



## **NEW RESEARCH**

# **“Foreclosures by Race and Ethnicity: The Demographics of a Crisis”**

In this report, we estimate how many foreclosures have been completed since the crisis started and how many homeowners are at imminent risk of losing their home. In both cases, our estimates show a significant disproportionate impact on African-American and Latino homeowners: In all, 17% of Latino homeowners and 11% of African-American homeowners have already lost their home to foreclosure or are now at imminent risk.

*Confidential: Not for Circulation, Citation or Quotation*

# Research Questions



- 1) How many people have lost their homes since the start of the foreclosure crisis?
- 2) Have communities of color been disproportionately affected?
- 3) What is the next wave likely to look like?

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# Data

\*\*\* There is no publicly-available, nationwide dataset on completed foreclosures. As a result, we rely on a combination of two datasets:

1) Loan Processing Services (LPS):

- Proprietary loan-level data;
- Contains loan performance information;
- No demographics.

2) Home Mortgage Disclosure Act (HMDA)

- Publicly available loan-level data;
- No performance information;
- Information on race and ethnicity.

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# Methodology



*Time Frame: Completed Foreclosures between Jan 2007- Dec 2009*

Step #1) Using LPS: Calculate completed foreclosure rates by state, occupancy, origination year and loan type

Step #2) Assign these completed foreclosure rates to corresponding originations in HMDA

Step #3) Estimate the total number of foreclosures and by race/ethnicity

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# Limitations

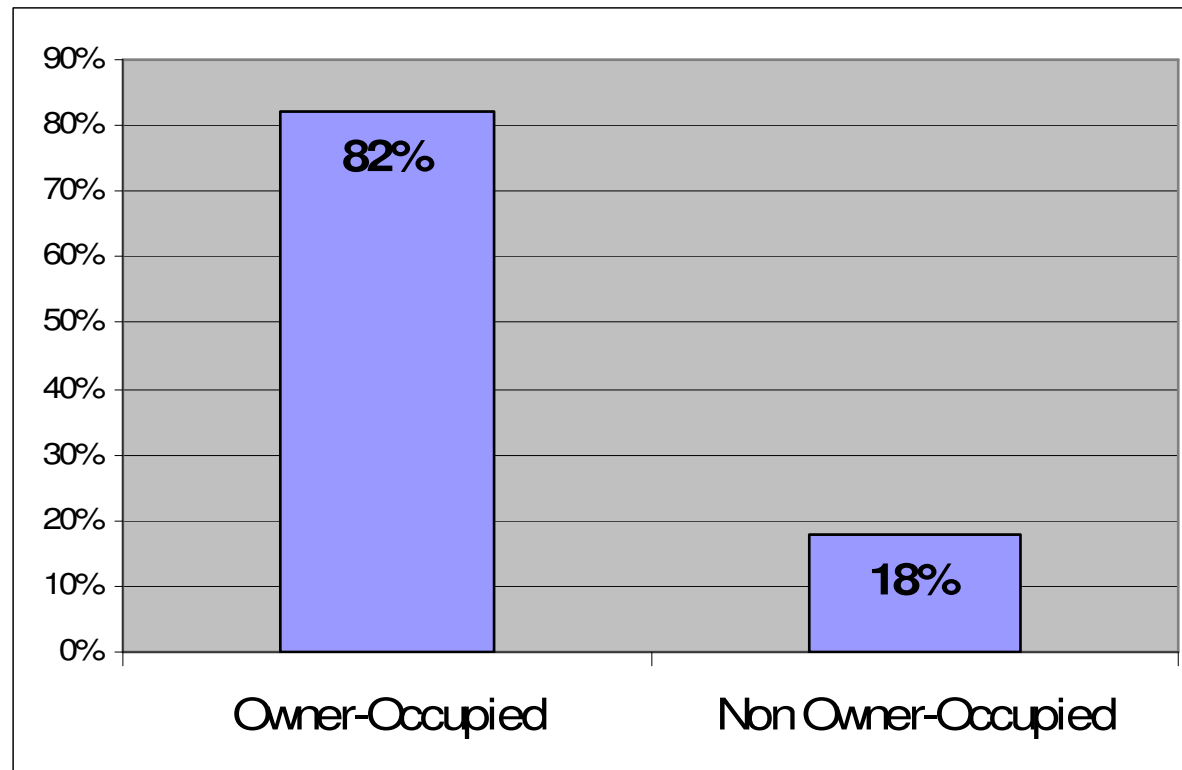
Our foreclosure rate disparities do NOT reflect differences due to:

- 1) unemployment
- 2) wealth
- 3) worse terms/rates within loan types
- 4) differences in servicing/loan modifications

*Actual disparities are likely to be even greater.*

# Key Findings – Estimate #1

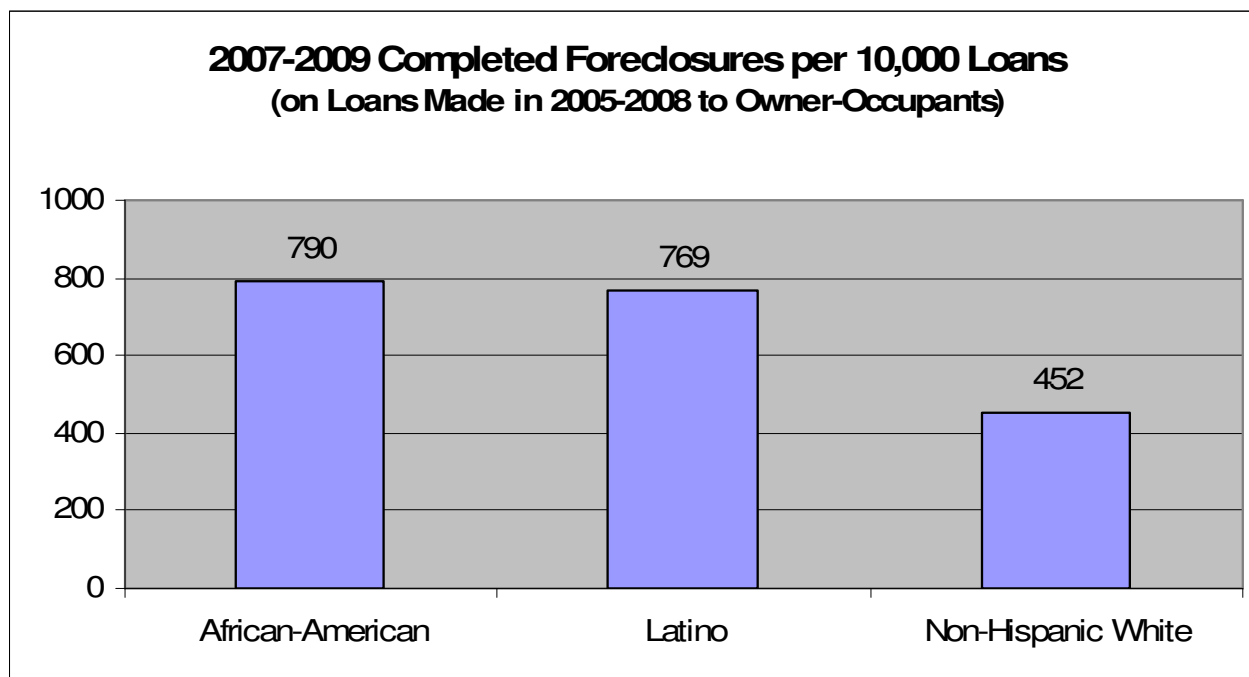
2.5 million completed foreclosures between 2007-2009



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# Key Findings – Estimate #2

Majority (56%) of completed foreclosures involved white borrowers, but a higher share of African American and Latino borrowers are affected: The completed foreclosure rate of recent loan originations for these groups was nearly 8%, compared to 4.5% for whites.



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# Key Findings – Estimate #3

The Next Wave: Additional 5.7 million borrowers at imminent risk of foreclosure (2 or more payments behind or in fc process)

- *Homeowners of color continue to be disproportionately at risk*

<b>Group</b>	<b>Percent of Active Loans at Risk</b>	<b>Disparity Ratio</b>
<i>Non-Hispanic White</i>	14.8%	1.00
<i>African-American</i>	21.6%	1.47
<i>Latino</i>	21.4%	1.45
<i>Asian</i>	15.7%	1.07
<i>American Indian</i>	16.5%	1.12
<i>Hawaiian/Pacific Islander</i>	18.6%	1.26
<i>Other</i>	17.8%	1.21
Total	16.4%	NA

# Foreclosed + Families at Imminent Risk



- **“Imminent risk” = at least 2 payments behind**
- **Estimated completed and imminent foreclosures\***
  - African Americans: 730,000 (11%)
  - Latinos: 1,070,000 (17%)
  - Whites: 4,245,000 (7%)

*\* Percents expressed as a proportion of 2006 homeowners.*

# Loss of Wealth

- **“Spillover Costs”**: Indirect losses in property value to neighboring households
  - CRL estimate: \$1.86 trillion in spillover from 2009-2012
  - African-Americans: \$193 billion
  - Latinos: \$180 billion

We estimate that African-American and Latino communities, combined, will lose more than \$350 billion.

# Quick Summary of Key Estimates



- 2.5 million completed foreclosures, 2007-2009
- Higher share of African-American and Latino have completed foreclosures: nearly 8% for both groups, compared to 4.5% for whites.
- 17% of Latino homeowners and 11% of African-American homeowners have lost their home to foreclosure or are at imminent risk, compared to 7% of white homeowners.
- African Americans & Latinos will lose an estimated \$350 billion in “spillover” costs.

# Policy Recommendations



- Improve foreclosure prevention (HAMP) and allow homeowners to seek mortgage modifications through the court system.
- Pass strong mortgage rules in financial reform legislation.
- Strengthen enforcement of fair lending laws.
- Resist efforts to roll back policies designed to promote homeownership to disadvantaged groups.