
WASTED WEALTH

ATLANTA, GA



How the Wall Street Crash Continues to Stall Economic Recovery and Deepen Racial Inequity in America.

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INTRODUCTION

People of color are experiencing one of their most basic needs — housing — pulled out from under them at alarming rates. And they are losing their homes because they were targeted with loan products — which lenders called “ghetto loans” — that were designed to fail. Banks offered incentives to their loan officers to target these communities with subprime loans, while not bearing the consequences of this risky behavior. This twisted form of moral hazard manifested when American taxpayers provided several trillion dollars in bailouts, from which banks profited by the billions.

But America’s foreclosure victims were left hung out to dry. These practices resulted in the mass transfer of wealth out of communities already under siege by an economy rigged against them. And the crisis, which sparked the Great Recession, has snowballed, resulting in fewer jobs for America’s communities of color, which, in turn, results in weaker and unsustainable local economies. This study quantifies that lost wealth and measures the extent of the disparities between communities of color and the rest of America, and offers evidence that shows principal reduction is the solution.

ANALYSIS

In 2012, the city of Atlanta lost over \$900 million in wealth due to the foreclosure crisis. While that number in itself shows the toll that the foreclosure crisis has had, the data confirms that Majority-Communities of Color had more foreclosures per household and that those communities saw significantly more lost wealth per household than communities with proportionately fewer people of color. If homeowners with underwater mortgages go into foreclosure, even more wealth will be lost. Principal reduction would help homeowners with underwater mortgages in Atlanta see a savings of more than \$550 per month — money that could instead be used to boost the economy and create jobs. A look at our findings:

- **Lost Wealth:** Citywide, communities in Atlanta lost over \$900 million in wealth due to the foreclosure crisis in 2012, or \$3,800 per household. However, communities with higher concentrations of people of color saw more wealth lost per household: nearly \$5,000 per household for Majority-Communities of Color and only \$2,300 in Segregated White

communities. Even communities with Above Average Percentage People of Color saw more than one and a half times the amount of wealth lost per household than Segregated White communities.

- **Foreclosures:** On average, communities in Atlanta saw 29 foreclosures per 1,000 households. As with lost wealth, communities with higher concentrations of people of color saw higher foreclosure rates: Majority-Communities of Color and communities with Above Average Percentage People of Color saw 37 and 30 foreclosures per 1,000 households, respectively, while Segregated White communities saw only 17 foreclosures per 1,000 households.
- **Foreclosures-in-Waiting:** In addition to the households already facing foreclosure in Atlanta, more than 36,000 homes citywide are worth less than the amount that homeowners still owe on their mortgages. Using an estimate of a 13% foreclosure rate for underwater homes, we expect an additional \$600 million in lost wealth citywide, or \$2,500 per household.

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PERSPECTIVE: *Mark Harris, Avondale Estates, Ga.*



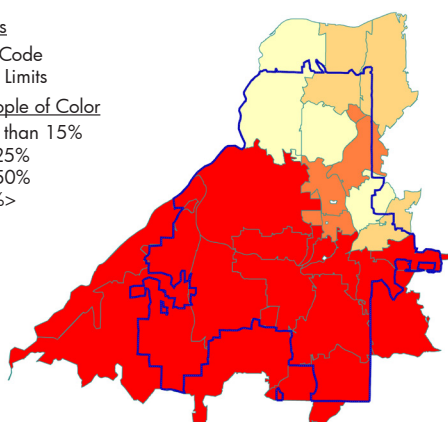
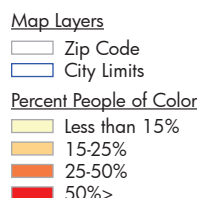
I remember the pride I felt when I purchased my home back in 1996. It wasn’t new, but it was mine! I worked hard. I deserved it. I am a veteran of the United States armed forces. I fought in Desert Storm and proudly served my country. Becoming a homeowner was part of the American Dream that signified a success in life, and that success was finally within my grasp.

In 2004, I refinanced my home, and my loan switched from a veteran’s loan to a conventional loan. My mortgage payment was \$2,000 a month. I worked as an independent truck driver and had no problems covering the payments. No problems, until the economy tanked in 2008, and, suddenly, as if overnight, I struggled desperately to make ends meet. Gas became too expensive and cut into my profits, and

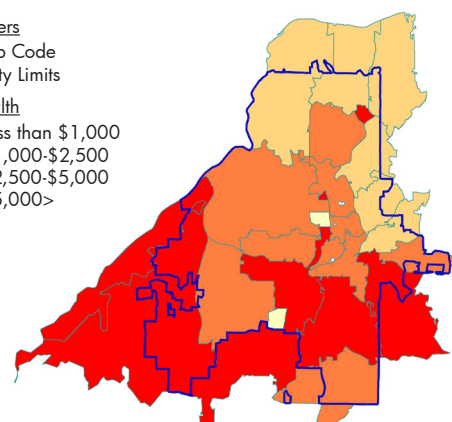
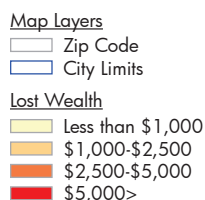
SEE ‘PERSPECTIVE’ ON BACK PAGE

FINDINGS

PEOPLE OF COLOR POPULATION



LOST WEALTH, PER HOUSEHOLD



ATLANTA, 2012

TOTAL LOST WEALTH

\$901.8 MILLION

LOST WEALTH, FORECLOSURES IN WAITING

\$606.9 MILLION

LOST WEALTH, PER HOUSEHOLD

All Communities	Majority Communities of Color	Above Avg % People of Color	Segregated White Communities
\$3,800	\$4,900	\$4,000	\$2,300

FORECLOSURE RATE, PER 1,000 HOUSEHOLDS

All Communities	Majority Communities of Color	Above Avg % People of Color	Segregated White Communities
29	37	30	17

LOST WEALTH, FORECLOSURES IN WAITING, PER HOUSEHOLD

All Communities
2,500

UNDERWATER HOMES

All Communities
36,300

ECONOMIC BENEFITS OF PRINCIPAL REDUCTION

	Atlanta	Georgia
Average annual savings per homeowner	\$6,700	\$7,200
Total annual stimulus	\$242,200,000	\$2,670,000,000
Jobs created	\$3,600	\$39,400

UNITED STATES, 2012

Total Lost Wealth

\$192.6 BILLION

Lost Wealth Per Household

All Communities	\$1,700
Majority Communities of Color	\$2,200
Above Avg % People of Color	\$2,000
Segregated White Communities	\$1,300

Foreclosure Rate, Per 1,000 Households

All Communities	13
Majority Communities of Color	17
Above Avg % People of Color	15
Segregated White Communities	10

Total Lost Wealth, Foreclosures in Waiting

\$220.7 BILLION

Underwater Homes

All Communities	13.2 million
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Economic Benefits of Principal Reduction

Average annual savings per U.S. homeowner	\$7,708
Total annual stimulus	\$101.7 billion
Jobs created	1.5 million

ANALYSIS

- **Benefits of Principal Reduction:** Renegotiating mortgages for homeowners with underwater mortgages will save homeowners money and benefit the local economy by increasing consumer spending and creating jobs. Homeowners in Atlanta will save an average of more than \$6,600 annually. If all underwater homeowners renegotiate based on these terms and spend those savings on goods and services, this will mean an economic stimulus of more than \$242 million, which can create over 3,500 jobs.

METHODOLOGY: In this study, we calculate total wealth lost in our communities as a result of the foreclosure crisis, by city and by community-type. Community-types include those with Above Average People of Color Populations, Majority-People of Color communities, and Segregated White communities. The basic formula for lost wealth includes: total impact on property values of the foreclosed home and neighboring homes; total decline in property taxes; and total municipal cost of maintaining bank-owned properties.

We calculate the foreclosures-in-waiting potential lost wealth by applying the same methodology to a Catalist database of 2012 underwater mortgages. We estimate that 13% of underwater mortgages will go into foreclosure, as

discussed in the 2013 Congressional Budget Office report “Modifying Mortgages Involving Fannie Mae and Freddie Mac: Options for Principal Forgiveness.”

The benefits of principal reduction findings used the underwater home count and data from Zillow and CoreLogic to calculate average savings per homeowner and total annual stimulus. Job creation calculations utilized the Annual Stimulus and dividing by the estimated cost to create one job as described in “The Win/Win Solution.”

We define communities by ZIP codes and community-types by the percentage of minority or white residents in a given community. Above Average People of Color Population is defined as having a minority population higher than the national average of 15.8-percent. Majority-People of Color communities are defined as ZIP codes with greater than 50% minority residents. Because Above Average People of Color Population communities include all ZIP codes with greater than 16% minority population, Majority-People of Color communities are included in this number, as well. A minority is defined as individuals who are not “White, Not Hispanic,” as captured by the U.S. Census Bureau in the 2012 American Community Survey. This captures all people of color, including white individuals who self-identify Hispanic. Segregated White communities are those in which greater than 84% of the residents identify as “White, Non Hispanic.”

PERSPECTIVE

business slowed drastically. I had to make a change.

I began working for an employer. It didn't pay as much as I was making before the Great Recession, but I made my checks stretch. I continued to pay my mortgage and continued to pay my bills. I worked with my employer for four months before getting laid off. The recession had affected their business as well, and they simply couldn't afford to keep me on their payroll.

I was able to secure unemployment, and kept making payments on my house. I couldn't make the full \$2,000 payment, but I made \$1,300 payments each month to show my lender that I was trying to keep up.

My lender was not understanding of my efforts, and began the foreclosure process. I was determined to save my home — the memories, the investment, the sacrifices could never be replaced. A friend told me of a program called HomeSafe Georgia. If I qualified, they would pay the costs of my mortgage for 18 months until I could find employment. I submitted the application immediately and was eventually accepted.

I told my lender of the program; however, they would not work with me on delaying the proceedings of the foreclosure. Each month, they would add on late fees and attorney costs

and demand full payment. I was still determined to keep my home, so I began searching for other ways to bring in an income. I was successful! I qualified for retirement, and I also applied for veterans disability. Combined, I would have an additional income of \$2,500 each month. Still, my lender would not budge in their decision to take away my home.

HomeSafe Georgia saw my struggle and offered to assist. Together, we called my lender and discussed what my participation in the program would entail and how the payment process would proceed. In the discussion, I received a verbal confirmation that the program was acceptable to my lender. I was relieved. Everything had worked out, and things were finally looking up.

Then, in 2012, I was notified that my home had been foreclosed upon. Despite their promise to stop the process, they moved forward on the action. HomeSafe Georgia is ready and willing to pay on the mortgage and I have additional income from disability and my retirement, but my lender will not accept any payments.

I still reside at what I used to consider “my” home. I am now a squatter. My mother lives with me. She has early onset Alzheimer's disease. I care for her. This is the place that we feel safe and familiar. We have no other place to go. We want our home back.



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