

## The Map of an American Nightmare

Jacksonville leads the nation in foreclosures, with one for every 123 houses. But what's more surprising is who's being affected.

By Joe Light (The Times-Union)

Nestled in the affluent, gated community of Jacob's Way on the Northside is a secret. Its young landscaping betrays how new the neighborhood is, and a builder is trying to sell its last few available homes for nearly \$300,000.

Although the community, which is off Dunn Avenue, isn't even finished, five of its families have had near brushes with foreclosure or are now in the process.

The home of the Nash family - which includes James, Doreszell, and five children - doesn't fit the profile of the low-end foreclosed homes seen in the news.

Dad is a self-published author and public school teacher. Mom quit as a teacher to start her own home-based learning center, the Mama D Academy. They're both working on PhDs and own a home with vaulted ceilings, a great room and formal dining room.

They defaulted on their loan and nearly lost their 2-year-old home in December before their lender made a deal to keep them there. But now their monthly payment of about \$2,100 is \$300 higher than it had been, and a rate hike on their adjustable-rate mortgage is due in October.

"The whole family feels the pressure," Doreszell Nash said. "We don't go out. We just do movies on birthdays. The kids feel the pressure that mom and dad have, but they have made it known that they'd much rather stay on this path than to have me go back to work at public school."

The Nashes' dilemma is commonly seen in the city, even among Jacksonville's most wealthy.

Jacksonville's foreclosure crisis has pummelled not only the city's poverty-stricken areas but it's uprooting families in the middle and upper classes. More than 23 percent of homes in the foreclosure process in mid-April had values above the March median sales price, according to an analysis of data provided by RealtyTrac, which tracks foreclosure information.

Since the beginning of the year, defaults have rocked the mortgage industry and brought the spotlight on high-rate loans given to risky borrowers, called subprime loans. Advocacy groups such as the Center for Responsible Lending have accused lenders of preying on the working poor, who now face skyrocketing foreclosures.

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Jacksonville's foreclosure rate has consistently topped metropolitan areas in the country. In the first quarter, Jacksonville had the 15th-highest rate among major cities, with one foreclosure per 123 households, according to RealtyTrac.

### **American Dream turns sour**

But although the subprime market and predatory lending have carried much of the blame for the meltdown, Jacksonville's woes run deeper.

Homeowners in the upper echelon of purchases point to tipping points such as illnesses and failed businesses.

The weak real estate market, in which price appreciation has stagnated, has trapped homeowners who could have sold for a profit during the boom, but now have no available exit once they fell behind on payments, say foreclosure experts.

"For a long time in the U.S. there's been a push to own more and more house," said Dean Williams, president and chief executive of national real estate auction house Williams & Williams. "People bought into the American dream at the highest leveraged amount and now can't get out."

In the first quarter, Williams & Williams auctioned off 489 homes for more than \$500,000, more than double what it auctioned in the first quarter last year.

Mortgage rate adjustments don't seem to drive the problem, according to a sample of 10 percent of the above-median foreclosures in Duval, analyzed by the Times-Union and University of North Florida real estate professor Sid Rosenberg. Although almost half of the homes sampled had adjustable-rate mortgages, only half of those had reached the point of adjustment.

"I tend to get a little pessimistic. It's not like this is clearing out and is just the result of all these adjustable-rate mortgages," Rosenberg said. "When we do hit those adjustments, it could get worse."

In the national market, the default uptick seems to be driven by subprime loans and especially by subprime adjustable-rate mortgages, said Doug Duncan, chief economist of the Mortgage Bankers Association. He said that in Florida, a high percentage of loans are for investor properties, which might explain some of the more expensive homes in the process in Jacksonville.

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“We see it every time there’s a turning point in the cycle,” he said. “If you bought at the peak, house prices fell, and we saw a rise in the delinquency rate. This time it’s much more to do with investors.”

Progress Home Buyers, which buys and sells homes threatened with foreclosure, has tried to negotiate purchases of six homes in tony Queen’s Harbour in the last six months. Partner Adam Rigel said that the higher-priced homes his company had dealt with were owned by investors who lost renters or had thought prices would keep rising.

Lenders encourage homeowners in default or in danger of default to call them so that a fix can be negotiated.

The Nashes did ultimately call their lender, who allowed them to increase their monthly payments to catch up on the ones they missed. When James finishes the school year, they know their income will drop substantially, and Doreszell hopes she can increase enrollment at her learning center enough to make up for it. Their home is safe for now, but the clock’s ticking.