



The Crisis and Latino Families

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*I put a \$56,000 down payment for the house.
It was a lot and I lost everything.
Everything I made since I've been working here.*

T

he financial crisis can be measured in many numerical ways.¹ It can be measured by the 8 million homeowners delinquent on mortgage payments, the \$7 trillion in lost household wealth, the 30 percent decline in house prices, the 15 million homeowners underwater, or the doubling of the unemployment rate.²

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But there is another side to consider—the stories of families. With the effects on families in mind, the University of North Carolina's Center for Community Capital and the National Council of La Raza partnered to study Latino families, interviewing members of 25 foreclosed families in Texas, Michigan, Florida, Georgia, and California.

Psychological Effects

The study found that both intra- and inter-family relationships were dramatically affected by housing and financial instability. Families often experienced marital difficulties and had to make major changes to plans involving their children. Children who experienced instability in the home had difficulty concentrating in school.

Although little is known about the impact of foreclosure on Latino families specifically, prior studies have identified the psychological harm it does to families in general. And the implications of research on such disruptions as divorce, medical crisis, unemployment, school changes, and housing instability suggest that foreclosure, too, inflicts broad and deep damage on families and children.

“Grandpa, why didn’t you pay the house?” And I’m like, “Well, you don’t understand right now, but it’s something that happened that I didn’t want it to happen but—” And she says, “When I’m older, I’ll buy it again for you.”

Numerous causes of foreclosures were identified in the UNC/NCLR study, but loss of income was most often paramount. Most families experienced a “pile on” effect with multiple setbacks, such as health emergencies or resetting of mortgage payments, and the loss of income was the final straw. Families went to great lengths to stave off foreclosure, taking second jobs, borrowing money, and draining savings. Several reached out to their lenders, but none of those interviewed were offered a workable alternative to foreclosure, and many were frustrated by lenders who lost their paperwork or used their payments for new fees rather than for arrears.

Ways of Coping

I got the license to drive a truck ... thinking that I could save the house ... And that was even worse because I wasn’t with them ... I didn’t see them. Imagine that.

None of the families spent time in a shelter or on the streets, though several admitted to coming close. Instead, they relied on social networks. Moving in with family or friends was the most common first step after leaving the home.

I’m living with a brother... He has a family of six. Plus us three, it’s nine, so we’re very crowded there.

Most turned to family or friends for financial support, too. Public benefits became a lifeline for others. Under stress, parents and children experienced both physical and psychological health problems or the exacerbation of existing conditions. Nevertheless, several parents reported cutting back on medical care.

Signs of depression, increased anxiety and tension, and feelings of guilt and resentment were commonplace. Multiple moves and cramped living conditions frequently led to a sense of instability, which, when combined with financial pressure, led to arguments and resentment among family members—even to divorce and separation. Children’s academic performance and behavior at school were also affected.

[My children can’t] get used to a new school. It’s too soon.

Ten of the families said that their children had to change schools, and several parents deemed the new schools inferior to the prior schools. Many parents perceived that their children were becoming withdrawn and were having trouble making new friends. Families also reported that children were not as able to participate in extracurricular activities because of challenges getting to and from school.

Although changing schools was often traumatic for the children, none of the families interviewed accessed the benefits available under McKinney-Vento Homeless Assistance Act. The Act gives children without a permanent address the right to attend the school of their choice. The district is required to provide free transportation. Although McKinney-Vento liaisons reported increases in families served since the start of the crisis, they suspected that former homeowners were underutilizing their services. School district staff thought such families were less comfortable accessing social services. One liaison said that the goals of advancement and self-sufficiency, powerful drivers in immigrant communities, might have kept former homeowners in the Latino community from seeking help.

For most families, their home represented a financial investment that they

expected would pave the way for future security. It was a symbol of economic advancement and achievement. But family finances actually suffered from homeownership. The interviewed families reported an average of \$89,155 lost because of buying homes and making improvements. Additionally, they said, their credit had been destroyed. As a result of the setbacks, many made changes in their long-term financial plans, including their plans to help their children with expenses, such as education and major asset purchases.

But despite the financial, social, and psychological effects on families’ plans for the future, most still expressed faith in their ability to regain their economic footing and to achieve the “American Dream.”

Quest for Solutions

These stories are just a microcosm of a broader trend. Communities of color are experiencing the effects of the crisis at higher rates than other groups. Minority borrowers were disproportionately likely to receive the kinds of mortgages most at risk of default.³ Cities and regions with sizeable Latino populations have been among the hardest hit—Nevada, Arizona, Florida, and California—and Latinos have experienced the largest increase in unemployment of any group since the recession began in December 2007.⁴ Latino homeowners carry 66 percent of their net worth in their home,

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making foreclosure particularly devastating.⁵ The housing crisis is expected to result in a loss of as much as \$98 billion in collective Latino household wealth.⁶

The interviews provide a window on the stories behind the numbers. They are a warning that more foreclosures will have a devastating, long-term impact on the well-being of families, children, and communities. They also lend urgency to the

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quest for solutions. Three recommendations are most urgent.

First, stabilize families in crisis with more-effective interventions to reduce foreclosures. Those families who cannot sustain homeownership should be allowed to stay in their foreclosed homes as renters where possible or else receive access to good-quality, affordable rental alternatives. Families who have lost their homes should be encouraged to access public benefits. One specific recommendation is to change the narrow Department of Housing and Urban Development definition of homelessness to align with the Department of Education's broader definition, as a number of families who are eligible for education-related supports are ineligible for HUD's federal homeless assistance (shelters, transitional housing, and the like).

Second, work on recovering and rebuilding the economic security that millions of families across the country have seen evaporate. (A credit-scoring amnesty would also help to isolate the negative consequences of the recession.)

Third, in reforming financial services, include protections that promote access to fair lending and have stronger enforcement provisions.

Finally, expand research studies to include a rigorous, quantitative examination of the impact of foreclosures on families and children. We hope that our preliminary investigation will encourage policymakers interested in understanding the true cost of foreclosure to look into the faces of the millions of children affected by the crisis.

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Endnotes

- ¹ This article is based on *The Foreclosure Generation: The Long Term Impact of the Housing Crisis on Latino Children and Families*, <http://www.nclr.org/index.php/publications>.
- ² Bureau of Labor Statistics, "Economic New Release: Employment Situation Summary," <http://www.bls.gov/news.release/empsit.nr0.htm>.
- ³ Debbie Gruenstein Bocian, Keith Ernst, and Wei Li, *Unfair Lending: The Effect of Race and Ethnicity on the Price of Subprime Mortgages* (Washington, DC: Center for Responsible Lending, 2006).
- ⁴ See "Negative Equity by State," *Negative Equity Report* (San Francisco: Loan Performance HPI Data Libraries, 2009), <http://www.loanperformance.com>.
- ⁵ *Assets and Opportunity Special Report: Net Worth, Wealth Inequality and Homeownership During the Bubble Years* (Washington, DC: CFED, 2008).
- ⁶ Raul Hinojosa Ojeda, Albert Jacquez, and Paul Cruz Takash, *The End of the American Dream for Blacks and Latinos: How the Home Mortgage Crisis is Destroying Black and Latino Wealth, Jeopardizing America's Future Prosperity and How to Fix It* (San Antonio: The William C. Velazquez Institute, 2009).

