



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

Tennessee



IN TENNESSEE, ABOUT ONE THIRD OF ALL LOANS made in 2005 and 2006 were subprime mortgages. One in 36 Tennessee homeowners is projected to face foreclosure by the end of 2010 because of subprime loans—only slightly better than the national average of one in 33 homeowners. Foreclosures stemming from high-cost loans will likely negatively affect one quarter of the state's homeowners—and could cause the state and local tax base to lose nearly \$1 billion.

ASSESSMENT: Tennessee has taken some action in the face of its foreclosure problems, including an April 2008 requirement that mortgage lenders attend training. The state enacted some consumer protection measures with the 2006 Home Loan Protection Act, which regulates high-cost loans, and the federal government recently provided the Tennessee Housing Development Agency with a \$1.3 million grant to fund foreclosure prevention. The state lags behind other states, however, in doing more to protect distressed homeowners, such as creating a refinance or loan modification program.

**As of December 2008*

THE FACTS: The ripple effects of the foreclosure crisis

- **1 in 36** homeowners is projected to experience foreclosure on their home as a result of their high-cost loan
- **32 percent** of all loans made in 2005-2006 were subprime
- **25 percent** of all homeowners will likely feel the ripple effects of foreclosures from subprime loans
- Affected homeowners are expected to lose **\$2,190** on average in property values
- **\$967 million** 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 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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