



Smallest Victims of the Foreclosure Crisis: Children in the District of Columbia

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Introduction

Foreclosures have been sweeping the nation in the past few years, with federal policy and local jurisdictions focusing much attention on the sheer numbers of homes being lost to foreclosure as they attempt to stem the tide. However, little research has been directed on what happens to families after foreclosure and, in particular, how the foreclosure crisis affects children.

In 2008, researchers estimated that, as families lost their homes to foreclosures on subprime loans, 2 million children living in owner-occupied housing would be affected (Lovell and Isaacs 2008). Since the foreclosure crisis worsened due to the national recession and spread into the prime market over the past two years, the number of children affected will also increase beyond this estimate.

The Open Society Institute and the Foundation to Promote Open Society funded three research organizations from the National Neighborhood Indicator Partnership (NNIP) to explore how foreclosures have affected children in individual cities. This brief focuses on the foreclosure trends and impact on children living in Washington, D.C., between 2003 and 2008. We hypothesize that the rapid increase in the number of homes that are in the process of foreclosure and have completed foreclosure (i.e., lost to the lender) during the past few years will in turn affect more families with children in the District, leading to additional residential instability. If informed, agencies, advocates, and providers in the housing and education fields can attempt to minimize the negative effects of these disruptive moves.

This report, the first in a series of three, answers the following research questions:

- How many public school children have foreclosures affected in the District of Columbia and how has the number changed over time?
- What are the demographic characteristics of the school children affected by foreclosure and have they changed over time?
- Are the affected school children clustered in particular neighborhoods or schools?

THE PROJECT

The National Neighborhood Indicators Partnership (NNIP) has launched a cross-site project funded by the Open Society Institute and the Foundation for Open Society to explore how the foreclosure crisis is affecting school-age children in New York, Baltimore, and Washington DC. The Urban Institute is coordinating the project in partnership with New York University's Furman Center for Real Estate and Urban Policy and Institute for Education and Social Policy, as well as the Baltimore Neighborhood Indicators Alliance-Jacob France Institute at the University of Baltimore.

This brief is the first of two about the District of Columbia, and tells the basic story of the trends and characteristics of students affected by foreclosure. The second brief will focus on the residential and educational options for families living in foreclosed properties by examining if they move or change schools and how new schools and neighborhoods differ from the previous ones. To conclude the project, the findings from the three cities will be summarized into a cross-site report.

In the first section, we describe the D.C. housing market and trends in foreclosures for all households in the District; in the second section, we focus on households with public school students going through foreclosure; and in the final section, we discuss the implications of our findings for housing and education providers and agencies.

THE FORECLOSURE PROCESS IN THE DISTRICT

Foreclosures, or the legal proceeding that ends an owner's rights to a property that was used to secure a mortgage loan, is a nonjudicial process in the District of Columbia, meaning that it is usually accomplished without the use of the courts, judicial review or oversight. In the event of a mortgage delinquency, lenders or loan servicers will typically contact the borrower requesting that the overdue payments be made. Most lenders or servicers will wait until a borrower is 90 days late or more on mortgage payments before initiating foreclosure proceedings.

In the District of Columbia, however, there is not any legal restriction on when the foreclosure process can be started against a delinquent borrower. If the payments are not made (or an agreement reached), the lender will initiate foreclosure proceedings by sending a notice of foreclosure sale by certified mail to the property owner at the owner's last known address. A copy of this notice must also be sent to the D.C. Recorder of Deeds.

The notice of foreclosure sale must include the following information: the names and addresses of all property owners; the date, time, and place of the foreclosure sale; the address and a description of the property; the amount of the balance owed on the loan; the minimum amount required to cure the default obligation and avoid the foreclosure; and the name and contact information for the person to contact to stop the foreclosure sale. The foreclosure sale may not take place less than 30 days after the notice has been received by the Recorder of Deeds.

Housing Boom and Slowdown Concurrent with Foreclosure Increases In the District

The Washington, D.C., housing market went through an incredible boom that began around 2000 and peaked in 2006. The District's inflation-adjusted sales prices increased more than 200 percent between 1995 and 2005. In 2006, however, the national housing bubble popped, resulting in crashing home prices and soaring foreclosure rates across the nation. This national economic and housing market downturn affected the District, although not as markedly as other cities.

The District's housing market began cooling off by the end of 2007 with housing prices beginning to drop (a decrease of 6 percent between 2007 and 2008) and units staying listed for longer without selling. Sales volume for 2008 was almost half the volume five years earlier and three-quarters the volume of 2007. This lack of housing demand prevented families in financial trouble and delinquent on their mortgages from selling their house at a loss, as they would have done in hotter market periods, but instead put them at risk of going into foreclosure.

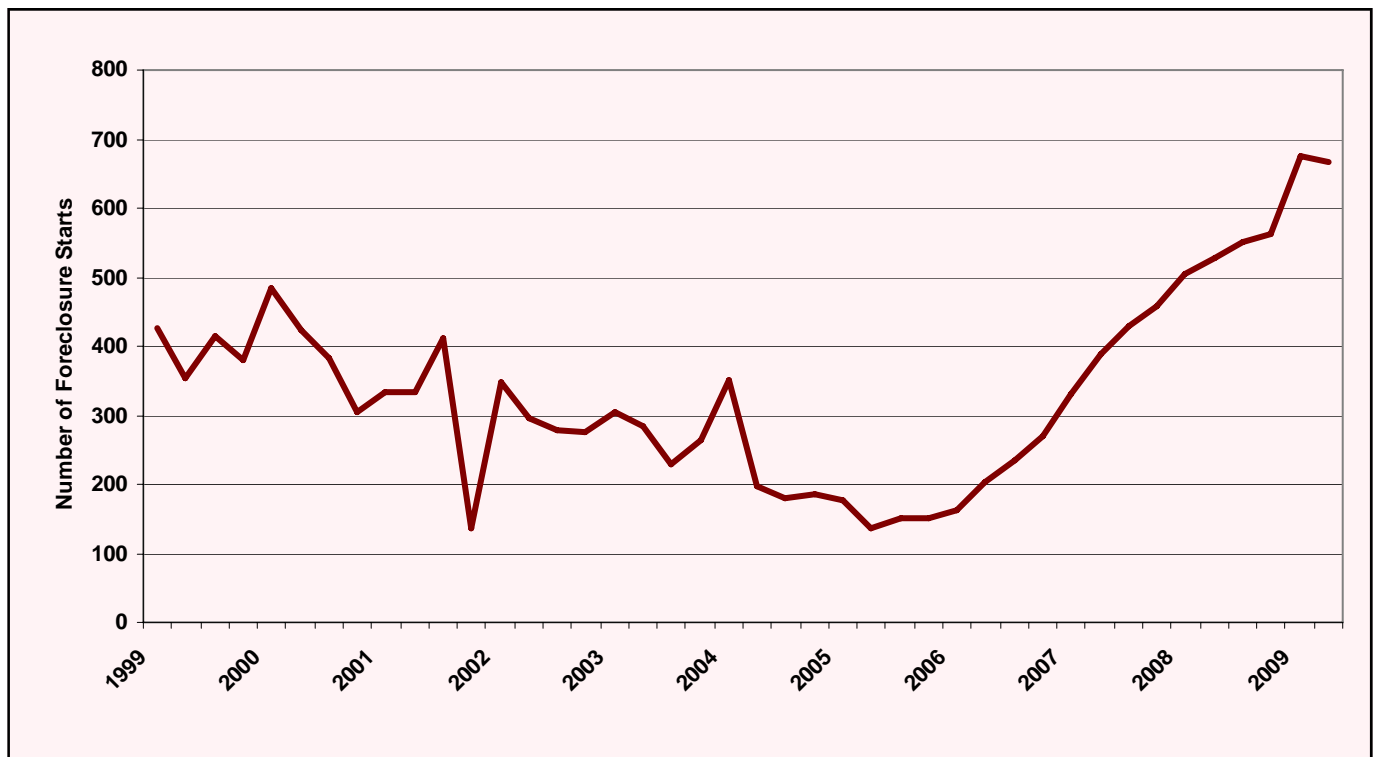
As shown in figure 1, foreclosure starts in the District followed a generally downward trend in the early 2000s, before bottoming out by the first quarter of 2005. By 2006, even before the housing slowdown, the number of foreclosure starts began rapidly increasing, and the trend is not expected to continue in 2009 (Pettit et al. 2009). Foreclosures are an unfortunate but normal occurrence in any housing market. However, the rapid increase in foreclosures in recent years is most likely due to many problems,

such as the increased use of creative lending tools like subprime loans and adjustable rate mortgages, as well as the subsequent burst of the housing bubble and ensuing national recession, which resulted in rapidly increasing unemployment rates.

The share of properties reaching foreclosure completion (i.e., a foreclosure sale when a homeowner loses the rights to their home) has also increased significantly. In 2003, only 3 percent of the homes in foreclosure at the beginning of the year in the District reached a foreclosure sale by year’s end. By 2008, however, this rate had risen to 38 percent. While not as high as the 45 percent in 1999, the foreclosure completion rate could go even higher if home prices continue to fall and if the economy does not quickly improve (NeighborhoodInfo DC 2009).

Foreclosures do not affect the entire District uniformly; particular neighborhoods have become pockets of heightened foreclosure activity, as figure 2 shows. East of the Anacostia River, the Ward 7 neighborhood of Deanwood, as well as Congress Heights and Barry Farms/Anacostia in Ward 8 were among the worst, with foreclosure rates between 3.1 and 4.7 percent of all residential properties (Pettit et al. 2009b). In Ward 4, the Brightwood/Petworth area accounted for 12 percent of all foreclosures in the 2008, spilling over into the northern Ward 1 neighborhoods of Columbia Heights and Park View. In Ward 5, other foreclosure hotspots were in the Bloomingdale and Eckington neighborhoods, as well as in the high-poverty neighborhood of Trinidad.

Figure 1. Foreclosure Starts in D.C. Have Been Rising Since 2006



Sources: District of Columbia Recorder of Deeds, District of Columbia Office of Tax and Revenue.

Foreclosures and Children

Thus far, little research exists exploring the impact of foreclosures on families with children. However, there is a body of literature that examines the effect of various kinds of mobility, such as repeated moves or long-distance moves, on children. Existing research shows a family's financial trouble can negatively affect children's outcomes, such as academic performance and behavioral development (Kingsley, Smith, and Price 2009). Residential moves caused by economic instability are disruptive and disorienting for children since their parents are occupied with finances and finding a new home (Tucker, Marx, and Long 1998). Disruptive or numerous residential moves are linked to children's academic problems, such as grade retention, school completion, and a lack of interpersonal skills (Scanlon and Devine 2001; Schwartz, Stiefel and Chalico 2007; Pribesh and Downey 1999). Several studies have found that residential mobility is mostly detrimental to children when the move is reactive instead of strategic, or if the move was caused by some factor of turbulence within the household, such as a loss of a job or change in family composition (Rumberger 2003; Moore, Vandivere, and Ehrle 2000).

Identifying Students Affected by Foreclosure

Because there are significant data challenges in identifying children affected by foreclosures, we focused our analysis on children enrolled in the District's public school system.¹ To do this, we matched three sources of data spanning 2003 to 2008.² The first data set includes student-level public school enrollment information (including both traditional public and public-charter students) from the official enrollment count conducted in the first week of October of each school year.³ The student-level data include basic demographics (e.g., age, race, gender), grade, school, and home residence.

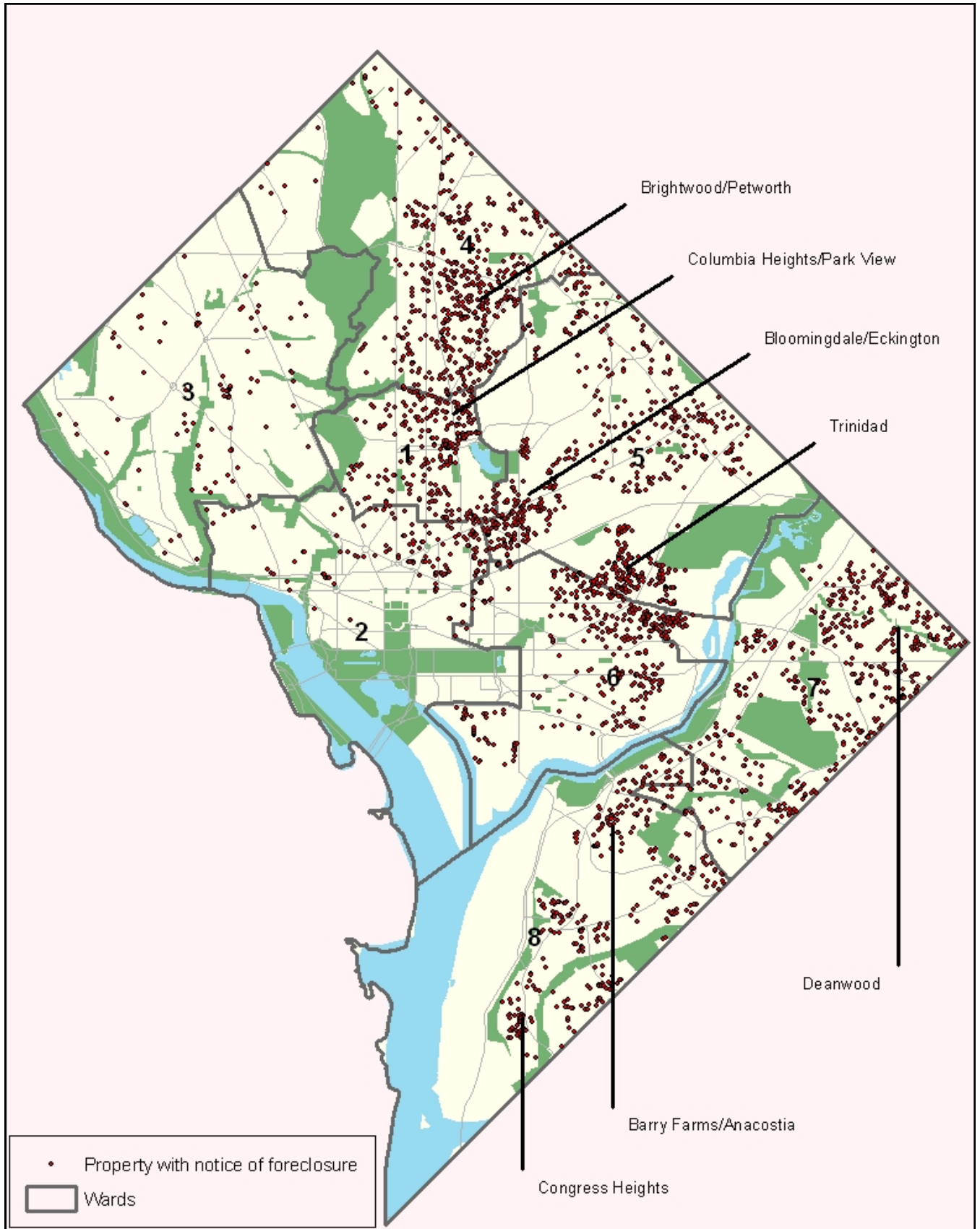
The second dataset includes parcel-level information about notices of foreclosure and trustee deed sales maintained by the District of Columbia Recorder of Deeds, which allow us to identify properties that received a foreclosure notice as well as help determining the outcome of the foreclosure.

The final data set consists of parcel-level information about property characteristics and sales transactions (i.e., a private-market sale, or the transfer of ownership) from the District of Columbia Office of Tax and Revenue. These data enable us to determine whether a property was owned or rented, and when it changed ownership.

Combining these three data sets allowed us to identify the students who lived in a property in the foreclosure process. First, we flagged properties that received a foreclosure notice and for which we could determine the outcome of the foreclosure process (i.e., foreclosure sale, a private-market sale, or the homeowner working out an agreement with the bank), including foreclosure notices that were sent in 2008 and still did not have a determined outcome. Next, we matched those properties in the foreclosure process to the student-level data. We flagged students as "affected by foreclosure" if student records matched a property in the foreclosure process, where the time between the first foreclosure notice and the outcome of the foreclosure included the October enrollment count date.⁴

There are limitations to this methodology due to the fact that, though we know low-income children are highly mobile, we have access to only one address per year for each student. Our methodology therefore may undercount the number of children foreclosure affects. For instance, we may miss students in homeowner families who move in after the official student count and resolve their foreclosure before the next year's student count. This possibility, however, accounts for few students because the foreclosure

Figure 2. Properties with a Notice of Foreclosure in 2008



process in the District takes a year on average. Homeowners may have been able to complete the foreclosure process more quickly during the housing boom years, but this is when the number of foreclosures was the lowest. We are more likely to undercount students in families who rent because these households are more likely to have moved multiple times within a year. Students who rent could have moved into a property undergoing foreclosure after the official October enrollment count, which was either resolved before the next year’s official student count or the family moved (or was evicted) before the next official account. While this is a problem, we believe that undercounting the extent of the problem is better than overestimating its impact.

Approximately a Quarter of Properties Affected by Foreclosure Had a Public School Student Living There

There are two ways to analyze how foreclosure affects public school students: from the number of properties and from the number of public school students. Table 1 looks at the issue from the property perspective. The share of properties that received a first notice of foreclosure and were also home to at least one public school student vacillated between a fifth and a quarter of the properties during the study period. For instance, in 2003, 26 percent of the properties affected by foreclosure had at least one public school student, decreasing to 21 percent in SY2006.⁵ The share increased to 25 percent by 2008.

Most of the homes with public school students that received first notices of foreclosure had been bought recently. In SY2008, 67 percent of the homes had been bought within a year of receiving a first notice of foreclosure and 84 percent had been bought within five years. In SY2004 the share of homes that had been bought within five years of receiving a notice of foreclosure was the same at 84 percent.

The average number of students per foreclosure has increased slightly over the study period, from 2.1 students per property in the foreclosure process in SY2003 to 2.5 students per property in the foreclosure process by SY2008. This increase in the number of students per property is not due to a change in household size but the fact that the number of multifamily rental properties affected by foreclosure increased during the study period. In SY2005, only 12 percent of students affected by foreclosure lived in these rental buildings, whereas by SY2008, 18 percent of students lived in these properties.

Table 1. D.C. Properties in the Foreclosure Process with Public School Students

	SY2003	SY2004	SY2005	SY2006	SY2007	SY2008
Properties with foreclosure notice	1,574	1,239	880	995	1,575	2,446
Properties in foreclosure with at least one student	409	337	208	209	324	601
Share of properties with foreclosure that had a student	26.0%	27.2%	23.6%	21.0%	20.6%	24.6%

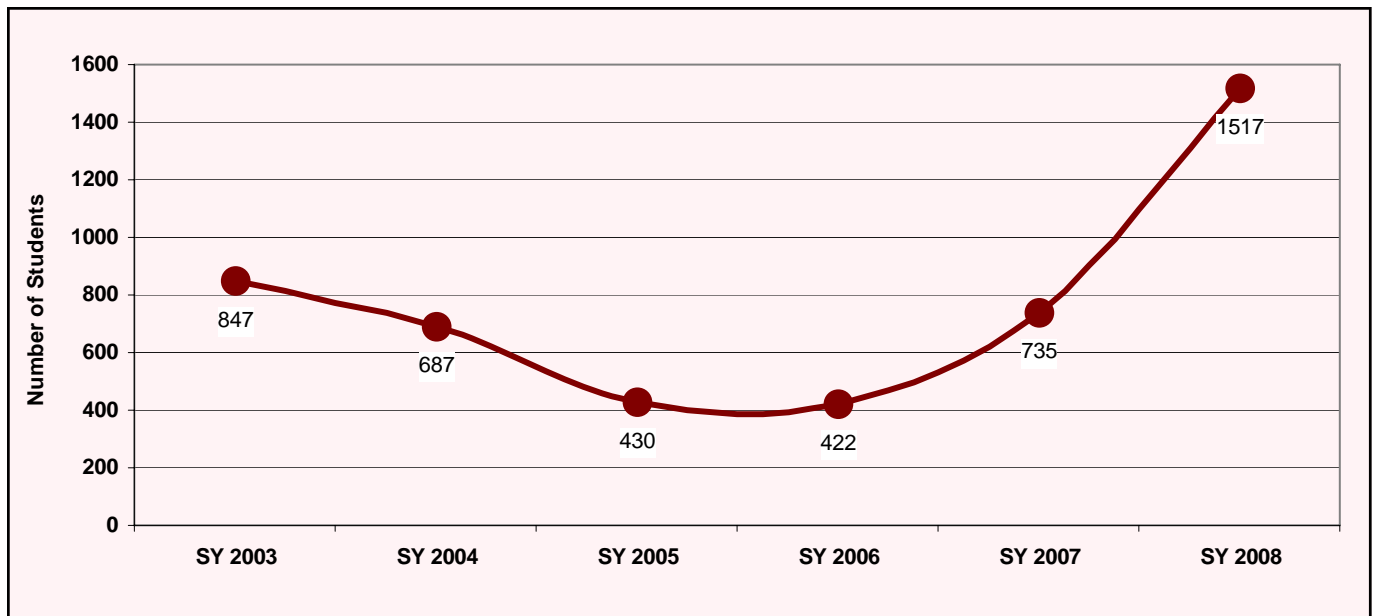
Sources: District of Columbia Public Schools, Public Charter School Board, District of Columbia Recorder of Deeds, District of Columbia Office of Tax and Revenue.

The Number of Public School Students Affected by Foreclosure More Than Doubled in the Past Two Years

The second way to analyze the issue is at the level of public school students. Since SY2003, the trend in the number of students living in homes faced with foreclosure mimics the trend of properties in foreclosure in the District, a dip during the housing boom years of 2005 and 2006 and a steep increase in 2007 and 2008. The number of students living in homes affected by foreclosure reached a low of 422 public school students in SY2006 but more than doubled by SY2008 (1,517 students), as shown in figure 3. Between SY2007 and SY2008 alone, the numbers more than doubled, an increase of 782 students.

In SY2003, foreclosure affected 1.2 percent of the public school students dipping further down to 0.6 percent in SY2005 and SY2006, during the height of the housing market. However, by SY2008, foreclosure affected 2.2 percent of the public student body, and we believe that this share will increase. In fact, 3,200 mortgages (3.0 percent) in the District were more than 90 days delinquent in June 2009, up from 1.6 percent the previous June and 0.8 percent in June 2007, suggesting that the number of students affected by foreclosure in the following school year could be even greater.

Figure 3. D.C. The Share of Public School Students in D.C. Receiving Notices of Foreclosure Is Rising



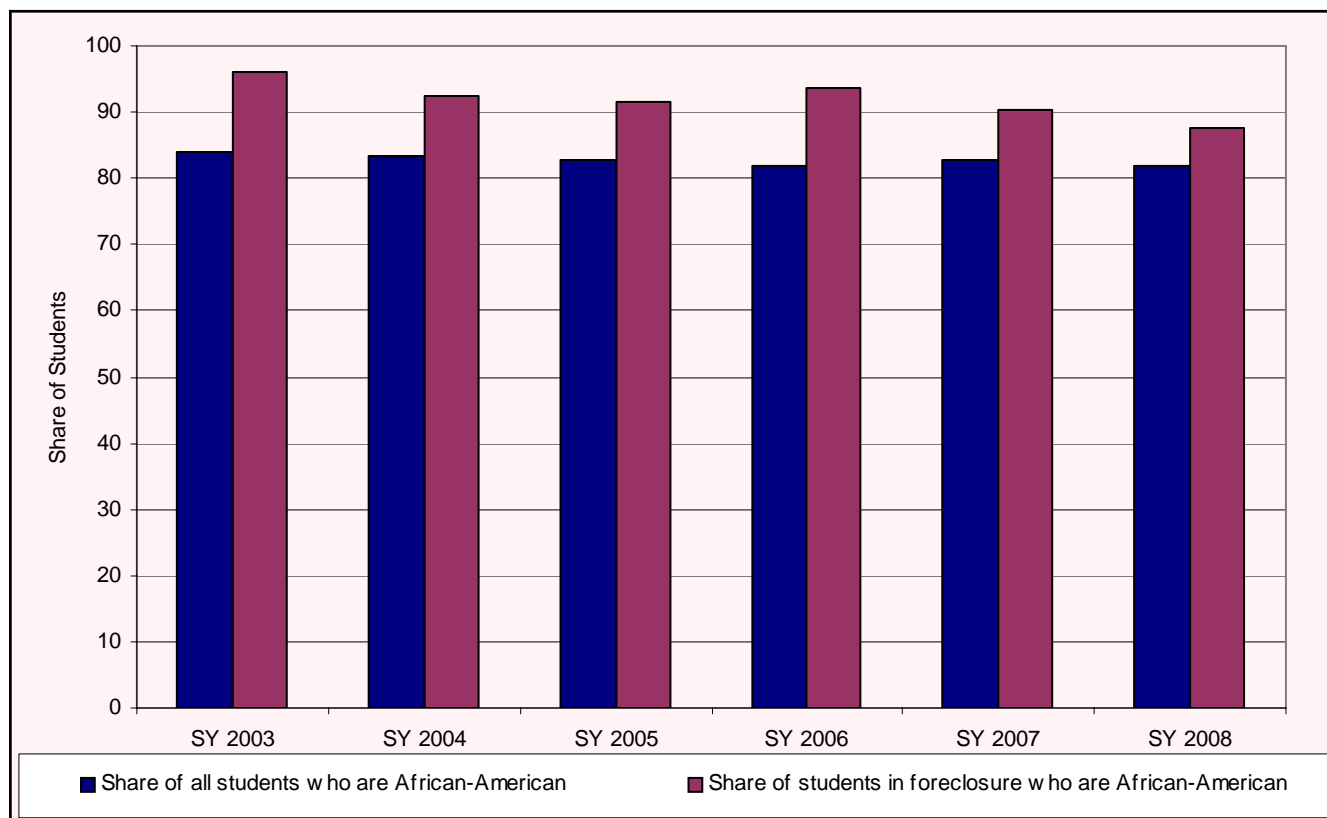
Sources: District of Columbia Public Schools, Public Charter School Board, District of Columbia Recorder of Deeds, District of Columbia Office of Tax and Revenue.

African-American Public School Students Have Been Disproportionately Affected by Foreclosure

African-American students were disproportionately affected by foreclosure at the beginning of the study period, and the gap lessened in more recent years (see figure 4). The greatest discrepancy is in SY2003: 84 percent of public school students were African-American, while 96 percent of students affected by foreclosure were African-American. Even in SY2008, when the share of African-American students affected by foreclosure was at its lowest, this share still exceeded the share of the overall student body that was African American by almost 5 percentage points.

While students affected by foreclosure have been disproportionately African-American, the shares have decreased over time (see figure 4). In SY2003, 96 percent (814 students) of the 847 students affected by foreclosure were African-American, but by SY2008, this share decreased to 88 percent (1,327 students).

Figure 4. African-American Students Are Disproportionately Affected by Foreclosure



Sources: District of Columbia Public Schools, Public School Board, District of Columbia recorder of Deeds, District of Columbia Office of Tax and Revenue.

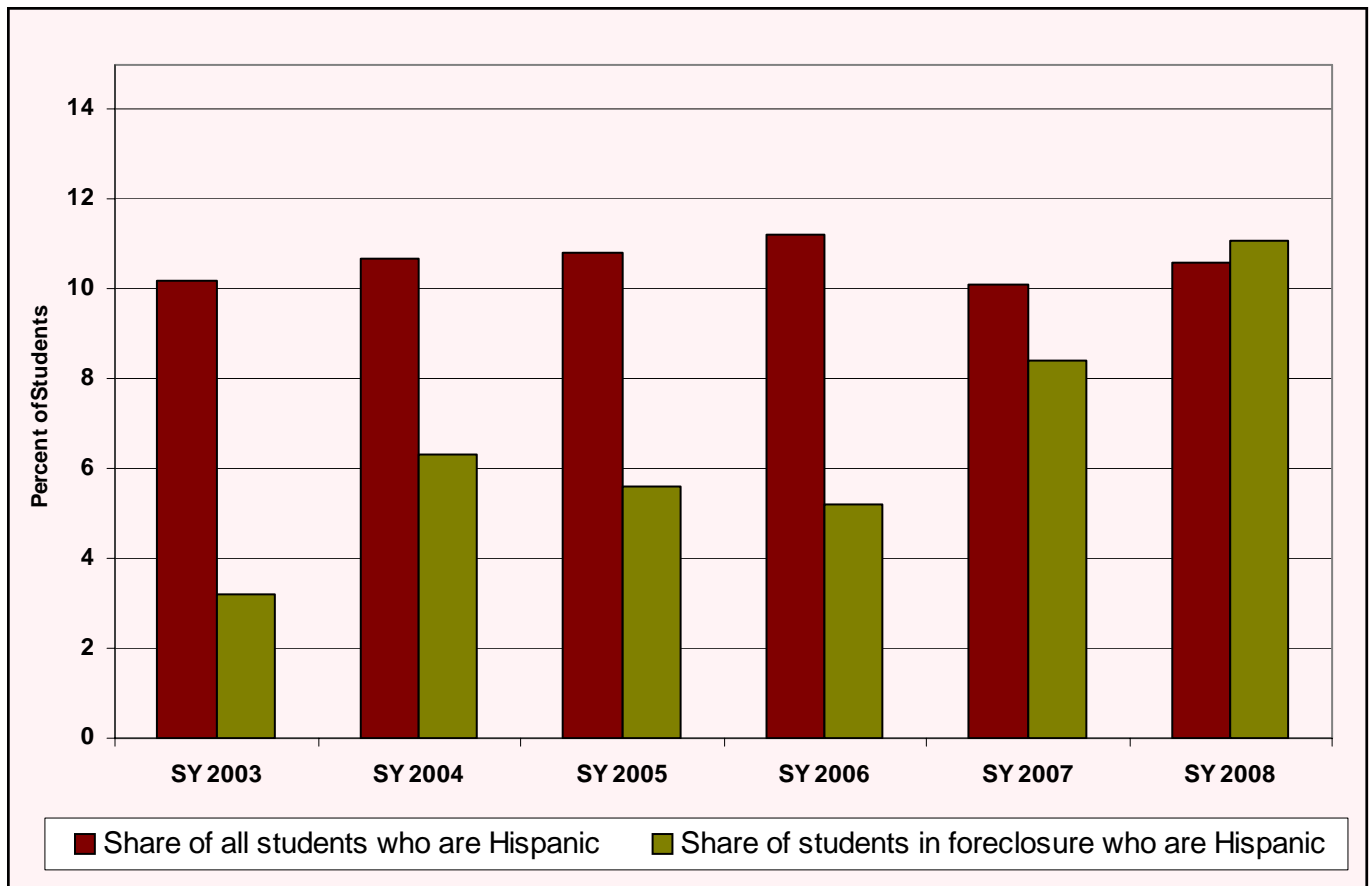
The Share of Hispanic Students Affected by Foreclosure Has Been Rising

The decreasing share of African-American students affected by foreclosure has been offset by a sharp rise in the number and share of Hispanic students who live in homes affected by foreclosure. In



SY2003, the share of affected Hispanic students was only 3 percent (27 students), even though Hispanic students made up 10 percent of the overall student population (see figure 5). By SY2008, 11 percent (168 students) of all students affected by foreclosure were Hispanic, matching their share of the student population of 11 percent. In fact, between SY2007 and SY2008, the number of Hispanic students affected by foreclosure more than doubled, from 62 to 168 students.

Figure 5. The Share of Hispanic Students Affected by Foreclosure Has Been Growing

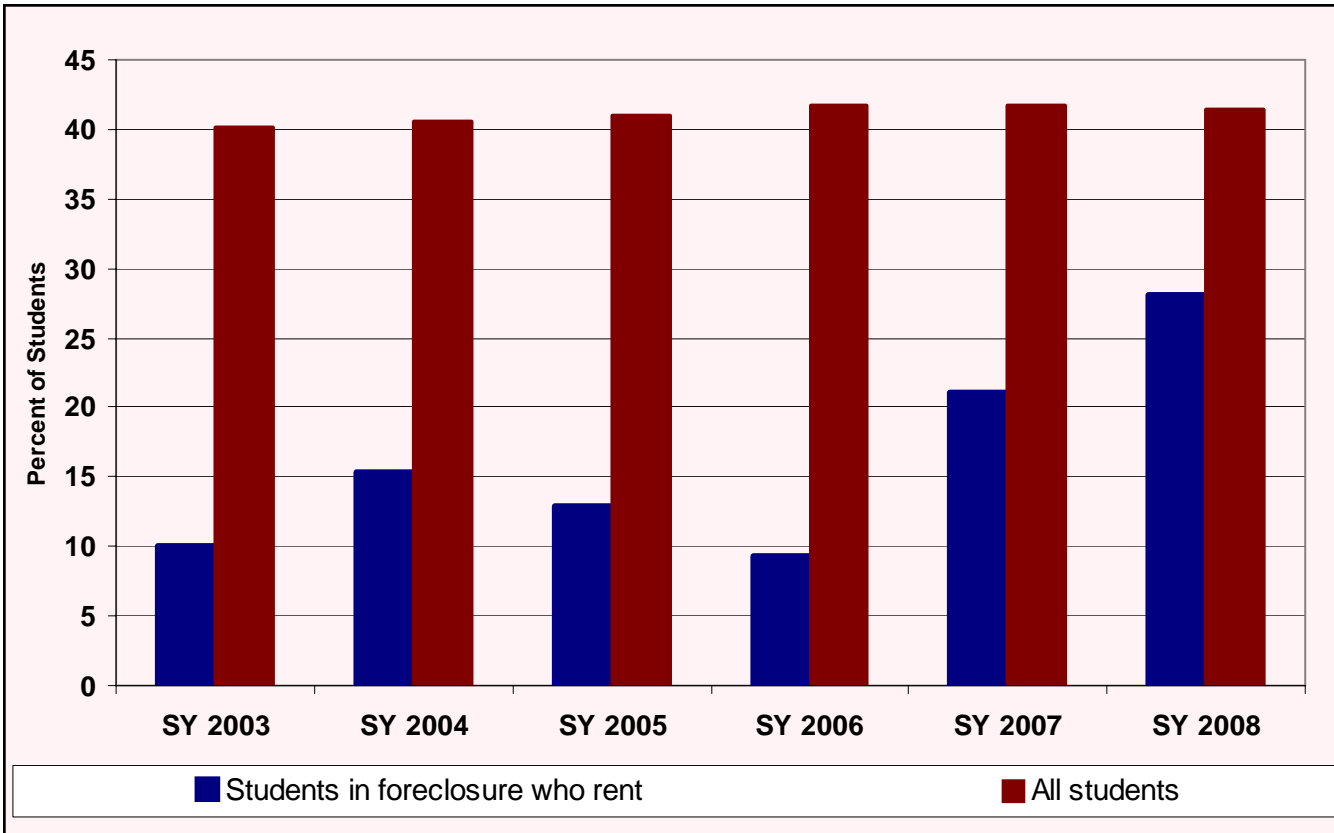


Sources: District of Columbia Public Schools, Public Charter School Board, District of Columbia Recorder of Deeds, District of Columbia Office of Tax and Revenue.

Public School Students Who Rent Are Experiencing More Foreclosure Starts Over Time

Another group of students increasingly affected by foreclosures are students living in rental units. While the share of all public school students who lived in rental units has remained fairly constant at 40 or 41 percent between SY2003 and SY2008, the share of students affected by foreclosure who were in renter households increased dramatically (see figure 6). In SY2003, only 10 percent of the public school students affected by foreclosure rented, but by SY2008, the share rose to 28 percent. The rising share of renters, coupled with the overall increase in the number of foreclosures, has meant that the number of students in renter households affected by foreclosure increased by a factor of almost 10 in two years, from 39 students in SY2006 to 373 students in SY2008.⁷

Figure 6. An Increasing Share of Public School Students in Foreclosure Are Living in Rental Units



Sources: District of Columbia Public Schools, Public Charter School Board, District of Columbia Recorder of Deeds, District of Columbia Office of Tax and Revenue.

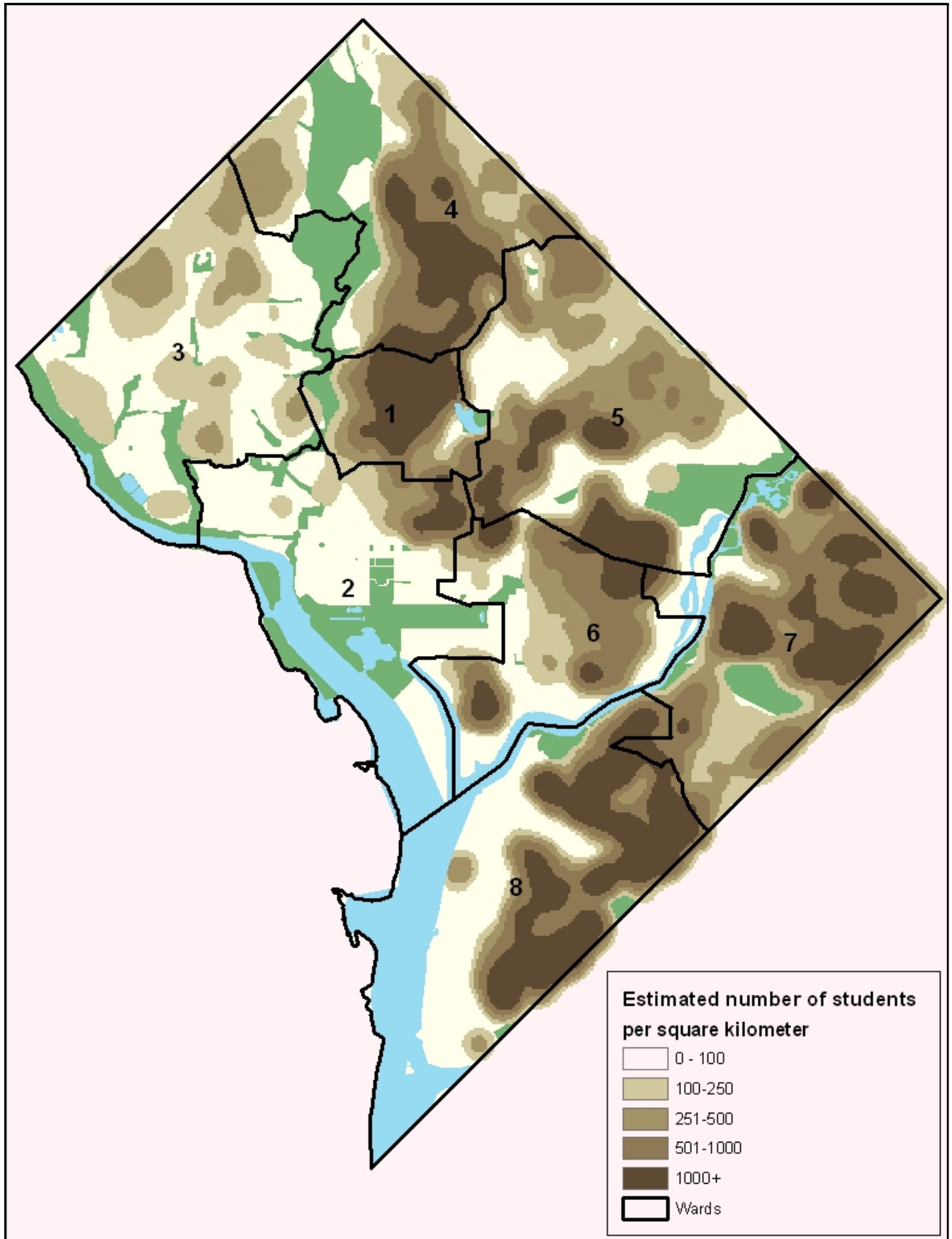
Where Public School Students Live, Regardless of Foreclosure

The District’s public school students are concentrated in some of the poorest wards in the city, a fact that has important implications for understanding the geographic patterns of students affected by foreclosure. As figure 7 shows, Wards 7 and 8, the city’s two poorest wards, have had the largest share of public school students since SY2003 (21 and 23 percent, respectively). Wards 4 and 5 each had 15 percent of the student population in SY2008, and Ward 1, which has historically housed the majority of the District’s Hispanic population, was home to 9 percent of students in SY2008. Ward 3, the District’s most affluent ward located in the upper northwest portion of the city, has had a low and unchanging share of student enrollment, staying at approximately 4 percent between SY2003 and SY2008.

Most of the Students Affected by Foreclosure Live in Wards 7 and 8

The distribution of students affected by foreclosure closely mirrors the concentrations where all public school children live. Due to the sheer number of students living in Wards 7 and 8, these two wards accounted for almost half (45 percent) of all the students affected by foreclosure in SY2008. However, the share of students affected by foreclosure who live in Wards 7 and 8 has fluctuated since SY2003 and SY2008. For instance, between SY2007 and SY2008, the share of students affected by

Figure 7. Distribution of Where Students Lived in SY2008



foreclosure who lived in Ward 7 decreased by 6 percentage points. Ward 4 has the next greatest number of affected students. In SY 2008, 20 percent of all affected public school students lived in Ward 4, a 6 percentage point increase from the year before.

Figure 8 shows the neighborhoods where the greatest concentrations of affected students lived in SY2008.⁸ In particular, the Sheridan/Barry Farm/Buena Vista neighborhoods in Ward 8 had 206 students affected by foreclosure in SY2008, up from just 87 students in SY2007. Just two parcels, belonging to the same development, accounted for 151 of these foreclosures. Another neighborhood in Ward 8 with many students affected by foreclosure was Congress Heights/Bellevue/Washington Highlands, which had 89 students affected in SY2008. In Ward 7, the Deanwood/Capitol Heights/Lincoln Heights neighborhoods near the easternmost area of the District had a high number of students in foreclosure, with 121 students.

Other notable neighborhoods include the Brightwood/Crestwood/Petworth neighborhood in Ward 4. This area accounted for more than half of Ward 4's affected students (164 students) in SY2008. The vast majority (86 percent) of Ward 6 students who lived in properties affected by foreclosure lived in the Union Station/Stanton Park/Kingman Park neighborhood (116 students), and most of these students lived near the H Street corridor across from Trinidad in Ward 5.

The Greatest Increases of Affected Students Live in Wards 4, 5, and 6

We also analyzed which wards had the greatest increases in students in the foreclosure process (as opposed to how students affected by foreclosure increased across all the wards). As figure 9 shows, the greatest increases in students affected by foreclosure between SY2007 and SY2008 occurred primarily in Wards 4, 5, and 6. Ward 4 led the group in SY2008, more than quadrupling from 71 students in SY2006 to 309 students in SY2008.

A particular neighborhood cluster to note is Trinidad, where the number of students affected increased by a factor of more than six, from 14 students in SY2005 to 95 in SY2008. In fact, these neighborhoods accounted for a third (33 percent) of Ward 5's students affected by foreclosure in SY2008.

Schools Attended by Affected Students

Not only are students affected by the foreclosure process geographically concentrated, but they can also be concentrated in particular schools. In the District, some schools had a greater share of affected students, although the differences were not particularly dramatic.

Though foreclosure affected 2.2 percent of all public school students in SY2008, the share was slightly higher for public charter schools at 2.4 percent and lower for D.C. public schools at 2.0 percent. While many schools had rates more than double the average, few had rates higher than this. In fact, the school with the highest rate of foreclosed students, an elementary school in Ward 8, had 7 percent of its student body receive foreclosure notices. However, only 10 public schools out of 231 schools and campuses had rates above 5 percent, and only 7 of these had total enrollments above 100 students. These schools with high rates of foreclosed students were not located in any particular area of the city: two were in Ward 8, four were in Ward 4, and there was one each in Wards 1, 5, 6, and 7.

Figure 8. Density of Students Affected by Foreclosure, SY2008

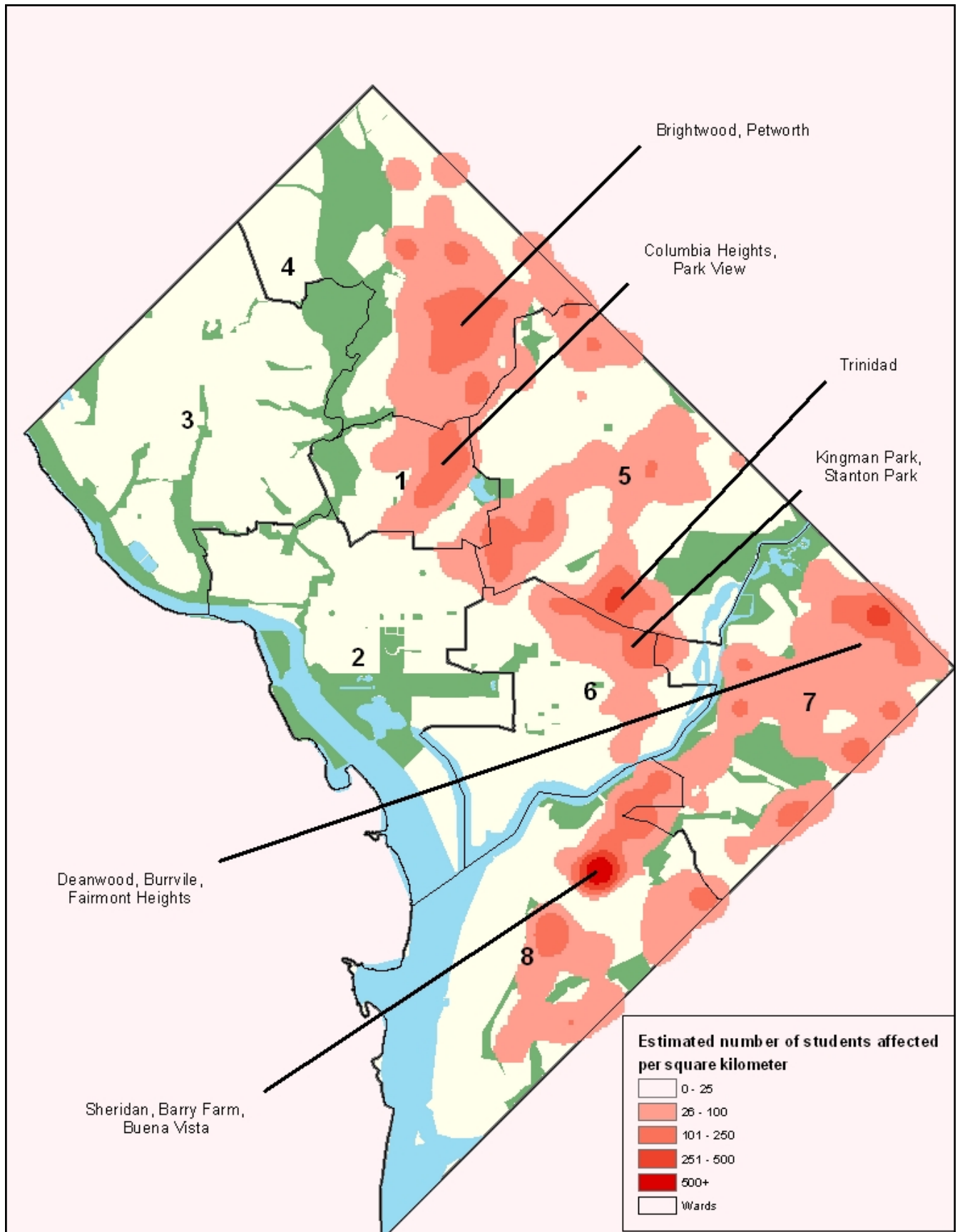
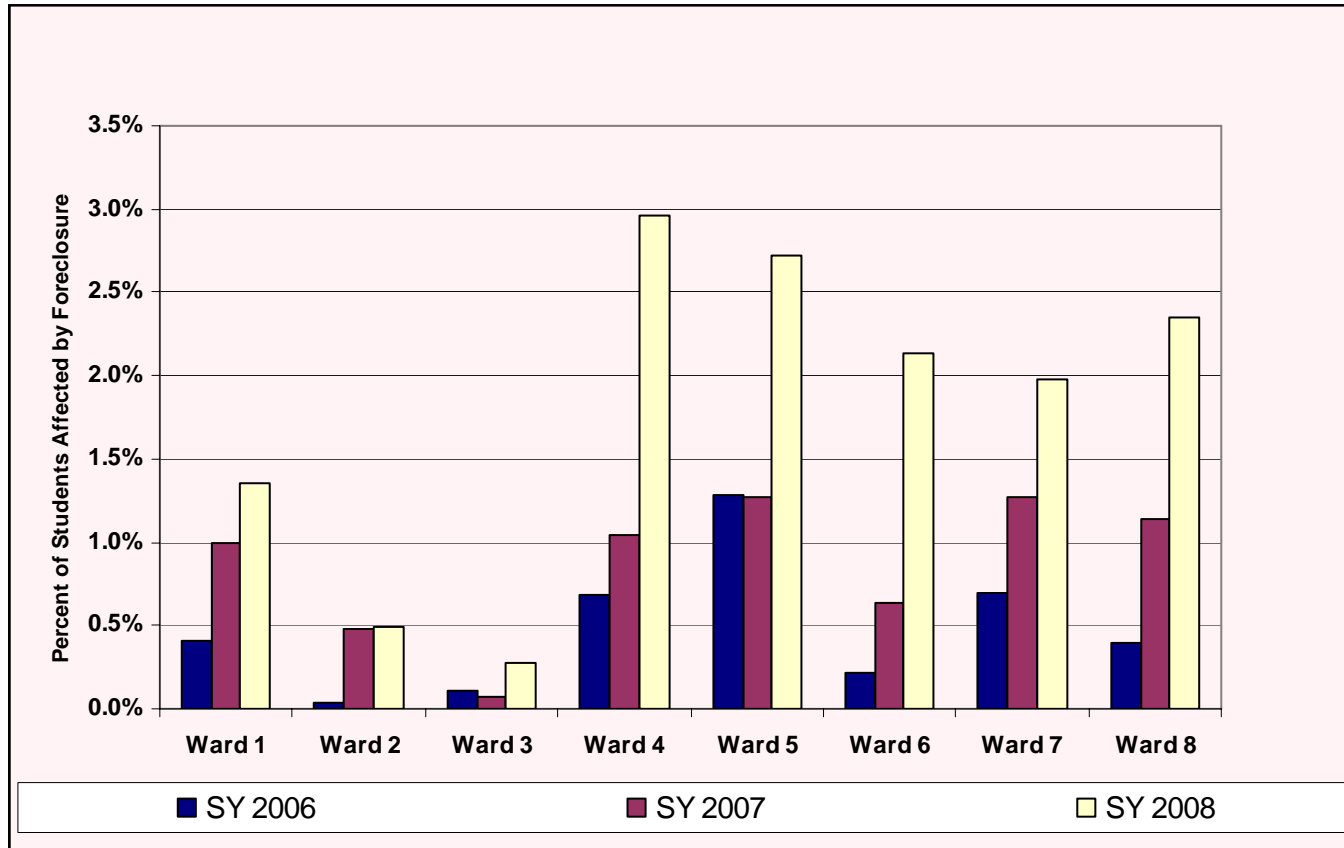




Figure 9. The Share of Students Affected by Foreclosure within Each ward Increased Most in Wards 4, 5, and 6



Sources: District of Columbia Public Schools, Public Charter School Board, District of Columbia Recorder of Deeds, District of Columbia Office of Tax and Revenue.

The relatively low concentration of students in public schools may be due to the fact that there is a high degree of school choice in the District, due both to its many charter schools and flexible out-of-boundary enrollment policy. Of all elementary school students (preschool through 6th grade), 66 percent were enrolled in either a public charter or out-of-boundary D.C. public school in SY2008, and thus not tied to their residential neighborhood.

Table 2 compares school characteristics by quartile, based on the share of the student body affected by foreclosure. The top 25 percent of schools with the highest rate of foreclosure (top quartile) consisted of 44 percent of the students in foreclosure in SY2008 and differed in certain ways from the overall trends. These 57 schools had an average of 4 percent of students in foreclosure while the bottom quartile had less than 1 percent of its students in foreclosure. The top quartile schools had higher shares of African-American students (90.2 percent in SY2008) than the bottom quartile schools (74.2 percent) and a greater share of students that qualify for free and reduced-price lunch (65.7 percent) compared with the bottom quartile. While schools in the top quartile with students affected by foreclosure tended to have more low-income students, they were not higher in other indicators of at-risk students. Specifically, the shares of students at these schools who had low English language proficiency (6.9 percent) or in special education (12.0 percent) were not that much different from the bottom quartile (9.0 and 10.9 percent, respectively).



Table 2. Characteristics of Top and Bottom Quartile of Schools, by Share of Students Affected by Foreclosure

	SY 2005			SY 2008		
	All schools	Top quartile	Bottom quartile	All schools	Top quartile	Bottom quartile
Number of schools	244	61	104	231	57	58
Share of D.C. public schools	70.9%	63.9%	69.2%	57.6%	56.1%	60.3%
Total students	74,035	19,176	19,959	70,136	16,165	12,836
Affected by foreclosure	0.6%	1.4%	0.0%	2.2%	4.2%	0.4%
Black	86.6%	90.3%	82.9%	85.6%	90.2%	74.2%
Hispanic	11.1%	7.2%	9.3%	10.9%	8.3%	11.2%
White	4.7%	1.6%	5.2%	6.2%	0.9%	11.3%
Asian	1.5%	0.6%	1.5%	1.7%	0.5%	3.4%
Other race	0.2%	0.3%	0.3%	0.0%	0.0%	0.0%
Renter	35.9%	35.8%	41.8%	34.4%	40.5%	43.8%
Free or reduced-price lunch	63.0%	60.9%	67.3%	61.6%	65.7%	60.6%
Special education	19.1%	15.7%	17.8%	14.5%	12.0%	10.9%
English language learner	7.2%	5.0%	7.7%	7.9%	6.9%	9.0%
Average distance to school (miles)	1.46	1.75	1.18	1.49	1.45	1.53

Sources: District of Columbia Public Schools, Public Charter School Board, District of Columbia Recorder of Deeds, District of Columbia Office of Tax and Revenue.

The characteristics between the top and bottom quartile schools do not radically differ between school years either. The only differences are that more public charter schools fell in the top quartile in SY2008 compared with SY2005 (an increase of 7.8 percent points), and the share of free and reduced-price lunch increased slightly between the two school years (although this could be the results of changes in data collection). The distance traveled for students changed for both the top and bottom quartiles between the two periods, but this may be mostly due to openings of new schools and changes in school locations.

Outcomes after Receiving a Foreclosure Notice

Thus far, we have analyzed students who lived in a property that received a foreclosure notice. A family in enough of a financial crisis to be late on its mortgage payments has had significant financial and emotional stress, which in turn affects the children. A more direct result of the foreclosure process is that the property can actually be foreclosed on, resulting in a *foreclosure completion*, where the home is returned to the lender. In cases where the family owns the home, the family will be forced to move. For renter families, the requirement to move is less clear because the District has a “just cause” eviction law that states that the lease of a tenant in good standing is valid even in the case of a new owner. Therefore, even if a landlord’s property is foreclosed on, renters are allowed by law to remain. However, housing

counseling servicers in the District report that many tenants are still evicted even with the just-cause eviction law. Also, even if the renters are not actively evicted from the foreclosed property, the landlord undergoing the foreclosure may not adequately maintain the property, which could result in the family moving anyway.

We can deduce the outcome of the foreclosure process using housing administrative data. The following are the possible outcomes of the foreclosure process that could result in the family moving:

- The most extreme situation is *foreclosure completion*, where the property owner failed to avoid foreclosure and the property is returned to the lender.
- Owners can also avoid foreclosure even after receiving a notice of foreclosure by selling on the private market after receiving the notice but before they have been foreclosed on. This is characterized as a *distressed sale, foreclosure avoided* when the sale happens within a short time after the foreclosure notice. While the family avoids the financial implications of a foreclosure, the family still must move, which can have negative effects on children.

The second brief in this series will explore whether foreclosed families move any more or less than nonforeclosed families, and we will explore the possible differences in mobility rates for students who owned their house compared to those who rented.

Shares of Foreclosure Completions Increased over Time

As figure 10 shows, the share of students in families that received a first notice of foreclosure and whose house reached foreclosure completion has been increasing since the start of the study period. In SY2003, only 4 percent of these properties with students ended in foreclosure completion and this rose to 35 percent by SY2008. The SY2008 outcome data are still preliminary because more than 27 percent of the properties with students in SY2008 were ongoing and had not yet reached an outcome.

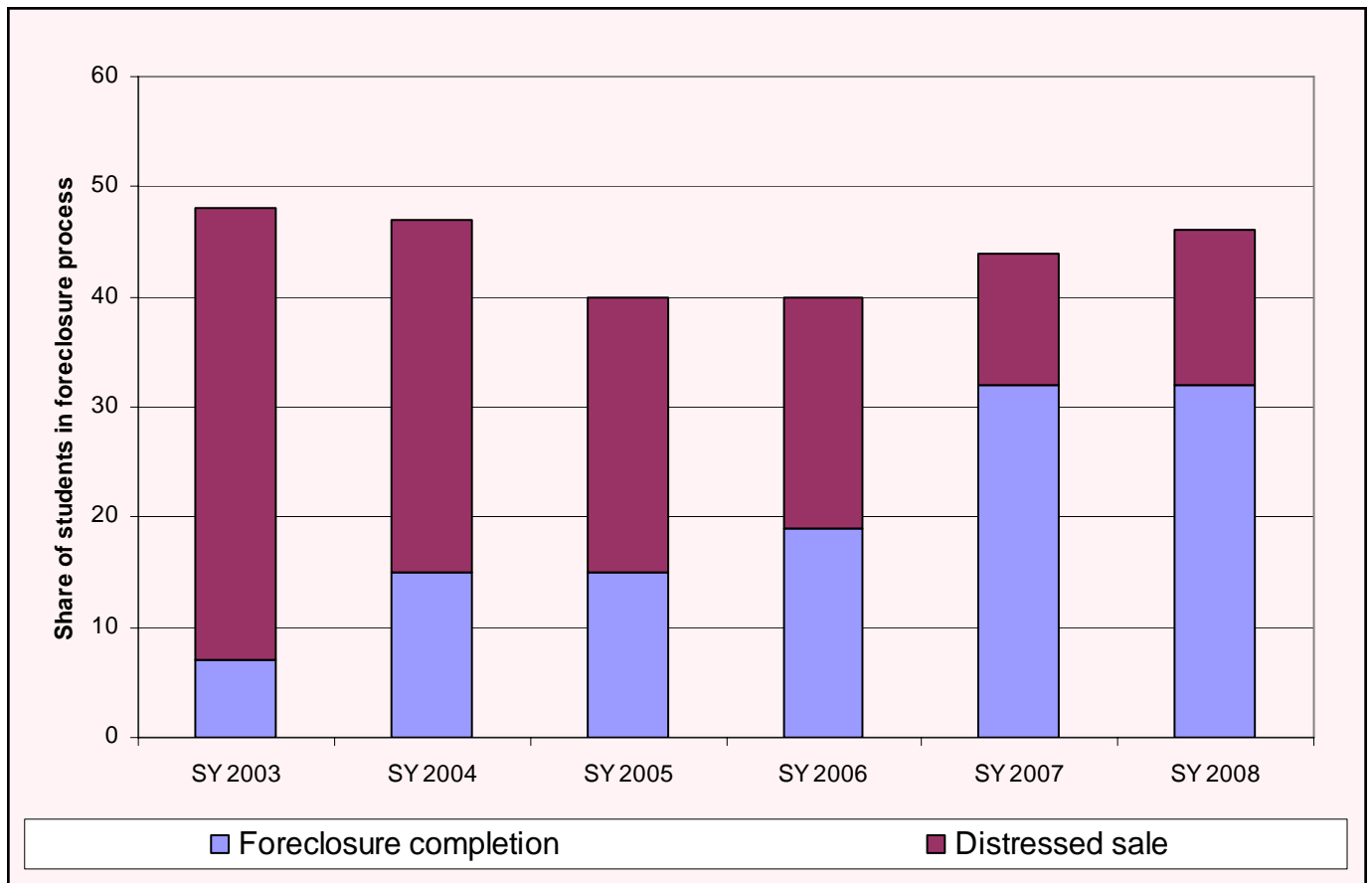
It is also clear that in the beginning of the study period a greater share of families with students could avoid foreclosure by selling in the private market soon after receiving a first notice (41 percent in SY2003). This helped the family avoid the financial impact of the foreclosure but still required the family to move. As the housing market slowed, the share of families able to avoid foreclosure by selling on the private market also slowed (14 percent in SY2008).

The overall shares of students who either lived in a property with a foreclosure completion or had a distressed sale in the private market is highest in SY2003, and it will be telling to see how these data change once the families of students from SY2008 finally finish the foreclosure process.

Implications of Findings

The information on the trends of public school students affected by foreclosure raises policy implications that will be briefly touched upon in this brief and addressed more in depth in the final brief of this series. We focus on the policy implications for both the housing and education sectors, as the foreclosure crisis has a significant impact on both. Our intention is to bring the two sectors together to discuss how a coordinated effort can best serve children in families facing this situation.

Figure 10. Share of Students in Homes with Foreclosure Completions Is Growing



Sources: District of Columbia Public Schools, Public Charter School Board, District of Columbia Recorder of Deeds, District of Columbia Office of Tax and Revenue.

First, public school officials need to be aware of the impacts of the rising foreclosure crisis in their schools: the number of public school children whose families are receiving notices of foreclosure has been increasing; we expect the numbers to continue to grow due the increasing number of mortgages that are over 90 days delinquent; and a greater share of students live in houses with foreclosure completions. While there are not extreme concentrations of foreclosed students in any one school as of 2008, most schools are affected by this crisis.

Principals, counselors, and homeless liaisons can provide foreclosure counseling information to students and their families, as well as connect them to housing counseling services. In addition, DCPS and public charter school officials need to determine whether residential instability and possible homelessness due to foreclosure are covered under the McKinney Vento Act and provide the appropriate services.

Alternatively, housing counselor organizations need to be aware that foreclosures are affecting an increasing number of public school students and work with the schools to make sure the counselors have the most current information about education services (assistance as well as students' rights to remain enrolled in a school) are shared with the affected families.

Housing counseling organizations also need to be aware that foreclosures are targeted in specific neighborhoods, such as Sheridan/Barry Farms in Ward 8 and Brightwood Park/Crestville in Ward 1. In addition, areas with previously low levels of foreclosure have been experiencing recent increases, such as Trinidad and H Street Northeast.

The large increase in Hispanic families with public school children affected by foreclosure increases the need for counseling assistance and outreach in Spanish as well as English. From a recent survey of housing counseling services in the region, we know that many counseling organizations do offer services in Spanish (Capital Area Foreclosure Network [CAFN] 2010).

The significant increase in renter families affected by foreclosure points to the need to ensure parents of students are aware of their housing rights under D.C. law. These families may have been paying rent regularly and may be unaware that their landlord is in foreclosure. If the property goes to foreclosure sale, the renters will likely have little notice of a change in ownership but need to understand the District's "just cause" eviction law. Housing counseling organizations can assist renters in foreclosure by helping them figure out where to send their rent and address situations where the renters are told they have to move out. Thus far, many foreclosure outreach efforts have targeted homeowners, but the rising share of renter families suggests that they also need targeted outreach.

Significant progress has been made in helping those affected by foreclosure in the Washington area in the past few years. NeighborhoodInfo DC provides a weekly list of properties in foreclosure to housing counseling organizations and Department of Housing and Community Development (DHCD). Two organizations, Housing Counseling Services, Inc., and the Latino Economic Development Corporation, split up the multifamily properties on the list and make a personal visit to each property to ensure renters are aware of their rights and provide training if necessary. Single-family homes and condominium units on the list receive at least one letter from DHCD, another housing counseling organization, and the Office of the Tenant Advocate to provide homeowners and tenants with information about counseling and tenant rights.

The Capital Area Foreclosure Network (CAFN) is a joint project of the Metropolitan Washington Council of Governments (COG) and the Nonprofit Roundtable with leadership and support from the Urban Institute, as well as from the funding, nonprofit, public sector, and corporate communities. CAFN's goal is to help homeowners and renters avoid foreclosure and foreclosure scams by educating them, connecting them to resources, and building the capacity of the nonprofit sector to help them. CAFN has offered several training sessions, including one on renters and short sales for housing counselors. They have produced brochures in Spanish and English—one for renters and one for homeowners—that provide important information and a list of housing counseling organizations to contact. CAFN is in the process of fundraising to increase the counseling capacity in the region and are planning a regional advertising campaign with bus ads to increase awareness of foreclosure prevention counseling.

Many questions remain about what happens to families after foreclosure. The second brief in this series will explore the residential and school mobility rates of students affected by foreclosure, particularly focusing on the differences between renters and homeowners

Notes

1. The implications of limiting the analysis to public school children are that we miss families with only young children age 0–2. While school is not mandatory for District children until they turn 5 years old (kindergarten), District public schools offer full day preschool (for 3-year-olds) and prekindergarten (for 4-year-olds) and enrollments are quite high. We estimated that the 2008 prekindergarten enrollment captures 64 percent of all 4-year-olds living in the District. Another implication is that we would miss students enrolled in parochial or other private independent schools.
2. The study period is between 2003 and 2008 because the earliest available student-level data for this research project are from the 2003 school year.
3. DCPS data originate from the STARS database, and the public charter, student-level enrollment data were provided from the individual public charter schools as well as from the Public Charter School Board Authority's OLAMS system. The dates of the October count of District students are as follows: 10/7/2003, 10/7/2004, 10/5/2005, 10/5/2006, 10/5/2007, and 10/6/2008. While the enrollment data are from an October snapshot every year, school years include August through June of each school year and are designated as “SY.”
4. See appendix A for full methodology.
5. SY2006 refers to the school year that starts in August of 2006 and ends in June of 2007. We refer to all years covered in this report, SY2003 through SY2008, in the same way.
6. We also analyzed whether public school students affected by foreclosure were clustered in particular grades. However, the shares of affected students were proportionately distributed across the grades.
7. See appendix B for renter methodology,
8. Neighborhood in this study are defined using the DC Department of Planning's neighborhood cluster boundaries. There are 39 neighborhood clusters throughout the city, each made up of three to five neighborhoods.

Appendix A: Methodology for Merging Student and Foreclosure Data

We matched the foreclosure data to the student-level data based on two criteria. First, we matched the foreclosure data to the student data by parcel (or at property level), creating a new student-level data set with corresponding information about whether the property the student lived in had ever been through foreclosure. However, it does not reveal whether the student lived there during the foreclosure process, since the student-level data reveal only a point-in-time snapshot of student addresses on the October enrollment count date.

Thus, the second criterion to determine if the student lived in the property during the time the property was undergoing foreclosure was establishing a timing rule. To do this, we considered whether the student with a matching foreclosure lived in the parcel between the first foreclosure notice and the outcome, or end date, of the foreclosure process. If that was the case, we flagged the student as living there during foreclosure process. Examples 1 and 2 show two possible scenarios for a student who would be flagged as having been affected by foreclosure.

In some cases, the foreclosure data did not include a date for the first notice or outcome of the foreclosure, for various reasons. Foreclosure notices filed before the year 2000 were sometimes lost in the data. Likewise, some foreclosure processes had not been resolved when the data were used, causing there to not be an observed outcome.

If a student with a matched foreclosure was missing an outcome classification and date, then we created an artificial outcome date one year (365 days) after the filing of the last notice that property received. We then used the same two criteria discussed above to check to if the student lived in the property between the first notice date and constructed outcome date.

If the student with a matched foreclosure was missing a first notice date, then we constructed a first notice date one year (365 days) prior to the outcome date. We then used the same two criteria discussed above to check to if the student lived in the property between the constructed first notice date and outcome date.

There are other limitations to identifying students affected by foreclosure by relying on students residing in property between first notice and outcome within one year. First, low-income residents are highly mobile and the school data are limited in that we have only one address for the student based on one day in October of each year. However, this method of identifying students by whether they resided in the property at some point during the foreclosure process is conservative and seemingly reliable, particularly for children in homeowner families.

Appendix B: Methodology for Identifying Renters

Children in rental families present another challenge in that they are not directly affected by foreclosure notices and outcomes (i.e., the landlord is) and their families might not even be aware that the property in which they live is undergoing that process. Therefore, in theory, the student could have moved into a parcel that was undergoing foreclosure and may have moved out or have been evicted before the foreclosure process was completed. Still, we categorize children in rental families living in property affected by foreclosure as if they too were affected by foreclosure.

The Office of Tax and Revenue data describing property characteristics do not explicitly state whether a residence is occupied by the owner or a renter. However, the data classify residential properties as single-family homes, rental apartment buildings, condominiums, or cooperatives. We consider all students living in rental apartment buildings to be rental households, and students in cooperatives and condominiums as living in owner households. For single-family homes, we classify as owner-occupied those properties that receive the homestead deduction, a \$67,500 deduction in the property's assessed value for owners showing that they reside in the property and that it is their primary residence.

Because in large part our tenure variable is constructed around the homestead deduction, these data tend to understate the rental rate compared with national surveys, such as the American Community Survey (ACS). Also, because the rental rate in local housing data must be constructed based on sales and building type, few direct comparisons can be made with the ACS. However, the rental rate we found in the local housing data is a good approximation, as shown in table B-1, which compares the rental rate for single family homes.

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About NeighborhoodInfoDC

NeighborhoodInfo DC is a partnership between the Urban Institute and the Washington, D.C. Local Initiatives Support Corporation to provide community-based organizations and citizens in the District of Columbia and the Washington region with local data and analysis they can use to improve the quality of life in their neighborhoods.

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