

Foreclosure Crisis and Response

Foreclosure Prevention Service Providers and their Clients urge the Governor and Legislature to:

Restore \$15 Million in funding to the Foreclosure Prevention Services Program

New York is still in the midst of a foreclosure crisis: 134,000 pre-foreclosure notices were mailed to homeowners between **February and August 2010** while more than 77,000 foreclosures were pending statewide. Conservative estimates predict that the nation is about a third of the way into the foreclosure crisis. New York State has aggressively addressed this crisis: increasing protections for homeowners and tenants, initiating a settlement conference process, enacting servicer regulations. These actions have had positive effects: New York ranked second of only 11 states which experienced home price appreciation in 2010.

Now, funding cut backs threaten this progress.

In 2008, the New York State Foreclosure Prevention Services Program greatly expanded housing counseling and legal services throughout the state – giving homeowners an invaluable tool in fighting foreclosure in and outside the court process. This funding supports more than 120 organizations throughout the state. Over 43,000 services have been provided to assist families to save their homes.

Unfortunately, vital services are on the verge of being cut: The Governor's budget for 2012 does not include continued funding for Foreclosure Prevention Services Program.

From January 1 through October 15, 2010, over 89,000 foreclosure settlement conferences were held throughout New York State. 63% of homeowners are still unrepresented in settlement conferences. Many more will be so if the funding cuts go through. According to the Office of Court Administration "**the lack of representation continues to be one of the greatest challenges we face in fulfilling our statutory mandate.**"

In a nation-wide study, homeowners who received counseling were 1.7 times more likely to cure their foreclosure than homeowners who did not receive counseling. Housing counselors aided homeowners to obtain monthly payments on average \$267 less than payments achieved by non-represented homeowners.

- Urban League Report, <http://nw.org/network/nfmcpl/>

Services Provided Under the Foreclosure Prevention Services Program:

- **Housing Counseling:** Housing counselors help prepare modification packages, negotiate directly with lenders to obtain affordable modifications and provide one-on-one budget counseling.
- **Legal assistance:** Legal services offices represent, and have trained hundreds of *pro bono* attorneys to represent, homeowners in settlement conferences and negotiate loan modifications. Legal service providers also defend homeowners in foreclosure actions, raising procedural and substantive defenses to foreclosures, protecting homeowners' rights and preventing illegal foreclosures.
- **Outreach:** Thousands of homeowners are informed about how to resolve their mortgage delinquency, what their rights are in the foreclosure process, and the importance of appearing at settlement conferences, greatly reducing default rates across the state from 90% to 20%.
- **Training:** Advocates and *pro bono* attorneys develop skills and obtain up-to-date information on the foreclosure process and programs available to modify loans and resolve defaults.
- **Supporting the Courts:** Organizations support the Office of Court Administration by developing court notices, training personnel, conducting outreach, screening homeowners and developing best practices.

Dealing with the bank was really stressful. When I called the mortgage company, sometimes I couldn't get through to anyone; other times I was put on hold for long periods of time. They lost my paperwork and gave me conflicting advice. In the end, they refused to work with me. When I got the foreclosure papers in March 2009, I did not know what to do. I was terrified we were going to lose our home of twenty years ... Legal Services worked so hard on our behalf; I am very grateful to them for helping us save our home. My wife and I would be homeless if we hadn't found Legal Services.

- Legal Services client

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NY FORECLOSURE PREVENTION SERVICES

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