

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON ECONOMIC DEVELOPMENT JOINTLY WITH THE
COMMITTEE ON HOUSING AND BUILDINGS

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February 14, 2017
Start: 1:11 p.m.
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HELD AT: Council Chambers - City Hall

B E F O R E: DANIEL R. GARODNICK
Chairperson

JUMAANE D. WILLIAMS
Chairperson

COUNCIL MEMBERS: Vincent J. Gentile
Julissa Ferreras-Copeland
Karen Koslowitz
Ruben Wills
Donovan J. Richards
Inez D. Barron
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Joseph C. Borelli
Rosie Mendez
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Robert E. Cornegy, Jr.
Rafael L. Espinal, Jr.
Mark Levine
Helen K. Rosenthal
Ritchie J. Torres
Barry S. Grodenchik
Rafael Salamanca, Jr.
Eric A. Ulrich

A P P E A R A N C E S (CONTINUED)

David Quart, Deputy Commissioner
Strategy, Research and Communications
NYC Department of Housing Preservation & Development

Kim Darga, Associate Commissioner
Preservation
NYC Department of Housing Preservation & Development

Christie Peale, Executive Director
Center for New York City Neighborhoods

Ismene Speliotis, Executive Director
MHANY Management, Inc.

Salvatore D'Avola, Executive Director
Neighborhood Restore Housing Development Fund Corp.

Christopher Fasano, Staff Attorney
MFY Legal Services

Yolande Nicholson, Private Attorney and President
New York State Foreclosure Defense Bar

Alice Nicholson, Attorney and Member
New York State's Foreclosure Defense Bar

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[sound check, pause] [gavel]

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CHAIRPERSON GARODNICK: Good afternoon.

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Welcome to a joint hearing. I am Dan Garodnick, and

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I have the privilege of chairing the Economic

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Development Committee of New York City Council.

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Today is February 14th of 2017. I am co-chairing

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this hearing today with my fellow Council Member

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Jumaane Williams, who is the chair of the Housing and

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Buildings Committee. I would like to thank the staff

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and members of both committees for coming together to

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hold this hearing today. Today's hearing will

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provide us with an opportunity to investigate the

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economic impact of the city's foreclosure crisis and

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it is an ongoing crisis. Nearly two years at the

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urging of Council Members Miller and Richards, the

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Economic Development Committee convened a special

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hearing in Southeast Queens on this very topic.

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Today, we will take stock of what has changed and

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what issues continue to challenge families and

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neighborhoods across the city. We will consider the

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measures that local, state and federal agencies have

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taken to prevent foreclosures, and actions that we as

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a council can consider to speed up the recovery

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process. Since our last hearing with the support of

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2 my office, many of the advocates and council members
3 with us today New York City took the lead on this
4 issue and established the new Community Restoration
5 Program. This program has radically transformed the
6 playbook for homeowners facing foreclosure. In the
7 past, distressed mortgages were auctioned to hedge
8 funds and other financial institutions. Yet, these
9 options just accelerated the foreclosure crisis. Now,
10 for the first time New York City has stepped in to
11 purchase loans directly from the federal government.
12 The City purchased 24 underwater mortgages in Queens,
13 Bronx, Brooklyn and Staten Island. The goal of these
14 purchases was to bring some of the most delighted
15 local properties back into a state of repair, and to
16 help restore property value in the surround
17 neighborhoods and restructure the mortgage on terms
18 more sustainable for a middle-class family. I'm
19 extremely pleased the city was able to accomplish
20 this and look forward to hearing more about the
21 status of these properties, and the potential for
22 future purchases today. I also want to add that
23 these purchases were made possible through a HUD rule
24 change to the Distressed Asset Stabilization Program
25 last July. I want to thank Senator Chuck Schumer for

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2 his office's involvement in making that rule change
3 possible. To give a little more background on this
4 crisis, prior to the financial crisis that began just
5 a short decade ago, many middle and low-income New
6 Yorkers were able to live the American Dream by
7 purchasing homes at very attractive interest rates.
8 Then in 2007, the foreclosure crisis began as housing
9 values sharply declined leading thousands of
10 homeowners to default on their mortgages. The global
11 economic recession that followed exacerbated the rate
12 of foreclosures when millions of people across the
13 country lost their jobs, and the ability to pay their
14 mortgages. It is estimated that between 2007 and
15 2012 over seven million U.S. homeowners lost their
16 homes to mortgage foreclosures. New York City was
17 not spared from the effects of the crisis. The crash
18 sent ripples across socio-economic boundaries and
19 destabilized New York City's communities. By
20 December 2014, the city had the second highest number
21 of foreclosures in the whole country. Since 2007,
22 there have been approximately 85,000 properties that
23 have filed for foreclosure or have been abandoned in
24 New York City, which has led to an estimated \$1.6
25 billion in lost property taxes. For homeowners a

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2 foreclosure could mean losing their homes and also a
3 major hit on their credit score. These individuals
4 are likely to have a very difficult time opening
5 credit cards, obtaining loans, taking out future
6 mortgages or engaging other financial tasks for years
7 to come. These are real impacts on real New Yorkers
8 and we hope to hear from some of them today. For
9 neighborhoods, foreclosed or abandoned homes can have
10 severe negative impacts on property values. When a
11 home is abandoned or sits in pre-foreclosure, often
12 it is not maintained. It can fall into disrepair.
13 These abandoned homes are colloquially called zombie
14 properties. Zombie properties are appropriately
15 named since the devastating impacts they can have on
16 the surrounding community are certainly very scary.
17 According to the Furman Center, properties adjacent
18 to zombie properties sold for 28% less than
19 comparable properties elsewhere and a notable
20 reduction in property value can extend to all other
21 properties within a 2,000 foot radius.
22 Unfortunately, the problem does not yet seem to be
23 abating. Foreclosures on zombie properties have gone
24 up 54% in New York State in the last year. We also
25 hope to consider other various initiatives led by

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2 local, state and federal agencies to prevent
3 homeowners from falling into foreclosure in the first
4 place, and review policy proposal from entities who
5 have a stake in solving the ongoing foreclosure
6 crisis in our city. We also will explore the areas
7 where New York City homeowners might see more
8 vulnerability under the new administration in
9 Washington. Before turning the mic over to Chair
10 Williams, I want to note that we've joined by Council
11 Members Borelli, Barron, Rodriguez, Cornegy,
12 Grodenchik, Miller and Koslowitz, and I would like to
13 thank all of my colleagues on both committees for
14 being here to just help shine some light on this very
15 important issue. I also want to thank the Economic
16 Development Committee staff, our counsel Alex
17 Paulenoff, Nadia Johnson, Davis Winslow and also the
18 Housing and Buildings Committee staff, counsels Megan
19 Chin and Guillermo Patino, Joe Conde and Sarah
20 Gastelum for all of their hard work in preparation
21 for this hearing, and with that I will turn the
22 microphone over to my fellow co-chair, Chair Jumaane
23 Williams.

24 CHAIRPERSON WILLIAMS: Thank you, sir,
25 and I hope everybody is enjoying their love day.

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2 Good afternoon. My name is Jumaane D. Williams, the
3 Chair of the Housing—the Committee on Housing and
4 Buildings. Again, thank you Council Member Garodnick
5 for allowing me to participate in chairing this
6 hearing. As you all know the city is still working
7 to repair the damage done by the 2008 economic
8 recession. Irresponsible lending practices during
9 the housing bubble we had resulted in thousands of
10 New Yorkers losing their homes. Finding that their
11 home was selling worth less than their mortgages or
12 having the neighborhood decimated to foreclosure and
13 abandonment. Last summer Governor Cuomo signed
14 legislation requiring banks and loan services to
15 maintain so-called zombie properties and expedited
16 foreclosed homes to bring them back to the market.
17 In addition to this legislation, which took effect
18 this past summer, there are also several initiatives
19 to assist homeowners facing foreclosure. Attorney
20 General Schneiderman launched the Homeowner
21 Protection Program to enable housing agencies to
22 provide legal and housing council—councilmen and to
23 connect homeowners to various resources that help
24 mitigate foreclosure. New York City has supported
25 the State's Mortgage Assistance Program administered—

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2 administered by the Center for New York City
3 Neighborhoods. I do want to give former Council
4 Member Lou Fidler a shout out here, who is a big part
5 of creating that, which assists homeowners at the
6 risk of foreclosure who have exhausted their other
7 assistance options. Since 2014, MAP has distributed
8 loans of—loans for 654 families at an average of
9 \$27,456 per family. The program is funded by the HP—
10 by HPD as well as the private donors. We hope this
11 hearing will shed some light on the impact the
12 legislation in these programs have had, and how
13 implementation and progressing of the local law. The
14 Housing and Buildings Committee will also be voting
15 on two bills not associated with this hearing.
16 Proposed Intro No. 179-A and Proposed Intro 289-A.
17 Proposed Intro No. 179-A sponsored by myself by the
18 request of the Manhattan Borough President will
19 require street numbers to be placed on every side of
20 a building that contains an entrance primarily
21 utilized for day-to-day pedestrian ingress or egress.
22 It would also include specific penalties for failing
23 to post street numbers from \$25 to \$250 and daily
24 penalties from \$5 to \$50, and since it's Valentine's
25 Day, I'm going to shout out to my girlfriend here who

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2 also had this idea. Proposed Intro No. 2000—I'm
3 sorry Proposed Intro Intro No. 289-A sponsored by
4 Council Member Cumbo will require HPD to make all
5 applications and corresponding instruction materials
6 available in multiple languages. It would also
7 require HPD to provide a notice listing all the
8 languages in which their applications are billed with
9 all applications and forms on HPD's website and in
10 areas of HPD's offices that are open to the public.
11 I'd like to thank my staff for the work they did to
12 assemble this hearing. I'd like to thank both—staff
13 of both committees, and I do want to thank mine in
14 particular, Nick Smith, my Deputy Chief of Staff and
15 Legislative Director, and Mary Chin (sic) and Geno
16 Petrino, counsel to the committee; Lori Coniff (sic),
17 Policy Analyst to the committee; Sarah Gastelum the
18 Committee's Finance Analyst and, of course, Council
19 Member Garodnick's staff of the Economic Development
20 Committee, Alex Paulenoff, Counsel to the Committee;
21 Nadia Johnson; Policy Analyst and David Springler
22 (sic) our Finance Analyst. Before I think we have to
23 do vote in the hearing, but before we do that, I did
24 want to mention my personal story I went for
25 foreclosure. It's been in the news previously that I

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2 myself, I went through foreclosure for a property I
3 owned in Canarsie that has been tremendously hit in
4 part through a very bad loan, but I was scared to
5 even though I impecable credit at the time. For me
6 it is an investment property, and so if the worst
7 happens I can survive. I can only imagine what
8 people are going through who were scared to recall
9 the loan, and can lose the only place that they call
10 home or could lose the only home they've ever known.
11 In addition, we—we have data here from some of the
12 legal services that up to 70% of the people who are
13 going through this are Black and Latino who are
14 always hit worse in these cases. So I understand
15 we'll hear some testimony from folks about what
16 happens in the cost of this and who needs it, and
17 it's horrible that those communities lost the largest
18 wealth that they had and they're being hit again. So
19 hopefully, we can do what we can as a city to prevent
20 any more hemorrhage for happening. [background
21 comments] So I'd like to call the Clerk for a vote.

22 CLERK: William Martin, Committee Clerk,
23 roll call vote Committee on Housing and Buildings,
24 Introductions 179-A and 289-A, Chair Williams.

25 CHAIRPERSON WILLIAMS: I vote aye.

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CLERK: Rodriguez. [pause] Cornegy.

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4 aye.

COUNCIL MEMBER CORNEGY: [off mic] I vote

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CLERK: Espinal.

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COUNCIL MEMBER ESPINAL: I vote aye.

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CLERK: Levine.

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COUNCIL MEMBER LEVINE: Aye.

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CLERK: Grodenchik.

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COUNCIL MEMBER GRODENCHIK: Aye.

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CLERK: Salamanca.

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COUNCIL MEMBER SALAMANCA: I vote aye.

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CLERK: By a vote of 6 in the

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affirmative, 0 in the negative and no abstentions,

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both items have been adopted by the House and

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Buildings Committee.

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CHAIRPERSON GARODNICK: Thank you very

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much. I want to note we've been joined by a few more

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Council Members, Council Member Salamanca, Espinal

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and Levine, and as I noted in my opening, our first

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hearing on this subject was prompted by two Council

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Members whose districts were rather significantly

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impacted by the foreclosure crisis, Council Member

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Miller and Council Member Richards. Council Member

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Miller is joining us today, and we want to give him

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2 an opportunity to say a few words before we go to the
3 first panel. Council Member Miller.

4 COUNCIL MEMBER MILLER: Thank you so very
5 much, Chair Garodnick and also Chair Williams for
6 this important hearing and—and oversight over a
7 program that as we almost two years ago now we had an
8 off-site hearing on the foreclosure crisis and—and
9 what we call ground zero, which was Southeast Queens.
10 At York College at that point we heard testimony from
11 many of the residents of Southeast Queens and some
12 other areas who had been devastated by the
13 foreclosure crisis, and at the end of that, you know,
14 we heard testimony from some of our—some of the
15 advocates, and—and there was a silver lining, and
16 that silver lining a—a program, which you just
17 mentioned the Neighborhood Stabilization, and which
18 is the Distressed Mortgage Fund, which we came back
19 and here at the Council, and put together something,
20 and worked with the HPD and—and those advocates, and
21 proud to say that we were able to do something that
22 has not done—really been done anywhere else in the
23 country and that is to purchase 24 of those
24 distressed mortgages, which—which would allow those
25 homeowners the stay in their homes, stay in the

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2 communities and for us to do something that banks did
3 not do when they had the opportunity, which was to
4 modify those loans to keep homeowners in-in their
5 homes. What we have seen in particular in Southeast
6 Queens, which is one-where one-third of all mortgages
7 in New York City-I'm sorry-all foreclosures in New
8 York City have occurred. It had a devastating effect
9 on homeownership and the community in-in general,
10 billions of dollars in wealth have just left the
11 community and services associated with that, and so
12 it's been devastating. This program is certain more
13 than commendable and it will be programmed and-and
14 we'll examine its impact to day, and-and certainly I
15 can attest to the positiveness of it, but I would
16 also like to thank the-the-the-the other advocates
17 and some of our colleagues, other colleagues in
18 government and state and the federal government that
19 had created policies that protect homeowners and
20 communities as we move forward. There is an interest
21 statistic with that matter, but I know when the State
22 Controller did his report on the Greater Jamaica
23 area, what I found, as Council Member Williams
24 mentioned that one-half of all mortgages are sold in
25 the Greater Jamaica area in the last decade with

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2 predatory mortgages. And so we have not seen the end
3 of this. It will take for us to continue to have
4 these hearings and to address these issues so that we
5 can ensure the safety and—and the future of—of
6 homeowners throughout the state. So, prior to
7 working with each and everyone here, I'm really proud
8 of the work that has been done on restoration reform.
9 I'm look forward to locking down the rest of those
10 mortgages held by the federal government as soon as
11 possible, and certainly I know that is a difficult
12 time working now with the—with Washington, D.C.. but
13 we've demonstrated that we can and will work with
14 anyone that is willing to bring relief to homeowners
15 and the City of New York. So, again, thank you, Mr.
16 Chair, and Mr. Chair for holding this important
17 hearing.

18 CHAIRPERSON WILLIAMS: Thank you and
19 thank you for your leadership on the issue. I just
20 wanted to make mention for full clarity that the
21 property I had was one that I was living in prior to
22 being a Council Member.

23 CHAIRPERSON GARODNICK: Thank you,
24 gentlemen, and welcome to Council Member Rosenthal.
25 We are going to get started. We already have Kim

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2 Darga and David Quart from HPD at the witness table.
3 We're going to invite up Sal Devola from Neighborhood
4 Restore, Christie Peale of the Center for New York
5 City Neighborhoods, and Ismene Scoliotis (sic) of
6 MHANY to join them. So come on up and--and join the
7 panel and Mr. Quart and Ms. Darga whoever is going to
8 kick it off, you should go right ahead and do that.
9 Thank you.

10 DEPUTY COMMISSIONER QUART: Thank you,
11 Council Member--

12 CHAIRPERSON GARODNICK: [interposing]
13 Sorry. Before you do it, we're going to do one--one
14 more vote on Housing and Buildings.

15 CHAIRPERSON WILLIAMS: We're joined by
16 Council Member Rosenthal.

17 CLERK: Introductions 179-A and 289-A,
18 Council Member Rosenthal.

19 COUNCIL MEMBER ROSENTHAL: Aye on all.

20 CLERK: The vote is now at 7. Thank you.

21 CHAIRPERSON GARODNICK: Okay, Mr. Quart.

22 DEPUTY COMMISSIONER QUART: Thank you.

23 CHAIRPERSON GARODNICK: The floor is
24 yours.
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2 DEPUTY COMMISSIONER QUART: Good
3 afternoon, Chari Garodnick, Chair Williams, members
4 of the Housing and Buildings and Economic Development
5 Committees. Thank you both for your introductory
6 remarks as well as the Council Member Miller. Much
7 appreciated. My name is David Quart, and I am the
8 Deputy Commissioner of Strategy, Research and
9 Communications for the New York City Department of
10 Housing Preservation and Development. Here with me
11 today from HPD is Kim Darga, our Associate
12 Commissioner for Preservation. We thank you for the
13 opportunity to testify today on the Community
14 Restoration Fund Program. HPD recognizes that a
15 number of neighborhoods across New York City are
16 still struggling to recover from the collapse of the
17 housing market during the Great Recession nearly ten
18 years, and that these issues must be addressed at the
19 neighborhood level. Specifically, distressed
20 properties in foreclosure can lead to neighborhood
21 instability and physical deterioration when
22 homeowners are unable to keep on the mortgage—keep
23 current on their mortgages or ensure proper upkeep of
24 their property. By assisting troubled homeowners and
25 putting them firmer financial footing, we will

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2 encourage financial empowerment and the preservation
3 of the city's housing stock, which is vital to HPD's
4 efforts to preserve and create affordable
5 opportunities throughout the city. In general,
6 distressed notes are sold by the federal government
7 through open auction process to the highest bidder.
8 Often notes are sold to private investors who quickly
9 initiative foreclosure proceedings and subsequently
10 sell the home. Homeownership advocates have raised
11 concerns that these investors were not interested I
12 working with the many--many families who could have
13 benefitted from simple mod--simply modifying their
14 mortgages or from financial counseling or other
15 support services, and as a result the practices of
16 some investors may contribute to the neighborhood
17 destabilization. In 2015, the U.S. Department of
18 Housing and Urban Development announced changes to
19 the Federal Distress Asset Stabilization Program
20 known as DASP that would give local municipalities
21 including New York City the opportunity to acquire
22 pools of distressed FHA mortgage notes from one to
23 four-family properties located in their jurisdiction
24 through a direct sale, and through to sell through an
25 open auction. The federal government also announced

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2 that DASP will require bidders to achieve 50%
3 neighborhood stabilization outcomes with the notes,
4 and that purchases could not commence in the
5 foreclosure process for one year after acquisition.
6 In partnership with the City Council, as some of you
7 mentioned in your introduction remarks and in
8 partnership with our not-for-profit partners—most of
9 whom are sitting here at the table with me—HPD
10 responded to the continuing crisis and the
11 opportunities created by DASP through the creation of
12 the Community Restoration Fund Program, CRF, which
13 seeks to support homeowners and to strengthen
14 communities by purchasing distressed notes. The
15 program will address neighborhood instability in some
16 of the areas of the city hit hardest by foreclosures
17 such as Southeast Queens, East New York, Wakefield in
18 the Bronx and the North Shore of Staten Island. The
19 goals of the program are threefold. First we aim to
20 help stabilize neighborhoods with high rates of
21 foreclosure and stress. Second, we want to keep New
22 Yorkers in their homes by working with these
23 homeowners to modify or refinance their existing
24 mortgages. Third, as a last resort, we seek to
25 preserve affordable and viable housing opportunities

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2 by helping owners who are ineligible for a mortgage
3 modification remain in their homes as a renter or
4 find other suitable housing options for them in the
5 community. We will work to ensure that these homes
6 can be repositioned for affordable homeownership or
7 affordable rental opportunities while providing
8 housing and financial counseling to these owners as
9 they transition from homeownership. After developing
10 a program strategy, we were able to apply our 24
11 distressed notes totaling 35 units throughout New
12 York City in June of 2016 thanks in no small part to
13 the support of the City Council. This represents one
14 of the first times that any municipality has engaged
15 in the transaction at this time. In addition, CRF is
16 going beyond the DASP requirement with the commitment
17 to pursue 100% neighborhood stabilization outcomes
18 for this pool of notes.

19 I'd like to take few minutes to walk
20 through how we structure the program. We could not
21 accomplish our goals this year after that working
22 with national community based partners before this
23 strong public-private partnership. Preserving City
24 Neighborhood Housing Development Fund Corporation,
25 PCN, the National Community Stabilization Trust, the

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2 Center for New York City Neighborhoods and many
3 management are all vital partners in this program,
4 and we thank them for their work. Each of these
5 organizations has—has a very specific role to play in
6 ensuring that we properly handle the notes after
7 acquisition and address the needs of the affected
8 homeowners. PCN purchased the notes and serves as
9 the note holder. PCN is a 503 (c) (3) not-for-profit
10 corporation that was incorporated at the request of
11 and the prior consent from HPD in 2011 to act as the
12 vehicle for the city and to acquire overleveraged
13 mortgage notes for the purpose of repositioning and
14 preserving distressed or at-risk distressed housing
15 in the city. HPD oversees this entity and the
16 Community Restoration Fund Program as a whole. PCN
17 is affiliated with Neighborhood Restore, another not-
18 for-profit formed at the city's request.

19 Neighborhood Restore serves as an intermediate—
20 intermediate ownership entity for homes that are in
21 physical and financial distress, and plays a
22 significant role in HPD's Third-Party Transfer
23 Program by ultimately passing on titles to the new
24 owners. HPD commissioner sit on the board of
25 directors for PCN and Neighborhood Restore. PCN and

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2 NCST work in tandem to acquire the notes from FHA.
3 These entities play a primary role in servicing,
4 modifying and monitoring the loans, and also handle
5 the disposition of the properties that serve as the
6 collateral to these distressed notes and mortgages.
7 PCN and NCST have contracted with SN Servicing, which
8 will serve as the special services. NCST will manage
9 the activities of the special servicer and ensure
10 that all loan resolution activities are aligned with
11 the program goals. The special servicer will manage
12 the collection, depositing, and remittance of all
13 homeownership payments and net proceeds from the sale
14 of real estate access to PCN. The Center for New York
15 City Neighborhoods and MHANY along with their
16 community based network of service providers are
17 conducting and overseeing homeowner outreach to
18 connect the programs and homeowners directly with the
19 services they whether that be loan assistance or
20 delinquency or default counseling. In addition to
21 creating a new entity to own notes, it was necessary
22 to bring together significant financial resources
23 from multiple sources to effectuate to purchase.
24 First, we must thank again the Council for its
25 generous—generous allocation of \$1 million in seed

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2 money. These critical funds allow us to leverage
3 additional funds in the form of \$2.1 million grant
4 from LISC, the Local Initiative Support Corporation
5 that was funded by a bank settlement obtained by the
6 New York State Attorney-General. \$2.9 million in
7 funds received from Morgan-Stanley, also as part of
8 the settlement obtained by New York State Attorney
9 General as well as \$6.9 million in private financing
10 from Goldman-Sachs Urban Investment Group. We thank
11 the Council for its leadership in providing the
12 foundation for this program, and for its additional
13 \$1 million allocation in this fiscal year for future
14 purchases. We hope the Council will continue to
15 support our efforts in this matter.

16 As mentioned previously, CRF aims to keep
17 people in their homes. After purchasing notes, our
18 priority outcome for CRF is to keep homeowners in
19 their homes through a loan modification including
20 reducing the principal and underwriting a new
21 sustainable mortgage. If modification to an existing
22 mortgage or refinancing the home is not feasible,
23 then CRF will foreclose or take a deed in lieu of
24 foreclosure in order to try to keep the former-former
25 homeowner and tenants of the property in place as

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2 renters. To achieve this, after CRF takes title, the
3 property will be conveyed to a qualified non-profit
4 housing organization that will oversee the necessary
5 rehabilitation and operation and the long-term
6 affordable renter. Some homeowners may be ineligible
7 for a mortgage modification, unable to sustain a new
8 mortgage even after a modification or had
9 insufficient income to remain in their home as a
10 renter. Such instances present an opportunity for
11 an affordable housing outcome for the foreclosed
12 homeowner and/or the tenants of the property. This
13 minimal loss is to CRF. In this case, CRF would work
14 to place the homeowner and tenants in alternative
15 affordable rental housing seeking to minimize the
16 strain associated with relocation. The home itself
17 would then be repurposed for affordable homeownership
18 or rental opportunities. Since the purchase of the
19 notes in June 2016, SM Servicing Corporation and
20 MHANY have connected to 22 of the 24 borrowers, and
21 have completed initial intake counseling for 13 of
22 them, and we will go more into more detail after the
23 testimony on that. MHANY is in the process of
24 working on proposals for loan modifications for some
25 of these buyers. After the intake is completed and

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2 the borrower submits the required background
3 information, MHANY submits a proposal to the Center
4 for a compliance review, and afterwards a review by
5 CRF's Credit Committee comprised of HPD, PCN and
6 NSCT. These proposals are reviewed to ensure that
7 they will provide long-term financial stability to
8 the borrower. The CRF Credit Committee has reviewed
9 proposals for eight out of the 22 borrowers to date
10 as of last week, and approved five. Our next step is
11 to try to secure long-term funding sources to ensure
12 that the Community Restoration Fund Program can
13 continue. We're working to deepen our relationships
14 with foundations and financial institutions so we can
15 create a consistent source of funds for this
16 endeavor. Our hope is to raise sufficient funds to
17 ensure we can continue to acquire notes and provide
18 support to more struggling homeowners in New York
19 City. We hope the Council will continue its
20 leadership on this issue, and it has helped us to lay
21 the foundation for this program. We thank you again
22 for your continued support of the Community
23 Restoration Fund, and for the opportunity to testify
24 here today and, of course, we're happy to answer any
25 questions that you may have.

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2 CHAIRPERSON GARODNICK: Thank you and I
3 think we're going to go to your colleagues now, and
4 then we'll do questions for everybody. Chris, do you
5 want to start off? [pause]

6 CHRISTIE PEALE: Good afternoon. My name
7 is Christie Peale and I am Exec-Executive Director of
8 the Center for New York City Neighborhoods. I'd like
9 to also wish you all a Happy Valentines Day, and
10 thank you for the Valentine that is the Community
11 Restoration Program. We're really excited to be
12 working with. But I'd also like to thank, Chair
13 Garodnick and Chair Williams and members of the
14 Economic Development and Housing and Buildings
15 Committees for holding today's hearing-hearing on the
16 Community Restoration Program and the impact of
17 foreclosure on the New York City neighborhoods. The
18 testimony that I distributed has a lot of information
19 the background on CR-on CRF and CRP and I can walk
20 through that as well. I can also speak to anything
21 in particular. We didn't prepare as much information
22 on some of the global impacts of foreclosure as we
23 can. So I'm going to leave you some information from
24 here, and also some information from the state
25 testimony that I'm giving later this week, and I can

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2 provide that as well. Okay, so if you don't know us
3 the Center for New York City Neighborhoods promotes
4 and protects affordable homeownership in New York so
5 that the middle and working class families are able
6 to build strong thriving-thriving communities.
7 We've-we're established by public and private
8 partners including the City Council as well as HPD
9 and we strive to meet the diverse needs of homeowners
10 throughout New York State by offering free high
11 quality housing services. Since our founding in
12 2008, our network consisted of 40,000 homeowners. We
13 have provided approximately \$33 million in direct
14 grants to community based partners like MHANY and
15 others, and we have been able to leverage this
16 funding to oversee another \$30 million in indirect
17 funding support through government partners as well.
18 Major funding sources for this work has included the
19 New York City Department of Housing, Preservation and
20 Development, the New York City Council, the Office of
21 the New York State Attorney General, the New York
22 State Homes and Community Renewal as long-along with
23 public and private funders. So I'm going to-I think
24 the best use of my time is to skip over some of the
25 background on CRF. Again, please ask me, direct me

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2 where you want me to go. I—I thought it might be
3 helpful to talk about some of the homeowners that we
4 saw going through DASP, the FHA's Distressed Asset
5 Stabilization Program and why we became really
6 focused on creating the CRF and the CRP in
7 partnership with various folks here. So federal
8 policy changes over the past few years has resulted
9 in large sell-offs of mortgages to private investors
10 through the Federal Housing Administrations
11 Distressed Asset Stabilization Program, otherwise
12 known as DASP as well as Fannie Mae and Freddie Mac
13 Non-performing Loan Sales Program. Through these
14 programs, government agencies have begin selling off
15 pools of mortgages that they hold or insure at steep
16 discounts to largely private equity backed investors.
17 According to advocates and our colleagues, investors
18 who purchase these mortgages often fail to work with
19 families to provide meaningful modifications that
20 will keep them in their home especially in
21 neighborhoods where property values are rising and
22 where they maybe deemed more profitable to folks for
23 exoneration asking. (sic) These agencies conduct—
24 conducting such sales argue that the mortgages have
25 no hope of any alternatives other than foreclosure,

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2 and that by purchasing them at discount the investors
3 will have great leeway to negotiate an affordable
4 modification agreement. However, our experience
5 working with homeowners who have benefited with this
6 often (sic) modification. For example, Lorenzo in
7 Ocean Hills, homeowner sought-sought help and
8 modified his Chase mortgage in the borough of
9 Brooklyn, one of our network partners, and Lorenzo's
10 attorney had every reason to believe that he was
11 qualified for a modification based on his income.
12 However, even though they had submitted a completed
13 modification application and was waiting for a
14 response, the FHA just determined that the loan was
15 non-performing and pulled his mortgage out from under
16 him to Loan Star. The loan is serviced by Caliber
17 Home Loans, a service with a reputation for often
18 refusing other sustainable modifications, and is
19 currently under investigation by A.G. Schneiderman
20 for violations of federal and state servicing rules.
21 (sic) Caliber denied Lorenzo the Re-zone(sic)
22 Modification Application on the grounds that he had
23 too much equity and property and that it would be
24 more profitable for Caliber to foreclose on his home.
25 In response to cases like Lorenzo throughout the

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2 country homeowners and advocates conducted a well
3 organized campaign to reform FHA debt and encourage
4 sales of non-performing loans to community of
5 accountable institutions that would prioritize
6 helping families in place of a profit, a model that
7 was established by the New Jersey Community Capital
8 among other groups across the country. In 2015, FHA
9 responded with a series of reforms that allowed
10 municipalities to purchase pools of distressed assets
11 directly from the federal government for the first
12 time. When the policy change was announced, and as
13 we discussed two years ago, the New York City—the New
14 York City Institution for the well employees to step
15 up, and we developed the program in partnership with
16 tall the folks you’ll—you heard about here. I’m
17 going to now switch to a couple other parts of my
18 testimony to make sure we have time to hear from
19 everybody. So obviously this initial purchase was a
20 major victory for New York City, and we can’t say
21 enough to thank the Council for your initial
22 leadership not only for the hearing, but that first
23 investment. So it’s been a great source of hope for
24 cities across the country, and we’ve heard—as you’ll
25 hear today, the results are quite promising with

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2 several affordable modifications secured through
3 families who were in the FHA and the homes that—that
4 were sold through FHA. It's cool. The next step is
5 for their fund to acquire more mortgages, and we
6 continue to engage through our partnership with HPD
7 with FHA, Fannie Mae and Freddie Mac to sell us more
8 pools. However, we were told by FHA that the—they
9 were temporarily opening the note sales program. So
10 that's the challenge for us, and we're really pushing
11 the new administration to allow for future sales
12 especially commission-driven buyers. So that's the
13 major focus of ours in this new federal loans case.
14 I'll add--and this is not in my testimony, but it's a
15 major on our work—the Federal Home Affordable
16 Modification Program ended at the end of 2016, and
17 this has major impacts on foreclosure prevention
18 services across the country. It was the typical tool
19 that we used to get those modifications, and now many
20 services are coming out with their own modifications.
21 They're pushing streamlines, modifications, some of
22 which are helpful for homeowners and some of which
23 are really counting, but it's created a real sense of
24 chaos in our market, and made the—the need of
25 foreclosure prevention services that much more

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2 critical because you need really skilled folks to
3 know what's happening across within services. As I'm
4 sure you've all seen in the news, there's also a lot
5 of attention focused on the CSTV these days. We
6 think that's a huge a huge concern for our industry
7 as a lot of great federal protections have come down
8 from the CSTV. So as an industry we're very focused
9 on protecting that. So you'll also see in my
10 testimony that we talk about the needs of foreclosure
11 prevention services remaining high. There's a—a
12 graph at the top of page 4 that shows the percentage
13 of mortgages that are seriously delinquent across the
14 city. It's way higher than we would like it to be,
15 and we still see a lot of folks struggling not only
16 in high numbers, but for long periods of time. So,
17 we've heard from our—we've seen from our numbers and
18 heard from our partners that the number of folks
19 waiting to get services is, you know, there's a life
20 for intake, but it's still very high. We have still
21 probably three or four times the people that need
22 help, and they can survive. And that leads to the
23 last one, and perhaps the most crucial point from our
24 perspective in our testimony and that's around
25 Statewide Funding Pool Foreclosure Prevention

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2 Services. For the past five years our state network
3 providers has been funded settlement funding through
4 New York State Attorney General's Office, and that
5 funding is coming to an end October of 2017. So
6 we're participating in a statewide campaign, and we
7 would love to see the City Council endorse the
8 campaign to get the Governor and the Assembly and the
9 Senate to pub foreclosure prevention services in the
10 budget for this year. We're looking for \$10 million
11 in this year's budget, and \$20 million in Fiscal 18
12 Year Budget as well. I also have some data for the
13 Economic Development Committee on the—on the benefits
14 that foreclosure prevention services provide from an
15 economic benefit perspective. So in New York City an
16 average loan modification saves a homeowner \$600 per
17 month on their mortgage payment, and in New York City
18 we go 2,600 homeowners' modifications in 2016, and
19 that represents a savings of \$1.5 million per month
20 or \$18 million a year just in New York City. So when
21 you think about what that means in terms of
22 stabilizing working families it's just a tremendous
23 positive impact across the city and state. So we
24 really want to amplify the impact that the services
25 provide not only for individual homeowners, but for

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2 the community as a whole. In addition, in New York
3 State we've seen that for every foreclosure averted
4 approximately \$250,000 in equity is saved for all the
5 homes within 750 feet of that foreclosure, and again,
6 we think that that has a tremendous beneficial
7 economic impact on—on our communities across the city
8 and state. So I—I can provide the additional
9 contents that I didn't have in my testimony
10 subsequently, and I now thank you very much for your
11 support, and the opportunity to testify.

12 CHAIRPERSON GARODNICK: Thank you. Do
13 you want to go Steve?

14 ISMENE SPELIOTIS Thank you, Council. So
15 I want to thank everybody on the Council for having
16 this hearing today. Good afternoon. My name Ismene
17 Speliotis, and I'm the Executive Director of MHANY
18 Management, Inc., a mutual housing association and
19 HUD approved counseling organization. I'm here
20 today, and I have our Homeownership and Foreclosure
21 Prevention Director, Cecilia Joza, who actually has
22 been working with all of the home buyers that have
23 come through the CRP program, and we'll have some
24 data for you. I will have that data for you in a
25 minute. We want to thank—I want to thank Chair

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2 Garodnick and Chair Williams and members of the
3 Economic Development and Buildings Committee for
4 holding today's hearing. MHANY counsels more than
5 2,000 homeowners and perspective homeowners each year
6 about mortgage related issues, and we also own,
7 develop and manage over 1,600 rental apartments
8 throughout New York City. With the focus on
9 preserving housing low-income tiers, MHANY pursues
10 innovative, mixed-use development strategies—
11 strategies reported by a variety of public and
12 private funding programs. Almost two years ago, we
13 sat before some of you, and made our case for the
14 Council to intervene to save our neighborhoods from
15 the dual crisis of foreclosure and speculative
16 purchasers. Between the facts and figures on
17 foreclosures, the large backlog of pending
18 foreclosures and the millions of dollars in tax
19 revenue each year the city was losing as a result.
20 We become informed about what the federal government
21 had one in response selling large swaths of mortgages
22 for like the Blackstone and other private equity
23 firms. But you heard us. You believe there was
24 another way to address these crises by saving
25 homeowners from instability and financial loss, and

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2 in the process ultimately stabilizing and supporting
3 our neighborhood. For this we thank you very much.
4 In fact, your faith in us and investment in the
5 Community Restoration Program made New York City last
6 June the first municipality in the country to
7 purchase distressed mortgage notes from the federal
8 government. This would not have happened without the
9 initial strong support of City Council, and so again,
10 we must begin by acknowledging and thanking the City
11 Council for your leadership in establishing the
12 program. After reading the papers today, one might
13 think that the foreclosure crisis over. Housing
14 development bails are at an all-time high. What are
15 we all complaining about? Well, unfortunately, we
16 must argue a different perspective and one that
17 requires your continued support and our continued
18 vigilance and efforts as we strengthen the
19 collaboration between city government, local
20 neighborhoods and the individual homeowner we
21 continue to help everyday. At the same time that the
22 federal government changed rules to allow
23 municipalities and governments to purchase distressed
24 notes, either through a director sale—how we made our
25 first purchase—or at a restricted auction, which we

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2 tried to do, but our bid was unsuccessful after the
3 federal agency had set the asset price too high. We
4 have seen the largest loss of homeownership this
5 country has ever experienced. We have see the
6 largest transfer of privately held assets—homes—to
7 private equity firms where former homeowners have
8 been evicted from their homes or are now renters from
9 private equity firms whose only interest is the real
10 estate assets, not the homeowner, the home in which
11 homeowner lives, nor the neighborhood where that home
12 is situated. We still have a problem and one might
13 argue given the current political environment, the
14 worst is still to come. Instead of painting a
15 bleaker picture, which I know all of you know I can,
16 let me provide you with some positive results of your
17 investment. An example of what happens when
18 government and non-profits come up with an
19 alternative to private equity inspector with this
20 investment. MHANY is currently helping the 24
21 homeowners who were affected by the first mortgage
22 pools purchase. As David mentioned, we are actively
23 working with 22 of the 24 homeowners to come to a
24 neighborhood stabilization outcome. Most of these
25 homeowners will actually mortgage modifications that

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2 will allow them to remain in their home, and remain
3 active members of the communities where they bought
4 those homes, raise their children and currently
5 reside. A couple will probably move out, as David
6 mentioned, and we will identify new affordable
7 purchasers for those homes. To date, we have
8 achieved five trial modifications, and I wanted to
9 give you the actual demographics of these five
10 homeowners. We have three in Queens, Queens Village,
11 Central Gardens in Cambria Heights and two in
12 Brooklyn. We have four two-family households, and
13 one four-family household. Every single household
14 fit the program whose given a MOD 2 is between 80 and
15 120% of area medium income. Every single family who
16 fit the program who is given a Modification 2 is a
17 family of color, and our goal was to prevent mortgage
18 delinquency, and allow people to remain in their
19 home, and that is what we have done. Our work is far
20 from done, but these positive outcomes are heartening
21 in this otherwise disheartening times. Now is the
22 time to fight harder, as mentioned. We continue to
23 work with the federal government, FHA, Fannie and
24 Freddie, as Christies mentioned, to identify new
25 opportunities where we can take the program, the

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2 financing structure that has been tested and do it
3 over and over again to provide more support and
4 opportunities for homeowner's shift and neighborhood
5 stability. Thank you. I'm also hopeful. We
6 actually had one of the CRT homeowners, but they
7 might be lost. So I am really sorry. So Mr. Gordon
8 Jones is going to actually testify and he's on the
9 list, but we don't know. I don't know because—
10 anyway, he might be lost, but he is going to come and
11 tell you his story and thank you directly, but,
12 anyway, sorry. [background comments]

13 CHAIRPERSON WILLIAMS: So, I'd like to
14 call the Clerk. [pause] We've been joined by Council
15 Member Ulrich.

16 CLERK: Continuation of roll call the
17 Committee on Housing and Buildings, Introductions
18 179-A and 289-A, Council Member Ulrich.

19 COUNCIL MEMBER ULRICH: I vote aye.

20 CLERK: Council Member Torres.

21 COUNCIL MEMBER TORRES: [off mic] I vote
22 aye.

23 CLERK: The vote now stands a 9 in the
24 affirmative. [pause]

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SALVATORE D'AVOLA: [background comments]

Good afternoon, my name is Salvatore D'Avola. I'm the Executive Director Neighborhood Restore Housing Development Fund Corporation. I'd like to thank Chair Garodnick and Chair Williams and members of the City Council's Economic Development and Housing and Buildings Committees for allowing me to testify at this joint hearing regarding our purchase of 24 mortgages from HUD for the Distressed Asset Stabilization Program. At the risk of repeating what everyone has said prior to me, I will try and get through the testimony and—and try and avoid some of the repetitive stuff that's been provided by people previous to me. Neighborhood Restore and its affiliate non-profit entities work closely with HPD on developing programs that seek to transition physical and financially distressed properties into affordable community assets. Since 1999, Neighborhood Restore has successfully preserved over 7,500 units of affordable housing in 1,200 properties throughout New York City. The Community Restoration Fund Program is a new and dynamic partnership between the city of New York and four non-profit organizations whose mission is to stabilize

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2 neighborhoods with high rates of foreclosure and
3 distress while ensuring positive outcomes from all
4 homeowners and residents and maintaining
5 affordability and viability of the city's housing
6 stock. With direction and oversight from HPD,
7 Neighborhood Restore through its affiliate,
8 Preserving City Neighborhoods, Housing Development
9 Fund Corporation, the National Community
10 Stabilization Trust, the Center for New York City
11 Neighborhoods and MHANY Management are working
12 collaboratively on this effort with each organization
13 bringing a unique skillset and extensive experience
14 in affordable housing with a focus on foreclosure
15 prevention, foreclosure response and neighborhood
16 stabilization. As mentioned earlier, last June, PCN
17 purchased 24 notes totaling 35 units with funding
18 provided by a number of sources, \$1 million from the
19 City Council, \$2.2 million from the Local Initiative
20 Support Corporation that was funded by a bank
21 settlement with the New York Attorney General; \$2.9
22 million from Morgan Stanley that was part of their
23 settlement with the Attorney General's Office and
24 \$6.9 million in private financing from Goldman Sachs
25 of an investment group. The \$1 million seed funding

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2 from the City Council is essential and acting as a
3 catalyst for additional funding for CRF. We thank
4 the City Council for their interest in this issue,
5 and your generous commitment. The City Council
6 awarded CRF an additional million in this fiscal
7 year, which we hope to use for additional note
8 purchases. In terms of structure, PCN is the mort-
9 owns the notes, and it's CRF's fund manager. As
10 such, it is responsible for managing the program's
11 financing and operations with oversight from HPD and
12 participation from not profit-non-profit
13 participants. The trust is a national non-profit
14 that specializes in the remediation of distressed
15 single-family mortgages through their participation
16 in note purchase programs in other parts of the
17 country. The trust has provided our collaborative
18 with guidance and expertise that have been essential
19 in our navigating HUD's not purchase process and
20 formulating CRF's policies and procedures. The
21 trust-the trust rose to oversee the activities of our
22 Special Servicer who has been hired to manage the
23 collection of homeowner payments to review compliance
24 with all the codes of the law, and to ensure that all
25 loan reservation activities are aligned with CRF's

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2 goals. The Center and MHANY work with PCN, the Trust
3 and the Special Servicer to conduct homeowner
4 outreach, counsel homeowners, assist in mortgage
5 modifications and provide relocation assistance. The
6 Center through MHANY and its Community Organizing
7 Network has implemented a high impact strategy to
8 connect homeowners to loan assistance deliver
9 intensive delinquency and default counseling with
10 homeowners until sustainable outcomes have been
11 reached. PCN's acquisition of the note provides CRF
12 with the ability to achieve optimum outcomes for the
13 properties and homeowners while implementing cohesive
14 neighborhood strategies that seek to mitigate
15 destabilization and blight. Homeowner attention
16 solutions such as affordable mortgage modifications
17 and refinancing to appropriately resize mortgages as
18 a priority, as the priority outcomes for CRF.
19 Through our partners—through our partners' extensive
20 experience and established programs for proactive
21 outreach and homeowner counseling CRF works
22 effectively with current homeowners to identify
23 solutions to keep them in their homes. When a
24 mortgage modification or a refinance is not feasible,
25 we will strive minimize displacement of homeowners

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2 and residents by establishing in-place rental
3 outcomes for those homeowners and when homeowner
4 retention is not possible, we will seek to provide
5 relocation assistance to the defaulted homeowner and
6 ensure that properties are repositioned as affordable
7 homeownership or rental housing opportunities.

8 Finally, in addition to pursuing outcomes for
9 individual homeowners, we seek to facilitate
10 neighborhood stabilization by strategically
11 purchasing concentrations of notes in priority
12 geographies with the greatest need. The 24 notes we
13 purchased this past June are located in Southeastern
14 Queens, Eastern New York and East Flatbush
15 neighborhoods of Brooklyn, Wakefield and Bay Chester
16 in the Bronx and the North Shore of Staten Island.

17 These are all neighborhoods that have yet to recover
18 from the collapse of the housing market during the
19 Great Recession and continue to have high foreclosure
20 rates in underwater loans. For our targeted
21 intervention we seek to reduce the negative economic
22 and physical effects caused by distressed properties
23 and the associated social impacts while preserving
24 and creating new affordable homeownership and rental
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2 opportunities. Thank you for your time and interest
3 in our work. I'm happy to answer any questions.

4 CHAIRPERSON WILLIAMS: Thank you and I'd
5 like to call the clerk.

6 CLERK: Introductions 179-A and 289-A,
7 Council Member Rodriguez.

8 COUNCIL MEMBER RODRIGUEZ: Aye.

9 CLERK: The final vote on both two items
10 now stands at 10 in the affirmative, 0 in the
11 negative and no abstentions. Thank you.

12 CHAIRPERSON GARODNICK: Thank you. We've
13 been joined by Council Members Gentile and Richards,
14 and Council Member Richards we noted at the outset
15 that our first hearing on this topic was done at the
16 instigation of you and Council Member Miller, and it
17 took place in Southeast Queens, and we thank you for
18 that. I just want to start off with a-a few
19 questions for the panel, and first of all, we have
20 very much appreciated the opportunity to work with
21 all of you on this program, and I think that to the
22 extent that you hear any concern at all from this
23 panel would be about why we can't do more of it, and
24 I'm sure that you all agree with that. So, let's-
25 let's talk about that first, which is that the 24

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2 distressed notes is a—it really was groundbreaking
3 the idea that New York City was able to step up to
4 the plate with its partners, to be able to acquire
5 these notes, and do all of the things that we've
6 described that we're in the process of doing to
7 stabilize, make—make affordable housing, affect
8 people, but it does seem like a small number. So tell
9 us why we're, you know, we—we went through a lot of
10 work with you guys in particular to pool the
11 resources. You know, we fought for the million
12 dollars twice here in the City Council. You guys got
13 private sources. There was a lot to—to do here and
14 the output was 24 units, 24 distressed notes, 35
15 units. Just take us through, you know, how it goes
16 from the—the dollar amount to the number of units and
17 what the obstacles were and what we, you know, what
18 we saw in the process that could have been in—in
19 addition to doing more other than just money? And if
20 it was money, too, then share that with us.

21 SALVATORE D'AVOLA: A great question.
22 So, yeah, this—this—as—as a couple of us have said,
23 this was the first time something like this has
24 happened, and so going through the process for an
25 update or generally moved in more specific. With FHA

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2 and HUD was a learning process for all us, and so
3 that took time, and that—that time is actually an
4 important factor here. We actually originally were
5 looking to purchase an original business plan that is
6 submitted FHA and looked to purchase actually over
7 100 notes. To back up for one second, you know, we—
8 we can only consider notes that FHA provides to us as
9 a pool. So FHA is choosing the pool that they will
10 potentially offer us. We don't get to necessary look
11 at all the notes across New York City, and can pick
12 which ones we might be interested in. [off mic] So
13 we want to be invited to do 1,000 notes, and we get
14 1,000 that are in distress, but we feel like we
15 could—we could help. But so, there's a—there a
16 variety of reasons why FHA, and I can't explain on
17 the MAP is that FHA that offers us or creates an
18 existing pool of mortgages. So we were given a pre-
19 existing pool. We have the opportunity to evaluate
20 them. We simply deal with that because it's the DASP
21 program. This was all talked about and it's 50% of
22 localities (sic), and we want to make sure that we
23 can do 100% of the sales, and we also want to make
24 sure what whatever notes we might want to buy have
25 the ability where we have the ability to actually

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2 achieve those notes or outcomes. But that said, we
3 actually were at a number of about 100 notes. Even
4 thought, we were in a direct sale discussion, with
5 FHA, those MH have pulled them out of—what would be a
6 competitive bidding pool. It doesn't mean that they
7 should have pulled from the market entirely to have
8 froze them. They're still out there. Things can
9 happen. I mean that's—that's circumstance over the
10 nearest bust (sic) that we work with FHA, a homeowner
11 was able to make good on their mortgage and get
12 themselves, you know, paying the mortgage again.
13 Maybe they were in the community finances. Maybe
14 there is a contract of sale for that or maybe it was
15 sold. So there's a number of reasons why what
16 happens with these pools as more time goes by the—the
17 notes fall out of the pool. And so that's what
18 happened because our initial discussions I think with
19 FHA started about 15 months before we closed on the
20 pool of 24, and unfortunately that number dwindled
21 from over 100 to 80, then 60 to 30 and then finally
22 to the more hefty system of our closing gap of 24.
23 So we were actually prepared to do more, but that's
24 how—that's how we work.

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2 CHAIRPERSON GARODNICK: Okay, and you say
3 and it dwindled--it dwindled in the--in the final days
4 because of the various--what--what--what were the
5 reasons for the dwindling at the end?

6 SALVATORE D'AVOLA: So, it's hard to know
7 exactly. I mean I think what happened--I mean the--
8 again, these are--these are notes that are out there.
9 Someone--someone can purchase the note. Someone can--
10 again, someone can--the--the note can come out of
11 being distressed for a variety of reasons in the best
12 case scenario. So exactly what the reason why note by
13 note so we fill out. It's a little bit unclear to us
14 to be perfectly honest.

15 CHAIRPERSON GARODNICK: I see. So they
16 came out of contention--

17 SALVATORE D'AVOLA: [interposing] Right

18 CHAIRPERSON GARODNICK: --not by your
19 evaluation--

20 SALVATORE D'AVOLA: [interposing] Oh, no,
21 not by our evaluation.

22 CHAIRPERSON GARODNICK: --but on the
23 other end.

24 SALVATORE D'AVOLA: On the other end.

25 CHAIRPERSON GARODNICK: Okay, understood.

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SALVATORE D'AVOLA: Yes.

CHAIRPERSON GARODNICK: So 24 was the--was actually the maximum that was maximum that was left as an opportunity for us to take advantage of.

SALVATORE D'AVOLA: That's right.

CHAIRPERSON GARODNICK: Okay. Let's talk about the process after--

SALVATORE D'AVOLA: [interposing] Yes.

CHAIRPERSON GARODNICK: --we have control over these notes. In--in your testimony, Mr. Quart, you noted that there would be an effort to try to modify the existing mortgage or refinance the home, and that if it's not feasible then there would be a foreclosure or a deed in lieu of foreclosure. What--what circumstances would make it not usable to modify or refinance the existing mortgage?

DEPUTY COMMISSIONER QUART: So certainly the department, you know, our--our, first and foremost, we aim to keep people in their homes. That is our goal. That's--if--if we could do that with every note, that's what we would like to do. That said, as we reach out to--to individual homeowners we need to--and we do this intake process we understand what their income is, what their financial situation

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2 is, and is it a matter of them, you know, modifying
3 the note so that we can reduce the principal and have
4 a payment that is sustainable for that family or an
5 individual based on whatever their income may be.
6 It's certainly the desired outcome and that's what we
7 strive to do. However, if somebody—their financial
8 situation changed or whatever the reason is that we
9 don't—they don't believe and we don't believe that
10 they can actually continue to hold that mortgage,
11 then we would go to the second and it would be like
12 the next best option, and that's the best option,
13 which would be then to try to figure out a way if
14 these people want to stay in their homes, but they're
15 not able to actually hold their mortgage, then we
16 would ensure that they are a renter, and then we
17 would work to modify the loan and then bring on
18 another—bring on a purchaser, a preservation
19 purchaser who could then own the home, but own the
20 home on our terms, right. In the terms that we're
21 sure to be keeping the tenant in place, keeping the
22 rent at a level that is affordable to that tenant
23 while not necessarily making cases, you know, for
24 lack of a better term burdening the homeowner with
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2 that responsibility. It's not something you think of
3 as like something they cannot do.

4 CHAIRPERSON GARODNICK: The--the total
5 cost and forgive me if I missed in some of this
6 testimony, the total cost for the--for the 24 notes?

7 DEPUTY COMMISSIONER QUART: So, these--so
8 we paid \$5.9 million to acquire the 24 notes, and
9 that was something that--that was part of the
10 extensive back and forth that we had with FHA, and
11 HUD about coming to an agreed upon price. It's--well--
12 well, I think a lot of people including ourselves at
13 times refer to it as a negotiated sale. It's not
14 really a negotiated sale. It's really based on
15 calculations that FHA and HUD does with federal OMB.
16 They really do have a price that they are willing to
17 accept, and not lower. We actually were successful
18 in getting them to lower their price based on--based
19 on all the modeling that all of our communities did
20 to significantly get it down to this prices but \$5.9
21 million is what we paid for at the acquisition.

22 CHAIRPERSON GARODNICK: So then just and
23 to make it really simple for--for me, when you have a--
24 an existing mortgage, and the refinancing actually,

1
2 if somebody who has the ability to take on the
3 obligation here-

4 DEPUTY COMMISSIONER QUART: Uh-huh.

5 CHAIRPERSON GARODNICK: --and stay in the
6 home, what then becomes the--the outlay ultimately for
7 this fund? You know, it seems like what--what the
8 city and its partners is doing ideally is to just--to
9 getting it over the hump, and allowing then for its
10 continued operations in a different way, and not, you
11 know, continuing to be the, you know, the--the owner
12 of these--of these notes. So what--what--what are we
13 left holding at the end either in terms of fees, or
14 in terms of financial outlay like what--what--what's--
15 what's the outcome for us?

16 DEPUTY COMMISSIONER QUART: The--the ideal
17 and my partners can jump in if they--if they want to
18 say more specific things. You know, we are acquiring
19 the notes and we're acquiring it really in an--in an
20 efficient way, which is again that PCN holds title,
21 but it is for the purpose of just making the asset
22 and making the homeowner financially healthy and
23 stable. So that is our sole purpose in acquiring it
24 and we are--we do not have any intention to own that
25 for any period of time beyond the time we need to do

1
2 it to remediate the loan, and turn it into a healthy
3 asset and then make it—and then ultimately that we
4 could sell it at—on our terms on the new terms to
5 someone else that being—whether it be the homeowner
6 or whatever on those terms and then it would be
7 reported as affordable without the city owning it.

8 CHAIRPERSON GARODNICK: Right, so—so for
9 example we just spent \$5.9 million to acquire and
10 then essentially we're going to sell it to somebody
11 else. Are we left with or left with something less
12 than \$5.9 million at the end? What are—what are we
13 left with after that happened? I know that it all
14 has not happened yet. I understand that.

15 DEPUTY COMMISSIONER QUART: Yeah, yeah,
16 that's the case.

17 CHAIRPERSON GARODNICK: But what—what—
18 what could we be left with in the fund after you
19 outlay \$5.9 and you—you restructure instead?

20 ASSISTANT COMMISSIONER DARGA: Okay, hi.
21 I'm Kim Darga. So there—the overall cost for the
22 acquisition was \$13 million. Okay, that's \$5.9 for
23 acquisitions, and then the underwriting for the
24 acquisition include carrying costs, financing,
25 servicing fees and a number of other costs for

1
2 actually people that take the program. The end goal
3 as David said the primary outcome from this mortgage
4 that we're aiming for is mortgage modification. The
5 cost there could be not only acquisitions but writing
6 down the principal balance basically evaporating
7 arrears, right, and not charging the arrears.

8 There's always ongoing servicing until we get to the
9 ultimate outcome, and either a refinancing or
10 foreclosure. There are servicing and carrying costs
11 that—that we needed to cap it for in the
12 underwriting. While the primary goal is mortgage
13 modifications, it is possible that we will need to
14 foreclose on some of these properties, and if we need
15 to foreclose, then we have all the costs associated
16 with a foreclosure as well as potentially if we do
17 foreclose making sure that the property is
18 sufficiently renovated so they can be viable housing
19 after that foreclosure as well. So I guess hopefully
20 that answers some of the questions, and we enable
21 something and give a little more specifics.

22 ISMENE SPELIOTIS: Just to go back, so
23 when—we're giving—when we talk about the
24 modifications right. So we have issued five
25 modifications. There are another six in the pipeline

1
2 and then we're working with all--all the others and
3 there are two non-responding homeowners. And what
4 happens with the mod it's temporary. It's a--it's a--
5 it's a temporary mod that becomes a permanent mod,
6 but the goal is that these homeowners will actually
7 refinance into a private 30-year fixed straight
8 mortgage with a regular bank. Okay, and so when that
9 happens at the number that kind of incorporates some
10 of these--well, it's \$5.9 million basically. It's
11 broken--or the \$13 million is actually broken down by
12 homes. Okay, and so what happens is then a whole
13 bunch of that \$13 million we hope to never achieve.
14 Right, because we've built in some very conservative
15 assumptions as if all the homes might need four years
16 in all of that. So these 11 homes, 5 at half mods
17 and six that are coming right down the pipe within
18 the first nine months of the--of the deal our--our--our
19 goal are moving very quickly and we'll save the
20 funds. You know, we will not be using the funds
21 projected by just the way we had anticipated
22 conservatively. But when that home spends a year
23 seasoning itself, okay that mortgage through its
24 modification, then we will work with the private
25 lending community to find and land that person and

1
2 their homeowner into a fixed rate 30-year mortgage,
3 and then that money actually replenishes the
4 Community Restoration Program.

5 CHAIRPERSON GARODNICK: So what's the
6 maximum? So, you know, I understand that there's
7 fees and I understand there's acquisition costs.
8 What is the maximum that could be replenished for
9 this fund?

10 ISMENE SPELIOTIS: Oh, that could be the
11 fund.

12 CHAIRPERSON GARODNICK: Yeah, and I
13 recognize it hasn't all been done yet.

14 ASSISTANT COMMISSIONER DARGA: I don't
15 know that we modeled it because the maximum would be
16 if we mod—we—we did mortgage modifications for every
17 property, and I think that's unknown because we don't
18 know how much we would have to write down in order to
19 modify it and then what we're able to sell it or
20 refinance for on the back end. The idea here is,
21 though, that if we can successfully do the mortgage
22 modifications, and there's money in craft that we
23 would use it in order to do future acquisitions.

24 DEPUTY COMMISSIONER QUART: I think
25 what's important to—to-to sort of highlight is that

1
2 when we modeled the program, we modeled the program
3 very conservative as Ismene mentioned, and we did an
4 assumption that basically said that we would have to
5 take all 24 of these monthly foreclosures. And so
6 that's how it was conservatively modeled. Assuming--
7 knowing that we wouldn't, but we wanted to be very
8 conservatively modeling the money we were--we were
9 borrowing to make sure that we have sufficient funds
10 to do that.

11 CHAIRPERSON GARODNICK: So let's talk
12 about the banks for a second, the ones that
13 apparently not only were charging fees to people who
14 couldn't afford the mortgages in the first place, but
15 now are actually charging fees to the city of New
16 York and our partners on an ongoing basis. Am I
17 understanding this right?

18 ASSISTANT COMMISSIONER DARGA: Do you
19 mean how we finance this program?

20 CHAIRPERSON GARODNICK: Well, it sounds
21 like we have--there are ongoing fees that must be paid
22 to the banks, right? I mean if we are--if--I don't
23 know who's charging the fees--

24 ASSISTANT COMMISSIONER DARGA:
25 [interposing] Oh, okay.

1
2 CHAIRPERSON GARODNICK: --that we have
3 allocated \$7.1 million for? It's not just for
4 foreclosures. It's for I think one of you guys said
5 that there are fees that are continuing to be--

6 ASSISTANT COMMISSIONER DARGA:
7 [interposing] They are servicing fees.

8 CHAIRPERSON GARODNICK: Servicing--
9 servicing fees.

10 ASSISTANT COMMISSIONER DARGA: It's an
11 ongoing servicing of the loans as we're working
12 towards an outcome.

13 CHAIRPERSON GARODNICK: Yeah, who--who--
14 who's being paid those fees?

15 ASSISTANT COMMISSIONER DARGA: Us--well,
16 it's then servicing.

17 CHAIRPERSON GARODNICK: Oh, I see. So
18 that's from the entity that--

19 DEPUTY COMMISSIONER QUART: [interposing]
20 That's our--

21 CHAIRPERSON GARODNICK: --that's internal
22 affairs.

23 ASSISTANT COMMISSIONER DARGA: --our
24 service fees.

1
2 CHAIRPERSON GARODNICK: Okay, so it's not
3 that we're—we're paying a bank.

4 ASSISTANT COMMISSIONER DARGA: The only
5 financial institution is the one that co-financed the
6 acquisition with us.

7 CHAIRPERSON GARODNICK: Okay, and they're
8 not charging you fees? Okay.

9 ASSISTANT COMMISSIONER DARGA: They're
10 paying an interest on their loan—

11 DEPUTY COMMISSIONER QUART: [interposing]
12 Interest only.

13 ASSISTANT COMMISSIONER DARGA: --and
14 that's it.

15 CHAIRPERSON GARODNICK: Okay, fine. I
16 got it. So that makes—that makes it a little more
17 sense.

18 ISMENE SPELIOTIS: [off mic]

19 CHAIRPERSON GARODNICK: Hit-hit your own
20 microphone.

21 ISMENE SPELIOTIS: And we'll pay again,
22 first, right? So as we move those mortgages into
23 permanent 30-year, we will pay the most expensive
24 money first, or as that's imagined, right.

1
2 CHAIRPERSON GARODNICK: Okay. I'm going
3 to go to my co-chair Council Member Williams.

4 CHAIRPERSON WILLIAMS: Thank you, Chair
5 Garodnick. I just a couple of quick questions. One,
6 I'll spell out quickly in the beginning of my co-
7 chair's questions, I just want to make sure that you
8 guys don't have any policy things that we can be
9 doing that we're not doing. I know most of the state
10 and federal. So I just wanted to hear if there is
11 anything, policy that the City can be doing, but and
12 just thank you all for the work you're doing for the
13 community.

14 ASSISTANT COMMISSIONER DARGA: I think
15 some—some—I think some of our partners have some
16 recommendations as well, but a lot of what we're
17 looking at is around reducing costs for existing
18 homeowners and future homeowners in a way that could
19 be spread beyond just the CR—the CRT program. So I,
20 you know, the—the work that the Council did in going
21 down to DC two years ago was major in terms of
22 helping us get the changes to DASP, but please don't
23 discount that. You know, the—a local voice can, you
24 know, impact of the local voice on a borough issue.
25 So obviously this will continue to be an issue on a

1
2 federal level. We've had a really good—I think a
3 fairly successful conversation with the state around
4 their purchase of distressed notes as well, and
5 again, the—our partnership here has committed some—
6 some on that, and we could sit back and have some
7 benefits for the city as well if we can get Fannie
8 Mae to do some interesting and supportive things.
9 So, we are going to be having—if I can make a—a plug—
10 we're going to be having Council briefing with the
11 Coalition for Affordable Homes in the next couple of
12 weeks. We were scheduled for the snow days. We had
13 to rescheduled, but we'll—we'll be talking about a
14 lot those policy proposals there as well, and can
15 follow up, and I'm crunching for these things.

16 ISMENE SPELIOTIS: I—I think—I mean the—
17 the national advocates keep working, Councilman, and
18 so we are, you know, a little—people are again like I
19 said a little disheartened, but there are people at
20 FHA that have—are still there that we're—that we work
21 with, and from the past administration, Fannie and
22 Freddie. So these—the—the tenants are hammering at
23 the federal level to get, you know, to go—to really
24 work on either a non-profit option or more direct
25 sales. That effort continues at the national level.

1
2 So we will absolutely reach out, and we've been
3 totally support in the past and we need to be again.

4 CHRISTIE PEALE: So one of the things
5 that was challenging for us is that this was, as
6 David mentioned, a negotiated acquisition as opposed
7 to an auction, and we understand through our
8 conversations with the folks in DC that if it were a—
9 a more pen auction, they would have projected a
10 larger number of notes. It needs the bidding more
11 competitive for us, but it also means that the notes
12 get sold in a more permanent way earlier. So part of
13 the reason that we kept losing notes from our so-
14 called pool is it wasn't really a pool. It was part
15 of this, you know, loose affiliation of notes that
16 letting us bid on. So it wasn't a—an official bid
17 the way you're hear about in some of the DASP—the
18 private—private pools—private auctions.

19 ASSISTANT COMMISSIONER DARGA: And I
20 would add to what Christie said. We have explored
21 acquisitions through Fannie and Freddie as well
22 because they have similar types of programs. From
23 what we understand, those programs don't have the
24 ability, the same ability to pull notes out, and to
25 have that in a direct sale that we had in the—the—our

1
2 experience in the June acquisition. And so I think
3 one of the challenges that we have is that when we
4 have to complete and open auction with every other
5 party in the world that isn't necessarily concerned
6 with the same stabilization outcomes that, you know,
7 our pricing is based on outcomes, what we can pay for
8 a note upfront is based on what we're trying to
9 achieve on the back end. So if we're competing with
10 everybody else, it makes it harder actually achieve-
11 to-to begin, and to achieve outcomes. So I think
12 what really worked well in the DASP program for us is
13 that we weren't-we weren't out there competing with
14 everybody else, right. It's just specifically
15 designed for governmental entities and non-profits,
16 and I would encourage us to continue to try to
17 explore opportunities so we can compete in that way.

18 CHAIRPERSON WILLIAMS: Sure. I hope you
19 got to relax on the snow day at least, and I look
20 forward to the-to the briefing, and I also just
21 wanted to-I was very appreciative of the preemptive
22 thanks for the continuation of the funding, although
23 it hasn't passed yet. I did-I-I've been appalled by
24 what I'm hearing, just the massive amounts of
25 particularly Black and Latino families that are

1
2 affected here. A few of my colleagues had previously
3 talked about perhaps seeing if the DOJ was interested
4 in looking into particular what's going on in the
5 court system right now, but with the change as we
6 continue to make American great again we do have some
7 concerns if that will have any effect. So I wanted
8 to know if what you're hearing from the federal—one,
9 do you think there's anything to that getting the DOJ
10 involved? Do you think there are any civil rights
11 issues going on? Do you think the federal government
12 is receptive now or will be receptive to look into
13 what's going on? [pause] Everybody sighed.

14 DEPUTY COMMISSIONER QUART: I know, I
15 just--.

16 CHAIRPERSON WILLIAMS: Right. [coughing]

17 DEPUTY COMMISSIONER QUART: I would say
18 and I guess I would start by saying, I mean it is—it
19 is tough to say what's going on, and I think just to
20 build on what Christie said, you know, we are working
21 with the National Housing Coalition Advocates to put
22 together a whole set of rules—agenda and —and fight
23 for what we, you know, continue to fight for GASP and
24 all of that—and I—I think and they're intent to find
25 out about—about the litigation that they filed, which

1
2 is likely to address exactly, you know, your
3 concerns. So I'll let them speak, you know speak for
4 themselves, but it's certainly, you know, it's-it's-
5 it's, you know, it doesn't take much to understand
6 that a lot of the communities that are hardest hit by
7 foreclosure are communities are color, and-and we
8 recognize that and, of course, this- You know, I'll
9 also-I will admittedly pivot to just say this is all
10 of these 24 notes. There are only-yes, there are
11 only 24 notes, but it's one piece of what we're
12 doing, and-and we're using that and we're looking at
13 some of these neighborhood just because these are
14 efforts we along with all of our partners have in
15 these same neighborhoods to ensure that all-everybody
16 could be lifted up in everyway that we possibly can.
17 But it's all the work that we're doing with centers
18 that, you know, both of these could be and the
19 Council has been funding, and will continue to fund.
20 We just launched it when Council Member Espinal was
21 here, but we-we just launched las week. A homeowner
22 helped us with Council Member Espinal, which we'll be
23 doing a homeowner event around to-to really ensure
24 that folks understand the tools around-around

1
2 counseling all that as a way to-to ensure that we're,
3 you know, folks are-are feeling uneasy about them.

4 CHRISTIE PEALE: So I'm not a lawyer so
5 I'll let the legal go and take-take a more expert
6 response, but I do think it would be very worthwhile
7 to have a conversation with DOJ about the disparate
8 impact (sic) for communities of color in particular
9 especially given what we're seeing as a huge increase
10 in-in the-the gap in assess.

11 CHAIRPERSON WILLIAMS: So I'd say we
12 didn't get the access.

13 CHRISTIE PEALE: Yes. I'm not saying we
14 didn't. The racial loss divide and-and-and real-the
15 real impact that those have on homeowners of color,
16 and New York City was really concerned because of the
17 homes-the neighborhoods that have barely recovered
18 from the foreclosure crisis or where we see a lot of
19 speculation, this is why we're so eager to partner
20 with Council Member Espinal and the City around that
21 East New York Help Desk because-because we saw a lot
22 of folks, you know, speculative money being used to
23 split properties or sometimes an opportunity for
24 some. So I-I think it's really important for folks
25 in DC to hear from places like New York City

1
2 especially at Justice and in particular because the
3 latest tank settlement that we saw coming out of
4 Justice was Deutsche Bank. You know as far as I
5 know, it didn't really have much of an impact for New
6 York City and New York State. So, there's a real
7 difference between what we saw was in DOJ settlement
8 in what we just saw recently. So it's continuing to
9 press Justice to understand the—the impact on the
10 communities of color and that there I think it's a
11 very principal point.

12 CHAIRPERSON WILLIAMS: Thank you—whoever
13 else would like to know that their—a switch is
14 blinking now because of just rushing to take these
15 homeowners at a quicker pace. Is that what you're
16 feeling on the ground with it?

17 CHRISTIE PEALE: So there are a number
18 changes that have happened within our State
19 Settlement Conference system. Some of—some of which
20 are positive in process improvements and some of
21 which have been very challenging for our colleagues
22 are representing homeowners in the state mandated
23 settlement conferences. So one positive development
24 we've seen is that the State is considering changing
25 the definition or—is considering allowing folks with

1
2 reverse mortgages to get access to that statement in
3 a settlement conferences for the servicer, which is
4 really important. We have seen some procedural
5 changes happening in some of our county Supreme
6 Courts that has made it more difficult for some of
7 our advocates. The thing that—that did matter is
8 because of me. (sic) [laughs] So, there has some
9 changes to the way the dockets have been organized
10 that has made it really hard for homeowners to get a
11 really good conference through their bank when they
12 have an advocate. So that's one more troubling
13 development. We've also seen an increase in the
14 number of actual foreclosure auctions, and when talk
15 about foreclosure, we talk about people in
16 delinquency where they're behind on their mortgage.
17 People who have entered the legal process of
18 foreclosure with what's called a rescindence and
19 folks that are coming out of the foreclosure process
20 unfortunately with an auction where the bank is
21 actually taking the property back. We in the past
22 because we—we saw banks really slow with foreclosure
23 process timelines, and sometimes it's abandoned on
24 legal cases they started. We think it's because they
25 are waiting for the property values to increase, and

1
2 now that they've seen property values go up, they no,
3 I don't thinks that's holding me. I'll take less of
4 hit if I take this property back at its 2017 value
5 than--than I would have if I took at its 2020 value.
6 So we have seen those two procedural changes on--on
7 the court level and also the changes on the--on the
8 servicing.

9 CHAIRPERSON WILLIAMS: So what was the
10 purpose? The second one was that the values were
11 going up so they might take it, and then what was the
12 first reason for it?

13 CHRISTIE PEALE: There--there's some very
14 specific changes to how some of our--our local courts
15 are running their phoning conferences. It's making
16 it very challenging and it--

17 CHAIRPERSON WILLIAMS: [interposing] Can
18 you say--can you a couple of them? Or is that another
19 tenant?

20 CHRISTIE PEALE: I don't know--I think I'd
21 prefer to provide you something in writing on that.
22 So I--

23 CHAIRPERSON WILLIAMS: [interposing]
24 Okay.
25

1
2 CHRISTIE PEALE: --don't say anything
3 wrong.

4 CHAIRPERSON WILLIAMS: Okay.

5 CHRISTIE PEALE: I'm looking at my
6 counsel. [laughs] But yeah, there's specific changes
7 that have made--that--that have made--

8 CHAIRPERSON WILLIAMS: Are those changes
9 city and state? Are--are those things--it sounds like
10 another panel.

11 CHRISTIE PEALE: There are administrative
12 changes, but I think it would--really would benefit a
13 deeper dive because I know it's been very
14 challenging.

15 CHAIRPERSON WILLIAMS: Yeah, we'd love to
16 hear about any administrative changes that are
17 allowing us to go quicker particularly that the
18 Council can get on top of to--to try win. A couple
19 more questions. Does HPD conduct its own foreclosure
20 prevention services or does it refer people to its
21 partners?

22 DEPUTY COMMISSIONER QUART: We generally
23 refer people to the Center for New York City
24 Neighborhoods. I mean when--when that--when the center
25

1 was created and commissioned back in 2008?

2 Correction?

3
4 ASSISTANT COMMISSIONER DARGA: We were
5 formed in '07.

6 DEPUTY COMMISSIONER QUART: '07, right.
7 You know, I think we—we—you know we—we really work
8 in very close partnership with the Center and work
9 with them on—on the net foreclosure efforts but, of
10 course, one was State and for the federal cases in
11 Lincoln (sic) County.

12 CHAIRPERSON WILLIAMS: What are the
13 current foreclosure rates in each of the boroughs?
14 How does it compare to the way that hike of the
15 foreclosure crisis? [background comments, pause]

16 SALVATORE D'AVOLA: Christie can answer
17 you to take her afternoon. Today is Friday.
18 [laughter] Thank you. So, 2015 foreclosure rates,
19 sir, your—your request was by borough? So per—per
20 thousand families in Brooklyn it's 7 per thousand;
21 Queens, 16 per thousand; Bronx 22 per thousand,
22 Staten Island, 13 per thousand and Manhattan 2.6 per
23 thousand. Overall, New York City so 14 one two-
24 family. This is one two-family home. So foreclosure
25 rates for one two-family homes per thousand, 14

1
2 approximately per 1,000 families. This is the 2015
3 foreclosure rates.

4 CHAIRPERSON WILLIAMS: Do you have
5 comparisons to another time period or the height of
6 the foreclosure crisis?

7 CHRISTIE PEALE: I have--yeah, I have the
8 citywide number--

9 SALVATORE D'AVOLA: [interposing] Yeah.

10 CHRISTIE PEALE: --which is that, you
11 know, so why don't I get you those?

12 CHAIRPERSON WILLIAMS: Okay, sure.

13 CHRISTIE PEALE: Yeah.

14 CHAIRPERSON WILLIAMS: I do know in
15 Canarsie where my house is particularly high and East
16 Flatbush that I represent is particularly in
17 Brooklyn.

18 CHRISTIE PEALE: Yes.

19 CHAIRPERSON WILLIAMS: And has there been
20 an impact on the condition of zombie properties since
21 the state legislation went into effect in December?

22 DEPUTY COMMISSIONER QUART: So on the
23 zombie properties effort this is something that we at
24 HPD we have applied for as a direct result of the law
25 the Attorney General allocated a certain amount of

1
2 funding across the state from the municipalities and
3 so HPD applied and was granted \$350,000 to—to dive
4 into these efforts to not only to identify zombie
5 properties and see what we can do with them, but also
6 to work on additional counseling and—and just to
7 understand the land capability of abandoned
8 properties. So we have—this is just getting
9 underway. We've engaged with the State Department of
10 Energy Services, which has its own database of zombie
11 properties by municipality and we're getting that
12 information, and so—but we're also—also part of our
13 work at HPD will be to hire a couple of staff
14 members, an inspector, a project manager, someone who
15 can really look at the data and start analyzing. So
16 this is something that's getting underway so I think,
17 you know, we are—we are first of all both very
18 fortunate and thankful to the Attorney General's
19 Office for—and for this—raising the administrative
20 grants for giving that to HPD, and I think, you know,
21 in the coming 6 to 12 months we'll really be getting
22 if off the ground and—and understanding OSHA better,
23 and we'll be working with many others with dealing
24 with that—on that effort as well.

1

2

CHAIRPERSON WILLIAMS: Alright thank you.

3

I'm going to pass it back to my co-chair. I'll be

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ready and willing to get some information on

5

particular with DOJ stuff, and administrative changes

6

that have happened. You know, maybe we can be a part

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of this pushing back on. Maybe that we'll do

8

something with the law (sic) so I'm looking forward

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to kind of hear-hear-hear back from you guys and-

10

CHAIRPERSON GARODNICK: Thank you, Chair

11

Williams and now we're going to go to Council Member

12

Richards.

13

COUNCIL MEMBER RICHARDS: Thank you

14

Chairs for this critical hearing and obviously very

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grateful to have worked with Councilman Miller and

16

Council Member Garodnick to really push this effort,

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and we were down in in DC last year. So I guess

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we'll have to go back there a lot more now obviously.

19

I had a few questions and I want to thank you for all

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the work that you're doing and, you know, we

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certainly will continue to be a voice of support

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within this body to ensure that resources that are

23

available are going towards any efforts to really

24

resolve this issue that we've seen cripple our

25

community when you look at the amount of economic

1
2 wealth we are losing in Black and Latino communities
3 to foreclosures. We are really setting back not only
4 generations now, but future generations who are
5 finding it even hard and harder and to obtain
6 homeownership let alone keep it with salaries as
7 stagnant as--as they are. I had a question so for
8 HPD. Hi, David. You doing alright today?

9 DEPUTY COMMISSIONER QUART: I'm doing
10 great, Councilman.

11 COUNCIL MEMBER RICHARDS: Alrighty, good.
12 So I wanted to hear a little bit more about your
13 conversation. I know you sort of spoke on that a
14 little bit. So how are conversations going with HUD
15 right now? Are there any conversations with them?

16 DEPUTY COMMISSIONER QUART: Well,
17 specifically on the DASP program, and Christie spoke
18 to it briefly earlier, yeah, we were in terms of
19 driven a next round of this, we were really--really
20 looking to jump in. Are you asking specifically just
21 so I know?

22 COUNCIL MEMBER RICHARDS: Yeah, so like
23 are you--

24 DEPUTY COMMISSIONER QUART: [interposing]
25 Okay.

1
2 COUNCIL MEMBER RICHARDS: --like I know
3 there's a new administration or is HPD having real
4 conversations with them yet or are they still sort of
5 in the transition stage?

6 DEPUTY COMMISSIONER QUART: So we're--
7 well, first of all, I'll just say on the--on the--on
8 this program in particular, you know, we are engaging
9 with them. As Ismene said, there are a couple of
10 folks who are--who remain, and part of them we
11 understand will remain there that we've worked with
12 them with programs who have been encouraging their--
13 that accountability there and we're hopeful that we
14 can continue to--to purchase another round of some
15 more--of--of--

16 COUNCIL MEMBER RICHARDS: [interposing]
17 And you're confident--

18 DEPUTY COMMISSIONER QUART: [interposing]
19 Yes.

20 COUNCIL MEMBER RICHARDS: --the new
21 director they have maybe he doesn't know what's going
22 on or--or what. You know, I mean I'm just putting it
23 out there.

24 DEPUTY COMMISSIONER QUART: Right.
25

1
2 COUNCIL MEMBER RICHARDS: I can say it,
3 you can't.

4 DEPUTY COMMISSIONER QUART: Right.

5 COUNCIL MEMBER RICHARDS: So you're
6 pretty confident--

7 DEPUTY COMMISSIONER QUART: [interposing]
8 TPC--

9 COUNCIL MEMBER RICHARDS: --at the end of
10 the day that it's still possible they can sign off
11 on?

12 DEPUTY COMMISSIONER QUART: It's
13 certainly still possible.

14 COUNCIL MEMBER RICHARDS: Okay.

15 DEPUTY COMMISSIONER QUART: Yes, it's
16 certainly still possible. I think everything we've
17 said before about all of us together really, I mean,
18 you know, these--these changes to DASP program and the
19 neighborhood stabilization outcomes were a recent
20 change only 2015. So I think we want to make sure
21 that those text to requirements stay in the DASP
22 program, and then more broadly, you know, we are--we
23 are working with the National Housing Coalition.
24 We're working with local advocates. Our partners, of
25 course, across the city and City Hall and want to be

1
2 joining you as well as our partners at the state to
3 be approaching HUD and DC in general on a host of
4 issues and complaints that, of course, we have that
5 are critical to all of our efforts around supportable
6 housing, foreclosure and beyond. You know,
7 everything related to corporate tax reform,
8 everything related to budgetary concerns. I think as
9 you know, we'll—we'll have a preliminary budget
10 hearing soon from our new Commissioner Torres-
11 Springer will testify, but it will be, you know, it
12 will be many—as you know most of HPD's budget comes
13 from federal—federal government--

14 COUNCIL MEMBER RICHARDS: Uh-huh.

15 DEPUTY COMMISSIONER QUART: --home and
16 CDBG and so obviously that's the concern. You know
17 we feel limited in the number of vouchers that we
18 have and Section 8 vouchers that we have today, and
19 we want to make sure that those are at least
20 continuing, and certainly, you know, we have expanded
21 them and, of course, we want to have a silver lining
22 in—in some way to try to strategize around what we
23 can do to expand that program--

24 COUNCIL MEMBER RICHARDS: Uh-huh.

25

1
2 DEPUTY COMMISSIONER QUART: --is a way,
3 but we're really right now pulling together the
4 strategy to ensure that, you know, to-to just think
5 about how can we--how can we frame everything we need
6 in a way that will resonate within the
7 administration. Housing is infrastructure for
8 example. I think there's--there's lots of ways that
9 we can do that.

10 COUNCIL MEMBER RICHARDS: And you spoke
11 of the--and I know this is one of the key things we
12 got negotiating and using the records and the
13 homeowners help desks. So obviously there are
14 neighborhoods in Queens that have probably been the
15 hardest hit. Are these the hardest hit? These are
16 the hardest in Queens County, but I'm assuming there
17 are neighborhoods in Brooklyn and other places
18 outside of East New York that have been the hardest
19 hit with foreclosures. Has there been any thought of
20 expanding the health--the Homeowner's Help Desk
21 citywide.

22 DEPUTY COMMISSIONER QUART: This is--I
23 mean, you know, we kicked it off here. It came out of
24 the East New York Rezoning and in partnership and--and
25 the great work and help with Council Member Espinal.

1
2 As I said, I-I should make to clarify that it's not
3 the Center that we're working with, but also with
4 MAHNY, with Cypress Hills and-and the partners on-on
5 that effort, and we're committee to-to, you know, at
6 our schools and throughout this year. While it, you
7 know, while we are focused geographically in terms of
8 where we do this in East New York, it's certainly
9 open to other-anyone around the city is certainly
10 welcome to come. I think that this is something that
11 we are committed to right now, and I think we want
12 too see how it goes, but it's certainly a model that
13 I could see as replicating in other neighborhoods.

14 COUNCIL MEMBER RICHARDS: Well, let just
15 put it out there now. So we want to see this model
16 in Southeast Queens, and there enhancements onto our
17 rezoning Far Rockaway the last I checked?

18 DEPUTY COMMISSIONER QUART: Yes, that is.

19 COUNCIL MEMBER RICHARDS: So, and I
20 anticipate more re-zonings in Far-in Rockaway as
21 well. So I'm definitely interested in seeing as you
22 can see the numbers speak for themselves. We don't
23 have to-I don't have to convince you on why there's a
24 huge apparent need between Council Member Miller,
25 Will and myself district on this issue. So we look

1 forward to continued conversations to make sure the
2 Help Desk is available—it's expanded geographically.
3 And then lastly, have you seen a correlation--and I
4 guess this is a question for Christie—a correlation
5 between Sandy damaged homes and the hardest hit areas
6 by Sandy and foreclosure, and have the banks now
7 started to—not they've ever really changed who they
8 were. No offense if there are any banks here, but
9 have they started to revert back to their old ways or
10 lending to people who they know? Not that it's ever
11 completely stopped, but are we seeing that sort of
12 activity picking up with new Administration now
13 employed it?

15 CHRISTIE PEALE: So on the Sandy issue,
16 there are definitely overlaps in the neighborhoods
17 that were hardest hit by predatory lending, the
18 mortgage crisis and then Sandy for sure, and we have
19 that and it goes back to maps that we can show you on
20 that. We—we've been negotiating with a lot of banks
21 around helping homeowners avoid foreclosure on Sandy,
22 and it's challenging. You know, we had some success,
23 but it's very, you know, hand-to-hand combat in a
24 home-by-home trying to help folks if they're trying
25 to relocate or save their home while also paying for

1
2 rental property. The banks are going through their
3 own rebuilding process. So we've been seeing, you
4 know, some incremental success here, but there is
5 still a lot of distress. So we'll--

6 COUNCIL MEMBER RICHARDS: And are
7 modification s still happening, are they--?

8 CHRISTIE PEALE: In the Sandy impacted
9 area?

10 COUNCIL MEMBER RICHARDS: I mean
11 everywhere--

12 CHRISTIE PEALE: [interposing] Oh,

13 COUNCIL MEMBER RICHARDS: --I mean with
14 Sandy--with Sandy as well, you can speak of. So are
15 we seeing modifications in these areas or--?

16 CHRISTIE PEALE: Why don't I get you some
17 specific figures on that so I can get you the--

18 COUNCIL MEMBER RICHARDS: [interposing]
19 Okay.

20 CHRISTIE PEALE: --rates for the city as
21 a whole. I mean the rates--and rates for the people
22 that we're seeing in those Sandy impacted areas. In
23 terms of predatory practices being with you, are you
24 talking about lending?
25

1
2 COUNCIL MEMBER RICHARDS: Predatory
3 lending, uh-huh.

4 CHRISTIE PEALE: So unfortunately what
5 we've seen in the city is that lending is still very
6 restricted in that folks are not getting access to
7 credit. So there is still predatory practices that
8 we see, but that's mostly in the--the realm of deep
9 fast mortgage modification scams--

10 COUNCIL MEMBER RICHARDS: Uh-huh, uh-huh.

11 CHRISTIE PEALE: --trying to basically
12 seize properties from folks that where they see
13 value. As you know, we've discussed that at length
14 at the hearing two years ago, and we continue to
15 feel--our perspective is aggressive predatory
16 practices especially towards senior homeowners and
17 other folks who many not know all their rights and
18 options. But on the lending side, unfortunately we
19 have not seen what we consider to be a fair access to
20 credit for most folks. The average credit score for
21 folks getting a new mortgage is--is--is, you know,
22 close to perfect these days. It's way over 720 and,
23 you know, the--the prices are--are very aggressive for
24 what we consider to be affordable for, you know, for
25 constituents. So, it's--it's--you know, the predatory

1
2 practices we think are more sort of ad hoc access
3 trying to get folks to pay out of pocket for services
4 that they get for free from our network, or people
5 that are trying scam people out of their properties
6 outright.

7 COUNCIL MEMBER RICHARDS: Okay and so my
8 last question, and I think you—you hit it right on
9 the head, you know, with seeing these discriminatory
10 lending practices. It's getting harder for people to
11 obtain homeownership now especially younger families
12 as well. So interested in hearing David. I know
13 we've been working on land trusts. We've introduced
14 some legislation. I believe you have put out RFPI.
15 Where are we at with that now? Do we expect any
16 progress soon on this?

17 DEPUTY COMMISSIONER QUART: So, as you
18 know, Council Member and for—for others we've—we've
19 engaged with a land trust working group and—and
20 indicated—and—and have—have really gotten into the
21 details with a number of different groups who have
22 ideas and models about land trusts around the city.
23 There are number of properties around the city that
24 city owned, which we don't necessarily ask the city
25 to position plans for, and could lead the counties

1
2 for a land trust. We issued an RFP recently, and
3 actually responses—sorry an RFPI, I should say, an
4 RFPI and the responses are due back. It will be
5 February 28th. We had an intro session a couple of
6 weeks ago, which was very well attended, and, you
7 know, the purpose of that is really for us to
8 understand what models individual groups may have in
9 mind for what they launch—have their land trust could
10 be structured, what the value add is, and all of
11 that. I think, you know, our perspective is and all
12 of that. I think, you know, our perspective is being
13 that there still needs to be a—a strong and solid for
14 the long-term not for profit but rather a set of
15 groups that will be owning the land because owning
16 the land—because a land trust in and of itself does
17 not guarantee affordability or permanent
18 affordability. It has to be right model, and do
19 we're really interested in this, and we—that's why we
20 put the RFP out and we're looking forward to getting
21 the responses to understand what type of models we
22 might be able to apply across the city, and then
23 we'll—we will leave it open there, and keep you
24 posted on how that works.

1
2 COUNCIL MEMBER RICHARDS: Well, thank you
3 so much. I want to thank the Chairs for their
4 leadership and just underscore the importance of
5 really taking speculation out of land and creating
6 opportunities for low-income families and middle-
7 income families to really obtain homeownership
8 opportunities and, you know, it's slipping away. I
9 see it slipping away right in my community, Council
10 Member Miller can attest to this. You know, there
11 are a lot of young families, young professionals who
12 are just simply priced out. They can't get a
13 mortgage. Homes are a half million dollars. It's
14 very hard in our neighborhood to obtain these things,
15 and—and we want to make sure we're creating that next
16 generation of wealth, and—and creating opportunities
17 and—and economic mobility in particular for the new
18 generation coming up to it. And as a new homeowner
19 myself, you know, my wife and I and I got a place,
20 but, you know, not everybody on our block—I can't
21 count anyone on my block whose in their 30s with a
22 home. You know, and it's shameful. We got a lot of
23 work to do around that. Thank you so much.

24 CHAIRPERSON GARODNICK: Thank you,
25 Council Member Richards. Council Member Miller.

1

2

COUNCIL MEMBER MILLER: Thank you, Chair.

3

So, this kind of goes back to-to the-the-the

4

Distressed Asset Program, and-and what is the outcome

5

in New York City portfolios. That's likely more?

6

[pause]

7

DEPUTY COMMISSIONER QUART: Just to

8

clarify, Council Member, do you mean in terms of the

9

number of mortgages.

10

COUNCIL MEMBER MILLER: The number of-of-

11

of mortgages, notes held by the federal government

12

and by HUD currently in New York City specifically,

13

[off mic] not in New York annually.(sic)

14

DEPUTY COMMISSIONER QUART: I don't think

15

we have actually that.

16

ASSISTANT COMMISSIONER DARGA: I don't

17

think we have the exact number, but I can tell you

18

that we were looking at an acquisition in the fall--

19

COUNCIL MEMBER MILLER: [interposing] Uh-

20

huh.

21

ASSISTANT COMMISSIONER DARGA: --and at

22

that point in time there were 140 something notes in

23

the city that they had available. So I don't know if

24

that was just that pool--

25

1

2

COUNCIL MEMBER MILLER: [interposing]

3

That pool?

4

ASSISTANT COMMISSIONER DARGA: --or it

5

had other lines as well, but that was what was

6

available as of the fall.

7

COUNCIL MEMBER MILLER: Okay, so-so I-I

8

may have some indirect number on a--on a much higher

9

number, but I-I'll leave that--that--so--so--

10

ASSISTANT COMMISSIONER DARGA:

11

[interposing] Yes and just--and to clarify--

12

COUNCIL MEMBER MILLER: [interposing]

13

Yes.

14

ASSISTANT COMMISSIONER DARGA: --that

15

does not include potentially Fannie Mae or Freddie

16

Mac or other--those other insurance--

17

COUNCIL MEMBER MILLER: [interposing]

18

Right.

19

ASSISTANT COMMISSIONER DARGA: --programs.

20

COUNCIL MEMBER MILLER: So, is--is--when

21

would be the next auction for this--these properties?

22

Do you know?

23

DEPUTY COMMISSIONER QUART: So we don't

24

know at this point. So, as Kim said, we--there was a--

25

an auction in mid-September or bidding a bid that

1
2 opened in mid-September specifically a pool that was
3 set aside for municipalities and the not-for-profits
4 that we did bid on, and these earlier were not able
5 to—would not bid because the federal government set
6 basically—there was a price—a price for—that you must
7 meet in order to—to be able to acquire it. We didn't
8 meet that bid or that floor and so we did, though,
9 subsequent to that process engage with FHA on—on
10 another similar to what we did with these 24 notes
11 process on direct sale. Currently, FHA has indicated
12 due to current litigation that had nothing to do with
13 the city, but we engaged in what's ongoing now, but
14 they're halting work progressing on the vast program
15 and so until—and, you know, we should evacuate that
16 timeliness. But—so until that litigation either gets
17 to a certain point or is resolved, the city has
18 indicated that they're not going to be able to move
19 forward DASP program whether it be with
20 municipalities and not for profits and certainly not
21 on the—on the highest bidder private market—market
22 sale. So, and that's why—so it's—it's uncertain, and
23 we are staying in close contact with them, and that's
24 why as some of us said earlier we—you know, we are
25 trying to explore other avenues like talking to

1
2 Fannies, talking to Freddie Mac about other pools
3 that could potentially be available that would be
4 appropriate for neighborhood stabilization outcomes,
5 and as we learn about those pools we will engage and
6 analyze and see if there are pools that would be-
7 would make sense to CRF and-and our meeting our goal-
8 -

9 COUNCIL MEMBER MILLER: [interposing] So
10 this-

11 DEPUTY COMMISSIONER QUART: --as we step
12 forward.

13 COUNCIL MEMBER MILLER: --as-as a matter
14 of clarification here, the-the HUD pool including
15 those who would be-that would go through the normal
16 auction process, all of that is temporarily shut down
17 because of litigation?

18 DEPUTY COMMISSIONER QUART: I believe
19 that the-and movement would be going through the DASP
20 program is shut down. I'm actually unclear whether
21 all bids across the board DASP or not are-are being-
22 are suspended, but my understanding-I mean my
23 conversations with them and our conversations have
24 been in the context DASP, and so in terms of DASP.
25

1
2 COUNCIL MEMBER MILLER: So the last
3 auction I know that you were unsuccessful. So to
4 your knowledge that is the last auction at all?

5 DEPUTY COMMISSIONER QUART: Yes.

6 COUNCIL MEMBER MILLER: Okay, and-and-and
7 what again was different from that process that was-
8 could you explain the difference between the set-
9 asides and-and the actual competitive bids?

10 DEPUTY COMMISSIONER QUART: Yes, so-so
11 when we engaged with FHA a year and a half ago, to
12 purchase the 24 notes, we engaged with them in what
13 was called a direct sale process where basically they
14 set aside notes. We put in a business plan and a bid
15 or, you know, we-we-we let them know how much we were
16 willing to--

17 COUNCIL MEMBER MILLER: [interposing] Uh-
18 huh.

19 DEPUTY COMMISSIONER QUART: --pay and
20 then basically they come back and they set aside. So
21 this is the same road as Council Member. It's not
22 really negotiation in the sense that OMB and I think
23 they come back, and as they--this is the question.
24 It's me, and if we can get the price--if we're able to
25 get to a price that they can, you know, tell for a

1
2 purchasing the note, it's called a direct sale. It's--
3 it's just us, but with that chain (sic) working
4 directly a sale purchase and moving to a closing as
5 opposed to what they then did in September, which was
6 a--a--still a bidding process, but a pool of notes that
7 were set aside where only local municipalities and/or
8 not-for-profits could get. So, there were--there
9 were--there were many pools that were bid out in mid-
10 September, but some of those pools were open to
11 anyone, private banks or investors, but this pool was
12 only open to--

13 COUNCIL MEMBER MILLER: [interposing]
14 Right.

15 DEPUTY COMMISSIONER QUART: --to
16 municipalities.

17 COUNCIL MEMBER MILLER: So--so that's--
18 that's a big segue to--to the next person as--so--so
19 what we were trying to get at is whether or not
20 private equity hedge funds continued to have access
21 to the--to this pool. Whereas, we no longer have
22 access to the pool. Is--is--is that accurate?

23 ASSISTANT COMMISSIONER DARGA: It's
24 unfortunate, but it's very accurate. So I mean there
25 were several pools of thousands of notes, you know,

1
2 and that's kind of what I was trying to testify to.
3 Also, though at the same time, and again, from and
4 advocate position, it feels very disingenuous, right
5 because, you know, we bought and they made the NSO
6 pools and they made them smaller so we could--and they
7 made them geographically. But at the same time, that
8 they have those pools, they didn't stop putting these
9 larger pools together that are for the big boys
10 basically, right, and so--so they have these like
11 little pools that we're all supposed to, you know,
12 play with, and then these big pools. So they didn't--
13 so they--so they--so--so--so 140 here, a thousand over
14 here. You know, it--it--

15 COUNCIL MEMBER MILLER: [interposing]
16 Right.

17 ASSISTANT COMMISSIONER DARGA: --simply
18 was we are tossed and you're unfortunately very
19 correct.

20 COUNCIL MEMBER MILLER: So, I--I did kind
21 of indirectly have a contact with--with--with sort of
22 the--the New York Delegation, and there were about
23 1,500 notes that they were very much interested in--in
24 moving before the transition took place, which
25 actually would--would hurt us because we--the same way

1
2 just as a process and--and in order to put that type
3 of fares together, we essentially more than the fees
4 that we had, and--and that those who have
5 traditionally dominated the market, i.e., the hedge
6 funds and private equity they would be prepared to do
7 that, and--and I think it is--it is a self-fulfilling
8 prophecy to see what we have seen. So with that
9 being said, could we ask--could we talk about the
10 families and I--I know you kind of identified
11 locations and--and I think that's great. Obviously
12 just based on the response and some of the numbers
13 that there has been a positive reaction to them
14 having access. So we could say then what the
15 alternatives were. Are they familiar with the
16 program, the partners, the Council and they just fall
17 out of the sky on us.

18 ASSISTANT COMMISSIONER DARGA: I would--I
19 would probably have to say it fell out of the sky on
20 us. You know, but we've worked very, very hard, and
21 look, they are very and Cecilia Fares (sic) is
22 laughing. I mean we laugh because, you know, we
23 would cry. I mean they--these are folks--we didn't
24 know anything, right, about them. We weren't allowed
25

1
2 to--this is a no contact prior to the note systems
3 right?

4 COUNCIL MEMBER MILLER: Right.

5 ISMENE SPELIOTIS: So and then just so
6 you know, and then there is a whole rest of
7 requirements that the service contacts first. Okay.

8 COUNCIL MEMBER MILLER: Right.

9 ISMENE SPELIOTIS: So, there's a 60-day
10 period, a 30-day and then a second period where we're
11 not allowed to reach out to the homeowner until the
12 servicer has reached out to them. So all they know
13 when they're notes are sold is oh, here it goes
14 again. Like it just gets sold again. They have no
15 idea that that sale will--like--we're the good guys
16 coming, okay.

17 COUNCIL MEMBER MILLER: So--so after--once--
18 once--the--the--the waiting period and the contact is
19 finally made, because I know, I--I--I felt the same way
20 and--and--and the members here particularly Council
21 Member Richards and Wills we would have the
22 conversations about homes that were in our
23 communities and--and what we had done for it, and
24 collectively, you know, to--to--to make this
25 opportunity possible that--so I, you know, I--I wanted

1
2 to-to know whether or not you're right, whether it's-
3 whether it's just someone, a situation where my note
4 has been sold again and here we go again, and when
5 you got in there, were we able to articular that no
6 this was real collective--

7 ISMENE SPELIOTIS: DARGA: [interposing]

8 Yes.

9 COUNCIL MEMBER MILLER: --opportunity
10 that has presented itself.

11 ISMENE SPELIOTIS: Yes.

12 DEPUTY COMMISSIONER QUART: And I-I think
13 there are two tracks in terms of how we approach
14 this. There is sort of the official sort of it means
15 sort of said in the respite side (sic) that there is
16 a servicer that has been appointed that basically is
17 the one that's supposed to be processor and the
18 administrator of these things--

19 COUNCIL MEMBER MILLER: Uh-huh.

20 DEPUTY COMMISSIONER QUART: --but then
21 there's also the-the hand holding and the door
22 knocking and sort of the individual contact the one-
23 on-one, which is provided by Ismene and those
24 Neighborhood organizations. So Ismene's
25 organizations of those 24, is-has actually knocked on

1
2 the doors of people trying to find right contact with
3 people, and trying to determine who is living in
4 those homes, what the circumstances are and is Ismene
5 said, Cecilia basically sits down with them, goes
6 over all their information and then makes a
7 recommendation on what the status of their financial
8 situation is, and what they—you know, whether or not
9 there is an avenue for a formal offer there.

10 COUNCIL MEMBER MILLER: So—so I know that
11 part of that--

12 DEPUTY COMMISSIONER QUART: Right.

13 COUNCIL MEMBER MILLER: --it just in-
14 inherits skepticism.

15 DEPUTY COMMISSIONER QUART: Yes.

16 COUNCIL MEMBER MILLER: That—that
17 absolutely has to exist because you cannot walk out
18 of your door with the—I mean you walk out and they-
19 and they take five pieces of paper out, and when you
20 come back from the grocery store, and there's five
21 more there and there's people on the phone and
22 there's people circling the block.

23 DEPUTY COMMISSIONER QUART: Well, the
24 people—the people.

1
2 COUNCIL MEMBER MILLER: --you-I'm-I'm-
3 we're low-hanging fruit. So there has to be the
4 skepticism and-and cynicism about who these folks
5 are.

6 ISMENE SPELIOTIS: So the five that are
7 in the-that have-that currently have modifications,
8 Councilman, got right on the bandwagon. They were
9 like basically out of-let's go, but they also-these
10 folks were, you know, had like three forms years out.
11 They had tried and tried and tried. If-if there is
12 huge cynicism and trepidation, okay, like for years
13 what's MHANY, what's the NYC-I mean well, who-who
14 would argue, okay? Absolutely and it's by us? They
15 all have funny names. So like it's one more funny
16 name with a flower and, you know, letter knocking at
17 my door. But one of our better qualities is
18 perseverance and so, we didn't give up and we
19 continued to call even like those two unresponsive,
20 we're not giving up, right? So we've been out to
21 their houses several times. We've mailed, I think,
22 nine. These are nine contacts between mail or phone
23 or door knocking and we-our requirement is ten but we
24 will exceed that. Anyone who knows how we work we
25

1
2 will well exceed that number. We've had people go
3 from absolutely no to yes--

4 COUNCIL MEMBER MILLER: [interposing] Uh-
5 huh.

6 ISMENE SPELIOTIS: --which is a proud
7 moment.

8 COUNCIL MEMBER MILLER: Wow.

9 ISMENE SPELIOTIS: We've had people where
10 I personally was in the Bronx and dropped off the
11 package because they refused to answer, and like the
12 light was on, and then the light turned off, and I'm
13 like right, you know, this is night time, too. So
14 whatever. And so I-I'm like trying to figure out
15 where to put the package, you know, and then--and--and
16 the person comes to the door, and I'm like are you
17 the homeowner? No. You know, and then blah-blah-
18 blah, whatever, and then two months later it would be
19 time and the person calls, and we're working with
20 him. So again we actually I think we're--we're not
21 going to give up on these homeowners, you know, and
22 so that's why not having more is--is frustrating to
23 you, and it's really frustrating to us because we
24 actually know we can make a difference, and so kind
25 of to--to Council Member Williams and--and your, you

1
2 know, like what-what-what do we need to do to-to get,
3 you know, to get our government to give us more.

4 COUNCIL MEMBER MILLER: So you guys have
5 been tremendous partners in this whole foreclosure
6 crisis. Homeowners, the affordable homeowners that
7 also as the Council Member mentioned first time
8 homebuyers and-and affordable homeowners-homeowner
9 opportunities, but our next generation of homeowners
10 is really important and-and let me just finish with
11 Council Member Williams asked about some of the
12 opportunities and some of the other government
13 entities involved in-in-involved and from the state
14 level and I you talked about some of the state
15 funding that has expired. Was that state funding
16 directly associated with-with a bank settlement or-or
17 the state actually state dollars is budgeted?

18 ASSISTANT COMMISSIONER DARGA: The
19 funding that is due to expire this fiscal year as a
20 direct result of the National Mortgage Government,
21 what we are asking is that the governor do funding in
22 the Senate, put money in the ongoing budget that
23 could be sourced by a lot of the cash payments that
24 have been paid to New York State General Funds but,
25 you know, there could be other sources of funding.

1
2 We think it's a great investment for the state to
3 make out of its-[laughs]-out of its funding on that.

4 COUNCIL MEMBER MILLER: So maybe you, and
5 someone on the panel will know specifically where
6 those dollars were spent in terms of the-the bank
7 settlement money, where were they spent specifically
8 in targeting audience areas where communities that
9 been most impacted or specifically around the area of
10 foreclosure or housing or had they just in person to
11 the General Fund.

12 ASSISTANT COMMISSIONER DARGA: There are
13 several pots of money. The-the money that went for
14 it just included a prevention (sic) program
15 administered through the New Yorkers State Attorney
16 General's Office, the Homeowner's Reduction Program
17 went specifically-those services for homeowners at
18 risk of losing their homes in the neighborhoods
19 hardest to practical (sic) across the state. So that
20 was \$100 million. \$60 million of that \$100 million
21 came from the National Resettlement and \$40 million
22 of that came from the Chase Standalone Settlement.
23 Subsequent to-to those settlement there have been the
24 Bank of America settlement, the Citi Bank settlement,
25 the Goldman Sachs settlement and Morgan Stanley. As

1
2 to what was said today, I don't know—I don't have a
3 lot of details on the bank—the bank settlements, but
4 those other settlements all had payments that went
5 directly to New York State to their demo files (sic).

6 COUNCIL MEMBER MILLER: Thank you so much
7 to the panel. Thank you for your work with folks
8 continuing to—to partner which is absolutely amazing
9 work on behalf of homeowners and—and throughout the
10 City of New York and we hope folks can look at that.
11 Thank you, Mr. Chair and Mr. Chair.

12 CHAIRPERSON GARODNICK: Alright, thank
13 you, Council Member Miller. Let me just wrap with a
14 few more questions and the we're going to go to our
15 next panel after my Co-Chair actually wraps it up
16 here. So, SM Servicing and MHANY and actually 22 of
17 the 24, what happened to the other two?

18 ISMENE SPELIOTIS: They're not—they're
19 not responding. I mean we—we really have been out to
20 their homes. We sent several—we have phone numbers
21 for them. We have addresses for them, but it's just
22 getting there and on budget.

23 CHAIRPERSON GARODNICK: And they're—you
24 know that they're there.

1
2 ISMENE SPELIOTIS: They're occupying the-
3 the houses. Yeah, their homes are occupied. We
4 don't know if they're occupied by the owner, but, you
5 know, because we have not been able to communicate.
6 It's very sad, but we'll keep trying. [background
7 comments] [pause]

8 CHAIRPERSON GARODNICK: Okay, but the
9 initial counseling, you go to initial counseling for
10 13 of the 22. What does that process look like? I
11 mean it seems like I-I don't-I don't really have a
12 sense of how much time that takes and, you know,
13 what's inhibiting our ability to do all of them.

14 ISMENE SPELIOTIS: Sure. So when we-when
15 we reach out and like I said the package I dropped
16 off at that home and what we send by mail is a cover
17 letter that introduces the partners and the program
18 and then actually bids-it's an application that is I
19 would argue a little bit of turn off. You know, it's
20 a lot of pages, but it clearly says-it clearly says
21 that, you know, it's a lot of paper and you should
22 call us and we'll work with you. So what happens in
23 there is our actual typical foreclosure package,
24 which is, you know, your name. You know, all your
25 stuff and then what documents we need so that we can

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2 actually put your profile together so we can actually
3 figure out your income situation, your-your-your
4 employment situation, you know, just your active
5 situation so we could remit the recommendation to the
6 committee about what makes sense in terms of a long-
7 term plan. So what we end up trying to announce
8 themselves to make friendly bid. They come face to
9 face, we've gone to their homes, they fax it, they
10 scanned it, they, you know, any which way we're, you
11 know, happy to accommodate them. We go to them, they
12 come to us, we do it by mail any which way to get
13 that information in as quickly as possible. What
14 we've developed with the center and with PCN and-and
15 our partners is a waterfall. So what happens is we
16 are-in order to really have a long-term outcome we
17 have to make sure that the modification isn't so [off
18 mic][pause]

19 CHAIRPERSON GARODNICK: Go head.

20 ISMENE SPELIOTIS: That the modification
21 isn't so lucrative when you pose it, right. You know,
22 what's interesting about our roles here, we have to
23 wear two hats. Right, on the one hand, we're
24 representing the-the program and we want the program
25 to replenish itself, and be available for another

1
2 day. At the other—on the other hand, we're wearing
3 our loan counselor hat, which is advocating for the
4 homeowner to get the best mortgage and keep them in
5 their home. And so, you know, normally we're just
6 fighting the banks to get the best project. We know
7 what we get. Okay, in this case, we—we-we, yes,
8 we're advocates because wearing like these two—these
9 two hats, and so—so when we—so it came up with an
10 objective waterfall to see what type of modification
11 would be needed that wouldn't break the program's
12 bank, would put the person on stable ground that
13 would allow them to refinance, you know, in a year or
14 so, and out so we would get replenished and they
15 would be long-term 30-year stable homeowners.

16 CHAIRPERSON GARODNICK: When—when these
17 folks see that packet, and presumably there's already
18 an—and unpleasant experience with a bank, are—are
19 they skeptical? Are they appropriately skeptical? I
20 mean I would be. I mean they—they shouldn't be here,
21 obviously, but--

22 ISMENE SPELIOTIS: [interposing] Yes.

23 CHAIRPERSON GARODNICK: --I would be
24 skeptical if somebody shows up and they say, hey, I'm
25 here to fix your problems and, you know, just read

1 through these 7,000 pages of introductory materials
2 in there.
3

4 ISMENE SPELIOTIS: I know, it's—you know,
5 it's—it's pretty—and again and again I can't—I cannot
6 tell you. I mean Cecilia and the MHANY staff are
7 extremely empathetic and I don't know, I think just
8 like you hear us when we make our presentation and
9 you've taken at least, like I mentioned, two years
10 ago and you've continued to support us. The
11 homeowners are actually desperate for help, and they
12 have been really, really mistreated by the system.
13 These are folks who are—had Bank of America
14 mortgages for example where they had presented the
15 documents a million times, and so—and—and got
16 nowhere. So the fact that we understand that, the
17 fact that we are trying to minimize their pain, you
18 know, there's a whole list of like 20 documents that
19 we really could use in the file, but we start and we
20 start the conversation even if they only give us
21 five, okay, even though ultimately the servicer and
22 everyone are going to want everyone of those pages.
23 But you need to really like build a little bit of
24 trust here, and so—so we have this ability to kind of
25 really dive in, roll our sleeves us and build a

1
2 trusting relationship because we just won't go away,
3 and they really are desperate for someone to help
4 them, and that's—that's what you need to change, not
5 just the initial eager recipient, but actually down
6 the road when we kept calling, people realized we're
7 not going away. We weren't kidding. We really
8 weren't there to help them.

9 CHAIRPERSON GARODNICK: Okay, the last
10 couple of questions that I have are just to backtrack
11 on some of our earlier conversations here. In terms
12 of knowing what's left over for future not purchases,
13 what—when—when do we know the answer to that
14 question—lesson. (sic)

15 SALVATORE D'AVOLA: I don't know if we
16 ever can fully get a confidence and grasp on—grasp on
17 exactly the full universe, but that's I think why
18 we're now starting to pursue this on multiple fronts.
19 As I said before, I mean, we—we're hopeful that we
20 can serve to unlock the DASP program with the—with
21 the NSO outcomes, but, you know, reaching out to
22 Fannie and reaching out to Freddie, I don't—I mean I
23 don't believe and I'm looking at my partner. She just
24 made up here today and like one company's database
25 does not necessarily tells us in any given period of

1
2 time exactly I mean what notes are out there, and
3 that was a big--there's public information out there
4 about the status and there is mortgages, and real
5 estate market in terms of which notes could be
6 available to sell and which could be available to us.

7 ISMENE SPELIOTIS: I-I--think he--I think
8 that the--I think the--the Councilman is asking how
9 will we know like what will be get paid back. (sic)
10 So--so basically--

11 SALVATORE D'AVOLA: That's better.

12 ISMENE SPELIOTIS: So basically so I
13 think---so let's take the five we've--we've submitted.
14 There's a real number in there okay, and what that
15 number is and what that--what we've done and I'm
16 really to go into this. You know, there's a real
17 waterfall, a real interest rate and the mod is set up
18 in a way--the modification is set up in a way that
19 prepares that person for the 30-year mortgage in a
20 year. Okay, and so--so what happens is we--we
21 underwrite the modification in a way which would be
22 exactly what we submit to Bank X okay in 12 months
23 and say please provide this person with a new
24 mortgage, and then we will--and so let's say that
25 mortgage is at--that principal write-down that is to a

1 mortgage of \$250,000. Okay, but what that means is
2 that we will—we will be recouping okay, the \$250,000,
3 you know, mortgage number that we put in there plus
4 some of the fees like you're saying that, you know,
5 the building our cushion, but we paid X for that
6 note, right. So next to that note is stable (sic) 1
7 one Springfield Gardens, right. We paid \$200,000 for
8 it, okay. The value was three, you know, so we paid
9 \$200,000 the value of the note was \$300,000. We
10 underwrote the modification at \$250. Okay. So
11 bought it \$200. We're going to get back \$250 plus
12 some, okay. So we will replenish the fund by let's
13 call, you know, \$275 or whatever, okay. So let's
14 \$275. So that house is going to increase the fund to
15 \$257. I can kind of tell you for the five houses
16 what we anticipate. I can tell you for the other six
17 houses that are like getting ready to go to committee
18 what that is, and then the ones we don't know the
19 other that's like 11 to the other or whatever, 13
20 homes that we don't have all of the details on.
21 Harder to tell, but literally, you know, we've bought
22 them home by home. They're a wonderful home by home
23 and that water all, that number we're giving the mod
24 is what we anticipate to get back. Okay, and so then
25

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2 we can-and then all of those numbers will add up
3 hopefully whether it's in 12 months or it's in 18
4 months or whatever, and there will contacts that just
5 do not-the two that never answer, right. They-we may
6 have to start foreclosure on those. Okay, now when
7 we start foreclosure they may wake up, okay, and
8 they'll come running for help. That's hopeful.
9 That's not and we will take them down the very
10 unfortunate path of foreclosure. When we do that, we
11 will have to-we will try very hard not to get to
12 foreclosure. One, is if we get to foreclosure and
13 MHANY has personal experience with this, someone will
14 probably outbid us for an astronomical number and so
15 we will be replenish this time a repo. Okay, we
16 don't want that because that will not meet the
17 affordable healthy outcome that we've promised.
18 Okay. So what we do during that time is really try
19 to get that person whether it's, you know, if they're
20 responding today maybe the foreclosure notice in a
21 year wakes them up, you know, tickles them or
22 something and the we will talk about a deed in lieu.
23 Right, so we would like anything but going to
24 foreclosure with these folks because foreclosure is
25 really a crap shoot because we are-it's an auction,

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2 right. And so you don't know that you might win and
3 so you get replenished by NYSAC (sic). That actually
4 is the bottom feeder model out there, you know, by
5 low go to foreclosure, get your money back. We're
6 not actually in that business, but if we were to get
7 down there, we—I could tell you we would make money.

8 CHAIRPERSON GARODNICK: Right you'd have
9 the most—you--

10 ISMENE SPELIOTIS: [interposing] But I
11 don't do that.

12 CHAIRPERSON GARODNICK: --it's not the
13 goal here but you've got more money--

14 ISMENE SPELIOTIS: [interposing] That's
15 federal money, right.

16 CHAIRPERSON GARODNICK: --for a program,
17 but that obviously is inconsistent--

18 ISMENE SPELIOTIS: [interposing] Exactly.

19 CHAIRPERSON GARODNICK: --with what we're
20 trying to do. Okay. The last question for me, the
21 FHA note sales especially being halted you noted in
22 your testimony that the FHA was closing—closing the
23 program I think you said, if I heard you right. You
24 said—may—maybe I misheard you, but why don't you tell
25

1
2 us what the story is with FHA and the current status
3 of this program?

4 CHRISTIE PEALE: So I don't have—I might
5 defer to David. He's been in direct Communications
6 throughout the day, but what we note from the public
7 record is that they haven't done any other sales
8 since September.

9 CHAIRPERSON GARODNICK: Oh, it's just
10 close—so closing programs in the department. Nothing
11 else has happened.

12 CHRISTIE PEALE: And—and just so we—we
13 bid on the sale and September. There was another
14 government in September neither of which price is
15 accepted, and on the FHA webpage you can see that
16 those are recorded as no sale. So, you know, I—I
17 don't know what happens to those notes, but that's
18 why we're anxious to continue the conversation.

19 DEPUTY COMMISSIONER QUART: And what—I'll
20 just add yeah, they—they have—I guess I would in my
21 conversations with—with folks at FHA they had—they
22 were saying they're—they're halting and they're
23 suspending further activity in light of the under-of
24 the current litigation, and so until that litigation
25 is either resolved or gets to a point HUD counsel

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2 feels comfortable going forward with—with the DASP
3 program or the DASP program in working municipalities
4 and others, just to—I think I've stated it for the
5 record, if you be in the city or not, at all is party
6 to the city agency whatsoever. It is a—it is a—it is
7 a lawsuit that is by part in the DASP program, but
8 because of this litigation, HUD has decided they will
9 suspend all DASP activity. So, we're—we're in
10 abatement—we're in a waiting game.

11 CHAIRPERSON GARODNICK: Okay. So, as a
12 result of this outstanding litigation, which I—I
13 think we're probably going to hear about in a moment—

14 DEPUTY COMMISSIONER QUART: Uh-huh.

15 CHAIRPERSON GARODNICK: --the--that's the
16 rationale for not having pursued further note sales.
17 Is that--?

18 DEPUTY COMMISSIONER QUART: Yes.

19 ASSISTANT COMMISSIONER DARGA: That's
20 correct.

21 DEPUTY COMMISSIONER QUART: That's
22 correct.

23 CHAIRPERSON GARODNICK: HUD's rationale?

24 DEPUTY COMMISSIONER QUART: That's their
25 rationale for not—right, because they said we had

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2 sort of back in September was not successful. We had
3 been—we immediately turned in 203 to take some folks
4 out of those lines, and started direct the direct
5 sales process, and we actually began that process,
6 and we were moving forward. I think that the city's
7 a pretty fast, but certainly no activity.(sic) And—
8 and so, but then—but then HUD turned around and said
9 because of this litigation we've—we've got to halt
10 and we hope that we can, you know, move forward at
11 some point in the future, but it's unclear exactly
12 what—what that state will be.

13 CHAIRPERSON GARODNICK: Okay, I got it.
14 Thank you. Council Member Williams.

15 CHAIRPERSON WILLIAMS: Thank you. I just
16 had one question. You mentioned possibly discussing
17 getting the DOJ involved. What about the State's
18 Attorney General? Would this be someone that could
19 look into some of the things that are going on today
20 in the courts.

21 ASSISTANT COMMISSIONER DARGA: [off mic]
22 I'll definitely follow up ED (sic) to fin out, and
23 I'll speak with an attorney. (sic)

24 CHAIRPERSON WILLIAMS: You got a comment?
25 You reached for the microphone.

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CHRISTIE PEALE: No.

CHAIRPERSON WILLIAMS: Okay, okay, thank
you.

CHAIRPERSON GARODNICK: Okay. Well thank
you all very much. We appreciate your time and your
testimony and everything you're doing here and we
look forward to working with you, and trying to
continue to activate with this very important
program. So thank you.

DEPUTY COMMISSIONER QUART: Thank you
everyone.

ASSISTANT COMMISSIONER DARGA: It is
important.

CHAIRPERSON GARODNICK: Okay, next we're
going to call a panel, and it is our last panel. If
you're here and interested in testify, now is your
opportunity to fill out one of these slips with
sergeant-at-arms. Christopher Fasano from MFY Legal
Services; Gordon James with Cecelia Joseph; Marlene
Mashalock (sp?), Yolanda Nicholson and Alice
Nicholson. [pause]

CHAIRPERSON WILLIAMS: So I am just going
to put on the record the amazing attorneys and the
folks on the panel, and I want to say one in

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2 particular, Alice Nicholson who happens to be the
3 attorney on my case, and as my attorney he has a
4 rambunctious team. I want to put that on the record.

5 CHAIRPERSON GARODNICK: I don't believe
6 you're rambunctious as he made you appear. Okay,
7 thank you. We'll--I don't know how-how to get
8 started here. You want to start? Okay, go ahead.

9 CHRISTOPHER FASANO: Good afternoon. My
10 name is Christopher Fasano, and I'm a staff attorney
11 in a foreclosure prevention project at MFY Legal
12 Services. MFY is a non-profit legal service provider
13 that serves 20,000 New Yorkers each year. We would
14 like to thank the Council for examining the city's
15 efforts to revitalize the foreclosure plagued
16 neighborhoods by purchasing FHA insured mortgages
17 through the Community Restoration Program. In the
18 summer of 2016, MFY filed a federal class action
19 lawsuit on behalf African-American homeowners whose-
20 whose loans were sold or may be sold through HUD's
21 Note Sale Program. The policy (sic) shows that in
22 disproportionate numbers African-American
23 communities, specifically those shown on this map,
24 which is also on page 6 of our written testimony, are
25 being preyed upon by private equity purchasers who

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2 offer unaffordable loan modifications that will
3 almost certainly it's an afterthought. (sic) HUD
4 enables this predatory behavior by failing to provide
5 homeowners any notice before the note sales to give
6 homeowners a chance to explain why their loans should
7 not be approved in auction. Some of our plaintiffs
8 are still being reviewed for FHA modifications when
9 their loans were sold in violation of HUD Guidelines.
10 After HUD auctioned off the loans to the highest
11 bidder at a discount of 40 to 60%, the private equity
12 purchasers offer five-year person remodifications to
13 homeowners if they offer any modifications at all.
14 To the plaintiffs in our class action, this will
15 cause their mortgage payments to spike by \$600 to
16 \$1,500 in five years, and when these homeowners
17 default, another wave of foreclosures within the
18 African-American neighborhoods shown on the map.
19 Though African-Americans account for 36% of New York
20 City homeowners who obtained an FHA mortgage between
21 2012 and 2014, more than 61% of all New York City
22 mortgages sold in the new sale program for the same
23 time period were for home located in these
24 predominantly African-American neighborhoods. In its
25 design the Note Sale Program could enable purchasers

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2 with distressed assets to purchase—to pass some of
3 the discount onto borrowers while still making a
4 profit for modification. In execution, the program
5 has been a giveaway to private equity firms.
6 Purchasers like Loan Star mentally refused to forgive
7 any principal, thereby topping (sic), but those
8 modified loans in term that are even worse than
9 that's required by HUD Guidelines. When
10 municipalities and non-profits do not purchase the
11 notes. Individual homeowner area almost invariably
12 worse off after a note sale, and yet municipalities
13 and non-profits are at a disadvantage when competing
14 against private equity in these note sale auctions.
15 HUD makes the pools more attractive to for-profit
16 purchasers by including the auction homeowners with
17 steady income who should have received FHA
18 modifications, and these loans should never have been
19 sold. And when HUD neglects to enforce its own
20 guidance after the sale, which requires the note sale
21 purchasers to offer affordable modification products,
22 it similarly disadvantages municipalities and non-
23 profits that abide by those rules. This makes the
24 defunding for non-profits and municipal purchasers,
25 such as the Community Restoration Program, even more

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2 important. MFY commends the Council for this vital
3 measure, which supports sustainable neighborhoods in
4 New York City and reverses the adverse effects of the
5 Note Sale Program in African-American communities. In
6 addition to this critical funding, the Council could
7 take other measures. This includes demanding the New
8 York City Public Pension Fund divests to Loan Star.
9 Currently, the market value of these investments
10 total approximately \$462 million with an additional
11 \$139 million in capital commitments in 2016. New
12 Yorkers should not be made to fund practices that
13 jeopardize the homeownership. The Council can also
14 pressure HUD to increase its sales to non-profits and
15 give notice to homeowners before their notes are
16 sold, and it can also ask New York's Congressional
17 Delegation to urge HUD's Office of the Inspector
18 General to conduct an investigation into HUD's Note
19 Sale Program. MFY is committed to working the City
20 Council to better protect homeowners and preserve
21 long-term homeownership in New York City. We would
22 like to thank the Council for hold today's hearing,
23 and speak to the important thing. Thank you.

24 YOLANDE NICHOLSON: Good afternoon. My
25 name is Yolande Nicholson. I'm President of the New

1
2 York State Foreclosure Defense Bar. I'm also a
3 private practice attorney in the area of foreclosure
4 defense and foreclosure prevention. The New York
5 Foreclosure Defense Bar is an organization and
6 association of private attorneys that have worked
7 closely and collaboratively with the non-profit legal
8 service providers, housing counselors, our
9 legislative leaders and the court. We want to thank
10 the committee today for holding this hearing, and
11 also especially to acknowledge the work that
12 Councilman and Committee Chair Jumaane Williams has
13 been in-in his community around this, and the other
14 members on the panel. America is in the midst of one
15 of the largest periods of loss and transferring of
16 middle-class wealth in the history of the country.
17 The implications are far reaching for America and in
18 particular African-American families and communities
19 in Brooklyn, New York. For families of color
20 nationwide, including Latino-Americans and immigrant
21 communities, the loss of wealth is devastating.
22 These communities are left holding the bag, getting
23 the blame and living with the shame resulting from
24 Wall Street bad mortgages. As you may recall, there
25 were discussions about people not being able to

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2 afford the loans, and they were blamed for the
3 mortgage crisis. In our experience, we deal with
4 working families, civil servants, city workers who
5 have—who either lost their jobs or lost their
6 overtime or lost a tenant and fell into foreclosure.
7 Neighborhoods of color once redlined and labeled
8 undesirable for—I’m—I’m very uncomfortable saying
9 these words but they’re American words for White
10 people—are now sought after to move people of color
11 or Black people out or brown people. The fervor to
12 gentrify has pushed across the homes and apartments
13 out of the reach for those who have long lived in
14 neighborhood targeted for gentrification. Residents
15 in communities of color historically and continuously
16 experience predatory lending, job loss and racial
17 prejudice from the financial industry. The leading
18 driver of this transference of wealth is the entity
19 that the federal government, in fact, funded to bail
20 out Wall Street firms in late 2008. With billions
21 and billions of dollars in TARP funds handed over by
22 the United States Treasury Department to Fannie Mae
23 to bail out Wall Street investment banks is
24 structured and sold subprime residential mortgage
25 backed securities, Fannie Mae became the primary

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2 owner and decision maker under individual home loans
3 of millions of families. So when we talk about notes
4 and not sales, I'd like to invite the—the committee
5 and the Council to change their languaging because
6 we're not talking about trading stocks and bonds.
7 We're not talking about capital market transactions
8 that happen on a—on an extreme. We're talking about
9 basic mortgage loans where people believe that they
10 had a relationship with a lender that did—that a bind
11 with them to pursue the American Dream. From the
12 vantage point of holding all these billions of loans,
13 Fannie Mae has been involved in what can be called a
14 theft of hope, investment—investment in equity of
15 families of color in Brooklyn, if not across America.
16 For these families instead of approving principal
17 write down from loan modifications, Fannie Mae has
18 been foreclosing on their mortgage loans, and
19 building what is—what is proudly described in 2012 as
20 its strong book of business. With that strong book
21 of business it's pushed the real estate market, it's
22 all across the country, but in particular in
23 Brooklyn. Along with Fannie Mae, the federal
24 agencies, HUD, and FHFA, the very agencies that were
25 supposed to encourage homeownership have gotten into

1
2 these distressed asset sales. We now know that HUD
3 started auctioning distressed loans in 2010, and that
4 these two main agencies, FHFA and HUD began this
5 market. You ask today for some numbers that I'd like
6 to share with you because I think they were critical
7 the numbers that you asked for. You wanted to know
8 if anyone here had any idea of the amount of loans
9 that Fannie Mae has positioned for sales. We think
10 that, if the—the numbers are made public, but we—
11 there are approximately 12,000 foreclosures active in
12 Brooklyn, Kings County. Similar numbers in Queens.
13 In New York State we see an average is the—the State
14 Controller has stated that on average 45 to 48,000
15 new foreclosures come in every year. In those
16 numbers, we can—we can assess based on the
17 information that we have, that for example there are
18 over 600 loans in parts of—in total there are close
19 to 3,000 loans in Brooklyn that Fannie Mae loans. We
20 don't know exactly. I think MFY may have the numbers
21 on the HUD loans. We talk about notes and sales and
22 these are people's lives, and we ask the Council to
23 join us. The New York State Foreclosure Defense Bar
24 has been working with our congressional leaders to
25 bring attention to this, and to change the direction

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2 of how home loans are financed and remodified. The
3 modification numbers for homeowners across the
4 country is less than 20% in New York city, and some
5 of the areas that we practice with the non-profit
6 providers, we can tell that in the past five to seven
7 years for actual true affordable loan modifications.
8 We believe the number is less than 10%. Thank you so
9 much for your attention to this. We appreciate your-
10 your time.

11 CHAIRPERSON GARODNICK: Thank you.

12 [background comments, pause]

13 ALICE NICHOLSON: [off mic] Thank you so
14 much. [on mic] Can you now? Can you hear me now?
15 I'm Alice Nicholson. I'm a member for the
16 Foreclosure Defense Bar, New York State's Foreclosure
17 Defense Bar. I want to present to you Marlene
18 Mashalock (sp?) who is a homeowner who is seriously
19 affected by the sales we've been discussing this
20 afternoon. Ms. Mashalock is a working New York City
21 homeowner. She has three rentals. She had a Citi
22 Mortgage loan. Was offered the trial modification
23 and paid it. The permanent modification never came.
24 Now he loan she understands is owned by a private
25 entity with her address and LLC at the end. First

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thing they did when they got the loan was ran to
Landlord-Tenant Court to take up the rent so that
would really make sure that she is cut out from—from
ever owning that home. She somehow used the
resources that she saved to defend that action. Now
there is a proceeding in court to appoint a receiver
to get the renter so that she would never be able to
maintain that home. She will tell you more about
herself in a bit. Right now I think.

MARLENE MASHALOCK: Good afternoon,
everyone. My name Marlene Mashalock, and I'm a
homeowner. Can everyone hear me?

CHAIRPERSON GARODNICK: Yes.

MARLENE MASHALOCK: I'm a homeowner that
owns a property in Brooklyn. It's a four-family
property. I reside there along with my three other
tenants, and basically the loan started with Citi
Mortgage, and I did everything that I could to try to
get a modification. I had lost my job in '07 due to
the recession and so forth. So I used funds. I had
savings. I used those to sustain the mortgage as
long as I could, and I was constantly encouraged by
Citi Mortgage to apply for the modification, which I
did. I was approved in some just initial

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2 qualification part of that several times, and I also
3 was approved for a trial modifications, which I made
4 payments over seven months on time and as agreed to.
5 They then refused to continue with the permanent
6 modification. At that time I was told reapply, which
7 I did several times and the last time that I had
8 reapplied, then—then with City Mortgage I received
9 notification that congratulations you've been
10 approved for permanent modification. The Citi Bank
11 representative that I was working with, Sharon Lowe,
12 contacted me and said that all the letters that I
13 received via mail and email were—were not true. They
14 were useless. So then again, I had to reapply, and
15 during this time it finally went into foreclosure.
16 So I answered through one of the legal foreclosure
17 services, and then the mortgage was sold to
18 Carrington. At that point, I retained Ms. Nicholson
19 as my attorney, and—and then also just—Carrington
20 held the mortgage for maybe a few months, and then
21 they sold it, as Ms. Nicholson here mentioned, to
22 Wilmington Savings Fund Society, which turned out to
23 be a private investor. And then in order to try to
24 position or put themselves in a position to take my
25 home, they proceeded with going to Landlord-Tenant

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2 Court and to evict me and my tenants. And all of
3 this was fraudulent. They basically created false
4 documents in the court to-to try to create something
5 that wasn't there. I am the deed holder. I was
6 still in the process of maintaining and trying to get
7 a modification for my property, and in order to fend
8 them off again I had to hire a second attorney to
9 fight them in Landlord-Tenant Court. I believe that
10 we have won all three of the proceedings against
11 them, and now they're coming back again, even though
12 we won those proceedings in Landlord-Tenant Court
13 coming back, as Ms. Nicholson had mentioned, to still
14 try to collect my rent and to take over my property.
15 A little bit more about that is that the property is
16 well maintained by me. I pay taxes. I pay
17 insurance. So there is no distress to any of the
18 tenants. There are no liens on the property, and
19 it's well maintained. So all of the things that
20 they're saying in terms of why, you know, they're
21 wanting to take those rents are absolutely
22 fraudulent. So right now we're in the process of
23 trying to fight that on some of their motions, you
24 know, to prevent them from coming in-into the
25 property and-and claiming and-and managing it, which

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2 there's absolutely no need to, as well as being the
3 receiver of my rent.

4 ALICE NICHOLSON: [off mic] I think-[on
5 mic] we wanted to share Ms. Mashalock's story with
6 you because she did everything that's possible. She
7 went to a legal services provider that assisted her
8 and counseled her. They probably saw her. She's one
9 of the most diligent homeowners in our city and now
10 works for one of our major corporations, and is
11 contributing to the Bed-Stuy community and the larger
12 city community. When you turn on your TV at night I
13 won't tell you who the service provider is, but she
14 makes sure that happens. We believe and it seems-it
15 appears that the loan may have been sold through one
16 of these Fannie Mae Distressed Asset loans, just the
17 fingerprint to the thing. It is very, very likely
18 that it was sold for no more than 40% of the
19 principal value, which would have put the purchase
20 price about \$300,000. They've come into court very
21 aggressively to want everything, \$1.1 million or to
22 ask her to sign over her deed, and made it quite
23 clear that they're not a lender, they're not a
24 creditor, they're an investor and they have no
25 business or the court has no business asking them to

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2 participate in any kind of workout. So again, I-I
3 want to invite everyone—one to change the languaging
4 because if we go with their languaging of no fails
5 and investor and we sort of feed into the new sort of
6 norm that they'd like us to have, but here's this
7 homeowner who was still trying to struggle to try to
8 fight on her own, and would not show her the outcome
9 of these because the court in our view has been
10 somewhat—I won't say comprised but taken in by, you
11 know, the gloss of the whole process. Thank you. I
12 don't know the outcome.

13 CHAIRPERSON GARODNICK: Thanks.

14 ALICE NICHOLSON: I want to talk a little
15 bit about we're experiencing in court, a new focus on
16 clearing the dockets, and what that really means is
17 that rescinding—reselling homes on the so-called
18 courthouse steps, and we're hearing our judges say
19 things like you haven't paid a mortgage 2008, 2009 or
20 do you want a free house from us? We're accustomed
21 to those terms, they're historical. They stem from
22 historical racial attitudes and we're experiencing
23 that now in court. We have a tsunami of summary
24 judgement motions. We as defense attorneys are a lot
25 less than the plaintiff's bar. We get less time in

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2 court to report to—to oppose those motions. We've
3 seen like a real intolerance for the homeowner who is
4 delinquent, and who has been denied a modification
5 over the years. We are feeling that the homeowner's
6 rights we have—are—are being curtailed. A lot of
7 judgements or—or hearings are held by the homeowners
8 and in courts. While they don't have representation,
9 while they don't under—why they don't understand
10 what's going on, and the emphasis—there seems to be a
11 new partnership between the court system. I don't
12 know if it's real or imagined or because the focus is
13 on clearing the dockets, but there seems to be a new
14 partnership with the court system and the bodies that
15 represent the investors. We've noticed recently that
16 some of the judges who expend themselves on their
17 benches to entertaining modifications or calling
18 servicers have been renewed from—from the bench or
19 from handling foreclosure cases. We really are
20 concerned about that. We urge the Council Members
21 and everyone here to encourage our courts to work
22 toward the lofty goal of homeownership and community
23 preservation. We are very nervous about what's going
24 in our courts today.

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2 CHAIRPERSON GARODNICK: Thank you. Thank
3 you. Were you finished? I'm sorry.

4 ALICE NICHOLSON: Yes, I am. Thank you.

5 CHAIRPERSON GARODNICK: Okay.

6 ALICE NICHOLSON: Thank you.

7 CHAIRPERSON GARODNICK: Thank you for
8 your testimony. We appreciate all of you, and I-I
9 have one question MFY and it relates to where we-
10 where we ended with the last panel, and I just want
11 to give you a chance to address it. Obviously, the
12 efforts to try to deal with disparate impact of HUD
13 Not Sale Program on African-American communities in
14 New York City is something, which is a point of
15 concern to all of us. Do you have any reaction to
16 HUD's position that they will no longer-if-if this
17 your understanding of their position that they will
18 no longer do a note sale process to municipalities
19 like what we just did in the program that we were
20 discussing with the last panel? Is there any-any-
21 does that impact your thinking at all? What-what do
22 you say to all of that?

23 CHRISTOPHER FASANO: So it's a
24 disconcerting to hear that, you know, that this pause
25 on sales to municipalities and to non-profits because

1 the—the mitigation focused on two different things.
2 One is what the private equity firms have done when
3 they purchased these notes, and the second HUD's
4 failure to really provide—really it's a basic service
5 and they need—sending a notice to these homeowners
6 before the notes are sold. You can send them out
7 just to see if there is racially disparate impact
8 when they pool these loans then the mod—the private
9 equity purchasers after the sale to ensure that are
10 complying with HUD guidelines. We present that HUD
11 might be attempting to, you know, to spend, you know,
12 to—to comply with their due process obligations or
13 to—to monitor the private equity firms. You know, I
14 would hope that's a reason why that they've decided
15 to temporarily suspend the sales. But, and the—the
16 kinds of modifications that the private equity
17 purchasers have been offering, they're not the kinds
18 of modifications that the municipalities offer, and
19 we would want the mortgage loans sold to
20 municipalities and to non-profits. Earlier your panel
21 talked about how 11 of the 24 loans that were
22 purchased by the city received either permanent
23 modification or partial modifications that figure for
24 the vast program is about 7%. So it's the—where
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2 we're looking is for—really for these homeowners to
3 have a affordable modifications like kind of, but in
4 which like the—the city is offering.

5 CHAIRPERSON WILLIAMS: Thank you very
6 much. Thank you all for your continued work. I did
7 have—I wanted to give you an opportunity to answer
8 some of the questions that I have in terms of if do—
9 using the DOJ for stepping out of LER and what the
10 Attorney General would be able to do, if anything in
11 terms of what's happening in the court now, and any
12 relief that we can provide?

13 YOLANDE NICHOLSON: Well, we've been sort
14 of thinking about that a lot because, you know,
15 between the private bar and the non-profit bar, we
16 can only represent in a fifth. I don't know if my
17 colleagues here would agree with me, but I think we
18 can only get to probably no more than 20% of the
19 people facing foreclosure if that many. The—the
20 numbers are so high, and so like I said it's 11,000.
21 So there needs to—what has happened because of the
22 backlash from the—from the capital market saying that
23 New York is non-judicial state, and it takes too long
24 to foreclose, coupled with the values in Brooklyn.
25 Someone needs to step up for the consumers, and that

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2 I believe is the Attorney General's job to make sure
3 that law is applied. We have great laws on the books
4 in New York State we think. I mean it could better,
5 but we have some of the best laws to save—save
6 homeownership, and we have a fair respectable pattern
7 with experience in the—in the judiciary. But
8 somehow, it got comprised, and to look into that, and
9 to make sure the laws are applied, and to make sure
10 we have really meaningful settlement conferences, and
11 that the renters—we are no longer dealing with banks.
12 The banks once they were charged by the Department of
13 Justice with wrongdoing, for the most part they've
14 sold—they've sold their servicing rights to a non-
15 bank minimally regulated entity. So the Department,
16 yes I do believe that having an investigation on the
17 negative side, which is what may have gone wrong, but
18 on the positive side what could be done better would
19 be very instrumental as a companion to what the
20 Council and the State and federal colleagues are
21 trying to do to achieve home—to stabilize communities
22 and maintain homeownership. But something is going
23 wrong.

24 CHAIRPERSON WILLIAMS: Does anyone have
25 any information some of the admin changes that were

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2 previously testified to that are allowing for us to
3 move quickly?

4 YOLANDE NICHOLSON: Well, Alice, do you
5 want me to--?

6 ALICE NICHOLSON: Yes.

7 YOLANDE NICHOLSON: Well, there's been so
8 many, and Jay Endwell (sic) is here and it's okay.
9 He's not up with us, but from Legal Services. It-it
10 started where--

11 CHAIRPERSON WILLIAMS: [interposing] Just
12 if he has information that would be helpful, he sign
13 something and just to--

14 YOLANDE NICHOLSON: You can tell me if
15 you want to supplement if I said anything wrong. You
16 know we have in the court system in terms of fair
17 play, the first thing that happened I think across
18 the state is that the--the civil court system works
19 where Judges are assigned randomly next in line to--
20 for each case. So what happened I believe in early
21 2016 a lot of smaller things happened before that,
22 but what happened in early 2016 and most
23 significantly in Brooklyn in Kings County is that
24 more than--close to 30 judges or 20--more than 25
25 judges their cases were all taken away, foreclosure

1 cases that they had experience with that they were
2 conferencing and move into one or two or three
3 foreclosure specialized foreclosure parts. One—and
4 one foreclosure part is just for tax liens cases,
5 which this Council has jurisdiction over. A lot of
6 people, seniors are losing their houses with—through
7 tax lien cases, and the other two are for mortgage
8 foreclosures, and with the volume in those parts you—
9 you—and—and—and—and—and the abridging of the
10 proceedings we've seen that change have a really
11 adverse impact on the homeowners who are not
12 represented because and the court administration
13 admitted that it was just streamlined. The second
14 thing, which has always been ongoing, New York State
15 requires that in every residential mortgage
16 foreclosure, the courts have to convene a meaningful
17 settlement conference between the homeowner and the
18 plaintiff to determine whether a loan modification
19 can be achieved. There's been reports about the
20 courts not really creating that arena properly. We
21 went up to Albany last year and all—and between us
22 the non-profit legal service providers, the state,
23 you know, affirmed the law and it's still the case
24 that our court administration takes a sort of
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2 cavalier attitude to its role in facilitating that
3 the person who comes to the—to the conferences has
4 authority to settle, has knowledge, has a
5 willingness. And then the—the other thing that's
6 happening, and I—I—I pause—I will be careful to say
7 this, but the—the—the investors that we're talking
8 about have developed a very cozy relationship with
9 the courts. To the extent they have influenced the
10 court or earned the court's sympathy, it's unclear to
11 say, but the cozy relationship has resulted in the
12 Kings County auctions that are held on Thursday is
13 nothing shy of a, you know, a market scene of
14 properties being bid up in the \$2 millions and \$3
15 millions and homeowners just sitting there stupefied
16 because they either weren't served or the would have
17 qualified for a modification. So yes, there's just—
18 that's just the sort of—and then we have within the
19 court the Foreclosure Departments that are not in the
20 courtrooms that are moving cases and appointing
21 referees or, you know, or you take case like Ms.
22 Mashalock, if she didn't have counsel, they would
23 have signed these and give and appointed a receiver
24 without even looking at her rights or their duties.

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2 So I'm—I don't know if this answered your question,
3 but there's just a lot of moving parts going on.

4 CHAIRPERSON WILLIAMS: Well, I did a
5 little. Hopefully we can get some information OATH.
6 I wonder if there is any specific steps that we can
7 actually change in the city, but also you had—you had
8 mentioned the backlash or—had difficulty foreclosing
9 in New York City and with the culture here, can you
10 talk about any similarities or differences you see in
11 what's happening in New York City versus happening in
12 the rest of the country?

13 YOLANDE NICHOLSON: Well, iron—ironically
14 what's happening to African-American communities
15 across the country is the same no matter what kind of
16 state you are in.

17 CHAIRPERSON WILLIAMS: I'm not sure
18 that's ironically.

19 YOLANDE NICHOLSON: Right, it's not.
20 [laughs] Actually, it's not ironic. Actually it's—I
21 mean there is now studies that are showing that these
22 investor sales are ravishing and displacing African-
23 American communities and it's not going to then all
24 that—that resulted from a heavy focus on redlining
25 the four subprime and then predatory lending doing

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2 subprime. In terms of the judicial or non-judicial
3 state, what--this is the ironic thing. What we
4 believe has happened is that although New York is a
5 judicial state, there's been pressure put on the
6 courts to implement procedures that makes it more
7 like a non-judicial state so before this--

8 CHAIRPERSON WILLIAMS: [interposing]
9 Sorry, did you say judicial state?

10 YOLANDE NICHOLSON: New--New York is
11 what's called a judicial state. Do you want me to
12 explain that--what that means?

13 CHAIRPERSON WILLIAMS: Please.

14 YOLANDE NICHOLSON: It means that someone
15 cannot foreclose on a house without going through the
16 proper court proceedings of giving--well, first of
17 all, I'm on the New York State Constitution. We have
18 a provision that says thou shalt not take anyone's
19 property along with other things without due process
20 of law. That's sort of fundamentally makes us a
21 judicial state. Within our law there are procedures
22 to achieve that to make sure that the person facing
23 foreclosure had notice, had an opportunity to appear,
24 and in 2008, the New York State Legislature added
25 additional items, which--which essentially said that

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2 the person has an opportunity to get a housing
3 counselor, to get a loan modification while in court.
4 So the financial market took the position that all
5 these different proceedings to not only make sure
6 that someone gets notice and can challenge the
7 foreclosure, but also now get an opportunity to have
8 a modification discussed in court and seek a housing
9 counselor and work-work with non-profit legal
10 services. They sort of backlashed. I believe from
11 the-from the-from the Executive Office down that this
12 has-this has stalled foreclosures and stalled the
13 real estate market in New York about two or three
14 years ago. So, there's been this sort of question
15 out-I don't-I-to move these things forward and
16 streamline the judicial process that is in New York
17 to either save homeownership or make sure that if
18 someone has to lose their home, that they-that it's
19 done legally, fairly and honest, you know, proper
20 documentation.

21 CHAIRPERSON WILLIAMS: How many states
22 are the judicial states in?

23 YOLANDE NICHOLSON: I'm not sure how
24 many. [pause] 23.

25 CHAIRPERSON WILLIAMS: Okay.

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2 YOLANDE NICHOLSON: In a non-judicial
3 state like Massachusetts as far as contracts with the
4 borrower signs their loan, they sign a contract with
5 a trustee or a deed that if they were to default
6 after maybe a letter or so, the trustee can go and
7 sell the their property, and that cannot happen in
8 New York.

9 CHAIRPERSON WILLIAMS: Is-is what's
10 happening in those states worse than what's happening
11 here?

12 YOLANDE NICHOLSON: Well, I mean I think
13 that-I-I don't know the numbers on that, but-and, you
14 know, I think what's happening to African-American
15 and Latino-American communities is parallel because
16 if you take a place like Arizona or Nevada where
17 Hispanic families were really hit at the beginning of
18 the Recession, and they've been completely displaced,
19 I think we're just on the back end of it, but it may
20 just happen a lot faster I think.

21 CHAIRPERSON WILLIAMS: Thank you. Well,
22 thank you very much all of you for your testimony.
23 Thank you for pointing out to us that some of the
24 language we're using is not continuing humanizing the
25 people that we're talking about. With that, thank

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2 you for sharing your—your personal story. I think
3 it's important that remember these are not just
4 members of the centers, but people who are—who are
5 being affected, and that's important and, you know,
6 people do ask those questions about people wanting
7 free homes, and I just don't understand how we can
8 bail out the big banks and big companies more than
9 once, and have a problem with helping people who many
10 times are duped into bad situations, but hopefully we
11 can continue to do it with whatever we can, and just
12 really appreciate everybody on the front line helping
13 us out. Thank you, Mr. Chair.

14 YOLANDE NICHOLSON: You're welcome.

15 CHAIRPERSON GARODNICK: And I'll add my
16 thanks and also to you, too, as my co-chairman for
17 this hearing today, Council Member Williams. I think
18 we learned a lot and certainly have a lot of work to
19 do still and that is clear I think to all of us, but
20 with that we are going to adjourn the hearing with
21 thanks to all staff, and everybody who testified
22 today. [gavel]

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COMMITTEE ON ECONOMIC DEVELOPMENT JOINTLY WITH THE
COMMITTEE ON HOUSING AND BUILDINGS

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C E R T I F I C A T E

World Wide Dictation certifies that the foregoing transcript is a true and accurate record of the proceedings. We further certify that there is no relation to any of the parties to this action by blood or marriage, and that there is interest in the outcome of this matter.



Date February 24, 2017