

New suburbs are in fast decay

Foreclosure *from 1A*

smashed and doors kicked in. Vandals have ripped copper wire from walls. Vagrants and drug users frequent the empty houses — next door to families who thought they'd invested wisely in their northwest Charlotte suburb.

In east Charlotte, Laurie Talbot was recently awakened by gunfire in her 7-year-old subdivision. One bullet crashed into her house, through her son's bedroom, then landed on her bedroom floor.

"I thought I'd bought a home in Pleasantville," says Talbot, who moved from New York last year. "I never imagined in my wildest dreams that stuff like this would happen."

She can't get out, she says. "With all the foreclosures ... there's no way I could sell my house for what I have in it."

Overall, the Observer found more than 50 neighborhoods with elevated foreclosure rates of 15 percent to 61 percent. Virtually all of them are new starter-home subdivisions.

Loose lending standards and the lure of easy credit inspired families across the country to buy homes they couldn't afford.

Foreclosures followed as interest rates adjusted upward and put monthly payments out of reach.

More people could lose their homes next year, experts predict, when more loans adjust.

"Pay attention to this," Charlotte-Mecklenburg Police Chief Darrel Stephens told his commanders in November, as they examined a map of Charlotte's highest foreclosure areas.

"If these are not hot spots already, they will be. ... There are going to be a lot of challenges as we try to deal with families in crisis."

The suburban decline costs all of Charlotte.

Taxpayers must cover the increased cost for police, housing inspectors and other government services in these neighborhoods. Sinking home values mean less tax revenue. More students from lower-income families are moving to schools near these neighborhoods that are increasingly becoming rental communities.

Charlotte-Mecklenburg police, planners and politicians are searching for solutions.

The suburban decline went largely undetected as Charlotte focused on reviving its distressed urban core.

The new trouble spots are spiraling far faster than the inner city did.

"Within five years we're reaching the need for revitalization strategies that used to take a neighborhood 25 years to reach," says planning director Debra Campbell.

It's a new quandary: The suburban hot spots face similar corrosive forces of crime, decay and absentee landlords.

Yet they're more isolated, away from social services and high-frequency bus lines.

While the city knows how to rebuild and clean up neighborhoods, Campbell says, it's harder to deliver complex human services aimed at helping families keep their homes, and at strengthening neighborhood groups to enforce standards.

"We can build hard core infrastructure," Campbell says. "What happens inside the house — that's where the public sector falls short."

Fast pace to trouble

Starter homes went up at a dizzying pace in the last decade,

particularly across northern Charlotte.

Land was available and demand was high, as newcomers poured into the city and investors bought homes to rent. Relaxed lending standards also created a new pool of buyers with moderate incomes and shaky credit histories.

Planners approved subdivision after subdivision of starter homes — from Catawba River Plantation in the west to Stewarts Crossing in the east. The houses are close together and look similar, with vinyl siding in neutral colors. The neighborhoods are tucked between established communities and more affluent subdivisions. Some adjoin industrial plants, interstates and power lines.

Since 1997, starter homes accounted for one-third of all single-family homes built south of I-85 in Charlotte — and more than half of those built north of the highway to the city line.

Now, many of these subdivisions face record foreclosures.

Just one default can hurt a neighborhood, but damage is profound when they're concentrated.

Foreclosures leave houses vacant, creating crime magnets. They also lure bargain-hunting buyers who convert houses to rentals.

Violent crime at rental homes in single-family neighborhoods happens at three times the rate of crime at owner-occupied homes, according to Charlotte-Mecklenburg police. The property crime rate is 1.6 times higher.

"When you have vacant houses, people can do all kinds of things," says police chief Stephens. "We're even seeing spillover to neighborhoods around them."

In Peachtree Hills, police are summoned nearly 300 times a year, mostly for property crimes in the 147 homes. But the 4-year-old neighborhood, near Sunset Road, has also seen robberies, shootings and gang displays more commonly associated with violent urban areas — not new subdivisions.

Fourteen-year-old Devon Smith was shot dead there in July. Graffiti memorializes his name on the sidewalks and benches. Spray paint also proclaims "Bloods 4 Life" and "PT Blood."

"All I wanted was a safe place with some backyard space for my son to run around, but that's not what we got," says Stacy Hall, 36, a medical claims processor and single mom, whose Peachtree home was burglarized last year. They got away with \$110 in day care money. And in November, she arrived home to find a police helicopter hovering and officers chasing men through her yard.

"I was like, 'Where am I? L.A. or something?'"

A Chicago study found that when the foreclosure rate increases 1 percentage point in a neighborhood, its violent crime rate jumps 2.3 percent.

Near UNCC, Charlotte's Northridge Village, saw violence spike last year, as a neighborhood gang took on rivals in nearby Hidden Valley. Police made arrests and violence has dropped, but now property crime is climbing again in the neighborhood where one in three homes lapsed into foreclosure.

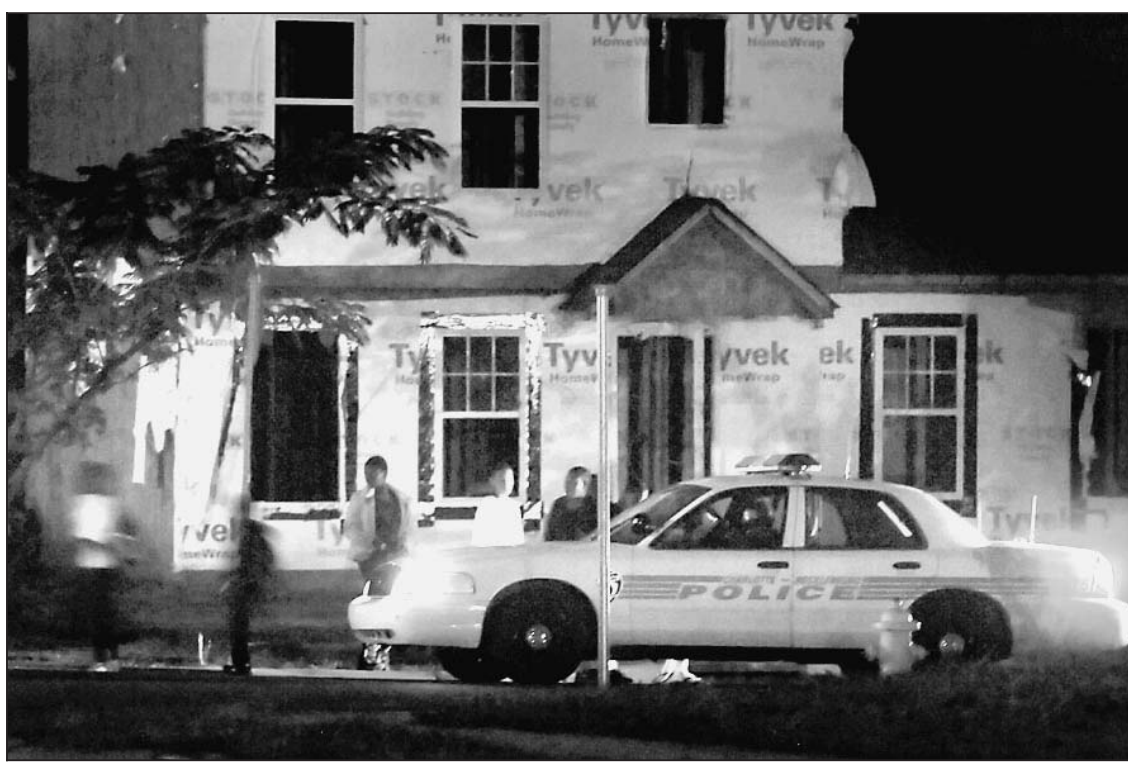
In 13 neighborhoods at the heart of Charlotte's most concentrated foreclosure areas, police recorded 52 violent crimes and 395 property crimes last year. That's not as high as troubled inner-city areas, but it's up 33 percent in three years and it's surprising in new suburbs.

Calls for police assistance in these areas jumped 28 percent in



Contrasting scenes

ABOVE: Schoolkids come home to Peachtree Hills, a neighborhood struggling with rising foreclosures and crime. **BELOW:** Hours later on the same corner, police check on a group of children in front of a house that was left unfinished.



PHOTOS BY TODD SUMLIN — tsu@charlotteobserver.com

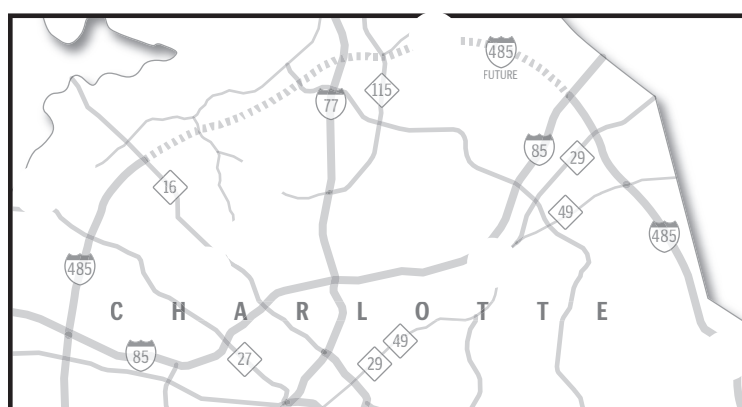
Areas with high concentrations of foreclosures

Thirteen starter-home neighborhoods are at the core of Charlotte's highest concentrations of foreclosures. Since 2003, these communities had about 750 foreclosures, or about 26 percent of homes. That compares with fewer than 5 percent for homes countywide.

High concentrations of foreclosures lead to vacant homes, increased rentals and crime.

Another 40 neighborhoods with foreclosure rates ranging from 15 percent to more than 40 percent are scattered across the same swath across north Charlotte.

The chart at right shows foreclosures since 2003.



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Neighborhood	Homes foreclosed	% of homes	Years built	Vacant/rental
1 Barrington	41	39%	2001-2002	25%
2 Brookmere	95	22%	1999-2006	16%
3 Catawba River Plantation	97	22%	2000-2006	22%
4 Fairstone	54	27%	1999-2004	16%
5 Grass Meadow	35	26%	2002-2005	24%
6 Hemby Woods	78	24%	1997-2006	19%
7 Linda Vista Village	25	40%	2002-2004	27%
8 Northridge Village	77	36%	1998-2005	29%
9 Peachtree Hills	32	22%	2002-2006	50%
10 Sinclair Place	23	16%	1999-2003	16%
11 Stewarts Crossing	51	33%	1999-2001	15%
12 Wildwood Meadows	61	15%	1997-2002	8%
13 Windy Ridge	81	61%	2002-2005	61%

SOURCE: Observer analysis of Mecklenburg property records.

three years, while calls citywide dropped 11 percent.

Housing complaints and nuisance calls are climbing in some neighborhoods, too.

In Hemby Woods, inspectors last year had 256 cases of overgrown grass, junked cars and heaping trash piles — unusually high for one suburban neighborhood.

In Sinclair Place, Thomas Bautista says he's repeatedly called for code enforcement in his northern Charlotte subdivision.

The house next door is dark and vacant — in foreclosure and scheduled for sale Tuesday.

"This house has been a real pain," says Bautista, 23, a Huntersville police officer who parks his patrol car on the street when he's off duty.

Still, thieves broke in twice next door. Over the summer, Bautista finally paid a yard man \$110 to cut the four-foot-tall grass because he kept seeing snakes, near where his children play.

He tried to sell in 2005 but

learned from Realtors that his \$112,000 home would command only \$97,000.

"It's bad, especially if you have people over for family reunions or birthday parties and the house next door looks so bad," he says. "You never know, with vacant houses like that, they could become a drug house or homeless people will break into them in a heartbeat."

Police saw warning signs

Jason Helton knew something

was wrong in Brookmere in 2005. He had recently joined Charlotte's police department and was assigned to patrol the recently built subdivision.

"I kept seeing a lot of juvenile delinquency, curfew violations, vandalism and hanging out at vacant homes," Helton recalls. "I'd meet a family one week and the next week, they'd be gone. You don't expect that in a suburban neighborhood."

He reported the phenomenon to superiors but didn't know then what was driving the chaos.

Capt. Andy Leonard dug into foreclosures this year as his officers noticed trouble in starter homes across the North patrol district.

"A lot of these neighborhoods have basically become giant apartment complexes without any management to maintain the property and keep tenants in line," Leonard says.

Inside these communities, homeowners who kept up with their obligations have grown beleaguered as moving trucks come and go. Some owners got out before prices fell; others sold for losses. Then, there are those who are riding things out.

Like Stacy Hall.

She bought a home in Peachtree Hills for \$129,000 early last year, and moved in with her 3-year-old son. Houses were still being built and her street looked good. She didn't know builders were selling homes to investors from California and New York and New Jersey, or that a handful of homeowners had defaulted on their loans.

Hall also didn't know crime was rising, or that gunshots would sometimes wake her.

"I was born and raised in Queens, in the middle class, and I never had these problems," Hall says.

But Hall's fighting to change things.

After months of trying, she finally revived Peachtree's homeowners' association.

Its first move was to persuade Duke Power not to cut off the street lights. Peachtree was \$4,000 behind on its electric bill.

Next, a letter went out to all property owners: Pay your dues or we'll put a lien on your home.

Now, Hall and her colleagues want to spruce things up.

"I'm not giving up," she says. "I love my home ... I just want things to get better." — STAFF WRITER STELLA M. HOPKINS CONTRIBUTED.

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How we did the stories

For these stories exploring how foreclosures influence single-family neighborhoods, the Observer analyzed the pattern of more than 10,000 foreclosures since 2003 in Mecklenburg County.

The county was divided into a grid of squares about the size of a typical city block. Blocks with above-average concentrations of foreclosures are shaded on the 1A map. The darkest shade represents the highest density — one foreclosure for every 2 to 3 acres.

Charlotte-Mecklenburg police provided information on crime and calls for service in 13 neighborhoods at the core of the city's highest concentrations of foreclosures. The Observer adjusted for growth in figuring changes in crime and call rates.

The Observer estimated the portion of rental and vacant homes in the 13 neighborhoods by comparing the addresses of houses and their owners in county property records.

The anatomy of a foreclosure crisis

A changing mortgage model

Until the 1980s, mortgage loans mostly were made by local savings & loans organizations. If the homeowner defaulted, the S&L lost money. That motivated lenders not to saddle customers with loans they couldn't afford.

But such caution dissolved in the 1990s. Loans became mostly arranged by independent mortgage brokers, funded by national companies and sold to investors. The brokers and lenders were paid upfront, and each loan was divided among many investors, so they lost relatively little if the loan defaulted.

Loans became easier

Meanwhile, government officials relaxed loan qualifying standards in the 1990s so more people could become homeowners. Lenders more frequently offered subprime mortgages, which are loans that carry higher rates to borrowers whose credit histories are not sufficient to qualify for a conventional mortgage. Some programs allowed customers to buy houses with little or no money down.

Trouble arrives

Eventually, many homeowners faced a perfect storm. Monthly mortgage payments rose sharply on loans with adjustable interest rates. Borrowers who fell behind on payments often couldn't sell because their home value dropped and they owed more than the home was worth.

Starter-home nightmare

In Mecklenburg County, one of the nation's largest builders, Beazer Homes, has built at least 10 starter-home neighborhoods with foreclosure rates above 20 percent. An Observer investigation found the company arranged larger loans than some buyers could afford, contributing to eventual foreclosures.

Federal authorities, including the FBI, are investigating the company, and Beazer announced in October that it found evidence that some employees violated federal housing regulations.

Other loans investigated

The Observer also found that one Charlotte company, Realty Place, funneled thousands of questionable homebuyers into newly built neighborhoods that eventually had high foreclosure rates. The company often helped those customers qualify for loan programs, funded by builders, that were seldom appropriate for lower-income families.

The N.C. Real Estate Commission has launched an investigation into Realty Place.

Searching for a solution

In the face of millions of potential foreclosures to come in the next two years, the White House announced an agreement last week with major mortgage companies to freeze low introductory "teaser" rates for five years on some subprime loans.

The plan, however, is voluntary for lenders and would only apply to people who purchased houses after 2005. That would disqualify most homeowners facing foreclosure, including thousands of Charlotte-area homeowners who purchased homes earlier than 2005 and are struggling to pay an adjustable rate mortgage that already has reset at a higher rate.

The availability of mortgage loans for people with lower incomes or credit problems let millions of Americans buy their first home in the last decade. But the lure of easy credit — plus a system in which lenders were largely protected from defaults — resulted in many people borrowing more than they could afford.