



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

# Connecticut

**IN THE EARLIER YEARS OF THIS DECADE,** Connecticut's housing market experienced the same boom as other affluent states in the Northeast. Now, the fiscal crisis and home price stagnation are contributing to payment problems for subprime borrowers. Projections through the end of 2010 show that one in 49 Connecticut homeowners may fall into foreclosure as a result of their high-cost loan. And those foreclosures are likely to affect the property values of more than one third of the state's homeowners, costing them on average more than \$4,600 each.



**ASSESSMENT:** Connecticut has moved to help both current and future homeowners. A state-funded program facilitates refinancing, and additional laws protect borrowers through the foreclosure process. Legislation enacted in 2008 substantially strengthened the state's lending laws, making them among the strongest in the country.

*\*As of December 2008*

### THE FACTS: The ripple effects of the foreclosure crisis

- **1 in 49** 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
- **35 percent** of all homeowners will likely feel the ripple effects of foreclosures from subprime loans
- Affected homeowners are expected to lose **\$4,624** on average from property values
- **\$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	■
	Loan modification	□
	Preventing rescue scams/ Mortgage fraud	□
	Counseling available	■
Using all your tools	Task force	■
Pre-empting high-cost lending	High-cost lending laws	■
	Aligns mortgage broker to consumer interests	■

■ = 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](http://www.pewcenteronthestates.org).



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