

City's not quite home free

Housing, mortgage woes plaguing nation beginning to take hold in parts of New York

By Lore Croghan, Daily News Business Writer

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When it comes to the one-two punch of risky mortgages gone bad and a housing slump, New York has largely bucked the national trend.

But there are troubling signs city homeowners are increasingly feeling the same pain afflicting much of the country.

Foreclosure filings this spring, while actually down in much of the city, jumped 92% in Queens. Foreclosure filings also rose substantially in Manhattan in the second quarter, although the actual number totaled just 255.

"From where I sit, foreclosures are a tremendous problem," said Carol Finegan, a foreclosure prevention counselor at nonprofit Brooklyn Housing & Family Services.

RealtyTrac, an online real estate database, reported 6,083 foreclosure filings citywide during the second quarter, including default notices issued after two or three consecutive missed mortgage payments, as well as property-auction notices. The figure was up 4% over the second quarter of 2006.

Some experts argued that the number of foreclosure filings represent a miniscule number of the city's 3.2 million households. And filings actually dropped 15% in the Bronx, 19% in Brooklyn and 51% in Staten Island. But in Queens, the number of filings spiked to 2,555.

Like foreclosure figures, sales figures vary from borough to borough. Nationally, prices are down and the numbers of houses for sale are up.

A report by appraisal firm Miller Samuel found the median sales price in Queens in the second quarter was \$469,000, down 4.3%. But prices in Brooklyn and Manhattan continue to rise.

"New York City is bucking the trend" of mounting nationwide foreclosures, said RealtyTrac's Rick Sharga. But he added: "If there's anywhere in the five boroughs that's worth keeping your eye on, it's Queens."

Citywide, foreclosures were concentrated in neighborhoods where risky mortgages are prevalent, according to Sarah Ludwig of the Neighborhood Economic Development Advocacy Project.

"The foreclosure crisis in southeast Queens, which is comprised largely of middle- and upper-income neighborhoods of color, is especially acute," she said. Nationally, the related housing and mortgage woes have proven a drag on the economy. Sales of new and existing homes are stalled despite dropping prices, and those who bought despite shaky credit during the boom are increasingly unable to pay.

Lenders who specialize in home loans to risky borrowers, known as subprime mortgages, have lost billions. Securities created by bundling that debt have fallen dramatically in value. Last week, America's largest mortgage lender, Countrywide Financial, announced that even borrowers with good credit ratings are increasingly falling behind on payments.

But despite the Queens figures, overall statistics still support Sharga's contention that New York is largely avoiding the housing hit. In the first half of the year, the city saw one foreclosure filing per 305 households, placing it 82nd among the nation's top 100 cities.

Economically battered Stockton, Calif., had one filing per 27 households.

Finegan, who deals with foreclosures first-hand, agreed that other parts of the nation are faring much worse.

"Here in New York, the economy is good," she said.

Finegan added that many of the New Yorkers in danger of being foreclosed on were led astray by brokers peddling adjustable-rate mortgages with low initial rates — or made bad loan choices on their own.

She recently mailed offers of help to Brooklyn homeowners who have adjustable-rate mortgages for an astounding 85% to 125% of the value of their properties — and received 40 responses.

In some cases, "They were living on the brink, paycheck to paycheck, but brokers told them, 'We'll get you a good rate — everything will be fine,' " she said.

Some tried to escape by refinancing, but that process can cost a few thousand dollars and a homeowner might wind up with a mortgage they still can't afford.

For six of Finegan's clients, it's already too late — Finegan has told them to sell. But faced with a choppy market, three are hoping to do short sales — which means their lenders agree to accept less than the amounts owed. It's a scenario Finegan expects to see more and more as strapped homeowners find their interest rates adjusting upward.

"People took loans they shouldn't have been given in the first place — that's our problem," she said.

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