

Discussion of:
Who Receives a Mortgage Modification?
Race and Income Differentials in Loan Workouts
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Four Questions:

- What factors determine whether a borrower loses a home to foreclosure?
 - For borrowers who are in distress, who gets a modification?
 - Does a modification reduce the likelihood of a subsequent foreclosure?
 - Does a modification result in a “significant rewriting” of the mortgage contract?
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So what?

- Examining whether there are disparate impacts of loan servicers' modification procedures
 - Determining whether modifications are effective in preventing foreclosure
 - Designing more sustainable mortgage lending practices
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Disparate impacts of modifications?

- Minority borrowers are not actually less financially sophisticated
 - Possible role of foreclosure counseling?
 - Servicers target minority households/neighborhoods for modifications
 - Servicers target household/neighborhood characteristics that minorities happen to have
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Are modifications effective in preventing foreclosure?

- What is important: the effects of a modification, or the effects of changes in loan terms resulting from a modification?
 - Exploring the effects of timing and delay in the post-default process
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Designing more sustainable mortgage lending practices

- The causality problem
 - Requiring a mortgage and homeownership “drivers’ test” for loans with characteristics strongly correlated with entering default/foreclosure?
 - Can we also use the data on earlier subprime mortgage originations (i.e. 1980s and 90s) to explore this question?
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