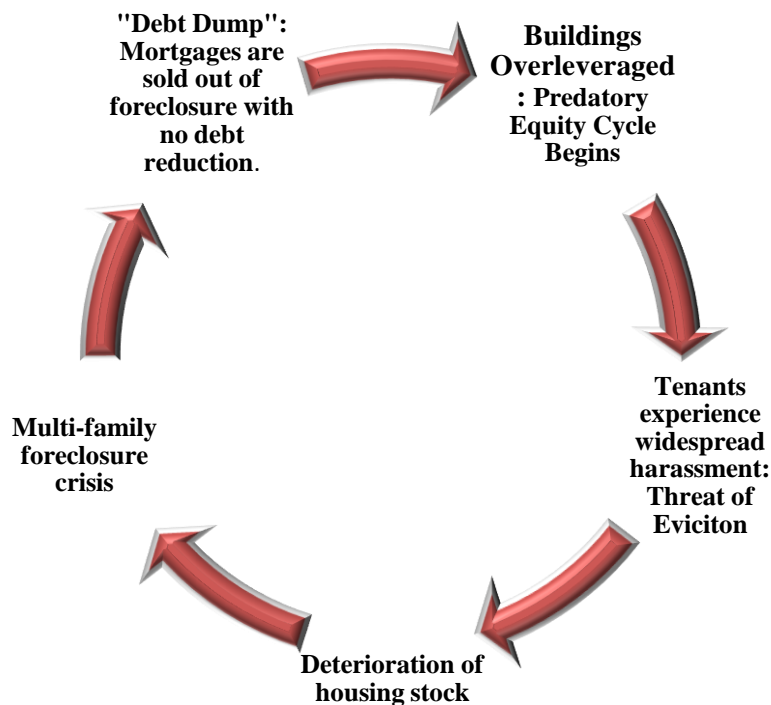


The Life Cycle of Predatory Equity: Affordable Housing under Attack!

Predatory Equity refers to a process by which real estate speculators buy up affordable housing at high prices with the intention of pushing low-income tenants out and raising rent to market-levels. With the help of the lending community, these investors significantly over-leverage buildings with unsustainable loans. In order to pay the mortgage, predatory equity investors harass tenants and disinvest in housing stock. By the time these buildings fall into foreclosure, they are usually in much worse physical condition than when the process started.



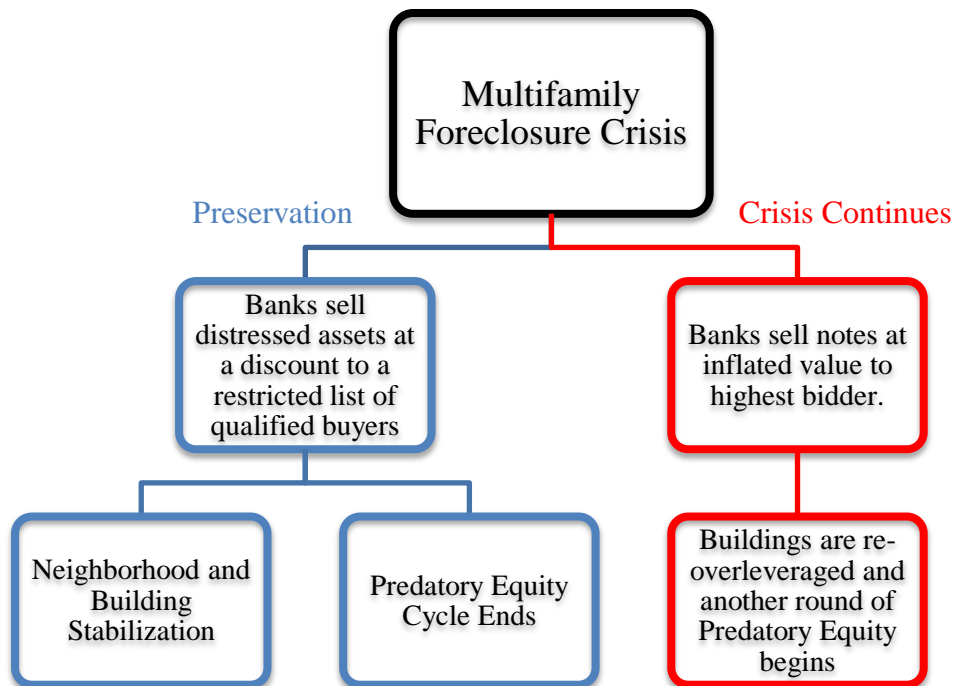
The Life Cycle of Predatory Equity

At the Urban Homesteading Assistance Board, we closely track the New York City multi-family housing market with the intention of protecting low to moderate income tenants and preserving affordable housing. We first identified Predatory Equity in 2008, shortly before the housing market collapse. We created this graphic to draw attention to what we fear may be a recurring trend: as banks scramble to stabilize their balance sheets, notes in foreclosure are being sold to the highest bidder at face value. Not only has this debt-level already proven to be unsustainable, it does not account for the already deteriorated conditions. Thus, affordable housing stock in NYC is being swept into a second round of Predatory Equity. Tenants suffer throughout the process.

As a direct result of Predatory Equity, 408 buildings – home to 6,600 families – fell into foreclosure between 2010 and 2011. These buildings have suffered from extreme neglect and deteriorated conditions. Recent research done by the Citizen’s Housing and Planning Council indicates that these foreclosures correspond with a *neighborhood wide* increase in immediately threatening code violations. You can read their report [here](#).

We believe that the multi-family foreclosure crisis, as painful as it is, is also a chance to exit the cycle of Predatory Equity. In order to achieve this, banks must sell their non-performing assets at a discount to preservation purchasers with the skills to stabilize distressed affordable housing. Buildings which have already been through one round of Predatory Equity are in bad shape and likely cannot sustain a second round. This valuable infrastructure must be preserved for New York City neighborhoods and the people who live in them.

Multi-Family Foreclosure: Two Exit Scenarios



In one model, banks agree to sell note at a discounted level that reflects current conditions and real rents to a group on a pre-approved list of developers. In the other scenario, banks market the note at face value and sell it to the highest bidder. Due to already-deteriorated conditions, the building is arguably more overleveraged than before and is swept into a second round of Predatory Equity.

To read more about UHAB’s fight to stop Predatory Equity visit [The Surreal Estate](#).