Chapter 3

Financial Literacy Education Program Post Financial Housing Crisis:
Community Based Financial Literacy Education Program

Shanel Lu
National Graduate School, USA

ABSTRACT

As Americans faced financial devastation resulting from the 2008 housing financial crisis, left them in a critical financial hardship. Many affluent suburban neighborhoods now resembled desolate ghost towns as families abandon homes in the middle of the night to avoid ugly snares and embarrassment (Bradford, 2011). Homeowners that once lived in upper middle-class communities achieving the American dream faced the horrifying reality of facing foreclosure, bankruptcies that will force themselves into financial ruin (Bradford, 2011). As a result of the financial housing crisis, 6.9 million homeowners faced mortgage delinquency causing financial institutions to begin foreclosure proceedings (Bradford, 2011; Crotty, 2009). This research focuses on the background to the problem, the underserved populations that were deeply impacted by the financial housing crisis and financial literacy education program that can assist the community toward financial recovery.

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INTRODUCTION

As Americans faced financial devastation resulting from the 2008 housing financial crisis which left them in a critical financial hardship. Many affluent suburban neighborhoods now resembled desolate ghost towns, as families abandoned homes in the middle of the night to avoid ugly snares and embarrassment (Bradford, 2011). Homeowners that once lived in upper middle-class communities achieving the American dream faced the horrifying reality of facing foreclosure, and bankruptcies that will force themselves into financial ruin (Bradford, 2011). Economist declared the 2008 financial housing crisis as the nation’s 2nd largest recession next to the 1929 depression (Crotty, 2009). As a result of the financial housing crisis, 6.9 million homeowners faced mortgage delinquency causing financial institutions to begin foreclosure proceedings (Bradford, 2011 & Crotty, 2009).

To further discuss other targeted communities, minority communities faced much greater financial hardships. In Prince George County, Maryland, known for being the wealthiest majority black area, was faced with housing market declines that left homeowners with large mortgage notes supported by climbing interest rates, while the property value continued to decline (Lester, 2016). As a result, the NAACP interceded to file a civil lawsuit against several financial institutions due to unfair business loan practices that caused dire financial constraints among this demographic. To continue to extend assistance to minorities living in Prince George county who suffered from the financial housing crisis, they developed “Help and Hope for Homeowners”, workshop towards home recovery. NAACP expanded the “Help and Hope for Homeowners” to the greater Chicago, Fort Lauderdale and Long Island territories (Lester, 2016).

Given all the financial institution reports reflecting social and economic failures, Congress and GSEs (Government Sponsored Enterprises) expanded the affordable housing goals to assist with stabilizing the housing financial economy (Murphy, 2011; Stone, 2009). As the financial economy experienced a rise and fall in homeownership, two regulatory giants—Fannie Mae and Freddie Mac—administered government regulations under the Clinton and Bush administrations’ affordable housing initiatives (Bible, 2009; Kothari & Lester; 2012; Thorpe, 2011). Consequently, Congress created stricter conditions on GSEs to mandate tougher regulatory requirements on servicers through the creation of the Servicer Alignment Initiative (SAI) (Kothari & Lester, 2012; Stone, 2009). The Servicer Alignment Initiative’s goals were to (a) stabilize the financial housing crisis, (b) assist the struggling homeowner with foreclosure prevention programs, and (c) provide an affordable mortgage product for homeowners’ relief and sustainability (Greenspan, 2010; Immergluck, 2011; Kothari & Lester, 2012; Stone, 2009).
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