

**JOINT LEGISLATIVE BUDGET HEARING
ON
HOUSING**

February 17, 2017

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AND

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Thank you for the opportunity to speak with you today. My name is Hilary Lamishaw and I am the Director of the NeighborWorks Alliance of New York State. This statewide network includes community-based housing organizations that are affiliates of NeighborWorks America in order to revitalize communities through local public private, and resident partnerships. The nineteen organizations in NYS provide services from Long Island to the North Country to Niagara Falls, in urban, rural and suburban communities.

NeighborWorks organizations have an array of programs and services to meet the local housing and community needs including real estate development, lending for home repairs or downpayments, providing affordable rental housing, and more. A core business line is the promotion of sustainable home ownership, particularly for low- and moderate- income first-time homebuyers. Our “cradle to grave” services include housing counseling (one-on-one analysis and advisement of a potential homebuyer’s financial situation and goals), homebuyer education (an 8 hour curriculum offered in a group setting), home maintenance training, landlord training, financial management and home repair grants or loans. Customers are better-informed and mortgage-ready as a result.

In Federal Fiscal Year 2015, the nineteen NeighborWorks groups in New York State:

- counseled/educated 9,769 customers
- owned and/or managed 7,708 rental homes
- created 1,521 new homeowners
- provided repairs to 4,151 homes
- generated \$52.4M in taxes (estimated using IMPLAN economic modeling software)

The mortgage crisis of 2008 and the subsequent economic downturn created a new need – that of default and foreclosure prevention services to homeowners and their tenants. Despite our expectations for an end to the foreclosures that rose so rapidly almost ten years ago, the numbers continue at a high rate: in 2016, 72,000 mortgages were in foreclosure and another

34,000 were filed in the courts. Most are due to economic issues including job loss or reduction in hours; medical expenses; and loss of household income due to divorce or death of a spouse.

The NYS Legislature has been a leader in legislating consumer protections and funding services to ensure those protections. NYS Homes and Community Renewal created and administered a new program in 2008 to fund not-for-profit housing counselors and legal services providers across the state. These providers collaborated to help homeowners modify mortgages to stay in their homes, or when that was impossible, to find “soft landings” for owners who moved and strategies to ensure that their homes weren’t abandoned or left vacant.

In 2012, network support shifted to a new program at the NYS Office of the Attorney General through the use of mortgage settlement funds. The Home Owner Protection Program (HOPP) is in its fifth – and final – year. It has been funded at \$20M annually for five years, supporting 94 agencies that employ 545 FTEs (63 housing counseling agencies and 31 legal services). It will end September 30, 2017 because there are no further settlement funds available.

This network has been invaluable in assisting homeowners. Housing counselors and legal services providers collaborate to: provide homeowners the support they need to understand what’s going on; help them choose an available option that best meets their needs; deal with servicers; ensure that documents are in order and sent (often repeatedly) to servicers; and assist homeowners in settlement conferences. Where homeowners are often unable to advocate for themselves, these providers have the knowledge, expertise, and determination to negotiate mortgage modifications or other agreements that are in the best interest of the homeowner.

The Office of Court Administration reports that from October 2015 to October 3016, 81,138 mortgage settlement conferences were held statewide. Sixty-two percent of homeowners had representation in court and more than 27% were able to secure mortgage modifications at affordable levels. This is an increase from the 23% of homeowners who obtained modifications

as reported in the 2015 Annual Report. (2016 Report of the Chief Administrator of the Courts, State of New York Unified Court System).

The organization at which I am based, Troy Rehabilitation and Improvement Program, which serves all of Rensselaer County, has a caseload of 140 cases, several of which have been pending for 3 years. The HOPP program funds two staff people – one housing counselor and one intake specialist. Last year, they were able to secure 49 mortgage modifications for homeowners.

Neighborhood Housing Services of NYC, working in ten locations throughout New York City, last year provided one-on-one foreclosure prevention counseling services to 1,191 families and achieved 265 foreclosure saves. They assisted 150 distressed homeowners secure permanent mortgage modifications, reducing their annual housing cost by an average of \$7,354. Testimony from the CEO of NHSNYC, who had hoped to testify today but was unable to, is attached.

There is no other discreet funding for this network of service providers. And yet, the network is critical to ensuring consumer protections and implementing some programs, such as:

- Mandatory court settlement conferences, where housing counselors or legal services providers can assist homeowners negotiate directly with lenders' attorneys; several local courts hold group settlement conferences with housing counselors and legal providers available for immediate referrals by the judge;
- the Community Restoration Fund whereby SONYMA will purchase distressed notes and partner with housing counselors to assist homeowners in these properties avoid foreclosure;
- the Mortgage Assistance Program (MAP), where \$80 million is available to assist homeowners cure tax arrears or get mortgage modifications; the network screens and assists homeowners with the application process;

- NYS Abandoned Properties Program under which municipalities received funding to address vacant properties and partner with housing counselors and legal services to assist at-risk homeowners;

While foreclosures clearly impact homeowners and their families, they also affect communities and municipalities when homes are left abandoned and/or vacant. The cost to communities can be huge: decreased property values of surrounding homes; reduced tax revenues; increased costs of municipal services such as code enforcement, fire, police, and the courts; all of which is exacerbated due to the spillover effect as neighbors choose to leave a declining neighborhood.

Such abandonment can undo decades of local efforts – and state investments -- in community renewal activities. Foreclosures are not limited to poor neighborhoods or dense neighborhoods, but can occur anywhere. When it is experienced in neighborhoods particularly with low market values, it will take a coordinated and costly approach to overcome the market forces.

A small investment in supporting the statewide network of foreclosure prevention services – with successes in keeping homeowners in place and/or securing subsequent homebuyers when one leaves - is a cost-effective approach to maintaining stable communities.

Therefore, we urge the Legislature to fund a foreclosure prevention program at \$10 million through March 30, 2018.

Additionally, we endorse the recommendations by the NYS Rural Advocates and the Neighborhood Preservation Coalition of NYS for \$4.729 million to the Rural Preservation Program and \$8.979 million to the Neighborhood Preservation Program. This funding will provide core support to not-for-profits that help meet the local housing and community needs in a variety of ways. Most important, these groups take on the difficult projects that would not

otherwise be done by the private market, but helps to stabilize communities and spur private investment. The recommended funding levels provides funding to the NPC and RHC statewide coalitions to provide technical assistance to their respective networks members.

There is great demand for capital to support community revitalization efforts. We look forward to the funding that will be made available under the five-year housing plan. Furthermore, we welcome an opportunity to engage with the State Legislature and the executive to ensure that the plan is implemented over time to most effectively meets the needs of our diverse communities across the state.

Attached is a statement from Susan Ifill, CEO of Neighborhood Housing Services of NYC.

Thank you for the opportunity to speak with you today.

Testimony of
NeighborWorks Alliance® of New York State and
Neighborhood Housing Services of New York City (NHSNYC)
To the NYS Joint Assembly and Senate Budget Committees on Housing
February 9, 2017

Thank you for the opportunity to speak about the Governor's proposed Housing budget. My name is Susan Ifill and I am the CEO of Neighborhood Housing Services of NYC (NHSNYC).

Neighborhood Housing Services of New York City is a 35 year old not-for-profit, HUD-certified housing counseling agency. In 2016, NHSNYC and our neighborhood offices employed 60 staff members working in ten locations throughout New York City including: East Flatbush, Canarsie, Sheepshead Bay, Brighton Beach, Bedford-Stuyvesant, Northern Queens, Harlem, the North Bronx and the South Bronx as well as mid-town Manhattan and District Council 37, the largest municipal employees union in New York City.

NHSNYC serves all New York City residents but focuses our work with low-and-moderate-income families who live in predominantly African-American and Hispanic communities. Our work helps families continue living in New York City, despite rapidly-rising prices—by assisting more clients in purchasing their first home, complete an essential repair project, or avert foreclosure. Last year, more than 6,270 families attended our workshops and events, while nearly 1,700 clients received individual counseling services from NHSNYC about sustainably acquiring or preserving homeownership.

Our services have been supported in part by State programs such as the Neighborhood Preservation Program (NPP), the Affordable Housing Corporation

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(AHC), and the New York State Office of the Attorney General's Home Ownership Protection Program (HOPP). We appreciate the Legislature's recognition that these are vital public investments in our communities. In the wake of the housing crisis, HOPP has been a critical program for many homeowners who are still in financial distress: facing foreclosure, burdened by negative equity and struggling to recover from the market crash. As many of you know, funding for the HOPP program ends on September 30, 2017.

In New York State, the HOPP program along with bank settlement dollars supported a state-wide Foreclosure Prevention Network. This funding made it possible for HUD-approved nonprofit housing counseling agencies (like NHSNYC) to offer free, convenient and confidential assistance to homeowners across the State. Well-trained, certified housing counselors help people avoid foreclosure – through a refinance, modification or alternative – and assist those with existing modifications to manage the interest rate increases that are looming in the years to come.

In 2016, NHSNYC received a total of \$599,000 from the HOPP program in support of foreclosure prevention services. This enabled NHSNYC to provide one-on-one foreclosure prevention counseling services to 1,191 families and achieve 265 foreclosure saves. Specifically, we helped 150 distressed homeowners reduce their annual housing cost by an average of \$7,354, after they secured a permanent mortgage modification with our assistance. NHSNYC also helped six families

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refinance their mortgage at a lower-interest rate, which resulted in an average reduction in annual housing cost of \$6,741.89 for these families.

And yet, foreclosures filings remain critically high throughout New York State: with nearly 34,000 new filings in 2016 and 72,000 pending foreclosure cases in our courts, foreclosures comprise 26% of the Supreme Courts' civil caseload, according to the Empire Justice Network. In New York City alone there were 7,310 foreclosure filings in 2016.

Moreover, these services and the highly trained and well-networked professionals who provide them are needed now more than ever as New York State seeks to implement new laws and navigate a changing foreclosure landscape, particularly with the end of the Federal Making Home Affordable Program. The effectiveness of housing counselors in navigating this difficult landscape is highlighted by the Urban Institute's evaluation of the National Foreclosure Mitigation Program which found that borrowers who received counseling were twice as likely to obtain a loan modification and 67% percent as likely to remain current on the mortgage nine months later, compared to counterparts you received modification without the assistance of a counselor.

We also recognize that more homeowners are now vulnerable to foreclosure since the federal Home Affordable Modification Program expired in December 2016. As a result, there is no standard process for banks and servicing companies to approve hardship requests for a mortgage modification. In addition, the Federal Housing

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Administration and the Federal Housing Finance Agency have sold thousands of mortgages that are in default by distressed homeowners, with minimal protection against foreclosure.

In 2016, NHSNYC helped a couple secure a mortgage modification for their home in Manhattan after an initial request for assistance was rejected during 2015. NHSNYC staff encouraged the couple to re-apply for a mortgage modification and attend our Community Resource Fair in the South Bronx—where they met with a representative from their bank, who helped facilitate communication with its asset management division. The couple ultimately received a trial mortgage modification that reduced the interest rate on their mortgage from 6.7% to 3%.

The end of HOPP funding comes at a time when we continue to see more customers with greater housing needs and will surely result in the reduction or elimination of services, programs and staff. We urge the Legislature to work with Governor Cuomo to revive New York State's Foreclosure Prevention Program, formerly administered by the Department of Housing and Community Renewal, with an allocation of \$10 million this year. Without this allocation, vital services for homeowners and communities will be lost. Renewed funding will ensure the survival of an effective and highly trained network of housing counselors and legal services providers that help families stay in their homes, avoid foreclosure, and implement the comprehensive foreclosure reforms the Governor led last year.

Thank you.



Protect New York Homes:
Foreclosure Prevention Services Work

Network Numbers and Economic Impact of Foreclosure on New York State

"These cases are of critical importance to the parties involved and have an undeniable economic impact on the State of New York and the vibrancy of our diverse communities." (NYS Unified Court System, 2016 Report of the Chief Administrator of the Courts Pursuant to Chapter 507 of the Laws of 2009 at 3.)

Network Numbers (as of 11/16):

- \$20 million a year to cover direct services, technical support and training
- 94 non-profit services providers statewide (63 housing counseling and 31 legal services)
- 545 employees supported under this funding
- 71,599 homeowners served since 2012
- 27,022 homeowners served in 2016
- 26,351 modifications obtained and pending
- \$4,920 average annual savings to families as result of loan modifications (\$410 per mo.)
- 31,793 calls to Statewide Homeowner Hotline

NYS Foreclosure Filing and Delinquency Numbers:

- 33,641 foreclosure filings (10/15 – 10/16, from OCA report to legislature)
- 71,723 pending foreclosure actions in state court (10/16, from OCA report to legislature)
- 26% of New York's Supreme Court civil docket is foreclosure cases
- 200,788 statewide 90-day notice delinquency filings with DFS (2016)

Economic Impact of Foreclosures and Prevention:

On state –

- \$186,695 median total cost savings for each home saved from foreclosure in NYS; \$41,134 direct cost savings for each home saved from foreclosure in NYS¹
- \$1.084 billion savings to NYS has been achieved based on average direct cost savings (\$41,134) multiplied by the 26,351 modifications obtained to date.

On local governments -

- \$27,000 is common estimate for cost of housing vacancy issues to local government²; \$65,000 was estimated average cost to City of Schenectady for foreclosed, vacant home
 - Property tax, sales tax, and utility revenue declines impact revenue for schools & services
 - Costs to keep properties and sidewalks maintained
 - Costs to local fire, police and housing departments
- Crime resulting from vacant properties ("One study of Pittsburgh showed that . . . if a property becomes *vacant* after foreclosure, the rate of violent crime within 250 feet of the property is 15 percent higher than the rate in the area between 250 and 353 feet from the property. Another study in Philadelphia found an association between vacant properties and risk of assault—

¹Empire Justice Center analysis, includes indirect costs (2011).

²Immergluck, Dan & Smith, Geoff, *The External Costs of Foreclosures: The Impact of Single-Family Mortgage Foreclosures on Property Values*, (March 31, 2010); Rogers, William H. & Winter, William, *The Impact of Foreclosures on Neighboring Housing Sales*, (November 9, 2009).

vacancy was the strongest predictor of violent assaults after controlling for other demographic and socioeconomic variables.”³)

- Loss of available housing units
- Complexion of neighborhoods

On neighboring properties -

- 1% drop in value of nearby homes; each foreclosure leads to a total home value losses of about \$70,000 in a neighborhood.⁴
- \$260,000 approximate aggregate property value preserved for homes within 750 of a foreclosed property statewide when a home is saved. (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.)⁵
- Blighted neighborhoods, nuisance properties, and unsafe health conditions for neighbors.

On courts –

- The lack of representation in foreclosure cases negatively impacts courts:
 - 89% increase in court staff time assisting pro se homeowners
 - 88% slowed procedures
 - 87% evidence is not properly presented.
 - 61% negatively impacts court's ability to ensure equal justice to unrepresented⁶

On homeowners –

- Economic –
 - Prevents the proliferation of foreclosure rescue scams which steal typically \$2,500 - \$5000 per homeowner
 - Modifications have saved families on average \$4,920 per year
 - Decline in credit scores
- Social –
 - Avoids disruption to school for children, community ties and support networks⁷
 - Ensures the benefits of housing stability for many low- and moderate-income families and seniors who would struggle to afford rental units at current market rates. (This is true for homeowners as well their renters when there is more than one unit in the home.)
 - Health costs including emotional problems from loss of homeownership and housing instability

³Law, Howard, *American University Law Review Vol. 65, Issue 2, "Property Rebels: Reclaiming Abandoned Bank-Owned Homes for Community Uses,"* Forthcoming, Howard Law Research Paper No. 15-7.

⁴ Americans for Financial Reform, *We All Pay a Price for the Foreclosure Crisis*, (Feb. 2011), available at: <http://ourfinancialsecurity.org/2011/02/we-all-pay-a-price-for-the-foreclosure-crisis/>.

⁵ Foreclosure Prevention Ripple Effect analysis methodology: 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 about 750 feet of a foreclosure can expect a roughly 1% decrease in market value. To approximate 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 follow 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%. This analysis was developed by the Center for NYC Neighborhoods.

⁶ Boston Bar Assc., *Investing in Justice: A Roadmap to Cost-Effective Funding of Civil Legal Aid in Massachusetts*, (October 2014).

⁷ Brookings Institute, *The Ongoing Impact of Foreclosures on Children*, (2012), available at: https://www.brookings.edu/wp-content/uploads/2016/06/0418_foreclosures_children_isaacs.pdf.