

# Foreclosure Facts

## Homeowners and Foreclosure

- Homeowners are more satisfied with their lives and are happier. Homeownership is positively associated with physical, mental and emotional health.
  - Robert D. Dietz, “The Social Consequences of Homeownership,” June 18, 2003, p.2, 4
- Children of homeowners are likely to perform higher on academic achievement test and are more likely to finish high school. They also have fewer behavioral problems in school and are less likely to become pregnant as teenagers.
  - Robert D. Dietz, “The Social Consequences of Homeownership,” June 18, 2003, p.2, 4
- About 6 in 10 homeowners wish they understood the terms and details of their mortgage better.
  - Freddie Mac/Roper poll of 2,031 U.S. homeowners, conducted 2005.
- More than 6 in 10 homeowners delinquent in their mortgage payments are not aware of services that mortgage lenders can offer to a person having trouble with their mortgage.
  - Freddie Mac/Roper poll of 2,031 U.S. homeowners, conducted 2005.
- Homeowners fail to contact their lender because they are embarrassed, don’t believe the lender can help, and/or believe it would cause them to lose their home more quickly.
  - Freddie Mac/Roper poll of 2,031 U.S. homeowners, conducted 2005.
- If home foreclosure were likely for you, what best describes how you would feel?
  - 38 percent Scared
  - 35 percent Depressed
  - 9 percent Angry
  - 8 percent Embarrassed
  - 9 percent None of these
  - Harris Interactive poll of 1,334 U.S. homeowners, conducted October 5-7, 2005.

## Foreclosure Causes

- Many homeowners already are at the financial edge:
  - 16 percent have problems paying taxes, utilities or property insurance
  - 12 percent have high-cost auto or consumer loans
  - 10 percent have problems with overspending - average American household carries \$8,000 in revolving credit card debt; \$18,600 in consumer debt (not including mortgages)
  - 43 percent of American households spend more than they earn each year
    - Homeownership Preservation Foundation data of 60,000 homeowners



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- Tipping points that put these people over the edge:
  - 32 percent have experienced a job loss
  - 25 percent have experienced a health crisis
  - 10 percent have a physical disability
  - 10 percent have experienced a death in the family
  - 85 percent have already missed one mortgage payment
  - 50 percent have already missed two payments, most have no savings, no available credit and their extended families have limited resources, any loans tend to be for a first-time purchase, and most loans are less than three years old
- For many, they may already have refinanced two or three times already
  - Homeownership Preservation Foundation data of 60,000 homeowners
- 52 percent of employees live paycheck-to-paycheck.
  - The MetLife Study of Employee Benefit Trends: Findings from the 2003 National Survey of Employers and Employees, November 2003.
- Nearly 42 percent of all American households did not have enough in liquid financial assets to support itself for at least three months.
  - Asena Caner and Edward N. Wolff, “Asset Poverty in the United States: Its Persistence in an Expansionary Economy,” Levy Economics Institute of Bard College, 2004.
- 46 percent of American households had less than \$5,000 in liquid assets, including IRAs.
  - Asena Caner and Edward N. Wolff, “Asset Poverty in the United States: Its Persistence in an Expansionary Economy,” Levy Economics Institute of Bard College, 2004.

### Lenders and Foreclosure

- Lender cost of foreclosure: \$58,759
  - Craig Focardi, CMB, Research Director, TowerGroup’s consumer lending division, cited by Dona Dezube, “Heroic Homeownership,” Mortgage Banking, (June 2006) p. 82.
- Low- and moderate-income borrowers who enter a repayment plan have a 68 percent reduction in the likelihood of home loss.
  - Dona Dezube, “Heroic Homeownership,” Mortgage Banking, (June 2006) p. 82.

### Cities and Foreclosure

- The average cost of a foreclosure to a municipality is \$14,533.20, but a municipal government may lose up to \$33,000 on foreclosure of typical single-family house
  - William C. Apgar and Mark Duda, “Collateral Damage: The Municipal Impact of Today’s Mortgage Foreclosure Boom,” May 11, 2005, p. 4.
- Property values drop significantly on homes neighboring a foreclosed house
  - William C. Apgar and Mark Duda, “Collateral Damage: The Municipal Impact of Today’s Mortgage Foreclosure Boom,” May 11, 2005, p. 4.



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- Political activity (voting, civic participation) is higher among homeowners than renters. High level of neighborhood homeownership enhances property values.
  - Robert D. Dietz, "The Social Consequences of Homeownership," June 18, 2003, p.2, 4

### **Rising Foreclosure Rates**

- There were more new foreclosures reported in every quarter in 2005. "Overall U.S. foreclosure numbers climbed steadily over the course of the year, with more new foreclosures reported in every quarter," said James J. Saccacio, chief executive officer of RealtyTrac. "This trend appears to be moving the real estate foreclosure market back to its historic levels."
  - RealtyTrac U.S. Foreclosure Market Report, "National Foreclosures Increase In Every Quarter of 2005"

CONTACT Neighborhood Housing Services Silicon Valley to speak with a HomeOwnership Counselor TODAY!  
(408) 279-2600