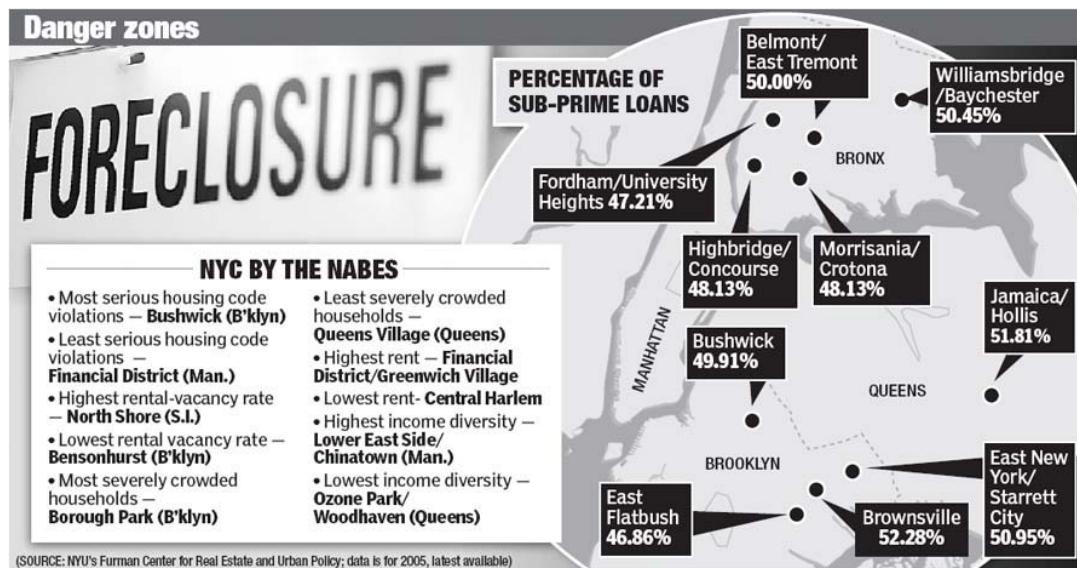


SUB-PRIME LOAN BUBBLE IN CITY

By DAVID SEIFMAN City Hall Bureau Chief



April 12, 2007 -- A startling 50 percent of homeowners in five of the city's poorest neighborhoods are holding sub-prime mortgage loans, it was reported yesterday.

NYU's Furman Center for Real Estate and Urban Policy said the percentage of home-purchase loans in the sub-prime category here more than tripled from 6.5 percent in 2002 to 22.9 percent in 2005.

Sub-prime loans are typically given to borrowers who don't qualify for lower, prime rates because they are considered poorer credit risks. The loans are often the only route to home ownership for those who can't meet normal lending requirements.

The sub-prime industry nationwide is in crisis as some of the largest lenders have collapsed in bankruptcy and states and Congress are calling for a crackdown to protect homeowners.

The NYU study found that in 22 of the city's 59 community board districts, more than 30 percent of all home-purchase loans were sub-prime. Manhattan accounted for just 1.1 percent of the loans.

By comparison, the Brownsville section of Brooklyn - where the median annual income was \$22,238 - led the citywide list at 52.28 percent.

Also topping the potentially perilous 50 percent mark were Jamaica/Hollis in Queens, East New York in Brooklyn and Williamsbridge and Belmont in The Bronx.

"If [home-value] appreciation flattens out, you're going to see a lot of homeowners going into distress," warned Furman research fellow Solomon Greene.

When there's a downturn in the housing market, overburdened borrowers could find themselves unable to pay the mortgages and unable to sell their homes for what they paid, which would lead to foreclosures.

In many cases, sub-prime loans offer low two-year teaser rates that increase dramatically in the third year. They're also tougher to refinance.

"These homeowners could be stuck in very expensive loans," noted Greene.

Brownsville had the fifth-highest rate of foreclosure notices in the city, 30.5 per 1,000 occupied one- to four-family homes.

Bedford-Stuyvesant had the most, 34.2 per 1,000.

In nearby - and far wealthier - Fort Greene/Brooklyn Heights, the foreclosure rate was just 8.2 per 1,000 homes.

City Councilman Al Vann, who represents Bed-Stuy, said community officials have made a concerted effort to educate homeowners so they carefully read and understand what they're signing.

"There are a lot of swindlers out there, a lot of con people who take advantage of the ignorance of some people, the seniority of some people," he said.

In another jolting finding, the study reported that only 16 percent of Hispanics own their own homes here, less than half the citywide average of 33 percent and below that of blacks at 28 percent.

Nationally, rates of Hispanic homeowners have outpaced the rate of black ownership.

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