



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

# Louisiana

**WHILE HURRICANE KATRINA PARTIALLY CAUSED LOUISIANA'S FORECLOSURE CHALLENGES**, subprime lending has intensified the problem. One in 41 homeowners is projected to foreclose on their home, 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 challenges are projected to have ripple effects on close to a third of all Louisiana homeowners and cost the state and its localities a collective \$1 billion in the tax base.



**ASSESSMENT:** Louisiana has few protections in place to guard against future high-cost lending, assist distressed homeowners or prevent foreclosure rescue scams. While the state requires licensing of mortgage brokers and supervises some of their activities, it is one of just nine states nationwide that, by the end of 2007, had not adopted any regulation or legislation to actively address the concerns of homeowners at risk of foreclosure.

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

- **1 in 41** homeowners is projected to experience foreclosure on their home as a result of their high-cost loan
- **31 percent** of all loans made in 2005-2006 were subprime
- **29 percent** of all homeowners will likely feel the ripple effects of foreclosures from subprime loans
- Affected homeowners are expected to lose **\$2,578** on average from property values
- **\$1 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 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 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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