



Foreclosure and Kids: Does Losing Your Home Mean Losing Your School?

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Introduction

The recent foreclosure crisis has plagued nearly every city in the U.S., including New York City. Despite considerable attention to the causes of these mortgage foreclosures and the consequences they have had for communities, we know little about their impacts on individual families and children. Given that more than 2.8 million U.S. property owners received a foreclosure notice in 2010 alone; it is likely that large numbers of children are leaving their homes and moving schools, as well.

This policy brief examines the prevalence of foreclosure among buildings housing New York City public school students and explores the relationship between foreclosures and student mobility. Specifically, we examine whether children who live in properties entering

foreclosure are more likely than their peers to switch schools. Such mobility is of potential concern because research suggests that changing schools is often damaging to children's academic performance (Hanushek et al., 2004; Schwartz et al., 2007).

Key Findings

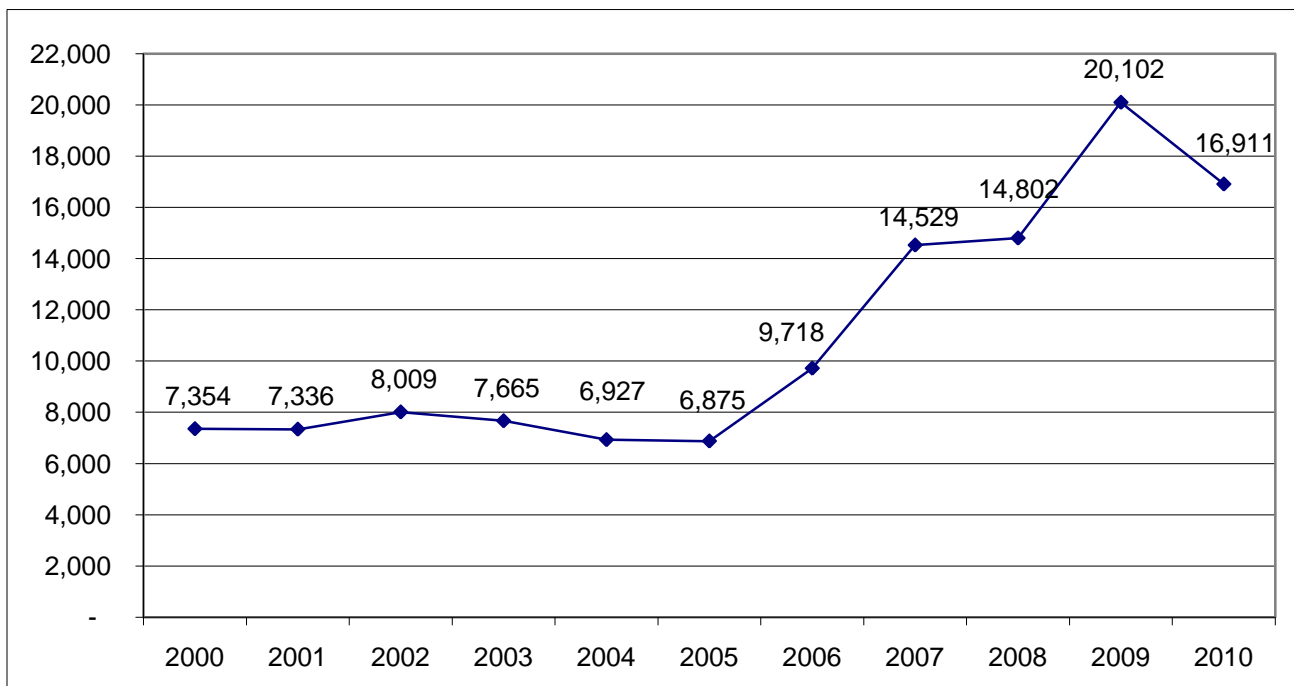
- 20,453 public school students lived in buildings that entered foreclosure in 2006-07.
- 61 percent of students living in buildings that entered foreclosure lived in 2-4 family or larger multi-family properties.
- 57 percent of students living in buildings that entered foreclosure in 2006-07 were black, compared to 33 percent of all other students.
- Public school students living in buildings in foreclosure were more likely to change schools in the year following a foreclosure notice than other students, and the effect was amplified for children in multi-family buildings.
- Students living in properties that entered foreclosure were significantly less likely than their peers to leave the New York City public school system in the subsequent year.
- Students who moved to new schools after a foreclosure moved to lower-performing schools on average. The change in school quality was no more dramatic, however, than that experienced by other students who moved schools.

This brief also explores how the new schools the children attend after moving differ from their origin schools, in terms of student demographics and performance. Our research focuses primarily on elementary and middle school students who attended New York City public schools in the 2003-04 and 2006-07 school years. For additional information on our data and methods, see Been et al. (2011), “Kids and Foreclosures: New York City.”

Foreclosures in New York City

While New York City may not have been hit as hard by foreclosures as such cities as Cleveland and Detroit, it has experienced a significant spike in recent years. The number of properties receiving a notice of foreclosure (*lis pendens* or “LP”) each year more than doubled between 2000 and 2010, with sharp upturns occurring between 2005 and 2007 and again between 2008 and 2009 (see Figure 1). In 2010, almost 17,000 properties received a notice of foreclosure. Our study periods capture foreclosures before and after the first jump in volume; the number of properties receiving a foreclosure notice increased by 41 percent between the 2003-04 and 2006-07 school years.

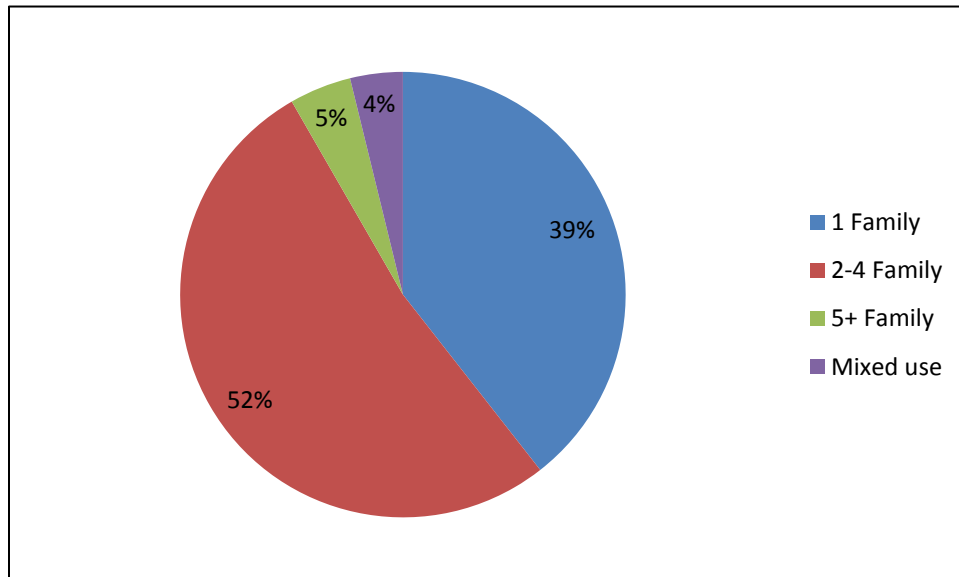
Figure 1: Properties that Received a *Lis Pendens* Filing (2000-2010)



The raw number of foreclosure notices masks the true impact of foreclosure because so many properties entering the foreclosure process are occupied by multiple households. As Figure 2 illustrates, in the 2006-07 school year, most of the properties receiving notices of foreclosure in New York City were small multi-family

properties with 2-4 units. As a result, the 17,282 properties that entered foreclosure in 2006-07 housed at least 35,634 unique households, more than half of whom were renters.¹

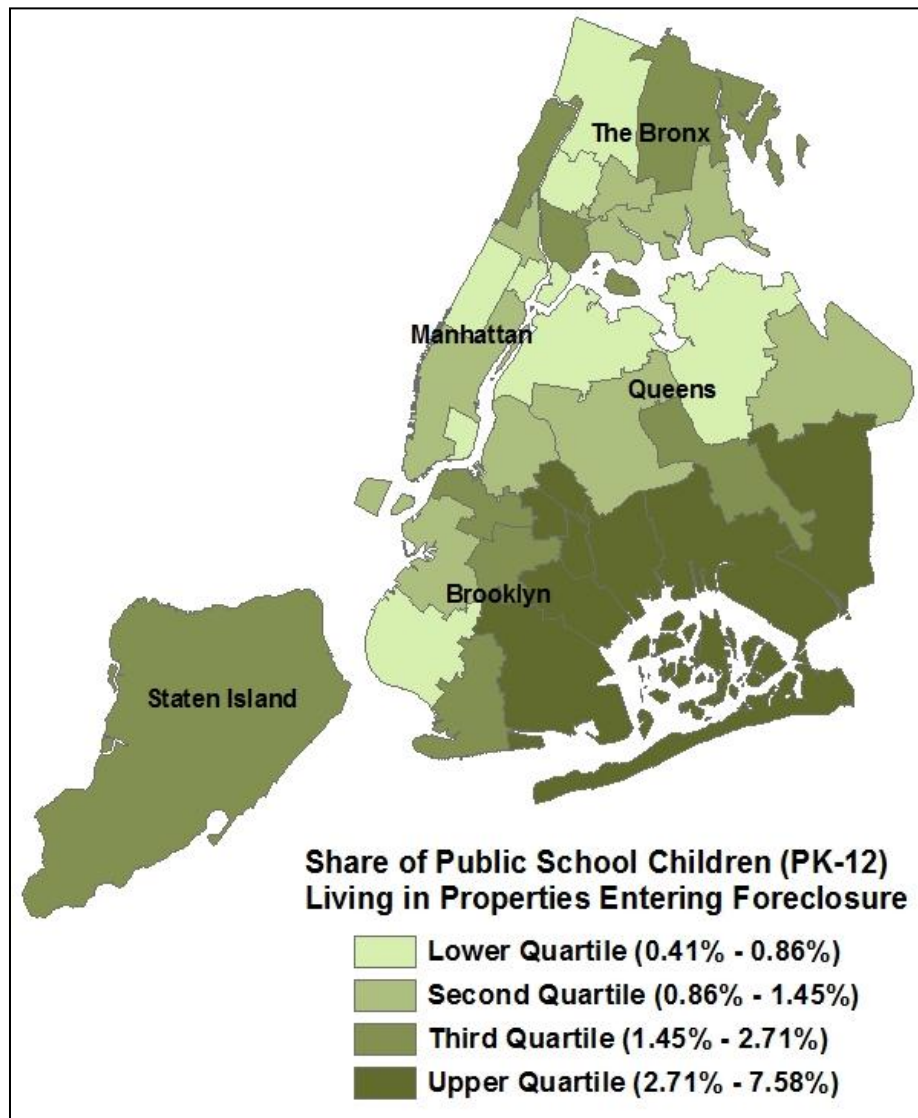
Figure 2: Properties that Received a *Lis Pendens* Filing, by Housing Type, School Study Year 2006-2007



Foreclosures are heavily concentrated in a few neighborhoods in New York City. As Figure 3 shows, students living in properties entering foreclosure in New York City attend school mostly in Brooklyn and Queens. Moreover, the students living in properties entering foreclosure are concentrated in particular school districts within these two boroughs. Most notably, foreclosures are heavily concentrated in North-central Brooklyn and Southeastern Queens. Virtually all of these communities have high concentrations of minority residents, and most are predominantly black (Furman Center, 2010).

¹For this calculation, we assume that all single-family homes are owner-occupied and that one unit in each 2-4 family building is owner-occupied. In multi-family properties with five or more units, we assume all units are renter-occupied.

Figure 3: Share of Public School Children (PK-12) Living in Properties Entering Foreclosure, New York City School Community Districts, School Study Year 2006-07



Foreclosure notices can lead to various outcomes for children and families living in the property. Some properties receiving foreclosure notices go all the way through the entire foreclosure process, ending at auction. When a property is repossessed or sold at auction, all residents are generally required to move, and many will likely end up in new neighborhoods and school zones.²

Other owners are able to resolve the delinquency by either becoming current on their loans or selling their properties to pay off the mortgage. If owners sell the property to pay mortgage debt, children of owners must move and children of tenants will likely—but not necessarily—be required to move as well. Again, these

² Tenants living in properties during the study period had few protections against immediate eviction once a property was repossessed by a lender. Subsequently, New York State enacted the Foreclosure Prevention, Tenant Protection and Property Maintenance Act of 2009, which requires property owners to give tenants notice at least 90 days before eviction.

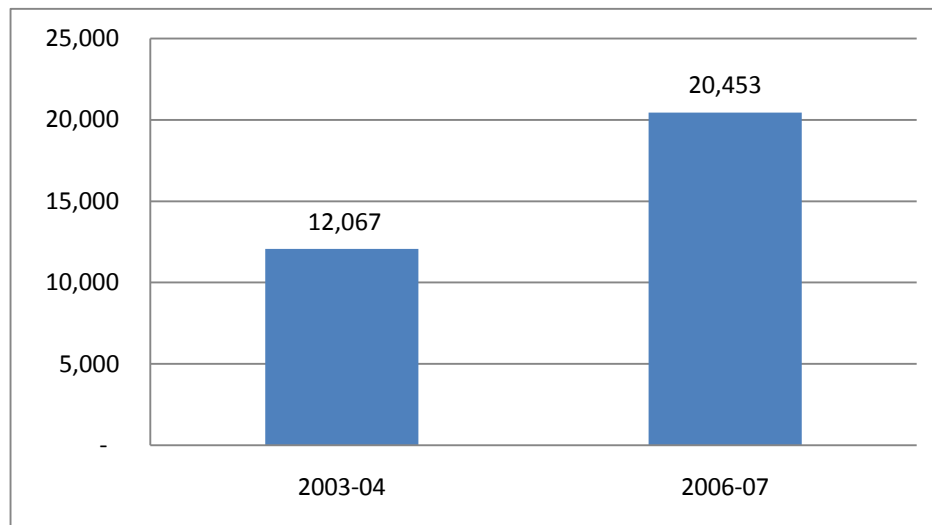
residential moves also may precipitate school moves. If owners pay the arrears or receive a mortgage modification, they may be able to stay in their homes but be compelled to make significant lifestyle or budgetary changes to afford the payments, which may affect their decisions about private school or after-school activities. Similarly, when owners of rental properties become current on payments and avoid foreclosure, they may cut back on maintenance or utility payments, and tenants may move out as a result.

In New York City, between 2002 and 2005, a relatively small share of properties entering foreclosure ended up at a foreclosure auction. Fewer than 10 percent of *lis pendens* issued in those years typically went to auction in the subsequent three years. However, the share of properties going to auction has increased in recent years, with nearly 20 percent of the properties that entered foreclosure in 2006 ending up at foreclosure auction by 2009. Between 2002 and 2005, half of the properties entering foreclosure were transferred to new owners without going to auction, either through an arms-length sale or through other means.³

Children Affected by Foreclosure in New York City

Given both the increase in foreclosure notices and the increased proportion of buildings in foreclosure that have multiple housing units, it is not surprising that the number of public school students living in buildings entering foreclosure increased between the two study periods, as Figure 4 shows. During the 2003-04 school year, 12,067 students lived in properties entering foreclosure; by the 2006-07 school year, this number had risen by 69 percent to 20,453 students. This represents two percent of the 1.13 million children attending New York public schools.

Figure 4: Number of Students Living in Properties Entering Foreclosure, 2003-04 and 2006-07



³Approximately 17 percent received a subsequent *lis pendens* notice, while another 27 percent had no subsequent recorded transaction by the end of 2009, implying that the owner renegotiated his or her mortgage or the foreclosure was still pending.

Among students living in properties receiving foreclosure notices, the share of students living in 2-4 family homes grew between 2003-04 and 2006-07, while the share living in single-family homes declined. As Table 1 shows, 28 percent of the students living in properties receiving foreclosure notices during the 2006-07 school year lived in single-family homes, and thus their families likely owned the homes that were foreclosed.⁴ Almost two-thirds of students lived in 2-4 family homes and about 10 percent lived in larger apartment buildings; most of these students' families most likely rented their homes.

Table 1: Characteristics of Children Living in Properties Entering Foreclosure, 2003-04 and 2006-07

	2003-04		2006-07	
	Students Living in Properties Entering Foreclosure	Students Not Living in Properties Entering Foreclosure	Students Living in Properties Entering Foreclosure	Students Not Living in Properties Entering Foreclosure
<i>Building Structure Distribution</i>				
Single family	31%	Not available	28%	Not available
2-4 units	59%	Not available	63%	Not available
5+ units	10%	Not available	9%	Not available
<i>Grade Distribution</i>				
Grades 1-8	57%	57%	53%	52%
Grades 9-12	24%	24%	27%	29%
PreK/K	10%	10%	10%	11%
Special Ed/other	10%	9%	9%	8%
<i>Racial Composition</i>				
Percent Black	56%	32%	57%	33%
Percent Hispanic	30%	39%	29%	39%
Percent White	9%	15%	8%	14%
Percent Asian/Other	6%	13%	7%	14%
<i>Poor Students</i>				
Percent on Free/Reduced Price Lunch	78%	75%	89%	79%
<i>Number of students</i>	12,067	1,068,115	20,453	1,110,780

Slightly more than half of the students whose buildings entered foreclosure in the 2006-07 school year were in elementary grades (1-8) and 27 percent were in high school. The distribution across grades is fairly similar for the students who did not live in buildings entering foreclosure.

The largest difference between students who lived in properties entering foreclosure and those who did not was race. Students whose buildings entered foreclosure were far more likely to be black than other students in the school system. In 2006-07, 57 percent of students living in buildings entering foreclosure were black,

⁴ According to the American Community Survey, 85 percent of single-family homes in New York City were owner-occupied in 2007 (U.S. Census Bureau, 2007).

compared to 33 percent of all other students. The proportions were almost identical in the earlier school year. Students living in buildings entering foreclosure were significantly less likely to be white, Asian, or Hispanic than other students. Only 29 percent of students in buildings entering foreclosure were Hispanic in the 2006-07 school year, as compared to 39 percent of other students.

Children Living in Properties in Foreclosure Are More Likely to Switch Schools, but Stay in the NYC School System

We capture student mobility by identifying whether students attended a different school in the base study year than in the following school year.⁵ Table 2 shows mobility patterns by foreclosure status. We group grades 1-4 and 6-7 but separately report fifth and eighth grades because these are natural mobility points, as most elementary and middle schools terminate in those grades. The table shows that children living in foreclosed buildings were more likely than their peers to switch schools.

Table 2: School Mobility by Foreclosure Status, 2006-07 to 2007-08

	Students Living in Properties Entering Foreclosure	Students Not Living in Properties Entering Foreclosure
Grades 1-4		
stayed in same school	84%	83%
changed schools	13%	10%
exited system	3%	7%
Grades 5		
stayed in same school	23%	22%
changed schools	74%	71%
exited system	4%	8%
Grades 6-7		
stayed in same school	85%	83%
changed schools	12%	10%
exited system	3%	7%
Grade 8		
stayed in same school	6%	7%
changed schools	92%	85%
exited system	3%	8%

Interestingly, while children experiencing foreclosure were more likely than their peers to move to a new school within the New York City system, they were *less* likely to leave the city's public school system altogether. In a given school year, between seven and eight percent of students exit the school system because their families enroll in schools outside of New York City or because they switch to private or parochial schools.⁶ Among

⁵ We analyze student moves between 2003-04 and 2004-05 school years, and between the 2006-07 and 2007-08 school years.

⁶ According to the American Community Survey, 20% of NYC students in grades K-12 went to private school in 2009 (U.S. Census Bureau, 2010).

students living in buildings entering foreclosure, only about three percent exit the public schools. This may imply that a foreclosure causes families who would otherwise move away or send their children to private or parochial school to continue to rely on the New York City public school system. We see similar patterns for the students in the 2003-04 base year.

These raw percentages do not control for potential underlying differences between the students who lived in buildings entering foreclosure and those who did not. Thus, we also estimate regressions that allow us to compare the school mobility rates of students living in properties entering foreclosure to those of other students, while controlling for race, poverty, gender, and grade, which may be associated with mobility. The full results of these regressions are in Been et al., 2011. We find no evidence that differences in mobility rates are driven by differences in the underlying populations. The regression results also reveal that students living in 2-4 unit and larger multi-family buildings were more likely to move after a foreclosure notice than those living in single-family homes. In addition, children living in properties that went to a foreclosure auction experienced particularly high levels of school mobility.

Students Who Move After a Foreclosure Notice Attend Schools with Lower Test Scores

As Table 3 shows, we also compared the schools that students attended before and after their move for both students moving after a foreclosure notice and students moving for other reasons. Students who moved to new schools after a foreclosure notice tended to move to lower-performing schools. On average, children who experienced a foreclosure notice moved from a school with a math proficiency rate of 74 percent to a school where only 62 percent of students are proficient in math. On average, children living in buildings entering foreclosure end up in schools with reading proficiency rates that are five percentage points lower. Although not shown in the table, we found some evidence that students who lived in 2-4 unit buildings that entered foreclosure moved to schools with relatively worse test scores than students living in other types of buildings entering foreclosure.

Table 3: Comparison of Mean School Characteristics of Children Before and After Move, by Foreclosure Status, Grades 1-7¹

	Origin School 2006-2007	Destination School 2007- 2008	Change between school years
Characteristics of schools of children in buildings entering foreclosure who moved			
% African-American	50%	46%	-4%
% Hispanic	34%	35%	1%
% Free and Reduced Price Lunch	81%	77%	-4%***
% English Language Learners	13%	11%	-3%***
% Special Education	13%	14%	0%
% Testing Proficient/Advanced in Math	74%	62%	-12%***
% Testing Proficient/Advanced in Reading	53%	48%	-5%***
Number of Students	1,998	1,956	
Characteristics of schools of children in buildings NOT entering foreclosure who moved			
% African-American	30%	31%	1%
% Hispanic	41%	41%	-1%
% Free and Reduced Price Lunch	77%	74%	-3%**
% English Language Learners	18%	13%	-5%***
% Special Education	14%	14%	0%
% Testing Proficient/Advanced in Math	77%	65%	-12%***
% Testing Proficient/Advanced in Reading	57%	51%	-5%***
Number of Students	89,395	89,258	

¹ Less than 1% of students are excluded from the analysis each year because they attended Special Education schools.

* Indicates that the probability that the differences are random is less than 5%. ** Probability less than 1%

*** Probability less than .1%.

As for other school characteristics, the new schools have slightly lower shares of low-income students (as measured by eligibility for free or reduced price lunches) and English-language learners. The racial and ethnic composition of schools students attend after a foreclosure-related move are nearly identical to their origin schools.

Although the changes shown in Table 3 are significant, our regression analysis suggests that the change in school quality associated with foreclosure-related moves was no more dramatic than that experienced by other students who moved schools. The complete results of that analysis are presented in Been et al., 2011.

As shown in Table 4, we next compare the neighborhoods surrounding both origin and destination schools for children who moved between the 2006-07 and 2007-08 school years. For the children who moved after a foreclosure notice was received, their new school's neighborhood, on average, had nine percent fewer African-American households, and three percent fewer homeowners. Children who moved for reasons not clearly related to a foreclosure moved to schools in neighborhoods with a similar ethnic composition to their origin

schools' neighborhood, with a slight reduction in the concentration of Hispanic households. There was little change in the neighborhood poverty rates of origin and destination schools for children in either group.

Table 4: Comparison of Mean Characteristics of Neighborhoods¹ Surrounding Schools Attended by Children Before and After a School Move, by Foreclosure Status, Grades 1-7²

	Origin School's Neighborhood 2006-07	Destination School's Neighborhood 2007-08	Change Between School Years
Characteristics of neighborhoods surrounding schools attended by children in buildings entering foreclosure who moved schools			
% African-American	48%	39%	-9%***
% Hispanic	27%	28%	0%
% Living in Poverty	24%	23%	-1%
% Owner-Occupied Housing	33%	30%	-3%**
Number of Students	1,998	1,956	
Characteristics of neighborhoods surrounding schools attended by children NOT in buildings entering foreclosure who moved schools			
% African-American	30%	28%	-1%
% Hispanic	32%	29%	-3%**
% Living in Poverty	24%	22%	-2%***
% Owner-Occupied Housing	28%	29%	0%
Number of Students	89,395	89,258	

² Less than 1% of students are excluded from the analysis each year because they attended Special Education schools.

* Indicates that the probability that the differences are random is less than 5%. ** Probability less than 1%.

*** Probability less than .1%.

Neighborhood Characteristics Source: Census, 2000

Conclusion

Foreclosures in New York City have steadily increased over the past five years. As policymakers begin to understand the broader costs that foreclosures impose on communities, it is important to consider their effect on students and schools.

On balance, foreclosures seem to increase students' propensity to move schools, but decrease the likelihood of leaving the school system, which may have implications for student performance and academic experience. Moves are disruptive for families and children. Moves due to foreclosure notices may place additional stress on families, which may, in turn, affect a student's ability to learn and succeed in school. Educators and policymakers should be alert to social or academic problems resulting from mobility increases. NYU's Institute for Education and Social Policy and Furman Center for Real Estate and Urban Policy are continuing to study this issue and are evaluating the consequences of foreclosure-related moves for student performance.

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About the Project

The Open Society Foundations funded three research organizations from the National Neighborhood Indicators Partnership (NNIP) to explore how foreclosures have affected children in their cities. NYU's Institute for Education and Social Policy and Furman Center for Real Estate and Urban Policy were chosen to study New York City's public school students.

The Institute for Education and Social Policy is a joint research center of NYU's Wagner and Steinhardt Schools. Founded in 1995, IESP brings the talents of a diverse group of NYU faculty, graduate students and research scientists to bear on questions of education and social policy. We are one of the nation's leading academic research centers addressing urban education issues and a substantial amount of our work focuses on New York City public schools and students.

The Furman Center for Real Estate and Urban Policy is a joint research center of the New York University School of Law and the Robert F. Wagner Graduate School of Public Service. Since its founding in 1995, the Furman Center has become a leading academic research center dedicated to providing objective academic and empirical research on the legal and public policy issues involving land use, real estate, housing and urban affairs in the United States, with a particular focus on New York City.

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