



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

District of Columbia

THE DISTRICT OF COLUMBIA FACES A SUBPRIME FORECLOSURE CRISIS, with one in 27 homeowners expected to fall into foreclosure, primarily in the next two years, as a result of their high-cost loan—exceeding the national average of one in 33 homeowners. This translates into a much larger problem for the District: four fifths of all homeowners—the greatest proportion nationwide—are expected to be negatively affected by those subprime-related foreclosures, accounting for an estimated average loss of almost \$20,000 in home value.



ASSESSMENT: The District's lending laws are quite strong, banning negative amortization and prepayment penalties, and a new law increasing consumer protection in the lending process was referred for Congressional approval at the end of 2007. However, the District has not taken the actions necessary to stem the tide of foreclosures, or to help homeowners affected by their neighbors' defaults.

THE FACTS: The ripple effects of the foreclosure crisis

- **1 in 27** homeowners is projected to experience foreclosure on their home as a result of their high-cost loan
- **21 percent** of all loans made in 2005-2006 were subprime
- **82 percent** of all homeowners will likely feel the ripple effects of foreclosures from subprime loans
- Affected homeowners are expected to lose **\$19,158** on average from property values
- **\$4.3 billion** is projected to be lost from the city's 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 checked="" 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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