

# CONSEQUENCES OF FORECLOSURE

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## FOR THE HOMEOWNER

- Loss of shelter.
- Loss of accumulated equity.
- Possibility of deficiency judgment.
- Loss of credit.
- Potential difficulties finding alternative housing.
- Loss of personal property.
- For elders: frequent unnecessary transition to restricted living environments.
- Loss of long-term informal rental subsidies to others living in the household.
- Stress, pressures on the family structure.
- Moving expenses.
- Unexpected tax consequences.

## FOR THE MORTGAGE HOLDER

- Foreclosure losses in the aggregate, but not necessarily in individual cases.
- Loss of customers.

## FOR THE COMMUNITY

- Property deterioration.
- Potential property abandonment.
- Loss of neighbors, loss of community cohesiveness.
- Potential for vandalism and other crime.
- Reduction in property values, reduction in tax base.

## HOW DOES THE HOMEOWNER RESPOND?

- Anger
- Resentment to lender
- Shock
- Depression
- Embarrassment
- Confusion
- Turmoil among family members
- Feeling of Hopelessness
- Health Issues
- Panic

## WHAT CAN BE DONE?

- States can enact new laws that favor the consumer.
- States can enact new legislation that reduce the time that lenders can foreclosure on a borrower's property.
- Lenders can institute flexible loss mitigation policies and procedures.
- Post-purchase education.
- All borrowers required to complete financial literacy training before closing a purchase or refinance loan, etc.
- Stricter regulations on realtors, lenders, and settlement companies.
- New state and federal loan programs that are geared to help those at risk of losing their home.