



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

Illinois

ONE IN 38 ILLINOIS HOMEOWNERS is likely to experience foreclosure, primarily in the next two years, as a result of high-cost loans—just slightly better than the U.S. average of one in 33 homeowners. The state's subprime foreclosure crisis threatens to affect the property values of over 60 percent of Illinois' homeowners—a higher proportion of spillover effect than in all but five states. Illinois already faces a challenging foreclosure environment, with more than 69,000 of the state's 3.3 million homeowners in foreclosure or more than 90 days late on their mortgages at the end of 2007, according to data from the Mortgage Bankers Association—but more problems loom in the very near future.



ASSESSMENT: Illinois policy makers began moving forward years ago on a consumer protection agenda that has now developed into one of the nation's strongest responses to the subprime foreclosure crisis. Its 2003 high-cost lending law is comprehensive and stronger than the comparable federal statute; among other features, it protects borrowers against flipping, negative amortization and prepayment penalties. More recently, lawmakers approved a law to protect homeowners against foreclosure rescue scams, and the state launched a new effort to guard against predatory lending. In February 2008, the state created the Illinois Homeowner Assistance Initiative and added four new lenders as partners, bringing the amount of refinancing funds available to \$310 million. Its legislative efforts are complemented by consumer counseling and a state foreclosure task force.

THE FACTS: The ripple effects of the foreclosure crisis

- **1 in 38** homeowners is projected to experience foreclosure on their home as a result of their high-cost loan
- **29 percent** of all loans made in 2005-2006 were subprime
- **61 percent** of all homeowners will likely feel the ripple effects of foreclosures from subprime loans
- Affected homeowners are expected to lose **\$10,760** on average from property values
- **\$27.3 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 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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