

Highlights of [GAO-12-34](#), a report to the Ranking Member, Subcommittee on Regulatory Affairs, Stimulus Oversight, and Government Spending, Committee on Oversight and Government Reform, House of Representatives

Why GAO Did This Study

Vacant and unattended residential properties can attract crime, cause blight, and pose a threat to public safety. While homeowners or mortgage owners—including the mortgage servicers that administer loans on behalf of loan owners—are responsible for maintaining vacant properties with mortgages undergoing foreclosure, the costs local governments incur to mitigate any unsafe conditions can be significant. GAO was asked to examine (1) trends in the number of vacant properties and how they relate to the recent increase in foreclosures, (2) the types of costs that vacant properties create and who bears the responsibility for these properties and their costs, and (3) state and local government strategies to address vacant properties and the federal role in assisting these efforts. GAO analyzed Census Bureau vacancy data and data on property maintenance costs from the Federal Housing Administration (FHA) and two housing-related government-sponsored enterprises (GSE). GAO conducted case studies in nine cities selected to provide a range of local economic and housing conditions, rates of foreclosure, and geographic locations. GAO also interviewed local officials, representatives of community development organizations, federal agencies, and mortgage servicers, among others.

The Federal Reserve, Census, Office of Comptroller of the Currency, FHA, Federal Housing Finance Agency, and GSEs provided technical comments, which GAO incorporated as appropriate. Treasury commented that the report was informative and noted the need for all stakeholders to analyze policy responses to this issue.

View [GAO-12-34](#) or key components. For more information, contact Mathew J. Scire at (202) 512-8678 or sciremj@gao.gov

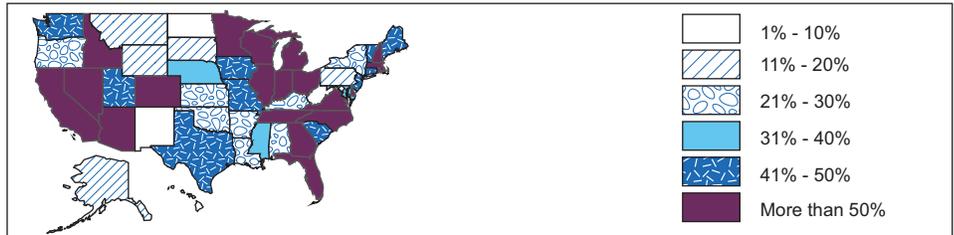
VACANT PROPERTIES

Growing Number Increases Communities' Costs and Challenges

What GAO Found

According to Census Bureau data, nonseasonal vacant properties have increased 51 percent nationally from nearly 7 million in 2000 to 10 million in April 2010, with 10 states seeing increases of 70 percent or more. High foreclosure rates have contributed to the additional vacancies. Population declines in certain cities and high unemployment also may have contributed to increased vacancies. However, these data do not indicate the number of vacant properties that are inadequately maintained and imposing costs on local governments.

Percentage Increase in Number of Vacant Properties (excluding seasonal use/migrant worker properties), 2000 to 2010



Sources: 2000 and 2010 Census data; map (MapInfo).

If a homeowner abandons a property, servicers may have the right under typical mortgage agreements to conduct certain maintenance, although they generally are not obligated to do so until they assume ownership on behalf of the loan owner after foreclosure. In 2010, the GSEs reimbursed servicers or vendors over \$953 million for property maintenance costs. However, local governments reported spending millions of dollars—including federal funds—on vacant properties that are not adequately maintained. For example, Detroit spent about \$20 million since May 2009 to demolish almost 4,000 vacant properties. Unattended vacant properties produce public safety costs and lower communities' tax revenues due to the decline in value of surrounding properties, with some studies finding that vacant foreclosed properties may have reduced prices of nearby homes by \$8,600 to \$17,000 per property in specific cities.

Cities and states are implementing a variety of strategies to minimize the negative impacts of vacant properties but face various challenges. For example, some local governments are creating special entities called land banks that acquire and hold vacant properties for later development, sale, or demolition. However, difficulty obtaining adequate and sustained funding and finding buyers for the properties can hamper these local efforts. Some cities have passed ordinances that require servicers to notify the city when a property they are managing becomes vacant and attempt to hold them responsible for maintenance. However, localities often lack resources or staff to enforce these requirements fully. Some suggest fewer properties would become vacant if servicers had to account for communities' costs—such as for policing and fires—when considering whether to modify loans or foreclose, but servicers and others questioned the feasibility and effectiveness of such an approach. Local officials and community groups said they need more funds and increased oversight by federal regulators to ensure that servicers comply with local property maintenance codes.