



Foreclosure Avoidance Research



Purpose & Methodology

- Over half of the borrowers in foreclosure proceedings have had no contact with their lender.
- Freddie Mac retained Roper Public Affairs, a division of GfK NOP, to conduct this research to give us insight into the behavior of delinquent homeowners as well as homeowners in good standing.
 - The sample includes 2,031 adult homeowners (age 18-plus). The sample was split into two groups.
 - Good Standing: Adult homeowners who say they have never been more than one month late on a mortgage payment
 - Defaulters: Adult homeowners known to be more than one month late on their mortgage payment, from sample provided by Freddie Mac
 - All interviews were conducted by telephone (CATI) from 8/05/05 to 8/18/05.
 - Interviews were conducted by GfK NOP interviewers at a GfK NOP interviewing facility
 - Interviews took, on average, 20 minutes to complete
 - The margin of error for each group is +/- 3 percentage points at the 95% confidence level

Delinquent and Good Standing Homeowners: *A Demographic Overview*

In general, delinquent homeowners are:

- Younger than other homeowners (mean age of 46.6 years vs. 54.6 years, respectively).
- More likely to be married or living with someone as if married (72% vs. 66%).
- More likely to be employed either full-time, part-time or self-employed (73% vs. 54%).
- Less affluent than other homeowners (median income of \$52,400 vs. \$56,700).
- Less likely to have prior experience with home ownership (47% are living in their first home).

(% delinquent vs. % good standing)

In contrast, good standing homeowners are:

- More likely to be at least 60 years old (38% vs. 12%).
- More likely to be retired (32% vs. 7%).
- More likely to have prior experience with home ownership (62% have owned a home in the past).

(% good standing vs. % delinquent)

Key Attitudinal and Behavioral Differences

In general, delinquent homeowners:

- Stress about having enough money
- Take on several financial obligations each month
- Are about four times as likely to pay key monthly bills late
- Do not feel entirely comfortable talking to their banks about personal finances
- Find prioritizing their bills difficult (and wish they had someone to help do it)
- Are less likely to feel passionately that their banks treat them fairly

While good standing homeowners:

- Have fewer financial obligations (i.e. personal loan or second mortgage) each month
- Are rarely, if ever, late on any of these financial obligations
- Feel their financial situation is about the same or better than it was two years ago
- Do not find banks intimidating
- Strongly agree that their banks treat them fairly

Despite Key Differences, Delinquent and Good Standing Homeowners Have Some Commonalities

Both groups...

- Place a premium on having good credit
- Understand some of the implications of being even one month late on a mortgage payment
- Read information sent to them by their banks
- Generally believe their banks provide them with adequate information
- Are unaware of many of the options available to them when/if they are struggling to make a mortgage payment
- Have low top of mind awareness of secondary mortgage market organizations such as Freddie Mac

Most Delinquent Homeowners Say They Contacted Their Lender

Most delinquent homeowners (75%) recall being contacted by their mortgage lender, either by phone or letter.

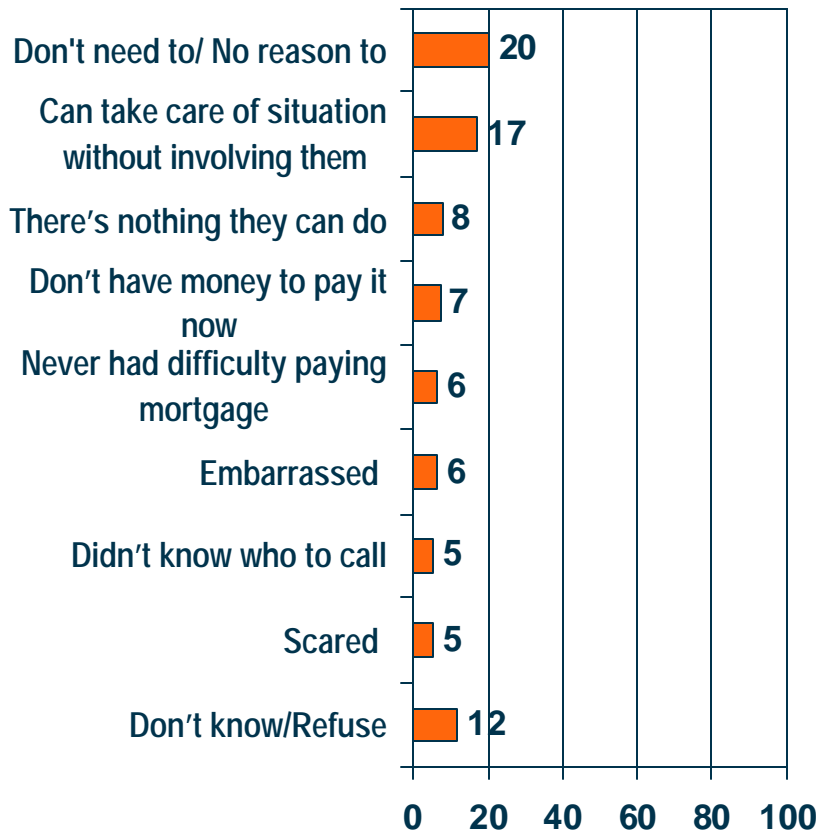
- However, one in four do not recall being contacted, and 11% claim they never had difficulty paying their mortgage.

Among delinquent homeowners who admit having difficulty paying their mortgage, nearly seven in 10 (68%) say they have personally tried to contact their mortgage lender directly to discuss their difficulties.

- Conversely, a sizeable proportion (31%) say they have not contacted their lender.

Barrier: A Sense of Having the Situation Under Control Is Top Reason Delinquent Homeowners Give For Not Contacting Lender

(Among Delinquent Homeowners Who Have Not Contacted Their Mortgage Lender Directly)



For those who have not directly contacted their mortgage lender to discuss difficulty with paying the mortgage on time (31% of delinquent homeowners),

- Two in 10 feel they had no reason to contact their lender (20%).
- Similar proportions (17%) feel they could take care of the situation without their lender's involvement.

No other response gets more than one in ten citing it as the reason for lack of contact.

* Note: No other source was mentioned by at least 5% of those in default who have not contacted their lender.

The Solution: Homeowners Want (& Need) Information

A majority of homeowners express interest in learning more about their mortgages. In fact, about six in 10 wish they understood the terms and details of their mortgage better.

And while most agree that there is someone at their bank they can talk to if they have questions about their mortgage (75% of delinquent homeowners; 84% of other owners), fewer than half of all delinquent homeowners (47%) “strongly” agree with this (vs. 61% of good standing owners).

Most Are Not Aware of Specific Services Mortgage Lenders Offer

When asked unaided, the majority of homeowners say they are not aware of services that mortgage lenders can offer to a person having trouble with their mortgage (61% of delinquent and 73% of good standing owners).

While top of mind awareness is low, when prompted homeowners express awareness of specific services. In particular, they are most likely aware of:

- The “lump sum” option...paying the lender the entire amount overdue.
- “ARM to fixed rate”...turning an adjustable-rate mortgage into a fixed-rate.
- Majorities also know about repayment plans, changing the interest rate on a loan, adding missed payments to the existing balance, and extending the number of years allowed for repayment.

Homeowners are least likely to know about:

- “Forbearance agreements,” where payments are temporarily delayed.
- The option to talk to a housing counseling agency.

Many Options That Delinquent Homeowners Are Less Aware of Are the Ones They Would Most Likely Consider

(Among Delinquent Homeowners)

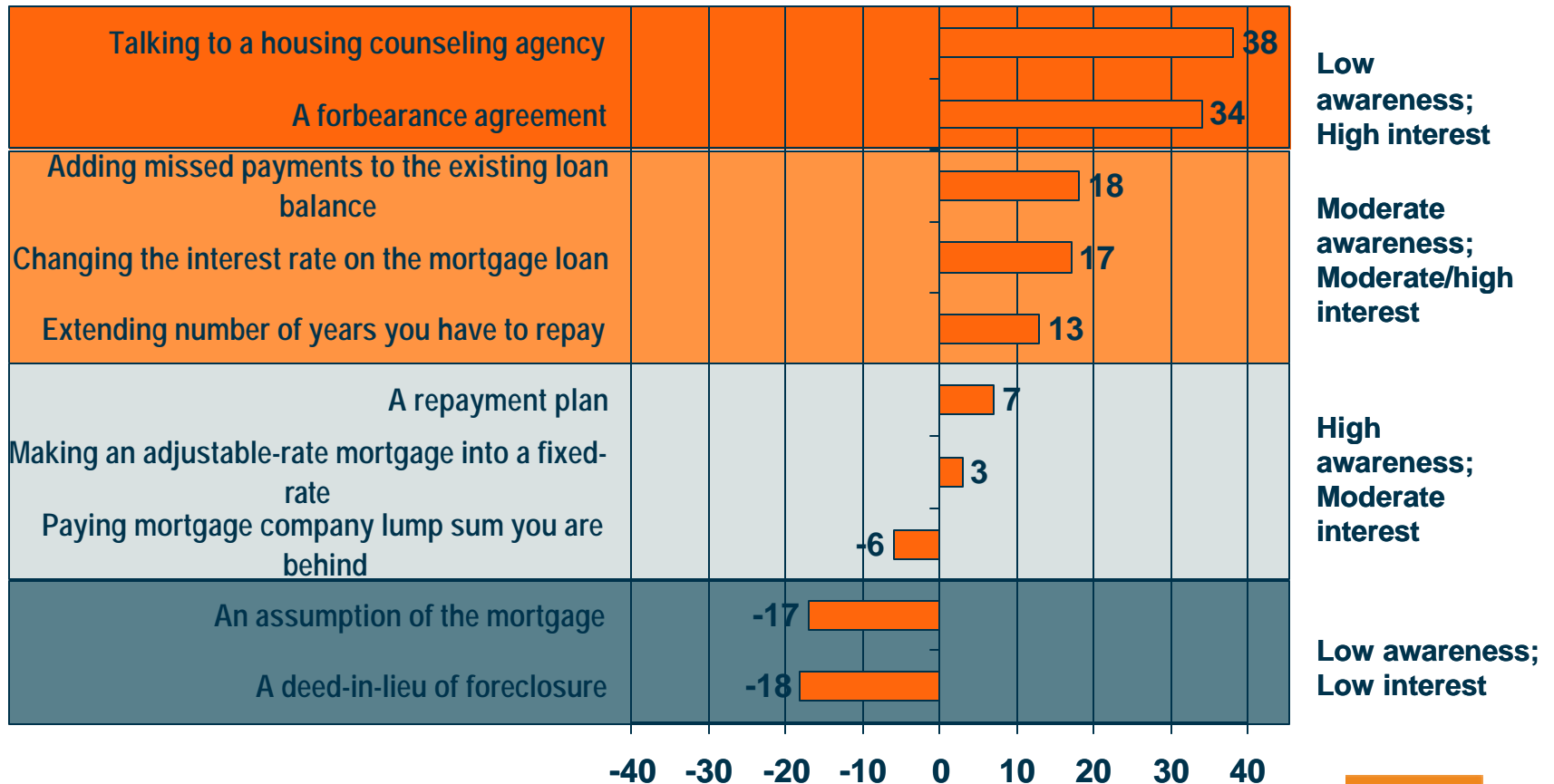
	Awareness (Aided)	Likely to Use	Knowledge Gap
Talking to housing counseling agency	36	74	38
Forbearance agreement	36	70	34
Adding missed payments to loan balance	54	72	18
Changing interest rate	58	75	17
Extending mortgage	53	66	13
Repayment plan	60	67	7
ARM to fixed-rate	61	64	3
Lump sum payment	74	68	-6
Assumption of mortgage	43	26	-17
Deed-in-lieu of foreclosure	41	23	-18

Knowledge gap shows room to educate delinquent homeowners on these options

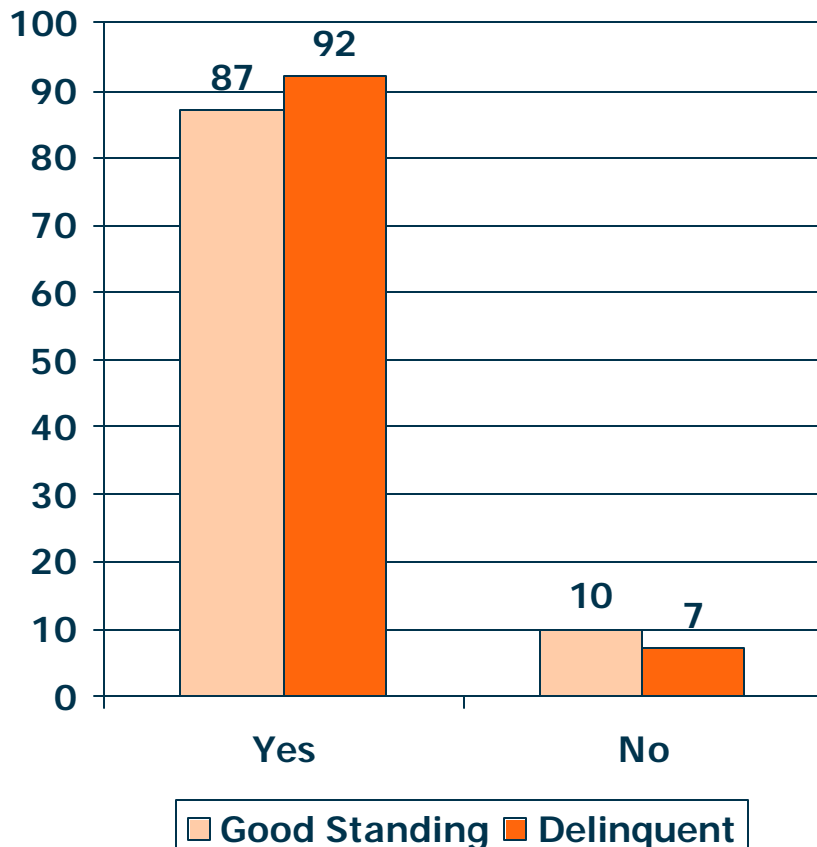
Gap Analysis: The Difference Between Awareness of Service and Interest Level

(Among Delinquent Homeowners)

The only options delinquent homeowners shy away from are those where their homes are sold



Overwhelmingly, Homeowners Would Be More Likely to Contact Their Mortgage Lender When in Trouble if They Knew Their Lender Could Offer Alternatives



Nearly all homeowners say they would be more likely to contact their lender if they had trouble paying their mortgage if they knew alternative repayment options could be offered.

- More than nine in 10 delinquent homeowners say they would be more likely to contact their lender.
- 87% of homeowners in good standing say the same.

What the Industry Can Do

Join Forces to:

- Alert Public about workout options
- Help de-fuse borrower anxiety
- Build on Early Intervention Successes