



NEW YORK STATE SENATOR

Brian X. Foley

New Foreclosure Law to Save Homes and Preserve Neighborhoods

BRIAN X. FOLEY April 7, 2010

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Sweeping foreclosure regulations to finish going into effect April 15

Law will require banks to maintain foreclosed properties and make it easier for homeowners to avoid foreclosure

Senator Brian X. Foley (D – Blue Point) and Senate Deputy Majority Leader Jeff Klein (D – Bronx/Westchester) were joined by community leaders and housing advocates as they commemorated a new foreclosure law that will help homeowners and stabilize

neighborhoods. As the final provisions of the law go into effect, Senators Foley and Klein discussed its details and how it will directly help communities in Suffolk County and across New York State.

Standing in front of a dilapidated house in Central Islip, Senator Foley highlighted a provision in the law that requires banks to maintain houses once they've been foreclosed. "Abandoned houses that are not properly maintained threaten the quality of life for the entire neighborhood, reduce property values, and pose a safety risk for surrounding homeowners," said Sen. Foley.

Under the law (S66007, Section 6), banks must clean and maintain properties they already own, also called Real Estate Owned Properties (REOs), as well as properties that enter a judgment of foreclosure and sale. Banks will carry that responsibility until ownership is transferred through the closing of a title in foreclosure, or other disposition, and the deed for the property has been recorded. If a tenant currently occupies the property, the law mandates that banks must also keep the property in a safe and habitable condition. The municipality where the property is located, any tenant, board of managers of a condominium, or homeowners' association may enforce the obligation.

"We must not allow the foreclosure crisis of recent years to turn any more of our vibrant communities into deteriorating neighborhoods. As the banks fail to maintain foreclosed properties, the likelihood of drugs and crime increases while property values decrease," said Sen. Klein. "Beginning April 15th, struggling New York homeowners and declining neighborhoods will get a much needed shot in the arm as we put in place better protections to keep the dream of homeownership alive and preserve our neighborhoods."

In addition to the statute requiring banks to maintain foreclosed houses, the comprehensive foreclosure law contains important provisions that will directly help homeowners in danger of losing their homes. These provisions include:

- Safeguarding Distressed Homeowners: Requires that lenders and mortgage servicers provide a foreclosure notice to all distressed borrowers at least 90 days before any legal

action may be commenced.

- Expansion of Mandatory Settlement Conference: Expands the number of borrowers who are eligible to receive the benefit of this settlement conference to holders of all types of home loans for a period of five years. Also requires litigants to negotiate in good faith to try to reach a mutually agreeable resolution.

- Protecting Distressed Homeowners from Rescue Scams: Precludes licensees or registrants from accepting up-front fees in connection with performing the business of distressed property consulting. Additionally, this provides a mortgage broker with three days to disclose the exact amount and methodology of total compensation that the broker will receive.

"This sweeping foreclosure protection legislation will immediately help families and communities in Suffolk County and across New York State," said Senator Brian X. Foley (D-Suffolk). "From stabilizing our neighborhoods to stopping loan modification scams that prey on vulnerable homeowners, to limiting additional foreclosures, this legislation is a major step towards full recovery from the foreclosure crisis. As Chairman of the Senate Banking Committee, it has been my privilege to help craft this comprehensive legislation and helping protect the American Dream of home ownership."

Senator Foley also released new data showing the financial impact of unmaintained foreclosed properties nationwide and across New York State. Citing 2009 reports by the Center for Responsible Lending, it is estimated that homeowners living near foreclosed properties will see their property values decrease an average of \$7,500 per each foreclosed home. In New York State the number of neighboring homes experiencing devaluation in 2009 due to foreclosures was more than 5.2 million. The combined monetary decrease in home values/tax base due to subprime foreclosures in 2009 was \$65.3 billion dollars.

Realtytrac.com reports that in Suffolk County 8,500 homes went into some stage of foreclosure in 2009. The website also notes that in Suffolk County, lending institutions owned 235 homes in the past year. The top five lending institutions with the most REO properties on Long Island are as follows: Deutsche Bank (106), US Bank (78), Wells Fargo (64), HSBC (31), Bank of America (29).

The top ten zip codes on Long Island with the most Real Estate Owned (REO) properties are as follows:

- Hempstead - 42 REO properties
- Freeport - 20 REO properties
- Brentwood -19 REO properties
- Elmont - 19 REO properties
- Nesconset - 17 REO properties
- Roosevelt - 16 REO properties
- Westbury - 15 REO properties
- Bay Shore - 13 REO properties
- Central Islip - 12 REO properties
- Amityville - 10 REO properties

"Community Development Corporation of Long Island applauds Senators Klein and Foley for this initiative. These new laws, in addition to the default and foreclosure counseling being provided to thousands of homeowners on Long Island through HUD certified Housing Counseling organizations like CDC, will help to provide stability to distressed communities," said Eileen Anderson, Senior Vice President of the Community Development Corporation (CDC) of Long Island.

"Long Island has been hit particularly hard by the mortgage crisis, with Suffolk County having the third highest foreclosure rate of all counties in the state. While federal regulators were asleep at the switch, state lawmakers have stood up to the powerful Wall Street lobbies by working to protect New Yorkers. Senators Foley and Klein led the way last year in passing legislation that will help Suffolk homeowners hold on to their homes and ensure that houses that have been foreclosed will be maintained to protect neighborhoods from decline," said Russ Haven, Legislative Counsel for New York Public Interest Research Group, Inc.

“Long Island Housing Services (LIHS) applauds this new law as a great asset for municipalities, homeowners, tenants and their neighbors. This measure [requiring upkeep and maintenance of properties] should improve and help stabilize communities sorely affected by the foreclosure crisis. This legislation will help not only maintain properties and neighborhoods, but also protect tenant’s rights,” said Maria DeGennaro, Housing Counseling Program Coordinator for Long Island Housing Services. “In addition, once the banks realize the financial burden and difficulty of maintaining millions of properties, the new law may drive banks to come up with sustainable mortgages for current homeowners and thereby avoid the entire foreclosure process.”