



**Testimony Before the Assembly Standing Committee on Housing:
Oversight of the State Fiscal Year 2015-2016 State Budget for
New York State Homes & Community Renewal**

December 21, 2015

Good morning. My name is Caroline Nagy, and I am the Policy Manager at the Center for NYC Neighborhoods. I would like to thank Chair Wright, as well as the members of the Standing Committee on Housing for holding today's important hearing on the 2015-2016 State budget.

About the Center for NYC Neighborhoods

The Center promotes and protects affordable homeownership in New York so that middle- and working-class families are able to build strong, thriving communities. Established by public and private partners, the Center meets the diverse needs of homeowners throughout New York State by offering free, high quality housing services. Since our founding in 2008, our network has assisted over 40,000 homeowners. We have provided approximately \$33 million in direct grants to community--based partners, and we have been able to leverage this funding to oversee another \$30 million in indirect funding support, including through New York State Homes and Community Renewal, the Office of the Attorney General, and other public and private funders.

New Yorkers Continue to Struggle to Recover from the Foreclosure Crisis

Homeowners and their communities, throughout New York State, have been devastated by the dramatic increase in foreclosures since the 2008 financial crisis. Though our national economy has come back, albeit slowly and incompletely, from the depths of the recession, the foreclosure crisis continues to be a daily source of stress, confusion, and financial hardship for hundreds of thousands of New Yorkers statewide.

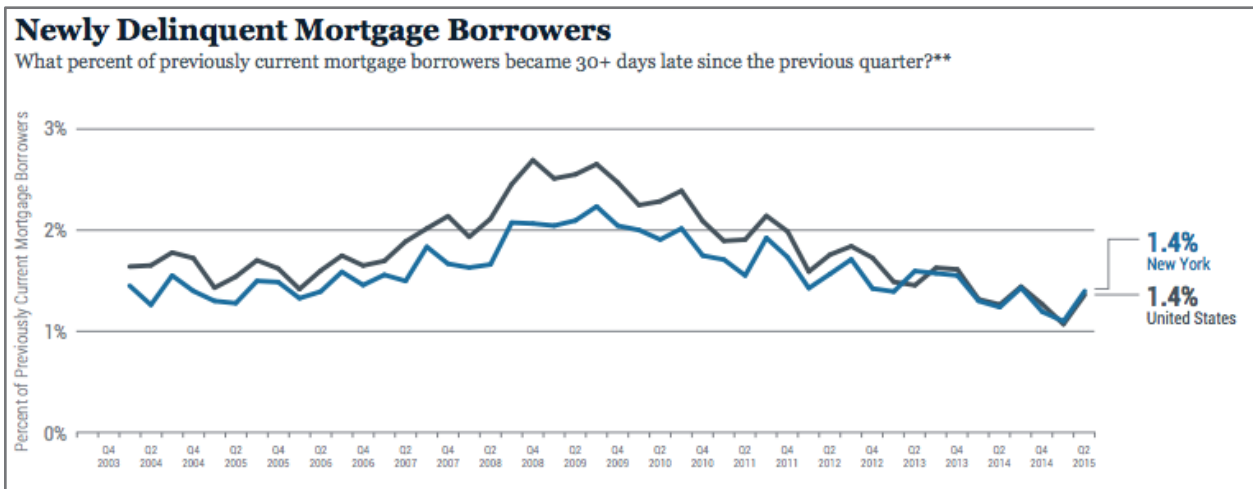
Today, the crisis has resulted in tens of thousands of foreclosures in New York State and still more homeowners struggling to make monthly mortgage payments. The negative impacts of the foreclosure crisis are felt statewide, but are seen particularly in communities of color, which were disproportionately targeted and harmed by the predatory lending that caused the financial crisis.¹

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/nrcdiscrimstudy.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-and-dethnicity-on-the-price-of-subprime-mortgages.html>.

Nationally, half of the collective wealth of African--American families was lost during the Great Recession as a result of 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

Despite the fact that New York represented only 4.7% of the nation’s mortgage loans in the first quarter of 2015, our share of the nation’s loans in foreclosure was 11.6% - second only to Florida nationwide.³ At the same time, New York also had the second-highest percentage of loans in foreclosure at 4.77%. Since the end of 2012, New York has had one of the three highest foreclosure rates in the nation and is one of the slowest states to recover from the housing crisis.⁴

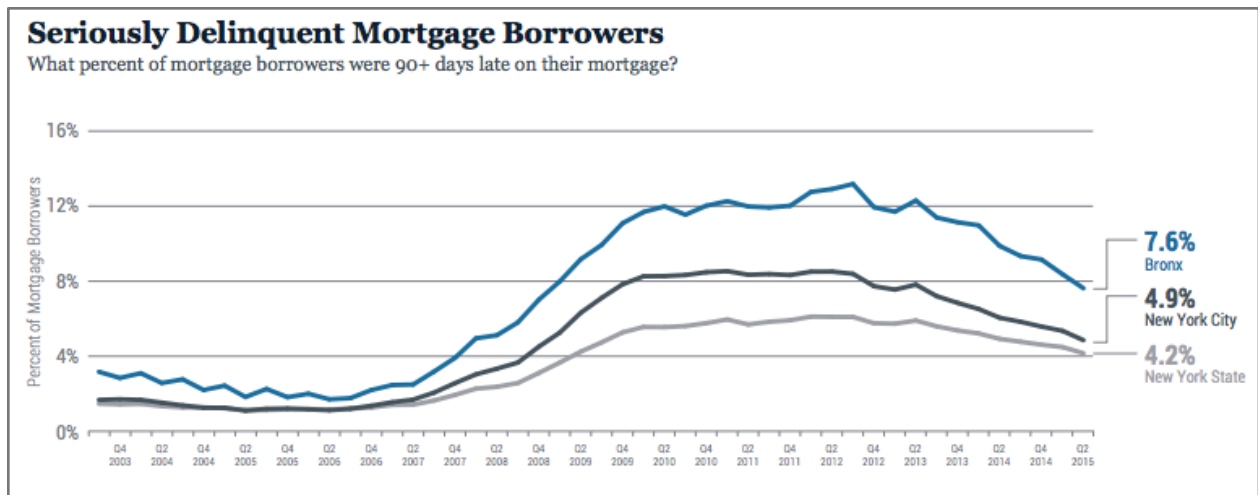
New York Fed: Regional Household Debt and Credit Snapshot 2015 Q2



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 Report on New York’s Foreclosure Process, Department of Financial Services, May 2015. Available at: http://www.dfs.ny.gov/reportpub/fore_proc_report_052015.pdf

⁴ Mortgage Foreclosures and Delinquencies Continue to Drop, Mortgage Bankers Association, Nov. 17, 2015. Available at: <https://www.mba.org/2015-press-releases/november/mortgage-foreclosures-and-delinquencies-continue-to-drop>



Mortgage Servicing Challenges Remain

In New York State, tens of thousands of homeowners are working to keep their homes, but are faced with a mortgage servicing system moving too slowly. Communities across the state struggle to cope with vacant and abandoned properties that, if repaired and returned to the market, would be a source of desperately needed affordable housing as well as property tax revenue for municipalities.

Furthermore, national shifts in the mortgage servicing sector are leading to serious consequences for homeowners in New York State. Fannie Mae, Freddie Mac, and the Federal Housing Administration (FHA) are now selling distressed loans, at sizable discounts, to the highest bidder. Consequently, large private equity firms like Lone Star Funds, Bayview Asset Management and Selene Finance LP are accumulating vast portfolios of distressed properties.⁵ Unfortunately, we are losing these homes from our affordable housing stock, and it seems highly unlikely that, once gone, they will ever be affordable to middle-class New Yorkers without a much more significant investment of public subsidy. As detailed in a recent New York Times article, some of these note purchasers are displacing current homeowners in hopes of taking advantage of rising prices.⁶

Recommendations:

This year’s state budget presents an opportunity to help New York homeowners keep their homes, while helping New York neighborhoods recover from the foreclosure crisis. At the Center, we’re excited to be a part of a coalition of 10 affordable housing groups calling for a five year, \$4 billion capital plan to address our state’s housing crisis.

⁵ Warren Demands HUD Curb Sales of Soured Loans to Private Equity, Bloomberg Business, Sept. 29, 2015. Available at <http://www.bloomberg.com/news/articles/2015-09-29/warren-demands-hud-curb-sales-of-soured-loans-to-private-equity>

⁶ As Banks Retreat, Private Equity Rushes to Buy Troubled Home Mortgages,” New York Times, Sept. 28, 2015. Available at <http://www.nytimes.com/2015/09/29/business/dealbook/as-banks-retreat-private-equity-rushes-to-buy-troubled-home-mortgages.html>

We support the \$4 billion capital plan in its entirety, and would like to call attention to the provisions targeted towards supporting affordable homeownership in New York. Specifically, we urge the Assembly, Senate, and Governor Cuomo to dedicate \$250 million in funding over the next five years to support initiatives that will provide critical assistance to low- and moderate-income prospective and current homeowners. The \$250 million would support the following initiatives:

New York State Mortgage Assistance Program:

The New York State Mortgage Assistance Program (NYS-MAP) provides essential interest-free loans for homeowners to avoid foreclosure. NYS-MAP has been funded by New York Attorney General Eric Schneiderman and administered by the Center for NYC Neighborhoods and the Empire Justice Center. The NYS-MAP program is an expansion of a smaller pilot fund that was sponsored by the City of New York and the Ford Foundation. The program makes loans to eligible New York homeowners who are at risk of foreclosure and unable to get assistance from other foreclosure prevention programs. NYS-MAP loans are capped at \$40,000 and secured by a 30 year, 0% interest lien on the property so these investments can be re-used in the future to support additional affordable housing preservation.

The primary purpose of the NYS-MAP program is to help homeowners modify their existing loans to sustainable terms. Eligible recipients must have experienced a financial hardship, but also demonstrate an ability to make their mortgage payments if the MAP loan were granted. Eligible uses of NYS-MAP loans include: paying off arrears, including mortgage payments or unpaid interest and fees; paying down second or third mortgages; satisfying liens that might lead to loss of the home; and supplying a “matching” fund to reduce principal or otherwise modify the loan terms.

NYS MAP has provided critical help to nearly 500 New Yorkers, but unfortunately intake for the program is now closed. NYS MAP was previously funded through settlement funds with financial institutions and has exhausted its initial funding, but the need remains significant. NYS MAP received almost \$40 million in applications in just nine months, demonstrating the tremendous need for this home-saving program.

New York State Community Restoration Fund:

The Community Restoration Fund will strengthen communities throughout New York State by deterring speculation and property flipping in low- and moderate-income neighborhoods, helping communities reduce blight, and restoring desperately needed property tax revenue to counties and towns. The Community Restoration Fund will address diverse community needs by purchasing mortgage notes on 1-4 family homes at discounted rates, either through note sales or via other distressed sales such as auctions. Subsequently, homes have several possible pathways:

- Modify mortgages to affordable terms.
- Rent to the current homeowner with an option to purchase at a later time.
- Fund local, nonprofit development efforts to restore vacant properties as affordable housing available for purchase or rent.
- Demolish homes that are beyond repair and have become a blight in the community.

Housing Counseling and Legal Services

Housing counseling and foreclosure prevention legal services support homeowners at every step of the way in the homeownership process. This includes pre-purchase counseling for prospective homeowners and foreclosure prevention services and resiliency retro-fitting guidance for current homeowners. These services received State funding in previous years through HCR and are currently funded by one-time settlements with financial institutions through the New York Attorney General.

Single-Family Home Repair Fund

This initiative would increase existing grant resources for home repairs for New Yorkers statewide, as well as pilot loan loss reserves/guarantees to encourage banks and other financial institutions to make loans to low- and moderate-income homeowners with property maintenance needs.

New York State Downpayment Assistance Funding

In parts of the state with high real estate values, low- and moderate-income homeowners can have a difficult time taking advantage of existing downpayment assistance resources. Increased state support for downpayment assistance would be used to supplement resources that may have eligibility restrictions.

Thank you for the opportunity to testify and for your commitment to affordable housing in New York.