

SERVICING GAME CHANGER

HOW FANNIE MAE'S DECISION TO REIMBURSE FOR POLYCARBONATE BOARDING IN PRE-FORECLOSURE COULD REVERSE DECADES OF BLIGHT

INTRODUCTION

For decades, the only choice servicers had when securing a vacant or abandoned property was plywood. Boarding up windows and doors with plywood was supposed to keep the asset safe, but the effect was often the opposite — the boarded-up home advertised vacancy, which invited looting and other criminal activity.

This unsightly plywood fix was bad enough in normal housing cycles, but it devastated whole communities after the financial crisis. As a tidal wave of foreclosures swept through neighborhoods across the nation, it left behind a mass of vacant and abandoned properties boarded with plywood.

Even one plywood-boarded house on a street lowers property values around it, but during the foreclosure crisis, neighborhoods in the hardest-hit areas saw dozens of houses boarded with plywood. Property values in these areas plummeted, leading to more losses and more abandoned properties.¹

Although foreclosures are now back to pre-crisis levels in many cities, the number of plywood-boarded houses that remain continues to depress home values and stall economic recovery in many areas.

A new alternative to plywood — polycarbonate boarding — promises to reverse the cycle of blight while better securing properties. The clear industrial-grade sheet material was developed by SecureView in 2010 and has been adopted by servicers across the country. However, because polycarbonate boarding costs more on the front end, many servicers have continued to use plywood.

But in late 2016 the battle against blight got a huge shot in the arm as Fannie Mae announced that it would reimburse servicers for installing polycarbonate boarding in pre-foreclosure.² This one action could prove to be a game-changer for communities throughout the nation, reversing decades of blight.

THE SCOPE OF THE PROBLEM

Foreclosures hit a high in 2010, when filings peaked at 2.9 million properties nationwide.³ By 2012 that number was down to 1.8 million homes, and by the end of 2015 the total was 1.1 million properties.

But while there has been a definite decrease in new foreclosures, millions of homes are still sitting vacant across the country, pulling down property values for whole neighborhoods.

Vacant homes present a huge problem nationwide. Las Vegas and unincorporated Clark County still had more than 13,000 vacant houses in May 2016, and the city boards an average of 100 additional homes each year.⁵

In Chicago there were 600 abandoned buildings in one district alone in April 2016.⁶ In Trenton, New Jersey, roughly one out of every five homes has been foreclosed on since 2006 and the overall housing vacancy level has remained consistent at 13% to 15%.⁷

Thousands of vacant properties spell disaster for hard-hit communities and the people who live in them. These homes aren't just an eyesore — they are magnets for criminal activity.

In Las Vegas, for example, police received at least 4,45⁸ squatter-related service calls in 2015, which was an increase of 24% from 2014, 69% from 2013 and 169% from 2012.

According to Las Vegas planning director Tom Perrigo, about 10% to 20% of abandoned homes in that city are “constantly” vandalized. Las Vegas Inc. profiled one such property, noting that in one year the police had five calls for service at the property, resulting in a narcotics arrest and finding a deceased person.⁵

To read the entire white paper,

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