



# The Impact of Court-Supervised Modifications on Subprime Foreclosures UNITED STATES

Title IV of the Foreclosure Prevention Act (S.2636) would support court-supervised modifications of subprime and nontraditional loans that meet strict criteria, in order to provide families with one last chance to save their homes before foreclosure. The families, investors and wider communities would benefit from such a mortgage change when compared to the other alternative, which is foreclosure. Below are estimates of the scope of the problem and the positive impact of this solution.

## Projected Foreclosure Impact in the United States

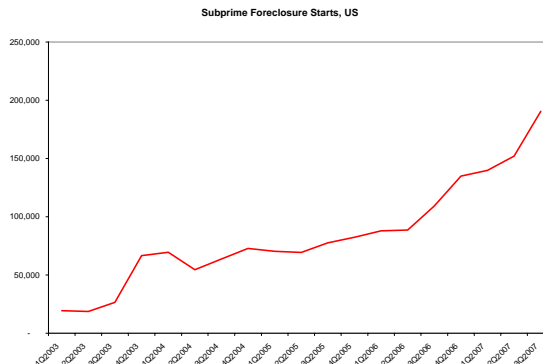
Foreclosures expected to occur (primarily 2008-2009)	2,258,457 homes lost
Spillover impact:	
Surrounding homes suffering price declines caused by nearby foreclosures	40,621,895 homes
Decrease in home values/tax base	\$356 billion
Average decrease in home value per unit affected	\$8,771

## Expected benefit of court-supervised modifications for US families

Reduced foreclosures	564,614 fewer homes lost
Savings in home values/tax base	\$89 billion saved

## Need to act now because the problem is worsening

US Subprime Foreclosure Starts (2003-2007)



**Note:** Original CRL projections of subprime foreclosures and spillover impact updated to reflect newer estimates of subprime defaults as reported by Merrill Lynch (The Market Economist, December 14, 2007) and Moody's Economy.com (<http://judiciary.house.gov/media/pdfs/Zandi080129.pdf>). Additionally, foreclosure estimates calculated using outstanding subprime loans reported by the MBA in its 3Q 2007 National Delinquency Survey; latter is also the source for the subprime foreclosure starts. Spillover results do not include areas outside of metropolitan statistical areas. CRL reports on subprime foreclosures and spillover impact available at <http://www.responsiblelending.org/issues/mortgage/research/page.jsp?itemID=31217189> and <http://www.responsiblelending.org/issues/mortgage/research/subprime-spillover.html/>