

New York State Legislature
2020 Joint Budget Hearing
Housing
February 11, 2020

Written testimony submitted by email to wamchair@nyassembly.gov
and financechair@nysenate.gov.

On behalf of the New York State residents whom we serve, the New York Legal Assistance Group (“NYLAG”) respectfully requests that \$20 million be dedicated in the FY 20-21 budget for the continuation of the Homeowner Protection Program (HOPP). Since 2009, New York has funded a network of housing counseling agencies and legal services providers working directly with distressed homeowners that has prevented thousands of avoidable foreclosures and helped stabilize communities plagued by foreclosure across the State. The program was funded first under a NYS Homes and Community Renewal program and starting in 2012 under the NYS Office of the Attorney General’s HOPP program.

NYLAG uses the power of the law to help New Yorkers in need combat social and economic injustice. We address emerging and urgent legal needs with comprehensive, free civil legal services, impact litigation, policy advocacy, and community education. NYLAG serves veterans, immigrants, seniors, the homebound, families facing foreclosure, renters facing eviction, low-income consumers, those in need of government assistance, children in need of special education, domestic violence victims, people with disabilities, patients with chronic illness or disease, low-wage workers, low-income members of the LGBTQ community, Holocaust survivors, as well as others in need of free legal services. NYLAG’s services have impacted over 90,800 adults and children in the NY Metropolitan area.

Our Foreclosure Prevention Project provides help to homeowners in identifying resources, options, and assistance in structuring a plan to keep their home. We are part of a regional coalition of housing advisors and legal

service providers and have strong connections with the courts and regularly receive referrals from our local government officials.

Ms. C., Mr. B. and Ms. D are just three of the many clients we have helped over the years.

Ms. C's daughter first approached NYLAG at our foreclosure legal clinic at the Nassau Supreme Court. Ms. C was 92 and had recently been served with a summons and complaint in a reverse mortgage foreclosure action. Ms. C's daughter lived at the property but had no idea her mother had taken out a reverse mortgage. Ms. C was in a tough financial position and struggling for her life. She had been diagnosed with breast cancer, rheumatoid arthritis, diverticulitis and dementia. She was homebound and unable to attend the foreclosure clinic. After reviewing the legal papers and hearing of Ms. C's health condition, NYLAG's attorneys agreed to evaluate for representation and recommended Ms. C apply for an "At Risk" HECM Mortgages and Allowable Foreclosure Extension, which would put the foreclosure case on hold while Ms. C focused on her health. NYLAG's attorneys were able to successfully obtain the "At Risk Foreclosure Extension" and the foreclosure case was stayed while Ms. C fought for her life. Ms. C has since passed away but in the last few months of her life she was able to focus on her health, in the comfort of her own home, while NYLAG stopped the foreclosure case.

Ms. D is a senior citizen and grandmother who lives alone and relies on her Social Security check as her only source of income. She suffered multiple strokes, cancer and pneumonia, leaving her with significant medical debt and an inability to continue working. Ms. D has a reverse mortgage on her home and fell behind in paying her property taxes as well as her credit card bills and other loans. NYLAG set up Ms. D with one of our in-house financial counselors and helped her to create a realistic monthly budget using her available income. NYLAG also discovered that Ms. D was being scammed by a debt consolidation company and quickly removed her from their services. NYLAG attorneys knew that simply getting Ms. D's property tax arrears paid off would not be enough to save her home in the long-term so they created a comprehensive plan to address her overall financial situation using the expertise and resources of multiple units. Ms. D continued work with the financial counselor and received assistance in applying for Medicaid from

NYLAG's Evelyn Frank Legal Resources Program. Eventually, Ms. D closed on a loan from the Mortgage Assistance Program and her foreclosure case was discontinued. Additionally she was approved for full Medicaid. With NYLAG's assistance, Ms. D finds herself in a much more stable financial situation and is no longer threatened by homelessness.

Mr. B first sought our services when served with a Summons and Complaint and told by opposing counsel that he did not have to file an answer because he was already in the process of trying to modify. We were able to assist Mr. B in getting permission to file a late answer, and then able to offer him representation at settlement conferences. We were able to help him secure a loan modification, only to run into issues finalizing the agreement because of unpaid Home Owner Association fees with his condo board, of which Mr. B had proof that these fees were in fact paid. We were able to bring a supervising judge into the case and get the condo board to appear in settlement conferences. Through months of negotiations with the servicer, condo board, and several settlement conferences, we were able to successfully release the HOA lien and finalize the original modification offer.

Continued investment in the HOPP network of 87 housing and legal services agencies is a good investment for New York State as **HOPP services provide savings to New York State by reducing the following costs:**

- **Cost of Loss in Property Values and Tax Revenue:** Foreclosed homes cost New York State money in several ways. Foreclosure and vacancy depreciate the value of the foreclosed home and surrounding properties. Depreciated values impact tax revenue from home sales and real property tax collections. Foreclosed homes, and especially homes vacated as the result of foreclosures, cost localities hundreds of thousands of dollars every year in code enforcement, repairs and emergency response calls. Based on the estimated loss in home values to New York State residents, tax losses as a results of lower assessments and property costs incurred by localities, the elimination of the HOPP program could cost New York State as much as \$4.4 Billion in lost property values, and over \$437 Million in annual losses due to

lower tax revenue collections and costs to localities to manage vacant buildings.

- **Cost of homelessness:** In every part of the State, available and affordable housing are significant issues. Displaced homeowners with financial troubles are unlikely to find good housing with affordable rents. Using an average cost per year in New York City (\$64,000) to provide emergency shelter to a household, housing just 312 families and individuals (3% of households served by HOPP) equals more than the cost of HOPP annually. In preventing the cost of homelessness alone, HOPP pays for itself.
- **Cost to homeowners by scammers:** Without the HOPP network in place, scams will increase. Mortgage loan modification scams can cost homeowners in the range of \$5,000 – \$8,000 a scam, while deed theft scams strip hundreds of thousands of dollars in home equity—often built up over generations-- with each stolen property. The State incurs costs as the result of law enforcement efforts and families lose equity and opportunities for generational wealth building. While alarm is increasingly expressed about the pervasiveness of deed theft targeting primarily seniors and communities of color—especially in gentrifying neighborhoods—the single-most important tool we have to combat this plague is the network of non-profit housing counselors and legal services providers serving distressed homeowners which the Governor’s budget proposes to dismantle by defunding.
- **Cost to New York State’s economy:** Instability in housing impacts a number of factors including health, financial stability, emotional distress, childhood education and development, criminal activity, and support networks particularly for older homeowners, to list a few. (Urban Institute) Costs of supportive services rise for localities and state systems as New Yorkers who have suffered foreclosure turn to government programs for help.

The HOPP network partners are the only non-profit services available in New York State to help distressed homeowners. **Without continued funding for the HOPP program, homeowners will lose their homes.** Prior to the State’s investment in HOPP, nearly 90% of all foreclosure cases ended in a default

judgment against the homeowner. Since 2012, the majority of homeowners have had representation at mandatory settlement conferences, and the default rate has fallen from 90% to less than 20%. Given the losses associated with foreclosure, the **HOPP program continues to be a wise investment and low cost alternative** for New York State. Allowing a budget to pass that abandons the State's investment in this program makes no business sense, and will send a message to New York's struggling homeowners that the State is abandoning them.

Sincerely,

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