**Proposal**

**The Neighborhood Costs of Foreclosures in Black Communities**

**Introduction**

Across the United States many homes are foreclosed and vacant. This problem would begin to worsen after the housing bubble burst between 2005 and 2006. Today many vacant homes are accumulating and with the threat of many more homes after state-wide moratoriums end across the country once life begins to transition back to normal, somehow, during the COVID pandemic. The first foreclosure crisis devasted the Black community and the COVID foreclosures are likely to do the same, but this time the Black community will see a loss of more homeowners than previously. Right now, about 40 percent of Blacks own homes when prior to the foreclosure crisis during the subprime loan crisis, 50 percent of Blacks owned homes. In 2017 homeownership rates decreased to 43 percent, the lowest the rate has ever been for Blacks. For some this may not seem like a lot but getting to these lows meant losing out on all the gains they had made in housing since the passage of the Fair Housing Act in 1968. The Fair Housing Act of 1968 outlawed housing discrimination and from then on Blacks were able to accumulate wealth. Not only did many own homes, but they would also go and start businesses out of their homes because homes are the nest egg of wealth as we all know. Since 2008 Black homeownership rates have been at record lows and have been declining.

The foreclosures that happen in Black communities are systemic and are an act of housing discrimination. Half of first-time buyers that are Black have student loan debts, which immediately widens the homeownership gap for them. The assumption that if you go to college, get a decent job, you’d be able to afford a home someday after working hard enough towards it, has been proven to not be quite true. Blacks can be educated and middle-income, educated and low-income, or not educated at all, and they’ll still face many more barriers than non-educated white homeowners who may make less than they do when buying a home for the first time. Many Blacks struggle to own one home while other groups have owned more than one home.

While the first round of projections estimated that the number of homeowners at risk was 19 million and that was around the third quarter of last year, now those numbers are projected to be far less, an estimated 500,000 at most. Currently Black homeowners make up a large portion of borrowers who have delinquent and forbearance loans due to COVID, so whether there are millions or hundreds of thousands of homeowners, it is safe to assume that Blacks will feel the brunt of the impact as they did during and after the Recession. As temporary moratoriums and other COVID housing restrictions that protected homeowners (as well as renters) begin to end soon, what will that look like for those delinquent borrowers who are disproportionately Black homeowners? What will that mean for the housing market? But perhaps the biggest question I want to answer after this analysis is, what will these foreclosures do to Black neighborhoods economically and how will this outcome impact the overall housing market? The answers to these questions will hopefully get vulnerable communities to start advocating and getting involved in ensuring the stability of their neighborhoods through homeownership.

**Background**

The subprime mortgage crisis of 2007, that lasted up until 2010, would further hurt minority homeowners, but mainly Black ones. Prior to the mortgage crisis the housing bubble had begun to burst in 2004 and reached its peak between 2005 and 2006. For many Blacks, the bursting of the housing bubble was just the beginning of events for them that would decimate any chance of them being able to own homes ever again. During the Great Recession, many Blacks’ homes would go into foreclosure. Many of the foreclosed homes would become vacant and over time those homes would sit there and fall into despair. Eventually the vacant homes would be cleared as an effort to remedy the crime that increased after the increase in vacant homes, and new upscale housing developments would pop-up. If vacant, foreclosed homes aren’t bought by real estate developers, then the homes sit vacant, causing the neighborhoods to go into decline. This is part of the blight process and can lead to disinvestment, further hurting the community. Disinvestment in a community not only hurt homeowners, but the entire community since property taxes fund a lot of things, but when property values are low, it becomes hard to cipher any money from the homes to put towards funding for community amenities and public services.

When a home forecloses, a lot of problems arise, but an important one to point out is that it becomes difficult to sell those properties due to code violations or poor maintenance making buyers cautious to take on rehabilitating the property. Banks also make the closings on foreclosed homes a hassle which result in the property never being sold. These problems persist usually in Black neighborhoods. Most Blacks own homes in redlined neighborhoods more than in a greenlined one. For my research I will be looking at vacant and foreclosed homes in Chicago and its surrounding suburbs. I’ve decided to include the surrounding suburbs since they tend to get overlooked even though those residents are facing some of the same spatial problems.

After the foreclosure crisis, Chicago had one of the highest foreclosure rates in the country and these foreclosed homes would contribute a lot to the City’s vacant home problem and this problem would spill over into the suburbs as well, turning them into slums essentially. Chicago also has what is a lot of zombie foreclosures where the homeowners abandon the property after receiving a foreclosure notice. If the properties are never closed on, then the title still belongs to the homeowner making them responsible for the upkeeping. Some of the reasons why the title never gets transferred is due to cancelled sales of foreclosures from potential buyers or the house is never sold during auction therefore leaving no buyer to take over the title. These types of foreclosures have been growing in Chicago since COVID and seems to be a rising trend. Who’s to say this phenomenon won’t become part of the long list of problems Chicago’s housing stock faces.

Vacant homes in Chicago, as well as everywhere else, is a sign of disinvestment and disinvestment usually is a sign of economic distress. Usually vacant and REO homes will be located throughout low-income neighborhoods, but what’s interesting is that most low-income residents don’t own the homes in their neighborhoods because they can’t afford them. Therefore, Blacks who are in the middle-income bracket purchase some of those homes but wound up with low property values. Forecasts for 2021 predict that the housing market will be fine and do better than it did just last year, but that seems wishful thinking. Yes, foreclosures were low during COVID, but these forecasts and projections have failed to acknowledge the protections put in place to prevent foreclosures during the pandemic, not to mention these protections were put in place to help have been benefitting minorities for the most part. What happens when these emergency responses go away? It seems that we will be left with an increase of foreclosures in vulnerable communities as their safety net is taken away.

**Methods & Limitations**

For my neighborhood analysis I will make housing market predictions and forecast foreclosures across Chicago and its surrounding suburbs. In order to do this, I will be performing a forecast analysis to look at future foreclosure trends throughout the area. The forecast will help to determine where the most foreclosures are occurring by looking at long-term residential vacancy rates by community areas. The forecast is intended to help illustrate the biggest concern at hand which is what will foreclosures look like in vulnerable communities, especially in Black neighborhoods. With zombie foreclosures on the rise, I thought it was interesting to take a look at how many of the foreclosed properties were zombie properties. I thought that was important to look at because there’s a reason why homeowners are still liable for a home that they were told was being taken from them, and it needs to be addressed as well. A lot of forecasting models out now are suggesting that the housing market won’t crash and that there will be an increase in demand for homes since people put off buying a home under uncertain circumstances.

Mapping out foreclosures and crime rates across Chicago and its suburbs will help to pinpoint vulnerable communities. I will be using Chicago’s crime data portal to gather crime statistics by community areas. These crime maps will be based on foreclosure rates by community area to show the link between foreclosures and crime. One of the crime maps will display data based on average income of the neighborhoods in addition to foreclosed and vacant homes data by neighborhood.

For my final strategy it is necessary to gather Census data to disaggregate the housing data by race and education attainment level. This will be necessary to highlight the housing discrimination that comes into play when we really begin to get to the root of the problem. Under the former Trump administration, steps had ben taken to make reporting housing discrimination a challenge for renters and homeowners. Housing discrimination got Black homeowners into their current situation and now its threatening to hurt them again by disregarding their needs for shelter – a basic human right.

Some of the limitations to this research may be the databases where I get my information from. I did a lot of searching for where to go to find foreclosure and vacant homes data and all the sources I saw were credible, but they weren’t open data. Having to pay for that kind of data creates a barrier to the information I need. I’m sure there are other data portals to look at I just didn’t know exactly where to go to look for that specific data, so I just started at the best place I knew – the U.S. Department of Housing and Urban Development. Even though HUD is a good place to start, I saw that HUD’s data isn’t very accurate when predicting long-term trends which is what the forecast is about. If I had to be careful with the data, the margin of errors, and the accuracy of the data that would probably be a challenge and could possibly turn into a limitation is the problem persists.

**Target Audience**

Foreclosures will do more harm than good to neighborhoods as the debt owed isn’t paid off usually, then no one makes a profit as home prices increase and increase the value of the overall community. Park districts, schools, and grassroot organizations help to provide public services for the community and when programs that are needed for the success of local residents, especially disadvantaged residents, are inadequate or non-existence, we see the achievement gap, homeownership gap, opportunity gap, and many other gaps widen. Foreclosed, REO, and vacant/ abandoned properties are all drags on the surrounding community. These homes attract crime which is a deterrent for anyone to own a home there or nearby. Increased vacancies leave fewer neighbors to discourage criminal activity. Boarded doors, unkempt lawns, and broken windows can signal be a breeding ground for criminal activity which impacts everyone in the community. The entire community can’t be outside because it is dangerous to do so. Foreclosures also bring down the values of the homes nearby which will also be another deterrent for anyone to purchase the home. When concentrated foreclosures increase and property values decline everyone in the neighborhood should be concerned since every aspect of a neighborhood is funded by residential property taxes, making this housing issue.

By the end of this research, I hope to highlight and illustrate an urgent problem. Foreclosed, REO, and vacant homes are very familiar territory, therefore there are already groups out there, but I hope that through my research it can address the need for more protective policies or programs to help Black homeowners who are desperately in need of help get it and also help them to keep their homes in an effort to keep the community stabilized. Understanding who is most at risk is the first step to figuring out how to help them. Understanding their experiences will help to shift the focus in the right direction which would be housing discrimination, racism, and several other underlying problems that are more at work than we tend to notice and or acknowledge.

Not only do we have underlying historical problems that vulnerable communities face, but we also now have those problems in addition to a pandemic that doesn’t seem to be ending soon. At the beginning of this year there were talks of a mutated strain of the novel coronavirus entering the United States and that it was more aggressive than its predecessor. This pandemic has caused many to lose their jobs and now their homes are being taken away from. People are being penalized instead of helped. This appears to be an increasing and if we learned anything from history is that this is all going to blow up in the nation’s face and everyone is going to scramble to assess the issue and figure out how to solve it.