



# ECONOMIC PROGRESS REPORT, November 2009

## SUBJECT

Impact of Federal Economic Relief Efforts on Latinos

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### Overall Assessment

National data clearly demonstrate that the economic downturn is disproportionately impacting communities of color in the United States. The federal government's multiple responses to the crisis were intended to provide much-needed relief to millions of families and create jobs for the unemployed; however, for a variety of reasons, federal recovery efforts have failed to benefit many families, workers, and neighborhoods.<sup>1</sup>

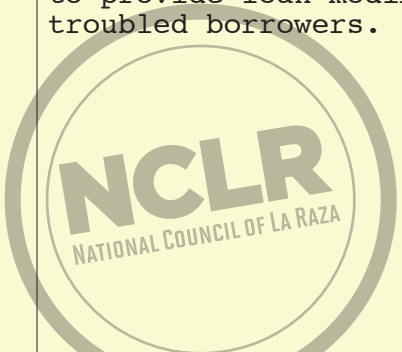
According to a recent survey of registered voters conducted by the Hart Research Group, 54% of Hispanics report that someone in their household has been personally affected by the recession.<sup>2</sup> Yet, fewer than 30% of Latinos report seeing any direct benefits of federal recovery efforts in their communities, including jobs saved or created in the public and private sector or new loans for small businesses.<sup>3</sup> More than one million Latino workers have lost their jobs, and Latinos have experienced the largest increase in underemployment of any group since the recession began in December 2007.<sup>4</sup> It is estimated that more than 400,000 Hispanic families will have lost their homes to foreclosure by the end of 2009.<sup>5</sup> These widening disparities in economic well-being have left many Latinos with little confidence in Congress's ability to stop the steady unraveling of economic security and pave the path to success for the next generation.

Congress and the administration must do more to restore hope and economic opportunity for consumers, homeowners, and workers, to the same degree it did for investors, financial institutions, and state governments. A recovery that leaves out minority communities robs all Americans of prosperity and widens racial and ethnic disparities in economic and financial security.<sup>6</sup> Any initiatives to revive the economy must also be paired with deliberate efforts to rebuild the crumbling foundation of protections that American workers and consumers have come to expect: decent wages, safe working conditions, and fair and safe financial products.<sup>7</sup>

Below, the National Council of La Raza (NCLR)—the largest national Hispanic civil rights and advocacy organization in the United States—grades several federal economic recovery initiatives and highlights areas of concern. By no means is this a comprehensive analysis; rather, it offers a framework for policymakers to improve upon and expand current efforts. Please visit [www.nclr.org](http://www.nclr.org) for more detailed recommendations in the coming weeks.

PROGRAM	GRADE	AREAS OF CONCERN
<p><b>HOPE for Homeowners</b></p> <p>HOPE for Homeowners (H4H) was designed to offer as much as \$300 billion in government-guaranteed home loans to people whose current mortgages exceed the value of their houses.</p>	<p><i>Unsatisfactory</i></p> <p>No Latino families have been able to save their homes from foreclosure using H4H.</p>	<ul style="list-style-type: none"> <li>• Restrictions and eligibility criteria are overly burdensome.</li> <li>• Fees and equity-sharing are expensive for the homeowner.</li> <li>• Participation by lenders is voluntary, and borrowers must rely on lenders to write down the principal balances.</li> </ul>
<p><b>Troubled Asset Relief Program</b></p> <p>While the overarching purpose of the Troubled Asset Relief Program (TARP) was to stabilize the U.S. financial system, the legislation established two key objectives of critical importance to Latino families: mitigate rising foreclosure rates and increase the flow of consumer credit.</p>	<p><i>Unsatisfactory</i></p> <p>While banks appear to have stabilized, struggling families have not seen the same benefits.<sup>8</sup> TARP has not reduced foreclosures for Latino and other hard-hit communities, nor has it helped increase the flow of credit to Latino and other impacted communities.</p>	<ul style="list-style-type: none"> <li>• The Treasury did not require TARP recipients to provide loan modifications to homeowners at risk of foreclosure.</li> <li>• The Treasury did not require TARP recipients to increase credit flow to hard-hit communities.</li> <li>• Homeowners continue to face difficulties getting loan modifications.</li> <li>• Consumers continue to face high barriers to accessing credit.</li> </ul>
<p><b>American Recovery and Reinvestment Act</b></p> <p>The American Recovery and Reinvestment Act (ARRA) was necessary to allay the severity of the economic crisis overall by providing short-term relief to struggling families and creating jobs.</p>	<p><i>Needs Improvement</i></p> <p>ARRA included several provisions that were essential to helping Latinos weather the economic storm, including tax relief for families. Investments in community-based organizations providing health and energy services have also reached some Hispanic-serving institutions. However, ARRA is falling short of achieving one of its primary purposes: to assist those most impacted by the recession.</p>	<ul style="list-style-type: none"> <li>• ARRA did not include specific language to target hard-hit communities, making it difficult for strapped service providers to access ARRA resources.<sup>9</sup></li> <li>• Shovel-ready and formula-based criteria prevent funds from reaching essential service providers.<sup>10</sup></li> <li>• State stabilization grants have not been shown to save Latino jobs or to stem the tide of budget cuts in social programs that serve Latino families. In October 2009, the Latino unemployment rate reached 13.1%, compared to 10.2% overall.<sup>11</sup></li> <li>• ARRA did not include funding for housing counseling, and housing counseling agencies have been forced to turn families away from foreclosure prevention help and homebuying services.</li> <li>• ARRA's reporting requirements lack equity metrics.</li> </ul>



PROGRAM	GRADE	AREAS OF CONCERN
<p><b>Making Home Affordable</b></p> <p>In March 2009, the Obama administration introduced the Making Home Affordable (MHA) loan modification program, which created a series of incentives for servicers to provide loan modifications to troubled borrowers.</p> 	<p><i>Needs Improvement</i></p> <p>While we applaud the administration for its efforts in developing the most comprehensive response to the foreclosure crisis to date, design flaws in the program<sup>12</sup> are forcing eligible homeowners to lose their homes to foreclosure. An estimated 400,000 Latino families will lose their homes to foreclosure in 2009 alone.<sup>13</sup></p>	<ul style="list-style-type: none"> <li>• Families are being foreclosed on while waiting for applications to be processed.</li> <li>• Loan servicers are not offering loan modifications with principal forgiveness.<sup>14</sup></li> <li>• Loan servicers do not face consequences for violations of MHA, and the program is not streamlined or transparent.</li> <li>• No support was included to provide foreclosure prevention counseling services. Latino families and other families with limited English proficiency have difficulties securing loan modifications.</li> </ul>

### RECOMMENDATIONS FOR CONGRESS AND THE ADMINISTRATION

**Establish a community jobs initiative.**

Congress should directly invest in hard-hit communities by hiring local residents to provide essential services in their neighborhoods. Specific policies should be implemented to employ workers at community-based organizations (CBOs), which have the infrastructure, local knowledge, and trust of the community to make them ideal employers of these new workers.

**Use the tax system to reward businesses and nonprofits that hire workers.**

In this uncertain economic climate, businesses of all sizes, as well as nonprofit organizations, need the confidence to hire new workers. Tax incentives for new hires are a potential mechanism for doing so. Such benefits should be accessible to nonprofits, which are an essential factor in the formula for economic recovery.

**Stabilize institutions that provide essential services and relief.**

Many community-based organizations have seen soaring demand for their services in health care, nutrition assistance, and workforce training. Congress should award grants on a competitive basis to well-established nonprofit organizations with a track record of meeting local community needs. These capacity-building funds should be for the purposes of hiring additional staff and expanding facilities, with some funds directed toward extending existing grants to strengthen program sustainability.

**Help families rebuild financial security.**

Congress must work to stabilize the housing and credit markets while taking steps to prevent such a crisis in the future. Financially stable homebuyers must have tangible credit opportunities. Meanwhile, homeowners in distress should have access to meaningful advice and assistance, which requires immediate funding for housing counseling services. Congress should also expand protections for consumers and homeowners.<sup>15</sup>

## ENDNOTES



<sup>1</sup>For a more detailed analysis and recommendations for these federal programs, please see Janet Murguía, *Putting Our Communities on the Map: The Road to Economic Recovery for Latinos and Other Communities of Color*, presented to 111th Cong., 2nd sess., September 23, 2009, <http://www.nclr.org/content/publications/detail/59730> (accessed November 2009).

<sup>2</sup>Hart Research Associates, *Tracking the Recovery: Voters' Views on the Recession, Jobs, and the Deficit*, conducted September 21–23 for the Economic Policy Institute, [http://www.epi.org/publications/entry/tracking\\_the\\_recovery/](http://www.epi.org/publications/entry/tracking_the_recovery/) (accessed November 2009).

<sup>3</sup>New America Media survey, *Gauging the Impact of the American Recovery and Reinvestment Act*, October 6, 2009, <http://media.namx.org/files/2009/10/NAMStimulusPoll.pdf> (accessed November 2009).

<sup>4</sup>Kathryn Edwards, *Minorities, less-educated workers see staggering rates of underemployment*, Economic Policy Institute, Washington, DC, 2009, [http://www.epi.org/economic\\_snapshots/entry/minorities\\_less-educated\\_workers\\_see\\_staggering\\_rates\\_of\\_underemployment](http://www.epi.org/economic_snapshots/entry/minorities_less-educated_workers_see_staggering_rates_of_underemployment) (accessed November 2009).

<sup>5</sup>*Center for Responsible Lending, Projected Foreclosures to Latinos by State* (Durham, NC: Center for Responsible Lending, 2009).

<sup>6</sup>Together, Hispanics and Blacks make up more than 25% of the population and nearly \$2 trillion in buying power. Latinos alone make up 15.4% of the population and will reach a purchasing power of \$1.2 trillion by 2012. Reuters, "Hispanics Are the Largest Minority in the U.S. with Purchasing Power Projected to Exceed..." news release, March 31, 2008, <http://www.reuters.com/article/pressRelease/idUS124765+31-Mar-2008+BW20080331> (accessed January 2009).

<sup>7</sup>For more information on how Latinos have been marginalized from these basic worker and financial protections, see National Council of La Raza, *Fractures in the Foundation: The Latino Worker's Experience in an Era of Declining Job Quality*, Washington, DC, 2009, [www.nclr.org/fractures](http://www.nclr.org/fractures) (accessed September 2009).

<sup>8</sup>Janet Murguía, *Rethinking TARP Implementation: Strategies to Reduce Latino Foreclosures*, presented to 111th Cong., 1st. sess., January 13, 2009, <http://www.nclr.org/content/publications/detail/55452> (accessed September 2009); National Council of La Raza, "NCLR Urges Congress to Include Homeowners in Bailout Bill," news release, September 23, 2008, <http://www.nclr.org/content/news/detail/54073> (accessed September 2009); National Council of La Raza, "Civil Rights Groups Call on Congress to Assist Homeownership in its Economic Recovery Package," news release, September 30, 2008, <http://www.nclr.org/content/news/detail/54252> (accessed September 2009).

<sup>9</sup>National Council of La Raza, "The Economic Recovery Act: What's in it and What Did we Learn?" (presentation at MAFO [National Partnership of Rural and Farmworker Organizations of Rural and Farmworker Organizations] Conference, March 30, 2009); National Council of La Raza, "Impact of State Budget Deficits on Organization Operations" (conference call with NCLR Affiliates, April 3, 2009); National Council of La Raza, "Future Forecast: Latino Priorities in the 2010 Federal Budget" (special presentation and discussion with NCLR Affiliates at the 2009 NCLR Annual Conference, Monday, July 27, 2009).

<sup>10</sup>Despite the progress the Recovery Accountability and Transparency Board has made to track federal ARRA spending and funding opportunities through [www.recovery.gov](http://www.recovery.gov), many NCLR Affiliates and other CBOs remain confused or unaware of requests for proposals and other funding opportunities. This is an indication that federal agencies and state governments do not consistently follow Office of Management and Budget (OMB) guidance that requires posting of information regarding contracts larger than \$500,000. Memorandum, "Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009," February 18, 2009, Office of Management and Budget, [http://www.whitehouse.gov/omb/assets/memoranda\\_fy2009/m09-10.pdf](http://www.whitehouse.gov/omb/assets/memoranda_fy2009/m09-10.pdf) (accessed September 2009).

<sup>11</sup>U.S. Bureau of Labor Statistics, "Data Retrieval: Labor Force Statistics," *Current Population Survey*, Table A-2 and Table A-3, <http://www.bls.gov/webapps/legacy/cpsatab2.htm> (accessed November 2009).

<sup>12</sup>Letter from NCLR to Timothy Geithner, U.S. Department of the Treasury, Shaun Donovan, U.S. Department of Housing and Urban Development, and Lawrence Summers, National Economic Council, July 28, 2009, <http://www.nclr.org/content/publications/download/59288> (accessed September 2009).

<sup>13</sup>*Projected Foreclosures to Latinos by State.*

<sup>14</sup>Housing counselors in the NCLR Homeownership Network (NHN), a network of 52 community-based housing counseling providers, report that they have not been able to secure any loan modifications with principal forgiveness.

<sup>15</sup>Please visit [www.nclr.org/autodealers](http://www.nclr.org/autodealers) for more information on consumer protection.