



UNDERWATER AMERICA

HOW THE SO-CALLED HOUSING “RECOVERY” IS BYPASSING MANY AMERICAN COMMUNITIES

Richmond, California

Nationally, there are widespread reports about a housing recovery. However, the Haas Institute’s report, *Underwater America: How the So-Called “Recovery” Is Bypassing Many American Communities*, shows that this recovery has left behind the hardest-hit neighborhoods in cities like Richmond. In these housing “hot spots” too many homeowners are still underwater on their mortgage, which means they owe more than their homes are worth. These communities have already seen millions in wealth wiped out as a result of the foreclosure crisis, but for the homeowners who live in these hot spots, there is no relief in sight.

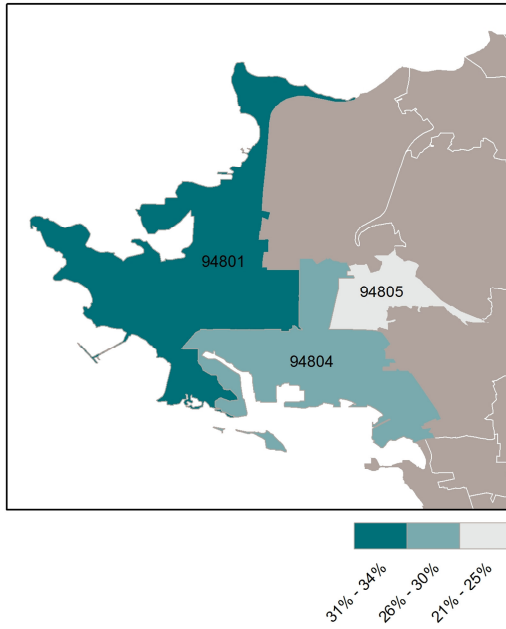
Moreover, even within these cities, working class communities of color are bearing a disproportionate share of the impact of the ongoing crisis. The same communities that were targeted for predatory mortgages in the first place and saw generations of wealth stripped away through foreclosures, are now concentrated in these housing hot spots, where they are more likely to be underwater on their mortgages.

Key facts about the housing crisis in Richmond

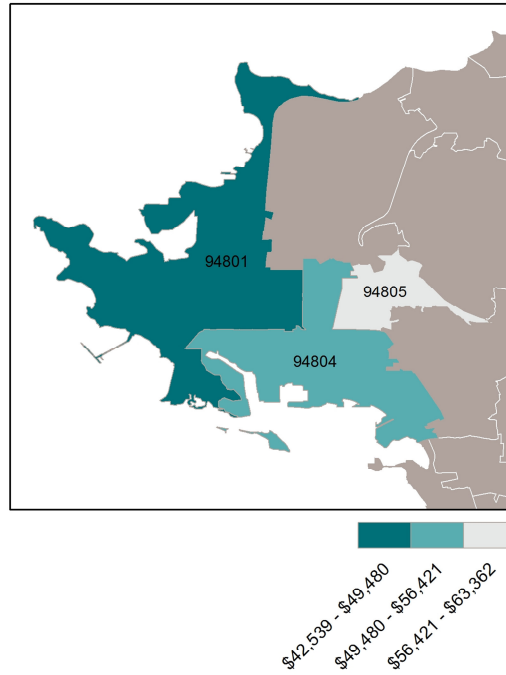
- 28 percent of Richmond homeowners were still underwater on their mortgages at the end of 2013, making it the 66th hardest-hit city in the country with a population over 100,000.
- Richmond home prices remain 48 percent below their peak levels.
- 468 homeowners in Richmond went into default or foreclosure in 2013.
- 66 percent of Richmond residents are African American and Latino, and they have been disproportionately impacted by the housing crisis. Underwater homes in Richmond are more heavily concentrated in neighborhoods with larger African American and Latino populations.
- Richmond families living in lower-income neighborhoods are more likely to be underwater on their mortgages.

Richmond

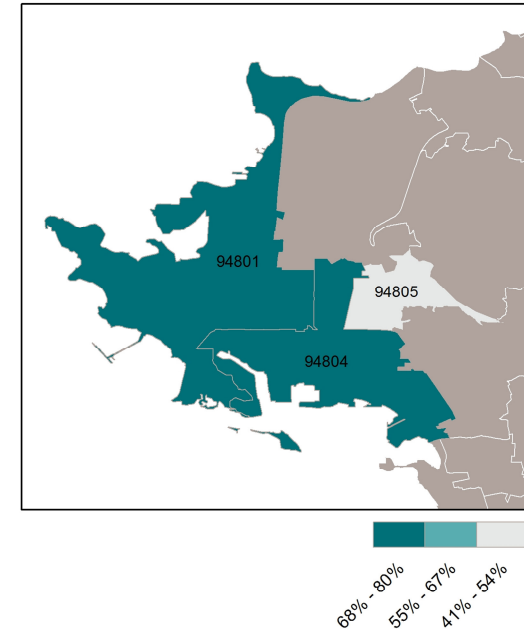
Percentage of Homes Underwater



Median Household Income



Percent African American and Latino



**ZIP codes do not correspond exactly with city boundaries, so some of the ZIP codes included in the maps above may not lie completely within Richmond city limits.*

Recommendations

The housing crisis is far from over for the families living in hard-hit cities like Richmond. We need action to ensure that any recovery does not leave behind the communities living in these hot spots. Local officials in these cities should explore all options at their disposal to more effectively address the crisis. Here are some key steps that should be taken immediately to ensure an equitable recovery for all homeowners:

1. Loan holders – banks, government sponsored enterprises (i.e., Fannie Mae and Freddie Mac, which are regulated by the Federal Housing Finance Agency, FHFA), and investors – should reduce the principal on underwater mortgages to current market values.
2. If loan holders are unwilling or unable to reduce the principal on underwater mortgages to current market values, they should allow these loans to be purchased by publicly-owned or nonprofit entities that are willing to restructure them with fair and affordable terms.
3. Local municipalities should use all options at their disposal to facilitate the goal of resetting mortgages to current market values, including the use of “reverse eminent domain” (the program proposed in Richmond, California and elsewhere) to acquire mortgages in order to restructure them with fair and affordable terms.
4. Banks, government sponsored enterprises like Fannie Mae and Freddie Mac, and investors that own *vacant homes* that have already been foreclosed upon should sell them to publicly-owned or nonprofit entities that can convert them to affordable housing units for residents of the community instead of selling them to speculators.
5. Local municipalities should use all options at their disposal to facilitate the goal of turning vacant, foreclosed homes into affordable housing. This includes the use of “reverse eminent domain” to acquire properties in order to convert them to affordable housing units for residents of the community and to prevent them from being purchased by speculators.