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Georgia Foreclosure Crisis Part One: The Rippling Effects of Reckless Lending

ATLANTA – Georgia Watch released today part one of a two part report on the foreclosure crisis currently satiating the state’s housing market and straining its overall economy. Called *Georgia Foreclosure Crisis Part One: The Rippling Effects of Reckless Lending*, the report examines reasons for the state’s ranking as seventh in the nation for foreclosures and projections indicating this crisis is far from over.

Georgia Foreclosure Crisis Part One identifies irresponsible lending as a main impetus for the housing crisis. Mortgage brokers and lenders often steered borrowers into costlier loans with attractive introductory rates, while taking advantage of specific mechanisms to facilitate overcharging such as yield spread premiums (YSP), or kickbacks.

“At this point, we know Georgia’s record-breaking foreclosures not only hurt borrowers and lenders,” Georgia Watch Deputy Director Danny Orrock said. **“They harm property owners whose home values depreciate as the result of neighboring foreclosures as well as local governments that are losing much needed tax revenues.”**

Unfortunately, projections that Georgia will see 350,000 more homes lost by 2012 have surfaced. *Georgia Foreclosure Crisis* distinguishes the state’s rising unemployment rate and an influx of underwater mortgages as catalysts for the predicted increase of foreclosures in Georgia.

Other key findings in the report include:

- By the end of 2009, 13 percent, or one in eight, of the state’s mortgage-holders was at least 30 days behind on their loan;
- Fulton, Gwinnett and DeKalb Counties deliver the highest number of foreclosure notices in the state with a combined average of 21,865 per month;
- Georgia saw 25 bank failures in 2009, the most in the nation;
- Approximately one in four or 377,000 of Georgia’s 1,573,628 mortgages are “underwater”; and,
- Georgia families will lose \$1.3 billion in home equity as the result of nearby foreclosures between 2009 and 2012.

“The report paints a horrifying picture of the effects the foreclosure crisis has had on our state’s families and economy.” Orrock said. **“In order to combat future catastrophe, state legislators must enact standards on how the riskiest loans are written, an issue we’ll examine with the second part of this report.”**

In late January 2010, Georgia Watch will publish part two of this report which will offer policy recommendations and give detailed analyses of mortgage reform that has been enacted in other states and has proven effective in battling future foreclosures.

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Founded in 2002, Georgia Watch is a nonprofit, nonpartisan 501-(c)(3) watchdog group focusing on consumer education and research in the areas of health care, insurance, identity theft, consumer energy issues and personal finance. Visit www.GeorgiaWatch.org for more information.