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Housing

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My name is Patrick Pyronneau. I am the Director of the Foreclosure Prevention Program at CAMBA Legal Services, Inc. I submit this testimony in support of continued funding for New York's Home Ownership Protection Program ("HOPP"), which is the sole source of funding for the statewide network of housing counseling agencies and legal services agencies providing foreclosure prevention and homeownership preservation services for New York's struggling low and moderate income ("LMI") homeowners. **The Governor's proposed budget eliminates all funding for HOPP, even though the services this network provides are more crucial than ever.**

CAMBA Legal Services, Inc. (CLS), established in 1993, is the separately incorporated legal services arm of CAMBA, Inc. (CAMBA). CLS is comprised of approximately 75 staff, including more than 40 lawyers who provide free legal assistance in the areas of foreclosure prevention, consumer law, services to victims of crime including domestic violence, housing, immigration, legal services for the working poor and benefits advocacy to almost 4,000 low income New Yorkers clients on an annual basis. CAMBA is a non-profit agency that provides a wide array of social services to over 65,000 individuals and families across the five boroughs. For over 40 years, CAMBA has been connecting people with opportunities to enhance their quality of life.

The foreclosure prevention unit was developed in 2008 in response to the foreclosure crisis to assist homeowners who were facing mortgage related distress by providing access to highly skilled housing counselors to help them keep their homes. In 2009, the program was expanded to incorporate legal representation as part of our service to homeowners in Kings County. Over that span of time, we have provided foreclosure prevention services to an average of 300 residents of Kings County per year. Each year, we provide critical legal services to families throughout Brooklyn on a wide range of housing relating matters including delinquent mortgages, property taxes, critical home repairs, and homeowners' insurance policies.

Across New York State, the HOPP network comprises 89 non-profit housing counseling and legal services providers who help New York homeowners, coop owners and condo owners avert homelessness and displacement by preventing avoidable mortgage and tax lien foreclosures, who combating mortgage fraud, deed theft, loan modification and partition scams, and who challenge predatory and discriminatory lending and abusive mortgage servicing practices that disproportionately

impact New York's most vulnerable communities—seniors and people of color. The network serves every county in New York State and all five boroughs of New York City.

We are approaching a critical juncture: current grants funding this vital network of HOPP providers end on July 15, 2024, and even though the need for these services is more acute than ever before, instead of renewing the funding, the Governor's budget proposes to de-fund this program. A total of \$40 million is needed to ensure that the existing HOPP provider network is able to meet the existing need in light of the unprecedented homeowner distress across New York State, which dwarfs the rates of default seen during the last foreclosure crisis.¹

As recently as November 14, 2023, Governor Hochul signed important legislation making improvements to various aspects of the law that will benefit homeowners who have been victimized by deed theft scams. At a bill signing ceremony at Brooklyn Law School that day, Governor Hochul spoke compellingly about how central homeownership is to the American dream. Sitting beside her as she signed that legislation, along with Attorney General Letitia James, were Joseph Clarke and Jacqueline Knight, victims of a pernicious deed theft scam and clients of a HOPP grantee legal services provider that had successfully pursued protracted litigation that restored their title to their home. Governor Hochul praised the HOPP provider's efforts over years of litigation to restore the couple's home.

Now, less than two months later, her proposed budget would eliminate funding for the very program whose advocates restored Mr. Clarke and Ms. Knight's home. The November 2023 legislation, as well as additional provisions contemplated in the proposed budget, are important protections, but without the HOPP provider network distressed homeowners will have nowhere to turn but to the scammers looking to prey on them. The statutory provisions meant to provide protections for deed theft and partition scam victims (including those contemplated in the Governor's proposed budget) will be of no use if the HOPP-funded providers representing homeowners seeking to vindicate their rights under those initiatives are eliminated.

We are thankful for the Legislature's consistent past support for HOPP. Without the restoration of funding for this program in past years when funding for it was excluded from the executive budget proposals, New York would have long ago lost its investment in the country's most robust foreclosure prevention network. We are reaching out to you now because the current executive budget's exclusion of all funding for the HOPP provider network—New York's only program focused on preserving existing homeownership, largely in communities of color and affecting the elderly—threatens the termination of this vital program just when it is most needed.

- New York is continuing to see high delinquency rates, especially in communities of color. According to U.S. Census Household Pulse Survey data, as of fall 2023, an average 8% of New York homeowners were delinquent on their mortgage loans, with an average of 306,587 New York families at risk of losing their homes. These numbers show a significant increase in mortgage distress since the prior year, when the number of families at risk was 288,261. This delinquency rate dwarfs the rate of

¹ The HOPP grantees contract years are not aligned with the State fiscal year, so funding in this year's budget is required for the network to be able to continue after current contracts end on July 15, 2024. The executive budget includes re-appropriation language that will permit last year's allocation to be used after March 31, 2024 for the existing contracts, which are not paid until after the end of the contract term, but last year's allocation will have been exhausted upon the conclusion of the current contract year on July 15, 2024.

2.2% in January 2020, right before the COVID pandemic started, and exceeds the high of 3.8% in January 2009, during the height of the financial crisis and Great Recession. Court filings are also rising, with New York State Unified Court System data showing nearly 11,000 new foreclosure case filings in the first eight months of calendar year 2023, and nearly 21,000 pending foreclosure cases across the State.

- HOPP preserves homeownership in communities of color. Statewide, 43% of clients served by our network providers are homeowners of color; in NYC, the number exceeds 75%. The foreclosure crisis following the great recession disproportionately impacted New York's communities of color, who were targeted for the predatory lending that precipitated that crisis. 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. % of non-Hispanic white homeowners, as reflected in the US Census Pulse Survey data available in the fall of 2023.
- A complicated patchwork of federal and state programs has evolved in the aftermath of the pandemic that homeowners cannot navigate on their own. FHA, Fannie Mae, Freddie Mac, and conventional lenders launched different forbearance plans and loss mitigation options for distressed borrowers, and New York State enacted its own law on forbearance programs for New York-regulated lenders and mortgage servicers. Accessing relief requires understanding the details of these various interventions and knowing who owns the loan in question and what program a homeowner may be eligible for. Homeowners need help to ensure they can access relief and they need advocates to make sure lenders are complying with applicable federal or NY laws and regulations. New York's Homeowner Assistance Fund, which has made federal funding available to assist distressed New York homeowners in a program administered by NY Homes and Community Renewal ("HCR"), which is now winding down, has reached a small portion of New York's distressed homeowners, and it has been dependent on the HOPP network to assist homeowners in accessing the program.
- For more than a decade, this network has been helping families in every county across New York State, and in each of the five boroughs of New York City, navigate complex housing challenges -- including mortgage fraud, scams, displacement, discriminatory lending and mortgage servicing -- and it has helped thousands of families to keep their homes and allowed them to stay in their communities. It has helped not just the individual families affected by foreclosures but the communities at large, by preventing displacement and by preventing the increased crime and reduced property values that accompany waves of foreclosure, which, in turn, adversely affect the local community tax base.

Without the restoration of the funding proposed to be eliminated by the Governor's proposed budget many of those non-profit housing counseling agencies and legal services providers will be ending their homeownership retention services when current contracts expire on July 15, 2024. They will be forced to turn away homeowners needing their assistance, leaving New York's struggling homeowners more vulnerable to the scammers peddling foreclosure rescue deed theft schemes and distressed property consultants, whose ranks have been multiplying as real estate values are increasing in many regions of the state. Indeed, even now, with the Governor's proposed elimination of the program causing uncertainty about the continuation of the program after the current contract year (as it does every year), case acceptance at HOPP-funded providers is inhibited, because they cannot in good conscience accept new cases that have no prospect of resolution prior to July 15, 2024 with the continuation of the program after that date in question. This uncertainty is also damaging to HOPP staff

morale, many of whom are lost every year when the program's continuation is thrown into question by the Governor's proposal to de-fund HOPP.

The impact of the loss this critical service funding would devastate an already vulnerable population that is still trying to recover from the long term effects of COVID-19. This funding enables us to counsel our clients to mitigate the harmful consequences of these hardships by addressing the underlying causes and collaborating with the homeowner to resolve those issues. For homeowners who are in court, we are able to represent them, greatly increasing the odds of their maintaining their home. Significantly, most of our clients live in East Brooklyn, where homeowners are currently at greatest risk.. The cutting of foreclosure funding would all but ensure that struggling homeowners in the most heavily impacted areas will lose their homes.

Not only will New York families suffer and face displacement; employees across almost 90 organizations are in danger of losing their jobs, and their expertise, along with the associated infrastructure in place that supports this network, which represents a substantial investment by the State of New York, will be discarded.

Our foreclosure prevention services staff is comprised of experienced housing counseling personnel and attorneys who are well versed in pre-litigation advocacy for homeowners and legal intervention designed to ensure home retention by our clients. Without funding, our organization, like other foreclosure prevention advocates, will lose the expertise of our personnel who have played a vital role in stabilizing affected communities through their impactful advocacy and representation of homeowners in foreclosure proceedings.

There are also a number of laws and programs in New York State that depend on HOPP network services. HOPP service providers are embedded in New York's consumer protections enacted after the foreclosure crisis, which are now a permanent part of our foreclosure process, such as:

- Lenders are required by law to send pre-foreclosure notices specifically identifying counseling agencies serving the homeowners' county—the very agencies that will be no longer funded to do foreclosure prevention work if funding lapses.
- Network providers are integral to NY's pioneering foreclosure settlement conference process, where we partner with the courts to staff clinics and conferences, and have been instrumental in drastically increasing the numbers of homeowners with representation at settlement conferences and in increasing the numbers of homeowners answering foreclosure complaints and preventing default judgments.

Another important aspect of this funding is that it supports a special relationship between foreclosure prevention providers and the courts. By permitting our programs to operate a clinic in the Kings County Supreme Court, the court is facilitating access to trained advocates. That connection can mean the difference between a homeowner keeping their home by negotiating a resolution with the banks or losing their homes because they were unaware that they were eligible for a retention option, like a modification, from their bank. Moreover, homeowners are also able to access critical resources such as assistance with drafting an answer or filing a responsive pleading to ensure that their interests are protected while they are engaging the bank to achieve a resolution of their case.

In our capacity as a Friend of the Court, our office receives direct referrals of self-represented litigants from court personnel, including judges and court-attorney referees, who are not able to afford private counsel or have exhausted funds and can no longer afford to do so. In addition to the excessive cost of defending foreclosure actions, self-represented litigants often lack access to the intellectual and technological resources that would help them understand and engage the servicers of their mortgage. Without access to competent pro bono foreclosure prevention providers, homeowners are left adrift and at the mercy of unscrupulous actors in the real estate field.

The homeowners receiving help from HOPP providers are working LMI families; New Yorkers of color who were targeted for predatory loans; seniors battling a wave of foreclosures on reverse mortgages and tax and water liens; and families who have experienced illness or deaths that have landed them in financial distress. The network mitigates displacement from foreclosures, scams and mortgage distress and its advocates challenge abusive mortgage servicing by financial institutions and discriminatory lending practices such as reverse redlining, in which vulnerable communities were targeted for the most toxic of loan products. Of late, the HOPP network has been tackling the epidemic of “zombie second lien” foreclosures, pursued by debt buyers who purchased for pennies on the dollar long-abandoned second mortgages, which were marketed during the heyday of predatory lending as toxic “80/20” loans targeted to communities of color. The originating lenders abandoned those underwater loans years ago, but with appreciating real property values, speculators and private equity are now attempting to foreclose on homes saddled with these second liens, even though the claims are largely barred by statutes of limitations.

We URGE the New York State Legislature to restore \$40 million in funding for HOPP in this year’s budget so that the HOPP provider network can continue its essential work combating urgent housing issues and continuing to help homeowners in distress.

For more information, please contact Patrick Pyronneau or Janet Miller at 718-287-0010.