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Behind Queens' high foreclosure rate

With news earlier this week that first-time residential foreclosures in Queens accounted for the majority of all foreclosure filings in the city between January and March, industry analysts say the findings may have to do with the high number of single-family homes in the borough, which are more susceptible to foreclosure than other properties.

Of the city's 554 new first-quarter residential foreclosures recorded by real estate data site PropertyShark.com, 319 were in Queens, and the borough posted a 91 percent jump in foreclosures over the fourth quarter.

"Queens was hardest hit by foreclosures due to the prevalence of single-family residential properties," said PropertyShark CEO Ryan Slack. Other boroughs, such as Brooklyn, he pointed out, have a far greater number of multi-family buildings larger than five units, which require more sophisticated financing that protects banks and owners from foreclosures.

Brian Tracz, a New York City attorney specializing in foreclosures, said the types of financing common to homeowners in the borough accounts for its vulnerability.

"First and foremost," said Tracz, "the incidence of piggy-back financing is prevalent in Queens, where you have borrowers taking out two loans in connection with the purchase such that the amount financed is routinely 90 percent or more of the total purchase price." Occasionally, said Tracz, these types of loans include a so-called "seller's concession," an arrangement where the purchase price of a home is increased in return for the seller's agreement to pay closing costs of the borrower.

"Couple that with the downturn or slowdown of the market, and you are left with negative equity and, hence, a looming foreclosure," said Tracz.

Queens's current uptick in foreclosures may also serve as advance warning to other boroughs, said Slack. "Staten Island has a similar structure to Queens, and will likely experience increases in the future. Similarly, areas of the Bronx will worsen, where there is a predominance of residential buildings." Manhattan, however, with its preponderance of co-ops, is nearly immune from foreclosures due to the higher down-payments required, he said.

Tracz said that while the number of foreclosures in Queens was troubling, he is hopeful about the long-term health of the city's residential market.

"Few seem to remember the early '90s, when foreclosures burst onto the scene, and the

foreclosure market thrived," he said. "The real estate market was able to bounce back from that and should bounce back from this. However, my feeling is that the worst of this cycle has yet to come." *By Jason Rhyne*

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