

UNDERWATER AMERICA

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

Cleveland, Ohio

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 Cleveland. 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 Cleveland

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	44110	52%	37%	291	82%	\$23,351
2	44114	50%	N/A	5	32%	\$24,652
3	44119	48%	39%	216	47%	\$40,346
4	44105	46%	45%	654	74%	\$28,916
5	44109	46%	39%	507	39%	\$32,110
6	44128	46%	42%	433	96%	\$34,945
7	44113	45%	15%	80	44%	\$28,794
8	44102	42%	33%	396	48%	\$24,636
9	44144	41%	35%	201	17%	\$42,557
10	44108	40%	46%	280	95%	\$23,383
11	44104	40%	33%	169	97%	\$14,277
12	44135	37%	29%	346	31%	\$39,690
13	44111	37%	33%	476	26%	\$41,027
14	44115	35%	N/A	21	77%	\$11,363
15	44127	33%	37%	58	57%	\$16,973
16	44120	32%	34%	395	75%	\$31,484
17	44103	30%	26%	155	85%	\$20,873
18	44106	22%	25%	141	52%	\$23,816
	Citywide*	41%	38%	8,060	64%	\$26,556

Key facts about the housing crisis in Cleveland

- 41 percent of Cleveland homeowners were still underwater on their mortgages at the end of 2013, making it the second hardest-hit city in the country with more than 300,000 people, and the 11th hardest-hit more than 100,000.
- Cleveland home prices remain 38 percent below their peak levels.
- More than 8,000 homeowners in Cleveland went into default or foreclosure in 2013.
- African Americans and Latinos account for nearly two-thirds of the population of Cleveland. Across the country cities like Cleveland, with large communities of color, have been disparately impacted by the housing crisis.
- Low-income communities have also borne a disparate share of the impact of the housing crisis. Cleveland's hard-hit neighborhoods are overwhelmingly low-income. The median household income in the city is just \$26,556, just over half of the national median.

Recommendations

The housing crisis is far from over for the families living in hard-hit cities like Cleveland. 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 Cleveland city limits.*