



FURMAN CENTER  
FOR REAL ESTATE & URBAN POLICY  
NEW YORK UNIVERSITY  
SCHOOL OF LAW • WAGNER SCHOOL OF PUBLIC SERVICE



**NYU Wagner**

Robert F. Wagner Graduate School of Public Service

# Impact of Foreclosures on Children and Families

Ingrid Gould Ellen

Prepared for *Distressed Residential Real Estate: Dimensions,  
Impacts, and Remedies*

Federal Reserve Bank of New York

October 5, 2012

# Collateral Costs of Foreclosures

---

- The Furman Center has studied the collateral costs of foreclosures on
    - neighboring communities
    - renters living in foreclosed properties, and
    - children living in foreclosed properties.
  - All potential victims of foreclosures who clearly cannot be blamed for having taken on more debt than they could handle – but they are still adversely affected by foreclosures.
-

# Impact on Communities

---

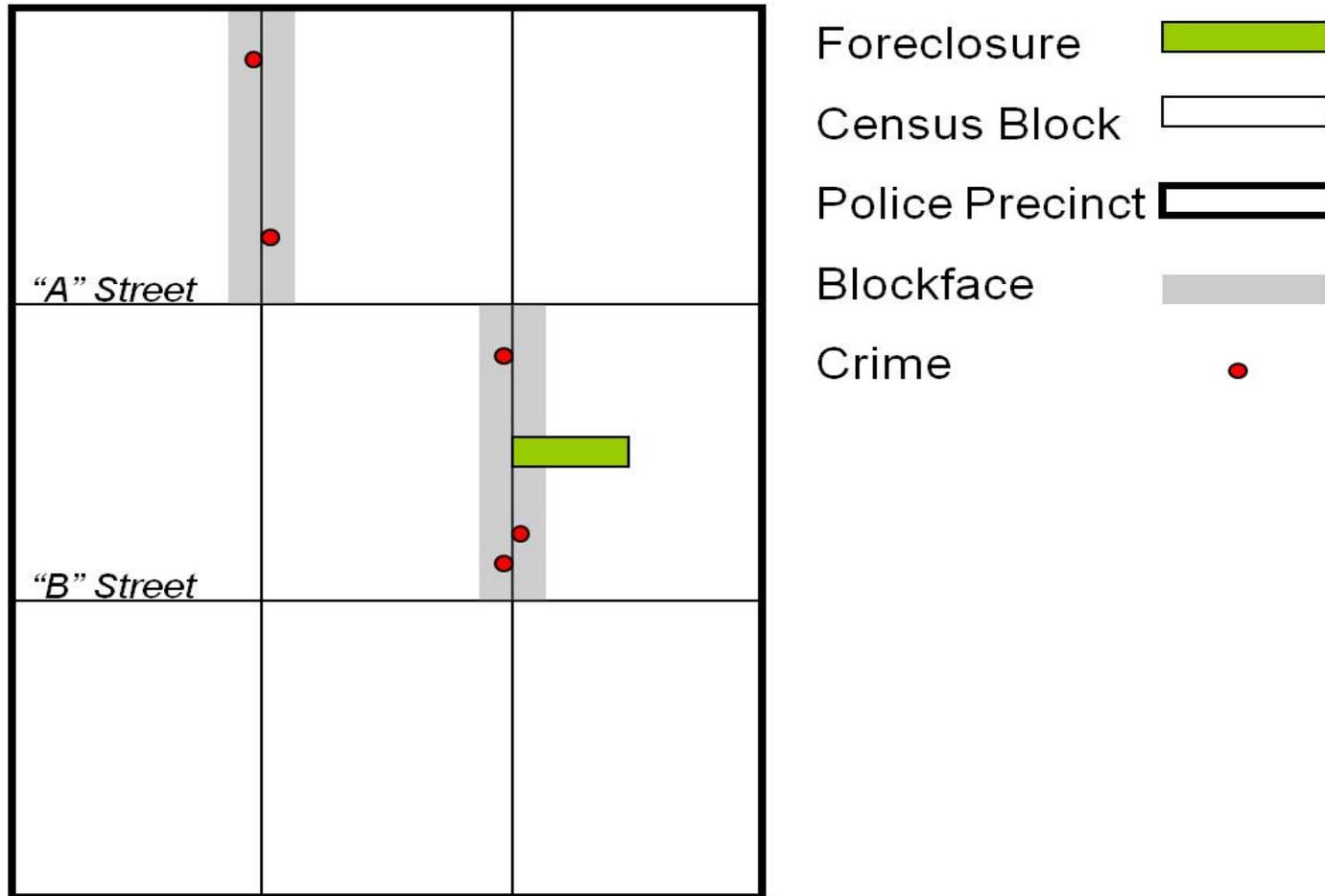
- We found that properties in foreclosure in New York reduce the value of surrounding properties (Schuetz, Been, and Ellen, 2008)
    - Consistent with other research (e.g., Harding, Rosenblatt, and Yao, 2009; Haughwout, Mayer, and Tracy, 2009; Lin, Rosenblatt, and Yao, 2009; Campbell, Giglio and Pathak; 2011; Gerardi, Rosenblatt, Willen, and Yao, 2012)
  - Far less work exploring impacts on local crime (Ellen, Lacoé and Sharygin, 2012)
-

# Do Foreclosures Cause Crime?

## Empirical Challenge: Identifying Causality

- Neighborhoods where foreclosures tend to occur are likely to be systematically different from other neighborhoods – and are likely to have more crime.
- We need to ‘weed out’ these baseline differences to test if additional foreclosures actually lead to additional crime using longitudinal and spatially-disaggregated data.

# Geographic Unit of Analysis: Blockface



# Impacts on Community Crime: Results

---

- An additional foreclosure leads to around a 1 percent increase in crime on average
  - Strongest impacts on violent and public order crime
  - Properties that are on their way to a foreclosure auction or in REO have largest effect on crime
    - Impacts start *before* auction
  - The effects extend to crime on neighboring blockfaces, but these effects are attenuated
-

# Impacts on Communities: Future Work

---

- So far, we have done work on crime in New York City
  - We are now extending analysis to four additional cities: Atlanta, Chicago, Miami, and Philadelphia
    - These cities have seen different market conditions and are located in four different states with different laws governing their foreclosure process
    - Do differences in intensity of crisis or in requirements of foreclosure process shape effects on crime?
  - Do more to explore mechanisms/timing of impacts
-

# Impacts on Renters

---

- Many renters live in properties going through foreclosure
  - Most of the properties that have received foreclosure notices in NYC are multifamily properties (mostly 2-4 family properties).
  - This is not unique to NYC, though shares may be larger in New York.
-

# Estimated Share of Households in Foreclosed Buildings Who Are Renters

	2008	2009	2010	2011
Bronx	62.9%	69.3%	66.7%	65.1%
Brooklyn	57.4%	59.3%	61.0%	56.7%
Manhattan	87.4%	77.7%	96.0%	88.9%
Queens	40.0%	39.6%	41.6%	38.6%
Staten Island	27.1%	26.3%	25.9%	26.5%
NYC	52.6%	54.4%	66.5%	56.8%

# Impacts on Renters

---

- While there are now protections in place for renters, we don't know how well these laws are understood or enforced, and renters may still be forced to move sooner than they would like.
  - Moreover, renters may experience deteriorating building conditions as owners disappear, so it is still possible that they are adversely affected.
-

# Impacts on Children

---

- The disruption and stress of a foreclosure may affect children profoundly.
  - Our focus has been on educational outcomes, as foreclosures and housing-related distress may force children to move schools and make it difficult for them to focus on school work.
-

# How Foreclosures Affect School Moves

- Owners pay back arrearages/receive modification
  - ❑ Homeowners may opt for public rather than private schools
  - ❑ Tenants may leave as owners reduce maintenance/utilities
- Owners sell property to pay off mortgage debt
  - ❑ Residents will move to new homes and perhaps schools
- Bank completes foreclosure/takes ownership
  - ❑ Residents will move to new homes and perhaps schools

# Impacts on Children's School Mobility: Results

- Controlling for differences in schools and individual demographic, children living in foreclosed homes in New York City are more likely to change schools
- Students who moved to new schools after a foreclosure tended to move to lower-performing schools. (Been, Ellen, Schwartz, Stiefel, and Weinstein, 2011)

# Impacts on Children: Future Work

---

- Analysis of how negative equity has affected children's academic performance (NYC, FL, CA)
  - Analysis of how foreclosures have affected children's academic performance (NYC, FL, CA)
  - Study of how housing crash has affected household savings, bequests, retirement and home maintenance
-