

NO MORE HOME FOR THE HOLIDAYS:

The Need for the Funding of Foreclosure Prevention Services in New York State



Senator Jeff Klein
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Fighting to Keep New Yorkers in their Homes: The Need for the Funding of Foreclosure Prevention Services in New York State

I. NYC Foreclosure Filings in the Holiday Season

As the Holiday season approaches and New Yorkers are preparing for their Thanksgiving Dinner and their Black Friday shopping, there are families in New York City that are receiving notices of foreclosure. It may be because of a loss of income, it may be because of skyrocketing interest rates, it may be because of increased health insurance costs. Whatever the reason may be however, without the services of foreclosure counselors and legal service providers, these homeowners new to the foreclosure process and facing the uncertainty of losing their home will have nowhere to turn to begin the process of saving their home. Almost 1800 New York City families are entering this holiday season with the prospect of fighting to home. Who will they turn to if these men and women who fight for them each and every day are not there?

SNAP SHOT OF NYC FORECLOSURE FILINGS FOR THE HOLIDAYS (September through November 2011)¹

Borough	Foreclosure Filings	Average Property Taxes ²	Total Potential Property Tax Loss	Surrounding Property Value Losses ³
Bronx	257	\$2,191	\$563,087	\$1,927,500
Queens	454	\$2,609	\$1,184,486	\$3,405,000
Staten Island	204	\$2,655	\$541,620	\$1,530,000
Brooklyn	831	\$2,580	\$2,143,980	\$6,232,500
New York County	57	\$3,921	\$223,497	\$427,500
TOTAL	1803	Average \$2,791	\$4,656,670	\$13,522,500

¹ Foreclosure filing numbers were obtained from Realtytrac.com and the Queens County Clerk's Office. Numbers obtained for Queens are only for September and October. Realtytrac.com numbers have a 5% +/- margin of error due to improper filing and delayed recording.

² <http://www.tax-rates.org> November 17, 2011

³ Surrounding Property Value losses were calculated using \$7500 for each foreclosure, a figure estimated in "Soaring Spillover" Center for Responsible Lending, May 2009, and adjusted for 2011.

II. Recent Statistics on the Economic Impact of Foreclosure and Foreclosure Prevention in New York State⁴

This month the Empire Justice Center released important statistics which make the call for the inclusion of funding in the 2012-2013 budget even more dire. According to their recent analysis:

- For a \$50 million dollar investment (funding for the two grant periods), over 80,000 homeowners have been assisted and at least 14,000 homes have been saved from foreclosure.
- This means that over 3.4 billion in property value and tax base loss across the state has been avoided by the work of staff at the 120 non-profit housing counseling and legal services agencies.
- There are over 250,000 homes in New York State that are currently either in foreclosure or about to be foreclosed upon. This equates to the potential loss (if nothing is done due to the loss of housing counselors and non-profit legal providers) of \$61 billion in property values and reduction in the tax base.

We know that many programs and agencies faced similar circumstances in last year's budget as everyone worked with Governor Cuomo to balance the finances of New York and put our great state back on track. We also know that each of these programs and agencies did important work all of our communities. But we argue that the benefits of legal services and foreclosure counseling for struggling homeowners in New York is too great to ignore and the chance of not funding them for a second budget cycle in a row is too risky.

III. History of Funding Foreclosure Prevention Services

In 2008-2009 the New York State Legislature provided \$25 million to the New York State Housing Trust Fund Corporation for the administration of subprime foreclosure services program. Approximately 64 grant awards were made from this funding which allowed foreclosure prevention services in every county within the state. The contracts that were awarded were for a period of two years.⁵

As the foreclosure crisis increased and more homeowners need the services that legal service agencies and foreclosure prevention agencies provided, the New York legislature again appropriated in the 2009-2010 budget an additional \$21.8 million to the New York State Housing Trust Fund. These funds were allocated from the Fiscal Stabilization Fund

⁴ "New York Cannot Be Open For Business While Foreclosures Are Crippling The State's Economy" <http://www.empirejustice.org/assets/pdf/policy-advocacy/fc-prevention-materials--public/economic-impact-of-preventing.pdf>, November 15th, 2011

⁵ <http://nysdhcr.gov/Programs/ForeclosurePrevention/> November 16, 2011

provided to the State under the American Recovery and Investment Act. Approximately 54 grant awards were issued to continue the foreclosure prevention efforts.⁶

However, these funds provided additional funding under the original two year contract which is set to expire December 31st, 2011. In the 2010- 2011 budget, the State Legislature had a chance to refund the program and keep foreclosure and legal services fully funded through March 2013. However, despite many of the legislature's best efforts, the 2011-2012 Budget did not include any funding for foreclosure prevention services in New York State. This means that when previous funding for some 120 non- profit legal service providers and foreclosure counseling groups across the State is expended (which for some can mean December 31st of this year), those programs will have to close. For others it will mean seriously reducing staff in the face of a seemingly never ending crisis.

That is why it is imperative that in the 2012- 2013 budget cycle, \$25 million dollars be dedicated towards Prevention Foreclosure Services in New York: to save homes, to save needed money for New York's economy, to save jobs.

IV. Statewide Survey

In addition to the numbers recently released by the Empire Justice Center, during the summer of 2011, the statewide campaign to save foreclosure prevention services conducted a survey of the 120 foreclosure prevention and legal service providers in New York State that receive this critical funding to provide a snapshot of not only the homeowners who are helped by these critical services but also of the counselors and attorneys that are committed to assisting those who in the face of unscrupulous bank tactics are facing losing their home. Questions focused on the foreclosure-prevention staff members funded by DHCR, the outcomes that were achieved by some of these foreclosure prevention and legal service providers and the impact the loss of DHCR funds would have on the clients served by these providers as well as the staff employed by the over 120 non profit foreclosure prevention and legal service providers across the state. The survey was sent out twice and the questions conducted received an average response rate from between 46% to 52% in total. These responses however provide a glaringly real insight into the consequences defunding the foreclosure prevention services (both legal and counseling) will have on New York as a whole.

A. Services & Staff

Survey respondents were asked how many foreclosure-prevention staff members are funded by DHCR at their institution during the initial grant period of 2008-2009. They were also asked approximately, how many households have been served by that DHCR-funded staff per year. What the numbers showed was government efficiency at its best. On average there were 2.4 staff members at each organization. However, of the total respondents (57 for the 2008-2009 grant period), they served 23,854 households during the first grant period. That equates to 418.49 households per organization. What is the more amazing fact however is that each counselor or legal provider was responsible for more than 175 cases. These cases can take up to over a year

⁶ <http://nysdhcr.gov/Programs/ForeclosurePrevention/> November 16,2011

and involve numerous court appearances and settlement conferences as well as constant document review and submission. Yet each one represents a family who is fighting to stay in their home in the face of bank attorneys and mounting debt.

Providers were also asked about their services and staff during the second grant period of 2009-2011. However, since that grant period is not complete (ends December 31st, 2011); numbers were only accurate up until July of 2011. Yet we see the same trends as hundreds of homes, with the potential of thousands of New Yorkers, are being assisted on a yearly basis by foreclosure and legal service providers across the state.

Number of Organizations Responding	Percentage Responding	Grant Period	Staff	Households Served
57	47%	2008-2009	139.5 staff members	23,854
59	47%	2009-2011	183.0 staff members	16,278

B. Outcomes

In addition to staffing questions, survey recipients were asked about the outcomes they were able to achieve for their clients. Again, the focus of the questions was not on the numbers but on the varied services that these foreclosure provider and legal service attorneys provide. Each recipient of the survey was asked about permanent modifications, total number of homes saved (through all workout options) and total foreclosures avoided (whether or not the homes were saved) during the initial grant period of 2008-2009.

Outcome	Organizations Answering	Number of Households	Average Per Each Organization
Loan Modification	54	2,858	53
Homes Saved	46	4,902	106.57
Foreclosures Avoided	47	6,973	148.4

According to estimates released by the Empire Justice Center, the average economic impact statewide for each foreclosure is just shy of \$245,000. This number includes a direct cost of nearly 85,000 for each foreclosure (drop in the value of the foreclosed home itself) and an additional \$160,000 in indirect costs resulting from drops in area property values and reductions in local tax bases.⁷

Based on this economic analysis, by just looking at the snapshot provided by this survey, the work of between 47-54 foreclosure prevention and legal service organizations has saved New York State over 1.9 billion in property value and tax base loss across the state.

C. Impact of Lost DHCR Funds

The foreclosure prevention and legal service organizations create real, living wage jobs. Over 120 non-profit housing counseling and legal services agencies work efficiently and effectively throughout the state to offer these vital services, while at the same time employing New Yorkers. If these funds disappear, many organizations will have to lay off people.

That is why, in the final part of the statewide survey, respondents were asked what the impact of the loss of DHCR funds will mean in terms of number of foreclosure-prevention staff lost and the number of fewer households served. With 59 or 50% of the foreclosure prevention organizations responding, the loss of the DHCR funds will result in 158 foreclosure prevention jobs lost which equals 70% of their foreclosure prevention staff.

In addition, with 54 organizations answering, this reduction in staff will equate to approximately 14,401 fewer families being served reducing the number of clients served by each organization by an average of 76%.

	Organizations Answering	Decrease in Jobs/Service	Percentage Loss/Reduction
Job Loss	59	158.75	70 % loss
Decrease in Clients Served	54	14,401	76% reduction

V. The Foreclosure Ripple Effect

⁷ “New York Cannot Be Open For Business While Foreclosures Are Crippling The State’s Economy” <http://www.empirejustice.org/assets/pdf/policy-advocacy/fc-prevention-materials-public-economic-impact-of-preventing.pdf>, November 16, 2011

Unfortunately, the effects of foreclosure go further than just the individual homeowner. As pointed out earlier in this paper, the Empire Justice Center has calculated how each foreclosure in a community erodes the tax base and devalues surrounding homes. However, there are even further societal and systematic effects of foreclosures on communities that foreclosure prevention counselors and legal service providers serve to reduce:

Mitigating the Increase in Violence due to Foreclosures: A standard deviation increase in the foreclosure rate (about 2.8 foreclosures for every 100 owner-occupied properties in one year) corresponds to an increase in neighborhood violent crime of approximately 6.7 per cent.⁸

Reducing the Homeless Population: Approximately 10% of those going to social service providers due to homelessness, are there because of foreclosure⁹

Each of these “ripple effects” create their own ripples in the New York State economy as rising violence, homelessness, and displaced youths have their own costs associated with them. The easier solution would be to invest the \$25 million that is needed to keep these foreclosure prevention services alive, and minimize not only the effect foreclosures have on our economy, but on the families and communities that make up this great State. According to recent statistics, foreclosure counseling can do just that. According to the Empire Justice Center’s newly released fact sheet “New York Cannot Be Open For Business While Foreclosures are Crippling the State’s Economy”, 45-50% of borrowers are more likely to get out of delinquency if they receive counseling and legal services.¹⁰

VI. Conclusion

Each and every New Yorker knows someone and probably has someone in their community facing foreclosure. Maybe some have just fallen behind a few payments; maybe some are struggling to work with their lenders to modify their loans. Others have tenants in their communities who are facing eviction because the apartment they are renting is in a property going through foreclosure. Whatever the situation may be, the legal service providers and counselors are working with each of these homeowners, fighting with them every step of the way to help them as they face the most difficult time in their life—losing their home.

⁸ Dan Immergluck and Geoff Smith, “The Impact of Single-Family Mortgage Foreclosures on Neighborhood Crime,” *Housing Studies*, 21(6), 2006

⁹ “Foreclosure to Homelessness 2009: the forgotten victims of the subprime crisis” A joint report from the National Coalition for the Homeless, the National Healthcare for the Homeless Council, the National Alliance to End Homelessness, et al. “

¹⁰ <http://www.empirejustice.org/assets/pdf/policy-advocacy/fc-prevention-materials--public/economic-impact-of-preventing.pdf>, November 16, 2011