



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

# Michigan

**ONE IN 36 MICHIGAN HOMEOWNERS** is likely to end up in foreclosure as a result of subprime loans made in 2005 and 2006, only slightly better than the U.S. average of one in 33 homeowners. Nearly one third of all mortgages issued in Michigan in 2005 and 2006 were high-cost loans; the expected foreclosures as a result of those loans could devalue 43 percent of the state's homes. These projected foreclosures and their ripple effects will likely add to the challenges Michigan already faces—it began suffering through a depressed economy long before a recession became a national fear. Battered by the loss of 400,000 manufacturing jobs, the state now faces a growing foreclosure challenge.



**ASSESSMENT:** Michigan should be commended for taking action against increasing foreclosures while also working to solve more structural economic issues. The state's predatory lending law bans prepayment penalties, and in April, Governor Jennifer Granholm signed into law "Save the Dream" legislation aimed at helping homeowners obtain more affordable loans or refinance their adjustable-rate mortgages with the help of the Michigan Housing Development Authority. Governor Granholm also signed legislation designed to prevent mortgage fraud.

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

- **1 in 36** homeowners is projected to experience foreclosure on their home as a result of their high-cost loan
- **30 percent** of all loans made in 2005-2006 were subprime
- **43 percent** of all homeowners will likely feel the ripple effects of foreclosures from subprime loans
- Affected homeowners are expected to lose **\$2,685** on average from property values
- **\$3.8 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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