

BE OUR GUEST BY JULIA VITULLO-MARTIN

NYC holds key to housing ownership

President Bush is right to be advocating home ownership for moderate-income households, as New York City's experience shows. But his central device, zero-down mortgages, may do more harm than good.

The city's Nehemiah Houses and the Housing Partnership have stayed financially sound, while so many programs in other cities have failed, by insisting on upfront commitments. Only a handful of buyers have defaulted on Nehemiah's 3,900 homes over the last 20 years.

Senior organizer Mike Gecan attributes this, in part, to the down payment.

"We watch out for 'mental rental,'" he says, "the idea that you get a house but you don't really feel like you own it, so you keep acting like a renter."

Similarly, Kathy Wylde, former president of the Housing Partnership, points out that their default rate has been consistently lower than Fannie Mae's, in part, because "once people met that big commitment upfront, they hung onto their houses no matter what."

This is essential to sound housing policy — and to the rebirth of neighborhoods. The federal government should have learned this in the 1960s and 1970s, when its disastrously casual subsidy programs allowed loans to shaky borrowers trying to buy often unsuitable, overpriced homes.

The result was thousands of defaults, plunging many already distressed neighborhoods, such as Harlem, the South Bronx and Bedford-Stuyvesant, back into financial gloom and abandonment.

Another key is the one-to-three family home, a traditional housing pattern in working-class neighborhoods throughout the boroughs. These houses were built cheaply and quickly on whatever land their resourceful developers could find. A typical immigrant family in the 1920s would buy a small multifamily building, live in one unit, and rent out the others to cover their mortgages and expenses.

This phenomenon built many of New York's strong neighborhoods to begin with — and rebuilt them after the 1960s and 1970s.

Helping minorities with homeownership is particularly urgent, as Bush understands. The current homeownership rate for African-Americans and Hispanic-Americans nationally is slightly over 47%, compared to a record high of 68% for all Americans.

As in other cities, New York's minority ownership has lagged. While 42.6% of white and 36% of Asian New York households owned their own homes in 2002, only 29.2% of black and 15.2% of Hispanic households were homeowners. The vast

majority of Nehemiah and Partnership home owners are minorities.

The New York lessons are clear: keep costs down by building quickly and inexpensively. Develop two- and three-family homes whenever possible. And retain the down payment.

Cash on the barrel is the true proof of a home buyer's commitment.

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**U.S. should heed
Nehemiah
and Partnership
— require
a down payment**

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