Fighting Foreclosures

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Introduction
Foreclosed properties spread negative impacts to their neighbors through changing the neighborhood characteristics. The federal government established the Neighborhood Stabilization Program (NSP) to absorb these spillover effects through selectively purchasing and rehabilitating foreclosed properties. This study evaluates the program effects in terms of elevating nearby property values as a result of the environment improvements.

Results
- NSP creates significant effects on nearby property values
- Results are robust tested by Placebo Model
- NSP2 has significant effect while NSP 1 and NSP3 does not
- Effects from treated single families are significant, against the insignificant effect from multi-families.

Table 1: Effect of NSP Grants on Nearby Home Prices

<table>
<thead>
<tr>
<th>Period of Evaluation</th>
<th>NSP1</th>
<th>NSP2</th>
<th>NSP3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Treatment</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Treatment</td>
<td>1.02</td>
<td>1.03</td>
<td>1.04</td>
</tr>
<tr>
<td>Post-Treatment</td>
<td>1.05</td>
<td>1.06</td>
<td>1.07</td>
</tr>
</tbody>
</table>

Conclusions
This study identified some positive effects NSP has achieved in terms of elevating nearby property values. These results are robust to different matching schemes as well as to different definitions of neighboring areas. This is one of the first few studies evaluating the NSP program. The analytical approach provided here is reproducible for studies in other areas for evaluating the NSP.

Further steps
Program effects on sales, neighborhood changes such as crime and vacancy rates.