

New York State Legislature
2022 Joint Budget Hearing
Housing
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Written testimony submitted by email:
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On behalf of the New York State residents whom we serve, the Western New York Law Center respectfully requests that \$35 million be dedicated in the FY 22-23 budget for the continuation of the Homeowner Protection Program (HOPP), and a commitment of \$40 million for each of the next two years to ensure the stable funding necessary to increase services to meet the higher demand, as well as maintaining seamless services. Since the New York State foreclosure moratorium ended on January 15, 2022 and most homeowners are at the end or are reaching the end of any loan forbearance options, the demand for services will continue to rise with both new foreclosure filings and the continuation of pre-pandemic foreclosures.

New York homeowners continue to suffer gravely from the effects of the global Coronavirus pandemic. Recent Census Bureau data reveals that as of mid-September, 16.3 percent of New Yorkers were experiencing a loss of employment income. The rate of mortgage delinquencies is currently higher than during the Great Recession with approximately 6.5 percent of New York homeowners behind on their mortgages. Looking at the number of Black homeowners behind on their mortgages, the rate increases to 9.1 percent. These numbers are alarming, considering that at the height of the Great Recession in 2009 the mortgage delinquency rate in New York State was around 3.8 percent. Of New York homeowners currently delinquent on their mortgage payments, 16.6 percent are more than four months delinquent. A foreclosure is typically commenced after four missed payments.

These trends point to a looming mortgage foreclosure crisis coming to a head in the next few months. It is critical to the stability of communities throughout the State of New York that homeowners have access to free foreclosure prevention services to obtain advice on the best course of action to take to try to avoid foreclosure.

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 then in 2012 under the NYS Office of the Attorney General's HOPP program.

The Western New York Law Center serves hundreds of households a year in Erie, Niagara, Wyoming, and Genesee Counties, providing help to homeowners in identifying options, negotiating settlements, litigating valid defenses, and identifying available resources in structuring a plan to keep their home. We are part of a statewide coalition of 87 agencies with housing advisors and legal service providers and have strong connections with the courts and regularly receive referrals from our local courts and tax foreclosure offices. Our office also contracts with a number of municipalities to help them address the problem of vacant and abandoned properties.

The HOPP network serves as a first line of defense against deed theft scams preventing the loss of equity and generational wealth. We also protect homeowners from loan modification scams in which homeowners pay thousands of dollars to a scammer who promises to help them avoid foreclosure and then takes no action to do so.

Our services help protect the most vulnerable New Yorkers and are essential to the effective implementation of many new homeowner protections that have been passed by the State Legislature over the years. For instance, the law requires banks to send pre-foreclosure notices at least 90 days before a foreclosure lawsuit is filed listing at least 5 non-profit housing counseling agencies. Without continued funding these agencies may no longer be able to provide further services. The law also requires the courts to hold mandatory settlement conferences to help facilitate settlement of the foreclosure lawsuit. HOPP advocates are essential to the functioning of these conferences. Without an advocate a homeowner would not know how to navigate the settlement conference process.

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 and the assistance of the HOPP network, the majority of homeowners have had representation at mandatory settlement conferences, and the default rate has fallen from 90% to less than 20%.

Without the dedication of resources to the foreclosure prevention efforts needed to deal with the coming crisis, a vast number of homeowners will be needlessly displaced, the number of vacant and abandoned homes in New York will increase, and our communities, especially communities of color, will be devastated for years to come. Now more than ever it is critical to keep families in their homes. As housing prices soar and the rental market becomes increasingly unaffordable, the risk of displacement is even more grave. Not only are rental prices exceedingly expensive, the availability of rental units is slim due to the effects of the pandemic on landlords and tenants.

Given the losses associated with foreclosure, the **HOPP program continues to be a wise investment and low-cost alternative** for New York State. The governor’s proposed budget allocating \$20 million to HOPP services is imperative to continue some essential services to help homeowners; however, in order to meet the increasing demand, \$35 million must be dedicated in the FY 22-23 budget for the continuation of the

Homeowner Protection Program (HOPP), and a commitment of \$40 million for each of the next two years.

Sincerely,

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