



# Today's Latino Children: The Recession Generation

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# Foreclosure crisis is more than statistics

- Foreclosure crisis, extent, magnitude
- Disproportionate impact on minority communities
- We hear every day about the foreclosure rates going up, and seriousness of the problem in places like CA and Florida.
- Unfortunately, we know very little about the faces behind the foreclosure crisis

## CCC-NCRL study

- To put a face in the foreclosure debate, we partnered with the NCLR to conduct 25 interviews with Latino families who had lost their home to foreclosure
- In depth interviews probing...
  - Circumstances leading up to foreclosure
  - Wealth, public assistance usage, and housing impacts
  - Impact of foreclosure on family relationships and health
  - Impact on children's behavior and performance in school
  - Impact on family's perception of the American dream

# CCC-NCLR study

- Interviews conducted in summer 2009 in southeastern Texas, southeastern Michigan, west coast of Florida, northwestern Georgia, and central valley of CA
- Since finalizing the CCC-NCLR study, CCC has started another study trying to quantify some of the impacts discussed today. The new study is a partnership with CRL, Neighborworks, and an economist at the Federal Reserve in San Francisco

# Circumstances leading up to foreclosure

- Most families experienced a pile on effect where multiple triggers contributed to an eventual foreclosure
  - health emergency, resetting mortgage payment, compounding loss of income
- None of the families received significant assistance to avoid foreclosure from their financial institution
  - No forbearance, workout or loan modification
  - Problems with paperwork and misapplied payments



# Wealth Loss

- Families reported an average loss of almost \$90,000
- In addition to loss of equity
  - Families lost repairs/improvement investments.
  - They maxed out credit cards.
  - They depleted retirement and college funds.
  - All these devastated their credit scores
- Most of the families report turning to public assistance to help meet food, medical and other needs (15 of 25 families).
- After home is lost, none of the families spent time in shelter/street
  - Reliance on family/ friends for money, housing, transportation, etc



# Impacts on Family Relationships

- As a result of foreclosure, spousal relationships frequently suffered with signs of depression, increased anxiety and tension, and feelings of guilt and resentment.
  - Burdens of multiple moves, sense of instability, financial pressure
  - All lead to arguments and resentments



## Impacts on Children

- Troubling changes in parents' relationships with their children and each other
- Several stated that their children blamed them/themselves for the foreclosure
- Children's academic performance and behavior at school were impacted significantly
  - About half of the families reported that the children had to change schools as a result of foreclosure

## Impacts on Belief in American Dream

- In spite of significant loss, which many described as traumatic, most families still expressed a faith in their ability to regain their economic footing.
- Most families still believe in the American dream of homeownership



# Short term Policy Recommendations

- Loan servicing reform
- Require foreclosure mediation
- Allow families to stay in their homes as renters
- Emergency public benefits to foreclosed families
- Better connect families to emergency benefits and programs for which they are eligible
  - Under McKinney Vento Homeless Assistance Act – free transportation to kids should be made available
- Enact credit score amnesty

# Long term Policy Recommendations

- Understand/quantify the multi-generational impact of foreclosure on families
  - Disproportionate concentration in minority communities
- Connect families to sound financial advise
  - Community based nonprofit counseling (homeownership counseling agencies can play a role)
  - Tax credits for the above service
- Put in place policies to health rebuild decimated wealth and stability
  - Limited and not desirable credit options after foreclosure
  - Discourage bad and encourage sustainable options

# Encourage Sustainable Credit Options

- We know from other research at CCC that even with low downpayment, fixed rate mortgages are sustainable when properly underwritten, serviced, and supported by the appropriate secondary market functions
- This information should be crucial in the current debate about the definition of Qualified Residential Mortgages (QRMs)
  - Size of downpayment seems to be the main focus now
  - This is misguided and likely to have disparate impacts
  - Need to look at the whole package from origination to servicing to secondary market factors
- Address structural factors that perpetuate and worsen wealth gaps across racial/ethnic groups