

"I don't think it's anything local residents did that caused that to happen. I think it's all outside forces that did this."

Wayne Early, whose South DeKalb County neighborhood has not recovered from the housing crash

was never completed. The Southland subdivision was a hot spot for mortgage fraud by house flippers who bought cheap foreclosed properties and then sold them at inflated prices to straw buyers, pocketing the difference and leaving the homes to fall into foreclosure again.

In Atlanta and its suburbs, along with dozens of other cities, the National Fair Housing Alliance has also documented that banks have done a poorer job maintaining foreclosed properties in largely minority communities than in white ones.

Dan Immergluck, a professor at Georgia Tech, suggests that the area's problems are a result of "cumulative causation" — all of these forces building upon each other. Controlling for poverty rates and the age and type of housing, his research shows Atlanta area Zip codes with larger black populations were more likely to suffer a steep decline in home values and experience little recovery.

In neighborhoods such as these in South DeKalb, a struggling housing market takes on a life of its own: As home values fall, so do property tax dollars that fund schools and public services. As the quality of those services declines, a community becomes less desirable, further yanking down property values.

Then it becomes impossible to sell. When most of the transactions in a housing market are distressed sales and investor purchases, there are few clean "comparable" sales homeowners can use to justify the value of their houses. Then homeowners who can't sell don't create the comps the next round of homeowners needs to sell. Predominantly black neighborhoods additionally struggle from a smaller pool of demand, because non-black home buyers are less likely to look for housing there.

What's happening in these neighborhoods isn't entirely explained by the size of the bubble they experienced or the severity of the bust. Elora Raymond, a PhD candidate working with Immergluck and a graduate research assistant at the Federal Reserve Bank of Atlanta, has looked more closely at the relationship between race and negative equity, which occurs when homeowners owe more on their homes than they're worth.

Throughout the South and in metropolitan Atlanta in particular, places with lingering negative equity are in predominantly black Zip codes, Raymond found. When she controlled for income levels and measures of housing quality, race still mattered. When she controlled for the severity of the earlier subprime and foreclosure crises, race still mattered. When she added controls for how far prices tumbled during the bust, she got the most surprising result: Race mattered even more.

These neighborhoods aren't struggling the most today, in other words, simply because they had the steepest price drops in the late 2000s. Comparable white neighborhoods that fell as far have still come back faster.

"That says, 'Wow, we really need to look into the recovery,'" Raymond says. "This isn't a story anymore about the crash. This is a story about what happened afterward, or what didn't happen."

The recovery, as Early believes, appears to be uniquely disadvantaging black communities, and in ways that aren't true, according to Raymond's data, for the region's Hispanics.

"If the recovery is happening in a way that really widens the gap in black-white housing wealth, this is going to be a problem," Raymond says. "This is going to be a problem for generations."

'I've waited long enough'

Tracey Williams bought her home for the pond out back that reflects the neighbors' lit windows at dusk. Her subdivision was once an old dairy farm, and the scene from her deck still feels quiet, as if she owns a small piece of the country. After she bought the home in 2002, her mother planted six small Leyland cypress shrubs along the side of the property. In the years it has taken the trees to grow taller than the house, Williams has gotten no closer to getting any equity out of it, since the house has lost value faster than she's paid down the loan.

The modest three-bedroom home, about a 15-minute drive from where David Sands lives in South DeKalb, cost \$154,000 in 2002. For 13 years, Williams, an instructional coach in the Atlanta public school system, has made every payment on it. Two years ago, she started adding an

extra \$100 each month toward the principal.

Last year, when she tried to refinance her loan at a lower interest rate, she was told the house was worth \$89,000. And then she learned from her mother, who lives nearby, that Wayne Early was collecting appraisals and stories to document what looks to everyone like evidence of an unfair system.

On his list now: The grandmother who had to move back from Louisiana when the sale of her home fell through because the appraisal came in low. And the retired couple who gave up and moved to Panama because they were tired of fighting their low home value. And the family in Lavonia that can't refinance. And the man who's still living in the custom house he built in 2002, when he meant to stay just five years.

Williams's story is this: Today she owes \$114,000, a sum the

bank said was too high relative to the appraised value to qualify for a refinancing.

This is how plummeting values undermine even homeowners who aren't trying to sell. Williams, 45, is financially cautious. When she moved in, she used rabbit ears on the TV because she didn't want to pay for cable.

The aging refrigerator is the one that was in the house the day she bought it. Only recently did she buy herself a new couch. She has a credit score of 811.

But she's barred from lowering her mortgage payments, as many other homeowners can — interest rates are about half what they were in 2002 — because the value of her home keeps slipping away. And so she's paying for the disparities in the market twice: with the lost value of her home, and the higher cost she pays to own something that's not worth much after all.

"You think the longer you stay in the home, the closer you are to paying it off, and the value goes up," she says. "I had no idea I would be in the predicament I'm in. Because I'd never seen it happen."

Like Early and Sands, she looks around and worries about a wider trend.

"I hate it, but it comes down to race," Williams says.

Williams and her neighbors say it's that reason — the housing market's long history of racial bias — that makes it hard to do what homeowners usually do when times are tough: Wait.

"I think I've waited long enough," Sands says. "We shouldn't have to wait for anything. We're doing everything we're supposed to do. What are we waiting for?"

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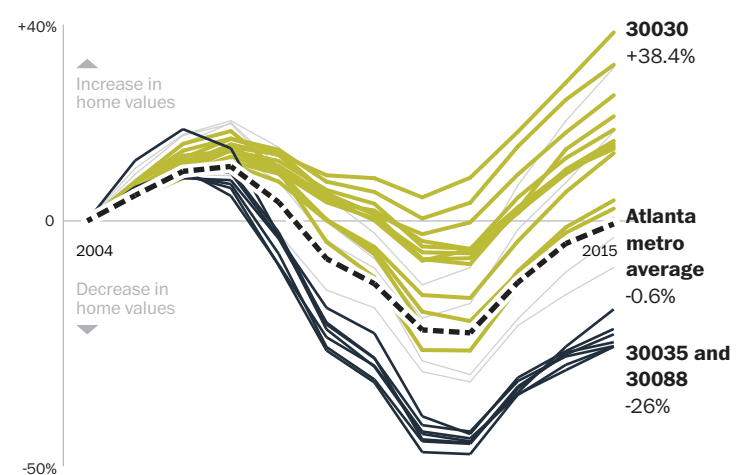
Ted Mellnik in Washington contributed to this report.

A racial divide in DeKalb County's housing recovery

Home values in largely African American neighborhoods of DeKalb County outside Atlanta still lag far behind where they were a dozen years ago. Home values in white neighborhoods have fared much better.

● Zips with less than one-third black population ● Other DeKalb Zip codes
● Zips with more than two-thirds black population

CHANGE IN HOME VALUES SINCE 2004

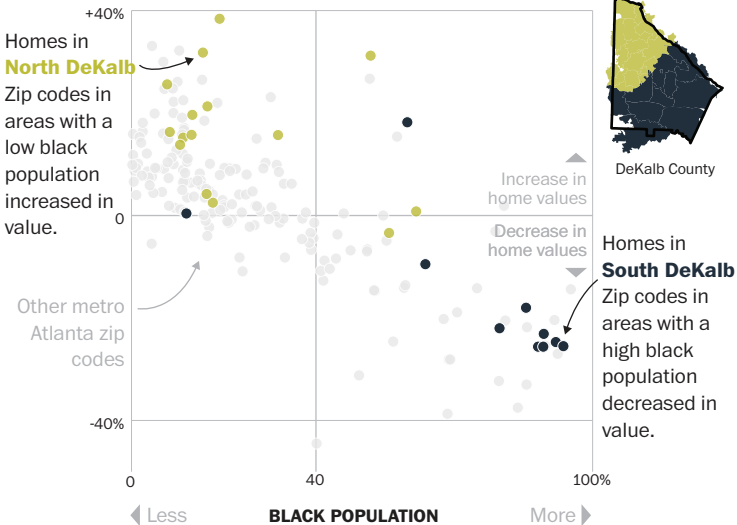


Source: Black Knight Financial Services, Census Bureau, ESRI
TED MELLNIK AND DENISE LU/THE WASHINGTON POST

Predominantly black neighborhoods have been left out of the recovery across Atlanta

In the Atlanta region, the racial makeup of a Zip code predicts how well home values have fared there. Values are down in almost all Zips where the population is at least 40 percent African American. The difference is especially stark in DeKalb County.

CHANGE IN HOME VALUES, 2004 TO 2015

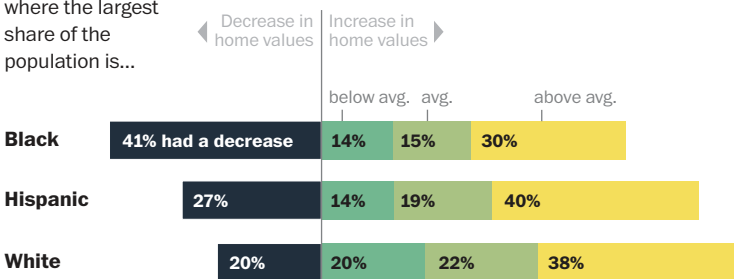


Sources: Black Knight Financial Services, Census Bureau, ESRI
TED MELLNIK AND DENISE LU/THE WASHINGTON POST

Black neighborhoods have struggled the most

The racial disparities in Atlanta are a stark reflection of a national trend: Predominantly black Zip codes are twice as likely as white Zip codes to have lost home value between 2004 and 2015.

In Zip codes where the largest share of the population is...



Note: Data is for Zip codes in the 300 largest metro areas.

Sources: Black Knight Financial Services, Census Bureau, ESRI
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