



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

Minnesota

MINNESOTA'S FORECLOSURE PROBLEMS ARE

GROWING. One in 40 homeowners is likely to foreclose on their home by the end of 2010 as a result of high-cost loans. That's a better rate than the U.S. average of one in 33 homeowners. Still, nearly one quarter of all mortgages issued in Minnesota in 2005 and 2006 were subprime loans, and expected defaults on those loans threaten to drag down the home values of 39 percent of the state's homeowners.



ASSESSMENT: Minnesota has responded to its foreclosure challenges more quickly than some other states with similar subprime foreclosure situations, providing direct financial assistance to homeowners facing default. State officials have sought to address the interests of various stakeholders, including homeowners in danger of foreclosure and future borrowers. High-cost lending laws have been strengthened and are complemented by provisions to align mortgage broker practices with borrowers' interests. The state received a \$4.3 million federal grant to support mortgage counseling, and has expanded its counseling workshops. Steps are underway to revitalize foreclosed properties to mitigate damage to surrounding neighborhoods.

**As of December 2008*

THE FACTS: The ripple effects of the foreclosure crisis

- **1 in 40** 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
- **39 percent** of all homeowners will likely feel the ripple effects of foreclosures from subprime loans
- Affected homeowners are expected to lose **\$4,129** on average from property values
- **\$2.3 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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