A Dream Denied: The Fight Against the Mass Eviction of Families in Chicago and Jacksonville, USA

By

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Abstract

The foreclosure crisis that followed the depression 2007–08 created a number distressed communities in two of the hardest hit cities across the United States, Chicago, and Jacksonville. Homeownership has long been the primary means for households to accumulate wealth within American society. Owning a home also assumes tremendous cultural weight; is often associated with achieving the American dream. Becoming a homeowner is said to allow first-time buyers to embrace the values of freedom and individualism; however, since 2007, a disproportionate number of racialized people have been evicted from their homes at an unprecedented rate because they were unable to continue making payments on their mortgages. Subprime loans were introduced to the lending market as a lucrative business strategy to expand lending activities to those who would otherwise be denied access to credit. Instead, they allowed financial institutions to exploit and prey upon the historical misfortunes of African Americans and other racialized groups. This study uncovers some key findings that indicate how organizations working in different geographical regions navigate through the foreclosure crisis in order to keep at-risk homeowners inside their homes. Furthermore, this study highlights the importance of community organizations and their influence in shaping the foreclosures for racialized people, low-income families, and economically disadvantaged communities.

In keeping with the traditions of anti-racist theory, I situate race at the forefront of my analysis of the policies and programs introduced to stem the rise of foreclosures. By doing so, I develop an analysis of the cyclical nature of institutional racism as it operates in the U.S. housing market. More importantly, I situate the foreclosure crisis as the most recent installment in the long history of racial inequality in the American housing market. I draw on theoretical perspectives on neoliberalism and financialization to identify the products and processes that precipitated the collapse of the U.S. housing market.
I use secondary data and a small sample of semi-structured interviews with homeowners, housing counselors, and lawyers, and the research reveals a number of factors influencing the way some African-American households experience foreclosures. The research also pinpoints some of the best ways to keep distressed homeowners inside their homes. Above all, this study provides racialized homeowners with a voice, dispelling popular narratives that portray them as irresponsible borrowers who bought more than they could afford. Instead, everyday Americans were victims of a discriminatory financial system that preyed upon the historical disadvantages of African Americans in their efforts to attain equal access to the housing market.
Acknowledgment

Completing this thesis could not have been possible without the help, support, guidance, and effort of many people. I am hugely indebted to my supervisor Dr. Audrey Kobayashi, whose expertise, patience, wisdom, encouragement, and support made it possible for me to realize my dream in completing a PhD. I thank you so much for the knowledge you have passed on and I will always be truly grateful for having the privilege to study under your tutorship. Your unstinting guidance has been invaluable throughout the process, I am truly grateful. I would also like express my sincere gratitude to Dr. Beverley Mullings, for all her support and guidance she provided these past five years. Without your encouragement, the road to completing this degree would have been very lonely. Thank you for taking the time to read my work, to engage with it critically, and to offer your feedback and ideas to improve the thesis. I also want to thank Dr. Katherine McKittrick and Dr. Andrejs Skaburskis for their invaluable mentoring, guidance, and support during my studies at Queen’s University. I would also like to thank my committee members, Dr. Audrey Kobayashi, Dr. Beverley Mullings, Dr. Betsy Donald, Dr. Susanne Soederberg, and Dr. Melissa Gilbert for serving on my committee.

I would also like to thank all the courageous homeowners in both Chicago IL and Jacksonville FL, who shared their time, knowledge, and experience with the foreclosure process. I would like to express my deepest gratitude to all the housing counselling agencies, legal aid offices, Duval County staff, and the Illinois Attorney General’s office for being so generous with their time and sharing their expertise with the foreclosure crisis. Without your contributions, this project would not have been possible. So, for that I am greatly indebted to you all. I also would like to profusely thank Dr. Toussaint Losier, LaTasha Green-Cobb, and John Groene for their guidance and support, especially with the recruitment of homeowners. Many thanks to Dr. Heidi Nast for her unwavering support and
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<tr>
<td>ARM</td>
<td>Adjustable-Rate Mortgage</td>
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<tr>
<td>AMTPA</td>
<td>Alternative Mortgage Transaction Parity Act</td>
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<td>ACORN</td>
<td>Association of Community Organization for Reform Now</td>
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<tr>
<td>CCR</td>
<td>Center for Conflict Resolution</td>
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<tr>
<td>CAEC</td>
<td>Chicago Anti-Eviction Campaign</td>
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<td>CBF</td>
<td>Chicago Bar Foundation</td>
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<tr>
<td>CLC</td>
<td>Chicago Legal Clinic</td>
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<td>CVLS</td>
<td>Chicago Volunteer Legal Services</td>
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<tr>
<td>CL/VU</td>
<td>City Life/Vida Urbana</td>
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<tr>
<td>CRA</td>
<td>Community Reinvestment Act 1977</td>
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<tr>
<td>CFPB</td>
<td>Consumer Financial Protection Bureau</td>
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<tr>
<td>HUD</td>
<td>Department of Housing and Urban Development</td>
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<tr>
<td>DIDMCA</td>
<td>Deregulation and Monetary Control Act of 1980</td>
</tr>
<tr>
<td>EESA</td>
<td>Emergency Economic Stabilization Act</td>
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<tr>
<td>FHA</td>
<td>Federal Housing Administration</td>
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<tr>
<td>FHFA</td>
<td>Federal Housing Finance Agency</td>
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<tr>
<td>FDUTPA</td>
<td>Florida’s Deceptive and Unfair Trade Practice Act</td>
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<tr>
<td>GSE’s</td>
<td>Government Sponsored Enterprises</td>
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<tr>
<td>HLTV</td>
<td>Higher Loan to Value</td>
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<tr>
<td>HAMP</td>
<td>Home Affordable Modification Program</td>
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<tr>
<td>HEC</td>
<td>Homeownership Education and Counselling</td>
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<tr>
<td>HECM</td>
<td>Home Equity Conversion Mortgage</td>
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<tr>
<td>ARDC</td>
<td>Illinois Attorney Registration &amp; Disciplinary Commission</td>
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<tr>
<td>IRS</td>
<td>Internal Revenue Service</td>
</tr>
<tr>
<td>IBBEA</td>
<td>Interstate Banking and Branching Efficiency Act of 1994</td>
</tr>
<tr>
<td>JALA</td>
<td>Jacksonville Area Legal Aid</td>
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<tr>
<td>JEA</td>
<td>Jacksonville Electric Authority</td>
</tr>
<tr>
<td>LAF</td>
<td>Legal Assistance Foundation</td>
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<tr>
<td>LSC</td>
<td>Legal Services Corporation</td>
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<tr>
<td>LIHEAP</td>
<td>Low-Income Home Energy Assistance Program</td>
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<tr>
<td>NFMC</td>
<td>National Foreclosure Mitigation Counseling</td>
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<tr>
<td>NFMC</td>
<td>National Foreclosure Mitigation Counselling</td>
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<tr>
<td>NTC</td>
<td>Nationwide Title Clearing</td>
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<tr>
<td>NW</td>
<td>NeighborWorks America</td>
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<tr>
<td>NOC</td>
<td>Neighbourhood Organizing for Change</td>
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<tr>
<td>NINJA</td>
<td>No Income, No Job or Assets</td>
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<tr>
<td>PMI</td>
<td>Private Mortgage Insurance</td>
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<tr>
<td>REO</td>
<td>Real Estate Owned</td>
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<tr>
<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>SMMEA</td>
<td>Secondary Mortgage Market Enhancement Act of 1984</td>
</tr>
<tr>
<td>SEC</td>
<td>Securities and Exchange Commission</td>
</tr>
<tr>
<td>STOP</td>
<td>Southside Together Organizing for Power</td>
</tr>
<tr>
<td>SNAP</td>
<td>Supplemental Nutrition Assistance Program</td>
</tr>
<tr>
<td>TARP</td>
<td>Troubled Asset Relief Program</td>
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Chapter 1: Introduction

This dissertation presents a story of foreclosures in African American communities among distressed homeowners, housing counselors, community organizers, and legal advocates in Chicago IL and Jacksonville FL. Unlike the work of my predecessors, this study does not seek to analyze the number of homeowners who have lost their homes to foreclosures, but rather makes an important contribution to our understanding of the devastating effects of the economic crisis of 2007-2008 in the United States on African-American homeowners in Jacksonville, Florida and Chicago, Illinois. The study examines the foreclosure experience of African-American homeowners in the cities of Chicago and Jacksonville. Localized policies and procedures in each city is compared and analyzed to assess their impact on the foreclosure experiences of African-American homeowners. In Chicago, policy responses to foreclosure crisis were more focused on assisting homeowners to stay inside their homes and to help stabilize neighbourhoods. In Jacksonville, however, policies were designed to safeguard the interest of major financial institutions and servicers at the expense of everyday consumers who were victims of an underlining discriminatory lending system. The different strategies adopted by various housing counselling agencies in both cities were also examined to assess their impact on the regional differences in the way African Americans experience foreclosure. By situating in-depth interviews with home owners and key informants in the context of data about broader trends from other studies, the dissertation effectively demonstrates the vise grip that home owners experienced on the road to foreclosure due to structural racism in housing markets combined with neoliberal policies and the financialization of risk. The research demonstrates the ways in which federal policies and capitalist lender created and sold subprime mortgages and targeted African-American consumer with these dangerous products. Once in subprime and adjustable rate mortgages, a divorce, loss of employment, or health crisis became the catalyst for losing one’s home. And add injury to
insult, the dominant discourse blamed these homeowner for lacking understanding, or being irresponsible. In fact, the policy solution offered to the massive fraud of homeowners was panacea of “financial literacy training.” But the research also demonstrates the myriad ways in which African-American homeowners strategized to regain their economic security despite deeply unethical and sometimes illegal measures by private attorneys and lenders to prevent them from restructuring the debt. The stories of the African-American homeowners make it clear that they not irresponsible—far from it. Furthermore, the research documents the important role of housing counselling services in assisting homeowners and ultimately the importance of grassroots organizing, particularly in Chicago.

The dissertation pays close attention to the government’s Home Affordable Modification Program (HAMP) and the role of advocacy groups in helping to mitigate the effects of foreclosures in racialized communities. Since 2007, more than twelve million homeowners have lost their homes to foreclosure, causing the United States to experience its worst housing crisis in nearly a century (Schwartz 2014). The crisis has disproportionately impacted African American and Hispanic households. Even though 2007 marked the start of the housing crisis on a national scale, certain communities were already experiencing high foreclosure rates as early as 2004 (Frazier, Darden, and Henry 2010). By early 2007, the crisis expanded to impact homeowners with prime mortgages, who were primarily white and middle-class borrowers (Immergluck 2015). James Rudyk, Executive Director of the Northwest Side Housing Centre in Chicago, concurs and says, “…everyone talks about this crisis as 2007. From my previous work, I started this type of work in 2006 in Cleveland, and we were already in the crisis, but people say it happened in 2007 and 2008 when it impacted white people” (Interview with James Rudyk, Executive Director, Northwest Side Housing Centre, Chicago, June 2014). In 2010, data from the Centre of Responsible Lending show that African American and Latino borrowers were 76 and 71 percent, respectively, more likely to have experienced a completed foreclosure than were white borrowers (Bocian, Li, and Ernst 2010).
Social scientists and economists have been engaged in controversial debates in an attempt to identify the cause of the crisis. In recent years, scholars have published evidence linking the concentration of predatory loans products and the high rate of foreclosures in racialized communities (Pastors, Ortiz, and Carter 2013). Data from the United for Fair Economy indicate that racialized people were three times as likely as whites to have subprime loans (Rivera et al. 2008). The lending industry marketed subprime loan products to extend capital to those with unfavourable credit histories and to expand homeownership to more Americans. By 2007, the effects of this expansion were detrimental as millions of African Americans homeowners were unable to continue making payments on their mortgages and were forced to walk away from their homes (Bocian, Li, and Ernst 2010). At the height of the crisis, approximately 60 million mortgages were outstanding, and by the start of 2009, 5 percent (3 million) of those mortgages were in default each year, prompting the greatest loss of wealth for African Americans “in modern U.S. history” (Rivera et al. 2008; Immergluck 2015).

Chapter two provides a review of relevant literature. Chapter three describes the methods used in this study to complete my investigation on the policies influencing foreclosures in African American communities. Chapter four, “The Knock at the Door: Foreclosure at your doorsteps,” explores foreclosures from the lens of a small sample of distressed homeowners in both Chicago and Jacksonville. The chapter opens by examining the intersections of people’s motivation to purchase homes during the housing boom with the growing neoliberal ideology at the time, encouraging people to become self-reliant. Chapter five analyzes the impact of housing counselors during the foreclosure crisis. Chapter six examines the influence of attorneys and grassroots organizations.

The roll out of neoliberal policies and rollback of Keynesian economic policies created an ideal environment for banks to capitalize on a legacy of racism in the U.S. housing market. Geographer Jamie Peck defines neoliberalism as an umbrella term used to denote the shifts in government policies and programs towards those that valorize market ideologies and that embody the principles of
entrepreneurialism and competition (Peck 2017). Financialization takes neoliberalism a step further to describe the increased importance of financial markets and institutions during the housing boom. Manuel Aalbers defines financialization as, “the increasing dominance of financial actors, markets, practices, measurements, and narratives, at various scales, resulting in a structural transformation of economies, firms (including financial institutions), states and households” (Aalbers 2016, 2). Ulrich Beck’s theory on risk in Risk Society: Towards a Modernity, defines the risk as, “a systematic way of dealing with hazards and insecurities induced and introduced by modernization itself” (Beck 1992, 21). Using Beck's framework on the Risk Society helps to understand the insecurities inherent within homeownership, and how neoliberal governments invite consumers to welcome risk into their homes.

I explore various self-help strategies to illustrate the countless sacrifices homeowners make each day to preserve ownership. These sacrifices offer crucial insights into the meanings that African Americans attach to homeownership.

Chapter five delves into the inner workings of housing counselling agencies in Chicago and Jacksonville, to understand how organizations working in different geographical regions navigate the foreclosure crisis and keep troubled homeowners inside their homes. The chapter examines some of the best practices use by counselors to keep homeowners housed as well as some of the flaws in the counselling process. In addition, to their counselling responsibilities, housing counselors deliver financial education, although their work in this area has garnered considerable criticism. I explore Randy Martin’s theory on the development of the everyday financial subject and how financial literacy is doing more harm than good in this financialized world. I also examine the anti-foreclosure movement and the alternatives it offers troubled homeowners struggling to avoid foreclosure.

1.1 From the lens of homeowners

Like an infectious disease, the foreclosure crisis spread rapidly, infecting many vibrant communities across the country; however, not all neighbourhoods were affected equally. Studies now show the
foreclosure crisis decimated African American communities with some being labeled “ghost towns” due to the exponential number of vacant and abandoned homes that line the streetscapes (Rogers and Powell 2013). Some communities have lost their entire local tax base, and as result were forced to close hospitals and schools, and reduce vitally needed services to balance their budgets. Two cities hit hard by the foreclosure crisis were Chicago, Illinois and Jacksonville, Florida. In 2007, Chicago’s foreclosure rate jumped 50 percent, as more than 50,000 homes were in some stage of foreclosure (Yue 2008). By the summer of 2008, Illinois had the 10th highest foreclosure rate in the country. Similar to other states, low-income and racialized communities were disproportionately impacted by foreclosures. In Chicago, foreclosure rates were 2.5 times greater within census tracts with more than 80 percent racialized people as compared to the rest of the region (Woodstock Institute 2008; Brown and Smith 2015). In Florida, where more than 2 percent of all properties were in some stage of foreclosure, homeowners experienced the second highest foreclosure rate in the country. By 2011, Florida quickly became the epicenter of the foreclosure crisis, as 17 of 25 cities with the highest foreclosure rates in the nation were all located in the Sunshine State (Turner 2011). Jacksonville, a city with Florida’s third largest African-American population, was ranked 18th in the country with a 10.9 percent foreclosure rate (Turner 2011). Like Chicago, foreclosures were heavily concentrated in racialized communities.

For most families, foreclosure was a very traumatic life event, especially for those who were forced to confront these issues on their own. During the housing crisis, many distressed homeowners struggled to find assistance with their foreclosure-related matters, and as a result, made poor choices to cure their problems. Some homeowners deployed self-help strategies that included working extended hours, taking on additional part-time jobs and making several health-related sacrifices to meet their monthly mortgage payments. Many homeowners depleted their entire life savings to pay high-priced attorneys with the hopes of saving their homes (Fields, Libman, and Saegert 2010). Some
homeowners simply walked away from their homes or avoided all communications with their lenders or servicers, consequently expediting the foreclosure process.

Since the start of the housing crisis, very little attention has been paid towards understanding the various factors influencing foreclosure outcomes in African-American communities. For example, not knowing where to turn for help had an adverse influence on the way some distressed homeowners experienced foreclosure. One interviewee from Jacksonville, FL who lost her home to foreclosure was very vocal about the stress she endured before losing her home:

It was a suffocating feeling. A feeling of panic and a lot of anxiety. A lot of sleepless nights for me trying to figure out where to go and how to go. The only thing that I can think about at the time everybody talks about is getting an attorney. That was not financially feasible at the time. I had no options and nowhere to turn for assistance. (Interview with Naomi, Homeowner, Jacksonville, August 2014)

The relationship between distressed homeowners and their servicers also had an acute impact on the way some homeowners experienced foreclosure. Homeowners report that both lenders and servicers threatened and harassed them daily to vacate their homes early or pay the delinquent balance owed. Additionally, lenders and servicers gave distressed homeowners the runaround while they applied for loan modifications. Lenders and servicers regularly denied loan modifications because of missing paperwork despite homeowners complaining they submitted all the documents requested by their servicer during the application process. Former Bank of America employees, in a sworn statement, stated, "bank officials often misled borrowers and denied their applications based on fictitious reasons" (Kiel 2013). Servicers used the home modification program as a tool to squeeze more funds out of distressed homeowners before eventually foreclosing their properties (Dayen 2013; Kiel 2013). These egregious acts left many distressed homeowners feeling emotionally drained and helpless in their fight to save their homes. Danielle Kelley, a foreclosure defense lawyer in Florida, said:
This is exactly what's been happening to homeowners for years. No matter how many times they send in their paperwork, or how often they make their payments, they simply can't get loan modifications. They wind up in foreclosure instead. (Conlin and Rudegeair 2013)

1.2 Legal Representation and Assistance

In certain circumstances, distressed homeowners turned to private attorneys when they were unable to negotiate new mortgage terms with their servicers or secure a loan modification. For the most part, working with a lawyer was extremely helpful in addressing legal issues during the foreclosure process, but some private attorneys preyed upon the vulnerabilities and desperation of distressed homeowners. Some homeowners were desperate to save their homes and depleted their savings and retirement funds to hire foreclosure defense attorneys. These attorneys made bold guarantees about loan modifications in exchange for large upfront fees. Private defense attorneys routinely encouraged distressed homeowners to file for bankruptcy in circumstances when it was not necessary, leaving homeowners worse off. Not only did homeowners lose all that money, but their homes were still in foreclosure years later. Also, some distressed homeowners were at-risk of not qualifying for loan modifications or other government programs.

Despite these issues, working with an attorney was not always a bad decision. Having legal representations can be very helpful for distressed homeowners because attorneys can provide a legitimate legal defense that can halt the foreclosure process, or compel servicers to offer permanent loan modifications. Among these interventions, “lawyers can identify violations of state and federal laws, enforce consumer protection laws, and advance defenses that can either inspire lenders to agree on sustainable loan terms, or slow foreclosure proceedings enough to create time in which to obtain alternative housing” (Clark and Barron 2009, 2). By solely focusing on the role of housing counselors, researchers and policymakers have overlooked some key questions on the influence of the legal process:
• How have attorney’s shape the foreclosure experience of distressed homeowners in both Chicago and Jacksonville?

  o Why is important to have legal representation in certain cases during the foreclosure process in Chicago and Jacksonville?
  o What are some of the barriers to securing legal representation in Chicago and Jacksonville? How does these barriers shape the foreclosure outcomes in racialized and economically disadvantaged communities in both Chicago and Jacksonville?

The Home Affordable Modification Program (HAMP) was designed to help homeowners avoid foreclosure by reducing their monthly mortgage cost; however, many banks denied loan modifications to eligible homeowners and subsequently foreclosed their properties (Martin 2011a). Most lenders and servicers participating in the HAMP program were accused of misleading and improperly denying loan modifications to troubled homeowners (Kiel and Pierce 2010). Former Bank of America employees confirmed these findings in a sworn statement of facts, where they alleged bank officials instructed them to deliberately deny loan modifications to eligible homeowners because it was more lucrative than participating in the HAMP program.

1.3 Housing Counselling Organizations

In 2009, the federal government responded to foreclosure issues by allocating millions of dollars towards the expansion and marketing of housing counselling services. The government believed housing counselling services would help to keep distressed homeowners and their families housed. Findings from several studies revealed troubled homeowners were nearly three times more likely to receive a loan modification in comparison to non-counseled homeowners (Temkin et al. 2014b). Homeowners who were able to work with a counselor were nearly twice as likely not to re-default on their loans after receiving a modification on their mortgages (NeighborWorks America 2016). Since
2009, community organizers, housing advocates, industry experts, and housing counselors have vehemently criticised the HAMP program for failing to deliver on its promises to help three to four million homeowners. Just under two million people have been approved to start their three-month trial modification, while nearly four million homeowners were denied assistance under HAMP (Romero 2015a). To streamline the modification process, HAMP provides cash incentives to participatory lenders and servicers to modify delinquent loans. Many housing counselling agencies have been very successful in keeping homeowners inside their homes; however, researchers have not been able to determine the influence of these agencies in shaping the foreclosure experience of distressed homeowners in African American communities.

The importance of efficiency in government spending has guided research in this area of study, causing researchers to overlook some important questions:

- What factors are influencing the success of housing counselling organizations in preventing foreclosure evictions and keeping more families in their homes in both Chicago and Jacksonville?
  - What policies or programs are helping to shape the foreclosure experience in racialized and economically disadvantaged communities in Chicago and Jacksonville?
  - How do the strategies adopted by housing counselling agencies differ across both cities? What functions are responsible for these differences in strategies between both cities?

1.4 Grassroots Organization

Distressed homeowners in Chicago found comfort in working with local grassroots community groups fighting to keep families inside their homes. Meanwhile, in Jacksonville, distressed homeowners did not have the benefit of working with community anti-foreclosure organizations.
Community grassroots groups engaged in the anti-foreclosure movement have remained largely silent in Jacksonville and the rest of Florida, except for one grassroots group in Miami called Take Back the Land. The group was founded in 2006, to address land issues plaguing the black community, which eventually spawned into a national movement organized around defending families against foreclosure evictions (Rameau 2008). The groups organizing strategy was to liberate vacant and foreclosed homes by cleaning them up and make repairs, and move homeless families into these homes so that they have a place to call home (Gonzalez 2008). These groups were quite distinct from housing counselors and attorneys who were accustomed to applying newly developed foreclosure mitigation strategies to save people’s homes. Instead, community grassroots organizations used more radical tactics to convey their message about the housing crisis plaguing low-income families and racialized people across the American landscape. Many anti-foreclosure advocate groups developed as an outgrowth of the Occupy Wall Street movement, which captivated the world’s attention on the growing poverty crisis and the vast inequalities plaguing racialized communities. The foreclosure crisis gave rise to a new wave of activism, as millions of Americans lost their homes. The Chicago Anti-Eviction Campaign (CAEC) offered distressed homeowners, a viable alternative to residents who had previously lost hope after several failed attempts to negotiate new mortgage terms or secure loan modifications with their servicers.

The CAEC was one of many groups that sought to address the issue of foreclosures in the city, yet their approach was radically different. The CAEC viewed foreclosure as a human rights crisis because they could not understand how the City of Chicago could remain idle, while servicers continued to put people onto the street during a housing crisis. By 2013, Chicago had approximately 62,000 vacant properties, many of which had remained vacant for several years and were no longer habitable (Fleming 2013). In addressing the growing foreclosure and eviction crisis, the CAEC deploys several strategies including, peaceful demonstrations, takeovers, and human blockades to prevent
sheriffs from enforcing eviction orders. The CAEC takes their fight directly to lenders and servicers to force their hands to allow distressed homeowners to keep their properties. The group has become not only a beacon of hope for distressed homeowners, but also a community incubator. Troubled homeowners share their experiences with other victims at weekly community meetings and learn various strategies on how to successfully approach foreclosure.

Despite the CAEC success, much of the attention is fixated on their unconventional strategies, which has been negatively labeled as ‘guerrilla-style economic warfare’ tactics by prominent news outlets in the city and nationally. By fixating on the strategies, commentators are missing an opportunity to raise vitally important questions about the effectiveness and rationale for these strategies frequently overlooked in the interest of economically motivated evictions:

- How have grassroots groups shaped the foreclosure experience of some distressed homeowners in Chicago?
  - How effective are these strategies in keeping people inside their homes?
  - What factors are influencing the success of community grassroots organizations in preventing foreclosure evictions and keeping more families in their homes?
  - How have grassroots groups helped to stabilize neighborhoods in Chicago?

In this thesis, I will humanize the causes and effects of the foreclosure crisis through the analyses of first-hand accounts of those impacted by foreclosure. Further, I will demonstrate how housing counselors, community organizers, and legal advocates have collectively shaped the foreclosure experience of racialized peoples and low-income families.


Dayen, David. 2013. "Bank of America whistle-blower's bombshell: “We were told to lie”." *Salon*, June 18th 2013


Chapter 2: Literature Overview

The housing collapse of 2008 forced millions of American homeowners from their homes because they were no longer able to make their monthly payments. For some homeowners, the experience of losing a home epitomized an undeniable amount of pain and grief, which never seemed to have an expiry date. For others, the loss represented a loss of generational wealth that could never be regained in this current lifetime. The magnitude of the crisis was so catastrophic that some studies estimated that American families lost $17 trillion in household wealth, which includes the loss of more than $6 trillion of equity in their homes (Gottesdiener and Lusane 2013; Hartman and Squires 2013). The crisis was not evenly experienced throughout the U.S. (Aalbers 2012; Powell and Rogers 2013). While it is widely understood that the crisis was painful for everyone, many studies have revealed it was especially disastrous for African American and Hispanic communities (Immergluck 2011; Newman and Schafran 2013; Schwartz 2014). A report from the Pew Research Center found that African American families lost 53 percent of household wealth, while Hispanic households lost 66 percent of household wealth (Kochhar, Fry, and Taylor 2011). Some reports have concluded that black families will continue to feel the effects of the crisis for many decades, while non-black households continue to see signs of recovery (Burd-Sharps and Rasch 2015). According to a report by the American Civil Liberties Union, the median wealth of black households will be 40 percent lower than it was in 2007, causing black families to be $98,000 poorer than if the housing crisis did not materialize (White 2015). These figures indicate that many black families rely on the equity in their homes to bridge the wealth gap between blacks and other families, especially white households (Burd-Sharps and Rasch 2015).

Since the start of the Great Recession, there has been a collection of studies examining the cause of the foreclosure crisis and its impact on the American economy. Studies centred on a range
of topics, including the exploration of institutional and structural causes of the crisis, and the examination of the human elements of the crisis such as the financial calamities it produced for racialized households. Many studies have explored the global economic fallout from the crisis and the failure of institutions and regulatory bodies to protect consumers from predatory lending practices (Aalbers 2009a; Martin 2011b; Mishkin 2011). Some studies have examined the relationship between subprime mortgages, predatory lending practices, and the ongoing foreclosures crisis (Immergluck and Smith 2005; Wyly et al. 2012). Other studies have examined the slanted racial geographies of the foreclosure crisis and their impacts on economically disadvantaged communities, including the concentration of abandoned and vacant buildings and their effects on property values. Some reports have documented the relationship between the rising number of foreclosures in communities and the local crime rate (Immergluck and Smith 2006). Scholars have further shed light on the importance of health and housing in the wake of the ongoing foreclosure crisis (Saegert, Fields, and Libman 2011). Another collection of studies has examined the fiscal impact of the foreclosure crisis on cities and states (Crump et al. 2008; Aalbers 2012; Powell and Rogers 2013). Experts in the academic and policy arenas have evaluated the government’s response to stabilize the economy and racialized communities that have been disproportionately affected by the foreclosure crisis (Carr and Davidoff 2008; Immergluck 2009; Hartman and Squires 2013; Temkin et al. 2014a; Immergluck 2015).

When the housing market crashed, economists examined the failures of large financial institutions and their regulatory structures. Coverage in the media was also fixated on the failures of institutions like AIG Insurance, Meryl Lynch, and the collapse of iconic American financial institutions such as Lehman Brothers, which were the cornerstones of the American financial system (Faiola, Nakashima, and Drew 2008; Mollenkamp et al. 2008; Sorkin 2008).

Leading scholars in the field diverged from the mainstream discourse and instead grounded their research in the community by investigating the crisis from the perspective of homeowners
Research on subprime mortgages and predatory lending practices serve as the foundation for this research study, and helps to delineate a legacy of discrimination African Americans and Hispanics have endured in attempting to access homeownership. Their work serves as a counter narrative to the mendacious coverage of the crisis in the media, which in some instances has placed much of the blame squarely on the shoulders of racialized homeowners (Abramsky 2008; Krauthammer 2008). In an on-air interview in 2008 with Representative Xavier Becerra (D-CA), right-wing financial media pundit, Neil Cavuto of Fox News, blamed the Democrats and minorities for the housing debacle. During the interview, Cavuto said,

> When you and many of your colleagues were pushing for more minority lending and more expanded lending to folks who heretofore couldn't get mortgages, when you were pushing homeownership. ... Are you totally without culpability here? Are you totally blameless? Are you totally irresponsible of anything that happened? (MediaMatters 2008)

Prominent newspaper and magazine columnists echoed similar sentiments by taking aim at the Community Reinvestment Act (CRA) of 1977. The CRA was amended during the 1990s to require banks that had historically redlined racialized neighbourhoods to begin approving loans in these communities. In a 2008 news article, conservative columnist Charles Krauthammer of the Washington Post blamed the changes to the CRA for the housing crash citing,

> … tremendous pressure on Fannie Mae and Freddie Mac—which in turn pressured banks and other lenders—to extend mortgages to people who were borrowing over their heads. That's called subprime lending. It lies at the root of our current calamity. (Krauthammer 2008)

The critics assigned blame to the government of the day, even though the previous system systemically denied racialized people based on their race.
While there have been many studies and reports documenting the crisis from various angles, very few have analyzed the crisis from the lens of racialized homeowners and the various factors that influenced their foreclosure experience. An exception is the ground-breaking work from one particular group of scholars (Fields, Libman, and Saegert 2010) who examined the lived experiences of distressed homeowners. They sought to understand the root causes of their delinquency and the actions undertaken to prevent their homes from being foreclosed. The study revealed that several factors, including an individual-level intervention program, influenced the foreclosure results of distressed homeowners.

In certain communities, some households were fortunate to have access to other financial resources and investments to help mitigate stresses caused by the foreclosure crisis; however, for some African American homeowners, the homes were their only means of building wealth. For some African American homeowners, it was not as easy to walk away from their homes and build their lives elsewhere.

The idea of homeownership was very symbolic in the African-American community. Homeownership was the emblem of achieving the American Dream or a passport to middle-class status. For some first-generation homeowners, the home represented triumph, especially considering the history of discrimination their parents and grandparents endured in attempting to cement their own legacy and build wealth. The black foreclosure experience is layered with nuanced identity politics, which may explain the reluctance of homeowners in seeking assistance needed to prevent their homes from being foreclosed. Understanding foreclosure in African-American communities is more complex than simply having access to other financial resources or gaining access to a housing counselor early in the process, as has been simplified by many policymakers.

Since 2008, policymakers have focused on strategizing and implementing plans to stem the rapid rise of foreclosures in order to keep families inside their homes. While there have been numerous
plans created under both the Bush and Obama administrations, both administrations’ policies centred on keeping families in their homes using loan modifications. Loan modifications grew in popularity as many people were desperately searching for ways to stay inside their homes. In a loan modification, a lender or servicer agrees to modify the terms of an existing mortgage contract in a variety of ways, so that it lowers the monthly payments, and in some instances, forgives some of the principal owed. Delinquent borrowers were eligible for a loan modification when they found a Housing and Urban Development (HUD)-approved housing counselor to assist them through the application process. Housing counselors became a vital to the success of the government’s plans to mitigate the foreclosure crisis on the front lines. The government created the National Foreclosure Mitigation Counseling (NFMC) program to support the rapid expansion of foreclosure intervention services as the demand for these services soared. Hundreds of millions of dollars was awarded to NeighborWorks America to administer the program in response to the housing crisis (America 2009). Since its inception, there have been many reports documenting the success of the NeighborWorks counselling program in curing homeowners of their foreclosure problems and securing positive outcomes for the homeowner; however, very few of these reports mentioned the barriers to accessing these services. Counselling services focused much of their resources on securing loan modifications for homeowners, which posed a unique set of problems for the success of the program. In one of NeighborWorks’ first reports to Congress, much of the attention was centered on the barriers faced by counselors in successfully securing a modification or on negotiating a short-sale of the home. This report did not include any reference to cultural barriers between housing counselors and homeowners as one of the key challenges to the success of the program. Housing counselling agencies reported that homeowners sought assistance too late in the foreclosure process and impeded the agency’s ability to provide appropriate assistance. In some cases, homeowners were utilizing foreclosure intervention services as
a last resort, rather than seeking counselling services at the first sign of trouble. The report is silent in regards to why some homeowners were seeking help so late in the process.

In the report, the third most important factor to the success of the program was conducting special marketing and outreach to delinquent homeowners. Special marketing and outreach failed to capture the reasons why homeowners who were eligible for the HAMP program delayed meeting with a housing counselor or did not attend the agency at all. Alternatively, various strategies were presented, such as the creation of partnership with other trusted groups, traditional advertising methods such as paper and radio ads, targeting troubled homeowners, and working with statewide networks (America 2009). The marketing strategies did not account for systemic and cultural barriers that could possibly be causing homeowners not to attend their local housing counselling agencies. The housing counselling reporting models used in the NeighborWorks report tended to generalize the experience of all homeowners by assuming that the barriers experienced in one community were the same across the country.

2.1 Neoliberalism

Theoretical perspectives on neoliberalism are important for understanding housing reforms and the changes in housing behaviour in the United States. Neoliberal theory contends that an unregulated market is essential for economies to operate at their optimal capacity to produce the following outcomes: “efficiency, income distribution, economic growth, technological progress—as well as securing individual liberties” (Kotz 2015, 12). This theory dates back to the late 1930s when a group of intellectuals met in Paris for the Walter Lippman Colloquium organized by Louis Rougier to discuss the dangers posed by totalitarian governments, such as the socialist political ideology in Germany, collectivism in Britain, and the New Deal programs in the U.S. (Birch and Mykhnenko 2010). Among the attendees was Austrian-British economist Friedrich von Hayek who vehemently detested liberal egalitarian principles because he believed they eroded personal freedom (Hackworth 2007). In
geography, a considerable amount of work has been completed to improve our understanding of this theoretical framework (Larner 2003; Brenner, Peck, and Theodore 2010c; Brenner, Peck, and Theodore 2010a; Aalbers 2013a, b). Geographers have utilized the theory to shed light on the relationship between neoliberalism and space (Brenner and Theodore 2002b; Peck and Tickell 2002; Gilbert 2005; Clarke 2009), neoliberal cities and urbanism (Brenner and Theodore 2002a; Hackworth 2007; Leslie and Hunt 2013; Peck, Theodore, and Brenner 2013), and neoliberal governmentality (Mitchell 2006; Sparke 2006; Basu 2007; Springer 2012). I treat neoliberalism as the key to understanding the regulatory reforms that introduced subprime mortgages which led African Americans to lose their homes to foreclosure and brought the global economy to a standstill. The concept has been commonly associated with the myriad of policies introduced by Reagan and Thatcher during the 1980s (Peck 2010). During the early 1980s, the term neoliberalism was used widely across the social sciences to describe economic restructuring and the withdrawal of the Keynesian welfare state (Peck and Tickell 1994, 2002; Harvey 2005; Brenner, Peck, and Theodore 2010b; Peck 2010). Jamie Peck and Adam Tickell described neoliberalism as the:

new ‘orthodoxy’ seeks to liberalise, or to constitute, competitive relations between firms and between places; deploys supply side rather than demand-side measures in its attempts to effect competitive restructuring; and embodies an explicit rejection of both social partnership and traditional forms of welfarism. (Peck and Tickell 1994, 318)

Since the Regan era, neoliberalism has had a profound influence on economic policies in the U.S. The introduction of neoliberal policies led to the rollback of certain government services and the rollout of other policies that opened up local markets to global competition (Peck and Tickell 2002). The Reagan administration was adamant about cutting spending towards major metropolitan areas and adopting an entrepreneurial and free-market agenda. The objective was to encourage major cities to become more socially self-reliant and economically productive (Jessop 2002; Hackworth 2007).
The neoliberal project was then advanced years later by President Bill Clinton during the early 1990s with his radical restructuring of welfare provisions, by empowering states to create their own policies to become competitive in the global marketplace (Peck and Tickell 1994). Some of the most significant changes occurred in the labour market, designed to lower labour costs by developing a more flexible labour force. Companies began to relocate their operations in certain states or developing countries with less restrictive regulations and labour standards where labour and production costs were considerably lower. Companies subcontracted certain production tasks and hired temporary part-time workers, which in turn led to high levels of job insecurities and a downward pressure on wages and salaries. The privatization of public services is another hallmark of neoliberalism, which includes aggressive outsourcing measures, and the reallocation of government responsibilities to the private sector (Peck 2017). Economic geographer Manuel Aalbers contends the definition of neoliberalism is not as clear as some scholars have reported. Aalbers suggests that neoliberalism disguises itself regularly to operate and achieve its desired outcome of uneven developments, and argues that it is, “not so much deregulation that we see, but rather re-regulation” of the economy (Aalbers 2012a, 6). In other words, the policies and practices that support privatization are not at the heart of a free market ideology, but rather closely aligned with the principles of neoliberalism (Aalbers 2013b).

Neoliberalism has been given many definitions by various disciplines, which has caused the overall concept to be vague. Some scholars argue the omnipresent use of the term has caused neoliberalism to lose its analytical credence, which in turn has created deep divisions among scholars, in part because of its definitional fluidity. As a result, neoliberalism has become a “rascal concept,” according to leading analysts of the concept (Brenner, Peck, and Theodore 2010c). Patrick Le Galès argues scholars have given the term too much credence as an explanatory variable for the massive transformation of markets (Le Galès 2016). Such changes, Le Galès argues, have more to do with
liberalism, rather than a signature of the ongoing neoliberal project Jamie Peck, Neil Brenner, and Nick Theodore critiqued in a collection of publications over the past three decades. Le Galès professes such fluidity in the definition diminishes neoliberalism’s credibility as a viable explanation for the transformation of markets and urban restructuring. Foucauldian scholar, Mitchell Dean also echoed a similar position, criticizing the overuse of the concept. Mitchell believes it is used “to characterize everything from a particular brand of free-market political philosophy and a wide variety of innovations in public management to patterns and processes found in and across diverse political spaces and territories around the globe” (Dean 2014, 150). Dean argues if neoliberalism is going to remain an analytically viable tool:

… it needs to be severely circumscribed, above all to a limited range of schools or forms of thought and certain practices and policies concerned with the construction of market and market-like relations, and fostering and utilizing capacities of economic freedom. To do so would mean that the term should no longer be used to characterize all aspects of state governing in contemporary liberal democracies and the majority world beyond them. (Dean 2014, 150)

In defense of the concept, some scholars have argued there is not just one type of neoliberalism, but rather many variants across the global landscape (Larner 2003). Peck et al. (2009) have argued that scholars should avoid a narrow definition of the concept, pointing out that neoliberalism does not emanate “out from a single control center or heartland; it has always been relationally constituted across multiple sites and spaces of ‘co-formation.’” Brenner et al. (2010) have provided several clarifications central to the neoliberal foundation to shed light on the regulatory transformation of this contemporary period. Three major distinctions are put forward to guide the conceptualization of neoliberalism: “(i) regulatory experimentation; (ii) inter-jurisdictional policy transfer; and (iii) the formation of transnational rule-regimes” (Brenner, Peck, Theodore 2010c, 329). Such distinctions are
necessary to explain the “schematic periodization of how neoliberalization processes have been extended and entrenched across the world economy” (Brenner, Peck, and Theodore 2010c). Meanwhile, other interlocutors have sought to take aim at the contradictory elements of neoliberalism, suggesting the concept is no longer relevant or capable of explaining contemporary economic restructuring or regulatory reforms. Those who are opposed to neoliberalism argue the 2008 financial crisis provided all the contradictory evidence required to topple the concept (Stiglitz 2008; Altvater 2009). The free-market political philosophy that was supposed to provide growth, stability and wealth, eventually became responsible for the failures of neoliberalism (Wallerstein 2008). Some proponents of the term contest it would be premature to declare the concept dead or replace it with post-neoliberalism:

In the midst of these crises, many commentators predicted the imminent demise of neoliberalism, but in each case, regulatory failure appears, paradoxically, to have facilitated an intensification of aggressively market disciplinary forms of regulatory reorganization, in some cases redesigned to alleviate or circumvent the dysfunctional consequences of earlier rounds of reform. (Brenner, Peck, Theodore 2010b, 218)

The recent economic recession has stirred a debate among social scientists over the role of neoliberalism and its utility to denote the crisis (Harvey 2009; Brenner, Peck, and Theodore 2010c; Hendrikse and Sidaway 2010; Peck 2010; Wainwright 2010; Aalbers 2013b, a; Pinson and Journel 2017). Geographer Neil Smith argues the recent economic collapse is indeed a crisis of neoliberalism where the concept has run its course by running out of ideas politically (Smith 2008a). Smith suggests “neoliberalism finds itself a corpse. And yet it would be a mistake to underestimate its remnant power … neoliberalism may have failed, but neoliberal practice is not running out of ideas yet” (Smith 2008, 2). Most critics fail to grasp neoliberalism is a contradictory and polymorphic concept. Within its many
variants, “neoliberalism, has always been about the capture and reuse of the state, in the interest of shaping a pro-corporate, freer-trading “market order.” (Peck 2010, 8).

The federal government responded to the crisis with more neoliberalism. Taxpayers’ dollars were used to bail out the very institutions that were responsible for the crisis and the country’s largest automobile manufacturers. A series of austerity measures followed the bailouts that created challenges for the people suffering from the fallout of the economic crisis. Manuel Aalbers contends, “the end result of this crisis may very well be further dismantling of the welfare state” (Aalbers 2013, 1085).

2.2 Financialization

Financialization is another critical element to this study to understand the recent collapse of the U.S. housing market. During the 1990s, as economies across the globe began to experience tremendous growth, scholars began to use the concept of financialization to capture the shift towards financialized capitalism. Some of the most influential work in this area of inquiry began in the early 1990s with the text titled, The Long Twentieth Century: Money, Power, and the Origins of Our Times, by Giovanni Arrighi, who first introduced financialization into the lexicon of the broader scholarly community. Arrighi sketches the historical genealogy of the global capitalist system in which each period in history is followed by a spatial configuration of hegemonic domination of capitalism (Arrighi 1994; Lapavitsas 2011). For Arrighi, financialization represented a decline in the hegemonic control of states over the global capitalist system and the ascendancy of finance. During this process, the economies of these dominant hegemonic states were financialized and they became lenders to developing economies in order to cement their status into this new mastery configuration (Lapavitsas 2011). Since Arrighi’s provocative thesis, the concept has inspired other scholars to join the conversation and produce empirical accounts of financialization (Froud et al. 2000; Martin 2002; Krippner 2005; Langley 2008). Geographer Shaun French and his colleagues suggest financialization offered, “a rallying point for researchers interested in money and finance across a number of cognate social science disciplines”
These scholars argued their critique was not to diminish the work of previous scholarship, but rather to highlight financialization’s “interpretative value” to generate a critical accounts of contemporary financialized capitalist systems (French, Leyshon, and Wainwright 2011).

Since the start of the crisis in 2007, geographers have contributed to the literature on financialization, but they have not established a consensus on a viable definition for the term (Pike 2006; Langley 2007; Leyshon and Thrift 2007; Aalbers 2008; Aalbers 2009a, b; French and Kneale 2009; Pike and Pollard 2010; Aalbers 2016a; Aalbers 2017). Scholars have derived their own interpretations of the term using some commonly cited definitions that have been put forward by Gerald Epstein and Greta Krippner (Palley 2013; Sawyer 2013). Epstein defines financialization as, “the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies” (Epstein 2005, 1). Krippner offers her own definition as “a pattern of accumulation in which profits accrue primarily through financial channels rather than through trade and commodity production” (Krippner 2005, 174). Both definitions offer a unique understanding in regards to the transformation of contemporary capitalism, although they differ slightly. For instance, Epstein provides a broad, conceptual definition of financialization that some scholars argue underscores the impacts of the financial sector (Sawyer 2013). Malcom Sawyer asserts Epstein’s definition, “provides the object of study and in itself does not specify the time period or geographical space to which it applies; nor does it provide any analytical framework for its study” (Sawyer 2012, 6). Krippner’s work, on the other hand, characterizes financialization as a recent phenomenon that has pervaded the American economy over the past thirty years. The fluidity of this term’s definitions has reduced the generalizability of the term over certain spaces or time. Economic geographer Manuel Aalbers defines financialization:
as the increasing dominance of financial actors, markets, practices, measurements, and narratives, at various scales, resulting in a structural transformation of economies, firms (including financial institutions), states, and households. (Aalbers 2016, 3)

Scholarship on the topic of financialization has grown exponentially over the last five years. Despite this increase in research contributions, research from geographers relating to the geographies of financialization have been minimal, with the exception of economic geographer Manuel Aalbers (Aalbers 2016b). The literature on geographical financialization is divided into three different strands of work. One category focuses on the process that is shaping the patterns of capital accumulation and the generation of profits (Arrighi 1994; Krippner 2005). The second category is interested in the role of corporate governance and the importance of shareholder value (Froud et al. 2000; Froud 2006; Pike 2006). Scholars who focus their research within this second category argue that the primary function of corporations today is to accumulate wealth for their shareholders and to advance their monetary interests. Some scholars advance the position that the actions of corporations became the catalyst in the transformation of capitalism (Aglietta 2000; Zwan 2014). The last of the three categories is concentrated on the broad role of finance and its overwhelming influence on our daily lives (Martin 2002; Langley 2008; Pellandini-Simanyi, Hammer, and Vargha 2015). In this area of study, scholars have focused on the use of various financial instruments such as mortgages and pensions that link people from all walks of life to global capital markets (Martin 2002; Langley 2008; Pellandini-Simanyi, Hammer, and Vargha 2015; Fields 2017).

Financialization can be viewed as an ongoing process that continues to introduce new forms of competition, while increasing its propensity to become even more pervasive. Financialization is not limited to financial markets; the financialization of economies has led non-financial actors of the real economy to become deeply connected to capital and money markets (Foster and Magdoff 2009). Their interest, however, has been increasingly overshadowed by dominant financial actors. John Foster and
Fred Magdoff argue that such dominance has granted the financial sector the autonomy to dictate, “the pace and rules for the management of the cash flow of non-financial firms” (Aalbers 2009, 83).

Certain scholars shed light on the variety of ways that finance has become woven into the fabric of everyday life (Langley 2006; Erturk et al. 2007; Langley 2007, 2008; Davis 2009; Montgomerie 2009; Pellandini-Simanyi, Hammer, and Vargha 2015). While focusing on the U.S., Randy Martin has argued that financial markets are placing great demands on individuals and households with the repeal of the Keynesian state. Martin (2002) described financialization as a process that has called upon individuals to, “accept a great deal of risk into their homes that were hitherto the province of professionals” (Martin 2002, 12). People of little financial means are being asked to behave like capitalists (Aalbers 2008), and in turn, financialization has transformed citizens into investors who manage their own risk by leveraging their human capital to build wealth and accumulate assets. As a result, finance has begun to exhibit qualities of Foucault’s concept of governmentality (Zwan 2014). Natascha van der Zwan asserts the practice of every day finance, “is not the neutral allocation of capital, but rather an expression of class, a control mechanism, or even a rationality associated with late twentieth-century capitalism” (Zwan 2014, 103). In the context of the housing market crash, governments invested heavily in financial literacy programs, which helped to individualize risk and place personal responsibility on individual freedom and security. In this process, the home was transformed into an investment asset closely tied to the global financial market through the securitization of mortgages. In this new political economic climate, the home became the central investment vehicle to amass household wealth. Home values were generated from the potential to create additional wealth through the speculative appreciation of the home. Economic geographer, Paul Langley, has extensively explored this area of study to illustrate how technological advancements in finance, along with the pursuit of a neoliberal agenda by the state, has assisted in the formation of self-disciplined subjects for a highly financialized society (Langley 2007).
By the late twentieth century, the home began to take shape as not only a place that provided shelter, but as what Martin has described as an “object of speculation and credit” (Martin 2002, 195). Aalbers contends “the financialization of home forces more and more households to see acquiring a house not just as a home, as a place to live, but as an investment, as something to put equity into and take equity from” (Aalbers 2008, 152). Financialization of the home was never designed to enable homeownership, but rather it was constructed to stimulate growth in the economy. Aalbers adopts David Harvey’s theory of capital switching (Harvey 1982) to articulate this position by suggesting, “the expansion of the mortgage market was a necessary component in the financialization of home, but wider access to mortgage loans resulted in higher house prices” (Aalbers 2016, 55). Capital switching financially destroyed low-income families and racialized communities, and did not achieve its intended consequence of adequately expanding homeownership to “underserved populations.” Other geographers such as Shaun French and James Kneal (2009) have joined this area of inquiry; however, this subfield of financialization remains vastly understudied in geography (French and Kneale 2009). Sarah Hall contends that this area of inquiry is vital in illuminating, “the unequal nature of international financial systems in terms of both internal workings and its implications for households” (Hall 2012, 404). For geographers, financialization lends itself as a descriptor to explain the growing salience of financial markets and institutions, and the never-ending burden it places on our daily lives.

Like neoliberalism, the concept of financialization has been embroiled in controversies over the variety of definitions used to define the term across the social sciences (Christophers 2012, 2015). Brett Christophers has argued for a definition for financialization that is widely accepted, yet little empirical evidence has been offered by geographers or other social scientists to arrive at a definition, with consensus (Froud et al. 2000; Krippner 2005; Christophers 2012). As a geographer, Christophers critiques the utility of the concept of financialization and labels the term as nebulous and an unhelpful signifier (Christophers 2015). The concept of financialization has been stretched and mutated by so
many disciplines that it can no longer support the weight of the myriad of meanings attached. In a later text titled, *Capitalizing on Crisis: The Political Origin of the Rise of Finance*, Great Krippner concurs by admitting “the concept of financialization has run far ahead of serious attempts to establish evidence of this phenomenon” (Krippner 2012, 23). Christophers contends:

> For a concept to be analytically valuable, it should be possible for scholars to invoke it in such a way that it brings recognizability and clarity to the particular topic of analysis; the critical properties or dynamics of the empirical object of investigation are foregrounded, if not comprehensively accounted for, simply by the use of a term whose reproducible coherence offers ready-made analytical expedience and insight. (Christophers 2015, 184)

For Christophers, the primary concern was not the promiscuous use of the term, but rather the failure of scholars to pinpoint or justify its meaning, as if financialization could easily be used broadly to denote the multifaceted capitalist systems. Christophers opposed the use of the concept as an analytical tool in empirical research because of its irrelevant communicative values. In the same vein, Shaun French and his colleagues also critiqued the concept for the array of definitions used to define the term. These scholars have argued that financialization is poorly integrated into the discipline (French, Leyshon, and Wainwright 2011).

Christophers examines the theoretical limitations of financialization, which have been heavily critiqued in the literature. In the context of theory, Christophers contends the study of financialization has not advanced our theoretical insights on contemporary capitalism. Christophers argues that many scholars are repackaging old theories of financialization to help promote this concept as a reputable, innovative theory. For example, within the financialization literature (Aalbers 2008; Theurillat, Corpataux, and Crevoisier 2010; Kaika and Ruggiero 2016), financialization has reverted back to the definition first introduced by David Harvey (1982, 342) to denote the proclivity of land as this ‘pure financial asset’ (Christophers 2015).
Treating the land (purely) as a financial asset—and thus prioritizing its exchange over its use value—is what financializing land/property/urban redevelopment, in the hands of today’s analysts of financialization, is ultimately about. (Christophers 2015, 189)

The scholarly community has many viable pre-existing theories to interpret contemporary financialized capitalism. Christophers further opposes the use of this term when taking into consideration the availability of other theories, and the theoretical limitations of defining the term financialization (Harvey 1982; Christophers 2015). Earlier, in *Anaemic Geographies of Financialisation*, Christophers suggests the analytical logic that lays the foundation for financialization is geographically anaemic. In other words, the conceptual framework of financialization ignores basic geographical principals, making the framework unable to withstand any sort of critique (Christophers 2013). Christophers provides three major critiques of the concept:

One is a multi-faceted body of research on ‘geographies of finance’ that insists that we can understand neither the political nor cultural economies of finance unless we attend to the spatial choreographies of financial flows and actors and their embeddedness at different scales (see especially Leyshon and Thrift 1997; Clark 2005). The second is a sophisticated critique of the notion of geographical scale itself, which demonstrates that no geographical scale—the local, the regional, the national, and so forth – is innately, or ontologically, meaningful; all are socially produced and continually transformed (Amin 2002; Sheppard and McMaster 2004; Marston et al. 2005). And the third is a critique of what has become known as the ‘varieties of capitalism’ school of political economy. (Christophers 2012, 276)

Christophers spends a considerable amount of time discussing the varieties of capitalism. Various regions throughout the world produce different iterations of capitalist systems, and as such researchers limit their use of analytical frameworks that solely seek to examine economies on a national scale. Some scholars argue that examining an economy on a national scale is futile, because national systems
typically operate in conjunction with local and regional economies that are simultaneously connected nationally and dependent on other states.

2.3 The Dominant Group and the Marginalization of the “Other”

Marginalization is an oppressive state imposed on a minority group by members of the dominant culture. In the book *Justice and the Politics of Difference* . Iris Young, describes marginalization through her concept of cultural imperialism. Young explains that the dominant group excludes a category of people from any meaningful participation in society and subjects them to material deprivation, and even genocide (Young 1990). For over a century, whites in the U.S. have been the dominant group and have enjoyed the exclusive luxury of establishing their experiences and culture as the norm that all groups should aspire to achieve, while denouncing the experiences and culture of the racialized “other” in the process. The dominant group has used language such as animals, and savages, to refer to members of minority groups, and in some instances, has referred to the black man as a biological danger (Fanon 2008). Fanon asserts such language is not only used to vilify the presence of the black body, but also serves as a cog in a much bigger scheme to reinforce the position of blacks so that they become a mainstay in their preoccupation (Fanon 2008). Consequently, such language has assisted to reconstruct the identity of the racialized other such as blacks as “ugly, dirty, defiled, impure, contaminated or sick” (Young 1990, 123). The dominant group has been able to construct and reconstruct the identity of the racialized other to control the discourse, while allowing their cultural expression to be viewed as immaculate or rendered as the norm. Young refers to this process as “paradoxic oppression” whereby black identity is often shaped by stereotypes crafted by the dominant culture, which over time has enabled the dominant culture to categorize the “other” as invisible. Young further argues that the invisibility comes to light when the dominant group fails to acknowledge the beliefs that personify the cultural expression of racialized people. Young asserts that, to become visible, racialized people need to adopt the norms of respectability, which she describes as
conforming to the norms set out by the dominant group (Young 1990). Young argues that the ideal respectable person is chaste, modest, does not express lustful desires, passion, spontaneity, or exuberance, is frugal, clean, quality spoken, and is well-mannered. In other words, Young argues that this set of characteristics plies a sense of order, that everything is in its place according to the structures implemented by the dominant group.

2.4 The Dominant Group and the Minority Respectability Politics

Respectability is a term widely used in studies throughout various disciplines, such as sociology and geography, to describe differences between the working class and middle class (Skeggs 2004; McDowell 2007; Watt 2008; Dowling 2009). In a study in 2003 about youth in London, England, Linda McDowell employs the concept of respectability to denote the deep divisions amongst members of the working class (McDowell 2007). During the 1990s, respectability became important in working-class communities as London was experiencing a rise in anti-social behaviours amongst its working-class youth. To resolve the issues, the government adopted a “respect agenda” to instill respect into youth exhibiting anti-social behaviours, such as loitering and mischief within their communities. According to the then Prime Minister Tony Blair, these adolescences were missing the core values of, “respect for others, honour, self-discipline, duty, obligation, the essential decency of the British character,” (McDowell 2007, 281). McDowell asserts that, collectively, these ideas are closely related to respectability, and have long been used by academics to distinguish working class communities in Britain (McDowell 2007). More importantly, respectability informs how those in the lower class should speak, dress, and behave. Respectability is used to classify others (Skeggs 1997). In other literature, the term emerged as a tool that enabled black Americans to rid themselves of those labels historically attached to their identity, which had been assigned to them by the dominant white culture. The dominant culture had stereotypically characterized African American people as lazy, shiftless, stupid, and immoral (Griffin 2000). Griffin takes issue with the politics of respectability because of the
overwhelming emphasis that is placed on reforming the individual, which diverts from the much needed attention that should be placed on the structural forms of oppression such as racism, sexism, and poverty (Griffin 2000). Evelyn Brooks Higginbottom echoes similar sentiments with her contemptuous critique of the politics of respectability in her examination of the women’s movement in the black Baptist Church (Higginbotham 1993). In the text, *Righteous discontent: the women’s movement in the Black Baptist Church, 1880-1920*, Higginbotham describes the process in which the black church became the single most influential institution in dividing working-class blacks with its promotion of “respectable” social behaviours. For Higginbotham, the politics of respectability is more than just a concept that aided in distinguishing members of the different classes. Respectability also represents “a reform of individual behaviour and attitudes as both a goal in itself and a strategy for reform of the entire structural system of American race relations.” In the U.S. context, respectability developed a more nuanced meaning, especially for racialized people (Duneier 1992; Higginbotham 1993). Discourses of respectability were inescapable for members of the black community, as they constrained their ability to formulate their own identity outside the influence of the dominant white hegemonic culture. For members of the black community, respectability embodied their pursuit for common ground in American society, where they could identify as both black and American. Respectability functioned as a weapon to combat many assumptions that emerged out of social Darwinist theories, which helped to justify a belief in blacks’ inferior position to whites. Higginbotham asserts that respectability assigned blacks a unique opportunity to construct a new public identity, one which was far removed from the disparaging images that depicted them as dirty, repulsive, dangerous, and worthy of no respect (Higginbotham 1993). This new identity came at a high cost, however, as it represented blacks’ self-conscious submission to hegemonic values (Higginbotham 1993). Blacks desired to become visible and to be treated as human beings in the American society.
Respectability created deep divisions within the black community, as those who believed in these politics denounced other blacks for failing to embody the qualities of respectability. The Women’s Convention (WC) was one of the primary organizations that took the lead in disseminating literature in regards to respectability in the black community at the start of the twentieth century, according to Higginbotham. Members of the Black elites in the industrial centers of the North also propagated similar disdain for working-class blacks, especially those arriving in droves from the rural south (Landry 1987). Landry asserts that members of the Black elites blamed working-class blacks for the rise of racism due to their failure in espousing the norms of the hegemonic white culture. Exhibiting “proper” and “respectable” behaviour was thought to be blacks’ testament to white America in demonstrating merits for equal civil and political rights (Higginbotham 1993). For Higginbotham, this school of thought was irresponsible and dangerous because such messages equated nonconformity with hegemonic values of the white culture as the reason for racial inequalities and injustices. Higginbotham opined that these politics excused government and institutions from any racial injustices, and instead blamed individuals for any misfortunates they have endured. Over time, both groups realized that no amount of fame or class position was going to protect them from violence and indignity, as blacks from all backgrounds were forced to recognize their subordinate position in society. As America transitioned into a materialistic society, respectability began to take on a whole new meaning and previous definitional criteria that was once popular during the late 19th and early 20th century was suppressed. The new markings of respectability became centred on a display of affluence and material wealth in the public sphere (Frazier 1957). New forms of respectability symbolized the fall of the black elites and the rise of a new breed of elites in the black community. Unlike their predecessors, they were not interested in a paternalistic relationship with their white counterparts.
2.5 Class

For some scholars, the rise of black elites paved the way for the importance of class in the black community. But how is class defined? Class has a long history of being a hotly contested topic that has been widely debated across various disciplines. The analysis of class has divided scholars into two major camps following the work of Karl Marx and Max Webber. Marx was most interested in understanding the origins of capitalism. He studied England during the Industrial Age, when the country was highly regarded at the time as the most industrial, advanced society in the world. Marx believed that society was divided into two hostile camps, bourgeoisie and proletariat, which brought about new conditions for oppression and new struggles that replaced old ones (Marx et al. 2012). The bourgeoisie and proletariat were engaged in a relationship of power and exploitation, where those with power and ownership (bourgeoisie) enjoyed greater luxuries than those with the least amount of power (proletariat) and void of ownership. As such, those with the least amount of power (proletariat) were exploited. In Marx’s view, the core difference that separated these groups was more than wealth and material possession, but rather the ownership of the means of production (Saunders 1990a). For example, if wages increased and workers collected more income, their social position would remain unchanged because such conditions would not eradicate class exploitation and oppression, rooted in a system of ownership (Saunders 1990a). Marx explains that the only way to change this relationship is by removing capitalism and replacing it with a socialist system where the means of production is commonly owned by the two groups.

Weber’s ideology on class was quite different from that of Marx in that he did not define class solely on the basis of property, but in terms of “market situations.” Some scholars describe this philosophy as being rooted in “methodological individualism” (Saunders 1990a). Weber was most keen on understanding the hierarchal system of subordination and domination in capitalist society and the ways that system affect people’s interactions. While Weber acknowledged the importance of
property as a part of the basic foundation in the formulation of class, he also believed factors such as income, security of employment, promotion opportunities, and long-term income prospects were equally important (Weber 1968; Southall 2016). Weber considered these characteristics in order to define an individual’s life chances.

Starting in the late 1960s, in geography, class analysis was prevalent. Many human geographers were attempting to gain relevance by using class stratification to demonstrate how such stratification had a geographical component. An analysis of class was used by human geographers to explain concepts such as the geographies of poverty to indicate its close relationship to the capitalist production process. For geographers, class was a term used to distinguish groups of people who were socially or economically stratified in certain societies. For instance, in a capitalist society, individuals are described as belonging to specific class categories such as the “working class,” “middle-class,” and the “upper class” or, in certain contexts, the “ruling class” (Herod 2016). The sub-discipline of economic geography was also divided in two camps as many geographers attempted to theorize class (Harvey 1973; Duncan and Ley 1982; Smith 1982; Massey 1984; Peet 1985). The study of class became more like a synonym for Marxism, as critical radical geographers were deeply engaged in understanding the intricacies of capital rather than labour. This analytical lens garnered much criticism for its limited interpretations of class and, in some instances, for ignoring lived experience. For other Marxist geographers, class formation, rather than capital, was a more formidable category of explanation because of its flexibility to integrate other social relations and dimensions of injustice in order to understand the landscape in a dualistic manner (Barnett 2016).

What neither Marx or Weber could have imagined was the integral role of “race” in the formation of class outside of Europe (Robinson 1983). Most scholars have simply overlooked this issue, and some social scientists have defined class simply based on an individual’s income, education, and employment status in order to separate the different classes (Landry 1987). The difficulty for some
scholars is that they proceed as if there is no other criterion that could be used to distinguish class (Bowser 2007). Bowser asserts that scholars should not strive to separate race and class, but should view them as closely related. Furthermore, Bowers argues that the incorporation of race into a colonial class system explains the unique feature of social class in the United States in contrast to Europe. The outcome in the United States is a national system of social stratification, which is quite different from what Marx and Weber had envisioned (Bowser 2007). The American enslavement system inscribed a type of stratification that exemplified complete exploitation which was beyond the scope of Marx’s inquiry. Blacks were completely dominated and exploited for their labour. Yet within this enslavement, blacks developed their own internal class distinction that was primarily motivated by racial hierarchy and was responsible for slavery. Blacks of a lighter complexion were afforded certain privileges that were not granted to those with a darker skin tone. They usually held better jobs and had more skills, which enabled them to become members of the first black middle class. Sociologist Edward Franklin Frazier contends that the social position attributed to middle-class blacks was socially constructed based on phenotypical and cultural proximity to the white upper class (Frazier 1932).

2.6 What is middle class?

Many social scientists and economists have wrestled with the definition of the middle class. Some scholars describe the term as being very elusive in nature (Pattillo-McCoy 1999; Bowser 2007). Bowser explains that the concept of the middle class is a conditional and historic one. He further explains that the difficulty is not only confined to the black middle class. It can also be applied in general to one’s class position due broader implications of the concept of the middle class, as well as its permanence, size, and stability. The concept of the middle class is obscure, and is based on a number of socioeconomic factors and normative judgments (Pattillo-McCoy 1999). Pattillo-McCoy asserts that the middle class becomes difficult to define considering the history of discrimination that African Americans have endured in the labour market, in terms of their earnings and the lack of occupational
diversity. French economist Thomas Picketty defines the middle class based on income and material wealth, which by some accounts is highly debatable (Piketty and Goldhammer 2014). In Picketty’s definition, the middle class includes everyone who earns an income above the constructed median income. In other words, the middle-class is described as a group of people that is distinctively doing better than a vast majority of a given population. Yet they are considered a long way off from being recognized as members of the elite class (Piketty and Goldhammer 2014).

By the mid-twentieth century, scholars began to write extensively about the growth of the black middle class. Many scholars highlighted the increase of blacks in white collar occupations, and used this metric for measuring social status and racial progress in America. Cedric Robinson argued the Black middle-class was generally defined by one’s culture and language (Robinson 1983). For Blacks to be recognized as virtuous members of the middle-class they needed to “… absorb the cultures of their ruling classes and the reading and speaking of European tongues. Deracination, social and cultural alienation had become the measure of their ‘civility’, loyalty and usefulness” (Robinson 1983, 257). Some scholars used educational attainment as a marker for measuring racial social progress, which scholars today have highly criticized considering less than five percent of blacks had a college degree, during the 1950s (Gates and West 1996). For Du Bois, the black middle-class became the beacon of hope for the black community (Du Bois and Edwards 2007). The black middle-class was afforded little privilege, and they became an inspiration to the black masses for what would be possible in their climb to the proverbial top; their rise in status in American society. This belief informed Du Bois’ earlier work on class, where he believed the “Talented Tenth” of the black mass would lead efforts to uplift the race and guide them into a higher civilization (Bois Du and Burghardt 1898). Du Bois was later forced to confront his position when he realized such a plan of training the Talented Tenth of the black mass would not lead to a higher civilization for blacks, but rather, it would:
… put in control and power, a group of selfish, self-indulgent, well-to-do men, whose basic interest in solving the Negro Problem was personal; personal freedom and unhampered enjoyment and use of the world, without any real care, or certainly no arousing care, as to what became of the mass of American Negroes, or of the mass of any people. (hooks 2000, 91)

Other scholars viewed the middle-class as another label to socially divide the black community (Frazier 1957; Hare 1965; Gates and West 1996). Cornel West argues that the “present-day black middle class is not simply different than its predecessors—it is more deficient and, to put it strongly, more decadent” (West 2001, 35). Additionally, West explains the impact of the culture of consumption on the black middle-class caused many African-American households to become obsessed and addicted to status, which allowed them to be judged by their material possessions, not by the colour of their skin. Harold Cruse describes the black middle-class as, “an empty class that has flowered into social prominence without a clearly defined social mission” (Cruse 1987, 389).

Scholarly debates identify the larger issue that ideas of freedom and equality were being conflated with ‘gaining economic power’ (hooks 2013). hooks asserts that, sharing a small bit of the economic pie has not undermined imperialist white supremacist capital patriarchy; quite the opposite has occurred. The more individual black folk have gained power and status within the existing structure, the less concerned they have become in dismantling that social structure. (hooks 2013, 20)

Some scholars have criticized this mentality, because it serves to reinforce the racist structures by affirming that with sacrifice and hard work, one could succeed in this system (West 2001). Membership into the middle class was also accompanied with a set of social values and behaviours, which were commonly defined by the subjective value people placed on the relative economic advantages they held in society (Kohn 1989). Members of the middle-class were considered to have good financial skills, which enabled them to avoid debt and to build their wealth to continue their membership. On
the other hand, some social scientists have criticized the middle-class model for its rigidity. In particular, the model was premised on a stable and predictable political and economic climate (Bowser 2007); however, financial wealth is not the only means of gaining entry into the middle class. Some scholars have argued that it was possible to have little money and become a member of the middle class, providing that one was able to live within their means and accumulate little debt (Bowser 2007). Presently, members of the middle class are expected to be employed in highly compensated professions and possess professional degrees (Bowser 2007). The precarious position of the black middle-class remains unchanged, which is largely due to this group’s inability to amass an adequate amount of wealth (Oliver and Shapiro 1997; Fitzgerald 2014c).

2.7 Identity Politics as a Means to Divide by Class

For over a century, identity politics have been important among various social classes, especially for those belonging to the middle and upper-class. Many middle-class blacks believed that their identities would enable them to distinguish themselves from working and lower-class blacks through what Karen Lacy refers to as exclusionary boundary work (Lacy 2007). In her study of the D.C area, Lacy found that middle-class blacks usually performed this type of work to conceal their relationship with lower-class blacks in efforts to avoid discrimination or racial abuse from whites. Lacy further asserts that middle-class blacks were also engaged in inclusionary boundary work, which allowed blacks to express the commonalities in the lived experiences they shared with whites (Lacy 2007). These expressions enabled middle-class blacks to distance themselves from any negative stereotypes and communicate their social position – middle-class status - to others. The distance middle-class blacks created was considered an act of collusion with white supremacy, which hooks explains becomes a valuable asset in assimilating into mainstream culture and reducing the importance of phenotypical differences as a marker of division (hooks 2013). For decades, homeownership has constituted an important symbolic marker of inclusion for the middle-class, especially for the black middle-class,
given the limited amount of wealth markers available to them (Lacy 2007). Though, once many regulatory restrictions were relaxed, members of the black middle-class sought new distinctions to further sever their ties to working-class blacks. Lacy found that middle-class blacks were continuously drawing boundaries to distance themselves from other blacks. More specifically, Lacy found that middle-class blacks were using their choice of residence, subdivision and the cost of their home to communicate their symbolic differences and to erect their social boundaries (Lacy 2007).

2.8 Race

The examination of racially oppressed people has long been central to the discipline’s inquiry. Earlier scholarship in geography conceptualized “race” as a biological fact and was utilized as an explanatory variable to map racial differences between various regions across the globe (Kobayashi 2017). Race and place were viewed as inseparable for many geographers during the 19th century. The belief, now characterized as environmental determinism, was that various landscapes and climatic differences were solely responsible for the racial dispositions (Livingstone 1992; Kobayashi and Peake 1994; Pulido 2002; Gilmartin 2013). Through such scholarship, a number of stereotypes were crafted depicting people of these “exotic” lands as lazy, uncivilized, savages, and racial degenerates (Livingstone 1992). These pseudo-scientific assertions suggested that their lengthy exposure to the sun was responsible for their inconceivable behavior (Nayak 2009). The uses of these representations have not been eradicated. Instead, they continue to pervade discourses characterizing African-Americans and other racialized groups, albeit less overtly.

The study of race has remained a contentious subject for the discipline of geography. Critical geographers have embraced this challenge by injecting the study back into the discipline to expand their understanding of vast complexities of the term (Kobayashi and Peake 1994; Wilson 1999; Peake and Schein 2000; Wilson 2000; Peake and Kobayashi 2002; Pulido 2002; Nayak 2003; Jackson 2004; Nayak 2009; Kobayashi 2012; Bonnett 2013). During the cultural turn of the 1980s, a small fraction
of geographers began to conceptualize “race” as a social construction that has no explanatory value, rather than accepting it as a natural or biological fact to explain the vast divisions within society. These geographers were reluctant to follow the status quo of previous epistemologies of race and racism during the 1970s, which were heavily grounded in positivism. Geographers of this era sought to map geographical landscapes along lines that promulgate racial differences. During the 1970s, geographers were attempting to become socially relevant by examining the social problems of the “inner-city.” Their mapping technique was fitting considering the U.S. Civil Rights Movement, which directed a great deal of attention towards the growing inequalities that were plaguing the African-American community. Geographers were producing and perpetuating a discourse that reinforced many racist beliefs. Nayak argues that “racist constructions of these sites frequently made invidious connections between people and place, casting them as conveyors of crime, drugs, and violence” (Nayak 2009, 60). Geographers were ignoring the cultural forms of racism; they were oblivious to the “connections between crime and social deprivation and the material effects that unemployment, poverty, homelessness or low-grade living [have] on choice and actions” (Nayak 2009, 60). Some geographers have examined the geographies of black identities, and relied on ethnographic and demographic methods for their analyses (McKittrick and Woods 2007; Mahtani 2014). Inquiries into black identities covered issues such as segregation, labour market discrimination, violent rioting, and the formation of urban ghettos, which helped to illuminate the material consequences stemming from race and racism (Jackson 2004; McKittrick and Woods 2007). Katherine McKittrick contends that these approaches do little to advance our understanding of race and space (McKittrick and Woods 2007; Mahtani 2014). That is, identifying the “where” of blackness in positivist terms can reduce black lives to essential measurable “facts” rather than presenting communities that have struggled, resisted, and significantly contributed to the production of space. (McKittrick and Woods 2007, 6)
Critical geographers sought to emphasize the innumerable forms of racism and the various ways in which racism permeates institutional structures that govern the spatial organization of landscapes (McKittrick and Woods 2007; McKittrick 2011; Dwyer and Bressey 2012; Bonds and Inwood 2016). The study of race and racism provided geographers with an analytical framework to understand the formidable power relations that characterize American society. This effort has allowed geographers to begin to understand the powers and structures of social inclusion and exclusion (Bonds and Inwood 2016). In the 1990s, geographers launched a theoretical challenge to confront and address the concept of race (Blaut 1993; Woods 1998; Kobayashi 2017). The challenge was very much inspired by the work of W.E.B. Du Bois, who emerged as the leader of the Pan-African movement after World War I (Kobayashi 2017). At the end of World War II, a new generation of Pan-African scholars and activists carried on the legacy of the movement that included dignitaries, poets and a small cadre of European intellectuals, most notably, Jean-Paul Sartre (Kobayashi 2017, p.6). The work of these scholars was influential as it provided geographers with the intellectual foundation required to tackle racism through the development of post-colonial studies within geography (Kobayashi 2017).

Pulido argues that our isolation of the study of “race” has caused the field of geography to become a spectator to other social science fields such as anthropology and sociology. As a result, geography has become a highly-fragmented discipline. The difficulty is that “race” has not been a central area of study for the discipline (Pulido 2002, 2006). As a result, geography has become a bystander in the debate, instead of an active participant in the study of “race” and place. Geographer Ruth Wilson Gilmore echoes a similar concern by challenging the discipline to construct an agenda that places “race” at the nucleus of our inquiry (Gilmore 2002). To do so, “race” must be positioned “as a condition of existence and as a category of analysis, because territoriality of power is key to understanding racism” (Gilmore 2002, 22). In other disciplines, scholars have avoided studying race and racism due to their limitations in understanding racial conditions in society and the role that
policymakers play in addressing, or in perpetuating these issues (Powell 2012). Scholars encapsulate conditions and social norms that are inherently evolving and interacting within the sociopolitical environment, when adding the process of racialization (Powell 2012). Powell asserts that many people in society are disinterested in the nuance of race and racism. Everyday citizens are unable to recognize the way that these nuances evolve within the changing economic and political climate. bell hooks advocates that scholars should place white supremacy at the forefront of their intellectual inquiry of race and racism in her collection of essays in Writing Beyond Race (hooks 2013). hooks argues that such practice will assist us in pushing our inquiry beyond phenotypical features and shine light on the vast number of ways our actions have been inspired by white supremacy.

Racism is not a unitary or a static phenomenon; rather, it is an area of study that continues to evolve within ever-changing social, political, and economic climates. The belief of earlier scholars was that modern racism is the same as contemporary racism, which again limited many social science disciplines’ understanding of the covert and changing natures of racism (Bonilla-Silva 2001; HoSang, LaBennett, and Pulido 2012). Some disciplines have taken initiative to delineate the various forms of racism that pervade our societies. Henry and Tator have argued that racism embodies three major forms that include individual, institutional or systematic, and cultural or ideological (Henry, Rees, and Tator 2010). A major shortcoming across the social sciences has been that earlier scholarship attempted to make a number of distinctions between the various forms of racism (Essed 1991). Within the discipline, geographers have concentrated their interests in understanding the invidious forms of institutional and systematic racism. Institutional racism, which was first coined nearly four decades ago by social activist Stokely Carmichael “Kwame Ture” (Carmichael and Hamilton 1967), refers to discriminatory practices that are “less overt, far more subtle, less identifiable in terms of specific individual committing the act” (Carmichael and Hamilton 1967, 4). Ture equated institutional racism as a synonym for colonialism, which he argued was far less deprecated than individual racism in the
public sphere (Carmichael and Hamilton 1967). Contemporary use of the term, institutional racism, commonly refers to prejudicial practices that are “manifested in policies and procedures of various institutions, which may directly or indirectly, consciously or unwittingly, promote and sustain an advantage or privilege for people of particular ethnicity” (Henry, Rees, and Tator 2010, 44). Due to its widespread use throughout the 1980s, the term became embroiled in confusion, which further fragmented the discipline. The concept of institutional racism began to incorporate a number of dimensions, which undermined its value within a conceptual framework (Jackson 2004). This development incited a series of debates surrounding the role of individual actors within institutions and the intentionality of discrete outcomes. Some literature on institutional racism posits the role of individual actors in the formulation of various policies. Some scholars view individual racism as a “contradiction in itself because racism is by definition the expression or activation of group power” (Essed 1991, 37). There are other scholars who have invoked the production of racial inequalities as an unintended consequence (Jackson 2004). Deborah Phillips notes that concentrating on intentionality only limits the discipline’s understanding of how racist ideologies pervade institutional operations and why a disproportionate number of racialized groups continue to be victimized by their discriminatory practices and procedures (Jackson 2004). Many social scientists discuss that the distinction introduced by Phillips dissolves the relationship shared between institutions and individuals, which separates discriminatory policies, procedures and regulations from the people who enact them (Essed 1991).

Historically, racial categories have widely corresponded to the distribution of access to opportunities. African Americans and Latino/as have been designated the “other” and prevented from accessing the full benefits of American citizenship. Such practices have created undue hardship for these groups that continue to manifest along racial lines, further allowing the white hegemonic group to continue justifying their original practice of exclusion. Omi and Winnant describe such
practices as a “racial project,” which is “simultaneously an interpretation, representation, or explanation of racial dynamics, and an effort to recognize and redistribute resources along particular racial lines” (Omi and Winant 2014, 125). Black people’s inferior social, economic, and political position have been characterized as a “cultural of poverty,” which has been primarily confined to racialized spaces. The concern of many scholars is that such interpretations appeal to those who subscribe to the notions of individualism and equal opportunity, terms that have been described to possess “undisguised historically racist underpinnings’ and “practical racial implications” (Powell 2012, 58).

Since the 1970s, a multitude of programs have been developed to address the pervasive issues of racial inequalities (Blaut 1970). A small cadre of geographers have taken leadership within the discipline to promulgate anti-racist strategies, rather than propagating failed policies (Woods 1998; Kobayashi and Peake 2000; Peake and Schein 2000; Pulido 2000; Gilmore 2002; Peake and Kobayashi 2002; Pulido 2002; Gilmore 2007; McKittrick and Woods 2007; Nayak 2009; Peake 2009). Some scholars posit anti-racism as “forms of thought, and/or practice that seeks to conflict, eradicate and/or ameliorate racism” (Bonnett 2013, 4). Scholars such as Kobayashi and Peake comment on the potential of the discipline to eradicate longstanding issues that continue to plague many communities across the globe (Peake and Kobayashi 2002). Antiracist geographers suggest that “while race may be a social construct, it is imbued with material effects that cohere over time and space to produce social inequalities” (Pulido 2006, 23). A review of the literature suggests a divergence in the deployment of antiracist strategies. Nevertheless, the strategy divergences found in the literature are tied to poststructuralism and influenced by postcolonial scholars such as Frantz Fanon and Stuart Hall (Kobayashi 2017). Traditional schools of thought have sought to highlight individual racial prejudice combined with the tendency to disconnect “racial oppression from other social inequalities” (Bonnett 2013, 58). Contemporary schools of thought called for more political engagement and a broader
framework, which has incorporated racism as a social and political aspect (Bonnett 2013; Gilroy 2013). This broader, contemporary framework has sought to expose racism at its roots, isolate instruments sustaining inequalities within institutions and “call them into question” (Jackson 2004). Scholars have challenged geographers to deconstruct the obvious and incorporate a historical analysis in order to understand the present geography (Wilson 1999). Bobby Wilson explains that, “racism and race-connected practices do not occur in a vacuum, but are constructed under certain historical conditions and circumstances” (Wilson 1999, 184).

Antiracists argue that race intersects with other markers of identity, such as class, gender, sexuality and nationality to produce complex relationships of dominance and subordination (Winders 2009). Some geographers have summoned the discipline to explore the whiteness embedded within their own institutions before effecting a productive antiracist strategy (Matthews 1977; Kobayashi and Peake 2000; Pulido 2000; Peake and Kobayashi 2002; Pulido 2002; Kobayashi 2009; Nayak 2009; Nayak and Jeffrey 2011; Mahtani 2014). According to Kobayashi and Peake, whiteness is “indicated less by explicit racism than by the fact that it ignores, or even denies, racist indications” (Kobayashi and Peake 2000, 394). Central to this idea of whiteness is its ability to “deracialize and normalize common beliefs giving them legitimacy as part of a moral system depicted as natural and universal” (Kobayashi and Peake 2000, 394). Geographers such as Pulido have expressed their aversion to the discipline’s whiteness (Pulido 2002). While Pulido has made no attempt to discredit the work of white geographers who have produced ground-breaking work on racial segregation (Smith 1989; Kobayashi and Peake 1994, 2000; Peake and Schein 2000; Peake and Kobayashi 2002; Schein 2002; Jackson 2004; Nayak 2009; Price 2010; Nayak and Jeffrey 2011; Dwyer and Bressey 2012; Holloway, Wright, and Ellis 2012), she emphasizes that a restructuring of the discipline would allow greater diversity. The discipline would, in turn, benefit from the enrichment of the race-centric discourses (Pulido 2002). Pulido’s concern is that the discipline is exclusively informed by the experiences of whiteness, which
continues to suppress the voices of racially disenfranchised people as they communicate through a white lens (Pulido 2002).

2.9 Housing

Since the late 19th century, many scholars across the social sciences have struggled to understand the complex nature of the term “housing.” On a fundamental level, housing represents a physical structure of “bricks-and-mortar.” It offers one of the most basic needs of human survival: a shelter for the protection against the earth’s intemperate climate and a physical and mental barrier that separates both the public and private affairs of its occupants (Bourne 1981; Van Vliet 1998; Kaplan et al. 2004; Carswell 2012). Housing is considered a complex term entangled in the social, economic, and political fabric of all societies. The diverse nature of the term is widely used in neoclassical economic theory to explain various operations of the housing market (Bourne 1981; Van Vliet 1998); however, it is important to note that housing is not just a physical structure or an economic tool to explain the interaction of capital and labour; nor does it explain the relationship between supply and demand. Housing also plays various roles in society. For example, some scholars emphasize its psychological element, which helps to delineate one’s sense of belonging to a community or quality of life (Rex 1971; Bourne 1981; Van Vliet 1998; Gregory et al. 2011; McCormack 2012). In most western societies, housing is viewed as the primary investment asset to build wealth and to compensate for reduced income during one’s retirement (Smith 2008b). On the contrary, other scholars have sought to view housing as an active resource to satisfy an array of consumption needs and desires (Majury 2013). Most scholars have conceded that housing in its simplest form represents a living quarter for the habitation of humans (Bourne 1981; Butler 2010; Maclennan 2010). Bourne introduces six commonly used definitions, and defines housing as: “the physical facility or structure; an economic good or commodity; a social or collective good; a package or bundle of services; and a sector of the economy” (Bourne 1981, 14). Rather than dividing each of these concepts respectively, Bourne argues that the
term should represent all of the above simultaneously (Bourne 1981). By separating these concepts, researchers are inviting a considerable amount of confusion to the term, instead of embracing the unity the elements share with each other to define housing (Bourne 1981). In other words, they are all interconnected and fundamental to furthering our understanding of housing. Bourne argues that collaboration would allow researchers to understand the contributions of consumers and the benefits they yield in return (Bourne 1981).

Like scholars in other disciplines, geographers have criticized economists for their reductionist framework, and minimal focus on emerging ideas and interdisciplinary work of other disciplines within the housing field (Maclennan 2010). Geographers have deviated from the established trajectory in the field of housing to examine the spatial context of the uneven geographies of housing (Bourne 1981; Gregory et al. 2011). Social scientists have criticized the field for its fragmented relationship and the dispersed nature of the literature (Van Vliet 1998). The entry of other disciplines into the study of housing has expanded the horizon of the housing field by offering an enriched multidisciplinary perspective to its readers (Bourne 1981; Van Vliet 1998; Peck 2005; Aalbers 2012). Some scholars have complained about the limited circulation of housing research due to its confinement to specific government reports or specialized journals of related disciplines (Carswell 2012). The technocratic nature of these documents limits our knowledge on housing. One explanation for the lack of collaboration is that many economists believe these disciplines operate outside the parameters of conventional economic theory. According to Peck (2005), this disengagement stems from economists’ obsession with clean and abstract axiomatic models to explain the behaviour of humans in the housing market. For instance, a home is viewed as the physical structure that is constructed by materials, which is comprised by the interaction of both capital and labour (Maclennan 2010). Geographers and sociologists have entered the discussion by critiquing the reductionist arguments presented by
economists. Geography and sociology were offered divergent ideological perspectives on the social and spatial behaviours of humans in the housing market.

During the mid-1960s, housing research in geography gained momentum and by the early 1970s, geographers had developed an interest in the topographical features of neighbourhoods and the supply of housing in large metropolitan areas. This era, marred by significant civil rights injustices, produced an increasing number of inequalities for racialized groups in the United States. The study of housing was a general theme throughout a collective body of literature in geography, largely because housing was considered the chief component used to separate racialized peoples and economically disadvantaged groups spatially from white enclaves (Morrill 1965; Birdsall 1971; Deskins 1972; Rose 1972; Ley 1974; Smith 1989). Much of the literature in geography during this period contested the degree of residential segregation, along with providing spatially empirical evidence to support a variety of claims (Birdsall 1971; Rose 1971; Darden 1973). Unlike her predecessors, Susan Smith pursued a framework that detailed the close relationship between “race” and segregation (Smith 1989). For her, “‘race’ became “the explanation of segregation rather than a facet of segregation to be explained” (Smith 1989, 14). Smith argues that segregation is more than the physical separation of people and the unequal distribution of rewards it delivers to certain groups. In addition, segregation imbues “an interlocking of systems of economic institutions, social practice and customs, political power, law and ideology” (Smith 1989, 17). While on the other hand, scholars such as Steven Holloway have called attention to the need to recognize urban residential segregation as a “verb—a set of actions perpetrated on one identified group of people by others who possess more power” (Holloway 2017); whereas the noun represents the “socio-spatial patterning of the city that resulted highlights segregation” (Holloway 2017). At the forefront of housing research in geography are the continued existence of residential segregation and the array of discriminatory barriers that continue to hinder the residential choices of racialized groups (Butler and Hamnett 2012; Grady and Darden 2012; Wright, Ellis, and Holloway...
Some of the literature has expanded to embrace an interdisciplinary framework to include other facets of the housing industry such as the mortgage market to explicate current spatial trends (Holloway and Wyly 2001; Wyly et al. 2008; Engelen and Faulconbridge 2009; French, Leyshon, and Wainwright 2011; Hall 2012; Hammel 2017). During the mid-1980s a number of deregulations through the rollout of neoliberal economic policies precipitated a number of reforms to housing finance in America (Wyly et al. 2006). Innovations in behavioral modelling, underwriting practices, and consumer credit reporting, enabled lenders to expedite the processing of loans which empowered financial institutions to operate more efficiently. These innovations offered banks an opportunity to extend credit to low-income and racialized borrowers who would otherwise be considered high-risk (Hall 2013). As a result, borrowing became substantially easier for African American households who had been denied adequate and equal access to home financing. Wyly et al. (2006) points out that these gains were quickly eroded as these innovative products and processes led African American borrowers to default on their loans. These loans were highly predatory in nature due to the wide disparities in the cost for non-white borrowers who were paying considerably more for their mortgages in comparison to white borrowers. Predatory financial instruments such as subprime mortgages have deviated from traditional lending standards, which require a borrower to provide proof of income or employment, payment history, and source of down payment. Instead, subprime lenders employ risk-based pricing based on the borrower’s credit score and other factors to determine the interest rate he or she would be charged accordingly. Proponents of this discriminatory pricing scheme argued they must charge higher fees to help protect them from the higher risk of borrowers defaulting on their loans (Martinez 2009a). The effects of this logic were quite contradictory considering that it was precisely the onerous terms that led individual borrowers to default on their loans. Strong empirical evidence suggested that the high rates charged by subprime lenders could not be fully explained solely as a function of the additional risk the lenders had to bear. As a result of the financial crisis, some geographers have begun
to investigate causes of the financial crisis by adopting a Marxist theoretical approach to examining policies, financial circuits, and their intersections with the everyday economic geographies (Christophers 2011; Harvey 2012). Meanwhile a small group of geographers has sought to expand on the political economic approach with the addition of financialization (Aalbers 2008; Hall 2013; Aalbers 2016a; Fields and Uffer 2016; Aalbers 2017; Fields 2017).

2.10 Advocacy Groups and Social Movements

Since the start of the foreclosure crisis in 2007, there have been nearly 10 million foreclosures (Dayden 2016a) and an inadequate plan to contain the crisis. As a result, many residents have sought help from community grassroots groups in reclaiming their homes. Anti-foreclosure grassroots groups have gained a lot of attention and traction following the rise of the Occupy Wall Street Movement. In the wake of it, hundreds of intellectuals, community activists, and organizers converged on New York’s financial district rallying against corporate greed and its role in creating social and financial inequalities for households. Other groups launched their own inquiries directed at the U.S. federal government for its initial handling of the crisis; the government bailed out some of the very companies that were responsible for the crisis, rather than its own citizens who were desperately in need of assistance in saving their homes (Austen 2013; Hartman and Squires 2013). Large banks received billions in financial assistance from the government, while homeowners continued to be evicted from their homes. Although the Obama administration presented no clear plan to address the growing delinquency among homeowners, the growing foreclosure rates prompted the administration to act by establishing various programs such as the Home Affordable Modification Program (HAMP). HAMP was a program that has been widely criticized by community activists, policymakers, consumer advocates, and academics for its poor execution, and its inability to prevent more households from losing their homes to foreclosure (Hartman and Squires 2013; Immergluck 2013; Immergluck 2015; Romero 2016; Cowley 2017). The sluggish and ineffective efforts by the government forced many to
rely instead on the support of local community advocacy groups across the country. Some of these groups formed regional or national alliances to assist homeowners in their fight with major financial institutions to prevent eviction. The more prominent groups have included the Right to the City Alliance, the Association of Community Organization for Reform Now (ACORN), City Life/Vida Urbana (CL/VU) and the Home Defenders League. These groups adopt direct action tactics against evictions. For instance, they mobilize using phone trees, various social media sites and text message networks to connect families facing eviction (Santos 2009). In other cases, they organize volunteers to stand side-by-side as officers arrive to enforce eviction notices. These instances have sometimes resulted in violent standoffs that cause some volunteers to be arrested (Santos 2009).

Following the end of the Occupy Wall Street movement, there were many social movements that emerged from this larger social movement, including the anti-foreclosure movement. Anti-foreclosure activism engaged and empowered millions of people impacted by the crisis to utilize their local resources to safeguard their community from the onslaught of foreclosures. The movement has failed to garner much attention from scholars, especially those in the discipline, except for Fields, Libman, and Sagert (2010). These scholars have described the various resources homeowners have had to utilize, including lenders, social welfare agencies and non-profit organizations in efforts to avoid foreclosure. A large part of the reason why the movement has been unable to garner much attention is because most social scientists and economists have been largely concerned with studying the financial, demographic, and institutional elements of the foreclosure crisis, rather than investigating the effects of certain policy responses in racialized communities. At the start of the crisis, little was known about how the government’s failure to execute various anti-foreclosure programs and services contributed to the rising number of foreclosed households. Distressed homeowners encountered a wide variety of obstacles along their journey to cure their mortgage delinquencies. Issues Fields et al. (2010) discovered were not new to certain communities or ones that coincided with the growth of the
foreclosure crisis. Instead, foreclosures were brewing well before the government even declared the country was in one of its worst housing crisis in 2008. Prior to Fields et Al. (2010), little was known about where and to whom distressed homeowners were turning to for assistance once they became late on their mortgages, and the difficulties they faced during the process in saving their home. Similar to Fields et Al. (2010) findings, this study found that participants were turning to non-profit homeownership organizations as a last resort once they had exhausted all efforts to rectify their mortgage delinquencies on their own or with the assistance of their servicer. Previous studies further found that homeowners viewed their mortgage as a long-term agreement with their lender, which shed some light on the self-help foreclosure strategies used to rectify their mortgage delinquencies. Yet, this did not fully explain why many homeowners delayed getting the necessary assistance required to save their home. In fact, the study found that the search for foreclosure assistance was more complex than policymakers had anticipated. The problems were much larger than just providing access to a housing counselor. Some of these issues were entangled with people’s cultural identities, which prevented homeowners from searching for the necessary help required. For some homeowners seeking financial or any kind of assistance with their mortgage delinquencies usually equated to an admission of failure. This was a direct contradiction to their middle-class status as achieved through homeownership. As such, they found some homeowners drained their savings and 401(k) amid desperation and fear of their home being foreclosed, a decision scholars argue was the direct result of their judgment being impaired considering other viable options in averting foreclosure (Fields, Libman, and Saegert 2010; Hartman and Squires 2013). Self-help strategies like these in some cases have resulted in additional financial implications causing some distressed homeowners to even file for bankruptcy (Powell and Rogers 2013). One glaring absence in Fields et Al. (2010) piece was the consideration of informal and grassroots organizations in the community. A problem Hartman and Squires (2013) argues is partly due to the negative characterization they receive from some housing counselor whom in certain
instances have blamed distressed homeowners for their mortgage delinquencies. As result of this behaviour, compounded with the inadequate response of the government, many distressed homeowners have continued to turn to grassroots organizations based in the communities to save their homes. A project sociologist Grey Squires and others have documented extensively to shed light on the informal resources and strategies being used to compel Wall Street to reassess their relationships with communities (Hartman and Squires 2013; Lerner and Bhatti 2013b). Lerner and Bhatti (2013b) outlines some of the various informal strategies being used by grassroots organizations across the country to force the banks’ hands in negotiating individual settlements to keep homeowners inside their homes. The foreclosure activist movement they explain was largely developed in response to the government’s decision to bailout some of the same culprits responsible for the housing debacle whom in return have refused to assist homeowner’s desperately trying to save their homes (Lerner and Bhatti 2013b). Lerner and Bhatti have argued this cannot be a movement that seeks to deploy the same strategies of the housing justice movement during the 1970s. Rather, they see this movement as having to be one larger in scale that fundamentally erects the kinds of changes required to transform the relationship between Wall Street and the community. To have an effective movement, they argue, grassroots groups need to challenge, threaten, and disrupt the banks’ ability to make money in order to change the way they do business (Lerner and Bhatti 2013b). By forcing banks into a monstrous economic pitfall, only then will financial institutions feel the anxiety homeowner’s experience prior to and on the day of their evictions. In addition, Lerner and Bhatti highlight the work of some the country’s most robust organizations and their bold strategies to stop foreclosures in communities. These efforts have influenced other initiatives in places such as Chicago, Boston, Detroit, Miami, Minnesota, Atlanta, Los Angeles, and other cities across the U.S. Some of these include, but are not limited to, blockades, camp-outs and sing-ins, which were primarily used by groups such as City Life/Vida Urbana (CL/VU), Occupy Our Homes, Chicago Anti-Eviction Campaign (CAEC), and
Neighbourhood Organizing for Change (NOC). One direct action against the banks includes Trash-ins, which involve collecting the garbage from vacant and foreclosed homes and discarding the contents in the lobbies of these financial institutions. Direct tactics include, move-ins, delivering the bill, foreclosing on the bank, and crashing industry events. Another key strategy has been to educate members of the public by providing a counter narrative to the moral hazard discourse which has convinced distressed homeowners to accept responsibility for their role in the crisis. Rather than blaming the banks for going into these communities and issuing predatory mortgages that were designed to fail well before the maturity date, homeowners have been held responsible for the collapse of the housing market. Grassroots groups have educated members of the public on the predatory nature of some these mortgage products concentrated in communities and they have assisted in mobilizing people in taking direct action against servicers and lenders.

For other scholars, the movement represented a unique opportunity to build solidarity among homeowners impacted by this crisis, and to create a cohesive action against those responsible for the crisis (Nelson 2012). Nelson documents the success of Occupy Our Homes Minnesota Chapter which has been working exclusively with homeowners in avoiding foreclosure, a strategy she argues could be very risky considering it seeks to uphold private property rights of distressed homeowners, rather than advocating for the right to housing. While the success of the tactics used by Occupy Our Homes has been quite limited, they have been influential in forcing the banks into action to reduce the principal owed on delinquent mortgages to reflect the current value of the home. These strategies have emerged as an inspiration for change to the mortgage debt relationship, one that Nelson describes, “as an equal and legitimate exchange, rather than the product of an exploitative system in which what should be a basic right (to housing) has become an opportunity for speculation” (Nelson 2012).
2.11 Access to Housing is a Human Right

While these advocacy groups were quite different in nature, the one common bond they shared was their conviction to housing being a human right. Many grassroots groups that were engaged in anti-foreclosure activism or other kinds of work surrounding homelessness shared this belief. The right to housing was an area of study that very few geographers have explored. Nevertheless, it was Bunge’s revolutionary geography text that summoned geographers to explore such issues as they affect disenfranchised people (Bunge 1971; Mitchell 2003). Central to Bunge’s argument was the right to housing and the right to public spaces in which he not only advocated for housing, but for a redesign of housing (Bunge and Bordessa 1975). Bunge put forth this argument after an extensive study on the conditions of public housing in major cities throughout North America. Bunge revealed a number of design flaws that affected the safety of the children that inhabited these places (Bunge and Bordessa 1975). Bunge’s work goes on to expose a myriad of problems affecting the right to inhabit cities, entangled in a web of violence and material deprivation. A discovery by Blomley, years later, describes as the direct result of the naturalness of property (Blomley 2000; Mitchell 2003). Similar to Bunge, French Marxist Philosopher Henri Lefebvre advocated for the right to the city, which embodied the right to housing (Lefebvre and Nicholson-Smith 1991; Lefebvre, Kofman, and Lebas 1996). Lefebvre stresses an important distinction between the right to housing and housing rights, which refer to the legal rights guaranteed under domestic law of the state. Instead, the right to housing he argued should be recognized as a human right that is codified under international laws that are then adopted under constitutional laws of a state (Lefebvre, Kofman, and Lebas 1996). In elucidating his own interpretation of the French philosophers’ writings on the rights to the city, geographer Don Mitchell argues that these rights include the right to the uses of city spaces and the right to inhabit (Mitchell 2003). Although Mitchell argues that these rights are inadequate in securing ones right to the city, they constitute a step in the right direction in fortifying such rights (Mitchell 2003). Since Mitchell’s text,
other geographers have joined the debate asking similar questions in light of the recent housing crisis that has resulted in more than 7 million homes being foreclosed (Wyly 2013). In the special issues of *Housing Policy Debate*, Wyly (2013) describes the rise of corporate greed on Wall Street and how it has eroded the right to housing through the exploitation of laws, customs, and cultural meanings attached to housing in America. These changes, he argues, transformed housing into an asset class that encouraged households to take on large sums of debt for the sake of acquiring assets and building wealth.


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Chapter 3: Methodology and Methods

3.1 Introduction

This chapter outlines the research methodology of this study. The research methodology used in this study will be discussed under the two cities studied. Data in both cities were collected using a qualitative approach. Semi-structured interviews with homeowners, housing counselors, lawyers, politicians and with executive directors of various housing counselling agency were used to collect the data in both cities.

3.2 Research Objective

The objective of this study is to analyze the factors that influence the effectiveness of anti-foreclosure advocacy organizations, to:

- Examine the factors influencing the experience of homeowners undergoing foreclosure;
- How do “personal circumstances” such as unemployment, divorce, and health issues shape a borrower’s decision about how to deal with mortgage default in African-American communities in Chicago and Jacksonville?
- Understand how housing counselling agencies work in different geographical regions to keep troubled homeowners inside their homes;
- Examine influence of grassroots groups in shaping the foreclosure experience of some distressed homeowners in Chicago?
- Investigate whether changes to state foreclosure laws impeded or expedited the repossession of homes and eviction of families since the collapse of the housing market;
- Assess whether policies developed ostensibly to end racism and discrimination in the housing market effectively deepened old inequalities and allowed new ones to flourish;
• Explore pivotal policy reforms by the federal government that are responsible for transforming the housing market; these historical changes provide the necessary context for understanding how and why African-American communities became the primary target for high-risk mortgage investments that inevitably resulted in the loss of their homes to foreclosure;

• Contribute to a growing body of geographical scholarship on “race” and housing by conceptualizing race not only as a social construction, but also as an ideology that assists in producing material disparities between ethnocultural groups;

3.3 Organization of the Study

Research occurred in Chicago, IL and Jacksonville, FL using a qualitative approach in the summer of 2014. In both cities, I used semi-structured interviews to collect data from homeowners, renters (renting units in foreclosed homes or buildings), housing counselors and Executive Directors of various agencies, attorneys, housing advocates, members and organizers of community grassroots groups, and housing officials.

3.4 Qualitative Approach

Researchers across various disciplines use qualitative research to learn about social realities, to examine, describe, or explain social phenomena. Qualitative methods are also useful in unpacking nuances that people have associated with certain activities, events, and situations. Some scholars maintain that qualitative methods are very useful in exploring new or under-researched areas. At the start of 2008, very little was known about the impact of foreclosures on communities and people. Over time, scholars and laypeople from various industries gained knowledge its impact on the global economy and large financial institutions.
In-depth interviews were essential to this research project, considering the personal nature of the research questions. Many African-American households were not keen on openly discussing their problems with foreclosure. Therefore, in-depth interviews are an effective way to acquire information concerning personal matters such as an individual’s self and lived experiences, especially when the participants involved have multiple perspectives on the same phenomenon or the knowledge sought is not readily articulated (Gubrium and Holstein 2002). Also, the interviews provided respondents with greater freedom to articulate and explain the impacts of certain policy responses, which, in some cases helped to bring awareness to issues not yet considered.

3.5 Target Population

Target population usually refers to the group a researcher seeks to understand. The target population for this research comprised homeowners, housing counselors, and attorneys in Jacksonville and Chicago. In qualitative research, non-random methods of participant recruitment, known as purposive recruitment, are used to recruit participants. Participants are selected based on their ability to provide key information on the study topic. These are usually people who have specific characteristics or experiences of the study topic, and can provide detailed information on the research in question. The flexibility of this recruitment strategy was vitally important. After completing my third interview, I recognized the need to expand my target population to include the attorneys representing homeowners during the foreclosure legal proceedings. The flexible nature of purposive recruitment enables researchers to redefine their target population during data collection, rather than compelling the researcher to follow a rigid recruitment strategy. Accessing my target population was a challenge, largely because many people were either embarrassed or uncomfortable to discuss openly their foreclosure related problems, especially with a stranger from a foreign country. Finding a housing counselor proved to be an easier task, as a lot of their information was publicly available on websites, including the Department of Housing and Urban Development (HUD). Obtaining access to African-
American homeowners who had experienced foreclosure was nearly impossible without the assistance of housing counselors and members of community grassroots organizations. Housing counselors and members of community grassroots organizations were like gatekeepers in the community. Gatekeepers are extremely influential in qualitative research because they usually assist in the recruitment of participants. According to Hennick, Hutter, and Baily (2011, 92) gatekeepers are people who have a prominent and recognized hold in the local community; they usually possess knowledge about the characteristics of a community and are sufficiently influential in encouraging community members to participate in a study. Gatekeepers also act as advocates for a research study within the local community by endorsing it and encouraging local community members to participate. Some scholars argue that it is much easier to mobilize participants for a study when it is endorsed by a well-respected community leader or gatekeeper (Hennink, Hutter, and Bailey 2010).

3.6 Purposive Sampling

Racialized homeowners were selected because this segment of the population lost their homes at a much higher rate than did white homeowners, according to many studies (Crump et al. 2008; Aalbers 2012; Powell and Rogers 2013; Immergluck 2015). Housing counselors, legal aid attorneys, housing advocates and grassroots groups were selected because of the wealth of knowledge they possess on the various strategies used to keep participants inside their homes and avoid foreclosure. Although this sampling method limits a researcher’s ability to make any valid generalization beyond the samples selected (Daniel 2012), it was the most appropriate strategy considering the research is focused on examining a particular segment of a target population. Since many people did not openly discuss their experience with foreclosures, I also used respondent-assisted sampling to identify and recruit other participants. Respondent-assisted sampling is as an extension of purposive sampling in that participants are selected from the target population with the assistance of previously selected
participants. Snowball sampling, a subset of respondent-assisted sampling was also used to recruit additional respondents.

Snowball sampling is a technique used by researchers to recruit additional participants who meet the eligibility criteria of a study (Morgan 2008). Typically, this recruitment process involves the use of previous respondents accessing their social networks to recruit potentially hidden participants on behalf of the researcher (Singer 1999). Snowball sampling is the most popular of the subset of respondent-assisted sampling and is widely known by other scholars to yield positive results (Singer 1999); however, it is also known for its ethical problems since it usually involves the researcher obtaining the name and contact information of potential participants without their prior consent. To avoid these ethical pitfalls, I asked previous respondents to recruit potential participants in their social network to take part in the study, rather than requesting them to provide me with the personal contact information of additional respondents (Heckathorn 1997). This is a common strategy deployed in respondent-driven sampling, which is another subset of respondent-assisted sampling. The use of snowball sampling exposes the researcher to the potential of capturing a biased subset of the total population. To address this issue, I began the study with a diverse pool of informants, who were recruited by the housing counselors in both cities, and one housing organizer in Chicago. This strategy ensures the snowballing process reaches different segments of the target population.

At the start of the research study, I had access to the names, phone numbers, and email addresses of 29 housing counseling agencies. Each counselor was asked to provide the names of other counselors or housing advocates known to them at other agencies. These individuals were then approached to partake in the study, but also to recruit homeowners in their social networks. A total of 65 members of the target population were approached to participate in the study. Of these, 19 were not able to participate due to scheduling conflicts or because they did not respond to my email request to participate. In total, 46 interviews were conducted with homeowners, housing counselors, attorneys,
community grassroots activists, housing advocates, politicians, and a housing manager at the City of Jacksonville to collect the data for this study. Below is a breakdown of the participants in the study:
Table 3-1: Chicago Participant Breakdown

<table>
<thead>
<tr>
<th>Participants</th>
<th>Number of Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homeowners</td>
<td>7</td>
</tr>
<tr>
<td>Housing Counselors &amp; Executive Directors at Housing Counselling Agencies</td>
<td>11</td>
</tr>
<tr>
<td>Attorneys</td>
<td>3</td>
</tr>
<tr>
<td>Housing Coalition Organization</td>
<td>1</td>
</tr>
<tr>
<td>Renters</td>
<td>2</td>
</tr>
<tr>
<td>Community Grassroots Activist</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>27</td>
</tr>
</tbody>
</table>

Table 3-2: Jacksonville Participant Breakdown

<table>
<thead>
<tr>
<th>Participants</th>
<th>Number of Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homeowners</td>
<td>11</td>
</tr>
<tr>
<td>Housing Counselors &amp; Executive Directors at Housing Counselling Agencies</td>
<td>4</td>
</tr>
<tr>
<td>Attorneys</td>
<td>1</td>
</tr>
<tr>
<td>Housing Manager</td>
<td>1</td>
</tr>
<tr>
<td>Politicians</td>
<td>1</td>
</tr>
<tr>
<td>Community Development Corporation (CDC) Executive</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>19</td>
</tr>
</tbody>
</table>

Selecting a sample size is one of the most important decisions a researcher makes in any study. Daniels (2012) argues that researchers should assess all relevant factors to ensure they do not select a sample size too large or too small to satisfy the objectives of the study. Researchers should always choose the smallest sample that satisfies their research objective (Daniel 2012); however, sampling tends to differ with qualitative and quantitative research designs. With quantitative research studies, much larger sample sizes are required in comparison to qualitative research designs. Structured surveys are typically used in quantitative studies to gather information on a specific set of individuals, thus permitting researchers to make certain generalizations about the broader population. Surveys, however, would have been inappropriate for this study because they do not provide participants with an opportunity to give voice to their foreclosure experiences. The use of surveys tends to elicit a series of closed responses such as (yes/no; good/very good/poor; maybe/not sure), allow numerical analysis (Gatrell...
and Elliott 2014). Sample sizes in qualitative research are determined when a saturation of the data is reached, that is, when no new or relevant information is attained with the addition of new participants to the study (Saumure and Given 2012). The objective was not to develop a generalization about the experiences of distressed homeowners in both cities, but rather, to develop an in-depth understanding of how certain policy responses influence foreclosures in African-American communities, by drawing on a small sample of their voices and experiences. I should emphasize the premise of this study was not to establish probability; rather, to select individuals that could provide a rich account of some of the factors influencing foreclosures in these communities. Some researchers argue the small sample size in qualitative studies should be viewed “… as an indicative rather than a representative sample” (Gatrell and Elliot, 103). The goal was to obtain an intensive understanding of some the issues, rather than to embark on an extensive examination to be later generalized from the sample to the population.

3.7 Data Collection

The researcher collected the data by requesting homeowners and community foreclosure service provider to share their experience with the foreclosure process by answering a set of questions during one-on-one interviews and in focus groups. Most qualitative researchers have relied heavily on interviews to assist them in meeting their researcher objectives (Marshall and Rossman 2011). Some scholars have argued that interviews have become a pivotal resource in conducting social science research (Rapley 2001). The purpose of interviews is not solely to answer the unanswered questions, nor to test a theory, but to understand the lived experience of people and the meaning they make of their experiences (Seidman 2006). I used interviews to capture a full and accurate account of the way certain policies and advocacy groups influenced foreclosures in racialized communities.

3.8 Semi-structured interviews

Semi-structured interviews with homeowners, housing counselors, attorneys and housing advocates were conducted to collect the data for this study. Compared to other interview methods, semi-
structured interviews offer greater flexibility to both the interviewee and interviewer. For example, interviewees are free to follow up on a variety of angles that are considered important for the research. Interviewers can play a more active role in the knowledge-producing process, rather than remaining an invisible participant that only asks questions. Interviewers also have the autonomy to direct the conversation on issues deemed essential to the research project.

An interview guide was used as an aid in every interview. The researcher used two interview guides with a list of questions tailored to various key participants in the study. For example, homeowners and housing counselors were asked to provide answers to different groups of questions. Interview guides also help to remind researchers of their ethical obligations and duties during an interview, such as the confidentiality of the interview and anonymity of the data. The guides explain the purpose of the research study and the protocol for data collection, management, and retention. The interview guides also outlined the intention to publish the outcomes of the research in an article, report, or book. Interviewees provided their informed consent to participate in the study, and each participant received a copy of their signed consent form for their records.

Interviews with the homeowners were organized into five sections. Part A began with general introductory questions about the background of the interviewee. For example, information was collected about their age, educational level, marital status, and family composition. The questions helped to provide context about the participant and began the process of forging a rapport in the interview. Part B included questions about the interviewees’ experience with foreclosure. Establishing a good rapport early in the interview process was crucial because it allowed participants to feel safe to share their intimate stories when asked questions central to the research study (Hennink, Hutter, and Bailey 2010). Part C encompassed questions about interviewees’ mortgages and their relationship with their mortgage service provider. Part D entailed questions that address the homeowners’ experiences with a community grassroots foreclosure servicer provider or a housing counselor. Part E concluded
the interview with closing questions and debriefing to ensure the interviewee had not suffered any undue trauma due to the personal and sensitive nature of the topic.

3.9 Interview Questions for Homeowners

The following questions were asked to interview participants who were identified as homeowners:

**Part A: Demographic information**
1. What is your age?
2. What is your current marital status?
3. What is your family composition?
4. What racial or ethnic group(s) do you identify with?
5. What is your highest level of education?
6. What is/was your occupation prior to entering the foreclosure process?

**Part B: Experience with Foreclosure**
1. Tell me about your experience with the foreclosure process.
2. How long has your home been in the foreclosure process?
3. Has your home already been foreclosed?
4. Are you currently living in the home? If you no longer live in that home, where do you currently live?
5. Do your own or are you currently renting?

**Part C: Mortgages and your relationship with your provider**
1. What kind of mortgage did you use to purchase your home?
2. How did you hear about this type of mortgage or service?
3. How many mortgage providers did you go to?
4. Who is or was your mortgage provider?
5. Did you think there was any risk to having this kind of mortgage?
6. Where did you purchase this home?
7. Why did you purchase your home in that community?
8. Why was important for you to own your own home?
9. What does the American Dream mean to you?
10. Is there anything else that you would like to add that you feel is important to understand about your mortgage experience and your relationship with the provider?

Part D: Community Advocacy Organizations

1. Tell me about your experience with these community groups?
2. Who did you first approach for help once you were notified that your home was being foreclosed? And why?

3. What kind of assistance have you received since entering the foreclosure process?
4. Did you have to go outside of your community for help?
5. How many organizations are you currently receiving help from?
6. How did you hear about these organizations?
7. Are you finding these groups very helpful in keeping you inside your home? (If relevant)
8. Have you informed anyone else about these groups and the services your receiving? Why or why not?
9. Do you have anything else that you would like to add that you feel is important to understand your experience with these community organizations?

Part E: Closing questions and remarks

1. Would you like to review a typed copy of our conversation today to confirm, add or edit any of your comments? A copy of today’s interview will not be viewed by anyone except for me and your name will not be associated with this record?
2. Would you like to receive a final summary of the results of this research project (electronic or hard copy)?
3. Is there anybody else that you think I should talk to in regards to their experience with the foreclosure process in the community?
4. Do you have any questions for me?

3.10 Interview Questions for Industry Experts

The following questions relevant to the objective of the research study were asked to housing counselors, executives, attorneys, housing advocates and attorneys:
Part A: Background Question

1. Tell me a about your organization and the services you offer to keep troubled homeowners inside their homes?
2. Does your organization use paid employees or volunteers from the community?
3. Are any members of your staff foreclosure victims?
4. Does your organization receive any funding from the Department of Housing and Urban Development (HUD)?
5. What other source of funding is your organization currently receiving?
6. Does your organization have any affiliates in the community or across the country?
7. Does your organization only advocate for victims of foreclosures?

Part B:

1. Does the organization have a defined purpose with regards to keeping troubled homeowners inside their homes?
2. What is your organization philosophy?
   a. By not having a philosophy, do you feel this is hindering the work your trying to do within the community? (If relevant)
3. Is there a process in place to create a defined objective for your organization?
   a. If your organization doesn’t have clear objective, do you feel that this hampering your ability to keep more troubled homeowners inside their homes? (If relevant)
4. Do you have any idea of how many people in this community has been affected by the foreclosure crisis?
   a. What is the process through which you have determined this figure? (If relevant)
   b. If you’re organization is unaware of magnitude of this crisis, how do you feel this impacting your organizations effort to effect changes within the community? (If relevant)
5. Does your organizations have any campaigns to educate the community on the service(s) and program(s) you offer?
   a. Can you describe some of these campaigns?
   b. If your organization has no campaigns to educate the community of the program and
services you offer, do you feel that this is influencing the effectiveness of the group’s ability to keep more households inside their homes? (If relevant)

c. Is there a plan in place to create a campaign to educate the community on the services and programs offered by your organization in the future? (If relevant)

6. Do any of these campaigns include any information on the services and programs offered by different levels of government?

7. If your campaigns do not include any information about government programs, how do you feel this affecting your organization’s ability to keep more troubled households inside their homes? (If relevant)

8. Are there any State or Federal policies that affect your organization strategies?
   a. Can you please describe these policies?
   b. Do these policies have a positive or negative impact on the services offered?
   c. Can you describe the limitation they create? (If relevant)
   d. Can you describe any opportunities they offer? (If relevant)

9. Do you have anything else that you would like to add that you feel is important to know?

10. Would you like to review a typed copy of our conversation today to confirm, add or edit any of your comments? A copy of today’s interview will not be viewed by anyone except for me and your name(s) will not be associated with this record.

11. Would you like to receive a final summary of the results of this research project (electronic or hard copy)?

12. Is there anybody else that you think I should talk to in regards to their experience with the foreclosure process in the community?

13. Do you have any questions for me?

3.11 Qualitative Data Analysis

Data analysis is a process by which researchers evaluate the qualitative and quantitative information collected during the research to understand the experience of those that participated in the study. Data analysis is sometimes described as a science and an art, because of its rigour and structure, but also its creativity and flexibility. Hennik, Hutter, and Baily (2010) emphasize the importance of understanding, explaining, and interpreting the human experience, which involves unpacking the participants’
personal, social, and cultural meanings that trigger certain behaviours. The interpretive aspect of qualitative data analysis is what many scholars consider the “art” because it requires various strategies to accurately interpret the data collected (Hennink, Hutter, and Bailey 2010). During this phase of the study, researchers begin to form an evidence-based understanding of the issues (Hennink, Hutter, and Bailey 2010). The primary data collected in this study consist of audio-recorded interviews and observational field notes of the different communities studied.

In qualitative research studies, there are various ways to analyze the data. Qualitative data can be analyzed using the following methods: discourse analysis, thematic analysis, biographical, or narrative analysis. Constant comparison, and offshoot of grounded theory, was used to analyze the data because of its set of flexible guidelines and process for textual data analysis. This inductive practice is considered by many scholars as the premier methodological approach to analyzing data in social science research. Grounded theory was initially developed by Barney Glaser and Anselm Strauss in the 1960s with the publication of their book *The Discovery of Grounded Theory* in 1967 (Bryant 2014; Vogt et al. 2014). The analytical process enables researchers to begin developing empirical theory from the ground up by inductively analyzing the data using a set group of tasks and underlying principles (Charmaz 2006; Vogt et al. 2014). Adopting an inductive approach to data analysis, researchers are able develop codes, concepts, and theories derived from the data.

### 3.12 Analytic Process:

In grounded theory, there are many analytical tasks that guide the analysis of qualitative data. These tasks include:

1. Prepare verbatim transcript
2. Anonymize data
3. Develop Codes
4. Define Codes
5. Code Data
6) Describe
7) Compare
8) Categorize
9) Conceptualize
10) Develop theory

3.13 Prepare verbatim transcript

Producing a verbatim transcript is a vital component of grounded theory, as it helps researchers to capture information on the research area using the participants’ own words. These vivid accounts enable researchers to understand the participants’ raw emotions related to the issues being studied. Once a transcript has been produced, the researcher then listens to the audio recording again while following the written transcript to verify the accuracy of each transcript.

In qualitative research, some methodologists argue that data analysis should be a concurrent process with data collection and management (Saldana 2011). As each interview is completed, the researcher transcribes interviews and reviews the transcripts to determine what has been learned. The preliminary notes created after this initial review of the transcript identified opportunities to collect outstanding information during subsequent interviews that were relevant to answering the research questions. Analytical memos were also created during the initial review of the data. According to scholars, memos are an active way to capture a researcher’s thoughts, but also to expand on the significance of the data collected and analyzed (Corbin and Strauss 2008; Emerson, Fretz, and Shaw 2011; Marshall and Rossman 2011; Miles, Huberman, and Saldana 2014). The advantages of initial coding are that it not only prompts you to see gaps and holes in the data early, but also provides you with new leads to pursue (Charmaz 2006). As such, researchers can work to identify sources of the data needed and gather them. For example, after the completion of my second interview, I started to take notice of the important role of attorneys in the foreclosure process.
3.14 Anonymize data

During the verification process, all markers that can be used to reveal the identity of the participant are removed to protect the participant’s anonymity. Pseudonyms were used in place of a participant’s name or any other names mentioned in the transcript, such as the names of relatives and friends or their place of employment.

3.15 Develop Codes

The process of developing codes commenced once all the interviews had been transcribed and anonymized. Developing codes is a central activity in the analysis of qualitative data, and these codes refer to topics, issues, or ideas discussed during the interviews and are usually identified after a careful review of the transcripts. In qualitative research, codes are typically generated to extract segments of the interview data relating to the research questions, hypothesis, or themes, in order to focus on a topic of interest (Miles, Huberman, and Saldaña 2014).

3.16 Define Codes

The coding process was broken down into two stages, which Saldaña (2013) describes as First and Second Cycle Coding. First Cycle coding refers to the initial codes assigned to represent large groups of data (Saldaña 2013). The process is comprised of seven subcategorical methods: Grammatical, Elemental, Affective, Literary and Language, Exploratory Procedural, and a final procedure known as theming the data. Second Cycle coding or pattern coding was also used to create a smaller number of categories or themes by extracting material from the initial codes (Saldaña 2013). Selecting the most appropriate coding method for this study was vital, because each qualitative study is unique, and usually requires a specific analytical approach, which depended on the overall objective of the study. Based on the overall objective of this research study, the exploratory procedural, and affective coding methods were used. Some scholars argue that multiple coding methods should be used in concert with
at least two different analytical approaches to enrich the depth and scope of the research findings (Coffey and Atkinson 1996; Mello 2002).

3.17 Code Data

NVivo software was used to code and analyze the interview data. The software is designed to help researchers analyze and organize qualitative data such as interviews more efficiently. The coding process begins with attribute coding, a method used to code the setting or the participant’s characteristics or demographics such as age, gender, ethnicity, marital status, education level or other variables of interest for qualitative data analysis (Lofland 2006; Bogdan and Biklen 2007; Richards 2015). This particular coding method is typically useful in qualitative studies because it allows the researcher to establish good data management practices, while also providing easy access to participant information and context for analysis and interpretation (Saldana 2013).

Active reading of the interview transcripts allows for the creation of inductive codes to represent any issues, topics, emotions or feelings raised by the participants. Process coding is an analytical tool frequently used in qualitative studies, especially those that seek to capture the participants’ actions, interactions, and consequences (Miles, Huberman, and Saldana 2014). In this study, process coding was used to denote observable actions in the transcripts. This coding method was very useful in capturing issues as they emerged, changed, and occurred in a particular sequence during the foreclosure process. Process coding helps to capture certain actions that are linked to time, such as things that develop, change, or occur in particular order (Hennink, Hutter, and Bailey 2010). Typically, this method is executed in conjunction with other coding methods, such as focused coding and Axial coding strategies, because it helps to uncover the consequence of an individual’s action and inaction. Process coding was exceptionally useful in learning more about homeowner behaviour as they respond to an impending notice of foreclosure. This analytical tool enabled me to gain a wealth of knowledge on the various coping methods some troubled homeowners used to address their issues.
The use of process coding was instrumental in developing a strong breadth of knowledge on the different types of emotions troubled homeowners exhibited during their battle with foreclosure considering the number of steps and procedures involved in the forfeiture of a home.

At each step in the interview process, various changes occurred that influenced foreclosure in African-American communities. To capture this information Saldana (2013) suggests that researchers should pay close attention to the use of transitional indicators such as “if,” “when,” “because,” “then,” and “so” when reviewing interview transcripts. For example, during the foreclosure process some homeowners were unsuccessful in acquiring a loan modification on their mortgages without the assistance of a housing counselor. As a result, some homeowners walked away from their homes simply because they did not know where to turn for help or were unaware of the various steps in the process that needed to occur before they were legally required to forfeit the property. It was important to understand the frequency of these changes and the order they occurred to fully understand the impact of foreclosures policies and the role of advocacy groups in African-American communities. By using this coding technique, researchers can develop a deeper understanding of how a participant’s actions, behaviour, and emotions are intertwined with the timing of specific stages in the foreclosure process. The ordering or sequence of the homeowner’s actions/inactions was represented with an illustration of the different stages and the type of emotions or behaviours each stage elicited.

Emotion coding was used to capture the emotional journey of some homeowners as they experienced the foreclosure process. Saldana (2015) describes emotion coding as the process of labelling emotions recalled by participants, or those classified by the researcher about the participants. Emotional coding explores a participant’s intrapersonal and interpersonal experience and actions (Miles, Huberman, and Saldana 2014). Understanding the emotions of participants is crucial in certain qualitative studies in order to gain a much deeper understanding of respondents’ perspectives, worldviews, and life circumstances. Emotions are intertwined in virtually all human actions, inactions,
and interactions, which is why some scholars argue that they cannot be separated from any type of action because they typically inform behaviour (Corbin and Strauss 2008). Emotion coding is one of three affective coding methods used by researchers to access the subjective experiences of participants, and is typically, used in studies that explore the intrapersonal and interpersonal participants experience and actions.

3.18 Describe

Descriptive coding was another strategy that was utilized during the initial coding process. It is commonly used in qualitative studies with a wide range of data such as interview transcripts, field notes, and journals (Saldana 2013). It is particularly useful for more novice qualitative researchers who are learning how to code data for the first time. Descriptive coding refers to the use of a single word or phrase, usually a noun, to describe a passage of significance in the interview data. The process typically begins when a specific passage in the interview transcripts captures the researcher’s attention and the researcher begins to investigate by asking general questions to uncover, “what is going in the data?” and “how does it relate to overall objective of this study?” The goal of this particular practice is to assist the researcher to understand the information received during the data collection stage. For instance, during my fieldwork, I attended court with some of the participants of this study, which not only helped me develop a deeper understanding of the countless flaws within the foreclosure process, but also to develop a better understanding of some of the issues troubled homeowners faced, such as the lack of representation at court, which sometimes caused homeowners to lose their homes. Descriptive coding is important because it not only provides the foundation for Second Cycle coding, but it also assists with the analysis and interpretation of the data (Wolcott 1994).

In this study, the causation coding method was used to understand why particular outcomes occurred during the foreclosure process. This technique was used to explore the participants’ belief system and how it shaped their ideas about the causes and outcome of specific events in their life. For
example, a homeowner describing the challenges they faced while trying to save their home from foreclosure helped to paint a clearer picture about the number of variables linked to the causation sequence. The researcher searches and compares different variables from the interview transcripts to see which grouping of variables are responsible for causing some participants not to qualify for loan modifications or lose their homes to foreclosure. This coding technique assists researchers in capturing not only the causes behind certain outcomes, but also the conditions, contexts, and consequences involved (Saldaña 2013).

Some qualitative methodologists advise that researchers should create a provisional list of codes prior to commencing their fieldwork. These are codes that are derived from the research questions, hypothesis, or key variables acquired from literature in this area of study. In contrast, other experts suggest such methods would restrict the researcher’s ability in remaining open to new ideas emerging from the data (Charmaz 2006). Barney Glaser, one of the founders of grounded theory, argues that such approaches should be carried out without having any preconceived concepts or ideas in mind (Glaser 1978). In keeping with the tradition of grounded theory, a list of open codes was created after a review of the first interview transcript. These codes were largely created to address the overarching research questions of this study. Miles and Hubberman (1994) suggest researchers should begin the coding process by tackling research questions that have a particular purpose because they usually contain concepts or variables the researcher wishes to explore.

3.19 Compare, Categorize, and Conceptualize

Codes were developed based on the importance of issues raised by participants, and on whether the issues were deemed important by the participant. For example, some homeowners emphasized the importance of working with a housing counselor in trying to save their home from foreclosure. Some people were unaware of the free foreclosure assistance services that were available in their community. As a result, some troubled homeowners lost their opportunity to qualify for government assistance
programs because their eligibility had expired. They eventually lost their homes to foreclosure. Some troubled homeowners believed they were fortunate to avoid some of the stresses from being in foreclosure and saved their homes because they were able to find a housing counselor or grassroots agency to assist them in navigating the process.

In this study, a list was created of all the issues raised throughout the data using line-by-line coding to see how often they recurred throughout the data. Line-by-line coding refers to the naming of each line in the written data or an interview transcript (Charmaz 2006). Participants phrased issues in various ways. It was important to pay close attention to the varying descriptions of the same issues because such repetition signaled that an issue was a code within the data. Emotional coding was used when participants described certain aspects of their foreclosure experience. To identify these emotions, close attention was paid to how the issues were emphasized during the discussion, and the choice of words used to describe the situations or issues. Analytic memos were used to document reflections and thoughts about the linkages within the data and the new ideas emerging from the transcripts.

During the design stage of this study, I was fixated on the pivotal roles of housing counselors and grassroots groups in helping troubled homeowners save their homes and I neglected the role of attorneys. This error initially precluded me from seeing the important role of attorneys and the widespread practice of dual tracking, which led to the wrongful foreclosures of homes. I was able to expand the study to include legal aid attorneys who represented homeowners during the legal proceedings of the foreclosure process so they could shed light on this process.

Once the initial coding process was completed, I began an analytical reading of the data to identify more implicit or subtle codes within the transcripts. Some codes may be overlooked during the initial reading of the data because they were not evident to the researcher. Analytical reading provides the researcher with an opportunity to read beyond the words of the participants to uncover
the underlying context of what is being articulated during the interview. The process usually entails a closer examination of what is being communicated in the data, the context of the issues being raised, but also considers what is present and missing from the data (Hennink, Hutter, and Bailey 2010). The researcher asks critical questions of the data to identify some underlying codes imbedded within the transcript. For instance, this method was particularly useful in identifying the implicit motivation behind the individual sacrifices some participants (homeowner) made during the foreclosure process.

In the second phase of the coding process, I used focused coding to explain large segments of the data. Focused coding seeks to identify and use the most significant and/or frequent earlier codes to examine large chunks of data (Charmaz 2006). Part of the goal of this process is to determine the suitability of the selected codes to see whether they are analytically appropriate in categorizing the data accurately. The idea is to try to simplify the codes as they relate to the actions of the participants in order to capture, synthesize, and speak to the main themes articulated in the statement. By utilizing this technique, I navigated the interview transcripts by comparing the experiences and actions of the participants. I gained insight needed to refine my codes by comparing the data with the selected codes. Sub-coding or second ordering tags were also used during the first coding cycle to enrich parent codes. These codes are usually used either when the primary code is too broad or when new ideas emerge from the data to further explain the parent code (Miles, Huberman, and Saldana 2014). For example, the term home was frequently used throughout the course of my interviews with troubled homeowners, however, its meaning and significance was constantly changing. So, because the meaning was constantly changing, a more extensive indexing was needed to capture the significance of the term as it relates to the overall objective of the study.

3.20 Trustworthiness of Qualitative Research Studies

In qualitative studies, there are criteria used to test the reliability and validity of a data set. These criteria are different from those used to assess the validity and reliability of the data in quantitative studies,
which commonly seek to generalize their findings by applying results to different environments or people (Steinke 2004). Quantitative objectives such as reliability, validity, objectivity, and generalizability are nonetheless used in a general sense to judge the soundness of qualitative data (Sparkes 2014). During the mid-1980s, Lincoln and Guba developed an alternative set of criteria with their publication *Naturalistic Inquiry* to address concerns about the credibility, dependability, confirmability, and transferability of the data in qualitative studies (Lincoln and Guba 1985; Marshall and Rossman 2011).

3.20.1 Credibility

This term refers to many activities used to enhance the credibility of the data to ensure the researchers reconstruction or representation match those of the respondents. For example, spending a prolonged time in the field enables researchers to establish credibility.

3.20.2 Transferability

Transferability, addresses the issues of generalization on a case-by-case basis. meaning, the researcher has to provide a rich and thick account of the case being studied to allow readers to identify similarities in the case studied and the cases in which the findings might be transferred (Patton 2015).

3.20.3 Dependability

This term addresses the responsibility of the researcher in ensuring that the process of inquiry used in the study was methodical, observable, and well-documented.

3.20.4 Confirmability

In qualitative studies, researchers use audit trails to establish confirmability. Confirmability assesses data collection and interpretation processes so that another competent researcher can arrive at the same conclusion by following the same process and procedures.
Together these concepts are used to assess the trustworthiness of qualitative research studies. These concepts provide qualitative researchers with the tools needed to make legitimate claims about the soundness of their methodological practices. Since this development, an array of strategies have emerged to assess the validity of the data in qualitative research studies. Some qualitative methodologists suggest researchers should employ multiple approaches because not only will they allow one to assess the accuracy of one’s findings, but also will provide the tools to make legitimate claims about the data (Creswell 2014). Several validity strategies were implemented to ensure the information provided by the participants was credible. The following strategies were used to establish the trustworthiness of the data collected:

3.21 Triangulation

Triangulation, commonly refers to the use of multiple data sources to verify the validity of the data obtained by participants in this study (Flick 2007). During the late 1970s, Denzin described four basic types of triangulation:

a. data triangulation, which entails the use of different data sources in a study;

b. investigator triangulation, this refers to the use of different researcher and evaluators for the study;

c. theory triangulation, the use of multiple perspectives to interpret a single data, and

d. methodological triangulation, which refers to the use of multiple methods to examine a single issue. (Denzin 1978)

In the qualitative methodological tradition, triangulation is used as a vehicle to develop a more coherent and comprehensive account of the issues being studied (Greene 2007). Triangulation helps to uncover and report multiple perspectives rather than in the search for a singular truth to the phenomenon under inquiry (Patton 2015). The premise behind the use of triangulation is that each method has its own biases and limitations, which serve to weaken the validity and credibility of the
results found in a study. The suggestion by most methodologists is that researchers should always use two or more methods with offsetting biases to assess the issues being studied because they help to improve the validity and credibility of the results (Denzin and Lincoln 2011). In contrast, some scholars argue triangulation is sometimes misunderstood and that the purpose of using two methods should instead help to add rigor, breadth of complexity, richness, and depth to any inquiry (Flick 2002). The difficulty, as Patton explains, is that various types of data sometimes produce different results because the method used to obtain the data is sensitive to real world nuances (Patton 2002). Having inconsistencies in research findings should not always be recognized as a weakness in the data or the approach used, but instead should lead to a deeper inquiry into the relationship between the methods used to retrieve the data and the issues being studied (Patton 2002). In the context of this research study, triangulation was attained by combing interviewing, observational notes, and the collection of secondary data to cross reference the information obtained. Observational data were obtained in both cities by way of a tour of some of the hardest hit communities and while observing participants during foreclosure court proceedings.

3.22 Member Checking

Member checking is another method used frequently in qualitative research studies (Dalla 2006; Sandelowski 2008). Routinely referred as the respondent validation technique, this method involves the solicitation of participant feedback (Green et al. 2007; Creswell 2014). Some scholars argue that participants have a role to play during the data analysis and interpretation stage of a research study (Mertens 2003; Charmaz 2006). This process entails the researcher meeting or speaking with the participants to share preliminary findings, interpretations, and emerging theories by providing them with unpolished field notes, or rough drafts of a report, to ensure the words used to describe influence of foreclosure policies and advocacy groups are accurately represented (Klenke, Martin, and Wallace 2016). Additionally, Member Checking gives researchers an opportunity to revisit any issues that are
not clear, so they could confirm, check, and create new categories or interpretations that reflect a more accurate and objective account of the subject under inquiry. A common misunderstanding is that the practice is solely used to provide researchers with the green light in regards to the data already collected, rather than using the opportunity to create a collaborative approach to the analysis of the data. Some methodologists argue that researchers should approach the process with a sense of openness to allow critiques of their interpretations to ensure the analysis captures a rich and neutral account of the respondent’s experiences (Green et al. 2007). In this study, member checks were utilized to give previous respondents an opportunity to assess my interpretations of issues or events described during the interviews. The process usually commenced after a partial or full analysis of the primary data has been completed. I met with participants in person or spoke to them over the telephone to acquire feedback on any interpretations or conclusions derived from the data collected to see if it corresponded with their accounts. A procedure known in qualitative studies as interpretative validity (Altheide and Johnson 1994; Onwuegbuzie and Tedlie 2003), member checking was also used in a continuous fashion during the primary data collection phase of this study. For example, any issues, processes, or emotions that arose in one interview were also discussed in subsequent interviews to obtain multiple perspectives on the problem or a specific area of interest that was vital to the overall objective.

3.23 Prolonged Engagement and Persistent Observation

Spending enough time in the field was another method used to enhance the credibility of the data collected in this study. The assumption is that more time spent in the field increases the ability to understand of the phenomenon under inquiry (Pitney and Parker 2009; Creswell 2014). Lincoln and Guba (1985) argue that spending enough time at your research site is very crucial to establishing trustworthiness. To enhance the credibility of the data collected, I spent an extensive amount of time in Chicago and Jacksonville. I spent eight weeks in Chicago and six weeks in Jacksonville for a total
of 3.5 months spent in the field. I built sound relationships with the participants, which in return allowed me to gain their trust. My time in Chicago provided me with a strong foundation and a wealth of knowledge on some of the issues to begin comparing the two geographies while also remaining open to other influences. Developing a rapport with the participants in Jacksonville took bit more time and effort because I did not have an established network in the city. I visited Jacksonville four months prior to commencing my field work to establish a network of contacts by meeting housing counselors, community development corporation workers, and city staff that were working closely on the issues. The rationale for selecting these groups of participants was strategic. The assumption was that these groups of participants would assist me to understand the landscape and identify other potential contacts suitable for the study. In addition, the meetings with the housing counselors and community organizers gave me an opportunity to introduce myself and the research I was seeking to do in the community.

To develop a sound relationship with the respondents, I participated in several community events, demonstrations, and weekly foreclosure support group meetings at the Chicago Anti-Eviction Campaign (CAEC) and the Northwest Side Housing Center. I attended court with some of the homeowners that participate in the CAEC weekly community meetings. Having this intimate experience not only gave me the opportunity to support troubled homeowners, but also provided me with some invaluable insights on the struggles and stresses involved in the fight to keep their homes. In Chicago, I participated in an anti-foreclosure demonstration outside the home of Freddie Mac’s regional director. Several groups in Chicago, including the CAEC and other agencies across the Midwest, organized a day of action to call attention to the ways in which foreclosures have destroyed families and affected entire communities. Together, these groups demanded Freddie Mac and the FHFA to place a moratorium on foreclosures to keep more families inside their homes and avoid a life of homelessness. I was also fortunate to get a tour of some of the hardest hit communities in
Chicago and Jacksonville. Together these opportunities helped to improve the trustworthiness of the data and to provide invaluable insights into the life of those struggling to keep their homes.

3.24 Negative Case Analysis

Negative case analysis is another analytical tool used in qualitative studies. Some scholars regard Negative Case Analysis as one of the best ways to verify the results of qualitative data analysis and interpretation (Lindlof and Taylor 2011). The way it works is that as the researcher begins to create categories, more data are collected to support the creation of these categories. Sometimes a researcher will encounter cases that counter their explanations for the categories already created, which is known as a negative case. Qualitative researchers use negative cases analysis to develop an explanation for why the anomaly occurred and to learn more about the conditions that give rise to its occurrence (Gibbs 2007). Researchers would then return to the field to collect more data to explain the irregularity, which in some cases can lead to a revision in the definition of the category and an expansion of the exploratory scope of the study. Negative case analysis could potentially be used to justify the development of new categories to explain the differences in the findings. Some scholars suggest the presentation of contradictory evidence to provide the readers with a more realistic and valid account of the issues examined (Marshall and Rossman 2011). In the context of this research, negative case analysis was used when informants presented evidence that conflicted with the viewpoints of other respondents. For instance, during the data collection stage, I found homeowners who decided to walk away from their home rather than putting up a fight to keep the property. The discovery countered my earlier findings that most homeowners were emotionally attached to their homes and were willing to do almost anything to keep their homes; however, some homeowners were able to separate their emotional attachment to the home and cut their losses. Using negative case analysis, I could broaden my exploratory scope to inquire more about this discovery to explain why it occurred and the conditions that helped to produce its occurrence.


3.25 Ethics and Positionality

My position in these communities—as a researcher, doctoral candidate, African-Canadian, renter, and a community volunteer—offered several opportunities during my research, though it also entailed some key limitations that possibly influenced the research study. Some of these concerns have been at the centre of debates among feminist scholars regarding the power dynamics between researchers and their informants, and its influence on shaping the results of qualitative studies. To address these concerns feminist and poststructural geographers introduced the concept of positionality in human geography during the early 1990s to aid scholars in learning how to interpret the world around them from different social positions (England 2017, 1). Geographer Kim England asserts that positionality and the biography of the principal investigator play a pivotal role in the research process, in the field, but as well during the writing stage of the study (England 1994). Positionality typically denotes how researchers come to understand a phenomenon or issue, including the variety of ways knowledge is interpreted. On other hand, positionality tends to restrict the flow of certain insights that could possibly be valuable to the research study (England 2017). Additionally, the power dynamics between researchers and their participants, geographer Beverley Mullings (1999) mindfully points out, has the tendency to shape our interpretations and representation of the knowledge acquired from the field (Mullings 1999). Mullings adds much of the debates surrounding these power imbalances have concentrated on the overwhelming power of researchers in contrast to their participants, a dilemma that simply illustrates the discipline’s obsession in studying the lived experiences of members of economically oppressed communities. Some scholars subscribe to the notion that power occupies a fixed position during research. Occupying such positions tend to limit the fluidity in the power relations between researcher and their participants (Mullings 1999).

Drawing on my research, I felt my gender, race, age, educational background, and assumed class position played a pivotal role in the types of interviews I could secure, but as well the types of
responses I was able to elicit. During my fieldwork, I encountered on a number occasions that my position as a male influenced the research process and determined whether I could secure certain interviews. Fellow geographers have engaged in some highly contested debates which suggest this experience was not unusual (Schoenberger 1992; Herod 1993). For example, in Chicago and Jacksonville, there were several occasions where I was not permitted to conduct one-on-one interviews with married women in the absence of their husbands. Such a dilemma I believe might have affected the type of responses received during the interviews, which tends to silence and minimize a woman’s experiences and thoughts on how she coped with foreclosure. In certain settings, I felt compelled to suppress parts of my identity to gain the trust and respect of some of my participants. As an outsider and a person of African descent studying foreclosures at a Canadian university afforded me a lot of privileges during some interviews, especially with the lawyers and executives at housing counselling agencies. Housing counselors regularly expressed their admiration and respect for the work that I was doing documenting some of the factors influencing foreclosures in African-American communities. But also the recognition of their work in shaping foreclosures in these places. More specifically, I felt the relationships with counselors were developed based on our shared knowledge of the crisis and our supposed expertise as to the origins of the foreclosure crisis, which some counselors blame homeowners for creating. This interaction, in turn, enabled me to develop what Mullings describes as an “empathetic understanding of the situatedness of those from whom I sought answers” (Mullings 1999, 341). Navigating the landscape as both an insider and outsider enabled me to gain the trust of some counselors, which in turn gave them comfort to provide more open and candid responses about their feelings towards distressed homeowners. In some cases, counselors were quite critical of the financial behaviours of some homeowners, suggesting they should stop blaming the banks and instead, “… take certain responsibility and stop saying predatory lending. The borrowers themselves have to accept it” (interview with a housing counselor, Chicago, July 2014). This controversial viewpoint
caused a lot of distressed homeowners not to trust housing counselors, as they feared they were being judged unfairly. As such my relationships with the counselors posed a serious threat of alienating me from other participants in this study who have lost faith in the political system and the foreclosure process. Being an outsider did not always afford me the same privileges across the landscape. As an outsider interviewing certain counselling agencies, I was regularly met with distrust due to their suspicions I was actually working with the Department of Housing and Urban Development investigating their organizations. For instance, in Jacksonville, one counselor requested my passport and student identification to substantiate my identity. The same scenario also transpired during my first interactions with Chicago Anti-Eviction Campaign (CAEC) as they feared I was attempting to infiltrate their organization seeing that many in the legal and political community were not in favour of their radical tactics.

As a black male interviewing homeowners in predominately African-American communities, I did not believe my identity automatically afforded me insider status as some outsiders would claim. My status as a doctoral candidate at a Canadian university led some homeowners and others to draw assumptions about my class position and other conclusions in regards to my upbringing, which were far removed from their everyday realities. Even though I was a struggling graduate student, my educational attainment cast a different portrait, which showcased my potential upward economic mobility. Such identities led some homeowners to become cautious and suspicious over my presence in the community. As researchers, we can always make attempts to circumvent certain aspects of our identity, but this practice is not always in our control. Mullings notes that interviewees may become selective or less candid about the information offered during interviews based on their perception of the researcher (Mullings 1999, 346). Seeing that foreclosure was a private matter, some homeowners feared their actions during the process would be judged or misinterpreted. Due to these circumstances, I frequently negotiated certain aspects of my identity so that I can gain the trust and confidence of my
participants so they could feel comfortable in openly sharing their experiences with foreclosure. During interviews, I constantly regulated the type of information I shared about my identity with homeowners, executives, housing counselors, and attorneys, so as to gain access to their world and experiences. For example, I regularly emphasized certain aspects of my identity such as my educational accomplishments and shared knowledge about the causes of the crisis during my interviews with some of the executives at housing counselling agencies. These qualities, along with my presumed lack of knowledge of the housing counselling industry, regularly prompted executives to open up and provide me with their honest opinions about some of the flaws in the foreclosure mitigation process and the government’s response to stem the crisis. In my encounter with homeowners, I made every effort to suppress my educational accomplishments to help avoid any confusions about my class position. As the principal investigator in this study, it was vitally important that I did not subscribe to the insider/outsider binary because, as Mullings explains, such an approach “… ignores the dynamism of positionalities in time and through space” (Mullings 1999, 340).

Mullings adds:

… to acquire information that faithfully represents the real world, researchers must often seek, what I will refer to as positional spaces, that is, areas where the situated knowledge of both parties in the interview encounter, engender a level of trust and co-operation. These positional spaces, however, are often transitory and cannot be reduced to the familiar boundaries of insider/outsider privilege based on visible attributes such as race, gender, ethnicity or class. (Mullings 1999, 340)

My age also influenced the level of openness of participants. Due to my youthful appearance, several homeowners felt the need to adopt a paternalistic attitude during the interviews or initial interactions in which they could not be completely open in regards to some of the struggles they faced during foreclosure. For some homeowners, it was as if they were my parents and should be setting better
examples for members of the younger generation like myself. Attitudes like this typically entailed frequent lines of questions about my age, marital status, or whether I had a family, all questions I believe were meant to establish a common ground between myself and the participants in order for me to sympathize with some of the decisions they made during the foreclosure process.

Kim England argues knowledge is “partial, situated, and power-laden” (England 2017, 1), but also our position in time and space will always dictate how we interpret the world around us and the knowledge we construct. Upon reflection of my preliminary findings, this was very much evident, especially in the way I viewed financial literacy. England notes, “When conducting research, our values and location in webs of power frame what we take to be ‘facts,’ how we develop a particular research strategy, and what research questions we ask and what we ‘see’ when exploring those questions” (England 2017, 1). For this reason, I also fell for the trap of financialization, which severely undermined my ability to interpret the financial decisions of distressed homeowners during the foreclosure process objectively. More specifically, my bias towards financial literacy and the adoption of “sound financial behaviour” conflicted with my ability to interpret the decisions of homeowners to remain inside homes with negative equity. As someone who rents and being from Canada, I was unable to appreciate fully the cultural and symbolic significance of homeownership for African Americans in both Chicago and Jacksonville. The home was not just a physical structure that provided shelter, but rather represented a symbolic victory for African Americans after facing years of racism and discrimination in the housing market.


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Chapter 4: Losing a Home to Foreclosure

4.1 Introduction

Since the collapse of the housing market, millions of American homeowners have been forced to walk away from their homes, because they were unable to continue making their monthly mortgage payments. The threat of foreclosures created a high-stress environment for some households in jeopardy of losing their home. The bursting of the housing bubble in 2007 sent the United States into one of its worst financial crises since The Great Depression. In the first four years of the crisis, more than 12.5 million homes were foreclosed (Schwartz 2014). The effects of this calamity rippled widely throughout the country. This crisis had grave consequences for racialized and economically disadvantaged communities as home values declined and families were forcefully evicted from their homes, see Figure 4-1.

Figure 4-1: Vacant Home in Jacksonville. Vacant home with overgrown lawn adjacent to occupied home with manicured lawn brings property values in a North Jacksonville neighbourhood. Jacksonville, Florida August 2014
At the start of the foreclosure crisis, Chicago was one of the hardest hit cities. By the end of 2009, the State of Illinois, along with California, Nevada, and Arizona combined had accounted for 50 percent of all foreclosures filings in the U.S., which totaled more than 1.4 million properties (Blomquist 2010). In the State of Illinois, 131,132 properties received foreclosure notices at the end of 2009, the fourth largest total in the U.S., and a 32 percent increase from the previous year (Realtytrac 2010). A large portion of these foreclosures were concentrated in the Chicago area. For some Chicago area homeowners, the trauma was unbearable. As one homeowners noted: “It was like you worked all your life, to have it all taken away” (Interview with Margaret, Homeowner, Chicago, F, July 2014). It was clear that the crisis had broken the spirits of some Chicago residents, causing some to give up and walk away to start new beginnings. The fear of losing a home caused some homeowners to make sweeping changes in their lives. Some of these changes included, but were not limited to maintaining low-cost but unhealthy diets, forgoing desperately-needed medications, living without electricity for extended periods, and working multiple jobs to earn extra income to afford their mortgage and other bills.

Many texts have been written over the last eight years documenting the effects of the foreclosure crisis. Much of the scholarship has been centered on the global economic implosion and the variety of ways it impacted various institutions and practices. The human element of the crisis has remained vastly understudied by scholars. By solely focusing on the failures of institutions, scholars have minimized the lived experience of those directly affected by the crisis. The crisis did not only cause homeowners to lose their homes, but it also tore apart families. Homeowners lost their jobs at unprecedented rates, which further exacerbated the problems each household was facing. For instance, during the height of the crisis, the Chicago area lost on average 165,500 jobs per year (HUD 2012). Some homeowners felt isolated in their experiences, and were under the impression that they were alone in this predicament. As a result, some homeowners socially confined themselves to the
homes out of fear they would be publically humiliated. But the home was more than just a shelter; it had become a marker of success and their passage into the middle-class (Haynes 2001). In the wake of the current crisis, the home became a source of their ongoing misery.

In this chapter, I will discuss some key findings on the various factors influencing foreclosures in African-American communities in Chicago and Jacksonville. To begin, I will analyze some of the factors influencing a borrower's decision to purchase or use their home as a collateral to borrow money prior to the collapse of the housing market. Next, I will provide a brief history of the racialized policies that precipitated the rise of subprime mortgages and the ongoing foreclosure crisis. In addition, I will examine the regulatory project during the 1980s that gave rise to the creation of subprime mortgages. This context is necessary to understand how and why African Americans became the primary target for predatory mortgages. In the second part of this chapter, I will analyze a borrower's experience with their lender or servicer in acquiring these high-risk mortgage products. I will discuss the acquisition of high-risk financial products, and the misconception that they could lead to living a secure and autonomous life in contemporary societies. I will examine some of the common reasons why some homeowners found themselves engaged in the foreclosure process, as well as the rationale behind their responses to the threat of foreclosure. I will also assess the emotional and psychological stresses homeowners endured and how this may have impaired their ability to seek the necessary assistance required to save their homes. Last, I will discuss the stresses of applying for a loan modification and how the application process acutely affected the way distressed homeowners experienced foreclosures in both Chicago and Jacksonville.

4.2 Buying into the Dream: The Importance of Homeownership

“It was an investment and it was better than getting an apartment. It was cheaper and economical and I got more out of being a homeowner than renting out an apartment.”
Homeownership has long been the primary means for households to accumulate wealth within American society. Owning a home also assumes tremendous cultural weight, which is often associated with achieving “The American Dream.” Through homeownership, many first-time buyers embrace the values of freedom and individualism. Homeowners are graced with a higher social status, which usually translates into a mark of success within American culture. For over 300 years, African Americans have been excluded from achieving the American dream due to racist and discriminatory housing policies set by the government (Yinger 1997; Coates 2014). These housing policies were a cornerstone of state-sponsored racism and the subsequent development of segregated landscapes across the country. By the start of the 1980s, many regulatory reforms were made in the housing and lending industries that permitted blacks and other racialized groups to accumulate long-term wealth.

Subprime lending was introduced to the lending market during the early 1990s, as a lucrative business strategy that expanded lending activities into previously ‘untapped’ markets (Newman 2012). Subprime refers to loans that are made to borrowers with impaired or limited credit histories, and to those with a higher debt-to-income ratio. In Chicago and Jacksonville, some African Americans welcomed the introduction of innovative loan products. For most of the homeowners interviewed in this study, the home provided a new vehicle to begin building wealth and investing in their long-term financial future. Additionally, it allowed homeowners to display their commitment to the community, city, and state, and the overall financial wellbeing of the country. For others homeowners, the home represented stability, which was essential in raising a family. While there are no conclusive studies to suggest it is better to raise a child in a house rather than in an apartment, many American households subscribe to this idea of the American Dream: that all Americans should strive to own their homes (Dickerson 2014). The idea of renting is deemed not to be ideal because of the little security it provides; some are under the impression that tenants live at the mercy of their landlords, in constant fear that a landlord can evict them or their families at any moment.
For instance, one homeowner recalled several moments during his childhood where he was disciplined regularly for playing in his family's apartment because his mother feared they would be evicted for disturbing other tenants. As a result, some homeowners made it a priority to own their homes to ensure their kids were not exposed to the same lifestyles.

Several participants in this study believed that renting an apartment provided very little security or comfort, even though cities such as Chicago and Jacksonville have tenancy laws in place to protect the rights of tenants. Despite the appearance of the safeguards for tenants provided by law, too many households witnessed friends and relatives fall victim to this frail system of inadequate statutory protections. Residents continued to lose faith in tenancy laws, and homeownership became the de facto housing goal for most Americans. For decades U.S. politicians have gone to great lengths to develop housing policies that reflect this partiality towards homeowners, which by default has influenced many American households to strive to own their homes. Since the establishment of the Federal Housing Authority (FHA) in 1934, homeownership has been touted as low-risk and inexpensive, as compared to renting, and it is perceived as the ideal way to increase household wealth in America (Dickerson 2014; Levitin and Ratcliffe 2014). Some homeowners view the landlord–tenant relationship with disdain and as such see it as an un-American way of life. For decades, property ownership has also been conceived by the government as viable metric for assessing one’s political value and commitment to the country (Blomley 2003; Rohe and Linblad 2014). Owning a home was not just social practice, but also a political activity (Rothstein 2017). For example, out of fear of the Russian Revolution of 1917, President Woodrow Wilson promoted homeownership as a means to defeat and discredit communist ideology (Rothstein 2017). The idea was that citizens who owned their homes would become invested in the capitalist system and reject communist beliefs. U.S. housing policies have supported this notion considering its implicit biases towards homeowners, while stigmatizing renting (Goetz 2007). The following quotations are illustrative of this belief:
Herbert Hoover: A family that owns its own home takes pride in it and has a more wholesome, healthful, and happy atmosphere in which to bring up children;

Lyndon B. Johnson: Owning a home can increase responsibility and stake out a man’s place in his community;

Clinton/Gore campaign: Homeownership and decent housing are an essential part of the American Dream;

George H. W. Bush: ...Part of being a secure America is to encourage homeownership. So, somebody can say, this my home, welcome to my home. (Green and White 1997)

The belief among policymakers was that renters were irresponsible, unstable, transient, and their housing tenure contributed to the degradation and instability of the community (Dickerson 2014). U.S. housing policies reward homeowners with greater autonomy and control over planning-related decisions on land use developments in their community and on the type of occupants permitted to reside in the neighborhood. Nicholas Blomley points out, “Property’s ‘bundle’ of rights includes the power to exclude others, to use, and to transfer. Such rights are enforceable, whether by custom or the law” (Blomley 2003). These powers usually translate in the form of voting privileges, which were not granted to renters or racialized people. For example, between 1930 and 1970, several American communities voted in favour zoning ordinances and the enforcement of restrictive covenants to block racialized groups from residing in their neighborhoods (Rothstein 2017). Renters were regarded as second-class citizens and since then it has been in the minds and hearts of most Americans.

By the early 2000s, the home became the primary investment vehicle for blacks not only to begin building personal wealth, but to assist in providing security and an autonomous life. Homeownership became the signature of the neoliberal government. Homeowners and prospective buyers were led to believe the cost of homeownership was a low-risk or a risk-free investment. And that housing prices will continue to rise allowing homeowners build equity and later cash out by selling
the home to supplement their lifestyle or acquire another home for the same purpose. The promise of homeownership, Paul Langley says, “… makes the individualization of responsibility for security and freedom not just acceptable but welcomed and appealing” (Langley 2007). For some African American households, the home was never an investment vehicle, rather as one homeowner explains, in her experience homeownership was “… stripping of wealth quite frankly.” The hardship of foreclosure was nothing African-American homeowners could anticipate. Yet, as former President, Barack Obama entered his second presidential term, there was a dramatic shift in his message on homeownership. Although homeownership was still a top priority, President Obama was keen on advocating for more responsible homeownership, rather than solely encouraging ownership and simultaneously denouncing renting. For example, during a speech in 2013 at Phoenix High School, President Obama expressed a great deal of empathy for those who lost their homes to foreclosure during the housing crisis and spoke about the importance “… for us to encourage homeownership, but a lot of people rent and there’s nothing wrong with renting. And we got to make sure that we are creating affordable opportunities when it comes to rental properties” (Secretary 2013). While President Obama’s speech seemed sympathetic, it was aligned with the neoliberal discourse which has repeatedly sought to obscure the roles of the main culprits behind the cause of the crisis. Rather than advocate for tighter regulations to restrict the autonomy of markets, the government instead uniquely positioned itself in a supervisory role to help promote and shape self-disciplined financial subjects.

In the *Everyday Life of Global Finance* by Paul Langley brilliantly points to how this behaviour also coincided with the growth of property television shows such as *Flip The House, Income Property* and *Property Virgins* in the U.S., which have become complicit in forwarding the neoliberal market philosophy by encouraging viewers to ‘trade up the housing ladder’ and maximize the return on their investment (Langley 2008). Langley discusses the changing nature of homeownership, which suddenly
transformed into an entrepreneurial exercise encouraging homeowners to become creative in viewing the home as an investment vehicle to provide them with the financial freedom they desire. In fact, the strategy has explicitly made its way into government initiatives of other countries like the U.K. (Langley 2008). In a 2005 government initiative called “Homebuy,” to extend homeownership, the government called citizens to think creatively and envisage the home as more than shelter, but also an asset to build wealth (Smith 2008c; Langley 2009). In the U.S., had President George W. Bush advocated for the creation of an ownership society by way of homeownership and other market orientated participation (Squires 2012). Within this ownership society, full citizenship could not be achieved without homeownership and as such many aspired to becoming homeowners.

German philosopher Georg Wilhelm Friedrich Hegel points out that property is not just conceived as an instrument in satisfying our needs, but supersedes and replaces the subjective phase of personality (Hegel, Wood, and Nisbet 1991). Sociologist Karen Lacy explains, “the ability to prioritize purchase and spend responsibly is a second dimension of the middle-class blacks’ definition of their status. No single purchase is more important than buying a home.” From a class perspective, these status markers are vitally important because they help to distinguish fiscally responsible and irresponsible consumers or, as Lacy describes, “the fiscally shrewd middle class from the lower class” (Lacy 2007). In other words, this was another mechanism used by black households to discard any racial stereotypes tied to the colour of their skin and to distinguish themselves from the working poor. Homeownership aided the American neoliberal machine in concealing the racism embedded within policy reforms, while promoting a deracialized society where racism can no longer be blamed for one’s economic inferiority or misfortunes. By positing homeownership in this fashion, American lawmakers in concert with the private sector have been able to eradicate race from the neoliberal discourse (Duggan 2003; Davis 2007). Dana-Ain Davis describes this erasure as muted racism that deploys the use of coded languages to inscribe racial meaning to an entire group in the absence of any direct
Homeownership provided a great cover for this hidden agenda as it offered borrowers the myth of believing they were living in a post-racial society as this new window of opportunity would permit them to begin accumulating wealth and live the American Dream. An ongoing problem, Catherine Squires notes:

... obfuscates the continued oppressiveness of institutional racism by highlighting individual-level identity choices, thereby dovetailing with neoliberal discourses that place the blame for continuing racial and economic inequalities on individuals who, ostensibly, just made the wrong choices for themselves and/or their families. (Squires 2012, 545)

In the following section, I present several case studies covering a range of issues from the motivations to purchase a home to some of the critical factors influencing foreclosures in African American communities in both Chicago and Jacksonville. Pseudonyms are used to protect the identity of the homeowners who participated in this study. Below is a list and brief descriptions of the homeowners that will be presented in the case studies:

### 4.3 Homeowners Experiences

**Table 4-1: List of Homeowners in Jacksonville**

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Marital Status</th>
<th>Occupation</th>
<th>Location</th>
<th>Saved or Lost Home</th>
<th>Type of Assistance Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>George</td>
<td>67</td>
<td>Married</td>
<td>Teacher</td>
<td>Jacksonville</td>
<td>Saved</td>
<td>Housing Counselor</td>
</tr>
</tbody>
</table>
| Frank & Sandra | 54 & 53 | Married | Frank: Business Development
Sandra: Customer Service | Jacksonville| Saved              | Housing Counselor           |
| Naomi      | 27  | Married        | Waitress                                  | Jacksonville| Saved              | Housing Counselor           |
| Vanessa    | 44  | Divorced       | Government Services                       | Jacksonville| Lost               | Housing Counselor           |
| Roxanne    | 45  | Divorced       | Business Owner                            | Jacksonville| Saved              | Housing Counselor           |
| Beatrice   | 64  | Divorced       | Truck Driver                              | Jacksonville| Saved              | Housing Counselor           |
| Louise     | 45  | Divorced       | Business Owner                            | Jacksonville| Lost               | Housing Counselor           |
| Bernadette | 59  | Married        | Retail Supervisor                         | Jacksonville| Saved              | Housing Counselor           |
| James      | 49  | Married        | Full-time Pastor                          | Jacksonville| Lost               | Housing Counselor           |
| Thomas     | 55  | Married        | Firefighter                               | Jacksonville| Saved              | Housing Counselor           |
Between Chicago and Jacksonville, there were few differences in a homeowner’s motivation to purchase homes during the housing boom. Homeowners in both cities believed renting was not a good investment and offered little security to tenants. The following section describes some of the most common reasons that fueled a homeowner’s decision to purchase a home.

4.3.1 No Security in Renting

When you’re living in apartments or even when you’re renting you are paying someone all this money every month and then all of a sudden they can come and kick you out and all that money is gone.

(Interview with Bernadette, Homeowner, Jacksonville, August 2014)

For some, home ownership provided a sense of stability that could not be achieved through renting. Homeownership provided property owners with the freedom to decide how they were going to live, greater security and higher social status. In American society, renting has long been characterised as an un-American way of life or as a failure to optimize one’s true potential in becoming a homeowner (Ham 2012). In both Chicago and Jacksonville, over half of the homeowners interviewed reported

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Marital Status</th>
<th>Occupation</th>
<th>Location</th>
<th>Saved or Lost Home or Limbo</th>
<th>Type of Assistance Received</th>
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<td>Single</td>
<td>Volunteer</td>
<td>Chicago</td>
<td>Limbo</td>
<td>Grassroots Organization</td>
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</tbody>
</table>
that renting offered little security, which is why they decided to purchase a home. Renting did not provide the same long-term stability or security as homeownership, according to all the homeowners interviewed in this study. As a tenant, there is constant fear of being evicted and pushed into a state of homelessness. At the end of each lease term, there is a growing risk landlords will not renew a lease or, even worse, decide to increase your rental payments. As a result, tenants continuously found themselves in limbo because they were unable to predict the outcome of their tenancy once the lease expired. In most major cities, except for properties protected by rent control, property owners reserve the right to raise future rents. The unpredictable future rental increases create problems for tenants attempting forecast their monthly expenses for the upcoming year. Consequently, some renters found themselves in situations where they either had to cut back on other expenses or move to reduce their monthly housing costs. In contrast, homeowners enjoyed a relative sense of stability as they could predict their monthly expenses, assuming there were no unforeseen disasters or fluctuations in the interest rates charged on the mortgage.

4.3.1.1 Chicago Experience

In Chicago, Oscar viewed homeownership as providing, “… stability for the family and you’re not moving all over the place.” As a child growing up in Chicago, Oscar recalled moving every three years or so and having to change schools on several occasions. He remembered this being a difficult time for not only himself, but also for his mother who was a single parent. Oscar wanted to provide a better life for his children and believed homeownership would offer that stable environment. Eric also believed renting did not offer much security or stability for his family. Eric was in constant fear that landlords would evict his family from their unit due to disturbances caused by his children, with the consequence of having to find somewhere else to live. Eric explains:

We had a child and he was three years old. I got tired of saying to him that we live above someone. Don’t walk. Don’t do this. You could do whatever you want when we own our own
home. Now, I don’t have to worry about my child making noises. This is what we call the American Dream. You had your own little castle, your own little piece of land. … You have privacy. (Interview with Eric, Homeowner, Chicago, M, June 2014)

In some cases, tenants feared that their landlord would increase their rents to an amount that would be no longer be affordable. For example, Janice, a tenant in Chicago was nearly evicted after her landlord attempted to increase her rent by 328.57 percent, when her mother passed away. Janice’s mother previously owned the home; however, due to the cost of treatment during her battle with cancer, the home went into active foreclosure. The Chicago Anti-Eviction Campaign intervened and pressured her lender to donate the property to a non-profit organization, so Janice and her mother could remain inside the home. Less than one week after her mother died, the landlord advised Janice they were increasing the rent from $350 to $1,500 per month, and threatened to evict her if she did not pay the new rental cost. Janice could no longer afford the increased rent amount on her single income. This experience caused Janice to believe there was greater value in homeownership than renting. She explains, “I need to own my home. I’m tired of renting from someone else and I wouldn’t have to go through all this hassle that I’m going through right now” (Interview with Janice, Tenant, Chicago, July 2014).

4.3.1.2 Jacksonville Experience

Some homeowners in Jacksonville believed homeownership provided greater stability than renting. Beatrice from Jacksonville shared a similar sentiment in regards to renting, though her concerns were largely confined to the unevenness in the relationship tenants share with their landlords. Beatrice despised the idea of anyone telling her how to live or what she could do in a home where she was paying to reside. Beatrice did not like renting because, in her view, she was paying someone large amounts of money each month and then suddenly, they could come and evict her. In Beatrice’s view, with respect to homeownership, “you’re paying for it, but it’s something that you can say is yours. If
you keep paying, it will eventually be like a car. It will be yours” (Beatrice, homeowner, F, August 2014). Likewise, Frank and Sandra, believed one of the benefits of owning a home was that it offers stability to families:

… You are not moving all over the place. You don’t have to worry about someone kicking you out, if you don’t make your payments at some point in time. For the most part, you take care of your business and it’s yours. (Interview with Frank, Jacksonville, August 2014)

Louise, a former business owner, believed there was greater value in owning a home than renting. For Louise the home, “… was an investment and it was better than getting an apartment. It was cheaper and economical. I got more out of being a homeowner than renting an apartment.” Thomas, another homeowner from Jacksonville, echoed a similar message, suggesting that renting did not offer any long-term security. Thomas explains, “I don’t want to be paying rent for the rest of my life. Now I’m paying a mortgage for the rest of my life, but at least one day I might live long enough to own it” (Interview with Thomas, Homeowner, M, August 2014). For George in Jacksonville, homeownership, “was the American way of life. You are not a complete person, at least you tend to feel like you’re not a complete person unless you own property or you own a home.” George’s comments reflect a common narrative that pervaded the minds of certain households in both Chicago and Jacksonville, especially during the housing boom. George notes with renting,

you don’t have that sense of privacy and we wanted that for our children because we had one son at the time and wanted him to grow up in a home. With the financial abilities that we had we just wanted our own place. (Interview with George, Homeowner, Jacksonville, M, August 2014)

Not everyone in Jacksonville believed homeownership was the better option. James, a former pastor and homeowner in Jacksonville, no longer believed homeownership was a better option than renting after he sold his home in “short-sale” to avoid foreclosure. Short-sale occurs when a homeowner sells
the property for a price below the value of the mortgage and provides the lender with the proceeds of the sale, which may then be used to forgive the remaining outstanding balance on the mortgage (Schwartz 2014). After nearly losing his home to foreclosure James admit buying a home was a mistake. James notes the idea of homeownership was, “buying into the fallacy of the American dream and putting something aside. Having a tax write off for owning your home. Why pay rent when you could own? (Interview with James, Homeowner, Jacksonville, M, August 2014).” James says some homeowners fell into the trap of miscalculating the total cost of owning a home, which is why some believe that it is less expensive than renting. James notes,

  A lot of people don’t realize that owning a house might not be in their best interest because you got to be able to upkeep a house, plus pay your mortgage and taxes … people don’t think about the maintenance of the household. They only think about just paying their mortgage.

  (Interview with James, Homeowner, Jacksonville, M, August 2014)

As a result, James sold his home after realizing he could not afford the carrying costs to maintain the home. James explains,

  I think most people would say that the typical American dream is that you have your own home … but that has changed. … Right now, for me it’s to provide a safe environment for my kids to live in, whether that is a rental or purchased property or whatever that may be, but provide a safe environment for my kids to grow up and develop and my family to flourish. That’s my American dream. (Interview with James, Homeowner, Jacksonville, M, August 2014)

4.3.2 Homeownership as a tool for intergenerational wealth

  “It was an investment and it was better than getting an apartment. It was cheaper and economical. I got more out of being a homeowner than renting an apartment.”
Purchasing a home provided a sense of ownership and an opportunity to build wealth through the accumulation of equity. Home ownership was revered as the best investment a household could make in their lifetime (Ham 2012). The home was no longer envisaged as a place that provided shelter, security, and shielded families from environmental elements. Instead, the home was recalibrated as an leveraged investment (Langley 2008). The idea that housing prices would continue to trend upwards helped fuel an out-of-control housing boom (Harvey 2010). For some black households, homeownership offered a sense of hope in finally achieving the American Dream.

Thus, home ownership took on heightened importance as a symbol of middle-class status and respectability. The quest for homeownership, a tradition in post-Emancipation African American Culture, is part of the broader historical search for political autonomy and economic independence. (Haynes 2001, 14)

Members of the black community were excited about the social and material benefits that accompanied homeownership, especially the opportunity for intergenerational transmission of wealth to their children. The home was something that essentially became a part of a family’s legacy and later passed down to future generations. For this reason, the home ascended to what Paul Langley describes as “good debt” and not “bad debt” when compared to other financial instruments such as credit cards (Langley 2008). The withdrawal of social welfare policies, coupled with the rise of precarious employment, led African Americans to become increasingly dependent on debt for survival in this neoliberal environment (Mahmud 2012). Neoliberalism is an umbrella term used to denote the expansion of markets and dismantling Keynesian welfare policies in favour of those that promote, and support entrepreneurialism and competition (Peck and Tickell 2002; Peck 2017). For over three decades, scholars across various disciplines have widely used the concept to explain the growing wealth gap between blacks and whites (Oliver and Shapiro 2006). Neoliberalism has undermined the progress of many racialized communities (Roberts and Mahtani 2010; Viswanathan 2010), especially African-
American and Latino communities, considering the endless racism and discrimination they have endured while attempting to own property (Wyly et al. 2012). As a result, scholars have documented the vast inequalities it has produced and reproduced over generations (Jenkins and Maynard 1983; Henretta 1984; Shapiro 2004). According to the literature, white families stand to gain the largest benefit from intergenerational transfer of wealth, which over the years has enabled them to create a safety net in the event of a financial calamity (Lacy 2007).

In most racialized and economically oppressed communities, home equity represents a large share of household wealth. More specifically, it represents more than 50 percent of their household wealth (Dickerson 2014). Renters, on the other hand, are unable to access these material benefits as they were unable to accumulate any equity. As such, renters cannot develop any financial stake in a property. Homeownership provided a great deal of flexibility to homeowners in unlocking the equity in their homes. For example, homeowners are permitted to refinance their loans to lower their monthly payments. Renters are not afforded the same luxury because they are unable to refinance their rental payment to reduce their monthly expense or move before the expiry of their lease. As a result, the law binds tenants to remain in their rental unit. Another benefit of owning home is the ability to use the home as a collateral to secure bank loans to pay for their children’s post-secondary tuition or to acquire capital to start up a business. A common theme promoted through neoliberal thought is that homeownership develops responsible agents that invest in the market to enhance their quality of life; however, for some African American homeowners, the home was more than a leveraged investment vehicle. The home also served as a social navigation tool that enabled African Americans to gain access to certain spaces and opportunities that would otherwise be out of reach (Lacy 2007). In some cases, homeownership afforded black households access to better amenities, better jobs, and schools for their children. In other instances, the home is used to secure a certain standard of living.
or project one’s class position, which Oliver and Shapiro argues helps to create or reinforce class identities (Oliver and Shapiro 2006).

4.3.2.1 Chicago Experience

In Chicago, homeowners were concerned about the transfer of intergenerational wealth. For example, Oscar had planned to use the equity in his home to help pay for his children’s post-secondary tuition before all his foreclosure related problems. Home ownership gave most families the opportunity to download the wealth accumulated in their home, so their kids would not have to struggle to pay for school or a home, something Oscar contends would not have been possible if he did not own is his property. For other homeowners, like Esther, a 91-year-old widow, owning a home was about solidifying her family’s legacy and to make sure the home could be passed down to her grand kids, so they too would not have to struggle to purchase a home.

4.3.2.2 Jacksonville Experience

Homeowners in Jacksonville were not so keen on intergenerational wealth. Instead, most homeowners in Jacksonville were concerned about providing a safe, secure, and stable environment for their family.

4.3.3 Life-Cycle Concept and its Impact on Housing Tenure

“As a person who’s ageing, I was told that homeownership was a way to kind of secure a better future for myself. Have an investment. It’s supposed to be stable and secure.” (Interview with Laura, Chicago, July 2014)

For homeowners, the home symbolized growth and maturity, which have been continuously linked to the life-cycle concept scholars have used historically to explain people’s occupancy choices and the need for space (Rossi 1955; Pattillo-McCoy 1999). The concept adopts a linear progression model to explain a person’s tenure behaviour through a series of stages that can be defined by one’s family size, age, and the presence of children (Rossi 1955). For example, Laura, a middle-aged, single woman on the Southside of Chicago recalled having many doubts about her life trajectory during the early parts
of her thirties because she did not own her home. Although she was not married and had no children, she still sought stability through homeownership despite her lack of household commitments. A common misconception in the study of housing behaviour is that a search for stability can only arise from household commitments, when in fact it could also coincide with ageing. Studies have now shown that as a single person gets older, they begin to consider the purchase of a home to establish a stable household (Feijten, Mulder, and BaizÁN 2003).

4.3.3.1 Chicago Experience

In the context of Laura, buying a home provided her with a rite of passage to adulthood, but also enabled her to project her claims as an active citizen. Since Laura became an adult she had always lived with another family member. As the youngest of all her siblings, Laura was determined to make the right choice by purchasing her first home. Prior to purchasing her first home, Laura resided with her older sister who owned her home and encouraged Laura to do the same before the “bubble burst.” Like most Americans, her sister despised renting and discouraged anyone within her social network from renting because she believed it was a waste of money (Ioannides and Rosenthal 1994; Dickerson 2014). Laura felt a lot of pressure to purchase a home from everyone around her, though she was concerned about her readiness to become a homeowner. Despite these underlying concerns, Laura was not convinced renting was in her best interest financially. Laura says,

> I felt a little pressure because I didn’t want to get an apartment. I knew that wouldn’t provide anything for me. I would be paying rent. I would probably be paying a lot of rent and I figured what I would be paying for rent would be $800 and up. I could be in a decent place and I could be in a home of my own. (Interview with Laura, Homeowner Chicago, F, July 2014)

Laura explains she bought her home in 2007 because she, “was looking for opportunities to mature and grow up.” Curtis also felt the need to purchase a home as he was getting older. Curtis notes, “I think at the time that I bought it was kind of like the thing. I’m getting older, I should own a property.”
Curtis felt he would have paid roughly the same amount in rent for the kind of space he currently resides in and did not want to continue paying rent for something he would not own in the foreseeable future.

In other circumstance, the birth of a child motivated some households to purchase a home. For instance, after Margaret and husband had their first child they believed it was time for them to own a home and no longer rent. Like some homeowners in Chicago, Margaret and her husband were not convinced an apartment was the best environment to raise a child. Margaret recalled, “we had a child and we were interested in a nice area to raise our child. It was right across the street from the church and a school. That was the biggest selling point for me.”

4.3.3.2 Jacksonville Experience

In Jacksonville, a small minority of homeowners reported the addition of children compelled them also to purchase a home. For instance, Naomi reported she was raised in a middle-class household that owned their home and desired the same for her kids. Naomi, believed apartments were not the cleanliest accommodation for their children as she notes, “I wasn’t raised in roaches. I was raised neatly, so I wanted to make sure that my kids are raised the same way.” For other homeowners, the mere presence of children was enough to motivate households to purchase a home, especially if they have a large family. Roxanne says her decision to purchase a home was primarily because she had four kids and wanted to make sure they were raised in a home she owned.

4.4 Mortgaging a Dream

During the 1990s and early 2000s housing prices were appreciating at an unprecedented rate, which uniquely positioned some homeowners to accumulate large sums of wealth. Citizens across the United States were vying for a stake in this buying frenzy. To ensure homeownership continued to soar to new heights, the American government intervened by adopting new housing policies to make homeownership accessible to all Americans, regardless of any financial predicaments (Makin 2009;
. In both Chicago and Jacksonville, residents welcomed the new investment as it provided prospective buyers a chance to live their American Dream. It also provided existing homeowners an opportunity finally to unlock the equity in their home to pay off outstanding debts or supplement their retirement income. Yet, most African American homeowners were unaware of the repercussion of their decision to unlocking the equity in their homes through the use subprime mortgages. For first-time buyers, the government wanted this to be a smooth transition from renting to ownership. For those acquiring second mortgages, it provided a new lifeline to achieving financial freedom at the expense of compiling more debt. Ofelia Cuevas explains:

Black and brown people thus entered the market not as home owners but as consumers of debt as commodity. They were cut off not only from the possibility of acquiring any real value or accumulation of wealth but also from the full personhood and freedom held out to them by the promise of home ownership. (Cuevas 2012)

Some African-American borrowers had little knowledge about the products they acquired, and they relied on secondary information from close friends and family, which at times was only partially accurate. During the housing boom, the government grossly underfunded many housing counselling agencies that administer pre-purchase counselling to first-time buyers. Some counselors argue that maintaining this funding could have prevented many borrowers from acquiring these predatory financial instruments. Although the program was voluntary, most homeowners did not attend any housing counselling agency before acquiring these mortgage products. Homeowners were under the impression that realtors and lawyers were making decisions in their best interest.

At the height of the housing boom there was a widespread marketing campaigns to convince people across Chicago to purchase a home. Unlike previous campaigns, which excluded blacks, Hispanics and other racialized groups (Coates 2014), this latest marketing scheme had advertisement in non-traditional spaces such as communities of colour situated on the South and Westside of
Chicago. Historically, these have been communities that have been predominately occupied by African Americans with some neighbourhoods comprising of 90 percent or more blacks. Journalist Ta-Nehisi Coates says that this problem is a mere reflection of the assiduous planning by the city to uphold white supremacy all the way down to the neighborhood level (Coates 2014). This spatial pattern not only earned the Windy City the title as one of the most segregated city in America, but as the home of the creators of modern day segregation (Nightingale 2012; Luhby 2016; Moser 2017).

This distinction is a claim Carl Nightingale widely supports in his 2012 text *Segregation: A Global History of Divided Cities*. Nightengale talks about the importance of timing and how the city’s population exploded during the 1930s when racial and eugenic “science” was gaining popularity, and the fields of sociology and real-estate economics were revealing their potential to separate “race.” This spatial pattern started during the Great Migration where tens of thousands of blacks were fleeing plantations in the South to major industrial centers for more prosperous economic opportunities and a better life (Drake and Cayton 1970; Hirsch 1998; Shabazz 2015). The promises of prosperity waned as blacks were greeted with violence, hostility, and racist housing policies that residentially confined African Americans to an area commonly known as the “Black Belt.” A seven-mile long, one-half mile wide area in the Southside of Chicago has housed a large majority of the city’s black population for nearly a century (Drake and Cayton 1970; Shabazz 2015). Chicago quickly became a laboratory for the entire country by examining a collection of real estate and racial data in order to analyze its effects on property values and communities during the early 20th century” (Nightingale 2012; Lewinnek 2014; Moser 2017). For example, tools such as restrictive covenants were first used in Chicago to segregate the landscape based on race. Segregation, along with other developments, led to what Katherine McKittrick describes as inhumane and uninhabitable geographies (McKittrick 2013). This spatial practice, McKittrick says, “wherein the structural working of racism kept blacks or black culture in place and tagged them as placeless” (McKittrick 2011, 949).
Alongside the development of discriminatory housing policies, the Federal Housing Administration (FHA) was also busy drafting rules to exclude blacks from the housing market. The FHA developed an underwriting manual that warned against the penetration of ‘inharmonious racial groups’ such as African Americans into white neighborhoods (Meyer 2001). The manual states: “if a neighborhood is to retain stability, it is necessary that properties shall continue to be occupied by the same racial classes” (Squires and O’Connon 2001, 3). This practice granted appraisers the legalized means for creating residentially segregated neighborhoods across the country through its property rating system, essentially limiting the supply of housing available to African Americans. Likewise, it illustrated the ways in which public policies and private influences mutually sanctioned the separation of blacks and whites by creating an official hierarchy. U.S. appraisers believed that African American neighborhoods were worthless or likely to decline in value. They were “redlined” and marked as communities that would not be privy to any home loans for purchasing or upgrading a property. As a result, predominately African-American communities have been devalued by those in the financial sector. Cedric Robinson (1983) argues the devaluation of black bodies is not a recent phenomenon, but rather a process that has been taking shape well before the slave trade (Robinson 1983). In Black Marxism: The Making of the Black Radical Tradition, Robinson traces the genealogy of racial slavery to challenge Marx’s and Engle’s thesis on the development of the capitalist society. Robinson developed the concept, racial capitalism, to denote the conditions that give rise to capitalism. Robinson maintains, “the development, organization and expansion of capitalist society pursued essentially racial directions, so too did social ideology” (Robinson 1983, 2). For Robinson, “racism was not simply a convention for ordering relations of European to non-European peoples but has its genesis in the ‘internal’ relations of European people” (Robinson 1983, 2). Therefore, it came as no surprise to learn racism pervaded the structures responsible for the development of capitalism. Robinson’s influential
text has inspired the work of geographers such as Ruth Wilson Gilmore (2007), Bobby Wilson (2002), and Laura Pulido who has borrowed the term racial capitalism to illuminate its close relationship with environmental racism (Pulido 2016, 2017). Pulido assert the devaluation of black bodies, “creates a landscape of differential value which can be harnessed in diverse ways to facilitate the accumulation of more power and profit than would otherwise be possible” (Pulido 2016, 1). The uneven geographies of the foreclosure crisis in African-American communities constitute some of the most recent installments of racial capitalism where the devaluation and dispensability of these homeowners is based on their blackness and their surplus status towards capital. Jodi Melamed asserts “these antinomies of accumulation requires loss, disposability, and the unequal differentiation of human value, and racism enshrines the inequalities that capitalism requires” (Melamed 2015, 77). The decision to introduce predatory loans into racialized and economically oppressed communities should also be viewed as forms of violence against those the financial industry regards as expendable.

By the mid-1990s, banks formed partnerships with government agencies to advocate for more inclusive lending or what David McNally calls “predatory inclusion” (McNally 2011). Major financial institutions began buying up advertisement space on black radio stations and newsprints to market to clients in “underserved” markets and to deliver their message about the importance of homeownership. In some communities, lenders launched advertisement campaigns to dispel the stigma around second mortgages and rebranded them to conceal the instrument’s predatory nature. Susan Smith argues this practice has become greatly linked to consumptive freedom, security, and opportunities in the present, though most notably during retirement (Smith 2008c).

In some communities, pastors and minister in churches were also heard promoting these predatory mortgage products to their congregations. Some senior members in the church went as far to provide their congregations with their preferred mortgage loan specialists at major financial institutions. It was not uncommon for banks to target religious facilities in racialized communities and
forge relationships with them to peddle their shoddy mortgages. For example, in a sworn affidavit, former Wells Fargo Loan officer Beth Jacobson whom at one point was the top-producing subprime loan officer nationally, explained how the black community was regarded, “as fertile ground for subprime mortgages, especially because many working-class blacks were desperately trying to own a property during housing boom” (Powell 2009). Ms. Johnson and her colleagues explained, “We just went right after them,” referring to the African American homeowners and buyers they racially steered into what some members of the unit described as “Ghetto Loans” (Powell 2009). Within the institution, “Wells Fargo mortgage unit had an emerging-markets unit that specifically targeted black churches, because it figured church leaders had a lot of influence and could convince their congregants to take out subprime loans” (Powell 2009). In a more egregious case, the head deacon of the Message of Preach Church in South San Francisco was found encouraging members of the congregation to finance their home purchase through him (Engel and McCoy 2010). In completing their loan applications, the deacon reportedly falsified information and agreed to terms and conditions without the homeowner’s consent for the loan to be approved. Many of the homeowners who were victim to these exploitative practices were not first-time buyers. These homeowners had either previously owned a home and were seeking to purchase a new home, or those who had owned a property for decades and were seeking to acquire a second mortgage to pay off outstanding debts or complete much needed repairs on the property.

4.6 Targeting the community:

During the housing boom, getting approved for a loan or mortgage had never been easier, according homeowners residing in Chicago’s South and Westside neighborhoods. At the height of the subprime boom, it was common for banks to offer mortgages with low teaser rates and nominal down payment requirements. Most borrowers in this study were offered low teaser rates before their interest rates began to ascend. The rates varied with some as low as two percent to as high as eighteen percent for
the first two years. Some borrowers were essentially being paid to purchase homes as they were not required to make a down payment and received loans in excess of the total value of the home. For example, Bank of America’s subsidiary Countrywide, America’s most notorious subprime lender, offered a devious loan product known as piggyback loans which allowed homebuyers to purchase homes without making a down payment (Morgenson 2007). Some of these loans predatory in nature that borrowers were receiving loans that were nearly 100 percent of the assessed value of a home without any documentation to substantiate their ability to repay the loan. This loan product was colloquially known throughout the industry as a NINJA loan (No Income, No Job or Assets) (Van Zandt and Rohe 2011). Interest-only home equity lines of credit were another popular product used to attract residents in racialized communities.

NINJA loans provided homeowners the option of paying only the interest on the principal balance borrowed for the first five or ten years of the mortgage. Some bank executives have blamed borrowers for creating this issue, as they were attempting capitalize on rising property values by selling their homes before the interest-only period expired (Tedeschi 2010); however, scholars have eloquently attributed the rise of these products to the liberalization of financial systems (Peck and Tickell 2002; Leyshon, French, and Signoretta 2008). Structural reforms in the banking industry during the 1980s illustrated a re-articulation of the social contract between the state and its citizens (Harvey 2012). In doing so, the government abrogated many of its regulatory policies that promoted risk-aversion and consumer protection. In place of them were policies that contravene the government initial position which regarded risk has hazardous and should be managed by actuarial scientists (McFall 2007). Policies that empowered markets to forge a new relationship with consumers by taking the government’s place in assisting with things such as long-term financial security. In return, the government was able to individualize risk within society with the assistance of the private sector (Langley 2008).
The adjustable-rate mortgage was a popular loan product used to lure borrowers in racialized communities in both Chicago and Jacksonville (Cowan and Buitrago 2012). Like adjustable-rate credit cards, this product attracted borrowers by offering low teaser rates well below the going market for a period between 12–24 months depending on the terms of your loan and then rates would reset to reflect the current full market rate. (Aalbers 2012; Powell and Rogers 2013; Herbert, McCue, and Sanchez-Moyano 2014). The difficulty for many homeowners was they had no idea they were signing up for an adjustable rate mortgages or understood the interest rate would adjust upwards following the expiration of these low teaser rates. During the late twentieth century, homeowners were educated to view the risk of these products as an opportunity, rather than a detriment to their financial future (Hall 2012).

4.6.1 Chicago Experience

The mass hysteria that characterized the housing boom in Chicago was quite overwhelming for black residents in the South and Westside of Chicago. Curtis, a 59-year-old former paramedic from Chicago recalled, “there was this big push for home development and homeownership in Chicago … there was advertisements on the television and in the newspaper.” For homeowners in the South and/or West sides of Chicago, residents report that the ads were almost inescapable. Curtis remembered, going to his local community centre, “there was always somebody pushing you to own your home.” The pressure was from all directions, including family and friends. To attract prospective buyers, some lenders offered down payment assistance for borrowers who could not afford to provide a twenty percent down payment on a home. According to Curtis,

There were great deals for new home buyers. They had classes. There was a big push. I did attend a first-time home buyers class. If you did, you got even a bigger break on your mortgage. I mean on your down payment. (Interview with Curtis, Homeowner, Chicago, M, July 2014)

Esther, a 91-year-old widow on the Southside of Chicago, had a similar experience where she was
introduced to a predatory mortgage from someone in the community. After Esther’s husband passed away in 1995 she had limited income to support herself and the rental properties she inherited. Esther had several tenants, including her children, who did not pay rent and she began to accumulate a substantial amount of debt due to unpaid bills, fines from the City for building code violations, and property tax arrears. After consulting with the trustee at her church, Esther decided to refinance her loan with their preferred lender, BMO Harris bank. The bank refinanced Esther’s loan and in return she received $350,000 to catch up on her bills and complete much needed repairs in the apartment buildings she owned. Within two years of acquiring the loan, Esther fell behind on her payments and BMO Harris bank successfully foreclosed on both apartment buildings.

Janice, a 75-year-old widow on the West Side of Chicago, remembered her dismal experience with an interest-only home equity line of credit with Wells Fargo bank. Janice terminated the agreement after discovering the principal balance did not decrease. She believed the whole idea was “crazy,” but, unfortunately, at that time, Janice really needed the money to assist her in raising her family, which was extremely difficult after her husband passed away. Interest-only mortgages gained a lot of popularity after 2004 when mortgage rates were rising. Once a niche financial product, interest only-mortgages offered borrowers a relatively less-expensive option to purchasing a home by deferring payments on the principal, typically for the first 10 or 15 years of the loan (Goodman et al. 2008). In two years, interest-only mortgages accounted for 8 percent of all new residential mortgages acquired (Simon 2005). Similar to most homeowners, a family friend introduced Janice to an interest-only home equity lines of credit and explained how good it was and how beneficial it would be. In hindsight, Janice admits she should have consulted someone other than her daughter’s close friend, like a housing counselor, to assist in this decision. Under the stress, she did not know where to turn for help, and her focus at that time was to secure additional funds to alleviate her financial problems. It was common for homeowners to acquire interest-only mortgage products without consulting a third-party agency.
during the height of the housing boom. It was as if there was more fear of not knowing the answers to certain questions about their mortgage or loans than the embarrassment of having your home foreclosed. Janice did not think twice about the risk associated with this type of loan product, largely because she was just “anxious” to get the money. It was becoming abundantly clear that indebtedness was a necessary confirmative feature of the neoliberal entrepreneurial subject. One of these risks included an increase in interest rates which caused borrowers’ monthly payments to skyrocket. In turn, this increase impacted a borrower’s ability to budget or make future financial plans because they had no way to forecast their monthly payments. If the home did not appreciate in value while the homeowner was making interest-only payments, then the homeowner would not accumulate any equity. The lack of appreciation in value created various difficulties for borrowers who later learned they had an insufficient amount of equity to refinance their loans once they were required to repay the principal and interest. Some borrowers complained of being misled to believe they could refinance their loans to lower their monthly payments at the end of the interest-only period. The following statement would have been accurate if home values continued to appreciate as some optimistically anticipated. Instead, home values plummeted across the country.

4.6.1.1 Case Study: Oscar: The Devil is in the Details

Oscar, a 44-year-old homeowner, recalled this dilemma after his family decided to sell their home in a suburb just outside of Chicago and return to the city. Oscar and his family left the city in 2000, because they had small children and wanted to reside in a family-oriented community that was less congested and had more access to parks. Several years later, his wife was hired for a job in the city, and as a family they returned to Chicago to cut down on her commute. Oscar felt like things were improving in Chicago in terms of transit, better access to parks, and more jobs. Oscar sold his home in the suburbs and received a profit of $40,000 after only residing in the home for less than six years. While shopping for a new home in Chicago, Oscar met a realtor whom he found in a local paper ad.
Oscar held her in high regards and commended her for the great work in helping him find a new home. When it came time to get a new mortgage for the new home the realtor introduced Oscar to her preferred broker, which was a typical practice. Oscar did not want to complicate the process and was willing sign a new agreement with Washington Mutual, which was the mortgage provider of his first home. The broker secured a two percent interest mortgage with Countrywide, which was over than the six percent that Washington Mutual was offering. Oscar was so fixated on the lower monthly payments that he failed to recognize he had acquired an adjustable-rate mortgage. Racialized homeowners were attracted by the deceptive low teaser rates, which enabled brokers and mortgage specialists to conceal the true cost of a loan. Monthly payments were kept low to convince borrowers that their mortgages were affordable, which might explain why some prospective homeowners believed renting was relatively more expensive than owning. Quite a few homeowners were convinced they were signing up for a fixed-rate mortgage only to learn they agreed to an adjustable rate mortgage. Oscar noticed his monthly payments began to increase after two years of paying his mortgage. His initial monthly payment was just under $900 per month, but over a seven-year period those payments increased by 98 percent to $1,780. For households operating on a fixed-income, this uncertainty was extremely difficult.

4.6.2 Jacksonville Experience

Homeowners in Jacksonville expressed the ease with which they were approved for the loans. Thomas, a retired firefighter from Jacksonville, recalled lenders were issuing loans without considering a borrower’s ability to repay the loan. In the past, however, Thomas remembered things were a lot different, “I had to bring them [lender] three months of statements or whatever they needed.” Once lending rules were relaxed Thomas describes the process as relatively easy, “you can walk into virtually any mortgage company or any loan company and get a loan.” In some cases, perspective borrowers did not have to leave the comfort of their home to get approved for a loan. Bernadette remembered,
Everything went through the seller [landlord]. … We didn’t even go to any closing meetings or anything like that. We got all the paperwork sent to us. He [landlord] told me if I wanted to buy it, he would take care of everything. So, I said okay. He [landlord] got in touch with the appraisers and inspectors. He [landlord] just sent everyone to us. They [landlord & lender] just sent us paperwork for what we have to pay for the inspectors and what we had to pay for the appraisers. (Interview with Bernadette, Homeowner, Jacksonville, F, August 2014)

4.7 The Art of Deception: Subprime Mortgages

By 2007, similar horror stories were beginning to surface about the problems with adjustable-rate mortgages as the foreclosure crisis unfolded. During the subprime mortgage boom, lenders used adjustable-rate mortgages to attract borrowers in African American communities. Subprime lenders would provide low teaser rates to attract African American borrowers in the belief that the loans were affordable; however, they generally expired after two or three years into the mortgage term. Thereafter, interest rates would adjust upwards to reflect the true cost of the loan, which caused many families to repeatedly refinance until no equity remained in the home (Aalbers 2012). Studies have revealed lenders not only encouraged homeowners to take out exotic loans, but they also persuaded prospective buyers to refinance these loans once the interest rates began to rise (Dickerson 2014). Traditional fixed-rate mortgages offered homeowners better security and comfort knowing their primary housing cost remained constant over the life of the loan, and eventually their housing cost would begin to fall over the course of the mortgage. In return, households would begin to accumulate large sums of equity in the home. Yet, an ongoing complaint from borrowers was that they were advised, “when it came time for the interest rates to reset, all they had to do was refinance the loans to receive a lower rate” (Hoffman 2008). Homeowners were unable to refinance their mortgages once the economy nosedived and new lending restrictions prohibited lenders from issuing bad loans. By the start of the housing crisis, a significant number of properties declined in value, and many brokers were reluctant to issue
additional loans to cover the original mortgage principal (Hartley 2015). Prospective borrowers in African-American communities had grown weary over the use of these mortgage products due to the deceptive practices used to convince borrowers of their affordability. Some prospective buyers went so far to question their brokers and mortgage specialist on why they could not qualify for traditional fixed rate mortgages. In a landmark settlement, Countrywide Financial paid its agents to steer African-American and Hispanic borrowers into riskier loan products when they could have qualified for fixed-rate prime mortgages that carry a lower monthly cost (Ramirez and Ramirez 2017). White borrowers with similar credit characteristics received prime loans (Bybee 2011). In fact, agents were found to have inflated borrowers’ income without their knowledge in order to enroll them into larger, and more profitable loans(Ramirez 2013). Also, a report by the Wall Street Journal, found that 61 percent of subprime loans that originated in 2006 went to borrowers with favourable credit histories that made them eligible to qualify for traditional prime loans with less onerous terms (Brooks and Simon 2007).

Lenders used illicit tactics such as pressure sales strategies, half-truth advice, and outright fraud to persuade borrowers to acquire subprime loans with excessive fees and exorbitant interest rates (Howell 2006). At the height of the housing boom many subprime lenders employed a risk-based pricing system based on the borrower’s credit score and other factors to determine the interest rate he or she would be charged accordingly. This, along with relaxed underwriting guidelines, allowed many banks to expanded the access of credit to communities who would otherwise be excluded (Van Zandt and Rohe 2011; Wyly 2013). The theory behind this practice was that some borrowers might not have adequate income or other credit profile characteristics to qualify for traditional (prime) 30-year fixed rate loans. But rather than simply denying them credit, subprime lenders made loans available at much higher rates. Subprime lenders argue that they must charge higher fees to help protect them from the higher risk of borrowers defaulting on their loans. The effects of this logic were quite contradictory considering it was precisely the onerous terms that led individual borrowers to
default on their loans. Strong empirical evidence suggests that the high rates charged by subprime lenders could not be fully explained solely as a function of the additional risk they bear. Many borrowers did not understand how risk-based pricing worked as most lenders were not transparent about the fees they charged (Engel and McCoy 2010). As a result, lenders took advantage of borrower’s due to their lack of information on the market. Because of their inexperience, some borrowers jumped at the chance and accepted their fate with these predatory loan products fearing lenders would withdraw their offers as most believed it was their only chance at owning a home. Despite this issue, many scholars argue this would have made little difference as the calculations for the rates were so convoluted for them to shop around and compare rates (Howell 2006; Engel and McCoy 2010).

Subprime refinance loans have long been popular in predominantly black neighbourhoods in Chicago. In 1998, subprime lenders accounted for 74 percent of all refinance loan applications received in predominantly black census tracts (Immergluck 2004). The large share of applications in African-American neighbourhoods was a key indicator of the level marketing used to persuade borrowers that subprime refinancing was the best option, according to Immergluck. In other instances, banks had also tailored their marketing to target homeowners and prospective borrowers that were not searching for loans. This common tactic is referred to as “push marketing,” which typically targets consumers in racialized communities who are not actively shopping for credit (Engel and McCoy 2008). In both Chicago and Jacksonville, banks used a push marketing strategy in economically oppressed communities that targeted black and Hispanic residents that were not actively shopping for bank loans or mortgages. Half-truth advice was also used to conceal the limited options, if any were available, to aid distressed homeowners in resolving their mortgage delinquency problems and become solvent. The problem with refinancing a mortgage with a predatory lender was that it enabled lenders to financially penalize a borrower that attempted to refinance or prepay their loans.
within a specified period, usually during the first two years of the loan (Dickerson 2014). Prepayment penalties refer to the additional interest levied on a borrower who prepays their mortgage early (Farris and Richardson 2004). A large share of the of subprime mortgages featured prepayment penalties, which made it difficult for African American borrowers to refinance their existing mortgages, unless they acquired additional loans to cover the penalties (Bocian and Zhai 2005). Known in the industry as “loan flipping,” this exploitative measure was used repeatedly to refinance existing home loans. Lenders would use this practice to collect more fees and strip equity from borrowers. For borrowers like Laura who was attempting to prove she was a creditworthy candidate for a traditional prime loan, this was prohibitively expensive because most refinancing required even larger prepayment penalties and fees (Rose 2012). Essentially, African Americans found themselves residing in homes that had negative equity, or mortgage debt that far exceeded the value of the mortgaged home. Data on mortgages revealed more than 70 percent of subprime mortgages contained prepayment penalties, while only 2 percent were featured in prime mortgages (Dickerson 2014). Much of the data also revealed borrowers residing in racialized communities were 30 percent more likely to receive loans with prepayment penalties than those in non-racialized areas (Bocian and Ernst 2008).

African-American homeowners in Chicago and Jacksonville saw refinancing as their only option to resolve their affordability problems. Refinancing options with more onerous payment terms were widely available from the top lenders in African American neighbourhoods. These products were deemed more predatory in nature than those with lower interest rates and less prepayment penalties. In contrast, in white neighbourhoods in Chicago, more favourable refinancing options were being offered from eighteen of the top twenty lenders in the country (Immergluck 2004). Researchers found that subprime refinance loans constituted 48 percent of the lending in predominately black neighbourhoods in comparison to the 8 percent issued in white communities (Lipsitz 2011). Additionally, researchers revealed high-income blacks were three times more likely to hold a subprime
mortgage or be subjected to subprime terms than lower-income whites (Rogers 2008; Lipsitz 2011). Laura considered refinancing as her only option to assist her in avoiding any financial calamities, so she could remain in her home for the long-term.

4.7.1 Chicago Experience

In Chicago, Laura returned to her lender to inquire about the option of refinancing, “I should be able to qualify for a traditional loan once I’m in the home, right? I should be able to refinance, right?” Laura’s lender replied, “Well, yeah, you can do that.” Laura began to question her mortgage specialist at the local community credit union who offered her a 3-to-1 Adjustable-Rate Mortgage (ARM) with an initial interest rate of 4.3 percent. Put simply, her interest rate would remain at 4.3 percent for the first three years and in the fourth year it would raise by one point each year until it reflected the national interest rate. Laura was concerned that she was deliberately being steered into a risky loan product and asked: “How come I can have a traditional loan. And so, they would reply ‘based on your credit score the ARM would be a better thing for you.’ So, I said I don’t want the ARM.”

Laura feared, as a first-time homeowner, an ARM would be difficult to manage over the long-term given the fluctuation in the interest rate and because her income would not increase at the same rate. Although Laura had little knowledge or experience with this financial instrument, she knew something was wrong when her lender began to steer her into acquiring a subprime mortgage. Laura believed her credit rating was relatively decent though her lender was not convinced and still proceeded to offer her an adjustable rate mortgage, which she swiftly declined. The agent then advised Laura not to walk away and proceeded to sell her on the ideas of adjustable-rate mortgages and how it was the best option for her.

Some homeowners confided with close friends and relatives to get their opinions on whether they should still proceed despite their concerns over this financial instrument. For example, Laura sought the opinion of her sister who as well was bemused by the bank’s decision to deny her a
traditional mortgage. Laura’s sister advised her, “I think you just have to establish that you are a good risk,” which did nothing to alleviate her concerns. Instead, it made her confused about the entire process.

4.7.2 Jacksonville Experience

In Jacksonville, nearly all the homeowners interviewed reported they received an adjustable rate mortgage. For instance, when Frank and Sandra decided to purchase their home, their real estate agent suggested they use an adjustable-rate mortgage. Sandra explains, “We didn’t have all the understanding that we needed. We didn’t talk to anybody before we bought a house.” Frank recalled the rate structure was substantially lower than the rates offered with a fixed rate mortgage. Like most homeowners, they believed they were getting a deal and believed their real estate agent was acting in their best interest. Nevertheless, both Frank and Sandra later learned that was not the case, as Sandra explained the rate, “kept going up and up and up.”

4.8 Rewriting the Lending Industry: Expanding Homeownership

After the depression of the 1980s, lenders required borrowers to provide a 20 percent down payment on the home, though some financial institutions were more flexible by accepting less (Dickerson 2014). Financial institutions imposed these restrictions out of fear that borrowers who provided a smaller down payment would more than likely default on a mortgaged if the home lacked any significant equity. Banks avoided making higher loan-to-value loans because they not only had a greater propensity of default, but they were also difficult sell to Government Sponsored Enterprises (GSEs) in the secondary market. GSE’s avoided these types of loans all together and refused to securitize them (Mian and Sufi 2014). Prior to the 1980s, 60 percent of all home purchases were made with at least a 20 percent down payment (Dickerson 2014). During the early 1980s things started to change with a number of amendments made to key U.S. housing policies and lending regulations (Makin 2009; Aalbers 2012; HUD 2012; Mahmud 2012). These amendments emphasized the re-
orientation of lending regulations away from demand management, and towards supply-side activities that encouraged innovative products, processes, and markets (Painter 2003). Ulrich Beck asserts these changes to the lending regulation along with other government policies helped to create a risk society (Beck 1992). Beck defines the risk society as “a phase of development of modern society in which the social, political, ecological and individual risk created by the momentum of innovation increasingly elude the control and protective institutions of industrial society” (Beck 1999).

In 1994, the National Homeownership Strategy was introduced in response to President Clinton’s request to increase America’s homeownership rate to a record high of 67.5 percent by 2000 (United States Department of Housing and Urban Development 1995). Clinton’s administration was adamant on reversing the downward trend of America’s homeownership rate by deploying a concerted strategy to assist middle-income and low-income families, racial and ethnic minorities, families with children, and young adults to overcome current barriers to homeownership (United States Department of Housing and Urban Development 1995). The goals of this strategy were to transform the American Dream from an illusion for racialized people to a reality by increasing subsidies and removing some of the barriers that restricted their dwelling and neighbourhood choices. These are policies, legal scholar John Powell argues, that help to establish a false neutrality (Powell 2012). The idea that homeownership will somehow cure the American society of its stark racial inequalities is part of the problem. A lot of attention is placed on the neutral intent of the design of these policies to establish racial equality in the housing market, rather than focusing on the procedures they create to help produce old and new inequalities for racialized communities. For example, in rolling out these changes the government created a level of unpredictability, instability, insecurity, and flexibility, which all became the hallmark of the contemporary risk society. In the risk society, these features became the foci of the different types of risks arising from the deregulation of lending industry.
The Depository Institutions Deregulation and Monetary Control Act of 1980 (DIDMCA) initiated neoliberal provisions, which prohibited states from placing a cap on the interest rate a lender could charge borrowers (Powell and Rogers 2013). Soon after, the Alternative Mortgage Transaction Parity Act (AMTPA) was passed, which also pre-empted state laws that regulated alternative mortgage transactions, such as those with onerous payment terms, variable rates, and negative amortization. During the 1980s, the government unveiled the Secondary Mortgage Market Enhancement Act of 1984 (SMMEA), which allowed investment banks to purchase, pool, and resell mortgages (Mahmud 2012). During the 1990s, the Clinton administration continued the demolition of social safety nets constraining the lending industry with the enactment of a series of laws. The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (IBBEA), permitting banks to operate across state lines and the ability to acquire financial institutions in other states to help establish a uniform banking system (Immergluck 2004). In 1995, the Community Reinvestment Act of 1977 (CRA) was amended to incentivize financial institutions to extend credit to racialized communities, which they were already mandated to do under previous provisions (Aalbers 2012). Financial institutions were granted full autonomy to issue innovative financial products to meet the administrations target of 67.5 percent. The move enabled lenders to hide behind the veil of the CRA to unleash their predatory products and process on the community, but also offered financial institutions an excuse for their reprehensible behaviour by blaming the CRA for the cause of the crisis (Immergluck 2009). Many financial commentators suggest financial institutions were forced by the government to operate in racialized and economically oppressed communities though they offer no concrete evidence to substantiate this claim (Littrell and Brooks 2010). Lastly, the Commodities Futures Modernization Act of 2000, allowed innovative financial products such as credit-default swaps and financial derivatives to evade market oversight by the Securities and Exchange Commission (SEC) (Powell and Cardwell 2014). Despite then-chairwomen of the Commodity Futures Trade Commission (CFTC) Brooksley E. Born
vehemently objecting to the passing of the law without any regulatory oversight (Blumenthal 2009). These regulatory reforms were also in response to the rollout of neoliberal policies which encouraged individuals and households to take ownership of their long-term financial future, and management of their own risk (Peters 2001). These changes in the financial industry transformed individuals into self-disciplined entrepreneurial subjects that can calculate and manage their own risk and rewards (Langley 2007). Embedded in these regulatory reforms was this push for personal responsibility using financial literacy programs to provide individuals with the necessary skills and tools to manage their long-term financial security.

4.9 Selling a Dream

In addition to these regulatory changes, Fannie Mae announced a $2 billion commitment that would reduce barriers such as down payment requirements to as low as three percent to assist in increasing ethnic minority homeownership rates (Squires and O'Connor 2001). During the 1990s, only 4 percent of all home purchases were made with a down payment of 5 percent or less; however, that number jumped exponentially to 16 percent at the start of 2000. By mid-2000s, 20 percent of all home buyers made zero down payment on the homes they purchased and at the time of the housing collapse that number soared even further to 30 percent (Studies 2005). Another factor impeding cash strapped borrowers was Private Mortgage Insurance (PMI), which borrowers were required to pay, in addition to the cost of the monthly mortgage, if they provide a 20 percent down payment. Borrowers seeking to purchase home using Federal Housing Administration (FHA) loans were required to have PMI to be approved for that type of loan; however, to avoid paying PMI, banks started offering second mortgages at the time of purchase. PMI provided cash strapped borrowers with the down payment on their home, which were widely referred as “piggyback” loans (Herbert, McCue, and Sanchez-Moyano 2014). The way Piggyback loans work: the lender would provide a first mortgage up to 80 percent of the value of the home, but because most homeowners could not afford a down payment
or expensive PMI they were also offered a second-mortgage to cover the remaining 20 percent value of the home for a total of 100 percent financing (Engel and McCoy 2010). The difficulty was that not many homeowners knew much about these loans or how they worked, which was quite evident during an interview with a homeowner from Jacksonville. Realtors were very instrumental in getting financially inexperienced borrowers to acquire costly second mortgages or other loan products that inevitably led some homeowners to fall into foreclosure. In both Chicago and Jacksonville, 72 percent of homeowners interviewed in this study were referred to predatory financial products by a real estate professional. Daily, realtors and lenders were providing half-truth advice to persuade borrowers to acquire more credit than they required.

A report from the Center of Responsible Lending found that the majority of subprime loans were not for the purpose of purchasing homes, and only one fourth of those types of mortgages were used by first-time homebuyers (Center for Responsible Lending 2007). Subprime loans were refinance loans that targeted economically disadvantaged neighbourhoods, the elderly, and racialized homeowners who had substantial equity in their homes. Following the announcement of President Clinton’s homeownership strategy, banks began offering Higher Loan to Value (HLTV) second mortgages up 125 percent of the present valuation of the property. Financial institutions agreed to offer these types of products based on the false assumption that property values would continue to increase into the foreseeable future, and because they were able to foreclose the property in the event of a default. Home equity lines of credit or second mortgages were relatively new to the banking industry. During the 1980s, less than one percent of all banks offered home equity lines of credit or second mortgages (Dickerson 2014). At the start of 1990s, both banks and savings and loans institutions began offering this product as business grew exponentially (Martin 2002). Business for home equity lines of credit or second mortgages soared from $1 billion to a $132 billion dollar industry (Martin 2002). Studies have also revealed that more than half of the loans in African American
neighbourhoods were in fact refinance loans (Gale 2001; Cohen 2013). Half of the homeowners in this study acquired second mortgages to either purchase a home, complete home repairs, debt repayment, or for other consumer expenditures. These communities were targeted because of the limited financial options available to them and the lack of information on the predatory nature of these products (Belsky, Retsinas, and Duda 2007; French, Leyshon, and Signoretti 2008).

4.9.1 Chicago Experience

A Chicago homeowner explained, “I thought the second mortgage at the time was a way of helping you. You know when you’re in financial strain. It was like an insurance policy.” Lenders encouraged prospective borrowers to acquire second mortgages to help them through difficult financial times or to complete much needed home repairs. Margaret, a 70-year-old retired school teacher in Chicago, was one of tens of thousands of homeowners in Chicago who were entangled in this predatory scheme. During the late 1990s, Margaret and her husband began to experience some financial difficulties. They decided to refinance their home and acquired a second mortgage. Neither of them could foresee any risk with signing up for a second mortgage because they both had good incomes. Around 2011, things took a turn for the worst as they fell behind on their bills again and started to miss their monthly mortgage payments. As a result, Margaret’s lender threatened to foreclose her property, if they did not receive full payment on the delinquent balance. For Margaret, “that was an embarrassing situation.” To further exacerbate the situation, Margaret and her husband noticed various structural problems in the home that needed immediate attention. Neither Margaret nor her husband were in the position financially to address these pressing structural issues. The interest rate on their mortgage also began to increase causing their monthly mortgage payment to become even more expensive. Things were spiraling out of control for Margaret and her husband and their servicer was not willing to refinance the mortgage to reduce their monthly payments.
4.9.2 Jacksonville Experience

Roxanne recalled her realtor advising her that it was not necessary for her to provide a down payment for the home. As with other homeowners, Roxanne’s realtor also assisted her in navigating the home buying process to ensure the transaction was completed without incident. For instance, Roxanne was convinced by her realtor that it was not necessary to provide a down payment, although she was well prepared to provide one. Roxanne explains, “I actually didn’t have to do anything. I didn’t have to put a down payment. … I looked at the home I decided I wanted to get it. I was inside the home within two weeks.” Roxanne’s realtor explained the second mortgage was necessary because the sale price of her home exceeded the county’s conventional loan limit therefore requiring Roxanne to get PMI. California-based Fremont Bank agreed to provide the financing, but because Roxanne did not provide a 20 percent down payment, she was required to have PMI. To avoid PMI, Roxanne’s realtor split the loan amount into two mortgages where the first mortgage had a loan-to-value (LTV) of 80 percent, the second was broken down into a 10 percent LTV, and the remaining 10 percent was used for the down payment. Roxanne was happy for the assistance the bank provided to help her purchase her home, until she noticed the interest rates on both mortgages began to adjust upwards. The realtor had set her up with two adjustable rate mortgages (ARM), which inevitably caused her dream home to become unaffordable. The interest rate on both mortgages was 8 percent with a total payment of $3,500 per month. Roxanne’s property tax and home insurance were not included in those monthly mortgage payments. Roxanne was paying nearly $6,000 per year in property tax and another $2,000 in home insurance in addition to her required flood insurance policy. Flood insurance is not usually covered under a typical homeowner’s policy, and therefore must be purchased separately. Flood insurance was a mandatory condition in Roxanne’s mortgage because her home was adjacent to a body of water. Roxanne did not take all these monthly costs into account, but she was determined to purchase the property because the home was listed $64,000 below market value. This mentality led
some homeowners like Roxanne to believe they acquired an instant equity position in the home, meaning, a home was purchased below the asking face value of the property.

In contrast to other experiences, some homeowners were not aware they were acquiring a second mortgage. Beatrice, a retired truck driver from Jacksonville, explained that she discovered she had second mortgage during her bankruptcy hearing. Beatrice lost the use of her right leg after an accident and was unable to work. She was looking for a temporary solution to her financial problems and sought a debt consolidation loan from First Atlantic Bank. Beatrice was under the impression she was signing an unsecured loan and her home would not be used as collateral; however, she later learned it had everything to do with her home after her servicer threatened to foreclose the home for payment delinquencies. The interest rate on Beatrice’s debt consolidation loan increased and eventually the loan was no longer affordable. Part of the problem was that few homeowners understood how mortgages worked. Some homeowners were solely concentrated on the monthly payments because it was easy to understand. Some homeowners were confused about how often their interest rates fluctuated. For example, Sandra notes the mortgage just, “kept going up and up and up.”

4.10 Putting Trust in Experts: The Home Buying Process

The word “trust” was used often to describe the relationship between prospective borrowers and their realtor and broker. Most homeowners believed their realtors were acting in their best interest while adhering to the ethical standards of their profession. In understanding trust, it is important not to conflate the ideas of trust and faith when considering the reliability of a person. Rather trust is what is derived from faith, as Anthony Giddens points out (Giddens 1990). Giddens contends that there would be no need for one to put their trust in anyone if all their activities were continually visible and their thought processes were transparent. The prime requirement for trust then is not a lack of power, rather a lack of information (Giddens 1990). Some of the decisions made by homeowners to acquire these financial products were based on relationships of trust. Homeowners put their trust in brokers,
loan officers, financial advisors, and other real estate professionals because most were mystified by the complex nature of subprime loans. For some African American borrowers, they trusted that the experts would assist them to acquire the best mortgage product to suit their needs, because they were well equipped to identify the punitive nature of the mortgages peddled in these communities. These were mortgages that were usually packed with excessive fees, higher interest rates, low or negative amortization, and prepayment penalties.

Giddens argues the word trust takes on a faceless commitment that is sustained through the workings of knowledge of which a homeowner or prospective buyers lacks knowledge (Giddens 1990). In the context of this relationship, Giddens asserts that access points and facework commitments were vital components to the development of trust during the housing boom (Giddens 1990; Ross and Squires 2011). In The Consequence of Modernity, Giddens refers to access points as representatives of an institution who play an intricate role in influencing a lay person’s position of trust in a system. Facework commitment refers to the trust relations which are sustained by or expressed in social connections established in circumstances of co-presence (Giddens 1990). Brokers, loan officers, and financial advisors spent so much time and resources to convince prospective borrowers of their trustworthiness. In some instances, lenders sought church leaders to assist them in establishing a level of trust in the community.

Studies have revealed brokers were often compensated for packaging higher cost loans with onerous terms (Dillman 2010). For example, brokers were paid through a “yield-spread premium,” which is a paid fee for enrolling borrowers into higher interest rate loans than he or she would qualified for based on their credit history (Powell and Rogers 2013). Mortgage brokers withheld vital information that would reveal the true cost of the loan while pressuring clients to sign documents they did not understand or had not reviewed (Ferguson 2012). Various reports uncover a similar situation for loan officers and underwriters of financial institutions (Morgenson 2008). A study revealed loan
officers were financially incentivized to provide riskier loans that were at a greater risk of default (Agarwal and Ben-David 2014). This compensation system, commonly known in the industry as “overage,” was a practice that rewarded loans officers for inducing borrowers to acquire costlier loans and onerous payment terms (Engel and McCoy 2010).

Loan data from studies and lawsuit settlements have revealed many borrowers could have qualified for cheaper loans (Powell 2009; Bybee 2011). In 2011, the Department of Justice revealed Countrywide overcharged more than 200,000 African American and Hispanic borrowers (Weissmann 2011). Investigators found approximately 10,000 of these borrowers were issued risky mortgages, despite having the necessary credit profile to qualify for less expensive prime mortgages (Weissmann 2011). Data on these mortgages also revealed brokers affiliated with the Countrywide were twice as likely to receive subprime mortgages. In some markets, African American and Hispanic borrowers were eight times as likely to be sold these types of mortgage products. A former underwriter at Washington Mutual Bank, Ms. Cooper explained, “it wasn’t about the quality of the loans; it was about the numbers. They didn’t care if we were giving loans to people that didn’t qualify. Instead, it was how many loans did you guys close and fund?” (Morgenson 2008). Top executives at the bank constantly complained that employees were not approving enough loans and openly encouraged underwriters to increase those number regardless of the circumstance. Loan officers and underwriters were regularly scolded by their managers for declining loan applications at Washington Mutual. Cooper recalled declining an application and her supervisor told her, “This broker has closed over $1 million with us and there is no reason you cannot make this loan work.” When Cooper explained her rationale for declining the application her supervisor instructed her, “…I had to sign it” (Morgenson 2008).

Part of the issue with this specific deal was that many financial institutions were desperately working hard to maintain relationships with brokers to ensure they continued to provide them with business. The complaint from Cooper’s manager was that this broker had closed more than $1 million
loans with Washington Mutual and they were not prepared to jeopardize their relationship, regardless of her suspicions of fraud. The bank switched to a commission-based payment scheme, which resulted in a higher number of larger loans being approved (Immergluck 2015). During the period leading up to the collapse of the housing market, Agarwal and Ben-David found there was a 30 percent increase in loan originations, 15 percent increase in loan size, and a 28 percent increase in the rate of defaults (Agarwal and Ben-David 2014). Loan officers at Wells Fargo were also compensated for referring creditworthy applicants to departments that handled subprime mortgages (Engel and McCoy 2010). Loan officers convinced borrowers that the process was less cumbersome in comparison to prime mortgages, and required limited to no documentation to establish their creditworthiness. Some officers informed borrowers not to make down payments, which automatically made them ineligible for prime loans and an ideal candidate for subprime mortgage loans (Hartman and Squires 2013). In Jacksonville, Roxanne and other homeowners were deliberately advised not to make down payments on their homes by brokers and loan officers. Studies have revealed that brokers and loan officer earned higher commissions for originating “no-doc” and “low-doc” loans than those with full documentation (Engel and McCoy 2010). Stated income loans or commonly referred as no-doc loans were quite different from full documentation loans in that lenders did not verify a borrower’s income by reviewing pay stubs or income tax returns, but rather relied on the word of borrowers (Guttentag 2007). In contrast, full documentation loans require a more rigorous income verification process, which usually requires a borrower to show proof of the income they claimed to have earned over a two-year period by presenting W-2s or tax returns (Immergluck 2011). Research has shown, on a $300,000 income, brokers and loan officers were able to collect nearly $15,000 in commission compared to the less than $5,000 in fees they were entitled to with full-documentation loans (Engel and McCoy 2010).
A key part of the problem was that lenders bore little risk in originating high-risk mortgages because they knew the U.S. federal government would repay the loans in the event of default, or seize the property as collateral. Banks also originated these loans because they could sell them for a premium in the secondary market to investors thereby passing on any future risk of default (Engel and McCoy 2007; Dymski 2012). In return, investors or purchasers of these mortgages would then reserve the rights to the monthly mortgage payment of the principal and interest as cash flow. Homes were reduced to a tradable bond in the market that became a lucrative source of endless profit. Lenders were no longer interested in holding mortgages to their maturity date. Instead, they were keen on originating loans to repackage them into bonds and selling them in the secondary market to investors. Most investors were attracted to these bonds because Fannie Mae guaranteed repayment on the loans in the event of a default. In 2006, around three-quarters of all mortgages issued by U.S. loan originators were securitized (The Economist 2007; Langley 2008). Banks were making an immense amount of profit in packaging these loans into bonds and selling them in the secondary market. The government further drove up the cost of these loans after they decided to purchase a significant quantity of mortgage-backed bonds (Evais 2012). Financial institutions had no real incentive to tighten up their lending standards as they were making record profits from the sale of these mortgages. Lenders also sold the servicing rights on mortgages to other banks. More than half of the homeowners reported their mortgage was sold to another bank. On average, these mortgages were sold three times or more. Under U.S. Federal Banking laws lenders are permitted to sell mortgages or assign the servicing rights to other financial institutions without the consent of a borrower.

4.10.1 Chicago Experience

Janice explains that although she did not know much about the product she acquired, she trusted the advice of her daughter’s friend who is a real estate agent. Janice recalls, “They told me how good it was and how it would be very beneficial to me. Just really sound good to me at the time … I did it on
my own. So, I had no information it just sounded really good. Especially when you need the money.” This advice helped to guide her decisions on whether to acquire this financial product. Some African Americans already had trust in the housing market because of the rewards it promised, and the wealth and access to better amenities and schools it provided white homeowners. Oscar also trusted his real estate agent to find him the best mortgage to purchase his home in the city after he sold his property in the suburbs. After five years of living in the suburbs, Oscar and his family purchased a home in Chicago in 2001 to be closer to work, but rather than transferring their mortgage with Washington Mutual to the new property, he decided to acquire a new loan with Countrywide. According to Oscar, “our realtor referred us to a broker and that’s how the broker was able to get us a mortgage with Countrywide.” Further, Oscar explains, “we were offered a better rate with Countrywide.”

4.10.2 Jacksonville Experience

Homeowners expressed an overwhelming amount of trust in experts to assist them in navigating the home buying or refinancing process. Frank and his wife, Sandra, relied on the expertise of a realtor to find them the best deal, and advise them on their financial capacity to purchase a home. Frank and Sandra were steered into an adjustable-rate mortgage with an initial interest rate of 7.25 percent from an out-of-state lender that had its headquarters in Fort Washington, Pennsylvania. Frank and Sandra were both under the impression they were getting a great deal because “the rate structure was lower than the fixed rate.” They trusted the realtor’s advice because the same realtor had helped them to sell their previous home to purchase this property. Because of their history, the couple had no reason to question their realtor’s judgment. The difficulty was very few brokers, realtors, and loan officers were acting in their client’s best interest in providing sound advice about the financial products they offered to either purchase a home or access the equity in the home. For instance, when Roxanne realized she was about acquire an adjustable rate mortgage for the purchase of her home, she was quite hesitant and relied upon her realtor to address her concerns. The realtor explained that she “didn’t have to
keep it at this rate. You could just have it refinanced within the next couple of years and just get you
a fixed rate.” Despite these concerns, Roxanne still went ahead signed the mortgage contract because
she knew her realtor quite well, “I kind of trusted her word and it just really sounded good to me at
the time.”

4.11 Self-Help and the Lifestyle Changes to Save the Family Home

Once the interest rates on mortgages sharply increased, coupled with the precarious nature of incomes,
some households struggled to remain current on their monthly financial obligations. Consequently,
households developed various coping strategies to address their mortgage delinquencies and
impending foreclosure. In some studies, researchers have found certain households developed clear,
conscious, and long-term plans to address these issues (Christie 2000). For some distressed
homeowners, these strategies have entailed a series of ad hoc responses that lack any long-term
housing goals or financial rationale. The strategies seemed to place greater emphasis on daily survival,
especially for low-income families. To develop a deeper understanding of the complex coping
mechanisms used in these cases, one must consider the role of housing in the lives of distressed
homeowners.

Prior to the housing crisis, in certain communities, the home was considered the primary
investment vehicle to begin building wealth. The rise of the foreclosure crisis quickly overshadowed
these long-term financial aspirations for African Americans, and instead shifted their
conceptualization of the home. The shift in the conceptualization of the home, some scholars have
noted, revolved around a cultural understanding about the appropriateness and desirability of
homeownership, and the sentimental and emotional attachment that comes with purchasing a home
(Ling 1998; Christie 2000). The exclusion of this cultural understanding makes it difficult to recognize
the challenges various households face when their status and security as a homeowner is severely
threatened. It is critical to note the value each property owner places on home ownership in order to
understand the sacrifice and emotional pain they were willing to endure for the sake of maintaining their status.

At the start of the housing crisis, many people were defaulting on their mortgages for a variety of reasons. According to the findings in this study, delinquencies were due to job, health, and mortgage repayment term related issues. Six out of the eighteen homeowners defaulted on their mortgage due to employment related issues. Five reported rising interest rates as the cause of their mortgage delinquencies. Three reported health related issues as the reason for their payment delinquencies. Health related issues refer to physical or mental impairments that restrict one’s ability to perform their full employment duties. Homeowners in both cities cited employment related issues as the primary cause of their foreclosure problems, along with onerous payment terms and conditions of their loans.

4.11.1 Chicago Experience

Several homeowners interviewed in this study lost their jobs or had their hours reduced, which eventually led them to default on their mortgages. For 17 years, Oscar worked as a department manager at a manufacturing plant in Chicago. At the start of the recession, Oscar was laid off, like a lot of other homeowners in Chicago and elsewhere. Oscar explains,

> It was a new experience, because it was something that I never experienced before having a job loss and a cut down in pay drastically. So, it began to take a toll as head of the household and on the whole family as well. Falling behind on the mortgage and your children depending on you to supply them with the simplest things such as school supplies … no longer having those resources it becomes not only emotionally draining for you, but you suspect it does the same thing for your children. (Interview with Oscar, Homeowner, Chicago, M, July 2014)

Also, in the same period, Oscar’s wife’s income was drastically reduced, further making things financially more difficult. Oscar explains,

> I’ve always planned ahead so we always had a cushion [savings] if things were to happen.
Pretty much we had a year supply of cushion. That was only a year supply … within six months into struggling and trying to stay current, I realize quickly how funds were quickly being vaporized. (Interview with Oscar, Homeowner, Chicago, M, July 2014)

Oscar was further aggravated that his mortgage payments continued to increase. In 2001, Oscar recalled, the payments, “at the time was under $900.” Seven years later Oscar and his wife began to experience some difficulties as their mortgage payments nearly doubled to just under $1,800 per month. Oscar remembered,

when it [mortgage] reached the higher peak was around the time where the economy began to dissolve and my wife lost her job. Then it became difficult for us to get a new refinance because now our income has changed. The banks were not offering us any refinancing. So, you were kind of trapped. (Interview with Oscar, Homeowner, Chicago, M, July 2014)

Eric in Chicago had a similar experience after he noticed his mortgage was no longer affordable. Prior to the collapse of the housing market, Eric worked in the showbiz and entertainment industry. Eric started out as a screen actor and then began doing commercials and eventually going around the world for Siemens marketing their products and services. Eric notes, “I was doing live tradeshows, what they call fairs in Europe, and I went all over the world for them [Siemens] in Singapore and Australia.” Eric was doing anywhere from 35 to 40 shows, and went from earning $600 a day to $1,000 a day. Suddenly in 2007, everything disappeared and Eric went from being booked for 35–40 shows annually to only three. At that time, Eric explained,

My wife and I knew we were in trouble. … I had no work coming in. Unlike, where you are working and you get unemployment. When you are an independent contractor that doesn’t happen. So, there was nothing coming in for me. So, with that I would try to find something. I would make every call I knew. At this point every production company that I knew were closing. (Interview with Eric, Homeowner, Chicago, July 2014)
4.11.2 Jacksonville Experience

Vanessa says all her troubles began soon after her employer downsized and began laying off workers. Vanessa remained employed with the company, although in a different capacity and at nearly half of her previous salary. The reduction in her pay further exacerbated her ability to remain afloat and current on her mortgage. Vanessa was frustrated with her employer because she felt devalued for her dedication and commitment to the company. On the other hand, Vanessa says she,

Understand[s] organizations have to ensure that they’re running a system that is efficient for whatever their mission happens to be, but for me it took an emotional toll because I had panic attacks and anxiety. (Interview with Vanessa, Homeowner, Jacksonville, F, August 2014)

The decrease in Vanessa’s salary, compounded with her recent divorce, made things a lot harder because the burden of all the household expenses now fell squarely on her shoulders. Similarly, George, a 67-year-old teacher, says his troubles also began soon after his wife lost her job. George says,

We actually didn’t have enough money to be able to get the things that we needed to have… Our payments started being late and we started missing several of the mortgage payments. That was a wakeup call, but was also a startling moment once we got that letter from the bank indicating that our house was going to be foreclosed upon. (Interview with George, Homeowner, Jacksonville, M, August 2014).

The imminent threat of foreclosure prompted George’s wife to contact their lender to inform them about the changes in their household income. George recalled,

my wife tried to write a letter on a couple of occasions to the bank to explain our situation including the fact that she had lost her job in hopes that at that time they would help us to work something out so they would be able to let us keep our home. But in any event the foreclosure process began to expand and created a great deal of uncertainty and
apprehensiveness and panic because we didn't have the money to pay for our regular mortgage once the income was slashed in half basically. … In terms of our request, they [servicer] couldn't really offer any help to us at that time and of course they did not look at someone losing their job as something they were responsible for. (Interview with George, Homeowner, Jacksonville, M, August 2014).

4.12 Health-related and Disability Issues

For those suffering from health issues, the impacts were profound, especially for those who were either single or widowed. Three out of the eighteen homeowners reported health and disability issues as the reasons to why they were unable to pay their mortgages. It is important note these homeowners encountered issues with their mortgages, which further complicated their ability to make payments on the mortgage.

4.12.1 Chicago Experience

In Chicago, Sharon, a 62-year-old former government employee became very ill and was no able to work. As a result, Sharon was unable to pay her mortgage. Sharon recalled,

my injury worsened during that time and then it became worse and worse and worse. I couldn’t get any treatment because the State was preventing me from getting treatment. I didn't have money for a lot of things. ... So of course, it was very stressful. It’s an event that I would not wish upon anyone. (Interview with Sharon, Homeowner, Chicago, F, July 2014)

In 2011, things became difficult for Sharon financially as her income was reduced by over 75 percent. Sharon felt her entire life was flipped upside down with no end in sight. At every turn Sharon struggled to find any assistance. Sharon says she turned to her lender for some relief, but they were unable to provide any significant assistance. Sharon had a second mortgage on the home to complete some much-needed repairs on the property. Sharon was unaware of how often the interest rate increased, but recalled her payment kept increasing. Sharon immediately, contacted Wells Fargo, who owned the
mortgage note, and they agreed to lower the interest rate by half a percentage, which did little to address her affordability issues. Sharon also applied for a loan modification several times based on her disability and was denied on each occasion. Sharon says, “I also contacted Wells Fargo and explain to them and showed them documentation medical notarized about my disability and I wanted them to work with me about my disability and they refused.” As a result, Sharon’s home went into active foreclosure.

4.12.2 Jacksonville Experience

Bernadette suffered from a severe case of vertigo, which prevented her from working, and is now on permanent disability. Bernadette began receiving government assistance and was collecting $274 bi-weekly, although that was barely enough to cover half of her mortgage payments.

She describes:

That was basically nothing. … Once I started receiving social security, I was receiving less than half of my income when I was working. … I was struggling to try to keep everything afloat. I started falling behind a month and then another month. Then trying to keep up was virtually impossible because our mortgage at the time was over $1,200 a month. (Interview with Bernadette, Jacksonville, Homeowners, F, August 2014)

In another case, a homeowner suffered from multiple sclerosis and herniated back issues and was no longer able to work due to her ailments. Eventually, her bills started to pile up and she later defaulted on her mortgage. Further complicating these cases was the sharp increases to their monthly mortgage payments. In one case, the payments jumped from $1,100 to just over $2,000 a month in just over ten years. In Bernadette’s case, she notes:

You’re comfortable paying $800 something dollars a month when it starts. Then all of a sudden you get your mortgage payment and it’s $1,300–$1,400 a month. You’re like why did my rate go up. It’s because you’re in an adjustable rate mortgage. (Interview with Bernadette,
4.13 Bankruptcy

Some homeowners filed for personal bankruptcy to address their mortgage delinquency. Distressed homeowners were under the impression it would assist them in avoiding foreclosure. Five out of eighteen homeowners filed for bankruptcy to address their mortgage delinquency issues; however, this strategy did not always guarantee a homeowner would be able to avoid foreclosure. Bankruptcy offered temporary relief under Chapter 7 bankruptcy protection, by preventing unsecured creditors like credit card companies from pursuing collection actions against a debtor by discharging the debt (Porter 2012). However, Chapter 7 provision opened the door for lenders to file a motion to have the ‘automatic stay’ lifted, which usually occurred within three to six months (Porter 2012; Newbery 2014).

Some homeowners were fortunate to file for bankruptcy under chapter 13, which was designed to keep homeowners inside their homes. Although, similar to Chapter 7, the mortgage balance and interest cannot be modified. Chapter 13 does, however, enable homeowners to stop the foreclosure proceedings and allow them to begin making payments on the delinquent balance over the next three to five years. Homeowners must persuade the bankruptcy court they will be able to make all future mortgage payments on time and have enough income remaining to pay the delinquent balance. History of the foreclosure crisis has proven that a lot could go wrong in three to five years, which is why only one-third of debtors are able to fulfill their obligations under a Chapter 13 agreement (Porter 2012).

A large portion of Chapter 13 cases fail within the first two years, according to a study by some of the leading academic researchers in the field (Norberg and Velkey 2006).

4.13.1 Chicago Experience

Several homeowners filed for bankruptcy to avoid their homes from being foreclosed. For example, Esther reported she filed for bankruptcy on three separate occasions to prevent her servicers from moving ahead with the foreclosure on both apartment buildings she owned. In Chicago, some
homeowners who filed for bankruptcy under chapter 7, believed “automatic stay” was permanent, rather than a provisional order until the court deemed appropriate. After Esther received a summons to attend court and address her looming foreclosure she immediately sought the assistance of an attorney who advised her to file for bankruptcy. Esther says she filed for bankruptcy, “because we were trying to keep the properties.” Despite these efforts to file for bankruptcy, Esther still lost both properties and has now hired a new lawyer who promised to help her retain ownership of these properties. Eric, as well said he filed for bankruptcy after he was no longer receiving an income and exhausted all their savings. According to Eric, “there was no way we are going to be able to pay our credit cards and be able to pay our mortgage if we got a modification.” Like other homeowners, Eric was not aware of the government assistance for distressed homeowners, and because he filed for bankruptcy it further complicated and delayed his modification process.

4.13.2 Jacksonville Experience

As soon as Beatrice was unable to pay her mortgage, she met with an attorney who suggested she file for bankruptcy to get rid of all smaller debts and still keep the home, a proposal she commented, “sounded good at the time to me and it was payment that I could afford to make to the bankruptcy court.” Beatrice filed for bankruptcy on more than one occasion and is still fighting to avoid foreclosure. In 2003, Beatrice filed for foreclosure after she was no longer able to pay the outstanding balance on her consolidated loan product, which she learned was a second mortgage during her bankruptcy proceedings. The judge in Beatrice’s bankruptcy case ordered her to pay $1,300 per month. According to Beatrice, “as long as I was in bankruptcy and was able to make my $1,300 payments” everything would be fine. One year later, Beatrice got into a car accident, badly injured her leg, and was not able to return to work. As a result, Beatrice was no longer able to make her bankruptcy payments. Beatrice notes,
I went to the bankruptcy court to talk to the judge that was handling my bankruptcy case. Her name was Ms. Davis, she politely told me ‘no there is nothing that I can do for you. You have to get another attorney and re-file for bankruptcy, if you wanted to keep your home.’ That’s when I went back to the same attorney and at that time he informed me well you know the cost has gone up. (Interview with Beatrice, Homeowner, Jacksonville, F, August 2014)

In 2005, Beatrice filed for bankruptcy for a second time to save her home from foreclosure, but the servicer’s attorneys did not appear on the date of the hearing and the judge dismissed the case. Beatrice was slightly confused in regards to the judge’s ruling and consulted her attorney who advised her, “well, no one showed up. They [Servicers attorneys] have 30 days to respond, if they don’t respond in 30 days then a judge will dismiss the case.” Unfortunately, Beatrice never received a dismissal letter and four months later she was informed by the court that her home was still in foreclosure.

4.14 Negotiating with Lenders

At the first sign of trouble, some distressed homeowners responded to the crisis by contacting their lender or servicer to inform them about the changes in their household circumstances. These changes included job loss, wage reduction, changes in marital status, and health-related problems that prevented homeowners from working. Most distressed homeowners attempted to negotiate with their lender at the onset of their delinquency to secure a loan modification, forbearance agreement, or repayment plan. Forbearance is a temporary relief granted by lenders or servicers to allow borrowers to catch up on their payments, rather than foreclosing the home. Typically, forbearance is granted in situations where a borrower is suffering from a temporary financial hardship such as a loss of income due to short term medical conditions. Conversely, servicers are less likely to grant forbearance in cases where a borrower is unable afford their monthly payments because of an adjustable-rate mortgage, loss of an employment, and long-term medical illnesses. These scenarios illustrated the position of
most of the homeowners that participated in this study, which might explain why some homeowners were not offered forbearance and instead greeted with unpleasant demands to pay their arrears in full. Homeowners in both cities commented on how lenders and servicers only cared about recovering the past due amount.

4.14.1 Chicago Experience

Distressed homeowners in Chicago were puzzled by the lack of compassion by bank representatives in regards to their hardship. Most homeowners reached out their servicers for assistance to make their mortgages affordable; however, homeowners were met with resistance. For instance, in 2008, Oscar recalled his mortgage was no longer affordable when it increased to $1,780. In seven years, Oscar’s mortgage had nearly doubled from his initial payments of under $900 back in 2001. Oscar recalls,

> When the economy began to change our [Oscar and his wife] job situation changed, I felt okay. I got some cushion. I thought it out. I'm not in debt with a first and second or third mortgages or anything like that. When I notice I was getting in trouble I reached out to the bank before I fell behind. We were trying to do the right thing. … The bank really didn't have anything to really say, other than just try to make your payments if you can. If you cannot make your payments just make a partial payment or whatever you can. (Interview with Oscar, Homeowner, Chicago, M, June 2014)

Like other homeowners, Oscar believed he was doing the right things because his servicer held the note to his mortgage and would be able to renegotiate new terms. Oscar notes,

> I was dealing directly because at the time I had never gone through this before. I've always been responsible with paying my mortgage on my home. So, I didn't even know of organizations such as the Housing Center [Northwest Side Housing Centre] or HUD agencies. I didn't know about it, so I was doing the right and honorable thing by communicating directly...
with my bank with the impression that I’m dealing with the bank directly. It’s my honest way of doing things. (Interview with Oscar, Homeowner, Chicago, M, July 2014)

Oscar attempted to make partial payments with the little savings he had remaining to keep the loan in good standing, but also to demonstrate they were still creditworthy borrowers. According Oscar, “I began to only able to come up with $900. So, I sent that to the bank every month and I would still have other bills to pay such as utilities.” In Chicago, seven out of the eight homeowners reported they tried to make partial payments, but to no avail. Certain banks refused to accept partial payments that were not equal at least to one full monthly payment, though not all lenders enforced this policy. For instance, Oscar remembered his servicer suggesting, “If you cannot make your payments just make a partial payment or whatever you can.” But like most homeowners in foreclosure, Oscar failed to account for all the late fees and penalties that were accumulating each month. In 2009, Oscar applied for a loan modification and was under the impression he would not be required to pay late fees and penalties while his application was under consideration. Oscar explains,

I’m being charged late fees and all these penalties. I was under the hopes that I was being helped, but I was not. I was just accruing more and more and more debt based on not being able to pay in full. … I was led to believe that the programs being implemented was going to help me, you know stay stable or start fresh. (Interview with Oscar, Homeowner, Chicago, July 2014)

In 2009, Oscar’s loan modification application was initially approved and later denied. Oscar notes,

In that span of a year, I was approved for one of the programs that they had and then waiting for what the next step was. Nothing happened. I get back to them and they were like, ‘oh you were denied.’ I remember last time I spoke to someone [customer service representative] and I would call and they would say were still working on your application and everything is still here. That was the same thing I would get all the time until I remember two weeks after I
spoke to someone [customer service representative] telling me that they were still working on it. Then two weeks after that I spoke to somebody new, and they tell me you were denied. I never got a call for that or any indication. Yet, throughout this whole time my hopes were that things are being processed. … I felt that they [servicer] were leading me on that they were helping, but that wasn’t the case. (Interview with Oscar, Homeowner, Chicago, M, July 2014)

Despite many failed attempts to negotiate with servicers, some homeowners were fortunate to receive assistance from their servicer who offered to send them a loan modification packet or directed them to their nearest housing counselling agency. In some cases, distressed homeowners received assistance after several conversations with their lenders about their hardships. Only two out of the eighteen homeowners interviewed in this study received assistance from their lender to avoid foreclosure. For example, Oscar explains that he did not receive assistance until he spoke to an operator who was willing to give him additional information: “It wasn’t until one particular operator. I said look, I opened my heart to her. I tried this [loan modification] for some time already and I keep getting the runaround. What’s going on? She gave me a 1-800 number to get connected with a HUD agency. When I called, I was directed to the house center” (Northwest Side Housing Center in Chicago). Similarly, Chris says,

I was lucky to get that person because someone else might not have mentioned a HUD Not-for-profit certified housing counseling agency. But that person I got that day mentioned them and that was the only way that I found out about the housing center. Otherwise me and my wife would've been on the streets. (Interview with Chris, Homeowner, Chicago, M, June 2014)

4.14.2 Jacksonville Experience

Most homeowners made various attempts to negotiate with their servicers to receive assistance with their mortgage. In 2009, Frank and Sandra, immediately contacted their servicer to inform them of their financial difficulties after Sandra lost her job. Sandra explains,
I think we did call, but they were no help. They give you the runaround. There was nothing. They were like, ‘just give me the money, just give me the money.’ They didn’t even tell us what our options were. (Interview with Sandra, Homeowner, Jacksonville, F, August 2014)

Financially, things became difficult for Frank and Sandra after their mortgage payments increased to $1,600 a month. Sandra recalled,

It was too stressful at $1,600 a month and trying to make ends meet. Like I said, we had kids in college, and one was in school, and paying all of these different mortgages and rent. If you’re thinking about your bills and wondering how you pay that, it’s very stressful! You lose sleep wondering how you’re going to get this done. (Interview with Sandra, Homeowner, Jacksonville, F, August 2014)

Frank and Sandra attempted to make partial payments after they fell behind on their mortgage. In Jacksonville, 91 percent of the homeowners interviewed in this study reported they attempted to make partial payments to their lenders. In recalling their financial troubles, Frank and Sandra said they tried to make partial payments to their servicer, but their servicer refused to accept anything short of the full payment. Frank notes, “If you didn’t have all the money and the late fees they were sending the payment right back.” Further, Frank explains, “They were like, ‘just give me the money, just give me the money’. They didn’t even tell us what our options were.” Louise, a 45-year-old business owner echoed a similar experience when she fell behind on her mortgage payments. The troubles began in 2008 soon after Louise finalized her divorce. Louise explains,

My ex-spouse and myself were previously business owners. We owned a barbershop in a salon. Once the divorce was final, I lost the spouse’s income along with income that came from the business. As a result of the hardship, I couldn’t continue to pay my bills in a timely fashion due to the changes to my income. That placed me in a foreclosure situation. (Interview with Louise, Homeowner, Jacksonville, F, August 2014)
Louise continued to pay her mortgage, despite the fact her payments were always late and never included the entire balance owed. Louise recalled,

The mortgage companies did not accept partial payments. They wouldn’t agree to that, I tried to. Within the first three months, I was sending partial payments and that was rejected. Once it goes into foreclosure, they don’t bargain with you at any level. (Interview with Louise, Homeowner, Jacksonville, F, August 2014)

Some property owners felt as if their lenders and servicers refused to acknowledge the social and emotional consequences of foreclosure. Sandra notes, “they know that you’re going through something, but they could care less about what you’re going through.” This lack of empathy caused some homeowners to avoid answering phone calls from unknown numbers, or unplug all the phones in the home. For example, Naomi points out,

The bank has a way of talking to their customers like you owe us money and we don’t want to hear nothing. … I don’t understand how you work for the company and you’re harassing me about money that belongs to the company and it is not even in your own pockets. That’s how each person sounded from Chase bank when they called us. Like we owe them personally their money. (Interview with Naomi, Homeowner, Jacksonville, F, August 2014)

Further, Naomi notes, “I just wouldn’t answer any 1-800 number.”

4.15 Employment Related Strategies

Across both cities, families created a series of ad hoc strategies in response to their looming foreclosure to ensure their survival. Households pursued various strategies simultaneously to regain control of their housing outcome and avoid losing their homes. Acquiring second jobs, taking on extra shifts or working overtime to increase the household’s income were common practices used by some distressed homeowners to earn extra income to pay the arrears on their mortgages and remain current on their other bills. Taking on extra work had its own trade-offs and obstacles. One study found distressed
homeowners spent less time with their families, due to the longer hours at work. In more extreme cases, some homeowners were hospitalized for exhaustion (Fields et al. 2007).

4.15.1 Chicago Experience

After Oscar realized his servicer was not willing to offer any assistance he decided to have a garage sale to sell some of his personal items to earn extra income. Oscar also began to work various part-time jobs, which eventually caused him to be hospitalized for exhaustion. Oscar remembered,

> Throughout this [foreclosure] process, I began just working side jobs. I got injured because of exhaustion or just you know doing too much and then my wife got sick. She ended up in the hospital and at the time she had lost her job. So, we no longer had medical coverage or insurance. So that was another expense. (interview with Oscar, homeowner, Chicago, M, June 2014)

Laura experienced many troubles during the recession as a freelancer in the television business. After twenty years of working in the television industry, Laura struggled to find full-time, part-time, or contract employment in her field. Laura notes,

> It was hard to find regular job. It was hard to find temporary work. It was hard to find any kind of work … in 2012. I was unemployed and I couldn’t get anything. There was nothing. I was sending out resumes like crazy, but nothing was happening. (Interview with Laura, Homeowner, Chicago, F, July 2014).

Eventually, Laura got a part-time job as a school bus driver to at least keep the utilities on even though she was four months behind on her mortgage. Laura notes,

> I talked to the lender and explain to them what my situation was. I said you could have the house and I can leave or you can work with me… I said I realize that I’m behind, but I did manage to at least get a job. A part-time job driving a school bus. I explained to them that’s
what I had. I was still looking for other work. (interview with Laura, homeowner, Chicago, F, July 2014)

Later that year, Laura’s job prospects began to improve, though there was one caveat as she explains, “I interviewed for a television job in September. I was told that I have a job, but I had to wait two months for board approval before they can bring me on.”

4.15.2 Jacksonville Experience

Susan recalls her husband tried to improve his employment position to save the home. She describes: “In my head thinking my husband will get a job. I'm trying to help him find a job. I'm thinking he will get a job and then we could save up enough money and pay that back debt.” Later that month, Susan’s husband secured a full-time job though she was still worried he would not be paid in time to avoid losing their home to foreclosure. Susan immediately contacted her servicer to inform them that her husband was now gainfully employed in the hopes they would not foreclose their home. Unfortunately, Susan’s servicer demanded her to pay over $3,000 to bring the mortgage back into good standing. Susan comments, “I couldn’t send that right away as I said my husband had just started working. So, I asked if I could send partial payments in order for me to catch up. They replied by saying no!”

Susan’s struggles began when she came down with a bad case of vertigo and was no longer able to continue working. As a result of the illness, Susan was immediately placed on permanent disability and began receiving social security assistance. Susan notes,

They put me on social security which took a while for everything to be completed. Even though I had vacation time and sick time to provide financial income for us. Once all of that ran out it went downhill from there and then my husband got laid off again. He was on unemployment. Unemployment was $274, which was basically nothing and that was coming in every two weeks. (Interview with Susan, Homeowner, Jacksonville, M, July 2014)
4.16 Food Insecurity and the Health Repercussions

Some households could no longer afford to purchase groceries and, as result, they had to rely on food stamps to put food on the table. Studies have revealed homeowners were also experiencing difficulties obtaining food stamps and other short-term financial assistance from the government because their home was considered an asset (Fields et al. 2007). In February 2009, the government introduced an economic stimulus known as, the America Recovery and Reinvestment Act (ARA), which permitted distressed homeowners to receive food stamps (Carr and Anacker 2013). The funds were allocated to address various needs across the country, such as injecting funds into the economy to kick start investment activities, and aid desperately needed services like the Supplemental Nutrition Assistance Program (SNAP), formerly the Food Stamp Program. The rapid rise in the country’s unemployment rate, along with foreclosure crisis, caused the number of food stamps recipients to soar to a record high of 47 million, with one in every seven Americans relying on the program (Lerner and Bhatti 2013a; Plumer 2013). During the Great Recession, data from several studies revealed a dramatic spike in the rate of food insecurity. In a study examining food security during the housing crisis, economist Diane Schanzenbach, found that nearly 26 percent of U.S. households were food insecure (Schanzenbach 2013). The imminent threat of foreclosure forced some homeowners to make dramatic changes to their discretionary health spending. Studies have found that homeowners would cut back on their spending for medications, doctors’ visits, and healthy foods (Pollack and Lynch 2009). Research has also revealed that higher debt loads have induced stress, and in some cases caused borrowers to make decisions that were not conducive to their health (Jacoby 2002; Turunen and Hiilamo 2014). Food insecurity was a problem for some homeowners during the foreclosure crisis, and an important topic that many social scientists simply overlooked. More than half of the homeowners interviewed reported food security (assessed as skipping or delaying meals as a result of cost) as a significant issue during their fight to avoid foreclosure. The idea of skipping or delaying
certain meals was a decision health practitioners said could have caused serious health repercussions (Pollack and Lynch 2009). In other scenarios, some homeowners were even cutting back on the number of visits to their family physicians, as well as desperately needed medications, to cope with a pending foreclosure. In other instances, some homeowners responded to the delinquency by making dramatic changes to their eating habits. To save money, some homeowners no longer dined out at restaurants. Some homeowners in distress deployed these strategies simultaneously with other practices to cut down their household expenses, so they could pay their mortgages. Ten out of the eighteen homeowners reported they made dramatic adjustments to their eating habits.

Not all household members were exposed equally to the hardships induced by the limited financial resources (Christie 2000). Heads of households in both cities made tremendous sacrifices to shield their children from the fallout of an impending foreclosure. In both cities, parents saw it as a shared duty to ensure their children’s needs were met and they were not affected by their financial troubles. Consequently, parents would forego certain meals during the day to ensure their children had something to eat for each meal. The rationing of food in the home followed a logical ordering that was primarily based on age, which exemplified the sacrifices mothers were willing to make by putting the children’s needs before their own.

4.16.1 Chicago Experience

Laura recalled she required food stamps to put food on the table after losing her job. Laura completely changed her eating habits as well as the types of food she consumed. Laura began to purchase foods that were filling, but not necessarily healthy. For instance, Laura consumed more processed meats because they were inexpensive and required the least time to prepare. Due to her limited financial resources, Laura increased her consumption of fast foods, which was a move she stressed was out of character, considering her distaste for these meals. Laura’s diet change was a decision she knew was detrimental to her health, because of her pre-diabetic diagnosis. Laura found herself skipping certain
meals or eating smaller than normal portions so she could stretch her food stamps to the end of the month. As a single person, Laura had a monthly grocery budget of $200, which she believed was decent at the time. Soon after going to the grocery store a few times, Laura’s opinion quickly shifted considering the prices of certain items. Laura notes,

> When you look at it in terms of the prices in grocery store I could get a little bit of anything. I would maybe spend $40-$50 a week. So, in that second week I try not to spend so much you know. Maybe I try to spend between $20 and $35 depending on what I need. So, you end up buying things that are filling, but not necessarily good for you or you’re not eating as much because you just don’t have it. So again, that’s different. I’m use to going in and getting what I want and put it in the fridge. (Interview with Laura, Homeowner, Chicago, F, July 2014)

Laura made drastic changes to her lifestyle that included eating more at home. As a result of the reduction in Laura’s household budget, she began to consume fewer meat products and incorporated more greens in her diet such as cabbage, collard greens, and mustard turnip. Laura notes, “they are inexpensive and it’s always a good meal and it’s filling. ... You do what you can with what you got.”

Similarly, Oscar’s financial hardship also compelled him to make changes to his family’s eating habits, which included reducing the number of times they dined out. Prior to Oscar’s financial troubles, he took his family out for dinner once a week, but all of that changed after he defaulted on the mortgage and the home went into active foreclosure. For an entire year, Oscar was unable to take his family out for dinner because it was no longer affordable. Oscar and his family began preparing meals at home and purchasing certain items in bulk, such as macaroni and cheese. Like Laura, Oscar points out, “foreclosure completely altered our way of life, but we had to do whatever it took to survive.”
4.16.2 Jacksonville Experience

The threat of foreclosure forced some households in Jacksonville to make lifestyle changes. In 2009, Naomi applied for food stamps when she could no longer afford to put food on the table after all other bills were paid. Naomi explains,

We just couldn’t afford the $1,500 a month. At $1,200 we were barely making ends meet. It was a little on the high end of $1,200, but we were willing to accept it or either Countrywide would’ve taken the house. (Interview with Naomi, Homeowner, Jacksonville, F, August 2014)

When considering the decision to apply for food stamps, Naomi explains, “if we had to pay for food on our own we would have to pick and choose which bills were not going to be paid.” Naomi and her family cut down on the number of times they dined out at restaurants after their home went into active foreclosure. Naomi felt that sacrifices like these were especially difficult for families with kids, though she understood they were necessary. Beatrice explains she also had to make some serious cutbacks on many things including food. Beatrice commented:

I had to cut back on a whole lot, definitely. You end up cutting back on food, clothing, and utilities. What you pay for your vehicle and insurances. The overall household expenses are cutback. (Interview with Beatrice, Homeowner, Jacksonville, F, August 2014)

Beatrice further explains, “I was able to eat steaks and lobster whenever. I was able to go out to dinner and lunches whenever I got ready. I can’t do that now.” Instead, Beatrice began preparing meals at home that would last her up to three days. Beatrice recalls that this change not only taught her valuable lessons on budgeting, but it also taught her, “to eat healthier because I’m limited to what I can purchase for food.” Other homeowners cut back on the number of times they dined out each week because it was no longer affordable. Thomas in Jacksonville puts it: “We might go out like once every two weeks or something. When before we were going out like 3 to 4 times a week. We don’t eat out as much.” Alternatively, Thomas and his family began to prepare more meals at home. The threat of
an impending foreclosure dictated how and where families shopped for their groceries. Thomas explains,

    Some time, even now when we know how the money is, it determines where you shop. You used to go to Publix [High end grocery chain in the Southern U.S.] and now you’re going to Save a Lot ‘cause like they have the same stuff. (Interview with Thomas, Homeowner, Jacksonville, M, August 2014)

    Thomas no longer purchased items without reviewing the cost after he realized how much he spent on groceries, prior to his financial troubles. Instead, Thomas and his wife planned weeks in advance for all the things they needed. Thomas notes,

    I usually was like put this in there, put this in there, put this in there, but now were like Tuesday we can have this or Wednesday or I plan how many days I had that when we get to the grocery store. So, that's what we do. (Interview with Thomas, Homeowner, Jacksonville, M, August 2014)

Similarly, Susan says she did not review the prices of items she purchased at the grocery store prior to her financial difficulties. Susan notes,

    I didn’t think about going to the store and picking up a pack of meat and looking at the price and thinking about how much I spent here or there because I knew I had the money to do it … but once I got sick I had to stop doing that … now I'm looking at my bank account and I was like wow. (Interview with Susan, Homeowner, Jacksonville, F, August 2014)

In other instances, some homeowners saw fit to cut back on their grocery bills to pay their mortgage. Vanessa notes:

    The food bill is always something that you can easily reduce. You went back to some of the main staples. Like what older people say food that stick to you: meats, starches, and vegetables. I wasn’t going out to eat like we use to do. So, I was able to easily reduce that grocery bill and
cook meals that lasted for 2 to 3 days. (Interview with Vanessa, Homeowner, Jacksonville, F, August 2014)

Roxanne, who is also a single-parent, also made similar sacrifices because she believed it to be her duty to shield her children from her foreclosure problems. While other parents made sure their kids had something to eat first. Roxanne explains,

I make sure that my kids eat that’s my number one priority. There are times I would come home if I cooked a meal and it's enough for two days and if there’s just enough for them then they would eat. I wouldn’t eat. That’s just what a mother does and that’s what I did. (Interview with Roxanne, Homeowner, Jacksonville, F, August 2014)

These sacrifices were made for months on end, where if there was not enough food at home, Roxanne would grab a nibble or bite at work and forgo dinner. Even though Roxanne could not afford to eat certain meals, she always made sure her children had something to eat.

4.17 Robbing Peter to Pay Paul:

Distressed homeowners made many sacrifices due to their indebtedness. The threat of an active foreclosure typically caused distressed homeowners to not pay certain bills on time or to only make partial payments. Several studies define indebtedness as a lack of possible debt redemption in due time, resulting in a remarkable cutback in a household’s standard of living (Munster et al. 2009; Turunen and Hiilamo 2014). The constant juggling of bills led some families to create a decision tree to determine what bills would be paid, and identify which bills they were unable to make a payment on; however, these decisions were not uniform across all households. For most families, paying their mortgage was their number one priority. The decision on what bills would be paid became a source of contention for some couples. Indebtedness was common in both cities as some homeowners struggled to find creative ways to resolve their financial hardship and cope with a pending foreclosure. In some cases, homeowners would use their entire pay cheques to pay their mortgage, and when that
was insufficient they drew on their savings, credit cards, and 401Ks. Some homeowners described the process as “robbing Peter to pay Paul.”

4.17.1 Chicago Experience

Several homeowners reported they juggled bills and made difficult decisions on what bills would be paid each month in order pay their mortgage. For some homeowners, the decision was based on a list of priorities they deemed essential to their daily survival. Laura notes, “I know I needed lights and gas. Those are my two priorities, but I also know that I needed a cell phone if anything should happen. I needed a phone to call out for help … so mortgage, gas, light and at least a cell phone.” Oscar decided to divert all his financial resources to paying his mortgage each month because he believed his lender would assist him if he continued to make payments. Unfortunately, the utilities in Oscar’s home were disconnected on several occasions because he neglected to pay the bill. Sharon says she was constantly juggling bills during her financial hardship,

Some bills you can’t get around them. You’re forced to pay them or else they’re going to shut off your gas, shut off your water, and electricity. You need prescriptions to be filled. Some of them are hard choices, but you have to do them. So, I managed. (Interview with Sharon, Homeowner, Chicago, F, July 2014)

4.17.2 Jacksonville Experience

Frank and his wife Sandra recalled the constant struggles of juggling bills after their home went into active foreclosure, a practice they casually referred as “Robbing Peter to pay Paul.” Frank and Sandra regularly disagreed on what bills would be paid each month. For example, Sandra was not in agreement with her husband’s list of priorities, which were ranked in the order of their effects to their credit rating. Frank believed the mortgage and car note should be paid first, and then all other bills such as groceries, utilities and cable, whereas Sandra would pay the electricity first, mortgage second, and followed by groceries. In Naomi’s household, food came first followed by paying the household
utilities, a strategy she proclaims was fairly simple, “stay within the 89 days of our mortgage.” The premise behind her decision was as long as the mortgage was not more than 90-days delinquent, they were fine. Susan, on the other hand, prioritized the car note and mortgage as her main priorities, and then household utilities. Susan would usually contact the utilities company to arrange an extension and whenever that was unsuccessful, she would cut back on groceries to make her payments.

4.18 Lights out! Energy Insecure Households

Some distressed homeowners struggled to keep current on their household utility bills. Studies have revealed many households struggled with energy insecurity, referring to families that are incapable of meeting their household energy needs (Hernández 2016). Several homeowners had their household utilities disconnected for unpaid balances. This problem, according to some studies, was primarily attributed to the economic insecurity, inefficiencies from older appliances, and poor maintenance, which collectively have driven up home energy cost for low-income families (Hernández 2013). In this study, 3 out of the 18 homeowners reported their household utilities were disconnected on several occasions. Studies have revealed African Americans face above average increases in gas or electric disconnections during the Great Recession (Barr and Schaffa 2016). Some families were fortunate to receive assistance through specialized household utility programs offered by various levels of government to avoid service disruptions. LIHEAP is a federal program that helps low-income households, including homeowners and renters, who are having troubles paying their electric, natural gas, or other heating bills. Household income eligibility for the program is set at or below 150 percent of the federal poverty level, which is $36,000 for a family of four or 60 percent of the state median income (Honig 2015). Unfortunately, information about this program was not widely circulated in communities, especially those hit hard by the foreclosure crisis. Data on the program’s performance indicated that fewer than one out of five LIHEAP-Eligible households were able to receive assistance (Honig 2015). The lack of assistance was largely due to the austerity measures taken by the
government, including massive cuts to the program, which sent rippling effects throughout economically disadvantaged communities. The government slashed nearly $2 billion from the program from $5.1 billion to $3.2 billion (Honig 2015). Under President Trump’s current administration, the government is determined to eliminate the program all together, in order to balance the federal budget (Jan and Mufson 2017). The timing of these budget cuts could not have come at a worse time as research shows the bottom 20 percent of earners in the country are paying a greater portion of their income on electricity, and in some cases, more than seven times the portion of the top earners in America (Spector 2016). Most notably, a report found 50 percent of all families that spend 10 percent or more of their income on electricity bills are African Americans (Sabol 2016). The City of Jacksonville tops the list where 14.5 percent of its economically disadvantaged residents are paying $200 or more on their electricity bills (Sabol 2016). Taking on more debt to survive was another problem that plagued distressed homeowners, which quite possibly had an adverse effect on their health. Studies have shown that taking on more debt to address financial issues could have potential adverse effects on one’s health (Turunen and Hiilamo 2014). Distressed homeowners relied on credit cards and pay day loan services to cover their monthly household expenses.

4.18.1 Chicago Experience

Oscar recalled his utilities being disconnected on three separate occasions due to payment delinquencies. Both Oscar’s electricity and gas services were disconnected for approximately six and ten days respectively, though never at the same time. Things were challenging for Oscar and his family when the gas was turned off. Oscar was forced to use an electrical pan to heat up the water for household use. Despite these challenges, the toughest part of this ordeal for Oscar was explaining to his kids why the lights were not working in the home. Oscar explains,

When we would get our light shut off we would play a game to go to bed early. We would grab flashlights and read a book around the bed and then just you know be in bed early and
rise up early. … But on occasions when the power was off on the weekend we would go out and walk to the park and hang out at the park. Just do things together to keep our minds preoccupied and not so much think about what we don’t have at home. (Interview with Oscar, Homeowner, Chicago, M, July 2014)

These were undeniably some of the most difficult moments in Oscar’s life. Oscar felt that he let his family down because he was no longer able to provide some of the basic necessities for their home. Oscar tried to use his savings to stay afloat, but his savings evaporated within months and eventually was no longer able to pay his utility bills. Mass layoffs became a disturbing trend for many black households facing foreclosure (Williams 2011). In Chicago, Sharon, applied for the LIHEAP after her utility bill was late all the time.

4.18.2 Jacksonville Experience

Vanessa had her utilities disconnected while her home was in active foreclosure. Vanessa describes this ordeal as one of most gut-wrenching experience in her life, when her daughter returned home from school to find the home in darkness. Vanessa’s daughter waited inside the sweltering house until her mother returned from work to sort things out. Vanessa was forced to neglect all other bills, including her electricity bill, just to pay her mortgage. Her strategy was to try and make partial payments on all her utility bills each month to get her through to the next billing cycle without any service disruptions. Despite best efforts to maintain this strategy, Vanessa’s worst fear came to fruition as her young daughter was unable to enter the home through the garage because the electricity had been disconnected for payment delinquencies. Although her daughter had a key to the house, Vanessa preferred she enter the home using the garage door opener, which became a daily routine after Vanessa removed her from her afterschool care program to reduce her monthly expenses. Vanessa’s daughter immediately went over to the neighbour’s house to phone her mother and inform her that the garage door opener was not working. Vanessa’s heart dropped because she knew right away the electricity
was disconnected. Vanessa tried to console her daughter by letting her know that everything was okay. The lack of thermal comfort in the home along with the disconnection was the direct source of Vanessa’s stress during this ordeal. Vanessa felt like she failed as a parent and was no longer able to shield her daughters from the fallout of the foreclosure process. Vanessa remembers,

I felt like I failed as a mother. Juggling the electrical bill to then make my car payment because I need to have transportation and fuel to get to work to make more money to try to pay bills and have that cycle continue. I want to say it probably happened about four times. (Interview with Vanessa, Homeowner, Jacksonville, M, August 2014)

The cycle of juggling bills left some homeowners frustrated, because as they became current on one bill, they knew there was some other bill that they were unable to pay. Marital separations and lower paying jobs were responsible for the high level of energy insecurities distressed homeowners were experiencing. Rising mortgage costs led some heads of households to seek additional employment in order earn extra income to make up for their shortfalls. As a result, families prioritized their mortgages over all other household expenses. For example, Vanessa’s income decreased by nearly 50 percent after she was reassigned to another position at work. Her work reassignment, coupled with her recent divorce, created a more difficult situation for her. Vanessa explains,

The electric bill, which here in Jacksonville is tied together with the sewer. So still living in the house at the time that was a huge bill about over $200 a month. So, factor that in with almost 50% of the paycheck that I used to get was no longer there. It quickly crept up and so I would pay portions of it and not the entire amount and as you know those numbers, if you don’t give enough to decrease it will continue to increase. (Interview with Vanessa, Homeowner, Jacksonville, F, August 2014)

Vanessa tried to take advantage of a similar program through the Jacksonville Electric Authority (JEA) MyBudget program, which she maintained was not much of a reduction. The program was created to
target households like Vanessa’s that were on a fixed income, by creating a levelized payment plan that evens out their monthly bills using a rolling average of their last 12 bills (JEA 2016). Despite the assistance, Vanessa struggled to remain current on her monthly utility bills as she became one of many households in Jacksonville facing energy insecurities (Spector 2016). On a couple of occasions, Vanessa’s friends assisted her in paying the utility bills.

Frank and Sandra reported their electricity was disconnected a couple of times. Frank and his wife were indifferent about how the service interruptions made them feel, especially when their kids were present. Sandra noted she felt embarrassed, and recalls one occasion when it was 90° Fahrenheit (32° Celsius) in the home after the electricity was disconnected. In a casual voice, Sandra alerted one of her kids who was present at the time, “lights are out. Go to someone’s house and cool off.” Sandra noted she felt embarrassed, particularly when her daughter would say, “Mom we don’t have no lights and I would say I know.” Frank, on other hand, was quite serene about the disconnection, “it happened, it's done. What's the worst thing that could happen? You pay it and it comes back on and you keep moving.”

4.19 Minimizing the Impact on Children

In a study on mortgage foreclosures, U.K. researchers found that it was common for parents to minimize the impact of foreclosures on their children (Nettleton 2001). In the study, researchers found that, in relation to their children, parents were most concerned about: whether or not to tell their children about the repossession; parenting; schools; friends; changes to their lifestyle; behaviour; health; and space (Nettleton 2001). These issues raised in Nettleton’s study correspond with concerns identified by parents in this study. Some parents communicated details of their financial situation to their children with great caution. Some parents felt it was important to inform their kids about their financial struggles, so they could continue to maintain a transparent relationship with their kids. Some parents did not want to burden their kids with details of their financial hardship, because they did not
want them to worry or be distracted. It was clear that most parents used their discretion when determining the amount and type of information that was shared, and factors that determined what was communication were based on the age of their kids or whether they were still in school.

4.19.1 Chicago Experience

Oscar was very reluctant to fully apprise his youngest child on the extent of their financial situation. He felt the need to appraise his eldest sons about their reality, because they were at an age where they could easily understand something was wrong. Oscar professed:

I never wanted to expose my children the financial situation that were going through, but it was so obvious that we had to explain to them how we were picking up the pieces. … My two oldest one we have to explain. My youngest one, for example when we would get our light shut off we would play a game to go to bed early. We would grab our flashlights and read a book. We would read around the bed and then just you know be in bed early and rise up early … on occasion when the power was off on the weekend we would go out and walk to the park and hang out at the park. Just do things together to keep our minds preoccupied and not so much think about what we don’t have at home. (Interview with Oscar, Homeowner, Chicago, M, July 2014)

Explaining the family’s financial situation was difficult for Oscar, because his children were so accustomed to going out for dinner every week as a family. Oscar believed that these financial difficulties were things that children should not have to worry about, but it was important for them to know so they could manage their expectations. To explain these difficulties, most parents elected to use scenarios or language their children were familiar with to help soften the bad news. For instance, Oscar would say,

I have to pay this, but I only have this much money to save. So, I need to save this amount to the next time. Something at least to me in my view kids don’t really think or care about. But
yet when you find yourself explaining to them you almost wonder how are they soaking it in, how are they taking it in. so we try to do the best we could to soften anything but keep them aware of the realities. (Interview with Oscar, Homeowner, Jacksonville, M, July 2014)

Further Oscar comments:

Explaining to them even though we don’t have much. We still live in a great country there are other countries that have nothing. So, try to soften it up like that. (Interview with Oscar, Homeowner, M, July 2014)

4.19.2 Jacksonville Experience

Parents described how they went to great lengths to shield their children from the fallout of their foreclosure, and how much they knew about what was taking place. For instance, Vanessa said:

They didn’t know in terms of the business aspect. The foreclosure of course they’re too young. My older daughters were at college and my younger daughter it wasn’t something that I was going to involve them in. They knew that mommy was stressed out. They knew that I no longer have a job with the money that I use to have. I think it was important for me to let them know to a certain extent why we were not able to do some of the things that we used to be to do. So, activities that we are accustomed to like sports that we have to pay for we can no longer do because other things needed that money. So, they had no idea that we are going to potentially lose our house. (Interview with Vanessa, Homeowner, Jacksonville, F, August 2014)

A certain level of transparency was key to Vanessa’s relationship with her children. Vanessa did not want her kids to establish unrealistic expectations and become disappointed whenever they were unable to get what they wanted. Vanessa explains:

For me, I think that communication was important so that they know what I was able to do. Again, I didn’t sit them down and say this is what moms pay check looks like. They were too
young for that. I wanted them to have realistic expectations of different things. I didn’t want to crush them, but I wanted them to know opportunities existed based on what I now make.  
(Interview with Vanessa, Homeowner, Jacksonville, F, August 2014)

On other hand, some parents used their kids’ ages to determine whether to inform their kids about their financial troubles. Roxanne explained, “I let my oldest daughter know and my middle daughter because they were grown.” However, Roxanne’s eldest daughter learned about her mother’s financial troubles after she found her home for sale while searching through foreclosure listings to find a deal on her next home. Roxanne described this embarrassing experience,

She called me and asked me what was going on. … That’s something hard to discuss with your children. I just told [daughters name] not to tell her younger sisters. I didn’t want the smaller kids to know what I was going through. (Interview with Roxanne, Homeowner, Jacksonville, F, August 2014)

4.20 The Cost of Foreclosure: Fighting to Keep Your Home

For homeowners in both cities, the stress of losing a home was so unbearable they did not even venture outside of the homes after defaulting on their loans. Social confinement was a common practice among a lot of homeowners at the onset of the foreclosure crisis. To cope with an impending foreclosure, some homeowners internalized the stresses of foreclosure out of fear of being embarrassed or, worse, judged by loved ones and friends for their financial delinquencies. In a study of mortgage arrears, sociologist Sarah Nettleton found there are many other social, psychological, and/or health consequences that families face in this position. As in Nettleton’s study, distressed homeowners in this study found it very difficult to socialise with others because they viewed foreclosure as the ultimate life failure (Nettleton and Burrows 2000; Ford, Burrows, and Nettleton 2001). For some homeowners, the loss of the home dealt a significant blow to their confidence and
self-esteem. At an individual level, people felt their social status was in jeopardy and their sense of worth was damaged in becoming a renter after previously owning a home. These psychological effects, Nettleton and her colleagues argue, alter the way homeowners interact with family members, neighbours, close friends, and in certain social settings. As a result, distressed homeowners were very keen to ensure their troubles were not on public display, especially to their neighbours and family, because foreclosures were highly stigmatized.

Mortgage foreclosure was not an experience homeowners openly shared with family and friends, unless they were in the position to assist them financially. Some distressed homeowners were worried about being deprived of the social status afforded to them through homeownership. Loss of the home to foreclosure was not only humiliating, but was considered a step down in the hierarchy of housing tenure. Nettleton and Burrows point out that most homeowners in this situation struggle to deal with the altered social status, which further adds to an already stressful situation (Nettleton and Burrows 2000). In drawing on the work of Peter Freund, who maintains that not all environments are conducive to an expression of self that feels genuine and desirable (Freund and Fisher 1982), this produces “dramaturgical stress,” a behaviour in response, to social situations in which there is a profound disjuncture between the ways in which one desires to present oneself and the social context which demands an ‘opposite’ style of self-presentation and does not allow the actor to leave the field. (Freund 1998; Francis 2006)

For families in both Chicago and Jacksonville, the fight to avoid foreclosure and secure a loan modification was very stressful. The anxiety that this situation created caused some distressed homeowners to suffer from eating and sleeping disorders. The loss of the home also represented a significant blow to their ontological security as a homeowner. The term was first used in the field of psychoanalysis during the mid-1960s by Ronald Laing and then later used by sociologist Anthony Giddens to understand humans and their relationship with the world (Laing 1965; Giddens 1984).
Giddens defined ontological security as: The confidence that most human beings have in the continuity of their self-identity and in the constancy of their social and material environments. A basic element of a feeling of ontological security is a sense of the reliability of persons and things (Giddens 1991). Peter Saunders also joined the debate by defining ontological security as a state wherein people feel in control of their environment, free from surveillance, free to be themselves and at ease, in the deepest psychological sense, in a world that might at times be experienced as threatening and uncontrollable (Saunders 1990b; Hiscock et al. 2001). According to Dupuis and Thorns, ontological security can be maintained through the following four conditions (Dupuis and Thorns 1998):

(i) Home is the site of constancy in the social and material environment;
(ii) Home is a spatial context in which the day to day routines of human existence are performed;
(iii) Home is a site where people feel most in control of their lives because they feel free from the surveillance that is part of the contemporary world; and/or
(iv) Home is a secure base around which identities are constructed.

Once the ontological security was lost, most distressed homeowners were distraught and hid the fact of their financial hardship.

4.20.1 Chicago Experience

Distressed homeowners struggled with the thought of losing their homes to foreclosure, and as a result, internalized their problems. Some homeowners felt embarrassed for allowing their homes to end up in foreclosure. For example, Curtis said he felt embarrassed after his friends learned his home was in foreclosure after they came across a listing of his property in a community newspaper. Curtis recalled,

I felt embarrassed when I realize it was made public knowledge. That someone can just pick up the papers, oh [Curtis] property is in foreclosure. Then people are like what are you doing that your property is in foreclosure. They don’t look at me is that Person I guess. Because I
remember my friend saying “is everything okay,” and I’m like yeah. You still working? I said yes! “Well I just read that your property in foreclosure.” Well those are the things people think is that you’re unemployed and that you’re struggling in some kind of way. (Interview with Curtis, Homeowner, Chicago, M, July 2014)

Although Curtis’s home was in active foreclosure, he still wanted to make sure his performance and interactions within social settings were reflective of a homeowner and not someone who was irresponsible. Curtis reported he was always angry and wanted to inflict physical harm on anyone after any correspondence with his servicer, PNC Bank or their attorneys. Curtis started to confide in his closest friends about his ongoing foreclosure issues. Curtis felt greater comfort in knowing that he could discuss his issues and concerns with someone he knew was supportive and genuinely concerned about his mental state.

Margaret also said she felt, “shocked, humiliated and embarrassed” when she first learned her home was in active foreclosure. Margaret’s husband took care of the mortgage and she handled all other household bills. As a result, Margaret was not aware her husband had fallen behind on the mortgage payments and that their servicer was threatening to foreclose the property. Margaret explains,

I really don’t know how far behind he was on the mortgage. I know all of a sudden, I found out that we are behind and facing foreclosure ... I don't know all the exact details because that is something that he takes care of and I take care of the gas, light, telephone, and all those other bills. (Interview with Margaret, Homeowner, Chicago, F, July 2014)

Margaret says she was embarrassed because, “I understand when you get behind on our bills, but to say that you’re going to lose your home where your children were born and raised. That was an embarrassing situation.” Like other homeowners, Margaret did not inform anyone in her family about
their troubles with foreclosure because she did not believe they were position to help. Further, Margaret points out,

Not that they wouldn’t mind them helping, but I didn’t feel like there was something. I thought that this was a more viable situation to learn about and know about because then if you get into more financial borrowing then you’re in another cycle of debt. (Interview with Margaret, Homeowner, Chicago, F, July 2014)

Chris recalled feeling like a failure, and notes,

Your gut just falls apart and you don’t know where to turn. You don’t know what to do. … Not many people you tell because you don’t want them to know what you’re going through because there’s a stigma against it. You feel like this should’ve never happened you. No one really knew because I wouldn’t let them. It’s hard to fathom what was going on in our own mind. It was that anxiety and that frustration. It was really depression. (Interview with Eric, Homeowner, Chicago, M, July 2014)

Other homeowners were simply fearful of losing their homes through foreclosure or eviction. Sharon notes,

Every time you ride down the street and you see boarded up buildings in your community where you lived all your life. Places that were show places you see boarded-up with red X’s on them. You see buildings that you went by as a child being raised to the ground. Buildings where you knew people who used to live there are being forced out of their homes. Evictions and stuff on people sidewalks and all that. When you see things like that and being in a community of which I consider myself in a good community. It was frightening. (Interview with Sharon, Homeowner, Chicago, F, July 2014), see Figure 4-2.
Despite Sharon’s fears of losing her home to foreclosure, she did not feel comfortable sharing her financial troubles with any friends or family. According to Sharon,

That’s another thing. You feel like you’re alone because you don’t think anybody will understand. They [financial pundits] are out there advertising on TV telling everyone it’s a moral hazard; It’s their fault they didn’t pay their mortgages; It’s their fault they took on more than they could get. That’s not true! They [loans] were predatory. They [lenders] knew that they were putting people in homes that they couldn’t afford. They knew that and they were going ahead and doing that anyways because they were making millions of dollars off fees. Everybody was getting a piece of the pie from the lawyers to the appraisers to the title and land trust companies. (Interview with Sharon, Homeowner, Chicago, F, July 2014)

Similarly, Laura reported she was more fearful, rather than embarrassed, about losing her home to foreclosure. Laura explains,

The first thing is fear, I don’t want to come home to see my stuff on the sidewalk. My mother had those experiences when I was young. … I didn’t want to be in that situation. I didn’t want
to see myself go down that route. So, I was just fearful at that point and I was trying to do whatever I could to save my home. (Interview with Laura, Homeowner, Chicago, F, July 2014)

4.20.2 Jacksonville Experience

Distressed homeowners were fearful, embarrassed, and anxious about losing their home to foreclosure or eviction. Homeowners described feeling these emotions when they first learned their homes were in active foreclosure or within days of an eviction. Vanessa describes her experience:

It was such an embarrassing thing. It is the ultimate embarrassment to lose your house because it plays out publicly in the legal system where the notifications are put in the paper, notice of foreclosure, your name is out there. Even having to go to court and you’re passing through seeing people that you may know. Even having to divulge your personal financial information in court to a stranger. What was really gut wrenching also on top of my girls was their best friend who lives across the street. I didn’t know that she was in the window watching them do everything [move the family’s personal belonging onto the sidewalk]. When her mom called that night and she says what happened? I told her and she said how come you didn’t you let us know. When she told me about her daughter was uncontrollably crying, my God daughter. It affected me a lot. It was embarrassing! But it affected them more than me. I started thinking more about my neighbors because I had great neighbors. Again, it was an embarrassment because it all played out in public. (Interview with Vanessa, Homeowner, Jacksonville, F, August 2014)

Vanessa was embarrassed that her entire neighbourhood was on hand to watch her foreclosure troubles unfold from their front doorsteps. Vanessa’s confidence and self-esteem was dealt a huge blow because her struggles with foreclosure was no longer private. Vanessa adds, “So having people sit out there and just kind of look and essentially putting two and two together that we were being forced out and that we weren’t leaving on our own.”
For Bernadette, being in foreclosure dealt a psychological blow to her confidence and self-esteem:

I don’t like to ask anybody for anything because I should be able to take care of it myself. I’m intelligent enough to take care my own responsibilities. I just lost control of it. It’s embarrassing to me to ask for help. I don’t know why. Especially, these were my neighbors too. I was wondering if they’re going to tell anybody else that I got myself in this situation. Then I have to look at it from a different perspective that it really wasn’t my fault. I didn’t make myself get sick. (Interview with Bernadette, Homeowner, Jacksonville, F, August 2014)

For others, losing the home went beyond the stigma. Thomas explains:

I didn’t tell anybody because the house that I’m living in was inherited to me. It was my parent’s house. It was a larger house than I had before and I was going to build another house. It was just kind one of those things where my brothers and sisters quick deeded the house to me. They wanted someone to keep in the family. So, we were like okay we will keep it right, I didn't want to embarrass myself in losing the house. (Interview with Thomas, Homeowner, Jacksonville, M, August 2014)

Thomas felt like he let his family down by defaulting on the mortgage. Thomas describes:

I felt like at the time when we got the mortgages and stuff I felt like we could handle all of that. I was in the position to handle it and suddenly, I had all these other things thrust on me. People were depending on me to do certain things and I should have did it. (Interview with Thomas, Homeowner, Jacksonville, M, August 2014)

Thomas delayed informing his wife about their financial hardship until he could no longer keep it a secret. Almost a year had passed before Thomas informed his wife that their home was in foreclosure. Thomas explained that he did not feel it was necessary to inform his wife about the pending
foreclosure because she was in no position to help him financially, as she was only a temp worker. Each time he received a default notice from the bank he would make a payment, but Thomas always remained a month behind in his payments. Eventually, a month turned into 90-days delinquent and shortly after, the home was in foreclosure. Once the home went into foreclosure, Thomas was then forced to inform his wife about their ongoing financial troubles. He explains, “I didn't let her know because she was in no financial position to help me financially with it. It’s like saying that I need help, but I already know you can't help me.” Admittedly, Thomas explains he was quite embarrassed to be in this position, which was why he was reluctant to inform anyone about his hardship. The embarrassment led him to feel like he let his family down because they were all depending on him to be the head of the household, and now he could not provide his family with a roof over their heads.

Beatrice explained that, for a wide range of matters, her friends and family relied on her for assistance and advice, and she was always willing to lend a helping hand if she could. Beatrice recalled that, now that she needed the help, her friends and family were not available to offer any assistance. When Beatrice informed her younger sister in Texas about her foreclosure problems, she said, “oh, wow, I know we owe you so much money, but I wish I could help you and give you something.” Over six years had elapsed before Beatrice finally informed anyone in her family about her foreclosure troubles; not even her adult kids knew about her financial situation. Beatrice defended her decision to not inform her two adult children earlier because she believed they were in no position to help considering they were both trying to raise a family on a fixed-income. Some homeowners could not see the value of sharing their troubles with anyone they believed could not help them overcome their financial indebtedness.

4.21 The Stress of Applying for a Modification

There is a growing body of research linking the adverse impact of foreclosures on homeowners’ physical and mental health (Pollack and Lynch 2009; Currie and Tekin 2015). The stresses of a pending
foreclosure weighed heavy on homeowners in both cities. Research has revealed disruptions caused by foreclosures resulted in the deterioration of an individual’s physical and mental health, through the inability to sleep, loss of energy, shortness of breath, and changes in eating, drinking and smoking practices (Ford, Burrows, and Nettleton 2001; Libman, Fields, and Saegert 2012).

In addition to falling behind on mortgage payments, distressed homeowners reported being stressed during the modification process. Homeowners applied for loan modifications on their mortgage to reduce their payments; however, the modification process left a lot of distressed homeowners feeling helpless, leading some to ponder walking away from their homes. The approval process for a loan modification involves a lender agreeing to restructure the terms and conditions of the loan by reducing monthly payments to 31 percent of the borrower’s monthly income. To achieve this restructuring, a lender would reduce the interest rate to as low as 2 percent, convert a variable-rate mortgages to fixed, extend the amortization period, or forgive a portion of principal. There have been several modification programs offered to assist distressed homeowners, including programs offered in-house at financial institutions that did not participate in the government’s Home Affordable Modification Program (HAMP). To qualify for a loan modification under the HAMP program, the property in question must be the homeowner’s primary residence, and the homeowner is required to demonstrate they are at risk of an imminent default on the loan. A common misconception during the foreclosure crisis was that a homeowner needed to be in default before they could receive any help in saving their home. A lot of the misinformation in regards to eligibility for the program was coming directly from banks who were well informed about HAMP.

The loan modification process left some distressed homeowners in a more precarious position financially. To qualify for a loan modification, each homeowner was required to undergo a three-month trial period to determine the homeowner’s ability to make the modified payments. It is important to note that any missed or late payments during the trial period resulted in a denial of their
application and, in effect, a return to the original payment terms. Once a homeowner completed the trial period and successfully made all their payments on time, the modification converted to a permanent modification. These fixed payments were only in place for a period of no longer than five years. Thereafter, interest rates on the modified payments began to increase up to the original market rate.

The program has been plagued by controversy ever since the Obama Administration first unveiled it back in 2009 (Merle 2009; Carrns 2011; Kiel 2013). Homeowners and consumer advocates complained about lenders giving them the runaround and inaccurate information, which further added to their stresses. Distressed homeowners in both Jacksonville and Chicago complained about the poor level of service they received while attempting to secure a modification on their mortgages or to retrieve accurate information on how to apply for government programs. This issue was not solely affecting homeowners in Chicago and Jacksonville; this was an industry-wide problem impacting homeowners across the entire country (Morgenson 2011; Silver-Greenberg 2013). Distressed homeowners complained they were improperly denied loan modifications; servicers incorrectly proceeded with foreclosures while they were being considered for a modification; homeowners’ incomes were miscalculated; people were wrongfully terminating out of the HAMP program; homeowners were repeatedly requested to submit the same documents; and others complained about being on trial modification longer than the required three-month period before they were granted a permanent modification. The government set rules to streamline the loan modification process under HAMP, and these errors made by the banks violated those rules. A large majority of homeowners were concerned that they were improperly denied a loan modification on several occasions, without any explanation. Data on modifications from the Department of Treasury indicated that approximately 1.7 million homeowners were approved to start HAMP trial modifications, while nearly 4 million homeowners were denied HAMP assistance (Romero 2015b). Seventy percent of
homeowners who applied for a modification through HAMP were denied assistance by their servicer—more than 80 percent were denied by some of the largest servicers (Romero 2015b; Swanson 2015). JPMorgan Chase and Bank of America, the two largest HAMP servicers, as well as Citi Financial, each turned down 80 percent or more of the homeowners who applied for assistance through HAMP (Swanson 2015).

Securing a mortgage modification was not an easy task for millions of distressed homeowners facing foreclosure. Distressed homeowners described the process as a long rollercoaster ride with no end in sight. Servicers and lenders regularly requested documents from homeowners seeking a modification on their mortgages. As a part of the modification process, homeowners were required to submit various financial documents such as bank statements and income tax information from the Internal Revenue Service (IRS) to better understand their financial situation. Roxanne was highly critical of her servicer; after five denials over an almost two-year period of applying for a modification, she finally received an approval. Studies have revealed some of the top lenders and servicers in the country denied nearly 80 percent or 4 million applications they received to lower a homeowner’s monthly mortgage cost (Swanson 2015). Under the terms of the settlement between the banks and the government, financial institutions are to abide by 304 servicing standards, including providing a borrower with a single point of contact (Williamson 2013).

Employees were regularly drilled, “that it was our job to maximize fees for the bank by fostering and extending delay of the HAMP process by any means we could (Son and McLaughlin 2013).” Managers at Urban Lending Solutions regularly instructed employees to, “delay modifications by telling homeowners who called in that their documents were ‘under review,’ when in fact, there had been no review” (Son and McLaughlin 2013). Urban Lending employees also repeatedly requested homeowners to submit the same document as a way to further delay the modification process (Son 2013). Bank of America used a similar tactic, and by delaying the process, was able to collect thousands
of dollars in more fees and interest (Son 2013). Ultimately, these delays caused borrowers to be disqualified from the HAMP program due to the increases in their debt-to-income ratios while waiting patiently for an answer on their application. In a sworn declaration, former Bank of America employees claimed they regularly denied mortgage modification application that had documents older than 60 days at the request of management (Dayen 2013). The banks justified these denials by getting representatives to falsify their reasoning for denying an application, such as claiming the homeowner did not provide the requested documents. Admitting they actually received the documents, “would open a can of worms,” according to former Bank of America employee, Simone Gordon (Dayen 2013).

“Denial sweeps” became an everyday business practice in the banking industry as it helped remove the backlog of homeowners awaiting responses on their cases, since the banks were required to underwrite an application within 30 days of receiving documents. Housing counsellors and housing advocates expressed a growing concern that many banks were ill equipped to deal with the barrage of applications and were afraid to reveal to the government and public how grossly underfunded their efforts were in keeping troubled homeowners inside their homes (Dayden 2013). Employees were rewarded for denying applications, and referring distressed homeowners to foreclosure. Another former Bank of America employee reported she received $500 in bonuses and gift cards to retail stores and restaurants for placing a high rate of clients in foreclosure (Son and McLaughlin 2013). Concerned homeowners called weekly to inquire about a status update on their application, but were repeatedly told their application was “under review,” when in fact no one had reviewed the application in months. Former employees alleged they were instructed to tell borrowers that their documents were incomplete or missing when they were not (Dayden 2013).
4.21.1 Chicago Experience

Some homeowners experienced difficulties qualifying for a loan modification. Some homeowners complained they were constantly given the runaround when they attempted to apply for a loan modification on their own. Homeowners reported they applied for a modification several times before finally being approved. Oscar explained that within a span of 12 months, he was approved for one program the bank was offering to assist troubled homeowners, but was later denied a loan modification. Oscar recalled,

The last time I spoke to someone they said were still working on your application and everything is still here. That was the same thing I would get all the time until I remember two weeks after I spoke to someone telling me that they were still working on it. Then two weeks after that I spoke to somebody new and they told me you were denied. I never got a call for that or any indication. Yet, throughout this whole time my hopes were that things are being processed. (Interview with Oscar, Homeowner, Chicago, M, July 2014)

The loan modification process was frustrating for some homeowners, because they could not receive any updates about their application. Oscar said he contacted his servicer regularly to get an update on his application and the most common line used by the customer service representatives was “we will call you back,” but they never retuned his call, except to let him know the mortgage was in default and the amount owed. Oscar comments:

after a while of me talking to somebody new. Every time I would take their name down and whenever I would call back a week later that person was not available to speak to me. So, they would assign somebody new. It was like a revolving door. … They would say let me restart the application. Many times, I would get transferred to another department, which turned out to be in another country. There were language barriers because sometimes I couldn’t
Oscar became extremely frustrated with the foreclosure process, because he felt that the bank was not doing its job to approve eligible homeowners for the HAMP program. Oscar received the runaround treatment when he tried to secure a modification on his own. Soon after he plowed through all his savings, Oscar reached out to his mortgage servicer to inform them of his financial hardship. Oscar was desperate for some type of relief. He contacted Bank of America and inquired about the modification program, but they informed him that he still needed to continue making his monthly payments while they processed his application. Roughly every time Oscar submitted a document or an application, his lender would lose the paperwork and he would be required to restart the process again. Oscar was under the impression this was going to help him to stay current on his mortgage and give him a fresh start. Instead, the program provided additional grief to Oscar’s life. Every time Oscar contacted the bank to inquire about the status of his application, he was unable to receive any clear information about the status of his application. The miscommunications aggravated Oscar to the point where he started to keep a record of his own, with the names of he spoke with and the nature of their conversations, although that did little to bring him any comfort. Whenever Oscar contacted his lender, he could never speak to the same representative or his point of contact. Instead, he was assigned another designated representative. Oscar was assigned a designated representative several times before he demanded to speak with a manager; however, speaking to the manager provided him with little comfort as he was asked to restart the process again and begin a new application. Some distressed homeowners found working directly with their servicer felt like another emotional rollercoaster in their fight to keep their homes. To make matters worse, when Bank of America acquired Countrywide Financial Corp, formerly the country’s largest subprime lender, to save it from bankruptcy, Bank of America enlisted Countrywide’s former managers to oversee its modification program (Son 2013).
In 2009, Oscar was approved and denied for the same mortgage modification. This was a devastating blow for Oscar and his family who were waiting patiently to receive some type of relief with their mortgage. Oscar remembered his last conversation with the customer representative vividly, because they told him,

We’re still working on your application and everything is still here. We’re still working on it.’

That was the same thing I would get all the time. ... And then two weeks later I spoke to somebody new and they tell me you were denied. (Interview with Oscar, Homeowner, Chicago, M, July 2014)

The toughest part for Oscar was that he had no indication this decision was coming down the pipeline. Oscar never received a phone call or any indication that his application was being denied. Instead, Oscar was under the impression that his application was being processed. “I felt that they were leading me on that they were helping me, but that wasn’t the case.” It was evident to him that servicers were not interested in assisting homeowners.

After finally connecting with a housing counselor at the Northwest Side Housing Center, Oscar was approved for a loan modification in 2012, nearly three years after his first application. Despite being approved for this loan modification, Oscar’s trial period lasted longer than the prescribed three months; Oscar’s trial period lasted for seven months. Although Oscar did not receive any explanation for the extended trial period, he continued to make all his payments in good faith and awaited notification of his permanent modification.

Sharon applied over seven times for a loan modification, due to her disability that prevented her from working, and each time she was denied. It was Sharon’s view that these repeated denials were nothing more than a stall tactic to force her out of her home. Sharon contacted her servicer on several occasions to inform them of her disability, and provided a notarized medical document outlining her
disability. Yet, Sharon’s bank, Wells Fargo, refused to grant her a loan modification. News of the denial added more stress to an already traumatic situation for Sharon. Sharon explains,

Well at first, I didn’t deal with it very well at all. I went to my doctor I asked for help. Counseling help because I didn’t know how to deal with it. I couldn’t sleep. I couldn’t eat. I didn’t know what to do and I don’t know for some reason. (Interview with Sharon, Homeowner, Chicago, F, July 2014)

The denial of her first loan modification application did little to deter her because she knew a friend who applied 39 times before being approved for a modification. Considering Sharon was on her seventh application, she had a long way to go, in comparison.

Janice shared a similar experience with her servicer. After being denied a loan modification the first-time, Janice recalled that the runaround she received lasted nearly a year. Janice says, “We went back-and-forth. They needed this. They needed that. It was like they could never get enough information. Send me this. Send me all your bank statements.” The entire process left Janice feeling frustrated. She felt as if someone was not doing their job properly because they continued to ask her for the same documents. She was regularly asked to produce her bank statement and they turned around months later requesting the same paperwork. For Janice,

It was a lot of work and then they refused me. I don’t know if two people had my application or not. It had to be, because if I’m sending you the documents; Why do you keep asking me for the same things? I think it started off in Florida and then here in Chicago. (Interview with Janice, Homeowner, Chicago, F, July 2014)

4.21.2 Jacksonville Experience

The stresses of a pending foreclosure weighed heavily on Vanessa’s mental health. Vanessa’s primary healthcare provider, out of precaution, prescribed medication to help her sleep at night. News of her pending foreclosure also caused her to suffer from high blood pressure and hair loss, which were
things she had never experienced before in her life. Vanessa endured many sleepless nights trying to figure out how to make ends meet, and next steps in the process. Vanessa points out, “I was allowing the stress to become internalized and it was causing things like my hair to start falling out. I began to develop rashes and developed a lack of appetite.”

Sleepless nights were common among homeowners going through foreclosure. Sandra’s mortgage soared to almost $1,700 a month, and she and her husband constantly worried about making ends meet. Sandra explains, “If you thinking about your bills and wondering how you pay that. It’s very stressful. You lose sleep thinking about it, on how you’re going to get this done.”

The application process for a loan modification was a very frustrating experience for Roxanne. She recalls constantly sending documents to her servicer, Nationstar, and submitting the same documentation several times. Roxanne further recalls that Nationstar claimed to have never received the documents or had simply misplaced them. Roxanne explains she had never had a single point of contact at the bank. Every time she called to speak with her point of contact at Nationstar, that representative was never available. She spoke to poorly-trained customer service representatives who provided her with inaccurate information. Roxanne explains, “It was like they were playing a cat and mouse game. … It just wasn’t right … I would be in tears behind closed doors. I just broke. It was just the stress that they were taking you through.” At one point, the agent assisting Roxanne tried to convince Roxanne to rent one of the rooms in her home and sell her vehicle to get some extra cash after she was advised that she did not make enough income to qualify for HAMP. It was clear to Roxanne that the agent was attempting to get her to reduce her expenses to demonstrate she was more than capable of paying both her first and second mortgages, rather than assisting her in securing a modification. Roxanne felt dejected, “I just felt like they were trying to make the house go into foreclosure. I was doing everything that I needed to do in providing them with all the documents that
I needed to have.” This behavior was prevalent in the mortgage servicing industry at the onset of the HAMP program implementation.

4.22 Analysis

The purpose of this cross-site study is to examine the various policy responses to the housing crisis and their impact on foreclosures in African American communities. Across both cities, I found that housing counselors, attorneys, community grassroots organization, and servicers shaped the foreclosure experience of some distressed homeowners. The two cities shared many similarities and differences. Banks used aggressive marketing strategies to capture the attention of homeowners and prospective borrowers in both Chicago and Jacksonville. Lenders in both cities purchased advertisement space on black-owned radio stations to promote subprime mortgages. In Chicago, Curtis explained, there was big marketing push to convince racialized borrowers to purchase homes or acquire “exotic” high-risk loan products such as reverse mortgages and adjustable-rate second-mortgages also known as home equity lines of credit. Curtis points out, “there was advertisement on the television and in the paper. … There was a big push.” In Jacksonville, Beatrice says she first learned about the product she acquired from a short advertisement on the television. Some homeowners relied on trusted agents to procure the best financial product for their needs; and in return, some agents and brokers flooded the community with financial products that caused some homeowners to default on their loans and lose their homes to foreclosure. Lenders in both cities used a wide array of strategies to convince borrowers that subprime mortgages were affordable. The use of adjustable-rate mortgages (ARM) was among some of the most common instruments provided by lenders in both Chicago and Jacksonville. Most lenders used ARMs because they gave homeowners the impression that the loans were affordable and it helped to reduce suspicion of any long-term risk. Homeowners in the study reported they did not foresee any risk in acquiring these financial products because during the
application process, their household income was high enough to cover any foreseeable increases in the payments.

In both Chicago and Jacksonville, homeowners recalled that their lenders advised them of their mortgage refinancing options in the event of any increases in the payments; however, banks tightened their lending regulations, and the mortgage refinancing option was no longer available. The ability to refinance was pivotal to the homeowners’ decision to acquire these high-risk loan products. This material change caught homeowners off guard, and they were ill-prepared to adjust to the payment increases.

4.22.1 Servicers

At the first sign of trouble, homeowners in both cities used an array of strategies to maintain ownership of their homes. Both cities shared similarities in the way distressed homeowners responded to their mortgage delinquency. In both Chicago and Jacksonville, distressed homeowners in this study responded to their mortgage delinquency by first contacting their servicers to negotiate new terms to make the loan affordable and advise them of their economic hardship. In both cities, lenders candidly reminded borrowers of their obligation to continue making their payments and advised they could not provide any assistance until they defaulted on their loans. In response to the unwillingness of servicers to offer any assistance, most study participants attempted to make partial payments on their mortgages, but they were typically returned by most lenders in both cities, with exception of one instance, in which Bank of America encouraged Oscar to continue making payments; however, not enough evidence was obtained during this study to determine whether this behaviour was consistent with Bank of America’s servicing practices in other geographical regions. In other instances, homeowners in both cities responded by working extra hours or taking on part-time jobs to cover the shortfall in their household income after their servicer refused to provide any assistance.
4.22.2 Housing Counselors

Homeowners in both cities juggled bills and took drastic measures to reduce their household expenses by cutting back on groceries and desperately needed medications, and forgoing certain meals. Some homeowners made these sacrifices because they did not know where to turn for help. The Department of Housing and Urban Development made efforts to disseminate information about available government assistance; however, homeowners in both cities complained they were not aware of any foreclosure mitigation services until they began working with a housing counselor. Homeowners in both cities were pleased with the services they received at housing counselling agencies because they were not intimidated by the actions of their servicers. Roxanne explains,

I think because they [St. Joseph’s] was persistent and having that third party that knew the law and I didn’t know the law. I think they [Servicer] just kind of pushed me around but once they [St. Joseph’s] came in they knew the ins and the outs and knew how the modification was supposed to work. St. Joseph’s sort of buckle down and they knew what they needed to do.

(Interview with Roxanne, Homeowner, Jacksonville, F, August 2014)

Homeowners in Chicago also expressed their gratitude for the loss mitigation services they received,

I’m grateful for organization like the housing center because they kind of paved the way. I felt confident enough that I can deal directly with the bank, which was a lot of roadblocks, but I realize how important organizations like the housing center is to the community. They empower people not to give up so quickly and not to just walk away and feel defeated.

(Interview with Oscar, Homeowner, Chicago, M, June 2014)

Because homeowners were receiving harassing phone calls from their servicers, some agencies developed workshops to educate homeowners on the foreclosure process. The workshops provided information to the homeowners that served as a security blanket, and comforted homeowners after any negative correspondence with their servicers. Counselors also benefited from these programs, as
the homeowners who they serviced had a less volatile attitude which resulted in less vicarious trauma experienced by the counselors. For example, LaTasha at St. Joseph’s explains,

In my head when you have so many clients that are falling apart or they contact you falling apart. I realize that they need to see this is where I was when I was current and this is where I am now. This is where I should be before all options have been exhausted in terms of maintaining my property… I’ve been fortunate to participate in some great training with the Neighborhood Works America. The first thing they showed us to focus on is the foreclosure timeline. It was just informative for me, so I just felt like it was important for me to share that information with our clients so they get the picture that just because I got a lis pendens and a summons and complaint from the investor does not mean that I automatically lost ownership of my home. That there are so many other steps that have to occur before ownership is taken.

(Interview with LaTasha, Housing Counsellor, Jacksonville, August 2014)

Homeowners in Jacksonville appreciated the foreclosure timeline offered at St. Joseph’s. Vanessa notes, “you were encouraged to participate in those classes to become more educated about both the foreclosure and homeownership process.” Bernadette says,

They [St. Joseph’s] gave me a little comfort that I had somebody else that knew the business and knew the system way better than I did and knew what to do. The mortgage company make you feel like you don't have any help. They don't make you feel like you have any hope basically. (Interview with Bernadette, Homeowner, Jacksonville, F, August 2014)

4.22.3 Attorneys

Some homeowners sought the assistance of attorneys to help them address their foreclosure related problems. At the start of the foreclosure crisis, law offices across both Chicago and Jacksonville had already initiated their own marketing campaign offering to assist distressed homeowners. Based on the evidence provided, however, it was clear that attorneys in both cities preyed on the vulnerabilities
and desperation of homeowners attempting to save their homes. In some cases, attorneys advised homeowners to not pay their mortgage and instead pay their legal fees to the lawyers assisting with their foreclosure matter. Some attorneys lied to vulnerable homeowners or provided half-truth advice to collect money. For example, each of the lawyers that Esther retained advised her to file for bankruptcy to keep her properties. Esther was desperate to save her properties, so she followed whatever advice the attorneys gave her. Distressed homeowners hired attorneys because they believed foreclosure was a legal matter that could only be addressed by a lawyer. Homeowners in both cities received court summons to attend court regarding their foreclosure and automatically believed their issues was solely a legal matter. Vanessa in Jacksonville, recalls her notice to attend court only advised her to contact an attorney and not a housing counselor. Vanessa says, “the only thing that I can think about at the time everybody talks about is getting an attorney.” In other scenarios, homeowners were served documents outlining the bank’s intention to foreclose the property. Being served documents led homeowners to also believe their foreclosure related problems was a legal issue. For instance, in Chicago, Curtis explains he found out about his court date when, “I got served, and I also called PNC mortgage because, by that time, the lawyers of PNC mortgage were also involved.”

4.23 Conclusion

A number of factors influence the way distressed homeowners experience foreclosures. The experience of foreclosure is not uniform, but rather unique to individuals based on their circumstances. Researchers have romanticized the failure of financial institutions and government for their intricate roles in the collapse of the U.S. housing market. Researchers have often reduced the human calamities of the housing crisis to a statistical figure to capture the economic onslaught plaguing disenfranchised communities. The findings from this study have revealed the inadequate response by the government and the unwillingness of servicers played an integral role in shaping the foreclosure experience for distressed homeowners. For some Black and Hispanic households, foreclosure was a
difficult period in their lives, and one that will never be forgotten. There is not one single factor that influenced foreclosure in African American communities; there is a series of factors that are deeply connected to each other.

Buying a home was supposed to be a very exciting time in a homeowner’s life. Homeownership paved the way for a new beginning, a way out of poverty, a sense of belonging, and an opportunity for African Americans to build wealth. Assuming risk and becoming accountable for one’s freedom and long-term financial security was viewed as a new way forward in the contemporary society. The financialization of everyday life failed to consider the economic racism that targeted African-American borrowers with these punitive financial products that eventually disrupted the global economy. The opportunities associated with subprime mortgages were short lived, as a disproportionate number of African-American homeowners began to lose their homes at an unprecedented rate because their mortgages were no longer affordable. The subprime mortgage crisis squeezed between $71 and $93 billion in wealth from African-American households between 1998 and 2006 (McNally 2011), prompting scholars and activists to characterize this epidemic as the greatest loss of wealth for racialized people in modern U.S. history (Rivera et al. 2008).

To find a solution for their mortgage delinquency, borrowers unearthed a series of other problems that greatly impacted their experience with foreclosure. The stress of finding reliable help proved to be a challenge for most homeowners, which was something lawmakers and government officials failed to foresee or comprehend. As a result, distressed homeowners spent whatever was left of their savings on attorneys and foreclosure scammers who preyed upon their vulnerabilities. Vulnerable homeowners did not know whom to trust or where to find reliable help, and this uncertainty added more stress to an already difficult situation. Some homeowners tried to negotiate new mortgage terms and payment extensions with their lender or servicer, to no avail. Most servicers harassed and even threatened distressed homeowners to leave their homes, rather than offer
assistance. This interaction served as the catalyst for many bad decisions by distressed homeowners in their attempts to regain control of their housing outcomes. Most distressed homeowners responded by developing a combination of self-help strategies to help resolve their solvency problems, while ensuring the privacy of their situation. Findings from this study suggest some of these sacrifices were ineffective in helping homeowners avoid foreclosure and maintain ownership over the long-term. These sacrifices only delayed the foreclosures process and limited the availability of remedies to cure their problems. These sacrifices illustrated the great lengths that homeowners went to keep their homes.

The inaction of lenders and servicers throughout the process of issuing loan modifications also exacerbated the problems of distressed homeowners. Loan modifications were designed to provide relief to homeowners struggling to pay their mortgage, yet the process brought more grief. Servicers were clearly ignoring the rules set out by the government as distressed homeowners were wrongfully denied modifications, without just cause. These denials not only left some homeowners in limbo, but also began to take a toll on their mental health as some were slowly losing hope in securing modifications. The stress of the modification process caused homeowners lose sleep as well as their appetite, which eventually took its toll on a borrower’s physical health. There were a lot of similarities in the self-help strategies that homeowners in both cities deployed to avoid foreclosure. By foregoing certain meals and desperately needed medication, homeowners were putting their lives at risk. “Robbing Peter to pay Paul” in most cases, made an already bad circumstance even worse. The situation was much worse for households with children, because of the added pressure of caring for loved ones and ensuring they have adequate shelter. Based on the findings in this study, it is evident that more stringent lending and servicing rules are required to ensure homeowners are not wrongfully denied loan modifications. In some cases, homeowners have held up their end of the bargain in doing what is required of them, yet they are still being denied. It is clear that stricter policies are needed to
ensure lenders and servicers comply the rules and regulations they agreed upon to keep more homeowners inside their homes.


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Chapter 5: The Emergence of Housing Counselling Agencies

For nearly 40 years, housing counseling has been a vital resource for homeowners and renters across the United States. Housing counseling was first introduced with the passage of the Housing and Urban Development Act of 1968, which granted HUD the legislative authority to provide housing counseling services to homeowners, low to moderate income renters, and first time buyers (Quercia 2012). Over the years, counselors have worked tirelessly to assist people in achieving a broad range of housing related goals, such as choosing whether to rent or purchase. Counselors have also worked with prospective borrowers to create budgets to ensure households are living within their financial means.

In the early stages of housing counselling, much of the emphasis has been primarily on pre-purchase counseling. Housing counselling agencies have offered pre-purchase counseling to educate first-time buyers on purchasing their first home and strategies to maintain ownership. Demand for pre-purchase counseling services spiked during the mid-1990s soon after Bill Clinton became president. President Clinton was adamant on reversing the downward trend in homeownership and creating 8 million new homeowners over a five-year span between 1995 to 2000 through his National Homeownership Strategy (Housing and Development 1995). Growth in the demand for these services coincided with the roll-out of neoliberal economic reforms and the withdrawal of Keynesian economic policies. The new policies encouraged individuals and households to become responsible for their long-term financial future.

The government was concerned that individuals were neither investing enough money nor investing money efficiently to provide for their retirement. In response, the government enacted legislation to direct more financial resources towards the administration and promotion of financial literacy programs, to facilitate the financialization of everyday life. Since the 2000s, social scientists have mobilized the term, financialization, to describe the ongoing changes in the economy and society.
Randy Martin defines financialization as “commercially inspired selfhood” that conditions individuals and households to assume greater responsibility, and for all citizens to accept risk into their homes (Martin 2002).

The government offered a variety of subsidies in the form of down payment assistance to incentivize renters to become homeowners; however, most first-time homebuyers had pre-purchase counseling or a homebuyer’s education requirement attached. Susan Soderberg characterized these subsidies as a form of “corporate welfarism” which she argues played a pivotal role in the expansion of the financial institutions by providing subsidies, tax breaks, and loan guarantees (Soederberg 2014). Housing counseling agencies usually administered the counseling or class requirements, which might explain the dramatic surge in demand for these services. During the mid-1990s there were less than 600 approved agencies, and within a decade that number nearly doubled to 1,100 in 2002 (Moulton 2012). In recent years, HUD has provided more funding to expand their scope of work to assist homeowners seeking to refinance their mortgages or to acquire home equity conversion mortgages. In the wake of the ongoing foreclosure crisis, the role of counselors has expanded to include foreclosure mitigation counselling. Housing counselors have been working diligently to assist distressed homeowners in Chicago and Jacksonville to secure loan modifications.

In 2007, over one million homeowners received foreclosure notices stating their homes were now in active foreclosure. The foreclosure crisis decimated the American housing market as millions of homeowners fell into arrears and were unable to continue paying their mortgages. Nearly 10 million homeowners lost their homes to foreclosure over an eight-year span between 2006–2014 (Kusisto 2015). Cities such as Jacksonville, FL and Chicago, IL were among some of the hardest hit cities, and many communities continue to struggle in the aftermath of the foreclosure crisis. The U.S. federal government scrambled to develop several programs to put an end to the crisis by keeping more homeowners inside their homes. These programs have since been heavily criticized for their lethargic
efforts to help distressed homeowners (Hartman and Squires 2013; Dayden 2016b). Community activists have expressed their dismay at the government’s actions to help those responsible for the crisis, rather than those affected by foreclosure (Hartman and Squires 2013). In the spring of 2007, discussions on how to curtail the crisis intensified as the number of foreclosures soared to unprecedented levels. The magnitude of the crisis began to unfold once the nation’s second largest subprime lending financial institution, New Century Financial, filed for bankruptcy. A few months later, then chairman of the Federal Reserve, Ben Bernanke, and the Department of Housing and Urban Development secretary, Alphonso Jackson, called on Congress to provide federal funding for foreclosure counseling. The Bush Administration responded by pledging $300 billion for its Hope Now Alliance program to slow the rapid rise of foreclosures by refinancing the mortgages of struggling homeowners (Gandel 2008). To assist homeowners, the government joined forces with members of the secondary mortgage market, investors, and housing counseling organizations. The program was an epic failure. It failed to help a single homeowner in its first year; it assisted 23 homeowners in its second year, and 48 in 2010, for a grand total of 71 homeowners (Miller 2010). Consumer advocates, community activists, distressed homeowners, and academics criticized the program for its voluntary nature and for the number of barriers entrenched in the securitization agreement that undermines the impact of the program (Hunt 2013; Cowley 2017).

Some homeowners rejected the lackluster efforts put forward by the Bush simply because it was not on par with the assistance received by major financial also caused a deep division in Congress, where some representatives argued that an effort was needed to stem the rapid rise of foreclosures (Jackson 2008). Those in distressed homeowners suggested that the government should refinance all distressed rather than offering voluntary modifications. Some members of Congress shared no distressed homeowners, claiming many of these borrowers were merely speculators.
profit from a highly volatile real estate market and should not be helped (Atlas 2007; On October 3, 2007, President Bush unveiled the national response to the economic signing of the Emergency Economic Stabilization Act (EESA), which authorized Treasury, Henry Paulson to establish a $700 billion Troubled Asset Relief Program (Immergluck 2012). The initial focus of the TARP was to restore confidence in the system by purchasing and insuring troubled assets from financial institutions to One aspect of the government’s initiative was the introduction of loss mitigation homeowners from sliding home values and to preserve homeownership. The federal also keen on expanding its foreclosure intervention counselling program in response to crisis. In December 2007, the Bush administration introduced the National Counselling (NFMC) program to complement all other efforts (America 2009), federally funded program, administered by NeighborWorks (NW) America, designed homeowners by providing access to foreclosure prevention and loss mitigation Loss mitigation counselling refers commonly to the initiative used by those in the curtail the number of foreclosures. HUD-approved housing counselors provide direct help homeowners understand their options and minimize the costs downloaded onto the from a foreclosure. As a result, many counselling agencies began to pop up across the the growing demand for foreclosure prevention counselling services. In 2002, there were approximately 1,100 HUD-approved counselling agencies and within six years that 50 percent to 1,813 with about 2,400 local offices across the country (Rodger 2008). were committed to keeping homeowners inside their homes and creating stronger agencies received funds to facilitate small and large-scale housing construction projects abandoned and vacant buildings, and build new homes for low-income households and evicted families, see Figure 5-1 and
Figure 5-1: Rehabilitating Abandoned and Foreclosed Properties. Photo of a completely renovated home in North Jacksonville by Metro North Community Development Corporation in August 2014.

Figure 5-2: Removing the blight in West Humboldt Park. Photo of previously foreclosed home NHS plans to renovate and sell to a low-income family in the community.

Other agencies were devoted to improving financial literacy in the community by providing classes geared towards helping households better understand their personal finances. The bulk of the services provided by these agencies focused on securing a loan modification for distressed homeowners
fighting to avoid foreclosure. The Hardest Hit Fund and the Home Affordable Modification Program were among some of the popular programs used by housing counselors to save the homes of distressed homeowners from foreclosure; however, keeping people inside their homes was not always the central focus. Prior to the foreclosure crisis, housing counselling services were largely centered on pre-purchase initiatives that prepared first-time buyers for homeownership. In the wake of the housing crisis, much of the attention was now on foreclosure mitigation counseling.

To understand the influence of housing counselling agencies in African-American communities in both Chicago and Jacksonville, I divide this chapter into three sections. To begin, I provide a brief history of housing counselors in the U.S. and how their work has evolved to include foreclosure mitigation services in the wake of the housing crisis. I will then discuss the success and failures in working with homeowners and servicers to secure loan modifications. As a crucial part of this study, the relationship between homeowners and servicers provides great insight into the importance of housing counselors to orchestrate a positive foreclosure experience for some distressed homeowners. Also in this section, I will discuss the effectiveness of various programs offered at some of the agencies to demonstrate the pivotal role they played in shaping future housing experiences for some troubled homeowners. I present several case studies detailing the impact of housing counselling organization in both cities. For quick reference, see Table 5-1 and Table 5-2

Table 5-1: List of Housing Counselors and Grassroots Organizers in Chicago

<table>
<thead>
<tr>
<th>Name</th>
<th>Organization</th>
<th>Role</th>
<th>City</th>
</tr>
</thead>
<tbody>
<tr>
<td>James</td>
<td>Northwest Side Housing Center.</td>
<td>Executive Director</td>
<td>Chicago</td>
</tr>
<tr>
<td>Mary</td>
<td>AGORA Community Services.</td>
<td>Executive Director</td>
<td>Chicago</td>
</tr>
<tr>
<td>John</td>
<td>Neighbourhood Housing Service of Chicago Inc.- West Humboldt Park</td>
<td>Housing Counsellor</td>
<td>Chicago</td>
</tr>
<tr>
<td>Toussaint</td>
<td>Chicago Anti-Eviction Campaign</td>
<td>Organizer and Vice Chairperson</td>
<td>Chicago</td>
</tr>
<tr>
<td>Isabella</td>
<td>Neighbourhood Housing Service of Chicago Inc.-</td>
<td>Homeownership Consultant.</td>
<td>Chicago</td>
</tr>
</tbody>
</table>
Table 5-2: List of Housing Counselors in Jacksonville

<table>
<thead>
<tr>
<th>Name</th>
<th>Organization</th>
<th>Role</th>
<th>City</th>
</tr>
</thead>
<tbody>
<tr>
<td>LaTasha</td>
<td>St. Joseph Homeownership</td>
<td>Executive Director</td>
<td>Jacksonville</td>
</tr>
<tr>
<td></td>
<td>Ministry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carrie</td>
<td>Wealth Watchers</td>
<td>Executive Director</td>
<td>Jacksonville</td>
</tr>
<tr>
<td>Dawn</td>
<td>Family Foundations</td>
<td>Executive Director</td>
<td>Jacksonville</td>
</tr>
</tbody>
</table>

5.1 Pre-purchase counselling: Benefits and Shortfalls

Since the 1960s, Home Buyers’ Education Counselling (HEC) has been a prominent feature in the U.S. Housing industry with the development of the homeownership programs such as section 235 and 237 (Quercia and Wachter 1996). Policymakers viewed HEC as a necessity in the reduction of the number of homeowners defaulting on their loans. During the late 1970s, HEC counselling shifted gears as the government introduced the Community Reinvestment Act of 1977, which mandated banks and thrifts to end discrimination in the lending industry and address the banking needs of those in underserved communities (Immergluck 2004). Changes to the CRA of 1977 increased the number of mortgage loans issued in economically oppressed and racialized communities. Pre-purchase counselling programs were introduced to prepare prospective buyers for homeownership through a range of steps, including credit counselling to determine a borrower’s financial capacity. Housing Counselors assisted homeowners to select appropriate financial products and provided action plans on how to maintain homeownership based on their income and current debts. The theory behind this practice was that a more educated buyer would have a positive impact on the performance of a loan (Zorn and Hirad 2001). To date, there has been limited empirical evidence to demonstrate that financial literacy programs improve the financial behaviour and attitudes of individuals (Alsemgeest 2015). Neither scholars nor policymakers have been able to create a single metric to track the success of financial literacy programs. There are no industry standards related to a method to collect and
analyze the data, or to definitively attribute financial literacy to the changing financial behaviours of individuals. Pre-purchase counselling gained more attention with the introduction of the Affordable Housing Act of 1992 (Moulton 2012). The Act set specific lending targets that required government-sponsored enterprises Fannie Mae and Freddie Mac to increase their purchase of loans issued to low-income and racialized borrowers. Under the Clinton administration, the quota of loans was raised from 30 to 50 percent, and further increased to 55 percent under George W. Bush in 2007 (Wallison 2011). During the mid-1990s, Homebuyers’ Education Counseling (HEC) became an essential component to the home buying process as the Clinton Administration was adamant on increasing level of homeownership in economically oppressed communities. The standard practice in the banking industry required prospective borrowers to have a loan-to-value ratio of no more than 80–95 percent, which translated into a down payment of 5–20 percent. In 1992, the federal government introduced the Federal Housing Enterprise Financial Safety and Soundness Act, granting HUD the authority to create affordable housing goals for Freddie Mac and Fannie Mae (McCarthy and Quercia 2000). The government developed a plan for the democratization of credit, which included the expansion of lending activity in racialized and economically disadvantaged communities by developing affordable loan products and relaxing underwriting guidelines. Since the early 1990s, both Fannie Mae and Freddie Mac have offered affordable loans programs that required borrowers to complete homebuyer’s education courses prior to closing (McCarthy and Quercia 2000; Hirad and Zorn 2004). Many down payment assistance programs were accompanied by an 8-hour long HUD-approved homebuyer education class to be completed either in-class or online, and followed by a one-on-one counseling session. Government agencies regularly collaborated with local non-profit organizations, such as HUD-approved housing counseling agencies, to administer the courses on behalf of the government. The goal of the program was to educate prospective buyers to become responsible homeowners and minimize their risk of default.
The GSEs began to distance themselves from the traditional structure by no longer requiring third-party agencies to carry out HEC, as pressure mounted to expand lending activity. During the 1990s, GSEs turned to lenders and private insurance companies to provide homebuyers with education to meet the growing demand for these services (McCarthy and Quercia 2000). The increase in the demand led to the implementation of new practices to improve the efficiency in the delivery of HEC. In 1991, Countrywide and GE Capital introduced over-the-phone HEC to reach a greater number of prospective buyers. In three years of operation, both Countrywide and GE Capital were able to persuade Fannie Mae to accept telephone HEC as a sufficient method to meet their down payment assistance criteria’s (McCarthy and Quercia 2000). Workbooks were mailed to prospective buyers, and then borrowers were later quizzed to determine their level of comprehension of the material learned. Many institutions followed suit, despite studies concluding that face-to-face HEC was far more superior than the other methods used (Mallach 2001). There has been little empirical evidence to illustrate the benefit behind financial literacy education (Schuchardt et al. 2009). Alan Mallach echoed a similar sentiment in his evaluation of the industry,

All of the elements in the American Homeowner Education and Counseling Institute (AHECI) core curriculum are clearly relevant to the home-buying and home-owning process. The fact remains, however, that we do not know how each element, either separately or in conjunction with the others, affects home-buying and home-owning behavior. (Mallach 2000, 11)

Policymakers were concerned over the quality of service and education that homebuyers were receiving with the proliferation of pre-purchase counselling (Mallach 2000). At some agencies, pre-purchase counselling varied from a 20–30-minute conversation over the phone to multiple group sessions that ranged in length from a few days to many months. The lack of consistency led to widespread concerns over the integrity of the down payment assistance requirements and other
elements of the program. Counselors were also trained differently across the country, which made it difficult for HUD to ensure each borrower was receiving the same quality of service from one agency to the next. Some housing counselors criticized the HEC model prescribed by HUD for not doing enough to teach homeowners how to buy a home properly. More specifically, housing counselors complained that the model was inadequately equipped to teach homeowner all that they needed to know in such short period of time. Some counselors criticized the model for teaching homeowners how to get into debt, rather than building equity and accumulating assets. The goal of the HEC program should not have only been about teaching people how to buy a home, but also giving prospective buyers the necessary information required to maintain ownership of the home. Another common flaw with the mortgage assistance program was that most HEC took place after a home buyer already signed a purchase agreement, which made the information less applicable. Roberto Quercia and Susan Wachter found that incentivized program such as down payment assistance have a negative impact on the behavioural performance of the buyer (Quercia and Wachter 1996). Some buyers received HEC a week before or within days of closing to satisfy their mortgage assistance requirement. Counselors stressed that HEC should be completed prior to closing (Moulton 2012). In 2010, congress enacted the Dodd-Frank Act establishing national industry standards for homeownership education and counseling and foreclosure counseling.

5.1.1 Chicago Experience

At AGORA Community Services, executive director, Mary Jones, created a model that slightly differs from the one prescribed by HUD. Mary argues that the current curriculum offered by HUD does little to teach prospective borrowers how to maintain ownership of the home. Mary explains,

Teaching someone how to purchase a home involves a lot of other things, and that is our mission and vision is to do. It’s to set a precedent on what’s required to not only ensure that they can get into a home, but that they understand what is required to keep it. ... Even with
the 8-hour homebuyer certificate class, you cannot cover that all of that in 8 hours on what they [prospective buyers] need to know mainly because you are very general in that 8-hour class. It is impossible in an 8-hour class as far as an educator to give everyone every possible example or every possible situation that would come up and what would you do if it does? It is impossible. (Interview with Mary, Housing counselor, Chicago, June 2014)

Mary emphasizes the need for a borrower to view homeownership as an ongoing learning process. Mary encourages each of her clients to partake in follow-up counseling sessions after each milestone until the homeowner is completely comfortable. For instance, Mary and her staff of counselors work with each prospective buyer in setting individual benchmarks, such as improving their credit score to qualifying for a loan. Counselors would then have a follow-up session to assist prospective buyers in evaluating their loan options to ensure they avoided predatory loan products.

5.2 Homeownership Education and Counseling

In other instances, counselors complained that some homebuyers were only completing the HEC requirement to fulfill their obligation, rather than viewing the education as a resource. For example, one homeowner in Chicago attended a first-time homebuyer’s class that was offered by a community organization, yet he later defaulted on his loan and was fighting to save his home from foreclosure after a few years of signing the mortgage agreement. One of the main reasons he attended the course was because, “… you got even a bigger break on your mortgage. I mean on your down payment.” It is evidently clear some borrowers were not as interested in the education component and were keen on securing the down payment assistance.

In the wake of the financial crisis, there has been a renewed interest in financial literacy and pre-purchase counselling programs. Financial institutions have joined the effort to retrain individuals and households by providing funding for better consumer financial literacy courses (Bank 2009). For example, at the Northwest Side Housing Centre in Chicago, Bank of America has invested heavily in
retraining delinquent borrowers affected by the foreclosure crisis. Similar arrangements have been set up in Jacksonville where Toronto-based bank Toronto Dominion, in the past, has funded the financial literacy program at St. Joseph’s Homeownership Ministry. Counselors worked diligently to ensure prospective borrowers were making informed decisions about the variety of mortgages available and to avoid predatory loans. Policymakers and those in the private sector advocate for pre-purchase counselling to help potential homeowners understand their level of financial readiness. Counselling provides buyers with the information necessary to purchase a home, so they can become responsible homeowners and reduce the risk of default. Some counselors have found that some prospective buyers get overly excited about the opportunity to purchase their first home and extend themselves beyond their financial capacity. Even though, in a neoliberal society, citizens are continually reminded to behave as consumers, investors, and managers of their own economic risk (Arthur 2012), counselors complained that some homeowners were using mortgage specialists and other real estate professionals to assist them in understanding their capacities. Potential borrowers were not aware that some professionals in the real estate industry were no longer committed to understanding the needs and capacities of their clients. Instead, these professionals were devoted to individual investors and lenders in steering African American borrowers into high priced loans with the highest possible interest rates (Martinez 2009b; Powell and Rogers 2013). Some brokers did not want potential homeowners to attend housing counseling agencies to acquire consumer financial literacy skills and learn about the type of property they could afford, according to a director at one of Jacksonville’s premier housing counselling agency. Brokers and agents deterred potential borrowers by convincing them they were in good care and would assist them in finding the best mortgage available. The director noted,

This doesn’t mean that everybody’s a crook. … They’re very good, excellent professionals in the field, but if there are individuals who aren’t ethical, they’re not going to be concerned about making sure that the client or potential homeowner buys a home that they could afford.
That’s not the end game. The end game is making the revenue. It’s that way in anything.

(Interview with Dawn Lockhart, Family Foundations counselling services, Jacksonville, August 2014)

It was important that potential homebuyers had an advocate, someone who did not have a vested interest in whether they ultimately purchased a home or obtained a mortgage through a preferred real estate broker. Affordability was a huge problem, according to a lot of counselors.

For decades in the U.S., there has been a widely accepted practice of calculating housing costs using a simple price-to-income ratios (Leishman and Rowley 2012). In the 1980s, the affordability indicator was 25 percent of household income, and has since jumped to 30 percent (Stone 2006). Households paying more than the 30 percent threshold are characterized by some scholars as facing “excess cost burden” (Bogdon and Can 1997). Director LaTasha Green-Cobb at the St. Joseph Homeownership Ministry was highly concerned that homeowners were putting themselves in housing-induced poverty. Nandinee Kutty first introduced the concept as an indicator to describe households with insufficient financial resources to consume non-housing goods and services after paying their housing costs (Kutty 2005). LaTasha emphasized the importance of keeping potential homeowners focused and grounded about what is affordable, considering housing cost represented a large portion of household living expenses. For LaTasha, it was pivotal to keep potential homeowners realistic about what was affordable, based on their financial capacity to promote responsible homeownership and create stable communities. LaTasha used a benchmark of 30-33 percent of household income to define affordability. Scholars have heavily scrutinized the arbitrary benchmark for its simplicity and flawed nature (Stone 2006; Leishman and Rowley 2012). Researchers have critiqued the model for its lack of consideration for changes in the quality of housing or difference in preference (Bogdon and Can 1997). Scholars argue that some households might be willing to spend a significant share of their income to reside in a much larger home or a higher quality property, which
in turn, would indicate they have affordability problems based on the ratio model. Another glaring problem with the affordability benchmark is that it does not account for location premiums or higher quality neighborhoods. Other scholars have criticized the model for failing to consider that many households are unable to pay as high as 30 percent of their income on housing (Stone 1993; Stone 1994). Stone makes the point that affordability is not solely a function of what households can afford, but it is also a function of economic and social circumstances (Stone 2006). Stone contends that having a benchmark is irrelevant because the style, quality or location of a home might not be a priority (Stone 2006). As a result, purchasers may choose to purchase a much cheaper home of lower quality so they can consume other goods and services, while affording to live in the home. The main idea behind this practice is to provide potential homeowners with a picture of what comfortable homeownership looks like. To do so, LaTasha avoids regurgitating the knowledge she acquired from textbooks and instead creates an image of responsible homeownership based on an individual’s financial and credit profile. Despite this practice, prospective buyers did not always possess the financial knowledge required to understand all the finances that went into owning a home. Some homeowners operated under the assumption that all they needed to worry about was paying their mortgage and property tax, thus causing a shock after learning about all the other expenses associated with owning a home. In Chicago, Laura complained she was forced to pay nearly $5,000 to do some electrical work on her home to bring the home up to code after she purchased it. Miscellaneous costs like these surprised some first-time buyers, especially those who previously resided in apartments. Prior to Alison purchasing her first home she resided in an apartment where the landlord addressed any issues she had with the unit, though as a homeowner all those expenses fell squarely on her. With a fixed income, Alison was in no position to maintain a home on her own. Alison fell behind on her mortgage as the expenses began to pile up. For months, Alison struggled to pay her bills, and pondered whether to pay her mortgage or complete desperately needed repairs on her home to ensure it was habitable.
In Jacksonville, Naomi complained about the maintenance expenses on her home. She needed a new air conditioning unit and a new roof. Naomi and her husband paid several professionals to repair the old air conditioning unit, although it had stopped working again after two weeks. Repairing the leaky roof was their main priority, Naomi explains, “we had to fix the roof twice already in the last 3 to 4 years. First payment was $800 for one roof part or fixing one part and the other time it was like $350 and we continuously still have a roof problem right now.” Counselors were worried that not a lot of homeowners were budgeting properly for unanticipated housing expenses or major repairs. During the pre-purchase counselling, LaTasha advocated for the need to keep a comfortable picture of homeownership so that when something needs to be repaired or replaced the homeowner could address those issues without overextending themselves financially. This was not an easy task for some households seeking to purchase their first home. To counter this problem, LaTasha and other counselors concentrated on changing people’s mindset. Dawn Lockhart, President and CEO of Family Foundations in Jacksonville, FL, argues that some homeowners had a negative perception about budget management. A common misconception was that budgeting prevented individuals from spending money. To tackle this problem, agencies had different strategies, although they all shared a common goal to adjust a person’s attitude towards personal finance. During the individual counseling sessions, LaTasha and her team of counselors stressed the importance of creating a spending plan tailored to individuals to assist them in analyzing their personal finances. Prospective buyers analyzed their spending patterns, and these borrowers were also provided with a chance to learn and incorporate new cost saving measures such as couponing or discontinuing underutilized services into their spending habits. At other housing counselling agencies, counselors were more interested in assessing clients’ short and long-term goals. At Family Foundations in Jacksonville, counselors took each client through a mental exercise to think about their long-term goals in life. The premise behind this strategy was to prepare prospective buyers not only for homeownership, but for life beyond the purchase of
their first home. This strategy equipped prospective buyers with a better understanding of various financial products to assist in making sound financial decisions. Rather than empowering homeowners to advocate for changes to the economy or call on the government to restore collective risk management solutions, the emphasis of the education was to promote responsibilization and individualization (Willis 2008).

5.3 The Community Lifeline: Housing Counselling Agencies

Some distressed homeowners struggled to find the help they needed to avoid foreclosure, which they were experiencing for the first time. As a result, they had no clue where to turn for help. As the crisis unfolded, the U.S. federal government responded by investing extensively in foreclosure mitigation counselling, among other endeavours, to stem the rise of foreclosures. By 2005, things started to change as homeowners were no longer in need for pre-purchase counselling and were instead seeking assistance in curing their mortgage delinquency problems. Demand for post-purchase counselling jumped from nearly 42,000 clients to almost 142,000 borrowers (Herbert, Turnham, and Rodger 2008). This jump prompted Congress to increase its support to $50 million from $41.58 million. Between 2009 and 2011, the government provided just over half a billion dollars in funding to foreclosure mitigation counselling through its National Foreclosure Mitigation Counselling (NFMC) program, which was created 2007 in response to the foreclosure crisis (Collins, Schmeiser, and Urban 2013). Foreclosure mitigation counselling was promoted as a means for distressed homeowners to minimize the stress created from foreclosure and acquire information, advice, and guidance on how to approach mortgage delinquencies.

The government heavily promoted loan modifications to keep families inside their homes. Loan modifications offered distressed homeowners unique options in making their mortgages more affordable again, such as lowering interest rates, extending the life of the loan, and reducing the principal balance on the mortgage. Typically, with loan modifications, borrowers have a three-month
trial period to make three successful payments to determine whether they could afford the lower payments. Upon making three consecutive payments on time, the lender will offer a permanent modification for a period no longer than five years. Some homeowners who were seriously delinquent on their mortgages were unaware of their options, and as a result, sought the assistance of attorneys after their mortgage was in default, or after they received a summons to attend court to address their foreclosure. For example, soon after Vanessa received a court summons to attend court, she immediately contacted an attorney as the document only advised her to consult a lawyer. Distressed homeowners often received inaccurate information about the assistance available to avoid foreclosure. In some cases, servicers advised borrowers that they needed to default on their loans before they could receive any assistance. Homeowners complained they were directed to speak with the bank’s attorneys, who in turn advised them to retain the services of a lawyer to address their pending foreclosure, rather than encouraging them to meet with a housing counselor. Some counselors reported distressed homeowners were repeatedly harassed and threatened to leave their homes before an eviction order was granted. Some were in a vulnerable position as they were desperate to save their homes. The results from this study contradict several findings from other studies that seemingly point the finger at distressed homeowners for the poor numbers of loans modified (Norris 2009).

Working with a housing counselor represented a renewed sense of hope and an important lifeline for troubled homeowners desperate to save their homes. In 2008, over three million homeowners received a foreclosure filing, which meant 1 of every 54 households was in some stage of foreclosure (Christie 2009). By 2009, one in seven mortgages was seriously at risk of default, and nearly two million loans were in some stage of foreclosure (Mortgage Bankers Association 2009). The need for foreclosure prevention counseling ran parallel with the rise in the number of delinquent mortgages. In parts of the country, housing counselors were overworked because of the increase in their caseloads. In 2009, Chicago’s NHS housing counselors reported they were seeing nearly 600
homeowners per month. Out of concern for the mental and physical wellbeing of the counselors, NHS responded to the influx of clients by creating a mandatory foreclosure intervention workshop to manage the number of clients they met with daily. The workshop was the first step in the intake process where representatives would ensure all homeowners had the necessary paperwork required to save their home. Information on household income, expenses, mortgage(s), debts and all other information about their hardship was passed on to their assigned counselor. The assigned counselors then reviewed all relevant information to have a better idea of what they needed to talk about in their next meeting with the homeowner.

For counselors, the first meeting was always the hardest because a lot of homeowners entered the sessions with emotions and guilt for ending up in foreclosure. Housing counselling was more than just assisting homeowners in securing a loan modification. Some counselors viewed each session as an opportunity to provide distressed homeowners with the space to share their stories. During this segment of the meeting, counselors explained, some homeowners went into details about the events that triggered their delinquencies, and reflected on what they could have done differently. Borrowers often described the complex nature of the events that led to their delinquencies, which sometimes entailed the loss of their employment or business, reduction in wages or salaries, or difficult family circumstances such as death or divorce. Distressed homeowners also shared their struggles in working with lenders or servicers, which typically featured stories of their experiences trying to acquire accurate information about their loan modification applications, or the exchange of documents with respect to the application. For instance, when Roxanne first got in touch with St. Joseph’s Homeownership Ministry she explained,

When I called them, they made an appointment for me to meet with them. I was actually in tears when I was explaining everything to them. They were like Ms. McClinton is going to be okay, but explaining to them exactly what I was going through. Someone referred me to them,
and that was the best thing that ever happened. (Interview Roxanne, Homeowner, Jacksonville, F, August 2014)

In other scenarios, homeowners would discuss all the money they spent on lawyers and foreclosure fraudsters who defrauded them of thousands of dollars by promising that they could help to save their home from foreclosure. The counselling sessions offered troubled homeowners an outlet to discuss their ongoing struggles with someone who not only would understand but could be sympathetic to their situation.

Three major themes arose from the interaction between homeowners and housing counselors to explain the significance of the services offered to distressed homeowners. First, counselling provided distressed homeowners with a space where they discussed their troubles with someone. Second, counselling gave troubled homeowners a chance to acquire pertinent information about their options to cure their delinquencies. Last, homeowners gained an important advocate in their corner to act on their behalf when negotiating with their lender or servicer. Naomi explained,

"We literally had started looking for houses and probably about eight days to be exact from the auction date. Tasha and Curtis finally made us finally come down and talk to them. If it weren’t for St. Joseph’s homeownership program our house would’ve probably been up for auction."

(interview with Naomi, Homeowner, Jacksonville, F, August 2014)

Some distressed homeowners reached out to housing counselling agencies because they were tired of getting the runaround from their servicer. Additionally, distressed homeowners complained about receiving threatening phone calls from their loan servicers to vacate the property. Some felt scared and anxious about whether the bank had foreclosed their home and if the sheriff would appear any day to forcefully evict them from the property. Beatrice reported that her communication with Wells Fargo was, “very cold, non-concerning, non-caring really”; while Sandra noted, “they were rude. They know that you are going through something and you tell them that you are having a hardship. They
could care less about what you’re going through.” In response to this issue, some agencies created an educational workshop to inform homeowners of their rights and of the foreclosure process in their state. For instance, at St. Joseph’s homeownership ministry, LaTasha developed a workshop titled “home preservation,” with the sole purpose to educate distressed homeowners on how to navigate the judicial foreclosure process in Florida. This overview gave troubled homeowners an opportunity to ask specific questions about where they were in the process and how much time or how many steps needed to occur before they lost ownership of the property. In return, distressed homeowners were comforted to know they did not have to contact their counselor after receiving any negative correspondence from lenders or servicers. Distressed homeowners expressed a great sense of relief after working with a housing counselor. Susan explained,

Carolyn would reassure me not to stress. I’m a very stressful person. I like everything to go like this, and I like to be in control of everything like this. They took it out of my control, and there was nothing that I can do. I don't want to see a lock on my door and I don't want anybody saying that I'm in foreclosure. (Interview with Susan, Homeowner, Jacksonville, F, August 2014)

Vanessa echoed a similar sentiment:

Some of the stress was taken off me; I didn’t allow all of it because it was still my situation. I still allowed the assistance, but I wanted to be still involved and be aware of what was going on so that nothing was missed. (Interview with Vanessa, Homeowner, Jacksonville, F, August 2014)

Every agency has its method of providing immediate support to homeowners. Some agencies adhere to the status quo by gathering all the necessary information and then counselling homeowners on their options. Other agencies tend to take more of a comprehensive approach by examining some of the most common stresses in an individual’s life, rather than fixate their interests on the foreclosure issues.
Several reports have been published documenting the importance of foreclosure mitigation counselling with some reports citing the positive influence it has on a homeowner’s foreclosure experience. Most studies tend to focus on the success rate of counselling agencies in securing a plausible outcome for distressed homeowners. These studies tend to overlook a counselor’s ability to reduce the stress load and the adverse impact of foreclosures on families. Many reports that have documented the impact of foreclosure counselling have been primarily policy driven, meaning they are highly dependent on the results of homeowners staying in their home. Some scholars have devoted significant attention to study the repayment behaviour of troubled homeowners after counselling. Scholars assess the ability of counselors to provide distressed homeowners with useful information so homeowners can make more informed decisions about their housing outcome, which has the potential to reduce the adverse impact foreclosures has on families (Collins 2012).

5.3.1 Distressed Homeowners’ response to Foreclosure mitigation counselling

After working with a housing counselor, many distressed homeowners in this study expressed a tremendous amount of gratitude towards their housing counselors, regardless of the outcome of their loan modification.

5.3.2 Chicago Experience

Chris spoke about his appreciation for the service he received at the Northwest Side Housing Centre:

They are phenomenal! In fact, at one point when I saw that, I was thinking to myself, how are we going to trust this, but Liz would and always ask us, how are we doing? She really cared about us, and it was the carrying. It was the feeling of someone was on your side. Someone was caring. Someone was making you feel not alone and giving you hope. It was like your prayers were being answered through the angels at Northwest Side Housing, and that’s what they were. (Interview with Chris, Homeowner, Chicago, M, July 2014)
Alison also shared a similar response when asked about the counselling services she received at the Neighborhood Housing Service office in West Humboldt Park. Alison spoke fondly about the way director John Groene assisted her to secure a loan modification after several failed attempts with her servicer. News of Alison’s rejection made her more depressed. Although Alison had not fallen behind on her payment of $1,500 per month, she was still fearful that it was a matter of time before it reached $2,000. Fortunately, for Alison, she ran into a friend who was getting some work completed on her property through a special beautification grant offered by the City of Chicago and inquired about getting the same work completed on her residence. Alison recalled:

I was talking to John and I don’t know how it came up, but I had told him that I was just rejected for a loan modification. He started asking me the questions of whom and what and I told him the person’s name that sent me the letter and was handling the case. He said “oh I know him he is working for us. So, he [John] started the paperwork again and I did. (Interview with Janice, Homeowner, Chicago, F, July 2014)

Within months of working with John, Alison received a modification on her mortgage and avoided a foreclosure. Since securing a loan modification, Alison now spreads the word about the assistance she received at NHS. Alison explains, “I’m always telling everybody about NHS. John is so helpful. He is so interested in the community.”

5.3.3 Jacksonville Experience

Many distressed homeowners in this study expressed a tremendous amount of gratitude towards their housing counselors, regardless of the outcome of their loan modification. For example, Beatrice found the assistance at St. Josephs to be very helpful, “It’s very informative and very enlightening. The classes are very open where you can ask questions in the classes. You can make suggestions in the classes. Technically it has a lot to offer you. It’s been a very growing for me. It has been a growing lesson for me.” George explains he was pleased with the services he received at St. Joseph’s,
I had no problems. They [housing counselors at St. Joseph’s] were very helpful. … Ms. Cobb has really helped my wife and me in going through the process. She has helped us to learn that it is a process and that there is no need to be afraid or panic by you know what many people tend to think is that automatic you are out onto the streets when you encounter this kind of situation. So, in helping us to understand what the process is and what it involves. What we can do along the lines of certain phases or aspect and things that have to be done. The fact that you have invested in a home and as result of that investment you most certainly are not going to be put in a position where you’re going to be tossed out onto the street without having some sense of a recourse. That has really meant a great deal to us to be able to understand that about the process. (Interview with George, Homeowner, Jacksonville, M, August 2014)

Susan recalled that, in her first meeting with the counselors at St. Joseph’s,

It was very enlightening, very informal, and very hopeful. I would say it was the best day of my life. They opened my eyes to a lot of things that nobody had told me about when it came to how to deal with the system and how to maintain your property. (Interview with Susan, Homeowner, Jacksonville, f, August 2014)

Susan was also appreciative of the assistance she received from St. Joseph’s. Susan notes,

Carolyn [housing counselor at St. Joseph’s] was so sweet because she always told me not to stress. She would reassure me not to stress. I’m a very stressful person. I like everything to go like this and I like to be in control of everything like this. They took it out of my control and there was nothing that I can do. I don't want to see a lock on my door and I don't want anybody saying that I'm in foreclosure. I'm going to jump on this now. Let's get this think taken care of because now it's gone too far. … I would definitely refer anyone in need of help
to St. Joseph’s. I feel like I owe them a debt of gratitude. I owe them a lot. (Interview with Susan, Homeowner, Jacksonville, f, August 2014)

In Brenda’s case, her circumstances worsened before she approached the counselors at the St. Joseph’s homeownership ministry. Brenda largely blamed her pride for some of the difficulties she experienced, “because like I said I’m a very private person. I don’t like to ask anybody for anything because I always feel like I could take care of it myself. I’m intelligent enough to take care my responsibilities. I just lost control of it. It’s embarrassing to me to ask for help.”

Homeowners who had lost their homes were also happy with the services they received at housing counseling agencies. For example, Vanessa was appreciative of the service received at St. Joseph’s homeownership ministry despite losing her home to the controversial practice of “dual tracking.” The practice occurs when a mortgage servicer processes a foreclosure while simultaneously processing the homeowner’s application for a loan modification. Vanessa loan servicer provided no warning as she returned home from work to discover someone had change all the locks to the family home. Vanessa explained, “although I ended up losing my home. My situation being unique, it probably would have happened a lot sooner had I not been open, honest candid and responsive to what St. Joseph's needed for me in order to respond to the mortgage company.” Vanessa shared,

When I hear people talking about issues in terms of their struggles with their mortgages or those that are going through foreclosures, I try to offer any assistance that I can. I don’t like anyone to leave me unless they’ve ever acquired a tangible resource. So, I have passed that information along to who I have encountered for them to follow-up to see if it would be helpful or beneficial for them. (Interview with Vanessa, Homeowner, Jacksonville, F, August 2014)

Louise, who also lost her home, explains,
As a result of my pastor passing that information on to me, we added that contact to our church so that we can pass it out to people who are in need, … Because it was a great experience and it blessed me. I didn't mine being a blessing to someone else. That’s why I say to you that the embarrassing piece was not necessarily a factor, it was just something I ran into my lifetime. And I let it just be a testimony and a helping to others. (Interview with Louise, Homeowner, Jacksonville, F, August 2014)

5.4 A Comprehensive approach to foreclosure mitigation

At some housing counseling agencies, the objective was not only to save an individual home from a foreclosure, but also to build strong and financially secure families. Family Foundations in Jacksonville placed great emphasis on borrowers understanding all issues as they pertained to the family, and helping individuals identify the physical and social assets needed to address their foreclosure problems. Researchers have stressed the importance of a holistic approach in evaluating economic problems in the household because such hardships tend to cascade into a host of other issues for households (Treas 2010; Bechard et al. 2016). Family Foundations has made it a priority to have trained therapists on staff to work alongside housing counselors and help identify indicators of mental health and financial stressors. Counselors at Family Foundations are also trained to recognize that all families have the strength and assets that will afford them to achieve their defined goal. Their job is simply to help homeowners leverage those assets to achieve their desired outcome. Dawn Lockhart, President of Family Foundations, believes families have encountered an increasing number of problems leading up to foreclosure, although not all were assessed equally, which is an issue that sometimes prevents counselors from understanding the problems in a larger context.

Families were in foreclosure for various reasons from loss of employment to health-related problems. Some homeowners were in this predicament due to gambling or an undiagnosed alcohol problem. The struggles of making monthly mortgage payments led to increased levels of anxiety and
depression among troubled homeowners. The thought of losing the home induced a great deal of fear into homeowners. Additionally, with the growing number of completed foreclosures, this concern was becoming a reality for some distressed homeowners. For example, studies have revealed such insecurities and uncertainties surrounding one’s housing outcome increased the chances of anxiety and depression (Nettleton and Burrows 1998; Ford, Burrows, and Nettleton 2001; Ross and Squires 2011). Counselors never assumed that foreclosure was the only assistance someone required when they attended an agency for help because it was never just foreclosure, according to Dawn. Dawn explains, “if you pick at it a little bit more. Then you realize they have a ton of unsecured debt. And then you start to realize they have a gambling problem. Well, why do they have a gambling problem? Because this person is an alcoholic.” It was vitally important that counselors examined all other issues taking place in an individual’s household to ensure the suggested plan of action to cure someone’s foreclosure problems was appropriate given the circumstances. Financial hardship in some cases coincided with other life events.

In a study examining patterns of delinquency and foreclosure, researchers discovered, “divorce or widowhood and unemployment are associated with a greater probability of adverse housing outcomes—there is over twice the chance of delinquency and over three times the chance of receiving a foreclosure notice or losing one’s home” (Aughinbaugh 2013). At Family Foundations, counselors were trained to examine individual foreclosures beyond just a transaction, and focused on the health and well-being of the individual. Housing counselors were also trained to identify indicators of mental health stresses, which was one of the many things that make this agency unique. Dawn Lockhart explains, “we’ve had clients in foreclosure who were suicidal and came to the office and were suicidal,” which is one of the reasons Family Foundations has trained therapist on site to assist in diffusing situations like these. “We never assume that it’s just the foreclosure. We always assume that there’re other issues.”
5.5 Reaching those gravely in need of help: Marketing of foreclosure mitigation services

Outreach is a key element in the success of foreclosure mitigation counselling. Some studies have documented the benefits of these programs in helping families facing housing related issues, though some homeowners complained that they were unaware of their existence. Housing counselors, community activists, and consumer advocates have criticized the government for underestimating the magnitude of this crisis. Much of their criticism stems from the fact that not enough support was put in place to aid distressed homeowners in navigating the foreclosure crisis. In recognition of the problems in reaching distressed homeowners early, the government, in partnership with counselors, lenders and other mortgage market entities developed the Homeownership Preservation Foundation’s Homeowner’s HOPE hotlines (888-995-HOPE). The program was designed to connect non-profit housing counselors with homeowners in distress so they could obtain reliable advice and information on how access government programs and apply for loan modifications.

In Chicago and Jacksonville, 78 percent of homeowners in this study reported they learned about foreclosure mitigation services through a friend, while only 11 percent of the respondents said they learned about housing counselling services through their lenders. The remaining 11 percent of homeowners in this study were not aware of housing counselling services. Several studies revealed that a significant portion of troubled homeowners never contacted their lenders or loan servicers after realizing their loans were no longer affordable (Collins 2007; Crews Cutts and Merrill 2008; Collins 2012). The inaction of homeowners early in the foreclosure process made it difficult for counselors to provide adequate assistance; however, borrowers were not aware of their options to address a pending foreclosure.

Collins determined such failure resulted in fewer homeowners seeking assistance to secure a loan modification. Collins adopts a simplistic understanding of the problem suggesting, “borrowers must seek out a loan modification—or at the very least respond to letters and calls from their lender
or loan servicer” (Collins 2013, 291). Collins, however, fails to consider that at the onset of the crisis, troubled homeowners may have been reluctant to discuss their mortgage delinquency issues with random strangers, fearing they would be judgemental. Most distressed homeowners were under the impression they were the only ones experiencing foreclosure, rather than recognizing this issue as a systemic problem plaguing African Americans and other racialized communities. As a result, distressed homeowners avoided conversations regarding their pending foreclosures due to the stigma placed on homeowners facing foreclosure.

5.5.1 Chicago Experience

The stigma of being in foreclosure led one housing counselling agency to remove the word “foreclosure” from its outreach efforts, including any literature or signage used at community events. Executive director Mary Jones replaced the signs with new ones that read, “Housing questions answered.” Mary notes,

people are ashamed if they have a foreclosure problem. People are ashamed if they cannot pay or are struggling with their mortgage. They do not want to talk up to a table that says, foreclosure prevention. Foreclosure prevention will be the loneliest table at the outreach. No one will be there, no one will stop, they will stop and look and keep on walking because they are embarrassed. (Interview with Mary Jones, Housing Counsellor, Chicago, June 2014)

Agencies in Chicago relied on word-of-mouth to reach troubled homeowners. Counselors reported that they needed to maintain a good rapport with clients to ensure the success of this strategy. One counselor at NHS explained, “when we do good with those clients they will tell 5, 10, 20 people and that’s how we get the recommendations or the referral come this way.” Some agencies improvised by getting volunteers to do outreach work and door-to-door canvassing to get the word out about the services offered in the community. Yet, some counselors believed marketing efforts could have
prevented troubled homeowners from walking away from their homes at the start of the crisis. Some agencies were not willing to let this barrier deter them from doing their work in the community. James Rudyk from the Northwest Side Housing Center explains, “we have zero marketing dollars as an organization … I mean we have a brochure, we have a website, but we virtually do no marketing.” Instead, the organization relied on the homeowners they had helped in the past to inform others about the great services they received at the housing center. James also credited the relentless efforts of three courageous homeowners, Chris, Oscar, and Jasmine, who made a difference by contributing their time to help other homeowners save their homes from foreclosure. Today, they give back 10–15 hours each week, to knock on the doors of homeowners facing an imminent threat of foreclosure. They have played an integral role in the success of the organization because their experiences with foreclosure have afforded them the ability to connect with homeowners who are otherwise too afraid or embarrassed to discuss their issues with.

These homeowners have gone through the foreclosure process and, as a result, were able to relate to the struggles that others were experiencing. Admittedly, James was very articulate, but had never been a homeowner. He could not fathom what it was like to lose a home to foreclosure. These homeowners shared their stories that commiserated with people such as, “I lost my job, I’m a lawyer and it took me three years to save my home, I had a stroke and I was no longer able to work or my wife got sick and I had to take care of her.” Stories like these were helpful to get other distressed homeowners to open-up about their struggles with foreclosure because they could see they were not alone in this crisis.

For example, one day while doing some outreach, Oscar recalled knocking on a door of a lady who had recently been diagnosed with cancer and was ready to give up and walk away from her home. After Oscar shared his problems with foreclosure, he convinced the homeowner to not walk away from her home. Within two months, counselors at the housing center secured a loan modification on
her behalf. Without that connection, counselors highly doubt that she would have opened her door to listen to Oscar’s own experience and learn about the assistance available in the community. For James and the rest of the staff, it was stories like this that made the housing center so special. James comments:

That’s our marketing and that’s how successful it is because those are the people that have done it. And by done it have gone through it and have gone through foreclosure, but have been able to save their homes and are here today. That’s more important than any billboard or radio spot is ever going to be. (Interview with James, Housing Counselor, Chicago, June 2014)

James believed the industry and the profession could benefit tremendously from homeowners sharing their stories because talking about foreclosure was previously considered a private matter.

Other agencies have taken a more strategic approach by partnering with larger institutions to spread their message about foreclosure mitigation counselling in the community. In 2010, Chicago’s Genesis Housing Development Corporation partnered up with Stable Project out of the Munroe Foundation, which is a consortium of HUD-approved housing counseling agencies brought together to address foreclosures in economically challenged communities. CitiFinancial was the lone financial institution to attend the event to assist borrowers. The event was considered a success by many of the participating agencies. Some agencies were unsatisfied with the results after its inaugural year and respectfully declined to participate in future events. Genesis saw the potential of the event, however, and decided to continue with the coordination of the event with other community partners. Since 2011, Genesis has collaborated with AGORA Community Services, Spanish Coalition for Housing, Kingdom Community, NID Housing Counseling Agency and Absel Church of God of Christ to host this annual event.
Every June, the event host local banks that hold the most delinquent mortgages in the community, such as Wells Fargo, BMO Harris Bank, and US Bank. To get troubled homeowners to attend the event, all invited agencies submitted a list of zip codes of the communities within which they primarily operate and, in turn, servicers and lenders sent out a mass mailer to their borrowers who defaulted on their mortgages. Organizers also took out advertisement space on popular radio stations in Chicago to solicit other members of the community to attend so they could receive some assistance. At the event, homeowners met with the loss mitigation team from their bank to discuss their case and the options available to them, based on their circumstances. Organizers required homeowners to meet with a housing counselor before they departed from the workshop to gather necessary information to track their progress, and ensure they were receiving the best possible service in securing a modification. Over the last five years, this local outreach event helped more than 200 homeowners remain inside their home after facing the prospect of foreclosure. Lenders/servicers and housing counseling agencies praised the event because of its ability to reach clients they likely would have otherwise been unable to reach.

Homeowners were also showing up in droves to counselling agencies months later in worse positions than they were in at the start of their financial hardship. The sequence of events was popular in Chicago. Counselors complained that housing counselling agencies were not the first destination for troubled homeowners at the first sign of trouble. A counselor at Neighbourhood Housing Service (NHS) pointed out that,

Most of them have pretty much come to us as last resort because they have been paying people to help them and it has not come out to be worthwhile for them. They’ve already have spent $3000 to 4000 dollars to a scam artist and they come to us when they are already a year behind. Six months is the smallest I have seen up to a year. There was a lot of myth as well that the
banks would not help them unless they default or fall behind. (Interview with Housing Counselor, Chicago, June 2014)

5.5.2 Jacksonville Experience

Housing counselors complained about the lack of funding towards a comprehensive marketing campaign strategy to get the word out about the services offered at housing counseling agencies. Executive director at Wealth Watchers, Carrie Davis, agreed that having advertisements on the television and radio would be a great addition to agencies, though most donors prohibit counselling agencies from using funds in this manner. Some donors were not keen on financing expensive radio or television advertisement because of the unknown returns on their investment. Counselors complained about the decline in funding from the National Foreclosure Mitigation Counseling (NFMC) program. The cuts were so grave that some agencies were not able to facilitate multiple visits with their clients. To address the funding shortfall, some agencies took matters into their own hands by teaming up with local churches to spread the word about the services offered to assist troubled homeowners. Other organizations collaborated with major financial institutions, such as Wells Fargo, to host a large-scale home preservation workshop. These workshops ranged from one day to a week-long event that offered troubled homeowners an opportunity to meet face-to-face with a bank representative to discuss the various options available to them, to save their home. At the event, eligible homeowners would be able to refinance their loans or receive an on-site decision on Wells Fargo’s loan modification program and the federal government’s Home Affordable Modification Program (HAMP).

Since 2009, Wells Fargo has been using large-scale home preservation workshops to give troubled homeowners an opportunity to meet face-to-face with a home preservation specialist to explore all available options to avoid foreclosure. In November 2011 Wells Fargo partnered with Wealth Watchers, a housing counselling agency to host its first workshop in Jacksonville (Amaro
At each event, Wells Fargo deploys a team of 75 home preservation specialists, including bilingual specialists to assist homeowners with language barriers (Fargo 2013). At the workshop, eligible homeowners sat down with a housing counselor to apply for the Florida Hardest Hit Fund. Since February 2010, the U.S. Department of Treasury has provided funding to states hit hard by the housing crisis (Lowrey 2012). The State of Florida has received more than a billion in funds to assist those suffering from an economic hardship such as unemployment or underemployment. While homeowners with an underwater mortgage—meaning, they owed more on their mortgage than their home was worth—may be eligible to refinance their loans or receive principal forgiveness by reducing the loan balance to make the mortgage affordable. In the second year of the event, Wells Fargo invited more than 4,000 troubled homeowners to fill the Prime Osborn Convention Center in Jacksonville (2012). Since then, those numbers have slowly declined in the years following the height of the crisis.

To date, no data has been made available to quantify the success of the workshops. Some homeowners have shared their own success stories in attending the workshop. After receiving the runaround for over a year, Roxanne recalled a phone call she received from her counselor at St. Joseph Homeownership Ministry who then directed her to attend a home preservation workshop at the Prime Osbourne center. Roxanne explains,

> I left straight from work and I met this lady Simone, I can’t think of her last name, but she works for Nation Star. I sat down I spoke with her and explained to her everything that was happening to me. ... So, she had me to fill out some more paperwork while I was there. The next thing I knew that the loan was modified. (Interview with Roxanne, Homeowner, Jacksonville, F, August 2014)

In addition to Roxanne’s loan modification, Nation Star granted her a principal forgiveness of $141,000 on her first mortgage. A few weeks later, Roxanne received documents notifying her of the modification and principal reduction on the second mortgage. Roxanne describes the moment,
I open it up and I was like oh lord what do I do now. I was like are they going to take it back because they are known to do that. I opened it up and they modified the second mortgage. It went from five-hundred and something dollars to $200, and they forgave $27,000 off that mortgage. (Interview with Roxanne, Homeowner, Jacksonville, F, August 2014)

At smaller agencies like St. Joseph Homeownership Ministry, counsellors have relied on more creative and cost-effective marketing campaigns to reach homeowners in need of assistance. Funding shortfalls led St. Joseph’s to revert to basic marketing tools such as mass mail outs and word-of-mouth. St. Joseph received a list from the City of Jacksonville of homeowners who received a lis pendens. Often referred as a “poor man injunction”, a lis pendens refers to a notice informing a homeowner of a lawsuit concerning the title of their property. LaTasha and her staff used the list to distribute letters to notify homeowners in distress of the free services and counselling available at non-profit housing counseling agencies in the community. In the letters, LaTasha explicitly informed homeowners that the services offered at the agency were all funded by the State through the Florida Housing Finance Corporation, rather than promoting the service as free. LaTasha implemented this strategy after her lack of success in soliciting homeowners to respond to the letters.

In her capacity as a counselor, LaTasha discovered very few homeowners were willing to put the fate of their home in the hands of a free housing counselor service. In fact, she found people tend to, “devalue what they believe is free because of the adage you get what you pay for.” Some homeowners considered free foreclosure help as a risky business, according to LaTasha. Some distressed homeowners regarded anything free to be subpar services, especially if it stood between them in staying inside their home or becoming homeless. These attitudes prevented them from seeking the assistance of housing counselors at the first sign of financial troubles, according to some counselors. As a result, some distressed homeowners sought the assistance of attorneys and foreclosure rescue firms that charged up-front fees for services they could not fulfill. For example,
Beatrice noted she sought the assistance of an attorney before working with a housing counselor. Beatrice explained, “I didn’t know anybody else during that time.” Going through foreclosure was a tumultuous period for distressed homeowners and, as a result, homeowners were often confused about who to turn to for help. Vanessa noted that she reached out to attorneys for help during the early stages of her troubles. Vanessa says, “The only thing that I can think about is at the time everybody talks about getting an attorney. Several people who recommended that.” Some housing counselors contend that nearly half of the homeowners they helped had paid someone or a firm to deliver the same services they offered for free. A common misconception was that paid services were always better than anything offered for free. Notwithstanding the misconception, most distressed homeowners did not have the money to pay attorneys to assist them with their foreclosure problems. Vanessa points out,

> There were several people recommended that I get an attorney, but the finances were not there. Although there are services out there for people who don’t make a lot of money, like legal aid. I was right above the line. So, I was making a little bit too much for them to assist me. The recommendation was for me to go to an attorney who might have been able to do a reduced contingency fee or reduced services, but I wasn’t making enough money. I was making too much for legal aid and not enough to pay reduced fees for attorneys. (Interview with Vanessa, Homeowner, Jacksonville, F, August 2014)

The news left Vanessa with a great deal of uncertainty and added more stress and anxiety to her foreclosure experience.

### 5.6 Rules with no teeth: The Pitfalls of working with Servicers

Lenders and servicers played a pivotal role in delaying the assistance homeowners received from a housing counselor. Some servicers or lenders tended to misinform homeowners that they needed to fall behind on their mortgage to qualify for a modification (Kiel and Pierce 2010). Distressed
homeowners received this information from friends and neighbours, according to a counselor in Chicago. The counselor added that her parents fell victims to this misconception when faced with foreclosure. The counselor explained, “a lot of them [distressed homeowners] went through that myth that if you fall behind that is the only way they are going to help you.” As a result, distressed homeowners developed unrealistic expectations that they would be able to save their home once they defaulted on their mortgage. To counter these unrealistic expectations, most counselors began the first meeting by making it explicitly clear they do not make any decision whether they receive a loan modification or not. Many lenders and servicers have a list of criteria they follow, which made it extremely difficult to predict the outcome of a case.

In some cases, investors would have rather have foreclosed the home because they were not interested in modifying the loan. Federal officials, bank officers, and investors claim this excuse is cited far more often than is justified (Weise 2010). In the study, they found few mortgage deals included such restrictions. Some counselors attributed a substantial amount of denials to the decision of investors to not modify delinquent loans. Laurie Goodman, a managing director at Amherst Securities, a brokerage firm specializing in mortgage securities says, “investors have ‘zero vote’ in determining individual loan modifications” (Weise 2010) Kevin Heine spokesman for Bank of New York Mellon, one of the largest trustees to administer mortgage securities, revealed the responsibility to modify loans, “falls squarely to the servicer” (Weise 2010). David Hunt’s examination of subprime loans issued in 2006 revealed nearly two-thirds of the contracts explicitly granted servicers the authority to make modifications on mortgages that were in default or in imminent danger of default (Hunt 2010).

Working with the servicer emerged as a dominant theme throughout the interviews with housing counselors, as one of the primary factors influencing the way individuals experience foreclosures. This was a contentious issue because many homes could have been saved if servicers
were following the servicing standards set out by the consumer financial protection bureau (CFPB). Like homeowners, counselors also complained about the mismanagement of documents by servicers during the height of the foreclosure crisis. Counselors were repeatedly requested to submit the same documents after the services reported they had been misplaced. The mismanagement of documents frustrated some counselors because they believed it was a deliberate attempt to delay a homeowner’s modification application.

5.6.1 Chicago Experience

A counselor in Chicago recalled having:

A client she had one of the big lender Citi Mortgage and Citi Mortgage was notorious on fax the documents you fax them and they never received them. In being so experienced with my parent’s fiasco with Citi Mortgages, I said to save these fax sheets. … She said I had faxed the same document three times. I saved all confirmation sheets. She comes running into the office Isabella, I have a date to go to court. I don’t know what am I going to do. It’s okay we go through this all the time. I gave her package that I submitted to the lender with the three confirmation sheets. She went to court the judge saw how prepared she was and said your honor I would like to request a continuance I had submitted this package to the lenders attorney’s. The attorney’s representing the lender said ‘no we didn’t receive anything from you’”. Then she goes ‘Yes, I have, your honor.’ So, she showed the judge the three confirmation sheets with the dates highlighted and he said ‘Continuance 90-days.”’ (Interview with a Counselor, Chicago, June 2014)

5.6.2 Jacksonville Experience

In Jacksonville, counselors experienced the same frustrations working with loan servicers:

I had stop sending any documents to them. I was giving them to St. Joseph’s Homeownership Ministry. Anything I receive I would provide to St. Joseph’s. … But then Aquin would call me
and say my loan is still in default. I would let them know that I'm working with a Home Modification Program. They should be talking to you guys and they would tell me well all we see is that you loan is still in default. They would tell me that they hadn't gotten certain documents. … I was on the phone for like an hour with this woman and she's telling me that she doesn't have this and she doesn't have this and they don't have that and that they need this paperwork and this and that. (Interview with Susan, Homeowner, Jacksonville, F, August 2014)

The loan servicer advised Susan that she needed to complete another application, to undermine the work of housing counselors at St. Joseph’s. Susan explains,

I'm thinking why would I do that? Then I would call Carolyn at St. Joseph's. Carolyn would be like why are they are telling? We are talking to the mortgage representative there. The last time I got really frustrated was when the girl called and she was saying well, I don't know what they [housing counselors at St. Joseph’s] are doing? But if you have any questions call us and talk to me. I'm thinking this just doesn't sound right. They keep acting like they are not communicating with St. Joseph's or St. Joseph’s isn't communicating with them. So, I called Carolyn back again and that when I told her look, I was on the phone with them for like an hour with this woman and she's telling me that she doesn’t have this and she doesn’t have this and they don't have that and that they need this paperwork and this and that. She's going to send me another packet and to just call her with any information and stuff. Carolyn put me on hold and she talked to Julia [another counsellor at St. Joseph] and she said Julia just spoke with this women that morning. The same women that had called me. Julia had just talk to her that morning. So, I was like what the heck is she calling me for and acting like she's not talking to anybody. (Interview with Susan, Homeowner, Jacksonville, F, August 2014)
5.7 Servicing Rules: Single Point of Contact

Having a single point of contact at each servicer was pivotal to the success of homeowners securing a modification. A handful of agencies have been fortunate enough to secure these relationships in order overcome certain administrative barriers that prevented homeowners from securing modifications on their mortgages. In Chicago, the Northwest Side Housing Center (NWSHC) fortunately secured a single point of contact at Bank of America after over 50 homeowners protested outside the bank’s Homeowner Service Center in downtown Chicago. Homeowners secured an in-person meeting with the bank’s executives. Rather than accepting the bank’s unpalatable behavior, a group of homeowners from the NWSHC were determined to voice their displeasure with the Bank of America’s untimely delays to grant loan modifications. Protestors complained about waiting months before the bank reviewed their application, which was a clear violation of the servicing rules set by the Consumer Financial Protection Bureau (CFPB). According to the rules, a servicer must review and respond within 30 days to a completed loss mitigation application, that was received more than 37 days before a foreclosure sale (CFPB 2016). For hours, homeowners chanted, “Help us stay so we can pay!”

Following the protest, Bank of America executives agreed to meet with the homeowners and counselors handling their files to discuss a best practices model. The two sides met quarterly for 18-months and at the conclusion of those meetings, Bank of America agreed to provide NWSHC with a dedicated team of four staff members that only reviewed NWSHC files. All loan modification applications were submitted directly to these staff members and not through the 1-800 number line or the HOPE loan web portal. The HOPE loan web portal was a robust communication platform used by mortgage servicers and HUD-approved non-profit housing counselors to better serve homeowners at risk of foreclosure. The counselors at NWSHC established an escalation process by obtaining the direct contact information of a supervisor all the way up to the vice-president if any major issues arose during the application process. These high-level contacts at Bank of America
enhanced the level of service offered to homeowners whose homes had already gone for sale, meaning the home had been foreclosed and had gone to sheriff sale, but no one has purchased the home. Homes in this situation were Real Estate Owned (REO) or bank owned.

Counselors worked with Bank of America officials to reverse decisions of foreclosure, which was a practice that rarely happened so far along in the process. Staff at the housing center also received training about underwriting and on different guidelines to help improve the turnaround time on loan modifications. The two parties also developed a working excel spreadsheet to track the progress and notes on their bank of America files. Executive director James Rudyk at NWSHC explains the new process,

allows us not to lose track of a homeowner that maybe we faxed their documents and they are saying they never received them, and then we say we did. Then it could take 6 months with a new application. So, it eliminates that. … So, if something happens and our direct contact is not available or we don’t believe what we are hearing is fair or they don’t get back to us. We have their supervisor and their supervisor all the way up to the vice-president level that we can escalate to. (Interview with James, Housing Counsellor, Chicago, June 2014)

NWSHC combined counseling and organizing to empower homeowners facing foreclosure to be a part of the decision-making process so they could create tangible changes in their communities.

NWSHC decided to combine the two strategies after realizing they were operating in a broken system keen on keeping people outside their homes. Counselors worked tirelessly to submit loan modification packets to servicers, but were hardly saving any homes from foreclosure. The group was adamant that things had to change systematically to keep more homeowners inside their homes. Changes required that the group reverted back to the rich traditions of community organizing in Chicago (Westgate and Vick-Westgate 2011). The ability of homeowners to act and create the changes they desire for their
community, was very much in line with the organization’s mission to engage, educate and empower. James notes,

our homeowners collectively decide about what they think is best because they’re the homeowners that are being impacted. I don’t know own a home, I’m a renter. So, I shouldn’t decide about fashioning a foreclosure policy for the State of Illinois. (Interview with James, Housing Counsellor, Chicago, June 2014)

Most homeowners did not want to submit paperwork and sit idle awaiting the outcome of their application. Distressed homeowners also wanted to be a part of the process and be at the table to voice their concerns on some of the bank’s policies and their impacts. For some homeowners, the committee at the housing center improved their foreclosure experience. Oscar explains,

Some people found comfort in us coming together. I found comfort in the neighborhood coming together. Meeting on a monthly basis to talk about any issues. How are you feeling? The things that we received from the bank. That was comforting people coming together helped lift their spirits. … To empower the people; not to give up so quickly and not to just walk away and feel defeated. (Interview with Oscar, Homeowner, Chicago, M, July 2014)

5.7.1 Financial Self-defense

In Chicago, John Groene at the Neighbourhood Housing Service (NHS) in West Humboldt Park shared a message to prospective homeowners in his “financial self-defense classes.” John’s passion for increasing the level of financial literacy in West Humboldt Park developed after working with a vast number of distressed homeowners and learning all about the toxic mortgages they were sold. John explains that some homeowners received mortgages and loans with interest rates as high as twenty percent, when they could have received lower rates. John was concerned that few homeowners were aware of how credit worked. Like homeowners in Jacksonville, prospective buyers in Chicago were just as excited that banks were willing to extend the access of credit to them to purchase their
first home or unlock the equity in their property. In some cases, homeowners thanked and praised their lender for providing them with a loan. Few homeowners understood how credit worked and entrusted professionals to aid them in their understanding of their financial capacity. John explains, “it is not enough to have good credit … you have to know you have good credit,” which is why people need to be more informed about their options when deciding to purchase a home. John’s passion became clear when he concluded the class by standing on a chair shouting in a charismatic fashion, “if you deserve a 5 percent loan and you sign for an 18% loan. You could have perfect credit. You sign it! They didn’t break the law.”

5.8 Losing Grounds: Spending on Financial Literacy Programs

Many borrowers relied upon brokers and agents to help them understand their financial capacity, which gave brokers and other financial professionals the opportunity to convince borrowers to acquire high-risk loans. Major financial institutions and companies that specialized in subprime lending spent billions of dollars each year to obtain the business of those in underserved markets. A study conducted by the Consumer Financial Protection Bureau (CFPB) found that the financial industry spent $17 billion annually on marketing in comparison to the $660 million spent by the federal government, non-profits, schools and corporations on financial education ((CFPB) 2013). On average, the financial industry spent approximately $54 per person on financial marketing versus little over $2 per person spent on financial education ((CFPB) 2013). The report also found that for every dollar put towards financial education, $25 is spent on financial marketing, which makes it difficult for consumers to find credible information. American General Finance, now known as Springleaf Financial, was famous for this practice. The Evansville, Indiana bank secured the services of former New York Yankees manager Joe Torre to deliver their message to consumers after he was hired as the company’s spokesperson. The 30-second television ad featured lines such as “we are right there with you” to invite borrowers to “live the life you’ve imagined.” This was a big concern for John and his staff, because a lot of
homeowners bought into his campaign and were subsequently faced with the possibility of losing their home to foreclosure. John explained that homeowners were walking out of American General branches with loans as high as 28 percent. Having good credit was never considered a determining factor for the cost of each loan issued. In 2005, John recalled working with homeowners who had home equity lines of credit with interest rates as high as 18 percent. These buyers bought into the neoliberal capitalist system, which encouraged citizens to embrace economic risk because it promised to empower and elevate them out of their financial miseries. Homeowners were advised of their monthly payments, though they failed to read the fine print to understand that their mortgage payment would increase within two years of signing the agreement. “It was like they gave you the house with the big print and took it away with the small print,” according to one homeowner. Former President George W. Bush reduced the rising rates of foreclosures to homeowners failing to review the fine print on their mortgage contracts. Rather than increasing the volume on calls to dismantle the current system, Bush threw his support for more financial education (2007).

5.9 Shifting the Blame: Criticism of Financial Literacy

Some scholars have openly criticized financial literacy and its renewed political support (Erturk et al. 2007; Willis 2008, 2011; Arthur 2012; Olen 2013; Haiven 2014). Since the housing crisis, legal scholar Lauren Willis asserts the call for more financial literacy has become much louder and worse. Willis argues the call for more financial literacy suggests that the economic turmoil would have been avoidable if there were more responsible borrowers. This school of thought essentially shifted the blame onto consumers and absolved the capitalist system and its creators of these dubious financial products of any wrongdoings (Arthur 2012; Olen 2012). Society individualized the economic crisis through its call for a financial literacy program. In 2009, CNBC host Rick Santelli held nothing back in his famous rant from the traders’ floor of the Chicago Mercantile Exchange, where he protested Obama’s modification plan to assist troubled homeowners who he regularly referred to as ‘losers’ on
his show. Santelli added that the government should be using their tax dollars to, “reward people that can carry the water instead of drinking the water.” Former Federal Reserve Chairman Ben Bernanke echoed a similar message about the importance of financial literacy,

> among the lessons of the recent financial crisis is the need for virtually everyone—both young and old—to acquire a basic knowledge of finance and economics … as a society, must also make sure that adults have opportunities to gain these skills or to refresh what they have learned. (Kearns and Zumbrun 2013)

Bernanke’s predecessor, Alan Greenspan, shared a similar sentiment years prior suggesting,

> the more credit availability expands; however, the more important financial education becomes. In this increasingly competitive and complex financial services market, it is essential that consumers acquire the knowledge that will enable them to evaluate products and services from competing providers and determine which best meet their long- and short-term needs. (Greenspan 2005)

Such messages created a false equivalence because troubled homeowners were not the ones who issued mortgages to those with impaired credit histories or took on collateralized debt obligations. Scholars have also denounced any correlation with financial literacy and the guarantees of any positive economic outcomes (Erturk et al. 2007; Arthur 2012). Ismail Erturk and his colleagues argue the promises of financial literacy can only be beneficial if citizens in the relevant socio-economic group possess the calculative competence to understand different financial products and services. Legal scholar, Lauren Willis, an outspoken critic of financial literacy, also argues these mass educational campaigns are ill-equipped to protect consumers from another financial disaster. The rapid turnover of financial products and practices is proving to be a daunting challenge for financial literacy programs to keep pace. Alternatively, Willis asserts that financial literacy education should be extensive, frequent, and individually tailored to be effective (Willis 2011).
Willis contends that the financial regulation-through-education policy model serves only to blame troubled borrowers for their misfortunes and deflect any calls for any market reform (Willis 2008). Financial literacy aids the capitalist system in reproducing similar financial practices and debt relations which helped to create inequities and high levels of poverty in communities of colour. Scholars have even criticized financial literacy programs for neglecting to connect the fallout of the financial crisis to a long history of racism plaguing African-Americans and other racialized groups (Haiven 2014). Racial illiteracy and financial illiteracy work hand in hand where one is taught to forget the past and is persuaded to subscribe to the fallacies of equality in this mystified post-racial society (DiAngelo 2012; Giroux 2012).
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Chapter 6: Responding to the Crisis: Attorneys and Grassroots Organizations

6.1 Introduction

As the foreclosure crisis quickly unfolded, distressed homeowners in both Chicago and Jacksonville struggled to find assistance to address their looming foreclosures. As a result, some homeowners relied on private and legal aid attorneys to assist them in avoiding foreclosures. Sadly, the ability to afford legal advocacy has become a determining factor in certain cases whether a homeowner is able to keep their home. For example, in Florida, an increasing number of distressed homeowners have lost their homes to foreclosure because they were self-represented and could not navigate their way through the complex legal foreclosure proceedings. In most cases, having adequate legal representation can be very helpful because attorneys can make specific legal claims or arguments that could assist distressed homeowners avoid foreclosure or eviction. While in other instances, private attorneys in both Chicago and Jacksonville have been accused of unscrupulous behaviours that severely undermined the foreclosure outcome of distressed homeowners in African-American communities. Such practices led to lengthy delays during loan modification process, which, in turn, left some homeowners worse off or ineligible for certain government foreclosure mitigation programs. For example, some homeowners complained that attorneys made promises they could not fulfill, such as securing a permanent modification or a lower monthly mortgage payment. One homeowner complained she was billed for assistance that she received to complete a loan modification application. The completion of this service is one that, in most cases, does not require the assistance of an attorney. Legal aid offices were severely overwhelmed with the large influx of foreclosure-related cases, and as a result, many troubled homeowners turned to private attorneys. Funding for many clinics were slashed over the years and continued to shrink, while the number of foreclosure related clients increased.
In Chicago, two of the major legal clinics were no longer accepting new client’s due to the lack of funding. In Jacksonville, budget shortfalls decimated one of the premier legal aid clinics. As a result, fewer attorneys were able to help distressed homeowners avoid foreclosure. Some lawyers were working for free due to the lack of funding. There was a growing disconnect between the policies set to assist homeowners and the funding required to carry out these initiatives. Desperate homeowners found themselves spending exorbitant amounts of money on attorney fees or representing themselves in cases where their homes were being wrongfully foreclosed upon.

For some communities in Chicago, grassroots organizations became the last line of defense for homeowners struggling to keep their homes. Grassroots groups across Chicago were beginning to recognize the human right to housing. Anti-foreclosure activism became a vital component for communities throughout Chicago and rest of the country, due in part to the highly publicized Occupy Wall Street Movement. The movement began to gather steam as protests broke out across the country. Tenants of this segment of the movement were seeking to call attention to those in the financial industry and their involvement in the ongoing foreclosure crisis. Occupy Wall Street provided the anti-foreclosure movement with a national platform needed to garner the interest of distressed homeowners who were desperate to save their homes. The movement gained a lot of traction as the number of groups engaged in civil disobedience began to multiply. In Jacksonville, however, foreclosure activism remained quite absent as some resident were not inclined to engage in such practices because of the fear of imprisonment. As a result, some distressed homeowners decided follow the status quo in working with a housing counsellor to obtain a loan modification to save their home despite all the unfairness in the process.
6.2 Judicial and non-judicial Foreclosure Process

In 25 states, foreclosures are primarily handled by way of a judicial foreclosure process, which requires lenders and servicers to file complaints with the court, and appear before a judge to legally foreclose a property. Generally, in these jurisdictions, the court requests all parties to participate in a mediation process to see if both sides can work out an agreement that keeps homeowners inside their homes. Without legal representation, this process can be very intimidating, considering a homeowner’s lack of familiarity with the legal claims discussed at these mediation sessions. The homeowners were often left with little hope to obtain a favourable outcome. In non-judicial states, the odds are stacked higher against homeowners as lenders can proceed to the sale of the home to the highest bidder without the court’s approval. In other words, distressed homeowners have no legal standing to be heard by a court of law to prevent the sale of their home at auction. A homeowner could file an affirmative lawsuit by asking a judge to place an injunction to halt the sale of the home, which is extremely difficult to obtain without the assistance of an attorney (Clark and Barron 2009). Both Chicago and Jacksonville are in judicial foreclosure states, where cases are heard in court, and the judge decides whether a case is dismissed or issues an order for the loan to be foreclosed. A study by the Brennan Center for Justice at New York University School of Law found that many homeowners were fighting to save their homes without the benefit of a legal advocate (Clark and Barron 2009). As a result, an alarming number of homeowners lost their home because they were unable to provide any viable legal claims or defense.

6.3 Anti-foreclosure activism: Chicago Experience

In Chicago, the Anti-Eviction Campaign (CAEC) has been at the forefront of the united resistance against foreclosure since the start of the crisis. The CAEC has sought to use the crisis as an opportunity to disrupt and dismantle the current system in place, that has worked viciously to benefit those on Wall Street and in the real estate industry. To call attention to their cause, the CAEC used an organizing model known as the “sword/shield,” which combined public pressure, legal defense, and eviction
blockades to help keep hundreds of families inside their homes. Housing advocates were concerned that traditional approaches were inadequate in confronting the challenges faced in today’s changing social, political, and economic climate. Grassroots groups like the CAEC laid the foundations for a new kind of organizing that deploys a series of audacious tactics that include: eviction blockades, reoccupying previously foreclosed homes, and demonstrations in front of homes, banks, and offices.

A growing frustration among community organizers, housing advocates, and distressed homeowners was the unwillingness of banks and government-sponsored enterprises to provide more loan modifications and principal forgiveness. Organizers and advocates argue that banks and government agencies appeared to be more inclined to see homeowners default on their mortgage and foreclose the property. Grassroots organizations in Chicago have blamed the Federal Housing Finance Agency (FHFA), the agency that oversees Fannie Mae and Freddie Mac, for failing to do more to help troubled homeowners and their communities. The FHFA has refused to forgive the mortgage debt of homeowners who currently owe more on their mortgage than their home is worth (Appelbaum 2012). The agency claimed their concerns over the mismanagement of taxpayers’ dollars has kept them away from reducing the principal balance of troubled homeowners, even though studies have found foreclosures to have a more profound impact on communities and the real estate market as a whole (Research 2013; Peale 2014).

To understand the influence of civil legal aid services and community grassroots organization in racialized and low-income communities, I have divided this chapter into three parts. To begin, I investigate the importance of legal representation and its role in altering the foreclosures landscape in African-American communities. Next, I examine the role and process at various legal clinics in both Chicago and Jacksonville. In states that use a judicial foreclosure process, having legal representation is paramount to the success of an individual in the court fighting to avoid foreclosure. In this section, I analyze the legal process, rules, and regulations governing the foreclosure process in both Illinois
and Florida to determine how certain laws and programs are streamlining or delaying foreclosures. Understanding this process is crucial in understanding how certain laws can shape foreclosures in certain spaces, especially for those residing in impoverished communities. To conclude, I assess the effectiveness of grassroots community organization in keeping homeowners inside their homes.

6.4 Chicago Experience

6.4.1 Finding an Affordable and Trusted legal advocate

For some homeowners, finding a housing counselor was only half of the battle in their fight to save their homes from foreclosure. Although an attorney was not required to secure a loan modification, some distressed homeowners could have benefited from the assistance of legal counsel to address their foreclosure issues. Finding legal representation was not an easy task, especially for those who resided in economically disadvantaged communities. As a direct result of the mortgage meltdown, an unprecedented number of low-income homeowners found themselves in complicated legal proceedings as they fought to save their homes in court. Many beleaguered homeowners were self-represented because they could not afford to pay for legal counsel. As a result, some homeowners lost their homes to foreclosure because they were unable to provide a legal defense as to why they should not be evicted. Having a legal advocate can be beneficial in cases where the lender or servicer has violated state and federal laws, which in return can provide leverage during negotiations or help to give a homeowner some time to explore alternative living arrangements. During the peak of the housing crisis, many distressed homeowners were not aware of some of the legitimate legal defenses that could be used to prevent a home from being foreclosed, or pave the way towards discussion on an alternative solution (Clark and Barron 2009). Attorneys complained that the country’s civil legal aid system was ill-equipped to meet the growing demands for foreclosure legal services. Since 1996, the federal government has substantially reduced funding towards the Legal Services Corporation (LSC), the main funding source for civil representation for low-income households (Ford 2017).
The idea of self-representation in court instilled a lot of fear in homeowners who were desperate to save their homes. Curtis, in Chicago, spoke about that fear: “I’ve never really been in any other kind of trouble. So, I was concerned not having a lawyer in speaking on my behalf.” Several studies have shown that keeping homeowners inside their homes helped to stabilize neighbourhoods and protected against a loss in local tax revenue, unpaid utilities and extra cost of maintenance to deal with vacant homes (Apgar and Duda 2005; Immergluck and Smith 2006; Carswell 2009; Immergluck 2009), see Figure 6-1

Figure 6-1: Three views of a dilapidated building in Chicago. As homes remain vacant the cost to maintain them increases.

All levels of government in the State of Florida turned a blind eye to the problems of servicing and provided more funding to plow through the backlog of foreclosure allowing the same institutions to profit from the mess they created, see Figure 6-2
6.4.2 Foreclosure Legal Aid Representation

In the City of Chicago, there are several legal aid clinics to assist troubled homeowners. During the peak of the crisis, clinics were overwhelmed, which prevented some from accepting new clients. Nearly 55,000 foreclosure cases were being filed with the Cook County Circuit Court each year during the height of the crisis, though legal aid clinics in the area were only representing a small fraction of those cases. Legal aid clinics were poorly staffed to handle the influx of clients as the number of homeowners facing foreclosure surged. Unfortunately, this shortage of attorneys resulted in a record number of homeowners representing themselves in complicated legal proceedings to prevent their homes from being foreclosed.

Some homeowners were fortunate enough to receive free legal assistance at some of the premier clinics in both cities. In Chicago, Legal Assistance Foundation (LAF) and Chicago Volunteer Legal Services (CVLS) were among the popular destinations for those facing foreclosure. LAF is a not-for-profit corporation that provides free legal services in civil law matters to individuals and non-for-profit in Chicago and suburban Cook County. CVLS is a pro bono civil legal aid provider in Chicago that
uses over 2,000 volunteer attorneys to provide comprehensive, efficient and cost-effective civil legal aid services.

The consumer practice group at LAF handled many of the foreclosure files, and only cases with a viable legal defence or claim were approved for representation. Distressed homeowners had to demonstrate they had the financial capacity to keep the home. For those who could not qualify for a modification, attorneys would continue to work on the file to give the homeowner some time to either sell the home or obtain alternative housing. Cases like these were largely common among seniors who were in no position to remain in the home long-term, and needed six months to a year to secure subsidized housing for seniors, according to supervising attorney Dan Lindsey.

Between 2005–2008, the consumer practice group at LAF spent much of its time on foreclosure rescue fraud cases. Sale-leaseback contracts were among some of the popular scams that were used to defraud homeowners of the remaining equity in their home. Many banks were no longer offering refinancing options. As a result, homeowners fell behind on their mortgage payments and were now at risk of foreclosure. These were mostly low-income homeowners who had a substantial amount of equity in their homes but had a hard time refinancing their loans with some of the major lenders. Some troubled homeowners unknowingly fell for these elaborate schemes by signing over the deeds of their homes and paying the new owners rent until they could eventually repurchase the property. Rents were so inflated that it became impossible for homeowners to maintain their payments, and eventually they were evicted for defaulting on the sale-leaseback contract (Salinger 2013). Foreclosure rescue scammers would then become the owner of the property and sell it to obtain the remaining equity. Homeowners affected by this scam were primarily seniors who had owned their home for nearly 40 years. The consumer practice group provided legal representation for many of these cases at trial and was able secure a significant portion of the equity stripped from the home.
6.4.3 The fight to protect consumers’ interests

The customer fraud bureau in the Illinois Attorney General’s office has been active to stem the rapid rise of mortgage rescue fraud cases in Chicago and in other parts of the state. At the onset of the foreclosure crisis, various companies were popping up across the city preying on consumers. For example, some companies would tell desperate homeowners, “I could help you modify your loan,” and would charge lots of money, but would never provide any assistance. In other instances, homeowners were advised to “stop paying their mortgages and pay your mortgage directly to us [foreclosure scammers]”. Scams like these were prevalent during the early stages of the crisis in the Chicago area, according to Illinois Assistant Attorney General, Vashali Rao. Vashali explains, “this type of fraud really came out of the sales leaseback scam … where individuals were saying, sell me your home. I will lease it back to you, and then you basically get nothing out of it. You lose your home.” With so many homeowners going through foreclosure, and with the introduction of the federal government’s loan modification program, it was easier for these companies to flourish. Eventually, when the market crashed, sale-leaseback deals were no longer being offered as property values plummeted and new state laws were introduced to curb such abuse in the market place. In 2009, the Illinois Mortgage Rescue Fraud Act was passed to prevent companies or individuals from charging a borrower an upfront fee to assist them in preventing their home from being foreclosed; an individual or organization could no longer say, “I will get you a modification on your loan give me $2000 right now.” The broader policy consideration behind this law was that people should be using whatever money they have remaining to pay their mortgage, or they ought to be saving it to transition into a different living arrangement rather than paying an outside third-party company. The new law capped the amount of fees that companies could charge on the back end to ensure homeowners were protected on all fronts. Since the inception of this new law, the attorney general sent out nearly 1700 cease-and-desist letters. The attorney general’s office contacted the businesses in violation of the law
and requested they turnover a list of all their customers. The companies were also ordered to return all proceeds to customers and cease their operations; however, most companies were unresponsive to the letter, especially because most were fly-by-night companies which usually shutdown immediately, according to Vashali. For those that responded, the bureau tried to negotiate a settlement to recoup all or some of the proceeds lost to these fraudulent practices. Since 2007, the consumer fraud bureau has filed over 55 lawsuits just on mortgage rescue fraud, and recognizes the fight as a never-ending cleanup effort. In cases where there is not enough evidence to file a suit, the attorney general’s office broadcasted consumer alerts to inform the public of fraudulent practices. The consumer alerts have been a great investigative tool because, sometimes, people were not always aware of certain fraudulent practices or even considered these practices as issues for which they could possible file a complaint.

The Illinois AG’s office also established an in-house housing counseling unit after recognizing some of the problems could not be fixed through law enforcement. Vashali explains, “there is only so much that we can do via lawsuits. We realize all these consumers really need is a housing counselor. They need someone to help them through their options with respect whether they could modify their loan… or having problems with their servicer.” The housing counseling unit was one of the first of its kind to set up inside any AG office in the United States. Counselors in the housing unit had weekly conference calls with their point of contact at each of the big five banks to gather updates on files, which was the advantage of having a housing counselor. Having a single point of contact was tremendously beneficial, considering some homeowners who attended at the counselling offices were unsuccessful in securing a loan modification on their own. Illinois Attorney General, Lisa Madigan launched an investigation into the mortgage servicing practices with the big five banks. The investigation considered, “what they charged? How do consumers get in the door? What happens with HAMP? Whether they communicated properly. How did they deny them? What kind of formulas do they use?” The investigation was ground-breaking, because no state attorney general had ever
investigated a national bank for their servicing practices. After months of investigation and negotiations, Attorney General Lisa Madigan, along with other State AGs and the U.S. Department of Justice, successfully secured a settlement with the nation’s largest banks totaling $25 billion. The settlement was used to provide assistance to homeowners harmed by fraudulent foreclosures and to improve mortgage-servicing practices (General 2012). As a part of the settlement, new mortgage servicing standards were introduced to prevent future abuse and to ensure more homeowners are not faced with same difficulties to save their home.

6.4.4 Finding Help at the Courthouse: The Cook County Mediation Program

Many states, counties, and cities established foreclosure mediation programs to assist troubled homeowners to avoid foreclosure. On April 12, 2010, the Cook County Board approved $3.5 million in funding to establish the Mortgage Foreclosure Mediation Program (Vitello 2010). The program was developed to assist families in foreclosure by providing homeowners with critical support early in the process so they could explore their options to keep the home or to negotiate a reasonable exit. The program was made up of four sections:

6.4.4.1 Community outreach

Community outreach was pivotal to the success of the program because it informed homeowners of the judicial foreclosure process and the resources available to assist them to receive the best outcome given their circumstances.

6.4.4.2 Housing counselling

The housing counselling component was developed to help prepare distressed homeowners for mediation.
6.4.4.3 **Mediation**

Mediation gave homeowners an opportunity to sit down with a lender or servicer to explore their options, including loan modifications, forbearance agreements or short sales instead of proceeding with a foreclosure.

6.4.4.4 **Legal aid**

Legal aid provided homeowners with representation during the negotiation process with lenders/servicers and during mediation. Homeowners who received a summons to appear before the court were immediately provided with information on accessing housing counselling services and legal representation at no cost.

6.4.4.5 **Legal Aid and Mediation Service Providers**

The Cook County Board of Commissioners contracted The Chicago Bar Foundation (CBF) to manage the legal aid and mediation piece, which then enlisted The Chicago Legal Clinic (CLC), Chicago Volunteer Legal Services (CVLS), Legal Assistance Foundation of Metropolitan Chicago (LAF), and the Center for Conflict Resolution (CCR) to deliver all legal aid and mediation services provided in the Mortgage Foreclosure Mediation Program. The court appointed CVLS to provide legal representation at mediation sessions on all cases referred to mediation while all other services including in court legal aid services were provided by the other two agencies. Since the inception of the program, CVLS has received nearly 6,000 referrals to provide legal representation to homeowners during the mediation process. Each homeowner called a hotline managed by the Legal Assistance Foundation of Metropolitan Chicago to connect with a housing counselor. Homeowners who were unable to secure a modification were then transferred to an on-call attorney who filed a motion for mediation at the next court date. CVLS represented homeowners through multiple sessions of mediation and status dates until both sides could either come to an agreement or have the case sent back to the courts for trial.
In the early stages of the mediation program, some foreclosure attorneys representing servicers and lenders were alleged to have acted in bad faith during mediation, which hindered the success of the program. Patricia noted that attorneys representing the banks were not mediating in good faith, leading her to file several motions with the court to request the banks to be sanctioned for not mediating in good faith. During mediation, attorneys representing banks would agree to certain parameters, such as using a 12-month average income for a seasonal employee and then not adhering to that agreement. In some cases, counsel agreed to terms during mediation but refused to make a note of it in writing, which further delayed the process.

Being appointed to every single case that went to mediation placed a tremendous amount of pressure on the resources at CVLS, due to the small number of lawyers available to deal with the influx of new clients. Almost all the clients referred to CVLS for mediation had no paperwork attached or had incomplete loss mitigation packages, which further delayed the process. Attorneys were forced to put together loss mitigation packages for each new client, resulting in a large backlog of cases in the court system, and causing some cases to take over a year to conclude. Patricia Nelson, director of both litigation and mediation component of foreclosures at CVLS, explains, “bank’s attorney will stand up in court say. We don’t have form X and the homeowner will stand up and say, but I sent forms A through Z, and here’s my fax confirmation but we didn’t get this one.” The continuous back-and-forth about document exchange would continue for months leaving homeowners in limbo.

Inefficiencies in the exchange of documents prompted the program to make changes to ensure housing counselors were compensated for any complete loss mitigation packages provided to CVLS (Cowan 2016). The changes provided housing counselors with an added incentive to improve the quality control of their document exchanges with attorneys to ensure files were complete and up to date. The court also hired a case manager to oversee these issues to ensure that everyone was abiding by the deadlines ordered by the presiding judges. These process changes assisted the court to remove
much of the backlog, though it created additional barriers for some homeowners to access the program. Homeowners were eligible for a mediation program if they did not receive an answer or obtained an improper denial on their loss mitigation package. If these two criteria were not met, then homeowners would get lost in the system, and left to figure out things on their own or with the help of a housing counselor, who was just as capable of assisting a homeowner to stay inside their home. Patricia explains, “…there are a lot of homeowners I know who can use the services that don’t end up getting it,” which is partly due to the high volume of foreclosures. Case managers were unable to review each file meticulously to identify those who had yet to receive an answer or an improper denial. Unless a homeowner appeared before the court with a letter stating they had been denied a loan modification, no new clients were admitted into the program. The sheer volume of cases was so burdensome that case managers were not the slightest bit interested in managing document exchange, according to some lawyers. Case managers were no longer active participants in the process, which prevented some homeowners from getting the legal assistance needed to stay inside their homes. If the case managers were doing what was required of them, overseeing the exchange of document and holding both sides accountable, then more people would still be in the program. Document exchange was not sole the reason why many cases were delayed. Some lawyers blamed bank and servicers for not holding up their end of the bargain by reviewing a package substantively and responding to homeowners within the mandatory 30 days. Patricia explains, “those are the proper cases that are supposed to be getting to a lawyer because the case management part of it cannot handle by non-legal personnel.”

In the first 90 or 120 days of this process, every case received a status date before the court and the case managers were supposed to provide the judges with a report detailing updates on the file to ensure the file was proceeding as ordered. If a full package needed to be completed and reviewed by a certain date, the judge granted a case management order binding both parties to comply. Often,
judges would not enter a case management order and would instead strike the case from a case management call. Meaning, the court was no longer overseeing the exchange of documents and the onus was again on both parties to ensure everyone had the necessary paperwork to proceed. Since the changes, several attorneys called attention to the inefficiencies and low number of homeowners admitted into the program. Unfortunately, management remained nonresponsive to these concerns. As the number of foreclosure increased, it became clear that neither the politicians in Cook County nor management of the mediation program were remotely interested in ensuring the proper benefits reached the right recipients. Having legal representation at mediation was vitally important, because the homeowner had little chance of securing a favourable outcome without the assistance of a lawyer to navigate the complexities of a judicial proceeding or make viable legal claims.

In some instances, servicers’ attorneys did not have the authority to settle cases, which gave rise to another common batch of bad faith cases that continued to impede the success of the program. Often, the lawyers representing servicers agreed to terms during mediation and then later reneged on their agreement because they were unable to get the investors’ approval. This outcome occurred because investors were not the party in the mediation, and lawyers were representing the servicers on their behalf. Files with Fannie Mae and Freddie Mac encountered many problems in getting approvals from investors. Investors’ approval usually delayed and complicated the mediation process. Another large category of bad faith cases was simply the incompetence of lenders and servicers where homeowners were repeatedly asked to submit the same documents for months because the banks claimed they never received the paperwork. The mismanagement of documents caused some homeowners to be improperly denied a loan modification. In some cases, servicers instructed homeowners to submit documents for programs that no longer existed. The banks’ attorneys were not interested in participating fully in the foreclosure mediation program, which made it incredibly challenging to attain loan modifications. Attorneys were more concerned about getting a foreclosure
judgement, rather than trying to achieve a workable settlement that satisfied both the lender and homeowner. Attorneys representing servicers were compensated based on the number of homes they received a foreclosure judgement on. Sweeping changes to the program alleviated a lot of these concerns as lenders and servicers were now compelled to participate, if they wanted to avoid any legal ramifications.

6.4.5 The Unethical Practices of Private Attorneys during the Foreclosure Crisis

Private attorneys have also received a bad reputation since the collapse of the housing market. Some attorneys have been accused of charging troubled homeowners thousands of dollars in fees with the promise that they could assist in saving their homes. Some attorneys, after receiving their retainers, did not attend court or file an appearance, which left homeowners on their own to defend their cases. Private attorneys also prepared and submitted loss mitigation packages on behalf of homeowners, which was a service provided free of charge by the HUD certified counselling agencies.

In Chicago, foreclosure defense attorneys were found to have charged desperate homeowners monthly fees of a few hundred dollars to keep them inside their homes. Additionally, homeowners were being charged attorney fees for services that did not require the assistance of a lawyer. The Illinois AG’s office received an influx of complaints from the public regarding these unethical practices, and brought several suits against lawyers; however, they have been unsuccessful in securing compensation because many attorneys claimed they were engaged in the practice of law, which exempted them from being sued. Despite the exemption, the Attorney General’s office proceeded to file law suits in cases that were so egregious. These are among some of the hardest cases to prove because the onus is on the Attorney General to demonstrate that these lawyers were not actually practicing legal duties while engaged in these deceitful practices. Assistant Attorney General for the State of Illinois, Vashali Rao explains, “this is hard for a judge to grasp because there are all kinds of law that gets practice.” Cases like these usually put judges in an unenviable position to make a judgment call on what constitutes the
practice of law. Instead, some presiding justices referred these cases to the Illinois Attorney Registration & Disciplinary Commission (ARDC). The ARDC operates under the authority of the Illinois Supreme Court, and is the only institution that has the authority to regulate the admission and discipline of lawyers in the entire state. Despite the lack of success in convicting these lawyers of any criminal wrongdoings or professional misconduct, the Illinois Attorney General’s office worked closely with the ARDC to put an end to this practice. Unfortunately, a small number of these cases have led to prosecution or resulted in a lawyer being disbarred. Few cases proceeded to discipline, and this was likely due to the insufficient resources available to address the high volume of complaints since the start of the crisis.

6.5 Jacksonville Legal Experience

Acquiring quality and affordable legal assistance was even harder for distressed homeowners in Jacksonville. Some troubled homeowners complained that they were turned away from different legal aid centers because they were no longer accepting new clients, which potentially led some homes being unjustly foreclosed upon. In other instances, homeowners were unable to obtain any legal assistance simply because their household income slightly exceeded the mandatory threshold to qualify for legal assistance, yet they made too little to afford a private attorney. State lawmakers did not make things any easier for homeowners as they encouraged judges to expedite foreclosure proceedings to remove the growing backlog of older cases in the system. This process, colloquially known, as the “rocket docket,” was first used in Fort Myers, Florida to accelerate the foreclosure process in favour of banks while making it harder for homeowners fighting to keep their homes (Corkery 2009). The state invested $9.6 million to create a foreclosure division to reduce the foreclosure backlog by 62 percent within a year (Bull 2010). Funds were also used to hire senior and retired judges to address the mounting backlog of cases during the height of the foreclosure crisis. From Monday through Friday, the foreclosure court in Duval County was expected to resolve 25 cases an hour. The state set up a
special foreclosure court to hear cases each day and, on some days, a judge heard up to 1,000 cases per day (Phillips 2010). The creation of the foreclosure court was heavily criticized by some foreclosure defense attorneys because many of the retired judges were only concerned with reducing the number of foreclosures by unfairly favouring servicers, which resulted in many wrongful foreclosures (Morgenson and Fabrikant 2010; Fitzgerald 2014b). Steven P. Combs, a lawyer at Combs Greene law firm in Jacksonville, suggest the whole process may be unconstitutional (Morgenson and Fabrikant 2010). Combs argues that ‘retired judges are being given foreclosure assignments “repeatedly and consecutively” to the point of usurping the elected judges’ jurisdiction over all residential foreclosure cases, which, may disqualify their “temporary” use and could thus violate Florida’s constitution’ (Morgenson and Fabrikant 2010).

By 2013, the State of Florida owned one of the longest timelines in the country for processing foreclosed homes, at 904 days (Owens 2013). In other words, it took, on average, 904 days to complete a single foreclosure from start to finish. Rather than reducing the average amount of days a home takes to go through the courts, reports indicated that foreclosure timelines continued to increase (Owens 2017). By the end of 2016, reports found homes were taking 1,186 days, on average, to go through the court system—the longest it had even been since the crisis started in 2007 (Staff 2017). Accelerating the process only created more problems for the judicial system. Many cases were dismissed over allegations of forged signatures and missing documents, which left the system in disarray. To make matters worse, in 2013 Florida Governor Rick Scott signed House Bill 87 into law which made all foreclosure judgments final. As a result, victims of fraudulent foreclosure cases could not reopen a case in order to regain title of the home (NOLO 2013). Managing attorney Lynn Drysdale of Jacksonville Area Legal Aid (JALA) argues the backlog was primarily created because a small number of law firms in the state were handling most of the foreclosure cases. These firms she added, “were trying to do a large volume and they couldn’t keep up with the volume. They were trying to
streamline the foreclosure process by making it quicker not realizing that the problem was not with the process. It was with the players.”

In a number of foreclosure courts in Florida, judges were only concerned with whether a homeowner was behind on their mortgage or if they still resided in the home (Allen 2010). Usually, if the answer was yes to both questions, the judge would then hand down a disposition in favour of the lender and give the homeowner 60 days to vacate the property. Judges bragged about the number of cases they were clearing each day; cases were being heard in rapid succession, and in some cases, orders to vacate the property were granted within seconds for homeowners that fail to attend court (Fitzgerald 2014a).

6.5.1 Legal Aid Representation

In Florida, homeowners who defaulted on their mortgage were served a foreclosure notice and then given 20 days to file an answer. A homeowner would then seek legal assistance at either one of the two legal clinics in the City, JALA or Three Rivers Legal Services. Both organizations offered free civil legal assistance to low-income people throughout North Florida, provided they met all the eligibility requirements. The intake process at JALA consisted of meeting with the client to discuss their mortgage problems to determine if a legal claim could be made to assist the homeowner avoid foreclosure. Some of the common cases JALA received were cases where the homeowner was wrongfully denied a modification on their mortgage for reasons such as an improper evaluation or missing documentation. Dual tracking was another big problem at the height of the crisis where a homeowner was being considered for a loan modification though his or her servicers proceeded with a foreclosure in court. This miscommunication occurred because banks and servicers were not in constant communication with their attorneys.
For example, Vanessa in Jacksonville lost her home to dual tracking. Vanessa’s servicer foreclosed her property while she and her counselor at St. Joseph’s were negotiating terms of a new agreement to allow her to remain in the home. Vanessa recalls,

… here I was working with the mortgage company and following through with my agreement to bring in a good-faith payment by a certain date, which they then said that they would send the communication over and hold the legal process and letting them know that we’re going to work something out. That communication did not occur. So, as a result the locks were changed and there was a notice on the front door for foreclosure. That’s how I knew the house had actually been foreclosed on and that it was finalized or pending us being evicted. (Interview with Vanessa, Homeowner, Jacksonville, F, August 2014)

This was devastating news for Vanessa and her family because she was now homeless and it was all on display for neighbours to observe. Thankfully, a lot of these practices came to end with the national mortgage settlement with the big five mortgage servicers and the tightening of servicing standards by the Consumer Financial Protection Bureau (CFPB) on January 10th 2014.

6.5.2 Fraud on the steps of the courthouse

Fraudulent activity became a huge concern after it was discovered that some firms were engaged in illicit activities to get homeowners out of their homes expeditiously. These practices were more profitable for attorneys representing servicers than embarking on lengthy hearings. Foreclosure defense attorneys complained that judges were ignoring contradictory evidence that proved lenders owned the mortgage note and had legal grounds to bring forward the lawsuit. Under Florida law, a servicer or lender is required to present evidence demonstrating they are the rightful owner of a property by demonstrating ownership of the note. In an article by the New York Times, April Charney, a defense lawyer representing distressed homeowners, suggested judges were not reviewing files or motions brought forward to support their case or conflicting evidence showing they were not the legal
owner of the note (Morgenson and Fabrikant 2010). Instead, “you get a five-minute hearing. It’s a factory,” says April (Morgenson and Fabrikant 2010).

6.5.3 Case Study: Shapiro & Fishman Law Firm

Through an investigation, Duval County Circuit Court Judge Jean Johnson determined South Florida Law firm Shapiro & Fishman had committed fraud in her courtroom by submitting fraudulent documents on behalf of Chase Bank (Bull 2010). The judge dismissed the cases and ruled in favour of the homeowner; however, Shapiro & Fishman was not the only firm engaged in fraudulent activities in Florida. Firms throughout the state were making lots of money for securing judgments in favour of lenders and servicers, according to one attorney. One of Florida’s top law firms, David J. Stern, was implicated in many fraudulent activities and was later disbarred after it was discovered that his staff falsified documents and backdated crucial documents used to foreclose homeowners expeditiously. David J. Stern law firm was considered the juggernaut in the foreclosure business representing government sponsored enterprises Fannie Mae and Freddie Mac, as well as some of the country’s largest lenders. At one point, the law firm provided representation on as many as 100,000 foreclosure cases (Kroll 2014). The firms hired hundreds and even thousands of lawyers and paralegals to quickly push through each case to get a disposition favouring the lender or servicer. For example, Lynn recalls one of her toughest cases when her client, an elderly widow, fell behind on her mortgage soon after her husband died; he was an army veteran. Her client was trying to secure her husband’s benefits, but was unsuccessful and her home was foreclosed. During the proceedings, Lynn discovered the lawyer who filed the foreclosure paperwork falsified some documents and deposed that attorney after her client was able substantiate her claim. Even though Lynn had all that damaging evidence, she still lost the case. The loss infuriated Lynn because she believed they did everything that was required of them in terms of the process. Lynn explains, “she should’ve qualified for a loan modification, which would’ve meant that none of that would’ve been necessary.” Yet, because retired judges were not
hired to determine the legitimacy of these cases her client was wrongfully foreclosed upon. Lynn filed an appeal and was later denied. Her client eventually lost the home. Proving a document was fabricated before a judge was not an easy task. Defense counsel could not walk into court claiming a document was robo-signed. Robo-signing occurred when bank employees, lawyers and staff of law firms signed mortgage documents and affidavits without any knowledge over the veracity of the documents.

You have to have admissible evidence to present to the judge. So that’s why I thought that I set up that so nicely because I had the deposition from the person who did the affidavit or the assignment and then I had the deposition of the client, which contradicted the information in the assignment. (Interview with Lynn Drysdale, Attorney, Jacksonville, August 2014)

The law requires every lender or servicer to provide evidence detailing the chain of exchanges of the mortgage note from the day it was issued to its present owner; however, few banks kept reliable records of the sale and transfer of these mortgage notes. As a result, several law firms and companies robo-signed crucial paperwork in a bid to recreate lost documents they could no longer locate to foreclose a home. Lynn recalls this practice continues today, as she continues to recognize signatures of people on documents who she deposed in previous cases. Nationwide Title Clearing (NTC) in Palm Harbor in Florida was notorious for these deceptive practices in the state and across the country. Employees of the company regularly signed documents as officers of a financial institution and sometimes did so without reading or verifying the documents in questions (Dayen 2016). In an article published in the St. Petersburg Times, Susan Martin unfolded the company’s entire operation after she discovered one employee forged the signature of the Vice Presidents at three separate institutions (Martin 2009 ). Illinois Attorney General, Lisa Madigan in 2012 filed a suit against Nationwide Title Clearing for filing falsified documents with county clerks. In a statement, Lisa Madigan alleges “the practices that NTC used were a key contributor to the mortgage crisis by undermining the integrity and accuracy of the mortgage servicing and foreclosure process” (Harris 2012).
This was a nightmare for many defense attorneys because a lot of the lawyers representing servicers and lenders were not interested in keeping homeowners inside their homes. Instead, they were keen on securing a summary judgment to foreclose a property, largely because the attorneys representing banks and servicers were not paid based on billable hours. These attorneys received a predetermined flat fee, which was usually around $1,400 including added bonuses for each foreclosure when they were able secure a default decree in favour of the bank or servicer (Kroll 2014). The more homes they could foreclose, the more money they made. The whole process was like an assembly line with no proper oversight to ensure properties were not being wrongfully foreclosed upon. The creation of these courts created a great opportunity for law offices to take advantage of the expeditious nature of the process by concealing errors in the banks’ documentation on ownership.

In 2010, Florida’s appeal court ruled in favour of a mortgage servicer, citing alleged robo-signing was not enough to prevent a home from being foreclosed (Curry 2010). Florida’s Supreme Court also ruled a homeowner could not re-open a voluntarily dismissed foreclosure case despite the alleged use of falsified document (Dye 2013). It is important to note that these foreclosure mills were not created on their own and that the federal government had a hand in this crisis. The federal government was a participant in the development of this culture after an internal policy revealed attorneys were hired on a case-by-case basis at Fannie Mae and Freddie Mac. Retaining counsel in this fashion was a cost saving measure that placed profits before tax payers. As a result, Government Sponsored Enterprises (GSE’s) were only interested in doing business with law firms willing to litigate a large volume of foreclosure cases expeditiously and for a flat fee rather than billable hours (Jackson 2010). To meet the growing demands of his clients, Stern created a back-office foreclosure processing business to provide all the non-legal foreclosure services. The firm was constructed like an assembly line, employing a small number of paralegals and low-skilled employees to handle administrative tasks, including the mass production of legal motions and other documents used to foreclose homes at
hearings. When the business started to grow, the firm increased from 250 to 1,100 employees (McLaughlin 2010). The firm was so lucrative that Stern sold part of the company and converted the business into a publicly traded company on the New York Stock Exchange known as DJSP Enterprises Inc., a move that netted him close to $60 million from the transaction (Creswell and Meier 2011).

Stern also had a roster of attorneys that attended court each day and, in some cases, they appeared on dozens of matters running from one courtroom to the next. During the peak of the crisis, the firm handled 70,000 foreclosure cases, or approximately 20 percent of all cases in the state (Creswell and Meier 2011). The business model made Stern an extremely wealthy attorney as his firm brought in $260 million in revenue in 2009 (Creswell and Meier 2011). Eventually, everything came crashing down when it was discovered that falsified documents were used to secure foreclosure judgements against Florida homeowners.

In 2010, Florida’s Attorney General launched an investigation into the improper practices of three of the largest firms in the state, Law Offices of Marshall C. Watson; Shapiro & Fishman; and the Law Offices of David J. Stern (Morgenson and Fabrikant 2010). The Attorney General’s office case came to grinding halt after the 4th District Court of Appeals sided with Shapiro & Fishman (Miller 2011b). The court ruled that the Attorney General’s office has no authority to investigate the south Florida firm under a civil unfair trade practices statute. The judge wrote in her ruling that the State’s subpoena was not connected to “trade or commerce,” and as such, they were not permitted to investigate the firm using Florida’s Deceptive and Unfair Trade Practice Act (FDUTPA) (Miller 2011a). The Law Offices of Marshall C. Watson decided to settled their case with the AG’s office, agreeing to pay $1 million for the cost of the investigation and another million to the Florida Bar Foundation to pay for Legal Aid attorney positions for foreclosure cases (Miller 2011a). Unfortunately, the Law offices of David J. Stern was not so fortunate; the firm lost its protests in the Broward County
Circuit Court against the state’s subpoena even though their legal team used the same argument as Shapiro & Fishman attorneys (Miller 2011a). The firm eventually shut down its foreclosure operation in 2011 after losing most of its clients, leaving upwards of 100,000 cases stranded across the state, as they awaited to be transferred to new attorneys (Ruger 2011). Closure of the embattled firm further delayed cases, and exacerbated the foreclosure backlog the state was attempting to fix with the “rocket docket.” Four years later, Stern was eventually disbarred by the Florida Supreme Court after Palm Beach County Circuit Court Judge Nancy Perez explained in a 35-page ruling that, “The incidents were not isolated, but rather a representation of the culture of the firm, as to the low level of competence and ethics” (Miller 2014). The ruling served as a huge victory for consumer advocates, though it also served as a bitter reminder for homeowners whose properties were wrongfully foreclosed upon.

6.5.4 The Dangers of Reverse Mortgages

Home Equity Conversion Mortgages (HECM), colloquially known as reverse mortgages, were another popular set of cases in both cities during the height of the foreclosure crisis. Reverse mortgages were first offered by the Department of Housing and Urban Development (HUD) in a pilot project in 1985 to help elderly homeowners who were “house-rich and cash-poor” tap into the equity in their home without selling the property (The Office of Policy Development and Research 1990). Since then, reverse mortgages have morphed into a multimillion-dollar industry and are now being offered by private institutions. Reverse mortgages function quite differently from traditional mortgage products. With a regular mortgage, money is borrowed to buy a home and payments are made on the principal and interest. Over time, the principal decreases and the equity in the home increases. With a reverse mortgage, elderly homeowners could unlock the equity in their home to help pay for unplanned expenses or supplement their income during retirement. Over time, the principal debt increases, while the equity decreases. These types of mortgages were only made available to homeowners that were 62
years of age or older, who either owned their homes free and clear, or at least had the financial capacity to repay all their remaining debts from the proceeds of the loan. A homeowner is not required to repay the loan, unless he or she decides to move or passes away; however, homeowners are still required to pay the property tax and insurance on the property, which has become the source of a lot of the problems with reverse mortgages. Lenders targeted homes owned by elderly homeowners in predominately racialized communities. Reverse mortgages were helpful for a lot of elderly homeowners, although not everyone knew how they worked. Some homeowners were not aware their home could be foreclosed upon if they passed away or failed to pay their property taxes and insurance on the property. Lynn recalls,

Homeowners a lot of the time think they never have to pay taxes and insurance because it's always been with the mortgage. They leave closing and they are told that the taxes and insurance are paid for that year. They don’t know that it means next year that they have to pay.

(Interview with Lynn Drysdale, Attorney, Jacksonville, August 2014)

Lawyers attribute homeowners’ confusion surrounding reverse mortgages to the lack of financial literacy in the community, as well as a miscommunication on the lenders’ part. The same issues were also unfolding in Chicago, according to Dan Lindsey at LAF. In Chicago, brokers regularly persuaded elderly borrowers to take out reverse mortgages and advised them that they do not have to pay anything. It was like lenders, brokers and other professionals in the industry were betting they did not pay their insurance and taxes or pass away shortly after acquiring the mortgage. Because of these deceptive tactics, homeowners fell behind on their property tax and insurance payments and their homes were eventually foreclosed. Lenders were also meticulous to ensure homeowners were residing in the home and that the home was not abandoned. For example, in Jacksonville, Lynn recalls working on one case, “where the mortgage company hired someone to drive-by to look at the property for $75 a month and then charge the borrower each month for that service.” The abrasive action of certain
lenders led a lot of homeowners feel trapped inside their homes out of fear the home will be foreclosed upon if they leave for any extended vacations.

Another common set of reverse mortgage cases entailed the removal of spouses from the deeds of a property. Quite often, borrowers passed away and left behind a spouse, but because the remaining spouse’s was no longer on the deed to the property, they were evicted and the property foreclosed upon. For example, if a homeowner was over the age of 62, and his wife was not, lenders would make the wife deed her interest in the property to the husband and have him only sign the note and mortgage to qualify for the loan. Therefore, when the husband died the lender evicted the wife and took the home due to the death of the borrower. The lender was then repaid from proceeds from the sale and any proceeds in excess of the amount borrowed were paid to the borrower or his estate. JALA and LAF usually provided representation on those cases to ensure elderly people were not being foreclosed upon and evicted from their homes. Despite these issues, reverse mortgages are also used in certain situations to prevent a home from being foreclosed.

6.5.5 Justice for those who can afford: Funding Shortfalls

State lawmakers have responded swiftly to address the foreclosure crisis by enacting various laws to protect consumers; however, little has been done to ensure all distressed homeowners have access to adequate and affordable legal representation during the foreclosure process. Rather than injecting more funds into legal aid services in the state, politicians elected to continue funding special projects such as the “rocket-docket” to remove the backlog. Since 2012, funding for JALA has been severely cut, some cuts entailed major layoffs and the end of their housing counseling division. In 2014, it was announced that JALA would only operate four days a week, lose six attorneys and all remaining staff would receive a 20 percent reduction in their salary.

Lynn has not allowed these developments to deter her from doing her work: “I will be here seven days a week. It's not going to make any difference to me when they tell me that I work and
when I don’t work.” Lawyers were providing legal services without getting paid, because funding had decreased from several sources. In 2008, the Florida Bar Association, one of the main donors in the state, provided $29 million towards legal aid service (Pantazi 2015). Since then, that number has fallen by more than half. In addition, Florida Governor Rick Scott vetoed legislative funding for legal aid services in each his first four years in office. With this decision, Florida joined Wisconsin and Idaho as the only states in the country to not fund civil legal services. Funding from the City of Jacksonville has decreased year after year since the start of recession and, as of 2014, they were eventually expurgated from the budget leaving the clinic in a dire state. Meanwhile, entire neighbourhoods were being destroyed and local tax bases were being eroded. Taxable property values in Jacksonville have declined each year since the crisis, and 2012 marked the sixth straight year that the city has had to deal with lower than usual taxable revenue (Bauerlein 2013). As a result, it is increasingly difficult for the city to balance its budget and provide desperately needed funding to organizations like JALA. Fewer attorneys will now be able to help troubled homeowners navigate these complex legal proceedings in order save their properties and assist in stabilizing communities throughout Jacksonville.

6.6 Fighting on the Ground in Communities: The Rise of Anti-Foreclosure Activism

Prior to the collapse of the housing market, a grassroots movement began to emerge to help troubled homeowners in cities like Chicago, New York, Minneapolis, Detroit, Miami, and Boston. Many of these groups were sounding the alarm bells and shedding light on the continued injustices taking place in racialized and economically challenged communities with respect housing and other socioeconomic issues. Not many decision-makers were listening to their pleas for help or addressing the uneven geographical consequences of foreclosures in the city. Although foreclosures decimated many communities across the country, the impact represented an uneven racial geography, which has been widely documented (Immergluck and Smith 2005; Schuetz, Been, and Ellen 2008; Powell and Rogers 2013). Groups like the Chicago Anti-Eviction Campaign (CAEC) could not reconcile that homes and
entire neighbourhoods were being allowed perish while elected officials observed from the sideline.

Willie J.R. ("Just Righteous") Fleming and fellow housing activist, Toussaint Losier, a former post-doctoral student at the University of Chicago, founded the CAEC in 2009. The two were inspired to put a stop to the injustices taking place in the City of Chicago that were forcing tens of thousands of troubled homeowners into a life of homelessness. The group was conceived as a human rights organization seeking to enforce the human right to housing. Unlike other activist groups, the CAEC was not interested in traditional advocacy, which sought to speak for marginalized peoples. Instead, it was keen on helping residents of the affected communities organize and mobilize to deliver the changes they desire for themselves and their community.

Toussaint first got involved with housing organizing in 2003, shortly after conducting some research on the Western Cape Anti-Eviction Campaign in South Africa. This organization fights evictions, water cut-offs, and poor health services, secures decent housing, and opposes police brutality. Their approach to foreclosure amongst other social issues inspired Toussaint to replicate the strategies he learned while also volunteering for the group. Upon returning to the U.S., Toussaint joined a group in Boston called the City Life/Vida Urbana. Similar to Western Cape Anti-Eviction Campaign, City Life/Vida Urbana is a community organization that fights for racial, social, and economic justice and gender equality by building working class power through direct action, coalition building, education and advocacy (City Life/Vida Urbana 2017). CLVU organizes poor and working-class people from diverse backgrounds to promote individual empowerment, develop community leaders, and construct movements that evoke tangible changes and transform entire communities.

The CAEC drew much of its inspiration from these groups, including others such as "Take Back the Land," in Miami, which was widely known for their commitment to rehousing families that previously lost their home to foreclosures. The CAEC profoundly distinguished itself from most housing counseling organizations in the sense that it was not solely interested in submitting
modification packages to help homeowners save their home, although it was not opposed to the idea, if lenders and servicers were willing to negotiate an amicable solution to avoid foreclosure. Rather, the organization was focused on implementing a strategy called the “Sword and Shield,” which is commonly used by other anti-foreclosure organizers such as the City Life/Vida Urbana. The “Sword” refers to eviction blockades, camp-outs and other types of direct actions against the lenders and servicers to compel them to negotiate a solution, rather than simply putting a family out of their home. The “Shield,” uses the legal process as means to challenge and delay the eviction process to raise the litigation cost charged to lenders.

The CAEC works diligently not only to keep families in their homes, but also to challenge the policies that make it possible to foreclose and easily evict people. The group contends that for years, housing policies have been slanted in favour of banks and those in the real estate industry, and away from working class and poor families. The organization believed it was time for a change to empower economically disadvantaged families once again.

During the peak of the crisis, some families on the Southside and the greater Chicago area began to lose faith in the current political and economic system after witnessing the federal government bailout one institution after the next with their tax dollars. Residents grew impatient with government’s controversial response to the foreclosure crisis. The government’s inaction caused a lot of distressed homeowners to lose faith in the system and look to the resources in their communities. As a result, distressed homeowners and concerned residents began to work with grassroots organizations like the CAEC for help in resolving their foreclosures problems. Margaret noted that she,

found out about this meeting that was taking place. I went to the property location address, which was in Pill Hill another historic area in Chicago. I met JR Flemming and Toussaint Losier from the Anti-Eviction Campaign. I met them and shared just a little bit that I was concerned about my home. I didn’t know what to expect. Then they told me to come to a meeting, and I
did. I think that was the start of me not only learning how to fight the bank, but how to win too. (Interview with Margaret, Homeowner, Chicago, F, July 2014)

6.6.1 Desperate times call for desperate measures

The CAEC not only inspired concerned homeowners, but also empowered them to recognize and rely on resources inside communities to create their desired outcomes. To do this, the CAEC has used civil disobedience along with eviction blockades to force banks to reassess their position to foreclose on families. Eviction blockades have been around for nearly a century, first used during the U.S. Great Depression to keep close to 80,000 families inside their homes (Coxall and Caswell 2015). Eviction blockades are when people block the doorway of homes to prevent sheriffs from enforcing an eviction order, which sometimes results in an arrest. Toussaint was arrested during a blockade of a $300,000 home in DuPage County, a bedroom community just west of Chicago. Although DuPage County was not in the direct geographic purview of the CAEC, Toussaint was adamant on not discriminating against anyone because he believed, “nobody should be put out of their home or … be made homeless particularly because of the greed of the banks.” Regrettably, eviction blockades have not always been successful in all instances for the CAEC. Eviction policies in Cook County have severely undermined the success of the strategy, as homeowners are no longer given prior notice to their eviction dates. As a result, homeowners have been evicted without any prior warnings. For example, a homeowner working closely with the CAEC was caught by surprise when the sheriff showed up at his door to enforce an eviction order at 8:00am without any prior notice. The incident along with other evictions prompted the CAEC to alter its strategies to help keep more families inside their homes.

The CAEC responded by kick starting Chicago’s home liberation movement by taking over abandoned and vacant properties to move homeless families back into homes after they have been previously evicted, rather than challenging evictions. Toussaint got the idea after doing some research and volunteer work in South Africa with the group, Western Cape Anti-Eviction Campaign who
deployed various direct actions and legal recourses in response to the housing crisis in Cape Town. Members of the Western Cape Anti-Eviction Campaign formed eviction blockades to prevent the enforcement of evictions, and participated in a number of protest to voice their frustrations with the deplorable living conditions in the informal settlement communities (Mjekula 2009).

Eviction blockades were first deployed in the United States during the late 1960s by the Young Lords and Harlem Fight Back (Gottesdiener and Lusane 2013). The two groups used the strategy as a way to tackle New York’s growing homeless problem after the city intentionally kept thousands of apartment buildings vacant until the housing prices rose (Gottesdiener and Lusane 2013). What made this approach possible in Chicago was that the banks notoriously had a bad record of securing and maintaining properties in predominately racialized communities. Lenders and servicers were so overwhelmed by the influx of real estate owned properties (REO’s) that they were no longer able to keep track of the properties in their possession. As a result, perfectly good properties were being stripped of their possessions, from the light fixtures to the hot water tanks, which were later sold to recycling companies for a nominal compensation.

![Figure 6-3: A vacant home stripped of its possessions.](image)

In other instances, vacant and abandoned properties became a refuge for street gangs and a haven for
other criminal activities (Immergluck and Smith 2006). They were a nuisance that further contributed to the degradation of communities, and caused property values to plunge further on the South and West sides of the city, see Figure 6-4

For example, the median house price in Englewood, a 99 percent African-American neighbourhood on the South Side of Chicago, lost 90 percent of its value between 2006–2013 (McDonald 2015). In 2006, the median home price was $94,000 in Englewood, and by 2013 that number declined to $9,000 (McDonald 2015). To counter the devastation caused by foreclosures, J.R. Fleming and a group of volunteers started to survey entire neighbourhoods for vacant and abandon buildings to takeover. The Anti-Eviction campaign was also very methodical in their approach by ensuring they had the support of neighbours residing adjacent to vacant home. The practice has been highly beneficial for neighbours because it not only prevented vacant homes from becoming a haven for criminal activities, but it also prevented a further plunge of neighboring property values, provided there were no other properties in distress (see Figure 6-5).
For Toussaint, the process of fighting eviction was also to get several of the homes donated to non-profit organizations or back to the families themselves. Such strategies have become a useful way for the campaign to think more broadly about how it can forward their vision in de-commodifying housing, and use the strategy to create public housing, a low-income housing stock, or affordable housing for communities.

Since its inception, the CAEC has actively canvassed neighbourhoods for people facing foreclosure. Volunteers and organizers would go out into the community to visit homeowners going through foreclosure and persuade them to contact their agency directly or attend their weekly community meetings to discuss their individual cases. The site was a former coffee shop that was later converted into a makeshift center to host its weekly meeting. The shop was also the subject of a highly-contested foreclosure battle with Citi Bank which led to the deliberate ransacking of the center by an Ohio based property management company hired to illegally carry out an eviction. Instead of removing the contents from the premises, the company destroyed hundreds of files and caused thousands of dollars’ worth of damage to the property in an effort to undermine their work in
addressing issues like this, see Figure 6-6

![Figure 6-6: Image of a highly contested foreclosure battle. Cleaning up the mess left behind by the Ohio-based property management company Citi Bank hired to illegally carry out an eviction.](image)

Fortunately, the group was able to relocate temporarily to the Southside Together Organizing for Power (STOP) office on 61st street.

At the weekly meetings, members of the organization educated homeowners on the process and their options in terms of fighting impending foreclosure so they did not become victims of fraud or an illegal foreclosure. The meetings were also used to organize members and strategize about the various courses of action that will be taken to assist families to avoid foreclosure and remain inside their homes. A lot of homeowners found a great deal of comfort in attending these weekly meetings. Margaret recalls her first experience,

I went to the first meeting it was a very warm and friendly reception. You saw other people who were in a similar predicament. It was just very enlightening, very welcoming, and I felt very comfortable. That is why stay very active. … I’m a senior citizen and I found senior citizens older than me better going through this particular issue. It’s like wow this happen to you too. You’re just dumbfounded to be in that predicament, but to have people assist you was just very
enlightening for me. It was very helpful especially when you definitely don’t have any money to hire a lawyer. (Interview with Margaret, Homeowner, Chicago, F, July 2014)

During the early stages, public letters were used by organizers to call attention to individual cases, a strategy Toussaint regularly used during his time with City Life/Vida Urbana. In the letters, distressed homeowners provided vivid accounts of their hardships and struggles, while placing the bank in a negative light for its decision to foreclose on the home. The letters have been tremendously useful in adding a human element to each case so members of the public could understand these families were more than just a case number. The letters helped to put a face to their struggles and journey to remain homeowners. The letters were referred as public letters because they were usually written to different public officials. In theory, the letters were supposed to encourage politicians to intervene and put the banks on notice that an elected official was fighting their case publicly; however, the strategy was ineffective as many politicians were reluctant to join the fight against banks. The ineffectiveness of this strategy led the Anti-Eviction Campaign to substitute public letters for online petitions. By making this change, the group could now reach a wider audience and attract more allies within the state and across the country.

The CAEC acquired this strategy from another grassroots group called “Occupy Our Homes,” which was a direct spinoff from the Occupy Wall Street movement. The two groups formed a partnership that not only facilitated the sharing of ideas and strategies, but also enabled them to expand their pool of allies willing to support each other’s causes. The CAEC increased their pool of allies from a couple hundred to five thousand. As a result, the Anti-Eviction campaign has been able to mobilize their allies to call into banks placing greater pressure on them to reverse their position on foreclosures. For instance, when Belinda began working with the CAEC she had already lost her home and the bank was in the process of evicting her from the home. Unfortunately, Belinda’s financial institution had no offices or branches in Chicago therefore they were unable to execute any direct
action against the bank. Despite these limitations, the Anti-Eviction Campaign circulated an online petition gathering thousands of signatures from members and allies who supported her fight to reclaim her home. Members of the group also called into key decision-makers at the bank who were able to reverse their decision to foreclose in Belinda’s case and now she is on the verge of getting her home back.

Unfortunately, not all cases were resolved using the same strategy. Some cases required a more escalated course of action to put public pressure on lenders to renege their position on evictions and foreclosure. For example, on a hot summer afternoon in July 2014, the Chicago Anti-Eviction Campaign joined forces with Centro Autónomo of Albany Park/Casas del Pueblo Community Land Trust, Communities United Against Foreclosure and Eviction, Occupy Homes Minnesota, and Detroit Eviction Defense in a day of action. Over 100 participants, including current homeowners facing foreclosure and eviction, filled two school bus and descended on the home of Freddie Mac regional director Peter Giles, located in River Forest, Illinois an affluent suburb just west of Chicago, see Figure 6-7.

Figure 6-7: Anti-Foreclosure Protest. Grassroots groups unite for a day of protest in front of the home of Freddie Mac regional director Peter Giles in a suburb of Chicago, Il on July 26th 2014.
The visit surprised both Giles and his neighbours as the actions were intended to replicate the way homeowners are startled daily by sheriffs who attend residences unannounced to enforce eviction orders. As each bus unloaded, the crowd in front of Giles’s home grew significantly larger as they chanted passionately, “Fight, Fight, Fight Because Housing is A Human Right!” see Figure 6-8

Meanwhile, other participants chanted, “Come out and face the people, the people that you are trying to evict,” after Giles made a brief appearance at one of the windows. The group also held up signs both in English and Spanish depicting their displeasure with the Federal Housing Finance Agency (FHFA), the governing body that oversees Freddie Mac and Fannie Mae, see Figure 6-9
Other signs called for a moratorium to be placed on all evictions and foreclosures. The demonstrators contend that more than half the homes in foreclosure are owned by the FHFA, and some of these homes have remained vacant for several years, see Figure 6-10.

Yet, nothing is being done to address the problems of homelessness or the growing affordability issues.
in Chicago. The groups insist there will be similar actions at the homes of regional director of various financial institutions, board members, executives of banks, and members of Fannie Mae, Freddie Mac and the FHFA until a moratorium is placed on all foreclosure and evictions.

The Anti-Eviction campaign also worked closely with the two community legal clinics to assist with their “Shield” strategy by offering free legal advocacy and direct representation. Lawyers Committee for Better Housing is a free legal clinic that provides free, comprehensive legal representation so that renters have a trusted advocate in court. The Resistance Legal Clinic offered free legal advice and counselling to homeowners and families facing foreclosure. The lawyers attended the weekly meetings to review cases and prepare motions for homeowners to file with the courts to halt foreclosure proceedings or slow it down to give the homeowner enough time to find alternative housing. In some instances, cases were dismissed on the strength of the motions prepared. As noted by Stephanie, a 47-year-old single mother spoke about her fear about going to court: “The idea of going to court can be very intimidating. So, the only way not to feel this way is by coming to each meeting and listening or just being involved, which is very important.” Attorneys from Lawyers Committee for Better Housing also provided legal assistance to tenants residing in homes that were foreclosed. Tenants met with the lawyers to discuss legal remedies or options in pursuing their cases. In the event those consultations were unsuccessful, tenants were referred to much larger organizations that were better equipped to offer representation. Regrettably, since resources at the Resistance Legal Clinic and Lawyers Committee for Better Housing have been stretched thin, they no longer staff the weekly CAEC meetings.

6.7 Conclusion

For some distressed homeowners, working with an attorney or a grassroots agency was their only means of saving their home. Yet, not a lot of work has paid close attention to the relationship these entities shared with distressed homeowners, and their influence on the way people experienced
foreclosure. As mentioned earlier, working with attorney was not essential in all cases, though some distressed could have benefitted from the services of a trusted legal advocate. As the findings suggest, not all attorneys behaved ethically in the process. Some attorneys preyed upon the vulnerabilities of distressed homeowners by extracting whatever remaining wealth they had in their properties, rather than attempting to secure a long-term plan that enabled homeowners to remained housed. The findings from this study revealed the unethical behaviour of some attorneys had adverse influence on the way some distressed homeowners experienced foreclosure. In some cases, working with an attorney not only caused some distressed homeowners to lose large sums of their remaining wealth, but their homes were still in foreclosure. The findings also suggest distressed homeowners relied on the assistance of attorneys because they did not know where to turn for help due to the confusions of whether foreclosures is a legal matter requiring the assistance of attorney or a problem that could be addressed by a competent housing counselor. The confusion stemmed from the fact that distressed homeowners were receiving documents from the courts and the servicers attorneys without any guidance on the assistance they required to resolve their foreclosure related problems. As a result, some distressed in Chicago and Jacksonville interpreted these documents to mean they required the assistance of an attorney. For instance, Vanessa says,

When you think about the legal process everyone panics and you're just trying to stop that because that seems like a train headed for destruction. I wasn’t really thinking, although I was communicating with the mortgage company. I was trying to deal with the legal process more than anything else and that's why I kept going to attorneys.

While for other distressed homeowners, working with an attorney was a part of the performative nature of being a property owner. Although some distressed homeowners faced with the imminent threat of foreclosure and little financial resource they retained the services of private attorneys to
project their class position. For example, in Jacksonville, one homeowner recalled several friends recommending her to get in contact with attorney after learning her homes was in foreclosure though later realized she did not have the financial resource to pay a lawyer. Suddenly, the focus was no longer about safeguarding the pristine middle-class image of a good citizen. Instead, for some distressed homeowners in Jacksonville the foreclosure process quickly switched to a fight for survival.

Having access to legal aid service also played an integral role in the way distressed homeowners experienced foreclosure in both Chicago and Jacksonville. Based on the findings it was clear that the reduction of funding had an adverse impact on the way distressed homeowners in economically disadvantaged communities experienced foreclosure. In Chicago, the funding cuts translated to very few legal aid lawyers available to assist low-income homeowners to resolve their foreclosure related problems. In some circumstances, some legal aid offices were forced to be selective in the cases they accepted, which meant that those with more complex legal problems had to hire high-cost private attorneys to assist them with their foreclosure matters. While in Jacksonville, the cuts were so harsh that it undermined the legitimacy and equality of the justice system by perpetuating a system for have and have nots. Furthermore, Governor Rick Scott’s decision to veto all legislative funding for civil legal aid services in the State of Florida further exacerbated the foreclosure problem by destabilizing communities.

In Chicago, community grassroots became a symbol of hope for some distressed homeowners in low-income communities. For some distressed homeowners, groups such as the Chicago Anti-Eviction Campaign became their last remaining lifeline which stood between them and a life of homelessness. Based on the finding in this study, it was clear that some of the strategies they employed were effective in keeping families inside their homes. The CAEC not only saved homes from foreclosure or families from evictions, but also helped to instill hope in residents that if they fight they could create the necessary changes they desire for their community.


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Chapter 7: Conclusion

This dissertation has provided an in-depth study of both Chicago and Jacksonville in an attempt to bring the issues surrounding the foreclosure crisis to the forefront of debates. Foreclosures continue to turn the lives of American families upside down. Nearly ten years since the government declared a foreclosure crisis, families are still experiencing immense difficulties stabilizing their homes. Studies of the foreclosure experience are especially important because they help to highlight the disconnect between the intention and the impact of the policies set to assist people in foreclosure. This study articulates an important understanding of how the neoliberal project has worked vigorously to conceal the systemic racism of the foreclosure crisis through its renewed interest in financial literacy. Local-level analysis on the foreclosure crisis provides vital insight on the ways people are experiencing foreclosures and to change the current narrative of these homeowners being irresponsible.

Examining foreclosures on the ground in communities helps us to problematize the government’s response in new ways, to illustrate how an inadequate response has contributed greatly to the dispossession and decay of homes in racialized and economically disenfranchised communities. In addition to exposing the clear failures of the government’s response to the foreclosures, this study helps to provide insight into the strategies used by homeowners to address their immediate financial hardships. Analyzing the role of lenders and servicers helps to shed light on the capitalist nature of these institutions, and how such actions have precipitated the rise of foreclosures in African-American and economically challenged communities. Programs such the Home Affordable Modification Program were intended to assist distressed homeowners, but they compounded the challenges that homeowners faced navigating the foreclosure process.
Research Questions Revisited

For the duration of this chapter I have largely organized my discussion on my initial research questions that guided my study:

1) What factors are influencing foreclosures in African-American communities in Chicago and Jacksonville?

2) What factors are influencing the success of community organizations in preventing foreclosure evictions and keeping more families in their homes?

3) How have grassroots organizations shaped foreclosures in African-American communities?

7.1.1 Factors Influencing Foreclosures

This dissertation has explored critical issues related to the policies introduced to end the foreclosure crisis and their impact on African-American communities. By examining foreclosures in African-American neighbourhoods, the dissertation sheds light on the vast inequities that still pervade the housing market, and on how the policies designed to stem the rapid rise of foreclosures are further punishing homeowners. Although the government provided troubled homeowners with an opportunity to cure their mortgage delinquencies, some struggled to qualify for a loan modification on their own or with the assistance of a housing counselor. These issues, compounded by the present stresses of being in foreclosure, had an adverse influence on the ways troubled homeowners experience foreclosure. For instance, some distressed homeowners were constantly given the runaround by their lenders or loan servicers while attempting to negotiate their loan terms or secure a modification to their mortgage. Homeowners feared that the longer this process dragged on, the higher the likelihood of losing their home. In this study, troubled homeowners frequently reported their loans were rejected several times before they finally qualified for a loan modification. With each rejection, they explained, their experience with foreclosures steadily deteriorated to the point they contemplated giving up on the process and walking away from their homes. Each denial was slowly
leading troubled homeowners into a terrifying abyss where they were confronted with realities of becoming homeless. For some homeowners, the thought of losing a home to foreclosure resembled a never-ending nightmare. Some homeowners felt they did everything that was required in accordance to the modification process, yet it was still not enough to secure their housing outcome. Instead, homeowners were offered unjustified reasoning as to why their loan modifications were denied.

**Foreclosure through the Lens of Homeowners**

Losing a home is never easy for any family, although for some African-American homeowners in both Chicago and Jacksonville, it represented a significant loss to their family’s legacy, which is why some homeowners worked tirelessly to avoid their homes being foreclosed. Examining the crisis from the perspective of homeowners has also helped to shed light on some of the nuances at the intersection of housing and class in African-American neighbourhoods. Foreclosure represents a significant loss to African-American households who were on the verge of losing their homes or had already lost their homes. Some African-American homeowners were particularly sensitive about the downward mobility of their class position in the current political economic context. Some distressed homeowners viewed the loss of their homes as a major threat to their middle-class social identities, including the economic investment they have made in the home. Homeownership offered African Americans an opportunity to achieve the American Dream, become a “contributing citizen,” visibility, and respectability, but also the chance to begin building wealth. Yet, the results from this study suggest some of the benefits that accompanied African-American homeownership could not have been further from the realities they encountered. The idea that African Americans have the same rights and protections afforded to them as their white counterparts was nothing more than illusion for some homeowners, considering African Americans continue to lose their homes at an unprecedented rate. In both Chicago and Jacksonville, some African-American households were not only afraid of the possibility of becoming homeless, but
also of losing all the privileges tied to homeownership, including access to better schools, amenities, and “safer communities.”

In addition to the stresses endured during the early stages of foreclosure, some homeowners struggled to find the necessary assistance needed to cure them of their mortgage delinquencies. Not knowing where to turn for help played a pivotal role in shaping foreclosures in some African American communities. At the onset of foreclosure crisis, the U.S. federal government invested heavily in foreclosure mitigation counselling, which was designed to provide immediate assistance and stem the rapid rise of foreclosure. Funds were also appropriated to do direct outreach and the spread the word about assistance available to assist troubled homeowners. Yet, all the homeowners who participated in this research project reported they were unaware of the assistance available through housing counselling agencies, or had no knowledge of their job capacity, in the early stages of their foreclosure experience. Based on the results from this study, it was clear the information was not trickling down to homeowners who could benefit from the independent advice of counselors. In fact, a significant number of homeowners reported they did not learn about the assistance available at counselling agencies until the later stages of the foreclosures process, when in some instances it was too late for the counselors effectively to do their job. To a certain extent, the promotion of the housing counselling services and HAMP was a significant step in the right direction to help troubled homeowners—although it must be understood that accessing these services was a lot more complex. At the onset of the foreclosures crisis, some troubled homeowners were too embarrassed or ashamed to discuss their plight and as result were hesitant to share their experiences to get the help they needed. The fear of being judged or blamed for their recent hardship weighed heavily on the minds of some homeowners struggling to stay housed, so much so that they were no longer able to make rational or informed decisions, which in turn prevented them from connecting with a housing counselor.
Since the start of the crisis, African-American homeowners have been blaming themselves for ending up in foreclosure, although no evidence from this study was able pinpoint the source of this guilt. In the past, studies have suggested the proliferation of reality television shows and financial TV personalities as the source of this guilt. Analyzing the source of guilt and establishing a correlation to the role it possibly plays in preventing homeowners from seeking the assistance they desperately needed could help unlock an important mystery as to why some homeowners continue to blame themselves.

*Understanding the Role of Attorneys during Foreclosure*

Some troubled homeowners reached out to private defense attorneys to assist with their foreclosure troubles, which also influenced the way they experienced foreclosure. Perhaps most significantly, the dissertation explores the relationship some distressed homeowners had with their attorneys. Here, it becomes clear that some private attorneys in both Chicago and Jacksonville were solely concerned about extracting any remaining wealth from desperate homeowners, rather than working to establish a permanent housing solution for their clients. Of particular interest is the unethical methods that some attorneys were using to solicit clients, and the different procedures used to secure a temporary solution to a homeowner’s foreclosure problems. Although studies have recently examined the foreclosure crisis from the lens of homeowners, very few have examined the role of private attorneys in shaping foreclosures in racialized communities.

This dissertation has shown that encouraging homeowners to file for bankruptcy not only has important implications for their long-term financial future, but can also complicate their eligibility for certain government programs such as HAMP. Understanding the role of attorneys represents a significant contribution to the foreclosure literature, especially because it provides vital insight into some of the failure of HAMP and the costly delays it places on homeowners. This scholarly inquiry demonstrates the need for additional oversight on the conduct of attorneys during foreclosure.
proceedings to ensure homeowners are receiving adequate legal advice from counsel, and to ensure distressed homeowners are not faced with any impediments to receiving foreclosure legal representation.

7.1.2 The Value of Housing Counselling Agencies

The research findings provide a clear understanding of the importance of housing counselors—that working with a housing counselor can help improve a homeowner’s chances of qualifying for a loan modification. In the past, many reports have situated their focus on solely analyzing the success rates of counselling agencies while passively glossing over the importance of the process. As mentioned earlier, the roles and capacity of a counselor have expanded immensely over the years, although little attention has been paid towards the various strategies driving these results or how they continue to shape the geographies of foreclosures in certain communities. The dissertation explores the practices of counselling agencies in both Chicago and Jacksonville. During this aspect of the study the value of utilizing foreclosure mitigation counselling becomes clear and reveals the complexities in securing loan modifications. Some troubled homeowners are not fluent with intricacies of the foreclosure process or servicing rules. As a result, some distressed homeowners are continuously exploited by their lenders or loan servicers. Working with a housing counselor not only helps to reduce some of the stresses caused by shoddy modification practices by lenders and servicers, but helps to ensure they follow the rules and grant modifications to eligible homeowners.

Pitfalls of Financial Literacy Programs

This thesis has uncovered some of the unintended consequences of housing counselling agencies in joining those in the financial sector and the government to advocate for financial literacy as an essential element to succeeding in this financialized world. Utilizing theoretical concepts such as financialization and neoliberalism were extremely useful, because they illuminated the variety of ways the neoliberal project is legitimatized through use of financial literacy programs. Although there have been several
theoretical frameworks used to explain the recent housing collapse, I believe together both financialization and neoliberalism offer a constructive framework in understanding the crisis more broadly, but also reveal the shortcomings of financial literacy programs. In fact, data from this study clearly indicate that some homeowners were acting in the ethos of neoliberalism by behaving as entrepreneurial subjects in managing their own risk, and treating nearly all aspects of their lives as a speculative form of investment since the rollback of the Keynesian State. Yet, equally disturbing is the fact people were encouraged behave like risk-savvy managers in a precarious economic climate that offered little job security and few wage increases while the cost of living soared.

The dissertation has shown that various financial literacy programs have significantly served the interests of the neoliberal agenda by individualizing the crisis, rather than exposing its systemic nature. Financial literacy calls upon individuals to retool their knowledge and acquire the necessary calculative skills required to become further integrated in this ever-more financialized society. Such programs fail to acknowledge the importance of racism. Not once does any counselor mention racism as a significant barrier for racialized people in meaningfully participating in this financialized world. Such an omission not only helps to support to the neoliberal project in promoting a post-racial society, but it also helps to establish financial literacy as a key foundation to developing equality in both the housing and financial markets.

David J. Roberts and Minelle Mahtani point out the significance of racism while referencing the work of Lisa Dugan, who notes the situation is “saturated with race,” using capitalism to hide racial (and other) inequalities by relocating racially coded economic disadvantage and reassigning identity-based biases to the private and personal spheres (Davis 2007). In other words, Dugan suggests that one of the hallmarks of neoliberalism is to remove any preconceived notions that race or racism have any bearing on an individual’s participation, and that success is purely measured on an individual’s economic contributions (Roberts and Mahtani 2010). At the same time, what is important to
understand here is that financial literacy programs help to absolve financial and government institutions of any responsibility in the event of another crisis by ensuring individuals have only themselves to blame for their financial misfortunes.

7.1.3 Impacts of Grassroots Organizations

Another element of significance is the work of grassroots community organizations. Although it was only present during my research in Chicago, the anti-foreclosure movement symbolizes a new wave of resistance to foreclosure on the ground in communities. Troubled homeowner groups such as the Chicago Anti-Eviction Campaign (CAEC) represent an important line of defense for not only homeowners, but also renters residing in foreclosed buildings. By examining the work of this organization, the dissertation sheds light on the continued power imbalance between the community and financial institutions, but also the devastation this relationship has created for communities on the South and Westside of Chicago. Far too often, members have complained about how easy the government has made it to foreclose homes, while allowing those responsible for the crisis to escape with a slap on the wrist. Such atrocities are deserving of more attention because they highlight the implications they have for families and entire neighbourhoods.

Until recently, very little has been known about the eviction experiences and some of the fraudulent practices used by some servicers to enforce evictions or the methods used on the ground to fight against these practices. By analyzing some homeowners’ experiences with these strategies, one begins to develop a clearer picture on how they have influenced the way some people experience foreclosures. Grassroots organizations help to uplift and empower homeowners to realize their abilities to affect change in their communities using their own knowledge and experiences. When homeowners realize they can create change and see those changes materialize, they begin to recognize the value of grassroots organizations as assets in the community (as seen in Figure 7-1).
Distressed homeowners have learned together that they can be successful in standing up to major financial institutions in order to reclaim entire neighbourhoods, by fighting to save one home at a time. Examining the role of grassroots organizations adds an important element to the growing body of literature on the foreclosure crisis by introducing the radical alternative used by homeowners and tenants to fight against the injustices in their communities. Such inquiry offers scholars greater insight into methods and practices used by grassroots organization to counter the neoliberal ethics conveyed in consumer financial literacy programs which encourage homeowners to take greater stock in securing their financial future. Findings from the study suggest such endeavours have been extremely useful in articulating the crisis as a catastrophic failure of capitalism, rather than an individual problem requiring a tailored intervention. Furthermore, the findings from this study illustrate governments are not interested in resolving the problems address the problems of failed neoliberal policies. Instead, deploy more neoliberalism to address the pitfalls previous neoliberal economic policies. Therefore, until a more equitable housing system is established to address the growing affordability issues and foreclosures, groups like these have vowed to continue their fight against financial and government institutions that help to facilitate these problems in African-American communities.
7.2 Study Limitations

There are several limitations in this research project. First, the sample size of the homeowners was very small at nineteen homeowners and two renters, which limited the generalizability of the results in this study. Time constraints and finances restricted my ability to conduct additional interviews with homeowners, although the interviews that were conducted were done in great depth. Second, I was unable to obtain interviews with private attorneys representing lenders and loan servicers because of a confidential agreement that some of them signed. These signed agreements bound attorneys to maintain confidentiality and precluded them from disclosing any information on their cases or business arrangements. Having this information would have been helpful in achieving a broader portrait of the process and of the complexities of some of the issues, such as their motivation to act in bad faith during foreclosure mediation proceedings. Also, data from those interviews would have important policy implications, as policymakers would have a clearer picture of the problems undermining the success of the mediation program and draft more stringent rules to deter such behaviour. Third, because housing counselling agencies differed in a variety of ways in terms of their overall goals, objectives, strategies, and desired outcomes, it has presented a number of challenges in evaluating the success of the foreclosure intervention programs. For over thirty years researchers have struggled to unlock this methodological mystery (Quercia and Cowan 2008). One of the biggest problems is that no one has been able to establish an effective definition in order measure the success of these agencies. For instance, some agencies equate success to their ability to prevent a home from being foreclosed, whereas the findings from this study would suggest this might not always be the best outcome. Although preventing a home from being foreclosed might not be the best decision financially, for a lot of distressed homeowners, it is a better option than becoming homeless. The same limitations could also be applied in evaluating the success of legal aid offices. For example, at one office, success may be measured based on whether the home was saved, and also if they were able
delay the proceedings to give the homeowner enough time to find alternative accommodation or to refinance. At other legal aid offices, attorneys may consider it a success to ensure each homeowner receives adequate representation during court proceedings or at least has a chance to discuss their options with an attorney. Measuring criteria like these was also difficult because I was not able to secure interviews with any of the homeowners who received representation from either of the legal aid offices that participated in this study. Despite this limitation, the results from the study provide important insights into the ways some African-American homeowners and economically disadvantaged communities experienced foreclosures, especially considering the uneven geographies of the crisis.

7.3 Thoughts on Future Research

Although this chapter might symbolize the end of the road with my dissertation, many homeowners are only beginning their own journey to recovery or fight to avoid foreclosure. Nearly a decade has passed since the start of the crisis, and many homeowners still continue to lose their homes to foreclosures. Permanent modifications that were issued between 2010–2012 are beginning to expire as homeowners are now faced with the renewed threat of foreclosures once again. This time, they will have to do so without the assistance of the Home Affordable Modification Program (HAMP) as a Republican-led Congress elected neither to extend the program for another year nor to replace it. Instead, the American government has left it entirely in the hands of individual loan servicers and lenders to create their own programs to address the country’s mortgage delinquency and foreclosure problems. Critics and housing advocates have already denounced the move, considering lenders and servicers were largely to blame for the failures of the HAMP program (Cowley 2017). Critics also argue that such variation in programs will create a lack of consistency in the handling of different cases throughout the industry. Despite these concerns, lenders and servicers argue that they are more than capable of developing their own foreclosure prevention programs after examining years of data and
the past failures of HAMP. Since the start of 2017, many lenders and servicers, including Government Sponsored Enterprises (GSEs) have already unveiled their own rendition of the HAMP program, although limited data have been made available in order to examine their advantages or disadvantages. Therefore, more research is required before we can make any pronouncements on the impact these changes will have on the way distressed homeowners continue to experience foreclosures.

Also of interest to researchers is the impact that foreclosures have on the availability of affordable rental units, as millions of new renters enter the market. Nearly a decade after the start of America’s worst housing crisis, some of the same corporate entities responsible for the crash are now purchasing distressed properties in bulk and turning them into rentals (Cowen and Lewis 2016). Such purchases have included delinquent mortgages and vacant homes in some of the hardest hit communities across the country. Geographer Desiree Fields has already started doing some work in this area of study by examining the emergence of corporate landlords and the broader impacts they will have on rents, tenants, or rental markets; however, far more research is needed to examine the broader consequences of institutional landlords given the dispersed geographies of their properties.

Researchers should consider examining whether the concerns over profits and investors’ interests will lead to a decline in neighborhood stability. This work will certainly help to broaden the scholarly debate about the housing crisis beyond foreclosures, and highlight the ensuing problems of affordability that impact a growing number of renters since the financialization of the U.S. rental market. This work has the potential to bolster our understanding of what is emerging as possibly the next housing bubble.


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Appendix

May 29, 2017

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GREB TRAQ #: 6012779
Title: "G GEO-165-14 A Dream Denied: The Fight Against the Mass Eviction of Families"

Dear Mr. Lewis:

The General Research Ethics Board (GREB) has reviewed and cleared your request for renewal of ethics clearance for the above-named study. This renewal is valid for one year from May 29, 2017. Prior to the next renewal date you will be sent a reminder memo and the link to ROMEO to renew for another year. You are reminded of your obligation to submit an Annual Renewal/Closure Form prior to the annual renewal due date (access this form at http://www.queensu.ca/traq/signon.html; click on "Events"; under "Create New Event" click on "General Research Ethics Board Annual Renewal/Closure Form for Cleared Studies"). Please note that when your research project is completed, you need to submit an Annual Renewal/Completed Form in Romeo/traq indicating that the project is 'completed' so that the file can be closed. This should be submitted at the time of completion; there is no need to wait until the annual renewal due date.

You are reminded of your obligation to advise the GREB of any adverse event(s) that occur during this one year period. An adverse event includes, but is not limited to, a complaint, a change or unexpected event that alters the level of risk for the researcher or participants or situation that requires a substantial change in approach to a participant(s). You are also advised that all adverse events must be reported to the GREB within 48 hours. To submit an adverse event report, access the application at http://www.queensu.ca/traq/signon.html; click on "Events"; under "Create New Event" click on "General Research Ethics Board Adverse Event Form".

You are also reminded that all changes that might affect human participants must be cleared by the GREB. For example, you must report changes in study procedures or implementation of new aspects into the study procedures. Your request for protocol changes will be forwarded to the appropriate GREB reviewers and/or the GREB Chair. To submit an amendment form, access the application at http://www.queensu.ca/traq/signon.html; click on "Events"; under "Create New Event" click on "General Research Ethics Board Request for the Amendment of Approved Studies".

On behalf of the General Research Ethics Board, I wish you continued success in your research.

Yours sincerely,

John Freeman, Ph.D.
Chair, General Research Ethics Board

c.: Dr. Audrey Kobayashi, Supervisor
Dr. Heather Castleden, Chair, Unit REB
Ms. Joan Knox, Dept. Admin.