



NEW YORK STATE SENATOR

Jeffrey D. Klein

## Neighborhood Nightmare

JEFFREY D. KLEIN May 10, 2008

### *Klein Releases Report on Impact of Foreclosure Crisis on Communities and Property Values*

#### *Top 5 Zip Codes/Communities by Borough With Worst Bank Owned Properties*

#### *3,552,642 NY Homes Devalued Due to Foreclosure*

NEW YORK-As the White House threatens to veto comprehensive subprime legislation and the Federal Reserve Bank struggles to regulate the mortgage industry, State Senators Jeff Klein (D-Bronx/Westchester), Eric Schneiderman (D-Manhattan/Bronx), and Diane Savino (D-Staten Island/Brooklyn) and members of the local community stood at a graffiti covered and garbage strewn house and released a report: *Preserving Our Neighborhoods*, an in depth analysis of the impact of the foreclosure crisis on quality of life and property values in NYC, Westchester, and Nassau counties.

As billions of dollars continue to be drained from the tax base, New York City neighborhoods are feeling the effects of the foreclosure crisis firsthand as homes fall into disrepair, attract trespassers and illegal activity.

"Years of loose credit and lax standards have roiled the U.S. housing market and taken a toll on New York neighborhoods. It takes just one boarded up home to drag down an entire neighborhood and jeopardize the safety and quality of life of thousands of hard working families. Communities are struggling to combat the effects of the subprime crisis, such as increased crime, reduced property values, unsightly graffiti, and unsavory activity at poorly maintained homes. Banks need to take responsibility for their properties and keep our communities safe and strong," said Senator Klein.

The statistics are alarming. For every 100 owner-occupied properties in one year there are 2.8 foreclosures which directly correspond to an increase in neighborhood violent crime by approximately 6.7%. Homeowners living near foreclosed properties will see their property values decrease by \$5,000 on

average per each foreclosed home. Overall, 40.6 million neighboring homes in the United States will experience devaluation because of sub prime related foreclosures in the surrounding area.

"As the foreclosure crisis spreads, we are not only seeing the tragedy of individual families lose their homes, but also a drop in the value and quality of life of the surrounding neighborhoods. I commend my colleague, Senator Klein, for asking the question, 'Who is taking responsibility for these properties?' The answer should be the lending institutions that own them," said Senator Savino.

In New York State alone, Klein's report found that there are 3,552,642 homes which have experienced devaluation in 2007 due to subprime foreclosures. The resulting combined monetary decrease in home values/tax base in New York State is \$36.841 billion dollars. There are a total of 2,769 bank owned properties in NYC, Westchester and Nassau counties with 919 in Nassau, 730 in Queens, 579 in Brooklyn, 258 in the Bronx, and 52 in Manhattan.

According to the Center for Responsible Lending and original data collected by the office of Senator Klein, Kings County (Brooklyn) ranks 3rd in the US but first in the NY Metro region with 740,141 neighboring homes devalued at a total cost to the tax base of \$12.743 billion. Queens County is a close contender at 5th place (411,929/\$9,254 billion), followed by Bronx County at 7th (398,746/\$4.903 billion), New York County at 10th (398,746/\$3.845 billion), Nassau County at 22nd (271,875/\$1.935 billion), Westchester County at 30th (176,387/\$1.3 billion), and finally Richmond County at 33rd (141,174/\$1.086 billion).

"We cannot go back to an era, like we experienced in the 1970's and 1980's, of urban blight and neighborhood decay. The banks have a responsibility to do their part to protect our communities by maintaining their properties, and I am committed to working with my colleagues in the Legislature to make sure they do so," added Senator Schneiderman.

In November of 2007, Senator Klein dealt with a blighted bank owned property in the Bronx which had attracted unsavory squatters who terrorized the neighborhood. After extensive research and endless phone calls to determine the history and ownership of the property, Senator Klein was finally able to have the house boarded up and the squatters evicted. Since then, Senate Democrats have assisted thousands of victims of the subprime mortgage crisis through Operation Protect Your Home, a series of foreclosure prevention forums, the next of which is scheduled for June 7th in Long Island.

However, in order to effectively deal with the myriad of lending institutions, loan servicers, and realty companies now holding properties in the New York City, Westchester and Nassau Counties, the Klein has introduced legislation to protect neighborhoods and force banks to take responsibility for their properties. The **NEIGHBORHOOD PRESERVATION BILL S. 7028** must be passed to allow municipalities to enforce safety and habitability requirements for every bank owned property.