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Housing

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My name is Caitlin Burns. I am the Vice President of Wealth Building Strategies & Advocacy of the Troy Rehabilitation and Improvement Program, Inc (TRIP), and Rensselaer County Housing Resources (RCHR), and 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.

TRIP & RCHR is a not-for profit, HUD- Certified, Housing Counseling agency that has been committed to building stronger communities in Rensselaer County and across the Capital Region since 1968. TRIP & RCHR has deep roots in working within and with our communities towards a stronger and safer tomorrow. Our Home Ownership Center was created in 2001 and has assisted thousands of clients throughout the greater Capital Region and surrounding counties to navigate homeownership, financial health and wealth building. Through HOPP’s dedicated funding alone, we have been able to assist over 800 of our delinquent neighbors in distress since 2012. HOPP gives our agency the opportunity to offer free counseling advice regarding the intricate New York state foreclosure process, be a trusted advisor and advocate with servicers, their attorneys and the court, and help delinquent homeowners work through their possible loss mitigation options. When clients aren’t able to find a resolution to retaining their home, our agency is able to assist with their non-home retention options and gracefully exit homeownership with as many resources as possible on that transition. Clients are able to review their credit, create sustainable budgets and participate in valuable wealth building programs such as an Emergency Match Savings, Collection Match, or Secure Credit Card program. Our organization works to help community members obtain and maintain their homes.

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, by 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, but current grants funding this vital network end on July 15, 2024, and the

Governor's budget proposes to de-fund this program even though the need for these services is more acute than ever before. A total of \$40 million is needed to ensure that the existing HOPP 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 already 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, who were victims of a pernicious deed theft scam and clients of a HOPP grantee legal services agency who had successfully pursued protracted litigation that restored the title to their home. Governor Hochul praised the HOPP agency's efforts over years of litigation to restore the couple's home, but 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 after they fell prey to a deed theft scam. The recent legislation, as well as additional provisions contemplated in the proposed budget, are important protections, but without the HOPP network distressed homeowners will have nowhere to turn but to the scammers looking to prey on them, and the 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 programs representing homeowners seeking to vindicate their rights under those initiatives are eliminated.

We are thankful for the Legislature's consistent support for HOPP and we recognize that without the restoration of funding for this program every year 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. The executive budget's exclusion of any funding for the HOPP 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 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

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.

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 not-for-profit housing counseling agencies and legal services providers will be ending their homeownership retention services when current contracts expire on July 15, 2024 and 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), foreclosure case acceptance at HOPP-funded agencies is inhibited, because agencies 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. Specifically for TRIP&RCHR, the HOPP funding is the sole dedicated source of funding for our Foreclosure Prevention services. This funding supports the direct services and salaries of 5 staff members whose combined years of expertise and knowledge amount to 27 years of assistance through 3 HUD-Certified housing counselors, and 2 support staff. Our Foreclosure Prevention team has worked tirelessly through the past 11 years assisting our local distressed homeowners in saving their homes from foreclosure and specializing in working with servicers and courts to help our neighbors who are behind on their mortgage to keep their homes. This expertise and partnership takes years to cultivate and is an integral part of our program's success. Our communities continue to face alarmingly high rates of foreclosure. If HOPP funding is not restored, the results of the impending foreclosures would create an even more catastrophic housing crisis than we are already in. Homeowners who are already struggling to pay mortgages would be forced into even more expensive rental housing, or worse, onto the streets without a roof over their heads. We need the HOPP funding to make sure our organization, and the 88 others across New York State, are ready and able to assist when a homeowner in distress reaches out for help. Without the HOPP funding, the sole and dedicated foreclosure prevention assistance in New York State will cease to exist. The no-cost assistance for our legal partners, housing counselors and advocates will no longer be available for our delinquent homeowners. Instead, they will be required to navigate the confusing and complex loss mitigation and foreclosure process on their own; a process that already leads homeowners to unnecessarily lose their home and wealth, pay thousands of dollars in lawyer fees or vacate their homes prematurely, often without a safe home to land in.

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.² TRIP&RCHR's staff structure would significantly be

² In the contract year that ran from July 16, 2021 through June 15, 2022, the HOPP network of housing counseling agencies and legal services providers served 9,501 clients, with a total staff count of 473 (203.53 FTE). In the following contract year (running from July 16, 2022 through July 15, 2023), the network served 20,564 clients (more than double the number served in the prior year), and it increased its staffing levels, with the total staff count increasing to 637 (289.67 FTE) (thanks to the increased funding of \$35 million allocated in the FY 2022 budget). In the current contract year, for which the FY 2023 budget allocated \$40 million, which runs through July 15, 2024, the HOPP network's staffing has further increased to 667 (FTE 316.47) as groups across the State continued to ramp up capacity to meet the increased need for services, and we expect the number of clients served to exceed that of the prior contract year. At the conclusion of the current contract year on July 15, 2024 the current allocation will have been exhausted, given the significant ramp up in hiring to meet the increased demand for services. These numbers are derived from HOPP grantees' data reporting to the two Anchor Partners who work with the Office of the Attorney General to administer the HOPP grants, Empire Justice Center and the Center for New York City Neighborhoods. This is consistent with industry reports showing that foreclosure starts in the first half of 2023 increased by 15 percent compared to the same period in the previous year. Indeed, New York is among the states with the most foreclosure starts, along with California, Florida, Texas, and Illinois. See Attom,

altered and employment would need to be terminated. The years of expertise that our organization has developed will cease to exist as homeowners in distress face complex challenges on their own.

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. It is typically through these notices, or through Court Referee referrals, that delinquent homeowners discover that there is free assistance available. When lenders and servicers enter into the foreclosure process equipped with teams of lawyers and professionals, delinquent homeowners deserve the same right for assistance and representation. For over a decade, TRIP & RCHR has offered advice to delinquent homeowners regarding their possible work out options including Loan Modifications, Short Sales, Deed-in-lieu or how to transition into a new home when it is not feasible to save the home. TRIP & RCHR has been a beacon of light and clarity when assisting clients navigating through the New York State foreclosure process. We have been a reliable avenue in helping decipher bank servicer requests, and as a partner for information and comfort during the court process. Without the assistance of foreclosure prevention counselors and legal advocates delinquent homeowners will be forced to walk through the foreclosure process blind; not knowing how long they have until they lose their home or when they will return to a lock on their doors and they become homeless.
- 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. Our local courts have come to recognize our HOPP funded organizations as trusted advisors and guidance for homeowners they see in their courts. When a client attends a Settlement Conference without a housing counselor or legal representation, they immediately refer the clients to our agencies for guidance. The court always states and recognizes that they are an impartial entity, while recognizing the importance of our work and ability to assist clients.

The homeowners receiving help from HOPP agencies 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 network can continue its great work combating urgent housing issues and continuing to help homeowners in distress and foreclosure.

For more information about this vital funding, please contact Caitlin Burns at caitlin@trionline.org or at 518-272-8289 x 5768.

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