

**The Unraveling of the American Dream:
Foreclosures in the Immigrant Community of Minneapolis¹**

Report to Minneapolis Public Schools
REA Division

Ryan Allen
Assistant Professor
Humphrey Institute of Public Affairs
University of Minnesota
Allen650@umn.edu

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Introduction

Starting in 2006, foreclosures in the U.S. increased dramatically. In fact, the number of foreclosed properties in the U.S. increased by almost 75 percent between 2006 and 2007.² Minnesota has been no exception to this trend.³ The non-profit organization HousingLink analyzed Sheriff's Sales data from across the state and found that foreclosures increased by about 82 percent in Minnesota between 2006 and 2007.⁴ The latest analysis by HousingLink for foreclosures in Minnesota reveals that almost as many foreclosures occurred in the first three quarters of 2008 (20,249) as in all four quarters of 2007 (20,404). HousingLink's analysis also indicates that the epicenter of foreclosures in Minnesota lies in the Twin Cities metropolitan area, where two-thirds of the foreclosures in Minnesota occurred in 2008.

Little is known about the households that actually experience foreclosure. The Sheriff's Sales data used in most spatial analyses of foreclosures tell researchers and policy makers nothing about the households living in a foreclosed unit of housing. Researchers use another source of data, Home Mortgage Disclosure Act (HMDA) data, to answer questions related to mortgage lending. These data reveal demographic characteristics of individuals who borrow money to purchase homes, along with the types of mortgage products they use to finance their purchases. Based on an analysis of these data, researchers and policy makers know that higher risk mortgage products, known as subprime mortgages, are disproportionately represented among foreclosed properties and that minority households are more likely to use subprime mortgages to finance home purchases.⁵ Therefore, it seems a reasonable assumption that minority households are disproportionately represented among households experiencing foreclosure.

² Analysis by MSN Real Estate using data from Realty Trac (<http://realestate.msn.com/article.aspx?cp-documentid=13107814>, accessed on February 27, 2009). It is important to note that a comparison between foreclosure data from Realty Trac and Sheriff Sales data from Minnesota indicates that Realty Trac undercounts foreclosures.

³ In Minnesota, foreclosures occur when the party holding a mortgage fails to make regularly scheduled payments to the lender. Typically, foreclosure proceedings begin after the third consecutive missed mortgage payment when the lender issues a "Notice of Intent to Foreclose" to the borrower. The actual Sheriff's Sale typically occurs after the seventh consecutive missed mortgage payment. Borrowers may remain in the residence for a six-month period after the Sheriff's Sale (known as the redemption period), but must vacate the premises if they cannot payoff the entire mortgage, including any accrued fees, in that time.

⁴ "Foreclosures in Minnesota: A Report Based on County Sheriff's Sale Data," April 29, 2008, HousingLink (<http://www.housinglink.org/Foreclosure.htm>).

⁵ See "Communities in Crisis: Race and Mortgage Lending in the Twin Cities," February 2009, Institute on Race and Poverty at the University of Minnesota for more detailed information on the relationship between race and mortgage lending in the Twin Cities metropolitan area.

This report provides information to confirm this assumption. Using a combination of data from Sheriff's Sales, other administrative datasets, and the 2007 American Community Survey, it paints a picture of the race and nativity status of households that experienced a foreclosure in the City of Minneapolis during fiscal years 2006 and 2007 (July 1, 2006 through June 30, 2008). Determining the nativity status of households that experienced foreclosure during this period of time represents a significant addition to the research and policy discussions regarding foreclosures, because of the increasing importance of immigrants to homeownership and rental housing markets in many parts of the U.S.

Four important research findings emerged from the results of this study;

1. The majority of foreclosures that occurred in Minneapolis between fiscal years 2006 and 2007 involved households living in rental properties that went into foreclosure.
2. A child enrolled in the Minneapolis Public School system was present in almost 40 percent of households that lived in a foreclosed property during fiscal years 2006 and 2007.
3. African-American and Hispanic households were disproportionately represented among households with children enrolled in Minneapolis Public Schools that experienced a foreclosure in Minneapolis during fiscal years 2006 and 2007.
4. Homeowner households with children enrolled in Minneapolis Public Schools that spoke a language other than English in the home were over-represented among households that experienced a foreclosure in Minneapolis during fiscal years 2006 and 2007.

Together, these research findings indicate a need for increased placement counseling services for renter households displaced because of a foreclosure and expanded foreclosure prevention, financial literacy and first-time homebuyer classes for non-English speakers.

Why study foreclosures and immigrant populations?

To date, only one research effort has effectively described the racial characteristics of households that have experienced a foreclosure, and no research efforts have been able to

quantify how many foreclosed homes involved foreign born households.⁶ Understanding the nativity status of households that have experienced foreclosure is important for several reasons. First, immigrants have become increasingly important to the American housing market. The increased amount of time that immigrants have lived in the U.S. helps to account for their increased propensity to buy homes instead of rent.⁷ The loosening of mortgage underwriting standards and the introduction of high cost subprime mortgage products that made it easier for individuals without significant savings or strong credit histories to buy homes also helps to explain the rise in homeownership among immigrants. Between 1980 and 2000, the proportion of homeowner households in the U.S. headed by a foreign born individual increased from 6.6 percent to 8.7 percent.⁸ Census data for Minneapolis indicates a similar increase in the proportion of foreign born homeowner households over the same time period, rising from 5.1 percent in 1980 to 7.2 percent in 2000. Between 2000 and 2007, foreign born households increased their presence among homeowner households in Minneapolis, growing to almost eight percent of all homeowner households in the city. Additional analysis of census data indicates that between 1980 and 2007 the number of foreign born homeowner households in Minneapolis increased by about 2,500 while the number of native born homeowner households remained essentially unchanged. While foreign born homeowners still comprise a relatively small share of the overall homeownership market in Minneapolis, their recent gains and the timing of these gains are important parts of the foreclosure crisis story in Minneapolis.

Second, in the past several years the U.S. has experienced a dramatic increase in residential foreclosures. For example, in the City of Minneapolis the number of foreclosed properties grew from 861 in 2005 to 3,077 in 2008, an increase of almost 260 percent in a four year period. In each of these years, Northeastern and South Central Minneapolis neighborhoods accounted for a majority of foreclosed properties. The intense geographical concentration of the foreclosures in Minneapolis neighborhoods known to contain large proportions of minority and

⁶ In their article “Subprime Mortgages, Foreclosures, and Urban Neighborhoods” (No. 08-6 in the Federal Reserve Bank of Boston’s Public Policy Discussion Papers), Kristopher Gerardi and Paul Willen link HMDA data to sales and foreclosure data for homes in Massachusetts. These linked data allow them to account for the race of the owners of foreclosed properties.

⁷ Dowell Myers and Seong Woo Lee, “Immigrant Trajectories into Homeownership: A Temporal Analysis of Residential Assimilation” *International Migration Review* Vol. 32, No. 3, p. 593-625, 2005.

⁸ Dowell Myers and Cathy Yang Liu, “The emerging Dominance of Immigrants in the US Housing Market 1970-2000” *Urban Policy and Research* Vol. 23, No. 3, p. 347-365, September 2005.

foreign born households suggests that this foreclosure epidemic may threaten these groups' recent gains in homeownership.

Third, research has linked foreclosures to negative individual, household and community-level effects. In virtually every case, homeowners who experience a foreclosure lose the equity they have put in their homes and suffer considerable declines in their ability to secure credit in the future. Rental and homeowner households that experience a foreclosure inevitably must find new housing, creating disruptions for the members of the household. Depending upon where the household finds new housing, children may switch to different schools and adults may need to find new employment. Because spatial proximity plays such a prominent role in determining the composition of social networks, households that experience a foreclosure may have to rebuild their social networks in new neighborhoods.⁹ Since rebuilding social networks takes time, these households may initially lack important sources of emotional and instrumental (e.g., neighbors who can care for children temporarily during an emergency or help finding a job) support.¹⁰ Finally, foreclosed properties decrease nearby property values and can increase crime and disorder in neighborhoods.¹¹ For foreign born households, which tend to have lower wealth endowments, more fragile economic situations, greater everyday reliance on supportive social networks, and more highly segregated housing arrangements compared to native born households, these effects may be especially traumatic.¹²

Given the increased presence of foreign born households in the housing market of Minneapolis, it is likely that the foreclosure crisis has affected them. However, it remains

⁹ Rachel Garshick Kleit, "Neighborhood Segregation, Personal Networks, and Access to Social Resources" Chapter 7 in *Segregation: The Rising Costs for America*, James Carr and Nandinee Kutty, eds., New York: Routledge, 2008.

¹⁰ In their 2003 article "Residential Mobility and Children's Social Capital: Evidence from an Experiment" in *Social Science Quarterly* 84(3), Becky Pettit and Sara McLanahan find that the social capital of children that move to high poverty neighborhoods suffers.

¹¹ See Dan Immergluck and Geoff Smith. 2006. "The Impact of Single-Family Mortgage Foreclosures on Neighborhood Crime" *Housing Studies* 21(6): 851-866 and Dan Immergluck and Geoff Smith. 2006. "The External Costs of Foreclosure: The Impact of Single-Family Mortgage Foreclosures on Property Values" *Housing Policy Debate* 17(1): 57-80.

¹² See Deborah Cobb-Clark and Vincent Hildebrand. 2006. "The Wealth and Asset Holdings of U.S.-Born and Foreign-Born Households: Evidence from SIPP Data" *The Review of Income and Wealth* 52(1): 17-42; Alejandro Portes and Ruben Rumbaut. 2006. *Immigrant America: A Portrait*. University of California Press: Berkeley; Lingxin Hao. 2003. "Private Support and Public Assistance for Immigrant Families" *Journal of Marriage and Family* 65(February): 36-51; and Cecilia Menjivar. 2000. *Fragmented Ties*. University of California Press: Berkeley for discussions of the economic situations of immigrants and reliance on social networks. See George Galster, Kurt Metzger and Ruth Waite. 1999. "Neighborhood Opportunity Structures of Immigrant Populations, 1980 and 1990," *Housing Policy Debate* 10(2): 395-442 for a discussion of the residential clustering of various immigrant groups in the same neighborhoods.

uncertain whether researchers should expect an over or under-representation of foreign born households among the households that experienced a foreclosure in Minneapolis. On one hand, foreign born individuals tend to speak English less compared to native born individuals and have low levels of financial literacy.¹³ This suggests that foreign born households may be more likely to be victimized by predatory lenders or unwittingly use unaffordable mortgage products than native born households. For these reasons, one might expect an over-representation of foreign born households among those households experiencing foreclosure. On the other hand, recent data indicate that foreign born individuals have higher labor force participation rates than native born individuals.¹⁴ Combined with the fact that foreign born households are more likely to contain multiple adults, this suggests that there are more wage earners per household in foreign born households compared to native born households.¹⁵ This may insulate foreign born households from economic and personal shocks more than native born households. For these reasons, one might expect an under-representation of foreign born households among those households experiencing foreclosure.

Data and Methodology

No one existing data source allows a researcher to answer questions about the characteristics of households that experience foreclosure. Thus, this research project created a new dataset that incorporated elements of data from three sources:

1. Sheriff's Sales Data from Hennepin County: The Sheriff's Department maintains data on every property that goes into foreclosure in Hennepin County. This research project used the following pieces of information from this publicly available database: address of the foreclosed property and date of the Sheriff's Sale (the equivalent of the foreclosure date).
2. Minneapolis Public Schools (MPS) student database: The MPS maintains data on the households of each of its students. The pieces of information relevant for this

¹³ See Sherrie Rhine and William Greene. 2006. "The Determinants of Being Unbanked for U.S. Immigrants" *The Journal of Consumer Affairs* 40(1): 21-40.

¹⁴ "Foreign-Born Workers: Labor Force Characteristics in 2007", March 26, 2008, USDL 08-0409, Bureau of Labor Statistics.

¹⁵ Nancy McArdle. 2001. "The Living Arrangements of Foreign-Born Households" N01-3, Joint Center for Housing Studies at Harvard University (March).

research project were the student's address, the household's race, and the primary language spoken in the student's home.¹⁶

3. Hennepin County Assessor's Office: Hennepin County maintains a detailed database with information on all of the parcels located in the county. Information important for this project included the spatial location and homestead status of parcels.

Finally, this project used data from the 2007 American Community Survey as a benchmark to determine whether foreign born households were over or under-represented among foreclosed households in Minneapolis.

The first step of the data analysis in this project involved matching the addresses of foreclosed properties to the addresses of properties inhabited by students enrolled in MPS. Addresses of foreclosed properties in Minneapolis from fiscal years 2006 and 2007 served as the sample of foreclosures for this project. Foreclosed properties during this time period represented 5,405 distinct housing units.¹⁷ Each address of a foreclosed housing unit was compared to the addresses in the school system's database.¹⁸ When a match occurred, the race of the household and the primary language spoken in the home were recorded. After the matching process with school system data was complete, each foreclosed housing unit was matched to parcel data maintained by Hennepin County. After this step, the homestead status of each housing unit was

¹⁶ In keeping with federal reporting requirements, MPS categorizes its students into one of five racial categories: American Indian, Asian, Black, Hispanic, and White.

¹⁷ Official data from the Hennepin County Sheriff's Department originally indicated 5,700 foreclosed housing units in Minneapolis for fiscal years 2006 and 2007. After eliminating duplicate records and properties with incomplete information, the final sample of foreclosed housing units in Minneapolis during this time period fell to 5,405. This figure represents multiple housing units that were part of an individual foreclosed property. For example, a foreclosed duplex affected households living in two separate units.

¹⁸ Since the data cover a two year period and foreclosures likely caused substantial relocations resulting in changes to the addresses on file at the school system of households that experienced a foreclosure, matching the addresses required a painstaking procedure. The foreclosed addresses were divided into six groups based on the date of the sheriff's sale. Each group represented the foreclosures that occurred during a four month period. The addresses in each group were compared to a "snap shot" of the school system's database in the month following the four month period. For example, addresses from foreclosures that occurred between July and October 2006 were compared to a snap shot of addresses in the school system's database on November 13, 2006. It is important to note that in Minnesota households living in a foreclosed housing unit do not have to move from the unit until six months after the sheriff's sale (this period is known as the redemption period). It is also important to note that updates to addresses in the school system's database lag an actual change in an address. Managing the comparisons in this way minimized, but did not eliminate, the chance that a household that experienced a foreclosure changed their address with the school system before the match occurred.

added to the database, and it was possible to use Geographic Information System (GIS) software to include the foreclosed housing units on a map of Minneapolis.¹⁹

Conducting the analysis in this manner introduced important limitations to the study. Specifically, the dataset does not include information on race or language spoken in the home for any foreclosed addresses that did not match an address in the records at the school system. Thus, research findings related to race and language spoken in the home are limited to foreclosures that affected households with at least one child enrolled in MPS. From a public policy perspective, households with school-aged children that experience a foreclosure are a primary concern since these households may have a more difficult time recovering from a foreclosure compared to households without school-aged children. For example, households with school-aged children may experience higher social and financial costs associated with involuntary relocation than households without school-aged children. Also, it is likely that foreclosures have negative effects on the health and well-being of school-aged children.²⁰ As a result, these households may be the ones that most urgently require the attention of government programs and services provided by non-profit organizations.

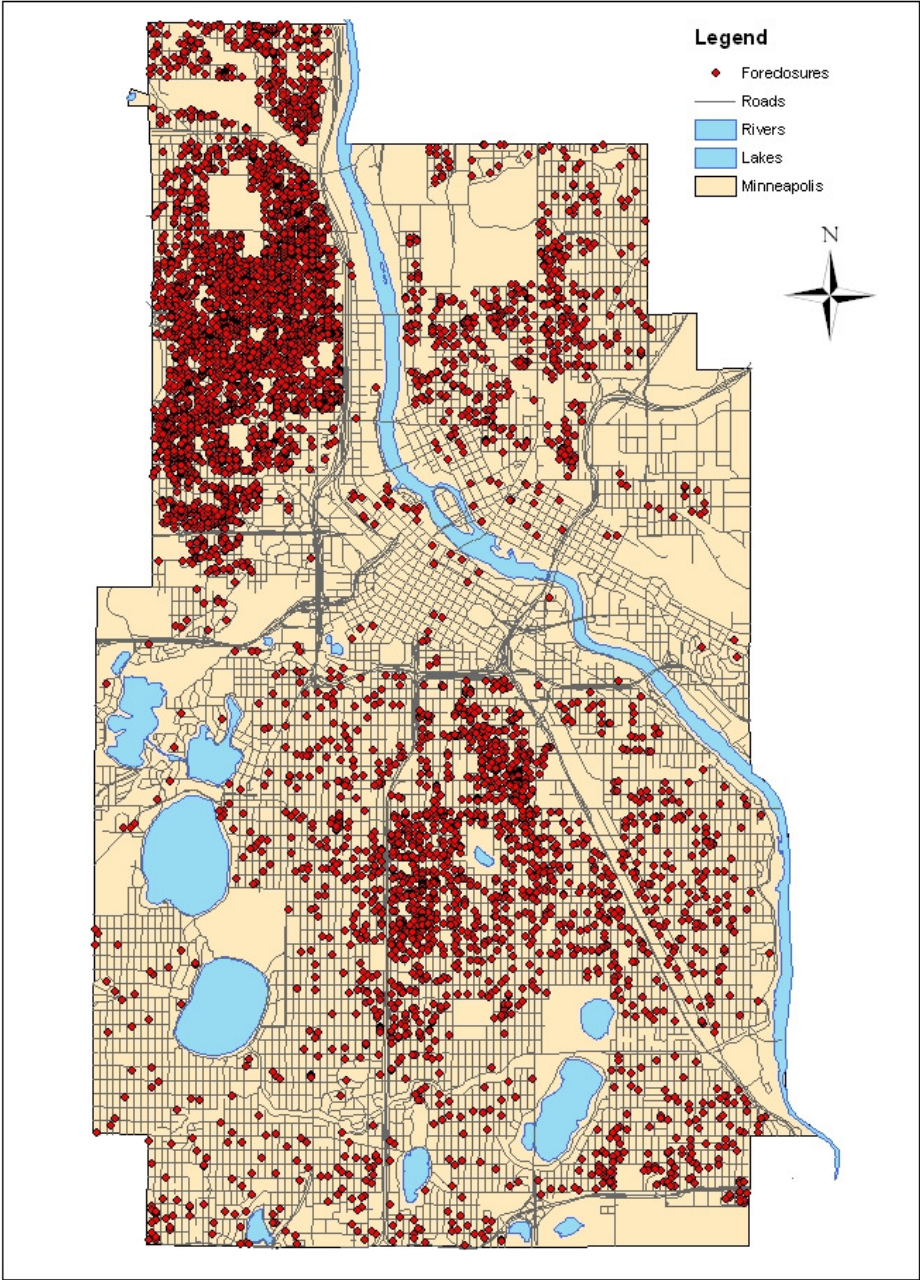
Characteristics of Households Experiencing a Foreclosure in Minneapolis

The foreclosed properties in the sample used in this analysis were not randomly distributed across the city. Map 1 indicates the spatial distribution of the 5,405 foreclosed properties in Minneapolis that occurred between fiscal years 2006 and 2007. The heaviest concentrations of foreclosures occurred in Northwestern and South Central Minneapolis. In fact, about 54 and 20 percent of the foreclosures that occurred during this time period occurred in Northwestern and South Central Minneapolis, respectively.

¹⁹ Limitations in GIS software do not allow the visual representation of multiple housing units that are part of the same property. For example, three foreclosed condominiums in the same condominium building appear on GIS maps as only one foreclosure.

²⁰ Edward Scanlon and Kevin Devine. 2001. "Residential Mobility and Youth Well-Being: Research, Policy, and Practice Issues," *Journal of Sociology and Social Welfare* 28(1): 119-138.

Map 1: Foreclosed Housing Units, Minneapolis, MN (FY06-FY07)



0 0.5 1 2 Miles

Source: Hennepin County Sheriff Sales Data,
Hennepin County Property Tax Data,
Minneapolis Public Schools

Property ownership

In Minnesota, homestead status can serve as a useful proxy for ownership status.²¹ Homesteaded properties are highly correlated with owner-occupied properties, while non-homesteaded properties are highly correlated with rental properties. This is an important distinction because the foreclosure process has different implications for households that rent a foreclosed property and households that own a foreclosed property. In Minnesota, renters and owners retain the legal right to continue to live in a foreclosed property until six months after the date of the Sheriff's Sale. If an owner household cannot reconcile the fees and mortgage balance owed on the property after six months, then the household must vacate the premises or face eviction. After six months it is possible (though anecdotal evidence suggests unlikely) for renter households to start a new lease with the new owner of the property. If a new lease is not arranged, then the renter household also must vacate the premises or face eviction. The residential instability that almost always accompanies a foreclosure has real costs for all of the members of the household, regardless of ownership status.

In contrast to renter households, an owner household also experiences significant economic repercussions from a foreclosure. These repercussions include losing equity from down payments and payments to the principal of the mortgage, as well as experiencing difficulty obtaining future lines of credit. On balance, homeowners likely experience more negative effects from a foreclosure than renters.

Foreclosed properties in Minneapolis between fiscal years 2006 and 2007 were disproportionately classified as non-homesteaded properties. An examination of all residential parcels in Minneapolis in 2007 reveals that about 23 percent were non-homesteaded properties and 77 percent were homesteaded. In comparison, about 61 percent of the parcels containing foreclosed properties were classified as non-homesteaded and 39 percent were classified as homesteaded. In other words, it is likely that renter households were disproportionately represented among foreclosed parcels by a factor of nearly 2.7. This research result supports

²¹ By default, Minnesota counties consider residential properties non-homesteaded unless the owner applies for a homestead exemption. The owner of the property can claim homestead status if he or she intends to use the property as a primary residence or if a member of his or her family intends to use the property as a primary residence. Claiming homestead status carries with it a reduction in property taxes. For example, in 2007 an individual paying property taxes on a homesteaded residential property assessed at \$300,000 would pay \$100 less than an individual paying property taxes on a comparable non-homesteaded residential property.

anecdotal evidence from media outlets that irresponsible landlords represent a significant part of the foreclosure crisis in Minneapolis.²²

Presence of school-aged children in foreclosed housing

A match between the address of a foreclosed property and an address on file with MPS indicated that a household with at least one child enrolled in MPS lived in a foreclosed property. About 39 percent of the addresses of foreclosed properties matched an address on file with MPS (2,125 out of 5,405 foreclosures). An estimate based on data from the 2007 American Community Survey indicates that about 16.5 percent of households in Minneapolis (25,887 out of 156,226 households) have at least one child enrolled in public school. According to this estimate, households with children enrolled in MPS were disproportionately represented among foreclosed housing units by a factor of nearly 2.5.

Foreclosed households by race

Though foreclosed households reflected a variety of racial groups, Black and Hispanic households bore the brunt of foreclosures in Minneapolis between fiscal years 2006 and 2007. Table 1 indicates foreclosures that involved a household with at least one child enrolled in MPS, by the race of the household. In addition, Table 1 reports estimates based on 2007 American Community Survey data of households in Minneapolis with at least one child enrolled in public school by the race of the head of household. Comparing these figures is important in order to determine whether any racial groups were disproportionately represented among households experiencing a foreclosure.

Two trends clearly emerge from the data. First, with the exception of Asian households, minority households were over-represented among households with children enrolled in MPS that experienced a foreclosure. The 2007 American Community Survey categorized about 35 percent of households in Minneapolis with a child enrolled in public school as black. In comparison, about 63 percent of the foreclosed households with a child enrolled in MPS were black. Similarly, about nine percent of households in Minneapolis with a child enrolled in public school were Hispanic, but almost 18 percent of the foreclosed households with a child enrolled in

²² For example, see Kara McGuire's article "Foreclosures often lock out renters" in the *Star Tribune* on June 9, 2007.

MPS were Hispanic. Second, and in contrast to the first trend, white households were significantly under-represented among households with children in public schools that experienced a foreclosure. About 48 percent of households in Minneapolis with a child enrolled in public school were white, but less than 10 percent of the foreclosed households with a child enrolled in MPS were white.

Table 1: Households with a Child enrolled in MPS and Living in a Foreclosed Housing Unit in Minneapolis by Race (FY2006-FY2007), N = 2,125

	American Indian	Asian	Black	Hispanic	White
Proportion of Foreclosures in Minneapolis	3.7%	6.0%	63.1%	17.6%	9.6%
Proportion of Minneapolis Households with a Child in Public School ²³	1.0%	6.6%	35.0%	9.1%	48.4%

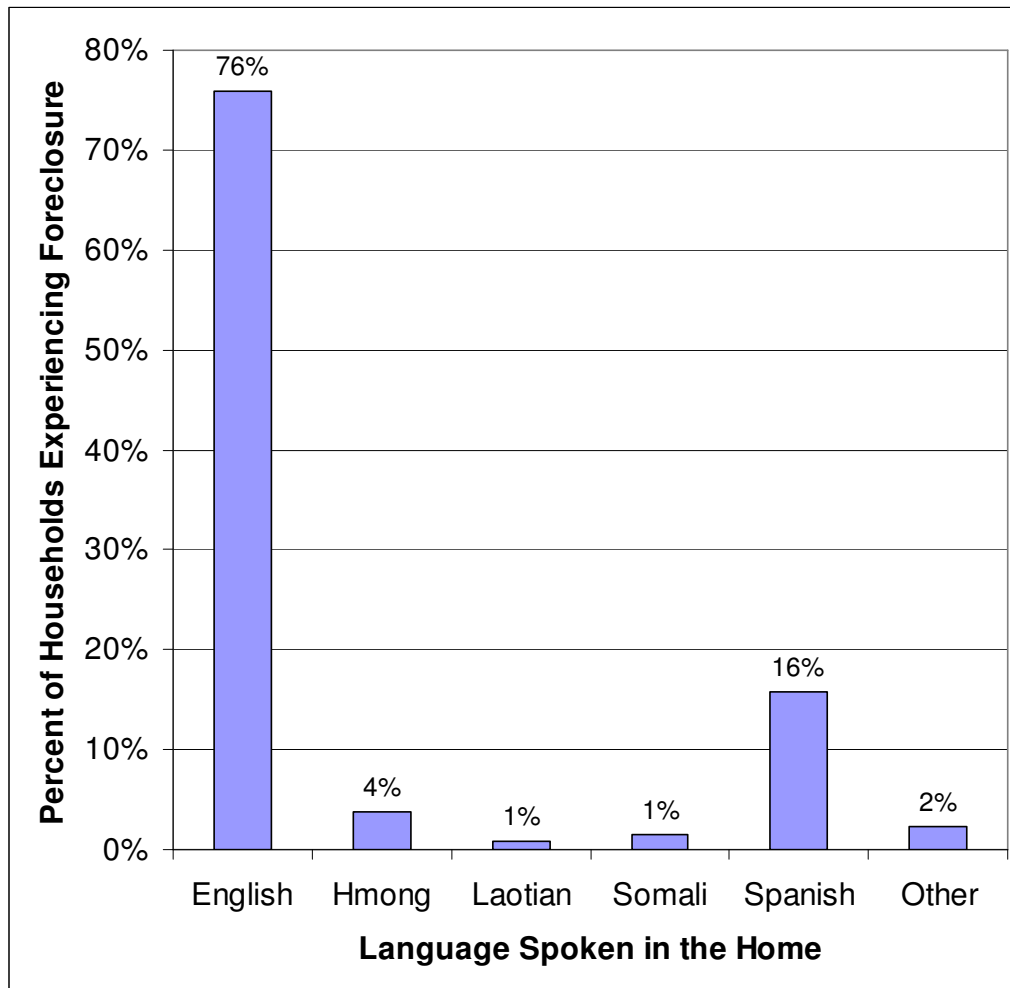
Source: Sheriff's Sales data, Minneapolis Public Schools and 2007 American Community Survey

Foreclosed households by language spoken in the home

By far, English was the most prevalent language spoken in the home for households with children enrolled in MPS that experienced a foreclosure. Chart 1 indicates foreclosures that involved a household with at least one child enrolled in MPS, by the language spoken in the home of the household. Over three-quarters of the households with children enrolled in MPS that experienced a foreclosure spoke English in the home. Almost 16 percent of the households with children enrolled in MPS that experienced a foreclosure spoke Spanish in the home, making it the second most common language. The chart indicates smaller proportions of households with children enrolled in MPS that experienced a foreclosure that spoke Hmong, Somali, Laotian, and other languages in the home.

²³ Because the American Community Survey uses a sample, any estimate derived from American Community Survey data has a confidence interval. These confidence intervals are not included in this table nor in other references to estimates based on American Community Survey data.

Chart 1: Households with a Child enrolled in MPS and Living in a Foreclosed Housing Unit in Minneapolis by Language Spoken in the Home (FY2006-FY2007), N = 2,125



Source: Sheriff's Sales data and Minneapolis Public Schools

Foreclosed households by nativity

First-generation immigrants that come from non-English speaking countries tend to speak the language of their country of origin in their homes while living in the U.S. By the time second generation immigrants (those who were born in the U.S. of foreign born parents) form their own households, an extremely small proportion speak a language other than English as the primary language spoken in the home.²⁴ Thus, data from MPS regarding the primary language spoken in the home of its students can serve as a useful proxy for nativity status. In this case,

²⁴ See Alejandro Portes and Ruben Rumbaut. 2006. *Immigrant America: A Portrait*. University of California Press: Berkeley for a more thorough discussion.

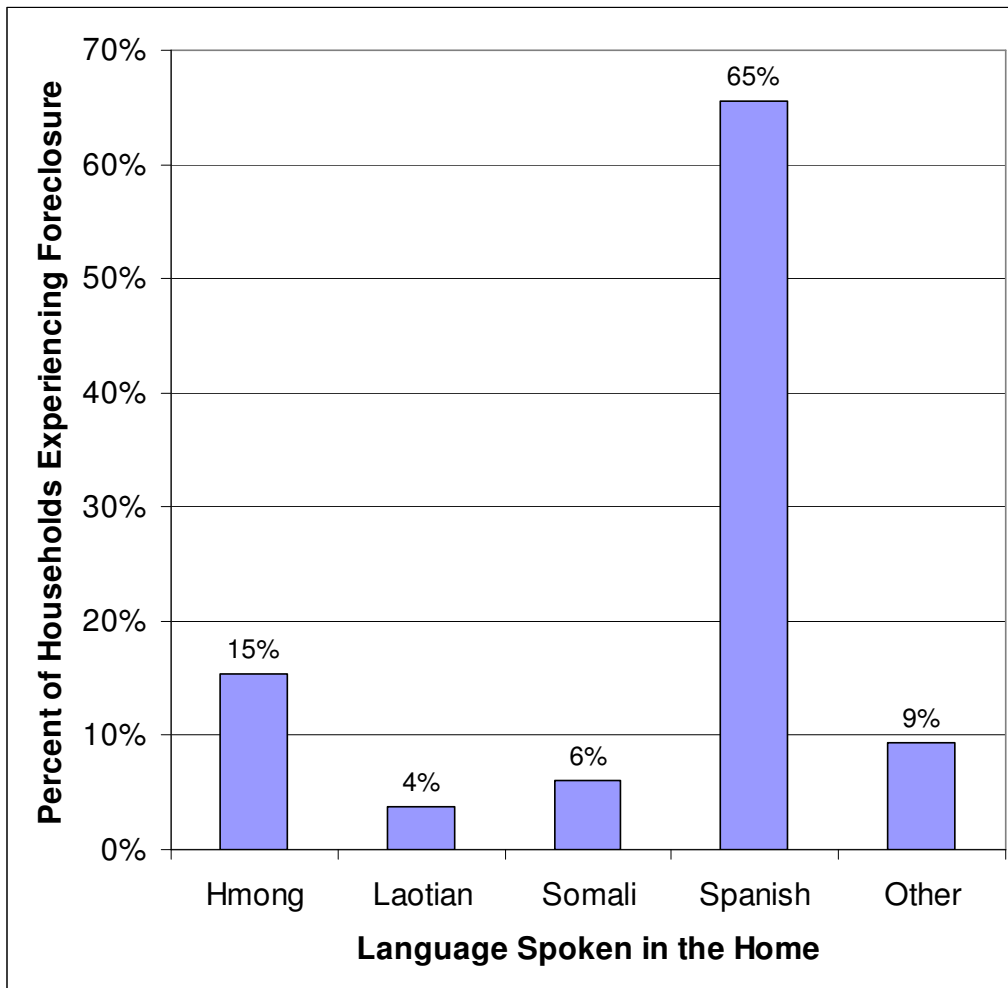
households with English as the primary language spoken in the home were categorized as native born, while households with non-English languages as the primary language spoken in the home were categorized as foreign born.²⁵

With this categorization scheme in mind, foreign born households comprised almost 24 percent of households with children enrolled in MPS that experienced a foreclosure (512 out of 2,125 households). An estimate based on data from the 2007 American Community Survey indicates that almost 30 percent of households in Minneapolis with at least one child enrolled in public school (7,699 out of 25,887 households) were foreign born. Overall, foreign born households were under-represented among households with at least one child enrolled in MPS that experienced a foreclosure.

Chart 2 indicates foreclosures that involved a foreign born household with at least one child enrolled in MPS, by the language spoken in the home. Almost two-thirds of foreign born households with at least one child enrolled in MPS that experienced a foreclosure spoke Spanish in the home. Significant proportions of foreign born households with at least one child enrolled in MPS that experienced a foreclosure also spoke Hmong (15 percent) and Somali (six percent).

²⁵ Using language spoken in the home as a proxy for nativity mistakenly identifies immigrants who came from an English-speaking country as native born.

Chart 2: Foreign Born Households with a Child enrolled in MPS and Living in a Foreclosed Housing Unit in Minneapolis by Language Spoken in the Home (FY2006-FY2007), N = 513



Source: Sheriff's Sales data and Minneapolis Public Schools

Foreclosed households by nativity and homestead status

Given the different sets of outcomes associated with renter and owner households that experience a foreclosure, examining foreclosures by homestead status and nativity status can help to paint a clearer picture of whether the repercussions of foreclosure are likely to differ for foreign and native born households. About 53 percent of foreclosures affecting foreign born households with at least one child enrolled in MPS were non-homesteaded housing units (273 out of 513 households). In comparison, almost 69 percent of foreclosures affecting native born households with at least one child enrolled in MPS were non-homesteaded housing units (1,107 out of 1,612 households). Estimates based on data from the 2007 American Community Survey

indicate that almost 73 percent of foreign born households in Minneapolis with at least one child enrolled in public school were renters compared to 36 percent of native born households in Minneapolis with at least one child enrolled in public school. In other words, among households with at least one child in MPS that lived in a non-homesteaded foreclosed housing unit, foreign born households were *under-represented* and native born households were *over-represented*.

The exact opposite trend characterized households with at least one child in MPS that lived in homesteaded housing units and experienced a foreclosure. About 47 percent of foreclosures affecting foreign born households with at least one child enrolled in MPS were homesteaded housing units (240 out of 513 households). Eighty percent of these foreign born households spoke Spanish in the home (192 out of 240 households). In comparison, about 31 percent of foreclosures affecting native born households with at least one child enrolled in MPS were homesteaded properties (505 out of 1,612 households). Estimates based on data from the 2007 American Community Survey indicate that about 27 percent of foreign born households in Minneapolis with at least one child enrolled in public school were owners and 64 percent of native born households in Minneapolis with at least one child enrolled in public school were owners. In other words, among households with at least one child in MPS that lived in a homesteaded foreclosed property, foreign born households were *over-represented* and native born households were *under-represented*.

There are at least two factors that could potentially explain why foreclosures disproportionately affected foreign born homeowners with at least one child enrolled in MPS. First, 2007 American Community Survey data indicate that foreign born households in Minneapolis with at least one child enrolled in public school paid considerably higher proportions of their income for housing than their native born counterparts. Specifically, for households with at least one child enrolled in public school, foreign born households paid an average of 34 percent of their household income for housing compared to an average of 22 percent for native born households.²⁶ This means that foreign born households had relatively more fragile economic situations compared to native born households and may have been more susceptible to foreclosure triggers (loss of a job, a divorce, unexpected health care expenses, etc.) as a result. Second, 2007 American Community Survey data also indicate that for households with at least one child enrolled in public school, almost 30 percent of foreign born households

²⁶ Housing costs included annual mortgage payments, property taxes and property insurance.

moved into their house within the three previous years compared to about 13 percent of native born households. Thus, compared to native born households, a larger proportion of foreign born households purchased their homes at a time when housing prices in Minneapolis were very high and high cost mortgages were easily available. It is likely that households experienced declining property values and an increasingly stagnant home sales market that made refinancing or selling their homes difficult, and foreclosure more likely, if they had trouble meeting their mortgage payments.

Policy Recommendations

Since rental households experienced foreclosure more frequently than owner households, one set of policy implications relates to the amount of services available to renter households displaced by a foreclosure. Despite legal protections, anecdotal evidence suggests that renter households living in a foreclosed property routinely fail to receive adequate notice from their landlords and suffer a variety of other abuses.²⁷ As a result, many of these households must find a new rental housing arrangement in a very small window of time. The location and quality of housing arrangements has enormous implications for households, helping to determine employment opportunities; school choices; the composition of social networks; and overall quality of life. To the extent that households living in a foreclosed rental unit do not have adequate time to find new living arrangements, they may be unable to find decent and affordable housing that maximizes their choices in the aforementioned areas.

With this in mind, the City of Minneapolis and non-profit organizations should expand relocation services offered to rental households displaced by foreclosure. Existing relocation resources most likely fill part of the need, but it is unlikely that these resources can meet the current demand given the extraordinary number of rental households displaced by foreclosure. As results of the research presented in this report suggest, native born renter households have recently experienced these displacements disproportionately more compared to foreign born renter households. It is possible, however, that due to a lack of familiarity with English, a weaker understanding of local residential real estate markets, and a reliance on less extensive

²⁷ State statutes protect renter households in a number of ways. First, landlords who own a foreclosed property must alert potential renters to the fact that the property is in foreclosure before they sign a lease. Second, landlords must alert existing tenants if the property is in foreclosure as soon as the foreclosure is official. Third, landlords cannot break a lease with an existing tenant if the property is in foreclosure, provided that the tenant continues to pay rent.

social networks for informal assistance, foreign born renter households displaced by foreclosures may need more intensive formal assistance finding new housing arrangements compared to their native born counterparts.

Minnesota has well developed foreclosure prevention, financial literacy and first time homebuyer programs that many other states have used as a model. Still the state, Hennepin County and the City of Minneapolis should enhance and expand these programs with a particular emphasis on non-English speaking populations. Organized by the Minnesota Homeownership Center, foreclosure prevention services are most frequently available in English. Spanish, Hmong and Somali-speaking staff members in a variety of agencies offer these services in other languages, but it is unclear if the supply of non-English services is adequate given the demand. Specifically, the research results from this study indicate that demand for English and non-English foreclosure prevention services for homeowners likely exists in a two-to-one ratio in Minneapolis (of foreclosed households living in homesteaded households, 505 were English-speaking and 240 were non-English-speaking). Increasing financial support for foreclosure prevention services offered in Spanish and expanding outreach efforts to Spanish-speaking homeowners would likely reduce foreclosures among Spanish-speaking homeowners, one of the populations in Minneapolis hardest hit by the foreclosure crisis.

Since MPS does not have a direct role to play in foreclosures per se, the policy implications associated with these research findings for MPS focus mostly on students. Existing research indicates that residential instability for low and moderate-income households rarely results in better academic and health outcomes for children.²⁸ This is especially true when households are characterized by “hypermobility” or when moves occur for negative reasons (e.g., financial hardship). Findings from this study indicate that foreclosures are prevalent in the lives of many MPS students. Therefore, teachers, administrators and counselors in MPS should be particularly sensitive to the role that foreclosure can play in declining attendance or otherwise unexplained drops in student achievement. As an institution with the potential to reach large numbers of households that have historically experienced a foreclosure in Minneapolis, schools might also begin to provide information on foreclosure prevention counseling to parents and guardians of MPS students.

²⁸ Sheila Crowley. 2003. “The Affordable Housing Crisis: Residential Mobility of Poor Families and School Mobility of Poor Children” *The Journal of Negro Education* 72(1): 22-38.