



NEW YORK STATE SENATOR

Jeffrey D. Klein

Klein Announces Legislation Extending Critical Foreclosure Protections for Homeowners Set to Expire

JEFFREY D. KLEIN June 6, 2014

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BRONX, NY – Standing in front of the landmark Residential Foreclosure Center at Bronx County Courthouse, Senator Klein announced his push for an extension of critical foreclosure protections for New York homeowners, which are set to expire early next year. These protections include extending the requirement for lenders to provide notice of foreclosure and mandatory settlement conferences for all home loans an additional five years beyond the February 2015 expiration rate. An expiration of these protections could mean that thousands of New York homeowners in pre-foreclosure lose their homes.

The legislation (S. 7119/A.9354), sponsored by Senator Klein and Assemblywoman Helene Weinstein, extends portions of Senator Klein’s 2009 comprehensive foreclosure legislation aimed at protecting

homeowners and preserving property values in communities stricken with high rates of foreclosure in the wake of the sub-prime mortgage crisis. Senator Klein highlighted the continuing need for these protections, citing the disproportionate impact of foreclosure on minority communities, with 80% of New York City residents in pre-foreclosure living in majority-minority neighborhoods.

Senate Majority Coalition Leader Jeff Klein (D-Bronx/Westchester) said, “With nearly 30,000 New York City homeowners currently facing foreclosure, the extension of foreclosure notifications and settlement conferences are critical to keeping the vast majority of these homeowners in their homes. And this protection doesn’t just help individual homeowners – it helps entire communities. Foreclosures take a toll on entire neighborhoods and can destroy otherwise safe, beautiful areas. We can continue to keep nearly 90% of homeowners in their homes by passing this legislation, and working with Assemblywoman Weinstein, I am confident we can continue to keep these solid protections in place.”

Assembly Judiciary Committee Chair, Helene E. Weinstein (D-Brooklyn) said, “For far too long homeowners have fallen victim to lenders who exploit loopholes and evade our state’s foreclosure filing laws, leaving homeowners stranded with fees and interest racking up and little hope of modifying their loans. The mandatory settlement conference and 90-day notice provisions for all home loans along with the requirement for banks to negotiate in good faith are critical protections for borrowers at risk of losing their homes. Extending these expiring provisions is essential to allow homeowners regain their footing and to give them a fair chance at negotiating mortgage loan modifications so they may stay in their homes.

“As demonstrated by the report being released today, the foreclosure crisis and its devastating effects on our communities continues. I am proud to join Senator Klein in fighting to give homeowners a fair opportunity to save their homes.”

Justin L. Haines, Director of the Foreclosure Prevention Unit at Legal Services NYC – Bronx said, “In 2013 in the Bronx, more foreclosures were filed than in either 2009 or 2010, what we believed to be the height of the financial crisis. For those who think the foreclosure crisis is over or behind us, it isn’t. If the last six years has been instructive of anything, it is that banks and non-bank servicers are not interested in approving affordable home-saving solutions like loan modifications. They simply cannot or will not give homeowners efficient and proper review of their applications despite mortgage servicing regulations promulgated on the

state and federal level. State mandated Settlement Conferences are homeowners' last vestige of hope and the last safeguard against losing their home. In this epic David and Goliath battle, Settlement Conferences provide a fair and level playing field that homeowners cannot get anywhere else. The requirement that the banks negotiate in good faith has provided homeowners the only forum for bank accountability and imparts on borrowers equal bargaining power to achieve a fair settlement.

“As this report illustrates, a deeper and more insidious reality of the foreclosure crisis is that NYC minority communities are disproportionately impacted. The confluence of Wall Street's hunger for securitized mortgages and historic discriminatory lending patterns that keep affordable mortgages out of communities of color has resulted in minority communities being ravaged by foreclosure. In light of this, the loss of bank accountability in Settlement Conferences will be a civil rights travesty and will leave minority communities forever stripped of homeownership and home equity wealth.”

“In the first year of the mandatory settlement conferences, New York's default judgment rate dropped from 90% to 10% proving that the settlement conferences are a critical measure to ensure justice for New York homeowners,” **said Kirsten Keefe, Senior Attorney at Empire Justice Center.**

Legal Services NYC, Director of Foreclosure Prevention Jacob Inwald said, “New York State remains mired in a foreclosure crisis of staggering proportions, not seen since the Great Depression. The court system reports that one third of all civil cases statewide are foreclosure actions, and has been reporting significant increases in the number of foreclosure filings. New York's hard working homeowners seeking to save their family homes from foreclosure continue to need the protections afforded by New York's 90-Day Notice requirement, and they certainly continue to need the opportunity that residential foreclosure settlement conferences represent. Those conferences have allowed thousands of homeowners to achieve settlements and loan modifications that benefit everyone. Lenders benefit when defaulted loans become performing assets again; homeowners benefit because affordable home-saving solutions are achieved; and New York communities benefit because the destabilizing effects of foreclosures—abandoned homes, blight, decreasing property values and declining tax revenues—are avoided. The need for these protections has not abated, and their disappearance would have a disastrous impact on both the individual families and communities wrestling with the foreclosure process and on the judiciary, which would be left to address the backlog of foreclosures in the pipeline without the benefit of these protections.”

“Countless homeowners who could afford their mortgage on modified terms have avoided unnecessary foreclosures because of settlement conferences. We commend Assemblywoman Weinstein and Senator Klein for their support of New York State homeowners and for their commitment to pragmatic solutions to the ongoing foreclosure crisis,” **said Christopher Fasano, Staff Attorney, New York Legal Assistance Group.**

Bronx Homeowner Yvonne Mitchell said, "From my experience as a homeowner negotiating a loan modification, settlement conferences were absolutely essential to keeping my home. The prolonged back and forth with my bank meant that I relied on the protections Senator Klein and Assemblywoman Weinstein are fighting to extend for the thousands of homeowners who are facing foreclosure as well. Without a settlement conference and the incredible legal assistance I received, I don't know where I would be."

At the press conference, Senator Klein also released a report, co-authored by Assemblywoman Helene Weinstein detailing the impact individual foreclosures have on entire communities, the vast majority of which are majority-minority neighborhoods. In New York City as a whole, minority neighborhoods experience 80% of pre-foreclosures with almost 24,000 out of the nearly 30,000 total in pre-foreclosure. The Bronx and Queens demonstrated the greatest inequality between neighborhoods with homes in pre-foreclosure. In these boroughs, minority-majority neighborhoods experience 93% of pre-foreclosures.

The data in the report also indicate that the economic and social impact of foreclosures goes far beyond the four walls of one's home.