"Does Foreclosure Increase the Likelihood of Homelessness? Evidence from the Richmond MSA"

Presenter: Nika Lazaryan, Federal Reserve Bank of Richmond

Nika Lazaryan is a research analyst at the community development group of the Federal Reserve Bank of Richmond. She holds a master's in economics from Virginia Commonwealth University and a degree in English and area studies from Yerevan State University of Linguistics (Armenia). Her prior work included real estate, bankruptcy law, international development, and microfinance. Lazaryan is currently working toward a doctoral degree in applied mathematics at Virginia Commonwealth University.

Coauthors: Margot Ackermann, Homeward; Urvi Neelakantan, Federal Reserve Bank of Richmond

Summary and Findings: The unprecedented increase in foreclosures since the onset of the recession has raised concerns about its potential impact on homelessness among low-income individuals. This paper examines whether foreclosure increases the risk of homelessness. To address the question, we estimate logistic models based on survey data on homeless and housed low-income individuals in the Greater Richmond area. Our key finding is that experiencing a foreclosure does not significantly increase an individual's risk of homelessness. We also find that demographic and behavioral characteristics, as well as adverse life events such as bankruptcies and evictions, are significant predictors of homelessness among low-income individuals. We conclude that while foreclosure in itself may not increase the risk of homelessness, other adverse events can significantly affect the likelihood of homelessness among individuals who have experienced foreclosure.

Implications for Policy and Practice: While we find that foreclosures do not increase the risk of homelessness, we do observe that access to affordable housing significantly lowers the incidence of homelessness among low-income individuals. However, the policy implications of this finding are not straightforward. Prior research shows that, because housing programs do not target those most at risk of becoming homeless, simply expanding subsidies would not lead to a significant reduction in homelessness. Evidence from past research also shows that a significant change in homelessness occurs only if subsidized assistance goes toward the poorest of households; thus, an increase in affordable housing for the poorest households could be effective in reducing homelessness. In addition, we also show that history of substance abuse significantly increases the risk of homelessness, which suggests that programs assisting low-income individuals with recovery from addictions may be effective in reducing incidences of homelessness.