

## “Weathering the Recession: The Financial Crisis and Family Wealth Changes in Low-Income Neighborhoods”

**Presenter:** Beadsie Woo, The Annie E. Casey Foundation

Beadsie Woo is a senior associate in the Center for Community and Economic Opportunity at The Annie E. Casey Foundation. Her work to increase financial stability for families and children focuses on strategies that facilitate asset development and protect asset holding, including those related to foreclosure. She is a coauthor of *Weathering the Recession: The Financial Crisis and Family Wealth Changes in Low-Income Neighborhoods* (2012), which examines what happened to assets, debts, and home equity for families living in low-income neighborhoods during the Great Recession, using data from the longitudinal Making Connections Survey. Woo holds an AB in economics from Davidson College, a MPP from Harvard’s Kennedy School of Government, and a PhD in economics from the University of North Carolina.

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**Summary and Findings:** Many families lost household wealth during the Great Recession. Families in low-income neighborhoods were particularly vulnerable because they often had subprime mortgages, limited access to credit sources, lower home prices, and higher unemployment. We looked at 2,500 families in low-income neighborhoods in seven cities in 2005–06, with a follow-up in 2008–09. Savings and debt both increased between 2005–06 and 2008–09. Average household debt grew by \$3,500 and nonmortgage debt by \$970. In 2008–09, the most common assets these families held were bank accounts (73 percent) and dependable cars (78 percent). Home equity was a major component of wealth. For the 47 percent who were homeowners, average home equity was \$66,000. While the aggregate findings mirror national trends, neighborhood profiles differed. For example, Des Moines showed an increase of \$3,900 in home equity, while Providence showed a \$44,200 decrease. The differences reflect the larger macroeconomic conditions to which the neighborhoods were exposed. Market conditions, household characteristics, access to credit, and residents’ perceptions of their neighborhood all relate to wealth holdings and have implications for place-based policy initiatives.

**Implications for Policy and Practice:** For households in these particular low-income neighborhoods, our findings on lower debt for particular groups may reflect a lack of access to credit and less ability to make investments in human capital (such as student loans) and small businesses. Hispanics had substantially less equity in 2008–09 than whites, and low-income families disproportionately lost equity during the financial crisis (relative to more well-off families) even though the Making Connections Neighborhoods were very low-income overall. With homeownership as the major asset-building vehicle for these households, could solid underwriting and improved access to good mortgages change this outcome?