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AP

# Empty Houses Home to Crime As Loans Fail

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By J.W. Elphinstone, AP Business Writer

## AP Centerpiece: Neighborhoods Suffer As Crime Follows Foreclosures Into Vacant Houses

Eighty-five bungalows dot the cul-de-sac that joins West Ontario Avenue and East Ontario Avenue in Atlanta. Twenty-two are vacant, victims of mortgage fraud and foreclosure. Now house fires, prostitution, vandals and burglaries terrorize the residents left in this historic neighborhood called Westview Village.

"It's created a safety hazard. And if we have to sell our house tomorrow, we're out of luck," said resident Scott Smith. "Real estate agents say to me 'We're not redlining you, but I tell my clients to think twice about buying here.'"

As defaults surge on mortgages made to borrowers with spotty credit and adjustable-rate loans, more people are noticing that their neighbors are caught up in the meltdown. Their misfortunes are haunting those left living on the same streets. The effects aren't confined to just low-income or redeveloping communities; they are seeping into middle-class neighborhoods and brand new developments.

Smith, the vice president of Westview Community Organization Inc., keeps a map of the area, tracking each vacant property and notifying local officials when nefarious activity is suspected.

Georgia has the eighth largest foreclosure rate in the nation, one filing for every 142 households, according to a third-quarter report from foreclosure tracker RealtyTrac Inc. Nevada has the worst rate with one filing in every 61 households, while the nationwide rate is one filing for every 196 households.

"They've seen a lot of prostitution in the area, vagrants wandering in and out of the empty houses and drug activity," said Officer Dakarta Richardson of the Atlanta Police Department. "Some people that I talked to are afraid to walk out of their homes at night."

Some other people in the area have been affected by break-ins, and there have been house fires in several of the vacant homes in the past year, Richardson said.

The rise in crime in Westview is typical of a neighborhood struggling with numerous foreclosures, according to a recent study by Dan Immergluck of Georgia Institute of Technology in Atlanta and Geoff Smith of Woodstock Institute in Chicago.

That study showed that when the foreclosure rate increases one percentage point, neighborhood violent crime rises 2.33 percent.

"The key here is the concentration of those foreclosures at a neighborhood level. When you have more than one foreclosure in a few block area, that's when you start to think about the effects on property values and the effects on crime," Immergluck said.

A report published Tuesday by the Center for Responsible Lending, a Durham, N.C.-based consumer advocate, estimates that 44.5 million U.S. households will see their property values decline a combined \$223 billion as

foreclosures surge in coming years, particularly in minority communities.

Historically the most affected areas were lower-income and were prone to subprime and predatory lending, irresponsible house flipping and mortgage fraud, Immergluck said.

However, "the problem now is on a different scale," he said. "It's affecting a lot more suburban, moderate-income places" as more people of different incomes default on riskier loans.

In the Franklin Reserve neighborhood of Elk Grove, Calif., full of subdivisions with half-million dollar homes, homeowners are fighting inner-city problems like gangs, drugs, theft and graffiti.

During the boom, the suburb just south of Sacramento sprouted 10,000 homes in four years, attracting investors from the San Francisco area. Now many houses stand empty, weeds overtaking lawns, signs lining the street: "Bank Repo," "For Rent," "No trespassing -- bank owned property." A typical home's value has dropped from about \$570,000 to the low \$400,000s.

California ranks second in the nation with one foreclosure filing for every 88 households, RealtyTrac said.

The homeowners sometimes have no options but to accept any renters they can get, said Norm Schriever, a local real estate and loan agent.

"You get some bad renters in there and the weeds start growing and a few windows are broken and it starts descending into a feeling of chaos," he said.

Thieves also have looted some empty homes, stripping them of electrical appliances or valuable copper wiring and pipes that can be sold as scrap, he said.

Banks aren't watching foreclosed properties closely, said Modesto, Calif., Police Chief Roy Wasden.

"As it gets colder, (squatters) will start building fires in these structures and it's quite dangerous," he said.

Franklin Reserve resident Susan McDonald said two of the homes on her block were turned into indoor marijuana farms. Both caught fire last summer after the pot growers tapped into the city's electric grid with faulty wiring.

But McDonald, who has lived in the community for three years and is president of the residents' association, jokes that they make better neighbors than some.

"The pot growers, they mow their lawns, they take out their garbage," said McDonald, an executive at a local bank. "There's been gang activity. Things have really been changing the last few years."

Crime reports in Franklin Reserve rose 45 percent in May, to 100 from 69 in the same month last year, but record-keeping changed when Elk Grove created its own police force in August 2006, said Officer Chris Trim, spokesman for the Elk Grove Police Department

To deter crime, the community policing unit is charged with working with code enforcement officers on problems such as unkempt homes and patrol officers swing past vacant homes as part of their normal duties. But there has been no increase in police budget, overtime or staff as a result of the empty homes.

Meanwhile, the neighbors are doing what they can. One Sunday last month, two dozen church members gathered their lawn mowers and weed trimmers and cleaned up 27 vacant homes.

"We had weeds that were almost eye-level high," said Steve Steele, pastor of the Tree of Life Community Church. "If no one was home, we just kind of did it good Samaritan style."

In Shaker Heights near Cleveland, neighbors of the planned community of \$1 million Tudor homes can report a foreclosed or vacant house, and the address goes on a police watch list. Of 13,000 housing units in Shaker Heights, 330 are under surveillance by patrol cars and undercover officers, police Chief Walter Ugrinic said.

RealtyTrac reported that Ohio is fifth in the nation with one foreclosure filing for every 107 households.

The city repairs vacant homes if recalcitrant owners won't, bills the owner and, if unpaid, a lien is filed. So far this year, the city has spent \$800,000 to fix up 44 properties, up from \$500,000 in 2006. Typical repairs include fixing roofs and painting, with an emphasis on problems visible from the street.

Additionally, before a house is sold, it must pass a housing inspection, which includes a repair-cost escrow requirement created in 2000.

This encourages owners of vacant or foreclosed properties to make repairs, said Kamla Lewis, director of neighborhood revitalization.

"Our goal is that when you drive through, you shouldn't be able to tell right away which of the houses are vacant and foreclosed," Lewis said.

Associated Press writers Thomas J. Sheeran in Cleveland and Donald Thompson in Sacramento, Calif., contributed to this report.

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