

LEGAL SERVICES NYC

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New York State Legislature
2025 Joint Budget Hearing
Housing
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My name is Jacob Inwald. I am the Director of Litigation—Economic Justice at Legal Services NYC. I submit this testimony on behalf of Legal Services NYC in support of funding for New York’s Home Owner Protection Program (“HOPP”), which is the sole source of state funding for the statewide network of housing counseling agencies and legal services providers offering home ownership preservation and foreclosure prevention services for New York’s struggling low-and-moderate-income (“LMI”) homeowners.

Legal Services NYC is the Technical Assistance Partner for legal services to the Center for New York City Neighborhoods, which is one of two Anchor Partners who are contracted with the New York State Attorney General’s Office to administer the statewide HOPP network. The other Anchor Partner is the Empire Justice Center. We are thankful that this year the Governor’s proposed Executive Budget includes level funding of \$40 million for the statewide HOPP network, and we ask the legislature to support this allocation in the adopted budget. We are grateful to the Senate and Assembly for your consistent support for the program in prior years, especially when the Governor’s proposed executive budgets zeroed out the program.

The Network further urges inclusion of S.2627 (Kavanagh) / A.1625 (Solages) in the one-house and adopted budgets to enshrine the HOPP program into law, affording homeowners consistent protections moving forward. This is especially critical as the new federal administration has taken serious actions to weaken financial regulators including the Consumer Financial Protection Bureau, the Federal Trade Commission and the Department of Housing and Urban Development, among others.

For the last two years, thanks to the legislature, HOPP funding was provided at \$40 million, after having been increased to \$35 million in the 2022-2023 budget year. Prior to that, the program had been level-funded at \$20 million for more than a decade with no increases to account for increased personnel and other costs. Those increases were needed to address drastically

Demand Justice.

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increased rates of mortgage and property tax defaults in the wake of the pandemic, in addition to ever-increasing threats to low-and-moderate-income homeownership posed by deed theft, partition and loan modification scams. They were also necessary to recruit, retain, and train the dedicated attorneys and housing counselors who specialize in these often-complex cases.

Current contracts conclude on July 15, 2025, and we are hopeful that the legislature and the Governor will ensure that when the final budget is concluded struggling homeowners facing threats from multiple fronts to stable homeownership will continue to be able to access the vital services provided by the housing counselors and legal advocates funded by the HOPP network. Without the HOPP network, homeowners have nowhere to turn except deed theft and distressed property consultant scammers.

Legal Services NYC ("LSNYC") is the nation's largest provider of free civil legal services to the poor. For more than 50 years, LSNYC has provided expert legal assistance and advocacy to low-income residents of New York City. Each year, LSNYC's neighborhood offices across New York City serve tens of thousands of New Yorkers, including homeowners, tenants, the disabled, immigrants, the elderly, and children.

LSNYC is also the oldest and largest provider of homeownership preservation and foreclosure prevention legal services in New York City. LSNYC's homeownership preservation projects represent distressed homeowners and victims of predatory and discriminatory lending, abusive mortgage servicing and inequitable property tax collection in neighborhoods decimated by foreclosures across Brooklyn, Queens, Staten Island, and the Bronx, and it has handled nearly 23,000 cases for NYC homeowners since 2007. The families we serve are mostly located in the neighborhoods where deed theft, property flipping and partition scammers are rampant, preying on the elderly and black and brown homeowners, and stripping equity from longstanding homeowners as appreciating property values attract speculators and private equity.

The HOPP network comprises approximately 90 non-profit housing counseling and legal services agencies that help New York homeowners, coop owners and condo owners avert homelessness and displacement by preventing avoidable mortgage, tax and utility lien foreclosures, combating mortgage fraud, deed theft, loan modification, property flipping and partition scams, and challenging predatory and discriminatory lending and abusive mortgage servicing practices that disproportionately impact New York's most vulnerable communities—seniors and people of color. The network serves every county in New York State and all five boroughs of New York City. A total of \$40 million is needed to ensure that the existing HOPP network is able to meet the existing need for the network's services in light of the unprecedented homeowner distress across New York State, which dwarfs the rates of default seen during the last foreclosure crisis.

Even before the onset of the pandemic, New York continued to battle a foreclosure crisis brought on by the last recession, but in the wake of COVID-19 the need has become even more acute as homeowners across the state have suffered from lost employment and rental income from

tenants. New York is continuing to see high delinquency rates, especially in communities of color. According to U.S. Census Household Pulse Survey data, as of fall 2024, an average 6% of New York homeowners were delinquent on their mortgage loans, with 474,928 New York families at risk of losing their homes. These numbers show an increase in mortgage distress since the prior year, when the number of families at risk was 306,587. Court filings are also rising, with New York State Unified Court System data showing nearly 15,000 new foreclosure case filings in 2024, and nearly 22,00 pending foreclosure cases across the State at the end of the year.

Even more stark are the disparities between white homeowners and homeowners of color: in September 2024 a monthly average of 13% of Black and Brown homeowners were delinquent, compared to 4.4% of non-Hispanic white homeowners in New York State, as reflected in the U.S. Census Household Pulse Survey data. Preserving homeownership. Accordingly, is very much a civil rights and economic justice issue, as foreclosure represents not just the loss of homes, but also the stripping of equity and generational wealth from communities of color. Homes lost to foreclosure, especially in urban areas, also represent the loss of affordable rental housing, as many of the homes include affordable rental units which are lost when homes succumb to foreclosure and are purchased at auction by private equity real estate speculators. The loss of these homes to foreclosure also increases the significant disparity in homeownership rates for communities of color compared with white communities.

A complicated patchwork of federal and state programs has evolved in the aftermath of the pandemic that homeowners cannot navigate on their own, which is further complicated by the regulatory chaos emanating from Washington, where the federal regulators are under threat. FHA, Fannie Mae, Freddie Mac, and conventional lenders launched different forbearance plans and loss mitigation options for distressed borrowers, and New York State enacted its own law on forbearance programs for New York-regulated lenders and mortgage servicers. The federal Consumer Financial Protection Bureau, which regulates banks and mortgage servicers, along with other entities preying on vulnerable consumers, and which enforces federal consumer protections, is targeted for elimination by the current administration, making it even more important that New York homeowners continue to have the network of advocates funded by HOPP that is their only chance of leveling the playing field when interacting with large financial institutions and scammers.

Accessing relief requires understanding the details of these various interventions and knowing who owns the loan in question and what program a homeowner may be eligible for. Homeowners need help to ensure they can access relief and they need advocates to make sure lenders are complying with applicable federal or NY laws and regulations—all the more so when questions loom about the interest of the federal government in doing so.

The HOPP network has been helping families in every county across New York State, and in each of the five boroughs of New York City, navigate complex housing challenges -- including mortgage fraud, scams, displacement, discriminatory lending and mortgage servicing -- and it has helped thousands of families to keep their homes and to stay in their communities, preserving existing affordable homeownership. It has helped not just the individual families affected by

foreclosures but the communities at large, by preventing displacement and by preventing the increased crime and reduced property values that accompany waves of foreclosure, which, in turn, adversely affect the local community tax base.

The homeowners receiving help from HOPP agencies are working LMI families, New Yorkers of color who were targeted for predatory loans after being denied access to homeownership altogether by generations of government-supported redlining and housing segregation, seniors battling a wave of foreclosures on reverse mortgages and tax and water lien foreclosures spurred by New York's affordability crisis, and families who have experienced illness or deaths that have landed them in financial distress. The network mitigates displacement from foreclosures, scams and mortgage distress and its advocates challenge abusive mortgage servicing by financial institutions and discriminatory lending practices such as reverse redlining, in which vulnerable communities were targeted for the most toxic of loan products.

Of late, the HOPP network has been tackling the epidemic of "zombie second lien" foreclosures, pursued by debt buyers who purchased for pennies on the dollar long-abandoned second mortgages, which were marketed during the heyday of predatory lending as toxic "80/20" loans targeted to communities of color. The originating lenders abandoned those underwater loans years ago, but with appreciating real property values, speculators and private equity who bought those long-abandoned loans for pennies on the dollar are now attempting to foreclose on homes saddled with these second liens, even though the claims are largely barred by statutes of limitations.

The HOPP network is grateful that this year the Governor's proposed budget does not threaten the termination of HOPP services provided by the network's not-for-profit housing counseling agencies and legal services providers when current contracts expire on July 15, 2025, and that it does not threaten the continued employment of the network of highly skilled advocates across the approximately 90 HOPP-funded agencies whose positions and expertise would otherwise be at risk if HOPP funding is not included in this year's budget. We therefore hope that the legislature's commitment to the HOPP network remains steadfast, as it has been in past years, so that when the budget process is concluded the network will continue to be able to provide the vital homeownership preservation services to struggling homeowners in every county of the state after the current contract year ends on July 15, 2025.

The need for these direct service HOPP-funded providers is actually embedded in New York's consumer protections enacted after the foreclosure crisis, which are now permanent features of the judicial foreclosure process:

- Lenders are required by law to send pre-foreclosure notices specifically identifying counseling agencies serving the homeowners' county—the very agencies that depend on the HOPP program for their funding.

●HOPP network providers are integral to NY's pioneering foreclosure settlement conference process, where they partner with the courts to staff clinics and friend of the court tables. These settlement conferences and have been instrumental in drastically increasing the numbers of homeowners with representation at settlement conferences and in increasing the numbers of homeowners answering foreclosure complaints and preventing default judgments. Indeed, thanks to this network many homeowners facing foreclosure now have representation during the court settlement conference process, whereas prior to the network's inception most homeowners had no counsel and most foreclosure cases resulted in default judgments in which homeowners did not have access to counsel for the judicial foreclosure process.

●Amendments to the settlement conference law provide homeowners attending their first conference a chance to avert default judgment and seek help from HOPP-funded legal services providers to file an answer to the foreclosure complaint, a right which, thanks to the HOPP funded agencies staffing conferences, has allowed thousands of homeowners to assert their legal defenses and counterclaims and to ensure accountability in the judicial foreclosure process.

These services are a crucial tool in preserving sustainable, affordable homeownership. Especially in New York City, the loss of a home to a foreclosure that could have been averted also represents the loss of naturally-occurring affordable rental housing, as many of the homes impacted incorporate affordable rental units that are lost to the rental market when the home is lost to foreclosure and sold off to investors and developers.

No homeowner should have to experience the fear of displacement by foreclosure that is avoidable with the availability of a HOPP advocate. New York families continue to need access to free resources and experts to help them understand their options as New Yorkers are still recovering from the aftermath of the economic dislocation wrought by the pandemic. Homeowners should not be left to fend for themselves, or worse, be at the mercy of scammers just waiting to take advantage of vulnerable homeowners, coop owners and condo owners desperately seeking to save their homes, as they defend themselves in court or attempt to resolve their mortgage or property tax distress. These are complicated, bureaucratic processes that can be nearly impossible to navigate without a nonprofit housing counselor or lawyer.

With \$40 million in funding the HOPP network will be able to continue its great work and combat urgent housing issues across the state, including:

●Mitigating distressed mortgage and tax foreclosures, especially those suffering from the ongoing impacts of COVID-19, preventing displacement;

●Stopping scammers from stealing people's homes and charging for loan modification services that are never provided, and stemming the tide of partition scammers preying on heirs and stripping equity from minority neighborhoods; and

- Providing representation to the state’s seniors, who have been facing a wave of reverse mortgage foreclosures in recent years, who have only recently received the consumer protections New York has provided to other residential mortgage foreclosure defendants;

- Addressing the latest wave of “zombie second mortgage” foreclosures, in which debt buyers have purchased long-abandoned second mortgages marketed to black and brown homeowners as predatory “80/20” loans and are now seeking to foreclose in order to pocket the equity in those properties.

Accordingly, we urge the legislature to support the needed minimum of \$40 million in funding for HOPP in this year’s final budget so that the HOPP network’s crucial work in preventing deed theft and other scams and preserving affordable homeownership across the state can continue beyond July 15, 2025, and so that New York’s struggling homeowners retain the advocates they need to have a fighting chance. Moreover, we urge the inclusion of S.2627 (Kavanagh) / A.1625 (Solages) in the adopted budget to enshrine the HOPP program into law, affording homeowners consistent protections moving forward.

For more information, please contact Jacob Inwald, at jinwald@lsnyc.org or 646-442-3634

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