



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

Colorado

COLORADO'S CHALLENGES ARE IMMEDIATE. One in 25 homeowners is likely to fall into foreclosure by the end of 2010 as a result of a high-cost loan—exceeding the national average of one in 33 homeowners. This could lead to a dramatic spillover effect: the subprime foreclosure crisis threatens to affect the property values of half of all Colorado homeowners.



ASSESSMENT: Colorado has responded swiftly to its foreclosure problems, working to lessen the impact both on homeowners currently in crisis and those who may pursue loans in the future. The state has confronted the crisis from a number of policy angles, including laws requiring lenders to assess borrowers' ability to repay and instituting a 60-day notice period before foreclosure for the homeowner to seek assistance.

**As of December 2008*

THE FACTS: The ripple effects of the foreclosure crisis

- **1 in 25** homeowners is projected to experience foreclosure on their home as a result of their high-cost loan
- **22 percent** of all loans made in 2005-2006 were subprime
- **51 percent** of all homeowners will likely feel the ripple effects of foreclosures from subprime loans
- Affected homeowners are expected to lose **\$4,251** on average from property values
- **\$3.2 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 type="checkbox"/>
	Loan modification	<input type="checkbox"/>
	Preventing rescue scams/ Mortgage fraud	<input checked="" 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 checked="" 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.



The Pew Charitable Trusts applies the power of knowledge to solve today's most challenging problems. Our Pew Center on the States identifies and advances effective policy approaches to critical issues facing states.

901 E Street, NW | Washington, DC 20004 | www.pewtrusts.org