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## **Extension's Response to the Housing Crisis**

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**Abstract:** Extension needs to react quickly to the current housing crisis. Rising mortgage delinquencies and foreclosures negatively affect the families and communities where we work. Extension is well placed to meet the needs of individuals and families as they weather the economic downturn. We need to respond by providing information, resources, and programs on financial and stress management. Working with local partners, we can help families and stabilize the communities we serve.

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### **Introduction**

The housing market continues to change at a rapid pace. Foreclosure rates are rising, leaving empty houses in once vibrant communities. Financial institutions seem to go under on a weekly basis, and the federal government has taken over Freddie Mac and Fannie Mae. When the market will bottom out is still up for debate. Some analysts suggest the end of 2009, after most of the adjustable rate loans have recast. A recent study projects that 1 in 33 current homeowners could easily face foreclosure in the next 2 years as a result of sub-prime loans made in 2005 and 2006 (Pew, 2008).

Everyone is affected in some way by the current housing crisis. Borrowers with good credit face many of the same financial stresses as those with sub-prime credit (Pew, 2008). We are already seeing the impact of the housing crisis on property values. It is a well-known fact that foreclosures in a community can negatively affect property values, resulting in reduced property taxes coming into the local government (Immergluck & Smith, 2006). An analysis of the housing market in 2007 estimated that 10 states would lose a total of \$6.6 billion in tax revenue in 2008 (Global Insights, 2007). It doesn't take much to imagine the impact of lost revenue on any community and especially small rural communities.

The youngest victims of this crisis are the children. Over the next 2 years, an estimated 2 million children could be displaced as their families lose their homes to foreclosures (Lovell & Isaacs, 2008). This doesn't include the children who along with their families will be evicted from rental housing units that are foreclosed on. Research indicates that frequent moves, eviction, and foreclosure are related to elevated stress levels and can ultimately affect children's learning, behavior, and health (Crowley, 2003; Lubell, Crain, & Cohen, 2007; Rhodes, 2005; Rumberger, 2003).

## What Can Extension Do?

The housing crisis is a call to action for all areas of Extension. Information, resources, and programs are needed for youth, adults, and communities. Extension programming in the area of financial education reaches many at risk individuals and families, but we fall short in providing programs and information in the areas of subprime and predatory mortgage lending practices (Erickson, Delgadillo, & Piercy, 2008). Now is the time to start addressing these problems plus the many other issues associated with the housing meltdown. Extension excels in understanding community needs and reaching people in rural counties where it may be the only community resource available to those individuals, families, and businesses.

The first and most immediate action we need to take is to partner with others in our communities to make sure homeowners facing foreclosures know their options. There are programs and lending products available to help these homeowners avoid foreclosure. New resources include FHA-secure loans and the U.S. Department of Housing and Urban Development (HUD) HOPE for Homeowners (H4H) program.

Another HUD program is the Neighborhood Stabilization Program, which focuses on stabilizing communities by providing funding to buy, repair, and sell or rent substandard homes to create affordable housing and stabilize neighborhoods plagued with foreclosures and abandoned properties. This program is part of the federal \$700 billion bailout of the banking system, and, while the funding seems plentiful, it will only scratch the surface of the problems in many communities.

New programs appear and existing programs change on a regular basis. That is why it is so important to work closely with government offices, non-profits, and financial institutions to provide accurate and current information to the public.

In several states, Extension has already stepped up to meet the needs of the homeowners facing foreclosure. At the county and state levels, Extension has joined task forces and produced news articles and publications to help consumers understand foreclosure and seek assistance. In some states, classes and workshops are being offered in cooperation with other organizations.

Extension can and must do even more. In many Extension offices across the country, programs and resources on financial education, home maintenance and stress management already exist. The key is packaging existing programs to meet the current needs. Now is the time to dust off and update those resources and programs developed to help farmers survive tough times in the 1970s and 1980s. Financial and housing education programs need to be expanded to include even more information on the importance developing a workable spending plan, using credit wisely, saving, deciding if you should be a homeowner, avoiding unfair mortgage lending practices, buying a home you can afford, maintaining your home, and living within your means.

This is a teachable moment. It is a time when consumers may actually listen to educators advising them to save money, not live on borrowed money, and carefully weigh the pros and cons of buying a home. Working with school systems, neighborhood associations, citizen groups, and community organizations, Extension educators can help increase financial literacy, which provides the foundation for responsible home ownership, whether you are a renter, buyer, or owner.

The current housing market and economic situation don't come without stressors for individuals, families, and businesses. Extension can provide information and resources on stress management to help people deal with the situations they face. We need to offer early intervention programs for those who are just starting to fall behind on mortgage payments. These programs should cover money, debt, and stress management. Make the program interactive and fun. There is no need to add another stressor to people's lives. If you don't have a

program, work with Extension specialists and agents in other states to develop a program. This is a great opportunity to save time and financial resources and collaborate with Extension in other states.

The housing crisis has had a negative impact state revenues, and in many states our program funding is very limited. This is a great time to explore working with the U.S. Department of Housing and Urban Development (HUD) to become a HUD-approved housing counseling agency. Extension in Georgia and Virginia are HUD-approved housing counseling agencies and receive grant dollars to help support their housing counseling and education programs.

## Conclusion

It is important to remember that one size does not fit all. There are many reasons why an individual or family may be facing foreclosure. They may live in a county where the major employer just left, leaving many people without a job. They may have fallen victim to a predatory lender who encouraged them to refinance their paid for home with an adjustable rate loan that reset making their house payment above what they can afford. They may have had excessive medical expenses and refinanced their home to pay off the medical bills and credit debts. Or it may be a case of living beyond their means.

There isn't one answer or one solution that will fix the housing crisis. In a recent study, researchers noted that the participants found the problems in the mortgage lending environment were a result of the lack of consumer knowledge and understanding of mortgages (Erickson, Delgadillo, & Piercy, 2008). The authors noted that the most effective prevention efforts would be a combination of policy and educational improvements. This is an opportunity for Extension to do what we do best—educate consumers and help communities.

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