

A stylized graphic of a house in shades of purple and grey. The house has a gabled roof, a large window with a grid pattern on the left side, and a chimney on the right side. The background is a solid purple color.

# The Housing Crisis and Latino Home Ownership in Chicago

Mortgage Applications,  
Foreclosures, and  
Property Values



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## About the Researcher

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Before coming to DePaul she worked as a research associate for the Community Learning Centers at Monterrey Institute of Technology (ITESM) in Monterrey, Mexico. In this capacity she evaluated the impact of internet and computer access in rural communities. She has also written about globalization, entrepreneurship and social capital. She is currently working on a case for DePaul's Real Estate Center exploring the changes that the internet and telecommunication technologies are bringing to the work of real estate agents.

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## Executive Summary

The present housing and economic crisis has severely affected credit applications, foreclosure procedures, and property prices in the Chicago area. Although the number of denials for mortgage applications went down slightly (7 percent), the number of applications decreased by a fifth. Foreclosure procedures increased dramatically all over the area between 2006 and 2008. In Cook County payment defaults increased 38 percent; the number of real-estate-owned properties (REOs, resulting from failed foreclosure sales) increased 196 percent; and announcements of property auctions increased 18 percent. Finally, although Cook County property prices held relatively stable until the end of 2007, by the end of 2008 median property values had decreased 18 percent and 75th-percentile values 11 percent from their peak in 2006.

While the adverse effects of the crisis have been widespread, they have not been distributed evenly, either geographically or across different racial/ethnic groups. Lack of credit, foreclosures, and falling property values have not been as bad for Latinos as for African Americans, who entered the crisis period with higher levels of these indicators, but Latinos and (mostly) Latino neighborhoods have fared worse than their white counterparts.

Though the reasons for loan denials were the same for whites and Latinos—debt-to-income ratio and credit history (or low credit scores)—Latinos had higher denial rates than whites for all types of loans. By 2007 predominantly Latino areas had gone from defaults, auctions, and REO levels below the Cook County average to levels above average. In general, areas with higher Latino concentration had higher levels of auctions than areas with predominant or majority white populations.

Given their overall relative disadvantage, majority Latino areas nonetheless presented considerable variability in



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terms of foreclosure procedures. The neighborhoods of Pilsen, Little Village and, to a lesser extent, Logan Square managed to maintain, even in 2008, REO and auction levels close to the Cook County average. However, default levels in those neighborhoods were bigger than Cook County averages in 2008. The city neighborhoods of North and South Lawndale, as well as the area covering the neighborhoods of Austin, Belmont Cragin, and Hermosa presented the worst performance in terms of foreclosure procedures, with level similar to those of predominantly African American areas.

In terms of property prices, there was a lot more variability within areas with a particular ethnic concentration, although the general pattern of better outcomes for predominantly white areas found in foreclosures was also true for property prices. Concerning price trends in majority Latino neighborhoods between 2003 and 2009, only Pilsen saw increased property values in the period 2003–09, while Logan Square had a small reduction in value.<sup>1</sup> Other majority Latino neighborhoods (Little Village, Cicero, Melrose Park, Stone Park, South and North Lawndale, Austin, Belmont Cragin, and Hermosa) experienced reductions in values between 17 and 50 percent in the 2003–09 period. Predominantly white areas performed better, with some zip codes having price increases as big as 91 percent, while others lost value to a maximum of 22 percent. Majority white areas with a strong Latino presence (20–49 percent) showed relatively moderate losses ranging from 6 to 35 percent in the same period.

<sup>1</sup> Gentrification is one possible explanation for why some areas are faring better than others, but the data available are insufficient to either support or contest this.



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## Introduction

The present economic downturn is rooted in a housing crisis that has spilled over to other areas of the economy. Even as we expect indicators like jobs, stock values, credit availability, and consumer spending to improve at some point in the near future, we should expect long-term negative consequences on home ownership and long-term wealth creation for families. Since for many Americans home ownership is a form of savings, particularly for retirement, the loss of homes through foreclosures and the severe reduction in property values will impact families for many years to come.

Latinos entered this crisis with the lowest levels of home ownership compared to whites and African Americans. Latinos also present higher percentages of foreign born, noncitizens, and recent immigrants. Compared particularly to whites, they are more likely to be young, with low income and low educational attainment level (Ready 2006). Because of these disadvantages, they also have had, historically, lower levels of access to credit than whites. During the housing

market boom many Latinos were able to obtain mortgages, but they were more likely to have the kinds of loans with the highest probability of foreclosure: subprime and adjustable-rate loans (ARMs or Balloon Loans) (Martinez 2007). The combination of socioeconomic vulnerability with riskier credits means that Latinos entered this crisis in a severely disadvantaged position. Logic would indicate that they should be particularly affected by the present crisis, but no specific studies have yet addressed how much Latinos are suffering and the long term-effects the crisis may carry for them.

One of most salient characteristics of this housing crisis is that not all markets or regions are being affected equally. While places like Las Vegas and many areas in Florida and California have been severely affected in terms of foreclosure levels and property values since 2006, cities like New York and Chicago had a relatively stable market until the end of 2008, with a sharp deterioration in the past few months.

This report provides an overview of the effect of the present crisis on housing-related issues for Latinos and Latino neighborhoods in Chicago and a comparison with the effects

on whites and African Americans. The report concentrates on three interrelated dimensions: mortgage credit availability, foreclosure levels, and property values.

## Methodology and Data

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The study uses three sources of data: a) the Home Mortgage Disclosure Act on credit applications, b) RealtyTrac's foreclosure information, and c) Trulia's data on property prices. These sources present the best data available, but they have certain limitations.

### Mortgage Applications

Since 1975 the Home Mortgage Disclosure Act (HMDA) has required banks and other financial institutions to report data on individual loan applications, including specific characteristics such as purpose and loan value and information about the outcome of the application. Institutions also collect and report data on the racial/ethnic characteristics of applicants, but the race and ethnicity data are voluntarily reported by applicants, who have an option not to respond. This project uses a subset of the HMDA information, which corresponds to a census, or complete population record of loan applications in the Chicago metropolitan area between 2004 and 2007, including the seven counties: Cook, DuPage, Kane, Lake, McHenry, Will, and Kendall. These data are used to assess differences in applications and outcomes for whites, blacks, and Latinos.

### Foreclosures

Data on foreclosures are difficult to obtain, as there is no federal government mandate to collect them. Credit bureaus are the only universally reliable source of foreclosure data, but these institutions are forbidden by law to collect information regarding race and ethnicity and they do not make their data publicly available for research purposes. However, during the last few years a number of new companies have started to collect foreclosure data to sell to real estate agents. Foreclosure rates reported in the media since the crisis started are based on data collected by these companies. One of these firms, RealtyTrac, collects information from a myriad of public and

private sources to create a list of all properties that have undergone foreclosure procedures and their current stage in that process. RealtyTrac provided this study with counts of foreclosure procedures for 161 zip codes in Cook County, which covers most of what is commonly known as 'city proper'. I decided to concentrate on Cook County to facilitate comparison between Latino and non-Latino areas, so that patterns can be identified. The data cover the period from 2006, the first full year that RealtyTrac collected information, to the end of 2008. To the extent that RealtyTrac may not be able to collect information on all foreclosures given the lack of a centralized system, foreclosure levels are likely to be underestimated.

Using additional data from the 2000 Census, I calculated the rate of properties undergoing foreclosure procedures per 1,000 owner-occupied properties for each zip code and organized the information according to the ethnic composition of the zip code. In this case, zip code is used as a proxy variable for neighborhood or community. Given the aggregated nature of the data, the present study cannot make any generalizations about foreclosure trends for Latinos as a group; it can only analyze foreclosure trends in areas with a strong Latino presence and compare them with other areas in Cook County. The use of 2000 Census data on the number of owner-occupied homes may affect the precision of the data, given that new construction happened during that period, which may have affected the number of owner-occupied and renter-occupied properties. Ethnic composition may also have changed in a period of eight years.

Although Census information is a little outdated, other estimates of population composition are based on national samples, mainly the American Community Survey. When using national sample information to determine estimates

for a small geographical area, in this case the percentage of Latinos in a zip code, the margin of error becomes too big, making the information unreliable. Therefore, in this case, older Census data are more reliable than newer data obtained from samples. There is no reason to believe that errors in measuring foreclosures or owner-occupied houses due to outdated information systematically affect the comparison of areas within the city.

Given the aggregate nature of the data available, the scope of the present study must be clarified. This study is not about how Latinos may be more or less likely to be personally involved in foreclosure but about the levels of foreclosures in the communities where they live. Individual-level data on foreclosures do not provide information on the ethnicity of the former homeowner. Government should create universal mechanisms of foreclosure data collection if we are to understand the individual factors that translate into foreclosure risk.

There are several ways of defining a ‘community’, which normally implies geographic proximity. Chicago neighborhoods have long been used to identify different communities. However, given that foreclosure data were identified by zip codes, the present study has to use that level of analysis. Belonging to a particular zip code does not necessarily mean being part of the same community (same issue with Census tract), but zip codes are used here as proxy measures for communities given the limitations of the data.

In the present study, zip codes are organized using ethnic composition into the following categories:

- Majority Latino, zip codes with between 50 and 80 percent Latino population. These areas represent the maximum concentration of Latinos in Cook County.
- Majority White with Strong Latino Presence, zip codes with 50 percent or more white and between 20 and 49 percent Latino.
- Majority White with Sizeable Latino Presence, zip codes with 50 percent or more white and between 10 and 19 percent Latino population.
- Majority Black with Large Latino Presence, zip codes with 50 percent or more than African Americans and more than 10 percent Latino.
- Majority Black with Small Latino Presence, zip codes with 50 percent or more African Americans and less than 10 percent Latino.
- Predominantly White, zip codes with 90 percent or more white.

Categories were developed to facilitate the uncovering of patterns and comparisons with Latinos. I provided more detail on Latino populations than other ethnic groups. For example, given that a large number of zip codes have majority white with other ethnicities, I decided to highlight the areas that have the most Latino populations and compared them to areas that are predominantly white.

## Property Values

In order to assess the impact of the present crisis on wealth accumulation through home ownership, this report uses public information published by the real estate firm Trulia (accessed online on April 15, 2009). This company provides information on real estate listings for a variety of local markets. They also collect and process specialized information on real estate market characteristics and make it available to the general public.<sup>2</sup> From Trulia’s public information, I collected data on median and 75<sup>th</sup>-percentile asking prices for properties sold in Cook County between the beginning of 2006 and the end of the first quarter of 2009. When looking at these data, readers must consider that as the housing crisis has advanced, it has become more difficult for sellers to get full asking price for their properties. Consequently, using asking price as a measure overestimates market value.

Data from Trulia on asking price per square foot for each of the 161 zip codes in Chicago’s Cook county were also used. The report provides information on the average price per square foot between January and March (data were obtained April 15, 2009), as well as three months, one year, and five years prior to the first period. The five-year data (early 2004) provide information on price levels before the crisis began. Zip codes are organized and compared by specific ethnic compositions, in particularly majority Latino, majority black, and majority

<sup>2</sup> Trulia generates revenue through advertising.

white. For the zip code–level data, price per square foot was selected over median asking price, because the data are transaction dependent. For relatively small geographic areas, in other words, median asking prices are strongly affected by the type of properties sold in a particular time period. Price per square foot at least partially controls for the types of properties being sold at a particular moment in time.

Categories for Latinos and white are the same as for the section on foreclosures. However, to simplify the analysis I decided not to use the African American–Latino categories and add only an 80 percent Black category for comparison. I want to show price variations and need to keep the number of zip codes in each category manageable. Majority Black

zip codes are very similar to zip codes with more than 80 percent Black.

The methodology of this study is designed to balance the collection of the best data available with the need to produce policy-relevant information in an opportune manner. The analysis also tries to balance the recognition of variation with the presentation of clear trends that can be used in decision making. Despite these trade-offs and the fact that the aggregated data limit the capacity to extrapolate the findings to individual Latinos, this report constitutes a first step in the measurement of the scope of changes in credit policies, foreclosures, and market prices caused by the housing crisis in Chicago and Cook County.



# Mortgage Applications

## General Mortgage Credit Trends for Chicago

Mortgage credit policies are important because it is only through credit availability that most people can afford to buy a home. In addition, it is only through the availability of credit that families can refinance already existing loans to affordable levels once they become too expensive. The housing crisis has translated into stricter requirements for mortgages. HMDA data indicate that tightening of mortgage credit markets started in 2006 and continued during 2007. This change is reflected in the number of applications for mortgage loans and in the acceptance or denials of loan applications by banks and other financial institutions. Figure 1 indicates that the total of number of applications for mortgage credits decreased about 21 percent between 2005 and 2007.

Part of the decrease in the number of loans can be explained by simple market dynamics. As Figure 2 indicates, beginning in 2005 the average interest rate for 30-year fixed-rate loans started to increase. As higher interest rates meant that mortgages became more expensive, potential lenders reacted by being more conservative and decreasing the demand for loans, which translated into fewer applications. However, rising interest rates cannot explain the steeper reductions in loan applications for 2007. Due to changes in federal policy,

interest rates during that year fluctuated, but in general they stayed slightly lower than at the same time the year before.<sup>3</sup> Despite this stability, credit applications dropped even more drastically in 2007.

As Figure 3 indicates, in 2007 Latinos represented around 14 percent of the total loan applications in the Chicago metropolitan area which means that they were underrepresented on loan applications, since they correspond to roughly 20 percent of the Chicago population (CMAP 2009). Latinos were also different in terms of the values of the loans they requested; according to the HMDA data, of those who requested loans in 2007, Latinos asked for loans that constituted on average 2.9 times their yearly family income, while whites requested 2.4 times their annual family income.

More direct evidence of the effect of tightening loan standards is the denial of loans once a family or individual has applied. Figure 1 indicates that despite the fact that loan applications

<sup>3</sup> Mortgage rates vary weekly and sometimes even daily. Part of this variation is seasonal and is related to the demand for loans at a particular time in the year. For example, there are usually more loan applications during spring and summer than during the weeks surrounding Thanksgiving. In order to control for this seasonality, mortgage rates need to be compared at similar periods during the year.

Figure 1  
Loan Applications and Loan Denials, Chicago Metropolitan Area, 2004–2007

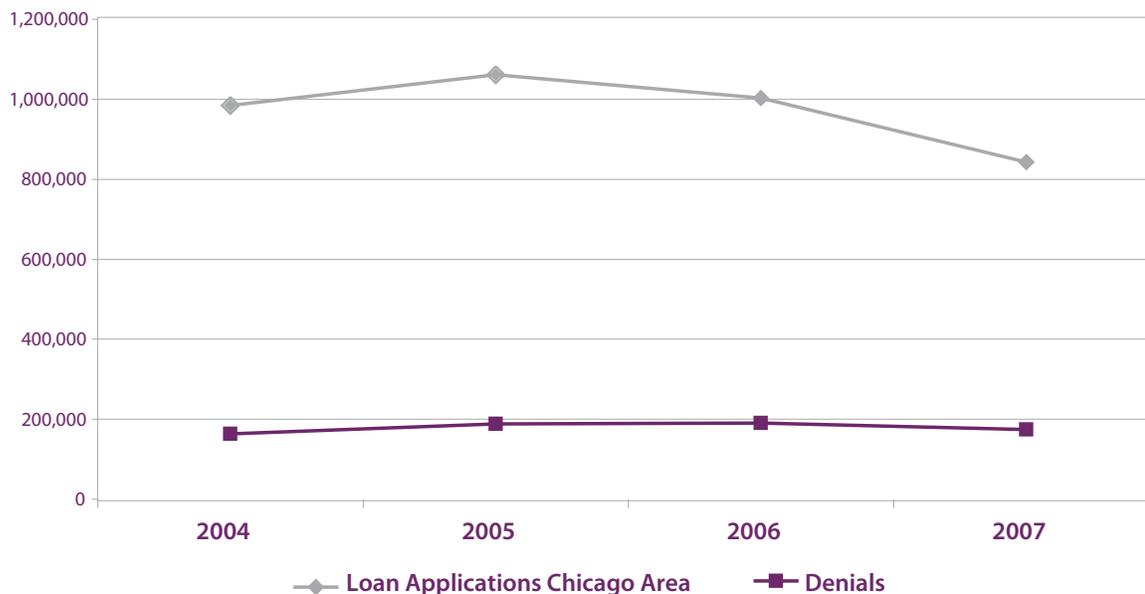


Figure 2  
**Mortgage Interest Rates, 30-Year Fixed Loans**

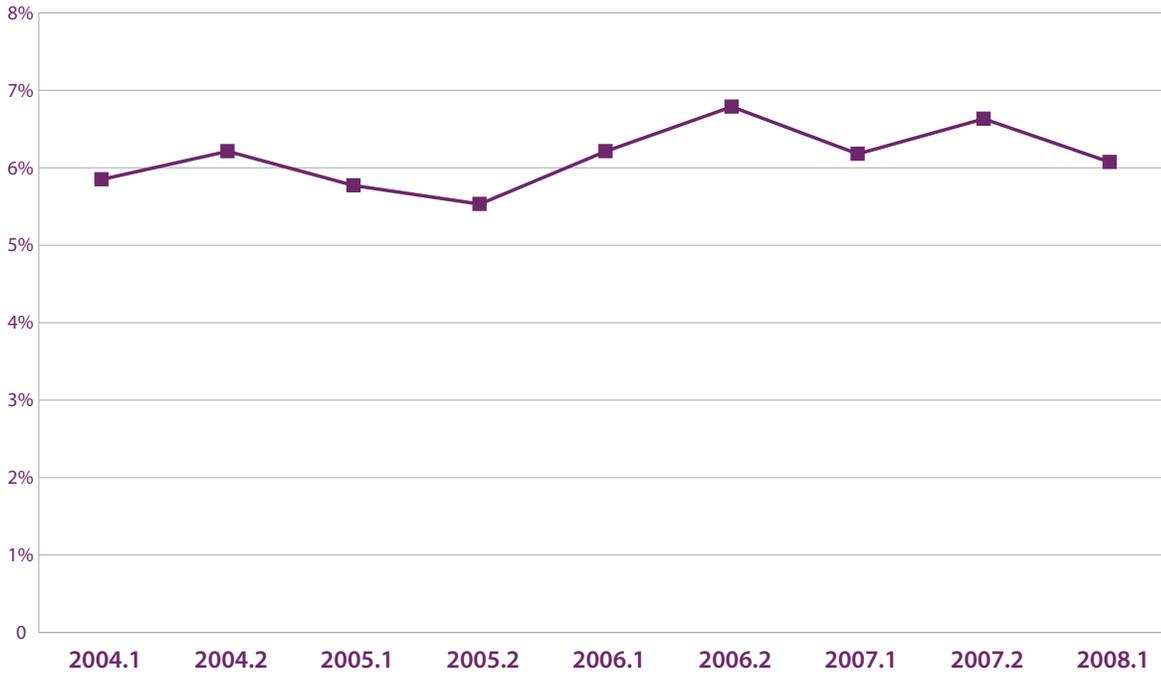
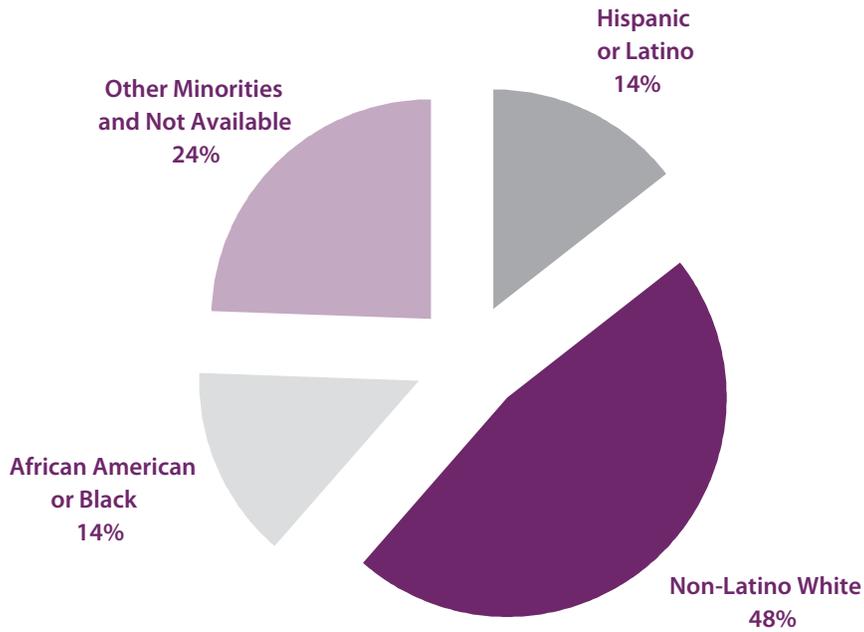


Figure 3  
**Percentage of Mortgage Applications by Ethnicity, Chicago Metropolitan Area, 2007**



decreased by 21 percent from 2005 to 2007, loan denials remained relatively stable, decreasing by only 7 percent. This relative stability translated into higher percentages of loan applications being denied. Overall, the denial rate went from 17 percent in 2004 to 21 percent in 2007.

A closer look at the HMDA information shows that the two most common reasons for a loan to be denied were the same for both Latinos and whites: income-to-debt ratio and credit history (see Figures 4 and 5). In 2007 19 percent of Latino loan denials were due to higher than required income-to-debt ratios and 16 percent to credit history.<sup>4</sup> In general, credit history refers to the credit score (FICO) reported by the three credit companies: TransUnion, Equifax, and Experian. However, the HMDA does not provide the precise income-to-debt ratio or the credit score of the applicants nor the minimum required by the bank.

4 In 20 percent of cases the reason for denial was not recorded in the database, so no conclusion can be drawn.

The increase in denial rates did not affect all ethnic groups equally. Latinos and African Americans were significantly more affected than whites and other minorities. Figure 6 shows the percentage of denials for different ethnic groups. The data indicate that in general Latinos and African Americans had higher levels of loan denials than whites before the crisis but that this gap increased dramatically due to recent changes in underwriting practices. Latinos in 2004 had a rate of loan denial 7 percentage points higher than whites; by 2007 the gap had increased to 15 percentage points. However, it was African Americans and not Latinos who presented the highest rates of denial with 37 percent of loan applications denied in 2007. Latinos had 31 percent denial rate the same year.<sup>5</sup>

5 Just because a loan has not been denied does not mean that it has been actually granted and accepted. Many families do not complete their applications, and even when the loan is granted they may not accept the loan. Since the data do not indicate why a family would not continue with the application process or not accept a loan, loan denial is a better measure of the effects of the policy of financial institutions on borrowers.

Figure 4  
Reasons for Denial, Hispanic or Latino,  
Chicago Metropolitan Area, 2007

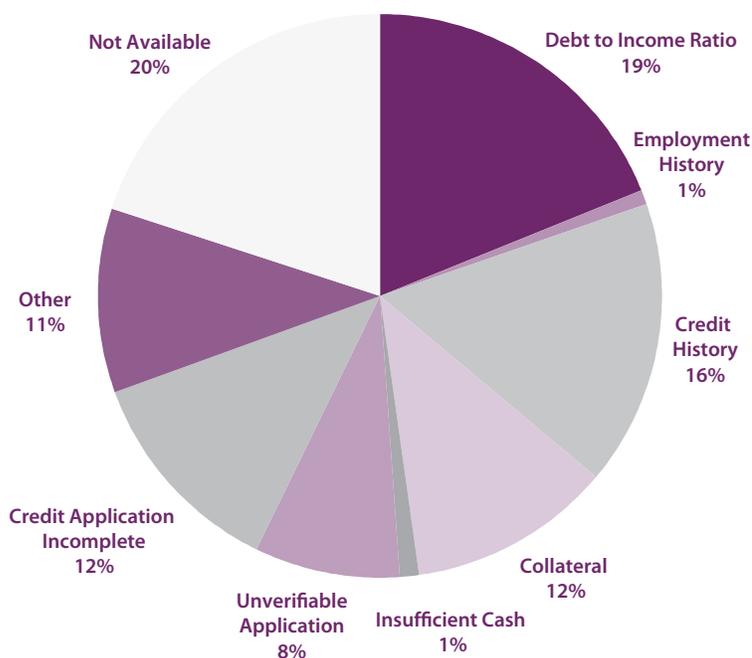


Figure 5  
Reasons for Denial, Non-Latino White,  
Chicago Metropolitan Area, 2007

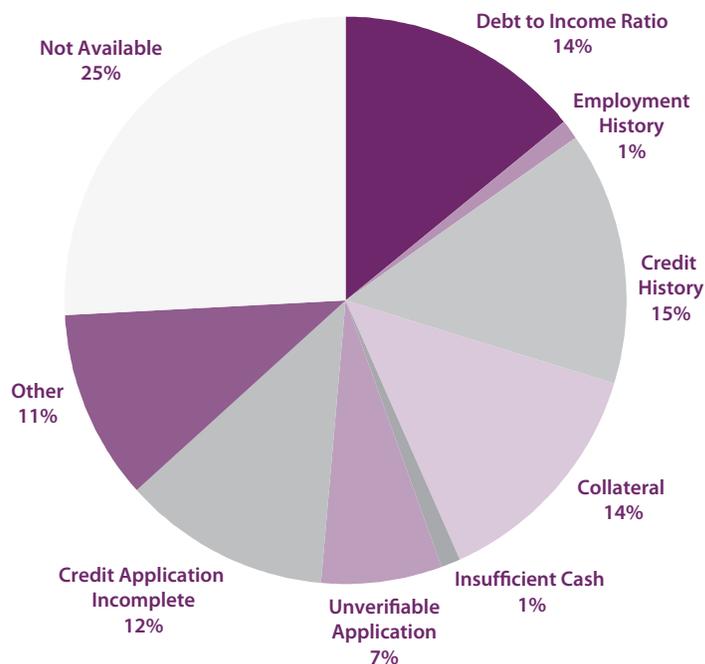
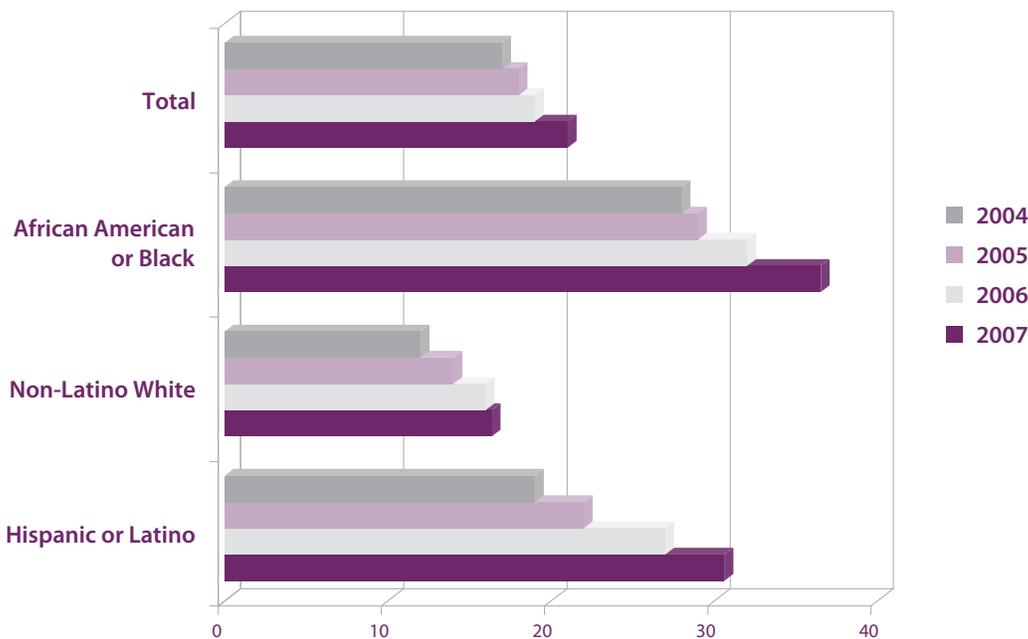


Figure 6

Percentage of Loan Denial by Ethnicity, Chicago Metropolitan Area, 2004–2007



Although HMDA data for 2008 were not available at the time of the present study, a few assumptions about continuing trends can be made. First of all, given that housing prices did not start to decline in Chicago until the end of 2008 (see section on home prices later in this document) and that no major policy initiative regarding the housing crisis was enacted during that year, there is no reason to believe that the trends toward fewer loan applications and increasing denial rates would have changed. In fact, given that many banks had capitalization problems in 2008 and although they received bailout money they did not commit to higher levels of lending, we can expect loan applications to continue declining and denial rates to increase. By the same token, the gap between ethnic groups will widen or at least continue at the same levels as 2007.

**Refinances**

Credit availability affects housing through three mechanisms: credits for the first house, refinances, and equity loans that have the purpose of improving the property. If the extension of first-time loans determines the ability of families to go from renting or other housing arrangements to homeownership, given the state of the economy, refinances are key to the ability of homeowners to keep their houses. This relationship is par-

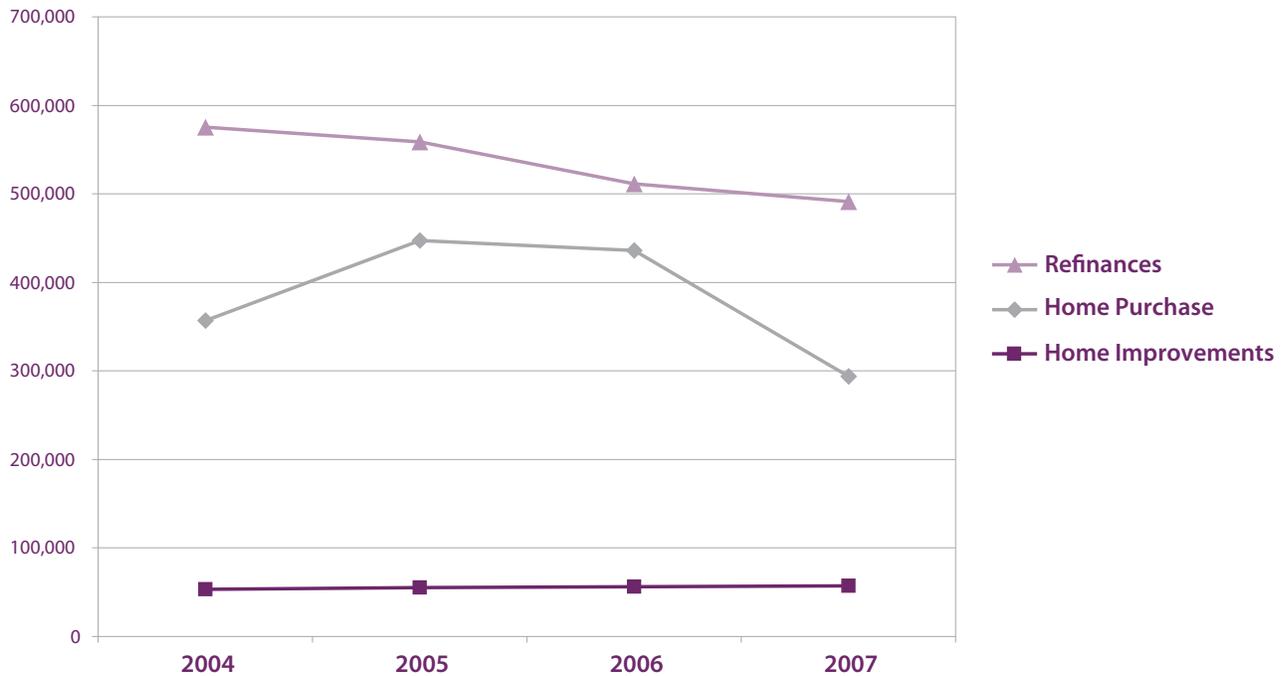
ticularly true for homeowners who received subprime loans and/or adjustable-rate mortgages (ARMs). The proliferation of these types of loans constitutes the main reason why foreclosure rates have increased all over the country.

Subprime mortgages are loans offered above market rates,<sup>6</sup> in theory to compensate for the added risk of giving a loan to someone with an inferior credit history. Because of lax underwriting policies that allowed families to dedicate a higher percentage of their monthly income to the payment of debts, many subprime loans ended up being too expensive for families to pay. By the same token, lack of affordability is the main issue with adjustable-rate mortgages. ARMs usually offer a promotional interest rate below market levels, which after a period of normally six months to two years gets adjusted to market or above market levels.

When deciding to grant ARM loans, many banks only considered the impact of the initial interest rates on family finances and not the capability of the family to pay the more expensive rates that the loans would require in the near future. For this reason, many loans that were originally affordable became unaffordable very fast (Chiu 2006; Nutting 2007; Martinez 2007). In addition, research by pro-consumer

<sup>6</sup> The official definition of subprime mortgages is loans whose interest rate is about 3 percent higher than the general market rate at the time of loan issuing.

Figure 7  
**Number of Mortgage Applications by Type of Loan, 2007**



groups indicates that both Latinos and African Americans were more likely to get subprime loans and ARMs than their white counterparts with similar credit history and income levels (Bocian, Ernst, and Li 2006). The Center for Responsible Lending estimates that of all the loans granted in 2005, at least 20 percent will end up foreclosing within five years because the lenders are or will be unable to continue paying expensive loans or adjust to higher payments. The center stated that both Latinos and African Americans were more likely to engage with brokers who received a commission for every successful loan they helped process and had no vested interest in making sure families could afford those loans in the long term. These brokers ‘pushed’ subprime and ARMs loans on minorities. The proliferation of risky, expensive loans means that 110,000 Latinos have gone or will go through foreclosure between 2005 and 2010 (Center for Responsible Lending 2007).

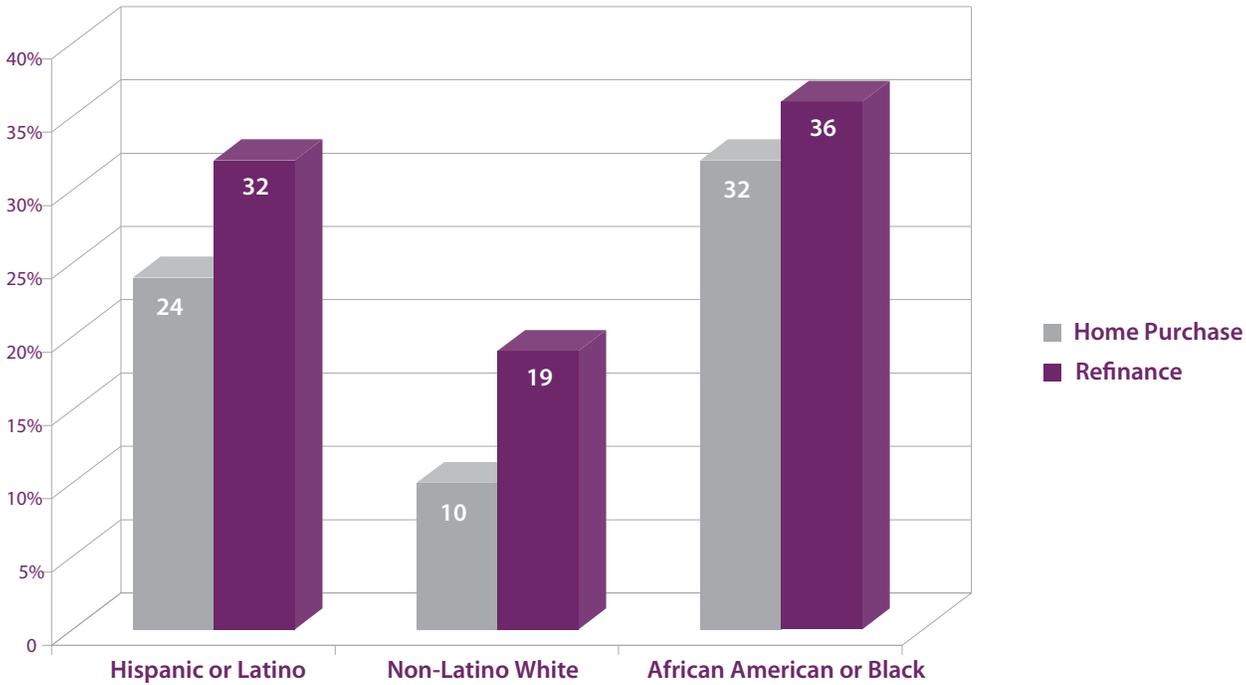
The refinancing of existing loans may be the most important factor in the current housing market. If a family has problems meeting the monthly payment, one option is to modify their loan to increase the number of years necessary to pay the mortgage and/or reduce the interest rate of their loan. Both of these options translate into lower monthly payments. As

Figure 7 indicates, refinances are the most common type of loan amounting to around 58 percent of all loans in 2007. Latinos follow a similar pattern to that of the general population; in 2007 61 percent of the 120,000 loans that Latino families requested were refinances.

As shown in Figure 7, between 2006 and 2007 the total number of credit applications decreased by around 16 percent. However, home purchase applications presented a more dramatic 33 percent reduction while refinances decreased by only 4 percent. (Home improvement loans remained relatively stable.) Even the small reduction in refinance applications presents a worrisome figure, since it was precisely in 2007 that the rate of mortgage defaults in Cook County increased 38 percent, a clear indication that individuals were having problems making their payments but were also not taking the necessary steps to make sure they could afford their mortgages in the near future. Defaults and other foreclosure procedures will be explored in the next section of this report.

Refinances presented a higher level of denials than normal home mortgages. This trend is consistent across all racial and ethnic groups, although specific numbers vary. As Figure 8

Figure 8  
Denial Rate by Type of Loan and Ethnicity, 2007



indicates, the percentage gap between denials for refinancing and normal home mortgages is similar for Latinos and whites, but actual levels of denial are higher for Latinos in both cases. Latinos had 32 percent of refinance applications being denied, while 24 percent of home purchase loans were rejected by the financial institution. The data in Figure 8 also indicate that for all racial and ethnic groups it is easier to obtain a loan to buy

a first house than to refinance the mortgage in already bought property. From the point of view of social policy, providing mechanisms for families to keep their homes is as important as providing them with the opportunities to buy the property in the first place. It does not make sense for a family to spend resources on down payments and closing costs if they are likely to lose the property in times of economic contraction.

## Foreclosures

### Understanding Foreclosures

The word ‘foreclosure’ has two meanings: first, from a legal and professional standpoint, foreclosure is a complicated legal process composed of several phases; the second meaning refers to the end result of the process, which is the loss of a home by a homeowner because of his or her inability to continue paying the loan originally used to buy the property. The foreclosure process starts with a **Notice of Default (NOD)**, which is a nonjudicial document filed by a lender, usually after the homeowner has defaulted on the loan or mortgage. After this initial notice, the lender files a judicial document called *Lis Pendens* (LIS, lawsuit pending) that formally starts the

foreclosure process. LIS is the formal notification that the lender is suing for the property to be sold for payment of the defaulted mortgage loan. LIS indicates that the homeowner is facing foreclosure procedures but that he/she can still save the property from foreclosure. A **Notice of Foreclosure Sale (NFS)**<sup>7</sup> is an order signed by a judge that authorizes the sale of the property by public auction. Then the lender files a notice announcing the public auction.

The property can be rescued from foreclosure anytime between the NOD and five business days before the auction sale, a time

<sup>7</sup> Sometimes also abbreviated NTS.

known as reinstatement period. If the property is not rescued by the owner and the bank sells it at auction, this is the end of the foreclosure process. If a buyer for the property cannot be found, the mortgage lender repossesses the property to sell separately and the property becomes **Real Estate Owned** (REO). Banks consider REOs failed foreclosures, since they are not in the business of managing real estate but only of lending money (RealtyTrac 2009).

REOs are particularly important in today's economic crisis, as many investors appear to be assuming that REOs are permanent losses for banks. This assumption is contributing to the low prospects of mortgage securities. REOs are often seen as part of the toxic assets being bought out by the government with 'bailout' money and are assumed to be worthless. It is important to notice that REOs are not total losses, since the properties are physical assets owned by the banks and have some real value that may indeed be recovered by the government and other investors in the future, particularly when the housing market stabilizes.

## Measuring Foreclosures

Since the foreclosure process is complicated and the government has not mandated the collection of data on foreclosed homes, finding out exactly how many homeowners have lost their properties is a very difficult task. Only very recently have for-profit companies and nonprofit organizations started collecting data on foreclosures, and they do so by looking for the information from a variety of local sources. The data used in this study come from RealtyTrac, a for-profit company dedicated to collecting data on available properties in order to sell this information to real estate agents, developers, and other businesses that may be interested in acquiring the properties for themselves or for others. RealtyTrac has been the source of many foreclosure figures published in the national media and used by policymakers to assess the gravity of the housing situation. However, the company did not start tracking foreclosure procedures until 2004, and complete data are publicly available only from 2006 to 2008.

Another problem with the RealtyTrac data (and most other sources) is that there is no legal step that needs to be taken by the lenders between the legal notice for auction and the five days before the sale. Therefore, there is no public record of whether the homeowner rescued the property or if it went through a successful auction sale.<sup>8</sup> REOs are thus the most conservative but also most reliable estimator of home losses. A less conservative measure is announced auctions, but this number includes houses that might have been rescued just before auction took place or sold by the owner in an effort to maintain a good credit history. Finally, the present study includes the number of defaults in a particular area. Although defaults occur relatively early in the foreclosure process, they are a precursor and an indicator of future foreclosures; only when defaults are reduced will foreclosure rates actually decrease.

## General Foreclosure Levels in the Chicago Area

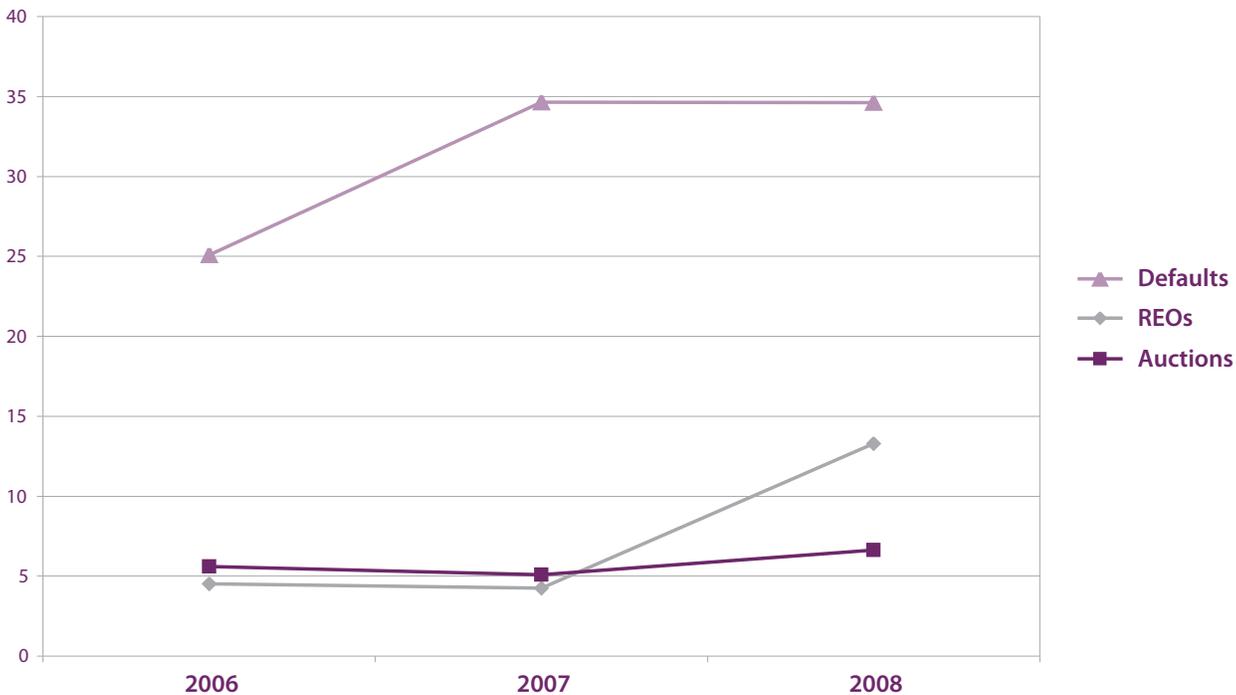
In residential real estate the transition from a 'boom' market with high demand and rising housing prices to a contracted market with lower demand began in late 2005/early 2006. The year 2005 was the last of the real estate boom that started in 1995, and a 'buyer's market'<sup>9</sup> was generally acknowledged in 2006. By the end of 2007 the 'burst bubble' of real estate was all over the popular media. The metaphor of the bubble refers to an extremely active market with high price appreciation, sustained more by optimistic expectations than any reality of demand and supply. The bubble had been inflated by historically low interest rates, but as these increased—from 5½ to almost 7 percent between the beginning of 2005 and the end of 2006 (see Figure 2)—and were expected to keep increasing, buyers became more scarce and conservative, which led to the collapse of demand. Although mentions of a bubble can be traced to early 2005, it was not until after interest rates increased that evidence started to indicate the market was correcting itself. Unfortunately, the correction

8 The only centralized and accurate record of foreclosures is owned by the credit bureaus (TransUnion, Equifax, and Experia), as it is used as part of the individual credit scores. These data are not available for public analysis.

9 A buyer's market refers to a situation where buyers are few and have several alternative properties that can fulfill their needs. Under these conditions, buyers can set their own requirements, including lower prices, for the transaction to take place. The alternative is a seller's market, where the seller has several interested buyers and can choose the highest bidder, driving prices up.

Figure 9

## REOs, Auctions and Defaults per 1000 Owner-Occupied Households, Cook County, 2006–2008



triggered a panic which, in turn, caused a crash. Market contraction (in terms of transaction levels) and the credit problems mentioned in the first section of this report created a vicious circle that translated into the deepest crisis in real estate since the Great Depression.

For foreclosure data 2006 represents a baseline<sup>10</sup> period for what we would consider ‘normal’ levels of foreclosures. For Cook County the most important difference in foreclosure processes between 2006 and 2007 was an increase in mortgage defaults of 38 percent. The additional defaults in 2007 translated into a 212 percent increase in the number of REOs in 2008, with a total of 22,000 foreclosed homes that failed to sell at auction. Auctions increased by 30 percent from 2007 to 2008. The difference in growth rates for REOs and auctions seems to indicate that Cook County can absorb only a small number of foreclosed houses. Finally, 2008 showed default levels similar to those in 2007, which indicates that levels of REOs and auctions are likely to be similar, if not worse, for 2009.

<sup>10</sup> RealtyTrac provided 77 percent of foreclosure data for the years 2004 and 2005. The other 23 percent of data belonged to private entities and could not be shared for research. However, the available sample shows that levels of REOs, auctions, and defaults in 2004 and 2005 were similar to those in 2006.

### Foreclosures in Latino vs. Non-Latino Areas

Despite a national crisis, neighborhoods within the same metropolitan areas had dramatically different rates of defaults, auctions, and REOs, and although those rates have increased for all neighborhoods, the level of increase varies a lot. The following paragraphs assess the effects of the crisis on foreclosure-related procedures and locations where Latinos are highly concentrated compared to other areas of Cook County.

While there are a few neighborhoods in the city such as Pilsen and Little Village with high concentrations of Latinos, compared to both whites and blacks, Latinos are the least segregated ethnic group. Around 39 percent of Latinos live in zip codes<sup>11</sup> where they are the majority ethnic group (between 50 and 80 percent of the population), while 70 percent of blacks and 79 percent of whites live in zip codes where they are the majority (according to 2000 Census data). This diffusion of Latinos across the Chicago metropolitan area and their ability to ‘mingle’ with other ethnic groups translates into a diversification of risk. The results presented here pertain to

<sup>11</sup> Zip code is used as proxy for community.

**Table 1: REOs, Auctions, and Defaults per 1,000 Owner-Occupied Properties by Ethnic Composition, Cook County**

Areas	Zip Codes	# Residents	# Latinos	REOs			Auctions			Defaults		
				2006	2007	2008	2006	2007	2008	2006	2007	2008
Majority Latinos (50–80% Latinos)	8	594,251	399,499	4.22	4.65	17.86	3.49	4.14	7.86	22.16	46.29	53.25
Majority White with 20–49% Latinos	12	334,915	103,656	2.74	3.23	12.33	3.33	3.36	6.15	17.89	28.94	38.08
Majority White with 10–19% Latinos	13	929,233	83,213	1.36	1.92	8.68	2.29	2.71	4.14	15.08	21.24	27.57
Majority Black with 10% or more Latinos	6	325,438	70,767	11.18	9.99	30.09	14.44	12.88	14.13	48.26	76.23	66.26
Majority Black with less than 10% Latinos	24	877,657	17,405	18.09	14.52	35.89	20.93	15.53	17.89	76.54	94.38	75.01
Predominantly White (90 % or more)	20	361,680	9,249	0.65	1.00	3.58	0.11	0.13	1.96	0.65	11.61	12.96
Cook County Figures	161	3,591,037	1,027,849	4.53	4.25	13.28	5.60	5.09	6.63	25.09	34.65	34.61

geographical areas and cannot be extrapolated to individual Latinos. While some Latinos may live in communities highly affected by foreclosures, many others may live in areas where foreclosures are a smaller problem. In real estate, there is a portion of the risk of foreclosure that is individual, whether or not a person or a family can afford to pay their mortgage. Individual events, like job loss, can trigger defaults. However, particularly during the transition from defaults to REOs, part of the risk is also neighborhood based. If a neighborhood maintains good prices, has very little foreclosed property, and is considered desirable overall, the chances of defaults becoming auctions and REOs are smaller. A good neighborhood may mean that a defaulting family is able to sell their house for a good price before it becomes available for auction, minimizing their losses. Given that Latinos in general have less education, income and credit quality, ethnic concentration increases the likelihood that more of their neighbors will also be defaulting and trying to sell their properties. More individuals desperate to sell means lower prices and more REOs.

To assess the impact of foreclosure procedures in a particular community, one must take the size of the community into consideration. The present study calculated REOs, auctions, and default rates per 1,000 owner-occupied homes. Table 1 provides foreclosure rates for overall Cook County (which

covers most of Chicago city proper). The data show a relatively small increase in auction procedures in the city, with stark increases in the rates of defaults and REOs.

Table 1 also provides the foreclosure rates for areas (zip codes) with specific ethnic compositions. In Cook County there are eight zip codes with a majority of Latinos (between 50 and 80 percent Latino population). The average foreclosure rates for this area in 2006 were smaller than for the average of Cook County. However, in 2007 the Latino neighborhoods showed levels of foreclosure procedures higher than the Cook County average, and the gap increased drastically in 2008. As the crisis continues, Latino areas become more disproportionately and negatively affected in terms of foreclosure procedures. The average REO rate in predominantly Latino areas was 7 percent lower than the average of Cook County in 2006, while Latino areas had a 9 and 35 percent higher REO rates than the Cook County average in 2007 and 2008 respectively. For auctions, Latino areas had an average rate 38 percent lower than the Cook average for 2006, but it was 19 percent lower in 2007 and it became 19 percent larger than the Cook County average in 2008. Finally, the most dramatic change took place on defaults, where Latinos had a 12 percent lower rate than Cook County in 2006, but defaults were 34 and 54 percent higher than Cook County averages in 2007 and 2008, respectively. These data are congruent with anecdotal evidence provided by bank managers that in the past Latinos were less likely to default

and go into foreclosure than the general population, but they also indicate that as the crisis continues, Latino communities are being affected more strongly.

It is important to remember that 39 percent of Chicago Latinos live in areas with a majority Latino population. Therefore, Latinos are affected by foreclosures in other communities. Areas with a majority white population but a strong Latino presence (20–49 percent) presented foreclosure rates lower than the majority Latino areas or the Cook County average in both 2006 and 2007. However, in 2008 default rates became 10 percent higher than average, while both auctions and REOs remained below average. These data seem to indicate that although more families are having trouble paying for their mortgages in these areas, this trouble does not translate into a loss of homes. Somehow, owners in majority white neighborhoods with a strong Latino presence are avoiding foreclosures in ways that Latino majority residents will nor or cannot. Around 10 percent of Chicago Latinos live in areas with this type of ethnic composition.

For areas with a majority of white inhabitants and a sizeable but not large presence of Latinos (10–19 percent), defaults, auctions, and REOs remained well below the Cook County average for all years, although the rates followed trends similar to those for other ethnicities: dramatic increases in defaults in 2007, with a significant increase in REOs in 2008. Around 7 percent of Chicago Latinos live in these areas.

Predominantly white zip codes (90 percent or more) presented radically lower levels of foreclosure procedures than any other type of area and well below Cook County averages. These zip codes had default rates in 2008 that were below the 2006 default levels for all of the other areas considered in this study. They also had very low levels of REOs in 2008, with less than four REOs per 1,000 owner-occupied properties. These neighborhoods are not only predominantly white but most of them are suburbs with very high income levels.

Table 1 also indicates that a stronger white presence translated into lower levels of foreclosure procedures. In 2008 majority Latino areas had 105 percent higher levels of REOs, 90 percent higher levels of auctions, and 95 percent higher default rates

than areas with a majority white population and a relatively small but significant presence of Latinos (10–19 percent). In comparison, Latino areas had 400 percent higher rates, 301 percent higher rates of auctions, and 311 percent higher default levels than areas with a 90 percent white population.

The areas most affected by the foreclosure crisis are those inhabited by a majority of African Americans. These areas entered the crisis with REO, auction, and default levels well above the Cook County average, and as the crisis continued the gap increased. However, it appears that the presence of Latinos makes a difference in the foreclosure levels. Majority African American neighborhoods with a sizable presence of Latinos (10 percent or more) had lower foreclosure rates than majority African American neighborhoods with a smaller Latino presence, but both of these types of areas had REO, auction, and default rates more than twice as high as the Cook County average. A little under nine percent of Latinos live in areas with an African American majority.

The data point to a very clear racial hierarchy in terms of the effects of the present crisis. As the proportions of whites become higher, the lower the increase in foreclosure procedures in the present crisis. Latinos occupy a middle space in this hierarchy but are being disproportionately affected considering their originally lower levels of foreclosure procedures. Latino areas went from lower than average foreclosure procedures in 2006 to higher than average in 2007 and 2008. Finally, African American neighborhoods are at the bottom of the hierarchy, with higher than average rates of foreclosure procedures in 2006, which became even higher in 2007 and 2008.

## Foreclosure Patterns in Majority Latino Neighborhoods

Within the classification of areas according to their ethnic composition, there are variations in foreclosure rates. Table 2 shows the foreclosure rates for those neighborhoods in Cook County that range between 50 and 80 percent Latino. Despite the fact that all areas with majority Latinos presented increases in REOs, auctions, and defaults between 2006 and 2008, when looking specifically at 2008 the zip codes can be classified into three categories: areas with consistently low levels of REOs, auctions, and defaults; areas with originally

**Table 2: REOs, Auctions, and Defaults per 1,000 Owner-Occupied Properties in Zip Codes with Majority Latinos, Cook County**

Zip Code	Neighborhood	REOs			Auctions			Defaults		
		2006	2007	2008	2006	2007	2008	2006	2007	2008
60160	Melrose Park, IL	2.17	1.69	16.65	1.21	4.83	7.72	20.75	35.71	41.99
60165	Stone Park, IL	3.86	7.72	21.88	5.15	6.44	6.44	12.87	45.05	43.76
60608	Pilsen	2.33	1.81	9.59	1.81	3.11	4.54	13.48	30.45	36.80
60623	North and South Lawndale	9.78	8.04	30.95	6.63	7.06	11.95	47.90	77.01	72.34
60632	Little Village	3.43	4.47	12.65	1.68	1.61	4.82	12.37	29.57	42.02
60639	Austin, Belmont Cragin, Hermosa	5.20	5.45	23.62	5.37	4.16	10.09	31.15	55.57	68.15
60647	Logan Square	2.35	3.39	13.37	2.45	5.93	7.34	12.05	37.27	47.82
60804	Cicero, IL	3.53	5.17	17.48	3.92	3.61	8.70	20.46	54.40	56.20
<b>Cook County Average</b>		<b>4.53</b>	<b>4.25</b>	<b>13.28</b>	<b>5.60</b>	<b>5.09</b>	<b>6.63</b>	<b>25.09</b>	<b>34.65</b>	<b>34.61</b>

low levels of foreclosures procedures that became above average starting in 2007; and areas with higher than average default procedures in 2006 that faced the biggest increases in REOs, auctions, and defaults by 2008.

Little Village, Pilsen, and Logan Square are the least affected among Latino neighborhoods. These three neighborhoods started with lower levels of foreclosure procedures and had the smallest increases both in absolute and percentage terms. They managed to keep REOs at or below Cook County average levels between 2006 and 2008. Of the three, only Logan Square presented higher than average levels of auctions. However, even though these neighborhoods have been the least affected so far, the fact that they had higher than average levels of default payments in 2008 may indicate that they will have higher levels of REOs and auctions in 2009, as defaults are precursors of other foreclosure procedures.

For the suburban neighborhoods of Stone Park, Melrose Park, and Cicero the numbers indicate a higher vulnerability in the crisis than the previous three neighborhoods. These suburban neighborhoods started with lower than average foreclosure procedures, and then as the crisis evolved they developed higher than average rates. Although in 2007 Cicero's default rate was 57 percent higher than the Cook County average, its REO rate was only 22 percent higher than the county average and its auction rate was actually 29 percent lower. In the case of Cicero, defaults are not translating into similar levels of REOs. In contrast, Melrose Park and Stone Park present the opposite trend: closer to average default rates translating

into higher than average REOs. The data indicate that proportionally more families are advancing foreclosure procedures past defaults and that houses are more likely to remain unsold, potentially affecting the desirability and property values of the community.

The urban neighborhoods of South and North Lawndale, as well as Belmont Cragin and Hermosa, represent the worst case for Latinos. These areas started the crisis with higher than average foreclosure procedures, in fact higher than any other majority Latino neighborhood, and continued this trend for the next two years. South and North Lawndale saw an increase of 122 percent higher than average default levels in 2007, which translated into 133 percent higher than average REO levels in 2008. The area of Austin, Belmont Cragin, and Hermosa had default rates 60 percent higher than average in 2007, which translated into REO rates 78 percent higher than average in 2008.

The presence of these three distinct patterns of foreclosure is related to the characteristics of the areas and the communities that inhabit them. Pilsen, Logan Square, Little Village, and Cicero are traditional Latino neighborhoods with a long history and a clear cultural identity. They also have strong community organizations used to dealing with housing issues. By contrast, areas where defaults more easily became REOs lack historical and cultural cohesiveness and are not traditionally recognized as Latino places, and in the cases of North and South Lawndale, Belmont Cragin, and Hermosa the communities are located near predominantly black neighborhoods. These Latino neighborhoods had foreclosure levels closer to black areas than to other Latino ones.

# Property Values

## Home Value Trends in Chicago

The third component of the housing crisis is the change in value of properties. Lack of credit to buy new houses and high REO levels translate into lower market prices. Although lower prices should mean more affordability, given that families are having a hard time getting credit they may not be able to seize the opportunity to buy a home no matter how low the price. Furthermore, low prices mean that many families are paying loans that are higher than the values of their houses, which translates into a short-term loss of wealth and useless debt that is not building assets.

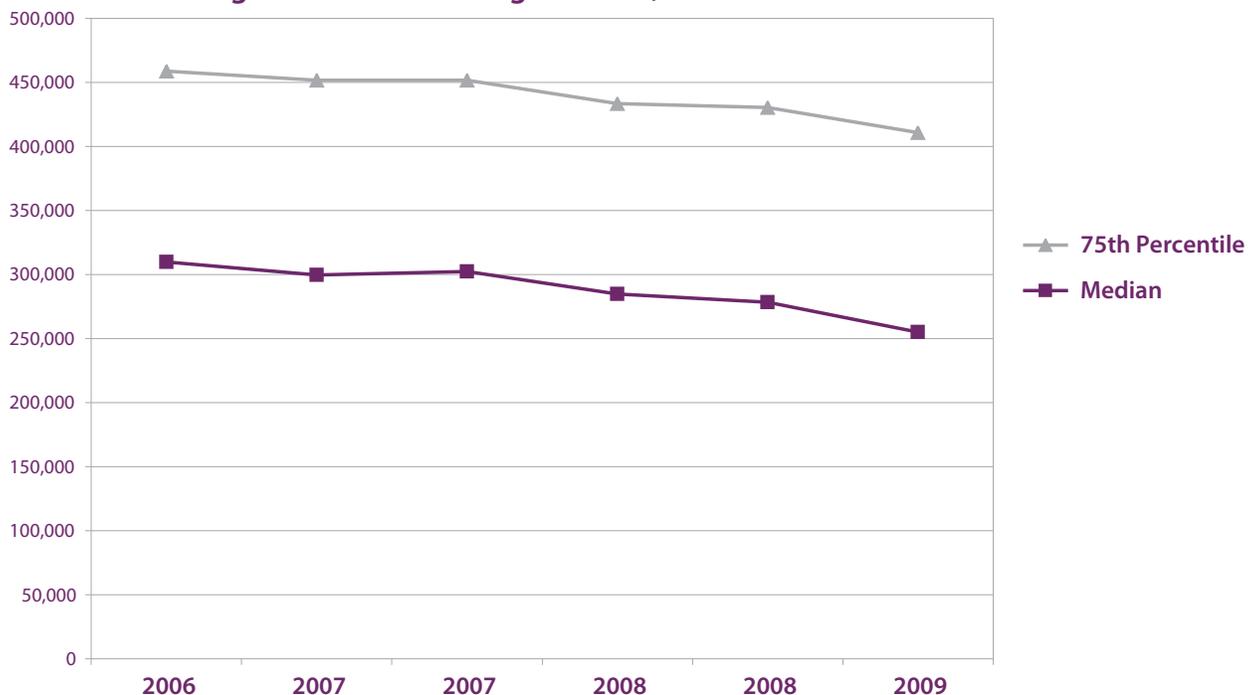
For the particular case of Chicago, the median and 75<sup>th</sup>-percentile prices remained relatively stable at the beginning of the housing crisis. In fact, during 2007 median prices appreciated slightly and 75<sup>th</sup>-percentile prices remained constant. However, by early 2008 the market shifted and prices started to go down at an accelerated pace. By January 2009 the median price for Chicago properties decreased by 18 percent, while 75<sup>th</sup>-percentile prices dropped 11 percent from the 2006 peak. Both those reductions are equivalent to around \$50,000 in lost value.

## Price Trends in Latino Neighborhoods

Assessing the impact on Latino areas requires a different measure from the median or 75<sup>th</sup>-percentile prices, because these two measures are extremely dependent on the specific transactions that occur in a short period of time. For large areas with thousands of transactions, the median and 75<sup>th</sup> percentile provide a good estimate of trends. In smaller geographical areas with limited numbers of real estate transactions, median prices are too much influenced by the particular type of properties sold in a specific month to give a reliable indication of trends. In order to measure changes in property values in Latino neighborhoods, I use the measure of price by square foot of property, which controls for the differences in size of the properties sold during a particular period.

Table 3 provides changes in prices by square foot for areas with a Latino majority. Not surprisingly, all neighborhoods experienced appreciation in home values in the period between 2003 and the beginning of 2007. Some neighborhoods performed better than others, with properties in Little Village doubling their value. However, by the end of 2008 (December), the value of properties had significantly gone down. Only

Figure 10  
Asking Price for the Chicago Market, 2006–2009



**Table 3:  
Price per Square Foot in Majority Latino Neighborhoods (50–80 Percent Latinos), Cook County**

Areas	2003–2009 Percent Change	Feb. 13, 2009	3 Months Previously	1 Year Previously	5 Years Previously
60608—Pilsen	5.85%	\$181	\$192	\$216	\$171
60623—North and South Lawndale	-50.00%	52	112	117	104
60632—Little Village	-29.75%	111	148	337	158
60639—Austin, Belmont Cragin, Hermosa	-44.57%	97	136	217	175
60647—Logan Square	-5.13%	185	271	272	195
60804—Cicero, IL	-37.59%	83	116	158	133
60165—Stone Park, IL	-17.09%	131	55	230	158
60160—Melrose Park, IL	-36.09%	108	145	202	169

Pilsen was able to maintain some of the value gains of the period, and Logan Square property values were just slightly lower than the ones in 2003. All other neighborhoods lost a considerable amount of their value when compared to 2003 levels. The areas of South Lawndale, North Lawndale, Austin, Belmont Cragin, and Hermosa were the most affected ones, since they had low price levels in 2003 (compared to other Latino neighborhoods) and by early 2009 had lost 50 percent of that original price level. With the exception of Cicero, which experienced a reduction in value in value of 38 percent between 2003 and 2009, changes in value appear to be related to REOs; the higher the REO rate for the area, the steeper the loss in value.

Comparing prices in areas with a majority Latino population and those that are predominantly white, we can generally conclude that the former have generally higher levels of value lost. Table 4 provides prices per square foot for zip codes with at least 90 percent white population. Except for the city neighborhoods of Edison Park and Norwood Park, all of these areas are suburban communities. Out of the 20 zip codes that have 90 percent or more white population, 9 of them were able to maintain prices above their 2003 levels, while only three communities lost 15 percent or more of their values. While majority Latino areas show extreme variations in terms of value loss, majority white areas show better preservation of property values. Pilsen and Logan Square price levels are

very similar to those in predominantly white neighborhoods, keeping property values to levels similar to those in 2003.<sup>12</sup>

Table 5 provides another point of comparison, by showing price values for areas with white majorities that also hold a strong Latino population. Although these areas have not been able to keep property values to 2003 levels, their losses have been smaller compared to other neighborhoods. In these communities, 2 out of 11 areas with this type of ethnic composition present losses in value of more than 20 percent, compared to 5 out of 8 majority Latino areas losing higher than 20 percent loss of property values (see Table 3).

Finally, Table 6 provides information about change in property values for neighborhoods that are 80 percent or more African American. The loss in property values is extreme, with all areas having lost at least 20 percent of their 2003 value and some of them reaching 50 and 60 percent loss. Just as in foreclosures, property prices in African American areas have been the most affected by the present crisis.

Overall, with the exception of Pilsen and Logan Square, majority Latino areas present higher levels of value loss than predominantly white areas and even white majority with a strong Latino presence areas. Only African American areas present higher losses in property values.

<sup>12</sup> If the reason for this is gentrification, it may not be good news for low- and middle-income Latinos. However, more data are needed in order to draw any conclusions one way or the other.

**Table 4:**  
**Price per Square Foot in 90 Percent or More White Neighborhoods, Cook County**

Areas	2003–2009 Percent Change	Feb. 13, 2009	3 Months Previously	1 Year Previously	5 Years Previously
60453—Oak Lawn, IL	3.27%	\$158	\$161	\$187	\$153
60480—Willow Springs, IL	-17.10%	160	238	219	193
60462—Orland Park, IL	-1.27%	156	155	158	158
60631—Edison Park, Norwood Park	-16.54%	217	255	272	260
60526—LaGrange Park, IL	37.04%	296	237	238	216
60069—Lincolnshire, IL	NA	NA	NA	NA	NA
60706—Harwood Heights, IL	-5.58%	237	226	286	251
60093—Winnetka, IL	90.86%	710	431	576	372
60010—Barrington, IL	14.21%	217	214	361	190
60467—Orland Park, IL	-4.14%	139	160	157	145
60068—Park Ridge, IL	0.75%	267	300	320	265
60476—Thornton, IL	-22.32%	87	115	126	112
60022—Glencoe, IL	31.77%	394	412	498	299
60456—Hometown, IL	5.11%	144	144	157	137
60464—Palos Park, IL	12.58%	170	245	265	151
60439—Lemont, IL	-2.48%	157	175	236	161
60463—Palos Heights, IL	-6.71%	153	172	205	164
60043—Kenilworth, IL	NA	NA	NA	NA	NA
60558—Western Springs, IL	13.50%	269	316	357	237
60029—Golf, IL	NA	NA	NA	NA	NA

**Table 5:**  
**Price per Square Foot in Majority White Neighborhoods with 20–49 Percent Latinos, Cook County**

Area	2003–2009 Percent Change	Feb. 13, 2009	3 Months Previously	1 Year Previously	5 Years Previously
60074—Palatine, IL	-6.70%	\$167	\$187	\$192	\$179
60641—Irving Park, Portage Park	-14.02%	184	194	242	214
60164—Melrose Park, IL	-34.48%	114	139	199	174
60131—Franklin Park, IL	-15.84%	170	208	202	202
60402—Berwyn, IL	-13.73%	132	162	179	153
60070—Prospect Heights, IL	-11.71%	181	190	261	205
60090—Wheeling, IL	-15.08%	152	168	177	179
60018—Des Plaines, IL	-11.62%	175	198	249	198
60469—Posen, IL	-7.77%	95	93	130	103
60176—Schiller Park, IL	-33.04%	150	174	232	224
60008—Rolling Meadows, IL	-6.32%	178	194	203	190

**Table 6:**  
**Price per Square Foot in 80 Percent African American Neighborhoods, Cook County**

Areas	2003–2009 Percent Change	Feb. 13, 2009	3 Months Previously	1 Year Previously	5 Years Previously
60478—Country Club Hills, IL	-28.16%	\$74	\$88	\$116	\$103
60104—Bellwood, IL	-27.54%	100	118	150	138
60419—Dolton, IL	-37.36%	57	69	93	91
60637—Hyde Park, South Shore, Woodlawn	-53.92%	47	103	105	102
60153—Maywood, IL	-50.00%	51	89	125	102
60827—Riverdale, IL	-46.34%	44	67	89	82
60628—Pullman, Roseland Washington Heighs	-37.65%	53	69	95	85
60644—Austin	-56.99%	40	70	131	93
60472—Robbins, IL	-60.47%	17	92	39	43
60620—Auburn Gresham, Beverly, Chatham	-35.11%	61	84	126	94
60649—South Shore	-32.53%	56	59	112	83
60653—Douglas, Grand Boule- vard, Kenwood, Oakland	-40.83%	71	158	134	120
60636—Chicago Lawn, Gage Park, West Englewood	-35.21%	46	58	118	71
60624—Garfield Park, Humboldt Park	-46.43%	45	63	130	84
60619—Avalon Park, Burnside, Chatham, Roseland	-20.22%	71	91	131	89
60621—Greater Grand Crossing, Washington Park	-23.44%	49	80	113	64



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## Conclusion

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The present housing crisis has negatively affected all communities and groups in the Chicago area. However, the crisis has not affected all communities and groups equally. In general, Latino areas appear to have been more affected than white areas but are not facing consequences as severe as African American areas. The three type of effects analyzed, mortgage credit, foreclosure procedures, and property values, are in perfect alignment, with Latinos suffering more negative effects than whites but fewer than African Americans.

Latinos are underrepresented in loan applications and overrepresented in loan denials, particularly for refinances. Latinos have 14 percent of total applications while they represent around 20 percent of the total population (CMAP 2009). Around 24 percent of first-time mortgages and 32 percent of refinance applications made by Latinos get denied, compared to 10 and 19 percent for whites, respectively.

Latinos areas also have systematically higher levels of foreclosure procedures than predominantly white areas, and as the crisis has progressed the gap between Latinos and whites

has increased. In 2008 majority Latino areas had 106 percent higher levels of REOs, 90 percent higher levels of auctions, and 93 percent higher default rates than areas with a majority white population and a relatively small but significant presence of Latinos (10–19 percent). In comparison, majority Latino areas had 400 percent higher rates of REOs, 301 percent higher auctions, and 311 percent higher default levels than areas with a 90 percent white population that same year.

Finally, Latino areas present high levels of property-value loss, more similar to African American than to white areas. Concerning price trends in majority Latino neighborhoods (50–80 percent Latino) between 2003 and 2009, only the area of Pilsen saw property values increase in the period 2003–09 with a 5 percent gain, while Logan Square had a small reduction in value of 5 percent. The rest of majority Latino neighbors experienced a reduction in price values between 17 and 50 percent in the 2003–09 period. Predominantly white (90 percent or more white) areas performed better, with some zip codes having price increases as big as 91 percent, while others lost value to a maximum of 22 percent. Majority white

areas with a strong Latino presence (20–49 percent) showed relatively moderate losses ranging from 6 to 33 percent in the same period.

If policy efforts in the 1995–2005 period concentrated on making home ownership a possibility for a greater number of families, the present crisis has taught us that we also need to provide the right tools for those families to keep their homes. It is very clear that Latino areas have been hit harder by the housing crisis, but we still lack information about the

factors that transform risk into loss for Latino families or the factors that may make it possible for them to keep their homes. This lack of knowledge translates into an inability to create effective public policy. The government should require banking institutions to collect and make publicly available data on foreclosure procedures and the demographic and socioeconomic characteristics of individuals and families going through the process, as a prerequisite to the development of efficient strategies to avoid home loss.

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