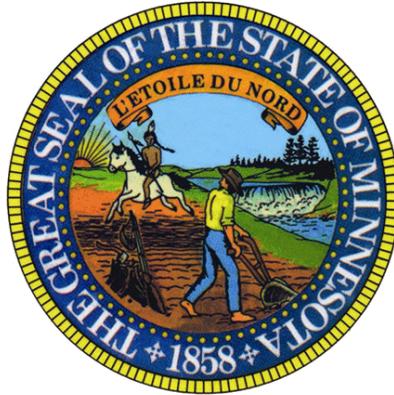


**State of Minnesota  
Mortgage Foreclosure Data Study Group  
End Report**



**Authorized by Laws 2008, Chapter 238**

**Presented to and Approved with Amendments by:**  
Mortgage Foreclosure Data Study Group, February 12, 2009

**Office of the Secretary of State  
100 Reverend Dr. Martin Luther King Jr. Blvd  
St. Paul, MN 55155**

This report cost \$175 to write, compile and reproduce.



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## **A. Executive Summary**

There were three subgroups, the Mission/Impact Subgroup, the Data Collection Subgroup and the System Design Subgroup authorized by the Study Group, all of which were given specific assignments related to the goals of achieving electronic recording of real property documents in Minnesota. It is through these subgroups that the work was completed.

### **Summary of Mission/Impact Subgroup Report:**

The Mortgage Foreclosure Data Work Group will recommend a statewide foreclosure data system that will provide public data to interested parties. Interested parties include, but are not limited to:

1. Foreclosure counselors
2. Local Government
3. Speculators
4. Statisticians
5. News/Media
6. State of Minnesota
7. Attorneys
8. Real Estate Professionals
9. General Public

Foreclosure data that would be helpful includes from the Notice of Lis Pendens or Notice of Pendency; to Publication; to Sheriff Sale; to Possible Redemption.

State funding should be secured for government activities specifically required for implementation of the statewide foreclosure data system.

### **Summary of Data Collection Subgroup Report:**

#### **Preventing Foreclosures**

No further data collection is recommended for this purpose. The information needs of mortgage foreclosure counselors have been met through the direct notifications they now receive at the notice of pendency.

#### **Mitigating Problems with Vacant Properties**

So that cities can be aware of potentially vacant properties and act to mitigate problems such as vandalism, theft, and deterioration, the following data elements are recommended to be made available to cities as early in the foreclosure process as is practical (notice of pendency or earlier). Obviously the purchaser at the sheriff's sale is only available later in the process after the sale.

- Complete street address including zip code
- Name of mortgage servicer or Lender (highest identifiable point of accountability for the property)
- If MERS, MERS ID
- Name of purchaser at sheriff's sale

### **Research to Support Public Policy**

For purposes of supporting public policy by conducting long term research related to the scope of foreclosures and trends over time, the elements listed below are recommended. These elements are derived from the certificate of sheriff's sale. Other data elements not listed here are desirable, but lower priority.

- First priority data elements:
  - Complete Street Address
  - Parcel ID Number (PIN)
  - Date of sheriff's sale
  - Name of county
- Second priority data elements
  - Redemption period length
  - Sale amount
  - Name of purchaser at sheriff's sale

### **Summary of System Design Subgroup Report:**

1. There is a need for better and more accessible information on property transfers. The lack of modern property information systems contributes to problems of fraudulent property transactions such as "flipping."

2. There are short- and long-term approaches for improved foreclosure data that should be considered by the state of Minnesota.

3. In the long-term the most cost-effective and feasible model is the Central Repository Model (Option 1). (see p. 39)

The Study Group also wishes to note that court data, such as eviction data and data from prior foreclosures, as well as Federal housing and foreclosure data may have significant value in dealing with current foreclosure-related issues.

The Minnesota Home Ownership Center suggested that in addition to the data elements listed in the Data Collection Subgroup Report, that the identity of the "investor/owner" of the mortgage be collected, to the extent the 'lender' information does not include that data.

## B. Project Charter

### 1. Purpose

The statewide foreclosure data collection group will study the most efficient and cost-effective way to develop and implement an electronic system for the submission, collection, entry, retrieval, management and assessment of statewide foreclosure data and submit a report to the Legislature by February 15, 2009 with recommendations.

### 2. Final Report

#### Description

Provide a Final report to the Minnesota Legislature by February 15, 2009 that synthesizes the work of sub reports by subgroups into a unified report making the recommendations described in part 1.

This effort includes the following:

1. Prepare a timeline
2. Prepare and monitor a budget plan
3. Staffing: Members must provide volunteer staff or contribute their own time to this effort
4. Organize into subgroups as described below
5. Each subgroup must gather the information relevant to the areas within its scope
6. Subgroups must analyze the available information and make choices based on the principles set forth in part A to best meet the defined needs
7. Proposed subgroups identities and scope are:

#### Mission/Impact

Why do this?

For whose use is the data intended and what do they need?

What are the current roles and responsibilities?

What roles and responsibilities would change?

Where would funding come from?

By creating this system, what new tasks are created, and who needs to do those tasks?

Are any tasks inadvertently created that are not necessary or desired?

How can tasks be completed in the best, most efficient way?

## Data Collection

What elements

Data Privacy

Positive and negative impact of data collection on all participants

Link to existing transactions of data collection

Inventory current county data collection and the impact of new laws on county data collection.

## Design

Review various models available to the group

Review counties current work

Review what other states are doing in this area

What roles would existing vendors play in the design of the system?

Draft System Specifications

Design system to meet specifications; technical design.

### **3. *Timeline***

#### **A. *Subgroups***

- 6/20 Subgroups form by self-selection from among all members. Subgroups discuss timeline, set next meeting date, select leadership, identify and commence tasks.
- 6/20 to 9/12 Mission/Impact and Data Subgroups work internally to resolve issues within scope and identify system needs. Joint meetings held to ratify needs. Needs are communicated to Design Subgroup and jointly written as system specifications by August 1. Mission/Impact and Data Subgroups continue working internally and produce recommendations in a report format to be described by overall leadership in order to best integrate all reports together for the final report.
- 8/1 Design Subgroup receives Needs from Mission and Data Subgroups, converts Needs into System Specifications. Design Subgroup also commences Design issue resolution.
- 9/12 – 10/30 Design Subgroup works internally to complete preliminary design.
- 11/1 - 12/1 Mission/Impact Subgroup provides feedback to other subgroups on their work.
- 12/1 - 12/15 Revisions as necessary; integration of all reports into final report.
- 12/15 - 1/15 All members review work.
- 1/15 - 2/15 Final Revisions, approval and production and submission of report to Legislature on or before 2/15.

## **B. General**

6/20	Study group reviews and approves Project Plan
6/20 – 11/1	Subgroups Work Internally – Main Group Dormant
11/1 - 11/15	Midstream Review by Main Group
11/15 - 1/15	Subgroups Work Internally, Main Group Dormant
1/15 - 2/15	Final Approvals by Main Group

Main Group can meet at call of the Chair as necessary.

## **C. Subgroup Reports**

There were three subgroups, the Mission/Impact Subgroup, the Data Collection Subgroup and the System Design Subgroup authorized by the Study Group, all of which were given specific assignments related to the goals of achieving electronic recording of real property documents in Minnesota. It is through these subgroups that the work was completed. This report contains a section for each subgroup addressing the purpose, history, accomplishments, remaining work and existing gaps as they relate to the status of the subgroup assignments.

## 1. Mission/Impact Subgroup

**Subgroup Chair:** Commissioner Victoria Reinhardt (Ramsey County)

**Subgroup Members:**

Jeff Skrenes	Hawthorne Area Community Council
David Skilbred	Independent Community Bankers of Minnesota
Therese Kuvaas	Minnesota Bankers Association
Mara Humphrey	Minnesota Credit Union Network
Senator Warren Limmer	MN State Senator
Carrie Rocha	HousingLink
Heidi Whitney	Minnesota Housing
Hue Nguyen	League of Minnesota Cities
Libby Starling	Metropolitan Council
Dana Snell	Minnesota Home Ownership Center
Michael Cunniff	Hennepin County Recorder & Registrar of Titles
Larry Dalien	Anoka County Property Records & Taxation
Erin Anderson	Minnesota ACORN
Eric Myers	North Metro Realtors Association
Mary Jo Wall	Minnesota Department of Commerce
Kevin Dunlevy	Beisel & Dunlevy, P.A.
Susan Dioury	Minnesota Association of Realtors
Christine Berger	Minnesota Association of Realtors

**Subgroup Report:**

Mission

The Mortgage Foreclosure Data Study Group will recommend a statewide foreclosure data system that will provide public data to interested parties. Interested parties include, but are not limited to:

1. Foreclosure counselors
2. Local Government
3. Speculators
4. Statisticians
5. News/Media
6. State of Minnesota
7. Attorneys
8. Real Estate Professionals
9. General Public

Foreclosure data that would be helpful includes from the Notice of Lis Pendens or Notice of Pendency; to Publication; to Sheriff Sale; to Possible Redemption.

State funding should be secured for government activities specifically required for implementation of the statewide foreclosure data system.

**Mission/Impact Subgroup Minutes:**

**Date:** June 20, 2008

**Members present:**

Hue Nguyen, Mary Jo Wall, Victoria Reinhardt (Chair), Kristine Knjala, Libby Starling, Dana Snell, Kevin Dunlevy, Larry Dalien, Michael Cunniff, Therese Kuvaas, David Skilbred, Christine Berger, Susan Dioury, Eric Myers, Erin Anderson (record keeper)

**Agenda:**

**1) Why do this?**

Cities and counties need the info for Public Safety reasons such as knowing what houses are vacant so the water can be turned off so pipes don't freeze and burst, police are aware so they can watch for vandalism and theft of copper pipes.

Housing councilors would use it to reach people heading for foreclosure to potentially save their homes.

To streamline the data we have and make it easily accessible through a second site.

Questions to consider when deciding the mission:

- Need to address the level of data to be useful
- The focus should be more than just foreclosure councilors
- Cities would like the data ASAP- Notice of Pendency would be best for the cities so they could be informed on which houses may need attention- Real Time Data System
- At what point is a foreclosure? Where do we capture the data?

**2) For whose use is the data intended and what do they need?**

- Depends what the purpose is
- Purpose could be to measure where the foreclosures are happening
- Who is it intended for? The info is already public therefore it should be a public database, the info that is currently private would remain private or would have to be accessed via password
- Councilors get info before the Notice of Pendency so no reason to input before Notice of Pendency
- What data goes into the database?

- Cities and counties would like data at the Notice of Pendency for public safety reasons
- The MN Dept of revenue might have an interest in the data
- Housing Link's needs are at the Sheriff sale
- Data at multiple points and in real time would satisfy most organizations, cities, and counties.
  - Data could be collected at the Notice of Pendency, Publication, Sheriff Sale, and end of Redemption period
- Other pieces of data that could be useful: the dollar value of the bid at Sheriff Sale, who bid (now owns) on the home, and if there is an intent to redeem.

Who is using the data and for what purpose?

Early warning, by the time the cities get notice there has been a foreclosure the damage to the house has already been done.

People or groups that would use the data

- Foreclosure Councilors
- Local governments
- Speculators
- Statisticians
- News/Media
- Dept of Revenue
- Attorneys
- Real estate Professionals
- Management Companies

### **3) What are the current roles and responsibilities?**

- Cities look in Newspapers to see when the Sheriff Sales will be
- Housing Link keeps track of data
- Counties collect at Sheriff Sale - don't capture address of MERS, they scan a copy of the Notice of Pendency
- There is new info being captured by the Notice of Pendency added by legislature

### **4) What roles and responsibilities would change?**

- System could be a web based where data points could be input by filing agency

### **5) Where would the funding come from?**

- The intent of the legislation is to capture a state wide picture of foreclosures therefore the state should have a large part in funding the data system
- Should not be an unfunded mandate
- Additional cost to cities and counties cannot be absorbed
- All cost specifically for implementation and maintaining will be paid for by the state

## 2. Data Collection Subgroup

**Subgroup Chair:** Mark Kotz (Metropolitan Council)

**Subgroup Members:**

Cliff Ahlgren	Hennepin County Sheriff's Office
Laurie Beyer-Kropuenske	MN Department of Administration
Michael Cunniff	Hennepin County Recorder & Registrar of Titles
Larry Dalien	Anoka County Property Records & Taxation
Therese Kuvaas	Minnesota Bankers Association
Matthew Lemke	Mortgage Bankers Association
Senator Warren Limmer	Minnesota State Senate
Bev Lowe	Hennepin County Sheriff's Office
Mark Lundeen,	Hennepin County Sheriff's Office
Melissa Manderschied,	Minnesota Foreclosure Partners Council
Lee Meilleur	Legislative Coordinating Commission
Eric Myers	North Metro Realtors Association
Hue Nguyen, recorder	League of Minnesota Cities
Carrie Rocha	HousingLink
Elissa Schloesser	HousingLink
Ty Sheridan	Ramsey County Sheriff's Department
David Skilbred	Independent Community Bankers of Minnesota
Libby Starling	Metropolitan Council

### **Subgroup Report / Recommendations - August 15, 2008:**

**Key issues**

- *All key data elements will be required on legal documents beginning August 1st.* In many counties, these documents will be scanned by the Recorder/Registrar's office. However, no mandate or responsible party exists to key the data elements into a database. Of course no system or database exists either.
- *Who will enter the data and who will be the custodian or owner of the database?* These are critical questions directly related to the success of this effort. Many organizations want the data, but none are claiming a compelling business need to put the data into a database or to be the custodian/owner of the database.
- *Different time points exist in the foreclosure process in which data could be collected.* They are the Notice of Pendency, Notice of Sheriff's Sale and Certificate of Sheriff's Sale. (See attached diagram.)
- *Three main public purposes exist for collecting foreclosure data.*
  1. Preventing foreclosures by aiding those currently facing foreclosure
  2. Locating vacant properties to mitigate vandalism and deterioration
  3. Providing data for research to support public policy.

- *A statewide foreclosure data system would likely take two or more years to implement. At that time the current foreclosure crisis might be over. We should think about the long term uses of any proposed data collection system and weigh those purpose and benefits against the costs.*

## **Summary of Data Collection Recommendations**

### **Preventing Foreclosures**

No further data collection is recommended for this purpose. The information needs of mortgage foreclosure counselors have been met through the direct notifications they now receive at the notice of pendency.

### **Mitigating Problems with Vacant Properties**

So that cities can be aware of potentially vacant properties and act to mitigate problems such as vandalism, theft, and deterioration, the following data elements are recommended to be made available to cities as early in the foreclosure process as is practical (notice of pendency or earlier). Obviously the purchaser at the sheriff's sale is only available later in the process after the sale.

- Complete street address including zip code
- Name of mortgage servicer or Lender (highest identifiable point of accountability for the property)
- If MERS, MERS ID
- Name of purchaser at sheriff's sale

### **Research to Support Public Policy**

For purposes of supporting public policy by conduction long term research related to the scope of foreclosures and trends over time, the elements listed below are recommended. These elements are derived from the certificate of sheriff's sale. Other data elements not listed here are desirable, but lower priority.

- First priority data elements:
  - Complete Street Address
  - Parcel ID Number (PIN)
  - Date of sheriff's sale
  - Name of county
- Second priority data elements
  - Redemption period length
  - Sale amount
  - Name of purchaser at sheriff's sale

## Details of the Recommendations

### **Data Elements – Purpose and Priority**

- *Purpose: Prevent foreclosure (aid those facing foreclosure)*
  - Due to recent legislation, it is believed that the information needs of the foreclosure counselors have been met.
  - Some cities hold foreclosure workshops and may benefit from having contact information for those facing foreclosure. However, a statewide system may not be the most efficient means of communicating these data to cities.
- *Purpose: Mitigate problems with vacant properties (e.g. vandalism, deterioration)*
  - Cities would like to know the location of properties in the foreclosure process and the contact information for the responsible parties with respect to maintenance of the property (e.g. owner, lender, servicer, purchaser from Sheriff's sale). This would be most valuable early in the process, specifically at the notice of pendency or earlier. Thus cities would like:
    - Property address
    - Name of mortgage servicer and lender
    - MERS ID if it is a MERS mortgage
    - Name of purchaser at sheriff's sale
- *Purpose: Research to support public policy*
  - Researchers would like to look at trends in foreclosures over time and assess the scope of the foreclosure process. For researchers, there is no benefit to collecting the information early in the process. Because information from the Certificate of Sheriff's sale is wanted, and because existing data from such certificates is available at HousingLink, it makes the most sense to collect the information from the Certificate of Sheriff's sale.
  - First priority data elements:
    - Complete Street Address
    - Parcel ID Number (PIN)
    - Document date (e.g. date of sheriff's sale)
    - Name of county (could be derived later from address or PIN, or could be automatically populated if data is entered for each county separately)
  - Second priority data elements
    - Data of Sheriff's sale
    - Redemption period length
    - Sale amount
    - Name of purchaser at sheriff's sale
  - Note: This element is a lower priority for research but is wanted by cities. Public demand also exists for this and the above elements from the certificate of sale
  - Valuable but lower priorities for researchers

- Name of mortgage servicer and lender
- Name of mortgage originator
- If MERS, the MERS ID Number

**When should elements be collected?**

- For purposes of mitigating property problems, it is desirable for cities to receive the address and name of lender, etc. as early in the process as possible. This should be at or before the notice of pendency.
- For research purposes, no benefit exists to collecting the data early in the process. Thus this data should be collected from the certificate of sheriff’s sale.

**What are the data privacy issues?**

- All data elements are “public information”, thus privacy is a function of data distribution, not data collection.
- The Data Collection Subgroup does not have a recommendation for the degree to which the data should be made easily available. Questions raised were
  - Should different data elements be more freely available than others (e.g. research data)?
  - Should the data be freely available to anyone on the web?
  - Should it be available only on a subscription service?
  - Should it be available for a fee?

**Recommended data collection roles and responsibilities, and impacts**

- Automated data collection from text recognition of scanned documents is thought to be unrealistic because of the need for consistency and availability of information
- For purposes of efficiency and accuracy, it is important to keep data entry as close to the source of the data creation as possible.
- Given this, a case can be made that the lender’s attorney is the most appropriate organization/person to key the 5 data elements from the notice of pendency into a database, because that person is already collecting the information and keying it into the legal document.
- This would be additional work for the lender’s attorney (charged back to the lender and possibly consumers), unless a suitable online filing system existed for these documents. The creation of such a system would require significant time and resources.
- The fact that most foreclosures in the state are processed by a very small number of law firms helps support the idea that a creating a standardized method for data collection may be feasible.
- A less compelling case exists to support the idea that the lender’s attorney should key in data from the certificate of sale. Some of this data is not finalized until the sale (e.g. sale amount, purchaser, and even sale date).
- The Subgroup also discussed the possibility of a hybrid solution of inputting responsibilities where the lender’s attorney would key in

information at the notice of pendency, the Sheriff's Office would enter additional elements available after the sheriff's sale and County Recorder/Registrar, Sheriff's Office or lender's attorney would entering information at the end of the redemption period.

- Housing Link has already collected a body of data from certificates of sheriff's sale. Continuing to collect data from sheriff's sale certificates will add congruity to the data collection effort.
- The Sheriff's Office and the County Recorder/Registrar also are key players that have some responsibility with respect to foreclosure documents that would be the source of data. The recorder/registrar has the responsibility to see that the Notice of Pendency and the Certificate of Sale are accepted for recording in their office and made available as public records. The Sheriff's Office signs the Certificates of Sale. Neither the Sheriff's Office nor the Recorder/Registrar has the capacity to handle the duty of keying the suggested data into a database. More funding or authority to charge fees would likely be necessary for this to happen. In most cases the Sheriff's Office and County Recorder/Registrar are receivers of information not producers, therefore creating a lag time in data input.
- Some private companies currently collect some of this information, but little information has been found with respect to methods or completeness of the data. It is possible that a public/private partnership could be formed to meet these needs, but the subgroup does not have evidence to support this.

#### **Can we link to existing transactions of data collection?**

- The Design Subgroup is in the best position to respond to this question.

#### **Current county data collection and impact of new laws on county data collection**

- While many counties have the recorded documents available in electronic (scanned) format, very few are collecting any of the actual foreclosure data we are recommending.

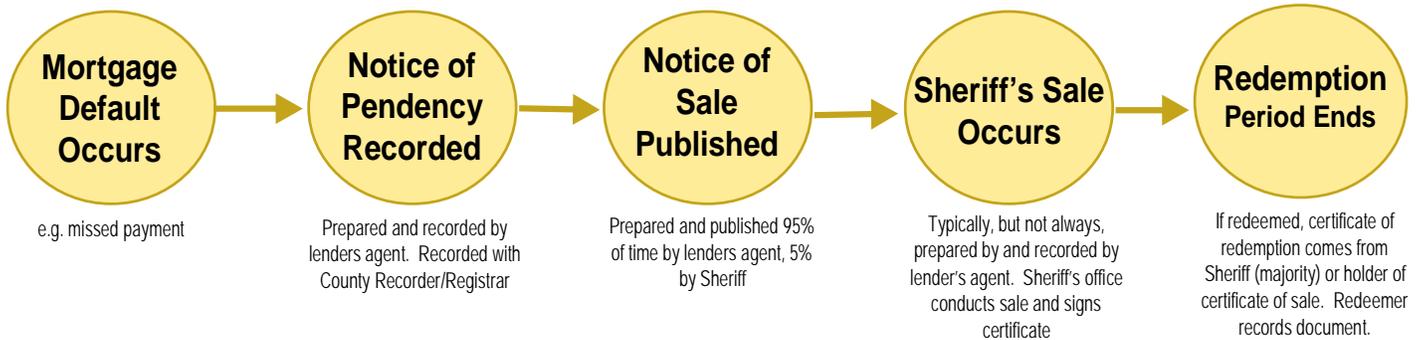
#### **Final Notes**

- Any final report to the legislature should more strongly describe why a state wide data collection system is needed at all since the purpose of preventing foreclosures is outside the intended scope of such a data collection effort.
- These recommendations are silent on important aspects of a possible data collection process. For example, some counties already collect some of this data in a database. There may be opportunities to agree on a data transfer standard and allow that data to be used to populate a state wide database instead of having another entity collecting it again or mandating the county to use different data collection software.

- MetroGIS may provide some useful examples for hybrid models of collecting data from multiple organizations into one system.

## Mortgage Foreclosure Data Flow & Data Collection Opportunities

### Major Events for Data Collection



### Data Sources (documents)



### Key Players



MN Statewide Foreclosure Data Collection Working Group, Data Collection Subgroup. August, 2008

## **Data Collection Subgroup Minutes:**

**Date:** June 26, 2008 at League of Minnesota Cities

### **Members present:**

Mark Kotz (Chair), Hue Nguyen (Record keeper) Therese Kuvaas, Senator Warren Limmer, Carrie Rocha, Elissa Schloesser, Bev Lowe, Cliff Ahlgren, Lee Meilleur, Michael Cunniff, Larry Dalien, Bert Black, Office of the Secretary of State

### **Members not present:**

David Skilbred, Ty Sheridan, Libby Starling, Gary Marttila, Laurie Beyer-Kropuenske, Eric Myers

### **Agenda:**

- 1) Overview of subgroup organization by Bert Black**
- 2) Election of Chair and Recorder**
  - a. Mark Kotz was appointed chair of the data collection subcommittee
  - b. Hue Nguyen was appointed recorder of the data collection subcommittee
- 3) Discussion of role and interests of committee members**
  - a. Therese Kuvaas, MN Bankers Association – interested in the standpoint of how foreclosure is affecting industry. Participated in foreclosure working group convened last summer.
  - b. Carrie Rocha and Elissa Schloesser, HousingLink – nonprofit statewide organization. Currently collects foreclosure data and enters the data into a system. They have examples of the data available.
  - c. Larry Dalien, Anoka County Property Records – Asked to participate by Association of MN Counties. Able to provide information on what is currently available. Is concerned about unfunded mandates. Larry is co-chair of the design subgroup.
  - d. Lee Meilleur, LCC GIS – Mapped foreclosure information by county for committees during 2008 session.
  - e. Mark Kotz, Metropolitan Council GIS – Has worked in the past to coordinate and standardize data from multiple organizations, particularly counties. Work has been specific to metro area.
  - f. Cliff Ahlgren and Bev Lowe, Hennepin County Sheriff's Office - County currently has information available on the internet back 12 months and has an electronic database with information back to 2005. They can provide information on what the county currently does and what information is available. Noted that putting information on the Internet has been a big time saver.
  - g. Hue Nguyen, League of MN Cities – interested in information that can be made available and when the information can be made available to help cities do outreach, counseling, identify vacant and abandoned properties and deal with public health and safety issues.

- h. Sen. Warren Limmer, MN Senate – Personal experience as a loan officer, realtor and currently rehabbing homes. Interested in government’s limited role. Data privacy concerns, individual privacy vs. public interest. Concerns with how private entities are using the information.
- i. Michael Cunniff, Hennepin County Recorder & Registrar of Titles – most of the information people are seeking is available at the Recorder’s office although there is not an accessible database.

**4) General Discussion of foreclosure process and needs**

- a. Public vs. private data
  - i. What data is currently out there?
  - ii. What data are data harvesters currently getting? How are they getting that information? Perhaps invite a company in to discuss a potential public/private partnership instead of reinventing the wheel.
  - iii. How accessible should we make this information?
- b. At what point in the process should the information be inputted into a database? Why?
  - i. Is the foreclosure sale the right time to start imputing the information or do we need it further upstream.
  - ii. Legislation passed last session allow loan counselors to have the information at the point the customer receives a notice of pendency. We believe this satisfies the counselors need for information.
  - iii. Cities would like to have the information as early as reasonably possible to help with foreclosure prevention efforts and identifying potential foreclosures. Maybe also at the notice of pendency.
- c. Where does the information come from?
  - i. Overviews of information sheriff office and county recorder office currently have on foreclosures and what they make public.
  - ii. Certificate of sale has most or all of the information needed, but it is on a paper document or a scanned document and not in a database. Many counties offer subscriptions for online viewing of scanned documents.
- d. Review of foreclosure process, when is public notice currently required.
  - i. Discussion about the length of time between notice of pendency and sheriff sale.
- e. Discussion of MERS. 40% to 60% of foreclosures involve MERS

**5) Discussion of committee work plan**

- a. Mark Kotz will email committee members with potential dates for upcoming meetings; the League of MN Cities (LMC) will host the meetings.
- b. Have a preliminary recommendation to the Design subcommittee by August 1.

## **6) Next Steps**

- a. Carrie Rocha will contact HOC about if their needs for data are satisfied.
- b. Carrie Rocha will contact Ted Mondale regarding data collection
- c. Sen. Limmer will contact trade associations which collect foreclosure data.
- d. Mark Kotz will email out potential meeting dates and work on an agenda.
- e. Hue Nguyen will update subgroup members list and email out to members.

### **Submitted by:**

Mark Kotz (Chair) and Hue Nguyen (Record-keeper)

**Date:** July 02, 2008 at League of Minnesota Cities – Board Room

### **Members present:**

Mark Kotz, Hue Nguyen, Mark Lundeen, Laurie Beyer-Kropuenske, Michael Cunniff, Larry Dalien, Therese Kuvaas, Bev Lowe, Lee Meilleur, Eric Myers, Elissa Schloesser, David Skilbred

### **Members not present:**

Senator Warren Limmer, Carrie Rocha, Ty Sheridan, Libby Starling

### **Agenda:**

#### **1) Welcome and Introductions**

#### **2) Approval of Agenda**

#### **3) Approval of June 26<sup>th</sup> Minutes**

- a) Corrected misspelling of Therese Kuvaas's name
- b) Approved and Hue Nguyen will forward on to Bert Black

#### **4) Overview of Our Charge:**

- a) Discussion of Five Data Elements additionally required by legislation: (1) Physical street address (2) Name of transaction agent, residential mortgage servicer (3) Tax parcel id of the mortgage premises (4) Mortgage id number (5) Name of the mortgage originator.
- b) Discussion of data elements currently collected.
  - i) Bev Lowe will provide the subgroup a list of other data elements currently collected on notice of sale document.
    - (a) Some current data included in Hennepin County records are: date of sheriff sale, legal description of property, who it was sold to and how much, length of redemption period

- ii) Larry Dalien will provide the subgroup a list of data elements currently on notice of pendency
- c) Other information
  - i) Sale price – Is this information really needed? Who really needs to know the sales price?
  - ii) Status of home – record is based on information provided to county by owner which is not always accurate.

## 5) Clarification of the Foreclosure Process and Data Creation

- a) Foreclosure Process Events
  - i) Mortgage default (not necessarily missed payment, could be due to some other failure in contract)
  - ii) Notice of pendency recorded
    - (1) Recorded at County Recorder/Registrar of Titles Office, by foreclosing attorney/ law firm with power of attorney
  - iii) Notice of sale published
    - (1) Published in paper by lender's attorney roughly 95% of the time. Done 5% by sheriff for foreclosure by action
    - (2) Must be published in the geographic area of the foreclosure in a qualifying newspaper
  - iv) Sheriff's Sale happens
  - v) Redemption period ends
- b) Key data generating documents
  - i) Notice of pendency – created by the legal agent of the lender
  - ii) Notice of sale usually (95% of the time) created by the legal agent of the lender, 5% of the time created by sheriff (or is it just published by the sheriff)
  - iii) Certificate of sale given at Sheriff's sale
    - (1) Document is recorded after the sheriff's sale, recorded with county recorder/ registrar office.
    - (2) Foreclosure attorney prepares certificate of sale.
  - iv) If redeemed, certificate of redemption is given to the redeemer.
    - (1) Owner's or redeeming officer responsibility to file.
    - (2) Certificate comes either from the sheriff's office or from the holder of certificate of sale (which is typically the foreclosing lender). A majority come from the sheriff, but many from the cert. of sale holder too.
- c) Key players in the foreclosure process and involvement in process
  - i) Owner – receives notice of mortgage default, owner served with notice of sale, and if redeems mortgage receives a redemption certificate
  - ii) Lender– sends out mortgage default letter, notice of pendency, notice of sale, sheriff's sale, redemption period
  - iii) Sheriff – sheriff's sale, involved in notice of sale about 5% of the time, redemption if redeemed.
  - iv) County recorder/registrar – receives and records notice of pendency, certificate of sale, redemption

- v) Foreclosing attorneys – prepares notice of pendency, prepares notice of sale and submits to newspapers, prepare certificate of sale for sheriff’s sale, redemption?
- vi) Newspapers – publishes notice of sale once per week for six consecutive weeks
- vii) Foreclosure counselors – given information about owner sometime between missed payment and notice of pendency.

**6) Current state of County Data Collection**

- a) Overview by Lee Meilleur of 8 counties and their current data efforts
  - i) Handout – what data is currently collected
- b) No update on private entities that already collect data (data harvesters)

**7) Discussion of Possible Roles and Responsibilities for Data Collection**

- a) Players who may input data and pros and cons related to being the responsible party to enter data into an electronic collection system.
  - i) Foreclosing attorney
    - (1) Pro
      - (a) Fastest/earliest notice
      - (b) May have mechanism to charge for services
      - (c) Already involved in many of the steps
      - (d) Currently already inputs data into all key documents, effectively making this party the source of the data
    - (2) Con
      - (a) Charges lender who is already losing money
      - (b) Costs shift, passed on to customers
      - (c) There is no current system to uniformly capture the data elements while creating the legal documents (e.g. electronic filing), thus would have to key data again into some other online system
      - (d) New burden (cost) on lender if not a smooth, easy process
  - ii) Sheriff’s Office
    - (1) Pro
      - (a) Information is imputed later in process – more likely to go through to foreclosure
      - (b) If information is captured earlier in process by others, sheriff could enter in 3 elements: date of sale, amount of sale, sold to whom
    - (2) Con
      - (a) Information is imputed later in process (cities want the data earlier)
      - (b) Sheriff is not preparing the documents just recording, so would be keying the data from the legal documents
      - (c) Taxpayers must pay for increase workload
      - (d) Ability to charge for service - fees are set by county board, rigorous process to increase, nexus between service and fee.
      - (e) New burden on Sheriff’s Office
      - (f) Delay in input of information
      - (g) Recreation of data results in mistakes

- iii) County Recorder/Registrar Office
  - (1) Pro
    - (a) First government entity getting notification
    - (b) Fees are raised by legislature making it more consistent statewide.
    - (c) From start to finish they receive all of the information
  - (2) Con
    - (a) Not part of current job scope
    - (b) Does not have system for input
    - (c) Delays in inputting information is common in these offices
    - (d) Recreation of data results in mistakes
    - (e) Cannot increase fees without going to the legislature
- iv) State entity
  - (1) Pro
    - (a) Easier to standardize when you collect everything
    - (b) Funding – more funding alternatives
    - (c) Everything is in one spot
    - (d) State wants a state repository
  - (2) Con
    - (a) Not at source of the data – furthest away from the source diminishes data accuracy
    - (b) Added step –getting documents to the state
    - (c) Funding – would require addition state funding in an era of budget deficits
- b) Hybrid of inputting responsibilities
  - (1) Overview of current MetroGIS Address Points database project
  - (2) Three-tiered input process: Foreclosure attorney enters initial information, sheriff's office enters additional information after sheriff's sale and recorder or sheriff or lenders attorney enters information at the end if it is redeemed.

## 8) Next Steps and Homework

- a) Bev Lowe will send us a list of elements currently **required** on the notice of sale and certificate of sale
- b) Larry Dalien will send us a list of elements currently required on the notice of pendency.
- c) Elissa Schloesser will talk to Carrie Rocha about contacting data collection companies.

### Submitted by:

Mark Kotz (Chair) and Hue Nguyen (Record keeper)

**Date:** July 17, 2008 at League of Minnesota Cities – Board Room

**Members present:**

Mark Kotz (Chair) Hue Nguyen (Record keeper), Therese Kuvaas, Bev Lowe, Lee Meilleur, Eric Myers, Elissa Schloesser, David Skilbred, Senator Warren Limmer, Carrie Rocha, Ty Sheridan, Melissa Manderschied, Mark Lundeen,

**Guests:** Ted Mondale, Nasca Solutions

**Members not present:**

Michael Cunniff, Larry Dalien, Libby Starling, Laurie Beyer-Kropuenske

**Agenda:**

**1) Welcome and Introductions**

**2) Approval of Agenda**

**3) Approval of July 2<sup>nd</sup> Minutes**

- a) Cliff Ahlgren was not at the last meeting, Mark Lundeen is Ahlgren's replacement.
- b) Changes to Agenda item 5 - Clarification of foreclosure process and data creation notes.
- c) Hue Nguyen will revise and send to Bert Black.

**4) Overview of our charge and key issues yet to resolve**

- a. Overview by Mark Kotz - attached to agenda

**6) Foreclosure Data Collection efforts by Private Sector**

- a. Nazca Solutions, Ted Mondale
  - i. Overview of data collection methods
    - 1. Manual input – current information is available and given away or sold. Companies will often send the documents offshore and hire people to key in elements from documents.
    - 2. Screen scrapers – technology that scans information already available online and compiles the information.
      - a. Nazca does not house any data, but instead compiles reports and other products real-time.
      - b. Companies must determine a search logic – what links numerous databases together. Each county is different.
      - c. A screen scraper system could probably get going in 6-8 months once public elements desired are identified.
      - d. Ability to reliably collect specific data elements from scanned documents (using text recognition software) depends on consistency and availability of information.

If you limit to one type of document and scaled back information then you could get maybe 75% of the sheriff's sale certificates at an estimated cost of 50 cents to 5 dollars per record.

- i. In order for you to get 100% of information then you need someone to key in the actual data elements from the documents
  - ii. Accessibility of information
    1. Ted Mondale says that Florida makes all public information available on line and the information is free.
    2. Ted Mondale believes all foreclosure information is public information.
    3. Sen. Limmer says that the Legislature constantly struggles with how you balance the protection of individual's rights to the information and the cost to governments in providing the information.
  - iii. Creation of data system
    1. Ted Mondale cautions that the creation of a state system could be very costly
    2. Ted Mondale recommends keeping data collection as close to the source as possible
    3. Ted Mondale believes that technology could be used to predict bulk of foreclosures by using existing information already available online (e.g. unpaid property taxes).
    4. Uniformity of data input
      - a. There is no uniformity now, foreclosing firms all have their own software they operate
      - b. Melissa Manderschied said that 2008 legislation will make the firms tweak their current system to add the 5 new data elements now required.
      - c. Would it be in the best interest of the foreclosing firms to standardize the system?
        - i. 4-5 foreclosing firms do the bulk of the filing in MN
        - ii. If you ask firms to buy new system it could level the "playing field" for smaller firms, but if you just ask them to tweak their system it won't level the field
      - d. Could we ask them to agree to create a uniform system? Standardization and clarity is important in keeping the cost down
  - iv. Recommended data collection point
    1. Ted Mondale believes that collecting data at the notice of pendency is too late in the process to be able to help people mitigate the foreclosure.

2. There are indicators that we can look at such as delinquent taxes, unemployment filings, etc.
- b. Casper Real Estate Inc – Online Foreclosure Data Entry System
  - i. Elissa Schloesser gave an overview of information available
  - ii. Handout
  - iii. Appears to include data from metro Sheriff's sale records from January into March of 2008

**7) Other Data Elements**

- a. Other elements that could be included in database
  - i. Amount property was purchased for at Sheriff Sale
  - ii. Date of Sheriff's Sale
  - iii. Length of redemption period and if period is changed
  - iv. Name of purchaser at Sheriff's sale and contact information of company/person responsible for maintaining property.
    1. Currently not provided on certificate of sale and would require legislation
- b. Skilbred requested that information be provided on why the additional data elements would be helpful from those interested in the information.

**8) Data privacy issues**

- a. Agreed that the all of the information is public, thus privacy issues relate to the distribution and availability of information
- b. Negative impact in making data easily accessible
  - i. Ripe for fraud
  - ii. Center repository for finding vulnerable people and properties.

**9) Data Collection Roles and Responsibilities** – will be discussed at next meeting.

**10) Next Steps and Homework**

- a. Mark Kotz will invite the Mission and Impact Subgroup to attend the next meeting to discuss whether or not additional elements should be collected and data collection roles and responsibilities.
- b. Those interested in adding more data elements to the database write up reasons why they believe the information is valuable and for what purpose the information could be used. Forward to Nguyen.
- c. Therese Kuvaas will forward notes to foreclosing attorneys.

**Submitted by:**

Mark Kotz (Chair) Hue Nguyen (Record keeper)

**Date:** July28, 2008 at League of Minnesota Cities – Board Room

**Members present:**

Mark Kotz (Chair), Hue Nguyen (Record keeper), Therese Kuvaas, Bev Lowe, Lee Meilleur, Senator Warren Limmer, Carrie Rocha, Ty Sheridan, Michael Cunniff, Larry Dalien, Libby Starling, Laurie Beyer-Kropuenske, Cliff Algren

**Guests – Members of the Mission Subgroup**

Erin Anderson, ACORN, recorder  
Steven Baker, Ramsey County  
Christine Berger, MN Association of Realtors  
Victoria Reinhart, Ramsey County Commissioner, chair  
Kevin Dunleavy, Real Property Section, Minnesota State Bar Association  
Matthew Lemke, Mortgage Bankers Association

**Members not present:**

Eric Myers, Elissa Schloesser, David Skilbred, Melissa Manderschied, Mark Lundeen,

**Agenda:**

- 1) **Welcome and Introductions**
- 2) **Approval of agenda**
- 3) **Approval of July 17 meeting minutes**
- 4) **Overview of Data Collection Subgroup Response - What I Heard You Say Document – Mark Kotz**
- 5) **Justifications (or not) for additional data elements – document handed out**
  - a. Additional elements requested
    - i. Name of purchaser and contact information for property manager
      1. Christine Berger wanted to clarify the role of the realtors.  
Realtors are sometimes hired by lenders to sell the property.  
Property may be transferred to different realtors throughout the sale process. Realtors should not be property management contact.
      2. Hue Nguyen – property maintenance, public safety & public health concerns – more descriptive reasons outline in document
      3. Kevin Dunleavy – “property manager” is probably not the right terminology. Servicer has procedure to move file around very hard to track in database that is responsible for property.
      4. Bev Lowe – If date of sheriff sale is included in data elements then it makes sense to include name of purchaser too.

5. General agreement that this data element probably does not need to be included in database. Cities and MN Bankers Association and Mortgage Bankers Association will meet in the future to discuss if there are possibilities to share information without the need for legislation.
- ii. Redemption Period
  1. Redemption period information can come in three parts. Date of Sheriff Sale, length of redemption period and if the property is redeemed.
- iii. Legal description - sense that the information is covered under street address and PID

## 6) Reactions to and Clarification of Our Response/Recommendations

- a. Discussion on usefulness of information in a database.
  - i. Elements inputted into database are still useful if the database isn't operational for another few years?
  - ii. Should there be a pilot database (random sampling) launched prior to a statewide database? Why commit time and money to create a database that may not be useful or data elements that may not be what is needed.
    1. HousingLink can already provide information that a random sampling database would provide
    2. Random sampling would not give information on scope of issue and count of foreclosure within a geographical area which is critical.
    3. Pilot database might take as much work as creating a statewide database.
    4. Researchers already know what data elements would be the most useful.
  - iii. Are there other ways for entities to get information without it being required to be imputed into a database? Example cities want information can they get it from other sources?
- b. Reasons why the information is being collected
  - i. Prevention efforts
  - ii. Remediation efforts
  - iii. Research
- c. Data elements priorities
  - i. Research Priorities (The information can be obtained at Sheriff's Sale)
    1. 1<sup>st</sup> tier
      - a. Complete street address
      - b. Parcel ID
      - c. Document date
      - d. County (could be derived from parcel ID or street address)
    2. Research 2<sup>nd</sup> tier
      - a. Redemption Period
      - b. Sale date

- c. Sale amount
  - 3. Valuable but lower priorities for researchers
    - a. Name of lender
    - b. If MERS, MERS ID
    - c. Name of Originator
- ii. Prevention and Remediation Priorities (data wanted early in the process)
  - 1. Name of Mortgage servicer/Lender, if MERS, MERS ID
    - a. Counselors - information already available to counselors
    - b. Cities would like for maintenance and public safety/health reasons.
  - 2. Name of purchaser/who is accountable for property
    - a. Priority for cities, useful for sheriff's department and HousingLink.

**7) Next Steps**

- a. Mark Kotz will draft a response/recommendation document and circulate with data subgroup members. If it appears that more work is needed then the group will meet again. If not, the document will be forwarded to the Design subgroup.
- b. LMC, MN Bankers Association and Mortgage Bankers Association will meet to discuss cities priorities. Will report to Mark Kotz on conclusions from meeting.

**3. System Design Subgroup**

**Subgroup Co-Chairs:**

Jeff Crump                      Housing Studies Program, University of Minnesota  
 Larry Dalien                    Anoka County Property Records & Taxation Director

**Subgroup Members:**

Jessica Deegan                Metropolitan Council (Recording Secretary)  
 Joel Beckman                 Dakota County Recorder  
 Michael Cunniff               Hennepin County Recorder & Registrar of Titles  
 Gary Martilla                 Office of the Secretary of State  
 Lee Meilleur                  GIS, Minnesota State Legislature  
 David Skilbred                Independent Community Bankers of Minnesota

**Subgroup Report:**

The System Design Subcommittee (SDS) was charged with these tasks:

- 1. Review models of data collection.
- 2. Review the current status of electronic data collection at the state, regional and county level.
- 3. Review the electronic data collection activities of other states.
- 4. Examine the roles of existing vendors in system design.

## 5. Draft system design.

### **Narrative**

Throughout the State of Minnesota the problem of foreclosure continues to grow. According to *HousingLink* there were 27,445 (estimated) foreclosures statewide in 2008. In terms of the cost of foreclosure, a study in 2005 by Dan Immergluck on Chicago found that each foreclosure resulted in a loss of between \$159,000 and \$371,000 in property values alone. Taking Immergluck's estimates and applying them to Minnesota, we can estimate that in 2008 foreclosures resulted in a loss of between \$4.4 billion and \$1 trillion in property value alone. This does not include the loss in income to state and local governments nor does it include the cost of increased crime and homelessness that accompany foreclosure. Responsible policy makers must ask themselves whether we can afford *not* to do everything in our power to address the problem of foreclosure in Minnesota.

### **Activities of the System Design Subcommittee**

The System Design Subcommittee met eight times between August and November of 2007. In this report we present the findings of the System Design Subcommittee including an analysis of two potential models for the collection of electronic foreclosure data.

The move towards online submission of required information is a necessary step in updating current paper based systems of data collection. The SDS reviewed two current (and successful) efforts in online data submission: the electronic Certificate of Real Estate Value (eCRV) program and the E-Wells disclosure system.

The eCRV program is a joint effort between Minnesota counties and the state Department of Revenue. Users of the eCRV system are able to submit the required Certificate of Real Estate Value online. Subsequently, this document is examined and approved by county officials and is then transmitted to the Department of Revenue which uses the data for its tax equalization analysis. Currently, users are not required to submit data online, pre-existing paper forms remain acceptable. The benefits of the eCRV are: more timely approval and recording of the Certificate of Real Estate Value, the elimination of a three-part paper form, and the improved speed of data transfer between various counties and the Department of Revenue. There were, however, development costs associated with the software development of the eCRV but what made the eCRV development possible was the support of the Department of Revenue.

The E-Wells Disclosure System is supported by the Minnesota Department of Health. Here, paper submission of water well certificates is being replaced by an online submission process. Well Certificates are entered online via a web page supported by the Department of Health. Officials there review the submission and then transmit approved certificates to County Recorders. According to Department of Health officials one benefit of the E-Wells system is that error checking and data validation are easier and quicker with the online system. Moreover, County Recorders save time and postage due to the online submission system.

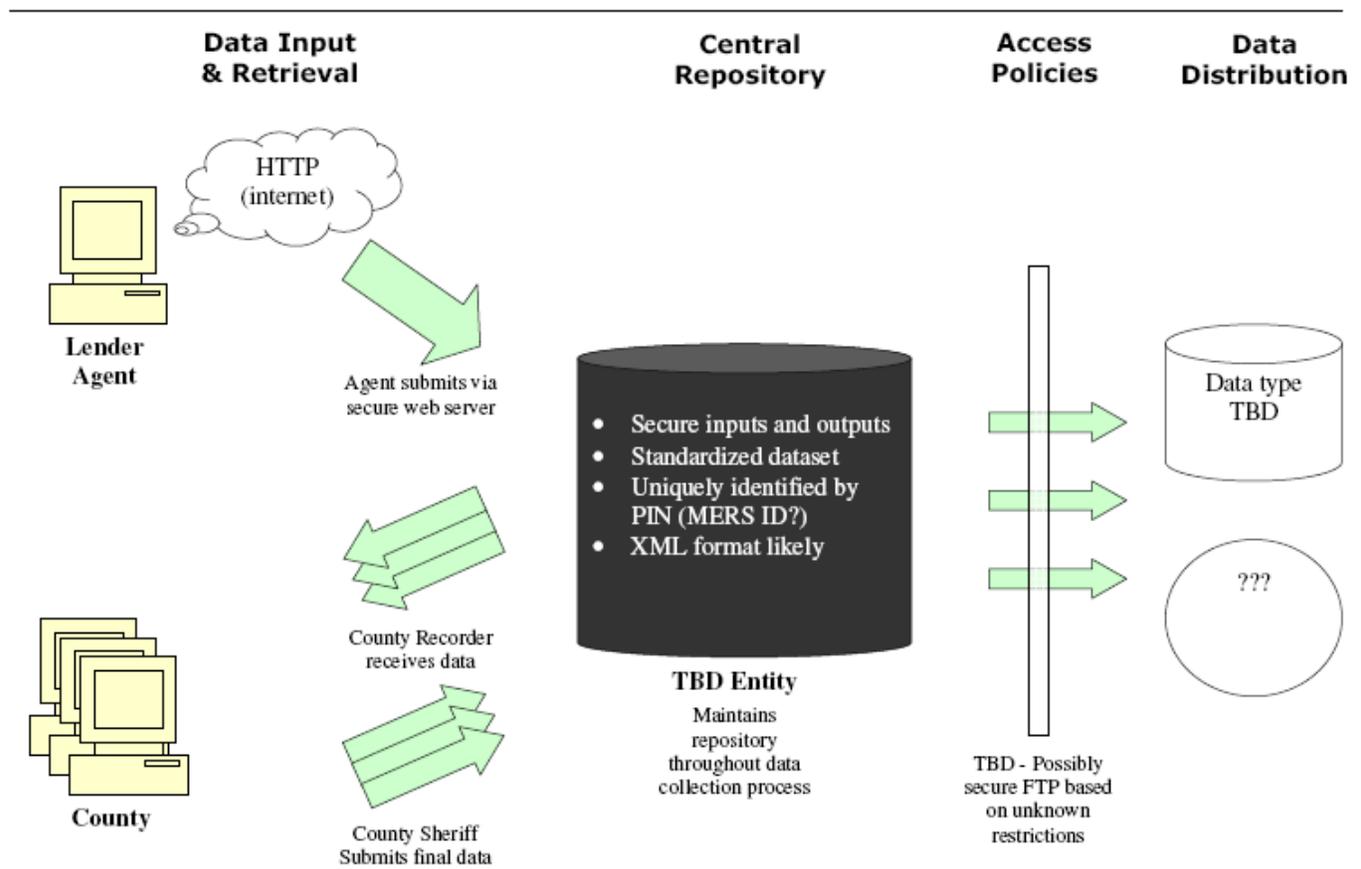
There are significant differences between the eCRV and E-Wells system. The eCRV is more complex because of the need to pass data between the Department of Revenue and County Recorders. By contrast, the E-Wells system is considerably simpler as county officials do not need to maintain the data once it is approved and recorded.

These models illustrate the benefits of online data collection and the elimination of paper transactions: increased timeliness, improved accuracy and cost savings are currently being realized by both the eCRV and E-Wells systems. It is, however, important to note that state agencies are key partners in the development and operation of these systems.

### **Foreclosure Data Collection System**

The committee found that creating an electronic system for foreclosure data is technically feasible. Two models of system design that would meet the long-term needs of the State of Minnesota were developed and discussed by the committee. In addition the committee discussed two potential short-term solutions to the need for improved foreclosure data.

## Option 1: Central Repository Model

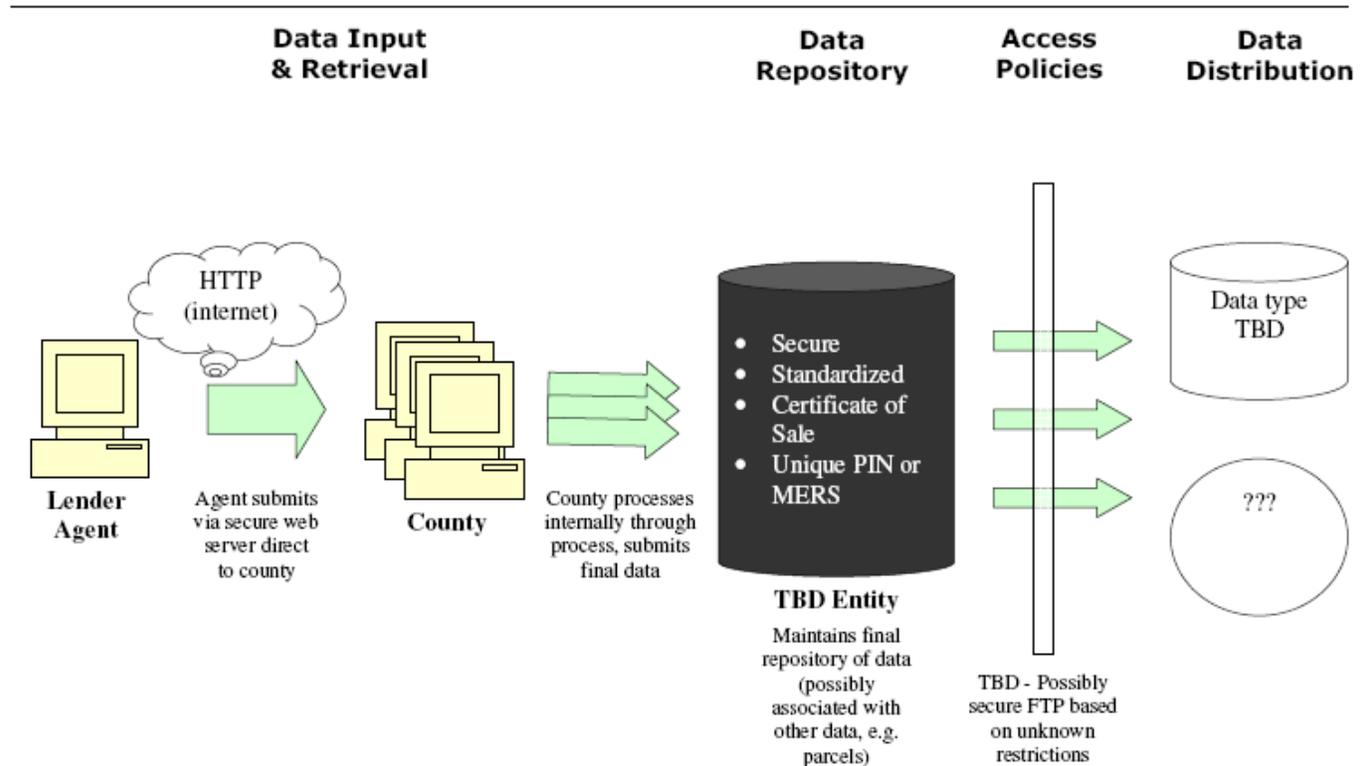


Pros of Central Repository	Cons of Central Repository
<ul style="list-style-type: none"> <li>• Data available throughout event process.</li> <li>• Always consistent data format.</li> <li>• Counties could use only data they need.</li> <li>• Could replace/enhance current system for providing default data to counselors.</li> </ul>	<ul style="list-style-type: none"> <li>• No clear Central Repository or owner of data.</li> <li>• Possibly the costlier solution.</li> <li>• Counties may still need the data directly.</li> <li>• Would need consistent interface.</li> <li>• Must be very reliable.</li> </ul>

In the Central Repository Model depicted above foreclosure forms are filed by the Lender's Agent to a Central Repository and then forwarded to the relevant county. There are several benefits to this model. First, a consistent data format will be used, but counties will be able to choose what data elements they use. In this manner, the need for counties to update their software and computer systems is limited. Second, this system could replace the current "Early Warning" system where lenders are transmitting lists of borrowers heading towards foreclosure directly to foreclosure counseling agencies. If this model were implemented, this information could be transmitted electronically and would save time and effort over paper transmission of this information.

The most significant drawback to the Central Repository Model is deciding what entity would maintain it. At present there is no obvious state agency. One suggestion voiced by committee members is that the Housing Studies Program at the University of Minnesota could be an appropriate central repository, provided that funding to implement and maintain the system were provided.

### Option 2: Linear Data Model



Pros of Linear Model	Cons of Linear Model
<ul style="list-style-type: none"> <li>• Possibly easier startup (technically and politically).</li> <li>• Potential to maintain current paper method as part of processing.</li> <li>• Less responsibility on data repository organization.</li> </ul>	<ul style="list-style-type: none"> <li>• More difficult to implement state wide (87 different systems to be translated).</li> <li>• Higher burden on counties.</li> <li>• Does not allow data access at multiple points of foreclosure process (only at sheriff sale).</li> <li>• Would not provide “Early Warning” information</li> </ul>

In the Linear Data Model (Option 2, above) foreclosure forms and data would be submitted directly to the county and subsequently transmitted directly to a Central Data Repository. The main advantage of the Linear Data Model is that start-up costs would likely be reduced and the responsibility of the Central Data Repository would be limited to maintaining data and providing for data distribution. The main disadvantages of the Linear Data Model are that the data for each county would have to be translated to the format of the Central Data Repository. In addition, the system would not provide “Early Warning” information.

### **Short-term solutions**

In view of the current foreclosure crisis, the committee discussed two potential short-term solutions to the need for better foreclosure data. One idea discussed was to have county recorder documents sent, on a weekly basis; to a third party that would enter data into a central data base. Under this model, there would be no changes to the current system and it would also enable the evaluation of the value of a central data base.

Another potential way to make foreclosure information more widely available to the Twin Cities Metropolitan area is to add a foreclosure field to the currently available parcel data that is collected by MetroGIS and then distributed to licensed users. Potential benefits of this would use a currently operational data collection and distribution system. Drawbacks include developing appropriate links to County Sheriff’s or County Recorders.

### **Summary**

1. There is a need for better and more accessible information on property transfers. The lack of modern property information systems contributes to problems of fraudulent property transactions such as "flipping."
2. There are short- and long-term approaches for improved foreclosure data that should be considered by the state of Minnesota.
3. In the long-term the most cost-effective and feasible model is the Central Repository Model (Option 1).

## **Design Subgroup Minutes:**

**Date:** June 25, 2008 at Office of the Secretary of State

### **Members present:**

Joel Beckman, Jeff Crump, Larry Dalien, Jessica Deegan, Gary Marttila, Lee Meilleur

### **Members not present:**

Michael Cunniff, David Skilbred

### **Agenda:**

**1) The group's first charge was to elect a leader and a recorder for the working group.** It was decided Crump and Dalien will co-chair the group. Deegan will act as recorder.

**2) A review of the group's scope of work identified a general work plan:**

- *Review various models available to the group.*
  - Models such as the Department of Revenue's ECRV (Electronic Certificate of Real Estate Value) and the Department of Health's Well data system were both identified as solid XML based systems with many data elements which could be shared.
  - Other data models of interest include the MetroGIS regional parcel dataset.
  - The group determined the next meeting should host presentations of these activities. Crump will contact ECRV developers, and Dalien/Beckman will get in contact with the Wells data people to invite to next meeting.
- *Review counties current work.*
  - Meilleur described a basic state-inventory of county data availability for a legislative mapping project done earlier this year. Eight counties were identified as having adequate data for mapping. Muilleur will share the data from these counties to use as a basis for further exploration of data models.
  - In the Metro: Anoka, Dakota, Hennepin, Scott, and Washington each have either web based systems, are in the process, or do have electronic systems in place.
  - Beckman described the current process in Dakota County, including that cities and the Community Development Authority access to the notice of pendancy data, while the general public has access to the final sheriff sales.
- *Review what other states are doing in this area.*
  - Crump identified that he had been in contact with New Jersey which has a judicial foreclosure process and is in the process of implementing a state wide collection system. In addition, certain counties in Ohio and Illinois (Chicago) were identified as having good systems in place.

- Further research will need to be done to look if any other state-wide systems have been or are in the process of being implemented.
- *What roles would existing vendors play in the design of the system?*
  - The group will defer this discussion until system specifications are in the process of being drafted.
- *Draft system specifications*
- *Design system to meet specifications; technical design.*
  - System specifications and technical design will not occur until after August 1<sup>st</sup>, once a needs document is received from the other working groups (Data and Mission/Impact).

**Next Meeting:**

Scheduled for Friday, July 18<sup>th</sup>, 1-2:30 PM, once again in the Office of the Secretary of State. *This meeting will have presentations of some local models that might be a good start: ECRV, Wells, and the MetroGIS regional parcel dataset. An agenda is forthcoming once speakers are confirmed*

**Submitted By:**

Jessica Deegan, Metropolitan Council/MetroGIS

**Date:** July 18, 2008 at Office of the Secretary of State

**Members present:**

Joel Beckman, Jeff Crump, Jessica Deegan, Gary Marttila, Lee Meilleur

**Guests:**

Janice Stanger	Minnesota Department of Health
Mike C.	Minnesota Department of Health
Jason Parker	Minnesota Department of Revenue

**Members not present:**

Michael Cunniff, Larry Dalien, David Skilbred

**Agenda:**

**1) E-Wells Disclosure System**

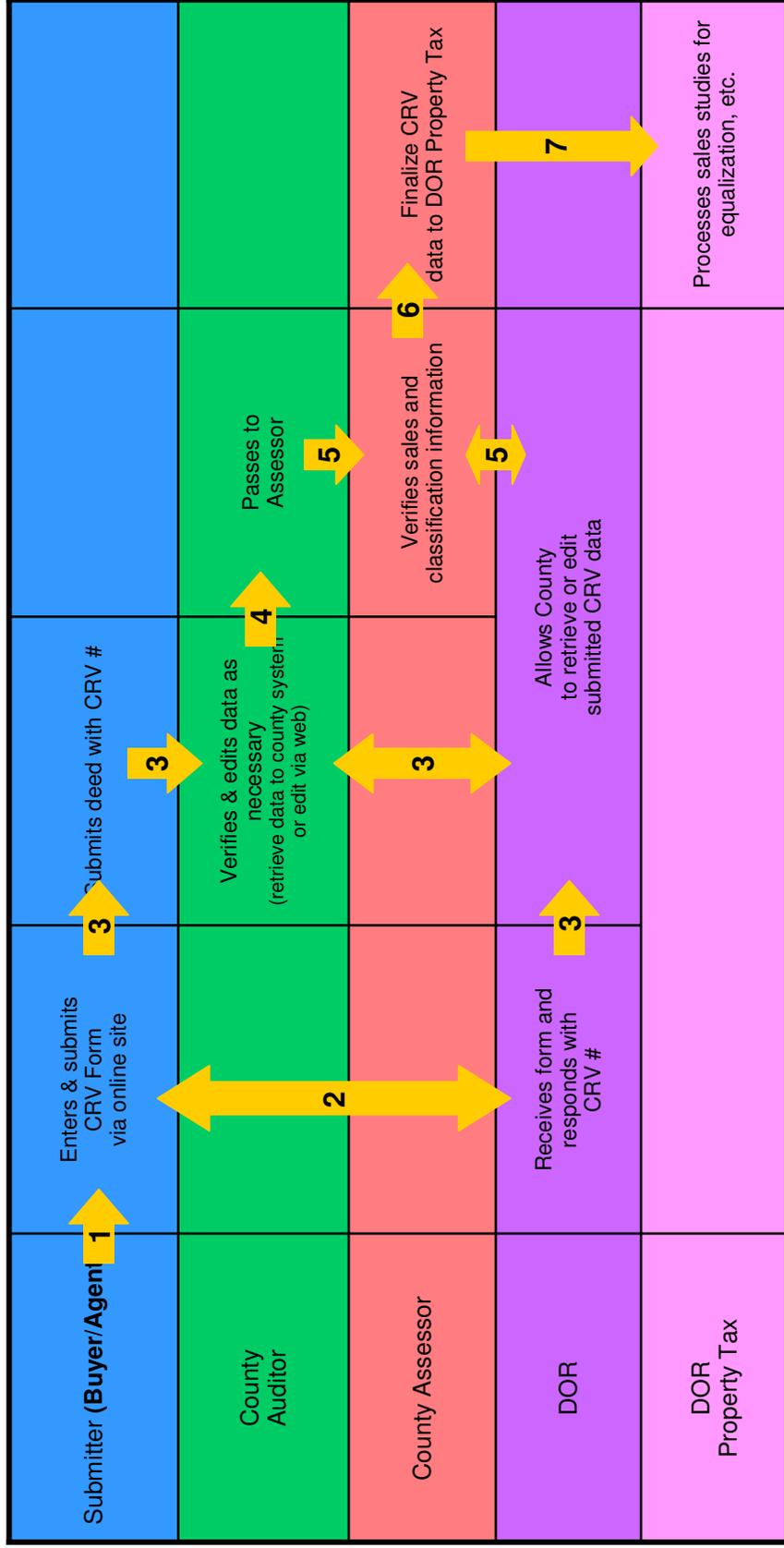
- Janice Stanger presented the E-Wells disclosure system for collecting and processing wells disclosure data.
- Information on the wells program can be found on the Dept of Health Website: <http://www.health.state.mn.us/divs/eh/wells/index.html>
- This electronic system is meant to eventually replace a paper form that has been in use for fifteen years.
- Process of Wells Certificate, Entered in MN Dept of Health, Reviewed, Sent to County Recorders, who can review what certificates are pending in the

- county using a log-in to system that allows for different privileges for editing and reporting.
- Janice walked through the screens of both the disclosure system and the county recorder system. County system is here:  
<http://www.health.state.mn.us/divs/eh/wells/eDisclosures/indexc.cfm>  
Disclosure index is here:  
<http://www.health.state.mn.us/divs/eh/wells/eDisclosures/index.cfm> . A handout was provided of all system screens of process.
  - One benefit from going digital is error checking and validation of data prior to submission. An estimated 10-15% of paper forms are turned in incomplete.
  - Another major benefit is that County recorders save time and mail costs in mailing the forms.
  - Data submitted on the system are maintained for 120 days, and then are programmatically deleted.
  - The Dept of Health is the owner of the system.
  - Plan to have kiosks in Dept lobby for submission for those without internet access or forms.
  - Back-end system: Uses Coldfusion with javascript for validation, data are nightly copied to internal Oracle databases for editing and review.
  - Noted that a big difference between Ewells and ECRV is that the Wells data do not need to be kept by the county, they just edit and are done with it.

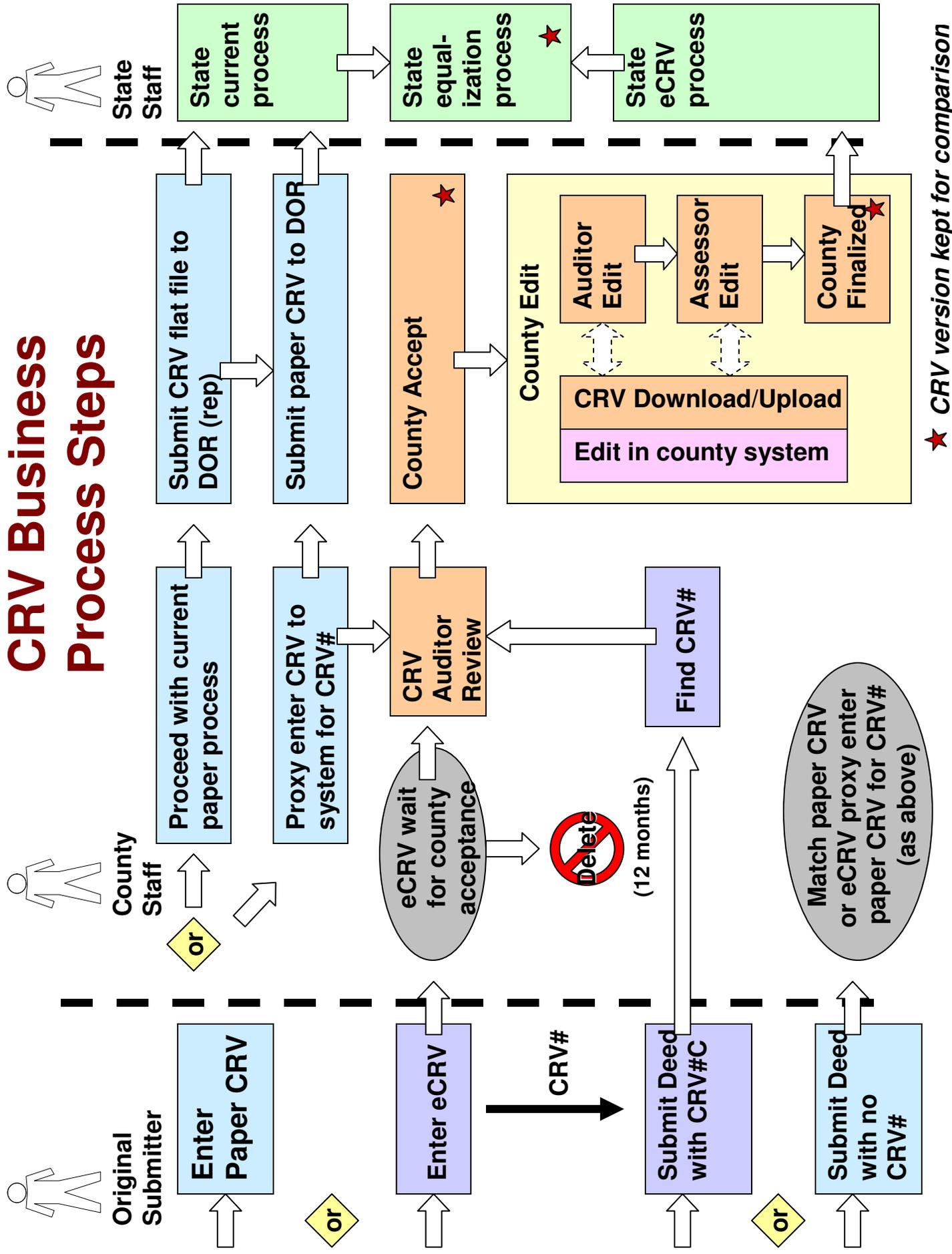
## 2) **Electronic Certificate of Real Estate Value (ECRV)**

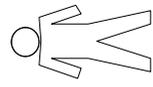
- Jason Parker from the Department of Revenue presented on the ECRV system
- General process: All property sales submit a CRV with Deed to the counties. The hope was to convert a 3 part paper for to electronic.
- Testing in Dakota currently, will start testing in Hennepin in fall.
- The process is a one-way web application submission (no editing as in the eWells.)
- The system is a Web XML application using XForms (Orbeon). ECRV data are saved as XML files in a database; eCRV data are defined by XML schema and configured for web forms using xpath queries.
- The XML schema defines the data exchange: submitter -> Dept of Revenue -> Counties
- The group discussed the potential for merging with foreclosure data with the CRV. If using similar back end (XML based system) could pull CRV data into forms from existing web service and get what data elements are needed by using xpath queries.
- More information, including PowerPoint presentations about the system can be found at the Mn Dept of Revenue website here:  
<http://proptax.mdor.state.mn.us>
- See handouts provided attached.

# eCRV: Process



# CRV Business Process Steps





Original Submitter



Enter Paper CRV

or



Enter eCRV  
In county lobby

CRV#

Submit Deed  
with CRV#

Proceed with current  
paper process

Proxy enter CRV to  
system for CRV#

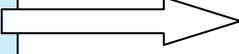
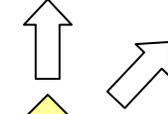
Submit paper  
CRV to DOR

eCRV waits  
for county  
acceptance

eCRV  
County  
Edit

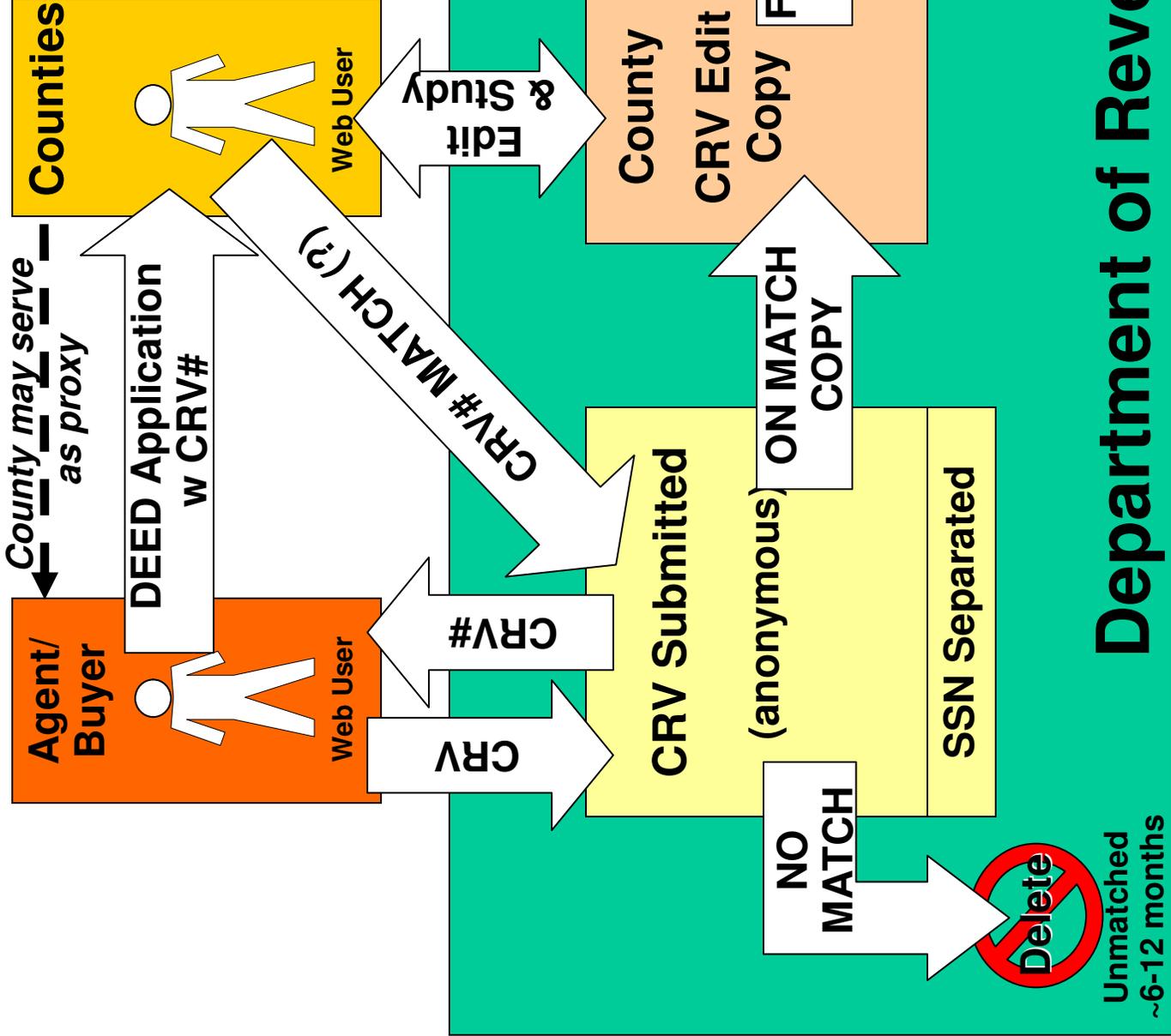
# CRV Business Process Steps

County Staff



# eCRV Workflow

Authorized download or upload to county systems **OR** form edit



## Department of Revenue

Unmatched  
~6-12 months

### **3) Comparing two systems discussion**

- These two systems differ in what level data is gathered and viewed. The CRV data is designed to be able to gather multiple criteria and display in differing ways. This may be useful for the Foreclosure data since many
- While both of these systems have State agencies who are obvious owners of the data with a business need for maintaining systems, currently foreclosure data has no such owner.

#### **Next Meeting:**

Not presently scheduled, will schedule for a meeting date within next three weeks via email communication.

#### **Submitted By:**

Jessica Deegan, Metropolitan Council/MetroGIS

Date: November 5, 2008 at Ewald Consultants

#### **Members present:**

Jeff Crump (Co-chair), Mike Cuniff, Larry Dalien (Co-chair) Jessica Deegan, Therese Kuvaas, Matthew Lemke, David Skilbred

#### **Members not present:**

Joel Beckman, Lee Meilleur, Gary Marttila

#### **Agenda:**

##### **1) Report on Meeting with Foreclosure Attorneys**

- Crump met with Larry Wilferd to get information on the process of submitting foreclosure documents.
- The submittal process, from the attorney standpoint, works as follows: First, a title search is performed on a property, then 2 documents (Power of Attorney and Notice of Pendency) are submitted, these documents require lenders/servicers signature. (Note: Minnesota does have an electronic signature provision). These documents are delivered to the County, and receive back a recorded document. One advantage to an electronic submittal system, according to Larry Wilferd, is that the recorded document would be returned in a more timely fashion.
- Attorneys enter information into the front end of various lender databases on different computer systems.
- Larry Wilferd reiterated to Jeff Crump that duplication of effort, in any way, will not be looked upon favorably. Bottom line, an electronic system would be great, but the transition would be a pain.

- Michael Cunniff noted that Minnesota has adopted uniformity in document formatting, but it is not related to the mortgage industry.

## 2) Discussion of state laws with respect to electronic foreclosure data.

- Regarding the data provided to Foreclosure counseling organization, Lemke discussed briefly a list sent out (and attached to minutes) of organizations who receive notice at the point of a demand letter to the lender. It is unclear how an organization can get on this list.
- Jeff Crump noted on research done in the Housing Studies office by a research assistant found that several states are currently doing some level of electronic foreclosure filing. Texas, specifically Dallas County, has an electronic data site that is good. They fund it with a \$4 filing fee and a \$2 convenience fee for filing the documents. The biggest challenge of the Texas site is interface software. E-filing, however, is often perceived as a public privacy concern.

## 3) Discussion of Data Collection Models

- Jessica Deegan described updated data collection models as modified from our last meeting (attached). To summarize briefly, the first version is a central repository model which has one point of entry/storage for all points of data collection of the data foreclosure process. One positive point about this model is that it does allow for data extraction at many points, making it of greater interest for researchers. If researchers are of great interest, then perhaps the University of Minnesota, with the land grant mission, could take on the role of a repository. The second version, a linear model, has a repository of data only at the final data submission, or the sheriff sale. This model would offer the most continuity with current processes and allow for paper submission in a transition phase.
- Larry Dalien described a possible third model for something that could be done in the short term. One possibility is that county recorder documents could be sent weekly to a third party consultant to enter data into a central database. This could be a less costly short term solution that might show the need (or not) for investment in a potentially costly long term solution. This would not have any implications on current process at all. Crump noted that this could be a role for a non-profit or the University to do.
- Jeff Crump also noted another possible interim method might be to invite metro counties to populate a new field in the parcel database. Counties could decide whether they have the resources to populate the field. Larry Dalien noted that Anoka County does have a link to parcel identification numbers on their foreclosures. Jessica Deegan noted that getting the sheriff's or recorders office might be a new link for the parcel data and be difficult to get going quickly.
- The group discussed recommending a short term solution in our final report with options for the long term solutions (in the models).
- Another recommendation the group would like to make is that better and more accessible information on property transfer would be useful irrespective of the foreclosure process.

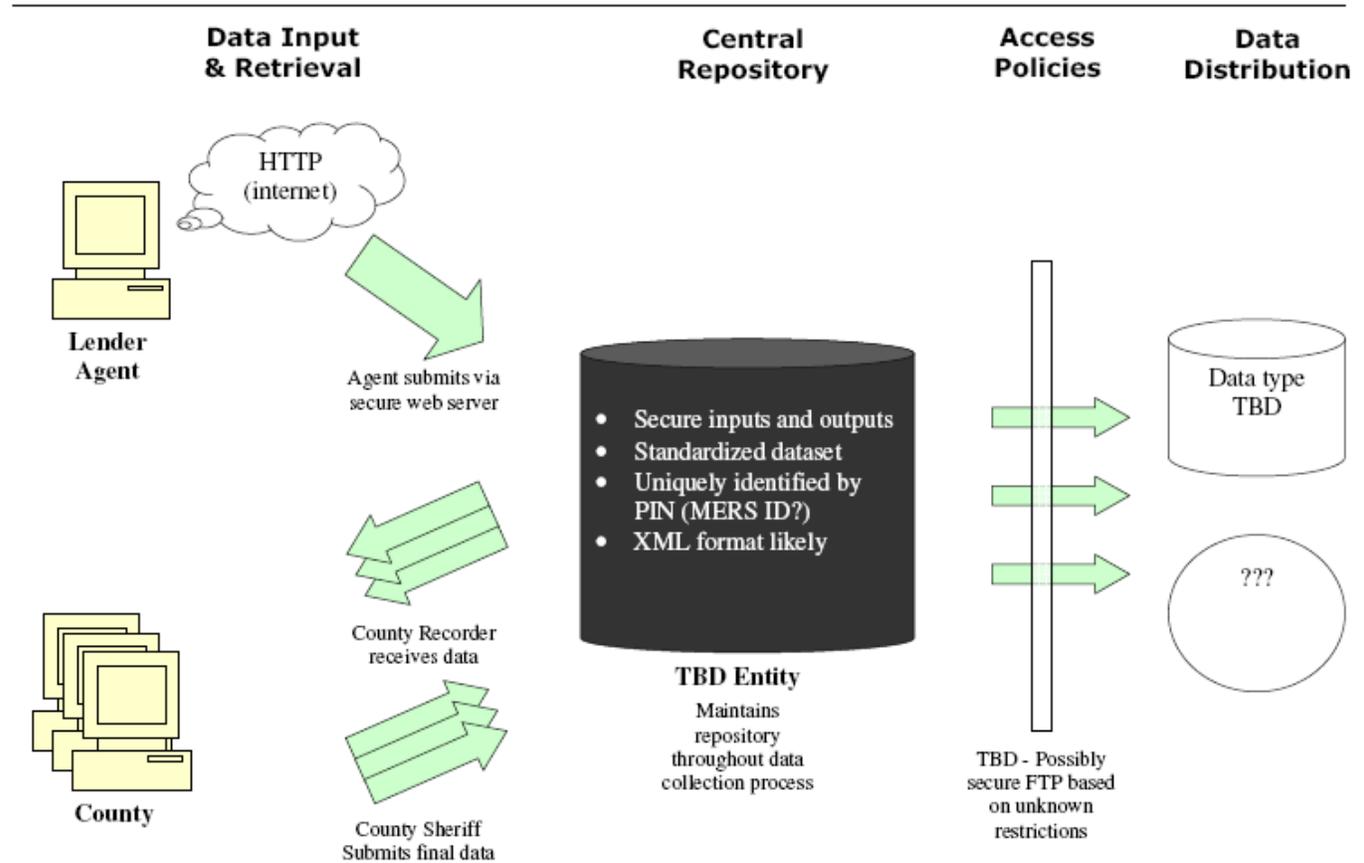
- It was noted that it remains unclear whether the federal money through MHFA for the foreclosure crisis could be utilized for better data collection methods. However, this is where our representatives, possibly Rep. Mullery, could pose the question.
- Finalize Timeline for final report.
- Jeff Crump will draft a report by Thanksgiving for discussion of the group.

**Next Meeting:** The next meeting is TBD.

**Submitted By:**

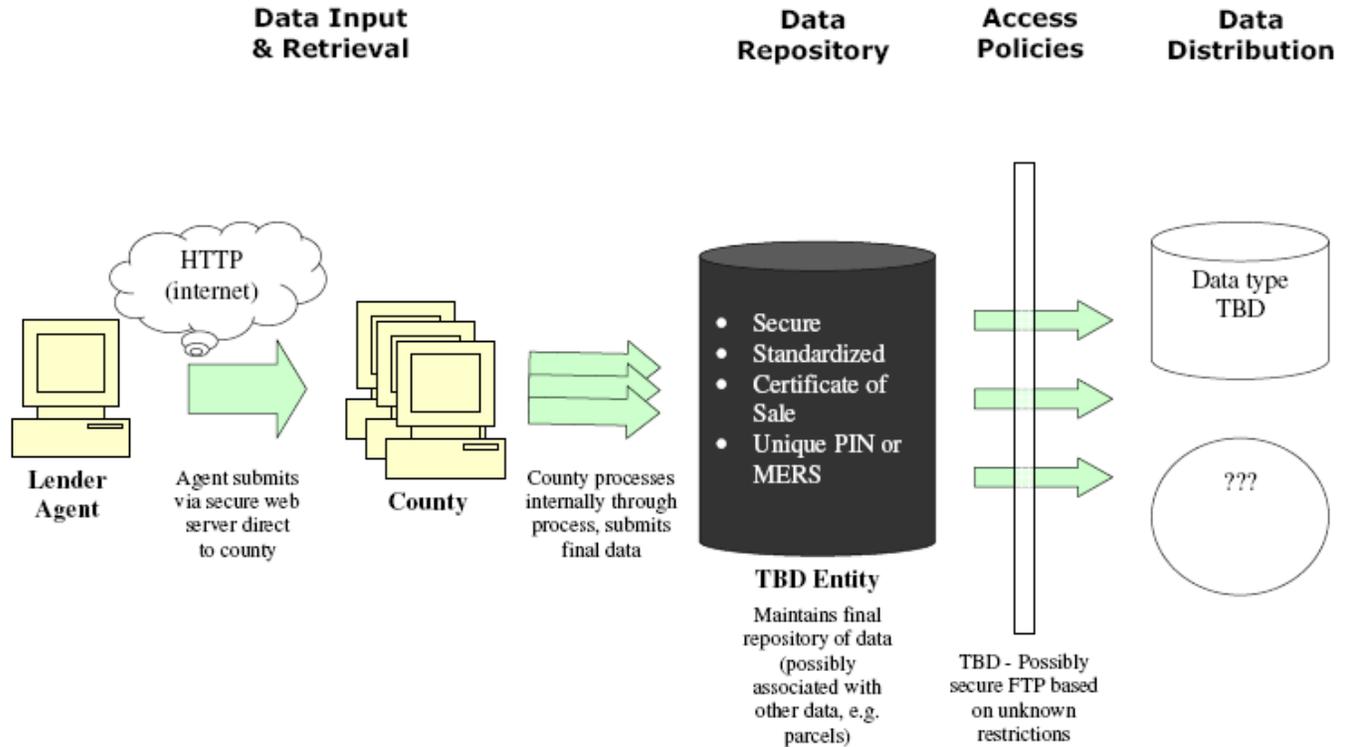
Jessica Deegan, Metropolitan Council/MetroGIS

## Version 1 – Central Repository Model



Pros of Central Repository	Cons of Central Repository
<ul style="list-style-type: none"> <li>• Data available throughout event process.</li> <li>• Always consistent data format.</li> <li>• Counties could use only data they need.</li> <li>• Could replace/enhance current system for providing default data to counselors.</li> </ul>	<ul style="list-style-type: none"> <li>• No clear Central Repository or owner of data.</li> <li>• Possibly the costlier solution.</li> <li>• Counties may still need the data directly.</li> <li>• Would need consistent interface.</li> <li>• Must be very reliable.</li> <li>• Potential to have duplication of effort (both models have this con).</li> </ul>

## Version 2 – Linear Model



Pros of Linear Model	Cons of Linear Model
<ul style="list-style-type: none"> <li>• Possibly easier startup (technically and politically).</li> <li>• Potential to maintain current paper method as part of processing.</li> <li>• Less responsibility on data repository organization.</li> </ul>	<ul style="list-style-type: none"> <li>• More difficult to implement state wide (87 different systems to be translated).</li> <li>• Higher burden on counties.</li> <li>• Does not allow data access at multiple points of foreclosure process (only at sheriff sale).</li> <li>• Potential to have duplication of effort (both models have this con).</li> </ul>

## D. Appendices

### Appendix A – Study Group Members

Members	Company	Street Address	City	Zip code	Email
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## **Appendix B – Laws 2008, Chapter 238, Article 1 – Foreclosure Data**

This law can also be found at:

<https://www.revisor.leg.state.mn.us/bin/bldbill.php?bill=H3516.4.html&session=ls85>

### **ARTICLE 1 FORECLOSURE DATA**

Section 1. Minnesota Statutes 2006, section 58.02, is amended by adding a subdivision to read:

**Subd. 30. Transaction agent.** A "transaction agent" is the person identified in a mortgage recorded with the county recorder or registrar of titles as the nominee or agent for a third party also identified in the mortgage.

#### **Sec. 2. [580.025] FORECLOSURE DATA.**

The notice of pendency required by section 580.032, subdivision 3; the notice of sale required by section 580.04; and the certificate of sale required by section 580.12 shall include the following information to the best of the knowledge of the party foreclosing the mortgage:

- (1) the physical street address, city, and zip code of the mortgaged premises;
  - (2) the name of the transaction agent, residential mortgage servicer, and the lender or broker, as defined in section 58.02, if the person holding the mortgage is a transaction agent as defined in section 58.02, subdivision 30, or the name of the residential mortgage servicer and the lender or broker, as defined in section 58.02, if the person holding the mortgage is not a transaction agent as defined in section 58.02, subdivision 30;
  - (3) the tax parcel identification number of the mortgaged premises;
  - (4) if stated on the mortgage, the transaction agent's mortgage identification number;
- and
- (5) if stated on the mortgage, the name of the mortgage originator as defined in section 58.02.

No liability shall accrue to the party foreclosing the mortgage or the party's attorney for de minimis, good faith, or commercially reasonable errors in this information. The omission of all or some of the information required by this section from the notice shall not invalidate the foreclosure of the mortgage.

#### **Sec. 3. STUDY TO DEVELOP STATEWIDE FORECLOSURE DATA COLLECTION AND REPORTING SYSTEM.**

Subdivision 1. **Study.** The secretary of state shall convene, chair, and facilitate a Statewide Foreclosure Data Collection group to study the most efficient and cost-effective way to develop and implement an electronic system for the submission, collection, entry, retrieval, management, and assessment of statewide foreclosure data. The study shall consider the applicability to the collection of foreclosure data of the electronic certificate of real estate value and well certification programs.

Subd. 2. **Working group.** The study under subdivision 1 must be conducted in consultation with a statewide working group including, but not limited to, representatives from the Legislative Coordinating Commission's Geographic Information Services Office, the Information Policy Analysis Division of the Department of Administration, the University of Minnesota's housing studies program, the Association of Minnesota Counties, the League of Minnesota Cities, the Metropolitan Council, the Governor's Council on Geographic Information Services, the Department of Revenue, the Department of Commerce, the Electronic Real Estate Recording task force, the Minnesota Association of County Officers, the Minnesota Sheriffs' Association, and a nonprofit housing advocacy organization.

Subd. 3. **Report.** The secretary shall submit a report to the legislature by February 15, 2009, containing the results of the study and any recommendations regarding the development and implementation of a statewide foreclosure data collection and reporting system.

Subd. 4. **Expiration.** This section expires after the submission of the report as required in subdivision 3.

**Sec. 4. EFFECTIVE DATE.** Sections 1 and 2 are effective for notices of pendency dated on or after August 1, 2008.

## Appendix C – Minutes of Mortgage Foreclosure Data Study Group

INITIAL MEETING  
JUNE 4, 2008  
BOARD ROOM, ROOM 117  
60 EMPIRE DRIVE

**Present:** Mark Ritchie, Senator Warren Limmer, Commissioner Victoria Reinhardt, Clifford Ahlgren, Bill Amberg, Erin Anderson, Larry Austin, Joel Beckman, Christine Berger, Laurie Beyer-Kropuenske, Bert Black, Jacob Brown, Jeff Crump, Michael Cunniff, Larry Dalien, Jessica Deegan, Susan Dioury, Gordon Folkman, Rick Gelbmann, Mark Kotz, Therese Kuvaas, Bev Lowe, Ben Marczak, Gary Marttila, Hue Nguyen, Carrie Rocha, Patrick Ruble, Brenda Shafer-Pellinen, Jeffrey Skrenes, Ty Sheridan, Libby Starling, Mary Jo Wall, Heidi Whitney, Michael T. Williams

The initial meeting was called to order at 9 a.m. by Secretary of State Mark Ritchie.

Members of the group present introduced themselves and described their interest in the mission of the group.

Bert Black, Office of the Secretary of State then reviewed the materials provided to the Group for the meeting and also reviewed the legislation creating the Study Group, noting that the goal was:

to implement an electronic system for the

- submission
- collection
- entry
- retrieval
- management, and
- assessment

of statewide foreclosure data in an efficient and cost-effective manner.

Mr. Black also noted that the final Mortgage Foreclosure Data Study Group Report is due to the Legislature no later than February 15, 2009, suggesting that the actual substantive work of any subgroups must be completed by November or early December of 2008 in order to allow sufficient time for synthesis and approval of the complete Report by the full Group.

Professor Jeff Crump of the University of Minnesota, and leader of the Foreclosure Data Committee working group on this topic in the fall of 2007 and winter of 2008, presented

a summary of the findings of that group. The presentation and the report of the prior working group are attached to these minutes.

The presentation reviewed the status of and trends in foreclosures in Minnesota, as well as describing the data collection methods used and difficulties encountered in gathering the data.

Professor Crump also reviewed the basic information that needs to be collected uniformly in order to effectively track foreclosures:

- Street Address and basic location data
- Name of Mortgagee or Mortgage Servicer, if known)
- Property Ownership Type (Owner-occupied residential, investor-owned/rental residential, or commercial)
- Property ID Number
- Mortgage ID Number, if registered with “MERS”

Professor Crump discussed the ripple effects of foreclosures as well, and a brief discussion of appropriate foreclosure prevention efforts took place. The growth in sub-prime financing was also discussed.

The discussion moved back to a recap of the assignment and discussion of those study topics that will complement the assignment. Secretary Ritchie solicited the opinions of the members in proceeding.

Gordon Folkman, Department of Revenue, suggested that Jason Parker, project manager of the eCRV effort, give a presentation on how the eCRV program works, as a possible model. There may be questions about data privacy, as well as user-friendly design, where information will go, and who is responsible for the data.

Joel Beckman, Dakota County recorder raised issues of funding the data collection tool. He also asked which agency at the state level would be responsible for the data and for maintenance. He also asked who will be providing the data, as there are many different persons who touch the process as it goes along. He also pointed out that not all notices of pendency proceed to sheriff’s sale, and not all sheriff’s sales result in foreclosure. Then there is the system design, which he considers the easiest portion of the process. Mr. Beckman suggested that the better model for this data is actually the well disclosure certificate, rather than the eCRV, due to the multiple ‘bounce-backs’ necessary in the eCRV process, which are avoided in the well certificate process.

Others also commented on these issues. There was a long discussion on what to consider in determining how to fulfill our legislative charge.

Secretary Ritchie summarized the following subgroups :

## **1. Mission**

- Why do this?
- For whose use is the data intended and what do they need?
- What are the current roles and responsibilities?
- What roles and responsibilities would change?
- Where would funding come from?

## 2. Data Collection

- What elements
- Data Privacy
- Positive and negative impact of data collection on all participants
- Link to existing transactions of data collection
- Inventory current county data collection and impact of new laws on county data collection.

## 3. Design

- Review various models available to the group
- Review counties current work
- Review what other states are doing in this area
- What roles would existing vendors play in the design of the system?

Impact Review: By creating this system, what new tasks are created, and who needs to do those tasks.

- Are any tasks inadvertently created that are not necessary or desired?
- How can tasks be completed in the best, most efficient way?

A project plan/project manager approach was also suggested.

The comment was made that the immediate crisis may have passed by the time that whatever is built comes on line, but that there may be a continuing need for this information.

Secretary Ritchie moved to the next issue of taking and dividing up responsibility for moving the work along.

There was a discussion of the order in which these subgroups need to work. Secretary Ritchie articulated a model in which two subgroups dealing with Mission/Purpose and Data Collection gather data on and meet to resolve issues affecting the items within their scope, meet jointly to determine the data system needs, develop specifications based upon those needs and then transmit those specifications to the Design Subgroup, which would then develop technical recommendations for a data collection system. At the same time, there would also be a review of the work product by an Impact Review subgroup consisting primarily of those who would be responsible for system implementation and

maintenance under the recommended system who would work to avoid unintended consequences of the system design.

In order to further refine this sequence of events to encompass all items within the scope of the project and discussed at this meeting, a document will be sent to members in advance of the next meeting for members review. Members are encouraged to consult with their own staff as appropriate.

At that time, members will be asked to review the document to make sure it is on track, and to take advantage of participation opportunities and take responsibility for leadership opportunities as well, then to break up into and organize the subgroups.

After some discussion of possible meeting dates and times, the next meeting was scheduled for June 20, 2008, 9 AM, in the Board Room, Room 117, 60 Empire Drive, from 9 to 10 AM to be followed by short meetings of the subgroups for the purpose of internal organization.

The meeting was adjourned at 10:50 AM.

Respectfully submitted,

Bert Black

*[Mp3s of June 20, 2008 and February 12, 2009 meetings appended to electronic version]*