



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

# Connecticut



**ASSESSMENT:** Connecticut is weathering the national foreclosure crisis better than Rhode Island and New York, its neighbors to the east and west. Nonetheless, officials have moved to help homeowners in foreclosure by announcing a state-funded program to facilitate refinancing, and in the recent legislative session passed additional laws designed to protect borrowers throughout the foreclosure process. The state has introduced legislation in 2008 that, if enacted, could strengthen its high-cost lending laws.

## IN THE EARLIER YEARS OF THIS DECADE,

Connecticut's housing market experienced the same boom as other affluent states in the Northeast. Now, the current credit crunch and home price stagnation is contributing to payment problems for subprime borrowers. Projections show that one in 49 of Connecticut homeowners may fall into foreclosure, primarily in the next two years, as a result of their high-cost loan, and those foreclosures are likely to affect the property values of more than one third of the state's homeowners, costing them on average more than \$4,600 each.

### THE FACTS: The ripple effects of the foreclosure crisis

- **1 in 49** homeowners is projected to experience foreclosure on their home as a result of their high-cost loan
- **23 percent** of all loans made in 2005-2006 were subprime
- **35 percent** of all homeowners will likely feel the ripple effects of foreclosures from subprime loans
- Affected homeowners are expected to lose **\$4,624** on average from property values
- **\$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	■
	Loan modification	□
	Preventing rescue scams	□
	Counseling available	■
Using all your tools	Task force	■
Pre-empting high-cost lending	High-cost lending laws	■
	Aligns mortgage broker to consumer interests	□

■ = 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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