

# Foreclosure in South Pittsburgh's Hilltop and Effective Responses

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For the Hilltop Alliance

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## Executive Summary

This report presents a picture of foreclosure activity in South Pittsburgh's Hilltop communities and documents effective practices that can prevent foreclosure and combat foreclosure-related blight. The report was developed for the Hilltop Alliance, a collaborative community organization working to unite neighborhood-based organizations and support their efforts, creating a common vision and voice for the Hilltop, and preserving and building community assets.

### Key Findings

- On average, 1.4 percent of all Hilltop residential properties had a foreclosure filing each year between 2006 and 2010 compared to 1.0 percent of properties in the City of Pittsburgh.
- 69 percent of all properties with a 2010 foreclosure filing in the Hilltop area were purchased after the year 2000. About half all Hilltop properties have been sold since 2000.
- 35 percent of Hilltop properties in foreclosure in 2010 were occupied by a homeowner with an Allegheny County homestead property tax exemption. Because not all eligible homeowners file for their homestead exemption, an expansive definition of homeownership developed using property assessment data suggests that over 80% of 2010 foreclosures affected homeowners.
- Wells Fargo was involved in the largest number of foreclosure filings on Hilltop properties in 2009 and 2010, accounting for 13.4 percent of total filings. Over the same period, 68 percent of all foreclosures were filed by just ten lenders. Only one of these ten lenders was based in Pittsburgh.
- In 2009, about 20 percent of the Hilltop's residential transactions were foreclosure-related (defined as a sale in the year prior to or the year of the foreclosure filing). In the City of Pittsburgh, 13 percent of sales were foreclosure related.
- The 2009 average price of a foreclosure related sale in the Hilltop was \$13,354. The average price of a Hilltop property not involved in a foreclosure was \$41,512.
- Due to the nature of foreclosure-related transactions, many of these properties are purchased by investors. Of the 562 residential properties sold since receiving a foreclosure notice between 2006 and 2010, 38 percent were owned by a corporate entity. Only 13 percent had a homestead exemption.
- In early 2011, letters were sent to properties receiving a foreclosure filing in 2009 or 2010 in the Hilltop area. Of the 400 letters sent, 123 were returned as undeliverable due to vacancy or some other cause, accounting for 31 percent of all properties.

### Recommendations

The Hilltop Alliance and its partners can take the following actions to respond to foreclosure in South Pittsburgh.

1. Promote available housing counseling to homeowners in a variety of ways
2. Serve as a broker to transfer properties to responsible new owners or a land bank
3. Develop a strategy for working with responsible housing investors, while holding those that do not invest in their properties and employ quality management practices accountable.

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## Introduction

Foreclosure is a growing issue in South Pittsburgh's Hilltop neighborhoods, as many stakeholders fear that the concentrations of foreclosure in the community are accelerating community decline and threaten community development efforts. The purpose of this report is to present a picture of foreclosure activity in the Hilltop, and document effective practices used in similar communities elsewhere that can be adopted by the Hilltop Alliance to prevent foreclosure and combat foreclosure-related blight. The University Center for Social and Urban Research (UCSUR) at the University of Pittsburgh was retained to provide a picture of foreclosure in the Hilltop using data from the Pittsburgh Neighborhood and Community Information System (PNCIS). This work was funded through the support of the Pittsburgh Partnership for Neighborhood Development and the Hilltop Alliance.

The Hilltop Alliance is a collaborative community organization composed of representatives of the ten South Pittsburgh "Hilltop" communities, including nine City of Pittsburgh neighborhoods (Allentown, Arlington, Arlington Heights, Beltzhoover, Bon Air, Carrick, Knoxville, Mt. Oliver, St. Clair) and one non-City municipality (Mt. Oliver Borough). The primary goal of the Hilltop Alliance is to unite neighborhood-based organizations and support their efforts, creating a common vision and voice for the Hilltop, and preserving and building community assets.

There are many paths to foreclosure: risky mortgage products, including subprime loans, adjustable rate mortgages, and reduced underwriting standards (including no-documentation loans) have certainly played a large role in spawning the recent crisis. Events such as a job loss, a decline in income, divorce, or major unforeseen expenses (such as health care costs) can trigger a property owner's default on their mortgage obligations. Falling home values are also commonly cited as a cause of foreclosure, as property owners with a mortgage in excess of their home's value may go into default if in their financial interest.<sup>1</sup>

Foreclosures have a number of significant impacts on affected individuals and their communities. Owners of foreclosed properties can see their savings depleted and credit ruined, and both renters and homeowners can suffer severe disruption due to a forced relocation that may leave them in a much less desirable housing situation. Foreclosure in a neighborhood often leads to increased vacancy, blight, and crime, which in turn depress property values, reduce the equity of surrounding property owners, and place additional financial stress on local municipalities that must bear the burden of increased demolition and public safety costs. Foreclosed properties have also created widespread opportunities for housing investors to purchase properties at a steep discount, which can pose a problem if these new owners do not invest in their properties or employ effective management practices.

## **University Center for Social and Urban Research (UCSUR)**

The University Center for Social and Urban Research (UCSUR) was established in 1972 to serve as a resource for researchers and educators interested in the basic and applied social and behavioral sciences. As a hub for interdisciplinary research and collaboration, UCSUR promotes a research agenda focused on the social, economic and health issues most relevant to our society. UCSUR maintains a permanent research infrastructure available to faculty and the community with the capacity to: (1) conduct all types of survey research, including complex web surveys; (2) carry out regional econometric modeling; (3) analyze qualitative data using state-of-the-art computer methods, including web-based studies; (4) obtain, format, and analyze spatial data; (5) acquire, manage, and analyze large secondary and administrative data sets including Census data; and (6) design and carry out descriptive, evaluation, and intervention studies. UCSUR plays a critical role in the development of new research projects through consultation with faculty investigators.

## **Pittsburgh and Neighborhood and Community Information System (PNCIS)**

The Pittsburgh Neighborhood and Community Information System (PNCIS) is a property information system that collects integrated information on community conditions and provides it to local stakeholders. The PNCIS empowers community leaders through the regular, direct use of information on a wide array of topics and issues.

The PNCIS is a partnership of UCSUR at the University of Pittsburgh, the Pittsburgh Partnership for Neighborhood Development (PPND), the City of Pittsburgh, and other stakeholders. UCSUR operates PNCIS in agreement with the City of Pittsburgh and PPND, a leader in community development in Pittsburgh. PPND was instrumental in securing the financial support to build the PNCIS and expand and develop it over the years.

## **A Picture of Foreclosure in the Hilltop**

Research presented in this section encompasses the ten neighborhoods in the service area of the Hilltop Alliance (Allentown, Arlington, Arlington Heights, Beltzhoover, Bon Air, Carrick, Knoxville, Mt. Oliver neighborhood, Mt. Oliver Borough, and St. Clair), plus the adjacent communities of Mt. Washington, the South Side Slopes, and Overbrook, which share many of the similar market and foreclosure trends. This research is based on information provided by the Pittsburgh Neighborhood and Community Information System (PNCIS), and was compiled longitudinally over a five year period 2006-2010.

### **Total Foreclosure Activity**

From 2006 to 2010, 1,167 residential properties in the Hilltop (5.7% of all residential properties) were subject to at least one foreclosure filing in Allegheny County's court system. As Table 1 shows, the number of Hilltop properties receiving a foreclosure filing has fallen in recent years, dropping from 325 in 2006 to 219 in 2010.

Compared to other communities in the City of Pittsburgh, most Hilltop neighborhoods had higher levels of foreclosure than the City of Pittsburgh. As seen in Table 1, on average, 1.4 percent of all Hilltop residential properties had a foreclosure filing each year between 2006 and 2010. Only four of the 13 communities in the Hilltop had a smaller share of properties in foreclosure than the City of Pittsburgh (1.0 percent of all residential properties on average each year). Two of these four communities, St. Clair and Arlington Heights were once home to large public housing developments built during the 1940's and 50's. Of the 660 units in Arlington Heights and 680 in St. Clair only 150 units in Arlington Heights remain.

**Table 1: Residential properties with a foreclosure filing by Hilltop community, 2006-2010**

Community	2006	2007	2008	2009	2010	Residential Parcels (2010)	Annual Average Percent of Residential Parcels with a Foreclosure Filing 2006-2010
Allentown	37	33	27	14	11	1,317	1.9%
Arlington	15	13	12	12	15	928	1.4%
Arlington Heights	0	0	0	0	0	7	0.0%
Beltzhoover	20	16	13	17	11	1,520	1.0%
Bon Air	4	2	3	2	4	419	0.7%
Carrick	63	48	67	69	46	4,227	1.4%
Knoxville	40	37	37	26	19	1,601	2.0%
Mount Oliver Borough	36	37	30	23	29	1,335	2.3%
Mount Oliver Neighborhood	5	7	3	3	3	261	1.6%
Mount Washington	56	44	66	45	42	4,027	1.3%
Overbrook	31	13	21	22	20	1,844	1.2%
Saint Clair	1	2	1	2	1	153	0.9%
South Side	17	25	22	21	18	2,703	0.8%
<b>Total Hilltop</b>	<b>325</b>	<b>277</b>	<b>302</b>	<b>256</b>	<b>219</b>	<b>20,342</b>	<b>1.4%</b>
Pittsburgh	1,376	1,149	1,234	1,113	906	117,591	1.0%
Allegheny County	4,557	3,937	4,317	4,116	3,604	506,293	0.8%

PNCIS, from Allegheny County Department of Court Records and Allegheny County Office of Property Assessments

### **Date of Last Sale**

Properties going into foreclosure in the Hilltop are more likely to have been recently purchased. The date of last sale for all properties in foreclosure in 2010 was analyzed using property sales records obtained from Allegheny County's Office of Property Assessments through the PNCIS. As shown in Table 2, 69 percent of all properties with a 2010 foreclosure filing in the Hilltop area were purchased after the year 2000. In the same geographic area, about half all properties have been sold since 2000. Of all properties last sold between 1996 and 2008, about 2 percent had a foreclosure filing in 2010.



**Table 2: Date of last sale for non-vacant residential parcels with a 2010 foreclosure filing in the Hilltop**

Year of Last Sale	Total Parcels	Parcels with 2010 Foreclosure Filing	Share of All Properties by Year of Last Sale	Share of All Properties with a 2010 Foreclosure Filing by Year of Last Sale	Share of All Properties by Year of Last Sale with a 2010 Foreclosure Filing
Before 1990	4,942	17	28.8%	7.9%	0.3%
1990-1991	567	4	3.3%	1.9%	0.7%
1992-1993	628	2	3.7%	0.9%	0.3%
1994-1995	794	9	4.6%	4.2%	1.1%
1996-1997	804	18	4.7%	8.4%	2.2%
1998-1999	1,024	16	6.0%	7.4%	1.6%
2000-2001	1,151	22	6.7%	10.2%	1.9%
2002-2003	1,456	30	8.5%	14.0%	2.1%
2004-2005	1,768	34	10.3%	15.8%	1.9%
2006-2007	2,102	47	12.2%	21.9%	2.2%
2008-Jan 15 2010	1,940	16	11.3%	7.4%	0.8%
Total	17,176	215	100.0%	100.0%	1.3%

PNCIS, from Allegheny County Department of Court Records and Allegheny County Office of Property Assessments

## Homeownership

About one third of Hilltop properties in foreclosure in 2010 were occupied by a homeowner with an Allegheny County homestead property tax exemption. The homestead exemption designation is eligible for any owner using their property as their primary residence in Allegheny County, and provides a \$15,000 reduction in a home's assessed value for the purposes of county property taxes. Of the 197 residential properties receiving a foreclosure filing in 2010, 69 (35%) had a homestead exemption in January, 2010. The total savings from the homestead exemption could be as high as \$70 per property.

Many homeowners in the Hilltop neighborhoods were eligible for the Allegheny County homestead exemption, but appear not to have applied for this reduction in their property tax. Qualification for the exemption is not automatic, as all owners must apply for this exemption. For this reason, an alternative measure of homeownership was calculated, which compares the property address to the address receiving the tax bill change notice on file with Allegheny County. If these two addresses match, the property owner is considered a potential homeowner. In the area, 98 additional properties with a foreclosure filing met this definition of homeownership, bringing the total number of homeowners in foreclosure in 2010 to 167, or 84 percent of total filings.

In many neighborhoods, investors or other owners often buy and own multiple properties. When their business runs into financial distress, the consequences of their failing investment

strategies spill over into negative neighborhood effects. In order to proactively identify property investors with property in foreclosure, the analysis presented here identified any owner with two or more parcels in Allegheny County having at least two of their properties involved in a 2009 or 2010 foreclosure filing, or appearing in a 2010 sheriff sale advertisement.

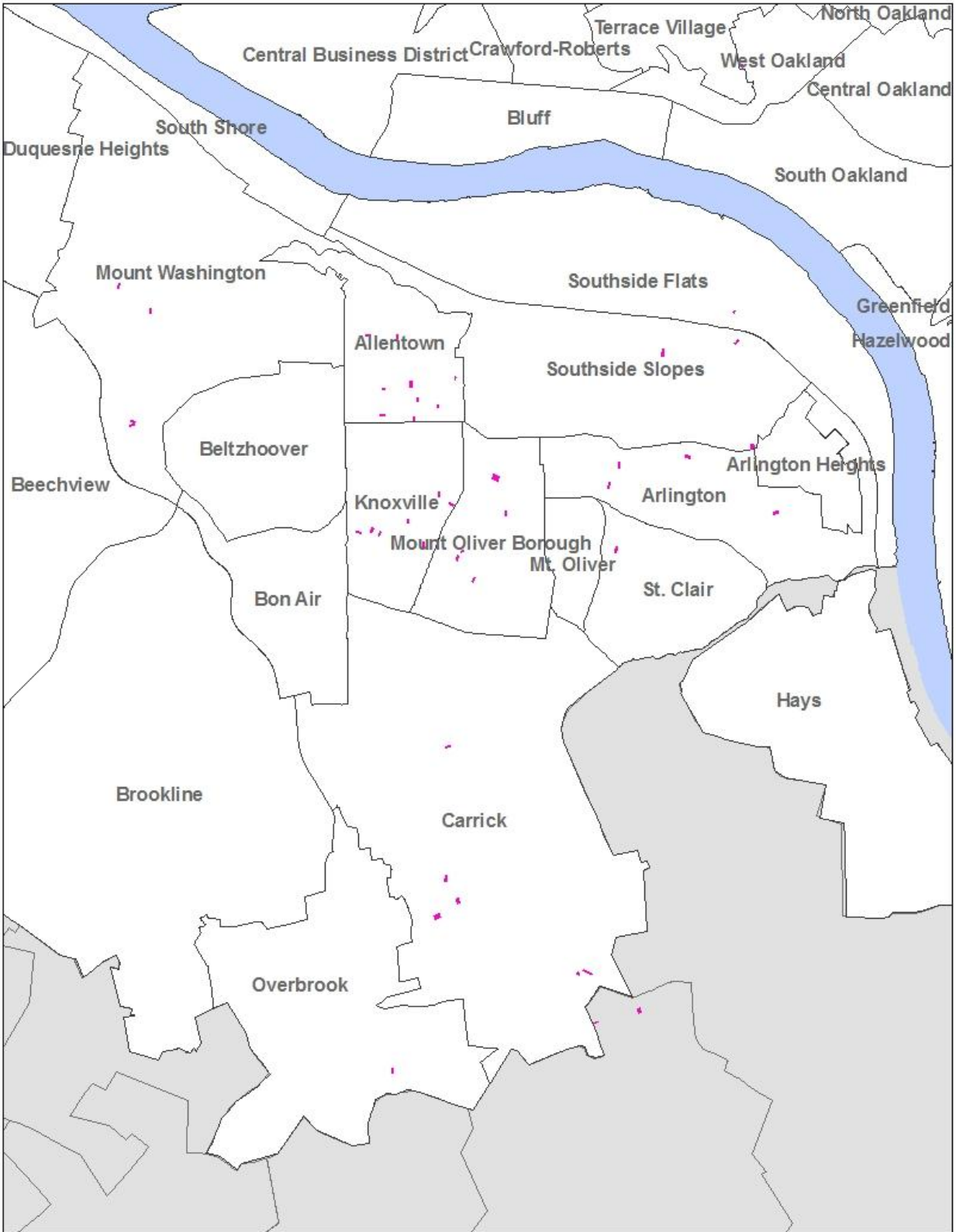
In the Hilltop, 14 investors had at least one property in or at-risk of foreclosure, as of October, 2010, accounting for 43 properties in all. As shown in Table 3, five at-risk investors owned at least four properties in the Hilltop, with James Wehner the largest at-risk owner. About 10% of the County’s 421 at-risk investor properties were located in the Hilltop. The location of these at-risk properties is shown in the map in Figure 1.

***Table 3: Hilltop Investors with at least four Allegheny County properties involved in a 2010 sheriff sale advertisement or 2009-10 foreclosure filing***

<b>Investor Name</b>	<b>Hilltop Properties Owned</b>
WEHNER, JAMES A	9
MICHEL, TIMOTHY	7
SHIALABBA, RONALD & TARA GIBSON (W)	7
LEWIS LINWOOD H JR & DENISE E (W)	4
NAYLOR, DAVID M	4
9 INVESTORS OWNED 1 OR 2 PROPERTIES	12
TOTAL	43

PNCIS, from Pittsburgh Legal Journal, Allegheny County Department of Court Records, and Allegheny County Office of Property Assessments

**Figure 1: Properties owned by Hilltop investors with at least four Allegheny County properties involved in a 2010 sheriff sale advertisement or 2009-10 foreclosure filing**



PNCIS, from Pittsburgh Legal Journal, Allegheny County Department of Court Records, and Allegheny County Office of Property Assessments

## **Tax Delinquency**

Real estate tax delinquency is a sign of fiscal abandonment of a property. In addition to non-payment of taxes, fiscal abandonment can also be defined as a failure to pay utilities, mortgages, and other costs incurred in owning and maintaining a home. Rising levels of delinquency transfers the burden of supporting public services to taxpaying residents and businesses, and increases the cost of collecting property taxes.

Of the 180 residential properties with a first-time foreclosure filing in 2010 (not in foreclosure in 2009 or 2008), 33 (18 percent) had a city or school district delinquency reported in 2009, and 29 (16 percent) experienced a 2010 tax delinquency. This data suggests that tax delinquency may serve as a leading indicator of foreclosure in up to 20 percent of cases.

In the Hilltop, 5,032 of 18,391 (27.4 percent) residential parcels experienced a tax delinquency in at least one year between 2008 and 2010. Of these tax delinquent properties, only 59, or (1.2 percent) had a residential foreclosure filing in 2010, and 73 (1.5 percent) had a filing in 2009. This suggests that many mortgage servicers or property owners may continue to make tax payments even after the loan has gone into default, making it problematic to use delinquency as a predictor of foreclosure.

## **Lenders**

Foreclosure data from Allegheny County's Department of Court Records contains information on the plaintiffs initiating a foreclosure proceeding in Allegheny County. In many cases, the plaintiffs involved in the foreclosure are financial institutions that did not originate the loan, but instead purchased the mortgage on the secondary market. Many large global financial institutions involved in the secondary mortgage markets initiate many of the foreclosures in the Hilltop. Wells Fargo, one of the large financial institutions active in the secondary mortgage market nationally was involved in the largest number of foreclosure filings on Hilltop properties in 2009 and 2010, accounting for 13.4 percent of all foreclosure filings. In the Hilltop, 68 percent of all filings 2009 and 2010 were filed by just ten lenders. All but one of these top-ten plaintiffs were not institutions based in Pittsburgh, and did not have a physical branch presence in the region. A listing of lenders filing at least three Hilltop foreclosures appears in Table 4.

**Table 4: Properties receiving foreclosure filings in the Hilltop, by lender, 2009-2010**

<b>Lender</b>	<b>Parcels with Filing</b>	<b>Percent of all Hilltop Parcels with Filing</b>
Wells Fargo Bank	57	13.4%
US Bank NA	49	11.5%
BAC Home Loans Servicing L.P.	40	9.4%
Deutsche Bank	31	7.3%
Citimortgage Inc.	29	6.8%
HSBC Bank USA	20	4.7%
PNC Bank N.A.	19	4.5%
JPMorgan Chase Bank	17	4.0%
Bank of America N.A.	14	3.3%
Chase Home Finance LLC	14	3.3%
Bank of New York Mellon	12	2.8%
Countrywide Home Loans Inc.	10	2.4%
First Horizon Home Loans	6	1.4%
OneWest Bank FSB	6	1.4%
Bayview Loan Servicing LLC	5	1.2%
LaSalle Bank NA	5	1.2%
Wachovia Bank N.A.	5	1.2%
GMAC Mortgage LLC	4	0.9%
Midfirst Bank	4	0.9%
PHH Mortgage Corporation	4	0.9%
Progressive Home Federal Savings &	4	0.9%
Aurora Loan Services LLC	3	0.7%
Household Finance Consumer Discount	3	0.7%
IB Property Holdings LLC	3	0.7%
National City Bank	3	0.7%
Nationstar Mortgage LLC	3	0.7%
S & T Bank	3	0.7%
Urban Redevelopment Authority of	3	0.7%
Lenders with two filings	9	4.5%
Lenders with one filing	31	7.3%
<b>Total</b>	<b>425</b>	<b>100%</b>

PNCIS, from Allegheny County Department of Court Records and Allegheny County Office of Property Assessments

## Mortgage Servicers

Mortgage servicers are responsible for the management of mortgage loans, including collecting and crediting payments and managing escrow accounts for payment of taxes and insurance. Owners of a mortgage will either provide servicing in-house, or outsource servicing to another entity. In 2010, Wells Fargo was the servicer of 32 loans with a foreclosure filing, the largest servicer of foreclosed property in the Hilltop. These 32 properties account for 4.4 percent of all mortgages serviced by Wells Fargo in the Hilltop. Of all servicers with at least two properties with a foreclosure filing in their portfolio, Wachovia, Bayview, Home Loans Services, American Home Mortgage, and Aurora had over 10 percent of all loans serviced in foreclosure in 2010. With the lack of available electronic deed data, servicers are the only available indicator potentially identifying the lender in the property assessment record. Table 5 shows the servicers of 2010 foreclosed mortgages in the Hilltop.

**Table 5: 2010 servicers of 2010 Hilltop mortgages in foreclosure**

Name	Mortgages with 2010 Filing	Total Mortgages Serviced	Percent of Serviced Mortgages with 2010 Foreclosure Filing
WELLS FARGO R E TAX S	32	720	4.4%
BAC TAX SERVICES CORP	19	709	2.7%
CHASE HOME FINANCE	12	302	4.0%
CITIMORTGAGE INC	11	326	3.4%
WASHINGTON MUTUAL HOM	7	328	2.1%
PA HOUSING FINAN AGEN	7	303	2.3%
PNC	6	243	2.5%
AMERICAN HOME MORTGAG	4	31	12.9%
BAYVIEW LOAN SERVICIN	4	25	16.0%
US BANCORP SERV PROVI	3	100	3.0%
WACHOVIA MORTGAGE	3	8	37.5%
EMC/CHASE	3	37	8.1%
GMAC MTGE CORP OF IOW	3	33	9.1%
GMAC-HOMECOMINGS FINA	3	32	9.4%
HOME LOANS SERVICES,	3	20	15.0%
AURORA LOAN SVC/WESTL	2	18	11.1%
INDYMAC HOME LOAN SER	2	28	7.1%
PHH MORTGAGE CORP/CEN	2	117	1.7%
PROGRESSIVE HOME FED	2	58	3.4%
HSBC - FIRST MORTGAGE	2	21	9.5%
OCWEN FED BANK	2	47	4.3%

PNCIS, from Allegheny County Department of Court Records and City of Pittsburgh Department of Finance

The servicer of a mortgage may change over time, even if the loan is not transferred to a new institution. With the drastic changes in the financial services and mortgage lending industry in the wake of the foreclosure crisis, many of the mortgage servicers had changed due to bankruptcy, acquisitions, fraud, or other causes by 2010. Table 6 shows the servicers of loans in foreclosure in the Hilltop area in 2009.

**Table 6: 2009 servicers of 2009 Hilltop mortgages in foreclosure**

<b>Name</b>	<b>Mortgages with 2009 Filing</b>	<b>Total Mortgages Serviced</b>	<b>Percent of Serviced Mortgages with 2009 Foreclosure Filing</b>
COUNTRYWIDE	33	591	5.6%
CITIMORTGAGE INC	16	334	4.8%
WELLS FARGO R E TAX S	15	614	2.4%
WASHINGTON MUTUAL HOM	13	347	3.7%
GREENPOINT MORTGAGE	6	26	23.1%
TOTAL MTGE SOLUTIONS	5	35	14.3%
PA HOUSING FINAN AGEN	5	283	1.8%
US BANCORP SERV PROVI	4	88	4.5%
OCWEN FED BANK	4	48	8.3%
INDYMAC HOME LOAN SER	4	25	16.0%
MORTGAGE SERVICE CNTR	3	78	3.8%
HOMEQ SERVICING CORP	3	28	10.7%
EVERHOME MORTGAGE CO	3	54	5.6%
MIDLAND MORTGAGE CO	3	104	2.9%
PHH MORTGAGE CORP/CEN	3	118	2.5%
AMERICAN HOME MORTGAG	3	21	14.3%
CCO MORTGAGE CORP.	2	30	6.7%
LITTON LOAN SERV	2	19	10.5%
PROGRESSIVE HOME FED	2	69	2.9%
BANK OF AMERICA%HOME	2	68	2.9%
GMAC-HOMECOMINGS FINA	2	39	5.1%
GMAC MTGE CORP OF IOW	2	29	6.9%
NATIONAL CITY MTGE CO	2	245	0.8%

PNCIS, from Allegheny County Department of Court Records and City of Pittsburgh Department of Finance

## Impacts of Foreclosure

### Sales

Properties involved in a foreclosure can be sold in a number of ways, including traditional sales, short sales (occurring where the value of the loan exceeds the value of the property), sheriff sales, and transfers between lenders. Following foreclosure, sales of properties in bulk by lending institutions and mortgage investors, and flips between investors and new buyers are common. To analyze this wide range of foreclosure-related property transactions, the PNCIS created a measure of distressed sales, defined as a sale of any property with a foreclosure filing the calendar year of or the calendar year prior to the sale.

A large share of the Hilltop's housing market transactions are related to foreclosure. Overall in the Hilltop, about 20 percent of transactions were related to a foreclosure in 2009, a figure much higher than the City of Pittsburgh (13 percent), and Allegheny County (11 percent). The northernmost Hilltop communities of Knoxville, Allentown, Mt. Oliver Boro, and Arlington saw at least a quarter of real estate transactions related to a foreclosure, as shown in Table 7.

**Table 7: Hilltop distressed and non-distressed sales, 2009**

<b>Neighborhood</b>	<b>2009 Non-Distressed Sales Over \$500</b>	<b>2009 Distressed Sales</b>	<b>2009 Distressed Sales as % of Total Sales</b>
Saint Clair	6	4	40.0%
Knoxville	76	34	30.9%
Allentown	69	25	26.6%
Mount Oliver Borough	68	24	26.1%
Arlington	36	12	25.0%
Carrick	173	50	22.4%
Beltzhoover	57	14	19.7%
Overbrook	82	18	18.0%
Mount Washington	246	51	17.2%
Mount Oliver	17	2	10.5%
South Side Slopes	173	15	8.0%
Bon Air	12	1	7.7%
Arlington Heights	0	0	N/A
<b>Hilltop Total</b>	<b>1,015</b>	<b>250</b>	<b>19.8%</b>
<b>Pittsburgh</b>	<b>6,159</b>	<b>914</b>	<b>12.9%</b>
<b>Allegheny County</b>	<b>24,751</b>	<b>3,091</b>	<b>11.1%</b>

PNCIS, from Allegheny County Department of Court Records and Allegheny County Office of Property Assessments

Distressed sale: A transaction of any property with a foreclosure filing the calendar year of or the calendar year prior to a sale.

Non-Distressed Sale: A transaction of any property not involved in a foreclosure filing the calendar year of or calendar year prior to the sale.



Sales involved in a foreclosure also sell for a price considerably lower than properties not involved in a foreclosure. Overall, Hilltop property sales related to a foreclosure in 2009 averaged \$13,354, and properties not related to a foreclosure sold for \$41,512. As shown in Table 10, distressed sales prices were sold at nearly 1/3 of prices of property not involved in a foreclosure. Even in higher-value neighborhoods such as Mt. Washington, Overbrook, and the South Side Slopes, properties that were involved in a foreclosure sold for under \$20,000. The sheer volume of low-value sales has a strong impact on property values in a neighborhood, and can affect appraisals, assessments, and confidence in the market.

**Table 8: Distressed and non-distressed sales prices by Hilltop neighborhood, 2009**

<b>Community</b>	<b>2009 Non Distressed Sales Average Price</b>	<b>2009 Distressed Sales Average Price</b>	<b>2009 Distressed Price as Percent of Non-Distressed Price</b>
Arlington	\$13,883	\$10,750	77.4%
Beltzhoover	\$5,850	\$4,090	69.9%
Knoxville	\$10,504	\$5,288	50.3%
Allentown	\$7,762	\$3,771	48.6%
Carrick	\$37,581	\$14,477	38.5%
Overbrook	\$50,651	\$18,441	36.4%
South Side Slopes	\$63,455	\$17,662	27.8%
Mount Oliver Borough	\$17,454	\$4,143	23.7%
Mount Washington	\$70,196	\$15,958	22.7%
Mount Oliver	\$18,837	\$1,554	8.2%
Saint Clair	\$41,472	\$2,771	6.7%
Bon Air	\$41,459	\$1,587	3.8%
Arlington Heights	\$0	\$0	N/A
Hilltop Total	\$41,512	\$13,354	32.2%
Pittsburgh	\$81,531	\$18,707	14.8%
Allegheny County	\$98,308	\$30,090	12.5%

PNCIS, from Allegheny County Department of Court Records and Allegheny County Office of Property Assessments

Distressed sale: A transaction of any property with a foreclosure filing the calendar year of or the calendar year prior to a sale.

Non-Distressed Sale: A transaction of any property not involved in a foreclosure filing the calendar year of or calendar year prior to the sale.

## Purchasers of Foreclosed Property

Real Estate Owned (REO) property is a term often used referring to properties owned by a lending institution that has gone through the foreclosure process, and are considered nonperforming assets in the institution's portfolio. The process for purchasing a REO property following a foreclosure is much different from the way most single-family properties are sold. The purchase often involves a limited opportunity for inspection, a much more complicated negotiation process, accelerated timetable, and a non-traditional closing process. Due to the nature of the foreclosure-related transactions, many of these properties are purchased by investors, often for cash.

In the Hilltop, 562 residential properties have been sold since receiving a foreclosure notice between 2006 and 2010. Of these 562 properties, only 72 (13 percent) had a homestead exemption as of October, 2010, and 211 (38 percent) were owned by a corporate entity. Of all new owners, 493, or 88 percent had an address in the Pittsburgh region, as based on the tax bill change notice address listed with the Allegheny County Office of Property Assessments.

Many of the current owners of these 562 Hilltop properties recently changing ownership following foreclosure (as of October, 2010) also own sizable portfolios in Allegheny County. As shown in Table 8, only 32.6 percent of these parcels have an owner that does not own any other parcels in Allegheny County. Nearly 40 percent of these new owners own a total of five or more parcels in the County.

**Table 9: Hilltop parcels in foreclosure 2006-2010 with new post-foreclosure owner, by owner's Allegheny County portfolio size**

Size of Portfolio in Allegheny County	Hilltop Parcels	Percent
1	183	32.6%
2 to 4	156	27.8%
5 to 9	90	16.0%
10 or More	133	23.7%
<b>Total</b>	<b>562</b>	<b>100.0%</b>

PNCIS, from Allegheny County Department of Court Records and Allegheny County Office of Property Assessments  
Ownership as of October, 2010

These 562 properties that have new ownership following a recent foreclosure filing in the Hilltop are now held by 442 separate owners. 417 of these 442 current owners (94 percent) hold only one or two residential properties having recently gone through a foreclosure in the Hilltop. 25 hold at least three properties following a foreclosure. Many of the names in the list below include REOs and corporate investors

**Table 10: Hilltop parcels in foreclosure 2006-2010 with new post-foreclosure owner, by owner's name and number of parcels owned**

<b>Owner Name</b>	<b>Parcels</b>
FANNIE MAE	9
U S BANK NATIONAL ASSOCIATION (TRUSTEE)	8
ADMIRAL CAPITAL MANAGEMENT LLC	6
ATL HOLDINGS LLC	5
GO INVEST WISELY LLC	5
HOUSING AND URBAN DEVELOPMENT	5
WELLS FARGO BANK NA	5
CARAMANICA JOHN A, AND TOOLE IAN	4
DEUTSCHE BANK NATIONAL TRUST COMPANY	4
GOMES SALVATORE	4
TRIPLE A INVESTMENTS LLC	4
TRISDA GROUP LLC	4
BARTHOLOMEW RICHARD	3
BRYCE PETERS FINANCIAL CORPORATION	3
CITY OF PITTSBURGH	3
CITYZENS LLC	3
EQUITY TRUST COMPANY	3
EZ RENTALS LLC	3
FEDERAL HOME LOAN MORTGAGE CORPORATION	3
HSBC BANK USA NA	3
JENKINS MARIO L	3
KLEIN HARVEY E	3
LEONG MARTA	3
MANGHAM BRANDY M	3
RECA LIMITED PARTNERSHIP	3
OWNERS WITH 2 PROPERTIES	43
OWNERS WITH 1 PROPERTY	374

## Vacancy

Preventing foreclosed properties from becoming vacant is critical to the success of foreclosure mitigation efforts. Unfortunately, many properties that have recently gone into foreclosure in the Hilltop become vacant not long after the foreclosure process starts. In early 2011, letters were sent by NeighborWorks to properties where the current owner had received a foreclosure filing in 2009 or 2010 in the Hilltop area. Of the 400 letters sent, 123 were returned as undeliverable due to vacancy or some other cause, accounting for 31 percent of all records.

Mailings are sent to the properties receiving new foreclosure filings each month. Among these properties, less than ten percent are returned due to vacancy. This suggests that many properties are not vacant at the time of the initial foreclosure notice, but become vacant as the property moves through the process.

*Data models can predict foreclosure risk and guide foreclosure counselors to owners at greatest risk of losing their home to foreclosure. In Cleveland, researchers at the NEO CANDO data system at the Case Western Reserve University developed a model using deed data to identify property owners with subprime loans. This information is routinely shared with housing counselors.*

*UCSUR worked to develop a similar model of foreclosure risk in the Hilltop, but results were inconclusive due in part to the lack of available electronic deed data from the Allegheny County Department of Real Estate*

## **Recommendations for the Hilltop Alliance in Preventing Foreclosure and Stabilizing Neighborhoods**

Foreclosure response efforts in many communities often have a dual focus, encouraging affected property owners to contact qualified counseling agencies, while simultaneously working to minimize foreclosure-related vacancy and blight. The Hilltop Alliance and its partners can take the following actions to respond to foreclosure in South Pittsburgh.

### **Recommendation 1: Promote available housing counseling to homeowners**

The key to helping owners in foreclosure keep their homes involves encouraging them to contact trained housing counselors as soon as problems arise. Recent studies have shown that borrowers working with housing counselors are over 60 percent more likely to prevent foreclosure.<sup>2</sup> Promotional efforts can include:

- ***Marketing counseling services through targeted mailings to property owners currently in foreclosure.*** Even though recent mailings in the Hilltop have only brought 5% of those in foreclosure to NeighborWorks counselors, these mailings can also inform owners and tenants of their rights in foreclosure, and can encourage occupants not to vacate the property;
- ***Encouraging human service agencies to inform their clients of available housing and credit counseling resources.*** Research has found that 40% of Allegheny County residents in foreclosure in 2007 were clients of the Allegheny County Department of Human Services at some point in their lives, with half receiving services at the time of foreclosure;<sup>3</sup>
- ***Registering eligible homeowners who have not filed for their “homestead exemption” property tax discount.*** Homeowners that have filed for their homestead exemption are eligible for Allegheny County’s foreclosure mediation program, bringing homeowners and lenders together to develop a satisfactory resolution to the foreclosure process; and
- ***Developing a standardized report format for use by housing counseling agencies in reporting aggregate foreclosure trends*** in the Hilltop to guide additional outreach efforts.

## **Recommendation 2: Serve as a broker to transfer properties to responsible new owners or a land bank**

Many investors view steeply-discounted properties in foreclosure as an attractive investment opportunity. This high demand coupled with the complex and multifaceted nature of foreclosure-related property sales has made it challenging for community organizations in Pittsburgh and around the country to encourage the transfer of properties to responsible new ownership.

While the Hilltop Alliance is not interested in developing property or owning it long-term, it can play a role in this property transfer by:

- **Developing relationships with mortgage lenders and mortgage servicers to directly acquire or facilitate the transfer of property.** The National First Look Program may serve as a model by allowing community organizations to acquire property from lenders before private investors;
- **Acquiring properties from private owners** through short sales or other means. Data can be used to identify properties whose owners may be interested in selling or donating their properties; and
- **Securing properties through municipal tax foreclosure or treasurer's sales,** traditional tools used by community organizations to acquire tax delinquent property in Pittsburgh. New conservatorship legislation recently adopted in Pennsylvania may enable additional acquisition tools.

## **Recommendation 3: Develop an investor strategy**

Given the large number of foreclosed properties that are now in the hands of investors, some communities across the country have developed data-driven strategies for working with private investors. These strategies<sup>4</sup> share an overall goal of encouraging and supporting investors that improve their properties and employ effective tenant screening and property management practices, while holding investors that fail to improve or maintain their properties accountable. Elements of an investor strategy in the Hilltop can include:

- **Defining and characterizing the quality and business model of existing investors** by monitoring the size of the investor's portfolio, monitoring investment and disinvestment in the property, tracking the nature of transactions, and management practices;
- **Identifying opportunities to partner with quality investors,** including property acquisition, development, financing, marketing, and training; and
- **Holding owners accountable for poor property conditions** through targeted code enforcement efforts.

## References

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<sup>2</sup> Mayer, Neil, Tatian, Peter, Temkin, Kenneth, Calhoun, Charles. “National Foreclosure Mitigation Counseling Program Evaluation Preliminary Analysis of Program Effects.” November, 2009. The Urban Institute. Washington D.C.  
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<sup>3</sup> “Home Foreclosures in Allegheny County 2006-2007.” Allegheny County Department of Human Services. Pittsburgh, PA. <http://www.ucsur.pitt.edu/files/pncis/foreclosuresDHS1.pdf>

<sup>4</sup> Truehaft, Sarah, Rose, Kalima, and Black, Karen. “When Investors Buy Up the Neighborhood: Preventing Investor Ownership from Causing Neighborhood Decline.” PolicyLink, Oakland, CA. April, 2010.  
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