Section 2:
Homeowners and Their Homes

Nearly a third of New York City households own their own homes. This is a lower rate than throughout the U.S. where closer to two-thirds of households own the homes in which they live. In 2012, New York had the lowest homeownership rate (31.7%) of any city with over 300,000 residents (roughly the largest 60 cities in the U.S.) followed by Miami (32.3%), Boston (33.2%), and San Francisco (36.0%). The year 2013 was a bright one for homeowners in New York by most measures, with increasing property values across the city and fewer pre-foreclosure notices. However, the number of foreclosure filings inched up slightly and low levels of mortgage lending make clear that homeownership is still out of reach for many households, especially those with low and moderate incomes.

1. New York's homeownership rate has fallen slightly since 2007.

From 2000 to 2007, the homeownership rate in New York City increased from 30.2 percent to 33.6 percent, though some of that was likely driven by unsustainable mortgage lending practices. In the wake of the foreclosure crisis, the homeownership rate receded somewhat between 2007 and 2012, but at 31.7 percent, it remained higher than in 2000.

Figure 2.1 shows that there is tremendous variation in the homeownership rate across the city's boroughs. In Staten Island, 67.3 percent of households owned their homes in 2012, while in the Bronx just 19.1 percent were owners. In all five boroughs, however, homeownership followed similar patterns, increasing between 2000 and 2007 and decreasing since 2007. Perhaps not surprisingly, there is also a wide gap in homeownership between households of different incomes: in 2012, just 20.2 percent of New York City households earning up to 80 percent of the metropolitan area's median household income owned their homes, compared to 49.2 percent of those earning more than 120 percent of area median income.[1]

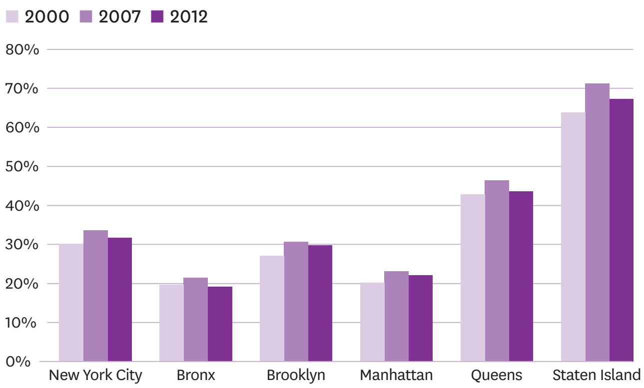
2. Home prices increased in every borough in 2013.

Across the city, residential property values increased by 9.3 percent from 2012 to 2013. For the second year in a row, home prices also increased in every borough. Figure 2.2 shows that in 2013, prices increased the most in Brooklyn (12.2%) followed by Manhattan (11.1%), Queens (10.1%), Staten Island (4.6%), and the Bronx (4.1%). Manhattan is the only borough where prices have surpassed their pre-recession peak. In 2013, residential property prices in Manhattan were on average 9.1 percent higher than they had been in 2009.

Prices also increased for each housing type for the second year in a row. Figure 2.3 shows that rental apartment buildings with at least five units and condominium units saw the biggest price increases from 2012 to 2013, 18.4 percent and 11.2 percent respectively. Both types of properties have appreciated to price levels above their pre-recession peak. Single-family and two- to four-family homes experienced more modest but still steady appreciation from 2012 to 2013, with prices increasing by 8.1 percent and 7.4 percent respectively.

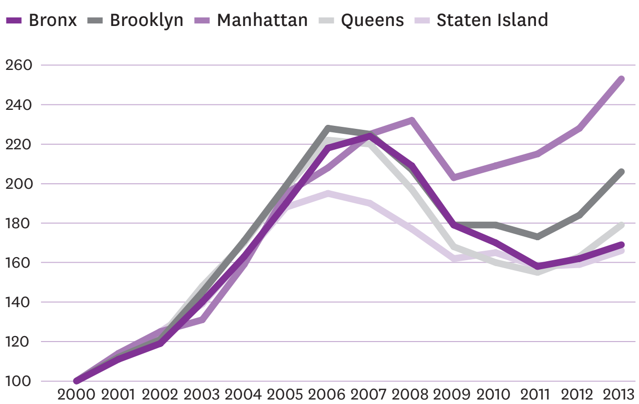
1 For three-person households in 2012, 80 percent of the metropolitan area median income (AMI) was $59,800 and 120 percent of AMI was $89,650 in nominal terms. See Methods chapter for more information on area median income.

Figure 2.1: Homeownership Rate by Borough



Sources: U.S. Census (2000), American Community Survey (2007, 2012), NYU Furman Center

Figure 2.2: Index of Housing Price Appreciation for All Residential Property Types by Borough



Sources: New York City Department of Finance, NYU Furman Center

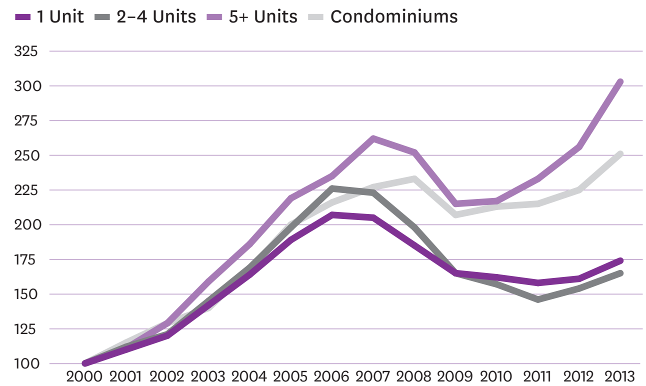
3.

Volume of sales increased for second year in a row in 2013.

In 2013, over 37,000 properties were sold to new owners in arm's length transactions, nearly 4,000 more properties than in 2012. Overall, this was the greatest number of sales recorded since 2008. Figure 2.4 shows that each borough saw at least a modest increase in the number of property sales from 2012 to 2013. The biggest year-over-year change in sales volume was in Staten Island where the number of sales transactions increased by 27 percent to 3,405 sales. Still, every borough recorded just a fraction of the number of sales recorded during the height of the pre-recession real estate boom.

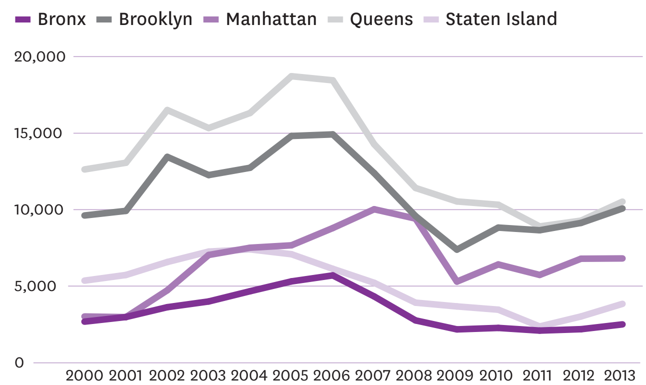
The number of sales transactions also increased for every property type between 2012 and 2013. Sales of single-

Figure 2.3: Index of Housing Price Appreciation by Property Type



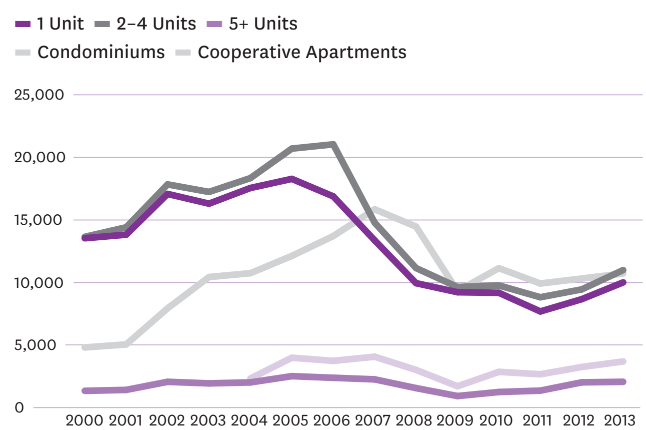
Sources: New York City Department of Finance, NYU Furman Center

Figure 2.4: Sales Volume by Borough*



**Borough totals do not include sales of cooperative apartments.*
Sources: New York City Department of Finance, NYU Furman Center

Figure 2.5: Sales Volume by Property Type*



**Deeds data recording sales of cooperative apartment units are not available prior to 2004.*
Sources: New York City Department of Finance, NYU Furman Center

family and two- to four-family homes together accounted for over half of all property sales in the city in 2013, followed by condominium units (28.6%). This condominium sales share was up substantially from the early 2000s, reflecting the fact that condominiums made up a large proportion of new construction activity in the past decade. In fact, the absolute number of condominium sales in 2013, though lower than the pre-recession peak, was nevertheless substantially higher than in the early 2000s, before the pre-recession real estate boom began.

4. Mortgage Lending

a. Home purchase lending remained low in 2012.

The number of home purchase mortgages originated in New York remained low in 2012, largely unchanged from each of the previous three years. Home purchase mortgage lending has not only remained far below the peak of the real estate boom in 2005 and 2006, but much lower even than in 2000, well before the boom. Figure 2.6, which indexes the annual number of mortgage loans to 2000 levels, shows that the ongoing slump in home purchase lending affected all five boroughs.

As Figure 2.7 shows, the drop in home purchase lending in New York City since the real estate boom has generally tracked the national trend. One reason that mortgage lending has declined so much in New York City and nationally is the significant tightening of underwriting standards by private lenders since the financial crisis and the collapse of the subprime lending industry. Likely as a result of these changes to the lending industry, the share of home purchase borrowers relying on mortgages backed by the Federal Housing Administration and Department of Veterans Affairs (FHA/VA) increased rapidly after 2007. These loans are more accessible to buyers with less wealth for down payments and lower credit scores than prime loans. As Figure 2.8 shows, FHA/VA lending maintained a relatively high market share in 2012 in both New York City and nationally, though it declined from 2011 in both. And while the FHA/VA share in New York City was higher in 2012 than during real estate boom years, it continued to be much lower than the share nationally.

b. There is very little home purchase lending to low-income city neighborhoods.

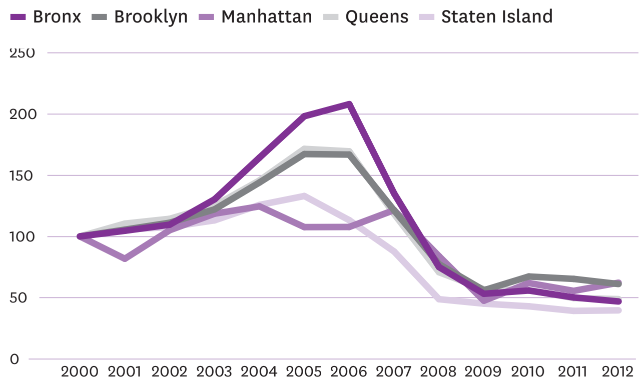
Because of New York City's extremely high home values, homeownership is out of reach for a vast majority of low- and moderate-income (LMI) households. In 2012, New York City households earning up to 80 percent of the metropolitan area's median family income, our definition of LMI for this analysis, made up 52.2 percent of all households, but accounted for only 10 percent of the city's home purchase loans.[2] Nationally, LMI households accounted for 34 percent of all home purchase mortgages originated in 2012.

Figure 2.9 shows year-to-year changes in home purchase lending to LMI and non-LMI homebuyers, indexed to 2004 levels. Lending to LMI homebuyers in New York City declined rapidly between 2004 and 2007 as home prices rose, pushing many LMI households out of the market. However, in 2008, home purchase lending to LMI borrowers partially rebounded and has remained roughly stable since, though at a level about 40 percent lower than in 2004. Mortgage lending to non-LMI homebuyers (those with incomes higher than 80 percent of the metropolitan area median) began to decline slightly later, but by 2009 had dropped even further than lending to LMI borrowers. Since 2010, lending to non-LMI borrowers has been about 60 percent lower than in 2004. Because the decline in lending to non-LMI homebuyers was more severe, the percentage of all home purchase mortgages issued to LMI borrowers actually increased in the wake of the financial crisis, from only about four percent in 2006 and 2007, to roughly 10 percent during the period from 2009 and 2012.

The trend in mortgage lending looks somewhat different if we look at the incomes of neighborhoods, rather than of borrowers. Many borrowers taking out mortgages to purchase homes in LMI neighborhoods do not themselves have a low or moderate income, and some LMI homebuyers

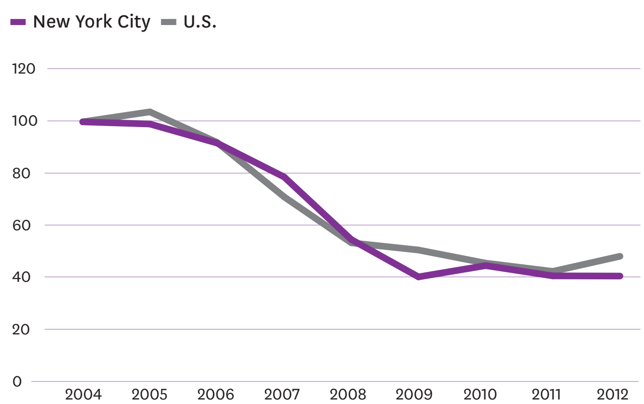
2 Income limits in the Mortgage Lending subsection differ from those used elsewhere in the *State of New York City's Housing and Neighborhoods* in meaningful ways. In most indicators in this report, we define low-income households as those earning up to 80 percent of the metropolitan area median income, adjusted for many factors including household size, as determined for the U.S. Department of Housing and Urban Development's Section 8 and HOME programs. We also define moderate-income households as those earning more than 80 percent and up to 120 percent of area median income, also adjusted for factors including household size. The Home Mortgage Disclosure Act (HMDA) data used in this section of the report set metropolitan area median family income in 2012 based on the American Community Survey 2006-2010 estimates, and unlike HUD's Section 8 income guidelines, HMDA's 80 percent limit is applied directly to the area median family income and is not adjusted for household size. In 2012, 80 percent of area median family income in HMDA was $54,640, while 80 percent of the area median income according to HUD's Section 8 guidelines was $59,800 for a three-person household.

Figure 2.6: Index of Home Purchase Loan Originations by Borough*



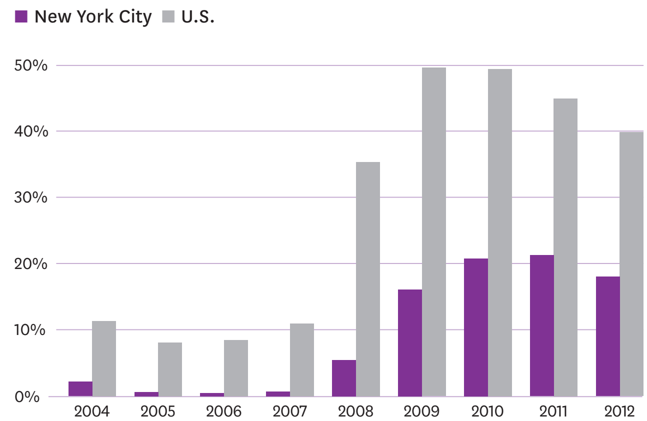
**First-lien home purchase loans issued to owner-occupants of one- to four-family homes, condominiums, and cooperative apartments.*
Sources: Home Mortgage Disclosure Act, NYU Furman Center

Figure 2.7: Index of Home Purchase Loan Originations, U.S. and New York City*



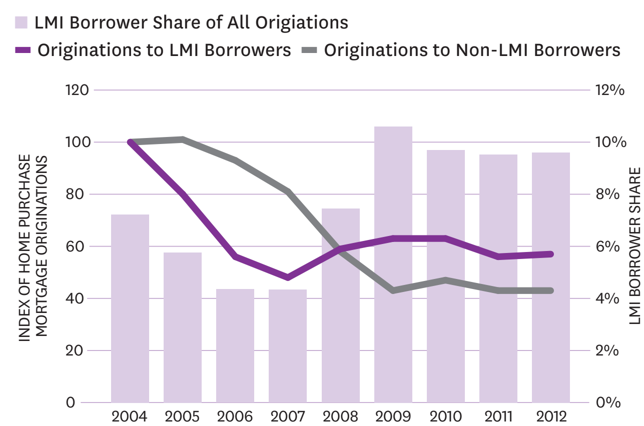
**First-lien home purchase loans issued to owner-occupants of one- to four-family homes, condominiums, and cooperative apartments.*
Sources: Home Mortgage Disclosure Act, NYU Furman Center

Figure 2.8: FHA/VA Share of Home Purchase Mortgage Originations, U.S. and New York City*



**First-lien home purchase loans issued to owner-occupants of one- to four-family homes, condominiums, and cooperative apartments.*
Sources: Home Mortgage Disclosure Act, NYU Furman Center

Figure 2.9: Index of Home Purchase Mortgage Originations by Borrower Income Level and Low-Income Borrower Share, New York City*



**First-lien home purchase loans issued to owner-occupants of one- to four-family homes, condominiums, and cooperative apartments.*
Sources: Home Mortgage Disclosure Act, NYU Furman Center

may be purchasing homes in non-LMI neighborhoods. Figure 2.10 shows the change in home purchase loan originations for properties located in LMI neighborhoods (those with median incomes up to 80 percent of the area median family income) and non-LMI neighborhoods between 2004 and 2012. Lending in both types of neighborhoods dropped dramatically after the height of the pre-recession real estate boom, especially between 2006 and 2009, and then remained fairly steady between 2009 and 2012.[3] In 2012, lending to homebuyers in LMI neighborhoods was about 65 percent lower than it was in 2004; lending to homebuyers in other neighborhoods was down by about the same amount (about 60 percent since 2004). As Figure 2.9 also shows, the share of all home purchase mortgages that were originated in LMI neighborhoods peaked at 28 percent in 2006 but had dropped below 20 percent by 2012.

3 In HMDA data for years 2004 to 2011, the source of neighborhood income (at the tract level) was income reported in 1999 for the 2000 U.S. decennial Census. The source changed in HMDA data for 2012 to American Community Survey 2006-2010 estimates.

c. The Manhattan refinance boom continued in 2012.

The number of mortgage refinancings in New York City jumped by 26 percent between 2011 and 2012 as interest rates continued to fall and housing values increased, lifting more borrowers "above water." As Figure 2.11 shows, the recent refinancing boom was most dramatic in Manhattan, where housing values increased most in recent years and, given the particularly large mortgages, homeowners stood to save the most through lower interest rates. Refinancing activity also increased in each of the other four boroughs, but unlike Manhattan, it remained far below the levels between 2004 and 2006, the height of the pre-recession mortgage boom.

5. The affordability of homes available for purchase has increased substantially since 2007.

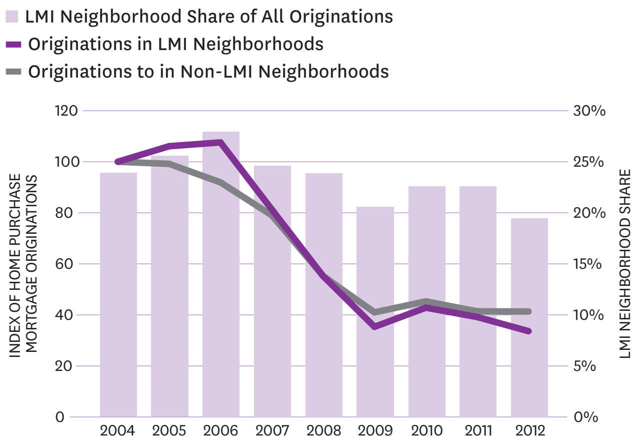
The affordability of an available house to most households depends in large part on their income, the sales price for the house, and interest rates, which help determine the purchaser's monthly mortgage payment. Of course, many other factors are crucial to determining affordability as well (including the amount of savings a household has available for a down payment, the ability to qualify for a mortgage, and other demands on a household's income), but focusing on changes to income levels, home prices, and interest rates offers a useful window into the shifting availability of homeownership to those able to qualify for a mortgage and save for a down payment. To track affordability based on these factors, we calculate the share of one- to four-family home and condominium sales in New York City each year that would result in an estimated mortgage payment (consisting of principal and interest only) equal to 25 percent or less of different income levels. We use 25 percent instead of the more typical 30 percent affordability threshold to account for the other costs of homeownership, including property taxes, property insurance, and maintenance. We estimate mortgage costs for both a fixed-rate conventional loan and a fixed-rate FHA loan, as we assume many households would not have the savings to afford the 20 percent down payment typically required for a conventional loan. We assume the FHA loan would allow for a relatively small down payment, but would require monthly mortgage insurance payments and a higher interest rate as compared to a fixed-rate conventional loan. The Methods chapter has more information about the calculation of this indicator.

Figure 2.12 shows that virtually none of the homes sold in 2013 would have been affordable to purchasers earning 30 percent of the area median income (AMI) for a three-person household, regardless of the type of mortgage they might use. With a conventional mortgage, the share of homes affordable to a household earning 50 percent of AMI was slightly higher than 10 percent, but rises to 27 percent for households earning 80 percent of AMI, more than half for households earning 120 percent of AMI, and to more than 80 percent for households earning two and one-half times AMI. Because of the higher interest rate, mortgage insurance premiums, and larger mortgage principal (given the much smaller down payment we assume), a significantly smaller share of 2013 home sales were affordable to households at every income point if they used FHA mortgages.

By our measure, affordability has increased significantly since the peak of the housing boom. Not only were the prices of homes sold in recent years lower, on average, than during the pre-recession boom, but, as shown in Figure 2.11, interest rates have dropped significantly as well. Figure 2.13 shows that the share of all one- to four-family home and condominium sales affordable to homeowners earning 80 percent of AMI using a conventional mortgage climbed from about five percent between 2004 and 2007, to almost 30 percent in 2012 and 2013. Similarly, the share of all home purchases affordable to those earning 200 percent of AMI jumped from about 50 percent to 80 percent between 2007 and 2012, and declined only slightly in 2013. The trend for affordability using FHA loans was similar, though the proportion of home sales affordable to households relying on an FHA loan was lower at every income level.[4] It is important to note, however, that the total number of home sales has dropped significantly since pre-recession highs, so the absolute number of home sales affordable to households at different incomes may not have changed.

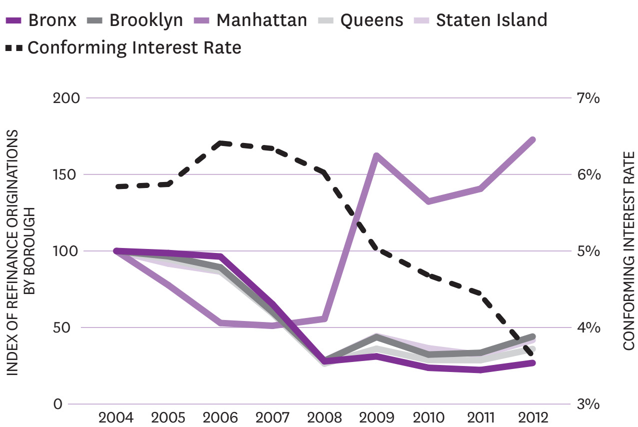
4 As shown in the prior subsection, most homebuyers use conventional mortgages in New York City, and this is true even for low and moderate income households. In 2009, for example, only 8% of all LMI homebuyers in New York City used an FHA mortgage. Furman Center, "Mortgage Lending to Vulnerable Communities: A Closer Look at HMDA 2009." 2011. Available at http://furmancenter.org/files/publications/MortgageLendingtoVulnerableCommunitiesUpdatedFinal.pdf.

Figure 2.10: Index of Home Purchase Mortgage Originations by Neighborhood Income Level and LMI Neighborhood Share, New York City*



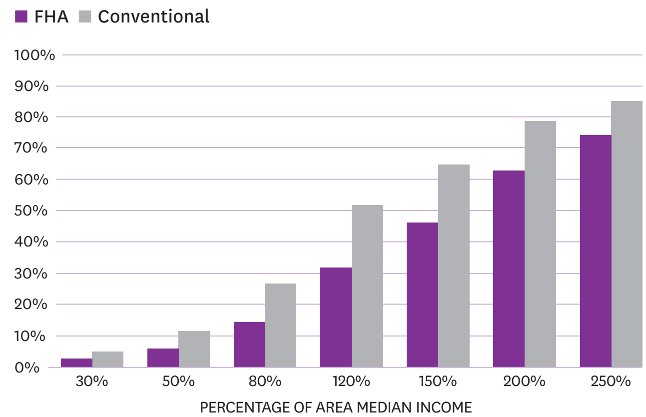
First-lien home purchase loans issued to owner-occupants of one- to four-family homes, condominiums, and cooperative apartments.
Sources: Home Mortgage Disclosure Act, NYU Furman Center

Figure 2.11: Index of Refinance Originations by Borough



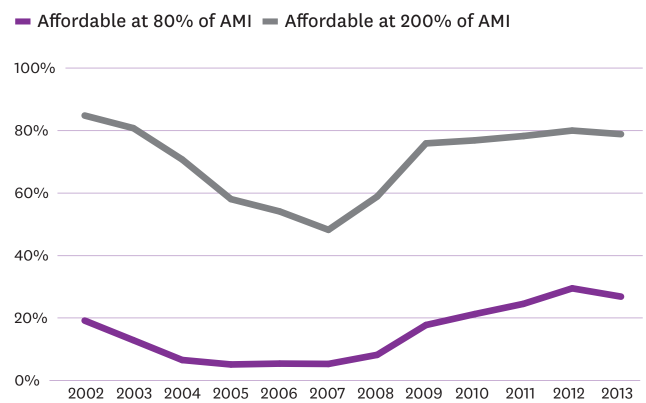
Sources: Home Mortgage Disclosure Act, Freddie Mac Primary Mortgage Market Survey, NYU Furman Center

Figure 2.12: Share of Home Sales Affordable to Three-Person Household in New York City with Conventional and FHA Mortgage, 2013



Sources: New York City Department of Finance, Freddie Mac Primary Mortgage Market Survey, U.S. Department of Housing and Urban Development, NYU Furman Center

Figure 2.13: Share of Home Sales Affordable to a Three-Person Household with Conventional Mortgage



Sources: New York City Department of Finance, Freddie Mac Primary Mortgage Market Survey, U.S. Department of Housing and Urban Development, NYU Furman Center

6.

Foreclosures

a. Foreclosure starts rose significantly in 2013 but were still below peak levels.

Between 2012 and 2013, foreclosure filings for 1-4 family homes and condos jumped by 31 percent to almost 16,000. Although this was the second straight year of increases, the number of filings was still lower than the recent recession-era peak in 2009.

Figure 2.14 also shows the types of residential properties that entered foreclosure in each year. Reflecting the city's stock of residential properties that can be purchased with a residential mortgage, most of the foreclosure filings in 2013 and other recent years have been on 2–4 family properties. Single-family homes have also made up a significant share of New York's foreclosure filings, while condominium units have made up a much smaller proportion.

As Figure 2.15 shows, foreclosure filings increased in each borough between 2012 and 2013, but continued to be concentrated primarily in Brooklyn and Queens. Moreover, as Figure 2.16 shows, foreclosure filings continued to be heavily concentrated in certain neighborhoods within the boroughs, including parts of central and eastern Brooklyn and southern Queens.

b. Many recent foreclosure filings were repeat filings.

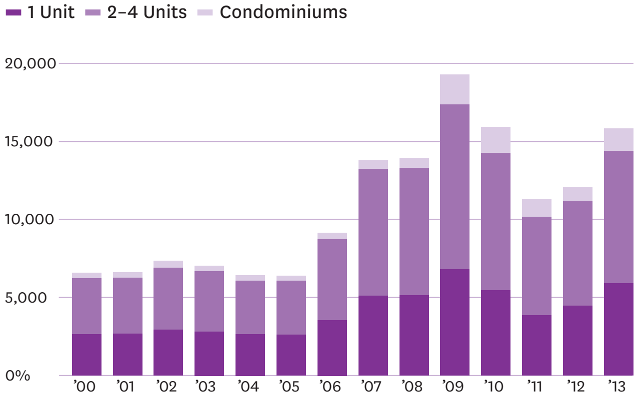
New York State's foreclosure process is one of the longest in the country. On average, properties that enter foreclosure take more than three years to complete the process (if it is ever completed—often the process is interrupted by a modification, short sale, or other negotiated arrangement). However, the *lis pendens* that a lender publicly files in the clerk's office, which we use to identify a foreclosure filing, is valid for only three years. Because the foreclosure process takes so long, some of the foreclosure filings we report may not really be new foreclosures at all, but may instead be a lender replacing an expiring *lis pendens* in connection with an ongoing foreclosure.

Figure 2.17 shows what proportion of each year's foreclosure filings have been *repeat filings*, which we define as a *lis pendens* filed against a property that had an earlier *lis pendens* within the previous six years (provided that the property did not change ownership in the intervening years). In some cases, a repeat filing may in fact, be a new episode of borrower distress and a new foreclosure, but we believe most such filings are simply replacing an expiring *lis pendens* and so are essentially a double counting of an earlier foreclosure filing. Since 2010, repeat filings have made up an ever larger share of the total number of foreclosure filings. In 2013, repeat filings accounted for 45 percent of all filings. If we look just at initial filings, the increase from 2012 to 2013 was still substantial, but the number of new filings in 2013 remained far lower than the levels seen between 2007 and 2010.

c. Pre-foreclosure notices declined.

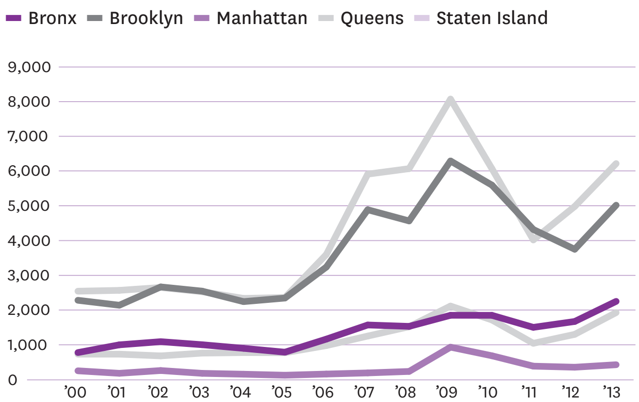
In contrast to the trend for foreclosure filings, pre-foreclosure notices (which lenders must send to delinquent borrowers at least 90 days before a foreclosure action can be commenced), decreased by 10 percent between 2012 and 2013. This decline suggests that the foreclosure crisis, while not over, may be waning. Figure 2.18 shows that the number of pre-foreclosure notices issued decreased in every individual borough as well. ■

Figure 2.14: Number of Foreclosure Filings by Property Type (One- to Four-unit Buildings and Condominiums), New York City



Sources: Public Data Corporation, New York City Department of Finance, NYU Furman Center

Figure 2.15: Foreclosure Filings on One- to Four-unit Buildings and Condominiums by Borough



Sources: Public Data Corporation, New York City Department of Finance, NYU Furman Center

Figure 2.16: Foreclosure Filings on One- to Four-unit Buildings and Condominiums, 2013

Sources: Public Data Corporation, NYU Furman Center

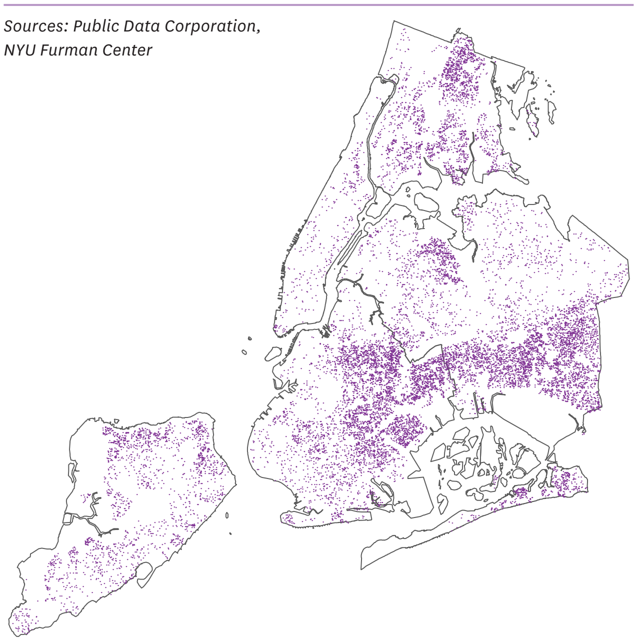
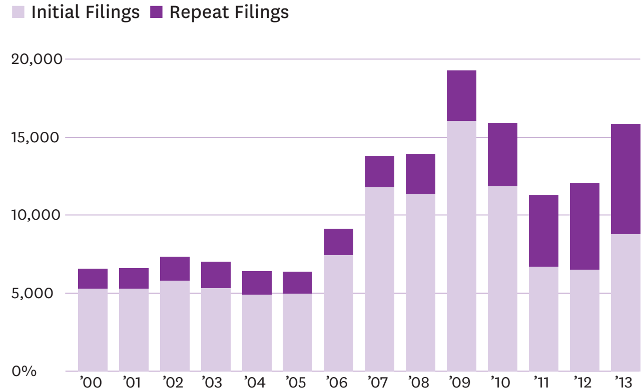
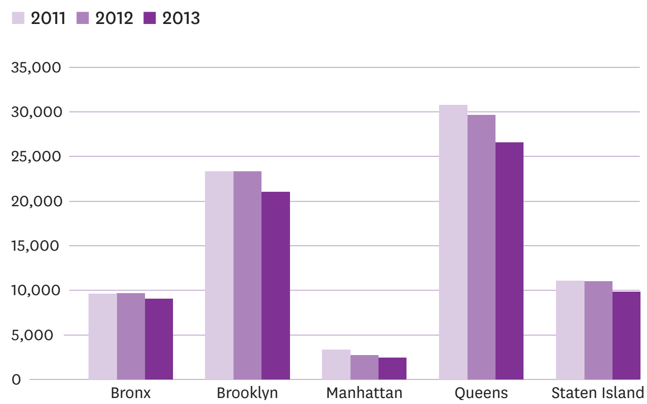


Figure 2.17: Foreclosure Filings on One- to Four-unit Buildings and Condominiums by Repeat Status, New York City



Sources: Public Data Corporation, New York City Department of Finance, NYU Furman Center

Figure 2.18: Pre-foreclosure Notices for One- to Four-unit Buildings and Condominiums, 2011–2013



Source: New York State Department of Financial Services, NYU Furman Center