The surge in mortgage delinquencies that began in mid-2007 soon grew into a foreclosure crisis and severely weakened the economic security of the United States and millions of its residents.\textsuperscript{123} As more and more homes went into foreclosure, this disaster also triggered a broader financial crisis, both in the United States and abroad.\textsuperscript{124}

Beyond the shores of the United States, “‘the swift emergence of subprime contagion . . . was one of the shocking things about the early stage of the subprime crisis.’”\textsuperscript{125} Banks and hedge funds in Germany, Australia, the Netherlands, Great Britain, Switzerland, and France suffered huge losses in the early days.\textsuperscript{126} Later, the credit ratings of sovereign nations in the European Union as well as the United States were downgraded.\textsuperscript{127} In 2011, the European Union itself was threatened when its strongest members—Germany, France, and Great Britain—found themselves holding large amounts of debt from weaker members teetering on the brink of insolvency, including Greece, Ireland, Italy, Portugal, and Spain.\textsuperscript{128}

The effects in the United States were staggering. At the macroeconomic level, as of the beginning of 2011, over twenty-six million Americans had no job, could not find full-time work, or had given up looking for work.\textsuperscript{129} At the same time, almost $11 trillion in household wealth had vanished, including retirement accounts and life savings.\textsuperscript{130} In 2008 foreclosures triggered a government bailout and takeover of the mortgage giants Fannie Mae and Freddie Mac.\textsuperscript{131} They remain in receivership as of 2018.\textsuperscript{132}

From January 2007 to the end of December 2017, 534 banks failed—the peak years being 2009–2012 during which 440 banks went into Federal Deposit Insurance Corporation (FDIC) receivership. This was the largest number of bank failures and FDIC-arranged sales of banks (in lieu of failure) in history.\textsuperscript{133} These events included the failures of Washington Mutual Bank and IndyMac Bank and the pre-failure sale of Wachovia Bank.

Nonbank mortgage lenders were also impacted. Many lost vital warehouse lines of credit from commercial and investment banks, making them illiquid and preventing them from originating new loans.\textsuperscript{134} “[O]f the nineteen nonbanks and depositor[y banks] that funded their originations using both warehouse lines and [other sources] in the pre-crisis period, only two institutions, Nationstar Mortgage and Suntrust, survived until 2017 and the rest (representing about 45% of 2006 mortgage originations) were closed down, went bankrupt, or were involved in FDIC-supervised sales.”\textsuperscript{135}

As for individuals, homeowners, and their neighbors, the picture was bleak. By February 2011, 2.7 million homeowners who received loans between 2004 and 2008 had already lost their homes to foreclosure.\textsuperscript{136} Between 2007 and 2012 over 12.5 million homes went into foreclosure, even as homeowners struggled to hang on.\textsuperscript{137}

African-American and Latino borrowers were almost twice as likely to have been impacted by the crisis.\textsuperscript{138} For example, the homes of 9.8\% of African-American borrowers and 11.9\% of Latino borrower were foreclosed on, compared to 5.1\% of white borrowers.\textsuperscript{139} A 2013 report by one advocacy group stated that “minority neighborhoods have lost or will lose $1.1 trillion in household wealth and that involved huge losses for the neighborhoods’ tax bases, and for the homeowners who lived there.”\textsuperscript{130} Individual families living in minority neighborhoods stood to lose $40,297 or 16\% of their home’s value on average.\textsuperscript{140}

The homeownership rate for minorities as a group remained 25.2\% lower than the rate for whites.\textsuperscript{141} Between 2014 and 2016, the share of white households owning homes dropped by 4\% to 71.9\%, the share of African-American households owning homes dropped by 6.7\%, to 43.0\%, while the share of Hispanic households owning homes declined by 2.5\% to 45.6\%.\textsuperscript{142} New mortgage lending to people of color also remained depressed at a greater extent than lending to whites.\textsuperscript{143}

Although Congress had passed the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010, that did not mark the end of the crisis. Many of the new regulations called for by the Act did not take effect until January 10, 2014 and most applied only to new mortgages.

By the end of 2014, the homeownership rate in the United States had dropped to 64.5\%.\textsuperscript{144} Nevada and Arizona experienced the highest concentration of neighborhoods with severe homeownership rate declines—close to 20\%. Eleven other states and the District of Columbia followed with rates between 14\% and 10\%.\textsuperscript{145}

By the end of 2016, the national homeownership rate had dropped further to 63.4\%, but it was the “smallest year-over-year decline since 2006.”\textsuperscript{146} African Americans continued to fare worse. Between 2015 and 2016 the African-American homeownership rate fell by 0.8 percentage points. In contrast, the white homeownership rate remained stable, and the Hispanic
homeownership rate went up by 0.4 percentage points.\textsuperscript{124}

As homeownership rates declined, the demand for rental housing rose. Between 2006 and 2016 the number of renters increased by 20%.\textsuperscript{125} By the end of that period, the homeownership rate had dropped to its lowest level since 1965.\textsuperscript{126} Moreover, 2015 marked the largest single-year jump in net new renter households, up 1.4 million,\textsuperscript{127} although the increase slowed the following year by roughly half.\textsuperscript{128}

Footnotes


125 \textsuperscript{[125]} Kathleen C. Engel & Patricia A. McCoy, The Subprime Virus: Reckless Credit, Regulatory Failure, and Next Steps 74–82 (2011).

126 \textsuperscript{[126]} Id. at 80.

127 \textsuperscript{[127]} Id.


129 \textsuperscript{[129]} Id. Debt levels in these countries remained high well into 2017. The most severely affected European Union countries show slight signs of recovery, with the exception of Ireland (good news) and Greece (troubling news). As of 2014, Greece’s government debt level in relation to gross domestic product (GDP) stood at 180% followed by Italy at 156%, Portugal at 151%, Ireland at 122%, and Spain at 118%. As of 2016, only Ireland managed to dramatically reduce its debt percentage to 83%. Portugal came in second for the size of its reduction—to 146%. Spain’s measurement declined by 1% to 117%. Italy posted no change. Unfortunately, Greece did not fare well, as its percentage rose to 188%. Organisation for Economic Co-operation and Development, OECD Data, General Government Debt [3], http://data.oecd.org (“[Government debt] is an indicator of an economy’s health and a key factor for the sustainability of government finance. . . . ‘Debt’ is commonly defined as a specific subset of liabilities identified according to the types of financial instruments included or excluded. Debt is thus obtained as the sum of the following liability categories (as applicable): currency and deposits; securities other than shares, except financial derivatives; loans; insurance technical reserves; and other accounts payable.”). A low debt-to-GDP ratio indicates an economy that produces and sells goods and services sufficient to pay back debts without incurring further debt. It is important to note that the percentages for the United States and the United Kingdom in 2014 and 2016 were 124%/127% and 113%/121%, respectively, both higher than Spain.


131 \textsuperscript{[131]} Id. See also Michael S. Barr & Daniel Schaffer, Wash. Ctr. for Equitable Growth, Nothing Left to Lose? Changes Experienced by Detroit Low-and-Moderate-Income Households During the Great Recession [4] (Sept. 2016), available at http://equitablegrowth.org (summarizing studies documenting the decline in household wealth nationally; regarding Detroit, finds employment fell by 10%, median unemployment duration increased by 4.3 months, median household income fell by $5000, mean home values fell by over $44,000, the number of underwater homes increased by 62%, mean mortgage payments increased by $164, gas or electric shutoffs increased by 6%, and disconnected phone lines increased by 20%, based on data collected between July 2005 and January 2006 and between October 2009 and March 2010).


136 [136] Id.


139 [139] Debbie Gruenstein Bocian, Wei Li & Carolina Reid, Ctr. for Responsible Lending, Lost Ground, 2011: Disparities in Mortgage Lending and Foreclosures [10] 4 (Nov. 2011), available at www.responsiblelending.org (noting, however, that the majority of all affected borrowers have been white).

140 [140] Id. at 5 (finding, in addition, that the rate of serious delinquency among these groups were: 14.2%, 13.7% and 6.8%, respectively).


142 [142] Id. (noting these figures do not include “the total loss in home equity that has resulted from the crisis (estimated at $7 trillion), the negative impact on local governments (in the form of lost tax revenue and increased costs of managing vacant and abandoned properties) or the non-financial spillover costs, such as increased crime, reduced school performance and neighborhood blight.”). See also Nat’l Urban League, 2015 State of Black America [11] 37 (2015), available at http://nul.iamempowered.com (reporting that in 2011 home equity for blacks was $50,000; whereas home equity for whites was $85,000; median wealth of blacks was $6314 compared to $110,500 for whites in

144 [144] Id.

145 [145] Ctr. For Responsible Lending, 2013 Home Mortgage Disclosure Act: Data Show People of Color Being Left Behind in Slowly Recovering Mortgage Market [12] (Sept. 2014), available at www.responsiblelending.org (“People of color and low and moderate-income families continue to receive a far lower share of mortgage loans than they have historically and than would be expected based on the composition of the population. These borrowers are also more likely to be served by government-backed loan programs than by the conventional market.”); Laurie Goodman, Jun Zhu & Taz George, The Urban Inst., The Impact of Tight Credit Standards on 2009–13 Lending [13] 9 (Apr. 2015), available at www.urban.org (from 2001 to 2013 mortgage loans to white borrowers declined 31% but declined 50% to African-American borrowers and 38% to Hispanic borrowers; whereas loans to Asian-American borrowers rose 8%). See also Jim Campen, Mass. Cmty. & Banking Council, Changing Patterns XXIV, Mortgage Lending to Traditionally Underserved Borrowers and Neighborhoods in Boston, Greater Boston, and Massachusetts 2016, at i (Dec. 2017) (“FHA loans continued to account for historically high shares of total lending in 2016. In Greater Boston, FHA loans accounted for 9.7% of all home-purchase lending, down slightly from 10.4% in 2015, and far below their peak share of 23% in 2009. In the City of Boston, the FHA share of all home-purchase loans was lower, at 7%, while statewide it was substantially higher, at 17%. The FHA loan shares remain far above those of 2004 through 2007, when FHA loans accounted for only one percent of home-purchase loans in Greater Boston.”); Sarah Wolff, Ctr. for Responsible Lending, The Drought Continues: Mortgage Credit Runs Dry for Californians of Color [14] 7 (July 2016), available at www.responsiblelending.org (African-American and Latino borrowers combined received 25% of new home-purchase loans while making up nearly 40% of the population in California); Woodstock Inst., Her Longer Road Home: Disparities in Mortgage Lending to Women in the Chicago Region [15] 5–7 (June 2015), available at www.woodstockinst.org (providing data from 2011 to 2013 showing that mortgage applications from women and women with co-applicants were less likely to be originated than mortgage applications from men and men with co-applicants in the Chicago region, controlling for loan-to-income ratios for both purchase and refinance loans, except in the case of low-income women).


148 [148] Harvard Joint Ctr. for Hous. Studies, State of the Nation’s Housing 2017, at 19 (2017) (“With this latest decline, the homeownership rate stood 5.6 percentage points below the peak in 2004 and 0.6 percentage point below its level in 1994. The long slide in homeownership reflects the lingering effects of the foreclosure crisis and Great Recession, as well as delayed homebuying among younger households.”).

149 [149] Id.


151 [151] Id. (reporting homeownership rate of 63%).

153 [153] Id.

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[8] https://www.wsj.com/articles/SB12223841558657687