



**Testimony before the New York State Legislature and Brooklyn Borough President:
Joint Hearing on the Crisis Facing Brooklyn Homeowners**

March 15, 2019

Good afternoon. My name is Ivy Perez and I am the Senior Policy and Research Associate at the Center for NYC Neighborhoods. I'd like to thank State Senator Montgomery, Assembly Member Wright, Borough President Adams, and the other co-sponsors for holding today's very important hearing on the crisis facing Brooklyn homeowners.

About the Center for NYC Neighborhoods

The Center promotes and protects affordable homeownership in New York so that middle- and working-class communities are able to live in strong, thriving communities. Established by public and private partners, the Center meets the diverse needs of homeowners throughout New York state by offering free, high-quality housing services. Since our founding in 2008, our network has assisted over 74,000 homeowners. We have provided more than \$33 million in direct grants to community-based partners, and we have been able to leverage this funding to oversee another \$30 million in indirect funding support. Major funding sources for this work include the New York City Council, the New York City Department of Housing Preservation and Development, and the Office of the State Attorney General, along with other public and private funders.

About The Center's Brooklyn Network Partners

Before discussing the budget, I'd like to acknowledge the hard work our Brooklyn-based Network Partners have done for homeowners in the borough. Homeowners depend on the services provided by Bridge Street Development Corporation, Brooklyn Bar Volunteer Lawyer Project, Brooklyn Legal Services, Brooklyn Legal Services Corp A, Brooklyn Neighborhood Services, Cypress Hills Local Development Corporation, Grow Brooklyn, IMPACCT Brooklyn, Neighborhood Housing Services of Brooklyn, Neighborhood Housing Services of New York City, the Legal Aid Society, CAMBA, Mobilization for Justice, City Bar Justice Center, Mutual Housing Association of New York, and Neighbors Helping Neighbors. Thanks to the hard work of these organizations, thousands of Brooklyn families have been able to avoid foreclosure and to save their homes.

Affordable Homeownership in Brooklyn Today

Affordable homeownership is a crucial component of New York City's vibrant and diverse neighborhoods. In the Brooklyn neighborhoods where we work, affordable homeownership means families can build equity while also benefiting from stable housing costs in a city of rapidly increasing rents. When homeowners are able to afford their mortgage payments, keep up with their bills and make

needed repairs, they are able to live, grow and thrive in the city where they have invested their lives, sent their children to schools and pursued their livelihoods. They are able to continue to contribute to their communities, participate in local institutions, build wealth, and provide stable homes for their children. The majority are also able to rent out apartments in their homes to tenants, many of whom pay below-market rents. For these reasons, we believe that supporting working- and middle-class homeowners and their communities while investing in new homeownership opportunities for working families must be a top priority for the future of New York City.

Brooklyn has long been a borough where working-class families can buy and own a home: today, 29 percent of Brooklyn households are homeowners, and of them, just over half (53 percent) earn a low- to moderate income. Fifteen percent are middle-income, while 28 percent are high-income. However, this trend is changing in a concerning direction: the number of high-income Brooklyn homeowners increased from 23 percent to 28 percent over the past decade, while the proportion of low-, moderate-, and middle-income homeowners decreased.¹

Threats Facing Affordable Homeownership in Brooklyn

Like working- and middle-class homeowners throughout the US, Brooklyn homeowners face many challenges to sustainable homeownership, including loss of income, predatory mortgages, medical bills, unmet home repair needs, loan modification scammers, and the rising home prices and tax rates in desirable areas. For senior homeowners, the challenges in maintaining a home in New York City on a fixed income are threatened even further by reverse mortgage foreclosures and scams targeting this demographic.

Foreclosures Remain A Threat

In the mid-2000s, a wave of subprime lending targeted neighborhoods across the country, including in Brooklyn. With little regulatory oversight, lenders pushed unaffordable, poorly underwritten products to meet the growing demand for mortgage-backed securities. Black and Hispanic neighborhoods were especially targeted for these loans: In New York City, black families earning more than \$68,000 a year were nearly five times as likely to hold subprime mortgages than whites of similar or even lower incomes in 2009.² Many borrowers who received subprime loans were existing homeowners seeking to refinance their mortgage.

Brooklyn was heavily hit by the by the foreclosure crisis, which, unfortunately, continues to be with us today: In 2017, nearly 12,000 Brooklyn families received pre-foreclosure notices, meaning that they were seriously delinquent on their mortgage and at risk of entering the foreclosure process.³ Brooklyn is also home to two New York City neighborhoods with the highest number of pre-foreclosure filings: Canarsie, and Flatlands/Marine Park. Brooklyn is second only to Queens for foreclosure auctions, which have dramatically increased in recent years: the 882 auctions in 2018 is more than double the 349

¹ Center analysis of NYC Housing Vacancy Survey 2008-2018.

² Bank Accused of Pushing Mortgage Deals on Blacks, New York Times, June 6, 2009, available at: <https://www.nytimes.com/2009/06/07/us/07baltimore.html>

³ New Economy Project, Foreclosure Risk in New York State: January 2019. Available at: https://www.neweconominyc.org/wp-content/uploads/2019/01/Final_2018.pdf

auctions in 2015.⁴ The Brooklyn families who own those homes are mostly black and Latino: over 60 percent of the homeowners at risk of foreclosure we see at the Center are black, and over 20 percent are Latino. Many live in communities like Canarsie that were redlined just a couple of generations ago.

Reverse Mortgage Foreclosures on the Rise

Reverse mortgages are heavily promoted to senior borrowers as a risk-free opportunity to tap into their home equity while continuing to live in their home. Unfortunately, reverse mortgage foreclosures have dramatically increased in recent years, threatening borrowers' housing stability over what usually amounts to a small amount of unpaid property taxes.⁵ As more NYC homeowners become seniors, we can expect increased numbers of reverse mortgage borrowers. In addition to helping avoid reverse mortgage foreclosures, greater resources are needed to educate borrowers about the risks and responsibilities of this product before taking them on.

Deed Theft Scams Target Vulnerable Homeowners

Deed theft scams are a form of foreclosure rescue scam that involve the fraudulent transfer of ownership of a home to a third party. Sometimes homeowners are tricked into signing over their deed, believing they are signing some other type of legal document. For example, defendants in the 2015 Launch Development LLC case misled homeowners into signing blank documents that they were told were mortgage modifications, when in fact, the documents were used to transfer the title to their homes.⁶ In other cases, the homeowner may be aware that they are signing over title to their home, but are promised the transfer will be temporary as they seek a refinancing, modification, or second mortgage. Deed theft scammers target homeowners at risk of foreclosure or homeowners who are otherwise vulnerable, including seniors. Since 2014, the Office of the Sheriff has handled more than 2,000 complaints of deed theft; these complaints are concentrated in Brooklyn and Queens.⁷

Many Homeowners Struggle to Keep Up with Property Taxes

Many NYC homeowners struggle to afford property tax, water, and other municipal charges. We recently surveyed homeowners in East New York, Brooklyn, a community home to thousands of working- and middle-class homeowners, most of whom are people of color. Only 18% of homeowners surveyed reported that they had income left over each month after paying all their bills, while 58% said they break even, and 24% reported that they have to borrow or use credit cards to cover their regular expenses.⁸

⁴ Furman Center Core Data Website, available at: coredata.nyc.

⁵ Center for NYC Neighborhoods, Protecting Senior Homeowners from Reverse Mortgage Foreclosure, August 2017. Available at: <https://cnycn.org/wp-content/uploads/2017/08/Reverse-Mortgage-Policy-Brief-1.pdf>

⁶ Press release: Three Men Charged in Manhattan Federal Court in Multi-Million-Dollar Scheme to Deceive Homeowners into Selling Their Homes. May 21, 2015. <https://www.fbi.gov/newyork/press-releases/2015/three-men-charged-in-manhattan-federal-court-in-multi-million-dollar-scheme-to-deceive-homeowners-into-selling-their-homes>

⁷ Report of the Grand Jury of the Supreme Court State of New York, December 13, 2018. Available at: <https://www.manhattanda.org/da-vance-releases-grand-jury-report-documenting-epidemic-of-real-estate-theft-targeting-vulnerable-new-yorkers/>

⁸ Center for NYC Neighborhoods, East New York: Preserving Affordability in the Face of Uncertainty, Oct. 2017. Available at: <https://cnycn.org/eastnewyork/>

Unaffordable tax burdens put more LMI homeowners at risk of having their liens sold through the City's annual tax lien sale. A 2016 analysis of the tax lien sale by the Coalition for Affordable Homes found that the tax lien sale disproportionately impacts communities of color. We found that the City is six times more likely to sell a lien in a majority African American neighborhood than in a majority white neighborhood, and twice as likely to sell a lien in a majority Hispanic neighborhood than in a majority white neighborhood.⁹ We also found that, once liens are sold, interest rates and fees often double in a relatively short period of time.

Solutions

Rather than continuing along a path of continued inequality, racial disparities, displacement and rising prices, we can and must rise to the challenge of ensuring a place for working- and middle-class homeowners in Brooklyn. We respectfully recommended the following solutions:

Fund Homeowner Services in the FY 2020 State Budget

For the last six years, Brooklyn homeowners have been able to connect to free help with their mortgage through the Center and our network of high-quality housing counseling and foreclosure prevention legal services. However, the biggest source of funding for foreclosure prevention services in New York state will end in March 2019 unless funding is included in the Fiscal Year 2020 State budget. To fight these cuts, the Center has joined the Communities First campaign, which is working to ensure assistance is available to low- and moderate-income homeowners in every county of New York state.¹⁰ Services are currently provided by 89 non-profit housing counseling and legal services programs in every county of New York state, and we seek to preserve the \$20 million in annual funding for homeowner services statewide. The Communities First campaign surveyed providers statewide and found that if funding is not renewed, two-thirds of the state's foreclosure prevention program capacity would disappear overnight, with greater reductions in staff anticipated over the following year. Twenty-eight programs would be forced to close entirely, while another 26 would be limited to one or fewer full-time equivalent staff.

The Center for NYC Neighborhoods is deeply grateful for the leadership of the New York Senate and Assembly for including Communities First in their one-house budget bills. This funding is crucial to ensure that Brooklyn homeowners have access to the services they need to stay in their homes, and we urge you to continue to fight for this funding in the final State budget.

Fund Homeowner Services in the FY 2020 City Budget

The upcoming City budget offers another opportunity to fund homeowner services. This year the Center requests \$3,000,000 in City Council funding to support a streamlined approach to financial and physical resiliency for homeowners across New York City through a single point of entry. Specifically, City Council funding would support our comprehensive suite of homeownership services, including foreclosure prevention services, homeownership counseling, property tax counseling, and reverse mortgage

⁹ Coalition for Affordable Homes, *Compounding Debt: Race, Affordability, and NYC's Tax Lien Sale*, Nov. 2016. Available at: <https://cnycn.org/report-compounding-debt-tax-lien/>

¹⁰ See <http://www.nycommunitiesfirst.org> to learn more about the agenda and supporters.

counseling, homeowner sustainability and resiliency services in flood-prone Brooklyn neighborhoods, and research and homeowner education at community-based organizations throughout Brooklyn, as well as through the Homeowner Hub, our frontline service for homeowners seeking specialist advice and referrals for more comprehensive services.¹¹

An additional \$2 million in City funding would provide a vital outreach and counseling support for the City's upcoming HomeFix repair program, a much-needed resource that will assist low- and moderate-income New York City homeowners in making essential home repairs.

Pass the Deed Theft Bill (A05615/S01688)

New varieties of deed theft scams continue to evolve, and loan modification scammers have become more creative and have sought to insulate themselves from the statutory protections for consumers by aligning themselves with law offices to take advantage of a loophole in the Distressed Property Consultant Law for attorneys. Homeowners victimized by the current crop of deed theft scammers, moreover, have been stymied in their efforts to vindicate their rights in civil court by onerous injunction bond requirements. A05615/S01688 would correct many of these problems and will strengthen both of these statutes.

Pass the Flip Tax Bill

Homeownership is growing increasingly out of reach for most New York City families. Property flipping, where an investor purchases a home and resells it for a quick profit, drives prices up for would-be homeowners and provokes harassment of homeowners in "hot" neighborhoods. An anti-speculation tax would disincentivize flipping and promote affordable homeownership by increasing the existing Real Property Transfer Tax (RPTT) for sales that occur in rapid succession due to flipping activity. The tax would only apply to one to five unit homes flipped within the five boroughs of New York City and will include exemptions for owner-occupants experiencing hardships.

Change City tax and water debt policies

Tax collection policies for homeowners should be reconciled with the need to preserve affordable homeownership and stabilize low-income homeowners in changing neighborhoods. However, current policy does not adequately take a homeowner's income into account when determining eligibility for the tax lien sale. Owner-occupants, particularly low-income homeowners, should not be subject to the tax lien sale which too often forces vulnerable owners to pay steep interest and fees or lose their homes.

The City has recently made a solid stride towards addressing the needs of distressed homeowners by creating a new payment plan program for outstanding property tax charges. The Property Tax and Interest Deferral (PT AID) Program offers certain property-tax-delinquent homeowners the opportunity to roll their arrears into a payment plan. We would like to see the City build on this step by extending payment plan options to more New Yorkers and further shifting the lien sale away from penalizing low-income homeowners.

¹¹ The Hub can be reached via 311, a Homeowner Help Website, and mobile Homeowner Help Desk, which together serve New Yorkers in every Brooklyn neighborhood.

We look forward to working with you to continue to promote affordable homeownership in Brooklyn.
Thank you for the opportunity to testify today.