Tackling Vacancy and Abandonment:

Strategies and Impacts after the Great Recession

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Does a Nonprofit "First Look" Program Promote Neighborhood Stabilization? Examining Outcomes for REO Sales in Florida

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Introduction

In the 10 years during and after the financial crisis, nearly 8 million households lost their homes to foreclosure (CoreLogic, 2017). As the number of foreclosures surged, so did the number of single-family real-estate-owned (REO) properties in the portfolios of the financial institutions that held these mortgages. Given the weak sales market, many of these REO properties initially sat vacant, causing blight and undermining neighborhood stability.

Over time, a significant number of these REO properties were purchased by investors or homeowners. Some investors turned those formerly owner-occupied homes into income-producing single-family rentals. One estimate suggests that more than 5 million homes that were originally owner occupied transitioned to rental homes between 2006 and 2017 (Terrazas, 2017). Other distressed homes were eventually rehabilitated and sold to owner occupants. Especially in weaker markets, many investors have simply left the properties vacant, where they continue to blight neighborhoods and hold back local housing markets (Finn and Gordon, 2018). Concerns about blight were especially elevated in minority communities, and fair housing investigations in multiple cities found that REO properties located in these neighborhoods were less well maintained and more likely to be sold to investors (National Fair Housing Alliance, 2014).

The National Community Stabilization Trust (NCST) was created in 2008 in response to concerns that REO properties would become sources of blight in neighborhoods across the country. Founded by a consortium of six national nonprofits,[1] NCST was created to facilitate sales of single-family REO properties to nonprofit and mission-aligned developers (community partners).[2] NCST facilitates these sales through its proprietary platform, REOMatch. Community partners rehabilitate these REO properties and return them to productive use, primarily for resale to owner occupants but also for use as affordable rental properties, or they transfer them to a local land bank. Over its history, NCST has facilitated REO sales on behalf of the Federal Housing Administration, Fannie Mae, Freddie Mac, and a number of large banks and mortgage servicers.

Through REOMatch, community partners have an exclusive right to purchase REO properties before they are listed on the open market, a so-called "first look."[3] When a listed REO property falls within the geographic area where a community partner is interested in acquiring properties, it is offered for sale to that community partner at a price set by the seller. Under the program, the seller sets the price by establishing the property's fair market value and then backing out costs that would be avoided by transacting through the program, such as costs for maintenance and marketing. If no community partner purchases the property through REOMatch, the property returns to the seller, which then disposes of it through its retail REO disposition process, which might include listing the property on an auction platform or on the Multiple Listing Service.

REOMatch aims to achieve neighborhood-positive outcomes by facilitating transactions through a network of vetted, community-based, nonprofit and mission-focused for-profit organizations and land banks and by requiring that these organizations report the outcomes of their work. The platform prioritizes both homeownership outcomes, based on a view that an owner-occupant disposition best stabilizes a neighborhood, and sale to local nonprofit community partners. The platform also excludes higher-priced properties from eligibility for purchase (for example, the Federal Housing Finance Agency's (FHFA) Neighborhood Stabilization Initiative (NSI) excluded properties with a fair market value above $175,000).[4]

Over its 12-year history, NCST has facilitated the transfer of 27,000 properties, more than 17,000 of which were first look sales.[5] Of the first look sales for which community partners have reported data, 83 percent of properties were rehabbed and sold to an owner occupant. While this track record appears impressive, this paper considers whether the REOMatch program outperformed the retail market in terms of homeownership, especially in low-income, minority census tracts, and local ownership generally.

In order to test the effects of NCST's first look program, this paper tracks the outcomes as of 2018 for a subset of REO properties in Florida that were offered through NCST's REOMatch platform between June 2014 and the end of 2017. We compare the outcomes of the properties that were purchased through NCST ("REOMatch properties") to those properties that reverted to the seller and were sold through retail disposition processes (retail properties). We measure the relative share of owner occupancy as of the 2018 tax rolls for the two disposition channels, including examining whether owner-occupancy outcomes vary in low-income, minority census tracts. We quantify the number of investor-owned properties and measure the proximity of the owners to the properties, which may serve as a proxy for concerns about engagement on issues of property quality and upkeep. For properties sold through NCST, we also report on the community partner's activities post-sale, including the community partner's reported total rehabilitation expense, whether the community partner has resold the property or is using it as a rental, rental affordability, and demographics of the property's purchaser or tenant (end-user). We find:

- Disproportionately higher purchases by NCST community partners of properties in low-income, minority census tracts;
- Higher rates of owner occupancy and lower rates of investor ownership among REOMatch properties in low-income, minority census tracts;
- Roughly equal owner-occupancy outcomes in all census tracts, with higher owner-occupancy rates among earlier year REOMatch properties;
- A slight shift toward rehab-to-rental disposition among NCST community partners during the study period;
- Higher shares of investor ownership of retail properties; and
- Among investor purchases, a significantly larger share of retail investors from out of state.

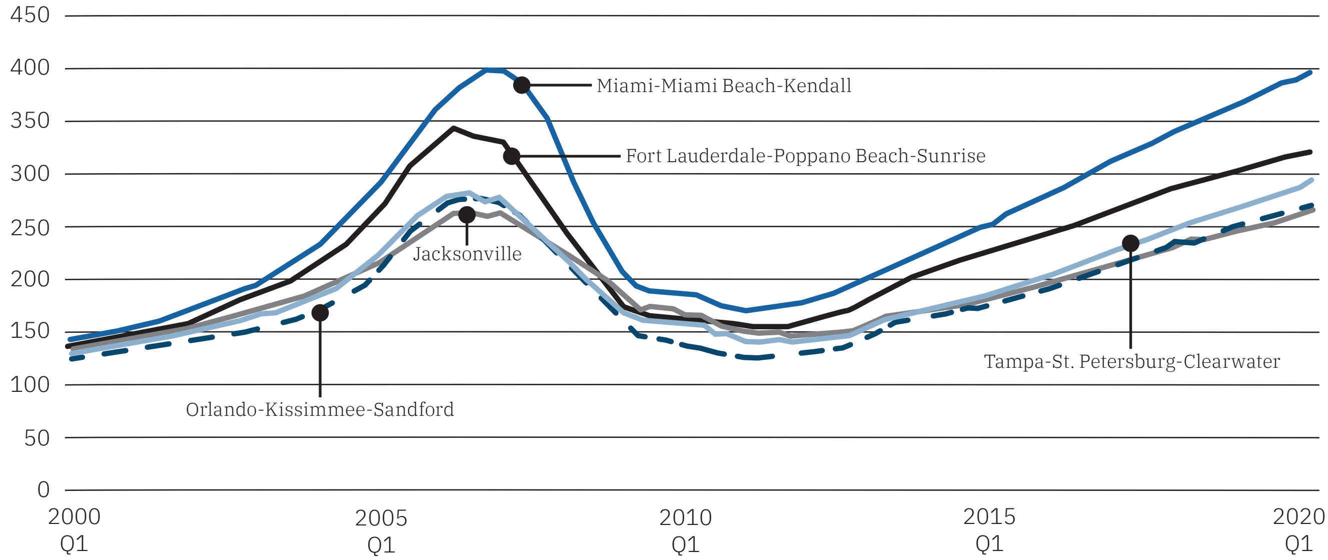
Background

REO and housing markets in Florida, 2014-2017

Florida was one of the states hardest hit by falling home prices and the foreclosure crisis. According to CoreLogic (2017), Florida saw nearly 1 million foreclosures between 2007 and 2016, making it the U.S. state with the largest total number of foreclosures. At its peak in late 2010, the share of mortgaged homes in the foreclosure process was over 12 percent statewide, and in Miami, the rate reached nearly 20 percent, the highest level seen in any metropolitan area in the United States.

Figure 1 illustrates the boom and bust home price trajectory for the five largest MSAs in Florida. Home prices in these markets generally peaked in 2006 and bottomed out in 2011. By June 2014, all five markets

Figure 1. Florida Home Price Trajectories



Source: FHFA Home Price Index, Expanded-Data, Seasonally Adjusted. Each MSA's home price index = 100 in Q1 1991

were recovering, with prices rebounding most strongly in the South Florida and Orlando markets. All five MSAs experienced home price growth of more than 30 percent between the third quarter of 2014 and the fourth quarter of 2017 (see Figure 1).

The postcrisis period also saw the emergence of a new category of institutional investors, who built large portfolios of single-family homes to operate as scattered-site rental properties, some on a regional basis and some nationally. According to Amherst Capital (2017), the Miami, Tampa, and Orlando markets were among the areas where institutional investors were most active, and these companies bought nearly 30,000 homes in these markets between 2010 and 2016.

Investors have always been part of the single-family housing market, but their share of home purchases grew rapidly in these years, especially in certain harder-hit markets. While the early postcrisis period was characterized by declining or depressed home prices and excess housing supply in many markets, by the middle of the decade, prices had begun to rebound. Additionally, national trends of falling homeownership rates and tighter than average access to mortgage credit also began to turn around during this period, although less so for borrowers of color. Concurrently, declining subsidies for the acquisition and renovation of distressed homes, including the conclusion of the Neighborhood Stabilization Program, meant that rehabilitation activities were increasingly driven by the market economics of local neighborhoods.

NCST maintains staff across the country who maintain relationships with community partners in their local markets and manage these community partners' participation in NCST's programs. NCST has found that community partners faced two different sets of challenges in achieving resale dispositions in different Florida markets during the 2014-2018 period. In more distressed cities such as Jacksonville or Tampa, acquisition prices were often relatively affordable, but post-rehab sales values were too low to support quality renovation. In South Florida, community partners were challenged by what they saw as high acquisition prices and high costs for materials and labor. NCST's programs adapted to these changes, including by accepting or recruiting community partners who pursued rehab-to-rental strategies.

Between June 2014 and December 2017, NCST facilitated first look sales on behalf of 11 different sellers. Table A in the appendix provides a count of properties sold in REO-Match by each seller each year. The largest seller during this period was Fannie Mae, which began participating in NCST's programs through the Neighborhood Stabilization Initiative (NSI), a program created by Fannie Mae and Freddie Mac's regulator requiring them to provide a first look purchase opportunity in specific markets with large REO inventories. In December 2015, Fannie Mae began selling properties in Florida under the NSI, and their sales are first observed in the 2016 data.[6]

Relevant literature

This study is informed by a range of literature examining elevated investor purchases of foreclosed and other properties in the aftermath of the financial crisis. The effects of these elevated investor purchases continue to be debated. Critics have raised concerns that investors were crowding out potential homeowners, thereby further destabilizing neighborhoods and exacerbating wealth inequality, and that institutional investors have neglected maintenance and other tenant needs while pushing rents as high as the local market would bear. Additionally, while the number of "zombie foreclosures" declined over time, a significant number of investor-owned properties remained vacant (Finn and Gordon, 2018).

Others point out the significant role that private investors played in increasing demand for the distressed housing stock, especially at a time when owner-occupant demand was diminished and there was not enough public funding to address the significant number of foreclosed homes. Investors adopted different strategies to monetizing their investment in distressed homes, including rehabilitating homes to sell to owner occupants, flipping properties with minimal investment, or holding them as rental properties (Herbert, Lew, and Sanchez-Moyano, 2013).

Investors are able to acquire foreclosed homes through a number of different means, including bidding at foreclosure auctions, purchasing REO from a financial institution, or making an offer on a home listed on the Multiple Listing Service. Studies have examined purchasers of REO properties in Atlanta/Fulton County (Immergluck, 2013; Ellen, Madar, and Weselcouch, 2015), New York City (Ellen, Madar, and Weselcouch, 2015), Cleveland (Coulton et al., 2008), Chicago (Smith and Duda, 2009), Boston (Hwang, 2019), and others, including Miami-Dade County (Ellen, Madar, and Weselcouch, 2015) and Orange County, which includes Orlando (Kim and Cho, 2016). Most similarly to our study, Ihlanfeldt and Mayock (2016) use Florida Department of Revenue (DOR) homestead data to examine REO sales in 10 large Florida counties.

Many of these studies examine the spillover effects of investor purchases on home prices and neighborhood conditions. Looking nationally at all types of property sales, Lambie-Hanson, Li, and Slonsky (2019) found that the increase in investor purchases relative to historical levels sped local house-price recoveries and reduced vacancies. Similarly, Ganduri, Xiao, and Xiao (2020) found that institutional investor purchases of distressed properties were an important source of liquidity in markets where few other purchasers were active and therefore had a positive effect on neighboring home values. In contrast, Ihlanfeldt and Mayock (2016) found negative home-price effects from investor purchases of REO properties in Florida, but not from purchases by owner occupants. Lambie-Hanson, Li, and Slonsky also found that investors bear significant responsibility for falling homeownership rates.

A number of studies have examined how investor activity and REO outcomes varied in low-income and high-minority areas. In certain metropolitan regions, foreclosed properties in low-income and high-minority census tracts were more likely to be sold to investors (Kim and Cho, 2016; Herbert, Lew, and Sanchez-Moyano, 2013). Looking at Boston, Hwang (2019) found that corporate investors were more likely to purchase foreclosed properties in predominantly Black neighborhoods, while owner occupants were more likely to buy foreclosures in neighborhoods that were racially mixed but had a large share of residents who were white. Corporate investors were also less likely to properly maintain their properties, and they resold them more quickly than other owners.

Data and Methods

To compare outcomes, we merged information from NCST's proprietary databases with public ownership and property assessor records made available by the Florida Department of Revenue.

NCST databases

NCST maintains two databases on properties it has offered and sold. The first database contains data from REOMatch, the technology platform that NCST has developed to facilitate REO transactions. This database contains the property's address; latitude; longitude; seller-estimated fair market value; seller-provided discount; offer price; and community partner actions taken, such as inspecting a property or accepting or declining a purchase opportunity. For purchased properties, the database also contains the community partner's intended disposition at the time of purchase (rehab-resale, rehab-rental, etc.), final sales prices, and any discounts offered by the seller.

For purchased properties, NCST requires community partners to provide quarterly updates about the rehabilitation process and final disposition through a system called REOTrack. Data in this system include community partner–reported final rehab amounts, disposition type, and information about the income level of the ultimate property occupant (renter or purchaser). For rental properties, data include the monthly lease amount and the start date of the lease. Not all properties have complete REOTrack data; for example, 92 percent of the 822 purchased properties in our final sample have data on the property disposition type, but only 55 percent have data on the income level of the property's occupant. We summarize REOTrack data for all purchased properties in our results section and in the appendix.

Florida DOR property assessor records[7]

The Florida DOR makes available parcel-level ownership and sales data collected by the property assessor for each Florida county. The annual DOR data include a full list of all parcels in every county in the state (NAL, or Name-Address-Legal) and a smaller subset of properties that sold in each county that year (SDF, or Sales Data File). The NAL file contains information on the ownership of each parcel at the time the assessor submits the rolls, including the property owner's address and the property's homestead exemption status.

In many states, homestead exemptions provide specific legal benefits to owner occupants, such as reduced property taxes. In Florida, a homestead exemption is available to homeowners for their permanent residence or the permanent residence of a dependent. The Florida exemption reduces the assessed value of a home that is subject to taxation and determines eligibility for caps on the amount by which the assessed value can be increased each year.

Low-income and minority areas data

In order to examine low-income and minority areas, we use the FHFA's 2019 Housing Goals data file, which lists census tracts that were low-income census tracts (median income does not exceed 80 percent of the area median income) or low-income, minority tracts (minority population of at least 30 percent and a median income of less than 100 percent of the area median income) for that year.

Fair market rent data

Available data on occupant incomes are limited to AMI-level income bands, and therefore, a determination of affordability based on a 30-percent-of-income standard cannot be made. Rather, by studying rents in the context of the local market, we can evaluate the degree to which the properties might or might not be pushing rents on the margins.

For the purposes of determining the relative affordability of the properties held by community partners for rental use, we compared the community partner–reported rents as of the first lease date to the small area fair market rent (SAFMR) for that property on that date.[8] Unlike FMRs generally in use, which are pegged to the quality-adjusted 40th percentile rent across an entire HUD-defined metro area, small area FMRs reflect the same metric at the ZIP code level in an effort to more accurately capture localized market conditions, allowing payment standards for housing vouchers to rise in higher-cost parts of a metro area and reducing overpayment in lower-cost areas. As a result, we use the relationship between reported rents and SAFMRs as an indicator of where a property falls in the local market rent distribution.

Analysis

First, we dropped observations in low-transaction counties from the analysis.[9] Counts of REOMatch and retail properties by county and by MSA are available in Tables B, C, and D in the appendix.

For all purchased REOMatch properties, NCST obtains the property's parcel number (APN), which it uses to monitor subsequent sales of these properties. We used these parcel numbers to match purchased properties with DOR records.[10] For retail properties, we matched property addresses with DOR records and property APNs using OpenRefine[11] paired with Reconcile-csv,[12] open-source software packages that use fuzzy matching techniques to clean and join entries within and across data sets (An et al., 2019). When the matching algorithm returned multiple, equally plausible options for the matching address, we were usually able to identify the NCST property based on the presence of and date of the foreclosure in the DOR data.

For the roughly 10 percent of properties for which this technique did not generate a clear match, we employed a manual process to match property addresses with the record available on each county's public property assessor website. In about 3 percent of the records, the address on file with NCST was unable to be matched to the DOR records; usually this was in condominiums with incomplete unit numbers where there were multiple foreclosures or where the street address was otherwise missing necessary information like quadrant or street type.

Using the APN for all matched properties, we then extracted data about each property from the 2014 through 2018 NAL files for each county, including the property owner's address and the property's homestead exemption status. In addition to dropping properties that could not be matched, we also dropped properties for which ownership data were missing in the 2018 NAL file. Following this data-matching process, our final sample contains 822 REOMatch properties and 7,798 retail properties.

We also used a geocoding service (Geocodio) to match all property addresses to their 2010 census tracts. We then used the FHFA's 2019 Housing Goals data file to determine whether each property's census tract was in a low-income area or a low-income, minority census tract.

We also used Geocodio to determine the latitude and longitude of owner property addresses for properties that were not claiming a homestead exemption in 2018. For these properties, we then used ArcGIS to calculate the linear distance between the property address and the owner's mailing address.

We measured property outcomes based on property-level data in the DOR NAL and SDF data sets for 2018 and, where available, information about the purchasers of properties sold by NCST community partners obtained by NCST through REOTrack reporting.

We identified six types of ownership outcomes:

- **Owner occupancy:** As the name implies, the former REO property was occupied by a new homeowner as of 2018. We identify owner occupants as either those claiming a homestead exemption or individuals whose property and mailing addresses are identical. We discuss the limitations of our owner-occupancy data below.
- **Community Partner Rentals**: These are properties in which an NCST community partner pursued a rehab-to-rent strategy rather than a resale strategy, as identified by the community partner's reporting in REOTrack. (This outcome is not compared with the retail properties, as we do not have data on dispositions for those properties and cannot preclude the possibility that they are vacant.)
- **Investors:** These owners were identified as investors based on a corporate name or the lack of a homestead exemption coupled with a mailing address other than that of the property.
- **Trust:** In a small number of cases (in both groups of properties), the owners of record are reported as trusts. These trusts are a mix of unspecified, revocable and irrevocable trusts. Because we cannot determine whether the owners of the trusts reside at the properties or own them as investments, we have kept them in a separate category.
- **Other:** This category is a catch-all for the small number of properties owned by nonprofits (not including those that bought through REOMatch), condominium associations, or public agencies.
- **Unsold:** In the case of the REOMatch data set, these are properties that were purchased by the community partners, repaired, and subsequently put up for sale but as of 2018 had yet to sell. (These properties were almost all purchased through REOMatch in 2016 or 2017.) For the retail data set, the unsold properties are foreclosures that remained on the books of Fannie Mae, Freddie Mac, or mortgage servicers as of 2018. As with the REOMatch properties, the unsold REO properties are concentrated in 2017.

Limitations

A number of our study's limitations are related to the nature of the ownership data made public by the Florida DOR. The SDF does not include any owner information, while the NAL only reports the owner of record at the time the assessor rolls are submitted to the DOR.[13] As a result, we cannot identify anyone who owned a property briefly if it did not overlap with the submission of the rolls.

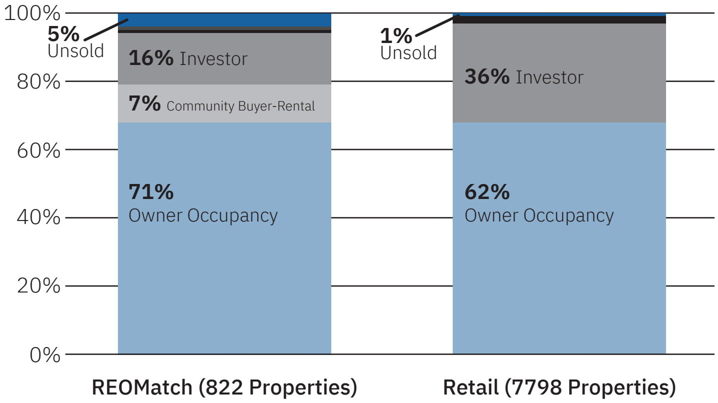
In Florida, homeowners must apply for the homestead exemption, which may mean that not all eligible owner-occupant households are claiming it. By looking at instances where the property address matches the owner's mailing address, Ihlanfeldt (2020) estimates that 9.2 percent of all single-family homeowners in Florida who were eligible for the homestead exemption failed to claim it in 2017, with nonclaimant rates higher in minority and low-income neighborhoods.

Moreover, eligibility for the homestead exemption is based on ownership as of January 1 of a tax year, but filings for the exemption may potentially be accepted as late as September 20. Thus, an owner occupant who bought a home on January 2, 2017, can file for 2018 as early as March 2017, but she might not file for her exemption until mid-September 2018. Between late or missed filings, we would expect to find that fewer owner-occupied properties report a homestead exemption in later years. Indeed, while only 31 properties from 2014 and 2015 combined reported no homestead exemption despite a common property and mailing address, that number rises to 60 among the 2016 properties and 103 for those with 2017 first look dates.

Based on our understanding that the homestead data undercount owner occupants, we also treated households whose mailing address matches the property address as owner occupants. Treating these properties as owner occupied likely includes a number of second homes, which are not a primary goal of NCST's or other neighborhood stabilization programs. It also likely includes some nonoccupant owners who have not updated their mailing information since moving out of a property or those who elect to receive their tax bills at the property address.

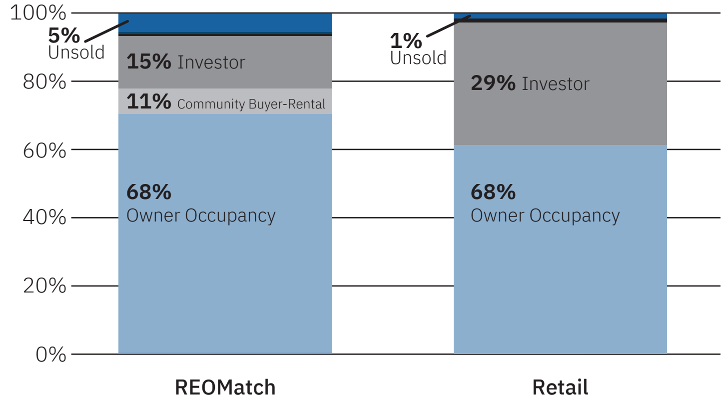
In addition, our study does not fully control for the ways in which the properties purchased by NCST community partners and those they declined to purchase may be different. For example, our data show that community partners declined a greater share of condo units than single-family homes.[14] However, we lack property-

Figure 2. Ownership Outcomes as of 2018, Low-Income Minority Areas



Note: Trust and Other each <1%

Figure 3. Ownership Outcomes as of 2018



Note: Trust and Other each <1%

specific data (such as property condition, square footage, etc.) to do a more detailed comparison of REOMatch and retail properties.

Finally, there are two important differences between our REOMatch and retail data sets. Our retail properties data set is limited to Fannie Mae and Freddie Mac REO and does not include REO from other sellers, such as HUD or Ocwen. Insofar as different sellers systematically acquire REO properties of different quality or in different neighborhoods, this could bias our results. We suspect that Fannie Mae and Freddie Mac REO properties are more likely to be in stronger housing markets than REO properties from NCST's other sellers. Second, our REOMatch sample includes only the lower-value properties included in NCST's programs, but the retail data set includes some higher-value properties that would have been ineligible for purchase through NCST. This mismatch might cause retail homeownership to be higher than it would be otherwise, as higher-value properties tend to become owner occupied, while lower-value ones are often rentals.

Results

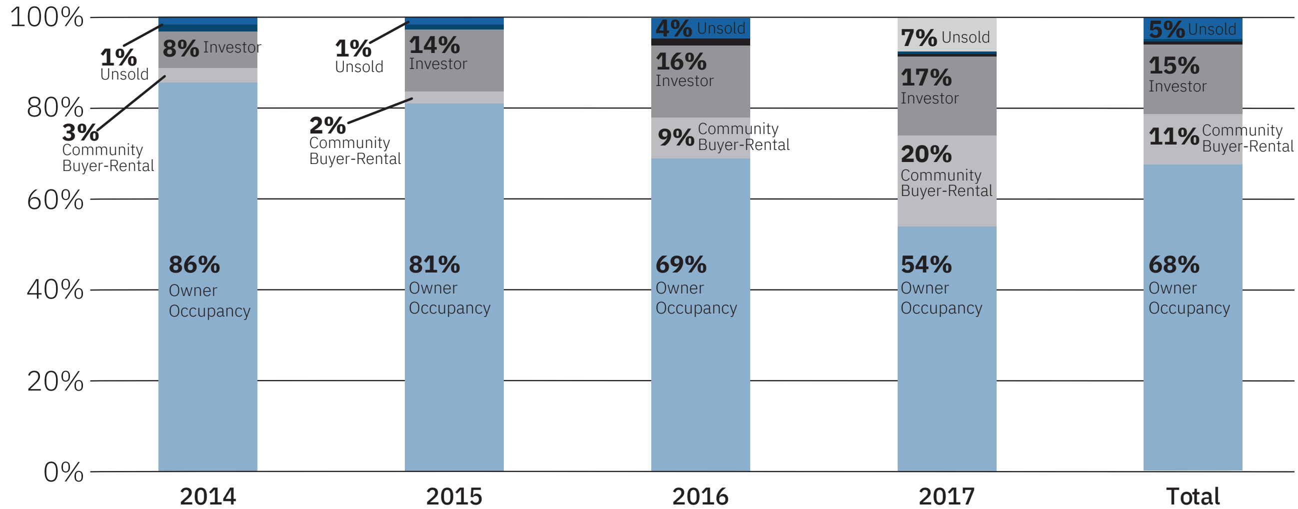
We now turn to the disposition outcomes of the 822 first look properties sold through the REOMatch platform (REOMatch properties) that were bought by NCST's community partners between the beginning of 2014 and the end of 2017 and the 7,798 properties that were declined by the community partners and ultimately were returned to Fannie Mae or Freddie Mac for sale through retail disposition methods (retail properties).

Outcomes in low-income, minority communities

Among properties made available for purchase to NCST community partners in low-income, minority census tracts (those with a minority population of 30 percent or greater and a median income below the area median), 13.3 percent were purchased by NCST community partners. For properties located in all other census tracts, 7.1 percent of available properties were purchased by NCST community partners. Accordingly, among REOMatch properties, 54.6 percent were located in low-income, minority census tracts, while 37 percent of retail properties were located in these areas.[15] This suggests that NCST community partners disproportionately purchase REO properties in these minority communities. In other words, they appear to be playing an important role in stabilizing and improving housing markets in these communities and in creating homeownership opportunities for low-income or minority households.

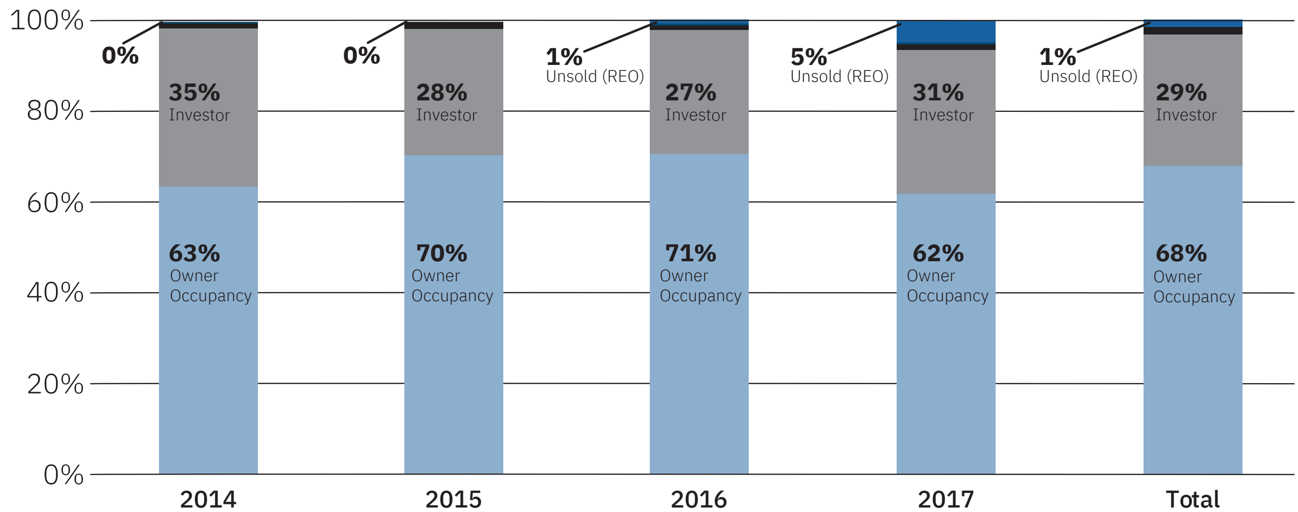
This conclusion is bolstered by the fact that we see higher owner-occupancy rates and lower investor ownership rates among REOMatch properties in these low-income, minority communities than among retail properties. Within these census tracts, 71.3 percent of the REOMatch properties were owner occupied as of 2018, including 88 percent of the 2014 properties and 77 percent of the 2015 properties. By comparison, properties in these tracts that were sold through the retail channel ranged between 57 percent and 63 percent owner occupancy in 2018 for each year of sale, averaging 61.5 percent overall. (Excluding unsold properties, the share of owner occupancy rises to 75.1 percent among REOMatch and to 62.4 percent for the retail channel.) Investor ownership rates for REO properties in these low-income minority communities were 15.6 percent, compared to 35.5 percent among retail properties. By these measures, the first look program has made strides toward generating or restoring homeownership in communities affected

Figure 4. REOMatch Outcomes as of 2018, by Year Offered for Sale



Note: Trust and Other each <1%

Figure 5. Retail Channel Outcomes as of 2018, by Year Offered for Sale



Note: Trust and Other each <1%

by foreclosures. For REOMatch properties in these areas, we provide additional data on property rehabilitation and the incomes of end users later in the paper.

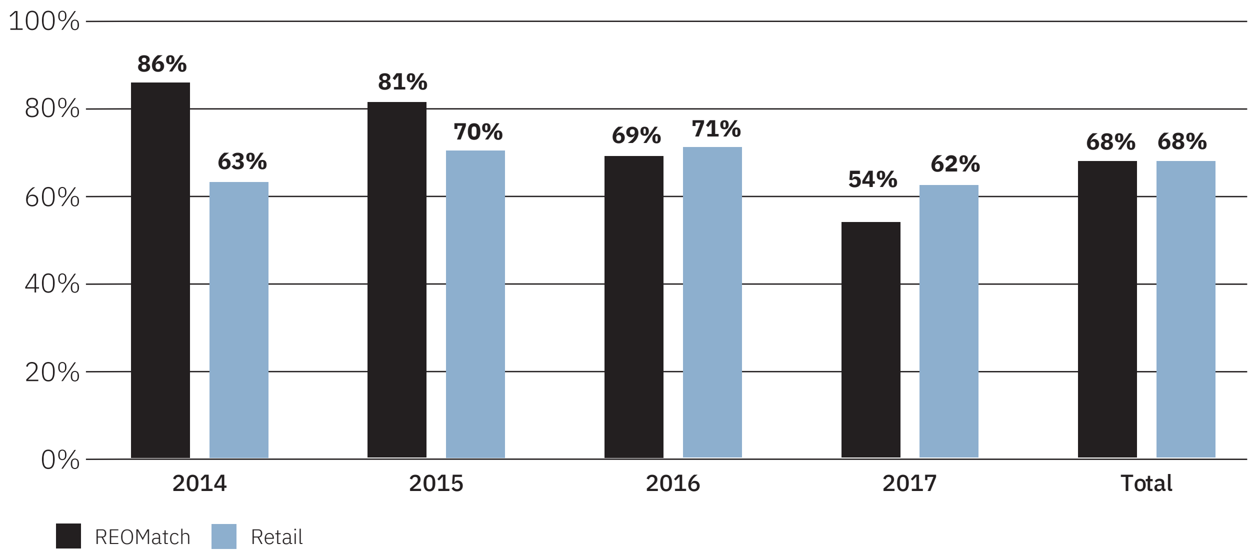
Owner occupancy in all communities

We now turn our analysis to all communities. While the aggregate ratio of owner occupancy across the two disposition paths is nearly identical at 68 percent, differences emerge when considering outcomes on an annual basis. Among REOMatch properties, the rate of owner occupancy has dropped in every subsequent year of sale. For retail properties, the rate of owner occupancy has fluctuated between 62 percent and 71 percent. Since these calculations are already factors in the nonfiling of homestead exemptions, we must consider alternative explanations for the steady decline in the rate of REO-Match owner occupancy.

Community partner rental

Above, we describe how market trends and declining levels of subsidy led to community partners shifting their disposition strategy toward rentals. We see this

Figure 6. Owner Occupancy Outcomes as of 2018, by Year Offered for Sale



shift in our data. While community partners rented out the rehabbed properties in only a handful of cases for 2014 and 2015 properties, the incidence of rehab to rent rose to 36 properties in 2016 and 68 properties in 2017, up from 5 and 4 in 2014 and 2015, respectively. Of the 9 properties designated for rental in 2014 and 2015, as of 2018, 7 remained in the hands of the community partners as rental properties and the other 2 had been sold to individual investors. Also as of 2018, 25 of the 36 2016 community partner rentals and 56 of the 68 2017 properties remained as community partner–owned rentals.

It is noteworthy that one NCST community partner accounted for more than half of all properties rehabbed for rental (58 out of 113). This community partner solely pursued a rehab-to-rental strategy and concentrated its purchases in the Tampa market, with some additional purchases in Jacksonville and Orlando. All were 2016 or 2017 properties, and in all cases where data are available, these properties were rented to households with incomes below 80 percent of AMI.

NCST requires that rents charged to tenants must be affordable, although it did not, at that time, define that term as 30 percent of income. However, a proxy for that information is to consider the relationship of the rental amount to fair market rents in the area, which generally indicate the 40th percentile of rents. Of the 103 properties for which data on monthly lease amount, rental lease start date, and number of bedrooms are available, 57 percent (59 properties) are at or below the applicable small area fair market rent. Fifteen percent have rents less than 10 percent above the SAFMR, and the remaining 28 percent have rents more than 10 percent above the SAFMR. While owner-occupancy outcomes are likely the most beneficial in stabilizing communities, REOMatch properties are renovated before they are rented, and these rehabilitated properties are much more beneficial to communities than vacant properties. If we consider the neighborhood stability objectives of the first look program, it is reasonable to include community partners' rehab-to-rental strategies as beneficial outcomes in addition to owner occupancy. When the community partners' rental properties are added to owner-occupied properties, the calculation is as seen in Table 1.

Table 1. Community Benefit Outcomes for REOMatch Properties, All Communities, by Year Offered by NCST

Community Outcomes	2014	2015	2016	2017	Total
Owner Occupied	86%	81%	69%	54%	68%
Community Partner - Rental	3%	2%	9%	20%	11%
Total (rounded)	89%	83%	78%	74%	79%

When the two outcomes are combined, the share of properties considered to have community beneficial outcomes across the whole portfolio of REOMatch

Table 2. Property Occupant (End User) Incomes as Percentage of AMI

	Occupant AMI - All Communities					**Occupant AMI – Low-Income Minority Communities**			
	< 80%	**80 - 100%**	**101 - 120%**	**> 120%**		**< 80%**	**80 - 100%**	**101 - 120%**	**> 120%**
Rehab - Resale	70	1	-	-	**Rehab - Resale**	30	-	-	-
	98.6%	1.4%	-	-		100.0%	-	-	-
Rehab - Rental	264	33	37	11	**Rehab - Rental**	180	18	17	5
	76.5%	9.6%	10.7%	3.2%		81.8%	8.2%	7.7%	2.3%
All Dispositions	341	35	41	11	**All Dispositions**	211	19	18	5
	79.7%	8.2%	9.6%	2.6%		83.4%	7.5%	7.1%	2.0%

properties is 79 percent. It is also worth noting that nearly 90 percent of properties that were owner occupied as of 2018 were still in the hands of the original community partner post-rehab, making an argument in favor of the proposition that low- and moderate-income homeownership facilitated by first look programs is sustainable.

Investor owners

As demonstrated in Table 2, 15 percent of REOMatch properties were owned by investors as of 2018, whereas 29 percent of retail properties were.

While a full analysis of the scale at which larger investors purchased properties is outside the scope of this paper, we did analyze the extent to which properties were purchased by well-known, large-scale institutional investors. Progress Residential and Invitation Homes were the largest purchasers of retail properties. As of 2018, Progress Residential owned 56 properties and Invitation Homes owned 20. We did not identify any large-scale institutional investors as owners of REOMatch properties.

Purchased properties: Rehab, disposition, and property occupants

In this section, we summarize data on the property rehab disposition of the 822 purchased properties as reported by community partners in REOTrack.

Fannie Mae was the seller for 51 percent of properties, followed by Ocwen at 22 percent and Freddie Mac at 11 percent (additional information is available in Table B of the appendix). Average seller-estimated fair market value was $115,791 (Table E), with an average of $106,571 in low-income minority communities. The average seller discount as a percentage of FMV was 16.3 percent (Table F).

By far the most common property disposition was rehabilitation for resale (78.3 percent), followed by rehabilitation for rental (14.9 percent) (Table G). In low-income, minority communities, rehabilitation for resale was slightly more common (81.7 percent). The average community partner–reported rehab cost was $40,350 (Table H), although rehab costs were higher for resold properties ($40,464) than for rental properties ($34,435). Rehab costs were slightly lower in low-income, minority communities ($39,148) than in all other communities ($41,606).

Among properties resold, 76.5 percent were to households earning less than 80 percent of AMI, while 20.3 percent were to households between 80 and 120 percent of AMI and 3.2 percent were to households above 120 percent of AMI (NCST programs require that end users be below 120 percent of AMI but allow for exceptions). All but one of the rental units were rented to households earning less than 80 percent of area median income. Outcomes in low-income, minority communities were

Table 3. Landlord Distance from Property Address[16]

REOMatch	Investors		Retail	Investors	
within 1 mile	9	7%	within 1 mile	155	7%
1-2 miles	10	8%	1-2 miles	168	8%
2-3 miles	5	4%	2-3 miles	150	7%
3-4 miles	12	10%	3-4 miles	118	5%
4-5 miles	5	4%	4-5 miles	82	4%
5-10 miles	19	16%	5-10 miles	333	15%
10-20 miles	19	16%	10-20 miles	318	14%
20-50 miles	10	8%	20-50 miles	144	6%
50-100 miles	3	2%	50-100 miles	30	1%
100+ (in state)	5	4%	100+ (in state)	140	6%
Out of state	24	20%	Out of state	591	27%

similar, with slightly lower incomes seen among occupants in these communities.

Landlord distance

In addition to looking at which investors owned the properties as of 2018, we also looked at the physical proximity of the owners to the properties (Table 3). Overall, investors in REOMatch properties tended to be somewhat closer than investors who bought properties through the retail channel. We believe there is value in understanding the proximity of investors to the properties as a potential indicator of the type of stewardship of the property that might be expected.

The rate of out-of-state ownership of retail properties was one-third higher than among REOMatch properties (26.5 percent vs. 19.8 percent).

Discussion and Conclusion

Our study concerns REO properties that were primarily sold between June 2014 and December 2017. While nationally the 2014 period was still characterized by historically elevated foreclosure filings and auctions, the number of distressed properties had been falling since its peak in the third quarter of 2009 (filings) or the third quarter of 2010 (auctions) (Blomquist, 2020). By the end of 2017, foreclosure auctions had fallen to levels seen before the start of the financial crisis. The number of foreclosures continued to fall until the start of the COVID-19 pandemic, when a range of foreclosure moratoriums were put into effect, essentially eliminating newly foreclosed homes.

Unfortunately, there are reasons to fear that foreclosure inventories will again climb. While many COVID-19-affected mortgage borrowers have availed themselves of the option to pause their mortgage payments temporarily through a mortgage forbearance, many delinquent borrowers are not in a forbearance, and whether borrowers will be able to resume paying their mortgages will depend on a range of factors. These factors include their post-COVID-19 employment situation and the successful performance of the mortgage servicers charged with negotiating repayment plans, payment deferrals, or other foreclosure avoidance with borrowers. Rental property owners are likewise struggling to cover their operating costs and mortgages in cases where rent has gone unpaid (National Association of Hispanic Real Estate Professionals, 2020).

Fortunately, the mortgage industry has a much stronger understanding of how to prevent foreclosures than it did after the last crisis, and far fewer borrowers will have negative equity in their properties; so the number of foreclosures should be lower than during and after the mortgage crisis. However, the number of foreclosures and REO properties will inevitably increase. How will these properties be resold, and who will buy them? Already, there are concerns that widespread purchases by investors will again erode homeownership rates, limit the inventory of affordable homes available for sale, and destabilize communities.

Our study is the first to examine a first look REO sales program. We believe our study suggests a number of avenues for additional research about this REO sales program and similar programs. The first is whether our findings can be generalized across different markets, time periods, programs, and sellers. Second, we believe research should examine whether outcomes differ by regional submarkets or neighborhood types. For example, it is possible that stronger homeownership outcomes occur in markets where investors are able to fully recover or earn profits on funds expended on property rehabilitation.

A third avenue for research is acquisition patterns and differences among properties purchased or declined by community partners. In particular, it would be useful to study the relationship between purchase rates and the sales prices offered by property sellers. Fourth, we believe additional research is needed on the ways in which community partners use first look acquisitions as part of broader neighborhood improvement or stabilization initiatives.

Fifth, we believe additional research is warranted on the effect that community partner purchases and property rehabilitation have on neighboring homes and the local housing market. It is possible that these activities could positively affect home values and vacancy rates, as well as neighborhood safety and quality of life. New research uses NCST's data to examine the effect of distressed property rehabilitations on neighboring property prices and finds sizable positive effects on the values of neighboring homes (Ganduri and Maturana, 2021).

One particularly noteworthy finding from our study is that NCST community partners disproportionately purchase properties in low-income, minority census tracts and are more likely to achieve owner-occupancy outcomes in those tracts. Insofar as first look programs are especially effective in facilitating homeownership in minority neighborhoods, this finding is relevant because minority neighborhoods are likely to be those most affected by an increase in foreclosures. During the COVID-19 crisis, Black and Hispanic households have had the most difficulty making mortgage payments and rent (Urban Institute, 2020). This finding is also relevant given the longstanding and significant racial wealth gap and increased national attention focusing on strategies that may promote wealth accumulation among minorities.

Accordingly, as our nation and our financial institutions determine how to mitigate the negative effects of post-COVID-19 foreclosures on communities, we suggest that first look programs remain an important strategy to promote homeownership and neighborhood stabilization.

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Endnotes

[1] These nonprofits are Enterprise Community Partners, the Housing Partnership Network, the Local Initiatives Support Corporation (LISC), UnidosUS (formerly National Council of La Raza), the National Urban League, and NeighborWorks America. All of these organizations, except the National Urban League, continue to serve on NCST's board of directors.

[2] As of January 2021, NCST worked with 377 community partners nationwide (excluding subsidiaries), of which 255 were nonprofits, 61 were government entities including land banks, and 61 were mission-aligned, for-profit entities.

[3] NCST's first look programs differ from some other first look programs in that prospective owner occupants are not able to purchase properties directly through NCST.

[4] The FHFA's caps in the Miami market and the two non-Florida markets were raised from $175,000 to $250,000 in November 2016.

[5] In addition to first look sales, NCST also operates "second look" programs, in which REO properties that do not sell through other dispositions are offered again to NCST community partners, and programs that facilitate property donations to NCST community partners and other community-based institutions. Transactions facilitated under second look or donation programs are not considered in this paper's analysis.

[6] Originally launched in non-Florida markets in 2014, the NSI expanded in December 2015 to include the Jacksonville, Miami-Fort Lauderdale-West Palm Beach,

Tampa-St. Petersburg-Clearwater, and Orlando-Kissimmee-Sanford MSAs. The program was further expanded to additional markets in 2017, including Palm Bay-Melbourne-Titusville. While Freddie Mac regularly participated in NCST's other first look sales programs in 2014 and 2015, including by selling properties in Florida, Fannie Mae did not.

[7] The Shimberg Center for Housing Studies at the University of Florida maintains an archive of the annual DOR data sets, and we thank them for sharing an extract of their database with us.

[8] Data are available at https://www.huduser.gov/portal/datasets/fmr/smallarea/index.html. HUD provides small area FMRs for efficiencies through four-bedroom units; five-bedroom units are calculated as 1.15 times the four-bedroom FMR. For additional information on HUD's methodology, see https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2021_code/2021summary.odn.

[9] Transactions in the following counties were dropped: Alachua, Bay, Baker, Bradford, Calhoun, Charlotte, Citrus, Collier, Columbia, Escambia, Flagler, Franklin, Gadsen, Gilchrist, Glades, Gulf, Hardee, Hendry, Indian River, Jackson, Leon, Levy, Madison, Manatee, Marion, Martin, Okaloosa, Okeechobee, Putnam, Sarasota, Sumter, Suwannee, Wakulla, and Walton. No REO properties were made available to NCST community partners during this time period in the following counties: DeSoto, Dixie, Hamilton, Holmes, Jefferson, Lafayette, Liberty, Monroe, Santa Rosa, Taylor, Union, and Washington.

[10] While REOTrack generally provides data about the first purchaser after the NCST community partner, the DOR records allowed us to track ownership over any subsequent sales through 2018.

[11] Available at http://openrefine.org/

[12] Available at http://okfnlabs.org/reconcile-csv/

[13] The preliminary assessment rolls are submitted July 1, with the final rolls submitted by October (Florida Department of Revenue, 2018).

[14] Among the 822 REOMatch properties, 89 percent were single-family properties, 9 percent were condos, 2 percent were small multifamily properties, and less than 1 percent were empty lots. Among retail properties, 79 percent were single-family properties, 19 percent were condos, and less than 1 percent were small multifamily properties, manufactured homes, or empty lots.

[15] In addition, 43.5 percent of REOMatch properties were located in low-income census tracts (those with median incomes below 80 percent of the area median income), while 29 percent of retail properties were. We also analyzed outcomes in low-income census tracts (those with median incomes below 80 percent of the area median income) but did not generally find significant differences between REOMatch and retail properties.

[16] Retail calculations exclude 39 corporate owners with mailing addresses at the property.

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Appendix

Table A. Sellers, REOMatch Properties

Seller	2014	2015	2016	2017	Total
Bank of America	22	4			26
Bayview				7	7
Chase	6	2			8
Citigroup	7	5	10	8	30
Community Restoration Corporation				1	1
Fannie Mae			199	218	417
Freddie Mac	33	38	10	13	94
HUD / FHA - First Look	23	16	5	7	51
Ocwen	52	21	72	38	183
US Bank	1				1
Wells Fargo	4				4
Grand Total	**148**	**86**	**296**	**292**	**822**

Table B. REOMatch and Retail Properties by County

County	REOMatch Properties	Retail Properties
Brevard County	12	166
Broward County	96	1031
Clay County	6	188
Duval County	56	630
Hernando County	7	168
Hillsborough County	82	845
Lake County	9	206
Lee County	38	120
Miami-Dade County	108	978
Nassau County	-	50
Orange County	95	642
Osceola County	10	203
Palm Beach County	92	668
Pasco County	69	565
Pinellas County	96	667
Polk County	6	70
Seminole County	18	282
St. Johns County	4	107
St. Lucie County	18	44
Volusia County	-	168
Total with Data	**822**	**7798**

Table C. REOMatch Properties, by MSA and Year Offered for Sale by NCST

	2014		2015		2016		2017		Total
Cape Coral-Fort Myers	10	6.8%	20	23.3%	4	1.4%	4	1.4%	38
Jacksonville	7	4.7%	2	2.3%	25	8.4%	32	11.0%	66
Lakeland-Winter Haven	2	1.4%	1	1.2%	2	0.7%	1	0.3%	6
Miami-Fort Lauderdale-Pompano Beach	56	37.8%	30	34.9%	94	31.8%	116	39.7%	296
Orlando-Kissimmee-Sanford	48	32.4%	20	23.3%	20	6.8%	44	15.1%	132
Palm Bay-Melbourne-Titusville	2	1.4%		0.0%	6	2.0%	4	1.4%	12
Port St. Lucie	6	4.1%	7	8.1%	2	0.7%	3	1.0%	18
Tampa-St. Petersburg-Clearwater	17	11.5%	6	7.0%	143	48.3%	88	30.1%	254
Grand Total	**148**		**86**		**296**		**292**		**822**

Table D. Retail Properties, by County and Year Offered for Sale by NCST

	2014		2015		2016		2017		Total
Cape Coral-Fort Myers	50	5.06%	53	3.26%	12	0.33%	5	0.33%	120
Deltona-Daytona Beach-Ormond Beach	67	6.78%	87	5.35%	9	0.24%	5	0.33%	168
Jacksonville	124	12.55%	210	12.92%	411	11.17%	230	15.28%	975
Lakeland-Winter Haven	19	1.92%	30	1.85%	10	0.27%	11	0.73%	70
Miami-Fort Lauderdale-West Palm Beach	261	26.42%	522	32.10%	1368	37.18%	526	34.95%	2677
Orlando-Kissimmee-Sanford	153	15.49%	274	16.85%	652	17.72%	254	16.88%	1333
Palm Bay-Melbourne-Titusville	84	8.50%	43	2.64%	29	0.79%	10	0.66%	166
Port St. Lucie	19	1.92%	22	1.35%		0.00%	3	0.20%	44
Tampa-St. Petersburg-Clearwater	211	21.36%	385	23.68%	1188	32.29%	461	30.63%	2245
Grand Total	**988**		**1626**		**3679**		**1505**		**7798**

Table E. Seller-Estimated Fair Market Value, REOMatch Properties

Seller-Estimated Fair Market Value	Purchased Properties
0-24,999	23
25,000-49,999	54
50,000-74,999	128
75,000-99,999	150
100,000-124,999	127
125,000-149,999	127
150,000-174,999	94
175,000-199,999	54
200,000-224,999	26
225,000-249,999	27
250,000-274,999	7
275,000-299,999	1
300,000-324,999	3
375,000-399,999	1
Total with Data	822
Average	**$115,791**

Table F. Seller Discount, REOMatch Properties

Seller Discount as Percentage of Fair Market Value		
0-4.9%	34	4.2%
5-9.9%	291	35.7%
10-14.9%	165	20.2%
15-19.9%	148	18.1%
20-24.9%	70	8.6%
25-29.9%	32	3.9%
30-49.9%	37	4.5%
Greater than 50%	39	4.8%
Total with Data	816	
Average	**16.3%**	

Table G. Disposition Method, REOMatch Properties

Disposition Method	All Communities		Low-income Minority Communities	
Donation	1	0.1%	1	0.25%
Land Bank	2	0.3%	1	0.25%
Lease - Purchase	4	0.5%	1	0.25%
New Construction	29	3.8%	15	3.77%
Rehab - Rental	113	14.9%	46	11.56%
Rehab - Resale	594	78.3%	325	81.66%
Resale - No Rehab	16	2.1%	9	2.26%
Total with Data	**759**		**398**	

Table H. Total Rehab Cost, REOMatch Properties

Total Rehab Cost	
0-10,000	40
10,000-20,000	98
20,000-30,000	115
30,000-40,000	107
40,000-50,000	87
50,000-60,000	55
60,000-70,000	33
70,000-80,000	29
80,000-90,000	14
90,000-100,000	13
100,000-110,000	7
110,000-120,000	5
Greater than $120,000	9
Total with Data	612
Average	**$40,350**

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About the Center for Community Progress
The mission of Center for Community Progress is to foster strong, equitable communities where vacant, abandoned, and deteriorated properties are transformed into assets for neighbors and neighborhoods. Founded in 2010, Community Progress is the leading national, nonprofit resource for urban, suburban, and rural communities seeking to address the full cycle of property revitalization. The organization fulfills its mission by nurturing strong leadership and supporting systemic reforms. Community Progress works to ensure that public, private, and community leaders have the knowledge and capacity to create and sustain change. It also works to ensure that all communities have the policies, tools, and resources they need to support the effective, equitable reuse of vacant, abandoned, and deteriorated properties.

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