



**Testimony Before the New York City Council Housing and Buildings Committee
Regarding the New York City Fiscal Year 2020 Budget**

March 22, 2019

Good afternoon. My name is Caroline Nagy, and I am the Deputy Director for Policy and Research at the Center for NYC Neighborhoods. I would like to thank Chair Cornegy and the members and staff of the Committee on Housing and Buildings for holding today's hearing on the Fiscal Year 2020 Preliminary 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 live in 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 74,000 homeowners. We have provided more than \$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. Major funding sources for this work include the New York City Council, the New York City Department of Housing Preservation and Development, and the Office of the State Attorney General, along with other public and private funders.

Before discussing this year's budget, I'd like to acknowledge the New York City Council for being strong champions of affordable homeownership in New York City. We greatly appreciate your support for homeowner services in the City budget, as well as your promotion of policy reforms such as the basement legalization pilot. We look forward to partnering with City Council and the de Blasio administration on new initiatives like Interboro Community Land Trust and the expansion of the City's home repair programs.

Affordable Homeownership in New York City is Under Threat

While these new initiatives provide promising solutions, there is much more to be done to confront the many challenges to affordable, sustainable homeownership in New York today. More than 181,000 New York City homeowner households spend over 50 percent of their income on their mortgage and related housing costs.¹ For these families, one major crisis such as an unexpected medical bill, loss of work, or a change in household size due to death or divorce could lead to default on their taxes or mortgage. For senior homeowners, the challenges of maintaining a home in New York City on a fixed income are threatened even further by reverse mortgage foreclosures and scams targeting this demographic.

¹ Center analysis of NYC Housing Vacancy Survey data.

Preserving affordable homeownership is especially important in a city where the racial wealth gap and income inequality have increased significantly over the past decade. This especially holds true for black and Latino families: since 2008, the number of black homeowner households has decreased by nine percent in Queens. In Brooklyn, the number of Latino homeowners decreased by 18 percent over the same time period, even though the total number of Latino households increased by two percent. The decrease can be attributed to forces making homeownership more difficult for existing homeowners and to barriers to homeownership for renters hoping to buy.

Foreclosures Remain A Threat

New York City was heavily hit by the by the foreclosure crisis, which, unfortunately, continues to be with us today: In 2017, more than 40,000 New York City families received pre-foreclosure notices, meaning that they were seriously delinquent on their mortgage and at risk of entering the foreclosure process.² Six of New York State's ten ZIP codes with the highest number of pre-foreclosure notices are in New York City: Canarsie and Flatlands/Marine Park in Brooklyn; Rochdale, Springfield Gardens, and St. Albans in Queens; and Bulls Head/New Springville on Staten Island.³ Foreclosure auctions have also been increasing: in 2018, 3,237 homes in New York City were scheduled for auction, up from 936 in 2012.⁴ The New York City families who own those homes are mostly black and Latino: over 60 percent of the homeowners at risk of foreclosure we see at the Center are black, and over 20 percent are Latino.

Reverse Mortgage Foreclosures on the Rise

Reverse mortgages are heavily promoted to senior borrowers as a risk-free opportunity to tap into their home equity while continuing to live in their home. Unfortunately, reverse mortgage foreclosures have dramatically increased in recent years, threatening borrowers' housing stability over what usually amounts to a small amount of unpaid property taxes.⁵ As more NYC homeowners become seniors, we can expect increased numbers of reverse mortgage borrowers. In addition to helping avoid reverse mortgage foreclosures, greater resources are needed to educate borrowers about the risks and responsibilities of this product before taking it on.

Deed Theft Scams Target Vulnerable Homeowners

Just last week, Attorney General James announced the indictment of two Long Island men for allegedly committing deed theft and fraudulently acquiring two homes in Brooklyn and Queens.⁶ Deed theft is a growing concern and can often take the form of foreclosure rescue scams that involve the fraudulent transfer of ownership of a home to a third party. Sometimes homeowners are tricked into signing over

² New Economy Project, Foreclosure Risk in New York State: January 2019. Available at: https://www.neweconomynyc.org/wp-content/uploads/2019/01/Final_2018.pdf

³ Id.

⁴ Figures based on Center analysis of PropertyShark data.

⁵ Center for NYC Neighborhoods, Protecting Senior Homeowners from Reverse Mortgage Foreclosure, August 2017. Available at: <https://cnycn.org/wp-content/uploads/2017/08/Reverse-Mortgage-Policy-Brief-1.pdf>

⁶ Press Release: Attorney General James Announces Indictment Of Two Long Island Men For Deed Theft Of Two Residential Properties. March 14, 2019.

<https://ag.ny.gov/press-release/attorney-general-james-announces-indictment-two-long-island-men-deed-theft-two>

their deed, believing they are signing some other type of legal document. Deed theft scammers target homeowners at risk of foreclosure or homeowners who are otherwise vulnerable, including seniors. Since 2014, the Office of the Sheriff has handled more than 2,000 complaints of deed theft; these complaints are concentrated in Brooklyn and Queens.⁷

Many Homeowners Struggle to Keep Up with Property Taxes

Many NYC homeowners struggle to afford property tax, water, and other municipal charges. If homeowners fall behind and their liens are sold through the City's annual tax lien sale, they will face steeply escalating debt and are at risk of foreclosure. For seniors who have taken out reverse mortgages, even a small amount of tax debt can lead to default and foreclosure.

With Tax Day 2019 approaching, the financial impacts of the 2017 federal tax reform are beginning to be felt by New Yorkers. The new federal tax code makes a number of major changes including new deduction limits on mortgage interest and state and local taxes, and many New York homeowners will find themselves owing higher taxes or facing a smaller-than-expected tax refund this year. This could cause financial hardship and confusion for many, and will likely prompt increased demand for foreclosure prevention services.

Unmet Home Repair Needs Pose Challenges

In a recent Center survey of East New York homeowners, unaffordable home repairs were the biggest challenge identified, with 63 percent of homeowners reporting that they had an unmet home repair need.⁸ When homeowners defer needed maintenance due to a lack of funding, deteriorating conditions put health and safety at risk, threaten income from rental units, and make needed repairs more expensive. Failure to keep a home in good repair is grounds for a reverse mortgage default, and the financial pressures it causes can lead to default on conventional mortgage payments.

Growing Senior Homeowner Population

The number of senior homeowners over the age of 65 in New York City increased by 73,000 (29 percent) between 2008 and 2017. Today, about a third of homeowners are ages 65 and over. Of these senior homeowners, three-quarters are low- to moderate-income, and many are living on fixed incomes.⁹ Many will need resources and services to support them as they age in place, as well as additional support to protect them from financial shocks.

Rising Seas

Rising sea waters and greater flood risk caused by climate change will pose serious threats to the safety and affordability of homes in New York City's coastal neighborhoods. Increased flood insurance

⁷ Report of the Grand Jury of the Supreme Court State of New York, December 13, 2018. Available at: <https://www.manhattanda.org/da-vance-releases-grand-jury-report-documenting-epidemic-of-real-estate-theft-targeting-vulnerable-new-yorkers/>

⁸ Center for NYC Neighborhoods, East New York: Preserving Affordability in the Face of Uncertainty, 2017. Available at: www.cnycn.org/eastnewyork

⁹ Center for NYC Neighborhoods, Affordable Homeownership 10 Years After The Crisis, 2018. Available at: <https://cnycn.org/affordable-homeownership-10-years-after-the-crisis/>

premiums will add another affordability challenge for homeowners in flood-prone areas. More than 218,000 New York City residents currently live in the high-risk floodplain, and about 200,000 more will be added when New York City updates its Flood Insurance Rate Map sometime in the next few years. With increased flooding and unaffordable flood insurance premiums looming, homeowners in flood-prone neighborhoods must take steps to inform themselves of their flood risk and make decisions about how to prepare for future floods.

Solutions: Fund Homeowner Services in the FY 2020 City Budget

The Center for NYC Neighborhoods has developed innovative, high-quality services to help keep New York City homeowners in their homes, with a track record of success on behalf of LMI homeowners. This year the Center requests \$3,000,000 City Council funding to support a streamlined approach to financial and physical resiliency for homeowners across New York City through a single point of entry.

Specifically, City Council funding would support our comprehensive suite of homeownership services, including the following:

- **Homeowner Hub:** Our Hub is a frontline service for homeowners seeking specialist advice and referrals for more comprehensive services. The Hub can be reached via 311, our HomeownerHelpNY website, and in person at community events, which together serve New Yorkers in every Queens neighborhood.
- **Foreclosure Prevention Services:** The Center serves homeowners in Queens by providing foreclosure counseling, homeownership counseling, property tax counseling, and reverse mortgage counseling for seniors that help them remain in their homes. Some services are provided in-house, such as the Center's Escalations program, while others are provided through our Network Partners.
- **Homeowner Sustainability and Resiliency Services:** The Center provides resiliency and energy efficiency counseling, home resiliency audits, and backwater valve installations for homeowners at risk of flooding or who are seeking to lower their home energy costs. We work to improve circumstances for individual homeowners and also at scale for communities at risk of flooding, climate change, and more. Queens residents can learn their flood risk at FloodHelpNY.org.
- **Policy and education:** Our policy and research team works to develop program and policy recommendations to better protect NYC homeowners, including legislative reforms for issues like property taxes, tax lien sales, and more.

Fund Home Repair in the City Budget

Given the major need for increased home repair resources for low- and moderate-income homeowners, the roll out of HPD's HomeFix program is greatly anticipated. We are requesting \$2 million in City Council funding to provide vital outreach and counseling support as well as loans targeted towards those council districts with the highest need, which will allow us to reach low- and moderate-income New York City homeowners throughout the city and assist them in navigating the program.

We look forward to partnering with the City Council and the de Blasio administration to continue to champion affordable homeownership in New York City. Thank you for the opportunity to testify today.