



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

Arizona

ONE IN 18 HOMEOWNERS IN ARIZONA is estimated to be in foreclosure, primarily in the next two years, as a result of their subprime-related loan. Years of easily accessible credit and relatively low home prices that facilitated homeownership in the state have ended, leaving in their wake stricter lending terms and stagnating home appreciation. Arizona is one of about a dozen states with a higher estimated foreclosure rate than the U.S. average of one in 33 homeowners. It must cope with a subprime foreclosure crisis that threatens to have ripple effects on nearly two thirds of neighboring Arizona homeowners' property values.



ASSESSMENT: Arizona was one of the first states to establish a consumer hotline, and more recently formed a foreclosure task force and negotiated loan modification terms with lenders on behalf of homeowners. However, the state lacks a predatory mortgage lending law to prevent future problems. The governor has introduced legislation designed to expand oversight of the mortgage industry. In December 2007, the governor met with the state's major lenders to discuss voluntary loan modifications and to encourage outreach to distressed borrowers prior to their loans resetting. While the lenders and governor agreed to concepts, no firm agreement on loan modifications was achieved.

THE FACTS: The ripple effects of the foreclosure crisis

- **1 in 18** 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
- **63 percent** of all homeowners will likely feel the ripple effects of foreclosures from subprime loans
- Affected homeowners are expected to lose **\$7,231** on average from property values
- **\$8.7 billion** 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 checked="" type="checkbox"/>
Using all your tools	Task force	<input checked="" 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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