



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

Kentucky

ONE QUARTER OF ALL KENTUCKY HOMEOWNERS

are projected to be affected by the ripple effects of the 21,000 homeowners expected to default, primarily in the next two years, on their high-cost loans that originated in 2005 and 2006. Neighbors of foreclosed properties are at risk of losing an average of nearly \$2,000 in home value. More broadly, the crisis could cost the state and its localities almost \$500 million from their tax bases.



ASSESSMENT: Kentucky has taken some steps to address its foreclosure problems. It has strengthened its high-cost lending laws and established consumer counseling options, but a bill to stem mortgage fraud failed in the recent legislative session. Although the state can expect less severe impacts from the foreclosure crisis than many other states, it should continue to search for actions that could help its residents currently experiencing foreclosure.

THE FACTS: The ripple effects of the foreclosure crisis

- **1 in 55** homeowners is projected to experience foreclosure on their home as a result of their high-cost loan
- **25 percent** of all loans made in 2005-2006 were subprime
- **26 percent** of all homeowners will likely feel the ripple effects of foreclosures from subprime loans
- Affected homeowners are expected to lose **\$1,993** on average from property values
- **\$498 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 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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