

City Slowdown in Mortgages Hits Home

By [SHELLY BANJO](#) And [JOSEPH DE AVILA](#)

The number of home loans issued in New York City fell by more than 25% in 2009, a much more dramatic drop than the decline nationwide, according to a study released Friday.



The total of nearly 24,500 home loans made in the city last year was almost 60% fewer than the number issued during the peak lending year of 2004, the study by New York University's Furman Center for Real Estate and Urban Policy said.

Nationally, loan originations declined just 5% in 2009 from 2008 and were down roughly 50% from their 2005 peak, according to the study, which analyzed federal lending data.

"It's not that the situation in New York is any worse than the rest of the country—we're just playing catch up since the market stayed stronger for longer and took longer to decline," says Ingrid Gould Ellen, faculty co-director of the Furman Center.

Big declines in New York lending didn't come until 2009, while the rest of the country saw a deeper decline in home loans in 2008.

Mortgage lenders say the market for loans in the city has started to rebound in 2010, but is still off from the highs seen in the boom years.

"I definitely think the climate has improved," says Richard Martin, a senior vice president at DE Capital Mortgage. Mr. Martin said his company's loan volume is up at least 25% in 2010 compared with the same period in 2009.

The housing-market improvement has been spurred by low interest rates and lower home prices, Mr. Martin says. "More people are buying. They see New York as a value."

Among the five boroughs, Manhattan saw the biggest decline in home loans in 2009, falling by 42% from a year earlier, the report said.

Although the number of loans issued in New York declined overall last year, lending to low- and moderate-income home buyers increased by 6%. Nationally, loans issued to low- and moderate-income home buyers—define as those earning less than 80% of their metropolitan area's median income—jumped by nearly a quarter.

Part of the added lending to low- and moderate-income home buyers "may be a result of federal policy changes that have made FHA-backed loans more widely available, as well as the first-time home-buyer tax credit," says Vicki Been, faculty director of the Furman Center.

The cap on FHA loans increased in 2009 to \$729,750 in high-cost areas such as New York. First-time buyers could receive a federal tax credit of 10% of the home's price, or as much as \$8,000, on purchases between Jan. 1 2009, and April 30, 2010.

The number of new mortgages backed by federal agencies such as the Federal Housing Administration and the Department of Veterans Affairs increased in New York but were significantly lower than in the rest of the country.

About 80% of homes sold in New York City in 2009 could have been eligible for FHA insurance but only 16% of home mortgages last year were FHA/VA-backed, the report said. Nationally, 55% of home purchase loans made in 2009 were FHA/VA-backed.

The relative low growth for lending to low- and moderate-income home buyers in New York City compared with the rest of the country isn't surprising due to the prevalence of co-ops and higher-end properties, which are ineligible for FHA loans, Mr. Martin said.

As interest rates plummeted to historical lows the number of refinance loans to New Yorkers jumped by more than 70% from 2008 to 2009, the report said.

In Manhattan, the increase in refinance loans was particularly steep, increasing to more than 11,000 in 2009 from fewer than 4,000 in 2008, according to the study.

Write to Shelly Banjo at shelly.banjo@wsj.com and Joseph De Avila at joseph.deavila@wsj.com

Copyright 2010 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our [Subscriber Agreement](#) and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit

www.djreprints.com