



**Analysis of Foreclosure Intakes
2011-2016**



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Executive Summary¹

In 2015, the U.S. Department of Housing and Urban Development (“HUD”) awarded the Connecticut Fair Housing Center (“the Center”) an 18-month grant as part of HUD’s efforts to address the foreclosure crisis.² In addition to investigating lending discrimination in Connecticut’s mortgage market, the Center analyzed 2,318 foreclosure and lending intakes created between 2011 through 2016. The analysis was limited to information self-reported by individuals complaining about specific foreclosure conduct by mortgage servicers. The Center used a data collection tool³ to review and analyze its intakes for differential treatment of protected classes under the Fair Housing Act.

Since the Great Recession, communities of color have suffered the worst effects of the foreclosure crisis. The Center’s analysis reveals that people of color had a more difficult time getting a mortgage modification by the time they contacted the Center than White borrowers. In addition, foreclosures of racial and ethnic minorities were geographically clustered resulting in greater adverse neighborhood effects for those communities than for White communities.

In New Haven and Hartford, areas that are majority minority, less than five percent of homes have returned to their pre-recession peak value.⁴ On the other

¹ Staff of the Connecticut Fair Housing Center compiled the analysis of the intakes reported on here. David Lavery and other staff members wrote and edited this report. The Center is solely responsible for the contents of this report and the conclusions included here.

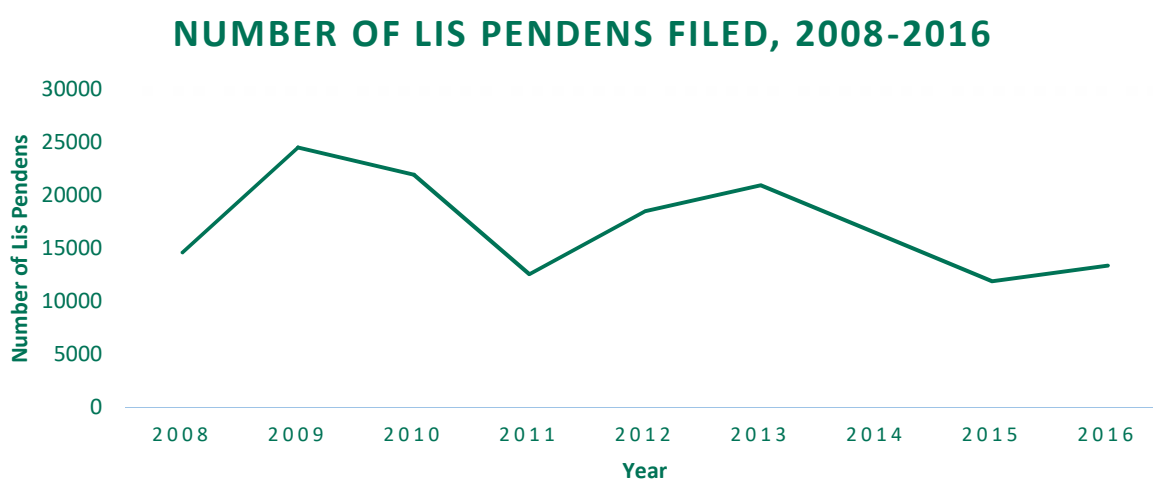
² The grant was made as part of HUD’s Fair Housing Initiative Program, Fair Housing Organizations Initiative-Lending Component. HUD has chosen not to continue this grant program. Therefore, the Center is unable to complete any of the initial steps it recommends without a new source of funding.

³ Full list of data collected contained in Appendix 1.

⁴ https://www.bloomberg.com/news/articles/2017-05-03/most-u-s-homes-are-worth-less-than-before-the-crash?cmpid=BBD050317_BIZ&utm_medium=email&utm_source=newsletter&utm_term=170503&utm_campaign=bloombergdaily



hand, while not a direct comparison, houses in the state as a whole have recovered to 80% of their pre-recession peak value.⁵ As Figure 1 below demonstrates, foreclosures continue in Connecticut, even increasing in 2016.⁶ These data demonstrate an ongoing need for the Center ensure that foreclosures and mortgage modifications do not continue to disadvantage people of color and the communities in which they live.



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Figure 1: Number of lis pendens filed by year

Summary of Findings

The Center's analysis was designed to determine if the way a loan was being serviced after default was different for people of color and women than for Whites and men. Of the Center's 2,318 foreclosure intakes over the relevant period, 46.3% alleged problems in obtaining a mortgage modification or an

⁵ Brief report at <http://www.pschoosing.org/news/home-prices-nationally-continue-rise-connecticut-continues-fall>; see also <http://www.corelogic.com/downloadable-docs/corelogic-hpi-monthly-marketing-data-june-2017-final.pdf>

⁶ CHFA Research Data, Foreclosure Information, available at <http://www.chfa.org/Press%20Room/CHFA%20Research%20Data/default.aspx>.

⁷ In Connecticut a lis pendens, or notice of pendency, is the first office notice filed by a mortgage servicer in a foreclosure action.



inability to obtain accurate information about their foreclosure from their loan servicer.

The remaining 53.7% were from homeowners who were experiencing a foreclosure for non-payment of property related fees and costs such as real estate taxes, condominium association or coop dues, and water/sewer fees or were related to a significant family disruption such as death, divorce, disability, long-term unemployment. Because these callers did not have a complaint about a specific mortgage servicer, they were excluded from the analysis.

Of the intakes that were analyzed, the complaints fell into eight categories:

ISSUE TYPE	Number of Intakes	% of intakes
PERMANENT MODIFICATION ISSUES	509	42%
DURATION OF TRIAL PLAN ISSUES	146	12%
REPETITIVE DOCUMENT REQUESTS	143	12%
PERMANENT MODIFICATION DENIALS AFTER A TRIAL PERIOD PLAN	127	10%
PAYMENT APPLICATION ISSUES	98	8%
SERVICING TRANSFER ISSUES	70	6%
ORIGINATION ISSUES	63	5%
FORBEARANCE COMPLAINTS	59	5%

As set out more fully below, the Center found the following differences in treatment:

- Women were more likely than men to be affected by improper denials of permanent modification applications, and were more likely to have



difficulties in getting a determination on their mortgage modification application;

- African-American and Latino borrowers were more likely to have a permanent modification denied after they had been offered a trial period plan than were White borrowers;
- African-American and Latino borrowers were also more likely to receive a general denial for a loan modification from their servicer than White borrowers;
- African-Americans were more likely to come from a few smaller communities spread through Connecticut's cities and largest towns than Whites who were scattered throughout the State;
- In general, women of all races were more likely to call with a foreclosure issue than men.

These differences have significant implications, not just for the women and people of color who experienced the differential treatment but for the municipalities in which they live. If women and people of color are unable to access mortgage modifications on an equal basis with men and people who are White, the rate of homeownership for women and people of color will continue to fall in Connecticut. In addition, the municipalities and neighborhoods that are majority people of color will continue to lose home values and their tax base. Finally, municipalities will be faced with additional expenses for policing and securing blighted or abandoned properties. In short, these communities will continue to be plagued with negative effects from the foreclosure crisis long after it has ceased to affect neighborhoods that are majority White.



Recommendations and Next Steps

In order to address the issues raised by the Center's analysis of its intakes, if the organization has sufficient funding it will:

- Publicize the results of the Center's analysis in order to inform people in foreclosure about the problems people of color and women are having getting mortgage modifications;
- Enlist the help of the municipalities hardest hit by the foreclosure crisis in reaching people who are still in danger of losing their homes to prevent further loss of the municipality's tax base;
- Use the results of the geographic analysis to direct its education and outreach efforts to women and people of color living in communities of color as well as people in foreclosure in all of Connecticut's communities;
- Continue to conduct education and outreach in communities of color in order to help those communities recover from the financial crisis and to help prevent future lending discrimination;
- Collect data on new intakes to investigate whether such disparate outcomes are attributable to any particular servicer; and
- Conduct additional research to determine whether the difference in the call rates between men and women was the result of women managing financial affairs for households, or whether women received worse loans that increased their risk of foreclosure relative to men.

Finally, as noted above, the analysis reported on here did not include information on approximately 56% of the intakes received between 2011 and 2016. The Center should collect data from its intakes on (1) non-mortgage foreclosures and (2) foreclosures caused by significant family disruption. There has not been any significant effort to create workout opportunities for non-mortgage foreclosures.



Because the dollar value involved in such foreclosures is typically small, often between \$3,000 and \$10,000, voluntary repayment plans are feasible. Moreover, the costs of such foreclosures, including attorneys' fees, are often a substantial part of the expense that could be avoided through a foreclosure diversion program.

Second, evaluating the frequency and root causes of foreclosure would help policymakers develop interventions that prevent foreclosure actions at an earlier stage, i.e., prior to default. It is likely that divorce judgments awarding sole possession of a home to one spouse fail to consider the ability of the parties to pay the carrying costs of the home over time. As a result, such judgments waste marital assets or otherwise harm the spouse retaining possession. While the Center's data is not deep enough to determine if this is true, it is important to consider the actual costs of owning a home during any divorce proceeding.



Introduction

The Connecticut Fair Housing Center

The Connecticut Fair Housing Center is a statewide nonprofit organization dedicated to ensuring that individual choice, and not discrimination, determines where people in Connecticut live. To accomplish this goal, the Center assists clients by addressing fair housing, fair lending, and homeowner rights through the investigation of claims of discrimination and the provision of legal representation; providing information on the fair housing and fair lending laws to homeseekers and housing providers; working with State and local governments to ensure that they fulfill their obligations under the fair housing laws; and, promoting integration and the stabilization of neighborhoods.

Whether fighting a legal battle on behalf of a woman denied housing because of her disability, advocating for increased homeowner protections in the judicial foreclosure process, or bringing attention to impediments to fair housing in Connecticut, the Center's staff works to protect the rights of all individuals to be free from housing discrimination so they are free to live in the housing of their choice.

The Center is the only nonprofit organization that provided legal assistance in Connecticut to homeowners in foreclosure during the foreclosure crisis. Despite the ebbing of the crisis in most states, it still offers such services today. In addition, the Center regularly teaches classes to homeowners on how to represent themselves in the foreclosure process. As a result, the Center is in a unique position to gather data on the effects of the foreclosure crisis and determine how to address the problems which still affect Connecticut homeowners today.



Methodology and Results

Each time a person contacts the Center with a problem related to foreclosure, the organization’s administrative staff gathers extensive information about the caller, their household including information about any special circumstances such as a disabled household member, their income, their mortgage, the status of any foreclosure action, the condition of the home, and whether the caller wishes to stay in the home or find another place to live. All of this information is recorded in the Center’s database. In addition, each intake includes a narrative of facts gathered from the caller that lays out the issue for which the caller is seeking help. The Center analyzed the narrative given by the caller at the time they contacted the Center in an effort to determine if people of color and female-headed households were receiving less favorable treatment than Whites or male-headed households.

Creation of Data Collection Tool

The Center designed a tool to collect information about the following categories of borrower issues (full definitions in Appendix A)⁸:

- | | |
|---|---|
| 1. Permanent Modification Denial | 10. General Servicer Communication Issues |
| 2. Permanent Modification Denial After Trial Plan | 11. General Servicing Transfer Issues |
| 3. Duration of Trial Modification Plan | 12. Inappropriate Foreclosure Fees |
| 4. Delay in Modification Decision Time | 13. Short Sale Complaints |

⁸ The data collected largely tracks the data surveyed by the ACLU and MFY Legal Services in their joint report “Here We go Again: Communities of Color and the Foreclosure Crisis” available at <https://www.aclu.org/report/here-we-go-again-communities-color-foreclosure-crisis-and-loan-servicing-failures>. Owing to differences between the manner the Center conducts intakes and the CFPB collects consumer complaints, the Center was able to add some additional definitions that captured whether servicers were actually responding to loan modifications correctly. However, due to a limited number of observations for those data points, no meaningful analysis could be conducted.



- 5. Modification and Foreclosure Dual Tracking
- 6. Modification Application Repeat Document Requests
- 7. Inappropriate Document Requests
- 8. Forbearance Plan Issues
- 9. Single Point of Contact
- 14. Deed-in-Lieu Complaints
- 15. Crediting of Payments
- 16. Escrow Complaints
- 17. Force-Placed Insurance Complaints
- 18. Origination Complaints

Use of GIS Software to Map Results

The Center imported the gender, race, and ethnicity into geographic information software (“GIS”) to analyze whether there were geographic concentrations of foreclosures around protected classes. The Center found that intakes from African-Americans were clustered in several of Connecticut’s cities. The clusters were statistically significant.⁹ There was no geographic clustering for White and Latino intakes with any statistical significance. In Figure 2 below, red gradation indicates degrees of significant cluster; white indicates no significant clustering.

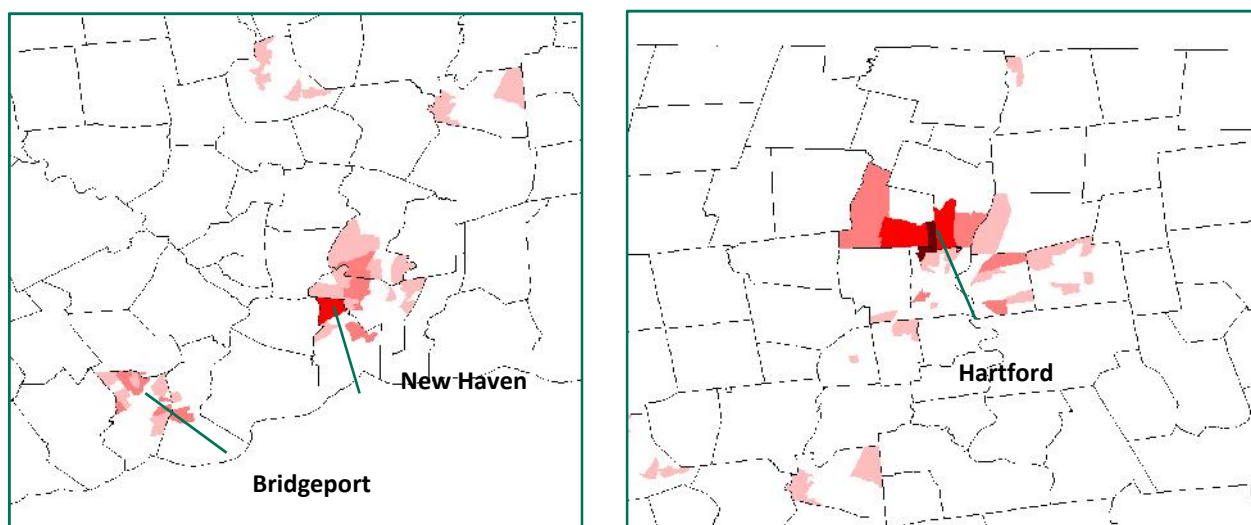


Figure 2: Clustering of intakes by census tract

⁹ Anselin Local Moran’s I, $p=.05$. Local Moran’s I is an indicator of spatial association. A significant result means that there are areas that have a higher or lower rate than could be expected by chance alone.



INTAKES BY RACE AND ETHNICITY

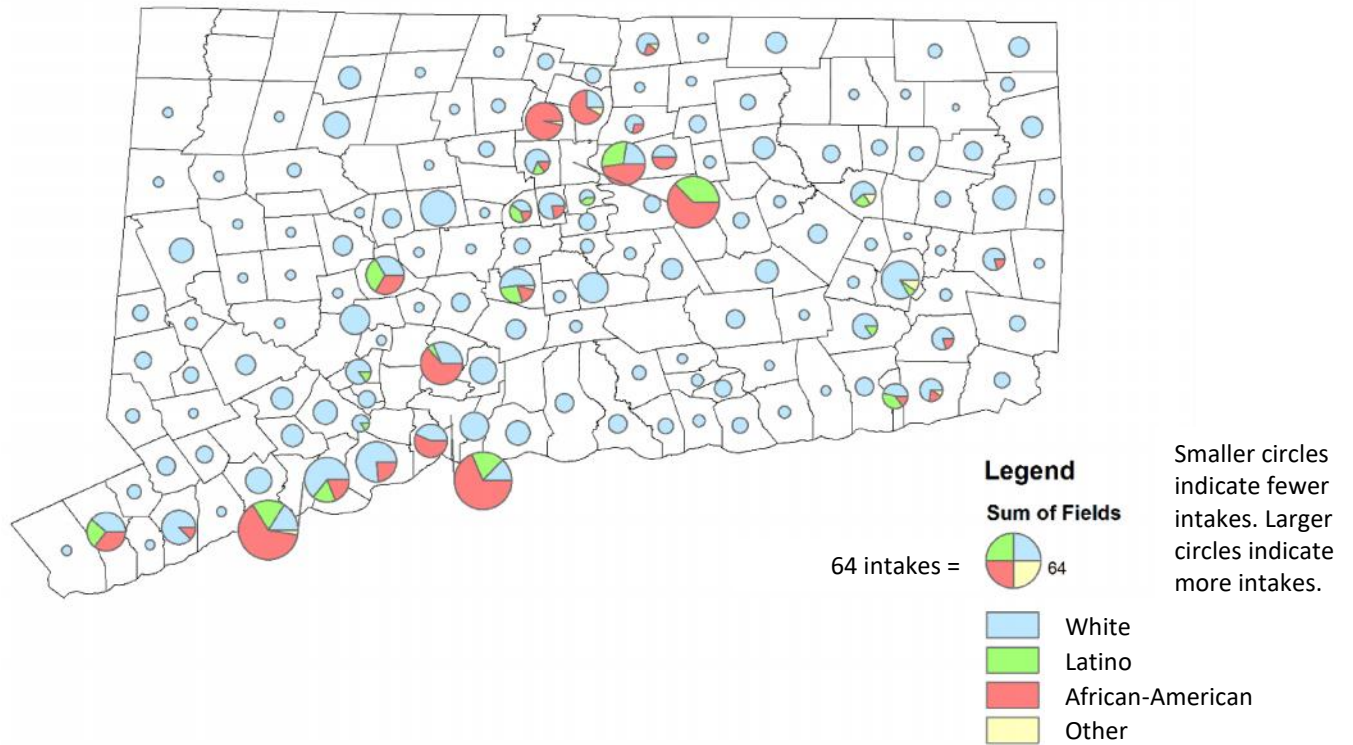


Figure 3: Location of foreclosure intakes by race and ethnicity

As can be seen in Figure 3, the concentration of African-American and Latino intakes is most striking considering the small proportion of Connecticut census tracts from which they were drawn.

- 43% of African-American intakes were from Bridgeport, Hartford, and New Haven;
- 51% of Latino intakes were from Bridgeport, East Hartford, Hartford, and New Haven.
- No more than 3% of White intakes were from any one city or town.

Geographic Concentration of Intakes by Race and Ethnicity		
Race/Ethnicity	Percent of Census Tracts	Percent of Towns
African American	10%	14%
Latino	5%	11%
White	37%	85%



The high level of segregation in Connecticut only explains a portion of the geographic concentration in foreclosure intakes. While 43% of African-American intakes were from the same few cities, only 40% of Connecticut's African-American population was from those same cities. The trend drops off further for Latinos. While 51% of the Center's intakes were from four cities, only 31% of the state's Latino population is drawn from those cities. This is consistent with research that has shown that African-American/White segregation is a significant predictor of subprime loan origination rates, but that Latino/White segregation is not.¹⁰ In other words, all minorities suffered adverse foreclosure outcomes during and after the Great Recession, but all individuals, including white borrowers, suffered more if they lived in or near an African-American community.

Subprime lending leads to higher foreclosure rates in African-American neighborhoods than in other neighborhoods.¹¹ The Center's efforts to reduce racial disparities in foreclosure rates should attempt to address African-American/White segregation and financial literacy.

Females were also overrepresented in the Center's intakes. Approximately 60% of intakes were female, and this result held constant after efforts to control for income. Women may be more likely to seek help than men, but research also suggests that women were more likely to receive subprime loans than men during the financial crisis, even across racial and ethnic groups.¹² As can be seen in Figure 4 below, there was no geographic clustering if intakes from women.

¹⁰ Hyra, Derek S., Gregory D. Squires, Robert N. Renner, and David S. Kirk. "Metropolitan segregation and the subprime lending crisis." *Housing Policy Debate* 23, no. 1 (2013): 177-198.

¹¹ Chan, Sewin, Michael Gedal, Vicki Been, and Andrew Haughwout. "The role of neighborhood characteristics in mortgage default risk: Evidence from New York City." *Journal of Housing Economics* 22, no. 2 (2013): 100-118.

¹² Dymski, Gary, Jesus Hernandez, and Lisa Mohanty. "Race, gender, power, and the US subprime mortgage and foreclosure crisis: A meso analysis." *Feminist Economics* 19.3 (2013): 124-151; Fishbein,



INTAKES BY GENDER

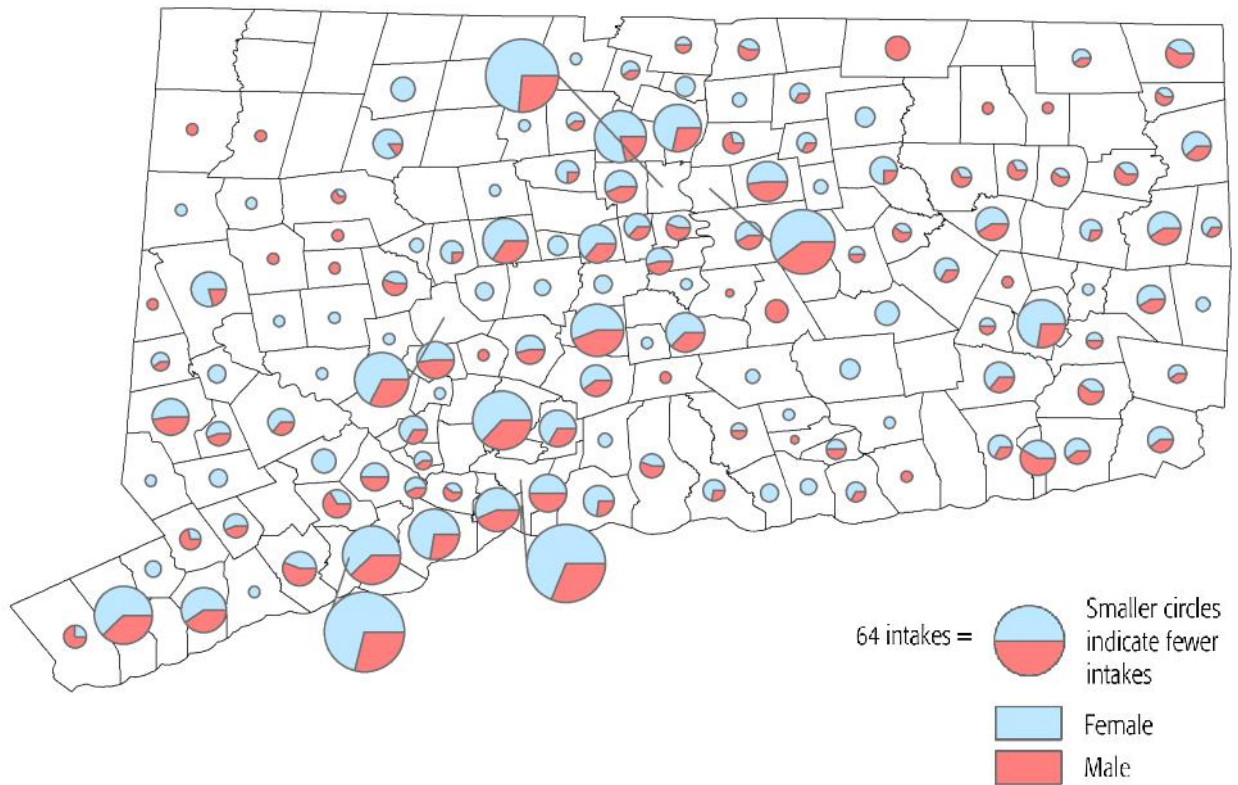


Figure 4: Location of foreclosure intakes by gender

Allen J., and Patrick Woodall. 2006. "Women are Prime Targets for Subprime Lending." Consumer Federation of America Washington, DC. December.



Exploratory Data Analysis

African-Americans are disproportionately represented in the Center's intakes relative to both their population share and their homeownership share. As a fraction of its intakes, the Center received calls from African-American homeowners at roughly four times the rate that African-Americans own a home in Connecticut.

	Percent of CT population owning own home	Percent of Center's foreclosure-related intakes
Whites	70%	60%
African-Americans	6.3%	23%

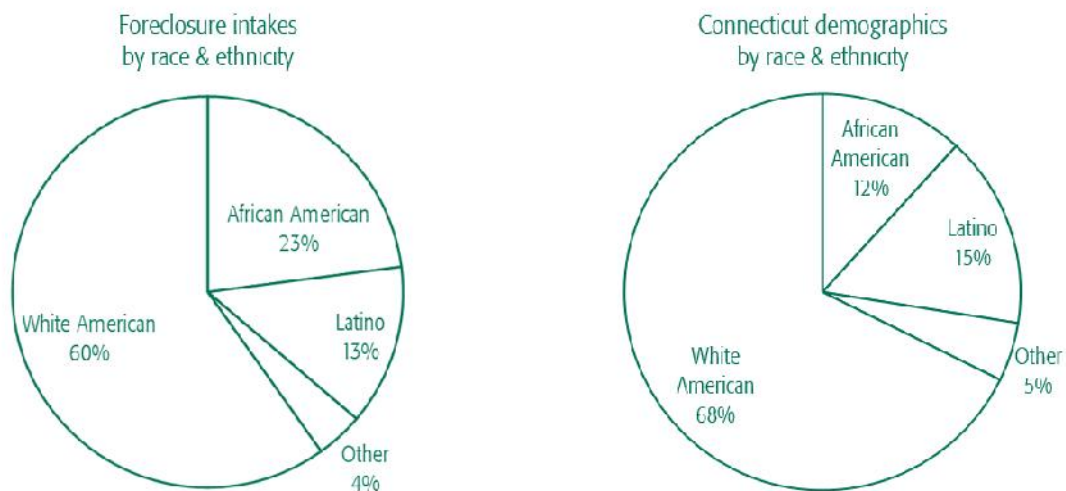
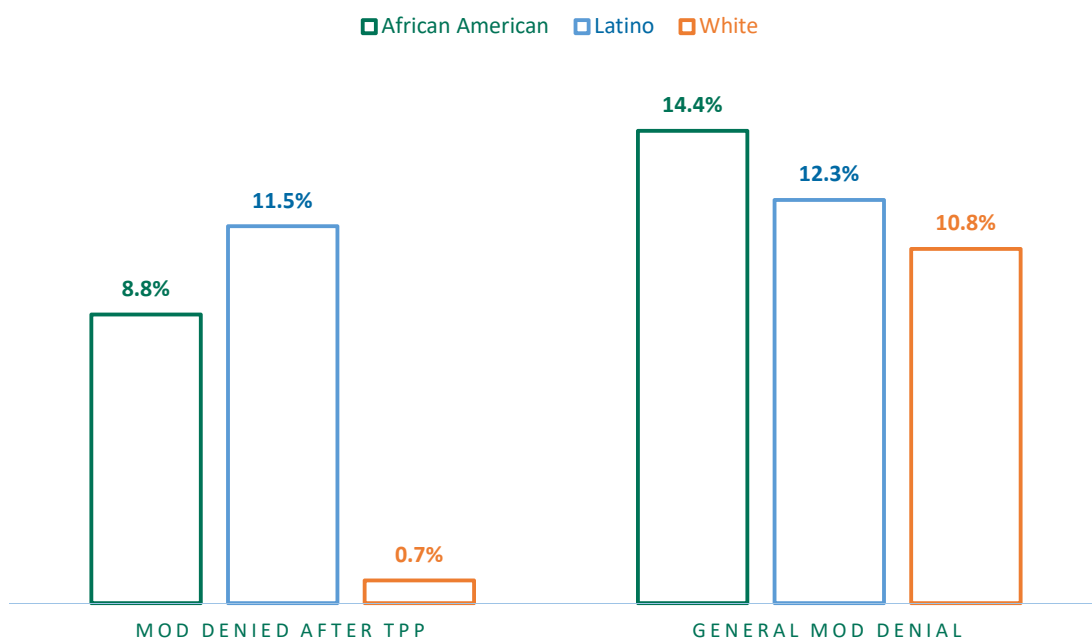


Figure 5: Percentage of foreclosures by race and ethnicity



Results Based on Race and National Origin

For most of the data points collected, there were minimal disparities across race and national origin. However, African-American and Latino borrowers were more likely to have a permanent modification denied after they had been offered a trial period plan. They were also more likely to receive a general denial from their servicer than White borrowers.



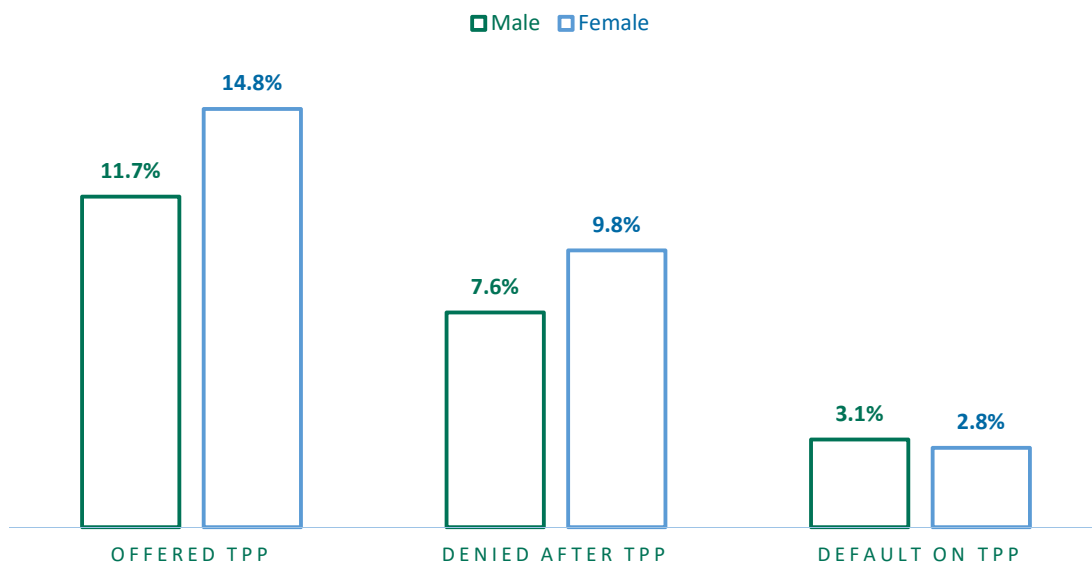
African-American borrowers were slightly more likely to default on a permanent modification than White borrowers, but Latino borrowers were less likely to default on a modification. On the other hand, White borrowers were slightly more likely to be denied for a modification based on an investor restriction.



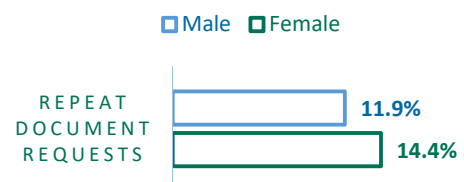
Results Based on Gender

Women were more likely to report that they were in a trial period plan than men. They were also less likely to self-report as having defaulted on the trial period plan, but more likely than men to have a permanent modification denied after they entered into a trial period plan.

INTAKES RELATED TO TRIAL PERIOD PLANS



Gender disparities were observed in several other areas as well. Females were more likely to report that they had to deal with repeat document requests from their servicers. They were also more likely to complain about issues related to the transfer of the servicing of their loan.





Finally, while men were more likely to complain about the application of payments to their loan account, women were more likely to have a complaint related to the origination of their loan.

Results based on mortgage servicer

Complaints about particular servicers were largely consistent with the size of the servicer. The name of each servicer discussed along with its status as a bank or nonbank is listed in Appendix B. The largest bank servicers are reducing servicing portfolios; CitiMortgage is exiting the business altogether. Because nonbank servicers have fewer regulators, there is a significant opportunity for them to engage in the type of predatory lending that occurred during the financial crisis. They are also able to engage in mortgage servicing abuse with less regulatory oversight.

7.1% of intakes involving Carrington and 8.3% of intakes involving Santander¹³ were because borrowers were informed that they were over HAMP income, which meant that their mortgage payment was already considered affordable.

11.1% of intakes from M&T¹⁴ Bank involved some type of investor restriction. This was particularly harmful to borrowers because M&T did not participate in the Making Home Affordable program.

22% of intakes from PennyMac and Caliber involved general denials. Because borrowers were not informed of the specific reasons for the denial, they are potentially prevented from appealing a modification decision or making a

¹³ Includes intakes involving Sovereign Bank due to its purchase of the institution.

¹⁴ Includes intakes involving Hudson City Savings Bank due to its purchase of the institution.



correction to their application that would have made them eligible for a modification.

PHH and PNC Bank consistently took longer than 3 months to convert trial period plans into permanent modifications (7.1% and 13%, respectively).

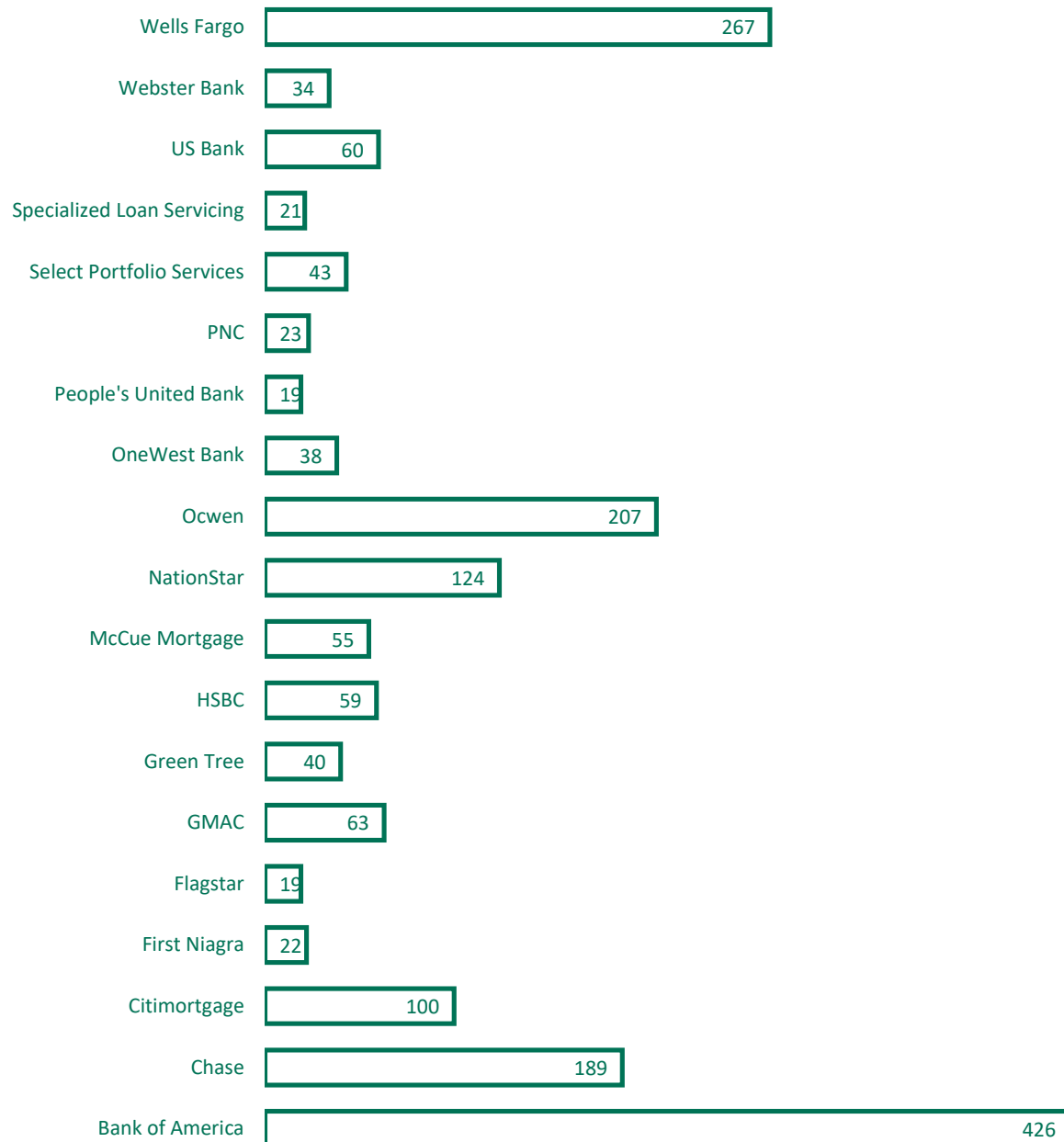
Complaints about repetitive document requests were dominated by the largest servicers (Bank of America, Chase, CitiMortgage, OneWest Bank, SPS, and Wells Fargo).

Dual tracking complaints were limited, but frequently involved Bayview and PHH.



Foreclosure Intakes by Servicer (Top 19 Servicers)

Total





Recommendations

Communities of color were impacted the most by the financial crisis, and continue to suffer from it almost ten years later. Fair housing organizations such as the Center must continue to provide support to these communities, through education before a crisis occurs and through foreclosure prevention efforts once one has occurred. Mortgage servicers should have increased disclosure requirements so that organizations can monitor them and search for evidence of systemic discrimination, as existing data suggest that it may exist but are inadequate for complete enforcement of the fair housing laws.

In order to address the issues raised by the Center's analysis of its intakes and if able to find the funding to do so, the organization will:

- Publicize the results of the Center's analysis in order to inform people in foreclosure about the problems people of color and women are having getting mortgage modifications;
- Enlist the help of the municipalities hardest hit by the foreclosure crisis in reaching people who are still in danger of losing their homes to prevent further loss of the municipality's tax base;
- Use the results of the geographic analysis to direct its education and outreach efforts to women and people of color living in communities of color as well as people in foreclosure in all of Connecticut's communities;
- Continue to conduct education and outreach in communities of color in order to help those communities recovery from the financial crisis and to help prevent future lending discrimination;
- Collect data on new intakes to investigate whether such disparate outcomes are attributable to any particular servicer; and



- Conduct additional research to determine the difference in the call rates between men and women was the result of women managing financial affairs for households, or whether women received worse loans that increased their risk of foreclosure relative to men.

Finally, as noted above, the Center's analysis did not include information on approximately 56% of the intakes received between 2011 and 2016. The Center should collect data from its intakes on (1) non-mortgage foreclosures and (2) foreclosures caused by significant family disruption. Because of the lack of workout opportunities for such foreclosures, the Center should use its data to develop innovative intervention strategies. For instance, family court judges and mediators should be educated on the effects of foreclosure for families undergoing a significant disruptive event. For homeowners affected by non-mortgage foreclosures, the Center should investigate for systemic issues, such as the failure to maintain properties subject to a tax foreclosure in communities of color.