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## ACKNOWLEDGING THE PROBLEM

When foreclosures force children from their homes, their education is disrupted, their peer relationships crumble, and the social networks that support them are fractured. Indeed, their physical health, as well as their emotional health and well-being, is placed at risk. As a result, our attention must turn to the unintended and often unnoticed impact of the credit crunch on our nation's children and their education. The Center for Responsible Lending projects that one out of every five subprime mortgages that has originated in the last two years will go into foreclosure. The silent sufferers of these foreclosures are the 1.95 million children and youth who are losing their homes, ranging from 1,000 children in North Dakota to 311,900 children in California (see textbox on page two). Our estimate is based on projected foreclosures of 2.26 million single-family homes, and is likely to be low because it does not include those children being evicted from rental units that are going into default, nor does it include children whose parents default on conventional loans. Across the country, school districts are seeing spikes in the number of homeless children entering their classrooms, much of which is being attributed to the mortgage crisis. For example, as of April 1 of this year, schools in Cleveland, Ohio, served more than 2,100 homeless students—a 30 percent increase from last year. Schools in Fairfax County, Virginia, had served 1,356 homeless students as of April. With two more months left in the school year, they are on track to far exceed the 1,405 students served last year.

### <sup>1</sup> EDUCATIONAL IMPACTS OF MOBILITY

Research shows that children who experience excessive mobility, such as those impacted by the mortgage crisis, will suffer in school. The National Assessment of Educational Progress (known as the Nation's Report Card) has found that students with two or more school changes in the previous year are half as likely to be proficient in reading as their stable peers.

<sup>2</sup> Math performance can also suffer, as a government study found mobile third grade students to be nearly twice as likely to perform below grade level in math, as compared with those who had not changed schools.

<sup>3</sup> Not only do mobile students do worse in reading and math, they are also more likely to be held

back and eventually drop out. A U.S. government study found that third-graders who have changed schools frequently are 2.5 times more likely to repeat a grade than their peers.

Other researchers have found that school and residential changes can reduce the chances that a student will graduate by more than 50 percent.

### POLICY SOLUTIONS

The mortgage crisis is more than a blow to our economy. It is crippling our children, their education, and as a result, the nation's future. And while our government is working to alleviate the financial passage caused by this calamity, the impact on the nation's children is going unnoticed. As also assisted with sobriety, the problem, policy makers must make a concerted effort to mitigate the damage of this disaster to the back people.

While others will guess to respond to the mortgage crisis with attrition, we choose to respond with improving regulation of mortgage lending practices to avoid a repetition of this crisis. One study found that crafting targeted strategies to reduce the number of foreclosures under the current crisis, and providing assistance to those who have not moved to have four or more behavior problems.

In addition to these immediate responses to the current crisis, action must be taken to increase the availability of affordable housing for low-income families. In addition to broader changes aimed at improving the functioning of mortgage markets, Congress should provide an emergency one-time infusion of funds to the Emergency Food and Shelter program to prevent families facing foreclosure from becoming homeless, as proposed by the Emergency Housing Assistance Act of 2008. These funds would provide assistance as mortgage rent payments, utility payments, and other housing related assistance to help prevent families from losing their homes.

### CHILD HEALTH CONSEQUENCES

The mortgage crisis also places a child's general health at risk. As families receive their foreclosure notices, they are forced into housing that is less expensive than the homes they have lost or still beyond their means. One study found that working families spending more than half of their income on housing have less money available than other families to spend on such crucial items as health care and health insurance.

Stable housing has also been shown to correlate with other health outcomes, from better nutrition to healthier body weight. In addition, the program provides homeless students with a variety of supports, such as tutoring, school supplies, and counseling, among others, to help stabilize their education even though the rest of their lives are fraught with uncertainty. Making moves on the stock market on the housing industry and on their homes. The National

affordable housing as a whole. But there are already millions of the  
less fortunate. The crisis about to break over headmated 1.5  
million. Largely over the housing over the next 10 years,  
targeting lower income renters. We encourage the Senate to  
pass the National Affordable Housing Trust Fund Act as  
well. This investment in affordable housing, combined with  
mortgage crisis as their families lose their homes due to fo  
improved regulation of the mortgage lending industry, will  
reclosures. These children are not just losing their homes,  
but they also risk losing their friends, schools, and in many ways, their childhood.

# The Impact of the Mortgage Crisis on Children

Adults caused the mortgage crisis. Children are suffering  
because of it. The situation will not be solved over night,  
but we can help to ease its impact. As we lower interest rates,  
spend our stimulus checks, and provide support to the home  
building industry, let us not forget that the only hope our  
country has of strengthening our economy over the long term  
is through supporting the home buyers of the future.

Our estimate of 1.95 million children is based on the Center for  
Responsible Lending's projection that one out of every five subprime  
mortgages made in 2005 and 2006 goes into foreclosure. In total,  
the Center on Responsible Lending projects a total of 2.26 million  
foreclosures on single-family homes, with the bulk occurring in 2008  
and 2009.

As noted in a recent report by Pew Charitable Trusts, this projection represents 1 in 33 current homeowners in the U.S. and is in line with an estimate of 2 million potential foreclosures provided by Mark Zandi, chief economist of Moody's economy.com in his February 2008 testimony before the U.S. House of Representatives Financial Services Committee.

How many children live in the 2.26 million homes projected to be in foreclosure? Although mortgage data does not contain information on the presence of children, the Home Mortgage Disclosure Act (HMDA) does provide information on the race and ethnicity of homeowners taking out high-priced loans. The Center for Responsible Lending's analysis of HMDA data finds that 17 percent of subprime loans originated in 2005 were to Latino homeowners, and 15 percent were to African-Americans.

Applying these percentages to the 2.26 million homeowners suggests that at 388,000 Latino homeowners, 344,000 Black homeowners, and 1.53 million White/Other homeowners will lose their homes to foreclosure, as shown in the first column of Table 1.

The next step is to estimate the number of children, by race/ethnicity, in each home. Recent Census Bureau data (from the 2006 American Community Survey) finds children present in 62 percent of Latino households in owner-occupied homes with outstanding mortgages, and an average of 2.08 children in such homes with children. Applying these statistics to all Latino homeowners to those in default results in a total of 504,600 Latino children directly impacted by the foreclosure.

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e crisis.

<sup>15</sup>

Black and White/Other homeowners have fewer children per household than Latino homeowners, and the same methodology results in 281,200 Black children and 1.17 million White/Other children, as shown in Table 1 below.

Combining the racial/ethnic groups, a total of 1.952 million children are estimated to be directly impacted by the mortgage crisis.

<sup>16</sup>

We use a similar approach to develop state-by-state estimates of children affected by foreclosure, combining the Center for Responsible Lending's state-by-state projections of foreclosures with our analysis of mortgage-holding homeowners with children by state (see Table 2).

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