

NYC foreclosed homes owned by lenders spikes

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The foreclosure crisis has driven the number of bank-owned properties in New York City to 1,750—a six-fold increase in just two years, a new report shows.

Although only a small percentage of the properties that entered foreclosure over the last 15 years ended up as being owned by banks, mortgage companies, mortgage-backed security trusts and other investors, [a study by the Furman Center for Real Estate & Urban Policy](#) found a staggering rise in bank-owned inventory over the last three years, from 290 properties in December 2006 to 1,750 in September 2009.

“If we can identify what kinds of properties are likely to end up as [bank-owned], where they are located, and what their effects are on the surrounding neighborhoods, foreclosure response efforts can be better targeted at the neighborhoods that need them most,” said Vicki Been, faculty director of the Furman Center.

Typically, banks come to own the homes when their minimum price is not met at a foreclosure auction. Housing advocates and elected officials have zeroed in on the properties, known as real estate owned, or REOs, because of their potential to harm neighborhoods and drag down property values. The homes almost always lay vacant, leaving them vulnerable to vandals. Because large financial institutions or mortgage trusts see the properties as minor assets, they sometimes skimp on maintenance and allow properties to fall into disrepair. As conditions deteriorate, local government can get stuck with the cost of providing added police and fire protection, code enforcement and even demolition.

The number of REOs in the city remains small when compared to harder-hit areas of the country, but the report finds bank-owned properties are highly concentrated in the eastern Queens, central Brooklyn and north shore of Staten Island neighborhoods that have been hurt most by the mortgage crisis.

The highest number by far is in Queens, which is home to 1,072 REOs. Brooklyn has 245 and Staten Island has 226. Nearly 20% of all 2007 foreclosure filings in Queens wound up as REOs, the highest rate in the city.

The report also found that most New York City properties that entered foreclosure in the past 15 years never completed the process because owners typically sell their homes or become current on their loans. Of those homes that do wind their way through foreclosure and end up as bank owned, nearly half are bought and resold within a year for significant profit. Between 1995 and 2007, properties flipped within a year resold at an average of 45% more than the purchase price.

Among the approximately 12,000 one-to-four family homes that were hit with foreclosure notices in 2007, 54% were never sold and had not completed the process by September 2009. Almost 14% had not been sold, but had received another foreclosure filing. Some 14% were sold and another 4% transferred through divorce or estate sales. Another 12% went to auction, but were not sold, ending up as REOs.