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Foreclosure and Health Status

Editor's note: In 2009, more than 2.8 million housing units in the U.S. received a foreclosure notice. That represents about 1 in every 45 properties and a 120% increase in the number of foreclosed properties since 2007. Real estate experts predict even more foreclosures in 2010 as high unemployment continues.

The cascading effects of the foreclosure crisis on the U.S. economy are all too clear; the effects on individuals' health status are less obvious. This Issue Brief summarizes two studies that examine the health implications of foreclosure and reveal a vulnerable population that may benefit from coordinated health and financial services.

Foreclosure often affects an already-vulnerable population

Despite the magnitude of the foreclosure crisis, little is known about the relationship between health status and foreclosure. Because the steep rise in foreclosures has disproportionately affected vulnerable minority and low-income groups, it has the potential to exacerbate disparities in health and health care.

- Prior research has not directly assessed the health of people experiencing foreclosure, but considerable evidence suggests that health and wealth are tightly connected, and that financial strain is associated with poor health.
- The health status of homeowners has traditionally tended to be better than that of renters. However, the financial and emotional stress of foreclosure may undermine the potential benefits of homeownership. Foreclosure is usually preceded by a long period of financial strain, and the process of foreclosure can require months or years to play out.
- Poor health might also be an important cause of foreclosure. Previous studies have found that ill health and the resulting medical expenses cause a substantial portion of personal bankruptcies in the U.S. Seven percent of participants in the National Foreclosure Mitigation Counseling Program reported that medical issues were the primary reason they were facing foreclosure.

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Survey assesses health status of Philadelphia-area homeowners undergoing foreclosure

In partnership with a mortgage counseling agency, Pollack and Lynch surveyed 250 Philadelphia homeowners who had sought credit counseling for home mortgage foreclosure.

- Between July and October 2008, mortgage counselors distributed the self-administered survey to new clients after intake visits. Clients were eligible to participate if they were at least two months behind in their mortgage payments.
- The survey recorded information on demographics, household composition and income, and features of the loan and home under foreclosure. Respondents were asked about the single most important reason for their missed mortgage payments.
- The survey also asked about self-rated health status, clinician-diagnosed chronic conditions, depression, insurance status, health care use and costs, and health-related behaviors.
- The investigators compared people undergoing foreclosure to members of the community at large using the Philadelphia Public Health Management Corporation's 2008 survey of a random sample of Philadelphia-area adults.

Foreclosure is associated with high rates of major depression, hypertension, and heart disease

The investigators found physical and mental health problems among those facing foreclosure that were significantly more severe than among similarly vulnerable individuals in the general population. These results suggest that poor health may be either a cause or an effect of foreclosure.

- More than one-third of study participants met screening criteria for major depression.
- Homeowners undergoing foreclosure reported significantly worse overall health than the community sample, but this difference was no longer significant after socioeconomic characteristics were taken into account. After adjusting for demographic and financial factors, however, people undergoing foreclosure had significantly higher rates of hypertension and heart disease than others in the community.
- Compared to the community sample, those in foreclosure were more likely to be uninsured (22% compared to 8%). Nearly 60% reported that they had skipped or delayed meals because they couldn't afford food, and people undergoing foreclosure were also more likely to have forgone filling a prescription because of the expense during the preceding year (48% vs. 15%).
- About 9% of the study participants reported that a medical condition in their family was the primary reason they were undergoing foreclosure. More than one quarter of those in foreclosure said they owed money to medical creditors.

Online survey compares self-assessed health across housing conditions

Alley and colleagues sought to understand how mental and physical health varies across four housing groups, defined by ownership status, affordability, and payment history: homeowners experiencing foreclosure/default; homeowners under moderate housing strain; homeowners with no housing strain; and renters.

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- They conducted an online survey of participants in a consumer panel who were residents of states with the highest foreclosure rates in 2008: Arizona, California, Florida, and Nevada. These four states accounted for 51% of all foreclosure filings in the U.S. in 2008.
 - The foreclosure group included those who were more than 30 days behind in mortgage payments, and/or had received a notice of default or foreclosure in the past year. Those with moderate strain had a history of at least one late or incomplete payment in the last year, or housing costs greater than 30% of monthly income. Homeowners with no strain were defined as those with no late payments in the past year, and housing costs less than 30% of monthly income (the federal standard for affordability). Renters were included as a single comparison group, regardless of housing cost to income ratio.
 - A total of 798 people were included in the study. Not surprisingly, homeowners in the foreclosure group had lower education and income relative to other homeowners. They spent an average of 63.7% of their monthly income on housing costs, compared to 54% of income for homeowners with moderate strain, 41.2% of income for renters, and 21.6% of income for homeowners with no housing strain.

Homeowners behind in payments or facing foreclosure report poorer mental and physical health than renters or other homeowners

The results indicate that on most measures, homeowners in foreclosure reported the poorest health, differing the most from homeowners with no strain. Homeowners with moderate strain and renters reported intermediate health status.

- Nearly 23% of homeowners in foreclosure reported fair or poor health, compared to 14.4% of homeowners with moderate strain, and 9.2% of homeowners with no strain. Over the past year, 16.7% of the foreclosure group reported a decline in health compared to 8.8% of homeowners without strain.
- The foreclosure group reported the highest prevalence of serious psychological distress (21.4%), followed by 8.8% of renters, 7.2% of homeowners with moderate strain, and 1.4% of homeowners without strain.
- After adjusting for age, sex, race, education, and income, Alley and colleagues found a clear gradient for most health indicators across housing groups. Homeowners without strain reported the best health status, followed by homeowners with moderate strain, renters, and then the foreclosure group. The gradient was most pronounced for serious psychological distress. The foreclosure group was 13 times as likely to report such distress as homeowners without strain.

POLICY IMPLICATIONS

The results of these studies demonstrate that people facing foreclosure are a vulnerable population at high risk for further declines in financial and health status. This group may benefit from a coordinated approach that combines access to financial and health services.

- Policymakers should consider the connections between foreclosure and health as they craft policy responses to keep people in their homes. Increasing access to affordable health care may, in some instances, lessen the risk of foreclosure and help mitigate related health risks.

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POLICY IMPLICATIONS

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- Health care organizations and public health practitioners may be able to leverage current efforts to connect homeowners with mortgage counseling agencies. For example, mortgage counselors could be trained to provide information about how to access safety net health care, through community centers or government agencies. Crisis counselors or social workers could be placed at mortgage counseling agencies to provide direct assistance and advice.
- Physicians should inquire about housing strain and, when appropriate, steer patients towards mortgage relief resources. One such resource is HOPE NOW, an alliance between counselors, mortgage companies, investors, and other mortgage market participants. It can be found on the web at <https://www.hopenow.com/> or by calling 1.888.995.HOPE.

This Issue Brief is based on the following articles: C.E. Pollack and J. Lynch. Health status of people undergoing foreclosure in the Philadelphia region. American Journal of Public Health, October 2009, vol. 99, pp. 1833-1839; D.E. Alley, J.A. Pagan, T.H. Lipman, B. Soldo, S. Krasny, M. Shardell, D.A. Asch, C.C. Cannuscio. Economic strain and poor health: associations between housing foreclosure and health (available from authors).

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