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EDITORIAL

Island of Lost Homes

As the financial crisis crisscrosses the globe, mutating as it goes, it is important to remember the brownfield of bad American home loans that are its ground zero. The view is ugly, the effects dire and the need for solutions just as urgent whether you look in the stucco foreclosure tracts of Phoenix and Southern California, the condo-boom cities like Miami — or a birthplace of the suburban American dream, Long Island.

Long Island’s two counties, Suffolk and Nassau, are first and fourth in the number of loans at risk of foreclosure in New York State. Long Island was not supposed to be hit this hard, because of its affluence, highly desirable housing stock and relative lack of room to sprawl. But for lots of reasons distinctly its own, it was highly susceptible to the toxic fallout of the subprime bubble.

Long Island now has two housing crises, an acute new one laid over a chronic old one. The old one is a severe shortage of housing for regular people, in a market pathologically skewed by racial segregation and not-in-my-backyard resistance to responsible development.

Housing in the land of Levittown, the national symbol of affordable starter homes, has for years been out of reach to young couples and the working class. Thousands of Long Islanders of modest means, from young professionals to immigrant day laborers, are crowding into illegally subdivided single-family houses. Demographers have documented an exodus of people who grew sick of living in their parents’ basements, while retirees rattled around in empty nests, cash-poor but property-rich — at least until the mortgage meltdown.

For all that, there are few legal rental units, and efforts to build higher-density “smart growth” developments have been vigorously, often rabidly, opposed by communities wedded to the single-family house behind the white picket fence. McMansions have been eating up the island’s dwindling open space and farmland, while its downtowns and infrastructure wither from age and neglect.

To top it off, the island remains one of the most segregated suburbs in the country, designed from the days of its earliest tract homes to be a haven of white aspiration. For years, African-American homeowners were shunted to tightly bounded neighborhoods that became self-perpetuating pockets of poverty with severely underperforming school districts.

It is little wonder that within Long Island’s dysfunctional housing market, where more than half of residents spend more than 30 percent of their income on housing, the lure of easy credit was irresistible. Mortgage lenders cajoled the elderly to plunder their equity, people in heavily minority areas like Hempstead Village, Amityville and Brentwood lined up for the subprime express, investors snapped up homes for illegal rentals, and trader-uppers in richer ZIP codes dived in over their heads.

Advocates who had struggled to get poor people into housing realized a few years ago that things were moving too fast. Peter Elkowitz, chief executive of the Long Island Housing Partnership, said people at the group's home-ownership workshops would sometimes bristle at being told what they could not afford and take their business to storefront brokers who offered no-income-verification loans and the false promise that home values would keep rising forever.

Now it is all crashing down. The ranch homes have plywood picture windows, and front lawns sprout billboards for foreclosure auctions. The disaster is particularly acute in black and Latino communities, where subprime loans were advertised heavily. The Empire Justice Center found that the three Suffolk communities with the highest foreclosure risk — Amityville, Brentwood and Central Islip — are home to a full 30 percent of the county's African-American homeowners. Nassau's three hardest-hit areas — Hempstead, Freeport and Elmont — are home to 42 percent of its black homeowners.

The county executives of Nassau and Suffolk, Thomas Suozzi and Steve Levy, have ramped up services like debt counseling to keep the next wave of troubled homeowners from defaulting when their adjustable-rate mortgages reset next year. But the counties are struggling to keep their own budgets right-side-up in a wretched economy. New York State's deficit is mountainous, and Mr. Levy and Mr. Suozzi expect to get hammered on aid from Albany, even as their own sales taxes and property-transfer taxes dwindle.

Crime is not up yet, but homelessness and hunger are. So is blight: town and village officials have their hands full keeping lawns mowed for a glut of abandoned houses. The bottom-feeders are out: "We Buy Houses," read the light-post fliers in poor neighborhoods, offering fast cash for troubled homes. Brokers who shamelessly peddled subprime loans to unqualified buyers are now offering, for thousands of dollars in fees, to fix people's credit, convert their loans and negotiate with lenders — the same thing nonprofit groups do at no charge.

This disaster was caused by a torrent of bad loans, but there has been only a trickle of the money and leadership needed from Washington, where the focus has been on bailing out banks before homeowners. At a training workshop at the Long Island Housing Partnership in Hauppauge last week, representatives of Citibank met with nonprofit groups to explore ways to repair mortgages so that families can keep their homes for the life of the loans, and not simply postpone inevitable foreclosures.

The emphasis was on realism and honesty in a world that jettisoned both. Participants agreed that a solution as big as the problem had not yet been devised. Lenders, homeowners and advocates are stuck with straightening out a colossal mess, one bad loan at a time.