


# *Impacts of Changes in the Home Mortgage Market on Hispanic Homeowners in Pennsylvania and Delaware*

Presented to the Esperanza 2009 National Hispanic Prayer Breakfast and Conference

## The Reinvestment Fund





The Reinvestment Fund builds wealth and opportunity for low-wealth people and places through the promotion of socially and environmentally responsible development.

Combining expert knowledge with innovation and determination, we identify the “point of impact” where capital can deliver its greatest financial and social return.

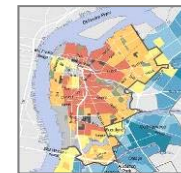
Our investments in homes, schools, and businesses reclaim and transform neighborhoods – driving economic growth and improving lives.

- **\$851 million** in cumulative investments and loans throughout the mid-Atlantic
- Currently manage **\$569 million** in capital, with nearly 850 investors
- Provide research, policy solutions and on-line mapping for governments and practitioners seeking to use data to drive decisions.

## Services

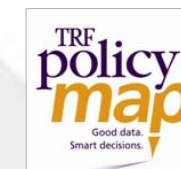


**Lending and Investing**



**Policy Solutions**

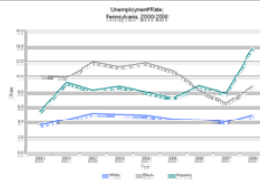
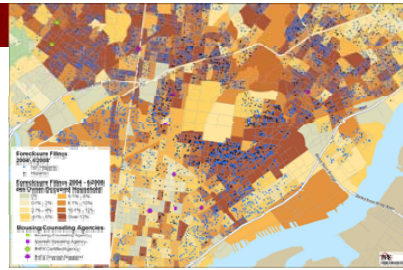
**Real Estate Development**



**PolicyMap**

# The TRF Report for the FHLB/PHFA

## Impacts of Changes In the Home Mortgage Market on Hispanic Homeowners in Pennsylvania and Delaware



*A study by The Reinvestment Fund for the Federal Home Loan Bank of Pittsburgh and the Pennsylvania Housing Finance Agency*

April 2009



# The Federal Reserve Bank of SF Report



COMMUNITY  
DEVELOPMENT

Working Paper

## Homeownership at High Cost: Foreclosure Risk and High Cost Loans in California

*Laura Lanzerotti*  
*Federal Reserve Bank of San Francisco*

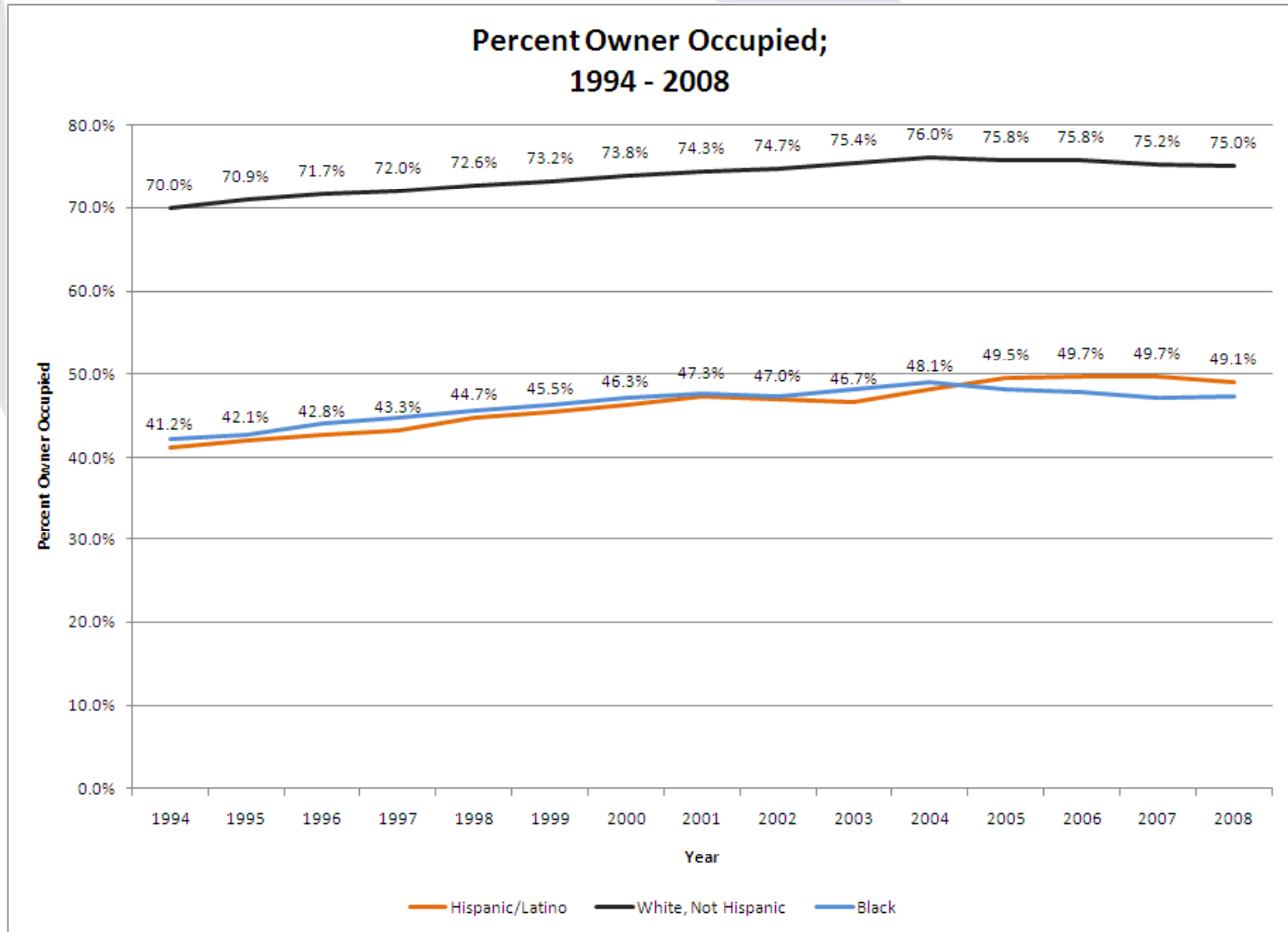
July 2006  
Working Paper 2006-01  
[www.frbsf.org/community](http://www.frbsf.org/community)

FEDERAL RESERVE BANK OF SAN FRANCISCO

101 Market Street  
San Francisco, California 94105  
[www.frbsf.org/community](http://www.frbsf.org/community)



# Owner Occupancy Rates; US, 1994-1008



# Homeowner Characteristics; US, 2007

According to data from the American Housing Survey (2007):

## ▪ Typical homeowner:

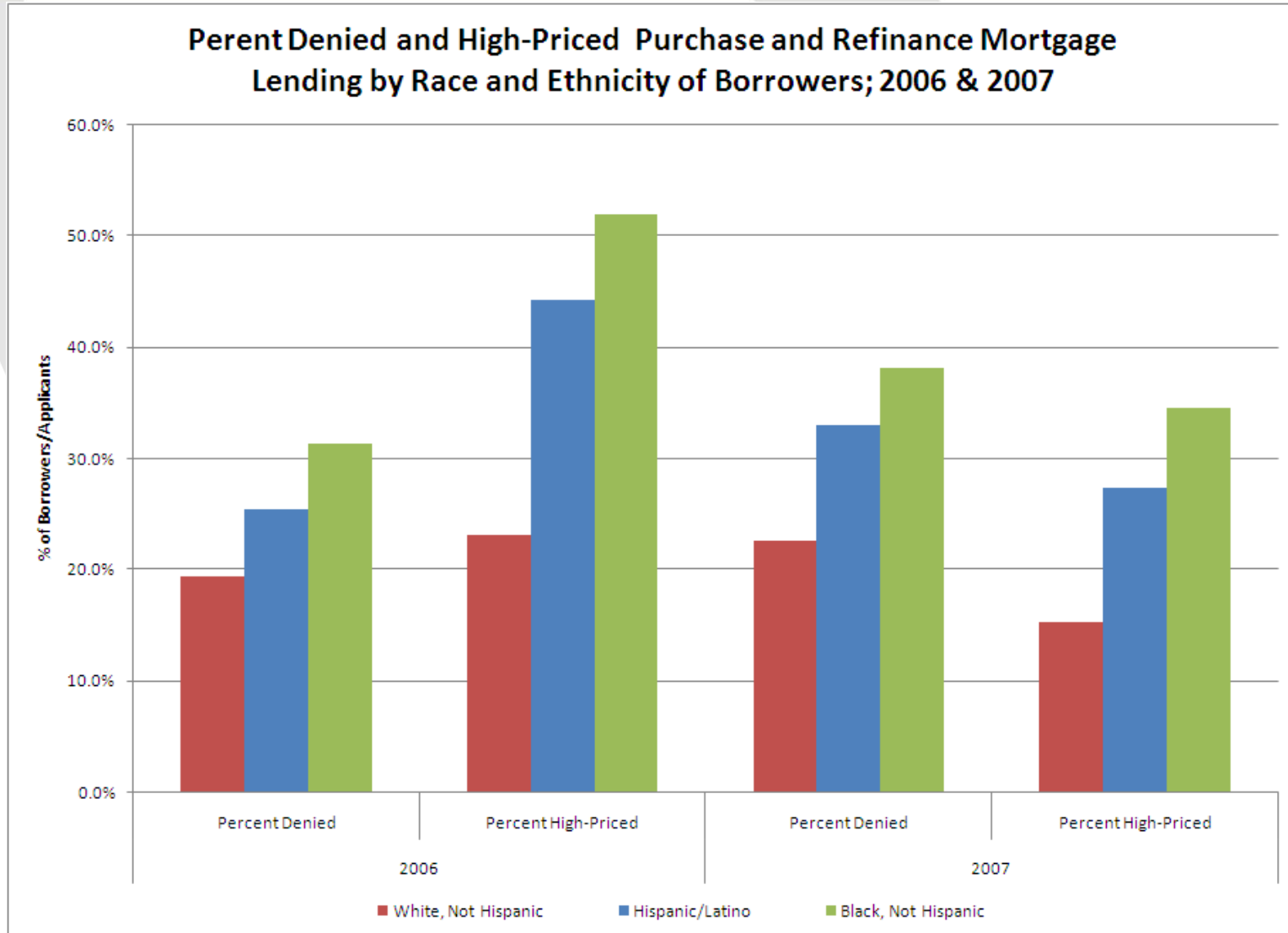
- spends **20%** of income on housing costs; **12.5%** spend 50% or more
- has a home valued at **\$191,471**
- purchased their home in 1998
- **34.6%** got their primary mortgage 2005 or later
- **32.9%** made a down payment of 5% or less
- **12.2%** have a loan amount that is 90% or more of the home value

## ▪ Typical Hispanic homeowner:

- spends **25%** of income on housing costs; **20.6%** spend 50% or more
- has a home valued at **\$212,657**
- purchased their home in 2001
- **39.7%** got their primary mortgage 2005 or later
- **44.7%** made a down payment of 5% or less
- **14.6%** have a loan amount that is 90% or more of the home value



# Loan Denial and Subprime Loans; US, 2006-2007



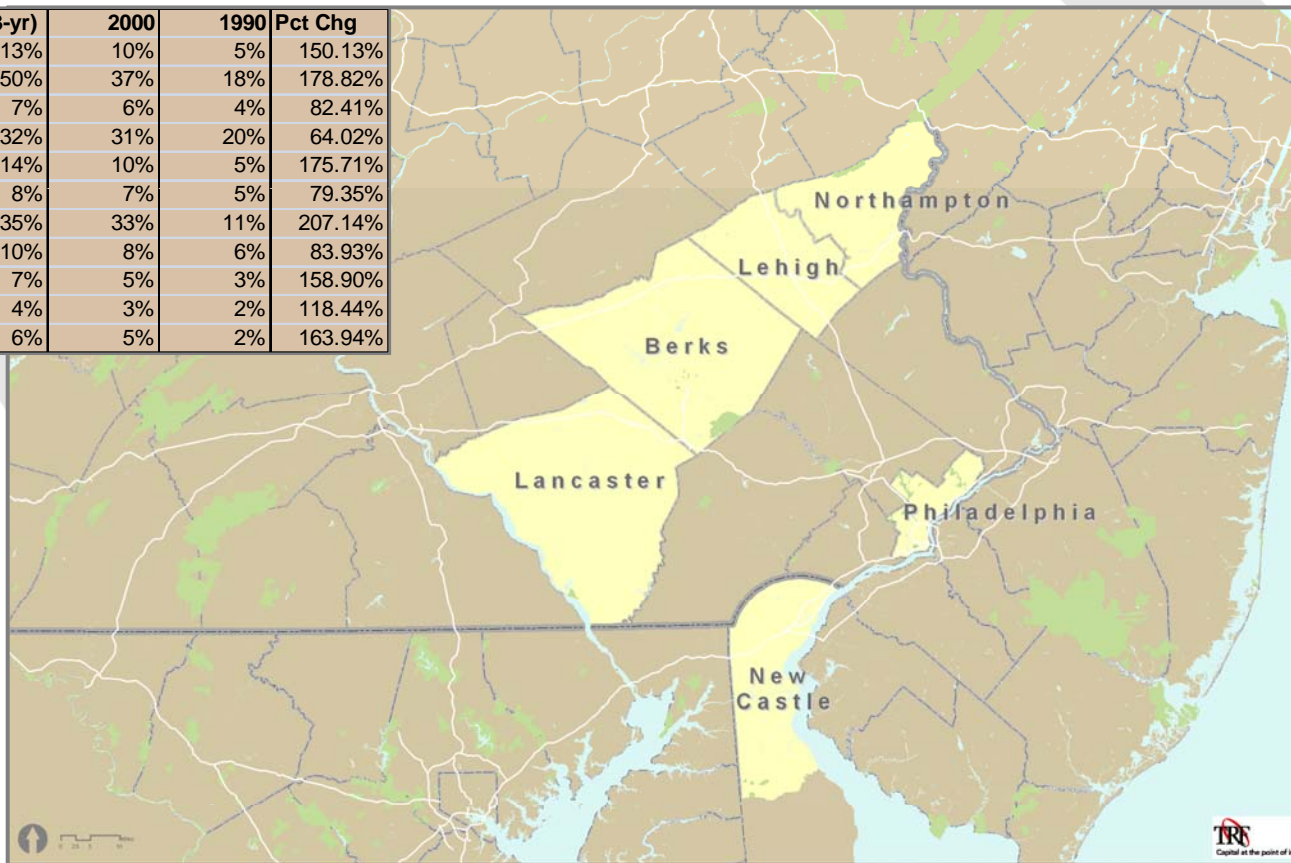


- US Census American Community Survey (2007, 3-yr estimates)
- American Housing Survey (2007)
- Home Mortgage Disclosure Act (2004 - 2007)
- County Recorded of Deeds/RealtyTrac
- Pennsylvania Housing Finance Agency Homeowners' Emergency Mortgage Assistance Program (HEMAP)
- McDash Analytics, LLC
- Telephone surveys of housing counseling agencies (including a supplemental “mystery shopper” survey)



The study area was selected because it contains over 340,000 Hispanic people – more than 60% of the Hispanic population of Pennsylvania and Delaware.

	2007 (3-yr)	2000	1990	Pct Chg
Berks	13%	10%	5%	150.13%
Reading	50%	37%	18%	178.82%
Lancaster	7%	6%	4%	82.41%
Lancaster Cty	32%	31%	20%	64.02%
Lehigh	14%	10%	5%	175.71%
Northampton	8%	7%	5%	79.35%
Allentown	35%	33%	11%	207.14%
Philadelphia	10%	8%	6%	83.93%
New Castle	7%	5%	3%	158.90%
Pennsylvania	4%	3%	2%	118.44%
Delaware	6%	5%	2%	163.94%



- Hispanics are generally more likely than Whites to be denied credit and to pay more for the credit that they receive.
- Hispanic owners appear to be more highly leveraged and thus likely at-risk of foreclosure – loan amounts in relation to income – than non-Hispanic owners.
- Hispanic utilization of Pennsylvania’s HEMAP program appears proportionate over the last several years.
  - Among those needing help from the State, loss of job/income, medical expenses and marital disruption seem key.

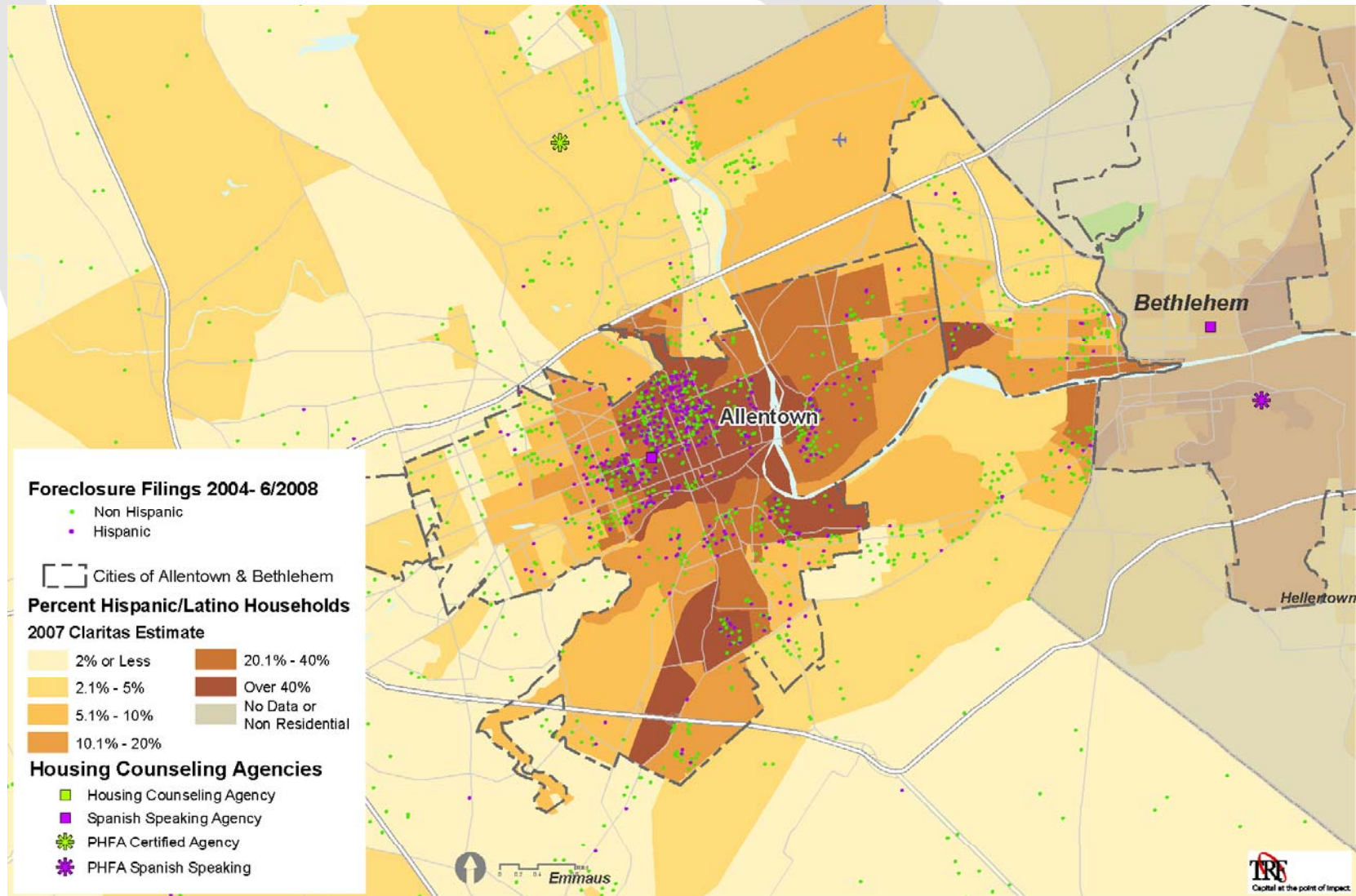
# Selected Findings

- The percent of Hispanics among owners in foreclosure typically exceeds the percent Hispanic among all owners in the study area.

Percent Hispanic Among All Owners (2007) and Owners in Foreclosure  
(all years for which foreclosure data are available combined)

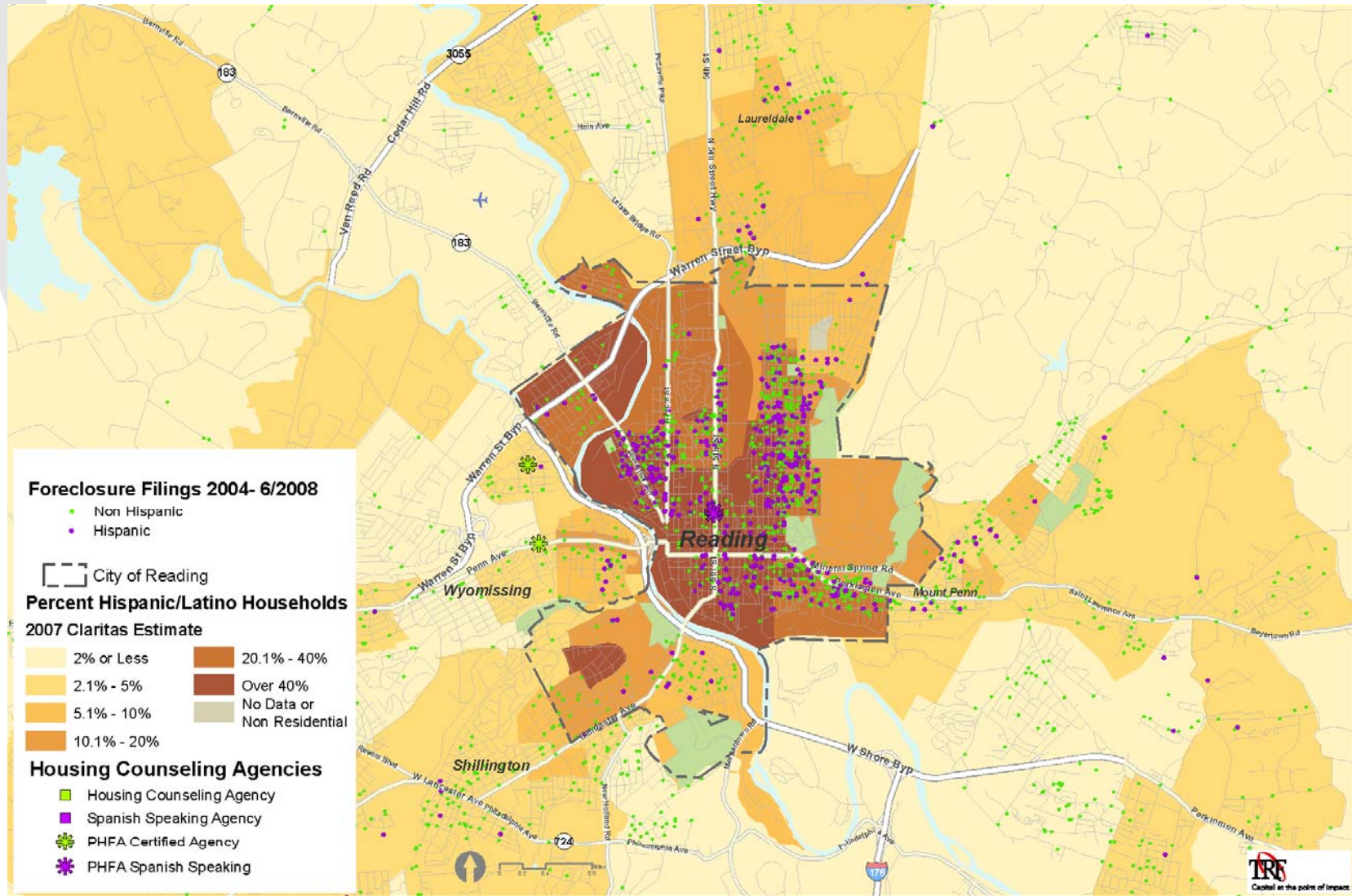


# City of Allentown (Lehigh County) Foreclosure Filings



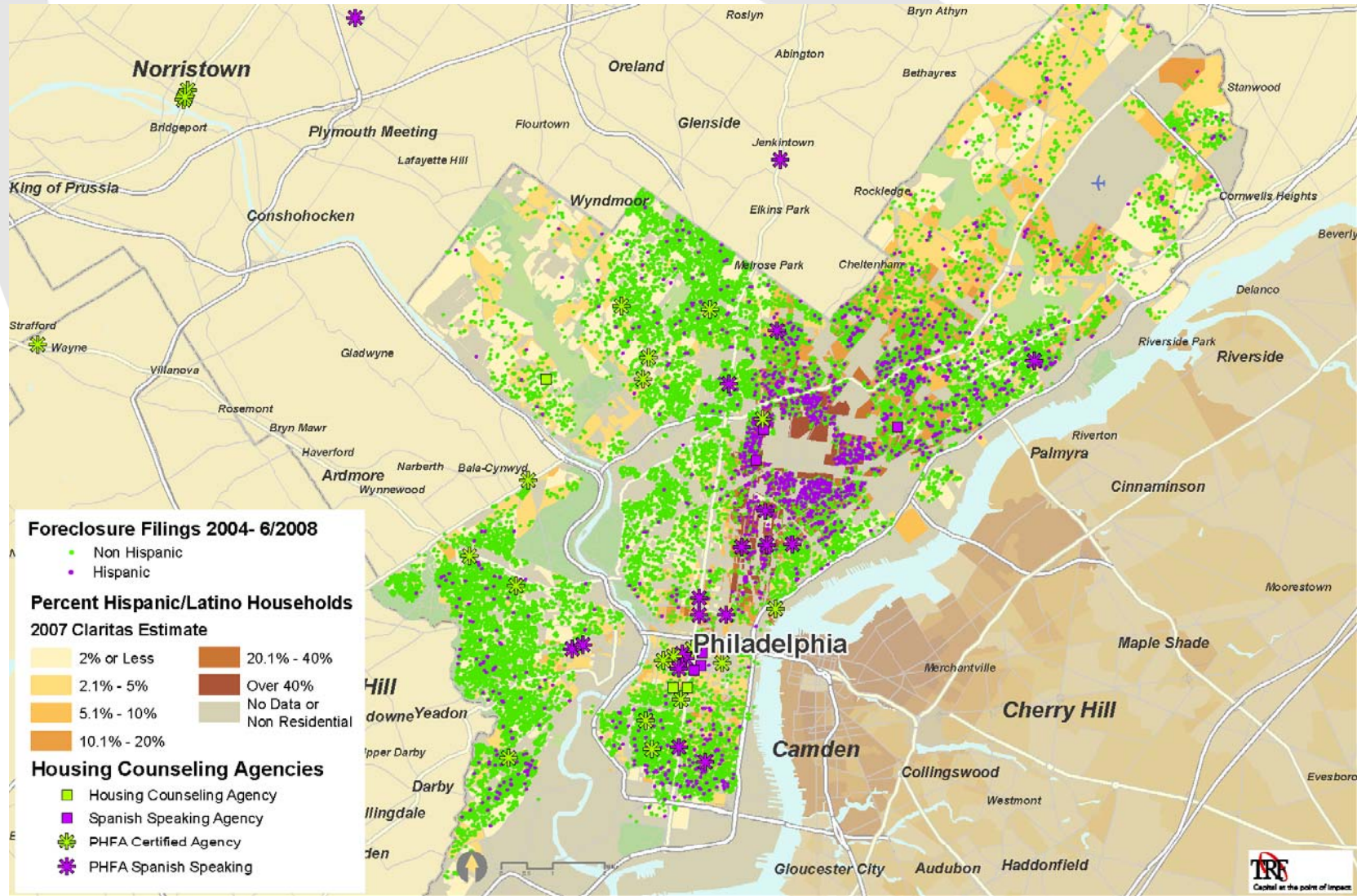


# City of Reading (Berks County) Foreclosure Filings



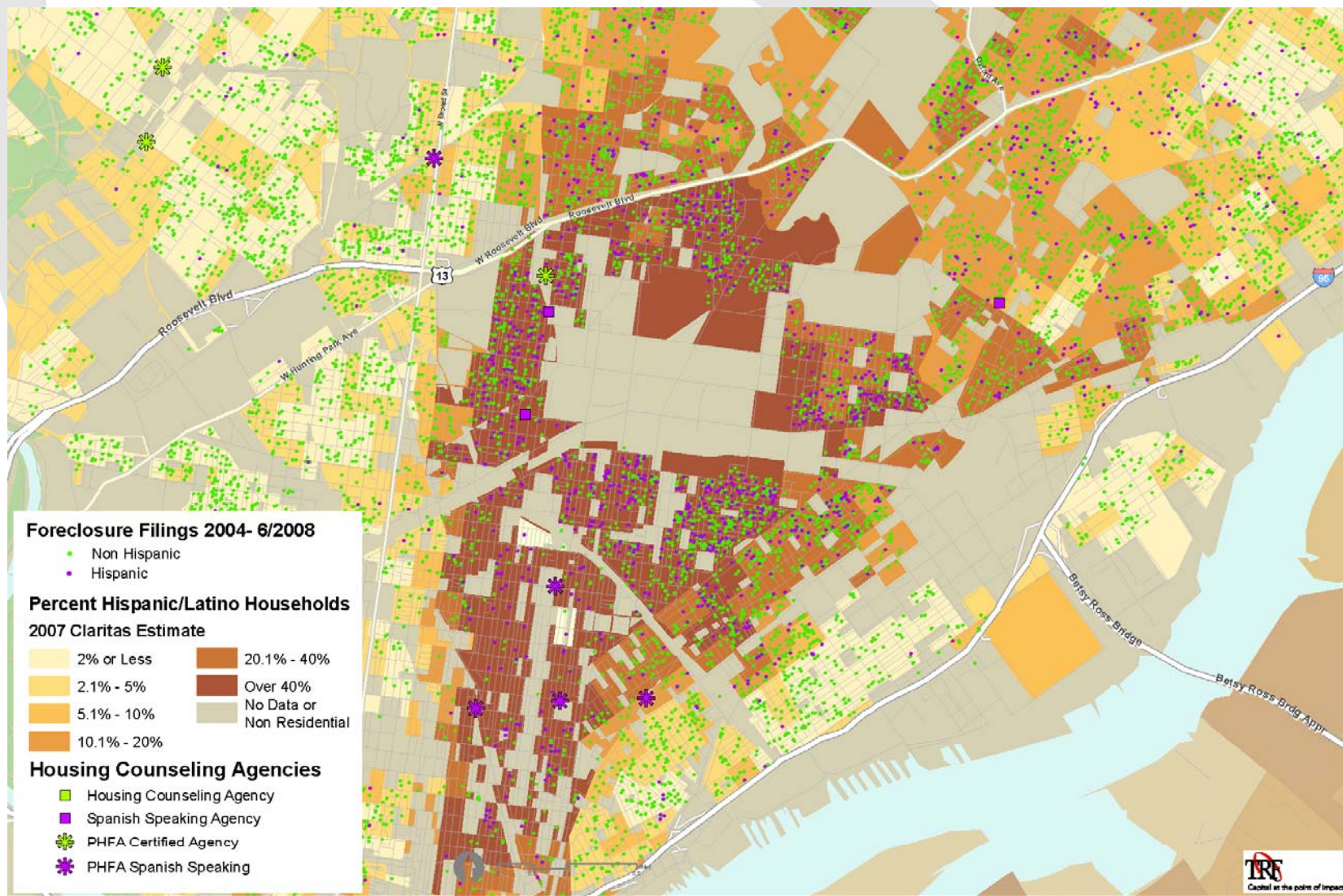


# Philadelphia Foreclosure Filings





# North Philadelphia Foreclosure Filings





- Hispanics, compared to non-Hispanics, are:
  - More likely to be in foreclosure with a purchase money mortgage (not a mortgage refinance)
  - More likely to have a government-insured loan (as opposed to a conventional loan)
  - Beginning to suffer the ill effects of adjustable-rate and balloon loans
- Throughout the study area, zip codes with larger Hispanic concentrations appear to have higher concentrations of mortgage delinquency
- Except for a few areas, Hispanics facing foreclosure in the study area live relatively close to housing counseling services. But the *promise* of service in Spanish exceeds the *actuality* of that service.

## Combined TRF/SF Fed Study Recommendations

### **Service**

- Work to enhance the training and monitoring of housing counseling services.
- As foreclosures will inevitably rise and the options for people in foreclosure are many and complex, need to devote more attention to helping homeowners chart the best course for themselves.
- Notwithstanding all of the options available to people, it is inevitable that any people will lose their homes. Therefore housing providers and those influencing public policy need to dedicate attention and resources to providing for high quality, affordable, flexible rental housing opportunities for people with limited savings and damaged credit.



## Combined TRF/SF Fed Study Recommendations

### Research

- At this time while tens-of-thousands of people are working their way through the mortgage modification/workout process, there is acute need to conduct systematic analyses into the short- and long-term results of those workouts and how the circumstances of borrowers relates to success. The analysis must be done with specific attention to those factors reflective of race and ethnicity and the racial/ethnic profile of the community within which they live.
- Make public those data that are currently proprietary (e.g., mortgage delinquency) and affirmatively monitor for market changes – including those reflective of fair housing concerns.





## Combined TRF/SF Fed Study Recommendations

### **Advocacy**

- Strengthen and vigorously enforce state laws that address abusive lending and servicing practices.
- Hispanics are at a disadvantage in a few parts of the study area – and likely other parts of the country where Hispanics are residentially concentrated. Advocate for affirmative law enforcement activities (criminal, civil and fair housing) in those areas.
- Build an advocacy agenda around what we are learning about the success of the various loan modification programs. Although there is no information that distinguishes Hispanic from non-Hispanic homeowners, lessons learned in related subject areas can help us tailor that agenda to the unique needs of Hispanic homeowners.





This presentation may be downloaded from:  
[www.trfund.com](http://www.trfund.com)

