



**Testimony Before the New York State Senate Finance Committee  
and New York State Assembly Committee on Ways and Means:  
Regarding the New York State Executive Budget for Housing, Fiscal Year 2017-2016**

**February 17, 2017**

Good morning. My name is Christie Peale, Executive Director at the Center for NYC Neighborhoods. I would like to thank Committee Chairs Young, Farrell, Little and Cymbrowitz for holding today's hearing on the housing-related proposals in the Governor's Executive Budget. I will primarily be speaking to the need for foreclosure prevention services funding but I also stand with our coalition partners in calling for the release of funds promised in the five year, two billion dollar housing plan.

**About the Center for NYC Neighborhoods**

The Center promotes and protects affordable homeownership in New York so that middle- and working-class families are able to build 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 40,000 homeowners. We have provided approximately \$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 includes the New York City Department of Housing Preservation and Development, the New York City Council, NYS Homes and Community Renewal, the Office of the NYS Attorney General, along with other public and private funders.

**Funding for Foreclosure Prevention in the 2017-2018 State Budget**

Before discussing this year's budget, I'd like to acknowledge the incredible gains for New York homeowners realized in last year's legislative session. The "zombie" property reforms, the establishment of the Community Restoration Fund, improvements to the state settlement conference law, and the creation of the Homeowner Bill of Rights are a strong testament of the commitment of New York's leadership to homeowners and their communities. We commend the Governor, Senate, and the Assembly for your leadership and dedication to this issue.

We are also greatly appreciative of the Governor's reverse mortgage proposal, which would extend the protections of settlement conferences for senior homeowners in reverse mortgage foreclosure. This is a smart move that will ensure that vulnerable homeowners have the opportunity to learn about their rights and options, as well as get connected to legal assistance and other services.

However, despite these positive gains, we are disappointed to see that the 2017-2018 Executive Budget does not include funding for foreclosure prevention services. While foreclosure prevention services were once funded through the State Budget and administered by the Department of Homes and Community Renewal, since 2011 the program has been funded and separately administered through the use of one-time settlements with financial institutions, and all funding will permanently expire in September 2017.

This funding is crucial to ensuring that New Yorkers fighting to keep their homes do not get cut off from their attorneys and housing counselors, and that robust services continue to meet the emerging needs of homeowners, such as the recent spike in reverse mortgage foreclosures. Therefore, we are a proud member of the Protect NY Homes campaign, which seeks \$30 million for HCR in foreclosure prevention funding over the next two years. Because current funding does not expire until September 2017, \$10 million is needed to maintain services for the 2017-2018 fiscal year, with \$20 million needed for 2018-2019 and going forward.

### **New Yorkers Continue to Struggle to Recover from the Foreclosure Crisis**

The potential funding cliff comes at a time when tens of thousands of New York homeowners and their communities continue to struggle with the devastation caused by the dramatic increase in foreclosures since the 2008 financial crisis. Unfortunately, foreclosures are still at crisis levels. According to the Office of Court Administration, there are currently 72,000 pending foreclosure cases in New York State courts, with nearly 34,000 new filings in 2016.<sup>1</sup>

Additionally, new challenges have arisen. First, reverse mortgage defaults and foreclosures have sharply increased in the last year. New York State HECM Due and Payable Notice filings, which are filed either upon the death of the borrower or if the borrower is otherwise in default, were 50 percent higher in the first half of Fiscal Year 2016 than the total number of filings for the entire Fiscal Year 2015, and in New York City, foreclosure prevention service providers have reported that their reverse mortgage foreclosure caseloads have doubled and tripled over the past year.<sup>2</sup> Second, the federal government's Home Affordable Modification Program, or HAMP, ended in 2016, which means there is no longer a centralized program offering certainty or consistency to homeowners at risk of foreclosure in terms of the relief they can expect.

Given the large continued need for foreclosure prevention services, allowing the \$20 million in annual foreclosure prevention funding to expire would be a serious mistake and leave tens of thousands of New York families and seniors in need without assistance.

### **Foreclosure Prevention Services Work for New Yorkers**

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<sup>1</sup> State of New York Unified Court System, 2016 Report of the Court Administrator of the Courts, 2016.

<sup>2</sup> Data obtained by the Center for NYC Neighborhoods from HUD and service providers.

Today, New York's network of foreclosure prevention service providers are there for homeowners in every New York county, and have developed a strong expertise and track record when it comes to helping homeowners avert foreclosure. In 2016, our network of foreclosure prevention service providers served 26,000 families, at an average cost of \$770 per home. Eight thousand of these families live in New York City, while 18,000 live elsewhere in New York State. Our statewide call center took nearly 9,000 calls from homeowners throughout New York seeking help with their mortgages, and we helped homeowners obtain more than 10,000 home-saving loan modifications, which will keep New York families in their homes with affordable payments.<sup>3</sup>

Preventing foreclosures has a major impact on the stability of families as well as any tenants who might rent units in their homes. In addition to the well-documented benefits of housing stability for children, obtaining an affordable modification puts millions of dollars back into the wallets of New Yorkers. For example, in New York City, an average loan modification saves a homeowner \$600 per month on their mortgage payment. For the 2,600 New York City homeowners who obtained modifications in 2016, that represents savings of \$1,560,000 per month, or \$18.7 million per year, just in New York City.<sup>4</sup> That savings makes a huge difference for the working- and middle-class families we serve.

The benefits of foreclosure prevention extend beyond the homeowner, supporting neighboring property values and ensuring the continued payment of property taxes and other utilities, as well as preventing vacant and abandoned homes. In New York State, for every foreclosure averted, approximately \$260,000 in equity is also saved for all homes within 750 feet — that's the aggregate property value that would have vanished had the homeowner gone into foreclosure. This figure varies statewide depending on property values and home density: for New York City, the ripple effect is \$740,000, on Long Island, it's \$280,000, while in the Capital Region, it's \$34,000.<sup>5</sup>

Finally the loss of funding would result in a loss of jobs and resources at nonprofits throughout New York State. Today's \$20 million in annual funding under the current foreclosure prevention program supports 94 nonprofits (63 housing counseling agencies and 31 legal services providers), and supports 545 jobs statewide.

### **Funding Foreclosure Prevention Services in the State Budget is Essential**

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<sup>3</sup> Data analysis from Empire Justice Center and Center for NYC Neighborhoods, Jan. 2017.

<sup>4</sup> Data analysis from the Center for NYC Neighborhoods, June 2016.

<sup>5</sup> Center for NYC Neighborhoods Foreclosure Prevention Ripple Effect analysis, 2016. Since 2000, several studies have attempted to quantify how foreclosure impacts surrounding property values. While results differ, there is consensus that foreclosures cause home values to diminish within several hundred to a few thousand feet. A basic synthesis of studies suggests that home values within 750 feet of a foreclosure can expect a roughly 1% decrease in market value. To approximate the number of homes within a 750 foot-radius circle, ACS 5-year estimates were used for each ZIP code in NY State. The Zillow Home Value Index estimates at the ZIP code level from December 2015 were used to calculate home values. To calculate the ripple effect of an averted foreclosure, the following formula was used: (Number of homes within 750 foot radius of an averted foreclosure) x (Avg. market value of homes in that ZIP code) x 1%.

At the Center for NYC Neighborhoods, we are greatly appreciative of the great progress made towards tackling the foreclosure crisis in New York State. However, without a network of foreclosure prevention housing counseling and legal services, it will be very difficult for homeowners and their communities to take advantage of these resources. For these reasons, we urge the Senate, Assembly, and Governor Cuomo to reach a state budget agreement that includes \$30 million to HCR for foreclosure prevention services, with \$10 million for the 2017-2018 fiscal year, and \$20 million for the 2018-2019 fiscal year, and going forward.

Thank you very much for this opportunity to testify.