Faces of foreclosure in Pittsburgh

Working class families feel brunt of housing crisis

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The housing crisis is affecting thousands of working class and poor families in Pittsburgh, Pennsylvania. There are 400 to 500 home foreclosures each month in Allegheny County, where Pittsburgh is located. Last year, there were more than 4,000 foreclosures, and this year is on pace to reach a record 5,000 homes, twice the 2002 figure.

Most media reports focus on the fact that the housing crisis here is not as severe as in the rest of the country. While housing prices here did not rise as rapidly as in other cities, thus avoiding a subsequent huge drop in home values, there are pockets of the city and in the surrounding suburbs where housing prices did skyrocket and have now collapsed.

In the metro-Pittsburgh area, home sales are down 16.4 percent. Home prices also continue to decline, meaning that families that try to sell their homes cannot get what they paid for them. Fifty-four percent of homeowners have seen their home values decline in the past 12 months, and 15 percent of the homes sold over the past year have sold at a loss.

For working class and poorer families, foreclosure rates continue to rise. Poorer neighborhoods are being hit especially hard, with an average of over 40 foreclosures for every 1,000 homes. Some areas have foreclosure rates as high as 71 of every 1,000 homes.

Recently, about 50 homeowners threatened with losing their homes attended a meeting sponsored by ACORN (Association of Community Organizations for Reform Now). ACORN, a reformist community group that supports the Democratic Party, is working with residents to renegotiate their mortgages with their lenders and prevent evictions.

Millions of people in America are only a paycheck away from losing their homes, and this was certainly the case with the people attending this meeting. Job loss was the major factor causing many to fall behind on their mortgage payments. In many cases, the loss of work was combined with large medical bills or other sudden and unexpected expenses.

Kevin Blackwell, 45, who works for a company that rebuilds parts for automobile transmissions, came to the meeting with his wife. They face losing the home their family has lived in for six years.

"We got a foreclosure letter," Kevin told us. "My wife got hurt, she slipped and fell. As a result, she lost her job as a receptionist. She was only part-time, so she didn't have any medical or disability benefits. Right before she would get 40 hours in a week, they would cut her off so they didn't have to pay benefits.

"We had a lot of medical bills, and without her income we fell behind on our mortgage.

"Our water heater broke three times, and we had to replace it. The water bill was $1,300 because it was leaking water. Our gas bill was a couple of thousand dollars.

"All these things just came together, and we couldn't afford it with just what I am making. Right now, my wife needs an MRI. It will cost $1,000, and they won't do it until we pay $700 up front. We just don't have the money.

"When we first bought the house six years ago, the company I work for paid full medical benefits. It has been sold and bought three times since then. Each time the new owner cut the medical benefits. That's why we have to pay so much for my wife's treatments."

John Jucha is a disabled truck driver. He is threatened with losing his home of 13 years.

"My home is in bankruptcy, I fell behind on the payments and the bank foreclosed on me. I didn't get a foreclosure letter yet, but I want to take some action now and not wait. I used to be a truck driver, now I am disabled. My back went out and I have bad knees. I have been out of work for a few years.

"I have been in this house for 13 years. I was doing everything I can to keep up the payments. But I had some big medical bills, and then my car broke down and I fell behind on my payments."

Another major factor contributing to the housing crisis has been predatory lending, in which poorer mortgage applicants are charged higher rates, or are given loans with initial low "teaser" rates that are jacked up later. Residents in poorer, inner-city neighborhoods have been historically victimized by these practices.

The National Housing Act of 1934 was passed under the Roosevelt administration during the Depression, created with the stated aim of making housing more affordable. For residents of hundreds of inner-city neighborhoods, however, the opposite was the case. Under what came to be known as "redlining," services such as banking, insurance and healthcare were denied or provided at inflated costs in poorer neighborhoods.

Banks were encouraged to draw up "residential security maps" and mark off sections of cities where they would not make home loans. The banks argued that even if borrowers in these areas met all the requirements, the mortgages were too risky because they were in poor neighborhoods.

Redlining affected primarily working class, poor and African-American families. While the practice was declared unconstitutional and made illegal, financial institutions have found other ways to make it harder for lower-income families to afford homes, particularly by charging much higher interest rates and other fees.

Of all the people the WSWS spoke with at the ACORN meeting in Pittsburgh, only one had been charged an average mortgage rate. Most of the others were paying 9 percent interest, and one family was being charged the astronomical amount of 12 percent.

John Jucha has also been hit by predatory lending: “My mortgage is with Countrywide. They want $1,450 a month from me. That is a lot of money. There is a much nicer house than mine down the block for sale. They want $159,000 for it. With $4,000 down, that would be a payment of only $1,000 a month.

“What happens is that every time I fall behind, Countrywide would raise the rate. I am paying 9 percent interest. $1,450 is a lot of money.”

Jonathan Smith and his wife were paying the highest interest rate of anyone we spoke with that day—12 percent. While they are not yet facing foreclosure, the city water and sewage department is demanding that they stop using a septic tank and tie into the city sewage system. “The cost is $24,000,” he said. “If we don’t tap into the sewage system the city is going to cut our water off.”

Jon added, “We are on a fixed interest loan, but it is set at 12 percent. I applied to get it refinanced at a lower rate and to get enough extra money to pay for the water. The company sent someone out to appraise the house, but they said the house wasn’t worth enough to lend us the other $24,000.

“We bought the house 20 years ago. We had a really bad subprime loan, the interest rate kept going up and up. We got it refinanced with Citi Finance and they gave us a 12 percent fixed rate, but now we are stuck.

“I used to work construction, but because of medical conditions I had to retire. Now I work as a photographer taking pictures at weddings, graduations and things like that. My wife works at Allegheny General Hospital. We are both working, but with gas, heat and food going up, we don’t make enough to take out a second loan.”

Another method of extracting extra money from homeowners is to require those who cannot afford to make a 20 percent down payment, or whose credit is not considered high enough, to purchase PMI—private mortgage insurance. PMI does not protect the homeowner in the case of a job loss or unexpected bills, but repays the bank in the homeowner defaults on the mortgage.

Kevin, the only person this reporter spoke with who had an interest rate of 6 percent, was forced to pay for PMI. “Our loan was fixed so they started making us pay mortgage insurance,” he said. “Our monthly payment went from $473 to $631 a month.”

In addition to people losing their homes, many renters are also facing eviction and came to the ACORN meeting to see what could be done. John May, a retired Vietnam veteran, said that he just moved into a duplex this past July but the owner is attempting to evict him. He told us, “We got a letter saying that if we have any balance owing by the end of next week we will be evicted. There is no way that I can come up with $700 with just one paycheck.

“I am supposed to be getting section 8 [a government home subsidy], but they haven’t processed the forms yet, and when I call them they don’t seem to be in much of a hurry.

“I have a wife and kid, and we will be homeless in a few days. I don’t see why we should have to go through this when the government can spend billions bailing out the bankers who are set for life.”

All of those I spoke with were outraged that the government is giving hundreds of billions of dollars to the banks while not helping homeowners keep their homes.

“I don’t feel it is right,” said John Jucka. “The working people are getting robbed by the banks, and the government is giving them billions. Why don’t they give the money to these people to keep their homes?

“Many friends of mine have lost their homes. A family right across the street was evicted. She was divorced, raising two girls. They took her home for back taxes; threw them out on the street. Now, the home has been vacant for almost four years. What good does that do? They should have worked something out with her to keep her home.

“You take all these people who are losing their homes, the way the economy is going it will just get worse. The politicians want to blame it on the owners, but I blame it on them and the banks. There are plenty of people with good jobs who are losing their houses.”

Kevin explained the impact on his children. “Our kids range in age from 8 to 24. Thank God not all of them are at home. We have tried to keep this from them so they don’t have to worry. I have two girls still in school. They play sports, we go to all their games, but it costs a lot of money to travel and buy them the equipment.

“We, the working class people, are the backbone of this country. We need to come together to do something about this. The rich are getting richer while the middle class is falling into poverty.”