

## FORECLOSURE CRISIS: BUZZ FADES, PROTESTS CONTINUE

**Four years after the housing crisis transformed the presidential race, it's barely mentioned on the campaign trail. But foreclosure is still an issue in New York, and some believe federally-chartered agencies can do more to help.**

[Keldy Ortiz](#)



Keldy Ortiz/City Limits

Maria Masionet says foreclosures have had a broader impact on her Brooklyn neighborhood, spurring crime.

Midtown - > Dozens of disgruntled homeowners walked along East 42nd St. in Manhattan last Thursday afternoon shouting, "Stand up, fight back," and "Freddie, Freddie, you can't hide, we can see your greedy side." Some spoke in hope that someone, other than themselves, would hear their voice.

Their target was Freddie Mac, a federally chartered, shareholder-owned corporation that purchases mortgages from other lenders in order to increase the financing available for home

purchases. Typically, Freddie packages mortgages into securities and sells them to investors. Freddie and a similar organization Fannie May are considered responsible for funding almost half of the home mortgages in the U.S.

Both received bailout money. But the protestors complain Freddie is not doing enough to help homeowners caught in the foreclosure crisis. During the first seven months of 2012 (the most recent statistics available), the number of home loans Freddie modified fell by more than half compared with the previous year, from 75,000 to 36,000.

Home loan modifications are seen as a vital defense against foreclosure, which remains a problem for the city. According to the most recent statistics from the Furman Center for Real Estate and Urban Policy, more than 2,300 buildings were hit with notices of foreclosure in the city in the first quarter of 2012—down significantly from the peak of the housing crisis, but up slightly from the previous quarter.

Maria Masionet of New York Communities for Change, an advocacy group came out to protest because of what she sees in her community of East New York. "The houses have been taken over by drug dealers. It brings stuff that we don't really need, and more crime into our community," said Masionet, who rents an apartment. "Low income people like myself are being priced out of East New York."

Jean Hayes has seen similar deterioration in Poughkeepsie. "We have a whole block, where within three years, there were seven houses sold, and now there are nine available. All these people have lost their homes. It's sad," said Hayes, who worked in retail before retiring. "I'm by myself, but I worry about my neighbors. There has to be another way besides turning these people out like they were cattle."

Most of the protestors' demands concerned principal reduction, which lowers the amount owed on a mortgage. When trying to help a homeowner whose property is worth less than what she owes on it—meaning she is "underwater"—principal reduction can be more effective than merely lowering the interest rate.

But Freddie and Fannie have resisted principal reductions—as has the federal regulator overseeing both enterprises—because of the cost the entities would incur to write down the value of their loans.

Fannie Mac spokesperson Brad German defended the agency's performance.

"I think there's a growing perception that the market is stabilizing and strengthening. There are some markets that are still hit hard, while the rest of the country has seen markets increasing," German said, adding that since the housing crisis began Freddie Mac had helped an estimated 5.9 million borrowers stay in their homes through refinancing, forbearance or loan modifications. "At the same time, as responsible stewards of taxpayer dollars, Freddie Mac is also committed to minimizing losses through lawful foreclosure when other options are unavailable."

In 2009 President Barack Obama created the Home Affordable Modification Program, known as HAMP, to encourage lenders to modify loans. According to an August update, the program has helped a million homeowners restructure their deals. The program has been criticized, however, for not generating enough modifications. At latest count, nearly 11 million homeowners were underwater, although the vast majority continue to make mortgage

payments.

The 2012 Democratic platform provides little specific information on any plans for new housing policies, saying simply: that the party is committed to "taking whatever steps we can to avoid more foreclosures."

The Republican platform is silent on foreclosures; for his part, Gov. Mitt Romney has said he backs alternatives to foreclosure like short sales, reduced regulation to free the housing market, and an end to Fannie and Freddie.

Foreclosure might be one of the topics discussed during the presidential race. Carolyn Lomax hopes change comes sooner. A resident in Dorchester, Mass., Lomax, 48, makes her living as a hairdresser. For the most part, Lomax said, she was always able to pay rent for her home, which she shares with her five children. That all changed a few months ago, when her business began to fall off.

"When people lose their job, they can't frequent the salon as often as they need to, or come at all," said Lomax, walking along street with a tube made of cardboard that said "Principal reduction," which she said she demands. "I live in an underwater mortgage home that is underwater by over \$200,000. I've been working on a loan modification for the last 13 months. They are always making excuses why I can't get approved."

Some, like the Neighborhood Economic Development Advocacy Project (NEDAP), believe the companies that service home loans need to be forced to assist homeowners more effectively. "What we really need are very strong national servicing standards that hold the servicers accountable," says NEDAP's Josh Zinner.

After the protest, Hayes headed back to Poughkeepsie, still doubtful and worried about what will happen to her neighbors.

"I hate to see how it affects (families) and their kids," Hayes said. "Kids are just left hanging in the wind. It's hard for them to do anything at school, when there isn't family unity and they don't know where they are going to be living in a few weeks."