



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

# Pennsylvania

**MORE THAN 52,000 HOMEOWNERS** in Pennsylvania were in the foreclosure process or more than 90 days delinquent at the end of 2007, according to the Mortgage Bankers Association's *National Delinquency Survey*. That figure accounts for 3 percent of foreclosures nationwide and places the Keystone State among the 10 states with the greatest number of foreclosures. The frequency with which subprime mortgages were issued in 2005 and 2006 makes it likely that the state's foreclosure rate will increase in the next two years. In fact, one in 46 Pennsylvania homeowners is estimated to face foreclosure, largely over the next couple of years.



**ASSESSMENT:** Pennsylvania is working to align its actions with its problems. In the 1980s, Pennsylvania was one of the first states to launch a foreclosure assistance program, the Homeowners' Emergency Mortgage Assistance Program (HEMAP). Although it was originally intended to help homeowners who were in danger of foreclosure from circumstances like illness, job loss or family crisis, HEMAP now helps qualifying Pennsylvania residents entering the foreclosure process with payment assistance and requires borrowers to meet with housing counselors. The state also has two refinance programs—Refinance to an Affordable Loan (REAL) and the Homeowners' Equity Recovery Opportunity Program (HERO). HERO is unique in that it offers 100 percent financing for homeowners who can no longer afford their loan; however, unlike a typical refinance program the Housing Finance Agency purchases the loan from the lender and modifies it so the borrower can afford the payments.

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

- **1 in 46** homeowners is projected to experience foreclosure on their home as a result of their high-cost loan
- **23 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 **\$3,907** on average in property values
- **\$6.6 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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