



NEW YORK STATE SENATOR

Jeffrey D. Klein

## Banks steal millions from minority, low-income Westchester homeowners: IDC releases “The Next Great American Bank Robbery” for Westchester County

JEFFREY D. KLEIN January 18, 2016

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*Report details extensive costs to Westchester homeowners - over \$19 M - of abandoned, decaying properties dragging down minority, low-income neighborhoods*

**Mount Vernon, NY**— **Senators Jeff Klein (D-Bronx/Westchester)** and **Mayor Rich Thomas (D-Mount Vernon)** on Monday unveiled “The Great American Bank Robbery,” a distressing report detailing the over \$19 million dollar price tag that neglected, bank-owned and zombie properties cost communities throughout Westchester.

The investigative report, released on Martin Luther King Jr. Day, also highlighted the disproportionate impact bank-owned, neglected properties have had on low-income, black and Hispanic communities in Westchester.

Senator Klein and Mayor Thomas called for a two-step legislative plan to further hold financial institutions accountable for the properties they own and ensure that decaying properties are maintained from the moment they are discovered to be abandoned.

The report revealed neighborhoods where rusted gates greet passersby as broken windows gape openly, and garbage is strewn throughout decrepit houses. These properties, owned by

negligent banks and loan servicers, stain entire communities, with \$9.2 million lost in home value depreciation. Major banks, such as U.S. Bank and Deutsche Bank, as well as household name loan servicers, such as Fannie Mae, skipped paying violations on properties throughout Westchester County. Abandoned zombie properties left in legal limbo cost Westchester homeowners an additional \$10.8 million.

The cost of these decaying houses disproportionately affects minority communities and communities with high poverty rates. Nearly 60 percent of bank-owned properties in Westchester are located in black and Hispanic communities, with 40 percent located in low-income areas.

“The subprime mortgage crisis robbed people of the dream of homeownership and now the banks’ irresponsible behavior in failing to maintain the homes they took through foreclosure is the ‘Next Great American Bank Robbery.’ Decrepit properties result in home value depreciation and banks and lenders have left a trail of unpaid fines from violations, resulting in a loss to municipalities. Now, more than ever, it is vital that we pass my bank-owned property and zombie property bills to increase transparency so that banks are held accountable, and ensure that vacant properties that are stuck in legal limbo are maintained from the moment we know they are abandoned. We must work to make sure that Westchester residents and communities across this state are no longer being robbed,” **said Senator Klein.**

Although state current law requires financial institutions to maintain foreclosed properties that they currently own, as of 2015, the vast majority of bank-owned properties - 75 percent - have accrued building violations or complaints, and failed to comply with New York State law. Yonkers and Mount Vernon residents suffered the most, accounting for a collective \$7.4 million dollars in house price value depreciation.

“Zombie homes kill property values and threaten public safety. To ensure accountability of the banks that own these empty and often unkempt structures, the City of Mount Vernon will explore foreclosing on the banks for ignoring their lawful obligations to maintain a clean and safe environment for the neighborhood. For the monuments to urban blight that are in danger of imminent collapse, the banks will receive an invoice from the City for tearing them down. The report that Senator Jeff Klein and I are issuing clearly shows the racial and socio-economic disparities in bank treatment of these issues in different neighborhoods. These empirical truths are simply unacceptable. I will use my power as Mayor to ensure our citizens are treated with the respect and dignity they deserve because our property values matter too!” **said Mayor Thomas.**

The worst offender was Fannie Mae, which accounted for 14 percent of lender-caused home value depreciation, with U.S. Bank following close behind.

With zombie properties, left in legal limbo through the foreclosure process, the cost to neighboring homes is a whopping \$10.8 million.

Studies show that when a home is left in disrepair it impacts surrounding property value within a 300-foot radius by 1.3 percent. As a result of the banks' neglectful behavior, on average, Westchester homeowners lost \$5,000 each. In total, the IDC analysis found that homeowners in Westchester lost **a total of over \$19 million in home value.**

Senator Klein and Mayor Thomas proposed a two-step legislative package. The bank-owned property bill would increase transparency by creating a registry of vacant and abandoned properties in the state for the disposal of municipalities and the Office of the Attorney General, and grant the Attorney General the right to impose fines and initiate legal proceedings against financial institutions violating of the law.

The zombie property legislation would require mortgagees and their loan servicing agents to maintain vacant properties from the point they are discovered to be abandoned, create a statewide registry of vacant and abandoned properties, and require the attorney general to set up a toll-free hotline for neighbors and community residents to report properties that they believe to be vacant and abandoned, report problems, as well as to find out information regarding the foreclosure status of these properties.

“In addition to instigating the second worst economic crisis in the nation’s history, neighborhoods are fighting to bounce back from the blight left by vacant and abandoned properties. Yet no criminal action has ever been brought against those responsible for the these crimes. The data provided in these reports concludes that much is still to be done to correct the injustice in minority communities.” **said Veronica Raphael, Mortgage Default Prevention Director at Westchester Residential Opportunities, Inc.**

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#### RELATED LEGISLATION

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### 2015-S4781

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- Introduced
- - In Committee Assembly
  - In Committee Senate

- ○ On Floor Calendar Assembly
  - On Floor Calendar Senate
  
- ○ Passed Assembly
  - Passed Senate
  
- Delivered to Governor
  
- Signed By Governor
  
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"Abandoned Property Neighborhood Relief Act of 2016"; relates to the duty of the mortgagee or its loan servicing agent to maintain property secured by delinquent mortgage

April 15, 2015

In Senate Committee [Housing, Construction and Community Development](#)

Sponsored by [Jeffrey D. Klein](#)

Do you support this bill?