metropolitics

A Social Portrait of the Subprime Crisis

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Reviewed: Isaac William Martin and Christopher Niedt, *Foreclosed America*, Stanford, Stanford University Press, 2015, 112 pp.

What have been the social and urban consequences of the subprime mortgage crisis, and what lessons can be learned and applied to the current health and economic crisis? Isaac Martin and Christopher Niedt's 2015 work, Foreclosed America*, paints a sociological portrait of households evicted from their homes in the United States.*

The economic consequences of the Covid-19 pandemic invite comparisons with previous global economic crises, not least the recent subprime crisis.[1] This crisis, which began in the United States and took on global proportions in September 2008, following the bankruptcy of Lehman Brothers, has been studied by numerous economists who have highlighted its structural mechanisms, most notably the deregulation and globalization of financial markets (Brender and Pisani 2009), as well as their increasing hold over the real productive sphere.[2] Its social and urban consequences, however, are less well known, with relatively few studies having examined this subject (Rugh and Massey 2010; Vorms 2009). Isaac Martin and Christopher Niedt's 2015 work *Foreclosed America* fills this gap with regard to the US case, by focusing on the epicenter of the crisis and its original victims: first-time-buyer households evicted through foreclosure owing to their inability to honor their mortgage payments. Using unpublished data, *Foreclosed America* paints a detailed portrait of the social profiles and trajectories of households and neighborhoods hit by the subprime crisis—including lessons for other countries on the relative place of property, private savings, and solidarity in social-protection systems.

10 million Americans

Martin and Niedt's analyses are based on an original statistical source: the *National Suburban Poll*, a nationwide survey conducted between 2008 and 2012 across a stratified random sample of US households residing in the suburbs,[3] where the majority of foreclosures were concentrated. The authors focus on three waves of the survey, conducted in 2010, 2011, and 2012 (at the "peak of the

[1] A subprime loan is a type of mortgage characterized by a higher level of risk, and consequently a higher interest rate, than conventional (prime) mortgages. The excess risk—and the success—of subprime loans is linked to the fact that they are accessible to applicants with lower credit ratings, which means a higher risk of defaulting (for the borrower) but a better return (for the lender).

[2] For more on the forms and the economic and political causes of the 2008 crisis, see the excellent documentary *Inside Job*, directed by Charles H. Ferguson and released in 2010.

[3] According to the book's methodological appendix, "'suburb' is defined operationally as residence within a Metropolitan Statistical Area and outside of the principal city."

crisis”), covering a total sample of 4,536 individuals. Among this sample they proceed to count and study those who had reported losing their personal dwelling owing to mortgage default since 2007, who represented 5% of the adjusted sample.

Compared to the administrative and banking data on which the majority of academic work on the foreclosures of the subprime crisis is based, the *National Suburban Poll* has three characteristics that make it an unparalleled source for analyzing the social profile and trajectories of individuals and spaces affected by foreclosures. First, this survey—which includes a question about foreclosure since 2007, but which is not specifically targeted at those who have been evicted—seeks to counter the stigma of eviction, and consequently achieves an improved response rate among evictees, as well as enabling comparisons to be made with individuals who have not experienced foreclosure during the same period. Second, as the survey is conducted at the national level, it provides an opportunity to look beyond findings from local contexts and to produce data from across the United States. Finally, as the *National Suburban Poll* is conducting using cell-phone numbers to contact respondents, individuals can be studied after eviction, whereas other surveys, conducting using landlines, lose track of those respondents that lose their homes.

On this basis, Martin and Niedt present their first key result, namely quantifying the number of people who suffered a foreclosure between 2007 and 2012 due to a credit default—a number they estimate at almost 10 million, i.e. nearly 5% of all adults residing in the United States! The authors then remind us of the causes that led to a crisis of such magnitude, beginning with the credit market deregulation laws adopted in the wake of the neoliberal reforms of the 1980s, which in particular fostered the proliferation of high-risk mortgages that were being offered to low-income populations (specifically, variable-rate loans that were granted not on the basis of households’ current income and repayment ability, but instead on the basis of the virtual monetary value of their property, thus depending directly on how the market evolves[4]). Behind the short time frame of the housing and financial crisis, Martin and Niedt point to another, more structural reason for the scale of foreclosures, namely the central place, materially and symbolically, that homeownership occupies in American society, where 69% of households were homeowners in 2007 on the eve of the crisis (compared with 57% in France at the same date), and where homeownership functions both as a substitute for the weak development of the welfare state (“homeownership as the American alternative to a European welfare state”, p. 14), especially in the absence of a pay-as-you-go pension system (“homes act essentially as another form of retirements savings”, p. 14), and as a model of citizenship (in the sense that the qualities of a good citizen are those required to accede to homeownership[5]) (Purser 2014).

“People like everyone else”

After establishing the numbers of people concerned by the crisis, the authors shed light on the profiles of those who lost their homes: in terms of age, gender, race, education, employment status, income level, family status, and reported financial problems. In this regard, Martin and Niedt advance one of the book’s strongest theses: that the population of dispossessed individuals exhibits social characteristics and a social diversity close to the average for the American adult population (“as diverse as American adults as a whole”, p. 3), from which it does not differ in any significant characteristic. In short, “the dispossessed look pretty much like everyone else” (p. 22).

This major result is derived from a specific treatment of the statistical data: the distinction between the two groups of individuals reporting and not reporting having lost their homes since 2007 as a result of defaulting on mortgage payments, and, within each group, calculations of

[4] This potentially initiates a vicious economic circle: when market prices collapse, the solvency and refinancing capacity of borrowing households collapse with them.

[5] Another indication of this centrality of homeownership in the United States is the existence of tax policies that deduct interest on mortgages from the calculation of income tax (for households subject to this tax, which was not the case for the majority of those—generally poorer—households that took out subprime loans).

the proportion belonging to different social categories. While there is a significant overrepresentation of certain racial minorities in the group of respondents who lost their homes (African American and Hispanic people represented 19% and 17% respectively of those who reported losing their homes—a proportion significantly higher than their representation in the total sample), the authors point out that, in absolute terms, the majority of people who lost their homes were white (54% of those evicted).

Martin and Niedt subsequently construct more sophisticated statistical models to measure the effect of each variable on the probability of foreclosure (known as regression models, which make use of "all-else-being-equal" reasoning), at the end of which only three variables showed a direct and significant influence on the risk of eviction: low income; being divorced; and having lost one's job in the months preceding the foreclosure. But, again, the authors emphasize that only 33% of the sample of evicted individuals exhibited all three characteristics.

The other major contribution of this book is that it documents the consequences of the subprime crisis in a wide range of domains, such as the subsequent residential trajectories of expropriated individuals, their relationship to their neighborhood, or their political attitudes and behaviors following eviction. On the first point, the authors show, for example, that only 19% of individuals whose personal dwelling had been foreclosed since 2007 had managed to become homeowners again at the time of the survey (the others were either in rented accommodation or housed with family or friends). In terms of location, 53% of those evicted still lived in a suburb, while 58% lived in a neighborhood within 30 minutes of their former home—but which they perceived as having a significantly higher number and intensity of social problems (unemployment, housing costs, crime) than their neighbors and non-evicted individuals perceived in the same neighborhood.

This statistical snapshot portrays the mobilities produced by the subprime crisis both as trajectories of lasting residential downgrading and as local spatial mobilities, which play a significant role in depreciating the experience and image that expropriated people have of their new neighborhood.

The paradox of invisible evictions

This work also analyzes the consequences of expropriation on the political attitudes and behaviors of those displaced, as captured by indicators of electoral participation and trust in government and institutions. In this regard, displaced individuals were significantly more likely to not register to vote (38% versus 23% of those who has not experienced eviction), to abstain in the 2008 presidential election (43% versus 27%), and to declare themselves "disillusioned" with politics.

In addition to the originality of the data—measuring the political consequences of residential trajectories and of relationships to the neighborhood—these results highlight one of the striking paradoxes of the subprime crisis: its invisibility. Specifically, while it has led to the largest population displacement in recent US history ("greatest mass displacement of our lifetimes", p. 18), the foreclosure crisis remains, according to the authors, "a crisis of invisibility" (p. 18), in that it has not given rise to the kind of collective and public mobilization that one might expect given the magnitude of the crisis (unlike, for example, the Great Depression of the 1930s). Martin and Niedt explain this "crisis of invisibility" by the inadequacy of the usual survey methods (telephone surveys at home in particular) when it comes to identifying and monitoring people deprived of their homes; by the fact that evictions often lead to downward mobility and highly localized mobility (households often relocate within a geographical area close to their former home); and by the stigma of foreclosure, which makes their victims appear to be "irresponsible" or even "delinquent homeowners", thus preventing them from uniting and mobilizing to protest publicly against their fate.

A crisis of inequality

While *Foreclosed America* is an essential work for understanding the social and urban effects of the subprime crisis, the book has two limitations, which could be qualified as the defects of its qualities. First, while its national scope means it is possible to draw general conclusions about the crisis, thanks to analyses that make truly important contributions in the field, this US-wide scale also means the book is less sensitive to regional and local variations of the crisis. And eviction procedures—and urban and housing issues more generally—cannot be considered without localized analyses, not just because of differences in legal frameworks in different US states but also because of contextual effects that structure the processes and dynamics of the real-estate market.

Second, the uses and interpretations of statistical data tend to minimize the social inequalities that are, in fact, very much apparent in these data. Here again, insisting on what unites rather than divides evictees, as a group and with regard to the rest of the US population, has a particular critical strength: that of breaking down the status of exceptionality and the economic and moral stigma that surrounds people who have lost their homes because of mortgage default. Nevertheless, this kind of perspective amounts to euphemizing the social inequalities of exposure to expropriation and its consequences. Is it really all that surprising that white individuals make up, in absolute terms, the majority of those evicted (54%), given that they form the majority of the survey sample? And would it not, in fact, have been more interesting to opt for a more conventional reading in terms of over- and underrepresentation, and to insist on the very clear overrepresentation of racial minorities ("Black", "Hispanic" and "other nonwhite") among those evicted (46%) in view of their much smaller weight in the survey population (less than one third of the sample)? This overrepresentation is not unrelated to the historic exclusion of nonwhite households from the conventional credit market, who instead have long been forced to resort to the most expensive and riskiest forms of credit, whether that be the loan sharks of the segregationist period (Bittman 2019) or the subprimes and other predatory-lending practices of the contemporary period (Rugh and Massey 2010). Similarly, it is perhaps a shame that the authors did not explore the possible correlations between post-eviction residential trajectories and household characteristics, and are thus unable to bring to light potential inequalities when respect to social downgrading.

These few criticisms do not, however, detract from the high quality of this work, whose analyses and final policy recommendations (such as the adoption of a moratorium on foreclosures) resonate with the current health and economic crisis (what should be done about the expected increase in credit and rent arrears of households deprived of income during lockdown?), and more broadly with recent reforms to the United States' social-protection system, which, in prioritizing private savings and individual capitalization, run the risk of making the system more vulnerable to the drastic variability of the market.

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