



## Review article

# The health effects of the foreclosure crisis and unaffordable housing: A systematic review and explanation of evidence



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## ABSTRACT

The foreclosure crisis was detrimental to the financial well-being of many households, yet the non-economic consequences are still poorly understood. This systematic review aims to understand the direct and spillover effect of foreclosures on several health-related outcomes by synthesizing evidence from 40 studies. First, this study identifies research gaps using a schema to organize studies by line of inquiry, health-related outcome, and measure of homeowner financial distress. In order to provide context for the findings, four pathways – stress, effect-budgeting, frustration-aggression, and trust – evoked in the literature are described to explain the relationship between foreclosures and health. The research suggests that experiencing a foreclosure and living near foreclosures are associated with poor psychological and behavioral morbidities, namely anxiety and violent behavior, and declining health utilization. Evidence is sparse on suicide, substance abuse, somatic morbidities, and mortality. Future research is needed to fill the gaps and explicitly test the mechanisms proposed.

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## 1. Introduction

The housing bubble burst in early 2007 and by 2010, one in 45 homes in the United States was subject to at least one foreclosure filing. The politically charged nature and the magnitude of the foreclosure crisis precipitated extensive inquiry on how mortgage holders fared in addition to how the crisis affected other, seemingly unrelated domains. The effect of the foreclosure crisis on property values, crime, and education has been well documented (Bradbury et al., 2014; Ellen et al., 2013; Lin et al., 2009). Only recently, an emerging body of research has begun to look at the effect of the foreclosure crisis on the health of homeowners who lost their homes and the spillover effects on health within neighborhoods.

The salience of the foreclosure crisis to public health is manifest in its history. The field public health, rooted in medicine, has evolved since the early days of Durkheim to take into account the social distribution and determinants of health. The distribution of the foreclosure crisis was inarguably unequal across race and class; neighborhood patterns of subprime lending were heavily concentrated in minority neighborhoods and resulted in \$1.1 trillion decline in home equity as a result of spillover from homes in foreclosure (Bocian et al., 2011). Although the link between housing

and health policies has been recognized since the Industrial Revolution, the recent initiatives by the Obama administration has built upon these efforts by adopting a cross-sector initiative to put “health in all policies” in housing and community development (Bostic et al., 2012).

The foreclosure crisis, although a unique phenomenon, was not an isolated one. At a national level, the U.S. housing crisis preceded the Great Recession and contributed in part to the increase in unemployment (Estevão and Tsounta, 2011; Karahan and Rhee, 2013). However, the labor market turned downward prior to the housing market in more than half of metropolitan areas (Winkler, 2013). The tension between the housing and labor markets has defined housing affordability; housing claims the largest portion of wages for most Americans and contributes to access to the labor market (M. Stone, 2010). Studies on recessions have historically focused exclusively on the labor market, despite its inexorable linkage with the housing market.

This review uncovers gaps in the research agenda in this emerging body of literature and offers a theoretical framework to explain the direct and spillover effect of foreclosures and unaffordable housing on health. The first section of this review provides a discussion of the conceptual space and mechanisms linking housing and health that are explicitly tested or invoked in the literature (Fig. 1). Next, this review offers a schema for summarizing the evidence on foreclosures, housing affordability, and health. The

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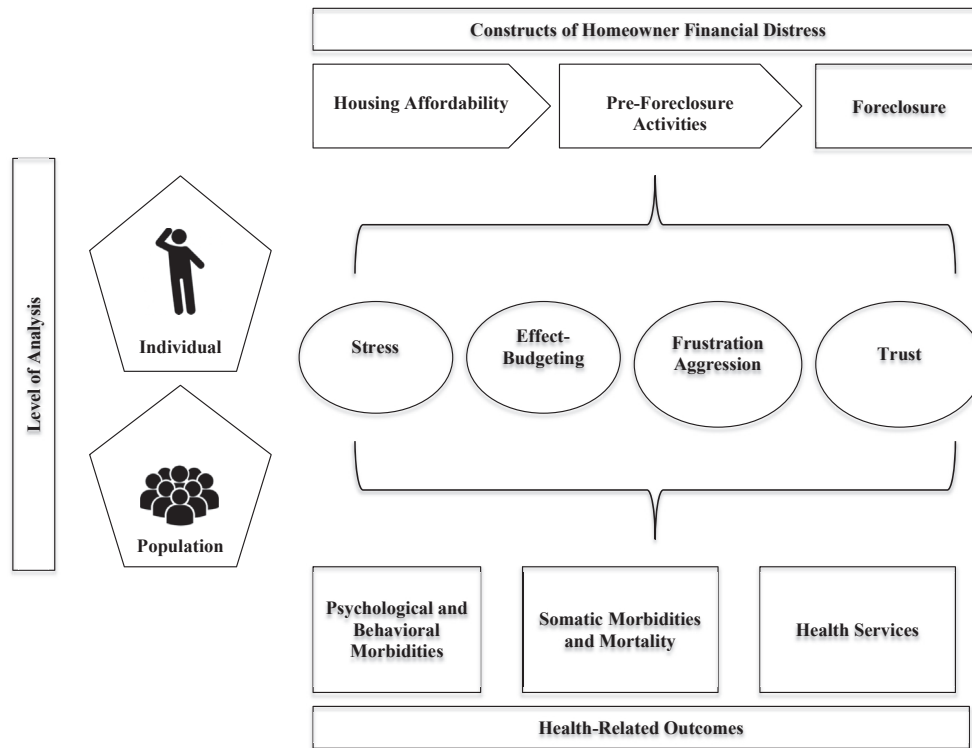


Fig. 1. Conceptual model of homeowner distress and health.

schema is then applied to synthesize existing evidence and highlight discrepancies in research findings. It concludes with a discussion of how these findings align or depart from the existing research on the economy and health.

## 2. Review of the conceptual space

### 2.1. Level of analysis

The research in this review falls into two lines of inquiry. Individual-level, sometimes referred to as “risk-factor,” studies explore how differential exposure to a contracting housing markets relates to the health of individuals. This research focuses on the somatic, psychological, and behavioral health of those who experience foreclosure, mortgage delinquency, or unaffordable housing.

It is difficult to determine the causal direction between foreclosures and health at the individual-level because a homeowner’s decision to establish a mortgage, refinance, or default implicitly reflects knowledge about current and future expectations of health status and economic well-being.

The second type of inquiry, population-level or “net-effects” studies, aims to relate health to variation in measures of foreclosures, mortgage delinquency, or unaffordable housing aggregated by populations within a spatial or administrative unit of analysis. The foreclosure crisis, as a large shock to the well being of the population, provides an opportunity to substantiate the foreclosure to health causal direction if there is no evidence of simultaneous large spike in illness at the population-level. This line of inquiry examines, for example, the relationship between health and the number of foreclosures per housing units in a given census tract. This population-level variable can be interpreted as a composite of effects experienced by the homeowner who has been foreclosed upon and the spillover effect of foreclosures on their community members.

### 2.2. Health outcomes

The literature includes three classifications of health-related outcomes: 1) psychological and behavioral morbidities; 2) somatic morbidities and mortality; and 3) health services. Psychological and behavioral morbidities include psychological outcomes (namely distress, mental health, depression, and anxiety), suicide, substance abuse, and violent behavior. The second group, somatic morbidities and mortality, includes outcomes such as self-reported health, cardiovascular events, and other clinical measures of disease. The third group, health services, includes healthcare utilization and health insurance coverage.

### 2.3. Constructs

Three types of discrete constructs or experiences of homeowner financial distress dominant in the literature include housing affordability, pre-foreclosure, and foreclosure. The predominant narrative rests on the supposition that a shared phenomenon of homeowner financial distress forms the basis for all three types of constructs. Although the homeownership experience has oft been described as continuum, each point along the continuum can operate to impact health outcomes through a discrete theoretical pathway. In order to reflect this, the literature for analysis was separated by construct in order to best assess the evidence each study offers.

Housing affordability captures the relationship between people and housing (M. E. Stone, 2006). Few studies have defined ex-ante the theoretical basis for how housing affordability impacts on health. Unaffordable housing is often assessed with a self-report of burden or perceived inability to pay a mortgage. This approach suggests that households seek to maximize their utility and pay what they are able for housing. However, households face different constraints and preferences for housing consumption; households

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