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[Pathways after Default: What Happens to Distressed Mortgage Borrowers and Their Homes?](#)

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Abstract

We use a detailed dataset of seriously delinquent mortgages to examine the dynamic process of mortgage default – from initial delinquency and default to final resolution of the loan and disposition of the property. We estimate a two-stage competing risk hazard model to assess the factors associated with whether a borrower behind on mortgage payments receives a legal notice of foreclosure, and with what ultimately happens to the borrower and property. In particular, we focus on a borrower's ability to avoid a foreclosure auction by getting a modification, by refinancing the loan, or by selling the property. We find that the outcomes of the foreclosure process are significantly related to: the terms of the loan; the borrower's credit history; current loan-to-value and the presence of a junior lien; the borrower's post-default payment behavior; the borrower's participation in foreclosure counseling; neighborhood characteristics such as foreclosure rates, recent house price depreciation and median income; and the borrower's race and ethnicity.

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