

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

For most Americans, their homes are their greatest asset. (And for the states, industries dependent on housing are cornerstones for economic growth and fiscal stability.) Pew Charitable Trust's research found that states play a critical role—and today, a growing number of state policymakers are following

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through with three important actions: helping borrowers facing imminent risk of foreclosure to stay in their homes; preventing high-risk, high-cost mortgage loans from being made; and taking a comprehensive approach by

convening stakeholders to develop solutions.

The research reviews and analyzes two principal data sets, one from the Mortgage Bankers Association's (MBA) 4Q 2007 *National Delinquency Survey* and another from the Center for Responsible Lending's (CRL) foreclosure projections and subprime spillover estimates. — *Excerpt from the report.*

http://www.chicagofed.org/cedric/2007_res_con_papers/car_44_bostic_state_laws_enforcement_mechanisms_1_31_07.pdf

Restoring Prosperity: The State Role in Revitalizing America's Older Industrial Cities

This report provides a framework for restoring prosperity in America's struggling cities, particularly those in the Northeast and Midwest. Targeted at state and local governments, and business and civic leaders, *Restoring Prosperity: The State Role in Revitalizing America's Older Industrial Cities* describes the challenges facing these communities, the unprecedented opportunity that exists to leverage their many assets and a policy agenda to advance their renewal.

The report underscores three central messages:

- Given their assets, the moment is ripe for the revival of older industrial urban economies. Older industrial cities possess a unique set of characteristics and resources that, if fully leveraged, could be converted into vital competitive assets.
- States play an essential role in the revitalization of older industrial cities, but they need a new urban agenda for change. The revitalization of older industrial cities necessarily starts with local leaders, who must develop and articulate their own vision for success and the means by which to realize it.
- The overall benefits of city revitalization—for families, for suburbs, for the environment, and ultimately for states—are potentially enormous. Not only do states have the power to positively affect urban economies, but they also have a strong rationale to do so. — *Excerpt from the report.*

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http://www3.brookings.edu/metro/pubs/20070520_oic.pdf

State and Local Anti-Predatory Lending Laws: The Effect of Legal Enforcement Mechanisms

Subprime mortgage lending has grown rapidly in recent years and with it, so have concerns about predatory lending. The variety of approaches by individual states to regulate lending—in terms of the loans they cover, the restrictions they impose and the enforcement mechanisms they establish—creates a testing ground for the influence each approach has on the flow and cost of credit.

Prior studies on the impact of these laws have yielded mixed results; however, because of shortcomings in these studies, the accuracy of their findings and the generalizations that can be drawn from them are in question. This paper addresses some of the weaknesses in earlier studies, producing sharper results for a fuller understanding of this increasingly important issue. In particular, this study considers a broader

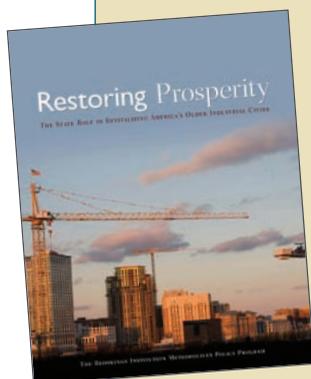
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set of statutes than seen in prior research, which allows for a more comprehensive and more accurate characterization of the legal envi-

ronment. Moreover, it takes into account enforcement mechanisms of anti-predatory lending laws not previously examined in detail, and thus broadens the understanding of the effects of government enforcement, private rights of action and assignee liability provisions. — *Excerpt from the report.*

http://www.chicagofed.org/cedric/2007_res_con_papers/car_44_bostic_state_laws_enforcement_mechanisms_1_31_07.pdf



Assessing Asset Data on Low-Income Households: Current Availability and Options for Improvement

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The lack of quality data has been a long-standing concern among researchers who study assets. The availability of data on assets stimulated research and increased interest in these policies as an anti-poverty strategy. Researchers started to examine the distribution of assets, test theoretical models and hypotheses, and develop new concepts and theories on assets.

Based on the evaluation, this report identifies three data sets as having the greatest potential for future asset research—the Survey of Consumer Finances, the Survey of Income and Program Participation and the Panel Study of Income Dynamics. Each of these data sets provides important information about 46 asset holdings and liabilities, and the report details each data set’s structure, strengths and limitations. — *Excerpt from the report.*

http://www.urban.org/UploadedPDF/411559_low_income_households.pdf

Foreclosure Intervention: Innovative Partnerships and Strategies to Better Serve Borrowers in Default

To provide an overview of best practices around foreclosure intervention, interviews were conducted with lenders and loan servicers actively engaged in efforts to support foreclosure intervention services and partnerships with independent third-party counseling agencies. Most agree that in order to better serve homeowners experiencing mortgage delinquency, an increased effort should be made not only to reach those borrowers, but also to provide them with access to quality information and counseling services, including appropriate work-out solutions delivered consistently and thoughtfully.

This industry has grown rapidly and has experienced substantial innovation in the last several years. Servicers and nonprofit service providers who want to reduce foreclosure rates understand the importance of building relationships with

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them with access to quality information and counseling

each other in order to serve their customer—the homeowner. Most strategies are the result of efforts that require partnerships. — *Excerpt from the report.*

http://www.nw.org/network/pubs/studies/documents/Foreclosure_Intervention.pdf

Immigrant Integration in Low-Income Urban Neighborhoods: Improving Economic Prospects and Strengthening Connections for Vulnerable Families

Many families in low-income urban neighborhoods face substantial hardship, financial insecurity and serious challenges to economic advancement. This is particularly true of low-income immigrant families, where connections to

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opportunities and formal services are often tenuous. The author explores the comparative economic integration and financial well-being of immigrant

groups in 10 vulnerable urban communities, with an eye toward improving their economic prospects and strengthening their connections to services and supports. — *Excerpt from the report.*

http://www.urban.org/UploadedPDF/411574_immigrant_integration.pdf



Consumer and Mortgage Credit at a Crossroad: Preserving Expanded Access while Informing Choices and Protecting Consumers

Consumer credit plays a vital role in fueling economic growth and creating opportunities to invest in tangible assets and human capital. Although it potentially can bring many benefits, it also could create serious problems.

This paper explores trends in the use of debt by U.S. consumers and the reasons for these trends, as well as their possible implications. It then traces the evolution of the risk-based pricing and unbundled, capital-market-funded, credit systems. It also examines the special challenges, risks and opportunities that the relatively new and rapidly evolving risk-based pricing system poses for consumers, credit providers, financial intermediaries, regulators and community groups. Lastly, it examines how these constituencies can respond to the challenges and opportunities, and the difficulties they face in doing so. — *Excerpt from the report.*

http://www.jchs.harvard.edu/publications/finance/understanding_consumer_credit/papers/ucc08-1_belsky_essene.pdf

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Payday Lending

For many people, payday lending is considered a necessary service that helps them to obtain cash immediately to meet personal financial needs. Some, however, argue that the fees associated with cash advances are an unaffordable way to keep low-income individuals in a cycle of debt. This article looks at the emergence of payday lending in the United States and the effects of such transactions on customers, as well the costs and benefits of the short-term loan product.

Stegman analyzes the suggested remedies for payday lending and the impact of various regulatory efforts. As a result of new regulatory reforms, payday lending companies are adjusting their business model whether it is the expansion of internet products or the trend toward becoming credit-service organizations, which allow payday lenders to serve as loan brokers while not being subject to federal or state banking regulations. Although demand for payday loans remains robust, few mainstream banks and thrifts have created competing products. The author raises questions about fee-based businesses and banking, and their effects on both financial institutions and consumers. In addition, the author addresses the policy proposals in light of the phenomenal growth of the payday industry and America's wide use of credit. — *Excerpt from the report.*

http://www.community-wealth.org/_pdfs/articles-publications/cdfis/article-stegman.pdf

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Banking on Wealth: America's New Retail Banking Infrastructure and its Wealth-Building Potential

The \$100 billion nonbank, financial services industry, that includes check cashers, payday lenders and pawnshops, points to the high demand for basic financial services among low- and moderate-income customers. Alternative products sold by banks could meet those consumer needs while also creating an opportunity for households to convert their current spending on high-cost services into savings and even wealth. To explore that potential, this study conducts a comprehensive review of the location of all basic retail financial services firms to determine their accessibility to low- and moderate-income consumers. The study generates new projections on the potential savings incurred by several scenarios of hypothetical unbanked workers if efforts were made to transfer their high-cost fees into savings or investment vehicles. — *Excerpt from the report.*

<http://knowledgeplex.org/showdoc.html?id=1394871>

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The Legal Infrastructure of Subprime and Nontraditional Loans

This study provides a critical analysis of the legal landscape of residential mortgage lending and explains how federal law abdicated regulation of the subprime market. In addition, the study suggests that the subprime situation was the direct result of not policing the market, resulting in skyrocketing foreclosures, falling homeownership rates, lost municipal tax revenues, vacant buildings and distress to the economy as a whole. The persistent nature of these problems strongly suggests that proper re-regulation of mortgage loans is necessary to stabilize the economy and make homeownership sustainable. — *Excerpt from the report.*

http://www.jchs.harvard.edu/publications/finance/understanding_consumer_credit/papers/ucc08-5_mccoy_renuart.pdf

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