The Internal Costs of Foreclosure: A Qualitative Study Exploring Issues of Trust, Insecurity, and Self in the Face of Foreclosure

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Bachelor of Arts, May 2007, University of Delaware

A Thesis submitted to

The Faculty of
The Columbian College of Arts and Sciences
of the George Washington University
in partial satisfaction of the requirements
for the degree of Master of Arts

August 31, 2009

Thesis directed by

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Abstract of Thesis

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Since 2006, more than a million Americans lost their home to foreclosure and millions more are currently at risk of the same. Loan failures not only affect opportunities for establishing wealth, but they also entail severe social and psychological effects beyond the immediate financial housing costs. The objective of this study is to qualitatively explore the experiences and sentiments of those who have or are experiencing mortgage delinquency, default, or the risk of foreclosure within a broader framework of trust, individualization, and ontological security. Interviews examine families' justifications for purchasing a home, their lending experience, and how they have coped with their personal troubles that have resulted from their housing crisis. As many of these loans were of a deceptive or predatory nature, individuals are likely to reflect on the psychological consequences of their predicament. Although, these findings suggest that these individuals have lost trust in the housing market, many have internalized their situation as a personal failure. In addition, feelings of anxiety, stress, insecurity, and uncertainty have come to characterize their experiences. This research will inform policy-makers of the special needs and concerns of those at risk of foreclosure. For confidence to be restored in the housing market and the economy in general it is imperative that these issues be addressed.

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Introduction

In light of the current mortgage loan meltdown, America is said to be facing the worst foreclosure crisis since the Great Depression. Since 2006, more than a million Americans lost their home to foreclosure and millions more are currently at risk of the same due to adjustable-rate mortgages that are set to increase (Center for Responsible Lending 2007; Carr 2007). In addition, the recent downturns in the economy have led to significant job loss which is likely to pose additional challenges for those making monthly mortgage payments Atlas, Dreier, and Squires 2008). Needless to say, there is in no other time in history that this country has faced such a period of unstable homeownership. Once a highly reliable vehicle for wealth building, home buyers are now finding themselves is increasingly precarious situations at risk of loosing their largest investment.

Although loan failures greatly affect opportunities for establishing wealth, they also entail real costs beyond the immediate housing-related financial costs. Other financial, social, and psychological costs are likely to result from such an experience; however, there is a lack of research on such impacts. As I will discuss later, many of the mortgage loans that were made since 2000 were of a deceptive or predatory nature or simply subprime mortgage products (Apgar and Calder 2005; Carr 2007; Leigh and Huff 2007; United For a Fair Economy 2008)It is important to recognize this aspect as individuals are likely to reflect on the psychological consequences of their predicament. Due to the nature of the housing crisis, feelings of mistrust and betrayal accompany the shame and embarrassment one feels when they are at risk of foreclosure.

Previous research in this field has been largely quantitative representing the geographic nature and racial composition of subprime lending and foreclosures (Immergluck and Smith 2006a: 2006b; Leigh and Huff 2007; United For a Fair Economy 2008). Few studies, if any, have qualitatively explored the contextual nature of mortgage lending and the social consequences of mortgage delinquency, default, or the risk of foreclosure on families, especially when lending practices were outright deceptive or predatory. As mentioned above, this research contends that unstable homeownership impacts individuals beyond financial hardships. The objective of this study is to qualitatively explore the experiences and sentiments of those who have experienced or are experiencing mortgage delinquency, default, or the risk of foreclosure within a broader framework of trust, individualization, and ontological security. Examining how the risk of foreclosure came to be and consequentially affects families financially, socially, and psychologically, this study attempts to shed light on the contextual nature of the lending process in these ‘new’ mortgage markets.

Interviews examine families' justifications for purchasing a home, their lending experience, and how they perceive and cope with their personal troubles that have resulted from their housing crisis. In speaking with these individuals, it became evident that the internalization of their experience has major implications for their sense of personal responsibility and in terms of their overall trust in the housing market as well as other financial markets. Discussion centered around how individuals felt betrayed or deceived by the mortgage industry yet felt an immense amount of personal failure all at the same time. It soon became clear that this study could explore these sentiments as a means for understanding the larger picture of how individuals cope when once stable and trustworthy markets fail us.

The following section will address the changing structure of the mortgage market and how it led to the worst foreclosure crisis of our times. More specifically, it will look at the nature of subprime lending and how it came to flourish. It is particularly important to understand the vulnerability that often characterized recipients of subprime loans. Although subprime lending is largely widespread across the nation, much research has documented the way in which particular groups and neighborhoods were targeted (Apgar and Calder 2005; Carr 2007; Leigh and Huff 2007; United For a Fair Economy 2008). With homeownership as the overreaching goal, subprime loans became the chief vehicle for reaching it. It is pertinent to this study to understand the dynamics behind the influx of subprime lending and the subsequent foreclosures as it largely explains how such an immense number of people found themselves in these increasingly insecure situations.

Subprime Lending and Unstable Homeownership

Changing Mortgage Industry and the Subprime Boom

Due to a series of fundamental structural changes in America's housing market, homeownership has become increasingly unstable (Apgar and Calder 2005; Baily, Litan, and Johnson 2008). Mortgage lending is now made up of primary and secondary markets. The primary market consists of banks and other financial institutions that make and guarantee loans directly to borrowers. The secondary market (e.g. Fannie Mae, Freddie

Mac) and retail lending (e.g. mortgage brokerage) purchase loans from the primary market and re-package them in to mortgage-backed securities for sale to investors. The growth of the secondary market has paved the way for a number of mortgage products that allow for risk-based pricing, especially that of subprime lending (Apgar and Calder 2005; Baily, Litan, and Johnson 2008). Overall, the structure of the complex "mortgage market" decreased regulation and oversight and most importantly, has allowed for an increase in subprime lending (Atlas and Dreier 2008).

The restructuring of financial services has led to a two-tiered, dual housing market that, according to some, has separated space and material resources by the haves and the have-nots. In the mid-1990's, financial policy worked to greatly expand access to credit and subprime lending became the new mortgage loan product aimed at doing such (Baily, Litan, and Johnson 2008). Where it was once very hard for those with poor financial histories or little savings to obtain a home, it has become almost too readily available. Due to the widespread extension of credit and re-structuring of the mortgage industry, increased lending has occurred rapidly over the past decade in predominately low-income and/or minority neighborhoods, those previously shunned by the home mortgage market (Apgar and Calder 2005). In 2004, homeownership reached a high with 69 percent of American families owning a home (Oliver and Shapiro 2007). However, as we are now witnessing, the majority of these home loans were deceptive in nature proving to be inherently unstable (Apgar and Calder 2005; Carr 2007; Leigh and Huff 2007; United For a Fair Economy 2008). They exploited many of these borrowers – many of which are first-time or elderly homebuyers – by binding them to monthly payments that would become unaffordable once the rates were adjusted. This is not to say that all subprime mortgage products were made to fail; rather, they were often distributed in a predatory or deceptive manner that targeted vulnerable populations.

In 2006, more than $600 billion in subprime mortgages were originated and consisted of 20 percent of all mortgage lending (Leigh and Huff 2007). These loans are designed for borrowers with poor credit histories and/or high debt. When used properly these loans can be appropriate for certain individuals. Subprime loans entail higher interest rates, processing and closing fees, and many times prepayment penalties, balloon payments, and adjustable interest rates. In cases where deceptive or unfair lending occurred these fees were often hidden to the consumers. Earlier research suggests that fees and adjustable rate increases were not clearly explained by the mortgage brokers or lenders and in effect, ever fully understood by the consumer in many cases. (Oliver and Shapiro 2007; Williams, Nesiba, and McConnell 2005; Massey 2007; Atlas and Dreier 2008).

The subprime mortgage market is notorious for treating its borrowers similar to second rate customers (Apgar and Calder 2005; Baily, Litan, and Johnson 2008). In the primary market, subprime mortgage lending is often issued by brokers and bank subsidiaries. These entities are interested in the short-term benefits of their products and will not see the repercussions if or when their loans reach default of foreclosure. These brokers are compensated when the loan is processed and are unaffected if or when their loans go into default. In 2005 alone, about 60 percent of all subprime mortgages were made through brokers, more than double the share of prime mortgage loans (Gramlich 2007). These characteristics greatly differ from the highly regulated banks and institutions that produce prime mortgage loans (Apgar and Calder 2005). As this research demonstrates, many homebuyers were approached or directed to brokers when they first entered the search for a home.

In sum, subprime loans that involved deceptive or unfair lending practices were not intended to be affordable in the long run, leaving borrowers stuck in loans that become exceedingly unmanageable. On the surface they were designed to provide access to homeownership for those whose financial history may have served as a barrier to doing so; however, as we have seen, subprime lending has resulted in an ever increasing number of defaults and foreclosures. Often these borrowers, end up in worse condition than they were before they received the loan (Atlas and Dreier 2008; Apgar and Calder 2005; Leigh and Huff 2007). It is also important to note that although the subprime boom ended in mid-2006, the crash of the housing market has seeped into the larger economy and we have since entered a recession. This has been increasingly evident through the turmoil in the housing and stock markets as well as the banking industry. As a result, millions are expected to be at risk of losing their homes due to job loss, the stock market, and other unexpected economic troubles (Atlas, Dreier, and Squires 2008).

Economic and Social Impacts of Foreclosures

Much research has been conducted that substantiates the relationship between subprime lending and foreclosures (Immergluck and Smith 2005; Schloemer et al. 2006; Carr 2007; Bernanke 2007). As subprime lending was often concentrated in particular regions or neighborhoods, foreclosures are largely occurring in the same concentrated fashion causing nearby housing costs to substantially decrease. In recent years, many researchers have examined the financial impacts of foreclosures on families as well as detrimental impacts of concentrated foreclosures on communities. A number of researchers have found that foreclosed proprieties often drive down neighboring home values (Immergluck and Smith 2006a; Pennington-Cross 2006; Center for Responsible Lending 2008; Lin, Rosenblatt, and Yao 2009; Abromowitz 2008). The negative foreclosure effect on neighboring housing prices is argued to range from .9% to as much as 9.7% when the foreclosed property is within 100 yards (Immergluck and Smith 2006a; Lin, Rosenblatt, and Yao 2009).

In addition, Immergluck and Smith (2006b) and Abromowitz (2008) found that concentrated foreclosures increase physical and social disorder and discourage the formation of social bonds inside and outside of the community (i.e., social capital). These consequences were in large part due to the characteristics of neighborhood instability such as the presence of vacant and blighted properties, a decrease in property tax revenues, school mobility, limited access to credit for low-income, low-wealth households, and an increase in both violent and property crimes. These findings have major implications for those residing in neighborhoods with high foreclosure rates, especially low-income neighborhoods that are said to have been targeted with subprime loans.

To date, there is little qualitative research on the impacts of foreclosure on families beyond that of economic consequences. As mentioned above, the magnitude of foreclosures or even mortgage defaults is a relatively new phenomenon in terms of widespread distribution. Although this is the case in the U.S., Great Britain has experienced a wave of mortgage repossessions and homeownership indebtedness beginning in the early 1990's. The main causes for mortgage arrears (the equivalent to mortgage delinquency in the United States) in Britain were the constriction of the welfare state and other individual level factors such as job loss, divorce, or sickness.

Research carried out in Great Britain explored the impacts of housing affordability and mortgage indebtedness on one's wellbeing, both in terms of health and psycho-social effects. Research conducted by Nettleton and Burrows (1998) was the first to examine the independent impacts of the onset of mortgage problems on one's subjective wellbeing. They found that increasingly unstable or insecure homeownership is associated with changes in the subjective wellbeing and health of men and women. Their study highlighted the "biographical disruption" of mortgage delinquency as a multi-faceted experience which includes one's personal experiences as well as their opportunities and strategies for coping. They suggest that further analysis on housing insecurity should examine how one interprets and makes sense of their life situation.

In a more recent qualitative analysis of the health consequences of housing insecurity, Nettleton and Burrows (2000; 2001) found that the families they interviewed experienced a "loss of emotional capital." Based on these findings, they argue that "the experience of mortgage repossession is not only very stressful, but it is also an intensely emotional life event which has somatic consequences" (2000: 476). Overall, families going through mortgage repossession undergo an intensely emotional experience characterized by an immense sense of loss, insecurity, uncertainty, shame/embarrassment, and lack of control. In addition, they found that although families experience a lot of the same emotions, they developed a myriad of coping strategies. These strategies often prove to be unsuccessful and are likely to impact one's social identity which "in turn impacts upon their sense of self and self-confidence" (Nettleton and Burrows 2001: 269). In large part, the ideas of success and status that surround homeownership account for these feelings of individual failure versus an emphasis on structural constraints that may exist beyond individual control.

More recently, Taylor, Pevalin, and Todd (2007) conducted research on impacts of mortgage arrears in Great Britain. Their quantitative analysis found that heads of households facing mortgage payment problems have independent psychological costs beyond those associated with immediate financial hardship. Focusing on the head of households, they found that individuals had made large financial, emotional, and psychological investments in their home and that their current situation, while controlling for other factors, adversely affected their psychological health. In fact, they found that those with mortgage arrears were facing costs equivalent in size to those associated with job loss or marital breakdown.

Homeownership and Ontological Security

For the purpose of this study, it is important to consider what homeownership means to Americans and whether or not homeowners have different intentions or sentiments about the home than those who rent. Due to the lack of research on the impacts of unstable homeownership, the following section will address the benefits of homeownership. Understanding what homeownership means to individuals can shed light on the effects of losing one's home on one's subjective well-being or ontological security. While the following section will provide a review of the literature on these topics, the concept of ontological security –or trust in the world as it appears to be– will be theoretically examined in the next section.

For many individuals homeownership is more than a physical roof over their head and has come to be associated with certain characteristics of social organization and relationships (Perin 1977; Rakoff 1977; Giddens 1984; Bratt 2001). In addition, many researchers have found that homeownership can serve as an indicator of social status and also confers a certain sense of identity or status (Saunders 1990; Giddens 1984; Murphy and Sullivan 1985). Although we cannot simply generalize the emotions surrounding homeownerships across countries, research indicates that generally in Western societies individuals often project themselves through their home and that the home plays a role in expressing individual identity (Saunders 1990).

Perin (1977) found that the home was more than a particular place and rather, carried with it a set of social relationships and emotions. Perin’s work also suggests that homeownership status has developed into a social category such as race or income. Homeownership, according to Perin confers a sense of honor while public renting has come to imply disgrace by virtue of their lower socioeconomic status. In a similar respect, Rakoff’s (1977) study of middle-class homeowners in Seattle yielded similar findings to that of Perin. He found homeownership to represent personal status and success for many individuals. For many, the home was a place of refuge, personal security, and freedom. In regards to ontological security, Rakoff concluded that the home offered individuals a sense of order, continuity, and place or physical belonging.

Based on the substantial research on the positive aspects of homeownership, we can assume that the rise of unstable mortgage products and hence, foreclosures will certainly impact individual sentiments surrounding homeownership. Many people’s lives have become severely disrupted due to their inability to make monthly mortgage payments. As past research suggests, those who experience mortgage delinquency face a massive amount of debt and many times negative equity in their homes. In other words, these households have since become impoverished through their actions to seek homeownership (Bradshaw and Holmes 1989; Ford 1994; Forrest and Murie 1994).These impacts, among others, are bound to have implications for one's perception of self and confidence in society as a whole. In sum, unstable homeownership has severe consequences and must be examined differently from that of stable homeownership where owners are able to meet monthly payments in a less stressful and sustainable manner.

Theoretical Framework

Trust: Abstract Systems and Vulnerability

"Abstract systems have provided a great deal of security in day-to-day life which was absent in pre-modern orders" (Giddens 1990: 112).

Many prospective homebuyers, not fully aware of the workings behind the mortgage market, seek out mortgage brokers, lenders, and other financial advisors for securing the best available mortgage. They place a great deal of trust in these individuals based on the assumption that they will offer the most suitable mortgage product that fits their needs and qualifications. Anthony Giddens' work on trust in abstract systems as well as the implications of trust networks provides a framework for analyzing this phenomenon.

Giddens' theory of trust suggests that modern societies require individuals to trust other individuals when accessing systems in which they have little or no knowledge.

When institutions' actions are not visible and transparent at all times – as with financial institutions – one must *trust* them in order to conduct business. According to Giddens, trust is a link between faith and confidence and presupposes awareness of circumstance of risk. He states:

> Trust may be defined as confidence in the reliability of a person or system, regarding a given set of outcomes or events, where that confidence expresses….in the correctness [proper workings] of abstract principles (technical knowledge) (1990: 34).

Further, trust and risk are interwoven in modern societies such that trust seeks to minimize dangers associated with certain activities. However, it is important to note that in capitalist societies, where certain production is centered upon private ownership, capital accumulation, and global competition, economic institutions take many risks that are inherently dangerous yet individuals are unaware of the dangers they entail. It is the case that risk is embedded in many institutions within surrounding frameworks of trust such as the stock market and now more than ever the housing market.

As mentioned above, having trust and taking these risks are often necessary for operating in today's society. As Giddens states, "in conditions of modernity, larger and larger numbers of people live in circumstances in which disembedded institutions, linking local practices with globalized social relations, organize major aspects of day-to-day life." (1990:79) Giddens' main argument is that the nature of modern institutions is deeply bound up with the mechanisms of trust in abstract systems, especially trust in expert systems. In our case, the mortgage market would be an example of an expert system where few "lay" people have full knowledge of the system's practices. For instance, homebuyers seeking to purchase a mortgage product are often not equipped with the technical skills and knowledge to simply calculate the risks of their decision and instead, the experts create that calculus for them and share the knowledge. Financial language and hidden fees are often designed so that they elude the individual's general knowledge of the field or in the mere context of the immediate transaction.

It is important to recognize the components of trust relationships that Giddens has highlighted. These relationships are comprised of individuals, "access points", and "facework commitments." Access points refer to when a lay person interacts with a representative from the institution and facework commitment is precisely that direct interaction. In order for business to be conducted or transactions to occur, facework commitments must reinforce and build trust. However, trust is also maintained and built through the abstract systems themselves by establishing principles, professional ethics, and sometimes legal sanctions. However, according to Giddens, it is the facework commitments that largely generate "trustworthiness." This largely accounts for why individuals at access points often go to great lengths to prove themselves to be trustworthy. Ultimately, by taking part in these meaningful interactions, those at the forefront of facework interaction are providing the link between personal and system trust (1990:115).

In asking why people often trust in practices and social mechanisms about which their own technical knowledge is slight or nonexistent, Giddens' major argument is that trust is only demanded where there is ignorance. We can see this is the case of inexperienced or first-time homebuyers entering the mortgage market. This is not to say that skepticism or caution is absent, but a degree of trust is always necessary when this is the case. One's attitudes in regards to trust or lack thereof will be greatly influenced by their experience at access points or by updates of knowledge that can either reinforce or undermine the initial trust. Giddens suggests that bad experiences resulting from access points can lead to “a sort of resigned cynicism or, where this is possible, disengagement from the system altogether” (1990:91).

According to Giddens, cynicism and withdrawal that result from experiences of mistrust are in large part due to our persistent and recurrent trust in humans and non-human objects. His theory suggests that trust, ontological security, and a feeling of continuity of things and persons remain bound up in individuals throughout their life course. In other words, there is joy and security in the routine of daily life and the predictability of life events (such that practical conscious is used). When such emotions are threatened it can have a profound effect on one’s well-being. He states, “when such routines are shattered – for whatever reason – anxieties come flooding in, and even very firmly founded aspects of the personality of the individual may become stripped away and altered” (1990:98). Ultimately, when trust is undermined, Giddens’ argues that the result is anxiety, feelings of hurt, puzzlement, betrayal, suspicion, and hostility, “the antithesis of trust is thus a state of mind which could best be summed up as existential angst or dread” (1990: 100). Thus, the implications of a failed trust relationship can prove to be quite profound.

Based on this analysis it is important to recognize the psychological vulnerability that is produced by trust in abstract systems and the implications for when trust relationships go awry. First, in terms of the anxiety and betrayal that is internalized and second, in terms of how the situation can lead to circumstances where individuals ask ‘what can I do’ although they perceive the certain predicament as beyond their control. Although, they try to conduct “business as usual” during their everyday life, these feelings are likely to permeate all aspects of their life. The following sections will explore these experiences by utilizing Giddens' theory of ontological security and Beck's notion of risk society and individualization.

In a World of Choices: Individualizing the Unknown

In order to further understand how individuals make sense of or internalize their risky housing predicaments, it is useful to examine the individualization and risk theories put forth by Ulrich Beck (1992). According to Beck, individualization is a prominent feature of late modernism where individuals are increasingly responsible for making a number of day-to-day decisions and for negotiating their own risk. His theory on individualization in a 'risk society' attempts to describe the process in which blame or failure is inherently attributed to the individual rather than society. Beck argues that as circumstances that characterize modern society become particularly precarious, the psycho-social consequences of it may be far-reaching. He states:

> There has been specific historical developments leading to individualization. They have disrupted the experience of historical continuity; as a consequence people have lost their traditional support networks and have had to rely on themselves and their own individual fate with all its attendant risks, opportunities, and contradiction (1998: 92).

According to Beck and Beck-Gernsheim (1996), the concept of individualization consists of two meanings. The first being the disintegration of previously existing social forms (such as the fragility of class groups) and the second aspect of individualization being the rise of new institutional forms or reference points which guide modern thinking, planning, and action. I would like to expand on the second aspect in more detail as it highlights the contradictions inherent in the contemporary mortgage market mainly that existing between trust and individual responsibility and its implications for one's sense of ontological security.

Beck theorizes that these new reference points for which individuals must encounter are responsible for creating the "do-it-yourself" biography that characterizes modern society. Although systems and structures guide our behavior, the onus is increasingly placed on the individual for decisions that are rendered as personal. This is to say that the process of individualization carries with it a reflective property in which individuals reflect on themselves and their life based on the outcomes of their individual choices. Beck and Beck-Gernsheim state:

> The wrong choice of career or just the working field, compounded by the downward spiral of private misfortune, divorce, illness, the repossessed home – all of this is called merely bad luck. Such cases bring into the open what was always secretly on the cards: the do-it-yourself biography can swiftly become the breakdown biography (1996: 26).

According to Beck (1992), one who was born into traditional society was likely born into preconditions in which their daily actions were largely constrained by restrictions or prohibitions. However, the institutional pressures of modern society offer a myriad of services and incentives to action and the individual must make an *active* effort to *do* something. Beck and Beck-Gernsheim state, "One has to win, know how to assert oneself in the competition for limited resources – and not only once, but day after day" (1996: 25). With these individualized decisions, the authors argue there comes an inherent risk for which –be it good or bad – reflect onto their personal biography.

Beck and Beck-Gernsheim (1996) suggest that this process of individualization has been fueled by the retrenchment of the welfare state which has occurred in many capitalist Western societies. For one, most of the rights and entitlements of support under current welfare systems are directed towards individuals rather than the family. In other words, in modern society the burden of responsibility, especially financial risk, is increasingly placed on the individual rather than corporations or the government.[1] According to the authors, individuals must "plan, understand, design themselves and act as individuals" and if they should fail "they shall lie on the bed that have made for themselves" (Beck and Beck-Gernsheim 1996: 26-27). In addition, since the sources of aid or help that they would have typically turned to are no longer existent, when things go wrong individuals are likely to feel socially isolated. The authors argue that in the modern risk society, since failure is a probable outcome, individuals should plan ahead for unforeseen circumstances, especially in regards to health or finances. The authors discuss these decisive features of the individualization process and the responsibility placed upon the individual. In this sense, many daily and life choices or decisions are not "merely individual order but an individual situation dependent on institutions" (Beck and Beck-Gernsheim 1996: 36).

An important aspect of individualization is that although decisions are to be made individually, it is often that our thoughts and actions are shaped, at the deepest level, by something we can never be fully aware of. Instead, we look to the "market of answers" for guidance with decision-making. Beck and Beck-Gernsheim state:

> They need initiative, tenacity, flexibility, and tolerance of frustration…The consequences –opportunities and burdens alike – are shifted onto individuals who, naturally, in face of the complexity of social interconnections, are often unable to take the necessary decisions in a properly founded way, by considering interests, morality, and consequences (1996: 27).

[1] For a more recent discussion of the notion of increasing risk, see Jacob Hacker. 2006. *The Great Risk Shift*. New York: Oxford University Press. He addresses the immense transfer of financial risk from corporations and the government onto individuals and families, especially those residing in low- and middle-income groups.

They go further to suggest that when we are misled or fail, the sense of autonomy is often coupled with a sense of anomie or normlessness in which we confront our "breakdown biography" (Beck 1992).

The key argument here is that individuals are becoming disintegrated from collective structure and are faced with an endless process of contingent decision-making. Risk and insecurity become routine features of systems such as employment, housing, and financial markets. The reflective nature of personal choices become the prevalent form in which one is categorized as opposed to previous influential determinants such as race, class, and gender. Thus, the individualization process is characterized by personal choices that are embedded in systems of risk and uncertainty.

Under the risk society perspective, widespread insecurity undermines social structures and threatens cultural practices. Yet, society as a whole is reluctant to question the stability or ethics behind our systems. Beck uses the employment market as an example:

> Insecurity on the labour market has long since spread beyond the lower classes. It has become the mark of our time. The old lifetime profession is threatened with extinction. No one wants to admit that with it an entire value system, a society based on gainful employment, will disappear (1998: 55).

This goes back to the idea of failing to recognize social problems versus that of personal failure. Social crisis are often perceived as individual crises and we react accordingly. When individuals' lives are thrown off track they are more likely to attribute this to a personal failure than an act of fate. Regardless of the institutional conditions that determine individual action, new forms of "guilt ascription" are increasingly present when consequences of the decisions they themselves have made are brought to light (Beck 1992).

Ontological (In)security: The Decline of Trust and the Rise of Individual Risk

Although this paper will focus on Giddens' theoretical development of ontological security, the concept of ontological security was developed by a psychiatrist R.D. Laing (1965). He spoke of emotional security in terms of durability and confidence of self and also the perception that the self can survive whatever it encounters in the world. Giddens has expanded on Liang's work and has come to define ontological security as "the security of being" or "a sense of confidence and trust in the world as it appears to be, including the basic existential parameters of self and social identity" (1984: 375). Ontological security and the sentiments it entails have a reflective property in that they form one's identity yet also reflect it.

One's sense of ontological security is largely dependent upon the continuity of their life and the constancy of their social and material environments. The notion of continuity is bound up in one's sense of reliability of persons, systems, and things. These feelings are described as a psychological need felt by many individuals and is inherently connected to aspects of trust relationships and continuity of daily routines that are established in early childhood. Giddens argues that maintaining ontological security is an ongoing emotional phenomenon that primarily takes place in the private realm such that it is largely unconscious behavior but at times manifests itself in the practical consciousness of an individual (1990).

For the purpose of this research, it is useful to examine Giddens' notion of ontological security in the context of what he deems "modern society" (1989). In pre-modern societies, Giddens suggests that ontological security was built and reinforced through daily habits and primarily face-to-face interactions that occurred within kinship systems. However, ontological security in modern societies is rather weary and fragile. This is in large part due to the ways in which trust mechanisms have expanded., One's sense of ontological security is often reflective of their relationships with risky systems and has to be personally reestablished through maintaining personal relationships with others such as friends or spouses (Giddens 1989).

Important to this discussion, is how ontological security has been studied within the context of homeownership. Saunders has expanded on and provided a critique of Giddens theory of ontological security as it applies to the context of homeownership. Saunders main critique of Giddens is that ontological security that existed in the pre-modern world is no more or less unstable or fragile than in modern times. Although ontological security in modern society is strongly linked to the material or created environment, Saunders argues that it still contains essential qualities that are conducive to ontological security. Overall, he suggests that a sense of routine, stability, and comfort can all be achieved in built environments as once existed in the natural environments. He argues that although ontological security is a psychological need, it constitutes a conscious activity that is sought out in daily life. Saunders argues that the daily life in modern societies is highly routinized and takes place through familiar time-space paths and that the paths need not be natural rather than created (1986).

Work by Saunders (1984; 1986; 1989a; 1989b; 1990) has extensively examined homeownership within the context of ontological security highlighting the relationship between homeownership and one's sense of security and identity. He suggests that people often aspire to own their own home for that it carries with it connotations of being an adult and accepting responsibility. These sentiments are often fueled by the public and government as a means of securing one's future and having control over their life. Similar to Giddens' notion of ontological security, Saunders suggests that within an increasingly uncertain and insecure world homeownership can serve to reinforce one's basic self identity. He states:

> In a world characterized by change and instability home ownership provides a major source of ontological security, for a home of one's own offers both a physical (hence a spatially rooted) and permanent (hence temporally rooted) location in the world (1990: 293).

In this sense, Saunders is referring to emotional security that comes with owning a home where individuals experience "biographical continuity" and freedom from the external world. It is a place of one's own that fosters a stable sense of self and identity and thus, according to Saunders, a deeper sense of ontological security.

According to Saunders (1984; 1986; 1990) individuals can acquire a sense of ontological security in their everyday lives through homeownership. He states:

> We have seen that owners and tenants define their homes in different ways….owners are much more strongly attached to their houses and that such a sense of attachment to place can be an important source of psychological comfort. (1990: 302).

Further, he argues that for homeowners the home offers a sense of stability and also that it allows them to perceive control over their environments. Overall, Saunders concludes that owners are much more emotionally attached to their homes than are tenants.

Data and Methods

The present study qualitatively explores the experiences and views of individuals who have experienced mortgage delinquency, default, or the risk of foreclosure. Interviews were conducted with 22 adults who have been unable to keep current on their mortgage payments at some point in the past two years. This qualitative method was used to gain insight on the *contextual* nature of the lending process in addition to what one experiences when they are unable to meet monthly mortgage payments and as with most cases, face the possibility of losing their home. This approach was most appropriate for this study as it allowed individuals to fully articulate their experiences and sentiments on complex issues such as feelings of trust, personal security, and one's sense of self and identity.

As a common practice used in exploratory research, interviewees were selected through purposive selection and snowball sampling techniques where all participants were guaranteed confidentiality. Mortgage counselors from the National Community Reinvestment Coalition (NCRC) in Washington, DC recruited potential interviewees through their phone counseling sessions. A script was prepared for each counselor to read at the end of their session to ask if the counselee would be interested in participating in an interview (see Appendix A). Seventeen interviewees were recruited through the assistance of the NCRC. Three additional interviewees (not associated with the NCRC) were recruited through those interviewees previously associated with the NCRC that had suggested potential subjects. In addition, two interviewees were recruited through Craigslist, a popular online community consisting of classifieds and advertisements. An ad (see Appendix B) was posted on the website and the researcher selected the first two individuals that responded.

As potential subjects expressed interest to the mortgage counselors or a previous interviewee, the researcher followed up with a phone interview requesting permission to conduct the interview. In each initial phone call the researcher explained the nature of the project and informed them of compensation in the amount of $75 upon completion of the interview (see Appendix C). At that time, verbal consent was given and the researcher would schedule a formal time to conduct the interview over the phone. No candidates declined to take part in the study following the initial phone call made directly by the researcher. The high participation rate suggests the participants' willingness to express their views on this matter and the development of trust between the interviewer and potential interviewees.

Semi-structured phone interviews were conducted with 22 adults (some couples being interviewed together) and lasted approximately 30 minutes to one hour and 15 minutes. The interview guide (see Appendix D) covered five major areas which consisted of a series of subset interview questions. These interviews enabled respondents to discuss their experiences and views: what homeownership meant to them, their mortgage search process, their mortgage product discussion, their awareness of their financial crisis, and the impact it had on their family. Although each interview covered a schedule of questions, they were conducted loosely and informally to provide respondents with freedom to answer each question or topic as they saw fit. The open-ended nature of the interview became evident at the onset of the research as interviewees varied over their experiences and what they were comfortable with discussing. As previous research suggest, this method was particularly useful due to the sensitive nature of the topic being addressed and also allowed for much elaboration (Rubin and Rubin 1995).

The respondents lived in various geographical locations throughout the United States and had experienced trouble paying their mortgage at some point since 2006. There was nearly an equal distribution of race/ethnicity with nine African Americans, seven Whites, five Hispanics, and one Iranian. The household income distribution was relatively vast ranging from $23,000 to $91,000. However, the lower income range typically consisted of retired individuals on a fixed income. The demographics and characteristics of the interviewees were diverse and reflected the widespread nature of the foreclosure crisis in general and how various populations were vulnerable in terms of the changing mortgage market. Although research shows that certain groups were disproportionately likely to receive a subprime loan based on factors such as race or geographic location, this was not relevant to the present study.

All of the interviews took place over the phone, were tape recorded, and fully transcribed. The data were analyzed in two major steps. First, key issues were explored and described. Such issues included: why the individual was looking to purchase a home or refinance an existing mortgage, their steps for doing so, the ways in which their life had been impacted since their inability to keep current on their payments, and lastly, their sentiments on their predicament and the mortgage and housing industry in general. Second, the data were coded for identifying recurrent concerns and themes that surfaced across the majority of the interviews. This included emergent themes such as trust in institutions or markets, feelings of (in)security and uncertainty, and more broadly, how individuals internalized their situation as a reflection of personal attributes. All of these themes are discussed in the findings section below.

The sensitivity of this research regarding one's experience with mortgage delinquency, default, and the risk of foreclosure poses an inherent limitation. The inability to keep current on one's mortgage is often characterized by feelings of shame and embarrassment. It is possible that those willing to speak on their situation experience these feelings to a lesser extent and are likely more proactive in seeking out assistance. Thus, it is likely that this study excludes those who are overcome with shame and embarrassment and are yet to seek mortgage counseling or to simply share their story with others.

Findings

The Loss of Trust

As Giddens' theory on trust suggest, modern societies require individuals to trust other individuals when accessing systems in which they have little or no knowledge. This is particularly the case in today's very complicated mortgage marketplace. The issue of trust (or lack thereof) was central to the experiences of those interviewed. More specifically, nearly all of the respondents described how they lost trust in the housing and mortgage markets and financial institutions in general after realizing that they had been misled and could no longer afford their monthly mortgage payment. Although no questions directly asked about "trust" in these institutions, every interviewee except one explicitly addressed the issue of trust when asked about their attitudes regarding mortgage lending and financial institutions. It is important to examine these failed trust relationships as they will likely have important implications for future behavior involving lending or other financial transactions via institutions.

For both first-time homebuyers and long-time homeowners seeking to refinance, a great deal of trust was placed in the mortgage broker. Although some of these individuals were initially approached by brokers while others sought them out, all individuals interacted with mortgage brokers as their first point of contact when entering the mortgage market regardless of whether it was for a home purchase or refinance. Through talking with these individuals, it is evident that these initial interactions were aimed at establishing and reinforcing mechanisms of trust. When reflecting on their initial interactions with their mortgage brokers, individuals expressed feelings of content, satisfaction, and an overall sense of confidence in their broker. Overall, all respondents expressed the trust they felt in their broker in regards to he or she offering them the best product that met their needs and qualifications. One woman who was completely caught off guard when her monthly mortgage payment nearly doubled after the first few months described the instinctual trust she had in her broker during their initial negotiations:

> We didn't have any reason to believe that he would lie to us or would mislead us on this. I mean why would anyone do this? We obviously have a family, we have small children… Why would he, I mean there was no reason for us not to trust him.

Some people explained how past successful interactions with either mortgage brokers, lenders, or other financial advisors often reinforced these notions of trust. The experience of the man in the following quote, described by his English speaking niece, was shared by a by a number of interviewees who had been previous homeowners. This man and his wife were in their 80's, had been homeowners for the past 40 plus years, and were under the impression they were entering a fixed-rate mortgage. He explained:

> I think his only regret is that he trusted this guy only because he never had any big fears. This would have been his third home that he bought.

Not fully aware of the workings behind the mortgage markets, individuals had to take the word of their mortgage broker. As with many modern financial systems, it is almost impossible for lay persons to gain full knowledge of the workings behind a particular interaction. An experience shared by many, one woman described how her sense of trust triumphed over her lack of knowledge when pursing a mortgage product. Like all of the interviewees with the exception of one, she only visited one broker before she settled on a mortgage product. She was told the interest rate would adjust in three months, but that at that time she would be able to refinance; however, the rate continued to increase and she eventually lost her home. She explained:

> I didn't do homework, I didn't educate myself, I just trusted. .. I went in blindly, very vague. And people told me not to do it but I did it anyway. Because I trusted.

In some cases, the brokers made borrowers aware of future rate increases, but assured them that they would be able to refinance when the increase took place into a more suitable and sustainable rate. However, as many of the borrowers reported, when this time came their broker was nowhere to be found and they could not obtain any other forms of assistance through their lender. One woman who initially thought the broker had her best interest in mind explained her disappointment:

> I didn't realize you know, I thought that, when I had the mortgage broker that he was on my side, that he was looking out for my best interest that the lenders were you know, were reliable. I didn't, I didn't realize that so much money could be taken from me. You know, from the mortgage broker… and the lender you know. Everybody was getting paid but me… You know, the last thing your mortgage broker tells you is, I can get it done. But then, you know, you get behind in the mortgage, or, or you can't pay it. Where's the mortgage broker, he's gone.

In other cases, individuals were outright deceived about the long-term affordability of their loan. These experiences were characterized with feelings of betrayal and deceit all of which developed into a sustained mistrust of the mortgage and housing markets. Where it was once safe for them to trust their financial advisors, as many noted, these failed trust relationships resulted in them loosing trust in those who provided financial expertise or advice. As previously mentioned, many commented on their loss of trust in the mortgage market, but also in institutions and systems altogether. A woman described how her elderly uncle who was misled by a broker into an adjustable-rate mortgage has developed a general sense of mistrust and the likely impact that will have on his life:

> He doesn't trust anybody now, nobody. And, in fact, that can also hurt you too because you know when you don't trust somebody it sort of stops you from moving forward or doing something that probably will be better, or enhance your life.

After watching his interest rate jump from 8 percent to 11 percent unexpectedly, another man describes his developing sense of mistrust. He had known that he was receiving an adjustable-rate mortgage, but was unaware of the balloon rate:

> The same thing I always tell my kids, you know, trust no one. No one out there, no one's your friend, and I'm learning that more and more each day. Yeah, I don't trust them anymore…they tell you that they can help you and all of that and the bottom line – they don't even give you a phone call. No, I don't trust them any longer…. I mean, they have us by you know, where we don't want them, but we have no choice. Nobody's handing us that much cash on hand.

Having experienced a similar situation, another woman comments on how she will now refrain from extending her credit. Her experience in the mortgage market has impacted other financial behavior:

> I learned you know, to take care of your money and don't let anybody have it. You know, no credit cards nothing, and if I, I'll go without anything at this point. You don't want to charge anything to your credit card….Don't let them have your

> money and don't listen to them you know. I will be borrowing a lot less and I will be doing a lot less than what I did.

These statements shed light on how individuals feel when the trust relationships go awry. Giddens argues that the cynicism and withdrawal that result from experiences of mistrust are in large part due to our persistent and recurrent trust in humans and non-human objects. He suggests that trust, ontological security, and a feeling of continuity of things and persons remain bound up in individuals throughout their life course. The fact that the majority of these people perceived that they were outright deceived has already shown to have profound psychological effects. As these findings suggest, mistrust in the mortgage markets has affected how individuals will behave in the future, especially in terms of risky investments, extending credit, or borrowing.

Insecurity and Anxiety: Living Day-to-Day

Being at risk of losing one's home has proven to be an intensely emotional experience. According to Giddens, individuals over their lifetime develop a sense of ontological security – trust in the world as it appears to be. This feeling is often dependent on the routine and continuity of daily social organization and relationships that one has established throughout their life. As the research suggests, homeownership has been found to provide this sense of security and confidence through providing a place of physical belonging.

As trust relationships fail and borrowers realize they cannot make their monthly payments and could lose the place they call home, one's sense of ontological security is severely disrupted. The psychological aspects seem to be quite profound with all individuals reporting that they have signs of or have been diagnosed and treated for clinical depression, anxiety, and/or high blood pressure to at least some extent. One woman whose has been a homeowner since 1962 described her anxiety of becoming a renter or even ending up on the street:

> Well, you know they keep saying that'll it work out, it'll be ok. But I don't agree….I have anxiety attacks, because I rented a house first when I was twenty one years old, it was my first apartment when I was first married. You know, I've been in a house ever since. If you rent, they can put you out.

The psychological impacts of the experience were described by a number of interviewees. One man explained how, despite his and his wife's physical ailments, this experience has been purely psychological.

> Um, well I can't say we have. It's all been purely psychological. Um you know, I'm diabetic, she's with lupus, but I don't think it's really done anything, you know, to that affect but it's just caused everything beyond – it's all psychological.

Another man described the anxiety of losing his home and the fear (or real possibility) of becoming homeless:

> Oh the whole shock of it all. Like you can literally… a guy who worked so many years, constantly and then everything is gone and I could be out there pushing a cart. That's unimaginable until now. … Yes, stress anxiety that also added to the same problem that created it. You know, everything was like a catch 22 a total roller coaster going around and around.

Many individuals reported that their home provided a sense of security and continuity in their everyday life. Their home was a stable place for them and their family. Regardless of its material being, the home provided stability in these individuals' lives which has become lost and replaced with immense uncertainty about the day-to-day. One woman expressed how the experience of not meeting her monthly mortgage payments took away her security and how she lived each day worried and anxious about what would come next. She eventually lost her home:

> Because I'm not the same person. I'm nervous all of the time, I'm always worried… I'm not able to pay bills sometimes, I've had my lights shut off at one period… It impacted every part of my life… I just live my life really,just living day-to-day on a survival basis… to be very honest, there's a part of me that will never recover from this. It took all of my security away.

After facing unexpected rate increases, one man was quite explicit about how he thinks of his housing predicament every day commenting on if owning a home was "worth it." This sentiment was shared by a number of the respondents.

> I talked to my wife about it, if things didn't change we was just going to let the house go, I mean there's no way to keep it. You wonder every day, "Are you going to be able to make a mortgage payment?"

As these findings suggest, the thought of losing one's home brings about feelings of insecurity, uncertainty, and immense stress. Most individuals talked about their experience as encompassing where it impacted all aspects of their life. Another woman described how the experience took a toll on her life as well as her family's and created much tension in the household:

> Oh, it was terrible. It was a year and half of just a nightmare. You know, not knowing from day to day whether we were going to be able to keep our house or not. It was very stressful on the kids, on me. There was a lot of tension in the house, just not knowing from day to day what was going to happen.

Another man articulated how the added stress over money has led to much tension between him and his wife.

> It seems, yea the stress level, I mean the stress level picks up to where there are a lot more arguments between me and my wife…. Over money and stuff. I mean, stuff that you used to be able to give them that you could no longer do it.

The theme of losing what was stable and secure was recurrent through many individuals' spoken experiences. When responding to a question of whether or not her opinion was changed regarding homeownership in America, a woman reflects on how owning a home originally was a good thing that established routine in her and her family’s life, but now, due to the possibility of losing their home, she has a new perspective.

> Of owning a home? Oh it’s everything that I thought it would be. I just didn’t think that it would be, you know, we would take that, take like that. You know you just don’t think …. I guess you never think it would happen to me. You know, you’re just so used and you’re content that your everyday living and how you’re accustomed to doing things and we’re not a frivolous family. We don’t spend, you know, crazy. We don’t do anything out of the specs of what we can, what we can’t do, you know?

In understanding how individuals at risk of losing their home make sense of their situation, it is important to acknowledge the sense of security associated with having a home of one’s own. This sentiment was shared by both first-time homebuyers and also those individuals who have owned a home for decades. In this case, many were not fully aware of the adjustable-rate increase and were completely caught off guard when they could not meet their monthly payments. This sudden insecurity and uncertainty has major implications for individuals’ daily well-being showing to profoundly impact individuals’ physical and psychological states.

Unstable Homeownership as a Reflection of Self

> “I’m 50 and look about to turn 51, and you know, it’s a lot of things I never understood when I was younger. Momma, why didn’t you tell me? Why didn’t you tell me? But the fact of the matter is you don’t want to worry your children. You don’t want them to worry about something that ***you*** created.” (Female Interviewee)

During the course of the interview process, words such as shame, embarrassment, disappointment, and failure came to characterize the experience of many interviewees. Despite the fact that the majority of these individuals described earlier in the conversation that they believed they were deceived and misled in the lending process, they often described a sense of personal responsibility for their actions later in the discussion. For instance, phrases such as “I should have known better” or “I should have done my homework” were frequent responses to questions asking if there was anything they would have done differently throughout the lending phase.

It became apparent that, despite the complex nature of the housing and mortgage markets, many individuals placed the burden of blame on themselves for “not knowing better” regardless of the fact they largely felt they were victims to deceptive or predatory lending. As mentioned, many individuals interviewed stressed that they “trusted” the advice and guidance of their broker or lender as it was the normal procedure for seeking a mortgage product. Even the interviewees that were outright deceived about the sustainability or affordability of their loan often expressed a degree of personal failure for doing so. One woman who later found out her income was inflated by the broker on pre-lending documents said in response to being asked if there was any advice she would give to future homebuyers:

> And that’s what I say, if I had to do it all over again I would definitely have legal representation just to be there, cross my “t’s” and dot my “i’s”…Look, look, read, read, and wait, wait, wait if you have to.

A couple reacts similarly when asked the same question regarding advice to prospective homebuyers. Previous homebuyers, they were looking to downsize and lower their monthly payment and relocated to a retirement community. The couple was misled about the rate increase and was under the impression that the mortgage was at a fixed rate:

> Make sure your know what you are getting into. Make sure you do your research. Or if you are going to make a move, you know we didn’t have any control over who our lenders were going to be. We didn’t have any problems with the lender we started off with. We would have had problems, we didn’t have any up to the time.

All of those interviewed had encounters with brokers in which they were informed about the mortgage products and then asked to make a number of individual decisions based on that advice. It is similar to what Beck refers to as the "do-it-yourself biography" where individuals have to make a number of complex decisions not based on their own personal knowledge but rather that from others in the particular field. One man when asked what he would have done differently in the lending phase described the eagerness, but haste that he felt when making the decision to sign for the loan. In this particular case, the lender –which they found on the internet– was going to consolidate other outstanding debt they had into one monthly payment; however, they were misled and ended up having to make credit card payments on top of the monthly rate they agreed to:

> Yes, I wouldn't have been so rushed in the process, I wouldn't have been so eager to get it done as fast as they was wanting us to get it done. I could actually look back at the stuff and make sure what we was signing – what they was telling us is what we were signing…I mean it's, there's so much stuff in the refinance that was, right now I can look back at it and I could just see, we should've known better, the things that they tried to pull.

Another elderly woman who was approached about refinancing into a lower monthly payment explains the disappointment her and her husband feel for trusting their broker's advice. Although she acted on what she considered expert advice, she feels that her actions are a reflection of her own intelligence. When asking if she was aware of her adjustable-rate increase she answered:

> No, I didn't know that. If I knew that why would I, why would I agree with it? Because I had a good loan already in there. You know what I mean? I'm so mad at myself, and my husband is too, because we both are unable to pay it and I don't know how we went for that… If they could take us they can take just the regular people just a lot easier than us… even I was educated, and you know what, I call myself a very smart person. And you know what, I have been married for the last

> 24 years. I have raised successful children. They all go to good schools and everything. I just don't know how things happen, I just don't know.

These decisions, what many fail to recognize, are dependent on a series of factors and carry inherent risk – risk that is largely unseen to the prospective borrowers. An important aspect to this phenomenon is that when matters go awry the individual must take responsibility and cope with the consequences. This a part of modern society where our behavior is defined by institutions and expert actors; yet when things go wrong it is often attributed to personal failure. Institutions reinforce this mentality and individuals often fail to make the connect between system or structure deficiencies and personal circumstances and end up rendering these experiences as personal failures. A woman reflected on how her ability to pay her loan reflects her personal attributes. In this case, she was explicitly told she could refinance in two years when her rate adjusted; however, when that time came she received no help from either her broker or lender. Regardless of the fact that she was promised she would be able to come back and refinance after two years, she still feels as if it is her utmost responsibility to make her monthly mortgage payments on time:

> I made a commitment to pay my loan and I want to pay my loan. I'm a hard working person and I want to make good on my loan, but there's no way I possibly can in the situation the economy's in right now.

Despite the magnitude of the foreclosure crisis and collapse of the housing market, another woman describes her feelings of being an irresponsible citizen:

> And um so I'm just, I'm kind of interested in the public perception. You know I don't want to be a burden on the rest of society because I'm not paying my mortgage. Now there's this big giant bailout and I'm involved in that. You know, my mortgage was one of the mortgages not being paid.

It is precisely this disconnect between the role of structure and agency that accounts for the feelings of personal failure, shame, and embarrassment that characterize the experience of mortgage delinquency for many. It is important to recognize that all of these individuals with the exception of four, are past homeowners that until now have not encountered any problems keeping current of their mortgage. That past history surely enables them to place trust in their mortgage broker or lender when seeking a new home loan or refinance this time around. The failed trust relationships coupled with their inability to make their monthly payments causes these individuals to internalize their predicament as their own and fail to recognize the structural constraints at work.

Discussion

As mentioned above, throughout the course of the interview process the themes of trust, individualization, and insecurity began to surface across the interviews. Those themes were central to how many of the individuals framed their experiences and sentiments towards mortgage default, delinquency, and the risk of foreclosure and thus, became the focus of this study. These findings illustrate how modern day individualization processes interacted with failed trust relationships to greatly threaten individuals' sense of ontological security. In the case of unstable homeownership it was particularly interesting to see how feelings of trust, self, and insecurity came to characterize the personal experiences of those at risk of foreclosure. The psychological vulnerability in which individuals entered the mortgage market did not become apparent until later down the line when individuals realized that they could no longer meet their monthly payments. Had the individuals been able to meet those monthly payments, that vulnerability would have likely gone unnoticed. It is the moment when these trust relationships go awry or fail that people's sustained trust in the world as it appears to be or general sense of security become diminished. As many explained that they "no longer trusted anyone" and that their future plans were to "stay put," this phenomenon became evident.

It is important to recognize that many of the interviewees lived comfortably before they found themselves in mortgage delinquency. Many had been previous homeowners that had never missed a payment. Having past knowledge and success in the housing market, the vulnerability in which they entered the lending phase certainly remained hidden. These individuals were completely caught off guard when they realized that they had entered an unsustainable, unaffordable loan. The risk of losing their home or even having to resort to "making ends meet" or merely living paycheck to paycheck had severe psychological costs.

The notion of guilt ascription was also central to these findings. Although many individuals recounted the exact ways in which they were "misled" in their loan negotiations, they often returned to the idea of being personally responsible for their actions. They often failed to make the connect between the structural constraints and their limited role as actors dependent on institutions. With mortgage brokers serving as the main access points for those looking to buy or refinance, trust was established early on. Many had expressed taking the word of their broker and not reading through the lengthy, complex language of the lending product itself. The system was set up in such a way that this was allowed and often encouraged. Although many individuals recounted this nearly exact scenario, they often expressed their disappointment for not "properly doing their homework."

In many ways, the overall sense of personal failure is largely due to the status and success that is wrapped up in homeownership in the United States. The idea that these values are contingent upon owning a home causes individuals to feel less of themselves when they cannot keep current on their loans. Historically, homeownership was relatively stable in the U.S. with many receiving fixed-rate loans and with home prices continuously rising. Thus, there was good reason for placing trust in the mortgage brokers and lenders as homeownership was seen as a safe investment. It is this high level of trust and personal blame that do not match up. Many individuals are reluctant to acknowledge that the housing and mortgage markets have significantly changed and are no longer wholly sustainable or lucrative investments. This too returns us to the idea of how individuals internalize their predicaments when trustworthy and reliable relationships are undermined and feelings of ontological security are disrupted or threatened.

Policy Implications

The point here is not to point figures and decide who is at blame – the borrower or the lender; rather, it is to examine how unstable homeownership adversely impacts individuals. However, it is important to recognize implications of many individuals recalling being misled or feelings of deceit when reflecting on their lending experience as it is bound to impact their future engagement with financial institutions. As mentioned above, many emphasized that they would no longer make large investments or take risks and would “play it safe” from here on out. Short and long-term public policy should be developed with the goal of restoring trust in the housing and mortgage industries and other financial sectors. Policy areas to focus on in terms of protecting the consumer include: fair lending practices, homeownership counseling services, mortgage disclosure, and foreclosure assistance.

The Obama Administration has made great strides in ensuring that disclosure become a central feature in loan and credit negotiations; however, oversight is needed to make sure these disclosure polices are fully enacted. Borrowers have a right to know what they are getting in to. On a more specific level, home and loan counseling should be readily available for all those who seek it, not just for first time homebuyers. As this research suggests, many previous homeowners or those looking to refinance were just as vulnerable in the market as those first-time homebuyers. Based on policy recommendations put forth by Alan Mallach (2009), states could adopt measures to ensure full disclosure. He calls for a uniform statewide mortgage and foreclosure data and reporting system that is publically accessible and user-friendly. The bottom line is that borrowers need better information in terms of loan and loan modification products, home counseling services, and foreclosure or emergency assistance.

As this research suggests, borrowers are consumers as well and experienced blatant misrepresentation and deception. Although states and some non-governmental entities have filed law suits, a federal task force should be established to investigate fraud and misrepresentation that occurred in mortgage origination. This is an essential first-step towards acknowledging wrongdoings and protecting against similar behavior in the future. Those institutions found guilty of fraud or misrepresentation should be fined appropriately and those funds should be allocated for state and federal efforts towards foreclosure prevention or other programs aimed at sustainable homeownership.

In the short-term, the federal government must continue to develop policy to keep individuals in their homes. The immensity of this crisis most certainly requires federal government intervention. Throughout history, the federal government has enacted regulations and standards to protect consumers and this crisis warrants similar intervention. Under Obama’s Homeowner Affordability and Stability Plan, widespread loan restructuring is available to those unable to keep up with their current payments due to increasing interest rates. Those facing declining home values are also eligible for loan negotiations under this plan. These loan modifications rely on lender participation that is non-compulsory. Lender participation remains voluntary and hinges on financial incentives provided by the federal government. This plan is argued to have the potential to be effective in the current housing and mortgage climate; however, participation on behalf of both the lenders and borrowers has proved meager. In order for this plan to be truly effective, the government must develop policy or provide for greater incentives to increase lender participation.

In addition, there has been a lack of communication on behalf of the government and the borrowers. Many people at risk of foreclosure are in the dark about where to find assistance. It is essential that policymakers and elected officials find ways to connect borrowers with lenders. Maryland lawmakers recently hosted an event to bring lenders and delinquent borrowers together to take advantage of the government programs to aid those seeking loan modifications or refinances. Over one thousand borrowers from the state of Maryland came out and beginning with those initial negotiations over 600 people have been helped. According to U.S. Congressman Cummings (D-MD) who expected the event would serve around 100 borrowers was astonished when his expectations were exceeded by hundreds (2009). The success of this rather informal gathering is something that other states and localities should adopt.

Implications for Future Research

As the case with present-day housing and mortgage markets, risk and uncertainly are increasingly embedded in institutions within frameworks of trust. This research has illuminated one of the sectors of life which has become extremely precarious, a world that relies on individual decisions based on the mercy of experts. Future research should address issues of trust in our increasingly global society where risk is inherent and expert knowledge is required. This research will need to examine in-depth how individuals come to trust expert advice when the notion of risk is becoming more complex. In doing so, findings could shed light on how trust is to be established and maintained when borrowers are largely incapable of fully understanding the terms of the loan and are to deal with intermediaries (brokers) that are largely unaccountable.

In further studying these trust relationships, researchers should examine why individuals seeking to purchase a home or refinance, with a myriad of choices, typically seek one or two brokers or lenders before settling on a mortgage product. All of the individuals in this study except one sought only one access point (either a broker or lender) before settling on a mortgage product. Research should explore in-depth how the presence of trust is so strong in these interactions that individuals feel they have no need to shop around or even get a second opinion. Overall, qualitative methodology should be utilized to further examine these complex and dynamic relationships. As these findings serve as an example of the vulnerability of lay people in one of today's most complicated markets, future exploration must further unravel these complex networks of trust, risk, and individualization.

Conclusion

By outlining the structural changes in the mortgage market over the last decade or so as well as the personal interactions of those with the market itself, this research attempts to demonstrate the dualism of structure and agency. Structures can be both enabling and constraining for actors by defining the range of possible opportunities and strategies available to them. To really understand one's actions and relative views, it is best to contextualize them within the structural context in which they take place. Even when actions seem to be wholly intentional, they are often shaped by larger, structural forces that exist beyond the immediate environment and work to maintain or reinforce the existing structures. This sociological perspective is central to understanding the feelings of mistrust, deceit, and personal blame which all seem to characterize the experiences and views of those who have not been successful in today's mortgage marketplace.

In his *Sociological Imagination*, C. Wright Mills commented on the importance of distinguishing between public issues and private troubles. He noted how men often lament on their hardships as personal shortcomings and often lose sight of the larger, societal conditions that gave way to such outcomes. The sheer magnitude of this foreclosures crisis warrants similar analysis. The influx of subprime lending was not accidental, millions of homeowners do not strive towards delinquency. Instead, as indicated above, a series of structural forces came together to target America's most vulnerable populations. As the house of cards fell, new uncertainties and insecurities began and continue to flourish amongst these populations. We have only begun seeing the implications of these feelings on future financial behavior especially in those sectors that involve risk and rely on trust.

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Appendix A

National Community Reinvestment Coalition Phone Recruitment Script

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This is Julia Rodgers from the National Community Reinvestment Coalition's Homeownership Sustainably Fund. Our records indicate that you previously received mortgage counseling from our services. You are invited to participate in a research study under the direction of a researcher at George Washington University (GWU), and paid for by National Community Reinvestment Coalition. Taking part in this research is entirely voluntary. Your relationship with the NCRC will not, in any way, be affected should you choose not to participate or if you decide to withdraw from the interview at any time.

The researcher is seeking participants for interviews who have experienced mortgage delinquency, default, and/or the risk of foreclosure. The purpose of this study is to gain insight on the lending experience of borrowers who now or in the past have struggled to make mortgage payments and how the risk of foreclosure affects families. Information provided by participants will remain completely anonymous. This research will inform political leaders about the special needs and concerns facing these communities in hope of guiding future policy aimed at preventing foreclosures and adequately addressing the needs of families facing foreclosure.

All interviews will take place over the phone and last approximately 60 minutes. Compensation will be provided.

Do you have any questions?

The researcher will explain more information about the study in terms of confidentially and anonymity when she contacts you. At any time you can refuse or withdrawal from the study. Do I have your permission for the researcher to contact you?

Appendix B

Craigslist Recruitment Text

Have you experienced mortgage delinquency, default, and/or the risk of foreclosure?

A researcher from George Washington University is seeking participants for interviews. Participants must have experienced mortgage delinquency, default, and/or the risk of foreclosure. The purpose of this study is to gain insight on the lending experience of borrowers who now or in the past have struggled to make mortgage payments and how the risk of foreclosure affects families. Information provided by participants will remain completely confidential. This research will inform political leaders about the special needs and concerns facing these communities in hope of guiding future policy aimed at preventing foreclosures and adequately addressing the needs of families facing foreclosure.

All interviews will take place over the phone and last approximately 60 minutes. Compensation will be provided.

If interested please email.

Appendix C
Informed Verbal Consent

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1) **Introduction**

You are invited to participate in a research study under the direction of Dr. Gregory Squires of the Department of Sociology, George Washington University (GWU), and paid for by National Community Reinvestment Coalition (NCRC). Taking part in this research is entirely voluntary. Your relationship with the NCRC will not, in any way, be affected should you choose not to participate or if you decide to withdraw from the interview at any time.

2) **Why is this study being done?**

You are being asked to take part in this study because you have a record of seeking mortgage counseling from the NCRC.

The purpose of this study is to gain insight on the lending experience of borrowers who now or in the past have struggled to make mortgage payments and how the risk of foreclosure affects families.

All interviews will take place over the phone.

A total of 15 participants who have previously received mortgage counseling from the NCRC will be asked to take part in this study. You will be one of approximately 20 participants to be asked to take part of this study.

3) **What is involved in this study?**

If you choose to take part in this study, you will be asked to participate in an interview describing your lending experience and how the risk of foreclosure has affected your life.

The total amount of time you will spend in connection with study is approximately 60 minutes. You will be compensated for your time in the amount of $75.

For transcription purposes, this interview will be audio recorded.

4) **What are the risks of participating in this study?**

There is the possible risk of loss of confidentiality. Every effort will be made to keep your information confidential, however, this can not be guaranteed. Some of the questions we will ask you as part of this study may make you feel uncomfortable. You may refuse to answer any of the questions and you may take a break at any time during the study. You may stop your participation in this study at any time.

The research-specific risks are extremely low in this case. Upon completion of the interview, I will remove all identifiers from your records. Any proper names of perhaps a bank, lending institution, or neighborhood will not be available for anyone other than the interviewer and the interviewee to hear or see. There will be no identifying information used within the interviews.

5) **Are there benefits to taking part in this study?**

You will not benefit directly from your participation in the study. The benefits to science and humankind that might result from this study are: informing policy-makers of the special needs and concerns of victims of deceptive lending practices and/or those at risk of foreclosure. This information could also be used to improve policy geared at ensuring fair lending and foreclosure prevention policies.

6) **What are my options?**

You do not have to participate in this study if you do not want to**.** Should you decide to participate and later change your mind, you can do so at anytime.

7) **Will I receive payment for being in this study?**

You will be paid for taking part in this study. As a participant in this research study, you will receive $75 to compensate for your time during your participation in this interview.

You will not be associated with the study, however, records will indicate that you received payment from National Community Reinvestment Coalition.

8) **Can I be taken off the study?**

The investigator can decide to withdraw you from the study at any time. You could be taken off the study for reasons related solely to you (for example, not following study-related directions from the Investigator) or because the entire study is stopped.

9) **How will my privacy be protected?**

All interviews will be recorded with an electronic voice recorder for later transcription. You will not be asked to provide your name during the interview for use in the course of this study. You will immediately be assigned a pseudonym which will be used consistently throughout the life of this research. If you should refer to proper names of institutions and neighborhoods throughout the interview, they too will immediately be assigned a pseudonym.
Once all of the interviews have been transcribed, the voice recordings will be destroyed. A soft copy of the transcriptions will be saved within a password protected area on the

interviewer’s personal computer and the NCRC will retain hard copies of the transcriptions. No other people will have access to the information provided by you. In no way, will your name be tied to the transcription.

If results of this research study are reported in journals or at scientific meetings, the people who participated in this study will not be named or identified. GW will not release any information about your research involvement without your written permission, unless required by law.

10) Problems or Questions

The Office of Human Research of George Washington University, at telephone number (202) 994-2715, can provide further information about your rights as a research participant. If you think you have been harmed in this study, you report this to the Principal Investigator of this study. Further information regarding this study may be obtained by contacting __________________ (explain person’s relationship to study) _____________, at telephone number ( ) ____________. For problems arising evenings or weekends, you may call ______ at ( ) _____.

*If you would like a copy of this document please, I would be more than willing to mail you a hard copy.

Your willingness to participate in this research study is implied if you proceed with completing the interview. Do I have your permission to proceed?

Appendix D
Interview Guide

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1. **Meaning of Homeownership**

    a. For what reasons were you purchasing your *first* home?

    b. Why did you decide now was a time to become a homeowner?

    c. Did you feel that you had the necessary finances to purchase a home?

    d. What kind of home and in what price range were you initially seeking?

        i. What did you eventually pay?

    e. What percentage of a down payment were you looking to put down?

        i. What did you eventually pay?

2. **Search Process**

    a. Where and how did you begin the search for a mortgage lender? (i.e., internet, local ads, approached/contacted, friend, yellow pages, real estate agent)

    b. What characteristics gave you confidence in particular institutions/brokers?

    c. How many lending institutions/brokers did you visit before you settled?

    d. Did you seek your loan from a traditional source (bank, credit union, housing agency) or did a loan broker arrange the loan? Why was this the case?

3. **Mortgage Product Discussion**
    a. What made you decide on your particular mortgage product as opposed to others?
    b. Were there certain qualities that drew you to the mortgage?
    c. Did you know your mortgage's interest rate would change?
        i. If so, was the lender confident that you would be able to pay when the inertest increased? Why or why not?
        ii. How did you feel about the potential rate increase?
    d. Did the lender mention the possibility of a refinance in the future?
4. **Awareness of Financial Crisis**
    a. When and how did you first become aware of your inability to pay?
    b. Did you communicate your problem to the servicer?
        i. If so, what was your servicer's response? Any action?
    c. Have you contacted third parties to help with your situation? (counselors, consultants, lawyers, etc)
    d. Have you since refinanced?
        i. How many times?
    e. Do you feel that you are still at-risk of mortgage delinquency, default, or foreclosure?
    f. Do you think your loan or circumstance is "predatory"?
    g. Looking back, is there anything throughout the lending process that you would have done differently?

5. Impact on Families

a. How has this financial crisis impacted you and your family?

    i. Did you have to sell your home?

        1. If so where are you living?

b. Have you had to dip in to your savings?

c. Has this crisis affected your plans to retire or your retirement account?

d. Do you have a strong support system through family or your community?

e. Do you continue to spend time with your friends or other social groups?

    i. Has this affected your relationships with friends, family, co-workers, employers, etc)

f. Have you had to give anything up that was part of your regular lifestyle? (vacations, clubs, etc.)

g. Has this experience affect your ability to do your job or your employment status?

h. Would you say that this experience has caused any physical or mental health problems?

i. Have you had to borrow money from friends or family?

j. At this point, do you think you will be able to get through this financial crisis?

k. Are others in your social network or neighborhood facing a similar situation?

l. What resources or services do you feel would have helped you get through these hard times more successfully?

m. Has this experience changed your attitude on owning a home?

n. Has this experience changed your attitudes about mortgage lending, financial institutions, bank regulation, or elected officials?

o. Have you learned anything through this experience that you would like to share with others?