



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

Alabama

ALABAMA'S FORECLOSURE CHALLENGE, in which 23,013 homeowners were in the foreclosure process or more than 90 days delinquent on their loans at the end of 2007, according to data from the Mortgage Bankers Association, is in danger of worsening due to the high proportion of subprime loans made in the state in 2005 and 2006. Although Alabama is faring somewhat better than neighboring states Georgia and Mississippi, nearly one in six homeowners is projected to have their property values negatively affected by neighboring foreclosures from subprime mortgages.



ASSESSMENT: Alabama is one of just nine states that had not moved to address its foreclosure problem, whether through legislation, regulation or other consumer outreach and protection activities, by the end of 2007. Its current predatory lending law was passed prior to 1998 and lacks high-cost loan protections. A mortgage fraud bill has been proposed, but policy makers should take further actions to prevent future problems related to high-cost loans.

THE FACTS: The ripple effects of the foreclosure crisis

- **1 in 60** homeowners is projected to experience foreclosure on their home as a result of their high-cost loan
- **30 percent** of all loans made in 2005-2006 were subprime
- **16 percent** of all homeowners will likely feel the ripple effects of foreclosures from subprime loans
- Affected homeowners are expected to lose **\$1,940** on average in property values
- **\$406 million** is projected to be lost from the combined state and local tax base

How severe is the state's challenge?
Four filled houses represent the most severe challenge.



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	<input type="checkbox"/>
	Counseling available	<input type="checkbox"/>
Using all your tools	Task force	<input type="checkbox"/>
Pre-empting high-cost lending	High-cost lending laws	<input type="checkbox"/>
	Aligns mortgage broker to consumer interests	<input type="checkbox"/>

■ = action taken □ = no action taken

How responsive has the state been?
Four filled houses represent the most responsive.



*As of January 31, 2008

THE FORECLOSURE NUMBERS:

The projections above are from the Center for Responsible Lending's subprime spillover research. 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*.



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