CHAPTER 2

The Foreclosure Crisis in Los Angeles

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After five devastating years, the housing market in Los Angeles turned around in early 2013. Prices increased and properties received multiple bids, often at or above asking level (Khouri and Lazo 2013; DataQuick 2013). While this development is good news for the construction industry and homeowners, approximately 143,000 households lost their homes during the preceding housing crisis. Many more remain “under water,” owing more than the market value of their homes. Others are left with a heavy financial burden.

For the region, the foreclosure crisis reversed the trend of rising homeownership, leading to concentrated vacancies or rental conversions in distressed communities. It also deferred the American dream of moving up in social status through owning property for many families, especially those of color. This chapter contributes to our understanding of the causes and consequences of the foreclosure crisis in Los Angeles County by detailing its drivers and dynamics.

Part 1 summarizes the existing literature, both nationally and locally. The foreclosure crisis is a result of multiple factors: mistakes by governmental agencies and predatory practices by lending institutions, unrealistic expectations by buyers that led to risky borrowing, and a collapse of a housing bubble that was further exacerbated by the worst economic downturn in decades. The adverse impacts were unevenly distributed, with minorities and previously strong housing markets such as Los Angeles suffering more.

Part 2 tracks the housing bubble and foreclosures in the Los Angeles region using temporal data from multiple sources. Housing prices skyrocketed to unsustainable levels during the mid-2000s. A wave of foreclosures soon followed, driven by increasing financial burdens from subprime loans, growing numbers of owners with negative equity, and climbing unemployment and declining income due to the Great Recession (2007-2009).

Part 3 examines racial/ethnic differences of the foreclosure crisis. Latinos and African Americans were disproportionately affected by the Great Recession. They were targets of unfair lending, and they fared worse during the economic downturn. The chapter concludes with some lessons learned.

**Part 1: Causes and Consequences of the Foreclosure Crisis**

The foreclosure crisis was the outcome of a set of complex dynamics and multiple factors. According to one analysis, a precipitating cause was Alan Greenspan’s lowering of the interest rate following the 9/11
terrorist attacks, a preventative measure to stimulate risk taking and investment and to avoid recession. Lowered interest rates made home buying attractive so long as prices remained stable. But resulting housing demand drove up prices, which increased faster than incomes. The national median single-family home price increased 25% between 2003 and 2006 (Joint Center for Housing Studies 2007), while real median household incomes only increased 1.5% (U.S. Census 2011).

*Questionable Loans*

To offset the price rise, the financial industry responded to (and furthered) the imbalance between home prices and incomes by offering creative lending products that enabled prospective homeowners to temporarily afford the increased costs. These products included no documentation and no down payment loans, adjustable and subprime interest rates, and interest-only or partial interest payments. Subprime lending (loans with interest rates three or more points above the treasury rate) became most widespread, increasing from 8% of mortgage loans in 2003 to 20% in 2006 (Faber 2013). People not only used these risky products to buy homes but also to refinance their homes, driven in part by a faulty expectation that home prices would continue to increase.

*The Bubble Bursts*

The mid-2000s housing bubble was short-lived. In 2006, home prices fell in many metropolitan areas nationwide, and a year later price declines were widespread. Median single-family home sale prices dropped about 10% between 2007 and 2008 and an additional 6% between 2008 and 2009 (Joint Center for Housing Studies 2011).

The bust of the housing bubble perpetuated a foreclosure crisis, which was driven by a consequence of three factors. One, the resetting of risky loans drove up interest rates. This rate hike meant a greater burden on the affected owner.

Two, falling home prices increased the number of “underwater” mortgages, meaning that homeowners owed more on their homes than the homes were worth. Financially, there were no incentives for these homeowners to hold onto their homes, and many chose to walk away from their mortgages. Nationally, about 15% of homeowners were underwater in 2011 (Joint Center for Housing Studies 2011).
Three, the Great Recession deepened and prolonged the economic downturn. Unemployment in the nation rose five percentage points from 4.6% to 9.6% from 2006 to 2010. As workers lost their jobs, they had trouble making their mortgage payments.

Results of the Collapse

The consequences of these three factors can be seen in the numbers. Notices of default and foreclosure skyrocketed between 2007 and 2008, in concert with declining home prices. Between the middle and end of 2008, the percent of homeowners 60 or more days delinquent on their loans rose close to two percentage points, from about three to five percent (Joint Center for Housing Studies 2009). About 3.3% of loans were first-lien loans that were in foreclosure by the end of 2008, a 62% increase from the following year (Joint Center for Housing Studies 2009).

About 3.5 million homeowners foreclosed between 2008 and 2010, the height of the crisis (Joint Center for Housing Studies 2011). Homes bought with subprime mortgages were disproportionately likely to foreclose. While subprime loans accounted for 22% of originations between 2005 through 2008, they accounted for 64% of foreclosures between 2007 and 2009 (Bocian et al. 2010b).

Minority Impacts

Minorities disproportionately experienced subprime lending and foreclosure. Controlling for income and loan amount differences, African Americans and Latinos were more likely to receive subprime loans than whites, and Asians were less likely (Faber 2013; Bocian et al. 2011; Bajaj and Fessenden 2007). A wealth of research shows that minorities had higher foreclosure rates than whites across U.S. urban areas (Coulton et al. 2008; Gerardi and Willen 2008; Laderman and Reid 2008; Bocian et al. 2010a, b, 2011).

Nationwide, African Americans and Latinos accounted for 8% and 11% of mortgage originations from 2005 to 2008 but 12% and 16% of foreclosures from 2007 to 2009, respectively (Bocian et al. 2010b). Although Asians’ share of foreclosures was similar to their share of originations, Pacific Islanders were disproportionately likely to foreclose. These disparities are heightened after controlling for income.

California exhibits similar racial disparities in foreclosures. African American and Latino homeowners had foreclosure rates 1.9 and 2.3 times higher than whites, respectively, from September 2006 through October 2009, relative to their share of loan originations (Bocian et al. 2010a). These differences
become more pronounced among borrowers with higher loan amounts (Bocian et al. 2010a). Asians, however, had similar foreclosure rates relative to whites (Bocian et al. 2010a).

The reasons for minorities’ disproportionate experience of foreclosures and wealth declines are debatable. Certainly their higher receipt of subprime and other risky lending products played a role (Gerardi and Willen 2008; Coulton et al. 2008; Bocian et al. 2010b; Rugh and Massey 2010). Neighborhood segregation, particularly for African Americans, may have driven up their higher subprime lending rates (Rugh and Massey 2010).

African Americans and Latinos, in turn, experienced higher unemployment rates during the recession, hindering their ability to make payments (Bureau of Labor Statistics 2011). Minorities also have fewer savings and other forms of wealth (independent from their homes) that would enable them to continue to make payments when facing underemployment or unemployment. Finally, minorities’ residency in more unstable housing markets, also driven by voluntary and involuntary segregation, may have contributed to these outcomes (Rugh and Massey 2010).

Minorities’ disproportionate experience of foreclosure has led them to experience steeper homeownership and wealth declines. Between mid-2006 and 2010, the black and Latino homeownership rates dropped by about 4% and 2% respectively, compared to 1.5% among whites, erasing much of the gains made in closing the racial homeownership rate gap during the 1990s and 2000s (Joint Center for Housing Studies 2011). Minorities also lost much greater home equity during the recession. Latinos lost about one half of their equity, while Asians lost one-third and African Americans lost one-quarter. These compare to declines of about one-fifth among whites (Taylor et al. 2011).

Spatial Patterns

Foreclosure rates also exhibit strong spatial patterns. The Sunbelt and Rustbelt have higher foreclosure rates nationwide (Immergluck 2008). California had the fourth highest foreclosure rate in the country in 2010 (Bocian, et al., 2010, page 3). While Sunbelt foreclosures are driven by subprime loans and bursting housing bubbles (fueled by overheated demand), Rustbelt foreclosures are driven more by unemployment and depressed housing demand. Also heavily affecting the Sunbelt are underwater mortgages. In states such as California, Nevada, and Florida, between 40% and 60% of homeowners were underwater with their mortgages during the recession (Schwartz 2010).
Similar to variations in foreclosures by state, there were also variations across metropolitan areas. Los Angeles County was one of the epicenters of the housing downturn. The Los Angeles Metropolitan Statistical Area (MSA) had the 37th highest foreclosure rate in August 2008 among 358 MSAs nationwide, with about 122 foreclosures per 10,000 homes with a mortgage (the nearby Inland Empire had the 4th highest rate, 357) (Immergluck 2008). Within California, the Los Angeles MSA had the highest number of foreclosures among California MSAs – just over 200,000 between September 2006 through October 2009.

Part 2: The Housing Bubble and Foreclosure Crisis in Los Angeles County

This section provides an overview of the housing cycle in LA County from 1999 to 2012. Figure 1 shows the trends of the housing bubble, which closely mirrors the figures for the nation. Two indicators of the housing cycle were examined: 1) average sale prices for single-family homes (adjusted for inflation to 2012 dollars), and 2) the number of homes sold.

Trend in Home Prices

Average house prices began increasing slowly in 1999, accelerating after 2003, and peaking to its highest level in 2006. From 2003 to 2006, the average price of a home increased well over 50 percent from $370,000 to $619,000. Prices were greatest in 2005 through 2007, a period we ascribe in this chapter as the “Boom” period.

After peaking in 2006, house prices began falling. By 2008, the bottom fell out, and home prices plunged by 19 percent from the peak year. Prior to the housing boom, the number of homes purchased increased gradually before peaking in 2004. However, as prices escalated, sales declined. By 2006, the number of sales declined dramatically. From 2004 to 2008, housings sales collapsed 52 percent.
Risky Loans

During the period of price escalation, many buyers took out risky and other non-traditional loans to cover the increase in housing prices. Figure 2 displays the number of home loans originated from 2004 to 2008 using data obtained from the Home Mortgage Disclosure Act (HMDA), broken down by the riskiness of their terms. For this analysis, we define risky loans as primary loans with interest rate of 3 percentage points or more above prime and/or a second lien loan.

The dramatic increase in risky loans from 2004 to 2006 is evident in Figure 2. Of the total home purchase loans that originated in 2004, one-third was considered risky. This figure increased to 50 percent in 2005 and 56 percent in 2006. The number of risky loans declined following the collapse of the housing market. In 2007, the number of risky loans (19,710) was less than half the number that originated the year before (46,388), a decrease of 58 percent.
Timing of the Crisis

Figure 3 shows when the foreclosure crisis started. The chart tracks the number of foreclosures in the county from 1999 to 2012. Foreclosures remained relatively low from 1999 to 2005, but by 2006, foreclosures started picking up, and by 2008, the number of foreclosures had skyrocketed (Figure 3). Figure 3 also tracks unemployment trends in the county. Employment in the county fell considerably during the recession, and high unemployment levels have persisted (Figure 3).

Coinciding with the increase in unemployment is the decrease in income. From 2007 to 2011, median household income declined nearly 10 percent, from an estimated $58,000 (adjusted to 2011 dollars) to $52,000 in 2011. As homeowners lost their jobs and incomes, many became delinquent on their mortgages, and some eventually foreclosed.
Vulnerability of Boom Buyers

The foreclosures that occurred from 2007 to 2012 were concentrated primarily among homeowners who purchased during the Boom period. Using a combination of 2007 parcel data and 2007-2012 foreclosure data from DataQuick, we estimate foreclosure rates by the year of home purchase.¹ Three categories were created based on the year of purchase: 1) Pre-1999 (1990-1999), Pre-Boom (1999-2004), and Boom (2005 or later)². Over half of the foreclosures occurring from 2007 to 2012 were for homes purchased during the Boom period (Figure 4). Boom buyers were nearly three times as likely to go into foreclosure compared to owners who had purchased prior to the Boom, 23 percent and 8 percent, respectively (Figure 5).

The disproportionate concentration of foreclosures among those who purchased during the Boom is due to two factors. First is a disproportionate higher percent of loans that were subprime, highly leverage and/or risky. Second is the higher amount of their mortgages, which led to higher payments and increased odds of being underwater when the market collapsed.

¹ From the 2007 parcel data, we kept only those parcels with homeowners in 2007. The parcel data was then linked with the 2007-2012 foreclosure data by a common index – the Assessor’s Parcel Number (APN). By merging the 2007 parcel and foreclosure data, we were able to track whether or not homeowners in 2007 went into foreclosure during the foreclosure crisis.
² According to one estimate, about 30% of mortgage defaults during the foreclosure crisis can be attributed to home owners who took out equity loans during the housing boom (Laufer 2013).
Figure 4. Percent of Foreclosures from 2007 to 2012 by Year of Home Purchase, LA County

Data Source: LA County Parcel Data, 2007 & DataQuick, 2007-2012

Figure 5. Foreclosure Rates by Period of Purchase, LA County

Data Source: LA County Parcel Data, 2007 & DataQuick, 2007-2012
Consequences of the Crisis

There are deep and far-reaching consequences to the foreclosure crisis. Immediately, it has resulted in a decrease in homeownership and increase in housing burden. Figure 6 displays changes in the number of homeowners and renters from 2000 to 2011. (Data were not available for years 2001-2003). In the early 2000s, homeownership grew moderately, peaking in 2004. By the end of 2004, homeownership began to decline. The greatest loss in homeownership occurred following 2007. In 2011, the overall number of homeowners in the county had fallen below that of 2000 levels. Renting increased in concert with this decline. By 2011, the number of renters had reached its highest level within the decade.

Figure 6. Number of Homeowners and Renters, LA County, 2000 & 2004-2011

The number of households with a housing burden also increased in the wake of the housing crisis. Any household paying more than 30 percent of its monthly income on housing costs is considered “cost-burdened.” The Census also computes a more moderate threshold of housing burden, which is defined as households paying 35 percent or more of their income on monthly housing costs. For this study, we provide estimates of cost-burdened homeowners who pay 35 percent or more.
Figure 7 compares the percentages of cost-burdened homeowners for years 2000, 2006, and 2011. In 2000, over a quarter of homeowners were cost burdened. By the Boom period, the percentage of cost-burdened homeowners had increased by ten percentage points. Even as housing prices declined following the housing collapse, the percentage of cost-burdened homeowners remained relatively unchanged. This outcome is partially the result of homeowners losing their income and jobs (see Fig. 3).

**Figure 7. Percent of Homeowners with High Burden, LA County, 2000, 2006 & 2011**

![Bar chart showing percentages of cost-burdened homeowners for 2000, 2006, and 2011.](image)


**Part 3: Disproportionate Impacts on Minorities**

The housing crisis disproportionately affected minorities, particularly those who purchased during the Boom period. Figure 8 compares the racial and ethnic distribution of homeowners for the years 2000, 2004, and 2005-2007 (Boom Period). Minorities, particularly Latinos, were more likely to buy during the Boom period relative to the base year (2004). In 2004, 29 percent of homeowners were Hispanic or Latino. By the Boom period, 36 percent of homeowners were Latino. While Latinos’ representation increased, non-Hispanic whites’ and African Americans’ representation decreased. Asians also accounted for higher percentage of homeowners during the Boom period (15% compared to 13% in 2004).
Figure 8. Estimated Racial and Ethnic Distribution of Homeowners, 2000, 2004, & 2005-2007 (Boom-Period)

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2004</th>
<th>Boom Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Hispanic White</td>
<td>52%</td>
<td>48%</td>
<td>41%</td>
</tr>
<tr>
<td>Hispanic or Latino</td>
<td>25%</td>
<td>29%</td>
<td>36%</td>
</tr>
<tr>
<td>Black or African American</td>
<td>8%</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>Asian</td>
<td>12%</td>
<td>13%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Data Source: 2000 Decennial Census, 2005-2007 5-Year ACS PUMS

Subprime Targeting

As mentioned earlier, minorities were often targeted by subprime lenders. Figure 9 compares the subprime rates for the major racial and ethnic groups from 2004 to 2008. Subprime lending increased for all groups, but blacks and Hispanics were far more likely than whites to receive higher-cost mortgages. In 2005, over half of loans originated to African Americans and Latinos were subprime, compared to only 16 percent for Non-Hispanic whites. African American and Latino homebuyers were three and a half times more likely to receive a subprime loan than non-Hispanic white homebuyers. The share of higher-priced loans fell sharply following 2006 for all groups.

The greatest decline in subprime mortgages from 2006 to 2007 was among Hispanics (74 percent); the drop was 73 percent for blacks and 55 percent for whites. However, minority households remained far more likely to receive a higher-priced loan than Non-Hispanic white households. In 2008, Latinos were still over two times more likely to receive subprime loans than Non-Hispanic whites.
Figure 9. Subprime Rates for First-Lien Loans by Race & Ethnicity, LA County, 2004-2008

Loan-to-Income Ratios

Another indicator of loan risk is the loan-to-income ratio. A common threshold is that the value of a mortgage should not exceed three times a households' gross income. For this analysis, an index was created for a loan-to-income ratio of 4 to 1 or greater for loans originated (either first or second lien loans) during the Boom period. A household with a loan-to-income ratio of 4 to 1 or greater is considered to be at high risk of default and foreclosure. Our data show significant variation in the loan-to-income ratio among the major racial and ethnic groups. African American and Latino homebuyers were between about 40% to 75% more likely than non-Hispanic white households to receive high-risk loans during the Boom period, respectively.

Figure 10. Rates of Risky Borrowing, LA County, 2005-2007

<table>
<thead>
<tr>
<th></th>
<th>Subprime Rate</th>
<th>Percent with 2nd Loan</th>
<th>Loan-to-Income Ratio of 4 to 1 or Higher</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Hispanic White</td>
<td>20%</td>
<td>24%</td>
<td>23%</td>
</tr>
<tr>
<td>Hispanic or Latino</td>
<td>54%</td>
<td>56%</td>
<td>40%</td>
</tr>
<tr>
<td>Black or African American</td>
<td>56%</td>
<td>48%</td>
<td>32%</td>
</tr>
<tr>
<td>Asian</td>
<td>27%</td>
<td>29%</td>
<td>26%</td>
</tr>
<tr>
<td>Total Households</td>
<td>33%</td>
<td>37%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Data Source: HMDA 2004-2008
During the housing crisis, many homeowners took out higher value loans than they could sustain. The Boom period saw an increase in the percent of cost-burdened homeowners compared to prior years, as previously discussed. Figure 11 presents data on the proportion of cost-burdened homeowners by race and ethnicity based on the year that homeowners moved into their homes. Two categories were created: 1) Pre-Boom Buyers and 2) Boom Period Buyers. Homeowners who reported moving in to their homes before 2005 were categorized as “Pre-Boom Buyers,” and homeowners who reported moving into their unit between 2005 and 2007 were categorized as “Boom Period Buyers.”

Figure 11 shows that buyers during the Boom period were more likely to be cost-burdened than buyers during the Pre-Boom period. The likelihood of being cost-burdened varied substantially among racial and ethnic groups. Minorities who bought during the Boom faced greater hardship than non-Hispanic whites that bought during the Boom. From about 60% to 70% of minority Boom buyers experienced housing burdens compared to about half of whites.

<table>
<thead>
<tr>
<th></th>
<th>Pre-Boom Buyers</th>
<th>Boom Buyers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Hispanic White</td>
<td>29%</td>
<td>48%</td>
</tr>
<tr>
<td>Hispanic or Latino</td>
<td>41%</td>
<td>69%</td>
</tr>
<tr>
<td>Black or African American</td>
<td>39%</td>
<td>70%</td>
</tr>
<tr>
<td>Asian</td>
<td>34%</td>
<td>58%</td>
</tr>
<tr>
<td>Total Homeowners</td>
<td>34%</td>
<td>59%</td>
</tr>
</tbody>
</table>

Data Source: 2005-2007 ACS PUMS

Minorities’ disproportionate purchasing during the Boom period and greater cost burdens contributed to their higher foreclosure rates. Figure 12 provides estimates of foreclosure rates by race and ethnicity. Although DataQuick does not identify the race or ethnicity of the buyer, it does include their surname. U.S. Census Bureau data on the likely racial or ethnic identity of surnames was used to impute buyer race or ethnicity. Buyers with a surname that had a 70 percent or greater probability of being part of a racial/ethnic group were assigned to that group. In other words, a buyer with a surname that had a 70 percent or greater probability of being Latino was identified as Latino. Home buyers who surname does
not meet the 70 percent threshold for any racial/ethnic category were assigned as “other race.” (They are included in the totals but are not shown separately.)

This racial variation in foreclosure rates in the county is consistent with those previously reported for nation and California. Latinos had the highest rate, followed by African Americans. Both racial/ethnic groups had foreclosure rates three times higher than whites. Although Asians were less affected by foreclosures than Latinos and African Americans in the aggregate, they experienced ethnic variation in foreclosure rates.³

Figure 12. Foreclosure Rates by Race & Ethnicity, LA County, 2007-2012

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hispanic or Latino</td>
<td>13%</td>
</tr>
<tr>
<td>African American</td>
<td>12%</td>
</tr>
<tr>
<td>Non-Hispanic White</td>
<td>4%</td>
</tr>
<tr>
<td>Asian</td>
<td>4%</td>
</tr>
</tbody>
</table>

Data Source: LA County Parcel Data, 2007 & DataQuick, 2007-2012

Homeownership Effects

The decline in homeownership following the housing crisis differed slightly for the major racial and ethnic groups. To compare homeownership rates across groups, we used data files from the 2000 Decennial Census and the 2006 and 2011 single year American Community Survey (ACS). The 2006 ACS was chosen primarily because it represents the year in which homeownership rates peaked in LA.

³ We produced some preliminary estimates of foreclosure rates by further assigning surnames Asian ethnic membership. These estimates indicate that Filipinos (11%), Koreans (10%), and Cambodians (9%) were hit hardest by the housing crisis, with foreclosure rates over two times higher than all Asians (4%). Both Chinese and Japanese seem to have fared better during the housing crisis than all Asians and non-Hispanic whites, with each group experiencing only a two percent foreclosure rate.
County. The 2011 ACS provides the most recent data available following the housing crisis. We used 2000 Decennial data as the base year to measure changes within the last decade.

While all racial and ethnic groups have experienced a decline in homeownership rates since 2006, the fall has been steepest for Hispanics and non-Hispanic whites, with each group experiencing a three percentage point drop in the homeownership rate. For both Hispanics and Asians, rates have fallen back to 2000 levels. Rates for non-Hispanic whites and African Americans have dipped just below their 2000 levels.

Figure 13. Homeownership Rates by Race and Ethnicity, LA County, 2000, 2006 & 2011

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2006</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Hispanic White</td>
<td>58%</td>
<td>59%</td>
<td>56%</td>
</tr>
<tr>
<td>Hispanic or Latino</td>
<td>38%</td>
<td>41%</td>
<td>38%</td>
</tr>
<tr>
<td>Black or African American</td>
<td>37%</td>
<td>37%</td>
<td>35%</td>
</tr>
<tr>
<td>Asian</td>
<td>51%</td>
<td>52%</td>
<td>51%</td>
</tr>
<tr>
<td>Total Homeowners</td>
<td>48%</td>
<td>49%</td>
<td>46%</td>
</tr>
</tbody>
</table>

Data Source: 2000 Decennial Census, and 2006 & 2011 1-year ACS

*Increased Housing Cost Burdens*

The housing crisis not only decreased homeownership in Los Angeles, but also increased housing cost burdens. In 2000, over a quarter of homeowners experienced housing burdens. By the end of the peak Boom year (2006), this number had increased to 37 percent. The number of burdened homeowners increased for all racial and ethnic groups following 2000 (Figure 14). Minorities, particularly Latinos, experienced the greatest increase, with the proportion of homeowners considered cost-burdened increasing by twelve percentage points from 2000 to 2006. Despite home prices falling after the housing crisis, the percentage of cost-burdened homeowners has remained relatively the same since the Boom period, and higher than 2000 levels.

Figure 14. Cost-Burden Homeowners by Race & Ethnicity, LA County, 2000, 2006 & 2011

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2006</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Hispanic White</td>
<td>22%</td>
<td>32%</td>
<td>31%</td>
</tr>
<tr>
<td>Hispanic or Latino</td>
<td>33%</td>
<td>45%</td>
<td>41%</td>
</tr>
<tr>
<td>Black or African American</td>
<td>32%</td>
<td>41%</td>
<td>43%</td>
</tr>
<tr>
<td>Asian</td>
<td>28%</td>
<td>36%</td>
<td>36%</td>
</tr>
<tr>
<td>Total Homeowners</td>
<td>27%</td>
<td>37%</td>
<td>36%</td>
</tr>
</tbody>
</table>

Data Source: 2000 Decennial Census, and 2006 & 2011 1-year ACS
**Concluding Remarks**

After suffering one of the worst housing crises in generations and economic recessions in decades, Los Angeles is recovering. However, fundamental policies have not been implemented to prevent repeating the mistakes of the mid- to late-2000s. The same confluence of forces that created the national foreclosure crisis was at work in Los Angeles, and the impacts were far worse than for the rest of the country. The housing bubble was proportionately larger, as was the collapse.

One of the key lessons is that government failed to provide adequate oversight of financial markets. The absence of oversight promoted risky and unsound lending practices. Another lesson is that the consequences were unevenly distributed, and the groups hit hardest are the same groups that have been disadvantaged in the past, leading to a reproduction of socioeconomic inequality. Without new safeguards, Los Angeles and the nation remain potential victims of future housing crises. What is needed is a serious analytical evaluation of the institutional and policy failures, the development of evidence-based policies and practices to correct what went wrong, and the political will to implement meaningful systemic changes.

**Data Sources**

This study relies upon various data sources and data sets to better understand the nature and magnitude of the foreclosure crisis in Los Angeles County. The five primary data source for this report includes: 1) US Bureau of Census (BOC), 2) RAND California Statistics, 3) Home Mortgage Disclosure Act (HMDA), 4) DataQuick, and 5) 2007 Los Angeles County Assessor’s parcel data. Information on homeownership and housing burden were obtained from the BOC’s 2000 Decennial Census, 2004-2011 single-years American Community Survey (ACS), and 2005-2007 3-year ACS Public Use Microdata (ACS PUMS). Data on sales, prices, and number of foreclosures from 1999-2012 comes from RAND California Statistics. Information on the number of loans, including risky loans, was obtained from HMDA’s Loan Application Registers (LAR) datasets for 2004 to 2008. Foreclosure rate estimates broken down by race/ethnicity were derived using a combination of 2007-2012 foreclosure data purchased through DataQuick, and the 2007 County Assessor’s parcel data.4

4 Additional information, including limitations, about each datasets are available through the following websites:
4) HMDA: [http://www.ffiec.gov/hmda/history2.htm](http://www.ffiec.gov/hmda/history2.htm)
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Faber, Jacob W. 2013. “Racial Dynamics of Subprime Mortgage Lending at the Peak.” Housing Policy Debate 23(2): 328-349.


