



Defaulting on the Dream:
States Respond to America's Foreclosure Crisis

North Carolina

AT THE END OF 2007, North Carolina was weathering the national foreclosure storm somewhat better than the average state. North Carolina's foreclosure inventory was 59 percent of the national rate, according to the Mortgage Bankers Association's *National Delinquency Survey*. The state should expect the share of homeowners defaulting on their loans to rise, however, as greater numbers of borrowers who took out subprime loans in 2005 and 2006 head toward foreclosure.



ASSESSMENT: North Carolina has taken a number of positive steps to address its foreclosure challenges. North Carolina's abusive lending laws are more comprehensive than those of other states—placing strict regulations on brokers, requiring lenders to assess a borrower's ability to repay their loans and verify the borrower's income, and banning prepayment penalties. The state also requires that homeowners be notified before foreclosure, but as of the end of 2007, had not taken additional action to protect homeowners in imminent danger of foreclosure.

THE FACTS: The ripple effects of the foreclosure crisis

- **1 in 44** homeowners is projected to experience foreclosure on their home as a result of their high-cost loan
- **23 percent** of all loans made in 2005-2006 were subprime
- **14 percent** of all homeowners will likely feel the ripple effects of foreclosures from subprime loans
- Affected homeowners are expected to lose **\$2,592** on average in property values
- **\$861 million** is projected to be lost from the combined state and local tax base

How severe is the state's challenge?

Four filled houses represent the most severe challenge.



THE RESPONSE: Preserving a piece of the dream

GOALS	ACTIONS	STATUS*
Avoiding foreclosure	State-funded refinance program	<input type="checkbox"/>
	Loan modification	<input type="checkbox"/>
	Preventing rescue scams	<input type="checkbox"/>
	Counseling available	<input checked="" type="checkbox"/>
Using all your tools	Task force	<input type="checkbox"/>
Pre-empting high-cost lending	High-cost lending laws	<input checked="" type="checkbox"/>
	Aligns mortgage broker to consumer interests	<input checked="" type="checkbox"/>

■ = action taken □ = no action taken

How responsive has the state been?

Four filled houses represent the most responsive.



*As of January 31, 2008

THE FORECLOSURE NUMBERS:

The projections above are from the Center for Responsible Lending's subprime spillover research. These estimates focus on foreclosures resulting from subprime loans made to owner-occupants in 2005 and 2006. For a full description of the methodology, please see *Defaulting on the Dream: States Respond to America's Foreclosure Crisis*.



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