

Options Are Studied Regarding Expected 'Tsunami of Default'

By **BENJAMIN SARLIN**, Special to the Sun | February 11, 2008

MEMBERS OF CONGRESS WILL GET INPUT FROM LOCAL OFFICIALS, LENDERS, AND COMMUNITY GROUPS today in assessing how city and federal efforts could help New York City weather the subprime mortgage crisis.

"We are at a critical juncture in the subprime mortgage crisis; by all accounts we are facing a tsunami of default," Rep. Carolyn Maloney, who will chair the hearing at City Hall, said yesterday via email. "We need to focus on practical solutions to keep struggling New Yorkers from losing their homes."

While many New Yorkers rent their homes and are not directly affected by mortgage issues, areas in boroughs outside Manhattan with higher rates of home ownership have been disproportionately harmed. Queens and Brooklyn had 5,461 and 4,858 foreclosure filings in 2007, respectively, compared with just 288 in Manhattan, according to the city's Department of Housing Preservation and Development.

A report released in October by the Furman Center for Real Estate and Urban Policy found that in certain neighborhoods such as Jamaica, in Queens, and East Flatbush, in Brooklyn, the percentage of overall loans issued by subprime lenders was more than 40% in 2006. Minorities were disproportionately affected, with more than half of the city's subprime loans held by African-Americans, Hispanics, and Asians. Overall, 19.8% of loans issued in New York City were subprime, versus 12.8% nationwide.

"Especially in southeast Queens, the issues have been devastating to the entire community," Council Member Leroy Comrie of Queens said yesterday. "We've been pushing to get the message out to people, but we need to get after these banks to reset these mortgages."

New York City does have some advantages in dealing with the problem. High real estate prices mean those caught in unsustainable mortgage situations can sell their homes for enough to pay off the loan.

"If the market turns south and the price of the house goes down, the equity of the house disappears. In many cases, people want to sell the place and they get less than what they paid and can't pay off the mortgage," a spokesman for HPD, Seth Donlin, said yesterday. "That's not a problem we've really seen in New York too much."

In response to subprime mortgage problems, Mayor Bloomberg has created a nonprofit with a \$5.3 million budget, the Center for NYC Neighborhoods, to advise New Yorkers on housing loans. The House of Representatives has passed several bills related to the subprime mortgage crisis in recent months that would regulate lenders and expand federal loan programs, but the Senate has not yet acted on them.