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Minorities Affected Most as New York Foreclosures Rise

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Turn the corner on 145th Street in Jamaica, Queens, and it is as though a cyclone has wheeled through.

One resident, Lakisha Brown, a hospital worker and mother of two, snatched her house back from foreclosure last month, if only temporarily. “We need to sell fast,” she says. “I’m just trying to save what’s left of my credit.” Across the street in this black middle-class neighborhood, Patrick Nicholas, a surgical technician in blue scrubs, shakes his dreadlocks and shrugs. He rents but is moving out. “The owner got foreclosed and told us to leave,” he says.

Six doors away, past two foreclosed and boarded-up homes, a burly man in a blue union jacket declines to give his name but his problem is evident. A foreclosure notice is pasted to the door of his house. His tone is mournful. “Tough times, man,” he says. “Tough, tough times.”

Late to arrive in the Northeast, the foreclosure crisis has swept through the New York region at an explosive pace in the past two years, destroying billions of dollars in housing wealth, according to a New York Times analysis of foreclosures filed since 2005 and federal mortgage data.

It now touches every corner of the region, from estates along the [Connecticut](#) Gold Coast to the suburban tracts of [Long Island](#), where 6 percent of all mortgages are at least 90 days delinquent, the point at which foreclosure proceedings usually begin.

But the storm has fallen with a special ferocity on black and Latino homeowners, the analysis shows. Defaults occur three times as often in mostly minority census tracts as in mostly white ones. Eighty-five percent of the worst-hit neighborhoods — where the default rate is at least double the regional average — have a majority of black and Latino homeowners.

And the hardest blows rain down on the backbone of minority neighborhoods: the black middle class. In [New York City](#), for example, black households making more than \$68,000 a year are almost five times as likely to hold high-interest subprime mortgages as are whites of similar — or even lower — incomes.

This holds a special poignancy. Just four or five years ago, black homeownership was rising sharply, after decades in which discriminatory lending and zoning practices discouraged many blacks from buying. Now, as damage ripples outward, black families in foreclosure lose savings and credit, neighbors see the value of their homes decline, and renters are evicted.

That pattern plays out across the nation. [A study released this week](#) by the [Pew Research Center](#) also shows foreclosure taking the heaviest toll on counties that have black and Latino majorities, with the New York region among the badly hit.

On 145th Street in southeast Queens, just south of Linden Boulevard, attached brick homes with tidy, fenced-in gardens stretch into the distance. Children play tag under blooming oaks. But 8 of these roughly 50 homes face foreclosure; 4 are vacant; 2 have plywood boards nailed over punched-out windows.

“My district feels like ground zero,” said City Councilman James Sanders Jr., an African-American who represents hundreds of blocks in Queens like this one. “In military terms, we are being pillaged.”

Years ago many banks drew red lines on maps around black neighborhoods and refused to lend; more recently, some banks began taking aim at those neighborhoods for the marketing of subprime loans, say consumer advocates.

Black buyers often enter a separate lending universe: A dozen banks and mortgage companies, almost all of which turned big profits making subprime loans, accounted for half the loans given to the region’s black middle-income borrowers in 2005 and 2006, according to The Times’s analysis. The [N.A.A.C.P.](#) has filed a class-action suit against many of the nation’s largest banks, charging that such lending practices amount to reverse redlining.

“This was not only a problem of regulation on the mortgage front, but also a targeted scourge on minority communities,” said Shaun Donovan, the secretary of Housing and Urban Development, in a speech this year at [New York University](#). Roughly 33 percent of the subprime mortgages given out in New York City in 2007, Mr. Donovan said, went to borrowers with [credit scores](#) that should have qualified them for conventional prevailing-rate loans.

For anyone taking out a \$350,000 mortgage, a difference of three percentage points — a typical spread between conventional and subprime loans — tacks on \$272,000 in additional interest over the life of a 30-year loan.

“There’s a huge worry that this will exacerbate historic disparities between the wealth of black and white families,” said Ingrid Ellen, co-director of the [Furman Center for Real Estate and Urban Policy](#) at New York University. Not that white neighborhoods and towns in the New York region stand immune. During the past decade, buyers of all colors scrimped to buy homes in one of the nation’s most expensive housing markets.

Now mortgage delinquencies are rising sharply even in high-income, predominantly white enclaves, from Nirvana Avenue in Great Neck, N.Y., to Otter Rock Drive on a peninsula off Greenwich, Conn.

In the wealthiest ZIP codes, the median delinquency rate — although much lower than the regional rate, 5.3 percent — more than tripled from March 2005 to March 2008, then doubled again in the year since.

As a whole the region has fared better than stretches of Florida and California, where about one in every five borrowers is at least 90 days behind on payments.

Yet the pain in the New York region is considerable. The delinquency rate in Essex County, N.J., stood at 11 percent in March, more than two percentage points higher than in Genesee County, Mich., home to the battered city of Flint, which stands as a national symbol of this recession.

A World of Damage

Sitting on Long Island close by the Atlantic Ocean — salt air flares the nostrils on many days — Roosevelt is 79 percent black and has suffered grievously from segregation over the years. (Long Island, as measured by school and housing patterns, is among the most racially segregated suburban areas in the nation.) Still, as young black families sought bargains, home ownership rose.

Now subprime loans and a crippled economy have laid many of those families low. Olive M. Thompson, a 45-year-old nursing assistant, lost her \$215,000, four-bedroom Cape in January, but not before she drained her [401\(k\)](#) and declared bankruptcy.

A single mother of four, she recalled arriving in 2003 and seeing a home across the street with a garden so beautiful she fantasized about matching it. That house went into foreclosure.

“Next thing I know, it’s boarded up,” she said.

Foreclosure represents catastrophe on several levels. As families move to cheaper quarters, they often move their children to different schools. A rising number of foreclosures in a neighborhood is a singularly reliable predictor of an increase in violent crime, according to a [recent academic study](#).

All these ills are magnified for black families, whose median net worth is far smaller than that of white families, and far more tied up in housing.

On Bainbridge Street in the predominantly black Bedford-Stuyvesant section of Brooklyn, 130-year-old brownstone homes loom like grand sailing ships, seemingly impervious to the ravages of time. That solidity is illusory. Looking closer, a visitor can identify homes in jeopardy by the cracked stoops, broken windowsills and tilting chimneys.

Alexia Billiard, 33, who is black, and her husband, who is white, moved a year ago from an expensive neighborhood into a handsome row house in Bedford-Stuyvesant, where they can manage their payments. Across the street, two foreclosed homes have fallen vacant, and a nearby apartment building stands broken and padlocked. At night, young men cluster on the stoops of the vacant homes.

“We figured we’d move here and participate in the rebirth of this block,” said Ms. Billiard, who works for a financial planning firm. “It seems to be going backward; it’s a little scary.”

Several black homeowners along these blocks, including well-paid professionals, confide that they pay strikingly high mortgage rates — 9, 10 or 11 percent annually. How that came to happen is a complicated story.

Over the last decade, many commercial banks, from Wells Fargo to Bank of America to HSBC, acquired subprime lenders that thrived by offering loose lending standards and high interest rates. Court records show that brokers sometimes received bonuses for steering borrowers into high-interest loans laden with extra costs.

Even many blacks and Latinos who say they sought conventional loans ended up with subprime mortgages from these lenders. One reason, many say, was a mistrust of conventional banks.

Colvin Grannum grew up in a black neighborhood in Brooklyn and became president of the Bedford-

Stuyvesant Restoration Corporation, a nonprofit organization that builds and renovates housing. His father bought several properties in the 1950s and '60s, often without turning to banks.

“I don’t want to say it’s in the cultural DNA, but a lot of us who are older than 30 have some memory of disappointment or humiliation related to banks,” Mr. Grannum said. “The white guy in the suit with the same income gets a loan and you don’t?”

“So you turn to local brokers, even if they don’t offer the best rates.”

This may help explain an unusual phenomenon: Upper-income black borrowers in the region are more likely to hold subprime mortgages than even blacks with lower incomes, who often benefit from homeownership classes and lending assistance offered by government and nonprofits.

Help for Lost Causes

The foreclosure storm shows few signs of abating. Scam artists and deed thieves prey on the desperate as complaints flood the offices of local prosecutors. In a church meeting room in the Guyanese neighborhood of Flatlands, Brooklyn, 200 homeowners tell of paying \$3,000 or \$4,000 to firms to “fix” their mortgage troubles. Often, these firms disappear with the money.

In southeast Queens, politicians have asked homeowner advocacy groups to set up shop in their offices. “My office is St. Jude, the patron saint of lost causes,” Councilman Sanders said.

A few steps clear of the rubble. Antoinette Coffi, 45, saw an ad on the subway, a photo of a black couple gazing at a gleaming home. She walked into that company’s office two years ago, and six weeks later she, her two children, her mother and cousin had a home in Queens. She ended up with not one but two mortgages, including a variable-rate loan that started at 11 percent.

Last year her work hours were cut and she fell behind. “The stress, oh my God,” she said, her voice thick with the juicy vowels of her native West Africa.

With the help of Changer, an advocacy group, she has kept the house. But her neighbors may not be as lucky. “Everywhere, everyone talks about being put in the street,” she said.

Foreclosure is cutting so deep as to reshape the geography. If enough homes go vacant in Queens and Newark and Roosevelt, a cycle of disinvestment could beckon.

“Some home-owning neighborhoods may turn back to rentals and some might not survive,” said Jay Brinkman, chief economist for the Mortgage Bankers Association in Washington. “They might end up bulldozed.”

That sounds a touch apocalyptic. The Obama administration has set aside \$50 billion to persuade banks to reduce monthly payments to help borrowers avoid foreclosure. Immigrants continue to flock here, and New York City officials have spent tens of billions of dollars since the 1980s to rebuild and shore up hard-pressed neighborhoods.

But few in 1965 would have predicted the South Bronx devastation of 1979. At the very least, tens of

thousands of people will lose their homes, their savings and their dreams.

“Rather than helping to narrow the wealth and home ownership gap between black and white,” Mr. Grannum said, “we’ve managed in the last few years to strip a lot of equity out of black neighborhoods.”

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