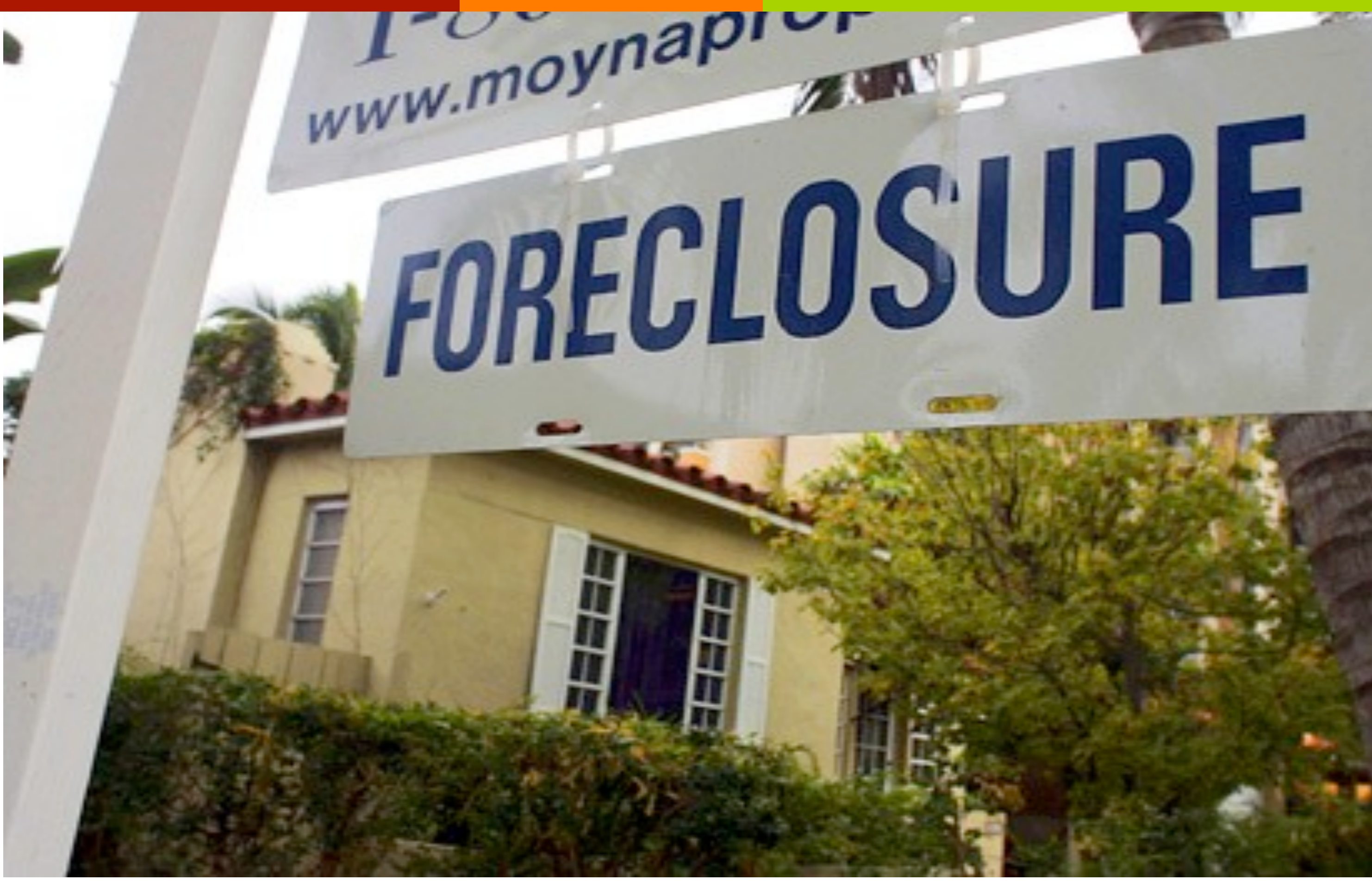
NATIONAL COMMUNITY REINVESTMENT COALITION

NCRC

HAMP

Mortgage Modification Survey 2010



The Home Affordable Modification Program (HAMP)

By redirecting $75 billion of Troubled Asset Relief Program (TARP) funding, HAMP provides subsidies to encourage servicers, lenders, and borrowers to achieve sustainable loan modifications. HAMP offers servicers $1,000 for each eligible modification and up to $1,000 each year, for up to three years, during which a borrower remains current on loan payments. Borrowers receive $1,000 each year, for up to five years, if they remain current on loan payments. HAMP offers additional subsidies to financial institutions that assist borrowers who, despite being current on their payments, are at risk of default, to modify second liens and protect against house price declines.

Through interest rate reductions, loan term extensions, and last-resort principal forbearances or deferments, a borrower's mortgage payment can be reduced to 31 percent of his or her monthly income.1 HAMP offers borrowers a trial modification for three months. If the borrower remains current on payments during this period, the borrower is eligible for a permanent modification.

[1] The "waterfall" process in the HAMP program takes the servicer or lender through a series of steps for making the loan affordable. Principal reduction is one of the last steps listed.

Survey Limitations

The NCRC HAMP Mortgage Modification Survey of 2010 was not administered to a nationally representative sample of distressed homeowners. Over representation of homeowners in areas where housing counseling agencies are located is observed. While this survey can provide valuable insight as to the effectiveness of the Home Affordable Modification Program and the experiences of homeowners throughout the modification process, efforts to draw a more nationally representative sample in terms the geographical and socioeconomic distribution of distressed homeowners should be made in future surveys.

Identifying the type of loan can provide useful information to the foreclosure problem and the mortgage modification process. It is thus important to correctly identify the different types of mortgages in any continuation of this survey.

The NCRC HAMP Mortgage Modification Survey is one of the first concerted efforts to both understand the effectiveness of the Home Affordable Modification Program and to document the experiences of homeowners throughout the modification process.

Overview

Within two weeks of taking office, the Obama administration announced the Making Home Affordable Program as part of a comprehensive strategy to stabilize the U.S. housing market. This public-private partnership combines the Home Affordable Refinance Program ("HARP") and the Home Affordable Modification Program ("HAMP") in an effort to increase the number of sustainable mortgage modifications.

The HARP program aims to assist an estimated 4 to 5 million homeowners by expanding refinancing opportunities to borrowers who currently have loans held by Fannie Mae and Freddie Mac. The HAMP program is designed to assist another 3 to 4 million distressed homeowners by providing public and private sector subsidies to homeowners and lenders in exchange for a reduction in monthly mortgage payments.

To reach its goal of assisting 3 to 4 million borrowers by 2012, the HAMP program must successfully complete 270,000 modifications each quarter or about 1.09 million each year. Today, after almost a year of its launching, the HAMP program has fallen short of this goal. While it has offered homeowners almost 1.35 million trial modifications, only 170,207 or 12.5 percent, have been converted into permanent modifications.[1] The HARP program has also fallen short of its goals. Currently, the HARP program has assisted 200,000 borrowers refinance into lower cost loans.[2] While a considerable improvement over the industry-led Hope Now Alliance program created under President Bush, the Obama Administration's HAMP and HARP programs are not keeping pace with foreclosures. This is due to several institutional and structural challenges detailed in NCRC testimony submitted to Congress for a March 25th hearing of House Committee on Oversight and Government Reform.

The National Community Reinvestment Coalition (NCRC) conducted a survey of distressed homeowners seeking assistance from NCRC's Housing Counseling Network (HCN). The Housing Counseling Network is a national network of housing counseling and fair housing agencies across the nation. The survey included both HAMP eligible and non-eligible borrowers. Surveys were distributed to 76 organizations in 45 cities. At the time of publication, 29 organizations responded (see Appendix Table 1). Over a period of two months, 179 homeowners responded to the survey.

Objectives of the Survey

The NCRC HAMP Mortgage Modification Survey provides critical insight into the Obama Administration's Home Affordable Modification Program. Specifically, this survey addresses:

- Performance and programmatic issues;
- Issues of fairness and equity;
- The importance and effectiveness of U.S. Department of Housing and Urban Development certified counselors in the implementation of the program;
- Consumer opinions of and experiences with the mortgage modification program; and
- Pragmatic recommendations to further improve upon the program.

Main Findings

The main findings of the NCRC HAMP Mortgage Modification Survey include:

(1) Loan servicers foreclose upon delinquent Black or African-American borrowers more quickly than delinquent White or Hispanic borrowers. This indicates a need for fair lending investigations of HAMP program and participating servicers.

(2) White HAMP-eligible borrowers are almost 50% more likely to receive a modification than African-American HAMP-eligible borrowers. Only 24.3 percent of African-American respondents and 32.3 percent of Hispanic or Latino respondents received some kind of modification. In contrast, 36.4 percent of HAMP-eligible whites received a modification. These findings suggest the need to address barriers impeding eligibility and equitable access.

(3) Almost half of the respondents were over 50. This population was most likely counting on home equity as a source of income for their retirement. Congress needs to ensure that the foreclosure crisis does not imperil the retirement security of a particularly vulnerable section of Americans.

(4) There are more employment-related foreclosures and delinquencies than foreclosures and delinquencies resulting from problematic loans. While 76.5 percent of respondents identified job loss or reduction of work hours as why they were unable to keep up with mortgage payments, 33.5 percent reported problematic loans as the reason for their distressed status.[3]

(5) Only 68.2 percent of the distressed homeowners were eligible for a HAMP modification. Although the Obama administration has held that the HAMP program was not designed to assist all distressed homeowners, a significant proportion of homeowners surveyed (almost 20 percent) did not qualify. [4] The Administration should review the eligibility criteria to determine whether a change is needed to assist genuinely distressed homeowners.

(6) Less than half of HAMP-eligible applicants in the survey received a modification. Program history also shows that a vast majority of these modifications were temporary and only 12.6 percent of these were converted into permanent modifications.[5] More needs to be done to determine why denial rates are high and trial modifications are not being converted into permanent modifications on a meaningful level.

(7) Homeowners with foreclosures pending were less likely to receive a modification than those still current on their mortgage payments. Half of the survey respondents with foreclosures pending did not receive a modification compared to 25 percent of borrowers that were current on their mortgage. About 44 percent of borrowers that were delinquent but not yet in the foreclosure process did not receive a modification. In order to maximize chances that the modification is approved, HAMP and other programs must intervene before a distressed borrower becomes delinquent and before the foreclosure process begins.

(8) Survey respondents that were not eligible for HAMP were slightly more likely to receive modifications than respondents that were HAMP-eligible. About 38 percent of respondents not eligible for HAMP received modifications compared to 31 percent of HAMP-eligible respondents. This does not mean that non-HAMP borrowers received superior modifications; in fact, the survey suggests that payment reductions were roughly equal for HAMP and non-HAMP borrowers. Yet, this finding does suggest the need for the Treasury Department to take steps to improve HAMP modification acceptance rates and deepen payment reductions.

(9) The majority of the modifications involved an interest rate reduction. Principal reductions were scarce. HAMP needs to significantly increase principal modifications, particularly in parts of the country where large numbers of homeowners owe more than their homes are worth.

(10) Thirty five percent of respondents with one mortgage were approved for a modification compared to only 16 percent of those with two or more mortgages. The HAMP program must significantly increase its capacity to serve borrowers with second liens.

HAMP Survey 2010 Findings

Today, after almost a year of its launching, the HAMP program has fallen short of this goal. While it has offered homeowners almost 1.35 million trial modifications, only 170,207 or 12.5 percent, have been converted into permanent modifications.

Table 1. Survey Population Breakdown by Race and Ethnicity

Race	Frequency	Percent
White	66	36.87
Black or African American	53	29.61
Hispanic or Latino	47	26.26
Asian	6	3.35
Other Race	4	2.23
Not provided	3	1.68
Total	**179**	**100.00**

Source: NCRC Home Affordable Modification Program Survey 2010

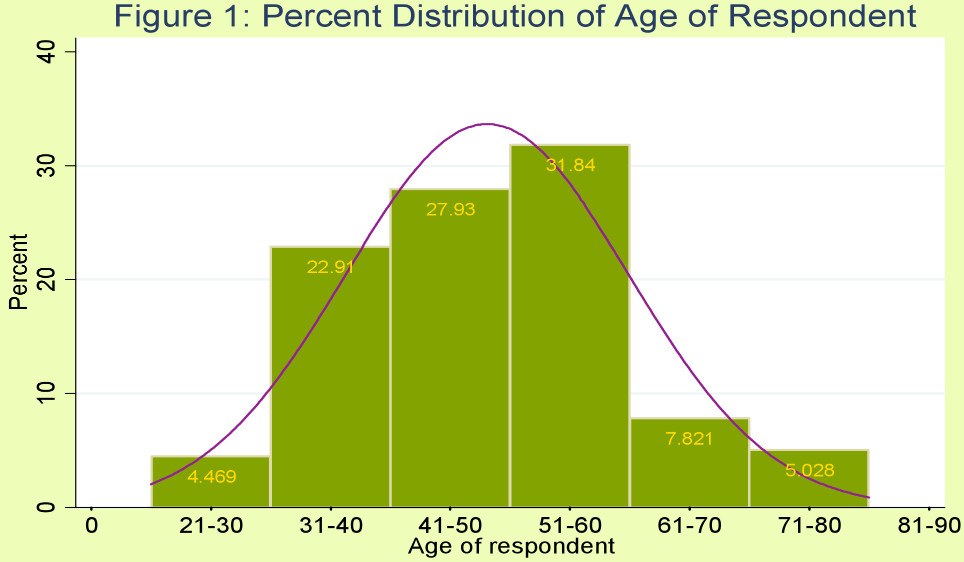
Organization of the Survey

The NCRC HAMP Mortgage Modification Survey included questions about background characteristics of the respondent, property purchase price and time of purchase, characteristics of the mortgage, eligibility to HAMP program, and type of modification received. The survey also gathers information about the current status of the mortgage and reasons for delinquency. The last section examines the homeowners experience completing the modification process.

In the survey, respondents were asked to indicate if their loan was problematic and if one or more of these terms and situations occurred with their loan: borrower income was not documented and verified; loan terms and conditions were not adequately explained; interest rates rapidly increased; or the loan had a higher interest rate when the borrower could have qualified for a lower rate.

The survey was administered to homeowners seeking assistance from the Housing Counseling Network (HCN), NCRC's consumer counseling division. HCN provides comprehensive counseling services, including foreclosure prevention and intervention, loss mitigation, full file review, homebuyer education, and financial literacy. As such, HCN has a large geographical footprint providing counseling to over 10,000 household a year.

Figure 1: Percent Distribution of Age of Respondent



Source: NCRC HAMP Survey 2010

Population Characteristics

In NCRC's survey almost half of the survey respondents were middle-aged or elderly, most were minorities, more than half were female, and the majority of respondents fell into the $21,000 to $50,000 income range.

A majority of the survey respondents are between 30 to 60 years of age (see Figure 1). Respondents between the ages of 51 and 60 years old form the largest age group, representing almost one-third of survey respondents. Another 12.8 percent of respondents are between 61 to 80 years of age. Thus, nearly 45 percent of respondents are either in or approaching retirement or are elderly. This is especially troubling as these

For all survey respondents, the mean purchase price was $154,838. The majority of homes surveyed were purchased between 2003 and 2008.

borrowers are less likely to have an assured income source over the life of the mortgage. Later, we further explore the reasons why this age group struggles to stay current on their mortgage payments. Female respondents outnumber male respondents by 54.8 percent to 41.9 percent respectively. A few (3.35 percent) did not reveal their gender.

The geographic representation of the survey sample is fairly widespread. States with the largest representation in this survey include Michigan, Arizona, New Hampshire, Washington, Maryland, New Mexico, Massachusetts, and California. Because the survey was distributed throughout NCRC's Housing Counseling Network, the geographical distribution of participants largely follows the geographical distribution of these Housing Counseling Agencies (see Appendix Table 1).

Minorities are well represented within the survey population. African Americans represented 29.9 percent of survey respondents, while 26.6 percent of the survey population was Hispanic or Latino and 37.3 percent of respondent was white (see Table 1 top left).

The majority of respondents (51.4 percent) fall within the $20,000-$50,000 income bracket. In addition, 16.8 percent of the survey respondents have an income between $10,000 and $20,000, 12.3 percent of the respondents have an income between $50,000 and $75,000, and 9 percent had incomes between $75,000 and $150,000 (see below for the additional categories including very low-income and missing income data).

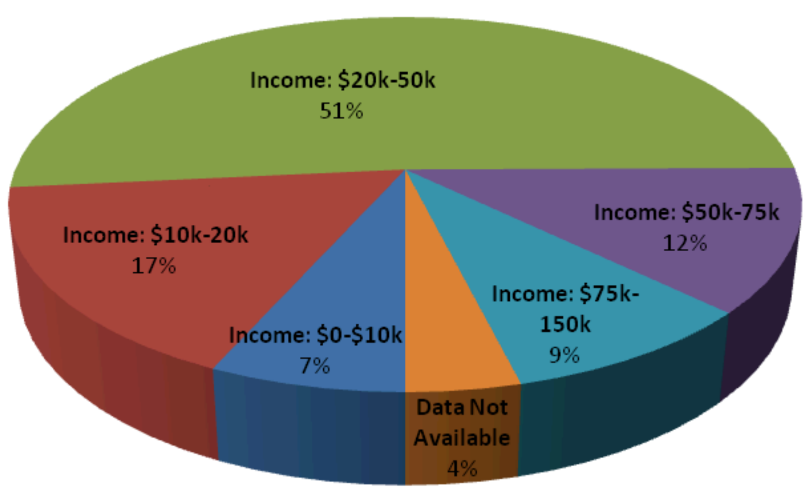
A more detailed examination of income by race and ethnicity shows the average income for white respondents is $37,423, $44,509 for African Americans, $37,151 for Hispanics, and $65,416 for Asian respondents. Because whites in the US population generally earn more than African Americans,[6] the fact that African-American respondents in our survey had on average higher income than white respondents might suggest that African-American borrowers have received more problematic loans in spite of their income.

About half (or 53 percent) of the respondents were employed at the time the survey was taken, while 23.5 percent were unemployed and another 23.5 percent did not reveal their employment status. As discussed in subsequent sections, the lack of employment, or the reduction of hours worked, appear to be major factors contributing to struggling homeowners' inability to keep their home.

The majority of respondents (over 75 percent) had only one mortgage and just under a quarter (24.6 percent) held two or more mortgages. More than half (or 55.5 percent) of the respondents did not refinance their home mortgage, while 26 percent refinanced once, 10.4 percent refinanced twice, and 8.1 percent refinanced their mortgage three times.

Nearly 66 percent of the respondents reported being first-time homebuyers compared to over 18 percent of the survey population for whom this was not their first home. The mean price of a home was $144,646 for first-time homebuyers and $195,161 for respondents who were purchasing their second or third home. For all survey respondents, the mean purchase price was $154,838. The majority of homes surveyed were purchased between 2003 and 2008.[7]

Figure 3: Distribution of Respondents by Income



Source: NCRC Home Affordable Modification Program 2010

Currently, there have been no major studies that provide insight into how quickly lenders and servicers move their delinquent borrowers through the foreclosure process and whether the speed of this process differs by race.

Among the lenders most frequently represented in the survey were: Bank of America, which held 14 percent of the respondents' mortgages; CitiGroup and Wells Fargo, each holding 8.5 percent of the respondents' mortgages; JP Morgan Chase with 7 percent of the surveyed mortgages; and Countrywide, representing 5.7 of the surveyed mortgages. (A full list of providers is provided in the Appendix Table 2).

Fifty-plus Aged Homeowners

All 50-plus year old borrowers were seeking assistance on their primary (owner-occupied) residence. Almost 44 percent of this group of respondents was White non-Hispanic homeowners. The two major minority groups, African-Americans and Hispanics or Latinos, each represented 26 percent. The remaining 3.7 percent was from other races. More than half (or 57.5 percent) of these respondents were first-time homebuyers. The median year of purchase of the home was in 2000, with purchase years ranging from 1970 to 2008. In addition, more than 75 percent of this group of respondents purchased their home prior to 2005. Further, only 54 percent of the 50-plus year olds reported having refinanced their mortgage at least once. With non-respondents at 5 percent, more than 41 percent of borrowers reported that they still held the original mortgage.

NCRC was interested in seeing if most of the 50 year old and older homeowners had been long time homeowners with considerable equity on their mortgages. Our survey surprisingly shows that most of these respondents were first-time homebuyers with less than 10 years or less in the home. Yet, a significant amount of distressed homeowners in the survey were 50 years and older, suggesting that a primary source of wealth for their retirements (ie. home equity) is imperiled.

Status of the Mortgage

The homeowners who were seeking assistance ranged from being current on their mortgage to already having had a foreclosure or bankruptcy judgment. The majority of respondents (78.65 percent) were delinquent or facing foreclosure filings, while 22.35 percent of the respondents were still current on their mortgages (see Table 2). Delinquency is not a requirement for eligibility for the HAMP program. Instead, the program encourages participation of homeowners who are at the risk of imminent default. This may have encouraged the 22 percent of surveyed homeowners to seek modifications prior to falling behind.

Table 2: Breakdown of Status of Mortgage

Mortgage Status	Frequency	Percent
Current	40	22.35
Not Current		
Past due	87	48.60
Foreclosure pending	38	21.23
Foreclosure judgment	10	5.59
Bankruptcy pending	3	1.68
Bankruptcy judgment	1	0.56
Total	**179**	**100.00**

Source: NCRC Home Affordable Modification Program Survey 2010

Any respondent who was not current on his or her mortgage was asked to further report if they had a foreclosure or bankruptcy filing. About 27 percent of all respondents (or 34.5 percent of the 139 who were not current) had a foreclosure filing or a judgment on their mortgage. Only four respondents (2.24 percent) had a bankruptcy filing or judgment.

Respondents who were not current on their mortgages ranged from being 1 to 26 months delinquent on payments, with 50 percent of them being 4 or fewer months behind. More than 50 percent of the homeowners with foreclosure proceedings underway were only 2 or 3 months behind on their mortgage. Furthermore, almost three-quarters of homeowners with foreclosure proceedings have been delinquent for only 6 months or fewer.

Possible Racial Disparities

Currently, there have been no major studies that provide insight into how quickly lenders and servicers move their delinquent borrowers through the foreclosure process and whether the speed of this process differs by race. Though not nationally representative, NCRC's survey provides a first glimpse of possible racial disparities in the speed of the foreclosure process.

The data, as shown in Table 3, suggests worrisome differences by race. A total of 28 homeowners with a foreclosure filing or judgment also reported the number of months their mortgage was past-due; 10 were white non-Hispanic, 10 were Black or African-American, and 6 were

The current market is experiencing a second wave of employment-related foreclosures as unemployment rates have risen to levels not seen in decades.

Hispanic or Latino. Three quarters (or 75 percent) of African Americans found themselves in a foreclosure process after being delinquent on their mortgages for only 4 months or fewer. In comparison, 75 percent of white borrowers found themselves in a foreclosure after being delinquent for 7 months or fewer. And more than 75 percent of Hispanic or Latino borrowers found themselves in a foreclosure after being delinquent on their mortgage for 10 months or fewer.

Assuming that there are no differences in the timing of seeking assistance, this suggests that lenders and servicers push delinquent Black or African-American borrowers into the foreclosure process much sooner than borrowers from other racial and ethnic groups. Our initial tests find this difference is statistically significant.[8] This question certainly requires further exploration in order to provide conclusive evidence as to if and why African-American borrowers are entering the foreclosure process sooner than their white counterparts.

Reasons for Delinquency/Foreclosure

All but six respondents reported to be struggling to stay current on their mortgages. Respondents sometimes cited more than one reason for struggling with their monthly mortgage payments. The most commonly cited reasons were job loss or reduction of earnings and problematic loans. Employment-related reasons were cited by an overwhelming majority (or 76.5 percent) of the respondents. About 33.5 percent of the surveyed respondents identified holding a problematic loan as the reason why they experienced trouble repaying their mortgage (see Table 4). This finding is consistent with the current housing market and economic situation. Namely, problematic subprime loans contributed to the first wave of foreclosures. The current market is experiencing a second wave of employment-related foreclosures as unemployment rates have risen to levels not seen in decades. Millions of workers have lost their jobs or had to cope with reduced work hours, and are now struggling to stay current on their mortgage payments.

Additional reasons for delinquency and subsequent foreclosure, such as unforeseen medical expenses, divorce, separation, or death of family member, were also reported in this survey. Of all respondents, 14.5 percent pointed to unexpected medical expenses, of self or other family member, as reasons for struggling to repay their mortgage. A total of 7.8 percent had experienced a separation, divorce, or death of the head of household, and 12.8 percent cited other reasons for struggling with mortgage payments including an increased cost of living and household expenses.[9]

Table 4 below provides a more detailed look at the specific employment-related causes cited as an obstacle to repaying one's mortgage. A number of respondents cited more than one employment-related reason: 44 percent reported a reduction in work hours; 39 percent reported the loss of a job; 5.6 percent experienced a decrease in self-employment earnings; and 5 percent reported the expiration of unemployment benefits.

In all, 60 respondents reported that a problematic loan was to blame for their difficulty repaying their mortgage. When asked to explain why the loan was problematic, half (50 percent) of the respondents reported that the loan terms and conditions were not adequately explained to them; 46.7 percent reported that the interest rate rose rapidly making them unable to pay their monthly payments; and 33.3 percent reported having received a higher starting interest rate when they could have qualified for a lower rate. More African-American borrowers reported holding a problematic loan than white or Hispanic borrowers. Out of all African Americans surveyed, 47.2 percent perceived their loan as problematic, whereas only 29.8 percent of Hispanic respondents and 25.8 percent of white respondents did so (Table 6).

This survey did not find any observable differences by age and gender among those survey respondents citing problematic loans as the reason for falling behind on mortgage payments (see Appendix Tables 3a and 3b).

Table 3. Number of Months Past-due for Homeowners with a Foreclosure Filing or Judgment by Race and Ethnicity

Race	Count	Minimum	50th Percentile	75th Percentile	Maximum
White	10	2	4.5	7	11
Black	10	3	3	4	8
Hispanic	6	3	6	10	26
Other Race	1	9	9	9	9
Not provided	1	4	4	4	4
Total	28	2	4	6.5	26

Source: NCRC Home Affordable Modification Program Survey 2010

Eligibility and Modifications

In order to be eligible for a loan modification through the HAMP program, borrowers have to meet all four of the following criteria: (i) the home must be the borrower's primary residence, (ii) the amount owed on the first mortgage cannot exceed $729,750, (iii) the current mortgage has to be acquired before January 1st, 2009, and (iv) the payment on the first mortgage has to exceed 31 percent of the borrower's gross income. A detailed examination of the surveyed population shows almost 99 percent of the respondents met the requirements of the first criterion (i.e. the mortgage being on the primary residence). In addition, about 94 percent of the respondents met the second and third criteria (i.e. the amount owed and the purchase date of their current mortgage). A number of respondents (almost 13 percent) did not respond to questions about eligibility for the fourth criteria. This may be a result of an inability to determine whether the payment owed on their first mortgage exceeded 31 percent of their income. Thus, HAMP eligibility could not be determined for nearly 13 percent of the survey respondents. A total of 68.2 percent of respondents met all eligibility criteria and were therefore eligible for modification through the HAMP program; 19 percent were not. This HAMP eligibility measure ignores the voluntary nature of lender participation.[10]

The majority of respondents did not get a modification through either HAMP or any other initiative. In fact, the percent of respondents who did not get any type of modification (40.5 percent) exceeded those who did obtain some sort of modification (30.2 percent). At the time the survey was conducted, another 20.1 percent of borrowers were awaiting a decision on a pending modification application.

Moreover, of those respondents who were HAMP-eligible (i.e. met all eligibility

Table 4. Reasons for Struggling With Loan Payments

Reasons for Delinquency	Number of Respondents	As a percent of Total
Employment Related	137	76.5
Job Loss	70	39.1
Reduction of Work Hours	80	44.7
Expiration of Unemployment Benefits	9	5.0
Decrease in Self Employment Earnings	10	5.6
Problematic Loan	60	33.5
Medical Expenses (self or family)	26	14.5
Separation, Divorce, or death of head of household	14	7.8
Other problems	23	12.8
Not Struggling	6	
Total	179	100.0

Table 5. Reasons Why the Loan Was Problematic

Reasons Why Loan Was Problematic	Count	Percent
Income Not Documented or Verified	4	6.7
Loan Terms Not Adequately Explained	30	50.0
Interest Rate Rapidly Increased	28	46.7
Borrower Could Qualify for Lower Interest Rate	20	33.3
Total	60	100.0

Table 6. Breakdown of Problematic Loans by Race

Problematic Loan	White	Black	Hispanic	Asian	Other	Missing	Total
No	74.2	52.8	70.2	66.7	50.0	100.0	66.5
Yes	25.8	47.2	29.8	33.3	50.0	0.0	33.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: The above categories are not mutually exclusive. Respondents cited more than one of the above as a reason for falling behind on their mortgage.

criteria), 48.4 percent did not get any type of modification. Only 31.2 percent did. The remaining 16.4 percent of HAMP-eligible respondents were still awaiting a decision on whether their loans would be modified (see Table 7).

Furthermore, despite the promotion of the government loan modification program, HAMP-eligible homeowners were slightly less likely to receive a loan modification than respondents who were not HAMP-eligible. Of the respondents who were not HAMP-eligible, 38 percent received a modification through some other program, while only 31 percent of those who were HAMP-eligible got their loans modified. Moreover, 29.4 percent of the respondents who were not HAMP-eligible did not receive a modification, compared to 48.4 percent of respondents who were HAMP-eligible (see Table 7 below).

A breakdown of HAMP-eligible respondents by race and ethnicity shows that only 24.3 percent of African-American respondents and 32.3 percent of Hispanic or Latino respondents received some kind of modification. In contrast, 36.4 percent of HAMP-eligible whites received a modification. While a notable number of modifications were still pending at the time of the survey, 56.8 percent of African-American respondents and 51.6 percent of Hispanic or Latino respondents did not get a modification, compared to 40.9 percent of white respondents (see Table 8).

Table 7. Loan Modifications by HAMP Eligibility

Modification:	No		Yes		Pending		Missing		Total	
HAMP Eligible	count	%	count	%	count	%	count	%	count	%
No	10	29.4	13	38.2	7	20.6	4	11.8	34	100
Yes	59	48.4	38	31.2	20	16.4	5	4.1	122	100
Missing	7	30.4	3	13.0	9	39.1	4	17.4	23	100
Total	76	42.5	54	30.2	36	20.1	13	7.3	179	100

Table 8. Loan Modifications by Race and Ethnicity of Respondent (HAMP Eligible)

Modification:	No		Yes		Pending		Missing		Total	
Race	count	%	count	%	count	%	count	%	count	%
White	18	40.9	16	36.4	8	18.2	2	4.5	44	100.0
African American	21	56.8	9	24.3	6	16.2	1	2.7	37	100.0
Hispanic	16	51.6	10	32.3	4	12.9	1	3.2	31	100.0
Asian	1	25.0	1	25.0	1	25.0	1	25.0	4	100.0
Other Race	2	66.7	0	0.0	1	33.3	0	0.0	3	100.0
Not provided	1	33.3	2	66.78	0	0.0	0	0.0	3	100.0
Total	59	48.4	38	31.1	20	16.4	5	4.1	122	100.0

Table 9. Breakdown of Modifications by Mortgage Status

Modification:	No		Yes		Pending		Missing		Total	
Number of Mortgages	count	%	count	%	count	%	count	%	count	%
1	52	39.4	47	35.6	26	19.7	7	5.3	132	100.0
2+	21	48.8	7	16.3	9	20.9	6	13.9	43	100.0
Missing	3	75.0	0	0.0	1	25.0	0	0.0	4	100.0
Total	76	42.5	54	30.2	36	20.1	13	7.2	179	100.0

There were small differences in the rate of modification by gender. By age, 51 to 60 year olds were less likely to be approved for a modification than 31 to 40 year olds. (See Appendix Tables 4a and 4b).

A breakdown of loan modifications by mortgage status reveals interesting findings. Table 9 suggests that, based on observations from the general survey population, the foreclosure process or outcome (i.e. foreclosure pending or judgment) notably increased respondents' chance of not receiving a modification. More specifically, 50 percent of those who had a foreclosure pending and 70 percent of those who had a foreclosure judgment received no modification on their loan, compared to 25 percent of respondents who were current on their mortgage. Also, 43.7 percent of the respondents that were delinquent on their mortgage payment received no modification.

Holding a second mortgage decreased the likelihood of obtaining a loan modification. Table 10 below shows that only 16 percent of respondents who held a second or third mortgage got their loans modified. In comparison, 35.6 percent of respondents who held only one mortgage received a mortgage modification.

Table 10. Modifications by Mortgage Number

Modification:	No		Yes		Pending		Missing		Total	
Number of Mortgages	count	%	count	%	count	%	count	%	count	%
1	52	39.4	47	35.6	26	19.7	7	5.3	132	100.0
2+	21	48.8	7	16.3	9	20.9	6	13.9	43	100.0
Missing	3	75.0	0	0.0	1	25.0	0	0.0	4	100.0
Total	76	42.5	54	30.2	36	20.1	13	7.2	179	100.0

Table 11. Post-modification Interest Rate by HAMP Eligibility

HAMP Eligibility	Count	New Interest Rate		Decline in Interest Rate	
		Average	Median	Average	Median
No	7	4.38	4.95	2.93	3
Yes	21	4.50	5	3.25	3
Missing	3	4.53	4	3.07	2.05
Total	31	4.48	5	3.17	3

Table 12. Post-modification Interest Rate by Race of Respondents

Race of Respondent	Count	New Interest Rate		Decline in Interest Rate	
		Average	Median	Average	Median
White	13	4.59	5	3.32	3.05
African-American	9	4.45	4.7	2.84	2
Hispanic	7	4.32	5.25	3.35	2.875
Asian	1	3.49	3.49	2.51	2.51
Other Race	0	.	.	.	.
Not provided	1	5.25	5.25	3.75	3.75
Total	31	4.48	5	3.17	3

Table 13. Reduction in Monthly Payment by HAMP Eligibility

HAMP Eligibility	Count	Mean reduction	Median reduction
No	8	561.54	300
Yes	34	433.40	341
Missing	2	138	138
Total	44	443.27	310

Table 14. Reduction in Monthly Payment by Race of Respondent

Race of Respondent	Count	Mean	Median
White	18	395.24	281.5
African-American	12	503.78	400
Hispanic	9	447.11	275
Asian	3	466.67	300
Other Race	0	-	-
Not provided	2	460	460
Total	44	443.27	310

Type of Modifications Received

Based on the survey findings, the most common type of modification received by distressed borrowers was a reduction in interest rates. Of those respondents who provided details of the type of modification received (45 respondents), almost all obtained an interest rate reduction. In contrast, only one survey respondent received a principal reduction and two respondents reported to have received a principal forbearance. The rate of respondents in this survey who received principal reductions is less than reported by the federal government. The Office of the Comptroller of the Currency (OCC) and Office of Thrift Supervision (OTS) Mortgage Metrics Report found that principal reduction modifications represented 13 percent of all modifications in the 3rd quarter of 2009, an increase from the 1st quarter of 2009 in which principal modifications represented only 3 percent of total modifications.

On average, respondents who received an interest rate reduction resulting from a modification experienced a 3.2 percent drop in interest rates. The average interest rate prior to the modification was 7.74 and the average new interest rate was 4.48 percent. HAMP-eligible respondents experienced a greater decline in their mortgage interest rate than non-HAMP eligible respondents; HAMP-eligible respondents received a decrease in their interest rates of about 3.25 percentage points, compared to a 2.93 percentage point decline among non-HAMP eligible respondents (Table 11 above).

The decline in the post-modification interest rate was smaller for African-American respondents, compared to both whites and Hispanics. The average drop in interest rate for African-American respondents was about 2.84 percentage points, compared to an average drop of about 3.32 percentage points for white respondents and 3.35 percentage points for Hispanics. Forty-four respondents reported a reduction in their monthly payments after receiving a modification. These reductions in payment ranged from $5 to $1,600, with a mean of $443.27. The majority of respondents to this question (34 out of 44) were HAMP-eligible. The mean and median post-modification reductions in monthly payment show mixed results (see Table.13). On average, non-HAMP eligible respondents received a greater reduction in their monthly payments. However, the median payment reduction for HAMP-eligible borrowers was $41 higher than the median for non-HAMP eligible borrowers. This indicates that there is smaller deviation among the HAMP-eligible payment reductions. Due to the small sample size of non-HAMP modifications, we cannot conclusively compare monthly payment reductions of HAMP and non-HAMP modifications. However, one clear conclusion is that while all modifications decrease payments, other research strongly suggests that most payment reductions are not deep enough.

The post-modification reduction in monthly payment by race of respondent is provided in Table.14 above. Minority respondents (in this case African Americans, Hispanics, and Asians) received a greater payment reduction in their monthly payments than did non-minority respondents. This observation is possibly a result of the fact that minority borrowers were more likely to need a greater reduction in their monthly payments to make their mortgages sustainable.

Borrowers' Experience

When asked to rate their communication with the servicer during the process of seeking a modification, 31.6 percent of the respondents described their communication experience as either "good" or "very good", while 43.3 percent described their experience as either "bad" or "very bad." An additional quarter (25.2 percent) of respondents thought their communication with the servicer was "fair."

A factor likely contributing to respondents' general dissatisfaction with the experience of applying for a loan modification could be the number of times borrowers were asked to re-submit documentation. Of those who responded to this question (160 respondents), 70.6 percent reported being asked to re-submit their documents, while 29.4 percent did not. Respondents who were asked to re-submit their documentation had to do so an average of 3 times, with a few respondents having to re-submit their documents as many as 8 to 10 times.

Endnotes

1. Making Home Affordable Program, Servicer Performance Report through February 2010, Treasury Department release of March 12, 2010, p.4 (http://www.makinghomeaffordable.gov/docs/Feb%20Report%20031210.pdf).

2. Dina ElBoghdady and Ranae Merle, Refinancing unavailable for many borrowers, Washington Post Staff, Sunday, February 14, 2010; A01.

3. Respondents were able to identify more than 1 reason why they were unable to keep up with their mortgage payments.

4. Some respondents did not include information as to whether or not they were HAMP-eligible.

5. See the Making Home Affordable Program Servicer Performance Report Through February 2010.

6. ACS 3-year Estimates 2006-2008.

7. Two observations with unusually small values were excluded from the calculation of the mean purchase price.

8. On average, the African-American borrowers with a foreclosure filing are only 3.8 months delinquent as opposed to all other borrowers with a foreclosure filing being 6.4 months delinquent. A t-test on unpaired data finds the mean number of months delinquent for the two groups to be statistically different from each other at any level greater than 5.4%. Also, nonparametric tests for equality-of-medians and rank sum test find the two groups to be statistically different. The test remains consistent (but slightly less significant) when only the respondents with foreclosure filings, and not judgments, were considered.

9. One respondent reported paying $4,000 to an organization in order to start a loan modification process.

10. According to the February HAMP report released by the U.S. Department of Treasury, 13.3 percent (or 800,000) delinquent loans had a non-participating HAMP servicer (http://www.makinghomeaffordable.gov/docs/Feb%20Report%20031210.pdf).

Appendix

Appendix Table 1.List of Organizations from the Housing Counseling Network that Participated in the Survey

Organization	Location	
Community Service Programs of West Alabama Inc.	Tuscaloosa	Alabama
Jefferson County Comm. for Econ. Opportunity	West Birmingham	Alabama
Anchorage Neighborhood Housing Services Inc.	Anchorage	Alaska
Fair Banks Neighborhood Housing Services Inc.	Fairbanks	Alaska
Family Housing Resources	Tucson	Arizona
Chicanos Por La Causa Inc.	Phoenix	Arizona
South Arkansas Community Development	Arkadelphia	Arkansas
Cabrillo Economic Development Corp.	Ventura	California
Community Financial Resource Center	Los Angeles	California
Eden Council for Hope and Opportunity (ECHO)	Hayward	California
Del Norte Neighborhood Development Corp.	Denver	Colorado
Housing Resources of Western Colorado	Grand Junction	Colorado
Greater New Haven Community Loan Fund	New Haven	Connecticut
Housing Development Fund Inc.	Stamford	Connecticut
Neighborhood House Inc.	Wilmington	Delaware
Delaware Community Reinvestment Council	Wilmington	Delaware
United Planning Organization	Washington	District of Columbia
Jacksonville Area Legal Aid	Jacksonville	Florida
Miami-Dade Neighborhood Housing Services Inc.	Miami	Florida
Athens Land Trust	Athens	Georgia
East Athens Development Corporation	Athens	Georgia
Urban Hope Community Development Corporation	Atlanta	Georgia
Hale Mahaolu	Kahului, Maui	Hawaii
Pocatello Neighborhood Housing Services	Pocatello	Idaho
Community and Economic Development Association of Cook County, Incorporated	Chicago	Illinois
Northwest Indiana Reinvestment Alliance	Hammond	Indiana
Family Management Credit Counselors	Waterloo	Iowa
Community Housing Services	Wichita	Kansas
Live the Dream Inc.	Bowling Green	Kentucky
Neighborhood Housing Services of New Orleans	New Orleans	Louisiana
Greater New Orleans Fair Housing Action Center	New Orleans	Louisiana
York County Community Action Agency	Sanford	Maine
Peoples Regional Opportunity Program	Portland	Maine
Southeast CDC	Baltimore	Maryland
St. Ambrose Homeownership Center	Baltimore	Maryland
Housing Counelors Network	Baltimore	Maryland
Community Service Network Inc	Stoneham	Massachusetts
Urban Edge Housing Corp.	Roxbury	Massachusetts
West Central Missouri Community Action Agency	Appleton City	Michigan
Minnesota Homeownership Center	St. Paul	Minnesota
Housing Education and Economic Development Inc.	Jackson	Mississippi

Metropolitan St. Louis Equal Housing Opportunity Council	St. Louis	Missouri
Neighborworks Great Falls	Great Falls	Montana
Legal Aid of Nebraska	Omaha	Nebraska
Neighborhood Housing Services of Southern Nevada	North Las Vegas	Nevada
Affordable Housing Education and Development Inc. (AHEAD)	Littleton	New Hampshire
New Jersey Citizen Action	Newark	New Jersey
United South Broadway Corp.	Albuquerque	New Mexico
Neighborhood Housing Services of NYC	New York	New York
Pathstone	Rochester	New York
South Brooklyn Legal Services	Brooklyn	New York
Long Island Housing Partnership	Hauppauge	New York
The Housing Partnership of Charlotte- Mecklenburg	Charlotte	North Carolina
Durham Affordable Housing Coalition	Durham	North Carolina
South Eastern North Dakota Community Action	Fargo	North Dakota
Mustard Seed Development Center	Akron	Ohio
Homeownership Center of Greater Cincinnati	Cincinnati	Ohio
Neighborhood Housing Services of Greater Cleveland	Cleveland	Ohio
Community Action Agency of Oklahoma City	Oklahoma City	Oklahoma
Neighbor Impact	Redmond	Oregon
African American Alliance for Homeownership	Portland	Oregon
Action-Housing Incorporated	Pittsburgh	Pennsylvania
Housing Alliance of York	York	Pennsylvania
Rhode Island Housing	Providence	Rhode Island
Family Service Center of South Carolina	Columbia	South Carolina
Neighborworks Dakota Home Resources	Deadwood	South Dakota
Chattanooga Neighborhood Enterprise Inc.	Chattanooga	Tennessee
Austin Tenants Council	Austin	Texas
Housing and Opportunity through Positive Empowerment	Salt Lake City	Utah
Central Vermont Community Land Trust	Barre	Vermont
Housing Opportunities Made Equal of Virginia, Inc	Richmond	Virginia
Spokane Neighborhood Action Partners	Spokane	Washington
Mountain Cap of West Virginia Inc.	Buckhannon	West Virginia
Couleecap	Westby	Wisconsin
Metropolitan Milwaukee Fair Housing Council	Milwaukee	Wisconsin
CCCS of Northern and Western Wyoming	Sheridan	Wyoming

Appendix Table 2. List of Lenders Surveyed.

Lender	Frequency	Percent
Bank of America	25	13.97
CitiGroup	15	8.38
Wells Fargo	15	8.38
Chase	13	7.26
Countrywide	10	5.59
HSBC	6	3.35
Indymac	6	3.35
Flagstar	5	2.79

Nationstar	5	2.79
Aurora Loan Services	4	2.23
GMAC	4	2.23
US Bank	4	2.23
AHMSI	3	1.68
Beneficial	3	1.68
Ocwen	3	1.68
SunTrust	3	1.68
American Servicing Company	2	1.12
CCO Mortgage	2	1.12
Carrington	2	1.12
Charter Bank	2	1.12
EverHome	2	1.12
First Franklin	2	1.12
First Horizon	2	1.12
HFC	2	1.12
Saxon Mortgage	2	1.12
Shore Mortgage	2	1.12
Wachovia	2	1.12
American Home Mortgage	1	0.56
BB&T	1	0.56
Bank of Oklahoma	1	0.56
Bayview Loan Servicing	1	0.56
EMC	1	0.56
Equifirst	1	0.56
Equity One	1	0.56
Financial Freedom	1	0.56
First National Bank	1	0.56
Freedom Mortgage	1	0.56
Guild Mortgage	1	0.56
Harris Bank	1	0.56
Homecomings	1	0.56
Iberia Bank	1	0.56
Liberty Savings Bank	1	0.56
Litton	1	0.56
Macomb Schools & Government CU	1	0.56
Magna Bank	1	0.56
Malach	1	0.56
Nation Point	1	0.56
Nation's Bank	1	0.56
PNC Bank	1	0.56
Premier Mortgage Lending	1	0.56
Select Portfolio Serving	1	0.56
Swartz & Brough	1	0.56
TCF Bank	1	0.56
Taylor Bean Whitaker	1	0.56
UBS	1	0.56
WMC Mortgage	1	0.56
Wilshire	1	0.56
World Wide Financial	1	0.56
Not Reported	2	1.12
Total	**179**	**100**

Appendix Table 3a. Problematic Loans (self-reported) by Gender.

Problematic Loan	Female	Male	Total
No	66.3	65.3	66.5
Yes	33.7	34.7	33.5
Total	100.0	100.0	100.0

Appendix Table 3b. Problematic Loans (self-reported) by Age.

Problematic Loan	21-30	31-40	41-50	51-60	61-70	Total
No	62.5	65.8	72.0	63.2	71.4	66.5
Yes	37.5	34.2	28.0	36.8	28.6	33.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

Appendix Table 4a. Breakdown of Loan Modifications by Gender.

Modification:	No		Yes		Pending		Missing		Total	
Gender	count	%	count	%	count	%	count	%	count	%
Female	45	45.9	28	28.6	19	19.4	6	6.1	98	100
Male	29	38.7	24	32	15	20	7	9.3	75	100
Missing	2	33.3	2	33.3	2	33.3	0	0	6	100
Total	76	42.5	54	30.2	36	20.1	13	7.3	179	100

Appendix Table 4b. Breakdown of Loan Modifications by Age.

Modification:	No		Yes		Pending		Missing		Total	
Age	count	%	count	%	count	%	count	%	count	%
21-30	5	62.5	1	12.5	0	0	2	25	8	100
31-40	13	31.71	16	39.02	8	19.51	4	9.76	41	100
41-50	21	42	16	32	10	20	3	6	50	100
51-60	25	43.86	15	26.32	13	22.81	4	7.02	57	100
61-70	5	35.71	4	28.57	5	35.71	0	0	14	100
71-80	7	77.78	2	22.22	0	0	0	0	9	100
Total	76	42.46	54	30.17	36	20.11	13	7.26	179	100

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