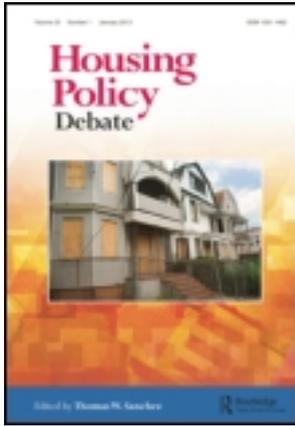


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## GUEST EDITORS' INTRODUCTION

### Assessing the Foreclosure Crisis From the Ground Up

Kathe Newman and Alex Schafran

This special interdisciplinary issue of *Housing Policy Debate* explores the foreclosure crisis at multiple scales. While individual researchers, institutes, and organizations must undoubtedly continue to dig deeply into the crisis from their respective points of expertise, the housing and urban policy community has an obligation to look everywhere simultaneously. This crisis is simply too big, too complex, and too deeply rooted in the history and contemporary dynamics of U.S. urban and suburban development to be reduced to even a handful of conversations and debates. The main body of this special issue includes seven articles that individually and collectively present a nuanced understanding of the empirical reality of the foreclosure crisis. The authors discuss foreclosure in different geographies and at different scales and use different disciplinary and methodological approaches to do so. The research papers examine more closely the aftermath of the crisis, heeding Lee, Clark, Pollard, and Leyshon (2009, p. 18) and Martin's (2011) calls to better understand "the geographies of asset creation and destruction" produced before and during the Great Recession. The papers look at foreclosure in different communities as the crisis unfolded, tempering the homogenizing tendencies of the macro look with a nuanced and locally contextualized examination of what is happening on the ground across the United States.

This issue leads off with a broad discussion about what happened and why. The objective is to refocus the broader debate about the financial crisis into a renewed discussion about housing and housing policy, and more specifically about the intersections among housing, financial products, and macroeconomic policy. Credit makes homeownership possible for many, and over time we have reconceptualized home as something more than just a home. It has become central to our economy, to individual and group wealth, to stabilizing neighborhoods, and to reviving poor neighborhoods and cities.

In the forum, Wachter and Levitan explore the growth of the private securitization market and the expansion of higher-risk lending in the construction of the housing bubble. Their work highlights the complex link between housing policy as macroeconomic policy and housing policy as housing policy, and how during the run-up to the crisis, the goals of the former usurped those of the latter. They offer a critical understanding of why this crisis could not have been built on any asset other than the U.S. home, setting the stage for a robust conversation about the intersection of these two critical policy arenas. Wyly's response furthers the macroeconomic/housing conversation by highlighting how class is inscribed in these processes. He questions whether efforts to expand homeownership spoke to lofty goals of providing "home," or if they were about integrating borrowers into the financialized economy. His argument, one which is consistent with Wachter and Levitan's and with a litany of research (Crump et al., 2008; Newman & Wyly, 2004; Wyly, Moos, Kabahizi, & Hammel, 2009; cf. Wyly & Hammel, 2004)—including some published before the crisis—is that predatory practices were exacerbated, if not enabled, by this macroeconomic/housing policy imbalance. These articles challenge us to think

critically about what we want from our housing policy and what connections it should have to the broader economy moving forward.

### The Foreclosure Process

The papers in the body of this issue explore the foreclosure process from the ground up: what it is, how it works, and how it has unfolded over time. The authors' struggles to assemble data within neighborhoods, municipalities, and regions reveal how the processes work in different places, including some places not commonly associated with the crisis. The construction of the datasets suggests the daunting work involved in understanding these processes and reveals an array of problems and insights that do not emerge from national studies. Tighe notes the invisibility of foreclosure related to manufactured housing in Appalachia, where foreclosure has added to historical struggles with poverty, while Hammel's work in Ohio finds complex foreclosure processes that raise questions about ownership after foreclosure judgment. Strom explores these issues in a rapidly expanding Sunbelt city that shares many of the problems older urban communities face along with those of rapid expansion, while Crump reveals the human face of foreclosure that so often falls away as we look at maps of foreclosure concentrations. Pfeiffer introduces us to contrasting experiences with foreclosure in Latino and African American communities in California and suggests new patterns of community change.

Each of these papers deals in some way with urbanization processes and with histories of metropolitan uneven development. The voices illuminate some of the core underlying tensions that are at the root of this crisis and help us understand its complexity. They work in conversation with two papers operating at the national scale. When Hyra et al. find that black/white segregation is a critical underlying indicator of high-cost lending and the foreclosure crisis, a finding consistent with other work (Rugh & Massey, 2010), but that white/Hispanic segregation is not, it would seem at odds with Neidt and Martin's finding that the average foreclosure victim is more likely to be younger and Hispanic. The former story is one consistent with two generations of urban scholarship in the United States, a history of racialized segregation where African Americans bore the brunt of a segregated metropolis now roughly a century in the making. The latter is a story of the "new America," a hyperdiverse society with vast communities of immigrants who call the suburbs home, a place where suburbanized poverty and gentrification are key stories and where black and white is no longer so black and white.

Understanding that both stories are true—that the foreclosure crisis is about the continuing legacy of the postwar crisis of redlining, black/white segregation, closed suburbs, and inner-city abandonment and is also about the "new" story of suburbanized poverty, immigrant homeownership, exurbs and struggling inner-ring suburbs, and an increasingly gentrified core—factors highly into what can be considered the "urban" explanations for the crisis (Bardhan, 2009; Bardhan & Walker, 2010; Burkhalter & Castells, 2009; Crump et al., 2008; Dymski, 2009; Schafran, 2012; Wyly et al., 2009), and one of the most critical lessons we must take moving forward. This is simultaneously about the deindustrialization of the Midwest (the old story) and the sprawling growth of the Sunbelt (the new story), and about old-fashioned racial discrimination in mortgage lending and complex 21st-century financial instruments. Reading the crisis as a complex layering of new and old, where we are simultaneously dealing with conditions created in 1950 and 2000, is part of the process of coming to terms with what happened, and for crafting policy and political responses that effectively engage with the situation at hand.

### The Response

Much as the empirical papers examining the roots of the crisis operate at national and local/regional scales, so too do the two analyses of policy responses. Immergluck shows how the federal foreclosure response was fragmented and underwhelming. Clearly it took time to appreciate the severity of the problem, but Immergluck argues that the poor response was not just the result of underappreciating the problem or of poor program implementation. Instead, he posits that the financial services industry negotiated the policy response and challenged larger scale responses.

Weidig and Goldstein meanwhile report on Philadelphia's effort to temporarily slow the foreclosure process and to facilitate communication and foreclosure resolution through a mandated program. Many of the actors in this effort worked collaboratively before the financial crisis and were poised to act. Rather than delay the process, the Philadelphia program appears to improve conditions for individuals, families, neighborhoods, municipalities, and investors. They caution, though, that there is a continuing lack of attention regarding mortgage origination problems, including fraud.

This example makes us wonder about the potential for better solutions nationally that would have improved conditions for borrowers, communities, states, and investors and challenges us to better understand the problems and build the coalitions to respond more effectively in the future. The considerable work required to ask and answer the simplest of questions—how many foreclosures, where, how long it takes, and what happens after the foreclosure process—is alarming. We have to wonder how it is possible that we know so little about something so integral to the economy; to our communities, states, and cities; and ultimately to our homes and families. We didn't see the foreclosure crisis coming and lacked information about it when it came, in part because we lack a national dataset on foreclosure performance and, as a result, depend on private sources that are often expensive and restrictive. Because we lacked the information that would have allowed us to understand the problem, it was difficult to make the case for large-scale policy efforts that could have vastly transformed the U.S. experience during this crisis. As the scale and scope of the foreclosure crisis became apparent, and the challenges on the ground trickled up, the policy options changed, but much was lost in the interim, and we have yet to craft a coherent national response. But crafting a foreclosure response should not be our primary or only policy response. We should heed Wachter and Levitan's and Wyly's calls to reconsider U.S. housing policy and its relationship to the financializing economy.

### Notes on Contributors

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