

# **Why People Should Care About 60-day Delinquency Rates**

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For Becky Yerak

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60-day mortgage borrower delinquency is the hidden crisis and we'd best pay attention. Homeowners who are not yet in foreclosure are the best candidates for mortgage reworks. We know from our own CEDA housing counseling that work-outs are at a pretty good success rate. We know that some banks are moving more aggressively to work with clients. Some rework packages allow for a payment now with one or two payments added to the end of the loan.

However, we also know that communications have not been good on both sides. Customers can't reach the right people at the bank or mortgage company. The collection departments have different purposes than personal bankers. Customers tend to avoid calls from their mortgage companies.

Certified housing counselors, like we have at CEDA, are experienced in working with customers and their mortgage holders, yet for many people and for a number of reasons, homeowners in mortgage trouble will not expose themselves. The worst thing for homeowners is not to respond. Many chose this option rather than letting other people know their financial situation.

Home ownership reflects who they are within their communities Homeowners have achieved the American dream and now it's been shattered. The numbers of mortgage delinquencies are much higher than we know at CEDA.

At our current pace, CEDA housing counselors will see 50% more clients in the area of foreclosure prevention than a year ago. There is not a direct correlation between people who are in trouble and the numbers we see. There's a hidden number. CEDA housing counselors have held a number of community meetings in Cook County suburbs to offer homeowners and concerned citizens valuable information that they may not have sought through individual counseling.

Why should residents not facing mortgage crisis care about those who are?

Each of us live in communities, these communities can become devastated in a number of ways. Your house is an asset. Your home value will be reduced by the number of foreclosures in your neighborhood. To make up for lost real estate taxes, your property taxes may increase while your home value is decreasing. This may be true even if high foreclosure is not in your immediate neighborhood, but is in this area. Tax rates are based on market value. In many areas, local real estate taxes are now out of sync with home values. People are going to appeal. Tax bases will erode further. New buyers aren't even going to look in areas with reported high foreclosure rates. Community services will be reduced; school revenues will be reduced.

In the Chicago metro area, the highest levels of foreclosures are in the low-income and predominantly minority communities. However, it's not just a low-income problem. Moderate-income and upscale communities are also facing consequences of delinquent mortgages. Many good income residents bought more home than they could have or should have because of teaser rates. There are many factors contributing to mortgage delinquencies other than subprime mortgages. Housing costs have outpaced wages. CEDA is seeing downsizing of people in high paying jobs. Many people used their homes to improve their quality of life and now the mortgage is greater than the value of the home. Many can't sell and eliminate this debt. They're walking away as a way out. Banks will write-off a portion, but the remainder of this debt is considered income for the homeowner by the IRS.

There is also the humane side of mortgage delinquency. Children's lives will be affected when healthcare and utility bills go unpaid to pay an unaffordable mortgage. Families with ARM resets and teaser rates that expire in 2009 will continue this crisis if they are not able to refinance into fixed affordable mortgages now.

The consequence of delinquent home mortgages is very complex. Another problem in the Chicago area is the shortage of affordable rental housing. Thousands of public housing units are no longer available. The number of people seeking rental housing and placement from CEDA has grown from 500 to 1,030 in fiscal year 2007.

What can we project? Higher rates of homelessness? Escalating crime?

Many people played by the rules and believed in the American dream. Now it's coming to an end. People have fundamental human needs: housing, food, shelter.

The greatest challenge CEDA has in helping individuals and families achieve self-sufficiency is addressing this core poverty issue of affordable housing.

## **Upcoming CEDA Housing Foreclosure Prevention Seminars**

May 3, Saturday

**PLCCA- 411 W. Madison Street**

**Maywood, IL 60153**

**10:00a.m.-1:00p.m.**

**708.450.3500**

June 27, Saturday

**CEDA NEIGHBORS AT WORK**

**1229 Emerson**

**Evanston, IL 60201**

**11:00 a.m. -3:00 p.m.**

**847.328.5166**

June 28, Saturday

**CEDA Center for Community Action**

**53 E. 154th Street**

**Harvey, IL 60426**

**10:00 a.m.- noon**

**708.339.3610 ext.226 or 227**

July 23, Wednesday

**Regional (TBA)**

**5:30 p.m.- 9:30 p.m.**

**708.458.9258**