*TH2.15*

# Housing Values, Foreclosure, and Neighborhood Change

## Monitoring Neighborhood Changes in Mortgage Fraud-Impacted Areas

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Mortgage fraud is a type of white-collar crime that wreaked havoc on communities over the last decade. It is unique from other so called "victimless" financial crimes, in that it has potentially devastating neighborhood and community impacts. Despite a growing body of scholarly literature on the mortgage fraud phenomenon, definitive research on the neighborhood impacts related to the crime of mortgage fraud does not exist. This research seeks to fill that void by examining the pre- and post- conditions of neighborhoods impacted by mortgage fraud that has been identified and prosecuted. The research will be limited to four specific metro areas, with fraud impacts being measured via a neighborhood stability index which has been established through existing literature. In order to help isolate the effects of fraud within the context of the recessionary housing market of the last 7 years, fraud-prosecuted neighborhoods will be compared against similar non-fraud neighborhoods within the same metropolitan areas. This will allow for the determination of the degree of disparate impact commensurate with the fraud event. The pre-event neighborhood conditions will be determined through the data provided in the 2000 Decennial Census, whereas the post-event index will incorporate the same variables provided by the 2007-2011 Wave of the American Community Survey, which is currently available to the public. It is expected that fraud impacted areas will experience a severe change in neighborhood conditions in excess of those related to the overall housing market decline. Mapping of these conditions and the magnitude of neighborhood change will be provided using GIS software. In addition, a comparison of similar pre-event neighborhoods within each of the metro areas will be undertaken to try and further determine the fraud event's specific impact on the neighborhoods in question. As a result, isolating these similar, yet non-fraud impacted neighborhoods, becomes an essential way of controlling for the fraud occurrence. Other economic variables will be included within the model to control for economic climate as well.

## The Neighborhood Effects of Tax Delinquency and Seizures on Residential Sale Price

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Recent experiences in the housing market have focused much attention on foreclosures. At the heart of this research is the effect of these foreclosed properties on the value or sale price of neighboring homes. The underlying theory suggests that these properties are vacant and often poorly maintained and the negative externalities created spillover to other properties. The policy

implications of this research are apparent. No less important but significantly less visible is the influence of tax delinquent properties and homes seized for tax purposes. The expected influence of these types of properties on neighboring properties is similar to foreclosed properties; however, the underlying mechanism is different. The purpose of this analysis is to examine the influence of homes with property tax delinquencies and homes seized for tax purposes on nearby residential sale prices. There is a significant gap in the literature regarding these types of properties and their impact of house prices. Currently, we know of only one other attempt to examine this phenomenon. Using house sale price data merged with the master property tax file for the City of Milwaukee, WI from 2002 to 2010, we are able to estimate the neighborhood effects of these tax related properties on residential sales prices. The cross-sectional, time-series nature of the data allow us to construct instruments for tax delinquency and seizures based on deep lags of these variables to overcome potential endogeneity. Our goal is to provide local policymakers with guidance as to the results of their actions and to lay the groundwork for better policy in this arena.

## Starter-Home Resiliency and the Great Recession. An assessment of the economic performance of sixty communities in Charlotte, North Carolina.

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This research examines the economic resiliency of “starter-home” communities using the Charlotte, North Carolina area as a study site. Starter-home communities have been lauded as a way for low- and medium-income families to own a little piece of the American Dream, while also heavily marketed to first-time homebuyers and outside investors. They are defined in this project as communities of nearly identical homes priced at $150,000 or less (a local market value); lacking choice in housing types or price points within the neighborhood (i.e. a mix of townhomes, apartments or single-family detached homes); and constructed between 2000 and 2010. An understanding of foreclosure, local, and historical development patterns contributes to the research base. In question is the resiliency of starter-home neighborhoods. Why did some succeed while others did not? To answer this question, a database was built of more than 940 starter homes, grouped into 60 starter-home communities. Communities were classified as either stable or unstable based on a loss in home value greater or less than 15 percent when comparing initial sales prices to the most recent sales prices. Results show that the Great Recession disproportionately impacted home values in starter-home communities. They have not rebounded, and are plagued by high rates of foreclosure. Research results can be used to develop a set of criteria to assess potential developments’ success or problems. This tool can also be used in the rebuilding process following community collapse – whether due to economic or natural disasters. This research will contribute to the fields of public policy, geography, and urban planning discourse, while bridging the gap between academics and the public sector. A research-based growth strategy can also help shape healthy, equitable communities that are stronger, more resilient and better equipped to respond to change.