



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

California

ONE IN 20 CALIFORNIA HOMEOWNERS is projected to be in foreclosure by the end of 2010, as a result of their subprime loan made in 2005 and 2006—exceeding the U.S. average of one in 33 homeowners. The state's subprime crisis has transformed into a foreclosure crisis. Years of rising home values and new loan products made homeownership a possibility for many individuals. The boom ended abruptly, however, as house prices stagnated and then fell, and once-favorable lending terms reset to include higher interest rates and principal payments, revealing the true costs of the new mortgage loans.



ASSESSMENT: In the face of this crisis, California created a statewide task force to consider possible interventions. Legislators subsequently passed laws instituting both a 30-day notice period and a requirement that lenders discuss loan restructuring options with homeowners before beginning the foreclosure process. In late September 2008, state lawmakers also approved the creation of a refinance program for homeowners in danger of foreclosure. Counseling is also now available through grants from the National Foreclosure Mitigation Counseling program.

**As of December 2008*

THE FACTS: The ripple effects of the foreclosure crisis

- **1 in 20** homeowners is projected to experience foreclosure on their home as a result of their high-cost loan
- **24 percent** of all loans made in 2005-2006 were subprime
- **64 percent** of all homeowners will likely feel the ripple effects of foreclosures from subprime loans
- Affected homeowners are expected to lose **\$14,282** on average in property value
- **\$107 billion** is projected to be lost from the combined state and local tax base

THE RESPONSE: Preserving a piece of the dream

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

■ = action taken □ = no action taken

**As of October 1, 2008*

THE FORECLOSURE NUMBERS:

The projections above are from the Center for Responsible Lending's subprime spillover research, updated in February 2008. 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*, released in April 2008 and available at www.pewcenteronthestates.org.



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