



NEW YORK STATE SENATOR

Jeffrey D. Klein

Foreclosure crisis still haunting New York City neighborhoods & decreasing property values

JEFFREY D. KLEIN December 18, 2017

| ISSUE: **BANKS, ABANDONED HOMES, FORECLOSURE, LEGISLATION**

Senator Jeff Klein unveils ‘Nightmare Neighbors’ report on impact of bank owned properties

New York, NY — Senator Jeff Klein (D-Bronx/Westchester) and members of the **Independent Democratic Conference** today released a new investigative report on the impact of poorly maintained bank-owned properties on communities. The report, “*Nightmare Neighbors: How Badly Maintained Homes Damage Neighborhoods*,” found that these dilapidated homes cause nearly \$54 million in depreciation for surrounding homeowners throughout the city.

Legislation was also introduced today to stiffen penalties for banks that fail to maintain their properties.

The report identified 77 bank owned properties in The Bronx, of which 61 percent, or 47, were found to have a combined 1,063 open violations with HPD and DOB.

“The foreclosure crisis continues to negatively impact neighborhoods across New York City. Since the Great Recession we have worked to ensure that foreclosed houses are not allowed to become eyesores and degrade neighborhoods, however this report shows there is still work to be done. Bank-owned properties cannot be allowed to fall into disrepair and depreciate the property values of hard working New Yorkers who live around them,” **said**

Senator Klein.

Based on the findings, over 8,000 properties have been impacted by these bank-owned properties, with an average property value loss of \$6,368.

Of the 26 financial institutions that own properties, the total depreciation of the top five worst violators city-wide was over \$32 million.

| Financial Institution | Number of Properties Held | Total Depreciation | Percentage of Total Depreciation (\$53.4M) |
|------------------------------|----------------------------------|---------------------------|---|
| US Bank | 24 | \$7,720,066.00 | 14.4% |
| Wells Fargo | 14 | \$6,189,841.00 | 11.6% |
| Fannie Mae | 18 | \$6,104,268.00 | 11.4% |
| HSBC | 10 | \$5,631,212.00 | 10.5% |
| Wilmington | 15 | \$5,515,972.00 | 10.3% |

Forty-seven of the bank-owned properties in the Bronx had open violations. This is out of a total of 77 confirmed bank-owned properties in the Bronx, or 61% of all confirmed real estate-owned properties in The Bronx. There are currently 1,063 open violations. The five financial institutions with the most open HPD and DOB violations accounted for 68.5% of all the violations.

| Financial Institution | Open HPD and DOB Violations | Percentage of Total Violations in the Bronx |
|---------------------------------|-----------------------------|---|
| GOSHEN MORTGAGE REO LLC | 212 | 19.9% |
| HSBC BANK USA NA | 166 | 15.6% |
| WELLS FARGO | 146 | 13.7% |
| US BANK | 103 | 9.7% |
| WILMINGTON SAVINGS FUND SOCIETY | 101 | 9.5% |

Ultimately, the research and analysis concluded that one to four family properties in the Bronx **have lost approximately \$4,963 in value, and in total, these bank-owned homes have caused over \$10.62 million in house value depreciation.**

| Borough | # of Bank-owned Properties with violations | Average Median Property Value | Average Depreciation Rate Per Property | Properties Impacted | Property Value Depreciation |
|---------|--|-------------------------------|--|---------------------|-----------------------------|
| Bronx | 47 | \$381,769 | \$4,963 | 2,193 | \$10,615,211 |

The 47 bank-owned properties with violations were owned by 17 different banks. Using each entity's property holdings, staff performed an analysis on every residential building held by those financial institutions with the most properties. Cross-checking each property against the demographic information for each zip code, the IDC was able to determine the amount of depreciation for each property, and ultimately the total for each bank by adding up the

depreciation of each property they hold.

The top five financial institutions were responsible for \$6,576,966 of the \$10,615,211 in total depreciation recorded. This is 62% of the total depreciation caused by a total of 27 properties out of the 47 identified in The Bronx.

| Financial Institution | Number of Properties Held | Total Depreciation | Percentage of Total Depreciation (\$10.6M) |
|---------------------------------|---------------------------|--------------------|--|
| US Bank | 12 | \$2,790,321.00 | 26.3% |
| Wilmington | 4 | \$1,227,815.00 | 11.6% |
| Fannie Mae | 5 | \$888,713.00 | 8.4% |
| HSBC | 3 | \$843,654.00 | 7.9% |
| Federal Home Loan Mortgage Corp | 3 | \$826,463.00 | 7.8% |

In 2016, the Independent Democratic Conference led the effort to combat “zombie” properties, those caught in the legal limbo of the foreclosure process that have been left vacant and abandoned. The state Department of Financial Services now maintains a registry of all zombie owned properties, and can impose fines on banks of \$500 a day for failure to maintain.

To deal with banks that own homes through foreclosure, Senator Klein and the members of the IDC propose expanding the registry to include bank-owned homes so that state and local

municipalities can more easily track these properties. Bank-owned homes, under the new proposal, would also face \$500 a day fines.

In order to better enforce these laws, Senator Klein and the members of the IDC propose \$5 million for DFS code enforcement agents and attorneys to hold banks accountable to the \$500 a day fines.

“As an organization dedicated to preserving New York communities, Mobilization for Justice applauds the Senate for examining the detrimental impact on New York communities caused by the failure of financial institutions to maintain the properties they hold,” **said Linda Jun, senior staff attorney at Mobilization for Justice.** “To advance the stability of New York neighborhoods and protect them from harm, there must be greater accountability for these financial institutions. Mobilization for Justice strongly supports the IDC’s recommendations to increase registration, penalties, inspections, and enforcement to ensure that financial institutions no longer allow their properties to fall into disrepair.”