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Jamaica tops city in foreclosures

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The 11434 zip code of Jamaica, Queens, has the highest number of foreclosures in the city. But a walk through its bustling commercial strips shows that even in one of the city's more financially distressed neighborhoods, the real estate market is more upbeat than recent residential foreclosure data suggests.

Located south of Linden Boulevard, the neighborhood near John F. Kennedy Airport is dotted with aluminum siding-clad single-family houses. Some blocks look like a model of suburban normalcy and stability. But the neighborhood isn't exactly calm, as the number of foreclosures in the zip code slowly creeps upward.

For the year to date, 30 homes have already gone into foreclosure. The adjoining zip code of 11433 has the second-highest number of foreclosures in the city -- with 29 foreclosure auctions since Jan. 1.

These numbers aren't high, especially compared to areas of the country harder hit by defaults, mostly among subprime mortgage borrowers who've seen monthly payments skyrocket after low initial interest rates reverted to well above the prime rate of 5.25 percent. In California, market reports put the number of foreclosures in some jurisdictions up 800 percent over the past year.

Indeed, if 11434 exemplifies the worst effects of the subprime meltdown in the city, it's also a positive example of the underlying strength of the New York real estate market. Even in default-heavy Jamaica, housing prices and demand remain relatively sturdy.

Real estate agents in the neighborhood say prices have dipped about 5 percent in the last year, and single-family homes still fetch between $350,000 and $400,000. Two- and three-family homes list for around $600,000 to $700,000. Agents also say that prices in the neighborhood are up about 75 percent since 2001.

Queens leads the boroughs in foreclosure -- eight of the top 10 zip codes for residential foreclosure auctions in New York City are in Queens, where 319 residences have been foreclosed on this year. In the fourth quarter of 2006, 167 Queens homes were foreclosed on.

"Queens has always been the borough with the most foreclosures," said Ryan Slack, chief executive officer of PropertyShark.com. "Queens is mostly suburban, dominated by one- to four-family properties, and suburban areas are more susceptible to foreclosures."

Several reasons exist for the concentration of foreclosures in the neighborhood. Agents in Jamaica say that after buying their houses, many new homeowners don't have funds for repairs and maintenance. They often prove susceptible to the types of subprime refinancing schemes advertised in neighborhood newspapers.

"I don't just get calls every day, I get people coming on my porch, knocking at my door to convince me to refinance," said Harold Willis, a longtime 11434 resident. "I made that mistake once, to fix up the house. Now I tell them they don't know righteousness and what they're doing is pure evil."

Not everyone is as combative and informed as Willis. According to the Furman Center for Real Estate and Urban Policy at New York University, 27 percent of those who refinance their loans in Queens do so at high rates through subprime loans.

The 11434 area of Jamaica is heavily populated by immigrants, who often must make recently increased mortgage payments and frequently also send remittances to their home countries.

Poor disclosure is also to blame. Mitchell Pierre Louis, an agent with Kali and Danny Realty, which is based in Jamaica, says a lot of lenders don't tell people their mortgage rates are adjustable.

"People often come in and say 'I was paying 3 percent for two years, and all of a sudden it's 8 percent or 10 percent,'" Louis said.

For a $450,000 home, assuming a standard down payment, a mortgage with 3 percent interest would cost $1,423 a month -- an attractive rate by any standard. But when low introductory rates shoot up on an adjustable mortgage, an 8 percent payment becomes $2,476, and a 10 percent rate costs a buyer $2,962 a month.

But for all the hardship these leaps represent for financially strapped buyers, the broader market seems steady. PropertyShark notes that even the higher number of foreclosures in Queens in the first quarter still represented a 1 percent decrease compared to the first quarter of 2006. And though foreclosures still occur throughout Queens, these represent only about .04 percent of the borough's housing stock.

Real estate agents are also bullish about Jamaica's prospects.

"Even with the foreclosures in 11434, people are still buying," Louis said. "The gentrification that is overtaking nearby Jamaica Estates is moving into 11434. Houses don't stay on the market long."

Other neighborhood agents echo that sentiment.

"It's true that home prices have decreased in 11434 a little bit -- about 15 percent in the last two years to 10 percent on one-family homes this year , but foreclosures aren't the only factor," said Khan Nipu, an agent in Jamaica with RE/MAX. "In any case, where are all these foreclosures? I can't find any. If I could, I could sell them quickly."

While the city's other boroughs all fared better than Queens in terms of foreclosures in the first quarter, boroughs like the Bronx have a high level of subprime borrowing that could get homeowners in trouble.

According to the Furman Center, 34 percent of home purchases in the Bronx in 2005, the most recent year for which data is available, were bought with subprime loans.

In Brooklyn, 26 percent of home purchase loans were subprime, and 43 percent of home refinancing activity was done at subprime rates. There were 129 home foreclosures in Brooklyn in the first quarter of 2007.

On Staten Island, 19 percent of home purchase loans were subprime, and 35 percent of home refinancing activity was done at subprime rates. Staten Island had 42 residential foreclosures in the first quarter of 2007.

In Manhattan, only 1.1 percent of home purchase loans were subprime, and 3.8 percent of home refinancing activity was done at subprime rates. Manhattan had 25 home foreclosures in the first quarter of 2007.

In contrast, the national average for subprime mortgages is about 18 percent, slightly higher than the five-borough average of 16.9 percent.

"Real estate is a local business, and in New York to an extent we're all connected, so there will be an effect" in all boroughs, said Jeff Appel, senior vice president at Preferred Empire Mortgage. "Credit is already tightening up."

By Dorn Townsend
