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Foreclosure to Homelessness: The Forgotten Victims of the Subprime Crisis

Published by the National Coalition for the Homeless, June 2009

Overview of the Issue

In late 2008 and early 2009, the National Coalition for the Homeless (NCH), in collaboration with six other non-for-profit organizations¹, conducted an e-mail survey of organizations providing direct service to homeless populations. The survey's primary aim was to establish whether or not communities were seeing an increase in homelessness due to the foreclosure crisis. The following are some of the more salient findings, culled from the full June 2009 report, *Foreclosure to Homelessness: the Forgotten Victims of the Subprime Crisis*, which resulted from this survey and related research.

- 178 responses were gathered from organizations providing direct services to the Homeless population.
- An average of 10% of their clients became homeless as a result of foreclosure to homes.
- 79% of respondents stated that at least some of their clients were homeless as a result of foreclosure to homes.

- There were 342,038 foreclosure filings on US properties in April 2009, a 32% increase compared with foreclosures in April 2008.
- 6 million jobs have been lost since the recession began.
- Unemployment reached 9.4% in May 2009 – that is 14.5 million unemployed Americans, among which 27% have been unable to find a job even after 27 weeks of searching.
- In a survey of people who faced foreclosure, 49% of respondents said medical problems played a role in their foreclosure.

¹ the National Alliance to End Homelessness (NAEH), National Association for the Education of Homeless Children and Youth (NAEHCY), National Health Care for the Homeless Council (NHCHC), National Law Center on Homelessness & Poverty (NLCHP), National Low Income Housing Coalition (NLIHC), and the National Policy and Advocacy Council on Homelessness (NPACH).

Post-Eviction Situation of the Newly Homeless:

- 58% of the newly homeless have not attempted to access legal assistance, even less so in the Northeast and South, 66% and 70%, respectively.
- Some common post-eviction living situations of the surveyed organizations' clients were: with family and friends (86%), in emergency shelters (61%), in hotels and motels (26%), on the streets (21%), and outside but not on the streets (18%).²

Services provided to address the needs of individuals affected by foreclosure in areas where surveys were taken:

- Counseling to prevent foreclosure: 72%
- Free or pro-bono legal assistance: 50%
- Cash assistance: 49%
- Relocation assistance: 18%
- Communities buying properties for use by persons with limited incomes: 15%
- Other: 10%

The foreclosure crisis for rental properties:

- 70% of extremely low income, or ELI (those living on 0 -30% of the Area Median Income), participants admitted to spending 50% of their income on rent. Spending 30% of income on rent is typically considered affordable.
- In 2008, 1 in 5 foreclosure properties were rentals.
- For every 100 ELI renters, there are 63 units of affordable housing in any given state.
- Roughly 40% of families facing eviction due to foreclosure are renters
- According to the National Low Income Housing Coalition (NLIHC), some 40% of those who experience home-foreclosure are renters.

The impact of health care on homelessness:

- The number of adults over age 50 in homeless shelters and clinics is increasing due to economic issues.
- It is estimated that people experiencing homelessness live 30 years less than their housed peers.

² These figures add up to more than 100% because respondents were asked to give the 3 most common living situations of their clients.

Youth homelessness:

- Youth homelessness continues to rise.
- Between the 2006-2007 and 2007-2008 school years, 459 school districts identified an increase of at least 25% in the number of homeless students.
- Causes for these increases include: rising transportation costs, inadequate staff to identify and correct the problem, over-crowded shelters, reduction in other community services, and greater severity of need.

Foreclosure crisis in rural America

- Rural states show significantly greater numbers of foreclosures.
- Because rural foreclosures are incorporated into overall foreclosure statistics, the problem is largely overlooked.

Recommendations for Action:

- Affordable and adopted healthcare programs
- Legal assistance programs
- Prevention of youth homelessness by implementing more federal support
- Better interpretation of data (i.e. Consideration of the rural foreclosure issue separately)
- An appropriate definition of rural homelessness
- Better emergency support

Hope for the future:

- The new Administration and Congress have implemented laws in order to avoid foreclosures. The *Protecting Tenants at Foreclosure Act of 2009* is a good start.
- The government has also invested 1.5 billion dollars to reduce homelessness, \$1 billion of which will go to rehabilitating affordable housing and improving key public facilities through the Community Development Block Grant Program.