Servicing REO Properties: The Servicer's Role and Incentives

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In evaluating how best to mitigate the impact of foreclosed properties on communities, policymakers must understand the mortgage servicer's role in managing and disposing of REO properties. What are the servicer's legal and contractual obligations? What are its financial incentives? And what constraints and challenges have emerged as a result of the dramatic increase in foreclosures since 2007?

This article sheds some light on these questions, looking principally at servicers of private-label securitizations of subprime and Alt-A loans, which represent a disproportionately large percentage of foreclosures and REO inventory.[1]

The Role of a Servicer in a Pooling and Servicing Agreement

The servicer's responsibilities in a private-label securitization are set forth in a pooling and servicing agreement (PSA),[2] in which the trustee of the securitization trust that holds the mortgage loan pool for the benefit of the certificate holders engages a loan servicer.[3] The PSA stipulates that the servicer's responsibilities include collecting payments, escrowing taxes and insurance, and handling loss mitigation, foreclosure, and REO administration.[4]

Under a PSA, the servicer's main compensation is a fee representing a portion of the interest accruing on the loans serviced, typically 50 basis points per year for subprime mortgage securitizations and somewhat less for Alt-A securitizations.[5] The servicer may also retain certain ancillary fees, such as late-payment and insufficient-funds charges, and earn interest income from holding the proceeds of borrowers' payments for an interim period, pending the servicer's monthly remittance of collections to the trustee.

The servicer's expenses consist of operating expenses and the interest expense relating to funds the servicer is obligated to advance to the trustee. Operating expenses include office space, hardware and software systems, employee compensation, and the fees of specialized vendors and service providers, as well the cost of maintaining appropriate licensure, compliance, and related controls.

The servicer is also responsible for remitting to the trustee the scheduled principal and interest (P&I) advances and paying certain out-of-pocket costs relating to key servicing functions (servicing advances). Servicing advances can include paying a local attorney to prosecute a foreclosure; hiring an appraiser to update the valuation of a property; paying to secure and maintain a vacant property; paying delinquent property taxes; and procuring substitute insurance when a homeowner allows coverage to lapse.[6] The servicer is entitled to recoup all outstanding P&I and servicing advances relating to a mortgage from the ultimate proceeds of the property's liquidation or the loan's prepayment.[7]

However, because the advances on a loan might remain outstanding and grow for many months, servicers may incur significant interest expenses attributable to the credit facilities or other funding sources for the advances. At any given time, servicers may have up to tens or hundreds of millions of dollars of advances outstanding.[8]

Once a loan is delinquent, there is no extraordinary reward that would justify exceptional efforts to return the loan to current status.

There is an important exception to a servicer's obligations to make P&I and servicing advances: If a servicer determines that the aggregate proceeds from pursuing foreclosure and liquidation of a particular property will not cover any additional advances—a so-called "non-recoverability determination"—the servicer is absolved of the obligation to make additional advances relating to that loan.

Servicers regularly evaluate delinquent loans in their servicing portfolio in order to determine whether or not continuing advances are required. In distressed markets with long foreclosure and REO timelines, significant deferred maintenance and code violation remediation, and very low resale prices, it is not uncommon for servicers to conclude that future P&I advances would not be recoverable from the net liquidation proceeds.

Servicer compensation, it should be noted, is not tied directly to recoveries or results from servicing specific loans. Rather, the compensation is pool-based. Accordingly, as long as the servicer is fulfilling its basic obligation to service in accordance with the PSA, there is only a weak direct financial incentive for the servicer to spend incremental, extraordinary time and expense on achieving a superior result on a loan.[9] Since revenues are essentially fixed, the servicer's incentive is to keep costs as low as possible. To be sure, a servicer's cost is lowest and its profit margin highest on current loans that require only the processing of timely monthly payments. However, once a loan is delinquent, there is no extraordinary reward that would justify exceptional efforts to return the loan to current status or achieve a lower-than-anticipated loss.[10]

Likewise, because the servicer recovers certain third-party expenses as servicing advances, there is a financial incentive to outsource those functions to the extent practicable, rather than build them in-house. For example, if an in-house attorney prosecutes a foreclosure, that attorney's salary is not recoverable as a servicing advance. However, the out-of-pocket expenses a servicer incurs to engage a local attorney to foreclose on a property are typically reimbursable.

REO Properties, Servicers, and PSAs

PSAs are generally structured to include a broad grant of authority to the servicer, governed by some overarching principles, combined with more specific delegations of authority relating to particular tasks.

The broad grant typically includes

- Delegation to the servicer of the authority to "service and administer" the loans
- A requirement that servicing be performed in a manner that is either in the best interests of the trust-certificate holders or designed to maximize the receipt of principal and interest with respect to the loans
- An additional qualification that servicing be performed in accordance with "accepted servicing practices" or consistent with prudent mortgage servicers' administration of similar mortgage loans
- A qualification that the servicing should be performed in the manner in which the servicer administers similar mortgage loans for its own portfolio and without regard to potentially conflicting interests, such as the servicer's relationship with the mortgagor or the servicer's obligation to make P&I or servicing advances.[11]

The broad grant is qualified by more specific directions on how particular servicing-related tasks are performed and by restrictions on what the servicer may do.[12] The two most salient provisions for REO properties are the PSA sections addressing realization upon defaulted mortgage loans and those addressing the title, management, and disposition of REO properties.

The "realization upon defaulted mortgage loans" provision authorizes the servicer to foreclose when it reasonably believes that doing so would maximize the trust's proceeds; the servicer may also recoup as servicing advances certain third-party expenses incurred in connection with the foreclosure.[13]

The "title, management, and disposition of REO" section of the PSA typically

- Directs the servicer to manage, conserve, protect, and operate each REO with a view to liquidating it as soon as is practicable, but no later than the end of the third year following the year in which title is taken (a tax requirement)
- Directs the servicer in what name to take title to the REO
- Permits the servicer to dispose of the REO or rent it for a period of time, subject to preserving the trust's tax treatment
- Allows the servicer to recoup as servicing advances certain out-of-pocket expenses of managing and disposing of the REO; this last point is important because servicers must inevitably rely on local contractors to inspect, appraise, secure, maintain, and sell REO properties.

After taking title to REO on behalf of the trust, the servicer continues to be responsible for making P&I advances, unless it has determined that such advances are non-recoverable.

Some PSAs permit as a recoverable servicing advance the costs of a professional REO management firm, thereby incenting a servicer to outsource its entire REO function to such a firm and avoid the incremental overhead expenses of an internal REO department.[14] Even when an REO management firm's fees are not a recoverable servicing advance, many servicers find it more efficient to outsource some or all of their REO function to regional or national REO management firms. Because such firms spread their overhead over a larger volume of REOs, which they manage for several different servicers, they tend to have more refined and efficient systems, processes, and technology than smaller servicers.

The REO Management Process

The servicing of REO property is governed not only by the specific contractual requirements of the PSA, but also by the broader standard of "accepted servicing practices" and the requirements of local laws and regulations. The REO management process typically falls into three phases, each of which relies on local service providers such as local real estate agents for

- securing and assessing the property
- developing a marketing strategy for the property
- executing the strategy from sale to closing.

Immediately after completing a foreclosure, the servicer secures the property, typically by re-keying the locks if the property is vacant and making emergency repairs to avoid damage to or deterioration of the property. The servicer also completes any required registration.

For occupied properties, the servicer evaluates the occupants' intentions and may offer a modest cash payment to induce the tenant or prior owner to vacate. If the property is occupied by a bona fide tenant, federal law requires that the servicer permit the tenant to remain in the property, at fair market rent, for the remaining term of their lease.

If the occupants are not willing to vacate the property or accept an offer for renting it, the servicer begins the eviction process. Generally, in the course of the foreclosure, the servicer will have performed at least an external inspection of the property and may have a sense of its condition prior to taking title.

After taking title and securing the property, the servicer develops a marketing strategy. On the basis of an appraisal or a broker's price opinion, the servicer estimates the likely sales price and anticipated net proceeds of the property. The servicer also determines whether there are any title defects that could impede a sale.

A more thorough inspection of the property helps the servicer determine its value and condition as well as establish whether the property is in a condition suitable for a purchaser dependent on FHA financing. If repairs are needed, the servicer obtains bids and engages contractors.

One factor influencing the servicer's repair decisions is whether there will be sufficient proceeds to recover the repair costs as a servicing advance. If the P&I and servicing advances that accrued during foreclosure—and those likely to be incurred during the REO and sale process—exceed the expected liquidation proceeds so that there probably will not be any net proceeds, the servicer is likely to make more limited repairs or seek to sell the property quickly to an investor as is.[15]

If further advances are likely to be recoverable, the servicer then executes the marketing strategy by overseeing necessary or desired repairs; engaging a listing broker; establishing a listing price; ensuring that any delinquent taxes, HOA fees, or similar assessments have been paid; and, if some of the property damage is insured under the homeowner's policy, pursuing insurance claims. When it receives a suitable offer, the servicer will accept it and then oversee the closing, receipt of proceeds, and transfer of title.

Less commonly, the servicer elects to pursue an alternative disposition strategy, such as an auction or a bulk sale, particularly for properties in declining markets saturated with such properties, where traditional sales methods take longer to complete and would likely exacerbate the trust's loss.

While the basic elements of the REO management process tend to be consistent, servicers have varying degrees of authority. For example, in some instances, an investor or bond insurer will require approvals for decisions that fall outside narrow grants of authority.

Industry Measures of Servicer Effectiveness

Two categories of industry metrics gauge servicer effectiveness in REO administration: timeliness and net value, or proceeds.

Timeliness measures evaluate how quickly and steadily REO properties move through the process. On a portfolio level, servicers and industry participants such as ratings agencies measure the total inventory "turn" rate on a month-to-month basis—that is, the number of property closings as a percentage of the number of REOs in inventory at the beginning of the period. They also evaluate the average duration in REO inventory and the average time in various stages of the REO process to determine trends.

The second metric is a measure of proceeds—not in absolute terms but in comparison to the expected sales price developed when title was taken. Servicers strive for accuracy and predictability. Industry participants scrutinize the degree to which the actual outcomes of REO transactions deviate significantly from the expectations that drove the initial REO strategy.

Challenges Spurred by the Housing Crisis

The dramatic rise in foreclosures since 2007 has placed additional stress on standard REO management processes, increasing the costs, complexity, and risk to servicers. Like the housing finance industry, the servicing industry has had to adjust to these challenges. This section examines some of the challenges, their effect on servicers, and how the industry has responded.

Declining home values. Broad and relatively rapid home value declines since 2007 forced servicers to scrutinize and adjust their marketing strategies more carefully. A property on the market for several months might decline in value and require successive price drops during that period.

In calculating the value of an REO property, servicers and local real estate listing agents increasingly employ more robust automated tools to assess factors that influence the REO sale strategy, such as other foreclosures, negative equity, and owner occupancy rates in the immediate neighborhood.

Over time, servicers have adjusted their models to accommodate selling properties quickly rather than holding onto potentially wasting assets. At times this may mean selling to a cash investor immediately, at a slightly lower price, instead of waiting for a prospective owner-occupant to receive financing for the purchase.

Tighter credit standards. The significant tightening of underwriting standards has limited the funding available to purchasers of REO properties, especially first-time homebuyers. Although the FHA has partly filled the gap, it is hampered by more stringent collateral requirements that may require substantial repairs to make a property eligible for such financing. In order to increase the likelihood that a property will qualify for an FHA loan, some servicers, immediately after taking title, improve properties to a level that would pass an FHA inspection. That fact is even noted in some listings in order to attract potential buyers.

On the other hand, in some situations the substantial costs and time necessary to make a property FHA-eligible drives a servicer to focus on a quick, "as is" sale to an investor as the best outcome for the trust.

Vacant property registration requirements and code enforcement. Many local governments, concerned about the increasing number of vacant homes, have passed registration ordinances that allow them to track which homes have become vacant.[16] Likewise, code enforcement officials and homeowners' associations have become more aggressive in pursuing servicers for repairs and maintenance. Even when a servicer believes that allegations of the prior owner's infractions are without merit, it is sometimes cheaper simply to make the required repairs. Longer foreclosure timelines also increase the likelihood that REO properties will be in greater disrepair when title is taken.

Servicers have adjusted their models to reflect these higher expected costs; their adjustments influence the timing and price of the sale and whether it might be preferable to arrange a short sale or adopt a bidding strategy that would allow the property to be purchased at auction by a third party, rather than by the servicer on behalf of the trust.

Heightened tenant protections. Policymakers have become increasingly concerned about reports of tenants in foreclosed homes facing eviction. Likewise, the proliferation of vacant properties has placed a premium on keeping distressed properties occupied to mitigate the potential negative neighborhood impact of another vacant property.

In May 2009, the Protecting Tenants at Foreclosure Act became law, obliging the successor-in-interest to a foreclosed property to permit tenants with bona fide leases to remain in REO property on market terms and requiring longer notice periods to tenants to vacate the property. Some states have also adopted longer notice requirements and additional protections for tenants in foreclosed properties.[17] Accordingly, the GSEs and servicers have had to develop the capability, internally or through vendors, to manage the rental process as well as other requirements of the legal directives.

Despite these added protections, anecdotal reports from servicers indicate that most tenants elect not to pursue the lease option, preferring to accept financial inducement to relocate.

In some jurisdictions, tenant advocates have became more aggressive in pursuing strategies to permit tenants to forestall eviction or command a higher inducement price to vacate the property. Servicers in those jurisdictions find it increasingly difficult to fulfill their obligations to maximize proceeds for the trust. Until they take title, servicers have very limited authority and ability to perform a robust inspection to determine whether or not the current owner is adhering to applicable rental-housing laws. Once the servicer takes title on behalf of the trust, advocates for the tenants may pursue court action to require repairs and financial compensation for the tenants that may result in substantial additional losses for the trust.

In a troubling development, some servicers report fraud schemes in which individuals who are not bona fide tenants of a foreclosed property move in during the foreclosure process and use these laws and protections to extract monetary settlements.

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Efforts to make properties available for nonprofits and local governments. Local governments and nonprofits have reacted to the increase in REO, foreclosed, and abandoned properties by seeking ways to offset the negative local impact. The Neighborhood Stabilization Program, created by federal legislation in 2008 and expanded in 2009,[18] provides funding to stabilize communities that have suffered from foreclosures and abandonment. Organizations such as the National Community Stabilization Trust and the REO Clearinghouse also help local organizations purchase or receive contributions of REO property from servicers. Servicers participating in the Trust agree to provide a "first look" to local organizations interested in purchasing REO that meet specified criteria in certain markets.

Although these programs have experienced modest success, the volumes of properties coming to market each month that meet the designated geographic and other criteria established by participating nonprofits and community-based organizations are still quite small compared to the total number of REO transactions in a given month. Also, there are persistent operational challenges to reconcile the often-longer timelines of nonprofits that have funding, governance, and charter constraints with servicers' strong desire to dispose of REOs quickly.

Extended foreclosure timelines. Foreclosure moratoria, loan modification programs, courts' administrative backlogs, and legislative changes to the foreclosure process (such as additional notice periods and mandatory mediation), while well meaning, have nevertheless increased the "shadow inventory" of properties suspended in various stages of foreclosure.[19] At the same time, the number of properties in REO has actually declined as capacity expansion, both internally and through the use of REO management firms, has helped servicers to complete sales more quickly than new REO properties come in.

Because of the longer foreclosure timelines, more advances have accrued that will ultimately offset any liquidation proceeds. In order to mitigate the advances and accelerate the disposal process, servicers are becoming more aggressive about short sales and third-party sales at foreclosure auction. Funds that could be used more productively to maintain or repair a property once it reaches REO have increasingly been exhausted through the longer foreclosure timeline and P&I advancing burden.

The "toxic title" phenomenon. In some markets with high foreclosure rates, low property values, and aging housing stock, servicers have started to suspend the foreclosure process on a home rather than pursue it to REO and liquidation. This phenomenon is sometimes referred to as "toxic title"—the owner of record has abandoned the property and may believe the foreclosure has been completed, but the lien-holder has not yet taken title. In most jurisdictions, code enforcement has very limited ability to pursue a lien-holder; at the same time, the owner who has vacated the property is either unreachable or is unwilling or unable to make the repairs or pay fines.[20]

Although this practice is uncommon in most markets, in certain of the hardest-hit markets servicers will increasingly find that their obligations to the trust to maximize proceeds (or minimize losses) might require them to abandon foreclosure and walk away from the property. Some servicers elect to release the lien in such a case.

Whether or not the lien is released, if the owner of record is unaware that the foreclosure has been abandoned, or if the owner is unwilling or unable to engage with local authorities with respect to taxes, code issues, or the potential transfer of the property, efforts to address the property will be hampered. One response to this phenomenon is to broaden vacant-property ordinances so that registration and maintenance obligations extend to lien-holders of vacant properties in default.[21]

The expansion of the lien-holder's obligation troubles mortgage investors and their servicers. Investors understand that they bear the risk of total loss of their investment in a particular mortgage. However, they consider it inequitable to compound their loss by also making them liable for code violations, unpaid taxes, delinquent homeowner association obligations, landlord-tenant issues, or other property-related obligations of the defaulting property owner.

Servicers face legal and practical constraints on accessing and repairing a property that the borrower still owns. On the other hand, they face reputational risks relating to being identified with a "toxic title" or abandoned property. In addition, even if legislative changes expand a servicer's right to access and alter a vacant property during the foreclosure process, doing so would potentially breach the servicer's obligation to the trust if the servicer reasonably believed that such repairs would constitute non-recoverable advances. As policymakers strive to reach back earlier in the process to impose on lien-holders certain obligations for code violation remediation and general repairs and upkeep, those efforts will merely force servicers to decide earlier whether or not to proceed with foreclosure. Once the servicer concludes that the expenses of upkeep and repair will not be recoverable, it may be precluded contractually from making those repairs.

Conclusion

Although there are no clear transformational policy or community approaches to addressing the challenges of REO properties, a few incremental steps are worthy of further exploration to mitigate the impact REO properties have on communities.

First, when a property is vacant or when it is clear that no foreclosure alternatives are likely to succeed with a given borrower, policy measures that can streamline the foreclosure process are more likely to leave funds available for the servicer to make code improvements, do repairs, pay taxes, and list and dispose of the property in an orderly fashion. Funds depleted through drawn-out periods of making P&I advances could be utilized more constructively in facilitating an orderly sale of a code-compliant property to an owner-occupant or community-based organization.

Second, although there will continue to be situations where a servicer must contractually forgo foreclosure, under certain circumstances there could be requirements, for lien release and/or enhanced efforts, to notify the title holder that foreclosure is not being pursued. This would increase the likelihood that owner-occupants or tenants will stay in cases where the servicer does not intend to take title.

Third, commercially available information can give community-based organizations and local governments more insight concerning properties that are likely to be in REO within six, 12, or 18 months, or that are at risk of ending up with toxic titles. When records of tax payments, delinquency status, ownership, lien status, and similar data are combined with information on valuation, negative equity, and neighboring properties, they can provide earlier warnings to allow community-based organizations and local governments to engage with servicers and develop neighborhood- or even property-specific strategies.

Finally, in order to reduce the number of toxic titles, policymakers should explore the prospect of allowing a servicer or investor who would normally forgo pursuing foreclosure due to non-recoverability of code-violation remediation or back taxes to take title nevertheless, provided there is an instantaneous contribution of title "as is" to a local government or nonprofit. If investors who have lost their entire mortgage investment (or the servicers acting on their behalf) know that they will not be further burdened by obligations for code remediation, they may be more willing to take title and transfer the property to a government or nonprofit entity that will be able to begin moving the property back into productive use.

Funds that could be used more productively to maintain or repair a property once it reaches REO have increasingly been exhausted through the longer foreclosure timeline and P&I advancing burden.

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Endnotes

1 CoreLogic data for REO properties in January 2010 show that slightly over 50 percent of first liens in REO status came from subprime or Alt-A mortgages. Although prime or conforming loans represent a much larger proportion of mortgages outstanding, they are underrepresented relative to subprime and Alt-A loans among delinquent and REO properties. Moreover, GSEs control their own REO disposition, whereas subprime and Alt-A REO are typically dispersed among and controlled by a much larger number of servicers.

2 Sometimes this agreement is called a sale and servicing agreement and sometimes it takes the form of an assignment, assumption, and reconstitution agreement that reconstitutes an existing servicing agreement.

3 In a securitization transaction, the trustee holds the loans in trust for the owners of the certificates or securities that represent the ownership interests in the trust. For a basic (although slightly dated) overview of asset securitization, see Asset Securitization, Comptroller's Handbook 1997 available at www.occ.treas.gov/handbook/assetsec.pdf (July 2010).

4 Some PSAs divide servicing responsibility among a master servicer, a servicer, and/or one or more subservicers. This division of responsibility typically reflects a desired division of economic interests or specialization that results in carving up the servicer's role between two or more parties. In a large pool with multiple servicers, a master servicer is typically responsible for aggregating all monthly remittance reports and determining the pool's aggregate results.

5 In some transactions, the initial pricing is lower, and then steps up as the pool seasons. This more closely replicates the cost to service that increases over time as a percentage of the remaining pool balance for two reasons: First, as the pool size decreases (due principally to prepayments), the fixed costs of servicing are spread over a smaller pool balance; second, the delinquency level of the remaining loans increases as the pool seasons and some current loans refinance and are paid off.

6 A representative 2007 subprime PSA defines servicing advances as "[a]ll customary, reasonable, and necessary 'out of pocket' costs and expenses (including reasonable attorneys' fees and expenses) incurred by the Servicer in the performance of its servicing obligations, including… (i) the preservation, restoration, inspection and protection of the Mortgaged Property, (ii) any enforcement or judicial proceedings, including foreclosures, (iii) the management and liquidation of the REO Property, and (iv) compliance with the obligations under [sections relating to taxes, insurance, recording of releases and other out-of-pocket expenses]" (Option One 2007-6 PSA).

7 If the proceeds of liquidating the loan cannot completely reimburse the servicer for accumulated advances on that loan, the servicer may reimburse itself from collections and prepayments on other loans in the pool.

8 For smaller, independent servicers, this advancing obligation is more than a significant interest expense; it can strain a servicer's liquidity. In fact, ratings agencies consider a servicer's ability to fulfill advancing obligations as an important factor in rating it.

9 Ratings agencies, issuers, and investors track the overall effectiveness of servicers. Typically, they compare a servicer's performance to the results of servicers of loans of similar characteristics and vintages. Achieving better-than-average results increases a servicer's chances of being selected for future pools.

10 PSAs' compensation structure is very different from that used by investors in pools of distressed mortgages to incent special servicers to maximize recovery. Special servicing agreements are customized to induce a performance consistent with the investor's objectives. For example, servicers may get extra payment for successful short sales, deeds in lieu, or other loss-mitigation measures. They may also receive bonuses for keeping aggregate losses below projected levels.

11 For a representative formulation of the broad delegation of authority, see www.sec.gov/Archives/edgar/data/1365364/000119312506141969/dex101.htm. See also Option One, cited above.

12 Some restrictions exist to give certificate holders the desired tax treatment of the trust. Others empower certain stakeholders to approve specific measures. For example, in securitizations where certificates are credit-enhanced by a bond insurer, modifications or short sales commonly require the insurer's prior approval.

13 See, for example, www.sec.gov/Archives/edgar/data/1372671/000114420406043873/v055673_ex4-1.htm.

14 In some more recent transactions, REO management firms' fees are not recoverable as servicing advances. Some industry participants perceive the REO management function (management and oversight of local vendors who handle REO preservation and disposition functions) as an internal expense that a servicer should bear as a general operating expense. See Option One, cited above.

15 In fact, if the proceeds are unlikely to cover accrued P&I and servicing advances, the servicer might not even take title to the REO, preferring to pursue an alternative strategy such as a short sale or a lower bid at auction that might allow a third-party bidder to prevail. This is an

important area in which the interests of local governments and nonprofits diverge from the contractual obligations of servicers. If a servicer reasonably believes future repairs, maintenance, and improvements would be "non-recoverable" advances, it would arguably be breaching its PSA obligations if it were to incur those expenses rather than execute a rapid "as is" sale or even avoid taking title.

[16]For a list of vacant property ordinances, see http://www.safeguardproperties.com/vpr/city.php.

[17]For example, Illinois HB 3863, which became effective in November 2009, amends certain foreclosure-notice language to give tenants more information about their rights.

[18]See the Housing and Economic Recovery Act of 2008 and the American Recovery and Reinvestment Act of 2009.

[19]CoreLogic estimated that there was a pending supply of 1.7 million residential properties as of September 2009, up from 1.1 million a year earlier. This includes REO properties, pending foreclosures, and properties with mortgages more than 90 days past due. Normally, this "shadow inventory" would not be included in official measures of unsold housing inventory.

[20]Professor Kermit Lind describes this phenomenon in "The Perfect Storm: An Eyewitness Report from Ground Zero in Cleveland's Neighborhoods," *Journal of Affordable Housing* 17(3): 237–258 (2008). For local governments' code-enforcement challenges with respect to properties abandoned during the foreclosure process, see Joseph Schilling's "Code Enforcement and Community Stabilization: The Forgotten First Responders to Vacant and Foreclosed Properties," *Albany Government Law Review* 2: 101–162 (2009).

[21]For example, see Miami–Dade County, Florida, Ordinance No. 08-134, adopted December 2, 2008; and New Haven, Connecticut, Ordinance No. 1583, adopted January 22, 2009.