

homeowners have negative equity. Home prices in these 395 ZIP codes remain up to 66 percent below their peak levels. Among these 395 ZIP codes, the median decline of home prices is 41 percent. There nearly 113,000 homes in just these 395 ZIP codes that went into default or foreclosure in 2013. Appendix C contains the full list of the 395 hardest-hit ZIP codes.

The median household incomes of the 395 hardest-hit ZIP codes range from \$9,895 (ZIP code 43604 in Toledo, OH) to \$118,622 (ZIP code 20607 in Accokeek, Maryland near Washington, DC), but the vast majority of hardest-hit ZIP codes have median household incomes significantly below the national figure of \$51,371. As **FIGURE 3** shows, 32 (8 percent) of the 395 ZIP codes had median household incomes below \$25,000. Another 137 (35 percent) ZIP codes had median household incomes between \$25,000 and \$40,000. Another 111 (28 percent) ZIP codes had median household incomes between \$40,000 and \$50,000.⁴ In total, 71 percent of the hardest-hit ZIP codes had median household incomes below \$50,000.

Again, not surprisingly, what distinguishes the 395 hardest-hit ZIP codes is that almost all of them have African American and Latino populations significantly higher than their representation in the nation as a whole or in their metropolitan areas. They represent an even higher proportion of residents than that in the hardest-hit 100 cities.

As **FIGURE 4** shows, in 146 of the 395 hardest-hit ZIP codes, African Americans and Latinos comprise more than 75 percent of the population. In another 107 ZIP codes, these two groups comprise between 50 percent and 75 percent of the populations. In other words, in almost two-thirds (64 percent) of the 395 hardest-hit ZIP codes, African Americans and Latinos account for at least half of the residents. Once again we see the severe consequences of the banking industry's predatory practices of targeting African American and Latino neighborhoods,

⁴ We could not identify the median household incomes for two of the ZIP codes.

Figure 3

Median Household Income in the 395 Hardest-Hit ZIP Codes

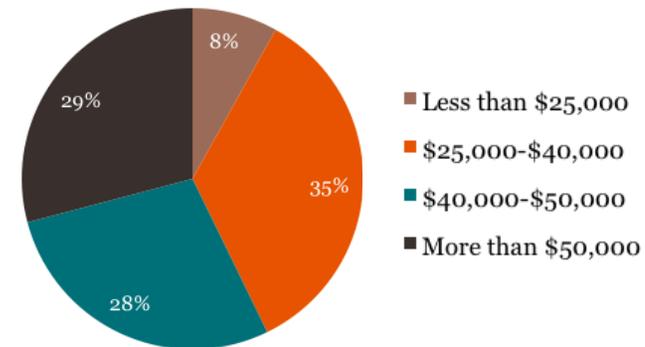


Figure 4

Percentage of African Americans and Latinos in the 395 Hardest-Hit ZIP Codes

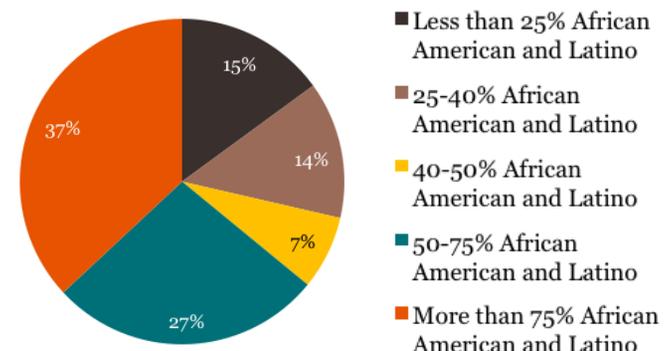


Table 6**States with Large Numbers of Hardest-Hit ZIP Codes**

Georgia	61
Florida	55
Illinois	47
Michigan	38
Ohio	33
New Jersey	32
Maryland	24
Missouri	21
California	17
Nevada	10
North Carolina	10



homebuyers, and mortgage consumers.

The 395 hardest-hit ZIP codes are found in 23 states. They are not all located in central cities. Quite a few are found in suburbs and in small towns in rural areas. **TABLE 6** shows the states with particularly high numbers of hardest-hit ZIP codes.

These 395 hardest-hit ZIP codes, however, are just the tip of the iceberg. There are thousands of neighborhoods in hundreds of cities that have been devastated by the housing crash and have no prospects of significant improvement. It is in these neighborhoods that the epidemic of foreclosures and the tide of underwater mortgages have had the worst impact. These are just some of the nation's hot spots that continue to suffer in the wake of the recession and ongoing housing problems in the U.S. These findings reveal that these crises are hardly over. Market forces and federal initiatives are clearly not solving the problems. Local actors are understandably trying to address what the federal government and other forces have been unable to resolve. The findings, unfortunately, demonstrate why such local actions are necessary.

RECOMMENDATIONS

THE FEDERAL GOVERNMENT HAS LAUNCHED several programs in efforts to ameliorate the foreclosure and delinquency rates and the costs associated with the bursting of the housing bubble. They include an alphabet soup of anti-foreclosure efforts and Federal Reserve lending programs.⁵ The Justice Department and other federal and state law enforcement agencies have also settled several cases totaling billions of dollars, most notably a \$13 billion settlement with JPMorgan Chase. One projection estimates that the total cost of these settlements will exceed \$50 billion (Silver-Greenberg and Eavis 2014).

But these efforts have been woefully insufficient, and with widespread reports of a housing recovery, there is a real danger that the political will to take steps to fix the housing crisis will quickly dissipate. However, the crisis is far from over in the areas that have been hit the hardest.

Consequently several local communities have started to take matters into their own hands. In a growing number of cities, local officials and community residents are considering using the tool of eminent domain to purchase, at fair market value, mortgages on selected underwater homes and refinancing those loans to current market value for existing occupants so that more families can stay in their homes (Hockett 2013; Dewan 2014).

These efforts are understandable given the continued hardships faced by millions of families and the communities in which they reside. As the

⁵ These include Home Affordable Modification Program (HAMP), Home Affordable Refinance Program (HARP), Home Affordable Unemployment Program (HAUP), Hardest Hit Funds (HHF), Term Auction Facility (TAF), Term Asset-Backed Securities Loan Facility (TALF), Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF), Commercial Paper Funding Facility (CPFF), and the Primary Dealer Credit Facility (PDCF), among others.

Joint Center for Housing Studies recently observed,

[T]he foreclosure crisis has exacerbated the distress in many low-income neighborhoods, spreading blight and straining the ability of local governments to invest in those areas. Indeed, governments at all levels face difficult choices between bringing budgets into balance in response to short-term economic woes and addressing longer-term structural challenges. In making these choices, however, policymakers cannot lose sight of the important role that housing plays in ensuring the health and well-being of a nation's households and communities. (Joint Center for Housing Studies 2013: 6).

We need bold action to ensure that any recovery does not leave behind the communities living in these hot spots. There are steps that local communities, in conjunction with public and private financial service organizations and government regulators, could take to more effectively address the crisis and ensure an equitable recovery for all homeowners. We need bold action to ensure that any recovery does not leave behind the communities living in these hot spots. There are steps that local communities, in conjunction with public and private financial service organizations and government regulators, could take to more effectively address the crisis and ensure an equitable recovery for all homeowners. Here are some key steps that should be taken immediately to address the crisis and ensure and equitable recovery for all homeowners:

1. Loan holders—banks, government sponsored enterprises (i.e., Fannie Mae and Freddie Mac, which are regulated by the Federal Housing Finance Agency, FHFA), and investors—should reduce the principal on underwater mortgages to current market values.
2. If loan holders are unwilling or unable to reduce the principal on underwater mortgages to current market values, they

should allow these loans to be purchased by publicly-owned or nonprofit entities that are willing to restructure them with fair and affordable terms.

3. Local municipalities should use all options at their disposal to facilitate the goal of resetting mortgages to current market values, including the use of “reverse eminent domain” (the program proposed in Richmond, California and elsewhere) to acquire mortgages in order to restructure them with fair and affordable terms.
4. Banks, government sponsored enterprises like Fannie Mae and Freddie Mac, and investors that own vacant homes that have already been foreclosed upon should sell them to publicly-owned or nonprofit entities that can convert them to affordable housing units for residents of the community instead of selling them to speculators.
5. Local municipalities should use all options at their disposal to facilitate the goal of turning vacant, foreclosed homes into affordable housing. This includes the use of “reverse eminent domain” to acquire properties in order to convert them to affordable housing units for residents of the community and to prevent them from being purchased by speculators.

The financial challenges that millions of families continue to face in the wake of the foreclosure crisis will not fade with rising prices in the nation’s housing markets. These problems persist particularly, but not only, in low-income and minority communities throughout all regions of the U.S. Predictions are difficult. The future depends largely on those policy decisions that are made, and sometimes not made. But there are steps that communities can take, preferably in partnership with private and nonprofit organizations and government agencies at all levels, to ameliorate these costs.

