



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

# Louisiana

**WHILE HURRICANE KATRINA PARTIALLY CAUSED LOUISIANA'S FORECLOSURE CHALLENGES**, subprime lending has intensified the problem. One in 41 homeowners is projected to foreclose on their home by the end of 2010 as a result of high-cost loans—just slightly better than the U.S. average of one in 33 homeowners. The state's subprime foreclosure challenges are projected to have ripple effects on close to a third of all Louisiana homeowners and cost the state and its localities a collective \$1 billion from the tax base.



**ASSESSMENT:** Louisiana has few protections in place to guard against future high-cost lending, assist vulnerable homeowners or prevent foreclosure rescue scams. The state does require the licensing of mortgage brokers and supervises some of their activities, and in June 2008 enacted a law to begin offering counseling to homeowners in danger of default.

*\*As of December 2008*

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

- **1 in 41** homeowners is projected to experience foreclosure on their home as a result of their high-cost loan
- **31 percent** of all loans made in 2005-2006 were subprime
- **29 percent** of all homeowners will likely feel the ripple effects of foreclosures from subprime loans
- Affected homeowners are expected to lose **\$2,578** on average from property values
- **\$1 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 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 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](http://www.pewcenteronthestates.org).



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