



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

# Tennessee

## IN TENNESSEE, ABOUT ONE THIRD OF ALL LOANS

made in 2005 and 2006 were subprime mortgages. One in 36 Tennessee homeowners is projected to face foreclosure, primarily over the next two years, because of subprime loans—only slightly better than the national average of one in 33 homeowners. Foreclosures related to high-cost loans will likely negatively affect one quarter of the state's homeowners—and could cause the state and local tax base to lose nearly \$1 billion.



**ASSESSMENT:** Tennessee is taking some action in the face of its foreclosure problems. The state enacted some consumer protection measures with the 2006 Home Loan Protection Act, which regulates high-cost loans, and the federal government recently provided the Tennessee Housing Development Agency with a \$1.3 million grant to fund foreclosure prevention. The state lags behind other states, however, in doing more to protect distressed homeowners.

### 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
- **32 percent** of all loans made in 2005-2006 were subprime
- **25 percent** of all homeowners will likely feel the ripple effects of foreclosures from subprime loans
- Affected homeowners are expected to lose **\$2,190** on average in property values
- **\$967 million** 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 checked="" 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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