



The Basics

## Foreclosure nearby? It's your problem

Think the foreclosure crisis isn't your worry? Think again. If your neighbors lose their houses, you can expect more broken windows, drugs and crime.

By [Liz Pulliam Weston](#)

If you're not struggling to pay a mortgage, you may think the foreclosure crisis has nothing to do with you.

You're probably wrong.

As millions of Americans lose their homes, many of our neighborhoods will change, and not for the better. Areas where the foreclosure tsunami has already come ashore show us what's in store:

- Vagrants, drug dealers and prostitutes have taken over abandoned houses in a middle-class [Atlanta](#) neighborhood.
- In [Cleveland](#), among other hard-hit cities, vandals are stripping copper wiring, copper plumbing and even aluminum siding from abandoned homes, leaving uninhabitable eyesores behind.
- In suburban [Elk Grove](#), Calif., broken windows and weedy lawns are just the start of the problem. Inner-city plagues including gangs, drugs and graffiti have invaded newly built developments as landlords accept any renters they can get.

"Landlords are taking Section 8 people, people on government assistance, and moving them into 4,000-square-foot houses with five bedrooms and three bathrooms," said Steve Steele, the pastor of Oak Tree Community Church in Elk Grove. In many cases, Steele said, neither the landlords nor the new tenants have maintained the properties, which once sold for \$500,000 or more.

Gang activity and crime have spiked, residents say, as foreclosures have increased in the community.

### There goes the neighborhood

[Increased crime and foreclosures appear to go hand in hand](#) (.pdf file). Each 1% increase in foreclosures, according to Dan Immergluck of Georgia Tech and Geoff Smith of the Woodstock Institute, is associated with a 2.23% rise in violent crime. Cleveland's [Slavic Village](#) experienced such a transformation a decade ago, when a spate of foreclosures from high-cost loans turned the once-tidy, middle-class neighborhood into streets of eyesores.

"People would look at the (stripped and abandoned) houses and say, 'Nobody cares about this neighborhood,'" said Barbara Anderson, a longtime resident of Slavic Village who is now head of a club dedicated to the area's refurbishment. "'We can use these houses and sell drugs out of them, and nobody will care.' And the neighborhood begins to crumble."

- **Talk back:** [Have you felt the effects of the wave of foreclosures?](#)

As quality of life erodes, so do home prices. Even in areas that fend off vandals and criminals, the fire-sale prices lenders slap on foreclosed houses put further downward pressure on home values.

### 1 foreclosure bruises many

About 3% of all homeowners are expected to enter the foreclosure process by the end of 2009, according to a [new report](#) by The Pew Charitable Trusts. That's bad enough, but a whopping 43.5% of homeowners will feel the ripple effects.

The report estimates 40 million U.S. households will see their home values plummet by \$356 billion in the next year years because of nearby foreclosures. That's a per-household loss of wealth of \$8,771.

- **Video:** [Foreclosed owners trashing their homes](#)

The fallout is even worse in many states:

- In Nevada, where one out of 11 homeowners will likely enter foreclosure, 77% of homeowners will feel the after-effects, losing an average \$11,730 of home value.
- In Arizona, one out of 18 will enter foreclosure, while 63% of homeowners will lose an average \$7,231.
- In California, one in 20 homeowners will enter foreclosure, and 64% of homeowners will face an average \$14,282 loss.
- In New York, 1 in 32 homeowners will enter foreclosure, about the same as the national average. Yet 52% of homeowners will feel ripple effects by losing an average \$18,334 in home value.

This toll, by the way, is independent of the loss in home values that will come as the result of the real-estate bubble bursting and the credit crunch. It also doesn't count the indirect cost of cities, counties and states losing the tax revenue on that \$356

billion of vanished wealth.

### **Continued: 'This is a disaster'**

"This is a disaster," said Kathleen Day, a spokeswoman for the [Center for Responsible Lending](#), a consumer-advocacy group whose research was used in the Pew study. "People don't realize how bad it's going to get. The effects are more far-reaching than they suspect."

I'm guessing the fallout could be even worse than these numbers indicate. The predicted foreclosure rates are based primarily on the homeowners who took out subprime loans in 2005 and 2006. If the economy worsens and more people lose their jobs, we'll see even more foreclosures. Even those who are still employed [may simply walk away](#) from homes that are "underwater," or worth less than their mortgages.

### **5 things you and your neighbors can do**

I refuse to believe we have to sit by idly and let all this happen. There are things any of us can do -- as well as one thing only our lawmakers can do:

**Urge your neighbors to get help.** I usually don't recommend butting into other people's finances. But if you suspect a neighbor is having trouble, you may be doing a kindness by pointing out available help.

One source: The [Homeowner Crisis Resource Center](#), run by the [National Foundation for Credit Counseling](#), which can help borrowers get in touch with certified housing counselors. The toll-free number is 866-557-2227. Don't want to bring it up in person? Then print out this column and leave it anonymously on their doorstep, with this paragraph highlighted.

**Enlist your homeowners or residents association.** There is truly strength in numbers. A group of neighbors is more likely to get the attention of lenders, police and politicians if abandoned homes are causing problems.

"Take action quickly," Slavic Village's Anderson said. "Partner with other groups and your neighbors. It's much too big a problem to fix by yourself."

Anderson's improvement organization partnered with Cleveland's mayor, the area's council representatives and local businesses to get attention and funds. The group holds an annual cleanup day, sponsors a community garden, tends plantings that beautify vacant lots and has seen some of the abandoned houses torn down.

- **Talk back:** [Have you felt the effects of the wave of foreclosures?](#)

"We've weathered this storm and we're seeing a brighter day," Anderson said. "Someday people will be coming to Cleveland to see what we've done, rather than coming to see what was done to us."

**Get nosy.** Pay attention to who's moving out of, and into, the neighborhood. If a home looks abandoned or neglected, find out who owns it and pass the information on to the residents association for action.

You may need to be a bit of a detective to track down the current owner, especially if it's a lender, said real-estate columnist Elizabeth Razzi, the author of "[The Fearless Home Seller: Razzi's Rules for Staying in Control of the Deal.](#)"

Most local governments have put their property-tax-assessment databases online, Razzi said, but the information may not be up to date, particularly for recent foreclosures. You may need to visit the assessor's office in person to get the information you need.

Also, some tax-assessor databases require that you have more than just the address when you're searching for a property's owner.

"If you need more than street address to look up a property record -- say, the legal lot number used just for public records -- the records on [Zillow.com](#) may yield that nugget," Razzi said,

**Commit guerrilla upkeep.** OK, technically, you're not supposed to be standing on someone else's lawn without permission, let alone mowing it. But some people have decided it's worth the risk to have a neighborhood that looks decent.

Steele's church, for example, dispatched 25 members to mow lawns and empty yards of trash during a "Service Sunday" in Elk Grove last fall. The cleanup crews targeted more than 30 homes that had been previously identified by a homeowners association as needing attention.

"We knocked on their doors and if somebody answered, we asked if they wanted our help," Steele said. "Most said yes. . . . If nobody was home, we went ahead and did it anyway."**Insist lawmakers act.** One simple thing Congress could do is to change bankruptcy laws to [allow judges to modify mortgage terms](#), something bankruptcy courts can do with vacation or investment homes but not with primary residences. Changing the law would allow judges to lower the amount owed on mortgages that would otherwise wind up in foreclosure.

Lenders hate this idea, but the Center for Responsible Lending says it could help 600,000 people keep their homes, wouldn't cost taxpayers a dime and likely would result in more money in lenders' pockets than what they'd get in foreclosure sales.

- **Video:** [Foreclosed owners trashing their homes](#)

If you agree with me or want your voice to be heard, e-mail your congressional representatives now. Lenders have lobbyists who've already headed off proposals; the only way to overcome that is with sheer numbers of messages from voters.

You can find your House representative using [this link](#) and your senators [here](#), and send something like the following:

*Please help stem the tide of foreclosures by giving bankruptcy judges the ability to modify mortgage terms. Thank you.*

There are other proposals afoot as well, but they're being slowed down by excessive concern that the "undeserving" will somehow be helped.

Whatever we do, we need to get over this idea that it matters anymore who deserves help and who doesn't. For every family kicked out of its home, 14 or 15 other families suffer. We should be way past caring who's worthy, if for no other reason than self-preservation.

#### Projected foreclosures, 2008-09:

State	Projected rate	State	Projected rate
Alabama	1 out of 60	Montana	1 out of 81
Alaska	1 out of 39	Nebraska	1 out of 64
Arizona	1 out of 18	Nevada	1 out of 11
Arkansas	1 out of 64	New Hampshire	1 out of 49
California	1 out of 20	New Jersey	1 out of 37
Colorado	1 out of 25	New Mexico	1 out of 56
Connecticut	1 out of 49	New York	1 out of 32
Delaware	1 out of 43	North Carolina	1 out of 44
District of Columbia	1 out of 27	North Dakota	1 out of 165
Florida	1 out of 26	Ohio	1 out of 37
Georgia	1 out of 27	Oklahoma	1 out of 47
Hawaii	1 out of 29	Oregon	1 out of 34
Idaho	1 out of 39	Pennsylvania	1 out of 46
Illinois	1 out of 38	Rhode Island	1 out of 31
Indiana	1 out of 37	South Carolina	1 out of 42
Iowa	1 out of 79	South Dakota	1 out of 116
Kansas	1 out of 53	Tennessee	1 out of 36
Kentucky	1 out of 55	Texas	1 out of 35
Louisiana	1 out of 41	Utah	1 out of 25
Maine	1 out of 60	Vermont	1 out of 86
Maryland	1 out of 26	Virginia	1 out of 33
Massachusetts	1 out of 48	Washington	1 out of 39
Michigan	1 out of 36	West Virginia	1 out of 89
Minnesota	1 out of 40	Wisconsin	1 out of 60
Mississippi	1 out of 49	Wyoming	1 out of 64
Missouri	1 out of 38	<b>U.S. average</b>	<b>1 out of 33</b>

Liz Pulliam Weston's new book, ["Easy Money: How to Simplify Your Finances and Get What You Want Out of Life,"](#) is now available. Columns by Weston, the Web's most-read personal-finance writer and winner of the 2007 Clarion Award for online journalism, appear every Monday and Thursday, exclusively on MSN Money. She also answers reader questions on the [Your Money message board](#).

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