



NEW YORK STATE SENATOR

Jeffrey D. Klein

## STATE OF THE FORECLOSURE CRISIS: ADDRESSING THE CONTINUED NEED FOR HOMEOWNER PROTECTION

JEFFREY D. KLEIN February 13, 2017

| ISSUE: **FORECLOSURE PREVENTION, HOUSING, BANKS**



*Independent Democratic Conference members, Assembly Members and Foreclosure Prevention Network Organizations call for \$30 million for ongoing foreclosure prevention services*

Albany, NY – Senators Jeff Klein (D-Bronx/Westchester), Tony Avella (D-Queens), Jesse Hamilton (D-Brooklyn), Marisol Alcantara (D-Manhattan), Diane Savino (D-SI/Brooklyn), and Assembly Members Helene Weinstein (D-Brooklyn), Kenneth Zebrowski (D-New City), Steven Cymbrowitz (D-Brooklyn), Ellen Jaffee (D-Suffern), David Buchwald (D-Mount Kisco) and Jo Anne Simon (D-Brooklyn) joined Foreclosure Prevention Network organizations to release a report detailing

the lingering issue of foreclosures in New York State as they called for a critically needed \$30 million for foreclosure prevention legal services.

The report, "State of the Foreclosure Crisis: The Ongoing Need for Homeowner Defense," details the 111,789 homeowners and families throughout the state at severe risk of losing their properties that are currently in pre-foreclosure status and could easily enter into foreclosure proceedings. This is on top of the 72,000 pending foreclosure cases that already exist in the state's courts and 34,000 new foreclosure filings in 2016 alone.

Senator Klein and Assemblywoman Weinstein first passed landmark legislation in 2009 that addressed record foreclosure rates in the immediate aftermath of the subprime mortgage crisis by creating historic protections for homeowners threatened by foreclosure that included mandated settlement conferences, pre-foreclosure notices, and strengthening New York's anti-predatory lending laws.

Last year, Senator Klein built upon those efforts with legislation that combated zombie properties by holding banks accountable for maintenance of vacant and abandoned homes causing decreased property values and rampant community blight. Mandatory settlement conferences were strengthened, a Consumer Bill of Rights was established and the Community Restoration Fund was created to restructure distressed mortgages.

In conjunction with these reforms, Attorney General Eric Schneiderman established a foreclosure prevention program called the Homeowner Protection Program (HOPP) that funds 90 organizations offering free, high-quality housing counseling and legal services to families in need. Funding for HOPP relies on money secured through bank settlements that will soon be depleted. This additional funding to be appropriated through the budget is vital to continuing efforts to prevent further suffering in communities throughout New York State brought on by the financial crisis.

“The fallout of the subprime mortgage crisis hurt hardworking taxpayers the most. New York families have been robbed of their dreams of homeownership by unscrupulous banks and lenders whose actions have had ripple effects throughout the state. At a time of sky-high foreclosure filings, record homelessness, and zombie properties running rampant, continued funding for legal foreclosure prevention services and consumer protections is vital. I am proud to stand with my colleagues in the Independent Democratic Conference and the Assembly as well as Foreclosure Prevention Network organizations to fight to keep New Yorkers in their homes and continue healing our communities from the suffering brought on by this crisis,” **said Senator Klein.**

“I am deeply concerned that funding for the legal service and housing counseling statewide network of foreclosure prevention service providers ends on September 30, 2017. Our communities are still in crisis and this group of free service providers are essential to help give homeowners a fair chance to save their homes and to preserve our communities and home values. I am committed to working with my Assembly colleagues including Banking Chair Kenneth Zebrowski and Housing Chair Steven Cymbrowitz, and Senator Klein to secure funding for these critical providers,” **said Assemblywoman Weinstein.**

“Consumer protection serves as a sound investment for New York, perhaps at no more critical time than when a family faces potential foreclosure. Our investment in foreclosure prevention helps keep families in homes. Our investment helps build wealth in workaday New York households. And our investment provides a critical lifeline to families in need of sound counsel in a crisis. When we make forward-thinking investments like those we advance today for foreclosure prevention, we help keep our communities whole and families on a path to realizing their dreams. I’m proud to support the work of the Foreclosure Prevention Network and the work of all those extending assistance when fellow New Yorkers need it the most,” **said Senator Hamilton.**

“Foreclosure Prevention Services are a vital resource that provide assistance to homeowners and helps to preserve communities throughout the State. Not only do these programs offer necessary protections to homeowners facing foreclosure, but they offer proactive, preventative measures through legal services and housing counseling. Leaving a gap in funding for these providers would leave homeowners vulnerable and in jeopardy should they face these issues. Securing funding in the State Budget is necessary for the successful continuation of these services and is necessary in our efforts to protect homeowners and our communities,” **said Assemblyman Zebrowski.**

“Offering foreclosure prevention services to homeowners is key in helping them keep their dream homes and stay in their communities. As thousands of New Yorkers lost their properties, neighborhoods became collateral damage of the housing crisis as some areas became unsafe. I, along with the rest of my colleagues in the IDC, hope that foreclosure prevention support is included in the 2017-18 budget to provide much-needed legal services support across Queens, the rest of the City and the rest of State,” **said Senator Jose Peralta.**

“After the financial crisis of 2008, many Americans across the country have now had the experience of having their home foreclosed. With our commitment to fund the Foreclosure Prevention Network, we are making sure that more families are able to stay in their homes and communities, that more children are able to put down roots, and that more middle and working-class New Yorkers will be able to stay on the first rung of the real estate ladder. When families are in their greatest time of need, the New York State government can help give people the extra push they need to avoid homelessness and invest in their futures,” **said Senator Alcantara.**

“Our State has come a long way since 2009 when foreclosure filings had jumped 78%. However, many New Yorkers are still reeling from this catastrophe. Banks were bailed out but working New Yorkers were left wondering if their lives would ever return to normal. Our

country may have forgotten about the housing crisis but New York remembers and the IDC will do all that it can to make sure these families get the support they deserve,” **said Senator Avella.**

“The deceptive practices that led to this crisis are unconscionable but now we must tackle the issue at hand. Vulnerable New Yorkers are being forced out of their homes and onto the streets and we cannot allow this funding to run out. Ensuring the foreclosure prevention network is financially stable will give families the tools and information they need to hold banks accountable, fight foreclosure and stay in the communities where they have built their lives,” **said Senator Savino.**

“Today I stand with my colleagues in the legislature to demand that this crucial foreclosure prevention programs be funded in this year’s state budget. These programs assist hard working New York families with vital legal services to prevent residential foreclosures and preserve communities. I pledge to continue to fight to ensure that New York state does all it can to keep families in their homes and neighborhoods,” **said Assemblymember Walter T. Mosley.**

“New York’s foreclosure prevention services are critical to keeping people in their homes, protecting them from being scammed by scoundrels seeking to enrich themselves at the expense of hard working New Yorkers who too often have been victimized already by irresponsible lenders. Strong communities are the backbone of New York and foreclosure prevention services preserve communities. I fully support allocating these much needed funds in this year’s budget, “ **said Assemblymember Jo Anne Simon.**

The reforms secured by Senator Klein and Assemblywoman Weinstein in 2009 helped to fill the gaps where The Dodd-Frank Wall Street Reform and Consumer Protection Act did not adequately protect consumers ravaged by the economic crash. But in light of the Donald Trump Presidency and his alarming intentions to dismantle Dodd-Frank, there is a

newfound sense of urgency to protect New Yorkers at the state level from his shortsighted policies.

The legislation passed by Senator Klein and Assemblywoman Weinstein last year has allowed for robust reporting of the foreclosure situation to the Department of Financial Services and led to a better understanding of the problem through careful analysis.

Aside from the nearly 112,000 properties in pre-foreclosure status, there were over 200,000 delinquency notices filed to the Department of Financial Services just last year, demonstrating the insidious and extensive nature of this problem in which hundreds of thousands of families will not be able to afford to avoid foreclosure. Alarming, foreclosures account for over a quarter of New York State's Supreme Court cases, creating an added economic burden on the state's finances.

There is no part of the state that hasn't felt the effects of this crisis, though some regions were hit harder than others. The Long Island region had the highest number of pre-foreclosures with 36,262, followed by New York City with 33,500 and the Hudson Valley with 17,867. In terms of foreclosure actions per housing units, Orange County had the highest rate at one in 467 properties facing foreclosure proceedings.

"Empire Justice Center thanks Senator Jeff Klein, the IDC, and Assemblymember Helene Weinstein for standing with the Foreclosure Prevention Services Network in support of ensuring that New York homeowners who face the loss of their home due to foreclosure are able to continue to have access to housing counseling and legal assistance. Today, we are delivering keys with heart tags to each legislator, in honor of Valentine's Day, because every heart needs a home. Each key lists the number of foreclosures and delinquencies in the counties they represent, showing that the foreclosure crisis unfortunately continues in New York State, and thus, services for homeowners must continue as well," **said Kirsten Keefe,**

**Senior Attorney at Empire Justice Center.**

“When a homeowner receives a foreclosure notice, she has a much better chance of saving her home if she gets help from a non-profit housing counseling agency or legal services.

Unfortunately, when a homeowner doesn’t know about these services or chooses not to access them, the result is a vacant building which has significant economic repercussions for neighbors as well as the local government. Foreclosures impact entire communities and the best recourse for the community is to ensure that there is assistance for homeowners as soon as they face a potential foreclosure,” **said Hilary Lamishaw, Director of Community Development at Troy Rehabilitation & Improvement Program.**

“Each year, thousands of New York State families receive notices of intent to foreclose from their mortgage lender, along with the advice to contact a local housing agency for assistance.

We continually hear how grateful families are to know their options and the steps they can take to avoid foreclosure and save their greatest asset, their home,” **said Susan Cotner, Executive Director of Affordable Housing Partnership.**

“The continuation of foreclosure prevention funding is critical to keep families in their homes and support the important work being done statewide to stabilize and strengthen communities,” **said Amanda Pascall, HomeOwnership Center Manager at Home HeadQuarters.**