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Testimony of Lucy Block Before THE NEW YORK CITY COUNCIL  
REGARDING DEED FRAUD AND DEED THEFT

October 13, 2020

To Chairs Cornegy and Dromm and members of the Committee on Housing and Buildings and the Committee on Finance,

My name is Lucy Block and I'm a Research and Policy 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.

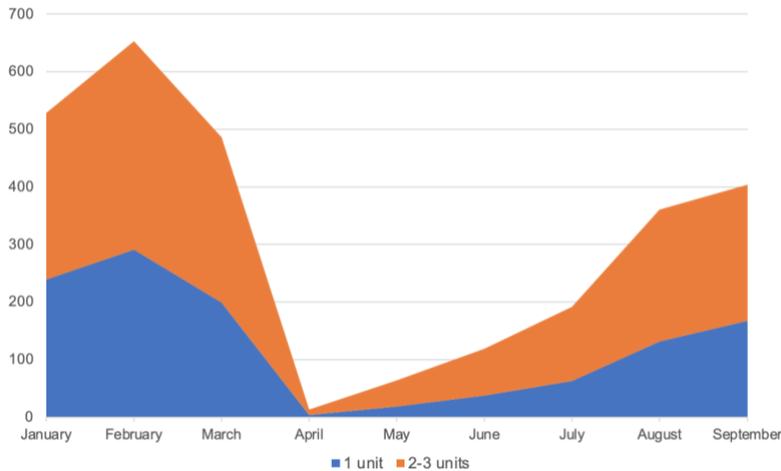
I'd like to thank the Committees for holding this hearing on the important issues of deed theft, speculation, and harassment of small homeowners in New York City. We fully support Resolutions 1429 and 1430, partially support Resolution 1427, and support Introductions 1913 and 1919 with proposed modifications.

The problems that you refer to in the proposed resolutions have been occurring for many years: aggressive and predatory solicitation to pressure seniors and homeowners to relinquish their homes, many times duplicitously, as well as outright fraud to illegally steal deeds.

Our members Cypress Hills Local Development Corporation and the Center for New York City Neighborhoods know this as they have been working for years to pass legislation that will stop it from happening. Now more than ever, we are seeing that this is an absolutely critical moment to enact these increased protections.

We used our DAP Portal tool, part of the Displacement Alert Project, to research recent foreclosure trends in small buildings. We found that *lis pendens* filings in small homes, the first step in the foreclosure process after an owner has missed three payments in a row, **are approaching pre-pandemic levels and are on a rapid rise**. Whereas the number of filings in 1-3 family homes was below 100 in April and May and below 200 in June and July, it surpassed 400 in August. There was a particularly sharp increase between July and August, when the number of foreclosure filings jumped from 192 to 360 in those small homes.

### Small Buildings with Foreclosure Filings, 2020



Number of Foreclosure Filings		
Month	1 Unit Buildings	2-3 Unit Buildings
January	239	289
February	291	362
March	199	287
April	4	9
May	18	46
June	37	82
July	63	129
August	131	229
September	167	237

Source: PropertyShark, DAP Portal (<https://portal.displacementalert.org>)

According to DAP Portal, which compiles data from PropertyShark, there have been 17 foreclosure auctions scheduled since April. Half of them were scheduled last month, in September. It therefore looks like actual foreclosures are seriously on the rise, in addition to the filings that start the process.

Number of Foreclosure Auctions	
Month	Total Scheduled Auctions
March	17
April	2
May	0
June	1
July	3
August	2
September	9

Source: PropertyShark, DAP Portal.

Months indicate the date that a foreclosure auction was added to PropertyShark, not the auction date. These are foreclosures of any property type, including but not limited to small homes.

The COVID-19 crisis is crippling homeowners' ability to pay their mortgages, and predatory investors will see foreclosure proceedings as nothing but dollar signs. In any depression, there is rapid speculation, and we must prepare and brace ourselves against this round of it. We thank the sponsors of all three resolutions for State action and the two sponsors of City legislation. Our comments are the following:

Resolution 1429: We strongly support the extension of the cease and desist zone in New York City to the borough of Brooklyn. Since the announcement of the first neighborhood rezoning under Mayor Bill de Blasio in East New York, our member Cypress Hills LDC saw an immediate spike in speculation and predatory activity in small homes in their neighborhood. Investors saw an opportunity to profit off of a neighborhood that was suddenly marketed as more desirable to newcomers. This has been thoroughly documented by the Center for New York City neighborhoods in their in-depth research of small home flipping and its connection to foreclosures, and one of their primary recommendations, as well as that of the East New York Coalition for Community Advancement, is the cease and desist zone.<sup>1</sup> We hope the

<sup>1</sup> Leo Goldberg and John Baker, Center for New York City Neighborhoods, June 2018. "House Flipping in NYC: How Real Estate Speculators are Targeting New York City's Most Affordable Neighborhoods." [https://s28299.pcdn.co/wp-content/uploads/2018/06/CNY002-Flip-Report\\_June2018-1-1.pdf](https://s28299.pcdn.co/wp-content/uploads/2018/06/CNY002-Flip-Report_June2018-1-1.pdf)

State legislature will take this opportunity to move the years of work by those groups across the finish line.

Resolution 1430: We also strongly support the regulation of corporation names to prevent their imitation of government agencies and thereby trick homeowners into relinquishing their deeds without consent. The lack of transparency around property ownership that is enabled by the “LLC loophole” is an ongoing problem in holding owners accountable for bad behavior, and should be reformed in general. We see this effort as a positive step in that direction.

Resolution 1427: We support the intention of regulations to prevent notaries from participating in deed theft. We support training on recent trends in fraud and changes to the law that can help notaries remain informed of the risk of deed fraud and know how to avoid enabling it. We also think that a journal that tracks records of notarial acts is a positive measure. The other two measures of the proposal aim to stop fraud and misdoing by notaries themselves, rather than their deception by actors committing deed fraud. We are skeptical of the use of biometrics, i.e. fingerprinting, in order to do so. We are not experts in the field of notarization, and we believe that professionals in the field should be consulted to best understand how to stop the complicity of notaries in deed fraud.

Intro 1913: We support the proposal to require sheriffs to provide the Council and the public with annual reports on complaints and investigations related to recorded document fraud. Additionally, as per open data laws and standards, sheriffs should submit the data used to produce the report as an open dataset on the New York City Open Data portal. The dataset should include individual addresses, corresponding geographic identification data, and dates of each complaint and investigation.

Intro 1919: We support the proposed bill to include information on actions that interested parties can take if they suspect fraudulent activity related to a deed or mortgage. Furthermore, we believe more action should be taken by the New York City Department of Finance to advertise the availability of this service. DOF should include information about the availability of the Notice of Recorded Document service and a description of its purpose on its [ACRIS webpage](#). As per open data laws and standards, DOF should publish an open dataset to the New York City Open Data portal with the data used to produce the report that was required by Local Law 249 of 2017. This should include the individual addresses and corresponding geographic identification data for which the city register or Richmond county made referrals related to suspected fraudulent document recording, the outcomes of such referrals, and whether an investigation was commenced by the sheriff.

Thank you for the opportunity to testify. I am happy to answer any questions and can be reached at [lucy.b@anhd.org](mailto:lucy.b@anhd.org) or 917-796-0848.