TESTIMONY OF THE NEW YORK CITY DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT
THE ECONOMIC EFFECTS OF THE FORECLOSURE CRISIS IN NEW YORK CITY
COMMITTEE ON ECONOMIC DEVELOPMENT AND THE COMMITTEE ON COMMUNITY DEVELOPMENT
TUESDAY, APRIL 14, 2015

Good afternoon Chairman Garodnick, Chairwoman Arroyo and members of the Committees. My name is Jordan Press, and I am the Director of Legislative Affairs and Federal Policy with the New York City Department of Housing Preservation & Development ("HPD"). I am here today to discuss HPD's efforts to stabilize neighborhoods in the wake of the foreclosure crisis.

I would be remiss to not begin this testimony by reiterating the Mayor and HPD's commitment to the creation and preservation of affordable housing consistent with the *Housing New York* plan. We are not just producing affordable housing at record rates, but building diverse, thriving neighborhoods. To that end HPD is partnering with its sister agencies to ensure that we have a productive dialogue with local residents, owners, businesses, community groups, advocates, and local institutions about their needs and hopes, and about opportunities to provide new affordable housing, preserve affordability and prevent displacement, and improve access to jobs and training, economic development, parks and open space, schools and daycare, retail and local services.

As early as 2005, HPD began to see the effects of predatory lending on residents of neighborhoods across the city. HPD responded by creating a program to make grants to community-based non-profits for the purposes of aiding homeowners who were overly-burdened by their mortgages. In 2007, HPD recognized that addressing the foreclosure crisis in New York City was going to require a sustained effort and level of focus that had to expand beyond the Department. In order to be nimble in addressing the changing dynamics of foreclosures across New York City, HPD helped to create the Center for New York City Neighborhoods (the "Center"). Launched in December 2007, the Center is a joint initiative of the Council, HPD, as well as philanthropic and other nonprofit partners, and provides direct services through a network of high quality, non-profit and local community based organizations as an integral component of its model. The Center advocates on foreclosure and other homeownership issues, engages the philanthropic community, and leverages large-scale grants to address the foreclosure crisis and assist struggling homeowners in a way that would not have been possible for a government entity.

The Center has been key in helping HPD assess the state of the foreclosures crisis. The Center's connection to community-based non-profits and its unique focus on homeownership issues makes it well-positioned to provide timely and constructive policy recommendations to HPD. The Center has established standard practices for homeownership counseling and procedures and serves as a centralized hub for community-based activity to alleviate the effects of foreclosures on communities and support homeowners in New York City.

Pursuant to its Bylaws, both HPD's Commissioner as well as a designee of the City Council Speaker are *ex-officio* board members; currently Councilmember Richards serves in this capacity. We are grateful for the collaborative effort with the Council to support the Center's mission and are pleased the Center is here today to share its own expertise and experience with this issue. We thank the Council for its continued support of the Center's mission.

In addition to actively participating on its Board and monitoring the Center's work and accomplishments, we also collaborate directly with the Center. For example, through the Mortgage Assistance Program ("MAP") launched in 2010, HPD and the Center provided 0% interest loans of approximately $25,000, and later up to $40,000, to financially stable homeowners who were under the threat of foreclosure. Many of these owners needed assistance with keeping current with their mortgages and could use the loan funds to pay for mortgage arrears, down payments for loan modifications, payments of second mortgages, and related bank fees. As of August 2014, the intake for the MAP program as it is administered by HPD closed; and, in the end, MAP was able to loan approximately $5 million aiding more than 230 borrowers. The program now continues under the Center's leadership utilizing state funding with bank settlement monies.

Turning to other foreclosure-related activities that HPD has engaged in, the Department was a direct recipient of three rounds of U.S. Department of Housing & Urban Development Neighborhood Stabilization Program ("NSP") grant funds and a subrecipient of two rounds of NSP funds allocated to New York, altogether totaling more than $57 million. We used these funds to intervene in both the 1-4 family and multifamily recovery efforts in foreclosure affected communities. One of the most significant activities funded by this program created a partnership with a well-established and experienced non-profit organization, Neighborhood Restore, to provide homeownership opportunities in the midst of the foreclosure crisis. Neighborhood Restore used NSP funds granted by HPD and leveraged private funds to acquire and rehabilitate foreclosed properties with their eventual sale to income-eligible buyers. The result was 100 rehabilitated homes sold to New York City residents strengthening communities across the city and creating new opportunities for homeownership.

HPD also used NSP funds to finance the development of new units and the preservation of existing units of affordable housing in neighborhoods with the highest rates of foreclosures at the time the grant allocations were announced by the federal government. The produced units are affordable pursuant to regulatory agreements with HPD requiring long-term affordability. HPD was able to rehabilitate and/or produce more than 450 units of affordable housing, using NSP funds.

Through implementation of the Mayor's *Housing New York* plan, HPD has been focusing on ways to support single-family and small building owners in an effort to address conditions that can lead to foreclosures. By connecting with homeowners early, HPD hopes to not only preserve opportunities for homeownership but also sustain the availability of affordable rental housing that is often available in 1 to 4 unit buildings.

Because the costs of maintaining a home can drive financial burdens and lead to delinquencies, HPD works with community-based non-profits to provide much needed loan products for home improvements. HPD administers the Home Improvement Program, and has helped more than 5,000 homeowners since its inception through 0% interest loans from the City coupled with a conventional bank loan at the bank's current interest rate albeit with a lower principal loan amount than the borrower would have received without the City loan. Astoria Bank and Brooklyn Federal Credit Union have been HPD's long-term partners for this program. In conjunction with Neighborhood Housing Services of New York City, the Neighborhood Housing Services Revolving Loan Fund has provided below market rate interest loans for 1 to 4 unit buildings to low and moderate income homeowners for almost 30 years and has financed the improvement of approximately 3,000 units. The Senior Citizen Home Assistance Program (SCHAP), administered by the Parodneck Foundation, provides deferred repair loans of up to $40,000 to homeowners at least 60 years of age and whose household incomes do not exceed 120% of Area Median Income. More than 680 SCHAP loans have closed since the beginning of the program in the late 1990s.

Another HPD endeavor is Owners' Night, with the most recent in East New York, Brooklyn last month. Owners' Night brings together HPD, other City agencies, as well as community organizations with experience in helping distressed homeowners to discuss their relevant services, including financing products. At these events owners can communicate directly with agencies, learn more about City-sponsored support programs, and request follow-up communications regarding their specific issues. The next Owners' Night will be May 18th here in Jamaica at the Jamaica Library.

Finally, HPD administers approximately 144 contracts with over 60 community-based organizations through generous allocations made by the Council. Many of these organizations are providing foreclosure-related services to help homeowners with everything from foreclosure counseling and intervention to mediation and legal services.

The City believes that the foreclosure crisis must be combated at the neighborhood level and integral to this effort is the maintenance of New York City's neighborhoods. Abandoned properties are a blighting influence and lead to the decline of neighborhoods. These properties also place a burden on local government, which must find ways to secure them in order to protect the public's safety. The maintenance of these homes also encourages the preservation of the City's affordable housing stock, which is vital to HPD's current efforts to expand housing opportunities throughout the City.

Thank you for the opportunity to testify today. I am happy to answer any questions.

NYLAG
NEW YORK LEGAL ASSISTANCE GROUP

Testimony by the New York Legal Assistance Group (NYLAG)

Before the NYC Council Committees on Economic Development and Community Development regarding:

The Economic Impact of the City's Foreclosure Process

April 14, 2015

Chairs Garodnick and Arroyo, Council Members and staff, good afternoon and thank you for the opportunity to speak to the Economic Development and Community Development Committees on the economic impact of the City's foreclosure process. My name is Rose Marie Cantanno and I am the Supervising Attorney of the Foreclosure Prevention Project at the New York Legal Assistance Group (NYLAG). NYLAG is a nonprofit law office dedicated to providing free legal services in civil law matters to low-income New Yorkers. NYLAG serves 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, persons with disabilities, patients with chronic illness or disease, low-wage workers, low-income members of the LGBTQ community, Holocaust survivors, and veterans, as well as others in need of free legal services.

In my four and a half year tenure at the New York Legal Assistance Group I have had the opportunity to experience firsthand the devastating effects of the city's continuing foreclosure crises. Though many will claim that the foreclosure crisis is either over or nearing the end, I can state without reservation that it is not the case. Thousands of individuals are still trying to save their family homes. Some are caught in an endless cycle of trying to modify their loans. Others are trying to navigate the foreclosure litigation process, in many cases without legal assistance. At the same time, many people are exhausting their savings and retirement accounts trying to hold on for as long as possible. Plus, we need to remember that there are many individuals whose loans are still allowing for lower payments at this time. For example, those who signed ten year interest only loans or negative amortization loans. At some point in the near future their loan payments will double or triple and because of the loss of value in their homes refinancing will not be an option.

Every foreclosed home has a chilling effect on a community. Property values plummet. It is almost impossible to sell or refinance a home which is next door to a boarded up building. Vacant homes invite vandalism and other criminal activity. Unscrupulous investors come in and purchase properties with no intentions of helping the neighborhoods, often leaving these properties in worse condition than before. Local businesses see a decrease in revenues as people leave the neighborhoods. Tenants and boarders are forced to relocate. Children are forced to change schools and senior citizens are forced to leave homes they have been in for decades.

In fact, the highest growing population we are seeing are senior citizens. Individuals ranging from 65 to 90 are coming into our clinics franticly trying to save homes that in some cases have been in their families for fifty years or more. These homeowners are extremely susceptible to scams and those who would take advantage of their fears. The economy has forced many people to retire earlier than they had planned now leaving them with a fixed income which barely pays their living expenses. It is hard enough for a young healthy person to gain employment - imagine how difficult it is for a 70 year old person.

Many people are willing to try anything to save their homes. This opens the door for scams and deed thefts. I would estimate that over half the individuals whom we meet have paid between two and ten thousand dollars to someone who has promised to save their home, only to find out the person had no expertise in the area or no intention of doing anything to assist the person in saving the home. People are told to sign over the deed to their homes and "everything will be fine". Then, six months later they find themselves being evicted. These scammers feed on the fear and desperation of individuals who may be uneducated, lack a strong understanding of the English language or are disabled and unable to communicate easily with others.

However, I think it is important to remember that there is no social or economic class that is not affected by the foreclosure crisis. There is not one neighborhood that is exempt. There are million dollar homes in trouble just as there are two hundred thousand dollar homes in trouble.

Properties that house small businesses, such as day care providers, are at risk of being lost. A foreclosure here not only costs a person their home but their livelihood.

Many people will simply state that all these individuals never should have taken out these mortgage loans. They should have known better. As someone who has been involved in real estate in one form or another for the last 18 years I can tell you that the vast majority of the people involved in today's foreclosure crises are not irresponsible and are not trying to take advantage of the system. No one expected the economy and property values to take such a dramatic downturn. When trained professionals, such as appraisers and bank representatives, told people that their homes would continue to increase in value they believed them. Most people believed that if they lost their employment, they would be able to find a new job within a few months. Finances change drastically due to divorce or a death in the family.

However, when circumstances are dire enough that the individual must give up the home, homeowners hit various obstacles. As many homeowners owe more than their homes are worth they are at the mercy of their lender in granting a short sale. In addition, they need to be concerned about tax liability for the cancelled debt. However, the biggest impediment for many homeowners is that the ability for a new buyer to obtain credit is so difficult. As mentioned previously, when you have foreclosed homes in a neighborhood, banks are extremely hesitant to lend. Many individuals are entering the job market with huge amounts of student loan debt not allowing them to qualify for mortgages. Many people have had some credit issues due to the economy and lenders are not willing to look past these issues even though the borrower's situation has improved dramatically.

The lack of affordable housing for these individuals is another issue. One foreclosed home could displace a large number of people. There is not only the homeowner, but their family, roommates, boarders, renters etc. All of these people now need to find affordable places to live which is not an easy task in New York City where many landlords will not rent to someone whose credit has been marred by a foreclosure. They often demand huge security deposits or higher rents

As a legal service provider, I am very proud of all the work that myself and my colleagues do every day to help individual homeowners. However, going forward, we need to focus on the larger issues. There needs to be a mechanism whereby homeowners can stay in their homes and communities can be salvaged. New homebuyers need to have the opportunity to purchase vacant homes and once again have them be an asset to the neighborhood. People need to be able to focus on their families, careers and other societal issues not in fear of where they will be living tomorrow.

Thank you for the opportunity to testify today. I am happy to answer any questions and I look forward to continuing to work with the Council to ensure that homeowners are able to stay in their homes, keeping communities and neighborhoods throughout the City vibrant.

Respectfully submitted,

Rose Marie Cantanno, Esq.

Supervising Attorney, Foreclosure Prevention Project

ASSOCIATION FOR NEIGHBORHOOD AND HOUSING DEVELOPMENT, INC.

Testimony before the New York City Council Committees on Economic Development and Community Development: the Economic Impact of the Foreclosure Crisis

April 14, 2015

Good afternoon. My name is Jaime Weisberg, and I am the Senior Campaign Analyst at the Association for Neighborhood and Housing Development (ANHD). I would like to thank Chairpersons Garodnick and Arroyo, and City Council Speaker Mark-Viverito, as well as the members of the Committees on Economic Development and Community Development for holding today's important hearing.

ANHD is a nonprofit coalition comprised of 99 neighborhood-based affordable housing and equitable economic development organizations and CDCs with over 30 years of experience engaging in bank reinvestment advocacy on behalf of New York City's low- and moderate-income (LMI) communities. Our member groups use grassroots advocacy strategies, bricks-and-mortar development skills, and focused neighborhood-level services to work for more decent, just and equitable communities. ANHD supports our member groups with a mix of training, capacity-building resources, strategic research, and public policy advocacy campaigns. ANHD members groups have built over 100,000 units of affordable housing in NYC in the past 25 years. ANHD's policy activism has directly leveraged over $1.3 billion in new resources for affordable housing in the past 10 years alone, and our policy victories have resulted in the preservation of thousands of affordable units.

FORECLOSURES IN NEW YORK CITY

The foreclosure crisis is far from over in New York City and has real economic implications for low- and moderate-income (LMI) people and neighborhoods as well as people and neighborhoods of color. According to the Federal Reserve Bank of NY, as of December 2013 over 11% of homes in some neighborhoods in Queens, the Bronx, and Brooklyn were in foreclosure[1]. The rate of foreclosure in low-income neighborhoods of color also remains high. Pulling data from a variety of sources, including data from the NYU Furman Center, ANHD creates an annual affordable housing risk chart. In five of the top 10 poorest community districts in the city, the rate of foreclosures per 1000 1-4 family homes is also among the top 10 in the city:

- Bronx Community District 2 (Hunts Point / Longwood): $23,083 Median Household income and 49.7 foreclosures / 1000 homes
- Bronx Community District 3 (Morrisania / Crotona): $24,259 and 46.3 / 1000
- Bronx Community District 4 (Highbridge / s. Concourse): $36,387 and 54.5 / 1000
- Bronx Community District 6 (Belmont / E. Tremont): $24,259 and 53.3 / 1000
- Brooklyn Community District 16 (Brownsville): $27,933 and 52.9 / 1000

1 http://www.ny.frb.org/regionalmortgageconditions/

Bushwick, East New York, and Jamaica have also been hard hit with rates of 44.5, 45.3, and 45 per 1,000 homes, respectively. The rate of pre-foreclosure notices sent to borrowers who are delinquent by 90 or more days have been declining slightly since 2011, but are still quite high. This is most pronounced in Queens (87.5 per 1000 properties) and Brooklyn (86.3).

When a foreclosure is officially initiated, lenders file a notice called a "lis pendens." Lis pendens have been fluctuating over the years, but remain high, especially in communities of color in Brooklyn, Queens and the Bronx. According to the Furman Center, lis pendens reached a peak in 2009 at nearly 18,000 filings. They decreased to about 12,000 in 2010 and started increasing again, reaching over 16,500 in 2013. When removing repeat filings, they found there to be 8,795 new foreclosure filings in 2013. While repeat filings could be a sign of renewed distress, it is more likely that they are lenders who have filed again because the three year time limit expired since the initial filing. New York is a "judicial foreclosure state" with some of the strongest pro-consumer foreclosure laws in the nation, requiring advanced notice to homeowners and settlement conferences with lenders that have markedly increased settlement rates and reduced foreclosures. While this means that foreclosures take longer than in other states, the worst delays do not indicate any problem with the law; delays are more often due to servicers dragging their feet or not complying with the law. A few housing counselors working at ANHD member agencies noted that it has become slightly easier to win affordable loan modifications in the past two to three years, attributing it to the constant hard work of advocates, as well as pressure put on the large servicers by the National Mortgage Settlement and subsequent lawsuits, and building relationships with bank staff who can guide homeowners through the process. However, they also note that many servicers continue to give homeowners and their advocates a great deal of runaround: lost paperwork, having to resubmit documents, and in some cases, even after getting a loan mod (trial or permanent), the loan gets sold or assigned elsewhere to different servicer managing the account and they have to start again.

Foreclosures can also result in vacant and abandoned properties. RealtyTrac found that as of the third quarter of 2014, 18% of all active foreclosures (117,298 homes) had been vacated by the homeowners prior to a completed foreclosure[2]. While vacated homes decreased 23% nationwide as compared to the prior year, New York State's rate has gone up 30%. The percentage increased 38% in the greater New York Metro area. Further, they found New York Metro area to have the most owner-vacated foreclosures of any metro area, with 12% of all properties in foreclosure (13,366 homes).

IMPACT OF FORECLOSURES IN NEW YORK CITY

The impact of foreclosures reaches into the billions: the New Bottom Line campaign estimates $196.2 billion in lost wealth in 2012 due to foreclosures, or an average of $1,700 per household.[3] And communities of color have been hit the hardest, with much higher rates of foreclosure than predominantly White communities.

Underwater homes at risk of foreclosure are also affecting the City and its residents. New York Communities for Change estimates that the city has lost over $1.8 billion in property taxes and expenses due to lost taxes on vacant properties coupled with the decrease in home values for properties in the

[2] http://www.realtytrac.com/content/foreclosure-market-report/realtytrac-q3-2014-zombie-foreclosure-report-8176

[3] Henry, B.; Reese, J.; Torres, A. (May 2013), "Wasted Wealth: How the Wall Street Crash Continues to Stall Economic Recovery and deepen Racial Inequality in America", authored by the Alliance for A Just Society, retrieved from: http://www.newbottomline.com/wasted_wealth

neighborhood.[4] They also found that as of October 2012, there were 82,175 (or one in 5) mortgages in New York City that were underwater, meaning that the owner owed more than the home was worth by a total of $15.4 billion. These homes are the most likely to go into foreclosure – many may already have foreclosed since the report was published.

Housing counselors at ANHD member organizations report similar struggles, explaining that after a hardship, such as a lost job or medical illness, many homeowners have had great difficulty in negotiating an affordable loan modification from their mortgage servicer. Many never found the network of safe and effective non-profit legal and housing counselors, and as a result, accrued years of back payments and fees. This has stripped the equity away from LMI homeowners, representing a significant loss of assets and wealth. Even as the loans are eventually modified, lenders rarely forgive principal or back payments, so that homeowners are left underwater paying off massive mortgages.

Mr. and Mrs K are homeowners in Brooklyn who have recently been receiving counseling from the nonprofit organization Harlem Congregations for Community Improvement, Inc. (HCCI). They have two loans, one of which has a negative amortization with a large payment due at the end. Mr. K was forced to look for a new job when his employer left the city and is now making $15,000 less than he was before. With this reduction in salary, they were just barely making the mortgage payments. HCCI was able to help them get a loan modification, which freed up about $500 per month. However, they still face a huge bill when the largest payment comes due in the future. They explored refinancing with a more conventional loan at a lower interest rate, but current circumstances make this impossible. The value of their home has dropped, as have home values in surrounding homes, and they are now underwater, leaving them with no other options and a very uncertain future financially.

Some homeowners gave up on and abandoned their properties after they could no longer afford them. This contributes to blight and economic hardships, bringing down surrounding property values. When homes are not protected or maintained, they open the door to health and public safety concerns. Given that many homes are attached in New York, they can represent a very direct financial and safety burden on their neighbors.

Ms. C is a struggling homeowner on Staten Island who is trying to prevent a foreclosure with a loan modification and has been working with a housing counselor at Neighbors Helping Neighbors, an affiliate of Fifth Avenue Committee. However, the house attached to hers has been abandoned for years. In its deteriorated state, it is actually threatening to collapse or fall in on her home – a potentially looming financial crisis to add on top of the hardship she's already experiencing. City inspectors condemned the home, citing it as a health hazard, but it is unclear what will happen to the home and who will pay to remove it or prevent it from falling in.

The individual financial impact of a foreclosure can also have a ripple effect on a homeowner's job situation, especially if the homeowner is also a small business owner; microbusinesses often rely on the credit of their owners. Mortgage modifications have lowered the credit scores of individuals by as much as 100 points, curtailing access to small business credit. As a result, alternative lenders are picking up the slack for some, but given the resources it takes to deploy their capital, coupled with the fact that CDFI's are not as well-known, many potential borrowers will be left out.

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[4] "Thousands of Homeowners Still Drowning in Underwater Mortgages" (June 2014) by New York Communities for Change, MHANY, et alia. Retrieved from: http://www.nycommunities.org/node/1673

Founded in 2001, XXX Consulting, Inc. is a certified Disadvantaged Business Enterprise and Minority Business Enterprise that provides diversity compliance auditing and consulting services to major constructions corporations and government agencies. Unfortunately during the process of the loan application the client was also in mortgage renegotiation with his bank and turned down for a loan. The client previously had an excellent credit score of 705, which went down 100 points to 601 in 3 months. A $33,880 loan from the nonprofit CDFI BOC Capital enabled the company to build the business development team and infrastructure to bring in new business opportunities. This loan along with cash from new revenue and accounts receivables coming due were enough to bridge working capital requirements needed to expand the team. But, for every borrower who finds their way to BOC, there are many more that do not and are left without savings, equity in their home, nor access to capital for their business.

The foreclosure crisis has also impacted homeownership opportunities for LMI borrowers. The rate of homeownership in the City's LMI Census Tracts has decreased greatly since pre-crisis days, from 28% in 2006 to 19% in 2012[5]. The foreclosure crisis is a major contributing factor. When LMI homeowners sell their home or lose it to foreclosure, they are not being replaced by other LMI families. Today, in a counter-reaction to the overly-loose lending practices that caused the mortgage crisis, the mortgage market has become too tight to accommodate many creditworthy New York City households. As a result, LMI families are having a hard time getting a mortgage even when they have the down payment and the income to afford a home.

Today, the average credit score for a mortgage guaranteed by Fannie Mae or Freddie Mac is 744, a very high score that is well above the average score for New York State. At the same time, some products require high down payments that can be difficult or impossible for LMI families to save. Quality pre-purchase counseling is much more important than credit scores and down payments in successful homeownership. In one of the largest studies to date that evaluated 75,000 mortgages originated from 2007 to 2009, NeighborWorks found that borrowers who received pre-purchase counseling were one-third less likely to become 90+ days delinquent over the two years after receiving their loan[6].

Additionally, homes in historically more affordable neighborhoods are becoming increasingly hard for LMI borrowers to purchase. For one thing, speculation is rampant in some of these neighborhoods with investors buying homes for cash, often to flip for a high profit. Second, the emerging securitization market that is fueling the acquisition of foreclosed homes and their conversion into rental properties risks pushing potential homebuyers in New York City out of the housing market. Unfortunately this process has been aided by the Federal government's practice of auctioning large sales of distressed notes to private investors without providing meaningful opportunities for LMI homeowners to stay in their homes, or LMI borrowers to purchase them.

RECOMMENDATIONS:

1. Support Homeowners in or at Risk of Foreclosure

Foreclosure prevention through the proven models of housing counseling and legal services provides essential assistance to homeowners working hard to keep their homes. An analysis conducted by the

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[5] NYU Furman Center, State of New York City's Housing and Neighborhoods 2013, at 27. Available at: http://furmancenter.org/files/sotc/SOC2013_HighRes.pdf

[6] Mayer, N. & Temkin, K. (Mar. 2013), "Pre-Purchase Counseling Impacts on Mortgage Performance: Empirical Analysis of NeigborWorks America's Experience".

Furman Center found that homeowners who received foreclosure prevention counseling from housing counselors in the Center for NYC Neighborhood's Network were 30% more likely to receive a modification to their mortgage than homeowners who did not receive counseling, resulting in average monthly savings of approximately $700 per household. The City has been at the forefront nationally in terms of deploying resources to prevent foreclosures and we encourage the New York City Council and the de Blasio administration to continue their strong support of these vital services.

We also know that organizations like the Center have developed numerous programs to help families at various stages of the foreclosure process and we encourage the council to help move those programs forward.

2. Support Strong Implementation of the Responsible Banking Act
ANHD and our allies fought long and hard for the passage of the Responsible Banking Act (RBA) in 2012. We applaud the City Council for passing this bill and for the De Blasio administration for finally putting it into effect this year. The bill has strong transparency provisions that have the potential to shed light on the foreclosure response and prevention activities of some of the nation's largest banks and set strong expectations for banks to meet. We urge the CIAB, through its Council, Administration, and Community members, to make public community district-level data on financial institution activity regarding loss mitigation and neighborhood stabilization activity, such as modifications accepted, principal reductions, the location of REO property and plans for their disposition. We believe the RBA will provide an excellent tool to hold banks accountable by evaluating their track record on the wide range of bank activity, including foreclosure prevention, promoting affordable homeownership, and the responsible maintenance and disposition of foreclosed and abandoned properties.

3. Support the Community Restoration Fund
New York State and New York City must find and adopt creative solutions to resolve the large inventory of distressed, underwater mortgages and foreclosed or vacant properties by using strategies that also promote affordable homeownership.

Today, we are experiencing a tremendous loss of opportunity as the FHFA and HUD continue to conduct bulk sales of distressed New York mortgages to large-scale real estate investors, who are motivated by profit maximization rather than homeowner retention or the promotion of affordable homeownership. Just last month, Freddie Mac conducted an auction of 5,398 non-performing loans through three separate loan pools, including a pool consisting solely of 490 New York properties. While this continued large-scale transfer of assets presents a major policy challenge in its current form, we believe that these note sales could represent a tremendous opportunity to transfer stewardship of many of these mortgages to mission-driven nonprofits that are accountable to the community.

For this reason, we support the Community Restoration Fund, a fund for the flexible acquisition and disposition of distressed or underwater mortgage notes and foreclosed or vacant properties. The Community Restoration Fund will acquire distressed mortgages at HUD and FHFA bulk sales and provide principal reductions and other services to stabilize delinquent homeowners, or, where foreclosure is unavoidable, ensure that the property remains affordable for LMI homebuyers. Additionally, the fund will acquire vacant and abandoned properties through short sales, auctions, and donations, and ensure their affordability to LMI homebuyers or renters going forward. Whether enacted at the state or city level, the Community Restoration Fund will provide a valuable and needed tool to confront the foreclosure crisis and preserve vital affordable housing from falling into the hands of speculators. While funding for the Community Restoration Fund was unfortunately not included in this year's State Budget, there are a number of promising sources for funding, including future bank settlements. We look forward to working with our colleagues and elected officials to support the development of this fund.

4. Combat predatory practices targeted at homeowners and homebuyers

Combating predatory practices targeted at homeowners and homebuyers requires a concerted approach from City and State government as well as law enforcement agencies. In partnership with housing counseling agencies, the New York Attorney General's Office created AGScamHelp.com, a resource dedicated to helping New Yorkers at risk of foreclosure locate free, trusted help at community-based nonprofits through the Attorney General's Homeownership Protection Program. The Center for NYC Neighborhoods is the New York City anchor partner. We ask City Council members to partner with the nonprofit sector in getting the word out to constituents that high-quality foreclosure prevention services are available to homeowners free of charge, and that homeowners can be connected to these services by calling 311. Additionally, there is much more work law enforcement agencies can be doing to vigorously pursue and prosecute these insidious scammers.

Thank you for the opportunity to testify. We look forward to continue working with the City Council and the de Blasio administration to create and preserve affordable housing and equitable economic development, including strategies to promote responsible bank reinvestment to protect affordable and sustainable homeownership.

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OVERSIGHT: THE ECONOMIC IMPACT OF THE CITY'S FORECLOSURE CRISIS

PRESENTED BEFORE:

CITY OF NEW YORK, COMMITTEES ON ECONOMIC DEVELOPMENT AND COMMUNITY DEVELOPMENT

PRESENTED BY:

LINDA JUN
MFY LEGAL SERVICES, INC.

APRIL 14, 2015

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My name is Linda Jun, and I am a Staff Attorney in the Foreclosure Prevention Project at MFY Legal Services, Inc. ("MFY"). MFY provides civil legal services to more than 10,000 poor and low-income clients in New York City every year in the areas of housing, employment, consumer, seniors, and disability rights.

In September 2008, in response to New York City's growing foreclosure crisis, MFY launched its Foreclosure Prevention Project, which represents homeowners in Queens, Brooklyn and Staten Island defending against foreclosure actions and assists homeowners to obtain mortgage loan modifications to enable them to remain in their communities of choice. Since 2008, MFY's Foreclosure Prevention Project has represented hundreds of homeowners in various stages in the foreclosure process. As an organization dedicated to preserving communities through eviction and foreclosure prevention, MFY commends the Council for examining the economic impact of the foreclosure crisis.

The foreclosure crisis remains in full swing in New York. As of May 2014, almost 30,000 properties in New York City alone were in pre-foreclosure, which means that those homeowners had missed two to three months of mortgage payments.[1] Eighty percent of pre-foreclosure filings are in minority neighborhoods.[2] Most of MFY's foreclosure clients live in neighborhoods that have not recovered from the housing market collapse. Foreclosures continue to harm real estate values in the neighborhoods that were amongst those hardest hit by the crisis, which include many minority neighborhoods in Brooklyn and Queens.[3]

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[1] Jeffrey D. Klein and Helen Weinstein, "Foreclosure's Persistent Threat to New York City and its Minority Communities" *State of New York Senate*, June 6, 2014, http://www.nysenate.gov/files/pdfs/2014%20Foreclosure%20Final%20Report.pdf.
[2] *Id.*
[3] *Id.*

In 2014, foreclosure actions constituted nearly 30% of the New York Unified Court System's Supreme Court civil caseload.[4] In 2009, there was a record high of 47,664 foreclosure cases filed. Although filings dropped in 2011 after the court system and the state legislature imposed additional requirements for plaintiffs in response to the robo-signing scandal, filings again surged in 2013, with 46,696 new foreclosure filings.[5] As of October 31, 2014, 83,236 foreclosure cases were pending in New York State. Similar numbers are projected for 2014 - 2015, signaling that there is no end in sight to New York City's foreclosure crisis.[6] As a legal services provider, MFY continues to find its foreclosure prevention services in high demand. Week in and week out, we meet homeowners seeking assistance with defending a foreclosure. Thousands of New York City homeowners remain in desperate need of legal services and housing counseling organizations to help them navigate the complex foreclosure process. We ask the Council for its continued support of legal services so that organizations like ours can continue to provide homeowners with the assistance they need to preserve homeownership in New York City.

As the foreclosure crisis continues, an increasing number of New Yorkers are finding that they now owe more on their mortgage than their houses are worth. According to Zillow's 2014 fourth-quarter negative equity report, 13 percent of owner-occupied homes in the New York area had a mortgage in negative equity.[7] These homeowners were underwater by an average of $125,550, which is nearly double the national average of $67,797. Negative equity discourages home retention by incentivizing borrowers in default to walk away from their home because they

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[4] A. Gail Prudenti, "2014 Report of the Chief Administrator of the Courts: Pursuant to Chapter 507 of the Laws of 2009," *State of New York Unified Court System*, October 13, 2014, available at http://www.nysenate.gov/files/pdfs/2014%20Foreclosure%20Final%20Report.pdf.
[5] *Id.*
[6] *Id.*
[7] See Svenja Gudeell, 'Even as Home Values Rise, Negative Equity Rate Flattens', available at http://www.zillow.com/research/negative-equity-2014-q4-9223/.

owe more than the home is worth. For homeowners unable to afford to stay in their homes, negative equity prevents them from being able to sell their home because no buyer is willing to pay more than a home is worth, and banks often delay approving short sales, causing homeowners to lose potential buyers. Even for homeowners who are able to stay in their homes through loan modification, the new modified balance includes accrued legal costs, delinquent interest, and other fees, often bringing their newly modified mortgage debt to a much higher amount than the decreased home value. Negative equity is particularly harmful for homeowners who are elderly because they no longer have the option of using their homes as a source of income after retirement through either a reverse mortgage or a sale.

Aside from the significant impact on the court system and the personal distress imposed on individual homeowners and families, widespread foreclosures cause serious economic impacts throughout the city because they impact city revenue and surrounding neighborhoods. Properties in pre-foreclosure may cost the City of New York $84 million dollars in property tax losses.[8] Minority neighborhoods bear the brunt with a potential $64 million dollar property tax loss.[9] Furthermore, home values in minority neighborhoods are severely impacted by surrounding foreclosed properties, losing on average $40,927 in value, in comparison to the city's average value loss of $23,150.[10]

Although the sheer volume of New York foreclosures and plummeted market values of New York homes is overwhelming, it is critical that we remember that behind every foreclosure is a New York family in danger of losing their home. The ongoing economic impact of the foreclosure crisis is illustrated through the story of one of MFY's clients, Ms. C. Ms. C. is an

[8] Jeffrey D. Klein and Helen Weinstein, "Foreclosure's Persistent Threat to New York City and its Minority Communities" *State of New York Senate*, June 6, 2014.
[9] *Id.*
[10] *Id.*

African-American senior in Queens who has lived in her Jamaica home for nearly 40 years. After she was laid off from her job in 2008, she cashed in her retirement savings to keep up with the mortgage payments and repeatedly contacted her bank for assistance because of her financial struggles. However, while reviewing her finances for a modification, Wells Fargo brought a foreclosure action against her in 2010. Ms. C.'s foreclosure case was eventually dismissed, but because Wells Fargo adamantly refused to modify her loan, Ms. C. was left in limbo. Once Ms. C. regained employment, she worked diligently to obtain a modification for several years, but Wells Fargo refused to cooperate in the modification process.

Eventually, with the assistance of MFY, Ms. C. was finally able to obtain a Home Affordable Modification Program ("HAMP") modification in 2014. However, this modification included four years of delinquent interest, fees, and other foreclosure-related costs, making the mortgage significantly more expensive due to Wells Fargo's costly delay. Although she had equity when she initially fell behind, the modification that allowed Ms. C. to save her home came at the cost of losing all of her remaining equity due to Wells Fargo's prolonged delay.

Unfortunately, several years into the foreclosure crisis, banks and their attorneys continue with these types of delay tactics, forcing homeowners to shoulder years of interest and fees as they try to cooperate with their bank's perplexing modification process in a desperate attempt to save their homes. In particular, people of color are disproportionately experiencing problems obtaining loan modifications.[11] A much larger share of complaints about bank misconduct that increases the likelihood of home loss come from communities of color.[12]

[11] *See* "Here we Go Again: Communities of Color, The Foreclosure Crisis, and Loan Servicing Failures" American Civil Liberties Union and MFY Legal Services, February 24, 2015, available at https://www.aclu.org/racial-justice/here-we-go-again-communities-color-foreclosure-crisis-and-loan-servicing-failures.
[12] *Id.*

Ms. C.'s story remains an apt illustration of what it is like to apply for a modification today. It demonstrates both the vital role of a modification in saving a home but also the reality that modification often does not preserve long-term homeownership. Because HAMP modifications are based on current household income, Ms. C.'s payments are designed to be affordable now, based on her income at age 65, but may not continue to be affordable should Ms. C. retire. The structure of Ms. C.'s modification also dictates that her principal and interest payments will increase three times: when Ms. C. is ages 69, 70 and 71. The term of Ms. C.'s loan has been extended, so that Ms. C. will not have paid off the loan until she is 104 years old. At that point, or whenever she decides to leave the property, she will have to pay an additional balloon payment of $68,895.81.

Like Ms. C.'s modification, many loan modifications contain a sizable balloon payment due at the end of the loan term or when the property is sold. In MFY's experience, New York homeowners are saddled with balloon payments as high as $200,000. As a result, while modifications allow families to remain in their homes for the time being, these balloon payments make it virtually impossible for homeowners to regain equity, even if property values increase, and transform their homes from potential assets to liabilities. Due to the potential long-term unaffordability of these modifications, the economic impact of these modifications will impact New York homeownership for years, if not generations, to come.

In short, the federal government's response to the foreclosure crisis was, in many ways, designed merely to "kick the can down the road." Homeowners can avoid foreclosure now, but the programs' designs generally do not allow for homeowners to regain equity. This means that the historic means by which generational wealth has been transmitted in working class families – home equity – will not exist for the children of today's current homeowners.

MFY thanks the Council for recognizing the continuing economic impact of the City's foreclosure crisis and encourages the Council to continue to address problems arising out of and related to foreclosures in New York City. MFY is committed to working with the City Council to better protect homeowners and preserve long-term homeownership in New York City. Thank you for holding today's hearing and for considering this important issue.

WALL ST ON THE 2ND FLOOR

Gov Cuomo's new advisor, his conflicts, and the nearly $1 billion of desperately needed foreclosure settlement funds in his hands

A New Analysis by New York Communities for Change

Executive Summary

As a national housing bubble grew in the beginning of the 21st Century, the big banks on Wall St. were determined to capitalize and maximize their profits. New financial instruments were invented as banks fell over themselves to purchase mortgages, bundled them, and sell them in casino that our finance-driven economy has become. Banks and other lenders pressured brokers to issue more and more loans, with less and less oversight. The major financial institutions were soon left with balance sheets that were relying on mortgages that, in many cases, were barely worth the paper they were written on.

These mortgages led to the worst foreclosure crisis since the Great Depression – and, of course, then resulted in the worst economic crash since the Great Depression, and even more foreclosures. Foreclosures are now falling nationally, but that is not the case in New York State and, especially, in neighborhoods of color, data from RealtyTrac show. New York was one of only nine states that saw an increase in number of foreclosures that were completed in 2014, as compared with 2013, and foreclosures remain elevated in populous cities such as New York City and Philadelphia.

The news in the New York City metropolitan region is dire. Of the 20 largest metropolitan areas, New York had the largest increase in foreclosure activity started over the period of November to December and in the entirety of 2014. New York's foreclosure activity was up 31% in 2014; only three other metropolitan regions posted increases, and New York's increase was more than twice as large as the next-highest, Philadelphia, which had a 15% increase.

According to Zillow's 3rd quarter report, there are currently 324,717 underwater homeowners in New York, and they are collectively $33.8 billion underwater. The numbers are worse for cities and neighborhoods where African-Americans and Latinos live. In Albany, Buffalo, Syracuse, Poughkeepsie, Rochester, and Newburgh, non-Hispanic whites are a minority or nearly a minority, according to the U.S. Census. In the counties in which each city is situated, non-Hispanic whites are a majority, and each city has a higher underwater rate than its surrounding county.

New York State has settlement money available to help these homeowners. In 2013, Attorney General Schneiderman and the federal residential mortgage-backed securities task force secured a $13 billion settlement with J.P. Morgan Chase. After the Governor Cuomo attempted to take the $613 million in cash to plug a budget hole caused by giving the same big banks a $250 million/year tax break, the attorney general and governor split the money in 2014, and $430 million is now in control of the governor and both houses of the Legislature.

In 2014, the attorney general reached additional settlements with Bank of America and Citibank. All of the money from those settlements went directly to the state budget. Bank of America paid a penalty of $300 million, while Citibank paid $92 million. Recently, the Department of Financial Services just reached a settlement with the servicer Ocwen that pays the state $100 million due to damages to homeowners. That leaves a total of $922 million that the state has at its disposal this year from settlements reached due to how banks treated homeowners.

Gov Cuomo just hired Bill Mulrow as his top advisor. Mulrow will be in the negotiations that determine how this settlement money is spent. Mulrow was hired from Blackstone, the largest private equity company in the world. After Wall St.'s foreclosure crisis and economic collapse wiped out wealth for African-Americans and Latinos, forcing millions of homeowners into foreclosure and crippling property values, private equity companies, hedge funds, and other institutional investors stepped in. Private Equity companies "snapped up properties after prices fell as much as 35 percent from the 2006 peak and rental demand rose from the almost 5 million owners who went through foreclosure since 2008."

The company that bought the most foreclosed properties during this time was Blackstone. The firm started a subsidiary company called Invitation Homes, and began acquiring properties through various methods, including foreclosure auctions, short sales, and voluminous purchases directly from the banks. By last June, Blackstone had spent $8.6 billion to purchase 45,000 foreclosed properties in more than 14 cities; at the height of its acquisition in 2013, it was spending $140 million every week. Perhaps the most disturbing impact of Blackstone's activity in the market is the financing they are utilizing to undertake this large-scale purchase of foreclosed properties – utilizing the very same instruments that inflated the housing bubble, encouraged predatory lending, and ultimately led to global economic downfall in 2008. The next bubble might be just around the corner, and Blackstone is driving it.

Mulrow has a history of serving at state agencies that direct funds to his personal employers. Notably, in his role as the commissioner of New York State's Housing Finance Agency, Mulrow was one of two board members of the state's Housing Trust Fund Corporation. The Housing Trust Fund distributed $3.5 million raised for Sandy victims to the Harbor View and Sea Rise projects in Coney Island. These projects were both financed by Blackstone – which, of course, Mulrow was still working at when the funds were distributed through the fund that he controlled with his voluntary government position.

Therefore, we demand of Governor Cuomo that:

1. Every dime of the $922 million acquired through settlements with the big banks due to mistreatment of homeowners must be given to whom the money belongs: the homeowners who were the victims of the predatory acts in the first place. This money should go to existing programs as well as new programs address underwater mortgages in neighborhoods of color throughout the state.
2. The governor must disclose exactly what role Bill Mulrow will play in distributing these funds, and how that may or may not affect Blackstone's holdings and the financial instruments that back them.
3. Bill Mulrow must disclose what if any compensation package he received upon leaving Blackstone to work full-time as the governor's aide, including any retirement packages or investments of his that the company holds. Additionally, he must disclose how these holdings are influenced by the company's foreclosure holdings, and how they can be affected by the utilization of the foreclosure settlement money.

Introduction

As a national housing bubble grew in the beginning of the 21st Century, the big banks on Wall St. were determined to capitalize and maximize their profits. New financial instruments were invented as banks fell over themselves to purchase mortgages, bundled them, and sell them in casino that our finance-driven economy has become. Banks and other lenders pressured brokers to issue more and more loans, with less and less oversight. The major financial institutions were soon left with balance sheets that were relying on mortgages that, in many cases, were barely worth the paper they were written on.

Not only did banks and mortgage brokerages encourage careless lending, they created a system that rewarded brokers for selling the riskiest sub-prime loans. This predatory lending, more often than not, targeted low- and moderate-income first-time homebuyers of color. When the economy inevitably collapsed in 2008, these neighborhoods of color were disproportionately affected by the ensuing foreclosure crisis, and felt the brunt of the loss of wealth, increase in crime and blight, and austerity that followed.

Making matters worse, Wall St., the primary orchestrators of the system that preyed upon communities of color and destroyed the economy, got off relatively easily in the aftermath of the 2008 stock market disaster. No major financial executive has faced any criminal prosecution for his or her role in the crisis; the banks were bailed out by the federal government to "save the economy" without any strings attached; and the policies of economic austerity that followed balanced budgets on the backs of the working class and poor while allowing Wall St. and the investor class to flourish – as the Dow Jones continues to hit record highs.

Indeed, even the foreclosure crisis, a direct result of big banks' malfeasance, became an opportunity for Wall St. to profit as private equity firms like Blackstone bought up tens of thousands of foreclosed properties across the country at discount prices and rented them to the former homeowners who were victims of foreclosure. Many Wall St. executives continue to move into high-level government positions, and regulators who are supposed to enforce regulations protecting consumers still cash-in by working at the very same financial institutions they were supposed to be regulating.

The one measure of accountability that government has enacted on the big banks has come in the form of legal settlements with attorneys general from states like New York and other regulators like New York State's Department of Financial Services. Unfortunately, many of these settlements are riddled with loopholes, and the homeowners who spurred the lawsuits to begin with have seen miniscule help as a result of them.

It is in this context that we enter the 2015 session of New York State's Legislature. Because of the settlements, Governor Cuomo has a $5 billion surplus to allocate in his budget. But $822 million of this surplus has come from settlement penalties won by the attorney general, Eric Schneiderman. Another $100 million was just won by the Department of Financial Services in an Ocwen settlement that was directly related to its relationship with borrowers. This $922 million could be one of the last opportunities to help homeowners who were hurt from the big banks' fraud.

At the center of the negotiations on what happens with this money will be William Mulrow, a former executive of Blackstone, which is the largest purchaser of foreclosed homes in the world. Earlier this month, the governor appointed him to replace Larry Schwartz as his top adviser. We are now left with billion-dollar questions.

What exact role will Mulrow have in negotiating the allocation of the settlement money? Does Mulrow have any financial ties with Blackstone that could influence him and benefit him financially depending on how this money is or is not used? Will homeowners see any relief coming from the money that New York received because they were defrauded?

Foreclosures in New York

While foreclosure numbers fall nationally, the news is not-quite-so rosy for New York State and, especially, neighborhoods of color from Suffolk County to Buffalo. New York was one of only nine states that saw an increase in number of foreclosures that were completed in 2014, as compared with 2013, and foreclosures remain elevated in populous cities such as New York City and Philadelphia.[1] Homeowners who are underwater, or owe more on their mortgage than their home is worth, also continues to be a problem in New York. According to online real estate database Zillow's 2014 3rd quarter negative-equity report, 12% of New York mortgages are underwater, with half of those more than 20% underwater.[2]

RealtyTrac's 2014 Year-End 2014 U.S. Foreclosure Market Report also has bleak news for New York State. New foreclosure activity in New York was up 33% in December from the previous month, the fifth-highest increase in the country. Scheduled auctions of foreclosed properties were up 90% from a year ago, the fourth-largest increase in the country. And New York had the second-highest increase of bank-owned properties in 2014, increasing 40% – only Maryland's was higher.[3]

The news in the New York City metropolitan region is even more dire. Of the 20 largest metropolitan areas, New York had the largest increase in foreclosure activity started over the period of November to December and in the entirety of 2014. New York's foreclosure activity was up 31% in 2014; only three other metropolitan regions posted increases, and New York's increase was more than twice as large as the next-highest, Philadelphia, which had a 15% increase. In December, New York posted a whopping 127% increase in foreclosure activity from the previous month. Again, this is more than twice as high as the city with the second-biggest increase in December, which was again Philadelphia with a 57% increase.[4]

The underwater data shows that this is a trend that could be continuing for the state and the metro region. Homes that are currently underwater are likely to become foreclosures in the future. Across all types of mortgages and borrower FICO scores, the strongest indicator of whether or not a homeowner will default on their mortgage is the equity position; as equity decreases the probability of default increases. [5]

According to Zillow's 3rd quarter report, there are currently 324,717 underwater homeowners in New York, and they are collectively $33.8 billion underwater. The numbers are worse for cities and neighborhoods where African-Americans and Latinos live. In Albany, Buffalo, Syracuse, Poughkeepsie, Rochester, and Newburgh, non-Hispanic whites are a minority or nearly a minority, according to the U.S. Census.[6] In the counties in which each city is situated, non-Hispanic whites are a majority, and each city has a higher underwater rate than its surrounding county. For example, Buffalo is only 45% non-Hispanic white, while Erie County is 77% non-Hispanic white. And while only 6.5% of Erie County homeowners are underwater, 12.8% of Buffalo homeowners are underwater.

The same is true when you compare those cities to New York State as a whole. New York is 58% non-Hispanic white, which is a higher proportion than each of those cities. Other than Rochester, every other city has a higher underwater rate than the state, with Poughkeepsie having a rate more than twice as high and Newburgh more than three-times as high.

The racial disparities don't change in New York City and the downstate suburbs, where the foreclosure rates keep rising. In Nassau County, where the underwater rate is 8%, the neighboring communities of Hempstead, Uniondale and Roosevelt have an underwater rate of 33%. Those communities are less than 10% non-Hispanic white, while the county as a whole is 63% non-Hispanic white. In Suffolk County, Brentwood and Central Islip, both largely communities of color, are also both have underwater raters that are in the top 5% for the entire country – their underwater rates are also more than twice as high as the county as a whole. And in New York City, Jamaica, Queens, Parkchester in the Bronx, and Mariners Harbor in Staten Island have three of the four highest underwater rates by zip code; each is about 25%.

New York Settlement Money

While foreclosures continue to devastate neighborhoods across New York, especially low-income neighborhoods of color, the primary cause of these lopsided statistics continues to be the banks' predatory lending practices from the late 20th and early 21st centuries. These practices – lending or refinancing based on speculative and unrealistic underwriting criteria – were unethical at best, and in most cases downright fraudulent. Additionally, banks targeted borrowers of color with these products. There are now large areas within neighborhoods that have been absolutely overcome with foreclosed and vacant homes, causing economic devastation to particular homeowners and having a resounding negative impact on surrounding property values that drop precipitously. This has led to a cycle of disinvestment whereby the mortgage amounts due on homes far exceeds the current value of homes, as we have seen in the Zillow research. With more homeowners being underwater on their mortgages, there have been more foreclosures.

After nearly a decade of using these nefarious and illegal tactics, the largest banks on Wall St finally became the catalysts for the biggest economic crisis since the Great Depression when the stock market collapsed in 2008 after giant financial firms were found holding very large assets that turned out to be almost valueless.

In the following years, the federal government, along with New York State's Attorney General, sued big banks for their mistreatment of homeowners during the financial crisis, and won major settlements. In 2013, Attorney General Schneiderman and the federal residential mortgage-backed securities task force secured a $13 billion settlement with J.P. Morgan Chase.[7] Of that, $1 billion was slated to come to New York State, including $613 million in cash. The Attorney General intended to use that money for increased support to loan counseling services and programs such as the Homeowner Protection Program[8] and the Mortgage Assistance Program,[9] and to increase funding to land banks throughout the state.

Instead, Governor Cuomo maneuvered to take control of the money and add it to the state budget.[10] The governor's play for the funds would have been used to plug a budget hole in the state budget created from a $250m/year tax cut the governor gave the banks last year.[11] After the attorney general secured $81.5 million for programs to help homeowners,[12] the remaining $521.5 million went to governor. Of that, about $430 million remain untargeted and unspent in the control of the governor and the leaders of the legislative bodies.

In 2014, the attorney general reached additional settlements with Bank of America and Citibank. All of the money from those settlements went directly to the state budget. Bank of America paid a penalty of $300 million,[13] while Citibank paid $92 million.[14] Recently, the Department of Financial Services just reached a settlement with the servicer Ocwen that pays the state $100 million due to damages to homeowners.[15]

That leaves a total of $922 million that the state has at its disposal this year from settlements reached due to how banks treated homeowners. The Chase money will be allocated through an MOU that requires the governor and both leaders of the Legislature to consult with the state's Division of Homes and Community Renewal and reach an agreement. The $492 million from the Bank of America, Citibank, and Ocwen settlements will be allocated through the 2015 budget process, along with an additional $4 billion in bank penalties secured by the state's Department of Financial Services.

Blackstone and Private Equity in the Foreclosure Market

On January 11, Governor Cuomo appointed William Mulrow as his top aide, replacing Larry Schwartz. Mulrow will be moving to the governor's office after serving as Blackstone's senior managing director of the investor relations and business development group.

Headquartered on Park Ave, the Blackstone Group LP (Blackstone) is an asset manager and provider of financial advisory services. The Company's asset management businesses include investment vehicles focused on private equity, real estate, hedge fund solutions, non-investment grade credit, secondary funds and multi-asset class exposures.[16] It is the largest private equity company in the world,[17] bigger than Mitt Romney's former firm, Bain Capital.[18]

After Wall St.'s foreclosure crisis and economic collapse wiped out wealth for African-Americans and Latinos, forcing millions of homeowners into foreclosure and crippling property values, private equity companies, hedge funds, and other institutional investors stepped in. Private Equity companies "snapped up properties after prices fell as much as 35 percent from the 2006 peak and rental demand rose from the almost 5 million owners who went through foreclosure since 2008."[19]

According to the *Tampa Bay Times*, Federal Reserve data shows that most of the homeowners lost their homes during the foreclosure crisis have become renters for a variety of reasons, but often because they can no longer qualify for a new loan.[20] In other words, Wall St crashed the economy, causing people to lose their homes, and then bought those same homes at a massive discount to rent to the very families who suffered through the foreclosures in the first place.

The company that bought the most foreclosed properties during this time was Blackstone. The firm started a subsidiary company called Invitation Homes, and began acquiring properties through various methods, including foreclosure auctions, short sales, and voluminous purchases directly from the banks.[21] By last June, Blackstone had spent $8.6 billion to purchase 45,000 foreclosed properties in more than 14 cities; at the height of its acquisition in 2013, it was spending $140 million every week. Even after slowing its purchases significantly last year, it was still spending $30 million weekly.[22]

This investment behavior has had several significant impacts on the housing market in the country. Families and first-time homebuyers are now competing for home purchases with private equity companies like Blackstone, which received a $1.5 billion credit line from Deutsche Bank.[23] As a result, homeownership is down to its lowest levels in nearly 20 years, and only one third of Americans younger than 35 own their home. Blackstone has the ability to purchase without appraisals, to wait for short sales, and to pay cash on the spot for homes it wants instead of having to navigate the mortgage process that individual homebuyers must follow.[24] Because access to credit dried up simultaneously with the economic crisis of 2008, it continues to be difficult – often impossible – for African-American and Latino families to get a home mortgage and successfully compete with these private equity firms to buy property. Finally, as the number of households in the rental market has increased because they lost their homes to foreclosure, rent is increasing as more households are competing for rental units. Foreclosure-induced demand in the rental market increases rents, further decreasing affordability for existing renters.[25]

Perhaps the most disturbing impact of Blackstone's activity in the market is the financing they are utilizing to undertake this large-scale purchase of foreclosed properties. The behavior is ominously similar to pre-collapse Wall St., and they are utilizing the very same instruments that inflated the housing bubble, encouraged predatory lending, and ultimately led to global economic downfall in 2008.[26] Instead of betting on mortgages, investors are now betting on renters.

The next bubble might be just around the corner, and Blackstone is driving it.

Who is William Mulrow?

A graduate of Yale and Harvard's Kennedy School of Government, Mulrow has enjoyed a long and lucrative career straddling the private and public sectors. Twice a failed candidate for state comptroller, he has deep ties with prominent Democratic elected officials, including the governor and his father, as well as former Governor Elliot Spitzer.[27]

In his role as the commissioner of New York State's Housing Finance Agency, Mulrow was one of two board members of the state's Housing Trust Fund Corporation, along with Homes and Community Renewal Commissioner Darryl Towns. The Housing Trust Fund was designated as the distributer of $15 million raised for Sandy victims by the governor's Empire State Relief Fund. Soon after the fund started releasing checks, the fund's board, on which also had the chairman of a firm with a large stake in Blackstone sat, voted to direct $3.5 million to the Harbor View and Sea Rise projects in Coney Island. This was a departure from the original claims that the fund had made when raising money, when it said it would focus on homeowners.

These projects were both financed by Blackstone – which, of course, Mulrow was still working at when the funds were distributed through the fund that he controlled with his voluntary government position.[28] This is not uncommon for Mulrow, who has had a number of conflicts of interest in the intersection of New

York state business and his personal businesses. Two years ago, Blackstone received a $ 2 billion power line that outsourced energy jobs to Canada; Blackstone has also received hundreds of millions of new investments from New York State's pension system under Cuomo. Mulrow's business associate is set to bid on state race tracks just as Cuomo considering privatization – and the Cuomo administration appoints almost half of the board that will be making the ultimate decision.[29]

In his spare time, Mulrow is a member of the Kappa Beta Phi "secret" Wall St. fraternity.[30] This fraternity is best known for the sexist and homophobic skits its members put on during an initiation, as well as skits making light of the financial collapse of 2008, which they of course had a very big hand in causing.[31] Bill Mulrow himself has taken part in a skit, dressing as an "occupy" protestor to mock the movement's demand of accountability from the big banks and major financial firms on Wall St.

Demands

As foreclosures continue to rise in New York State, and almost 325,000 New York homeowners owe more on their homes than they are worth, the state has the opportunity to give help to use almost $1 billion in settlement funds from the big banks for foreclosure prevention. As of right now, Governor Cuomo has not made any plans to help homeowners with those funds public.

Additionally, the man who will be responsible for helping to negotiate the use of those funds has just left the private equity firm that has bought more foreclosures than anyone else in the world. He also has a history of sitting on government boards that distribute funds to the private institutions that employ him, as well as a history of taking part in events that mock the financial collapse, despite the harm it caused to homeowners.

Therefore, we demand of Governor Cuomo that:

1. Every dime of the $922 million acquired through settlements with the big banks due to mistreatment of homeowners must be given to whom the money belongs: the homeowners who were the victims of the predatory acts

in the first place. This money should go to existing programs as well as new programs address underwater mortgages in neighborhoods of color throughout the state.

2. The governor must disclose exactly what role Bill Mulrow will play in distributing these funds, and how that may or may not affect Blackstone's holdings and the financial instruments that back them.

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19 http://www.bloomberg.com/news/2014-03-14/blackstone-s-home-buying-binge-ends-as-prices-surge-mortgages.html

20 http://www.tampabay.com/news/business/realestate/blackstone-to-buy-1-billion-worth-of-tampa-bay-homes-for-rentals/1252624

21 http://www.motherjones.com/politics/2013/11/wall-street-buying-foreclosed-homes

22 http://dealbook.nytimes.com/2014/06/27/investors-who-bought-foreclosed-homes-in-bulk-look-to-cash-in/?_r=1

23 http://www.bloomberg.com/news/2013-06-17/deutsche-bank-leading-wall-street-rental-loans-mortgages.html

24 http://www.tampabay.com/news/business/realestate/blackstone-to-buy-1-billion-worth-of-tampa-bay-homes-for-rentals/1252624

25 http://www.economics.uci.edu/files/docs/phdcandidates/12-13/saioc_jobmktpaper.pdf

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27 http://www.nysun.com/new-york/governor-turns-to-a-new-political-guru/68295/

28 http://www.thenewyorkworld.com/2013/12/13/empire-state-relief-fund/

29 http://www.ibtimes.com/andrew-cuomos-top-aide-lobbied-firms-state-business-1785536

30 http://littlesis.org/person/70288/William_J_Mulrow

31 http://nymag.com/daily/intelligencer/2014/02/i-crashed-a-wall-street-secret-society.html

Good morning. My name is Jean Sassine, the Queens Chapter Chair of New York Communities for Change, and I'm a homeowner from Queens Village.

I'd like to start by welcoming the committee to Queens and thanking you for the opportunity to testify on an issue that seems many people have forgotten about, but one that still greatly affects us here.

Soon after I lost my job in the wake of the economic collapse, my wife got sick, and I had to make a decision on whether we were going to continue making mortgage payments or pay our medical bills. Since then, I've been in a constant fight with numerous banks and servicers, trying to modify my mortgage so my family and I can stay in our home.

I have experienced all the common horror stories – they've lost my paperwork, given me the runaround, delayed, delayed, delayed…but what is most important today is the effect the banks' behavior has had on my neighborhood. There are abandoned homes everywhere, including right around the corner from this college. Some of these homes are owned by banks, others were just abandoned by homeowners who have lost all hope after getting nowhere on their modifications.

These blighted properties have attracted illegal activity like drug dealing and prostitution, and have had a serious negative consequence on the neighborhood and our property values – causing many homeowners in Southeast Queens to owe more money than their house is worth through no fault of their own.

Recently, the federal government and government-sponsored entities like HUD and Fannie and Freddie, have begun to sell portfolios of non-performing underwater mortgages. Too often, these portfolios are being sold to the very people who got us into this problem in the first place: Wall St.

Right now, after black and Latino wealth was sucked out of our communities, our neighborhoods are being sold wholesale for pennies on the dollar to hedge funds and private equity. To make matters worse, the state had an opportunity to create a fund to purchase these mortgages when the Attorney General and Department of Financial Services secured more than $900 million in settlements because of the fraudulent actions of banks. Unfortunately, the governor and Republican Senate did not allocate a single dollar to homeowners for foreclosure relief.

New York City should do everything it can to ensure pools of underwater mortgages are getting in the hands of non-profits, whose first priority is to keep homeowners in their homes, rather than hedge funds and private equity that have no regard for the health of our communities.

If this cannot be done, the city should examine the use of eminent domain to take underwater mortgages from the banks and write-down the principal for homeowners.

Neighborhood Housing Services Jamaica, Inc.
89-70 162nd Street, Jamaica NY 11432
Tel: (718) 291-7400 Fax: (718) 298-6505
www.nhsj.org

NEIGHBORHOOD HOUSING SERVICES OF JAMAICA, INC.

TESTIMONY

NEW YORK CITY COUNCIL ECONOMIC DEVELOPMENT
AND
COMMITTEE ON COMMUNITY DEVELOPMENT

YORK COLLEGE, JAMAICA, QUEENS, NEW YORK

April 14, 2015

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Neighborhood Housing Services of Jamaica, Inc. (NHJS) is celebrating our 40th anniversary of serving the housing counseling needs of Southeast Queens and neighboring communities. NHSJ provides a *full spectrum* of housing counseling services and programs for prospective and existing homeowners, promoting new homeownership, preservation of the housing stock and the stability of neighborhoods.

NHSJ is a member of the New York State Attorney General's "Homeowner Protection Program" (HOPP) network, which is managed locally by the Center For New York City Neighborhoods (CNYCN).

Jamaica and Southeast Queens have been referred to as "ground zero" for foreclosure in New York City. The area has been consistently ranked at the top in numbers of foreclosure filings and foreclosure rates in New York City and the saga continues.

The foreclosure crisis is not only on-going but chronic

The popular media seems to have declared the foreclosure crisis as pretty much over, focusing on reporting nation-wide declines in foreclosure rates and rebounding of home prices. Despite forecasting such optimism, it is necessary to look at what's happening in more local markets to understand how well individual states and localities are doing. Such optimism doesn't seem to apply to New York State as a whole and in communities of color in New York City.

RealtyTrac issued a report, "U.S. Foreclosure Market Report for January 2015," in February (which) shows filings – default notices, scheduled auctions and bank repossessions in January (2015)… ["U.S. Foreclosure Activity Increases 5 Percent in January Driven by 15-Month High in Bank Repossessions" – http://www.realtytrac.com]. Referring to New York, the report states that "foreclosure auctions in January" were "up 79 percent to a 55-month high…"

In its March 2015 report "In The Eye Of The Storm: Why The Threat of Foreclosure Damage Continues," the Empire Justice Center, while focusing on upstate counties, nevertheless finds that there is a "lingering foreclosure crisis" in New York. The crisis is "prolonged by ongoing delays created by banks and mortgage servicers" and its "turning this vision of economic security and opportunity into a nightmare for many families and threatens the stability of our neighborhoods and communities. Moreover, foreclosures are disproportionately affecting African-American and Latino families and communities, substantially reducing their chance of equitable economic opportunity." (p. 5) Given the homeowners in financial distress that we see at Neighborhood Housing Services of Jamaica, Inc. (NHSJ), we would add clients from immigrant communities as well.

CONCLUSION

The continuing and chronic nature of the foreclosure crisis must not be marginalized by having its impact under-reported. It must be addressed by continuing funding for legal services and housing counseling to assist individual homeowners and to stabilize communities that continue to be affected by persistence of both the subprime mortgage crisis and the economic effects of the recession on people and their communities.

"The new Responsible Banking Act (RBA)" became law in New York City "to encourage banks seeking to hold city deposits to be more accountable to low – and – moderate income New Yorkers." (Association for Neighborhood and Housing Development [ANHD]: "Do Banks Invest Responsibly in Your Neighborhood"). Banks doing business in New York City, who are mortgage investors or servicers, also need to be accountable for how they evaluate loan modification applications. Among these banks are depository institutions with branches that serve Southeast Queens communities.

There are six (6) depository institutions* located in an eight zip code area** comprising the greater Jamaica, Queens area, showing deposit data reported by the Federal Deposit Insurance Corporation. (FDIC -- "Summary of Deposits: Institution Branch Report – June 30, 2014 https://www2.fdic.gov) NHSJ assists homeowners who have these banks as their lender, investor or mortgage servicer.

According to the FDIC data, the combined total of deposits held by these banks in the greater Jamaica, Queens area totals $1,828,575,000. The community is invested in these banks.

Some modifications have been made more affordable by deferring principal with "balloon" payments due at the end of the mortgage term. Principal forgiveness has also made some modifications more affordable. Lenders, investors and servicers need to partner with advocates to ensure that the federal government passes debt relief legislation once again to exempt debt forgiveness from taxation by the Internal Revenue Service. They also need to work more closely with homeowners and counseling agencies in New York City, like NHSJ, to consider all options that could help prevent foreclosure including principal forgiveness and support the retention of affordable, sustainable homeownership to help homeowners to once again realize equity in their homes, build wealth and experience more secure financial futures.

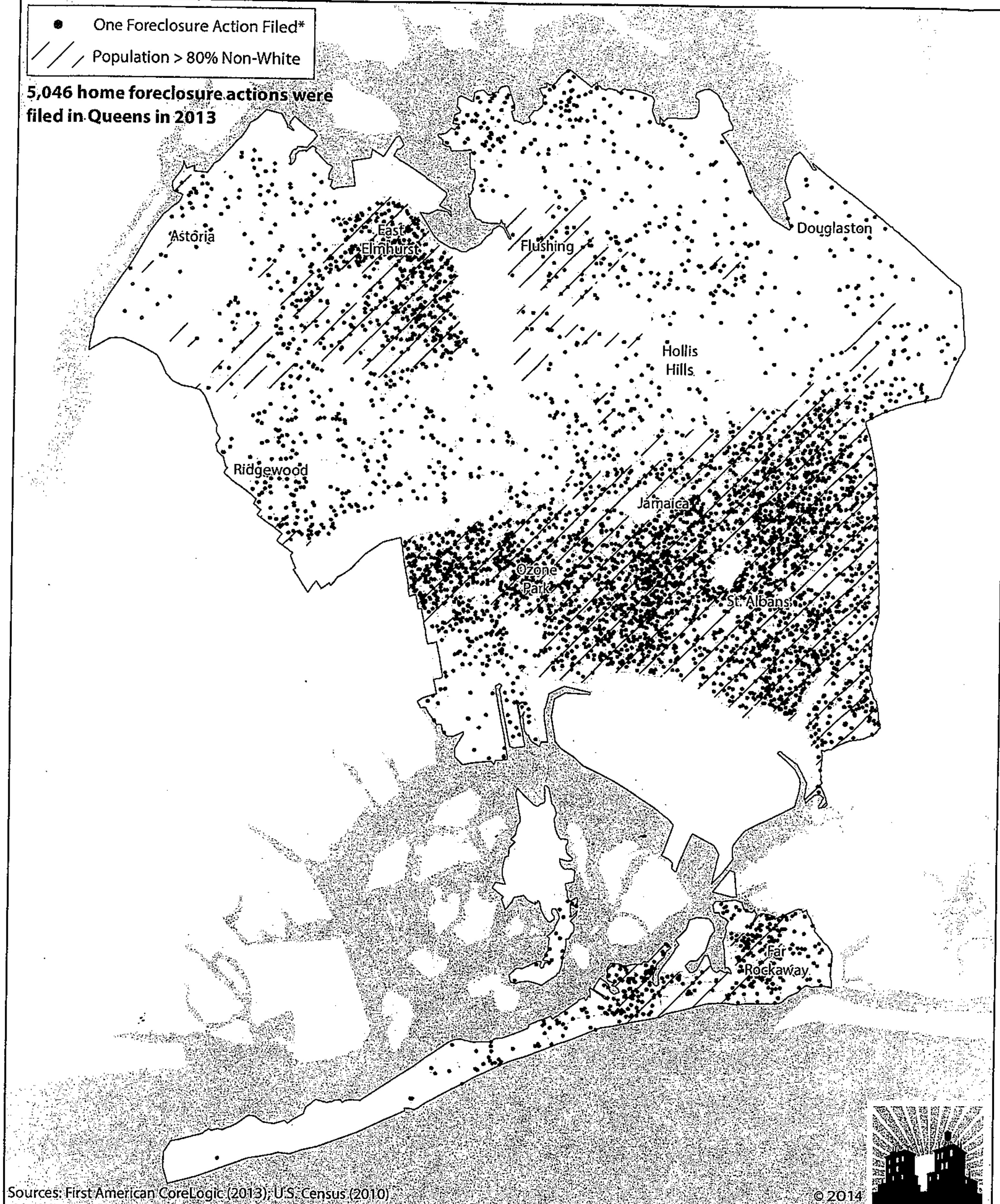
(*Bank of America, Capital One, JP Morgan CHASE, CitiMortgage, Carver Savings Bank, HSBC Bank)
(**11412, 11413, 11423, 11430, 11432, 11433, 11434, 11435)

Home Foreclosure Actions - Queens, NY (2012)

Sources: First American CoreLogic (2012); U.S. Census (2010)

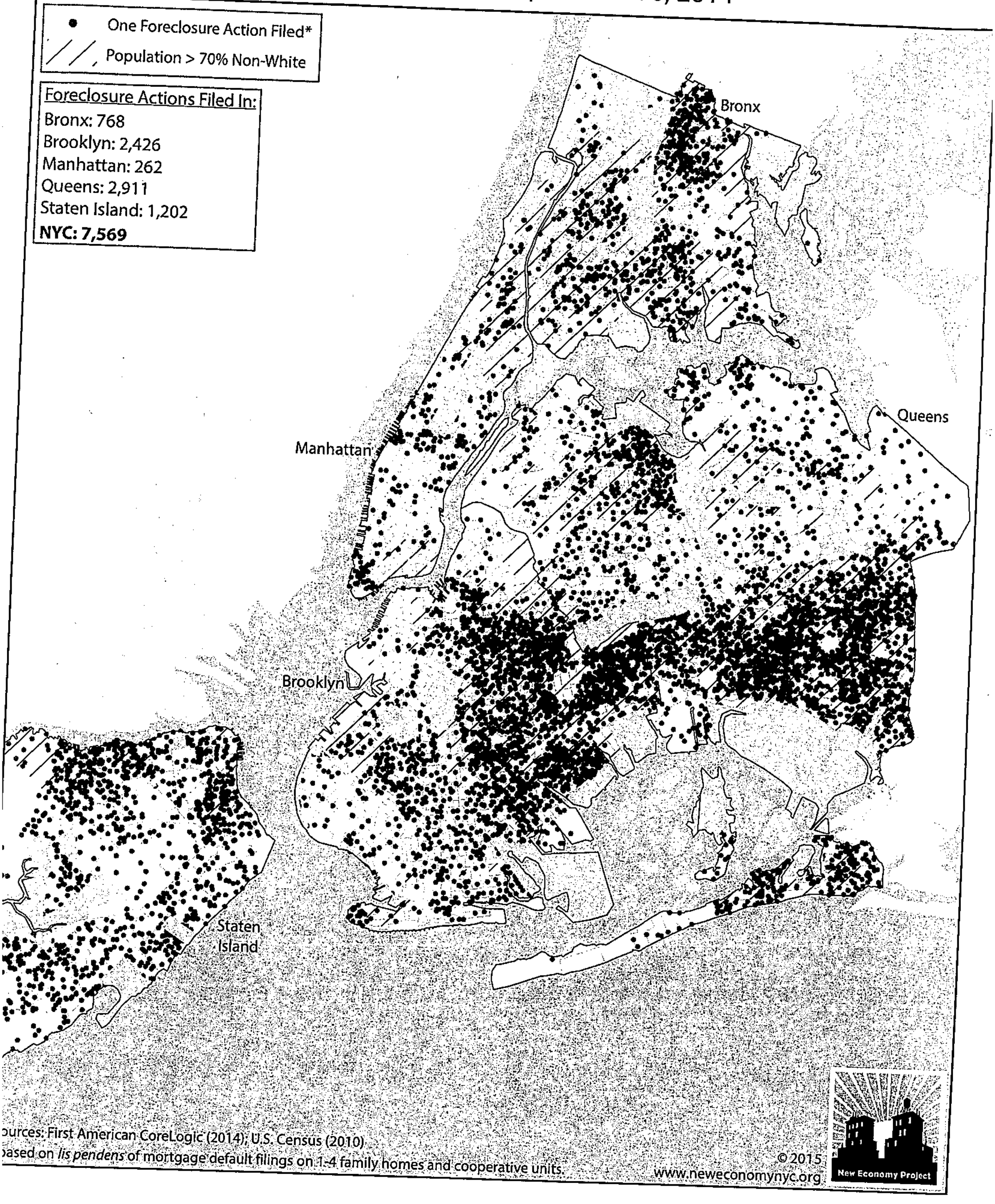
*Based on *lis pendens* of mortgage default filings on 1-4 family homes and condominium units

Home Foreclosure Actions
Queens - 2013



Sources: First American CoreLogic (2013); U.S. Census (2010)
*based on *lis pendens* of mortgage default filings on 1-4 family homes and condominium units.

Home Foreclosure Actions - New York City
January 1, 2014 - September 30, 2014



ources: First American CoreLogic (2014); U.S. Census (2010)
based on *lis pendens* of mortgage default filings on 1-4 family homes and cooperative units.

Summary of Deposits

Offices and Deposits of all
FDIC-Insured Institutions

Go Back

Selected Criteria
MSA: **New York-Newark-Jersey City, NY-NJ-PA**
Zip Code: **11412**
City Type: USPS
Data as of: June 30, 2014
Sorted by: State, County, Institution Name
Run Report

Institution and Branch Selection

State / County / Institution Name / Office Address	Cert	City, State / City (USPS)	Charter / Zip	Service Type Codes	Office Number	Unique Number	Deposits ($000) for June 30, 2014
NEW YORK							
Queens County							
Bank of America, National Association	3510	Charlotte, NC	N				
205-02 Linden Boulevard		Saint Albans	11412	11	8037	213588	52,348
Totals for Certificate Number 3510		**1 Office(s)**					**52,348**
Capital One, National Association	4297	Mclean, VA	N				
189-02 Linden Boulevard		Saint Albans	11412	11	805	235846	48,415
Totals for Certificate Number 4297		**1 Office(s)**					**48,415**
JPMorgan Chase Bank, National Association	628	Columbus, OH	N				
20532 Linden Boulevard		Saint Albans	11412	11	4294	469607	25,544
18839 Linden Boulevard		Saint Albans	11412	11	6543	481172	14,596
Totals for Certificate Number 628		**2 Office(s)**					**40,140**

County Totals:

County Totals: Queens, New York			
Type of Institution	**# of Institutions**	**# of Offices**	**Deposits June 30, 2014**
Commercial Banks	3	4	140,903
Savings Institutions	0	0	0
US Branches of Foreign Banks	0	0	0
Total	3	4	140,903

Summary of Deposits

Offices and Deposits of all
FDIC-Insured Institutions

Institution and Branch Selection

Go Back

Selected Criteria
MSA: New York-Newark-Jersey City, NY-NJ-PA
Zip Code: 11413
City Type: USPS
Data as of: June 30, 2014
Sorted by: State, County, Institution Name
Run Report

State / County / Institution Name / Office Address	Cert	City, State / City (USPS)	Charter / Zip	Service Type Codes	Office Number	Unique Number	Deposits ($000) for June 30, 2014
NEW YORK							
Queens County							
Bank of America, National Association	3510	Charlotte, NC	N				
216-02 Merrick Boulevard		Springfield Gardens	11413	11	8038	213590	53,663
Totals for Certificate Number 3510		**1 Office(s)**					**53,663**
JPMorgan Chase Bank, National Association	628	Columbus, OH	N				
231-02 Merrick Boulevard		Springfield Gardens	11413	11	3589	445424	30,924
13440 Springfield Blvd		Springfield Gardens	11413	11	6952	494565	17,968
Totals for Certificate Number 628		**2 Office(s)**					**48,892**
New York Community Bank	16022	Westbury, NY	SB				
134-40 Springfield Blvd.		Springfield Gardens	11413	12	90	359204	12,095
Totals for Certificate Number 16022		**1 Office(s)**					**12,095**
Ridgewood Savings Bank	16026	Ridgewood, NY	SB				
230-22 Merrick Boulevard		Springfield Gardens	11413	11	3	236816	122,764
Totals for Certificate Number 16026		**1 Office(s)**					**122,764**

County Totals: ,

County Totals: Queens, New York			
Type of Institution	# of Institutions	# of Offices	Deposits June 30, 2014
Commercial Banks	2	3	102,555
Savings Institutions	2	2	134,859
US Branches of Foreign Banks	0	0	0
Total	4	5	237,414

Summary of Deposits

Offices and Deposits of all
FDIC-Insured Institutions

Go Back

Selected Criteria
Zip Code: 11423
City Type: USPS
Data as of: June 30, 2014
Sorted by: State, County, Institution Name
Run Report

Institution and Branch Selection

State / County / Institution Name / Office Address	Cert	City, State / City (USPS)	Charter / Zip	Service Type Codes	Office Number	Unique Number	Deposits ($000) for June 30, 2014
NEW YORK							
Queens County							
JPMorgan Chase Bank, National Association	628	Columbus, OH	N				
205-19 Hillside Avenue		Hollis	11423	11	556	183708	149,796
Totals for Certificate Number 628		**1 Office(s)**					**149,796**
Ridgewood Savings Bank	16026	Ridgewood, NY	SB				
205-11 Hillside Av		Hollis	11423	11	2	236815	140,127
Totals for Certificate Number 16026		**1 Office(s)**					**140,127**
TD Bank, National Association	18409	Wilmington, DE	N				
188-10 Hillside Avenue		Hollis	11423	11	1265	493809	62,869
Totals for Certificate Number 18409		**1 Office(s)**					**62,869**

County Totals:

County Totals: Queens, New York			
Type of Institution	# of Institutions	# of Offices	Deposits June 30, 2014
Commercial Banks	2	2	212,665
Savings Institutions	1	1	140,127
US Branches of Foreign Banks	0	0	0
Total	3	3	352,792

Summary of Deposits

Offices and Deposits of all
FDIC-Insured Institutions

Go Back

Selected Criteria
MSA: **New York-Newark-Jersey City, NY-NJ-PA**
Zip Code: **11430**
City Type: USPS
Data as of: June 30, 2014
Sorted by: State, County, Institution Name
Run Report

Institution and Branch Selection

State / County / Institution Name / Office Address	Cert	City, State / City (USPS)	Charter / Zip	Service Type Codes	Office Number	Unique Number	Deposits ($000) for June 30, 2014
NEW YORK							
Queens County							
Citibank, National Association	7213	Sioux Falls, SD	N				
Building #72, JFK International Airport		Jamaica	11430	11	143	214166	93,555
Totals for Certificate Number 7213		1 Office(s)					93,555

County Totals: ,

County Totals: Queens, New York			
Type of Institution	# of Institutions	# of Offices	Deposits June 30, 2014
Commercial Banks	1	1	93,555
Savings Institutions	0	0	0
US Branches of Foreign Banks	0	0	0
Total	1	1	93,555

Summary of Deposits

Offices and Deposits of all
FDIC-Insured Institutions

Go Back

Selected Criteria
MSA: **New York-Newark-Jersey City, NY-NJ-PA**
Zip Code: **11432**
City Type: **USPS**
Data as of: **June 30, 2014**
Sorted by: **State, County, Institution Name**
Run Report

Institution and Branch Selection

State / County / Institution Name / Office Address	Cert	City, State / City (USPS)	Charter / Zip	Service Type Codes	Office Number	Unique Number	Deposits ($000) for June 30, 2014
NEW YORK							
Queens County							
Apple Bank for Savings	16068	Manhasset, NY	SB				
168-42 Hillside Avenue		Jamaica	11432	11	82	226274	60,413
Totals for Certificate Number 16068		**1 Office(s)**					**60,413**
Astoria Bank	29805	Long Island City, NY	SB				
179-25 Hillside Avenue		Jamaica	11432	11	198	277249	86,866
Totals for Certificate Number 29805		**1 Office(s)**					**86,866**
Bank of America, National Association	3510	Charlotte, NC	N				
91-16 168th Street		Jamaica	11432	11	8036	213585	70,087
175-57 Hillside Avenue		Jamaica	11432	11	8165	229540	57,834
Totals for Certificate Number 3510		**2 Office(s)**					**127,921**
Capital One, National Association	4297	Mclean, VA	N				
161-01 Jamaica Avenue		Jamaica	11432	11	631	236792	73,683
Totals for Certificate Number 4297		**1 Office(s)**					**73,683**
Citibank, National Association	7213	Sioux Falls, SD	N				
89-50 164th Street		Jamaica	11432	11	142	214165	133,504
16848 Hillside Avenue		Jamaica	11432	11	861	213508	100,758
Totals for Certificate Number 7213		**2 Office(s)**					**234,262**
JPMorgan Chase Bank, National Association	628	Columbus, OH	N				
161-10 Jamaica Avenue		Jamaica	11432	11	819	182736	122,882
184-01 Hillside Avenue		Jamaica	11432	11	856	182804	144,838
175 - 62 Hillside Avenue		Jamaica	11432	11	7052	500148	24,205
Totals for Certificate Number 628		**3 Office(s)**					**291,925**
TD Bank, National Association	18409	Wilmington, DE	N				
150-50 Hillside Avenue		Jamaica	11432	11	1705	557749	11,516
Totals for Certificate Number 18409		**1 Office(s)**					**11,516**

County Totals:

County Totals: Queens, New York

Type of Institution	# of Institutions	# of Offices	Deposits June 30, 2014
Commercial Banks	5	9	739,307
Savings Institutions	2	2	147,279
US Branches of Foreign Banks	0	0	0
Total	7	11	886,586

Summary of Deposits

Go Back

Offices and Deposits of all
FDIC-Insured Institutions

Selected Criteria
MSA: New York-Newark-Jersey City, NY-NJ-PA
Zip Code: 11433
City Type: USPS
Data as of: June 30, 2014
Sorted by: State, County, Institution Name
Run Report

Institution and Branch Selection

State / County / Institution Name / Office Address	Cert	City, State / City (USPS)	Charter / Zip	Service Type Codes	Office Number	Unique Number	Deposits ($000) for June 30, 2014
NEW YORK							
Queens County							
Carver Federal Savings Bank	30394	New York, NY	SB				
158 45 Archer Ave		Jamaica	11433	11	111	495968	32,219
Totals for Certificate Number 30394		1 Office(s)					32,219
JPMorgan Chase Bank, National Association	628	Columbus, OH	N				
110-36 Merrick Boulevard		Jamaica	11433	11	6668	481366	10,786
Totals for Certificate Number 628		1 Office(s)					10,786

County Totals: ,

County Totals: Queens, New York			
Type of Institution	# of Institutions	# of Offices	Deposits June 30, 2014
Commercial Banks	1	1	10,786
Savings Institutions	1	1	32,219
US Branches of Foreign Banks	0	0	0
Total	2	2	43,005

Summary of Deposits

Offices and Deposits of all
FDIC-Insured Institutions

Go Back

Selected Criteria
MSA: New York-Newark-Jersey City, NY-NJ-PA
Zip Code: 11434
City Type: USPS
Data as of: June 30, 2014
Sorted by: State, County, Institution Name
Run Report

Institution and Branch Selection

State / County / Institution Name / Office Address	Cert	City, State / City (USPS)	Charter / Zip	Service Type Codes	Office Number	Unique Number	Deposits ($000) for June 30, 2014
NEW YORK							
Queens County							
Carver Federal Savings Bank	30394	New York, NY	SB				
115-02 Merrick Blvd		Jamaica	11434	11	101	280286	63,652
Totals for Certificate Number 30394		1 Office(s)					63,652
Citibank, National Association	7213	Sioux Falls, SD	N				
169-21 137 Avenue		Jamaica	11434	11	800	358326	70,159
Totals for Certificate Number 7213		1 Office(s)					70,159
JPMorgan Chase Bank, National Association	628	Columbus, OH	N				
165-40 Baisley Boulevard		Jamaica	11434	11	118	183237	92,112
Totals for Certificate Number 628		1 Office(s)					92,112

County Totals: ,

County Totals: Queens, New York

Type of Institution	# of Institutions	# of Offices	Deposits June 30, 2014
Commercial Banks	2	2	162,271
Savings Institutions	1	1	63,652
US Branches of Foreign Banks	0	0	0
Total	3	3	225,923

Summary of Deposits

Offices and Deposits of all
FDIC-Insured Institutions

Go Back

Selected Criteria
MSA: New York-Newark-Jersey City, NY-NJ-PA
Zip Code: 11435
City Type: USPS
Data as of: June 30, 2014
Sorted by: State, County, Institution Name
Run Report

Institution and Branch Selection

State / County / Institution Name / Office Address	Cert	City, State / City (USPS)	Charter / Zip	Service Type Codes	Office Number	Unique Number	Deposits ($000) for June 30, 2014
NEW YORK							
Queens County							
Bank of America, National Association	3510	Charlotte, NC	N				
90-53 Sutphin Blvd		Jamaica	11435	11	8946	469929	35,649
Totals for Certificate Number 3510		**1 Office(s)**					**35,649**
Capital One, National Association	4297	Mclean, VA	N				
146-21 Jamaica Avenue		Jamaica	11435	11	629	236789	73,783
Totals for Certificate Number 4297		**1 Office(s)**					**73,783**
HSBC Bank USA, National Association	57890	Mc Lean, VA	N				
14702 Hillside Avenue		Jamaica	11435	11	118	183863	91,227
13761 Queens Blvd		Jamaica	11435	11	328	269927	67,979
Totals for Certificate Number 57890		**2 Office(s)**					**159,206**
JPMorgan Chase Bank, National Association	628	Columbus, OH	N				
138-02 Queens Boulevard		Jamaica	11435	11	3972	182550	48,616
9059 Sutphin Boulevard		Jamaica	11435	11	6645	481343	27,793
Totals for Certificate Number 628		**2 Office(s)**					**76,409**
Signature Bank	57053	New York, NY	NM				
89-36 Sutphin Blvd.		Jamaica	11435	11	24	515147	141,358
Totals for Certificate Number 57053		**1 Office(s)**					**141,358**

County Totals:

County Totals: Queens, New York			
Type of Institution	**# of Institutions**	**# of Offices**	**Deposits June 30, 2014**
Commercial Banks	5	7	486,405
Savings Institutions	0	0	0
US Branches of Foreign Banks	0	0	0
Total	5	7	486,405

Brooklyn Legal Services Corporation A
building communities, ensuring opportunity, achieving justice

TO:	**New York City Council's Committee on Economic Development and the Committee on Community Development**
FROM:	**David Bryan, Esq., Director, Consumer & Economic Advocacy Program, Brooklyn Legal Services Corporation A**
SUBJECT:	**Written Testimony on the Economic Impact of the City's Foreclosure Crisis**
DATE:	**April 14, 2015**

WHAT IS BROOKLYN A'S CONSUMER AND ECONOMIC ADVOCACY PROGRAM?

We are a group of attorney and paralegal advocates specializing in preserving homeownership when possible and preserving income and wealth if we cannot save the home. Brooklyn Legal Services Corporation A (Brooklyn A) has been providing services for more than 46 years. In 2012 we separated from the Legal Services Corporation's funded LS-NYC. We are a 501(c) (3) corporation which provides services to our clients through our program areas of individual and group housing, community economic development and consumer and economic advocacy. Our support includes grants from the City, State and Federal governments as well as substantial private contributions. We have expanded our service reach beyond Kings County and we also provide services in Queens County for foreclosure and bankruptcy matters. Unlike many other nonprofit legal providers we are not prohibited in providing services on the basis of immigration status.

Our foreclosure advocacy is contained within the Consumer and Economic Advocacy Program. Our three attorneys and one paralegal provide services to between 100 and 150 home owners per year. Our work is supported by grants from United States Department of Housing and Urban Development (HUD); New York State's Attorney General through their HOPP program and indirectly from the City of New York through its grants to the Center for NYC Neighborhoods (CNYCN).

Our work under the HUD contract enables us to approach many of the difficulties and problems confronting our clients from the perspective of historical discrimination on the basis of race, religion as well as ethnic perception. We have prevailed in various cases when our advocacy explicitly states that the mortgage foreclosure catastrophe was the result of discriminatory targeting resulting in deceptive and unfair trade practices under New York State law.1

The issues of mortgage foreclosure in the current environment are exceedingly complex. Financial literacy is important inasmuch as mortgage foreclosure is a problem of the middle class instead of the poor. I find that our attorneys need to be able to understand the client's financial picture, their likely prospects for retirement, their tax exposure, the relationships between spouses and how the ownership or lack thereof of the greatest asset they will have in their lives will affect them are among the responsibilities that we weigh for individuals.

As for my adversaries, I find that I need to have all of the diligence of a criminal prosecutor so as to derive their motivations to market loans that were unpayable from their inception. I find that I need to delve into such minutiae as the securities laws that govern a pooling and servicing agreement (PSA) overseeing hundreds of millions of dollars in investments. Finally, I find that I must be prepared and committed to trying cases where the relevant issues are years in the past and the documentation is lost or destroyed.

Since I acknowledge the request of the committee to limit my comments to those matters that are within the ability of the city council to address, I limit my comments to two areas, enforcement and education. Finally, I advocate for a little used remedy that we have found productive, the use of the Bankruptcy Courts and the loss mitigation process to remedy foreclosures. We ask the City Council to support this work through funding of a pilot project using bankruptcy to remedy foreclosures.

Delay Is Often Deadly

First, the Council must understand that there is a pattern of delay in these cases by bankers and lenders that have acted to the detriment of their constituents. The crisis was predicated on making homeowners pay the highest rate of interest on the highest conceivable appraisal. In addition, many who have fallen into foreclosure are from neighborhoods that have historically been the victim of discriminatory lending policies

[1] See BAC Home Loans Servicing, LP v. Ramsay, 24240/09, NYLJ 1202672577619, at *1 (Sup., KI, Decided September 29, 2014); see also, Wells Fargo Bank, N.A. v Weekes 2014 NY Slip Op 51895(U).

and practices. Once the inevitable default occurs, the homeowner is locked into the unaffordable payment until the loan is modified or the foreclosure concludes. Furthermore, each missed monthly payment is added to the balance. Therefore, if the "fair" loan is $1,500.00 per month and the current "unfair" loan is $4,500.00 per month, each month that the loan is in default adds $3,000.00 in "unfair" arrears.

If we accept the "fair" versus "unfair" arrears reasoning above, and we further accept that there is an average of 900 days to consummate a foreclosure I would ask the Council to "split the difference" in who bears responsibility for those delays. Let us say for the sake of argument that 450 days could be charged to the lender. In the example above it would mean that a total of $67,500.00 in arrears can be charged to the bank's determination not to negotiate a reasonable settlement. Of that $67,500.00 it could be reasonably stated that $45,000.00 is the "unfair" portion. That unfair portion often makes the difference between a reasonable settlement and a consummated foreclosure.

One must understand the various financial incentives and disincentives in order to fully appreciate what homeowners must face. The foreclosure crisis was the worst of unregulated predatory capitalism rendered with contempt upon the most vulnerable without the least concern for the consequences of this behavior[2].

Deterrence Must Be Real

Second, I urge the council to work closely and apportion funding to provide for criminal prosecution of individuals and officers of corporations who have targeted our city and its most vulnerable property owners for schemes to deprive them of their equity and their homes. In the face of a reluctance by every other entity who has engaged this to incarcerate willing bad actors, I encourage the council to provide the resources that would be used to prosecute those who use mortgage lending as a cover for what is only a swindle.

A New Hope?

[2] See New York Times, Why I Am Leaving Goldman Sachs, by Greg Smith, March 14, 2012 http://www.nytimes.com/2012/03/14/opinion/why-i-am-leaving-goldman-sachs.html

Finally, we ask the Council to fund a trial program assisting homeowners in the use of the bankruptcy court to file Chapter 7 and Chapter 13 bankruptcy cases that can be the vehicles to compel lenders to settle on the homeowner's terms.

RECOMMENDATIONS FOR THE CITY COUNCIL

FURTHER TRAINING FOR CONSTITUENT SERVICES STAFF IN MORTGAGE AND OTHER FINANCIAL MATTERS.

The City Council has a significant number of staff delivering a direct constituent services component. These individuals are on the front line with constituents who are experiencing financial or mortgage related distress. Very often the councilpersons role as a problem solver in the community creates a dynamic where their office becomes the initial point of services to be rendered. However, many of these mortgage related and financially oriented crises are complex and beyond the experience of constituent services personnel. While it is almost never the role of the councilperson's staff to directly provide services such as going to court or administrative hearings, the ability to "issue spot" and determine the current difficulty the constituent is experiencing can be the difference between and defective and ineffective intervention.

Therefore, it would be both consistent with the mission of the city council, its members, and their staffs to obtain basic training in areas such as mortgage loan modifications, legal orientation to the foreclosure and bankruptcy process, as well as the protections that are available to homeowners and other constituents. I would recommend that an organization such as the Center for NYC Neighborhoods (CNYCN) be retained a on a formal or informal basis to provide this training after the development of a curriculum.

CNYCN would appear to be well suited to provide this service inasmuch as they already are the recipient of funds from this council and is fully experienced with the process of training in these areas. CNYCN in addition to working with the City Council also is an "Anchor Partner" of the New York State Attorney General through the HOPP grant that distributes the proceeds of settlements with large banks. CNYCN provides significant training to housing counselors so as to be able to provide services within that community and they provide certification as to the counselor's competence as well.

ESTABLISHMENT OF A TASK FORCE OF DISTRICT ATTORNEYS TO RECEIVE INTAKE FROM INDIVIDUALS ALLEGING DEED THEFT OR FRAUD AND CONSEQUENT PROSECUTION OF OFFENDERS.

Most if not all of the legal services providers who have met with the chair in committee today would be able to testify as to compelling stories from humble people who have experienced what is known as "deed theft". Brooklyn A and other nonprofits have successfully taken on these cases so we can testify as to the extreme difficulty of prosecuting these matters. Currently, most nonprofit law firms are unable to pursue these matters due to the lack of investigative tools and the required extreme use of resources. We believe that the county district attorneys should have established well-funded mortgage fraud and deed theft bureaus. These bureaus would actively investigate various scams and schemes from the perspective of a crime, not a civil dispute.

A deed theft can be where a forgery of a deed or other instrument alleging a transfer of the property is executed. Once this forgery is presented to a bank or other lender a refinance or mortgage can be obtained. This scheme does not require the knowledge of the actual owner of the property and therefore is only discovered at a point when the actual owner is confronted with issues implicating title such as refinancing, eviction or foreclosure.[3]

These schemes as well as the various variations to the standard deed theft pattern can be prosecuted civilly. However, it is my personal experience as well as my observations that these appear to be more closely related to criminal acts. Therefore, the dynamic of criminality vs. civil disputes come into play. When these actions are prosecuted in a civil context there is a presumption that both entities are standing in equal footing, and that even if the homeowners contentions are true the message for resolving the matter is a reapportionment of wealth. However, in criminal actions the offender must perform the computation that is not entirely based

[3] There also deed theft schemes which rely upon a greater or lesser degree of cooperation from the owner. Often, the home owner will become targeted after the filing of a summons and complaint to start a foreclosure. The fraudster will make a telephone, mail, or personal solicitation. The enticement is that if the homeowner will do business with the fraudster so there will be a resolution to the issue that resulted in the summons. Often, the fraudster promises that credit of some type will be provided so as to resolve the immediate problem. Inasmuch as it is a safe bet the homeowner is not eligible for affordable credit due to whatever difficulty cause of the problem, the solution that is offered is to permit the technical transfer of the deed so that a third party can obtain the credit that's necessary to save the home. Obviously, to some degree a homeowner is complicit in this deception of the bank in as much as even in the best case it is predicated on obtaining credit from the bank on the basis of someone other than the actual homeowner's credit. There is often some arrangement where the parties agree informally to transfer the deed back at some point in the future. There may be some arrangement by which the homeowner will pay the new mortgage, or will pay rent given that they understand until they regain the deed they are not really the owner anymore.

in whether the cost of possible to take action is too high, you must determine whether you wish to risk your personal freedom to defraud the homeowner. And in far too many cases, mortgage brokers, real estate brokers, appraisers, attorneys, title company representatives make a reasonable computation that they will pay as a cost of doing business the expenses of a law suit in the event that their deceptions are uncovered. However, the risk of actual imprisonment changes the equation and thereby creates the same deterrents in real estate fraud that exists in subway fare evasion.

ECONOMIC EFFECTS

My first mortgage foreclosure case was taken in Kings County in 2006. Prior to that time I was a staff attorney and a branch manager for Brooklyn A with a specialty in helping those who were infected and affect it by the AIDS epidemic. I was attempting to resolve a mortgage foreclosure that had been brought after the death of a person afflicted with the virus. It was a relatively simple matter, I was able to persuade the bank to forgive the arrears and reestablish the mortgage and the name of the surviving family member. I feel as nostalgic for that time as I do when I see *It's a Wonderful Life* during the holidays and dream of benevolent bankers. In 2009, I was involved in a Brooklyn A full time project seeking to abate the mortgage foreclosure catastrophe. I had a portfolio of these loans that afflicted people in East New York, Bedford Stuyvesant, Cypress Hills, and a stretch of Pennsylvania Avenue starting at the Jackie Robinson Parkway leading down to the Belt Parkway beyond Starrett City. The situation had changed from when it was like *It's a Wonderful Life*.

My colleagues who are here to speak to you today and I'm sure your own exhaustive research have given you many of the most shocking statistics. The fact that the scope of the foreclosure epidemic in NYC dwarfs that of the Great Depression is something that I'm sure is familiar to most if not all of the people in this room. However, I believe that I can be most helpful by asking the committee to consider if some of its initial premises and the definitions are in error.

DELAY IS DEADLY TO THE HOMEOWNER.

The council is I am sure familiar with the fact that it takes very long for homeowners to lose their foreclosure cases and eventually be removed[4]. Often this is noted in the context of freeloading homeowners who are taking advantage of an economic downturn to unjustly enrich them by living in a place that they are not paying the mortgage to occupy. For most homeowners this misses the point. The real estate bubble of the 2000 to 2008 was predicated upon an unsustainable rise in real estate values and unsustainably high rates of return from unaffordable adjustable and fixed rate loans. As an attorney who defends these homeowners I have an ongoing practice of contesting the fairness of these mortgages.

The homeowner who has an income of less than $3000 a month being offered a $330,000.00 mortgage loan requiring a $3,500 a month initial payment rising to $5,800 a month in several years was not a customer of a mortgage provider but rather this homeowner was the victim of a scam that used what appeared to be a mortgage as their weapon. The delays in getting to the ultimate question of whether these loans were fair at their inception allow arrears to accumulate at an unfair rate. Therefore, in the example we gave with a $3000 a month homeowner, a responsible underwriter would provide a loan at a rate of approximately $930.00 per month. This is achievable under the HAMP formula[5] if we are working with something close to the original balance of the loan. However, for every year that goes by without a resolution of the bank's claim that $3,500 or $5,800 is a justifiable amount an additional $42,000.00 or $69,600.00 is added to the balance rendering a modifiable mortgage into a "zombie foreclosure[6]".

There is a misunderstanding as to the effect of various settlements involving the banks and other lenders upon the individual homeowner. First, while New York State has a record of supporting nonprofits such as my own in the delivery of services to people facing foreclosure, recent developments have put us into

[4] "A study by the Federal Housing Finance Agency estimated the length of time to complete a foreclosure at 820 days in New York . . ." Paying for Foreclosure Delays, New York Times, January 2, 2014 at http://www.nytimes.com/2014/01/05/realestate/paying-for-foreclosure-delays.html

[5] Roughly stated, the homeowner's gross monthly income of $3,000.00 per month results in an affordable monthly payment of $930.00 or 31% of the gross income. The HAMP (Home Affordability Modification Program) would provide that the homeowner could afford a mortgage at a rate of 2.00% for a term of 40 years if a forbearance of 7% of the debt of $330,000.00 ($23,100.00) would be forgiven or placed in a "balloon" payment collectable upon the sale or refinancing of the property.

[6] "A right to ownership and possession of a home that remains with a person who believes he or she has lost the property as a result of foreclosure. A zombie title is a title to real property that happens when a lender initiates foreclosure proceedings by issuing a notice of foreclosure and then unexpectedly dismisses the foreclosure. If the person is unaware of the foreclosure dismissal, he or she will be left holding a zombie title. A lender may decide to dismiss the foreclosure for a variety of reasons, including a surplus of inventory, if the costs associated with a foreclosure cannot justify its costs or if the lender does not want to take possession of the home." http://www.investopedia.com/terms/z/zombie-titles.asp#ixzz3Wv1RCPUW

a class a similar to that of other states that use these funds to defray expenses in the general budget. The pain of homeowners facing foreclosure suffered in Bedford Stuyvesant, Wakefield or St. Albans will not be addressed by use of settlement funds at the state level as relief on the construction budget of the Tappan Zee Bridge.

In addition, although these settlement payments are made, they are often in consideration of an agreement not to admit wrongdoing. This exchange often puts advocates such as myself in a position where a state or Federal regulatory body will gather damning evidence as to the practices of a mortgage lender or servicer in refusing to modify loans or that they engaged in a decade long pattern of discriminatory and unfair lending but we do not have the benefit of the fact finding and admission of wrong-doing that resulted in the settlement in the individual cases.

As an advocate who confronts the attempts of banks to accelerate mortgage foreclosure cases I can tell you that very often these appear to be similar to cases that are brought against tenants. Therefore, I find that very often my clients are viewed in the context of tenants seeking to extend their unpaid stays in the homes that they do not deserve to possess. Therefore, we often find that the conversation is limited to discussions about how long it takes to execute a foreclosure in New York State.

Bankruptcy as a Remedy

Brooklyn A asks that the City Council consider funding a bankruptcy project in the amount of $250,000.00 for the salaries and incidentals of a senior attorney and paralegal. This project would provide relief for many of the difficulties that face homeowners, inordinate delay, unreasonable refusal to fairly negotiate remedies on the part of the lenders/investors and a greater possibility of remaining in the home while repaying most if not all the monies owed.

As an example, the story of Mr. & Mrs. Z is instructive for how a bankruptcy practice is key to break the resistance of lenders/servicers committed to sustain discriminatory loans.

The Z's are a practicing orthodox Jewish family that purchased a home in Brooklyn for their growing family. They come from an insular community that did not provide them with the education and financial sophistication needed to engage in financial transaction and because of this they received a mortgage that their objective credit profile did not warrant or support. This discrimination came in the form of a loan that on its face was unaffordable and unfair and left the Z's with little room for succeeding. The Z's fall within the definition of a protected class as recognized by the Equal Credit Opportunity Act. Brooklyn Legal Services Corporation A as a grantee of HUD has advocated for the Z's as a member of the class we have agreed to protect. The following is the story of how we achieved this by use of the United States Bankruptcy Court.

Shortly after obtaining this mortgage the Z's predictably defaulted and were faced with a foreclosure. Their case lingered in the state court for almost eight years and in a fashion that we believe would not have been the case if she had not been a member of the protected class. It is our belief that the lender/servicer resisted modifying this loan because they were committed to taking advantage of the Z's because of their faith and associated isolation.

This case lingered in the New York State Courts for 8 years and 37 total court appearances[7] In response to the state legislature's mandate that lender/servicers find a way to modify loans so as to save homes, this servicer/lender refused to do anything more than grant time to pay every dime or compel a sale of the house. It was our conclusion that this would have continued indefinitely until the growing balance owed would dwarf any remedy available.

By using the accelerated pace of the United States Bankruptcy Court we were able to overcome the creditor's resistance in state court and find a resolution that had initially been noted as impossible by the banks previous counsel. Our case was filed electronically on October 8, 2014 and on December 31, 2014 we received an offer of a loan modification (82 days). The loan modification obtained in bankruptcy court was immensely more affordable and in contrast to the "built to fail" high interest/high fee original mortgage. In addition, we were able to create a plan monitored in the bankruptcy court that also stripped them of any personal liabilities toward unsecured creditor's making the loan modification more secure against re-default.

[7] 3 years and 15 appearances in the mediation part and 3 years and 22 appearances before the judge, roughly 2,190 total days.

This discrimination would not have been combatted successfully without bringing it into bankruptcy court. While this is not a remedy available to every homeowner, bankruptcy is critically underutilized. Even when used by other nonprofit law offices there is an almost universal refusal to pursue the more complex "Chapter 13" bankruptcy which has the potential to compel settlements rather than just discharge debt and relinquish title to the home.

In Conclusion

Brooklyn A appreciates the opportunity to testify before this Committee of the City Council on this critical matter. We urge the Council to consider investing in the education of its own constituent services staff by the development of a curriculum that will permit key "issue spotting" from homeowners in crisis. In addition, the Council should reach out to the County District Attorneys to make a commitment to create a real deterrent against those who would commit real estate and mortgage fraud with appropriate resources if necessary. We ask that the members themselves consider the issues of historic discrimination that have led to a disproportionate impact among protected classes in the aftermath of the Great Recession and that any remedies go to those communities that were most heavily impacted. Finally, we ask that the Council consider funding a pilot project by Brooklyn Legal Services Corporation A that will save homes and restructure debt by Chapter 7 and 13 bankruptcies.

CENTER FOR NYC NEIGHBORHOODS

Testimony before the New York City Council Committees on Economic Development, Community Development, and Civil Service and Labor: the Economic Impact of the Foreclosure Crisis
April 14, 2015

Good afternoon. My name is Christie Peale, and I am the Executive Director of the Center for NYC Neighborhoods. I would like to thank Chairs Garodnick, Arroyo, and Miller, as well as the members of the Committees on Economic Development, Community Development, and Civil Service and Labor for holding today's important hearing.

About the Center for NYC Neighborhoods

The Center for NYC Neighborhoods is committed to promoting and protecting affordable homeownership in New York. Established by public and private partners, the Center meets the diverse needs of homeowners across the five boroughs. The Center and its network of over 30 community-based partners offer high-quality housing counseling and legal services, free of charge, to prospective homeowners, current homeowners, and homeowners in search of new housing. Since 2008, thanks to the early commitment and ongoing support from the City Council and the Department of Housing Preservation and Development (HPD), our network has assisted over 35,000 homeowners at risk of foreclosure. During this time, the Center has provided approximately $30 million in direct grants to our community-based partners, and we have been able to leverage this funding to oversee another $21 million in indirect funding support.

Through the Mortgage Assistance Program--which we administered in New York City on behalf of HPD, and recently expanded statewide thanks to the New York State Office of the Attorney General--we have deployed approximately $7 million to keep over 300 families in their homes with critical loans to fill gaps and make modifications happen.

As you know, a significant portion of our direct grants to community partners is funded by the Executive Budget and the City Council, and we remain ever grateful to the Mayor and the Council for your vision and support. The City's support allows us to leverage foundation and corporate funding in order to support community-based partners across New York City, working in neighborhoods hardest hit by the foreclosure crisis and Hurricane Sandy.

The Foreclosure Crisis in NYC

Though our national economy has come back, albeit slowly and incompletely, from the depths of the 2008 recession, the foreclosure crisis that precipitated the recession continues to be a daily source of stress, confusion, and financial hardship for hundreds of thousands of New Yorkers. Today the crisis has resulted in tens of thousands of foreclosures in New York City and even more homeowners struggling to make monthly mortgage payments. The negative impacts of the foreclosure crisis are felt citywide, but are seen particularly in communities of color, which were disproportionately targeted and harmed by the predatory lending that caused the financial crisis.[1] Nationally, half of the collective wealth of African-American families was lost during the Great Recession both due to the dominant role of home equity in their total net worth and the prevalence of predatory high-risk loans in communities of color. Likewise, the Latino community lost an astounding 67% of its total wealth during the housing collapse.[2]

While foreclosures have declined in many parts of the country, foreclosure starts ("lis pendens") remain stubbornly persistent in New York, with approximately 46,000 new foreclosure cases filed statewide in 2014. New York State has the second-highest foreclosure rate in the country, with 4% of mortgaged homes in foreclosure,[3] with some neighborhoods in Queens, the Bronx, and Brooklyn facing foreclosure rates of over 11%.[4] Worse, there remains a tremendous backlog of owners stuck in the foreclosure process, and thousands more families continue to fall behind on their mortgage payments each month, putting them at risk of foreclosure. And, finally, too many homeowners are struggling with negative equity: almost 14% of homeowners with a mortgage in New York State are "underwater," meaning that they owe more on their home than the estimated value of the home.

Many families are at risk of foreclosure because they or their tenants have experienced unemployment or reduced business due to the Great Recession that resulted from the foreclosure crisis. Others are at risk because they remain saddled with the unaffordable mortgages that caused the crisis in the first place. A large proportion of these homeowners

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[1] Center for Responsible Lending, Lost Ground, 2011: Disparities in Mortgage Lending and Foreclosures, at 3. Available at http://www. responsiblelending.org/mortgage-lending/research-analysis/LostGround-2011.pdf. See also National Community Reinvestment Coalition, The Broken Credit System: Discrimination and Unequal Access to Affordable Loans by Race and Age, 2003. Available at: http://www.omm. com/omm_distribution/newsletters/client_alert_financial_services/pdf/ ncrcdiscrimstudy.pdf; Center for Responsible Lending, Unfair Lending: The Effect of Race and Ethnicity on the Price of Subprime Mortgages, 2006. Available at: http://www.responsiblelending.org/mortgagelending/research-analysis/unfair-lending-the-effect-of-race-andethnicity-on-the-price-of-subprime-mortgages.html.

[2] Institute on Assets and Social Policy, Brandeis University, The Roots of the Widening Racial Wealth Gap: Explaining the Black-White Economic Divide, 2013, at 4. Available at http://iasp.brandeis.edu/pdfs/Author/shapiro-thomas-m/racialwealthgapbrief.pdf.

[3] Core Logic, National Foreclosure Report, December 2014, at 6. Available at: http://www.corelogic.com/research/foreclosure-report/national-foreclosure-report-december-2014.pdf

[4] Federal Reserve Bank of New York, Regional Mortgage Conditions, http://www.ny.frb.org/regionalmortgageconditions/.

should be able to stay in their homes with a mortgage modification, particularly if it's a modification that includes principal reduction.

Unfortunately, homeowners often face difficulty obtaining modifications from their mortgage servicers. In particular, principal reduction is elusive for most homeowners, and remains forbidden for homeowners with mortgages backed by Fannie Mae or Freddie Mac due to federal policy restrictions. The homeowners we work with frequently report having difficulty communicating with their servicer, receiving conflicting information from customer service representatives, and having to resubmit documentation unnecessarily. Whether due to deliberate malfeasance on the part of mortgage servicers or their inability to adequately serve the high volume of homeowners seeking help, the end result is an increasingly confused, frustrated, and desperate population of homeowners.

The Impact of the Foreclosure Crisis:

Widespread Scams

No one should have to navigate the complexity of the loan modification and foreclosure processes on their own. Unfortunately, this is the reality for far too many New York City homeowners, who often do not know where to turn to obtain trustworthy help with their mortgages. A cottage industry of foreclosure rescue scammers has arisen to take advantage of the desperation and confusion caused by the foreclosure crisis, putting homeowners at greater risk of losing their homes.[5] Homeowners caught in a scam generally lose several thousand dollars in cash payments to a scammer, and the resulting delays in legitimately addressing their default worsen their odds of obtaining a positive outcome. Even worse, scammers are developing increasingly complicated deed theft scams, where a vulnerable homeowner is tricked into signing over title to their home under false pretenses.

Homeownership, and Particularly LMI Homeownership, is on the Decline

The rate of homeownership in the City's Low- and Moderate-Income (LMI) census tracts has decreased from 28 percent in 2006 to 19 percent in 2012.[6] This is due to a number of factors, many resulting from the foreclosure crisis. It will come as no surprise to the Council that the homes and neighborhoods that middle- and working-class homeowners leave (whether by choice or not), are generally becoming home to increasingly wealthier new owners. Today, in a counter-reaction to the lending practices that caused the mortgage crisis, credit has become too tight to accommodate many perfectly creditworthy New York households. As a result, LMI families are having a hard time getting a mortgage even when they have the income to afford a home. Today, the average credit score for a mortgage guaranteed by Fannie Mae or Freddie Mac is 744, a very high score that is well above the median for New York State.

[5] Visit www.cnycn.org/scams to learn more about foreclosure rescue scams in New York State.
[6] NYU Furman Center, State of New York City's Housing and Neighborhoods 2013, at 27. Available at: http://furmancenter.org/files/sotc/SOC2013_HighRes.pdf

Even if prospective homebuyers are able to obtain a mortgage, two related trends are threatening their ability to purchase homes in neighborhoods that have historically been affordable. First, in communities like Jamaica, predatory real estate investors are targeting homeowners facing foreclosure, offering cash to buy them out and acquire their homes on the cheap, only to flip the houses or rent them for a profit. Second, the emerging securitization market backing the acquisition of foreclosed homes and their conversion into rental properties risks pushing families looking to purchase homes in New York City out of the housing market, in addition to creating another potentially destabilizing housing bubble.

Unfortunately this process has been aided by the federal government's practice of auctioning large sales of distressed notes to private investors. Last month, Freddie Mac conducted an auction of 5,398 non-performing loans through three separate loan pools, including a pool consisting solely of 490 New York properties. Today, the GSEs ("Government Sponsored Enterprises," namely Fannie Mae and Freddie Mac) and HUD are increasing their bulk sales of distressed New York mortgages to large-scale real estate investors, who are motivated by profit maximization, not homeowner retention or the promotion of affordable housing. While this continued large-scale transfer of assets presents a major policy challenge in its current form, we believe that these note sales could represent a tremendous opportunity to transfer stewardship of many of these mortgages to mission-driven non-profits that are accountable to the community.

Vacant and Abandoned Properties

Foreclosure can sometimes lead to vacant and abandoned residential buildings. Despite the intense demand for housing in New York City, we hear from our partners that vacant and abandoned properties continue to destabilize and blight many of the communities where our network works. In addition to reducing the supply of much-needed housing, vacant and abandoned properties diminish quality of life and economic opportunities in affected neighborhoods. They present health and public safety hazards for community members and lower property values for nearby homeowners. One area with room for improvement in this challenge is simply one of visibility. Because of the complexity of the foreclosure process and the difficulty in collecting real-time property-level data, we still have an incomplete picture of the scope of the vacant/abandoned challenge in New York City.

Recommendations

Responding to these challenges requires a concerted, dedicated effort on the part of government, community institutions, as well as financial institutions. We respectfully submit the following recommendations:

1. Support Homeowners at Risk of Foreclosure

Foreclosure prevention through the proven models of housing counseling and legal services provides essential assistance to homeowners working hard to keep their homes. Our network of housing counselors and attorneys obtains results: an analysis conducted using the Center's data found that homeowners who received foreclosure prevention counseling from housing counselors in the Center's Network were 30% more likely to receive a modification to their mortgage and stay in their homes than homeowners who did not receive counseling. On average, the mortgage modifications our network achieves result in monthly savings of approximately $700 per household, which means that, all told, the modifications our network has been able to achieve save New Yorkers over $39 million per year. The City has been at the forefront nationally in terms of deploying resources for foreclosure prevention services. We commend and thank the New York City Council and the de Blasio administration for the continued, support of these vital services.

2. <u>Support Innovative Approaches to the Foreclosure Crisis</u>
While New York has been a leader in funding foreclosure prevention services, there are many additional innovative models that have worked in other parts of the country that show great promise and should be considered in New York as we work together to promote affordable homeownership while resolving the large inventory of distressed, underwater mortgages, and foreclosed or vacant properties. With the potential for increased resources from any additional future bank settlements as well, as the de Blasio administration's and the City Council's dedication to affordable housing, we have the opportunity to implement promising new programs such as a new fund that could approach the foreclosure crisis from a new angle.

Acquisition Fund for Distressed and Abandoned Properties
A fund for the bulk acquisition and disposition of distressed or underwater mortgage notes and foreclosed or vacant properties is long overdue in New York, and the Center, along with many of our community partners, continues to advocate for its implementation. Building on a proposal we submitted to the City in anticipation of the Mayor's *Housing New York Plan*, we have partnered with several dozen organizations statewide to advance the creation of a New York State Community Restoration Fund. The Community Restoration Fund would acquire distressed mortgages at HUD and GSE bulk sales and provide principal reductions and other services to stabilize delinquent homeowners, or, where foreclosure is unavoidable, ensure that the property remains affordable for LMI homebuyers. Additionally, the fund would acquire vacant and abandoned properties through short sales, auctions, and donations, and ensure their affordability to LMI homebuyers or renters going forward.

Whether enacted at the state or city level, the Community Restoration Fund would provide a valuable and needed tool to confront the foreclosure crisis and preserve vital affordable housing from falling into the hands of speculators. While funding for the Community Restoration Fund was unfortunately not included in this year's state budget, we have identified a number of promising sources for funding, including future bank settlements. We look forward to working with State officials, the de Blasio Administration, and City Council to continue to develop this fund.

Community Land Trusts
Community land trusts present another promising solution to the challenge of rising home purchase costs in New York City. Used throughout the country to keep homes affordable in

perpetuity for long-term residents, community land trusts work by acquiring and managing land through a locally-controlled nonprofit organization. Land is thus removed permanently from the open market and the community land trust is able to set policies that help to preserve affordability. Community land trusts are an exciting next step in preserving affordability in countless neighborhoods across New York City, and we look forward to working with State officials, the de Blasio Administration, and City Council to explore how we can make this a reality.

3. Support Innovative Programs for Newly Stabilized or Transitioning Homeowners

HomeReserve

We encourage the City to assist homeowners after they have succeeded in obtaining mortgage modifications. Our proposed HomeReserve program consists of a savings match program, coupled with financial counseling and budget planning. HomeReserve would match eligible homeowners' savings after they receive a mortgage modification in order to prevent re-defaults when homeowners lack sufficient savings and are faced with a new hardship. Such a program is appropriate precisely because of the City's considerable investment in assistance for homeowners in distress: once a homeowner's financial situation has been stabilized, investing in a continuation of that success ensures that the homeowner succeeds over the long-term. We look forward to working with City Council and the de Blasio administration to move this program forward.

Housing Mobility Program

Additionally, not all clients are able to reach homeownership solutions through our typical foreclosure prevention programs. There are a number of clients who have exhausted all options and are not able to keep their homes. To serve these incredibly vulnerable homeowners, many of whom are seniors or disabled and on very low, fixed incomes, the Center created our Housing Mobility Program. This Program assists homeowners who are unable to save their homes by guiding them through the transition into alternative housing. To date, the program has served 210 homeowners. Through this work, almost $34 million in total mortgage debt has been discharged on behalf of homeowners.

4. Protect Vulnerable Homeowners from City Lien Foreclosure

The sale of City tax liens for one-to-four family homes in New York City causes financial hardships for thousands of low-income or otherwise vulnerable families each year, and puts them at greater risk of foreclosure. Over the past two years, the Center has done extensive work to prevent property tax and water/sewer liens on 1-4 family homes from being sold in the annual Lien Sale. To get the word out about the sale, we launched a lien sale outreach campaign and created our Tax Lien Tracker to identify the number of 1-4 family properties on the lien sale list and to help Council Members and neighborhood advocates understand the risks the lien sale presents on a neighborhood-level.

5. Support Strong Implementation of the Responsible Banking Act

We commend City Council for passing the Responsible Banking Act (RBA) and believe it provides an exciting opportunity to further our mission of promoting and protecting affordable and sustainable homeownership in New York City. In particular we urge the Council to ensure that information obtained through the implementation of the RBA is made public so organizations like the Center and its Network Partners can target efforts and hold banks accountable. This includes making public community district-level data on financial institution activity regarding loss mitigation and neighborhood stabilization activity, such as modifications accepted, principal reductions, the location of REO property and plans for their disposition. We believe the RBA will provide an excellent tool to hold banks accountable by evaluating their track record when it comes to foreclosure prevention, promoting affordable homeownership, and the responsible maintenance and disposition of foreclosed and abandoned properties. We look forward to working with City Council and the de Blasio administration to ensure its successful implementation.

6. Combat predatory practices targeted at homeowners and homebuyers

Combating predatory practices targeted at homeowners and homebuyers requires a concerted approach from City and State government as well as law enforcement agencies. We have partnered with the New York Attorney General's Office to create AGScamHelp a web-based resource dedicated to helping New Yorkers at risk of foreclosure locate free, trusted help from community-based nonprofits as part of the Attorney General's Homeownership Protection Program, of which the Center is the New York City anchor partner. We are also stepping up direct outreach to homeowners and their communities through mailings and community outreach. We ask City Council members to partner with us in getting the word out to constituents that high-quality foreclosure prevention services are available to homeowners free of charge, and that homeowners can be connected to these services by calling our Homeowner Hotline, which can be reached through 311 or 855-HOME-456. Additionally, there's much more work needed on the enforcement end, and we look forward to working with Council to put pressure on law enforcement agencies to vigorously pursue and prosecute these insidious scammers.

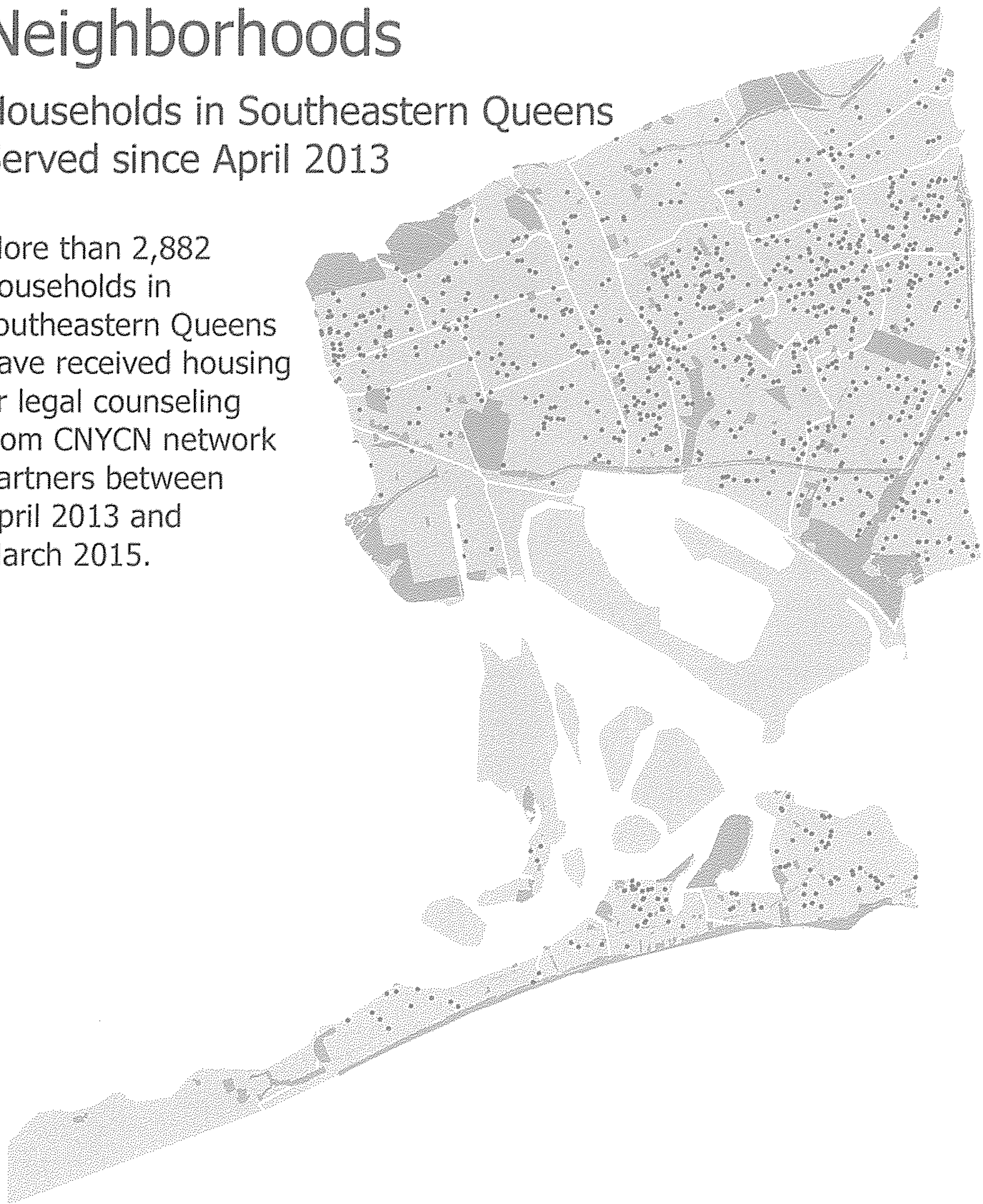
Thank you for the opportunity to testify. We look forward to continue working with the City Council and the de Blasio administration, to promote and protect affordable and sustainable homeownership.

ATTACHED: Appendix - Maps and Charts: The State of Foreclosure in NYC

Center for New York City Neighborhoods

Households in Southeastern Queens Served since April 2013

More than 2,882 households in southeastern Queens have received housing or legal counseling from CNYCN network partners between April 2013 and March 2015.



Data Sources: CNYCN Intake data; U.S. Census Zip Code Tabulation Areas
Note: Locations have been randomized to obscure actual addresses

CENTER FOR NYC NEIGHBORHOODS

Center for New York City Neighborhoods

NYC Households Served since 2008

More than 37,080 households have received housing or legal counseling from CNYCN network partners between July 2008 and March 2015.

Total Households Receiving Counseling by NYC Zip Codes

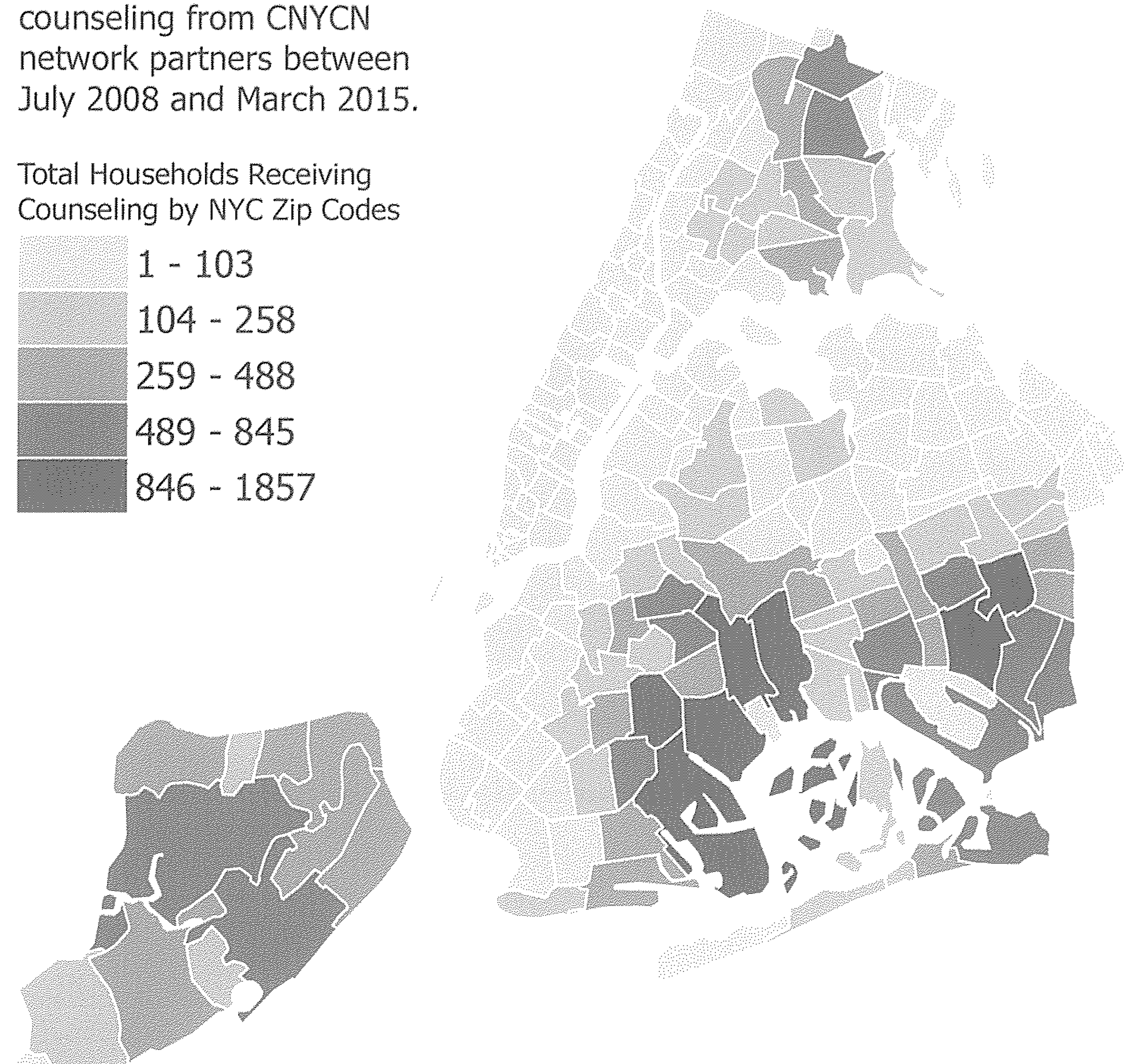
1 - 103

104 - 258

259 - 488

489 - 845

846 - 1857

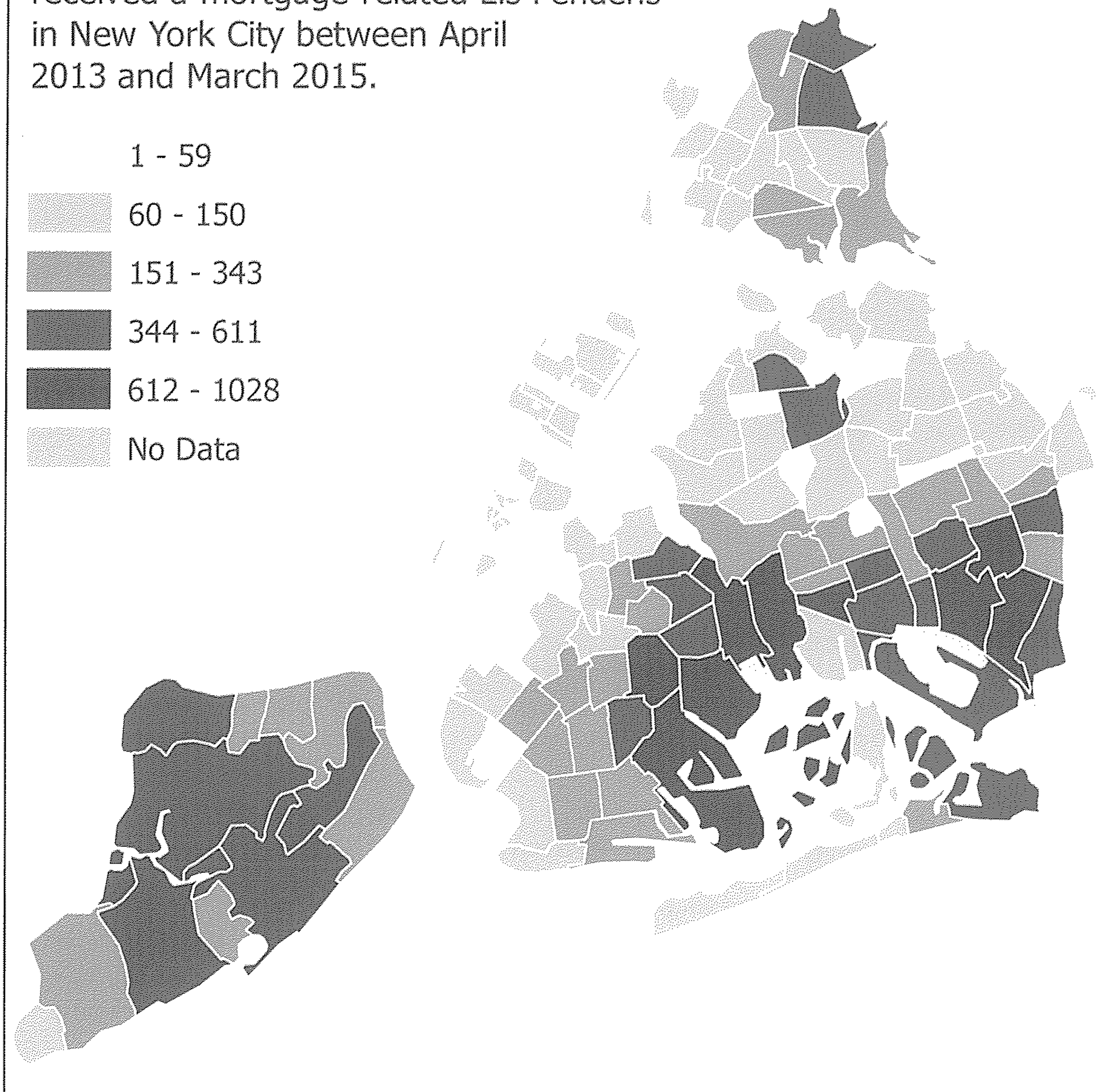


Data Sources: CNYCN Intake data; U.S. Census Zip Code Tabulation Areas

CENTER FOR NYC NEIGHBORHOODS

Foreclosure Filings in New York City by Zip Code

More than 28,866 1-4 family households received a mortgage-related Lis Pendens in New York City between April 2013 and March 2015.

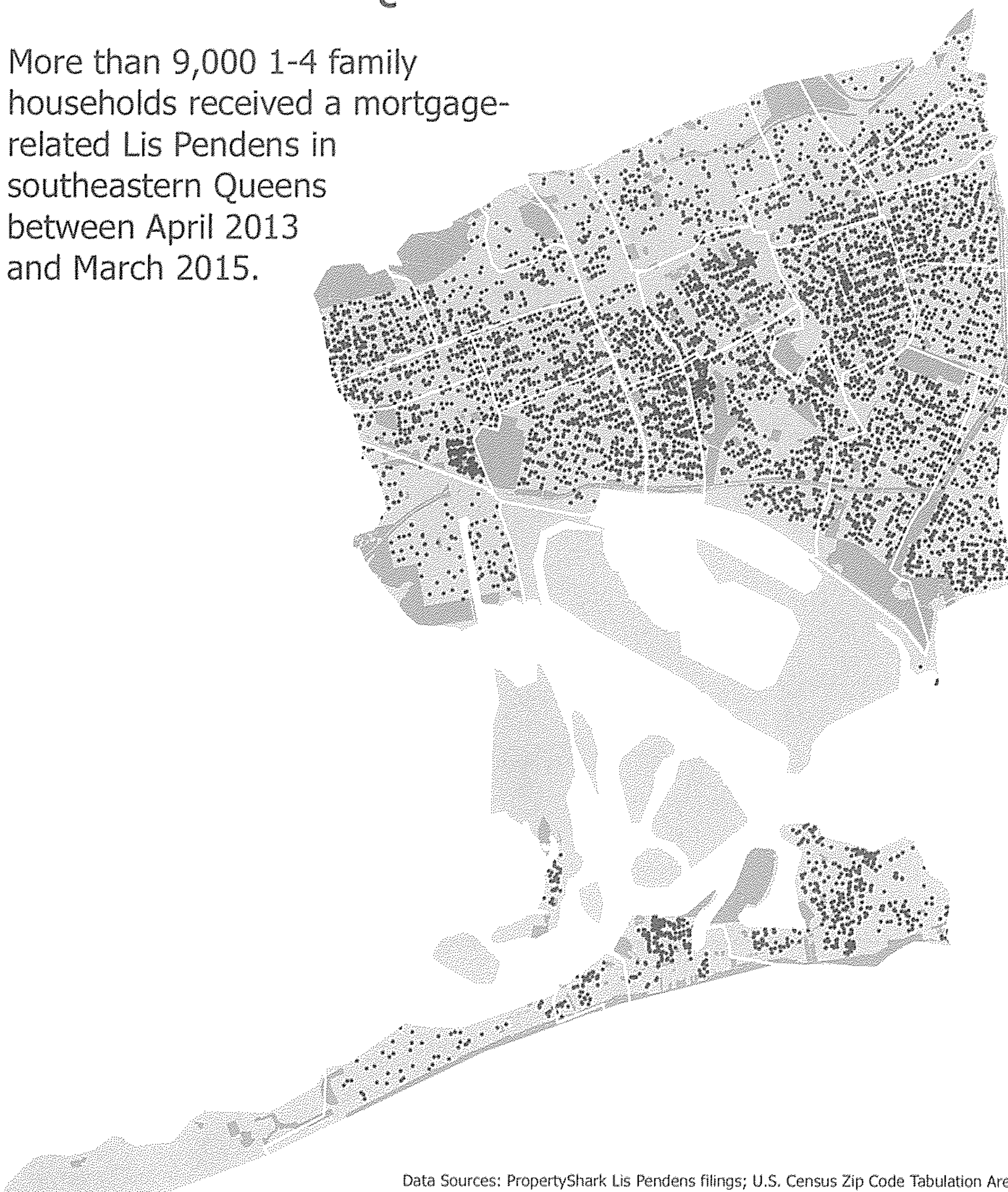


Data Sources: PropertyShark Lis Pendens filings; U.S. Census Zip Code Tabulation Areas
Note: Co-ops and Condominiums are not included on this map.

CENTER FOR NYC NEIGHBORHOODS

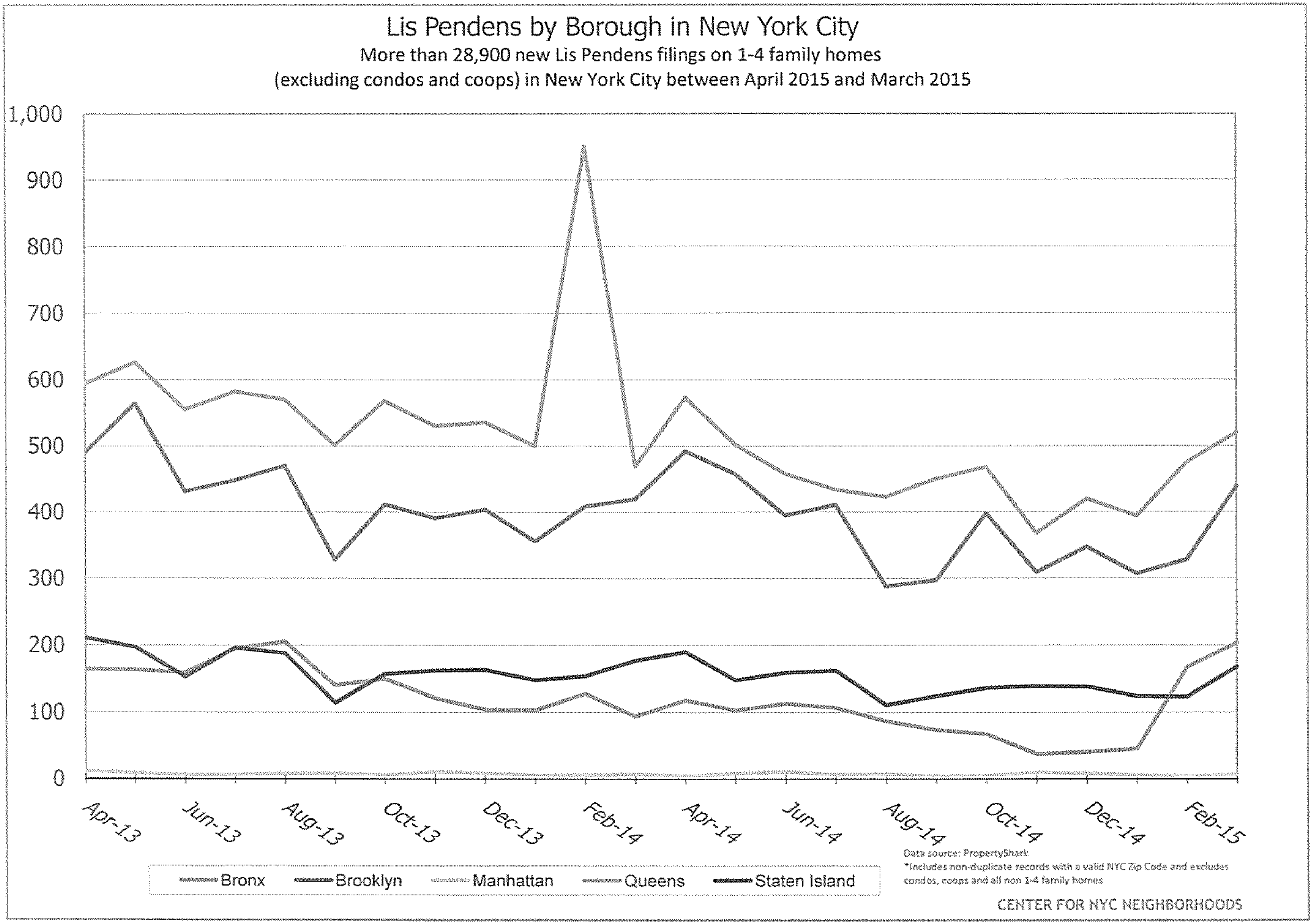
Foreclosure Filings in Southeastern Queens

More than 9,000 1-4 family households received a mortgage-related Lis Pendens in southeastern Queens between April 2013 and March 2015.



Data Sources: PropertyShark Lis Pendens filings; U.S. Census Zip Code Tabulation Areas.
Note: Locations have been randomized to obscure actual addresses;
Co-ops and Condominiums are not included on this map.

CENTER FOR NYC NEIGHBORHOODS



Lis Pendens by Borough in New York City
More than 28,900 new Lis Pendens filings on 1-4 family homes
(excluding condos and coops) in New York City between April 2015 and March 2015
1,000
900
800
700
600
500
400
300
200
100
0
Apr-13
Jun-13
Aug-13
Oct-13
Dec-13
Feb-14
Apr-14
Jun-14
Aug-14
Oct-14
Dec-14
Feb-15
Bronx
Brooklyn
Manhattan
Queens
Staten Island
Data source: PropertyShark
*Includes non-duplicate records with a valid NYC Zip Code and excludes condos, coops and all non 1-4 family homes
CENTER FOR NYC NEIGHBORHOODS

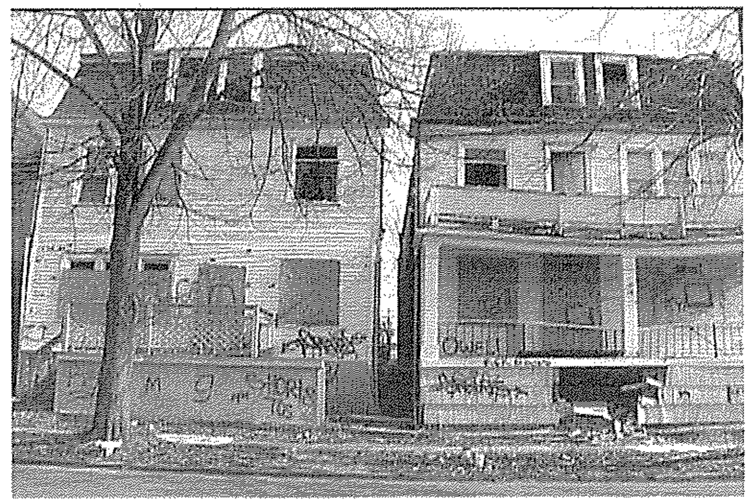
Reducing Foreclosures & Blight
Restoring Community Wealth

➢ *A Local Solution*

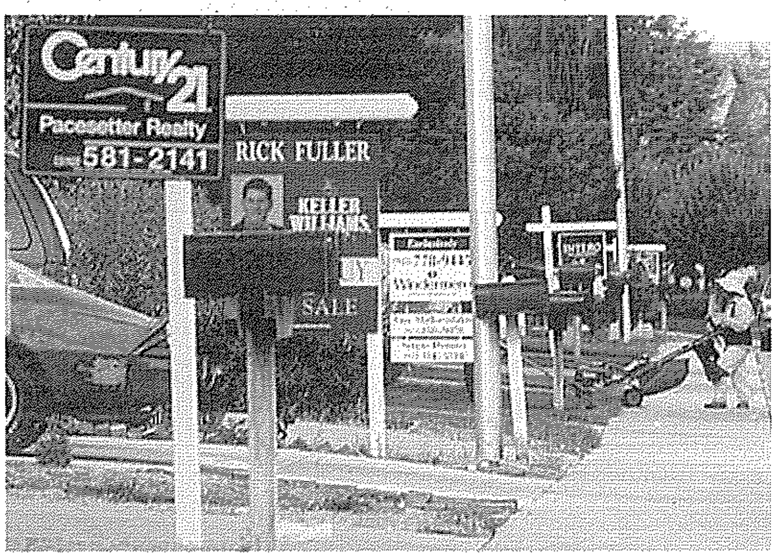
HOME DEFENDERS LEAGUE

The Damage Done

- 4.5 Million Homes Lost Since Sept '08 (CoreLogic Report)
- Latino household wealth decreased by 66%*



* Pew Institute Report 2005-2009



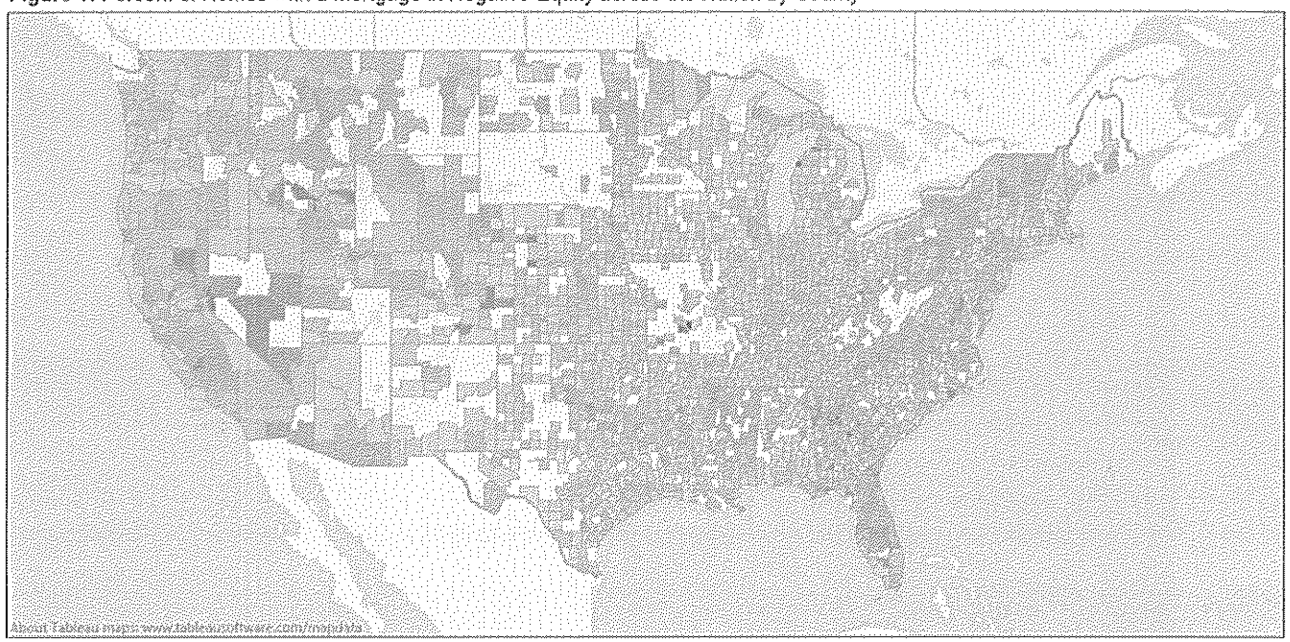
- Black household wealth decreased 53%*

And It's Far From Over

- 4.5 Million Homes Delinquent or in Foreclosure Process
  (LPS - Lender Processing Services- Nov 2013)
- 9.3 Million Homes are Still **Deeply** Underwater (>125%LTV)
  Nearly 1 in 5 of U.S. Properties (RealtyTrac January 2014)
- Jan 2014 Report predicts increase in foreclosures in 2014

"Lenders know there's now a much better chance they can get those properties sold, so they're moving to do that," Daren Blomquist at RealtyTrac January 6, 2014

Figure 1: Percent of Homes with a Mortgage in Negative Equity across the Nation by County

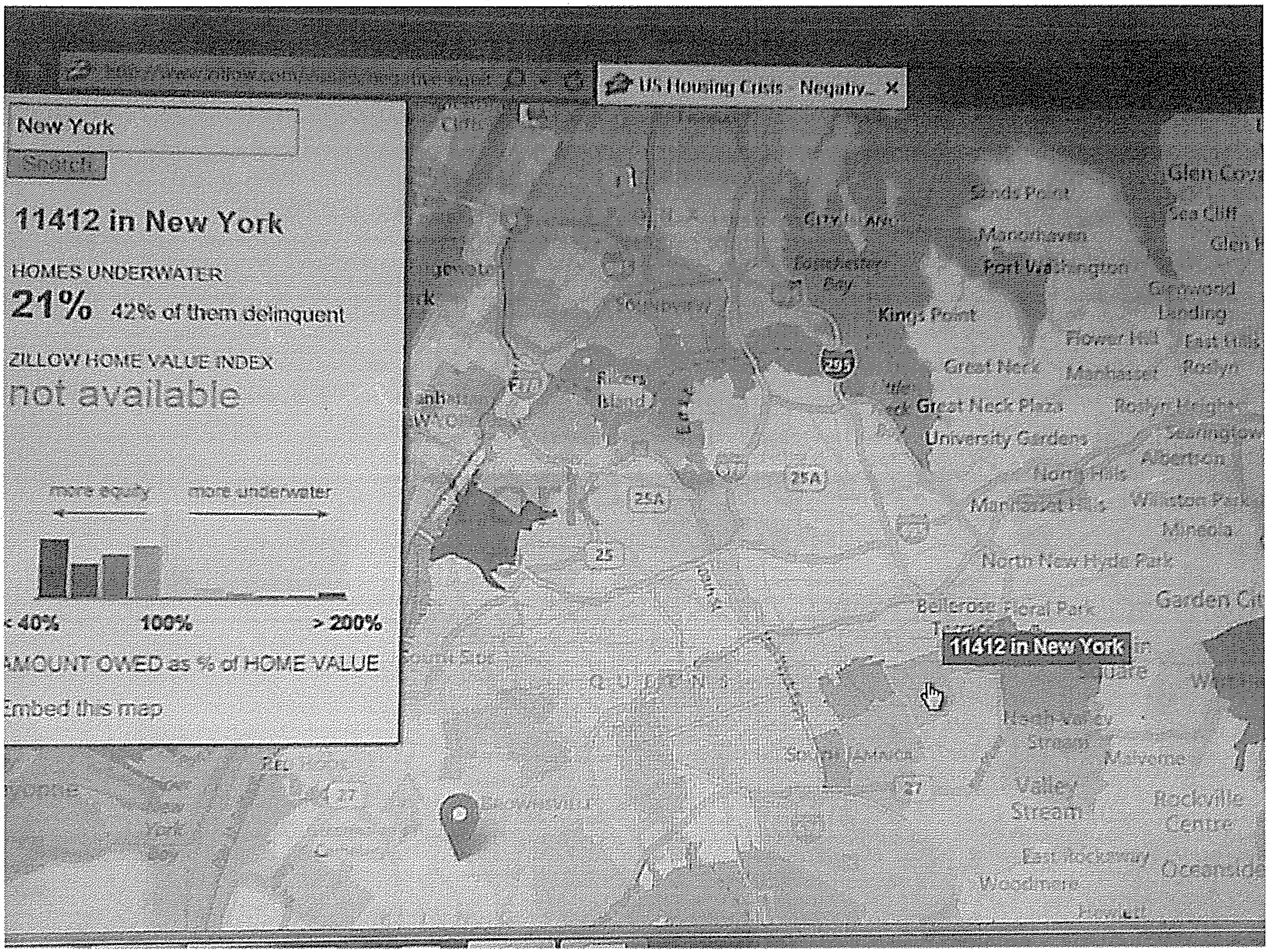


Percent of Homes with Mortgages in Negative Equity. Color scale is centered at 20.9%, the national average. Blue counties have fewer underwater homes than the national average, while red counties have more underwater homes.

2.4% — 82.8%

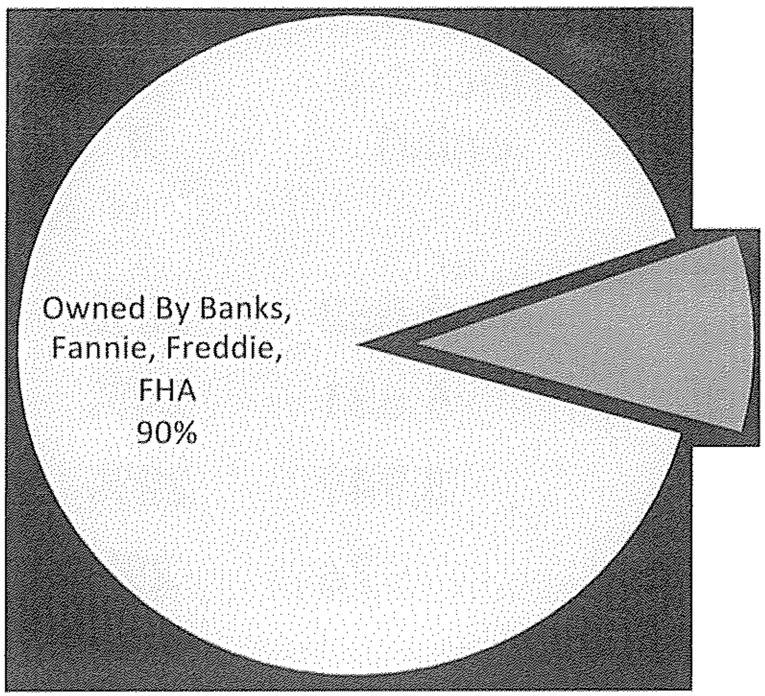
New York City: Neighborhoods with 20-30% of Homes Still Underwater & HIGH Delinquency Rates

(Zillow 3rd Qtr 2013)



The Importance of Principal Reduction & The Particular Challenge for Loans Securitized in Private Pools

(Residential Mortgage-Backed Securities, Private Label Securities)



4 million families with no effective access to Federal distressed mortgage programs because their mortgages are in PLS

PLS have a high percentage of the predatory loans that were made

PLS servicing contracts prohibit or prevent the sale of PLS mortgages and limit modifications

Fannie Mae is forecasting additional 2 million PLS mortgage foreclosures

"PLS" Loans & Underwater PLS Loans in New York City

	Owner Occupied, Singe Family Residence & 2-4 Unit	# Underwater (incl 2-4 units)	%
New York			
NYC - Bronx	6,915	2,058	30%
NYC- Queens	23,117	5,631	24%
NYC - Brooklyn	17,739	3,949	22%
NYC - Manhattan	3,110	76	2%

Cost of Foreclosures

Local Governments $19,227*

- Lost Property Taxes
- Unpaid Utility Bills
- Property Upkeep
- Policing
- Legal costs, building inspections
- Demand for social services

Close Neighbor $14,531**

Borrowers $10,300***

*HUD Economic Impact Analysis of the FHA Refinance Program for Borrowers in Negative Equity Position
**Negative impact on the property value of close neighbors
***Household moving costs, legal fees and administrative charges

A Local Solution with a Big Impact

- **CARE$ (Community Action to Restore Equity & Stability)** is a particular solution for a particular problem.
- It focuses on troubled, underwater mortgages held in these private securities pools.
- As a city, we are working to acquire certain underwater loans and restructure them so that homeowners can refinance or modify into a new loan in line with the current value of the home and current market interest rates.
- The loans are acquired through purchase: either through voluntary transfer or through the use of eminent domain
- The city never takes possession of the homes themselves, but rather just the mortgage loans.
- By recognizing the current "fair market value" of these loans, as opposed to the inflated value on the books, the loans can be acquired at a price that allows for a new mortgage to be written that no longer has the homeowner underwater.

The Key Steps in the Process

1. City enters into a no-cost contract with an Advisor and/or Program Manager (unless the City wants to take on full implementation on its own).

2. The City approves all steps taken and all communications.

3. Advisor attempts to negotiate with mortgage servicers or trustees over the price to be paid for PLS mortgages.

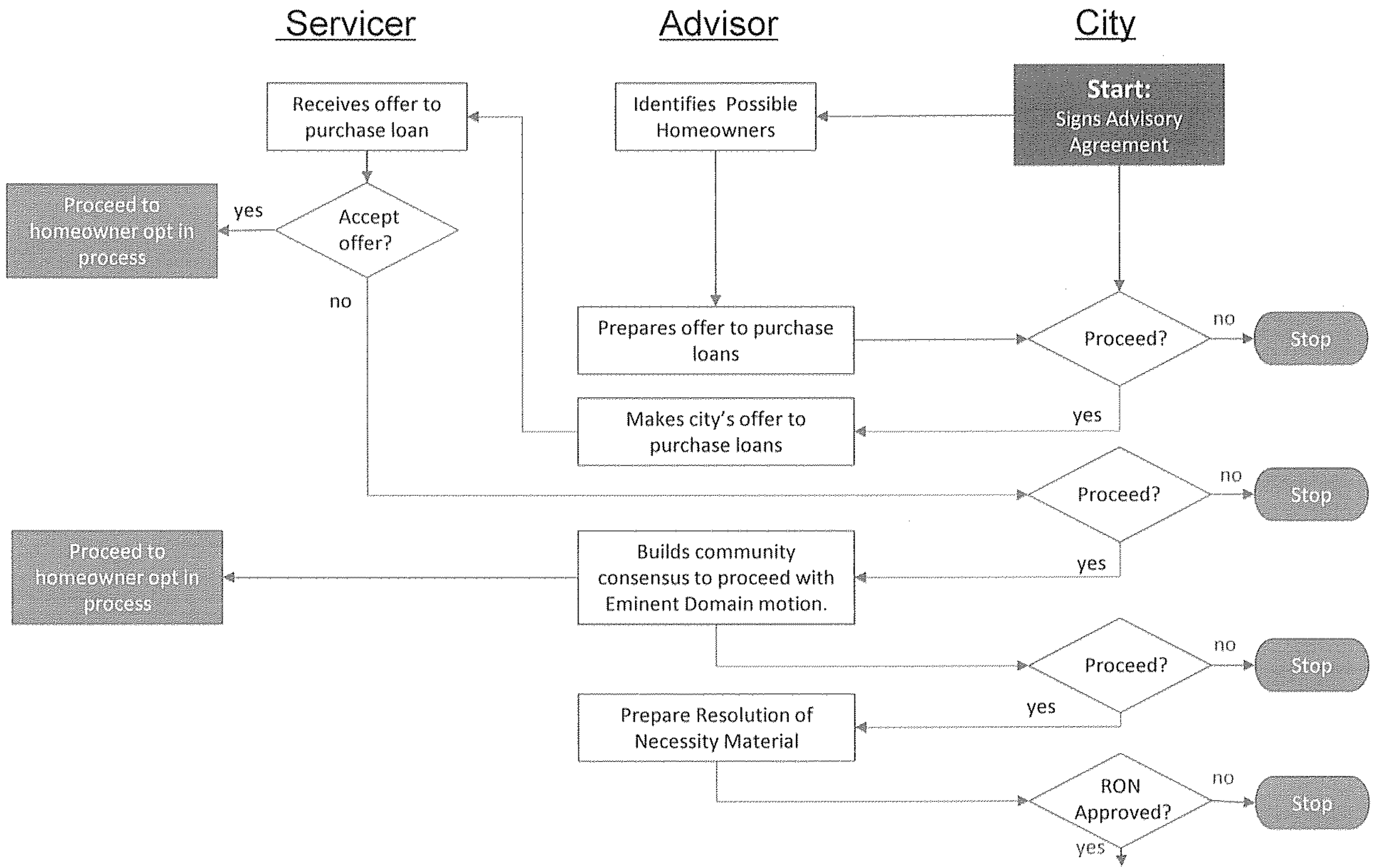
4. City, program manager or community groups, in partnership with housing counseling agencies, reach out to potentially qualified homeowners who decide if they want to opt in to the program.

5. City acquires mortgages with non recourse loan.

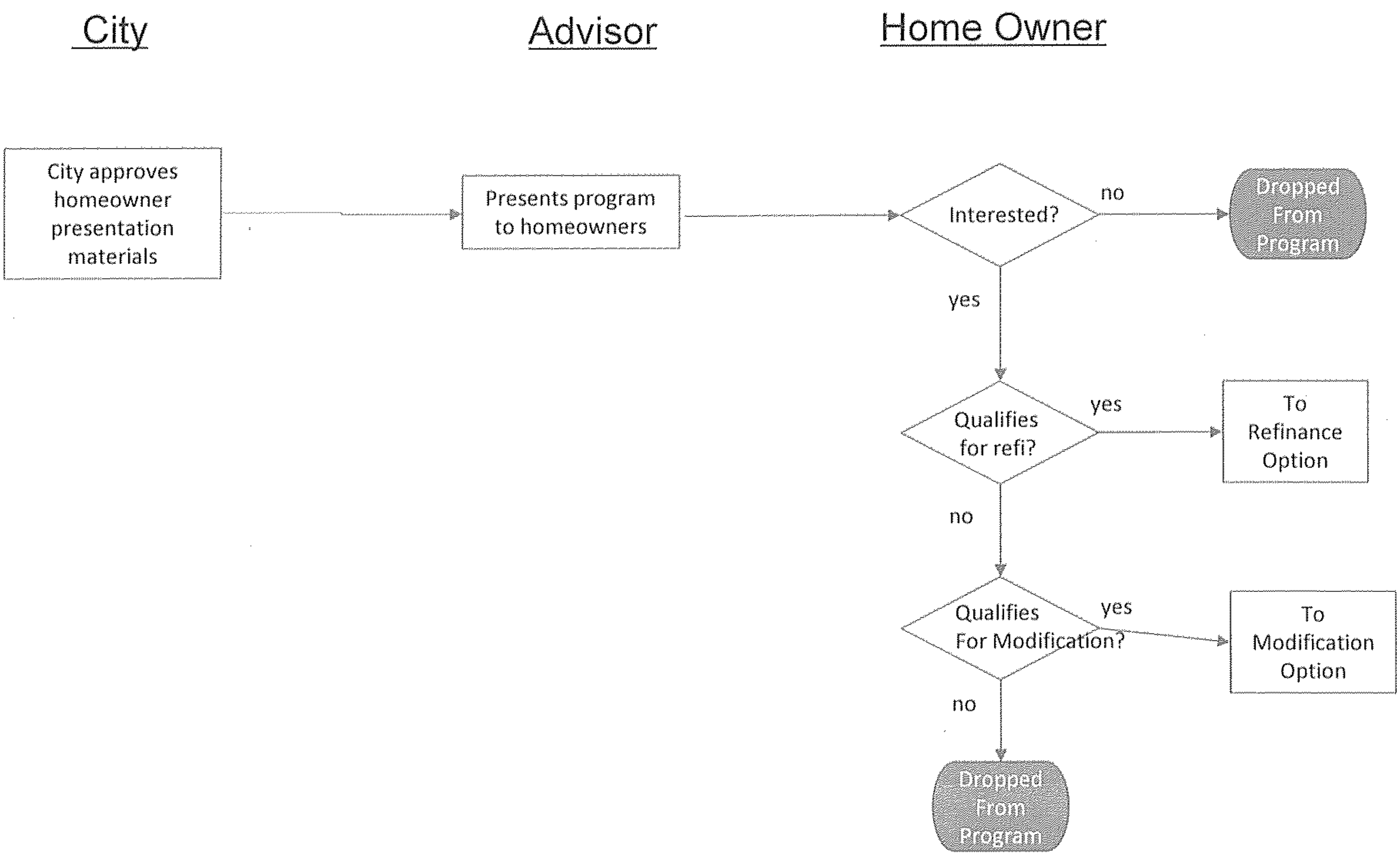
6. Program manager/city/counseling groups help homeowners refinance or modify into new mortgages that are below the current value of their home

7. New affordable sustainable mortgages owned & serviced by a lending partner that agreed to fund these loans on the front end.

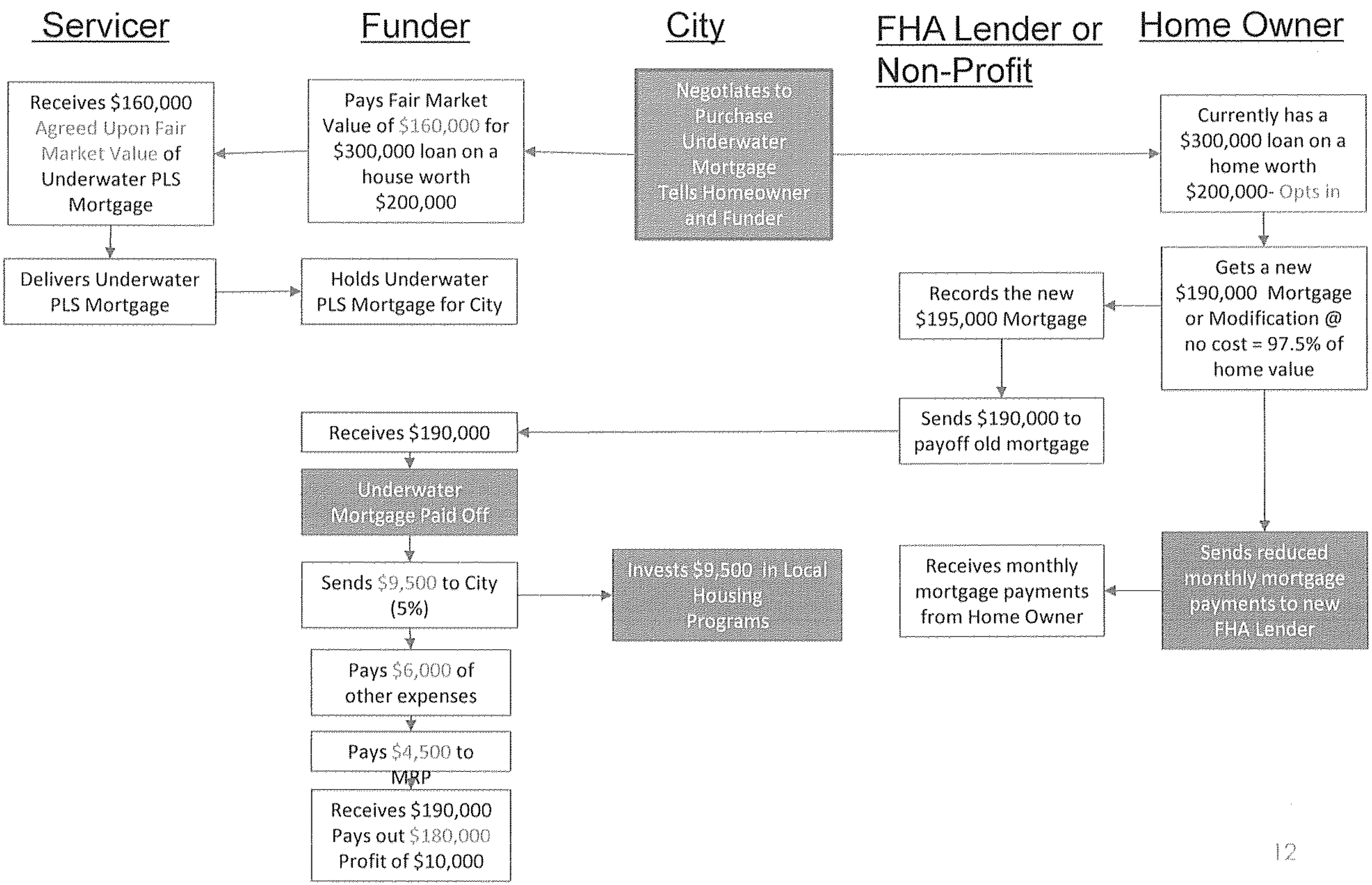
Step 1. City Controls The Process



Step 2. Home Owner Opts In



Step 3: Example of Process to Reduce Principal & How Money Flows



Principal Reduction Strategies For Underwater PLS Mortgages

When mortgage & property taxes are	If Homeowner	Then the principal reduction strategy is:
Current	Qualifies for FHA Short Refinance Program	1. City purchases mortgages 2. City reduces payoff amount on acquired mortgage 3. Family obtains a new, no cost, FHA mortgage, pays off underwater mortgage 4. Refinance proceeds pay off City's loan and cost of program 5. Family has significantly more disposable income 6. Family has equity in home
Delinquent	Qualifies for Modification Program	1. Same as above 2. Same as above 3. Family obtains a new, no cost, modified, mortgage 4. Modification proceeds pay off City's loan and cost of program 5. Same as above 6. Same as above

Homeowners & Entire Community Benefit

This is an example for the level of benefits that participating families may realize. *Communities benefit from greatly reduced probability of foreclosure.*

	Original Loan	Today	After Program
Home Value	$400,000	$200,000	$200,000
Mortgage Balance	$320,000	300,000	$190,000
Home Equity	$80,000	($100,000)	$10,000
Loan to Value Ratio (LTV)	80%	150%	95%
Monthly Payment	$1,798	$1,798	$907

Assumes a 6%, 30 year, fully amortizing mortgage is refinanced by a 4%, 30 year, fully amortizing mortgage. Some loan programs may also require insurance, which may add $175 per to the After Program monthly payment.

Probability of Default Drops from ~60% to ~7.5% (FHA actuarial assumption)

FILE NO. RESOLUTION NO.

[Declaring the Board of Supervisors' intent to work with other cities to prevail upon the owners of delinquent mortgages to sell them to non-profits that can restructure these mortgages to prevent foreclosures]

Resolution declaring the Board of Supervisors' intent to work with other cities to prevail upon the owners of delinquent mortgages to sell these at-risk loans to qualified non-profits that have the funding and infrastructure to purchase, restructure, and hold the mortgages in order to prevent foreclosures and help keep struggling homeowners in their homes.

WHEREAS, Since the beginning of the housing crisis in 2007, more than four million families have lost their homes to foreclosure, which has contributed to state and local governments facing crippling budget deficits; and

WHEREAS, The San Francisco Controller's recent report, "Assisting Homeowners with Troubled Mortgages," found that between 2008 and 2012, San Francisco had 3,827 foreclosures;

WHEREAS, The report found that, while the rate of foreclosures in San Francisco has decreased since 2011, the south and southeastern neighborhoods of the City continue to be disproportionately impacted by foreclosures; and

WHEREAS, The report found that 3,002 loans in the City were owner-occupied units that were underwater or near-underwater, and that 746 of these at-risk loans had predatory features such as interest-only, negative amortization, or a balloon payment; and

WHEREAS, The report found that these at-risk borrowers are also concentrated in the south and southeastern neighborhoods of the City; and

WHEREAS, Foreclosures have a negative social and economic impact on the affected families, neighborhoods, and on our city as a whole; and

WHEREAS, The Department of Housing and Urban Development (HUD), Fannie Mae and Freddie Mac, and at times the big banks, are selling off pools of delinquent mortgages, most often to private equity firms, hedge funds, and other Wall Street entities; and

WHEREAS, A number of Community Development Financial Institutions (CDFIs) and non-profits have raised the necessary capital to compete in this market, purchasing pools of delinquent mortgages for the purpose of saving homes from foreclosure and creating affordable housing by restructuring and stabilizing the mortgages; and

WHEREAS, Several of these CDFIs and non-profits that have a track record of success and the capital to expand their programs need help getting current note holders to sell enough of their delinquent mortgages; and

WHEREAS, The Controller's report says that these types of programs "pose low financial risks and low administrative burden to the City;" and

WHEREAS, The city councils of Richmond, California and Newark, New Jersey recently passed resolutions stating their intention to work with other cities to negotiate with the owners of at-risk mortgages to encourage them to sell these mortgages to CDFIs and non-profits that can restructure them to avoid foreclosure; now therefore, be it

RESOLVED, That the Board of Supervisors of the City and County of San Francisco wishes to support these efforts by collaborating with other cities to prevail upon the owners of delinquent mortgages—including a number of big banks, Fannie Mae, Freddie Mac and HUD—to sell these at-risk loans to qualified non-profits that have the funding and infrastructure to purchase and restructure the loans for the benefit of helping homeowners secure affordable and stable mortgages that can lead to long-term economic security; and, be it

FURTHER RESOLVED, That the Board of Supervisors urges the Mayor Lee Administration to assist in these negotiations with these institutions and to help recruit other cities to join us in this effort; and, be it

FURTHER RESOLVED, That the Board of Supervisors requests that the Lee Administration include this initiative for discussion on the agenda for the 83rd Annual Conference of Mayors to be held in San Francisco June 19-22, 2015.

Draft Letter to Certain Major Banks & Servicers, Fannie Mae, Freddie Mac and HUD From multiple Cities

xxxxxxxx
xxxxxxxx
xxxxxxxx
xxxxxxxx

[date]

Dear ____________________

As Mayors of our respective cities, we write to request a meeting with you to discuss "distressed housing assets" into the hands of non-profits that are working to prevent foreclosures and to create affordable housing in our cities.

We hope that you are able to meet with us on June 19th or 22nd in San Francisco, when many of us are in town for the U.S. Conference of Mayors Annual Meeting. Please let us know if these dates are feasible. If not, we will identify other possible dates.

Comment [AS1]: We'll make the final decision on dates we are proposing when we do a call with the cities paritcipating

We remain concerned about the volume of housing stock in our communities that is being obtained e by large institutional investors (often private equity firms and hedge funds). We believe that the best way to ensure the stability of our communities is to work with alternative mission-driven organizations that stand ready to purchase pools of distressed housing assets with the goal of helping homeowners stay in their homes and increasing the affordable housing stock in our cities.

The social and economic impacts of predatory lending, the housing crash and the foreclosure epidemic have been devastating to many of our residents, neighborhoods and our cities as a whole. In particular, working-class communities of color have experienced disproportionate harm.
The recovery has not been equally shared, any more than was the damage wrought by the crisis. In many of our communities, there has been a dramatic drop in homeownership and home-buying opportunities, coupled with sky-rocketing rents. In addition, cash-carrying investors engage in predatory practices to beat out other buyers to purchase properties that should be accessible to families in need of decent, stable and affordable housing.

Needless to say, the matter that we are eager to discuss with you is urgent.

Please contact ___________ with any questions and to schedule the requested meeting.

Sincerely,

MHANY Management Inc.
(A Mutual Housing Organization)
1 Metro Tech Center North
11th Floor
Brooklyn, NY. 11201
Ph: 718-246-8080 Fax: 718-246-7938
www.mutualhousingny.org

Testimony by Ismene Speliotis
April 14, 2015

Hello, my name is Ismene Speliotis. I am the Executive Director of MHANY Management Inc., a not for profit organization that develops, owns and manages a unique scatter site portfolio of rental housing affordable to individuals and families with incomes at or below 40% of the New York City area median income. MHANY also is a HUD approved counseling organization that works with Center for New York City Neighborhoods to modify loans for homeowners in foreclosure. MHANY's work spans several neighborhoods: we own and manage property in Crown Heights, Brownsville, East New York and Bushwick neighborhoods of Brooklyn, Mott Haven and Hunts Point in the South Bronx, East Harlem and Corona and Jamaica Queens. We provide home owners education and foreclosure prevention services throughout New York City. All of the neighborhoods where MHANY works are home to very low, low and sometimes moderate income households. Several of the neighborhoods where we work are devastated by the foreclosure crisis.

Since 2007 and the bank collapse, the foreclosure crisis has devastated the communities where MHANY works, leaving vacant, trash-ridden buildings and homeowners whose mortgages are often worth more than their house or who are caught in a maze of paperwork as they try to save their home. New foreclosures increased in New York City in 2014 and Queens saw nearly twice as many new foreclosures as in the year before. One of the most persistent problems is the inventory of distressed, underwater mortgages which have been in foreclosure for years that borrowers have been unable to modify into affordable loans.

Even as home sales prices increase in some parts of New York City and a loud and increasing buzz around a supposedly revitalized housing market ensues, there continue to be over 60,000 homeowners in crisis.[1] These families, concentrated in predominantly African-American and Latino low- and moderate-income neighborhoods, live in a precarious world where the values of their homes are less than the outstanding balances on their mortgages.[2] These families are living underwater. Many of them continue to pay and remain current on their mortgages despite extenuating economic circumstances. But increasingly, more and more families cannot continue to pay their inflated mortgage premiums and are at risk of defaulting and entering the foreclosure process.

There are more than 60,000 underwater mortgages in New York City, which is almost 12% of all NYC homeowners.[3] New York City has the seventh-highest number of underwater homes in the country, [4] and the collective value of these underwater mortgages exceeds $13 billion.[5] Because

[1] Zillow Real Estate Research, Q1 2014 data, http://www.zillow.com/research/data/
[2] *American Community Survey 5 year Estimates*, 2008-2012, Social Explorer, http://www.zillow.com/research/data/; Zillow supra.
[3] Zillow *supra*.
[4] Negative Equity Report, Zillow, May 2012.
[5] Zillow *supra*.

the banks and government have not effectively helped underwater homeowners, the city lost $1.9 billion in property taxes and other expenses associated with vacant properties from 2008-13.[6]

Over 24,000 of the underwater mortgages in New York are private-label securitized (PLS) mortgages.[7] These are primarily high-interest, subprime mortgages that investment banks bundled and sold on the secondary market to investors, leading to the economic collapse of 2008. PLS mortgages are also the hardest to modify in a sustainable way, with a variety of complex and hastily drafted service and trust agreements that typically prevent servicers from reducing principal for homeowners.

In particular, the concentration of underwater PLS loans are at epidemic levels in African-American and Latino neighborhoods. Seventeen of the 20 zip codes with the highest number of PLS mortgages have populations that are more than 50% African American and/or Latino; seven of the 10 zip codes with the highest number of PLS mortgages have populations that are more than 90% African American and or Latino.[8]

Additional facts from a report released by MHANY, New York Communities Organizing Fund, Inc. and New York Communities for Change in 2013:

- 1 in 5 New York mortgages is underwater.
- 84,375 foreclosure actions from January 2008 through October 2012.
- 6,904 properties became bank owned and vacant from 2008 to 2013.
- 82,175 underwater mortgages in the city.
- New York City homeowners are **$15.4 billion underwater** on their mortgages.
- A **$910 million annual stimulus** for the NYC economy could be generated through principal and interest-rate reduction.
- $1,325 average monthly savings per underwater homeowner.
- Potential to create **9,813 new jobs** annually as a result of the stimulus.
- $75.9 million in lost property taxes to city government from foreclosed properties; **$1.6 billion from lost value of surrounding properties**.
- REOs have cost the city $42.8 million in additional services.
- There are more underwater homes in New York City than in Baltimore and Atlanta combined.
- New York City has a larger number of underwater homes than Philadelphia, San Diego, or Detroit.
- There are only six cities with more underwater homeowners than NYC.
- There are only three cities where the total dollar amount homeowners are underwater is greater than in NYC.

The need for more expansive and creative solutions to the foreclosure crisis is evident, as the measures employed to date have not sufficed to stem the tide of foreclosures in low-income communities of color. One of the most persistent problems in New York is the inventory of

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[6] *How the Foreclosure Crisis is Costing New York City Millions*, New York Communities for Change, Mutual Association of Housing New York, April 2013, salsa.wiredforchange.com/.../nycc%20how%20the%20**foreclosure**%20cri

[7] PLS source.

[8] PLS data *supra; American Community Survey supra.*

distressed, underwater mortgages which have been in foreclosure for years that borrowers have been unable to modify into affordable loans, notwithstanding the many federal and state policies promoting loan modifications. Moreover, many homeowners who *are* able to secure loan modifications wind up with loans that are only temporarily affordable (until interest rates and payments step up), that leave them with debt burdens far in excess of home values, and that require massive balloon payments at maturity. Because the mortgage industry rarely agrees to reduce mortgage loan principal, no relief is in sight from the debt trap in which so many New York homeowners find themselves, leaving communities vulnerable to new waves of predatory activity that are further degrading the supply of affordable housing. For example, investors are purchasing foreclosed homes on the cheap at short sales and foreclosure auctions, displacing homeowners and their tenants -- leading to an increase in investor-owned properties that threaten our affordable housing stock and neighborhood stability. New forms of property flipping are preying upon communities that have yet to emerge from the depths of the foreclosure crisis.

Organizations like MHANY, supported with funds made available from the City of New York and the New York State Attorney General's office (among others), have worked diligently to negotiate modifications with banks for individual homeowners using the resources and guidance offered by Center for New York City Neighborhoods.. We have successfully modified the mortgages of thousands of homeowners in distress but that is not enough.

While counseling and legal services organizations were negotiating each loan modification, our neighborhoods were assault and thousands of loans either remain in limbo (not modified) or get bundled and sold at auction to the highest bidder.

Recommendations

Loan holders — banks, government-sponsored enterprises (Fannie, Freddie and FHFA), and PLS trusts that pool loans and send proceeds to investors — must reduce the principal on underwater mortgages to reflect current market values; if loan holders are unwilling or unable to reduce principal on underwater mortgages to current market values, they should allow loans to be purchased by designated entities (preferably not-for-profit or government entities) that are willing and able to restructure them with fair and affordable terms.

The City should use all options at its disposal to induce principal reduction so that mortgage debts match current home values, including utilizing the tool of "eminent domain" to acquire mortgages in PLS trusts at their current fair market value and restructuring them with fair and affordable terms.

Banks; government-sponsored enterprises like Fannie, Freddie and its conservator FHFA; and PLS trusts should sell foreclosed property to not-for-profit entities that can convert them to affordable housing for community residents rather than to absentee investors for speculative purposes. This is what "land banks" in many states are doing with success.

As a nonprofit housing developer with a mission to promote affordable housing, we have an interest in contributing to the revitalization of these neighborhoods and have designed, along with our partners at Center for New York City Neighborhoods, Legal Services, New Economy, Empire Justice Center and others, a vehicle to channel millions of dollars of settlement money into a fund to achieve beneficial outcomes for homeowners with properties in distress while leveraging public and private money. This program would have a positive impact on the local economy.

A Community Restoration Program will prevent foreclosures and help stabilize neighborhoods impacted by the crisis by acquiring distressed mortgage notes and properties, and by providing resources to effectuate the final disposition of these assets as determined by local initiatives. Such a fund is consistent with those certain settlement agreements entered into by the State of New York as restitution for the effects of subprime mortgage abuses. Those agreements require the settlement proceeds to be used to benefit the persons and communities impacted by the effects of the foreclosure crisis. The purposes of the Community Restoration Program shall be to:

- Keep current homeowners in their homes by providing a sustainable and affordable mortgage loan modification.
- Keep current homeowners in their homes as renters if they are unable to maintain mortgage payments even after reductions.
- Make vacant homes available as either affordable homeownership or rental properties.
- Reduce neighborhood blight and associated costs by demolishing structures that cannot be rehabilitated.
- Ensure that homes are maintained as long-term affordable housing and deter overleveraged speculation in low- and moderate-income neighborhoods, and prioritize disposition to not-for-profit developers and community organizations.

The Community Restoration Program will deter speculation and property flipping in low–and moderate-income neighborhoods, help communities reduce blight, and restore desperately needed property tax income to their neighborhoods and the city at large.

Under the settlements, banks have incentives to contribute funds to CDFIs. As a result, the Fund will be leveraged with additional contributions from the banks public funds if successful and privately invested PRI funds. Over time, this initiative will become a revolving loan fund.

Conclusion

The foreclosure crisis has hit New York City with a ferocity equal to if not greater than the effect felt by the majority of the United States, and large numbers of delinquent and underwater mortgages indicate that the crisis is not over. Foreclosures have already cost the city hundreds of millions of dollars, and if the city does not act now to prevent existing delinquent and/or underwater mortgages from going into foreclosure, the cost to the city will continue to grow.

Principal reduction modifications are necessary to turn the tide and to prevent an on-going crisis. The result would include less foreclosures, economic stimulus, and job creation. New York City has the power to bring banks and investors to the table to negotiate the purchase of distressed mortgages. Current changes to FHA note sales provide a unique opportunity for New York City to intervene and alter the course of the foreclosure crisis, mitigating its impact on hard working New Yorkers and the neighborhoods they live in. If lenders, FHA, Fannie and Freddie are not willing to engage in this pragmatic, financially astute solution, the city has other powers, including the use of eminent domain to purchase the underwater mortgages at fair market value and provide the necessary principle reduction modifications that will help homeowners, neighborhoods and even the lenders who hold the mortgages.

Thousands of Homeowners Still Drowning in Underwater Mortgages

How Toxic Loans Keep Fueling Foreclosures and the Need for Eminent Domain

An Analysis of Privately Labeled Securitized Mortgages in New York City by New York Communities for Change, New York Communities Organizing Fund, and the Mutual Housing Association of New York

Thousands of Homeowners Still Drowning in Underwater Mortgages

How Toxic Loans Keep Fueling Foreclosures and the Need for Eminent Domain

Executive Summary

Even as home sales prices increase in some parts of New York City and a loud and increasing buzz around a supposedly revitalized housing market ensues, there continue to be over 60,000 homeowners in crisis.[1] These families, concentrated in predominantly African-American and Latino low- and moderate-income neighborhoods, continue to live in a precarious world where the values of their homes are less than the outstanding balances on their mortgages.[2] These families are living underwater. Many of them continue to pay and remain current on their mortgages despite extenuating economic circumstances. But increasingly, more and more families cannot continue to pay their inflated mortgage premiums and are at risk of defaulting and entering the foreclosure process.

There are more than 60,000 underwater mortgages in New York City, which is almost 12% of all NYC homeowners.[3] New York City has the seventh-highest number of underwater homes in the country,[4] and the collective value of these underwater mortgages exceeds $13 billion.[5] Because the banks and government

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1 Zillow Real Estate Research, Q1 2014 data, http://www.zillow.com/research/data/

2 *American Community Survey 5 year Estimates*, 2008-2012, Social Explorer, http://www.zillow.com/research/data/; Zillow supra.

3 Zillow *supra.*

4 Negative Equity Report, Zillow, May 2012.

5 Zillow *supra.*

have not effectively helped underwater homeowners, the city lost $1.9 billion in property taxes and other expenses associated with vacant properties from 2008-13.[6]

Over 24,000 of the underwater mortgages in New York are private-label securitized (PLS) mortgages.[7] **These are primarily high-interest, subprime mortgages that investment banks bundled and sold on the secondary market to investors, leading to the economic collapse of 2008. PLS mortgages are also the hardest to modify in a sustainable way, with a variety of complex and hastily drafted service and trust agreements that typically prevent servicers from reducing principal for homeowners.**

In particular, the concentration of underwater PLS loans are at epidemic levels in African-American and Latino neighborhoods. Seventeen of the 20 zip codes with the highest number of PLS mortgages have populations that are more than 50% African American and/or Latino; seven of the 10 zip codes with the highest number of PLS mortgages have populations that are more than 90% African American and or Latino.[8]

Recommendations

1. Loan holders — banks, government-sponsored enterprises (Fannie, Freddie and FHFA), and PLS trusts that pool loans and send proceeds to investors — must reduce the principal on underwater mortgages to reflect current market values; if loan holders are unwilling or unable to reduce principal on underwater mortgages to current market values, they should allow loans to be purchased by a designated entities (preferably not-for-profit or government entities) that are willing and able to restructure them with fair and affordable terms.

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6 *How the Foreclosure Crisis is Costing New York City Millions*, New York Communities for Change, Mutual Association of Housing New York, April 2013, salsa.wiredforchange.com/.../nycc%20how%20the%20foreclosure%20cri
7 PLS source.
8 PLS data *supra; American Community Survey supra.*

2. The City should use all options at its disposal to induce principal reduction so that mortgage debts match current home values, including utilizing the tool of "eminent domain" to acquire mortgages in PLS trusts at their current fair market value and restructuring them with fair and affordable terms.

3. Banks; government-sponsored enterprises like Fannie, Freddie and its conservator FHFA; and PLS trusts should sell foreclosed property to not-for-profit entities that can convert them to affordable housing for community residents rather than to absentee investors for speculative purposes. This is what "land banks" in many states are doing with success.

Introduction – the underwater mortgage crisis

"Underwater" homes are those homes where the value of the mortgage exceeds the current market value of the home. Depressed home prices coupled with economic downturn and the loss of jobs has left thousands of homeowners unable to pay their mortgages at current rates and has left even more in the position where what they owe far exceeds the current value of their homes.

Despite claims of a national housing recovery, disaggregating the NYC data shows that there are thousands of homeowners, particularly in African-American, Latino and low- and moderate- income communities, whose home values have not increased. These homeowners are still far underwater, struggling to make payments and either already in foreclosure or at risk of soon going into foreclosure. Data also shows an increased probability that underwater mortgages, even those where homeowners are current on their mortgage payments, will go into default and risk foreclosure in coming months and years.

THE PROBLEM is exacerbated for a specific loan type. There are three basic mortgage types: a first group of loans underwritten and held in a bank's portfolio; a second group of loans underwritten and held by government and quasi-government entities like Fannie, Freddie and FHA; and a third set of loans, "private-label securitized," which investment banks bundled and sold to investors. The majority of the PLS mortgages are subprime, Alt-A and other unconventional loans – precisely the kinds of predatory loans originated during the housing bubble that are now the most likely to be underwater or in foreclosure. Many of the sources drawn upon to analyze the PLS problem refer to sub-prime loans and while all sub-prime loans are not PLS loans there is so much overlap that the two terms could be used almost interchangeably.

Subprime mortgages are much more likely than conventional prime loans to go into foreclosure.[9] These subprime mortgage products were targeted to African-American and Latino communities,[10] which helps explain why the foreclosure crisis has impacted these neighborhoods more heavily than other areas of the city, and why most people with PLS loans live in those neighborhoods. Not only are PLS loans clustered in areas with high numbers of foreclosures, they are also twice as likely as non-PLS to be underwater.

Although modifications have been slow in coming in all loan categories, the most difficult to modify are PLS mortgages. This is due in part to the way these PLS loans were packaged after origination, leaving them subject to pooling and servicing agreements that, according to the trustees, typically prohibit or effectively prevent principal reduction modification.[11]

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[9] Gerardi, K., Shapiro, A., and Willen, P., *Subprime outcomes: Risky Mortgages, Homeownership Experiences, and Foreclosures,* Federal Reserve Bank of Boston Working Paper 07-15, 2007; Gerardi, Chirstopher, Paul S. Willen, *Subprime Mortgages, Foreclosures, and Urban Neighborhoods*, Public Policy Discussion Papers, Federal Reserve Bank of Boston, 12/2008

[10] *Id.*

[11] Hockett, Robert. *Breaking the Mortgage Debt Impasse: Municipal Condemnation Proceedings and Public / Private Partnerships for Mortgage Loan Modification, Value Preservation, and Local Economic Recovery.*

In fact, many people, including servicers and trustees, argue that modifying PLS mortgages is nearly impossible. While the single best, well- documented solution for homeowners who are trying to stay in their homes is a principal reduction modification (reducing the current mortgage amount to current market value and restructuring the mortgage payments to keep the home occupied by its original owner), it is often impossible to implement due to the structural obstacles of the PLS mortgage pools — even when agreed upon by the investors themselves.[12]

Of all the potential solutions outlined in our recommendations, eminent domain is the cleanest most direct way to release these PLS loans from their structural confinement and allow for loan modifications, which would result in homeowner home retainment and neighborhood stabilization.

Outside of Manhattan and a few areas in Brooklyn, values are only expected to rise by a little more than 1% in 2014,[13] and the average underwater PLS mortgage is roughly 30% underwater in New York City. Coupled with the heightened probability that underwater mortgages will go into foreclosure in the future and the downward effect of foreclosures on nearby home prices, it will be nearly impossible for home values in areas with large numbers of underwater PLS mortgages to increase in value by 30% in the foreseeable future.[14]

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[12] *Id.*

[13] Zillow Real Estate Research, New York Metro area predicted increase in 2014 is 1.4%, http://www.zillow.com/new-york-metro-ny r394913/home-values/; New York City expected increase in 2013 is 3.1% http://www.zillow.com/new-york-ny/home-values/; New York State expected increase in 2014 is 1.2%.

[14] Home value increases in NYC are skewed by Manhattan's 17.4% property increase in 2013. In the Bronx, values declined; Staten Island property values were stagnant in 2013; increases in Queens were modest; and Brooklyn's increases are to skewed by large increases in neighborhoods closest to Manhattan.

Key Findings

An examination of PLS mortgages in New York City reveals that PLS mortgages are more likely to be underwater, more likely to go into foreclosure, and more heavily concentrated in African-American, Hispanic, and moderate-income communities. There is no way to address the foreclosure crisis in neighborhoods of color without fixing PLS mortgages.

Table 1: Delinquent, Underwater, and PLS Mortgages Compared to Total Mortgages

Total Mortgages	483,000	100% of mortgages
PLS Mortgages	72,365	15% of mortgages
Total Delinquent Mortgages	48,300	10% of mortgages
Delinquent PLS Mortgages	24,460	51% of delinquent mortgages
Total Underwater	60,303	15.7% of mortgages
Underwater PLS Mortgages	24,214	40% of underwater mortgages
PLS Mortgages Underwater and Delinquent	12,203	50% of underwater PLS mortgages

PLS mortgages are more likely than conventional mortgages to default.

- 6% of total mortgages are in foreclosure compared to 20% of PLS mortgages
- 10% of total mortgages are delinquent compared to 34% of PLS mortgages.
- Less than 15% of total mortgages are underwater compared to 33% of PLS mortgages.

Even though PLS mortgages constitute a relatively small percentage of total mortgages, a large percentage of both foreclosed and/or underwater mortgages are PLS.

- 15% of mortgages are PLS.
- 50% of mortgages in foreclosure are PLS.
- 50% of mortgages that are delinquent are PLS.
- 40% of underwater mortgages are PLS.

The impact of the foreclosure crisis has been felt most acutely in African-American and Latino Communities, and PLS mortgages are heavily concentrated in African-American and Latino neighborhoods.

- 18 of the 20 zip codes with the highest number of foreclosures in New York City have populations that are more than 50% African American and/or Latino.
- 19 of the 20 zip codes with the highest number of REO[15] properties have populations that are more than 50% African American and or Latino.

Indications of continuing crisis are strongest in African-American and Latino communities

- 13 of the 20 zip codes with the highest number of underwater PLS mortgages have populations that are more than 50% African American and or Latino.
- 19 of the 20 zip codes with the highest number of PLS mortgages have populations that are more than 50% African American and or Latino.
- 19 of the 20 zip codes with the highest number of underwater mortgages have populations that are more than 50% African American and or Latino

Methods

This report uses zip code-level data on PLS loans for the five boroughs – data purchased from Lewtan, a large experienced data and analytics provider to the securitization marketplace – to show where the PLS mortgages are concentrated, what their loan-to-value ratios are, and how they are currently performing. The total number of mortgages and number delinquent is as reported by the Federal Reserve Bank of New York, and the total underwater mortgage numbers come from Zillow. Foreclosure and REO figures come from RealtyTrac. Various scholarly articles are drawn from to show trends related to PLS and subprime mortgages and to support recommendations made by this report. Demographic data came from the American Community Survey.

[15] REO (Real Estate Owned) is a term used to describe properties that went through the foreclosure process and are now vacant and owned by the mortgagor.

Signs of a Continuing Crisis

New York City has been heavily impacted by the foreclosure crisis. Since the foreclosure crisis began in 2008, there have been nearly 100,000 foreclosures in New York City[16] and the percentage of mortgages that are in foreclosure has been increasing since 2004.[17] Nationally, about 2%[18] of mortgages are in foreclosure, but in New York City 6% are in foreclosure.[19] New York City's foreclosure rate, in other words, is three times the national average. Corelogic reports that New York State has the third-highest percentage of its homes currently in foreclosure, exceeded by only New Jersey and Florida.[20] In New York City, foreclosures are up 15% in 2014.[21] Hopes that the housing market is healing on its own, especially in New York, are overly optimistic.

The large number of mortgages that are currently delinquent and/or underwater indicates that the foreclosure crisis is far from over in New York City. One in 10, or 48,300, of the city's 483,000 mortgage are past due.[22] Over 60,000 mortgages are currently underwater.[23]

Across all types of mortgages and borrower FICO scores, the strongest indicator of whether or not a homeowner will default on his or her mortgage is the equity position; as equity decreases, the probability of default increases.[24] Homeowners that are

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[16] RealtyTrac.
[17] *Regional Mortgage Briefs* supra; *see also* Klein, Jeffery D., Foreclosure's Persistent Threat to New York City and its Minority Communities, The New York State Senate, June 9th 2014.
[18] *National Foreclosure Report*, Corelogic, May 2014.
[19] Foreclosure's Persistent Threat to New York City and Its Minority Communities *supra*; Regional Mortgage Briefs *supra.*
[20] Corelogic, *National Foreclosure Report supra*..
[21] *Foreclosure's Persistent Threat supra.*
[22] *Id.*
[23] Zillow, *Negative Equity Report*, 05/2014
[24] Goodman, Lori S., Roger Ashworth, Brain Landy, Lidan Yang. *The Case For Principal Reductions.* The Journal of Structured Finance 2011.17.3:29-41. Downloaded from

underwater (in a negative-equity position) are at risk of foreclosure because the home, which has historically been the bedrock of many people's savings, has become a liability rather than an asset. There is a 90% probability that homeowners who are both delinquent and underwater will transition into foreclosure.[25] A homeowner struggling to stay current on mortgage payments who has equity could historically sell or refinance in order to avoid a default, but these are options households with negative equity don't have.[26] These delinquent and underwater mortgages could almost double the weight of the foreclosure burden already borne by the city.

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www.iijournals.com; *see also* Foote, Chistopher, Kristopher Gerardi, Lorenz Goette, Paul Willen, *Reducing Foreclosures; No Easy Answers,* National Bureau of Economic Research, University of Chicago Press, April 2010.

[25] *Id.* at 31.

[26] Gerardi, Kristopher S, Paul S. Willen, *Subprime Mortgages, Foreclosures, and Urban Neighborhoods*, Federal Reserve Bank of Boston, No. 08-6, 12-22-2008, page 17.

Economic Impact on Homeowners, Adjacent Homeowners, and Neighborhoods

The foreclosure crisis has already cost the city approximately $1.9 billion in expenses and lost real estate tax revenue.[27] Foreclosures cost the city money in two ways. First, foreclosures cause property-tax revenues to decline as property values erode and second, many properties that enter the foreclosure process end up as vacant, bank-owned properties that result in significantly increased maintenance costs to the city.

Table 2: The Cost of Foreclosures

Source of cost	Loss in value per property	Cost per property	Number of properties	Total Cost
Property Tax loss from foreclosed properties	-20%	$844	95,961	$81 million
Property Tax loss from surrounding homes	-1%	$42	40.1 million[28]	$1.7 billion
REO properties		$19,277	7,341	$141.5 million

When a property goes into foreclosure its value is reduced by roughly 20%,[29] and values of properties within an eighth of a mile of a foreclosed property go down by 1%.[30]

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[27] *How the Foreclosure Crisis Cost New York City Million*, New York Communities for Change & Mutual Housing Association of New York, 2013, salsa.wiredforchange.com/.../**nycc**%20how%20the%20**foreclosure**%20**cri**...

[28] Each foreclosure reduces the value of every home within an eighth of a mile by 1%. Many homes have been affected multiple times so rather than saying 40.1 million homes have been effected, there have been 40.1 million instances of foreclosures reducing the value of nearby properties.

[29] Pennington-Cross, Anthony. *The Value of Foreclosed Property.* Journal of Real-estate Research, Volume 28, No. 2. (April-June 2006); *see also* W. Scott Fame. *Estimating the Effects of Foreclosures on Nearby Property Values; A Critical Review of the Literature.* Federal Reserve Bank of Atlanta Economic Review, Volume 95, November 2010.

Assuming a median home value of $422,000[31] the resulting loss of real-estate value totals $177.3 billion. Using New York City's average property-tax rate for residential property of approximately 1%[32] this leads to a loss of nearly $1.8 billion in property tax revenue since the inception of the crisis.

There are rarely third-party buyers at foreclosure auctions so most properties that complete the foreclosure process end up bank owned (known as REO).[33] These properties nearly always become vacant.[34] Absent a fire, the cost of REOs to the local government of a large city is likely to be around $19,277,[35] which totals to $141.1 million for the 7,341 properties that have become REO since 2008.

Failure to act to stave off the impending wave of foreclosures anticipated by the large number of delinquent and underwater mortgages will drastically increase costs to the city due to foreclosures and related negative impact.

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[30] Immergluck, Dan and Geoff Smith. *The External Cost of Foreclosure: The Impact of Single-Familiy Mortgage Foreclosures on Property Values.* Housing Policy Debate, Volume 17, Issue 1. 2006; *see also Schuetz, Jenny, Vicki Been, and Inrgid Gould Ellen. Neighborhood Effects of Concentrated Mortgage Foreclosures. Journal of Housing Economics, Volume 17, 306-319. 2008.*

[31] Zillow Real Estate Research. (Median homevalues are higher now, but 422K represents mid-crisis values)

[32] http://www.nyc.gov/html/dof/html/property/property_bill_calculate.shtml

[33] Immergluck 2010, page 8. Citing; Cutts, A. C., and W. Merrill. 2008. *Interventions in mortgage default: Policies and practices to prevent home loss and lower costs.* In *Borrowing to live: Consumer and mortgage credit revisited*, edited by N. Retsinas and E. Belsky, 203–54. Washington, DC: Brookings Institution.

[34] Immergluck 2010, page 8. Also, Whitaker, Stephen. *Foreclosure Related Vacancy Rates.* Federal Reserve Bank of Cleveland; Economic Commentary. July, 2012. Page 1; *See also* Rao, J., and G. Walsh. 2009. *Foreclosing a dream: State laws deprive homeowners of basic protections.* Boston: National Consumer Law Center. http://www.nclc.org/ issues/foreclosure/content/FORE-Report0209.pdf (accessed November 24, 2009).

[35] Apgar, William C., Mark Duda, and Rochelle Nawrocki Gorey. *The Municipal Cost of Foreclosure: A Chicago Case Study.* Homeownership Preservation Foundation. February 2005. Pages 24-27.

A Small Percentage of Total Mortgages are Causing a Big Part of the Problem

An examination of PLS mortgage data in New York City reveals four important trends with regard to the ongoing foreclosure crisis.

1. In New York City, PLS mortgages are three-times more likely to be delinquent or in foreclosure than other mortgages and twice as likely to be underwater. There are approximately 483,000 mortgages in New York City,[36] of which approximately 72,000 (15%) are PLS. 6% of all mortgages are in foreclosure, and 10% of all mortgages are delinquent. In comparison, 20% of PLS mortgages are in foreclosure and 34% are delinquent. Furthermore, approximately 12% of all mortgages are underwater as compared with 33% of PLS mortgages. These findings are consistent with other studies that have compared the performance of subprime mortgages to conventional prime mortgages and found that subprime mortgages were 5-7 times more likely to default than conventional loans were.[37]
2. PLS mortgages comprise less than 15% of all New York City mortgages; however, they represent essentially half of the mortgages that are delinquent or in foreclosure and nearly one third of all underwater mortgages. There are approximately 29,000 mortgages in foreclosure in New York City, of which 50% (14,779) are PLS. There are approximately 48,000 mortgages delinquent

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36 Federal Reserve Bank of New York, *Regional Mortgage Briefs*, http://www.newyorkfed.org/regionalmortgagebriefs/index.html

37 Gerardi, K., Shapiro, A., and Willen, P., *Subprime outcomes: Risky Mortgages, Homeownership Experiences, and Foreclosures,* Federal Reserve Bank of Boston Working Paper 07-15, 2007; Gerardi, Chirstopher, Paul S. Willen, *Subprime Mortgages, Foreclosures, and Urban Neighborhoods*, Public Policy Discussion Papers, Federal Reserve Bank of Boston, 12/2008

citywide and half of them (24,460) are PLS. Over 60,000 mortgages in NYC are underwater and 40% (24,214) of them are PLS.

3. PLS mortgages are heavily concentrated in African-American and Latino neighborhoods, resulting in the disparate impact of foreclosures, delinquent loans and vacant properties affecting African-American and Latino homeowners. Several studies show that subprime mortgages have a tendency to be clustered in low-income and minority communities.[38] The 239 New York City zip codes examined for this report support these findings. Seventeen of the 20 zip codes with the highest number of PLS mortgages had populations that were more than 50% African American and/or Latino, and seven of the 10 zip codes with the highest number of PLS mortgages had populations that were more than 90% African-American and/or Latino. The disproportionate number of PLS mortgages that were originated for homes in minority communities directly correlates with the facts that African-American households are more than three times more likely and Latino households are more than twice as likely as white households to experience foreclosure.[39]

4. PLS mortgages are disproportionately concentrated in low- and moderate-income neighborhoods. Twelve of the 20 zip codes with the greatest number of PLS mortgages have median incomes below the $59,000 median income[40] for the zip

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[38] *Subprime Mortgages, Foreclosures, and Urban Neighborhoods supra* at 3; *see also* Immergluck, Dan, Geoff Smith, *The Impact of Single-family Mortgage Foreclosures on Neighborhood Crime*, Housing Studies, Vol. 21, No. 6, 851-66, 853, November 2006; Mayer, Christopher J., Karen Pence, *Subprime Mortgages: What, Where, and to Whom?*, page 2, National Bureau of Economic Research, 2008.

[39] *Subprime Mortgages, Foreclosures, and Urban Neighborhoods* supra at 17.

[40] American Community Survey, 2008-2013 5 year estimates.

codes examined. Fourteen of the 20 zip codes with the greatest percentages of underwater PLS mortgages have median incomes is below the study median.

Specific New York City Hot Spots

Foreclosures, underwater mortgages, and PLS mortgages are clustered in certain parts of the city. In each borough, the highest concentration of underwater PLS loans are in African-American and Latino neighborhoods. Many of these mortgages are deeply – more than 25% – underwater, making it very likely that these homeowners will default and enter foreclosure before regaining equity in the property. In particular, the neighborhoods of East Brooklyn, Southeast Queens, the Northeast Bronx and the North Shore of Staten Island have high numbers of PLS mortgages, a high percentage of which are underwater.

Because we know that African-American and Latino homeowners were targeted with subprime loans,[41] it is logical that these neighborhoods would have the greatest number of PLS mortgages that are underwater. The only way to help these homeowners and save these neighborhoods is for local government to take bold action and step in where the federal government and banking institutions have failed on their own.

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[41] Schwartztol, Larry. *Predatory Lending: Wall Street Profited, Minority Families Paid the Price.* The American Civil Liberties Union. September 16, 2011

Table 3: Most Underwater PLS Mortgages by Queens Neighborhood

Neighborhood	Zip Code	% African-American/Latino	# of PLS Mortgages	# of underwater PLS Mortgages	LTV of More than 125%
Springfield Gardens/ St Albans	11434	95%	1,490	**796**	466
Brookville/ Laurelton	11413	96%	1,431	**642**	265
St. Albans	11412	94%	1,277	**624**	277
South Ozone Park	11420	51%	1,116	**579**	280
Jamaica	11433	87%	882	**524**	311

Table 4: Most Underwater PLS Mortgages by Brooklyn Neighborhood

Neighborhood	Zip Code	% African-American/Latino	# of PLS Mortgages	# of underwater PLS Mortgages	LTV of More than 125%
Canarsie	11236	92%	2,478	**1,134**	444
East New York	11208	90%	1,719	**962**	549
East New York	11207	95%	1,567	**719**	339
East Flatbush	11203	94%	1,503	**679**	333
Bergen Beach/ Old Mill Basin	11234	52%	1,848	**659**	224

Table 5: Most Underwater PLS Mortgages by Neighborhoods in the Bronx

Neighborhood	Zip Code	% African-American/Latino	# of PLS Mortgages	# of underwater PLS Mortgages	LTV of More than 125%
Pelham Gardens	10469	79%	1,352	**689**	293
North Baychester	10466	94%	1,289	**566**	246
Norwood	10467	67%	611	**265**	135

East Chester Bay	10465	43%	688	**256**	82
Soundview	10472	89%	540	**256**	104

Table 6: Most Underwater PLS Mortgages by Staten Island Neighborhoods

Neighborhood	**Zip Code**	**% African-American/Latino**	**# of PLS Mortgages**	**# of underwater PLS Mortgages**	**LTV of More than 125%**
Mariners Harbor	10303	72%	677	**426**	225
Bulls Head/ Westerleigh	10314	17%	1,156	**355**	107
Huguennot/ Arden Heights	10312	10%	921	**253**	61
New Dorp/ Midland Beach	10306	16%	729	**244**	92
Stapleton/Clifton	10304	52%	711	**239**	107

Impact in Neighborhoods Affected by Hurricane Sandy

There are also thousands of families with underwater PLS mortgages who live in neighborhoods affected by Superstorm Sandy. Not only did many of these families lose income as they missed work and lost tenants in the aftermath of the storm, they also incurred tens of thousands of dollars of damage to their homes. Thousands of homeowners were already struggling and underwater before the storm hit, making the increased costs of repairs and insurance a tipping point.

After Sandy, banks suspended mortgage payments for homeowners – but these were not indefinite. And these suspensions in some cases turned out to be more problematic than helpful for some families, as lump sum payments were required after the moratorium ended. We know from past disaster experiences – like Hurricane Katrina in New Orleans – that when the moratoriums end and insurance premiums rise, there is an influx of foreclosure and mass displacement.[42]

In neighborhoods like Far Rockaway, Canarsie, Midland Beach and Bergen Beach specifically, homeowners are in danger of losing their homes, and as a result there is a real threat that the economic and racial demographics of many Sandy affected neighborhoods will change completely. A total of 4,228 families have a PLS mortgage that is underwater in zip codes hit by Superstorm Sandy.

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[42] Travers, Suzanne *Canarsie Braces for Foreclosure Wave after Sandy*, City Limits, 19 February 2013

Table 7: Underwater PLS Loans in Sandy-Affected Queens Neighborhoods

Neighborhood	Zip Code	Underwater PLS Mortgages
Springfield Gardens	11413	642
Howard Beach	11414	161
Far Rockaway	11691	411
Arverne	11692	166
Broad Channel	11693	53
Rockaway Beach	11694	64
Total		**1,497**

Table 8: Underwater PLS Loans in Sandy-Affected Brooklyn Neighborhoods

Neighborhood	Zip Code	Underwater PLS Mortgages
Coney Island	11224	48
Gerritsen /Sheepshead	11229	114
Red Hook	11231	5
Sunset Park	11232	17
Bergen Beach/Mill Basin	11234	659
Brighton Beach/Sheepshead	11235	210
Canarsie	11236	1,134
Total		**2,187**

Table 9: Underwater PLS Loans in Sandy-Affected Staten Island Neighborhoods

Neighborhood	**Zip Code**	**Underwater PLS Mortgage**
South Beach	10305	188
New Dorp/Midland	10306	244
Great Kills	10308	112
Total		**544**

Principal Reduction Modification to Prevent Foreclosures

According to economic experts, lenders would lose less money if they were to grant principal reduction mortgage modifications to underwater PLS mortgages, but structural factors prevent them from doing so, which makes government action necessary. When a homeowner defaults on a mortgage, the choice for investors is to foreclose or modify. Legal fees, maintenance of the property, and selling costs that go along with foreclosing on a property can cost investors anywhere from 49-75% of the unpaid mortgage balance.[43] In many cases, the investor would lose less if a borrower were given a principal-reduction modification than the same investor would lose by foreclosing.[44] However, there are many entrenched barriers preventing a wide-ranging program of principal write-downs.

Principal reduction modifications are the only way to truly heal the real estate market. As securities, mortgage-ownership interests are fragmented in such a way that

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[43] Li, Wei, and Sonia Garrison. *Fix or Evict; Loan Modifications Return More Value Than Foreclosures.* Center for Responsible Lending. March 2012. www.responsiblelending.org.

[44] *Id.; see also* Carr, James H., Katherine Lucas-Smith. *Five Realities About the Current Financial and Economic Crisis.* 44 Suffolk U. L. Rev. 7 2011.

makes it nearly impossible for investors to modify loans within their current structure.[45] Collection authority for these securitized mortgages is entrusted to an agent known as the servicer, and mortgages entrusted to a servicer are subject to pooling and servicing agreements that often prohibit modification.[46] Furthermore compensation to servicers is often structured to be independent of borrower principal payments so that it is more profitable for servicers to proceed with a foreclosure even if that isn't what is better for the investors.[47]

And despite evidence that a large-scale principal reduction program targeting PLS mortgages would be in the best interests of investors, there is no indication in the marketplace that this notion is getting traction. No investor wants to be first to initiate such a program because as mortgages are modified and foreclosures are prevented home values will start to increase, the result being that the last to initiate principal reduction modifications has to reduce principal the least.[48] **Since the trustees and investors are either unwilling or unable on their own behest to rewrite many mortgages with principal reduction, local government must go around obstacles to action, inducing and coordinating a robust mortgage-modification effort that targets precisely those mortgages that are most at risk of going into foreclosure.**

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[45] Hockett, Robert. *Breaking the Mortgage Debt Impasse: Municipal Condemnation Proceedings and Public / Private Partnerships for Mortgage Loan Modification, Value Preservation, and Local Economic Recovery.*
[46] *Id.*
[47] *Id.*
[48] Hockett supra at 17.

New York City Can Compel Principal Reduction Modifications

City government can use the power of eminent domain to:

1. Purchase existing PLS mortgages at fair market value.
2. Rewrite these mortgages so that the new mortgage balances are equal to or less than the homes' current values.

The power of eminent domain allows the city to take ownership of private property (in this case mortgages, not homes) if it serves a public purpose and the private owners are paid fair market value for the taken property.[49] In many cities, a plan has been considered in which those cities, in partnership with private investors, would purchase underwater mortgages (*the loan; not the actual home*) for the fair market value. By using eminent domain the city can write underwater PLS mortgages down to current market values, preventing the loss of billions of taxpayer dollars and creating an enormous economic stimulus for the city.

There are several ways the city can design such a program, including hiring a company to manage the process and lining up private capital for the mortgage purchases. This could be the cheapest option for the city, but there are other ways this can be financed, and the city could develop its own program.[50] After purchasing the mortgages, the city will work with partners, including HUD-approved loan counselors, to modify or refinance mortgages. .

Robert Hockett, a Professor at Cornell Law School, has analyzed the legal ramifications of New York City utilizing eminent domain to seize underwater mortgages

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[49] Hockett, Robert. *Breaking the Mortgage Debt Impasse: Municipal Condemnation Proceedings and Public / Private Partnerships for Mortgage Loan Modification, Value Preservation, and Local Economic Recovery.*
[50] Hocket *supra*

and concluded it is within the power of the city to do so without any state action. He identified language in State Constitution, Article XVIII, Section 9 and the state's Eminent Domain Procedure Law Sections 101, 103, 104, and 708 indicating that the city could use eminent domain, without further state action, to seize underwater mortgages for the public purpose of preventing blight and neighborhood decline so long as the holders of the mortgages are paid the fair market value of those mortgages.[51]

It falls on local government to address the foreclosure crisis. Many of the foreclosure initiatives advanced by both the Bush and Obama Administrations have not had an impact because they failed to reach a significant number of homeowners and didn't address the issues of negative-equity.[52] Significant future action by the federal government is unlikely because 1) Congress is so ideologically divided and 2) local governments feel the negative effects of foreclosures most acutely.[53] Therefore, the willingness of New York City's government to act on foreclosures is essential for underwater homeowners and the neighborhoods where they live.

Principal Reduction Modifications Will Stimulate the Economy

After inducing the principal and interest-rate mortgage modifications that will lower mortgage loan payments, the city would see an economic stimulus in the neighborhoods with the highest concentration of previously underwater PLS mortgages. Because homeowners would spend the additional money they had each month, there would be an annual stimulus of almost $300 million if the principal balance and interest rates of all of the city's underwater PLS mortgages were modified to reflect current home

[51] Hockett, Robert, *New York Eminent Domain Law and Underwater Mortgages,* Memo to Concerned Fellow New Yorkers, August 6, 2013.
[52] Papagianis, Christopher, Arpit Gupta. *Making the Housing Market Work Again*
[52]Policy Review; Feb/Mar 2012; 171; ProQuest
[53] Hockett *supra* at 22.

values and interest rates. That would result in the creation of more than 4,400 jobs. If the principal balance of every underwater PLS mortgage in NYC were reduced to 100% of the homes' value and the interest rates were reduced to slightly above the going rate, homeowners would save $1,578 a month, a total of $450 million annually.

Cash-strapped homeowners would likely spend most of the payment savings creating a direct consumer-spending driven stimulus to the city's economy.[54] The payments would function similarly to the tax cuts for personal consumption used by the federal government in 2008 to stimulate the economy. *The New York Times* reported that consumer spending was elevated in the months following the 2008 stimulus.[55] Consumers spent 50-90% of their 2008 economic stimulus payments on durable or nondurable goods.[56] Many underwater homeowners are currently struggling to make their payments; a modification that lowers their payments would have the same economic impact as receiving a check in the mail.

In addition to curbing defaults by easing payment pressures and removing the strategic incentive to walk away, such a modification program would increase consumer spending, thus stimulating the economy and leading to job creation. Payments savings spent by homeowners could create over 4,400 jobs. It has been estimated that it takes

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[54] *Win / Win Solution; How Fixing the Housing Crisis will Create One Million Jobs.* The New Bottom Line, 2011.
http://www.calorganize.org/sites/default/files/One%20Million%20Jobs_0.pdf

[55] [1] Grynbaum, Michael M. *Stimulus Payments Elevate Consumer Spending*. New York Times [New York, N.Y] 28 June 2008: C.4.

[56] Parker, Joshua A., Nicholas S. Souleles, David S. Johnson, and Robert McClelland. *Consumer Spending and the Economic Stimulus Payments of 2008.* National Bureau of Economic Research. January 2011. Page 3.

$68,493 to create one job through tax cuts for personal consumption.[57] Since mortgage-payment reductions act like a tax cut for personal consumption, about 70% of payment savings, would flow directly into the city's economy. Modifications would lower payments and increase consumer spending, allowing businesses to create jobs.

Conclusion

The foreclosure crisis has hit New York City with a ferocity equal to if not greater than that felt by the majority of the United States, and large numbers of delinquent and underwater mortgages indicate that the crisis is not over. Foreclosures have already cost the city hundreds of millions of dollars, and if the city does not act now to prevent existing delinquent and/or underwater mortgages from going into foreclosure, the cost to the city will increase dramatically. As documented above, a small percentage of total mortgages are causing a grossly disproportionate percentage of the problem with the most substantial impact to African-American and or Latino homeowners. Principal reduction modifications are necessary to turn the tide and to prevent an on-going crisis. The result would include less foreclosures, economic stimulus, and job creation. New York City has the power to bring banks and investors to the table to negotiate the purchase of PLS mortgages. If lenders are not willing to engage in this pragmatic, financially astute solution, the city has the power to use eminent domain to purchase the underwater mortgages at fair market value and provide the necessary principle reduction modifications that will help homeowners, lenders and neighborhoods..

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[57] Pollin, Robert, and Heidi Garrett-Peltier. *The U.S. Employment Effects of Military and Domestic Spending Priorities.* Department of Economics and Political Economy Research Institute. University of Massachusetts, Amherst, page 6. October 2007.

Appendix A. Top 20 Tables

20 Zip Codes w/ the Greatest Number of PLS Mortgages

Zip	PLS	% Minority	Median Income	Neighborhood
11236	2478	92%	60,758	Carnarsie
11234	1848	52%	68,177	Flatlands
11208	1719	90%	35,665	Cypress Hill
11207	1567	95%	32,642	East New York
11203	1506	94%	49,002	East Flatbush
11434	1490	95%	57,393	Jamaica (springfield gardens)
11413	1431	96%	77,739	Laurelton
10469	1352	79%	55,724	Baychester
10466	1289	94%	44,038	Wakefield
11412	1277	94%	71,292	Saint Albans (Hollis)
11221	1230	91%	37,608	Bushwick
11368	1205	82%	46,325	Corona
10314	1156	17%	79,820	Willowbrook
11422	1121	91%	85,151	Rosedale
11420	1116	51%	60,603	South Ozone Park
10302	922	59%	56,883	Elm Park
10312	921	10%	87,426	Eltingville
11233	919	95%	35,620	Ocean Hill
11433	882	87%	43,419	Jamaica
11419	879	34%	53,815	Richmond Hill

20 Zip Codes w/ the Greatest Number of Underwater PLS Mortgages

Zip	UW PLS	% Minority	Median Income	Neighborhood
11236	1134	92%	60,758	Richmond Hill
11208	962	90%	35,665	Cypress Hill
11434	796	95%	57,393	Jamaica (Springfield Gardens)
11207	719	95%	32,642	East New York
10469	689	79%	55,724	Baychester
11203	679	94%	49,002	East Flatbush
11234	659	52%	68,177	Flatlands
11413	642	96%	77,739	Lauelton
11412	624	94%	71,292	Saint Albans (Hollis)
11420	579	51%	60,603	South Ozone Park
10466	566	94%	44,038	Wakefield
11433	524	87%	43,419	Jamaica
11422	493	91%	85,151	Rosedale
11221	465	91%	37,608	Bushwick
11421	437	62%	57,091	Woodhaven
10303	426	72%	50,137	Mariners Harbor
11419	412	34%	53,815	Richmond Hill
11692	411	84%	39,817	Arverne
11368	399	82%	46,325	Corona
11212	394	97%	27,901	Brownsville

20 Zip Codes w/ the Greatest Number of Underwater Mortgages

Zip	CCD	UW	% Minority	Median Income	Neighborhood
11434	27	1776	95%	57,393	Jamaica (Springfield Gardens)
10314	50	1453	17%	79,820	New Springville
11234	46	1409	52%	68,177	Flatlands
10469	12	1373	79%	55,724	Baychester
11412	27	1271	94%	71,292	St Albans (Hollis)
10466	15	1266	94%	44,038	Wakefield
11203	45	1220	94%	49,002	East Flatbush
11413	31	1215	96%	77,739	Springfield Gardens
10462	15	1207	72%	46,001	Morris Park
11420	33	1063	51%	60,603	South Ozone Park
10303	49	1049	72%	50,137	Mariners Harbor
11433	28	990	87%	43,419	Jamaica
10312	50	955	10%	87,426	Eltingville
10306	51	945	16%	77,720	Richmond Town
10023	6	910	13%	105,311	Lincoln Square
11435	28	904	56%	53,914	Jamaica (Briarwood)
10465	13	887	43%	63,352	Throgs Neck
10024	6	867	16%	110,091	Upper Westside
11422	31	853	91%	85,151	Rosedale
11419	28	838	34%	53,815	Richmond Hill

20 Zip Codes w/ the Greatest Percentage of Underwater Mortgages

Zip	% UW	% Minority	Median Income	Neighborhood
11433	28%	87%	43,419	Jamaica
10303	28%	72%	50,137	Mariners Harbor
11436	27%	84%	60,820	Jamaica
10462	27%	72%	46,001	Morris Park
11434	24%	95%	57,393	Jamaica (Springfield Gardens)
10470	22%	52%	56,058	Wakefield
11412	22%	94%	71,292	Saint Albans (Hollis)
10302	22%	59%	56,883	Elm Park
11416	21%	47%	55,225	Woodhaven
10466	20%	94%	44,038	Wakefield
10459	20%	96%	21,913	Longwood
11429	20%	89%	70,478	Queens Village
10473	20%	95%	37,616	Soundview
11435	20%	56%	53,914	Jamaica
11411	19%	95%	81,390	Cambria Heights
10469	18%	79%	55,724	Baychester
11413	18%	96%	77,739	Laurelton
11206	18%	68%	28,584	Bedford Stuyvesant
11693	18%	53%	50,006	Far Rockaway (Broad Channel)
11212	18%	97%	27,901	Brownsville

20 Zip Codes w/ the Greatest Number of Foreclosures

Zip	Foreclosures	% Minority	Median Income	Neighborhoods
11208	2528	90%	35,665	Cypress Hills
11207	2527	95%	32,642	East New York
11236	2436	92%	60,758	East Flatbush
11221	2335	91%	37,608	Bushwick
11434	2007	95%	57,393	Jamaica (Springfield Gardens)
11233	1999	95%	35,620	Ocean Hill
11234	1785	52%	68,177	Flatlands
11203	1688	94%	49,002	East Flatbush
11412	1578	94%	71,292	Saint Albans (Hollis)
10314	1510	17%	79,820	New Springville
10466	1508	94%	44,038	Wakefield
11433	1503	87%	43,419	Jamaica
11420	1422	51%	60,603	South Ozone Park
10469	1419	79%	55,724	Baychester
11413	1405	96%	77,739	Laurelton
11691	1319	73%	38,631	Far Rockaway
10312	1216	10%	87,426	Eltingville
10303	1163	72%	50,137	Mariners Harbor
11216	1161	82%	41,688	Crown Heights
11212	1100	97%	27,901	Brownsville

20 Zip Codes w/ the Greatest Number of REO Properties

Zip	REO	% Minority	Median Income	Neighborhood
11433	314	87%	43,419	Jamaica
11434	293	95%	57,393	Jamaica (sprinfield gardens)
11412	192	94%	71,292	Saint Albans (Hollis)
11691	192	73%	38,631	Far Rockaway
11436	191	84%	60,820	Jamaica
11420	181	51%	60,603	South Ozone Park
11413	170	96%	77,739	Lauelton
11233	158	95%	35,620	Ocean Hill
11221	153	91%	37,608	Bushwick
11207	151	95%	32,642	East New York
11429	141	89%	70,478	Queens Village
11421	132	62%	57,091	Woodhaven
11208	123	90%	35,665	Cypress Hills
11435	122	56%	53,914	Jamaica (Briarwood)
10303	119	72%	50,137	Mariners Harbor
11422	116	91%	85,151	Rosedale
10466	109	94%	44,038	Wakefield
10301	105	48%	54,792	St. George
11369	103	81%	55,553	Elmhurst
10314	98	17%	79,820	Bloomfield

Borough	Total PLS Mortgages	100-110% LTV	110-125% LTV	125-150% LTV	150-200% LTV	> 200% LTV
Queens	27,586	2,563	3,070	2,815	1,409	324
Brooklyn	22,375	1,931	2,142	1,975	960	200
Bronx	8858	1,007	1,206	1,152	413	96
Staten Island	7335	773	815	641	297	64
Manhattan	6211					
Total	**72365**	**6274**	**7233**	**6583**	**3079**	**684**

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I represent: Legal Services NYC

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I represent: MFY Legal Services, Inc

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I represent: MHANY / Mutual Housing Association

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Address: 100 Gold NY NY

I represent: HPD

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☐ in favor ☐ in opposition

Date: ________

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Name: Oda Friedheim

Address:

I represent: The Legal Aid Society

Address: 120-46 Queens Blvd., Kew Garden NY 11415

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