

Broken Homes, Broken Dreams: Families' Experiences with Foreclosure

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The housing crisis has changed the face of the housing market, devastated communities, and disrupted the lives of families. This study explored 29 families' experiences with foreclosure, documenting their experiences from the time they first obtained their mortgage until they faced foreclosure. Adults living with children under the age of 18 participated in in-depth interviews in which they described how they had selected the right home for their family, the event(s) that threatened their ability to make their mortgage payments, their efforts to cope financially and emotionally, and the impact of the experience. Whereas the interviews give the foreclosure crisis a human face by painting a picture of financial, social and emotional distress, they also suggest the families' experiences are nuanced and complicated, and point to areas for potential future intervention.

STUDY CONCEPT

The foreclosure crisis has had a unique and detrimental effect on the local economy in Cuyahoga County. According to a report by Policy Matters Ohio, in 2011, Cuyahoga County had the highest rate of foreclosure filings in the state, more than 500,000 mortgages were underwater (worth less than the amount owed on them), and 8% of mortgages were seriously delinquent or in foreclosure. The effects of foreclosures--including large numbers of vacant properties leading to increased sprawl and a declining tax base--have led to the large-scale devastation of communities locally and nationally. Recent quantitative studies have linked local, state, and national data sets, and have illuminated larger patterns in foreclosure important to understanding the foreclosure crisis locally (Coulton, Hexter, Hirsh, O'Shaughnessy & Schramm, 2010), but the effects on individual families have been less clear.

Using semi-structured interviews, this study focused on examining families' experiences with their initial mortgage and through to the foreclosure.

Research Questions: (1) What experiences led to the family's facing foreclosure? (2) What did families do to deal with the foreclosure? (3) What are the meanings of home and of the foreclosure

for the homeowner and his/her family? (4) What has been the impact of the foreclosure experience on the homeowner and his/her family?

Table 1: Sample Demographics.

Homeowner Demographics	(N =29)
Female	83%
African American (vs. White)	66%
Household income < median	80%
Number of children under age 18 in the home (Mean)	2.0
Number of persons in the household (Mean)	4.0
Owned home in city of Cleveland	50%
Age: Mean (SD)	47.1 (8.5)
Married	38%

METHOD

A total of 29 in-depth, semi-structured, in-person interviews were conducted with members of families who were facing or had undergone foreclosure. Eligible participants were adult homeowners who were facing or had undergone foreclosure and lived with a school-aged child (under age 18) at the time they faced foreclosure. Family participants were recruited from local agencies that provide foreclosure assistance or are otherwise involved in helping families with foreclosure. Interviews with participants were conducted in places most convenient for them—at



their workplaces, homes, public libraries, in conference rooms of their service providers, or other locations. The interviews were approximately one hour long, and participating families received a \$50 gift card as an incentive. The interviews were transcribed, coded and thematic analyses were performed using *Atlas.ti* (see **Table 1 on page 1**).

FINDINGS

The interviews revealed that the foreclosure process is psychologically and physically devastating for families. While some families reported that they had carefully

selected their homes as a place to raise their families, others talked about taking ownership of the homes of their parents and/or grandparents. They described their homes as a place of refuge and safety, where their families gathered for holidays and celebrations. The potential loss of their homes was “unthinkable,” shattering their sense of security. Importantly, families saw their homes as more

than a financial investment, as exemplified by one interviewee’s assertion that foreclosure was “like a death.” Because many of the families in this study struggled to maintain a standard of living that allowed them access to the middle class, losing their homes represented a loss of not only identity but also status. The effects of this anticipated loss were apparent by their reports of psychological and physiological distress.

Why Homeowners Faced Foreclosure:

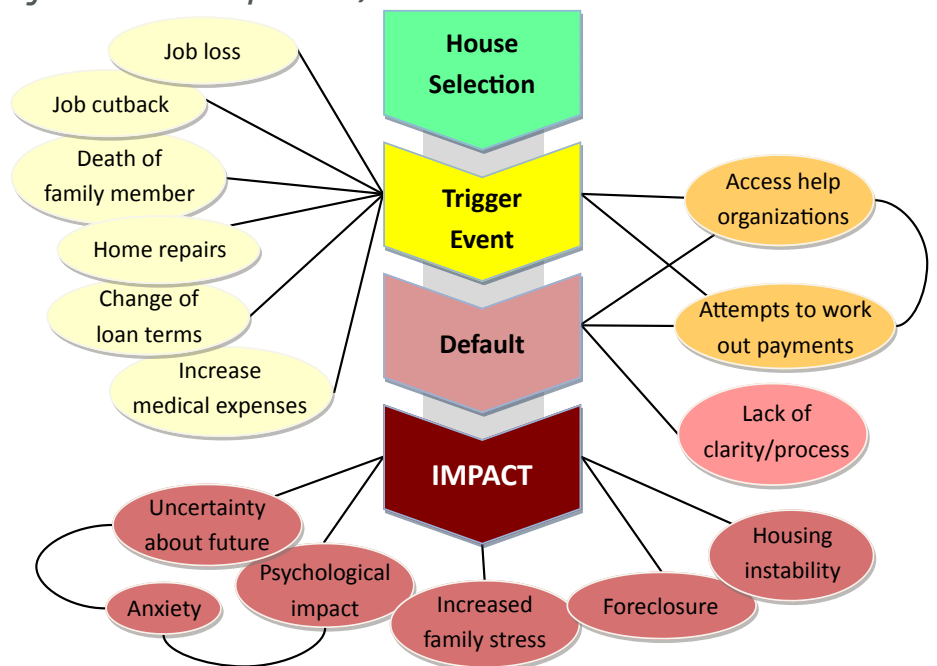
Families identified a number of reasons they faced foreclosure, including being laid off, fired, or having their work hours reduced; becoming ill or needing to care for ill family members; or dealing with relationship

issues (including divorce). Most families experienced multiple foreclosure “triggers,” so it was difficult to identify only one (see **Figure 1 below**). More than 60% of the sample said foreclosure followed job-related financial distress, while 42% stated that their own or a family member’s health problem (physical or mental) or the death of a family member had led to their mortgage delinquency. Some homeowners reported having had very high interest or interest-only loans with little to no down payment, while others had prime loans and reasonable interest rates. When, however, their homes needed repair, and/or another employment, health or personal event occurred, their financial situations often worsened and they became unable to make the mortgage payments to which they had originally agreed. Specifically, when trigger events occurred, families had very little in the way of financial cushions. At the time of the interview, homeowners said they were between two and thirty months behind in their mortgage payments. Nearly all homeowners reported that when they knew they were going to have difficulty paying their mortgage, their first course of action was to contact their bank or mortgage servicer and try to work out a payment plan; however, they reported that banks were either unable or unwilling to work out alternate arrangements.

The Foreclosure Experience: The persons interviewed reported high levels of frustration with their banks and loan servicers—which nearly universally refused (or, for policy reasons, were unable) to help to modify

“For me the biggest thing was, are they going to put a big sign up in our front yard for our neighbors to know...?” -Homeowner in foreclosure

Figure 1: Families’ experiences, from house selection to foreclosure



the mortgage agreements by agreeing to temporarily reduce or delay payments or refinance high interest. Interviewees felt depersonalized, ignored, and mistreated by banks and servicers. Homeowners complained that banks would frequently “lose” paperwork and other information, forcing homeowners to repeatedly resubmit their documentation, often requiring them to overnight the packages, adding to homeowners’ financial burdens. Homeowners referred to their interactions with banks and servicers as a “battleground” and/or as playing a “game,” each analogy referring to winners and losers, where the losers were almost always homeowners. As stated earlier, some interviewees—all African American—described having obtained extremely bad (interest only and/or very high interest) loans.

Accessing assistance through housing counseling agencies or legal assistance tended to be helpful for participants. One person referred to her housing counselor as her “guardian angel.” Service providers assisted homeowners in navigating the unfamiliar terrain of the mortgage and banking industries, including helping them identify and gather the multiple documents required by banks, loan servicers, courts, and other entities. Service providers also educated homeowners about their options, advocated for them when necessary and when possible, helped them obtain financial assistance. Some homeowners reported that informal sources of social support included friends, family, and members of their faith communities; however, others hid their situations from friends and family whom they did not want to “burden.” They described feelings of shame and a belief that they had personally failed.

Meaning of the Home and Meaning of the Foreclosure: Homeowners described their homes as a crucial piece of their identities (see Table 2 above). Their homes represented a sense of safety and stability for them and for their children, provided a gathering place for their extended families, and symbolized their successful attainment of the “American Dream.” Their homes also represented freedom (they talked about the importance of having the ability to paint the walls and decorate how they wanted, etc.). All of the families experienced the loss of their home as a failure. One person said that losing his home felt like a death.

Although the foreclosure experience was an agonizing

Table 2: Meaning of the Home and Meaning of the Foreclosure.

Meaning of Home	Meaning of Foreclosure
Identity	Failure
Freedom	Like death
Safety	Agonizing
Stability	Shameful
A symbol of success: The American Dream	“Letting my children down.”
A place for family to gather	Coming to terms with a new role within the family
Something to pass down to children	
“My home means everything to me.”	

experience for all interviewees, most of them reported that if they were to lose their homes, they would want to buy again as soon as they were able, as opposed to renting, a belief linked to their dream of home ownership. Also, although some of the homeowners lived in neighborhoods devastated by foreclosure, in homes that were aging and in need of repair, and struggled with underwater mortgages, all of the homeowners remained committed to their homes and neighborhoods. The houses and communities they had selected to raise their families in were deeply personal and meaningful choices rather than purely financial investments.

Impact of Foreclosure on Homeowner and Family:

Health: Homeowners stated that they were extremely stressed by the foreclosure experience, specifying a variety of physical and mental health concerns that began and/or worsened during the process. The health concerns they named included anxiety, depression, sleeplessness, crying alone, and stress-related physical conditions (such as immune system disorders and hypertension). Describing her experience, one homeowner said, “The stress, losing sleep, not being able to sleep, waking up just as tired as when you went to bed, not being able to sleep, tossing and turning wondering....For me the biggest thing was, are they going to put a big sign up in our front yard for our neighbors to know? ...This is up there next to death. This causes tremendous stress.... Relationships have been ruined because of this. Having a quadruple bypass surgery, like I went through, and the doctor telling me this is stress related.... It’s a mental, emotional, devastating experience.”

The houses and communities they had selected to raise their families in were deeply personal and meaningful choices rather than purely financial investments.

families' experiences involved feelings of shame and failure, being able to share their experiences with others could improve their well-being by decreasing social isolation. Providing general support for families that allows them to share their experiences might be one avenue of such support.

The Role of Banks and Servicers: Banks and servicers could do more to alleviate one of the greatest sources of anxiety for families by providing timely and accurate

information about the process. Not having information about whether or not they will lose their homes — some for as long as a year—contributed to family stress. It would be helpful if banks and servicers were required to communicate clearly with their customers regarding the status of

their foreclosure and the steps that need to be taken to resolve their cases in a timely manner. In cities such as Cleveland, where neighborhoods have been devastated by foreclosures, banks would do well to

consider how worthwhile completing a foreclosure is. Many homeowners are willing to try to catch up on their payments as soon as they are able to in order to keep homes that are worth little on the market. In such cases, banks might find that making alternative payment arrangements with a homeowner who is temporarily unable to pay provides greater financial advantage than does foreclosure. For banks the home is simply a financial asset, whereas for families it represents something profoundly meaningful.

Future Study: An area of future study should be the outcomes experienced by families who have completed foreclosures. This study included only a few families who had completed foreclosures, but the interviews with those whose foreclosures were completed suggest that these families had achieved a greater sense of stability than did the families facing foreclosure. Having moved out of their homes, they were moving on with their lives. Gaining a more complete understanding of the experiences of these families, who often “disappear” from the reach of service providers, is critical to assessing the full impact of foreclosure. What factors predict a “successful” outcome for a family that goes through foreclosure? How can policy and programs be shaped to increase the possibility of “success” for these families?

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The study was funded by an Interdisciplinary Alliance Investment Grant at Case Western Reserve University.

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Research summaries from the Center on Urban Poverty and Community Development

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The Center on Urban Poverty and Community Development seeks to address the problems of persistent and concentrated urban poverty and is dedicated to understanding how social and economic changes affect low-income communities and their residents. Based in Cleveland at Case Western Reserve University's Jack, Joseph and Morton Mandel School of Applied Social Sciences, the Center views the city as both a laboratory for building communities and producing change locally, and as a representative urban center from which nationally relevant research and policy implications can be drawn.

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