

Testimony Of Lucy Block Before the New York State Senate Regarding Deed Fraud And Deed Theft

October 27, 2022

To Chair Kavanagh and members of the Senate Standing Committee on Housing, Construction & Community Development,

Thank you for the opportunity to testify today and for holding this hearing on the important issues of deed theft, speculation, and harassment of small homeowners in New York. My name is Lucy Block and I'm a Senior Research and Data Associate at the Association for Neighborhood and Housing Development (ANHD). We're an umbrella organization of more than 80 members citywide who build community power for housing, economic, and racial justice. Many of our members work in communities where low-income Black, immigrant, and other homeowners of color as well as their tenants are at risk of losing their homes due to harassment, speculation, and outright fraud.

These problems have been occurring for many years: aggressive and predatory solicitation to pressure seniors and homeowners – primarily Black, immigrant, and people of color – to relinquish their homes, many times duplicitously, as well as outright fraud to illegally steal deeds. In New York, 19% of homeowners are Black, Latinx, and Asian, but they made up 54% of those who reported they were victims of scams to the National Loan Modification Scam Database.¹ This is not an accident or an aberration, it's the result of racist policies, systems, and institutions. It's the result of redlining, disinvestment from Black and brown neighborhoods, and exclusion from wealth building and financial systems. It is intimately connected to the foreclosure crisis, the tax lien sale, and ongoing lack of access to financial products and protections that allow New Yorkers of color to stay in the homes they have worked immensely hard to obtain and hold onto.

Although foreclosure filings were briefly, mostly paused in the first few months of the pandemic, they quickly shot up again in the summer of 2020. We used our DAP Portal tool, part of the Displacement Alert Project, to research recent foreclosure trends in small homes; the results are charted below. Between April 2020 and September 2022, there were over 11,601 lis pendens filings in 1-4 unit homes in New York City alone, the first step in the foreclosure process after an owner has missed three payments in a row. Of those 11,601 filings, 79% of them were in 2-4 family homes: approximately 8,419 homes with 19,816 units. If each of those had one unit occupied by an owner and the rest rented by tenants, that would equate to 11,397 tenant households subject to displacement in addition to the homeowners. Of the 11,601 foreclosure filings, 40% were in Queens and 42% were in Brooklyn.

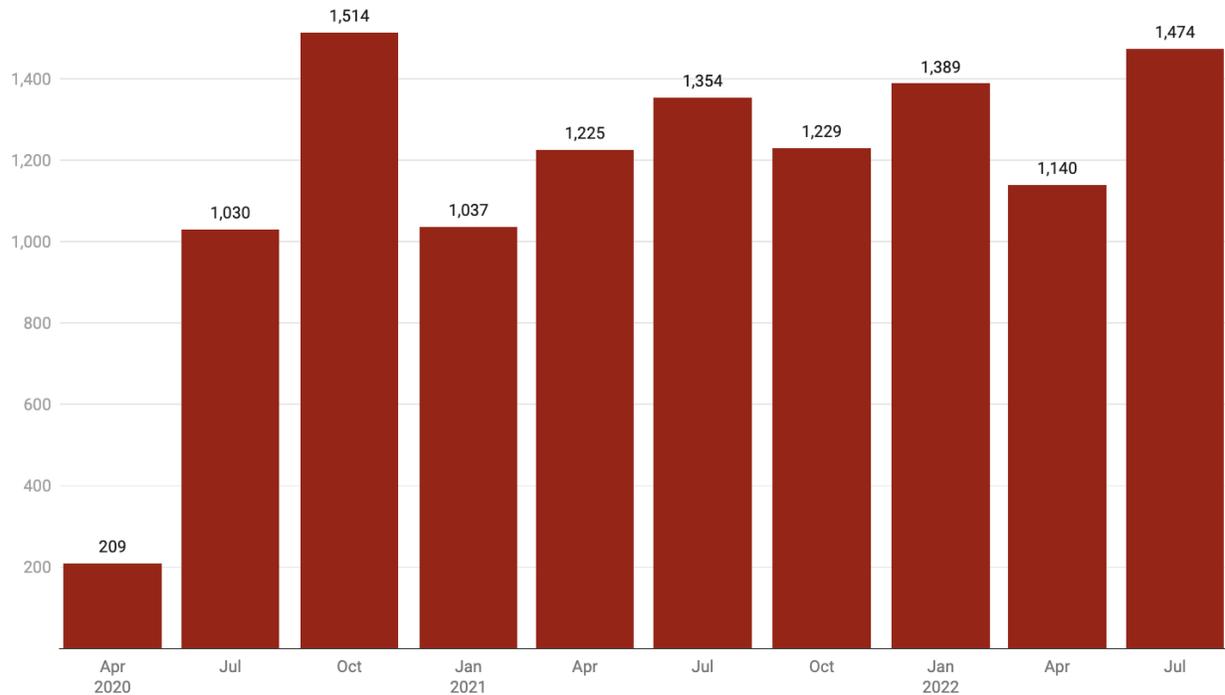
The COVID-19 crisis crippled homeowners' ability to pay their mortgages, and predatory investors see foreclosure proceedings as nothing but dollar signs. Predatory actors can easily find out which homeowners are behind on their mortgage payments and therefore at risk of foreclosure, and they know how much the home is worth. They can swoop in and offer "help"; under the guise of helping the owner

¹ Joseph Sant, Center for New York City Neighborhoods, Testimony Before the Committee on Housing & Buildings and the Committee on Finance Regarding the City's Deed Theft and Deed Fraud Crisis, October 13, 2020.

get out of debt, they may fraudulently steal the deed instead. In other cases, speculators will offer the owner a fraction of what the home is worth, and quickly flip it for two or three times what they paid.

There have been 11,601 Foreclosure Filings Since April 2020

Foreclosure Filings by quarter since the COVID-19 pandemic began



Data via PropertyShark

This kind of predatory investment and speculation has been running rampant in neighborhoods like East New York and Southeast Queens in recent years. The Center for New York City Neighborhoods (CNYCN) has done extensive research on home flipping and found that flipping greatly diminishes the supply of homes affordable to working class families, is fueled by foreclosures, and inflates the price of homes that would otherwise be affordable to low and moderate income New Yorkers.² It is fundamentally important for us to put in place measures to stop small homes from being used as an investment vehicle, be it fraudulently or legally.

ANHD's members like Cypress Hills Local Development Corporation and CNYCN have been working for years to pass legislation that will stop fraud, speculation, and home flipping, such as Cease and Desist Zones and the Flip Tax (S3060E). With ongoing economic fallout from the pandemic, the time is now to enact both. Another critical measure is the Consumer and Small Business Protection Act, which would bring New York's consumer protection act into the 21st century. Predatory actors constantly evolve their tools to evade the law, so we need an updated consumer protection statute to combat current deceptive, unfair, and abusive practices.

In addition to needed legislation, the most important measure to ensure that homeowners across New York State have the support and protection they need to avoid losing their home due to deed theft, other predatory practices, or foreclosure, is full funding of the Homeowner Protection Program (HOPP), which includes 90 organizations across the State that work diligently to keep homeowners in their homes. This

² https://s28299.pcdn.co/wp-content/uploads/2018/06/CNY002-Flip-Report_June2018-1-1.pdf

past fiscal year, the State allocated \$20 million to the program. However, that is not nearly enough to meet the demands the HOPP network is responding to. The Coalition for Affordable Homes estimated the cost to meet the needs addressed by the program to be \$35 million this year and \$40 million in the two coming years. ANHD supports the Coalition's ask for the State to fully fund HOPP to ensure homeowners are protected from threats of predatory speculation, fraud, and deed theft.

On behalf of ANHD, I'd like to thank Chair Kavanagh and members of the committee again for hosting this hearing on a topic that matters immensely to New Yorkers and that we must address in the fight against the displacement of New York City communities.

I am happy to answer any questions and can be reached at lucy.b@anhd.org or 917-796-0848.