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TIGHTROPE

Owners watch their finances

Cadillac Seville he was restoring.

Newson figured that he could pay no more than $100,000 for a house and carry no more than $800 a month for a combined mortgage and property taxes.

But as he tried to piece together a house and a loan, mortgage and realty brokers pushed and pushed him to reach beyond his grasp.

A real estate broker showed him through house after house priced at $120,000 to $130,000.

A mortgage broker told him that he could swing a monthly mortgage payment of $1,250.

"I can't afford that," Newson told him. So he went to another mortgage broker — who calculated the same number.

He saw houses with fresh green yards, perfect for games with his boys. He drove by, pulled over to look at clean-cut split-levels with sturdy garages flanked by regiments of shrubs. He approached the sellers on his own to see whether they'd budge on their asking prices, but they wouldn't.

Meanwhile, brokers continued to urge him to make an offer, any offer, that would result in a mortgage payment 50% greater than what he believed he could swing. They would make it work, they said.

"Man, it hurts," he said. "You get hyped up about a house, and then you tell them, 'I know what I make and what my wife makes, and we can't make it. We have to leave it alone.' But they still keep calling. It was tearing me up to deal with these people."

Getting advice

A year of fending off brokers was starting to wear down Keith Newson's resolve. He and Vicky went to Housing Resources Inc. partly for moral support and partly for practical guidance on repairing some credit stumbles.

These days, the staffers at Housing Resources, a northwest side homeownership counseling agency, are seeing a lot of homeowners who fear they won't own their houses for much longer.

"People are more apprehensive (about buying a house) because they are seeing the fallout. They have friends who are losing their houses, friends who had to give their houses back to the bank," said Consuelo Hernandez, a counselor with the agency.

There isn't much the counselors can do when a homeowner calls in a panic, months behind on the mortgage with creditors threatening foreclosure. They wish that homeowners would come to them before they buy, as the Newsons did.

"He was in a big rush," said executive director Trena Bond of Keith Newson. "It had been on his mind so long. And there were so many messages: 'Do it now. You don't have to wait.' "

Mortgage payments are a big factor, but not the only factor, in holding onto a house, said Bond and officials with other Milwaukee-area housing agencies. Property taxes, utility costs, gas and food expenses have risen faster this year than wages, especially for working families like the Newsons.

Meanwhile, moderate-income homeowners have been prime targets for lenders offering home equity loans and credit cards, according to analyses by the University of Wisconsin-Milwaukee and, separately, the Reinvestment Fund, a Philadelphia community development group.

The Newsons were "better than typical" in their commitment to cleaning up their credit and getting into a house on their own terms, Hernandez said.

They saved three months' worth of house payments as an emergency fund. They agreed to not refinance the conventional mortgage they applied for through a local lender recommended by Housing Resources, and to not take on any more consumer debt for at least six months.

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"This is my baby," Keith Newson says of the Cadillac Seville that he restored. Over the summer, he fixed the garage for the Seville and the kids' bikes but encountered a cost overrun. For a time, he feared he was going to have to sell his beloved car.

5.9%

Annual rate of increase in consumer debt in August, driven by use of credit cards instead of home equity loans for household spending.

Associated Press, Federal Reserve

60%

Proportion of major lenders that have tightened their mortgage lending standards since July.

14%

of all mortgages are subprime, totaling 7.75 million.

Federal Reserve

The first two or three years are iffy for new homeowners as they meet unexpected expenses and struggle to maintain their financial balance, agree Bond and Hernandez.

Some new homeowners fall prey to easy credit offers and their bills soon overwhelm them. Others take on second jobs to pay for the new roof or the new sofa. By the end of the second year, the Housing Resources staff can tell who will make it and who won't.

Cutting a deal

In the fall of 2006, Keith Newson's scouting led him to a solid 1950s-era ranch house.

He negotiated the price down from $112,000 to $105,000; went with the conventional lender recommended by Housing Resources; netted a $6,000 down payment grant; and persuaded the seller to include installation of a new sump pump at the recommendation of the home inspector, in hopes of heading off at least one likely expense.

On the morning of Dec. 15, 2006, the Newsons took the morning off from work to close on the house. Vicky went back to finish her shift at the child care center, and Keith returned to American Millwork & Hardware Inc., a Milwaukee building supply warehouse, where he works as a forklift operator.

"You're happy," his boss told him. "Go home."

He drove to the yellow brick ranch and turned the key in the front door, walked into the tiny living room, cleaned out the broken dresser and papers left by the sellers, and started to paint.

Bright sky blue in the room for Qumaine and Maurice. Pink for Lakeisha. In the kitchen, pumpkin orange with black trim, just because he could, because in a rental house, you can't.

Behind the house was a one-car garage with battered siding and an eroding roof. It needed a complete overhaul, but worn as it was, it was one of the reasons why the Newsons bought this house. The garage was home for the Seville, a "flashy car," said Keith, to take for summer drives with Vicky, and the seed of a sideline business restoring vintage autos.

While the Newsons were taking credit counseling classes, repairing a pocked credit history and saving their emergency fund, others in their neighborhood plunged headlong into homeownership.

By March 2007, many of those mortgages were curdling. Here and there in the blocks surrounding the Newsons were houses with shaggy lawns, dark windows and yard signs screaming the immediate availability and occupancy, no money down, on fluorescent signs.

'For Sale' signs pop up

As the last snow of winter melted, signs of spring emerged on Milwaukee's northwest side: the tips of tulips, reviving grass and freshly planted cardboard signs urging passers-by to grab some cash with a payday loan.

Foreclosures were on the upswing, building toward the rates released in October for 2007 to date: in Milwaukee County, a 53% increase, to 4,508, according to ForeclosuresWI.com, a company that tracks foreclosure data.

Some failing homeowners couldn't keep up with loans used to buy their houses. Others had refinanced their long-owned homes with subprime loans, frequently with adjustable rates, hidden payments and other terms that resulted in exploding monthly payments.

While many of those homeowners were falling behind on their mortgages, they were also piling on more consumer debt.

This year, credit card debt has risen in step with national foreclosure rates, according to a September report from Synovate, a market research firm.

The assumption that homeowners will pay their mortgages first is based on the assumption that their houses will continue to rise in value, says Morris A. Davis, an assistant professor at the University of Wisconsin-Madison School of Business.

But in 2007, house appreciation coasted, at best, in the Milwaukee area. It no longer makes sense to pay the mortgage first when the house isn't an appreciating asset. And it especially doesn't make sense to pay more, if the mortgage has an adjustable rate, for a house that's worth less — if house values actually drop.

Spring: So far, so good

An ancient lilac burst into purple bouquets in late April, perfuming the Newsons' comings and goings through the side door.

Three months of grime traipsing over the front threshold was too much for Vicky Newson, who taped a paper sign to the front door directing everyone to come in through the side door, where the sight of a dirty vinyl floor didn't rile her as much.

The Newsons had made it through their first winter of homeownership with no financial upsets. As the temperature rose, so did their expectations for a few new things.

Sitting at the black-painted kitchen table in her Halloween-colored kitchen, Vicky Newson considered the adult-sized wardrobe needs of Qumaine and Maurice. She had two ideas for keeping the household budget under control: get the boys cheap clothes for the summer and save all summer for school clothes, and get a second job.

"Something just on a Saturday morning," she mused. "Maybe at a shop, maybe at a salon. For cash."

Enough to buy a patio dining set for $99 for the small, grassy backyard. Or, enough for some rose bushes to plant by the front door. The Aldi grocery store down the street had advertised rose bushes — the long-stemmed kind — for $4 each, but by the time she got there after work, none were left.

And some bright yellow flowers, also, she thought, for a planter or two in the front, and maybe a hanging basket for the back, or along the side. Definitely some patio furniture to replace the battered kitchen chairs that they had to use to enjoy the yard, with its hyacinths and peonies.

The side. Now the main route in and out, the disintegrating sidewalk that ran from the front steps back to the garage was clearly worse than the Newsons had thought. One day, Vicky started sweeping gravel from

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