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Foreclosure Study Leads to Collaboration with Town of Normal

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BLOOMINGTON, Ill. – Since 2006, there have been nearly a thousand foreclosures in McLean County.

A new study by Illinois Wesleyan University student Jake Mann and Associate Professor of Economics Diego Mendez-Carbajo is helping government officials understand more about the impact of those foreclosures.

Mendez-Carbajo and Mann, a senior economics major from Jacksonville, Ill., spent three months compiling data from the county recorder's office on foreclosures and *lis pendens* – pending foreclosures in the court system that result after an owner is delinquent on mortgage payments for 90 days. Mann said he hopes the study will “provide a deeper understanding of complexities of the local housing market.”

The information is being utilized by the Town of Normal, which will use the data to generate a report on area trends in foreclosures. “We have been aware of foreclosures on a national level, but have not had the staff or the time to invest in a study on the local level,” said Geoff Fruin, assistant city manager for the Town of Normal. “This will give us a better understanding of how housing market has changed over the past few years.” The results of the collaborative effort are expected in September.

For the study, Mann collected data from more than 2,000 local families and individuals who have gone through the foreclosure system over the past five years. Fruin is working with Mendez-Carbajo and Mann to plug the data into software to examine foreclosures throughout the county. “They did the hard part by gathering the raw data,” said Fruin. “With our tools, we can use that data to see how foreclosures are spatially moving across the county.”

Mendez-Carbajo is pleased Normal officials will use the information to track the geographical trends of foreclosures. “People are aware of foreclosures in the county, but this can provide them a more comprehensive look at the data, and may help them develop a plan of action,” he said.

Mann's data gathering began as part of Mendez-Carbajo's Time Series Analysis class, which teaches students to look for trends in data. “We study anything from unemployment rates to crime statistics to health department scores for restaurants,” said Mendez-Carbajo. “The key is to engage students with data in a meaningful way.”

After taking a spring class, which focused on the real estate market, Mann continued his work with Mendez-Carbajo through an independent study funded by a grant from IWU's Action Research Center (ARC). “Through the grants, ARC has found a new way to be a resource for the campus and the community,” said ARC Program Coordinator Deborah Halperin. “The city, the town and the county, as well as local banks and the revitalization project on the west side of Bloomington, all have an interest in Jake's research.”

Mann and Mendez-Carbajo hope to continue working with government officials, and also provide information to lending and not-for-profit institutions. “The data will provide useful information to local organizations who work with those affected by the foreclosure process, and give insight to what kind of help they need,” said Mann.

Mann added that the findings can link foreclosures to other market variables, such as unemployment rates and sales tax figures. He pointed out one example in the value of mortgages in default: The data shows the average value increased steeply, from around \$97,000 in 2006 to more than \$124,000 by 2011. “This is a problem that is hitting the middle class –

people who are generally assumed to be in stable jobs, and have been assumed to be a stable investment for lending institutions,” explained Mendez-Carbajo.

Fruin noted the study provides a much-appreciated chance for collaboration between the city and area universities. “We have such great talent in our local universities,” he said. “Establishing relationships such as the one that enable the foreclosure report is as important as the information we gain.”

Creating those relationships is the exactly why the ARC grant was developed, said Halperin. “When faculty are able to provide the technical assistance and theoretical framework for projects, students can undertake huge challenges and produce substantive and meaningful work,” she said. “We are really thrilled with the outcome of this grant and hope to see the program grow in the future.”

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