

## Bushwick is dying

The mortgage crisis is eating away the wealth of several generations of Hispanics

*February 8, 2010*

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New York – Ramona Ortiz, 46, looks inside a big black bag of accumulated invoices for an explanation as to why she and her family are about to lose the home that has been theirs since 1972.

“Honestly, I didn’t check the papers properly, and who knows what is in there,” she admits, suspiciously looking at the pile of documents produced by the mortgages the family acquired in the last few years.

That black bag hides a bitter reality: In 1998, Ramona’s father, José Dolores Ortiz, had paid in full the \$21,750 cost of the three-story house on 931 Bushwick Avenue. Today, he owes nearly \$330,000 for the same house.

During the last eleven months, José, a 78-year-old Puerto Rican retired worker of a watch trading company, who receives a \$950 pension, has been unable to make the monthly \$1,684 mortgage payments. Now he could lose the house where he lived with his wife until she passed away, and where his four grandchildren were born, two of whom still live with him.

“My father worked all his life, even after retiring,” says Ortiz, who grew up in that house. “My parents always paid their bills on time; they paid their mortgage three or four months ahead... This is something new,” she regrets. “I didn’t know what a mortgage was until we started with this”.

Ortiz claims that everything began when her father decided to get another mortgage on the house in 2001, to help her pay a credit card debt.

According to public records, he later refinanced his mortgage five times between 2003 and 2007, which increased the debt from some \$29,000 in 2001 to nearly \$330,000.

During the years prior to the recent real estate collapse, the predominantly Hispanic Bushwick neighborhood, populated by nearly 130,000 people, high cost loans (subprime) and costly refinancing proliferated, encouraged by brokers and mortgage companies, many of which were based in faraway states.

“There was the start of a phenomenon at one point where brokers would go back to the

homeowner every year and get them to refinance,” says Sara Manaugh, an attorney who represents low-income homeowners facing foreclosure at South Brooklyn Legal Services. “People were encouraged to treat their homes as piggy banks, taking the cash out from their refinancing; they were told that their property would continue to appreciate, but they got another bad end of that deal.”

Closing costs should be around 4% to 6% of a new loan, but with unscrupulous brokers many people ended up paying 8% or 10% of that loan amount to their brokers, according to housing counselors from the city.

Hispanics and blacks pay more

These practices prompted an epidemic of foreclosures in other areas of the country. In New York City, the crisis is concentrated in certain black and Hispanic neighborhoods, like Southeastern Queens or central Brooklyn.

In 2006, black owners in the city received five times more high cost loans (which entail a higher risk) than whites, while Hispanics received three and half times more, according to a study by the Furman Center at New York University. In 2007, the Bushwick Community District had tripled the average number of high cost loans in the city.

Between 2006 and the end of 2009, there were 1,598 mortgage defaults in Bushwick, the majority concentrated in the Southeastern area of the neighborhood, where the Ortiz family lives.

Abandoned homes are a common sight around the Ortiz home, with boarded-up windows and doors, where mail and trash pile up. Some homes have been reoccupied by the homeless, or by the former owners themselves.

“Many of the squatters used to live in the buildings themselves and they come back because they don’t have anywhere to go,” says Sergio Negrón, who lives next to an empty building on Harman Street that was reoccupied during several months by several Hispanic families.

The neighbors would rather not discuss the problem, says Ramona Ortiz.

“I know that something is going on because people I have known for a long time here they don’t live there any more; the houses are empty,” she says. “We got this house on the corner with some people, all of a sudden they disappear and someone else is living there; there is a couple of houses around the corner, same thing,” she adds.

Elderly man signs a mortgage

Of her several refinancing mortgages, Ortiz remember the last one clearly, from February 2007: Ortiz called for information regarding a broker who had left business cards in the neighborhood.

Representatives from the broker made an appointment with her elderly father, without her

knowledge, and made him sign the contract when he was alone at home with an underage granddaughter, Ortiz says.

Ramona's father, José Dolores Ortiz, doesn't remember today much about that afternoon, he only knows that he depends on his daughter to take care of all the paperwork related with the house.

"She is the one who takes care of the paperwork, she is the one who does everything, I ask her everything and do everything that she says," says José Ortiz, who seems to have trouble hearing and understanding this reporter's questions.

The family paid more than 17,000 in closing costs (including nearly \$14,000 in broker fees). They also received about \$20,000 in cash, \$15,000 of which was to pay for home repairs made by a contractor linked to the broker, says Ortiz.

"Everything was very fast. They called and made an appointment, and next thing I know is that there are people on the roof, people in the windows making repairs," recalls Ortiz, who later discovered that the \$1,684 monthly payments that they thought would cover 30 years would be increased to more than \$2,400 over 10 years.

For a while her father had a tenant and could pay the mortgage, but when her father fell sick and the tenant left in 2008, he was unable to make the mortgage payments, says Ortiz.

"It was either the bills, eating or the mortgage," Ortiz says.

Peter Digi, an employee from Lexington Capital Corporation, the broker based in Queens hired by the Ortiz family, disputes the family account. He insists everything was legal and no one was misrepresented.

"To close a mortgage is not a one-day thing that no one could have known about it," says Digi. "We do thousands of loans a month, they supplied us with documents, they signed disclosures, they went to a closing and signed the closing papers in front of attorneys and notaries."

Digi adds that the mortgage was a good one for the Ortiz family, because they received about \$32,000 in cash and paid off a \$16,000 credit card debt.

"I wish the customer luck and all, but it's nothing that we can do or did wrong here," says Digi. "People fall behind and they look for people to blame to get out of their problems. It's unfortunate, but this is the world we live in."

Minorities ignored by banks

Mike Mastman, a foreclosure prevention counselor from Grow Brooklyn, a Bushwick-based non profit, who is counseling the Ortiz family free of charge, says that many homeowners were pressured by brokers into refinances and mortgages that they could not afford.

“Brokers work on commission but do not work for the company that actually holds the loan,” says Mastman. “Some unscrupulous brokers seemed to believe it would never come back to them if they signed people up for mortgages they could not afford.”

These abusive practices in Bushwick stem from the ostracizing treatment that its residents endured and have been subjected to for years by the banks, experts say.

The Ortiz family’s neighborhood only has two bank branches and a credit cooperative; however, there are thirteen check cashing locations and five pawnshops, according to data compiled in 2009 by NEDAP, a New York organization that fights against discriminatory financial practices.

“The problem has existed for many years because either large banks like Chase or Citibank were not in the community or if there were they didn’t grant loans to residents,” says Herman De Jesus, senior program associate at NEDAP. “But it worsened when mortgage companies realized that the banks were not lending and said: we are going to offer you loans, but we are going to charge you double or triple,” he adds.

Many Hispanic homeowners like the Ortiz, who contributed to Bushwick’s rebirth from poverty and crime following the 1977 blackout, when entire blocks were burnt and vandalized, now face the loss of the only wealth accumulated during a lifetime.

“We have lost at least a generation of wealth and that’s the tragedy of this,” says Vicki Been, director of the Furman Center. “You got families who struggled so hard to get that piece of the American dream, to get homeownership, and now they have lost everything and that will have ripple effects for generations, because wealth people build up on their homes is often used to send the next generation to college or start a small business.”

Ortiz says that she and her daughters are struggling to help with the payments and keep the house at least while her father is alive: “If I lose the house while he is still alive, that would kill him, because here is where he wants to live until the end.”