

### **Irv Ackelsberg of Community Legal Services in Philadelphia reports...**

On March 16, 2005, the Pennsylvania Department of Banking released its long-awaited report on foreclosures in the commonwealth. It came as no great surprise to those of defending foreclosures that the report targets the rise in irresponsible subprime lending as the primary cause for the explosion in foreclosure numbers. Pennsylvania is currently showing the fourth highest percentage of subprime loans in foreclosure among all states.

The research underlying the report was performed over the past year by a team headed by Dr. Ira Goldstein from The Reinvestment Fund (TRF) in Philadelphia. Among the team's most notable findings:

- In 2002, 9.9 percent of all loans originated in Pennsylvania were made by subprime lenders, yet 60-75 percent of all sampled loans in foreclosure were subprime loans.
- If traditional factors, such as economic downturns and individual crises, alone were driving the subprime foreclosure rate, the foreclosure rate would be 3 percentage points lower.
- Of all subprime mortgages originated in Philadelphia County during 1998, more than 40 percent were in foreclosure between 2000 and 2003; for Montgomery County the figure was 20 percent.
- Abusive lending practices are thriving, and Pennsylvania law is not working to protect homeowners.

The TRF study includes a close look at foreclosures in 14 counties. The Banking Department supplemented the TRF study with an extensive set of proposals for addressing deficiencies in the state regulatory environment. Both the TRF study and the Banking Department report can be downloaded from the Banking Department's Web site at [www.banking.state.pa.us](http://www.banking.state.pa.us).