

REGIONAL REPORT

NORTHEAST

Cloudy Outlook

Northeastern housing market still fogged in by foreclosures

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BY BENDIX ANDERSON

Rising loan foreclosures and slow sales of houses and condominiums have affordable housing developers and officials across the Northeast scrambling to adjust.

Even in the largest markets, like New York City and Boston, where local researchers say property values are still high, housing experts expect a flood of foreclosures in the low-income neighborhoods where affordable developers do most of their work.

In aging cities already plagued by vacant and abandoned properties, such as Newark, N.J., and Buffalo, N.Y., foreclosures are adding more boarded-up buildings to the streets, experts say.

There's not much of a silver lining to the cloudy housing market in the Northeast, although officials in several states say the foreclosure rate is still less than 1 percent among low- and moderate- income families who bought affordable housing from the community development groups. Many of these families qualify as "subprime" borrowers. However, unlike most subprime borrowers, these families typically received home loan counseling in addition to downpayment assistance and affordable fixed-rate loans.

For developers of rental affordable housing, foreclosures have exacerbated the crisis in the capital markets, which has sapped the value of subsidies like the low-income housing tax credit. The tradition of local investment in affordable housing in Northeastern states is helping to make up some of the difference by providing state subsidies for affordable housing.

The view from Erie County, Pa.

The new house at 330 W. 17th St. here has a broad front porch, 1,780 square feet of space, and a nice price: \$78,000. It's one of three affordable homes offered for sale by local nonprofit Housing and Neighborhood Developer Service (HANDS). All three have been on the market for the last six months, even though the affordable homes developed by

HANDS normally sell in half that time.

“They’re attractive and very affordable,” said Chuck Scalise, executive director for HANDS, of the three houses. “But we are getting no takers.”

Across the Northeast, affordable homes are taking longer to sell as foreclosures spike upward and banks hesitate to make loans.

The pending home-sales index kept by the National Association of Realtors dropped to 71.8 in the Northeast in February, down 25 percent from the year before. The index is based on a sample that represents about 20 percent of transactions for existing home sales, with a score of 100 representing the average level of contract activity when the monthly index was started in 2001.

Although the crisis has prompted HANDS to suspend construction of new houses this year, it is also helping the nonprofit’s portfolio of affordable rental apartments. The percentage of occupied apartments in the HANDS portfolio of 850 units rose to 98.5 percent this spring, up from less than 97 percent a year ago. Scalise credits the increase to rising foreclosures in Erie County, which have pushed many residents out of their homes and back into the rental market.

In some ways, small Northeastern towns like Erie might seem to have been spared from the real estate crash, in the same way they were left, for the most part, out of the boom. The median price of a home has dropped only slightly here, to \$103,000 in 2007 from \$105,000 in 2006. In 2003, the median price was \$92,000.

“We never experienced the bubble,” said Scalise.

However, subprime lenders were active here, and today banks are foreclosing on a growing number of home loans. The number of foreclosed properties sold at sheriff’s sales in Erie County reached 716 in 2007, up from 636 in 2006 and 520 in 2003, according to the Erie County Sheriff’s Office.

And the housing pain isn’t likely to stop for Erie County. Experts predict an even higher number of sheriff’s sales in 2008, and the three housing counselors at the Saint Martin Center, a nonprofit affiliated with HANDS, have been flooded with calls to provide foreclosure prevention counseling.

Northeast Updates

New York City’s Foreclosure Prevention Helpline, which links callers with counselors certified by the Department of Housing and Urban Development, has received more than 2,600 calls since the program started in April 2007. “With guidance and support, many homeowners can regain their footing and protect their property,” said city Comptroller William Thompson.

The Pennsylvania Housing Finance Agency has been fighting home loan foreclosures since the 1990s, when steel mill closings sucker-punched the state's economy. The 15-year-old Homeowners Emergency Assistance Program, which provides 24-month loans of up to \$60,000, was one of the first of its kind in the country. Newer programs can provide 100 percent refinancing or attempt to negotiate with lenders when home values fall below the amount owed on their mortgage loans.

Early this year, Boston added ACORN Housing Corp. to its Counseling Network and began a new partnership with the Real Estate Bar Association to provide free legal assistance to moderate- and middle-income homeowners. The city's Affordable Mortgage Assistance Loan also provides up to \$5,000 in subordinate deferred financing to help at-risk homeowners qualify for refinancing loans. "There is a lot of work yet to be done," said Mayor Thomas Menino.

Affordable housing will get \$300 million in the New York state budget enacted by new Gov. David Paterson in April. That's up from an average annual appropriation of \$105 million a year over the last seven years. The money includes \$60 million for the Housing Trust Fund Corp.; \$54 million for the Mitchell-Lama Rehabilitation and Preservation program and the All Affordable program; and \$25 million for homeownership counseling for families facing foreclosure.

Eight new condominium townhouses and 16 rental apartments opened in March at the Taylor Street Apartments. The homes make up the first phase of the HOPE VI redevelopment of Fairfield Court, a 144-unit distressed public housing project in Stamford, Conn. The project will eventually include 275 units of mixed-income housing with enhanced services, including 76 homes that will sell to first-time homebuyers.

In April, the Housing Partnership Development Corp. received \$3.1 million in grants to build 89 homes in partnership with local developers in New York City neighborhoods like East New York, Morris Heights, and Brownsville. The New York State Affordable Housing Corp. grants will be mixed with bank financing and city-owned land to create nearly 100 affordable for-sale homes.