

# National crisis hits home for North Carolina's children

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AN ACTION FOR CHILDREN NORTH CAROLINA  
DATA REPORT

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May 2009

## Executive Summary

Children need a safe, stable and affordable home so they can develop physically, socially and academically. A home is not just the immediate physical environment where a child grows up but it is the place where fundamental relationships are established and where children are connected to opportunities for lifelong success.

For an increasing number of children in North Carolina, their home presents a risk to their health and their family's economic stability and thus can negatively impact their physical, academic and social development.

Poor housing undermines children's long-term participation in the economy. In failing to invest in affordable housing, society also forgoes an important opportunity to stimulate the economy in the short term.

### To address children's need for affordable homes, state government should:

- Invest in the N.C. Housing Trust Fund
- Protect renters from foreclosure
- Fund quality statewide housing counseling, particularly the Home Protection Program
- Ensure families know their rights under the McKinney-Vento Act



### Children need safe, stable homes.

Stable homes — not disrupted by foreclosure or unaffordable rent — provide children with a learning environment that supports academic achievement and increases graduation rates. A recent study found that a child who moves three times between the ages of 4 and 7 is 13 percent less likely to graduate from high school.<sup>1</sup> Not surprisingly, children in households with low-income and high-cost housing are three times as likely to move as their peers.<sup>2</sup>

Substandard housing in North Carolina remains an issue and a hazard for children. One in five housing units were built before 1950. Older homes are more likely to have lead paint and other environmental hazards. More than 10,000 homes lack complete plumbing or kitchen facilities.<sup>3</sup> A report by the N.C. Housing Coalition found that a conservative estimate of the total costs to North Carolina of substandard housing-attributable childhood illness was nearly \$95 million (in 2006 dollars).<sup>4</sup>

### The Immediate Impact for Children

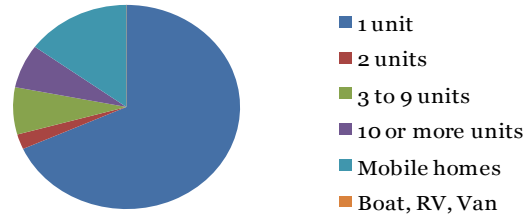
Children are safer, healthier and better prepared to learn and succeed if their housing is safe, affordable and stable. When children do not live in a home and neighborhood that can facilitate their development, the entire state suffers. The current housing crisis in North Carolina has resulted from decades of not meeting the demand for affordable housing across the state.

### High cost of housing

More than 600,000 children live in households where housing costs are more than a third of their family's monthly budget. The N.C. Justice Center's

2008 Living Income Standard finds that housing and childcare are the two highest cost items in the average North Carolinian's household budget.<sup>5</sup>

### Of the 4 million housing units, the majority are single-units



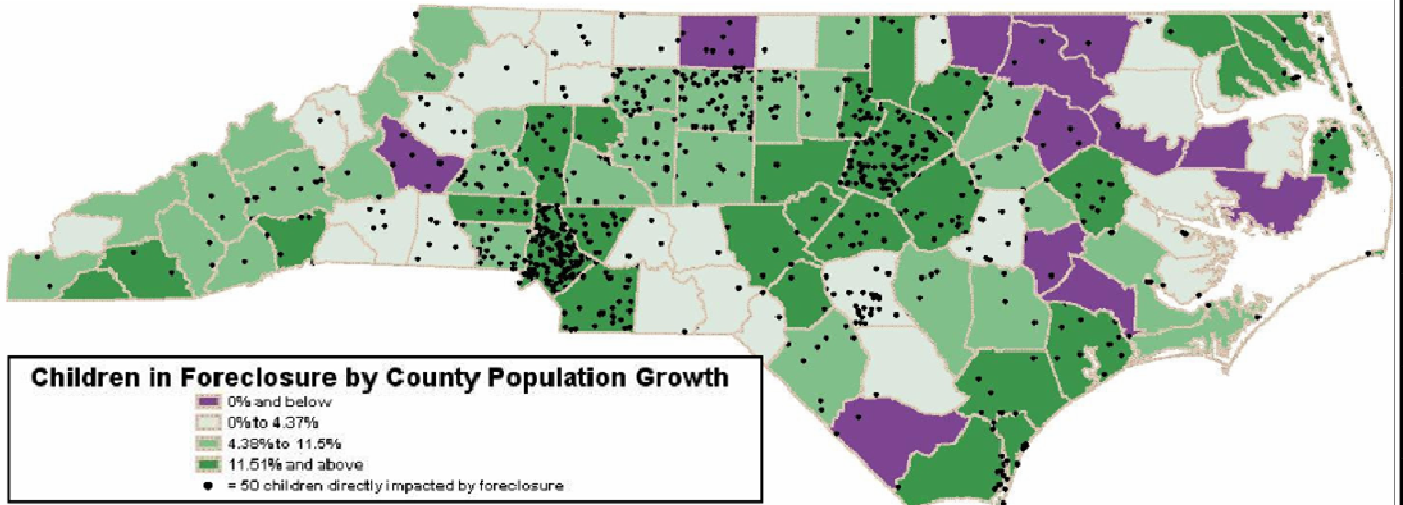
### Rising rates of foreclosures

Estimates by the Center for Responsible Lending suggest that in 2008 more than 40,000 children in North Carolina had been directly impacted by foreclosure.<sup>6</sup> These estimates are based on homeowners with mortgages. There is no reliable estimate of the impact of the crisis on North Carolina families with children who rent homes that, through no fault of their own, have entered foreclosure. Nationally, one in five of the properties involved in foreclosure are rental units.<sup>7</sup>

### Increase in the number of homeless students

Statewide as of 2008, an estimated 20,000 children did not have a permanent home and North Carolina ranked 41st among states in the high level of vulnerability to homelessness experienced by its children.<sup>8</sup> In Wake County, from December 2007 to 2008, the number of homeless children increased by 12 percent. According to a national survey of homeless liaisons in schools, the perceived causes of the rise in homeless children are the economic downturn and foreclosure crisis.<sup>9</sup>

## Children impacted by foreclosure are concentrated in counties where population is growing.



Source: Children in Foreclosure calculated from N.C. Administrative Court Data on 2008 Foreclosures. County population growth from N.C. State Demographer, 2000 to 2008

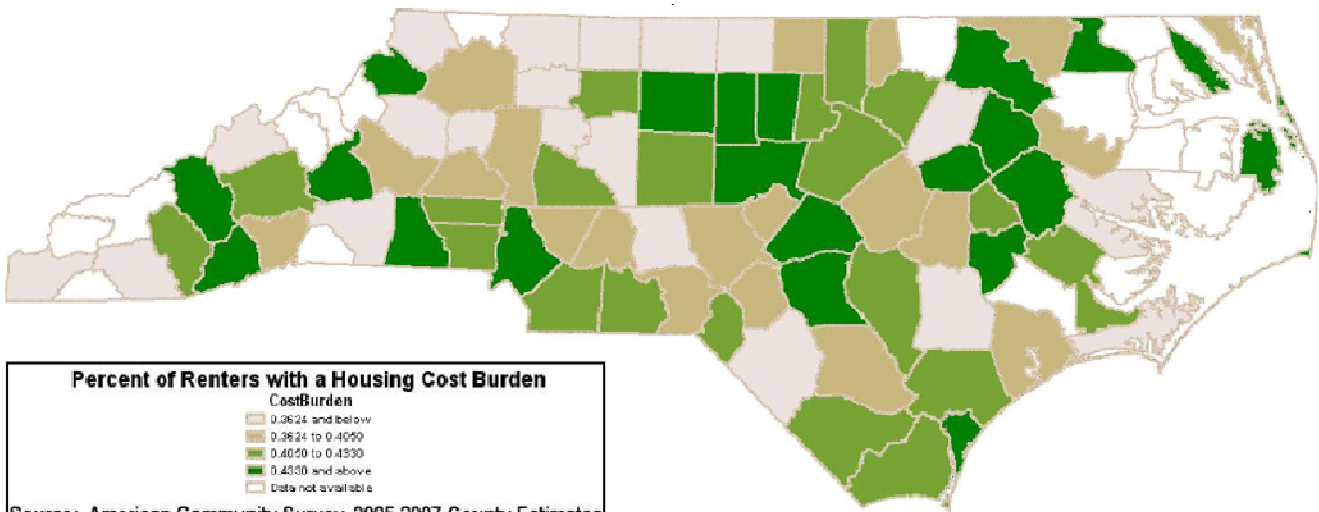
### **Increase in residential instability**

In high-cost housing markets and for households earning low and moderate incomes, residential instability is higher. In North Carolina, one in five households moved in the past year.<sup>10</sup> Children who move a lot are not only less likely to do well in school and graduate but also more likely to fail to develop important social relationships that can provide the support and connections necessary for their long-term development.<sup>11</sup>

### **Declining housing values and the school quality impact**

For businesses and residents looking to locate in a community, stable housing values are essential. Housing values are critical to the desirability of neighborhoods to business and new residents looking to locate in a community. The Center for Responsible Lending estimated in March 2008 that the total decline in home values and local tax base resulting from nearby foreclosures would be approximately \$861 million. More than a quarter of

## **Nearly half of North Carolina renters face a housing cost burden, which means they spend more than 30 percent of their monthly income on housing costs**



### **The Long-Term Impact for Children and Communities**

Children's long-term development and opportunities for success are undermined when affordable and stable housing is not available during their childhood. Communities also struggle when housing is not affordable and residents are not stable.

### **Decrease in family net worth**

In North Carolina, more than half of the average family's net worth is derived from the value in their home.<sup>12</sup> Family net worth therefore declines with housing values. Low family net worth has implications for children's school achievement and completion, and in the long term, undermines their ability to earn as adults or become homeowners themselves.<sup>13</sup>

a million homes were estimated to devalue because of foreclosures nearby.<sup>14</sup> In addition, housing values and the property taxes that they generate are an essential local contribution to the financing of schools and thus can determine the resources available and subsequent quality of schools in a community.

### **Challenges to neighborhood vitality**

The current housing crisis presents challenges to neighborhood vitality. In 2007, nearly 14 percent of housing units in the state were vacant.<sup>15</sup> Neighborhoods with high rates of vacant housing are more likely to have higher crime rates, greater need for housing repairs and lower property values.<sup>16</sup>

## **North Carolina has tools to address the crisis and redress the historical lack of affordable housing**

Stimulating the economy by building more affordable housing statewide should be the first step in the current environment. Such building will not only ensure that more rental properties are available at affordable prices but will also generate jobs and support local contractors, builders, architects and others while generating new revenue for local and state government. In 2008, investments by the General Assembly of just \$15.5 million in the Housing Trust Fund delivered \$4 of housing for every \$1 of state investment. In addition, more than 1,000 construction jobs were created, 1,260 homes and apartments were built and an additional \$8.22 million in local and state tax revenues were generated.<sup>17</sup>



Another essential tool in the current context of rising foreclosure and unemployment is the Home Protection Program, which now operates statewide. This program is administered by the North Carolina Housing Finance Agency and provides homeowners with bridge loans and counseling if households are at risk of foreclosure due to job loss. As of 2008, the program had served nearly 400 households.<sup>18</sup> North Carolina has a network of certified housing counselors that are an additional tool to ensuring that households are prepared and advised on the complexities of housing choices and mortgage options. The rigorous certification process requires two 20-hour courses and successful completion of two exams.

Finally, non-profit and private developers are engaged in many affordable housing construction projects across the state and have shovel-ready plans for development in communities where demand for better housing options is great.

With additional investment to expand these existing programs and the introduction of essential set-asides for affordable housing in every community in the state, North Carolina's effort to address the historical lack of affordable housing will become the pathway to a stable recovery from this immediate crisis.

## Recommendations

### **Invest in the N.C. Housing Trust Fund at \$50 million annually**

In these difficult economic times, it is important for our elected officials to make the investments needed to stimulate local economies, support working families and protect the safety and health of children. The N.C. Housing Trust Fund, to date, has leveraged the \$132.6 million invested by the General Assembly to build nearly 20,000 homes and apartments, create 11,000 construction jobs and generate \$96.6 million in local and state tax revenues.<sup>19</sup> Fully funding the N.C. Housing Trust Fund will stimulate local economies in these tough economic times and improve the condition of housing for children and families.

### **Protect renters from foreclosure by requiring 90-day notice of foreclosure**

Renters represent nearly a quarter of all households impacted by the current foreclosure crisis nationally. Through no fault of their own, their home has entered foreclosure. These households are more vulnerable to homelessness and face the challenge of finding another affordable rental opportunity quickly. Requiring renters to receive notice of foreclosure and providing a stay of foreclosure of 90 days can provide adequate time to find suitable and affordable housing in tight rental markets.

### **Fully fund housing counseling statewide**

A quality network of housing counselors exists in North Carolina but is underfunded. Nearly 400 housing counselors are certified statewide. Due to the rising demand and diversity of housing needs, these counselors are not able to serve all households that require the support and impartial advice of a housing counselor. To address the current foreclosure issues that many households face and to ensure that households are prepared to make good housing choices in the future, fully funding housing counselors in every community in the state is required.

### **Ensure families know their rights under the McKinney-Vento Act**

The McKinney-Vento Act is a federal law that mandates that schools maintain enrollment for children and youth who lose their home and provide additional supports so that they can continue to achieve in the classroom. Schools must distribute notice of these basic rights to school stability, enrollment and services. Ensuring that the environment is safe for families to disclose their housing status is essential to connecting students to the resources provided by state law. Additional state efforts to study and propose solutions to reduce student mobility and improve children's educational outcomes should be considered.



	Number of Foreclosures 1998	Number of Foreclosures 2008	Change in Foreclosures 1998-2008	Children Impacted by Foreclosures 2008	Renter Housing Cost Burden 2005-2007	Median House Value 2005-2007
<b>NORTH CAROLINA</b>	16,661	53,995	224%	39,958	42.5%	\$136,800
Alamance	196	874	346%	647	44%	\$131,800
Alexander	44	143	225%	102	34%	\$113,200
Alleghany	23	48	109%	39	N/A	N/A
Anson	44	107	143%	86	43%	\$79,900
Ashe	16	83	419%	69	36%	\$132,900
Avery	31	59	90%	49	N/A	N/A
Beaufort	57	124	118%	100	31%	\$94,900
Bertie	36	56	56%	45	N/A	N/A
Bladen	54	111	106%	78	38%	\$71,500
Brunswick	157	892	468%	595	42%	\$162,500
Buncombe	283	833	194%	515	41%	\$169,700
Burke	104	438	321%	312	40%	\$99,300
Cabarrus	233	1,206	418%	921	37%	\$145,800
Caldwell	125	489	291%	348	36%	\$105,500
Camden	19	45	137%	32	N/A	N/A
Carteret	105	311	196%	170	34%	\$186,300
Caswell	38	128	237%	90	33%	\$90,200
Catawba	200	873	337%	678	39%	\$123,100
Chatham	59	227	285%	173	44%	\$169,800
Cherokee	42	159	279%	109	24%	\$129,500
Chowan	26	60	131%	43	N/A	N/A
Clay	13	48	269%	33	N/A	N/A
Cleveland	204	544	167%	340	43%	\$99,000
Columbus	77	208	170%	146	43%	\$84,800
Craven	159	393	147%	214	42%	\$135,100
Cumberland	1,604	1,678	5%	1,274	46%	\$101,300
Currituck	46	205	346%	148	36%	\$233,800
Dare	165	757	359%	546	49%	\$347,300
Davidson	186	883	375%	772	35%	\$119,900
Davie	39	171	338%	134	36%	\$144,100
Duplin	77	192	149%	172	28%	\$80,000
Durham	520	1,678	223%	1,066	43%	\$168,700
Edgecombe	130	339	161%	226	51%	\$78,100
Forsyth	680	2,221	227%	1,372	42%	\$142,400
Franklin	142	613	332%	492	41%	\$110,400
Gaston	395	1,538	289%	1,012	42%	\$111,800
Gates	15	76	407%	55	N/A	N/A
Graham	5	23	360%	16	N/A	N/A
Granville	100	331	231%	192	42%	\$124,500
Greene	32	73	128%	49	41%	\$80,800
Guilford	1,127	3,954	251%	2,547	48%	\$146,700
Halifax	68	171	151%	120	51%	\$81,400
Harnett	316	622	97%	503	44%	\$111,100
Haywood	83	252	204%	172	44%	\$143,400
Henderson	123	379	208%	298	40%	\$169,000
Hertford	28	81	189%	57	55%	\$76,900
Hoke	163	234	44%	188	39%	\$103,400
Hyde	2	22	1000%	16	N/A	N/A
Iredell	235	978	316%	814	38%	\$151,700
Jackson	28	211	654%	144	42%	\$143,900

See endnote 20 for table sources.

	Number of Foreclosures 1998	Number of Foreclosures 2008	Change in Foreclosures 1998-2008	Children Impacted by Foreclosures 2008	Renter Housing Cost Burden 2005-2007	Median House Value 2005-2007
<b>NORTH CAROLINA</b>	16,661	53,995	224%	39,958	42.5%	\$136,800
Johnston	225	1,109	393%	891	38%	\$126,400
Jones	23	42	83%	23	N/A	N/A
Lee	75	241	221%	195	39%	\$122,800
Lenoir	132	180	36%	122	47%	\$90,900
Lincoln	115	471	310%	310	42%	\$124,000
Macon	26	153	488%	108	24%	\$169,400
Madison	20	78	290%	105	29%	\$145,700
Martin	46	78	70%	49	37%	\$79,000
McDowell	67	173	158%	63	45%	\$94,800
Mecklenburg	1,947	8,384	331%	6,396	45%	\$173,900
Mitchell	20	62	210%	52	N/A	N/A
Montgomery	29	114	293%	91	36%	\$70,600
Moore	145	240	66%	193	37%	\$157,900
Nash	120	563	369%	375	36%	\$113,200
New Hanover	342	1,023	199%	682	49%	\$201,400
Northampton	30	76	153%	53	39%	\$69,600
Onslow	421	637	51%	518	37%	\$116,600
Orange	88	301	242%	229	52%	\$229,500
Pamlico	17	61	259%	49	N/A	N/A
Pasquotank	76	247	225%	178	50%	\$155,400
Pender	89	323	263%	227	41%	\$111,600
Perquimans	18	42	133%	30	N/A	N/A
Person	56	223	298%	156	37%	\$106,700
Pitt	276	721	161%	468	55%	\$113,700
Polk	14	75	436%	47	N/A	N/A
Randolph	181	664	267%	564	43%	\$110,500
Richmond	130	128	-2%	103	38%	\$67,000
Robeson	213	437	105%	419	36%	\$66,300
Rockingham	189	603	219%	423	34%	\$100,200
Rowan	255	791	210%	532	42%	\$118,500
Rutherford	108	353	227%	221	35%	\$93,900
Sampson	82	248	202%	222	42%	\$79,500
Scotland	62	146	135%	117	42%	\$78,900
Stanly	96	241	151%	193	40%	\$124,400
Stokes	53	208	292%	162	30%	\$108,600
Surry	110	258	135%	210	33%	\$96,400
Swain	7	39	457%	27	N/A	N/A
Transylvania	32	117	266%	92	45%	\$166,500
Tyrrell	6	18	200%	13	N/A	N/A
Union	258	1,247	383%	1,393	43%	\$172,800
Vance	73	233	219%	135	38%	\$94,700
Wake	987	4,745	381%	3,879	42%	\$202,400
Warren	26	77	196%	45	N/A	N/A
Washington	22	50	127%	36	N/A	N/A
Watauga	121	231	91%	193	61%	\$190,600
Wayne	268	539	101%	405	38%	\$96,400
Wilkes	82	257	213%	209	38%	\$98,400
Wilson	159	403	153%	272	48%	\$100,900
Yadkin	49	142	190%	111	36%	\$97,100
Yancey	21	62	195%	52	N/A	N/A

See endnote 20 for table sources.

## Endnotes

<sup>1</sup>Haveman, Wolfe, and Spaulding. 1991. Childhood Events and Circumstances Influencing High School Completion. *Demography* 28 (1): 133-157.

<sup>2</sup>Wood, Halfon, Scarlata, Newacheck and Nessim. 1993. Impact of family relocation on children's growth, development, school function and behavior. *JAMA* 270 pp. 1334-1338.

<sup>3</sup>American Community Survey, 2007, North Carolina Profile on American FactFinder.

<sup>4</sup>Chenoweth and Associates. May 2007. The Economic Cost of Substandard Housing Conditions Among North Carolina Children. North Carolina Housing Coalition.

<sup>5</sup>Quintero with Gray and Schofield. 2008. The North Carolina Living Income Standard. N.C. Justice Center.

<sup>6</sup>Special analysis by Center for Responsible Lending based on foreclosure numbers for 2008.

<sup>7</sup>National Low Income Housing Coalition. December 2008. Renters in Foreclosure: Defining the Problem, Identifying Solutions.

<sup>8</sup>National Center on Family Homelessness. 2009. America's Youngest Outcasts: State Report Card on Child Homelessness. North Carolina Profile.

<sup>9</sup>Duffield, Barbara and Phillip Lovell. December 2008. The Economic Crisis Hits Home: The Unfolding Increase in Child and Youth Homelessness. NAEHCY and First Focus.

<sup>10</sup>American Community Survey, 2007.

<sup>11</sup>Fitchen, 1994, and U.S. Government Accountability Office 1994.

<sup>12</sup>CFED. 2008. Asset and Opportunity Special Report: Net Worth, Wealth Inequality and Homeownership.

<sup>13</sup>Destin, 2009.

<sup>14</sup>Center for Responsible Lending. March 2008. Subprime Spillover: Foreclosures Cost North Carolina Neighbors \$861 million

<sup>15</sup>American Community Survey, 2007.

<sup>16</sup>National Vacant Properties Campaign. August 2005. Vacant Properties: The True Cost to Communities. Washington, DC.

<sup>17</sup>Campaign for Housing Carolina. 2009. Now, more than ever, housing builds.

<sup>18</sup>North Carolina Housing Finance Agency. 2008. Report on Achievements. Accessed at: [www.nchfa.com](http://www.nchfa.com)

<sup>19</sup>Campaign for Housing Carolina. 2009. Now, more than ever housing builds.

<sup>20</sup>Data for the tables in the Appendix: Foreclosures in 1998, 2008 from North Carolina Courts, Administrative Office of the Courts. Children impacted by foreclosure were calculated by the Population Reference Bureau based on foreclosure data above and American Community Survey data, methodology for calculations follows from Lovell, Phillip and Julia Isaacs. The Impact of the Mortgage Crisis on Children. First Focus: Washington, D.C. Housing cost burden and median home value from American Community Survey, County Estimates for 2005-2007.

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