



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

Iowa

IOWA'S FORECLOSURE PROBLEM IS LESS SEVERE than that of many other states, but it warrants attention and action nonetheless as the spreading of this national epidemic has proven that no state is immune. Almost one quarter of mortgages issued in Iowa in 2005 and 2006 were high-cost loans, and subprime borrowers in the state have begun to default on their loans as their adjustable-rate mortgages have reset higher. Projections show that nearly 30 percent of all Iowa homeowner will feel the ripple effects of foreclosures on neighboring homes—with an average property value loss of about \$1,900.



ASSESSMENT: Iowa is fortunate to have a strong predatory lending law on the books to help provide some protections for future borrowers by covering a wide range of loans and banning prepayment penalties. The state needs to be more proactive, however, in tackling its current foreclosure challenges and those that are heading its way. It offers a counseling hotline, but has not taken additional steps to aid homeowners facing foreclosure or the quarter of all homeowners in the state whose home values could be compromised by the spillover effects of subprime-related foreclosures.

THE FACTS: The ripple effects of the foreclosure crisis

- **1 in 79** 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
- **28 percent** of all homeowners will likely feel the ripple effects of foreclosures from subprime loans
- Affected homeowners are expected to lose **\$1,930** on average from property values
- **\$344 million** 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 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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