



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

Rhode Island



RHODE ISLAND IS A SMALL STATE WITH A BIG PROBLEM—one in 31 homeowners is projected to face foreclosure by the end of 2010, exceeding the U.S. average of one in 33 homeowners. Rhode Island is among the states with the highest projected rates of foreclosure due to subprime loans. Compounding that problem, more than half of the state's homeowners could lose more than \$7,000 on average in property values because of neighboring foreclosures.

ASSESSMENT: Rhode Island has taken promising steps to meet its foreclosure challenges. In 2006, Rhode Island enacted the Madeline Walker Act, a comprehensive law aimed at helping homeowners in danger of foreclosure. Among other provisions, the law requires lenders to notify homeowners if they are in danger of foreclosure. The state has implemented an act to prevent rescue fraud and offers counseling to homeowners in danger of default. State legislators also passed a law requiring counseling for homeowners who wish to take out a reverse mortgage. This law is aimed at protecting the state's elderly population, in particular, from predatory lenders.

**As of December 2008*

THE FACTS: The ripple effects of the foreclosure crisis

- **1 in 31** homeowners is projected to experience foreclosure on their home as a result of their high-cost loan
- **28 percent** of all loans made in 2005-2006 were subprime
- **56 percent** of all homeowners will likely feel the ripple effects of foreclosures from subprime loans
- Affected homeowners are expected to lose **\$7,008** on average in property values
- **\$1.7 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 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 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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