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## **Analysis of Detailed Sheriff's Sale Data:** Includes 2005-2006 data for ZIP codes 55411 & 55412

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## **About HousingLink**

HousingLink is an independent, politically neutral nonprofit organization that distributes affordable housing information to housing seekers, service agencies, housing providers, and policymakers in the Twin Cities metropolitan area. HousingLink offers resources to simplify the housing search process, including tools to understand affordable housing options and tools to market vacancies. We also provide comprehensive information about the regional supply of affordable housing.

## **About Housing Preservation Project, Inc. (HPP)**

The Housing Preservation Project (HPP), founded in 1999, is a nonprofit public interest advocacy and legal organization whose primary mission is to preserve and expand affordable housing for low-income individuals and families. HPP seeks to prevent the loss of affordable rental housing by conversion to market rate, demolition, foreclosure and other causes. HPP attorneys work with tenant and advocacy organizations, public and private housing funders, owners, developers, and policy makers in their efforts to protect and expand affordable housing. Although based in Minnesota, HPP works nationwide.

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## **Study Purpose and Objectives**

The Foreclosure Relief Law Project (FRLP) was established by Housing Preservation Project (HPP) to identify and implement legal strategies that stop or prevent foreclosures, provide meaningful relief for affected homeowners and neighborhoods, and hold those who have played a significant role in causing the foreclosure problem accountable for the results. In pursuing these objectives, HPP has asked HousingLink to complete the following report to provide a better understanding of the dynamics of foreclosure (as established by 2005-2006 sheriff's sale records) in the ZIP codes of 55411 and 55412.

## **Methodology and Assumptions**

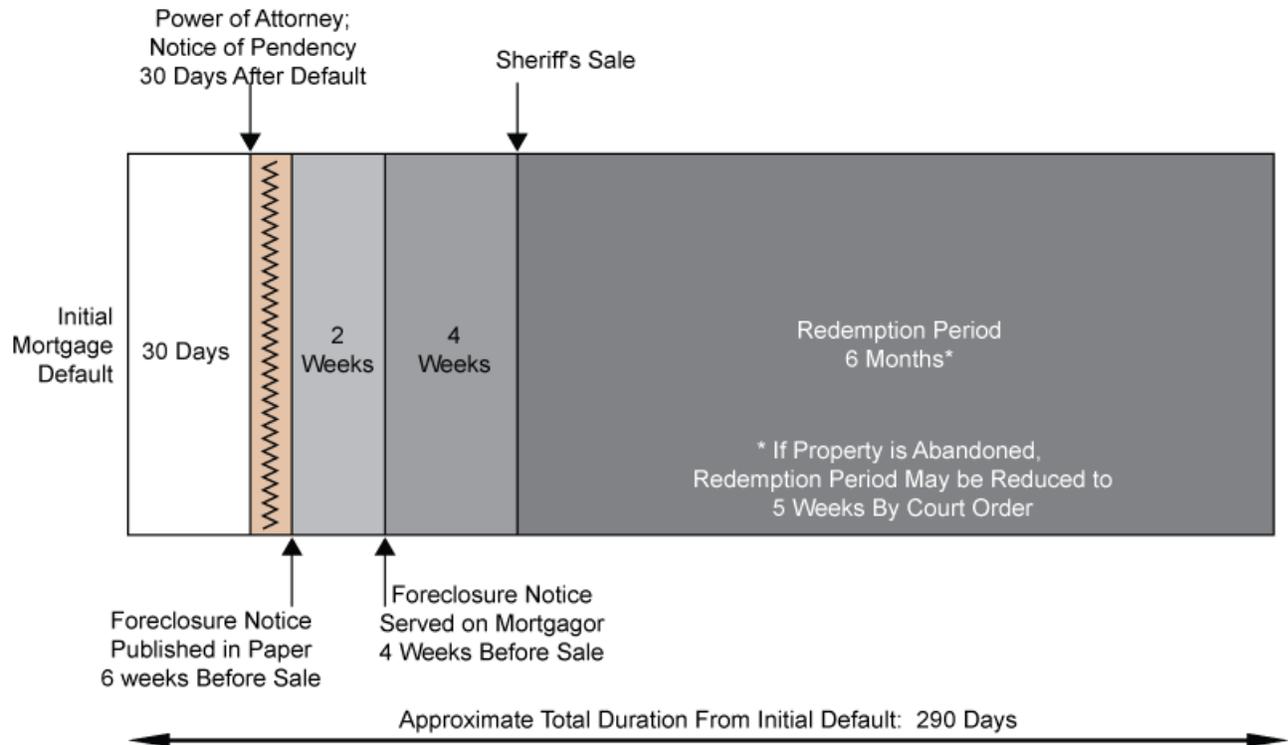
For this report, HousingLink analyzed sheriff's sale records provided by Hennepin County for ZIP codes 55411 and 55412. The analysis represents what information these records contain, which may be useful in understanding the rising levels of foreclosures in the Twin Cities seven-county metro area. The figures, percentages, and amounts listed in this document reflect *only* foreclosures from 2005 to 2006. They are not intended to imply conditions at any other time.

## **Overview of foreclosure process**

To help understand the methods used in this report, it is important to outline Minnesota's foreclosure timeline. Data is collected throughout the process, and much of it is useful for analyzing the characteristics of mortgages and properties that have defaulted.

Foreclosures in Minnesota take place at the county level and are primarily regulated by state legislation. The foreclosure process can start as early as 30 days after a borrower first misses a mortgage payment. Once the mortgage is in delinquency, the lender empowers an attorney, who then files notice of pendency against the borrower. Shortly after this, the attorney publishes a foreclosure sale notice in a local newspaper at least six weeks before the date of the sheriff's sale and the county serves the filing to the homeowner. At any point before the sheriff's sale, the property owner can reinstate the mortgage by paying all dues, fees and expenses. After the notice has been published and served, the sale occurs and the sheriff sells the property to the highest bidder resulting in foreclosure of the mortgage. Following the sale is a redemption period of up to six months, during which the borrower can redeem the property by paying the amount of sale plus interest, taxes, fees, or liens on the property. If the borrower does not redeem the property by the expiration of the redemption period, they lose the title and the right of occupancy in the property.

## Sample Foreclosure by Advertisement Action Timeline on a Conventional Mortgage



*This chart based on information developed by Michael Grover of Federal Reserve Bank of Minneapolis (based on Minnesota state statute) and further refined by HousingLink.*

## Sheriff's Sale Records

Sheriff's sale records are the primary data through which foreclosed properties are identified. However, it is also helpful to understand the following:

- Some portion of properties identified in sheriff's sale records do not result in actual loss of ownership because they are redeemed within the allowed timeframe.
- Not all of the sheriff's sale records relate to residential mortgages. According to a previous study conducted by the Federal Reserve and Macalester College, less than 2 percent of Minneapolis-St. Paul properties sold at sheriff's sale are commercial. Also, HousingLink estimates that approximately 2 percent of properties in its foreclosure database are the result of condominium association liens. Taking into account these two figures, it is estimated that at least 95 percent of the sheriff's sales in this study represent residential properties.

To obtain the number of sheriff's sales for the ZIP codes of 55411 and 55412, HousingLink contacted the Hennepin County sheriff's office. Information contained in the sheriff's sale records analyzed in this report include some fields required by state law to be published in the notice of foreclosure sale and others that, while not mandatory, are important in understanding the nature of

the mortgages and properties being foreclosed upon. According to Minnesota statute, the following information must be recorded through the notice of foreclosure sale<sup>1</sup>:

- The name of the borrower(s), the lender and the assignee of the mortgage (if any)
- The original principal amount of the mortgage
- The date of the mortgage and when and where it was recorded
- The amount claimed to be due thereon and taxes, if any, paid by the lender at the date of the notice
- A legal description of the mortgaged premises
- The time and place of sale
- The time allowed by law for redemption by the borrower as well as the borrower's personal representatives or assignees

Additional information often recorded in the sheriff's sale document includes:

- Amount for which mortgage was sold at sheriff's sale
- Name of individual or organization that purchased the mortgage

Legal definitions used in these documents include:

- Mortgagor: Person or organization who applied for and received mortgage (borrower)
- Mortgagee: Organization that loaned money for mortgage (lender)
- Purchaser: Person or organization who purchased the property at the sheriff's sale

## **Abstract and Torrens Land**

There are two real estate recording systems in Minnesota: Abstract and Torrens. Abstract land refers to unregistered parcels of land represented by an "abstract of title," which only functions as evidence of a title. Torrens land refers to registered parcels of land governed by a specific statute and represented by an official certificate of title.

At the time of analysis, Torrens foreclosure records at HousingLink were missing mortgage origination dates, and therefore could not be included in this analysis. Figures 1 and 3 provide totals and rates for sheriff's sale records, including both Abstract and Torrens records for ZIP codes 55411 and 55412. Figures 2 and Figures 4 thru 10 contain analysis of Abstract records only.

## **Foreclosure Rate Metric**

A foreclosure rate is calculated as a way to measure the comparative impact of foreclosures in the ZIP codes of 55411 and 55412 to surrounding areas of different population sizes. Although the calculation of a foreclosure rate provides a comparative measure of impact, it should be recognized that there are two significant obstacles when determining the best foreclosure metric to use. First,

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<sup>1</sup> Grover, Michael. "Fed-led research reveals need for better Twin Cities foreclosure data." *Community Dividend*. 2006, Issue 4.

there is no standard for calculating a foreclosure rate, and second, no foreclosure rate metric is perfect. Rates of foreclosure have been measured in several ways, including number of households, number of owner-occupied units with an outstanding mortgage, and number of all outstanding mortgages.

For this report, the foreclosure rate identifies the number of sheriff's sales as a percent of total households in 2000. 2000 US Census data is used to generate the foreclosure rate metric because household counts are available at the ZIP code level.

## ZIP Code 55411 and 55412 Sheriff's Sale Figures

### Figure 1 - Foreclosure summary for 55411 & 55412 ZIP codes (2005-2006)

(Abstract and Torrens records)

The following figure provides totals for sheriff's sale records in ZIP codes 55411 and 55412, including both Abstract and Torrens land records. From 2005 to 2006, sheriff's sales increased 68% and 82% in ZIP codes 55411 and 55412, respectively.

ZIP Code	2005 Sheriff's Sales	2006 Sheriff's Sales	05-06 Total Sheriff's Sales	05-06 Percentage Change
55411	282	473	755	68%
55412	176	321	497	82%
<b>Totals</b>	<b>458</b>	<b>794</b>	<b>1252</b>	<b>73%</b>

### Figure 2 – Foreclosure summary for 55411 & 55412 ZIP codes (2005-2006)

(Abstract records only)

The following figure provides totals for sheriff's sale records in ZIP codes 55411 and 55412, including Abstract land records only. The numbers in parentheses reflect the percentage of Abstract records found in all sheriff's sale records for the relevant years and ZIP codes.

ZIP Code	2005 Sheriff's Sales (Abstract)	2006 Sheriff's Sales (Abstract)	05-06 Total Sheriff's Sales (Abstract)
55411	235 (83%)	385 (81%)	620 (82%)
55412	146 (83%)	248 (77%)	394 (79%)
<b>Totals</b>	<b>381</b>	<b>633</b>	<b>1014</b>

**Figure 3 – Foreclosure rate<sup>2</sup> for 55411 & 55412 ZIP codes (2005-2006)**

(Abstract and Torrens records)

The following figure shows the foreclosure rate as a percentage of total households (based on 2000 Census data) in ZIP codes 55411, 55412, Minneapolis, Hennepin County, and the Twin Cities seven-county metro area. The foreclosure rate is substantially higher in both of the ZIP codes when compared to Minneapolis, Hennepin County or the larger metro.

Area	Foreclosure Rate (by 2000 Household)	
	2005	2006
55411	3.02%	5.06%
55412	2.00%	3.64%
Minneapolis	0.53%	1.02%
Hennepin County	0.36%	0.67%
7-County Metro	0.37%	0.69%

**Figure 4 - Mean length of time between mortgage origination date and sheriff's sale date for 55411 & 55412 ZIP codes** (Abstract records only)

The following figure provides the mean number of months between the start of the mortgage and the date of the sheriff's sale for Abstract records in both 55411 and 55412 ZIP codes.

ZIP Code	Months <sup>3</sup>
55411	21.4
55412	21.8

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<sup>2</sup> Foreclosure Rate Metric: The foreclosure rate used in this report identifies the number of sheriff's sales as a percent of total households in 2000 as reported by the 2000 U.S. Census. For example, a rate of 1.41 would indicate that there were 1.41 properties in foreclosure for every 100 households in the specified location.

<sup>3</sup> Month calculation = average total number of days between mortgage origination and sheriff's sale date divided by 30.5. Does not include redemption period.

**Figure 5 - Mean original mortgage price, mean amount due at sheriff's sale date and mean purchase price for 55411 & 55412 ZIP codes<sup>4</sup>**

(Abstract records only)

The following figure compares the mean original mortgage price, the mean amount due, and the mean purchase price at the time of the sheriff's sale for records in both 55411 and 55412 ZIP codes.

	<b>Mean Original Price</b>	<b>Mean Amount Due at Sale</b>	<b>Mean Purchase Price</b>
55411	\$158,211	\$164,614	\$159,838
55412	\$142,600	\$148,628	\$145,114

**Figure 6 – Percentage of sheriff's sales by age of mortgage for 55411 & 55412 ZIP codes<sup>5</sup>**

(Abstract records only)

The following figure provides the percentage of sheriff's sales by age of the mortgage in ZIP codes 55411 and 55412. Mortgages between one and two years in age accounted for the greatest percentage of sheriff's sales in both 55411 and 55412 ZIP codes.

<b>Age of Mortgage</b>	<b>55411</b>	<b>55412</b>	<b>Total</b>
Less than 1 year	26%	25%	26%
1 to 2 years	48%	47%	48%
2 to 5 years	22%	25%	23%
More than 5 years	3%	3%	3%
<b>% of Total Foreclosures<sup>6</sup></b>	61%	39%	100%

<sup>4</sup> Thirteen abstract records were either missing the original mortgage price, the amount due at sale or the purchase price from ZIP code 55411. Five abstract records were either missing the original mortgage price, the amount due at sale or the purchase price from ZIP code 55412. Therefore, those records have been omitted from this section of the analysis to provide for an equal comparison between the two categories.

<sup>5</sup>Seven abstract records were missing mortgage origination dates from ZIP code 55411 and six abstract records were missing mortgage origination dates from ZIP code 55412. Therefore, those records have been omitted from this section of the analysis

<sup>6</sup>Abstract titled records only

**Figures 7a and 7b - Number of foreclosures per borrower for 55411 & 55412 ZIP codes**

(Abstract records only)

The following figures provide the number and percentage of foreclosures per borrower in ZIP codes 55411 and 55412 for the years 2005 and 2006. Figure 7b provides the percentage breakdown of foreclosures per borrower for each ZIP code<sup>7</sup>. Between 2005 and 2006, ZIP code 55412 had a higher percentage of single foreclosures per person, whereas ZIP code 55411 had a higher percentage of borrowers with two or more foreclosures.

**Figure 7a**

# Foreclosures <sup>8</sup>	55411	55412	Total
1	422	351	773
2	48	17	65
3	16	3	19
4	4	0	4
5	2	0	2
6	1	0	1
7	3	0	3
<b>Total Unique Borrowers</b>	<b>496</b>	<b>371</b>	<b>867</b>

**Figure 7b**

# Foreclosures	55411	55412
1	85.1%	94.6%
2	9.7%	4.6%
3 or more	5.2%	0.8%

<sup>7</sup> Figure 7b percentages are calculated based on a percent of total unique borrower totals

<sup>8</sup> Two sheriff's sales with the same borrower at the same address are counted as two foreclosures for one unique borrower. This is noted due to the potential for a slight over counting of total number of borrowers with multiple foreclosures since one unique borrower could have had a first and second mortgage on that one property that were both foreclosed.

**Figure 8 - Top 10 mortgagees for ZIP codes 55411, 55412 and 7-county area<sup>9</sup>**

(Abstract records only)

The following figure provides the top 10 mortgagees for the combined ZIP codes of 55411 and 55412. As a reference, the figure also includes the rankings of the top 10 purchasers from the same ZIP codes, along with each mortgagee's rank in the Twin Cities seven-county metro area for December of 2006.

Rank	Rank in Figure 9	Rank in 7-County (12/06)	Mortgagee <sup>10</sup>	# of Listings	% of Listings
1	1	1	Mortgage Electronic Registration Systems, Inc.†	389	38.4%
2	2	4	Deutsche Bank National Trust Company	142	14.0%
3	3	2	Wells Fargo Bank, N.A.	105	10.4%
4	4	3	U.S. Bank, N.A.	55	5.4%
5	5	8	JP Morgan Chase Bank, N.A.	47	4.6%
6	6	N/A	HSBC Bank USA, N.A.	22	2.2%
7	7	6	Argent Mortgage Company, LLC	15	1.5%
8	8	N/A	Option One Mortgage Corporation	14	1.4%
9	9	10	LaSalle Bank, N.A.	13	1.3%
10	10	N/A	Wachovia Bank, N.A.	10	1.0%

<sup>9</sup> Twin Cities seven-county metro data only reflects records from December 2006

<sup>10</sup> Not reliable as name of actual lender, as transaction agent is often listed instead

**Figure 9 - Top 10 purchasers for ZIP codes 55411, 55412 and 7-county area<sup>11</sup>**

(Abstract records only)

The following figure provides the top 10 purchasers for the combined ZIP codes of 55411 and 55412. As a reference, the figure also includes the rankings of the top 10 mortgagees from the same ZIP codes, along with each purchaser's rank in the Twin Cities seven-county metro area for December of 2006.

Rank	Rank in Figure 8	Rank in 7-County (12/06)	Purchasers <sup>12</sup>	# of Listings	% of Listings
1	1	1	Mortgage Electronic Registration Systems, Inc.	388	38.3%
2	2	3	Deutsche Bank National Trust Company	142	14.0%
3	3	2	Wells Fargo Bank, N.A.	105	10.4%
4	4	4	U.S. Bank, N.A.	55	5.4%
5	5	5	JP Morgan Chase Bank, N.A.	47	4.6%
6	6	7	HSBC Bank USA, N.A.	22	2.2%
7	7	N/A	Argent Mortgage Company, LLC	15	1.5%
8	8	N/A	Option One Mortgage Corporation	14	1.4%
9	9	7	LaSalle Bank, N.A.	12	1.2%
10	10	N/A	Wachovia Bank, N.A.	10	1.0%

**Figure 10 - Percentage of sales where mortgagee is also purchaser for 55411 & 55412 ZIP codes**

(Abstract records only)

The following figure provides the percentage of sheriff's sales where the mortgagee is also the purchaser. This is not reliable since transaction agents are often listed instead of actual mortgagees and purchasers.

ZIP Code	Percent
55411	99.3%
55412	99.0%

<sup>11</sup> Twin Cities seven-county metro data only reflects records from December 2006

<sup>12</sup> Not reliable as name of actual purchaser, as transaction agent is often listed instead