NYC foreclosure rates hit Brooklyn, Bronx hardest

Wed Apr 11, 2007 3:41pm EDT

By Walden Siew

NEW YORK (Reuters) - Homeowners in New York's predominantly minority neighborhoods of Brooklyn and the Bronx are more likely than other borrowers to have subprime mortgages and many now face foreclosure, according to a university study.

The rate of subprime home purchase lending in New York City rose to about 23 percent in 2005, and in some poorer neighborhoods the share of new home purchase loans was 50 percent or higher. The national average is 17 percent, according to a New York University draft report on mortgage foreclosures in New York City presented on Wednesday.

"The risk of foreclosure is likely to increase as the housing market cools," said Jenny Schuetz, a research fellow at NYU's Furman Center for Real Estate and Urban Policy. "Subprime borrowers are more likely to be in lower-income households, non-white and in houses in rapidly depreciating markets."

Schuetz spoke at a New York State Banking Department conference on mortgage fraud at NYU.

The rate of foreclosure starts, the first step in the foreclosure process, was highest in Bedford Stuyvesant, Bushwick and East New York/Starrett City in Brooklyn and Belmont/East Tremont in the Bronx, according to NYU's study, based in part on county court data collected between 2002 and 2005.

In Bedford Stuyvesant, the rate of pending lawsuits against a property owner -- the first public record of loan distress -- was 307 per 1,000 housing units, the preliminary study found. In Manhattan, the rate was between 3.4 and 6.7 per 1,000 housing units.

New York, a city of renters, has the lowest homeownership rate among major cities in the United States, but subprime loans helped open up the possibility of owning homes to "marginal homeowners," Schuetz said.

The homeownership rate in the United States climbed to about 67 percent in 2005. In New York City the rate rose to 33 percent in 2005, up from about 29 percent in 1990.

The study also found that three quarters of homeowners earning less than $50,000 annually pay more than half of their income to housing costs.

Meanwhile, several leading Democratic lawmakers said on Wednesday the federal government should offer troubled borrowers hundreds of millions of dollars to bail them out of subprime mortgage loans.

"The federal government can send in an infusion of (money) to prevent foreclosure," said Sen. Charles Schumer, a New York Democrat who is also chairman of the Joint Economic Committee, a joint committee of Congress.

The cash infusion is needed right away and should go to both help fund community groups aiding troubled borrowers and to directly fund bailouts, Schumer said.

In New Jersey, Assembly Deputy Speaker Neil Cohen on Wednesday called for a state-imposed moratorium on subprime mortgage loan foreclosures, pending an investigation into the problems in the subprime lending market and its effects on New Jersey homeowners.

The New Jersey attorney general's office had no immediate response.