

# WASTED WEALTH



How the Wall Street Crash Continues to Stall Economic Recovery and Deepen Racial Inequity in America.

By **Ben Henry, Jill Reese** and **Angel Torres** • Alliance for a Just Society    MAY 2013



# CREDITS & ACKNOWLEDGEMENTS



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**THE HOME DEFENDERS LEAGUE** is a membership organization of tens of thousands of underwater homeowners and other Americans affected by the mortgage crisis. The Home Defenders League and its two-dozen partner organizations are pressing Wall Street banks and public officials for a just and equitable resolution to the housing crisis including the resetting of mortgages to current market value (principal correction) and policies to end needless foreclosures and evictions. > [www.HOMEDEFENDERSLEAGUE.org](http://www.HOMEDEFENDERSLEAGUE.org)



**THE NEW BOTTOM LINE** is a national coalition fueled by leading national community organizations including PICO National Network, National People's Action, Alliance for a Just Society, and Right to the City. We are community groups, congregations and individuals working together to build an economy that works for all. > [www.NEWBOTTOMLINE.com](http://www.NEWBOTTOMLINE.com)

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# EXECUTIVE SUMMARY

Wasted Wealth examines the ongoing impacts of the foreclosure crisis on the country and in particular on people of color. This study analyzes 2012 data to quantify wealth lost due to foreclosures for the country as a whole, for communities with proportionately higher populations of people of color, and for majority-communities of color. The report also examines the ongoing threat of foreclosures-in-waiting due to the continuing high rate of underwater mortgages and quantifies the potential impact a program of principal reduction would have on homeowners, economic activity, and job creation for the country as a whole, all 50 states and the District of Columbia.

Key national findings of this study include:

- **The foreclosure crisis continues to plague America:** Three years after the reported end of the Great Recession, the foreclosure crisis continued to destroy wealth on a large scale in 2012, with \$192.6 billion in wealth lost due to foreclosures across the U.S., an average of \$1,700 in lost wealth per household for each of the country's 114.7 million households.
- **The most devastating impacts of the ongoing foreclosure crisis were in majority communities of color and racially diverse communities:** ZIP codes with majority people of color populations saw 17 foreclosures per thousand households with an average of \$2,200 in lost wealth per household. These outcomes persisted in racially diverse communities (populations over 16% people of color) where the foreclosure rate was 15 per thousand households and average wealth loss per household was \$2,000. In sharp contrast, segregated White communities experienced only 10 foreclosures per thousand households and a wealth loss of \$1,300 per household.
- **More than 13 million homes are still underwater and at risk of foreclosure and more lost wealth:** For reporting ZIP codes, there are at least 13.2 million underwater mortgages (when a homeowner owes more than the home is worth) on the books.<sup>1</sup> The Congressional Budget Office estimates that 13% of underwater homeowners are already "seriously delinquent" on mortgage payments — they are foreclosures-in-waiting.<sup>2</sup> If action is not taken to prevent these mortgages from going into foreclosure, Americans stand to lose nearly \$221 billion in additional wealth from these mortgages alone.<sup>3</sup>
- **A strategy of principal reduction would save money for homeowners, boost the economy, and create jobs:** Principal reduction — writing down underwater mortgages to current market values — would create significant savings for underwater homeowners. It would also generate new economic activity and create jobs in local economies. Using 2012 data, a principal reduction program could produce average annual savings of \$7,710 per underwater homeowner nationwide, boost the U.S. economy to the tune of \$101.7 billion, and create 1.5 million jobs.

If action is not taken to prevent underwater mortgages from going into foreclosure, Americans stand to lose nearly \$221 billion in additional wealth from these mortgages alone.

# INTRODUCTION

## WASTED

# WEALTH



**T**he Great Recession has had a dramatic impact on the United States economy, and a growing body of empirical evidence shows the effects are felt more severely in communities of color. One example of these stark racial disparities can be observed in a particularly far-reaching American malady: the foreclosure crisis.

About 2.5 million homes completed the foreclosure process between 2007 and 2010.<sup>4</sup> In total, the Federal Reserve estimates that \$7 trillion in home equity was lost from American households between 2006 and 2011 due to the housing crisis.<sup>5</sup>

While the foreclosure crisis has had deep and lasting impacts across all communities, people of color have experienced these impacts most acutely. A major cause of these disparate impacts is the fact that communities of color received a disproportionate share of subprime mortgages that were designed to fail.<sup>6</sup>

In the run-up to the 2008 financial crisis, banks offered incentives to their loan officers and independent brokers to make the most profitable (and therefore the most expensive) loans, with little to no oversight. As a result, communities of color received costly, designed-to-fail, subprime loans regardless of what families actually qualified for, while the lenders and brokers raked in huge fees and faced no penalties. This twisted form of moral hazard manifested when American taxpayers were left on the hook to bail out the banks, while severely impacted communities were left out in the cold. The Great Recession also resulted in one of the most pernicious unemployment crises in generations, a crisis that has also hit communities of color more severely. Unemployment has further fueled the foreclosure crisis and the resulting loss of wealth.

There are deep and far-reaching consequences to this crisis, which has resulted in mass loss of homeownership and wealth across communities, with disproportionate impacts on people of color. Without proactive policy interventions, Americans stand to lose hundreds of billions more in wealth, and the racial wealth gap will only continue to widen.

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The Great Recession also resulted in one of the most pernicious unemployment crises in generations, a crisis that has also hit communities of color more severely. Unemployment has further fueled the foreclosure crisis and the resulting loss of wealth.

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# BACKGROUND: HIGH-RISK LOAN PRODUCTS EXACERBATED FORECLOSURE CRISIS IN COMMUNITIES OF COLOR



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Wealth was lost across the board from the Great Recession, but significantly more so for people of color. From 2005 to 2009, White median net worth fell 16% to \$113,149. But net worth fell by 66% for Latinos to \$18,359, and 53% for Blacks to \$12,124.

## **GREAT RECESSION DEVASTATED COMMUNITIES OF COLOR**

While the Great Recession was declared technically over in 2009, the evidence shows that its impacts continue. As Mortimer Zuckerman, chief editor of *U.S. News and World Report*, stated in March 2013, “cumulative growth for the past 12 quarters was just 6.3%, the slowest of all 11 recessions since World War II. And last year’s anemic growth looks likely to continue. Sequestration will take \$600 billion of government expenditures out of the economy over the next 10 years.”<sup>7</sup>

The recession is an ongoing reality for America’s communities of color. Looking at a variety of housing, health, employment and socio-economic indicators, one study finds that states with high concentrations of people of color “remain deeply impacted by the recession.”<sup>8</sup>

High and disparate unemployment rates for people of color have persisted since the reported end of the Great Recession. A Bureau of Labor Statistics analysis finds that historically high unemployment rates for African American and Latino workers as compared to White workers continued during the recovery.<sup>9</sup>

When people of color do get jobs, they are too often not paid living wages. Two years into the recovery, the number of minimum wage workers increased by 17% for Blacks and 16% for Latinos, compared to 5% for Whites.<sup>10</sup> 2011 median weekly earnings were \$674 for Blacks, \$549 for Latinos, and \$744 for Whites.<sup>11</sup>

Unemployment and underemployment contribute to the widening racial wealth divide. Median wealth ratios measure White wealth for every dollar of wealth for people of color. In 1995, the ratio of White to Black wealth was 7-to-1. In 2004, it was 11-to-1. By the reported end of the Great Recession 2009, it had ballooned to 19-to-1. For Latinos, the White-to-Hispanic wealth ratio was 7-to-1 in 2004. Five years later, it was 15-to-1.<sup>12</sup>

Wealth was lost across the board from the Great Recession, but significantly more so for people of color. From 2005 to 2009, White median net worth fell 16% to \$113,149. But net worth fell by 66% for Latinos to \$18,359, and 53% for Blacks to \$12,124.<sup>13</sup>

The foreclosure crisis also had a significant role in this wealth loss for people of color. Disparities in the types and quality of loans offered to people of color and financial incentives for lenders to make the most profitable loans are at the root of the disproportionate impact of the foreclosure crisis on people of color.

## COMMUNITIES OF COLOR RECEIVED DISPROPORTIONATE SHARE OF SUBPRIME MORTGAGES

The Center for Responsible Lending found that subprime loans, which were “aggressively marketed before the housing crash,” were more likely to result in failed mortgages.<sup>14</sup> In retrospect, many view these loans, which came with complicated terms, high interest rates, and hidden fees and penalties, as essentially “designed to fail.” Communities of color received a disproportionate share of subprime mortgages leading up to the crisis and were thus at greater risk for foreclosures. Some inside sources have indicated that people of color were deliberately targeted for these high-risk loans.

Former Wells Fargo loan officer Beth Jacobson, who at one time was the bank’s top-producing subprime loan officer nationally, told the New York Times that loan officers employed a race-based strategy. “Wells Fargo Mortgage had an emerging-markets unit that specifically targeted Black churches, because it figured church leaders had a lot of influence and could convince congregants to take out subprime loans,” she said.<sup>15</sup>

Meanwhile, former JPMorgan Chase banker James Theckston, who was once named the bank’s sales manager of the year, said Chase targeted people of color for subprime loans even when they qualified for prime loans. He said account executives earned commissions seven times higher on subprime loans, and that they targeted borrowers with less education or those who did not speak fluent English — disproportionately Blacks and Latinos.

### RATIO OF WHITE TO BLACK WEALTH

1995. . . . .	7-to-1
2004. . . . .	11-to-1
2009 . . . . .	19-to-1

### RATIO OF WHITE TO LATINO WEALTH

1995. . . . .	7-to-1
2004. . . . .	7-to-1
2009 . . . . .	15-to-1

Source: Pew Research Center, 2011

“Wells Fargo Mortgage had an emerging-markets unit that specifically targeted Black churches, because it figured church leaders had a lot of influence and could convince congregants to take out subprime loans.”

**BETH JACOBSON,**  
FORMER WELLS FARGO  
LOAN OFFICER

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In addition to revelations from these former bankers, the data confirms that people of color who qualified for prime loans were much more likely to receive subprime financial products:

- Even among low-risk borrowers, people of color were getting worse loans heading into the Great Recession. Among high-income borrowers in 2006, Blacks and Latinos were three times as likely as Whites to pay higher prices for mortgages.<sup>16</sup>
- Prior to the Great Recession, 35% of subprime loans were issued to borrowers who qualified for prime loans, and disproportionately so for Black and Latino borrowers. After controlling for credit scores, income and other factors, Blacks were 80% and Latinos 70% more likely than White borrowers to receive subprime loans.<sup>17</sup>
- A study in New York City found that race was a primary factor in who got subprime loans, with Black and Latino neighborhoods more likely to get mortgages from subprime lenders than homebuyers in White neighborhoods, even after controlling for income.<sup>18</sup>

“It’s almost as if subprime lenders put a circle around neighborhoods of color and say, ‘This is where we’re going to do our thing,’” said Robert Stroup, director of the economic justice program at the NAACP Legal Defense and Educational Fund.<sup>19</sup>

# BACKGROUND: BAILOUTS SAVE THE BANKS WHILE IGNORING COMMUNITIES OF COLOR

## HELP FOR BANKS: NEARLY \$8 TRILLION IN BAILOUTS, LOANS

In 2008, the Emergency Economic Stabilization Act created the Troubled Asset Relief Program (TARP), which provided \$700 billion to the Treasury to address the subprime mortgage crisis and to “maximize assistance for homeowners.”<sup>20</sup>

But rather than helping homeowners, these resources were overwhelmingly used to prop up the banks. “We feel that this bill does nothing for homeowners,” Kathleen Day, spokeswoman for the Center for Responsible Lending, said in 2008 on the bailout. “This bill does nothing to address the root cause of this problem, which is falling home prices, and they’re being caused by the unprecedented tidal wave of foreclosures. It’s a bailout for Wall Street.”<sup>21</sup>

Neil Barofsky, the former Special Inspector General of TARP charged with overseeing the program, revealed that Treasury Secretary Timothy Geithner was focused less on maximizing assistance for homeowners and more on softening the blow for banks. Rather than using TARP funds to refinance mortgages, the goal was to lengthen the foreclosure process to spread out the coming wave of foreclosures. Barofsky says TARP benefitted a single company, American Express, more than all struggling U.S. homeowners combined.<sup>22</sup> “Helping the banks, not homeowners, did in fact seem to be Treasury’s biggest concern,” Barofsky said.<sup>23</sup>

Current TARP Special Inspector General Christy L. Romero said in 2012 that just 3% of TARP funds that were specifically designated for homeowners in the communities hit hardest by the crisis had been dispersed.<sup>24</sup> “Look at the TARP money that goes out to the banks,” Romero said. “That goes out in a matter of days. This has been two years and only 3% of these funds have trickled out to homeowners.”<sup>25</sup>

But it didn’t end there. Between 2007 and 2009, banks received \$7.77 trillion in secret loans with no strings attached and at nearly zero percent interest.<sup>26</sup>

## HELP FOR HOMEOWNERS OBSTRUCTED

There are 13.2 million underwater mortgages in the U.S. According to the Congressional Budget Office (CBO), an estimated 13% of underwater homeowners have missed three or more mortgage payments<sup>27</sup> — in the category of homes most likely to face foreclosure in the near future. These foreclosures-in-waiting present a serious threat to America’s economic stability.

One solution would be to write down the principal amounts for underwater homes to current market values. Though principal reduction could be used by the Federal Housing Finance Agency (FHFA) for mortgages controlled by Fannie Mae and Freddie Mac, FHFA leadership has refused to act.

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“Helping the banks, not homeowners, did in fact seem to be Treasury’s biggest concern.”

**NEIL BAROFSKY,**  
THE FORMER SPECIAL  
INSPECTOR GENERAL  
OF TARP

# 28%

Increase of the average net worth for the nation's richest 7% of households in the first two years of economic recovery since the Great Recession.

# -4%

Drop in average net worth for the other 93% of households.

Source: *Pew Research Social and Demographic Trends, 2013*

Richer Americans are receiving a disproportionate share of the benefits of the recovery, as communities of color continue to be left behind.

Through the conservatorship of Fannie Mae and Freddie Mac, taxpayers own or guarantee about 60% of the outstanding mortgages in America.<sup>28</sup> With this combined share of the mortgage market, Fannie and Freddie are in a position to set industry standards, including principal reduction policies. But in July 2012, FHFA Acting Director Ed DeMarco defied a request by the Treasury Department to offer targeted principal reduction to Fannie and Freddie homeowners.

## ECONOMIC RECOVERY LEAVES COMMUNITIES BEHIND

Americans lost trillions of dollars in wealth during the Great Recession. While the Federal Reserve reported in March 2013 that Americans have collectively regained the \$16 trillion in wealth lost during the recession, these gains have been uneven.<sup>29,30</sup>

There are two primary components of wealth (or a family's total assets minus total debt): property ownership and financial assets (investment portfolios and savings).<sup>31</sup> Families of color hold significantly higher percentages of wealth in home equity, with 52% of total assets for Latino families and 49% for Black families, compared to just 28% for White families.<sup>32</sup> Meanwhile, there are tremendous disparities in the ownership of stocks, with the wealthiest 20% of households owning 95% of all financial assets.<sup>33</sup>

The recovery in total wealth has been due mostly to gains in the stock market,<sup>34</sup> with the Dow Jones Industrial Average and the S&P 500 hitting record highs in April 2013.<sup>35</sup> As a result, richer Americans are receiving a disproportionate share of the benefits of the recovery, as communities of color continue to be left behind.

The broader economic benefits of these gains, in turn, are not efficiently distributed, with many economists saying these wealth gains are less likely to translate to consumer spending comparable to levels prior to the recession (consumer spending accounts for 71% of GDP).<sup>36</sup>

And while average net worth for the nation's richest 7% of households increased 28% in the first two years of economic recovery since the Great Recession, average net worth actually fell by 4% for the other 93% of households.<sup>37</sup>

# FINDINGS: LOST WEALTH DUE TO FORECLOSURES IN 2012

## FORECLOSURES DRIVE WIDENING WEALTH GAP, DETERIORATION OF COMMUNITIES

With so much personal wealth tied up in property values, people of color are disproportionately impacted in a foreclosure crisis. A Center for Responsible Lending study found that, over the course of the Great Recession, Black borrowers were 76% more likely and Latino borrowers 71% more likely to have lost their homes to foreclosure than White borrowers.<sup>38</sup> Per 10,000 loans, 790 resulted in foreclosures for Black families and 769 for Latino families, compared to 452 for White families. Racial disparities hold even when controlling for income.<sup>39</sup>

Disparate racial impacts of foreclosures manifest in different ways. Repossessed properties are more heavily concentrated in neighborhoods with higher shares of residents of color, for example.<sup>40</sup> And there are wide disparities in how foreclosed homes are maintained, impacting home values for entire neighborhoods. For instance, one investigation found bank-owned, foreclosed properties in communities of color were 42% more likely to have more than 15 maintenance problems than properties in White communities, 34% more likely to be found with trash and debris on the property, and 82% more likely to have broken or boarded windows.<sup>41</sup>

## WASTED WEALTH: 2012 NATIONAL FINDINGS

TOTAL LOST WEALTH, UNITED STATES, 2012

# \$192.6 BILLION

### LOST WEALTH, PER HOUSEHOLD, UNITED STATES, 2012

All Communities	Majority Communities of Color	Above Average % People of Color	Segregated White Communities
\$1,700	\$2,200	\$2,000	\$1,300

The inequitable impacts described above drain wealth from communities. Wasted Wealth uses the following formula to calculate this lost wealth:

$$\begin{aligned} & \text{DECLINE IN PROPERTY VALUES OF FORECLOSED HOMES} \\ & \text{DECLINE IN PROPERTY VALUES OF NEIGHBORING HOMES} \\ + & \text{COST TO TAXPAYERS} \\ \hline = & \text{TOTAL LOST WEALTH} \end{aligned}$$

For more information on how these were calculated, please reference the "Methodology" section on Page 14.

FOR A STATE-BY-STATE BREAKDOWN OF LOST WEALTH, SEE **APPENDIX A.**

FOR A STATE-BY-STATE  
BREAKDOWN OF  
FORECLOSURES  
PER 1,000  
HOUSEHOLDS,  
SEE **APPENDIX B.**

## **FORECLOSURE IMPACTS ACROSS ALL COMMUNITIES**

There is compelling evidence that the foreclosure crisis has not abated, according to 2012 post-recession data from RealtyTrac. Indeed, the foreclosure crisis continued to destroy wealth on a large scale in 2012, with \$192.6 billion in wealth lost due to foreclosures across the country. Lost wealth per each foreclosure nationally was \$131,200.

But the impact of foreclosures isn't isolated to the homeowner; it is felt across the community in the form of depressed property values and costs to taxpayers, including the municipal cost of maintaining foreclosed homes and total impact on property taxes. In 2012, each of the country's 114.7 million households averaged \$1,700 in lost wealth.

## **FORECLOSURE IMPACTS IN COMMUNITIES WITH ABOVE AVERAGE POPULATIONS OF PEOPLE OF COLOR**

A disproportionate share of the damage from foreclosures in 2012 occurred in communities with above average populations of people of color. In ZIP codes with above average people of color populations (greater than the national average of 16%) there was an average of 15 foreclosures per thousand households, 1.6 times the foreclosure rate for ZIP codes with segregated White populations (those in which greater than 84% of residents identify as "White, Non Hispanic"). The average lost wealth per household in above average percentage people of color ZIP codes was \$2,000 — 59% more than the average lost wealth of \$1,300 in segregated White ZIP codes.

## **FORECLOSURE IMPACTS IN MAJORITY COMMUNITIES OF COLOR**

The most devastating impacts of the ongoing foreclosure crisis were in communities where more than 50% of the population is people of color. ZIP codes with majority people of color populations saw 17 foreclosures per thousand households. The average lost wealth per household in majority people of color ZIP codes was \$2,200. This is over 1.7 times the average lost wealth of \$1,300 in segregated White ZIP codes.

While this study focuses on the economic impacts of foreclosures, it is important to note that there are other ways families and communities suffer from foreclosures, including displacement and housing instability, financial insecurity, personal and family stress, ill health, and the deterioration of local public services.<sup>42</sup>

### **FORECLOSURE RATE, PER 1,000 HOUSEHOLDS, UNITED STATES, 2012**

All Communities	Majority Communities of Color	Above Average % People of Color	Segregated White Communities
13	17	15	10

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# FINDINGS: FORECLOSURES-IN-WAITING POSE A CONTINUING THREAT

## FORECLOSURES-IN-WAITING: NATIONAL FINDINGS

While the foreclosure crisis has already caused great harm to communities, there is evidence that more is to come. Looking back at data starting in 2004, a 2011 Center for Responsible Lending report found that the country was not even halfway through the foreclosure crisis.<sup>43</sup>

In all ZIP codes where data is available, there are currently at least 13.2 million underwater mortgages.<sup>44</sup> There is a strong connection between underwater mortgages and foreclosures — a CBO study found homeowners with underwater mortgages owned or guaranteed by Fannie Mae and Freddie Mac are six times as likely to be “seriously delinquent” than Fannie and Freddie homeowners who are not underwater.<sup>47</sup> These underwater homeowners are on the path toward foreclosure.

The same CBO study estimates that 13% of underwater borrowers with Fannie Mae and Freddie Mac loans are already “seriously delinquent.” Applying that estimate to the 13.2 million underwater mortgages, we are able to approximate the number of foreclosures-in-waiting.<sup>46</sup> Employing the lost wealth methodology to these foreclosures-in-waiting, we find that Americans overall stand to lose nearly \$221 billion in wealth just from underwater mortgages already well along the path toward foreclosure.

TOTAL LOST WEALTH, FORECLOSURES IN WAITING, UNITED STATES, 2012

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# \$220.7 BILLION

# PRINCIPAL REDUCTION A SOLUTION FOR HOMEOWNERS AND THE TROUBLED ECONOMY

FOR A STATE-BY-STATE BREAKDOWN OF ECONOMIC STIMULUS CREATED THROUGH PRINCIPAL REDUCTION, SEE **APPENDIX C**.

TOTAL UNDERWATER HOMES, U.S.

**13,190,000**

AVERAGE ANNUAL SAVINGS WITH PRINCIPAL REDUCTION PER HOMEOWNER, U.S.

**\$7,710**

## **COSTS OF FORECLOSURE AND FORECLOSURE PREVENTION**

The conventional thinking is that the foreclosure crisis is behind us. But with more than 13 million mortgages still underwater, America is not only still in the midst of a crisis, but faces the prospect of this crisis stalling an already uneven and uncertain economic recovery.

Writing down underwater mortgages to 30-year, fixed-rate loans at current market value and current interest rates would not only preserve much of the wealth that would otherwise be lost by homeowners, their neighbors, and government, but provide a significant economic stimulus by returning wealth and disposable income to families that would spend it on goods and services.

Further, even investors that own distressed mortgages would stand to save significantly on the expensive costs foreclosures bring — the average foreclosure costs the lender \$50,000.<sup>47</sup>

## **ECONOMIC STIMULUS OF PRINCIPAL REDUCTION**

Principal reduction promises to save money for underwater homeowners and allow them to spend that money on other basic needs. This will boost local economies and support job creation. At a time when unemployment remains persistently high, resetting underwater mortgages will not only help homeowners, it will also help boost the economy and create jobs.

Homeowners in underwater mortgages across the country would save an average of \$7,710 a year (\$640 a month) in mortgage payments if their mortgages were renegotiated to reflect the market values of their homes and current interest rates. Underwater homeowners in Maryland, Massachusetts, New Jersey, Virginia, California and Hawaii would see a savings of over \$8,500 annually, and underwater homeowners in all other states would see a savings of more than \$6,000 a year.

Putting this money to work in local economies would produce an estimated economic boost of \$102 billion annually nationwide, which could create more than 1.5 million jobs. In most states, the boost would amount to more than \$100 million in additional economic activity. This could create jobs in every state with underwater homes, with more than 3,000 in nearly every state, and as many as 270,000 new jobs in California and 181,000 in Florida.

ANNUAL STIMULUS WITH PRINCIPAL REDUCTION, U.S.

**\$101.7 BILLION**

JOBS CREATED

**1.5M**

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# RECOMMENDATIONS

Millions of homeowners, taxpayers and investors have already lost their homes, savings, pensions and livelihoods in an economic downturn perpetrated by financial institutions — institutions that were then bailed out. As this study shows, communities of color have been and continue to be disproportionately impacted by the foreclosure crisis, one of the most devastating aspects of the Wall Street-induced economic crash.

Action must be taken to bring an end to the crisis and to breathe life into the anemic U.S. economy. Bringing relief to those hit hardest by Wall Street's misdeeds, particularly communities of color, is a pressing matter of economic fairness.

## **NATIONAL GOVERNMENT**

Congress, the Obama Administration, and federal officials must act to keep people in their homes and preserve community wealth by resetting mortgages. Through its control of Fannie Mae and Freddie Mac (government sponsored enterprises, or the "GSEs"), the federal government controls some \$5 trillion in mortgage assets. Yet because of FHFA resistance they have blocked principle reduction, the single most important tool for fixing the housing market.

Congress should:

- Confirm a new FHFA Director without delay and articulate a clear agenda of widespread, equitable principal reduction.
- Confirm the Acting Director of the Consumer Financial Protection Bureau (CFPB) as permanent Director and support the Bureau in developing strong protections to guard against predatory lending and foreclosure abuses.

The Obama Administration and federal regulators should:

- Ensure that GSE and servicer practices discourage foreclosures, placing principal correction at the top of the list of options for helping distressed homeowners.
- After exhausting all loan modification options, including resetting mortgage principal, ensure that GSEs make it a priority to keep families in foreclosed homes through rental or buy-back programs, and turn vacant homes over to affordable housing development and community control, not sources of new speculation and profit-taking by Wall Street speculators.
- Hold Wall Street executives and banks legally accountable and ensure that future settlements with lenders and servicers are commensurate with the real damage done.
- Use the power of the Treasury, regulatory agencies, and law enforcement to ensure that promised relief (Home Affordable Modification Program, Hardest

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Action must be taken to bring an end to the foreclosure crisis and to breathe life into the anemic U.S. economy. Bringing relief to those hit hardest by Wall Street's misdeeds, particularly communities of color, is a pressing matter of economic fairness.

Hit Funds, National Mortgage Settlement, Independent Foreclosure Review, etc.) actually reaches families and communities in need of help, starting with the communities of color and neighborhoods targeted for the most abusive lending practices. As a first step, the demographic and geographic data about who receives benefits from programs intended to aid homeowners should be tracked and made public.

- End the practice of allowing the perpetrators of mortgage and foreclosure abuses to administer settlements, and ensure that they adhere to fair lending practices.

## **STATE GOVERNMENTS**

State governments can take powerful action to stem the foreclosure crisis. States should:

- Adopt legislation such as the California Homeowner Bill of Rights to protect families against abusive mortgage servicing practices and discourage needless and destructive foreclosures.
- Adopt foreclosure mediation programs that require banks to meet face-to-face with the borrower and a mediator to discuss alternatives prior to proceeding with foreclosure.
- If not currently, convert to a fully judicial foreclosure process to help ensure a level of outside oversight.

## **LOCAL GOVERNMENTS**

With local communities devastated by the ongoing foreclosure crisis, local governments need to take effective action to address foreclosure abuses. City and county governments should:

- Adopt local foreclosure prevention policies including mediation programs (such as the highly successful Philadelphia mediation program) and blight ordinances.
- Establish local principal reduction programs for underwater homeowners and be willing to use the eminent domain law to gain control of troubled mortgages if the servicers are unwilling to sell the loans to the local municipality.
- Implement anti-blight foreclosure provisions such as in the City of Los Angeles, which levies substantial fines for lack of upkeep of vacant properties.

## **BANKS AND SERVICERS**

Mortgage servicers should provide principal reduction as a standard component of loan modifications:

- Every homeowner facing hardship should be offered a loan modification, and that modification should be based on an affordable debt-to-income ratio, achieved through a waterfall that prioritizes principal reduction and reduces the interest rate before extending the loan term, and includes a proportional modification on any junior liens. Loan payments should be permanently set at an affordable level without large balloon payments.
- Mortgage servicers should publicly report data on foreclosures, short sales and loan modifications with principal reduction by race and income.
- Foreclosures should be suspended until full compliance with the law, comprehensive affordable modifications and equity across communities can be ensured.

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# METHODOLOGY

*Wasted Wealth* examines the ongoing impacts of the foreclosure crisis on the country and, in particular, people of color. This study analyzes 2012 data to quantify wealth lost due to foreclosures for the country as a whole, for communities with above average populations of people of color, and for majority people of color communities. The report also examines the ongoing threat of foreclosures-in-waiting due to the continuing high rate of underwater mortgages and quantifies the impact principal reduction would have on homeowners, economic activity, and job creation. The report presents findings for the country as a whole and for all 50 states and the District of Columbia.

## **ABOVE AVERAGE PERCENTAGE PEOPLE OF COLOR AND MAJORITY COMMUNITIES OF COLOR**

The study examines the racialized impacts of foreclosures in 2012 using two approaches. It analyzes the impact of foreclosures in ZIP codes with populations of people of color greater than the national average of 16% — “above average people of color.” It also analyzes the impact of foreclosures in ZIP codes with majority populations of people of color — “majority people of color.” People of color are defined as individuals who are not “White, Not Hispanic,” as captured by the U.S. Census Bureau in the 2012 American Community Survey.

## **LOST WEALTH**

The study utilizes methodology from the U.S. Joint Economic Committee Report<sup>48</sup> and several national datasets focused on 2012 foreclosures and pre-crash home values to calculate wealth lost as a result of the foreclosure crisis, by ZIP code and per household. The basic formula for lost wealth includes: decline in property values of foreclosed homes; decline in property values of neighboring homes; and cost to taxpayers, including municipal cost of maintaining foreclosed homes and total impact on property taxes.

Utilizing 2012 RealtyTrac data, we take the total number of foreclosed homes (those that have either received a notice of auction or are owned by a bank) and multiply it by the median home value prior to the foreclosure crisis to estimate total pre-crash property value.<sup>49</sup> We assume a 22% “foreclosure discount,” or decline in value of a foreclosed home,<sup>50</sup> to calculate the decline in value of foreclosed homes, based on the most conservative estimates for property value decline (ranging from 22% to 28%).

We also calculate the lost value of neighboring homes, using a conservative 0.9% estimate of decline for an eighth-mile radius, or approximately 50 homes.<sup>51</sup> (Other estimates put the decline at 1.4% in low- to moderate-income communities, and others double the impact radius to a quarter of a mile.)

To calculate the total cost to taxpayers, we look at the property tax impact — either in the form of lost revenue or increased tax bills or rates — and the municipal cost of maintaining an REO, or real estate owned property. The property tax impact is calculated by applying the median property tax rate<sup>52</sup> to the total decline in property value. The cost of maintenance includes total REOs and a conservative estimate of costs related to maintaining a vacant and unsecured property, at \$5,358 per property per year.<sup>53</sup> This figure is based

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on a study published in 2005 and excludes costs associated with the most distressed properties (such as fire department and emergency calls associated with abandoned buildings) and thus may not capture the full post-crisis level of impacts and costs. The cost is conservatively calculated using only REOs, but not court or other costs associated with other foreclosures.

### **FORECLOSURES-IN-WAITING**

The opportunity cost, in terms of lost wealth, of not dealing with the continuing foreclosure crisis is derived by first approximating the number of underwater homes that are likely to go into foreclosure — foreclosures-in-waiting. To do this, we took the percentage of underwater homeowners that are “severely delinquent,” which is estimated at 13% based on Congressional Budget Office delinquency data.<sup>54</sup> We then applied the lost wealth methodology to this number. We calculate the total number of homes with mortgages that exceed the homes’ property value based on a model for underwater mortgages developed by Catalist from underlying data from July 20, 2012. This model does not include all ZIP codes in the U.S., only those reporting the data.

### **ECONOMIC BENEFITS OF PRINCIPAL REDUCTION**

In order to calculate average monthly savings per homeowner, average annual savings per homeowner, total annual stimulus, job creation, and the number of underwater homes in each geographical location, data were collected from the following sources and calculations were made as follows:

The number of underwater homes was available by ZIP code from Catalist. ZIP codes for individual cities were identified using GIS data, with underwater homes data for those ZIP codes coming from Catalist. Only ZIP codes that had underwater mortgages reported were included in this list. To calculate the number of underwater homes by city, the number of underwater mortgages in each ZIP code in the city were added together to determine a citywide number. Similarly, figures in all of the ZIP codes in each state were added together to determine statewide numbers and all reported underwater mortgages were added together to get a national number. ZIP codes not attributable to a city or state were looked up on [www.usps.com](http://www.usps.com) and attributed to the state in which they exist, but not to the city; those with no match were included in the national figure but not in state or city figures. Some states were not included in the Catalist data, so those states lack information on the number of underwater homes.

Total negative equity was calculated using average negative equity data from the fourth quarter 2012 Zillow Negative Equity Report and the Catalist data on underwater homes. Average negative equity for underwater homeowners was available for 29 cities, in addition to the national average.<sup>55</sup>

Data on total mortgages and total outstanding mortgage debt from the CoreLogic third quarter 2012 Negative Equity Report,<sup>56</sup> as described in “The Win/Win Solution: How Fixing the Housing Crisis Will Create One Million Jobs,”<sup>57</sup> were used to calculate outstanding debt per mortgage in each state. Data were unavailable for several states in the CoreLogic report, so those states lack this information. Total outstanding debt on underwater homes — or how much debt is still owed by homeowners with underwater homes — was calculated using the CoreLogic data and the Catalist data. Total outstanding debt on underwater homes after reset — or how much those

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same homeowners would owe if principal amounts were reduced to reflect the current values of their homes — was then calculated by subtracting total negative equity from total outstanding debt on underwater homes.

Current monthly mortgage payments on underwater homes were calculated based on the total outstanding debt figure using the Federal Reserve interest rate from 2006. The monthly mortgage payment on underwater homes after reset was calculated using the total outstanding debt after reset figures and the current Federal Reserve interest rate.

If homeowners were able to write down their debt to reflect the depreciation of their homes and renegotiate their mortgage rates, they would save money on their mortgage payments that could then be spent in other ways. Average monthly savings per homeowner was calculated by taking the difference between the monthly mortgage payment on underwater homes before and after reset and dividing by the number of underwater homes; the annual savings were calculated by multiplying monthly savings by 12. As those savings would likely be used by homeowners to purchase goods and services, the total annual stimulus was calculated by taking the difference between the current and after reset mortgage payments and multiplying by 12. Job creation numbers were calculated using the annual stimulus numbers and dividing by the estimated economic activity per new job as described in “The Win/Win Solution.”<sup>58</sup>

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# PERSPECTIVES

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*Sylvia Sanchez, Charlotte, N.C.*



The value of our home dropped thanks to all the foreclosures in our area and the over-speculation on house values to begin with. We found ourselves “underwater” or “upside-down” in our mortgage. Still, we managed for years to make our payments. Then, with my daughter’s medical bills mounting, we fell behind. **The bank forced us to choose between the mortgage and our daughter’s life.** Like any parent, I stood by my flesh and blood. What parent would choose otherwise?

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# 'If cancer isn't hardship, what is?'

*Joetta Jones-Redmond, Oakland*

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## *Connie Gates-Brown, Chicago*

The emotional toll has been unbearable. I cry a lot. I see my husband trying to be strong to comfort me, but he cries, too. He believes that a man should provide for his family, so the difficulty in doing so has really affected his esteem. I never would have imagined that we'd be in this



situation. Before the economy collapsed, we were making six figures, and now we are scraping to get by.



I have owned my home with my husband for nearly 25 years. Throughout that time, I've always managed to make my mortgage payments — even in the roughest of times. Things have become very hard recently, as my husband was diagnosed with cancer and his mother is bed-ridden. Some months we really struggle, but always manage to make things work.

We are badly underwater. I've applied for a loan modification with principal reduction to our bank at least 10 times. We've been denied over and over again with the same response — we have no proof of hardship. Our family has been hit by economic crisis and health crisis, but my bank does not consider it hardship. If cancer isn't hardship, what is? If the roof starts to leak, or other health issues arise, I'm not sure what we'll do. I can't imagine how many families in my neighborhood are in the same shape, but I know it is many.

**We didn't cause this crisis, the banks did. The least they can do for me and borrowers like me in my neighborhood is work with us to save our communities.**

It pains me every time I see another black family kicked out of our neighborhood by the banks. We don't want to be one of those families.

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## *Betty Badro, Glendale, Calif.*

Where is our relief? If I am thrown out of my house, it will be because my bank refused to work with me for a loan modification. The power is in their hands to stop the crisis. Instead, they continue to profit off of our communities. Even though the stress is affecting my health, **I'm not going down without a fight.**

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# PERSPECTIVES

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*Pastor Charles Boles, Detroit*



Foreclosures impact not just families, but the entire neighborhood. Homes valued for \$50,000 are now being sold for as little as \$4,000. It depreciates the market value for homeowners in the entire area. The impact is financially crippling. No one wants to invest in the neighborhood when the banks are sucking it dry in wasted wealth. **The housing crisis caused by mortgage lenders are killing the lifeblood of a once thriving community.**

*Greg,\* Hepstead, N.Y.*

Today, my lender refuses to lower the principal, even though my home is underwater. The value of my home is significantly less than the amount owed on the mortgage loan. At this point, even if I were to short-sale the home, the value of what they would get from a new buyer is less than what they would receive from me if they simply lowered the principal. From an investment standpoint, the bank's position makes no sense.

*\* Former IT Consultant in the financial industry. A pseudonym was used to protect the story subject's identity.*

## *Elizabeth Stubbs, Sun Valley, Nev.*



I bought my home in 2005 for \$174,000. Today, it is worth \$48,000. When I purchased the home, I invested in my property and made costly repairs. I put in thousands of dollars that, now, because of its low market value, will not pay off in equity. Money that could have gone into saving for my son's college was dumped into this house; dollars that should have been saved for my retirement were spent replacing the roof. Instead of going on family vacations, we were paying contractors to install new walls to guard against mold buildup. **It's the sacrifices that my family and I have had to make in running this place — sacrifices that we will never see any benefit from — that hurts the most. They were all made for nothing.**



## *Eloise Egnor, Pueblo, Colo.*

I've completely lost the equity I built in this house I've called a home for 14 years. I'm 62 years old, and I just don't see how I can recover from this situation.

# APPENDIX A: LOST WEALTH

TOTAL LOST WEALTH, UNITED STATES, 2012

# \$192.6 BILLION

## LOST WEALTH, PER HOUSEHOLD, UNITED STATES, 2012

All Communities	Majority Communities of Color	Above Avg % People of Color	Segregated White Communities
\$1,700	\$2,200	\$2,000	\$1,300

STATE	TOTAL LOST WEALTH		LOST WEALTH PER HOUSEHOLD		
	All Communities	All Communities	Majority Communities of Color	Above Avg. % People of Color	Segregated White Communities
ALABAMA	\$2,351,000,000	\$1,300	\$1,800	\$1,400	\$1,200
ALASKA	\$212,400,000	\$850	\$120	\$830	\$910
ARIZONA	\$9,710,000,000	\$4,100	\$380	\$4,500	\$3,600
ARKANSAS	\$597,400,000	\$530	\$690	\$550	\$520
CALIFORNIA	\$37,110,000,000	\$3,000	\$2,900	\$3,000	\$2,800
COLORADO	\$4,740,000,000	\$2,400	\$4,700	\$2,900	\$2,200
CONNECTICUT	\$722,800,000	\$530	\$730	\$650	\$440
DELAWARE	\$498,000,000	\$1,500	\$2,200	\$1,600	\$1,000
DIST. OF COLUMBIA	\$20,340,000	\$80	\$120	\$80	\$10
FLORIDA	\$21,250,000,000	\$3,000	\$3,400	\$3,200	\$2,600
GEORGIA	\$13,830,000,000	\$4,000	\$5,300	\$4,000	\$3,600
HAWAII	\$173,900,000	\$390	\$390	\$390	—
IDAHO	\$834,200,000	\$1,500	\$150	\$630	\$1,500
ILLINOIS	\$12,690,000,000	\$2,700	\$4,400	\$3,400	\$1,700
INDIANA	\$4,340,000,000	\$1,800	\$3,100	\$2,500	\$1,500
IOWA	\$1,130,000,000	\$930	\$2,400	\$1,600	\$830
KANSAS	\$1,090,000,000	\$980	\$2,100	\$1,400	\$770
KENTUCKY	\$1,150,000,000	\$680	\$2,900	\$1,600	\$450
LOUISIANA	\$1,760,000,000	\$1,000	\$1,400	\$1,000	\$1,100
MAINE	\$195,200,000	\$360	—	\$110	\$360
MARYLAND	\$1,550,000,000	\$730	\$1,100	\$800	\$470
MASSACHUSETTS	\$1,890,000,000	\$750	\$1,100	\$770	\$740
MICHIGAN	\$10,110,000,000	\$2,600	\$4,200	\$3,200	\$2,300
MINNESOTA	\$3,270,000,000	\$1,600	\$3,600	\$2,200	\$1,300
MISSISSIPPI	\$459,700,000	\$420	\$400	\$420	\$470

STATE	TOTAL LOST WEALTH		LOST WEALTH PER HOUSEHOLD		
	All Communities	All Communities	Majority Communities of Color	Above Avg. % People of Color	Segregated White Communities
MISSOURI	\$3,090,000,000	\$1,300	\$3,400	\$2,300	\$930
MONTANA	\$185,000,000	\$460	\$50	\$230	\$480
NEBRASKA	\$318,500,000	\$450	\$1,000	\$800	\$370
NEVADA	\$3,730,000,000	\$3,800	\$4,300	\$4,100	\$2,500
NEW HAMPSHIRE	\$915,800,000	\$1,800	—	\$1,900	\$1,800
NEW JERSEY *	\$1,190,000,000	\$380	\$530	\$390	\$350
NEW MEXICO	\$359,900,000	\$470	\$90	\$490	\$410
NEW YORK *	\$780,500,000	\$110	\$110	\$110	\$100
NORTH CAROLINA	\$4,280,000,000	\$1,200	\$2,000	\$1,300	\$890
NORTH DAKOTA	—	\$40	—	—	\$50
OHIO	\$9,550,000,000	\$2,100	\$3,400	\$2,900	\$1,700
OKLAHOMA	\$1,140,000,000	\$800	\$1,300	\$830	\$640
OREGON	\$1,710,000,000	\$1,100	—	\$1,300	\$1,100
PENNSYLVANIA	\$3,850,000,000	\$780	\$1,600	\$1,300	\$580
RHODE ISLAND	\$515,100,000	\$1,300	\$2,700	\$1,600	\$1,000
SOUTH CAROLINA	\$2,620,000,000	\$1,500	\$1,100	\$1,400	\$1,800
SOUTH DAKOTA	\$115,800,000	\$370	—	\$360	\$370
TENNESSEE	\$3,330,000,000	\$1,400	\$2,100	\$1,700	\$1,100
TEXAS	\$10,620,000,000	\$1,200	\$2,000	\$1,400	\$860
UTAH	\$1,010,000,000	\$1,200	—	\$1,700	\$1,100
VERMONT	\$40,190,000	\$160	—	\$480	\$160
VIRGINIA	\$3,530,000,000	\$1,200	\$1,800	\$1,300	\$740
WASHINGTON	\$3,920,000,000	\$1,500	\$1,200	\$1,600	\$1,400
WEST VIRGINIA	\$176,300,000	\$240	\$0	\$380	\$230
WISCONSIN	\$3,760,000,000	\$1,700	\$2,900	\$2,300	\$1,500
WYOMING	\$121,800,000	\$560	—	\$480	\$570

## NOTES

\* The 2012 RealtyTrac dataset from which these findings were derived was compiled through locally kept data sources. Data can be difficult to obtain in less-populated areas where there is a lack of centralized services. A few outlier states — including Idaho, Maine and Montana — recorded a small number of areas with above average people of color percentages, creating small samples that contribute to less-than-expected disparities in those areas. (Inversely, some areas, like Hawaii and the District of Columbia, showed no or few Segregated White Communities.)

In our study, we define a foreclosed home as one that has received a Notice of Trustee's Sale or Notice of Foreclosure Sale, or is in Real Estate Owned (REO) status. At least 17 states report significant numbers of properties (nearly half a million) for which foreclosures have commenced but are not yet properties that are at the stage of sale through foreclosure. Those properties, as well as properties that are delinquent but not yet in foreclosure, will significantly exacerbate the lost wealth of communities of color. In particular, foreclosures in New Jersey and New York appear to have been significantly undercounted. (Additionally for New York, because foreclosure proceedings take more than 1,000 days, the counts reported here represent just a fraction of the number of the state's cases pending in foreclosure. A 2013 Empire Justice Center report found that, in the first half of 2012 alone, 159,357 90-day preforeclosure filing notices were sent in New York State.<sup>59</sup>) Given the lack of uniformity of the data reported by RealtyTrac for those states, we present wealth-impact estimates for New York state and New Jersey for methodological consistency, but stress that these numbers are severely understated.

Also, highly populated states tend to show lower-than-average lost wealth per household, partly because lost wealth is absorbed by areas with higher household density levels. Based on state and national patterns, foreclosures tend to concentrate in urban and higher populated areas.

# APPENDIX B: FORECLOSURES

TOTAL LOST WEALTH, FORECLOSURES IN WAITING, UNITED STATES, 2012

# \$220.7 BILLION

## FORECLOSURE RATE, PER 1,000 HOUSEHOLDS, UNITED STATES, 2012

All Communities	Majority Communities of Color	Above Avg % People of Color	Segregated White Communities
13	17	15	10

## FORECLOSURE RATE, PER 1,000 HOUSEHOLDS

STATE	All Communities	Majority Communities of Color	Above Avg. % People of Color	Segregated White Communities
ALABAMA	10	13	10	9
ALASKA	7	1	6	7
ARIZONA	32	3	34	28
ARKANSAS	4	5	4	4
CALIFORNIA	23	23	23	22
COLORADO	19	36	22	17
CONNECTICUT	4	5	5	3
DELAWARE	11	17	12	8
DIST. OF COLUMBIA	1	1	1	0
FLORIDA	23	26	25	20
GEORGIA	30	40	31	27
HAWAII	3	3	3	—
IDAHO	11	1	5	11
ILLINOIS	20	34	26	13
INDIANA	13	24	19	11
IOWA	7	18	12	6
KANSAS	7	16	11	6
KENTUCKY	5	22	12	3
LOUISIANA	8	11	8	9
MAINE	3	0	1	3

## FORECLOSURE RATE, PER 1,000 HOUSEHOLDS

STATE	All Communities	Majority Communities of Color	Above Avg. % People of Color	Segregated White Communities
MARYLAND	6	9	6	4
MASSACHUSETTS	6	9	6	6
MICHIGAN	20	32	24	17
MINNESOTA	12	27	17	10
MISSISSIPPI	3	3	3	4
MISSOURI	10	26	18	7
MONTANA	3	0	2	4
NEBRASKA	3	8	6	3
NEVADA	29	33	31	19
NEW HAMPSHIRE	14	—	14	14
NEW JERSEY	3	4	3	3
NEW MEXICO	4	1	4	3
NEW YORK	1	1	1	1
NORTH CAROLINA	9	15	10	7
NORTH DAKOTA	—	—	—	—
OHIO	16	26	22	13
OKLAHOMA	6	10	6	5
OREGON	9	0	10	8
PENNSYLVANIA	6	13	10	4
RHODE ISLAND	10	20	12	8
SOUTH CAROLINA	11	8	11	14
SOUTH DAKOTA	3	0	3	3
TENNESSEE	10	16	13	9
TEXAS	9	15	10	7
UTAH	9	0	13	8
VERMONT	1	—	4	1
VIRGINIA	9	14	10	6
WASHINGTON	12	9	12	11
WEST VIRGINIA	2	0	3	2
WISCONSIN	13	22	17	11
WYOMING	4	0	4	4

Foreclosures were undercounted in some states in the RealtyTrac dataset. The undercounts are reported here for methodological consistency. See Page 22.

# APPENDIX C: ECONOMIC STIMULUS

ANNUAL STIMULUS WITH PRINCIPAL REDUCTION IN THE U.S.

JOBS CREATED

## \$101.7 BILLION

## 1.5 Million

TOTAL UNDERWATER HOMES

United States . . . . . 13,200,000

AVERAGE ANNUAL SAVINGS PER HOMEOWNER

United States . . . . . \$7,700

STATE	Total Underwater Homes	Average Monthly Savings per Homeowner	Average Annual Savings per Homeowner	Total Annual Stimulus	Jobs Created
ALABAMA	48,900	\$560	\$6,700	\$326,800,000	4,800
ALASKA	27,500	\$660	\$7,900	\$216,800,000	3,200
ARIZONA	479,000	\$620	\$7,500	\$3,575,100,000	52,800
ARKANSAS	17,700	\$540	\$6,400	\$114,000,000	1,700
CALIFORNIA	1,860,000	\$820	\$9,800	\$18,307,700,000	270,600
COLORADO	332,000	\$660	\$8,000	\$2,638,500,000	39,000
CONNECTICUT	174,000	\$690	\$8,300	\$1,436,400,000	21,200
DELAWARE	45,100	\$630	\$7,600	\$343,100,000	5,100
FLORIDA	1,680,000	\$610	\$7,300	\$12,288,900,000	181,600
GEORGIA	372,000	\$600	\$7,200	\$2,665,900,000	39,400
HAWAII	28,300	\$820	\$9,900	\$279,000,000	4,100
IDAHO	33,700	\$580	\$6,900	\$232,700,000	3,400
ILLINOIS	786,000	\$620	\$7,400	\$5,819,600,000	86,000
INDIANA	95,900	\$520	\$6,200	\$593,900,000	8,800
IOWA	34,900	\$510	\$6,200	\$215,200,000	3,200
KANSAS	420	\$550	\$6,600	\$2,700,000	40
KENTUCKY	16,700	\$530	\$6,400	\$106,500,000	1,600
LOUISIANA	28,900	—	—	—	—
MAINE	—	—	—	—	—
MARYLAND	454,000	\$710	\$8,500	\$3,859,300,000	57,000
MASSACHUSETTS	304,000	\$710	\$8,500	\$2,590,800,000	38,300
MICHIGAN	437,000	\$540	\$6,500	\$2,822,600,000	41,700
MINNESOTA	160,000	\$590	\$7,100	\$1,129,900,000	16,700
MISSISSIPPI	210	—	—	—	—

STATE	Total Underwater Homes	Average Monthly Savings per Homeowner	Average Annual Savings per Homeowner	Total Annual Stimulus	Jobs Created
MISSOURI	275,000	\$550	\$6,600	\$1,810,000,000	26,800
MONTANA	15,700	\$590	\$7,100	\$111,300,000	1,600
NEBRASKA	52,900	\$530	\$6,400	\$338,700,000	5,000
NEVADA	221,000	\$660	\$7,900	\$1,744,500,000	25,800
NEW HAMPSHIRE	—	—	—	—	—
NEW JERSEY	417,000	\$710	\$8,600	\$3,564,600,000	52,700
NEW MEXICO	29,700	\$590	\$7,100	\$211,600,000	3,100
NEW YORK	211,000	\$700	\$8,400	\$1,774,600,000	26,200
NORTH CAROLINA	289,000	\$590	\$7,000	\$2,028,600,000	30,000
NORTH DAKOTA	1,800	\$530	\$6,300	\$11,300,000	200
OHIO	732,000	\$520	\$6,200	\$4,558,000,000	67,400
OKLAHOMA	67,700	\$520	\$6,200	\$418,900,000	6,200
OREGON	234,000	\$630	\$7,600	\$1,780,400,000	26,300
PENNSYLVANIA	395,000	\$560	\$6,700	\$2,667,900,000	39,400
RHODE ISLAND	59,000	\$630	\$7,600	\$445,900,000	6,600
SOUTH CAROLINA	164,000	\$590	\$7,100	\$1,167,000,000	17,200
SOUTH DAKOTA	—	—	—	—	—
TENNESSEE	300,000	\$550	\$6,600	\$1,972,600,000	29,200
TEXAS	1,330,000	\$550	\$6,600	\$8,812,600,000	130,300
UTAH	152,000	\$630	\$7,600	\$1,156,800,000	17,100
VERMONT	—	—	—	—	—
VIRGINIA	225,000	\$730	\$8,800	\$1,976,600,000	29,200
WASHINGTON	478,000	\$690	\$8,200	\$3,933,100,000	58,100
WEST VIRGINIA	930	—	—	—	—
WISCONSIN	101,000	\$560	\$6,700	\$671,100,000	9,900
WYOMING	6,200	—	—	—	—

## NOTES

These projections were based on a Catalist dataset of underwater homes. Some states show some clustering of missing data values that could potentially influence the analysis. While data for states with large/dense urban cores is commonly available, data for lower-density areas is less available. After reviewing the results on a community-by-community basis, it is evident that data for areas with lower household densities show smaller numbers or no foreclosures. Some states, such as Maine, New Hampshire, South Dakota and Wyoming, showed abnormally low numbers. These limitations result in conservative projections and understate the potential economic impact of principal reduction.

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