



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

# Pennsylvania

**ONE IN 46 HOMEOWNERS IN PENNSYLVANIA** is projected to experience foreclosure by the end of 2010. The frequency with which subprime mortgages were issued in 2005 and 2006 makes it likely that the state's foreclosure rate will increase. Pennsylvania is projected to lose \$6.6 billion from the combined state and local tax base.



**ASSESSMENT:** One of the first states to launch a foreclosure assistance program in the 1980s, Pennsylvania has augmented that program to meet the needs of the current subprime crisis. The program helps qualifying Pennsylvania residents entering the foreclosure process with payment assistance and requires borrowers to meet with housing counselors. The state also has two refinance programs, including one that offers 100 percent financing for homeowners who can no longer afford their loan; however, unlike a typical refinance program, the Housing Finance Agency purchases the loan from the lender and modifies it so the borrower can afford the payments. In July 2008, a law was put in place requiring lenders to provide notice to delinquent mortgage-holders, and provides a 30-day reprieve for homeowners to seek assistance and meet with lenders in person to resolve the delinquency. A combined state-federal task force is examining the greater Pittsburg region's foreclosure crisis, but had not extended services to the rest of the state as of July 2008.

*\*As of December 2008*

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

- **1 in 46** 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 **\$3,907** on average in property values
- **\$6.6 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](http://www.pewcenteronthestates.org).



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