



October 2, 2023

The Honorable Kathy Hochul
Governor of the State of New York
New York State Capitol Building
Albany, New York 12224

Dear Governor Hochul:

New York State homeowners continue to struggle in the aftermath of the pandemic, with increasing delinquency rates prevailing across the State. Finding affordable housing is increasingly problematic, making homeownership preservation more important than ever. The most crucial resource to address these issues for New York's struggling homeowners is the Homeowner Protection Program ("HOPP"). HOPP is the most critical tool for preventing loss of homes to avoidable mortgage and tax foreclosures, deed theft, and distressed property consultant and partition scams particularly targeting communities of color and senior homeowners. Indeed, the legislature has recognized the significant role the HOPP network plays in preventing avoidable home loss and combatting scams, and Senator Kavanaugh and Assembly Member Solages have introduced legislation (S7297/A7636) that would codify the administration and funding of the HOPP program as part of a package of legislation addressing deed theft and fraud largely targeting communities of color.

Last year's budget included the \$40 million needed to fund the program for the contract year that runs from July 16, 2023 to July 15, 2024. The need for these services remains acute, HOPP-funded agencies have staffed up to address the increased need over the last year, and the current budget allocation is expected to be exhausted when the current contract year ends on July 15, 2024, as is detailed below. We respectfully request the inclusion of **\$40 million in funding** for HOPP in your Executive Budget for FY2025. This funding will ensure the State's HOPP network of eighty-nine housing counseling and legal services providers continues to serve New York's struggling homeowners in every county of the State.

Without the inclusion of the required funding in the State Budget, the State's longstanding investment in this highly effective program will be irretrievably lost, as the State Budget funding for HOPP is its only source of funding available statewide for these vital homeownership preservation services. Including the required funding in your Executive Budget will permit the

HOPP network's work to continue uninterrupted, and will avoid the harm inflicted every year when the uncertainty of the continuation of the network inhibits case acceptance, degrades the morale of the advocates serving homeowners, and necessitates the diversion of resources from the provision of services to New York homeowners in favor of advocacy in Albany to prevent the de-funding of the program.

In the aftermath of the pandemic, we have seen dramatic increases in the need for the HOPP network's services. In the contract year that ran from July 16, 2021 through June 15, 2022, the HOPP network of housing counseling agencies and legal services providers served **9,501** clients, with a total staff count of 473 (203.53 FTE). In the following contract year (running from July 16, 2022 through July 15, 2023), the network served **20,564** clients (more than double the number served in the prior year), and it increased its staffing levels, with the total staff count increasing to 637 (289.67 FTE) (thanks to the increased funding of \$35 million allocated in the FY 2022 budget). In the current contract year, for which the FY 2023 budget allocated \$40 million, which runs through July 15, 2024, the HOPP network's staffing has further increased to 667 (FTE 316.47) as groups across the State continued to ramp up capacity to meet the increased need for services, and we expect the number of clients served to exceed that of the recently-concluded contract year.¹

HOPP's 89 community-based nonprofit legal services and housing counseling organizations employ more than six hundred specially trained advocates who prevent families from losing their homes and falling victim to deed theft and other scammers preying on vulnerable low-and-moderate-income homeowners. Before HOPP and its predecessor program made these direct services available to New York homeowners nearly fifteen years ago, more than 90% of foreclosure cases ended in default judgments, with no homeowner participation in the judicial process and thousands of homes needlessly lost. That number fell to less than 15%, thanks to the availability of HOPP-funded direct service providers. Pre-pandemic, home-saving loan modifications have been achieved in 25%-35% of the cases, conservatively estimated. HOPP assists hundreds more to save their homes through other home retention workouts and tax foreclosure assistance. The network ensures that struggling homeowners' legal rights are protected in court, so that the important consumer protections enacted by the State are enforced, leveling the playing field in a judicial process in which some of the largest financial institutions are represented by some of the world's largest law firms. Even where homeownership cannot be preserved, HOPP agencies help families to avoid auctions and

¹ These numbers are derived from HOPP grantees' data reporting to the two Anchor Partners who work with the Office of the Attorney General to administer the HOPP grants, Empire Justice Center and the Center for New York City Neighborhoods. This is consistent with industry reports showing that foreclosure starts in the first half of 2023 increased by 15 percent compared to the same period in the previous year. Indeed, New York is among the states with the most foreclosure starts, along with California, Florida, Texas, and Illinois. See Attom, *Midyear 2023 U.S. Foreclosure Report*, available at <https://www.attomdata.com/hnr/midyear-2023-u-s-foreclosure-report/>.

evictions, saving New York State billions in property preservation, tax loss and ancillary costs to communities that result from vacancy, displacement, and homelessness. Moreover, the HOPP-funded network of foreclosure prevention advocates is New York's best ammunition in the battle against the deed theft, partition and distressed property consultant scammers preying on New York's struggling homeowners, primarily the elderly, who typically target low-income communities of color.

Foreclosures have been a continual and pervasive problem in New York State since the 2008 economic crisis. Delinquency rates were decreasing and reached a low of **4.9%** in 2019, but the COVID pandemic undeniably exacerbated the problem. U.S. Census Household Pulse Survey data shows an average **8%** of New York homeowners delinquent on their mortgage loans this year, with an average of **306,587 New York families** at risk of losing their homes. These numbers show an *increase* in mortgage distress since this time last year, when the number of families at risk was 288,261.²

Even more stark are the disparate delinquency rates between white homeowners and homeowners of color: for 2023 a monthly average of **15%** of Black and Brown homeowners are delinquent, compared to **7%** of non-Hispanic white homeowners in New York State. Preserving homeownership is very much a civil rights and economic justice issue, as foreclosure represents not just the loss of homes, but also the stripping of equity and generational wealth from communities of color. Homes lost to foreclosure, especially in urban areas, also represent the loss of affordable rental housing, as many of the homes include affordable rental units which are lost when homes succumb to foreclosure and are purchased at auction by real estate speculators. The loss of these homes to foreclosure also increases the significant disparity in homeownership rates for communities of color compared with white communities.

HOPP is the only source of dedicated statewide funding for foreclosure prevention, and one of the only statewide programs supporting low-income and working-class homeowners. If funding is not maintained, HOPP services will disappear in most counties. Without service providers on the ground, homeowner protections enacted following the financial crisis will be rendered meaningless and ineffectual. These laws and programs include:

- NYS's statewide toll-free homeowner hotline (855-HOME-456);
- NYS Department of Financial Services' statutory mandate to provide a list of free counseling services for notices that lenders send prior to a foreclosure filing (NY RPAPL § 1304);

² Court filings are also rising, with New York State Unified Court System data showing nearly 11,000 new foreclosure case filings in the first eight months of calendar year 2023, and nearly 21,000 pending foreclosure cases across the State.

- Mandatory foreclosure settlement conferences which afford homeowners in foreclosure cases in court the opportunity to seek help from HOPP providers to access their statutory right to answer foreclosure complaints, as well as the chance to negotiate workouts (CPLR § 3408);
- Deed theft scam prevention laws, such as the Home Equity Theft Prevention Act and the Distressed Property Consultant law: without HOPP services, desperate homeowners will turn to scammers, and enforcement of consumer protection laws will be subverted;
- Zombie property and vacant property programs, including working with land banks, put in place to help communities in the wake of the last foreclosure crisis; and
- Department of Financial Services Business Conduct Rules for Mortgage Servicers (Part 419) made permanent in 2019, which are very strong on paper but meaningless without access to advocates to insist on their enforcement.

State-funded foreclosure prevention services began in 2008, with \$25 million in state general fund dollars. HOPP was established in 2012 and was funded with \$20 million annually until 2021, when HOPP received an increase to \$35 million to address the new delinquency crisis that developed in the aftermath of COVID. Last year, considering further increases in delinquency rates and the resumption of activity in the courts, which had been stayed following the pandemic, \$40 million was provided in the FY 2024 budget.

Considering New York's unprecedented delinquency rate following COVID, the backlog of foreclosure cases in the courts, and a wave of new filings now that the Homeowner Assistance Fund, which has helped some NY homeowners avert foreclosure, is exhausted, HOPP services are urgently needed and must, at a minimum, remain funded at the current \$40 million level.

The under-signed organizations respectfully ask that you include \$40 million for HOPP in your 2024-25 Executive Budget and a commitment for succeeding years. Thank you for your attention to this important request. If you would like additional information, please contact Kirsten Keefe, Empire Justice Center at (518) 429-0837, kkeefe@empirejustice.org or Jacob Inwald, Legal Services NYC at 646-442-3634, jinwald@lsnyc.org.

Sincerely,

Access Justice Brooklyn
 Accord Corporation
 Affordable Housing Partnership of the Capital Region
 Albany County Rural Housing Alliance, Inc.
 Allegany County Community Opportunities and Rural Development, Inc.
 American Debt Resources, Inc.
 Arbor Housing and Development (Steuben Church People Against Poverty)
 Belmont Housing Resources for WNY, Inc.
 Better Neighborhoods, Inc.

Bronx Legal Services
Bronx Neighborhood Housing Services CDC, Inc.
Brooklyn Legal Services
Brooklyn Legal Services Corporation A
Brooklyn Neighborhood Services CDC
Buffalo Urban League, Inc.
CAMBA/ CAMBA Legal Services
Catholic Charities of Chemung/Schuyler Counties
CCCS of Buffalo
CCCS of Rochester
Center for Elder Law & Justice, Inc.
Center for NYC Neighborhoods
Central Islip Civic Council, Inc.
Chautauqua Opportunities Inc.
City Bar Justice Center
Community Development Corporation of Long Island
Community Housing Innovation
Consumer Credit Counseling Service of Buffalo, Inc.
Consumer Credit Counseling Service of Rochester, Inc.
Cypress Hills LDC
Empire Justice Center
EOC of Suffolk, Inc.
Franklin County Community Housing Council
Friends of the North Country, Inc.
Fulton Community Development Agency
Galvan Housing Resources of Columbia County
Grow Brooklyn
Hiscock Legal Aid Society
Hispanic Brotherhood. Inc.
Home HeadQuarters
Housing and Family Services of Greater New York
Housing Assistance Program of Essex County, Inc.
Housing Help, Inc.
Hudson River Housing.org
Human Development Services of Westchester, Inc.
IMPACCT Brooklyn
JASA Legal Services for Elder Justice
Keuka Housing Council, Inc.
Labor & Industry For Education, Inc.
La Fuerza Unida
Legal Aid Bureau of Buffalo, Inc.
Legal Aid Society of Mid-New York, Inc.
Legal Aid Society of Northeastern New York, Inc.
Legal Aid Society of Rochester
Legal Aid Society of Rockland County, Inc.
Legal Assistance of Western New NY
Legal Services for Elder Justice
Legal Services NYC
Legal Services of the Hudson Valley
Long Island Housing Partnership
Long Island Housing Services, Inc.
MHANY Management
Metro Interfaith Housing Management Corp
Mobilization for Justice, Inc.
Nassau Bar Foundation, Inc
Nassau/Suffolk Law Services

Neighborhood Housing Services of Jamaica, Inc.
Neighborhood Housing Services of Queens CDC, Inc.
Neighbors Helping Neighbors (5th Avenue Committee)
New York Legal Assistance Group (NYLAG)
NHS Brooklyn, CDC, Inc.
Northfield Community LDC of Staten Island, Inc.
Putnam County Housing Corporation
Queens County Bar Association Volunteer Lawyers
Queens Legal Services
Queens Volunteer Lawyers Project
Rockland Housing Action Coalition, Inc.
Rural Development Advisory Group
Rural Ulster Preservation Co.
SafeGuard Credit Counseling
Staten Island Legal Services
The Housing Council at Pathstone
The Legal Aid Bureau of Buffalo, Inc.
The Legal Aid Society of Rochester, NY
The Legal Project
The Legal Aid Society
The SafeGuard Group
Touro University Jacob D. Fuchsberg Law Center
Troy Rehabilitation and Improvement Program, Inc. (TRIP)
United Tenants of Albany
Utica Neighborhood Housing Service, Inc (dba: HomeOwnershipCenter)
Volunteer Legal Services Project
Westchester Residential Opportunities, Inc.
Western Catskills Community Revitalization Council, Inc.
Western New York Law Center, Inc.
West Side Neighborhood Housing Services

cc:

Senator Brian Kavanagh, kavanagh@nysenate.gov
Senator Liz Krueger, lkrueger@nysenate.gov
Senator Brad Hoylman, hoylman@nysenate.gov
Assembly Member Helene E. Weinstein, WeinstH@nyassembly.gov
Assembly Member Linda Rosenthal, rosenthal@nyassembly.gov
Assembly Member Jeffrey Dinowitz, dinowi@assembly.gov
Assembly Member Charles Lavine, lavinec@nyassembly.gov
Roger Maldonado, Roger.Maldonado@exec.ny.gov
Blake Washington, blake.washington@budget.ny.gov
Tania Dissanayake, Tania.dissanayake@exec.ny.gov
Jane Weisenberg, Jane.Weisenberg@exec.ny.gov
Chatodd Floyd, Chatodd.floyd@exec.ny.gov
Kathryn Garcia, kathryn.garcia@exec.ny.us
Karen Persichilli Keogh, Karen.p.keogh@exec.ny.gov
Morris Peters morris.peters@budget.ny.gov
Nathaniel Reul, nathaniel.reul@budget.ny.gov