

# Stabilizing Communities: Addressing the Negative Impacts of Foreclosure

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## *The Foreclosure Process and Community Loss Mitigation*

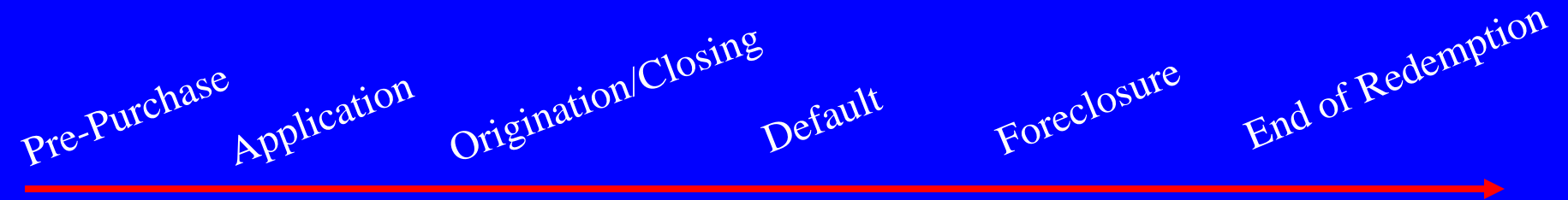
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Federal Reserve Bank of San Francisco  
Recovery, Renewal, Rebuilding Series  
Los Angeles, CA, July 15-16, 2008

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# Transforming Foreclosed Properties

## The Life of a Distressed Mortgage



### Assumptions & Focus

- Pre-default topics are addressed separately
- Residential Properties
- Work-outs and loan modifications are not viable
- There has been, or will be, a transfer of ownership
- “Foreclosure” is foreclosure of senior debt, not junior debt
- MR Bankruptcy is addressed separately

*Goal: How to keep foreclosure REO from being a liability, and converting it into an asset.*

# Transforming Foreclosed Properties

## Post-Default to Pre-foreclosure Strategies

Default

Foreclosure

Challenges:

Identification of ME (MERS, PSAs, Servicers, Counsel)

Impact on tenants

Debt equals or exceeds FMV

Opportunities:

Identify Party with Legal Authority in Notice and Advertisement (Ga. Sen. Bill 531 approved May 13, 2008; OCGA 44-14-162.2)

F-Sales subject to short-term current leases

“Short” Sales (lender reducing debt to FMV) and Deeds in Lieu, but limit to no equity contexts and address deficiency liability

# Transforming Foreclosed Properties

## Post-Foreclosure and End of Redemption

Foreclosure  
End of Redemption



### Challenges:

Identifying F-Sale Purchaser

Impact on former owners

Property Maintenance and Code Enforcement

Large scale vacancies

### Opportunities:

Require, by statute, all F-Sale Deeds to be filed of record within 30 days of sale

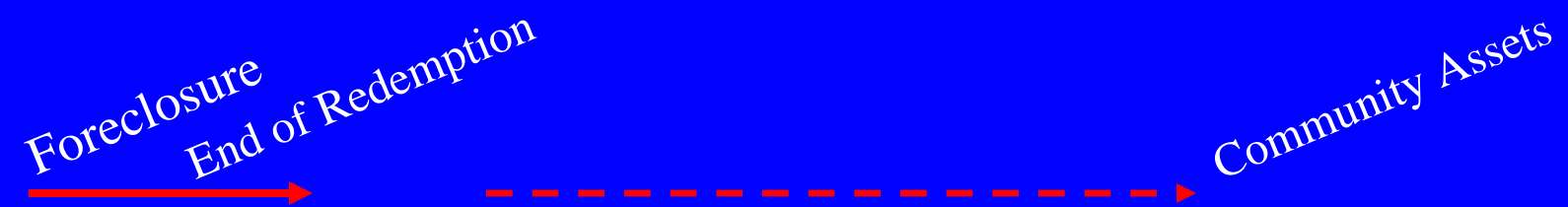
Seek short term leases at 3x monthly escrow

Immediate code enforcement actions; possibility of vacant property registration ordinance, or creation of public “foreclosure assessments”

Track F-Sales by zip code (9 digit) with focus on high concentration neighborhoods

# Transforming Foreclosed Properties

## REO Conversions to Community Assets



### Challenges:

Finding Identity of REO holder or agent

Inventory Triage

Negotiating short term leases and management agreements

Negotiating acquisitions by Gov. agencies & NGOs

### Opportunities:

Seek to have all MEs identify REO agent with management and disposition authority

Segregate by condition; availability for occupancy; geographic concentration

Immediate goal of occupancy; cash flow only to cover management, utilities, taxes, ins.

Create acquisition program (HR 5818/3221) at > 70% current FMV, adjusted for public liens; place into NGO/CDC rental management or resale program.

# Transforming Foreclosed Properties

## Land Banking Conversion to Community Assets

