



UNIVERSITY NEIGHBORHOOD HOUSING PROGRAM

Preserving, Creating & Financing Affordable Housing

August 31, 2010

University Neighborhood Housing Program is a 27 year old nonprofit housing organization working to create, preserve, improve and finance affordable housing in the northwest Bronx and throughout New York City.

Based on our own experience over the past decade, we have repeatedly encountered one particularly frustrating shortcoming of the Community Reinvestment Act when dealing with multifamily (five or more units) lenders in the Bronx. During the housing bubble of the 2000s, we witnessed lax underwriting standards that helped fuel speculative investment in the multifamily rental housing market. Ironically, banks that provided financing for many over-leveraged properties that are now in disrepair and at times foreclosure, received credit on the CRA exams for providing this financing in our low- and moderate-income census tracts.

In relation to these trends, we have developed a database and scoring system to analyze nearly 60,000 multifamily properties in New York City. Our Building Indicator Project (BIP) Database uses various types of housing code violations and municipal liens to rank buildings on their level of physical and/or financial distress. We are also able to link this data with the most recent lender of record and analyze the portfolios of the top lenders in New York City.

Systems such as BIP should be included in CRA exams in order to evaluate the quality of loans being made. A number of banks have financed properties purchased by private (often predatory) equity investors who have clear intentions of displacing low rent paying tenants. When these goals go unmet, services are cut and buildings fall into disrepair; in a few of the most egregious cases the buildings actually went vacant. Other banks lend to less than scrupulous owners with bad track records. Neighborhoods in the Bronx are suffering because of these investors and the banks that provided the financing, while the banks get points on the CRA exams for providing the credit. If systems exist to evaluate the quality of buildings and bank portfolios, they should be utilized in CRA exams to look at the quality – not just the quantity – of loans underwritten by each bank.

Please feel free to contact us for more information regarding the Building Indicator Project.

Sincerely,

Gregory Lobo Jost
Deputy Director