House Oversight and Government Reform Committee

Statement of Lisa Hasegawa, Executive Director of the
National Coalition for Asian Pacific American Community Development
(National CAPACD)

"The Silent Depression: How Are Minorities Faring In the Economic Downturn?"

September 23, 2009

Thank you, Chairman Towns, Ranking Member Issa, and members of the House Oversight and Government Reform Committee, for inviting me to testify on the "The Silent Depression: How Are Minorities Faring in the Economic Downturn?"

I want to particularly thank Chairman Towns and members of this Committee for your leadership on ensuring that communities that have faced disproportionate impacts of the foreclosure crisis and economic downturn receive equitable attention, support and resources, and for acknowledging the unique role that organizations such as National CAPACD and our members have in reaching those that are most vulnerable – recent immigrants and refugees, people who are limited English proficient and Native Hawaiians and Pacific Islanders.

My name is Lisa Hasegawa and I serve as the Executive Director of the National Coalition for Asian Pacific American Community Development, (National CAPACD). Founded ten years ago, National CAPACD is the first national policy advocacy organization dedicated to addressing the housing and community development needs of the diverse and growing Asian American and Pacific Islander (AAPI) communities in the United States. Our mission is to be a powerful voice for the unique community development needs of AAPI communities and to strengthen the capacity of community-based organizations to create neighborhoods of hope and opportunity.

The strength of our policy analysis and advocacy comes from the knowledge and insight of our network of over 100 member organizations, including community development corporations, preservation agencies, social service providers and advocacy groups, as well as national intermediaries and financial institutions. Working in over 17 states, our members implement innovative affordable housing, community development and community organizing strategies to improve the well-being of low-income AAPI communities. Our network is comprised of local community based agencies representing a diverse constituency including the wide diversity of

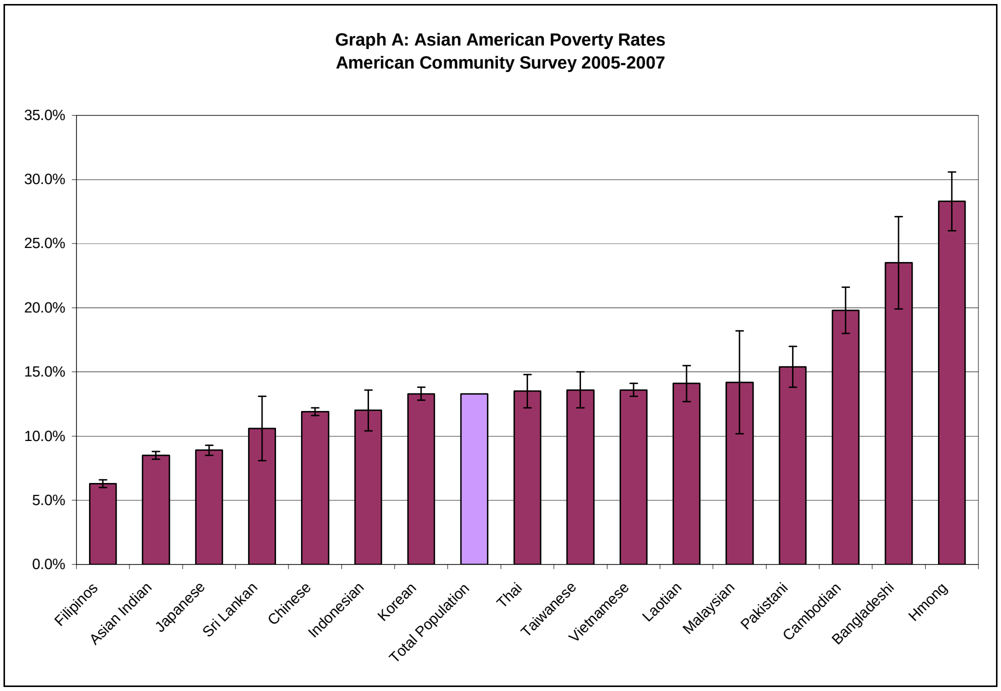
Asian Americans, Pacific Islanders, Native Hawaiians, refugees, immigrants, and low-income families of all ethnicities.

I am here today, joining my colleagues from NUL, NCLR and NCAI, to discuss ways to address the disproportionate impact of the foreclosure and economic crisis on communities of color. Specifically, I will bring attention to the fact that the Asian American, Native Hawaiian and Pacific Islander communities have also been negatively impacted by the current recession. In particular, rising foreclosure rates and the drop in homeownership within our communities is a signal that serious attention must be paid to the special needs of this diverse and rapidly growing population. We believe that structural and implementation barriers will continue to limit the success of key initiatives in responding to the needs of the AAPI communities unless they are rapidly addressed. We stand ready to partner with federal agencies to overcome these barriers.

Growing Insecurity: *Unemployment, Underemployment and Job Stability*

Families are suffering from the worst recession since the Great Depression and Asian Americans, Native Hawaiians, and Pacific Islanders are no exception. The rate of unemployment among Asian Americans more than doubled since the fourth quarter of 2007. Although trends in unemployment are unavailable for AAPI subgroups, data from the American Community Survey reveal that many AAPI groups faced already high levels of unemployment before the recession. According to the 2005-2007 ACS, the rate of unemployment within Cambodian, Laotian, and Hmong communities was 5.5%, 6.2%, and 6.6%, while the rate among Samoans (8.1%) and Tongans (8.7%) was even greater, at nearly two times the national average (4.2%).

Others factors suggest that a substantial number of AAPIs are at risk of even greater economic insecurity as a result of the recession. With poverty rates at or above the national average before the recession (see graph below), many AAPI groups had few resources to turn to after the loss of a job. The lack of linguistically and culturally appropriate job training programs for AAPIs relegated many low-skilled and limited English proficient AAPIs to low-wage work without opportunities for advancement.



The crisis has also presented new challenges for the large percentage of AAPIs who are self-employed or own a small business. AAPI-owned small businesses are struggling to access credit as even previous sources of capital such as home equity lines of credit have dried up with the decline in housing prices. This lack of working money/capital has put AAPI families at even greater risk of losing their homes and their businesses, and further reduces employment, income, and revenue in the AAPI communities.

Addressing Economic Insecurity in AAPI Communities

- **American Recovery and Reinvestment Act:** The American Recovery and Reinvestment Act (ARRA) provided new investments in education, workforce training, and other key areas, that could benefit AAPI communities and the broader economy, yet much of this funding has not been accessible to communities most in need. To respond rapidly to the loss of jobs and deteriorating economy, Congress distributed ARRA funds through existing formulas and programs. While this strategy allowed activities to be implemented quickly, in some cases, it subjected funds to longstanding policies that limited access to services for AAPI and immigrant communities before the economic crisis. For example, the Workforce Investment Act funding provided by ARRA is being administered under the current WIA performance-based system which discourages job training providers from serving clients who may require more intensive services such as persons with limited English proficiency or multiple barriers to work.

  Given the immediacy of the crisis, ARRA also distributed stimulus funds to states and entities/organizations with demonstrated experience, support, and funding. Unfortunately, this has had the unintended consequence of excluding many community-based organizations best positioned to work in underserved communities and deliver linguistically and culturally appropriate services. Criteria that prioritizes larger projects and broader outcomes can also limit the ability of organizations working in AAPI or immigrant communities to access recovery funds, particularly when the community being served is smaller, faces greater barriers to employment, and often needs additional services. For example, our member organizations in Seattle, Washington reported that AAPI communities were not able to assess green retrofits and green jobs programs because only one project in the city met HUD's criteria for funding larger properties with more than 75 units. The design of ARRA funds also fails to meet the support and services needed by AAPI communities, such as the cost of translation/interpretation services, case management, and other wrap around services, which can be difficult for community based organizations operating on thin margins to shoulder on their own. Finally, ARRA funds have provided AAPI organizations with few opportunities to partner with key stakeholders on initiatives, build capacity, or apply directly for funds. These restrictions are impacting communities and community-based organizations at an especially challenging time when demand for services has increased but funding for benefits and programs have been cut, and could result in the loss of critical safety net programs in many communities of color.

- **Troubled Assets Relief Program:** Created by the Emergency Economic Stabilization Act of 2008, the Troubled Assets Relief Program (TARP) played an important role in stabilizing financial markets during the credit crisis, but this has not been accompanied by the increase in credit availability needed by so many small businesses. According to the Pacific Asian Consortium in Employment, a National CAPACD member organization in Los Angeles, the number of loans they have been able to fund for small businesses has declined by 87 percent. Although not traditionally considered a workforce development strategy, small business programs are critical to creating opportunities for self-employment and self-sufficiency in AAPI communities in particular due to language barriers. Oftentimes, limited English proficient workers are unable to find living-wage jobs through traditional workforce development program placement. It is essential to hold financial institutions who received taxpayer money accountable, yet the Treasury Department has not required TARP recipients to increase credit to communities.

The Subprime Crisis, Housing Stability and Foreclosures

The loss in economic insecurity has also been made worse by rising rates of foreclosures in AAPI communities. An Associated Press article released on September 21st shows that homeownership rates throughout the country have fallen in 2008, and Asians were the hardest hit among all racial groups (see Attachment). Researchers and economists from New York University analyzed data from the American Community Survey, just released by the U.S. Census this week, and concluded that homeownership rates for Asians fell the sharpest by 1.24 percent. For African Americans, the drop was 0.88 percent, and for Latinos, the decline was by 0.80 percent. What is perhaps most compelling about this information is that income levels for AAPI communities, as an aggregate, is higher than other minority groups. So what has happened to cause such a steep decline in the rates of homeownership?

According to data prepared by the Center for Responsible Lending, subprime loans among Asian Americans almost tripled between 2004 and 2005. Native Hawaiians and Pacific Islanders have significantly higher percentages of high cost loans than the general population. Lending disparities for Asian Americans and Pacific Islanders have also been documented across the country. In specific metropolitan statistical areas in California, Massachusetts, Nevada, Wisconsin, New Jersey, Hawaii, Minnesota and Washington, Asian American and Pacific Islander borrowers were significantly more likely to receive a high cost loan than White borrowers. Based on HMDA data of 2006, we estimated that $6,446,424,000 in loans is at risk of foreclosure in AAPI communities.

A report created by the Federal Reserve Bank of San Francisco, entitled *The Untold Costs of Subprime Lending: Examining the Links among Higher Priced Lending, Foreclosures and Race in California,* examines the factor of race in subprime lending amongst California borrowers. We find this study of value to us in that one-third of all Asian Americans and one-fourth of all Pacific Islanders live in the state of California, according to 2005-2007 American Community Survey data. One of their conclusions, in addition to the fact that communities of color were disproportionately impacted and targeted by the subprime lending market, also concludes that borrowers with higher-priced loans (as a result of the subprime market) were 15.7 percent more likely to be in default, even after controlling for loan-to-value, FICO scores, and house price change.

In regards to the Asian American and Pacific Islander communities, the study in particular points out that there were certain characteristics within the communities that make the population more vulnerable to receiving high-cost loans, and were therefore more susceptible to foreclosure. These characteristics include immigration status, the presence of language barriers, limited knowledge of the financial system in the US, and/or other cultural differences that may influence the likelihood of default. The study concludes that there clearly remains a segment of the Asian population that is vulnerable to higher rates of default, and suggests the need to develop culturally and linguistically relevant foreclosure prevention resources for multiple market segments, and to conduct outreach through a much larger network of nonprofits and community-based organizations.

Though some trend data is readily available by sub-population to at minimum identify API communities that are likely at higher risk of foreclosure, little has been done by federal programs to conduct outreach in API languages, nor have internal systems been built to develop a mechanism for limited English proficient (LEP) borrowers to receive help from federally-funded housing counseling programs. Nonprofit community-based organizations, often a first line of defense for LEP individuals and families, were left with few resources to develop their counseling, translation and/or case management abilities in order to meet the needs and demand for housing and foreclosure counseling services. In many communities of color and neighborhoods hit hardest by foreclosures, there are many community based organizations that can play an important role in addressing the crisis, however no funds have been available to support their critical role in culturally and linguistically appropriate case management, education and outreach. In many AAPI communities, there are few if any established housing counseling agencies with any type of foreclosure/default counseling experience. HUD's housing counseling programs and other federally-funded foreclosure prevention programs such as the National Foreclosure and Mitigation Counseling program (administered by NeighborWorks America) were designed to support mainly established programs. There were gaps in the HUD housing counseling and foreclosure counseling delivery system for AAPI and other LEP communities before the crisis hit, and government agencies, GSEs and intermediaries did not design initiatives or strategies to sufficiently address these gaps. While HUD's certification process is important to ensure some standard of quality assurance, the requirements for certification combined with the application process, takes more than a year to complete before an organization is even eligible for any of the existing sources of funding. While we do not fault this priority or system of certification, federal agencies and organizations tasked to lead the government's response to foreclosure crisis could have taken more proactive steps to address known gaps and created strategies to support the mobilization of existing capacity of CBOs with expertise in serving LEP, immigrant, refugee and other underserved communities.

National CAPACD has partnered with Bank of America, Freddie Mac, the National Urban League and the National Council of La Raza to invest resources into strengthening the work and networks of local, community-based service organizations to provide such culturally and linguistically competent housing counseling services. This year alone, National CAPACD will invest nearly $500,000 (one-third of the organization's entire budget) of its resources into work that is being done to bring needed services to communities in need. Through a separate report generated by the Federal Reserve Board in 2008, we found that some of the hardest hit communities within the Asian American and Pacific Islander population were those communities that had either more recently immigrated or were already economically vulnerable. The report used data that incorporated information gathered from the Census and the First American Loan Performance Data, a source that tracks subprime loan performance. The study looked at highly populated API zip codes across the country and overlayed this information with loan performance data. The data that was produced helped us to see the great disparities even within the AAPI rubric, and we use this data as the basis for our advocacy because it allows further analysis into the overall set of statistics around a very general AAPI category. For example, the Federal Reserve Bank of San Francisco may report that the default rate for AAPIs is 3.8 percent, but data that is disaggregated by ethnic origin tells a different story. Specifically, the correlated data from the report compiled by the Federal Reserve Board highlighted the Pilipino and Chinese communities of California's Riverside-San Bernadino-Ontario MSA were at-risk for foreclosure, as well as the Hmong community of Minneapolis-St. Paul where there were high instances of defaults and high concentrated populations within the zip code. Other communities at risk and of note included the South Asians residing in Queens County, New York; Koreans living in Orange County, California; Pilipinos in multiple California counties, including San Diego; Chinese living in Los Angeles County; multiple ethnic groups throughout the state of Hawaii, including Native Hawaiians.

Ethnic groups that make up the very diverse Asian American and Pacific Islander category such as those cited above are often times unable to access housing and foreclosure counseling services due to language and cultural barriers. Mainstream nonprofit housing counseling organizations are already overwhelmed with their English-speaking client base, and it is unthinkable that they would stretch their own capacity to serve a new audience that they are unequipped to work with. It has been demonstrated in the County of Los Angeles that APIspeaking borrowers **with** culturally appropriate case managers still have difficulty accessing existing foreclosure services due to the existing burden on the current system. Because the nonprofit community-based organizations were left out of funding streams and programs such as the National Foreclosure and Mitigation Counseling program, it translated into thousands of LEP API families either not accessing services at all, or were delayed in receiving some sort of assistance. In either case, the results have come to the fact that Asians were the hardest hit racial group to experience a drop in rates of homeownership in 2008.

Improving Foreclosure Outcomes in AAPI Communities

- **Making Home Affordable program:** Despite commendable efforts by the Administration to provide incentives to services and lenders to modify loans for troubled homeowners, new data released by the Treasury Department in August show that lenders and services have made very slow progress, and their efforts continue to be dwarfed by the need. A New York Times editorial on August 10, 2009 noted that only 9% of almost three million troubled loans eligible for relief have been impacted by the program. This reflects the experiences of National CAPACD's member organizations who report that lenders and servicers are not competently or effectively responding to consumers seeking relief or foreclosure counselors. Furthermore, information on the MHA program was slow to reach housing counselors within AAPI-serving organizations, as well as borrowers and clients. Through a project recently commissioned by Freddie Mac and the Treasury Department, National CAPACD worked together with its member organizations to translate crucial documents that would help market the MHA program in AAPI communities. Brochures and posters were translated and printed into three Asian languages – Chinese, Korean and Vietnamese. These documents are helpful, but are again dependent on a delivery system that can adequately serve the cultural and linguistic needs of the communities we serve. on the front lines. Serious barriers in the loan modification process continue to frustrate homeowners and present particularly harsh challenges for clients with limited English language skills or other difficulties navigating this complex process. The slow progress highlights the need for greater enforcement, transparency, and accountability within the MHA program to ensure that lenders and servicers properly implement MHA in a timely and consistent manner across their entire loan portfolios. Borrowers should be given an opportunity to review decisions when denied a loan modification and seek recourse when decisions are rendered incorrectly. We also urge HUD and the Treasury Department to work with AAPI and minority communities in developing strategies to ensure that the MHA program and future initiatives are <u>comprehensively</u> accessible - not only through the translation of outreach materials, but through a service delivery system that It is not for lack of trying to make existing systems work..

- **Hope for Homeowners:** A program created in the previous presidential administration, the Hope for Homeowners has been unsuccessful, primarily due to the fact that participation by lenders is voluntary, which is a huge barrier since there are no incentives for lenders to participate. Key program goals, such as the reduction of principal on "upside down" loans is critical, especially in high cost areas like California that have seem home values plummet.

Recommendations

We support the recommendations of our colleagues with regards to addressing design and implementation challenges for ARRA, TARP, Making Home Affordable and Hope for Homeowners to ensure inclusion and equity for communities of color and those most underserved. Core to National CAPACD's advocacy work is ensuring that needs low income underserved AAPIs are adequately addressed by federal agencies and national initiatives. We stand with our colleagues in calling for the accountability for spending and performance, and the need to restore stability to financial and labor markets through consumer protection and investment. Specific recommendations include:

- Recovery efforts must recognize the needs of AAPI families, workers, very small business owners and homeowners, particularly those of underserved AAPI communities who live in poverty and are living in economically distressed neighborhoods and neighborhoods hit hardest by foreclosures.

- Assess each new federal initiative that is investing in existing systems and infrastructure and require that government agencies, GSEs and entities such as Neighborworks proactively address known gaps in existing delivery systems.

- Support capacity-building programs as well as direct funding for case management, translation, interpretation and culturally competent outreach for community based organizations serving communities of color. As we move into the second year of ARRA's implementation, we urge Congress and the Administration to provide communities of color with opportunities to build capacity, partner with key stakeholders on initiatives, and apply directly for funds. Funding for these activities would build on the strengths of community based organizations - they are an essential bridge between all communities of color, and government programs and economic stimulus initiatives, certainly for immigrant, refugee, limited English proficient Asian American communities and Native Hawaiians and Pacific Islanders.

- Direct HUD, Neighborworks America, Treasury, Freddie Mac and Fannie Mae to coordinate foreclosure mitigation efforts and resources to develop a comprehensive capacity building and outreach effort targeted at Native Hawaiian and Pacific Islander communities in states with high rates of foreclosure and unemployment and significant AAPI populations - these states might include California, Nevada, Minnesota, Washington, Florida, New York and Hawaii.

- Establish a working group of community representatives expert in the fields of housing, neighborhood stabilization and employment training, representatives of the states with significant concentrations of underserved Asian American, Native Hawaiian and Pacific Islander communities to advise on design of economic and housing programs and to identify areas of need and effective implementation strategies.

- Ensure that data that is being collected to assess the effectiveness and impact of economic stimulus include large enough samples of AAPI populations so that data can be disaggregated and tracked over time. Often, data on AAPIs at the national level does not illuminate areas of unmet need, so more focused analysis on data from states that have significant concentrations of AAPIs needs to be conducted during the design, implementation and monitoring of initiatives addressing the recession, foreclosure and employment.

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Homeownership fell in '08; Asians hit worst

ALEX VEIGA, Associated Press
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LOS ANGELES - Asians, many of them living in foreclosure-ravaged California, suffered the sharpest drop in homeownership last year, eclipsing declines felt by whites, blacks and Hispanics, according to new Census data.

The decline was surprising, because Asians tend to earn more than other minority groups and have less debt. But one out of three Asian homeowners lives in California, which has seen foreclosure rates skyrocket and home values plummet since the housing bubble burst. And that appears to have disproportionately exposed them to the effects from the housing collapse, experts suggested.

The U.S. homeownership rate fell to 66.6 percent last year, the lowest in six years, after hitting a peak of 67.3 percent in 2006, according to figures from the American Community Survey, which was released Monday by the U.S. Census Bureau.

Homeownership for Asians fell 1.24 percentage points last year to 59.4 percent.

The decline was 0.88 percentage points for blacks to 45.6 percent. Hispanics experienced a similar decline, down 0.80 to 49.1 percent. Whites suffered the smallest decline, down 0.40 to 73.4 percent.

But because Asians only represent 3.3 percent of all U.S. homeowners, the decline in the number of black and white households was greater. The number of Hispanic homeowners actually rose, reflecting trends in immigration and higher birth rates.

Nevertheless, as a population group, Asian homeowners fared far worse than others.

That revelation surprised some experts such as Edward Wolff, an economist at New York University.

"Based on their income and relatively low debt, one would expect that they would have a smaller decline in homeownership," Wolff said.

The median annual household income for Asians was just over $70,000 last year, higher than for any other racial group.

"It's possible that it's a regional effect," Wolff suggested. "There's a high concentration of Asian-Americans in California, and California got particularly hard hit by property (price) declines and high foreclosure rates."

While foreclosures have been declining on a monthly basis in California this year, the state continues to have the most foreclosures in the country and one of the highest rates of foreclosure-related filings, according to RealtyTrac Inc.

The drop in homeownership is a reversal after the housing boom years, when minorities in the U.S. took advantage of easy access to financing and became homeowners.

Minorities haven't lost all the gains reaped during the housing boom years, but data from 2009 could begin to show otherwise, said demographer Mark Mather with the Population Reference Bureau in Washington D.C.

"So far these rates are still higher than they were back at the beginning of the decade, but it could be that this data are too young," he said. "We need to wait for the 2009 data because we're really just capturing part of the recession at this point. And the really high double-digit unemployment didn't hit until earlier this year."

Jennifer Nguyen and her husband Mike Truong are among this year's once-again renters, who will be counted in the 2009 Census survey that will be released next year.

The couple owned a townhome and sold it in 2004, making a $200,000 profit that they put toward a $555,000, three-bedroom, two-bath house in Anaheim two years later.

But financial problems mounted after Troung, a truck driver, saw business slow along with the economy. The couple fought to hang on to their home, but couldn't refinance because the property's value had dropped sharply. Attempts to get their mortgage loan modified also failed.

In June, the bank took possession and sold it at auction.

"At that moment my body was numb," Nguyen, 30, wrote in an e-mail. "Our first chapter of our life has been shredded and we are now ready for a new fresh start."