

RISKY BUSINESS: THE FORECLOSURE CRISIS, ASIAN AMERICANS, AND  
ASIAN AMERICAN-SERVING COMMUNITY-BASED ORGANIZATIONS

BY

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THESIS

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## ABSTRACT

The 2007 foreclosure crisis has strained the U.S. economy with high foreclosure rates and property loss affecting many communities. However, there is a dearth of research on how the crisis has impacted Asian American communities, even though they are geographically concentrated in metropolitan areas and states with higher foreclosure rates. This study explores foreclosure risk, or what factors impact homeowner vulnerability to foreclosure, and how the foreclosure crisis has impacted Asian Americans. It examines these effects across the nation with a focus on Minneapolis-St. Paul, Minnesota. To better understand foreclosure risks, the study includes help-seeking behavior, highlighting how Asian American-serving community-based organizations (AA CBOs) mediate these risks for their clients. The study consequently includes interviews with AA CBO staff from across the country and focus groups with Laotian homeowners from Minneapolis-St. Paul.

The results illustrate that many Asian American homeowners are geographically concentrated in areas with higher foreclosure risk and live in neighborhoods that expose them to risk factors that may lead them to eventually foreclose. The study also finds that AA CBOs have developed a number of strategies to mediate the impacts of the foreclosure crisis and foreclosure risks, but have few resources to serve immigrant, limited English-speaking homeowners. Amidst shifting housing policy changes, these AA CBOs have developed their own networks to expand their access to resources and better serve clients. In the Minneapolis-St. Paul area, there is increasing segmentation and devolution of services, which narrows the networks that AA CBOs utilize to develop foreclosure prevention resources for clients. These trends in service delivery also limit mainstream institutions' understanding of Asian Americans in the region.

These findings have implications for planners and policy makers as to how they can better support smaller and marginalized populations by understanding the effects that housing policies have on these populations and through collaborations with CBOs. By offering assistance to more groups, local governments can prevent accruing further costs related to foreclosures and help their economic stability. The study also raises questions about the effectiveness of devolution as a government strategy in housing service provision when foreclosures are a complicated and time-consuming process. With growing segmentation in housing service provision between the government and CBOs in addition to among various CBOs, there is a growing gap between decision makers and CBOs that implement policy changes. These gaps add to the dearth of resources that many CBOs experience in providing services that they are expected to fulfill for their clients without sufficient government support.

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# CHAPTER 1

## INTRODUCTION

The 2007 foreclosure crisis dramatically impacted families, neighborhoods, local governments, and financial institutions, both nationally and globally. It is critical to understand the economic context and market forces at play surrounding the crisis because these external processes can have devastating impacts on individual homeowners and the communities in which they live. The “interaction of state services, community-based nonprofit organizations, private sector companies, and voluntary and informal processes,” which is formed by external forces, including the private market and government policies, enable or take away the opportunity of homeownership (DeFilippis, Fisher, & Shragge, 2010, p. 16). This research contributes to the untangling of these forces that affect individual and community stability. By understanding what forces impacts individuals and on a community-wide level, policy makers and planners can better assist in foreclosure recovery efforts and the nuances of these interventions.

With the significant impacts that foreclosures can have, it is important to understand what factors contribute to homeowners’ vulnerability to foreclosure, or what I refer to in this study as *foreclosure risk* factors. While others have examined how type of loan, housing discrimination, race, income, and geography affect foreclosure risk, there is less literature about immigration status, language differences, and other potential factors that disproportionately affect smaller racial minorities. In particular, there are few studies that have focused on Asian Americans as a racial group, and Asian American ethnic groups (e.g., Filipino, Chinese, Laotian).<sup>1</sup> It is unclear

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<sup>1</sup> The term, “Asian American,” is used throughout the text to refer to any persons who are of Asian descent, including those who are foreign-born. This pan-Asian term was first introduced in the late 1960s in opposition to white supremacy and imperialism. “Asian American” was introduced as a political term to assert a community-driven identity during the campaigns to institutionalize Asian American Studies on university campuses. It was then used in the mid-1970s by professional and community organizations to lobby for resources dedicated to Asian Americans. This term was created to increase the effectiveness and political visibility of Asian Americans. For more on the history of the term, see Espiritu (1992). This term is not meant to diminish the diversity of identities,

how these groups were affected by foreclosures and what contributes to their foreclosure risk, which would help understand how generalized housing policies impact a growing population in the United States.

Community-based organizations (CBOs) have undertaken an important role in serving communities at risk for foreclosure, particularly those at risk in Asian American communities. CBOs oftentimes serve as mediators and a primary source of social services for immigrant and/or minority populations that are underserved by the government.<sup>2</sup> Although providing much needed services, CBOs are constrained by market pressures and a lack of government funding—both factors challenge their ability to provide services and advocate for clients. By studying the help-seeking behavior of Asian American homeowners and their interactions with CBOs, CBOs can design interventions targeting these groups. Then, by understanding the effectiveness of CBO interventions, policy makers, planners, and other funders of CBOs can learn how to build relationships with CBOs to create more sustainable programs and systems that can maintain neighborhood and community stability in another crisis context.

## **Overview of Chapters**

This study focuses on answering two questions on foreclosure risk and CBO intervention as related to Asian Americans. Specifically, 1) how did foreclosure risk affect Asian American homeowners during the foreclosure crisis, and 2) How have Asian American-serving CBOs (AA

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socioeconomic status, and immigration history among Asian American ethnic groups. It also does not include Native Hawaiians or other Pacific Islanders.

<sup>2</sup> Community-based organizations are defined broadly in this study. Rather than simply including organizations that are place-based, CBOs include those that are nonprofits and may be tied to either a geography and/or target a specific population that may live within a larger region. Oftentimes, CBOs that focus on a group have a larger geographic scope if their targeted population is geographically dispersed throughout a region or state. In contrast, mainstream CBOs are defined as those that do not focus on a particular group, but are more narrowly defined by a specific geography or social service that they provide. Unlike other CBOs that may target a population, mainstream CBOs are categorized here as organizations that primarily focus on providing services in English.

CBOs) mediated these foreclosure risks for their clients?<sup>3</sup> These questions not only help to understand the impacts of the foreclosure crisis as a specific point in time, but also learn more about factors that affect Asian American homeowners and their vulnerability to foreclosure overall. While the study does focus on Asian Americans, many of these risk factors overlap with other Americans because they reflect larger trends in the housing market and the devolution of social services to CBOs.

Chapter 2 begins by describing factors that have impacted foreclosure risk, including the evolving housing market conditions that led to the crisis. It also explores the disparate outcomes that minorities and immigrants have experienced in homeownership and risk of foreclosure due to increasing deregulation and the changing housing market. These disparate outcomes affect their vulnerability to foreclosure with the rapid changes that led up to and followed the crisis. This chapter concludes with what already is known about the production of foreclosure risk specifically for Asian Americans.

Chapter 3 introduces the origins of community interventions, including formal and established CBOs. As with other social services, CBOs have played an important role in housing through homebuyer counseling, rental assistance, and more recently foreclosure prevention mitigation. While providing these services, CBOs are also affected by societal influences on minorities and immigrants, as the perception of these groups impacts CBO funding. It also broadly describes not only how AA CBOs have worked directly with clients, but also mediated between the market and public sector, similar to other mainstream CBOs.

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<sup>3</sup> While the study identifies these organizations as Asian American-serving, many are not exclusive and provide services to clients of other racial or ethnic backgrounds. However, they are labeled AA CBOs for the purposes of this study because these CBOs tend to invest more resources into providing translated materials into Asian languages and outreach to Asian American clients.

Then, Chapter 4 provides an overview of the research questions and the methodological approach, which uses a mix of quantitative and qualitative methods. The chapter also includes the conceptual framework used to answer the research questions. After, it reviews other methodologies that other researchers have used to answer similar questions about the foreclosure crisis to contextualize the methods used. To better understand these effects, these questions are examined on a national and local study in the Minneapolis-St. Paul, Minnesota region, or the Twin Cities.

Subsequently, Chapter 5 summarizes the findings from the national analysis, examining foreclosure risk of Asian Americans and what factors contribute to their vulnerability to foreclosure. It also includes how AA CBOs are intervening in different regions of the United States to describe the foreclosure landscape that AA CBOs are confronting and how they are addressing these challenges. The national scope informs broader themes of government support or ineffectiveness, and how AA CBOs are filling in the gaps of service. This level of analysis also provides insight into national housing market forces that affect AA CBOs and Asian American homeowners, regardless of location.

Chapter 6 describes findings from similar measures in the Twin Cities. With its local focus, additional interviews were conducted with other U.S. Department of Housing and Urban Development (HUD) -certified CBOs to compare how AA CBOs and mainstream CBOs implement foreclosure prevention services and how they were impacted by the crisis. Focus groups with Laotian homeowners were also included who participated in housing services to explore individual homeowner foreclosure risk factors. By including a local analysis, this chapter illuminates what risk factors may specifically affect Laotian homeowners more than other groups.

Chapter 7 revisits the research questions and illuminates implications from the study. It ties the findings of the national and local study together to highlight that Asian Americans are at greater foreclosure risk than the overall population, in particular when looking at specific Asian American ethnic groups due to a number of factors. Themes from the analyses are summarized, describing the resource limitations and strategies that AA CBOs have experienced during the crisis to intervene for clients. After, it explores areas of future study that can further examine these research questions.

Chapter 8 then provides my thoughts on persistent issues that will affect Asian Americans and the stability of AA CBOs. First, it describes how generalized housing policies affect Asian Americans based on the findings. The chapter then offers thoughts on the effectiveness of devolution as a government strategy in the provision of foreclosure prevention assistance, particularly when this strategy segments the CBO sector and increases divisions between CBOs and the government. The chapter then describes the conflicting role that CBOs currently have in housing services and suggests potential pathways to encourage policy makers and planners to engage with CBOs. It ends with policy recommendations and implications for planning.

The disparate impacts of the foreclosure crisis have placed much of the burden on minority and immigrant communities. By better understanding how it affected Asian Americans and Asian American ethnic groups, planners can shape policies to benefit communities and incorporate smaller populations who contribute to the economies of cities. If cities do not have the capacity to directly provide services for these smaller populations, they need to work with institutions to strengthen interventions because the impacts of foreclosures extend beyond the

individual. By becoming more inclusive, policy makers and planners can help provide for the larger public good that will benefit from greater economic stability.

## CHAPTER 2

### ASIAN AMERICANS AND FORECLOSURE RISK

Minorities and immigrants have experienced differential foreclosure risk. Some of these risk factors result from lack of access to mainstream financial institutions, or to lower income, inconsistent employment opportunities, and discrimination. However, many housing policies favor wealthier homeowners and have evolved over time to extend homeownership opportunities to riskier borrowers. In the process, lenders and brokers developed and sold exotic and subprime loans to minority and immigrant borrowers and neighborhoods, which exacerbated existing foreclosure risk factors that affected these communities. Coupled with increased deregulation that favors investors and lenders, these minority and immigrant homeowners' foreclosure risk has grown as a result of the 2007 foreclosure crisis.

The following describes the overall impacts of the foreclosure crisis for individual homeowners, neighborhoods, cities, and financial institutions. It then explains multiple risk factors, including changes in the housing and lending market that led to the foreclosure crisis. Next, the chapter identifies four risk factors that affect minorities: housing discrimination, race, geography, and information asymmetry. It then connects how these four areas and other risk factors affect Asian Americans' foreclosure risk. While much is still unknown about how these groups were affected by the foreclosure crisis, the current study focuses on foreclosure risk to identify ways that can intervene and mediate their vulnerability to foreclosure.

#### **Overview of the Foreclosure Crisis**

Researchers at the Federal Reserve Bank of Dallas estimated that the economic downturn cost the country between 6 and 14 trillion dollars while household net worth decreased by 16 trillion dollars (Atkinson, Luttrell, & Rosenblum, 2013). The percentage of homes that had at

least one foreclosure filing grew from 0.6 to 2.2 from 2006 to 2010; some states had foreclosure rates as high as 9.4 percent and 5.7 percent in, for example, Nevada and Arizona, respectively (Taylor, Kochhar, Fry, Velasco, & Motel, 2011). The United States also lost 7.5 million jobs between 2007 and 2009, and had an unemployment rate of 9.5 percent in 2009, which exacerbated the economic consequences of the recession and affected families' ability to pay their mortgages (Taylor et al., 2011).

At the individual level, families experienced many hardships because of the crisis. Not only did they lose their equity and wealth, but also their credit scores fell. Because of the growing use of credit bureau data to buy insurance, rent an apartment, or get a job, becoming delinquent on a mortgage or entering foreclosure can have additional long-term effects for a family's stability (Immergluck, 2009). Christie (2010) found that mortgage delinquency could affect one's credit score by 40 to 135 points, while a foreclosure or short sale can lower a credit score by 85 to 160 points. For many lower- or middle-income families, the home is particularly important because it is their largest asset (Denton, 2006, p. 71). After losing their largest source of wealth, families are left with few resources to support themselves.

As individuals entered foreclosure, neighborhood stability waned. Immergluck (2009) found that a foreclosed home reduced the values of homes within an eighth of a mile by 1 to 1.5 percent, "even during a time of fairly strong housing prices" (p. 150). For a study in Philadelphia, house sale prices decreased by \$3,542 when located within 300 to 449 feet of a vacant house; sale prices dropped by as much as \$7,627 when 150 feet from vacant houses (Shlay & Whitman, 2004). The Center for Responsible Lending similarly estimated that nearly \$2 trillion in property values were lost for homeowners who lived near foreclosed properties between 2007 and 2011; more than half of these spillover effects were in neighborhoods with



majority non-White residents (Bocian, Smith, & Li, 2012). Massey and Denton (1993) described a HUD study that found that once 3 to 6 percent of homes in a neighborhood are abandoned, “the process of decay quickly become[s] cumulative” (HUD, 1973). These spillover effects impact the individual’s wealth in addition to the neighborhood’s stability.

As more neighborhoods faced disinvestment and abandonment, their local governments “were forced to become custodians of abandoned houses,” particularly for houses with unknown lien owners (Immergluck, 2009, p. 3). In 2013, there were more than 300,000 vacant properties in the country due to foreclosure (Liston, 2013). However, abandonment results in larger local revenue impacts. For example, Apgar and Duda (2005) found that the city of Chicago had 26 different municipal costs related to foreclosures and vacant properties in 2003, including \$5,000 to mow lawns and remove trash, \$4,307 in property tax losses from demolition, and fire suppression costing the most at \$14,020. The city of Chicago may lose more than \$46,000 per foreclosure and has to involve multiple city departments due to the burden that foreclosures place on local governments.

As more homes entered into foreclosure, financial institutions lost an estimate of \$200 billion (Immergluck, 2009, p. 159). The U.S. Federal Reserve Bank provided several loans to banks and depositories, giving \$20 billion in December 2007, \$60 billion in January 2008, and incremental amounts that increased to \$200 billion on March 12, 2008 (Crump et al., 2008). Many investment companies also had to look for capital abroad because they were having difficulty recovering funds domestically. For example, Morgan Stanley received \$5.5 billion from China and Merrill Lynch received \$6.6 billion from Kuwait in 2007 (Crump et al., 2008).

When banks and lenders foreclose on the homeowner, they take over the property’s lien. This change in ownership continued to have spillover effects on neighborhoods. Because they

oftentimes had a large portfolio of properties, these lenders did little to sell or maintain these properties, which then further decreased property values around these vacant homes; homes that entered foreclosure were also more likely to be foreclosed several times (Gamino, 2013).

These effects are particularly troubling when considering the deliberate actions of some lenders and banks that contributed to the large number of foreclosures. For example, banks often favored mass foreclosure over negotiating loan modifications, which resulted in further disinvestment and foreclosures. Additionally, if banks informed homeowners that they were going to foreclose, but ultimately did not follow-through and file for foreclosure, these homeowners were still held liable for their property taxes, which dropped their credit scores and contributed to declining property values in their neighborhoods (Liston, 2013). In other cases, banks and lenders reportedly misled their clients and held up their loan modification process, which led them into foreclosure. For instance, former Bank of America employees filed statements for a lawsuit against the bank, asserting that they were given incentives to deny loan modifications because foreclosures were more profitable than loan modifications to Bank of America (Weil, 2013). On a smaller scale, Minnesota homeowners reported that some lenders were proceeding to foreclose on homeowners while the borrowers were still negotiating a loan modification, or “dual tracking” (Schmickle, 2013).

While banks and lenders became landlords and poorly managed their properties, investment firms have recently found ways to capitalize on formerly foreclosed properties. Former homeowners are now renting in higher numbers; consequently, investors see the potential of \$84 billion more in rental properties (Lazo & Tangel, 2013). With these firms acting as landlords, rental prices are increasing and preventing homebuyers from purchasing new homes. Additionally, these investment firms are bundling rental income and securitizing

properties to sell to investors. For example, American Homes 4 Rent has bought 18,000 homes to rent out (Lazo & Tangel, 2013). However, the rental market is increasing because of the high risk and securitization that these investment companies pushed for, which may increase the years it will take for the country to recover from foreclosures. As banks, lenders, and investment firms find ways to profit from the foreclosure crisis, the resulting hardships from the crisis have been particularly acute for racial and ethnic minority groups. These disparities among minority borrowers and neighborhoods are the cumulative result of historical policies and disproportionate risks that impact minorities.

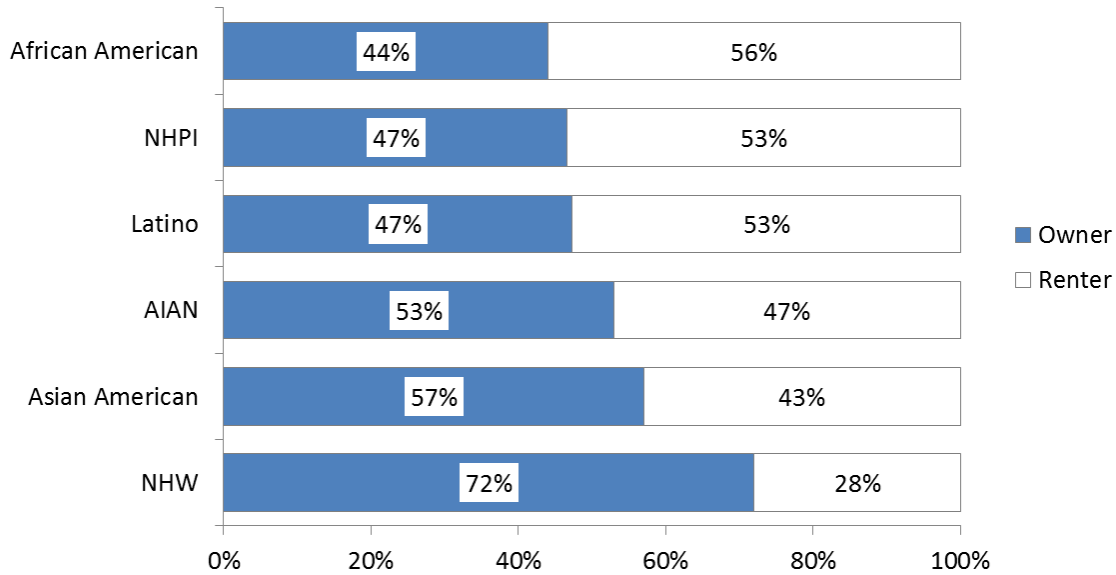
### **Evolving Housing Policies and Mortgage Market**

American housing policy has favored wealthy and white homeowners, which has led to an imbalance in access to the opportunities connected to homeownership. The government uses direct and tax subsidies for its housing programs. However, three-fourths of the federal government's subsidies are tax subsidies for homeowners and investors through deductions on property tax and low-income tax credits, respectively (Dreier, 2006). While 150 million homeowners were able to deduct their mortgage interest from their taxes, less than 7 million low-income renters received federal housing subsidies; also, mortgage-interest deductions provided more than \$100 billion in subsidies compared to less than \$32.9 billion for direct housing subsidies in 2004 (Schwartz, 2006, p. 5). In other words, Vale (2006) stated "government involvement in housing has taken the form of rewards, aiding a variety of upwardly mobile Americans judged to be worthy" (p. 15).

These policies disproportionately affect minority groups because they have lower homeownership rates than non-Hispanic Whites. Nearly three-fourths of non-Hispanic Whites are homeowners and all other racial minority groups have lower homeownership rates (see

Figure 1). Although Asian Americans have the highest homeownership rates compared to other racial groups, these rates dramatically differ by ethnic group (see Figure 2). Because they have lower homeownership rates, many of these groups benefit less from federal housing subsidies since federal funding then tends to benefit those who are able to afford homes.

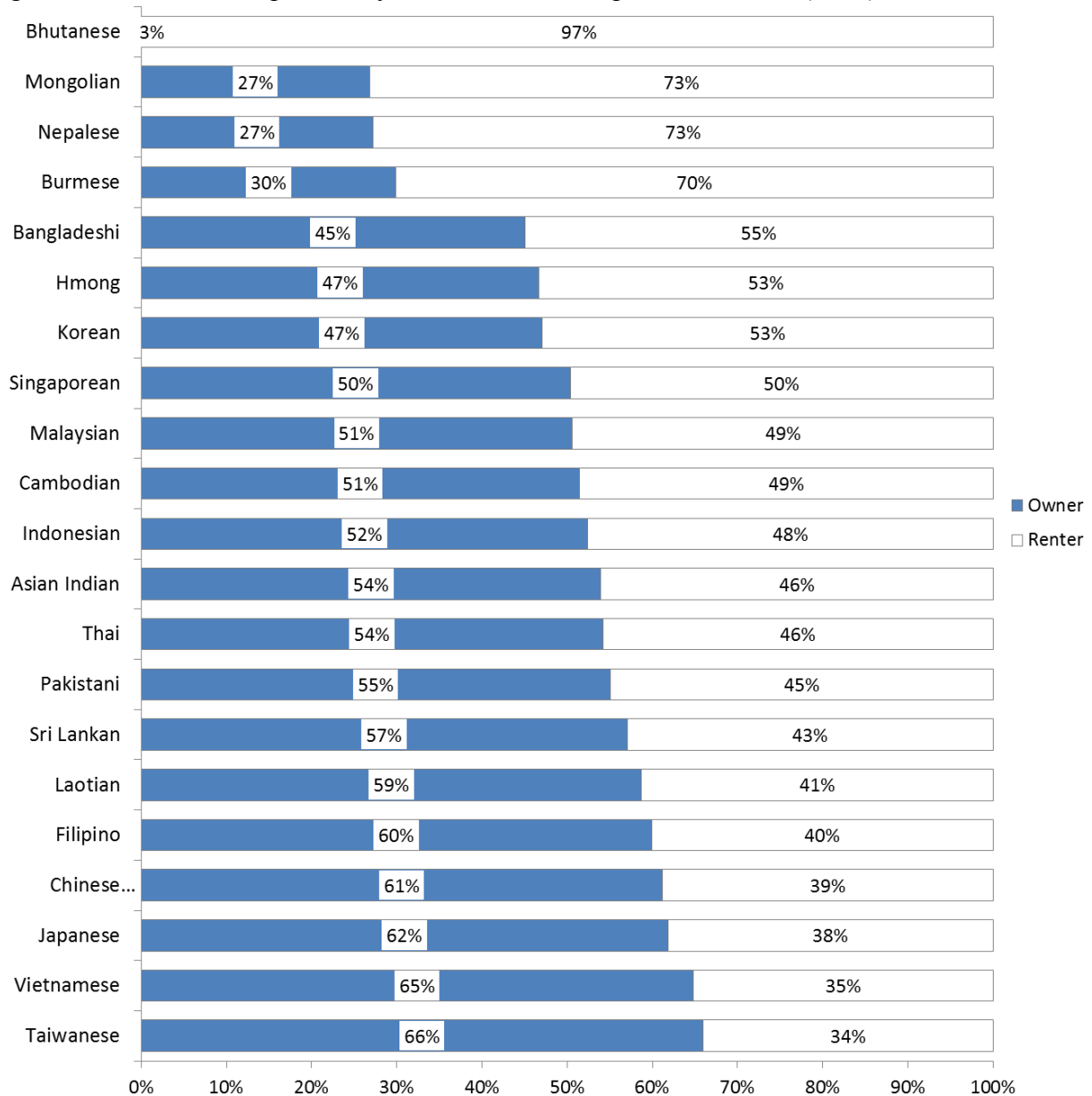
Figure 1. Homeownership Rates by Race, United States (2010)



Note: NHPI = Native Hawaiian and Other Pacific Islander; AIAN = American Indian and Alaska Native; NHW = non-Hispanic White. Latino can be of any racial group. African American, NHPI, AIAN, and Asian American values include alone or in combination with another ethnic or racial category. Non-Hispanic White is the only category that does not include Latinos.

Source: U.S. Census Bureau, 2010 Decennial Census

Figure 2. Homeownership Rates by Asian Ethnic Group, United States (2010)



Note: Chinese does not include Taiwanese. All groups are alone or in combination to account for mixed-race individuals.

Source: U.S. Census Bureau, 2010 Decennial Census

In addition, wealthier homeowners benefit more from mortgage interest and property tax deductions compared to lower-income homeowners. According to Schwartz (2006), a \$1,000 deduction provides \$350 to wealthier taxpayers compared to \$100 for a taxpayer with less income because lower-income homeowners are more likely to use standard tax deductions.

Dreier (2006) also found that 23 percent of homeowners who earned between \$40,000 and \$50,000 used their mortgage interest deductions, thus saving on average \$859; on the other hand, only 5 percent of homeowners who earned between \$20,000 and \$30,000 used their deduction and saved on average \$426. Oftentimes, though, these lower income homeowners received fewer benefits if the costs of homeownership were included. Rohe and Watson (2006) described the number of additional expenses after purchasing a home, including taxes, insurance, utilities, maintenance, and repairs in addition to the costs related to housing depreciation. Historical and current policies contributed to inequalities among homeownership and access to credit. The changes in the mortgage market simultaneously also contributed to these inequalities.

Over the past few decades, the scale of the mortgage market has changed from local to global, incorporating more sophisticated and exotic products to expand homeownership opportunities. The federal policy of deregulation was in full effect by the 1980s, which promoted riskier financial practices that contributed to the crisis and the concentration of foreclosures in minority and immigrant neighborhoods. Simultaneously, these changes contributed to minority homeowners' increased risk of foreclosure in the recession, oftentimes because subprime lenders targeted these more vulnerable populations, who accumulated much greater debt than did wealthier and white homeowners (Del Rio, 2010; Mayer & Pence, 2008; Wyly, Atia, Foxcroft, Hammel, & Phillips-Watts, 2006).

Historically, investors did not purchase mortgages because financial institutions' mortgage underwriting standards varied and involved high risk until the 1980s (Apgar & Calder, 2005, p. 104). Homebuyers would sometimes need to pay up to half of the home price at the time of purchase with a balloon payment at the end of 5 years, which restricted homeownership opportunities to wealthier individuals (Smith, 2006b, p. 23). After the Great Depression, the

federal government initiated a series of programs and acts to provide jobs in the construction industry and increase homeownership opportunities. In 1933, the Home Owners' Loan Corporation (HOLC) was created, which provided funding to refinance mortgages that were going to default and helped homeowners who had experienced foreclosure to obtain low-interest loans (Massey & Denton, 1993). As Massey and Denton (1993) described, HOLC "was the first government-sponsored program to introduce, on a mass scale, the use of long-term, self-amortizing mortgages with uniform payments" (p. 51).

The Wagner-Steagall Act, or the National Housing Act of 1934, created the Federal Housing Administration (FHA), offering fully amortized mortgages over a 30-year period with a fixed-rate. This helped homebuyers borrow a higher proportion of their home value and also made it possible for the government to underwrite and insure mortgages (Schwartz, 2006; Smith, 2006b). The government subsequently created the Federal National Mortgage Association (Fannie Mae), which established a secondary market and bought mortgages from originators to increase liquidity and increase the number of loans available. These policies created enormous demand for housing by the construction, real estate, and banking industries, which dramatically shifted America from "a country primarily of renters to one dominated by homeowners" (Smith, 2006b, p. 23). Loans then originated primarily from deposit-taking institutions such as banks and savings and loans, which served their local depositors and kept the loans they originated. A smaller portion of mortgages originated from brokers and independent mortgage companies that would then sell their mortgages to insurance companies and Fannie Mae. With this dual mortgage system, financing homeownership was steady for several decades for the majority population.

However, minorities still had only limited access to neighborhoods and home loans. As early as 1917, banks discriminated against African Americans who applied for a mortgage as part of efforts to protect White neighborhoods (Immergluck, 2009). Without access to mainstream financial institutions, African American borrowers had to choose between approaching black financial institutions—which often had limited capital available—or an informal lender, who would provide a loan with abusive conditions (Immergluck, 2009). Helper (1969) also found that a majority of interviewed realtors believed that few banks would make loans to African Americans, but that they would also avoid lending in neighborhoods that “were black, turning black, or [were] threatened with the possibility of black entry” (as cited in Massey & Denton, 1993, p. 51). As mainstream banks refused to provide loans, more minorities had to rely on nontraditional loans to become homeowners, which established a risky trend.

Many of these racist and discriminatory practices became institutionalized through informal and formal policies. A number of federal policies promoted racial discrimination. For example, the government institutionalized redlining through HOLC. Redlining developed a systematic rating of neighborhoods and loan risk based on the racial background of its residents; areas with less desirable groups were rarely approve of HOLC loans (Massey & Denton, 1993). The FHA also promoted and institutionalized redlining with risk-rating maps from the late 1930s (Immergluck, 2009). As Abrams (1955) explained, instead of easily implementing a nondiscrimination policy, the FHA “set itself up as the protector of all-white neighborhood... This official agency not only kept Negroes in their place but pointed at Chinese, Mexicans, American Indians, and other minorities as well” (pg. 230). Furthermore, the FHA was responsible for promoting other tools of planning such as subdivision controls and zoning ordinances that “were thought to maintain neighborhood stability and thereby guarantee property



values” (Pendall, Nelson, Dawkins, & Knaap, 2005, p. 222). Even in 1975, HUD defined a “healthy stable neighborhood” as an area that was ethnically homogenous while declining neighborhoods included a mixture of ethnic and racial groups (Smith, 2006a, p. 262).

In the 1960s, thrifts—or savings and loans association—began faltering as the main source of mortgages when interest rates and availability of mortgage capital fluctuated. To help remedy the situation, the federal government limited the interest rate on savings accounts to prevent thrifts from declaring bankruptcy (Schwartz, 2006). In the 1970s, the government also began deregulating nondepository institutions, which could offer higher interest rates. Investors consequently turned to the secondary market because of their competitive interest rates, which decreased thrifts’ ability to compete; many eventually had to sell their mortgages to the secondary market (Schwartz, 2006).

The federal government later passed regulations that sought to help increase access to homeownership for minorities, but also disproportionately affected regulated institutions. When the Community Reinvestment Act (CRA) was passed in 1977, elected officials sought to combat redlining and increase credit availability in central city neighborhoods (Squires & Kubrin, 2006). The CRA evaluated nondepository institutions’ lending, investment, and service in lower-income communities before these institutions were allowed to make changes in their business, such as purchasing or merging with other institutions (Murphy & Cunningham, 2003; Squires & Kubrin, 2006). Community advocates could also provide input about banks’ lending practices through CRA (Rohe & Watson, 2006). There is evidence that CRA not only increased minority homeowners’ access to White neighborhoods, but that CRA loans also performed better than loans from lenders not covered by CRA (Bocian, Li, Reid, & Quercia, 2011; Laderman & Reid, 2008; Squires & Kubrin, 2006).

However, CRA was expected to help these underserved communities because at the time, the majority of mortgages came from thrifts and commercial banks. More depository institutions began to expand their mortgage bank subsidiaries because these entities did not undergo CRA examinations (Schwartz, 2006). With the surge of subprime lenders during the 1990s and 2000s, an increasing proportion of the mortgage market was unregulated. Federal regulators do not consistently examine nondepository institutions, and state regulators have even fewer resources to do so (Immergluck, 2009). Although the CRA was a major step to increasing capital for minority homeowners, over time it became less effective. Consequently,

... justifications for CRA articulated by policymakers depended partly on a social contract between communities and the depositories active in those communities, and not between communities and the broader set of suppliers of mortgage credit such as mortgage companies and credit unions (Immergluck, 2009, p. 65).

### **Growth of the Subprime Market**

With increasing deregulation, other types of products and services simultaneously expanded homeownership opportunities and exploited minority borrowers and communities. At the end of the 1980s, mortgage-backed securities (MBSs) grew with the help of low-interest rates and several technological advances, including geodemographic marketing that identified potential borrowers by income, age, home value, and race and ethnicity. Through the Internet, real estate data firms created targeted marketing data systems that individual brokers used to target homeowners, in particular those who were in the preforeclosure stage. This data would also help lenders charge higher fees to those who were considered riskier clients, including those who were minorities and of low income, while waiving fees for wealthier clients (Immergluck, 2009).

Starting from the 1990s, there was a surge of subprime mortgages with higher rates and fees than prime loans and lower loan-to-value ratios. While thrifts comprised the majority of the

lending market until the mid-1970s, mortgage companies quickly overtook thrifts by 1996 as the largest lender (Immergluck, 2009). From 1993 to 2000, subprime originations grew from 1.3 to 5.3 percent of the total mortgage market (Collins, 2002). With low interest rates and mortgage rates, many homeowners also refinanced their loans to help pay for other expenses such as car loans and credit cards. For example, homeowners in 2003 took out \$139 billion from their home equity, which comprised about 45 percent of all refinanced mortgages (Schwartz, 2006).

Lenders and brokers encouraged this surge of subprime mortgages and refinances, “[relying] upon and [exploiting] the geographies of social disadvantage and isolation...for the benefit of mortgage brokers, lenders, and investors” (Immergluck, 2009, p. 74). For example, from 1993 to 1998, subprime lenders originated less than 2 percent to more than 15 percent, respectively, of all loans, and comprised 40 percent of all refinanced loans (Collins, 2002). However, Immergluck (2009) found that many of these borrowers could have qualified for lower-cost mortgages—37 percent of subprime borrowers in 2007 had a credit score above 660, which could have qualified them for a prime loan.

With nondepository institutions increasing, the mortgage market formed a dual regulatory system that offered one set of products for mainstream homebuyers and another set of products for low-income and minority borrowers. While the changing mortgage system did increase homeownership rates, lower-income and minority groups were oftentimes offered “a distinctly different set of organizations offering a distinctly different mix of products” and instead would “suffer the consequences of a broker-led ‘push marketing’ system that encourages unsuspecting borrowers to take on mortgage debt that they cannot afford and may not even need” (Apgar, Calder, & Fauth, 2004, p. 1). Sawyer and Temkin (2004) found that even when conventional lenders were located in low-income and minority areas in North Carolina, they still would not

“market to low-income and minority households, creating a vacuum that fringe bankers filled (as cited in Squires & Kubrin, 2006, p. 15). Squires and Kubrin (2006) also pointed out that the same neighborhoods that experienced redlining were experiencing a “reverse redlining” with financial institutions:

... flooding these same markets with exploitative loan products that drain residents of their wealth... Instead of contributing to homeownership and community development, predatory lending practices strip the equity homeowners have struggled to build up and deplete the wealth of those communities for the enrichment of distant financial services firms (p. 56).

Many of the top lenders in 2002 employed independent brokers because lenders would then not be held as responsible for risky mortgages sold by brokers, who were also less scrutinized than lenders (Immergluck, 2009). From 1991 to 1998, the number of brokers on average grew by 14 percent while brokered loans comprised 55 percent of all home loans in 2000 (Kim-Sung & Hermanson, 2003). With the increasing number of brokered loans, vulnerable homeowners faced additional risk because brokers aggressively marketed to “divorced, female, and nonwhite borrowers,” selling almost half of all subprime mortgages (Immergluck, 2009, p. 102; Kim-Sung & Hermanson, 2003). Out of 125 interviewed subprime borrowers, the California Reinvestment Committee (2001) discovered that 39 percent of respondents said lenders and brokers initiated the idea of securing their mortgage. In Kim-Sung and Hermanson’s (2003) study of borrowers older than 65 years old, they found that 66 percent of Asian American and Pacific Islander borrowers had broker-originated loans compared to 64 percent of African Americans and 38 percent of white borrowers.

In part, this higher risk came from brokers selling exotic loan products and targeting vulnerable populations because brokers received higher compensation for selling mortgages with larger principals than for the loan performance (Immergluck, 2009). Consequently, these

brokered loans had higher interest rates to help “compensate lenders for the higher default and prepayment risk associated with these broker-originated loans” (Apgar & Calder, 2005, p. 106). It is also alarming that borrowers with brokered loans felt they relied heavily on brokers compared to borrowers with lender-originated loans; those who receiving brokered loans did not obtain accurate information (Kim-Sung & Hermanson, 2003).

After the first subprime boom, housing prices dramatically increased. American economic expansion during the 1990s to 2000s was the largest in its history; home prices increased by 29 percent between 1995 and 2000 (Taylor et al., 2011). As home prices continued to increase, the second subprime boom in the 2000s introduced another surge of nontraditional terms and exotic products that continued to concentrate in low-income, minority neighborhoods. Many of these nontraditional loans were originally intended for wealthy borrowers and investors before 2002, who had high levels of net worth (Immergluck, 2009).

However, for minority and lower income borrowers, many of these exotic products led to foreclosure. Exotic terms included low- or no-documentation loans, which quickly comprised the majority of subprime loans in 2006; interest only; negative amortization; adjustable rate mortgages (ARMs); and private mortgage insurance (Immergluck, 2009). These low- or no-down payment mortgages allowed borrowers to buy a home with almost no equity and were a strong predictor of mortgage default (Immergluck, 2009; Stone, 2006a). ARMs initially cost less for borrowers with low-interest rates for the first couple of years, but the interest rate then adjusts periodically. Because many of these loans were made during this second subprime surge, many borrowers’ interest dramatically increased in 2007 and 2008, contributing to why ARM borrowers were more likely than non-adjustable mortgage borrowers to default (Aalbers, 2009). The growth of exotic products also formed a cyclical relationship with higher home prices

because homebuyers could afford bigger and more expensive homes, which then increased demand for similar high-risk loans (Immergluck, 2009).

The 2000s also saw the largest increase of mortgage debt for borrowers with the greater demand for exotic products and larger purchasing power. From 2001 to 2007, mortgage debt grew more than it had during the previous 200 years of American history (Kang, 2012). In part, with higher home values, borrowers did not need to save as much to maintain their assets and left them with greater debt (Heintz & Balakrishnan, 2012). In addition, 70 percent of these families had a total credit card debt of \$972.72 trillion in 2008 (Mahmud, 2012). On a national scale, household debt comprised 50 percent of the Gross Domestic Product in 1980, which increased to 98 percent in 2007 (Mahmud, 2012).

Underwriting criteria used to incorporate local economic conditions and characteristics of borrowers in order to provide investors with information before they purchased mortgages (Swack, 2006). However, lenders began accepting greater risk and became less restrictive on the types of income allowed. For example, some lenders allowed “purchasers of two-family homes to count income from the rental of one of the units as a portion of their qualified home” (Schwartz, 2006, p. 260). As underwriting standards became lenient, borrowers could pay a smaller portion of the downpayment (Collins, 2002). However, borrowers who experienced any financial difficulties such as losing a job or becoming divorced were then more likely to default on their mortgage because they had fewer assets to provide a safety net. With higher debt from riskier loans, homeowners became more susceptible to foreclosures.

### **Additional Factors Contributing to Foreclosure Risk**

Zoning and other land use regulations also prioritized the construction of larger single-family homes, contributing to greater debt and demand for exotic loans. In 1980, single-family

homes comprised 56 percent of all housing construction, which increased to 77 percent by 2004 (Schwartz, 2006). In particular, large-lot zoning has increased the cost of land and restricted the construction of multi-family housing (Schwartz, 2006). With these planning restrictions and based on greater demand, houses have also increased in size. Where the average owner-occupied house in 1973 was 1,526 square feet, in 2011 the average newly constructed home was 2,200 square feet (American Housing Survey, 2011; Schwartz, 2006). As larger and more expensive housing was developed, lower-income families competed for older houses, which drove up prices of modest homes (Stone, 2006a).

The mortgage industry also became more dependent on the global financial market. As noted earlier, MBSs rapidly grew and helped investors sell their mortgages to international markets (Stone, 2006a). This high demand for more product pushed lenders and brokers to sell more mortgages “to serve the interests of Wall Street rather than the needs of homebuyers and homeowners” (Immergluck, 2009, p. 121). The Internet allowed brokers to receive immediate approval from lenders, which helped to increase the alacrity with which lenders could sell mortgages (Immergluck, 2009). With increased risky lending and deregulation, homes began to be treated differently, no longer as “investments by those using and experiencing them” because of the way “capital...interacts with communities in different ways, and is interested first and foremost, in the commodification of social life, and conversion of what people need into profit” (DeFilippis et al., 2010, p. 79).

The housing market began to fall apart when homeowners started to default on their mortgages between 2003 and 2006, after the U.S. Federal Reserve increased interest rates from 1.1 to 5 percent in response to concerns about inflation (Heintz & Balakrishnan, 2012). The first groups to enter foreclosure were low-income, minority, and single-women homeowners because

they had the largest proportion of subprime mortgages with variable interest rates and could no longer pay their monthly mortgages (Chakravartty & da Silva, 2012; Heintz & Balakrishnan, 2012). However, Harvey (2010) points out that it was only when middle-class white families foreclosed that people began to panic and a wave of financial institutions began to declare bankruptcy, including Lehman Brothers in 2008 (Harvey, 2010; as cited in Chakravartty & da Silva, 2012). As homeowners started to default and went into foreclosure, many of these investment companies “lacked the firsthand knowledge and flexibility to anticipate and respond sensitively to local economic conditions and individual borrower characteristics” (Stone, 2006a, p. 92). Although mass standardization was meant to help homeowners receive mortgages quickly, its inflexibility made it incredibly challenging for lenders to assist borrowers when they could not pay their mortgages. As predicted by Stone (2006a):

And if and when the economy turns down, the first group to be hit with lost jobs and unreliable wages will be the lower-income group. If the economy falters, clearly many households that are at the margin in terms of their abilities to meet their monthly mortgage obligations now will bring delinquency and foreclosure problems for mortgage servicers. Thus, it is the low-income families that are experiencing heavy debt burdens, leaving them more vulnerable to recession and meeting their mortgage obligations, while the higher income groups are actually reducing their debt burdens (via refinancings and higher wages) and lowering their mortgage obligations (p. 97).

These more vulnerable communities also experienced multiple layers of risk that not only served as barriers to homeownership, but also “interact[ed] in a multiplicative... fashion, thereby greatly increasing the default risks of [their] loans” (Immergluck, 2009, p. 88). As Squires and Kubrin (2006) described the situation, “It is precisely this environment—growing inequality and the restructuring of financial institutions—that has nurtured predatory lending, particularly in minority neighborhoods, reinforcing the link between race and place in urban communities” (p. 63). By tracing these layers of risk, researchers can examine power structures in the housing market that increase minority and immigrant vulnerability to foreclosures. The following



describes barriers to homeownership and how race, class, opportunity, and geography interact, contributing to disparate effects from the crisis for minority and lower income neighborhoods and homeowners.

### **Intersections of Race, Class, Opportunity, and Geography Contributing to Foreclosure Risk**

Housing contributes to a person's exposure to opportunity. It is not only of the largest single purchase that families will make, but it is "the central setting for so much of one's personal and family life as well as the locus of mobility opportunities, access to community resources and societal status" (Hartman, 2006, p. 180). However, there are a number of factors that affect where a family is able to live. As previously discussed, policies have explicitly set limits on where minorities could live through redlining and limited mortgage opportunities. Still today, many of these underserved groups experience multiple challenges to enter the housing market and homeownership, which consequently affects their livelihood and risk of foreclosure.

A number of studies have found foreclosures concentrated in low-income, minority, and immigrant neighborhoods. A 2007 Woodstock Institute study discovered that census tracts with more than 80 percent minority populations accounted for 35 percent of all foreclosure filings in Chicago's six county area, even though these areas account for less than 14 percent of all mortgages; in comparison, tracts with less than 10 percent minorities comprised 11 percent of all filings, but made up 23 percent of the region's mortgages (Smith & Duda, 2008). Bocian et al. (2011) also found that almost one-fourth of African American and Latino homeowners who borrowed loans from 2004 to 2007 went into foreclosure or were seriously delinquent, in comparison to 12 percent of white borrowers. Four factors—housing discrimination, race, geography, and information asymmetry—come together to produce uneven access to housing

markets and mortgage capital. I discuss each of these four factors in turn, relating them to foreclosure risk.

### *Housing Discrimination*

Minorities have historically experienced disparity both in treatment and impact when trying to become a homeowner. Examples of disparate treatment include realtors geographically steering minority homebuyers and showing them fewer units. As Turner and Ross (2005) described, geographic steering “limits the housing and neighborhood choices available to both minority and white homebuyers, and it may help perpetuate patterns of residential segregation” (p. 94). HUD formally acknowledged the severity of housing discrimination when it passed the Fair Housing Act in 1968, which protects homebuyers from being discriminated against because of race, color, national origin, religion, sex, handicap, or family status in the sale or rental of housing (HUD, 2014).

HUD has also monitored racial and ethnic discrimination since the 1970s for rental and home sales using paired-testing studies—or when a white and minority person pose as identically qualified homebuyers and inquire about available homes (Turner et al., 2013). After conducting more than 8,000 tests in 28 metropolitan areas, researchers at the Urban Institute found that African American and Asian American homebuyers are informed of 17 percent and 16 percent fewer homes than non-Hispanic Whites, respectively; discrimination is also more likely during in-person visits of homebuyers who are identifiably African American, Latino, or Asian American by name, speech, and physical appearance (Turner et al., 2013). These disparities impact the neighborhoods that minorities and immigrants live in, which can contribute to lower home appreciation and, more recently, neighborhoods being targeted by subprime and predatory lenders.

## *Race*

Many minorities also experience racialized differences in benefits they gain from homeownership and the housing market. For example, Oliver and Shapiro's (1995) study found that between 1967 and 1988, homes owned by Whites increased \$21,900 in equity more than homes owned by African Americans. They also discovered that mortgage discrimination and housing appreciation cost African Americans an estimated \$82 billion, mostly because their homes did not appreciate as much as white-owned homes (Oliver & Shapiro, 1995). A more recent study by the Pew Center discovered that for a majority of African Americans, Latinos, and Asian Americans, their only source of wealth was in their home while Whites had a variety of sources of wealth such as IRA accounts, stocks, and 401(k) accounts (Taylor et al., 2011). Because most of their wealth was in the home, Latinos, African Americans, and Asian Americans lost significantly more wealth than Whites between 2005 and 2009—Asian Americans lost the greatest median net worth (or more than \$90,000; Taylor et al., 2011).

Not only are minority borrowers more likely than lower-income white borrowers to have subprime loans, but minority neighborhoods also have a higher distribution of subprime loans. Apgar and Calder (2005) cited a study by the Joint Center for Housing Studies that found borrowers living in African American and Latino neighborhoods are less likely to have prime mortgages. Calem, Gillen, and Wachter (2004) also demonstrated that minority neighborhoods and minorities living in nonminority neighborhoods have more subprime loans, which creates a double layer of risk. Homes in minority neighborhoods also appreciate less than homes in white neighborhoods (Schwartz, 2010, p. 301). Not only are homeowners in minority neighborhoods less likely to be offered prime mortgages, but they also tend to experience fewer gains in property value, which suggests greater debt for borrowers.

### *Geography*

Immigrants face additional barriers to homeownership. Foreign-born Latinos and Asian Americans are more likely to live in segregated neighborhoods, particularly in metropolitan cities, than to live in suburbs (Denton, 2006). Oftentimes, these neighborhoods form ethnic enclaves that connect residents with critical in-language resources and social services while also providing cultural activities and food. However, de Souza Briggs (2005) also described the potential constraints of ethnic enclaves, where immigrants “limit contact with native English speakers, who tend to have higher incomes, greater educational attainment, and valuable social networks” (p. 25). These residents subsequently may not have connections to mainstream financial and homeownership resources. Additionally, metropolitan areas experienced the largest increase in home values, which also correlated with higher rates of subprime or exotic products. For example, in 12 California metropolitan areas, interest-only loans comprised a majority of loans tracked by Loan Performance (Immergluck, 2009, p. 87).

### *Information Asymmetry*

Communities of minorities and immigrants demonstrate an “asymmetry of information between buyers and sellers, particularly with respect to the price of mortgage credit” (Apgar & Calder, 2005, p. 120). For example, a Fannie Mae (2001) study found that 29 percent of credit-impaired homeowners tried to look for a lower-priced mortgage, but were unsure if they had received the lowest-cost mortgage; however, almost a third of these same homebuyers were paying more than 10 percent interest compared to 3 percent of all homeowners surveyed. This experience in particular affects minority and immigrant groups because they are less likely to have established credit. Phetchareun (2012) interviewed Southeast Asian Americans and learned they faced difficulties with the loan modification process, which could help prevent foreclosures,

because they did not understand the terms that were written only in English. Thus, borrowers like these Southeast Asian Americans would be at greater risk of paying more than their principal balance and of re-defaulting on their loan (White, 2008). These factors contribute to disparate experiences with homeownership and can lead to greater vulnerability to foreclosure for minorities and immigrant groups.

Studies that have examine foreclosures involving minorities and immigrants have failed to recognize the differential impacts that foreclosures may have had on smaller populations. The following section explores what is known of factors that would impact Asian Americans' foreclosure risk and how they were directly affected by the crisis.

### **Factors affecting Asian American Foreclosure Risk**

Asian Americans are likely to face particular challenges as they attempt to recover from the foreclosure crisis for several reasons, including the impacts of racialization. Table 1 includes how various risk factors impact Asian Americans more than the general population. While some of the following risk factors use evidence from studies that may not directly relate to foreclosures, these factors do impact access to housing resources and loans, factors that increase Asian American foreclosure risk. Because many of these factors overlap, the following identifies a few major issues that relate to multiple foreclosure risk factors.

Table 1. Foreclosure Risk Factors for Asian Americans and Total Population

Risk Factor	Impacts on Total Population Foreclosure Risk	Impacts on Asian American Foreclosure Risk	Significant Citations
Language Differences	* Difficulty understanding loan information if lack financial literacy	* Lack of access to mainstream financial institutions	Ratner, 1996
		* Difficulty understanding loan information, which is frequently available only in English	Phetchareun, 2012
		* Incidences of discrimination	Turner et al., 2003
		* Asymmetry of information	Apgar & Calder, 2005; Phetchareun, 2012
Income/ Employment	* May not qualify for prime loans (lower interest rates and favorable mortgage terms) due to lower income or low credit score  * Varied type of assets and investments, which protects against foreclosure	* Lack of credit history due to employment (e.g., if own a small business or are mostly in a cash-based job)	Listokin & Listokin, 2001; Rho et al., 2011
		* May not qualify for prime loans due to lower income, low credit score, employment, or lack of credit history	Immergluck, 2009
		* Greater reliance on nonmainstream lending institutions if do not qualify for prime loan	Del Rio, 2010
Geographic Concentration	* May live in metropolitan areas that experienced highest rise and drop of housing prices	* Majority of assets in home (clients lack other savings/assets)	Taylor et al., 2011
		* Subprime lending predation in ethnic neighborhoods and enclaves	Chhaya CDC, 2009; Mayer & Pence, 2008; Wyly et al, 2006
Lending/ Housing Market Factors	* Disproportionately qualify for prime loans with lower interest rates and less risk  * Asymmetry of information	* Tend to live in metropolitan areas that experienced highest rise and drop of housing prices	Taylor et al., 2011
		* Subprime/predatory loans with risky terms: exotic terms, interest-only	Del Rio, 2010
Immigration Status		* Asymmetry of information	Apgar & Calder, 2005; Kim-Sung & Hermanson, 2003; Phetchareun, 2012
		* Scams	National CAPACD & SEARAC, 2011
		* Unfamiliarity with U.S. financial institutions	Johnston et al., 1997; Phetchareun, 2012
		* Lack of credit history	Del Rio, 2010; Phetchareun, 2012
		* Greater reliance on nonmainstream lending institutions	Del Rio, 2010

Note: Table compiled by author. For the total population, it is assumed that a majority of this group is White, non-immigrant, and speaks English. These assumptions are based on national 2012 Census data.

### *Language Differences*

About one-third of Asian Americans are limited English proficient (LEP; AACAJ, 2011).

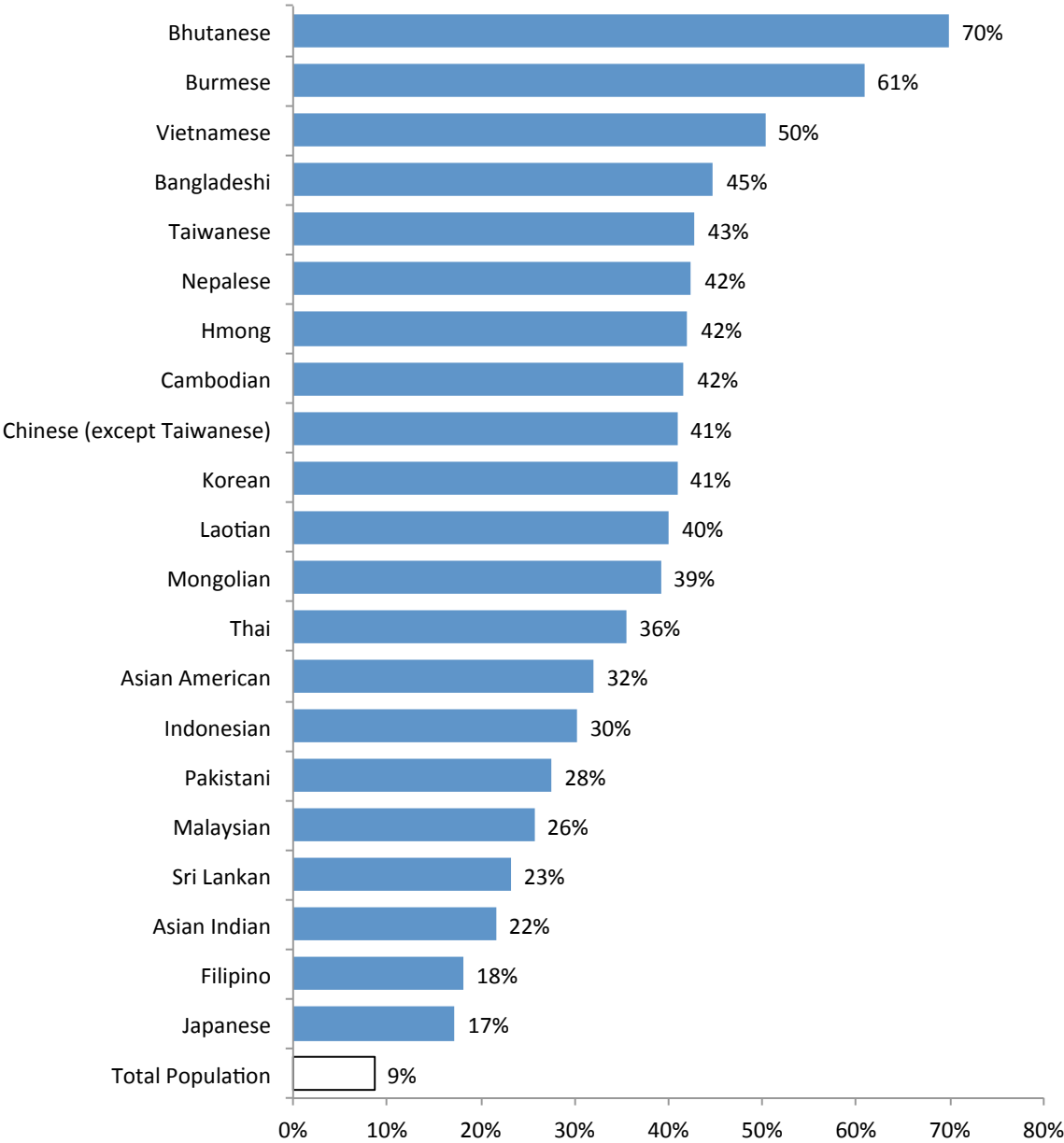
These rates vary by ethnic group, from 51 percent and 46 percent for Vietnamese and

Bangladeshi Americans, respectively, to 19 percent and 18 percent for Filipino and Japanese Americans, respectively (see Figure 3; AACAJ, 2011). Because many Asian Americans experience difficulty with English, it is even more difficult for them to access mainstream resources such as homeownership counseling, prime mortgages, and foreclosure prevention workshops. For example, Ratner (1996) discovered that immigrants faced language barriers with financial institutions except for some English-speaking Indian Americans in four American cities. Also, Listokin and Listokin (2001) emphasized that languages and dialects have complexities and important differences such as Mandarin and Cantonese, which use a different word for “mortgage” (p. 55). Asian American groups with higher rates of homeownership, such as Taiwanese, Vietnamese, Chinese, and Laotian, where 43 percent, 50 percent, 41 percent, and 40 percent, respectively, have difficulty with English. The exceptions are Japanese and Filipino Americans.

Similar to other minority and immigrant populations, Asian Americans have also experienced housing discrimination. For example, a group of residents launched a campaign in 1990 against selling property to Asian Americans in Manhattan because of prejudiced views that their property values would fall (Listokin & Listokin, 2001). In a study commissioned by the U.S. Department of Housing and Urban Development (HUD), Turner, Ross, Bednarz, Herbig, and Lee (2003) found that Asian Americans experienced systematic discrimination when buying a home and had less access than Whites to mortgage finance assistance from real estate agents. Asian Americans continued to face discrimination ten years later—as previously described, Turner and colleagues (2013) found that homeowners who were easily identified as Asian American by name, speech, and physical appearance experienced discrimination. These

structural barriers add another layer of risk that limits Asian Americans' access to homeownership in addition to other factors related to language difference.

Figure 3. Limited-English Proficient Rates by Asian Ethnic Group, United States (2010 5-year Estimates)



Note: All groups are alone or in combination to account for mixed race individuals.  
Source: U.S. Census Bureau, 2010 American Community Survey 5-Year Estimates

In comparison, the majority of the American population speaks English fluently. While it may be difficult for inexperienced borrowers to understand loan terms, these challenges would



result from lack of financial literacy. Consequently, inexperienced borrowers may need clarification on complicated mortgage terms and financial terms, as with Asian American borrowers. In many cases, financial literacy and proficiency may be offset by language barriers, leaving LEP households at greater risk in general.

### *Income/Employment*

Another barrier Asian Americans experience is related to employment. The 2007 Survey of Business Owners showed that the number of Asian-owned businesses increased by 40 percent between 2002 and 2007, a higher percent increase than the national average (U.S. Census Bureau, 2012). With many self-employed Asian Americans, it can be challenging to qualify for a low-cost loan because of an inconsistent income. Also, among the top 20 occupations in 2010, Asian Americans and Pacific Islanders were mostly likely to work at a range of managerial positions in addition to low-paying jobs, including cashiers, salespersons, cooks, and waiters and waitresses (Rho, Schmitt, Woo, Lin, & Wong, 2011). With cash-based jobs, employees may not receive any documentation of income, which may impact their ability to buy a home (Listokin & Listokin, 2001).

Other Asian Americans may not have enough assets to purchase a home with a prime loan. As with other immigrants, many Asian Americans also receive cash from extended family members to help with a down payment, which is not consistently accepted by lending institutions (Listokin & Listokin, 2001; Patraporn, Tran, & Ong, 2010). Some Asian Americans may reside in areas with local cash-based economies, especially in ethnic enclaves, and they may not have access to formal institutional credit (Listokin & Listokin, 2001). This greater reliance on nonmainstream lending institutions may put Asian Americans at risk of purchasing a loan that is more expensive and has riskier terms. As previously described, the majority of Asian American

assets are also in the home (Taylor et al., 2011). If these homeowners are at risk of foreclosure, they may not have other savings or assets to help prevent defaulting and losing their house.

Some of these risk factors may also impact the total population. For example, those who have low credit scores or lower income may not qualify for prime loans. Similar to Asian Americans, these homeowners may then agree to a mortgage with riskier terms that have a greater chance of leading to foreclosure. However, the general population does not generally lack credit history because of immigration status. Also, as Taylor and colleagues (2011) found, Whites have the most diverse assets and investments, which can serve as a protective factor against foreclosure.

#### *Geographic Concentration*

Asian Americans are also geographically concentrated in metropolitan areas and states with higher foreclosure rates. Taylor et al. (2011) found that more than 40 percent of Latinos and Asian Americans were concentrated in California, Florida, Michigan, and Nevada, states that experienced the largest decline in home prices during the recession. These homeowners may then have owed more on their mortgage than the value of their home. These borrowers not only faced individual challenges, but they are also lived in areas with the greatest exposure to the foreclosure crisis and were struggling with larger structural issues and risk. While the majority of the total U.S. population may live in metropolitan areas, many do not live in neighborhoods and enclaves that also experience targeted subprime lending.

#### *Immigration Status*

Many Asian Americans do not have credit history and are not as familiar with the American banking system, two factors that pose additional risks. New immigrants do not have credit histories and may not have immediate access to a bank account (Del Rio, 2010). Some of

this unfamiliarity is also a result of immigrants arriving from countries whose financial institutions are quite different from the financial and banking services used in America. In a California study, all Southeast Asian American participants had no experience with formal financial structures such as credit scoring or reporting before they came to the U.S. (Phetchareun, 2012).

Also, the process of buying a home may drastically differ based on an immigrant's country of origin. For example, homebuyers in Korea may pay as much as 80 percent of the mortgage as the down payment and take out loans that value 20 percent of the house value (Johnston, Katimin, & Milczarski, 1997). Without credit history and being unfamiliar with American financial institutions, many Asian Americans are at greater risk for foreclosure simply because they have to rely on nonmainstream lending institutions. As described, nontraditional mortgage products are more likely to have exotic terms and have higher fees or interest rates. These factors do not generally affect the general U.S. population because their citizenship results in lower foreclosure risk than for Asian Americans, particularly those who are foreign-born.

### **Asian American Mortgage Delinquency and Foreclosure Rates**

Several studies have focused specifically on the impact of the foreclosure crisis on Asian Americans in California. For example, Laderman and Reid (2008) found that, after controlling for income and credit score, Californian Asian American borrowers were 1.6 times more likely to be in foreclosure than White borrowers. Similarly, in Glendale, Asian Americans were 1.7 times more likely to foreclose than Whites (Patraporn et al., 2013). Also, the Center for Responsible Lending found that 7 percent of Californian Asian American borrowers were at risk for loan delinquency (Bocian et al., 2011).

AA CBOs have examined Asian Americans in their services areas and found that some ethnic groups are disproportionately at risk for foreclosures. For example, a study on Southeast Asian Americans in the Central Valley found that from May to August 2010, Southeast Asian Americans disproportionately made up 5 percent of all Notices of Default, a rate higher than their proportion of the total population (National Coalition for Asian Pacific American Community Development [National CAPACD] & Southeast Asia Resource Action Center [SEARAC], 2011). This report also found that some clients have paid money for foreclosure prevention help, up to \$12,000, and fell victim to loan modification scams (National CAPACD & SEARAC, 2011). Chhaya Community Development Corporation (Chhaya CDC) also found that 53 percent of Notices of Default were sent to South Asian Americans in some New York neighborhoods, where they comprised only 13 percent of the neighborhoods' population (Chhaya CDC, 2009).

## **Conclusion**

This chapter has reviewed a number of foreclosure risk factors that have affected homeowners, particularly as a result of the 2007 crisis. For example, the evolving mortgage market and the deregulation of lending institutions led to the proliferation of riskier loan products, which in turn contributed to these borrowers experiencing foreclosures at higher rates than borrowers with prime loans. Many of these factors disproportionately affect minorities and immigrants. In addition to the changing mortgage market, housing discrimination, race, geography, and information asymmetry are key indicators of foreclosure risk, which then impact homeowners' trajectory. Despite the dearth of published data on Asian Americans' experience of the foreclosure crisis, there is evidence that these groups may have higher foreclosure risk than Whites and the general population. The literature suggests that language differences,

income, employment, geographic concentration, and immigration status affect Asian Americans in addition to overall changes in lending.

To expand the knowledge on foreclosure risk, the current study examines another foreclosure risk factor—help-seeking behavior—in the next chapter. AA CBOs have worked to mediate foreclosures and foreclosure risk for clients through their local programming. By understanding their effectiveness at mediation, AA CBOs may serve as a protective layer against foreclosure risk. If researchers, policy makers, and planners better understand how the foreclosure crisis and foreclosure risk factors affect Asian Americans, they can better understand how housing and lending practices may disparately affect immigrant and smaller populations that have greater language needs.

## CHAPTER 3

### ASIAN AMERICAN-SERVING COMMUNITY-BASED ORGANIZATIONS

AA CBOs provide a lens through which to examine community-based interventions that mediate the impacts of the foreclosure crisis and foreclosure risk for Asian Americans. It is impossible to mention CBOs without examining racial, ethnic, and income disparities because they originated to specifically address these issues. With their long history of addressing social inequalities for minority and immigrant communities, CBOs are on the forefront of providing services to groups often overlooked in the public and private sector.

Although CBOs have shouldered many of the responsibilities in assisting underserved groups, the government has increasingly pushed CBOs to offer even more of the services provided by the government since the 1970s; in other words, a trend toward devolution of government involvement (Ebrahim, 2010; Smith, 2010). However, this government strategy limits CBO effectiveness, whether it is through constrained funding; separation between policy makers and those who help implement policy; and/or disparities between enacted policies and how they affect minority and immigrant communities. The policies that are imposed on communities are oftentimes meant to benefit the total population; however, these generalized policies have different effects when local CBOs attempt to implement them for specific groups.

This chapter reviews the history of CBOs and their role in housing programs, specifically how they have attempted to mediate foreclosure risk. Additionally, AA CBOs formed at a particular historical moment, and have provided the primary services targeting Asian Americans. With the increasing constraints on CBOs, the chapter then contextualizes the challenges and conflicting roles that AA CBOs experience while mediating between the public sector and private mortgage market. It then concludes with a discussion on the evolving role of these

relationships and how the changing role of CBOs affects advocacy between private markets and the public policy.

### **The Expansion of CBOs**

For decades, CBOs have played a critical role in providing greater access to basic community services. As DeFilippis and colleagues (2010) commented, “community and community-based efforts have been the primary site and method for addressing social need and promoting change.” (p. 12). CBOs also help residents and individuals gain skills to navigate and utilize bureaucratic government resources that impact their lives (Marwell, 2007). However, CBOs have evolved in their role of social change, largely influenced by the political context and increasing devolution of social services. Fontan, Hamel, Morin, and Shragge (2009) described how CBOs have “picked up increased responsibilities for social provision and economic development” while “more senior levels of government are actively involved in shaping these practices” (p. 835). In the government strategy of devolution, CBOs are then being asked to fulfill more social services.

While CBOs were originally designed to address local community problems, they face a dilemma. As DeFilippis and Saegert (2012) explained, it is becoming more difficult to understand “which problems *in a community* are *community problems*—given that so much of what produces communities are relations and decisions that exist well beyond any single community” (p. 4). CBOs experience a complicated relationship with the local government, in that they may collaborate with the government in contracting these services, but they also may experience conflict because they have to react to government-imposed policies and practices that CBOs do not have a voice in shaping. These trends have become established through a history of policies that have shaped CBO growth.

## *History of Community Organizations*

Peterman (2000) described how voluntary community organizations have been a solution to expanding democratic ideals from the 19<sup>th</sup> century when the U.S. government was considerably smaller. These organizations were both founded in wealthier communities and in lower-income slums. In middle-class and upper-class neighborhoods, residents and developers formed homeowners or neighborhood associations that were used to “ensure the continuing exclusivity of their neighborhoods and to protect their property values” while also minimizing government intrusion by providing street cleaning, water, and security (Peterman, 2000, p. 42).

On the other hand, community advocacy organizations were formed out of social reform movements in the late 19<sup>th</sup> and 20<sup>th</sup> centuries that worked in lower-income and immigrant communities. Settlement houses were created to help integrate immigrants into the U.S. and to meet the needs of poor residents in urban areas. The settlement houses were designed to “address the entire array of problems facing poor people” and where they could “find services, job references, educational and cultural uplift programs, and, most important, all the moral and social benefits thought to derive from interaction with middle-class ‘neighbors’ or volunteer” (O’Connor, 2012, p. 14).

Welfare organizations continued to evolve and significantly grow in the 1960s with the Great Society program and War on Poverty. These programs helped to fund community-based organizations through the Office of Economic Opportunity to “advance and coordinate community interests at the city level” (DeFilippis et al., 2010, p. 51). These programs were also the first effort by the federal government to support community organizations. The Economic Opportunity Act formed community action agencies (CAAs) to eliminate poverty through the participation of residents and direct local services (Wolman, 1972). However, after only a few



years, CAAs that were critical of their local governments or private corporations were defunded and federal funds were once again allocated to state and local governments (Marwell, 2007). DeFilippis (2012) noted that this time period was critical in limiting social change movements—“Groups had to choose between becoming more professionalized development organizations or maintain their political identity” (p. 31). Some of these early community organizations were then placed in a contradictory position while providing services, of negotiating between government funding and advocating for clients. CBOs continue to have a collaborative yet contentious relationship with the government because of funding restrictions. With the civil rights movement, the Great Society also helped the government become more responsive to the needs of minority communities, including Asian Americans, as these groups formed organizations to apply for some of the “War on Poverty” monies (Espiritu, 1992; Murphy & Cunningham, 2003).

Saul Alinsky started a surge of organizations that sought to mobilize local communities. Alinsky recognized the importance of locally-based community organizing and neighborhood councils to bring power back to local residents through the confrontation of local officials (Alinsky, 1941; Checkoway, 1995). Alinsky was critical of the race-based efforts of the civil rights movement and worked with local neighborhoods to learn about resident concerns (DeFilippis, 2012). However, because these organizations and political movements did recognize the need for conflict to win political power, they were able to advocate for the Home Mortgage Disclosure Act (HMDA) and CRA in 1975 and 1977, respectively.

Community development corporations (CDCs) also emerged in the mid-1960s as grassroots organizations focused on community empowerment in neighborhoods with capital disinvestment (Frisch & Servon, 2006; Stoecker, 1997). CDCs have sought to address issues around economic development, job creation, affordable housing, and other social services in

low-income neighborhoods (Bratt & Rohe, 2004; Murphy & Cunningham, 2003). However, by the 1980s, CDCs were pressured by the government and private funders to focus more on housing and economic development rather than radical political activities (Murphy & Cunningham, 2003). CDCs have also matured and become more professionalized to obtain grants and secure more funding, which has diminished their ability to advocate and organize for neighborhood residents (Stoecker, 1997). With the growth of CDCs and other CBOs, these groups contributed indirectly to the federal government bearing less responsibility for providing resources to communities.

### *Devolution of Social Services*

In a growing global market and in response to the civil rights era, the federal government decreased funding for urban problems. Devolution was also justified because of the ideology that the federal government is inefficient in administering social services—consequently, the government converted entitlement programs to state-specific programs (Alexander, 1999). Specifically, the Housing and Community Development Act of 1974 resulted in the Community Development Block Grant (CDBG) program that shifted the responsibility of addressing community issues from the federal government to local municipalities, which then would disperse funds to community organizations (Peterman, 2000). While these grants channeled funding away from direct government subsidies, they perhaps unintentionally gave more funding to local governments, which in turn provided more funding to minority-led CBOs, including AA CBOs (Vo, 2004).

With these trends of dependence on local initiatives, the 1980s saw an increase in community organizations and a greater reliance on them for social services. While public funding of CBOs was at the peak in the 1970s, CBOs saw a tremendous cut in funding in the

following decade, or more than \$30 billion, even though they became the “last public safety net for our most vulnerable populations (Alexander, 1999). Essentially, CBOs found themselves operating in an environment, which “embraced the market as the vehicle for community-based interventions ...because of the limits of what the public sector is actually providing” (DeFillipis, Fisher, & Shragge, 2010, p. 74). Much of this devolution strategy was institutionalized in the 1996 Personal Responsibility and Work Opportunity Reconciliation Act, in which the federal government made states responsible for administering and implementing welfare reform programs, and states in turn passed on the responsibility for these programs to nonprofit and private entities (Kisanne, 2010).

While CBOs may focus on a specific neighborhood or group, they are intervening in the larger context of historical, political, and market forces that simultaneously impact their targeted geographies and populations. These organizations “consciously act as points of linkage to the economic and political fields operating in the city and beyond” while operating in a devolved environment (Marwell, 2007, p. 231). Communities are finding themselves interacting with global economic forces, and how they fare is “largely dependent upon institutions and a set of relationships that exist well beyond the community,” including lenders and the housing market, which then impact “the abilities of individuals and households to realize their goals and aspirations” (DeFilippis & Saegert, 2012, p. 4). These relationships have increasingly become important in the provision of housing services, particularly because of the national and global evolution of the mortgage market.

### **Role of CBOs in Housing Services**

In an environment that cultivates this third sector, CBOs have achieved a number of successes in helping address housing needs. While these approaches may not help to redistribute

and address the core causes of inequitable housing policies, they can provide a means of intervention. By meeting a variety of housing services, CBOs can provide a protective layer against foreclosure risk for clients. As Immergluck (2009) described, "Not only is sound, affordable, community-reinvestment-oriented lending to underserved communities feasible, it can be a strong preventative to high levels of high-risk subprime lending and thus help expand and preserve homeownership when it makes sense to do so" (p. 166). A number of intermediary CBOs have formed to provide these housing interventions, which then filter resources and funding to a broader network of local CBOs that provide direct services to clients. CBOs then also devolve their services, in which they delegate to smaller CBOs through funding.

National Community Development Financial Institutions (CDFIs) are an example of how CBOs have proved vital to lower-income and minority homebuyers as an intermediary organization. They not only have garnered funding for technical assistance and training, but they also provide below market loans. Much of their success is "due to their special expertise in underwriting and management, and the fact that CDFIs spend more time on project management and finance fewer projects than is true for conventional lenders" (Swack, 2006, p. 271).

The Neighborhood Reinvestment Corporation is a congressionally-chartered CDFI that has a network of more than 235 local NeighborWorks organizations and has helped 1.52 million people with foreclosure counseling between 2007 and 2012 (NeighborWorks America, 2012). In 2012, the network assisted 18,500 homeowners preserve their homes, counseled 15,000 new homeowners, and provided \$73.8 million for its National Foreclosure Mitigation Counseling program, which funds state housing finance agencies, HUD-approved housing counseling intermediaries, and local NeighborWorks organizations (NeighborWorks America, 2012). NeighborWorks also provides home loans, which had only one-tenth the foreclosure rate of

subprime mortgages in 2007 (Immergluck, 2009). Clients that use NeighborWorks organizations' homebuyer counseling and education are one-third less likely to become delinquent on their mortgage within two years of buying a home than those who do not receive homebuyer counseling (Mayer & Temkin, 2013).

Other researchers have found evidence that other housing counseling programs have improved client outcomes. Collins and O'Rourke (2011) reviewed studies on the effects of home education counseling including homebuyer counseling, home repair, reverse mortgage, rental housing, homelessness counseling, and foreclosure and default counseling. They found that participation in pre-purchase programs help homeowners to pay their loans early or on time and that post-purchase programs lead to fewer delinquencies and foreclosures; however, they also acknowledge that those who seek counseling may be different from those who do not voluntarily seek out services, which provides a biased sample (Collins & O'Rourke, 2011). In addition, Quercia and Spader (2008) examined 2,688 mortgage borrowers who enrolled in a secondary market loan purchase program and traced those who received pre-purchase counseling and the loan performance up to 79 months after. The authors found that classroom-based and individual counseling resulted in higher pre-payment of mortgage loans.

CBOs have helped to provide additional forms of housing assistance by purchasing foreclosed properties and helping mediate individual foreclosure risk. Immergluck (2008) described these efforts such as Neighborhood Housing Services of Minneapolis that rehabilitates foreclosed homes to help prevent decreasing home prices and match potential homeowners with new houses. Many CBOs also offer credit counseling to help individuals raise their credit scores over time, which impacts an individual's ability to access hospitals, utilities, auto insurance, and employment (Immergluck, 2008).

Despite their important programs and services, CBOs have struggled with limited funding. They have to constantly fundraise, which includes an “administrative nightmare of conceiving and carrying out complex development projects with multiple partners” (Bratt, 2006, p. 350). In part, CBOs have to combine multiple sources of funding because funders “acknowledge that no single blueprint can possibly respond to the widely varying needs of American communities” (O’Connor, 2012, p. 14). At the same time, this funding environment creates an:

...interdependency and blurring of the lines between public and private, and a complicated system of public, private, local, state, and federal funding arrangements for communities in need. These arrangements in turn demand savvy grantmanship—the entrepreneurial capacity to work the system—and flexibility. They also, in deferring to private sector provision and local practice, leave objectives such as equity, redistribution, and racial integration largely unaddressed (O’Connor, 2012, p. 13-14).

Although many CBOs provide important resources for Asian Americans and other minority or immigrant groups, they face challenges to fund their programs. Simultaneously, they operate in a context that discourages them from advocating against the expansion of the growing housing market and exploitative lending practices that are the core reasons their clients were targeted with subprime and predatory loans.

### **The Evolution of AA CBOs**

As with other CBOs, AA CBOs have worked to provide social services on behalf of Asian Americans. In particular because the majority of Asian Americans are immigrants, they provide necessary support for translation and integration (Hung, 2007). They also face similar pressures from the government to provide direct services to their clients with less funding and support. However, AA CBOs have also experienced a number of policy changes that specifically affected them more than mainstream CBOs.

The following section describes how stereotypes of Asian American clients have affected AA CBO funding and then explains the establishment of AA CBOs. It then describes several examples of community-based housing interventions on a local and national level that have targeted Asian Americans. The chapter then raises unresolved issues related to AA CBOs and how they mediate foreclosure risk for their clients.

*“Model Minority Myth” and “Perpetual Foreigner” Impacts*

Asian Americans are a diverse group with varying socioeconomic differences in key factors such as homeownership, employment, education, and income. These disparate factors are in part because Asian Americans have experienced “bifurcated immigration policies that favor the entry of highly skilled economic immigrants and relatively less-educated refugees and their relatives” (Patraporn, Pfeiffer, & Ong, 2010, p. 288). Oftentimes, these differences are not captured when Asian Americans are aggregated in data collection and research methodology into one racial category, which has contributed to the “model minority myth”—the stereotype that Asian are hard working and self-sufficient (Listokin & Listokin, 2001; Ong, 2003). Though Asian Americans are thus stereotypically viewed as wealthier than other groups, poverty rates for Asian American groups ranged from 6 percent for Filipino Americans to 26 percent for Hmong Americans (AACAJ, 2011). Misconceptions of Asian Americans impact policies and funding.

The model minority myth has persisted since its creation during the 1960s by scholars and reporters. Along with the stereotype that Asian Americans no longer need assistance, they are also rendered invisible and perpetually foreign. Vo (2004) described how these misperceptions have been utilized as political reasons for neglecting these groups:

Before the 1970s, Asian Americans assumed responsibility for the social welfare of their communities, mainly because government-oriented social welfare agencies had been wholly unresponsive to their needs. Since Asian immigrants were not granted citizenship until the 1940s, they were denied social services provided by the government. Their

noncitizenship status cast them as ‘perpetual foreigners,’ which the state used to justify its social service negligence. Those who were citizens did not become public welfare clients because they were unaware of their welfare rights and there were limited outreach programs that provided them access. In the post-World War II era, Asian American groups were granted citizenship; however, given their exclusion from services in their past, they were still not provided with adequate social services (p. 35-36).

Ong (2003) added how the stereotype assumes all Asian Americans could “be left in benign neglect and still manage to pull themselves up by their bootstraps” (p. 78). Additionally, many Asian Americans immigrated from countries where either the government did not provide social services and/or relationships between agencies were “unfavorable,” which led to some of these immigrants to subsequently be “reluctant to request help from governmental agencies in the United States” (Vo, 2004, p. 36).

Another aspect of their racialization is Asian Americans’ relationship with Whites and Blacks. Kim (1999) described Asian Americans as “racially triangulated” with the two groups, where Whites have defined minority groups along two axes of “superior/inferior and insider/foreigner”: Asian Americans are then positioned against Blacks as superior, but remain foreigners in relation to Whites and kept outside of politics and power, which ultimately will “reinforce White dominance and privilege” (p. 107). This triangulation has presented challenges for Asian Americans who were “perceived as an ‘assimilated minority’ that lacked social problems...[and] as ‘inassimilable foreigners’ underserving of services” (Vo, 2004). Through this process of racialization, Asian Americans have difficulty obtaining and/or qualifying for services from mainstream resources and policy makers. Omi and Winant (1994) similarly described how racialization is a social and political process, where racial categories determine access to employment, housing, and other goods and services. In addition, these processes of racialization significantly limit the resources available for AA CBOs to intervene on behalf of their clients.



### *Establishment of AA CBOs*

Asian Americans were consequently underserved not only because of the growing lack of public and private funds, but also because they have been racialized as both self-sufficient and foreign, a stereotype that continues to impact contemporary funding of AA CBOs. To then address the gap of services, Asian Americans created their own formal CBOs. Before 1950, there were 30 AA non-profits across the U.S. in major metropolitan areas (Hung, 2007). At the same time as the Great Society programs and CDBG funding, the number of AA CBOs significantly increased. During the 1960s and 1970s, 130 and 349 AA CBOs formed, respectively (Hung, 2007). This sudden increase of AA CBOs not only was a result of increased funding, but also due to a surge of Asian Americans immigrating to the United States after the 1965 Immigration Act—which abolished restrictive quotas on Asian countries—and the arrival of Southeast Asian refugees (Reimers, 1983).

De Voe (2008) described a wave of AA CBOs that resulted from these Southeast Asian refugees. When the United Nations created the designation of “refugee,” it created a bifurcated status among immigrants, separating “voluntary immigrants” from “refugees”; consequently, the United States had a newfound obligation to temporarily provide economic support to help refugees become economically independent, usually during a five-year period (De Voe, 2008, p. 63). As part of these efforts, the federal government pushed for the creation of self-help voluntary associations, adding to the growth of the third sector and decreased dependency on public funding.

When they first began, these self-help associations informally helped community members in “moments of crisis,” but were eventually expected to become “formal, charitable, social service agencies” as part of the refugee program, and take over federal efforts (De Voe,

2008, p. 64). These organizations then became more formalized and received grants for specific programs, which narrowly restricted their funding, while community members still expected these organizations to help with more informal problems, “from paying the electric bill, to finding a job, to reining in a son who is involved in gang activity,” creating more tensions within these ethnic organizations and their communities (De Voe, 2008, p. 65).

AA CBOs have continued to grow in number since the 1970s. Hung (2014) used Internal Revenue Service data, and found a total of 3,086 AA CBOs in 2010. The dataset also tracked when AA CBOs were formed and describes how they increased in number for every decade until 2000 (see Table 2). For every decade until 2001, AA CBOs increased in number and suddenly increased in the 1990s, similar to Latino nonprofits. However, while fewer AA CBOs formed in the 2000s, many of the CBOs that were established before 2001 have remained active (Hung, 2014). As AA CBOs became more professionalized, they also grew in number and helped to provide a number of social services and cultural resources.

Table 2. Year of Nonprofit Formation for Asian American and Latino Nonprofits

	1970 and earlier	1971-1980	1981-1990	1991-2000	2001 and later	Total
AA nonprofits	181	350	574	1284	697	3,086
Latino nonprofits	191	187	305	1,021	192	1,896

Source: Hung, 2014.

### *AA CBO Housing Interventions*

AA CBOs have evolved to lead targeted interventions in Asian languages and provide clients with asset-building opportunities and homeownership. These interventions are primarily on the local level. An example is Asian Americans for Equality (AAFE), which began in 1974 to serve the New York Chinatown area and provide housing services. The organization found that many Chinatown residents needed quality affordable housing for the immigrant workers in the

neighborhood who were exploited by landlords and slumlords. AAFE stepped in to help educate residents about their housing rights and improved affordable housing in the area, eventually sponsoring the first affordable housing project in New York Chinatown in 1997. In the 1990s, AAFE also expanded their resources to include pre- and post-purchase counseling with their AAFE Housing Center (Listokin & Listokin, 2001).

Similar organizations have expanded their programs to help fill the gaps between mainstream banks and minority community members' needs. Patraporn et al. (2010) surveyed 30 key Asian American asset-building organizations and found the following programs were most frequently offered: financial education; homebuyer assistance programs; and individual development accounts, where CBOs match the client's savings account. Many of these homebuyer programs include workshops and individual counseling. By providing asset-building services, these CBOs help to address some of their clients' foreclosure risks—such as lack of credit and assets—that prevent them from purchasing homes.

Additional intermediary organizations developed in the 1990s and have established coalitions across multiple geographies (Stone, 2006b). Similar to CDFIs, they also provide technical assistance and help community organizations share their best practices (Bratt, 2006, p. 347). National CAPACD is an example, which is a national intermediary organization of Asian American and Pacific Islander-serving organizations. Founded in 1999, it has more than 100 CBOs including community development corporations and financial institutions that work on housing, community development, and advocacy (National CAPACD, 2011a). National CAPACD is similar to other intermediary organizations where it convenes CBOs and provides technical assistance, resources for outreach, and holds annual conferences and meetings to help service providers share best practices.

Specifically for housing services, it became the only HUD-certified Asian American and Pacific Islander-serving housing counseling intermediary in the U.S. in February 2010 (National CAPACD, 2011b). Through their housing counseling network, National CAPACD has 19 CBOs that provide pre-purchase, homeownership, foreclosure, and homeless prevention counseling in more than 23 Asian American and Pacific Islander languages (National CAPACD, 2011b). Many of these CBOs thus play the role of a cultural and language mediator between clients and mainstream institutions, which are needed as more families face foreclosures.

#### *Additional Issues for AA CBOs*

As Asian American communities have grown, AA CBOs have helped to form a sense of community and identity along ethnic or racial ties. As Toji and Umemoto (2003) described, some of these historic centers of various Asian American groups are becoming “less important in the daily matters of livelihood and existence,” but simultaneously “become ever more important as sites for the maintenance of ethnic identity and a sense of ethnic community” (p. 25). AA CBOs also work to “engage each generation in the process of identity formation and community building” (Toji & Umemoto, 2003, p. 38). Additionally, AA CBOs help to understand how they not only “build pan-Asian consciousness,” but also they inform “about the directions of the populations supposedly represented” (Espiritu, 1992, p. 16). It is not only through their social services, but also because of their group-specific connections that AA CBOs continue to be important to Asian Americans.

Over time, AA CBOs have become an important part of the social service landscape, helping address issues of poverty, housing, childcare, cultural programs, and educational services. In doing so, they have become more professionalized, hiring more technical experts to help with their programs that were originally provided by the public sector, similar to other

CBOs. Furthermore, the state and foundations reward professionalism, or “the ability to deal effectively with elected officials and public agencies,” which then favors nonprofit leaders who are professional middle-class people and adds a dimension of class segmentation within organizations that may target a combination of ethnic groups, including AA CBOs, where great socioeconomic disparities already exist among Asian Americans (Espiritu, 1992).

Despite becoming more formal CBOs and becoming professionalized, AA CBOs too receive less federal support. Similar to the conclusion reached by DeFilippis et al. (2010), this segmentation has “left certain people and communities in relatively favored positions, and (re)marginalized others through the uneven landscape of community organization density and representation” (p. 90). Asian American communities were not only originally left to develop their own social services, but they were provided with fewer resources to become self-sufficient. These processes are unfair when CBOs are expected to meet federal or state guidelines for the funding they do receive and to continue receiving funding, while the government continues to assume that all communities have the “capacity and the will to follow policy decided from the center,” or government (DeFilippis et al., 2010, p. 91). Paprocki and Chung (1998) also found that in the late 1990s, AA CBOs received only 2.7 percent of total corporate grants given to all racial and ethnic groups and 0.38 percent of top corporate funds, although Asian Americans comprised 4 percent of the population at the time. In these relationships with the public sector, AA CBOs are becoming increasingly marginalized, in particular those that serve smaller populations and have less capacity.

## **Conclusion**

It is clear that CBOs play an important role in service provision for many underserved groups. Relevant to the current study, AA CBOs are key institutions that support Asian

American communities. However, there are a number of unresolved issues from the existing literature. While they are expected to provide social services, it remains unclear if AA CBOs are designed to mediate on behalf of all Asian American homeowners. As DeFilippis et al. (2010) implied, AA CBOs may become more segmented with the government, but also potentially with other mainstream CBOs that have more resources. How is devolution experienced by smaller CBOs that focus on a target population with more social service needs? While they may have greater flexibility to address their clients' needs, are AA CBOs also limited in their ability to advocate for larger changes that put their clients at risk of foreclosure in the first place? Additionally, AA CBOs are likely to be in contention with housing policies because they are encouraging homeownership, which ultimately places clients at risk of foreclosure; at the same time, AA CBOs may not have opportunities to provide the public sector with feedback on how to better protect Asian Americans from foreclosure.

There is also less evidence of how AA CBOs fared in response to the foreclosure crisis. By understanding how AA CBOs have or have not successfully mediated their clients' foreclosure risk, it may be possible to identify gaps in how generalized housing and foreclosure policies are implemented on the community level. Finally, if AA CBOs are unable to effectively mediate their clients' foreclosure risk, it is important to explore potential roles for AA CBOs in foreclosure prevention work. More studies on AA CBOs will provide a more comprehensive approach to community-based planning and housing service provisions for a range of homebuyers.

## CHAPTER 4

### RESEARCH QUESTIONS AND METHODOLOGY

While the government has devolved its services to local CBOs and continued to take primary responsibility in establishing housing policies, there is evidence that AA CBOs and Asian American homeowners have remained marginalized. Asian American homeowners are disproportionately affected by housing and foreclosure policies that do not take into account their impacts on smaller populations that have diversity in socioeconomic disparities and language needs. Also, AA CBOs are constrained by funding, at times because Asian Americans are stereotyped as not needing social services. Even though they have adapted and developed housing programs, the experiences of AA CBOs raise important questions about the tensions that exist between AA CBOs, mainstream CBOs, the private market, and the public sector to address the foreclosure risk of their clients. It is also critical to understand how these relationships help or deter the allocation of scarce resources for underserved and vulnerable populations.

#### **Research Questions**

In response to these gaps in literature, the current study sought to answer the following questions:

1. How did foreclosure risk affect Asian American homeowners during the foreclosure crisis?
2. How have AA CBOs mediated these foreclosure risks for their clients?

In particular, previous studies have failed to examine these questions for Asian Americans, aggregated as a single racial category, and Asian American ethnic groups (e.g., Hmong, Chinese, Vietnamese). While the literature identifies foreclosure risk factors for Asian Americans, there is a dearth of information on how these factors affected them in the context of the 2007 crisis. I predict that many Asian Americans were affected by the foreclosure crisis, in particular because

these groups have several foreclosure risk factors that impact their assets, ability to remedy their housing situations, and disproportionate targeting by or geographic concentration of subprime loans.

I also expect that AA CBOs have mediated in multiple ways for their clients. First, help-seeking behavior, including approaching AA CBOs, may lower Asian American homeowner risk of foreclosure. However, if AA CBOs are underfunded or have less capacity, they may not be able to intervene as effectively as large mainstream CBOs. The study also examined how AA CBOs compare with mainstream CBOs to compare how devolution has affected their operations. Finally, are AA CBOs able to advocate for their clients by advocating for market and policy changes? If they operate similarly to most CBOs, they may not engage with this critical area, which would limit their ability to protect additional Asian American homeowners from foreclosing.

The next section describes how other researchers have attempted to answer similar questions about foreclosures. After surveying other methods, I explain how these studies have lacked nuance in understanding Asian Americans and Asian American ethnic groups. After, I outline the study's methods and potential contributions to literature on foreclosure policies and Asian Americans.

### **Previous Methodologies**

Researchers have utilized a number of methods to study foreclosures because of the challenges in data acquisition and lack of uniformity in defining foreclosures. Newman (2012) discussed several challenges to studying foreclosures. First, the foreclosure process and timeline varies by state and may or may not include a judicial process. Foreclosures also have different stages, such as when a foreclosure is filed or when a foreclosed property is sold at auction, or a



Sheriff's sale. Foreclosure rate calculations also vary in the numerator (e.g., filings or Sheriff's sales) and in the denominator (e.g. occupied housing units or total loans originated).

Furthermore, there are very few publicly available data sources on foreclosures. They are oftentimes privately collected and expensive to purchase. Even if these data sets are purchased, data sources do not always provide enough detail about loan terms. Consequently, researchers examining foreclosures utilize a mix of datasets and methods to help resolve these issues (see Table 3 for a summary).

Table 3. Publicly Available Data Sources on Foreclosures

Publicly Available Data Source	Strengths	Limitations	Example Applications
Home Mortgage Disclosure Act	<ul style="list-style-type: none"> <li>* Publicly available and includes loans originated by census tract annually since 1993</li> <li>* Data includes borrower characteristics, lenders, and loan type</li> <li>* Can join with other private data with foreclosure data to track loans</li> </ul>	<ul style="list-style-type: none"> <li>* Non-depository lenders may not consistently report race/ethnicity of borrowers</li> <li>* Does not include ethnic-specific data</li> </ul>	<ul style="list-style-type: none"> <li>* Track loan performance by type (Laderman &amp; Reid, 2008)</li> <li>* Examine Foreclosures by Racial Segregation (Rugh &amp; Massey, 2010)</li> <li>* Connect subprime lending and housing price appreciation (Ong &amp; Pfeiffer, 2008)</li> </ul>
Notice of Defaults	<ul style="list-style-type: none"> <li>* Partially publicly available, but user needs to pay fee to gain full access</li> <li>* Helps understand who is at greater risk of foreclosure</li> <li>* Can examine foreclosures on a local level (zip code, streets)</li> </ul>	<ul style="list-style-type: none"> <li>* Does not provide information on foreclosures and may overestimate foreclosure risk</li> <li>* Does not include self-identified race/ethnicity of borrower; Accuracy of ethnic group matches varies based on surname list</li> <li>* Unable to aggregate or track data over time</li> </ul>	<ul style="list-style-type: none"> <li>* Match homeowner names to different ethnic groups (Chhaya CDC, 2009; National CAPACD &amp; SEARAC, 2011)</li> </ul>
Sheriff's Sale Records	<ul style="list-style-type: none"> <li>* May include many details including name of previous homeowner, address, loan originator, amount house sold for at auction, date of sale</li> <li>* Publicly available</li> </ul>	<ul style="list-style-type: none"> <li>* Does not include self-identified race/ethnicity of borrower; Accuracy of ethnic group matches varies based on surname list</li> <li>* Local governments do not consistently collect the same data</li> <li>* May not include the lender, in particular those that are not required to file with HMDA</li> </ul>	<ul style="list-style-type: none"> <li>* Match Sheriff's sale data to public school student database to analyze foreclosures by language spoken at home and nativity (Allen, 2009)</li> </ul>

Note: Compiled by author. This summary is not meant to be extensive, but serves as a brief explanation of different methodologies related to foreclosures.

## *Publicly Available Data*

### Home Mortgage Disclosure Act (HMDA) data

HMDA was passed by Congress in 1975, and requires lenders to report loan data publicly (Federal Financial Institutions Examine Council, 2014). The data includes information on borrower characteristics, lenders, and loan type such as prime, subprime, government-backed, and manufactured lending, which allow researchers to track the performance of loans (Apgar & Fishbein, 2005). While depository and nondepository institutions are required to submit loan data, they must meet a list of criteria, including a minimum amount of assets.

Scholars have matched HMDA to other data sets since it does not include foreclosure data. For example, Laderman and Reid (2008) matched HMDA data to Lender Processing Services, Inc. Applied Analytics (LPS) data to examine interracial disparities in loan performance.<sup>4</sup> They found that minorities disproportionately were likely to be foreclosed, controlling for income and credit score (Laderman & Reid, 2008). HMDA is thus useful because it allows researchers to differentiate other foreclosure data sources by loan type, which is particularly important since subprime loans tend to have higher default risks while CRA loans tend to lead to fewer foreclosures. Other researchers have used HMDA to examine foreclosures by racial segregation (Rugh and Massey, 2010) and the relationship between subprime lending and housing price appreciation (Ong and Pfeiffer, 2008).

However, as noted by Dymski, Hernandez, and Mohanty (2011), non-depository lenders may not report the race and ethnicity of borrowers to HMDA. Without accurate reporting, it is a challenge to have a full understanding of the predatory and subprime lending landscape. HMDA

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<sup>4</sup> LPS allows researchers to examine loan performance as reported by 15 mortgage servicers, which covers a majority of mortgages (Laderman & Reid, 2008).

also does not include ethnic groups and aggregates all Asian American borrowers, masking interethnic differences.

#### Notice of Defaults (NODs)

NODs are sent to homeowners who have missed a number of mortgage payments. NODs are publicly recorded and begin the foreclosure process. However, homeowners have the opportunity to keep their house if they pay back missed payments in a prescribed time period. CBOs have also used NODs to examine if Asian Americans in their service areas are disproportionately at risk for foreclosures. For example, Chhaya CDC (2009) and National CAPACD and SEARAC (2011) found that their clients have disproportionately higher defaults than other groups in these neighborhoods. While not all homeowners who default ultimately go into foreclosure, NOD data do help CBOs better understand who is at greater risk of foreclosure and where to focus interventions. In order to determine ethnic group differences, these organizations matched homeowner names listed online with a surname list that the CBO developed for their targeted ethnic groups. This method allows researchers to understand Asian ethnic group default rates oftentimes at small locales such as in a zip code or by a street address.

However, this method also has a number of limitations. First, users are required to pay a fee to access all of the information available on these websites because it includes privately collected data. Although the sites do list houses in a variety of stages such as bankruptcy, foreclosure, or short sales, they do not allow researchers to aggregate data, which would enable a more accurate count of each stage. Furthermore, the listings do not extend beyond a year of the query date, which does not allow researchers to track foreclosures over time. This data source is thus piecemeal and limited.

While it is useful to have homeowner names to help identify ethnic or racial groups in the data, this method can lead to some inaccuracies because some homeowners may have a name that is identified with several ethnic groups, such as the surname “Lee.” The accuracy of these studies also depends on the surname list, which may not capture Asian Americans that are married, adopted, and/or do not have traditionally-recognized surnames of a particular ethnic group. If attempting to compare with other groups, surname lists can also prove difficult for distinguishing differences between e.g., Latino, Filipino, and some Pacific Islander groups that were colonized by Spain. This difficulty extends to differentiating between African American and some non-Hispanic White names.

#### Sheriff’s Sale Data

Other studies have used Sheriff’s sales data because it is publicly available. Depending on the state, Sheriff’s sale information may be collected by courts or the county records offices. As mentioned, Sheriff’s sales do not necessarily capture all foreclosures, but are more readily accessible. Depending on the entity that collected the information, some Sheriff’s sale records include the name of the previous homeowner; address of the house; the loan originator or lender; the final selling price of the home; and the date of the sale.

For example, Allen (2009) matched Sheriff’s sales data, Hennepin County Assessor’s Office records on parcel homestead status, and the Minneapolis Public School student database, which includes student addresses. Using this methodology, Allen (2009) analyzed foreclosed properties with children in the Minneapolis Public School (MPS) system by language spoken at home and nativity. While helpful to disaggregate Asian American ethnic groups and other immigrant groups, this data does not include those students born in the United States, including

second generation Asian Americans. Also, since it depends on MPS data, it restricts the analysis to families with MPS students.

While publicly available, some of these data still have limitations. For example, some Sheriff's sale records do not include the lender, especially smaller lenders that are not required to file with HMDA (Newman, 2012). Without lenders, it may restrict analyses that may want to connect the type of loan with the borrower's outcomes. However, this method does not include property owners who sell their homes before going to auction. While it does include borrower names, there is no self-identified race or ethnic data included—consequently, a surname list would have to be matched to this data to determine interethnic and interracial differences. Without more accurate and accessible data, Dymski et al. (2011) argue that predatory lending renders racial, ethnic, and gender disparities as “invisible” (p. 9).

#### *Qualitative Data Collection on Foreclosures*

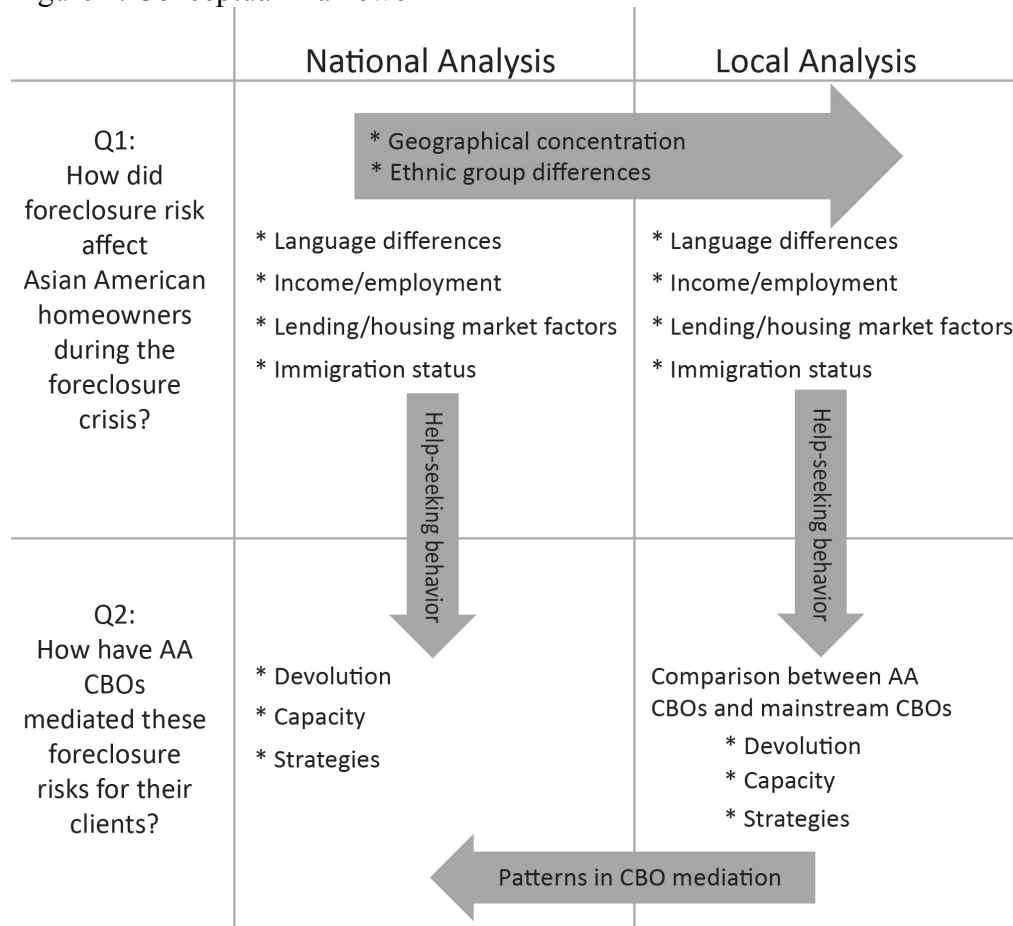
To complement these quantitative studies, researchers and policy analysts have used qualitative methods such as focus groups and interviews to understand foreclosure risk factors for individual homeowners. For example, in a National CAPACD and SEARAC report (2011), researchers conducted focus groups with clients to understand individual effects of the foreclosure crisis. Through their research, they found that some clients have paid money for foreclosure prevention help, up to \$12,000, and fell victim to loan modification scams (National CAPACD & SEARAC, 2011). Newman (2012) conducted focus groups and found that many residents in the neighborhood Vailsburg, New Jersey, had brokers directly approach them about refinancing and felt they were treated unfairly by the lender, except one resident who had an attorney; these residents were also fairly educated about their finances, but still had difficulty with fully comprehending their mortgage terms.

These studies help to decipher the reason for the defaults, foreclosures, and loan outcomes in a specific geographic jurisdiction. However, more studies with mixed-methods are needed to address limitations of each methodology and understand the foreclosure landscape, which can inform policies and foreclosure prevention programs. Specific to the research questions of the current study, there is still little evidence of how foreclosures have affected Asian Americans.

### **Conceptual Framework**

To answer the research questions, the study used several methods on two geographic levels. Figure 4 conceptualizes how the various areas of inquiry are used in the study. The study answered the two research questions through a national and local analysis in Minneapolis-St. Paul, Minnesota, which creates the four quadrants. It is difficult to understand the tangible impacts of foreclosure risk and foreclosures solely on the national level because it does not take into account context and the local setting.

Figure 4. Conceptual Framework



Note: Compiled by author.

The top two quadrants in Figure 4 address the first research question on Asian American foreclosure risk factors. The national analysis provided a glimpse of larger trends that affect the major foreclosure risk factors. As described in the literature, five of the factors were found to affect Asian American’s vulnerability to foreclosure—language differences, income/employment, geographic concentration, lending/housing market factors, and immigration status—which the study sought to verify.<sup>5</sup> As described with previous methodologies, however, there is little focus on the differences among Asian American ethnic groups, which I included as a potential risk factor. The local study also focused on Laotian homeowners to explore if there

<sup>5</sup> Geographic concentration can include the uneven concentration of subprime loans, a certain population group, foreclosures, or other factors that are tied to a specific geography.



are any foreclosure risk factors specific to this ethnic group. Also, the local analysis helped to explore geographic concentration and additional factors that may impact how the foreclosure crisis affected Asian Americans' vulnerability to foreclosure. Geographic concentration is a focus of the foreclosure risk analysis because I assume that Asian American households who live in areas with greater foreclosure risk are likely to be at greater risk for foreclosure or other negative collective outcomes from foreclosure such as home value declines.

Both analyses added help-seeking behavior as a seventh factor, but instead as a protective factor against foreclosure. Depending on if Asian American homeowners seek help from community resources, they may be less likely to foreclose. Although community resources can encompass multiple institutions and informal networks, I specifically examined AA CBOs as the primary community resource. The first research question then informed the second research question, which examined how CBOs have mediated Asian American foreclosure risk. If Asian American homeowners are using AA CBOs as a community resource to prevent foreclosure and mediate other foreclosure risks, it is important to understand AA CBOs and how they were affected by the foreclosure crisis.

On the national and local levels, the study examined specific aspects of CBOs—devolution, capacity, and strategies—to understand how they have mediated their clients' foreclosure risk (see the bottom quadrants in Figure 4). As discussed in the previous chapter, the nonprofit sector has experienced many changes because of devolution. While it is expected that AA CBOs have also been impacted by devolution, how have these shifts in funding and responsibilities specifically affected their housing and foreclosure programs? The study also explored what is the capacity of AA CBOs to mediate foreclosure risk, either through asset-building, housing education, and foreclosure prevention work. If they are expected to take on

additional responsibilities, are they able to remain effective? If so, it is critical to learn more about the strategies that AA CBOs use to efficiently and effectively serve their clients. These strategies clarify the way that AA CBOs are able to help Asian American homeowners, and in what ways additional government interventions or policies can support their work.

In addition to these three factors, the local level compared the experiences of AA CBOs to those of mainstream CBOs. While it would be unmanageable to conduct a national study on mainstream CBOs and AA CBOs, the local study provided an opportunity to make these comparisons on a smaller scale in the Minneapolis-St. Paul region. The study contributes to existing literature by examining how different types of CBOs have been affected by the crisis. There is evidence suggesting possible additional segmentation not only between the government and the nonprofit sector, but also among CBOs. If so, this additional segmentation may further marginalize CBOs that target underserved populations, and consequently affect their ability to effectively serve certain homeowners, including Asian Americans.

Finally, these comparisons on the local level pointed to larger patterns that may exist in CBO mediation around foreclosure risk. Without the national analysis, the study would not include larger trends affecting Asian Americans and AA CBOs. At the same time, without the local study, it would be difficult to determine what findings are tied to a geographic and foreclosure context or connected to factors that are more generalizable to national trends. In this way, the national and local analyses mutually informed each other.

### **Analyses Steps**

As previously explained, there are limitations to a number of methods to study foreclosures. I used a combination of quantitative and qualitative methods to answer the two research questions and address constraints in each method (see Table 4). The following describes

the methods and steps used by each research question for the national and local study presented in Table 4.

Table 4. Analysis Steps for Foreclosure Impacts

<b>Geographic Target</b>	<b>Research Question</b>	<b>Analysis</b>	<b>Data Source</b>
National	Foreclosure Risk	geographic concentration	* HUD Neighborhood Stabilization Program
		ethnic group difference	* Geolytics Census tabulations
	CBO Mediation	language differences income/employment lending/housing market immigration status help-seeking behavior	* Interviews with AA CBO staff
		devolution capacity strategies	* Interviews with AA CBO staff
Local Study (Minneapolis-St. Paul, MN)	Foreclosure Risk	Lao Center clients: geographic concentration	* HUD Neighborhood Stabilization Program * Geolytics Census tabulations * Lao Center client addresses * 2012 Hennepin County sheriff sale
		Lao Center clients: ethnic group language differences income/employment lending/housing market immigration status help-seeking behavior	* Interviews with Lao Center staff * Focus groups with Lao Center clients
	CBO Mediation	devolution capacity strategies	* Interviews with AA CBO and mainstream CBO staff

### *Foreclosure Risk Analysis*

On the national level, the seven risk factors were examined using a combination of quantitative and qualitative methods. The first step explored geographic concentration and ethnic group differences—specifically, it matched neighborhoods with foreclosure risk scores to the population in the area. HUD’s Neighborhood Stabilization Program (NSP) 2 foreclosure risk score was used, which designates census tracts a score that ranges from 1 to 20 using data on

high cost loans, changes in home values, unemployment rates, and delinquent loans (a score of 20 indicates the worst foreclosure risk; HUD, 2013b).<sup>6</sup> Because the current study was more interested in foreclosure risk, the NSP score made it easier to understand additional factors that put homeowners at risk of foreclosure based on geography, including decreasing home values and unemployment.

However, NSP data does not include the race or ethnicity of residents in the designated geographic area. Consequently, I matched risk scores with 2010 Geolytics Decennial Census population statistics that were adjusted to 2000 census tracts, and tracts were used to approximate neighborhoods.<sup>7</sup> After, I estimated the average foreclosure risk based on various racial and ethnic groups in three steps:

1. **Majority Tract Analysis:** census tracts where at least 50 percent of the population is one race or ethnic group to compare if groups live in neighborhoods with higher risk than others
2. **Asian American Majority Tract Clusters:** counties with at least 2 census tracts of more than 50 percent Asian Americans—it is important to look at clusters to evaluate if areas with larger Asian American populations tend to have higher foreclosure risk
3. **Asian American Ethnic Group Tracts:** varying population thresholds less than 50 percent to examine smaller Asian American ethnic groups—this step helps to examine foreclosure risk for smaller Asian American ethnic groups.

These steps demonstrated the racial/ethnic group and geographic disparities in foreclosure risk scores nationally.

While the NSP foreclosure risk analysis helps to understand where Asian Americans live and ethnic group differences, it does not offer an explanation for why Asian Americans may have higher or lower foreclosure risk scores. Consequently, interviews helped to examine the

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<sup>6</sup> HUD has used these scores to allocate NSP funds to state and local governments to purchase foreclosed homes that “might otherwise become sources of abandonment and blight” in areas with higher foreclosure risk scores (HUD, 2013a). NSP funds have been allocated as a result of the American Recovery and Reinvestment Act and Dodd-Frank Wall Street Reform Act (HUD, 2013a). NSP data can be downloaded from <http://www.huduser.org/portal/NSP2datadesc.html> by state.

<sup>7</sup> Geolytics Tables P5, P7, and PCT7 were used to find race and ethnic data. Because NSP scores were determined in 2007 and 2008, the data utilize 2000 geographic boundaries.

other five risk factors—language differences, income/employment, lending/housing market, immigration status, and help-seeking behavior. Interviews were conducted with 12 staff members of ten AA CBOs who lead housing and/or economic sufficiency programs that impacted homeownership opportunities during 2012 and 2013 (see Table 5 for more detailed descriptions of CBOs). While the interviews may not provide longitudinal data, they provide a snapshot from the perspective of staff members of how Asian American homeowners were affected during the crisis. Staff members were used instead of individual homeowners because AA CBO staff can help identify larger trends among clients since they work with multiple homeowners at once; it also offered sampling convenience.

These CBOs were identified from the National CAPACD housing network.<sup>8</sup> National CAPACD members then referred CBOs that are not part of the National CAPACD network and are not HUD-certified. Half of the interviewed CBOs were part of the National CAPACD network, while others operated housing programs that are not HUD-certified. Non HUD-certified AA CBOs were included in the study because they may mediate foreclosure risk for clients without providing HUD-certified foreclosure prevention assistance. For example, Asian Services in Action, Inc. (ASIA) helps clients with individual development accounts, which may not directly mitigate against foreclosure, but may help homeowners to build their assets and prevent them from defaulting. Also, Koreatown Youth and Community Center (KYCC) does not offer foreclosure prevention work, but may help clients to better understand their mortgage terms and the American financial system through their financial education programs.

Most AA CBOs interviewed also offer a range of social services aside from housing including employment assistance, civic engagement, English-language services, and health.

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<sup>8</sup> A list of National CAPACD organizations involved in the housing network can be found at: <http://www.nationalcapacd.org/content/find-counselor>.

These AA CBOs consequently may address other foreclosure risk such as language differences, income/employment, and immigration status. Asian-American Homeownership Counseling, Inc. (AAHC) is the only AA CBO solely focused on housing services. Interviewees are located in various geographic regions including the West, East Coast, and Midwest, and provide services for a range of target areas (e.g., metropolitan area, multi-county region, state). They also differ in organizational size and structure, where some were founded a few years ago, while others have been working in their communities for more than 30 years. Aggregated, they provide translation and services in more than 14 different languages, with a few including Spanish.

Actual CBO names were used because there are few CBOs per geographic area that provide housing assistance and/or are HUD-certified. However, staff members were not identified by name and no personal information was collected that would identify individual staff. Furthermore, a number of CBOs had staff turnover since the interviews were conducted, which helps maintain anonymity of individual interviewees.

Phone interviews were semi-structured and asked staff members to share their insights on how the foreclosure crisis has impacted clients, including what factors lead to clients defaulting and what resources clients used to prevent foreclosure or help themselves after foreclosing (see Appendix for interview questions). These interview questions were based off of Pfeiffer, Wong, Ong, and De La Cruz-Viesca (2014) study with the UCLA Asian American Studies Center. Interviews lasted between 30 to 60 minutes. Some follow-up e-mails were exchanged with AA CBO staff to clarify questions.

Interviews with CBO staff were more informal and were not audio recorded, but detailed notes were taken during the interviews. After, notes were sent to interviewees to verify accuracy of comments. However, one staff member did not receive notes because the person left the

organization soon after the interview. Interviews were also analyzed according to themes that related to foreclosure risk factors. AA CBO staff members also electronically received a summary of themes related to client foreclosure risk to obtain their feedback. However, none of the staff members responded with additional feedback.

### CBO Mediation

Staff members were also asked about their housing programs and how the foreclosure crisis affected their programming. To gauge capacity, they were also asked about challenges and which housing programs had been effective and ineffective. Finally, they were asked about connections or partnerships with other CBOs or agencies to implement programming to gauge impacts of devolution and potential strategies that AA CBOs use to serve clients.

This step helps to contextualize larger trends that AA CBOs may experience that are directly involved with assisting Asian Americans with housing, specifically looking at the impacts of devolution, capacity to address foreclosures and foreclosure risk, and strategies to remain effective. It also explores how foreclosures may have impacted CBOs themselves, which has implications for how to support and develop AA CBOs.

Table 5. AA CBO Interviewee Descriptions

AA CBO	Geographic Target	Language Assistance	Housing and Financial Assistance Programs	Foreclosure Prevention?	HUD Certified?	National CAPACD network?
Asian Services in Action, Inc. (ASIA)	Northeast Ohio	English (translators available for Bhutanese, Burmese/Karen, Chinese, Nepali)	Self-Sufficiency Program (homeownership and individual development accounts)	N	N	N
Asian-American Homeownership Counseling, Inc. (AAHC)	Washington, D.C. Region	Mandarin, Korean, Vietnamese (translators available for Burmese, Tagalog, Spanish)	homebuyer education, financial education, foreclosure prevention, scam protection, rental assistance, reverse mortgage education	Y	Y	Y
Chinese American Service League (CASL)	Chicago Region	Mandarin, Cantonese	Housing and Financial Education Department (foreclosure prevention, money management)	Y	Y	Y
Fresno Center for New Americans (FCNA)	Fresno County	Hmoob, Vietnamese,	Self-Sufficiency Program	N	N	N
Fresno Interdenominational Refugee Ministries (FIRM)	Fresno Region	Hmoob	Healthy Homes (advocacy for affordable housing and housing quality)	N	N	N
Hmong American Partnership (HAP)	Minneapolis-St. Paul	Hmoob	economic and community development (homeownership counseling, rental counseling, financial literacy, foreclosure counseling)	Y	Y	Y
Korean Resource Center (KRC)	Los Angeles Region	Korean	foreclosure prevention	Y	Y	Y
Koreatown Youth and Community Center (KYCC)	Los Angeles Region	Korean, Spanish	affordable housing units, community economic development services (financial education and asset building)	N	N	N
Lao Assistance Center of Minnesota (Lao Center)	Minnesota	Lao, Thai	housing counseling (homebuyer, foreclosure prevention)	Y	Y	Y
National Coalition for Asian Pacific American Community Development (National CAPACD)	United States		housing counseling network (HUD intermediary focused on Asian Americans and Pacific Islanders)			



## *Local Analysis*

### Foreclosure Risk

The local level used similar steps, but focused on clients of the Lao Assistance Center of Minnesota (Lao Center) for several reasons. While conducting several AA CBOs for interviews, the Lao Center was open to work together to develop a local study. Also, most of the clients at the Lao Center are Laotian, which helped to narrow down the analysis to a specific ethnic group. Nationally, Laotians on average have lower per capita, higher unemployment rates, and lower educational attainment than other Asian American groups, which may increase their foreclosure risk in Minneapolis-St. Paul (AACAJ, 2011). However, there is still more research needed on Laotians to better understand how they fared in the foreclosure crisis.

Also, due to time and resource constraints, it was helpful to identify individual homeowners who already participate in the Lao Center rather than find homeowners who live in the general Minneapolis-St. Paul community. While this method of recruitment did bias the sample toward those who have sought help, this step made it easier to understand foreclosure risk factors for a particular group that uses a similar community network.

The Lao Center is located in Minneapolis, Minnesota, and was established in 1983. It provides resources in English, Lao, and Thai for programs related to health education, youth advancement, elder empowerment, employment counseling, housing counseling, civic engagement, and leadership development. It is also a member of the National CAPACD housing counseling network and has more than 100 clients. To administer their housing programs, the Lao Center has two HUD-certified counselors.

To examine foreclosure risk for Lao Center clients, several steps were used. The Lao Center provided addresses of clients who participated in housing programs—foreclosure

prevention and homebuyer education—between 2011 and 2013. Then, Lao Center client addresses were geocoded using ArcGIS online. Similar to the national analysis, Lao Center addresses were matched to NSP 2 foreclosure risk scores to distinguish if they live in areas with higher foreclosure risk.

After, a more detailed analysis was conducted for clients who live in Hennepin County. With Sheriff's sale data from 2012, foreclosure listings were compared to where clients lived and the HUD foreclosure risk scores.<sup>9</sup> This step determined if clients live in tracts that not only have higher foreclosure risk scores, but also have a higher concentration of foreclosures within the county. A greater concentration of foreclosures would also affect housing prices. It was important to also include 2012 data because it offers a more recent perspective on foreclosures compared to the NSP scores, which were determined in 2007 and 2008. Then, to explore if there were discrepancies between the two groups of clients, those who sought foreclosure prevention were compared to those wanting to buy a home.

Finally, the near table tool was used in ArcGIS to identify where the Lao Center was located, relative to other HUD organizations, and Lao Center clients.<sup>10</sup> This last step helped to understand if clients lived in areas that are serviced by organizations that do not provide resources in Laotian. It also helps to expand the understanding of what community resources are available to Laotian homeowners based on their neighborhoods.

However, these steps also have limitations because they do not include whether or not clients foreclosed and what risk factors contributed to their vulnerability to foreclosure during the crisis. The last step of the local foreclosure analysis included focus groups with Lao Center

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<sup>9</sup> Sheriff's sale data were provided by the University of Minnesota's Center for Urban and Regional Affairs.

<sup>10</sup> HUD provides addresses of HUD-approved organizations online, which were geocoded using ArcGIS online. More information is available for Minnesota HUD-approved organizations at <http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm?&webListAction=search&searchstate=MN>.

clients to learn about layers of risk. Two focus groups were conducted at the Lao Center during a week in June 2013. One of the focus groups was conducted on the weekend to offer clients an opportunity to participate if they had to work during the week. Lao Center staff recruited attendees who either experienced foreclosures or were at risk of foreclosure and participated in Lao Center housing programs.

UIUC Institutional Review Board approval was received for these focus groups with a waiver of documentation because many of their clients' primary language is Laotian and are not accustomed to signing long and technical consent forms. Instead, they were informed of their rights to not answer a question or to leave the focus group early and were asked to give verbal consent (see Appendix for consent form). For participation, clients received a \$15 gift card to Target, which they would receive even if they decided to not finish the focus group.

The first focus group had two clients, while the second focus group had nine clients. (One client attended both focus groups for a total of 10 participants.) However, a couple of participants did not speak during the focus group, in part perhaps because their spouses also attended the focus groups and shared their family's experiences. While two participants were fluent in English, the other participants primarily spoke in Lao. Two clients experienced foreclosures, while the others defaulted or were at risk of not paying their mortgage.

Focus groups were audio recorded and lasted about 90 minutes. Groups took place at the Lao Center conference room for a convenient and comfortable environment. Client addresses were the only information collected, but were not identified by name, so as to compare where attendees live in relation to foreclosure risk. Pseudonyms were used to protect the identities of clients. Two Lao Center staff translated during the focus groups. The focus groups were transcribed and analyzed by the researcher to better understand how individual homeowners have

been impacted by foreclosures and foreclosure risk. Similar to the AA CBO interviews, themes were developed for the two focus groups based on foreclosure risk factors.

Although Lao Center clients were offered the option to participate in individual interviews, no clients expressed interest in speaking alone. Clients were asked about their financial situations that led to defaulting and how they bought their home, including if they received any additional assistance or what kind of lender they used (see Appendix for the list of questions used). Additionally, the focus group participants were asked how they may or may not have sought help when they defaulted, including any barriers that clients may have had when seeking housing assistance. This step begins to distinguish how clients' experiences impact CBOs and what policies and resources can help increase CBO effectiveness in preventing foreclosures for Asian Americans. Lastly, they were asked what resources they had following foreclosure if it was applicable to their situation and what advice they would offer to other potential homebuyers.

Similar to the national analysis, interviews with housing CBO staff in the region were also conducted to better understand how CBOs and their clients were impacted by foreclosures. A total of six interviews were completed for five CBOs during 2013 (see Table 6 for CBO descriptions). The first four organizations are HUD-certified and provide foreclosure prevention counseling for clients. They also vary in geographic scope, where two focus on the state and the others focus on the metropolitan areas. Lutheran Social Service of Minnesota (LSS) and Twin Cities Habitat for Humanity (TC Habitat) are both faith-affiliated institutions, while Hmong American Partnership (HAP) and Lao Center focus on serving Asian American groups. The Minnesota Homeownership Center (MNHOC) serves largely as a parent organization and

streamlines information and resources to other organizations in the state through its Homeownership Advisors Network and does not provide direct housing services.

Table 6. Minneapolis CBO Descriptions

<b>CBO</b>	<b>Geographic Target</b>	<b>Language Assistance</b>	<b>Housing and Financial Assistance Programs</b>
Hmong American Partnership (HAP)	Minneapolis-St. Paul	Hmoob	economic and community development (homeownership counseling, rental counseling, financial literacy, foreclosure prevention counseling)
Lao Assistance Center of Minnesota (Lao Center)	Minnesota	Lao, Thai	housing counseling (homebuyer, foreclosure prevention)
Lutheran Social Service of Minnesota (LSS)	Minnesota	English	foreclosure prevention
Twin Cities Habitat for Humanity (TC Habitat)	City of Minneapolis	English, Arabic	homebuyer, foreclosure prevention
Minnesota Homeownership Center (MNHOC)	Minnesota	English	homebuyer, foreclosure prevention, home mortgage assistance

AA CBOs and mainstream HUD-certified CBOs were interviewed to glean what these staff members may know of Asian American foreclosure. Although mainstream CBOs may not offer translation or programming in Asian languages, they may still work with Laotian or other Asian American homeowners who speak English. LSS also has a larger geographic range than either AA CBO. While the Lao Center does serve the state, LSS has more offices and resources to help Laotian homeowners or Asian American homeowners in more isolated areas of the state.

CBO Mediation

Interviewed CBO staff members were also asked similar questions about programming and the impacts of the foreclosure crisis on their networks (see Appendix for interview questions). Interviews were coded again for the three themes of devolution, capacity, and strategies. By comparing these various CBOs, the local study helped to explore differential

impacts of the foreclosure crisis on CBOs that provide similar work, but for different target populations. This step also helps to understand how AA CBOs and mainstream CBOs utilize organizational networks and local stakeholders to strengthen the impact of their housing programs. If they are using different networks, do these disparities result from the trends devolution and segmentation? This comparison helps understand the more tangible impacts of these trends on individual homeowners and housing programming. These networks also impact what resources are accessible for the CBOs. The interviews with housing staff are also instrumental for comparing how AA CBOs and mainstream CBOs interact with HUD and changes in housing policy. This relationship is particularly important because it will provide insight into how CBOs interact with policy changes and how they relay these changes to their clients.

### **Limitations**

Several constraints should be noted that impact the analysis. First, as previously described, foreclosure risk is not the same as foreclosure rates for individual homeowners. Foreclosure risk is used to approximate where Asian Americans and Lao Center clients live in relation to factors that affect vulnerability to foreclosure; however, individual homeowners' experiences vary significantly, depending on e.g., loan terms, financial resources, and lender used, in addition to neighborhood factors such as vacancy/foreclosures and drops in housing prices.

Second, the sample size is small, which limits generalizability of the findings. According to National CAPACD's website, there are 19 AA CBOs in their housing network, while the sample includes 5 AA CBOs in the network. Consequently, findings are restricted to the interviewed CBOs and may not reflect the experiences of all National CAPACD organizations

nor all AA CBOs with housing and economic assistance programs. The same limitations apply to the Lao Center clients, since 10 of 83 clients were included in the focus groups.

Also, there are some limitations with speaking to AA CBO staff and AA CBO clients. As with other described studies, there may be a sample bias. The homeowners who approach CBOs for assistance may be different than those who do not use these community resources. These disparities may reflect individual homeowner differences and challenges to access CBOs. However, their experiences are not included in the current study.

Additional limitations also apply because of the primary researcher's background. I am not Laotian and experienced language barriers with the focus group participants. By relying on Lao Center staff to translate for me, I was unable to fully grasp client experiences and emotions. Nevertheless, there are very few scholars who have explored the impacts of foreclosures on Asian Americans and Asian American ethnic groups. Although there are some quantitative analyses, they lack nuances of individual homeowner experiences by not including qualitative methodologies.

## CHAPTER 5

### NATIONAL ANALYSIS

In the study, there was evidence that many Asian Americans have greater foreclosure risk than other groups. However, this vulnerability varied depending on a number of foreclosure risk factors. The following describes the risk factors—geographic concentration, ethnic group differences, language differences, income/employment, lending/housing market changes, immigration status, and help-seeking behavior—and how they relate to Asian Americans across the country. It then expands upon help-seeking behavior and discusses how the crisis affected AA CBOs.

#### **Geographic Concentration and Ethnic Group Differences<sup>11</sup>**

This research predicted that foreclosure risk for Asian Americans varies by ethnic group and geographic location. In order to test this at the national level, foreclosure risk was examined for all racial and ethnic groups that comprise a majority of a tract (majority tract). When aggregated, Asian Americans tended to live in tracts with lower average foreclosure risk than other racial groups (see Table 7). Interestingly, these census tracts also had the second highest drop in average home price following Latinos with -13 percent, compared to about -6 percent for non-Hispanic Whites.

When examining Asian American ethnic group majority tracts, however, there were significant differences in average foreclosure risk and home price change. For example, Vietnamese majority tracts tended to have foreclosure risk that are higher than non-Hispanic Whites, while Filipino majority tracts had similar foreclosure risk as American Indians and Alaska Natives and Native Hawaiians and Pacific Islanders.

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<sup>11</sup> Geographic concentration and ethnic group differences are combined in the foreclosure risk analysis. While the study disaggregated by ethnicity, the findings do not describe individual foreclosure risk. Instead, it matched NSP risk scores to where Asian Americans lived to understand how geography interacts with ethnicity.



Table 7. Majority Census Tracts and Foreclosure Risk by Racial and Ethnic Group

<b>Racial/ Ethnic Group</b>	<b>Number of Tracts</b>	<b>Avg Foreclosure Risk</b>	<b>Avg Home Price Change</b>
Asian American	544	9	-13.0%
Asian Indian	3	4	-6.4%
Chinese*	62	5	-9.9%
Filipino	17	10	-8.4%
Japanese	6	2	-4.4%
Korean	4	7	-10.3%
Vietnamese	13	13	-22.3%
NHPI	5	11	-3.3%
AIAN	188	10	-2.7%
Black	6,200	17	-5.7%
Latino	5,624	16	-14.5%
NHW	44,554	12	-5.7%

Note: \*excludes Taiwanese. Foreclosure Risk is on a scale from 1 to 20, where 20 is the highest foreclosure risk. Only tracts with more than 500 of the majority race or ethnic group are included in the analysis. Average home price change is calculated by the decline from home peak values from any year between 2000 and 2008 and the second quarter of 2008.

NHPI = Native Hawaiian and Pacific Islander; AIAN = American Indian and Alaska Native; NHW = non-Hispanic White. Latino can be of any racial group. African American, NHPI, AIAN, and Asian American values include alone or in combination with another ethnic or racial category. Non-Hispanic White is the only category that does not include Latinos.

Source: U.S. Census Bureau, 2010 Decennial Census, Tables P5, P7, and PCT7; 2008 HUD NSP 1.

When examining average home price change, Vietnamese majority tracts had the highest difference in home prices (or 22 percent) compared to Japanese majority tracts (a home price drop of 4 percent). There are limitations in this approach because many Asian American ethnic groups do not comprise more than 50 percent of any census tracts. Consequently, this method includes only those groups with larger populations and does not reflect experiences of smaller Asian American groups.

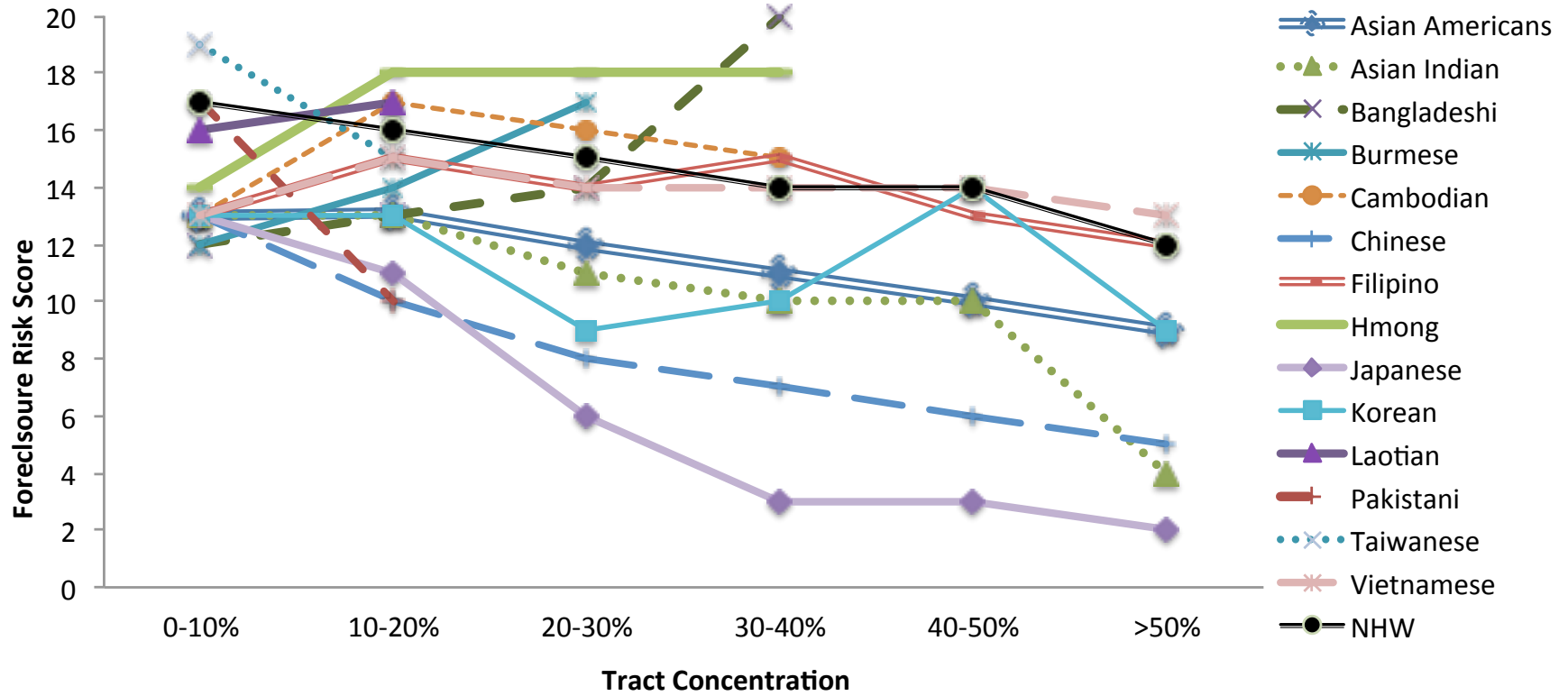
To disaggregate foreclosure risk scores for additional Asian American ethnic groups, tracts with less than a majority of Asian American groups were included (see Figure 5). When disaggregating foreclosure risk for 12 ethnic groups and for different tract population concentrations, foreclosure risk scores varied from 2 to 20. For example, Bangladeshi, Burmese, Cambodian, Filipino, Hmong, and Vietnamese Americans lived in tracts with the highest average

foreclosure risk score in tracts with varying population concentrations less than 50 percent. Most tracts with other ethnic groups also had higher foreclosure risk than Asian Americans aggregated, except for tracts with Chinese, Indian, and Japanese Americans, which were areas with the lowest foreclosure risk. However, the majority of Southeast Asian Americans and newer Asian American groups lived in tracts with higher foreclosure risk.

Moreover, the average foreclosure risk scores for each group were in the zero to 10 percent tract concentration point, which showed that most Asian American groups lived in tracts with an average risk score of more than 12. This value is different from the previous analysis, which found the average foreclosure risk score for Asian American *majority* tracts. Among ethnic groups, Taiwanese, Pakistani, and Laotian lived in tracts with the highest average foreclosure risk score overall. However, these risk scores increased and decreased differently when examining tracts with varying group percentages. For example, Laotian risk scores increased when they comprise between 10 and 20 percent of a tract's households, while Taiwanese risk scores decreased when they comprise between 10 and 20 percent of a tract's households. This trend raised additional questions of whether ethnic group concentration may help protect against foreclosure risk for certain groups, while concentration may serve as an additional risk factor for other Asian American groups.

A similar method was used to examine if home prices also varied among Asian American ethnic groups. If Asian Americans tend to live in areas with a greater housing price drop, they may be at risk of becoming underwater borrowers, or those who owe more on their mortgage than the value of their house. Some underwater borrowers eventually walk away from their home because they have negative equity in their house.

Figure 5. Average Foreclosure Risk for Asian American Ethnic Tracts by Varying Concentrations



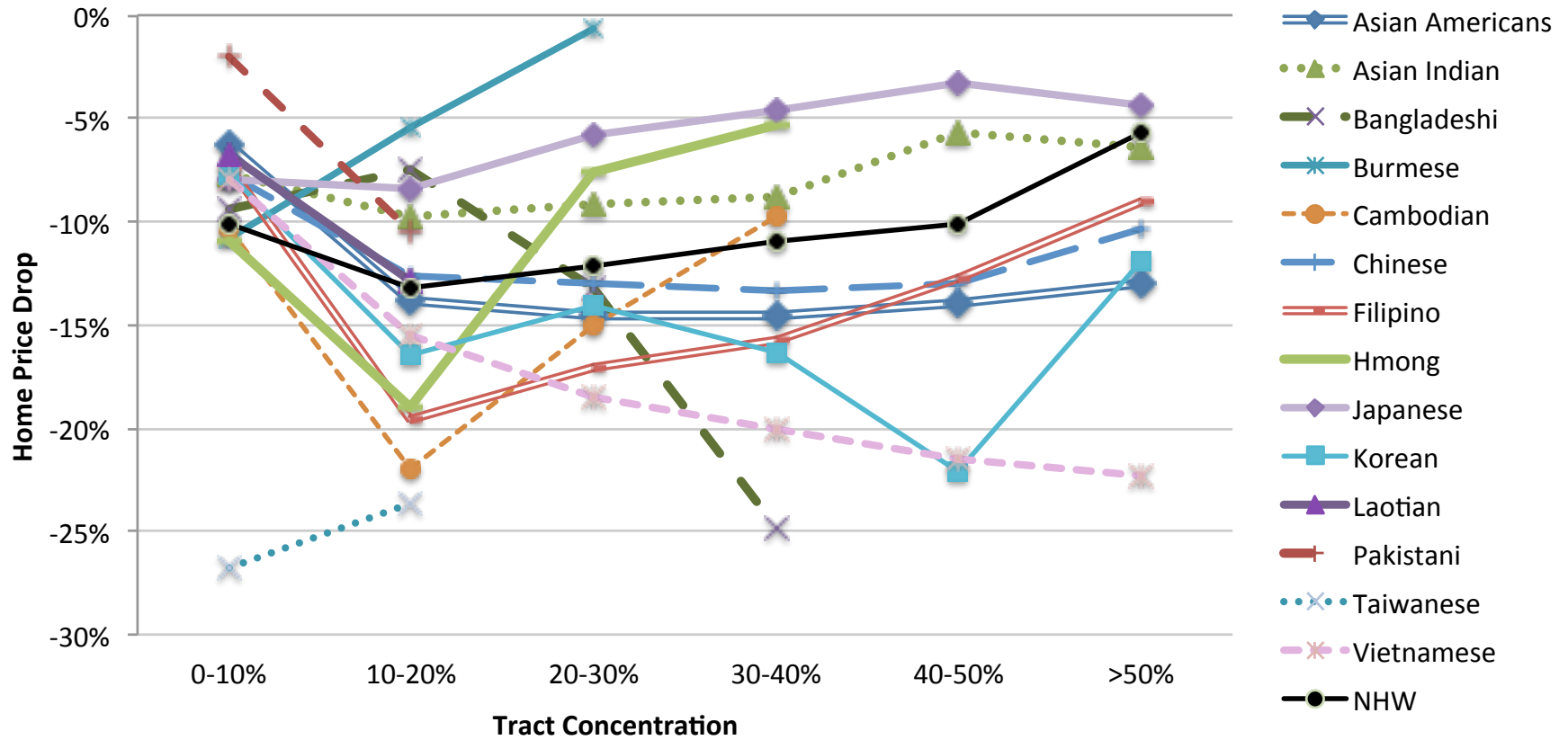
Note: Only tracts with more than 500 Asian Americans are included in the analysis. Foreclosure Risk is on a scale from 1 to 20, where 20 is the highest foreclosure risk. NHW = non-Hispanic White. All groups are alone or in combination except for NHW to account for mixed-race individuals.

Source: U.S. Census Bureau, 2010 Decennial Census, Tables P7 and PCT7; 2008 HUD NSP 1.

Once again, there were significant differences in home price declines by ethnic group, ranging from -1 percent home price decline for tracts with 20 to 30 percent Burmese Americans, compared to -25 percent home price decline for tracts with 30 to 40 percent Bangladeshi Americans (see Figure 6). Other groups with higher home price drops than Asian Americans overall included Bangladeshi, Korean, and Vietnamese Americans. On the other hand, Burmese, Indian, Japanese, and Pakistani Americans tended to live in tracts with less home price declines than other ethnic groups.

Differences in foreclosure risk scores also varied by the geographic location. For counties with clusters of Asian American majority tracts, almost half have higher than average foreclosure risks (or scores above 10; see Table 8). Of the top 10 counties with the highest foreclosure risk, 7 are located in California. Hawaii and Kauai Counties also have high foreclosure risk scores. On the other hand, Kings and New York Counties had the lowest foreclosure risk among these counties. Some counties with more Asian American majority tracts at times correlated with greater foreclosure risk: Los Angeles, Santa Clara, Orange, and Alameda Counties had large Asian American population concentrations and high foreclosure risk.

Figure 6. Average Home Price Drop for Asian American Ethnic Tracts by Varying Concentration



Notes: Only tracts with more than 500 Asian Americans are included in the analysis. Average home price change is calculated by the decline from home peak values from any year between 2000 and 2008 and the second quarter of 2008. NHW = non-Hispanic White. All groups are alone or in combination except for NHW to account for mixed-race individuals.

Source: U.S. Census Bureau, 2010 Decennial Census, Tables P7 and PCT7; 2008 HUD NSP 1.

Table 8. Asian American Majority Tract Clusters by County

County	# of Tracts	Avg Foreclosure Risk	Avg Home Price Change
Los Angeles County, CA	113	13	-23.7%
Honolulu County, HI	105	5	-3.3%
Santa Clara County, CA	72	12	-14.5%
Queens County, NY	59	4	-5.4%
San Francisco County, CA	36	5	-9.4%
Orange County, CA	23	14	-24.9%
Alameda County, CA	20	15	-26.7%
Kings County, NY	17	2	-5.4%
San Mateo County, CA	17	12	-9.4%
Middlesex County, NJ	13	9	-6.9%
San Diego County, CA	9	16	-25.8%
Cook County, IL	8	4	-4.3%
New York County, NY	7	1	-5.4%
Maui County, HI	5	10	-9.8%
Hudson County, NJ	4	9	-5.4%
Bergen County, NJ	3	7	-5.4%
King County, WA	3	8	-5.0%
Delaware County, PA	2	10	-1.7%
Hawaii County, HI	2	14	-9.8%
Kauai County, HI	2	12	-9.8%
Solano County, CA	2	20	-42.2%
Suffolk County, MA	2	11	-7.9%

Note: Majority tract clusters are defined as counties with at least one tract that has more than 50 percent Asian Americans alone or in combination. Only tracts with more than 500 Asian Americans are included in the analysis. Foreclosure Risk is on a scale from 1 to 20, where 20 is the highest foreclosure risk. Average home price change is calculated by the decline from home peak values from any year between 2000 and 2008 and the second quarter of 2008.

Source: U.S. Census Bureau, 2010 Decennial Census, Table P7; 2008 HUD NSP 1.

Some of these counties also had significant home price drops. The majority of these counties had higher average price changes than the average price change for non-Hispanic White majority tracts (or -5.7 percent in Table 7). Also, the six counties with the greatest average home price drop and more than 15 percent were in California (Solano, Alameda, San Diego, Orange, Los Angeles, and Santa Clara), a state with some of the highest foreclosure rates (Taylor et al., 2011). Solano County—located in the Central Valley—in particular had the highest foreclosure risk and average home price drop, and one of the highest unemployment rates out of the Asian

American majority tract clusters counties (Hoak, 2011). Thus, geographic distribution impacts foreclosure risk among Asian American majority tract clusters. Some areas such as those in California face greater challenges to overcome the effects of foreclosures for these Asian American majority tracts. Although Asian American majority tracts tended to have lower foreclosure risk than other racial majority tracts aggregated, some Asian American majority tracts also have high foreclosure risk and drops in average home price that put these Asian American homeowners at risk for foreclosure.

These analyses demonstrate that many Asian American groups live in neighborhoods with higher foreclosure risk. However, there are interethnic disparities that may reflect aspects of immigration history that affect these differences in vulnerability. Without understanding nuances of foreclosure risk, it is difficult to shape policies and programs to help prevent future foreclosures.

### **Language Difference**

Since one-third of Asian Americans are limited-English proficient, AA CBO housing counselors have also found that their clients experience significant language barriers, which is oftentimes linked to exploitation and predatory lending. As National CAPACD staff acknowledged, “Language is a great concern for working with mortgage services and impacts from the beginning to the end of homeownership.” Korean Resource Center (KRC) and ASIA identified that clients are more susceptible to scammers because of limited-English proficiency. These scammers “understand language barriers and make themselves look legitimate, or talk to a sibling who can translate and get the family involved,” according to an ASIA housing counselor. HAP also has clients who have worked with lenders who may be from the same ethnic background, but “may say it’s a great deal when the actual terms may have a floor where interest

can't be below a certain percentage or what you can't pay will be added to the principal." As discussed earlier, predatory loans have significantly higher default rates than prime loans.

Because of language differences, lenders and banks are inaccessible for their clients, in particular because lenders only provide contracts or notices in English. As a housing counselor at KRC stated, "Banks may have multilingual staff for marketing, but after Korean Americans become a customer, banks only give information in English or there is no customer service in Korean." Even if banks do have translation services, National CAPACD noted that language lines have "questionable quality" and AA CBO housing counselors "spend hours going over what the interpreter actually said and what is being discussed and if the terms make sense." Although some lenders may attempt to help provide in-language resources, these services are ineffective and AA CBOs still have to translate between the client and lender.

Because of Asian Americans' language needs, many of these AA CBOs do focus on providing multilingual services. For example, 90 percent of ASIA staff are bilingual and AAHC provides materials in Chinese, Korean, Hmoob, Portuguese, Spanish, Tagalog, and Vietnamese. KYCC also explained how clients travel more than two hours for their services in Korean because San Diego and Orange County do not have as many resources in Korean as Los Angeles. Despite focusing their services in Los Angeles, KYCC's services extend beyond this geographic area because of the dearth of Korean language resources.

### **Income/Employment**

A significant reason that some clients foreclosed is loss of income or wealth during the economic downturn. For example, HAP clients lost income from public resources such as cash benefits, social security, and disability, which contributed to clients defaulting on their mortgages. Even if clients had higher incomes, the Lao Center mentioned that some lost their



jobs and their expenses dramatically increased. With the economic downturn, the Fresno Interdenominational Refugee Ministries (FIRM) also has clients who have put multiple family members on a mortgage to buy a home. Then, when entering the foreclosure process, multiple lines of credit are affected. Losing income and family wealth made these Asian American clients especially vulnerable to defaulting and foreclosing.

Many Asian Americans are also small business owners, and self-employment impacted their income. Asian Americans owned more than 1.5 million businesses in 2007 (AACAJ, 2011). ASIA staff mentioned that they have a lot of clients who are small business owners of restaurants and grocery stores and are “using business capital to stay afloat.” KRC shared similar experiences with clients’ businesses slowing down or closing from the recession; clients then lost income and foreclosed. As AAHC’s staff member noted, “Between the small business and mortgage, clients are renting out rooms, defaulting on their mortgage, and using lots of credit cards.” The types of employment for some Asian Americans make it more difficult to earn a steady income, which causes them to become more susceptible to impacts from the recession. These small business owners also then take on more debt and increases their vulnerability to foreclosure.

### **Lending/Housing Market Factors**

Some of the clients were less financially knowledgeable, which led them to take loans with unfavorable terms. For example, HAP has clients who did not understand negative amortization or ARMs, but instead would only look at the monthly payments rather than the entire mortgage product. As a counselor at the Lao Center described, “Many clients have ARM loans because they think it’s cheaper at first. They don’t know in-depth information about their mortgage but are just happy that they got approved.” With the proliferation of more exploitative

loans and lack of financial education, clients were unknowingly signing mortgages with unfavorable and more expensive terms.

Other clients also accumulated more debt, a trend for many minority homeowners. For example, some homeowners went to the Lao Center because they defaulted from overspending and not understanding the interest rates on their credit cards. Similarly, clients at KYCC “know that their credit report is bad, but don’t want to look at them.” These examples help demonstrate that many Asian Americans may need a combination of programs to educate them on specific mortgage questions and more general financial education.

### **Immigration Status**

Clients’ immigration status is another layer of risk that impacts their vulnerability to foreclosures. Many heavily rely on their families and local communities, in particular if they do not have access to mainstream resources. Some KRC clients obtained incorrect information from their family and friends about mortgages. HAP has clients who depend on their children to help them talk to a loan officer—however, when they become frustrated by this dependence, these clients “will just try and go to someone who speaks the language, which can lead to predatory lending.”

This dependence continues for clients who are unable to stay in their houses. For example, Lao Center clients tend to move in with family while they process their bankruptcy. With the recession, Fresno Center for New Americans (FCNA) saw that multiple families would move in together to help pay bills. When their clients do enter foreclosure, HAP clients also “stay within the community or move in with family.” Because some clients do not have direct access to their lenders due to language barriers and other layers of risk, these immigrant clients depend more heavily on their family and friend networks. However, this dependence can make it

difficult for family members to receive adequate help, especially if other family members are experiencing financial difficulties.

### **Help-Seeking Behavior**

Because of the accumulated impacts from these layers of risk, clients oftentimes come to AA CBOs late in the foreclosure process, which makes it difficult for counselors to help them. AAHC's staff member mentioned that some clients do not know where to go and "seem to not pay their mortgage or answer their phones until they get kicked out, or they get scared and contact AAHC." A Lao Center counselor mentioned similar clients who face language barriers and do not seek help until they have to sell the home; clients "come so late in the process that the Lao Center can't do much to intervene."

These barriers that AA CBO staff and clients experience present critical challenges for AA CBOs to address the impacts of foreclosure for their clients. These factors impact funding, time, resources, and hinder AA CBOs from effectively helping to prevent foreclosures for other clients that they may have to turn away due to lack of capacity. As a KRC counselor explained, "Minority counseling agencies work three times as hard as mainstream organizations." Although many CBOs already struggle with capacity, AA CBOs face additional challenges to simultaneously address client needs and sustain themselves.

### **CBO Mediation**

The interviews with housing staff also helped to understand how various organizations were impacted by the foreclosure crisis. While these AA CBOs met the needs of their clients, these staff members oftentimes have to micromanage their clients because of their multiple layers of risk. As a result, AA CBOs were likely affected in their capacity, particularly if social services were becoming more devolved.

Many of these CBOs were founded because it was the only organization in their geographic area to specifically serve Asian Americans. For example, AAHC is the only housing and financial services CBO in the Washington, D.C. metropolitan area, which has almost 600,000 Asian Americans. Also, many of the interviewed staff members are the only HUD-certified counselors that provided services in Asian languages in their region. Although Asian Americans are the fastest growing racial group and live in areas with higher foreclosure risk, there are few housing organizations available. Of the interviewed AA CBOs, many are also located in major metropolitan areas, or areas with significant changes in housing prices. Despite these challenges, AA CBOs have continued to prevent Asian Americans from entering foreclosure.

#### *Devolution*

Oftentimes, these AA CBO housing counselors are also directly mediating clients' foreclosure risk. It is unclear if they are filling a void of services targeting Asian Americans because of greater devolution within housing services. However, within AA CBOs, some interviewees described segmentation. For example, the Lao Center sometimes refers Hmoob speaking clients to HAP. A KRC counselor also described some challenges with trying to partner with mainstream counseling organizations—she used to:

...send Korean homeowners to another agency after intake, but then it would take 3 weeks for clients to receive a response. KRC decided to help Korean Americans directly and attended training sessions, eventually becoming HUD approved in 2010.

Alternatively, AA CBOs may have greater capacity or flexibility to address Asian American housing needs than local governments, which may contribute to the government shifting responsibilities to CBOs. For example, several AA CBOs decided to change their housing programs as a reaction to the foreclosure crisis. Chinese American Service League

(CASL) and KRC both wanted to provide homebuyer education, but transitioned to providing foreclosure prevention assistance due to the huge demand from their clients. Many of the interviewed AA CBOs also obtained foreclosure prevention programs at least within a couple years after the foreclosure crisis began. Thus, it is possible that AA CBOs are partially filling the gap between private and public resources because they have staff who already speaking Asian languages and are able to adjust their programming.

Because some of these AA CBOs established their foreclosure prevention assistance as a reaction to the recession, housing counselors had to do their best to quickly learn about foreclosures with limited resources. As a counselor at KYCC explained:

I had to learn about the legal terms because of my client's experiences and to help them—we didn't expect clients to be in a crisis. There was no training for staff to help people who became homeless and had no food to eat from the recession.

As some of these housing programs changed from homebuyer to foreclosure, staff also had to begin learning about the foreclosure process and assistance. Some counselors found it especially challenging because they were confused about changing policies. For example, a HUD-certified counselor at HAP was frustrated when trying to learn about the National Foreclosure Settlement and independent foreclosure settlement review because “the federal government didn't even have a clear understanding of how these programs work, which makes it confusing for CBOs on the ground level.” Also, the Lao Center noted how their two counselors have to “keep getting re-educated because HUD makes changes every month and it's hard to keep track.” Even though these housing counselors are knowledgeable of changes in policy, policy makers and housing agencies may not be reaching out to help clarify changes. With a lot of changes occurring during the foreclosure crisis, AA CBO housing counselors unexpectedly change their programming to address foreclosures.

As staff learned about various options and programs for their clients, some staff members were frustrated with limiting and confusing policies. For example, a HAP counselor noted that when they are getting trained, many of the solutions are geared towards the Home Affordable Modification Program (HAMP), rather than including trainings on forbearance and short sale, which could help improve their ability to serve clients. More research needs to be conducted in this area to help better understand if AA CBOs are assumed to be more proficient at providing in-language resources than mainstream housing organizations. Even if these CBOs do have relative flexibility in their programming compared to local governments, these housing counselors' experiences demonstrate that they need more assistance to learn of new policy changes and a range of solutions that will help them to advocate for their clients.

#### *Limitations in Capacity*

While they are assisting clients, the interviews shed light on how AA CBOs need additional resources to fill the gap in Asian American-specific housing services. Similar to other CBOs, AA CBOs struggle to obtain funding. A housing counselor at CASL noted that a lot of funding cuts threaten to scale back their services. FCNA also lost four people in their self-sufficiency program due to funding cuts, while the organization overall lost half of their staff after the recession. While the Lao Center did provide foreclosure prevention work before they became HUD certified in 2010, but they had to provide these services without funding. As with the Lao Center, there are some AA CBOs that are working to react to client needs, but are not provided with the resources to help sustain services.

Unlike CBOs that do not target Asian Americans, AA CBOs particularly noted a dearth of data that they can use to help them obtain more funding for foreclosure prevention work. AAHC described how it is difficult to find information on Asian Americans because they are

categorized as “other.” Not only is there not enough data that actually includes or separates Asian Americans from other groups, but also AA CBOs need more ethnic specific data. KRC explained that it is easy to get regional data, but that in Los Angeles they need more ethnic specific data. As described earlier, the vast socioeconomic differences make it imperative to provide ethnic specific data when possible for Asian Americans. This is particularly relevant for AA CBOs that target specific ethnic groups due to their language capacity. Without data, these organizations have difficulty substantiating their need to fund housing programs.

Aside from a lack of funding, some housing counselors described additional resource constraints that make it challenging for them to provide foreclosure prevention assistance. First, each foreclosure prevention case can take anywhere from 6 months to more than a year because counselors are working with lenders and various modification processes. As a housing counselor at HAP described, “funding is an issue, and given inadequate funding it’s even more challenging because there is so much work that goes into serving one client.” With less capacity, these AA CBOs had at most 2 full time staff working on foreclosures. With fewer resources, a counselor at KRC explained that her job:

...requires data entry, trainings, and webinars due to so many changes in policy. Even if KRC adds another counselor, that person would need to be trained for on average 1 year to become HUD certified. If that staff leaves after 1 year, it becomes hard.

Although this is the same for all CBOs that provide foreclosure prevention, these AA CBOs noted that they also have frequent staff or volunteer turnover. When staff members leave these CBOs, it is especially devastating when related to foreclosure prevention work because of the length of time required not only to help clients, but also to obtain HUD certification.

AAHC is an example of how taxing it is to obtain HUD certification. Because they were established in 2010, AAHC has had to rely on a lot of volunteers and tries to help them become

nationally certified in return for their assistance. However, this is a taxing endeavor—while they had 5,400 volunteer hours in a year, it also cost AAHC \$132,000 to train these volunteers, and many turnover after training. Due to the expertise needed to handle foreclosure prevention, these programs require more resources from AA CBOs who already have limited capacity.

On top of the funding constraints, longer length of each case, and cost to becoming HUD certified, these counselors explained challenges with translation work. For example, a KRC counselor described how she sometimes has to micromanage her clients:

I have to follow up after every step, analyze the financial situation, and then plan the next action step with the client. If the client applies for a repayment plan or modification, I need to prepare documents with them and follow up with the bank because of language barriers—oftentimes there is miscommunication between banks and clients. A client gets a call from the bank asking about their loan modification, and the client may just say “yes” because the call is in English and they don’t understand, and then their modification will get cancelled. I have to tell clients to not say yes and to give the lender my phone number.

Although the number of cases may be smaller than larger mainstream organizations, she explained that they work very closely with clients because of their language barriers. Mainstream organizations do not need to work as closely with their clients if they speak English, which also allows mainstream counselors to spend less time coordinating between clients and lenders. As previously mentioned, AA CBOs are also not receiving help from lenders or local governments and have to provide all of the translated resources themselves. Although they may receive information from HUD or other housing agencies, it is up to AA CBOs to translate materials and provide in-language workshops or resources, which also decreases the time they can spend with clients.

### *Strategies*

Despite these challenges, AA CBOs have developed several strategies to build networks to expand their capacity to help clients and reduce their foreclosure risk. Seven of the ten AA



CBOs have worked with National CAPACD to become HUD certified foreclosure counselors. National CAPACD is a national advocacy organization that addresses community development issues for Asian Americans and Pacific Islanders with a network of over 100 CDCs, AA CBOs, and advocacy agencies (National CAPACD, 2011a). According to their housing program coordinators, National CAPACD realized that few AA CBOs were eligible for Congress' appropriated funds given to NeighborWorks in 2008. National CAPACD then began discussions with their network and found that many had clients looking for foreclosure assistance but did not have funding or training to do so. They then became the first Asian American intermediary with HUD—19 AA CBOs are part of the housing network and in part get funding from National CAPACD for their foreclosure programs. A Lao Center counselor mentioned that their foreclosure programs were not sustainable until they became HUD certified through National CAPACD and the knowledge they gained through workshops and trainings.

After becoming HUD certified, AA CBOs can also more effectively serve their clients. For example, ASIA was in the process of becoming HUD certified with National CAPACD in 2012. They were mostly helping clients who needed foreclosure assistance by referring them to more qualified agencies and attending meetings with clients to translate. Consequently, HUD certified AA CBOs are able to retain clients and help them within the organization rather than referring clients outside and not being able to provide assistance.

Also, these AA CBOs are listed on the HUD online directory with the languages that counselors speak, which helps clients find resources in their particular geographic region based on their language needs.<sup>12</sup> The website lists 25 languages including the following: Asian languages: Cambodian, Cantonese, Mandarin, Hindi, Hmong, Indonesian, Korean, and Vietnamese. Other languages are categorized as “Other,” but the online directory does not list

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<sup>12</sup> The HUD directory is available at <http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>.

the other languages, which may present challenges for clients who speak a language not listed. It also helps these counselors to receive updates on major foreclosure policies, although as previously mentioned, it can be confusing to understand these changes.

By becoming HUD certified, CBOs can obtain additional funding from the government and foundations. AA CBOs not only then have greater resources to help their clients, but it can help with sustaining foreclosure prevention and other housing programs. Support networks such as National CAPACD are providing evidence of helping establish housing programs through funding and importance resources such as updates on foreclosure policies that then help AA CBOs more effectively serve their clients.

Another benefit of these AA CBOs is they offer a range of other social services. For example, KYCC found that while clients may come in for one issue, staff then realizes clients are experiencing multifaceted problems. Because foreclosures are a combination of multiple factors, HAP involves multiple staff that can work with clients to address other issues such as drugs or employment. They also provide a range of housing issues to help clients who do enter foreclosure by involving staff members who can help with rental assistance and preventing homelessness. They also follow up with these clients while they are renting and will provide financial literacy, asset management, asset building, and collections to help these previous homeowners pay off their debt and build their financial resources to eventually become homeowners. Except for AAHC, the other AA CBOs have multiple social services that can help clients to receive assistance with multiple issues without having to find another resource. These AA CBOs can then more effectively and efficiently provide assistance for Asian American clients at the same time in an Asian language.

## **Conclusion**

The national analysis helps to demonstrate that foreclosure risk does impact Asian Americans and AA CBOs. As measured by NSP scores, foreclosure risk is not only geographically concentrated, but also disparately impacts some Asian American ethnic groups more than others. Furthermore, interviews with AA CBO housing staff helped explore how CBOs have mediated foreclosures for Asian American homeowners, in particular as they work on behalf of their clients by working with lenders, the evolving housing market, and changing foreclosure policies. While they are helping to prevent foreclosures, AA CBOs and homeowners are also struggling because they experience layers of risk such as lack of data on Asian Americans, significant language barriers, and immigration history—these layers of risk interact and make it challenging to prevent Asian American homeowners from defaulting or foreclosing.

However, these analyses are limited in scope because they offer a cursory perspective on the impacts of foreclosures. Building upon the national analyses, the local study provided more insights into how the housing market, local housing policies, and institutional networks impact Asian Americans' foreclosure risk. The local study also fills the gap in understanding a specific institutional network and how it affects AA CBOs and their capacity to serve clients, which was difficult to clarify in the national analysis.

## CHAPTER 6

### LOCAL STUDY: MINNEAPOLIS-ST. PAUL, MN

#### *Minneapolis-St. Paul, MN (Twin Cities) Local Study Selection*

Minneapolis-St. Paul was selected as the local study site for several reasons. First, it has a substantial concentration of Southeast Asian American populations, who are oftentimes understudied due to small population size. They also tend to live in tracts with higher NSP foreclosure risk. For example, Laotians lived in tracts with an average foreclosure risk score of 16 and 17; Hmong lived in tracts with risk scores of 14 and 18; and Vietnamese lived in tracts with risk scores ranging from 12 to 17. More research on smaller Asian American groups also creates a more comprehensive portrait of Asian Americans, in addition to newer immigrant groups of other racial backgrounds.

The Twin Cities were also selected because of the smaller institutional structure. There are only two AA CBOs that are HUD-certified in the region, and overall there are few AA CBOs that serve each ethnic group. In larger and more populated areas such as Los Angeles, there are hundreds of AA CBOs, which is a more challenging institutional landscape to navigate for an exploratory and preliminary local study. With fewer AA CBOs, it is easier to describe how they work with policy makers and other institutions to mediate for their clients.

#### **Minneapolis-St. Paul, Minnesota Background**

The Minneapolis-St. Paul region is the most populated area in the state. The region surrounds the two major cities of Minneapolis and St. Paul, which are collectively known as the Twin Cities. Minneapolis has the largest population of any city in Minnesota, while St. Paul is the state capital. In this study, the Twin Cities is defined as a seven county region because these boundaries are used for governmental purposes, such as the Metropolitan Council—the state’s

regional governmental planning organization—and includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington Counties (Metropolitan Council, 2013).

Much of the population lives outside of the central city and in the surrounding suburbs (see Figure 7). In addition, Minneapolis-St. Paul is following national trends of suburbs becoming more diverse. As reported by the Metropolitan Policy Program (2010), American suburbs are more than a third non-White with rapid growth from immigrants moving to suburbs. Similarly, Orfield and Luce (2012) of the Institute for Metropolitan Opportunity found that 26 percent of American communities in 2000 were diverse suburbs, which they define as municipalities with populations comprised of 20 to 60 percent minorities, which increased to 31 percent in 2010. However, the Twin Cities lag in the percentage of diverse suburbs—their report found that only five percent of communities in 2000 were diverse suburbs (or eight communities), which increased to 23 percent in 2010 (or 29 communities; Orfield & Luce, 2012).<sup>13</sup>

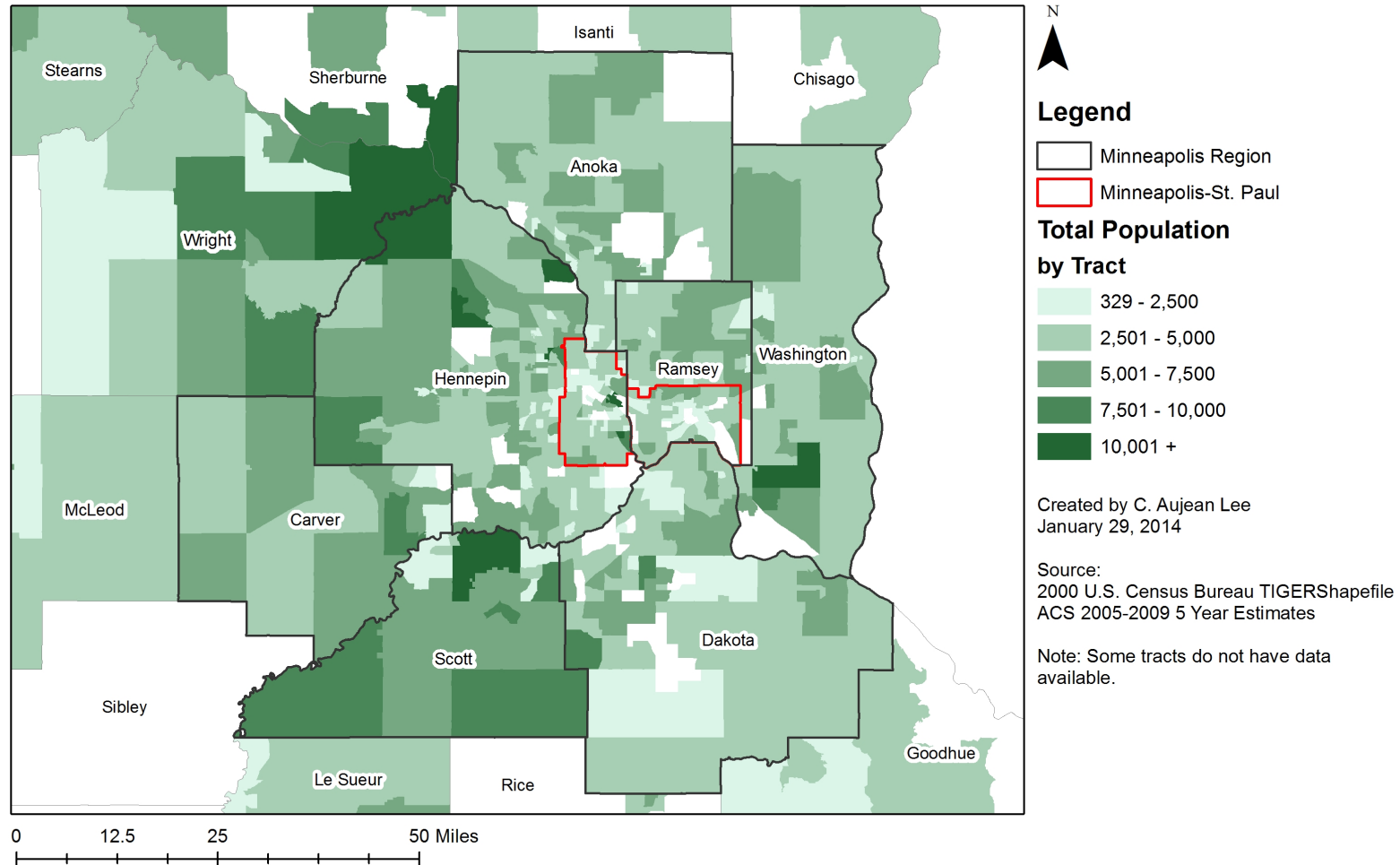
Some suburbs such as Brooklyn Park and Brooklyn Center have large non-White populations. In 2010, Brooklyn Park had 50 percent non-White population, increasing from 30 percent in 2000, while Brooklyn Center had 54 percent non-White population, increasing also from 30 percent in 2000 (Orfield & Luce, 2012). According to the 2010 Census, among the 50 percent population, Brooklyn Park was 27 percent African American, 16 percent Asian American, and 6 percent Latino. Also in 2010, Brooklyn Center was 29 percent African American, 15 percent Asian American, and 10 percent Latino.

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<sup>13</sup> The Institute for Metropolitan Opportunity released metropolitan specific maps and data, which are available at <http://www.law.umn.edu/metro/maps-and-data/maps-by-metropolitan-area.html>.

Figure 7. Total Population – Minneapolis-St. Paul Region (2005-2009 5-Year Estimates)

# Total Population Minneapolis-St. Paul Region



## Foreclosures in Minnesota

Minnesota uses a non-judicial procedure, which lengthens the foreclosure process.<sup>14</sup> When the homeowner misses several mortgage payments, the lender sends an NOD and preforeclosure notice to the borrower (Minnesota Homeownership Center [MNHOC], 2011). The loan then transfers to an attorney, who will schedule a Sheriff's sale, which is posted in public places and noted at the county recorder's office (Mortgage Bankers Association, n.d.). At the Sheriff's sale, the highest bidder becomes the new homeowner. However, Minnesota offers homeowners two redemptive periods to save their house. The first is a six-week period before the Sheriff's sale to repay the debt, and the second involves the six months after the Sheriff's sale, when the borrower is legally allowed to stay in their house and can keep their house if they pay back the Sheriff's sale in addition to any interest and fees (MNHOC, 2011). These two redemption periods allow more homeowners to save their homes, although homeowners are not always aware that they have the option to save their homes (Mador, 2010).

Even with these two redemptive periods, Minnesota was still affected by the foreclosure crisis. Approximately 1.7 of every 20 households in the state entered foreclosure between 2005 and 2012, or 8.5 percent of total homes (Helms, 2013). A majority of these foreclosures were concentrated in the Twin Cities metro area (HousingLink, 2013). Between 2008 and 2012, foreclosures cost Hennepin and Ramsey Counties approximately \$523 billion and \$189 billion, respectively (*The Wall Street wrecking ball*, 2013). There is evidence of subprime lenders targeting minorities and immigrants. Using HMDA data in Hennepin and Ramsey Counties, Crump (2007) found that Whites were less likely to receive a high cost loan than any other racial group (64 percent likely for African Americans, 49 percent for Latinos, 48 percent for Asian

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<sup>14</sup> As a point of comparison, judicial processes oftentimes result in foreclosure because borrowers are in default and do not have much evidence to contrast the ruling (Mortgage Bankers Association, n.d.).

Americans, and 25 percent for Whites). In Allen's (2009) study of MPS families, Asian Americans comprised 6 percent of foreclosures in Minneapolis, compared to 63 percent for Blacks, 18 percent for Latinos, 10 percent for Whites, and 3 percent for American Indian. Among Asian American families in MPS, 4 percent of households that foreclosed spoke Hmong and 1 percent of households spoke Laotian at home (Allen, 2009).

While foreclosures have declined recently, they remain a problem in the Twin Cities. The first quarter of 2013 showed that the number of foreclosures were almost double the number before the foreclosure crisis (HousingLink, 2013). In a report by a coalition of community organizations and faith groups, a number of troubling statistics also remain in the region. For example, underwater borrowers in Minneapolis owe 155 percent of their home value and banks lose about half of the principal, or \$93,000 on average, per foreclosure in the city (*Why banks should fix mortgages instead of foreclosing on homes*, 2012). These underwater borrowers and loss of wealth may contribute to future foreclosures and continue to destabilize the economy.

Foreclosures are disproportionately concentrated in Northern Hennepin County. Hennepin County had 2,340 Sheriff's sales in the first half of 2012, while the cities of Minneapolis and Brooklyn Park, though, had 811 and 263 sales, respectively (Avre, 2012). However, Brooklyn Park has 20 percent fewer in population and is about half the size of Minneapolis. This unequal concentration of foreclosures in Northern Hennepin may be a result of not only subprime targeting, but also the growing number of middle- and upper-class residents who lived there during the housing boom and contributed to the area growing too quickly (Avre, 2012).



### *Government Intervention*

To help combat the effects of foreclosures, Minnesota has received federal aid and established local programs. For example, several of its municipalities have received NSP funds, including Brooklyn Park, which was awarded \$7.2 million between 2009 and 2011 to help combat the almost 4,000 owner-occupied homes that foreclosed (Helms, 2013). Much of these foreclosures were a result of predatory lending that targeted this majority non-White neighborhood. Up to 2013, Brooklyn Park had sold almost 150 properties after rehabilitating homes (Helms, 2013). Other cities like St. Paul Park implemented small registration fees for owners with vacant properties to create a database that can keep the city informed of the status of these properties, which can impact neighborhood viability (Helms, 2013).

Minnesota policy makers have reinforced these policies through new laws to help distressed homeowners. In August 2013, they passed a new law that had three key provisions: (1) lenders are not allowed to sell a home until the borrower has had opportunities to modify their loan, and lenders must help homeowners submit their paperwork; (2) homeowners can bring their case to court if their lender broke the law; (3) and lenders are banned from dual tracking, where homeowners are led to believe that their loan is being modified, while the lender is processing the foreclosure (Schmickle, 2013). These new laws help to provide more support for homeowners, in particular when some lenders or mortgage servicers were overwhelmed with delinquencies and made errors in reporting information. For example, some lenders failed to provide homeowners with alternatives to foreclosure, lost their paperwork, or gave them an incorrect phone number (Schmickle & Miller, 2013). These efforts will ensure that borrowers have exhausted other options before entering foreclosure and they hold lenders accountable.

While the state and Twin Cities region in particular are working to recover from foreclosures, minorities have still borne many of the impacts from foreclosures. For example, Wells Fargo, which is the largest lender in the state, made subprime loans to African Americans and Latinos 4.8 times and 2.4 times more than to Whites, respectively (*Why banks should fix mortgages instead of foreclosing on homes*, 2012). Additionally, African Americans have an unemployment rate that is three times the rate for Whites, the highest unemployment disparity between African Americans and Whites in the country, which contributed to the 25 percent decrease in the number of moderate-income African American households between 2006 and 2010 (Matos, 2013; Williams, 2012). The state's homeownership gap between minorities and Whites increased after the recession to 26 percent, or the 48th highest disparity rate in the country (Skobba, 2013). While there has been a growing Asian American community in the region, much is still unknown about how they have been impacted by the crisis.

### **Asian Americans in the Twin Cities**

Asian Americans immigrated as early as the 19<sup>th</sup> century to the Minneapolis region to work on railroads (AACAJ, 2012). However, more Asian Americans came to the area after the 1965 Immigration Act, in particular Chinese, Japanese, and Filipino immigrants. The Asian population diversified with the Vietnam War, which brought Hmong, Lao, Cambodians, and Vietnamese immigrants (Boyd, 2013). A second group of Hmong refugees arrived in Minneapolis-St. Paul after the Wak Tham Krabok temple closed in Thailand in addition to more recent Burmese and Bhutanese refugees who have moved to the region (AACAJ, 2012).

Asian Americans are the fastest growing group in Minnesota (Boyd, 2013). A majority of these groups is concentrated in the Twin Cities, or about 83 percent (AACAJ, 2012). They also are one of the fastest growing groups in the Twin Cities area, growing at a rate similar to African

Americans between 2000 and 2010 (or about 52 percent; see Table 9). Asian Americans overall comprise about 7 percent of the total region’s population, which is similar to the percentage of Latinos in the area. They are also concentrated in Hennepin and Ramsey Counties in the cities of Minneapolis and St. Paul and the surrounding suburbs (see Figure 8).

Table 9. Twin Cities Area Population by Race

Group	2010		% Growth 2000 to 2010
	Population	Percentage	
Asian American	207,410	7%	52%
NHPI	4,099	0.1%	-2%
African American	279,060	10%	53%
AIAN	44,308	2%	25%
Latino	167,558	6%	75%
NHW	2,173,218	76%	-1%
<b>Total Population</b>	<b>2,849,567</b>		<b>7.9%</b>

Note: The population includes a sum of the groups in seven counties: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington Counties. NHPI = Native Hawaiian and Pacific Islander; AIAN = American Indian and Alaska native; NHW = non-Hispanic White. Latino can be of any racial group. African American, NHPI, AIAN, and Asian American values include alone or in combination with another ethnic or racial category. Non-Hispanic White is the only category that does not include Latinos.

Source: U.S. Census Bureau, 2000 Decennial Census Tables QT-P6 and P11; 2010 Decennial Census Tables QT-P6 and P4

There are also a lot of Asian American ethnic groups present in the Twin Cities. Notably, the Twin Cities has the largest Hmong American population in the country, which is a result of secondary migration, cheaper cost of living, and availability of jobs (Pfeifer, 2003). They are also the largest Asian American ethnic group in the region with more than 60,000 in 2010 and almost a third of the Asian American population (see Table 10). Indian and Chinese Americans followed behind as the next largest groups. Many ethnic groups significantly increased from 2000, including Bangladeshi and Pakistani Americans, who grew 270 percent and 143 percent, respectively; Indian Americans followed behind with a growth of 96 percent. While Asian Americans overall comprise a small percentage of the Minneapolis-St. Paul region population, some ethnic groups in particular are expanding in the region.

Figure 8. Asian American Population, Minneapolis-St. Paul Region (2005-2009 5-Year Estimates)

# Asian American Population Minneapolis-St. Paul Region

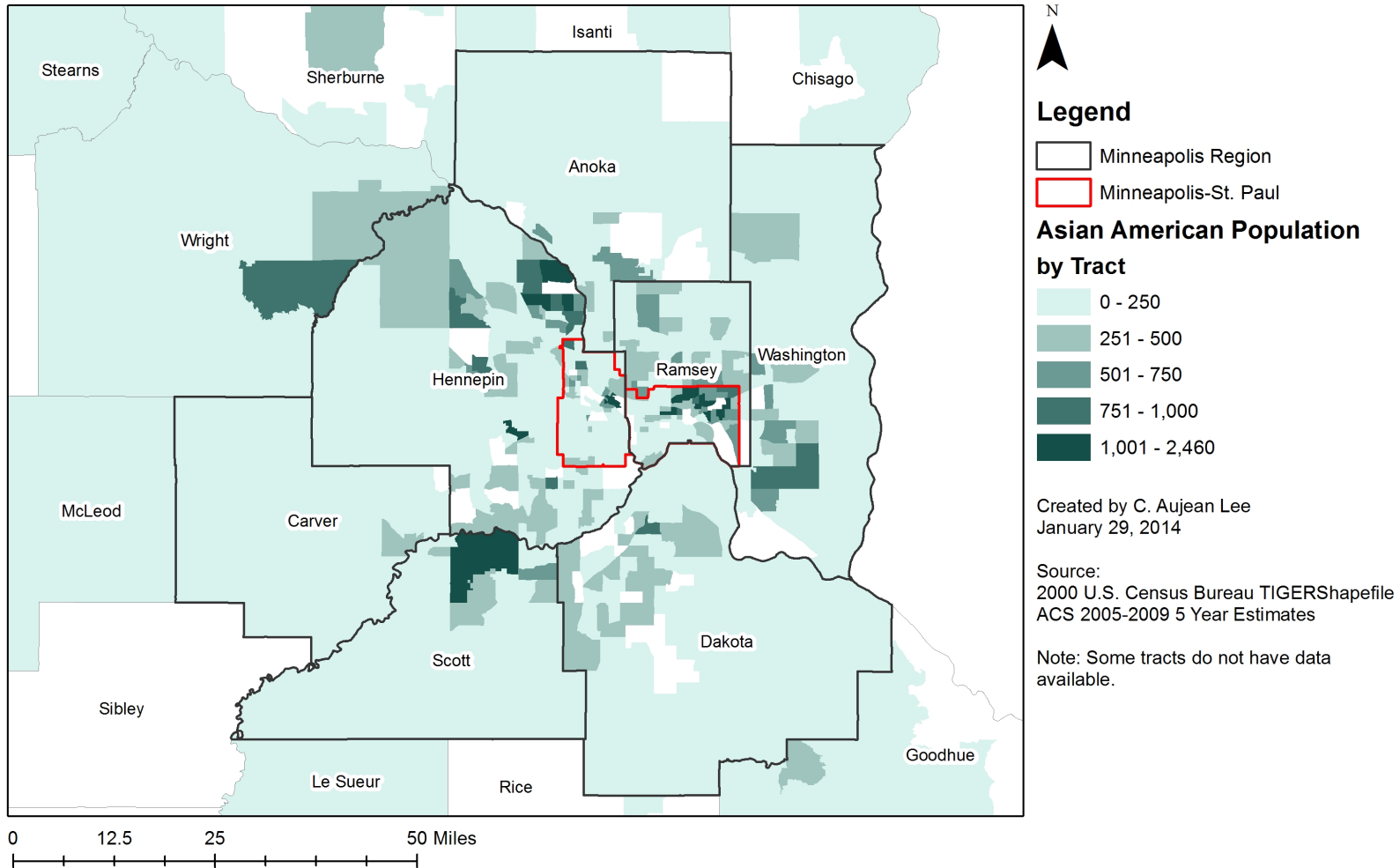


Table 10. Twin Cities Area Population by Asian American Ethnic Group

Group	2010		% Growth
	Population	Percentage	2000 to 2010
Hmong	63,290	31%	44%
Asian Indian	33,126	16%	96%
Chinese (excluding Taiwanese)	23,543	12%	53%
Vietnamese	22,746	11%	32%
Korean	15,710	8%	37%
Filipino	11,189	6%	60%
Laotian	8,222	4%	-6%
Cambodian	7,168	4%	47%
Japanese	5,962	3%	24%
Burmese	3,277	2%	-
Pakistani	2,374	1%	143%
Thai	1,888	1%	67%
Taiwanese	1,153	1%	80%
Nepalese	764	0.4%	-
Sri Lankan	764	0.4%	83%
Bangladeshi	696	0.3%	270%
Indonesian	547	0.3%	68%
Malaysian	335	0.2%	49%
Bhutanese	283	0.1%	-
<b>Total</b>	<b>203,037</b>		<b>51%</b>

Note: The population includes a sum of the groups in seven counties: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington Counties. The total Asian Americans in this table do not equal to Table 9 because it excludes individuals who identify with an ethnic group that was not provided a group in the Census. - Data not available because group was not identified in 2000 Census.

Source: U.S. Census Bureau, 2010 Table PCT7; 2000 Table PCT7

### *Laotian Americans*

Laotians came after the Vietnam War to the Minneapolis region. More than a million Southeast Asian refugees settled in the U.S. as a result of the Vietnam War, including those from Vietnam, Cambodia, and Laos (Rumbaut, 1995). With the Vietnam War, President Carter signed a refugee act that increased the quotas of immigrants and refugees from Southeast Asia (Ong, 2003). The American government granted them refugee status and resettlement funds “as a symbol of the failures of Communism” (Vo, 2004, p. 43). As with other refugee groups, the resettlement process included working with a variety of agencies and institutions, including churches, to help the new refugees adjust to American life.

Resettlement agencies sought to disperse these refugees so that one geographic area was not overburdened in their provision of educational and social services and to also help refugees become self-sufficient. In doing so, the resettlement process ignored “the long-term effects of post-traumatic stress syndrome, preliteracy, non-English preparation of other socio-cultural-economic incongruities between the home environment and the United States”; agencies also ignored “the existence of established ethnic communities being available in the area to support the newcomers,” instead focusing on “immediate job placement, thereby effectively putting English-language acquisition as a secondary, almost inconsequential, concern” (De Voe, 2008, p. 53).

Because English-language acquisition was not a priority, these refugees have suffered in economic opportunities. While some were less educated, there were other highly educated Laotians who did not have proper documentation, and thus most were initially given unskilled, low wage jobs. During their time in refugee camps, Ong (2003) noted that Southeast Asians were trained to jobs such as “janitors, hotel maids, and domestic workers...regardless of their former backgrounds” to then join the “working poor in the United States” (p. 83-84). If they were laid off from their jobs, many have only developed skills relevant to their specific previous jobs. As De Voe (2008) explained, “What was originally considered a successful pattern of adjustment—quickly moving into stable, long-term employment—has become a double-edged sword,” in particular when many American companies have moved operations to other countries (p. 56).

De Voe (2008) described a number of historical events that added to these discrepancies between life in Laos and the United States. In the early 1900s, France colonized Laos, which impacted language and educational attainment. Books were printed in Thai, which diminished use of the Lao language and its prominence. France also provided Vietnamese people with public

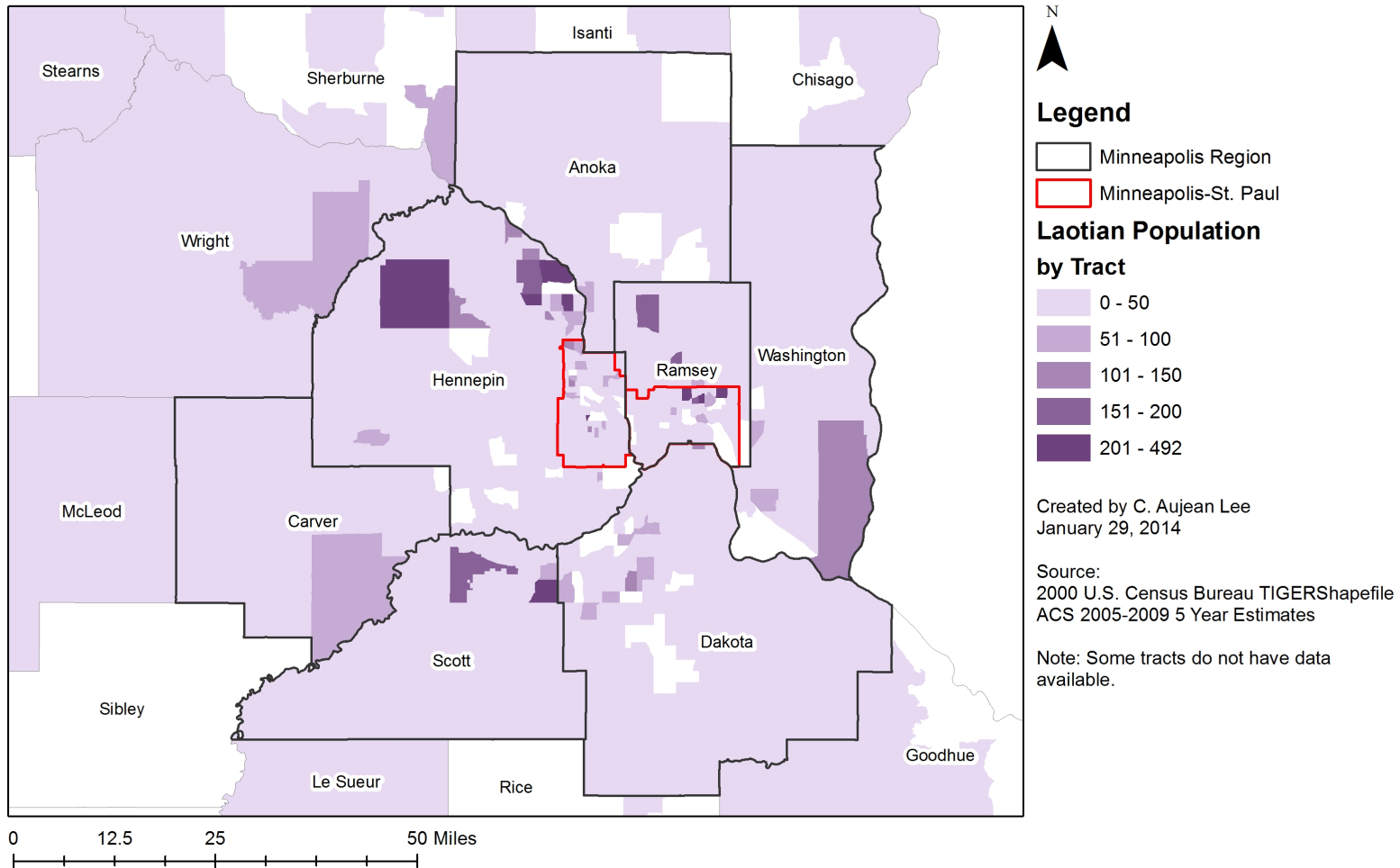
administrative and political positions, which underdeveloped the Lao middle class. After France left in 1954, the U.S. attempted to defray the influence of Communism in the region, and “dropped between 2 and 3 million tons of bombs—more than the total tonnage dropped in World War II,” which left a third of Laotians homeless and displaced (De Voe, 2008, p. 55). The Communist Pathet Lao party then took over the country, which led to more U.S. bombings, leaving thousands of Laotians to flee to Thailand.

In United Nations refugee camps, Laotian refugees started arriving in the U.S. from 1979, while others continued to live in refugee camps for several years before they could resettle in another country. As a result, many refugees were traumatized by years of war and resettlement before arriving in the United States. Laotians also tend to have lower socioeconomic status and educational attainment as a result of these historical traumas and conditions.

In the Minneapolis region, Laotian Americans are concentrated in Hennepin and Ramsey County (see Figure 9). However, they comprise the largest percentage of the population in Brooklyn Park and Brooklyn Center. As previously mentioned, these suburbs particularly experienced high foreclosure rates. While they comprise a smaller percentage of the population, it is helpful to look at how one ethnic group has been affected by the foreclosure crisis and their foreclosure risk factors.

Figure 9. Laotian Population, Minneapolis-St. Paul Region (2005-2009 5-Year Estimates)

## Laotian Population Minneapolis-St. Paul Region



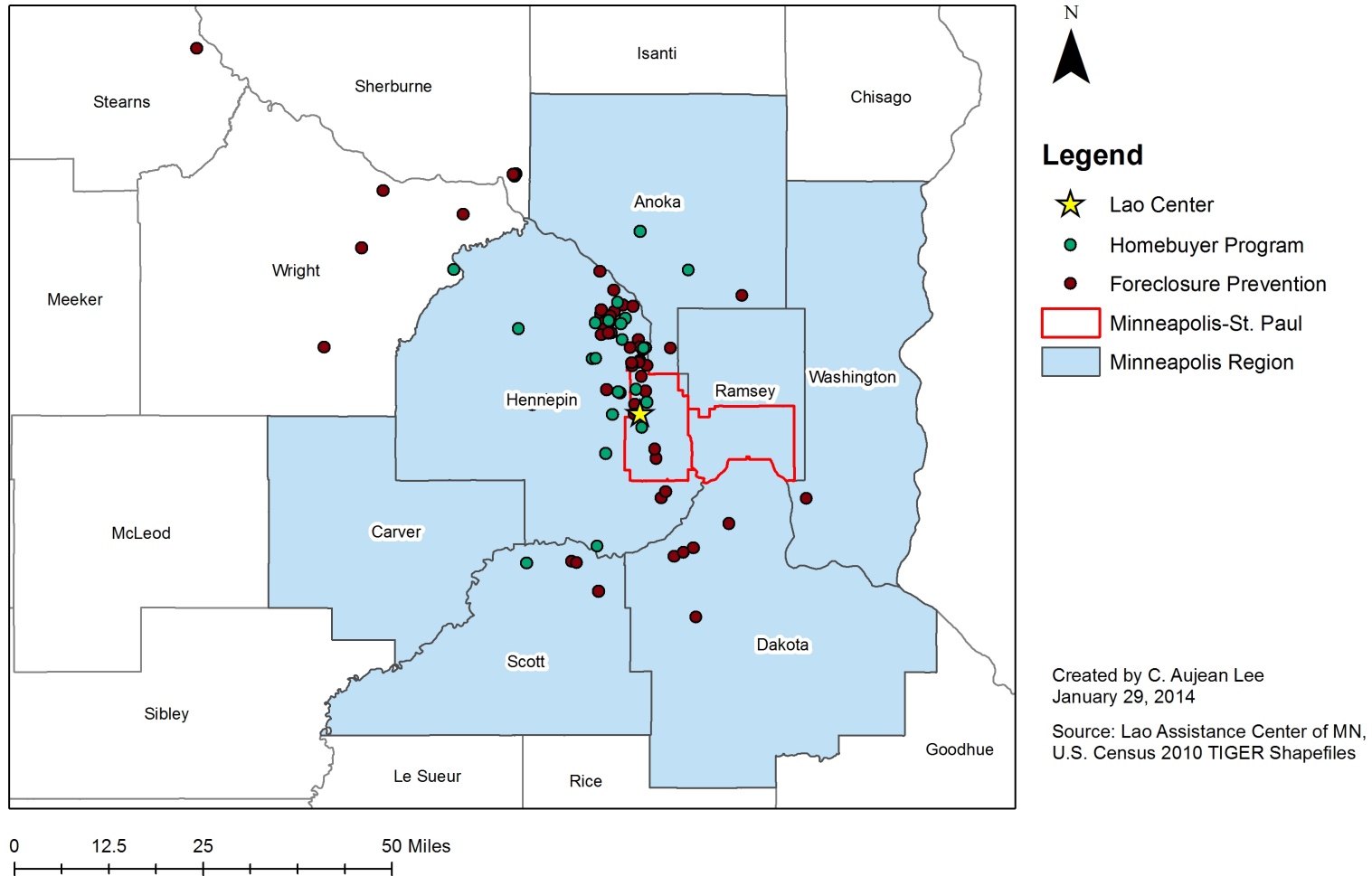


## **Geographic Concentration**

Similar to the national analysis, the local study demonstrates that Lao Center clients experience greater foreclosure risk than the average Minnesotan. In part, clients have higher foreclosure risk because they live in areas with higher foreclosure risk scores. The Lao Center had a total of 82 clients who participated in their two housing programs between 2011 and 2013. A majority (or 59 clients) participated in foreclosure prevention, which may suggest a greater need for foreclosure assistance after the 2007 recession began. As with Asian Americans overall, the majority of Lao Center clients live within the Twin Cities region (see Figure 10). Also, clients who use the home purchase program are concentrated within Hennepin County. However, those who use foreclosure prevention programs are dispersed in various counties, which may be in part because homeowners tend to be clustered in the suburbs that are outside of the central city area that is located in Hennepin and Ramsey counties. Despite this dispersion, foreclosure prevention workshop attendees are still mostly located in Hennepin County.

Figure 10. Lao Assistance Center Client Locations (2011-2013)

## Lao Assistance Center of Minnesota Housing Program Clients



When mapping addresses, it was found that clients tended to live in neighborhoods with higher NSP foreclosure risk scores (see Figure 11). Similar to Laotians in the national analysis, Lao Center clients tend to live in tracts with higher foreclosure risk. Clients lived in 56 tracts and on average had a foreclosure risk score that was 13.2. As a point of comparison, the average foreclosure risk score for tracts in Minnesota was 11.9 out of a total of 1,303 tracts. On average, clients lived in neighborhoods with slightly greater risk of foreclosures. Clients in the outer suburbs and northern Hennepin in particular were exposed to higher foreclosure risk. Furthermore, there is some evidence of neighborhood spillover effects—tracts with high risk scores are surrounded by similarly scored tracts. Consequently, if Lao Center clients live in these tracts, the spillover effects may become more pervasive and make it difficult for them to avoid multiplicative foreclosure risks.

Because in-language resources may help to lower foreclosure risk, Lao Center client addresses were compared to the location of other HUD organizations. This step helps to determine if clients are traveling further to access Lao Center services. The Lao Center is the only organization in the area that provides social services in Laotian. If clients are bypassing other HUD organizations to attend Lao Center programs, it suggests a demand for Laotian-language resources that policy makers should support.

Figure 11. Lao Assistance Center Foreclosure Risk Score Exposure

## Lao Assistance Center of Minnesota Client Foreclosure Risk Score Exposure

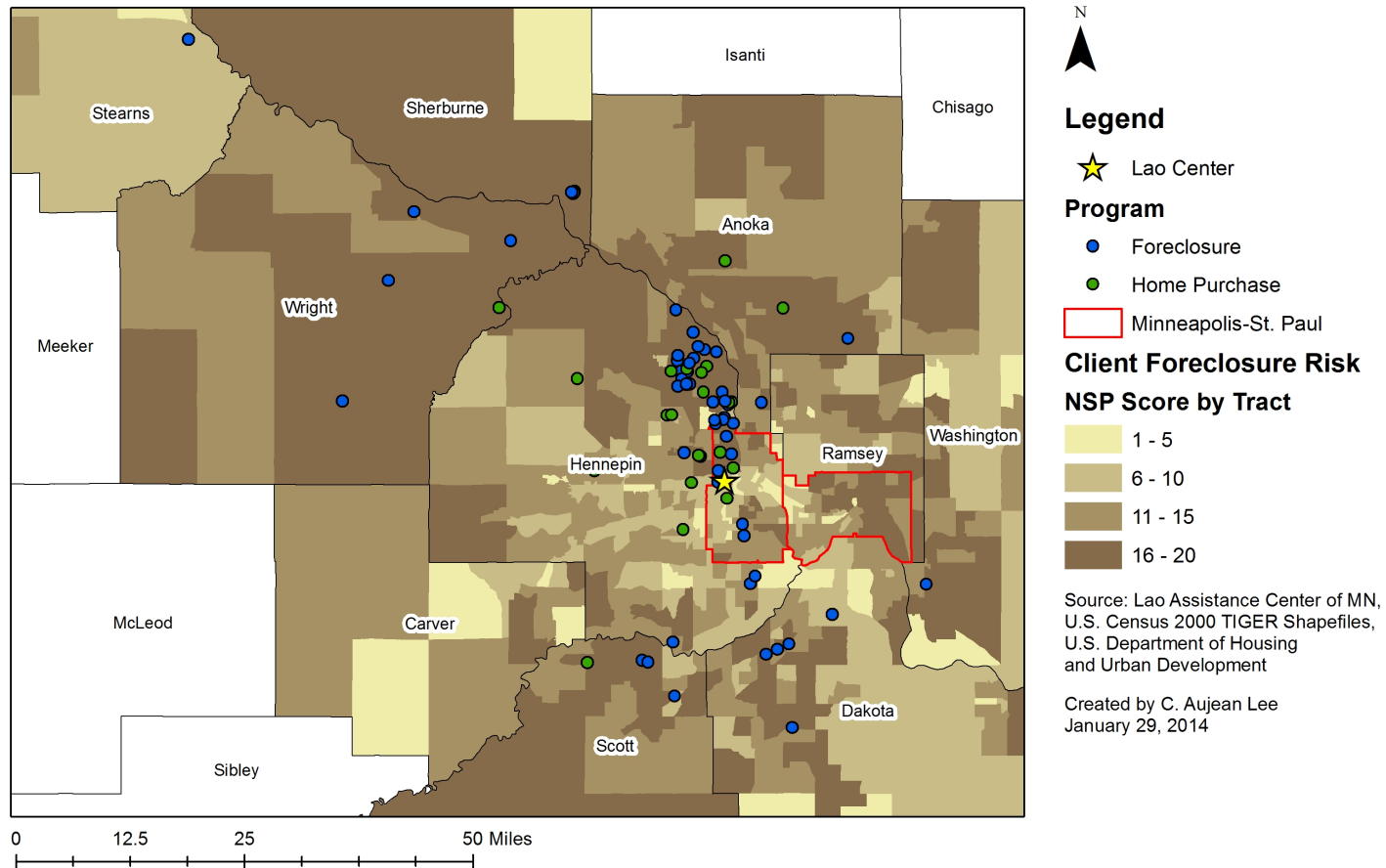
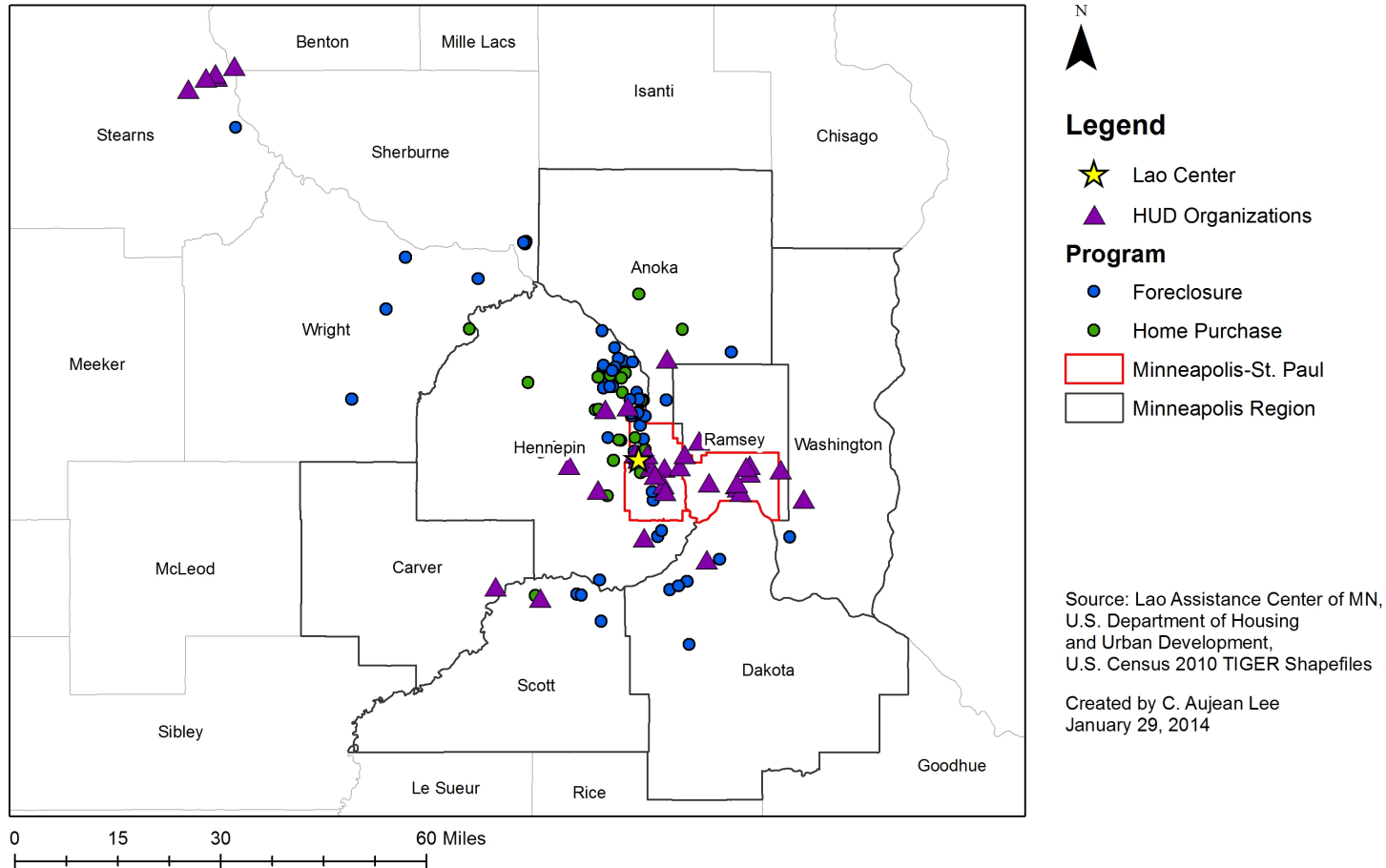


Figure 12 displays the Lao Center client addresses in relation to all HUD-certified organizations. There are 4 clients for whom the Lao Center is the closest HUD CBO, and they live within 1 mile of the Lao Center. On the other hand, 19 clients live closest to the Village Financial Counseling Service, which is about 8.7 miles away from the Lao Center. There are 17 clients that also live closest to the Neighborhood Assistance Corporation of America, which is about 7.8 miles away from the Lao Center. Both CBOs offer services only in English. Consequently, many of the Lao Center's clients live closer to other HUD-certified organizations, but are willing to travel further to go to the Lao Center. Clients who live outside of Hennepin County have greater difficulty accessing the Lao Center's resources, which may increase their vulnerability to foreclosures. The subsequent steps focus on Hennepin County because this county has the majority of the Laotian population and Lao Center clients. It describes where clients live in relation to NSP foreclosure risk scores and foreclosed homes in 2012.

Figure 12. HUD Certified Organizations and the Lao Center Clients, Minneapolis-St. Paul Region

## HUD Certified Organizations and Lao Center Clients Minneapolis-St. Paul Region



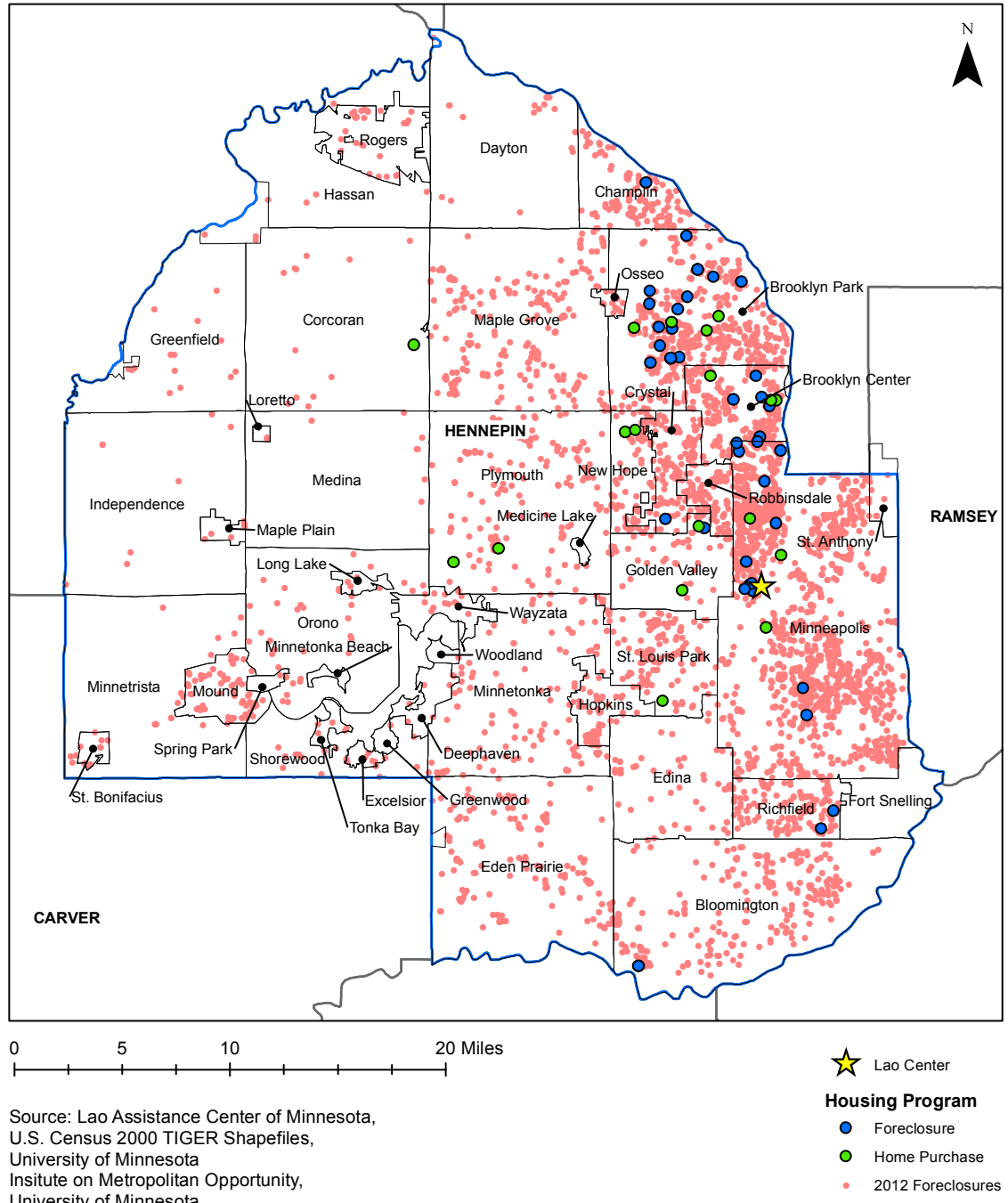
### *Hennepin County*

The clients who sought foreclosure prevention assistance were particularly concentrated in Brooklyn Park, Brooklyn Center, and Minneapolis (see Figure 13). A handful of clients who sought foreclosure assistance lived in some additional suburbs such as Richfield, which has a diverse population, and Crystal and Golden Valley. Those who attended home purchase programs lived in these municipalities, in addition to predominantly white suburbs, such as Plymouth, New Hope, Golden Valley, and St. Louis Park. In addition, Brooklyn Park, Brooklyn Center, Corcoran, and northern Minneapolis City are also hubs of the Laotian population (see Figure 14; Orfield & Luce, 2013).

Overall, Hennepin County has a greater concentration of foreclosures, and consequently higher average foreclosure risks than the state (or an average score of 12). Similarly, Lao Center clients who lived in Hennepin County also had a higher average risk score of 15, which is higher than clients outside of the county and the average risk score of the county. Consequently, those who live in Hennepin County are at greater risk of exposure to foreclosures. While foreclosure risk does help to gauge variables such as home value change and vacancies, this step is limited because it does not match client addresses to tracts with actual foreclosure data.

Figure 13. Lao Center Clients and Foreclosures in Hennepin County (2012)

# Lao Center Clients Hennepin County Municipalities, MN 2012



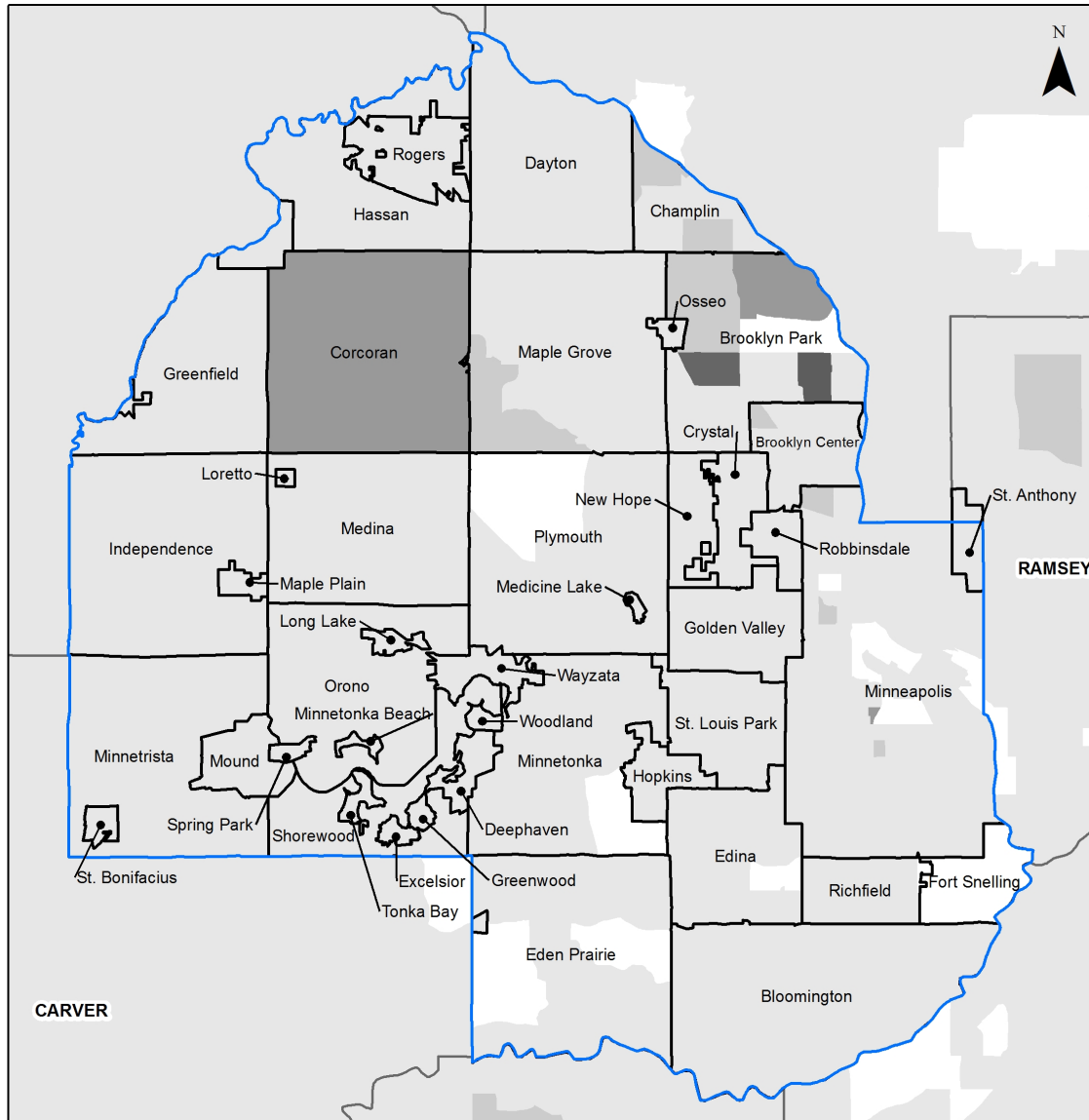
Source: Lao Assistance Center of Minnesota,  
U.S. Census 2000 TIGER Shapefiles,  
University of Minnesota  
Insitute on Metropolitan Opportunity,  
University of Minnesota  
Center for Urban and Regional Affairs

Created by C. Aujean Lee  
January 27, 2014



Figure 14. Laotian Population, Hennepin County (2012)

## Laotian Population Hennepin County Municipalities, MN 2012



0 5 10 20 Miles

**Laotian Population**

- 0 - 100
- 101 - 200
- 201 - 300
- 301 - 400
- 401 - 492

Source: U.S. Census 2000 TIGER Shapefiles,  
University of Minnesota  
Insitute on Metropolitan Opportunity,  
ACS 2005-2009 5 Year Estimates

Note: Some census tracts did not have data available  
for the Laotian population.

Created by C. Aujean Lee  
January 29, 2014

The next step matched 2012 Sheriff's sale data to client addresses (see previous Figure 13). The range of foreclosure per tract in Hennepin County was between 0 and 65. On average, tracts in the county had 14 homes foreclosed in 2012. Similar to the foreclosure risk score analysis, Lao Center clients also live in tracts with a greater number of foreclosures, or neighborhoods with an average of 25 foreclosures. Similar to patterns of the Laotian population, many foreclosures were concentrated in the Northeastern part of the county.

These findings demonstrate that Lao Center clients are at greater risk of foreclosures based on their neighborhoods. Not only do these areas have higher foreclosure rates, vacancy rates, and decreases in home prices, but clients also live in areas that are further away from the Lao Center. While they are able to utilize the Lao Center resources, they oftentimes have to travel past another HUD-certified organization because they do not have in-language resources. Thus, the Lao Center is even more necessary to help educate their clients on foreclosure prevention since other organizations may not be able to assist Laotian homeowners. The next section describes additional foreclosure risk factors that affected Lao Center clients and builds upon the national interviews to analyze how individual homeowners' experiences compare to observations from housing counselors. As with the other layers of risk figure, clients were affected by a number of factors that contributed to their default or foreclosure.

### **Ethnic Group**

While the local study helped to examine a specific ethnic group, the focus groups did not reveal any factors directly linked to Laotian Americans that would be different from other ethnic groups. However, the local study was meant to be exploratory. Additional focus groups and comparisons with other ethnic groups are needed to further understand how important ethnic

group-specific factors are for foreclosure risk relative to socioeconomic status, employment, financial education, geography, and help-seeking behavior.

### **Language Difference**

Many of the Lao Center clients do not speak English fluently. Thus, some of the clients did not feel comfortable approaching mainstream financial institutions. As Cynthia summarized, they face a couple of challenges when buying a home: “One, the language barrier, and two, it’s the education that you don’t have on buying a home and can’t just walk into a bank and tell them exactly what you want, so you depend on someone else to walk you through it.” Also, Phouninh commented, “We cannot speak English. The Lao people speak Lao, we talk with Lao better.” Tom added that “usually they had advice from realtor or their children or relative who know enough English to read the letter, deed, everything the document and explain to them. Mostly the buyer don’t connect directly to the bank.” When asked if there were Laotian staff at bank, Cynthia responded, “Even if there is a translator, it’s not someone you know. It’s not someone that you have a relationship to so you’re not comfortable with that person. It’s, you’re just scared to walk into a bank.” Because they did not approach mainstream banks, some clients then used individual brokers or lenders who sometimes took advantage of these language differences.

These trusted brokers or lenders unfortunately took advantage of a number of clients and sold products that make it difficult to pay. As described by one of the Lao Center staff during the focus groups:

Before the market boom, there were lots of loan officers in the Lao community... you can have two people make their own office and lend money to everybody. Then, mostly you lend to their own people. You give them not good product; you give them bad one maybe, because at the same time your own people don’t care.

Because of several policy changes, it was much easier for individual brokers to sell subprime or predatory loans. For example, brokers had access to databases of potential homeowners and

directly approached them about purchasing a home. A Hmong broker, who used a database to find him at his apartment during the early 2000s, similarly targeted Sengthong. As explained by the translator, “Sengthong didn’t have anything big saved and wasn’t rich or anything. He [the broker] saw that him and his wife were making \$18.07 an hour and said, why not try to apply for a home.” Sengthong trusted the broker and received money each month for the first year from the broker. When the payments stopped and left Sengthong to pay the mortgage with his own money, he later discovered that the broker had used his name to obtain a loan and steal the rest of the loan, and “that’s when he started to find out they exploited him...Asian people are exploiting Asian people and so he believed in the guy and then around the end that’s what he got.”

However, this type of scamming was tied to clients’ difficulties with English. As explained by the Lao Center staff member once again:

Many many people get scammed by their own group, like Lao fraud by Lao people, Hmong by Hmong people, because their own people can go to you easy because they speak the same language. Sometimes they hide from you because you don’t know enough English and you depend on the person who translates for you, but they don’t translate everything clear or hiding something.

Several other clients experienced predation because they trusted brokers and lenders who spoke Lao. For example, Seuth “trusted the Laotian people because he was educated, knew the language, and then he was able to translate to her what everything was so that was easier for them to buy, to trust an Asian person.” However, when Seuth and her spouse were refinancing, the “Laotian people who gave them the loan said payment included tax and insurance, but when she made the payment, they pay only half, mortgage, then the tax they had to pay separately. She didn’t know.” Anousak also was scammed with his mortgage because “the person who gave him the loan didn’t tell him everything. He thought the mortgage is going down, amortized, but really it’s just interest only.” With his interest-only loan, Anousak relied on the lender and did not fully

understand the terms of the agreement. Kenneth had a broker who told him that “you can get approved for this private mortgage insurance...and only have to pay for 2 years, but he’s been paying it for 8 years.” These are several examples of when clients’ understanding of their loan terms were different from the actual loan or mortgage terms, in part because of language barriers and dependency on Laotian or Hmong brokers and lenders.

Because many Lao Center clients have difficulty with English, they are even more susceptible to default or foreclosure than clients that may not have these experiences. They have learned that they cannot rely on all lenders. As Cynthia said, “Sometimes, everybody is looking out for themselves... it doesn’t matter if you can afford it or not as long as I get that extra money from your sale, I’m happy.” Sengthong also advised other homeowners that when “trusting fellow Asians, just don’t believe what they say. Just be educated because they’re going to say you can buy buy buy or sell sell sell but in the end it’s up to you by yourself. They’re going to try to get you to do what they want.” However, language barriers and predatory lending also interact with clients’ lack of financial education, which contributed to increased risk of foreclosing or defaulting.

### **Income/Employment**

One of the largest risk factors contributing to foreclosure risk was the lack of wealth or loss of income and employment. Several clients were service workers who did not have any savings or assets. They were able to purchase homes because of income-based mortgages. As described earlier, Asian Americans are more likely to either serve in managerial positions or have service jobs with lower wages or more inconsistent pay. Employment opportunities then restricted some of the clients’ ability to pay for mortgages, in particular if they were offered a more expensive or predatory loan. Other clients mentioned that they were retired and had

difficulty paying mortgages on their fixed incomes. Kenneth described how “one of the drawbacks of being a homeowner is you know bills...Once you first start you think you can afford it [homeownership], but then after time goes by things have to be fixed and stuff has to be bought. Income wise, nothing has changed. Just expenses.” By not having enough additional sources of wealth apart from income, this client faces challenges that many homeowners experience in regard to maintaining their house.

However, a number of clients also lost their jobs, which affected their ability to pay their mortgage. For Vixay and his wife, “One people laid off. No more payment, no money,” which contributed to their challenges in paying their mortgage. Also, Seuth described how she had enough income when she decided to buy a home around 1998. However, “the company went down and they laid off people. No jobs, unemployment, and now it’s hard to make payments later on.” Cynthia also had similar experiences and explained how:

When your spouse loses a job, then it’s a big factor...He hasn’t had a job for 6 months so that’s challenging for us, when you have a mortgage that needs two-income family and you’re down to one... You exhaust all your resources, your savings, everything just to make those payments and then you have to decide what do you want to do. Do you want to foreclose on your home or do you want to keep it? Nowadays it’s hard to find a job.

Cynthia and her spouse did have a number of other sources of wealth such as a savings and 401k account. Even with these additional sources of wealth, however, they had difficulty paying their mortgage. During the economic recession, these clients then faced experiences similar to other homeowners when they lost their jobs and were at risk of defaulting.

### **Lending/Housing Market Factors**

In the national analysis, AA CBOs alluded to aspects of the lending and housing market that contributed to clients’ risk of foreclosure such as increased predatory lending. However, the Lao Center clients emphasized the direct impacts that resulted from the changing landscape and

housing market forces that resulted in the recession. For example, Sengthong's situation was an archetypal case of the housing boom and foreclosure crisis. He bought a house when:

...the market was going up, the money was good... And then when they take out the loan and they have to pay it back, things started to go down, mortgage started going up, and that's when the problems started hitting. When things started to get rough, he had no choice but to be late [default] and he tried to sell it, but then at the time no one was trying to buy his home so he had no choice but to foreclose.

Aside from language and income factors, many of the clients thus suffered like much of the general population that ultimately foreclosed because they purchased a house at the wrong time.

A number of clients also had agreed to subprime and predatory products. For example, a few received income-based loans. Vixay described how “[lenders] just checked for how much you're working, how much money you could buy. Low money was okay.” Although these clients did not have additional sources of wealth, these kinds of products made clients susceptible to foreclosure since they were still able to get approved for a mortgage. Other interviewed clients also had predatory terms in their loans such as interest only and other products, which inherently made it more difficult to pay off their mortgage.

Other Lao Center clients mentioned other challenges with their lenders. For example, Kenneth expressed frustration when “the mortgage is in a different state, because it makes it more difficult for me to try and connect with the mortgage lender.” As with other homeowners whose mortgages were sold to bigger banks and investment firms, Kenneth found it difficult to figure out whom to talk to when trying to connect with his lender. Without knowing who to contact, though, Kenneth will have more difficulty refinancing or modifying his loans if he encounters problems with paying his mortgage. Several also did not know who to contact particularly when scammers targeted them because brokers and lenders approached them first.

Finally, as with other AA CBO clients, Lao Center clients oftentimes did not receive formal financial or homebuyer education before the Lao Center offered these programs. Consequently, some clients did not realize that most mortgages are typically standardized at 30 years. For example, Kenneth emphasized that for potential homeowners, “One thing they should think about is when buying a home is, one house, 30 years...it’s not something to play around with.” His then added that:

...to be educated, to know how the bank works, know how loans, interest, everything [works] before you purchase a home...make sure you understand the documents that are sent. Lots of documents about the home, and language—it’s very hard. All of the documents from government are in English.

With the combined effects of language barriers and a lack of financial education, the Lao Center clients have been more susceptible to scams and exploitation by other Asian Americans.

### **Immigration Status**

While clients did not directly mention immigration status as a risk factor, they struggled with understanding some aspects of the homeownership process. For example, Kenneth expressed his confusion about how “if you sell your house, you still pay 30 year. Another person coming and 30 years again.” This confusion may be in part from not understanding U.S. housing laws Laos because the financial system is different in Laos. Since 2008, the Lao People’s Democratic Republic has expanded its banking sector, which heavily depends on foreign banks (International Monetary Fund, 2013). Also, many have challenges with English because they came to the U.S. later in life—these language barriers play a significant role in making the process of homeownership and paying for their mortgage difficult.

### **Help-Seeking Behavior**

While struggling with the mortgages, Lao Center clients did have a protective layer of risk, which depended on how they sought help in the foreclosure process. As explained by a Lao



Center staff, some Lao homeowners may have foreclosed because they sought help late in the process. In particular:

Not many people used the Lao Center before, but now it's okay. About few years ago you know people had problem with mortgage payment, but they had to figure out among themselves, among their family, and they were kind of embarrassed... That's why many of our people lost their home because they don't want to let anybody know. When we find out about the loss, it's sometimes too late and we cannot help.

However, those who were able to seek help from the Lao Center after they began their foreclosure prevention and homebuyer program were able to remedy some of their situations.

Sengthong is one client who did foreclose, in part because the Lao Center did not offer foreclosure prevention workshops at the time, "so he couldn't really do anything" or find alternatives to help him save his home.

According to the clients, the Lao Center is a critical asset because "it's a Lao community, it's well known... a lot of people just come here just to hang out or business, Lao related business." With its long history in the Minneapolis region, the Lao Center also does a lot of outreach about its programming. As explained by a staff member, "With every program we write letter, we send out to every people in the community except they decide to come or they decide to keep quiet... we have all on our mailing list, we send out everything." Cynthia echoed their outreach with their flyers, and that "with the Lao community, you tell one person, it's like telling ten more. Word spreads, and word of mouth—that's how we know about the Lao Center." While people may know about the Lao Center's services, some homeowners are overcoming their hesitation to seek help and learning about the importance of their programs.

For several interviewed clients, the Lao Center was instrumental in helping them prevent foreclosure. For example, "When Kenneth started not paying for his mortgage, that's when HUD started making foreclosure [prevention] programs, and I think he was a little bit late by a couple

of months, and then I think he came to us.” As explained by a Lao Center staff member, at the time, Kenneth heard about the Lao Center’s workshops on loan scams, “he came to us instead of going to pay for a loan modification...He doesn’t just come for homeowner [programs], he comes to hang out before he goes to work. He wanted to come and see what we were doing.” After, he was able to receive free assistance and not foreclose on his house. Anousak also added that “next time he had to find a good realtor, no hiding anything, or come to Lao Center, they advise them for free.”

The Lao Center also offers homebuyer education, which has helped people to better understand how to prevent losing their home. As Neng suggested, “The other factor is with people losing their home...they have more education on buying homes, and they don’t either go over what they can afford and actually get what they can afford.” Clients are also realizing the importance of financial education and homebuyer education. When talking to other potential homeowners, Kenneth will “ask them, do you understand what the deed is and they say no, and he said why would you sign it? So basic education about home mortgage is a good thing, you really need to learn.” While the Lao Center does help to protect clients against foreclosure, it is important to examine how it fared during the foreclosure crisis.

### **CBO Mediation**

Interviews with mainstream and AA CBOs on the local level provided an opportunity to compare how these CBOs fared after 2007. This insight enables us better understand how devolution and segmentation affected relationships among CBOs. If there are significant differences in capacity, perhaps strategies from mainstream CBOs can help to strengthen AA CBO resources.

## *Devolution*

As mentioned in the national analysis, there is some evidence of facilitated devolution among housing counseling CBOs. For example, a staff member at LSS described how, before the foreclosure crisis, their foreclosure counselors could assist clients with reverse mortgages and other general needs. Since then, there have been changes in the federal program that requires their foreclosure counselors to become specialists.

This trend increases segmentation based on translation services available to clients. While all CBOs recognized the challenging process of providing translation services and that it is preferable to have a bilingual counselor than use an ineffective translator who is unknowledgeable of homeownership issues. This segmentation though has implications for how CBOs cooperate and their knowledge of how to work with other groups.

Some of these mainstream CBOs felt it was in the best interests of clients who do not speak English to be referred to a CBO that has that language capacity. However, the level of intra-CBO cooperation varies significantly by language. For Spanish-speaking clients, LSS works formally with NeDA through conference calls to help with foreclosure counseling, which then allows them to eventually transition clients to NeDA. According to an LSS staff member, they also have a partnership with NeDA for debt services to help Latinos who have been scammed. On the other hand, they do not have any formal ties to organizations serving clients with other language needs. Also, HAP mentioned that they do not have much of a network in the state because of the dearth of CBOs that have language specific counseling. Lao Center also specified that they work mostly with HAP and National CAPACD, or other Asian American-targeting resources, which represents not only segmentation by CBO, but also by CBO networks.

While LSS and TC Habitat mostly work with HAP to refer clients, MNHOC works more closely with AA CBOs in the state in their Homeownership Advisors Network. According to a staff member, MNHOC became more focused on outreaching to Asian Americans in 2008 because they received funding to increase their capacity to work with CBOs that focus on Southeast Asian Americans and Latinos. However, this collaboration was the result of much initiative from several Asian American persons and CBOs. First, National CAPACD organized several community meetings and invited MNHOC to participate, which helped MNHOC to eventually include more organizations in the Advisors Network and apply for these funding sources. Additionally, Senator Mee Moua had approached MNHOC to ask for data on Southeast Asian American foreclosures because she was hearing from Asian American constituents about their struggles with foreclosures. HAP also approached MNHOC a few years ago to obtain assistance with outreach before they become a member of the Advisors Network.

When asked about future work with AA CBOs, MNHOC is “dependent on future funding for a commitment to Southeast Asian Americans.” These relationships are most likely temporary and perhaps only began because Asian American entities approached MNHOC. It is unclear if these diverging levels of intra-CBO cooperation are from different language needs in the state and/or CBO capacity. However, segmentation increases the gap between these relationships because some CBOs with fewer resources may not be able to develop long-term connections with larger mainstream CBOs, which would help to increase the language resources in the state.

With more experience and resources, the interviewed mainstream CBOs are also more aware of state policy changes. For example, the foreclosure supervisor at LSS is one of the top experts in Minnesota on foreclosures, which allows LSS to have in-house experts who know of key foreclosure policy changes before they are officially announced to smaller CBOs. While

smaller in capacity and scope, a foreclosure prevention counselor of TC Habitat is also part of a state-wide program advisory council that determines a strategic plan and offers central resources for homeownership issues. Without these networks, HAP and Lao Center continue to react to policy changes unlike the other mainstream organizations. They also face a disadvantage because any updates released by the Minnesota state housing agency and Minnesota Homeownership Center are in English, which requires AA CBO staff to spend extra time and translate changes to their clients.

Devolution and segmentation also indirectly affect the level of knowledge that mainstream CBOs have of other groups they do not serve. These mainstream CBOs are not as knowledgeable of the issues confronting Asian American homeowners. For example, when asked why their Asian American clients are at risk of foreclosures, a TC Habitat counselor mentioned that they “cannot think of anything different with other groups, except maybe larger issues like employment.” This oversimplified statement demonstrates the lack of understanding that some mainstream CBOs may have about Asian American homeowners.

Even if they recognize the language barriers, they may not recognize that difficulties with English are linked to greater scams and predatory lending. As a Lao Center counselor also noted, credit problems have also impacted their clients who need more information on budgeting and financial counseling, which would help their clients recover from foreclosures. As other AA CBOs have described, HAP and Lao Center have clients who also seek help late in the foreclosure process because they are unsure what to do. It is critical for other CBO housing staff members to understand these additional barriers so they can better understand how to help Asian American clients, including those who are more comfortable speaking English.

This lack of knowledge then increases the invisibility of group-specific needs. For example, an LSS staff member hypothesized that it is likely that “Asian Americans aren’t getting served and would benefit from more services in language or culture,” but was unsure if LSS does not see many Asian American clients approaching LSS because they know of AA CBOs or are already being serviced by them. However, they do not actively seek to increase their resources for Asian languages perhaps because their model has been successful in assisting half of the foreclosure cases in the state. While HAP staff members acknowledge that Asian American homeowners are unaware of resources available, they also recognize that clients have experienced a lot of predatory lending from people who may appear to try to help them. This simplification again presents difficulties for other CBOs to help Asian American clients who may approach them.

Finally, another difference between AA CBOs and mainstream CBOs is the importance of collecting data by race. As previously discussed, data collection is key to AA CBOs because they need the statistics to justify the importance of their work. Both LSS and TC Habitat place little importance on collecting information by race. LSS purposely attempts to collect little information about clients because they are “philosophically opposed to clients filling out an application of documentation in advance,” or their barrier free access approach, although they recognize it is harder to build a case for grants without statistics on clients. TC Habitat also does not collect data on race of their clients, but instead focuses on location, since their funding targets the Minneapolis region. While MNHOC collects data from their Homeownership Advisory Council, they do not prioritize any analysis by race, unless a funder specifically requests additional data. Otherwise, they report what their affiliated organizations report, but aggregated by race. Consequently, even though MNHOC network CBOs focus on specific Asian

ethnic groups, the data are not publicly available unless they receive funding for a separate project.

While these organizations are not representative of all mainstream CBOs in the state, it is noteworthy that the largest social service provider and state-wide housing network does not prioritize collection of race and ethnic data of homeowners. By not collecting more data on race, it is difficult to understand what kinds of homeowners are at risk of foreclosure in the area. As a staff member noted at MNHOC, they “want to meet needs of non-English speaking groups and people of color, but is proportional to the demand.” It is then unclear if these mainstream CBOs do not invest more resources in hiring bilingual staff because they do not see an enormous demand for Asian language services. However, if they do not collect data for these other groups, they may inadvertently mask the needs of Asian American homeowners and can continue to neglect serving other communities.

### *Differences in Capacity*

These CBOs differed in capacity, in part because of their history and institutional context. For example, LSS traces its roots back to the 19<sup>th</sup> century and is Minnesota’s largest social service provider, with an annual budget that is close to \$1 billion (LSS, 2013). While TC Habitat was established in 1985 and is not as large as LSS, it has connections to the national Habitat for Humanity. While these two organizations are not be representative of all mainstream CBOs in the Minneapolis-St. Paul region, they do vary from AA CBOs. While Lao Center and HAP has served the Minneapolis-St. Paul area for 30 and 25 years, respectively, they do not have the same historical legacy and/or formal connections to a larger organization to help support their services.

In part because of these different organizational histories, the origins of their foreclosure prevention work are also significantly varied, which impacts the capacity of their programs. For

example, LSS, TC Habitat, and Lao Center had foreclosure prevention programs before the crisis. However, LSS and TC Habitat were more firmly established programs that were funded, while Lao Center was unable to secure funding for its work until after the recession began. Although TC Habitat and LSS also experienced a sudden demand for foreclosure services during the recession, they already had programs available for clients to use. These mainstream CBOs not only were then able to serve their clients, but they also had an advantage in obtaining funds. For example, although every organization acknowledged fewer funding sources during the crisis, LSS was able to increase its staff and “secure funding earlier in the crisis since they had the larger numbers, sometimes serving over 300 per month.” TC Habitat was also able to quickly obtain funding and double its staff during the peak of the recession.

Furthermore, without focusing on the specific groups or language needs, mainstream CBOs spend fewer resources to provide translation resources. As previously mentioned, LSS does not provide services in other languages except English—they instead send clients who speak another language to other CBOs. Their staff also acknowledges that Asian American homeowners are underserved and that perhaps there is nothing available in their language through mailers, which makes it difficult for them to know where to find resources. LSS may not provide services in other languages because they may not view it as the most effective use of their time and/or resources. For example, their strategy during the financial crisis was to serve more efficiently and “spend less time per person since they are philosophically against having barriers.” This approach has helped them to assist a large portion of the state’s foreclosure cases.

However, translation work would hinder their ability to quickly address foreclosure cases. For example, because HAP staff members have to invest a significant amount of time per



client, they sometimes have to turn clients away. AA CBOs may not have the option to spend less time per client because of the greater language needs among their clients.

Similarly, TC Habitat does not invest many resources to help clients who do not speak English. While TC Habitat offers housing counseling in Arabic, their “language capacity is dependent on staff capabilities.” For example, while they used to offer counseling in Spanish, they no longer have those services because the Spanish-speaking counselor no longer works at TC Habitat. Although they lack resources in other languages, a counselor at TC Habitat described that they “prefer to connect to other organizations if a client speaks another language because translation services can be a cumbersome process.” Consequently, similar to LSS, they also have formal connections to NeDA, where they help Spanish-speaking clients regularly because it is “the language need more frequently encountered.” Alternatively, they may find a family member to help translate. This strategy could lead to unreliable information if these other family members are not financially knowledgeable or have difficulty explaining complicated concepts that the family members may also not understand themselves without proper training.

### *Strategies*

With differences as a result of devolution and segmentation, AA CBOs and mainstream CBOs also differed in capacity. However, how do their strategies to effectively serve clients compare if mainstream CBOs have greater capacity? One of the key strategies that both types of CBOs used was developing larger networks. As previously described, AA CBOs partnered with National CAPACD. In the context of Minnesota, all of the interviewed CBOs are part of MNHOC. Consequently, I will explore how each CBO is involved with MNHOC to understand if these networks similarly increase CBO effectiveness. Each CBO was also impacted financially by the crisis, and utilized various resources to maintain their operations or expand them to fulfill

the increased need during the beginning of the recession. These strategies provide additional insight of how AA CBOs and mainstream CBOs compare in Minnesota.

MNHOC was established 20 years ago and is a network of about 50 nonprofit and government agencies across the state. It also serves as a liaison between lending and real estate industries and has some industry partners who help clients apply for loss mitigation or alternatives for delinquency, rather than calling individual mortgage companies. Through these industry partners, MNHOC can also advocate for policy changes; for example, they have discussed the need for more loan programs that require homebuyer education to help prevent further foreclosures. This kind of advocacy is helpful if individual CBOs are unable to work between the housing market and lenders and their clients.

To assist their partner, MNHOC offers a range of housing resources, which includes homebuyer consumer curriculum, 1-on-1 counseling, and trainings for foreclosure counselors. To help sustain these programs, MNHOC offers funding for partnering governments and nonprofits. MNHOC additionally helps organizations with data collection and other technical assistance, although much of these data are not available publicly. It also has a call center that refers distressed homeowners to local counseling organizations. With a range of services, CBOs utilize the MNHOC network in different ways depending on their resources.

AA CBOs tended to depend on MNHOC for a variety of resources. For example, a counselor at HAP said they use MNHOC's monthly updates to learn about HUD's frequent policy changes, which then helps to update HAP's programs accordingly. HAP also uses MNHOC to learn about best practices and connect with other housing counseling organizations about how they approach differs, "aside from the language piece." A staff member at Lao Center is attempting to develop stronger connections with other CBOs within the MNHOC network to

strengthen their clients' financial literacy, credit, and budgeting. These organizations also utilize some funding from MNHOC, as previously discussed, because MNHOC has funds that target helping Southeast Asian American and Latino CBOs. These AA CBOs consequently utilize MNHOC in a number of ways to expand their capacity and resources.

The interviewed mainstream CBOs, however, depended on MNHOC differently because they have greater capacity and resources. For example, LSS does not work as closely with the other organizations within the network, except for NeDA to assist Spanish-speaking clients. With their in-house experts, they know of policy changes before MNHOC sends out their monthly emails. Their staff member mentioned that LSS is not heavily dependent on MNHOC for their services, unlike smaller organizations. TC Habitat also mentioned they work mostly with MNHOC to connect to other organizations and for assistance with navigating funding resources. The TC Habitat staff member viewed MNHOC as a network where organizations can develop individual relationships with each other. Since they also have staff members who are part of the state-wide housing advisory council, they do not need to rely on MNHOC to learn about updates on policies that may affect their work. Consequently, AA CBOs continue to have to work in reaction to policy changes as they learn of them through MNHOC rather than mainstream CBOs, which impacts their level of effectiveness.

Finally, each CBO described ways in which the crisis impacted funding and how they have adjusted to remain effective. For example, HAP received funding from the Economic Recovery Act and National CAPACD to support their foreclosure prevention program. However, a staff member explained that HUD funds specific housing programs, so the recession directly impacted their foreclosure prevention work. Funding is also an issue for HAP because each case is time intensive and they have one and one-half full time staff working on foreclosure

prevention cases. Lao Center also faced similar issues with sustaining their foreclosure prevention work for three years, until National CAPACD provided funding in 2010. However, both AA CBOs are under-staffed, considering the length of each case and time necessary for translation work.

LSS and TC Habitat had more resources to help fund their foreclosure prevention counseling. A staff member of LSS described how foreclosure funding “lagged as the crisis hit.” In part, this lack of funding is a result of local foundations blaming the federal government early in the crisis and thought that “funds should come from the federal level.” Despite negotiating between varying levels of funding sources, LSS was able to obtain funding early on in the crisis because they had a large number of clients, which at times was more than 300 people per month. With their large size, LSS was able to hire up to 13 foreclosure prevention counselors at the peak of demand from clients.

TC Habitat also secured funding during the recession with funding from foundations and federal and city governments. A staff member also acknowledged that they received temporary funding from the National Foreclosure Mitigation Counseling program, but overall there is still less funding available today for foreclosure prevention services. Consequently, the counselor observed that CBOs now have to be “creative about funding because some have lost funding completely.” Through MNHOC, TC Habitat is able to learn of additional funding sources to help them. While these CBOs have experienced challenges in funding sources, they are able to utilize a variety of networks and strategies to maintain their programming.

## **Conclusion**

These interviews demonstrate how CBOs have worked to address the needs of their clients. However, there are disparities between AA CBOs and mainstream CBOs in the

Minneapolis-St. Paul region. In part because AA CBOs start with fewer resources and have to invest more of that in language resources, they face struggles that differ from mainstream CBOs. Mainstream CBOs not only have more connections and in-house resources, but they also are not as concerned with collecting race and ethnic-specific data. There is also a greater level of segmentation between mainstream and AA CBOs, which leads to several unanticipated consequences, including less knowledge of other groups and greater invisibility of group-specific needs related to housing.

The local study provides an important perspective on how the foreclose has impacted Asian American homeowners and AA CBOs. It also helps to contextualize how AA CBOs compare to mainstream CBOs when addressing housing programs and their client needs. These interviews and focus groups provide an exploratory understanding of how to better prepare resources for Asian American homeowners who are at risk of foreclosure through their multiple layers of risk and the challenges that AA CBOs experience in comparison to mainstream HUD-certified CBOs.

## CHAPTER 7

### DISCUSSION

This study highlighted the multifaceted impacts of the foreclosure crisis. As demonstrated by the national and local studies, Asian Americans have multiple layers of risk that increase their vulnerability to foreclosure. As a response, a number of community-based interventions began to mediate foreclosure risk. The results of the study suggest the following responses to the research questions.

#### **How did foreclosure risk affect Asian American homeowners during the foreclosure crisis?**

Overall, the findings confirmed most risk factors affected Asian Americans (see Table 11). Table 11 indicates which findings were confirmed and those that contribute to existing literature. A number of these factors were associated with the recession, including unemployment, lack of/lost wealth, and lending/market factors. As with many Americans, Asian American homeowners who lost their jobs or wealth during the recession had greater foreclosure risk, which made it more difficult to pay their mortgage. Some of the clients were also in service jobs and did not have additional assets to help them pay for expensive loans and/or pay their mortgage if they lost their jobs. Additionally, the growth of subprime loans, broker predation, and ease of loan approvals contributed to clients defaulting or foreclosing. The next section highlights the main findings for each risk factor.

Table 11. Asian American Foreclosure Risk Factors

Risk Factor	Relationship to Foreclosure Risk
Language Differences	* Lack of access to mainstream financial institutions
	* Loan information available only in English
	Incidences of discrimination
	* Asymmetry of information
	* <b>Inadequacy of translated materials</b>
	* <b>Language barriers directly tied to exploitation</b>
	* <b>Insufficiency of translators (quality and availability)</b>
Income/ Employment	* Lack of credit history due to employment (e.g., small business, cash employment)
	May not qualify for prime loans (lower interest rates and favorable mortgage terms)
	* Greater reliance on nonmainstream lending institutions
	* Majority of assets in home (clients lack other savings/assets)
	* <b>Recession: lost income/wealth</b>
Geographic Concentration	* Subprime lending predation in ethnic neighborhoods and enclaves
	* Live in metropolitan areas that experienced highest rise and drop of housing prices
Lending/Housing Market Factors	* Subprime/predatory loans with risky terms: exotic terms, interest-only
	* Asymmetry of information
	* Scams
	* <b>Proliferation of brokers</b>
	* <b>Refinancing before 2007</b>
	* <b>After 2007, inability to sell house</b>
* <b>Lack of financial education</b>	
	* <b>Out of state lenders/mortgage servicers</b>
Immigration Status	* Unfamiliarity with U.S. financial institutions
	Lack of credit history
	* Greater reliance on nonmainstream lending institutions
	* <b>Lack of financial education</b>
	* <b>Greater reliance on family and local community: could lead to incorrect information</b>
<b>Help-seeking behavior</b>	* <b>Ask for help late in the foreclosure process</b>
	* <b>Availability of AA CBOs</b>

Note: Compiled by author.

\* indicates confirmation of literature review findings. Bolded text indicates additional risk factors from the study.

### *Language Differences*

For language differences, most of the original four relationships to foreclosure risk were confirmed, except for incidences of discrimination. While it is possible for Asian Americans to

have experienced these challenges, it was not explicitly discussed by the interviews or focus groups. The government and mainstream CBOs may then be discriminating by failing to provide language assistance and by devolving services to AA CBOs.

The study also found that there were inadequate translated materials and translators outside of AA CBOs. For example, LSS and TC Habitat recognized that translation services were and are oftentimes unsatisfactory. Consequently, they referred Asian American clients to CBOs where they would receive bilingual assistance from housing counselors, but not serve homeowners. However, language barriers were directly linked to exploitation by lenders and brokers, who would take advantage of homeowners. These results highlight the importance of AA CBOs and other community resources that offer services in multiple languages.

#### *Income/Employment*

Income and employment factors were particularly tied to the foreclosure crisis. As a result of the crisis and economic recession, many clients unexpectedly lost wealth and their jobs. The recession then emphasized the impacts of other foreclosure risk factors such as a lack of assets and credit history. If homeowners were able to obtain a mortgage based on their income and did not have additional forms of wealth, it was challenging for them to continue paying their mortgage if they lost their job. Cynthia and her spouse did have other sources of savings, but had to deplete these accounts to help pay for their house while her spouse was unemployed. Also, CBOs such as AAHC mentioned that clients who owned a small business were particularly susceptible to the economic downturn, which made their income more inconsistent.

However, the study was unable to confirm if Asian American homeowners did not qualify for prime loans at the time of purchase because I did not include questions about individual loan terms. Based on the experiences of many of the Lao Center clients, however, a



number of homeowners did not originally plan to buy a home at the time of purchase, but decided to after predatory brokers approached them. It is unclear if these homeowners would have qualified for a prime loan because they did not originally approach an institution that offers these types of loans.

### *Geographic Concentration and Ethnic Group Differences*

As demonstrated by the NSP foreclosure risk analysis, many Asian Americans live in neighborhoods with high foreclosure risk scores. Consequently, these homeowners are more susceptible to spillover effects from other foreclosures, including drops in home prices, which can lead to more underwater borrowers. While Asian Americans on average may not live in neighborhoods with high foreclosure risk scores, there is variation based on geography and ethnic group. For example, several counties in California have large concentrations of Asian Americans and high risk scores, which puts these areas at greater risk of foreclosure.

There was also some evidence of subprime lending predation, particularly in the Minneapolis study. Most of the Lao Center clients live in three areas of Hennepin County, which is known for higher subprime lending. Based on the experiences of the focus group participants, many of these homeowners also were targeted for subprime loans. While I am unable to directly connect each homeowner with their address, it is likely that some of the participants lived in areas with higher predation. Much of this predation was also related to changes in lending and the housing market.

Additionally, there were some ethnic group differences. For example, concentrations of some Southeast and newer Asian American populations have higher risk scores, which may reflect greater socioeconomic disparities among these groups. Some of these differences interacted with geography. Some groups that comprised a majority of a neighborhood, such as

Chinese and Japanese, lived in areas with lower risk scores as the concentration of the group increased. The focus groups raised additional questions about the importance of ethnic group factors in comparison to other risk factors such as income, the housing market, financial education, and others. As the focus group did not find any ethnic group specific factors, it is difficult to establish which factors are more relevant for foreclosure risk.

### *Lending/Housing Market Factors*

As it is documented in existing literature, a number of predatory practices became widely used leading up to 2007. In addition to subprime and predatory loans, brokers and lenders who provided incomplete information scammed many homeowners. These factors, combined with homeowners' lack of financial education, particularly about exotic loans, made Asian Americans at greater risk of foreclosure. As previously mentioned, the proliferation of brokers added to the number of loans sold with exotic terms.

The Lao Center clients helped clarify additional factors that contributed to foreclosure risk, including the popularity of refinancing before the crisis, the challenges with selling homes after the housing bubble, and out of state lenders or mortgage servicers. The first factor increased homeowner debt and made Asian American homeowners, such as Seuth, even more susceptible to default when the recession occurred. For those caught paying a mortgage they could not afford, homeowners like Sengthong were unable to sell their house after 2007. In other circumstances, refinancing and selling a house may not contribute to foreclosure risk. However, because of the recession, these homeowners were left in difficult circumstances. Furthermore, if homeowners such as Jeffrey had a lender or mortgage servicer that was not locally based, it may be even more challenging to modify a mortgage. All of these national trends had tangible impacts on Asian Americans in the Minneapolis-St. Paul region.

### *Immigration Status*

A number of interconnected factors related to immigration status, such as language barriers, lack of financial education, and how the client entered the U.S. Because many of the clients were foreign-born, they were unfamiliar with American financial institutions and experienced difficulty when signing their mortgages. With their unfamiliarity, clients may not have received financial education before becoming a homebuyer or modifying a loan, which contributed to their foreclosure risk. The interviewees and focus group participants explained how Asian American homeowners were unfamiliar with U.S. banking and mainstream financial institutions. Many of these homeowners had less financial knowledge, not only about mortgages, but also related to credit scores and debt.

The findings found that some homeowners consequently heavily relied on their community networks to learn about lending. However, some of these networks were informal, including family members who did not always provide accurate information. Similar to language differences, some of the AA CBO staff members talked about homeowners becoming frustrated with having to rely on family, which led them to turn to brokers who knew how to speak the same language.

Another factor related to immigration status included lack of credit history according to the literature. However, the study did not find evidence of this factor as related to immigration status in part because I did not ask detailed questions about individual's credit history. However, it is likely that those who were foreign-born did lack credit history, and in turn affected their ability to build assets and credit after initially immigrating.

### *Help-Seeking Behavior*

In addition to these factors, clients sought help in different ways, which impacted their vulnerability to foreclosures. As the literature suggested, many Asian American clients approached AA CBOs late in their foreclosure process, which restricted AA CBOs' abilities to prevent foreclosure. At the same time, other clients were able to modify their loans or seek help if they did have to undergo foreclosure through AA CBOs because other CBOs did not provide in-language resources. This layer of risk can serve either as a barrier or buffer against foreclosure if clients are able to utilize community resources when available.

### **How have AA CBOs mediated these foreclosure risks for their clients?**

Interviews with AA CBOs and mainstream CBOs in Minnesota helped clarify how CBOs can intervene on behalf of clients. However, these interviews also revealed challenges that AA CBOs have experienced in providing foreclosure prevention assistance when working with Asian American homeowners. Table 12 summarizes how AA CBOs and mainstream CBOs fared comparatively in helping their clients during the recession. Many of these differences with AA CBOs reflect their lesser capacity to help clients who depend on their services. The following section compares the themes between all interviewed mainstream and AA CBOs.

Table 12. Comparative Experiences of AA CBOs and Mainstream CBOs

Theme	National AA CBO	MN Mainstream CBOs
Devolution and Segmentation	<ul style="list-style-type: none"> <li>- Lack public resources to address foreclosures</li> <li>- Lack of knowledge about foreclosure/housing policies</li> <li>- Increasing visibility of Asian American homeowner needs</li> <li>- Lack of data for funding</li> </ul>	<ul style="list-style-type: none"> <li>- Diverging levels of intra-CBO cooperation and connections to state policy changes</li> <li>- Lack of knowledge of other groups</li> <li>- Increasing invisibility of group-specific needs</li> <li>- Differed importance of data collection by race and ethnicity</li> </ul>
Limitations in capacity	<ul style="list-style-type: none"> <li>- Time intensive work for foreclosure prevention</li> <li>- Challenges with translation work</li> <li>- Clients' multiple layers of risk</li> </ul>	<ul style="list-style-type: none"> <li>- Efficient goal of service delivery</li> <li>- Varying importance of translation work</li> <li>- Clients experience fewer layers of risk</li> </ul>
Strategies to be effective	<ul style="list-style-type: none"> <li>- AA CBOs build their own support networks</li> <li>- Become HUD certified</li> <li>- Offer range of social services</li> </ul>	<ul style="list-style-type: none"> <li>- Varying dependence on MNHOC network</li> <li>- Receive more funding with larger capacity</li> <li>- Expertise with foreclosure prevention</li> </ul>

Note: Compiled by author.

### *Devolution and Segmentation*

Devolution of services has extended beyond the government to CBOs—within institutional networks, CBOs are also becoming more segmented and have devolved to smaller CBOs in service delivery. There is a growing gap between mainstream and larger CBOs and smaller CBOs that target specific groups, including Asian Americans. As a result, Asian American homeowners had to turn to AA CBOs because mainstream CBOs do not provide in-language resources. As a consequence of these growing trends in the nonprofit sector, AA CBOs and Minnesota mainstream CBOs have experienced the foreclosure crisis differently.

Much of the differences experienced are a result of disproportionate resources. While mainstream CBOs were ready for the foreclosure crisis, AA CBOs had to react to the increasing number of Asian American homeowners in trouble. They also did not have as much public funding at the beginning of the crisis nor did they have as much knowledge about foreclosures and housing policies. On the other hand, mainstream CBOs participated in networks that prepared them and provided them with direct links to changes in state policies. While they did

have the knowledge of foreclosure policies, mainstream CBOs continued to know less of other groups they were not working with, which included groups with additional language needs. Segmentation also contributed to invisibility of group-specific needs for mainstream CBOs because of this gap in knowledge, where they did little to understand the additional layers of risk that clients experience aside from speaking a different language.

Because mainstream CBOs do not prioritize data collection by race or ethnicity, they had less information available on additional layers of risk that affect minority and immigrant homeowners. With their limited capacity and smaller target of clients, AA CBOs experienced challenges in justifying their work with less data on Asian American homeowners. Segmentation among the nonprofit sector marginalized CBOs that focus on specific groups because they have fewer resources from the government and larger mainstream CBOs. While it is likely that mainstream CBOs believe they are helping Asian American homeowners receive the best care by referring them to AA CBOs, segmentation is also a political decision. DeFilippis, Fisher, and Shragge (2010) explained:

Most community-based service providers since the early twentieth century do not see their work as political, because ‘political’ in the American context means tied to elections and political parties. Nevertheless, all of these groups are political in that they form to address a problem, or meet a neglected need, or help a specific group, all of which require power. They are usually extra-political, that is, outside of the political mainstream and formal structures, but they are still much involved with influencing public and private decisions of who gets what, how, and why, especially why some groups and classes benefit at the expense of others.” (p. 58)

Consequently, mainstream CBOs were inadvertently excluding non-English speakers from their expertise and resources by investing few resources to provide translated resources and services.

#### *Limitations in capacity*

AA CBOs limitations in capacity also varied from mainstream CBOs. As previously explained, foreclosure prevention work is time intensive because of the designated time period of

a foreclosure process; during this entire process, AA CBOs had to translate for clients. On the other hand, mainstream CBOs were able to more efficiently help clients to preserve their resources since clients do not need to be micromanaged. However, by translating for clients, AA CBOs had to turn away clients and are counselors who face extra work. On the other hand, AA CBO staff members better understood the multiple layers of risk that Asian American homeowners experience because they worked closely with clients, including those who utilized other services provided by the CBO (e.g., employment assistance).

Similar to the lack of data, mainstream CBOs understand less about the multiple layers of risk that homeowners may experience because they do not invest time in translating for their clients—they then did not learn as much about how translation processes may be complicated if dialects use different terminologies. They also may not have learned how immigration histories can dramatically impact a homeowners' vulnerability to foreclosures. By serving clients with fewer layers of risk, they served clients more efficiently, and may have discouraged these CBOs from investing in translation services in the future.

However, AA CBOs were placed in a precarious situation. As described by Fontan et al. (2009), while these CBOs received some resources to respond to their clients' foreclosure risk, “it does not mean that they have enough resources to solve these problems...[but] they receive just enough resources to mitigate certain negative effects on the population without having the capacity to act on the causes of the problems” (p. 853). Furthermore, it is potentially challenging for AA CBOs to gather more resources if they appear to meet their clients' needs, who may not search for housing programs outside of AA CBOs, which may be perceived by others as a lack of demand. Without further understanding these communities, segmentation and devolution will continue, perhaps to the detriment of underserved groups.

### *Strategies to be effective*

AA CBOs and mainstream CBOs utilized different strategies to remain effective. Both used broader networks to remain updated on housing policies and connect to similar CBOs. However, AA CBOs were much more dependent on these networks such as National CAPACD, which helped them to become HUD-certified and receive funding. Of the interviewed mainstream CBOs, they were less dependent and may have used MNHOC for funding—however, they already knew of policies before implementation because they had greater expertise and were connected to policy networks. They were also less dependent on MNHOC because these mainstream CBOs were already HUD-certified for foreclosure counseling, which made them eligible for additional funding opportunities before AA CBOs were certified.

To help increase their effectiveness, AA CBOs also offered other social services to help clients address multiple issues; however, they had fewer opportunities for funding, except for the existing AA CBO networks. By primarily using Asian American networks, the nonprofit sector was increasing the segmentation between AA CBOs and mainstream CBOs. With growing segmentation, these CBO networks were increasing the lack of knowledge spillover about clients' layers of risk beyond those homeowners that the CBOs serve, which over time will increase the invisibility of Asian American homeowners and implicitly encourage mainstream CBOs to continue collecting few data on clients. These themes are consequently cyclical and may create more difficulties for future collaborations and larger strategic frameworks.

### **Future Areas of Study**

The current study shed light on the research questions, but many more future areas of study are needed. First, while multiple risk factors have affected Asian Americans during the foreclosure crisis, it is difficult to prioritize which of the seven risk factors affected them the



most. Because the current study was exploratory, it will prove useful to collect data and understand which factors are more significant than others.

Also, more work is needed to calculate foreclosure rates. While a few studies have shown that they were not as impacted as other minority groups, it is unclear the reason for these potentially lower impacts. For example, if Asian Americans oftentimes have larger families living together, does doubling up help to protect against foreclosures? Alternatively, are these variances in foreclosure rates dependent on geography? It is unclear how Asian Americans are faring in other parts of the country, as many studies focus on California. Are there differences in foreclosure rates based on neighborhood characteristics or local foreclosure policies? Also, if they tend to live in metropolitan areas, in what kinds of neighborhoods are Asian Americans choosing to purchase homes in? Are these more likely to be targeted by subprime lenders?

While the current study provides evidence that some Asian Americans were significantly impacted by foreclosures because of multiple risk factors, the findings are difficult to generalize because of the smaller sample size. Similar studies are necessary to understand how foreclosures tangibly affect other Asian American populations on a local level. By examining various ethnic groups, future studies would provide insight into how smaller and underserved groups have fared as a result of their risk factors and the context of the foreclosure crisis.

The study also demonstrated that more studies are needed to understand AA CBOs. If they are becoming more marginalized in foreclosure prevention work, do they disproportionately receive less government funding for their work? If not government funds, where are they more likely to seek funding? Additionally, in the current study, AA CBOs focused less on a geographic area and instead targeted ethnic and racial groups. Unlike other CBOs that are neighborhood focused, it is unclear how these dynamics may impact their ability to fund their

services. With devolution and segmentation, it is more important that CBOs study and work in research endeavors for as Marwell (2007) described, “community-based organizations continue working to enhance social integration and social order by creating opportunities for poor people’s material inclusion in contemporary society...[but] routinely find themselves the least powerful players” (p. 234).

Another important area of research is the future of foreclosure prevention assistance. The current study is a cross section analysis and only captures foreclosure risk data in 2007 and 2008. However, more studies need to examine foreclosure trends over time. The foreclosure crisis is not over, nor are its individual, neighborhood, and community impacts ended. Although foreclosure rates may be decreasing to rates that existed before 2007 for some states, it is important for researchers to continue studying its impacts. Unemployment, household wealth, and business lending rates have not yet reached the rates that existed in 2006 (Irwin, 2013).

In addition, individual homeowners are still experiencing a number of devastating and troubling aftereffects of the crisis. Khimm (2014) described a number of prolonged effects, such as homeowners stuck in foreclosure proceedings that can last several years—while at the same time they are unable to improve their credit score until the foreclosure is completed—and during which time they are targeted by unscrupulous practices of mortgage services that have bought up defaulted mortgages from major banks. Other lenders are suing previous homeowners after they foreclosed for mortgage deficiency, or the difference between the mortgage debt and sale price of a house; some states can pursue homeowners from the time of the foreclosure (Kansas) to 30 years (Alabama and North Carolina) or an unlimited time (Pennsylvania; Kelly, 2013). In January 2014, 732,000 foreclosure settlement checks did not reach qualified homeowners, which

on average provided homeowners \$865, which oftentimes does not help homeowners keep their homes (Hallman, 2014).

In addition to homeowners, renters were affected. For example, Pfeiffer (2014) found that a number of Section 8 renters were forced to move because their landlord foreclosed, particularly in lower-income neighborhoods. A number of investment firms are now purchasing foreclosed properties, repairing them, and then renting them at higher prices because of the growing demand for rental properties. For example, investors are able to buy foreclosed properties with cash and are renting to fewer low-income tenants who receive government assistance, which allows them to capitalize on the increasing home prices as the country recovers from the recession (Perlberg & Gittelsohn, 2013).

With these lingering effects of foreclosures, how will Asian Americans and other groups fare in the future? If there are fewer CBOs and government resources engaging with these groups, however, is their foreclosure risk still high? Alternatively, if the government or organizations start cutting funding for foreclosure prevention because it is deemed no longer necessary, would this impact AA CBO vulnerability and sustainability when Asian Americans are still struggling with foreclosures? These areas of research would not only decrease homebuyers' risk of foreclosure, but would simultaneously result in a better understanding of how to build community stability and economic recovery.

### **Implications**

As the country continues to recover from the 2007 foreclosure crisis, the U.S. has a lot of work to do to reform its housing policies and prevent another crisis. Many of the current policies are set to perpetuate the status quo. For example, many mortgage servicers are still deregulated and targeting vulnerable homeowners. Even though the new Dodd-Frank Wall Street Reform Act

rules began January 2014, federal regulators are continuing the same routine examinations they had previously conducted (Khim, 2014). Also, some federal departments are attempting to overstate the recovery process. For example, while the Treasury Department reported that employment and wealth increased since 2007, Irwin (2013) compared these percentages to 2000 to show that they are still relatively lower than the previous decade.

While though the U.S. has recovered from the worst of the crisis, the government needs to be realistic about the current economy and design more effective interventions and policies, especially for populations that are disproportionately affected. Otherwise, the state will continue to perpetuate disparities in homeownership and foreclosure, which subsequently will deter the national economic recovery process for all Americans. O'Connor (2012) critiqued federal policies in its community development strategies:

Thus, having encouraged the trends that impoverish communities in the first place, the federal government steps in with modest and inadequate interventions to deal with the consequences—job loss, poverty, crumbling infrastructure, neighborhood institutional decline, racial and economic polarization—and then wonders why community development so often “fails.” In its attempts to reverse the effects of community economic and political decline, federal policy has been working against itself (p. 12).

These observations are applicable to the foreclosure crisis, where many groups still do not have adequate resources to address foreclosures. Additionally, there are few concerted efforts to truly understand how various groups fared as a result of the foreclosure crisis, which makes it difficult to predict the future of housing in the country. One way to increase interventions for homeowners is to work together with CBOs. However, CBOs have a complicated relationship with the government, which is at times collaborative and contentious.

#### *How Effective is Devolution in Foreclosure Prevention Work?*

There is oftentimes tension in how resources are allocated to various community interventions. While it is becoming popular for governments to expect CBOs to fulfill social

services in exchange for resources, devolution may lead to ineffectiveness, especially for CBOs that serve vulnerable populations. It remains unclear if AA CBOs are designed to mediate on behalf of all Asian American homeowners and foreclosure risks.

Devolution is theoretically meant to increase vertical collaboration between CBOs and the government in addition to strengthen horizontal collaboration among CBOs to overcome scarce resources (Fontan et al., 2009). AA CBOs certainly are the main institution that is responsive to Asian American homeowners. There is less evidence of either kind of collaboration, except within existing Asian American networks. Consequently, AA CBOs develop resources within their own established networks. However, mainstream funders and governments may misinterpret these trends to signify AA CBOs do not need assistance, which perpetuates the misperception that Asian Americans can fix their own problems. Vo (2004) summarized this lingering racialization of Asian Americans, in which:

Despite their long history in the United States, Asian Americans' status as U.S. citizens by birth or by naturalization does not prevent them from being treated as "foreigners." Asian Americans, native- and foreign-born, may feel ambivalent about the racial category, yet regardless of whether or not they acknowledge the dominating impact of race, they live racially structured lives." (p. 233)

It is clear from the study, though, that AA CBOs are less connected to policy changes and have to invest a lot of resources to help prevent foreclosures through HUD certification. It is inefficient for each group to develop resources for its own housing programming, in particular when many still need to rely on HUD for training and funding. While this strategy may benefit a few mainstream CBOs, it ultimately is less economical and efficient for the broader community. By continuing to exclude Asian American homeowners and AA CBOs, mainstream institutions are perpetuating the model minority myth to justify why they are neglecting these communities.

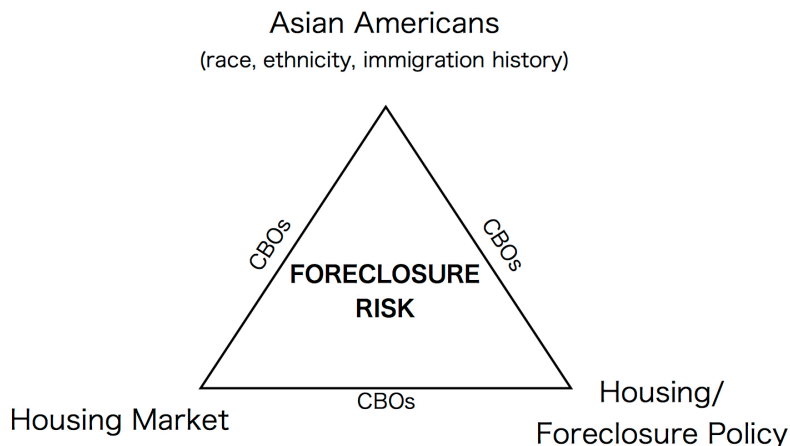
Based on the study, it also does not appear that AA CBOs are overall prepared to prevent their clients from foreclosure on a large scale. They were already mediating foreclosure risk through a more comprehensive range of services targeting employment, asset accumulation, and English-language learning. However, several AA CBOs mentioned the significant cost of becoming HUD-certified, especially with high staff turnover. While AA CBOs have had success in helping individual homeowners, such as the Lao Center, they are doing so by investing a disproportionate amount of resources per client, which is unsustainable.

It is then unclear if some CBOs are placed in situations of mediation that they are not fully capable of addressing, which would leave Asian American foreclosure risk unaddressed. By understanding how AA CBOs have or have not successfully mediated their clients' foreclosure risk, we can better understand how generalized housing policies tangibly affect the community level. If AA CBOs are unable to effectively mediate their clients' foreclosure risk, it is important to explore what are potential roles for AA CBOs in foreclosure prevention work. If they are not equipped to prevent foreclosures for their target population, are CBOs more effective in affecting policy changes that would help decrease client foreclosure risk?

#### *What is the Role of CBOs in Affecting Policy?*

As previously mentioned, CBOs are not only mediating on behalf of their clients, but they are working in between the private housing market and the government. These relationships form a triangle, which affects foreclosure risk (see Figure 15). For example, CBOs work in between Asian Americans and policy by working with local governments to learn of foreclosure policy changes. In their housing education and foreclosure prevention counseling, AA CBOs then convey these changes to their clients. These dyadic relationships in the model also impact their ability to affect policy.

Figure 15. CBO Relationships Affecting Foreclosure Risk Model



Note: Figure by author. “Asian Americans” includes self-identification and racialization by others outside of the Asian American community. Housing/foreclosure policy also includes government efforts and elected officials who set and affect policy changes. Housing market includes the overall market and private sector lenders, including mainstream banks.

It is clear how AA CBOs mediate on behalf of their clients and the housing market. There are a number of examples where CBO staff members help with loan modifications and translating between their clients and lenders. Mainstream CBOs have gained much success in addressing these gaps, such as a coalition of nonprofits in Cleveland that negotiated loan modifications with a number of major mortgage servicers (Immergluck, 2008).

The relationships between CBOs and the government are more complicated, in particular the conflicting role they have in housing services. While they may be able to sort confusing and inconsistent housing policies, this creates a hierarchical relationship—the government will fund and dictate what policies CBOs will implement without CBOs providing much feedback. As previously described, CBOs are often the entities with the least amount of power in dictating what changes affect their neighborhoods and clients.

Hypothetically, CBOs would work in between the private market and housing policies. One way they may mediate is advocating for housing policy changes that would in turn make the housing market fairer for their clients. However, even mainstream CBOs may not engage between this third side of the triangle for a number of reasons. They may not see policy

engagement as a core part of their work, may not have staff with skills and the capacity to strategize for larger social policy changes, and/or may not have opportunities to discuss impacts of policy with policy makers (Ebrahim, 2010).

Additionally, as previously discussed, CBOs are oftentimes restricted in their advocacy work due to their funding sources—those that receive funding from HUD may be hesitant to raise concerns about housing policies. To mediate between the market and public sector, AA CBOs would have to become involved in long-term efforts that identify policy loopholes and market failures, which may be outside of the scope of AA CBOs. They then become indirectly complicit in the government providing fewer social services for their populations. As DeFilippis et al. (2010) described:

The community organization cannot target the state, not only because of conflicts of interest with its funding source, but also because the state poses as no longer responsible for—no longer in the business of—meeting social need...Democracy is doubly undermined, at the local and national level, and the market and community reign supreme.” (p. 93)

It is unclear then whose role it is to fulfill this third side of the triangle, which would ideally identify problems with the lending market that caused the foreclosure crisis and help create policies to prevent a future crisis.

Some intermediary institutions are working to mediate in limited ways between the private and public sector and advocating for stronger regulations. For example, National CAPACD has participated with other groups on the National Loan Scam Campaign, which raises awareness of predatory scams in multiple Asian languages. They received funds from NeighborWorks America for this campaign to help prevent more homeowners from becoming victims of loan scams. However, education campaigns are not the same as directly advocating HUD or other government agencies to strengthen regulation against scammers.



AA CBOs are also in a complicated relationship with housing policies because they are encouraging homeownership, which puts their clients at risk of foreclosure. CBOs are awarded funding from HUD to not only prevent foreclosures, but also to promote homebuyer education for clients who may not have the assets and savings to financially sustain themselves. Devolution restricts AA CBO in their ability to advocate against policies that put their clients at risk of foreclosure. Also as a result, Asian American homeowners become less visible within federal policy, advocacy coalitions, and local mainstream CBOs.

Is it the role of the local government to then reform its own policies? Some local governments have attempted to regulate lenders. For example, the City of Louisville set higher taxes on vacant homes that violate building codes than other properties, and the City of Minneapolis increased their vacant property registration fees to discourage negligent lenders after foreclosure and prevent negative spillover effects from foreclosed properties (Immergluck, 2008). The federal government also implemented several programs to intervene on behalf of homeowners. For example, the Home Affordable Modification Program seeks to keep families in their homes by giving loan servicers incentives to lower the monthly mortgage payment through a loan modification (National Association of Consumer Advocates, 2014). However, HAMP's success depends on the flexibility of each servicer and has had mixed results. While the public sector has attempted to mediate on behalf of homeowners who are vulnerable to foreclosing, they do not have as much knowledge of how other populations were affected by foreclosures.

On the other hand, AA CBOs work more directly with Asian American homeowners and better understand their foreclosure risk factors. If AA CBOs were mediating all three sides of the triangle, they would significantly decrease Asian Americans' foreclosure risk. AA CBOs would not only work to educate clients on policies and assist their interactions with lenders, but they

would also advocate for policy and market changes that would help prevent Asian Americans from foreclosing on a large scale. If AA CBOs do not fulfill this role, who then is helping to inform the government and lenders about how Asian Americans were affected by the foreclosure crisis? If local governments fulfill this gap, are they including Asian Americans in their planning efforts? It is critical to understand these nuances to help better create interventions that can help lower foreclosure risk and strengthen neighborhood stability.

As a note, the figure oversimplifies the complexities of these relationships that are characterized by both conflict and collaboration. While they are oftentimes in tension, Immergluck (2008) identified a number of collaborations among CBOs, lenders, and local governments.<sup>15</sup> Also, Figure 15 only includes CBOs mediating between the dyadic relationships because it includes multiple types of CBOs. AA CBOs may be working with mainstream CBOs in some instances, but may also become more segmented in some aspects of foreclosure prevention. Understanding these relationships will contextualize what factors impact Asian American homeowners' foreclosure risk.

The study also raises a number of questions that are particularly pertinent for planners and policy makers. As described, a number of AA CBOs face difficulties with meeting the gap of serving their clients because of the lack of communication between these organizations and the rapidly changing foreclosure policies, especially right after the crisis began. These challenges

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<sup>15</sup> Chicago's Homeownership Preservation Initiative includes financial institutions, Neighborhood Housing Services, the Chicago Department of Housing, and the Federal Reserve Bank to link citizens with foreclosure prevention counseling through a nonemergency telephone number. The city also brought together mortgage services and housing counselors for "Borrower Outreach Days," which educated 2,000 borrowers (Immergluck, 2008). Chicago also mails postcards with information about counseling services to homeowners who are starting the foreclosure process. Additional coalitions have been created in other cities, such as Baltimore and Atlanta (Kingsley, Smith, & Price, 2009). The Baltimore Homeownership Preservation Coalition includes organizations, government agencies, legal services, and housing counseling organizations, which helps these groups track foreclosures and strategize on expanding outreach for services. Similarly, the Atlanta Regional Commission collects foreclosure data and collaborates with local governments, universities, and other partners to help stop the neighborhood spillover impacts from foreclosures.

multiply when they are working with a number of ethnic groups with different immigration histories and needs.

Additionally, planners should consider how their policies encourage foreclosures. For example, if cities encourage larger plot sizes or houses, it may lead homeowners to buy larger houses beyond their financial means. If planners can devise interventions that encourage a range of housing options, homeowners may then accumulate less debt. If policy makers and planners are meant to plan for larger public good and underserved communities, they need to consider these differences in CBO networks with service provision and the implications of underserving certain groups.

Are future community-based mediations expected to become incremental and segmented, particular for smaller populations? If so, the public sector needs to work more closely with CBOs, which would assist CBOs become prepared for policy changes. Otherwise, smaller CBOs may continue to become marginalized, in particular because the funding structure tends to reward CBOs that have a greater capacity and serve more clients. While CBOs should complement the government's actions, they also need to balance how the government can help homeowners who may not have access to CBOs. With stronger relationships between the government and CBOs, AA CBOs would become prepared before another crisis occurs and strengthen their effectiveness.

There are several other policy recommendations that would improve these collaborations with CBOs:

- *Conduct more research on minority and immigrant populations:* Planners and policy makers do not know enough about these groups, let alone how they were affected by foreclosures.

Without understanding how policies affect a wider population, the government will not know

how to intervene. As demonstrated, many of these groups experience multiple foreclosure risk factors that may not impact the general population as frequently. Specifically for Asian Americans, it is imperative for studies to disaggregate by ethnic group. Asian Americans are extremely diverse and are likely to have different foreclosure risk factors. While I found that there are some ethnic differences, there are not enough studies to understand why they may live in areas with varying foreclosure risk scores.

- *Increase partnerships between mainstream CBOs and AA CBOs:* LSS and NeDA have developed a model that could be applied to AA CBOs. NeDA benefits from this relationship because they can help their clients, who have access to bilingual staff. NeDA staff also benefit because they can use the foreclosure expertise that LSS staff members have and can keep NeDA updated on policy changes. These relationships in turn help mainstream CBOs learn about foreclosure risk factors that affect non-English speaking clients. Also, if state policy makers recognize LSS staff members as foreclosure experts, LSS staff could help relay concerns that Spanish-speaking or other clients have related to disproportionate impacts of foreclosure policies. AA CBOs and Asian American homeowners would similarly gain from similar relationships rather than simply connecting to Asian American networks.
- *Provide funding for staff development and salaries:* National CAPACD members obtain grants to attend trainings and help with HUD certification. If HUD or other government agencies helped to provide grants for AA CBOs and other smaller organizations, AA CBOs would not need to solely depend on National CAPACD. While networking with National CAPACD is beneficial for multiple reasons, National CAPACD may not have reliable sources of funding for their member organizations, and consequently additional funding for certification and staff training could benefit far more AA CBOs.

Another way that the government can strengthen foreclosure prevention work at AA CBOs would be to provide grants that increased salaries. In addition to working at underfunded organizations, several AA CBOs mentioned the quick turnover of foreclosure prevention counselors. With the complexity of housing policies and length of time a foreclosure process may take to resolve, it is even more imperative for counselors to stay at their jobs. By compensating counselors adequately, these AA CBOs can attract staff members for which the cost of HUD certification would be well invested.

- *Initiate opportunities for CBO feedback:* Because CBOs are implementing local policies, it is critical that local governments and policy makers ask CBOs for feedback. While policy makers may have good intentions with policies they devise, counselors can help them understand how HUD trainings and policies impact their work. For example, if counselors are taught only a handful of ways to prevent clients from foreclosure, it is in the best interest for HUD and governments to hear this feedback. The government not only knows of more programs that counselors can utilize, but it also may be able to offer advice on how to resolve specific cases. Additionally, CBOs could then work with the government and change specific housing policies to accommodate the diverse needs of minorities and immigrants.

Not only have mainstream interventions ignored how housing policies have disparately affected minority and immigrant groups, but it has also perpetuated their invisibility by underfunding CBOs that target these groups. Also, planners are called to address issues of inequality—these efforts would provide equal access to social services and allow other groups to meet their financial goals. Finally, planners and policy makers will benefit greatly from learning how to work with immigrant and minority communities. If these groups are financially strong, it will help the country to strengthen its economic resources and viability for the future.

## CHAPTER 8

### CONCLUSION

While I have known that policies disproportionately impact certain groups, this study helped me to learn first-hand of how policies oftentimes have issues in implementation. In particular, when the U.S. has a strong rhetoric that pushes homeownership opportunities, it is challenging to develop policies that counter this approach, especially for those who may not be ready to become homeowners or are recovering after foreclosure. Even CBOs are pushed to promote homeownership through funding that rewards broader governmental goals; they may not be able to innovate for their target communities and groups. However, by following larger government programs, they are penalized if the policies make their work more challenging based on their target groups.

This study raises larger questions about how to plan inclusively and equitably. Given the difficulty in devising policies with political gridlock, how do planners help integrate other groups when their policies are simultaneously making it difficult for groups to become integrated with their communities? Also, as the United States is becoming a minority-majority country, scholars should be prioritizing racial and ethnic-specific studies. The fate of Asian Americans can help to understand how other groups will become integrated or segmented in policies.

Although they are a smaller percentage of the population in many geographic areas, Asian Americans nevertheless are the fastest growing group in the U.S. Thus, how they fared in the foreclosure crisis has implications about the service provision and housing resources for other groups that are less understood by the public and private sector. These other groups include those who speak another language, are foreign-born (including refugees and voluntary

immigrants), and those who may have differing cultural beliefs than those understood by mainstream service providers.

To address these broader implications, I included multiple geographic scales, ethnic group differences, and various forms of data. This approach was intentional and meant to highlight the diversity of Asian Americans while addressing data constraints. When exploring the overall impacts of a phenomenon, it is easier to quantify the impacts on a national scale because studies can speak to a broader group of readers. Consequently, I included the national level of analysis to provide an overview of Asian American communities in the country. However, I was unable to comprehensively document foreclosure risk for all Asian American groups due to data suppression. If national data sources do include demographic data, they do not always include Asian Americans as a racial category; if they do include Asian Americans, they oftentimes do not include Asian American ethnic groups. Consequently, much of my project had to find alternatives to the gaps in national data, such as the study in Minneapolis-St. Paul.

While they live in areas with different foreclosure risk, it will also take a series of studies to begin and understand the complexities of ethnic groups and how much variation is a result of an intersection of identities (e.g., immigration status and gender). Examining any ethnic group is more time-consuming, with fewer available data and more difficulty in justifying the need for these kinds of data. However, it is a rewarding process to produce new data that contributes to a larger body of literature.

In addition to the challenges with studying smaller populations, I also chose to prioritize Asian Americans and AA CBOs, who are oftentimes the least powerful in national policy discourse. At the same time, this endeavor does require creativity in how to overcome data and methodological challenges. By focusing on CBOs, I am going against the trend of deregulation

and marketization. These kinds of projects generate knowledge from the bottom-up, rather than allowing national data trends dictate the lived experiences of Asian Americans. By using multiple research methods, I also hope to strengthen the importance of research projects that examine overlooked populations.

It is deleterious for planners and policymakers to assume that the fate of smaller groups does not impact larger groups, particularly when foreclosures have significant implications for the neighborhood and municipal financial stability. These projects are thus necessary to highlight the significance of underserved community stakeholders, who oftentimes reveal how policies may disproportionately impact these groups. It is clear that many housing and foreclosure policies affect minority and immigrant homeowners, who have higher foreclosure risk. By understanding areas these populations, we can design improved policies or better reinforcement to help fewer groups fall through the cracks.

### **Notes**

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## APPENDIX A

### SEMI-STRUCTURED INTERVIEW QUESTIONS

#### *Housing Program Staff and Stakeholders*

##### Organization Overview

- How long have you worked at your organization?
- What kinds of services does your organization offer?
- What are the demographics of your organizations' clients (ethnicity, race, language needs)?
- What is your role?

##### Housing Program

- What kinds of housing programs do you offer (classes, individual counseling, workshops)?
- What topics or stage of homeownership do your programs address (homebuyer assistance, post-homeownership, foreclosure prevention)?
- How do you tailor your services to meet the needs of your clients?
- If you are unable to serve your clients, what organization or resource referrals do you provide?
- How are your housing programs funded?

##### Foreclosure Context

- Did your organization offer homeownership programs before the crisis?
  - If so, what kinds of services did you provide?
  - If not, why? Was there a need before 2008?
- What changes in service provision or area and population served has the organization experienced during the housing downturn, if any?
- Since the foreclosure crisis, how has your programs' funding been affected?
- With what other organizations and public agencies does your organization interact or partner with? Were any of these relationships developed after the foreclosure crisis?
- What challenges do you face in providing help to struggling homeowners?
  - If these challenges were addressed, how were they overcome? If not, why not?
- What types of programs or actions have been effective or ineffective?
- What have been the barriers to developing an effective response, and what has facilitated your ability to respond?

##### Client Characteristics

- At what stage of homeownership are your clients at when they approach you for help?
- What other financial burdens contributed to the default or foreclosure?
- Were any loans that your clients took out subprime loans?
  - If so, did they know at the time if they qualified for a prime loan? Why did they take out a subprime loan? How did they plan to meet the payments on the loan?
- Where do people live after they left their homes? If they joined another household, how long did they stay with them before getting a place of their own?
- Did they become homeless at any point after losing their homes?
- What resources did people have left after foreclosure?
- Do people who lost their homes plan to purchase another home in the future?
  - If so, what are their plans for financing the home purchase?

### Implications for Future Activities

- What new strategies are needed to help Asian Americans preserve their housing and assets?
- What kinds of programs or resources could help expand your programs?

### *Homeowners and Housing Program Clients*

### Homeownership Experiences and Home Purchase

- What are the main benefits of being a homeowner? What are the main drawbacks?
- When did you purchase your home? Why did you decide to become a homeowner?
  - If purchased between 2004 to 2006: did you think home prices would continue to go down, remain the same, or go up in subsequent years?
- Prior to purchasing your home, did you receive any education or advice about the home buying purchase?
  - If so, who provided you with this information?
- How would you generally describe your financial situation at the time you purchased a home?
- What is your experience with loans? What lenders did you speak with, and how did you learn about them? Why did you choose the one that you did?
- Have you experienced any challenges in the process of becoming a homeowner?
  - If so, is there anything you would have done differently?
- What advice would you give to families like yours about becoming a homeowner?

### Seeking Help

- What factors contributed to your difficulty in making mortgage payments? What strategies did you use to pay your mortgage?
- Barriers before going to org?
- Did you seek assistance from a housing counselor or other organization?
  - If so, which ones and why? What was your interaction like and what kind of assistance did they provide? How has your financial and housing situation changed after seeking resources?
  - If not, why did you not seek help from these resources?
- What other types of resources would have helped you, but were unavailable? What advice would you give to community organizations that are trying to help homeowners like yourself?

### Foreclosure Experience

- If applicable, what was happening at the time when you realized you could no longer keep your home?
- What has changed in your situation since leaving your home?
- Do you plan on becoming a homeowner again? Why or why not?
- Are there other ways that your experiences have affected you that we haven't discussed?

## **APPENDIX B**

### **CONSENT TO PARTICIPATE IN RESEARCH STUDY**

The Impacts of the Foreclosure Crisis on Asian Americans and the Mitigating Effects of Community-Based Organizations

#### **Why am I being asked?**

You are being asked to participate in a study on the impacts of foreclosures on Asian American homeowners and how community organizations have provided housing programs in the Minneapolis-St. Paul region. Assistant Professor Andrew Greenlee and Christina Aujean Lee, a Master's program student researcher, of the Department of Urban and Regional Planning at the University of Illinois at Urbana-Champaign are conducting the study.

You have been asked to participate because you are an Asian American homeowner that is a client of an Asian American-serving organization and participate in a foreclosure prevention program or are a homeowner at risk of foreclosure or have already experienced a foreclosure. Your participation in this research study is voluntary. If you do participate, you are free to withdraw at any time without any penalty. The decision to participate, decline, or withdraw from participation will have no effect on the subject's future relations with the University of Illinois or the Lao Assistance Center of Minnesota.

#### **Why is this study being done?**

The purpose of this research is to have a conversation with Asian American homeowners who are at risk of foreclosure or have experienced a foreclosure. Through this interview, you will have an opportunity to tell us about your experiences with the foreclosure crisis to help understand organization and individual responses. This confidential research project will also learn about how housing services can better cater to Hmong and other Asian American groups. Any information given will only be used for research purposes.

#### **What procedures are involved?**

Approximately 30 participants may be involved in this project. If you volunteer to participate in this study, you will be asked to participate in either an in-person interview or focus group:

- In interviews with Asian American homeowners and housing program clients, participants will be asked questions about their homeownership experience, foreclosure process, and interaction with organizations or institutional stakeholders.
- Interviews will last about 30 minutes while focus groups will last 90 minutes and you will be asked permission to audio record the conversation for transcription purposes. If you do not feel comfortable to be recorded for interviews, you will have the option to participate with the researcher taking notes. If you do not feel comfortable being audio recorded in a focus group, you will have the option to participate in an individual interview.
- The interview will take place at either a participation organization's office or a public place such as a library or restaurant.
- Based your language preference, the interview may be conducted in English or with a translator.
- Interviews and focus groups will be audio recorded for note taking purposes. These recordings will not be connected to any personal information about yourself.
- You will not be asked to provide any information that would connect you to your interview or participation in a focus group. However, you have the option to provide your mailing address to help the researchers create a map that shows what areas community organizations are servicing.

**What are the potential risks and discomforts that I can expect from this study?**

Homeowner participants may experience distress discussing homeownership and financial issues. If you feel uncomfortable or wish to end your participation at any time during the interview, you may do so. Participation is completely voluntary. Interviews will be recorded, but all audio transcripts from the interview will remain confidential. For focus groups, absolute confidentiality cannot be guaranteed. It is even more important for focus group members to respect the privacy of the session.

**Are there any potential benefits if I participate?**

Although you will not directly benefit from your participation in this research, your input will assist other persons facing foreclosures. This research study will also examine the role of community organizations and institutions in helping underserved Asian American homeowners. The results will inform researchers, policy makers, and housing staff that want to improve how they address foreclosures in addition to advancing knowledge in how foreclosures impact Asian American homeowners.

**Will information about my participation and me be kept confidential?**

Any information that is obtained and that can identify you will be kept confidential by the research team. When results of the research are published or discussed in conferences, no information will be included that would reveal your identity. Data will be kept in a secure, password-protected computer system that is only accessible to the researchers and identified by a code number.

**What are the costs for participation in this research? Will I be reimbursed for any of my expenses or paid for my participation in this research?**

There are no anticipated costs associated with the research aside from the transportation costs associated with getting to the interview location. In gratitude for your participation, you will receive a \$15 Target gift card at the end of the interview or focus group. If you choose to leave before the interview or focus group is over, you will still receive the gift card.

**How will information from the research be disseminated?**

Disseminated results will never include identifying information. They will primarily summarize group information in academic publications or executive summaries that are made available for the participating community organizations and participants. If other information is described, no identifying information will be included.

**Can I withdraw or be removed from this study?**

You can choose whether to be in this study or not. If you volunteer to be in this study, you may withdraw at any time without consequences of any kind. You may also refuse to answer any questions you don't want to answer and still remain in the study. The investigator may withdraw you from this research if circumstances arise which warrant doing so.

**Who can I contact if I have questions about this study?**

The researcher conducting this study is Christina Lee, a Master's student at the University of Illinois at Urbana-Champaign with Dr. Andrew Greenlee, the research faculty sponsor. If you have questions, concerns, or feel that you have been injured or harmed by the study, you may contact Ms. Lee at 301-326-3348 or via email at [calee9@illinois.edu](mailto:calee9@illinois.edu) or Dr. Andrew Greenlee at 217-333-9069 or [agreen4@illinois.edu](mailto:agreen4@illinois.edu).

If you have any questions about your rights as a participant in this study or any concerns or complaints, please contact the University of Illinois Institutional Review Board at 217-333-2670 (collect calls will be accepted if you identify yourself as a research participant) or via email at [irb@illinois.edu](mailto:irb@illinois.edu).

***You will be given a copy of this form for your information and to keep for your records.***

**VERBAL CONSENT**

I have read (or someone has read to me) and understand the above consent form and voluntarily agree to participate in this study. I have been given a copy of this form. I verify that I am 18 years of age or older.

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