



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

Maryland



ONE IN 26 MARYLAND HOMEOWNERS is likely to experience foreclosure in the coming years—exceeding the U.S. average of one in 33. Maryland's significant foreclosure challenges are related largely to the high proportion of subprime mortgages issued in the state in 2005 and 2006. As initial adjustable-rate mortgages have adjusted upward and housing growth has stalled, increasing numbers of Maryland homeowners are defaulting on their loans. Projections show that in the next two years, over 60 percent of the state's homeowners could be negatively affected by subprime foreclosures.

ASSESSMENT: Maryland has acted aggressively to address its foreclosure crisis. Maryland has proposed amending its high-cost lending statutes by strengthening underwriting requirements, requiring consumer counseling before obtaining a subprime loan and banning prepayment penalties. In April, Governor Martin O'Malley signed into law some of the country's most sweeping reforms, providing immediate help to homeowners while strengthening the state's oversight of the mortgage industry. The state extended the foreclosure process from 15 to 150 days, criminalized mortgage fraud, banned prepayment penalties and sought to prevent deceptive foreclosure rescue transactions.

THE FACTS: The ripple effects of the foreclosure crisis

- **1 in 26** 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 **\$9,941** on average from property values
- **\$12 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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