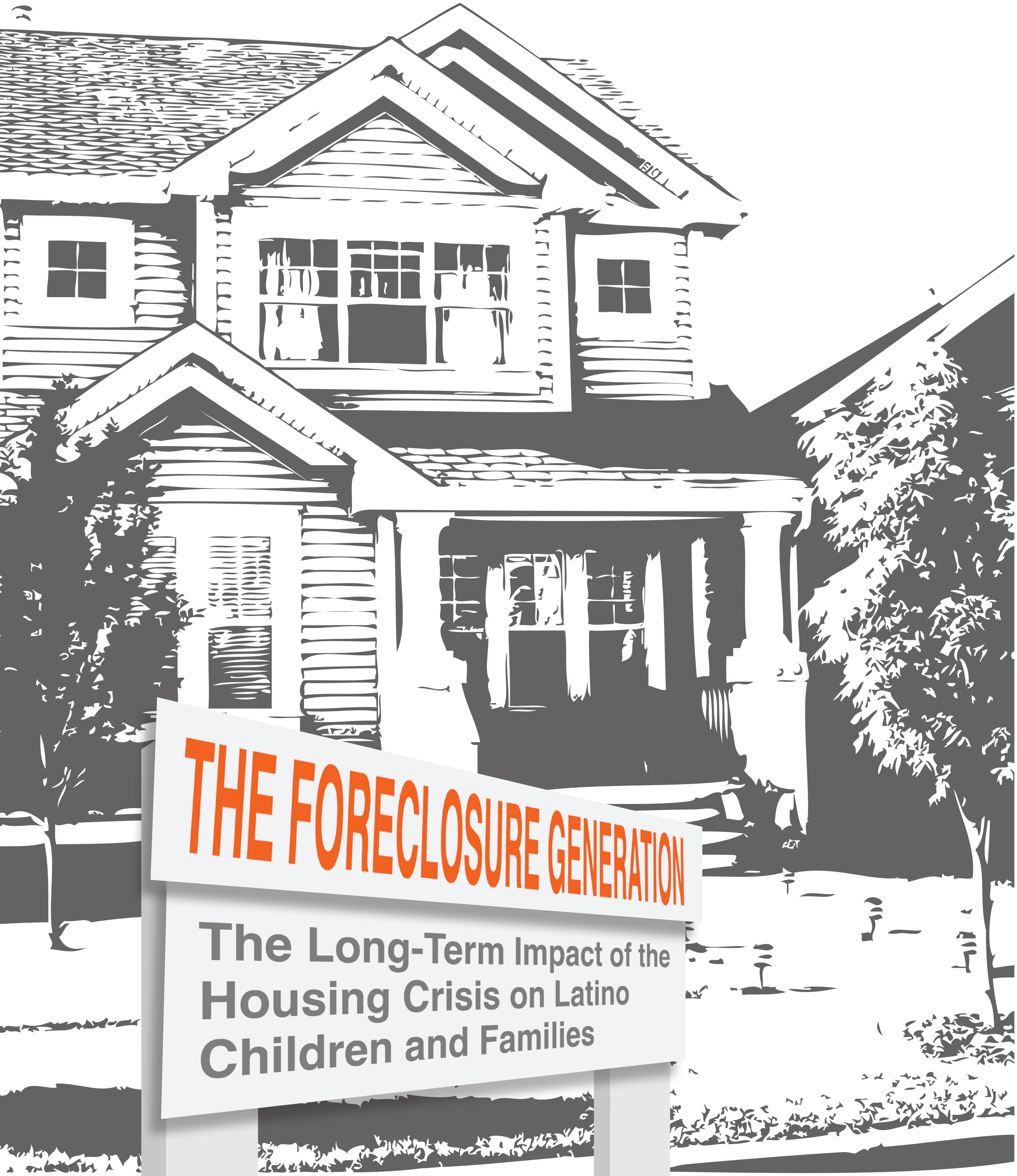

NCLR
NATIONAL COUNCIL OF LA RAZA

The Foreclosure Generation:
The Long-Term Impact of the Housing Crisis on Latino Children and Families

Janis Bowdler, National Council of La Raza
Roberto Quercia, Center for Community Capital
David Andrew Smith, Center for Community Capital

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The National Council of La Raza (NCLR)—the largest national Hispanic civil rights and advocacy organization in the United States—works to improve opportunities for Hispanic Americans. Through its network of nearly 300 affiliated community-based organizations (CBOs), NCLR reaches millions of Hispanics each year in 41 states, Puerto Rico, and the District of Columbia. To achieve its mission, NCLR conducts applied research, policy analysis, and advocacy, providing a Latino perspective in five key areas—assets/investments, civil rights/immigration, education, employment and economic status, and health. In addition, it provides capacity-building assistance to its Affiliates who work at the state and local level to advance opportunities for individuals and families.

Founded in 1968, NCLR is a private, nonprofit, nonpartisan, tax exempt organization headquartered in Washington, DC. NCLR serves all Hispanic subgroups in all regions of the country and has operations in Atlanta, Chicago, Long Beach, Los Angeles, New York, Phoenix, Sacramento, San Antonio, and San Juan, Puerto Rico.

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Foreword: Janet Murguía, President and CEO, National Council of La Raza

Despite positive signs that our overall economy is emerging from the deepest recession since the Great Depression, the socioeconomic status of Latino families has not improved and continues to lag behind that of other Americans. More than one million Latino workers have lost their jobs, and Latinos have experienced the largest increase in unemployment of any group since the recession began in December 2007. Unfortunately, the worst may be yet to come; it is estimated that more than 1.3 million Latino families will lose their homes to foreclosure between 2009 and 2012.

The loss of a home is traumatic for most American families, but it can be particularly devastating for Latino families. For those Latinos who are homeowners, their house represents two-thirds of their household wealth. Losing this bedrock asset puts their entire financial future at risk, often with great consequences for the entire family. Beyond the financial consequences, homeownership remains a powerful symbol of the American middle class. Thus, the loss of the home also comes with social and psychological effects. NCLR was pleased to work with the Center for Community Capital to capture the human and social costs of foreclosure. Participants in this study offer us a unique and intimate look at the trials facing families with children after they lose their home to foreclosure. The loss of their home sent them on a path of parental discord, disrupted children's education and caused behavioral problems, and affected the mental health of children and parents alike. Not surprisingly, family budgets were decimated. Fortunately, many were able to tap family networks to prevent homelessness. Still, millions of families are struggling to pay their bills and asking themselves how they will retire or send their children to college.

By 2050, Latinos will make up 30% of the U.S. population, compared to 15.4% today, and immigrants and their children will account for 82% of household growth between now and 2050. The overall health of our future economy and financial systems depends on how well Hispanic families recover from the recession. Families will not recover, however, without dedicated and tailored efforts to stem the tide of foreclosures and unemployment and prevent future waves of consumer abuse. Given our future demographics, policymakers should be compelled to redouble their efforts to ensure that all families have a path to financial security.

Janet Murguía

Foreword: Roberto Quercia, Director, Center for Community Capital, University of North Carolina at Chapel Hill

Reading this report will be a sobering experience for most. Media attention has focused mainly on the magnitude and monetary cost of the subprime debacle, and the financial and economic crises that followed. Almost eight million homeowners are behind in their mortgage payments, one out of every four homeowners owes the bank more than their house is worth, and households have lost about $7 trillion in wealth since the beginning of the crisis. In addition, headlines tell us that U.S. taxpayers provided $700 billion dollars to Wall Street through the government, enacted a $700 billion stimulus package, and sanctioned 500,000 trial loan modifications under a government program. Worse, the unemployment rate has hit double digits in many parts of the country. The sheer numbers have appropriately captured the attention and indignation of the nation.

However, there is another side to the crisis. It is the story of the crisis from the perspective of families experiencing it. Not surprising, minority families and communities have been disproportionally impacted, in large part because of the targeting of subprime lending activities. The subprime crisis and its aftermath have undone years of work that had helped minority families, including Latinos, build wealth and achieve financial security. These families and their children are facing major, life-altering events and adjustments that will affect them for years to come.

We welcomed the opportunity to partner with NCLR on this groundbreaking research on the effects of foreclosure on Latino families. Our findings on the long-term impacts on families and their children are disturbing. Both intra- and interfamily relationships have been dramatically affected by the instability resulting from the crisis. Families going through foreclosure not only suffer financial devastation but also experience marital difficulties and have to make major changes to plans involving their children. Children who experience instability in the home are more likely to have difficulty concentrating in school, while children who have to change schools as a result of foreclosure are traumatized with the loss of familiar surroundings and social networks. Affected families are even forced to rethink the feasibility of sending their children to college. Unfortunately, the consequences of foreclosure on the most vulnerable will not be short-lived.

We believe that this study is an important first step in understanding the full cost of the crisis and developing policies to deal with it. The research documents the stories of families who have suffered foreclosure. As such, it identifies issues that should be incorporated in future studies to quantify the problem on a national scale. Such a quantitative study should rely on a large sample size and geographic and demographic diversity. Future research that includes families of all ethnic and racial groups would result in greater understanding of how foreclosure impacts different communities and allow for the targeting of interventions to meet those needs.

Policy interventions are clearly needed to stabilize the situations of families and especially children impacted by foreclosure. Moreover, they are needed to help rebuild the assets families lose by no fault of their own. We encourage policymakers interested in understanding the true cost of foreclosure to look beyond Wall Street and into the faces of the millions of children affected by this crisis.

Executive Summary

The National Council of La Raza (NCLR) partnered with the Center for Community Capital (CCC) at the University of North Carolina to conduct 25 interviews with Latino families who had recently experienced a foreclosure. Interviewers asked in-depth questions on a variety of issues related to the overall well-being of the family with a special emphasis on the status of their children. Interviews were conducted in July and August 2009 in five regions: southeastern Texas, southeastern Michigan, the west coast of Florida, northwestern Georgia, and the Central Valley of California.

- **As a result of foreclosure, spousal relationships frequently suffered. Signs of depression, increased anxiety and tension, and feelings of guilt and resentment were commonplace.** The totality of the foreclosure placed heavy burdens on parents, spouses, and children, routinely affecting their mental and emotional health and their relationships. Multiple moves and cramped living conditions frequently led to a sense of instability, which, when combined with financial pressure, often led to arguments and resentment among family members. The spousal relationship was particularly impacted, with 14 parents reporting problems in their relationship, ten of whom considered divorce or separation of spouses/partners. Two spouses had separated permanently at the time of the interviews.

- **Parents reported troubling changes in their relationships with their children and the children's relationships with each other. Several stated that their children blamed them for the foreclosure.** Seven families reported more arguments between the parents/heads of household and their children, and eight families reported increased conflict between children. Many children were frustrated by the changes in their living situations and the lack of space in their new home, which led to tension and arguments between them and their siblings, parents, and extended family.

- **The foreclosure had a ripple effect on relationships in extended family and social networks.** None of the families interviewed spent time in a shelter or on the streets, though several admitted to having come close. Instead, they relied on their social networks for money, transportation, day care, and shelter, often taxing their relationships or the extended family's resources and finances. Most turned to family or friends as a stepping stone to finding a new permanent home. When unable to access traditional credit, 17 families reported borrowing money from family members or friends.

- **Public benefits became a lifeline for many, while those without often skimped on needed medical care to save money.** Fifteen of the 25 families interviewed reported turning to public assistance programs to help make ends meet. All but one family were left without reserves they could tap into in case of a financial emergency. Moreover, several parents reported skipping trips to the doctor or skimping on medication to save money.

- **Children's academic performance and behavior at school were impacted significantly.** Thirteen families reported that after they lost their home to foreclosure, their children had academic or minor behavior problems in school, and five families reported that their children had major behavior problems at school. Ten of the families interviewed said that their children had to change schools as a result of the foreclosure. Parents often perceived their children being withdrawn and having trouble making new friends.

- **Most families experienced a "pile on" effect, where multiple triggers contributed to their eventual foreclosure.** Loss of income was most often cited as the major reason for the loss of the home. However, in most cases, families were coping with some other burden that drained resources, such as a health emergency or resetting mortgage payment, making the loss of income the final straw.

- **None of the families interviewed reported receiving significant assistance to avoid foreclosure from their financial institution.** Several families had reached out to their lender seeking assistance, but none were offered a sustainable forbearance, workout, or loan modification. Families noted lost paperwork, payments applied to fees rather than arrears, and unresponsiveness from their servicer as contributing to their foreclosure and a great source of stress and frustration.

- **Family finances were devastated, with the families reporting an average loss of $89,155 due to the foreclosure, leaving them without a safety net to cope with financial emergencies.** In addition to equity, many participants lost the cash they invested in making significant repairs or improvements to their homes. Families described going to great lengths, including taking second jobs, borrowing money, seeking workouts with their lenders, and draining their household savings, to avoid the foreclosure. Also, 21 families knew that their credit score had been hurt, often dipping into the 400s and 500s.

- **Families made changes in their long-term financial plans, including plans to help their children with expenses such as education.** Sixteen families indicated that they had changed their plans to leverage their home equity to pay for their children's education. Others stated that they had once hoped to help their children with major purchases, such as a car or home, but they were no longer able to do so.

- **The majority of participants still believe that they can achieve the American Dream.** In spite of their significant loss, which many described as traumatic, most families still expressed a faith in their ability to regain their economic footing. As one participant said, "I think that maybe in the future I will be able to [own a home again] by working very hard."

Background

The unraveling of the housing boom started in late 2006 and quickly morphed into a full-blown crisis. The housing bubble burst when scores of borrowers saw their mortgage payments jump, often by as much as 50% or more, and they were unable to make their payments or refinance into lower-cost loans. The widespread inability to meet mortgage payments eventually led to the collapse of the subprime market and a global credit crunch, eventually paving the way for the worst economic conditions since the Great Depression.

Communities of color are experiencing the effects of the crisis at disproportionate rates. Latino and Black borrowers were more than twice as likely to receive the kinds of mortgages most at risk of default. Even after controlling for income, credit score, loan-to-value (LTV) ratio, and presence of a co-borrower, borrowers of color were disproportionately represented in the subprime market compared to their White peers.[1] Latino homeowners carry 66% of their net worth in their home, making the loss of this asset particularly devastating to their financial security.[2] The subprime lending and housing crises are expected to result in a loss of as much as $98 billion in collective Latino household wealth.[3]

It is important to keep the evolution of the crisis in mind when reviewing the results of our research. For some of the families interviewed, the problems started when poorly underwritten mortgages became unaffordable. However, for an increasing number of families, despite their diligent choice of mortgage instrument, the weakening of the economy is the primary reason why they fell behind on their mortgage. Confronting the highest unemployment rate in more than a quarter century, families feel like innocent victims of a crisis. Below we describe this and other dimensions to frame the results of our study within the context of the broader crisis.

Foreclosures

By now, the depth and signs of the foreclosure crisis seem obvious to most people. More than 8,000,000 families are expected to lose their homes in the next four years.[4] Latino and other minority families make up a large proportion of those expected to lose their homes, given the higher rates of unemployment among minorities and disproportionate numbers of minority borrowers who were sold unsustainable and higher-cost mortgage products.[5] The pace of foreclosures is not expected to slow down in the foreseeable future. Foreclosure starts increased by 7.1% in August 2009 to their second-highest level on record.[6] According to the Mortgage Bankers Association's National Delinquency Survey, about one in every seven home loans in the country was either past due or in foreclosure at the end of the third quarter of 2009—the highest delinquency rate in the survey's 37-year history.[7] This amounts to a family losing its home to foreclosure every 13 seconds.[8]

As a sign that the crisis has evolved and expanded, more than half of the roughly 600,000 households that entered foreclosure in the second quarter of 2009 were prime borrowers.[9] Serious delinquency and foreclosures set new records in the second quarter of 2009. The delinquency rate for all one- to four-unit residential properties hit a seasonally adjusted rate of 9.24%, up almost three percentage points from a year ago. More broadly, the combined percentage of loans in foreclosure and at least one payment behind was over 13%.[10]

Foreclosures vary significantly by region, reflecting the importance of local economic and market conditions. Although foreclosure data generally do not reflect race or ethnicity, cities and regions with sizeable Latino populations have been among the hardest hit. According to RealtyTrac, the following cities had the ten highest foreclosure rates in the third quarter of 2009: Las Vegas, Nevada; Merced, California; Cape Coral, Florida; Stockton, California; Modesto, California; Riverside, California; Bakersfield, California; Reno, Nevada;

and Port St. Lucie, Florida.[11] In addition, Latinos express high levels of concern about foreclosures. A national study of Latino adults found that 60% had observed foreclosures in their neighborhoods, 36% were concerned that their house would go into foreclosure, and 5% had actually experienced a foreclosure.[12]

Homes for Sale

Another obvious sign of the crisis is the increasing number of houses for sale. As of August 2009, there were 3.62 million existing units for sale, which would likely take eight and a half months to exhaust at the current sales pace.[13] Home sales are also down 16% from their peak in 2005.[14] To make matters worse, in some markets distressed transactions—meaning the seller was forced to sell in a hurry and usually at a discount—represent up to 30 % of home sales.[15] Distressed sales tend to be concentrated in the ten highest foreclosure markets identified above, all of which have large Latino populations. Unfortunately, bank-owned inventories have continued to climb, reaching record highs with a month-to-month increase of 4.2% and an annual increase of almost 90%.[16] This trend is likely to continue to depress property values even more.

Home Prices and Values

Not surprisingly, housing prices continue to slide. The national median home price for all housing types in August 2009 was $177,700, down 12.5% from a year ago.[17] According to the Case-Shiller National Home Price Index, house prices have fallen 30% from their peak in 2005–2006. Much of this price drop reflects the collapse of subprime lending that allowed borrowers to bid up the price of the home to artificially high values. According to Fiserv, a financial information and analysis firm, prices are expected to go even lower. About 342 out of 381 markets are expected to see declines in the next year. The biggest losers are predicted to be markets in Florida, where more than one in five residents is Hispanic. For instance, Fiserv estimates that prices nationally will decline an additional 11%. In contrast, in the Miami area, prices are predicted to drop 30% on top of the 48% decline of the last three years.[18]

Unfortunately, tight credit and the economic downturn continue to put downward pressure on prices. For instance, about 25% of all second quarter sales in 2009 were cash deals with no financing.[19] This was especially the case with properties selling for less than $200,000, as banks with low-value foreclosed properties do not want to deal with any financing arrangement when disposing of the properties. As a result, areas once dominated by owner-occupied units are now changing into rental markets dominated by investor- and speculator-owned properties.

Homeowners Underwater

Another distinguishing characteristic of the current foreclosure crisis is the number of homeowners who owe more on their home than it is currently worth, often referred to as being “underwater.” According to some estimates, more than 15 million homeowners—about one-third of all mortgages—were underwater in the second quarter of 2009.[20] Negatively amortizing loan products,* such as Payment Option Adjustable Rate Mortgages (ARMs), were heavily marketed and sold in Latino communities. Homeowners with negative equity have few options when confronting a crisis, such as job loss, illness, and other events that limit their ability to meet mortgage payments. Markets hit hardest with this problem are Nevada with 66% of borrowers having negative equity, Arizona with 51%, Florida with 49%, and California with 42%;[21] these states were home to 42% of the Latino population in 2008.

* Negative amortization refers to a loan structured in such a way that the principal balance is allowed to increase rather than decrease as it would with traditional payment structures.

Unemployment

What started out as trouble in the subprime market eventually spread to other credit markets, helping to usher in the worst recession since the Great Depression. As such, high unemployment rates can be considered both another sign and a further cause of mortgage affordability concerns for families. The unemployment rate more than doubled over the last two years, to 10.2% nationally.[22] For Latino workers, the unemployment figure has hovered at 13% since February 2009. In addition, the number of people working part time or who have stopped looking for work altogether is much higher, close to 20% by some accounts. States that are home to significant Hispanic populations are among the hardest hit. Markets in Arizona, Nevada, Florida, and Idaho experienced the largest job losses from July 2006 to July 2009; markets in Indiana, Iowa, Arkansas, and Texas experienced the smallest job losses during the same period. The bleak economic picture in many markets increases the financial pressures faced by families when confronted with a crisis.

State Deficits

As states are being confronted with an increased demand for public benefits and resources, especially from families at risk of losing their homes and jobs, they are cutting services to deal with their own budget deficits. In 2002, only two states ran a deficit with total expenditures exceeding total revenues. Now, most states are running deficits. California has been in the news about this issue because it balanced much of its $26 billion deficit with budget cuts to services.[23]

Findings

In this section, we review findings in five key areas: family stability and relationships; health status and lifestyle; academic performance and behavior of children; family financial security; and plans for the future. These findings were drawn from in-depth interviews with 25 Latino families throughout the United States; their names have been changed to respect their privacy.

Family Stability and Relationships

Families reported that the stability of their household and relationships with family members were negatively impacted by the foreclosure. Participants relied heavily on their family and friends for money, transportation, day care, and shelter in order to cope with the effects of the foreclosure. While family support served as a lifeline to many, not all of those interviewed had this kind of resource available. Several struggled to identify a suitable rental unit and cover basic expenses. In both cases, the impact on family dynamics was the same: parents and children were anxious and exhibited signs of depression, stress and tension in the household increased, daily routines became complicated, and several families reported that their marriage was in jeopardy as a result of the foreclosure. Multiple moves and devastated family finances exacerbated household discord.

- **Most participants turned to family or friends for a temporary place to stay and other support before securing a new permanent residence.**

Moving in with family or friends was the most common first step after leaving the foreclosed property. Of those interviewed, 15 moved in or planned to move in with family after the foreclosure. At the time of the interview, ten were still sharing a home with their family member. Having access to an extended family network provided a critical safety net for most. None of those interviewed spent time in a shelter or on the street. However, tapping their network was often stressful. Participants routinely described moving in with family as temporary and expressed concerns about overcrowded conditions and increased family tension. One single mother with two teenage children from the west coast of Florida talked about moving in with her brother:

> *I'm living with a brother…He has a family of six. Plus us three, it's nine, so we're very crowded there. We sleep in the living room on the floor and all that…[My children are] very sad. They don't have their own things, they're not comfortable, they're in the living room, and they don't understand. They're kids, they don't fully understand…*

Others moved directly to a rental unit but reported much difficulty in finding a suitable place. The Helmes family in southeastern Michigan was given short notice that they had to evacuate their home. They described relying on a real estate agent to help them find a place quickly:

> *When we received the letter notifying us that we had to abandon the house, we went looking for our real estate agent; he was the one who sold [us the home]. We had a good communication with him and he sold the house to us and he had also helped other family members and friends and we asked him to help us to look, in the same area, [at] a house that was up for rent. And he found us a house to rent just in time with option to buy, but right now, because of the foreclosure, we have no way of getting any credit right now. You could say that we've never been homeless. We left the house we lived in and moved into a rented house.*

- **Multiple moves were common and contributed to a sense of instability. Overcrowding, affordability, and neighborhood safety topped the list of major concerns about the participants' current housing situation and reasons why another move could be imminent.**

Most families had either moved multiple times already or suspected that they would have to move again in the near future. Knowing that they would likely have to move again caused the families much anxiety and contributed to their feeling of instability. In fact, those who moved the fewest times were more likely to report their living situation as unstable. One father from northwest Georgia with a young child and another on the way described the feeling:

> *[I]t's been very difficult for me to be moving my family from one place to another. Today my son asked me again, "Why are you undoing my bed? Are we going to another house?" I mean, it's difficult as a parent to [move] from one place to another, wanting to be stable. Everything is so expensive and the situation is very difficult right now.*

Overcrowded conditions were one of the most frequently cited concerns about the family's new living arrangements. In some cases this was because families were moving in with friends or relatives, and in others it was because the new home was much smaller than their previous home. The crowded conditions often contributed to rising tensions between family members. The Dominguez family from southeast Michigan with six children ranging from 13 to 25 years of age put it this way:

> *It's horrible. If you come to my house, it is wall-to-wall furniture because it is a very small apartment and I've got two kids… Well, we've got two girls in one room, the baby and [daughter's name] in the other room, [husband's name] and I are in the smallest bedroom, and our son sleeps on the couch. Now we're right up underneath everybody's feet; we went from having two bathrooms to one, which is, oh my gosh—somebody is always screaming, "Hurry up, hurry up, get out of the bathroom!"*

The Navarros from Michigan, who are raising their grandchildren with their adult daughter living in the home, also described how family members had to double up and other rooms in the house were converted to bedrooms:

> *It's been really bad because the change was really bad. As a matter of fact, we are still not used to the new house. It's way too small for us because the children were used to each of them having their own bedroom. So right now my daughter sleeps with the girl, the other boy we sent to the basement, and my other daughter who is there now—we [are] fixing another bedroom downstairs and we are all over the place.*

A few single parents interviewed reported having to split up their children because there was not enough room in the replacement housing, often when living with friends or family members. One single mother from southeastern Michigan described having to split up her children because there was not enough room in her mother's home where she moved after the foreclosure:

> *I was used to living for so many years by myself with my own home. And then my kids, I had to split them up. I am, I was a single mom, divorced mom, and now my kids want to—they're already older, two of them, but the youngest one had to go live with her dad because there was not enough room to stay with me, with my [mother].*

Parents looked hard for a new home that would not disrupt their children's routine. However, this factor was often pitted against affordability and neighborhood safety. Ms. Suarez, a single mother from southeast Texas, grappled with this decision and ultimately chose a place that fit her budget. She expresses concern, however, about the safety of the area:

> *[M]y children were asking what school they were going to go to…or what's going to happen…whether we're going to have a stable place to live…An apartment may be unclean; sometimes there's a lot of garbage. Sometimes…people drink outside the apartments. I mean, many things like that…they don't have anywhere to play. The space is more limited. They can't be outside running and go out and play because the space is very small.*

- **The majority of families with new commutes to work, school, and church reported that their lives had been negatively impacted.**

Seven of the ten families who had seen a change in the driving distance to key daily activities as a result of the move reported that their commute was greater, which often translated into greater transportation costs and general inconveniences. A single mother described making the longer commute so her children could avoid switching schools so close to the end of the year:

> *[O]ne has to spend more in gas to go, for example, to work or to church or to the places that—for example, during this time they have been going to the same school because it was almost finishing. I had to take [them] to the place where they…were studying and come back to the place where I live. So, that meant more spending in gas and all that…[Also] I have to go to where I used to live, where they took care of my child, because it is cheaper for me, more affordable.*

Four families stated that they had to travel farther to find child care. One father with a young son from northwest Georgia saw his commute double and is forced to drive long hours at night with his child in the car.

> *[My job is] half an hour away. Before I used to live 15 minutes away from my job and now it's double the time. So that*

> *means, you know, more time, more gas, everything…[My son's child care] was like ten minutes south and we've moved north so it's about 35 minutes to go drop him off. I would drive half an hour and coming back home it's almost an hour late at night with the boy in the car.*

Another family with two young children in Florida talked about having to wake her children early to accommodate her new schedule:

> *There was a bunch of people in the house, and it was very far from jobs…So I'd have to wake up extra, extra early to get the kids ready, get them to their babysitter, and then hopefully make it to work on time.*

- **Spouses and partners often reported increased tension and discord in their relationships as a result of the foreclosure. This led to the consideration of divorce or separation and, in two cases, resulted in permanent divorce or separation. Parents also reported depression or stress associated with losing the home.**

Conflict in the spousal relationship often resulted from the economic stress associated with the foreclosure. Families reported experiencing tension from employment difficulties, trying to pay the mortgage and other bills, working with a lender to try to avoid foreclosure, and figuring out where the family would live following the foreclosure. The Sanchez family, which includes two parents and four children ages seven to 18 from northwestern Georgia, reported spousal arguing related to the husband's unemployment and difficulties paying the family's bills:

> *[I have been] arguing [with my wife] only because I need to find a job. I mean, I can't get used to the way we're living right now. I don't have a job and this entire economic situation—the only money that we're receiving is the money that my wife gets. It's a little bit; it's not much…the problem is that she's the only one working right now and you know that you have to pay this and that—you have to pay the electricity, water, and all that. There's not enough money to pay much.*

The Nunez family from northwestern Georgia, which includes a husband, a pregnant wife, and a five-year-old son, reported that they argued heavily while they were trying to avoid the foreclosure:

> *I think that what has been affected the most is the relationship between me and my wife…I sent a letter [to the bank] saying that this has even caused me marriage problems; it was very difficult for us to overcome this. We could see that all of our efforts were useless. There was a lot of tension and [we were] very nervous. We almost got divorced. We keep thinking about the instability for our son and it has been very difficult for us.*

Tension between spouses associated with the foreclosure spills over to children. Parents were worried that conflict between spouses would affect their children. For instance, the Garcia family from the Central Valley of California reported that the increase in arguments between parents has caused their children (ages three to seven) to think that their parents do not love each other anymore:

> *[The foreclosure] has affected us a lot because there have been a lot of problems between my husband and I. I mean, we argue. It was a big loss. We don't have support from anybody; it's only him and I working hard for everything. So I get in a bad mood and he does too, but it's all because of the stress…[The children] see us arguing and that he sometimes doesn't talk to me and…then my children say, "Mami, daddy doesn't love you because daddy screams at you." Or this and that.*

> *But yes, I worry because…everything that we're going through is affecting my children. Because in their mind they think that their father doesn't love me.*

In addition, families express real fears that the foreclosure will break up the family. The Burgos family, which includes parents and two children, ages 15 and 18, from the Central Valley of California, noted the blame that the parents put on one another and specifically identified concern over the family breaking apart:

> *We sometimes argue because we don't have money and you kind of try to blame one another for the foreclosure…I don't want for my family to break apart because of this…*

However, as reported, most families have made it through the foreclosure situation. The Bilbao family, which includes two parents and a two-year-old from the Central Valley of California, explained surviving the foreclosure despite acute stress and conflict, particularly just before the foreclosure:

> *[I]t was hard…trying to deal with losing the house and keeping your marriage alive is hard…But we got through it…we were scared to lose the house. We fought a lot about how we're going to be paying it, who we're going to borrow from and who not to borrow from. And, you know, it was just stressful…We fought at the end, you know, when we knew we were going to lose the house. We fought a lot.*

In the two cases of families with adult children, parents also reported feeling a great deal of stress or depression related to the loss of their home. The father of the Helmes family, with three adult children from southeastern Michigan, reported that the loss of the home was particularly hard on his wife:

> *[M]y wife was under a lot of tension. And I was just like, it's a house and as long as she's okay and my children are okay and I'm okay—if we were safe I didn't worry that much. Sooner or later we were going to overcome that. And the one who suffered the most tension or pressure was her because she had to abandon her nest. It was her house. It was her future and after investing so much money for about eight or nine years of us paying and investing in the house, that hurt her a lot and she was kind of depressed. To the point that I wanted her to go help me organize things and pack things to bring them over here and she never did.*

The single mother of the Noriega family, which has five adult children, including one severely mentally disabled daughter who requires full-time care from her mother, from southeastern Texas, indicated the depression over losing her home:

> *I was very depressed. I cried a lot because I lost it...It hurt me a lot to lose my home…*

- **Parents reported anxiety, arguing, and distance between them and their children as a result of the foreclosure. Children often blamed their parents for the foreclosure.**

Of the 25 families interviewed, seven reported increased tension, arguing, or distance between parents or heads of household and children as a result of the foreclosure. In many cases the tension resulted from children placing the blame for the foreclosure on their parents. Parents frequently felt a great sense of guilt associated with not being able to provide for their children. The father of the Sanchez family from northwest Georgia reported difficulties with his children, particularly his 18-year-old daughter:

> *[W]hat hurts me the most is that my children ignore me now, like if it was my fault that this happened, especially my oldest one, my daughter. She's the oldest but she thinks that it was my fault…I don't understand what's happening in her head.*

> *She thinks that all this that is happening is my fault. That I didn't pay the mortgage. I mean, I never went on vacations when I had the money or went travelling or anything like that. I've always worked and I've always paid on time and now she tells me that it was because I didn't pay the mortgage. She's acting very different towards me and it really hurts me. With all the economic situation has come to and us losing the house just brought everything down. I feel very bad with all this that has happened.*

The Garcia family from the Central Valley of California reported difficulties with children who did not understand why they had to leave their house:

> *[My son] said, "I don't want to leave my house. I want to be here in my house. Why are you moving to another house? Why don't we stay here in our house?" And I'm like, "No, we can't because this house is not ours anymore, we have to leave," and so he starts crying and says, "I want to be here."*

The Navarro family reported that their young granddaughter has a difficult time understanding why they had to leave the house. He described the interactions with her:

> *[My granddaughter] has been affected a lot…She used to have her own space and she sometimes tells me, "Grandpa, why didn't you pay the house?" And I'm like, "Well, you don't understand right now but it's something that happened that I didn't want it to happen but—" and she says, "When I'm older I'll buy it again for you."*

Families reported that arguments with children often resulted from cramped living situations and not having as much space as before. The Navarro grandparents explain:

> *[W]e argue because we're not comfortable. We were comfortable in our space that we had been [in] for almost four years. We didn't argue that much [before].*

The mother of the Ramirez family, which includes a single mother and children ages two to 19 from northwestern Georgia, reported:

> *[My children] would always be angry, and the oldest girl, she wanted a room to herself and she would always be telling me that if we were in the other house she could be in her room doing this or that. Or the oldest boy, he would tell me that if he had his own room he would have his own space…*

Ironically, families report that even though they are often living in cramped situations, a distance and separation emerges due to the stress of the situation. A unique case of extreme separation between a father and his family occurred with the Nunez family from northwestern Georgia. To try to improve the family's economic situation, the father of this family took a job as a truck driver, resulting in him being on the road for long periods at a time. He described the experience:

> *I got the license to drive [a] truck…thinking that I could save the house. I thought I was going to make more money, so I got the license. And that was even worse because I wasn't with them and the economy was really bad. That was about a year ago. The economy was so, so bad and there was no work. I got my license and I was in contact with a company called [Company Name] and I would come home once a month. I was not with my family. I was losing the house and I had to leave the house. I think that was in July. I wasn't at the house; I could come back every month or every 22 days. I didn't see them. Imagine that. Being without your family, no money—that was very frustrating.*

- **Parents reported that after the foreclosure siblings' relationships with one another suffered. Parents also reported various behavioral problems and other issues with their children.**

Of the families interviewed, eight reported that their children are fighting with each other more frequently following the foreclosure. Conflicts between children often result from the limited space in replacement housing. Of the eight families who discussed fighting between their children, five specifically mentioned space as an issue. For instance, the Sanchez family from northwest Georgia identified the lack of space as causing more aggression among their children:

> *[My children are] a bit more aggressive because where we used to live it was a bigger place. They had a patio to play and a lot of other things. It was bigger.*

The Dominguez family from southeastern Michigan reported that their children are experiencing conflict. Their daughters have fought after having to share a room, and their son, who is sleeping on a couch in the living room, has experienced anger at his sisters over the situation:

> *[My son] doesn't have his own space…which is causing him to have temperamental problems. He blows up a lot at the girls because he is still the only boy left at home.*

Health Status and Lifestyle

The majority of parents expressed concern about changes in their children's health since the foreclosure. In particular, parents reported that children experienced feelings of anxiety, sadness, and confusion about their move to a new house or change in schools. Some families also worried about the physical health of their children, especially those with special needs. The participants generally had little in the way of savings that they could rely on for a medical emergency for their children. In some cases, family members were skipping necessary care to save money, which was also causing concern. Some families had access to medical insurance, while many others relied on public health insurance programs such as Medicaid or state children's health insurance programs.

- **Parents regularly expressed concerns over their children's health, citing mental or emotional health as primary issues.**

Of those interviewed, 18 families expressed concerns over their children's health. Twelve of the 18 cited mental or emotional health issues as the cause for their worry. This was particularly common among families with older children who were clearly aware of the foreclosure and its implications. In fact, parents frequently pointed to a disruptive move and new living conditions as the impetus for their children's withdrawal. The Navarros were concerned that their grandchildren were exhibiting signs of depression:

> *The only thing is that [my granddaughter] was sad; [my grandson] was too, even if he doesn't say so. They're both sad…He did say something, my grandson said, "Did you say goodbye to the house, Grandpa?" And I was like, "Yes, I did, I said goodbye to the house."*

And:

> *The girl cried a lot—a lot. One night, when her mother left and my husband was gone, she started like, "Grandma, why did we leave the house? Let's go back," and she was crying and crying and we can't get her to stop. And so we talked to her, my grandson and I, and we got her to start thinking about something else and she kind of forgot that. And now she doesn't say anything but she's like, "Grandma, I want my room again. Why do I have to sleep with my mother?" That's what she asks me.*

Many of the families interviewed had not yet found a new permanent residence and were likely going to have to move again. The fact that their home was temporary was also a source of anxiety for the children and worried parents. Ms. Arguello, a single mother from southeastern Michigan, explained that her 17-year-old daughter is bouncing between her father's residence and her grandmother's, where Ms. Arguello is staying until she can afford her own apartment:

> *[I]t's hard for them, not physically but emotionally, because they're not in a stable home. At least before they knew this was their home. You know, they were stable in that sense. Their emotions were okay. And now that they're not—I mean, she goes back to her dad's because that's where she's staying and then she comes to me. She feels it's her grandma's house; it's not the same as being home. So it did affect [her] emotionally.*

The Nunez family also discussed the impact of multiple moves on their five-year-old child:

> *Having one person to take care of them and then another and moving from one place to another, that really affects them. That's what worries me a lot. You know, having to move often. That does worry me, his mental health. Having to be moving from one place to another…I mean, when we were in the house we were comfortable and now that we have to share the place where we live and moving from one place to another, I do think that any child would be affected by that.*

There were also reports of mental health issues resulting in physical symptoms. One couple with two children ages seven and nine from southeastern Michigan reported that their daughter's sleep had become irregular and she had started sleepwalking:

> *And they're nervous about that. As a matter of fact, one of my daughters has become a, how do you say that, sleepwalker. She wakes up a lot during the evenings and walks by herself. I've told my wife that we should take her to the doctor so he can examine her. She never did that before. That started this year.*

- **Existing physical health issues were often exacerbated by the move, especially for children with special needs.**

Several parents described ways in which their child's existing health conditions worsened as the family weathered the foreclosure and subsequent moves. One single mother with three children, Ms. Suarez from southeastern Texas, reported:

> *[M]y ten-year-old boy suffers from allergies…He's allergic to mold, many things, also things like trees, he's allergic to many types of trees…My son…has been suffering more from allergies. I have to take him every other week for an allergy shot.*

Three parents had special needs children who were having trouble adjusting to the new home. One mother caring for her disabled adult daughter in southeastern Texas reported that their new home could not accommodate her daughter's wheelchair as well as their previous house. The Sanchez family from northwest Georgia shared their concern over their daughter's epilepsy, and reported that her symptoms have worsened:

> *[M]y youngest daughter is the one who has suffered the most. I mean, she has stomach problems, problems with her head, and the epileptic problem that she's had. I mean, you can tell it's a lot [with] the stomach pain and headaches that she's been having lately…it was very, very rare [before the foreclosure].*

- **Parents also experienced health challenges or the exacerbation of existing conditions. Often, this did not go unnoticed by their children and often contributed to children's worry and anxiety.**

Five parents had existing medical conditions that became even more problematic during the foreclosure and relocation process. Similar to the spillover effects of parental discord and household stress, parents knew that their children were often aware of their medical issues.

Most participants reported higher levels of stress related to the foreclosure, including several who admitted to feeling depressed. Mrs. Bilbao from California's Central Valley put it this way:

> *I was depressed. You know, that's, you know, that was a lot…not knowing that I'm going to be able to keep the house that you've been wanting for your life. You know, you—that's something you want to accomplish and you accomplished it, and you put all your money into it, that you worked hard for and commuted every day for five years, and set all my money up and to lose it, it was depressing.*

Parents also experienced physical symptoms. Ms. Ibarra, a single mother with two teenagers from the west coast of Florida, stated:

> *Besides it [is] affecting me a lot, it has affected me physically and emotionally. Physically, because I'm having trouble with my heart, my blood pressure—my sugar levels are very high, I've gained a lot of weight, and I can't sleep well.*

- **The majority of families do not have the means to handle a fiscal or medical emergency. Several turned to public benefits programs to cover basic expenses such as food and health care, while others reported skipping trips to the doctor or prescriptions to save money.**

With one exception, the families interviewed did not have financial reserves they could draw on for medical or other emergencies. While many families expressed some concern about their lack of reserves, most were more concerned about paying for routine doctor visits for themselves and their children than unexpected emergencies. One couple from northwest Georgia that did not have health insurance or savings talked about the tradeoffs between paying bills and visiting the doctor:

> *That's very difficult. You kind of rather not pay for a doctor's visit and you just hold it and you don't go see a doctor. Right now my wife is in pain, I don't know, I think she has a problem with an ovary, but it's difficult because we don't have—it's not like if it was $20 or $30, it's a lot of money. So she hasn't been able to go check that.*

Similarly, the Burgos family, parents and children ages 15 and 18 from California's Central Valley, reported relying on the kindness of their family physician because they lacked the ability to pay for the office visits:

> *[W]e pray to God that we don't have any emergencies. You know, we don't have money to save…But like when my husband got sick, I went to talk to the doctor, that we would visit when we had health insurance and I explained it to him and, he's such a nice person, he told me, "Tell [your husband] to come and I'll see him and won't charge him." And he's seen him twice already.*

Nearly half of families had some form of health insurance; however, in few cases was the entire family covered. When families did not have insurance, they often cut corners on the care they needed. One mother reported lowering her dose of insulin in an effort to make it last longer. When asked if she was taking her medication, Ms. Ibarra of the west coast of Florida responded:

> *Not always. When I can, I buy one or two bottles and instead of taking the full dose, I take a lower dose so I can—it's twice a day but I take less…once a day so it—so I can at least take a little bit.*

Of those interviewed, 15 were receiving public assistance, including unemployment, food subsidies, and children's health care programs. In each case, the benefits provided valuable income or a resource that the family relied on to supplement its income or keep the family healthy. Three families received at least two forms of public assistance.

Several families expressed an interest in applying for benefits or stated that they were considering applying in the near future but had not yet done so. Six of the ten families who were not participating in public assistance programs also expressed concerns about their children's health. Many were afraid that they could not cover a medical emergency if it arose, as articulated by Mr. Nunez from northwest Georgia:

> *Right now we're hoping and trusting God that we don't get sick because we are still not ready for a family emergency or any type of situation. Right now what we're doing is trying to survive. Right now we don't have any money to save, like if we were to have an accident at work and had to be off work for some time, no—on the contrary, I'm worried that something might happen to either of us. That worries me a lot. Or that the boy gets sick and we have no money to buy something; honestly, we don't have that right now. I don't have it.*

Children's Academic Performance and Behavior at School

Foreclosure often had an impact on children's performance, behavior, and ability to be involved in extracurricular activities in school. These disruptions were frequently associated with changing schools or experiencing an increased distance to school as a result of the move to replacement housing. In particular, changing school seemed to cause a great deal of disturbance and stress among children.

However, given that the interviews took place in July, when many children were out of school on break, the full impact on children's schooling could not fully be assessed. Several families mentioned that their children would start at new schools in the fall, so they were not sure how the children would be impacted.

- **Changing schools was a traumatic experience for children. In several cases, parents assessed the new schools as inferior in quality compared with the schools children attended prior to the foreclosure.**

Ten families out of 25 interviewed identified that their children changed schools as a result of the foreclosure. One family who experienced several

Figure 1: Types of Public Assistance Used by Families

Types of Public Assistance	Number of Families
Supplemental Nutrition Assistance Program (formerly known as food stamps)	6
Medicaid or Children's Health Insurance Program	5
Unemployment	3
Special Supplemental Nutrition Assistance for Women, Infants, and Children	1
Subsidized Apartment	1

moves following the foreclosure said that their children changed schools three times. Changing schools was often traumatic for children. Several families identified that their children were upset over changing schools, had trouble making friends when changing schools, or missed old friends after the move. The Sanchez family expressed the general desire of their children to stay in the schools in which they were comfortable in:

> *[My children can't] get used to a new school. It's too soon. They just don't want to go to that school; they want to go to the same school they went to last year… That's what they're telling me, that they don't want to go to a new school. Because they've been going to this other school for three years so they don't want to change schools.*

The Arguello family from southeastern Michigan said that their daughter did not feel as comfortable in her new school because it was less Hispanic-oriented:

> *[M]y daughter felt more, more comfortable with the school she used to go to because it was more Hispanic-oriented, more Hispanics involved…so it was a change there. It took, it took like a couple months, or three or four months, for her to get adjusted to that new atmosphere, the way the kids treat each other, the way she said it was better where she was at, the high school she was at.*

In one extreme case, the Nogales family from the west coast of Florida mentioned that their 17-year-old daughter transitioned to an online school; after the family's single mother lost her car due to financial difficulties, it was too difficult to transport the daughter to school.

Families also identified differences in school quality at the new schools their children are attending. Four families specifically mentioned that the quality of the new school was worse, while two families said it was the same and one family identified it as better. The Saenz family from southeastern Texas expressed concerns about the level of discipline at their children's new school:

> *It is of big difference because they were in the [district name]…[The] children had more discipline, more homework, more attention. They were doing better in school. But not now. Now, this [new] school is very easy to them, it is very—like, it's not the same they had there. It's not the same…[level] of discipline.*

The Suarez family, with three children under ten, also from southeastern Texas, expressed concerns over the academic quality of the new school:

> *[E]very school has a different teaching method, and that affects them, even if it is the same grade, it still affects them because [different schools] have different rules and their teaching ways…I think the previous [school] was better academically.*

Last, the Garcia family, with three children ages three through seven, expressed concerns about the safety at the new school:

> *I will have a problem with the school for my children because the school for that area is like, how can I explain this, it's by an avenue and it's like there is a lot of problems in that school. I mean, like gangs, drugs and—you know…[The previous school], it was a quiet place. It was a better school. This school is very different.*

- **Increased commute times to school impacted both children regardless of whether they had to change schools.**

Six families out of the 25 interviewed saw increased commute times and distance to their children's school after their move. Five families said that their children's commute remained similar to before the foreclosure, and no families identified decreased commutes to school. Families stated that increases in commute times resulted in children arriving late to school and difficulties with children being able to stay after school for activities or to receive extra help from their teachers.

A single mother from northwest Georgia expressed concern over her school-age children catching the bus without her, as she needed to leave for work early in the morning:

> *[T]he children have to walk all the way to another street to take the bus because the street where I'm living now is a dead end and the bus doesn't go there. So they have to cross a large yard and then walk about another block to get to where the bus picks them up and sometimes it's raining or very cold and they have to go walking like that because I go in to work at 7:00 A.M.*

- **Changes in school, increased distance to school, and the stress of instability related to the family's housing had an impact on children's behavior and academic performance in school. Negative impact was also apparent in children's ability to participate in extracurricular activities.**

Thirteen families reported that their children experienced academic difficulties in school after the foreclosure. Issues related to academic performance in school included loss of interest in classes, dropping grades, falling behind in coursework, not paying attention to the teacher, not wanting to attend school regularly, and tardiness. The Uribe family from southeast Michigan identified problems its daughters, ages seven and nine, are having paying attention and their general lack of interest in school:

> *[My daughters are] getting distracted easily, like they don't pay real attention to things. Since I've told them that we have to move out, they're always thinking about their house and they don't seem to concentrate as well. Last year my daughter was going to summer school and she didn't want to go this year…Since she's older she makes up things so that she doesn't have to go to school…but she didn't used to do that before and now she does that often.*

The Martinez family, with two children ages 16 and 18 from the west coast of Florida, also reported a general lack of interest in school and issues related to making friends at the new school:

> *It seemed like [my daughter] lost interest in everything she was doing. I tried to help her with homework; she just seemed like she didn't care…I know she was happy going to the last school, her friends were there. Now where we live now she's made several friends, but it's just not the same as it was.*

The Hernandez family from northwestern Georgia reported that their daughter's grades slipped so severely after changing schools that a social services employee followed up with the family:

> *Well, the girls…They're doing very bad in school…because they used to go to a Christian school that was very advanced and now they're going to a public school…[S]ince they're doing bad in school someone from the county wanted to talk to me or to their mother because they think that they are not being well taken care of.*

The Ibarra family from the west coast of Florida also reported that their teenage children were having problems with grades in school:

> *[My children] have a lot of problems at school. Their grades have gone down a lot. It's not like before; before, they had good grades. Now the teachers tell me*

> *that they are having problems with them at school that they're not paying attention and all that so their grades have gone down a lot.*

Fortunately for the Ramirez family, a single mother with four children ages two to 19 from northwestern Georgia, academic issues among children seemed to be confined to the first few months after the foreclosure and change in schools:

> *The first few months [their behavior in school] did [change]. They had very low grades. They didn't want to get up to go to school and things like that. After about—when they were on vacation, I guess—that's when they got used to the apartment and then when they went back in August [2008] they…were doing okay in school.*

The Henriquez family from the Central Valley of California reported that their seven-year-old son had become more defiant and less attentive in school:

> *I think he has been changed in a negative way. You know, more defiant in school as well. You know, because they have called me, the teachers, and he was pretty mellow and now he is, not bad fighting or anything, but just defiant. Just not wanting to do work or just not finishing or not paying attention. Things like that.*

In a few cases, major behavior problems were reported at school. During and following their foreclosures, five families reported fights among their children, and three families reported suspensions from school due to behavior. The Nogales family from the west coast of Florida described the anger problems of one son leading to fighting:

> *[M]y 18-year-old has been in trouble with fighting…But not with the other son, with other people…He has a lot of anger, a lot of anger.*

Families also reported that children are not as able to participate in extracurricular activities. Three families indicated that their children had stopped participating in such activities. Reasons identified for ending participation were the economic difficulties that prevented parents from paying fees to participate and increases in distance to school. The Ramirez family described the difficulty faced in paying fees for extracurricular activities:

> *I need to have the money to be able to have them participating in [extracurricular activities] because in every school they ask for a deposit or things like that.*

The Salinas family from southeastern Texas described the difficulty that would be associated with picking up their children after school, which was much farther away after the foreclosure:

> *[W]here [we] used to live, they were across the street [from their school]…They could take more school activities. And one could pick them up and all of that. And now…the distance will affect me in picking them up. They will not be able to stay in school [for] extra time. In that regard, they will be greatly affected.*

McKinney-Vento Homeless Assistance Act

The McKinney-Vento Homeless Assistance Act was passed in 1987 to provide funding to states to serve homeless populations. Under the act, children without a fixed, permanent address are guaranteed the right to attend the school of their choice. The school district is required to provide transportation free of charge and waive otherwise required documents such as proof of address or immunization records. Despite their likely eligibility, families who have lost their home to foreclosure seem unaware of their children's educational rights under the act. As a result, many are changing schools when it may be unnecessary to do so.

The authors interviewed McKinney-Vento homeless liaisons in three of the target regions: southeastern Texas, the west coast of Florida, and the Central Valley of California. Participants expressed two core concerns:

- **Families experiencing foreclosure seemed unaware of the services available to them.** While McKinney-Vento liaisons in school districts reported large increases in families served since the start of the foreclosure and economic crisis, they expressed concern that previous homeowners are not using their services. School district staff thought that families who experience a foreclosure were less likely to reach out for services because they had been less likely to need social services in the past and felt embarrassed about the foreclosure. Specifically regarding Latino families, one liaison indicated her belief that the goals of advancement and self-sufficiency, powerful motivators in immigrant communities, caused shame that prevented families from seeking services for their children.

- **Unstable housing circumstances impact school performance.** McKinney-Vento liaisons reported that schools were seeing difficulties among homeless children with regard to attendance issues, poorer academic performance, and bad behavior. While some districts have increased tutoring available at schools with high numbers of homeless children, others reported that budget constraints have made it difficult for them to deal with the magnitude of homelessness among their students. They did not specify to what extent these trends were due to foreclosures on homeowners or loss of rental housing.

Financial Security

Not surprisingly, all families experienced a dramatic disruption of their household finances and the erosion of any financial security they once held. The majority of families had at least two causes or circumstances that led to the loss of their home to foreclosure, citing loss of income and increases in their mortgage payments most frequently. The foreclosure resulted in measurable financial losses in the form of cash investments and home equity.

Several families took steps to save their homes, including borrowing to pay their mortgages, taking second jobs, and seeking workouts from their lenders. None of the families reported receiving significant assistance from their lending institution, which was a common source of frustration and resentment. Families also made changes to their long-term financial plans as a result of the foreclosure. A few families reported that they intend to save more and improve their financial practices following the foreclosure, and many families reported making changes in their plans to help children with expenses such as education following the foreclosure.

- **Families often had multiple situations piling on top of one another, causing them to fall behind on their mortgage payments. Unaffordable mortgages and unemployment were the most often cited circumstances that led to the participants' foreclosures.**

On average, families mentioned at least two reasons or circumstances leading up to their foreclosure, and two families mentioned four distinct reasons for the foreclosure. The most common combination of circumstances was underemployment and jumps in mortgage payments. One family from the west coast of Florida noted multiple reasons:

> *First, it was a loss of income. Second, my mortgage loan actually increased because of taxes, which, of course, put me behind because with my less income and my mortgage went up, I was not able to pay it…I had homeowner's [association] dues, too, and they all went up.*

Ms. Ramirez, a single mother with four children, reported that her loan payment was higher than expected and saw increased expenses for child care and a reduction in income after having a new child:

> *It started ever since the boy was born. He was born in November and I had to stay home for maternity leave with the baby and since I was receiving very little money from work—and then when I returned to work it was very difficult for me to catch up because I had to pay for a babysitter and I don't receive child support for the youngest one. So I started falling behind and behind.*

All but one of the families interviewed mentioned underemployment as a contributing factor in their foreclosure, including complete layoffs, reduced employment and hours, and small business failures, and half identified a total loss of employment at some point. One family from the west coast of Florida headed by a divorced mother who eventually became unemployed described the situation:

> *[M]y ex-husband, who was giving me child support, didn't pay me through court. He would give it to me on his own; he lost his job. And me, I had a job where I didn't make too much money, but I started working less and less hours and at the end I lost my job.*

Four families also identified experiencing reductions in hours that led to the foreclosure. One family from northwestern Georgia described their reduction in hours:

> *[W]hen we came here everything was fine. Suddenly they started reducing our hours, and less and less hours, and we were working 30 or 32 hours [a week]; they would suspend us at times for the whole week…It all happened at the same time and we were very unstable.*

Circumstances when one spouse in a two-parent household became unemployed and another saw a reduction in hours were reported by five families. A family from California's Central Valley described employment difficulties experienced by both spouses:

> *It was because of work, because I was also laid off from work, and between the two of us we made just enough for the mortgage payment and all the bills. I was laid off from work because they were laying people off and I was one of those people. And then in November or December my husband was working fewer days. He would work only one day or two days or only eight hours and we couldn't make enough money to continue paying the house.*

Two families reported that business failures contributed to their foreclosures. One of the families who saw a business failure reported taking low-paying jobs to try to support themselves after the foreclosure. A family from the Central Valley of California seemed to be able to cope with their loss of income after their business failed until their son was diagnosed with a medical illness:

> *I owned my own business by then and then everything went bad. So I went back to school. And then my son, my younger son, was diagnosed with autism, so I had to be—stay at home. So we lost one income.*

appeared to be especially affected by employment issues, particularly in regions where construction fueled economic growth and then stopped during the financial and credit crises. Two families from the Central Valley of California both noted difficulties after construction jobs dried up:

> *You know, 'cause I do construction. I'm a plumber…I've been doing it, well, for 14 years already and that's what always paid the bills. And from there, you know, basically since like last year, since last year in August it's been a little rocky…There's work and then I'll be off for a week or two or so…*

And:

> *[My husband] works construction so he gets laid off, like, sometimes in the year. And then he got laid off a lot of times in the last two years…[He] hasn't been really working at all.*

After job loss, the second most frequently mentioned reason for falling behind was a jump in mortgage payments, identified by 11 out of 25 families interviewed. Six families mentioned adjustable rate mortgages (ARMs) or other variations of ARMs with an exploding payment as cause of the foreclosure. One family from southeastern Michigan described the increase they saw in their mortgage payment:

> *Basically it was the interest, it was too high. [Before], we were paying $1,600 every month and it went all the way up to $3,900. It was too much...*

Other families stated that their mortgage payment was unaffordable from the outset. In these cases, the mortgage payment was more than the family had expected, as Ms. Ramirez describes:

> *When I bought the house and they explained how everything was about the payment, that the insurance was covered and all that, they told me that the payment was $445 and my idea was that I was able to make that and I would have money left over and I planned to pay more than the monthly payments to pay it off faster. And then when they gave me all the paperwork*

Figure 2: Employment-Related Circumstances Associated with Foreclosure

Employment-Related Circumstances Leading to Foreclosure	Number of Families
Loss of Employment	13
Reduced Employment or Hours	4
Combination of Employment Loss and Reduced Employment or Hours*	5
Business Failure	2

* Usually, one spouse lost employment while the other spouse's work slowed down.

> *and my first payment was due, it wasn't $445, it was for $513. So that kind of sets you off because you have certain plans and you have a budget and when it's higher, it's difficult because it's [$68] more every month and it's difficult because then you have to spend more. At first I was able to make the payments and all that but then you face problems and situations and you can't make the payments and then you face foreclosure and you lose the house…*

A family headed by a single mother in southeastern Texas described not being able to afford her payment given her monthly mortgage payment of $739 and monthly income of $673. Unaffordable payments also resulted from unforeseen increases in payments outside of the principal and interest associated with the mortgage itself. One family from the west coast of Florida described increases in homeowner's association dues and property taxes as contributing factors for falling behind on its mortgage.

Finally, two families reported issues concerning problematic mortgage refinances that led to their foreclosure. In one dramatic case, a family from the Central Valley of California told of trusting a friend who was a mortgage broker and did not fully understand the conditions of the refinance. This resulted in an increased payment and money owed to the bank:

> *I tried to refinance. And then with the way the economy was going, everything was going good, [my friend, a mortgage broker,] was able to refinance. She gave me this good story that it's going to be good and it's…not going to be adjustable; it's going to be a flat rate. And I was so out of it that I didn't even pay attention. I trusted her with my life…The [broker] that refinanced me was a good friend of mine and she was—who knows what she was doing, but they got me for $12,000 in back pay of the loan. So that right there was where I went down… And then, and then the adjustable [rate] just kept going up and up and up and up.*

- **Several families sought a workout from their lenders to try to save their homes. Lack of cooperation from the lender or, in one case, falling prey to scammers while trying to save the home were identified as circumstances leading to the foreclosure.**

Five families mentioned contacting their lenders to seek a workout; however, these families described problems with the foreclosure action their lender took or described problems communicating with the lender. One family from southeastern Michigan described paying a large sum to the lender to try to save the house, yet falling behind again:

> *[W]e talked [to our lender] and we would come to an agreement…They asked us for $2,500 and we gave it. It was a big sacrifice; we paid it because we didn't want to lose the house. But then we fell behind another month because again my husband was unemployed for about a month. So we called again, telling them that we didn't have work, wait a little bit, we are going to pay and they didn't want to give us another chance.*

Figure 3: Mortgage-Related Circumstances Associated with Foreclosure

Causes and Circumstances Mentioned in Interviews	Number of Families
Unsustainable Mortgage	6
Unaffordable Mortgage Payment	3
Problematic Refinance	2

A family from southeastern Michigan, whose mother had a heart attack, noted that the money they thought would be used to catch them up on their mortgage instead went to late fees:

> *We fell behind in a couple of payments because I had a heart attack, and so I negotiated with the mortgage company and they said send us $2,300 and you will be square. So we did. And then three days later is when I get a knock on the door and they tell me that I was in foreclosure and then I called the mortgage company and asked them, how can I be in foreclosure, I sent you all that money, and they said they had to use it for late fees and interest.*

Finally, a family from southeastern Texas thought that the bank did not handle the paperwork correctly and described the bank's actions:

> *I think that the bank that owned my house didn't do the necessary paperwork. It didn't check the paperwork I submitted when I requested people to help me keep the home, because they were supposed to send me some papers—papers I have never received. And all of a sudden I didn't even receive a letter in the mail on their behalf telling me that the house would be foreclosed…When I talked to them two weeks before they took away my home, I talked to them and they told me to wait because the paperwork wasn't ready yet, I mean, they still needed a final decision. And all of a sudden, they leave a letter at my door [telling me to leave the house].*

Finally, one family from southeastern Texas fell victim to a scammer when trying to save their home. The recently divorced mother of this family reported paying the scammer $1,300. She described the situation, in which she and her sister-in-law paid him nearly $8,000 before he disappeared:

> *[T]hrough my sister-in-law, I met [the scammer] in May. He said that he could help us, that he was in a program that could help families that were losing their homes. And that he could help us. But that we had to be two months behind on our mortgage payments. So, uh, we started bringing in all the paperwork and everything…After that, he said he needed a payment. So, I gave him $1,300, which he never returned to me…He asked my sister-in-law [for]…about $2,000. He never returned that to her. He was also telling her that he was going to help her with her home situation. I think she gave him several house payments, but…he just simply disappeared.*

- **Families lost vast sums of equity and family wealth during the foreclosures both from the loss of the home and declining property values associated with the larger foreclosure crisis.**

On average, families lost $89,154 in equity due to the loss of the property and declines in property values. The most extreme loss of equity was $245,000 reported by a family from the Central Valley of California who estimated that their house, once worth $325,000, was worth only $80,000 at the time of the foreclosure.

These losses contributed to the anxiety and emotional and mental stress of the household. The Bilbao family from the Central Valley of California, which reported a $118,000 decline in value on their home, described their financial loss, saying, "[W]e put all our money into our house, our old house, the house we lost." The Sanchez family from northwestern Georgia expressed a similar sentiment of frustration over their loss of equity:

> *It's not easy having to leave behind a place where you've invested so much money and now these companies or agencies just screw you up. Because I put [a] $56,000*

> *down payment for the house—it was a lot and I lost everything. Everything I made since I've been working here. Plus the money that I put in the house fixing it.*

Including the Sanchez family, eight families identified having put work into their homes and making improvements prior to losing them to foreclosure. Many of these families purchased homes that were not in good condition and had invested time and money in making the homes livable for their children. These families often reported making significant improvements to the homes. The Hernandez family of northwestern Georgia added a second floor and garage to their house. The Torres family from the Central Valley of California described the improvements made to the home, many of which the family members did themselves:

> *But the sweat and the hard work I put into the house, you know, with the 18 by 18 tile…just removing sheet of rock, sheet of rock, mudding, texturing…bullnosing the corners and…put in new tub, tile around… Cemented the front, you know, in the front yard, you know, new driveway and all that in the back…I did a lot to it…It's the work that I did to the home. You know, the light fixtures I hung up…I didn't pay [anybody] to go do that. I did it myself...That's what gets me. That's what kind of upsets me. That I did the whole thing [myself].*

The frustration expressed by the Torres family was echoed by other families. Families often expressed a great sense of loss after making improvements to their homes. The Helmes family from southeastern Michigan expressed this feeling of loss and frustration:

> *Because when they gave me the house it was in [bad] condition and I had to invest in order to get it in better condition and then someone else comes, gets it for a lower price, and the table is all set with things that the house didn't have before. So I think that the government or the system or I don't know who was not fair with us. They didn't give us the chance. The bank was only worried about getting their money back without caring for the sacrifice that one did…*

- **Families also lost assets beyond the equity in their homes during the foreclosure. These assets had both economic and sentimental value to the families.**

Families reported losing assets other than their homes in the foreclosure. Two families reported losing their cars due to the financial troubles leading up to the foreclosure. The loss of vehicles could be challenging for families given that commute times and patterns often changed during the foreclosure. In addition, the Dominguez family from southeastern Michigan reported losing several items of furniture, including antiques, that they could not get out of their home before the lender repossessed the house:

> *The worst thing was the fact that I had to leave some stuff behind and a few of the items that I left behind were antiques that were my grandma's and my mom's, and they are no longer here, so…that really bothered me. There was a lot of stuff that got left behind…*

- **Many families borrowed from friends and family in an effort to avoid their foreclosure or transition to a rental unit. When this was not possible, they turned to alternative sources for credit.**

Of the 25 families interviewed, 17 reported borrowing money from family or friends in the time leading up to and after their foreclosure. Families mentioned using the borrowed money to pay their mortgages when trying to hold onto their homes and for rent after the loss of the home. Among families that reported an exact amount of how much they borrowed, the average amount borrowed from friends and family was nearly

$3,300. The maximum amount borrowed by one family was $15,000. The Sanchez family from northwestern Georgia described their borrowing behavior:

> *You always have to [borrow money] because there's just not enough money coming in. As my wife gets paid we pay back and then we have to borrow more. It's constant.*

The Ramirez family, also of northwestern Georgia, described a similar process. They also described needing to use companies, or payday lending institutions, when their family is unable to lend them money:

> *I have to borrow money from my family or I ask for a small loan, about $200 or $300 at a company here, and I pay it as soon as I can and that way I know that when I need again, I can go again and ask for a loan again.*

- **Many families experienced great difficulty when trying to move past their foreclosure.**

For several families, the circumstances that led to the foreclosure continued to cause problems, especially in their home search. For example, a single mother with two children from the west coast of Florida found that the damage to their credit blocked them from certain apartments:

> *Homeless, I could say we were very close to it. I had like a week to get out of my home and I found an apartment and my credit was not very good at the time, they denied me, and I was able to find the apartment I live in now.*

Another family struggling with unemployment in Georgia reported:

> *So with this rent it's comfortable and it's a comfortable place for the family, but because work is still a bit unstable and she's pregnant now, we have decided to cut down our budget and look for a place where we pay less. Thus [we will be looking for] a smaller place [where] it's cheaper.*

Several families discussed the challenges their damaged credit score created when they tried to move beyond their foreclosure. For instance, the Nunez family from northwestern Georgia described how having poor credit could limit their opportunities:

> *[My credit score is] very low now. Now it's around [400] something. My credit was very good. You know that when you lose a house in this country that's something else. I basically don't have credit right now. A lot of doors have been closed.*

The Helmes family of southeastern Michigan described being turned down on an auto loan for a truck the father needed for work:

> *When the foreclosure process started I was—as I told you, I work on my own and my truck that I use for work broke down and at one point it was easier to buy a new one and pay monthly payments instead of spending $2,000 or $2,500 fixing the engine, and I went to two or three dealers and they all threw at my face the problem with foreclosure. So wasn't able to do that. So our credit is very low. It affected us a lot.*

Planning for the Future

For most families, the home served a dual purpose in their life. It represented an investment that they expected would pave the way for greater financial security in the future, and it was a symbol of economic advancement and achievement. The symbolism of homeownership is especially powerful among immigrants, many of whom cited dreams of homeownership and greater life opportunities as powerful drivers in their decision to leave their home country and move to the U.S. Thus, the loss of their home had financial, social, and psychological effects on the way families thought about their plans for the future.

- **Families indicated that they had made changes to their long-term financial plans as a result of the foreclosure. Most expressed great concern regarding their inability to help their children financially.**

Most frequently, parents indicated that they were concerned about their ability to pay for long-term educational expenses for their children. The Nunez family from northwestern Georgia described their sense of loss with regard to their children's future educational plans:

> *[W]e invested the money we had [in the house] thinking that the money that we were investing would be for our children to study, hoping that they didn't have to be moving here and there, that they would have a home and be stable. We had dreams and plans. For them to study, go to college. We had plans, with the money that we gave as down payment, that we could use it for them to have a career or study something good. But now, there's no house, there's no money, and there's no dreams. There's only our good intention of doing all that for them.*

The Ibarra family of the west coast of Florida indicated their hope that their children would qualify for college scholarships to continue studying:

> *[M]y children have always wanted to finish studying and have a career. I hope to God that things change and when they graduate the universities, [that they] don't have any issues and they can get a scholarship or something and they can continue studying.*

Families also expressed concerns about their ability to help with big ticket purchases, such as a vehicle. The Henares family of southeastern Texas also expressed a change in their plans, saying, "We were planning on buying my son a car, but we don't have the, the money to buy it [now]." The Burgos family from the Central Valley of California, whose daughter attends a local university, expressed concern that the car she was using to commute would break down:

> *[Our financial plans have] changed completely…[W]e were planning on paying off our house, our cars, the university for the children. All that changed…My daughter just went to the Sacramento University and she's using her father's car. But I hope it doesn't break down or anything because we are not going to be able to buy her a car.*

Ms. Nogales from the west coast of Florida, whose parents and sister are also facing foreclosure, explained her family's change in plans:

> *When the kids…graduated from high school and went off to college, that was one of [my parents']…thoughts…they would try to help, you know, the grandkids get a vehicle and stuff. I was going to help, too… I had actually told my 18-year-old son that when he got his license and all, which he got this summer, I would help him get a car, [which I can no longer afford]. I think he's mad about that, too.*

- **Participants expressed strong feelings of frustration and disillusionment with the intertwined concepts of homeownership and the American Dream. In some cases, this resulted in families losing interest in owning a home again in the future.**

Overwhelmingly, the parents interviewed stated that their concept of the American Dream—however they may have defined the concept—had changed. In particular, participants described a feeling of disillusionment with the home purchasing process and opportunities to get ahead financially. The Garcia family from California's Central Valley stated:

> *You come from [your country] to this country and you want to be successful, let's say it that way, and you want to have a better life here than in [your country]. You know that in [your country] you don't have the opportunities that you have in this country. But right now this country, it's like…you're drowning. Instead of going up, you're going down. Why? Because all the doors are closed…*

Ms. Arguello, a single mother from southeastern Michigan, expressed indifference:

> *I really don't, I don't see [owning a home] as an American Dream. I just see it's a necessity that we need to live in a home so…[I] don't have that excitement like I did, like when I wanted to buy my first home when I did. It doesn't feel the same. To me it's like, if I buy a home, I buy a home. If I don't, I'll just rent.*

Others went beyond disillusionment to express frustration. According to the older couple that resides with their adult daughter and two grandchildren:

> *I think that the banks are not fair in certain situations, because it's not only us; there are a lot of people who are facing this same situation. I mean, if it was that we went on a trip and we spent the money—but we weren't [paying our mortgage] because there's no work. So the bank doesn't want to negotiate and if we ask for a loan [to purchase a home again], it's going to be the same thing. If you have any kind of difficulty, the bank is not going to give you a chance on anything.*

Ms. Henriquez from the Central Valley of California stated:

> *Well, it changed, you know, completely. You know, you had a dream and that's the word these people, you know, tell you could do it and give you this loan. And, and now you are back, you know, worse than you were before.*

One single mother with three children doubted her ability to achieve her own dream of homeownership and expressed concern over whether her children would be able to attain the economic success associated with American Dream:

> *I've owned three homes. I never, ever thought that I would lose a home. I'm scared, you know, I don't know if [I want to own a home again]. This last one just really did me in…I don't think it is available and likely to happen for a lot of people. I feel bad for these people that come out of college, you know? My kids are going to be going into college, hopefully. I don't know what kind of future they're going to have with being able to come out of school…I, honestly, I feel bad for my kids. I, I feel scared for them and sorry for them of what the next ten, to me, ten years are going to be like for our youth…I think it's going to be very hard for people to live that American Dream that, you know, when I was younger we were able to live.*

Seven of 18 conveyed their doubts of being in a position to own a home again in the future. Ms. Saenz, a recently divorced mother of three from southeastern Texas, hoped to be able to purchase a home again in the future but questioned whether it would truly be possible:

> *That is my dream [to purchase a home again], but I don't know when that would be…[The foreclosure] has affected [that dream] a lot. Psychologically, one gets*

> *really depressed, but again, I don't lose hope of having my own home, my children having their own home, and, well, get ahead.*

Others stated outright that they did not want to purchase a home again in the future. One family from northwest Georgia stated that they would "rather die than [own a home] again." Ms. Arguello stated:

> *In regards to buying a home, I really don't want to buy a home. After this experience it's, like, it's really affected me emotionally, like thinking about buying a home. I really don't want to go through that again. If I could buy a home later, in the future, I would try maybe to buy a home. Right now, I don't have any plans any time soon.*

- **Despite their challenges, many participants were resilient when considering future opportunities for economic and social advancement.**

Given the common feeling of disillusionment, it is somewhat surprising that most remained optimistic that they could achieve financial security, homeownership, or other economic success in the future. For example, the Uribe Family from southeastern Michigan stated:

> *I think it's possible but, I mean, you have to work hard…I think that maybe in the future I will be able to do it by working very hard.*

The Helmes family from southeastern Michigan stated:

> *Fortunately we're very positive people. So, we know that this problem is not going to knock us down. Right now we feel like we're down on the floor but we know that we're going to get up and that the American Dream is true. If you work hard you can fulfill it.*

The Nunez family in northwest Georgia echoed the same sentiment:

> *I am the type of person that I could fall and fail but I will not stay like this. I know that sooner or later an opportunity will come up. I believe that this affected me a lot but that doesn't mean that I'm going to stay where this situation has me. I have to find a way to, as I told you, I'm exploring ways to—maybe selling water or something. I'm that type of person. I like to work hard for my things. I have no problem with that. I don't like to depend on other people and bothering other people in order to get what I want.*

Discussion

The interviews demonstrate the profound impact that foreclosure has on households, family dynamics, and the well-being of children. The parents interviewed consistently describe a great sense of loss because of the foreclosure and report feelings of depression and guilt. As a result of the foreclosure, their marriages and their relationships with their children have been challenged. Of the 25 families interviewed, 14 reported experiencing increased tension or arguing in the relationships between spouses or partners heading the family. In ten families, the parents actually considered divorce or separation as a result of the conflict. While the majority of families have stayed together, two experienced temporary separations and then reunited, and two other families experienced a divorce or permanent separation related to the foreclosure and associated economic difficulties.

Many tapped into their extended networks for temporary shelter, transportation to work or school, day care, and other assistance to make ends meet. While the participants described the assistance of their family as invaluable, multiple moves and cramped conditions exacerbated the stress caused by the financial difficulties and often resulted in greater arguing and tension.

Overall, 15 participants reported that their living circumstances were not stable. Although the majority had relatively few moves (only seven had moved more than once), this was not an indicator of stability or that a sustainable residence had been found. Those who had moved only once were more likely to describe their living situation as unstable, compared to those who had moved multiple times. All three families still living in their foreclosed homes described their situation as unstable. This suggests that it may take several moves after a foreclosure before a family finds a workable, permanent home.

Household stress often spilled over onto the children, having a negative impact on their overall well-being, physical health, grades, and behavior. Their parents expressed a common concern regarding their children's mental health, as the children exhibited increased signs of depression and anger. In some cases, physical health and safety were also cited. Parents often worried that they lacked the ability to pay for routine doctor visits and some skipped their own medical treatments to save money. Several turned to public benefits to try to fill the gaps in their budget. Of those who had some form of insurance, five families reported that their children were covered under the state's child health program and four had partial coverage for some members of the family under one of the parent's employment. Three families had complete health coverage for the whole family. Also, many parents reported that as a result of the foreclosure, their children became distracted at school or let their grades slip.

Without question, the foreclosures had a devastating impact on the household budget. Families cited multiple reasons for their foreclosure, most of which continued to cause problems for the family as they attempted to move on. Many had exhausted their savings, as well as on occasion the savings of a family member, leaving them with no safety net as they moved on to their next phase. Several talked about ways they would handle their household budgets and homebuying process differently. One family acknowledged that saving money was a new habit and another decided to buy bonds as a safer way to save for their children's education. Four families wished that they had more information before they had purchased their home or felt that their lender took advantage of them. Three others reported that they trust financial institutions less because of the experience. None of the families received significant assistance from their lender in their attempts to avoid foreclosure, yet another source of frustration. A few families said they felt their lender had mishandled their paperwork and did not give them a real chance to save their home.

The execution of the foreclosure was the ultimate blow to the family's financial security. Not only had they drained their savings in an effort to save their home, but all participants lost equity as a result of the foreclosure as well as declining property values in their area. At the time of their foreclosure, 15 families indicated that they owed more on their homes than the home was worth. While a few families reported negative equity due to a refinance or taking out a second mortgage on their homes, many reported that their negative equity was caused by declining property values. In some cases, sizeable down payments that had been made when the home was purchased kept families who lost value on their home from being underwater on their mortgage.

Based on information provided in interviews, the amount of equity lost was calculated for 22 of 25 families. The average family lost $89,154 in equity. In total, among the families interviewed, $1,614,000 was reported in lost equity and family wealth due to the foreclosures and associated declining property values.

In addition to financial losses, many families reported being unable to access credit after their foreclosure. Most families indicated that they knew they would not be considered creditworthy and avoided it altogether. Five families applied for credit following their foreclosure for purchases ranging from a new cell phone to a new automobile; all were denied traditional credit.

The family who tried to open a new cell phone plan was able to do so but had to put down a large deposit. The same family also mentioned that its car insurance payment went up as a result of a drop in credit score after the foreclosure. Moreover, families who had previously accessed more traditional forms of credit also saw those sources dry up as a result of the foreclosure. One family mentioned using its credit cards to try to pay the mortgage and avoid a foreclosure. This family, along with several others, saw the limits on their credit cards lowered following the foreclosure. Families often fell behind on other bills and complained of bill collectors contacting them after the foreclosure. Three families mentioned filing or considering filing for bankruptcy to deal with the constant harassment from creditors.

Finally, the respondents' discussion of their future plans and aspirations drew a complicated picture. Understandably, those with the most recent foreclosures were more likely to express deeply felt frustration, sadness, or depression. Those whose foreclosure had occurred at least a year prior were more subdued and spoke more clearly about specific ways in which they had changed their future plans. That is not to say that their financial, social, or physiological challenges had lapsed, but simply that their raw emotion had dulled. Discussion of the American Dream demonstrated that the concept remained powerful and symbolic for all the participants, especially immigrants. Regardless of when the foreclosure occurred, most families, 17 out of 20, reported that their perception of the opportunities associated with the American Dream, such as homeownership, financial security, and movement into the middle class, had changed. Still, parents remained hopeful when asked if they thought those opportunities would be attainable in the future. Of the 22 who responded to the question, 15 felt it would be possible with hard work or an improved economy. Immigrant participants were even more likely to view the future with some optimism: 11 of 14 foreign-born participants who answered the question felt that they would still be able to achieve their dreams in the future.

Recommendations

Homeownership has long been a public policy goal because of its documented societal and individual benefits. Homeownership allows families to choose and create good neighborhoods by investing, putting down roots, and building social networks. In addition, homeownership empowers families to build wealth to send their children to college, save for retirement, and create an inheritance for their children. These benefits certainly hold true for Latino and immigrant families for whom homeownership represents a significant share of household wealth.

Given the benefits of homeownership, policymakers have invested in expanding ownership opportunities for all by making the mortgage interest tax deductible and, specifically for low-income families, by creating down payment assistance and homebuyer counseling programs. The Federal Housing Administration (FHA) and Veterans Administration (VA) mortgage insurance programs use the power of federal government guarantees to drive capital into low-income and first-time homebuyer markets. Cities and states have followed suit by creating proprietary down payment programs and special subsidized mortgage products, often through state housing finance agencies. However, while homeownership opportunities were expanding, consumer protections failed to keep pace with market changes. As a result, many of the target populations that policymakers had hoped would achieve financial security through homeownership became victims of lending abuses facilitated by poor oversight and regulatory and legal loopholes.

Action is urgently needed. As we have found, more foreclosures will have a devastating impact on the well-being of children, their families, and their communities. Policymakers must consider responses that will both stabilize circumstances for families who have experienced a foreclosure and resuscitate the vision of homeownership as a wealth-building tool for those of modest means by addressing the gaps in policy that allowed predatory lending to flourish.

In this section, the authors outline stabilizing interventions to be implemented in the near future and policy interventions that could rebuild assets and put families back on the path to the middle class over the long term.

Stabilizing Interventions

- **Stop foreclosures and home loss.** Policy interventions intended to stem the tide of foreclosures have proven ineffective. Rather than relying on the voluntary actions of financial institutions, policymakers must consider an approach that will systemically and automatically modify troubled loans. The process should be streamlined to present the least amount of barriers to participation as possible.

- **Minimize the number of post-foreclosure moves by providing stable housing opportunities.** We observed that multiple moves became a driving cause of many of the challenges plaguing families who experienced a foreclosure. Fewer moves could lessen family conflict and disruptions caused by school, daycare, and commute changes and eliminate some financial stress. We recommend two complementary strategies, best pursued simultaneously:

    - **Increase the supply of affordable rental housing available to foreclosed families.** This can be done by issuing emergency Housing Choice Vouchers or converting foreclosed properties into affordable rental units, both of which are currently funded by federal programs. However, neither has achieved a scale necessary to meet the demand of families transitioning out of ownership. Improved targeting of the resources and increased funding are necessary, but resources are still likely to be limited and another course of action is also required.

    - **Allow families to stay in their foreclosed homes as renters.** One promising model is to facilitate public-private partnerships in which whole loans in distress are purchased from secured trusts and local nonprofit organizations can be hired to manage the property and counsel the borrower. Adding a lease-purchase option by setting aside a portion of rent to contribute to a future down payment or closing costs at a later date would also reinvigorate asset-building opportunities. This model would require a willing investor, nonprofit housing counselors and property managers, and cooperation from trusts. The Treasury could facilitate the process by dedicating a portion of Troubled Asset Relief Program (TARP) funding to subsidize the purchase of the property.

- **Issue emergency public benefits to families who have lost their home.** Many families were unaware of their eligibility for public programs that could help plug the gaps in income and provide services following a foreclosure. Many participants had never used public benefits; not only were they unfamiliar with the programs, there was also often a stigma attached to asking for public assistance. To overcome these barriers, communities need the resources to establish rapid response teams, ideally consisting of partnerships between local governments, schools, and housing counseling organizations. Two strategies should be pursued simultaneously in this area:

    - **Raise awareness of public programs and benefits for which families may be eligible.** For instance, the housing counseling infrastructure could be used to enroll eligible families into programs. Any effort to contact a homeowner prior to a foreclosure should also provide information on emergency services available for which the family may qualify. Activity to educate families about such programs must be carried out in a culturally appropriate manner to be effective. In addition, local institutions and media should work together to promote program enrollment and reduce the stigma associated with receiving temporary public assistance.

  - **The U.S. Department of Housing and Urban Development (HUD) should expand its definition of homelessness to ensure that more families are eligible for services.** While the Department of Education's definition of homelessness is fairly broad, the HUD definition on the other hand is narrow and excludes those who stay with family members temporarily. This means a number of families who are eligible for education-related supports are ineligible for HUD's federal homeless assistance, which includes shelter, transitional housing, and other support services. The HUD definition should be broadened to align with the definition used by the Department of Education.

- **Strengthen school infrastructures to connect families to emergency benefits and increase their participation in programs for which they are eligible.** Schools are a nexus through which information on public benefits and other relief resources could be shared; this role must be embraced by school administrators. Special funding should target hard-hit schools, providing them with training and resources to aid their families in economic distress. Schools also need to make families more aware of their rights under the McKinney-Vento Homeless Assistance Act. Families interviewed mentioned that changing schools was particularly traumatic for their children, yet none had accessed the free transportation available to them under the act.

- **Inform the public of the multigenerational impact of foreclosure on families through coordinated public campaigns.** Foreclosure has largely been presented to the public as having a negative impact on communities and lenders, while the multigenerational impact on individual families has been largely overlooked. Foreclosure needs to be presented to the public in terms of its negative impact on families and their children, who will be experiencing these effects for years to come. A public campaign could also reduce the stigma of foreclosure, which sometimes inhibits those affected from seeking assistance, by putting a face on the crisis. Many families are facing foreclosure because of drastic economic decline rather than poor decision-making. Furthermore, foreclosures are pervasive and impacting a cross-section of neighborhoods across the country. Drawing greater attention to this and the impact of foreclosure on families could spur action at the local level.

Policy Interventions

- **Enact a credit scoring amnesty.** Millions of families are experiencing foreclosure due to circumstances that are beyond their control and have no bearing on their actual risk profile. Findings in this study reveal that unemployment was a primary driver of defaults, with unsustainable loan products as a secondary cause for many. Damaged credit scores will not only reduce an individual's ability to secure credit but also hamper economic recovery efforts as millions of households are unable to move beyond their foreclosure. A credit scoring amnesty would isolate the negative consequences of the recession on individual households and minimize their impact on credit scores.

- **Rebuild decimated wealth and restore financial security and stability.** Millions of families across the country will see the wealth they had accumulated through homeownership and reserve savings evaporate when their foreclosure is finalized. Most participants in this study cited an inability to access credit. Families in this situation are likely to rely on undesirable forms of credit, such as payday or car title lending, which could exacerbate their fragile financial circumstances. Instead, families need reliable financial tools that will help them get back on their feet and begin to rebuild their credit history. Promising programs that connect families to such products, and in which federal and state resources should be invested, include expanding funding for Volunteer Income Tax Assistance (VITA) sites; creating or enhancing a savings or retirement vehicle for those who went through foreclosure, such as a match for a child's 529 savings program or allowing pre-tax contributions; investing in small-dollar lending that provides a financially safe alternative to payday loans; and establishing incentives for employers to facilitate employee banking and savings.

- **Connect families to sound financial advice to aid their financial planning and recovery.** Traditional financial education programs have failed to equip families with the tools and information they need to make complicated financial decisions. Most households have an ongoing need for advice tailored to their life circumstances as they evolve and change. Furthermore, families who have recently experienced a foreclosure are being forced to rethink their entire financial future. Such advice is not a new concept, yet most working- and middle-class families cannot afford the fees charged by professional financial planners. Policymakers should consider two complimentary strategies:

  - **Invest in community-based, nonprofit financial counseling that can provide free and objective advice to families in need.** Community-based practitioners can offer sound advice to families who cannot afford to pay a financial planner. Financial counselors offer advice on a wide range of topics, such as opening bank accounts, establishing a credit history, and evaluating auto loan offers. These topics should be expanded to include advice on recovering from bankruptcy or foreclosure and long-term retirement planning.

  - **Establish a refundable tax credit to subsidize the cost of visiting a private, certified financial planner.** A tax credit would create a market incentive for financial planners to serve those of modest means, who have not typically been seen as attractive customers for this field. Using the Saver's Tax Credit as a model, this credit should be refundable and have its own line item on the 1040 tax form, making it accessible to average families. The credit should be enough for at least one visit a year, giving families the opportunity to receive an annual financial check up.

Both of these approaches are flexible and can be adapted to meet a variety of needs. For example, community-based organizations could partner with schools to provide age-appropriate financial education to children and parents. Colleges and universities could make financial planners available to students when they are considering their financial aid package. Employers could provide space and time for employees to meet with planners or partner with community-based organizations to deliver free advice.

- **Provide a means for families who experienced a foreclosure to enter into homeownership again.** Many families we interviewed experienced foreclosure because of employment difficulties beyond their control. Once their financial situation stabilized, many of these families also indicated a desire to reenter the homeownership market. Federal administrators should establish a "second-chance" FHA/VA loan product for families who, when their situation has stabilized, would like to buy a home again.

- **Prevent future steering of vulnerable homebuyers into unsustainable mortgages by deceptive lenders.** During the housing boom years, borrowers of color, the elderly, women, first-time homebuyers, and others were frequently steered toward subprime mortgages despite having the credit and income to warrant prime pricing. Moreover, many were pushed into specific types of high-cost home loans that carry a higher risk of foreclosure due to resetting rates or negative amortization. To prevent future deception in the mortgage market, policymakers must enact a strong set of protections that will enable families to access the most favorable loan for which they qualify. New protections should promote fair lending and come with strong enforcement provisions as incentives to follow the letter and spirit of the law.

While this research has provided a glimpse of the issues faced by families who lost their home to foreclosure, it does not constitute a full study of foreclosure's impact on families. We would like to see an expansion of research to include a rigorous, quantitative examination of the impact of foreclosures on families and children. Appropriate agencies should fund research to collect and analyze quantitative data on this topic. In addition, further research should expand beyond Latino families. This will provide a deeper understanding of how foreclosure affects families of various racial and ethnic groups and, in turn, allow for more appropriate policy responses.

Appendix A: Family Profiles

This section provides an in-depth profile of one family from each of the five regions where interviews took place. These profiles follow the families' full stories and describe how they were impacted in each of the areas described above.

Nunez Family of Northwestern Georgia

The Nunez family includes a young mother and father who were born in El Salvador and a five-year-old son. The family is also expecting a second child. Mr. Nunez was interviewed to find out about his family's experiences. The family speaks both English and Spanish at home. Mr. Nunez described his family's difficulties since selling their home in California and moving to Georgia:

> *We moved from California, and you know that the economy was fine. When we came here, everything was fine. Suddenly, they started reducing our hours, and less and less hours, and we were working 30 or 32 hours [a week]. They would suspend us at times for the whole week and then it all happened at the same time and we were very unstable. And that also brings family problems, the economic instability. I started having problems at home also, all because of the same reason. I was trying to come out of this and seeing how the economy was going down and being at this job for so many years and you just lose it from one day to another. So much work, working for ten years; in one minute it had all gone down the trash. It was over and it was very hard for us.*

The Nunez family was forced to move multiple times after they lost their home, causing greater instability and contributing to household tensions:

> *That has been one of the biggest consequences that we've had to face. Since our [finances were] so bad due to the fact that we had lost all the [home]*

investment, we went to live at some apartments, and they told us that we couldn't live there because supposedly between the two of us we were making more than what they allowed. So we had to leave there; that was one move. Then we moved over here. We're renting a little house, but my wife is only working for about 32 hours [a week for] a year now, so we've decided to move. Right now I'm packing our stuff in order to look for a cheaper place. We just can't be economically stable after the loss, and as a head of the family it's been very difficult for me to be moving my family from one place to another. Today my son asked me again, "Why are you undoing my bed? Are we going to another house?" I mean, it's difficult as a parent [to] be from one place to another wanting to be stable. Everything is so expensive and the situation is very difficult right now. There are not steady jobs out there. But we're trying. Very unstable. Imagine that I'm moving again now. We're going to another place and we don't know how the jobs are going to be. I don't know when my wife will be able to start working at least the 40 hours and we have a baby on the way. So it's very, right now, it's very unstable and very insecure.

The mounting financial pressures, multiple moves, and anxiety over the future took a toll on the Nunez's marriage. Mr. Nunez reported that he and his wife separated for a short time before reuniting:

I think that what has been affected the most is the relationship between me and my wife. As I told you, I sent a letter saying that this has even caused my marriage problems; it was very difficult for us to overcome this. We could see that all of our efforts were useless. There was a lot of tension and [we were] very nervous. We almost got divorced. We keep thinking about the instability for our son and it has been very difficult for us. We invested in that house the money that we brought from California. It was a pretty large amount and we lost everything. We had so many hopes and dreams and we've lost all of that. We don't have anything right now. We did separate. My wife couldn't stand it. She said that we came here to lose everything and she moved back to California with her family. But she came back in December. That was very difficult because we lost the house in July and she left around November. I mean, there was no work; there was a lot of instability. That was very difficult. I think that we still haven't overcome that. And that's the reason why we're moving again, to see if we can get our [finances] to be a bit stronger.

Fortunately, the family has not had any emergency medical expenses. Mr. Nunez reported not having any reserves to draw on in the event of an emergency:

Right now we're hoping and trusting God that we don't get sick because we are still not ready for a family emergency or any type of situation. Right now what we're doing is trying to survive. Right now we don't have any money to save, like if we were to have an accident at work and had to be off work for some time, no—on the contrary, I'm worried that something might happen to either of us. That worries me a lot. Or that the boy gets sick and we have no money to buy something; honestly, we don't have that right now. I don't have it.

To try to avoid the foreclosure, Mr. Nunez began work as a truck driver which took him away from his young family for long stretches:

I got my license and I was in contract with a company called [Company Name] and I would come home once a month. I was *not with my family, I was losing the house, and I had to leave the house. I think that was in July. I wasn't at the house; I could come back every month or every 22 days. I didn't see them. Imagine that. Being without your family, no money—that was very frustrating. That was probably one of the hardest challenges that I've gone through since I came to this country. It was difficult, believe me. I think that I still—every time I remember that [it] still hurts me. It hurts me that I went through so much, working so hard, being away from my family, no money, a strange place and—it was hard, very hard for us to overcome this. Believe me.*

The family contacted their lender regarding their situation but was unable to avoid foreclosure, which took place in August 2008:

We had losses, and you know that in this country you try to be stable—but when the economy started going down, I even sent a letter to the bank explaining my case and everything that was happening due to this and they told me that I had to pay a lot of money. And where was I going to get the money if I didn't even have a stable job? And they told me that they couldn't help me and that I had to pay about $12,000 and a long story there. I wasn't able to get any help from them. There was no program back then that could help people who were in my same situation. So I had to go in foreclosure.

Mr. Nunez reported that the family intended to use the equity in their home to help their children study and go to college:

My plans were to—all that money that we gave, we had a house in California and I told my wife, "If we keep the money we'll spend it. Let's just go to Georgia." We came over, found a house. We invested the money we had [in the house] thinking that the money that we were investing would be for our children to study. Hoping that they didn't have to be moving here and there, that they would have a home and be stable. We had dreams and plans. For them to study, go to college. We had plans, with the money that we gave as down payment, that we could use it for them to have a career or study something good. But now, there's no house, there's no money, and there's no dreams. There's only our good intention of doing all that for them.

Despite the stress of the family's experience, Mr. Nunez reports that his belief in the American Dream has not been diminished as a result of the foreclosure:

I am the type of person that I could fall and fail but I will not stay like this. I know that sooner or later an opportunity will come up. I believe that this affected me a lot but that doesn't mean that I'm going to stay where this situation has me. I have to find a way to, as I told you, I'm exploring ways to—maybe selling water or something. I'm that type of person. I like to work hard for my things. I have no problem with that. I don't like to depend on other people and bothering other people in order to get what I want.

Navarro Family of Southeastern Michigan

The Navarro family from southeastern Michigan is one of the larger families interviewed. The family consists of grandparents who reside with their 34-year-old adult daughter, a 16-year-old grandson, and an eight-year-old granddaughter. Mr. and Mrs. Navarro, the grandparents of the family, were interviewed to document the family's experiences. They were born in Mexico, and the family speaks a mixture of English and Spanish at home.

The family described a number of circumstances that contributed to their foreclosure. The Navarro family worked for a small business for ten years, which failed in the difficult economy. The Navarros subsequently took low-wage jobs to try to keep the home:

> *So it started getting slower and I had to look for a job. [I was] making $8.00 an hour, compared to what we were making… The thing is that we work together from home. So the company went [into] bankruptcy and then there was no work.*

In addition, the family's mortgage had an adjustable rate that became unaffordable after it reset:

> *But then the honeymoon was over and now it's divorce time. Why? Because the interest rate that we had wasn't true. Because after two years the fixed interest was over and the owner, the [lender], could set the interest that they wanted.*

To try to save the home, the family paid their lender $2,500 in a workout but soon fell behind again. Eventually, they lost their home to foreclosure in early July 2009:

> *We talked and we [were coming] to an agreement. But [the lender] asked us for $2,500 and we gave it. It was a big sacrifice; we paid it because we didn't want to lose the house. But then we fell behind another month because again my husband was unemployed for about a month. So we called again, telling them that we didn't have work. Wait a little bit, we are going to pay. They didn't want to give us another chance.*

After the foreclosure, the family moved to a new house that was too small, leading to increased family tensions. Mr. and Mrs. Navarro described more conflicts between them and their grandchildren:

> *It's been really bad because the change was really bad. As a matter of fact, we are still not used to the new house. It's way too small for us because the children were used to each of them having their own bedroom. So right now my daughter sleeps with the girl, the other boy we sent to the basement, and my other daughter who is there now—we're fixing another bedroom downstairs. We are all over the place…[Later in the interview] Because right now the house is really small, my husband can't sleep because we made a bedroom out of a living room; we closed it and all that.*

The Navarros described a number of family conflicts and tensions. They continued to disagree throughout the interview, with Mr. Navarro stating, "I really never liked the price of the house, but she liked it a lot and, as she said, it was an investment for the future."

The anxiety spilled over to other family relationships, as well. Mr. Navarro also described his eight-year-old granddaughter's difficulty understanding the family's situation; she had asked him, "Grandpa, why didn't you pay the house?" The Navarros also described observing depression and sadness in their grandchildren, with their granddaughter having a bout of uncontrollable crying after the foreclosure:

> *The girl cried a lot—a lot. One night, when her mother left and my husband was gone, she started like, "Grandma, why did we leave the house? Let's go back," and she was crying and crying and we can't get her to stop. And so we talked to her, my grandson and I, and we got her to start thinking about something else and she kind of forgot that. And now she doesn't say anything but she's like, "Grandma, I want my room again. Why do I have to sleep with my mother?" That's what she asks me.*

The Navarros vented their frustration with the banks and felt they were not given a fair deal with their mortgage or in their efforts to avoid foreclosure:

> *Because honestly, I think that the banks are not fair in certain situations, because it's not only us, there are a lot of people who are facing this same situation. I mean, if it was that we went on a trip and we spent the money—but we weren't [paying our mortgage] because there's no work. So the bank doesn't want to negotiate and if we ask for a loan, it's going to be the same thing. If you have any kind of difficulty, the bank is not going to give you a chance on anything.*

Nogales Family from the West Coast of Florida

The Nogales family consists of a single mother, a 17-year-old daughter, and two sons, ages 18 and 25, from the west coast of Florida. This family was born in the United States and speaks English at home. Ms. Nogales describes three separate circumstances that led to her foreclosure in March 2009:

> *First, it was a loss of income. Second, my mortgage loan actually increased because of taxes, which, of course, put me behind because with my less income and my mortgage [going] up, I was not able to pay it, the adjustable loan. I had homeowner's [association] dues, too, and they all went up.*

After the foreclosure, the family moved in with Ms. Nogales's sister. The new home could not accommodate the two sons, who had previously lived with her, which led to family conflict, anxiety, and feelings of guilt:

> *My daughter and I have moved in with my sister, which I never thought I would ever have to do. Never thought I would be living with my sister at this age. One of the boys comes and stays periodically with me and with a friend and the other one stays with a friend…My daughter and I had our own bathroom and bedroom and now we're sharing everything. My sister is bipolar so it's, you know, it's—but my daughter's not real happy. Put it that way.*

The Nogales sons are no longer speaking to their 17-year-old sister because they are jealous that the sister was able to stay with their mother:

> *Well, for one thing, I think my boys are jealous because I'm providing for her and not helping them out. So of course they're jealous there and, like I said, with my sister being the way she is with her emotional—she's depressed. She [has] manic depression so you can imagine if she—it's already a depressing situation.*

And:

> *When the kids…graduated from high school and went off to college that was one of [my parents']…thoughts…they would try to help, you know, the grandkids get a vehicle and stuff. I was going to help, too…I had actually told my 18-year-old son that when he got his license and all, which he got this summer, I would help him get a car, [which I can no longer afford]. I think he's mad about that, too.*

Meanwhile, the mother expressed a concern that as a result of her move and the uncomfortable living conditions, her daughter is becoming depressed:

> *And my sister has a Pomeranian dog and my daughter has allergies to the dog so that causes her health problems and because my sister, like I said, has, is bipolar, she has her whatever. And my daughter is there more. So to be around it more than me is hard. My daughter is depressed…[Later in the interview] She stays in her*

> *room. She sleeps a lot. She has one really good friend and she lives probably about 15 miles away. So they don't see each other. They used to be with each other every day and night, literally, and I bet they see each other maybe once a week. No, she doesn't hardly see anybody.*

In addition to these issues, the living situation with Ms. Nogales's sister is highly unstable. Her sister also became unemployed and is facing her own foreclosure, as are their parents. Ms. Nogales indicated that her extended family had helped each other financially in the past but they are now currently so strained that they can no longer provide any additional support.

> *My parents are still here and their house actually is in the process of probably going into foreclosure, also. So it could end up where about seven of us are all living in one place and, of course, we won't even know where that is yet, depending on the house with my sister...Ours is like a domino effect. It's like one went into foreclosure then another one because we're all trying to help each other financially. But we're having to not pay this to help pay that to keep this house and it just gets—it worked for a little while. It's not working anymore.*

Ms. Nogales's children have been having trouble in school and outside of the home since the foreclosure. Her 17-year-old daughter switched to an online school program because her old school was too far away to attend. Ms. Nogales explained, "My daughter, she's not in school anymore…The school she was going to, it was too hard to get her to there so she's actually trying to do the online school."

Ms. Nogales was distraught at the ripple effect foreclosures were having on her, her children, and her extended family, which she once thought of as the picture of middle class stability:

> *When we moved down here, we, I've had two homes. My first home I ever bought I bought here in Florida. I bought another one and I sold it and the money I made off that one is when I bought this one. I put all the money I made off that house in this house and I've lost all of it…[Later in the interview] We were, we had a nice home, my parents always had a nice home, we have always been able to provide nicely, you know, for everybody. I don't think my kids ever, ever thought that my, their grandparents, my parents, their aunts and uncle, my brother is also out of work. He's been out of work for years…He's disabled so, you know, he's kind of handicapped, they call it, but so he has a hard time getting jobs and so I think my kids are just finally looking at it going, "Oh, my gosh. We thought we were going to have [the American Dream]." I mean they're seeing [the dream vanish], too. They're seeing me struggle. I've always wobbled but nothing like this. I've always provided for my kids. Everybody always had a decent home to live in and what they needed and now they're seeing it.*
>
> *I never, ever, ever thought I would be in the situation I'm in, never to this day [did] I ever think. My sister says the same thing. My parents always were going to provide, you know, leave stuff for us. They can't even leave anything to help us out anymore because they're now in the same boat and so we really have nothing.*

Ms. Nogales's daughter is fortunate to have access to the Children's Health Insurance Program (CHIP), but she and her sons are not covered, which is yet another source of worry:

> *Honestly, I go to bed every night and I pray and say just please don't let me get sick. I broke my wrist a year ago. That's the first time I've ever had any kind of emergency*

> *situation, but I had insurance. Thank God because I have nothing now. Yeah, really I just, I wake up every day and count my blessings for that.*

The Nogales family expressed hesitation about whether or not they would like to own a home again, and said that she thought the American Dream would be far more difficult for her own children to achieve in the current economic crisis:

> *I don't think [the American Dream] is available and likely to happen for a lot of people. I feel bad for these people that come out of college. My kids are going to be going into college, hopefully. I don't know what kind of future they're going to have with being able to come out of school. I feel bad for my kids. I feel scared for them and sorry for them of what the next ten years are going to be like for our youth.*

Suarez Family of Southeastern Texas

The Suarez family of southeastern Texas includes a single mother, a toddler, and two ten-year-old twins, one boy and one girl. Ms. Suarez was born in Mexico and the family speaks Spanish at home. Ms. Suarez, who lost her home in April 2009, pointed to her loss of employment and a medical emergency as the main reasons for foreclosure but expressed the most frustration over an apparent mishandling of her paperwork leading up to the foreclosure:

> *I think that the bank that owned my house didn't do the necessary paperwork. It didn't check the paperwork I submitted when I requested people to help me keep the home, because they were supposed to send me some papers—papers I have never received—and all of a sudden, I didn't even receive a letter in the mail on their behalf telling me that the house would be foreclosed. When I talked to them, two weeks before they took away my home, I talked to them and they told me to wait because the paperwork wasn't ready yet, I mean, they still needed a final decision. And all of a sudden, they leave a letter at my door [telling me to leave the house].*

Following her foreclosure, Ms. Suarez and her family moved in with family members before moving into their current apartment. The substandard conditions were a source of concern for the family:

> *[M]y children were asking what school they were going to go to…or what's going to happen…whether we're going to have a stable place to live…An apartment may be unclean; sometimes there's a lot of garbage. Sometimes…people drink outside the apartments. I mean, many things like that…they don't have anywhere to play. The space is more limited. They can't be outside running and go out and play because the space is very small.*

Ms. Suarez expressed concern over changes in her son's allergies after the foreclosure in the new apartment, which Ms. Suarez thinks is less clean than her previous home:

> *[M]y ten-year-old boy suffers from allergies…He's allergic to mold, many things, also things like trees, he's allergic to many types of trees…My son…has been suffering more from allergies. I have to take him every other week for an allergy shot.*

The instability of not knowing where they would be going to school was particularly difficult on Ms. Suarez's children. Ms. Suarez described her daughter as more "distracted" in school and said that her daughter "doesn't pay attention to what the teacher is saying." In addition, she noted that her children can no longer participate in extracurricular activities because she would not be able to pick them up from school. Ms. Suarez described the impact of the change in school on her children and the difference she sees in school quality:

> *[My children] want[ed] to know what school they were going to go to, [what] it is going to be like. It is a change, well, it is a different change for them to switch schools. Every school has a different teaching method, and that affects them, even if it is the same grade, it still affects them because [different schools] have different rules and their teaching ways…I think the previous [school] was better academically.*

Looking forward, Ms. Suarez had mixed feelings on the American Dream and whether homeownership was in her future:

> *Well, the American Dream was, like they say, crumbled when I lost my home. But I would like to have the chance again to buy a house.*

Henriquez Family from the Central Valley of California

The Henriquez family from the Central Valley of California includes two parents and two sons, ages four and seven. All family members were born in the United States, and the family speaks mostly Spanish at home. Mrs. Henriquez was interviewed. The family lost the home to foreclosure in May 2006.

Mrs. Henriquez reported that the loss of her business, then stopping work completely to care for her autistic son, contributed directly to her foreclosure:

> *I owned my own business by then and then everything went bad. So I went back to school. And then my son—my younger son was diagnosed with autism. So, I had to be—stay at home. So we lost one income.*

After four moves, the Henriquez family is finally living in a rental house that they describe as stable and adequate for their needs. However, their multiple moves prior caused stress and family conflict:

> *Well, a lot of stress, you know, and not being stable. The children changing schools, or you have to drive them to the school before, so, very unstable situation. With the kids, they—the older one doesn't want to lose [his] friends. They need to move to another place. Or when you are—you know, when I moved in with my mom, the room was so little for us and so we had, so all we need to go was somewhere, and my husband and I [were] fighting because there's [not] enough money.*

Mrs. Henriquez indicated her spousal relationship became strained over finances, and they considered divorce. She also noted that the couple's relationship with their children was strained because the children were upset about having to move from friends. The autistic son also needed a room in the house for his therapy, which he did not have in the unstable housing arrangements prior to their current living situation. Mrs. Henriquez described her family's experience:

> *Yes, there was a lot of [discussion] before we bought a house. We talk about it and then, you know, "I told you, you were not supposed to do this and you did it." Blaming each other, like who was at fault. That "you're supposed to get a job," but I need to stay with my kids, so.*

During the foreclosure and resulting instability, the older son changed schools three times. The autistic son is in a special program and receives therapy at home. The family also saw changes in behavior in the older son in school, and Mrs. Henriquez described his behavior and the resulting phone calls from school:

> *I think he has been changed in a negative way. You know, more defiant in school as well. You know, because they have called me, the teachers, and he was pretty mellow and now he is, not bad fighting or anything, but just defiant. Just not wanting to do work or just not finishing or not paying attention. Things like that.*

The Henriquez family has been devastated financially by the foreclosure. They borrowed $2,000 to help them through the instability of the foreclosure in addition to putting mortgage payments on their credit cards when trying to save the home:

> *Well, when we, when we lost our home, before, I used the credit cards to make the payments for the house…I was not in debt at all, you know. So, I used my credit cards to make the house payment.*

In addition, they recently discovered that their debt was not fully cleared in the foreclosure process:

> *Well, we still—I don't really understand. I thought the foreclosure was supposed to take care of everything, but they told me no, only one of them. So I still owe like $50,000. Close to $60,000.*

Mrs. Henriquez described being steered into an expensive loan by her real estate agent and how that changed her perspective on the American Dream:

> *Well, it changed completely. You had a dream and that's the word these people [use]; tell you "you could do it" and give you this loan. And now you are back, worse than you were before. I got a phone call…[The] real estate agencies [said] we'll come out and it was in Spanish, my language—They said, "We can help you, just go to the house, we'll let you know and soon if you can qualify or not." So we say yes, why not? And then, he came to our home…We said what kind of house can I afford? And his answer was, "If you want a million dollar house, I can give [it to] you." That was his answer. Whatever you want. And I said well, my question is what can I afford? And, and he said, "You just let me know how much you want to pay." So he was—sounded very easy. You tell me how much you want to pay; I'm going to get you the house. Whatever it is. So, we got very excited. So we actually can get a home. So we went to look at houses… [Later in the interview] I just figured out my money I get every month. I said I could do this. And they didn't do any budget or anything. And when we were doing the paperwork, you know, we realized they put that we made more money than we, than we really did…And then he didn't say that he put that till he said okay, this—"The bank is going to call you and you need to say this." So he—the person told us what to say and then my husband was like, "No, we shouldn't do this." And I don't want to do that and I don't remember, but I think he even said we didn't have our own business, like we were—it was a lot of lies. Then we knew when we said well, where we want our house. So we did it…to fulfill the American Dream. To have my house.*

Mrs. Henriquez still thinks her family can achieve the American Dream but admitted that fulfilling the American Dream of homeownership again "seems very far away."

Appendix B: Methodology

This project used a series of interviews to gather data on the impact of foreclosure on Latino families and children. Interviews occurred in five distinct geographic regions and five families were interviewed in each region for a total of 25 interviews. These regions were selected to provide broad representation of varying economic conditions from different parts of the country. We partnered with a community-based organization from the NCLR Homeownership Network (NHN)* in each region. Following a training conducted by NCLR and CCC staff, our nonprofit partners recruited families to participate using the networks in their communities.

Interviews with parents or heads of household were determined to be the most appropriate data-gathering tool for this project. Although focus groups were also considered, interviews allow for the gathering of data on individual experiences and enabled the researchers to establish a rapport and level of trust with the respondents that led to more in-depth narratives. Interviews with these families were recorded, transcribed, translated into English as necessary, and analyzed to gather data on key points of interest, including:

- Circumstances leading up to the foreclosure
- A family's housing status after the foreclosure
- The impact of the foreclosure on family relationships and the health of family members
- The impact of the foreclosure on general family lifestyle, including social networks and the need to rely on public assistance
- The impact of the foreclosure on children's behavior and performance in school
- The short- and long-term financial impact of the foreclosure
- The impact of the foreclosure on the family's perception of the American Dream

Reading the interviews also involved the identification of quotations relating to the key points listed above. Many direct quotes from families are captured in this report; however, the names of the families interviewed have been changed to respect their privacy.

In addition, the authors interviewed the McKinney-Vento homeless liaisons in school districts in three of the five regions—southeastern Texas, the west coast of Florida, and the Central Valley of California—to determine the impact of displacement on children's performance in school and on schools in general. The school staff in the other two regions declined the interview request. In interviews, we asked school staff about general trends they are observing in children experiencing homelessness as a result of foreclosure and the barriers to meeting their needs.

Selection of Regions and Families

Interviews took place in five distinct regions that represent a wide range of Hispanic demographics and experiences. At the outset, the authors theorized that foreclosure experiences could vary based on local economic and housing market conditions, demographics, resources available, nativity, rural or urban setting, and other variables. Five regions were chosen that were diverse enough to explore how foreclosure experiences may vary by geography. Those five regions are southeastern Texas, southeastern Michigan, the west coast of Florida, northwestern Georgia, and the Central Valley of California.

These regions were also chosen because they are served by NHN members who had the capacity to identify families in the target demographic. NHN organizations are well known in their communities and seen as a trusted resource. Given the sensitivity of the topic and the potential vulnerability of the families, using trusted community members as interviewers was appropriate and necessary.

* The NCLR Homeownership Network consists of 52 community-based housing counseling providers, each a separate 501(c)(3) nonprofit entity, serving Latino communities. Since its inception 12 years ago, NHN counselors have served nearly 200,000 families and helped more than 35,000 to become new homeowners.

Demographic Overview of Participants

The families interviewed represent the diverse characteristics of Latino families living in the United States today. They reflect a mix of native- and foreign-born parents or heads of households, the majority of whom were foreign-born, coming from countries including Mexico, El Salvador, Guatemala, Columbia, and Cuba. Mexico, with 11 families, was the most represented country among foreign-born heads of household. Eight families were headed by parents or heads of household born in the United States, while one household was headed by a wife born in the United States and a husband born in Costa Rica.

The families also varied by language spoken at home. A majority of families, 14 out of 25, reported speaking Spanish exclusively at home, while a smaller number, five, reported speaking English exclusively. Six families reported speaking a mix of English and Spanish at home.

The number of children in a family varied widely. On the small end, one family from the west coast of Florida had no children but was planning to start a family soon. On the large end, another family reported having six children. The average number of children in families interviewed was 2.8, and the most frequently reported number of children was two, reported by ten out of 25. A few families with higher numbers of children were also interviewed.

Figure 4: Mortgage and Delinquency Characteristics in Regions Where Families Were Interviewed

Region	2001–2006 State Subprime Lending Growth	2001–2006 State Price Change	2007–2008 State Price Change	Q1 2008–Q2 2009 Percent Change in State Foreclosure Starts
Central Valley California	22%	116%	-27%	35%
West Coast Florida	28%	120%	-24%	56%
Northwestern Georgia	20%	31%	0%	62%
Southeastern Michigan	23%	18%	-11%	21%
Southeastern Texas	18%	27%	8%	19%

Many families showed wide ranges of ages among their children; for instance, the four children in one family from southeastern Texas ranged in age from four months to 17 years at the time of the interview. When grouping children, two clear concentrations with regard to age emerge: seven to ten and 14 to 18. The ages of children are quite relevant in considering the impact of foreclosure because, as seen in the findings, children of different ages are affected in different ways. In addition, a sizable number of families report children older than age 18. While these children are legally adults, children into their early 20s often depend on their families, particularly while pursuing higher education. Of note, two families interviewed had children over the age of 25. Since these families have older children than the target ages of children for this report, the experiences of their children with regard to foreclosure are not a major focus.

Figure 5: Parents/Heads of Household by Country of Birth

Parents/Heads of Household Country of Birth	Number of Families
Colombia	1
Cuba	1
El Salvador	1
Guatemala	2
Mexico	11
United States	8
United States/ Costa Rica	1

Various types of households participated in the interviews. While 18 out of 25 families interviewed were dual-parent-headed households, six families were headed by single parents and one family was headed by grandparents. Of the six single-parent-headed households, five were headed by the mother and one by the father. In the household headed by the grandparents, the mother of the children also lived with the family.

Figure 6: Number of Children among Families Interviewed

Number of Children	Number of Families
None	1
One	1
Two	10
Three	7
Four	3
Five	2
Six	1
Average Number of Children	**2.8**

Appendix C: Literature Review

Prior to this research, nearly nothing was known about the way Latino families and children have been impacted by the recession and foreclosure crisis. A few initial studies and reports have documented the impact of the foreclosure crisis on families and children, though those studies did not consider Latino children and families specifically. However, foreclosure can stimulate circumstances known to be harmful or problematic for families and children, such as financial stress, parental separation, and changes in schools. Some research in these areas has looked at Latino children. In this appendix, we review past literature on the subjects of foreclosure and other situations shown to negatively impact children. Past research can be summed up in six themes:

- **Foreclosure may lead a family down a road of housing instability associated with frequent moves, living with friends and extended family members, inadequate housing, and homelessness.**

A foreclosure inevitably leads to displacement from current housing and may result in housing instability for families. In previous research, housing counselors identified moving in with friends or family as the most common living situation after a foreclosure. Both native- and foreign-born Latinos have been documented to have stronger family support and cohesiveness than other ethnic groups.[24] As such, we expect that Latinos impacted by foreclosure will tend to live with family members or friends. However, evidence suggests that some foreclosed families are also living in homeless shelters. The numbers of foreclosed families living in shelters is expected to increase as arrangements to live with friends or family deteriorate.[25] Research suggests that families may move to lower-quality housing due to a reduction in financial capacity following a foreclosure and the urgency in changing living situations that is often induced by a crisis such as a foreclosure.[26]

- **The stress and trauma of foreclosure may impact families' feelings of efficacy to advance economically.**

Experiencing a foreclosure can be particularly harmful to families and parents psychologically. As one psychologist described, foreclosure "represents a loss of stability, a feeling of failure."[27] Past research has documented family trauma, particularly unemployment, in causing children to be pessimistic and lower expectations for their future.[28] We are concerned that families and children may experience similar pessimism after experiencing a foreclosure.

- **Foreclosure causes a great deal of stress on families and can impact family relationships. Divorce and family turbulence can have a long-lasting impact on children's prospects for the future.**

The stress associated with foreclosure is suspected to impact family relationships. In one study, researchers noted an increase in tension and raised voices during interactions with families.[29] The impact of family turbulence and divorce on children, including children in Latino families, has been well documented in the literature. While the psychological impact of a divorce or separation on a child is greater near the time of the divorce, long-term disadvantages have been noted in children's educational attainment and access to economic and social resources.[30] Some of these long-term negative effects may result from housing instability, a feature associated with both divorce and foreclosure. After a divorce, families are more likely to move to poor neighborhoods, lose ties with meaningful institutions, and be exposed to neighborhood violence.[31] Interestingly, the magnitude of the negative impact from divorce experienced by Latino children was found to be less than that experienced by their non-Latino counterparts.[32]

- **Foreclosure and health concerns are closely connected, and each problem often exacerbates the other. Poor health and lack of access to care frequently contribute to the loss of a home, while the associated stress of a foreclosure may also lead to physical and mental health issues and illnesses.**

Medical issues are often cited as a factor leading to foreclosure, and families experiencing foreclosures may also be less capable of dealing with health emergencies.[33] As such, the health care of children whose families have experienced foreclosure is a particular concern. Access to health care, which is often interrupted among children whose parents are experiencing unemployment, has been documented as a major predictor of health outcomes for children.[34] Further, for families who are already experiencing a medical crisis, the impact of a forced move associated with foreclosure may be especially disastrous for family health.[35]

Foreclosure is thought to lead directly to health problems when families must move to "compromised or unsanitary housing conditions."[36] In addition, the stress associated with a foreclosure may lead indirectly to health issues among families. Increases in calls to crisis centers and requests for therapy services are evidence of the mental health issues being experienced by families in the current foreclosure and economic crisis.[37] While a foreclosure inevitably leads to mental health issues among the families affected, stress and anxiety can also cause damage to the body and aggravate existing health issues.[38]

- **Evidence indicates that a foreclosure and school moves associated with it may impact academic performance and school behavior. Current infrastructure to deal with homeless children is stressed by the foreclosure and economic crises.**

Frequent school changes have been associated with poor academic performance and educational attainment.[39] The impact of instability on a young child appears to be far-reaching; children who move more frequently while in school are less likely to graduate from high school than their peers who move less frequently.[40] Housing instability has also been shown to impact student achievement by preventing families from establishing normal routines, such as set-aside times and spaces for homework.[41]

Homeless children are at a particular disadvantage in school. The McKinney-Vento Act requires school districts to provide special services for homeless children, including children whose families are living with friends or family members. These services include the opportunity to remain in their school of origin and have transportation provided by their school district.[42] However, the foreclosure crisis and resulting economic crisis have stressed the services available to homeless children at school districts. In the 2008–2009 school year, a majority of districts reported that requests for services increased between 25% and 50% from the previous year. In addition, school districts identify that they are strained by more severe needs among families, rising transportation costs, inadequate staffing to identify and support homeless students, shortages of shelter beds and affordable housing, and reductions in other services available to homeless children.[43]

- **Families who experience a foreclosure see a loss of equity in their homes and a drop in credit scores, both of which can have long-term impacts on prospects for the future.**

Families who face a foreclosure experience both a decline in credit score and a loss of equity in their home. The drop in credit score can impact a family's ability to move to new housing and borrow money in the future.[44] In addition, evidence suggests that low credit scores can also increase prices or terms for certain services and can limit job prospects, since a credit check is required by some employers.[45]

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