

Foreclosure and Vacant Property Trends in Cuyahoga County

1995 – 2013

Updated as of August 31, 2013

Foreclosures Projected Through December 31, 2013¹

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Summary

This report looks at foreclosure and vacant property trends in Cuyahoga County between 1995 and August 31, 2013, with an emphasis on the past 6 years since the foreclosure crisis peaked in 2007. Based on current trends, this report provides an estimate of foreclosure counts at year end on December 31, 2013. Key findings and observations are:

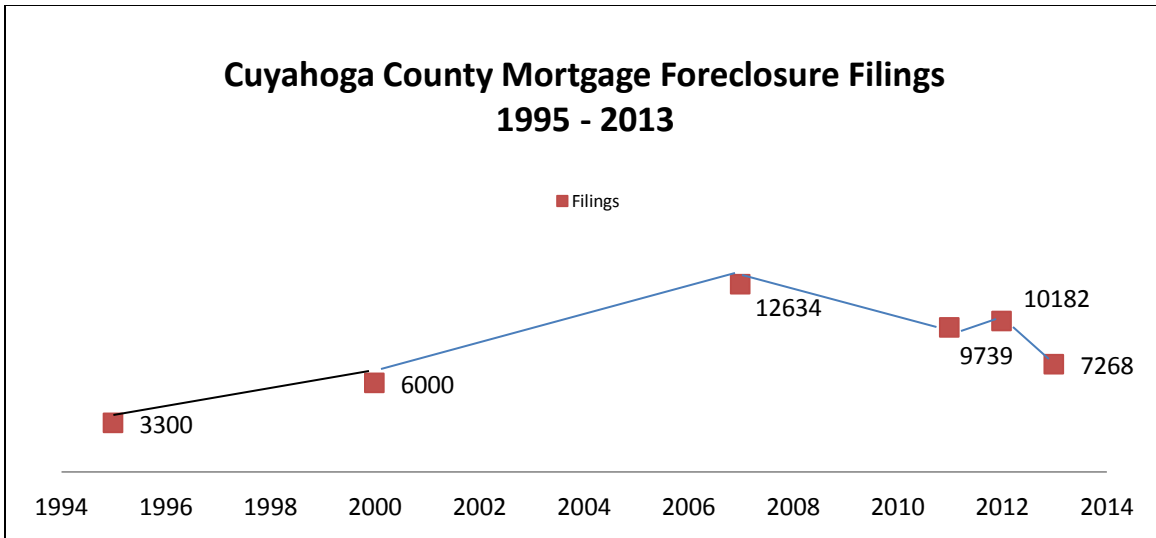
- Foreclosure filings are down substantially throughout the County.
- If current trends continue, the end of year 2013 will see the lowest foreclosure filings in 10 years.
- In spite of this dramatic drop, foreclosures are still double the rate they were before the crisis began.
- Vacant and blighted properties are still at record high levels and present a major threat to the real estate market in Cuyahoga County.
- Vacant properties have cost the County \$52,644,458 in uncollected property tax.
- The decrease in foreclosure rate is a welcome reprieve, and may give Cleveland and its suburbs a chance to “catch-up” and address current inventories of distressed homes.
- The ability to “catch-up” will depend on a variety of factors, including:
 - Continued foreclosure counseling that keeps homes from becoming vacant
 - Aggressive use of code enforcement to combat blight
 - Aggressive use of tax foreclosure against abandoned homes
 - Generating sufficient revenue and funding for demolition and/or renovation of blighted homes.

County-wide Trends

Although it's difficult to pin-point exactly when subprime and predatory lending surfaced, reports of abusive lending practices began to appear in the mid to late 1990s² and, locally, ESOP (Empowering and Strengthening Ohio's People) began to mobilize affected borrowers around the issue in 1999. As the chart below shows, mortgage foreclosures nearly doubled in Cuyahoga County between 1995 and 2000, and quadrupled between 1995 and 2007.

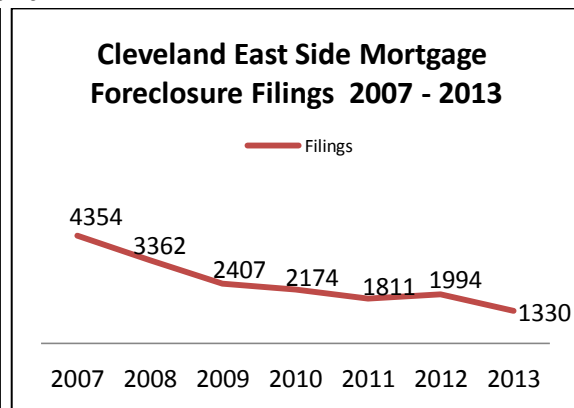
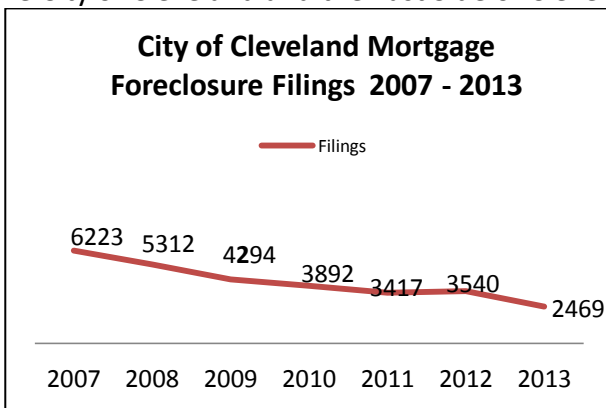
¹ Foreclosure filing data was extracted from NEO CANDO at Case Western Reserve University September 10-19, 2013. A complete table with filing data is attached at Appendix A.

² “Loan Sharks, Inc.”, The Village Voice, July 15, 1997; “Two Steps Back: The Dual Mortgage Market, Predatory Lending, and the Undoing of Community Development,” Woodstock Institute, November 1999.



Foreclosures in Cuyahoga County peaked in 2007, the same year that dozens of subprime mortgage companies began to fail, bringing down with them some established Wall Street banks. As the foreclosure meltdown unfolded, foreclosure filings in the city of Cleveland and inner suburbs decreased steadily from 2007 through 2011. The chart above shows that this downward trend experienced a brief reversal in 2012 as filings increased throughout the county. For a couple of years the banking industry had been reporting the growing existence of a “shadow inventory” – a backlog of delinquent mortgages that some banks were holding off foreclosing on because of the “Robo-Signing” scandal that surfaced in 2010. The bump in filings in 2012 may have represented the unleashing of this backlog of delinquent mortgages.

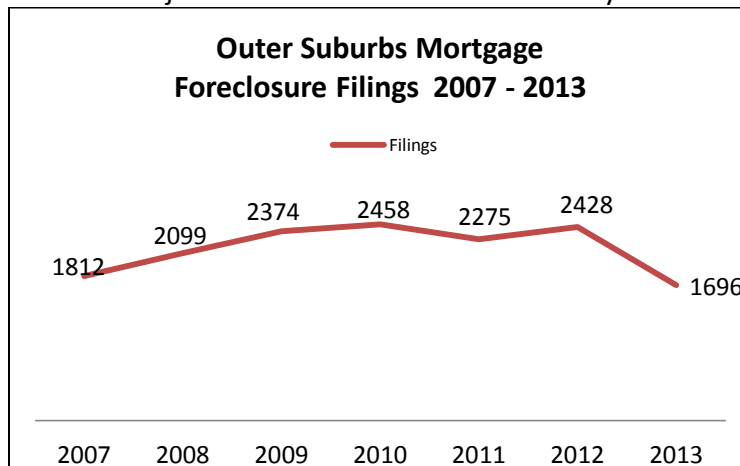
The charts below show that the downward county-wide trend between 2007 and 2012 is mirrored in the City of Cleveland and the East Side of Cleveland.



After the brief uptick in filings in 2012, the downward trend appears to have returned in 2013 and we see a dramatic drop in filings across all areas of the county in the first 8 months of this year.

(Filings were also lower in the 4th quarter of 2012 so this sharp decrease actually represents nearly a full year of foreclosure activity.)³

The one exception to this seven year pattern occurred in the outer suburbs. While filings on subprime mortgages in the core city and inner suburbs decreased, foreclosure filings on prime mortgages increased and we saw an outward migration of foreclosure filings to the suburbs. For several years foreclosure counseling agencies have been reporting an increase in suburban clients facing foreclosure who lost their job due to the weakened economy.



However, as noted above, filings in the outer suburbs have also decreased dramatically in 2013.

Individual Neighborhoods and Suburbs

This report also looks at filing trends by neighborhood and suburb. A detailed list of each neighborhood and suburban municipality can be found in Appendix B.

Almost all East Side neighborhoods in Cleveland had their peak year of foreclosure in 2007, and, if current trends continue, are projected to have their lowest year in 2013. Some of the hardest hit East Side neighborhoods experienced the greatest decrease in foreclosure since 2007. One example is Slavic Village, which CNN once referred to as “ground zero” of the foreclosure crisis in America. Foreclosures in South Broadway are now one third what they were in 2007 and in North Broadway are only 15% of what they were in 2007. West Side neighborhoods of Cleveland had a different experience than the East Side. Some had their peak year in 2008, 2009 or later. The peak year for Jefferson was in 2011 and the peak year for Old Brooklyn was very recent, in 2012. However, as with the East Side, most West Side neighborhoods are projected to have their lowest year of filings in 2013. Both the East Inner Suburbs and the West Inner Suburbs were similar to the West Side neighborhoods of Cleveland – their peak year was not limited to 2007 and many are projected to have their lowest year of filings in 2013. Virtually none of the Outer Suburbs had their peak year of foreclosures in 2007 – most were spread evenly between 2008 and 2012.

³ The 2013 numbers are projected as of December 31, 2013 based on the counts as of August 31, 2013. This could change if the counts for September through December change.

However, as with the other Cuyahoga County sub-geographies, the Outer Suburbs are projected to have their lowest year of foreclosures in 2013.

Opportunities and Challenges

If this downward trend were to continue it could represent an opportunity for market stabilization, i.e., a slow-down of the incoming pipeline of new vacancy and blight could give Cleveland and its suburbs a chance to “catch-up” and address the existing inventory of market-crippling blight. That would lead to the recovery of home values, and more importantly, the recovery of home equity which is the single largest asset for many struggling families in Cuyahoga County.

But challenges still remain. Although foreclosure filings are down, the output of distressed REO property coming out of Sheriff Sale usually lags a year behind, so we may not see the full benefit of this slow-down until 2014. And, although foreclosure filings are projected to be down dramatically by December 31, 2013, they will nevertheless **be more than double the rate from 1995**, before the foreclosure crisis began. Thus foreclosure counseling to modify loans and keep homes occupied will continue to be critically important.

Even if – and when – foreclosures return to their 1995 level, a major problem facing Cuyahoga County is the market-crippling blight from the foreclosures that have already occurred and left in their wake a large volume of vacant and distressed homes. As noted in the table below⁴, there are over 26,000 vacant homes in the County, of which nearly 16,000 are in the City of Cleveland. These vacant homes have cost the County over \$50 Million in uncollected property tax. A recent survey by the City of Cleveland found that 8,300 of the nearly 16,000 vacant homes in Cleveland are distressed and likely candidates for demolition⁵. The demolition cost for Cleveland alone is expected to be \$83 Million, a figure well beyond the scope of current financial resources.

Geography	Parcels	Parcels classified as 1-3 Family	Vacant Homes	Tax Delinquency on Vacant Homes	Distressed Vacant Homes (condemnable)	Projected Demolition Cost
Cuyahoga County	560,095	394,792	26,725	\$52,644,458	Unknown outside of Cleveland ⁶	
Cleveland City	174,718	114,901	15,718	\$33,093,702	8,300	\$83,000,000

Tax Foreclosure

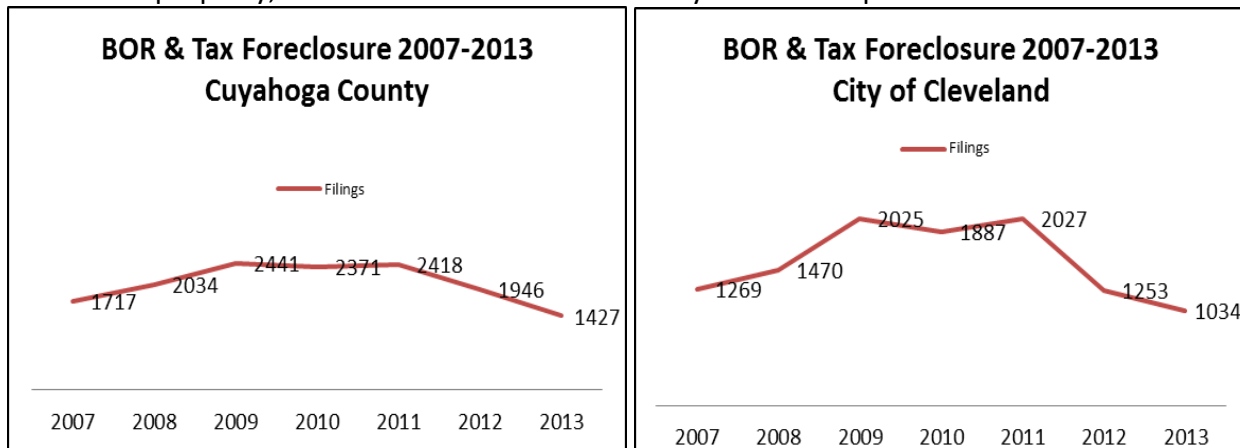
When tracking foreclosure it is important to differentiate between mortgage foreclosure and tax foreclosure for two reasons. First, not doing so can result in a misread of the trends. Second, each

⁴ Counts of vacancy and tax delinquency are from NEO CANDO as of May 9, 2013.

⁵ Data reported at the September 20, 2013 meeting of the Vacant and Abandoned Property Action Council (VAPAC).

⁶ There are over 50 suburban municipalities, villages and townships in Cuyahoga County. At the present time only the City of Cleveland reports its estimate of distressed condemnable homes to the NEO CANDO data system at Case Western Reserve University.

type of foreclosure has a different impact on market stabilization. Accordingly, this report also analyzed what may legitimately be referred to as the “good” foreclosure - tax foreclosures against vacant and abandoned “zombie” properties. Tax Foreclosure and the related Board of Revision Administrative Tax Foreclosure have become two of the best ways to reclaim abandoned property and re-direct it for beneficial reuse. A decrease in mortgage foreclosure filings is, understandably, viewed as a positive trend. The opposite is the case with tax foreclosure – which needs to remain high as long as the County has large numbers of tax delinquent abandoned properties. Below are charts representing the combined filings for general tax foreclosure and Board of Revision tax foreclosure. These filings showed positive increases in Cuyahoga County and in the City of Cleveland from 2007 through 2009. Filings leveled off in 2010 and 2011 and have decreased significantly in the past couple of years.⁷ On a positive note, BOR and Tax Foreclosures have increased in just the past few months so the December 31, 2013 projection could end up higher than indicated below. However, given the important role that tax foreclosure plays in reclaiming abandoned property, this should be followed carefully in this next period.



Questions for Further Consideration

1. Has the banking industry now worked through the “Shadow Inventory”, the backlog of delinquent loans that were on hold due to “Robo-Signing”? Or may we yet see another bump in foreclosure filings in the future? Will the downward trend in mortgage foreclosures continue through December 31, 2013, and will it continue into 2014 and beyond?

2. Could the slow-down in filings also be due to an increase in banks “walking away” from properties before filing foreclosure? It is already established that in the past several years there has been an increase in banks walking away *after filing the foreclosure* by not taking a property at Sheriff Sale. (See “Stalling the Foreclosure Process: The Complexity Behind Bank Walk-Aways”, Center on Urban Poverty and Community Development, CWRU.) Are some banks now walking away from the mortgage before filing foreclosure? If that were happening a further question would be what percentage of those homes remain occupied vs the percentage of those that go empty, adding to the vacancy and blight problem? To the extent that properties might be vacated

⁷ Decreases in tax foreclosure may be related to a temporary reduction in staff resources to bring these cases.

prior to foreclosure filing, that would undermine the apparent stabilization benefit that could accrue from a decrease in foreclosure filings.

3. One of the most dramatic drops observed in filing data is in the outer suburbs, where, contrary to the general trend in the rest of the county, filings had been increasing since 2007 - most likely due to an increase in job loss resulting from the weakened economy. Is the decrease in these areas due to the decline of the shadow inventory, or related to recent news reports of a recovering economy? It seems unlikely that a bank would walk away from a property in the outer suburbs where properties retain more value, and rarely require demolition.

4. Is there any downside to the slow-down of foreclosures in terms of stabilization and rebuilding? Over the past several years much effort has been made to encourage banks to donate their distressed Real Estate Owned (REO) inventories to land banks, municipalities, non-profits and other beneficial owners. But as filings have decreased so have the REO inventories of banks. Today only a small percentage of the 26,725 vacant properties in Cuyahoga County are held by banks. This suggests an even greater role going forward for code enforcement and tax foreclosure as key tools for the reclamation and reuse of abandoned property.

Frank Ford, Senior Policy Advisor, Thriving Communities Institute, (216) 515-8300, fford@wrlandconservancy.org. September 22, 2013.

Appendix A

Cuyahoga County Foreclosure Filings: 2007 - 2012 (Updated Through August 31, 2013)												
ALL FORECLOSURE												
	2007	2008	2009	2010	2011	2012	2012 Change from 2007	2012 Change from 2011	2013 thru 8/31/13	Projected 12/31/13 (div by .667)	Projected Change from 2012	Projected Change from 2007
East Side - Cleveland	5716	4835	4691	3952	3923	3402	-40%	-13%	1701	2550	-25%	-55%
West Side - Cleveland	2106	2279	2315	1970	2176	1806	-14%	-17%	1067	1600	-11%	-24%
East Inner Suburb	3507	3714	3432	3609	3283	3697	5%	13%	1823	2733	-26%	-22%
West Inner Suburb	1103	1246	1418	1328	1291	1256	14%	-3%	728	1091	-13%	-1%
Outer Suburb	1946	2386	2566	2641	2361	2570	32%	9%	1276	1913	-26%	-2%
Unknown Geography	604	349	375	279	130	115	-81%	-12%	119	178	55%	-70%
Cleveland	7822	7114	7006	5922	6099	5208	-33%	-15%	2768	4150	-20%	-47%
Cuyahoga County	14982	14809	14797	13779	13164	12846	-14%	-2%	6714	10066	-22%	-33%
MORTGAGE FORECLOSURE												
	2007	2008	2009	2010	2011	2012	2012 Change from 2007	2012 Change from 2011	2013 thru 8/31/13	Projected 12/31/13 (div by .667)	Projected Change from 2012	Projected Change from 2007
East Side - Cleveland	4354	3362	2407	2174	1811	1994	-54%	10%	887	1330	-33%	-69%
West Side - Cleveland	1869	1950	1887	1718	1606	1546	-17%	-4%	760	1139	-26%	-39%
East Inner Suburb	3201	3314	2982	3144	2718	2927	-9%	8%	1334	2000	-32%	-38%
West Inner Suburb	1046	1131	1322	1232	1227	1194	14%	-3%	652	978	-18%	-7%
Outer Suburb	1812	2099	2374	2458	2275	2428	34%	7%	1131	1696	-30%	-6%
Unknown Geography	352	248	278	198	102	93	-74%	-9%	84	126	35%	-64%
Cleveland	6223	5312	4294	3892	3417	3540	-43%	4%	1647	2469	-30%	-60%
Cuyahoga County	12634	12104	11250	10924	9739	10182	-19%	5%	4848	7268	-29%	-42%
BOR AND TAX FORECLOSURE												
	2007	2008	2009	2010	2011	2012	2012 Change from 2007	2012 Change from 2011	2013 thru 8/31/13	Projected 12/31/13 (div by .667)	Projected Change from 2012	Projected Change from 2007
East Side - Cleveland	1150	1232	1781	1663	1615	1048	-9%	-35%	570	855	-18%	-26%
West Side - Cleveland	119	238	244	224	412	205	72%	-50%	120	180	-12%	51%
East Inner Suburb	165	277	221	294	311	565	242%	82%	203	304	-46%	84%
West Inner Suburb	17	57	40	37	28	38	124%	36%	12	18	-53%	6%
Outer Suburb	74	159	78	95	37	77	4%	108%	29	43	-44%	-41%
Unknown Geography	192	71	77	58	15	13	-93%	-13%	18	27	108%	-86%
Cleveland	1269	1470	2025	1887	2027	1253	-1%	-38%	690	1034	-17%	-18%
Cuyahoga County	1717	2034	2441	2371	2418	1946	13%	-20%	952	1427	-27%	-17%

Prepared by: Frank Ford, Senior Policy Advisor, Thriving Communities Institute, (216) 515-8300, fford@wrlandconservancy.org. September 17, 2013.

Based on data extracted from NEO CANDO at Case Western Reserve University.

Appendix B

		Mortgage foreclosure							
		2007	2008	2009	2010	2011	2012	Proj. 12/31/13	As of 8/31/13
Cuyahoga Region	Neighborhood	Lower filings are shaded green, higher filings are shaded gold							
Outer Suburb	Bay Village	67	78	79	71	59	58	58	39
	Beachwood	32	32	40	39	29	41	24	16
	Bedford	159	158	174	174	174	185	105	70
	Bedford Hts.	109	96	92	125	87	119	61	41
	Bentleyville	0	1	2	5	6	5	0	0
	Berea	100	116	131	129	93	103	93	62
	Brecksville	33	32	52	45	46	36	30	20
	Broadview Hts.	49	61	73	75	67	74	54	36
	Chagrin Falls Twp.	0	1	0	0	0	0	0	0
	Chagrin Falls Village	12	14	16	24	24	14	12	8
	Gates Mills	2	12	13	10	11	9	7	5
	Glenwillow	11	15	9	5	2	8	9	6
	Highland Hills	7	6	6	9	3	5	0	0
	Highland Hts.	23	22	39	36	24	36	16	11
	Hunting Valley	2	0	1	1	2	0	0	0
	Independence	20	17	22	23	18	22	9	6
	Lyndhurst	66	97	97	106	104	110	61	41
	Mayfield Hts.	54	76	82	89	78	105	69	46
	Mayfield Village	10	9	9	14	12	15	10	7
	Middleburg Hts.	37	51	80	67	65	71	43	29
Moreland Hills	11	10	13	14	12	14	6	4	
North Olmsted	135	172	204	192	181	186	165	110	
North Randall	4	7	5	6	2	4	6	4	
North Royalton	105	122	160	168	153	144	100	67	
Oakwood	46	56	56	55	48	56	37	25	

	Olmsted Falls	66	61	64	59	81	97	60	40
	Olmsted Twp.	54	63	84	79	75	63	51	34
	Orange	18	32	23	17	21	23	19	13
	Parma Hts.	78	118	135	129	130	127	109	73
	Pepper Pike	22	23	28	24	12	21	10	7
	Richmond Hts.	61	80	92	110	80	110	91	61
	Seven Hills	45	31	33	54	47	49	37	25
	Solon	89	108	100	112	123	104	54	36
	Strongsville	144	159	178	194	196	183	127	85
	University Hts.	73	86	86	75	75	89	58	39
	Valley View	2	4	10	9	11	5	10	7
	Walton Hills	5	9	6	11	8	6	7	5
	Westlake	99	95	132	128	112	124	78	52
	Woodmere	3	2	9	5	6	7	1	1
East Inner Suburb	Bratenahl	16	14	27	30	7	11	16	11
	Cleveland Hts.	508	525	495	501	449	456	277	185
	Cuyahoga Hts.	2	4	5	5	6	0	0	0
	East Cleveland	431	323	169	173	109	139	88	59
	Euclid	639	716	660	738	644	706	531	354
	Garfield Hts.	418	419	447	446	425	465	310	207
	Maple Hts.	537	600	492	541	429	461	297	198
	Newburgh Hts.	30	21	20	28	18	23	37	25
	Shaker Hts.	235	257	227	242	219	207	129	86
	South Euclid	261	310	336	344	299	350	214	143
	Warrensville Hts.	180	163	153	137	112	110	99	66
West Inner Suburb	Brooklyn	43	53	71	72	81	53	43	29
	Brooklyn Hts.	7	4	6	8	5	9	4	3
	Brookpark	133	153	147	148	125	133	124	83
	Fairview Park	58	72	90	81	78	70	73	49
	Lakewood	295	311	410	323	332	300	198	132

	Linndale	0	1	0	3	1	2	0	0
	Parma	461	482	555	529	527	558	480	320
	Rocky River	73	79	92	86	79	69	54	36
West Side of Cleveland	Brooklyn Centre	90	111	92	65	72	63	58	39
	Clark-Fulton	164	167	135	107	101	86	75	50
	Cudell	143	120	107	96	73	56	57	38
	Detroit-Shoreway	187	129	152	96	103	69	67	45
	Edgewater	50	46	39	43	40	43	25	17
	Jefferson	196	230	234	240	256	211	174	116
	Kamms Corners	100	110	129	150	123	146	100	67
	Ohio City	57	64	59	44	38	19	30	20
	Old Brooklyn	309	351	363	354	318	381	256	171
	Puritas-Longmead	215	204	220	202	190	178	115	77
	Riverside	32	47	56	48	46	45	22	15
	Stockyards	113	109	92	53	61	67	31	21
	Tremont	36	46	48	34	25	22	15	10
	West Boulevard	193	225	189	198	162	161	111	74
East Side of Cleveland	Buckeye-Shaker	192	145	146	90	105	103	70	47
	Central	28	39	26	24	52	46	37	25
	Corlett	322	259	180	174	138	154	94	63
	Downtown	6	12	10	12	4	3	0	0
	Euclid-Green	106	87	61	59	61	59	46	31
	Fairfax	86	65	48	55	36	39	19	13
	Forest Hills	307	226	132	129	99	104	60	40
	Glenville	399	287	192	168	124	158	91	61
	Goodrich-Kirtland Park	21	20	10	10	15	14	7	5
	Hough	172	121	64	77	56	78	46	31
	Industrial Valley	8	5	7	3	3	3	0	0
	Kinsman	53	17	12	20	5	9	4	3
	Lee-Miles	315	264	244	253	184	215	159	106
	Mt. Pleasant	418	347	212	172	164	200	109	73
North Broadway	198	115	85	52	37	37	28	19	
North Collinwood	269	287	235	249	184	223	160	107	

	South Broadway	459	348	285	264	205	196	151	101
	South Collinwood	307	257	172	156	116	127	91	61
	St. Clair-Superior	183	101	80	48	58	60	31	21
	Union-Miles	333	226	139	114	105	105	72	48
	University	29	13	12	16	10	8	10	7
	Woodland Hills	148	123	72	62	49	53	37	25
Unknown Cuyahoga Region	Unknown neighborhood	206	137	83	70	100	91	126	84
	TOTAL	12630	12099	11259	10930	9740	10182	7268	4,848
	CLEVELAND CITY	6244	5323	4339	3937	3418	3541	2469	1,647
	COUNTY	12630	12099	11259	10930	9740	10182	7268	4,848

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