

# UNDERWATER AMERICA

HOW THE SO-CALLED HOUSING “RECOVERY” IS  
BYPASSING MANY AMERICAN COMMUNITIES

## Baltimore, Maryland

Nationally, there are widespread reports about a housing recovery. However, the Haas Institute’s report, *Underwater America: How the So-Called “Recovery” Is Bypassing Many American Communities*, shows that this recovery has left behind the hardest-hit neighborhoods in cities like Baltimore. In these housing “hot spots” too many homeowners are still underwater on their mortgage, which means they owe more than their homes are worth. These communities have already seen millions in wealth wiped out as a result of the foreclosure crisis, but for the homeowners who live in these hot spots, there is no relief in sight.

Moreover, even within these cities, working class communities of color are bearing a disproportionate share of the impact of the ongoing crisis. The same communities that were targeted for predatory mortgages in the first place and saw generations of wealth stripped away through foreclosures, are now concentrated in these housing hot spots, where they are more likely to be underwater on their mortgages.

### The Housing Crisis in Baltimore

Rank	ZIP Code	Percent of Homes Underwater	Percent Below Peak Home Prices	Home in Default or Foreclosure in 2013	Percent African American and Latino	Median Household Income
1	21213	45%	16%	539	91%	\$34,584
2	21223	43%	19%	353	74%	\$26,729
3	21205	43%	27%	186	80%	\$25,250
4	21216	40%	25%	476	97%	\$31,179
5	21201	39%	28%	51	54%	\$26,860
6	21217	38%	19%	355	87%	\$25,591
7	21206	38%	22%	668	68%	\$48,256
8	21229	36%	27%	587	78%	\$40,827
9	21202	36%	25%	122	67%	\$30,756
10	21226	35%	22%	90	17%	\$60,651
11	21215	35%	31%	641	84%	\$35,506
12	21239	32%	22%	278	82%	\$51,687
13	21230	31%	6%	387	34%	\$63,705
14	21224	31%	9%	492	35%	\$51,280
15	21218	30%	24%	492	67%	\$36,542
16	21214	29%	14%	307	54%	\$58,218
17	21231	28%	12%	107	46%	\$51,824
18	21211	26%	13%	132	12%	\$53,085
19	21212	20%	23%	240	45%	\$66,917
20	21209	16%	19%	84	16%	\$72,633
21	21210	14%	14%	24	13%	\$92,949
	Citywide*	32%	22%	6,523	69%	\$40,803

## Key facts about the housing crisis in Baltimore

- 32 percent of Baltimore homeowners were still underwater on their mortgages at the end of 2013, making it the 72<sup>nd</sup> hardest-hit city in the country with a population over 100,000.
- Baltimore home prices remain 22 percent below their peak levels.
- More than 6,500 homeowners in Baltimore went into default or foreclosure in 2013.
- 69 percent of Baltimore residents are African American and Latino, and they have been disproportionately impacted by the housing crisis. Underwater homes in Baltimore are more heavily concentrated in neighborhoods with larger African American and Latino populations.
- Baltimore families living in lower-income neighborhoods are more likely to be underwater on their mortgages.

## Recommendations

The housing crisis is far from over for the families living in hard-hit cities like Baltimore. We need action to ensure that any recovery does not leave behind the communities living in these hot spots. Local officials in these cities should explore all options at their disposal to more effectively address the crisis. Here are some key steps that should be taken immediately to ensure an equitable recovery for all homeowners:

1. Loan holders – banks, government sponsored enterprises (i.e., Fannie Mae and Freddie Mac, which are regulated by the Federal Housing Finance Agency, FHFA), and investors – should reduce the principal on underwater mortgages to current market values.
2. If loan holders are unwilling or unable to reduce the principal on underwater mortgages to current market values, they should allow these loans to be purchased by publicly-owned or nonprofit entities that are willing to restructure them with fair and affordable terms.
3. Local municipalities should use all options at their disposal to facilitate the goal of resetting mortgages to current market values, including the use of “reverse eminent domain” (the program proposed in Richmond, California and elsewhere) to acquire mortgages in order to restructure them with fair and affordable terms.
4. Banks, government sponsored enterprises like Fannie Mae and Freddie Mac, and investors that own *vacant homes* that have already been foreclosed upon should sell them to publicly-owned or nonprofit entities that can convert them to affordable housing units for residents of the community instead of selling them to speculators.
5. Local municipalities should use all options at their disposal to facilitate the goal of turning vacant, foreclosed homes into affordable housing. This includes the use of “reverse eminent domain” to acquire properties in order to convert them to affordable housing units for residents of the community and to prevent them from being purchased by speculators.

---

*\*ZIP codes for which Zillow did not have underwater mortgage data are not included in this table, but they are included in the total citywide counts. The citywide data on defaults and foreclosures was obtained by adding up the data for each individual ZIP code in the city. However, ZIP codes do not correspond exactly with city boundaries, so some of the ZIP codes included in the table or included in the citywide totals may not lie completely within Baltimore city limits.*