



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

District of Columbia

THE DISTRICT OF COLUMBIA FACES A SUBPRIME FORECLOSURE CRISIS, with one in 27 homeowners expected to fall into foreclosure by the end of 2010 as a result of their high-cost loan—exceeding the national average of one in 33 homeowners. This translates into a much larger problem for the District: four fifths of all homeowners—the greatest proportion nationwide—are expected to be negatively affected by those subprime-related foreclosures, with an estimated average loss of almost \$20,000 in home value.



ASSESSMENT: The District's lending laws are quite strong, banning negative amortization and prepayment penalties, and an additional law increasing consumer protection in the lending process became effective in January 2008. Another recent law prohibits foreclosure rescue scams, and the District stepped up its help to distressed homeowners with its Foreclosure Mitigation Kit, directed at residents in danger of foreclosure.

**As of December 2008*

THE FACTS: The ripple effects of the foreclosure crisis

- **1 in 27** homeowners is projected to experience foreclosure on their home as a result of their high-cost loan
- **21 percent** of all loans made in 2005-2006 were subprime
- **82 percent** of all homeowners will likely feel the ripple effects of foreclosures from subprime loans
- Affected homeowners are expected to lose **\$19,158** on average from property values
- **\$4.3 billion** is projected to be lost from the city's 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 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 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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