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SUMMARY: Many Russian speakers lose their homes and their jobs as hard times hit housing

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GOSIA WOZNIACKA

Stepan and Marina Savka worked hard for their success: a growing trucking business, four healthy children, a sprawling Happy Valley home. They had come from Ukraine 10 years ago to pursue the American Dream --and they were finally living it.

Then it crumbled. Last month, the Russian-speaking couple lost almost everything. Their mortgage payment skyrocketed, Stepan Savka's income shriveled, and their house headed toward foreclosure.

Their story is common among the roughly 100,000 Russian-speaking immigrants in the metro area who invested heavily in the real estate market in the past decade, often relying on risky subprime loans and adjustable-rate mortgages, only to see their financial foundations destroyed when the market collapsed.

Now the once-upwardly mobile community faces a deep economic crisis. Families are losing houses to foreclosure at extraordinary rates, men are forced out of construction and trucking jobs that recently paid for comfortable lifestyles, and promising investment homes sit empty or half built as hard-earned credit histories collapse.

"I'm not just surprised, I'm terrified," said Savka, who lost his company early this year. "I know so many Russian families here that have the same emotional problem like us, because they are losing their home."

Numerous factors combined to put the community's economic future at risk. Many invested in trucking or the building industry because they pay well and don't require English skills or a U.S.-earned diploma. As the housing market exploded in the past decade, more and more Russian speakers flocked to the promise of fast money.

They also were eager for quick homeownership. In the Soviet Union, where the state owned almost everything, most couldn't own property. So in the U.S., buying or building a home --or multiple homes --became a priority, and real estate investment flourished.

And they saw America as the land of plenty. As newcomers to capitalism, they were overconfident in the economy, dreamed big and didn't grasp the inevitability of a downturn. If a bank granted a loan --even a subprime --they took it.

"It's a huge issue," said Kira Govshtein, owner and principal broker of Portland's Metropolitan Realty, whose clients are mostly Russian speakers. "I get several calls every week. 'We cannot make the payment on our home,' they say. 'What are we going to do?' they ask. Their dreams are smashed."

Land of opportunity

The Savkas bought their first home within a year of arriving in Oregon. As the family grew, they traded up for a bigger one. In 2006, they upgraded again, to a large contemporary home in Happy Valley. Price tag: \$555,000, zero down payment, financed with two loans.

Later that year, the bank appraised the house at \$650,000, and the Savkas took an equity loan, buying elegant furniture and doing costly landscaping and renovations.

They thought they could afford it all, because Stepan Savka owned a successful commercial trucking business operating in 48 states. He had two trucks, two drivers and drove for another company. But a truck accident, the economic downturn and higher diesel prices led to a collapse of his business.

At the same time, the adjustable interest rate on their home went from 7 percent to 10 percent. They couldn't make the mortgage and tried to refinance, but they were rejected a dozen times. The house had depreciated \$200,000 from its original sale price. They defaulted and faced foreclosure.

"Where is my fault when I can't control the economy?" Stepan Savka said. "We worked so hard and lost everything."

Their situation still brings Marina Savka, who stays home with their four children, to tears.

"Every day I explain to kids, this is expensive area, we cannot pay anymore," she said. "They plead with me, please Mom, we have friends here. Every day I cry about it. I'm so scared for my kids."

The Savkas avoided foreclosure when Govshtein, their broker, negotiated a short sale --selling the property for less than what is owed, with the lender forgiving the balance. Their house sold in April for \$458,888 and they moved to a rental in Clackamas.

Their future? They think they might move out of state like many other Russian speakers who lost their homes --to Missouri, South Carolina, or even back to Russia or Ukraine.

Trying to build a future

The community's enthusiasm for real estate, its work ethic and skills, and family cohesion led many to participate in the housing boom. Families tend to be large, and older children and extended family members share a common goal and pool income. Men often build homes themselves, coming to the U.S. with little but a work ethic, slowly climbing to success.

A robust economy helped.

"Prosperity was all they knew in America . . . that the good times will go on forever," Govshtein said. "They didn't realize that the market could turn."

Russian-speaking immigrants, she said, didn't prepare for rough times. Many took out adjustable loans, because they couldn't qualify for anything else, even when in the long run they couldn't afford them. Industry experts often refer to these badly underwritten loans as "Russian," because so many Russian speakers received them.

"People overestimated their own wealth. Their dreams were overstated," Govshtein said. "The banks gave them whatever they wanted, they gave them the illusion that the homes would keep on appreciating."

They had so much faith that many even "loaned" their credit histories to friends and family members to build investment homes for a common profit. Failures came with ripple effects and multiple credit histories ruined, as builders defaulted on construction loans.

No statistics quantify how many Russian-speaking families face foreclosures, but real estate agents working with the community say that previously soaring sale numbers have fallen flat.

For the past half a year, Vladimir Zaharchook, principal broker for Prudential Northwest Properties in Portland, has been swamped with calls from Russian speakers desperate to sell their homes. Meanwhile, calls from buyers have melted, reversing the previous trend.

"The housing market in the Russian community just stopped," Zaharchook said. "Right now I'm in a war territory. . . . Everyone is hurting."

His numbers say it all. In 2005, Zaharchook was the No. 1 Prudential broker in residential units sold in the metro area, where Prudential has 11 branches. On average, he sold a house every other day --that's 161 homes, spanning all price ranges --to Russian-speaking clients. And 2006 was even better: he sold 180 homes.

In 2007, he sold 80. This year, sales are abysmal: He's closed an average of three a month, mostly short sales.

Zaharchook, meanwhile, is left trying to help his clients. "I'm like a doctor," he said, "every day coming to people's houses and giving them their diagnosis, if they will survive or not."

Workers struggle

From builders to tile, stucco, masonry and plaster workers, Russian speakers saw their jobs dwindle. They face precarious futures.

During the boom, starting construction businesses was popular in the community, said Marc Dollahite, president of Tigard's Taragon Tile & Stone, which has 30 Russian speakers among its 100 employees. But with many of the onetime entrepreneurs now broke and looking for regular work, Dollahite said he gets six or seven phone calls a day from men asking for a job.

Accountant Liza Kaganov, who works with area Russian speakers, helped close an exceptional number of construction-related businesses last year. The housing slump caused a chain reaction, she said, because builders can't pay subcontractors, so everyone suffers. Some workers have moved to Washington or California in search of jobs; others remain unemployed, hoping the economy will improve.

"Now they are older, still don't speak English, and they can't change professions," Kaganov said. "They're desperate."

Sitting in Kaganov's tiny Southeast Portland office, 52-year-old electrician Valeriy Spolitak, who came to Portland from Ukraine 30 years ago, counts his losses. In 2007, Positive Construction LLC, the small company he and his son own, brought in \$14,000 in gross profit, 60 percent of which was swallowed by expenses.

"Last year, we did some remodeling and almost no new construction," he said. "This year, nothing, nobody calls."

The Russian-speaking builders he worked for folded their businesses, said Spolitak, who speaks perfect English and has half a dozen electrical licenses. He has even tried free advertising online but got only one call last month.

"I have some savings, and maybe the situation will change," he said.

Ukraine-born homebuilder Andre Koshuba, whose Exceptional Homes by Andre has built for the Street of Dreams, said, "Everybody and their uncle got into building a few years back," mostly just wanting to make a quick buck.

"Yes, it's a tougher market, but if you build quality homes then people will keep buying them," Koshuba said. "The best of us builders will survive."

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