



The United States Mortgage Crisis and Cadastral Data

Donald Buhler, Bureau of Land Management

David Cowen, University of South Carolina

**What Have Americans Paid (and Maybe the Rest of the World)
for Not Having a Public Property Rights Infrastructure?**

Daniel ROBERGE, Canada and Bengt KJELLSON, Sweden

“... we believe that a good property rights infrastructure could have mitigated the effect of the land market crisis and thereby avoided the loss of many hundreds or even thousands of billion dollars.”

FIG Working Week 2009 Surveyors Key Role in Accelerated Development Eilat, Israel, 3-8 May 2009

Newsweek June 2 , 2008

Mortgages and Madness

Questionable lending practices turned a peaceful Cleveland neighborhood into a blighted slum.



WASTELAND: As owners have defaulted and abandoned their homes, the community of Slavic Village has become a boarded up ghost town

Reverse Redlining

grated. To meet Wall Street's demand for a steady supply, lenders kept reaching lower and lower down the scale of quality in both property and borrowers, until the street hustlers jumped in to offer up their "product." Not surprisingly, the once shunned inner city became a prime lending spot across America. That, in turn, led to the phenomenon of reverse redlining. More than a decade ago, the big story was the redlining of low-income, often African-American, neighborhoods by banks that refused to lend there. Now the opposite happened.

Wall Street's insatiable demand inspired the local shop owner and plumber to go into the mortgage business—what Brancatelli calls "station-wagon brokers."

"There are a lot of former drug dealers who have gotten into the business," adds Ed Kraus of the Ohio Attorney General's office. Many brokers simply invented biog-

After decades of redlining practices that starved many urban communities for credit and denied loans to racial minorities, today a growing number of financial institutions are flooding these same markets with exploitative loan products that drain residents of their wealth.

Gregory D. Squires Predatory Lending: Redlining in Reverse, Shelter Force Magazine Issue #139, January/February 2005 National Housing Institute

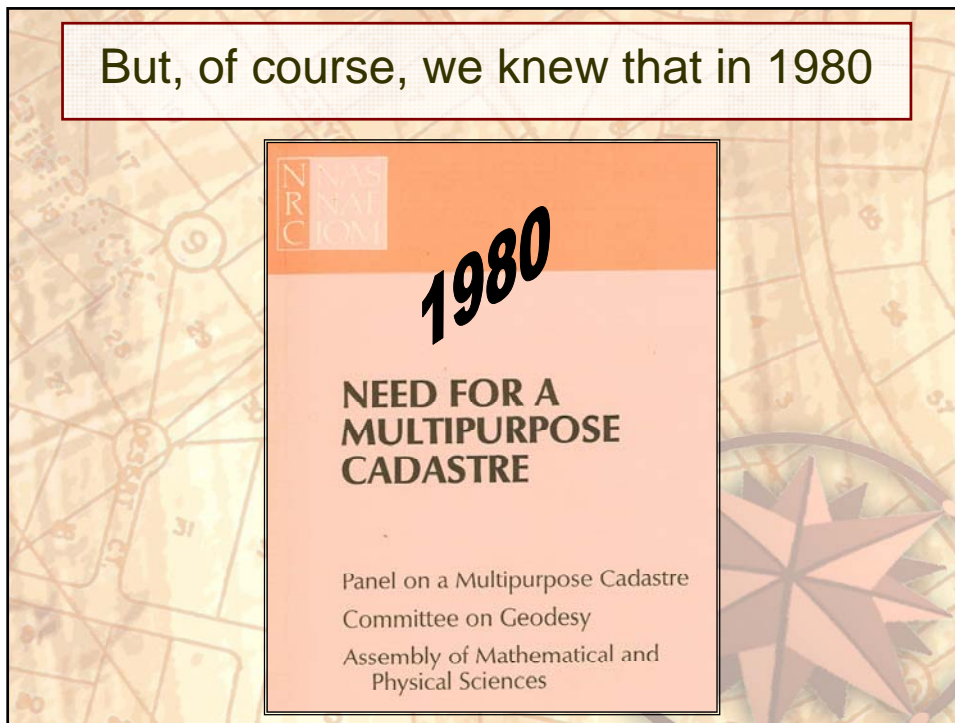
Housing and Urban Development County Data Records Project

- **Currently there is no national database maintaining these data for the federal government**
- *The data (land parcel data or cadastral data) provides geographically referenced information about the rights, interests, and ownership of land. **It can also be used to provide oversight and management of mortgage and financial activities***

Obstacles

- The major **obstacles** in the development of a multipurpose cadastre are the **organizational** and **institutional** requirements.

But, of course, we knew that in 1980



Tiger Wood's House in Orange County, FL

WARRANTY DEED

THIS WARRANTY DEED made and entered into as of the 26th day of April, 1998, by MICHELLE TERRY and CLARENCE TERRY, husband and wife, whose dwelling is at 100 1/2 1/2 Street, Orange, Florida 32703 (hereinafter referred to as "Grantor"), to TIGER WOODS, TRUSTEE OF THE HOOPLAND TRUST, dated April 26, 1998, whose office address is 100 1/2 1/2 Street, Suite 100, 1800 Wood Street, Cleveland, OH 44115 (hereinafter referred to as "Grantee").

WITNESSETH

THAT, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and lawful consideration, the grantor and grantors of which is acknowledged by Grantee hereby gives, grants, sells, conveys and confirms unto Grantee all that certain real property in Orange County, Florida, more particularly described as follows:

Lot 181, BEHAVIOR, according to the plat thereof as recorded in Public Records of Orange County, Florida.

TO HAVE AND TO HOLD

IN WITNESS WHEREOF, the said Grantor has hereunto set his hand and seal the day and year first above written.

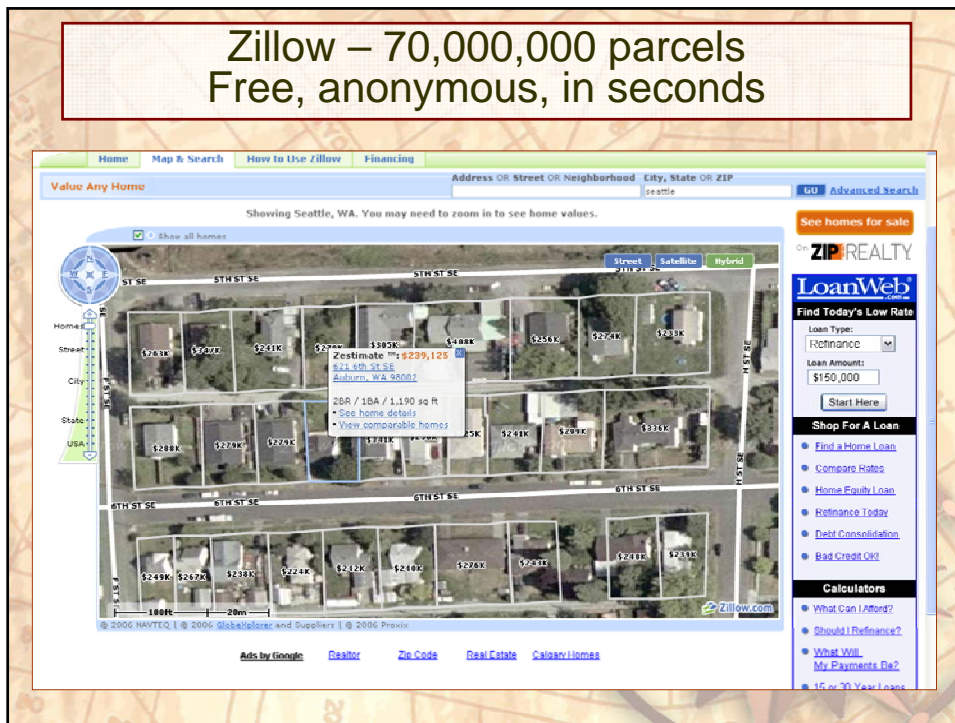
Signed, sealed and delivered, in the presence of

Elizabeth J. Wood
Printed Name: Elizabeth J. Wood

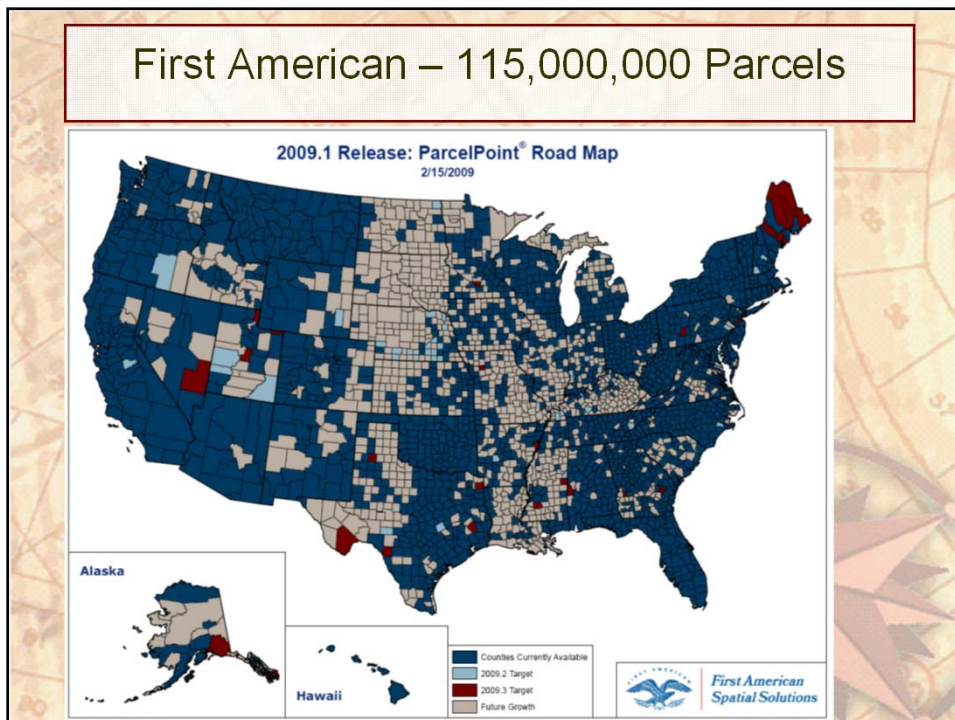
signed for by
Tiger Woods
Printed Name: Tiger Woods

Elizabeth J. Wood, as Trustee of The Hoopland Trust, is the Tiger Woods Beneficiary Trust dated April 26, 1998

Zillow – 70,000,000 parcels Free, anonymous, in seconds



First American – 115,000,000 Parcels



Katrina



Southern California

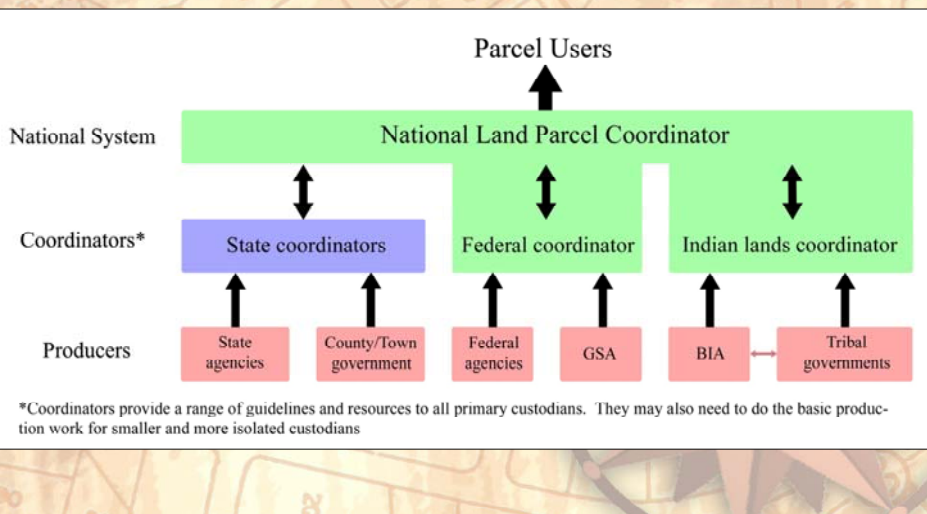


What benefits do you perceive from having a national multipurpose cadastre?

- **Parcel data is the fundamental building block** for all geographic analysis and serves as the raw material for most applications – most geographic analysis is benefit from the ability to understand the result at the parcel level
- A multipurpose cadastre enables a vast range of location-based services that will **improve safety and increase efficiency** of current operations
- Available, **critical data** for emergency response
 - Local parcel data were still being sought 8 weeks into the response to Hurricane Katrina
 - Impact from most disasters is **best understood at the parcel level**
 - GIS is becoming the way disasters are managed. A common operating picture depends on an available multipurpose cadastre
 - National response centers such as IMAAC depend on the availability of local data for accurate hazard predictions and health recommendations such as shelter in place
- **Most DHS programs depend on geographic data that is at the parcel scale**
 - for example Critical Infrastructure Program
- The ability to protect the privacy of individuals is dependent on an accurate parcel-level database



Proposed Organizational Model



CATALYSTS FOR CHANGE

- **Endorsement of NRC Recommendations**
 - National Geospatial Advisory Committee
 - National States Geographic Information Council
 - Council Of Geospatial Organizations
- **Budget Requests by Bureau of Land Management**
 - National and Federal Parcel Coordinators

CATALYSTS FOR CHANGE

Mortgage Crisis Stakeholder Meeting May 2009

1. Add the local Parcel ID to the HMDA data.
2. Develop a Parcel Early Warning System.
3. Complete the standardization and availability of parcel data nationwide.

Michael Howell, Deputy Administrator
Office of Management & Budget

*“This meeting is very timely, we are working across governments and with multiple stakeholders to develop effective responses to deal with the distressed housing and mortgage markets....I think you will see from some of the examples today **the powerful capabilities that land parcel data** can provide when combined with other data sets and analytical tools and technology” (Stakeholders Meeting May, 2009)*

2000 – Call for Early Warning System

In April 2000, The National Task Force on Predatory Lending
Chaired by Secretary Cuomo and Secretary Summers

“Curbing Predatory Home Mortgage Lending”

FHA will customize data from its Neighborhood Watch system to develop **early warning indicators of emerging foreclosure "Hot Zones."** ... help local officials better assess real estate trends and spot possible patterns of appraisal abuse.

This public information will include performance data on individual appraisers generated by the Credit Watch for Appraisers system and posted on the HUD website.

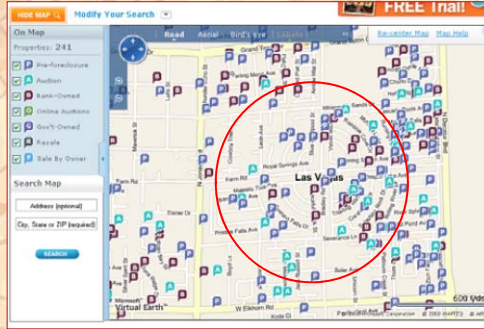
- <http://www.huduser.org/publications/hsgfin/curbing.html>

What is an early warning system ?

John Snow's Cholera Map
Toxic Well



RealtyTrac's Foreclosure Map
Toxic Real Estate



Chairman Ben S. Bernanke December 4, 2008

“Communities suffer when foreclosures are clustered, adding further to the downward pressure on property values.”

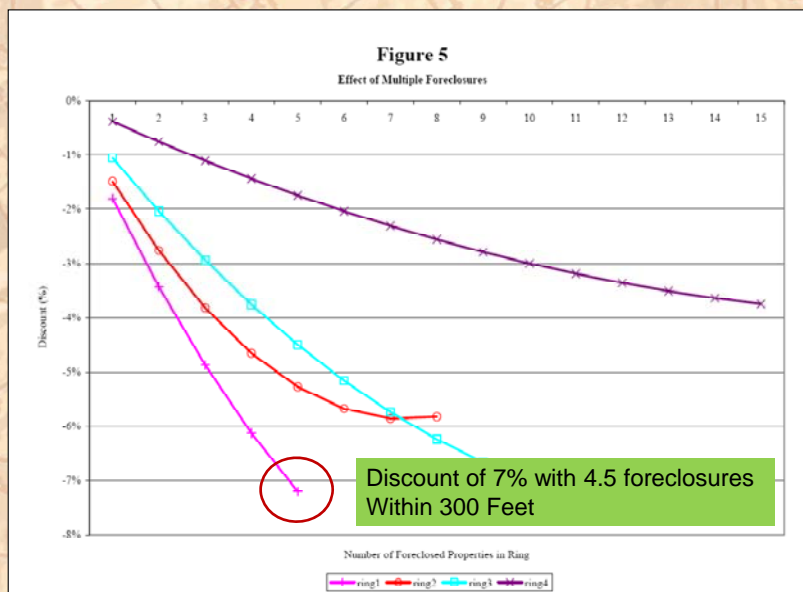
Source: Federal Reserve System Conference on Housing and Mortgage Markets, Washington, D.C.

*Reference :John P. Harding, Eric Rosenblatt, and Yao Vincent (2008), "The Contagion Effect of Foreclosed Properties," Leaving the Board Social Science Research Network working paper 1160354 (July).

"The Contagion Effect of Foreclosed Properties"

- **The discount diminishes rapidly as the distance to the distressed properties increases.**
- John P. Harding, Eric Rosenblatt, and Yao Vincent (2008), "The Contagion Effect of Foreclosed Properties," *Leaving the Board Social Science Research Network working paper 1160354 (July)*

Distance Decay Function Just like proximity to Snow's Contaminated Wells



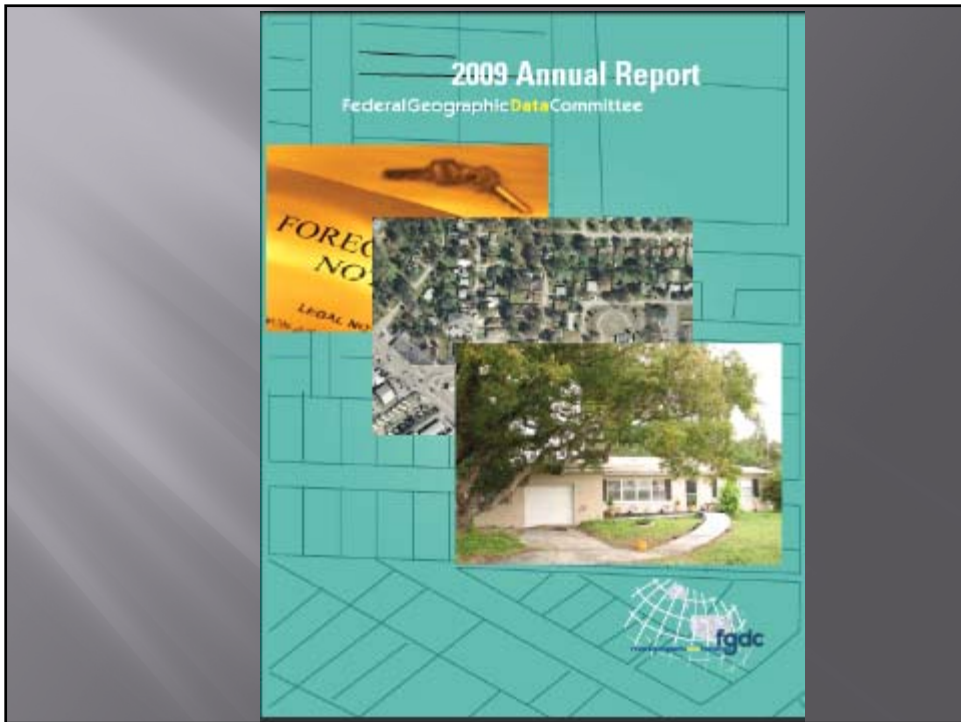
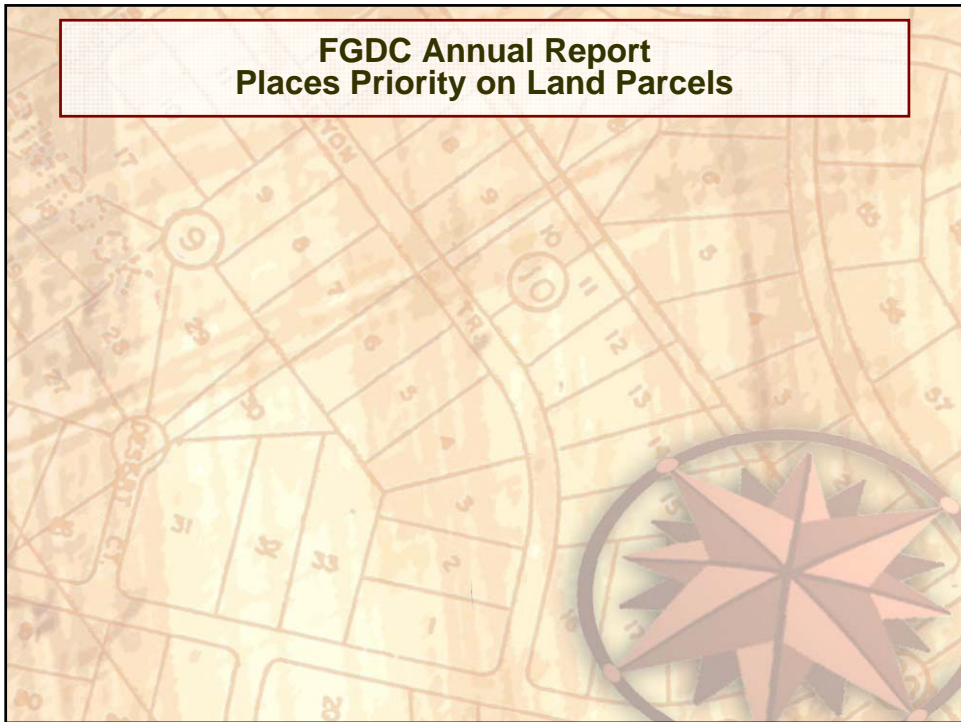
Home Mortgage Disclosure Act Data Inadequate for Early Warning

- HMDA data only at Census Tract Level (54.4 square miles) and annually
- The impact of foreclosed properties - 2000 feet (3 Blocks) or ~ half a square mile
- The temporal resolution is measured in three month intervals –

Discussion with Federal Reserve Bank

Recommendations

- 1. Modification of Home Mortgage Disclosure Act regulations to require parcel number**
- 2. Develop a Parcel Early Warning System.**
- 3. Complete the standardization and availability of parcel data nationwide.**



Karen Siderelis, Chair of the FGDC

*The feature story of this year's **report underscores the need for a coordinated system of land parcel information across the country.**"*

*Land parcel data combined with other geographic information are **essential** to such functions as the management of emergency situations, development of domestic energy resources, management of private and public lands, support of business activities, and monitoring of regulatory compliance.*

(FGDC Annual Report, 2009)

Congressional Research Service



Issues Regarding a National Land Parcel Database

Peter Folger
Specialist in Energy and Natural Resources Policy

July 22, 2009

Congressional Research Service

The National Geospatial Advisory Committee (NGAC) observed that **the federal government's land parcel data is missing an arrangement for acquiring the detailed property-related data necessary to make decisions during times of emergency,**

Department of Housing and Urban Development



NOV 24 2009

Office of the Chief Procurement Officer

Notice of Industry Briefing
Request for Quotation R-CHI-01040
County Data Records Project

Dear GSA/MOBIS Schedule Contractor:

U.S. Department of Housing and Urban Development
Chicago Contracting Operations Branch
77 W. Jackson Blvd., Room 2517
Chicago, Illinois 60604-3507
<http://www.hud.gov/offices/cpo/contract.cfm>

HUD RFQ

- *“an immediate need for real-time information on the conditions and trends of neighborhoods across the nation.*
- *Recent increases in foreclosures and devastating natural disasters have intensified the urgency for access to up-to-date information on homes and communities.”*
- *The data will help to build a public, national database about American housing stock.*

Neighborhood Stabilization Program (NSP) Total \$5.92 Billion

- Purchase and redevelopment of foreclosed upon homes and residential properties,
- Establish land banks for homes that have been foreclosed upon
- Demolish blighted structures and
- Redevelop demolished or vacant properties

Congress Banking Regulations

- **House of Representatives Banking Regulations**

vote of 421-0.

It calls for the Secretary of the Treasury to ensure the official TARP accountability database "provides geospatial analysis capabilities."

Restoring American Financial Stability Act of 2010

"(H) as the Bureau may determine to be appropriate, **the parcel number** that corresponds to the real property pledged or proposed to be pledged as collateral; ... to permit geocoding"

Chairman Dodd statement excerpts:

"There will be shocks to our system in the future – and we need an **early warning system** so that, next time, our system is prepared to deal with them."

Summary

There have been calls for national multipurpose cadastre for at least 30 years

The Bureau of Land Management is the designated steward – but never authority or resources

2007 (Post Katrina Era) NRC Report emphasized the need for federal approach to land parcel data based largely on **disaster preparation and response**

Endorsement of recommendations by many groups ■

BLM – Request for coordinators

Summary continued

2009 – Mortgage Crisis pointed out the absence of proper oversight by HUD and Federal Reserve Bank

HUD – Request for county parcel data -

Increased awareness – by current administration on “place based” analysis

Bank regulatory legislation – will require parcel ID

(This is the Key – let’s keep our fingers crossed)