

# THIRTY-FIRST ANNUAL APPAM RESEARCH CONFERENCE

Asset Building Track: Building Wealth over a Lifetime

WASHINGTON, D.C. · NOVEMBER 5-7, 2009

## *House of Cards: The Foreclosure Crisis and its Impacts on the Wealth of Low-Income and Minority Homeowners*

Thursday, November 5, 2009 at 10:15am

In 2008, lenders initiated more than two and a quarter million foreclosures, yet due to data limitations, to date we have only anecdotal evidence on who has been affected by this foreclosure crisis, and what the long-term implications of the crisis will be for household assets. This panel presents three papers that assess the impacts of foreclosure on low-income and minority homeowners, and presents new evidence for how the foreclosure crisis is likely to contribute to the wealth gap between whites and minorities. Collectively, the papers shed light on the inter-relationships between race, access to mortgage products, homeownership and wealth, and provide important insights not only into the need for new regulations that can help to protect families from future lending abuses, but also on how to lay the foundation for a more sustainable and equitable asset building policy agenda going forward. This panel provides some of the first empirical evidence on the impact of the foreclosure crisis on low-income and minority households and discusses the implications of this research for asset building policy as well as financial services regulation.

**Organizer:** Carolina Reid, Federal Reserve Bank of San Francisco

**Chair:** Michael Collins, University of Wisconsin-Madison

**Discussant(s):** Jane Dokko, Federal Reserve Board of Governors

Paper 1:

### **The Untold Costs of Subprime Lending: The Impacts of Foreclosures on Communities of Color**

*Carolina Reid, Federal Reserve Bank of San Francisco*

Paper 2:

### **Subprime Lending and the Loss of Wealth among Minority Households**

*Thomas Shapiro and Hannah Thomas, Brandeis University*

Paper 3:

### **Effects of the Foreclosure Crisis on Household Assets among Existing Homeowners**

*Janneke Ratcliffe, University of North Carolina at Chapel Hill*

*Recrafting the American Dream: Evidence on Potential Homeownership Solutions in a Time of Crisis*

Thursday, November 5, 2009 at 1:45pm

The recent subprime and foreclosure crisis has called into question the soundness of promoting homeownership for low-income families; a failed homeownership experience can destabilize economically vulnerable families and leave them in worse financial condition than if they had stayed renters. Yet housing wealth is critical, making up over one-third of wealth for typical households at their peak and the largest form of private wealth for low-income families. Is there evidence of potential homeownership solutions in this time of crisis? The results are likely to reveal that traditional homeownership is not right for all families.

**Organizer:** Signe-Mary McKernan, The Urban Institute

**Chair:** Jeffrey Lubell, Center for Housing Policy

**Discussant(s):** James H. Carr, National Community Reinvestment Coalition, and Harold Simon, National Housing Institute

Paper 1:

**How Well Do Individual Development Accounts Facilitate Successful Homeownership among Low and Moderate Income Households?**

*Ida Rademacher and Kasey Wiedrich, CFED*

*Signe-Mary McKernan, Caroline Ratcliffe, and Megan Gallagher, The Urban Institute*

Paper 2:

**Testing Long-Term Impacts of Individual Development Accounts and Asset Building on Homeownership**

*Michal Grinstein-Weiss, University of North Carolina at Chapel Hill*

*Michael Sherraden, Washington University in St. Louis*

*William G. Gale, Urban-Brookings Tax Policy Center William M. Rohe, University of North Carolina at Chapel Hill*

Paper 3:

**Rent Subsidies and Homeownership: A Policy for the Current Housing Crisis and the Future**

*Robert Lerman, American University*

Paper 4:

**Evaluating the Asset Building Potential of Shared Equity Homeownership**

*Rick Jacobus, NCB Capital Impact*

*John E. Davis, Burlington Associates*

***Strategies that Influence Savings Behavior: Policy Insights from Evaluations***

Friday, November 6, 2009 at 11:15am

As programs and policies designed to incentivize savings behavior and asset accumulation among low and moderate income households have proliferated in recent years, so too have research efforts to evaluate their effectiveness. This session showcases several recent evaluations ranging in scope from full-scale demonstration evaluations to targeted quasi-experimental research studies. In addition to presenting policy-relevant findings from the research, presenters and discussants will explore both the utility and limitations of different research methodologies in informing policy.

**Organizer:** Ida Rademacher, CFED

**Chair:** Stephen Crawford, CFED

**Discussant(s):** Daniel Schneider, Princeton University and Ray Boshara, Washington University in St. Louis

Paper 1:

**Assets for Independence Act Evaluation Impact Study: Final Report**

*Gregory Mills, Harvard University*

*Ken Lam, Donna DeMarco, Christopher Rodger, and Bulbul Kaul, Abt Associates*

Paper 2:

**Just Keep My Money! Supporting Tax-time Savings with U.S. Savings Bonds**

*Peter Tufano, Harvard Business School*

Paper 3:

**Automating Savings in the Workplace: Insights from the AutoSave Pilot**

*Alejandra Lopez-Fernandini, New America Foundation*

***The Economic Crisis of 2008: What Will Happen to Retirees' Incomes?***

Friday, November 6, 2009 at 1:00pm

This panel will highlight how the 2008 economic crisis could affect future retirement incomes. Because compensation costs are often a company's most controllable operating expenses, employers typically respond to recessions by laying off workers, freezing pensions, and cutting or freezing salaries. In a 401(k) world, they may also cut back on or eliminate employer contributions and matches. Workers might respond to a recession by delaying their retirement, borrowing against their retirement savings, stopping contributions to their 401(k) plans, or reallocating their retirement portfolios away from risky assets. This panel will explore how employers and workers are responding to the downturn in the economy, and consider the implications for future retirement incomes.

**Organizer:** Barbara Butrica, The Urban Institute

**Chair:** Mauricio Soto, The Urban Institute

**Discussant(s):** Mark Iwry, The Brookings Institution

Paper 1:

**Benefits in Crisis: An Employer Perspective**

*Michael Archer, Towers Perrin*

Paper 2:

**Falling Stocks: What Will Happen to Retirees' Incomes? The Worker Perspective**

*Jack VanDerhei, Employee Benefit Research Institute*

Paper 3:

**What the 2008 Stock Market Crash Means for Retirement Security**

*Barbara A. Butrica, Karen E. Smith, and Eric J. Toder, The Urban Institute*

***Expanding Asset Policies to Include Low- and Moderate Income Families***

Saturday, November 7, 2009 at 8:45am

Asset building and saving are essential components of a strategy for promoting economic advancement and security. While public policy has focused on increasing income for low-income working families, far less has been done to encourage them to save. For example, just 3 percent of the more than \$400 billion in annual federal tax breaks subsidizing assets (such as the mortgage interest deduction) benefit the lowest-income 60 percent of households. In today's uncertain economy, putting something aside for the future is more important than ever. This panel will contribute to public policy by presenting and analyzing new strategies to increase low-income families' opportunities to save and build assets and by providing initial estimates of how one new approach—the EITC Savers Bonus—is affecting low-income families.

**Organizer:** Signe-Mary McKernan, The Urban Institute

**Chair:** Beadsie Woo, The Annie E. Casey Foundation

**Discussant(s):** Andrew Yarrow, Public Agenda and Derek Hyra, Virginia Tech

Paper 1:

**A New Social Safety Net: Enabling Families to Weather Emergencies and Develop: The Role of Assets**

*Signe-Mary McKernan and Caroline Ratcliffe, The Urban Institute*

Paper 2:

**Innovations in Asset-Building: Findings from \$aveNYC**

*Cathleen Mahon and Caitlyn Brazill, NYC Department of Consumer Affairs*

*Janneke Ratcliffe, UNC at Chapel Hill Center for Community Capital*

Paper 3:

**Rental Assistance Asset Accounts: An Opportunity to Support Work and Savings among Recipients of Federal Housing Assistance**

*Reid Cramer, New America Foundation*

*Jeffrey Lubell, Center for Housing Policy*

Paper 4:

**Recent Trends in Saving and Investment among African-American and White Households: Implications for Federal Policy to Increase Saving**

*Margaret Simms, The Urban Institute*

*Charles Betsey, Howard University*

***Savings, Assets, and Educational Outcomes***

Saturday, November 7, 2009 at 10:30am

The panel on “Savings, Assets, and Educational Outcomes” brings together research from applied settings as well as analysis of longitudinal data. Two applied studies, both with counterfactuals, examine savings accounts for children’s educational attainment—one study is in Head Start centers in the US, and another among children in Uganda. Two other studies employ secondary data to ask whether assets and liabilities in various forms are associated with educational enrollment, performance, and graduation. Many would agree that a very productive use of savings and assets is for education of the next generation. But what do we know about the efficacy of savings for education, and which types of savings and asset holdings are most likely to have positive educational effects? With proposals for universal child savings accounts, and inclusive innovations in State College Savings Plans, the topic of savings and assets for education is both timely and important, and the four papers in this panel bring together some of the leading research.

**Organizer:** Michael Sherraden, Washington University in St. Louis

**Chair:** Michael Sherraden, Washington University in St. Louis

**Discussant(s):** Duncan Lindsey, UCLA, and Ray Boshara, New America Foundation

Paper 1:

**Child Development Accounts and Education: A Multi-Method Study**

*Trina Williams Shanks, University of Michigan*

*Deborah Adams, University of Kansas*

Paper 2:

**Asset Holding and Educational Attainment among African-American Youth**

*William Elliott III, Kevin Kim, and Hyunzee Jung, University of Pittsburgh*

*Min Zhan, University of Illinois*

Paper 3:

**An Asset-building Strategy to Reduce Gender Inequality in Education in Uganda**

*Jami Curley, Saint Louis University*

*Fred Ssewamala, Columbia University*

*Chang-Keun Han, National University of Singapore*

Paper 4:

**Changing Roles of Parental Economic Resources in Children’s Educational Attainment**

*Jin Huang and Yunju Nam, Washington University in St. Louis*