



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

Maryland



ONE IN 26 MARYLAND HOMEOWNERS is likely to experience foreclosure in the coming years—exceeding the U.S. average of one in 33. Maryland's significant foreclosure challenges are related largely to the high proportion of subprime mortgages issued in the state in 2005 and 2006. As initial adjustable-rate mortgages have adjusted upward and housing growth has stalled, increasing numbers of Maryland homeowners are defaulting on their loans. Projections show that by the end of 2010, over 60 percent of the state's homeowners could be negatively affected by subprime foreclosures.

ASSESSMENT: Maryland has acted aggressively to address its foreclosure crisis. In April 2008, Governor Martin O'Malley signed into law some of the country's most sweeping reforms, providing immediate help to homeowners while strengthening the state's oversight of the mortgage industry. The state extended the foreclosure process from 15 to 150 days, criminalized mortgage fraud, banned prepayment penalties and sought to prevent deceptive foreclosure rescue transactions. Lenders are now required to wait 90 days after default before filing the foreclosure action, and must provide notice to the homeowner 45 days before filing. A "right to cure" provision ensures that homeowners are able to stop foreclosure by paying what is owed until the day before the sale.

**As of December 2008*

THE FACTS: The ripple effects of the foreclosure crisis

- **1 in 26** homeowners is projected to experience foreclosure on their home as a result of their high-cost loan
- **29 percent** of all loans made in 2005-2006 were subprime
- **61 percent** of all homeowners will likely feel the ripple effects of foreclosures from subprime loans
- Affected homeowners are expected to lose **\$9,941** on average from property values
- **\$12 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.



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