



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

Kentucky

ONE QUARTER OF ALL KENTUCKY HOMEOWNERS

could feel the ripple effects of the 21,000 homeowners expected to default by the end of 2010 on high-cost loans that originated in 2005 and 2006. Neighbors of foreclosed properties are at risk of losing an average of nearly \$2,000 in home value. More broadly, the crisis could cost the state and its localities almost \$500 million from their tax bases.



ASSESSMENT: Kentucky can expect less severe impacts from the foreclosure crisis than many other states, but it has taken a number of steps to better protect both current and future borrowers. The Kentucky Residential Mortgage Fraud Act, enacted in April 2008, aims to reduce predatory lending and mortgage fraud and increase consumer protection. The state has also created the Kentucky Homeownership Protection Center, a centralized location for information for homeowners in danger of defaulting on their mortgages.

**As of December 2008*

THE FACTS: The ripple effects of the foreclosure crisis

- **1 in 55** homeowners is projected to experience foreclosure on their home as a result of their high-cost loan
- **25 percent** of all loans made in 2005-2006 were subprime
- **26 percent** of all homeowners will likely feel the ripple effects of foreclosures from subprime loans
- Affected homeowners are expected to lose **\$1,993** on average from property values
- **\$498 million** 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 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.



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