

# SAVING BLACK HOMEOWNERSHIP

## JUST AND FAIR PANDEMIC RELIEF AND RECOVERY



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**Paul M. Ong**  
**Chhandara Pech**  
**Tracey Beltrán**

*UCLA Center for  
Neighborhood Knowledge*

**Lori R. Gay**

*Neighborhood Housing Services  
of Los Angeles County*

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This project builds on the Center for Neighborhood Knowledge's COVID-19 Equity Research Initiative, which includes studies examining how the negative economic impacts of COVID-19 are distributed across neighborhoods.

The Center for Neighborhood Knowledge at UCLA acknowledges the Gabrielino/Tongva peoples as the traditional land caretakers of Tovaangar (Los Angeles basin, So. Channel Islands) and pay our respects to the honuukvetam (ancestors), 'ahihirom (elders), and 'eyoohiinkem (relatives/ relations) past, present, and emerging.

## INFORMATION ABOUT THE AUTHORS

Paul M. Ong is a Research Professor at UCLA Luskin School of Public Affairs and Director of the UCLA Center for Neighborhood Knowledge (CNK). Chhandara Pech is the Assistant Director of CNK. Tracey Beltrán is graduate student researcher at CNK. Lori R. Gay is President and CEO of Neighborhood Housing Services of Los Angeles County (NHS).

## DISCLAIMER

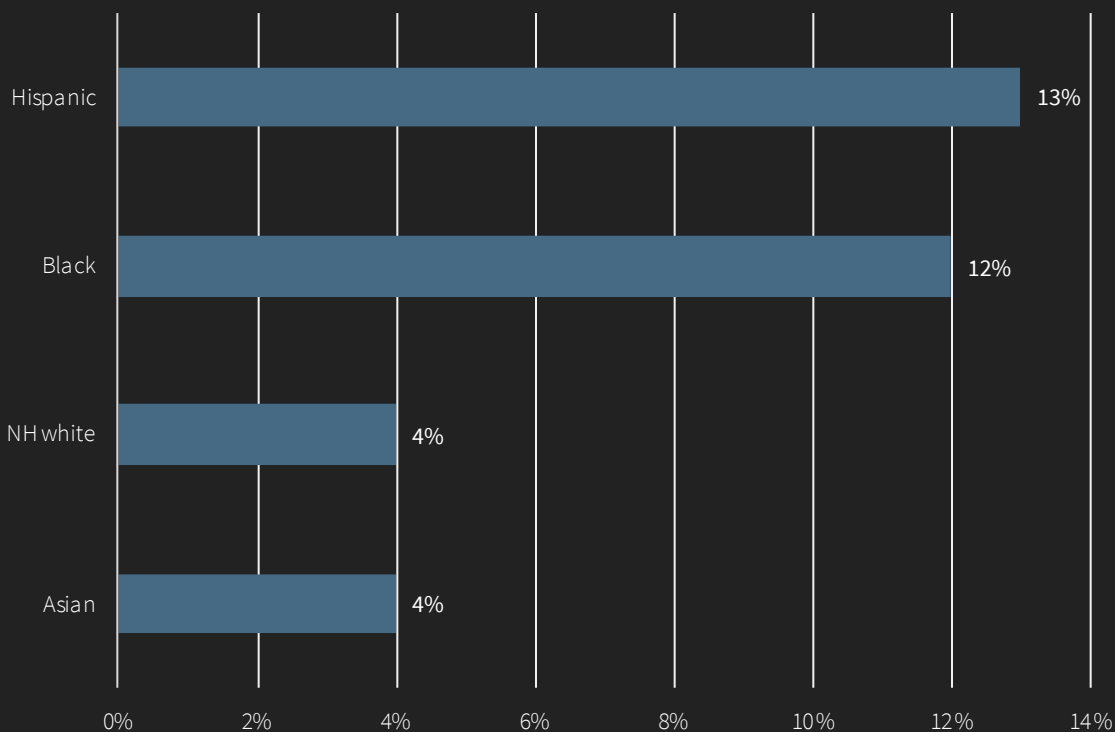
This version of the document contains a correction to “Figure 5. Homeownership Rate, Los Angeles-Orange Counties”. Previously, we incorrectly labeled the bar charts for African Americans and Non-Hispanic White.

The views expressed herein are those of the authors and not necessarily those of the University of California, Los Angeles. The authors alone are responsible for the content of this report.

# INTRODUCTION

This brief summarizes the current state of Black homeownership in Los Angeles County, identifying the challenges and formulating solutions. Homeownership is a critical issue because it remains a primary source of asset accumulation, and past studies have shown an enormous gap between African Americans and whites. During the Great Recession of 2007 to 2009, foreclosure rates among African American homeowners were three times greater than for non-Hispanic Whites (NH Whites) (see Figure 1) due to predatory lending prior to the recession and greater job losses during the downturn.<sup>1</sup> We are now facing a new challenge. The COVID-19 pandemic, also known as the coronavirus pandemic, has exacerbated the problem. We need policies and strategies to grow Black homeownership. This will require addressing the harm done over the last year. As President Biden stated, "To heal, we must remember."<sup>2</sup> Social justice requires restorative justice.

Figure 1. Foreclosure Rates, Los Angeles County, 2007-2012

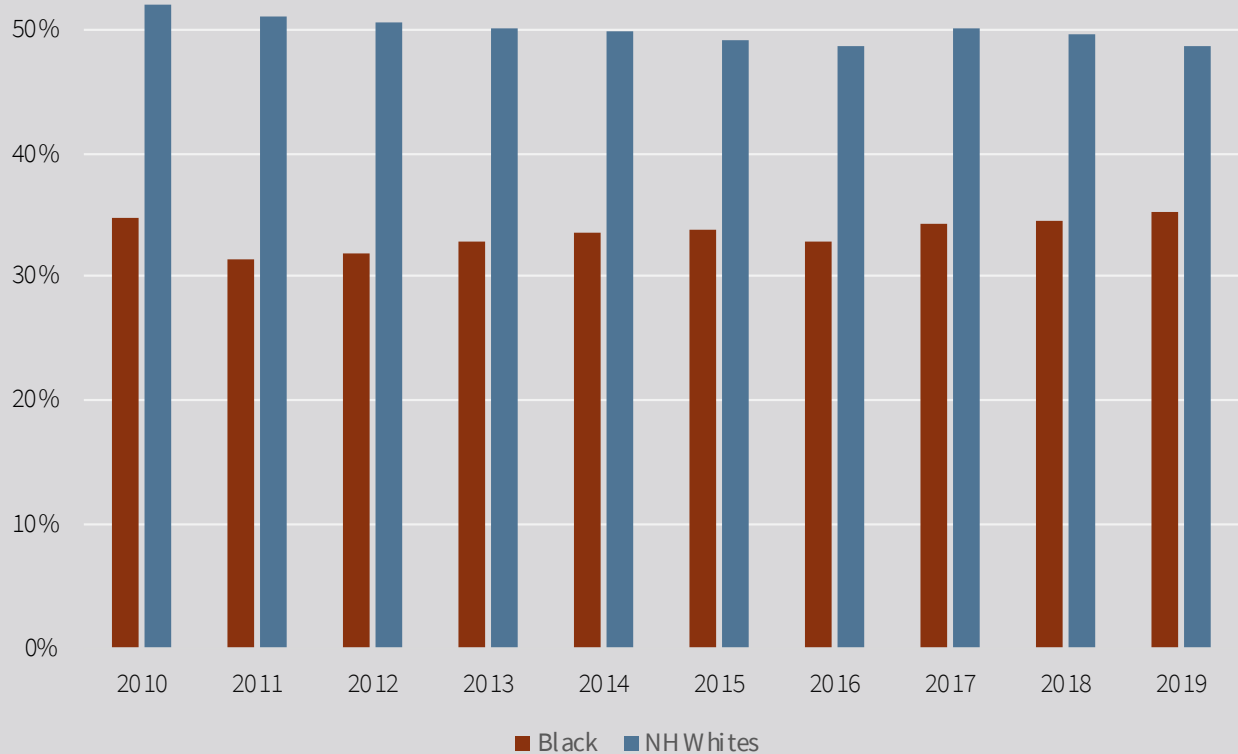


Source: UCLA Center for Neighborhood Knowledge Analysis of DataQuick Data for 2007-2012

## CURRENT AND PRE-PANDEMIC HOMEOWNERSHIP PATTERNS

There has been little or no progress since the recovery from the Great Recession (see Figure 2). There was a substantial gap between the two races in 2010, with African Americans slightly closing the difference for the rest of the decade, at a snail's rate that would hypothetically take over four decades to eliminate. Moreover, the limited progress is due mainly to a decline in the NH White rate, driven by a generational shift in housing preference. In absolute terms, the African American rate at the end of the 2010s is essentially the same as those at the start of the decade. Whatever progress was made has been disrupted by COVID-19.

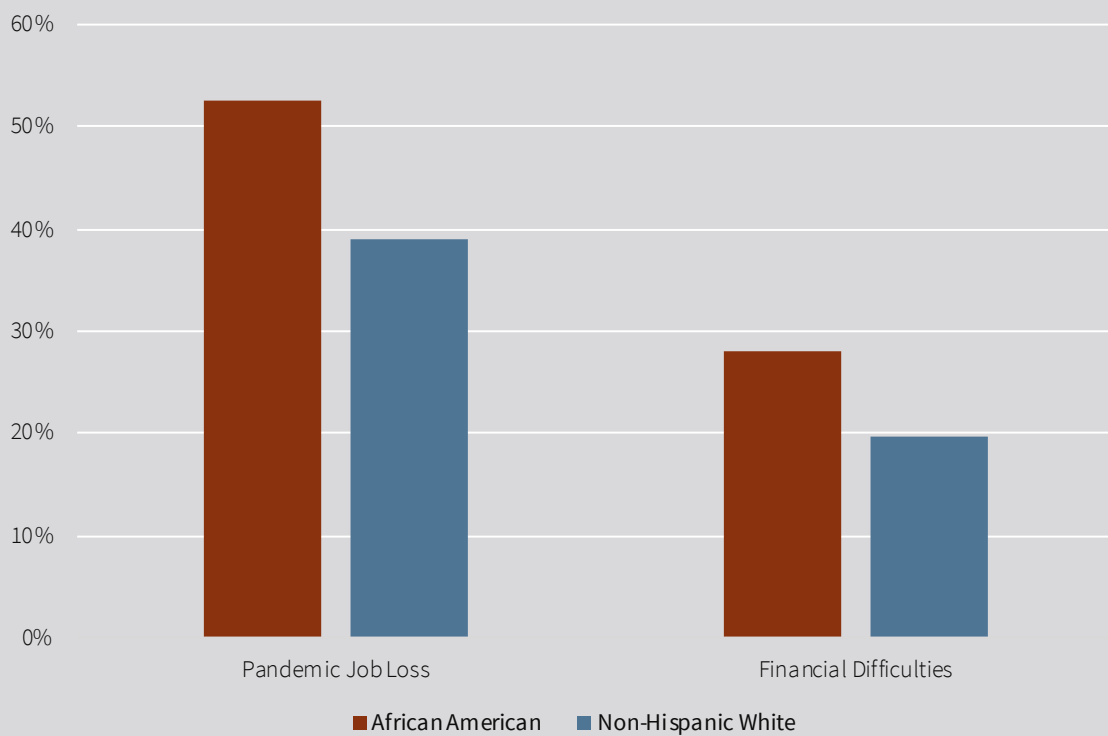
Figure 2. Homeownership Rates, Los Angeles County



Source: UCLA Center for Neighborhood Knowledge Analysis of U.S. Census Bureau's American Community Survey

The pandemic-driven economic freefall has been particularly hard on Blacks in Southern California (Los Angeles and Orange Counties), as shown in Figure 3. The statistics are based on the Public Use Files' customized tabulations for the U.S. Census Bureau's Pulse Survey, covering the period between August 19 to December 21, 2020. Compared with non-Hispanic Whites, African American households experienced more pandemic job losses resulting in financial difficulties in paying for usual household expenses.

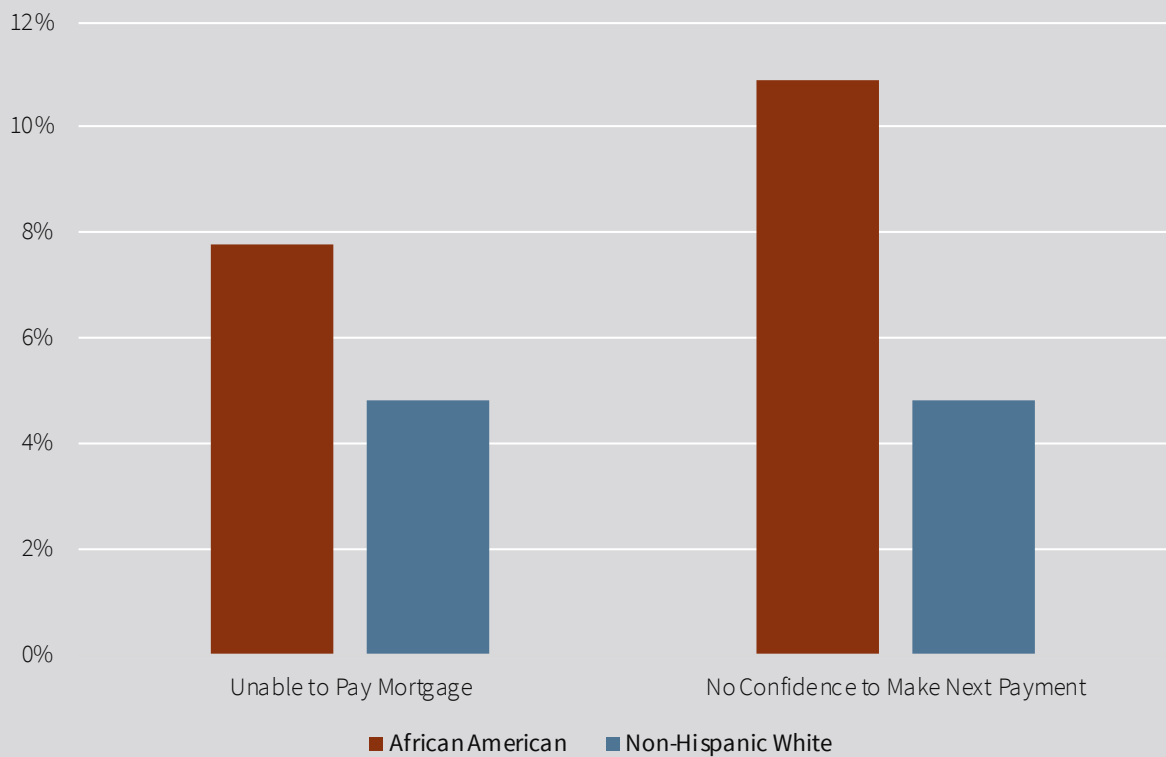
Figure 3. Pandemic Economic Impacts, Los Angeles-Orange Counties



Source: UCLA Center for Neighborhood Knowledge Analysis of U.S. Census Bureau's Pulse Survey for August 19 to December 21, 2020

These disproportionate financial impacts have translated into a higher percentage of not being able to pay a mortgage (see Figure 4). African Americans are nearly one and a half times as likely to have difficulty paying a mortgage than non-Hispanic Whites. Moreover, Blacks feel less financially secure about the immediate future. They are over twice as likely to have low confidence in meeting next month's mortgage payments.

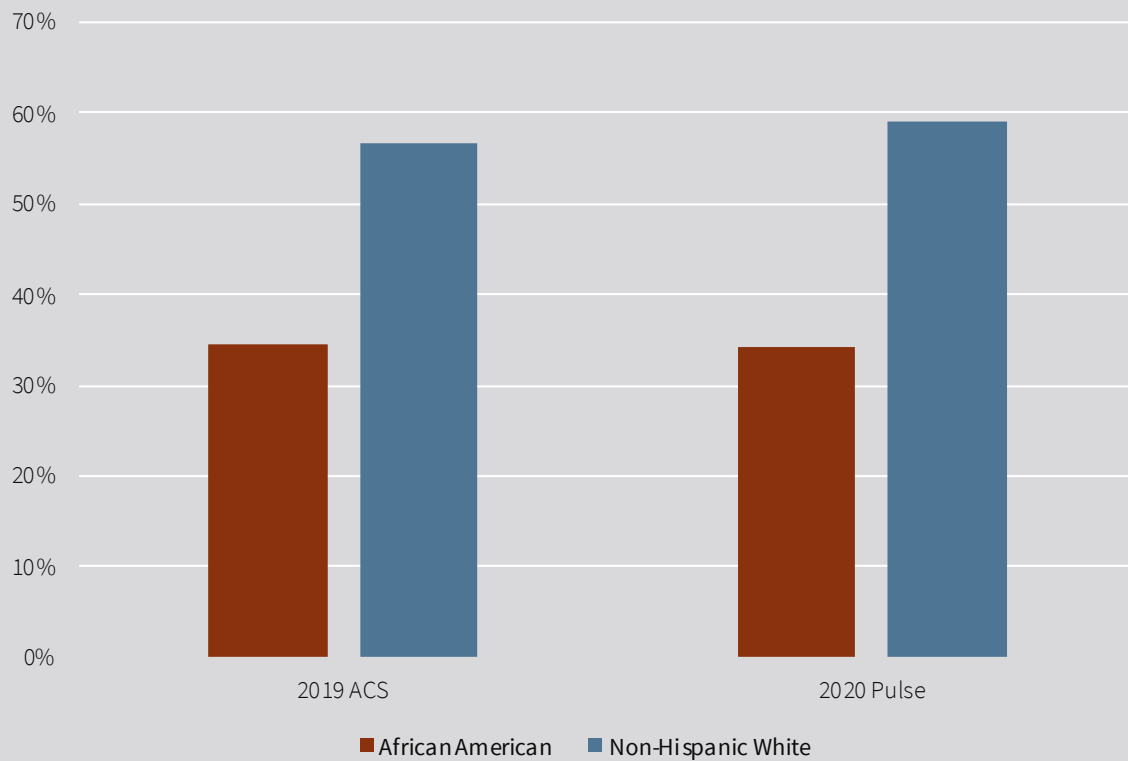
Figure 4. Difficulty Paying Mortgage, Los Angeles-Orange Counties



Source: UCLA Center for Neighborhood Knowledge Analysis of U.S. Census Bureau's Pulse Survey for August 19 to December 21, 2020

Despite these hardships, there is not yet observable change in ownership rates. The rate in late 2020 is roughly the same as that in 2019 (see Figure 5). The slight year-to-year difference in the rates is probably due in part to the way the two surveys were conducted (the 2019 American Community Survey and the 2020 Pulse Survey).

Figure 5. Homeownership Rate, Los Angeles-Orange Counties

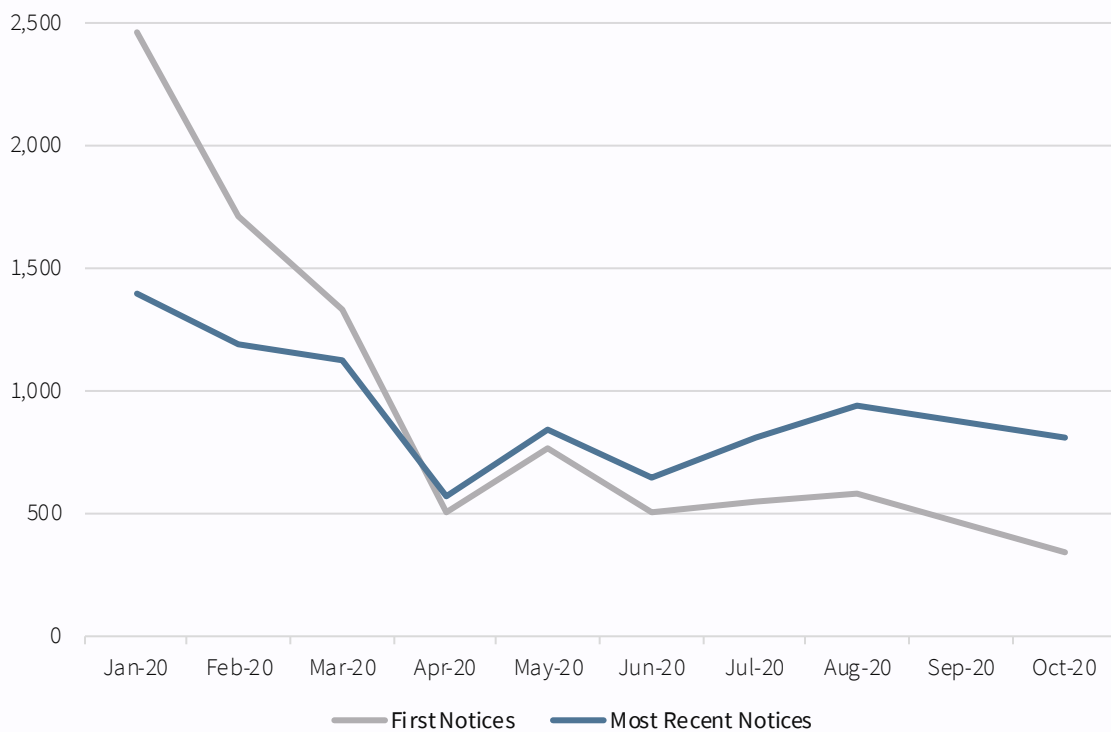


Source: UCLA Center for Neighborhood Knowledge Analysis of U.S. Census Bureau's Pulse Survey for August 19 to December 21, 2020

# PANDEMIC PRE-FORECLOSURE ANALYSIS

Ownership rates have not dropped noticeably because of policy interventions. The moratorium on foreclosures has provided some temporary relief. This can be seen in the number of new pre-foreclosure notices<sup>3</sup> in Los Angeles County using data derived from CoreLogic covering the period between January to October 2020 (see Figure 6).

Figure 6. Pre-Foreclosure Notices, Los Angeles County

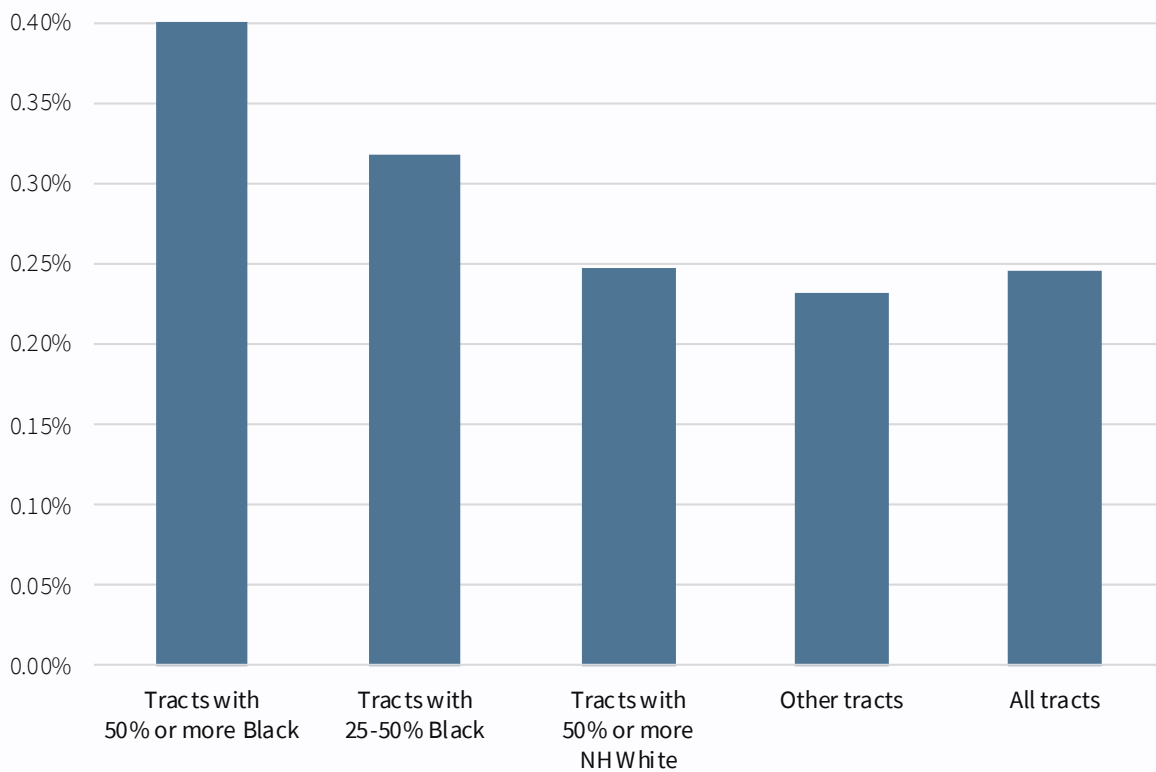


Source: UCLA Center for Neighborhood Knowledge Analysis of CoreLogic Data for January to October 2020



Foreclosure efforts, however, have not entirely stopped, and there were approximately 3,665 new pre-foreclosure notices served from April to October. Unfortunately, these notices are not randomly or evenly distributed. Instead, there are systematic disparities. What is particularly disturbing about the inequality is that the rate is over one and a half times as great in Black neighborhoods<sup>4</sup> (see Figure 7).

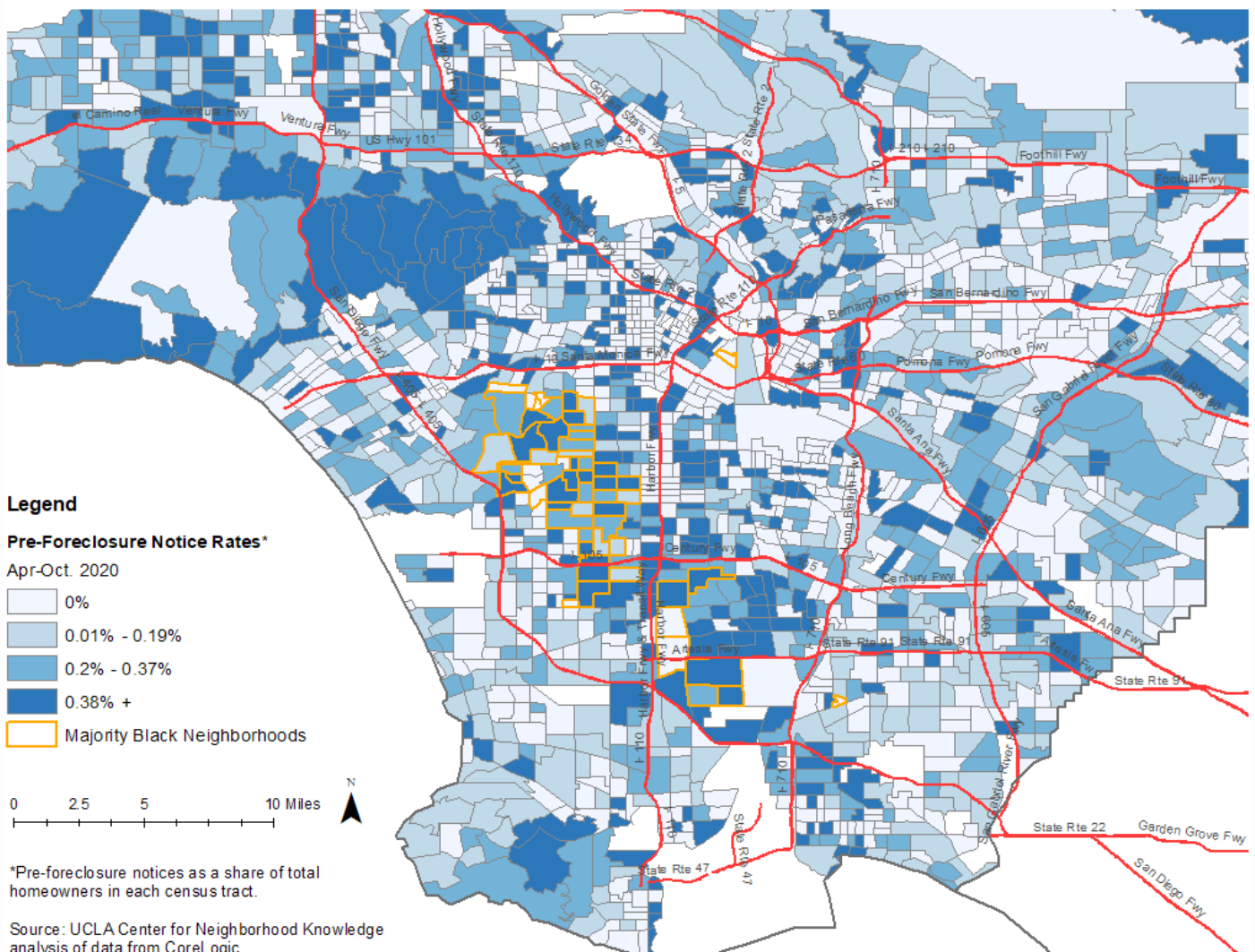
Figure 7. Pandemic Pre-Foreclosure-Notice Rates, Los Angeles County



Source: UCLA Center for Neighborhood Knowledge Analysis of CoreLogic Data for April to October 2020

The higher pre-foreclosure rate in African American communities can also be seen in Figure 8, which displays the pre-foreclosure notice rates by neighborhoods (census tracts) in Los Angeles County. In the thematic map, darker blue shading depicts higher foreclosure rates (normalized by the total number of owner-occupied units). Black majority neighborhoods are outlined in yellow. The overlap is most apparent in parts of South Los Angeles.

Figure 8. Pre-Foreclosure Notice Rates, April-October 2020



The moratorium, however, is only delaying a major housing crisis, just "kicking the can down the road." In the near future, thousands of African Americans will lose their homes if no actions are taken.

# CONCLUSION

This study summarizes the current state of Black homeownership in Los Angeles County and highlights some of the challenges currently brought on by the COVID-19 pandemic. Our preliminary analysis of pre-foreclosure notices during the pandemic indicates that the communities hardest hit by the last foreclosure crisis are in large part the very same communities now at risk of another foreclosure crisis generated by the pandemic. The findings show that Black neighborhoods are among those most at-risk, as indicated by the disproportionate number of pre-foreclosure notices in their neighborhoods.

It is essential to act on the current challenges to African American homeowners. Addressing the needs of at-risk homeowners requires policy reforms tailored to the demographic realities of the County's most vulnerable communities. We highlight recommendations to ensure equitable solutions for Black homeowners.

1. Elected officials should prepare for the looming problem after the end of the public health emergency. A real and frightening outcome is a new wave of evictions and foreclosures in the post-COVID-19 era. The temporary federal foreclosure moratorium and mortgage payment forbearance only defer mortgage payments until June 2021. While these temporary protections are necessary, it is only delaying the threat. When these policies sunset, homeowners will have amassed a huge debt of mortgages. In the short run, our elected officials must extend temporary protections until we reach full economic recovery. We also call for the creation of a robust COVID-19 Mortgage Relief Fund or assistance program to cover all, or part, of missed mortgage payments for low- or moderate-income homeowners. Such a program needs to be targeted to the most vulnerable homeowners and neighborhoods.
2. It is critically important to continually monitor developments in real-time, particularly by identifying the homeowners who fall behind in their payment during the COVID-19 crisis and their ability to utilize the temporary protection. This can be done with greater collaboration among public agencies, community groups, and researchers to gather and analyze the data. Additionally, developing an analytical tool that is adaptable and designed to identify vulnerable homeowners and neighborhoods is vital to effectively implement policies and to support a targeted approach.
3. Inequality of funding and access to resources must be addressed by supporting community organizations and advocacy groups to help reach struggling homeowners. While the temporary policies are useful tools to protect vulnerable homeowners, many homeowners may be unaware or have difficulty accessing information and resources that can help reduce their current and future foreclosure risk. It is crucial to bring in HUD-approved housing counselors, community organizations and advocacy groups that normally provide housing counseling, legal and other services to impacted homeowners. Housing counselors, for example, played a critical role in helping many families avoid foreclosures and evictions during the last foreclosure crisis. They continue to play a critical role now and will continue to do so post-pandemic period. These

professionals can help improve access to information in an understandable and relatable manner to struggling homeowners. Additional funding and resources are needed to support them and their organizations.

- a. Additional funding may be provided to community groups to support and promote a robust “know your rights” campaign that can help share important information with homeowners at risk of foreclosure. We suggest (1) promoting programs that will help alleviate the foreclosure burden such as forbearance or loan modification, (2) informing homeowners about opportunities to refinance mortgages especially while interest rates are still low, (3) providing access to housing counseling, and (4) offering viable property disposition strategies as may be needed.
  - b. Landlords also require supports during this period of economic uncertainty. HUD has provided information for landlords on how to retain tenants and set up repayment plans. Although information about landlords and their needs during the pandemic is limited, recent reports suggest owners of 2-4 unit rental properties are struggling to pay their mortgages and taxes because of inadequate resources and shortfalls on rent. Black and Hispanic landlords, who tend to own fewer properties than their white counterparts because of centuries of racist policies and practices around property ownership, make up a disproportionate share of two-to-four-unit property owners.”
4. Lenders should be required to provide disclosure to mortgage holders about the housing counseling and other resources available.
  5. Administrations should build on current policies for an inclusive solution for all homeowners in Los Angeles County. By improving existing policies, local governments can prioritize the most vulnerable families and neighborhoods—the current approach of “first-come, first served basis until funds run out” limits accessibility to crucial programs by the most at risk. A tool, as mentioned above, that evaluates vulnerability will be essential in determining where the most support is needed for local government to target these areas. Additionally, there are opportunities to strengthen policy language to emphasize the funding and resources for the most at risk. Building on policy language, such as in Senate Bill 1079, the Residential Property: Foreclosure Bill, there are opportunities to increase Black homeowners' ownership by connecting homeowners experiencing foreclosure with community organizations. These collaborative partnerships to purchase and maintain homes can secure Black homeownership and secure real estate in neighborhoods' future development.

Any post-pandemic recovery plan must not only keep families in the home by helping those behind in their mortgage but must also address historical and structural barriers that the Black community has faced when struggling to build wealth.





# Endnotes

<sup>1</sup> See Paul M. Ong, Chhandara Pech, and Deirdre Pfeiffer. 2014. “The Foreclosure Crisis in Los Angeles.” in California Policy Options, ed. Daniel J.B. Mitchell. Los Angeles, California: Luskin School of Public Affairs, University of California, Los Angeles. <https://issuu.com/uclapubaffairs/docs/californiapolicyoptions2014>. Accessed February 27, 2021.

<sup>2</sup> Peter Baker and Michael D. Shear, “‘To heal, we must remember,’ Biden says at ceremony for coronavirus victims,” The New York Times, January 19, 2021, <https://www.nytimes.com/2021/01/19/world/joe-biden-coronavirus-us-deaths.html>. Accessed February 27, 2021.

<sup>3</sup> Pre-foreclosure notices represent the first recorded notice that occurred between January to October 2020 for single-family homes. Pre-foreclosure notices include certificate of purchase, notice of default (NODs), notice of sale, notice of trustee's sale, final judgment, lis pendens, and release of lien. Our assessment of the data indicates that the temporal patterns for notice of defaults are very similar to all pre-foreclosure notices. We did not analyze NODs separately because there are not sufficient numbers for detailed disaggregation.

<sup>4</sup> The basic geographic unit of analysis in this report is census tracts, which serves as a reasonable proxy for neighborhoods. We use these terms interchangeably in this report. The Bureau of the Census defines census tracts as “a relatively homogenous area with respect to population characteristics, economic status and living conditions.” The average population of a census tract is 4,000 people (ranging from 2,500 to 8,000) and approximately 1,500 housing units. Census tracts with 50% or more African Americans represent “majority Black” areas and are designated as “Black neighborhoods”.

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