



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

CRL Research Report

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## EXECUTIVE SUMMARY

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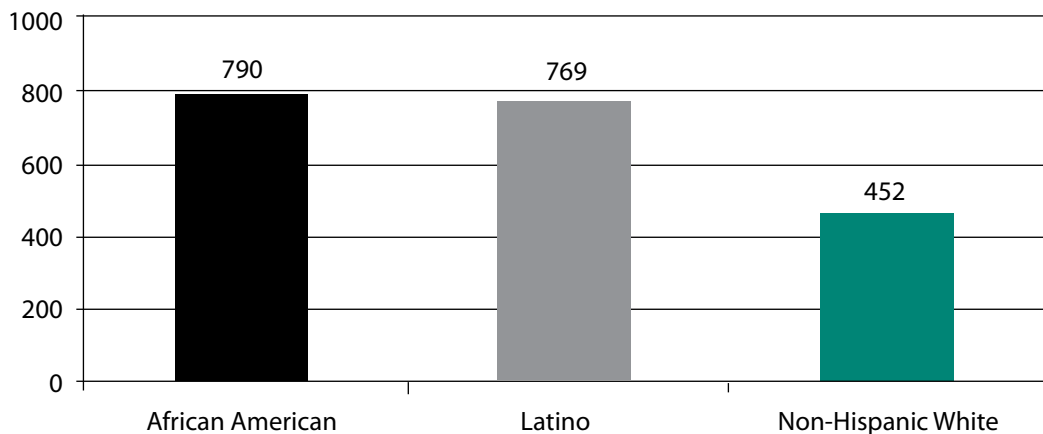
Since housing prices began their precipitous decline in January 2007 and foreclosure rates skyrocketed, no one has assessed exactly how many mortgages have ended in foreclosure or who has been affected. Although a number of useful mortgage databases are available, there is no official, nationwide, publicly available census of completed foreclosures or associated demographic information. In this report, we seek to shed light on the nation's foreclosure crisis by using government and industry data to estimate the number of foreclosures in recent years and their impact by race and ethnicity. More specifically, we calculate foreclosure rates from 2007 through 2009 for 1,632 combinations of loan types, geography, occupancy types and closing years, and apply these rates to mortgage origination data. The results are these key estimates on completed foreclosures:

During the first three years of the foreclosure crisis, from January 2007 through the end of 2009, we estimate that 2.5 million foreclosures were completed. The vast majority of these foreclosures were on owner-occupied properties with mortgages that were originated between 2005 and 2008.

- The majority (an estimated 56%) of families who lost homes were non-Hispanic and white, but African-American and Latino families were disproportionately affected relative to their share of mortgage originations.
- Among recent borrowers, we estimate that nearly 8% of both African Americans and Latinos have lost their homes to foreclosures, compared to 4.5% of whites.
- The racial and ethnic disparities in these estimated foreclosure rates hold even after controlling for differences in income patterns between demographic groups.

The figure below shows completed foreclosures per 10,000 loans for African Americans, Latinos and non-Hispanic whites:

### 2007-2009 Completed Foreclosures per 10,000 Loans (on loans made in 2005-2008 to owner-occupants)



In addition to the 2.5 million foreclosures already completed, available figures suggest this crisis is far from over. According to data from the Mortgage Bankers Association's National Delinquency Survey (NDS), the proportion of mortgages in the foreclosure process is at a historical high at 4.63%, nearly five times higher than the average of all quarterly rates reported in the NDS from 1979 to the start of the crisis and three times higher than the next closest pre-crisis high. Combining borrowers who are two or more payments behind on their mortgage with those who are in the foreclosure process, we estimate that there are 5.7 million borrowers at imminent risk of foreclosure.

Looking ahead, independent analysts have projected that between 10 and 13 million foreclosures will have occurred by the time the crisis abates. Examining the set of borrowers at imminent risk of foreclosure, as defined above, we see that the racial and ethnic patterns we have identified here are likely to continue into the future:

- Non-Hispanic whites represent the majority of at-risk borrowers, but African-American and Latino borrowers are more likely to be at imminent risk of foreclosure (21.6% and 21.4%, respectively) than non-Hispanic white borrowers (14.8%).
- American Indian (16.5%), Native Hawaiian or other Pacific Islanders (18.6%), and Asian borrowers (15.7%) all also show an increased likelihood of being at-risk.

When the number of homes that are in imminent danger of foreclosure is combined with homes already lost, it is clear that the foreclosure crisis is affecting a large number of families. Expressed as a share of the population of homeowners as of 2006, we estimate that 17% of Latino homeowners, 11% of African-American homeowners, and 7% of non-Hispanic white homeowners already have lost or are at imminent risk of losing their home.

Even if foreclosures represented nothing more than a one-time cost only to the families involved, these findings would be troubling. But the costs are extensive, multifaceted and long-term, extending far beyond individual families to their neighbors, communities, cities and states. As the foreclosure crisis threatens the financial stability and mobility of families across the country, it will be particularly devastating to African-American and Latino families, who already lag their white counterparts in terms of income, wealth and educational attainment. Furthermore, the indirect losses in wealth that result from foreclosures as a result of depreciation to nearby properties will disproportionately impact communities of color. We estimate that, between 2009 and 2012, \$194 and \$177 billion, respectively, will have been drained from African-American and Latino communities in these indirect "spillover" losses alone.

The high cost of foreclosures highlights the negative consequences of reckless and inadequately-monitored lending. With millions of foreclosures still ahead, there is an urgent need for policymakers to take stronger actions to stabilize the housing market, keep families in their homes and prevent destructive lending practices in the future.

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### ***About the Center for Responsible Lending***

The Center for Responsible Lending is a nonprofit, nonpartisan research and policy organization dedicated to protecting homeownership and family wealth by working to eliminate abusive financial practices. CRL is affiliated with Self-Help, one of the nation's largest community development financial institutions.

Visit our website at **[www.responsiblelending.org](http://www.responsiblelending.org)**.

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