

57% of Delinquent Borrowers Unaware of Options

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McLEAN, VA - Despite a surge in news reports about mortgage delinquencies, foreclosure rates and loan modifications, 57 percent of the nation's late-paying borrowers still don't know their lenders may offer alternatives to help them avoid foreclosure, says a new survey from Roper Public Affairs and Media – a leading international market research firm, and Freddie Mac one of the nation's largest purchasers in residential mortgages.

That represents a slight improvement from 2005 when the first Freddie Mac/Roper borrower survey found 61 percent of delinquent borrowers didn't know their mortgage lender offered workout options. The survey also found an increase in the percentages of delinquent borrowers who recall their lenders reaching out to them (86 percent) and who in turn reached out to their lender (75 percent) to discuss workout options.

The new Freddie Mac/Roper poll also says the percentage of delinquent borrowers aware there are housing counselors they can talk to about their mortgage has increased from 36 percent in 2005 to 44 percent today.

"This new survey shows efforts to get borrowers to call counselors are starting to work, but that too many at-risk borrowers are still unaware their servicers routinely provide alternatives that can help them stay in their homes," said Ingrid Beckles, Freddie Mac's Vice President of Servicing and Asset Management. "This fact underscores the importance of convincing borrowers to pick up the phone, call their servicer, and find out whether they can avoid foreclosure." Servicers are firms that collect monthly mortgage payments on behalf of investors such as Freddie Mac.

By working with servicers, Freddie Mac now helps an average of 1000 troubled borrowers a week avoid foreclosure through forbearances (which can delay or reduce payments), repayment plans, loan modifications (that restructure payment terms) or other workout options. *(Borrowers can find a comprehensive description of workout options at the Avoiding Foreclosure page of the Freddie Mac website.)*

"One problem is that servicers are unable to contact borrowers in more than half of the foreclosures we see at Freddie Mac," said Beckles. "That's why it is imperative to closely track borrower awareness of workout options so the industry and the government can evaluate and enhance their efforts to get more borrowers talking to their servicers about avoiding foreclosure."

In addition to finding that 57 percent of delinquent borrowers were unaware of their workout options, the new survey found awareness increased when some specific options were mentioned. For example, delinquent borrowers, when prompted, said they knew about repayment plans (63 percent), modifying an adjustable rate mortgage into a fixed rate loan (68 percent) and paying off their mortgage in a single lump sum (78 percent).

The survey also found 54 percent knew missed payments could be added to the loan balance through a loan modification and 52 percent knew mortgage terms could be extended under some circumstances. The survey also finds that only 43 percent are aware of forbearances or a temporary suspension of the mortgage payment or deed-in lieu of foreclosure (41 percent).