

“Restructuring the American Dream: How an Asset-Building/Homeownership Counseling Program Mitigates Foreclosures among Low-Income, Minority Homebuyers”

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Anna Maria Santiago is the Leona Bevis and Marguerite Haynam Professor of Community Development at the Mandel School of Applied Social Sciences at Case Western Reserve University. Santiago’s research focuses on the importance of place on the economic opportunities and life chances available to low-income and minority families and on how federal, state, and local housing policies and programs serve as vehicles for community and social development. The four domains of her current work are: the impacts of housing markets on low-income, minority communities and individuals; human, financial, and social capital formation and asset building strategies in low-income families; evaluating the multidimensional value of homeownership to low-income households; and generating opportunity-rich neighborhood environments to improve the health and well-being of Latino and African-American children. Her research has been supported by grants from the U.S. Department of Housing and Urban Development, the National Institute of Child Health and Human Development, the Ford Foundation, the Mac Arthur Foundation, the Annie E. Casey Foundation, the Social Science Research Foundation, and the W.K. Kellogg Foundation. Her publications include numerous articles in peer reviewed journals, book chapters, and one coauthored book, *Why Not in My Backyard?* (2003).

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Summary and Findings: Since the mid-2000s, there has been a significant drop in minority homeownership. Moreover, one in five minority homeowners have lost or are at imminent risk of losing their homes before the current foreclosure crisis abates. Ongoing concerns about the long-term sustainability of homeownership center around housing cost burden, subprime and predatory lending, and rising indebtedness— all associated with the increased risk of foreclosure and housing instability for low-income, minority homebuyers. This study assesses how participation in an intensive asset-building and homeownership counseling program (HOP) operated by the Denver Housing Authority is associated with the sustainability of homeownership among low-income, minority homebuyers. We employ administrative, real property and legal records, and survey data from the Denver Housing Study, a quasi-experimental, longitudinal study of 500 low-income Latino, African-American, and Vietnamese homebuyers who purchased homes between 1995 and 2011. Using propensity score analysis to match HOP participants and a sample of low-income homebuyers who were not HOP participants on an array of demographic characteristics and timing of home purchase, we evaluate program participation effects on initial housing cost burden; the terms and conditions of original mortgage loans; the terms and conditions of subsequent refinancing; the duration of homeownership tenure; the accumulation of postpurchase debt; and foreclosures.

Implications for Policy and Practice: Participation in an asset-building and homeownership counseling program run by the Denver Housing Authority significantly improved a number of time-of-purchase and postpurchase outcomes for low-income, minority homebuyers, including lower initial financial burden associated with owning a home; access to better mortgage products; lower odds of refinancing; higher odds of sustaining homeownership; lower incidence of

home sales but when that occurred, HOP participants experienced significantly higher returns on sales (\$182,028 versus \$133, 125); lower odds of cashing out home equity; and lower incidence of and longer duration to foreclosure. Like many American homeowners, our low-income homebuyers experienced significant losses in home value postpurchase during the current housing crisis. However, we found that HOP participants have been better equipped to sustain homeownership during these turbulent times. Asset building combined with intensive prepurchase homeownership counseling can substantially improve a wide array of financial outcomes associated with homeownership as well as reduce the risk of foreclosure. We urge policymakers not to overreact to the recent foreclosure crisis by minimizing the importance of and eliminating programs or policies aimed at increasing opportunities for low-income homeownership. Well-designed and operated programs can yield remarkably positive financial outcomes for low-income, minority homebuyers.