



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

Texas

ONE IN 35 TEXAS HOMEOWNERS will likely experience foreclosure by the end of 2010. This is largely due to the substantial proportion of subprime mortgages issued in Texas in 2005 and 2006—34 percent of all loans—which was second only to Mississippi. The cumulative loss of property value resulting from projected foreclosures may reach nearly \$5 billion statewide.



ASSESSMENT: In 2002, Texas lawmakers passed the High-Cost Home Loan Law, regulating high-cost loans and advocating consumer counseling. The state's Department of Housing and Community Affairs recently launched a Foreclosure Prevention Training program offered to housing, social service, counseling and local government agencies in partnership with NeighborWorks America, a nonprofit that seeks to create affordable housing opportunities and provides other assistance. Criminal penalties have been put in place to prevent mortgage fraud, and a task force is taking a comprehensive look at how the state can stem the tide of foreclosures.

**As of December 2008*

THE FACTS: The ripple effects of the foreclosure crisis

- **1 in 35** homeowners is projected to experience foreclosure on their home as a result of their high-cost loan
- **34 percent** of all loans made in 2005-2006 were subprime
- **33 percent** of all homeowners will likely feel the ripple effects of foreclosures from subprime loans
- Affected homeowners are expected to lose **\$2,156** on average in property values
- **\$4.9 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 type="checkbox"/> |
| Using all your tools | Task force | <input checked="" 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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