Foreclosures and Homelessness: Understanding the Connection

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The number of high-cost, subprime mortgages issued to lenders increased rapidly from 2003 to 2006, initiating a foreclosure crisis that spiraled into the Great Recession (December 2007 through June 2009).[1] The housing market, whose strength is commonly measured by the change in the actual resale value of single-family homes, fell sharply as the number of foreclosures skyrocketed (Figure 1). Initially, borrowers could avoid default by refinancing or selling their homes, but by late 2006, the housing market had begun to collapse and the number of delinquent loans had surged. Propelled by escalating unemployment and a deepening economic downturn, the crisis spread to the prime mortgage sector in 2008 and 2009 and has become a protracted problem (Figure 2).[2]

Figure 1

NUMBER OF FORECLOSURES AND THE S&P/CASE-SHILLER HOME PRICE INDEX IN THE UNITED STATES

(by year)

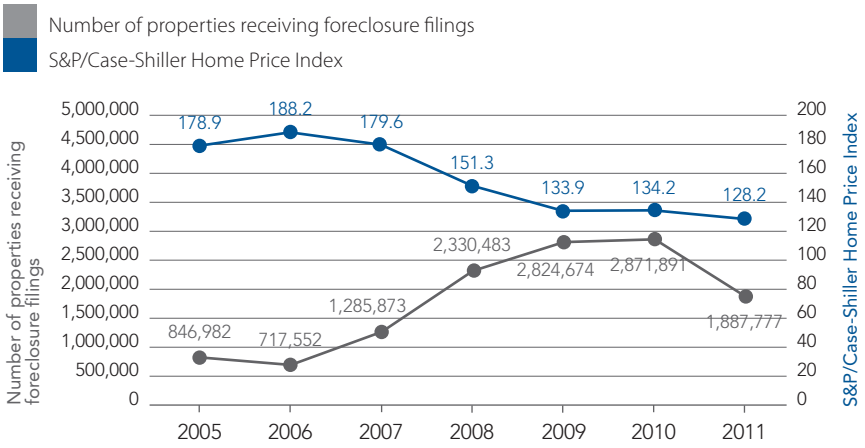
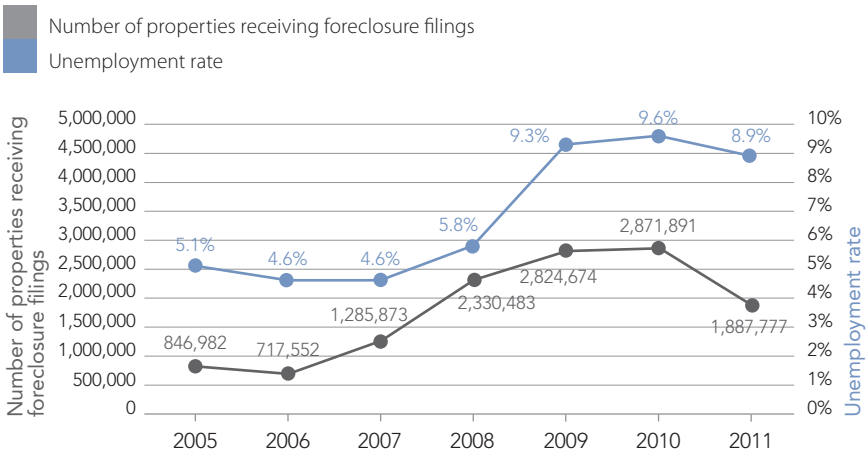


Figure 2

NUMBER OF FORECLOSURES AND THE UNEMPLOYMENT RATE IN THE UNITED STATES

(by year)



Note: The S&P/Case-Shiller Home Price Index measures the actual difference in resale prices for individual single-family homes. Annual changes in the index indicate the relative strength or weakness of the housing market.

Source: S&P/Case-Shiller Home Price Index, *U.S. National Index Levels, Q4 2011;* RealtyTrac, "Foreclosure Market Report," http://www.realtytrac.com/content/foreclosure-market-report; Chip Brian, "SmarTrend Market Wrap-up," *Comtex News Network,* January 29, 2008.

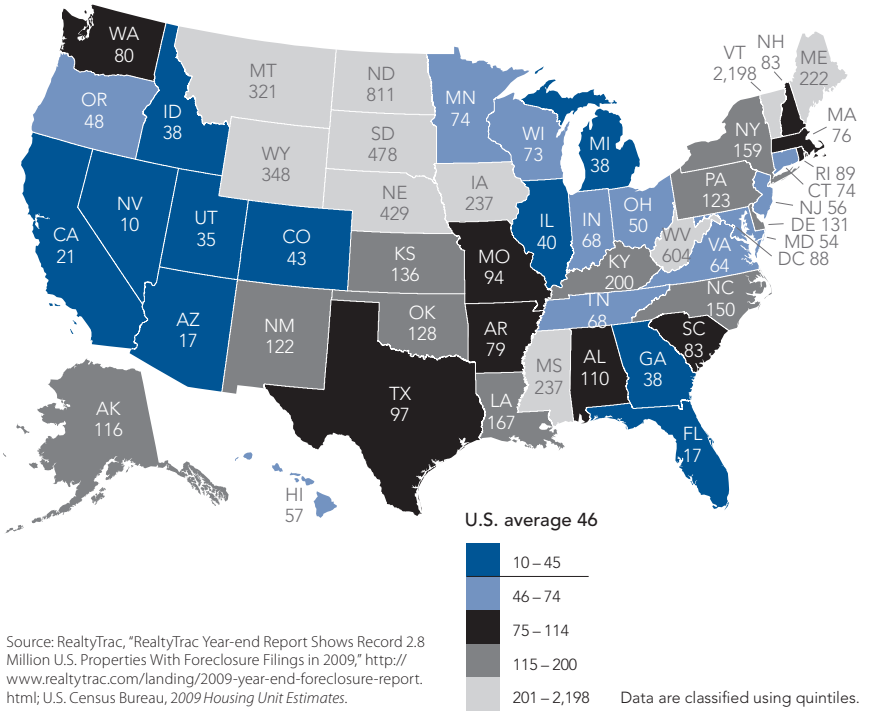
Near the peak of the crisis, in 2009, one in every 46 properties went into foreclosure (Figure 3, next page). Throughout the Southwest, the situation was even more alarming: one in 10 properties in Nevada and one in 17 homes in Arizona entered the foreclosure process. Florida (one out of 17) and California (one out of 21) also experienced high rates, while the Mountain region remained largely unscathed. Vermont had by far the lowest rate, at one in every 2,198 properties.[3]

In 2010, 2.9 million properties received foreclosure filings, an increase of 239.1% since 2005. Compared with those at the height of the crisis, the 2011 numbers suggest that the situation is subsiding (Figure 1). That decline, however, is most likely temporary, caused by banks' postponing foreclosure proceedings while reviewing their highly criticized procedures; the number of foreclosures was 2% higher in the second quarter of 2012 than at the beginning of the year.[4]

The increase in family homelessness during the Great Recession can be partially attributed to the foreclosure crisis, although the extent of the relationship is unclear.[5] There have not been any nationwide data-collection efforts on the rate at which foreclosures lead to homelessness. The federal government failed to require states to collect such data—through mandatory point-in-time counts, the existing Homeless Management Information System (HMIS) infrastructure, or Homelessness Prevention and Rapid Re-housing (HPRP) client intake forms—and few researchers anticipated the

Figure 3

NUMBER OF HOUSING UNITS PER FORECLOSED UNIT, 2009



Source: RealtyTrac, "RealtyTrac Year-end Report Shows Record 2.8 Million U.S. Properties With Foreclosure Filings in 2009," http://www.realtytrac.com/landing/2009-year-end-foreclosure-report.html; U.S. Census Bureau, *2009 Housing Unit Estimates*.

Even when homelessness is not the final outcome, foreclosure has a detrimental impact on families with children, since the foreclosure process may involve frequent moves and school transfers. Combined with the stresses of financial insecurity experienced by parents, these tumultuous circumstances negatively affect children's development, physical and mental health, and academic performance.[8] Studies tracking public school students living in both rented and owned homes in New York City, the District of Columbia, and Baltimore found that the number of families with school-aged children going through foreclosure increased during the Great Recession. These students were primarily economically disadvantaged children living in low-income neighborhoods, disproportionately black, and attending underperforming schools. They moved and switched schools more often than their peers who did not experience foreclosure, with one study finding higher rates of residential instability among renter households. For the most part, foreclosed families landed in similar or worse-off neighborhoods and schools.[9]

importance of tracking the issue. This article provides new analysis on the impact of foreclosures on homelessness, using annual homelessness point-in-time count and foreclosure-filing data.[6]

Exploring the Impact of Foreclosures

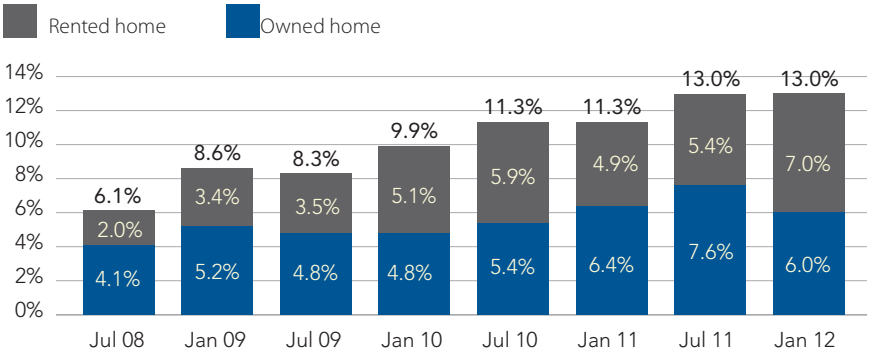
Approximately 60% of families affected by foreclosures nationwide have been homeowners. Less attention has been focused on renters, who are more likely to be very low-income and of minority status and thereby even more vulnerable to homelessness. Tenants are often not informed of their landlords' mortgage problems until told to vacate, leaving them with inadequate time to secure alternate housing. The 2009 passage of the federal Protecting Tenants at Foreclosure Act entitles renters to at least a 90-day notice; however, many are unaware of their rights and continue to be evicted under illegal circumstances. Others see building conditions deteriorate, as financially distressed landlords discontinue property repairs and utility payments, or are evicted en masse from bank-controlled properties prior to resale. Many distressed households are unable to afford the relocation costs and have difficulty recovering their security deposits post-eviction. As a result, they may double up with family and friends or enter shelter.[7]

Previous studies that examine the rate of homelessness caused by foreclosure are limited either to service-provider perceptions or single localities and provide varying estimates. According to a 2009 survey of service-provider organizations, the percentage of clients who were homeless due to foreclosure ranged from 5% (the estimate of those working at homeless shelters) to 20% (the figure given by service-only providers), with 10% being the median. The three most common dwellings after foreclosure were family or friends' residences (86%), emergency shelters

Figure 4

PERCENT OF HOMELESS ADULTS IN RICHMOND, VA, WHO EVER LIVED IN A FORECLOSED PROPERTY

(by type and date)

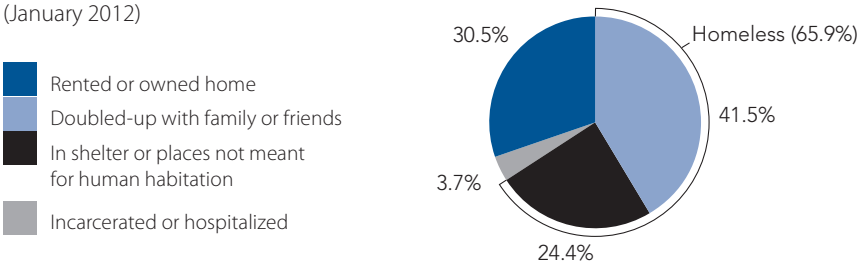


Source: Homeward, *Foreclosures Among People Experiencing Homelessness in the Richmond Region: July 2008 – January 2012.*

Figure 5

IMMEDIATE POST-FORECLOSURE LIVING SITUATIONS OF HOMELESS ADULTS IN RICHMOND, VA

(January 2012)



Note: Percentages do not properly total due to rounding. Source: See Figure 4.

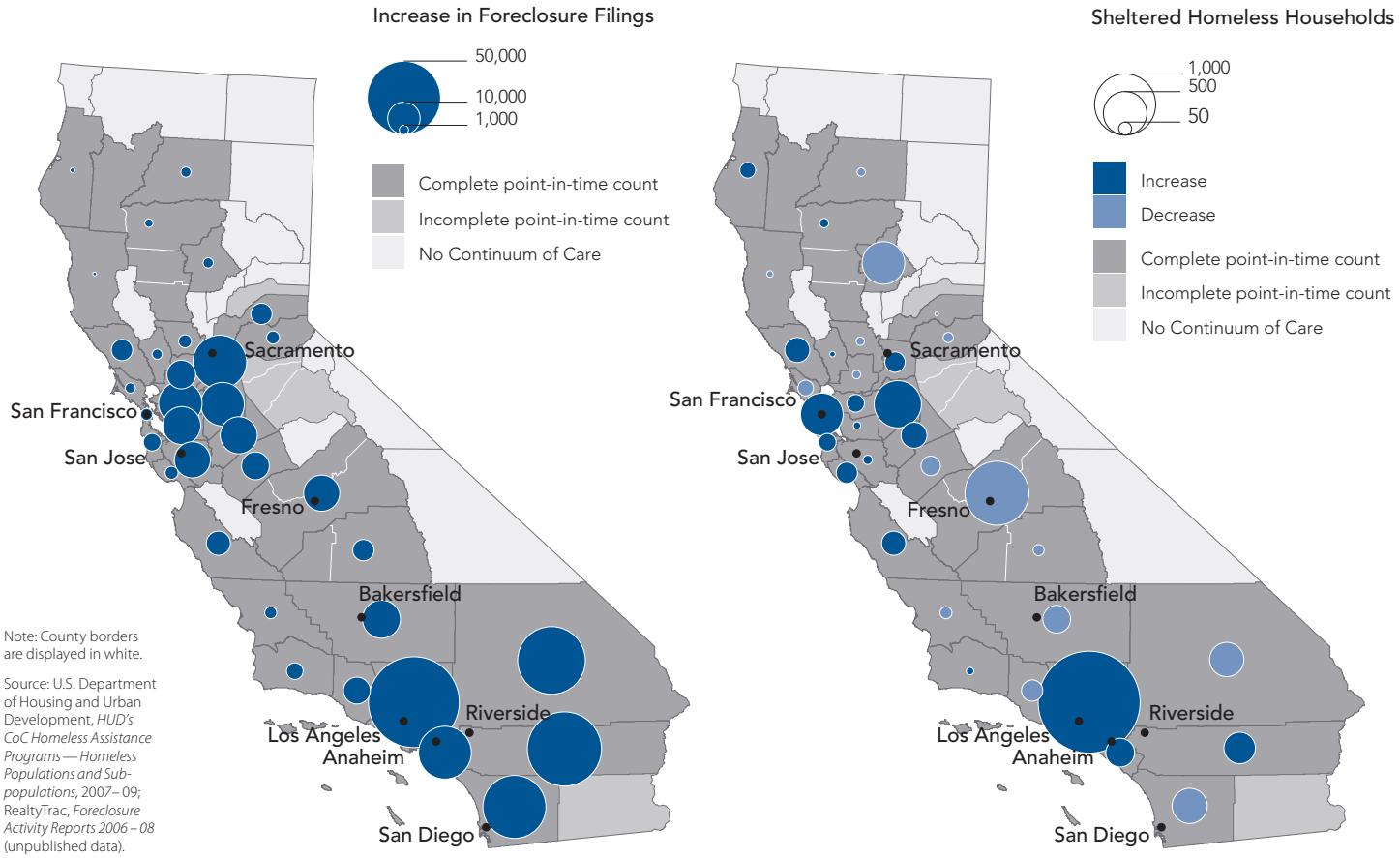
(61%), and hotels or motels (26%). Many communities offered foreclosure counseling (72%), legal aid (50%), and cash assistance (49%) to households affected by foreclosure, but 58% of survey respondents noted that few or none of their clients had sought legal assistance to avoid losing their homes.[10] In a 2010 survey of school districts and state departments of education, 38% of respondents identified the foreclosure crisis as a reason for the rapid increase in the number of homeless students since the 2007–08 school year.[11] Researchers evaluating a homelessness-prevention program in New York City in 2011 estimated that for every 100 properties entering the foreclosure process, three to five additional households entered shelter.[12]

One of the few communities that foresaw the importance of exploring the link between foreclosures and homelessness was the City of Richmond, Virginia, where Homeward, a nonprofit organization that plans and coordinates homeless services, began surveying homeless persons biannually in 2008. Between July 2008 and January 2012, the share of foreclosures leading to homelessness increased from 6.1% to 13.0% (Figure 4). Approximately 40% of affected respondents had their homes enter foreclosure within two years prior to taking the survey. According to January 2012 data, two-thirds (65.9%) of respondents were homeless directly after foreclosure—two-fifths (41.5%) doubled up with family or friends and one-quarter (24.4%) immediately entered shelter—while less than one-third (30.5%) found their own housing (Figure 5).[13]

Figure 6

CHANGE IN NUMBER OF FORECLOSURE FILINGS, 2006–08, AND SHELTERED HOMELESS HOUSEHOLDS, 2007–09

(by Continuum of Care)



Note: County borders are displayed in white.

Source: U.S. Department of Housing and Urban Development, *HUD's CoC Homeless Assistance Programs — Homeless Populations and Subpopulations*, 2007–09; RealtyTrac, *Foreclosure Activity Reports 2006–08* (unpublished data).

To better explore the issue, this article utilizes annual foreclosure-filing data between 2006 and 2009 to explore changes in point-in-time homelessness counts during each subsequent year (2007–10). Analysis of data from California—home to the highest number of both foreclosure filings (1,493,286) and sheltered homeless households (143,967)—revealed a strong and significant correlation between the increase in foreclosures and homelessness rates across the state (Figure 6). During the study period, approximately 37 households entered the shelter system for every 1,000 foreclosure filings. Furthermore, the increase in the number of foreclosures cut across socioeconomic lines, meaning that those pushed into homelessness by the foreclosure process were not simply those already likely to need assistance.[14]

Nevertheless, understanding the relationship between foreclosures and homelessness is limited by available data. Lack of reliable unsheltered counts restricts analysis to changes in the number of sheltered households. Shelter capacity thus acts as a natural cap on the number of homeless households that can be counted. In addition, this analysis leaves the bulk of the rise in homelessness unexplained, meaning that the foreclosure crisis is only one of many contributing factors.

Without nationwide local data collection on the fate of foreclosed households, appropriate responses cannot be developed. Adding to states' mandatory point-in-time surveys, HMIS client-intake forms, or HPRP eligibility assessments a question that explores foreclosure as a reason for homelessness would have required minimal effort, yet few researchers or localities collected and analyzed this information. Even today, several years into the crisis, no nationwide data collection is taking place. Researchers, goverments, and homelessness advocates need to correct for this prior missed opportunity and start evaluating the extent of the problem in order to develop appropriate policy responses.

Endnotes

[1] Subprime loans are those issued to borrowers with incomplete, poor, or limited credit histories and have higher interest rates than prime loans.

[2] U.S. Department of Housing and Urban Development, *Report to Congress on the Root Causes of the Foreclosure Crisis,* January 2010; Ingrid Gould Ellen, "The Foreclosure Crisis: Origins, Consequences, and Responses" (conference presentation, Grand Rounds, Columbia Center for Homelessness Prevention Studies, New York, NY, December 9, 2010).

[3] RealtyTrac, "RealtyTrac Year-end Report Shows Record 2.8 Million U.S. Properties with Foreclosure Filings in 2009," http://www.realtytrac.com/landing/2009-year-end-foreclosure-report.html; U.S. Census Bureau, *2009 Housing Unit Estimates.*

[4] RealtyTrac, "2011 Year-end Foreclosure Report: Foreclosures on the Retreat," http://www.realtytrac.com/content/foreclosure-market-report/2011-year-end-foreclosure-market-report-6984; RealtyTrac, "1 Million Properties With Foreclosure Filings in First Half of 2012," http://www.realtytrac.com/content/foreclosure-market-report/midyear-2012-us-foreclosure-market-report-7291.

[5] Urban Institute, *The Impacts of Foreclosures on Families and Communities,* May 2009; National Coalition for the Homeless, *Foreclosure to Homelessness 2009: The Forgotten Victims of the Subprime Crisis;* Peter Goodman, "Foreclosures Force Ex-homeowners to Turn to Shelters," *New York Times,* October 18, 2009; Manny Fernandez, "Helping to Keep Homelessness at Bay as Foreclosures Hit More Families," *New York Times,* February 4, 2008; Wendy Koch, "Homeless Numbers 'Alarming,'" *USA Today,* October 21, 2008; Ross Colvin, "Family Homelessness Rising in the United States," Reuters, November 12, 2008; U.S. Conference of Mayors, *Hunger and Homelessness Survey: A Status Report on Hunger and Homelessness in America's Cities; A 25-city Survey,* December 2008.

[6] U.S. Department of Housing and Urban Development, *HUD's CoC Homeless Assistance Programs—Homeless Populations and Subpopulations,* 2007–10; RealtyTrac, *Foreclosure Activity Reports 2006–09* (unpublished data).

[7] The Protecting Tenants at Foreclosure Act of 2009 will expire at the end of 2014; Urban Institute, *Renters Need Protection Against Foreclosure Too,* February 2009; National Low Income Housing Coalition, *Renters in Foreclosure: Defining the Problem, Identifying Solutions,* January 2009; National Low Income Housing Coalition, *Renters in Foreclosure: A Fresh Look at an Ongoing Problem,* September 2012; Lawyers' Committee for Better Housing, *Chicago Apartment Building Foreclosures: Impact on Tenants,* April 2010; Tenants Together, *2010 Report: California Renters in the Foreclosure Crisis;* National Law Center on Homelessness and Poverty, *Staying Home: The Rights of Renters Living in Foreclosed Properties,* June 2010; Toluse Olorunnipa, "Collateral Damage: Tenants of Foreclosed Properties," *Miami Herald,* April 23, 2011.

[8] Urban Institute, *The Impacts of Foreclosures on Families and Communities,* July 2009; First Focus, *The Impact of the Mortgage Crisis on Children,* May 2008.

[9] Urban Institute, *Smallest Victims of the Foreclosure Crisis: Children in the District of Columbia,* August 2010; Urban Institute, *Where Kids Go: The Foreclosure Crisis and Mobility in Washington, D.C.,* May 2011; Jacob France Institute of the University of Baltimore, *Children and Foreclosures: Baltimore City, An Examination of Students Affected by Foreclosures, 2003–08;* New York University, *Does Losing Your Home Mean Losing Your School?: Effects of Foreclosures on the School Mobility of Children,* February 2011.

[10] National Coalition for the Homeless, *Foreclosure to Homelessness 2009.*

[11] National Association for the Education of Homeless Children and Youth and First Focus, *A Critical Moment: Child and Youth Homelessness in Our Nation's Schools,* July 2010.

[12] Peter Messeri, Brendan O'Flaherty, and Sarena Goodman, *Can Homelessness Be Prevented? Evidence from New York City's HomeBase Program,* December 2011.

[13] Homeward, *Foreclosures Among People Experiencing Homelessness in the Richmond Region: July 2008–January 2012.*

[14] An ordinary least squares regression was performed, with the number of properties receiving foreclosure filings (2006–09) as the predictor and the number of homeless households per Continuum of Care in the following year (2007–10) as the response variable. The regression also included a socioeconomic index, which consolidated measures of income, educational attainment, and occupation. Foreclosure filing data was purchased from RealtyTrac; U.S. Department of Housing and Urban Development, *2007–10 Homeless Populations and Subpopulations;* RealtyTrac, *Foreclosure Activity Reports 2006–09* (unpublished data).

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