

# THE FACE OF FORECLOSURE

Nevada



# Methodology & Conclusions



## Methodology

SGS, on behalf of the **Nevada Association of REALTORS®**, conducted a study of likely foreclosure participants and witnesses among citizens of the State of Nevada. Several methods were used to reach this select target. Data pertaining to mortgage default and foreclosure for citizens in Nevada from 2007 to present were gathered and matched against existing databases for the population. Nearly 50,000 records were matched. Among those matches, SGS grouped the matches on tiers based on the likelihood of that match being the same person listed on the foreclosure and default documents. Extensive analysis was conducted on these records. Potential homeowners and likely homeowners were also added to the sample. Calls were made during both daytime hours and evening hours to ensure that all demographics would be reached. These calls took place between February 5th 2009 and March 1st, 2009. The results of the study are based on live telephone interviews with randomly selected samples of homeowners and predefined samples of all persons matched to their foreclosure records for the state. A total of 307 residents, aged 18 and older, who resided in the state at the time of the foreclosure or foreclosure scare were interviewed. For results based on this sample size, one can say with 95% confidence that the maximum error attributable to sampling and other random effects is +/- 5.95 percentage points. In addition to sampling error, question wording and practical difficulties in conducting surveys can introduce error or bias into the findings of public opinion polls.

## Conclusions

The Nevada Association of REALTORS® set out to discover the Face of Foreclosure to better understanding the crisis and most importantly, be a part of the solution. What we found was startling not for its uniqueness but because it so strikingly represents the average Nevadan.

- The demographics of the foreclosed cover virtually every political, economic, ethnic and educational class.
- Sea-change events occurred in the lives of nearly every Nevada homeowner surveyed, contributing significantly to their foreclosure woes.
- However, it was almost never a single factor that led to their foreclosure. A “plus one” factor tipped nearly everyone surveyed from being financially capable into a place where paying their mortgage was simply out of reach. Even some under-qualified homeowners could have stayed in their homes had it not been for that sea-changing life event.
- By their own accounts, they are not all victims. Many people take responsibility for getting into loans and homes they simply could not afford and had no business having.
- While few, if any, are free from all personal responsibility, there is a clear pattern of certain people who seem to have known little to nothing about buying a home, the type of loan they had or the options available to them once foreclosure began.
- No single, conventional causation such as loan type, loss of job, or devaluation of property can adequately explain the factors that led to most foreclosures in the study.



## Home sales plunge while buyers await rescue plan

End of home price slide in sight?

U.S. housing market bottom may be a year away: Case

## Personal Bankruptcies Soar as Recession Takes Its Toll

*Media portrayals of the crisis vary wildly*

SGS conducted a thorough evaluation of hundreds of national, state, and local news stories. News coverage has focused almost entirely on financial and market factors contributing to the foreclosure crisis. When coverage strays into personal stories, they are purely anecdotal in nature and have been completely devoid of research. While many entities around the nation and in Nevada have studied loan types, interest rates, property values and economic factors, few, if any, have asked those who went through foreclosure what actually happened to them. In doing this, several points should be made about questionable or at least unfounded claims being made in the news.

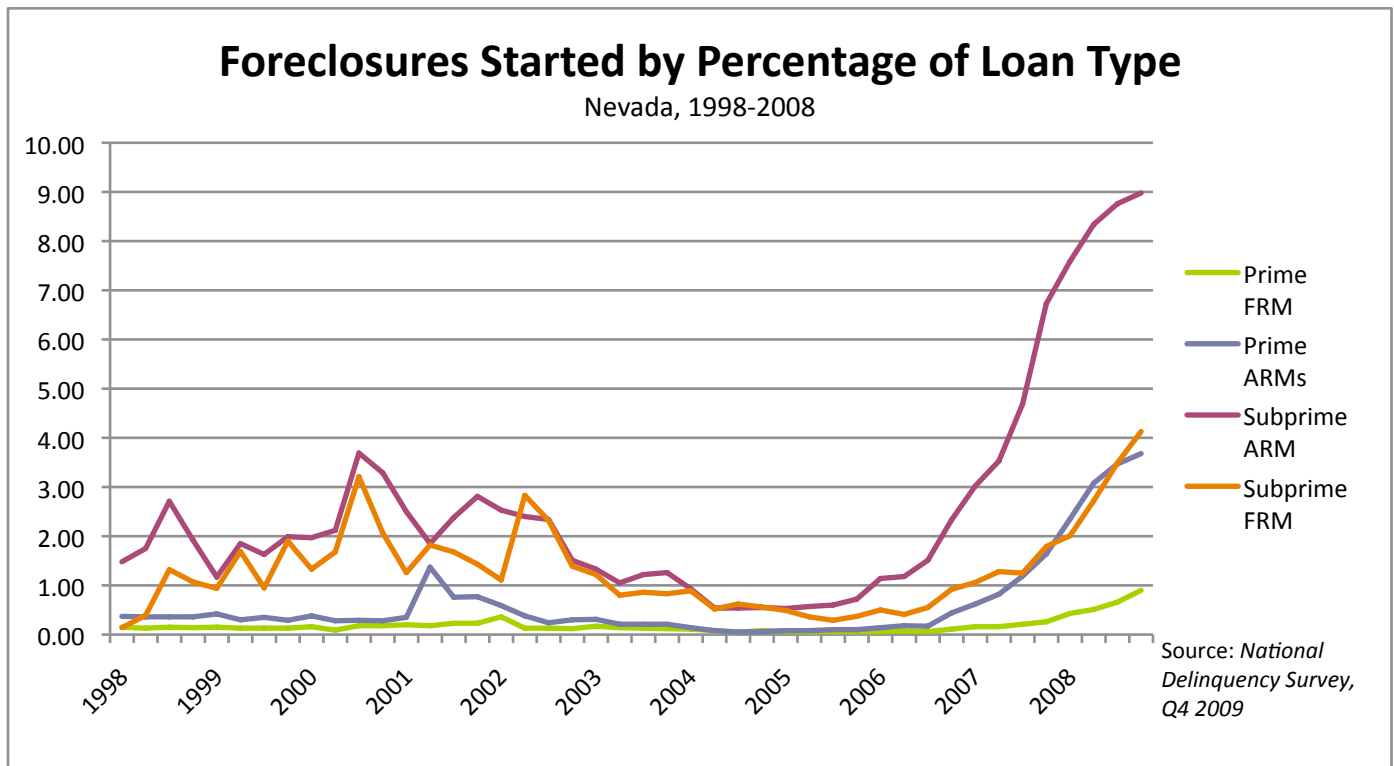
- Foreclosures are NOT simply the result of people borrowing more than they could pay. This has been a widespread and easy target, namely, that “these people deserved it.” Many of those surveyed were capable and qualified homebuyers prior to a major life event.
- Conversely, the majority of those experiencing foreclosure are NOT simply victims. This is the other end of the spectrum in which many commentators, writers and even policy-makers liken foreclosed individuals to naïve poor people. Not only is that demeaning to their intelligence but it is not consistent with the data found in Nevada.
- While job loss is a key problem and indicator of foreclosure risk, it is NOT the only factor. Many news stories have focused solely on tying together the overall poor economy, increasing unemployment and falling home prices as an easy answer to why homes are going into foreclosure. Many homeowners in Nevada were employed for the entire process of foreclosure but experienced other, NON-economic stresses on their income, such as medical bills, caring for loved-ones or new dependents in the home or a change in relationship such as divorce or marriage.
- Much has been made of sub-prime and adjustable rate mortgages. Some analysts have even placed the majority of the blame, based on analyzing raw mortgage numbers, on these two types of loans. Among those surveyed, more had fixed rates than adjustable and fewer had sub-prime than had prime loans. Type of loan CANNOT be singled out as the only important problem to deal with as solutions are sought.

# Context - Key Statistics



It is critical prior to reviewing the results of the survey itself to understand the local, state and national context in which this crisis is happening. A substantial portion of the Face of Foreclosure project has revolved around ensuring that the stories and data gathered in our studies fit appropriately into the overall context. The following sections cover many facets of the overall context including unemployment analysis and comparisons, the national foreclosure crisis, the very specific nature of the foreclosures in Nevada as discovered in our study, and the local, state and national news coverage to-date. All of these factors must be taken into account in order to gain a better understanding of the full situation. The Face of Foreclosure research, seen in this context, provides some very important and interesting contrasts and affirmations of some of the state and federal discussion currently consuming hours and hours of TV news time and concerning the minds of many Americans.

## Types of Foreclosures

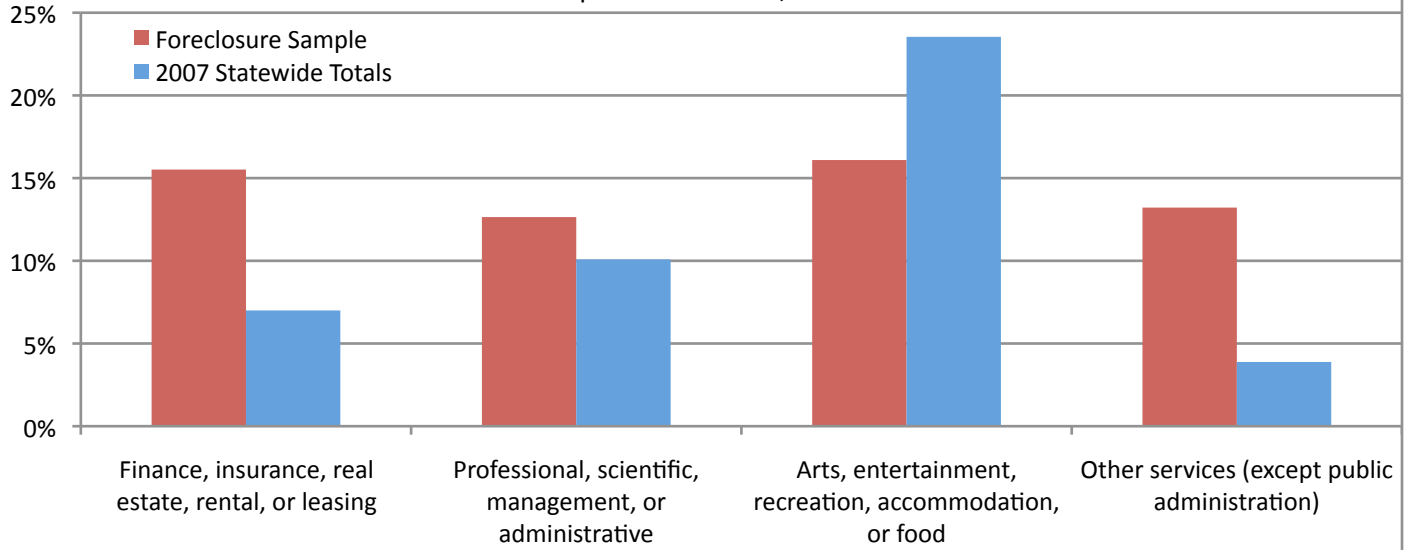


Foreclosure files for the entire state of Nevada were matched to the Nevada Datamine (via NVDatamines, LLC) and analyzed for indicating factors, overall representation and possible trends. Interestingly and consistent with survey findings, individuals who went through foreclosure and are registered to vote (or were in Nevada in the previous years) are largely a representative sample of the average voter. That is, they are average, everyday citizens, not some anomaly subset of people. This is further illustrated by comparing occupation of the sample to statewide occupation numbers. There are, however, some key differences between certain statewide occupations and the sample. The only distinct differences, among voters who went through foreclosure, are fewer numbers of those over 60 years of age and, interestingly, propensity to vote.

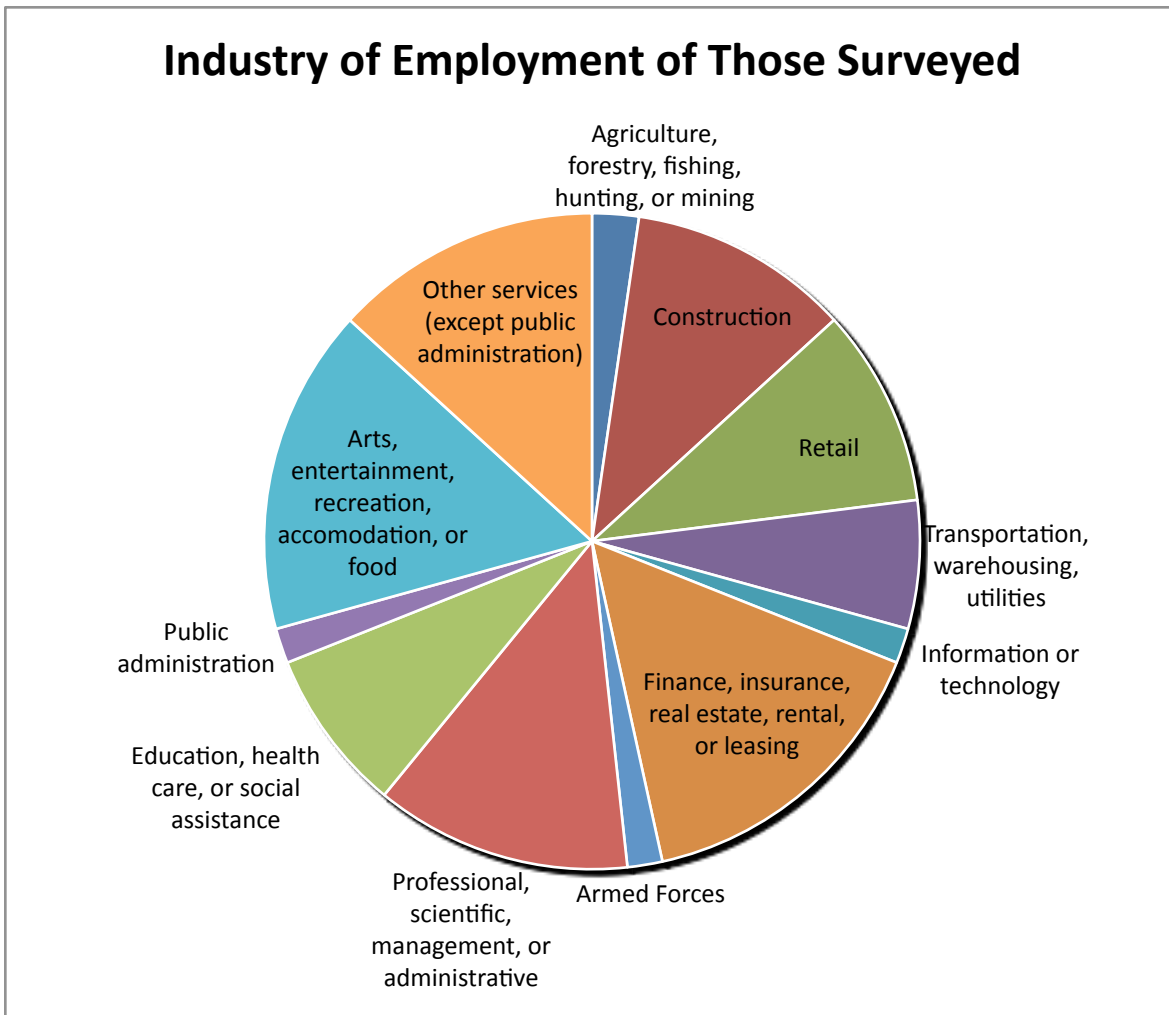
	State of Nevada All Voters		Foreclosure Sample	
	Count	Percent	Count	Percent
<b>Total</b>	1228151	100%	49693	100%
<b>Gender</b>				
<b>M</b>	447774	36%	18396	37%
<b>F</b>	487469	40%	19067	38%
<b>Unknown</b>	292908	24%	12230	25%
<b>Party</b>				
<b>REP</b>	437942	36%	16525	33%
<b>DEM</b>	540055	44%	22926	46%
<b>IND</b>	250154	20%	10242	21%
<b>Unknown</b>	0	0%	0	0%
<b>Vote Behavior</b>				
<b>Cntvote=4</b>	97223	8%	1627	3%
<b>Cntvote=3</b>	120923	10%	3208	6%
<b>Cntvote=2</b>	217484	18%	7387	15%
<b>Cntvote=1</b>	460999	38%	21259	43%
<b>Cntvote=0</b>	331522	27%	16212	33%
<b>Age</b>				
<b>&lt;30</b>	236947	19%	10431	21%
<b>30-39</b>	202509	16%	11044	22%
<b>40-49</b>	228321	19%	10714	22%
<b>50-59</b>	226862	18%	8696	17%
<b>60+</b>	333512	27%	8808	18%
<b>Children - Known Households</b>				
<b>Yes</b>	194762	23%	7822	23%
<b>No</b>	646466	77%	25886	77%

## Comparison of Selected Industries of Employment

Foreclosure Sample vs. Statewide, as Percent of Total



## Industry of Employment of Those Surveyed



# Results & Analysis



## Demographics

One of the most important goals of the Face of Foreclosure project is understanding the underlying demographics of those who've gone through foreclosure and how those demographics may have played a part in their experiences. Below are many of the key demographics discovered among those who were surveyed.

We start with personal demographics and physical or relational factors. These items are important to know who was surveyed and provide the foundation for additional statistics that begin to point toward causation of foreclosure.

**Among those surveyed, 60.3% had personally experienced foreclosure and 24.4% had a close relationship with someone who had been foreclosed upon. Additionally, an interesting number of people were indirectly affected as renters of a foreclosed property and some reported narrowly avoiding foreclosure.**

Personally experienced foreclosure	60.3%
Narrowly avoided foreclosure	6.8%
Rented from a property that was foreclosed	7.2%
Know a friend, family member, colleague, or other who experienced foreclosure	24.4%
Work in an industry that interacts with foreclosed homes and their tenants	1.3%
OTHER	0.3%

**The majority of those who experienced the foreclosure were married in the year prior to the foreclosure (60.6%) while many were single. This is important as you look at those who underwent a relationship change in close proximity to the foreclosure. When asked what the "primary mortgage payer's marital status was within the year prior to the foreclosure," those surveyed responded in the following proportions:**

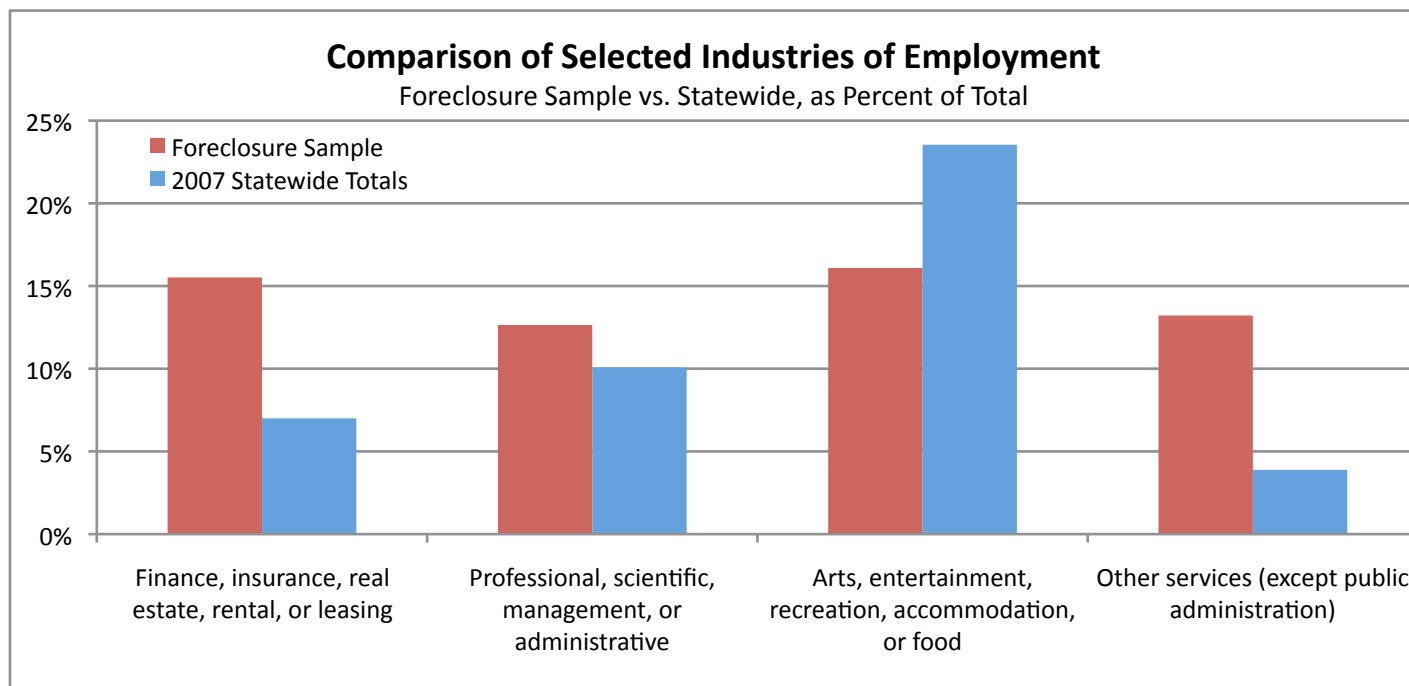
Married	60.6%
Separated	1.3%
Divorced	5.2%
Single, but engaged or seeing someone	4.9%
Single	16.6%
Unsure/Refused/Not Asked/Other	11.4%

**When asked about others living in the home, interesting trends began developing as well. First, respondents were asked how many children under the age of 18 were living in the home at the time of the foreclosure process. The results were as follows:**

1	22.8%
2	20.8%
3	16.3%
4	4.9%
5 to 6	2.3%
7 to 8	0.0%
9 or more	0.7%
Unsure/None/Refused	32.2%

Occupation, annual household income and education levels are also key in understanding and putting a “face” to those who’ve gone through foreclosure in Nevada. Occupation breakouts indicate a high number of “professional” rather than just “labor” or blue-collar jobs. While many were in the entertainment or supporting industries, there were also a sizeable number from such industries as finance, insurance, science and education.

Ag/Forestry/Fishing/Hunting/Mining.....	2.3%
Construction .....	10.9%
Manufacturing.....	1.2%
Retail .....	9.3%
Transportation/Warehousing/Utilities.....	5.4%
Information.....	3.1%
Finance/Insurance/Real Estate/Rental/Leasing.....	13.6%
Professional/Science/Mgmt/Administration .....	11.6%
Education/Healthcare/Social Assistance.....	10.1%
Arts/Entertainment/Recreation/Accommodations/Food.....	16.3%
Other Services (Non-Public Administration).....	14.0%
Public Administration .....	1.2%
Armed Forces.....	1.2%



**Annual household income presents an alarming possibility, namely, that many people were simply not making enough money to afford a mortgage. However, it also de-bunks the myth that all foreclosures are among those who don't make enough money. Plenty of those surveyed had substantial yearly incomes and, as we'll see later, had other contributing factors. Those surveyed reported, in the YEAR prior to their foreclosure, the following household incomes:**

Under \$15,000	24.4%
\$15,000 - \$24,999	6.8%
\$25,000 - \$34,999	10.4%
\$35,000 - \$49,999	14.3%
\$50,000 - \$74,999	17.9%
\$75,000 - \$99,999	10.7%
\$100,000 - \$149,999	10.4%
\$150,000 - \$199,999	3.3%
\$200,000 - \$249,999	0.3%
\$250,000 or more	0.0%
Unsure/Refused	1.3%

**A study of the education levels of those who went through foreclosure shows, again, a widely varied group. While one could argue that non-college graduates seem disproportionately represented, these numbers are actually very much in line with national and State of Nevada averages, with the results as shown below:**

Less than a high school degree	6.2%
High School Diploma or G.E.D.	25.1%
Some College	32.2%
Community College Degree or Technical School Degree	11.1%
4 Year Degree	12.7%
Graduate School or Professional School	7.8%
Unsure/Refused	4.9%

**Ethnic and racial groups are relatively well represented among those surveyed with a significant number of Latino respondents in the group.**

African-American	7.8%
Asian/Pacific Islands	4.6%
Latino/Hispanic	14.7%
Native American	1.0%
White/Caucasian	60.9%
Other	2.3%
Unsure/Refused	8.8%

**Males and Females were both well represented among those surveyed, not far from representing the average make-up of Nevada, irrespective of foreclosure activity.**

Male	39.7%
Female	58.3%
Unsure	2.0%

## Circumstances

Understanding the circumstances surrounding each foreclosure gives a well-rounded perspective of some of the factors in place both in the year prior to and immediately before the foreclosure occurred. These are what we would classify as contributing factors or underlying traits. These may not speak to direct causation of foreclosure but provide important context for responses to causation questions.

**The type of home or property the respondent lived in is important to know in that we are speaking directly about people for whom the foreclosed property was their primary residence. Among respondents, the foreclosed property fell into the following categories:**

Single Family home.....	90.2%
Town Home .....	2.9%
Condo .....	4.9%
High-rise/ flat .....	0.3%
Duplex/Triplex.....	1.0%
Unsure/Refused .....	0.7%

**Regarding these homes, they fell in a variety of ranges of size. This is an important factor to note as well in understanding that neither the problem nor our respondents fit into any neat categories.**

500 to 1,000 ft <sup>2</sup> .....	2.0%
1,000 to 1,500 ft <sup>2</sup> .....	23.8%
1,500 to 2,000 ft <sup>2</sup> .....	31.9%
2,000 to 2,500 ft <sup>2</sup> .....	17.6%
Over 2,500 ft <sup>2</sup> .....	13.0%
Unsure/Refused .....	11.7%

**Additionally, the large majority of those surveyed were using the foreclosed property as their primary home, indicating the strong nature of the sample of those surveyed truly representing the "Face of Foreclosure."**

Primary home.....	87.3%
Rental.....	8.1%
Investment .....	3.6%
Vacation home or second home .....	0.7%
A trust or gift .....	0.0%
Other .....	0.0%
Unsure/None/Refused .....	0.3%

One of the most telling findings of the entire study to-date is the percentage of monthly income spent on the mortgage. When asked this question, 35.4% responded that they were paying 56% or more of their monthly income on their mortgage. A significant group (23.5%) were paying less than 40% of their monthly income and 7.2% were paying 20% or less toward their mortgage. These individuals STILL went into foreclosure showing that a singular explanation based on loan types or job loss simply does not adequately explain the scope of the foreclosure crisis in Nevada. While national experts mark 30% as a healthy percentage of monthly income toward a mortgage, our studies clearly show that this proportion, in and of itself, is not a fool-proof guard against foreclosure. Interestingly, 24.8% of those surveyed were either unsure or refused to answer what percentage of their income was going toward their mortgage.

1 to 20% .....	7.2%
21 to 40% .....	16.3%
41 to 55% .....	16.3%
56 to 65% .....	9.1%
66 to 75% .....	9.1%
76 to 85% .....	7.8%
86% or more .....	9.4%
Unsure/Refused .....	24.8%

Extremely interesting in the findings were the varied TYPES of loans, very much contrary to the overall assumption made by many news outlets that sub-prime and adjustable loans were the only significant problem. While the data as a whole supports a large portion of foreclosed homes were under these types of loans, this research shows strong evidence that loan type in and of itself is not the single determining factor for those who are at-risk. When asked what type of loan they had on the property, respondents replied at the following proportions:

**Type of Loan**

Prime .....	76.7%
Sub-Prime .....	23.3%

**Type of Rate**

Fixed .....	46.6%
Adjustable .....	53.4%

**As a percentage of the whole sample:**

Prime Fixed .....	27.7%
Prime Adjustable .....	23.8%
Subprime Fixed .....	3.9%
Subprime Adjustable .....	11.4%
Other .....	12.7%
Unsure/Refused .....	20.5%

Employment status and job loss are key factors being discussed in the national debate currently. Among those surveyed, the majority had full-time employment in the year prior to their foreclosure, as indicated by the following responses:

**In the year prior to the foreclosure, were you employed for most of the time?**

Yes .....	81.4%
No.....	15.0%
Unsure/Refused .....	3.6%

**Was that full-time, part-time, seasonal or on leave?**

Full Time .....	94.4%
Part Time/ Seasonal.....	4.0%
Sick/ Medical leave .....	0.4%
Other .....	0.8%
Unsure/Refused .....	0.4%

A majority of those surveyed did use a REALTOR® in their home purchase. These numbers are important in understanding the type of homebuyers/ homeowners that were surveyed, namely, that they engaged another professional in the process.

**Did you use a REALTOR® when you purchased the house that was later foreclosed on?**

Yes .....	61.9%
No.....	30.3%
Unsure/Refused .....	7.8%

## Causation & Response

*Our final section of the initial results report deals directly with the causation of and reaction to the foreclosure. This section focuses primarily on the respondents own beliefs as to what led to their foreclosure and is, truly, the “Face of Foreclosure.”*

**A significant majority of those surveyed experienced the loss of a job in the year prior to their foreclosure. Not to be ignored are the other “significant life events” that took place and perhaps most interestingly, the fact that almost none of the respondents said that there were NO “significant life events” that took place in that year. When asked if one of the following took place in the year prior to their foreclosure, respondents replied at the following percentages:**

Loss of job . . . . .	68.1%
An addition to household, such as having a baby, or relative or friend move in . . . . .	7.8%
Death of primary mortgage payer. . . . .	0.7%
Death of an immediate family member or friend . . . . .	3.3%
An arrest . . . . .	1.6%
A tax increase . . . . .	2.6%
Unexpected medical bills . . . . .	9.1%
A theft or robbery . . . . .	0.7%
Other unexpected bills . . . . .	11.7%
Unsure/None/Refused . . . . .	2.6%

Asked about other potential contributing factors, large numbers of respondents DID NOT indicate serious gambling problems, although a few did. Many said the type of loan played an important role in their foreclosure, even though many were not adjustable or sub-prime. Also probed was the presence or absence of a monthly budget prior to the foreclosure.

**Was substantial gambling debt a contributing factor?**

Yes .....	6.2%
No.....	89.6%
Unsure/Refused .....	4.2%

**Of those - Was it a major or minor factor?**

Major .....	47.4%
Minor.....	36.8%
Unsure/Refused .....	15.8%

**Was the type of loan a contributing factor leading to your foreclosure?**

Yes .....	61.2%
No.....	28.7%
Unsure/Refused .....	10.1%

**During and before the foreclosure process, did you have a set monthly budget?**

Yes .....	74.6%
No.....	11.4%
Before the foreclosure only.....	2.0%
After the foreclosure only.....	0.3%
Unsure/Refused .....	11.7%

In probing the manner in which people handled their foreclosure, responses were again extremely varied. Respondents were asked about what they did to try to avoid foreclosure, if they were able to stay in the home during the process, and where they went if they lost the home.

A significant number of respondents were able to remain in the home during the foreclosure process, some of them for a very long time as the process unfolded. Those numbers are below.

**Were you able to stay in the home during the process?**

Yes .....	59.3%
No.....	34.2%
Unsure/Refused .....	6.5%

**Asked what they did to try to avoid foreclosure, many respondents appear to have made at least some attempt at contacting their lenders but reported very little cooperation. Further, some respondents DID NOT contact anyone about ways to prevent foreclosure and appear to have simply accepted it.**

**Did you contact any agency and ask about ways to prevent foreclosure?**

Yes .....	69.4%
No.....	24.4%
Unsure/Refused .....	6.2%

**Which of the following agencies was contacted?**

The lender who gave the mortgage .....	64.3%
The collections department of the entity to whom you send payments .....	8.9%
The loss mitigation department of the entity to whom you send payments .....	6.6%
The investor that owns the loan .....	7.0%
Certified housing counselor .....	7.0%
Credit Counselor.....	4.2%
Lawyer.....	13.1%
Other .....	OPEN
Unsure/None/Refused .....	10.8%

**How cooperative was the agency or department contacted?**

Very Cooperative .....	11.7%
Somewhat Cooperative.....	13.1%
Not Very Cooperative .....	29.1%
Not at all cooperative or worked against you/them.....	39.9%
Unsure/Refused .....	6.1%

**Many respondents stayed in rental homes immediately after the foreclosure while a sizeable number also moved in with family or friends. Asked where they lived immediately after the foreclosure, respondents answered at the following percentages:**

Friend’s house/apartment.....	7.5%
Family member’s house/ apartment .....	10.1%
Apartment .....	11.7%
Rental Home .....	31.6%
Motel/Hotel.....	1.6%
Shelter/Other Public Housing .....	1.0%
Purchased a new home .....	2.6%
Other .....	20.8%
Unsure/Refused .....	13.0%

# Further Action



While understanding the current Face of Foreclosure in Nevada is critical and should significantly inform decision-making going forward, it is just as critical if not more-so that an attempt be made to research potential solutions. To that end, we recommend that the second phase of research in this project should focus on two key areas:

- Identifying the “healthy homebuyer,” some of whom may well be individuals who previously went through foreclosure. Essential to this phase will be the identification of underlying factors that led to foreclosure that were avoidable or could have been mitigated if better protective legislation, regulation or counsel was available. Furthermore, this research will have as its goal the identification of key factors of “healthy homebuyers” and the homes they can afford with the goal of getting more people into homes, specifically foreclosed homes, and thereby stabilizing the Nevada market and re-establishing homeownership as a key factor a healthy Nevada economy.
- Studying the available resources and systems for those at-risk of foreclosure, in light of the March 4, 2009 Treasury Department/ Obama administration plan to help at-risk homeowners. This phase of the project will focus on interviewing those who’ve gone through foreclosure with an emphasis on what they did to try to avoid it, what they would have done had they known of existing resources and how they would have used resources available through the new program, had it been in place. In this, recommendations will be made as to how NVAR might help facilitate the federal program and contribute to the prevention of further foreclosures in Nevada, a key element in the health of the REALTOR® marketplace.

## Legislation

Rather than recommend specific legislation, this study can inform what legislation to **avoid**. There are certain types of legislation currently being discussed around the country and in Nevada the study may shed new light on. For example, legislation targeting only lenders and not addressing specific homeowner criteria, such as does the Treasury department plan (whereby a certain percentage of monthly income toward a mortgage must not be exceeded) may be considerably off-target. Further, legislation that seeks to establish government funded counseling on avoiding foreclosure will only be as successful as the program’s “teeth.” That is to say, the survey shows that *while many sought help, few found it among their lenders or other financial institutions*. While counsel can explain the system, any program incapable of helping the homeowner engage the financial institutions will likely only result in a delaying of the inevitable. Finally, legislation that seeks to further regulate the purchasing process may be helpful in preventing NEW homebuyers from repeating the same mistakes but will not address the thousands predicted to face the same problems within the next year. Unnecessary regulation on the homebuying process should continue to be avoided through NVAR legislative efforts.

## REALTOR® education

We strongly recommend that we work together toward the development of REALTOR® tools that address not only ways to identify “healthy homebuyers” that are less likely to lose their homes but more importantly, to help REALTORS® identify buyers that many may be disregarding in the current market, including those who may have been through foreclosure. A key piece of this effort is developing tips garnered from the study with key questions to ask when helping a potential homebuyer select a home. These are factors that may not have been considered by many REALTORS® previously and will not only help REALTORS® sell homes but by getting people into the right homes for them, will help to stabilize the market and even re-establish areas and neighborhoods thereby solidifying property values and re-introducing homeownership into the Nevada economy.

## Homebuyer Profiles

Key to understanding the Face of Foreclosure in Nevada is the ability, to the degree possible, to distinguish between the “healthy homebuyer” and the “unhealthy homebuyer.” Through understanding the circumstances surrounding foreclosures of “healthy homebuyers” we can begin to piece together a plan for re-establishing homeownership in Nevada and stabilizing the market by avoiding situations that carry a high risk of foreclosure, identifying important factors when selling homes and creating guidelines for REALTORS® selling homes in this volatile and confusing market so that stable, mortgage paying homeowners can begin re-filling Nevada’s homes.

### Healthy Homebuyer

- Has an income that can support a mortgage, even if that mortgage is small
- Understands the risks involved in purchasing a home including:
  - Life events that can make mortgage payment difficult
  - Their full responsibility for mortgage payment on-time and in-full
  - Additional costs and fees associated with homeownership
- Understands their financing options clearly and plainly and knows exactly who they can contact if problems arise with payment of their mortgage
- Is willing to purchase a home within their realistic price-range

### Unhealthy Homebuyer

- Has an income that cannot realistically support ANY mortgage
- Has an income that can support only their current lifestyle and mortgage ONLY IF no changes in income or expenses occur
- Has an overly simplified understanding of risks involved in homeownership including:
  - Life events that can make mortgage payment difficult
  - Their full responsibility for mortgage payment on-time and in-full
  - Additional costs and fees associated with homeownership
- Does not understand their financing options clearly and plainly or the basic factors of who they are responsible to, who they are paying and how they can contact that entity in case of problems
- Is set on only considering and purchasing a home whose size and price are clearly not realistic