



Does losing your home mean losing your school?: Effects of foreclosures on the school mobility of children[☆]

Vicki Been, Ingrid Gould Ellen, Amy Ellen Schwartz^{*}, Leanna Stiefel, Meryle Weinstein

New York University, NY, United States

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ABSTRACT

In the last few years, millions of homes around the country have entered foreclosure, pushing many families out of their homes and potentially forcing their children to move to new schools. Unfortunately, despite considerable attention to the causes and consequences of mortgage defaults, we understand little about the distribution and severity of these impacts on school children. This paper takes a step toward filling that gap through studying how foreclosures in New York City affect the mobility of public school children across schools. A significant body of research suggests that, in general, switching schools is costly for students, though the magnitude of the effect depends critically on the nature of the move and the quality of the origin and destination schools.

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1. Introduction

We use data on students in New York City's public schools to explore the reach of the foreclosure crisis into the city's student population. To begin, we assess how many students have been affected by foreclosures and compare the characteristics of the students living in foreclosed buildings and the schools that they attend to those of students not directly affected by foreclosures. We next examine whether children living in properties entering foreclosure are more likely to switch schools than otherwise similar students. Further, we examine whether – and how – the characteristics of their new schools differ from the characteristics of their original schools and assess how those differences compare to the differences between the original and new schools of similar students who switched schools but were not living in buildings entering foreclosure. We focus primarily on elementary and middle school students for whom the link between residential and school location is strongest.

To undertake this work, we use a unique data set on New York City, which links student-level academic records to building-level foreclosure data. We focus on the 2003–04 and 2006–07 academic school years, to give a sense of the way in which the gathering foreclosure crisis played out for public school children. The results are intriguing,

suggesting that the foreclosure crisis induced affected students to switch schools more often than they would have otherwise, and, on average, to schools offering academically weaker peers. Together these suggest that foreclosures may negatively affect the academic performance of students living in foreclosed buildings and put additional strain on public schools already facing budget cuts and fiscal retrenchment.¹

2. Background and literature review

A foreclosure notice may result in several different outcomes. First, owners may resolve the foreclosure by paying back the arrearages or by receiving a modification from their lender that allows them to keep the property. Second, owners may sell their property and pay off the mortgage debt, assuming that their mortgage debt does not exceed the value of their property or that the bank forgives any difference. Finally, the bank may complete the foreclosure by auctioning the property to a third party or by taking ownership of the property itself (so-called REO, or real estate owned). In New York City, the time between the filing of a *Lis Pendens* (“LP” or “foreclosure notice”) and the auction of the property is typically about 18 months.

Foreclosures may affect children in a variety of ways. First, if a homeowner is not able to cure or modify, and instead either sells

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^{*} Corresponding author.

E-mail address: amy.schwartz@nyu.edu (A.E. Schwartz).

¹ According to a 2008 article in USA Today, several school districts, responding to a “wave” of homeless students now living outside the district lines are “having staffers or private investigators check for families using false addresses. Palm Beach County, Fla., set up an anonymous tip line that residents can call to report families who might be improperly enrolling students” (Armour, 2008).

her house to pay off the mortgage or loses it to the bank, the family will be forced to leave. Similarly, if a family's landlord cannot pay the mortgage and either sells or loses the property to the bank, then the tenants (and their children) may be forced to move to a new home. It is possible that families who move as a result of foreclosure will find new housing in the same neighborhood and children will be able to stay in the same school, but in many cases, families will end up moving to new, and perhaps more affordable, neighborhood, and transfer their children, especially young children, to new schools.

If the owners resolve the foreclosure through cure or modification, the children may nevertheless still be affected if the families cut back on spending on the children's education and educational activities in order to have more money to pay off the mortgage. Further, whether the family is forced to move or not, the stress a foreclosure notice produces may affect the children's educational performance.

The majority of buildings receiving foreclosure notices in New York City have been multifamily buildings, and thus many of the households living in properties receiving foreclosure notices have been renters (Furman Center, 2008). The effects of foreclosure on tenants are not as clear, though for a variety of reasons, we expect elevated rates of departure following a foreclosure notice. Until the Congress passed the 'Protecting Tenants at Foreclosure Act of 2009,' which allowed tenants to stay in place for 90 days or the term of their lease, in most circumstances following a foreclosure, many tenants had few protections in the event of a foreclosure (Been and Glashauser, 2009). (Note that most of the multifamily properties receiving foreclosure notices in New York City have been 2–4 unit properties, which are not governed by the city's system of rent regulation.) When landlords sold their properties to pay off their mortgages, anecdotal reports suggest that they often encouraged tenants to leave because they believed their properties would be more marketable without tenants. New owners also sometimes pushed tenants out – and if a foreclosure was completed, banks typically evicted any remaining tenants, due to both liability concerns and a worry that properties would not be as attractive to potential buyers if they had tenants. Further, even when guaranteed the right to stay under federal or state law, tenants may choose to move from buildings receiving foreclosure notices more frequently than from other buildings because owners struggling to pay their mortgage cut back on maintenance and utilities. As tenants leave their homes, they may move to new neighborhoods and school zones.

Moves across schools have been shown to be damaging to children's academic performance (Hanushek et al., 2004). School moves may cause problems getting restarted (including difficulties with the subject matter or tensions with classmates) (Alexander et al., 1996; Lash and Kirkpatrick, 1994; Mehana and Reynolds, 2004; Nelson et al., 1996; Schwartz et al., 2007; Xu et al., 2009). The involuntary moves precipitated by foreclosure may be even more harmful to students as choices may be limited by the urgency of the move. Students accordingly may move to poorer quality schools, with lower quality teachers or peers who are performing less well (Pettit, 2004; Xu et al., 2009).

Despite these ways in which foreclosure could theoretically affect students, there has been little research into what happens to households that live in foreclosed properties, either in New York City or around the country, largely because foreclosure records are property-based, and it is rarely possible to identify and follow occupants. Anecdotal evidence indicates that some homeowners leave the property to become renters or move in with relatives and friends. Others end up homeless (Goodman, 2009). Their children may have to change schools as a result and move to schools whose quality differs from their original schools. We hope in this paper to fill this gap in the literature regarding children's schooling, drawing on evidence from New York City.

3. Data

3.1. Student and school data

We use student-level data from the New York City Department of Education (NYCDOE) for all students enrolled in the City's public schools on October 31st of the school year. The dataset identifies each student's birth date, country of birth, race or ethnicity, gender, free and reduced price lunch status, and home language. The data set also includes the student's grade, information on annual school attendance, Limited English Proficient (LEP) status, special education status, and standardized test scores. We can link data for individual students across academic years, as long as a student attends a New York City public school.²

The student data include information on the school attended, allowing us to link to school-level data, including school demographics (e.g. percentage black, Hispanic, Asian, or white; percentage eligible for free or reduced price lunch), as well as resource data (expenditures, teacher characteristics), average test scores, and attendance.

3.2. Foreclosure data

We use a dataset of parcel level foreclosure starts, or *lis pendens* (LP) filings, from the Public Data Corporation. This dataset is updated quarterly; we use data from the first quarter of 2000 through the last quarter of 2009. The dataset includes all residential parcels that received a notice of foreclosure and the date of each notice.³ We linked these data, through the borough-block-lot (BBL) identifier for each filing, to street address, property characteristics, and information about the disposition of the property after the LP was issued (in particular, whether the property was transferred in an arms-length sale, sold at auction or retained by the lender as REO, or had an unknown outcome).

The property data come from the Primary Land Use Tax Output (PLUTO) file maintained by the New York City Department of City Planning, as well as the City's Automated City Register Information System (ACRIS), and in some cases the Real Property Assessment Data (RPAD), a database of individual tax lots in New York City with characteristics such as area, zoning, and building class.

3.3. Matching students to residential parcels in foreclosure

To link students to properties receiving foreclosure notices, the New York City Department of Education (DOE) matched the students' addresses, for the 2003–04 and 2006–07 school years, to the addresses of all properties (other than condominiums and cooperatives⁴) receiving foreclosure notices.

The DOE records a student's address at three different times during each academic year, on October 31st, March 1st, and June 1st. We

² For each year, we exclude students who are missing admit/discharge dates, school, or grade codes. This decreases the number of full-time special education students who are frequently assigned to ungraded classrooms. In most cases these students would be dropped because of the absence of testing data and/or due to limitations in the data on schools serving primarily special education students.

³ For properties that had more than one LP without a transfer of ownership and a second LP within 6 months of the prior filing, we consider it to be the same "instance of foreclosure" and trace outcomes based on the date of the first LP. LPs that occur more than 6 months after an earlier LP are included and considered a separate foreclosure filing.

⁴ The Department of Education matched foreclosure notices and students to building addresses that did not include identifiers distinguishing different units within a building. As a result, for foreclosure notices issued to a unit in a multifamily cooperative or condominium building, the match would not have reliably identified which students living in the building were actually living in the unit receiving the foreclosure notice. These represent a small share of the total foreclosure notices, however.

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