

COLLATERAL
DAMAGE:
RENTERS IN THE
FORECLOSURE CRISIS

A REPORT FROM
POLICY MATTERS OHIO

DAVID ROTHSTEIN

JUNE, 2008

AUTHOR

David Rothstein is a researcher at Policy Matters Ohio, where he researches tax, wage, and consumer policy. David serves on the Steering Committee for the National Community Tax Coalition. He has a B.A. from John Carroll University in Cleveland and Master's in Political Science from Kent State University.

ACKNOWLEDGEMENTS

Helpful interviews and suggestions were provided by Peter Iskin, Mike Piepsny, Michael Schramm, Steve Wertheim, and Mark Wiseman. Piet van Lier designed the map used in this report.

We are grateful to the Sisters of Charity Foundation for funding this study. The perspectives in the study reflect those of the report author and not necessarily the foundation.

POLICY MATTERS OHIO, the publisher of this study, is a nonprofit, nonpartisan research institute dedicated to researching an economy that works for Ohio. Policy Matters seeks to broaden debate about economic policy by doing research on issues that matter to working people and their families. Areas of inquiry for Policy Matters include work, wages, education, housing, energy, tax and budget policy, and economic development.

Executive Summary

The number of foreclosure filings in Cuyahoga County and across Ohio continues to rise. There were 13,729 new residential foreclosure filings in 2007, an eight percent increase from the previous year. Renters make up a significant portion of Cuyahoga County's households (more than one-third) but are often not considered in the foreclosure process. Renting families are often given little, if any, notice about the house going into foreclosure and may face significant costs when they leave.

This study investigates how renter families are affected by the foreclosure process. Among the findings specific to Cuyahoga County:

- An estimated 3,918 foreclosure filings were rental units in 2007, an increase of 29 percent from the previous year. Rental foreclosure filings grew at a higher rate than owner-occupied foreclosure filings. Rental foreclosure filings represented nearly 30 percent of all residential property foreclosure filings in 2007.
- More than 35 percent of foreclosure filings in Cleveland (2,586) and East Cleveland (175) affected rental units. The majority of inner-ring suburbs experienced increases in rental foreclosure filings including: Cleveland Heights (149), Euclid (148), Maple Heights (123), Garfield Heights (85), Parma (67), Shaker Heights (54), South Euclid (43), and Lakewood (42).
- Record numbers of tenants are using the First Call for Help (2-1-1) and Cleveland Tenants Organization (CTO) for help dealing with foreclosure-related issues.
- Tenants receive little to no notice about their rental property being in foreclosure. The purchaser often evicts tenants immediately, which hurts families financially and can dramatically disrupt their lives. The Cleveland Housing Court notes a near doubling in eviction filings against renters because of foreclosure filings.
- Families displaced by a rental foreclosure can face high costs including lost and new security deposits, increased new rent, moving and storage costs, and property costs. Based on interviews and intake sheets from the CTO, the average cost for a family is more than \$2,500. Based on the estimated number of rental units, it is possible that renter families experienced \$10 million in losses because of foreclosure filings.

The report ends by recommending:

- Enacting state and federal laws that allow a renters' tenancy to survive the foreclosure process.
- Mandating a proper notice of foreclosure to renters of 90 days or more.
- Establishing a revolving, no- or low-interest loan fund to help renters with the new costs associated with moving.
- Encouraging banks to offer financial incentives rather than evictions.

Introduction: Foreclosure Filings on the Rise

Home foreclosure filings continue to increase in Ohio communities. The state had 84,751 new foreclosure filings in 2007, a 6.7 percent increase over the previous year, and a 275 percent increase over the last 10 years. At the top of the list of affected communities is Cuyahoga County with 14,946 total foreclosure filings. On a per-person basis, Cuyahoga County also had more foreclosure filings than any of the 88 counties in Ohio with 11.5 foreclosures for every 1,000 people.¹

The bulk of news about and legislative attention to foreclosures focuses on either financial markets as a whole, speculators, or homeowners. However, a recent wave of personal stories and agency studies regarding Ohio renters and foreclosures has drawn attention to families who are not homeowners but are still involved in the foreclosure process.² Often referred to as being victims of “collateral damage,” renters across a variety of demographic characteristics often find themselves, through no fault of their own, looking for a new residence with little notice. Finding and moving to a new home invariably means extensive costs for these displaced renters.³ A November 2007 article in the *Wall Street Journal* tied some of the increase in rental foreclosures to speculative buyers who defaulted when variable-interest loans reset to higher rates or when the property could not be quickly resold.⁴

Most foreclosure filings are for owner-occupied homes. The Mortgage Bankers Association estimated last year that one in every seven foreclosures nationally is a non-owner occupied home, meaning that the property is unoccupied, vacant, or renter-occupied.⁵ The cost of vacant and abandoned property is difficult to estimate, but studies indicate that cities face increased costs from abandonment stemming from the loss of tax revenue, upkeep, and services. A recent report by ReBuild Ohio, a consortium of nonprofit, business, government, and academic groups that seeks to promote the revitalization of vacant and abandoned properties, estimates that for eight major Ohio cities, \$60 million worth of revenue is spent and lost a year because of vacant and abandoned properties.⁶ As recently as June 2008, the City of Toledo considered imposing fees on vacant and abandoned properties because of the high costs to the community.⁷

¹ Zach Schiller and April Hirsh. “Foreclosure Growth in 2008,” *Policy Matters Ohio* (April, 2008). Note: this data includes federal foreclosure filings and thus the numbers are slightly different than the ones used in the data analysis below.

² Bill Bush, Geoff Dutton, and Doug Haddix. “Bursting Bubbles: Risky Mortgages Deflate Home Values as Entire Neighborhoods Pay the Price,” *Columbus Dispatch* (June 1, 2008) and Sheryl Harris. “Renters Evicted When Landlords Don’t Pay Mortgage,” *Cleveland Plain Dealer* (October 14, 2007).

³ See Elizabeth A. Harris. “Even Renters Aren’t Safe,” *New York Times* (April 13, 2008); Kelly Evans. “Tenants Pay as Landlords Default,” *Wall Street Journal* (November 23, 2007); John Leland. “As Owners Feel Mortgage Pain, So Do Renters,” *New York Times* (November 18, 2007);

⁴ Evans (2007)

⁵ Leland (2007)

⁶ *Community Research Partners, ReBuild Ohio*. “\$60 Million and Counting: The Cost of Vacant and Abandoned Properties to Eight Ohio Cities.” (February, 2008).

⁷ Ignazio Messina. “Vacant-Home Law Loved, Hated,” *Toledo Blade* (June 6, 2008) and Ignazio Messina. “Toledo Owners May Face Fees for Vacant Properties.” *Toledo Blade* (May 28, 2008).

In his 2008 “State of the City” address, Cleveland Mayor Frank Jackson noted the costs of abandoned and vacant properties to the city. Mayor Jackson said, “In 2007, demolitions increased by more than 400 percent, allowing us to tear down nearly 1,000 structures. Vacant and abandoned property clean-up increased nearly 78 percent in the last two years.”⁸

This report analyzes Cuyahoga County residential foreclosed properties in 2006 and 2007 with an eye to the effect of foreclosures on the community and on renters in homes that are foreclosed upon. There has been little attention devoted to how renters are affected by housing foreclosures and only recently have lawmakers begun considering the issue. For renters in general, the foreclosure crisis may have had some positive outcomes, although little data exists as of yet. Common sense would suggest that the steep declines in housing prices would result in low-price rental units being available, and there’s reason to think that has happened for some tenants. However, that outcome is not a given - a recent study on the Chicago area found an increase in multi-family-unit foreclosures and a decline in the supply of rental housing.⁹ The Cleveland market represents a different picture of rental properties with an adequate supply of available rental units at reasonable prices. A February 2007 study found that Cleveland had a bigger problem with median household incomes that were too low to afford reasonable housing than with lack of availability of rental housing.¹⁰ The Cuyahoga Metropolitan Housing Authority confirms that there are many affordable rental properties and that rent prices on traditional rental properties declined in recent years. However, the CMHA specifies that many new rental properties are single family homes in areas where most residents are owners. These properties tend to ask higher rent than multifamily and duplex housing.¹¹

According to the 2000 Census, more than one-third of households in Cuyahoga County and more than half of households in Cleveland live in rental properties. In comparison to an owner-occupied home, when a foreclosure hits a rental unit, some different issues emerge. Families are often unaware of their rental unit being in foreclosure and are forced to leave abruptly, causing them to lose property and security deposits. Other news reports found increased demand for community and social services because families were being uprooted from their homes. Many rental units are owned by small firms or individuals, who often stop taking care of the property and utility bills.¹² Renter households in Ohio generally have an estimated median income of less than \$25,000 a year, which is less than half that of owner households (\$56,233) according to the 2006 American Community Survey.¹³

⁸ Frank G. Jackson. “2008 State of the City Address.” (February, 2008):

<http://www.city.cleveland.oh.us/mayor/stateofthecity/StateOfTheCity2008.pdf>.

⁹ Woodstock Institute. “Foreclosure Crisis Impacts Chicago’s Rental Housing Market,” (May, 2008):

<http://www.woodstockinst.org/>.

¹⁰ *The Cleveland/Cuyahoga County Report on Preventing Homelessness and Expanding Affordable Housing: Heading Home.* (February, 2007).

¹¹ Phone interview with Priscilla Pointer-Hicks, Cuyahoga Metropolitan Housing Authority, June 6, 2008.

¹² Evans (2007)

¹³ U.S. Census Bureau, American Community Survey 2006. Accessed June 12, 2008.

Data Analysis:

Using foreclosure and property data from the Northeast Ohio Community and Neighborhood Data for Organizing (NEO CANDO) project, this report details residential foreclosure filings in Cuyahoga County. Foreclosure data is recorded from the Cuyahoga Court of Common Pleas, while property data is reported from the County Treasurer, Auditor, and Recorder.¹⁴ Property owners in Ohio who occupy a dwelling are eligible for a 2.5 percent credit against their local property taxes. By identifying residential properties that did not receive the Ohio 2.5 percent property tax reduction credit, this report estimates non-owner occupied foreclosures.¹⁵ Vacant land properties do not receive the 2.5 percent property reduction because they are unoccupied and no house is on the land. We removed from the list any foreclosures that were filed on vacant land properties, since they are obviously not rental units.¹⁶

This method tends to underestimate the number of rental properties in foreclosure. First, if a home owner lives in a property but rents a portion of that property out, it would be recorded as an owner-occupied home and not show up on this data list. Second, commercial properties or small apartment complexes are classified differently than residential properties and are not included on this list. County auditors are now required by Ohio law to record renter properties but the Cuyahoga County auditor's office said that the list was not at all comprehensive as of June 2008.¹⁷ By using Census data on the percentage of renters in Cuyahoga County and the City of Cleveland, the report compares rental foreclosures to the percentage of rental properties.

Table 1, below, displays residential foreclosure filings in Cuyahoga County for 2006 and 2007 and estimates rental foreclosure filings based on non-owner occupied home foreclosure filings. New residential foreclosure filings grew in 2007 to 13,729 homes, an 8 percent increase from the previous year. Foreclosure filings on rental properties grew by more than 800 homes from 2006 to 2007. This represents a 29 percent increase from the previous year with an estimated 3,918 additional new rental units in foreclosure in 2007. Rental foreclosure filings are growing faster than owner-occupied foreclosure filings. However, not every foreclosure filing results in a family being forced to leave their home or in a foreclosure. Often, there are no tenants living in the house by the time the foreclosure filing occurs or they have left before the Sheriff's office arrives.

¹⁴ The data in this report does not include federal foreclosure filings and only includes filings listed as residential foreclosure filings.

¹⁵ For more on the 2.5 percent rollback for owner occupied homes, see the Ohio Department of Taxation: http://tax.ohio.gov/divisions/communications/publications/documents/real_property_tax.pdf.

¹⁶ This is a similar method to that used by the Mortgage Bankers Association in identifying non-owner occupied properties. See Leland (2007).

¹⁷ Phone interviews with Cuyahoga County Auditor's Office staff, April 2, 2008 and June 4, 2008.

	Residential Foreclosure Filings	Percent of Homes that are Rentals, Census 2000	Estimated Rental Foreclosure Filings	Percentage of Foreclosure Filings that are Rentals
2007	13,729	36.8%	3,918	29%
2006	12,753		3,034	24%
Percent increase	8%		26%	

While more than half of the residential foreclosure filings in Cuyahoga County are in the City of Cleveland, inner-ring suburbs also have high numbers of residential foreclosure filings. Accordingly, many rental foreclosure filings are outside the city of Cleveland. Table 2 shows that each of the top 10 cities experienced an increase in total and rental foreclosure filings. The table below displays the cities with the highest numbers of residential foreclosures and rental foreclosure filings in Cuyahoga County. More than 30 percent of foreclosure filings in Cleveland and East Cleveland affected rental units. All of the top 10 cities except East Cleveland experienced increases in rental foreclosure filings from the previous year. See Appendix 1 for the full list of cities in Cuyahoga County.

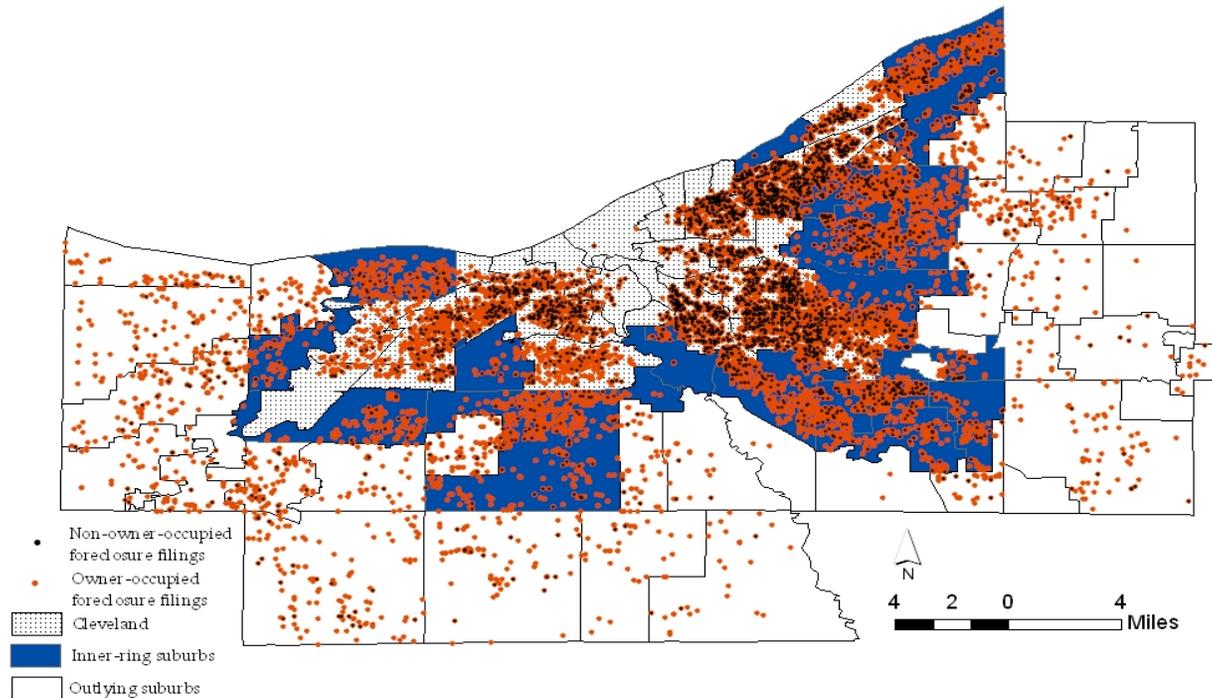
City	Residential Foreclosure Filings	Estimated Rental Foreclosure Filings	Percent of Homes that are Rentals, Census 2000	Percentage of Foreclosure Filings that are Rentals	Percent Change in Rental Foreclosure Filings from 2006
Cleveland	7,333	2,586	51%	35%	26.45%
Euclid	624	148	41%	24%	70.11%
Maple Hts	554	123	16%	22%	18.27%
Cleveland Heights	544	149	38%	27%	47.52%
East Cleveland	483	175	65%	36%	-16.27%
Parma	467	67	23%	14%	86.11%
Garfield Heights	442	85	20%	19%	7.59%
Lakewood	279	42	55%	15%	31.25%
S. Euclid	264	43	16%	16%	72.00%
Shaker Heights	229	54	35%	24%	22.73%

Mapping foreclosures:

The map below shows renter foreclosure filings in Cleveland and Cuyahoga County. It separates Cuyahoga County into three areas: the City of Cleveland, inner-ring suburbs, and outlying suburbs. The City of Cleveland has approximately two-thirds of rental foreclosure filings and the inner-ring suburbs account for most other filings. Similar to owner-occupied foreclosures, rental foreclosure filings cluster around one another. The inner-ring suburbs (many displayed in the above table), have large clusters of both owner- and non-owner occupied foreclosures. When looking at this map, there is little doubt that rental foreclosures, like conventional foreclosure filings, are spreading outward.

Figure 1: Foreclosure Filings in Cuyahoga County, 2007

Source: NEO CANDO, Center on Urban Poverty and Community Development, MSASS, Case Western Reserve University (<http://neocando.case.edu>).



Inner-ring suburbs: Bedford, Bedford Hts, Bratenahl, Brook Park, Brooklyn, Brooklyn Hts, Cleveland Hts, Cuyahoga Hts, East Cleveland, Euclid, Fairview Park, Garfield Hts, Lakewood, Linndale, Maple Heights, Newburgh Hts, Parma, Shaker Hts, South Euclid, University Hts, and Warrensville.

Outlying suburbs: Bay Village, Beachwood, Bentleyville, Berea, Brecksville, Broadview Hts, Chagrin Falls, Gates Mills, Glenwillow, Highland Hts, Highland Hills, Hunting Valley, Independence, Lyndhurst, Mayfield, Mayfield Hts, Middleburg Hts, Moreland Hills, N. Olmsted, N. Randall, N. Royalton, Oakwood, Olmsted, Olmsted Falls, Orange, Parma Hts, Pepper Pike, Richmond Hts, Rocky River, Seven Hills, Solon, Strongsville, Valley View, Walton Hills, Westlake, and Woodmere.

Calling for Help:

In response to the widespread foreclosure filings in Cuyahoga County, the Board of County Commissioners and the Treasurer's Office developed a countywide foreclosure prevention and assistance program. The "Don't Borrow Trouble" program offers counseling, education, and referral services to those in default on their home mortgages or in other phases of the foreclosure process. Since 2006, Don't Borrow Trouble has helped more than 2,000 Cuyahoga County families save their homes and worked with a total of 10,000 families. Treasurer Jim Rokakis notes that for every home mortgage the program saves, 15 are not saved and enter into the foreclosure process.

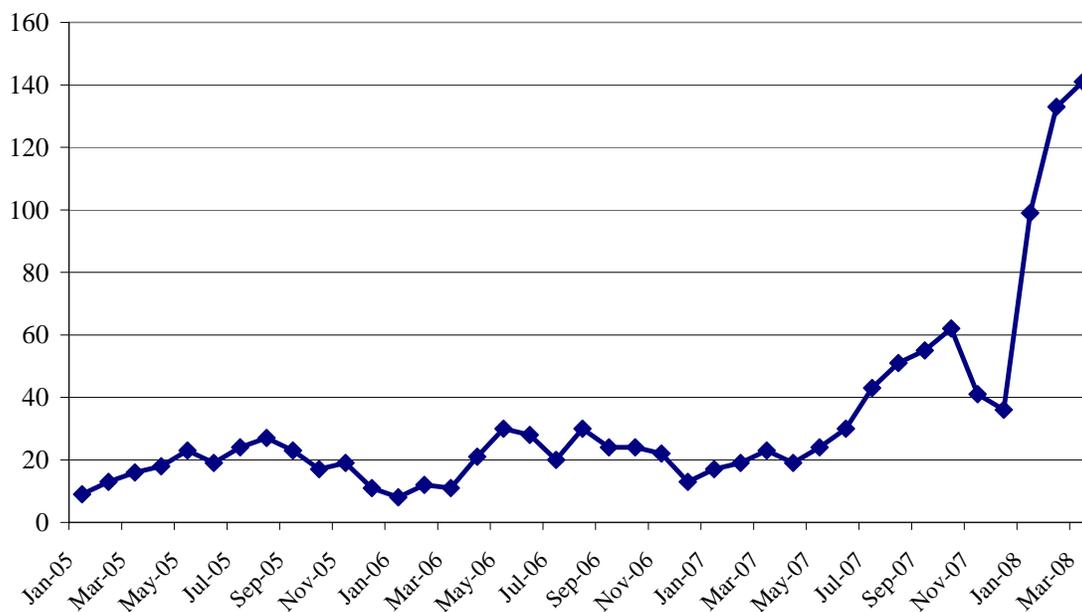
The direct service line for Don't Borrow Trouble is the United Way First Call for Help, 2-1-1, which is a 24-hour phone line for help. By dialing 2-1-1, families are able to talk with a service specialist who directs them to a local nonprofit or government agency to assist them with their issue of concern. According to the 2-1-1 direct referral service, there has been a substantial increase in the number of requests for help regarding foreclosures and renter issues. Steve Wertheim, director of 2-1-1 First Call for Help, reports that more than one-quarter of all referrals to the Cleveland Tenants Organizations are in reference to tenants in foreclosed properties. 2-1-1 tracked at least 236 referrals in reference to tenants in the foreclosure process during the first four months of 2008.¹⁸ The referrals were of all ages, including 20 senior citizens.

The Cleveland Tenants Organization (CTO), one of the referral agencies with Don't Borrow Trouble and 2-1-1 First Call for Help, experienced a large increase in calls from renters with foreclosure-related issues. CTO is the main referral organization for renters but the CTO Executive Director Mike Piepsny said that many families are unaware of their services, particularly outside of the City of Cleveland.¹⁹ The call referral and intake volume for CTO on this issue grew substantially in the last two years from 243 in 2006 to 420 in 2007. In the first three months of 2008, CTO reported 373 total calls, more than in during the entire year of 2006. The graph below displays the increased call volume for CTO.

¹⁸ This is based on January 1, 2008 to May 1, 2008 from 2-1-1 First Call for Help.

¹⁹ Interview with Mike Piepsny, February 11, 2008.

Figure 2: Renters Seeking Help from Cleveland Tenants Organization (CTO) about Foreclosures



Source: Cleveland Tenants Organization, April 2008

The Process:

Renters experience different scenarios when their home is in foreclosure. While some tenants are notified before or during the foreclosure process, others are not aware of the situation until the property is sold by the county sheriff or purchased by a bank. In the vast majority of cases the bank will remove the tenant by eviction or a cash incentive program, or the tenant will be scared off by sheriffs (often unintentionally) after the house is foreclosed. Sheriffs are generally surprised to find tenants living in the home because they are not named in the foreclosure suit.²⁰ This process is described in more depth below. According to the banking industry, it is important for the tenant to be removed from the property to boost the resale value of the home. Vicki Vidal, senior director for government affairs at the Mortgage Bankers Association, was quoted in a November *Wall Street Journal* article saying, “You have to remove the tenant(s), or the property value spirals downward.”²¹ According to the Cleveland Housing Court, few tenants are actually named in foreclosure suit but are instead named in eviction suits after a bank purchases the home. Two possible scenarios for renters living in a foreclosed property are below but regardless the tenancy is terminated upon foreclosure.

²⁰ Meeting with Cuyahoga County Sheriff’s Office, January 29, 2008. Attendees: Peter Iskin, Mike Piepsny, Mark Wiseman, and Marion Wintucky.

²¹ Evans (2007)

Scenario 1

In this unlikely best-case scenario, a tenant is notified by the landlord that the house is in foreclosure and given a time table for relocation. This situation could allow the renter to receive the security deposit and locate other housing at a comparable price. Under this scenario, renters are able to transfer utilities and possessions, and arrange new school and childcare options. The time frame under this scenario varies greatly. Some landlords give months' worth of notice while others give one month or less. The tenant is under legal obligation to pay rent to the landlord until the confirmation of the foreclosure. According to CTO intake forms, very few tenants fall into this scenario.

Scenario 2

A more common situation involves tenants not knowing that the home they are renting is entering into foreclosure. When an original or new bank takes possession of the house, the bank serves the owner with a three-day notice to vacate the property. Legally, the foreclosure terminates the tenancy. However, most tenants are not named on this notice or in Common Pleas Court where the foreclosure is filed. By law, the Sheriff's Office does not remove tenants or those not named on the writ. Often, the bank does not know that a tenant lives in the home and it is the County Sheriff's Office that discovers renters. The County Sheriff's Office estimates that at least 30 percent of their foreclosure-related actions deal with renters rather than the actual homeowners.²²

The County Sheriff's Office indicates that deputies inform the tenant that a foreclosure filing occurred on the property and provides them with the number for First Call for Help (2-1-1). As previously mentioned, many tenants leave quickly after the Sheriff's Office serves the original writ.²³ Many banks also file an eviction action against the tenant in the Cleveland Housing Court or other Cuyahoga municipal courts. In the eviction action, the Cleveland Housing Court enters an eviction judgment in favor of the bank and then issues a writ for its bailiff to remove the tenant. The eviction process allows the bank to quickly remove the tenant from the property with a three-day notice of eviction action.

Cleveland Housing Court notes an increase in the eviction actions that banks and other lenders filed during 2006 and 2007. These actions were filed against a tenant of a foreclosed property and do not include the additional tenants who were removed from their rental property pursuant to a writ issued by the Cuyahoga Court of Common Pleas during a foreclosure filing. Most tenants are not named in the foreclosure filing, so these Court of Common Pleas evictions would represent a small number of tenants who are evicted. Judge Raymond Pianka of the Housing Court has set aside every other Friday to hear tenant eviction cases related to foreclosure filings, as they take up an increasingly large share of the docket. Table 3, below, compares foreclosure-related evictions during the same three autumn months of 2006 and 2007 – there were 271 evictions in that period of 2007, nearly twice as many as in the previous year.

²² Meeting with Cuyahoga County Sheriff's Office, January 29, 2008. Attendees: Peter Iskin, Mike Piepsny, Mark Wiseman, and Marion Wintucky.

²³ Phone interview with Marion Wintucky, Cuyahoga County Sheriff's Office, June 11, 2008.

September 2006	37	September 2007	89
October 2006	55	October 2007	101
November 2006	55	November 2007	81
	147		271

Source: Cleveland Municipal Court, Housing Division

Under this scenario, renters face increased costs for a number of reasons. First, the vast majority of renters in this situation lose their security deposit and current month's rent. There is not a requirement for a landlord to put the security deposit in an escrow account, meaning most tenants are not able to recover the deposit from a landlord in financial trouble. Additionally, according to Cleveland Legal Aid Attorney Peter Iskin, the vast majority of tenants do not realize they can sue their former landlords in Small Claims Court, without an attorney.²⁴ Based on CTO interviews, nearly 80 percent of renters lose their entire security deposit and roughly 15 percent receive some of their deposit and rent back.

Second, the short notice given to tenants leads to increased costs for utility transfers, moving, storage, and appliance replacements. The quick displacement also results in difficulty finding affordable housing, transportation challenges, and problems with school transfers. If the tenant attempts to fight the legal judgment in court, there could also be legal costs. Tenants may not know that they can sue for a lost security deposit, and if they do know that, they may not have the landlord's address and documentation, which is needed to file suit. Costs also expand into the community as tenants lean on family members and friends for financial support, housing, or food. The broader community also faces increased costs for renters who use homeless or transitional housing shelters. Brian Davis, executive director of the Northeast Ohio Coalition for the Homeless, indicates that most renting families use shelters for a limited time if at all. In interviews with 50 families that worked with CTO, only three families went to a shelter and within a few weeks were renting again. The other families reported staying with family or friends or directly moving into another rental unit.²⁵

In the following sections, this study estimates the costs of a foreclosure to a rental family.

²⁴ Interview with Peter Iskin, February 11, 2008.

²⁵ Families staying with other family members or friends are often referred to as "doubling up," which is generally for a short-period of time. Doubling up is becoming an increasingly popular route for families facing foreclosure, eviction, or homelessness. There are additional costs associated with this living condition but there is limited cost data on doubling up. Presentation by Cyleste Collins, Center for Urban Policy and Social Change at Case Western Reserve University (June 10, 2008).

Community Costs of Rental Foreclosures:

Based on dozens of intake sheets and several interviews with renters from the Cleveland Tenants Organization, this section details the costs associated with rental foreclosure filings. We had difficulty estimating some costs, including those for transportation and those facing friends, family members, community organizations and government agencies. Further, because most of the intake sheets and interviews were with city of Cleveland tenants, rent and other expenses would likely be higher with a more county-wide sample.²⁶ We did not include the price of a first month's rent even if landlords require that separately from current month's rent. Table 4 reveals that the average family involved in a rental foreclosure filing faces \$2,558 in costs.²⁷ The largest costs for families are the lost and new security deposits. Many families also find that they have high costs to replace appliances, furniture and other possessions that get damaged in the move, are too expensive or cumbersome to move, or have to be left behind because there is a lag between when the old lease ends and when they find new housing. . Many families move in with family and friends. The cost of this "doubling up" arrangement to the friends or relatives who temporarily house the evicted family d is difficult to estimate.

Other large expenses are moving and storage costs and the increase in rent that most tenants face when relocating to another rental property. Many families face increased rent costs because they have a short time to find a new property or are limited by transportation, work, and school issues. As previously mentioned, it is important to note that not all foreclosure filings result in a family being evicted or facing these costs. Based on the estimated 3,918 rental foreclosure filings in Cuyahoga County, families lost more than \$10 million in 2007.

²⁶ Interview with Mike Piepsny, February 11, 2008.

²⁷ This is likely a conservative estimate given that rental costs vary per city and the majority of renter interviews were with Cleveland tenants, who pay less in rent than inner-ring and outlying suburbs. According to *Heading Home* (2007), the average rent in Greater Cleveland is \$650, higher than documented in this study.

Expense	Estimated cost per family		Estimated total cost in Cuyahoga County, 2007	
Lost Security deposit	\$474		\$1,857,132	
New security deposit	\$503		\$1,970,754	
Rent change (increase)	\$50 Month	\$600 Year	\$195,900 Month	\$2,350,800 Year
Appliances, Furniture, Clothing, and other possessions lost	\$520		\$2,037,360	
Utility costs	\$89		\$348,702	
Moving and storage costs	\$322		\$1,261,596	
Legal costs	N.A.		N.A.	
Total costs	\$2,558		\$10,022,244	

Note: Tenants that were sampled provided too few responses to draw estimates for legal costs. Many tenants utilized Legal Aid or simply did not challenge the eviction or foreclosure in court, incurring no legal costs. Other tenants did not know their costs yet or could not recall them.

Policy recommendations:

Based on the data analysis above, several policy changes would benefit renters and the community.

First, renters deserve more protection from suddenly losing their home to foreclosure. Companion bills in the Ohio General Assembly, HB 440 and SB 295, would ensure that rental leases survive a foreclosure. These bills would amend the revised code where as the rental agreement does not terminate upon the foreclosure of the landlord's mortgage. Federal legislation, H.R. 5963, offers similar protection by requiring three months' notice of termination of tenancy and continuation of an existing lease through the foreclosure.²⁸ Tenants who are paying their rent and fulfilling the conditions of their leases should not be forced out of their homes because of their landlords' financial problems. We recommend passage of both the Ohio and federal bills discussed here.

Second, if lawmakers are unable to pass protections that will keep tenants in the home, they should introduce legislation that at least requires a longer notification period before renters can be evicted and that requires landlords to continue to maintain the property and fulfill their other responsibilities, even if the building is in the foreclosure process. Additionally, stronger penalties should be imposed on landlords who continue to collect rent and do not keep up their responsibilities as a landlord because they are in the foreclosure process.

Third, county auditors should be recording and registering rental units as required by law. Some cities already attempt to do this type of recording work and could help coordinate the auditor

²⁸ Previously, this report had recommended support of H.R. 3915, which is also a helpful bill. However, a newer bill, H.R. 5963 extends protection for renters already in leases with a retroactive provision.

efforts. This would help track rental foreclosures and also speed availability for purchase of foreclosed properties.

Fourth, we recommend establishment of a community-based, no-interest, revolving loan fund to help renters relocate and cover their security deposit, moving, and other costs. This could be done at state or more regional levels. The agency could help set up a reasonable payment plan for the family to pay back the loan, which could then be used for other families in similar situations. Many of the families indicate that losing their security deposit and transferring utilities are their biggest financial hurdles. Short-term relief through a renewable loan fund could provide hundreds of families with the assistance to move their family to a safe and affordable location.

Fifth, occasionally a “cash for keys” program can benefit a family and we encourage banks to offer well-crafted versions of this voluntary program as an alternative to eviction. This approach, which varies from bank to bank, generally involves a bank offering a payment of between \$500 and \$1,500 to a tenant who is willing to vacate the home quickly. This can save the bank time and costs involved in court evictions, and can provide the tenant with reasonable compensation to move and find a new home. Although we don’t think all of these programs are perfect, we recommend that banks consider this approach for tenants who choose it.

Sixth, the Cuyahoga County Sheriff’s Office indicates a willingness to serve tenants a written notice of their rights upon finding tenants rather than home-owners after a foreclosure filing or sheriff sale. Working with CTO, Legal Aid, and Don’t Borrow Trouble, the sheriff deputies can have this document on hand when acting on a foreclosure notice. We encourage the Sheriff’s office to continue to build on this approach, and we urge cooperation from the court system to also ensure that tenants have this information in the early stages of the foreclosure filing. Don’t Borrow Trouble is willing to send postcards and make other attempts to contact tenants in the early foreclosure stages. These efforts should be replicated on a state-wide level.

Renters make up a large part of the Cuyahoga County community and of communities throughout Ohio. It is imperative that their rights and financial situations are protected in Cuyahoga County and throughout the state. As this study shows, foreclosures result in substantial costs for renting families and the community. By better understanding the way foreclosures have affected renters and putting in place some of the modest reforms described above, we can ease the situation for renters when the property that they are living in is foreclosed upon.

Appendix 1: Foreclosure Filings in Cuyahoga County					
City	Residential Foreclosures 2007	Estimated Rental Foreclosures 2007	Estimated Rental Foreclosures 2006	Percent of Homes that are Rentals, Census 2000	Percentage of Foreclosures that are Rentals 2007
Bay Village	66	8	0	8%	12%
Beachwood	30	7	0	36%	23%
Bedford Heights	32	19	12	47%	59%
Bedford	157	28	21	40%	18%
Berea	104	17	11	29%	16%
Bratenahl	4	18	1	15%	22%
Brecksville	33	3	6	12%	9%
Broadview Heights	46	2	3	23%	4%
Brook Park	138	14	10	16%	10%
Brooklyn Heights	8	0	1	10%	0%
Brooklyn	45	8	3	38%	18%
Chagrin Falls	12	1	1	27%	8%
Cleveland Heights	544	149	101	38%	27%
Cleveland	7,333	2,586	2,045	51%	35%
Cuyahoga Heights	2	1	0	25%	50%
East Cleveland	483	175	209	64%	36%
Euclid	624	148	87	41%	24%
Fairview Park	61	12	8	27%	20%
Garfield Heights	544	149	79	20%	27%
Gates Mills	1	0	1	7%	0%
Glenwillow	10	0	0	24%	0%
Highland Heights	31	2	1	3%	6%
Highland Hills	7	3	0	46%	43%
Hunting Valley	5	1	0	16%	20%
Independence	21	3	1	5%	14%
Lakewood	279	42	32	55%	15%
Lyndhurst	65	13	9	12%	20%
Maple Heights	554	123	104	16%	22%
Mayfield Heights	57	5	7	49%	9%
Mayfield Village	10	1	2	18%	10%
Middleburg Heights	41	2	3	27%	5%
Moreland Hills	17	4	0	5%	24%
Newburgh Heights	30	9	1	37%	30%
North Olmsted	139	20	19	20%	14%
North Randall	6	0	0	72%	0%
North Royalton	106	15	13	25%	14%

Oakwood	51	10	6	28%	20%
Olmsted Falls	67	14	3	17%	21%
Olmsted	54	9	4	20%	17%
Orange	21	1	0	4%	5%
Parma Heights	85	14	11	40%	16%
Parma	467	67	36	23%	14%
Pepper Pike	22	1	4	4%	5%
Richmond Heights	66	5	8	37%	8%
Rocky River	72	5	4	29%	7%
Seven Hills	45	8	1	3%	18%
Shaker Heights	229	54	44	35%	24%
Solon	96	10	14	12%	10%
South Euclid	264	43	25	16%	16%
Strongsville	149	25	25	17%	17%
University Heights	77	15	15	25%	19%
Valley View	4	0	0	8%	0%
Walton Hills	9	1	0	3%	11%
Warrensville Heights	210	43	34	52%	20%
Westlake	92	5	9	25%	5%
Woodmere	4	0	0	69%	0%
Total	13,729	3,918	3,034		29%

POLICY MATTERS OHIO IS A NON-PROFIT, NON-PARTISAN RESEARCH INSTITUTE DEDICATED TO RESEARCHING AN ECONOMY THAT WORKS FOR ALL IN OHIO. POLICY MATTERS SEEKS TO BROADEN DEBATE ABOUT ECONOMIC POLICY BY PROVIDING RESEARCH ON ISSUES THAT MATTER TO OHIO'S WORKING PEOPLE AND THEIR FAMILIES. AREAS OF INQUIRY FOR POLICY MATTERS INCLUDE WORK, WAGES, AND BENEFITS; EDUCATION; ECONOMIC DEVELOPMENT; ENERGY POLICY; AND TAX POLICY. GENEROUS FUNDING COMES FROM THE JOYCE, GUND, CLEVELAND AND SISTERS OF CHARITY FOUNDATIONS AND THE ECONOMIC POLICY INSTITUTE. TO THOSE WHO WANT A MORE FAIR AND PROSPEROUS ECONOMY... **POLICY MATTERS.**

3631 PERKINS AVENUE, SUITE 4C - EAST • CLEVELAND, OHIO 44114 • 216/361-9801

COLUMBUS: 1372 GRANDVIEW AVE, SUITE 242 • COLUMBUS, OHIO 43212 • 614/486-4601

[HTTP://WWW.POLICYMATTERSOHIO.ORG/](http://www.policymattersohio.org/)



© 2007 Policy Matters Ohio. Permission to reproduce this report is granted provided that credit is given to Policy Matters Ohio. All rights reserved.