

Curbing the Mortgage Meltdown: *The Impact of Foreclosures on New York's Economy and on Upstate and Long Island Communities*

An Analysis of Securitized Subprime Loans At Risk

*(In Foreclosure, Delinquent, or Scheduled for Interest
Rate Increases)*

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THE DATA

The slides and maps that follow are primarily based upon data only for **“subprime” loans** provided by the Federal Reserve Bank of NY in January 2008. They reflect loan totals current *as of October 2007*. In addition, we provide some more recent data for Monroe County, current as of December 2007.

**THIS DATA IS ONLY A “SNAPSHOT”
OF THE LARGER NUMBER OF MORTGAGES ACTUALLY AT
RISK AND PENDING IN FORECLOSURE IN NEW YORK STATE.**

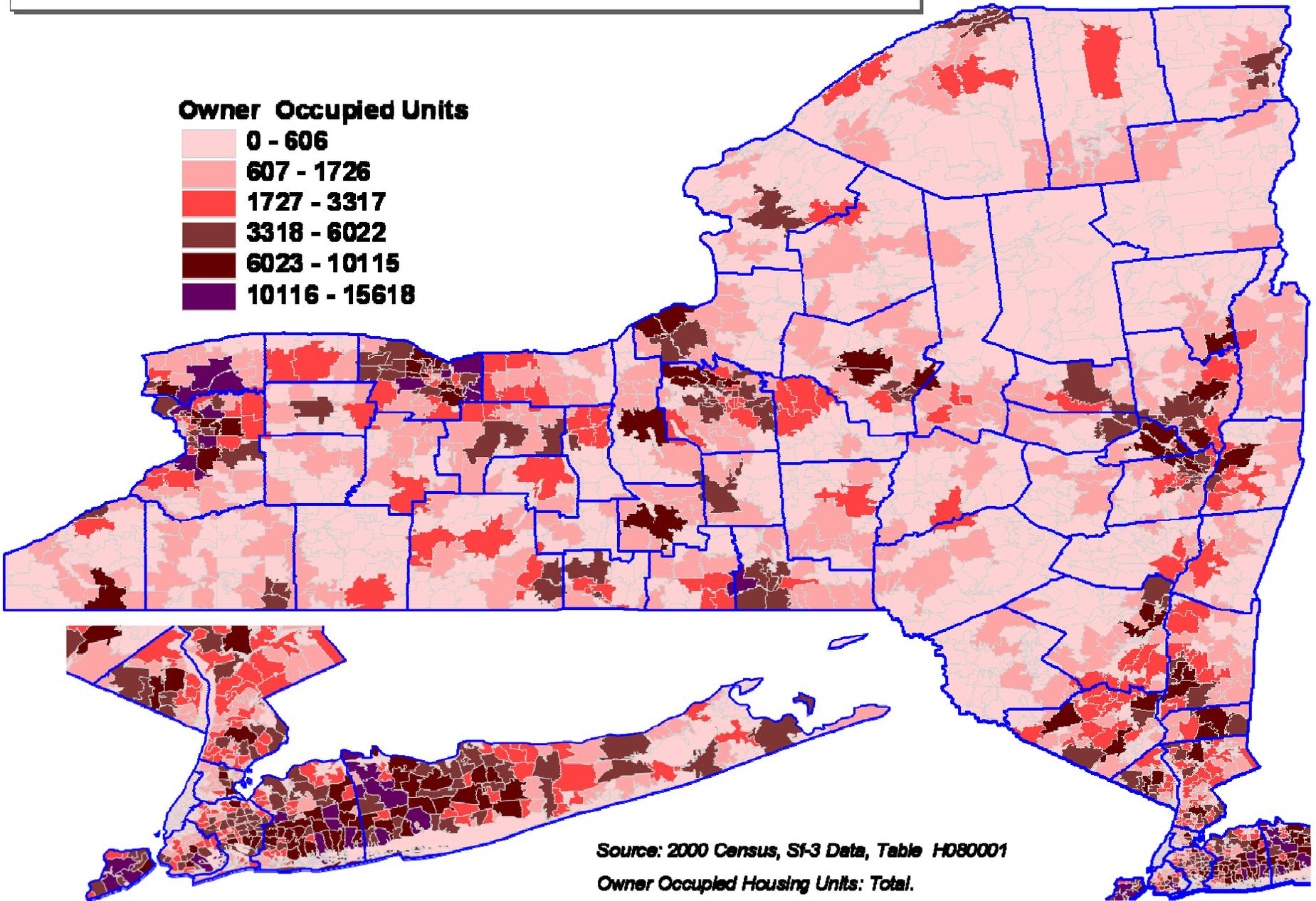
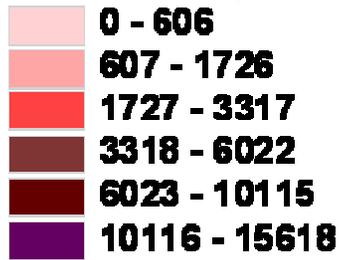
These numbers, and the distribution patterns, show us which areas face the greatest challenges. This data not only shows ***how bad things are already*** (based on the numbers of loans in default or foreclosure), but also ***how bad things may get*** as the interest rates on Adjustable Rate Mortgages (ARMs) increase, or ***“RESET”*** in the coming months.

*The maps and slides that follow show at **statewide**, **regional**, **county**, and **zip code** levels, the devastating dimensions of the subprime and foreclosure crisis across New York State, based upon calculations from two key indicators included in the Federal Reserve data:*

- **MORTGAGES THAT ARE DELINQUENT OR ALREADY IN FORECLOSURE,**
and
- **MORTGAGES WITH ADJUSTABLE INTEREST RATES THAT ARE ABOUT TO INCREASE (RESET)**

DISTRIBUTION OF ALL OWNER-OCCUPIED UNITS

Owner Occupied Units

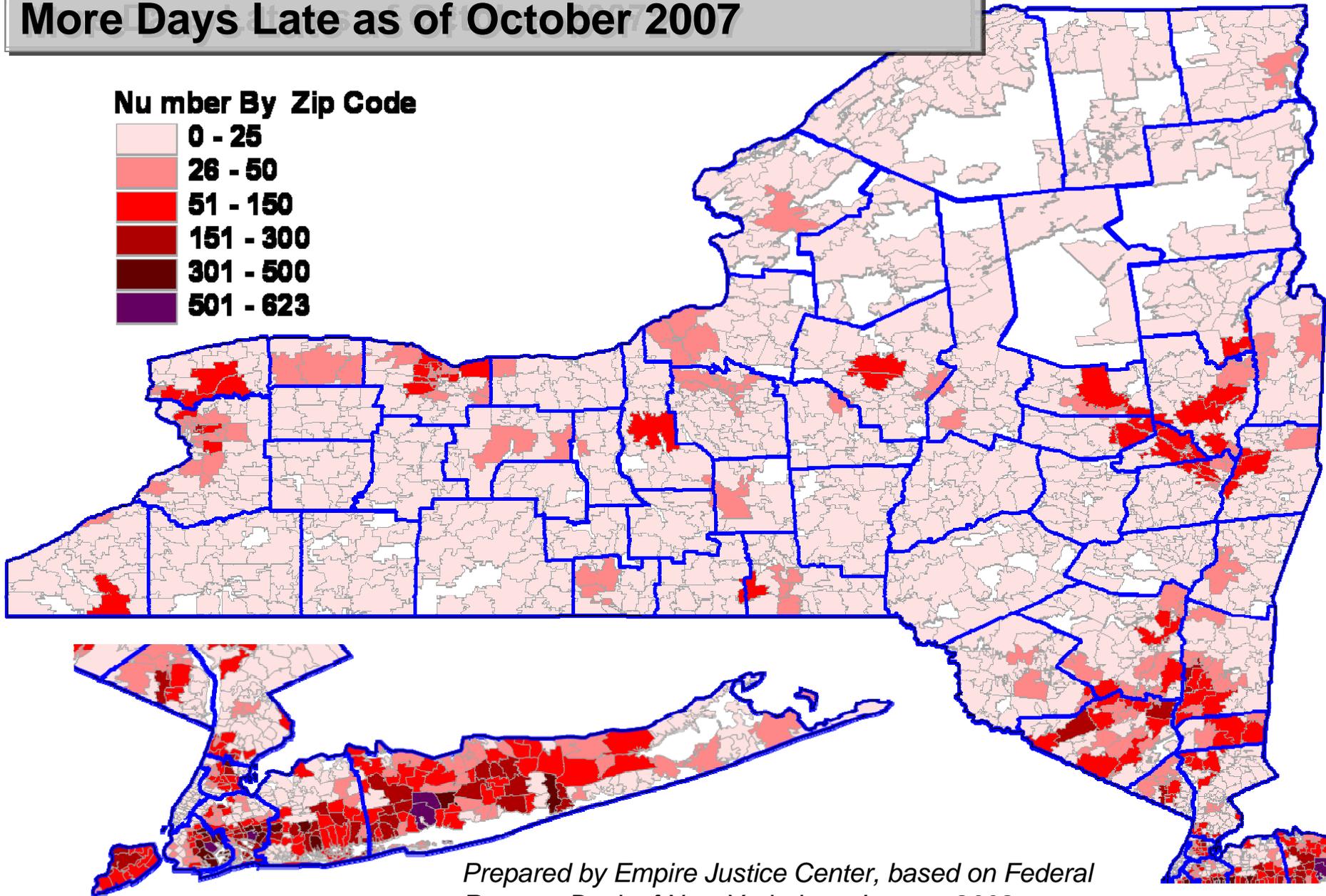
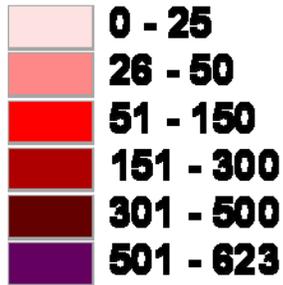


Source: 2000 Census, SF-3 Data, Table H080001

Owner Occupied Housing Units: Total.

Subprime Loans in Foreclosure or Thirty or More Days Late as of October 2007

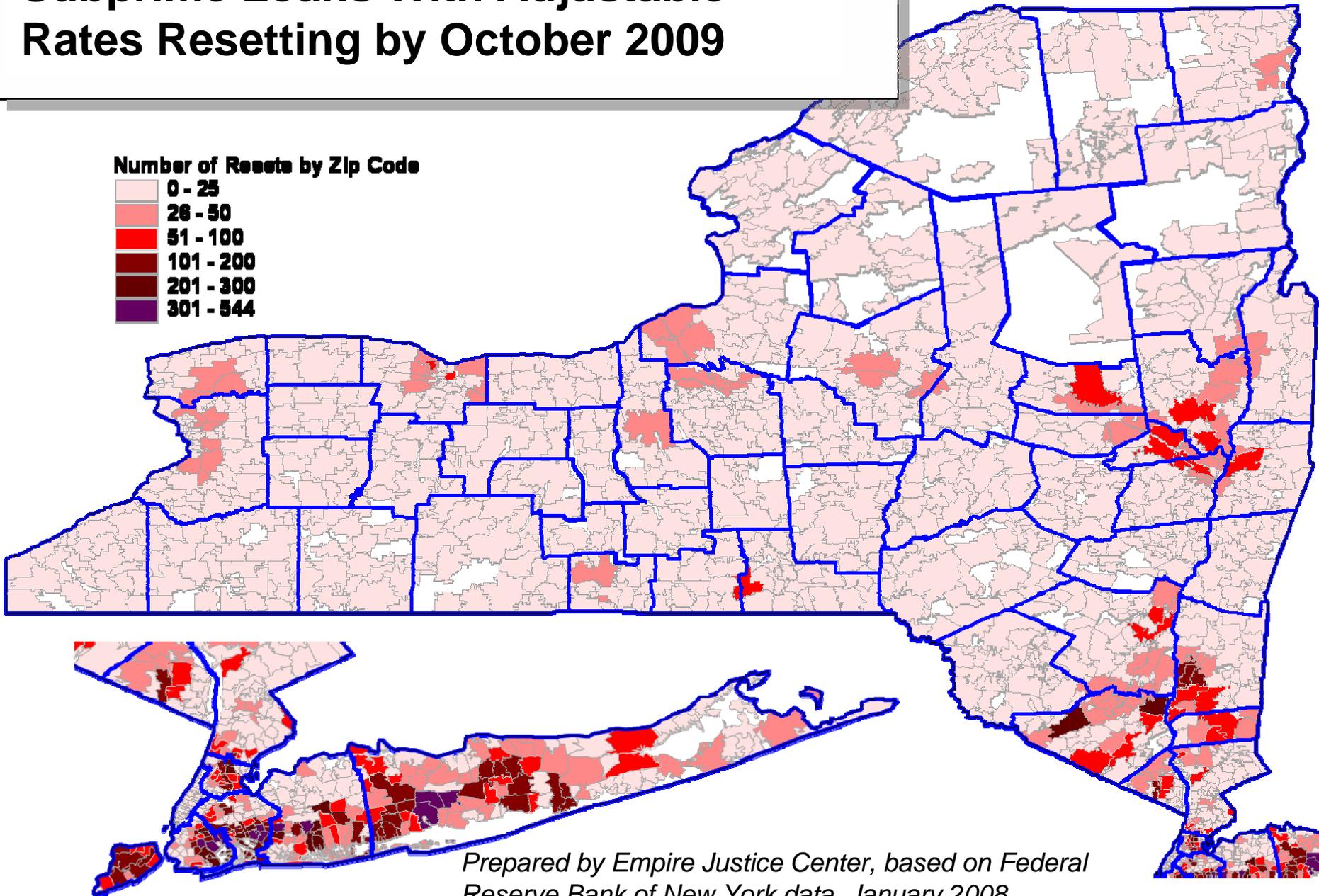
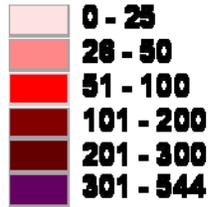
Number By Zip Code



Prepared by Empire Justice Center, based on Federal Reserve Bank of New York data, January 2008.

Subprime Loans With Adjustable Rates Resetting by October 2009

Number of Resets by Zip Code

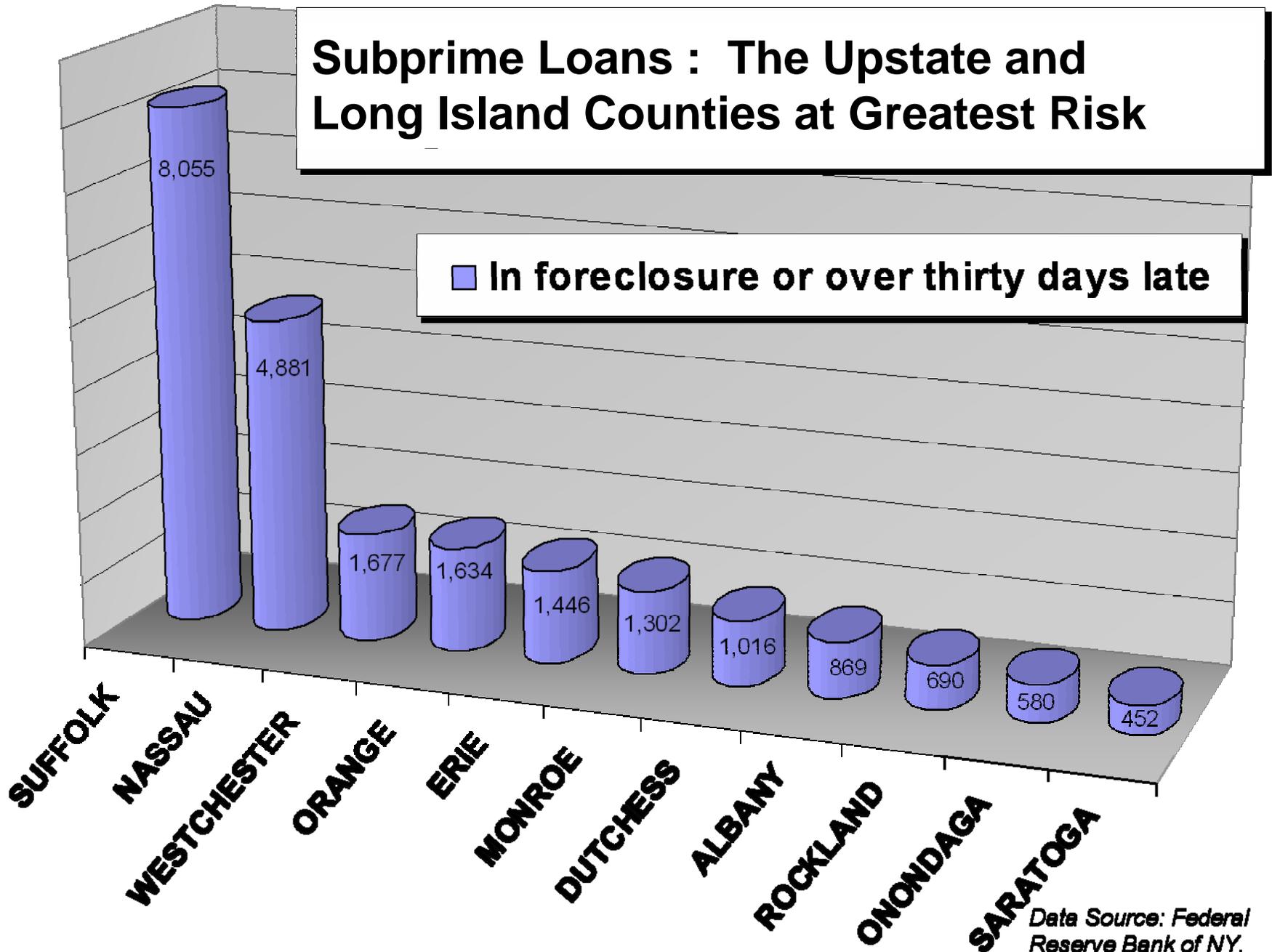


Prepared by Empire Justice Center, based on Federal Reserve Bank of New York data, January 2008.

Upstate and Long Island's Share of the Problem

- **70%** (98,853) of the subprime loans captured in the Federal Reserve dataset were made outside of NYC
- **69%** of the statewide loans in jeopardy are outside of NYC including
 - **72%** of all the loans that are 30 or more days late
 - **62%** of all the loans in foreclosure
- **64%** of all the loans that are scheduled to reset in NY before October 2009

Subprime Loans : The Upstate and Long Island Counties at Greatest Risk



Data Source: Federal Reserve Bank of NY, January 2008.

Which Zip Codes have the Highest Percentage of Subprime Loans Already in Foreclosure or over 30 Days Late ?

Out of the zip codes that had **more than 100 subprime loans** captured in the Federal Reserve dataset, the zip codes outside of New York City with the highest percentage of subprime loans that are already in foreclosure or over 30 days late (by October 2007) were:

Zip 11798	WYANDANCH , Suffolk County	43.4%	of	581
Zip 11951	MASTIC BEACH , Suffolk County	43.0%	of	532
Zip 11961	RIDGE , Suffolk County	40.8%	of	201
Zip 12182	TROY , Rensselaer County	39.5%	of	167
Zip 11738	FARMINGVILLE , Suffolk County	39.4%	of	287
Zip 10930	HIGHLAND MILL , Orange County	39.3%	of	107
Zip 12549	MONTGOMERY , Orange County	38.8%	of	129
Zip 11950	MASTIC , Suffolk County	38.4%	of	557
Zip 11967	SHIRLEY , Suffolk County	38.4%	of	813
Zip 11520	FREEPORT , Nassau County	38.1%	of	1,094

Taking a Closer Look:

- **Rochester Area**
(Monroe County)

MONROE COUNTY:

Delinquencies, Foreclosures and Resets

There were a total of **4,707** subprime loans made in Monroe County captured in the Federal Reserve dataset .

By October 2007, **1,302** loans (28%) were in jeopardy:

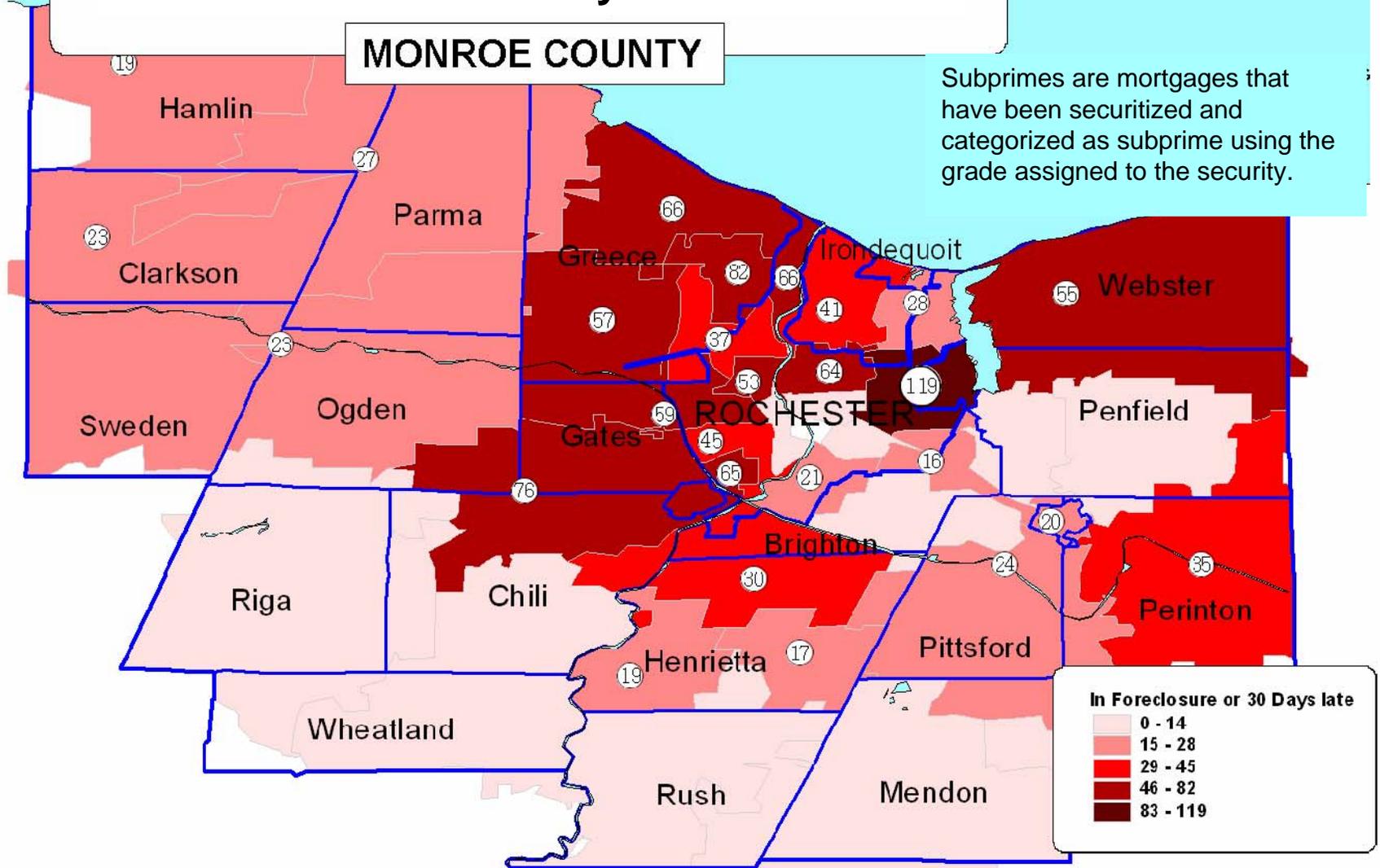
- **1,014** (22%) were *over 30 days late*
- **288** (6%) were *already in foreclosure*

In addition, **16%** of these subprime mortgages have interest rates that will **RESET** by October 1, 2009.

Subprimes Already in Foreclosure or Over 30 Days Late

MONROE COUNTY

Subprimes are mortgages that have been securitized and categorized as subprime using the grade assigned to the security.

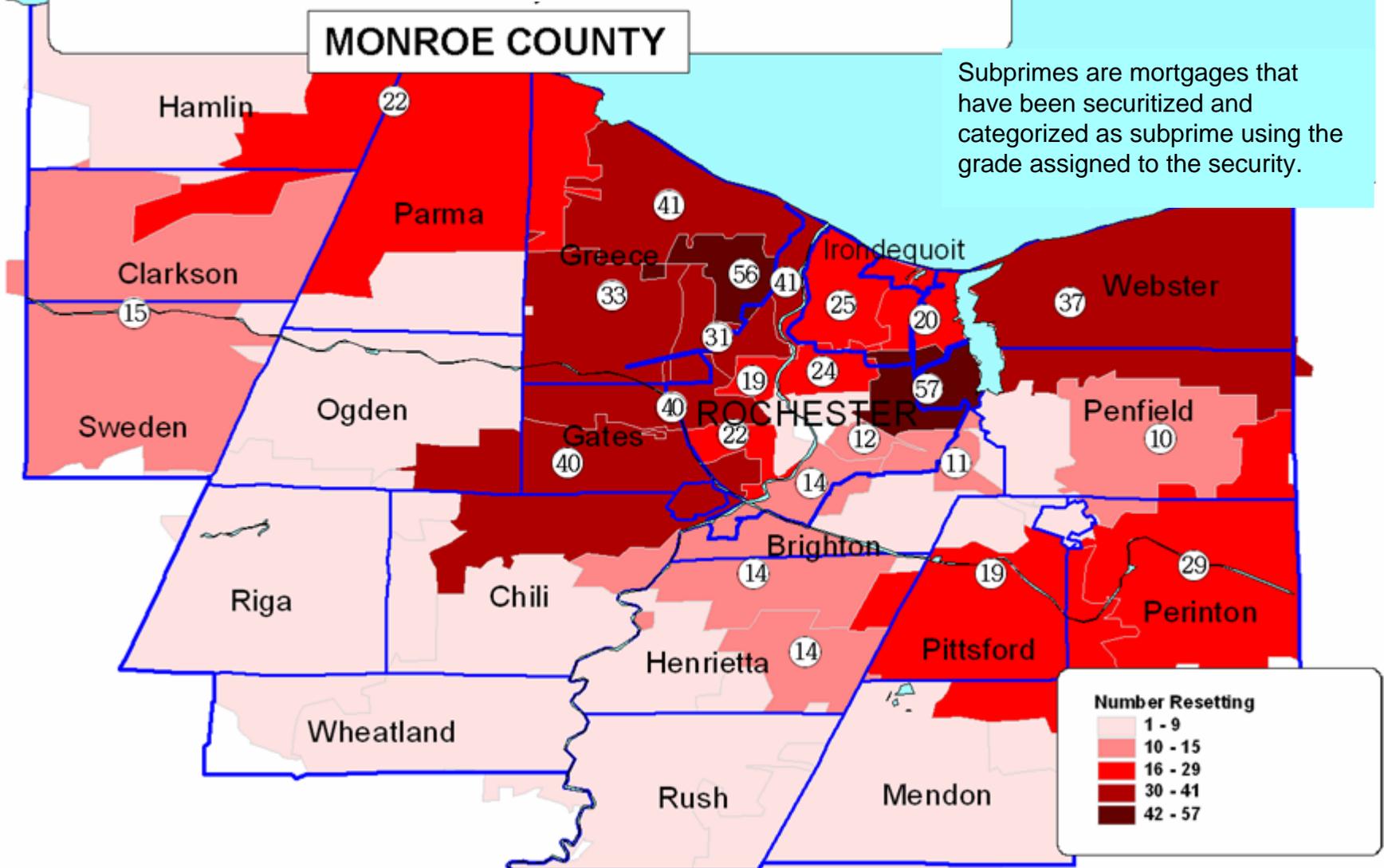


The boundaries on this map show municipal boundaries in blue (town and city borders).
The color-groupings are based on zip code totals, and reflect zip code boundaries in gray.
Zip Codes often cross municipal boundaries.

Subprimes Resetting by October 1, 2009

MONROE COUNTY

Subprimes are mortgages that have been securitized and categorized as subprime using the grade assigned to the security.



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MONROE COUNTY: Neighborhood Impact

Neighborhoods with the highest numbers of foreclosures and defaults include:

□ *City quadrants:*

- Northeast
- Northwest
- Southwest

□ *Parts of:*

- Irondequoit
- Greece
- Gates
- Henrietta
- Webster

When we identify the neighborhoods in need of intervention we have to look *beyond just the numbers* of subprime loans at risk.

- Parts of Upstate New York have neighborhoods that have been in a foreclosure crisis for 10 years. Those neighborhoods *already* have hundreds of vacant housing units.
- For example, zip code in Rochester 14609 has 6,362 housing units -- ***over 1,400 are already vacant.***
- Vacant housing is often concentrated in specific blocks. Some blocks already have 20% or more of the housing vacant.

A few hundred additional foreclosures in a year will tip many neighborhoods into a flood of abandonment



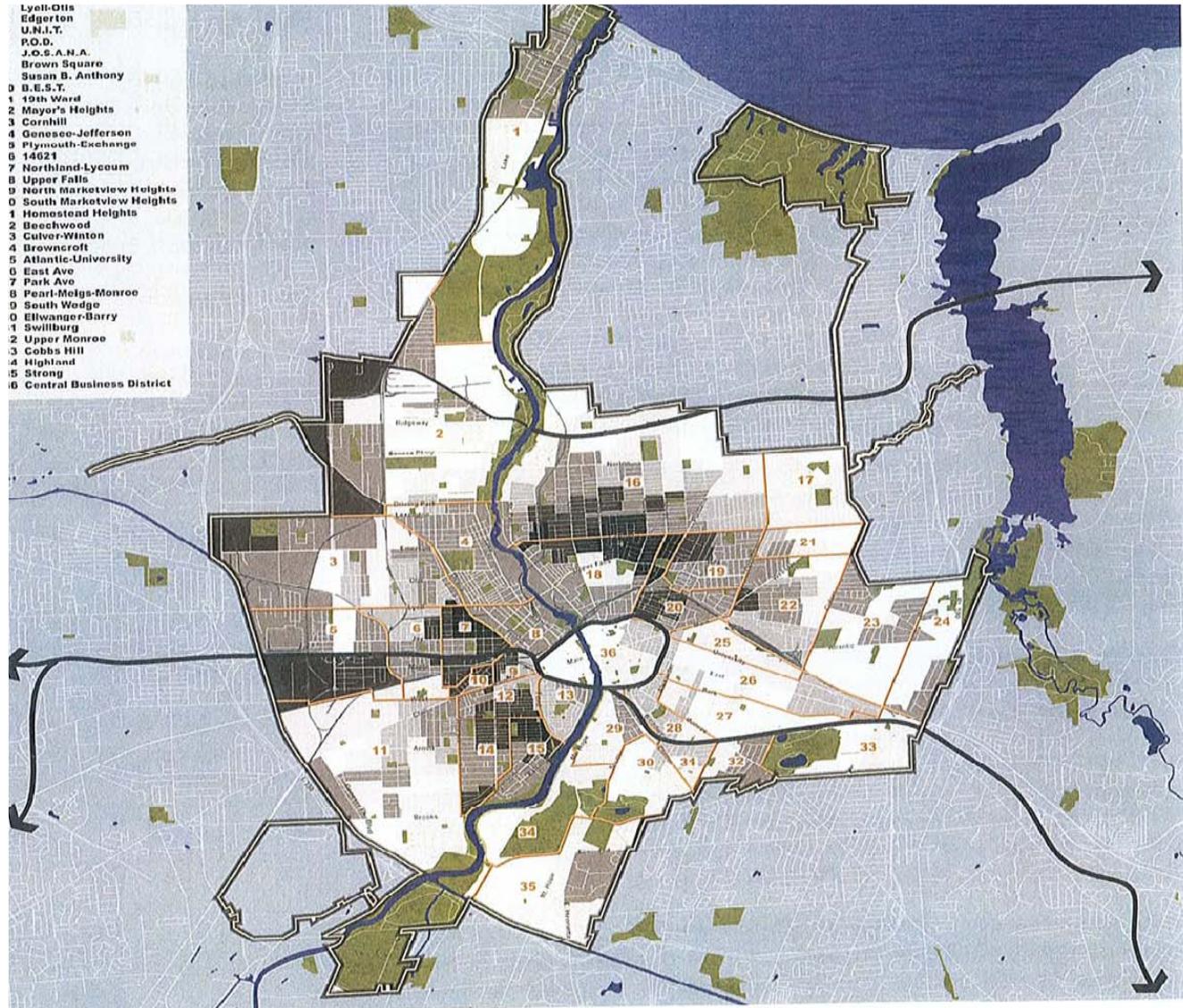
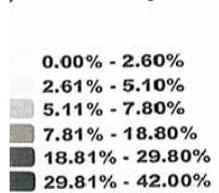


Figure 61. Percentage of Net Acres Vacant, 2006. Source: City of Rochester



2. Vacancy. The net acreage of vacant buildings and land in the City was calculated and divided by the net acreage in the City (excluding streets, waterways, the airport and the largest parks). This resulted in a 7.8 percent average vacancy rate. The block groups most impacted by this indicator are found in the Upper Falls, 14621, J.O.S.A.N.A., Edgerton, Lyell-Otis, Mayor's Heights, Genesee-Jefferson and Plymouth Exchange neighborhoods. Some areas such as portions of U.N.I.T., Lyell-Otis, Strong and Maplewood show high vacancy rates by acreage due mostly to larger, formerly active industrial properties.

Rochester Foreclosures

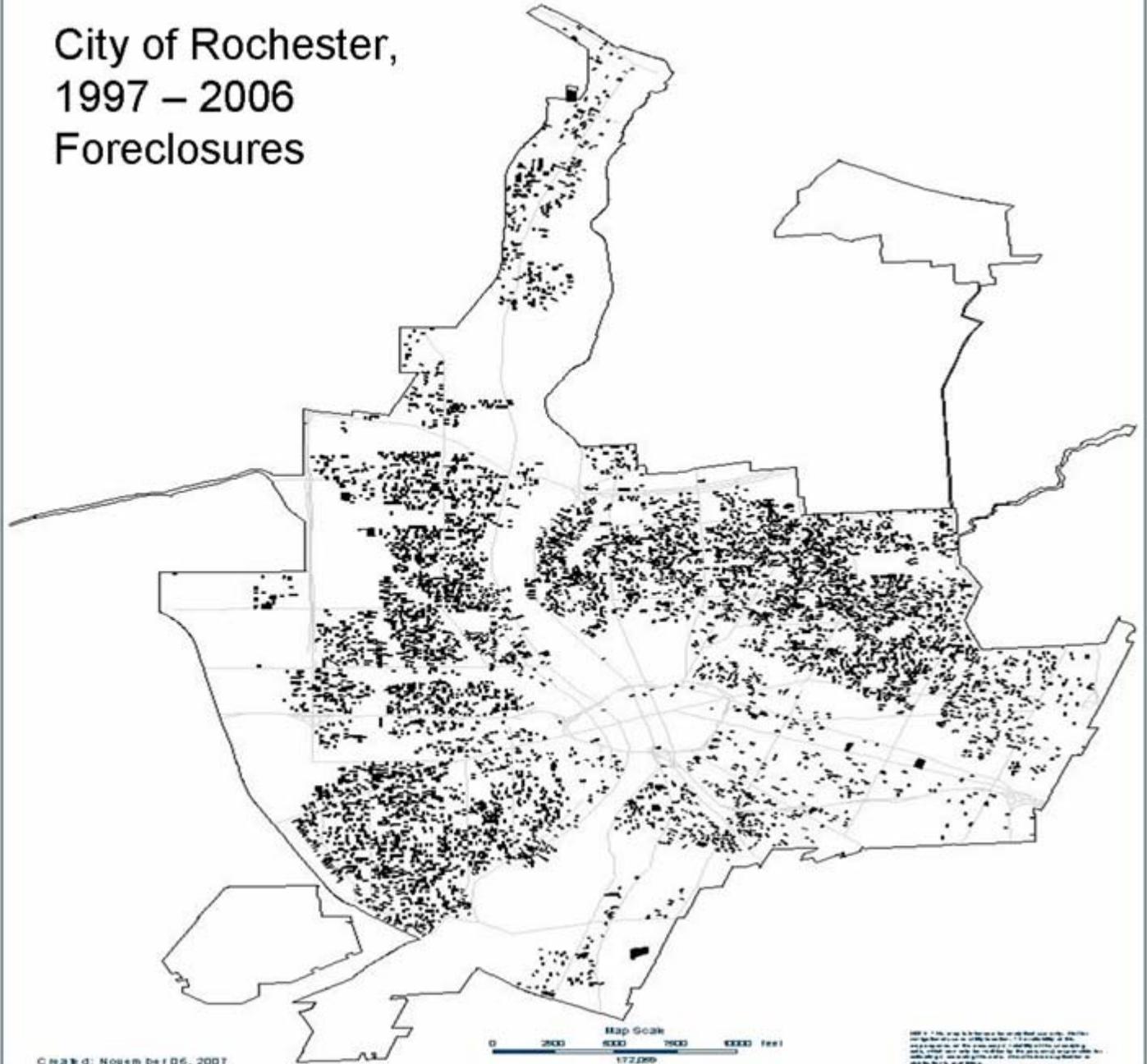
Subprime loans going into foreclosure will exacerbate a *decade old problem* –

-- there were **13,384 foreclosures** in the City of Rochester between 1997 and 2007

Rochester cannot afford to lose any more homes to foreclosure given the population decline and the large concentration of vacant homes already in many city neighborhoods.

The following map shows the accumulated impact of nearly ten years of actual foreclosures

City of Rochester, 1997 – 2006 Foreclosures



Source:
City of
Rochester

December 2007 Federal Reserve Data *Update: **Monroe County***

- There were a total of **5,400 Subprime Loans** in Monroe County of which **4,500 were Owner Occupied**
- The Average Current Interest Rate was **9.207%**
- The Average Balance was **\$ 89,302**
- The Average Loan Age was **35 Months**
- The Average **FICO was 614**

December 2007 Federal Reserve Data Update: **Monroe County**

Dates of Subprime Loan Originations:

2007	--	5,00 subprime loans
2006	--	1,200 subprime loans
2005	--	1,200 subprime loans
2004	--	1,600 subprime loans

- **1,300** loans were **No or Low Documentation**
- **2,000** were **Cash Out** refinance
- **2,000** were **Home Purchase**
- While **2,300** had a **Prepayment Penalty** at origination -- only 400 still have a current prepayment penalty

December 2007 Federal Reserve Data

*Update: **Monroe County***

- The Average LTV at origination was 88%
- The Median LTV at origination was 90%
- 1800 had a high LTV at origination
- 600 also had a 2nd Lien

- *2,400 loans DID have missed payment in the last year*
- *3,000 loans (55%) DID NOT have a missed payment in the last year*

- *3,100 were current as of December 2007*

***December 2007 Federal Reserve Data
Update: Monroe County***

***As of Dec 2007, a total of 1,300 subprime loans
were more than 30 days late or in Foreclosure:***

- 500 were 30-59 days late
- 200 were 60-89 days late
- 300 were 90+ days late
- 300 were in Foreclosure

December 2007 Federal Reserve Data
Update: Monroe County

In Foreclosure/HU:	0.99
Variable:	2000
Average Margin:	6.170
Average Initial:	8.537
Average Current:	9.869
High LTV FICO <620:	400

December 2007 Federal Reserve Data

*Update: **Monroe County***

Loans Resetting:

Total: 900

0-5 months: 200
6-11 months: 400
12-23 months: 400
24+ months: 100

Owner Occupied:

84%

Owner Occupied FICO < 600:

42%

Owner Occupied FICO > 660:

19%

Owner Occupied with late payments in last year:

46.4%

Percent of current loans:

68%

Taking a Closer Look:

- **Long Island**
(Nassau and Suffolk Counties)

Long Island's Numbers Are at Critical Levels

Suffolk and Nassau Counties account for:

- **28%** (40,988) of all subprime loans captured in the Federal Reserve dataset.
- **33%** (12,936) of all subprime loans that are in foreclosure
- **30%** of all subprime loans that are 30+ days delinquent
- **30%** (9,479) of all subprime loans scheduled to reset before October 2009

SUFFOLK COUNTY: Delinquencies, Foreclosures and Resets

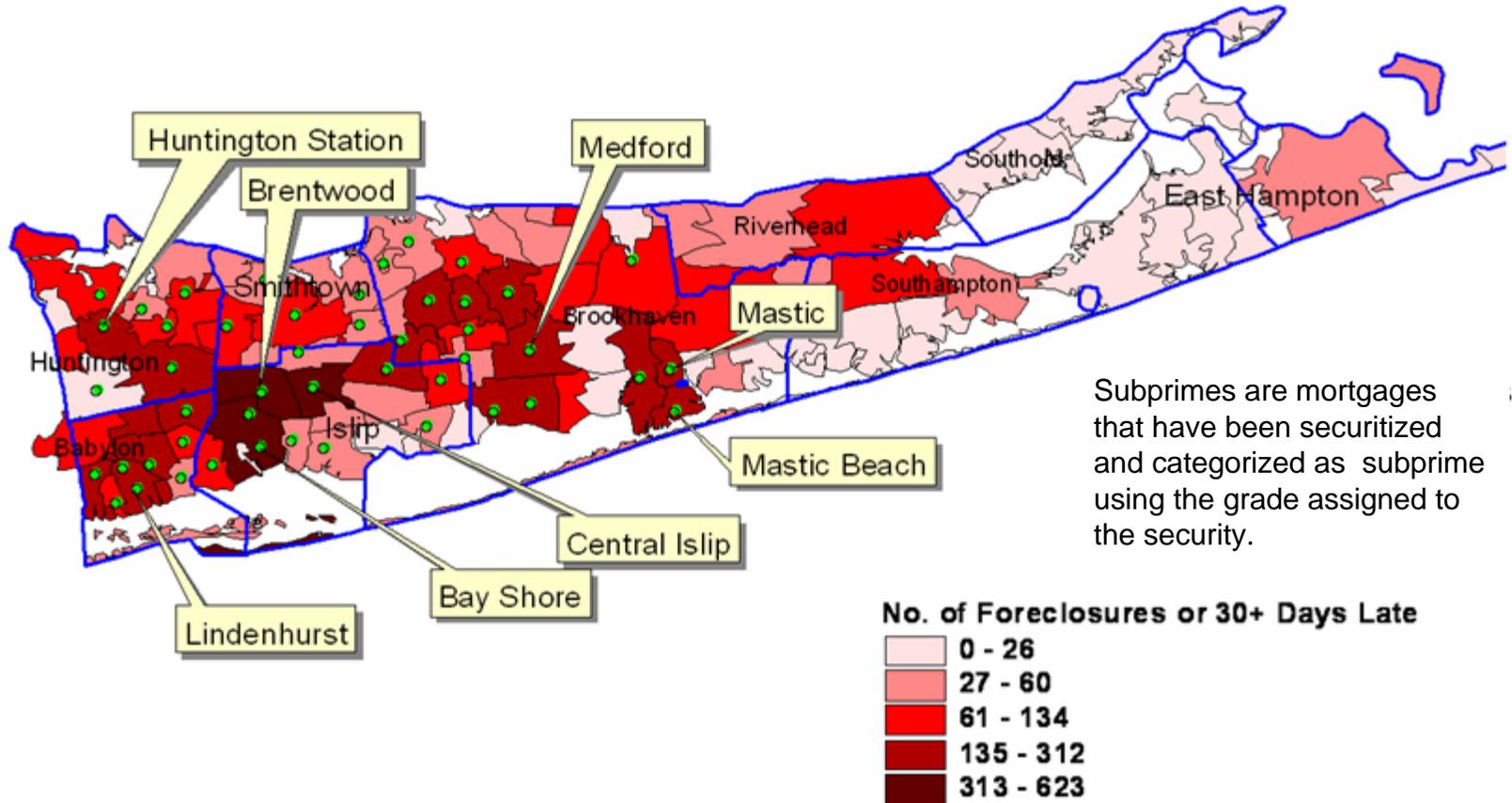
There were a total of **24,480** subprime loans captured in the Federal Reserve dataset in Suffolk County.

By October 2007, **8,055** (33%) were already in jeopardy:

- **5,177** (21%) were **30 or more days late**
- **2,878** (12%) were **already in foreclosure**

In addition, **22%** of these subprime mortgages have interest rates that will **RESET** by October 1, 2009.

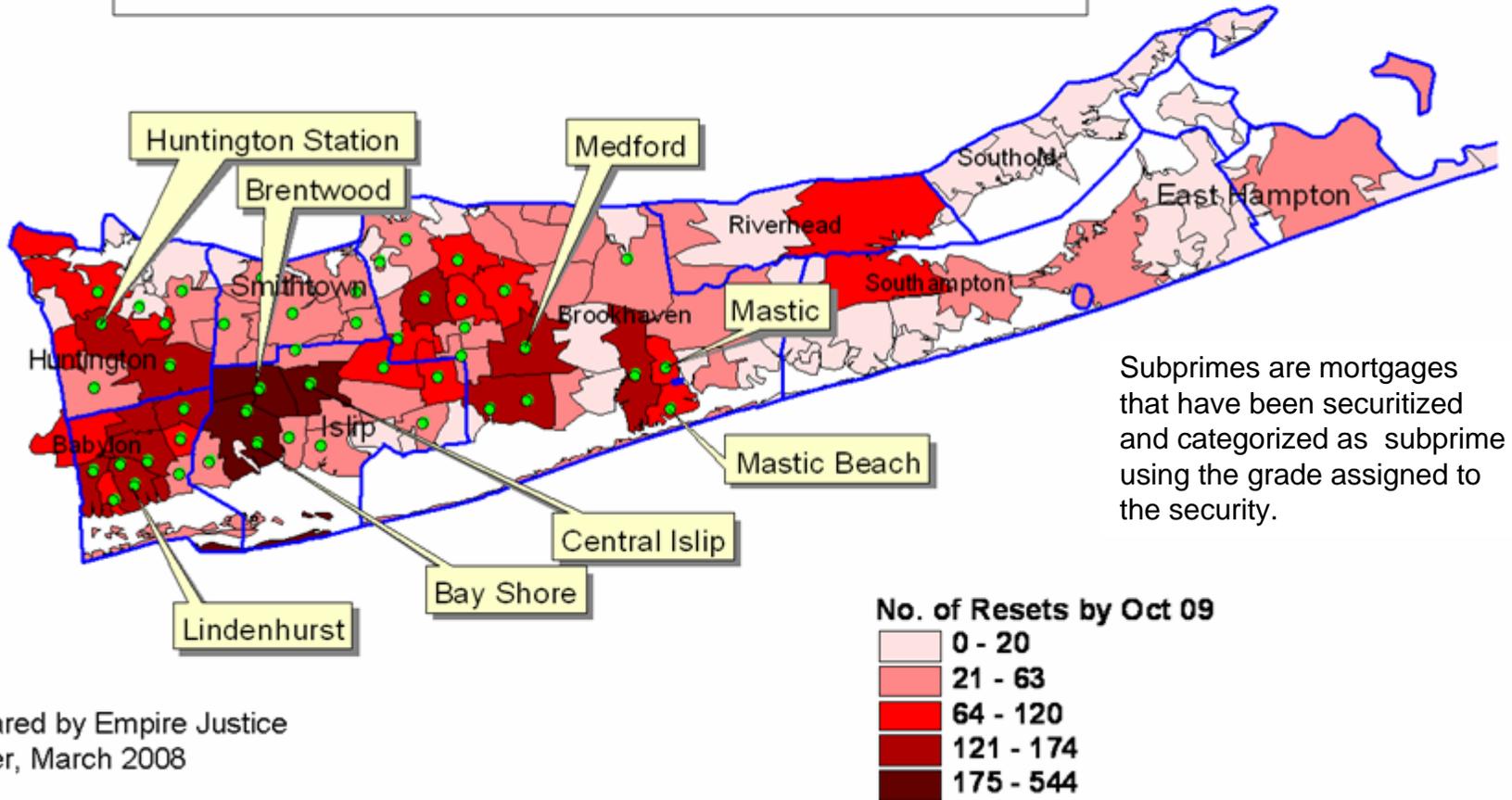
SUFFOLK COUNTY: Subprimes Already in Foreclosure Or Over 30 Days Later



Prepared by Empire Justice
Center, March 2008

The boundaries on this map show municipal boundaries in blue (town and city borders).
The color-groupings are based on zip code totals, and reflect zip code boundaries in black.
Zip Codes often cross municipal boundaries.

SUFFLOK COUNTY: Subprimes Resetting by October 2009



Prepared by Empire Justice
Center, March 2008

The boundaries on this map show municipal boundaries in blue (town and city borders).
The color-groupings are based on zip code totals, and reflect zip code boundaries in black.
Zip Codes often cross municipal boundaries.

Suffolk County Foreclosures Impact *Minority* Homeowners

African American homeowners are ***THREE times*** more likely than white homeowners to live in the most impacted zip codes.

Of the ***8,055*** loans in jeopardy (in foreclosure or 30 days or more late) in Suffolk County:

- ***42%*** of the loans are in only ***10 out of 102*** zip codes
- ***66%*** of Suffolk County's African American homeowners live in these highly impacted zip codes
 - In contrast, only ***20%*** of Suffolk County's white homeowners live in these areas

Suffolk County Zip Codes with the Highest Foreclosure Risk

The **three zip codes** with the **highest number** of loans in foreclosure or over 30 days late were:

- **Amityville:**
623 loans in foreclosure, and
11% of the county's African American homeowners
- **Brentwood:**
526 loans in foreclosure, and
8% of the county's African American homeowners
- **Central Islip:**
433 loans in foreclosure, and
11% of the county's African American homeowners

Suffolk County: Unaffordable to Renters

Foreclosed homeowners have little chance of finding affordable rentals in Suffolk County –

- **42% of Suffolk renters are paying over 35% of their monthly income for rent.**

("Affordable" is defined as paying no more than 30% of income for rent).

Source: Suffolk Welfare to Work Commission, February 2007 Report to the County Legislature

Suffolk County: Unaffordable to Homeowners

- Median home prices in Suffolk rose from \$190,000 in 2000 to **\$348,983** in 2005.
- If affordability for homeownership is defined at purchasing a home that is no more than 3 times a household's annual income . . .

80% of Suffolk County's housing stock is unaffordable to its current residents.

Source: Suffolk Welfare to Work Commission, February 2007 Report to the County Legislature

Both Nassau and Suffolk Counties now face even tighter credit requirements --

Wells Fargo has identified hundreds of counties nationwide as *"Severely Distressed"* or *"Distressed"* markets

- In these markets, borrowers will have larger down payment and equity requirements to purchase or refinance a home

Only 2 counties in New York are on the Distressed list – *Nassau* and *Suffolk*

- Tighter access to credit will mean that homeowners in Nassau and Suffolk will need greater access to housing counselors and legal services lawyers to assist them in avoiding foreclosure

Source: <http://www.reuters.com/article/rbssFinancialServicesAndRealEstateNews/idUSN2724075020080227>

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www.empirejustice.org

