ECOLOGICAL NEIGHBORHOOD-DIFFERENCES IN MORTGAGE DEFAULT: INVESTMENTS IN HOMES AND COMMUNITIES

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INTRODUCTION

In 2007, when the economy was on the verge of a possible collapse, the rate of homeownership was almost 73 percent, as homeownership is the most pervasive, substantial financial investment for American households (2007 Survey of Consumer Finances). Default, the act of a homeowner missing mortgage payments, often leads to foreclosure, the act of financial institutions to seize the asset(s) from the defaulter. Default diminishes the aspirations of homeowners to realize strong economic returns, but what happens to defaulters' attitudes concerning their emotional and psycho-social connections to their homes; and how are these attitudes influenced by defaulters' environments?

Despite the substantial financial investment homes represent, defaulters feel connected to their homes in ways that extend beyond finances and that complicate economic decisions (Fields, Saegert, & Libman, 2009; Nettleton & Burrows, 2000; Saegert, 1986; Saegert, Fields, & Libman, 2009). Homes locate people socially, geographically, symbolically and functionally (Saegert, 1986). Community residents live in social ecologies comprised of interdependent geographies, economies, political systems, and daily experiences (Morenoff, Sampson, & Raudenbush, 2001; Quastel, 2009). It is our hypothesis that the history and socio-economic ecology of an area affects how defaulters conceptualize the meaning of *investment* in their homes; the current study seeks to understand how this works in two neighborhoods experiencing high rates of foreclosure.

This paper is divided into four sections. The first section introduces an ecological framework for understanding homeownership investment. This section also elucidates emotional investment in the home and includes the current study's research questions. The second section describes the data and methods. The third section reviews the results of neighborhood histories, a cluster analysis (i.e. foreclosure risk factor ratings for each neighborhood), and interviews (i.e. one-on-one conversations that expand on four dimensions: financial investments in the home, emotional investments in the home, ecological influences of the neighborhood and participant views of homeownership as an investment, and racial factors as well as ethnic scapegoating). The paper concludes with a summary, study limitations, and directions for future research.

AN ECOLOGICAL FRAMEWORK

The ecological metaphor is employed in much of community research. (Barker, 1968; Kelly, 1990; Tricket, 1996; Wandersman & Nation, 1998). In some cases, this framework seems to naturalize human ecologies without considering the influences of social history and the political economy. In contrast, Sampson (1999) incorporates these considerations into his approach to ecological analysis. He points out the following: racially-based economic inequality exists in neighborhoods and communities; many social problems are packaged at the neighborhood level; disparities in wealth and racial isolation have increased since the 1980s; and the larger political economy is a strong determinant of access to resources and destabilization in neighborhoods. Krugman and Wells, (2010) argue that the housing bubble that preceded the recent crisis had the same irrational elements as the “tulip mania” of Holland in the 17th century and that the current dearth of credit in the housing market derives from a classic financial panic.

Wandersman and Nation (1998) furthered social ecological theory to examine individuals living within *neighborhoods*. Their review offered three models to frame negative effects of neighborhoods on individuals. First, the authors posit that adverse structural characteristics (e.g. SES, unemployment) can impact individual mental health negatively because of limited resources and decreased ability for neighborhood residents to support one another. The authors stress the importance of social ties as a mediator of effects of structural characteristics on mental health. Second, the authors describe neighborhood disorder or “incivilities” as physical and social indications of neighborhood disruption that impact mental health negatively. Finally, Wandersman and Nation discuss environmental stressors (e.g. age of housing, high vacancy rates), that contribute to decreased mental health. Although the researchers do not focus on housing markets, their research points out the importance of ecological frameworks to understand relationships between individuals and their neighborhoods.

Munro and Smith (2008) describe an *ecology of hope* in Edinburgh's housing market that challenged traditional economic predictions; people continued to buy homes, and the market continued to flourish in spite of negative economic predictions. Building from the findings of recent studies that collective opinions can influence the performances of local housing markets (e.g. Munro & Smith, 2008), the current study suggests an ecological framework to inform the methods and research design of our investigation. If there are ecologies of hope, there are likely to be ecologies of despair as well in which negative expectations are contagious. The current study now expands on the contexts of neighborhoods with high default and foreclosure rates.

Place-based Homeownership Investment & Foreclosure

From the 1990s onward, financial institutions changed approaches from denying credit to low income and minority groups to finding a way to make money from this previously untapped market through risk-based pricing, aided by debt securitization. Subprime lending, a form of risk-based loan pricing, was developed to extend mortgages to many families who had been excluded formerly from receiving credit and to increase profits from mortgage lending for financial institutions. Many of these households obtained or were steered to subprime loans from the 1990s through the mid-2000s, the height of the subprime mortgage boom. Researchers have offered several economic theories to explain the expansion of subprime lending into disadvantaged markets. One theory focused on the need for lenders and financial institutions to expand continually in order to generate profits consistently (e.g. Flippen, 2001). Subprime lending increased exponentially after federal lending-deregulation permitted the financial industry to grant residents of low-income and minority neighborhoods access to high-risk loans and homeownership, thereby generating huge profits for these financial institutions.

The heightened access to risk-based loan pricing (with high interest rates or high loan-to-income ratios) often led to insolvency (e.g. default) and high foreclosure rates (e.g. Edmiston & Zalneraitis, 2007; Gruenstein-Bocian, Ernst, & Li, 2006; Quercia, Stegman, & Davis, 2007). High-risk loans were clustered in particular neighborhoods (Immergluck & Smith, 2005; Williams, Nesiba, & McConnell, 2005) leading to subsequent foreclosure clusters (Immergluck, 2008; Newman, 2008; Quercia & Ratcliff, 2008). Quantitative analyses showed lending disparities between demographically different groups and neighborhood characteristics associated with default and foreclosure (Delgadillo & Gallagher, 2006; Friedman & Squires, 2005; Grover, Smith, & Todd, 2008; Hendershott & Schultz, 1993; Immergluck, 2008; Immergluck & Smith, 2005; Spader & Quercia, 2008). Foreclosure risk-factors include SES (Cotterman, 2001; Van Order & Zorn, 2000), race and ethnicity (Immergluck, 2009; Immergluck & Smith, 2005; Grover, Smith, & Todd, 2008; Pedersen & Delgadillo, 2007), female-headed households (Immergluck & Smith, 2006), education levels (Harrison, Archer, Ling, & Smith, 2002), lending characteristics (Newman, 2008; Quercia & Ratcliff, 2008), age of housing (Pederson & Delgadillo, 2008), and vacancy rates (Immergluck, 2009; Pederson & Delgadillo, 2007).

Residents of low-income and minority neighborhoods not only had greater access to high-risk lending products, but were also sometimes coerced with predatory tactics. Newman and Wyly (2004) offered four explanations for the concentration of predatory lending in particular niches. First, the authors posited that exploitation may be more achievable in neighborhoods where traditional mortgage lenders did not have a strong presence. This explanation most clearly accounted for neighborhoods that were *redlined*. Second, previous discriminatory practices that prevented low-income minorities from obtaining conventional credit created a market for predatory refinance-loans intended to refurbish existing structures. Third, after fair housing laws were implemented, high percentages of minority homeowners had built significant equity amounts by the 1990s, which allowed these individuals to acquire additional loans (e.g. riskier refinance loans). While wealthier homeowners also had built-up equity, these homeowners may have had more access to traditional prime loans, which protected them from high-risk loans. Fourth, higher foreclosure rates in minority areas decreased the lender competition in these areas, which allowed predatory lenders to strengthen their presence. Thus, after years of particular neighborhoods' absence from the global marketplace, residents of low-income neighborhoods became a driving force in the global economy; they were permitted to participate in the "American Dream" of homeownership when lenders granted them access to home loans. These explanations suggested reasons why predatory lending and high-cost loan foreclosures could be more heavily concentrated in areas with high percentages of low-income and minority households as compared to wealthier areas (Herbert & Belsky, 2008; Immergluck & Smith, 2005; Williams, Nesiba, & McConnell, 2005).

Financial Investigations of Default

Many quantitative investigations of default and foreclosure focus on risk factors posited by options theory, trigger theory, or some combination of the two (Grover, Smith, & Todd, 2008). These analyses focus on financial factors more than on other ecological factors that connect individuals to their homes.

Options theory and trigger theory.

As property values fall below the values of the corresponding loans, homeowners experience *negative equity*. According to options theory, homeowners with negative equity will default on their mortgages intentionally when they perceive that this action will be financially beneficial (i.e. when the percent of negative equity crosses a threshold that is dependent on a number of financial factors). Both high initial loan-to-value ratios and stagnant or declining housing markets could lead to heightened levels of negative equity. Some empirical studies suggest that financial data are sufficient to determine whether homeowners who experience negative equity choose to default (Foster & Van Order, 1984; Foote, Gerardi, & Willen, 2008). But many homeowners choose not to default even when they were faced with negative equity, possibly because borrowers resist the option to default at specific ranges of negative equity in hopes of market recovery (Edmiston & Zalneraitis, 2007), casting doubt that traditional applications of options theory explain all of the reasons that homeowners choose to default.

As opposed to options theory, which focuses more on financial-investment *decisions* that homeowners make, trigger theory focuses on *sudden events* that result in insolvency and default (Elmer & Seelig, 1998). These events include loss of employment, serious illness, or any other unexpected incidents that result in the inability of homeowners to pay their mortgages. Similar to options theory investigators, theorists of trigger theory typically consider financial connections that homeowners have with their homes as opposed to residents' emotional investment or psycho-social relationships to their homes or neighborhoods. For example, Pedersen and Delgadillo (2007) investigated mortgage default and foreclosure employing the ability-to-pay theory, a sub-theory of trigger theory that suggests that individuals default when they cannot pay their mortgages (Pedersen & Delgadillo, 2007). Applications of options and trigger theory in studies that consider ecological investigations were not found in the literature.

Emotional & Psycho-social Aspects of Default

Options and trigger theory focus narrowly on how financial factors (either negative equity or income shocks) affect the default decision. They ignore affective and functional ties homeowners have to their home as well as community contexts that may influence the decision to default. Qualitative studies have uncovered strong evidence for positive emotional relationships homeowners have with their homes, and they also pointed to negative emotional consequences of losing homes (e.g. mortgage default or foreclosure). Homeowners threatened with foreclosure experienced senses of failure, shame, anger, and depression (Saegert, Fields, & Libman, 2009; Fields, Saegert, & Libman, 2009). Nettleton and Burrows (2000) described sometimes severe mental (e.g. embarrassment, shame, depression, and thoughts of suicide) and physical symptoms (e.g. breathing difficulties, sleeplessness, increases in addictive behavior, etc.) in homeowners who defaulted.

While these studies provided convincing evidence that mortgage status could affect quality of life, mental health, and physical health, none of the investigations considered place-based influences on mortgage default as this hardship affected defaulters at the neighborhood level. A place-based exploration of defaulters' attitudes emerges when investigations consider contextual factors and default with an ecological framework.

Multiple studies reported that "local factors" play a role in the variation of housing markets (e.g. Abraham & Hendershott, 1996; Stephens, Whitehead, & Munro, 2005). Expanding on Shiller's (2005) emotional economy idea that *emotional energy* exists in markets that may defy traditional and rational economic theory, Munro and Smith (2008) argue that economic models failed to predict the behavior of housing markets when these models were based on the *rational* behavior of homeowners because of emotional influences and ecological factors that most studies ignored. Irrational behaviors occur at multiple interdependent levels (Krugman & Wells, 2010). Individuals, financial institutions, and the market itself act in ways that seem irrational to economic thought. The recent explosion and collapse of housing prices is one example of the market (and financial institutions and individuals) acting in an irrational way. Collectively, the behaviors that result from *irrationality* contribute to market "bubbles" and "bursts." Stable financial environments can support collective feelings of hope when housing booms tempt homebuyers with high financial returns. Additionally, subprime and exotic mortgages together with lax underwriting may fuel collective positive views of the market temporarily by encouraging people who were not prepared financially to participate in homeownership.

Research questions.

Do distinct profiles of structural characteristics and environmental stressors exist in neighborhoods with high foreclosure rates? If so, how do defaulters' opinions of homeownership as an investment and of their communities vary within and between neighborhoods with distinct profiles?

METHODS

The current study uses a Ward's cluster analysis to create a typology of high-foreclosure neighborhoods with similar structural characteristics and environmental stressors. Next, semi-structured interviews were conducted with defaulters selected from two distinct neighborhoods that were identified by the cluster analysis. These interviews explore neighborhood-specific risk factors as they influence defaulters' attitudes toward investment in homeownership, perceptions of neighborhood boundaries, lending details, and neighborhood histories. By considering particular homeowners and neighborhood context, this exploratory design seeks to uncover neighborhood effects on resident attitudes more deeply than studies that employ only quantitative analyses or that conduct interviews across large geographies. Defaulters' attitudes may reflect how neighborhood context affects emerging opinions in ways that relate to how residents came to their neighborhoods and how they experience their neighborhoods.

We began by examining quantitative foreclosure risk factors considered in past empirical investigations of foreclosure. These include structural characteristics from the 2000 US Census such as race, female headed household status, SES, unemployment, and education level (e.g. Pedersen & Delgadillo, 2007) and environmental stressors such as lending characteristics from Home Mortgage Disclosure Act (HMDA), age of homes from the US Census, and vacancy rates from the United States Postal Service (e.g. Grover, Smith, & Todd, 2008; Immergluck, 2008; 2009). The following expands on the characteristics of the neighborhood (foreclosure rates and lending characteristics) and describes the interviewees from the two neighborhoods.

Foreclosure Data

High-quality foreclosure data are expensive or cumbersome to obtain because many financial agencies are unwilling to share information on lending and foreclosure (Newman, 2008). Fortunately, the Davidson County Assessor of Property maintains a data set of completed foreclosures or "trustee deeds" (i.e. the "trustee" of the deed has taken over property ownership). This data set included parcel-level data on foreclosed properties from 2008. While some municipalities have more accessible default or foreclosure data, Tennessee is a non-judicial state that does not provide default data, and thus we used the best available foreclosure data. After batch geo-coding the addresses to obtain latitudes and longitudes, we plotted the parcels with Geographic Information Systems (GIS) software and spatially joined them to census tracts to obtain an annual count of foreclosures for each of Davidson County's 144 census tracts. We calculated a census tract-level foreclosure rate by dividing the foreclosure count for each census tract by the total number of addresses from the United States Postal Service (USPS) data set of census tract addresses.

Loan Data

The Home Mortgage Disclosure Act (HMDA) requires lending institutions to provide individual loan data, which includes census tracts. The current study divides these loans into High or Low cost, where HMDA officials defined *"High-cost" loans* to include first lien loans with interest rates more than 3% higher than the threshold set by the Treasury security of comparable maturity for prime loans or for subordinate (junior) lien loans falling 5% above prime loan interest rates. The majority of these loans could be considered sub-prime loans, but not necessarily predatory loans.

Additionally, the current study divides loans into High or Low leveraged, where leveraging considers the relationship between borrower income and loan amount. In this case, *"High-leveraged" loans* include loans that surpass a debt-to-income threshold, based on the annual percentage rate (APR) for each loan. Similar to High-Cost loans, highly leveraged loans have been linked to high foreclosure rates (U.S. Department of Housing and Urban Development Office of Policy Development and Research, 2008).

Interview Sample

We interviewed 21 defaulters in the two high-foreclosure neighborhoods identified by our cluster analysis, North Nashville and Antioch. In North Nashville, 11 interviews were conducted. All of the North Nashville participants were African American, which was representative of the 95% average African American population in the neighborhood. The majority of interviewees were female (n = 9), which we expected given the higher than average percentage of female-headed households compared to all other high-foreclosure census tracts (14% compared to 9%). The large percentage of women in the North Nashville sample may be due to the heightened vulnerability to default of female-headed households as compared to other household types. All North Nashville participants earned low to moderate incomes, which was indicative of this neighborhood where the median income for 2000 was $18,000 compared to $41,000 for all of Nashville. In Antioch, we interviewed 10 participants. The majority of Antioch interviewees were white (n = 6), which reflects the average percentage white of census tracts in this neighborhood (67%). African American (n = 3) and Hispanic (n = 1) participants completed the sample. Half of the Antioch interviewees were female, reflecting the overall lower percentages of female-headed households in Antioch (7%). Most participants (n = 7) earned moderate to high incomes, which was indicative of the higher median income in Antioch ($50,000) in 2000.

We recruited participants through local housing agencies who provide foreclosure counseling. We were interested in individuals at risk of foreclosure, and the majority of participants (n = 18) had not entered the foreclosure process formally. All of the participants had defaulted on their loans and had sought out foreclosure counseling. Admittedly, this process eliminated defaulters who walked away from their homes as well as those who did not feel comfortable discussing their financial problems. While this sample is not intended to be generalizable, the groups of interviewees were representative of the areas in regards to the structural characteristics and environmental stressors that we considered. Participants were compensated for their interviews with $15 gift certificates to grocery stores located in their neighborhoods.

We used coding techniques from Corbin and Strauss (2008), which included conceptual saturation to fully capture the themes of investment. Experienced researchers confirmed the coding and data collection of less experienced researchers in an ongoing audit that guided theme agreement among the research team (Akkerman, Admiraal, Brekelmans, & Oost, 2006). Additionally, we employed five steps to obtain the maximum possible rigor in reliability and validity (Morse, Barrett, Mayan, Olson, & Spiers, 2008). First, *methodological congruence* dictated that we ensure that our measures match our research questions, which we used to create our semi-structured interview protocol. Second, we chose an *appropriate sample*, based on cluster analysis results, to match our research topic. Third, we *collected and analyzed data* concurrently to ensure rich data and iterative interviewing techniques. We coded interview data with NVivo software and used theoretical sampling to conceptualize ideas across interviews. For example, when the theme of emotional investment emerged from our analyses of interviews, we looked across interviews to uncover confirming or conflicting statements from other interviewees. Fourth, *theoretical thinking* confirmed that ideas continued to emerge in subsequent interviews. As we interviewed subsequent participants, we questioned interviewees with greater depth about the themes that we uncovered. Fifth, we used *theory development* to adapt existing theory to the results of our analyses. The results are presented below.

RESULTS

This section outlines the results of the cluster analysis before describing each of the identified neighborhoods in greater detail using information from media sources, as well as from interviewees. We then present interview results that illustrate neighborhood-specific differences in respondents' understanding of homeownership as a financial and emotional investment and an investment in their communities, as well as ecological influences on their opinions of housing markets.

Cluster Analysis

We clustered foreclosure risk factors at the census-tract level using a Ward's cluster analysis (see e.g. Giuliano & Small, 1991), to examine patterns of co-occurring characteristics among the highest 30% of high-foreclosure census tracts (n = 43). The cluster analysis investigated structural characteristics and environmental hazards as described above. Inflection points in SAS' *cubic clustering criterion*, as well as pseudo-F scores and t^2 statistics developed by Sarle (1983), indicate appropriate numbers of clusters when performing a cluster analysis. Based on these recommendations, the current study found 6 distinct clusters of high foreclosure census tracts, where foreclosure rates ranged from 1.0% to 3.8% of all mortgaged properties in a one-year period. Two of the six clusters differed most in terms of foreclosure risk factors, and these same two clusters grouped census tracts into clearly-defined geographic neighborhoods, North Nashville and Antioch. The remaining four clusters exhibited fewer risk factor differences and were not as geographically linked as the two distinct clusters. Repeatedly, studies point out geography-specific patterns of lending and foreclosure (e.g. Immergluck, 2008), and the two clusters that differed most in terms of default and foreclosure risk-factors reflect such geographies. North Nashville, had the highest standardized averages of percent of female heads of households, African Americans, people lacking a high school diploma, high-cost loans, and long term vacancy in 2008. Antioch had the highest standard averages of percent Hispanic/Latino, percent employed, median household income, median housing age, and highly-leveraged loans (see figures 1 & 2) among the high-foreclosure tracts.

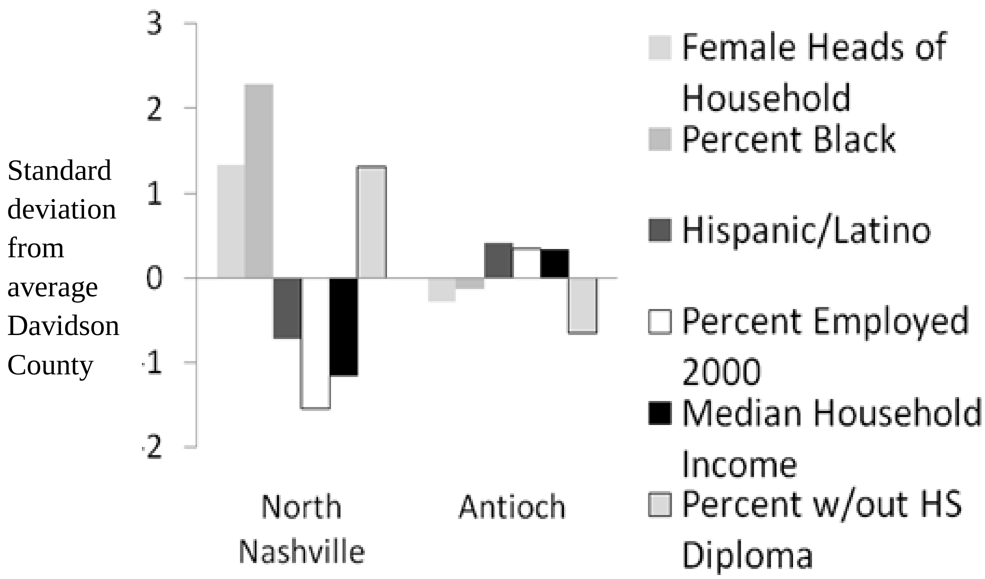

Figure 1. Structural Characteristics of North Nashville & Antioch

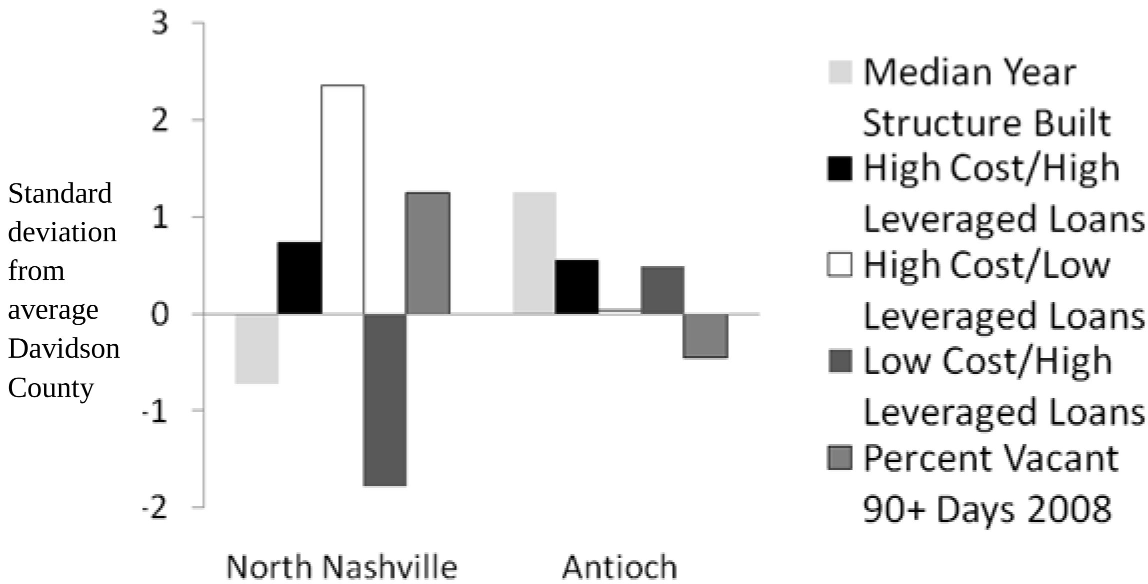

Figure 2. Environmental Stressors of North Nashville & Antioch
Note: Higher values for *Median Year Structure Built* signify newer homes

Neighborhood Differences & Similarities

Aside from census-tract characteristics used commonly in quantitative analyses, additional neighborhood descriptions provide a more complete understanding of neighborhood differences and similarities.

Neighborhood1: North Nashville.

North Nashville was historically a thriving neighborhood that experienced a classic pattern of inner city decline. Long-time residents reported that this neighborhood was middle class with a more heterogeneous population during the 1950s. At least two major changes led to an isolation of the poorer residents in this neighborhood: 1) Middle class white residents moved to suburban areas, possibly to avoid the required desegregation of metro schools, and 2) two major highways cut off neighborhood residents from downtown businesses, thus limiting community members' access to services. North Nashville was the epicenter of high-cost loans in Nashville during the subprime lending-boom. Resident narratives and quantitative data linked this area with heightened percentages of high-risk lending practices. Some gentrification is occurring on the fringes of this neighborhood, but the structural characteristics and environmental risk factors in North Nashville have remained relatively stable (as compared to Antioch) from the 1960s to 2010. Although the North Nashville neighborhood has seen an increase in community development activities via influxes of community and faith-based organizations since the 1980s, in 2010 this neighborhood remained lower income in comparison to the rest of the city.

Neighborhood 2: Antioch.

Prior to the 1960s, Antioch consisted mostly of rural farmland. A flood of middle class, white residents moved outside of the greater metro area into areas like Antioch when school desegregation was mandated. Local media reported that the border around the Antioch neighborhood is not clearly defined: “most people who live in Antioch can’t agree on where Antioch begins and ends…an amorphous blob” (Parsons, 1993). However, interviewees confirm that the census tracts identified by the cluster analysis are all part of the Antioch neighborhood. When outer areas were consolidated into the local government in 1962 (McArthur, 1971), metro policy applied to the newly formed suburbs, possibly accounting for the growing heterogeneity in this neighborhood. Increasing numbers of developers and builders have expanded the number of homes available to Antioch residents. As neighborhoods closer to the urban core gentrified and became unaffordable, the Antioch area attracted minority groups (especially immigrant minorities) that could afford the properties in this suburb. This influx of immigrant and minority groups led to neighborhood diversification of which many earlier transplanted homeowners disapproved. Currently, this neighborhood has high percentages of highly leveraged loans, where loan-to-income ratios are drastically higher than in other sections of Davidson County.

Heightened levels of unemployment, combined with an increased desire of long-time residents to migrate out of the area, have led to a neighborhood that is steadily declining.

Interviews

The following section presents the results of the semi-structured interviews with defaulters in North Nashville and Antioch. The themes of financial and emotional investment, ecological influences, as well as race, ethnicity, and scapegoating are presented. We acknowledge the fact that we present this data through the lenses of white, researchers with working and middle class backgrounds. We attempted to protect the confidentiality of interviewees by keeping identifying details ambiguous.

Understanding Investment: Financial & Emotional Investments of Defaulters

The concept of *investment* represented different ideas to defaulters in North Nashville when compared to defaulters in Antioch. Although not all interviewees agreed consistently with others in their neighborhoods, neighborhood-specific themes were clearly present in the data. The majority of interviewees in Antioch valued financial investments in their homes, and they seemed attached to their homes emotionally only in the sense that they seemed to view homeownership as a status symbol which established their moral superiority to non-homeowners. For Antioch defaulters, the amount of emotional investment in their communities was minimal. Nine of the Antioch defaulters moved to Antioch from outside of the neighborhood, whereas only two of the North Nashville interviewees moved to North Nashville from a different community. The Antioch defaulters moved to Antioch with intentions of building wealth in flourishing communities. When their investments failed, they blamed the visual changes that they associated with neighborhood decline: increases in minority presence.

North Nashville residents also desired wealth, but the majority of North Nashville residents (n = 9) framed investment in terms of ties to the family members in their neighborhood and community, a pattern that was more rare for Antioch residents (n = 2). As credit was extended to these North Nashville residents, albeit mostly high-risk credit, they purchased homes in their neighborhoods. Reflecting the inexperience of first-generation homeowners, many North Nashville interviewees exhibited lower levels of comprehension in regards to finances (e.g. equity, negative equity, collateral) as compared to Antioch interviewees. The following results show the differing ways in which North Nashville and Antioch defaulters understood financial and emotional investments in their homes.

Financial Investment in Homeownership.

Most participants in North Nashville (n = 10) struggled when they tried to articulate their understandings of "equity." One participant confused equity with escrow when she said, "With everything like your insurance and your taxes and house mortgage is put into one. You don't have to worry about paying a bill here and here…they distribute it to the proper people." Confusion around *equity* was common with North Nashville participants, but Antioch defaulters almost unanimously responded that equity could go up or down, was based on homeowner activities as well as neighborhood influences, and could drop lower than the value of the home, which would result in "underwater" loans or negative equity. Although no one defined equity as the difference between the property value and the amount of debt, Antioch defaulters seemed to comprehend the notion of equity in a deeper way than North Nashville interviewees.

Defaulters in Antioch (n = 6) were more aware of their high rates of negative equity than their North Nashville counterparts (n = 1), although residents from both neighborhoods said that they would stay in the case of negative equity: North Nashville residents would stay because they felt connected to their neighborhood, and Antioch residents would stay because they felt trapped with a depreciating asset. One Antioch defaulter described his awareness of financial investments in Antioch: “We are definitely in a negative equity situation right now. I think a lot of people in Antioch are. Some of them may have refinanced or been able to. But there's a lot of them that can't because of the negative-equity situation. They're in trouble.”

Emotional Investment in Homeownership.

In addition to financial investments that homeowners had in their homes, North Nashville and Antioch defaulters exhibited varying emotional investments in their homes. One North-Nashville participant described her emotional investment in her home with an obvious connection to her neighborhood:

> Well, let me tell you, I really do [feel connected strongly to my community]; my children grew up with most of the people that are here. A lot of the younger people here, most everybody that knows me, they knew my parents. They knew me as "sis." My sons, all their friends called me that, but they're very respectful. I could be out there taking out trash, and some person will come by that knows me, I don't know them, "can I help you with that? Yes ma'am." So I feel safe here. I don't feel like someone's going to kick my door in. If I go someplace else where I don't know the people, somebody's going to be curious, "I wonder what they have in their home. I wonder what they do for a living. I wonder what I could find if I kicked the door down." Here, people know that I don't have anything. I feel safe here. I feel respected here in this area.

All defaulters felt that homeownership was a much better form of housing tenure than renting. Participants felt that homeownership offered a greater sense of self-worth and well-being, as well as other “benefits” that come with the American Dream. An Antioch defaulter, who was experiencing a high-amount of negative equity and who was unhappy with other residents in her neighborhood, stressed the normative superiority of homeowners over non homeowners in the following quote:

> When you own your home, you are living the American Dream. You are an American. That is what other countries long for is to have what we have in our country: homeownership, you own that piece of land. It makes you an adult, and when you raise your children and they see that you own a home, and you make your payments and that you take care of your property, that is how you're raising your children. If you always lived in public housing where people come and fix everything for you, and you don't own the outside of that building, you don't know how to own a home. To me, being a homeowner says who you are. It says a lot of things about your character. Those things are really important to me.

Another Antioch interviewee acknowledged the interplay of financial and emotional investment when she said:

> In the beginning, equity is how much money you can build in that home. We very well know what the value is. Equity can be something else. It can be that your home is paid off, and you're in a safe place, and you know that you're going to stay there until you die, that's mental equity.

The influence on resident opinion from both financial and emotional investments is complex and extends beyond traditional economic theory that considers only finances and assumes that defaulters behave in economically *rational* ways.

Disinvestment in Community: An Ecology of Despair

Defaulters in both neighborhoods expressed their understandings that homebuyers invest in both individual homes and specific places within larger geographies. In order to understand participants' relationships to their communities, we asked questions like, "How does your neighborhood compare to other neighborhoods in Nashville?" and "Do you feel connected to your community? If yes, how?" Ecological factors were so important to the interviewees that every participant pointed out the best and worst areas of Nashville, and there was a remarkable amount of agreement on the most desirable neighborhoods. One Antioch interviewee, who experienced default when he lost his job as a subprime lender, expanded on his knowledge of collective attitudes of local housing markets:

> I think that it's probably the interpretation, kind of the inside buzz. I guess there's a little bit more of a crime spree in the area [Antioch] than there used to be, not that I could tell, but I know from listening to all the news and stuff, there's more gang-related activities in more areas of town.

This participant recognized the collective emotions or attitudes that are likely restricting the potential of the housing market in Antioch. These emotions are influenced by a variety of sources including the media, as many participants pointed out during the interviews.

In North Nashville, defaulters recognized that high rates of foreclosure or vacancy in their neighborhood could impact their individual households. One North Nashville participant illustrated this point by saying:

> It would probably be scary if I started to see more foreclosures around because it would make me wonder, "what's really going on?" Something's got to be going on that I'm unaware of. And it's easy to be comfortable in your little niche, you know, you get in your own little niche, and you're comfortable as hell in that little spot. And the truth is, shit's going on out there, and if that starts to happen, I wouldn't have the first idea where to go to find out or to prevent it from happening, because I'm pretty sure that if I see six houses foreclosed around here, I'm in trouble too. Something's going on that I have no control over that I have to work within to get around. I don't know where I would go.

Clearly, both of the previous interviewees recognized their places within a larger ecological context.

One North Nashville interviewee stressed the understanding of many North Nashville defaulters; they were used to continued disinvestment in their neighborhood:

> There's a big difference in every neighborhood. When in Rome, you do like the Romans do. I'm pretty sure if I lived closer to the Richmond community or someplace like that, you'd bet your ass I'd be in debt to get a good front yard or fruit bushes or a wood gate with a closed-in driveway. This shit I'd do because that's what the neighborhood's doing. Nobody's doing that right here. The norm. And I guess I could still do it here, but the truth is, I don't feel that need.

Race, Ethnicity, & Scapegoating

In regards to race, most North Nashville residents expressed feelings of safety associated with their neighborhood. Clear distinctions between *in-group* homeowners and *out-group* non-homeowners became blurred when many residents of North Nashville achieved homeowner status during the sub-prime lending boom. As discussed further in the conclusions, social identity theory suggests that groups attaining *in-group* status are likely to target scapegoats to ensure that the in-group members maintain their positions. In the case of Antioch, defaulters from both North Nashville and Antioch discussed influxes of immigrants into this neighborhood as one of the driving forces in property value reduction and general decline. Most of the white interviewees in Antioch (n = 5) felt trapped in a neighborhood that was becoming more ethnically diverse. One participant described her disbelief in the environment within the Hickory Hollow mall, a landmark of Antioch:

> I mean Hickory Hollow Mall, the last few years, my daughter used to work at Buckle clothing store, and in the country, it's one of their top producing stores, but you walk in that mall, and you hardly see a white person in that mall. That's how much it changed. Then they finally closed that Buckle down even though it was one of the top-producing stores. They closed it down because of the environment in the mall, what it had become.

Most whites (n = 5) and one African American interviewed in Antioch identified the racial and ethnic characteristics of local residents as the cause of declining home prices, thereby ignoring structural and institutional causes of the foreclosure crisis. One participant said that the city should have insured that pockets of immigrants were not clustered in Antioch. He said that it was frustrating when you could not have discussions with people because they "could not speak your language."

A few North Nashville defaulters with relatives or friends in Antioch (n = 3) seemed to internalize the ethnocentric discourse associated with Antioch's decline. Similar neighborhood changes did not exist in North Nashville, thus North Nashville residents did not extend this discourse to their own neighborhood. After one North Nashville resident discussed heavy drug use and gang activity in her area of North Nashville, she expressed sympathy for her daughter who lived in the Antioch area because “there are so many Mexicans bringing down the value of homes in Antioch.” This defaulter also said that she hopes for gentrification so that crime will decrease, and her property value would increase. I tried to counter her by asking “where do the people go who are pushed out?” She then said, “I don’t know…but I want it [gentrification] to happen here.” She further described problems that she had with “Mexicans” by describing how they fail to assimilate.

> A lot of Mexicans have moved in, and the neighborhood is terrible. You see couches and furniture that belongs in the house, you see them sitting out in some areas like yard furniture. It's like, "well how do these people live over in Mexico?" They have a lot of Mexicans that like to drink a lot. I know people who have been out in the Antioch area, and there are Mexicans driving drunk and car accidents and things like that. My momma almost got hit out there by drunk-driver Mexicans. I'm sure they're everywhere, but it's just infested with them out there. I'm not discriminating against them or anything, because they're people too, but that's the way it is sometimes.

One Antioch participant had a unique perspective on discrimination as a local gas company was unfairly discriminating against her husband because he was the only Hispanic male on her white street. The company forbade the couple from building a privacy fence on its gas lines even though most other homes in the area had a fence, or other structure, on top of the same gas lines. This participant said that her Hispanic husband owned a construction company, and she provided some interesting insight on immigrant workers (i.e. she said that they worked for less, but this was common sense as the system allowed it). There was an obvious contradiction when the interviewee discouraged discrimination against Hispanics, but then encouraged discrimination against other immigrant groups: “I'm not a racist person by no means, but I'm sorry, my husband's a Mexican, but he has to pay taxes, and he owns his business. But yet the Somalians and the Iraqians ain't gotta pay.” She justified her statement with “tax breaks” that other immigrants receive as business owners.

The discussion sometimes extended beyond ethnocentrism. Another white participant in Antioch expressed discrimination against almost all groups of people that were not a part of her *in-group*. This interviewee appeared to be mobilized by fear, which manifested as xenophobia. There is an obvious contradiction when she described affordable housing negatively, but she was previously the recipient of a state-government grant when she bought her first home. When the interviewee first moved into her home, this participant described her neighborhood as: “a wonderful neighborhood. We were so happy, because we thought, ‘oh my goodness, we will grow old in this place, and just raise the kids, and this will be home.’” This quote seems to echo some of the North Nashville interviewee responses, but the Antioch defaulter did not have any long-standing connections to her community nor did she have nearby family. Thus, when her investment failed to provide returns, her view of Antioch changed drastically. After realizing that she was in a negative equity situation, this Antioch defaulter described her neighborhood in the following way:

> We are stuck here. And the economy and the housing crisis that I suppose we are still in has certainly not helped any, because the price of the house never really went up. My neighbor runs a lesbian-prostitute ring out of her house. And she sells drugs out of her house, and has sex parties. I counted as many as 300 people going into her house one night. So that is my neighbor (laughs). Now it is a place where you don't know your neighbors, and I don't know that you want to.

Similar to other defaulters, this participant then blamed negative equity on influxes of “Mexicans” and other immigrant groups.

Cool Springs: Reinventing Antioch.

Multiple interviewees across neighborhoods (n = 6) suggested that, given the opportunity, they would move to the Cool Springs area of Williamson County, one of the largest suburbs of Nashville. Ironically, this area sounds remarkably similar to Antioch's past, because of the economic and emotional appeal. This perceived paradise is located in a county with foreclosure rates that rival or even exceed some of Nashville's most disinvested neighborhoods. One North Nashville participant described this area in a way that almost mirrored key-informant sentiments of Antioch when it was experiencing its boom 20 years ago:

> I love Cool Springs because it's a whole little town of its own. Everything is out there. They have shopping centers, restaurants; everything is out in Cool Springs. When I go out in Cool Springs, you look at the houses out there, and they're not jammed up. They're kind of spaced out. I like that.
> Interviewer: A couple of years ago, Antioch was like that, right?
> I don't want to move to Antioch.

An African American participant from Antioch echoed the North Nashville participant by saying, "It used to be a time, when Antioch was first built up, you didn't have nothing like that [immigration and crime]. It was the place that everybody wanted to move to, Antioch." She then described the same perceived problems as other Antioch defaulters, namely too many immigrants.

CONCLUSIONS

The design of this study permitted researchers to uncover defaulters' opinions of homeownership as an investment in two high-foreclosure neighborhoods of the same city. These neighborhoods were confirmed to have different histories by interviewees and local media sources. We interviewed defaulters in each neighborhood and found that interviewees discussed neighborhood-specific themes around their understandings of homeownership as financial and emotional investments, their investments in homes that are nested within neighborhoods and communities, and their opinions of the recent increased disinvestment in their neighborhoods.

In contrast to studies that failed to account for ecological influences on resident opinions, our investigation uncovered neighborhood-specific attitudes that defaulters held about their homes and communities. Participant responses reflected a complex combination of ecological factors that call for researchers to rethink the ways in which they consider the behavior of local housing markets. The findings that highlight ecological influences on defaulters' understandings of investment make the study's results relevant to cities with high foreclosure rates in neighborhoods which are quite different from one another in history and composition.

Economic models that assume "rational behavior," ignore issues such as emotional investment, scapegoating, ethnocentrism, and many other factors that affect defaulters' opinions of their homes as an investment. As Munro and Smith (2008) suggest, these factors inform the workings of local housing markets directly. Our findings in North Nashville point out that the steadfast collective attitudes described by Munro and Smith (2008) are likely helping North Nashville residents to remain emotionally invested in their communities in spite of the continued disinvestment of the economic crisis. These long-time residents saw continued disinvestment as a realization of their expectations, but the defaulters remained determined to maintain their decades-old emotional investments in their community by remaining in their neighborhood, by living with family, renting, or attempting to recover from default. But while Munro and Smith (2008) focused on collective attitudes that bolstered a booming housing market, we found that attitudes around Antioch likely caused markets to bust when residents shifted from viewing Antioch as an attractive neighborhood for homeownership investment to seeing Antioch as undesirable. These findings illustrate the weaknesses of standard applications of options and trigger theory. In order to better address factors associated with the foreclosure crisis, economic applications of options or trigger theory must be balanced by explorations of ecological influences.

Additional considerations of the political economy add to the complexity of neighborhood differences. The subprime lending boom not only granted greater homeownership access to low-income and minority residents than previously, but it had negative psycho-social as well as negative financial impacts when the loans often resulted in insolvency and default. In-group and out-group distinctions are common terms in social identity theory (Kessler & Mummendey, 2001). Before high-risk credit was introduced to low-income and minority neighborhoods, there was a greater *in-group* (homeowner) and *out-group* (non- homeowner) distinction between residents of poor minority neighborhoods and wealthier neighborhoods. But as more low-income and minority households entered into homeownership, the distinction was blurred temporarily. When group boundaries shift, members of the in-group may seek out weaker groups as scapegoats (Allport, 1954) in order to maintain their status. High-risk lending followed by the foreclosure crisis redefined the boundaries of groups repeatedly to determine who was in and who was out. The blatant racism and ethnocentrism in Antioch and North

Nashville manifested when interviewees in both neighborhoods blamed Hispanic immigrants as scapegoats that decreased their property values, although this blame was especially prevalent in Antioch, where more immigrants live.

Foreclosure continues to be a growing problem in both neighborhoods. But responses to the foreclosure crisis ought to be molded to suit neighborhood ecologies. Foreclosure affects individuals within neighborhoods in different ways, and blanket policies that seek to provide recovery to cities with high foreclosure rates may miss their intended targets or may encourage problematic recovery efforts, such as gentrification.

In North Nashville, programs aimed at neighborhood-level solutions that pull on the strengths of community and account for the economic fragility may be appropriate. Alternative forms of homeownership, like limited equity co-ops or community land trusts, may be better responses to this crisis than simply extending credit to residents who previously were not able to qualify for loans (Leavitt & Saegert, 1990; Saegert & Benitez, 2005). Policies that offer current residents options that reinforce their ties to their community in North Nashville are important, and these alternative forms of homeownership would be in keeping with the view that stably-owned homes are community assets. As our findings illustrated, investment was not purely for financial return, but also for psycho-social reasons.

In Antioch, on the other hand, programs should be directed toward recreating the neighborhood in a socially-integrated way. Attempts to overcome negative stereotypes may help this area to rise above the *ecology of despair* that is likely reinforcing neighborhood disinvestment. Mixed-use communities of renters and homeowners comprised of both minority and non-minority groups may allow community members to interact with each other in ways that encourage community and discourage discrimination. Finally, community-based organizations

(CBOs) should provide more community space in Antioch, as this neighborhood lacks the CBO support of neighborhoods like North Nashville.

The current study illustrates the fact that defaulters nested within particular neighborhoods suffer in different ways from the foreclosure crisis. Recovery attempts that disregard the neighborhood-specific themes could cause further harm to these neighborhoods, as universal strategies to overcome concentrated foreclosure could risk implementing solutions which duplicate the original problem (e.g. recovery efforts that do not prevent gentrification or that fail to take into account the context of discrimination). Policy that aims neighborhood-specific recovery efforts at neighborhoods suffering *differently* from the foreclosure crisis is not only appropriate, it is necessary so that similar economic crises do not further harm already marginalized populations.

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