

Why the Mortgage and Foreclosure Crisis is a Women's Issue

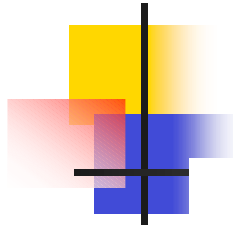


**18th Annual Women's Assembly
November 12, 2008**

Karen E. Brown

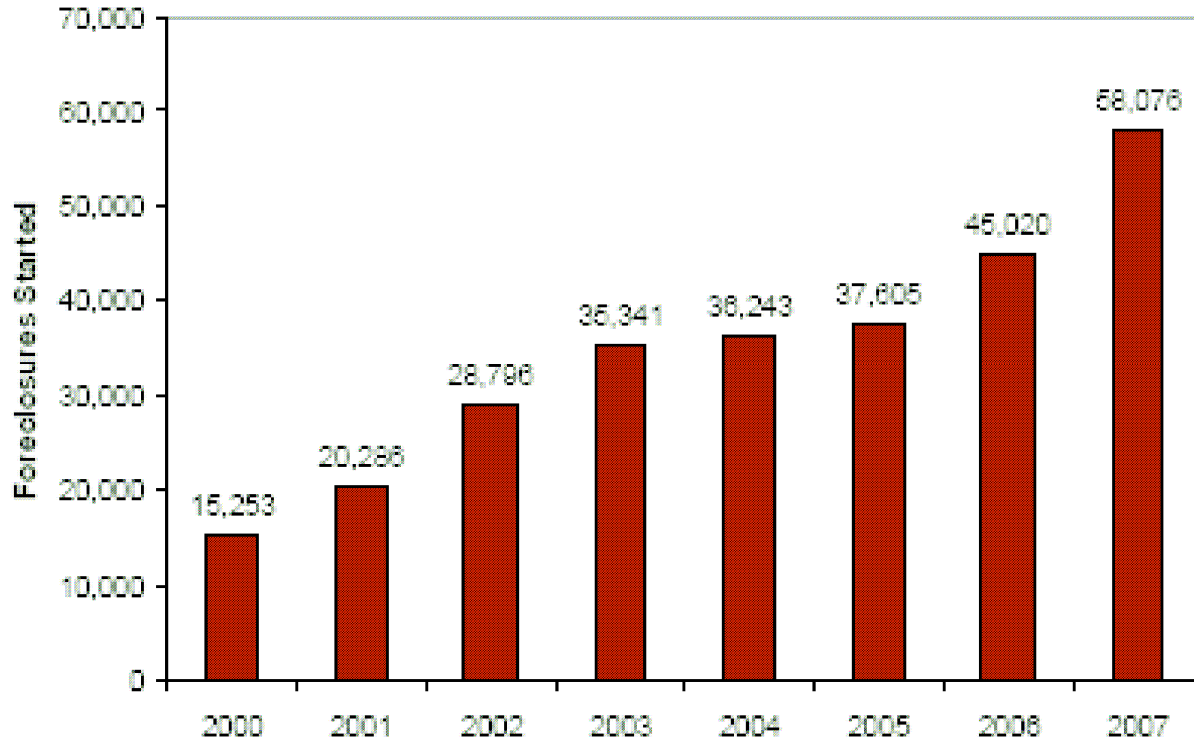
Sarah E. Bolling

**Home Defense Program
Atlanta Legal Aid Society, Inc.**



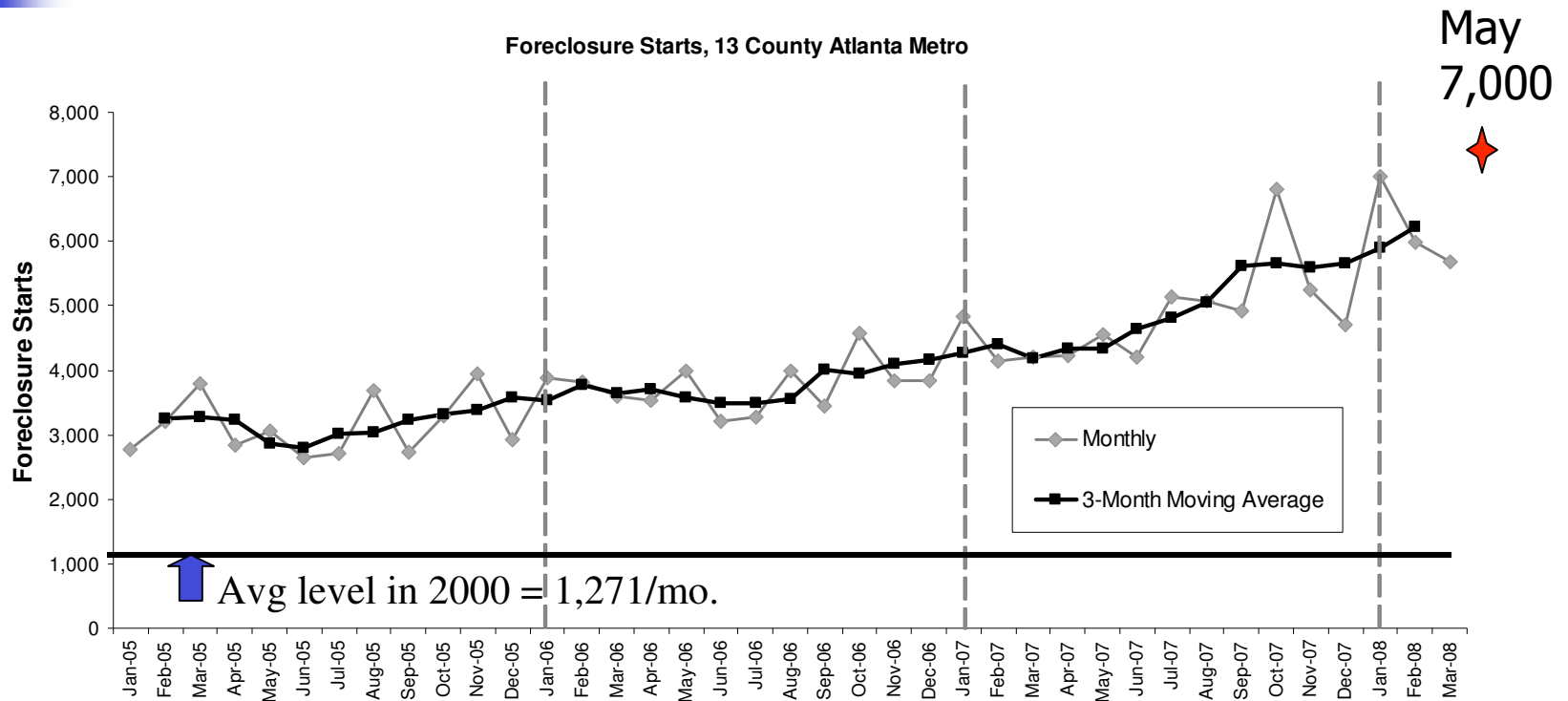
The Scope of the Crisis

Figure 1. Foreclosure Notices in the 13-county Atlanta Metropolitan Area



Source: EquityDepot.net, Atlanta Foreclosure Report; compiled from foreclosure notice advertisements, includes repeat notices on same borrowers.

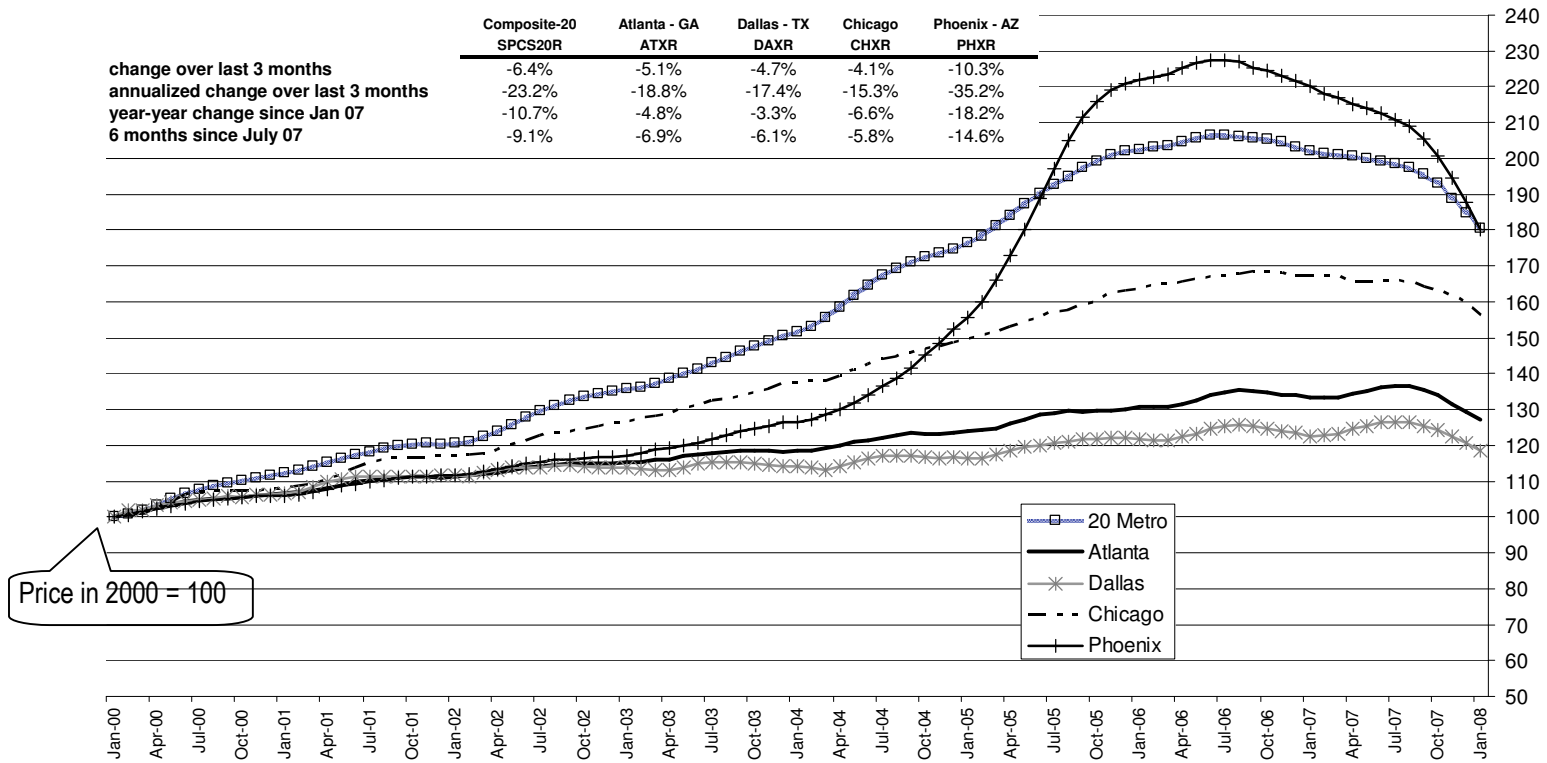
The Scope of the Crisis



Source: EquityDepot.net

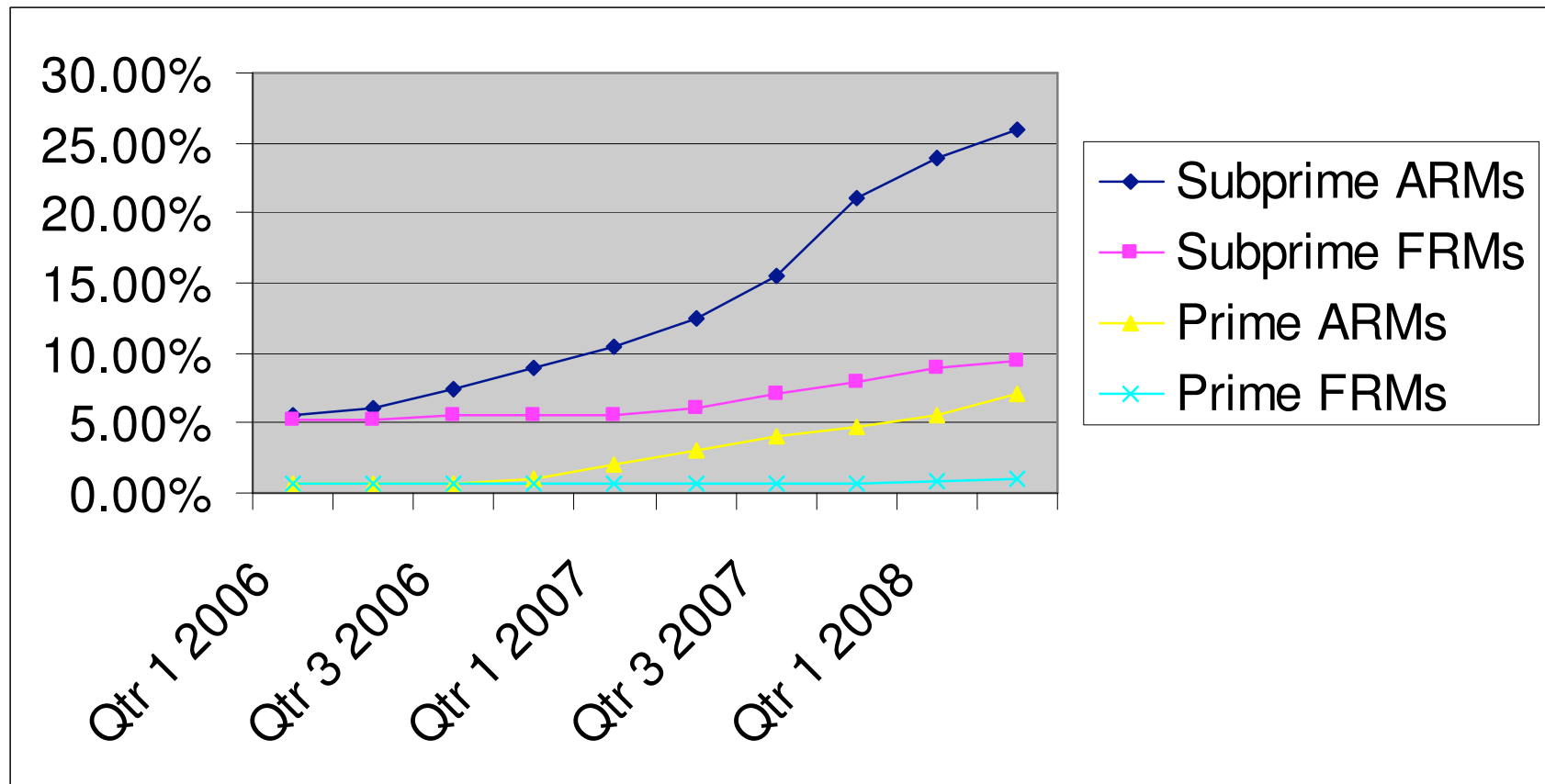
Decline in Home Values

Case-Shiller Home Price Index, Select Metros and 20-Metro Index



Source: S&P Case-Shiller House Price Index

All Loans "Seriously" Delinquent (90+ days)



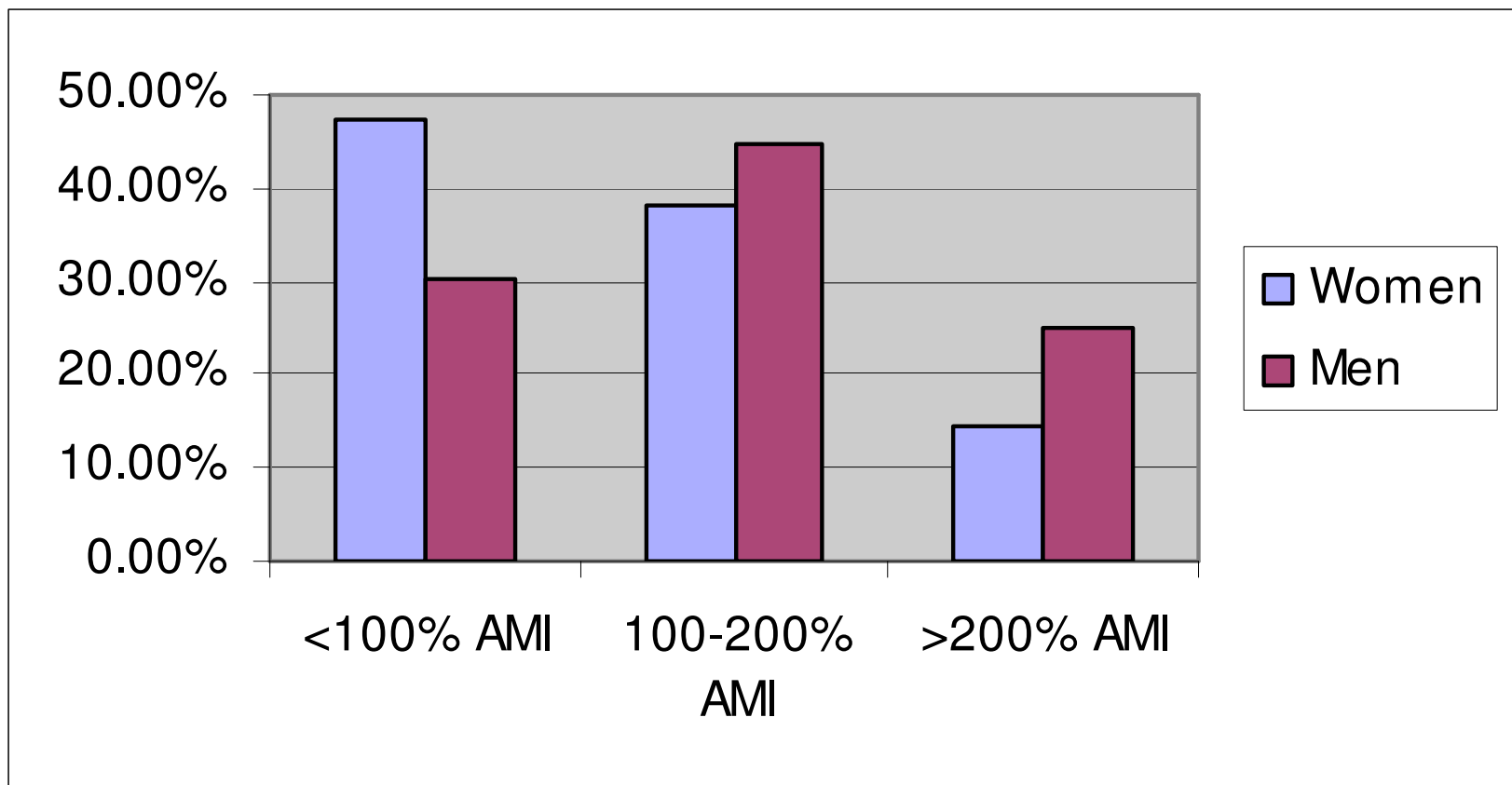
Source: MBA Delinquency Survey, 2006-2008, by Diane Thompson, NCLC



Impact of the Mortgage Crisis on Women

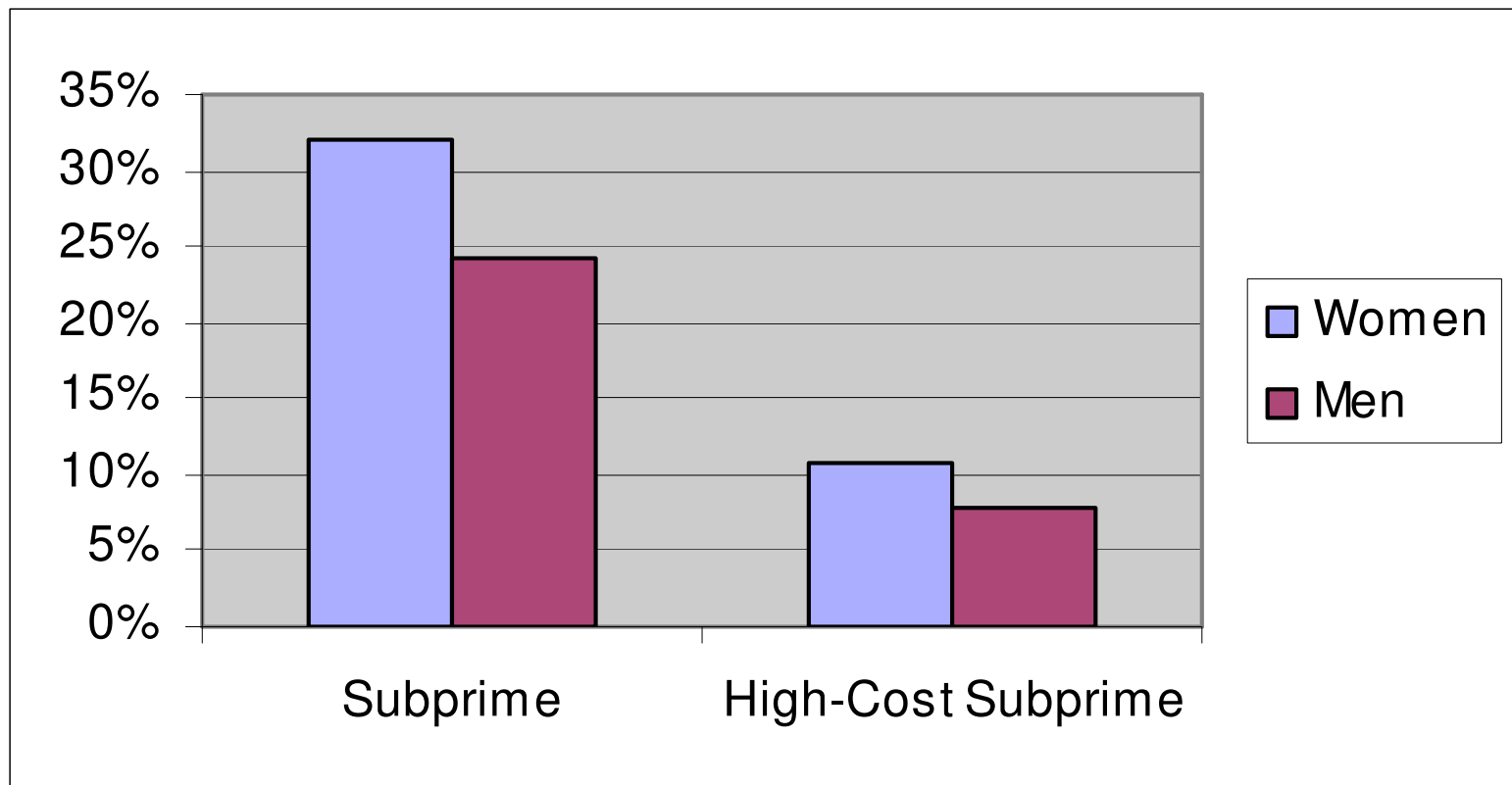
- Study by the Consumer Federation of America, “Women are Prime Targets for Subprime Lending: Women are Disproportionately Represented in High-Cost Mortgage Market,” December 2006
 - Study analyzed Home Mortgage Disclosure Act (HMDA) data
 - Subprime loans = 3% above the Treasury rate
 - High-cost loans = 5% above the Treasury rate
 - Study examined 4.5 million loans made in 2005 where the gender of the applicant was known

Borrower Distribution by Gender Share of Median Income (all loan types), 2005

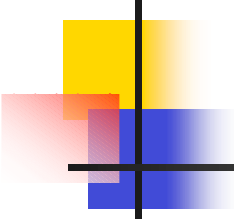


Source: Fishbein and Woodall, Women are Prime Targets for Subprime Lending: Women are Disproportionately Represented in High-Cost Mortgage Market, Consumer Federation of America, Dec. 2006, available at www.consumerfed.org.

Subprime Incidence by Gender 2005, All Loan Types



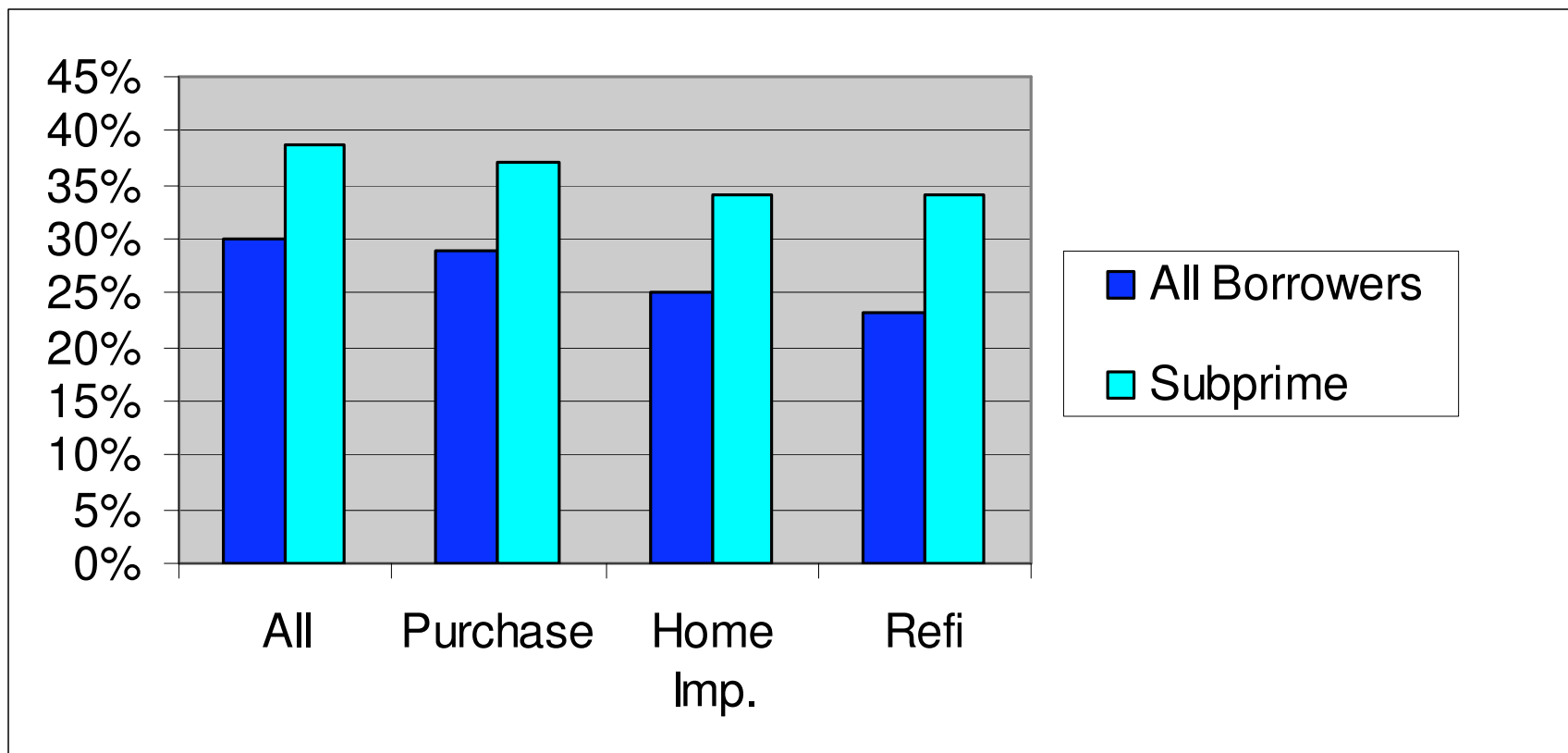
Source: Fishbein and Woodall, Women are Prime Targets for Subprime Lending: Women are Disproportionately Represented in High-Cost Mortgage Market, Consumer Federation of America, Dec. 2006, available at www.consumerfed.org.



Women are more likely to receive subprime and high-cost loans than men

- About 32% of women borrowers receive subprime loans compared to 24.2% of male borrowers, making women 32% more likely to receive subprime mortgages than men
- About 10.9% of women borrowers receive high-cost loans compared to about 7.7% of men, making women 41% more likely to receive a high-cost loan than men

Women's Share of All Borrowers and Subprime Borrowers, 2005



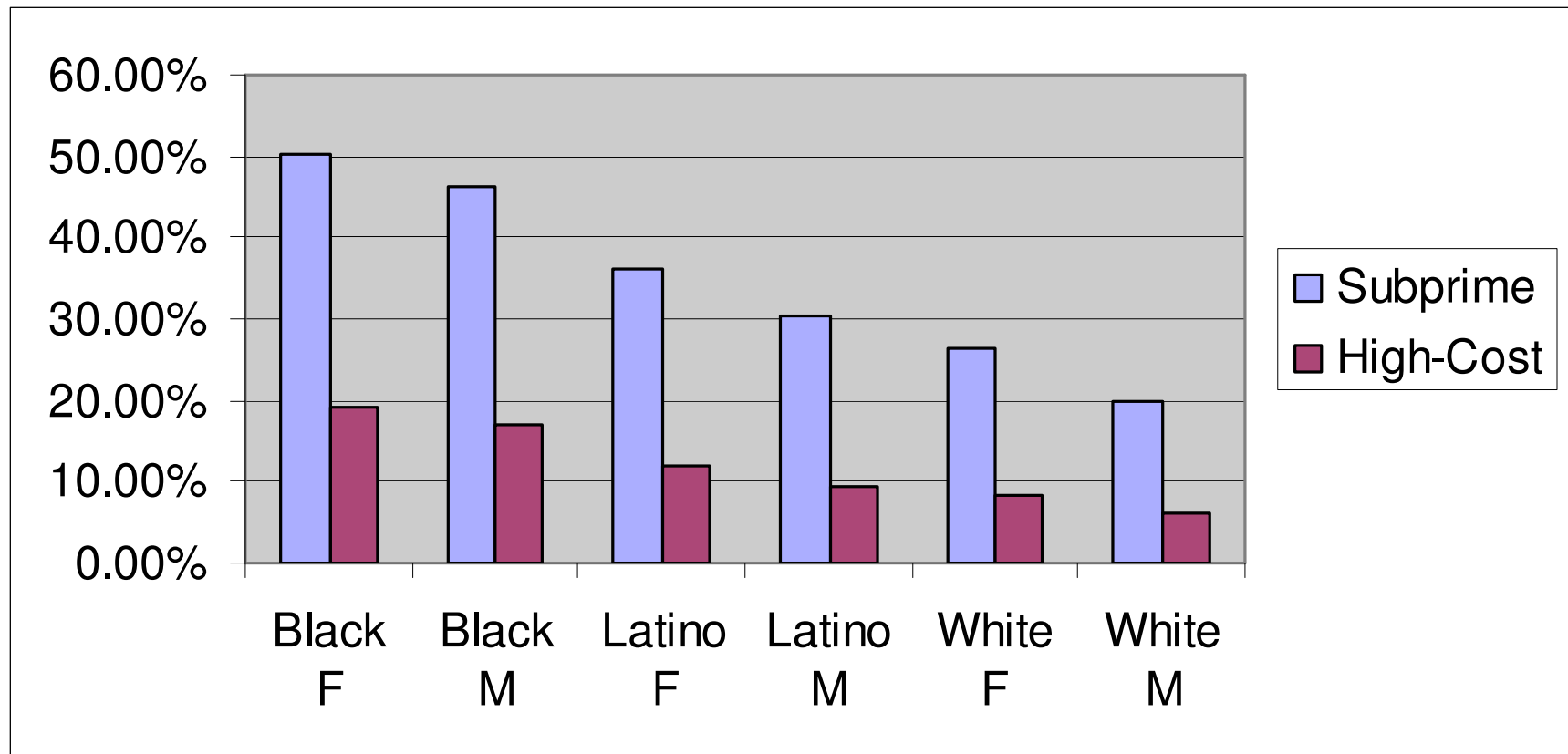
Source: Fishbein and Woodall, Women are Prime Targets for Subprime Lending: Women are Disproportionately Represented in High-Cost Mortgage Market, Consumer Federation of America, Dec. 2006, available at www.consumerfed.org.



Gender and Income: Refinance Loans

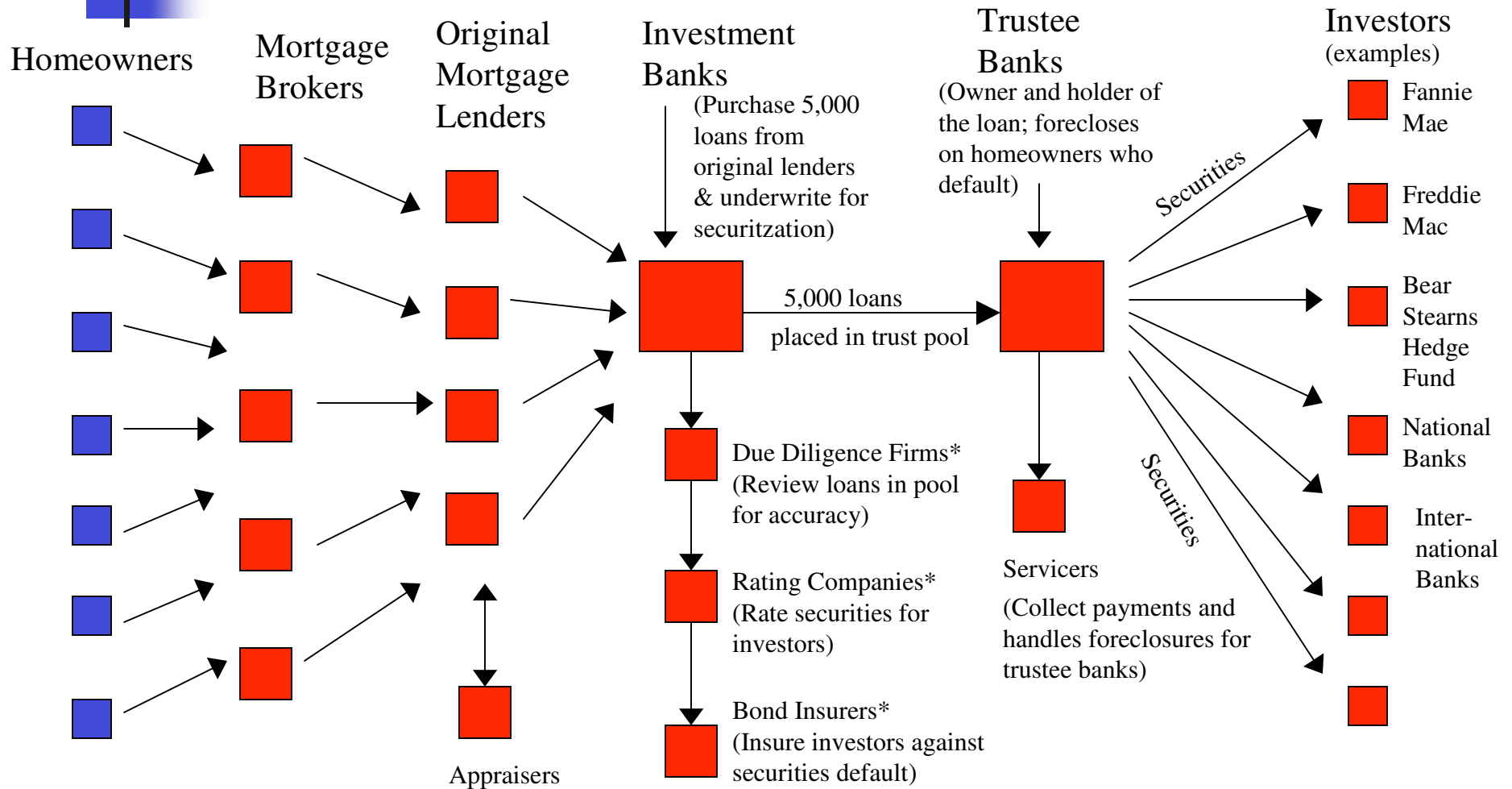
- Women earning below the median income are 10.7% more likely to receive subprime loans than men at the same income level
- Women earning between one and two times the median income are 28.9% more likely to receive subprime loans than men at the same income level
- Women earning over two times the median income are 54.3% more likely to receive subprime loans than men at the same income level

Gender and Race: Incidence of Subprime Refinance Loans

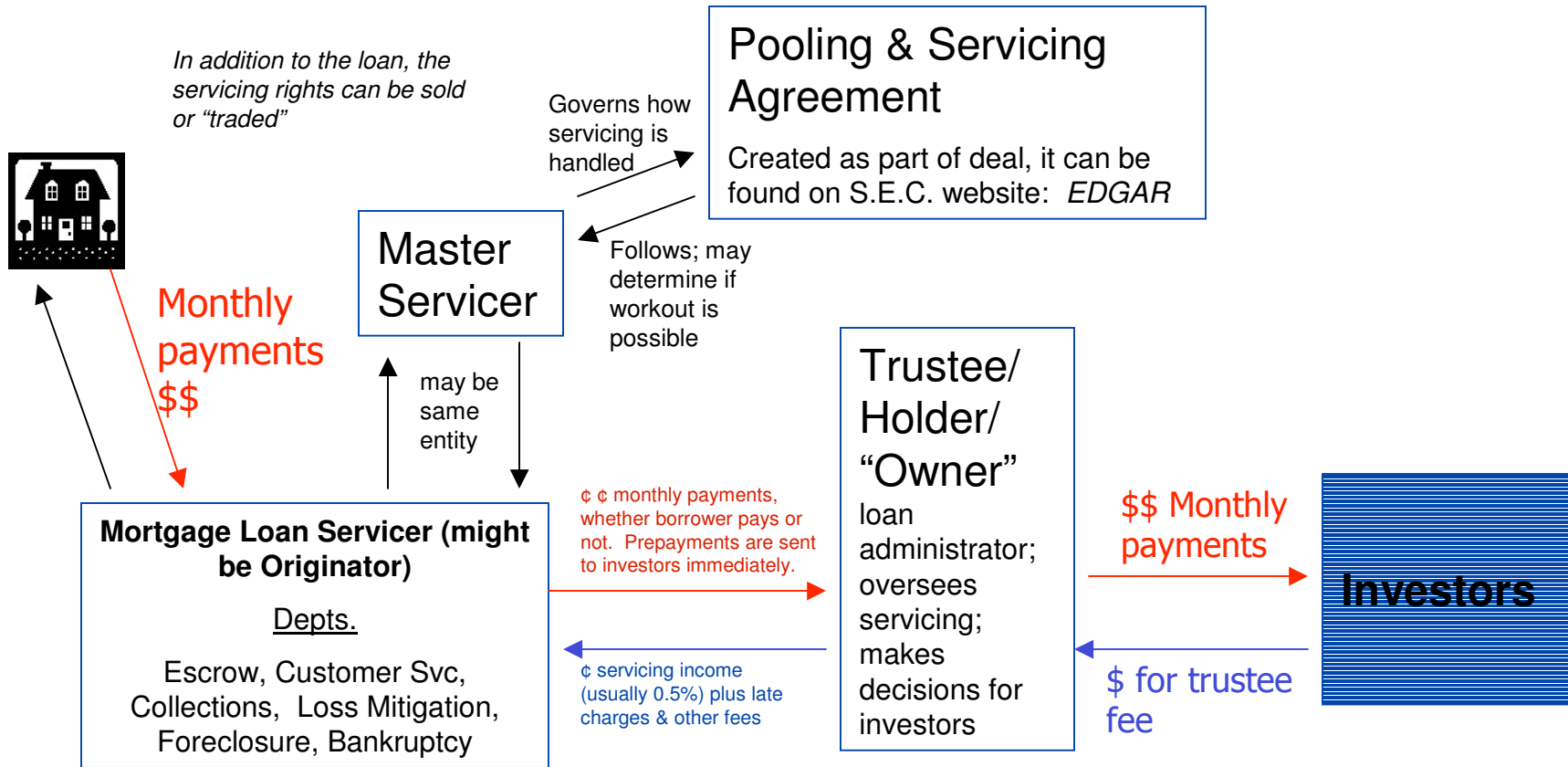


Source: Fishbein and Woodall, Women are Prime Targets for Subprime Lending: Women are Disproportionately Represented in High-Cost Mortgage Market, Consumer Federation of America, Dec. 2006, available at www.consumerfed.org.

The Securitization Structure



Servicing and Work Outs



Source: National Consumer Law Center



Foreclosure Deferments and Loan Modifications

- FDIC takeover of IndyMac Bank, initiative for loan modifications
- Countrywide – nationwide settlement with state AGs
- Recent announcements by JPMorgan Chase, CitiGroup
- HOPE NOW

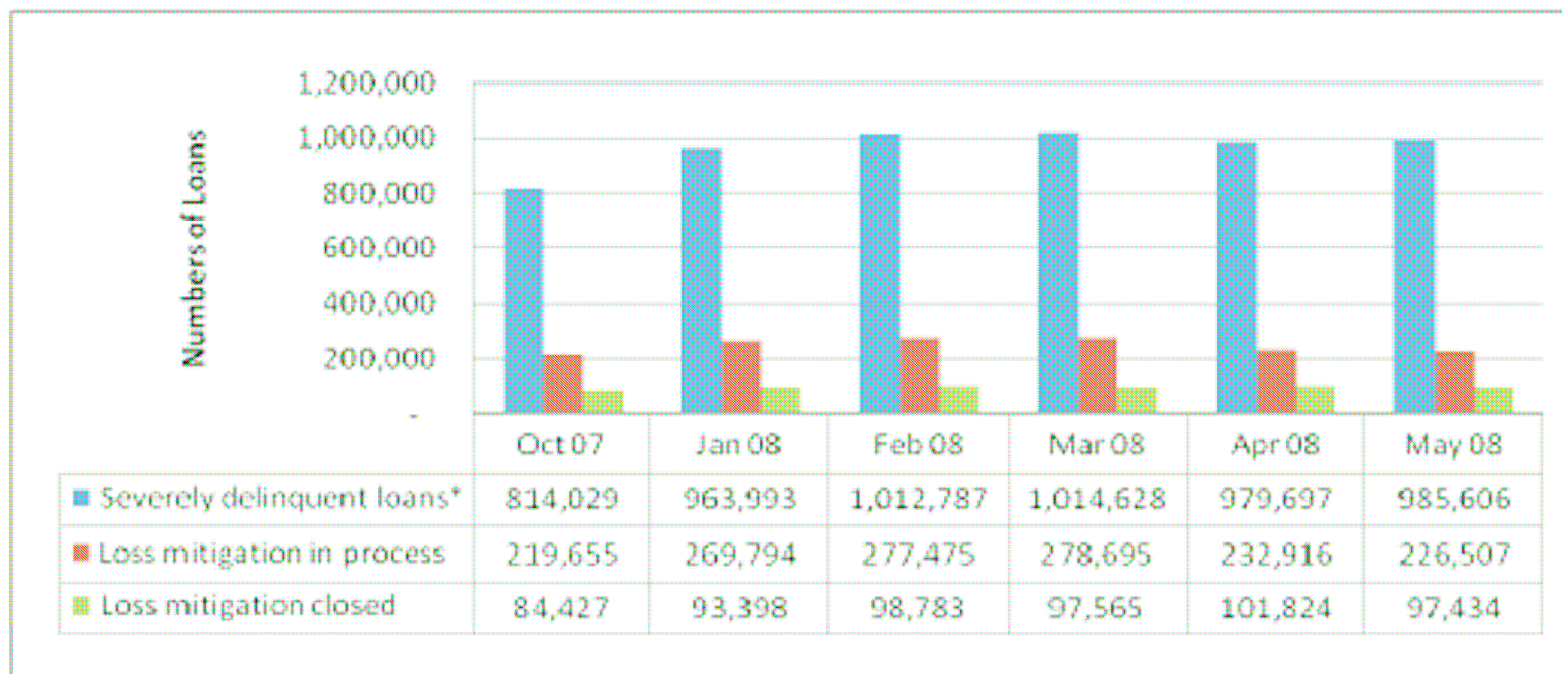


HOPE NOW claims...

- Who is involved: 26 servicers, 90% of subprime market, 70% of prime
- July 07 to July 08: nearly 1.7 million avoided foreclosure through loan workouts
- Servicers helped 170,000 in May 08 alone
- BUT...

Loss Mitigation Data from State Foreclosure Prevention Working Group

Figure 2. Comparison of Seriously Delinquent (60+ days) Loans and Loss Mitigation Efforts In-Process



*Note: The data on seriously delinquent loans has been adjusted downward to exclude data from two servicers who do not currently report loss mitigation in process.

Loss Mitigation Efforts as a % of Seriously Delinquent (60+ Days) Loans

Source: State Foreclosure Prevention Working Group

| <u>Loss Mitigation Efforts</u> | Oct. 07 | Jan. 08 | May 08 |
|---|---------|---------|--------|
| Total in process: borrower losing home | 3.74% | 3.9% | 5.77% |
| Total in process: home retention | 21.3% | 22.5% | 15.9% |
| Total in process: resolved by homeowner | 1.94% | 1.62% | 1.25% |
| Total proportion in loss mitigation | 27% | 28% | 23% |



State Foreclosure Prevention Working Group Findings

- Almost 8/10 seriously delinquent homeowners are not on track for any workout
- New efforts to prevent foreclosures are on the decline
- 1/5 loan mods in the past year are currently delinquent
- 38% of seriously delinquent loans were in foreclosure as of May 08



Federal Programs, Rules, and Legislation

- FHA Secure
- Mortgage Forgiveness Debt Relief Act
- Federal Reserve Rule under HOEPA
- Hope for Homeowners (HERA)
- Financial Bailout (EESA)



Georgia SB 531, Signed Into Law May 2008

- Notice letter must be sent 30 days before the scheduled foreclosure
- Notice letter must give the name, address, and telephone number of “the individual or entity who shall have full authority to negotiate, amend, and modify all terms of the mortgage with the debtor”
- If the foreclosing entity is not the one named in the original security deed, the assignment must be recorded prior to the foreclosure



Policy Ideas: Federal Level

- Allow bankruptcy judges to modify home mortgage loans
- Require reasonable loan modification efforts prior to foreclosure
- Immunity for servicers who do loan modifications, or an agreement for loss sharing
- Compensation for servicers who do loss mit
- Government buying whole loan pools
- Tax relief for homeowners (address “forgiveness of indebtedness” income)



Policy Ideas: State Level

- Substantive regulation of the lending industry: ability to pay, prepayment penalties, etc.
- Foreclosure process: allow homeowners to raise defenses in a quasi-judicial forum
- Renters' rights: allow 60 day notice period
- Foreclosure rescue scam protections
- Timely recording of foreclosure deed



Thank you.

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