

FURMAN CENTER FOR REAL ESTATE & URBAN POLICY

NEW YORK UNIVERSITY SCHOOL OF LAW • WAGNER SCHOOL OF PUBLIC SERVICE

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New Housing Data Continue to Show Signs of Danger for New York City's Homeowners, Furman Center Analysis Concludes.

Despite a small decline between 2005 and 2006, New York City's rate of subprime lending remains much higher than the rest of country and other large cities. Disparities persist in 2006: Black borrowers in New York were four times more likely to receive subprime loans as White borrowers; Hispanic borrowers were three times more likely.

Data released by the Home Mortgage Disclosure Act (HMDA) this fall show that for the first time this decade, the national rate of subprime lending decreased in 2006, according to an analysis by the Furman Center for Real Estate and Urban Policy a joint initiative of NYU's School of Law and the Robert F. Wagner School for Public Service. After several years of incremental increases, the national rate dropped five percentage points, from 17.9% to 12.8% between 2005 and 2006. During this same time period, the rate of subprime lending in New York City also dropped, but it declined less significantly, dropping only three percentage points, from 23.0% to 19.8%. As a result, the rate of subprime lending in NYC remains much higher than in the rest of the country, and because of the smaller decline, the disparity between subprime lending rates in NYC and the rest of the country was actually larger in 2006 than it was in 2005.

"For better or for worse, New York City's housing market behaves differently," commented Furman Center Director Vicki Been. "On the one hand, we've seen NYC's housing market largely resist the downturn experienced around the country. On the other hand, the fact that so many of our homeowners have subprime loans raises questions about the sustainability of our housing market." New York City also saw a smaller decline in subprime lending than other large U.S. cities. NYC saw a much smaller drop than Boston, San Francisco, Los Angeles, or Chicago did. Interestingly, Washington D.C. actually saw a slight increase in the rate of subprime lending from 2005 to 2006 (10.1% to 12.6%), but New York's overall rate remains much higher than that of the nation's capital.

"These findings raise important questions for the City," said Furman Center Co-Director Ingrid Gould Ellen. "Research has shown that subprime loans are much more likely than prime loans to wind up in foreclosure. When we're seeing one in five home purchase loans still being issued by subprime lenders, we have to be concerned about the future of the homeowners who continue to take out risky loans."

The Bronx experienced the largest decrease in subprime lending of any borough, from 34.5% in 2005 to 27.4% in 2006, and is the only borough where the 2006 rate dropped below the 2004 rate (28.2%). Despite this significant decline, the Bronx remains the borough with the highest rate of subprime lending.

The rate of subprime lending decreased for all race/ethnic groups in NYC, with Hispanics seeing the most significant decline, from 39.3% in 2005 to 28.6% in 2006. Even with this decline, Hispanic borrowers in New York are still three times more likely to have a loan issued by a subprime lender than white borrowers. Black borrowers are four times more likely to have a loan issued by a subprime lender than white borrowers.

Finally, the new data show that the neighborhood disparities seen over the past few years persist. Each of the top five neighborhoods with the highest rates of subprime lending in 2005 are still in the top 10 in 2006. Manhattan remains essentially unaffected (less than one percent of home purchase loans were subprime in 2006).

Rate of Subprime Lending by Borough, 2002 - 2006					
	2002	2003	2004	2005	2006
Bronx	14.2%	19.7%	28.2%	34.4%	27.4%
Brooklyn	9.2%	13.9%	18.4%	26.1%	23.6%
Manhattan	1.3%	1.8%	0.6%	1.1%	0.8%
Queens	7.7%	12.6%	17.8%	28.2%	24.4%
Staten Island	7.2%	11.1%	13.9%	19.9%	17.1%
NYC Total	7.0%	10.8%	14.9%	22.9%	19.8%

Ten Community Districts with the Highest Rates of Subprime Lending	
Sub Borough Area	Percent of Home Purchase Loans Issued by Subprime Lender
University Heights/Fordham	47.2%
Jamaica	46.0%
East Flatbush	44.0%
Brownsville	43.8%
Williamsbridge/Baychester	41.6%
East New York/Starrett City	39.5%
Bushwick	38.6%
Morrisania/Belmont	37.2%
Queens Village	34.6%
Bedford Stuyvesant	34.2%

Rate of Conventional Subprime Lending by Race, 2002 - 2006					
	2002	2003	2004	2005	2006
White	4.6%	6.2%	7.2%	11.2%	9.1%
Black	13.4%	20.5%	35.2%	47.1%	40.7%
Hispanic	11.9%	18.1%	27.6%	39.3%	28.6%
Asian	4.2%	6.2%	9.4%	18.3%	13.6%

Source: 2006 Home Mortgage Disclosure Act

Note: The subprime lending rate is calculated as the proportion of conventional 1 – 4 family home purchase loans issued by a subprime lender, as defined by HUD.

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About the Furman Center for Real Estate and Urban Policy

The Furman Center for Real Estate and Urban Policy is a joint initiative of the New York University School of Law and the Robert F. Wagner Graduate School of Public Service at NYU. Since its founding in 1994, the Furman Center has become the leading academic research center in New York City devoted to the public policy aspects of land use, real estate, and housing development. The Furman Center is dedicated to providing objective academic and empirical research on the legal and public policy issues involving land use, real estate, housing and urban affairs in the United States, with a particular focus on New York City.