Election gives Staten Island housing market a jolt

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STATEN ISLAND, N.Y. -- Hope is quietly spreading across the lifeless Staten Island real estate market following the Obama victory that the new president will take immediate action to help homeowners.

Trudy Scafiddi, who is trying hard to save her Huguenot home, symbolizes the kind of troubled constituent President-elect Barack Obama will face when he takes office in January.

She and her husband finally stopped paying their $2,700-a-month mortgage in June, after nearly two years of trying unsuccessfully to negotiate a new, less expensive loan with a series of lenders and seeking help from a variety of nonprofit advocacy groups.

Irving Silverstein/Staten Island AdvanceAl Lambert has lowered the price of his Tottenville home from $1.2 million to $969,000. He wonders if he will regret that move.

Mrs. Scafiddi, who offered to make partial payments but was refused, has heard nothing from Saxon Mortgage Services since she stopped paying entirely.

She hopes the new president will see the wisdom of helping troubled homeowners like herself.

"If they got this housing market up and rolling again, I'm sure we'd see a difference in the stock-market mess. If you really open up your eyes, you will see it's stemming from an abundance of foreclosures and people headed for foreclosure," she said.

But just how Obama will solve the linked housing and Wall Street crises -- just a few of the unprecedented challenges he faces as the nation's first African-American president -- is still unclear. Some of his proposals, including one to allow struggling homeowners to tap retirement funds without penalty, have been made before by local leaders.

Al Lambert of Tottenville first put his house up for sale in March. He took it off the market two months later and put it back on in September, just as Wall Street imploded and the economy took center stage as the overwhelming election issue.

This time around Lambert has lowered the price for his home -- a well-manicured white colonial with views of Raritan Bay -- from $1.2 million to $969,000. But he wonders if he will regret that move.

"The election is going to be over and I'm going to sell the house at that low price and the next buyer is going to score," he said.

"My feeling is you had to get the election over with," added Lambert. "You had two people from both ends saying they are going to fix what's bad. No one was mentioning what's good ... so you have to get the negativity out of the market. Yes, the real-estate market is going to get better once this is over, just as the stock market is starting to get better. The fear is starting to go away."

SALES AND PRICES FALL

Tuesday's national spontaneous outpouring of support for Obama would indicate such renewed hope. Islanders are waiting to see if the president-elect can bring his promised message of change to the housing market here, where home sales have fallen about 13 percent this year and where foreclosures have often hit the borough harder than any other part of the city.

The average price for a detached, single-family home hovers around $494,022 -- down 9 percent from a year ago, according to the Staten Island Board of Realtors (SIBOR).

SIBOR's own president-elect, John Vernazza of Village Realty, also believes things will begin to loosen up in a post-presidential election environment.

"Whether voters agree or disagree with the vote, there is direction now," he said.

Obama has called for allowing families to withdraw up to $10,000 annually from their IRA or 401(k) retirement accounts without penalty. Last December, Rep. Vito Fossella proposed allowing homeowners with adjustable rate mortgages to withdraw up to $25,000 from retirement accounts to make mortgage payments or refinance into more affordable fixed rate mortgages.

And in addition to promising tax breaks for families making less than $250,000 a year, Obama also has proposed a 90-day moratorium on foreclosures for people working with finance firms and banks taking part in the government's $700 billion rescue package.

Attorney Margaret Becker with the Homeowner Defense Project at Staten Island Legal Services in St. George thinks it's not enough. She said many troubled loans are being serviced by banks or mortgage companies that don't actually own the loan but make money collecting monthly payments or foreclosing. The loans are often held in trust by bigger banks that have bought up the original lenders. The trust, meanwhile, represents a variety of investors who bought the mortgage-backed securities on Wall Street.

"The servicers have a financial disincentive to do a loan workout because they make more fees on foreclosures than they do on loan modifications," she added. "What a new administration needs to do is to address the problem of the lenders' unwillingness to offer real loan modifications."

CREDIT IS TIGHT

New mortgage money, meanwhile, has been drying up. A study by New York University's Furman Center found the number of mortgages originated in the city dropped 14 percent from 2006 to 2007. Nationwide, the drop was 25 percent.

On the Island, the number of high-cost mortgages originated here in 2007 dropped 60 percent and that's a good thing, but refinancings also fell by 31 percent and the number of new prime loans, or loans issued to people with solid credit, fell here by 4 percent last year. There's been even more tightening on prime lending this year.

"The banks are taking a very cautious look at all transactions and they are erring on the side of caution, in some instances to an extreme, whereas before they were lending money to anyone who had a pulse," said real-estate attorney Thomas Anselmo. "Somewhere between those two extremes lies good lending practices and hopefully that will occur again."

Sandy Krueger, executive director of the Staten Island Board of Realtors, has heard similar complaints from his members.

"The whole key to this is making mortgage money available," said Krueger.

But Krueger believes New York is in a much better position than other states hit harder by a drop in housing prices and record foreclosures. A recent nationwide study by First American CoreLogic found that New York State had the least amount of mortgages in negative equity -- or cases where homeowners owe more than the house is worth, also known as being upside down in a loan.

It's little consolation to the Scafiddis, who are upside down in their loan.

An off-duty UPS worker handled the refinancing of the their house in 2006 when he closed the loan at their home. The couple thought they were getting a home-equity line of credit but tried to back out of the deal when they realized they were refinancing the house and their mortgage payments were nearly doubling. A broker from First Residential in Kentucky convinced them over the phone to sign on the dotted line. They've been struggling ever since.

"What happened to the middle class? What is going to happen to our houses out of the $700 billion they have set aside for Wall Street?" asked Mrs. Scafiddi.

Karen O'Shea covers real estate news for the Advance. She can be reached at oshea@siadvance.com.