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'09 NYC home loans fell as refinancings exploded

Number of loans granted to low- and moderate-income homebuyers bucks trend and rises 24% with help from feds; subprime lending shrivels.

By [Amanda Fung](#)

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While the number of home loans in New York City continued to drop last year, lending to low- and moderate-income homebuyers actually increased, according to new data released Friday by New York University's Furman Center for Real Estate and Urban Policy.

Last year, the number of home loans totaled 24,500, down 26% from 2008. That figure was 60% below the 2004 peak, according to the Furman Center. Surprisingly, despite the overall drop in loans, the number of loans extended to low- and moderate-income homebuyers—defined as borrowers with less than 80% of area median income—rose 24% in 2009, from year-earlier levels. These borrowers accounted for 37% of all home loans in the city last year.

Meanwhile the number of mortgages backed by the Federal Housing Administration exploded in the two-year period ending last year. FHA-backed loans represented 16% of all home mortgages in the city in 2009, up from less than 1% in 2007.

“Part of that shift may be a result of federal policy changes that have made FHA-backed loans more widely available, as well as the first-time homebuyer tax credit,” said Vicki Been, faculty director of the Furman Center, in a statement.

In New York, the number of loans issued to Hispanic homebuyers recorded the steepest declines of those granted to any racial or ethnic group. Loans issued to Hispanics tumbled 32% last year, compared to a decline of 27% for white homebuyers and a 22% dip for black homebuyers. While the number of loans declined across all five boroughs, Manhattan recorded the steepest drop—42%.

On a bright note, the number of “higher-cost” loans or “piggyback” loans, many of which had a higher likelihood of going bad, continued to shrink. Citywide, roughly 3% of home loans were in

this category, more popularly known as subprime loans. In 2006, 23% of all loans were designated “higher-cost.”

As expected, refinancing of existing loans soared in the city last year as homeowners took advantage of record low interest rates. Refinancing jumped 70% from 2008, with Manhattan leading the boroughs. In Manhattan, the number of refinanced loans tripled to more than 11,000 in 2009.

However, the rise was driven by increased activity among white and Asian homeowners. According to the data, about 19% of all homeowners in the city are black, but only 13% of those homeowners refinanced last year. Those figures would be lower if FHA- and Veteran's Administration-backed refinancing were not available, the Furman Center said. Fully 39% of refinancing issued to black homeowners in the city last year was FHA or VA-backed, compared to 5% for white homeowners and 3% for Asian homeowners.

“While we expected to see a jump in refinancing, we were troubled to find that black and Hispanic borrowers weren't refinancing at the same rates as other borrowers,” said Ingrid Gould Ellen, faculty co-director of the Furman Center, in a statement. “These racial disparities suggest that not all New York homeowners were equally able to take advantage of lower interest rates and reduce their monthly payments.”