



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

# Massachusetts

**ONE IN 48 MASSACHUSETTS HOMEOWNERS** is likely to experience foreclosure, primarily in the next two years, as a result of high-cost loans made in 2005 and 2006. That is a better rate than the U.S. average of one in 33 homeowners. Still, Massachusetts' projected foreclosures are likely to worsen the situation for the state, which is already dealing with the challenges of the 26,787 Massachusetts homeowners who were in the foreclosure process or more than 90 days past due on their loans at the end of 2007, according to data from the Mortgage Bankers Association.



**ASSESSMENT:** Massachusetts faces considerable challenges, but has put policies in place in an effort to mitigate the negative impacts of the subprime-driven foreclosure crisis. The state pledged \$250 million for a loan fund to help homeowners refinance unmanageable loans, and will soon provide borrowers in default on their mortgage payments 90 days to work with their mortgage servicers to try to avoid foreclosure. In addition, the state recently made \$2 million in grants available for foreclosure education, prevention and counseling initiatives. Massachusetts recently took steps to expand coverage under its high-cost lending law and has enacted measures to better align mortgage brokers' practices with consumer interests, including verification of the borrower's ability to repay the loan.

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

- **1 in 48** homeowners is projected to experience foreclosure on their home as a result of their high-cost loan
- **20 percent** of all loans made in 2005-2006 were subprime
- **39 percent** of all homeowners will likely feel the ripple effects of foreclosures from subprime loans
- Affected homeowners are expected to lose **\$7,885** on average from property values
- **\$8 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	■
	Loan modification	□
	Preventing rescue scams	□
	Counseling available	■
Using all your tools	Task force	■
Pre-empting high-cost lending	High-cost lending laws	■
	Aligns mortgage broker to consumer interests	■

■ = 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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