

New York Times—Metro Section
05 March 2010

Old Fashioned Bulwark in a Tide of Foreclosures

Michael Powell



To walk the streets of Brownsville and East New York, Brooklyn, is to see neighborhoods ravaged by foreclosure, homes boarded up and marshals' notices taped to doors. Yet in the midst of this pain sit several swaths of well-tended homes, about 3,000 in all, each with a driveway and statuary and garden. Not one of their owners has lost a home.

Five miles away in Jamaica, Queens, another neighborhood hammered by foreclosures, there remain blocks where not one house has been put up for auction in the current crisis.

Stroll around Soundview in the Bronx, or Windsor Terrace and Bedford-Stuyvesant in Brooklyn, and the pattern becomes clear. Of more than 60,000 NY homes built or rehabilitated by the city in partnership with nonprofit groups like Nehemiah and Neighborhood Housing Services over three decades, less than 1 percent have fallen into foreclosure.

It is a hidden-in-plain-sight success story: these alliances have sidestepped the plague of foreclosure by delivering homes to working-class families in a distinctly traditional manner. The Department of Housing Preservation and Development and nonprofit groups created sturdy, affordable homes. Counselors screened credit histories and required that applicants attend ownership classes, put cash down and obtain prime-loan mortgages.

"If you didn't have good credit, you were out — it was old-fashioned," recalled Zandra Brockman, 52, who bought one of the Nehemiah homes in East New York for \$68,500 in 1999. "They didn't want to sell you a home and have you lose everything."

As Congress debates the causes of the nation's housing calamity, many Republicans have accused Democrats of promoting homeownership at any cost, pressuring banks and federal agencies to issue mortgages, no matter how exotic the lending terms or how shaky the applicants' finances. Even some advocates for moderate-income subsidized housing have acknowledged that ownership mania swept the country in the last 15 years.

In these New York neighborhoods, both liberal and some conservative analysts see a model for bringing low- and middle-income workers, many of them black and Latino, back into the housing market.

"They have recapitulated the elements of healthy, working-class neighborhoods — it's back to the future," said Howard Husock, a vice president for social research at the conservative Manhattan Institute. "Learning to save and building up credit is a prelude to becoming a good homeowner."

In their aversion to risk, the city and the nonprofit groups have behaved like small-town bankers. They refuse to let pinched owners overextend with home-equity loans. And the city demands the right to review refinancing requests.

"One lady wrote a thousand letters to the mayor complaining about us," recalled Denise Scott, managing director of the New York office of the Local Initiatives Support Corporation, which has financed close to 400 subsidized one-to-four-family homes without a single foreclosure. "We refused to accept her argument that she could own a house without showing us proof of income."

Among 3,900 Nehemiah homes built since the 1980's, organizers know of no foreclosures.

A tally by the city's housing agency shows that of 20,614 such homes sold since 2004; only 13 have gone through foreclosure auctions. Among 3,900 Nehemiah homes built since the 1980s, organizers know of no foreclosures. "We continue to see an almost nonexistent default rate," said Kathryn S. Wylde, president of the Partnership for NYC, whose housing arm has helped finance tens of thousands of one-to-three-family homes.

This, despite the fact that the homes are mainly in neighborhoods like East New York, where lenders filed 1,051 foreclosure notices last year, or Jamaica, where 759 houses were scheduled for foreclosure auctions, according to the nonprofit Center for New York Neighborhoods.

While New York's commitment over several decades to producing hundreds of thousands of subsidized apartments and houses is without parallel in the nation, other cities have begun similar programs — with similarly low foreclosure rates.

Neighborhood Housing Services has produced tens of thousands of affordable homes, scattered among virtually all of the nation's large cities. The group that formed Nehemiah has also built 140 homes in Washington in the last few years. And Enterprise Community Partners, a nonprofit group based in Columbia, Md., has helped finance 15,000 to 20,000 homes for moderate-income buyers across the country.

“Homeownership is not for everyone,” said Mark McDermott, an Enterprise vice president. “We require counseling and down payments — we want homeowners to have some *skin* in the game.” Such housing requires a substantial infusion of public money.

In East New York, the city donated hundreds of acres of public land to Nehemiah and provided some construction financing. Elsewhere, city officials and large nonprofit agencies extended construction and mortgage financing to thousands of families.

In return, these projects often create neighborhoods where none have existed for decades, and they can be fiercely independent.

Organizers at East Brooklyn Congregations declined a state agency’s offer to provide low-interest loans for down payments in East New York. They preferred that each buyer scrape up the cash — usually \$7,000 to \$12,000, including closing costs. (The first Nehemiah homes in the 1980s sold for about \$39,000; more recently built ones have sold for up to \$158,000.)

“We don’t want people who view ownership as a ‘mental rental,’ an obligation too easily discarded, said Michael Gecan, a senior organizer for Metro Industrial Areas Foundation, which did much of the work that led to the Nehemiah homes.

New York officials never fell for the romance of homeownership. Sixty percent of city residents rent, compared with 40 percent in the rest of the nation. And that, said Rafael E. Cestero, the city’s housing commissioner, allowed the city and nonprofit groups to be picky about who could buy a subsidized home.

“We didn’t have this drive to get every single person, no matter their income, no matter their credit, into a house,” Mr. Cestero said. “We frown upon exotic mortgages.”

Yet New York’s nonprofit housing sector cannot stand sheltered from the national economic storm. Unemployment in the city stands at 10.4 percent, and nonprofit counselors report that more and more homeowners have lost their jobs and are at risk of losing their homes. Bank officials who have worked with the nonprofit groups have grown wary, and are reluctant to lend.

For that reason, sales of new subsidized homes have slowed dramatically, and many stand vacant for months before selling.

And the credit scores of working-class New Yorkers have tumbled. Two decades ago, Mr. Gecan said, one in three applicants for a Nehemiah home had a credit score that qualified them for a mortgage; now, it is one in eight.

None of this came as news to Ms. Brockman, a financial analyst who lives alone and stood at the door of her handsome modest home on Hinsdale Street in East New York. A harsh wind was blowing.

“You heard things these past years on TV and radio, where they say income doesn’t matter, down payments don’t matter,” she said. “You say to yourself, ‘How could they sell them a home knowing the homeowner could not afford it?’”

She shook her head and unfastened her gate. “Nehemiah had no time for that here,” she said. “We wanted to build a community.”

