

A CHILDREN-FOCUSED RESPONSE TO THE FORECLOSURE CRISIS



Five years into the foreclosure crisis, 2.3 million children have lost their homes and another 6 million are at risk to lose theirs, according to [an analysis](#) by Brookings Institution scholar Julia Isaacs¹. Many of these families are pushed into homelessness, or are continually at-risk for homelessness. Even for those families who find a new, permanent home after foreclosure, it is a stressful experience and children of these families face instability and often have to switch neighborhoods and schools. They may lose their friends, fall behind academically, and suffer physical and mental health consequences.

THE CHANGING FACE OF AMERICAN HOMELESSNESS

The foreclosure crisis has changed the dynamic of homelessness in the United States. According to the U.S. Interagency Council on Homelessness, thirty years ago the face of homelessness was mostly single adults. However, due to the mortgage crisis and economic downturn, there has been an unprecedented increase in the number of homeless families with children, as well as the number of children and youth.

POLICY RECOMMENDATIONS

The Federal government must address this problem by first establishing and funding initiatives that help families at-risk of homelessness stay in their homes. For families and children who are already homeless, policy initiatives must focus on improving access to affordable housing, improving homeless children's chances for success in school, and delivering additional supportive services families need to stay together and get back on their feet.

Help Families Stay in Their Homes

Although Congress and the Obama Administration have responded with some reforms that help to prevent foreclosures for families that own homes and laws that allow renters to stay in their homes while they look for new housing despite a landlord being foreclosed on, much more is needed to assist the unprecedented number of families who are facing foreclosure.

Improve Access to Refinancing

In October 2011, the Obama Administration announced an initiative to revise the Home Affordable Refinance Program (HARP). This revision would increase the number of homeowners who qualify for new loans by allowing some homeowners with loans backed by Fannie Mae and Freddie Mac to refinance their mortgages even if the price of their home has fallen and is worth less than they owe on their mortgage. While this revision of HARP has helped more families avoid foreclosure, it will most likely fail to reach many families who are at risk². The Obama Administration and Congress need to continue to work together to implement reforms that will help more families save their homes.

Fast-Track National Mortgage Settlement Payouts and Reforms

Recently, a \$25 billion settlement was reached between the nation's five largest mortgage servicers and a group of state attorney generals and federal agencies. It is the largest joint state-federal settlement in history and aims to offer financial relief

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to borrowers who were harmed by abusive or fraudulent foreclosure practices. Most of this settlement (\$20 billion) will go directly to borrowers for financial relief options such as reducing principal loans and refinancing, and the rest will go to state attorney generals and the federal government to be given to foreclosed borrowers as well as other purposes determined by each state.

Besides providing financial relief, this settlement also creates several servicing reforms for the mortgage servicing industry that will result in new consumer protections for homeowners facing foreclosure and make the process much more transparent. These reforms include restricting the practice of “dual tracking,” (when banks pursue a foreclosure while simultaneously pursuing a loan modification) and ending the controversial practice of “robo-signing.”

As federal and state officials move forward with implementing these reforms, we urge officials to distribute the funds quickly and in a manner that provides targeted aid to families in need of mortgage relief, such as helping them to refinance their home loans. We also urge the newly named independent monitor, who is responsible for overseeing these reforms, to ensure that servicing reforms are implemented quickly to better protect families from losing their homes, or to slow the foreclosure process to allow families more time to find new, permanent housing.

Make Tenant Protections Permanent

The Protecting Tenants at Foreclosure Act (PTFA) was passed in 2009 as part of the Helping Americans Save Their Homes Act. It was amended slightly under the 2010 Dodd-Frank Act to extend the sunset of the provision from 2012 to 2014 and to clarify some provisions of the bill. A growing number of renters find themselves needing to move out of their homes due to no fault of their own, but because a landlord’s property has been foreclosed on. PTFA guarantees that banks, and other new owners of rental housing after a foreclosure, provide at least 90 days’ notice to renters living in foreclosed homes before they can be evicted. This minimum 90 day window allows renters a chance to find new adequate and affordable housing and may prevent families from becoming homeless.

In 2011, a bill introduced by Congressman Keith Ellison, the Permanently Protecting Tenants at Foreclosure Act of 2011 (H.R. 3619), makes the Protecting Tenants at Foreclosure Act permanent rather than sunset in 2014, as well as it adds a private right of action for tenants whose rights under PTFA have been violated. This legislation is important as a growing number of renters find themselves locked out or evicted because their landlord’s property has been foreclosed on. Often these tenants had been paying their rent, not knowing that the property was undergoing foreclosure and a bank or other entity may now own the property. This legislation would ensure that renters will continue to have at least 90 days to find a new home, as well as allow them to bring a suit against the bank or new owner if their rights have been violated through an eviction that takes place before the minimum 90 day period.

Help Families Find New Homes

Many families affected by foreclosure struggle to find new, affordable housing. Approximately 43% of families with children currently report that they struggle to afford shelter.³ The U.S. Department of Housing and Urban Development (HUD) defines housing as “affordable” when any rent or mortgage payments comprises 30% or less of monthly household income.⁴ Yet two-thirds of low-income families with children paid more than half of their income for housing in 2009, which is a 35.1% increase from 2001.⁵ Fully funding and implementing the following programs below would increase the amount of affordable housing and give more families a chance for a permanent, stable home.

Catalyze Investments in Affordable Homes

Congress should fund the National Housing Trust Fund (NHTF), which was created by Congress in 2008 (but has never been funded). The Trust Fund is designed to provide resources to build and rehabilitate housing in low income areas. President Obama has requested \$1 billion in funding for NHTF in each of his budget proposals, but Congress has yet to appropriate the funding. The fund would be administered by HUD, which would distribute grants under a formula based on each state’s shortage of affordable rental housing.

Make Rental Housing More Affordable

Congress should allocate \$1.7 billion above the President's FY2013 budget request for the U.S. Department of Housing and Urban Development. This is the amount needed in order to maintain current levels of assistance for HUD's three largest rental assistance programs for low-income households: the housing choice voucher program (Section 8 vouchers), public housing, and Section 8 project-based rental assistance programs. Currently, families with children make up 42% of those served by Section 8 housing choice vouchers, as well as 27% of project-based rental assistance, and 35% of public housing.

McKinney-Vento Homeless Assistance Grants

Congress should fulfill President Obama's FY2013 budget request for \$2.231 billion for HUD's McKinney-Vento Homeless Assistance Grants, which represents a 17% increase over the 2012 level of \$1.905 billion. Homeless Assistance Grants provide supports, like shelter, food, and mental health services for homeless individuals and families. These supports are necessary to help families who have lost their homes and provide families with a place to stay and meet their family's needs while they find a permanent home.

This funding level would allow for HUD to continue implementation of changes made by the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act. Such changes include the Emergency Solutions Grant, which in addition to providing shelter, will now provide homelessness prevention and rapid re-housing activities.

Deliver the Help that Homeless Children and Youth Need

In the unfortunate event that families with children find themselves homeless, it is imperative to provide stable education, housing assistance, and to meet the health needs of children. At such young ages, children cannot wait until their families' economic situation improves to stay in school and receive a stable education, as well as be provided the health and nutrition supports that keep kids developing healthfully. For many homeless children, school is a major constant that they can count on as their family lives in a temporary shelter or transitions back to permanent housing.

Cut the Red Tape that Denies Homeless Kids the Help They Need

The Homeless Children and Youth Act of 2011 (H.R. 32), introduced by Congresswoman Judy Biggert, would align HUD's definition of "homeless" children with the definition used by the U.S. Department of Education. Enactment of this legislation would make all of America's 1.6 million homeless children, as well as over 65,000 unaccompanied homeless youth, eligible for shelter and supportive services like meals and health care. Currently, under HUD's definition, nearly more than 700,000 homeless children are denied the assistance they need. For those children and youth that find themselves homeless after losing their home to foreclosure, these services are necessary to meet their needs. Kids should not be denied a safe place to sleep, a meal, and other basic needs because government agencies cannot agree on definitions.

Fully Fund Education Stability for Homeless Children

The McKinney-Vento Homeless Education for Homeless Children and Youth initiative provides public school districts with the resources to identify homeless children living in their district, enroll them in the school that is best for the child, and ensure that the child has the proper resources to succeed in school. This program has received the same amount of funding, \$65 million, in FY2012 and FY2011. With the rise in child homelessness, Congress should go beyond the Presidents FY2013 budget request of \$65 million and fully fund the program at \$75 million in FY2013.

Keep Kids Healthy, by Protecting Medicaid, Fully Funding CHIP, and Implementing the ACA

Medicaid covers one quarter of all children and more than half of all low-income children. It also covers forty percent of all births, giving children a healthy start. In 2012, it is estimated that Medicaid will provide coverage for nearly 30 million children. Medicaid is the cornerstone of the nation's health care safety net, as it ensures access to cost-effective, high-quality health coverage for children. It is imperative that Congress protect this vital child health lifeline by protecting funding for Medicaid. The Children's Health Insurance Program (CHIP) provides funds to states to enable them to initiate and expand child health assistance to uninsured, low-income children. It was preserved and extended under health reform through September 30,

2019 with full funding extended through fiscal year 2015. Congress should work together to make sure that CHIP is fully funded through 2019 so that low-income children continue to receive affordable, comprehensive, and high-quality health coverage.

The Affordable Care Act requires states to maintain current eligibility and enrollment requirements for Medicaid and CHIP. Without this provision, an estimated 14 million children who are currently covered by either Medicaid or CHIP could be dropped from coverage. Therefore, we need to ensure that that Maintenance of Effort (MOE) is protected through 2019 so that millions of children continue to get the health care they need to grow and become healthy adults.

Help Homeless and At-Risk Homeless Parents Meet Their Children's Other Basic Needs

Temporary Assistance for Needy Families (TANF) is the primary cash assistance program for low-income families with children. It serves close to 4.5 million Americans each year, three-quarters of whom are children. Since its inception in 1996, however, the TANF block grant has never been adjusted for inflation. As a result, the receipt of cash assistance and other supports, such as child care or transportation, by eligible families has been in a steady decline.

TANF is currently operating under a series of short-term funding extensions, which in 2011, led to the dissolution of the TANF Supplemental Grants. These grants were designed to bolster the funding levels in 17 states with historically low levels of support per person in poverty – including states currently experiencing high levels of foreclosure, such as Arizona, Nevada, Colorado, and Georgia. The loss of the Supplemental Grant funding places children in these states at a serious disadvantage to their peers nationally. The President's FY13 budget request would restore these grants, but Congressional action is needed to ensure this vital funding stream is once again in place. Moving forward, a full reauthorization of TANF is needed in order to ensure the needs of families and children affected by foreclosure can be met in every state.

Maintain America's Commitment to Child Nutrition

As the U.S. economy continues to recover from the recession, it is apparent that the nutrition safety net has successfully kept millions of children from going hungry. Nutrition programs such as the Supplemental Nutrition Assistance Program (SNAP) (formerly known as Food Stamps) and the Special Supplemental Nutrition Assistance Program for Women, Infants and Children (WIC) have provided nutrition assistance to families and children in situations where a parent has lost a job or is not able to find full time employment. For many, food insecurity did not increase during the recession because of the nutrition safety net. In addition, many homeless children are automatically eligible to get assistance through the School Meals Program, when schools deem that a child is homeless. SNAP and WIC, have responded as they were designed, to help families during a recession and economic downturn, and it is imperative to keep the current structure of SNAP intact and continue strong funding for these resources that help millions of children every day. It is important that we continue to fund and support the nutrition safety net so that children are provided with healthy and nutritious food inside and outside of school.

¹ Issacs, Julia, "The Ongoing Impact of Foreclosures on Children," First Focus and the Brookings Institution, April 2012.

² The Potential Reach of Obama's Refinancing Plan," Chris Arnold, NPR October 25, 2011

³ Federal Interagency Forum on Child and Family Statistics. America's Children in Brief: Key Indicators of Well-Being. Washington, DC: U.S. Government Printing Office, (2010), available at <http://www.childstats.gov/americaschildren/index.asp>.

⁴ U.S. Department of Housing and Urban Development, "Affordable Housing," available at <http://www.hud.gov/offices/cpd/affordablehousing/>.

⁵ Joint Center for Housing Studies, The State of the Nation's Housing, Cambridge, MA: Harvard University, 28, 38 (2011), available at <http://www.jchs.harvard.edu/research/publications/state-nation%E2%80%99s-housing-2011>.