2011

Expanding Sustainable Homeownership for Communities of Color in the Wake of the Foreclosure Crisis

Heather McCulloch, Asset Building Strategies | Preeti Vissa, Greenlining

The Greenlining Institute

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HEATHER MCCULLOCH, Asset Building Strategies
PREETI VISSA, The Greenlining Institute

THE GREENLINING INSTITUTE

About the Greenlining Institute

The Greenlining Institute is a national policy, organizing, and leadership institute working for racial and economic justice. We ensure that grassroots leaders are participating in major policy debates by building diverse coalitions of grassroots leaders that work together to advance solutions to our nation s most pressing problems.

Our Leadership Academy has become the farm system for tomorrow's social justice leaders, training the best and brightest from our communities. Our policy experts conduct research and coordinate multi pronged strategies on major policy issues, including but not limited to the environment, wealth creation (asset building), philanthropy, health, energy, communications, and higher education. Central to all of Greenlining's work is the "big picture" recognition of the interrelatedness of issues facing low income and minority communities.

The Greenlining Institute
1918 University Avenue, Second Floor, Berkeley, California 94704
www.greenlining.org | T: 510. 926. 4000

Acknowledgements:

Editorial Heather McCulloch, Asset Building Strategies
Preeti Vissa, The Greenlining Institute

Design Vandy Ritter Design, San Francisco

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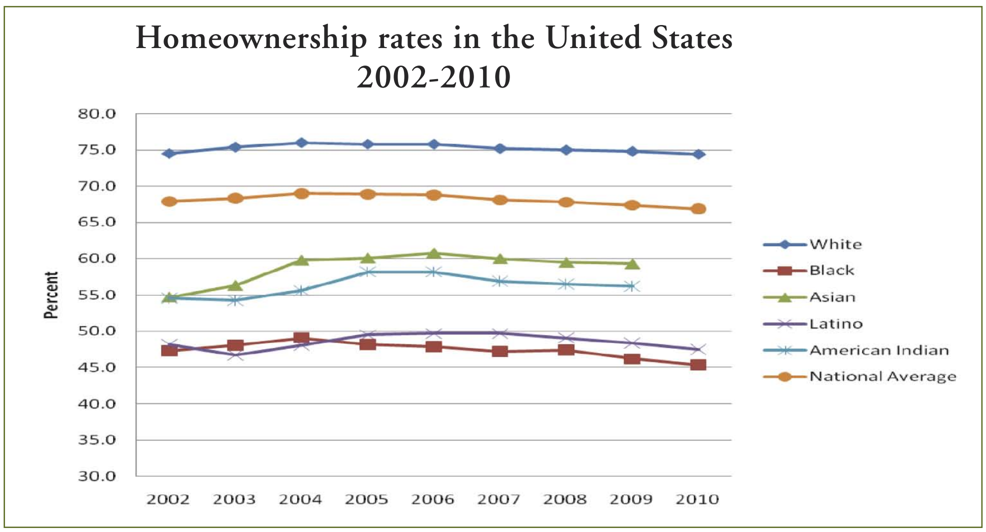
I. Summary

Introduction

Because households of color hold a disproportionate share of their net worth in home equity (at 61%), the disparate loss of home equity as a result of the foreclosure crisis is exacerbating the racial wealth gap. Today, almost half of all foreclosures in California have involved Latino families, and nationally 21.6% of African American borrowers are at imminent risk of foreclosure. Analysts predict that the indirect wealth loss nationally from the foreclosures will reach $193 billion for African American and $180 billion for Latino communities by 2012. Greenlining estimates that more than half of African American, Latino, and some sub-groups of Asian/Pacific Islander "homeowners" in California are currently underwater.[1] These figures tell us that the foreclosure wave in 2011 and 2012 will have an even bigger disproportionate impact on communities of color.

As is widely documented, homeownership rates are plummeting in communities of color. According to the most recent U.S. Census data, homeownership rates have dropped to their lowest level since 1998. However, the rates for Latinos, African Americans and Native Americans have dropped almost twice as much as for whites. This disparate drop in homeownership will only exacerbate the growing racial wealth gap.



* The above graph illustrates U.S. Census data on homeownership rates by race from 2002-2010.

This loss of stability and wealth will have long-term implications for the economic empowerment of communities. In particular, Greenlining strongly believes that we need to counter the fast-growing narrative that homeownership is not for "everybody" and that people of color caused the foreclosure crisis. This sentiment is reflected in the shrinking sources of credit for communities of color.

The Greenlining Institute hired consultant Heather McCulloch of Asset Building Strategies to help inform Greenlining's internal planning process as it makes decisions about the design of a campaign to expand sustainable homeownership opportunities for households and communities of color in California. The purpose of the reframing was to put the campaign in context of the current crisis – which has stripped the wealth of hundreds of thousands of California households of color – with a focus on long-term solutions that build or rebuild wealth through home equity.

Greenlining's focus will be on helping to create a new homeownership paradigm for Sustainable Homeownership.

In this effort to expand sustainable homeownership opportunities, Greenlining's overarching goals are to:

1. Ensure that adequate, affordable lending products are made available to communities of color for home purchase.
2. Develop working partnerships between nonprofit organizations, government, and banks to develop new sustainable homeownership models.
3. Urge lenders to adopt alternative credit scoring models that do not discriminate against communities of color.
4. Ensure homeownership remains a priority among key stakeholders.

Data Highlights

Today, 21.6% of African American and 21.4% of Latino borrowers are at imminent risk of foreclosure. Analysts predict that the indirect wealth loss from declining property values due to the foreclosures of surrounding properties between 2009 and 2012 will reach $193 billion for African American and $180 for Latino communities.[2]

The situation is even more severe in California: Data compiled by the Federal Reserve of San Francisco indicate *that up to two thirds of California foreclosures have been among households of color.*[3] Recent research by the Center for Responsible Lending indicates that almost half of all California foreclosures have been among Latino borrowers; and foreclosures among Latino and African American homeowners are occurring at 2.3 and 1.9 times the rate of white households, respectively.[4]

A campaign focused on expanding homeownership opportunities in communities of color is timely and appropriate. The campaign is especially appropriate given the questioning underway – among elected officials, advocates, the media and the public – about the value of homeownership as a wealth-building strategy.

There is also limited public awareness about the many homeownership strategies that are working, despite the foreclosure and economic crises.

A changing regulatory landscape, the closing of Fannie Mae and Freddie Mac, tight state and federal budgets and the limited availability of mortgage credit are additional barriers to sustainable homeownership.

Finally, the fact that homeownership remains unaffordable to many in relation to their income poses a daunting problem.

Report Format

This report follows the following format: Section II highlights key data related to the racial wealth and homeownership gaps and the causes and effects of the foreclosure crisis on communities of color; Section III details challenges and opportunities relevant to the campaign and highlights options for consideration in the campaign design/planning process; Section IV highlights our recommendations. The appendix includes key data about the wealth gap, foreclosures, and homeownership.

II. Context – Background data relevant to the campaign

The racial wealth and homeownership gaps are a function of public policies and private practices that have resulted in both dejure and defacto discrimination against households of color.[5] (Appendix A provides additional data that can be used to inform the campaign.[6])

The Asset Building Movement and Race

The national asset-building movement was launched in the early 1990s with the goal of drawing public attention to the fact that national and state policies subsidize wealthier families to save and invest through mechanisms that are often inaccessible to lower-income families. Early on, movement leaders focused on advancing innovative strategies and public policies that would build assets among low-income households, regardless of race and ethnicity. Only in recent years has the field begun to focus attention on the racial wealth gap, primarily through research and practical initiatives funded through a significant, multi-year investment by the Ford Foundation. Ford's investment has produced a large body of research about the causes and effects of the racial wealth gap and a network of academic and non-academic researchers willing and able to engage in and advance the public dialogue about the issues.[7] Despite these and other efforts to draw attention to the issue, the powerful legacy of inequitable federal asset-building and housing policies have produced a racial wealth gap that is large and growing.

Racial Wealth and Homeownership Gap Data

Even prior to the recent crisis, families of color owned only 16 cents for every dollar held by white families.[8] For African American and Latino families, the data is even more stark: African Americans own 10 cents and Latinos 15 cents for every dollar held by white households.[9] While household net worth rose for most households prior to the recession, it fell for African American households.[10] In 2006, almost *half* of African American children were being raised in an asset-poor household, with no resources to invest in their children's future.[11] Furthermore, according to a recently published study by the Institute for Assets and Social Policy at Brandeis University (June 2010), the racial wealth gap continues to grow at a rapid pace: The gap between white and African-American families in the U.S. increased fourfold between 1984 and 2007. The study also found that middle-class white households now own far more wealth than high-income African Americans; and at least 25% of African American families had no assets to turn to in times of hardship.[12] In California, prior to the recent economic crisis white households held six times the net worth of minority households.[13]

According to the most recent *US Department of Housing and Urban Development, U.S. Housing Market Conditions* report, the national homeownership rate was 67.1 in the first quarter of 2010, down from 67.2 in the fourth quarter of 2009. The homeownership rate for minority households decreased to 49.5 percent in the first quarter, down from 49.8 percent in the fourth quarter of 2009.[14] According to a 2009 Corporation for Enterprise Development report (based on 2008 data), the homeownership rate in California was 60.9 percent for whites and 47.6 percent for households of color.[15]

Foreclosure Impacts on the Wealth and Well-being of Families of Color

Homeownership has long been viewed as a key wealth-building strategy for American households, but households of color hold a disproportionate share of their net worth in home equity, at 61%. Prior to the crisis, Latinos held an even greater share, at 66%.[16] Given this concentration, the disparate loss of home equity among households of color is likely to exacerbate the racial wealth and homeownership gaps.

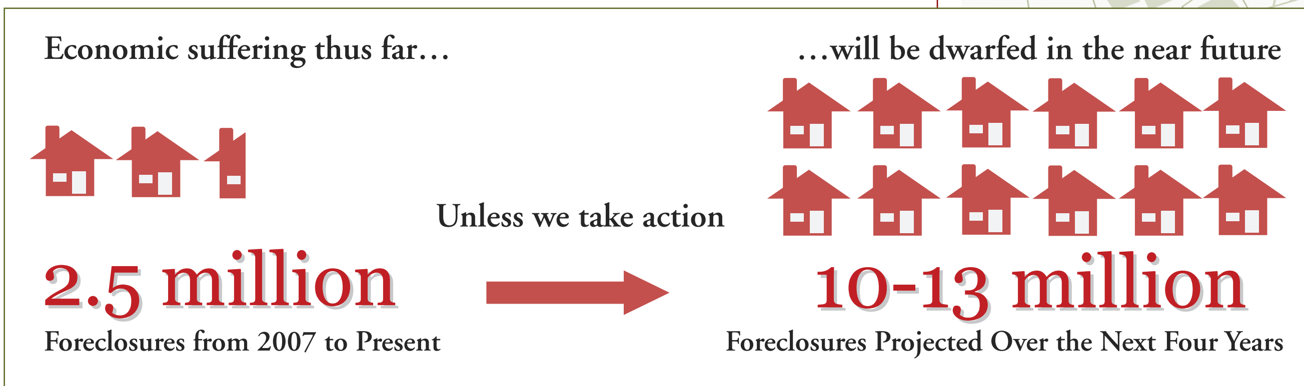
Even prior to the recent crisis, families of color owned only 16 cents for every dollar held by white families.

For African American and Latino families, the data is even more stark: African Americans own 10 cents and Latinos 15 cents for every dollar held by white households.

Research on the impact of foreclosures on households of color is limited by the fact that there is no one, publicly-available dataset providing information on loan performance and demographic information. However, evidence of the disparate impacts is mounting rapidly as several researchers have developed credible estimates by combining public and private datasets, with results described below.[17]

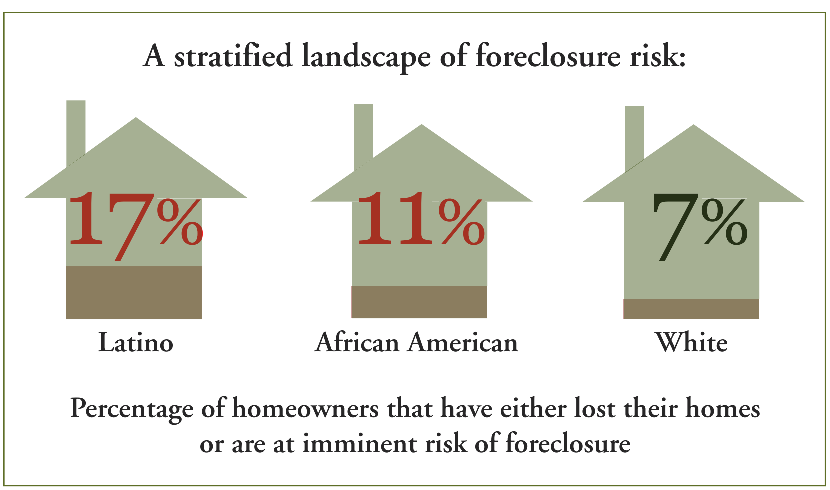
According to recent national research by the Center for Responsible Lending (June 2010):[18]

- 2.5 million foreclosures were completed from January 2007 to December 2009.
- An additional 5.7 million borrowers are at "imminent risk" of foreclosure (two or more payments behind)
- The foreclosure crisis is far from over—by the time the crisis dissipates, analysts predict between 10 to 13 million foreclosures will have occurred.
- Today, 21.6% of African American and 21.4% of Latino borrowers are at imminent risk of foreclosure.



In August 2010, the Center for Responsible Lending released a similar report for California which showed:[19]

- Foreclosures among Latino and African American homeowners are 2.3 and 1.9 times the rate of white households, respectively.
- Almost half of all California foreclosures have been of Latino borrowers;
- The Central Valley and Inland Empire have the highest concentrations of foreclosures, while among cities, Los Angeles has the highest volume.
- Nearly one in eight homes in California (approximately 702,000) is currently in foreclosure.
- Most foreclosures have been on modest properties valued below the Area Median Income at origination.



Covering a slightly different timeframe, research by Carolina Reid and Elizabeth Laderman of the Federal Reserve of San Francisco indicated that *two-thirds of all foreclosures* in California have been among African American, Latino and Asian borrowers.[20] As is now well documented, African American and Latino households were much more likely to receive high-priced, subprime loans.[21] Reid and Laderman also found that "mortgage market channels" – the avenue by which a household accessed a mortgage loan – played a role in the loan outcome. Loans made by independent mortgage companies (IMCs) were much more likely to go into default; and a disproportionate share of IMC loans were originated in African American and Latino communities in California, even where those communities had access to Community Reinvestment Act-covered institutions.[22] In addition, the research found that Latino households were the least likely to obtain a fully documented loan and most likely to buy a home in a tract that was designated as "underserved" by financial services.[23]

The Subprime Crisis:

61% **of subprime loans went to people who qualified as prime borrowers**

$5,400- $7,000

Cost to local taxpayers for each foreclosed property

Foreclosures have long-term impacts on families and communities. After foreclosure, families can no longer tap into home equity to survive short-term financial crises (e.g. job loss, divorce or death in family), invest in a child's education or support a secure retirement. Recent research by National Council of La Raza and the Center for Community Capital at the University of North Carolina indicates severe household consequences for Latino families. Highlights, below, are excerpted directly from the research findings:[24]

- As a result of foreclosure, spousal relationships frequently suffered. Signs of depression, increased anxiety and tension, and feelings of guilt and resentment were commonplace.
- The foreclosure had a ripple effect on relationships in extended family and social networks.
- Public benefits became a lifeline for many, while those without often skimped on needed medical care to save money.
- Children's academic performance and behavior at school were impacted significantly.
- None of the families interviewed reported receiving significant assistance to avoid foreclosure from their financial institution.
- Family finances were devastated, with the families reporting an average loss of $89,155 due to the foreclosure, leaving them without a safety net to cope with financial emergencies.
- Families made changes to their long-term financial plans, including plans to help their children with expenses such as education.
- The majority of participants still believe that they can achieve the American dream.

Foreclosures have long-term impacts on families and communities.

After foreclosure, families can no longer tap into home equity to survive short-term financial crises…

Community Impacts

In addition to increased crime and reduced services, due to a loss of tax base, for every foreclosure in a community the value of homes within one eighth of mile falls by about 1% (Immergluck and Smith, 2005).[25] According to recent CRL estimates, the indirect wealth loss from the impact of a foreclosure on the value of surrounding properties, between 2009 and 2012, will reach $193 billion for African American and $180 for Latino communities.[26]

Making matters worse, while access to prime mortgage credit dropped in all communities in the wake of the foreclosure and economic crisis, communities of color were, again, disproportionately impacted. According to research by the California Reinvestment Coalition and six other nonprofit intermediaries around the country (based on data gathered in seven U.S. cities between 2006 and 2008), prime refinance lending dropped almost five times more in communities of color than in predominantly white communities (66.4% vs. 13.9%) and prime purchase lending dropped more than twice as much (60.3% vs. 28.4%).[27] The study found that among the four largest banks - Wells Fargo, Bank of America, Citigroup and JPMorgan Chase – their overall percentage of prime mortgage refinancing fell 33% in predominantly minority communities, while it increased 32% in white neighborhoods.[28]

Relevance of Data to Sustainable Homeownership Campaigns

The deleterious impact of foreclosures on the net worth of households – and communities – of color in California is unprecedented; and it will be felt for generations to come. In light of the data, campaigns might consider focusing on one or more of the following goals: *prevention* – focusing on stemming the further loss of assets among households/communities of color; *rebuilding* – focus on advancing strategies to maximize opportunities for households of color to rebuild wealth, after foreclosure; and/or *expansion* – increasing opportunities for families to build home equity in the future.

III. Challenges, Opportunities and Options for a Statewide Sustainable Homeownership Campaign

This section highlights key challenges and opportunities to advancing a sustainable homeownership campaign targeting families and communities of color in California.

Challenges:

➢ *Questioning underway about the value of homeownership for low/moderate-income households*—Even among national asset-building and housing leaders who have long espoused the importance of affordable homeownership as a stepping-stone on the path to the middle class, a process of self-reflection is underway about whether they pushed too hard for homeownership opportunities, when rental housing (perhaps tied to other asset-building opportunities) might have been a more appropriate strategy.[29] Advocates are likely to face tough public questioning of its rationale by elected officials, funders, some members of the public and even some usual allies.[30] Worth noting, however, is the fact that a cross section of national community reinvestment, housing, asset-building and civil rights organizations – and national foundations – continue to defend homeownership as a critical strategy for low and moderate-income households to accessing secure housing, build strong communities and build wealth for future generations.[31]

➢ *Limited public awareness of affordable homeownership strategies that have worked*—As the foreclosure crisis morphed into a global economic crisis, conservatives were quick to place blame on the Community Reinvestment Act, Fannie Mae and Freddie Mac and low-income and minority homeowners themselves who, they claim, irresponsibly entered into risky mortgage products or lied on their mortgage applications. While most of their talking points have since been discredited, parts of the message took hold in the public discourse and continue to influence the decision-making process of state and national legislators. Absent from the discussion, to date, is information about the host of affordable homeownership strategies and programs that have been successful in helping families to build – and retain – home equity, despite the crisis. (Many of these strategies are highlighted under "options" below).

➢ *Changing regulatory landscape*—The national regulatory landscape is in flux and is likely to be so for the next few years as financial reform is implemented and the Consumer Financial Protection Bureau established; federal foreclosure mitigation programs are refined; the Community Reinvestment Act and Home Mortgage Disclosure Act are revisted, and the government sponsored enterprises's are most likely to be eliminated. The changing federal landscape is contributing to a "wait and see" mentality among some state agencies and legislators, while uncertainty about the regulatory environment continues to fuel risk aversion by financial institutions. A changing landscape also presents strong opportunities for advocacy – and Greenlining and coalition partners have been proactive on that front.

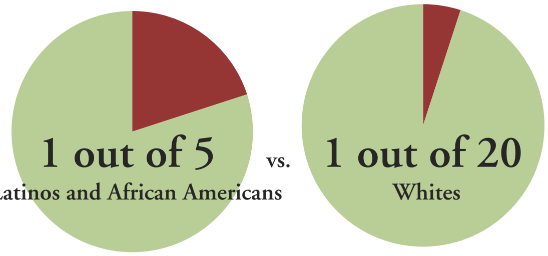
➢ *Tight state budget limits policy options*—At the state level, the ongoing budget crisis limits the ability of advocates to advance innovative solutions, especially if they require public resources. One key California State Senate committee consultant noted that legislators are beginning to realize they "can't legislate their way out of the crisis." Another noted that while many Democrats continue to support affordable homeownership, options are extremely limited given state resources.

➢ *Limited availability of mortgage credit*—Homeownership advocates are challenged by a marketplace where credit is still frozen for families with a less-than-perfect credit score and/or inadequate resources for a downpayment. While most observers agree that the dearth of regulation laid the groundwork for the subprime crisis, interviewees noted a prevailing concern that the pendulum has now swung other way as new regulations – and the uncertainty about the future regulatory infrastructure – are stifling the flow of credit. At the same time, communities of color are facing what many advocates are calling "re-redlining" as they are now less likely to be approved for prime credit, compared to predominantly white communities.[32]

➢ *Homeownership in California remains unaffordable in relation to income*—Despite the fall in home prices and low interest rates, advocates for affordable homeownership in California are still challenged by the fact that homeownership remains unaffordable to most low-income households due to the disconnect between wages and housing prices. This is exacerbated by the continuing high rates of unemployment among people of color.

Credit Score Inconsistencies Lead to Long-term Burdens:

Among borrowers with FICO scores above 720…



…received higher priced loans

Opportunities

Despite the challenges, there are numerous opportunities to develop and advance a sustainable homeownership agenda as funders, legislators, banks and advocates are beginning to look for pro-active, strategic solutions to what promises to be a prolonged downturn in California's housing market; and awareness is building that communities of color have been disproportionately impacted.

Distinct opportunities are highlighted below:

➢ *Base building* – Data on the devastating, multi-generational impact of the foreclosure crisis on the wealth of households of color – a direct result of unscrupulous lending practices – has the potential to galvanize a large grassroots base in California.

➢ *Influencing financial reform* – There are existing opportunities to shape federal rules that ensure sustainable homeownership for communities of color.

➢ *Leading a pro-active, solutions-oriented campaign* – There is the need to develop of a pro-active, solutions-oriented homeownership campaign focused on communities of color in California.

➢ *Partnering with other statewide and national organizations* – There is an opportunity for statewide and national organization to work together to advocate for sustainable homeownership policies. National housing, community development, civil rights and asset-building organizations are already starting to focus attention on the disparate impacts of foreclosure on communities of color.

➢ *Leveraging relationships with banks* – There is the opportunity to identify banks who are willing to work on innovative, sustainable homeownership solutions in the form of programs, products and practices.

Recommendations

The following section summarizes specific recommendations that should be considered in future efforts to develop a sustainable homeownership agenda.

- *Build a broad base of support* – The research demonstrates a need for a broad cross-section of stakeholders to engage in this effort, including the development of a statewide task force/working group that includes all relevant stakeholders – including advocates, financial institutions, brokers and other real-estate professionals, regulators, public agencies, redevelopment agencies, elected officials, funders, etc.
- *Invest in public education/communications* – The public dialogue has been focused on the role of subprime lending in catalyzing the foreclosure crisis with scant attention to the many successful strategies that have enabled lower-income households to build home equity, despite the crisis. The danger of this information gap is that it's fueling a perception that homeownership is an inappropriate wealth-building strategy for low- and even moderate-income households. There is a need for a targeted communications campaign to educate key stakeholders – legislators, funders, practitioners and the general public – about the impact of the crisis on households of color; the ongoing relevance of affordable homeownership as a wealth-building strategy; and the many strategies that have been successful in helping low-income and minority families to build – and retain – home equity. Examples of promising strategies include the following (see footnote for reports providing data/evidence of success):[33]

There is a need for a targeted communications campaign to educate key stakeholders – legislators, funders, practitioners and the general public – about the impact of the crisis on households of color; the ongoing relevance of affordable homeownership as a wealth-building strategy…

Supply-side strategies:

- Community Land Trusts[34]
- Cooperative Housing[35]
- Deed-restricted/inclusionary zoning[36]
- Self-help/sweat equity
- Cooperative ownership of Manufactured Housing parks
- Real estate owned strategies[37]

Demand/buyer-side strategies

- Pre- and post-purchase homeownership counseling[38]
- Individual development account savings linked to non-predatory mortgages[39]
- Downpayment assistance programs[40]
- "Soft second" mortgage programs[41]
- Lease purchase programs[42]
- U.S Department of Agriculture/502 program[43]
- Sustainable underwriting standards[44]
- Individual taxpayer identification number mortgages[45]

- *More research and development is necessary relating to products, programs and promising practices in homeownership* –There is a need to conduct more research that assesses the current lending landscape, including promising strategies that are being implemented and can be taken to larger scale. Financial institutions need to be strong partners in the development of this research and development.
- *Weigh in on federal policy to ensure homeownership remains a priority* – Ensure that there is a strong voice for homeownership in current regulatory changes that relate to the government sponsored enterprises, Community Reinvestment Act, Home Mortgage Disclosure Act, Federal Housing Administration, and other policies currently being discussed.

Emerging Priorities from Interviewees

The following is a short list of priorities and suggestions that emerged from interviewees:

- Advocate for changes in the credit scoring process that:
    - Take alternative payments - such as rental and small loan repayments - into account when determining credit scores;
    - Open up FICO credit-scoring methodology to public scrutiny
    - Address discrepancies in FICO scores by race and ethnicity
    - Remedy issues households of color face due to tarnished post-foreclosure credit scores
- Identify programs and policies that address the diverse language/translation needs and cultural norms of California's diverse communities;
- Explore the creation of a national network of "trusted intermediaries" that could play a role in guiding low- and moderate-income borrowers through the mortgage process;
- Explore and support successful real estate owned strategies, downpayment assistance programs and shared equity models;
- Ensure that the infrastructure of support for pre- and post-purchase, and foreclosure prevention counseling is not undermined as federal and state funding declines;
- Figure out how to fill data gaps related to households of color in California;
- Explore mandatory mediation programs in other states to determine their relevance to California;
- Advocate for a broad range of asset-building opportunities tailored to households of color in California (e.g. broad-based financial education, matched savings accounts for children's education, citizenship, emergencies; alternatives to payday lending; expanded retirement savings opportunities, etc.).

IV. Conclusion

The foreclosure crisis has decimated wealth in all communities, but particularly so in communities of color. In addition to the widening wealth gap, an additional negative consequence of the foreclosure crisis has been an effort by some to use reasonable-sounding statements like, "homeownership is not for everyone," to discredit efforts to foster responsible homeownership in communities of color and for low or moderate income individuals in general. By blaming the very communities that were devastated by the crisis, we risk perpetuating another generation of communities of color who lack access to the largest asset building tool available to families.

Greenlining recognizes the need to redefine the paradigm of sustainable and affordable homeownership and to focus on long-term solutions that build or rebuild wealth through home equity. In order to achieve this outcome, Greenlining has set the following goals:

1. Ensure that adequate, affordable lending products are made available to communities of color for home purchase.
2. Develop working partnerships between nonprofit organizations, government, and banks to develop new sustainable homeownership models.
3. Urge lenders to adopt alternative credit scoring models that do not discriminate against communities of color.
4. Ensure homeownership remains a priority among key stakeholders.

Greenlining recognizes the need to redefine the paradigm of sustainable and affordable homeownership and to focus on long-term solutions that build or rebuild wealth through home equity.

Appendix A – Relevant Data

Key data regarding the wealth gap, foreclosures, and homeownership

The following data list is provided as a resource to be used to advance a sustainable homeownership campaign in California. Please note that in some cases different sources provide differing statistics for the same phenomena, due to differences in methodology.

NATIONAL

Racial Wealth Gap

Institute on Assets and Social Policy/Brandeis University, May 2010: "New Study Finds Racial Wealth Gap Quadrupled Since Mid-1980s," http://iasp.brandeis.edu/pdfs/Racial-Wealth-Gap-Press-Release.pdf

- The wealth gap between white and African-American families increased more than four times between 1984-2007.
- Middle-income white households now own far more wealth than high-income African Americans.
- Over 23-yr period of study, racial wealth gap increased by $75,000 – from $20,000 to $95,000.
- Financial assets, excluding home equity, among white families grew from a median value of $22,000 to $100,000 during that period while African Americans saw very little increase in real dollars and had a median wealth of $5,000 in 2007.

"Laying the Foundation for National Prosperity: Imperative of Closing the Racial Wealth Gap." Insight Center, March 2009, http://www.newdeal20.org/wp-content/uploads/2009/11/executive-summary.pdf

- "...For every dollar owned by the median white family in the U.S., the typical Latino family has twelve cents and the typical African American family has a dime. (Source cited: Federal Reserve Board,. 2007 Survey of Consumer Finances, "Full Public Data Set". Washington: The Federal Reserve Board, 2009) http://www.federalreserve.gov/pubs/oss/oss2/2007/scf2007home.html%5C – pg. 1
- In 2007, the median Latino household had a net worth of $21,000 and the median African American household had a net worth of $17,000, compared with $170,400 for white households. (citation: Federal Reserve Board, 2007, Survey of Consumer Finance)
- People of color were less likely than whites to receive financial gifts during their parents' lifetimes. Whites are four times more likely to inherit than African Americans, and when they do, the amount inherited is 10 times greater.
- Research has shown that net worth of parents is a key indicator of the wealth of the next generation. (sources: Lawrence Mishel, Jared Bernstein et al...State of Working America, Economic Policy Institute 2007)

"Decades of Gains Vanish for Blacks in Memphis", New York Times, May 31, 2010)

- According to recent Federal Reserve study... "for every dollar of white wealth a black or Latino family owns just 16 cents."
- The Economic Policy Institute's forthcoming "State of Working America" analyzed the recession-driven drop in wealth: "As of December 2009, median white wealth dipped 34% to $94,600; median black wealth dropped 77% to $2,100."

American Prospect, Sept 2008: "Subprime as a Black Catastrophe," by Melvin Oliver and Thomas M. Shapiro, Sept 22, 2008; (source of data not cited.)

- African Americans own only 7 cents on the dollar for every dollar of net worth held by white Americans...for Hispanics, 9 cents on the dollar.

Wealth Gap/By Income

Asset Building for Today's Stability and Tomorrow's Security, Signe-Mary McKernan, Caroline Ratcliff – downloaded from Urban Institute, Dec. 1, 2009 See: www.urban.org.

- Even prior to recession, 57% of low-income families were liquid asset poor. (i.e. if only consider savings, bonds, 401k's)
- If one considers net worth, excluding home equity, nearly 40% are asset poor.
- One in five has zero or negative net worth (excluding home equity).
- Median net worth: 7,200.
- Only 23% of low-income families report any type of retirement savings.
- In 2007, 48% of low-income families owned a home and the median value of their home equity was $81,000.

Homeownership Rate

U.S. Housing Market Conditions, 1st Quarter 2010, U.S. Department of Housing and Urban Development, Office of Policy Development and Research, May 2010

- The national homeownership rate was 67.1% in the first quarter of 2010, down from 67.2% in the fourth quarter of 2009 and 67.3% in the first quarter of 2009. The homeownership rate for minority households decreased to 49.5% in the first quarter, down from 49.8% in the fourth quarter of '09, but the same as the rate a year earlier. "Even today, home equity remains by far the largest component of household net worth."

Assets and Opportunity Scorecard Special Report: Net worth, Wealth Inequality, and Homeownership during the Bubble Years," Corporation for Enterprise Development, Sept. 1 2008

- Latino homeowners carry 66% of their net worth in their home, making the loss of this asset particularly devastating to their financial security.

American Prospect, Sept 2008: "Subprime as a Black Catastrophe," by Melvin Oliver and Thomas M. Shapiro, Sept 22, 2008; (source of data not cited.)

- For black households, home equity accounts for 63% of total average net worth vs. 38.5% for whites.

Racial Homeownership Gap

"Laying the Foundation for National Prosperity: Imperative of Closing the Racial Wealth Gap." Insight Center, March 2009, http://www.newdeal20.org/wp-content/uploads/2009/11/executive-summary.pdf

- Homeownership rates fell for several racial groups in the last few years, but they fell fastest for Black homeowners.
- For those families of color who own homes (the minority), home equity has been the greatest portion of their wealth, making losses due to foreclosure especially devastating...(pg. 20)
- African American borrowers are 3.8 times and Latino borrowers 3.6 times more likely to receive high-cost loans...(pg. 20)
- "...a high-income African American was almost twice as likely as a low-income white borrower to have a sub-prime loan." (Amaad Rivera et al – United for a Fair Economy, Jan 2008) – see pg. 20
- A person of color eligible for a prime loan was 3 times more likely than a white person to be wrongfully steered into a high-interest adjustable rate mortgage with a teaser rate for two years...has led to estimated loss of at least $164 billion in wealth in communities of color. (source cited: Amaad Rivera et al, United for a Fair Economy, Jan 2008)
- Black and Latino homeowners are now facing twice the rate of sub-prime-related foreclosures as white homeowners...Some estimates are that more than 1 in 10 homeowners of color will face possible foreclosure...(Oliver and Shapiro – earlier citation)
- For the owner...foreclosure leads to a further erosion of credit, making it harder to get back up after being knocked down.
- A home neighboring a foreclosed property lost .9% of value and each additional foreclosure lowered the value by .9%. In low-income neighborhoods, each foreclosure dropped value 1.44%...For each city or town, each property that is foreclosed costs local taxpayers between $5,400 and 7,000. (Schloemer, et al., op cit, 25)

Impact of Foreclosures

Center for Responsible Lending: "Foreclosures by Race and Ethnicity: The Demographics of a Crisis," Center for Responsible Lending Research Report, Debbie Gruenstein Bocian, Wei Li, and Keith S. Ernst, June 18, 2010

- An estimated 2.5 million foreclosures were completed from Jan 07 to Dec 09.
- When including borrowers who are 2 more more payments behind on their mortgages, 5.7 million borrowers are at imminent risk of foreclosure.
- Independent analysts have projected between 10 and 13 million foreclosures will have occurred by the time the crisis abates.
- Among recent borrowers, nearly 8% of both African American and Latinos have lost homes, compared to 4.5% of whites (i.e. almost twice the rate). Note: Racial and ethnic disparities hold even after controlling for differences in income patterns.
- African American and Latino borrowers are more likely to be at imminent risk of foreclosure than whites (rates of 21.6% and 21.4%, respectively, vs 14.8% for whites).

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- Expressed as share of 2006 population, 17% of Latino homeowners, 11% African American homeowners and 7% of non-Hispanic white homeowners have lost or are at imminent risk of lowing their homes.
- "...indirect losses in wealth that result from foreclosures as a result of depreciation to nearby properties will disproportionately impact communities of color. We estimate that between 2009 and 2012, $193 billion and $180 billion, respectively, will have been drained from African American and Latino communities in these indirect 'spillover' losses alone." (pg. 3)
- 11% of all loans are currently 2 or more payments behind.
- 24% of all borrowers are underwater.
- A recently released study of Latino families by University of North Carolina/Chapel Hill and the National Council of La Raza found that families facing foreclosure experienced high rates of depression, marital discord, and a decline in academic performance by affected children.

Janis Bowdler, Roberto Quercia, David Andrew Smith. (2010) The Foreclosure Generation: The Long-Term Impact of the Housing Crisis on Latino Children and Families (Washington, D.C.: National Council of La Raza)
http://www.nclr.org/index.php/publications/the_foreclosure_generation_the_long-term_impact_of_the_housing_crisis_on_latino_children_and/
(Note: based on 25 in-depth interviews with Latino families that had recently experienced a foreclosure; study led by the National Council of La Raza, Center for Community Capital at the University of North Carolina; Interviews July and Aug 2009 in five regions of the country - Texas, Michigan, Florida, Georgia and California/Central Valley)

- As a result of foreclosure, spousal relationships frequently suffered. Signs of depression, increased anxiety and tension, and feelings of guilt and resentment were commonplace.
- Parents reported troubling changes in their relationships with their children and the children's relationships with each other.
- The foreclosure had a ripple effect on relationships in extended family and social networks.
- Public benefits became a lifeline for many, while those without often skimped on needed medical care to save money.
- Children's academic performance and behavior at school were impacted significantly.
- Most families experienced a "pile on" effect, where multiple triggers contributed to their eventual foreclosure.
- None of the families interviewed reported receiving significant assistance to avoid foreclosure from their financial institution.
- Family finances were devastated, with the families reporting an average loss of $89,155 due to the foreclosure, leaving them without a safety net to cope with financial emergencies.
- Families made changes to their long-term financial plans, including plans to help their children with expenses such as education.
- The majority of participants still believe that they can achieve the American dream.

California Reinvestment Coalition: "From Foreclosure to Re-Redlining: How America's largest financial institutions devastated California's communities of Color" California Reinvestment Coalition Feb. 2010, www.calreinvest.org/system/assets/214.pdf
*Note: Report focuses on 5 California cities – Los Angeles, Oakland, Sacramento, San Diego, Stockton

- A total of 632,573 California properties received a foreclosure filing in 2009...increase of nearly 21% from 2008. [source cited: RealtyTrac]
- The report shows... "a trend of dispossession in neighborhoods with high concentrations of African American and Latino residents. Not only have these areas received a devastating amount of predatory home loans – and subsequent defaults – but they also receive markedly low numbers of loan modifications and an accompanying bigger drop in the origination of new conventional or prime loans than other neighborhoods."
- In 2006, lenders in each city were more likely to make high-cost loans in neighborhoods of color. In Sacramento and Stockton, nearly 50% of all loans made in neighborhoods of color were subprime.
- In each of the 5 survey cities, foreclosure activity disproportionately affected neighborhoods of color...e.g. Los Angeles, zip codes that were 80% or more people of color contained 63% of housing units in city, but over 90% of city's foreclosure.
- In each city, in 2008, denial rates of applications for credit was highest in neighborhoods of color with an average of 35%.
- Neighborhoods of color saw a dramatic decrease in lower-cost prime loans in 2008.
- While high-cost lending decreased dramatically in 08, it was still more likely to occur in communities of color.

U.S. Housing Market Conditions, 1st Quarter 2010, U.S. Department of Housing and Urban Development, Office of Policy Development and Research, May 2010)

- Both the delinquency rate and the rate of loans entering foreclosure for mortgages on 1- to 4-family homes fell during the 4th quarter of 2009.
- The percentage of mortgage holders seriously delinquent on their mortgages (90 or more days past due or in the foreclosure process) reached 9.67 percent, the highest ever recorded by the Mortgage Brokers Association survey, up from 8.85 percent last quarter.
- The delinquency rate for all mortgage loans in the 4th quarter of 2009 was 9.47%, down from 9.64% in the third quarter and 7.88% a year earlier.
- The delinquency rate for prime mortgages was 6.73%. The delinquency rate for subprime mortgage loans was 25.26%, down from 26.42% in the 3rd quarter and 21.88% a year earlier.

Federal Reserve, Aug 2009: The Untold Costs of Subprime Lending: Examining the Links among Higher-Priced Lending, Foreclosures and Race in California - C. Reid and E. Laderman, Federal Reserve of San Francisco, Revised August 2009
*Note: all re: California; loans originated Jan 2004 to Dec 2006 – loan performance outcomes through October 2008

Descriptive Statistics (pg. 13-14)

- More than half of the loans made in California between 2004 and 2005 went to white borrowers; yet nearly a quarter of loans went to Hispanics.
- Only 5.5 percent of the loans were made to Black borrowers.
- A higher percentage of loans to Blacks were refinance loans (79.4%) compared to other borrowers.
- As has been documented elsewhere, Blacks and Hispanics were much more likely to receive a higher-priced loan.
- The mean income across all borrowers is quite high, ranging from $85,962 for Hispanics to $126,919 for Asians.
- Whites and Asians have higher FICO scores, on average than Black and Hispanic borrowers.
- Hispanics were the least likely to have a fully documented loan and were most likely to purchase a home in a tract that was designated as "underserved" by financial services.
- Whites were least likely to use a broker to originate their mortgage.
- More than 1 in 5 Black and Hispanic borrowers with FICO scores above 720 received a higher-priced loan, compared to 1 in 20 white and Asian borrowers.
- Independent mortgage companies originated a disproportionate share of loans in lower-income and minority neighborhoods, even when those neighborhoods were in close proximity to major metropolitan areas and located in census tracts eligible for Community Reinvestment Act credit.
- The average market share of independent mortgage companies over this time period was around 30% but there was a disproportionate share of independent mortgage company lending in lower-income and predominantly minority areas.
- In Oct 2008, 8.4% of Hispanic homeowners and 6.3% of Black homeowners in sample were in default... compares to 2.7% for whites and 3.8% for Asians.
- Highest default rates for home purchase, not for refinancing.

Other important data:

- Approximately 2/3 of foreclosures in California have been among Black, Hispanic and Asian borrowers... (pg. 18)
- During the study period, the default rate for Black and Hispanic homeowners was more than twice that of whites. (pg. 18)
- Black borrowers received loans with 3% higher annual percentage rates than white subprime borrowers and 12% above white prime borrowers. (pg. 7)
- Blacks who obtained a loan through a mortgage broker were 10% more likely to obtain a subprime adjustable rate mortgage as opposed to a prime fixed rate mortgage (after controlling for other borrower and loan characteristics. (pg. 15)
- Blacks who obtained a loan through a federally-regulated institutions within their Community Reinvestment Act assessment area were 13.5% less likely to get a subprime adjustable rate mortgage than Blacks that received a loan through an independent mortgage company or subsidiary of a federally regulated institution. (pg. 15)
- Marginal effects of race on default rate, after controlling for other variables (pg. 17)

"Bank Accountability: The Key to Keeping Families in their Homes," Contra Costa Interfaith Supporting Community Organization/People Improving Communities through Organizing, June 2010

- 61% of subprime loans went to people who qualified for prime.
- Today 1 of 3 delinquent mortgages is sub-prime; the other 2/3 are families with standard prime loans who've lost jobs.

California Reinvestment Coalition et al: "Paying More for the American Dream IV: The Decline of Prime Mortgage Lending in Communities of Color," May 2010 (California Reinvestment Coalition, et. al)
*Note: study covered prime, convl mortgage lending in 7 US cities between 2006 and 2008.
http://nedap.org/resources/documents/PayingMoreIV_Final.pdf

Key Findings

- Between 2006 and 2008, access to prime mortgage credit for home purchase and refinance declined substantially in communities of color – more than twice as much as it did in predominantly white communities.
- Prime refinance lending dropped almost 5 times more in communities of color than in predominantly white communities.
- Prime lending in communities of color decreased by 60.3% compared to 28.4% in predominantly white neighborhoods.
- Prime refinance lending declined by 66.4% in neighborhoods of color, and by 13.9% in predominantly white areas.
- The overall share of prime refinance loans made to communities of col decreased by 35% whereas share to predominantly white communities increased by 11%.
- Of the prime refinance lending by nation's four largest banks – Bank of America, Citigroup, JPMorgan Chase, and Wells Fargo – the amount going to predominantly white communities collectively increased by 32% whereas it declined by 33% to communities of color.

"Decades of Gains Vanish for Blacks in Memphis", New York Times, May 31, 2010)

- "For a $150,000 mortgage, a difference of three percentage points – the typical spread between a conventional and subprime loan – tacks on $90.000 in interest payments over its 30-year life."

Re-Redlining

"Decades of Gains Vanish for Blacks in Memphis", New York Times, May 31, 2010)

- "A study by the Neighborhood Economic Development Advocacy Project [with the California Reinvestment Coalition] and six nonprofit groups found that the nation's four largest banks, Wells Fargo, Bank of America, Citigroup and JPMorgan Chase, had cut their prime mortgage refinancing 33 percent in predominantly minority communities, even as prime refinancing in white neighborhoods rose 32% from 2006 to 2008."

California Reinvestment Coalition: "From Foreclosure to Re-Redlining: How America's largest financial institutions devastated California's Ccommunities of Color" California Reinvestment Coalition Feb. 2010 – Notes from Executive Summary
*Note: Report focuses on 5 California cities – Los Angeles, Oakland, Sacramento, San Diego, Stockton

- In each city, in 2008, denial rates of applications for credit was highest in neighborhoods of color—35% on average.
- Neighborhoods of color saw a dramatic decrease in lower-cost prime loans in 2008.

Evidence of Success/Sustainable Homeownership Strategies

Corporation for Enterprise Development, "Weathering the Storm: Have Individual Development Accounts Helped Low-Income Homeowners Avoid Foreclosure?" http://cfed.org/assets/pdfs/WeatheringTheStorm_Final.pdf, April 2010

- Tracked 831 homebuyers in 17 states who purchased homes using individual development accounts between 1999 and 2007.
- Compared to other low-income homebuyers who purchased homes in the same communities and over the same time period, individual development account homebuyers:
    - o Obtained significantly preferable mortgage loan tems, with only 1.5% having high-interest mortgage rates, compared to 20% of the broader sample.
    - o Were 2-3 times less likely to lose their homes to foreclosure.

CALIFORNIA

Homeownership Rate/California

From Corporation for Enterprise Development, "Assets and Opportunity Scorecard 2009/2010"
http://scorecard.cfed.org/housing.php?page=homeownership_by_race

California data:
- o 60.9% for Whites
- o 47.6% for minorities (rank of 3)
- o Source
  American Community Survey, 2007. Washington, DC: U.S. Department of Commerce, Census Bureau. Calculations by Beacon Economics.

National data:
- o According to the U.S. Census, in 2008 only 47.5% of African-Americans and 48.9% of Hispanics own their own homes, compared with 74.9% of whites.

Foreclosures/California

From: Debbie Gruenstein Bocian, Peter Smith, Ginna Green and Paul Leonard, "Dreams Deferred: Impacts and Characteristics of the California Foreclosure Crisis," August 2010.
- Foreclosures among Latino and African American homeowners are 2.3 and 1.9 times the rate of white households, respectively;
- Almost half of all California foreclosures have been of Latino borrowers;
- The Central Valley and Inland Empires have the highest concentrations of foreclosures, while the City of Los Angeles has the highest volume, among cities;
- Nearly one in eight homes in California (approximately 702,000) is currently in foreclosure.
- Most foreclosures have been on modest properties valued below the Area Median Income at origination.

Background Paper. Joint Hearing of the Senate Banking, Finance and Insurance Committee and Senate Judiciary Committee, "Implementation of Key Foreclosure-Related Legislation: Status Updates and Recommendations for Future Action," March 16th, 2010
- From early 2007 to early 2010, over 1.2 million California homeowners received notices of default from their lenders

Asset Ownership/California

Data from Corporation for Enterprise Development Assets and Opportunities Scorecard 2009/2010
http://scorecard.cfed.org/state_data/california.php

Re: Asset Ownership by Race (Median Net Worth, 2006)
- California has ratio of 6 – white wealth to wealth held by minority households – i.e. white households hold 6 times as much as minority households in California [all minority, including Asian]
- White median net worth: $304,982
- Median net worth for minorities: $51,000
- Rating: 15
- Source:
  Survey of Income and Program Participation. (2004 Panel, Wave 6). Washington, DC: U.S. Department of Commerce, Census Bureau. Calculations by Beacon Economics.

From: *American Dream 2.0 – Safe and Sound First-Time Homeownership Strategies for Working Families in California – Lori Bamburger for Asset Policy Initiative of California/EARN, date not indicated (meeting Jan 2008; publication data by Corporation for Enterprise Development/calculation by EARN.)*
- "For every $1 of net worth in white households across California, a minority household has 12 cents.

References

[1]Some economists hesitate to call severely underwater borrowers homeowners.
[2]Debbie Gruenstein Bocian, Wei Li and Keith Ernst, "Foreclosures by Race and Ethnicity: The Demographics of a Crisis," Center for Responsible Lending, June 18th, 2010.
[3]Carolina Reid and Elizabeth Laderman, "The Untold Costs of Subprime Lending: Examining the Links among Higher-Priced Lending, Foreclosures and Race in California," The Federal Reserve of San Francisco, Revised August 2009 (analysis covered conventional, first-lien, owner-occupied loans originated in metropolitan areas in California between January 2004 and December 2006, the height of the subprime boom in California; loan performance outcomes are observed through October 2008); and Debbie Gruenstein Bocian, Peter Smith, Ginna Green and Paul Leonard, "Dreams Deferred: Impacts and Characteristics of the California Foreclosure Crisis," Center for Responsible Lending, August 2010. Data based on foreclosure findings from September 2006 through November 2009.
[4]Debbie Gruenstein Bocian, Peter Smith, Ginna Green and Paul Leonard, "Dreams Deferred: Impacts and Characteristics of the California Foreclosure Crisis," Center for Responsible Lending, August 2010. Data based on foreclosure findings from September 2006 through November 2009.
[5]Valuable histories of the causes and effects of the racial wealth gap can also be found in "Laying the Foundation: Imperative of Closing the Racial Wealth Gap," Insight Center, March 2009; and of the racial homeownership gap in, Carolina Reid and Elizabeth Laderman, "The Untold Costs of Subprime Lending: Examining the Links among Higher-Priced Lending, Foreclosures and Race in California," The Federal Reserve of San Francisco. Revised August 2009.
[6]While the Greenlining Institute is already using some of this and other data in current documents, this memo attempts to aggregate key data in one place.
[7]See "Experts of Color Network," Closing the Racial Wealth Gap Initiative, Insight Center: http://www.insightcced.org/communities/Closing-RWG.html
[8]Corporation for Enterprise Development, "Assets and Opportunity Special Report: Net Worth, Wealth Inequality and Homeownership during the Bubble Years," 2008. Note: Figures based on 2006 data.
[9]Ibid.
[10]Corporation for Enterprise Development, "Assets and Opportunities Special Report: The Financial Security of Households with Children," May 2010. http://cfed.org/assets/pdfs/a_o_special_report_households_with_children.pdf
[11]Ibid.
[12]Thomas N. Shapiro, Tatanja Meschede and Laura Sullivan, "The Racial Wealth Gap Increases Four-Fold," Institute on Assets and Social Policy, May 2010.
[13]Corporation for Enterprise Development, "Assets and Opportunities Scorecard," 2009/2010, http://scorecard.cfed.org/state_data/california.php
Figures are based on 2006 data and includes all minorities.
[14]U.S. Department of Housing and Urban Development, "U.S. Housing Market Conditions - 1st Quarter 2010," Office of Policy Development and Research, May 2010, pg. 4.
[15]Corporation for Enterprise Development "Assets and Opportunities Scorecard 2009/2010," available at http://scorecard.cfed.org/state_data/california.php
[16]Corporation for Enterprise Development, "Assets and Opportunity Special Report: Net Worth, Wealth Inequality and Homeownership during the Bubble Years," 2008..
[17]Research by the Center for Responsible Lending and Reid and Landerman of the Federal Reserve of San Francisco use HMDA and LPS data.
[18]Debbie Gruenstein Bocian, Wei Li and Keith Ernst, "Foreclosures by Race and Ethnicity: The Demographics of a Crisis, Center for Responsible Lending," June 18th, 2010.
[19]Debbie Gruenstein Bocian, Peter Smith, Ginna Green and Paul Leonard, "Dreams Deferred: Impacts and Characteristics of the California Foreclosure Crisis," August 2010. Data based on foreclosure findings from September 2006 through November 2009.
[20]Carolina Reid and Elizabeth Laderman, "The Untold Costs of Subprime Lending: Examining the Links among Higher-Priced Lending, Foreclosures and Race in California," August 2009 (revised version). The analysis covered conventional, first-lien, owner-occupied loans originated in metropolitan areas in California between January 2004 and December 2006, the height of the subprime boom in California. Loan performance outcomes are observed through October 2008.
[21]Per Bocian (Center for Responsible Lending, 2010), pg. 6: "Previous research indicates that African American and Latino borrowers were about 30% more likely to receive the highest-cost subprime loan relative to white borrowers with similar risk profiles."

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[22]For in-depth, follow-up research on the role of social networks in influencing mortgage decisions: Carolina Reid, "Sought or Sold? Understanding the Linkages between Origination Channel and Consumer Choice in the Mortgage Market." Working Paper. Preliminary Draft. April 2, 2010.
[23]Ibid. Reid and Landerman.
[24]Janis Bowdler, Roberto Quercia, David Andrew Smith, "The Foreclosure Generation: The Long-Term Impact of the Housing Crisis on Latino Children and Families," National Council of La Raza, 2010. Based on interviews with 25 families in five regions between July and August 2009.
[25]Cited in speech by U.S. Assistant Attorney General Thomas Perez at "Fair Lending and the Rebuilding of Communities," The Brookings Institution, Metropolitan Policy Program Event, June 25, 2010.
[26]Debbie Gruenstein Bocian, Wei Li and Keith Ernst, "Foreclosures by Race and Ethnicity: The Demographics of a Crisis, Center for Responsible Lending," June 18th, 2010.
[27]California Reinvestment Coalition et al., "Paying More for the American Dream IV: The Decline of Prime Mortgage Lending in Communities of Color," May 2010.
[28]Ibid.
[29]For example, the California Asset Building Program of New America Foundation did not include homeownership as a policy priority in this year's agenda. In an interview, California Asset Building Program Director Olivia Calderon indicated that the New America Foundation is re-visiting its focus on homeownership for low- and moderate income Californians. She noted that a similar conversation is underway among legislative leaders and committee consultants.
[30]For example, Rural Community Assistance Corporation Executive Director, Stan Keisling noted the tough and continuous push back RCAC receives from legislators, at all levels, in their ongoing advocacy for affordable homeownership.
[31]Examples of recent support from national organizations is evidenced through the commitment of participants in the Annie E. Casey Foundation campaign; the reports and comments by participants in the Kirwan Institute's two-year national initiative focused on fair housing and fair credit; and the response of several national organizations (National Council of La Raza, the National Fair Housing Alliance, the National Urban League and PolicyLink) on reform of the housing finance system submitted to Treasury and the US Department of Housing and Urban Development in July 2010, as provided to the consultant by Kirwan staff. The Annie E. Casey Foundation is bringing together national, regional, and local intermediaries with expertise in practice, technical assistance, research, and advocacy to catalyze a campaign to address foreclosure in communities of color. The "big tent" approach aims to coordinate the work and solutions that can effectively stabilize affected communities through foreclosure prevention and mitigation. Casey is also facilitating efforts to bring together local, regional, and national funders to discuss how philanthropic interventions and support can be better coordinated for greater effectiveness in addressing the effects of foreclosure.
[32]California Reinvestment Coalition et al., "Paying More for the American Dream IV: The Decline of Prime Mortgage Lending in Communities of Color," May 2010.
[33]David Abromowitz and Janneke Ratcliffe, "Homeownership Done Right: What Experience and Research Teaches Us," Center for American Progress, April 2010,
http://www.americanprogress.org/issues/2010/04/homeownership_right.html. The report highlights several elements of successful programs, including fixed rate, fully amortizing loan terms over 30 years; full documentation of income and demonstrated ability to pay the mortgage; escrow of taxes and insurance to ensure regular payment; checks against refinancing with high-cost mortgages and homebuyer education and counseling.
[34]The 2009 National Community Land Trust Network (NCLTN) "Delinquency & Foreclosure Survey," conducted in March 2010, showed that Community Land Trusts were more than four times less likely to be in foreclosure than mainstream loans. See "Outperforming the Market: Making Sense of the Low Rates of Delinquency and Foreclosure among Community Land Trusts," National Community Land Trust Network, June 7th, 2010 available at
http://www.cltnetwork.org/doc_library/p308-FINAL%20NCLTN%20Foreclosure%20&%20Delinquency%20survey%20report%206--10-10%20PDF.pdf
[35]The national Urban Institute has been conducting research for NCB Capital Impact on various outcome measures related to shared-equity homeownership strategies, including community land trusts, housing cooperatives and deed-restricted housing with findings to be released in the fall of 2010. The research indicates low foreclosure rates – and strong asset-building outcomes – for each of these strategies. (Note: the consultant is an advisor to the research and has reviewed preliminary findings).
[36]Ibid.

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[37]Greenlining is actively engaged in real estate owned activity with its partners and is well-informed about what's working and not working.
[38]For a list of what studies have shows in terms of the potential benefits of homebuyer education and counseling, see David Abromowitz and Janneke Ratcliff, "Homeownership Done Right: What Experience and Research Teaches Us," Center for American Progress, April 2010, pg. 5.
http://www.americanprogress.org/issues/2010/04/homeownership_right.html
[39]The April 2010 Corporation for Enterprise Development report, "Weathering the Storm: Have Individual Development Accounts Helped Low-Income Homeowners Avoid Foreclosure," found that low-income homebuyers who purchased homes via an individual development account program were two to three times less likely to lose their homes to foreclosure. Only 1.5% had high-interest mortgage rates, compared to 20% in the broader sample of low-income homebuyers who purchased homes in the same communities over the same period.
[40]For example, the Aspen Institute Initiative on Financial Security is calling for traditional mortgage financing methods that require downpayments as a way to building sustainable homeownership. Their recent report, *"Back to Basics: A Savings Approach to Homeownership,"* makes a case for federal Home Accounts, dedicated downpayment savings vehicles that enables low- and moderate-income households to access up to $5,000 in matching federal funds for homeownership. For more information, see full report from the Aspen Institute Initiative on Financial Security/Aspen Institute: http://www.aspeninstitute.org/publications/back-basics-savings-approach-homeownership
[41]Abrommwitz and Ratcliff cite the example of the Massachusetts Affordable Housing Alliance program through which first-time homebuyers with incomes below 80% of AMI take out 30-yr fixed mortgages covering 77% of the purchase price; the buyer makes a personal downpayment of 3% and the balance is the second mortgage that is interest free for 10 years. The program's delinquency rate was 2.2% (first 9 months of 2008) compared to a statewide rate of 4.4% for all subprime mortgages.
[42]George McCarthy of the Ford Foundation and the 2008 EARN Homeownership 2.0 report indicated promising results and support for lease purchase programs.
[43]According to USDA, "Section 502 loans are primarily used to help low-income individuals or households purchase homes in rural areas. Funds can be used to build, repair, renovate or relocate a home, or to purchase and prepare sites, including providing water and sewage facilities." http://www.rurdev.usda.gov/rhs/sfh/brief_rhguar.htm
[44]See example of the Self-Help Secondary Market Program in "Homeownership Done Right: What Experience and Research Teaches Us," by David Abromowitz and Janneke Ratcliff, April 2010, pg.4.
[45]According to research by Deyanira Del Rio of the Neighborhood Economic Development. Advocacy Project for the Kirwan Institute, "Mortgage Lending and Foreclosures in Immigrant Communities: Expanding Fair Housing and Fair Lending Opportunity Among Low-Income and Undocumented Immigrants, ITIN loans have consistently outperformed even prime mortgage loans. However, he reports that "the availability of ITIN loans has diminished dramatically in recent years, as a result of the mortgage crisis and the lack of a secondary market for these loans...", pg. 3.

THE GREENLINING INSTITUTE
1918 University Avenue, 2nd Floor I Berkeley, CA 94704
T: 510 926 4001 I F: 510 926 4010 I www.greenlining.org

Contact:
Preeti Vissa, Community Reinvestment Director
T: 510 926 4006 I preetiv@greenlining.org