of Sheriff’s Deeds by Grantee Category, 2000 vs. 2007

2000
- Mortgage Company: 34.38%
- Government Sponsored Enterprise: 19.43%
- Local Bank: 9.96%
- Private Individual or Real Estate Organization: 35.61%

2007
- Mortgage Company: 57.08%
- Government Sponsored Enterprise: 22.69%
- Local Bank: 10.20%
- Private Individual or Real Estate Organization: 10.00%

Prepared by: Center on Urban Poverty and Community Development, Mandel School of Applied Social Sciences, Case Western Reserve University.
Source: NEO CANDO (http://neocando.case.edu), Cuyahoga County Auditor
Sales Price Relative to Estimated Market Value (in 2007 dollars), City of Cleveland

Prepared by: Center on Urban Poverty and Community Development, Mandel School of Applied Social Sciences, Case Western Reserve University.
Source: NEO CANDO (http://neocando.case.edu), Cuyahoga County Auditor
Properties coming out of REO at $10,000 or less as percent of all properties leaving REO, 2005-2008

*2008 data as of June 30th, 2008.
Source: Cuyahoga County Auditor transfer data from NEO CANDO, Center on Urban Poverty and Community Development, Mandel School of Applied Social Sciences, Case Western Reserve University.
http://neocado.case.edu
Price Distribution, Properties Leaving REO at Extremely Distressed Prices, 2005-2008

- $8,000-$10,000: 21% (620)
- $6,000-$7,999: 17% (495)
- $4,000-$5,999: 17% (499)
- $1,000-$1,999: 15% (435)
- $2,000-$3,999: 21% (630)
- $1-$999: 9% (262)

N=2,941

Source: Cuyahoga County Auditor transfer data from NEO CANDO, Center on Urban Poverty and Community Development, Mandel School of Applied Social Sciences, Case Western Reserve University.
http://neocado.case.edu
### Top Sellers of REO Properties, Cuyahoga County, 2007-2008

<table>
<thead>
<tr>
<th>Seller</th>
<th>Number of REO properties sold, $10,000 or less</th>
<th>Percent of total REO properties sold</th>
<th>REO properties sold by seller, all prices</th>
<th>Percent of REO properties sold for $10,000 or less by seller</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deutsche Bank National Trust</td>
<td>486</td>
<td>18.59%</td>
<td>1089</td>
<td>44.63%</td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>304</td>
<td>11.63%</td>
<td>771</td>
<td>39.43%</td>
</tr>
<tr>
<td>Fannie Mae</td>
<td>239</td>
<td>9.14%</td>
<td>982</td>
<td>24.34%</td>
</tr>
<tr>
<td>U.S. Bank National Association</td>
<td>194</td>
<td>7.42%</td>
<td>519</td>
<td>37.38%</td>
</tr>
<tr>
<td>LaSalle Bank National Association</td>
<td>162</td>
<td>6.20%</td>
<td>322</td>
<td>50.31%</td>
</tr>
<tr>
<td>Bank of New York</td>
<td>112</td>
<td>4.28%</td>
<td>404</td>
<td>27.72%</td>
</tr>
<tr>
<td>JP Morgan Chase Bank</td>
<td>103</td>
<td>3.94%</td>
<td>298</td>
<td>34.56%</td>
</tr>
<tr>
<td>HSBC Bank</td>
<td>75</td>
<td>2.87%</td>
<td>163</td>
<td>46.01%</td>
</tr>
<tr>
<td>Homecoming Financial Network</td>
<td>73</td>
<td>2.79%</td>
<td>173</td>
<td>42.20%</td>
</tr>
<tr>
<td>Wachovia Bank</td>
<td>56</td>
<td>2.14%</td>
<td>150</td>
<td>37.33%</td>
</tr>
<tr>
<td><strong>Total (top sellers)</strong></td>
<td><strong>1804</strong></td>
<td><strong>69.00%</strong></td>
<td><strong>4871</strong></td>
<td><strong>62.46%</strong></td>
</tr>
<tr>
<td><strong>Total REO properties sold</strong></td>
<td><strong>2614</strong></td>
<td></td>
<td><strong>7799</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Cuyahoga County Auditor transfer data from NEO CANDO, Center on Urban Poverty and Community Development, Mandel School of Applied Social Sciences, Case Western Reserve University. [http://neocando.case.edu](http://neocando.case.edu)
Code enforcement challenges for foreclosed properties

- Properties being sold out of REO at distressed prices to investors
- REO/Investors are out-of-town (eBay, auctions, multi-city packages)
- Foreclosure abandonment (screen scraping project)
Code enforcement strategies for foreclosed properties

- Housing Court
- Increased demolition activity (250 in 2006, around 1000 in 2007, more than 1000 in 2008)
- City of Cleveland lawsuit against investment banks (the costs of nuisance property)
- NPI nuisance abatement (Wells Fargo and Deustche Bank)
- City of Cleveland Operation Prevent
- First suburbs code enforcement/NEO CANDO data initiative
City of Cleveland Lawsuit

- Link investment bank that mortgage was assigned to and the REO to city expenses (grass cutting, demolitions, police reports, water bills)
  - Recorder data (mortgages)
  - Auditor data (property transfers)
  - Sheriff data (auctions)
  - Court data (foreclosure filings)
### Companies Originating Subprime Loans

<table>
<thead>
<tr>
<th>Originator</th>
<th>On HUD Subprime List</th>
<th>Percent High Cost Loans</th>
<th>Percent High Cost Loans, with Foreclosure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Argent</td>
<td>Yes</td>
<td>87.33</td>
<td>38.88</td>
</tr>
<tr>
<td>2 New Century Mortgage</td>
<td>Yes</td>
<td>95.42</td>
<td>41.34</td>
</tr>
<tr>
<td>3 Long Beach Mortgage</td>
<td>Yes</td>
<td>99.34</td>
<td>55.59</td>
</tr>
<tr>
<td>4 Aegis</td>
<td>Yes</td>
<td>87.17</td>
<td>38.28</td>
</tr>
<tr>
<td>5 Wells Fargo</td>
<td>Certain subsidiaries</td>
<td>36.73</td>
<td>22.30</td>
</tr>
<tr>
<td>6 BNC</td>
<td>Yes</td>
<td>94.09</td>
<td>40.48</td>
</tr>
<tr>
<td>7 People's Choice Financial</td>
<td>Yes</td>
<td>93.52</td>
<td>36.86</td>
</tr>
<tr>
<td>8 National City</td>
<td>Certain subsidiaries</td>
<td>35.51</td>
<td>20.26</td>
</tr>
<tr>
<td>9 Countrywide</td>
<td>No</td>
<td>24.71</td>
<td>20.76</td>
</tr>
<tr>
<td>10 Finance America</td>
<td>Yes</td>
<td>96.72</td>
<td>48.68</td>
</tr>
<tr>
<td>11 Novastar Mortgage</td>
<td>Yes</td>
<td>97.84</td>
<td>27.09</td>
</tr>
<tr>
<td>12 Option One Mortgage Solutions</td>
<td>Yes</td>
<td>91.69</td>
<td>29.27</td>
</tr>
<tr>
<td>13 Accredited Home Lenders</td>
<td>Yes</td>
<td>95.85</td>
<td>26.46</td>
</tr>
<tr>
<td>14 Aames Funding</td>
<td>Yes</td>
<td>92.88</td>
<td>34.33</td>
</tr>
<tr>
<td>15 Intevale Mortgage</td>
<td>No</td>
<td>87.23</td>
<td>23.41</td>
</tr>
<tr>
<td>16 Southstar Funding</td>
<td>Yes</td>
<td>84.67</td>
<td>25.35</td>
</tr>
<tr>
<td>17 Fremont Investment &amp; Loan</td>
<td>Yes</td>
<td>92.16</td>
<td>30.64</td>
</tr>
<tr>
<td>18 Delta Funding</td>
<td>Yes</td>
<td>98.58</td>
<td>30.29</td>
</tr>
<tr>
<td>19 Ownit Mortgage Solutions</td>
<td>Yes</td>
<td>97.44</td>
<td>31.05</td>
</tr>
<tr>
<td>20 Encore Credit</td>
<td>Yes</td>
<td>95.05</td>
<td>30.06</td>
</tr>
</tbody>
</table>

Source: Loan Origination and Foreclosure Matched Data File, Center on Urban Poverty and Community Development, Mandel School of Applied Social Sciences, Case Western Reserve University
NPI nuisance abatement lawsuit

• No one to talk to purchase properties for rehab in strategic investment initiative areas (SIIs)
• Distressed WF and DB properties in SIIs taking away from the marketability of properties currently being rehabbed
• Goal
  – Acquire property
  – Have WF or DB abate nuisance
  – Have WF/DB business model of dumping REO properties in Cleveland declared a public nuisance
• Filed in Housing Court, moved to Federal Court and back to Housing Court
Sold by Wells
Glenville
674 E. 97th
NPI lawsuit (con’t)

- NEO CANDO data
  - Identify current REO inventory in SII’s/Citywide (county website only really let’s you look up one property at a time)
  - Track REO disposition activity

- Since Dec 15, WF has disposed of 108 properties in Cleveland (Avg price around 12,000, 77 below 12K)

- Friday, restraining order filed to prevent the sale of remaining inventory (six weeks of negotiating with NPI/Cleveland broke down)
Purpose of ORC 3767.41

- To authorize a civil action to declare public nuisance
- To obtain injunctive relief
- To authorize receivership for rehabilitation or demolition
- To make abatement costs a first priority lien
- To enable execution of receiver’s lien by judicial sale
Who May Bring a Nuisance Abatement Action?

- A neighboring landowner who lives within 500 feet of the subject building
- The municipal corporation where the property is located
- A nonprofit corporation that has as one of its goals the improvement of housing conditions in the county or municipal corporation in which the building involved is located
- A tenant of the building alleged to be a nuisance

Once appointed a receiver, all abatement expenses become a super-priority lien that can then be foreclosure upon.
Operation prevent and NEO CANDO

- Data driven response to the REO churning in Cleveland (done with City of Cleveland)
  - Interface to alert code enforcement staff (building and housing, cdc, housing court) of properties entering REO/leaving REO at distressed prices/abandoned foreclosures
  - Data collection interface (CDCs are eyes and ears)
    - Code Enforcement Partnership (cdbg funded CDCs)
    - Vacancy tracking
First suburbs NEO CANDO data collection project

- Provide a capacity for first suburbs to enter code enforcement data into NEO CANDO
Ways data are being used in community

- **Foreclosure prevention/early warning** – Mortgages from Recorder flagged with High Cost and HUD subprime list lenders and First American Title adjustable rate data scrubbed against sheriff sales/water shutoffs
- **Foreclosure intervention** – Foreclosure filings that have not yet gone to Sheriff sale (*served through NEO CANDO*)
- **Foreclosure reclamation** – Sheriff sales that go to Banks/REO departments (*served through NEO CANDO*)

*Most of the data are now updated weekly*