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Housing slump hits home in East S.J.

THE MERCURY NEWS, DECEMBER 14, 2007 -

The wave of foreclosures sweeping Santa Clara County has hit its Latino residents the hardest, stripping many first-time buyers of their homes and sending financial shock waves through the South Bay's largest minority community.

Nearly 60 percent of the 1,429 properties in the county taken back by lenders from Jan. 1 to Nov. 15 were owned by people with Hispanic surnames, according to a Mercury News analysis of data provided by ForeclosureRadar. In San Jose, that figure was 69 percent.

Latinos comprise 26 percent of the county's population and 32 percent of the city's, according to census data.

The damage comes as foreclosures in the county through Nov. 15 have skyrocketed to five times the number for all of 2006, according to DataQuick, another real estate research firm.

The epicenter of the foreclosure crisis is San Jose's East Side, a hub of Latino culture in the Bay Area. As homes are lost, real estate sales are stagnating and affordable rentals are becoming harder to find. Families are pooling resources in desperate attempts to make loan payments and hang on to their houses.

"It was great giving people their American dream," said Dolores Marquez, a retired community worker and long-time East Side resident. "But God, how they hooked them in and snatched it away."

Nora Campos, the San Jose city councilwoman who represents the area, said she's worried about the economic impact on the community and called for the Advertisement city to work with state and federal legislators to stop the foreclosures and "bring some much needed relief to our working families."

Loosened lending requirements and high-pressure sales tactics during the past three years led to a home-buying surge in San Jose, according to real estate professionals. But many of those loans were destined to fail even as a chain of intermediaries profited from them.

Buyers were "not fully informed," said Rebecca Gallardo-Serrano, a San Jose real estate agent, 2008 chair of the National Association of Hispanic Real Estate Professionals and a member of the Santa Clara County Planning Commission.

She said that during the boom, some agents hired people to go door-to-door, targeting Hispanics, some of whom may not have fully understood the complex financial transaction involved in buying a home.

Adjustable rates

"They are getting into a home and fulfilling the American dream, but they don't recognize that the loan may be fixed for three months, or a year, and then may continue to adjust," Gallardo-Serrano said.

Now, many of these owners can't afford their costly adjustable mortgages. Nor can they refinance because home values have dropped, leaving them without any equity in the house. Meanwhile, lenders have tightened standards that once allowed lower-income families to buy \$600,000 homes with no money down.

And for every foreclosure, there are many more families struggling, according to community observers.

"It's a family situation," said Dennis King of the Hispanic Chamber of Commerce Silicon Valley. "So many in the family try to bail out the homeowner by pledging more and more of their resources to cover it, and that multiplies the damage."

With few homes selling, some predict prices of lower-end houses will fall even more, exacerbating the problem.

"There are tons of houses on my block that haven't sold," said Veronica Frausto, a county social worker and single mother who bought her house for \$612,000 in 2005. "They have signs up, and it's affecting the value of my home as well. It's 'price reduced,' 'price reduced.'"



"I just want them to release me from the mortgage. Take the house. I don't care if I get a dime out of it," said Bass, who is 61.

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That has trapped people like Frausto, who is unable to refinance her no-down-payment loan because of the drop in home prices. She is renting rooms and working with her lender to try to avoid foreclosure.

"I love my house," she said. "I'm going to do whatever I can to hold onto it."

Wilfred Perez, a real estate agent and loan officer for Alvarez & Alvarez, said about 50 people came to him for help last month, and he expects three times that many this month. "They don't know where to go," Perez said. "They are afraid to call the lender, or they say no one answers, or nobody there speaks Spanish and they just put you on hold."

Perez himself lost the house he bought for \$650,000 in 2005 - "at the top of the market." The value of the property dropped \$100,000 when it was foreclosed on and put up for auction, he said. "How do you think the neighbors feel?"

"People don't want to lose their homes," added Robert Aldana, a real estate agent who has a Spanish-language radio show on real estate. "They are saying, 'Help us,' but lenders are not helping."

While Latinos have been hit the hardest, there are many non-Hispanics struggling with loan payments too.

'Take the house'

Girly Bass, a registered nurse whose husband drives for the Valley Transportation Authority, is trying to get her lender to take back the "fixer-upper" on Aetna Way in San Jose she bought for a borrowed \$615,000 in 2004. "I just want them to release me from the mortgage. Take the house. I don't care if I get a dime out of it," said Bass, who is 61. She said her loan payment is now \$6,497 a month, far outstripping her and her husband's ability to pay.

Neighborhood Housing Services Silicon Valley says it is getting an average of seven requests for help a day from homeowners worried about making their mortgage payments or losing their homes. These are largely Spanish-only speakers with an average loan balance of \$475,000 to \$575,000 typically earning an average of \$3,300 or less a month per household, according to Marlene Santiago, the agency's bilingual foreclosure counselor.

Unsuitable loans

"Most of what I've seen is the client cannot afford the home due to the fact they probably should never have been put into that loan to begin with," Santiago said.

On the East Side, community leaders and realty agents are concerned and upset.

"I'm saddened by the fact that these people losing their houses were sold them by Latino real estate agents," said the Rev. Jose Antonio Rubio, director of ecumenical affairs for the Diocese of San Jose. "I presume they had good intentions."

On the other hand, he said, many buyers knew what the terms of their loans were. "You wonder what they were thinking when they agreed to them," he said.

"It's tragedy on multiple levels," said Santa Clara County Supervisor Blanca Alvarado. "Maybe it's through some fault of their own, but the system is so complicated, the desire for homeownership is such a powerful impulse, and there are predators on every corner waiting to take advantage of them."

The Rev. Joseph Leon of Pueblo de Dios Lutheran church in West San Jose said parishioners have sought help from him. "Some have come for prayer, and we just pray for them, and just walk with them through this thing. It is a good opportunity for the church to reach out to these folks."

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