Who Owns Your Neighborhood?

The Role of Investors in Post-Foreclosure Oakland

June 2012

URBAN STRATEGIES COUNCIL

Acknowledgements

This report was written by Steve King, with invaluable contributions from many at Urban Strategies Council. The Executive Summary was written by Steve Spiker and Steve King. Steve Spiker provided critical oversight and direction to the entire project. Vinay Murthy carried out the heavy lifting with nearly all of the data, and completed the technical setup and troubleshooting of the survey instrument in Open Data Kit. Eron Budi, Dennis Freeman, Steve King, Vinay Murthy, and Steve Spiker collectively completed the property survey field work. Rebecca Brown, John Garvey, Anne Griffith, Steve Spiker, and Junious Williams all reviewed and commented on multiple drafts. Finally, Anne Griffith and John Garvey provided thoughtful input on the overall framing and orientation of the report.

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Executive Summary

In Oakland, the narrative sweep of the foreclosure crisis is as messy and dramatic as a Greek tragedy, encompassing themes of hope, opportunity, greed, despair, and loss. In broad strokes, the basic trajectory is well known: what began with an over-inflated housing bubble and the targeting of predatory loan products to homeowners of color has ultimately peaked with the displacement of thousands of Oakland residents due to foreclosure. With the much needed attention given to foreclosure prevention and the questionable behavior of financial institutions, there has been very little focus on what has happened to properties post foreclosure. This report seeks to fill this gap.

The point of departure for our analysis is the precise moment of loss—when the foreclosure process is legally complete and a home is sold at a trustee sale. From there, we tell the story of who is benefitting from the new opportunities created out of the life altering misfortunes of others. To this end, we address the following questions:

> *What has happened to the thousands of homes that have gone through foreclosure in Oakland?*
>
> *Who has acquired, or currently owns, these houses?*
>
> *What is the status and condition of these distressed properties and what is their ongoing and future impact on the surrounding community?*

To approach these questions, we analyzed, condensed, and simplified what is otherwise a convoluted process of property transactions and official document filings. Using an array of different data sources, this report situates Oakland's post-foreclosure reality in the larger context of the housing crisis. Through our analysis of foreclosure outcomes, we reveal which financial institutions have completed the most foreclosure proceedings in Oakland.

Further, we follow the labyrinth of transactions to see who is buying properties at trustee sale auctions, as well as purchasing foreclosed properties directly from banks. Given the lack of information available on the neighborhood level impacts of investor activity, we present the results of a field survey of the properties owned by Oakland's two largest foreclosure investors.

Finally, we consider the range of possible implications of these discoveries and how Oakland residents stand to benefit or lose from the unprecedented shift in housing tenure in the city.

Overview

The collapse of housing values in Oakland brought about by the foreclosure crisis has opened up a colossal opportunity for those individuals and corporate entities with the financial resources to play the real estate investment game. Our analysis shows that eighty one percent of the 10,508 completed foreclosures in Oakland (since 2007) reverted to REO status; that is, they ended up being owned by banks, other financial institutions, or one of the Government Sponsored Enterprises (GSEs). However, that status—in large part—has proven to be only temporary, revealing just one aspect of Oakland's post-foreclosure reality.

In fact, 16 percent of foreclosed properties never reached REO status, and instead were purchased by investors at trustee sale auctions. Moreover, investors acquire a significantly higher volume of properties post-foreclosure through direct purchases from financial institutions. Our analysis reveals that—as of October 2011—investors had acquired 42 percent of all properties that went through foreclosure since 2007 in Oakland. Of these properties acquired by investors, 93 percent are located in the low-income flatland neighborhoods of the city. Further, only ten out of the top 30 most active investors are located in Oakland.

Our analysis also revealed that while non-investor individuals are very rarely able to engage in the trustee sale auction process (due to the fact that cash is required to purchase at auction), they have demonstrated a significant demand for affordable homeownership opportunities through REO purchases. Between 2007 and October 2011, non-investor individuals acquired 55 percent of the REOs sold by banks and the GSEs, even in the face of the competitive advantage that cash investors wield at multiple stages in the post-foreclosure home buying landscape. Further, we found that *non-investor individuals or entities were six times more likely than investors to retain ownership of their REO or trustee sale acquisition*. In large part, the post-foreclosure transaction churn grinds to a stabilizing halt when non-investor purchasers are able to successfully engage in the process and buy a home as an owner-occupant. Despite the volume of individual acquisitions, the fact remains that investor capital to purchase foreclosed properties far outweighs the resources that nonprofit organizations or local governments have to address the problem. Further, investors increasingly have the upper hand in transaction situations—frequently prevailing over families and nonprofits—due to the fact that they are able to purchase with cash.

These findings raise a series of questions regarding the role that investors are playing—and will continue to play—in Oakland neighborhoods already devastated by the foreclosure crisis. The spike in non-local ownership and non-owner occupied housing presents concerns related to the extraction of wealth from low-income neighborhoods, in addition to ongoing property maintenance and management issues. Given the nearly exclusive focus of investor activity in Oakland's flatland neighborhoods, a range of apprehensions emerge regarding shifting tenure, neighborhood succession, and the displacement of residents. Embedded in all of these issues is the underlying question about the strategies and intentions of both banks and investors in Oakland. A bank's decision to sell a foreclosed property to a limited liability corporation as opposed to a working family produces a very different outcome for the community. This decision made repeatedly over thousands of transactions amounts to a sea change in the composition and tenure of neighborhoods. In a piecemeal process, banks and the GSEs are essentially selling the control and ownership of neighborhoods to non-resident investors and corporations.

The top two foreclosure investors profiled in this report, Community Fund LLC and REO Homes LLC, have acquired nearly 500 properties in Oakland since 2007. The fact that these two investors could, in the span of several years, amass such substantial portfolios is indicative of their capacity to impact both the built and socio-economic environments of Oakland neighborhoods. Moreover, this rapid scaling of acquisition activity has occurred in the absence of any real public awareness or civic engagement.

For instance, amidst the deep history of neighborhood activism and long held concerns regarding resident displacement in West Oakland, REO Homes LLC has been able to infiltrate a community beset by a crisis and cobble together a sizeable fiefdom. Community Fund LLC has been even more active in East Oakland, yet in a slightly more dispersed manner. While this kind of investor activity has eluded public scrutiny, its impacts will reverberate throughout the city for many years to come.

In the absence of reliable information about the activity of investors in Oakland, it is nearly impossible to grasp the magnitude of the impact they are having. Individually, their impacts may vary by degrees; yet over time, the aggregate effect will be significant. As this study begins to part the post-foreclosure fog in Oakland, there is an uncanny sense of history repeating itself in the city's low-income neighborhoods. Rampant speculation, excessive risk, and a lack of adequate regulation spurred the crisis in which we now find ourselves. The question remains: what evidence exists that demonstrates the same approach will successfully stabilize neighborhoods for Oakland residents and lead us out of the current morass?

Major Findings

Foreclosing Institutions

- Of the 10,508 completed foreclosures in Oakland between 2007 and October 2011, 81 percent reverted to REO status (owned by a bank, GSE or government entity) at the trustee sale. As of October 2011, 69 percent of these REO properties were subsequently sold by their foreclosing beneficiary; the remaining 31 percent of REO properties were still owned by a financial institution.
- Deutsche Bank foreclosed upon 1,511 properties in Oakland between 2007 and October 2011, the most of any financial institution. US Bank, Wells Fargo, Fannie Mae, and Bank of America are the other institutions among the top five foreclosing entities.

Speculative Real Estate Investment Pipeline

- Of all completed foreclosures in Oakland between 2007 and October 2011, 42 percent were acquired by investors, either at trustee sales or through direct purchases from financial institutions. Investors acquired 45 percent (2,681) of the 5,923 REOs sold by banks, GSEs, and government entities.
- Investor activity at trustee sales of Oakland properties picked up significant momentum after 2008, rising from a 7 percent share of all trustee sales in 2008 to nearly 25 percent in 2010.
- Of the 886 homes acquired at trustee sale and subsequently flipped by investors, 312 were purchased by a second investor.

Investor Profits Draining Local Wealth

- Only ten of the top 30 foreclosure investors in Oakland are actually based in Oakland.
- 93 percent of investor-acquired properties are located in the low-income flatland neighborhoods of Oakland—the same communities targeted by predatory lenders in the years preceding the foreclosure crisis.
- As of October 2011, Community Fund LLC had flipped 120 homes with an average acquisition price of $124,535 and an average selling price of $195,256, for an average gross gain of $70,721 per property.
- As of October 2011, REO Homes LLC had flipped 10 homes, with an average acquisition price of $128,270 and an average selling price of $315,250, for an average gross gain of $186,980 per property.

The Investor Property Survey

The distressed housing pursued by investors is often in poor condition, whether due to deferred maintenance related to the age of the housing, or more recent problems associated with foreclosure and vacancy, such as squatting, vandalism, and theft. It remains to be seen whether investors are willing to do costly, yet crucial upgrades to ensure the health and safety of their properties, such as seismic retrofitting or the remediation of outstanding environmental health hazards. This continues to be a major concern for residents in the community, groups working to support neighborhood revitalization, local government code enforcement, and a very problematic issue for tenants of investor-owned properties.

Given our findings related to the top two Oakland investors and the dearth of information on their disposition strategies, we designed and launched a comprehensive property condition survey of their portfolios. We adapted a property inspection survey form for mobile use with an Android phone. Each property was inspected from the exterior and rated on over 20 different metrics. The resulting data were uploaded into a Geographic Information System and linked to our existing database of property transaction records.

Our survey assessment revealed that only six percent of Community Fund LLC's properties had some visibly recent rehabilitation work. Conversely, 56 percent of REO Homes LLC's holdings appeared to have had some degree of work done, ranging from cosmetic improvements to more substantive repair. However, properties owned by REO Homes LLC scored marginally worse than those of Community Fund LLC according to our aggregate condition index. The deferred maintenance and age of REO Homes LLC's properties in West Oakland could partially account for condition related issues and their rehabilitation activity; further, their apparent focus on a short- to medium-term rental strategy may necessitate some baseline level of work to ensure that their holdings are in leasable condition. Community Fund LLC, on the other hand, appears less engaged in active rehabilitation of their acquisitions. Their disposition strategy is seemingly more varied and oriented towards realizing shorter-term gains where possible, utilizing both sales and rentals.

Key Recommendations

Given our findings, we are proposing several recommendations to address discrete aspects of the post-foreclosure situation in Oakland.

At the municipal level:

1. The City of Oakland's foreclosure recovery arsenal needs to be expanded to include a rental registration and inspection program. Extending a registration program to include inspections of rental properties would incentivize owners to properly maintain their units and ensure compliance with the existing building code. The deferred maintenance and age of much of the flatland housing stock where investors have been particularly active magnifies the need for some form of proactive municipal oversight of rental properties.

Banks, the Federal Housing Finance Agency, and the GSEs can undoubtedly have a more beneficial, community-oriented impact on the post-foreclosure landscape in Oakland in a number of key ways:

2. Banks and the GSEs need to expand and improve their first-look programs to give owner-occupant buyers and nonprofits priority access to their foreclosure holdings. Their existing first-look efforts are clearly not producing the kind of transformative neighborhood impacts as investor activity in the distressed property market is having. Families should be prioritized in their disposition strategies rather than corporations.

3. Financial institutions, the federal government, and the mortgage finance industry must redouble their commitments to invest in strategies that support safe and sustainable homeownership. It is essential that the opportunity to become a homeowner is not inequitably limited to middle- and upper-income families.
4. Banks also have the opportunity to play a more proactive role in the way they manage and maintain their foreclosure portfolios. Banks could expand their REO property maintenance activities to include some targeted rehabilitation work and code compliance upgrades to ensure the health and safety of their properties, improve the marketability to new owner-occupants, engage the local workforce, and effectively cut out the investor as an unnecessary intermediary.

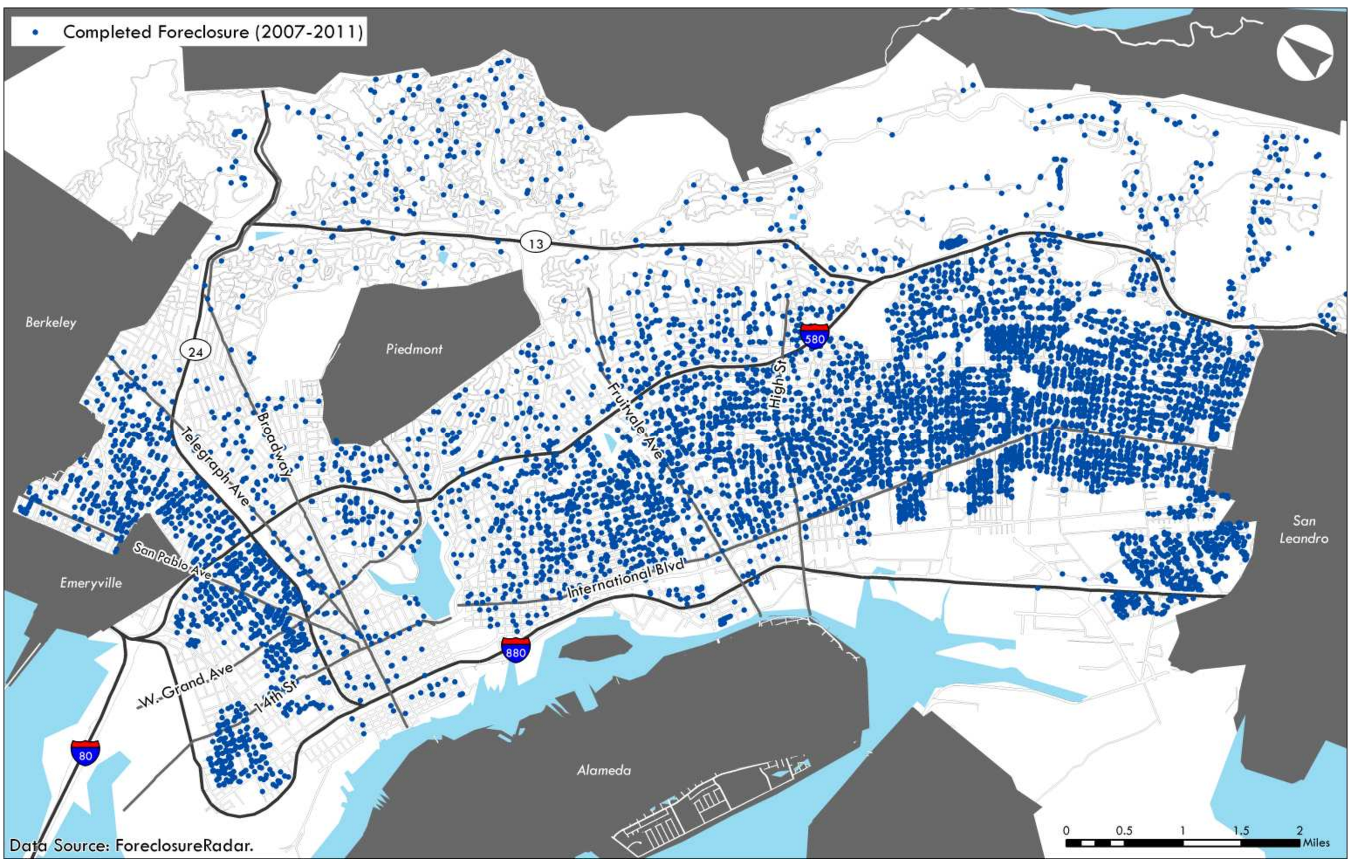
Finally, completing this analysis was particularly difficult due to the convoluted and disjointed nature of the various data sets needed to effectively track properties in and out of the foreclosure process. This fact can partially be blamed for the paucity of awareness regarding the surge in investor activity in Oakland. The data is simply not readily available. Without reliable data, the big picture trends and detailed minutiae are both out of reach.

5. This reality points to a clear need for more accessible and user-friendly public data systems that electronically link property transaction filings to real parcels (in addition to owner) and feature exportable data that would facilitate both record-level and aggregate analyses. A more transparent and usable public data system could provide a view into the transaction trail and ownership history of properties, and more specifically, could give the public a new oversight capability to help prevent fraud and wrongful foreclosure or eviction. Such a system would allow renters and homeowners to better monitor any liens or official documents filed against any property in question.

Introduction

Since 2007, there have been over 10,000 completed foreclosures in Oakland. To put it simply, this means that over 10,000 properties have changed ownership at least once in the past five years as a result of foreclosure. (Figure 1) For those caught up in this disruptive fray, the consequences have likely been life altering. The foreclosed houses that predominate in the flatland neighborhoods of Oakland conceal deeply personal and complex stories of pride, opportunity, and loss; these narratives are not visible to the casual observer or passerby—instead one might only sense a fleeting hint of dislocation at individual addresses or the more insidious feeling of neighborhood decline. Amongst this process of displacement, abandonment, and reoccupation is an ongoing story about neighborhood change in Oakland that has yet to be revealed.

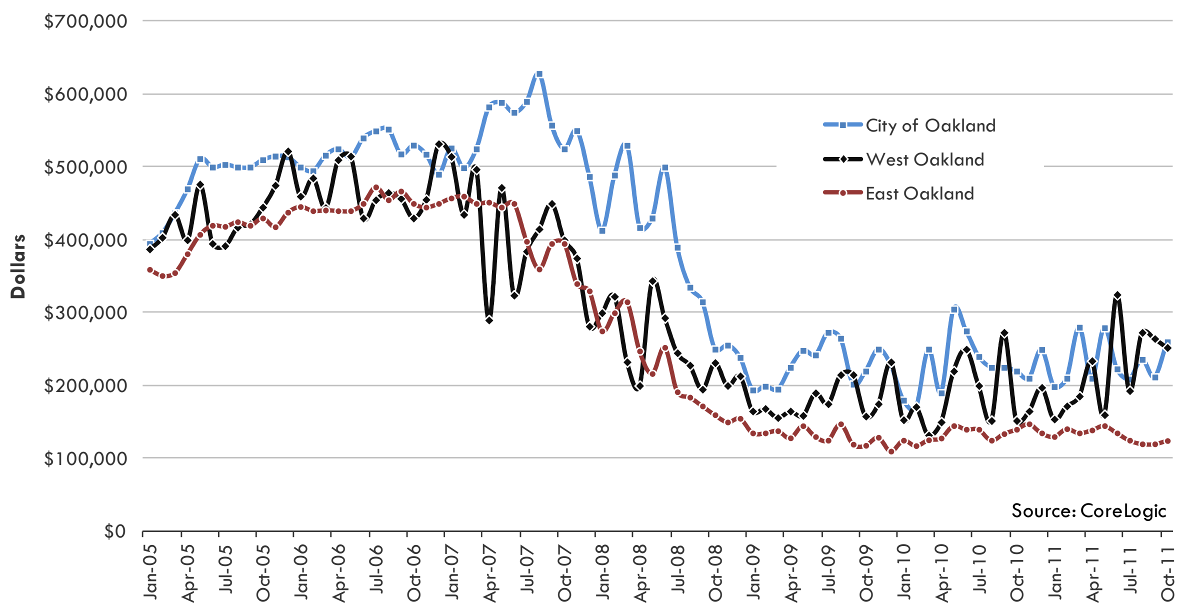
Figure 1: Completed Foreclosures in the City of Oakland, 2007 through 2011



From the height of the housing bubble in August 2007 to the lowest point (thus far) in February 2010, the median single-family home sales price in Oakland declined 73 percent ($628,500 down to $169,250); the crash has been even more relentless in parts of East Oakland, where the median price has declined 79 percent.[1] (Figure 2)

[1] Calculations by Urban Strategies Council using data from CoreLogic.

Figure 2: Median Single-Family Home Sales Prices in Oakland (Citywide) Compared to West and East Oakland, 2005 to October 2011



In the midst of this devaluation that began with the tragic end of an American dream for so many Oakland individuals and families, new and different types of opportunities have emerged for select others. While we generally know who and what neighborhoods have been most impacted in Oakland as a result of foreclosure, there has been little public attention paid to who, in turn, is benefitting in the aftermath.

As the unprecedented displacement of residents and extraction of wealth out of many Oakland neighborhoods continues, several key unanswered questions remain that this report seeks to address: What has happened to thousands of homes that have gone through foreclosure in Oakland? More specifically, who has acquired, or currently owns, these houses? What is the status and condition of these distressed properties and what is their ongoing impact on the surrounding community?[2] At a time when local government, nonprofit community-based organizations, and grassroots organizing groups are working to mitigate the negative impacts of the foreclosure crisis and to promote neighborhood recovery, what effect is investor activity in the distressed property market having on Oakland neighborhoods?

Why does the ultimate disposition of foreclosed properties matter? The wide-ranging challenges that foreclosures present for cities, neighborhoods, and residents have been well-documented in previous research, and include: the displacement of families; psychological stress among school-age children; declining home values in close proximity to distressed properties; blight, neglect, property vandalism and other crime; and municipal strain due to increased service burdens and declining revenue from property taxes.[3] Many of these negative outcomes are cumulative, may

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[2] The term "distressed" in the real estate context generally refers to tax or lien burdened properties, properties that are in mortgage default, or those that are being sold by a foreclosing beneficiary after a completed foreclosure, often with a price reduction below what is considered the market value.

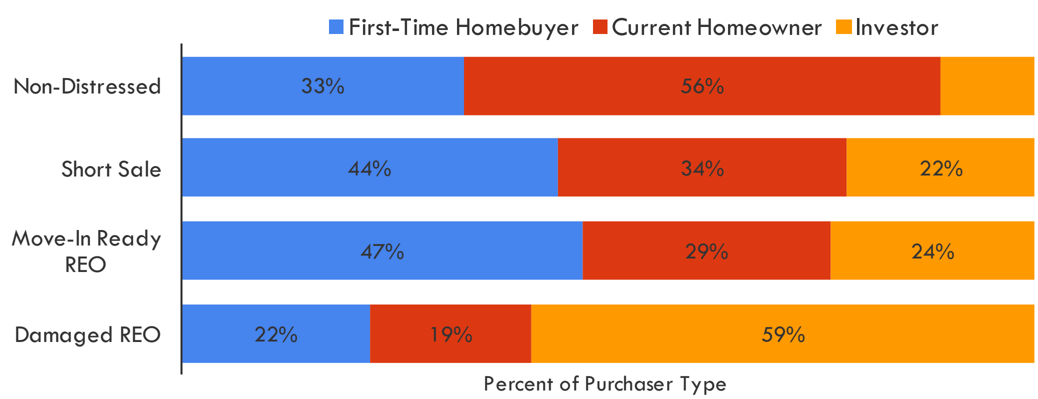
[3] See, for example: K. Pettit and J. Comey, *The Foreclosure Crisis and Children: A Three City Study*, Washington, D.C.: The Urban Institute, 2012; G.T. Kingsley, R. Smith, and D. Price, *The Impacts of Foreclosure on Families and Communities*, Washington, D.C.: The Urban Institute, 2009; W. Apgar, M. Duda, and R. Gorey, *The Municipal Cost of Foreclosures: A Chicago Case Study*, Minneapolis: Homeownership Preservation Foundation, 2005; D. Immergluck and G. Smith, "The External Costs of Foreclosure: The Impact of Single-Family Mortgage Foreclosures on Property Values," *Housing Policy Debate* 17: 1 (2006); J. Harding, E. Rosenblatt, and V. Yao, "The Contagion Effect of Foreclosed Properties," *Journal of Urban Economics* 66: 3 (2008); J. Shuetz, V. Been, I. Gould Ellen, *Neighborhood Effects of Concentrated Mortgage Foreclosures*, Working Paper 08-03, New York University Furman Center for Real Estate and Urban

persist for extended periods of time, and can accompany either real estate owned (REO) properties that have reverted to bank, government-sponsored enterprise (GSE), or government ownership after foreclosure, or properties purchased post-foreclosure by investors or other parties.

In response to these challenges, municipalities across the country have proactively taken steps to address the newfound stock of REO properties within their jurisdictions. Through a variety of mechanisms including code enforcement, blight abatement, and the enactment of ordinances designed to compel REO owners to maintain their foreclosed properties, local governments have attempted—with varying degrees of success—to reign in the negative impacts of increased levels of property vacancy and absentee ownership. In 2010, the City of Oakland adopted a vacant and foreclosed property registration ordinance, requiring owners to register their vacant residential properties with the City, and to mandate the ongoing maintenance of their holdings. While enforcement of the ordinance and collection of fines for noncompliance has proven a challenge, City officials are cognizant of the situation and staff is actively inspecting REO properties in Oakland.

However, banks and the GSEs represent just one of the major categories of participants in the foreclosed property market. Nationally, aside from financial institutions, real estate investors are by far the largest player in the post-foreclosure housing market, particularly when it comes to damaged and severely distressed homes. (Figure 3) Alan Mallach has shown that, nationwide, the level of private investor activity in the distressed property market far outweighs public sector and nonprofit investments.[4] It is worth noting that bank and GSE activity with respect to foreclosures is largely passive, as properties revert to REO status at the end of the foreclosure process when there are no bidders at a county trustee sale (auction). By contrast, real estate investors actively seek out bargains at trustee sales and directly from banks, and generally have the means to competitively engage in the process because they wield cash. (Figure 4)

Figure 3: Home Purchasers in the United States by Property Type, March 2011

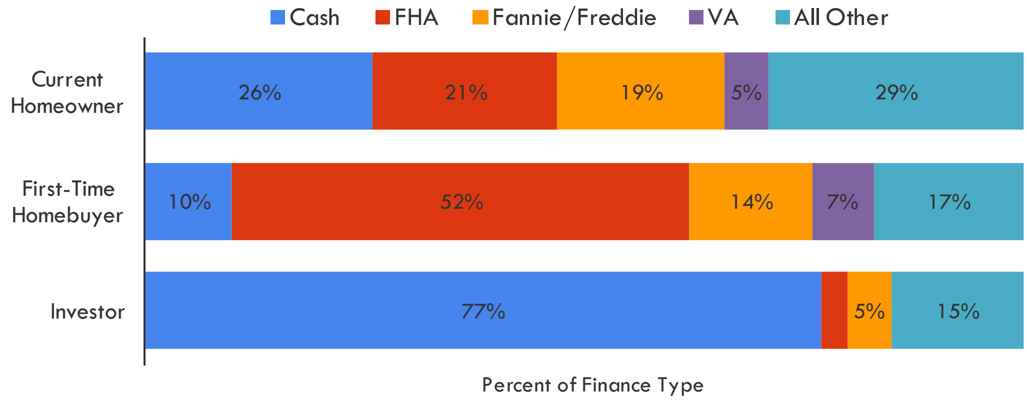


Souce: Campbell/Inside Mortgage Finance HousingPulse Tracking Survey, Published May 2011

Policy, 2008; J. Bowdler, R. Quercia, and D. A. Smith, *The Foreclosure Generation: The Long-Term Impact of the Housing Crisis on Latino Children and Families*, National Council of La Raza and the Center for Community Capital, 2010.

[4] A. Mallach, "REO Properties, Housing Markets, and the Shadow Inventory," in *REO & Vacant Properties: Strategies for Neighborhood Stabilization*, A Joint Publication of the Federal Reserve Banks of Boston and Cleveland and the Federal Reserve Board, 2010.

Figure 4: Home Purchaser Financing in the United States, March 2011



Souce: Campbell/Inside Mortgage Finance HousingPulse Tracking Survey, Published May 2011

Research and media coverage from a number of cities have indicated that real estate investor speculation in the wake of the foreclosure crisis has the potential for further exacerbating neighborhood instability and decline. While negative outcomes are certainly not always associated with investor activity, the potential for absentee ownership, negligent property management, "vulture investors," and an increase in the displacement of residents is heightened when there is such a rapid shift from owner-occupied to investor-owned housing.[5] While the City of Oakland is working to monitor bank and GSE behavior with respect to their foreclosure holdings, there is no mechanism in place to evaluate or track investor-owned properties in the post-foreclosure market. Further, there is very little information available, in general, about the changing face of homeownership and housing tenure in Oakland since the crash of the housing market.

The goal of this report is twofold: first, to gain a general understanding of what has happened to properties after foreclosure in Oakland since 2007; and second, to dig deeper into the ownership status, transaction history, geographic distribution, and physical condition of post-foreclosure, investor-acquired properties in the city. We hope this analysis establishes the contextual foundation to initiate and support deeper discussions around the disposition of foreclosed properties and their impact on resident displacement and neighborhood recovery in Oakland and beyond.

Methods and Data

This report relies on data from a variety of sources, both public and private. Data on all trustee deeds and grant deeds recorded between 2007 and October 2011 were obtained from the Alameda County Clerk-Recorder.[6] These publicly available data contain a very narrow suite of information, but are sufficient enough to ascertain several key facts: the date a document was recorded, the Assessor Parcel Number (APN) associated with each filing, as well as the identity

[5] For instance, see F. Ford, "Cleaning Up After the Foreclosure Tsunami: Tackling Bank Walk-Aways and Vulture Investors," *Shelterforce,* National Housing Institute, 12 February 2010. http://www.shelterforce.org/article/print/1864/ (Last accessed January 27, 2012); O.E. Ergungor and T.J. Fitzpatrick, "Slowing Speculation: A Proposal to Lessen Undesirable Housing Transactions," in *Forefront,* The Federal Reserve Bank of Cleveland, 2:1 (Winter 2011); W. Hamilton and A. Lazo, "Professional investors move into flipping foreclosed homes," *Los Angeles Times*, 20 August 2010. http://articles.latimes.com/2010/aug/20/business/la-fi-homes-investors-20100820 (Last accessed January 27, 2012); N. Halverson, "Flipping foreclosed houses," *The Press Democrat*, 26 December 2010. http://www.pressdemocrat.com/article/20101226/articles/101229667 (Last accessed January 27, 2012).

[6] The Alameda County Clerk-Recorder's office can prepare a digital file of records within a specific timeframe upon request for individual use, and for a small handling fee. Additionally, the Alameda County Clerk-Recorder maintains a web-based search interface that allows users to find officially recorded documents within limited search parameters. However, the system does not readily allow the export of a large group of records. For our purposes, we scraped all trustee deed and grant deed entries recorded between 2007 and October 2011 from the web-based search interface.

of the seller and purchaser related to each recorded document. Additionally, data from multiple private companies was purchased and used in various stages of our analysis, including property transaction information from CoreLogic, as well as foreclosure filing data on notices of defaults (NODs) and REO properties from ForeclosureRadar.

Our analysis of patterns in the trustee deed data and the ensuing transaction trail of each foreclosed property reveals—in broad strokes—what has happened to the tangle of foreclosed properties in Oakland since 2007. This initial part of our analysis follows previous research methods used by Coulton, Schramm, and Hirsch to describe post-foreclosure transaction trends in Cleveland, Immergluck's analysis of the REO sales market in Atlanta, and Smith and Duda's study of the disposition of single-family REOs in the greater Chicago area.[7] While slim in their breadth, the public data acquired from the Alameda County Clerk-Recorder are a fount of useful information. The trustee deed dataset represents the universe of completed foreclosures (i.e. the properties that went through the entire foreclosure process and were sold at trustee sale) in Alameda County. APNs associated with both Clerk-Recorder datasets were used to geo-locate each record within Alameda County and, subsequently, limit our analysis to Oakland parcels. Working from the trustee deed dataset, we attempted to match the grant deed data to the trustee deeds via APN in order to assess which foreclosed properties were subsequently sold in a post-trustee sale transaction. Through each transaction phase, special attention was paid to both the seller and purchaser.

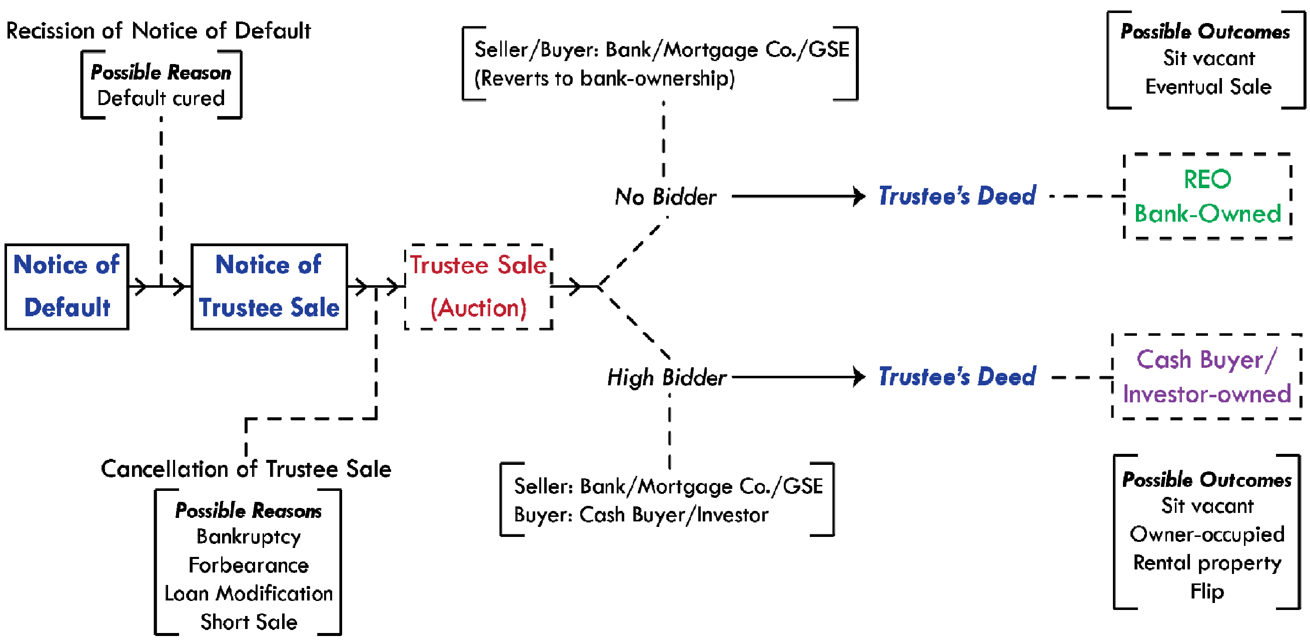
Building upon this analysis, the balance of the report looks specifically at the two most active foreclosure investors in the City of Oakland. While various commonly available data sources are used to explain housing market trends and overall transaction patterns, the data do not reveal what is physically happening on the ground in Oakland neighborhoods. To this end, after identifying the major foreclosure investors in Oakland, we designed and launched a field survey of the property acquisitions of the city's two largest investor-speculators to assess the condition and status of their holdings. Additionally, we have developed a deeper analysis of the acquisition and disposition patterns of these two investor entities.

[7] See C. Coulton, M. Schramm, and A. Hirsh, *Beyond REO: Property Transfers at Extremely Distressed Prices in Cuyahoga County, 2005-2008,* Center on Urban Poverty and Community Development, Case Western Reserve University, December 2008; D. Immergluck, "Holding or Folding? Foreclosed Property Durations and Sales During the Mortgage Crisis," in *REO & Vacant Properties: Strategies for Neighborhood Stabilization*, A Joint Publication of the Federal Reserve Banks of Boston and Cleveland and the Federal Reserve Board, 2010; G. Smith and S. Duda, *Roadblock to Recovery: Examining the Disparate Impact of Vacant Lender-Owned Properties in Chicago*, Woodstock Institute, September 2009.

Post-Foreclosure Property Transaction Analysis in Oakland

The fate of a property once it has entered the foreclosure process can vary quite broadly. Foreclosure in California is generally carried out in a non-judicial manner, which means that the foreclosure process is largely administrative in nature, rather than being adjudicated through court proceedings. In California, the first stage of the foreclosure process is the issuance of a notice of default (NOD), which is recorded when a borrower is late in making a mortgage payment (typically at least 90 days) or is otherwise in violation of their loan agreement. (Figure 5)

Figure 5: The Foreclosure Process in California



The NOD is a document requested by a bank, servicer, financial institution, or other lien holder and filed with a county Clerk-Recorder, giving the mandatory official notice to a homeowner that they are in default of their mortgage obligation. In Oakland, for instance, there have been over 20,000 notices of defaults issued in the city since 2007—a stark indicator of just how many families have struggled to stay current on their home loan payments. After receiving a NOD, a homebuyer still has several viable options to prevent foreclosure, including curing the default by making the necessary payments or possibly securing a loan modification.

If the homeowner fails to resolve the default, the mortgage holder can file a notice of trustee sale with the county Clerk-Recorder as soon as 90 days after the NOD to set in motion the next stage of the process. The notice of trustee sale provides warning to a homeowner that a trustee sale has been scheduled for their property; the actual trustee sale is a real property auction conducted on the county courthouse steps designed to recover outstanding debt through the sale of assets. A homeowner has limited opportunities to avert foreclosure after receiving a notice of trustee sale, and the clock is ticking towards a date certain when the property will be auctioned.

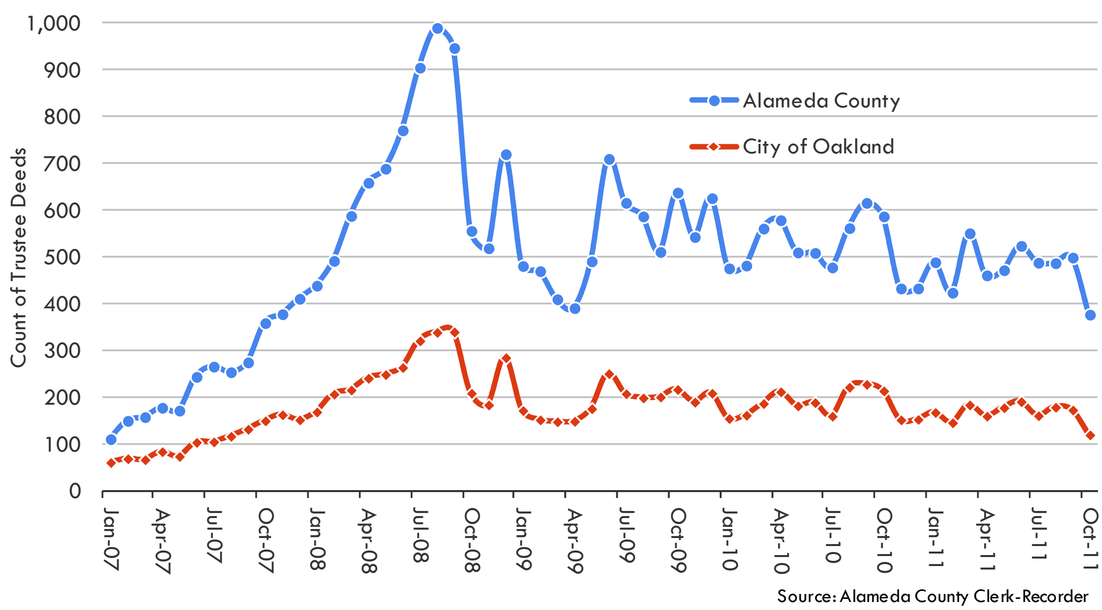
At this stage, a loan modification or forbearance is still technically possible, as is a short sale of the property; if a homeowner is successful in either instance, the scheduled trustee sale would be cancelled or indefinitely postponed.

In the event that the trustee sale proceeds as scheduled, the property is auctioned off to the highest bidder, with the ownership change being recorded via trustee deed. If there are no bids, ownership of the property reverts to the lender or mortgage holder (via trustee deed) and is considered real estate owned (REO). The outcomes of trustee sales—and the related recording of trustee deeds—form the basis of our analysis in the following section.

▪ Trustee Sale Outcomes in Oakland, 2007 through October 2011

In general, the most common outcome at a trustee sale is for a property to revert to bank-ownership or the foreclosing beneficiary (i.e. no bidder at the auction). The result is what typically is referred to as a real estate owned (REO) property. However, with significantly increased volumes of properties coming to auction as a result of the foreclosure crisis, others have turned to trustee sales as a means to acquire property at bargain prices. While county property auctions have always lured investors in search of deals, the recent housing collapse has created what one Northern California speculator has called "the opportunity of a lifetime for real estate investors."[8]

Figure 6: Trustee Deeds in Alameda County and the City of Oakland, 2007 through October 2011



Between 2007 and October 2011, there were 28,764 trustee deeds recorded in Alameda County, 10,508 of which were recorded against properties in the City of Oakland. (Figure 6) For our analysis of the 10,508 trustee deeds in Oakland, we developed a classification rubric of assigning each recorded deed to one of five main categories based on where property ownership settled after the trustee sale. The five categories we established are: Bank, Government-Sponsored Enterprise (GSE) (i.e. Fannie Mae or Freddie Mac), Government, Investor, and Other.[9] Applying this

[8] See N. Halverson, "Flipping foreclosed houses," *The Press Democrat*, 26 December 2010. http://www.pressdemocrat.com/article/20101226/articles/101229667 (Last accessed January 27, 2012).

[9] The "Bank" category includes banks, other financial institutions, lenders, loan originators, independent mortgage companies, and mortgage trustees and servicers. The "GSE" category includes Fannie Mae and Freddie Mac. The "Government" category accounts for an array of federal, state, and local government entities, including the U.S. Department of Housing and Urban Development (HUD) and U.S. Department of Veterans Affairs (VA), the California Housing Finance Agency (CalHFA), and the City of Oakland. The "Investor" category includes limited liability corporations (LLC), limited partnerships (LP), pooled investment funds, and other investment vehicles, as well as individuals who have acquired two or more properties. Finally, the "Other" category primarily includes individuals that have acquired only one property, as well as homeowners associations and nonprofit organizations.

typology to the officially recorded trustee deeds, we have assessed the primary outcomes of trustee sales for properties in the City of Oakland from 2007 through October 2011.

Our analysis of the trustee deed data indicates that banks and other financial institutions have been the recipients of the majority of Oakland properties at Alameda County trustee sales since 2007, accounting for 68 percent of the properties filtering through the auction process. (Table 1) Properties that have reverted to Fannie Mae and Freddie Mac ownership account for an additional 12 percent. Taken together, banks, GSEs, and government institutions bear the responsibility for 8,528 (81 percent) post-trustee sale properties in Oakland since 2007. The only other significant actors at Alameda County trustee sales are investors, successfully bidding on—and subsequently taking ownership of—1,727 (16 percent) Oakland properties going to auction.

Table 1: Trustee Sale Outcomes in the City of Oakland (By Purchaser Type and Year)

Year	REO			3rd Party		Total
	Bank	GSE	Govt	Investor	Other	
2007	1,108	22	0	130	30	**1,290**
2008	2,627	152	4	212	41	**3,036**
2009	1,491	269	16	436	72	**2,284**
2010	1,066	521	26	552	63	**2,228**
2011*	862	344	20	397	47	**1,670**
Total	**7,154**	**1,308**	**66**	**1,727**	**253**	**10,508**
		8,528				

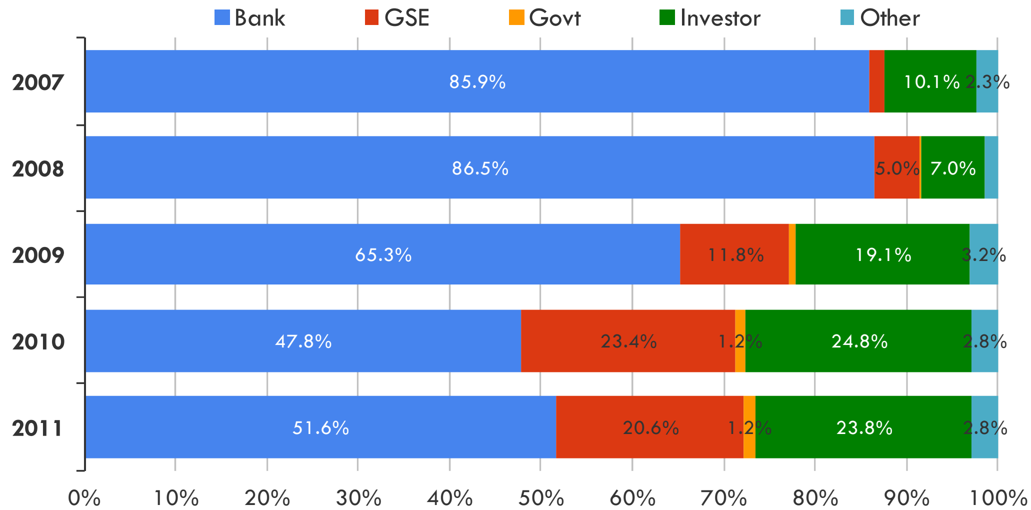
* Through October 2011.

Source: Alameda County Clerk-Recorder, Recorded Trustee Deeds

Trustee sale activity in Oakland peaked in 2008, with 3,036 properties going to auction, more than double the activity in the previous year. Since 2008, trustee sales have slowed only marginally, with 2,284 and 2,228 properties being auctioned in 2009 and 2010, respectively.

The proportional distribution of where properties have ended up annually as a result of trustee sale shifted quite noticeably between 2007 and October 2011. (Figure 7) In the early stages of the foreclosure crisis in 2007 to the eventual peak in 2008, roughly 86 percent of all trustee sales resulted in a property reverting back to bank ownership. The most striking trend in trustee sale outcomes is the relative decline in bank holdings between 2008 and 2011, accompanied by a substantial relative increase in GSE and investor representation. GSE activity, as a proportion of all trustee sales, was almost non-existent in 2007 (1.7%), but managed to more than double each year through 2010, reaching a high of over 23 percent of all trustee sale outcomes in 2010. Likewise, investor activity at trustee sales of Oakland properties picked up significant momentum after 2008, rising from a 7 percent share of all trustee sales in 2008 to nearly 25 percent in 2010.

Figure 7: Annual Proportional Distribution of Trustee Sale Outcomes in the City of Oakland (By Purchaser Type)



Source: Alameda County Clerk-Recorder; Analysis by Urban Strategies Council

In addition to assigning each trustee sale purchaser to one of the five categories described above, we have also aggregated deeds associated with banks and financial institutions according to major merger and acquisition activities, where appropriate. For instance, all trustee and grant deeds associated with Washington Mutual have been re-assigned—for the purposes of our analysis—to JP Morgan Chase in recognition of JP Morgan Chase's acquisition of Washington Mutual's banking operations in 2008. Similarly, Countrywide, First Franklin, and Merrill Lynch holdings have been assigned to Bank of America, just as Wachovia deeds have been attributed to Wells Fargo.

This line of data cleaning and merging did not end with bank records. It is not uncommon for real estate investors to have multiple LLCs or shell companies through which their activities are carried out. A significant amount of time was devoted to researching individual companies among the trustee deed and grant deed data sets (particularly those with multiple acquisitions) and grouping records accordingly. In several instances where multiple LLCs had common corporate officers or a clear relationship was evident, records were assigned to a single corporate entity. In all likelihood, our method for classifying trustee deeds and grant deeds to the investor category has resulted in an under-representation of investors among the five categories. Considering that corporate research is tedious and that there were thousands of records to manually sift through, it is likely that we may have not uncovered all relevant corporate associations among the various parties actively involved in the foreclosure market in Oakland.

With that said, our data cleaning, aggregation, and classification has allowed for a nuanced picture to emerge of the trustee sale landscape in Oakland. While five primary categories were used in our typology of purchaser types, there is also significant value in examining the disaggregated trustee sale outcomes by corporation, organization, or individual.

Table 2 provides an accounting of the top 30 trustee sale purchasers of properties in the City of Oakland between 2007 and October 2011. These top 30 organizations were the ultimate beneficiary of 81 percent (8,522 out of 10,508) of all Oakland properties that have gone to auction since 2007; the top ten alone account for two-thirds of all auctioned properties, and are all financial institutions or GSEs. Of the 10,508 trustee sales of Oakland properties since 2007, 14 percent have reverted to Deutsche Bank ownership. US Bank and Wells Fargo are responsible for over 9 percent each of the Oakland trustee sale outcomes. Nine real estate investment companies are ranked in the top 30, with the most active company—Community Fund LLC—having acquired 298 properties via trustee sale.

Table 2: Top 30 Trustee Sale Purchasers of Properties in the City of Oakland, 2007 through October 2011

Trustee Sale Purchaser	Buyer Type	Count by Year					Total	Trendline, 07-11
		2007	2008	2009	2010	2011*		
Deutsche Bank	Bank	292	647	310	154	108	**1,511**	
US Bank	Bank	155	388	218	134	103	**998**	
Wells Fargo	Bank	87	311	144	265	152	**959**	
Fannie Mae	GSE	15	68	138	356	230	**807**	
Bank of America	Bank	93	160	86	83	116	**538**	
Freddie Mac	GSE	7	84	131	164	114	**500**	
Bank of New York	Bank	78	159	69	70	103	**479**	
HSBC	Bank	74	160	114	72	26	**446**	
JP Morgan Chase	Bank	60	203	81	46	43	**433**	
Aurora Loan Services	Servicer	17	71	118	55	57	**318**	
Community Fund LLC	Investor	11	25	69	107	86	**298**	
Citibank	Bank	18	84	39	26	18	**185**	
GMAC Bank	Bank	11	69	49	21	18	**168**	
Indymac Bank	Bank	11	69	58	10	0	**148**	
Wilson Young	Investor	14	6	37	37	13	**107**	
CalHFA	Govt.	0	4	16	26	20	**66**	
Onewest Bank	Bank	0	0	31	10	17	**58**	
RWW Properties LLC	Investor	0	8	16	14	13	**51**	
Fremont Investment and Loan	Bank	32	17	0	1	0	**50**	
American Home Mortgage Servicing	Servicer	7	38	2	2	0	**49**	
Capital One	Bank	0	4	12	14	11	**41**	
First Federal Bank of California	Bank	3	20	17	0	0	**40**	
Wesco Realty LLC	Investor	0	1	25	14	0	**40**	
Golden Pinnacle Development Corp	Investor	0	5	20	5	8	**38**	
Monetary Investment LLC	Investor	0	4	21	12	0	**37**	
REO Homes LLC	Investor	0	0	3	13	19	**35**	
CRC Development LLC	Investor	0	0	2	21	12	**35**	
East West Bank	Bank	1	1	3	15	12	**32**	
Residential Funding Co LLC	Investor	14	13	1	1	1	**30**	
Suntrust Bank	Bank	5	9	4	3	4	**25**	
Total		**1,005**	**2,628**	**1,834**	**1,751**	**1,304**	**8,522**	

* Through October 2011

▪ Post-Trustee Sale Transaction Outcomes in Oakland

The outcomes of trustee sales alone—as detailed above—only tell a fraction of the story regarding what happens to properties after foreclosure. As already indicated, 81 percent of all Oakland properties that have gone to trustee sale since 2007 reverted to bank, GSE, or government ownership, effectively relegated to REO status. Despite the fact that banks and GSEs are not generally in the business of property management and maintenance, they have taken ownership of nearly 8,500 properties in the City of Oakland since 2007 due to the fact that there were no bidders at trustee sale for their properties. Maintenance of such a large stock of properties no doubt presents a significant burden for financial institutions, whose primary interest is to salvage as much value from their holdings as possible. It follows that banks would mobilize to expeditiously sell their REO acquisitions. To some degree, the data support this notion. However, we know that—in the midst of the foreclosure crisis—the behavior of financial institutions has not always followed conventional logic. Whatever the case may be, our analysis of post-foreclosure transactions sheds light on the complex—and often convoluted—sequence of property ownership changes in the wake of foreclosure.

Our analysis of post-trustee sale transaction outcomes specifically considers what has transpired with the 10,508 properties acquired by various parties at trustee sale auctions. Our findings demonstrate that the trustee sale is really just the first step in a transaction chain that can veer down a range of different paths. Do properties remain with the foreclosing beneficiary? Do houses remain under ownership of the entity that offered up the winning bid at the trustee sale? Or conversely, are banks liquidating their foreclosure assets and selling properties on the open market? Likewise, are investors flipping their trustee sale acquisitions, or possibly purchasing more bargain properties directly from banks? As the data reveal, all of these scenarios are simultaneously playing out in Oakland.

To evaluate the transaction history of properties after they have gone through foreclosure, we matched the dataset of the 10,508 Oakland trustee deeds (via APN) to the universe of recorded grant deeds over the same time period. A post-trustee sale property transaction was indicated by a match between the two datasets in cases where the matching grant deed had a recording date after the recorded trustee deed. We have assumed that there was no additional property transaction (as of October 2011) if a trustee deed did not have a subsequent match in the grant deed dataset. Throughout, the same categorization of owner types as used in the trustee deed analysis has been applied to the analysis of post-trustee sale transactions.

Table 3 shows the post-trustee sale transaction outcomes of Oakland properties with a recorded trustee deed from 2007 through October 2011.[10] Overall, 66 percent of properties (6,934) acquired at trustee sale were subsequently sold to another party, while 3,574 properties were retained by the foreclosing entity or winning bidder at trustee sale, as of October 2011. Of the 8,528 REO properties (those that reverted to bank, GSE and government ownership at trustee sale), 69 percent (5,923) were subsequently sold. The remaining 31 percent (2,605) of REO properties were still owned by their foreclosing beneficiary, as of October 2011. Among the REO holders, banks have outperformed the GSEs in offloading their holdings, selling 71 percent of their properties, compared to 60 percent among the GSEs.

[10] When parsing through the post-trustee sale outcomes, we noted several transaction types that diverged from this typical transaction pattern. Of the 10,508 Oakland trustee deeds, 408 properties had multiple, consecutive trustee deeds. In most instances, the consecutive trustee deeds were attributed to the same party, usually a financial institution. In other cases, the consecutive trustee deeds recorded against the same property were associated with different banks or servicers, possibly indicating situations with multiple mortgages on a single property or servicing arrangements among financial institutions. There were also a number of instances where investor-acquired properties had multiple, consecutive trustee deeds attributed to the same investor name. These could represent cases where an investor might have initially acquired a second lien on a property, subsequently purchased the first, and ultimately foreclosed on the second to solidify their interest in the property and ensure a clean title.

An additional 306 properties that reverted to bank, GSE, or government ownership at trustee sale had a subsequent grant deed involving either the same institution, or a grant deed showing a sale to another institution. Again, these transfers between servicers, banks, and financial institutions likely indicate servicing relationships or possible situations involving multiple mortgages on a single property.

The post-trustee sale transaction trails associated with these irregular records have been followed out three transactions (trustee deeds or grant deeds) past the original trustee deed, and distributed in Table 3 according to their ultimate ownership status, as of October 2011. For instance, in cases of multiple, consecutive trustee deeds, the first subsequent grant deed purchaser was identified, with the record being credited to the proper owner type. If there was no subsequent grant deed recorded, the property was acknowledged as “not sold” and attributed to the appropriate owner type.

Table 3: Post-Trustee Sale Transaction Outcomes (as of October 2011) for Oakland Properties with a Recorded Trustee Deed between 2007 and October 2011

			Buyer: Bank	GSE	Govt.	Investor	Other	Total Sold	Total Not Sold	TOTAL
Seller	REO	Bank	0	0	0	2,336	2,750	5,086	2,034	8,528
		GSE	0	0	0	335	461	796	521	
		Govt	0	0	0	10	31	41	50	
	3rd Party Sale	Investor	15	0	6	312	553	886	841	1,727
		Other	18	2	5	38	62	125	128	253
Total			**33**	**2**	**11**	**3,031**	**3,857**	**6,934**	**3,574**	**10,508**

Investor-speculators are particularly active in the post-trustee sale market in Oakland, acquiring a significant number of additional properties directly from banks and the GSEs, as well as flipping over half of their homes originally purchased at trustee sale. Of the 5,923 REOs sold by banks, GSEs, and government entities, 45 percent (2,681) were acquired by investors. Of the 886 homes acquired at trustee sale and subsequently flipped by investors, 312 were purchased by a second investor, while 553 went to an individual or entity in the “Other” category. Additionally, there were 46 properties originally acquired by investors and entities in the “Other” category at trustee sale that had subsequent deeds recorded indicating a transfer back into REO status.

As the trustee deed outcomes in Table 1 illustrate, entities or individuals assigned to the “Other” category had very little penetration into the trustee sale auction world. This is most likely due to the fact that cash is required to purchase property at a trustee sale, in addition to the heightened due diligence requirements and buyer savvy necessary to intelligently engage in the property auction process. Auctions on the county courthouse steps are not structured in a manner that facilitates the sale of properties to first-time homebuyers or other individuals looking to buy a home in which to live.

While non-investors are unlikely to purchase at trustee sale, Table 3 shows that individuals and entities in the “Other” category are participating in the post-foreclosure market by acquiring REO properties directly from banks and GSEs, as well as purchasing properties from investors. Those in the “Other” category acquired 55 percent (3,242) of the REOs sold by banks, GSEs and government entities, in addition to the 553 homes purchased from investors. For many individuals in the financial position to buy a home, the REO market presents an affordable, yet potentially risky, opportunity to become a homeowner. However, even in the post-foreclosure sales market, investors often still maintain a competitive edge over traditional homebuyers because a cash sale is fast, easy, and predictable, compared to a standard transaction with mortgage financing.

Our findings also indicate that the GSEs have, on average, sold their properties faster than banks, with an average holding time of 226 days, compared to 265 days for banks. For the trustee sale acquisitions that investors eventually sold, they took 228 days, on average, to complete the subsequent sale. Finally, those in the non-investor “Other” category that resold their trustee sale purchases took an average of 291 days to do so.

While Table 3 above effectively illustrates the flow of post-foreclosure transactions between different parties in Oakland, it does not provide a net accounting of the acquisitions or holdings among each owner category. Table 4 below summarizes the outcomes of Table 1 and Table 3, presenting a net total of foreclosure acquisitions via trustee deed and REO purchases. Subsequent grant deed sales and sales within owner categories have been taken into consideration, yielding a net total post-foreclosure property holding figure for each owner type.

Table 4: Gross and Net Oakland Foreclosure Acquisitions by Owner Type, 2007 through October 2011

		REO			3rd Party	
		Bank	**GSE**	**Govt**	**Investor**	**Other**
Gross Acquisitions	Trustee Deeds	7,154	1,308	66	1,727	253
	Subsequent Purchase (Grant Deed)				3,031	3,857
	Subsequent Trustee Deed	33	2	11		
	Gross Subtotal	7,187	1,310	77	4,758	4,110
Acquisition Turnover	(Minus Sales Among Owner Type)				(312)	(62)
	Gross Subtotal 2	7,187	1,310	77	**4,446**	**4,048**
	(Minus Other Grant Deed Sales)	(5,086)	(796)	(41)	(574)	(63)
Net Total		**2,101**	**514**	**36**	**3,872**	**3,985**
			2,651			

As of October 2011, our analysis indicates that there were 2,651 properties in REO status, either owned by banks, GSEs, or government entities as a result of foreclosure. Taking into account both trustee sale and REO acquisitions, investors have purchased 42 percent (4,446) of homes passing through the foreclosure process in Oakland. In the course of this purchasing activity between 2007 and October 2011, investors also sold 886 (312 to other investors) of their acquisitions, yielding a total of 3,872 extant post-foreclosure property holdings.

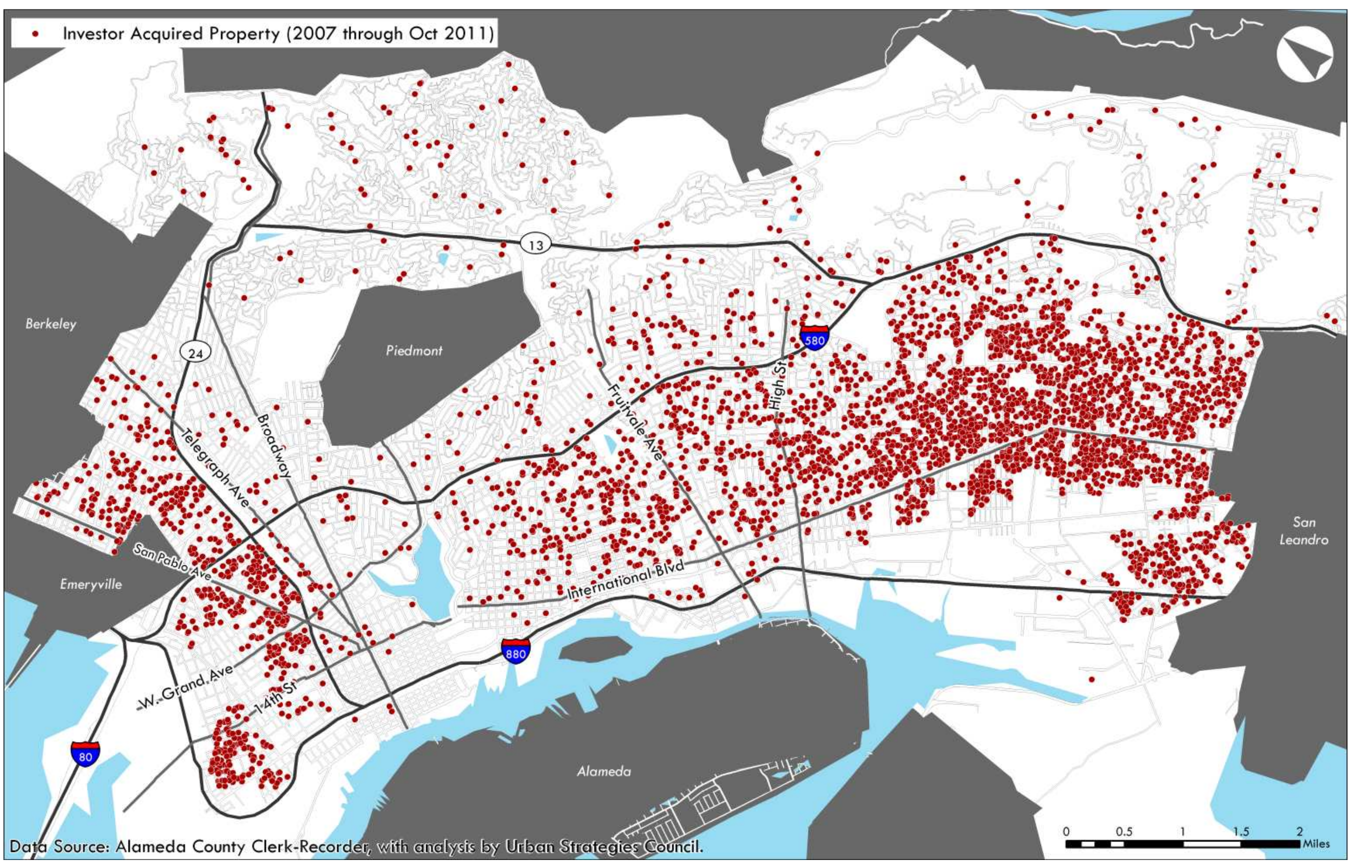
As noted above, non-investor individuals and entities in the “Other” category were particularly active in purchasing REO properties. While those in the “Other” category actually acquired fewer post-foreclosure properties overall than investors, the data show that they have ultimately retained more homes than investors due to the resale flipping activity of the investors. Within the time span between 2007 and October 2011, the non-investor “Other” purchasers were six times more likely to retain ownership of their acquisitions as compared to investors, likely due to the fact that they are motivated by a desire for homeownership rather than the profit-driven bottom line of an investor.

INVESTOR-SPECULATOR ACTIVITY IN OAKLAND IN THE WAKE OF THE FORECLOSURE CRISIS

As revealed above, investors acquired 42 percent (4,446) of homes passing through the foreclosure process in Oakland between 2007 and October 2011. This alone is ample evidence that investor activity is meaningfully altering the housing landscape in the City of Oakland. Further, the spatial distribution of investor-acquired properties provides a strong confirmation of where the impacts of investor activity can be witnessed on the ground; that is, overwhelmingly among the lower-income flatland neighborhoods of Oakland. (Figure 8)

However, the question remains: what is the nature of this impact? Oakland's foreclosure investors and speculators come in many varieties, ranging from small family operations working with several properties, to limited liability corporations dealing with hundreds of acquisitions. Individually, their impacts may vary by degrees; yet over time, the aggregate impact will be significant. We are still in the early stages of a massive restructuring of housing tenure, individual assets, and neighborhood composition, the impact of which may not be fully understood for a decade or more. While this section primarily focuses on the two largest investors in Oakland, it is important to remember this long view—specifically, the immense scale and lengthy time horizon of neighborhood change playing out as a result of the foreclosure crisis.

Figure 8: Investor-Acquired Foreclosures in the City of Oakland, 2007 through October 2011



▪ The Challenges of Increased Investor-Speculator Ownership in the City of Oakland

In light of our analysis of post-foreclosure transaction outcomes, there are several overarching concerns related to the current proliferation of investor ownership in Oakland. These concerns involve the interrelated issues of property condition and maintenance, resident and neighborhood stability, changing housing tenure and neighborhood demographic composition, as well as displaced opportunities associated with increased investor activity.

Management and Maintenance

Responsible management and maintenance of properties—and the heightened potential for blight—are issues that pertain to all homes that have gone through foreclosure. Banks have notoriously had problems properly maintaining their REO holdings, and the literature provides ample evidence that, in some markets, investors have failed to behave responsibly with respect to the physical upkeep of their properties. As already mentioned, the City of Oakland operates a vacant and foreclosed property registration program focused on ensuring the maintenance of REO properties. However, there is no dedicated program or system in place to monitor the condition of the investor-owned or non-owner occupied housing stock in the city.

The spillover effects of irresponsible maintenance and management can extend well-beyond the physical locus of any given property, impacting residents, neighbors, property values, and municipal services. The distressed housing pursued by investors is often in poor condition, whether due to deferred maintenance related to the age or prior ownership of the housing, or more recent problems associated with foreclosure and vacancy, such as squatting, vandalism, and theft. Further, it is unclear whether investors are willing to do costly, yet crucial upgrades to ensure the health and safety for purchasers or renters of their properties, such as seismic retrofitting or the remediation of outstanding environmental health hazards. This continues to be a major concern for residents in the community, groups working to support neighborhood revitalization and local government code enforcement, and presents a very problematic issue for tenants of investor-owned properties.

Increased Non-Local Ownership

Our analysis of post-foreclosure outcomes indicates that the precipitous rise in investor-ownership also brings with it a substantial increase in non-local ownership (particularly among the most active investors), a finding that sharpens the management and maintenance concerns associated with investor-ownership. While non-local investors obviously have a monetary interest in their individual properties, it is less clear how much they may have vested in the health and success of the larger community. Several research studies have suggested that properties with resident or local landlords provide better maintenance of their properties when compared to properties with absentee owners.[11] Further, the rise in non-local ownership and consolidation of ownership among several large investors magnifies the transfer of control and assets out of Oakland neighborhoods; this shift from local owner-occupancy to non-local control shrewdly conceals the underlying draining of wealth from Oakland's low-income neighborhoods.

Shifting Tenure, Neighborhood Succession, and Resident Displacement

A third major concern relates to neighborhood change, particularly in the flatland areas of Oakland where foreclosures have been most concentrated. Thousands of homeowners and families have been uprooted as a result of

[11] W. Rohe and L. Stewart, "Homeownership and Neighborhood Stability," *Housing Policy Debate* 7:1 (1996); F. Porell, "One Man's Ceiling is Another Man's Floor: Landlord/Manager Residency and Housing Condition," *Land Economics* 61: 2 (1985); N. Mayer, "Rehabilitation Decisions in Rental Housing," *Journal of Urban Economics* 10 (1981).

foreclosure, resulting in a massive shift in housing tenure and neighborhood demographic composition. As investors infiltrate Oakland neighborhoods taking advantage of bargain prices, we enter a period of uncertainty. The disposition strategies of individual investors will, in many respects, dictate a second wave of change in the future. For instance, it is foreseeable that some large investors might intend to weather the down-market by renting their properties for positive cash flow in the short- to medium-term, yet ultimately sell as the market recovers. In this scenario, we can expect a surge of renter displacement once the market is strong enough to fulfill the financial bottom line of investors. In contrast to the relatively affordable sales prices in the current market, we can presume that once the market improves, many residents of Oakland's flatland neighborhoods will not be able to afford the future market-rate offerings of investors.

Unequal Opportunities

A fourth concern relates to the degree to which increased investor activity in local housing markets adversely affects the opportunities of others. Alan Mallach has posed the issue in this way: what possible outcomes are being displaced by investor purchases—and what would happen to foreclosed properties if investors were not active in the market?[12] Are investors filling a niche that would otherwise not be filled? Clearly there are "once in a lifetime" investment opportunities for those with the monetary resources, but are these actors actually performing a needed or beneficial service for Oakland neighborhoods?

These questions are relevant to the common argument put forth for supporting more investor activity in the post-foreclosure landscape, particularly that investors are the only entities that have the capital and capacity to absorb the immense backlog of foreclosed properties held by banks and the GSEs. The Federal Housing Finance Administration's (FHFA) recent decision to offer Fannie Mae and Freddie Mac foreclosures to investors in bulk to manage as rental opportunities is evidence of this deeply-held principle.

While this may be a practical strategy in some perennially weak market cities where properties would likely languish, it may not serve the needs or desires of other communities, such as Oakland. Our analysis of post-foreclosure transaction outcomes clearly indicate that while non-investor individuals are unlikely to participate in trustee sale auctions, they are very active in purchasing REO properties; individuals in the "Other" category acquired and retained ownership of 3,985 of the 10,508 properties (38%) that went through the foreclosure process in Oakland (see Table 4, above). Further, as already noted, when compared to investors those in the "Other" category are six times less likely to resell their post-foreclosure acquisition, pointing to the neighborhood stabilizing presence of non-investor individuals and families. These results suggest a sustained demand for affordable homeownership opportunities throughout the City of Oakland. It remains unclear whether investors have any real value to add playing an intermediary role, and whether it is necessary to give them preferential access to properties.

Throughout the various stages of the foreclosure process, investors already typically exercise a competitive advantage over non-investor homebuyers in gaining access to properties. In both pre-foreclosure short sale and post-foreclosure REO sales settings, investors are well-poised to approach banks and offer more attractive bids (i.e., cash) than non-investors. In fact, a recent survey found that cash investors are often able to bid much lower than non-investors—and successfully close deals—precisely because they can "offer a shorter and more reliable closing timeline" for the seller.[13] For the average homebuyer, purchase timelines can be considerably less predictable because of the vagaries

[12] A. Mallach, *Meeting the Challenge of Distressed Property Investors in America's Neighborhoods*, New York City: LISC, 2010.
[13] Campbell/Inside Mortgage Finance HousingPulse Tracking Survey, "Investors with Low Bids Drive Down Home Prices, *HousingPulse* Finds," Press Release, January 23, 2012. http://campbellsurveys.com/housingreport/press_012312.htm. (Last accessed February 12, 2012).

of mortgage financing approvals. Furthermore, due to the frequent successful low bidding of cash investors, home prices have remained depressed, even while there is evidence of significant buyer interest in the market.[14]

Individual homebuyers are not the only group of people being impacted by the prevalence of investor activity in the foreclosure market. The presence of investors has influenced the efficacy of nonprofit organizations working to rebuild neighborhoods severely compromised by the foreclosure crisis. Dan Immergluck's research in Atlanta has shown that—as banks sold off lower value homes and investors became savvier in the distressed property market—the increased activity of speculators negatively impacted the ability of the U.S. Department of Housing and Urban Development's Neighborhood Stabilization Program (NSP) grantees to acquire properties from banks.[15] Immergluck's study substantiates anecdotal accounts of local nonprofit NSP grantees increasingly being outbid and maneuvered by investors throughout Alameda County.

An additional wrinkle providing a competitive edge to investors and further depressing home prices is related to disparities that arise in the appraisal processes for determining sales prices as opposed to mortgage financing.[16] Sales price appraisals are typically arrived at through comparable market sales, excluding distressed or REO sales. Conversely, appraisals made for the purposes of determining the amount a mortgage provider is willing to finance are generally based on all sales in a given market, including REO and other distressed sales. It follows that sales prices often land at a higher value than what a bank has determined is appropriate and is willing to lend upon, resulting in potential buyers not qualifying for the necessary financing. Ultimately, this opens up additional opportunities for cash investors to prevail over non-investor homebuyers in the REO sales market. Further, it impedes the potential wealth building opportunities of first-time homebuyers and similar individuals who are otherwise credit-qualified, mortgage-ready, and prepared to be homeowners.

A final means in which some investors have gained a competitive advantage over others has been through engagement in outright illegal activity. In the Bay Area, including Oakland and Alameda County, at least 20 people have pled guilty to conspiracy, bid rigging, and mail fraud in connection with the auction proceedings at county trustee sales.[17] As indicated in Department of Justice documents, these individuals colluded at auctions to intentionally suppress competition, limit bidding activity, and keep prices artificially low. Additionally, a number of those implicated in this conspiracy also held private auctions where properties purchased at county trustee sales were subsequently resold, with profits being distributed among the colluding parties.

▪ Investor Strategies in the Foreclosure Market

The range of impacts that investor activity will have in Oakland will largely depend on the business models and disposition strategies of individual investors.[18] It follows that the strategies of investors will, in turn, hinge on what local housing markets will bear. Given the socio-economic and housing variability among Oakland neighborhoods, it is

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[14] Ibid.

[15] D. Immergluck, "Holding or Folding? Foreclosed Property Durations and Sales during the Mortgage Crisis," in *REO & Vacant Properties: Strategies for Neighborhood Stabilization*, A Joint Publication of the Federal Reserve Banks of Boston and Cleveland and the Federal Reserve Board, 2010.

[16] Campbell/Inside Mortgage Finance HousingPulse Tracking Survey, "Distressed Properties Continue to Put Downward Pressure on Home Prices, Latest *HousingPulse* Survey Results Show," Press Release, December 20, 2011. http://campbellsurveys.com/housingreport/press_122011.htm. (Last accessed February 12, 2012).

[17] United States Department of Justice, Office of Public Affairs, "Three Northern California Real Estate Investors Agree to Plead Guilty to Bid Rigging at Public Foreclosure Auctions," Press Release, February 9, 2012. http://www.justice.gov/opa/pr/2012/February/12-at-190.html. (Last accessed March 15, 2012); Carolyn Said, "8 in East Bay admit to rigging foreclosure auctions," *The San Francisco Chronicle*, July 1, 2011. http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2011/06/30/BUPQ1K504I.DTL. (Last accessed March 15, 2012).

[18] A. Mallach, *Meeting the Challenge of Distressed Property Investors in America's Neighborhoods*, New York: LISC, 2010; S. Treuhaft, K. Rose, K. Black, *When Investors Buy Up the Neighborhood: Preventing Investor Ownership from Causing Neighborhood Decline*, Oakland: PolicyLink, April 2010.

reasonable to assume that strategic opportunities for investors will differ across Oakland geographies. In fact, as our analysis demonstrates below, the operations of the two largest investors in Oakland look quite different, and are focused almost exclusively on different neighborhoods.

Alan Mallach has developed a basic typology for understanding real estate investor activity in the midst of the current foreclosure crisis. (Table 5) His categorization scheme is effective in helping to tease out the types of strategies investors may be engaged in, the motivations likely driving each strategic variation, and the time span over which each approach is likely to play out.

Table 5: Alan Mallach's Simplified Typology of Foreclosure Investors

Category	Strategy	Investment Goal	Time Horizon
Rehabber	Buy properties in poor condition, rehabilitate them and sell them in good condition to home buyers or other investors.	Appreciation generated through ability to realize greater increase in value than the cost of rehab.	Short (usually 1 year or less)
Flipper	Buy properties in poor condition and sell quickly (flip) to buyers in as-is or similar condition often using unethical or illegal practices.	Appreciation generated by taking advantage of buyer ignorance, providing misleading information or misrepresentation, or collusion with others.	Short (usually 1 year or less)
Milker	Buy properties in poor condition for very low prices and rent them out in as-is or similar condition with minimal maintenance, often to problem tenants.	Cash flow generated through disparity between low acquisition and maintenance costs and relatively high market rents. No expectation of property appreciation.	Short to medium (usually 1 to 3 years)
Holder	Buy properties and rent them out in fair to good condition, usually following responsible maintenance and tenant selection practices.	Sum of cash flow during holding period from rental income combined with long-term property appreciation.	Medium to long (usually 5 to 8 years)

Taken from Alan Mallach, *Meeting the Challenge of Distressed Property Investors in America's Neighborhoods*, New York: LISC, 2010.

Mallach has identified four basic categories of foreclosure investors: rehabber, flipper, milker, and holder. These approaches range from responsible and potentially beneficial to predatory and illegal, and cover profit-motivated time spans ranging from several months to eight years or longer. Mallach's typology brings some clarity to the investment goals and motives that, in turn, directly affect what happens on the ground with investor-owned properties. While these four categories more appropriately fall along a continuum of strategies and approaches, they provide signposts to help guide our investigation into the local outcomes of investor-ownership. In our analysis of the two largest investors in Oakland, there are indications that the full continuum represented by Mallach's four investment tactics is being deployed in various capacities.

▪ The Top 30 Foreclosure Investors in Oakland, 2007 through October 2011

Table 6 ranks the top 30 foreclosure investors in the City of Oakland by number of acquisitions, along with their base of operations and the avenues through which they acquired their post-foreclosure holdings. The data on which the rankings are based only include properties that have gone through the entire foreclosure process; thus, it is reasonable to assume that some investors may have additional distressed property acquisitions via other avenues, such as short sales.

Only ten out of the top 30 foreclosure investors in Oakland are actually based in Oakland. Five investor companies are located out of state (two in New York; one each in New Jersey, Delaware, and Minnesota), while three others are located in California, but outside of the Bay Area. The remaining 12 investors are scattered throughout the Bay Area, but still outside of Oakland.

Table 6: Top 30 Foreclosure Investors (Trustee Deed and REO) in Oakland by Number of Acquisitions, 2007 through October 2011

	Investor	Location	Trustee Deed	REO Purchase	Total
1	Community Fund LLC	Oakland, CA	298	3	301
2	REO Homes LLC	Oakland/San Francisco, CA	35	88	123
3	Wilson Young (at least 11 LLCs and Corporations*)	San Leandro, CA	107	0	107
4	RWW Properties LLC/Wesco Realty LLC	Walnut Creek, CA	91	0	91
5	CRC Development LLC/EB Fund LLC/Oak Fund LLC/LM Fund LLC	San Francisco, CA	35	37	72
6	Golden Pinnacle Development Corporation	Dublin, CA	38	0	38
7	Monetary Investment LLC	Oakland, CA	37	0	37
8	David Kwong/Christopher Kwong	Oakland, CA	0	36	36
9	Community First Development LLC/Kevin Hampton	Richmond, CA	0	29	29
10	Liquidation Properties Inc	Wilmington, DE	17	10	27
11	Pass Line Investments LLC	Oakland, CA	23	1	24
12	Consumer Solutions REO LLC	Minnetonka, MN	15	8	23
13	New Bridge Neighbors GP	Moraga, CA	23	0	23
14	GRP Loan LLC	White Plains, NY	22	0	22
15	Last Mile Properties LLC	Chatham, NJ	19	0	19
16	McKinley HP Partners LP	Oakland, CA	15	4	19
17	Joyful House LLC	San Leandro, CA	15	0	15
18	Kent Lau	Oakland, CA	0	15	15
19	Leocel LLC	San Leandro, CA	15	0	15
20	William M Gardner	Oakland, CA	2	12	14
21	Garlik Investment Properties Inc	Sacramento, CA	14	0	14
22	Mantra Group LLC	Fremont, CA	14	0	14
23	REO Properties Corporation	New York, NY	13	1	14
24	Alterre Partners LLC	Oakland, CA	13	0	13
25	Aaron Cooperband	Belvedere-Tiburon, CA	13	0	13
26	G8 Fund LLC/G8 Holdings Inc	Ladera Ranch, CA	0	12	12
27	Grill Properties LLC	Lafayette, CA	12	0	12
28	Ivy Bay LLC	Oakland, CA	12	0	12
29	Pemojomo LLC	Walnut Creek, CA	0	12	12
30	Rosenau Investments Inc	Chico, CA	12	0	12
	Total - Top 30		**910**	**268**	**1,178**

Source: Alameda County Clerk-Recorder with analysis by Urban Strategies Council; California Secretary of State; CorporationWiki.

Note: This table only includes properties that have gone completely throught the foreclosure process in Oakland between 2007 and October 2011; these investors may have additional holdings acquired at other times or through other means (short sales, bulk purchases, etc.).

* Businesses associated with Wilson Young include: JWI Investment Corporation; JWI Secured Fund, LLC; Crest Investments, LLC; New Bay Area FI, LLC; New Golden State FI, LLC; New Greater Alameda FI, LLC; New Norcal FI, LLC; New Pacific FI, LLC; SGT Investments, LLC; F.A.S. Realty, Inc; Broadway Foreclosure Investments, LLC.

Another notable variation among the top 30 investors is the means through which they have acquired their foreclosed properties. Overall, the top 30 investors acquired 77 percent of their properties via trustee sales; further, 16 of the top 30 *only* acquired properties at trustee sales. This is likely indicative of the increased potential to realize greater discounts off market value at trustee sale auctions. However, the reverse is true in the case of five investors—that is, they *only* purchased properties directly out of REO status. Nine investors used both avenues (trustee sales and REO purchases) to acquire properties, yet the overwhelming trend shows that investors generally prefer one method over another. Once again, this does not include investment opportunities presented by other distressed property acquisition methods such as short sales.

▪ Transaction Analysis of the Two Largest Oakland Investors, 2007 through October 2011

Distressed Property Acquisitions

The top two investor entities in Oakland shown in Table 6 are both limited liability corporations: Community Fund LLC and REO Homes LLC. Our analysis of trustee deeds and post-foreclosure sales indicates that these two investors acquired a total of 424 Oakland properties that went through the foreclosure process between 2007 and October 2011. The means of acquisition for each entity varies quite considerably, with Community Fund LLC accessing properties almost exclusively at trustee sales, while REO Homes LLC has favored acquiring REO properties directly from banks and the GSEs.

Community Fund LLC appears to be the foreclosure acquisition entity of Community Realty Property Management, an Oakland-based real estate services firm active since 1999 and headed by Michael Marr. Michael Marr is also the principal agent of Community Fund LLC, which has been active since 2006. Many of Community Fund LLC's acquisitions have appeared on the Community Realty Property Management website as either for-sale, rental, or least-to-own properties. While our analysis has focused on Community Fund LLC's activities in Oakland, the company—along with Community Realty Property Management—is active throughout the East Bay in both Alameda and Contra Costa Counties.

REO Homes LLC is a newer corporation formed in 2008, presumably in response to the investment opportunities presented by the foreclosure crisis in Oakland. A second LLC was created in 2010 under the name REO Homes 2 LLC. The principal agent of both corporations is Neill Sullivan, who also established Sullivan Management Company in 2008 at the same time when REO Homes LLC was created. The Sullivan Management Company website advertises rental listings of properties acquired by REO Homes LLC and appears to provide property management services for other clients. In our analysis of trustee deeds within Alameda County, we observed that REO Homes LLC has acquired several properties outside of Oakland, in Berkeley and Emeryville.

Once Community Fund LLC and REO Homes LLC were identified in our analysis as the two largest foreclosure investors in Oakland, we supplemented our post-foreclosure transaction analysis with additional data from the Alameda County Assessor and Clerk-Recorder, as well as ForeclosureRadar and CoreLogic. As a result, we have made a series of adjustments to the list of property holdings of each investor, identifying properties that they had each subsequently sold, as well as adding in a number of additional properties where one of the two investors was listed as owners, but did not show up in the trustee deed dataset. This could include properties acquired through other avenues, such as short sales, bulk transactions, purchases of non-performing mortgages, or the rare occasion where a deed transfer has not been officially recorded. Our subsequent analysis revealed that Community Fund LLC owned an additional six properties, while REO Homes LLC owned an additional 48 properties, bringing the total count of acquisitions among the two investors to 478. (Table 7)

Table 7: Total Acquisitions by the Top Two Oakland Investors, with Acquisition Source (as of October 2011)

	Community Fund LLC	REO Homes LLC	Total
Trustee Sale	298	35	333
REO Purchase	3	97	100
Other/Individual	3	28	31
Investor	0	4	4
N/A	3	7	10
Total	**307**	**171**	**478**

Source: Alameda County Assessor and Clerk-Recorder, CoreLogic

Community Fund LLC's totals were adjusted to reflect an additional six properties in their control, with three properties purchased directly from individual non-investors, and three others lacking data with respect to the source of acquisition. The 48 additional properties owned by REO Homes LLC were acquired through multiple avenues: the data revealed that nine properties were purchased from banks or financial institutions, 28 properties were acquired via non-investor individuals (possibly short sales), four were bought from entities identified as investors, and another seven were acquired from sources lacking identification in our data.

Figure 9: Community Fund LLC and REO Homes LLC Acquisitions in Oakland, 2007 through October 2011

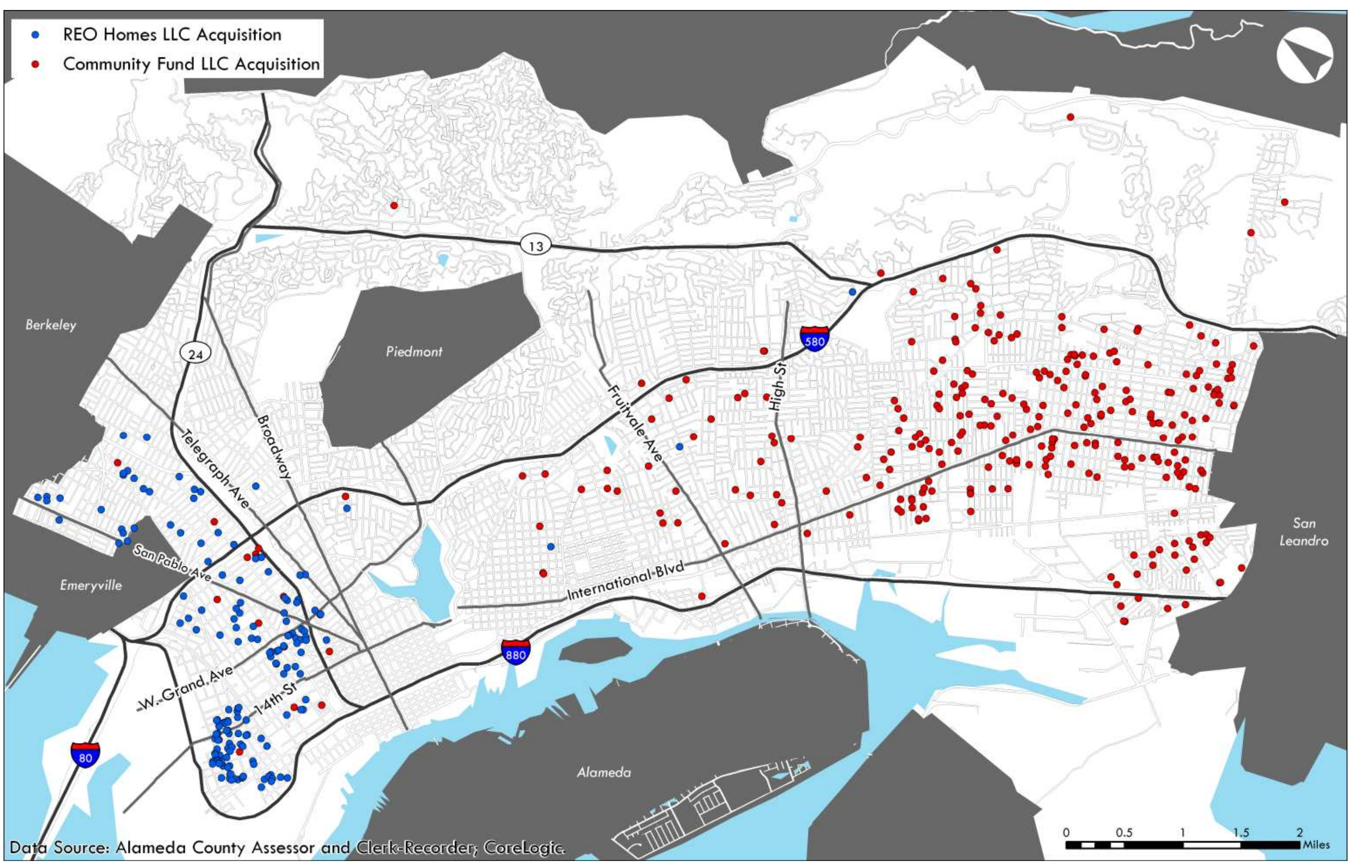


Figure 9 shows the geographic distribution of the final adjusted tally of acquisitions by Community Fund LLC and REO Homes LLC in Oakland between 2007 and October 2011. The acquisitions of both investors have been strikingly localized; each is operating almost exclusively in different parts of the city (Community Fund LLC predominately in East Oakland and REO Homes LLC highly concentrated in West Oakland). Our analysis indicates that 265 of the 307 properties acquired by Community Fund LLC are located east of Fruitvale Avenue. REO Homes LLC appears to have an even more targeted geographic strategy, focusing on the considerably smaller neighborhood of West Oakland; 124 of their 171 acquisitions fall within the zone circumscribed by Oakland's major freeways in West Oakland, I-880, I-580, and I-980. Further, 71 of the REO Homes LLC properties are located in the historic Lower Bottoms section of West Oakland (west of Mandela Parkway and south of West Grand Avenue).

Table 8 digs deeper into the acquisition transactions of both investors, looking specifically at average purchase prices by source of acquisition. Overall, Community Fund LLC's average purchase price of distressed properties between 2007 and October 2011 was $111,060. As noted above, Community Fund LLC has almost exclusively favored acquiring properties at trustee sale; the average price of their trustee sale acquisitions was $110,692.

REO Homes LLC's acquisition methods are comparatively more varied, giving some added indication of the relative price points associated with different acquisition methods. Overall, REO Homes LLC's average purchase price was $139,219. With the exception of several acquisitions from other investors, REO Homes LLC's lowest average purchase price came through the trustee sale route, with an average price of $131,694. The majority of REO Homes LLC's acquisitions (95) have come through purchases directly from banks or GSEs, averaging $143,195 per property. On average, REO Homes LLC fared slightly better when acquiring properties directly from individuals (possibly via short sale), with an average purchase price of $139,463 for 27 properties.

Table 8: Average Acquisition Prices by Acquisition Source for Oakland's Top Two Investors, 2007 through October 2011

	Community Fund LLC			REO Homes LLC		
	Average Acquisition Price	Average Price/SqFt	Count	Average Acquisition Price	Average Price/SqFt	Count
Trustee Sale	$110,692	$95.34	287	$131,694	$86.74	35
REO Purchase	$145,000	$79.58	2	$143,195	$87.65	95
Individual	$140,000	$88.03	2	$139,463	$104.48	27
Investor	--	--	0	$118,500	$87.19	4
N/A	$101,000	$106.14	2	$131,600	$89.60	5
Total	**$111,060**	**$95.25**	**293**	**$139,219**	**$90.26**	**166**

Note: We were unable to locate an acqusition price for every property purchased by the two investors. We used several data sources (Redfin, CoreLogic, and Alameda County Assessor and Clerk-Recorder data) to determine acquisition prices and square footage, and to cross-reference transaction dates.

On average, REO Homes LLC's acquisition prices are over $28,000 higher than those of Community Fund LLC. This is likely due to several reasons. First, Community Fund LLC's active engagement at trustee sales has likely provided them more discounted acquisition opportunities. Second, the geographic focus of REO Homes LLC on West Oakland can, at least partially, account for their higher purchase prices, as median sales prices in East Oakland have generally been lower over the past six years; further, the housing market in West Oakland appears to be improving at a marginally faster rate than East Oakland. (Figure 2, above)

While REO Homes LLC's overall average acquisition price is higher than Community Fund LLC, the average price per square foot for their purchases is actually lower than Community Fund LLC. Again, this is likely a result of their focused effort in West Oakland. West Oakland is home to a significant stock of historic Victorian-style residences, which are generally more spacious in square footage compared to the housing in Oakland's other flatland neighborhoods. Additionally, as discovered in our survey and detailed below, 72 of REO Homes LLC's acquisitions have multiple units, compared to only 27 multi-unit properties owned by Community Fund LLC. Their average price may be higher, but REO Homes LLC is generally acquiring larger properties than Community Fund LLC.

Re-sales of Distressed Property Holdings

Just as divergent as REO Homes LLC and Community Fund LLC's geographic foci and acquisition methods are, so too are their apparent property disposition strategies. Of the 478 acquisitions identified among the two investors, only 348 remained in their combined ownership as of October 2011. Community Fund LLC sold 120 of their 307 purchases (39 percent), while REO Homes LLC subsequently sold 10 of their 171 properties (6 percent). (Table 9)

Table 9: Average Purchase and Sales Prices of Flipped Properties by Community Fund LLC and REO Homes LLC

	Count	Average Acquisition Price	Average Sales Price	Average Difference b/w Acquisition and Sales Price
Community Fund LLC	120	$124,535	$195,256	$70,721
REO Homes LLC	10	$128,270	$315,250	$186,980
Total	**130**	**$124,822**	**$204,486**	**$79,664**

The total count of subsequent sales, or flips, by each investor provides an insight into their individual disposition strategies. REO Homes LLC appears to be less compelled to turn over their properties in the short term, with the exception of ten re-sales. Community Fund LLC, on the other hand, is actively engaged in re-sales of their distressed acquisitions. In both cases, without knowing any detail about what additional capital (if any) the investors may have put into rehabilitation work, they are both realizing significant returns on their original investments. Aside from the difference in volume of sales, the most striking variation between the sales of the two investors is the average prices their properties are commanding in the market. While the average acquisition price of each investor's flipped properties vary by less than $4,000, REO Homes LLC's gain is over two and a half times greater than Community Fund LLC's ($186,980 versus $70,721).

The number of days a distressed acquisition remained in the ownership of each investor prior to a re-sale reveals additional information about each investor's disposition strategy. On average, Community Fund LLC's re-sales took place in less than six months, while REO Homes LLC's subsequent sales were held for an average of one year. (Table 10) Of the 120 re-sales by Community Fund LLC, 33 properties were flipped in less than three months, 75 were flipped in less than six months, and a total of 113 (94%) were turned over in less than a year. Further, Community Fund LLC managed to flip nine properties within one month of acquiring them. Overall, REO Homes LLC appears much less oriented towards re-selling properties in the short to medium term, as compared to Community Fund LLC.

Table 10: Detail of Acquisition Price, Sales Price, and Number of Days Held for Flipped Properties of REO Homes LLC and Community Fund LLC

REO Homes LLC

n=10	Acquisition Price	Sales Price	Days Held
Average	$128,270	$315,250	365
Median	$134,500	$294,250	321
High	$225,000	$487,500	661
Low	$64,000	$226,000	134

Community Fund LLC

n=120	Acquisition Price	Sales Price	Days Held
Average	$124,535	$195,256	168
Median	$94,850	$168,000	133
High	$550,100	$625,000	786
Low	$36,913	$58,000	0

Condition Survey of Properties Acquired by Community Fund LLC and REO Homes LLC

As neither Community Fund LLC nor REO Homes LLC has publicly articulated a strategy or vision for their properties in Oakland, there is effectively no awareness about the very significant role they are playing in the housing markets and neighborhoods in which they are active. Given the scale of their acquisition activity, their potential for contributing to neighborhood change (for better or worse) is very real, and is already taking place. Even with a newfound understanding of the acquisition methods, geographic scope, and potential disposition strategies of Community Fund LLC and REO Homes LLC, our analysis ultimately discloses very little about the tangible impacts they are having on the ground throughout Oakland. There simply is not a readily available stream of data that provides this kind of window into their operations, or even into the vacancy status or condition of properties throughout the city. In light of this information void, we set out to collect our own data to help answer these outstanding questions regarding their activities and acquisitions. To this end, we developed a field survey to gather more detailed information about the properties owned by Community Fund LLC and REO Homes LLC.

Description of Survey Instrument

Our assessment of the property holdings of Community Fund LLC and REO Homes LLC was carried out over the last few months of 2011 using mobile devices pre-loaded with a custom survey instrument. The survey instrument was created for an Android-based mobile platform using Open Data Kit, an open source suite of tools developed specifically for designing surveys, collecting data in the field, and aggregating the collected data. Our methodology allowed us to physically locate each investor-owned property in Oakland, verify each address, complete our mobile survey assessment for every investor acquisition, and take at least one photo of each property.

The survey consisted of more than 20 questions, covering general attributes of each property (land use, number of units, number of stories, approximate age of structure, type of structure, etc.) to detailed questions related to the condition of each property (the condition of the roofing materials and the underlying structure, windows, siding and paint, landscaping, foundation) and whether any recent rehabilitation work was evident. Given that our investigation was conducted from the sidewalk, we were largely limited to an exterior assessment. Accordingly, with the exception of the several instances where we witnessed interior rehabilitation work in-progress, we were only able to judge the exterior condition of each property. We also made our best assessment regarding the occupancy status of each property.

Survey Results

Over the span of approximately two months, we surveyed 168 properties identified as owned by Community Fund LLC, and 165 properties owned by REO Homes LLC. Given the fluidity of the acquisition and sales activities of each investor, in addition to the large volume of total properties to assess, our survey results represent more of a snapshot in time rather than an exhaustive inventory or audit of Community Fund LLC's and REO Homes LLC's holdings. Accordingly, we may have inadvertently missed some properties owned by the investors, and likely surveyed several properties they had already flipped by the time we did our assessment. The aggregated results from our survey of each investor's holdings are detailed below.

→ *Investor-Owned Property Attributes*

As expected, nearly all properties acquired by each investor are primarily residential in use, or otherwise have some residential component. Of Community Fund LLC's 165 residential properties surveyed, 84 percent were single-family houses, while an additional 12 percent were duplexes. (Table 11) REO Homes LLC's acquisitions are relatively more varied, with single-family houses comprising only 55 percent of their holdings, duplexes accounting for 34 percent, and properties with 3 or more units totaling 11 percent. Given REO Homes LLC's greater tendency towards multi-family properties among the universe we surveyed, they are ultimately accountable for 65 more units than Community Fund LLC (274 versus 209). Of the properties we surveyed, two of Community Fund LLC's buildings were commercial in nature, while five of REO Homes LLC's acquisitions were multi-use, incorporating some degree of commercial use in addition to residential.

Table 11: Survey Results—*Investor Holdings by Residence Type*

Type of Residence Surveyed	Community Fund LLC			REO Homes LLC		
	Count	**Percent**	**Total Units**	**Count**	**Percent**	**Total Units**
Single Family Home	138	84%	138	89	55%	89
Duplex	20	12%	40	54	34%	108
Triplex	3	2%	9	5	3%	15
Quad	3	2%	12	10	6%	40
5+ Units	1	1%	10	3	2%	22
Total	**165**	**100**	**209**	**161**	**100**	**274**

Table 12 shows the apparent age of the acquisitions of each investor. As expected given the unique neighborhood preferences of each investor, the ages of their structures vary accordingly. Overall, 86 percent of the acquisitions of the two investors were over 50 years in age. Community Fund LLC holdings, while predominately falling in the range of 50 years or older, also consist of 31 properties appearing less than 10 years old. This aligns with the overall diversity of housing stock in East Oakland, where many single-family homes date from the early- to mid-20th century among a relatively newer mix of single- and multi-family housing. Conversely, all but four of REO Homes LLC properties appeared 50 years or older. This is keeping with the general characteristics of the housing in West Oakland. The age of investor acquisitions is particularly relevant to the issue of property condition, as much of the older housing stock throughout Oakland has significant deferred maintenance problems in addition to seismic retrofitting needs.

Table 12: Survey Results—*Investor Holdings by Apparent Age of Structure*

Apparent Age of Buildings Surveyed	**Community Fund LLC**	**REO Homes LLC**
50+ years old	126	158
10 to 50 years old	10	2
Less than 10 years old	31	2
Total	**167**	**162**

Table 13 shows the variety of building construction types among the surveyed acquisitions of each investor. This is a closely related issue to the age of structure and, accordingly, varies by neighborhood. The older housing stock of West Oakland was generally constructed with wood siding—as such, 75 percent of REO Homes LLC's properties have wood exteriors. Conversely, just 56 percent of Community Fund LLC's holdings have wood siding, with an additional 40 percent constructed with stucco.

Table 13: Survey Results—*Investor Holdings by Structure Exterior*

Exterior of Buildings Surveyed	**Community Fund LLC**		**REO Homes LLC**	
	Count	**Percent**	**Count**	**Percent**
Wood	93	56%	122	75%
Stucco	66	40%	34	21%
Brick	1	1%	0	0%
Other Siding	7	4%	6	4%
Total	**167**	**100%**	**162**	**100%**

While building materials may seem a benign issue, the age of a structure coupled with its construction materials can be a strong indicator of the presence of environmental hazards, specifically lead-based paint. Even though lead paint was banned from residential use in 1978 in the United States, its lingering presence in and around older structures continues to pose significant health hazards for residents (particularly children), as well as construction workers who may disturb lead surfaces, if not properly trained. The shedding or chipping of lead-based exterior paint, and subsequent contamination of surfaces and soils around the exterior of buildings, is a particular problem with wood-clad homes for several reasons. Structures with wood exteriors are generally older (more likely pre-1978), and with age, wood surfaces can be particularly susceptible to shedding paint. With that said, any structure built prior to 1978 may conceal similar health and environmental concerns related to lead or other toxic substances.

In the case of Oakland, geography adds another significant layer to concerns about environmental health. The proximity to industrial operations (either current or historical) of investor-acquired foreclosures in both West and East Oakland further exacerbates the likelihood of environmental health hazards in and around residential properties. The question remains as to whether or not investors are willing to tackle these issues in a responsible way to help contribute to the stock of safe and healthy housing in Oakland. In comparison, an organization receiving federal funds to rehabilitate foreclosed properties in Oakland—such as the Oakland Community Land Trust—is required to abate environmental health hazards to satisfy federal standards set by the U.S. Department of Housing and Urban Development and the Environmental Protection Agency.

Table 14 shows the results of our assessment of both parcel vacancy and apparent building occupancy associated with the acquisitions of each investor. While determining parcel vacancy is simple (either a lot is empty or there is a structure), assessing building occupancy can be more subjective. Only four properties surveyed between the two investors were actually vacant parcels, with all others housing some kind of structure. Two of the vacant lots owned by REO Homes LLC were unsecured and open to entry.

Building occupancy was a more difficult factor to evaluate with certainty. While many of the surveyed residences were either clearly occupied or vacant, occupancy status was less readily evident at others. Our overall assessment speaks more to the visual perception of whether or not the surveyed residences *appeared* occupied. There are certain tell-tale signs of vacancy, whether it is vandalism, accumulated junk mail, an absence of window coverings or furniture, for-sale or rental signage, a realtor key lock-box near the front door, or overly unkempt landscaping. Conversely, occupied homes generally have simple signs of being "lived-in," with toys or bicycles in view, lighting, garbage and recycling cans full or at the curb, cars parked in the driveway, a pair of shoes on the porch, etc.

Given this as the context for our occupancy assessment, we found that 18 percent of both Community Fund LLC's and REO Homes LLC's properties appeared unoccupied or vacant. 52 percent of Community Fund LLC's residences seemed clearly occupied, compared to only 29 percent of REO Homes LLC's properties. 52 percent of REO Homes LLC's properties showed some signs of being vacant, yet we were not convinced enough to pass a definitive judgment; 30 percent of Community Fund LLC's residences fit this same category where certain occupancy was more ambiguous.

Table 14: Survey Results—*Investor Holdings by Building or Parcel Vacancy Status*

Building and Parcel Vacancy of Surveyed Properties	**Community Fund LLC**		**REO Homes LLC**	
	Count	**Percent**	**Count**	**Percent**
Vacant Lots	**1**	**1%**	**3**	**2%**
Of Which Open & Dangerous	0	0%	2	1%
Lots with Structures	**167**	**99%**	**162**	**98%**
Most Likely Unoccupied	30	18%	29	18%
Possibly Unoccupied	50	30%	85	52%
Likely Occupied	87	52%	48	29%
Total	**168**	**100%**	**165**	**100%**

→ *Condition of Investor-Owned Properties*

In examining the condition of each investor acquisition, we evaluated a series of specific elements of every structure, and ultimately created a composite index of property condition. Again, given that our assessment was visual and largely limited to building exteriors, we have not been able to evaluate the more substantive building systems—such as plumbing or electrical—that often need upgrading.

Table 15 shows our evaluation of the roof of each investor property. The majority of each investor's properties had roofs in decent condition: 71 percent of Community Fund LLC's and 63 percent of REO Homes LLC's structures had roofs that visibly did not need repair. 26 percent of the properties owned by REO Homes LLC needed either new roofing or substantive work to the underlying roof structure. In five instances, we witnessed visible buckling or deterioration of the actual roof structure. In 11 percent of Community Fund LLC's properties, and 18 percent of REO Homes LLC's, we were unable to evaluate the condition of the roof because they were not visible from the ground (typically structures with flat roofs).

Table 15: Survey Results—*Investor Holdings by Roof Condition*

Roof Condition of Buildings Surveyed	**Community Fund LLC**		**REO Homes LLC**	
	Count	**Percent**	**Count**	**Percent**
Chimney Needs Repair	0	0%	3	2%
Gutters Need Repair	26	16%	14	9%
Shingles Need Repair	0	0%	2	1%
Roofing Needs Replacement	17	10%	21	13%
Roof Structure Needs Replacement	0	0%	5	3%
Good Condition	119	71%	103	63%
Roof Not Visible From Ground	18	11%	29	18%
Total	**167**		**163**	

* Multiple responses were allowed for this question, so the sum per column is higher than the actual number of properties surveyed.

Table 16 shows the results of our evaluation of the windows at each investor property. Overall, the majority of properties held by each investor had windows that were in decent shape and were not in need of immediate repair or replacement. 79 percent of Community Fund LLC's properties and 62 percent of REO Homes LLC buildings had windows that appeared to be in good condition. However, 62 of REO Homes LLC properties did have windows that needed some degree of repair or replacement, while 34 of Community Fund LLC's buildings had windows in need of repair or replacement.

Table 16: Survey Results—*Investor Holdings by Condition of Windows*

Condition of Windows at Buildings Surveyed	**Community Fund LLC**		**REO Homes LLC**	
	Count	**Percent**	**Count**	**Percent**
Broken Panes	4	2%	1	1%
Need Some Repair	30	18%	50	31%
Need Replacement	0	0%	11	7%
Good Condition	130	79%	100	62%
Total	**164**	**100%**	**162**	**100%**

Table 17 shows the condition of the exterior siding of the surveyed properties. 61 percent of Community Fund LLC's properties and 56 percent of REO Homes LLC buildings had siding with paint that appeared in good condition. Conversely, 65 of Community Fund LLC's holdings and 71 of REO Homes LLC's properties needed some combination of siding repair and repainting. In several instances, we witnessed older structures with relatively recent paint work, yet the underlying siding appeared pocked or otherwise deteriorated indicating that proper patching or siding upgrades was likely not completed. From our assessment, the most obvious or visible improvement to the investor acquired properties was the addition of new paint.

Table 17: Survey Results—*Investor Holdings by Condition of Building Exterior*

Condition of Siding at Buildings Surveyed	**Community Fund LLC**		**REO Homes LLC**	
	Count	**Percent**	**Count**	**Percent**
Needs Repainting	34	20%	10	6%
Needs Patching and Repainting	31	19%	61	38%
Good Condition	101	61%	91	56%
Total	**166**	**100%**	**162**	**100%**

Table 18 and Table 19 show (in both detail and summarized form, respectively) the types and frequencies of apparent rehabilitation work we witnessed among the investor-owned properties. Overall, very few of the properties owned by Community Fund LLC had any sign of recent work being completed. Our assessment revealed that only six percent of Community Fund LLC's properties had some visibly recent rehabilitation work. Conversely, 56 percent of REO Homes LLC's holdings had some degree of work done, ranging from cosmetic improvements to more substantive repair.

Table 18: Survey Results—*Investor Holdings by Types of Recent Rehabilitation Work*

Rehabilitation Done at Buildings Surveyed	**Community Fund LLC**		**REO Homes LLC**	
	Count	**Percent**	**Count**	**Percent**
New Paint	7	4%	89	55%
New Windows	1	1%	23	14%
New/Repaired Roof	1	1%	2	1%
New/Repaired Foundation	1	1%	0	0%
New Landscaping	2	1%	13	8%
Remodeled Interior	3	2%	7	4%
None Visible	157	94%	72	44%
Total*	**167**		**163**	

* Multiple responses were allowed for this question, so the sum per column is higher than the actual number of properties surveyed.

Table 19: Survey Results—*Investor Holdings by Summary of Property Rehabilitation Work*

Summary of Work Done at Surveyed Properties	Community Fund LLC		REO Homes LLC	
	Count	Percent	Count	Percent
Major Repairs	3	2%	27	17%
Cosmetic Improvements	7	4%	64	39%
No Recent Work Visible	157	94%	72	44%
Total	**167**	**100%**	**163**	**100%**

Overall, among all properties owned by both investors, our survey revealed that 229 out of 330 properties we surveyed had no recent, visible rehabilitation work. Further, only 27 of REO Homes LLC's properties and three of Community Fund LLC's acquisitions appeared to have had substantive work completed or in progress. We also observed that six of REO Homes LLC's properties with considerable rehabilitation work done on them were listed for sale.

Table 20: Survey Results—*Investor Holdings by Condition of Yard/Surrounding External Space*

Yard/Exterior Space Condition	Community Fund LLC		REO Homes LLC	
	Count	Percent	Count	Percent
Untidy or Overgrown	49	29%	36	22%
Junk Visible in Yard/Exterior	15	9%	9	6%
Good Condition	103	62%	116	72%
Total	**167**	**100%**	**161**	**100%**

Table 20 shows our assessment of the yard or exterior space of each property. The majority of the investor-owned properties have yards, driveways, and patios that appeared to be in good condition or displayed some attention to maintenance. However, 38 percent of Community Fund LLC's and 28 percent of REO Homes LLC's properties had yards or exterior spaces that were overgrown, unkempt, or had visible junk or trash strewn about. These figures are higher than what we observed for our vacancy or unoccupied measure.

To get a better sense of the overall condition of Community Fund LLC and REO Homes LLC's portfolios, we created an aggregate index using all the various condition-related factors we evaluated in the survey. Properties with elements rated in good condition were given a score of zero, while factors contributing to condition problems were given elevated scores according to the severity of the issue. (Table 21) While we initially set out to assess the condition of building foundations, we generally were unable to evaluate this structural component due to lack of access. Accordingly, we only made note of foundation-related issues if they were glaringly apparent; otherwise, our evaluation does not reflect any judgment of building foundations, with index scoring relating to foundations defaulting to "good condition."

Table 21: Composite Property Condition/Damage Index Scoring

CATEGORY	CONDITION	INDEX SCORE
Foundation	Good Condition	0
	Repairs Needed	10
	Needs Partial foundation	15
	No Foundation or Needs New	25
Roofing	Good Condition/Roof Not Visible	0
	Shingles Missing/Need Repair	5
	Chimney or Gutter Needs Repair	5
	Needs Re-Roofing	10
	Replace Roof Structure and Re-Roof	25
Siding	Good Condition	0
	Needs Re-Painting	1
	Needs Patching and Re-Painting	5
Windows	Good Condition	0
	Broken Panes/In Need of Repair	5
	In Need of Replacement	10
Yard	Good Condition	0
	Untidy/Overgrown	5
	Junk Visible	5

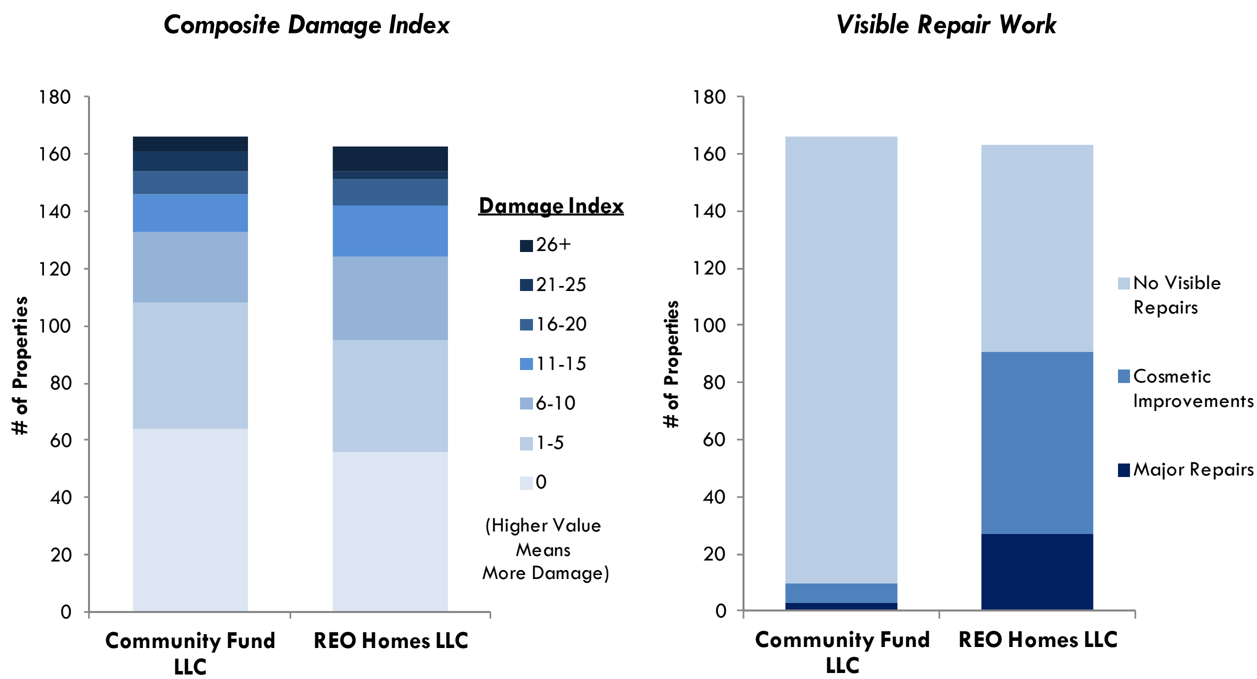
Table 22 shows the final composite property damage index scoring for the surveyed properties of each investor. Overall, 39 percent of Community Fund LLC's and 34 percent of REO Homes LLC's acquisitions appeared to not have any visible damage or obvious condition-related issues. Conversely, 20 percent of Community Fund LLC's and 24 percent of REO Homes LLC's structures had multiple (or at least one major) condition problems (i.e., properties receiving an index score of 11 or higher).

Table 22: Survey Results—*Investor Holdings by Composite Property Condition/Damage Index*

Composite Property Condition Index for Surveyed Properties	**Community Fund LLC**		**REO Homes LLC**	
	Count	**Percent**	**Count**	**Percent**
0 (No Visible Damage)	64	39%	56	34%
1-5	44	27%	39	24%
6-10	25	15%	29	18%
11-15	13	8%	18	11%
16-20	8	5%	9	6%
21-25	7	4%	3	2%
26+	5	3%	9	6%
Total	**166**	**100%**	**163**	**100%**

While the properties owned by REO Homes LLC scored marginally worse than those of Community Fund LLC according to our aggregate index, REO Homes LLC has been more active in doing some degree of rehabilitation or cosmetic improvement work to their holdings. (Figure 10) The deferred maintenance and age of their structures in West Oakland could partially account for their activity; further, their apparent focus on a short- to medium-term rental strategy may necessitate some baseline level of work to ensure that their holdings are in leasable condition. If REO Homes LLC's longer term goal is to sell their properties once the market recovers, they presumably would complete additional rehabilitation work at a later date in anticipation of resale. In some respects, REO Homes LLC fits aspects of Mallach's "Rehabber" and "Holder" categories.

Figure 10: Survey Results—*Investor Holdings by Composite Damage Index and Visible Repair Work*



If this assessment of REO Homes LLC's activity holds true, they have a disincentive to complete substantive rehabilitation work as long as their acquisition apparatus is up and running. If they are capitalized enough to continue purchasing in the short-term, they stand to benefit immensely from continued depressed housing values in West Oakland. Completing major rehabilitation of their holdings while they are still acquiring in the same neighborhoods would effectively be acting against their own financial interest. Our survey assessment of REO Homes LLC properties supports this assertion: their properties appear to be maintained in a way so as not to attract attention—they are not immaculate, but they are rarely problematic either. While their resale activity has been limited, it has likely produced enough returns to sustain and grow the day-to-day operations of the enterprise. As their acquisitions mount and they achieve a critical mass, they will increasingly exercise more and more control over their target geography. Given the unique concentration of their holdings, REO Homes LLC is likely manufacturing a sub-market they will be able to steer to achieve the results they desire over the medium to long-term.

Community Fund LLC, on the other hand, appears to be even less engaged in active rehabilitation of their acquisitions. Their disposition strategy is seemingly more varied and oriented towards realizing shorter-term gains where possible. Community Realty Property Management, the company related to Community Fund LLC, advertises for sale, rental, and lease-to-own opportunities on its website. Given that we observed moderate condition-related issues with their properties, in concert with the fact that they seem unlikely to complete substantive or even cosmetic rehabilitation work, Community Fund LLC appears to fall in line with elements of Mallach's "Flipper" and "Milker" categories. Clearly, Community Fund LLC has demonstrated the desire and ability to flip properties, often in a very short time frame. Likewise, it appears they have been successful in acquiring properties in fair condition, not doing substantive rehabilitation work, and generally entertaining any disposition strategy that will yield a positive cash flow. Compared with REO Homes LLC's operation in West Oakland, property appreciation in East Oakland seems more uncertain. While house prices will likely rise, they may do so at a slower pace than the rest of the city due to geography as well as the additional challenges of public safety and economic disinvestment in East Oakland.

Conclusion and Recommendations

In this report, we have attempted to provide detail on one small portion of a much larger narrative playing out in Oakland—a narrative of hope, opportunity, greed, and loss that began with an over-inflated housing bubble and targeting of predatory loans to homeowners of color in low-income neighborhoods. The story peaked with the displacement of thousands of Oakland residents due to foreclosure. Our analysis picks up at the precise point of loss—when a home is sold at trustee sale—and tells the story of what has happened to properties *after* foreclosure. Further, we have followed the trail of post-foreclosure transactions to reveal who is benefitting from the new opportunities created out of the misfortunes of others.

Our analysis shows that 81 percent of the 10,508 completed foreclosures in Oakland since 2007 reverted to REO status; that is, they ended up being owned by banks, other financial institutions, or one of the GSEs. However, that status—in large part—has proven to be only temporary, revealing just one aspect of Oakland's post-foreclosure reality. Further, 16 percent of foreclosed properties never reached REO status, and instead were purchased by investors at trustee sale auctions. Thousands of other post-foreclosure properties remained in REO status for only a short period, being sold by banks to investors and non-investors alike. Further, several thousand more properties continue to sit idle in REO status awaiting productive re-use.

The collapse of housing values in Oakland brought about by the foreclosure crisis has opened up a colossal opportunity for individuals and corporate entities with the financial resources to play the real estate investment game. Our analysis reveals that—as of October 2011—investors had acquired 42 percent of all properties that went through foreclosure since 2007 in Oakland. However, this does not mean that investors still own 42 percent of the foreclosed properties in Oakland, as many homes have been bought and sold multiple times by investors. As of October 2011, we found that investors had already flipped 20 percent of the properties they acquired at auction or out of REO status. The two largest Oakland investors alone have flipped 130 foreclosures since 2007 for an average gross gain of nearly $80,000 per property.

We also discovered that while non-investor individuals are very rarely able to engage in the trustee sale auction process (due to the fact that cash is required to purchase at auction), they have demonstrated a significant demand for affordable homeownership opportunities through REO purchases. Between 2007 and October 2011, non-investor individuals acquired 55 percent of the REOs sold by banks and the GSEs, even in the face of the competitive advantage that cash investors wield at multiple stages in the post-foreclosure home buying landscape. Moreover, we found that non-investor individuals or entities were six times more likely than investors to retain ownership of their REO or trustee sale acquisition. In large part, the post-foreclosure transaction churn grinds to a stabilizing halt when non-investor purchasers are able to successfully engage in the process and buy a home as an owner-occupant.

This finding indicates a need for more policies and programs that encourage sustainable homeownership opportunities in Oakland, particularly in this momentary period when housing prices are actually in a range that is affordable to working families. However, the current reactionary backlash against homeownership for low-to-moderate income people threatens to effectively shut many otherwise qualified homebuyers out of the market. Even while the roots of the current crisis lay in predatory products that were designed to strip wealth from borrowers, many income-stable and credit-worthy potential homeowners are still destined to be unfairly denied access to mortgage financing due to overly strict underwriting standards. In the absence of affirmative measures that provide working families the opportunity to successfully engage in the institution of homeownership, structural wealth disparities will worsen and investors will have the pick of the litter in the distressed housing market.

The entry of investors and speculators into this space brings with it more questions than answers. In the mounting rush to liquidate the "shadow inventories" of banks and the GSEs, we fear that the real needs and desires of neighborhoods in Oakland are being overlooked or ignored. It would be a gross distortion to argue that investors are engaged in the distressed property market to stabilize neighborhoods; they are involved, first and foremost, because of the profit potential. As Colin Weil, co-founder of Waypoint Real Estate Group recently commented, "I never thought I'd be rolling up single-family homes, but the yields are awesome."[19]

The rhetoric that regularly places investors in the heroic position of righting the wayward ship of the housing market by absorbing distressed property inventories appears to be providing ample cover for a strategy that is unproven, at best. It is becoming increasingly clear that institutions, corporations, and individuals with large amounts of investment capital are willing to chase down "awesome yields" and buy as many distressed properties as possible; however, this approach brings very little engagement with—or connection to—local neighborhood and community needs.

Still, at this time of profound disruption in the low-income flatland neighborhoods of Oakland, the community desperately needs effective strategies and additional resources to stabilize the current state of affairs and establish a path for future success. However, there is very little discussion as to whether the rapid surge in investor ownership is pointing Oakland neighborhoods in the right direction, or worse, if it is working to the detriment of existing neighborhood stabilization efforts. The fact remains that investor capital to purchase foreclosed properties far outweighs the resources that nonprofit organizations or local governments have to address the problem. For instance, Waypoint Real Estate Group—a new but rapidly expanding Oakland-based foreclosure investor—has assembled over $150 million in assets and is on a path to secure upwards of $1 billion in investment capital to purchase 15,000 foreclosed properties by the end of 2013. At this kind of unprecedented pace and scale, there needs to be some reconciliation of major investor activity with local community priorities; the rationale of "absorbing inventory" is obscenely shortsighted and entirely divorced from what is actually happening on the ground in struggling neighborhoods all across the country.

Housing markets of varying strengths clearly warrant different approaches to achieve neighborhood stabilization and success; accordingly, there is no magic bullet or single strategy that will work in all cities in the wake of the foreclosure crisis. With that said, some basic ideas need clarification, including what exactly is at stake for low-income neighborhoods in Oakland. The goals of *stabilizing the housing market* and *stabilizing neighborhoods and residents* may sound similar, yet implicitly embody very different understandings of the crisis and its causes, as well as the appropriate way to move forward in addressing the aftermath. The former goal (stabilizing the housing market) favors getting foreclosed properties out of the hands of banks and reoccupied as fast as possible with little regard for long-term implications of doing so. The latter goal (stabilizing neighborhoods and residents) is more circumspect and driven by local resident needs in the short-term, and broader community desires over the longer term; further, it is based in a reality of not one monolithic housing market, but many small submarkets that vary considerably across different neighborhoods.

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[19] E. Robinson, "Private Equity's Foreclosures for Rentals Net 8%: Mortgages," *Bloomberg Markets Magazine*, 13 March 2012. http://www.bloomberg.com/news/2012-03-13/private-equity-buying-u-s-foreclosures-for-hot-rentals-net-8-mortgages.html. (Last accessed April 5, 2012).

There is a world of difference between weak market cities where abandoned homes are often demolished instead of rehabilitated, or where foreclosures sit vacant for years, compared to a strong market city where a demand for homeownership—even in a recession—still persists and is strong enough to ensure that vacancy remains relatively low. Even in the most struggling neighborhoods of Oakland this kind of demand exists, particularly in the current market environment where values have plummeted so sharply and "bargains" abound. One of our current challenges is to ensure that working families and individuals have access to the safe mortgage financing they need to be successful homeowners.

In Oakland's post-foreclosure reality, investors are playing a role that individual homebuyers and nonprofit organizations could play if the priorities of financial institutions included a meaningful community-oriented perspective. Banks and the GSEs should be held accountable not only for properly maintaining their REO portfolios, but also for their disposition strategies. A bank's decision to sell a foreclosed property to a limited liability corporation as opposed to an individual or family produces a very different outcome for the community. This decision made repeatedly over thousands of transactions amounts to a sea change in the composition and tenure of neighborhoods. In a piecemeal process, banks and the GSEs are essentially selling the control and ownership of neighborhoods to non-resident investors and corporations. Our analysis provides an illustrative example of how this is playing out in specific Oakland neighborhoods.

The top two foreclosure investors profiled in this report, Community Fund LLC and REO Homes LLC, have acquired nearly 500 properties in Oakland since 2007. The fact that two investors could, in the span of a few years, amass such substantial portfolios is impressive and indicative of their capacity to impact both the built and socio-economic environments of Oakland neighborhoods. However, the reality that this has taken place largely outside of any public awareness or civic engagement is alarming. Moreover, the intense geographic concentrations of their acquisitions—particularly REO Homes LLC's portfolio in West Oakland—amounts to nothing short of a cunning and opportunistic land grab. Amidst the deep history of neighborhood activism and long held concerns regarding resident displacement and gentrification in West Oakland, REO Homes LLC has been able to infiltrate a community beset by a crisis and cobble together a sizeable fiefdom. Community Fund LLC has been even more active in East Oakland, yet in a slightly more dispersed manner due to a broader geographic focus. Their piecemeal consolidation of ownership in relatively small geographic areas has escaped the scrutiny of local residents and remains largely unknown among policy makers and the larger community.

While REO Homes LLC and Community Fund LLC represent the two largest foreclosure investors in Oakland, the aggregate behavior of all investors in the distressed property market plainly reveals which neighborhoods are being most impacted by their activity. Just as subprime and other predatory loans were targeted to low income communities of color, the geographic distribution of investor activity in Oakland's distressed property market follows a very similar pattern. Nearly 93 percent of the foreclosures acquired by investors in Oakland are in the flatland neighborhoods of the city (below I-580 from West Oakland to the San Leandro border, and west of I-980 and State Route 24 encompassing West Oakland and parts of North Oakland). The disproportionate nature of this activity among Oakland's most struggling neighborhoods and disenfranchised residents warrants the attention of policy makers, local government officials, and residents.

▪ RECOMMENDATIONS

To that end, we have come up with a set of recommendations that address a range of aspects associated with our findings and the post-foreclosure landscape in Oakland.

Local Government

At the local government level, the City of Oakland has already taken several proactive steps to address blight associated with bank-owned and lien-burdened properties. Spurred by resident concerns and the organizing efforts of the Alliance of Californians for Community Empowerment, the City's Vacant and Foreclosed Property Registration ordinance was enacted to hold banks and the GSEs responsible for the maintenance of their holdings within Oakland. Likewise, the City of Oakland revived its nascent receivership program in 2012 to help facilitate the productive re-use of severely lien-burdened properties. While these programs provide much needed tools to combat problems associated with blight and abandonment, they ultimately only address two discrete aspects of the current post-foreclosure and distressed property situation in Oakland.

The City's foreclosure recovery arsenal needs to be expanded to include a rental registration and inspection program. With the boom in investor-owned properties in Oakland—many of which are controlled by non-local corporate entities—a registry system of rental properties would help ensure that City officials have current contact information for a responsible party for all rental units.[20] Extending a registration program to include inspections of rental properties would incentivize owners to properly maintain their units and ensure compliance with the existing building code. The deferred maintenance and age of much of the flatland housing stock where investors have been particularly active magnifies the need for some form of proactive municipal oversight of rental properties. As it currently stands in Oakland, code enforcement is largely complaint driven; this means that deficiencies or code violations only come to light if a resident or other interested party files a complaint with the City. As such, this system requires some knowledge of what actually constitutes a violation or threat to public safety. A proactive inspection program could facilitate a more equitable and even application of code enforcement across neighborhoods, rather than relying on a reactive, complaint-driven approach. If designed thoughtfully, a tracking and inspection program could also incorporate elements that potentially reward participation. For instance, a public-facing database of rental units could be used to help property owners advertise vacancies and promote their properties. Likewise, funds generated from a registration program could seed a revolving rehabilitation loan program for small rental property owners to assist them in making necessary upgrades.

Financial Institutions

As for financial institutions, banks and the GSEs could undoubtedly have a more beneficial, community-oriented impact on the post-foreclosure landscape in Oakland in a number of key ways. On the property disposition side, some banks and the GSEs have already made an effort to facilitate the sale of their REO holdings to nonprofit organizations through the National Community Stabilization Trust and other "first look" programs. However, the disposition to nonprofits has not reached a scale that will have the same kind of transformative impact on Oakland neighborhoods as the rise in investor acquisitions of foreclosed properties will. At precisely the time when the Federal Housing Finance Agency is piloting a strategy to sell the holdings of the GSEs in bulk to investors, Oakland needs a commitment from banks and financial institutions to prioritize the disposition of their foreclosed properties to nonprofit organizations and owner-occupant individuals and working families.

[20] For a thoughtful compilation of best practice examples from municipalities across the country, see S. Treuhaft, K. Rose, and K. Black, *When Investors Buy Up the Neighborhood: Preventing Investor Ownership from Causing Neighborhood Decline*, PolicyLink, April 2010.

This commitment must be accompanied by government policies and meaningful investments from banks and the mortgage financing industry in strategies that support sustainable homeownership for individuals, families, and first-time homebuyers. Demand for homeownership remains high in Oakland and throughout the Bay Area; it is essential that the opportunity to become a homeowner is not inequitably limited to middle- and upper-income families. Decades of research on the benefits of homeownership to neighborhoods, families, and individuals should not be disregarded because of a housing crisis that was predicated on toxic loans, reprehensible lending practices, and a lack of adequate regulation.

The Self Help Community Advantage Program (CAP) provides a powerful case in point against the current retrenchment and disengagement from the goal to extend homeownership to lower-income households. CAP is a portfolio of more than 46,000 home purchase loans made between 1998 and 2009 to low-income and minority households that have traditionally been excluded from homeownership. A detailed study of CAP has demonstrated that—with thoughtfully structured mortgage products—low-income families can successfully and sustainably participate in homeownership.[21] The CAP program has been a win-win: families with CAP loans have enjoyed the benefits of homeownership *and* navigated the risks, all the while demonstrating that the perceived risk of lending to low-income households can be erased with little more than common sense. The key to the success of CAP is plain and simple: safe and secure mortgage products with practical homebuyer preparation, and a transparent lending process that extends beyond the sale to include post-purchase supports. In the community land trust model of homeownership, this kind of intentional and sustained support of homebuyers is referred to as *stewardship*, and is the primary reason why community land trust homeowners are ten times *less* likely to enter the foreclosure process compared to homeowners with conventional loans.[22]

An additional disposition strategy for banks to explore—potentially in partnership with local nonprofits and small local businesses—is to complete property upgrades and rehabilitation work prior to offloading their REO holdings. While this approach may seem beyond the scope of a financial institution, many banks are already engaged in property registration and maintenance concerns as required by municipal ordinances across the country. Expanding their REO property maintenance activities to include some rehabilitation work and code compliance upgrades could ensure the health and safety of their properties, prepare houses for new owner-occupants, and effectively cut out the investor as an intermediary.

A somewhat similar approach which shifts the cost of rehabilitation on to a new homebuyer is the 203(k) home loan product offered through the Federal Housing Administration. The 203(k) program allows a homebuyer to fold the cost of rehabilitation, repair, or modernization into their permanent fixed-rate home purchase mortgage. This program can be an attractive solution for homebuyers looking to purchase a foreclosed property, who would otherwise not be able to complete necessary property upgrades or rehabilitation work on their own. If structured properly, the 203(k) mortgage allows an owner-occupant to acquire a home and do their own part to contribute to neighborhood revitalization.

Open Data/Open Government

Finally, carrying out this analysis was particularly complex and laborious, largely due to the convoluted and disjointed nature of the various data sets needed to effectively track properties in and out of the foreclosure process. This fact

[21] R. Quercia, A. Freeman, J. Ratcliffe, *Regaining the Dream: How to Renew the Promise of Homeownership for America's Working Families,* Washington, D.C.: Brookings Institution Press, 2011.

[22] Emily Thaden, *Stable Home Ownership in a Turbulent Economy: Delinquencies and Foreclosures Remain Low in Community Land Trusts*, Lincoln Institute of Land Policy: Working Paper Series, 2011.

can partially be blamed for the paucity of awareness regarding the surge in investor activity in Oakland. The data is simply not readily available. Without reliable data, the big picture trends and detailed minutiae are both out of reach.

In general, the most useful data sets for this type of property-based analysis are produced by private companies and cost money to access. These private companies enrich free and publicly-accessible data—generally County Assessor or Clerk-Recorder filings—and offer them for re-sale with significant fees. The value added by private companies allows for an ease of analysis that is currently lacking from data that are routinely made available by local government. There is a clear need for more accessible and user-friendly public data systems that electronically link property transaction filings to real parcels (in addition to owner) and feature exportable data that would facilitate both record-level and aggregate analyses. While these data are ostensibly already publicly-available, they are not accessible in a manner or format that allows for meaningful examination. A more transparent and usable public data system could provide a view into the transaction trail and ownership history of properties, and more specifically, could give the public a new oversight capability to help prevent fraud and wrongful foreclosure or eviction, allowing renters and homeowners to better monitor any liens or official documents filed against any property in question.

As we begin to find some clarity among the post-foreclosure haze in Oakland, there is an uncanny sense of history repeating itself in the city's low-income neighborhoods. Decades of disinvestment and uneven development in East and West Oakland effectively established a perfect storm of opportunity, risk, and ultimately, exploitation. The housing market bubble that paved the way for the foreclosure crisis mistakenly offered the promise of perpetually rising house prices. In the states where the housing bubble was most pronounced (including California), real estate investors represented nearly half of all home buyers, fueling price inflation and the need for non-investor buyers to stretch even further to make homeownership a reality.[23]

For individuals and families, the access to readily available—and often predatory—mortgage financing was the means to achieve the dream of homeownership. Meanwhile, for speculative investors, access to free-flowing credit presented the chance to leverage previous investments, pile on additional debt, acquire more property, and bet on skyrocketing house prices. We know all too well how this panned out for the housing market, in general, and for the low-income residents and neighborhoods of Oakland, specifically.

Now, on the back end of the foreclosure crisis, investors are again staking claim to the flatland neighborhoods of Oakland, seizing an opportunity presented by rock bottom house prices and realized through the rapid funneling of capital into undervalued parts of the city. Amidst this frantic morass of shifting financial ledgers and urban restructuring, one key element has not changed: the spoils of the victor continue to come at the expense of our most disenfranchised residents, while our collective approaches to remedying these inequities too often omit the lessons that history provides us.

[23] A. Haughwout, D. Lee, J. Tracy, W. van der Klaauw, *Real Estate Investors, the Leverage Cycle, and the Housing Market Crisis,* Federal Reserve Bank of New York, Staff Report No. 514, September 2011.