

# Rise in foreclosures to keep LI home prices low

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A rising tide of foreclosures on [Long Island](#) could last for several years, delaying a recovery in housing prices, experts on the housing market say.

In each of the last two quarters, the median home price on [Long Island](#) hasn't budged from a year earlier, according to appraiser Miller Samuel and the brokerage Prudential [Douglas Elliman](#), both in Manhattan. The price in the

third quarter was \$365,000, down 17.5 percent from the peak of \$442,380 in fall 2007. (These data don't count East End sales, where prices fell in the past year.)

A key reason home prices are stuck: The number of [Long Islanders](#) who were notified that their homes were in foreclosure doubled from December 2011 to September. Last month, lenders filed 1,278 such notices, LI Profiles, a real estate and foreclosure information company in [Brightwaters](#), reported.

"Last year everything seemed to slow down," from foreclosure notices to bank repossessions and sales, said Susan Vincennie, president of LI Profiles. But now, she said, "These numbers are on the upswing."

What's more, [New York's](#) lengthy foreclosure process means "it's going to take time to fully clear out the backlog of foreclosure activity on [Long Island](#)," said Daren Blomquist, a vice president with RealtyTrac, of Irvine, Calif., which monitors foreclosures.

From the initial foreclosure notice to the day the bank repossesses a home, foreclosure took an average 1,072 days, or nearly three years, in [New York](#), longer than in any other state, according to a third-quarter report by RealtyTrac.

[New York](#) requires lenders to get court approval to foreclose, which protects homeowners but results in delays. By contrast, foreclosure rates are falling sharply in states like California, [Utah](#) and [Michigan](#) that do not require court approval, according to RealtyTrac. Those states have seen home prices rise while foreclosures fall. In California, for instance, the median home price spiked by 19.5 percent in September compared to a year earlier, reaching \$345,000, according to the California Association of Realtors.

## Dormant cases revived

It isn't just new foreclosure cases that are on the rise on the Island. Some housing counselors say cases that have been dormant for years are now being revived.

Robert Sinrich, a former volunteer fire captain in [Plainview](#), volunteered at [Ground Zero](#) for a day shortly after the 9/11 terrorist attacks. A few years later he was diagnosed with a rare, incurable cancer. His doctor, Nouneh Gostanian, said his exposure to toxic dust probably caused his cancer.

Sinrich, 59, lost his job in 2009, followed by another job loss in 2010. He stopped making mortgage payments in June 2009, after his lender told him it could only modify his mortgage if he was in default, he said.

In July of this year, Sinrich received documents from his lender informing him he could lose his home. The records sent by the bank indicated it served him with foreclosure papers in 2009, which Sinrich doesn't recall. Gale Berg, director of pro bono attorney activities at the [Nassau County Bar Association](#), where Sinrich sought legal advice, said banks sometimes make errors in serving papers to homeowners.

A spokesman for his lender, OneWest Bank of [Pasadena](#), Calif., declined to comment.

Sinrich is not the only Island homeowner battling health problems or other setbacks while also trying to fight off foreclosure.

"A lot of the foreclosures we're seeing reflect hardships of some sort," said Pearl Kamer, chief economist with the [Long Island Association](#), the region's largest business group. "It was a perfect storm. A lot of people bought at the top of the market with very little equity. Any unexpected bump in the road -- the loss of a job, a health problem -- could send them over the cliff."

But the impact of foreclosures is also felt by neighbors seeking to sell. The typical foreclosed home on Long Island sold for 35 percent less than a non-foreclosed home in August, the most recent month for which data was available, according to Florida-based data provider LPS Applied Analytics' home price index.

In August, 7 percent of Long Island homes with mortgages were in foreclosure, up almost one percentage point from a year earlier and more than twice the nationwide rate of 3.35 percent, said CoreLogic, a national data provider based in California.

"Without question, it drags down the values," Jerry O'Neill, broker/owner of [Coldwell Banker Harbor Light](#) in Amity Harbor, said of the Island's foreclosure rate.

## Area prices affected

A cluster of foreclosed homes in a neighborhood typically depresses prices 10 percent to 20 percent, both because buyers expect big discounts and because abandoned homes make the area less appealing, O'Neill said.

"We're looking forward to getting rid of that category of inventory . . . so we can return to a more normal market," O'Neill said. "I would hope it wouldn't be more than two or three years."

In the meantime, Charles Berger, 70, an engineer who lives in [Garden City](#), said he worries that the Island's concentration of foreclosed homes is hurting his ability to sell the home he and his sister inherited from their father this year. The three-bedroom Cape in [Massapequa](#) is on the market for \$229,900.

Berger said the offers he has received were too low for serious consideration, so he might rent it out until the market recovers. "There are certain investors that are looking for very low prices, and so that tends to depress the market," Berger said.

Before the housing crash that started in 2007, foreclosures had little impact on the prices of other homes. Back then, only investors bought foreclosed homes, O'Neill said. But when the local foreclosure rate spiked -- in early to mid-2008, and again in August 2009, according to LI Profiles -- ordinary home shoppers began to take notice, and in neighborhoods with many distressed sales, the prices of non-foreclosed homes took a hit.

Foreclosure activity fell sharply in late 2010, after a scandal over foreclosure documentation. The so-called robo-signing scandal, in which banks were found to be foreclosing on homes without the necessary documentation, prompted [New York](#) State courts to force banks' attorneys to affirm that they have verified all the required paperwork.

After the rule change in New York, said [Craig Robins](#), a bankruptcy and foreclosure attorney, "the lenders and attorneys voluntarily decided to slow things down; they didn't want to get into trouble."

This year's steady rise in foreclosures on Long Island is due largely to three factors: Banks and their attorneys have largely adjusted to the new rules imposed by New York courts, said Allison Schoenthal, a partner at Hogan Lovells in Manhattan, which represents lenders in contested foreclosure suits.

Banks' law firms also have caught up on the influx of new cases they received when a major law firm for lenders largely shut down almost a year ago, Schoenthal said.

In addition, this year's \$25-billion settlement reached by the nation's five major mortgage lenders with federal and state agencies gave banks new standards for foreclosures, said advocates for homeowners.

"Now they know what they need to do to file the formal paperwork, and they are moving forward," said Eileen Anderson, senior vice president at the Community Development Corp. of Long Island. "We have now seen a tremendous increase in the amount of formal foreclosures being filed in the court system."

### **Case for moving ahead**

Despite the hardships experienced by many distressed homeowners, some brokers -- and even some foreclosure defense attorneys and housing counselors -- said it's better for lenders to move ahead with foreclosure cases than leave homeowners in limbo, at least in cases where the homeowner has no chance of being able to keep the home.

"You have properties that are vacant, and they're affecting the marketplace," said Todd Yovino, broker/owner of Island Advantage Realty in Huntington. "Those properties that are vacant and are a nuisance to society, they need to be foreclosed on, because that's the only way the bank can rectify the situation."

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