



Mortgage crisis hits home locally

By KENNETH L. STEWART, Special to the Standard-Times

Thursday, February 7, 2008

When it comes to the economy and the mortgage crisis looming over America, San Angelo city leaders might believe that we have dodged the bullet, but they should think again.

At first glance the news does seem good. New data from the U.S. Department of Housing and Urban Development show that San Angelo has fared better than most parts of the country.

Between Dec. 1, 2005, and Nov. 31, 2007, the San Angelo single-family insured mortgage market had an overall default rate of 3.1 percent, less than half the statewide rate of 6.6 percent, and well below the national rate of 5.3 percent during the study period.

Still, it would be a mistake to breathe relief and stick to business as usual in light of what is going on with housing in our city. The city's poorest neighborhoods have been hardest hit, and that bodes dimly for the future of many neighborhoods and the social cohesion of the city. It threatens to take away the hopes of low-income working families, leading to social alienation and neighborhood decay.

The exceptionally low default rate for the city masks problems in certain areas. Of the 23 census tracts in the San Angelo region, 14 are categorized as "underserved," with most in San Angelo's northern and eastern neighborhoods. These are areas where the median household income falls below the city as a whole, or where at least 30 percent of the population is made up of minorities. These "underserved" areas accounted for 59.3 percent of the total San Angelo mortgages in the HUD study but 88 percent of the defaults.

Statewide, 49.4 percent of mortgages were in "underserved" areas, as were 58 percent of the eventual defaults. For the nation, the respective numbers were 46.8 percent and 53 percent.

In this respect then, San Angelo is doing worse than the state and nation.

The numbers in the HUD study were analyzed by Angelo State University's new Community Development Initiatives. The purpose of CDI is to involve ASU's students and faculty in studies that inform citizens about the needs of San Angelo and area communities, and to support business and

government leaders, nonprofits, charities and community organizations in developing the best available facts and information for solving community problems.

After completing our analysis, we concluded that lenders in San Angelo have done a good job of qualifying home buyers to avoid the tragic foreclosures and property loss that are jolting other places around Texas and the country.

The adjustable rate mortgages and subprime loans causing such hardship elsewhere were not common in San Angelo.

Still, we did find some warning signs for San Angelo.

To the extent that mortgage problems have made inroads into the city, they have hit the poorest areas most.

When we examined details from the 2000 Census, we found statistics that were especially worrisome.

In 2000, for example, 51 percent of San Angelo's 21,462 owner-occupied housing units were mortgaged, and 22 percent of mortgage-holders were paying out more than 30 percent of their household incomes on housing. Fully 21 percent of mortgage-holders had annual household incomes of less than \$20,000.

These households were either below or only slightly above the poverty line, and 47 percent of them had housing costs exceeding 30 percent of their income. We believe that San Angelo families and neighborhoods that fall below the median income for the city (about \$35,000 annually) are badly strapped by this economy and housing market.

We also believe these numbers show that San Angelo is potentially just as vulnerable to mortgage problems as other communities that now have serious crises on their hands.

They confirm the importance of continuing efforts to educate home buyers and to provide affordable housing alternatives for families with below-average earnings in the city.

Organizations such as the city government's Community Development department and nonprofit organizations such as Galilee Community Development Corp., Habitat for Humanity and Rebuilding Together (aka, Christmas in April) deserve the encouragement and support of citizens.

Area lenders, building contractors, construction workers and materials suppliers should form closer partnerships with organizations running affordable housing projects in stronger efforts to revitalize and energize the hopes of families and neighborhoods in need.

None of us can really afford to ignore the serious problems confronting these neighborhoods and families, no matter how serene things might seem on the surface of the city.

Kenneth L. Stewart is professor of Sociology at Angelo State University and serves as co-director of the Community Development Initiatives. Contact him at kstewart@angelo.edu.



© San Angelo Standard-Times | gosanangelo.com