
Reprinted from the Chicago Tribune

October 26, 2007

Foreclosure crisis 'a major threat'

Minority areas particularly hit hard, officials say

By Ray Quintanilla | Tribune Staff Reporter

More than two dozen housing and public-policy experts painted a gloomy portrait Thursday of the home foreclosure crisis across the Chicago area, with some worrying that the worst is yet to come.

"This is going to have a major impact on the economy for the next decade," said Malcolm Bush, president of the Woodstock Institute, a non-profit research and policy group that participated in a meeting at the Federal Reserve Bank of Chicago.

A recent study by the organization found a 36 percent increase in home foreclosures across the region in 2006, compared with the previous year, Bush said. Meanwhile, foreclosures in Chicago during the same period jumped 37 percent.

Many minority communities and neighborhoods have been hit hard, said Robert Wharton, president of the Community and Economic Development Association of Cook County.

One need only drive through Chicago's South Side or communities in the suburbs with large numbers of minorities to see freshly boarded-up single-family homes, he said.

"This is a major threat to these communities, since many of them already have economic problems," Wharton said.

During the meeting, representatives from such communities as Harvey and Robbins discussed the need for more counselors to help those who cannot afford their homes and have fallen behind in mortgage payments.

"The number of people getting into trouble is going to grow, and the need for housing counselors is going to grow as well," said Tammie Grossman, executive director of Housing Action Illinois, a Chicago-based training and advocacy group.

Brenda Grauer, a prosecutor in the office of Illinois Atty. Gen. Lisa Madigan, said foreclosures caused by fraud are becoming "incredibly prevalent."

Poor communities on the South Side and in the south suburbs, she said, are prone to illegal mortgage practices – everything from a broker or lender overstating a borrower's income to inflating property values on a loan application.

The Woodstock study found that areas with high concentrations of minorities in the south suburbs and in older sections of towns such as Elgin, Aurora and Carpentersville had among the highest foreclosure rates per 1,000 properties.

The problem is readily apparent in the 700 block of Jackson Avenue in the heart of Carpentersville's burgeoning Latino area, where three vacant homes are in foreclosure and four others recently were put up for the same.

"No one wants to see my house when it's in a neighborhood that might soon be headed down," said Christopher Cruz, 25, who is trying to sell his home on the block.

Carpentersville posted 277 foreclosure filings through August, more than double from the same period a year ago, according to RealtyTrac, a national real estate data firm.

Across Elgin, foreclosure filings from January to August climbed to 560, nearly double from the same period a year ago, according to RealtyTrac. Elgin officials say foreclosures are particularly heavy on the city's east side – home to a large concentration of minorities.

Many with mortgage problems fell victim to the same things that fueled a rise in home foreclosures across the nation this year, said Elgin City Council member Juan Figueroa.

These included adjustable-rate mortgages that homeowners found difficult to repay once higher interest rates kicked in and borrowers with poor credit histories who financed more than they could afford, he said.

In Aurora, the second-largest city in the state with 175,000 residents, the number of foreclosures hit 668 from January to August. That's up from 385 during the same period a year ago.

Michael Kamon, Aurora's director of neighborhood redevelopment, said his city is experiencing a surge in foreclosures like many other communities across the region.

Some homeowners have put their properties up for sale to keep from losing all of their investment in a foreclosure, but the slow housing market is making that difficult, officials said.

The foreclosure landscape also has been affected by the city's crackdown on more than one family living in the same home, said Ald. Juany Garza.

"When the extended family leaves, that leaves just one wage earner with the responsibility to pay a mortgage they can't afford," Garza said. "Before long, that home is lost."