

In a Sea of Foreclosures, an Island of Calm

By Jim Dwyer

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Just about eight years ago, Patricia Worthy signed the papers for the first mortgage of her life, getting the customary dizzy spell as she looked at the line that listed, all in one place, 360 monthly payments of principal and interest.

She signed. So did 690 other families in her development, in the New Lots section of Brooklyn. All of them were buying homes for the first time; all were people of modest or moderate means. They were moving into a neighborhood that had been a forsaken stretch of abandoned buildings.

Those 691 families all took on their responsibilities at the dawn of a new era of debt, one that was not only deregulated but also seemingly deranged. Since then, across the country, the rate of defaults has soared.

Not, however, in Ms. Worthy's development.

"In my area, we have not had one foreclosure," Ms. Worthy said this week.

Her home was one of the 3,900 built under the Nehemiah housing program, which began nearly three decades ago, when acres of the Bronx and Brooklyn had fallen to ruin. Land was vacant. A group of churches and community organizers, and a developer named I. D. Robbins, came up with the idea to mass-produce single-family homes

on these lots and sell them at low prices. They named their plan after a prophet of the Old Testament who rebuilt Jerusalem.

In the 27 years since the program started, fewer than 10 of the 3,900 households have defaulted on mortgages, a rate that is close to zero, said Michael Gecan, a senior organizer with the Metro Industrial Areas Foundation, one of the forces behind the program.

“We demanded down payments,” Mr. Gecan said, “and we resisted government attempts to have us waive down payments. Over the last six or eight years people kept suggesting various programs with zero down. We kept saying, ‘That’s ridiculous that’s how you get into mass foreclosures.’”

Through the 1990s and until the last few months, the banner of universal homeownership was flown high by Democrats and Republicans. Behind this virtuous cause was a jungle of counterintuitive arrangements, like loans with no down payment or income verification. These practices make sense only under a system in which the most valuable aspect of the loan papers themselves is that they can be bundled together and sold without any scrutiny of their actual worth. The result was a system of agreed-upon hallucinations.

With the collapse of these delusions, the Democrats have pointed to the uncaging of the financial industry by its Republican champions, like Phil Gramm, the former senator from Texas who was chairman of the Senate banking committee. Others have said that the problem arose because of the social piety of Democrats pushing for loans to uncreditworthy minority applicants.

Yet the people in the Nehemiah program, nearly all members of minority groups, have a superb record of meeting their obligations. Mr. Gecan says that’s because from the very beginning of the program, the developers insisted that the buyers have a real financial stake in the houses. Another factor, Ms. Worthy said, was that the Nehemiah buyers, who were helped by two church groups, looked at what they were getting into. They were not vulnerable to the predatory lending scams that accelerated over the last decade.

“People were educated on what they could afford,” Ms. Worthy said. “We weren’t asked to sign blank documents. We weren’t asked to say that we made \$5,000 a month as opposed to the \$1,000 that we might have actually made.”

The rules Nehemiah applied to its buyers were precisely those that most lenders used to do business until recent years. In fact, that orthodoxy forced the Nehemiah developers to turn to alternative sources for capital. The financing came from a revolving fund set up by a coalition of churches and the Community Preservation Corporation, and with mortgages guaranteed by the State of New York. The city also provided an interest-free loan.

The congregations that banded together to build the Nehemiah houses the South Bronx Churches and the East Brooklyn Congregations did not align themselves with either political party, but employed tactics developed by Saul Alinsky, who is thought to have been the father of modern community organizing. They made specific, persistent demands; at times, they were criticized for following the playbook of Mr. Alinsky, who described himself as a radical.

In New York, at least, Nehemiah gave the city 3,900 homes in neighborhoods that had been mostly rubble. The people paid their bills. They changed the city. Radical indeed.