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AARP Indiana Legislative Issues Survey: Predatory Mortgage Lending

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Published February 2005



AARP Indiana Legislative Issues Survey: Predatory Mortgage Lending

Report Prepared by Susan L. Silberman, Ph.D.

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Background

The *AARP Indiana Legislative Issues Survey* explores the attitudes and opinions of 1,246 Indiana members on several consumer and legislative issues. In addition, this survey gauges state legislative priorities of AARP members in Indiana. The *Predatory Mortgage Lending* report examines the subset of questions related to predatory mortgage lending reforms passed by the legislature in 2004.¹

This report summarizes the weighted overall findings on the topic of predatory mortgage lending covered in the survey. Throughout the report, statistics representing member responses are reported in percentages.² In some instances, percentages are small and may not seem to represent a significant proportion of members, yet when projected to the total Indiana membership the actual number of people may be substantial. As of December 2004, the approximate number of AARP members in Indiana was 800,000.

Highlights

- Seven in eight Indiana members support increasing fines for lenders that violate the State's predatory mortgage lending laws.
- Five in six Hoosier State members say it is important that AARP Indiana work with the State Attorney General's Office to see that the 2004 predatory mortgage law is fully implemented.
- Eight in ten members say it is important that the State of Indiana educates home buyers about how to protect themselves from predatory loans.

¹ A copy of the full questionnaire annotated with responses to all questions is appended to this report. Questions 27 through 29 address predatory mortgage lending.

² Percentages may not sum to 100% due to rounding.

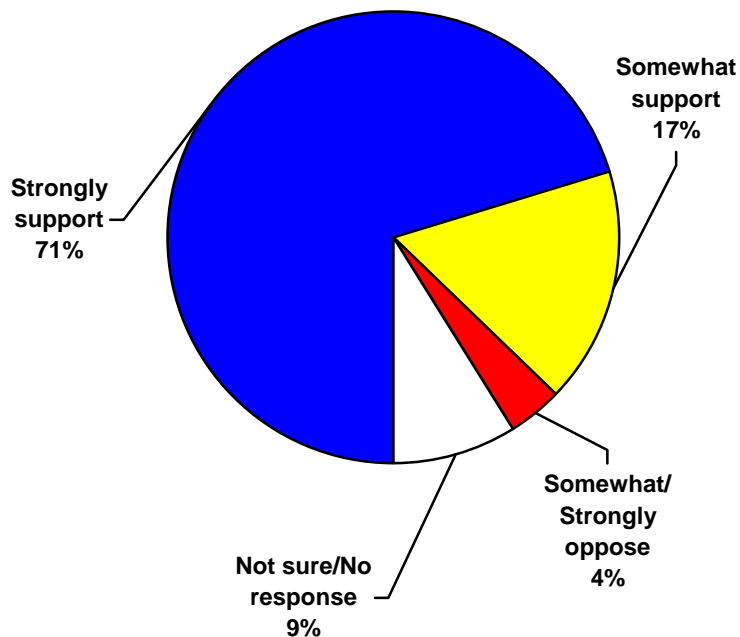
Findings

Seven in eight members support increasing fines for lenders who violate predatory mortgage lending laws.

Predatory mortgage lending is the phrase used for loans with terms and conditions that are disadvantageous to the loan recipient. Frequently, these loans target people with bad credit or other financial issues that make it difficult for them to obtain more conventional mortgages. Older and more vulnerable individuals are often the focus of predatory mortgage lending. According to the Center for Responsible Lending, predatory mortgage lending is estimated to cost Indiana home buyers \$150 million each year.³

In 2004, the Indiana State Legislature passed a law to protect residents from predatory mortgage lending. The law will go into effect in 2005; it gives the Attorney General's Office the power to fine predatory mortgage lenders up to \$10,000 each time they violate the law. Indiana members were asked whether they support or oppose the State of Indiana increasing fines for lenders that violate the State's predatory mortgage lending laws. Eighty-seven percent of members they strongly support (71%) or somewhat support (17%) increasing fines on lenders who violate the new state law.

**Support for Increasing Fines for Violators of Indiana's
Predatory Mortgage Lending Law***
(N = 1,246)



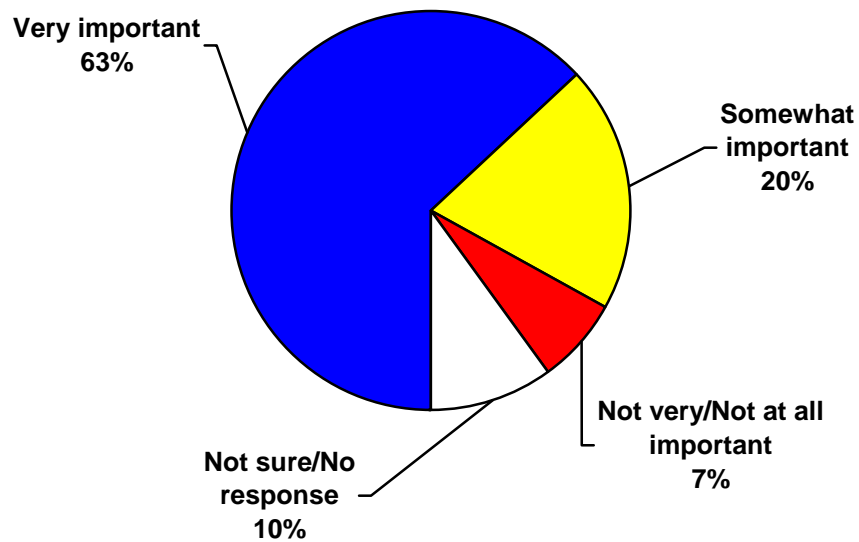
*Percentages may not add up to 100 due to rounding

³ *Quantifying the Economic Cost of Predatory Lending*. Coalition for Responsible Lending. Durham, NC. 2001.

Five in six Indiana members think it is important that AARP Indiana work with the State Attorney General’s Office to fully implement the 2004 predatory mortgage lending law.

The new predatory mortgage lending law, passed in 2004 by the Indiana State Legislature, protects residents from predatory mortgage lenders. The law will go into effect in 2005. Eighty-three percent of members say it is very important (63%) or somewhat important (20%) for AARP Indiana to work with the Attorney General’s Office to fully implement the law.

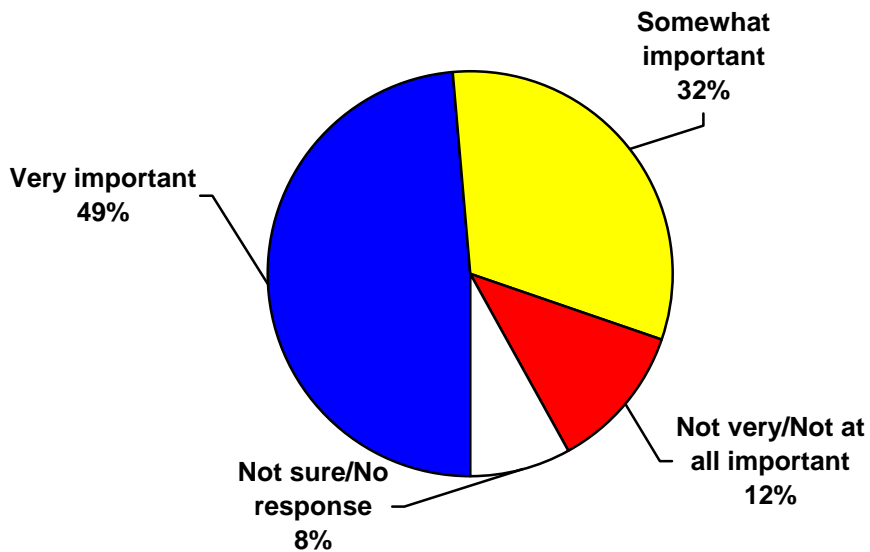
**Importance that AARP Indiana Work with Attorney General’s Office to Implement New Mortgage Lending Law
(N = 1,246)**



More than eight in ten Indiana members think it is important that the State of Indiana educates home buyers about how to protect themselves from predatory loans.

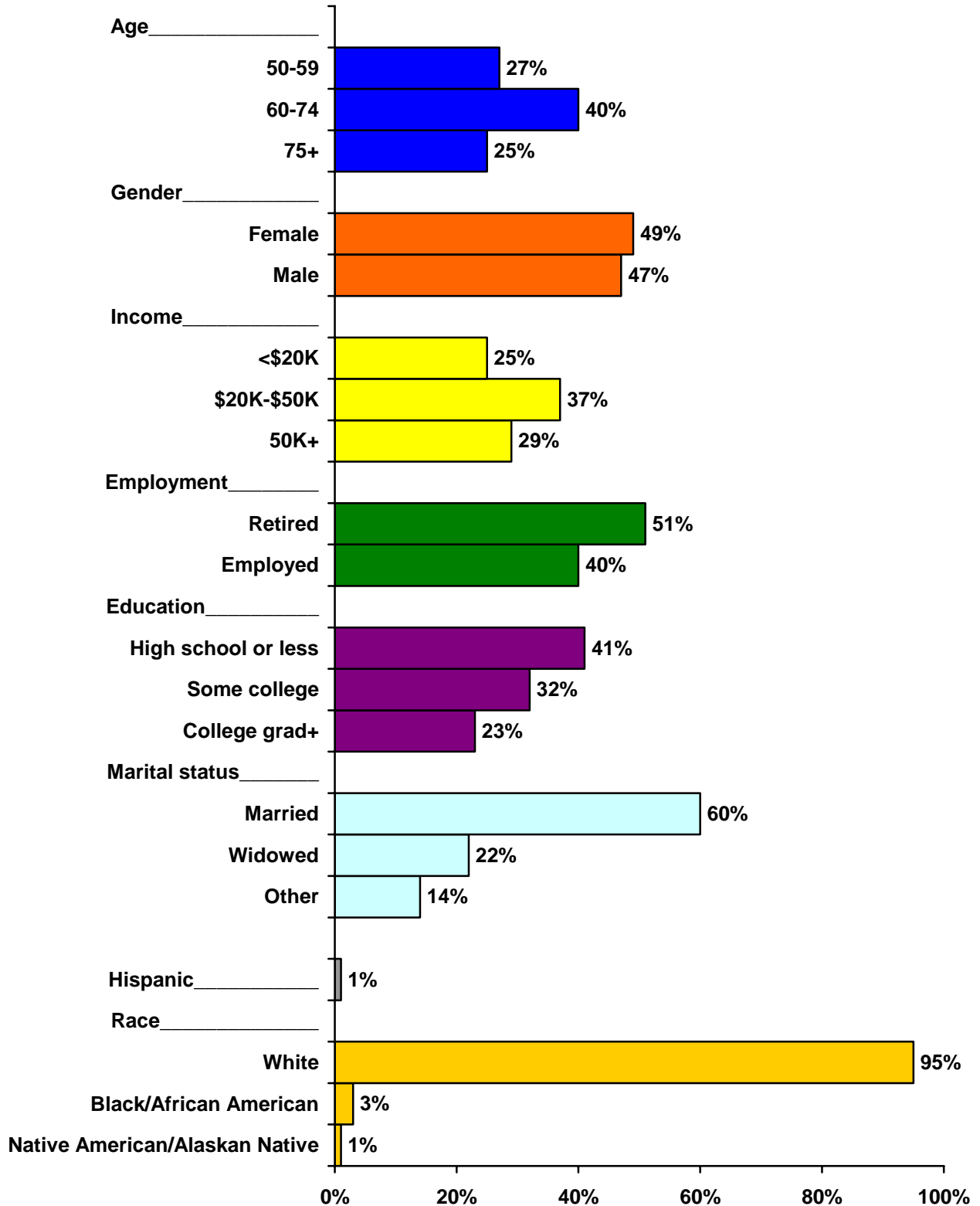
The new predatory mortgage lending law provides funding for programs to educate home buyers about how to protect themselves from predator loans. Over eight in ten members think it is very important (49%) or somewhat important (32%) that the State of Indiana educates home buyers about predatory loans.

**Importance that the State of Indiana Educates Home Buyers About Predatory Loans*
(N = 1,246)**



*Percentages may not add up to 100 due to rounding.

Demographic Characteristics (N = 1,246)



Conclusions

Regulation of predatory mortgage lending resonates with Indiana AARP members. Hoosier State members believe the new predatory mortgage lending law passed in 2004 should be fully implemented in 2005. They support increased fines for those lenders who violate the predatory mortgage law. Moreover, they believe it is important for the State to educate home buyers on how to avoid predatory laws.

Methodology

AARP conducted the *2004 AARP Indiana Legislative Issues Survey* during September and October 2004. A random sample of 2,000 AARP members in Indiana, proportionally stratified by three age segments, 50 to 59, 60 to 74, and 75+, was selected from AARP's membership database. Each sampled member was contacted about the survey in four ways: a pre-notification postcard, the survey itself, a reminder postcard, and a second survey. Sixty-two percent of the sampled Indiana members returned surveys by the cut-off date, providing 1,246 useable surveys for analysis. Thus, the survey has a sampling error of plus or minus 2.78 percent.⁴ Survey responses were weighted to reflect the distribution of the age segments in the member population of Indiana. As of November 2004, the approximate number of AARP members in Indiana was 800,000.

⁴ This means that in 95 out of 100 samples of this size, the results obtained in the sample would fall in a range of 2.78 percentage points of what would have been obtained if every AARP member in Indiana age 50 or older had been surveyed.

Annotated Questionnaire

AARP Indiana Legislative Issues: Predatory Mortgage Lending

**AARP Members n = 1246; Response Rate = 62%; Sampling Error = +/-2.78%)
(Percentages may not add to 100% due to rounding or multiple response.)**

State Legislative Issues

1). To be effective, AARP Indiana wants to work on the most important issues facing Indiana AARP members. Keeping in mind what is most important to you, how much of a priority should it be for AARP to work on the following legislative issues in Indiana? Please check the box that best represents your opinion.

	Top Priority	High Priority	Medium Priority	Low Priority	Not a Priority	Not Sure	No Response
a. Enabling grandparents who are caring for grandchildren to obtain the necessary financial, medical, educational, and legal services for these children	21%	39%	22%	6%	7%	2%	3%
b. Protections for older workers	31%	45%	17%	3%	2%	1%	2%
c. Increasing transportation options for the elderly and disabled	24%	36%	29%	6%	2%	1%	2%
d. Defining minimum standards for a facility calling itself assisted living	30%	39%	22%	4%	1%	2%	1%
e. Consumer protection against fraud	48%	31%	15%	3%	1%	<1%	2%
f. Preventing elder abuse	54%	29%	12%	3%	1%	1%	2%
g. Access to affordable utility services and rates	40%	37%	18%	3%	1%	1%	1%
h. Regulation of mortgage lenders to prevent abusive practices	32%	35%	21%	6%	4%	1%	2%
i. Access to affordable housing	30%	37%	24%	5%	3%	1%	2%
j. Regulating the fees charged by check-cashing outlets and pay day lenders	25%	24%	24%	13%	10%	3%	2%
k. Access to affordable prescription drugs	72%	20%	6%	1%	1%	1%	1%

1). (CONTINUED) To be effective, AARP Indiana wants to work on the most important issues facing Indiana AARP members. Keeping in mind what is most important to you, how much of a priority should it be for AARP to work on the following legislative issues in Indiana? Please check the box that best represents your opinion.

		Top Priority	High Priority	Medium Priority	Low Priority	Not a Priority	Not Sure	No Response
l.	Enabling older persons to remain in their own homes or communities as they age	48%	35%	12%	2%	1%	<1%	2%
m.	Improving the quality of nursing homes in Indiana	49%	37%	10%	1%	1%	1%	3%
n.	Expanding access to home and community-based long-term care services	42%	40%	13%	1%	1%	1%	3%

Prescription Drug

2). Have you or a family member bought a prescription drug within the past two years?

94% Yes 3% No <1% Not sure 2% No Response

3). In the past 12 months, has paying for prescription medications been a major problem, a minor problem, or not a problem for you?

%
 22 A major problem
 32 A minor problem
 44 Not a problem
 3 No Response

4). In the past 12 months, approximately how much have you spent, each month, out of your own pocket for prescription drugs?

%
 7 Less than \$10 per month
 18 \$10 but less than \$50 per month
 22 \$50 but less than \$100 per month
 22 \$100 but less than \$200 per month
 20 \$200 but less than \$500 per month
 4 \$500 or more per month
 3 Nothing, have not purchased prescription drugs
 2 Not sure
 3 No Response

5). **How concerned are you about being able to afford the cost of needed prescription drugs over the next two years?**

<u>%</u>	
47	Very concerned
31	Somewhat concerned
13	Not very concerned
5	Not at all concerned
2	Not sure
2	No Response

6). **Many people face difficult decisions when buying prescription drugs. In the past 12 months, have you or family member done any of the following?**

In the past 12 months, have you or a family member...	Yes	No	Not Sure	No Response
a. Delayed getting a prescription filled because you didn't have enough money to pay for it?	19%	76%	2%	4%
b. Taken less medicine than your doctor prescribed to make it last longer?	23%	73%	2%	3%
c. Cut back on items such as food, fuel, or electricity to be able to afford a prescription drug?	14%	80%	2%	4%
d. Ordered your prescription drugs by mail or Internet from a company <u>in the U.S.</u> because they cost less?	30%	66%	1%	3%
e. Ordered your prescription drugs by mail or Internet from a company <u>in another country</u> because they cost less?	6%	90%	1%	3%
f. Decided not to fill a prescription because of the cost of the drug?	20%	75%	1%	3%
g. Traveled to Mexico, Canada, or another country to purchase prescription drugs because they cost less?	2%	94%	1%	3%

7). **How important is it to you that the State of Indiana makes prescription drug costs more affordable?**

<u>%</u>	
75	Very important
18	Somewhat important
3	Not very important
1	Not at all important
1	Not sure
2	No Response

8). How familiar are you with Indiana’s HoosierRx program? HoosierRx is Indiana’s prescription drug program for low-income seniors. Eligible seniors receive a HoosierRx drug card for use at their local pharmacies; with the drug card eligible seniors receive 75% off the cost of their prescription medications.

<u>%</u>	
6	Very familiar
17	Somewhat familiar
25	Not very familiar
48	Not at all familiar
2	Not sure
2	No Response

9). How important is it to you that the State of Indiana continues to fund the HoosierRx program to help low-income seniors pay for their prescription drugs?

<u>%</u>	
56	Very important
27	Somewhat important
5	Not very important
2	Not at all important
8	Not sure
2	No Response

10). The U.S. Congress recently passed Medicare prescription drug legislation that will help some Indiana seniors pay for their prescription drugs.

How important is it to you that AARP Indiana works to coordinate the new Medicare prescription drug program with the HoosierRx program? This coordination will allow people to receive the full Medicare benefits they are entitled to plus any additional benefits available through Indiana’s HoosierRx program.

<u>%</u>	
62	Very important
24	Somewhat important
4	Not very important
2	Not at all important
6	Not sure
2	No Response

- 11). **Other states, such as Maine and Hawaii, have passed legislation that allows state government to use its buying power to negotiate lower drug prices and rebates from drug manufacturers and pass the savings along to customers.**

How important is it to you that AARP Indiana work to pass similar legislation in Indiana to allow the state to negotiate lower drug prices for Hoosier State citizens?

%	
73	Very important
19	Somewhat important
2	Not very important
1	Not at all important
3	Not sure
2	No Response

Long-Term Care and Home and Community Based Services

Long-term care refers to care provided over an extended period of time at home, in a community setting, or in a nursing home. People of all ages who are frail, ill, or disabled who need assistance with regular daily activities, such as getting dressed, bathing, preparing meals, or eating may receive long-term care services. **Home and community-based services** refers to long-term services and supports provided in individuals’ homes or in home-like environments such as supportive housing.

- 12). **Have you or any member of your family -- such as grandparents, parents, children, or a sister or brother -- used long-term care services within the last five years?**

28% Yes 65% No 4% Don’t know 2% No Response

- 13). **Do you have a family member or a friend who currently lives in a nursing home but would return to his or her home/community if home care and support services were available?**

%		%	
65	No , I do not have a family member or friend who currently lives in a nursing home	13	Yes , I have a family member or friend who currently lives in a nursing home and would return home if home care and support services were available in his or her home/community
10	No , I have a family member or friend who currently lives in a nursing home, but would <u>not</u> return home, even with home care and support services in his or her home/community	7	Don’t know
		5	No Response

14). What is the likelihood that you, a family member, or a friend may need long-term care services in the next five years?

<u>%</u>	
24	Very likely
37	Somewhat likely
18	Not very likely
4	Not at all likely
15	Don't know
2	No Response

15). Some people age 50 and older express worry about being able to afford long-term care services for themselves and their family. How worried are you about it?

<u>%</u>	
33	Very worried
43	Somewhat worried
15	Not very worried
4	Not at all worried
3	Not sure
2	No Response

16). Some people age 50 and older express worry about not having enough choices regarding the type of long-term care services available for themselves and their family. How worried are you about it?

<u>%</u>	
26	Very worried
44	Somewhat worried
19	Not very worried
4	Not at all worried
4	Not sure
2	No Response

17). There are several long-term care options available for people who are disabled, ill, or elderly. If you or a family member needed long-term care services, how would you prefer to receive that service? Would you prefer to

<u>%</u>	
9	Have family and friends provide all the care at home
45	Be able to pay a nurse or a personal care aide to provide care at home
24	Have care provided in a residential facility, such as a care home or assisted living facility where housing, food, and personal care such as help with bathing and dressing are provided for those who live there
3	Have care provided in a nursing home
15	Not sure
4	No Response

18). If you or any member of your family needed long-term care services, how important would it be to you to have services that would enable you or your family member to stay at home as long as possible?

<u>%</u>	
74	Very important
20	Somewhat important
2	Not very important
<1	Not at all important
2	Not sure
2	No Response

19). Adult foster care is a supportive housing setting that provides a family living environment and generally offers services to a small number of residents who live in a home renovated for group living. Indiana currently does not offer significant funding for adult foster care housing. How important do you think it is for Indiana to increase funding to offer adult foster care housing for the disabled, ill, and elderly?

<u>%</u>	
31	Very important
41	Somewhat important
12	Not very important
3	Not at all important
10	Not sure
2	No Response

20). Adult day care provides a caring, home-like setting for individuals who, for their own safety and well-being, can no longer be left at home alone. Adult day care centers are usually open five days a week during business hours and include a mixture of health, social and support services. Specialized programs for individuals with Alzheimer's disease or related disorders also exist. Indiana currently does not offer significant funding for adult day care. How important do you think it is for Indiana to increase funding to offer adult day care for the disabled, ill, and elderly?

<u>%</u>	
47	Very important
38	Somewhat important
6	Not very important
1	Not at all important
5	Not sure
2	No Response

21). Assisted living is a residential setting that provides or coordinates personal care services, activities, and health related services with the goals of maximizing resident privacy, autonomy, and dignity and minimizing the need for residents to move when their needs change. Indiana currently does not have significant funding for assisted living. How important do you think it is for Indiana to increase funding to offer assisted living for the disabled, ill, and elderly?

<u>%</u>	
52	Very important
37	Somewhat important
4	Not very important
1	Not at all important
4	Not sure
2	No Response

In 2003, the Indiana State Legislature passed a law to reform and rebalance Indiana’s long-term care spending toward home and community-based care. It would enable many older adult nursing home residents to return to their homes or communities, while saving the state money. To date, the new law has not yet been implemented.

22). How important do you think it is for Indiana to implement the long-term care system reforms passed into law?

<u>%</u>	
61	Very important
28	Somewhat important
2	Not very important
<1	Not at all important
7	Not sure
2	No Response

23). How strongly would you support or oppose the state of Indiana increasing funding for home and community-based care services (such as in-home health care or adult day care) that allow people to remain in their own home as they age instead of going to a nursing home, even if it meant an increase in your taxes?

<u>%</u>	
40	Strongly support
39	Somewhat support
7	Somewhat oppose
4	Strongly oppose
8	Not sure
3	No Response

24). If a candidate for state office in Indiana supported maintaining or expanding the delivery of home and community-based health and long-term care services even if it means raising state taxes, would you be more likely to vote for that candidate, less likely to vote for him or her, or would it not make any difference?

<u>%</u>	
38	More likely
14	Less likely
26	Would not make a difference
18	Not sure
4	No Response

State Budget

Indiana is facing difficult economic choices in the coming months as the governor and state legislators try to balance the state budget. There are a number of approaches to balancing the budget: cutting current services, increasing state tax revenues, or combining both cuts in services and increases in tax revenues.

25). To balance the state budget, would you support or oppose....

		Strongly Support Cuts	Somewhat Support Cuts	Somewhat Oppose Cuts	Strongly Oppose Cuts	Not Sure	No Response
a.	Cuts to health and long-term care services for children, older persons, and people with disabilities	2%	7%	27%	53%	7%	5%
b.	Cuts to education including K-12 and higher education	5%	12%	25%	47%	6%	5%
c.	Cuts to highway and road maintenance and construction	5%	24%	38%	20%	7%	5%
d.	Cuts to public safety, courts, and jails	5%	20%	36%	28%	7%	4%
e.	Cuts to municipalities and counties that pay for fire and police protection, senior centers, and parks and recreation.	2%	17%	36%	35%	6%	4%

26). Another approach to balance the state budget is to look for new ways to raise revenue. To balance Indiana’s state budget, would you support or oppose....

		Strongly Support	Somewhat Support	Somewhat Oppose	Strongly Oppose	Not Sure	No Response
a.	Increasing corporate taxes. Currently corporate income taxes make up 6% of Indiana’s total income tax revenue	35%	33%	12%	7%	8%	6%
b.	Closing tax loopholes and exemptions	60%	21%	5%	2%	7%	5%
c.	Creating a new tax on the sale of homes that are valued over \$150,000. Currently, 19% of homes in Indiana sell for more than \$150,000	19%	27%	20%	20%	7%	7%
d.	Increasing the tax on beer, wine, & liquor	57%	23%	7%	6%	2%	6%
e.	Increasing fees for vehicle registration and certificates of marriage, birth, death, etc.	8%	24%	31%	29%	4%	5%
f.	Adding a temporary surcharge on the income tax for higher income households. This temporary tax on income would only apply to those households with annual incomes of \$200,000 or more, so it would apply to less than 2% of Indiana households	47%	27%	8%	8%	5%	5%
g.	Increasing the sales tax rate on most items except for food, prescription drugs, and over-the-counter medications	15%	34%	19%	25%	4%	4%
h.	Imposing sales tax on entertainment such as movies and concerts and personal care services such as dry cleaners and beauty salons	18%	37%	20%	17%	4%	4%
i.	Increasing the tax on gasoline	2%	8%	24%	59%	2%	4%
j.	Creating a graduated and progressive income tax in Indiana so higher-income households pay taxes at a higher rate than lower-income households	33%	32%	13%	10%	7%	4%
k.	Increasing the cigarette tax. Indiana’s cigarette tax is currently \$.55 per pack; it is the 29 th highest in the nation	52%	20%	9%	11%	4%	4%
l.	Imposing a sales tax rate on services from professionals such as lawyers, accountants, and insurance agents	11%	17%	28%	29%	11%	4%
m.	Instituting a surcharge on the sale of soft drinks and other beverages that do not have nutritional content	18%	27%	23%	23%	6%	4%

Predatory Mortgage Lending

Predatory mortgage lending is the phrase used for loans with terms and conditions that are disadvantageous to the loan recipient. Frequently, these loans target people with bad credit or other financial issues that make it difficult for them to obtain more conventional mortgages. Older and more vulnerable individuals are often the focus of predatory mortgage lending. According to the Center for Responsible Lending, predatory mortgage lending is estimated to cost Indiana home buyers \$150 million each year.

27). In 2004 the Indiana State Legislature passed a law to protect residents from predatory mortgage lending. The law will go into effect in 2005. How important is it that AARP Indiana work with the State Attorney General's office to see the law is fully implemented?

<u>%</u>	
63	Very important
20	Somewhat important
5	Not too important
2	Not at all important
5	Not sure
4	No Response

28). The new law passed by the Indiana State Legislature gives the Attorney General's Office the power to fine predatory mortgage lenders up to \$10,000 each time they violate the law. Do you support or oppose the state of Indiana increasing fines for lenders that violate the State's predatory mortgage lending laws?

<u>%</u>	
71	Strongly support
17	Somewhat support
3	Somewhat oppose
1	Strongly oppose
5	Not sure
4	No Response

29). The new law passed by the Indiana State Legislature provides funding for programs to educate home buyers about how to protect themselves from predatory loans. How important is it to you that the State of Indiana educates home buyers about how to protect themselves from predatory loans?

<u>%</u>	
49	Very important
32	Somewhat important
9	Not too important
3	Not at all important
3	Not sure
4	No Response

About You

The following questions are for classification purposes only and will be kept entirely confidential.

D1. In the last 12 months, have you accessed the Internet from your home or work, or from some other source such as your local library? (Check all that apply)

<u>%</u>	
52	Yes, from home
18	Yes, from work
8	Yes, from some other source
39	No
4	No Response

D2. Are you male or female?

47% Male 49% Female 3% No Response

D3. What is your age as of your last birthday? _____ (in years)

<u>%</u>	
27	50-59
40	60-74
25	75+
8	No Response

D4. What is your current marital status?

<u>%</u>	
60	Married
22	Widowed
11	Divorced
<1	Separated
3	Never married
3	No Response

D5. Thinking about your state elections for Indiana Governor and Legislators in the last ten years, which of the following best describes your voting behavior?

<u>%</u>	
67	Always vote
19	Sometimes miss one
6	Rarely vote
4	Never vote
1	Not sure
4	No Response

D6. What is the highest level of education that you completed?

<u>%</u>	
6	Less than high school
35	High school graduate or equivalent
32	Some college or technical training beyond high school
10	College graduate (4 years)
13	Post-graduate or professional degree
5	No Response

D7. Which of the following best describes your current employment status?

<u>%</u>	
29	Employed or self-employed <u>full-time</u>
11	Employed or self-employed <u>part-time</u>
51	Retired and not working
5	Other such as homemaker
1	Unemployed and looking for work
3	No Response

D8. Are you of Hispanic, Spanish, or Latino origin or descent?

1% Yes 93% No 2% Not sure 5% No Response

D9. What is your race?

<u>%</u>	
95	White or Caucasian
3	Black or African American
<1	Asian
1	Native American or Alaskan Native
0	Hawaiian or Pacific Islander
<1	Other
2	No Response

D10. What is your 5-digit zip code? (WRITE IN YOUR ZIP CODE.) _ _ _ _ _

D11. What was your annual household income before taxes in 2003?

<u>%</u>	
7	Less than \$10,000
19	\$10,000 to \$19,999
16	\$20,000 to \$29,999
11	\$30,000 to \$39,999
9	\$40,000 to \$49,999
16	\$50,000 to \$74,999
13	\$75,000 or more
9	No Response

Thank you for completing this survey. Please use the postage-paid envelope and return it to State Member Research, AARP, 601 E Street, NW, Washington, DC 20049, by **October 29, 2004**.

AARP
Knowledge Management
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