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Many Long Island Communities Face Long Term Impact of Foreclosures:

Study identifies hardest hit towns and strategies to keep families in their homes and limit damage to the local tax base.

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April 15, 2013 - A report released by the Empire Justice Center today shows that foreclosures continue to be widespread across Long Island, but that many communities, particularly communities of color, have disproportionate concentrations of foreclosures. The report uses detailed maps and analysis of foreclosure and lending data to pinpoint the hardest hit communities where policymakers and lenders need to focus attention to avert community and tax base deterioration. The report's key findings are:

1. Both Nassau and Suffolk Counties have specific areas with concentrations of foreclosures much higher than the rest of the county.
2. The areas identified as "most impacted" by foreclosures have also seen large declines in mortgage lending, jeopardizing their economic recovery.
3. The communities with high foreclosure concentrations and low lending levels are most often areas with high proportions of Black and Latino homeowners, threatening the "asset wealth" of Long Island's minority communities.
    - Nassau County's five "majority-minority" zip codes are among the top six most impacted areas in the county (Hempstead, Elmont, Roosevelt, Freeport and Uniondale).
    - Suffolk County's three "majority-minority" zip codes are also its three most impacted zip codes (Central Islip, Brentwood, Wyandanch).

Attorney General Eric Schneiderman said: "The Empire Justice Center report is a timely and urgent reminder that the foreclosure crisis is far from over, particularly in communities of color. My office will continue working closely with the Empire Justice Center and our other partners around the state to prevent foreclosures through our Homeowner Protection Program. At the same time, we will continue to investigate and hold accountable those whose misconduct contributed to the collapse of the housing market and harmed so many New Yorkers."

"The tremendous overlap between the communities most impacted by foreclosures and areas of high Black and Latino homeownership is very disturbing," said Michael Hanley, Senior Attorney at Empire Justice Center and co-author of the report. "Community leaders and policymakers have to first acknowledge the disparate impact foreclosures are having on communities of color, and then act to address it."

The report makes several recommendations to limit the damage to communities from concentrated foreclosures. Key recommendations include:

1. Increase and expedite loan modifications, including use of principal write-downs and other strategies to keep families in their homes.
2. Preserve the tax base and mitigate damage to municipalities by using proactive strategies to minimize and address vacancies, and developing "property control" strategies for properties going through the foreclosure process.
3. Take steps to preserve the asset wealth of communities of color by vigorously enforcing fair lending and fair housing laws, and increasing Community Reinvestment Act (CRA) investments in the most impacted low and moderate income communities.

"We want banks and servicers to recognize they have to do more to keep families out of foreclosure. No more excuses. They can start by doing more principal write-downs to keep families in their homes. Then, to stabilize the most impacted neighborhoods, banks and servicers need to make their loan modification programs more creative," said Senior Attorney Ruhi Maker, co-author of the report.

The report includes homeowner stories that illustrate the types of problems families face when trying to negotiate with their loan servicer. In one family's example, Ms. B, a single mom who has lived in her Roosevelt home for over fifteen years, was sold two high cost mortgage loans from a now defunct subprime lender. Both loans are serviced by Bank of America, a party to the Attorneys General National Mortgage Settlement (NMS), settled in February 2012. To get credit under the settlement for principal forgiveness, Bank of America proactively forgave Ms. B's second lien—a loan already 100 percent unsecured, since the value of her home declined 33 percent since June 2007.

Bank of America, however, is refusing to follow HAMP Guidelines and give Ms. B an affordable loan modification on her primary loan, stating its denial is due to "excessive forbearance." If they had, the modification would be approved. If Bank of America ultimately refuses to properly modify her first mortgage per HAMP requirements, Ms. B will lose her home, while Bank of America will still receive credit for forgiving the completely unsecured second loan.

"B of A has simply failed to negotiate in a meaningful way for Ms. B. to obtain a modification to sustain her mortgage payments and save her home. Give and take, the sine qua non of negotiation, has simply not existed. Any query by Ms. B, whether to challenge a B of A calculation or for an explanation of an uncertain term, has been met by silence. Bank notices sent to Ms. B suggest the left hand does not know what the right hand speaks of. Frustration has been the only accomplishment of Ms. B's efforts in this process," stated Ms. B's attorney Michael Wigutow of Nassau/Suffolk Law Services.

"Empire Justice Center's goal in producing this report is not only to encourage banks and services to work in good faith with homeowners like Mrs. B so that homeownership can be preserved, but also to help target time and resources to the communities where neighborhood blight is most likely to strike," said Maria DeGennaro, Regional Coordinator- Long Island HOPP Anchor Partner Program at Empire Justice Center.

The complete report may be found at: http://www.empirejustice.org/assets/pdf/publications/reports/li-foreclosure-report-42013/the-long-island-foreclosure.pdf

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