

# Report on Foreclosures and Abandoned Homes

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Purpose: This report is to show a snapshot of current ongoing foreclosures and subsequently abandoned homes.

Data used:

- 1) 235 lis pendens<sup>1</sup> filed with County Clerk since 1/1/2013.
- 2) 287 water accounts marked as having a removed water meter.
- 3) 51 assessment property records with owners listed as lending institutions.
- 4) 8 properties reported to my office by the public or other departments.
- 5) Various assessment and sales data.
- 6) Information provided by the Water Department

Methodology:

- 1) Combined the 4 datasets (with many properties showing up in 2 or more sets).
- 2) Removed properties from dataset that were apparent temporary vacancies i.e. people that have water meters removed while they winter elsewhere.
- 3) Removed all properties that were commercial and did not have a residential component.
- 4) The remaining 356 properties were physically inspected in an attempt to determine status.

Findings of physical inspections:

- 1) Bank or institution owned ( 52 )
  - a. 14 were obtained via deed in lieu of foreclosure without the filing of a lis pendens or were taken in actions prior to 1/1/2013
  - b. 13 appear to be actively marketed for sale.
  - c. Department of Veterans Affairs has title to 19.
  - d. Wells Fargo and US Bank NA each have title to 5.
  - e. 6 properties appear to be currently occupied.
  - f. 7 months is the median that these properties have been held.
- 2) Filed lis pendens, not bank owned ( 187 )
  - a. 20 have new owners and are no longer in foreclosure proceedings.
  - b. 71 appear to be currently occupied.
  - c. 26 judgments of foreclosure have been entered, to allow for disposition.
  - d. 98 appear vacant and/or abandoned.
  - e. 4 properties were vacant but undergoing renovation.
- 3) Removed water meters, not bank owned, no lis pendens filed ( 86 )
  - a. 15 properties are being actively marketed for sale.

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<sup>1</sup> A lis pendens is the first official filing that a foreclosure is being pursued.

- b. 53 appear to be abandoned.
- c. 15 were vacant but I was unable to determine if they were abandoned.
- d. 3 appeared to be occupied and were reported to the water department for further investigation.
- e. Many properties with removed meters that had not had lis pendens filed had been posted with notices by the mortgage holders.

Current market conditions:

- 1) The number of valid sales has been declining for the last 3 years from 175 in 2013 to 132 in 2015.
- 2) As determined by NYS Tax and Finance the average value of residential properties in the City has dropped by 2.7% and 6.5% in the last two years<sup>2</sup>
- 3) The median time from bank acquisition to resale is 9 ½ months

Conclusions:

- 1) Prior to the filing of official documents starting the foreclosure process, mortgage companies are working to identify and secure vacated homes.
- 2) Effect on the overall housing market
  - a. With an entire year's worth of demand waiting to be sold at discounts there will continue to be significant downward pressure on other home prices.
- 3) In the majority of cases the abandoning of homes does not seem to be predicated on the starting of foreclosure proceedings. A very common scenario is as follows:<sup>3</sup>
  - a. Home is purchased using a mortgage with very little if any down payment required. A majority of them are VA insured.
  - b. Within a few years property owners are required to move due to reassignment or other circumstances.
  - c. Usually a good faith effort is made to either sell or rent the property. Selling is difficult because there is so little equity they cannot cover closing costs or afford to pay the mortgage on an empty home.
  - d. Many become reluctant "absentee landlords" using a local property manager in an effort to have the property pay for itself.
  - e. Without owner's direct oversight of the properties, they tend to deteriorate and often necessary maintenance is left undone. The property deteriorates more and becomes even more difficult to rent or sell.
  - f. The owner becomes either unable or unwilling to continue to make monthly payments on a home that they are not using and generates very little if any income beyond the physical depreciation of the building.

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<sup>2</sup> As determined by the Residential Assessment Ratios for 2015 & 2016

<sup>3</sup> Anecdotal evidence provided by Water Department and other sources

- g. After a number of missed payments the mortgage holder may send out an agent to determine the property's status, finding it vacant and usually deteriorated.
  - h. The agent may or may not contact the water department to remove the water meter and shut off service to avoid damage from frozen plumbing. While the mortgage company has a legal right to protect the property, they do not own it.
  - i. Mortgage holder will file a lis pendens initiating foreclosure. A lengthy court process often delayed by bankruptcy, divorces and/or military deployments must be completed before courts can authorize foreclosure sale.
  - j. Courts will authorize the referee's sale usually resulting in the bank taking title.
  - k. Bank will offer property for sale with either an auction or list it with an agent.
- 4) While the above is an illustration of the most common situations there are also instances of speculators who purchased rental properties and obtained mortgages around the rental market peak, who for whatever reasons, stopped paying their mortgages or performing any maintenance. They continue to rent the properties until formal foreclosures take place. Many of these properties are nearly uninhabitable by the time banks take possession.
- 5) There appears to be a large variance in the abilities or willingness of local property managers to manage and maintain properties. State law requires only that a property manager be a licensed realtor in order to offer the properties for rent.