



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

Colorado

COLORADO'S CHALLENGES ARE IMMEDIATE. One in 25 homeowners is likely to fall into foreclosure, primarily in the next two years, as a result of a high-cost loan—exceeding the national average of one in 33 homeowners. This could lead to a dramatic spillover effect: the subprime foreclosure crisis threatens to affect the property values of half of all Colorado homeowners.



ASSESSMENT: Colorado has responded swiftly to its foreclosure problems, working to lessen the impact both on homeowners currently in crisis and those who may pursue subprime loans in the future. A homeowner hotline appears to be succeeding, with at least 14,400 of the more than 18,000 homeowners who called and received counseling able to avoid foreclosure. The state has confronted the crisis from a number of policy angles, including laws requiring lenders to assess borrowers' ability to repay loans after the expiration of introductory rates and requiring mortgage brokers to align their practices with borrowers' interests.

THE FACTS: The ripple effects of the foreclosure crisis

- **1 in 25** homeowners is projected to experience foreclosure on their home as a result of their high-cost loan
- **22 percent** of all loans made in 2005-2006 were subprime
- **51 percent** of all homeowners will likely feel the ripple effects of foreclosures from subprime loans
- Affected homeowners are expected to lose **\$4,251** on average from property values
- **\$3.2 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 checked="" 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 checked="" type="checkbox"/> |
| | Aligns mortgage broker to consumer interests | <input checked="" 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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1025 F Street NW | Washington, DC 20004 | www.pewtrusts.org