State of Homeowners and Their Homes

For the third consecutive year, citywide home prices increased, while the volume of home sales dipped from 2013 to 2014. Citywide, the homeownership rate stayed more or less unchanged from 2012 to 2013. Foreclosure filings dropped in 2014, but remained significantly higher than in the early 2000s.

1. The citywide homeownership rate in 2013 was basically unchanged from 2012, lower than 2007, but higher than 2000.

In contrast to the national decline, the homeownership rate in New York City remained basically unchanged from 2012 to 2013. The citywide rate rose by less than half a percentage point from 2012 to 2013 (from 31.7% to 32.0%), and remained substantially below the national average of around 63 percent in 2013. Changes to the homeownership rate varied across boroughs, but all changes were relatively small. Manhattan saw the largest growth in homeownership rates with a one percentage point increase; the Bronx saw the largest decline with a 0.6 percentage point drop.

Looking over a longer time period, the citywide homeownership rate in 2013 was nearly two percentage points higher than in it was in 2000. The largest change over this 13-year period occurred in Staten Island, which is the only borough with a homeownership rate comparable to that of the U.S. The Bronx, the borough with the lowest homeownership rate in 2013, was the only borough in the city where the rate was lower in 2013 than 2000. In all boroughs, the homeownership rate in 2013 was lower than in 2007 (except in Manhattan, where it was about the same in these two years). Figure 3.1 shows the citywide and borough homeownership rates in 2000, 2007, and 2013. It also shows the national homeownership rates over this time period.

2. Home prices in New York City continued to rise in all five boroughs in 2014.

In 2014, for the third year in a row, prices in each borough were higher compared to the previous year. Brooklyn joined Manhattan in achieving housing prices that surpassed their pre-recession peak. Figure 3.2 shows that housing prices increased the most between 2013 and 2014 in Manhattan (13.5%), followed closely by Brooklyn (13.4%). Prices increased 8.4 percent in Queens, 8.1 percent in the Bronx, and 3.8 percent in Staten Island.

Figure 3.3 shows that prices also increased for all property types in 2014. Between 2000 and 2006, before the housing market dropped, prices were rising at roughly similar rates for all housing types. Since the downturn, prices for condominiums and buildings with five or more units recovered first and continue to increase faster than prices for the other types of properties, which remain below their peak levels. In 2014, for the second year in a row, condominium prices rose by over 10 percent year over year (10.5 % price increase from 2013 to 2014, 11.6 % price increase from 2012 to 2013). In 2014, single-family homes saw prices increase by 6.0 percent, and prices for two- to four-unit houses increased by 11.4 percent.

The median prices paid for properties sold in 2014 also differed markedly by property type and location. In 2014, the median sales price for a single-family home in New York City was $437,000, while the median price of a condominium (most of which are in Manhattan) was $810,000. The Bronx was the borough with the lowest median sales prices for both of these housing types—$355,000 and $119,000 respectively. These median sales prices in the Bronx also fell slightly from 2013 to 2014.

In order to purchase a single-family home or condominium, a potential buyer using a home loan needs to afford both the monthly mortgage payment and the down payment for purchase. In Table 3.1, we estimate the monthly payment and down payment necessary to purchase a typical housing unit in 2014, within the city in general and specifically in the Bronx. We tabulate these figures separately for four categories: single-family homes versus condominiums, and conforming loans versus Federal Housing Administration (FHA) loans. For the typical single-family unit in New York City, Table 3.1 shows that a buyer must have over $15,000 available for a down payment, if she is able to obtain an FHA loan and pay about $2,500 per month on her mortgage. If she has $87,400 for a down payment and could qualify for a conforming loan, her mortgage payment would be reduced to around $1,700 per month.

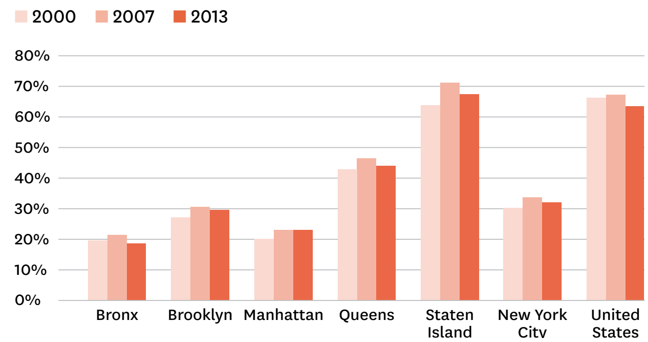
What Is a Conforming Loan?

A conforming loan is a mortgage loan that conforms to the requirements necessary for purchase by the government-sponsored enterprises Fannie Mae and Freddie Mac. In Table 3.1, we assume that the mortgage covers only 80 percent of the value of the home with the rest of the purchase price covered by a down payment from the purchaser. Conforming loans typically have lower interest rates than non-conforming loans and do not require that the borrower obtain mortgage insurance. Fannie Mae and Freddie Mac currently offer mortgage loans for up to 97 percent of a property's value. These loans require the borrower to purchase mortgage insurance and often have higher interest rates than loans with larger down payments.

What Is an FHA Loan?

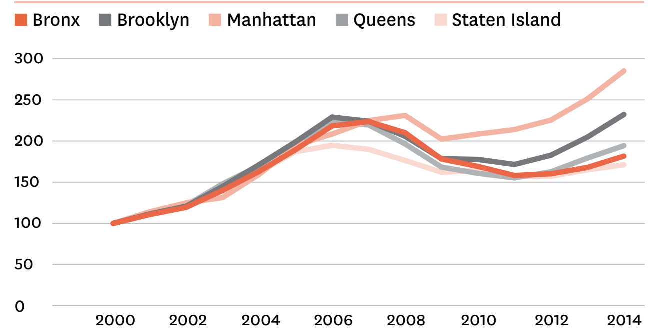
FHA loans—made by approved lenders and guaranteed by the FHA—can be made for up to 96.5 percent of the value of the property that serves as collateral for the loan. The FHA requires the borrower to pay a mortgage insurance premium, and FHA loans typically have higher interest rates than conforming loans.

Figure 3.1: Homeownership Rate by Borough



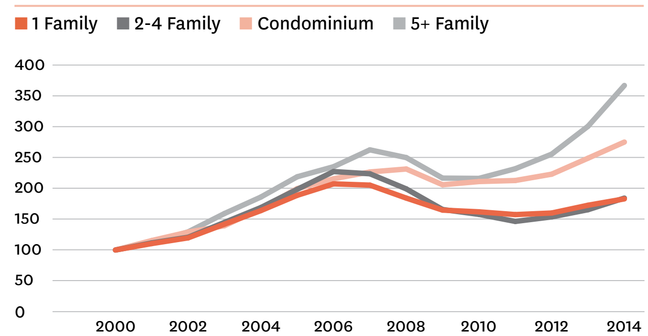
Sources: U.S. Census (2000), American Community Survey (2013), NYU Furman Center

Figure 3.2: Index of Housing Price Appreciation for All Residential Property Types (Except Cooperatives) by Borough (Index = 100 in 2000)



Sources: New York City Department of Finance, NYU Furman Center

Figure 3.3: Index of Housing Price Appreciation by Property Type, New York City (Index = 100 in 2000)



Sources: New York City Department of Finance, NYU Furman Center

Table 3.1: Affordability Analysis for Home Purchase in New York City and in the Bronx, 2014

		FHA Loan (96.5% Loan to Value Ratio)		*Conforming Loan (80% Loan to Value Ratio)*	
	Purchase Price	*Monthly Mortgage Payment*	*Required Down Payment*	*Monthly Mortgage Payment*	*Required Down Payment*
Single-Family (New York City Median)	$437,000	$2,504	$15,295	$1,703	$87,400
Condominium (New York City Median)	$810,000	$4,641	$28,350	$3,157	$162,000
Single-Family (Bronx Median)	$355,000	$2,034	$12,425	$1,384	$71,000
Condominium (Bronx Median)	$119,000	$682	$4,165	$464	$23,800

Sources: New York City Department of Finance, Freddie Mac Primary Mortgage Market Survey, U.S. Department of Housing and Urban Development, HSH Associates, NYU Furman Center

3. The number of home sales was stable between 2013 and 2014.

In 2014, 34,644 homes (excluding cooperatives) were sold through arm's-length transactions in New York City—only 444 more sales than 2013. This marks the first year since 2011 in which annual sales volumes did not rise in every borough. While the Bronx and Staten Island saw increases and Brooklyn and Queens showed little change, Manhattan had fewer sales in 2014 than in 2013, as shown in Figure 3.4. Figure 3.5 shows the number of sales by property type. The number of sales rose slightly between 2013 and 2014 for single-family, two- to four-unit, and multifamily properties, while it fell slightly for cooperatives and condominiums.

4. Single-family mortgage lending remained below pre-boom levels in 2013.

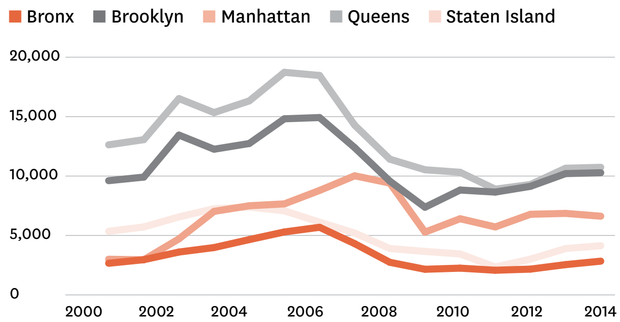
Mortgage lending in all five boroughs increased between 2012 and 2013 according to the most recent data available through the Home Mortgage Disclosure Act. However, as Figure 3.6 shows, lending throughout the city in 2013 was still markedly lower than the peak years in the middle of the previous decade and even below levels seen in 2000.

As in New York City, the total number of first-lien home purchase loans made in the U.S. rose from 2012 to 2013. Figure 3.7 shows the number of home purchase loans made in the U.S. and New York City between 2004 and 2013, indexed to 2004 levels. Lending levels in 2013 remained substantially below where they were in 2004.

Loans backed by the FHA or U.S. Department of Veterans Affairs (VA) as a share of total home purchase loan originations, shown in Figure 3.8, fell in both New York City and the nation between 2012 and 2013. However, these loans continue to make up a much larger share in both markets than they did prior to the financial downturn of the last decade.

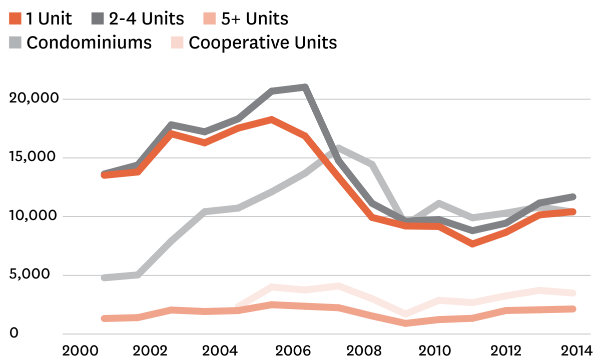
Figure 3.9 shows that refinance lending fell between 2012 and 2013 in all boroughs, corresponding with an uptick in the annual average U.S. conforming interest rate from 3.66 percent to 3.98 percent. Manhattan saw the largest decline in refinance lending with the number of originations falling roughly 25 percent between 2012 and 2013.

Figure 3.4: Property Sales Volume by Borough



Sources: New York City Department of Finance, NYU Furman Center
Note: Borough totals do not include sales of cooperative apartments

Figure 3.5: Property Sales Volume by Property Type, New York City



Sources: New York City Department of Finance, NYU Furman Center

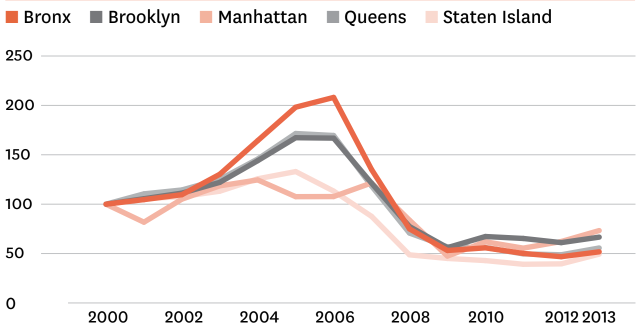
5. Foreclosure indicators signaled less mortgage-related distress in 2014 than in 2013.

A) Foreclosure filings dropped in 2014, but were still significantly higher than in the early 2000s.

The total number of foreclosure filings (*lis pendens*) for one- to four-unit properties and condominiums combined, shown in Figure 3.10, dropped in 2014 by 2,862 filings, or 18 percent. The number of filings also fell for each property type between 2013 and 2014. The total number of properties receiving a foreclosure notice, however, was still significantly elevated compared to the level in the early 2000s; the total number of filings in 2014 was close to double the number of filings in 2000.

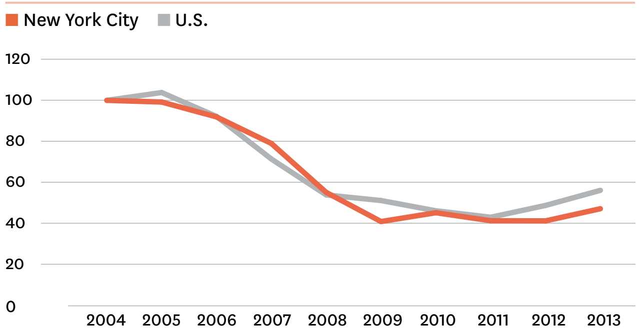
Figure 3.11 shows the number of foreclosure filings in 2014 by borough. In 2014, Queens and Brooklyn continued to have higher numbers of filings than the other three boroughs, although the number of properties receiving foreclosure notices was lower across all boroughs in 2014 compared

Figure 3.6: Index of Home Purchase Loan Originations by Borough, All Mortgage Liens (Index = 100 in 2000)



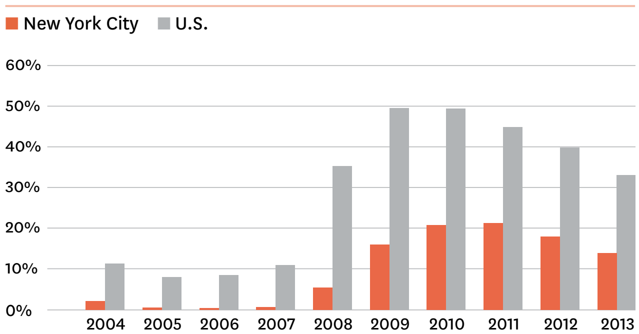
Sources: Home Mortgage Disclosure Act, NYU Furman Center
Note: Covers home purchase loans issued to owner-occupants of one- to four-family homes, condominiums, and cooperative apartments

Figure 3.7: Index of Home Purchase Loan Originations, U.S. and New York City (Index = 100 in 2004)



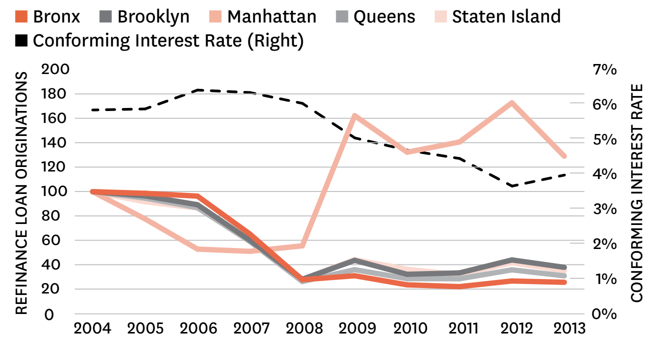
Sources: Home Mortgage Disclosure Act, NYU Furman Center
Note: Covers first-lien home purchase loans issued to owner-occupants of one- to four-family homes, condominiums, and cooperative apartments

Figure 3.8: FHA/VA Share of Home Purchase Mortgage Originations, New York City



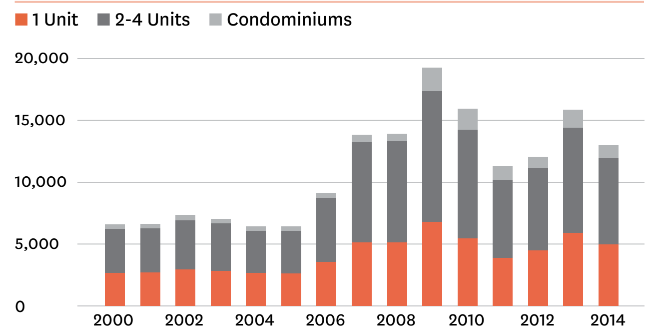
Sources: Home Mortgage Disclosure Act, NYU Furman Center
Note: Covers first-lien home purchase loans issued to owner-occupants of one- to four-family homes, condominiums, and cooperative apartments

Figure 3.9: Index of Refinance Originations by Borough



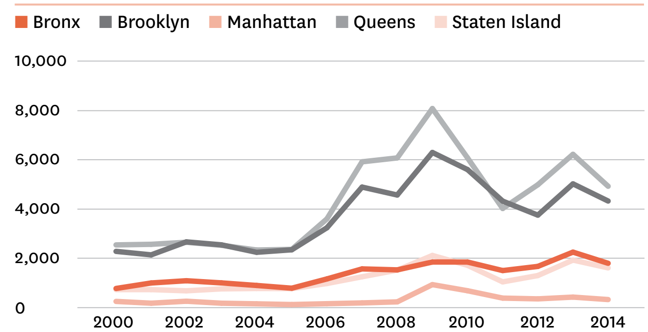
Sources: Home Mortgage Disclosure Act, Freddie Mac Primary Mortgage Market Survey, NYU Furman Center

Figure 3.10: Number of Foreclosure Filings by Property Type, New York City



Source: Public Data Corporation, New York City Department of Finance, NYU Furman Center

Figure 3.11: Foreclosure Filings on One- to Four-Unit Buildings and Condominiums by Borough



Sources: Public Data Corporation, New York City Department of Finance, NYU Furman Center to 2013. The biggest drop occurred in Queens, which had 1,296 (21%) fewer filings in 2014. Foreclosure filings, shown in the map in Figure 3.12, continue to be concentrated in southeast Queens and northeast Brooklyn, as well as some areas of Staten Island and the Bronx, suggesting that there are neighborhoods in the city that are still suffering from the distress that can accompany concentrated foreclosures.

Figure 3.13 shows the number of foreclosure filings again but distinguishes between initial and repeat filings. We define an initial *lis pendens* as one in which the property owner did not receive a foreclosure notice in the previous six years. We define repeat filings as *lis pendens* that were filed on a property that had an earlier *lis pendens* filing in the previous six years and that did not experience a change in ownership during that time. A repeat filing can indicate that a borrower caught up on a previous delinquency but then fell behind again. It can also mean that the delinquency lingered for more than three years and required the lender to file an additional *lis pendens* to keep the case active, since *lis pendens* expire after three years. In either case, a repeat filing is an indication of prolonged homeowner distress.

In 2014, repeat filings made up about 50 percent of total foreclosure filings on one- to four-unit buildings and condominiums, up five percentage points from 2013. Thus, about half of the foreclosure filings in 2014 were a reflection of either repeat or ongoing mortgage distress that began during the foreclosure crisis. The number of initial filings in 2014 was still higher than the annual numbers for 2000 through 2005. However, the 2014 initial filings number was much lower than the number of initial filings seen annually from 2007 through 2010—the height of the foreclosure crisis in New York City.

B) The number of new real estate owned (REO) properties continues to be well below the peak during the foreclosure crisis.

As the number of foreclosures in the city dropped following the foreclosure crisis, the city also experienced a reduction in the number of properties becoming "real estate owned" (REO), shown in Figure 3.14. A property becomes REO when, after a completed foreclosure, it fails to sell for a price acceptable to the foreclosing lender. At that time, the lender acquires the property and records it as an asset on its financial statement. Thus, the number of properties entering REO status is both a function of the foreclosure pipeline and the surrounding housing market. In 2014, 306 properties in New York City entered REO status, a level that has remained stable since 2011, and is far below the number of properties entering REO status during the foreclosure crisis between 2007 and 2010.

C) Pre-foreclosure notices were significantly lower in 2014 than 2013.

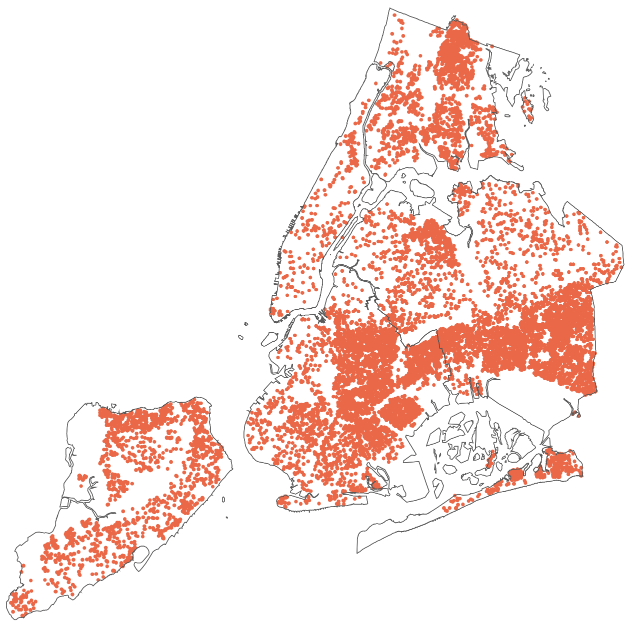
For the second year in a row, pre-foreclosure notices, which lenders must send to delinquent borrowers at least 90 days prior to filing a foreclosure case, decreased citywide and in every borough, as seen in Table 3.2. After remaining stable from 2011 to 2012 and falling by 9.2 percent between 2012 and 2013, the total number of pre-foreclosure notices issued in New York City fell substantially, by 36 percent, from 2013 to 2014. This suggests that owners of one- to four-unit properties and condominiums in the city are at lower risk of entering the foreclosure process in the coming year.

D) The share of city homeowners with underwater mortgages fell between 2012 and 2014, but remained high in some neighborhoods.

A mortgage is "underwater" when the amount owed to the bank is more than the current market value of the home. While the vast majority of people with underwater mortgages remain current on their payments, having an underwater mortgage makes a homeowner more vulnerable because it limits her options in the event of a financial setback.

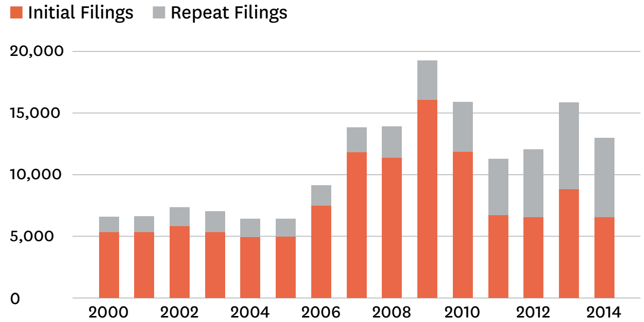
Citywide, the share of mortgages that were underwater fell substantially between 2012 and 2014, in part reflecting the increase in prices observed in Figure 3.2. Figure 3.15 compares the share of underwater homes in the city and in each borough between the third quarter of 2012 and the same quarter in 2014. The share of homes with underwater mortgages fell in each borough over that period, with the Bronx experiencing the largest drop. Figure 3.16 reveals, however, that a number of neighborhoods still have a substantial percentage of mortgaged homes with underwater mortgages. Many of these neighborhoods are also the neighborhoods with a concentration of new foreclosure filings, shown in Figure 3.12.

Figure 3.12: *Lis Pendens* Issued to One- to Four-Unit Buildings and Condominiums, 2014



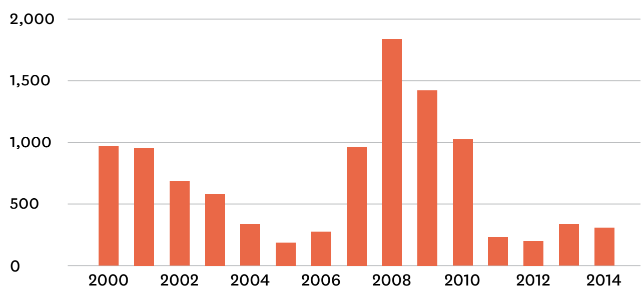
Sources: Public Data Corporation, NYU Furman Center

Figure 3.13: Foreclosure Filings on One- to Four-Unit Buildings and Condominiums by Repeat Status, New York City



Sources: Public Data Corporation, New York City Department of Finance, NYU Furman Center

Figure 3.14: One- to Four-Unit Properties Entering REO, New York City



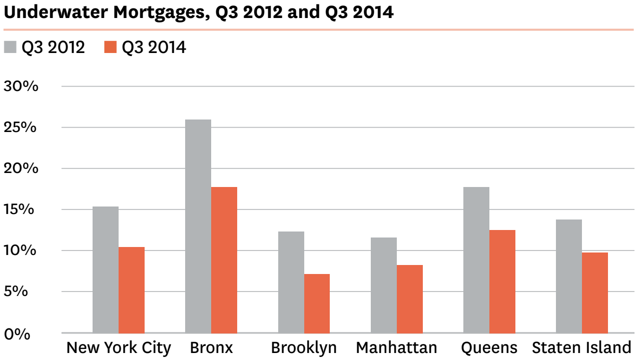
Sources: Public Data Corporation, New York City Department of Finance, NYU Furman Center

Table 3.2: Pre-Foreclosure Notices Issued to One- to Four-Unit Properties and Condominiums

	2011	*2012*	*2013*	*2014*	*Percent Change 2013-2014*
Bronx	8,770	8,956	8,456	5,459	-35%
Brooklyn	21,351	21,768	19,745	12,530	-37%
Manhattan	1,142	1,154	1,213	733	-40%
Queens	29,307	28,721	25,712	16,007	-38%
Staten Island	10,319	10,274	9,163	6,222	-32%
New York City	70,889	70,873	64,289	40,951	-36%

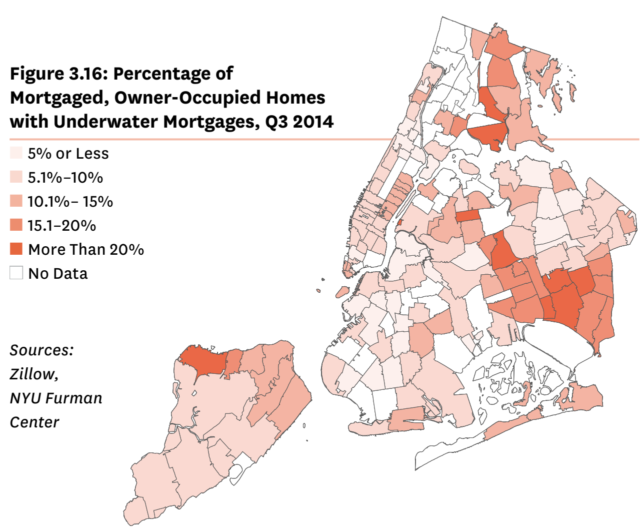
Sources: New York State Department of Financial Services, NYU Furman Center

Figure 3.15: Percentage of Mortgaged, Owner-Occupied Homes with Underwater Mortgages, Q3 2012 and Q3 2014



Sources: Zillow, NYU Furman Center

Figure 3.16: Percentage of Mortgaged, Owner-Occupied Homes with Underwater Mortgages, Q3 2014



Sources: Zillow, NYU Furman Center