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PURPOSE: FUNDING FOR FORECLOSURE PREVENTION SERVICE PROVIDERS

Dear Chairman and Esteemed Members of the Committee:

Thank you all for the opportunity to speak to you today. My name is Jay Flemma, and I'm a lawyer with the Utica office of the Legal Aid Society of Mid-New York, where I've worked in the mortgage foreclosure defense practice group for the last six-and-a-half years. And I'm here once again to ask this august body to reprise its funding for one of the most critical items in the budget – foreclosure defense funding.

Four years ago tomorrow, I was joined by more than 100 foreclosure defense attorneys, housing counselors, and fair housing advocates to raise in urgent alarm before your 2017 Joint Hearings on Economic Development: the desperate need for funding for foreclosure defense. You answered that clarion call admirably. Thank you.

Through your generous funding, HOPP program *in toto* saves New York State over \$1.2 billion a year in property value preservation, tax savings and additional cost savings to localities. Over the life of the program, every \$1 million invested in HOPP yielded a return of over \$5 million in tax and property cost savings to localities.

In the last six months alone, under the Home Ownership Protection Program, the Legal Aid Society of Mid-New York has:

***closed 221 cases;

***prevented foreclosure in 67 cases and gave counsel and advice on another 154;

...and in doing so has:

***saved homeowners \$942,341 in loan modifications, reinstatements, and payoffs; and

***saved homeowners another \$191,651.00 in principal forgiveness and 168,990 in principal forbearance.

We are always within our fiscal allotment and comfortably out-perform our yearly goals. Perennially, we – and all foreclosure prevention service providers across the state of New York as a whole - are one of the best bargains in the budget. We could not perform a more important service at a more competitive price.

Foreclosure affects everyone, of all ethnicities, socio-economic backgrounds, religions, and political ideologies. The foreclosure crisis doesn't care if you're young or old, black or white, Christian or Muslim, Democrat or Republican, rich or poor. It cuts its devastating swath across all walks of life. Sadly, the Coronavirus pandemic was a devastating blow to financial recovery and growth.

The national foreclosure crisis was still with us before the pandemic, but now every metric we study indicates that the number of homeowners in foreclosure crisis will skyrocket astronomically. Before the pandemic struck, more than one out of every four cases in New York was a mortgage foreclosure action. Now that number looks to increase significantly. New York is seeing the highest delinquency rate ever; as of the end of 2020, 11.8% (10,393,141) of New York homeowners were delinquent on their mortgage (according to US Census Household Pulse Survey data). This rate is over three times the last high of 3.8% in January 2009 at the height of the great recession; and over five times the delinquency rate of January 2020 of 2.2%. Once the foreclosure stay is lifted (April 30, 2021), we expect a flood of foreclosure filings. More homeowners will need our services than ever before and they will need them imminently.

Most particularly, the foreclosure crisis following the great recession disproportionately impacted New York's communities of color, and the COVID-19 pandemic has been no different, with the health impacts and the economic pain felt more acutely amongst black and brown New Yorkers. On average, 15.72% of black homeowners in NY are delinquent compared to 7.53% of white homeowners since September 2020. (US Census Pulse Survey data). Happily, HOPP also preserves minority homeownership at a particularly impressive and increasingly beneficial rate. Statewide, 43% of clients served by our network providers are homeowners of color; in NYC, the number is 75%.

The NYS Office of the Attorney General has been running HOPP at the same cost of \$20 million per year since 2012. Prior to 2012, funding was provided through NYS Homes and Community Renewal for these services. The first few years of funding for HOPP came from settlement dollars the OAG received. Since 2015, HOPP funding has come through the state budget process. HOPP has never been a line item in the budget and must be added each year. If funding is not provided in this year's budget, services will end mid-July 2021, two months after NY's moratorium ends. The vast majority of HOPP providers have no other dedicated funding for foreclosure prevention services, a truly chaotic state of affairs.

Finally, mortgage foreclosure law is as deep in its complexity as it is voluminous in its breadth. The sheer number of sources of mortgage foreclosure law is staggering. Federal regulations, state statutes, court rules, CPLR provisions, mortgagee letters, investor guidelines, stock/bond prospectuses: thousands upon thousands of pages governing myriad types of loans, none of which are identical to the other. And the law changes on almost a daily basis. In my 27 years as an attorney, I have practiced in many complex areas of law, including intellectual property and Internet law: two disciplines known for prolixity, complexity, and almost daily changes. But even those disciplines are not as labyrinthine as the law and practice of mortgage foreclosure defense. Without lawyers to guide them, homeowners will be lost in the Byzantine maze the practice has become, and they lack any leverage to be able to negotiate fair resolutions from banks that are ruthlessly trying to prize the last possible cent from their already strained wallets.

As such, we ask you to promptly fund the state's foreclosure defense service providers with a yearly budget of \$20,000,000. Without it, homeowners face a hopeless task alone and property values statewide will plummet, increasing the cost to every constituent.