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Southeast Queens is foreclosure central

Area is city, national disaster despite governments' help.

By **Amanda Fung**

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In 2008, James Williams fell ill and had to stop driving a truck for a living—just as his new adjustable-rate mortgage kicked into high gear, boosting his monthly housing payment by nearly a third.

With little income and a 40-year-old disabled son to support, the homeowner from St. Albans, Queens, has now spent more than a year pleading for relief from Litton Loan Servicing, the firm that bought his mortgage from his bank. A few months ago, Litton finally agreed to consider modifying the loan, but Mr. Williams still has no idea if that will take place, or under what terms.

“I am waiting and saving my money,” says Mr. Williams, who went back to work six months ago. “My son and I have nowhere else to live, and I just need the company to be fair.”

Welcome to ground zero of the city's foreclosure crisis.

It's been three years since the subprime disaster first hit home, and in most parts of the city, the crisis is ebbing as the economy begins to recover and homeowners who lost their jobs return to work. But not in southeast Queens. There, the crisis is just as severe as ever, despite the efforts of the Obama administration to offer loan modifications, and additional assistance from state and local officials, as well as many lenders themselves.

The area's residents, many of whom are African-Americans, were the biggest victims of subprime lending and among the most susceptible to fraud. In addition, prices of the single-family homes that predominate in the area saw some of the biggest drops in value in the city. In Jamaica, home prices plummeted 33% in the second quarter of this year, compared with a 23% drop citywide, according to New York University's Furman Center for Real Estate and Urban Policy.

In fact, neighborhoods like St. Albans, south Jamaica, Hollis and Queens Village—all in southeast Queens—have led the city in terms of the number of foreclosures each month since PropertyShark.com started tracking foreclosures in 2006.

According to the most recent RealtyTrac Inc. data, foreclosures in two ZIP codes in St. Albans, where monthly rates rank as the highest in the nation, rose 80% in one area and doubled in the other in August versus the month before.

Out in the rain

No wonder that 30 families braved a downpour last Monday to attend a session on foreclosures at the African Center for Community Empowerment in St. Albans.

“The federal [loan modification] program is helpful, but it is not making a huge dent in the number of foreclosure filings,” says Josh Zinner, co-director of the Neighborhood Economic Development Advocacy Project. “There are so many new filings due to the resetting of adjustable-rate mortgages and the loss of [jobs].”

Many experts trace the high foreclosure rates in southeast Queens to a surge in “high-cost” loans—loans with above-average interest rates—at the peak of the market in 2006. Back then, 60% of all new home loans fell into this category in Community District 12, which includes Jamaica and St. Albans, compared with just 23% citywide, according to the Furman Center.

“Southeast Queens is the heart of mortgage fraud,” says Lionel Ouellette, executive director of Changer, a homeowner advocacy organization. “A stretch on Hillside Avenue, known as mortgage-broker alley, is the source of the many of the problems.”

Barbara Petrie, a single mother of three, is among the St. Albans homeowners facing foreclosure. She traces her problems back to 2008, when she hired a firm that promised to help her modify her loan for a $2,000 fee. Ms. Petrie, who fell behind in her payments following surgery that forced her to quit her job, eventually learned that her lender didn't even participate in any loan-modification programs.

“They built up my hopes,” says Ms. Petrie. “I was devastated.”

While the federal government's massive Home Affordable Modification Program has given many homeowners a glimmer of hope, it hasn't offered much more than that. According to Neighborhood Housing Services of Jamaica, only 33% of the 469 loan-modification applications submitted from the Jamaica and St. Albans area in the last eight months have been accepted.

“Borrowers get frustrated,” says Ismene Speliotis, executive director of the Mutual Housing Association, adding that 30% to 40% of the homeowners that come in for counseling end up dropping out.

Jean Sassine, a married father of two who lives in a three-bedroom house in Queens Village, is one of the frustrated homeowners who is still waiting for relief.

On a recent Wednesday afternoon, he was printing out four months of bank statements for Chase—something he's been doing ever since he applied for a loan modification. Since losing his job two years ago, Mr. Sassine has accumulated roughly $16,000 in arrears.

“Every time I get a phone call, I think they will say, 'We're ready to sit down and sign,' ” says Mr. Sassine. “In the meantime, we're getting deeper into a hole.”

Those who are already in foreclosure may end up getting a big break from their lenders. Last week, J.P. Morgan Chase followed GMAC Mortgage and froze foreclosure cases nationwide so it can examine its legal procedures for filing foreclosures.

New efforts on the city level are also giving some distressed homeowners hope. For instance, the Department of Housing Preservation and Development is rolling out a mortgage assistance program, through which the city hopes to raise at least $10 million to offer loans to homeowners at risk of foreclosure in the hardest-hit areas.

Furthermore, new state foreclosure laws took effect in April. They expand homeowner protections by offering settlement conferences, previously open only to homeowners with subprime loans. They also allow a bank to lower the principal of a loan for a home whose value is now less than the original loan.

“The state program for settlement conferences is groundbreaking,” says housing advocate Mr. Zinner. “It's a positive step, but the big problem is getting the loan servicers to do modifications.”
