# COMMUNITY ENRICHMENT & EDUCATION FOUNDATION

## SUMMARY

The Community Enrichment and Education Foundation *(CEEF)* and the Consortium for Worker Education *(CWE)* have partnered to provide financial literacy curriculums and related educational programs to the community. We understand that improving financial literacy is a core component to helping people eliminate any current financial hardship and regain our country's financial strength. Most importantly we believe that educating and enriching our future generations will aid in the prevention of future erroneous financial decisions and in turn build a stronger nation.

CEEF is working in conjunction with local, state and federal leaders to provide this free service to the community.

## MISSION

Provide financial literacy, enrichment programs and foreclosure prevention counseling to youth and working class communities.

## CEEF'S IMPACT

We have currently been able to help over 500 families in the tri-state area in saving their homes or modify their mortgages over the past several months. We anticipate that these numbers will continue to increase through the upcoming months and years. Our assistance has not only enabled homeowners to keep their homes; it has also helped preserve the communities where these homes are located. Through continued financial literacy education CEEF has helped these individuals better manage their finances.

## DIRECTORS

- David Aviles, CEO
- Fritz Walter, COO
- Shahnar Jones, CBDO
- Michele McIlwain
  SVP, Director of Education

1200 Waters Place, Bronx, NY 10461
Hours: 10am-7pm Monday-Friday
•Office: 718 684-6380
•Fax: 718 684-6381
Email: INFO@ceefoundation.com
Website: www.CEEFoundation.com

# FORECLOSURE PREVENTION

COMMUNITY ENRICHMENT & EDUCATION FOUNDATION

## WHY THE COMMUNITIES NEED OUR HELP

***The National Crisis:***

Our nation has seen an unprecedented increase in foreclosure filings. In 2008 alone over 2.3 million foreclosure filings were reported, an 81% increase over 2007.* unfortunately our 2009 foreclosure filings are on pace to shatter last year's record.

| NATIONAL TRENDS | APR. 09 | YTD. 09 |
|---|---|---|
| New Foreclosure Filings | 342,038 | 1,248,070 |

***The New York Crisis:***

The New York City outer boroughs appear to be at the epicenter of the national housing crisis, facing a triple threat of rising foreclosure rates, decrease in the number of homes sold, and decreasing property values.

Although foreclosures remain limited mainly to low-income areas, they are having a domino effect that has driven down prices city wide. There remains a disproportionate impact in several counties where neighborhoods are devastated.

New York City had over 50,000 foreclosures* in 2008. While the top 20 counties represent over 90 percent of the total filings, these numbers suggest evidence of predatory lending in our lower income and less financially aware communities.

New York's current foreclosure rate shows a further increase over last year's breakneck pace.

| NEW YORK TRENDS | APR. 09 | YTD. 09 |
|---|---|---|
| New Foreclosure Filings | 5,591 | 17,664 |

Four of our counties alone – Suffolk, Queens, Brooklyn and Nassau – represent 50% of the total foreclosure activity in the state. It is imperative that we continue our efforts to help homeowners and restore stability to these neighborhoods.

Other counties including the Bronx and Westchester have also seen filings increase to record levels. CEEF is reaching out to these distressed communities to stem the foreclosure wave and to better educate them, thus avoiding a crisis of this magnitude from reoccurring.

We have currently been able to help over 500 families in the tri-state area in saving their homes or modify their mortgages over the past several months.

*·data provided by Realty Trac*

# SERVICES

## FORECLOSURE PREVENTION COUNSELING CLINIC

We offer free counseling and mitigation services to those who are in danger of losing their home and/or have been victim of fraudulent lending and home purchase scams. Our team of experienced real estate, mortgage and legal professionals will meet with individuals in a private one-on-one session to assess their situation and collect data necessary to begin the mediation process with the bank. Counselors and staff work towards a modification, refinance or a *"soft landing"* resolution.

# FINANCIAL LITERACY & AWARENESS CURRICULUMS

Our courses are designed so that everyday people can achieve an understanding of money, credit, saving and financial freedom. Classes can be designed for any age group or audience type, as we will customize a curriculum that meets the needs of your community. Our seasoned teachers work to find ways to make all the information relatable and applicable to each group.

## OUR STAPLE COURSES INCLUDE

### SAVINGS:

- Understanding the benefits of savings.
- The importance of building a personal/family savings.
- Options to use for establishing and growing a savings account.
- What personal financial management is and how it relates to savings.

### BUDGETING AND GOALS:

- Understanding what a budget is, how it works, and why it's is an essential tool to use in everyday life.
- Exploring the variety of reasons why we need budgets.
- Learn how to create a personal budget or a family budget.
- Setting a budget and achieving our goals.
- Attitude and how it affects our goals and budgets.
- Why a budget is so important.

### UNDERSTANDING CREDIT AND CREDIT CARDS:

- Understanding the concept of credit and how it works.
- Pros and cons of credit.
- When to use credit.
- How to establish credit.
- Credit scores and how they affect us *(positively and negatively)*.
- Credit and building wealth.
- How to use and how not to use credit cards.

COMMUNITY ENRICHMENT & EDUCATION FOUNDATION


1200 Waters Place,
Bronx, NY 10461

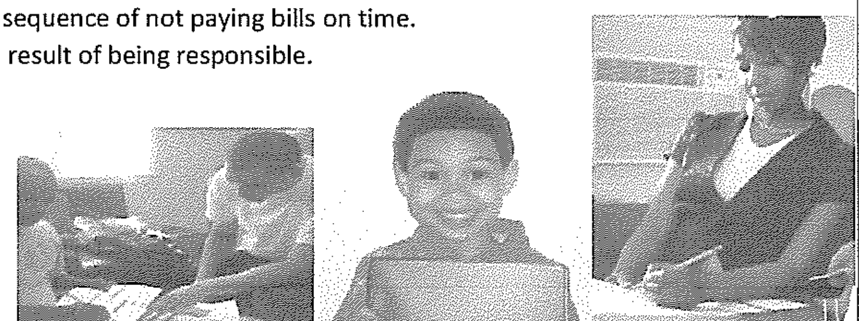
Hours: 10am-7pm
Monday-Friday

Office: 718 684-6380
Fax: 718 684-6381

Email:
INFO@CEEFoundation.com
Website:
Www.CEEFoundation.com


### PAYING BILLS ON TIME:

- Understanding the responsibility of having bills and paying them on time.
- Becoming aware of how much we spend and what we spend it on.
- Familiarizing ourselves with all our expenses, the types of bills and the due dates.
- Understanding we should only have expenses for what we budget for.
- The consequence of not paying bills on time.
- Positive result of being responsible.



COMMUNITY ENRICHMENT & EDUCATION FOUNDATION

## LIVING WITHIN ONE'S MEANS:

- Understanding our net income vs. our expenses.
- How to eliminate bad spending habits.
- Recognizing what is a priority expense vs. a non priority expense.
- Working towards a positive budget.
- Staying focused on financial goals.

## UNDERSTANDING FINANCIAL CHOICES AND CONSEQUENCES:

- Recognizing the direct result of our financial decisions.
- Grasping the concepts of having positive personal financial management.
- Relating each of our decisions back to our operating budget(s).
- Knowing how to prioritize our expenses.
- Building our future with the choices we make now.
- Who we are today and who we can be tomorrow.

## USING A BANK ACCOUNT:

- The differences between having a bank account vs. not having one.
- Relationship banking and its benefits.
- The link between a bank account and personal financial management.
- How a bank account can increase your wealth.
- Why banks are not all bad.

**WE BELIEVE THAT EVERYONE NEEDS AND BENEFITS FROM FINANCIAL KNOWLEDGE.**

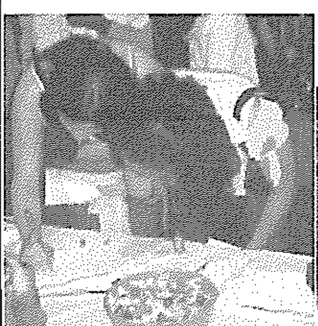
***THE TIME IS NOW***

## BALANCING A CHECK BOOK/CHECKING ACCOUNT:

- Learning how to balance your checking account.
- Write a proper check.
- Track your spending through checkbook accounting.
- Being accountable for spending.

## FINDING MONEY FOR COLLEGE:

- Exploring the payment options available for higher education.
- Where to find the applications and the deadlines for grants, scholarships and loans.
- Different types of loans.
- How to apply.



## COMMUNITY ENRICHMENT WORKSHOPS

Creative and beneficial workshops provide guidance and thought-provoking information. Sessions are developed to increase awareness of environmental issues, work force trends and self help exercises that inspire individuals and communities to better themselves.

### Our workshops include:

Domestic Violence – Helps with life skills education; vocational counseling; batterer's intervention; legal assistance; violence services; and professional training, education and youth prevention programs.

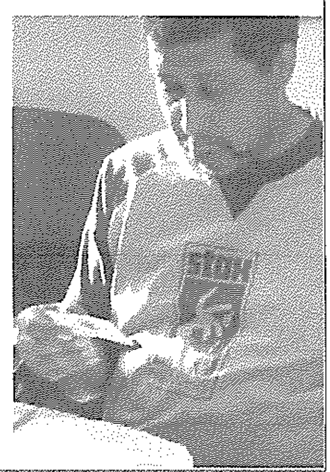
Widow & Widower- Advance preparation can *help widows* and *widowers* handle many challenges including: Adjusting to *financial* changes; resolving legal issues; avoiding exploitation.

Expectant moms/single parents- Get advice on how to manage your finances, from establishing a monthly budgeting plan that works, to finding affordable health insurance for your children a*nd financial* assistance for *expectant mothers.*

## ONE ON ONE WORKSHOPS

Our team of experienced trainers will meet with individuals or families in a private session to assist them with basic understanding and financial awareness. We will help parents introduce financial matters and awareness to their children and provide fun ideas to make "the boring stuff cool."

COMMUNITY ENRICHMENT & EDUCATION
FOUNDATION



**Our counselors are currently working at the following congressional offices to provide loan modification and foreclosure prevention counseling.**

## US CONGRESSMAN GREGORY MEEKS,
## $6^{TH}$ CONGRESIONAL DISTRICT OF NEW YORK (QUEENS)

Committee Information
House Committee on Financial Services:
Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises
Subcommittee on Financial Institutions and Consumer Credit
Subcommittee on Domestic and International Monetary Policy, Trade, and Technology.
House Foreign Affairs Committee
Member and vice chair of the Subcommittee on Asia
Subcommittee on Western Hemisphere
Subcommittee on International Organizations, Human Rights, and Oversight
Website: http://www.house.gov/meeks/

## NEW YORK STATE SENATOR SHIRLEY L. HUNTLEY,
## 10TH SENATE DISTRICT (QUEENS)

Chair, Committee on Mental Health and Developmental Disabilities
Committee Assignments: Children and Families, Civil Service and Pensions, Codes, Consumer Protection, Education and Higher Education
Co-Chair, New York City School Governance Task Force
Vice President, Conference of Black Senators
Website: http://www.nyssenate10.com

## CITY COUNCILMAN LEROY COMRIE,
## 27TH DISTRICT (QUEENS)

Represents: St. Albans, Hollis, Cambria Heights, Jamaica, Baisley Park, Addisleigh Park; parts of Queens Village, Rosedale, Springfield Gardens
Chair of Consumer Affairs Committee
Cultural Affairs Committee
Libraries & International Intergroup Relations Committee
Finance; Housing & Buildings Committee
Land Use Committee
Landmarks, Public Siting & Maritime Uses; Rules Committee
Privileges & Elections Committee
Website: http://council.nyc.gov/d27/html/members/home.shtml

COMMUNITY ENRICHMENT & EDUCATION FOUNDATION

## US CONGRESSMAN JOSEPH CROWLEY, 7TH CONGRESSIONAL DISTRICT OF NEW YORK (QUEENS/BRONX)

Chief Deputy Whip, U.S. House of Representatives
House Ways and Means Committee
House Foreign Affairs Committee
Website: http://crowley.house.gov/

## US CONGRESSMAN JOSE E. SERRANO, 16TH CONGRESSIONAL DISTRICT OF NEW YORK (BRONX)

Appropriations Committee
Subcommittee on Energy and Water Development
Subcommittee on Financial Services and General Government (Chairman)
Subcommittee on Homeland Security
Senior Whip
Website: http://serrano.house.gov/

## NEW YORK STATE SENATOR MAJORITY LEADER MALCOLM A SMITH, 14TH SENATE DISTRICT (QUEENS)

President Pro-Tempore of the New York State Senate

As Senate Majority Leader, Senator Smith is an ex officio member of all Senate standing committees.

Website: http://www.nyssenate14.com/

## NEW YORK STATE BRONX BOROUGH PRESIDENT RUBEN DIAZ, 85TH ASSEMBLY DISTRICT (BRONX)

Committee Memberships:
Chair, Committee on Election Law
Member, Black, Puerto Rican, Hispanic & Asian Legislative Caucus
Member, Committee on Children and Families
Member, Committee on Education
Member, Committee on Environmental Conservation
Member, Committee on Transportation
Member, Committee on Ways and Means
Website: http://assembly.state.ny.us/mem/?ad=085

## CONSORTIUM WORKER EDUCATION (CWE)

The Consortium for Worker Education (CWE) is a private, non-profit agency that provides a wide array of employment, training, and education services to 60,000 New York City workers annually, including union members, new Americans and dislocated workers.

CWE comprises 46 major New York City Central Labor Council affiliated unions, representing over 1.4 million New York City workers, providing them with education and skills specific training programs to support and enhance their career growth.

Website: http://www.cwe.org/

COMMUNITY ENRICHMENT & EDUCATION FOUNDATION

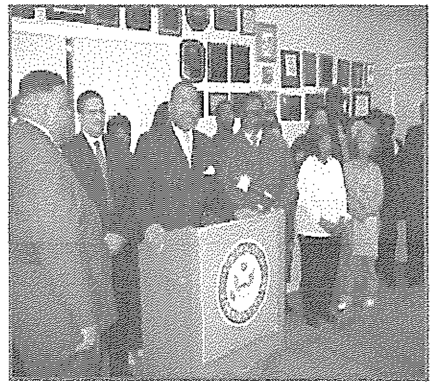
Thursday, February 12, 2009 11:55 AM EST
BY PETE DAVIS



For the past three months, Congress member Gregory Meeks' congressional office on Jamaica Avenue has closed at noon every Wednesday.

However, the closure has not meant an early end to the workday, but instead an opportunity where constituents in danger of losing their homes to foreclosure can receive free advice and counseling from professionals.

Meeks has collaborated with the Consortium for Workers Education (CWE) and financial advisers at Community Enrichment & Education Foundation (CEEF)* because the southeast Queens area that Meeks represents has been called the epicenter of the foreclosure crisis with thousands of foreclosure filings devastating the region's residents.



*THE COURIER/Photo by* [illegible]
Congress member Gregory Meeks (at podium) has teamed up with representatives of Consortium for Workers Education and financial advisers at Money Match Corporation to help southeast Queen's residents facing foreclosure.

* Community Enrichment & Education Foundation was formerly known as Money Match Corporation.

Since the free program began, CEEF has met with 153 constituents, and they have already saved 23 people from going into foreclosure immediately, according Community Enrichment & Education President David Aviles. "Besides saving their homes we are putting them into budget and credit classes so they understand finance a little bit more and are more aware of what is going on," Aviles said.

Springfield Gardens resident Lynnette Velasco, 58, was one of a half dozen residents in southeast Queens who shared their foreclosure nightmares at a press conference on Monday, February 9 at Meeks' office.

"One of the things about southeast Queens is that it a bastion of African-American homeownership," Velasco, 58, who was a victim of a national scam that the FBI ultimately stopped. "Should we lose that, I think it would be significant politically, significant socially and it would be devastating culturally."

Meanwhile, Meeks delivered a strong message to the banks - many of whom are receiving some of the $50 to $80 billion in Trouble Asset Relief Program (TARP) funding from the federal government.

"To those banks who are working cooperatively with us, I want to say thank you," Meeks said. "To those banks not working cooperatively with us, I'm saying we're coming after you."

Meeks also said that if the institutions were looking for more help, they had better be ready to reciprocate.

"As you are looking to get more taxpayer money to help bail you out, we're going to make sure you don't have access to that money if you don't also help bail these people out," Meeks said.

Although Meeks said that single mothers and senior citizens are predominantly the ones who have come into his office to take advantage of the services, it is open to everyone even if they live outside of his congressional district. Meeks and CWE officials also urged those who think they may be a victim of a subprime mortgage not to wait before seeking out help.

"We'll continue this program as long as we can, as long as it's necessary to make sure that the hardworking people of the district keep their homes," said Joseph McDermott, President of CWE.

COMMUNITY ENRICHMENT & EDUCATION FOUNDATION

# FAQ – MODIFICATION PROGRAMS

## WHO QUALIFIES FOR A MODIFICATION?

Borrowers (those with a mortgage) struggling to stay current on their mortgage payments may be eligible for a loan modification if their income is not sufficient to continue to make their mortgage payments and they are at risk of imminent default.

## HOW LONG DOES THE MODIFICATION PROCESS TAKE?

The loan modification process typically takes 30 to 90 days, depending mostly on your lender and your ability to efficiently work through the process with your attorney or other loan modification representative. A professional can often reduce the amount of time required by processing your paperwork efficiently, presenting your application exactly the way the lender wants it, and knowing from past experience what the lender is able and typically willing to agree to. Although each borrower's situation is unique, knowing the measures the lender is willing to take for similarly situated borrowers can be a real time saver.

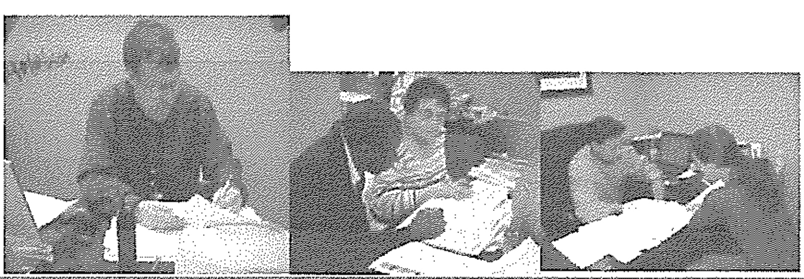
NOTE: The loan modification timeline is not set in stone. The more complex your situation or the greater the degree of concessions needed from the investor, the longer the process takes. Borrowers with a lot of collateral issues can see their loans take longer than what has become the typical 30- to 90-day timeframe.

## HOW MUCH DOES A MODIFICATION COST?

If you have a loan modification company do it for you, the average cost may be $2,000 to $5,000. At CEEF we offer this service FREE of charge.

## WHY IS A MODIFICATION THE BEST SOLUTION?

- Families are kept in their homes through the loan modification process
- Loan modifications ease the financial pressure that causes stress in families
- Loan Modifications have the least cost solution to the lenders, which is why many lenders are willing to do them
- Loan modifications keep the house off of the market and therefore each loan modification represents a step closer to the solution to the current economic crisis.
- Loan modifications are a market solution, meaning they aren't taking taxpayer dollars.



COMMUNITY ENRICHMENT & EDUCATION FOUNDATION

# FAQ - EDUCATIONAL PROGRAMS

## HOW LONG ARE THE COURSES?

Classes can be designed for any age group or audience type, as we will customize a curriculum that meets the needs of your community. We will work with you to set the number and length of sessions.

## WHO IS ELIGIBLE FOR FINANCIAL LITERACY?

Any group or individuals are eligible to participate in our courses; we have no requirements at this time.

## WHERE ARE THE COURSES PROVIDED?

We come to your location to provide the courses. We also provide seminars regularly at various locations. Please contact us to find out what courses we are currently offering.

## HOW MANY PEOPLE CAN WE ACCOMMODATE?

We currently do not have limits on how small or large classes have to be. We will tailor our courses to the group attending.

## HOW MANY COURSES CAN MY ORGANIZATION REQUEST?

We currently offer nine course and three workshops and are constantly adding more, you can request as many as you feel would be a benefit to your organization.

## WHAT ARE THE DIFFERENCES BETWEEN WORKSHOPS AND COURSES?

Our courses use set curriculums, while our workshops are custom tailored to specific needs of attendees and offer more one-on-one consultation. Our workshops are geared toward specific needs of a group, while our courses are general and can help anyone.

COMMUNITY ENRICHMENT & EDUCATION
FOUNDATION

THE LEGAL AID SOCIETY

Civil Practice
Queens Neighborhood Office
120-46 Queens Blvd, 3rd Floor
Kew Gardens, NY 11415
T (718) 286-2450
www.legal-aid.org

Theodore A. Levine
*President*

Steven Banks
*Attorney-in-Chief*

Adriene Holder
*Attorney-in-Charge*
Civil Practice

April Newbauer
*Attorney-in-Charge*
Civil Practice -
Queens Neighborhood Office

# Testimony of The Legal Aid Society Before a Hearing on

# The Foreclosure Crisis in New York City

# Report from Southeast Queens

New York City Council

Committee on Consumer Affairs

Hon. Leroy Comrie, Chair

June 18, 2009

Testimony of The Legal Aid Society Before a Hearing on
The Foreclosure Crisis in Southeast Queens

held by the

New York City Council

Committee on Consumer Affairs

June 18, 2009

We want to thank the Committee on Consumer Affairs and Councilmember Comrie for giving The Legal Aid Society the opportunity to testify today about the ongoing foreclosure crisis in Southeast Queens. The Council and Councilmember Comrie in particular have been in the forefront of the movement by government to take a more active role in combating the underlying causes of this crisis. Mortgage brokers and lenders have siphoned millions of dollars out of the residents of Southeast Queens by pushing high cost, non-beneficial refinancing and mortgages through any means possible. The securitized lending industry has used our overworked court system as a foreclosure mill, despite the efforts of the Governor and state legislature to enact fairer court procedures including mandatory settlement conferences. To make matters much worse, the majority of homeowners are still not appearing in court for a variety of reasons including being overwhelmed by the situation, mistrustful of "official" mail from the court that may be another trap or actively discouraged by their servicer from participating in the court while they are being considered for a loan modification.

**Our Experience**

As part of its civil practice, The Legal Aid Society represents and counsels hundreds of homeowners from Southeast Queens who are threatened with the loss of their homes through foreclosure. We see clients twice a week in our courthouse project and have the capacity to research property statistics, prepare court documents and connect homeowners with housing counselors and attorneys if we are able to connect with them. We would like to see more clients and more participation in the foreclosure action, especially in the settlement conferences, from homeowners. To this end, additional publicity of the City's '311' hotline and community events by local elected officials may persuade Southeast Queens residents to seek the right kind of help.

Most of the homeowners have defenses to the foreclosure action but ultimately may not be able to afford the current mortgage as written. Unfortunately, many homeowners have sought some form of assistance before they come to us either from the same brokers or agents they used before or from a for-profit debt modification service. We have yet to see a beneficial settlement come out of a private loan modification company and we believe many of them are committing fraud by promising modifications which they cannot and do not deliver. The Attorney General's is actively investigating several of these companies. We propose that the City license for-profit loan modification companies operating within New York City to provide oversight and regulation of this industry.

Another major problem is that federal Making Homes Affordable ("MHA") program is not being implemented by the mortgage servicers as they agreed. We see many homeowners who qualify to be considered for the MHA but have not been contacted by their servicer either before or during a foreclosure. MHA could be a way out of foreclosure for many borrowers because its basic premise is to give homeowners a significant reduction on their mortgage payments, to 31% of their income while they recover from economic hardship. Some homeowners are even being told that to qualify for MHA they must make three consecutive payments. In very few cases have we actually seen the loan servicer stop or withdraw a foreclosure action while the MHA modification is processed. For example, Ms. P , who is being assisted by the New York City Commission on Human Rights, is eligible for consideration for the MHA program but has had no response from the servicer despite numerous contacts from the city agency. Her foreclosure auction sale is scheduled for June 26th.

Some homeowners, especially the elderly, are vulnerable to foreclosure because of unpaid water bills or tax liens. Many of these homeowners have no mortgage or have significant equity in their homes but stand to be foreclosed and become homeless because of a relatively small amount of unpaid charges. There are some not-for-profit organizations which provide relief to homeowners so they don't lose their homes for an unpaid water or tax bill, but they need to be publicized. We just last week prevented an elderly homeowner from succumbing to a water bill lien in an amount less than 3% of the value of her equity. We propose that the City create a category of non-performing liens for senior citizen and disabled homeowners who have equity in their homes to cover the lien rather than forcing them into foreclosure and homelessness, or bankruptcy, because of a current bill that they cannot afford.

**Conclusion**

There is still an ongoing foreclosure crisis in Southeast Queens. While the Daily News reported last week that foreclosure filings have dropped from their all time high in late 2008, Queens was reported to be the borough that continues to be hit hardest by foreclosure notices, and many of the foreclosure cases that have been filed are coming to a critical juncture. The City Council can make a critical contribution toward curtailing the loss of homes through foreclosure by taking the measures described above: 1) publicize services like Legal Aid's walk-in screening clinic, the '311' hotline; 2) educate homeowners on the need to respond to court papers; 3) raise awareness of loan modification scams and require licensing; and 4) stop water and tax lien foreclosures for the elderly and disabled.

We also urge the City Council to consider providing more resources for legal representation and advocacy so we do not have to turn away so many clients whose economic situation is threatened by the burden of a threatened loss of equity and housing. In addition, we urge that the City agencies along with City and State officials and the advocacy community coordinate resources so that together we may better serve distressed homeowners.

Very truly yours,

The Legal Aid Society
By: April A. Newbauer, Esq.

**Oral Testimony of Adam Cohen**
**before the**
**Committee on Consumer Affairs**
**Thursday, June 18, 2009**
**York College**
**Jamaica, New York**

My name is Adam Cohen, and I am a Staff Member of the Foreclosure Prevention Project at MFY Legal Services, Inc. I am here today to address the foreclosure crises in New York City, particularly in Southeast Queens.

MFY Legal Services provides legal services to more than 6,500 low-income clients in New York City every year. We are the largest legal services provider for mental health services consumers in New York City, and we have many other projects that help low-income New Yorkers with housing-related problems, including Neighborhood Preservation Project, East Side SRO Law Project, Manhattan Legal Aid to Seniors, Lower Manhattan Justice Project, and Foreclosure Prevention Project, which we launched in September 2008 in response to our clients' growing demand for legal representation and information about foreclosure and related issues.

**Disproportionate Impact on Racial Minorities**

The Foreclosure Prevention Project at MFY Legal Services, Inc. currently represents a large number of homeowners that are in foreclosure, particularly those residing in Queens. In representing Queens homeowners in foreclosure, MFY is very concerned that the vast majority of homeowners seeking representation are racial minorities, particularly African American homeowners. Indeed, MFY's experience confirms that predatory lending is civil rights issue.

One of the most disturbing aspects of the explosion of subprime lending is its vastly disproportional presence in, and impact upon, minority communities. Even where the variable of income is controlled, African Americans are disproportionately burdened by higher-cost loans. According the United States Department of Housing and Urban

Development, thirty-nine percent of upper-income African Americans refinance with subprime loans, compared to only six percent of upper-income Caucasian borrowers. In New York City, low-income African American borrowers are four times as likely as low-income Caucasian borrowers to obtain a subprime home-purchase or refinance loan. Moreover, upper-income African American borrowers in New York are more than twice as likely as low-income Caucasians to have a subprime loan.

In serving the citizens of Queens, MFY has noticed that minority homeowners with near-perfect credit obtained subprime financing, even though their credit scores and income levels at the time they obtained the loan qualified them for prime financing. Indeed, the evidence demonstrates that subprime financing is frequently not correlated with credit worthiness. In other words, borrowers with similar credit profiles are receiving different loan products. More troubling, however, is the likelihood that subprime lenders – and predatory lenders – are deliberately targeting African Americans to exploit their vulnerability and historic disconnection from financial markets. While the presence of prime or traditional lenders in minority communities has steadily fallen, the concentration of subprime lenders in African American neighborhoods has exploded. In fact, one joint HUD-Treasury study concluded that "[m]any of those served by the subprime market are creditworthy borrowers who are simply stuck with subprime loans or subprime lenders because they live in neighborhoods that have too few credit or banking opportunities."

The disproportionate presence of subprime lending in African American communities amounts to a discriminatory denial of access to quality credit or, as one civil rights activist has called it, a form of "reverse redlining." The cumulative effect of reverse redlining has been an increase in both the number of foreclosures on African

American residences and the speed at which they occur. As a result, once thriving African American neighborhoods have been destroyed. To the extent that home ownership is a step in accessing the metaphorical American dream and its more tangible component parts of financial stability, social prestige, and community membership, the explosion of subprime lending and its concomitant contribution to residential foreclosures in minority communities can properly be framed as an important, modern civil rights issue.

**The Impact of Predatory Lending**

Because the attorneys at MFY's Foreclosure Prevention Project serve many clients with mental and physical disabilities, we regularly visit our clients at their homes and have observed the effects of predatory lending in minority communities first hand. Rashes of foreclosures have transformed once vibrant neighborhoods into tracts of abandoned property. The effects of increased foreclosures in minority neighborhoods targeted by predatory lenders is both broad and serious: the value of surrounding homes decreases, costing neighbors equity in their homes; general crime also increases, driving up a need for increased government services and making future reinvestment or rehabilitation more difficult. Therefore, predatory lending is not only hurting homeowners currently in foreclosure; it is also slowly and steadily draining a major source of wealth from minority communities in the form of home equity – the very source of wealth that should offer the security and prosperity so centrally connected to the American Dream.

**For-Profit Loan Modification Firms**

The alarming growth residential foreclosures have caused a dramatic increase in the number of homeowners that have fallen victim to foreclosure rescue scams.

Homeowners in foreclosure are desperate to save their homes and are easy targets for scam artists. MFY has noticed that clients in foreclosure are bombarded with deceptive solicitations from the for-profit loan modification industry. These for-profit entities promise to save the borrower's home by modifying the terms of the homeowner's loan in exchange for a substantial fee, which can be as much as $5,000.00. In many cases, the company collects the outrageous fee and makes no effort to obtain a modification of the borrower's loan. The FTC, State Attorneys General Offices and other state and federal agencies are aware of this problem and are making efforts to police this new industry.

MFY's Foreclosure Prevention Project has observed that all of our clients have received multiple solicitations from the for-profit loan modification industry. MFY is also currently suing several for-profit loan modification firms that took money from our clients and made no efforts to obtain a loan modification for the homeowner.

**The Current State of Non-Profit Foreclosure Prevention Efforts in New York City**

Defending a single foreclosure case in litigation is an extremely difficult and time-consuming task. If the homeowner is able to secure legal representation, they have a very good chance of obtaining a loan modification and defeating the Plaintiff's foreclosure action. In fact, every single client represented in litigation by MFY's Foreclosure Prevention Project is still living in their home. However, we have noticed that unrepresented homeowners have very little chance of prevailing in a foreclosure action. Moreover, due to the very nature of foreclosure, borrowers who are at risk of losing their homes can almost never afford to pay a private attorney to defend their rights in a foreclosure action. Therefore, a homeowner's ability to access free legal services is absolutely critical to defeating the Plaintiff's foreclosure action and remaining in their home.

Unfortunately, current funding levels for non-profit foreclosure prevention efforts in New York City are wholly insufficient to provide enough legal and housing counseling services to homeowners in foreclosure, particularly those residing in the borough of Queens. I am sad to say that I am forced to deny services each week to a number of Queens homeowners seeking free legal assistance due to lack of capacity and resources. Unless and until New York City increases the level of funding for non-profit foreclosure prevention efforts, this crisis will continue to destroy the minority neighborhoods that were targeted by predatory lending practices. The good news is that there is an existing network of non-profit legal services and housing counseling agencies available to serve homeowners in Queens. Additional funding from the City would enable this network to expand and increase the amount of services provided to residents in Queens who are in danger of losing their homes to foreclosure.

Adam H. Cohen
Foreclosure Prevention Project
MFY Legal Services, Inc.
299 Broadway, 4th Floor
New York, New York 10002
(212) 417-3749
acohen@mfy.org
www.mfy.org

Urban Justice Center
123 Williams Street, 16th Floor
New York, NY 10038
Tel: (646) 602-5600 -- Fax: (212) 533-4598
http://www.urbanjustice.org

***Update on the Foreclosure Crisis in New York City***
*The Little Theater at York College*
*Jamaica, New York*
*June 18, 2009*

*Urban Justice Center - Community Development Project*
***Testimony before the Committee on Consumer Affairs***

Good morning. My name is Carmela Huang; I am an attorney with the Community Development Project at the Urban Justice Center. The Urban Justice Center is a project-based umbrella legal services and advocacy organization serving New York City residents. In the past 25 years, the Urban Justice Center has provided direct legal assistance, systemic advocacy and community education in New York City and the greater metropolitan area. The Community Development Project (CDP) of the Urban Justice Center was formed in September 2001 to provide legal, technical, research and policy assistance to grassroots community groups engaged in a wide range of community development efforts throughout New York City. Our work is informed by the belief that real and lasting change in low-income, urban neighborhoods is often rooted in the empowerment of grassroots, community institutions.

The mandatory settlement conference law–NY CPLR § 3408–is an important step to averting foreclosures, which have disproportionately affected residents of our City. In Queens alone, more than 5,400 foreclosures were filed in 2008, compared with just over 1,800 in 2005.[1] City residents in foreclosure are on the average, low income, working poor New Yorkers. According to the Governor, the law's purpose is to "help[] prevent New Yorkers from losing their homes"[2] Unfortunately, these settlement conferences are not serving that purpose. First, the banks who are plaintiffs in foreclosure cases are ignoring their obligations under the law. Second, the courts that manage foreclosure cases are not doing enough to punish violations or to ensure that settlement conferences provide real opportunities for agreement between banks and homeowners.

## Banks' failure to deal in good faith

Under the mandatory settlement conference law, banks should be making a good faith effort to find "a mutually agreeable resolution to help the defendant avoid losing his or her home." Instead, banks are taking advantage of financially-strapped mortgage holders to discourage settlements. For example, banks have refused to discuss settlement unless

[1] Vesselin Mitev, *NY's Foreclosure Conferences Get Off to Modest Start*, N.Y.L.J., Mar. 10, 2009.
[2] Press Release, Office of Governor Paterson, *Governor Paterson Signs Comprehensive Reforms to Address Foreclosure Crisis* (Aug. 5, 2008), at http://www.state.ny.us/governor/press/press_0805081.html.

homeowners have already provided detailed personal and financial information before the settlement conference. The vast majority of people facing foreclosure are on their own: they don't have a lawyer, or even someone to help them with the process. By imposing an artificial requirement on defendants, banks have lined up a ready-made excuse to avoid bargaining.

Another major obstacle to settlement is the banks' failure to meet their obligations under the new law. CPLR § 3408(b) requires plaintiffs to come to the settlement with someone who is "fully authorized to dispose of the case," meaning someone who has authority to change the terms of the mortgage. Under the law, the authorized person can attend in person, by video-conference, or by phone. Despite this flexible requirement, banks frequently arrive at settlement conferences without anyone with authority to make a settlement offer. Sometimes the banks even claim that they have no means of contacting anyone who has that authority. Without the possibility of a real settlement offer, the mandatory settlement conferences are utterly meaningless.

**<u>Courts should respond when banks ignore the law</u>**

The courts have not done enough to reprimand banks who flout the legal requirements, and the intended purpose, of mandatory settlement conferences. Judges should throw out cases where banks have disobeyed the settlement conference law. Dismissal would not end a case, but it would force the banks to begin the entire foreclosure process over again. This remedy would send a clear message to these plaintiffs that they cannot seek favorable judgments while ignoring court procedure.

If courts are unwilling to impose this modest sanction on banks, then at the very least, they should postpone cases until the banks can find someone with actual bargaining power. If courts grant foreclosure to banks that refuse to bargain, it would effectively allow banks to override the legislature's instruction to hold settlement conferences. Until the banks are prepared to work with defendants to reach a settlement, the mandatory conferences will not serve their intended purpose.

**<u>No more adjournments for servicers under the MHA plan</u>**

Instead, the courts have taken the opposite path, and adopted a rule that speeds up foreclosures. This new rule is based on a misconception about the President's Making Homes Affordable plan, or "MHA." The MHA is like the national equivalent of our mandatory settlement law: it requires loan servicers to take specific steps to lower payments on certain types of subprime mortgages. As reported to us by an official from the Queens County Supreme Court, the Office of Court Administration ("OCA") has decided not to allow postponements of any cases involving mortgages covered by MHA, based on an incorrect belief that the MHA prohibits a foreclosure auction of the mortgaged property. The OCA's reasoning is that, even if the home is foreclosed, the homeowner won't be evicted unless the house actually goes up for auction. This is wrong on many levels.

In reality, MHA-eligible homes that are foreclosed *can* and *will be* auctioned off. Even if there were a ban on auctions, nothing prevents the bank from evicting a former owner as soon as the house is foreclosed. The court's rule will also prevent people from participating in the MHA program: last week, the New York Times reported that applicants for MHA "often wait[] more than 60 days for a response."[3] The new rule goes against the basic purpose of the CPLR 3408 and the MHA, which is to get payments down so people can stay in their homes.

According to the Queens County court official, the purpose of the no-adjournments rule is to avoid court congestion and indefinite postponements. The irony here is that loan modification under MHA is far more structured than other settlement talks. Instead of rushing MHA cases past the settlement phase, courts should take advantage of the built-in procedures in the federal program. When a loan is MHA-eligible, the court can direct the loan servicers and homeowners to follow the program's detailed checklist of steps and to come back with the result. Either the steps will lead to a settlement and the case is withdrawn, or the parties will both agree that foreclosure is the only option.

## Recommendations

1. **Make sure someone with authority to settle is there to negotiate.** If the homeowner has provided information necessary for the bank to assess the modification, there should be someone who can sit down with the homeowner and provide clear instructions on how to get a loan modification and what a loan modification would look like (e.g., interest rate dropped to 2%, amortized over 40 years).

2. **Make preconditions to settlement clear.** If the banks want to require that homeowners have filled out certain applications or provided certain documentation prior to negotiating a loan modification, make this pre-condition clear and known to the homeowner well in advance of the settlement conference so that the homeowner can get assistance in meeting those requirements

3. **Dismiss cases for bad faith dealing**. Where the bank, or its representative, demonstrates bad faith in failing to be prepared for the conference, or by pressuring homeowners not to settle, the courts should dismiss the bank's case entirely.

4. **Allow adjournments for parties working towards settlements**. The settlement process is complex and cannot always be resolved in a single meeting. For example, a loan servicer may need additional financial information from a borrower that is not readily available. Where both parties are willing to continue working towards compromise, however, the court should respect the legislature's preference for settlement and grant an adjournment.

5. **Ensure that MHA-eligible parties follow federally prescribed procedures.** The court should create a separate track for homeowners eligible for federal relief.

   Specifically, courts should....

[3] Vivian S. Toy, *Penetrating the Maze of Mortgage Relief*, NY TIMES, Jun. 14, 2009, Real Estate.

a. **Grant time to determine eligibility**: Where the homeowner is interested in a loan modification and meets the basic criteria of the MHA plan, the court should enter a stay directing the loan servicer to determine the homeowner's eligibility. Alternatively, the court should postpone the case to give the lender sufficient time to determine eligibility.
b. **Order parties to follow MHA procedure**: When a homeowner can affirmatively show MHA eligibility, the court should enter a stay and only allow the parties to return to court for one of two options: either a withdrawal of the case after a successful loan modification, or an affirmative showing that the homeowner cannot pay even after MHA modification.

6. **At a minimum, end the prohibition on adjournments for MHA qualified loans.** Even if courts are unwilling to take the affirmative steps above, judges should not obstruct participation in MHA by rushing these cases through the foreclosure system. By singling out beneficiaries of the federal program, foreclosure courts are denying settlement opportunities to homeowners with the greatest need.

Thank you for holding this hearing today and giving me the opportunity to testify on this important issue.

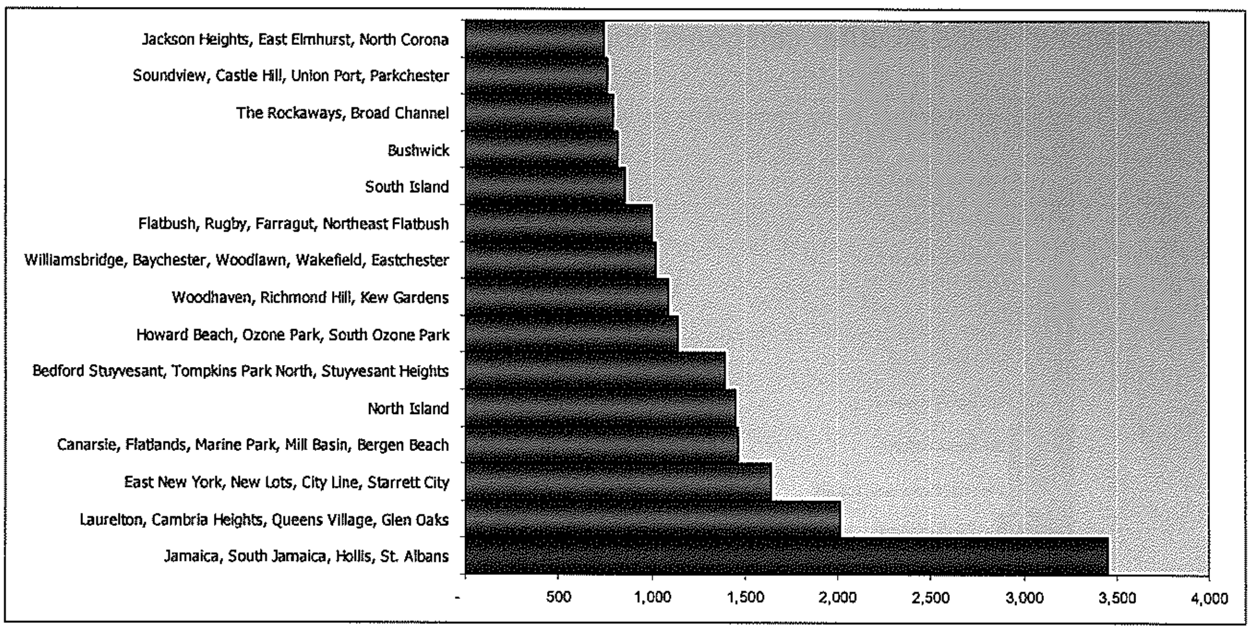
# Center for New York City Neighborhoods

Testimony before the **Committee on Consumer Affairs**
Of the New York City Council

June 18, 2009

Good afternoon Chairman Comrie and members of the Committee on Consumer Affairs. My name is Michael Hickey, Executive Director of the Center for New York City Neighborhoods (CNYCN). Through the support and leadership of the City Council, the Speaker and the Mayor, CNYCN began providing foreclosure prevention support throughout the five boroughs almost one year ago.

The situation in Southeast Queens is dire. Over the past year, over 13,000 notices of pending foreclosure were filed in New York City. Most of these are concentrated in Queens neighborhoods, with the following communities being most affected:




*Data provided by the New York City Department of Housing Preservation and Development. See detailed chart provided in **Attachment A** for details.*

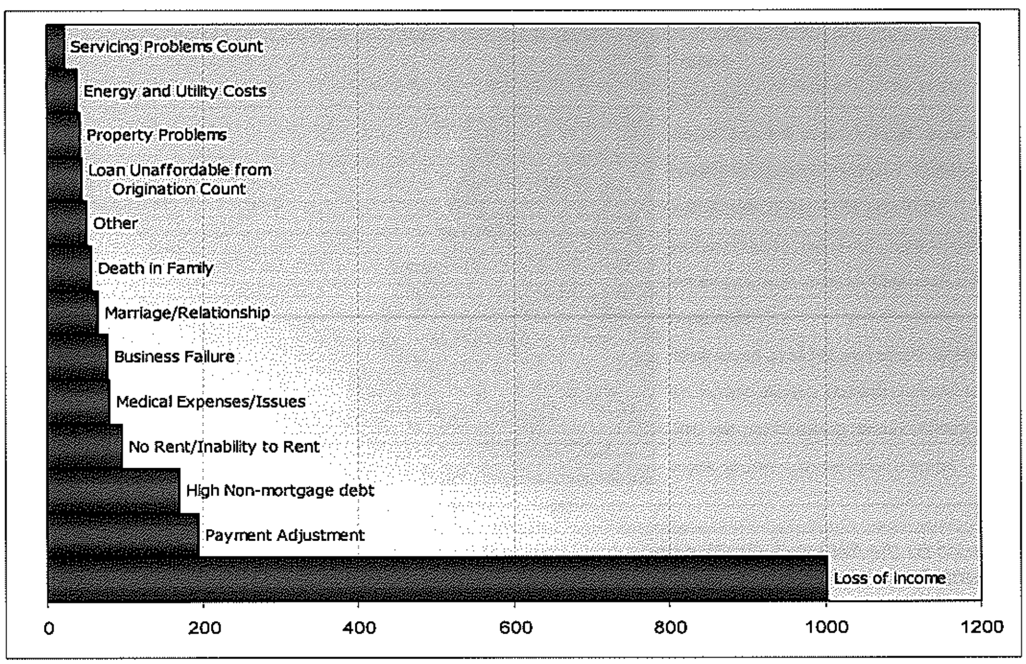
Since extending its first contracts last July, CNYCN has provided services to over 3,200 homeowners, over 40% of which are from Queens (and 30% from southeast Queens in particular).

We collect detailed information on every consumer supported by one of our nonprofit partners to insure transparency and accountability, and to help us track trends and tell the story of the foreclosure crisis. Citywide to date:

- 2,248 clients received budget and financial planning services;
- 825 loan modifications requests were submitted
- 165 loan modifications offers have been received
- 351 clients received advice and counsel
- 12 clients were reported foreclosed upon

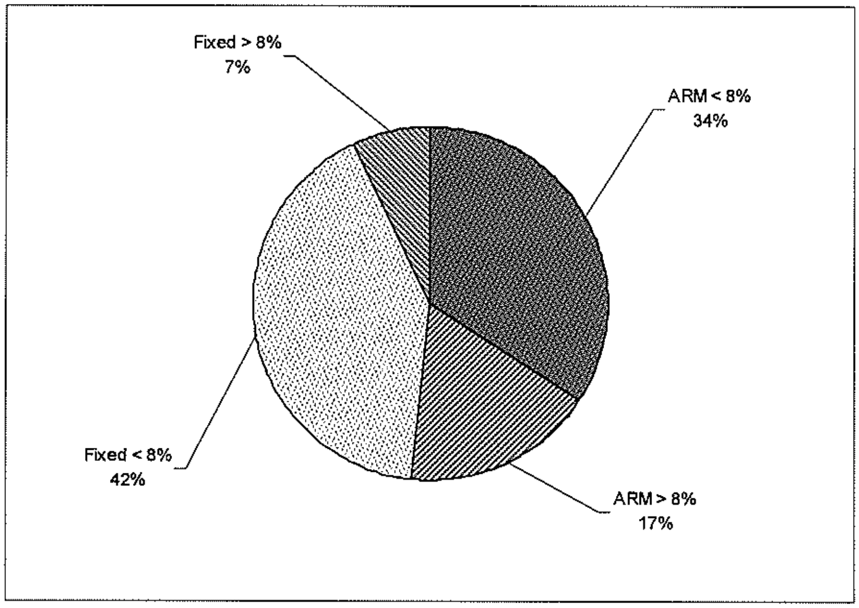
While we are pleased with our initial outcomes, there are two disturbing trends that deeply impact our ability to be effective: the larger economic crisis, and the tremendous bottleneck within the loss mitigation units of the banks themselves.

New York City is not immune to the general economic downturn. When CNYCN began its work a year ago, we were all acting under the assumption that the majority of homeowners in distress would be those who had aggressively priced subprime mortgages. The primary issue facing our consumers now is not a payment adjustment from a high cost loan, but simple loss of income. As you will see from the chart below, "loss of income" leads all other categories combined:




*Prepared by CNYCN based on available data.*

This problem is affecting all homeowners, including those with more conventional mortgages. As the following chart shows, just over 40% of those people seeking services from CNYCN are in fixed rate loans under 8%. These are prime borrowers, working people who are no longer working, or working far less and therefore unable to keep up with the fixed costs of maintaining their home.




*Prepared by CNYCN based on available data.*

Earlier in my testimony I noted that CNYCN's network has submitted over 845 loan modification requests. Over the past 9 months, a meager 20% of those have been returned with modification offers. On average, homeowners that have received modifications have lowered their monthly mortgage payments by $1,000 – a substantial benefit and a powerful indicator that these efforts are worthwhile. But we are deeply troubled by the enormous time and effort that goes into achieving this handful of results. Reports of modifications lying in limbo for up to 6 months are not uncommon, and our housing counselors routinely report that 3 months is typical. Over this time, there are numerous phone calls, faxes, reports and forms that must be repeatedly submitted. Hour-long waits for customer service with a live operator are common. We believe there are several reasons for these delays:

- Over the winter, prior to the release of the federal Making Home Affordable plan, many banks held moratoria on their troubled loans, stockpiling problems until the new plan could be released;
- With the release of the plan, there are now many new homeowners attempting to see if they qualify;
- Banks are not aggressively scaling up operations in their loss mitigation units because they don't feel that the costs of doing so are justified;
- Banks have an economic disincentive to modify – if they reduce the revenues from a mortgage they must report the loss. If they foreclose on a home, the loss can be reported up to a year later.

Put more simply, banks appear reluctant to move assertively to modify mortgages because the economic consequences of doing so would be institutionally damaging, at least in the short term. They are therefore using the tactics above to let the air out of tires slowly, and hoping that a more general economic recovery over the next 12 months will take at least some of the problem off their hands. The impacts on troubled homeowners are obvious: long delays, uncertainty, frustration and hopelessness.

CNYCN is taking a number of efforts to address these challenges:

- CNYCN has committed $740 thousand in funding to 7 Queens-based groups, and an additional $1.6 million to 6 groups working citywide who provide additional support in these neighborhoods. They provide free counseling and legal services to anyone at risk of losing their home to foreclosure. See **Attachment B** for details of groups currently supported by CNYCN.
- We are meeting regularly with the banks to develop strategies that allow CNYCN partners increased access to loss mitigation specialists. Over the summer, CNYCN will hire a new staff member whose primary responsibility will be coordination between our many partners and the banks to insure prompt resolution of requests.
- With our partners, CNYCN is deeply engaged with the Office of Court Administration and the individual courts to monitor and improve the Settlement Conference process now required by state law. Efforts include training judges and court personnel, reaching out to homeowners who receive a notice from the courts to encourage them to access supports, and advocating for procedural and legislative fixes that could substantially improve the power of these interventions.
- CNYCN has partnered with the Human Resources Administration on the Neighborhood Improvement Project: a program which takes unemployed local residents and puts them to work identifying, cleaning, securing and maintaining foreclosed and abandoned homes in Jamaica, Queens. This program is now being expanded to four additional sites.
- CNYCN has developed a nonprofit real estate brokerage service with Neighborhood Housing Services of New York City, providing homeowners who decide to sell their homes with a safe, reliable alternative to commercial brokers.
- Working closely with the HPD and Restored Homes (a nonprofit whose mission is to restore abandoned and foreclosed properties), CNYCN is developing a model to acquire and renovate nearly 100 foreclosed homes in targeted communities. These homes will be sold to first time homebuyers between 105% and 110% of Area Median Income.
- Renters, the unseen victims of the foreclosure crisis, will benefit from strengthened services being offered through the HomeBase program. Additional staffing will allow renter referrals from CNYCN partners to access emergency funds, counseling and even relocation assistance if they are no longer able to keep their home due to foreclosure.

We are engaged in a wide variety of activities beyond these, which I'm happy to discuss at length with you or your staff at any time you find convenient.

I would like to leave you with 3 simple steps for anyone at risk of losing their home:

**Don't wait:** The sooner you act the more options you have;
**Don't pay:** Specialized, free, local, nonprofit providers are ready to help you now;
**Call 311:** It's the easiest way to access support. Ask for foreclosure prevention.

I look forward to your questions, thoughts and input now and in the future, and I thank you for this opportunity to testify.

# **Attachment A:** Lis Pendens and Foreclosure Auctions

*Lis Pendens* **Filings, Quarterly, April 2007 through March 2009**

| CD | Name | 2007 Q2 | 2007 Q3 | 2007 Q4 | 2008 Q1 | 2008 Q2 | 2008 Q3 | 2008 Q4* | 2009 Q1 | 24-month Total | 24-month rank |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 412 | Jamaica, South Jamaica, Hollis, St. Albans | 421 | 488 | 473 | 580 | 519 | 400 | 154 | 416 | 3,451 | 1 |
| 413 | Laurelton, Cambria Heights, Queens Village, Glen Oaks | 227 | 292 | 271 | 346 | 290 | 249 | 76 | 260 | 2,011 | 2 |
| 305 | East New York, New Lots, City Line, Starrett City | 205 | 235 | 203 | 241 | 269 | 210 | 68 | 212 | 1,643 | 3 |
| 318 | Canarsie, Flatlands, Marine Park, Mill Basin, Bergen Beach | 155 | 203 | 184 | 232 | 216 | 196 | 77 | 199 | 1,462 | 4 |
| 501 | North Island | 154 | 181 | 195 | 258 | 224 | 191 | 71 | 178 | 1,452 | 5 |
| 303 | Bedford Stuyvesant, Tompkins Park North, Stuyvesant Heights | 170 | 224 | 149 | 240 | 186 | 167 | 88 | 168 | 1,392 | 6 |
| 410 | Howard Beach, Ozone Park, South Ozone Park | 118 | 181 | 138 | 207 | 193 | 124 | 53 | 128 | 1,142 | 7 |
| 409 | Woodhaven, Richmond Hill, Kew Gardens | 128 | 129 | 147 | 188 | 167 | 138 | 47 | 149 | 1,093 | 8 |
| 212 | Williamsbridge, Baychester, Woodlawn, Wakefield, Eastchester | 99 | 137 | 139 | 170 | 148 | 148 | 47 | 134 | 1,022 | 9 |
| 317 | Flatbush, Rugby, Farragut, Northeast Flatbush | 129 | 139 | 116 | 163 | 133 | 141 | 50 | 130 | 1,001 | 10 |
| 503 | South Island | 96 | 124 | 110 | 144 | 130 | 112 | 41 | 100 | 857 | 11 |
| 304 | Bushwick | 108 | 129 | 96 | 106 | 123 | 101 | 50 | 110 | 823 | 12 |
| 414 | The Rockaways, Broad Channel | 99 | 119 | 105 | 123 | 133 | 91 | 38 | 84 | 792 | 13 |
| 209 | Soundview, Castle Hill, Union Port, Parkchester | 88 | 99 | 103 | 102 | 126 | 85 | 47 | 115 | 765 | 14 |
| 403 | Jackson Heights, East Elmhurst, North Corona | 70 | 89 | 96 | 124 | 120 | 97 | 54 | 95 | 745 | 15 |

* New York State bill S.8143-A/A.10817-A, passed in August, effectively postpones lis pendens filings by requiring lenders to send a pre-foreclosure notice to borrowers at least 90 days before foreclosure proceedings can be initiated.The low Q4 2008 count likely reflects *lis pendens* postponed by this bill.

Source for *lis pendens* is PropertyTrac. Includes *lis pendens* filings for mortgage and tax liens for residential properties. Repeat/duplicate filings are treated as follows. If a *lis pendens* is filed on the same bbl, with the same defendent name and within the same 365-day window, the *lis pendens* is counted once, on the first occurance of the filing.

**Foreclosure Auctions, Quarterly, April 2007 through March 2009**

| CD | Name | 2007 Q2 | 2007 Q3 | 2007 Q4 | 2008 Q1 | 2008 Q2 | 2008 Q3 | 2008 Q4 | 2009 Q1 | 24-month Total | 24-month rank |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 412 | Jamaica, South Jamaica, Hollis, St. Albans | 127 | 135 | 104 | 192 | 232 | 241 | 181 | 202 | 1,414 | 1 |
| 413 | Laurelton, Cambria Heights, Queens Village, Glen Oaks | 60 | 67 | 39 | 90 | 103 | 142 | 111 | 107 | 719 | 2 |
| 501 | North Island | 40 | 51 | 87 | 113 | 75 | 105 | 77 | 74 | 622 | 3 |
| 410 | Howard Beach, Ozone Park, South Ozone Park | 34 | 43 | 28 | 58 | 62 | 78 | 62 | 74 | 439 | 4 |
| 409 | Woodhaven, Richmond Hill, Kew Gardens | 26 | 35 | 34 | 64 | 56 | 85 | 55 | 76 | 431 | 5 |
| 414 | The Rockaways, Broad Channel | 30 | 27 | 32 | 46 | 57 | 62 | 43 | 58 | 355 | 6 |
| 503 | South Island | 16 | 29 | 47 | 38 | 36 | 54 | 32 | 46 | 298 | 7 |
| 403 | Jackson Heights, East Elmhurst, North Corona | 20 | 20 | 21 | 29 | 36 | 44 | 43 | 48 | 261 | 8 |
| 212 | Williamsbridge, Baychester, Woodlawn, Wakefield, Eastchester | 19 | 33 | 33 | 29 | 27 | 29 | 15 | 30 | 215 | 9 |
| 502 | Mid-Island | 6 | 18 | 15 | 42 | 25 | 35 | 33 | 33 | 207 | 10 |
| 303 | Bedford Stuyvesant, Tompkins Park North, Stuyvesant Heights | 27 | 29 | 16 | 32 | 39 | 31 | 21 | 9 | 204 | 11 |
| 305 | East New York, New Lots, City Line, Starrett City | 25 | 26 | 20 | 24 | 33 | 34 | 20 | 7 | 189 | 12 |
| 318 | Canarsie, Flatlands, Marine Park, Mill Basin, Bergen Beach | 23 | 16 | 20 | 27 | 17 | 26 | 16 | 11 | 156 | 13 |
| 407 | Flushing, Whitestone, College Point | 19 | 17 | 15 | 19 | 27 | 16 | 20 | 23 | 156 | 13 |
| 408 | Fresh Meadows, Kew Gardens Hills, Jamaica Hills | 19 | 22 | 16 | 16 | 15 | 24 | 21 | 13 | 146 | 15 |

Source for foreclosure auctions is PropertyShark. Includes foreclosure auction listings resulting from mortgage and tax liens for residential properties. Repeat/duplicate filings are treated as follows. If a foreclosure auction is listed for the same bbl, with the same defendent name and within the same 365-day window, the auction is counted once, on the first occurance of the auction.

## **Attachment B:** CNYCN Network Partners

| Organization | Neighborhood served | Funding |
|---|---|---|
| AAFE Community Development Fund, Inc. | 5 boroughs with a focus on Flushing, Elmhurst, Corona and Jackson Heights | 135,000 |
| Chhaya Community Development Corporation | Queens, particularly: Jackson Heights, Elmhurst, Corona, Sunnyside/Woodside, South Ozone Park, Richmond Hill and Jamaica | 65,000 |
| Common Law, Inc. | Brooklyn (East New York, Canarsie, East Flatbush) and Queens (South Jamaica, Rosedale and St. Albans) | 12,000 |
| Cypress Hills LDC | Cypress Hills, East New York, and surrounding areas | 125,000 |
| Jewish Association for Services for the Aged (JASA), Legal Services for the Elderly in Queens | Queens | 80,220 |
| Margert Community Corporation | Southeast Queens (the Rockaways, Jamaica, South Jamaica, Hollis, Springfield Gardens North, Queens Village, Cambria Heights, Laurelton, Springfield Gardens South, Rosedale and Brookville) | 75,000 |
| NHS of Jamaica | Southeast Queens | 175,000 |
| Ridgewood Bushwick Senior Citizens Council | Bushwick, Bed-Stuy, East New York, Brownsville, Williamsburg and surrounding areas in Brooklyn and Queens | 74,500 |
| **ACORN** | **Brooklyn, Bronx, Queens and Staten Island** | **200,000** |
| **ACORN** | **Southeast Queens and the Rockaways, Central and East Brooklyn as well as Flatbush, East Flatbush, Canarsie, East Canarsie, and Staten Island North Shore** | **182,500** |
| **Brooklyn Housing and Family Services, Inc.** | **Brooklyn (South Crown Heights, Prospect Heights, Flatlands, Canarsie, Bushwick, Bed/Stuy, East New York, Crown Heights, East Flatbush and Brownsville), Manhattan, Bronx, Staten Island and Queens** | **104,000** |
| **Legal Aid Society** | **City-wide** | **484,455** |
| **Neighborhood Assistance Corporation of America** | **5 boroughs, nationwide** | **150,000** |
| **The Legal Aid Society** | **5 boroughs** | **380,000** |
| **The Parodneck Foundation for Self-Help Housing and Community Development, Inc.** | **Queens, Brooklyn, Bronx, Staten Island** | **125,000** |
| Brooklyn Legal Services Corporation A | North and East Brooklyn | 230,330 |
| Brooklyn Legal Services Corporation A | Brooklyn (Williamsburg, Greenpoint, Bushwick, Bed/Stuy, Oceanhill-Brownsville, East New York, Cypress Hills, Starrett City, East Flatbush, Flatlands and Canarsie. | 80,000 |
| CAMBA | Brooklyn (particularly Flatbush and East Flatbush) | 82,500 |
| Coalition for the Improvement of Bedford Stuyvesant | Brooklyn (Bed-Stuy) | 125,000 |
| NHS of East Flatbush and Flatbush Development Corporation | Brooklyn (East Flatbush, Flatbush, Midwood, Clarendon Meadows, Kensington, Canarsie, Mill Basin, Crown Heights, East New York, Bay Ridge and Coney Island) | 150,000 |
| South Brooklyn Community Organization (Agudath Israel of American Community Services, Inc.) | Brooklyn (zip codes: 11204, 11218, 11219, 11230, and 11234) | 75,000 |
| South Brooklyn Legal Services | Brooklyn | 400,000 |
| South Brooklyn Legal Services | Brooklyn | 200,000 |
| Staten Island Legal Services | Staten Island | 212,501 |
| Staten Island Legal Services | Staten Island | 184,000 |
| United Jewish Organizations of Williamsburg, Inc. | Brooklyn (Williamsburg, Clinton Hill and Bed/Stuy) | 40,000 |
| Grow Brooklyn, Inc. (Brooklyn Cooperative Federal Credit Union) | Brooklyn (Bushwick and Bed/Stuy) | 38,000 |
| Legal Services NYC - Bronx | Bronx | 154,773 |
| NHS of Staten Island | Staten Island | 85,000 |
| NHS of the North Bronx | Bronx | 175,000 |
| Pratt Area Community Council | Bed-Stuy, Bushwick; Brooklyn-wider referrals accepted | 140,000 |

# NYC Foreclosures Update & Opportunities Presented by the Neighborhood Stabilization Program

Testimony of Amy Armstrong
Communications & Policy Director,
NYU's Furman Center for Real Estate and Urban Policy

Before
**New York City Council**
**Committee on Consumer Affairs**

Leroy G. Comrie, Jr., Chair
June 18, 2009

Chairman Comrie and members of the Committee, it's my pleasure to share with you some of the Furman Center's research on foreclosure trends in New York City as well as details on a new federal program designed to help stabilize hard hit neighborhoods. My name is Amy Armstrong, and I am the Communications and Policy Director at the Furman Center for Real Estate and Urban Policy, and I am joined by Josiah Madar, a Research Fellow at the Furman Center. The Furman Center is a joint research center of NYU's School of Law and its Robert F. Wagner School of Public Service. Founded in 1995, the Center draws on the expertise of our law faculty and our urban economics faculty, along with the talents and energy of phenomenal students from all parts of New York University, to tackle urban problems. We are one of the nation's leading academic research centers devoted to the study of policy issues related to land use, real estate development and housing.

Let me start by applauding the committee for holding this hearing in Southeast Queens. Our research has shown that Southeast Queens is the epicenter of New York City's foreclosure crisis. It's important to have this conversation here, in one of the communities that have been hardest hit

**Foreclosure trends in New York City**

Foreclosure activity in New York City was relatively stable (and relatively low) in the first years of this decade, even as other parts of the country began to see troubling increases in foreclosures. But in 2006, the subprime mortgage crisis began to unfold in the City, and we saw the number of foreclosure filings increase dramatically, reaching roughly 15,000 foreclosure filings in both 2007 and 2008. In the first quarter of this year, there have been about 3,800 filings; if this pace continues, we are on track to surpass 15,000 filings in 2009. As the members of the committee have no doubt observed in their own districts, foreclosures in New York City are very concentrated, and Queens and Brooklyn have been affected significantly more than other boroughs. In 2008, those two boroughs accounted for 76% of the city's foreclosure filings. Within those boroughs, certain neighborhoods are being hit much harder than others. Take, for example, Jamaica and Queens Village. Collectively they make up almost half of the foreclosure filings in Queens, even though they account for only 16% of the borough's housing units. And in Brooklyn, the community district of East New York had two and a half times the number of foreclosure filings as the entire borough of Manhattan in 2008.

**What has the federal government done to stabilize neighborhoods hard hit by foreclosures?**

Recognizing the damage that foreclosures have had on communities around the country, last summer Congress appropriated $3.9 billion to fund the Neighborhood Stabilization Program (NSP) to support the acquisition, renovation, and disposition of abandoned and foreclosed properties. That funding was distributed to state and local governments based on a formula that measured how troubled the neighborhood has been, or is expected to be, by foreclosures. New York City was allocated $24M from this program and, to date, another $9M originally allocated to New York State has been promised to various New York City neighborhood stabilization efforts. In February 2009, the federal government enacted a new round of neighborhood stabilization funding, again aimed at mitigating the neighborhood impacts of the foreclosure crisis. Dubbed NSP II, the new program will allocate another $2 billion, but this time the money will be distributed based on a competition, rather than a formula. Non-profits as well as local governments will be eligible to apply for the funding and will be evaluated on their capacity and experience in coordinating stabilization efforts and their ability to craft programs that respond to the specific challenges their communities face.

**Which communities are eligible for NSP II funds?**

In order to identify which areas would be eligible to apply for NSP II funds, HUD developed a formula to assess census tracts' risk of foreclosures and destabilization. The formula is based on two scoring systems: a foreclosure risk score and a vacancy risk score.[1] Tracts with either a foreclosure risk score or a vacancy risk score of 18 or higher are considered "at-risk" and are eligible for NSP II funding. In addition, groups of two or more tracts with an average score of 17.5 or higher are also eligible.

In New York City, 12% of the census tracts are eligible for funding. As you can see in the map and tables provided in the appendix to my written testimony, the eligible tracts are located almost exclusively in Queens and Brooklyn. Fifteen of New York City's 59 community districts (CDs) have more than one at-risk census tract. In some CDs, a majority of tracts are eligible for NSP funding. In Jamaica, a full 77% of tracts are eligible.

When we compare the characteristics of eligible tracts to the average New York City census tract, one thing in particular stands out: the at-risk neighborhoods are overwhelmingly neighborhoods of color. Specifically, in 88% of the eligible tracts, more than 90% of the residents are non-white; by comparison, citywide, 38% of tracts are more than 90% non-white. While the Furman Center and other research and advocacy groups have previously reported on the foreclosure crisis's disproportionate impact on communities of color, the implications of these figures bear repeating. The New York City neighborhoods that are most at-risk of destabilization and that are most in need of these funds are almost all exclusively neighborhoods of color.

[1] Both scores range from 1 – 20. The foreclosure risk score evaluates certain factors that could lead to high foreclosure rates, including the number of high cost loans or highly leveraged loans made in the census tract between 2004 and 2007, unemployment figures including both the average for the area (defined as the Metropolitan Statistical Area) and the change in rate from 2007 to 2008, and the decline in home values for the area (specifically, the percentage change in sale prices at the MSA level from the peak of sales prices to December 2008). Tracts with foreclosure risk scores higher than 10 were also given a vacancy risk score, which is based on a 90-day vacancy rate assessed by the United States Postal Service.

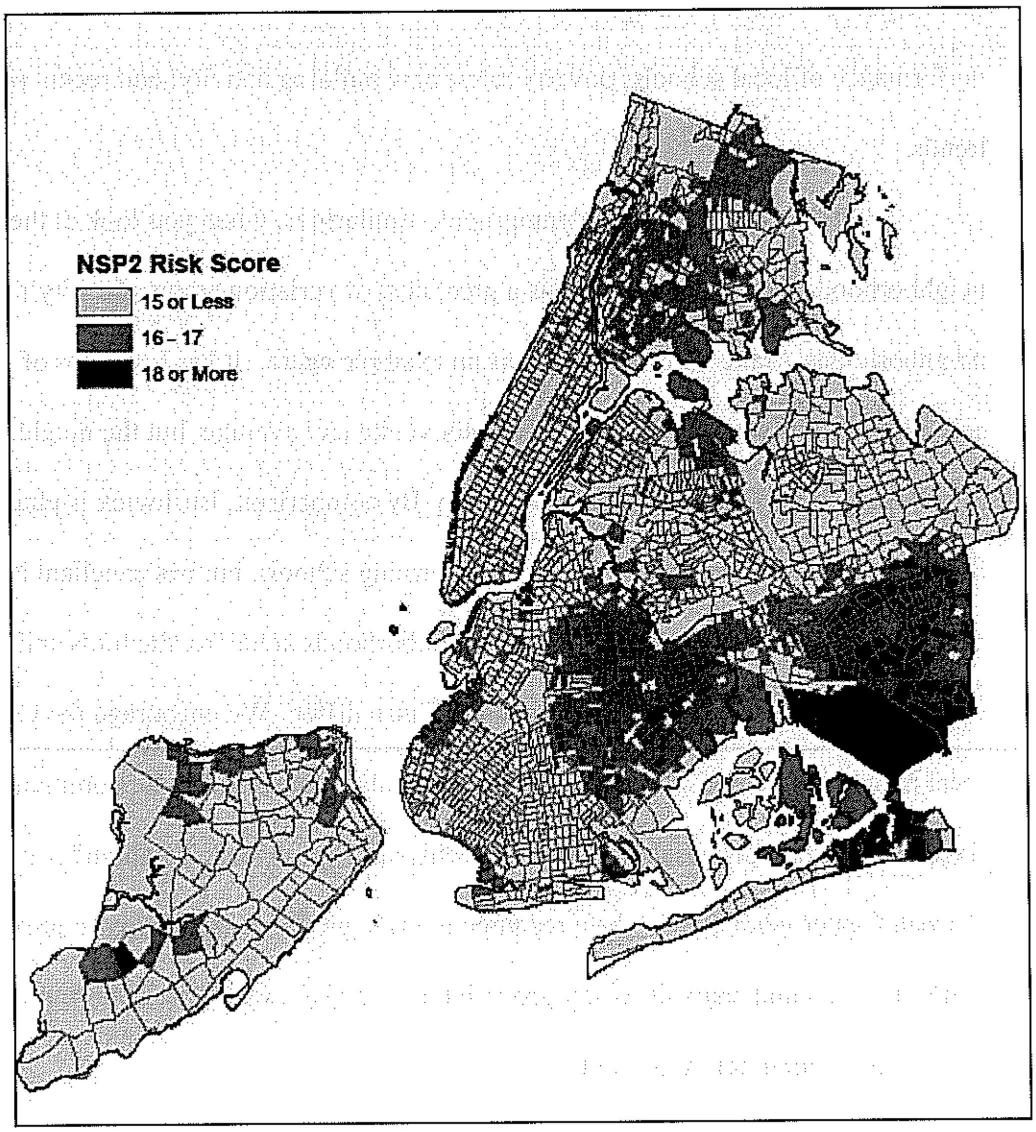
To help these neighborhoods stabilize, the City and any non-profits considering applying for NSP II funds should consider the various challenges each of these communities face and opportunities they offer. In the appendix to this testimony, I've included data on several measures of quality of life and market demand in the city's at-risk neighborhoods, including: access to parks; access to subways; crime rates; the performance of local schools; poverty rates; new building activity; and recent price trends.

While they share certain demographic similarities, when you look at these other neighborhood characteristics, there is a great deal of variation among the city's at-risk neighborhoods. Take Queens Village as an example again. It has low rates of poverty and crime and its schools are performing above the city average, but the neighborhood is relatively isolated from public transportation. By comparison, Bushwick is plagued with high poverty and crime as well as underperforming schools, but has excellent access to parks and transportation. Just as no two neighborhoods are alike, the tools and strategies required to stabilize these neighborhoods will also differ. We encourage the City and local non-profits to consider the unique assets and challenges of these communities as they develop their proposals for how to stabilize and grow these neighborhoods. The Furman Center would like to be a resource to these groups and is happy to provide additional data and analysis to any group interested in assessing the opportunities and challenges of their neighborhood.

Thank you for your time. I'd be happy to answer any questions.

**Appendix A: Map of Census Tracts Eligible for NSP II Funding**

NSP2 Risk Score by Census Tract



**Appendix B: NYC's 15 Community Districts with the Greatest Share of At Risk Census Tracts**

| Community District | Borough | Total Number of Census Tracts | At Risk Census Tracts (score of 18 - 20) | Borderline Tracts (score of 16 or 17) | % of Tracts At Risk | % Tracts At Risk or Borderline |
|---|---|---|---|---|---|---|
| Jamaica/Hollis | Queens | 87 | 67 | 8 | 77.01% | 86.21% |
| Brownsville | Brooklyn | 37 | 22 | 11 | 59.46% | 89.19% |
| East Flatbush | Brooklyn | 45 | 26 | 14 | 57.78% | 88.89% |
| East New York/Starrett City | Brooklyn | 48 | 25 | 16 | 52.08% | 85.42% |
| Bedford Stuyvesant | Brooklyn | 38 | 19 | 8 | 50.00% | 71.05% |
| Crown Heights/Prospect Heights | Brooklyn | 35 | 14 | 6 | 40.00% | 57.14% |
| Queens Village | Queens | 71 | 26 | 19 | 36.62% | 63.38% |
| Bushwick | Brooklyn | 36 | 13 | 7 | 36.11% | 55.56% |
| Rockaway/Broad Channel | Queens | 24 | 7 | 2 | 29.17% | 37.50% |
| S. Crown Heights/Lefferts Gardens | Brooklyn | 26 | 6 | 4 | 23.08% | 38.46% |
| S. Ozone Park/Howard Beach | Queens | 35 | 8 | 9 | 22.86% | 48.57% |
| Flatlands/Canarsie | Brooklyn | 83 | 15 | 21 | 18.07% | 43.37% |
| Jackson Heights | Queens | 37 | 3 | 6 | 8.11% | 24.32% |
| Kew Gardens/Woodhaven | Queens | 53 | 4 | 9 | 7.55% | 24.53% |
| Morrisania/Belmont | Bronx | 44 | 3 | 15 | 6.82% | 40.91% |

**Appendix C: Quality of Life and Market Demand Indicators for CDs with Largest Share of At Risk Tracts**

| Community District | Rank by % at Risk Tracts | Access to Parks | Access to Subways | Crime Rate | School Performance | Poverty | Median Sale Price Per Unit, 2-4 Family Homes (2008) | Housing Price Appreciation 2006 - 2008 | Change in Sales Volume, 2006 -2008, 1-4 Family Homes |
|---|---|---|---|---|---|---|---|---|---|
| Jamaica/Hollis | 1 | 77.9% | 20.7% | 30.2 | 62.4% | 15.8% | $240,000 | -16.7% | -50.7% |
| Brownsville | 2 | 98.3% | 91.4% | 35.7 | 48.4% | 35.5% | $209,680 | -18.0% | -57.7% |
| East Flatbush | 3 | 71.7% | 57.4% | 20.7 | 54.8% | 13.4% | $215,833 | -13.0% | -64.2% |
| East New York/Starrett City | 4 | 93.2% | 75.4% | 29.6 | 49.6% | 27.5% | $211,150 | -15.3% | -69.3% |
| Bedford Stuyvesant | 5 | 98.8% | 87.6% | 39.1 | 47.6% | 36.9% | $231,108 | -16.2% | -56.8% |
| Crown Heights/Prospect Heights | 6 | 92.9% | 97.5% | 26.9 | 47.4% | 26.4% | $258,333 | -11.5% | -52.5% |
| Queens Village | 7 | 74.2% | 0.0% | 15.8 | 66.3% | 4.9% | $255,000 | -18.0% | -46.5% |
| Bushwick | 8 | 91.6% | 97.6% | 25.2 | 49.3% | 32.0% | $216,667 | -14.6% | -69.6% |
| Rockaway/Broad Channel | 9 | 90.4% | 66.9% | 16.7 | 63.3% | 17.3% | $217,838 | -16.7% | -53.5% |
| S. Crown Heights/Lefferts Gardens | 10 | 96.0% | 91.1% | 26.2 | 47.0% | 20.9% | $259,000 | 2.5% | -54.5% |
| S. Ozone Park/Howard Beach | 11 | 52.9% | 39.7% | 20.2 | 63.5% | 10.4% | $251,204 | -21.5% | -52.4% |
| Flatlands/Canarsie | 12 | 90.6% | 11.0% | 21.3 | 60.8% | 9.1% | $260,000 | -16.3% | -54.3% |
| Jackson Heights | 13 | 83.1% | 59.8% | 17.8 | 64.8% | 15.5% | $283,333 | -20.4% | -53.0% |
| Kew Gardens/Woodhaven | 14 | 62.1% | 86.8% | 17.9 | 64.0% | 11.9% | $240,000 | -23.3% | -57.4% |
| Morrisania/Crotona | 15 | 100.0% | 58.3% | 41.2 | 42.4% | 40.9% | $179,634 | -15.0% | -60.2% |
| Belmont/East Tremont | 15 | 100.0% | 37.5% | 37.6 | 46.0% | 40.9% | $191,317 | -18.7% | -61.4% |
| Brooklyn | | 86.7% | 79.6% | 24 | 57.4% | 21.9% | $267,500 | -10.0% | -48.7% |
| Queens | | 81.5% | 46.2% | 18.9 | 67.0% | 12.0% | $270,000 | -17.0% | -42.7% |
| NYC | | 88.5% | 71.5% | 25 | 58.0% | 18.5% | $258,500 | -10.2% | -45.4% |

ANHD, Inc.
50 Broad Street, Suite 1125
New York, NY 10004
Tel: (212) 747-1117
Fax: (212) 747-1114

# TESTIMONY OF BENJAMIN DULCHIN TO THE NEW YORK CITY COUNCIL CONSUMER AFFAIRS COMITTEE

June 18th, 2009

Good Afternoon. Thank you Chairman Vann and committee members for this opportunity to testify about the growing threat of home foreclosure in New York City. I am going to focus my testimony on the threat of foreclosure in the multi-family rental housing, the possible scale of the multi-family foreclosure crisis, its relation to the phenomena that has come to be known as "predatory equity", and the effect the foreclosure crisis may have on tenants and communities. I will also touch briefly on how local government can respond to address the crisis.

My name is Benjamin Dulchin. I am here representing ANHD INC, a not-for-profit social welfare organization which advocates on behalf of 97 New York City neighborhood-based housing groups- CDCs, affordable homeownership groups, supportive housing providers and community organizers. ANHD INC. advocates for comprehensive, progressive housing polices and programs to support affordable, flourishing neighborhoods for all New Yorkers, especially our lower income residents.

**Predatory Equity and the Foreclosure Crisis in Large, Multi Family Rental Housing:**

There has been a dramatic shift in the market for affordable rental housing in New York City as developers backed by Wall Street-type private equity funds have targeted rent-regulated buildings with an investment strategy that has become know as "predatory equity" because of the large numbers of tenants who are being illegally displaced. In only a few years, these predatory equity developers have purchased an estimated 90,000 units of affordable rental housing.

As you can see from the maps that are attached to my testimony, Queens was a particular focus of this strategy, with now infamous developers such as Vantage Realty and Apollo Real Estate Finance, Urban American Real Estate Investment, and Dermot Partners, purchasing large portfolios of buildings in neighborhoods such as Sunnyside, Woodside, and Jamaica, then systematically pressuring low-rent paying tenants to leave. Included is this count is 1,525 apartments in the 26th Council District, 812 in the 25th, 571 in the 21st, and 304 apartments in the 29th Council District.

The structure of many of these real estate deals is unsupportable, and there is a growing danger of default that may lead to a new sub-prime loan crisis for apartment buildings in New York City. Analysis by ANHD finds that a remarkable 60% of the predatory equity loans have been placed on a watch list by the loan servicer for being in danger of default. These loans are three times more likely to be on the watch list then non-predatory equity loans in the same loan security pools, and could represent up to 54,000 apartments that are at risk.

Detailed information on these loans is available because they have been packaged into mortgage-backed securities, and therefore there is publicly available data about the underwriting criteria of the loan, and also the actual up-to-date performance of building finances. In June, 2008 we were able to access and analyze Loan Servicer Reports from ten of the largest predatory equity portfolio loans. We found that the average Debt Service Coverage Ratio at this time was .67. That is, that only .67 cents was available in net rental income for every dollar of debt service payment required. The debt service coverage ratio must be at least 1-to-1, or the building will inevitably fall into financial distress. In December, 2008, we analyzed updated data from the Loan Servicers for the same portfolios, and found that the average Debt Service Coverage Ration had fallen to .61. That is, that the buildings were so heavily over-leveraged that they only produced .61 cents in net rental income for every dollar of debt service payments needed.

Queens neighborhoods are particularly at risk for this default and foreclosure crisis. We have detailed loan performance information from one portfolio of buildings in Queens, owned by Vantage and financed by Apollo Real Estate Finance and Credit Suisse. For this loan, the debt-service-coverage-ratio reported by the loan servicer was .69 in December of 2008. In other words, at last reporting, this portfolio of buildings was only producing .69 cents for every dollar of debt owed. This is a clear recipe for financial default and possible foreclosure.

I have attached to this testimony a summary analysis of the performance of these ten portfolio loans. As can be clearly seen, the overleveraging of these buildings has reached a crisis point.

This new multi-family loan sub-prime crisis will have destructive, destabilizing effect on tenants, affordable housing, and communities in New York City because when an owner defaults on financing, a property very often falls into physical distress. These distressed projects in turn depress the block in which they are located, and the neighborhoods in which they are concentrated. This crisis may also have a destabilizing impact on local commercial loan markets, reducing the availability of healthy investment in affordable housing. Investors in the commercial mortgage-backed securities backed by these mortgages may also be harmed.

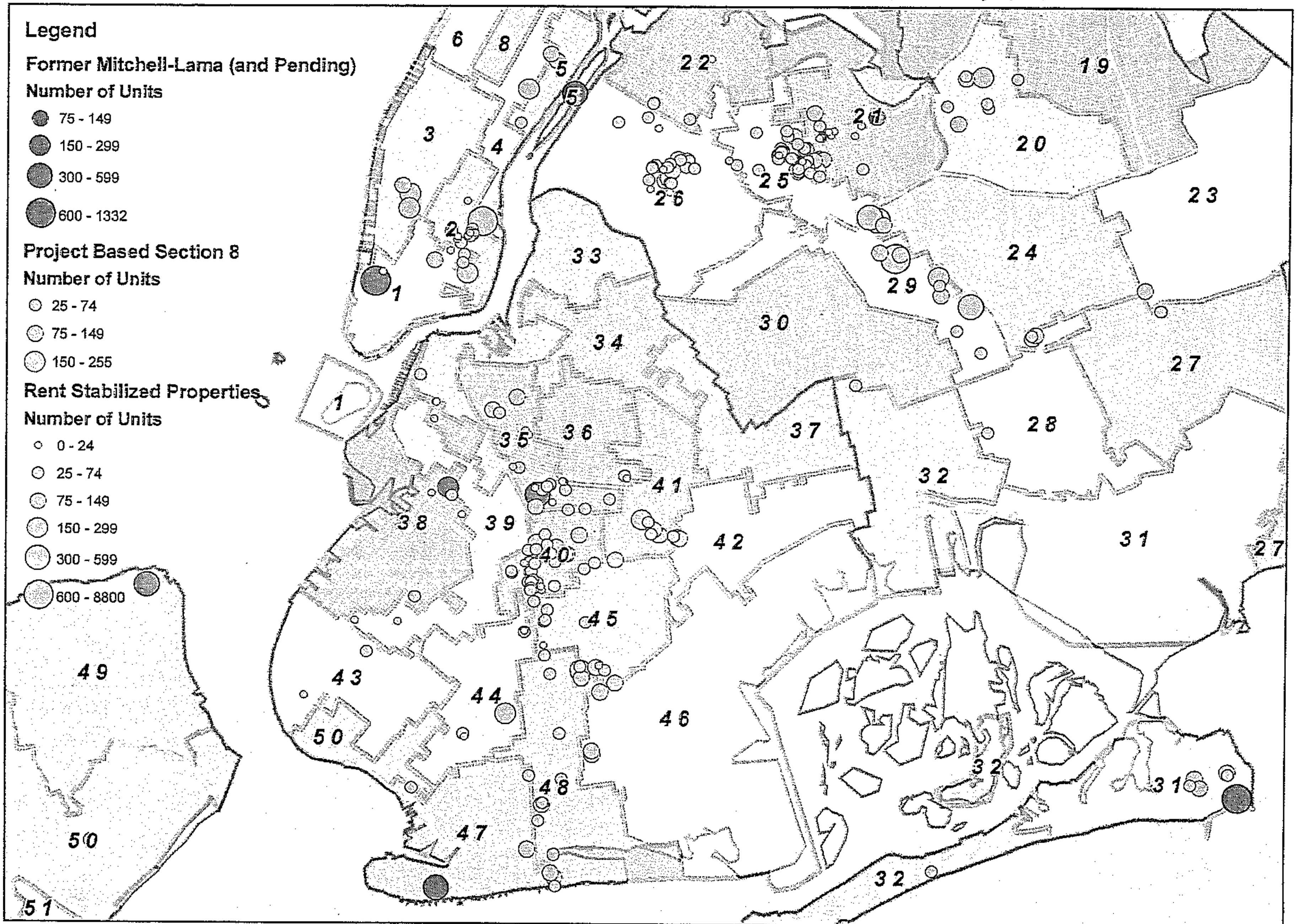
Local policy makers must take an active role in defusing the impact of this next sub-prime crisis by pro-actively protecting the rights of tenants in these buildings, monitoring building conditions and owner financials, and committing resources to ensure that this hard-to-replace affordable housing does not fall into abandonment and disrepair so that tenants and communities are not dragged down.

A public/private strategy to de-leverage and preserve affordability can stop the loss of affordable housing to low and moderate income New Yorkers. There are a relatively small number of banks and financial institutions that hold first position loans on the majority of predatory equity buildings that are in danger of default. With political and regulatory pressure, and in some cases limited public financing or access to tax abatements, banks can be actively encouraged to write down loans more deeply and transfer the property to a preservation purchaser for an appropriate price. With this strategy, together with potential tools available at the federal level, thousands of units of affordable housing can be safeguarded.

There is also another role for local government agencies such as HPD and DHCR. These agencies must use their current regulatory authority to take a targeted, proactive role to address the most severe impact of predatory equity on affordable housing in our city. There are two principal threats to affordable housing by predatory equity. One is loss of affordable housing through harassment of low rent-paying tenants. As we clearly have seen, predatory equity financing is predicated on moving tenants out of their apartments at an unnaturally high rate by using unusual pressure in order to be able to quickly raise rents on vacant apartments. To counter this, HPD and the DHCR must proactively target resources at buildings, using their current anti-harassment tools and legal authority. Because we very often see fraudulent abuse of the 1/40$^{th}$ rent increase system by predatory equity developers, the DHCR must also take a proactive stance by auditing 1/40$^{th}$ rent increases taken in buildings where the landlord has a proven history of abusing the program.

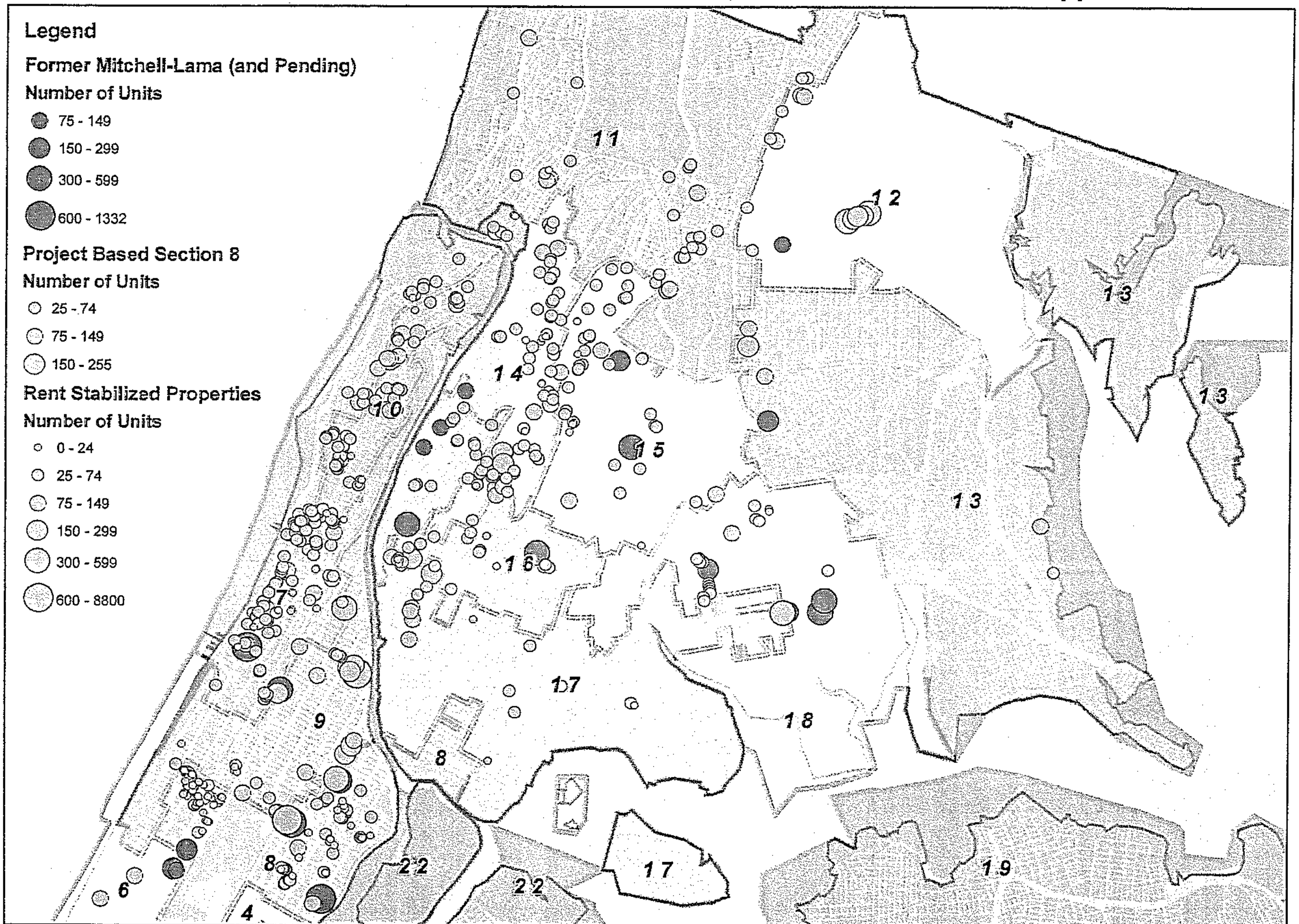
HPD must also target its code enforcement resources in predatory equity buildings that are in, or we know are in the process of falling into distress.

## Predatory Equity in NYC by City Council District, May 2008: Lower Manhattan, Brooklyn, Queens and Staten Island




Map Created by University Neighborhood Housing Program, May 2008
Building Data from the Association for Neighborhood Housing Development, the Community Service Society, Housing Here and Now, the Northwest Bronx Community and Clergy Coalition and University Neighborhood Housing Program.
Basemap files from Department of City Planning and LotInfo, LLC

## Predatory Equity in NYC by City Council District, May 2008: The Bronx and Upper Manhattan




Map Created by University Neighborhood Housing Program, May 2008
Building Data from the Association for Neighborhood and Housing Development, the Community Service Society, Housing Here and Now, the Northwest Bronx Community and Clergy Coalition and University Neighborhood Housing Program.
Basemap files from Department of City Planning and LotInfo, LLC

ASSOCIATION FOR NEIGHBORHOOD AND HOUSING DEVELOPMENT, INC.

ANHD ANALYSIS PREDATORY EQUITY LOAN PERFORMANCE AND DEFAULT RISK

4/30/2009

| **I. Portfolio Information** | **Definitions & Acronyms** | **Queens Multifamily Portfolio** | **Savoy Park** | **Broadway Portfolio** | **Esquire Portfolio** |
|---|---|---|---|---|---|
| **Residential Dus** | DU = dwelling unit or apartment | 2,124 | 1,802 | 455 | 214 |
| **Neighborhood** | Manhattan, Queens, some Bronx | 11 submarkets of Queens | Harlem | Wash Hts Manhattan | Hamilton Heights Manhattan |
| **Owner** | Predatory Equity investors | Vantage/Apollo | Vantage/Apollo | Vantage/Apollo | Vantage/Apollo |
| **Lender** | Primary Lender | Column Financial | Column Financial | Column Financial | Column Financial |
| **Underwriter** | Packaged and sold security w /3-4 others | Credit Suisse, etc. | Credit Suisse, etc. | Credit Suisse, etc. | Credit Suisse, etc. |
| **Master Servicer** | Collects payments & reports | Key Corp | CapMark | Key Corp | KeyBank/Wachovia, etc. |
| **Special Servicer** | Takes over when watchlist worsens | LNR Partners, Inc. | Midland | ING Clarion Ptrs, LLC | ING Clarion Ptrs, LLC |
| **II. Was Loan Reasonable?** | Relation of Value to Income, amount of debt | | | | |
| Appraised Value Per DU | Appraisals in many cases used to justify high debt, not based on income | $142,797 | $233,074 | $241,099 | $196,729 |
| Gross Rent Multiplier | Appraised value divided by Gross Income, should be in range of 3-10 | 13.05 | 24.37 | 26.72 | 19.54 |
| Debt Service Coverage Ratio at Purchase, excl Mezzanine Debt | DSCR Should be at least 1.0. Below 1, usually triggers Watchlist | 1.06 | 0.60 | 0.57 | 0.54 |
| **III. Were Underwriting Assumptions Honest?** | From UW assumptions about income & expenses, can infer turnover rates | | | | |
| UW Revenues DU/Month | Average rent after "transition" to market | $825 | $1,323 | $1,741 | $1,976 |
| Last Reported Revenues DU/Month | from 12.08 Trepp | $989 | $857 | $1,049 | $893 |
| EXPENSES UNDERWRITTEN | Maintenance & Operating | $9,020,053 | $9,027,067 | $3,388,038 | $1,651,084 |
| UW Expenses DU/Month | Per Unit operation before debt | $354 | $417 | $621 | $643 |
| Last Reported Expenses DU/Month | from 12.08 Trepp | $629 | $488 | $678 | $794 |
| **IV. Actual Performance Reports** | Trepp reports from Servicers | | | | |
| Trepp I. Data ending 6/08 | Not always complete | Not on Watchlist | Watchlist 04/08 | Not on Watchlist | Watchlist 07/08 |
| Net Operating Income NOI/NCF | Revenues-Expenses Before Debt Service | $23,653,849 | $4,288,698 | $1,589,953 | $684,167 |
| DSCR | Excludes Mezzanine, non secured Debt | 1.68 | 0.33 | 0.28 | 0.41 |
| Trepp II. Servicer info end 10/08 or 11/08 | Not complete through year end, but more current info in most cases | Watchlist 11/2008 | Watchlist 04/08 | Watchlist 10/08 | Watchlist 07/08 |
| Net Operating Income NOI/NCF | Annualized if partial year info reported | $8,185,160 | 7,528,260 | $1,908,604 | $1,813,632 |
| DSCR (NCF) Exclude Mezz | | 0.69 | 0.57 | 0.43 | 0.11 |
| **V. Direction Reserve Status** | Summarize analysis & conclusions | Doing Much Worse | Slightly Better | Towards Default | Towards Default |
| **VI. Time Remaining to Default "BURN RATE"** | Reserves funded at securitization of loan to cover debt payments during transition. UW implies 3-5 years to get to market | Only 26% of Debt Service reserves remaining, but likely to stabilize | ANHD says Debt Service Reserve gone, should default in 2009 | 13% of DS reserve reported remaining, but ANHD says Reserve is gone. Should default in 2009 | 35% of DS reserve reported remaining, but ANHD says gone. DSCR so low, 2009. |

ASSOCIATION FOR NEIGHBORHOOD AND HOUSING DEVELOPMENT, INC.

| Three Borough Portfolio | Riverton Apartments | Manhattan Apartment Portfolio/Pinnacle | NYC Portfolio Roll-up Dawney Day | Mayberry | Peter Cooper Village & Stuyvesant Town |
|---|---|---|---|---|---|
| 1,646 | 1,230 | 1,083 | 1,142 | 180 | 11,227 |
| Man, Bx &Queens | Drive 135th -138th | East Harlem | East Harlem | East 63rd Manhattan | East Manhattan, 14th - 23rd Sts |
| Westbrook,Normandy, etc. | Gluck & Rockport Group | Pinnacle / Praedium Group | Dawnay Day | Atlas, Goldberger & A. Cohen | Tishman Speyer, Blackrock |
| Barclays Capital | German American | German American | La Salle | Column Financial | Multiple |
| Wachovia . | Citigroup, etc. | GE Cap Corp | La Salle, Morg Stan,etc | Credit Suisse, etc. | Multiple |
| Wachovia | Midland | Key Corp | Capmark Finance | KeyBank/Wachovia, etc. | Wachovia |
| LNR Partners, Inc. | CWCapital Asset | LNR Partners, Inc. | Centerline Servicing | ING Clarion Ptrs, LLC | CW Capital Asst Mgmt |
| $96,233 | $211,382 | $225,300 | $213,660 | $805,556 | $480,983 |
| 9.32 | 19.70 | 22.14 | 18.76 | 25.53 | 23.48 |
| 1.15 | 0.39 | 0.42 | not available | 0.50 | 0.58 |
| $910 | $2,238 | $1,884 | $1,613 | $4,534 | $3,576 |
| | $920 | $948 | $1,235 | $2,387 | $2,058 |
| $7,489,818 | $9,021,766 | $6,489,037 | $5,588,797 | $2,767,091 | $145,569,012 |
| $379 | $611 | $499 | $408 | $1,281 | $1,080 |
| Not available | $623 | $599 | $487 | $1,453 | $1,139 |
| Not on Watchlist | Not on Watchlist | Not on Watchlist | Watchlist 03/08 | Watchlist 03/08 | Watchlist 04/08 |
| $10,068,950 | $3,846,361 | $5,179,007 | | $3,097,396 | $106,024,910 |
| Not available | 0.28 | 0.40 | | 0.62 | 0.55 |
| Not on Watchlist | Not on Watch list | Watchlist 12/07 | Off Watchlist to Spec Servicer | Off Watchlist to Spec. Servicer | Watchlist 04/08 |
| | 4,031,421 | | $10,009,575 | $1,971,269 | $132,413,333 |
| | 0.29 | 0.35 | 0.87 | 0.39 | 0.67 |
| Probably OK | Looks bad, little info | Getting worse | Getting worse | Towards default | Restructuring ahead |
| Why so little info available? | Little information reported, but was rumored near default | Collateral Reserve balance reported at $25K, is $28mil set up gone? Default 2009? | Reserve balances not reported, but not getting rents. Dawney Day folded. | Reserve balance not reported, high vacancy still and high M&O | NOI/NCF increasing somewhat but not enough. Some reserves remain but they are being rapidly depleted. |

ASSOCIATION FOR
NEIGHBORHOOD
AND HOUSING
DEVELOPMENT, INC.

# THE SUB-PRIME LOAN CRISIS IN NEW YORK APARTMENT HOUSING

## How Collapsing Predatory Equity Deals Will Harm Communities and Investors in New York City

**October 2008**

*ANHD gratefully acknowledges the Altman Foundation and the Surdna Foundation for their support of our work to preserve New York City's affordable apartment housing.*

**The Association for Neighborhood and Housing Development**
**50 Broad Street, Suite 1125, New York, NY 10004**
**212-747-1117 www.ANHD.org**

**Introduction**

In our May, 2008 white paper *The Next Sub-Prime Crisis: How Predatory Equity Investment is Undermining NYC's Affordable Rental Housing*, ANHD described the new phenomenon of "predatory equity" and explored one serious problem with this investment strategy – the destruction of affordable rental housing through aggressive harassment of tenants. In this follow-up report, we explore a second threat – the serious danger to the stability and viability of working class neighborhoods in New York City, as well as lenders, investors, and commercial credit markets. This paper cites evidence from loan servicer reports that the speculative nature of predatory equity loans makes them three times more likely to be in danger of default then similar, non-predatory loans. We also provide a detailed analysis of the underwriting criteria of a cross section of loans including some high-profile real estate deals to show why they are speculative and likely to fail. We will also outline some possible solutions, including the need for an *ad hoc* intergovernmental working group to work to pro-actively preserve this at-risk affordable housing by supporting tenants and preservation purchases.

**What is Predatory Equity?**

In recent years, neighborhoods around New York City have seen a dramatic rise in the harassment of tenants as landlords try to illegally remove working families so they can raise the rent. There is a direct connection between this increase in harassment and the rise of a new type of buyer of New York City real estate. These new buyers are private equity-backed investors who are raising money from Wall Street-type funds that create a pressure for profit levels that, in rent regulated buildings can only be achieved by illegally displacing tenants and undermining affordable rents. Many of the lending institutions that are providing the huge loans for the purchase of these buildings are pooling and re-selling the loans in mortgage-backed securities.

Both the private equity funders and the lending institutions are aware, or should be aware, that illegal harassment of tenants is taking place as a result of their financial model. Private equity-backed developers have, in the past four years, purchased an estimated 90,000 units of affordable, rent regulated housing. This is a significant percentage – almost 10% - of our rent regulated housing and represents a major threat to affordable housing and stable communities. This "predatory equity" is undermining the best attempts of New York City and State elected officials to slow the loss of affordable housing. (For more detail, see the May, 2008 white paper *The Next Sub-Prime Crisis: How Predatory Equity Investment is Undermining NYC's Affordable Rental Housing.*)

**The Developing Threat in the New York City Commercial Loan Market**

The destruction created by single-family residential sub-prime loans, and the investment instruments backed by those loans is now well understood. First, lenders made unwise loans, often justified by a borrower's aggressive future income projections. These sub-prime loans were based on unjustified assumptions, or outright falsehoods, about the borrower's ability to repay the loan. Borrowers are now defaulting at a rate that threatens the future of countless families and communities. Second, lenders then sold those loans to back various investment instruments including residential mortgage-backed securities and other collateralized mortgage obligations. The goal of these investment instruments was to raise more capital to lend, which was successfully accomplished, and to hedge the risk of such aggressive lending. This second goal has turned out to be a failure of historic proportions. Rather then hedging risk, the multiple layers of mortgage-backed securities, collateralized mortgage obligations, credit default swaps, and other complex financial technologies spread the risk around like a virus. When mortgage default rates went beyond analysts' expectations, investors who bought any of the multiple layers of the instruments lost billions and credit markets collapsed.

New York City is dominated by multi-family apartment buildings. Loans on these buildings are classified as commercial loans. Like the residential mortgage market, these commercial loans are used to back various investment instruments including commercial mortgage-backed securities and other collateralized mortgage obligations. These "predatory equity" loans are the equivalent of residential sub-prime loans.

Like sub-prime loans, these commercial loans are irresponsible because in many cases the borrower does not have a reasonable chance of paying them back. Furthermore, these commercial loans are speculative because they are based on an unrealistic potential future rental income from the building. The industry term for this loan strategy is "transitional", meaning that a building producing a moderate income can rapidly be transitioned to produce a far higher income. In a rent regulated building where annual rent increases are set by law and are relatively moderate, dramatic rent increases can only be taken when an apartment becomes vacant. The only way to rapidly "transition" a building is to generate an unusually high rate of turnover by moderate-rent paying tenants. This is the stark, methodical harassment used by private equity backed developers to generate the tenant turnover that has earned the name "predatory equity".

The impact of predatory equity in New York City's rent regulated housing stock is enormous. In only a few years, predatory equity developers have purchased an estimated 90,000 units of affordable rental housing. This represents more than 10% of our rent regulated housing[1]. As with residential loan markets, these predatory commercial loans have been re-packaged in various mortgage-backed investment instruments. This is designed to raise more capital to lend, and to hedge the risk. But, as with the current residential sub-prime crisis, if the default rate of predatory equity loans exceeds analysts' expectations, the risk may be spread like an infection. In turn, there is real potential to do great damage to residents, communities, investors, and commercial loan markets.

**The Danger of Predatory Equity**

The growth in rental income from a well-managed rent regulated building can be expected to rise in a steady, but moderate line. Under rent regulation, leases must be renewed and rents can only be increased by a moderate amount (as set by a city Rent Guidelines Board) with each lease renewal. Although dramatic increases in rent can be taken on vacant apartments, the "natural" turnover rate for tenants in rent regulated apartments averages between 5% -10%, which does not translate to the huge jump in rental income that speculative purchasers need to satisfy their debt obligations. Two things can happen if a loan is underwritten on the assumption that a landlord can achieve a vacancy rate far beyond the historic average:

1. Either the assumptions are correct and the landlord actually can harass out enough of the tenants to increase the rent roll enough to pay the debt service, in which case the investment security is good but tenant protection laws are broken and affordable housing destroyed; or

2. The landlord cannot remove enough of the tenants to raise the rent roll and pay the debt service, in which case the building is financially unstable and likely to fall into dangerous disrepair and whoever made the loan or bought into investment instruments based on the loan is likely to lose.

[1] Based on a 2008 report from the New York State Department of Housing and Community Renewal there were 850,000 rent-regulated apartments in New York City.

For the thousands of working and middle-class households who are victims of this business model, no outcome is favorable.

## The Crisis of Speculative Commercial Loans – Projecting the Danger of Default

ANHD has obtained detailed loan underwriting information for the 35% (27,000) of the predatory equity-backed deals that were purchased with bank loans (first loans) that were then pooled in a commercial mortgage-backed security. For these loans, detailed information about the underwriting assumptions on which the loans were based is available by searching public records of the Securities and Exchange Commission (SEC).

ANHD also obtained information from the Trepp financial data Service Company that tracks which of these loans was placed on a "default-watch list" by the loan servicer. A full 60% of these loans are on the servicer's default watch list. This compared to a watch list average of 20% of all other loans that were pooled in commercial mortgage-backed securities in the same year.[2] This makes predatory equity loans three times more likely to be on a default watch list than other commercial loans in the same security pool.

Although we only have detailed underwriting and servicer's watch list information for the 35% of predatory equity loans that were pooled into securities, it is reasonable to assume that most of the 90,000 regulated apartments purchased by predatory equity developers share similar characteristics. A 60% watch list rate therefore suggests that up to 54,000 New York City apartments may be in danger of default.

This default crisis will have destructive, destabilizing effect on tenants, affordable housing, and communities in New York City. When an owner defaults on financing, a property typically falls into physical distress. These distressed projects in turn depress the block in which they are located, and the neighborhoods in which they are concentrated. Another very real consequence of a default crisis is that local credit markers may be destabilized, and financial institutions will be unwilling to make the healthy investments that are necessary in affordable rental housing.

Investors in collateralized debt obligations may also be affected if the default rate of predatory equity loans is high enough and if the commercial mortgage-backed securities that they back are highly exposed. Although this scenario has been disastrous in the sub-prime residential loan market, it is not yet clear what will occur in the commercial loan market. *Appendix A is a list of commercial mortgage backed securities that could be exposed to predatory equity defaults.*

## Understanding the Default Risk - Why Predatory Equity Loans are Speculative

The danger of default in these predatory equity loans was not an unforeseeable accident. As in the residential sub prime crisis, these loans would not have been made if long-accepted underwriting standards had not been ignored by a chain of parties, including the developer, the private equity partner, the first loan lender, the mezzanine debt lender, the security pool underwriter, and the credit rating agency.

ANHD has examined the underwriting for ten rent stabilized multi-family residential building portfolios that were purchased by private equity firms and financed with mortgages that were subsequently securitized in commercial mortgage-backed securities. This underwriting information, while incomplete, does divulge financing terms and underwriting assumptions that cannot be obtained from public records for non-securitized loans. These securitized loans have many similarities. All are interest-only short-term balloon loans – five and seven year terms are common and none exceed ten-year

[2] Commercial Mortgage Alert, July 18, 2008. "Spreads Rise on Deals Flagged by Servicers", p. 10.

terms. All are from lenders that have not played a large role in financing acquisitions of New York City's rent stabilized multi-family buildings until recently. All posit a substantial increase in Net Operating Income (NOI) at purchase to an Underwritten (UW) NOI that will support repaying the interest on the project financing. All have substantial debt service reserves that are intended to cover the interest shortfall while the portfolio is transitioned to a higher income building with higher rents, as well as capital improvement reserves. All loans are to owners who state that they will achieve these higher rents by undertaking both apartment improvement increase (so-called 1/40th) and Major Capital Improvements (MCIs or 1/84th increases) on vacant apartments and establish reserves to pay for these costs.

Specific examples of aggressive underwriting revealed in the SEC "Free Writing Prospectus" filings include:

- Inflating Income Projections: In the frothy underwriting era of 2006-2007, projected income, not actual income was used to justify inflated loan amounts. This allowed projects like the Riverton to acknowledge an at-purchase Debt Service Coverage Ratio of .39x but to assert that in five years the coverage would be 1.73x. Similarly, Stuy Town states an at purchase DSCR of .58x but claims it will get to 1.73x in 2011. These unrealistic debt service coverage ratios are based on wildly optimistic increases in NOI. Some examples:
    - The Savoy Park, formerly the Delano, anticipates an increase in NOI from $7.4 million to $19 million in five years, an increase of nearly 150%.
    - The Broadway Portfolio similarly estimates NOI increasing from $2.4 million to $6.1 million, or 147%.
    - Peter Cooper Village and Stuy Town report that an NOI of $112 million in 2006 will be $333 million in 2011, nearly a 200% increase in 5 years.
    - The Mayberry which had an in-place NOI of $2,483,645 projects an Underwritten NOI of $7,025,820 a 352% increase; this in a project where more than half of the units are already deregulated, and aggressive assumptions about market increases drive part of the assumed increase in NOI.
    - The Riverton projects NOI increasing in five years from $5.2 million to $23.6 million, a 349% increase.
- Relying on Balloon Short-Term Financing: None of the loans used to purchase these buildings amortize any of the purchase price, and most have terms of five or seven years. Only the Stuy Town loan and the Mayberry loan had ten-year terms. Reliance on 100% non-amortizing debt, while often seen in commercial and coop conversion loans, has not, until recently, been common practice in residential loans. Non-amortizing debt supports inflated pricing of real estate.
- Using Mezzanine Debt: Mezzanine debt is unsecured, non-amortizing "subordinate" debt that has a higher interest rate than the first position loan. No requirements regulate reporting of sources of mezzanine loans. Hedge funds and private equity funds are typical lenders. In almost every deal analyzed, mezzanine debt was used as operating support to paper-over the fact that the property could not sustain its own costs, or to allow the developer to take out profits from non-performing deals.

- Using Aggressive Appraisals: The appraised values presented in the underwriting information are often questionable. Appraisers use a combination of comparable sales, replacement values, and multiples of gross income (or Gross Income Multiple) to derive estimates of current market value. In many of these loans, the Gross Income Multiple is extremely high, although some of the numbers below are estimates because income from commercial space, professional space or parking lots is not typically disclosed in the SEC filings.

  - The Broadway Portfolio, with an appraised value of $109 million has a gross income multiplier of 26;
  - The Mayberry, with 180 units and appraised at $145,000,000, where in fact an assumption about substantial parking and professional space income is included in the calculation, has a Gross Income Multiplier of 25.5;
  - The Savoy, appraised at $420 million, has a gross income multiplier of 24;
  - The Riverton, which provided two appraised values "As-Is" at securitization of $260 million with a multiplier of 19, and "As-Stabilized" in 2011 of $340 million or 25. Here the term "as-stabilized" is ironic, because it assumes the higher value when the goal is reached where 53% of the units are deregulated by 2011 and are no longer rent stabilized.

- Understating the costs of Maintaining and Operating Buildings. In some, but not all of the projects, reported or imputed operating costs bear little relation to the reality of operating multi-family rental housing in New York City.

  - For the Broadway Portfolio an at purchase NOI of $2,470,103 is stated in the FWP. Based on a non-weighted average rent of $752 derived from rents stated in the SEC filing, the gross income for the portfolios' 455 apartments (excluding commercial space because no information is provided) would be $4,105,920. This Gross Income, less the stated Vacancy of 1% or $41,059 based on a December 2006 rent roll, yields a net income of $4,064, 861. The imputed M&O including RE taxes, derived from imputed average rents less stated NOI, is $1,594, 758 or $3,505 per du/yr. When actual RE Taxes (obtained from ACRIS and the DOF) of $826,613 are deducted , annual operating expenses less RE taxes equal an impossibly low $1,688 per du/yr. Compare this to the RGB 2008 Income and Expense Survey[3]. The Broadway Portfolio contains buildings built before 1947, and most are between 20 and 99 units in size. For similar Upper Manhattan properties, annual operating costs less RE taxes are $6,744 per du/yr. The UW Expenses (M&O) is over $3,000 less per unit per year than the actual average for similar Upper Manhattan Buildings.

Reading the Default Risk Chart

Below is a chart summarizing some other characteristics and the default risks of ten major predatory equity loans that supplements SEC disclosed information with updated information provided by the loan

[3] Each year the New York City Rent Guidelines Board publishes an annual report on income and expenses. The 2008 Income and Expense Study examined information from 12,644 rent-stabilized apartment buildings across the City.

servicers to Trepp[4]. A number of indicators listed on the left hand side of the chart reveal more about key financing assumptions.

The Appraised Value, either "as-is" or "stabilized" and whether it is higher than could be justified by building income is one important indicator. As discussed earlier, the Gross Rent Multiple (GRM) is derived from dividing the appraised value by current yearly gross rental income. The resulting number is an indicator of whether the portfolio's value is in line with the historical and current market for rent stabilized multi-family buildings. While in recent years the GRM for purchase of rental properties has increased substantially because of the City's protracted real estate boom, the GRM for a number of the portfolios is near to or exceeds 20, and this is an exceptionally high figure.

Another key indicator that can be extracted from the FWP and that is shown in several places on the chart is Debt Service interest payments on a per unit and per month basis. Some of the projects were financed with a first mortgage and disclose additional mezzanine debt. This Debt, on a per unit/per month basis is compared to the average rent at purchase. Note that in a seven of the portfolios, the total interest-only monthly debt service payment exceeds at purchase average rents.

Most SEC filings disclose an average rent at purchase and a (NOI) at purchase, or provide information from which these figures can be imputed. NOI is income after all operating expenses except debt service are paid. The chart shows that in all but the Three Borough Pool and the Queens Multi-Family portfolios, the UW NOI greatly exceeds at purchase NOI.

Debt Service Coverage Ratio (DSCR) is the ratio of debt service to NOI. In many of the loans, the disclosed DSCR at purchase is well below 1:1. But UW DSCR exceeds 1:1. Those portfolio loans that have additional mezzanine financing sometimes do, and sometimes do not, disclose a DSCR that includes the mezzanine debt.

About the Data Sources: The portfolios and/or buildings described in the chart were purchased in 2006 and 2007. Because the loans were securitized, the borrower is required to report revenue, expenses, and vacancies to their loan servicer, and this information is tracked against the underwriting assumptions stated in the FWP. This information is published in an industry data service called Trepp. Access to the owners' own reports has allowed ANHD to determine whether a loan was performing and meeting its underwriting targets. Loan servicers place loans on a "watch list" if the DSCR is inadequate. The chart presents actual Occupancy (Vacancy) rates, Revenue and Expenses as reported in Trepp. The comparison of actual information to UW projections is revealing. It confirms that the aggressive underwriting assumptions used to justify inflated loans are unrealistic and in all but two loans, Revenues are lower and Expenses are higher than underwritten.

[4] The Peter Cooper Village & Stuyvesant Town Loans, while listed on the table as one loan, is actually five pari-passu loans totaling $3,000,000,000.

| SECURITIZED LOANS PORTFOLIOS OF MULTI-FAMILY RENTAL NYC | Three Borough Portfolio | Queens Multi-Family Portfolio | Savoy Park | Broadway Portfolio | Esquire Portfolio |
|---|---|---|---|---|---|
| Owner | Westbrook, Normandy, Barclays, Vantage | Vantage/Apollo | Vantage/Apollo | Vantage/Apollo | Vantage/Apollo |
| # of Buildings | 42 | 31 | 7 | 8 | 4 |
| Residential Dus | 1,646 | 2,124 | 1,802 | 455 | 214 |
| Comm/Professional Units or SF | 42 | 22 | NA | 43 | 7 |
| Parking | | | | | |
| Location | Manhattan, Bronx and Queens | 11 submarkets of Queens | Harlem | Washington Hts Manhattan | Hamilton Heights Manhattan |
| SERVICER Info '07-'08 | *Not on Watchlist* | *Not on Watchlist* | *Watchlist 04/08* | *Not on Watchlist* | *Watchlist 07/08* |
| SECURITIZATION INFO | WBCMT 2007-C33 | CSMC 2006-C5 | CSMC 2007-C1 | CSMC 2007-C2 | CSMC 2007-C4 |
| Term Sheet Date | 8/1/2007 | 12/1/2006 | 2/16/2007 | 4/13/2007 | 8/13/2007 |
| Appraised"As-Is" Value in FWP | $158,400,000 | $303,300,000 | $420,000,000 | $109,700,000 | $42,100,000 |
| "As-Stabilized" Appraised | | | | | |
| Appraised "As-Is"Value Per DU | $96,233 | $142,797 | $233,074 | $241,099 | $196,729 |
| Appraised "As-Is" Gross Rent Multiple | 9.32 | 13.05 | 24.37 | 26.72 | 19.54 |
| Average Rent DU/mo at purchase | $860 | $923 | $797 | $752 | $814 |
| Lender | Barclays Capital Real Estate | Column Financial | Column Financial | Column Financial | Column Financial |
| First Mortgage | $133,000,000 | $192,000,000 | $210,000,000 | $70,000,000 | $31,000,000 |
| Interest | 5.7850% | 6.2543% | 6.1354% | 6.2396% | 5.7860% |
| Term | 5 | 7 | 7 | 7 | 7 |
| Amortization | balloon | balloon | balloon | balloon | balloon |
| First Mortgage Amount Per DU | $80,802 | $90,395 | $116,537 | $153,846 | $144,860 |
| New First Mort Debt Service Per DU/mo | $390 | $471 | $596 | $800 | $698 |
| Mezzanie Debt | $0 | $58,000,000 | $157,000,000 | $23,000,000 | $3,170,000 |
| # of Mezzanine Loans | None | 2 | 4 | 1 | 1 |
| Int / blended (or est. at 7%) | | 6.8144% | 7.0528% | 7.07% | 7.00% |
| Assumed Term | | 7 | 7 | 7 | not stated |
| Assumed Amortization | | balloon | balloon | balloon | balloon |
| Der DU | | $27,307 | $87,125 | $50,549 | $14,813 |
| New Mezz DS DU/month | | $155 | $512 | $298 | $86 |
| Total Combined Debt Service per | $390 | $626 | $1,108 | $1,098 | $785 |
| % of New DS to Rents at Purchase | 45.29% | 67.86% | 139.02% | 146.01% | 96.42% |
| NOI At Purchase | $8,834,420 | $12,700,866 | $7,747,208 | $2,470,103 | $960,996 |
| NCF at Purchase if Different) | | | | | |
| NOI AS UNDERWRITTEN | $10,480,960 | $14,584,451 | $19,132,596 | $6,115,415 | $3,423,179 |
| Increase in NOI | 18.64% | 14.83% | 146.96% | 147.58% | 256.21% |
| DSCR at Purchase(w/o Mezz) | 1.15 | 1.06 | 0.60 | 0.57 | 0.54 |
| DSCR at Purchase(w/ Mezz) | | 0.80 | 0.32 | 0.41 | 0.48 |
| UW DSCR | 1.29 | 1.20 | 1.46 | 1.36 | 1.85 |
| UW Occupancy | 96.31% | 99.00% | 97.00% | | 99.00% |
| Revenues UNDERWRITTEN | $17,970,768 | $21,020,053 | $28,610,163 | $9,503,453 | $5,074,263 |
| EXPENSES UNDERWRITTEN | $7,489,818 | $9,020,053 | $9,027,067 | $3,388,038 | $1,651,084 |
| SERVICER REPORTS | | | | | |
| NOI | | $24,181,053 | $4,739,199 | $1,703,704 | $733,218 |
| NCF | $10,068,950 | $23,653,849 | $4,288,698 | $1,589,953 | $684,167 |
| DSCR (NOI) Excl Mezz | No info provided | 1.72 | 0.36 | 0.30 | 0.44 |
| DSCR (NCF) Exclude Mezz | | 1.68 | 0.33 | 0.28 | 0.41 |
| Occupancy | | 94% | 95.47% | 98.00% | 99.00% |
| Revenues | | $38,616,383 | $17,310,476 | $5,061,035 | $1,931,988 |
| Expenses | | $14,435,331 | $12,571,278 | $3,357,332 | $1,180,770 |
| EXCEED/DO NOT EXCEED TARGET NOI | | $24,181,052 | ($6,561,318) | ($2,758,083) | ($2,242,409) |
| Notes: | Less new debt as others and its average rent at purchase was not the lowest | Expenses much higher than underwritten, but revenues are $16 million more than UW | DSCR is worsening. Expenses are much higher than underwritten | Not sure why not on Watchlist. DSCR is getting worse | DSCR is getting worse, but expenses lss than projected |

| SECURITIZED LOANS PORTFOLIOS OF MULTI-FAMILY RENTAL NYC | Riverton Apartments | Manhattan Apartment Portfolio | NYC Portfolio | Mayberry | Peter Cooper Village & Stuyvesant Town |
|---|---|---|---|---|---|
| Owner | Larry Gluck and Rockport Group | Pinnacle,The Praedium Group | Dawnay Day | Atlas Capital Group | Tishman Speyer, Blackrock |
| # of Buildings | 7 | 36 | 37 | 1 | 57 |
| Residential Dus | 1,230 | 1,083 | 1,142 | 180 | 11,227 |
| Comm/Professional Units or SF | 2 | 2 | 58 | 8 | 117,711 |
| Parking | | | | 93 | 2,260 |
| Location | Harlem | East Harlem | East Harlem | East 63rd Manhattan | East Manhattan, 14th - 23rd Sts |
| SERVICER Info '07-'08 | Not on Watch list | Watchlist 12/07 | Watchlist 03/08 | Watchlist 03/08 | Watchlist 04/08 |
| SECURITIZATION INFO | CD 2007-C4 | GECMC 2007-C1 | MSC 2007-IQ14 | CSMC 2007-C4 | multiple |
| Term Sheet Date | 3/5/2007 | 4/12/2007 | 3/19/2007 | 6/1/2007 | 11/17/2006 |
| Appraised"As-Is" Value in FWP | $260,000,000 | $255,000,000 | $244,000,000 | $145,000,000 | $5,400,000,000 |
| "As-Stabilized" Appraised | $340,000,000 | | $321,199,999 | $116,644,444 | $6,900,000,000 |
| Appraised "As-Is"Value Per DU | $211,382 | $225,300 | $213,660 | $805,556 | $480,983 |
| Appraised "As-Is" Gross Rent Multiple | 19.70 | 22.14 | 18.76 | 25.53 | 23.48 |
| Average Rent DU/mo at purchase | $894 | $1,002 | $949 | $2,328 | $1,707 |
| Lender | Capital Corporation | Capital Corporation | La Salle | Column Financial | Wachovia, Merrill Lynch |
| First Mortgage | $225,000,000 | $204,000,000 | $195,000,000 | $90,000,000 | $3,000,000,000 |
| Interest | 5.9986% | 6.2400% | 5.8000% | 5.5000% | 6.4340% |
| Term | 5 | 5 | 5 | 10 | 10 |
| Amortization | balloon | balloon | balloon | balloon | balloon |
| First Mortgage Amount Per DU | $182,927 | $188,366 | $170,753 | $500,000 | $267,213 |
| New First Mort Debt Service Per DU/mo | $914 | $980 | $825 | $2,292 | $1,433 |
| Mezzanie Debt | $25,000,000 | $0 | $20,000,000 | $34,000,000 | $1,400,000,000 |
| # of Mezzanine Loans | | None | 1 | 1 | 11 |
| Int / blended (or est. at 7%) | 7.00% | | 7.00% | 7.00% | 7% |
| Assumed Term | | | | | 10 |
| Assumed Amortization | balloon | | balloon | balloon | ballon |
| Der DU | $20,325 | | $17,513 | $188,889 | $124,699 |
| New Mezz DS DU/month | $119 | | $102 | $1,102 | $727 |
| Total Combined Debt Service per | $1,033 | $980 | $927 | $3,394 | $2,160 |
| % of New DS to Rents at Purchase | 115.55% | 97.75% | 97.68% | 145.79% | 126.54% |
| NOI At Purchase | $5,263,772 | $5,415,658 | $10,408,298 | $2,483,645 | $112,242,474 |
| NCF at Purchase if Different) | | | | | |
| NOI AS UNDERWRITTEN | $24,007,857 | $18,001,713 | $16,515,458 | $7,025,820 | $333,909,980 |
| Increase in NOI | 356.10% | 232.40% | 58.68% | 182.88% | 197.49% |
| DSCR at Purchase(w/o Mezz) | 0.39 | | | 0.50 | 0.58 |
| DSCR at Purchase(w/ Mezz) | 0.35 | 0.42 | | 0.34 | 0.39 |
| UW DSCR | 1.73 and 1.19 w/ mezz | 1.42 | 1.44 | 1.73 | 1.73 |
| UW Occupancy | 96.70% | 96.9% | | 87.2% | 96.9% |
| Revenues UNDERWRITTEN | $33,029,623 | $24,490,750 | $22,104,255 | $9,792,911 | $481,725,392 |
| EXPENSES UNDERWRITTEN | $9,021,766 | $6,489,037 | $5,588,797 | $2,767,091 | $145,569,012 |
| SERVICER REPORTS | | | | | |
| NOI | $4,192,455 | $5,179,008 | | $3,412,482 | $108,271,311 |
| NCF | $3,846,361 | $5,179,007 | | $3,097,396 | $106,024,910 |
| DSCR (NOI) Excl Mezz | 0.31 | 0.40 | No info provided | 0.68 | 0.56 |
| DSCR (NCF) Exclude Mezz | 0.28 | 0.40 | | 0.62 | 0.55 |
| Occupancy | 97.00% | 95.00% | | 65.00% | 94.00% |
| Revenues | $13,786,597 | $12,232,828 | | $6,346,486 | $248,849,924 |
| Expenses | $9,594,142 | $7,053,821 | | $2,934,004 | $140,578,614 |
| EXCEED/DO NOT EXCEED TARGET NOI | ($14,413,715) | ($10,947,892) | | ($4,091,816) | ($193,331,366) |
| Notes: | Going in the wrong direction. Coverage getting worse, expenses higher than projected | Going in the wrong direction. Coverage getting worse, expenses higher than projected | FWP information is skimpy. Dawnay Day has gone under, dispo of bldgs unknown | Recent Reduction in Appraised Value. DSCR is better, but expenses higher than UW | Revenues less than UW, higher Vacancy and DSCR going down |

## The Role of the Credit Rating Agencies

There is a long chain of responsibility for the predatory equity crisis, including the developer, the private equity partner, the first loan lender, the mezzanine debt lender, and the security pool underwriter. One additional responsible party stands out – the investment rating agency. The three major investment rating agencies – Standard and Poor's, Fitch and Moody's – play a central role in creating salable investments by offering an "objective" analysis of the credit worthiness of the investment. Most importantly, the credit rating agencies are supposed to determine for investors whether the investment is "credit-grade" (rated on a scale from AAA to BBB), or "speculative" (rated below BBB). The failure of the credit rating agencies to behave responsibly in the lead up to the single-family residential sub-prime crisis is now well understood. A recent, scathing report by the Securities and Exchange Commission states "The rating agencies' performance in rating these [residential sub-prime] structured finance products raises questions about the accuracy of their credit ratings generally as well as the integrity of the ratings process as a whole".[5]

We believe that this may be as true in the commercial lending markets that we have examined as it is in the residential lending market. A prime example is the rating for the $5.4 billion deal for Stuyvesant Town-Peter Cooper Village, an 11,000 unit housing complex on Manhattan's East Side. The finances for this deal were rated BBB- by the credit rating agencies Standard & Poor's and Moody's, declaring the deal "investment-grade".

In fact, an analysis of the deal suggests that it is clearly "speculative". As the analysis of Stuyvesant Town-Peter Cooper Village shows, the deal is based on unsustainable assumptions, including:

- Net Operating Income will increase by 200% within five years, although there is no clear path to achieve this remarkable increase.
- Approximately 3,000 rent regulated units will be de-regulated with five years, although the historic turnover average is only 5.6% a year, far below what is needed to recapture 3,000 apartments.
- Rents on units that are currently de-regulated will increase by 15% to 30% to bring them to "market".

None of these assumptions is realistic, even in the most optimistic market conditions, making the deal speculative and raising serious questions about the "investment grade" BBB- rating. *See the appended chart for more detail.* The rating agencies rating criteria should be called into question.

The other predatory equity deals that we have examined do not have an individual rating for the loan (called a "shadow rating"). Instead, only the loan pool as a whole is rated. In each case, the loan security pool was given a AAA rating. Any danger to the investor in the security is expected to be hedged by various forms of "credit enhancements" that are structured into the security pool. These credit enhancements include traunching and over-collateralization. These same types of credit enhancements were expected to shield investors from losses in residential loan-based investments, but failed when the loan default rate exceeded the levels that had been initially projected by the rating agencies. The projected default rate of the predatory equity loans and the failure of the agencies to accurately rate the Stuyvesant Town-Peter Cooper Village may well present a similar danger in the commercial loan market, and calls into serous question the role of the credit rating agencies.

[5] *Summary Report of Issues Identified in the Commission Staff's Examination of Select Credit Rating Agencies*, United States Securities and Exchange Commission, July, 2008, p. 2.

**Conclusion – What can be done to Protect Tenants, Communities and Investors?**
As the residential sub-prime crisis has demonstrated, existing protections were inadequate for individuals taking out loans and investors in the investment securities backed by those loans, and the consequences have been calamitous. This paper suggests that there is a serious problem because of the scale of speculative loans on multi-family buildings. New protections must be put in place to safeguard the tenants, affordable housing, communities, and investors who may be damaged.

Intergovernmental Working Group - There is no silver bullet for the problems that collapsing predatory equity deals will cause and no one governmental agency can be responsible for the solution. However, there must be a pro-active, strategic local government response to this growing crisis that anticipates where the problems will occur, and develops the resources and policy tools to deal with the crisis. The first step must be to recognize the predatory equity buildings as a specific group of building facing a specific crisis, and to create an ad hoc, intergovernmental working group to combine resources and strategies. This intergovernmental working group should be led by the city Department of Housing Preservation and Development, and include the state Division of Housing and Community Renewal, the state Housing Finance Agency, the city housing finance agency, and the state Attorney General. Appropriate city-wide housing policy groups should also be included.

Enforce and Strengthen Tenant Protections – There are three areas where government must act:

- **Educate and Support At-Risk Tenants.** Predatory equity investments are based on the assumption that tenants can be pushed out and rents increased beyond historically reasonable levels, with illegal harassment often the consequence. If our primary goal is to preserve affordable housing, then the first line of defense must be assisting tenants to understand their rights so they can stay in their homes. Anti-harassment protections for tenants, including the recently signed New York City Tenant Protection Act (Local Law 7) and State anti-harassment provisions in the Rent Stabilization Code, must be energetically enforced by city and state agencies. Resources must be committed so that community groups can, working with their political representatives, pro-actively reach out to buildings and educate tenants to protect their rights in buildings targeted by a predatory equity investment strategy.

- **Stop Fraudulent Abuse in the Apartment Improvement Rent Increase System.** The specific mechanism that developers use to raise rents on vacant, rent-regulated apartments after the tenant has been moved out is an Individual Apartment Improvement Increase, also known as a $1/40^{th}$ increase. Under this rule, a landlord is allowed to raise the monthly rent on a vacant apartment by $1/40^{th}$ of total cost of any improvement made to that apartment. Unfortunately, the $1/40^{th}$ program is often subject to fraud because it relies on landlord self-certification. In fact, the state agency that oversees the rent regulation system, the Division of Housing and Community Renewal (DHCR), does not require landlords to provide any proof of the cost of the improvement on which the rent increased was based unless a tenant first files a challenge. This leaves tenants vulnerable, and the rules virtually un-enforced. The DHCR must administer the $1/40^{th}$ program more effectively by setting a trigger mechanism – such as an increase of 25% of the base rent - that would require a landlord to provide proof of the cost of any improvement before a rent increase is allowed.

- **Target Code Enforcement in Affected Buildings.** As buildings with a predatory equity investment strategy begin to face financial pressure, as this white paper suggests they will, tenants will likely face deteriorating conditions as the building owner tries to save money by reducing necessary repairs and services. The New York City Department of Housing Preservation and Development (HPD) must commit code enforcement resources, including inspections, litigation, and emergency repair, to help avoid building deterioration. HPD should proactively target these buildings before the crisis becomes severe.

Find a Preservation Purchaser for Buildings that Default – Many of the multi-family buildings bought by predatory equity developers will fall into foreclosure or other forms of financial distress. This will have destructive, destabilizing effect on tenants, affordable housing, and communities in New York City because when an owner defaults on financing, a property very often falls into physical distress. These distressed projects in turn depress the block in which they are located, and the neighborhoods in which they are concentrated. City and state authorities must develop a plan and commit resources to protect this hard-to-replace affordable housing. To use the finance industries term, there must be an "orderly de-leveraging" of these assets by finding a preservation purchaser for defaulting building. A series of issues present themselves, which must be considered by the ad hoc intergovernmental working group that we recommend above.

- When a landlord defaults on a loan, the lender may try to recoup maximum value for that loan by selling it to a new buyer, who becomes the new landlord. But, if the loan is unsustainable from its inception, a new buyer will just continue the existing problems. This means that the lender must sell the loan at a highly discounted rate to a preservation purchaser. The government must deploy creative strategies in order to have the leverage to ensure this outcome.
- If the landlord defaults on the first loan, they may well have defaulted on the subordinate mezzanine debt that is layered into many of these predatory equity deals. The mezzanine lender may have a legal claim on the ownership entity.
- In deals where the first loan has been packaged into a mortgage-backed security, it is unclear who owns the loan, and who has authority renegotiate, sell, or foreclose on a non-performing loan. Parties include the security pool underwriter, servicer, master servicer, and special servicer, all of whom may claim to have the right to act in the interests of the security pool investors. These issues may have to be worked out in court in each case, and may create a timeline that brings the building to the foreshortened process of bankruptcy court instead of a foreclosure hearing.
- These deals were grossly overpriced and over-financed from their inception, and it may be expensive to provide preservation financing for even a discounted loan.

In spite of the complexities, it is always more cost-effective to preserve existing affordable housing then it is to build it new, and the ad hoc intergovernmental working group must develop the strategy and resources to find and finance preservation purchasers for this at-risk housing.

Legal Enforcement – The state Attorney General has the authority to investigate predatory equity developers, lenders, and security pool underwriters. Where a violation of the law is found, there may be standing under various investor protection, consumer protection, and civil rights protection statutes to bring a prosecution.

Although the above solutions are targeted a city and state government, it may also be necessary to increase oversight and regulation at a federal level to stop the excesses of predatory equity.

New Guidelines for Lenders – New guidelines must be developed to require that lending on rent regulated multi-family properties be based on realistic underwriting assumptions. State law specifically regulates residential lending on single-family homes. The new anti-predatory lending law recently signed by New York Governor Patterson sets a strict definition for a predatory loan and requires that lender clearly demonstrate that the borrower has the ability to repay the loan. Because commercial loans are assumed to take place among sophisticated entities, not mom-and-pop home buyers, commercial loans are largely unregulated. However, as we have seen, predatory equity loans are actually residential loans, and mom-and-pop tenants are victimized as much as they are in the residential loan sub-prime crisis. Limited regulation must be created that requires commercial loans on residential properties to be based on responsible underwriting assumptions that do not lead to the victimization of tenants.

Oversee Credit Rating Agencies – New oversight must be developed for the credit rating agencies, this new oversight can include more explicit standards promulgated by the SEC, or legal action by state law enforcement authorities such as the attorney general to hold the credit rating agencies accountable.

Appendix A – Securitized Loans, Loan Pools, and Underwriter

| Project | Owner | CMBS | Loan Seller | Underwriters | Securitization Date | Amount | Int | Term | Servicer Watchlist ? |
|---|---|---|---|---|---|---|---|---|---|
| **Three Borough Portfolio** | Westbrook, Normandy, Barclays, Vantage, David Kramer | WBCMT 2007-C33 | Barclays Capital Real Estate | Wachovia Barclays Cap RE, Noruma, Artesia | June, 2007 | $133,000,000 | 5.785% | 5 | No |
| **Queens Multifamily** | Vantage/Apollo | CSMC2006- C5 | Column Financial | Credit Suisse, Citigroup, KeyBanc, RBS Greenwich Cap, Banc of Amer Securities | December, 2006 | $192,000,000 | 6.354% | 7 | No |
| **Savoy Park** | Vantage/Apollo | CSMC 2007-C1 | Column Financial | Credit Suisse, Capmark Securities, CA Fina Group, Greenwich Cap Mkts, Wachovia | February, 2007 | $210,000,000 | 6.135% | 7 | Yes 04/2008 |
| **Broadway Portfolio** | Vantage/Apollo | CSMC 2007-C2 | Column Financial | Credit Suisse, CA Fina Group, KeyBanc Cap Mkts,Greenwich Cap Mkts, Wachovia | April, 2007 | $70,000,000 | 6.239% | 7 | No But not performing |
| **Esquire Portfolio** | Vantage/Apollo | CSMC-2007-C4 | Column Financial | Credit Suisse First Boston Mortgage Sec, Greenwich Cap Mkts, PNC Capital Mkts | August, 2007 | $31,000,000 | 5.786% | 7 | Yes 07/2008 |

| Project | Owner | CMBS | Loan Seller | Underwriters | Securitization Date | Amount | Int | Term | Servicer Watchlist ? |
|---|---|---|---|---|---|---|---|---|---|
| **Riverton Apartments** | Rock Point/ Stellar | CD 2007 – C4 | German American Cap Corp | Citigroup Global Mkts, German Amer Cap Corp, La Salle, PNC Bank, Royal Bank of Canada | January, 2007 | $225,000,000 | 5.998% | 5 | No But reports of default |
| **Manhattan Apartment Portfolio** | Pinnacle, Joel Weiner The Praedium Group | GECMC 2007-C1 | German American Cap Corp | GE Cap Corp, German American Bank of America, Barclays Cap RE | June, 2007 | $204,000,000 | 6.240% | 5 | Yes 12/2007 |
| **NYC Portfolio Roll Up Dawnay Day** | Dawnay Day | MSC-2007 IQ14 | La Salle | La Salle, Morgan Stanley, Principal Comm. Fund II, Royal Bank of Canada, Prudential Mort. Cap, Wells Fargo | May, 2007 | $195,000,000 | 5.8% | 5 | Yes 03/2008 |
| **Meyberry** | Atlas Cap Grp J. Goldberger & A.Cohen | CSMC 2007-C4 | Column Financial | Credit Suisse Greenwich Cap PNC Cap Mkts. | June, 2007 | $90,000,000 | 5.5% | 10 | Yes 03/2008 |

| Project | Owner | CMBS | Loan Seller | Underwriters | Securitization Date | Amount | Int | Term | Servicer Watchlist ? |
|---|---|---|---|---|---|---|---|---|---|
| **Peter Cooper Village & Stuyvesant Town** | Tishman Speyer<br>Blackrock Realty | Wachovia 2007-30 | Wachovia | Wachovia Cap,<br>Credit Suisse<br>Goldman, Sachs<br>Merrill Lynch, Pierce, Fenner & Smith Inc. | December, 2006 | $1,500,000,000 | 6.434 % | 10 | Yes 04/2008 |
| " " | " " | Wachovia 2007-C31 | Wachovia | Wachovia CMBS<br>Wachovia Bank,<br>Nomura Credit & Capital, Inc.<br>Barclays Capital RE | " " | $247,727,273 | 6.434 % | 10 | Yes 04/2008 |
| " " | " " | COBALT 2007-C2 | Wachovia | CW Capital LLC<br>Wachovia Bank,<br>Citigroup Global<br>Artesia Mortgage Cap. Corp.,<br>Deutsche Bk Sec. | " " | $250.000,000 | 6.434 % | 10 | Yes 04/2008 |
| " " | " " | Merrill Lynch CFC 2007-5 | Merrill Lynch Mortgage Lending | Merrill Lynch, Pierce, Fenner & Smith Inc.<br>Countrywide,<br>IXIS Sec NA,<br>Bear, Stearns.<br>KeyBanc,<br>Banc of America | " " | $800,000,000 | 6.384 % | 10 | Yes 04/2008 |
| " " | " " | Merrill Lynch CFC 2007-6 CIK:1391668 | Merrill Lynch Mortgage Lending | Merrill Lynch, Pierce, Fenner & Smith Inc.<br>Countrywide,<br>Credit Suisse<br>Morgan Stanley | " " | $202,272,721 | 6.434 % | 10 | Yes 04/2008 |

chhaya cdc

**Testimony to the New York City Council Committee on Consumer Affairs**
**Subject: The Impact of Foreclosures in the API Community**
B y, Seema Agnani
June 19, 2009

Good Afternoon, my name is Seema Agnani, I serve as Executive Director of Chhaya Community Development Corporation ("Chhaya"). Chhaya's mission is to create more stable and sustainable communities by increasing civic participation and addressing the unique housing and community development needs of South Asian Americans, new immigrants and their neighbors.

Established in 2000, Chhaya conducts education, outreach, organizing, research, and counseling services to tenants, buyers, owners as well as those most in need such as victims of domestic violence.

South Asians—immigrants from the regions and border areas of Bangladesh, India, Nepal, Pakistan and Sri Lanka, as well as the diaspora from the Caribbean such as Guyana and Trinidad—are one of New York City's newest immigrant groups and also one of its fastest growing ethnic populations. As of the 2000 Census, the city's South Asian population was 271,447—the second largest Asian American ethnic group in the city.

According to the 2000 census, the Asian American population of Community District Eight grew by 83% in the last decade to 24% of the district; comprised 16% of Community District 9; and grew by 33% in community district 12 to about 5% of this diverse district. In total, there are more than 50,000 South Asians in the areas of Southeastern Queens.

Contrary to popular perception, the South Asian community is not uniformly affluent: while there is a rising middle class, much of the community—especially more recent Bangladeshi and Pakistani immigrants—live below the poverty level (about 30%); 14% of Indians live below the poverty line and nearly 40% of Indian and more than 50% of Bangladeshis and Pakistanis in NYC have "Limited English Proficiency" (2000 Census).

South Asians also face dire housing conditions – particularly lacking in information about their rights, severe overcrowding and vulnerability to predatory lending. Unfortunately, Chhaya has the only financial literacy programs that target South Asians in their diverse languages locally or nationally; with an understanding of the barriers that they face when trying to purchase a home. As a result, their homeownership rate lags far behind the city average, and when they do buy homes, they—along with other immigrants—are at high risk for predatory lending.

37-43 77th Street | 2nd floor | Jackson Heights | NY 11372 | 718.478.3848 | www.chhayacdc.org | info@chhayacdc.org

Homeownership rates for New York City's South Asian community stand at 25 percent, lagging behind the city average of 30 percent. For South Asian sub-groups, specifically Bengali and Pakistani, the rates are below 20 percent.

While there is a strong propensity toward homeownership, many South Asians, along with other recent immigrants, do not know how to navigate the mortgage market or they lack the required credit histories to qualify for prime mortgages.

Chhaya created its homebuyer education program in 2002 as a result of predatory lending practiced identified in a grassroots survey conducted in 2000. In general, we found that South Asians were at a disadvantage, suffering from limited options in financing, incurred higher loan fees and paid more for their homes than the average New York City homeowner.

The majority of South Asians arrived in New York City after 1985 – in the midst of an extended and growing affordable housing crisis. The growth of the sub-prime market peaked during the same periods of growth in population as well as homeownership rates among our community – leading to where we are today with Queens.

**Reasons for Default**

As the story goes, aggressive real estate market interests entered these low and moderate income communities - targeting those that are most vulnerable or facing difficult conditions. The South Asian community is no exception.

Fending for ones self in a difficult and unaffordable rental market – leads many to believe their friend, cousins, or distant relative when they tell them they can help them achieve the American dream – even if they don't have strong credit histories or sufficient income. With additional language and cultural barriers as well as insufficient information about the home-buying process – many new immigrants fall prey to predatory lenders.

Families sought single- and multi-family homes with extended family members contributing to mortgage payments. Because many South Asians and other immigrants are working industries where income documentation can be a challenge – there was also a greater susceptibility to purchase homes with sub-prime products such as "low doc" loans (for example, drivers).

Broadly, there is lack of information about mortgage options. In a more recent survey, conducted in 2006, Chhaya spoke to 108 community residents about housing conditions and opportunities. Of these individuals, 54 percent said there was no in-language information available to them about safe banking or mortgage options.

Many residents of Southeastern Queens also rent accessory units to make up for lack of income to support this purchase. They are advised to do so during the purchase process. As many of such units may not be legal – rental income is not reliable. In 35% of the foreclosure cases Chhaya as seen thus far, loss rental income was a factor leading to inability to keep up with payments.

So, many have mortgage payments that they are barley able to meet in the first place. When that is combined with a loss of income due - default is imminent. Unexpected health issues and other such expenses also can contribute greatly to the default.

**Results of Research - Impact on South Asian community**
Knowing that our community was impacted by the crisis, Chhaya was frustrated with much of the recent research that simply left Asian Americans out of the picture – it has serious implications for our community and on New York City - in terms of services, resources and priorities.

We partnered with The Milano New School for Management and Urban Policy to look at owners who received default notices over a six-month period and identify South Asian families. The findings indicated that in some zip codes of Queens, South Asians made up as much as 50 percent of owners who received default notices. The zip code where South Asians made up the highest percentage of owners in default was 11432 including Briarwood, Jamaica, and Jamaica Estates (53 percent), followed by South Ozone Park (50 percent), and Jackson Heights (46 percent).

This research is contrary to recent research indicating that the foreclosure crisis has not impacted Asian Americans, which has been largely based on Home Mortgage Disclosure Act data (HMDA). This data does not adequately represent the impact of Asian Americans because it does not offer data that is disaggregated.

**Chhaya's response: Equality in Equity Initiative**
To respond to the crisis, Chhaya (a HUD-certified agency) is holding community forums to get the word out about where to seek assistance and offer resources and information at public libraries and community centers. We are partnering with community press and elected officials to ensure people know where to seek help and combat the aggressive advertising schemes for foreclosure scams with the community. We have also joined local and national networks of organizations and public agencies such as the Center for New York City Neighborhoods, New Yorkers for Responsible Lending, National CAPACD and National Council of La Raza to ensure we are up to date on programs available for our constituents. If residents want to reach us for assistance, the first step is to contact our office for an appointment. We are offering in language counseling for in Bangla, Hindi, Nepali, and Urdu as well as English out of our offices in Jackson Heights.

**The Cost to the Borough of Queen**
Although Queens has the second highest rates homeownership rates among all the boroughs in recent years, much of this gain in homeownership is being lost to the current foreclosure crisis. By now most of us have seen the maps produced by NEDAP showing that communities of color are most severely impacted by this crisis.

The highest numbers of foreclosures in Queens were recorded in the southwestern and northwestern Queens neighborhoods: Jamaica, Richmond Hill, and Jackson Heights, among others—all neighborhoods with high concentrations of people of color – including South Asians.

The impact of the current economic crisis on Southeastern Queens is grave, and should be of concern to all New Yorkers as well the rest of the country. If we allow this loss of assets to continue in the direction it's headed - the losses of wealth that so many African American, Caribbean, Latino and Asian American communities worked hard for will be lost. This will impact the vibrancy of New York City overall, and is of great concern to us.

In addition to the economic losses – it is important to note the impact on communities in terms of mental and physical health. Residents – owners and tenants alike – are under a great deal of stress, and it is impacting their health. We are seeing it every day.

**Effectiveness of Response**

As we are finding out, it is yet too soon to say if it's going to actually work but the Making Homes Affordable plan is strong. One of the major obstacles we foresee is that most of our clients do not have mortgages held by Freddie Mac or Fannie Mae, but as more lenders sign-on to the program – it is looking better for these clients.

The current challenge for advocates and counselors is the lack of uniformity in the implementations of the program. Services continue to implement their own internal policies that are not always consumer friendly - particularly for the loans that are not owned by the GSEs (Freddie and Fannie) – the majority of our clients.

Also, there is a scaling up at the lender side. Many times counselors are educating the lenders about the program and forwarding on information as part of the negotiation. The services need greater capacity so they can also have greater capacity to respond more quickly and staff need to be trained on the program. There needs to be a mechanism to enforce the program.

Of the 70 families we have assisted in applying – only 2 have received loan modifications. These were both outside of the program, and not long term solutions to their situation.

The good news is that word is getting out, and increasingly owners are finding us before they go into default. They have more options available to them this way and time to assess the situation properly.

The bad news – the foreclosure rescue scams continue to grow, new loan modification scams, FHA scams, seem endless. The city, state and federal agencies need to continue to ramp up the marketing of programs and how to find trusted help.

The City should be commended for the establishment of the Center for NYC Neighborhoods. It helped us to draw resources into the City and into our communities to respond to this crisis.

We have scaled up to a certain extent, however, t is all program dollars that are outcome based (particularly the counseling dollars). There is a real need for investment in the counseling organizations themselves so that we can build up our capacity and meet the need. If we are going to be able sustain this work in the long run – we simply must build up the infrastructure.

Ongoing public pressure on financial institutions, who continue to do business in our communities, is critical. To ensure that owners who are eligible for modifications receive them and increased advocacy around the Community Reinvestment Act.

We need to ensure there is more flexibility for borrowers to refinance or receive loan modifications. For example, for families with multiple contributors, it could help many if they were better able to include income from those contributors. Income verification continues to be a challenge for some, and also needs to be addressed.

We should invest in building the capacity of organizations responding to the crisis– attracting federal funds for expansion in counseling services. Should ensure that NYC's newest residents are also able to access by encouraging groups to offer multiple languages and diversity.

We commend the Council on Res. No. 1832-A Resolution calling upon the United States Congress to protect homeowners from the national foreclosure crisis by amending Section 109(h) of the United States Bankruptcy Code in order to expand the availability of automatic stay.

Thank you for the opportunity to testify at this important hearing today.

THE PARODNECK FOUNDATION
For Self-Help Housing and Community Development, Inc.
121 Sixth Avenue, Suite 501
New York, NY 10013
Tel: (212) 431-9700, ext. 301 / Fax: (212) 431-9783
www.parodneckfoundation.org

New York City Council Committee on Consumer Affairs to hold hearing, "Update on the Foreclosure Crisis in New York City- Report from Southeast Queens."

Thursday, June 18th

3-5 pm

The Parodneck Foundation Representative: Dwayne Jones, Director of Lending

Background:

The Parodneck Foundation provides financial and technical assistance to affordable housing and community development efforts throughout New York City. Our involvement in the topic for today's hearing dates back to 1986 and the start of The Senior Citizen Homeowner Assistance Program (SCHAP).

In 1986, the city noticed a marked increase in the number of small homes facing foreclosure from defaults on the payment of real estate taxes. The idea behind SCHAP was fixed income senior citizens were facing increased maintenance costs that were both causing deterioration of the housing stock and defaults on taxes. SCHAP was jointly created by HPD and the Parodneck Foundation as a kind of in "rem prevention" program. SCHAP provides seniors with affordable funds (mostly deferred and forgivable loans) to do necessary upgrades, cut down on maintenance and operating expenses, prevent premature institutionalization of senior homeowners, and avoid in rem foreclosure. In addition to city capital funds, the Parodneck Foundation utilizes its own funds to assist seniors in the payment of municipal obligations in property related arrears with DOB, DEP & DOF (payment of municipal arrears being one of the preconditions of receiving funds). The program, though very labor intensive and difficult to run, has been a success.

Low and moderate income senior homeowners were some of the first victims of predatory lending due to victimization by contractors operating as shills selling unaffordable mortgages for home repairs. Senior homeowners still remain a target for contactor scams. Complaints with the city's Department of Consumer Affairs about contactor scams reached a peak in 2007 and 2008 with 1,100 and 950 complaints, ranking number one and two among the top categories of all complaints. In our experience with senior home repair funding, more often than not, Parodneck usually performs long deferred home repairs due to lack of money or the senior has been cheated and left with very poorly done repairs if they were done at all.

Senior Homeowner's current crisis and Parodneck response:

Today moderate-income senior homeowners face property deterioration threatening their safety and livability. They face fixed or reduced incomes while trying to pay excessive monthly debt obligations from mortgages and unsecured debts. These debt challenges are exacerbated for many by arrears to municipal water, sewer, and local utility corporations. Given the confluence of the mortgage debt crisis and deteriorating housing stock, for Parodneck the senior citizen homeowner's circumstances and needs are clear. Senior homeowners have an increased need for our package of services. These services include home repair and energy efficiency retrofit loans and debt workouts for secured and unsecured obligations.

This package of services is essentially what we have delivered to seniors since the mid-nineties. We have done this with our Gap loan product (GAP loan) to assist with loan refinances for reverse mortgages where the annuity value falls short of outstanding defaulted or with imminent defaulting mortgage debt requiring direct financial assistance to produce a payoff or refinance write down.

Parodneck's Revolving Loan Fund (RLF) continues to support our debt remediation activities on negotiated unsecured debt payoffs, utility and municipal arrears, or judicially docketed clouds on title that impair home retention or grant program eligibility.

The New York City Senior Citizens Home Assistance Program (SCHAP) and New York State RESTORE, AHC, HOME capital funds are our sources for the home repairs done under Parodneck architectural and engineering guidelines. In foreclosure cases these repairs are critical to mortgage remediation strategies requiring income producing units. More often, the home repairs address accumulated deferred maintence problems beyond the senior's financial capacity.

Our capacity to do credit repair and financial coaching is embedded in our services. We negotiate with creditors on behalf of homeowners and assist, often intergenerational households, understand critical household financial management concepts. We provide households an education on how to implement budget and cash flow management techniques.

A random sample survey drawn from over 460 Parodneck intakes since January 2009 reveals two distinct categories of the conditions for senior homeowners. 40% come to Parodneck for home repairs as their primary issue have housing debt ratios(principle, interest, taxes, insurance as % of gross income) averaging 32% and household incomes averaging $36,470 annually. 60% of the senior's whose primary issue is unaffordable or defaulted mortgages have housing ratios averaging 92% and household incomes averaging $39,750 annually. We are very successful at receiving fixed rate permanent modification from lenders with these clients. Once stabilized, we then move forward with their home repairs.

We have seen an increase in the complexity of the service mix senior homeowners require to remain solvent homeowners. Parodneck, in parallel with this increased need for a mix of services, has successfully retained staff with more complex skill sets so as to remain leaders in credit and debt negotiation, foreclosure intervention, and non profit home repair lending, loan servicing, and construction management .

An April 2009 study by the Center for New York City Neighborhoods (CNYCN), a coalition of community based legal and counseling service providers, of which Parodneck is a member, conducted a survey of 1200 cases under the coalition's caseload oversight from July 2008 through January 2009. The survey documented the stressors of mortgage debt, property deterioration, energy and utility costs, death in the family, medical expenses, high non-mortgage debt, and income reduction faced by homeowners.

As a network partner in the CNYCN coalition we specialize in senior citizens, 60 years or older, living in the high impact foreclosure areas of North and South Bronx, South Queens, East New York, East Flatbush, Crown Heights and Bed Stuy. The CNYCN study documents what Neighborhood Economic and Development and Advocacy (NEDAP) and Furman Real Estate Institute studies have also documented which is essentially what Parodneck has encountered. In our Targeted Population of senior households primarily under 80% of AMI, the most problematic solution sought by senior households confronting high debt cost were unaffordable equity conversion schemes. These schemes were a result of targeted marketing in communities of predominantly black, immigrant, and Latino homeowners. According to a series of NEDAP studies beginning in 2004 through 2008 there were significantly high conversions rate of newly available home equity. These conversions were at troubling levels for Option ARM, Interest Only, hybrid ARM, and otherwise high interest rate financial products. These products masked unaffordable debt payment costs with deceptive features never intended for fixed income clients wanting to remain in their homes. The deceptive masking of the true cost and features of these mortgages was particularly devastating for seniors who became ensnared in serial equity conversions trying to keep up with ever increasing payments required of the next refinance.

Homeownership for our clients dates back to the late sixties and early seventies. The age of this housing stock built in the early part of the twentieth century predicts increased requirements for home maintenance and upkeep just as senior homeowners are transitioning into the fixed income periods of their lives. The SCHAP program impacts the lives of these senior homeowners on a daily basis.

Demand for intervention services increase while funding is under threat:

Since 2009 we have seen a 93% increase in our intakes from senior homeowners with secured and unsecured debt relief needs. There simply are more seniors threatened by the onerous twin challenge of debt and property deterioration. We do aggressive outreach and education campaigns but it is the overwhelming spillover of demand placed on our referral partners that drives our intake volume upward. We receive referral clients almost daily primarily from the following sources: The City Comptrollers Office, CYNCN, Legal Aid, and Department of Consumer Affairs Financial Education Network, non foreclosure focused community based organizations, city agencies like DFTA and HPD, and the constituent services offices of municipal and state legislators.

At the same time the foundation in low and moderate income neighborhoods, the long term senior homeowner, is threatened by the pullback of funding for programs which assist them with homeowner services. Even SCHAP is threatened by a proposed decline in city capital expenditures available for senior citizen homeowner repairs. The City budget reductions being mentioned would remove SCHAP's city sourced funding of $1.8 million. This funding currently covers an annualized average of 80 senior homeowner units. It also provides for the maintenance of a portfolio of over 1250 senior homer repair loans and the servicer to borrower relationship that protects seniors from predatory refinance of zero and low interest home repair mortgages.

The cuts being mentioned would remove funding for 1and 2 family senior owned households, reduce the budget to approximately $400,000, and earmark these funds for 3-4 family buildings, historically not the property type held by a senior homeowner. We are in application review to replace half of this source of funds for one funding cycle through the Federal Treasury's Community Development Financial Institution CDFI earmarked stimulus funds(we have been a Treasury certified CDFI since 2004). However, as an ongoing resource for senior homeowners, established in 1986, the SCHAP program is threatened by the OMB chopping block.

Foreclosure landscape from a direct service provider's view:

The financial industries hemorrhaging balance sheets, the leadership change in Washington D.C., some of the strongest state sponsored homeowner protection laws in the nation, and the active financial support of City, State, and Council funding has had a positive affect on the treatment of homeowners in mortgage debt distress in New York City. A critical factor which has turned the tide in homeowners favor is the federal, state and municipal funded foreclosure counselor pool. This pool of counselors has increased the availability of counselor training and Best Practice standardized delivery of foreclosure intervention services to homeowners. The City of New York now has a web of coalitions and task forces that are increasingly putting foreclosure counselors within ready reach of distressed homeowners These counselors in turn provide a daily test to the remarkably clumsy efforts of lenders, servicers, and investors to modify loans.

Today a local counselor can "log-on" into the local online community of foreclosure counselors exchanging real time intelligence on investors, servicers, and successful intervention and escalation strategies and apply tested successful actions with their client's. This on-line community, sponsored by the CNYCN neighborhoods, also provides a daily diagnostic dialogue of the challenges foreclosure counselors are facing with the uneven, inadequate, and sometimes still very incompetent financial industry performance towards the goal of providing clearly qualified applicants mortgage modifications.

Regulatory and public policy climate change:

The groundwork of reforms in regulatory and public policy advances is paying dividends. Today in New York City a home owner in trouble with their mortgage has many more tools working in their favor than one could have ever been imagined when I spoke to you on November 11th 2007 at the Joint Committee for Housing and Consumer Affairs Hearing on the Current Mortgage Foreclosure Crisis. Then there were too many unanswered questions as to how non profit, financial, regulatory, political, and public policy leaders would meet the challenge of what we now as the mortgage tsunami causing havoc in our local and national economy.

Now advocates, homeowners, and legal aid services have at their disposal...court mandated lender homeowner remediation conferences are uneven in a few aspects; are lenders truly prepared to modify loan at the court house steps. Most homeowners are still not aware they have the right to these conferences if they hold toxic loan products. However, the mere existence of these conferences subjects them to oversight and improvement. Policy advocates like New Yorkers for Responsible Lending(NYRL-Parodneck is a member) press for accountability and enhancements so the courthouse is not just the auctioneer's venue but plays a role in identifying homes that can be saved in sustainable mortgage agreements… The Making Home Affordable Plan is close to what foreclosure counselors wanted in 2005 when Parodneck sat at the advisory roundtables for the Federal Reserve, Congressional listening tours, and countless forums where advocates engaged regulators and lenders. We heard every excuse for no action: Until we know the magnitude of the problem what can we do, lenders will receive a bail out, homeowners will get more than they deserve, it will cost too much to help the people currently in trouble. We now know the downside risk of doing nothing i.e. the implosion of unserviceable debt currently wrecking the economy.

A view into the future:

My wish list today would include a true effort to write down the debt on homeowners rather than capitalize arrears in combination with the currently popular five year temporary reduction in interest rates. This is essentially pushing the problem out into the future. There also has to be some recalibration of debt and home prices in a housing market like Queens. A homeowner in this community can typically qualify for between $260,000 and $300,000 in mortgage debt and still maintain an affordable housing ratio. I base this observation on countless conversation with the ethical surviving realtors and mortgage originators. The mortgage crisis was marked by subprime mortgage averaging *$423,000 for the New York City MSA (* based on a Federal Reserve study of this issue published in 2008)

Parodneck Foundation and seniors:

A focus Parodneck has always kept during this foreseeable mortgage disaster is let's keep this senior in her home with a roof that keeps her walls and ceilings dry when it rains. Let's keep the bank from taking her home so she can live her remaining years in relative peace. Let's keep the lights on and the water running for this one next senior. Let's make sure that "home" doesn't mean a house falling down around her.

NUMBER 72 2008

# HOUSING & COMMUNITIES

THE ANNUAL PUBLICATION OF THE PARODNECK FOUNDATION

*WORKING WITH PEOPLE TO BUILD BETTER HOUSING FOR BETTER COMMUNITIES*

## A note from our Executive Director Carlton Collier

In some ways, this has been a very depressing year. We are seeing the decline of funding for low income housing at the same time that the fiscal and mortgage crises are disproportionally affecting families of limited means. Not only are they facing payment issues on their homes, but the crisis means fewer of them will have adequately-paying jobs and there will be less investment in housing of all kinds, by both the public and private sectors. What investment we have seen goes to the upper and middle classes and then, as it should, to the very poor; but the people of limited means, lower middle income families, are left out in the cold.

The one piece of satisfaction all this affords me is that the foundation is still able to provide affordable housing through CATCH and preserve it for others through SCHAP, (our senior homeowners assistance program) and through our mortgage remediation program. It is also very satisfying to see that we're now no longer the "lone gun on the block" but are a part of an expanding group of activists in affordable housing who are concerned with the effects of predatory lending.

We are also hopeful that we will be able to add to our CATCH portfolio. For example, even though we did not win the Highbridge Gardens bid (see CATCH News), we consider this type of cooperation, i.e, combining our MHA model and our grassroots experience with the greater financing resources of a private developer, as the wave of the future. We have also been working with a church in East New York which would see us develop housing and community facilities on their adjacent parking lot. And we are exploring a project on the Upper West Side, as well as a several other projects. We will continue to fight to preserve the strengths that being a city wide organization brings us, while recognizing that we must always respect other well-structured community-based organizations that can bring concentrated political and community resources to bear on housing issues in a way that may be difficult for Parodneck.

In addition, we seem to be turning a corner as the new administration in Washington brings new hope. Along with this comes our belief that it will not present just a façade, but will give emphasis to jobs and development opportunities which will help low income citizens. The appointment of Shaun Donovan as HUD secretary also bodes well, as he not only understands New York City's unique needs, but he also realizes the need for a strong partnership of government, the not-for-profit sector and the private sector. We wish him well and hope that he will bring his skills to bear on a variety of problems, not least of which is the drying up of tax credits which had previously helped fund many low- income projects.

Internally, we've been fortunate in having very few changes in the organization and this has enabled us to concentrate on our program work. Our overall budget, in a very difficult funding climate, remains constant. Although we have had no major staff changes, our Board of Directors has been severely altered with the passing of our long term friend and colleague, Jordi Reyes-Montblanc (see insert).

**INSIDE**

# CATCH (Community Assisted Tenant Controlled Housing, Inc.) News

Logan Gardens, CATCH's 104 unit HUD senior and disabled adult facility at 131st Street was completed and officially opened in March with a windy but lively celebration joining residents, CATCH members, political and community supporters, and Dr. Arthur Logan's son, who rededicated the building in his father's honor, restoring a small but very significant piece of Harlem history.

Taking on additional projects from HUD's foreclosure inventory, CATCH recently renovated five of eight small properties, converting 77 SRO units into 20 spacious apartments, through a combination of federal, city and private (Banco Popular Dominicana) sources.

At our Bradhurst Neighborhood Redevelopment Project in Central Harlem, which provides 78 units in 7 buildings, leasing and occupancy is nearly complete, and social life is returning to the building, including the start of internet classes and planning for a community garden.

JPMorgan Chase awarding Parodneck $60,000, of which half was directed to CATCH

CATCH has always believed that a portion of our activity should be devoted to providing homeownership activities for members who may wish to move to affordable home ownership. We were asked by the City's Department of Housing Preservation and Development to take over eight brownstones in Central Harlem through the Neighborhood Homes Program. Construction started in 2007 and was slowed due to a very rapid rise, until recently, of contractor prices, but the units were completed late 2008. During the summer we ran homeownership workshops and marketed the houses in the fall. Our policy was to give priority to CATCH members and Harlem residents. Over 300 candidates submitted letters of interest and we are currently in the final stages of qualifying and selecting the new homeowners.

CATCH is especially pleased that tenant groups and private developers are realizing the strong organizational resources we can bring to existing stressed buildings as well as the contributions the mutual housing model can make to the long term viability of a new development. As an example of the former, the residents of a 49 unit building in Brooklyn asked CATCH for help and we accepted appointment as a temporary 7A Administrator. After just four months, the building entered the Third Party Transfer Program and development plans are in process for the redevelopment of the property and either conversion to a cooperative or mutual housing affiliate of CATCH.

We were also asked by a number of private developers to joint-venture with them in response to city Requests for Proposals. Each of these "RFPs" were large, complicated development sites, which CATCH could not have undertaken without assistance. But these private developers also realized the value that CATCH principles and practices brought to the project. We will encourage these types of collaborations in the future.

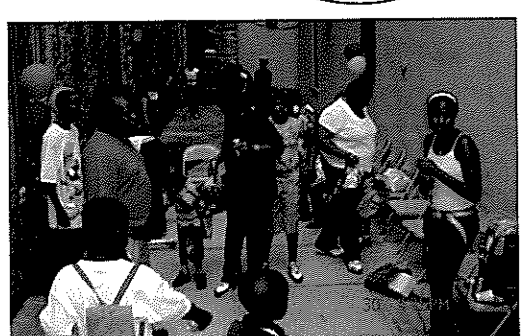
We have also been negotiating with a church in East New York (Southern Baptist Church), whose leader, Rev. Clarence Williams, has strong roots in the East New York community. We are currently working jointly with the Reverend to apply for funds to create a non-profit residence for the elderly on underutilized church property.

Overall, we are pleased that a majority of CATCH's buildings are organized, with active resident associations in both our buildings and local communities. We salute our resident leaders who work hand-in-hand with CATCH staff, and engage in local activities which continue to create the necessary social ties that bind people in collective purpose through mutual support and cooperation.

**Kudos to**

**New York City Soil and Water Conservation District for contributing computers to two CATCH residents**

**CATCH's First Family Day Celebration Summer 2008 Central Harlem**



# Our Mortgage Crisis – An Insider's View

The current foreclosure crisis is the fault of greedy executives who are directly responsible for what will surely turn out to be the biggest case of mass malfeasance in this country's history.

As one example, an article in the New York Times in late December profiled Washington Mutual's process of approving subprime mortgages. A mariachi singer claimed a six-figure income. Ludicrous on its face you might say. But our creative banking system came up with the solution – take a photo of the applicant in his costume. Voila! – LOAN APPROVED!!


Many economists say the worst is over. Think again. In the rush to provide ARMS of 5 and 7 year terms in the early 2000's, interest rate "resets" in 2009 promise another crushing round of defaults and foreclosures. And why are the banks waiting? They wait so they can go to the federal government once again with hat in hand and say give us cash to cover our losses because we are the banking system; we cannot fail; we cannot be nationalized; its everyone else's fault – the borrower, the appraiser, the broker, the housing market, the investors – everyone's fault except ours.

Fannie Mae and Freddie Mac relied on fraudulent underwriting to package and sell mortgage backed securities. Yet at a time of great need for homeowners facing foreclosure, both Fannie and Freddie are making it more difficult for these families to refinance. They allow for current historically low rates only if your credit score is over 720, you are current on your payments, and the mortgage is 80% or less of your home's value. In other words, we will help you but only if you do not need our help.

The solution is quite simple. Bring in every homeowner who is in danger of foreclosure, review their loan, and restructure it now at terms that are affordable. If the house is worth less than their mortgage, then size the loan based on the current value, with any profit from a future sale going toward the difference. The values of homes will eventually rise – maybe not to the levels we have seen in the last few years – but enough to at least reduce the losses the banks are predicting. For those homeowners whose ARMS will begin repricing in 2009 – and their rates will still skyrocket, the current low rates notwithstanding – forestall possible defaults by bringing them to the table and reworking the loan terms now. Alternatively, simply freeze current rates.

And for those who purchased those mortgage-backed securities? Take less interest so at least your principal is protected and be grateful.

The entire mortgage industry pushed profit ahead of any semblance of prudence and took the risks of writing bad mortgages that now they are all too happy to pass along to the rest of us. Many banks no longer exist and yet the ones who profited – the senior executives – all got their bonuses over the years, at the expense of their bank's failures and the unemployment of tens of thousands of employees.

*"We hope to do to this industry what Wal-Mart did to theirs, Starbucks did to theirs, Costco did to theirs and Lowe's-Home Depot did to their industry. And I think if we've done our job, five years from now you're not going to call us a bank."— Kerry K. Killinger, chief executive of Washington Mutual, 2003*

He got that right!!

*The author of this opinion piece is a long time supporter of the Parodneck Foundation with private and public sector, and local and national experience in banking, and he has asked that the article not be attributed.*

Parodneck and CATCH Staff 2008

**Staff Corner**

Carlton Collier, Executive Director
Harold DeRienzo, Corporate Counsel
Jamie Fenwick, Development Director
Thomasina White, Asst. Director of Compliance

Dwayne Jones, Director of Lending
Sotirios Assimacopoulos, Loan Officer
Gerald Carter, Loan Processor
Cassandra Jones, Loan Processor
Omar Tejada, Construction

Tadessech Scott, Project Manager
Dalila Morales, Lead Resident Specialist
DeWayne Robinson, Social Service Coordinator
Felicia Hassell, Resident Specialist
Tiana Scott, Resident Specialist

Ismael Laboy, Fiscal Officer
Virginia Ortiz, Fiscal Assistant/Office Manager
Betty Aguasvivas, Bookkeeper
Octavia Brown, Office Intern

# Lending Department News by Lending Director Dwayne Jones

In the late eighties, we began working with the City's Department of Housing Preservation and Development and designed what became and continues today as the city's only home improvement program targeted exclusively to at-risk senior homeowners, the Senior Citizen Homeowners Assistance Program, or SCHAP.

Through financial and technical assistance, SCHAP preserves community wealth, reduces the need for nursing homes, prevents foreclosures and improves the quality of the lives of our seniors. We assist with building enhancements and upgrades that improve home ownership livability and safety for seniors. We've assisted over 1,000 low-income senior homeowners so far. We also note with pride that as a result of our long-time and deep involvement with the senior community, we were able to foresee some of the current mortgage foreclosure problems and help to develop remediation strategies to prevent them. The SCHAP program remains one of our cornerstones.

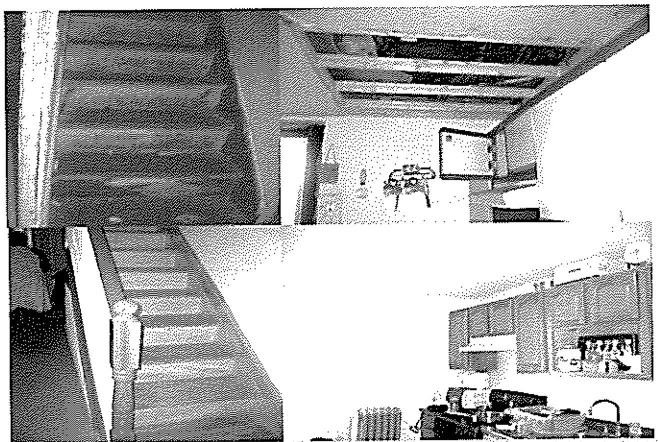
The coming year brings a renewed sense of our capability to do more good by providing even more home repair loans and saving more seniors from home loss. The names may change but the basic dilemma remains the same: an unaffordable loan motivated by the need to address deferred home maintenance is a senior homeowner's first encounter with a predatory lender brought to their doorstep by an unscrupulous contractor.

Senior citizens, throughout New York City, predominately female heads of households, have struggled to remain in their homes and communities as the cost of the upkeep of one to four family homes outpaces their resources. Many have become targets of unscrupulous contractors and lenders who specifically target seniors. We estimate that there are 100,000 low and moderate income senior homeowners in New York City, all of whom are subject to the risks of subprime and predatory, unaffordable loans and who are also eligible for SCHAP home-repair loans. Over 30,000 of them are in the current mortgage foreclosure "hot zones", where we have concentrated our efforts.

SCHAP does its work in these targeted communities with education and outreach that invariably lead to a home visit to fully equip the senior with a strategy for needed home repairs through SCHAP resources. Just as critical, we provide financial intervention counseling whether it is negotiating with lenders and creditors or sitting down with the senior and their family to develop the appropriate budget and credit strategy for their financial stability.

**Continued on page 6**

## ANOTHER HOME SAVED IN BROOKLYN



*Before and after - the stairwell & kitchen at the Matthews'*

Charles and Bessie Matthews contacted the Foundation last year. Their house in Brooklyn, purchased over 30 years ago, had suffered severe interior and exterior damage. The roof was in such bad shape that the interior damages had forced the family to adjust to a saddening and uncomfortable situation. They were unable to finance any needed repairs. It was apparent that Mr. and Mrs. Matthews wanted to change the conditions of their home not only for their sake but also for their children and grandchildren.

All the bedrooms in the house had extensive wall and ceiling damage, the kitchens were no longer operational, the plumbing was extremely defective, and the electrical outlets and switches were in desperate need of repairs. The rail attached to the stairs leading to the second floor had fallen off and several steps had been deemed a trip hazard.

As eligible seniors who met the income and age conditions, SCHAP was able to arrange a construction financing with a 30 year deferred forgivable loan of $50,000 using New York City HPD funds and a forgivable $23,871 HOME loan from NY State funds.

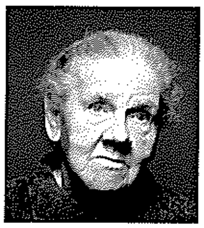
When construction began at their home, the contractors first installed a new roof and then began to work their way down. The new interior finishes on the top floor, which had been most affected by the leaky roof, brought tears to Mrs. Matthews' eyes. As the project progressed, and as our construction overseer, Omar Tejeda, whittled down the list of issues, the family showed more appreciation for the help SCHAP was able to arrange.

When all the repairs were completed, the Matthews said they could not have dreamt a better result.... "The Parodneck Foundation saved my house", which was once again safe and comfortable.

# Logan's "Sheroes"

Too often, our senior citizens are "retired" to live the remainder of their lives in seclusion and anonymity. We think this is not only wrong but also represents a real disservice to our community. So with this edition of the newsletter, we are featuring some of our seniors, their lives, perspectives and lessons learned as a way to start getting a better appreciation of the wonderful human resources we have at our disposal, if only we choose to tap them.

The Wall Street Journal recently profiled four seniors who had survived the Depression and two of them were from Logan Gardens, CATCH's 104 unit HUD senior and disabled adult facility at 131st Street. We've added a third Logan's Hero, befitting her status as the building's only centegenarian.



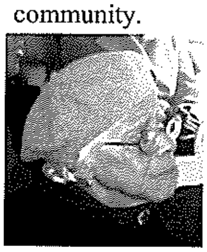
Our first Logan's Hero is Gloria O'Loughlin, 88. She was one of the first women to drive a yellow cab in New York City, stopping only when she was 62. She was born in Harlem and says she plans to die there. She moved into Logan Gardens in 1997 and while her memories of rats were not as dominating as Dorothy Wombles' (see below) she fully agreed that the building needed to be repaired. The best thing about the new Logan Gardens she says is the physical renovation and the security, of which she highly approves. While she wishes some of her fellow residents were friendlier, she understands, like Ms Womble, the desire of some to just remain quiet. She has the same memory as our other heroes of people during the Depression giving each other what they could. "If you were sick, they helped you. If you were hungry, they'd feed you. That was the Harlem I knew," she says.

She is a frequent member at tenant meetings and describes her role in the building as " If we see something happening, we speak up about it" Dewayne Robinson, CATCH's Service Coordinator, says she is one of the tenants who will give him "that look" and he'll know something needs to be fixed. Ms O'Loughlin praised Carlton Collier, the CATCH Executive Director, by stressing "he does his best to protect us". She still has friends in the neighborhood (although many have passed away) and she still takes the bus to Co-Op City to visit others. Her hobbies are " Gambling!! horses, lottery, numbers, you name it". When she hits it big, she buys a plate of candy for the teenagers in the Logan Gardens' intergenerational program which Mr. Robinson is directing.

Another hero, Dorothy Womble, 89, has lived at Logan Gardens' since 1990. She remembers the building when it was Knickerbocker Hospital in the 50s and 60s. But she grew up in a small house on a dirt road in Winston-Salem, N.C., when people around her were so poor, she says, "they couldn't even get money to get seeds" to plant vegetables. When she moved in, the building's previous owners and managers "had not kept the building up," "everything was run down. and ...the rats had taken over." She complained to her upstairs neighbor about the noise he was making at night, and then when the downstairs neighbor, a minister, complained about the noise SHE was making, they all realized it was the rats.

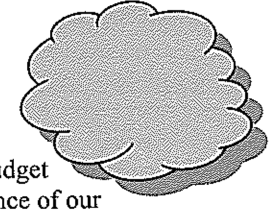
Ms Womble called Channel 7 and they came to investigate , and that was the beginning of a long journey in which other residents, community leaders, elected officials and city agencies all worked together to begin the process of turning the building over to CATCH. Ms Womble is an optimist, yet says she notices that people only rarely appreciate it when you try to do something good "but always notice it when you do something bad".

She remains very active and has always been health conscious. Indeed, she shops at the Health Nuts store on the Upper West Side, a subway ride away. She agrees that she could even be described as a health nut herself. She has had cancer, but is now healthy and had visited Knickerbocker Hospital as an adult. She remembers the current entrance of Logan Gardens as the hospital's main door. This triggered her thought that the only thing she could imagine improving on her new home would be to make the lobby bigger. While she herself is very active, she recognizes that other residents don't want to be too active. Asked about her greatest joy over the last few years, she said "seeing this place go from 0% to 95%... it's a great pleasure". She notes that there is pleasure in community.



Mrs. Marjorie Callender, aged 101, and a recipient of a commemorative plaque when the building reopened, became a Logan Gardens resident in 1990 after growing up on St. Nicholas Avenue. She worked as a seamstress in the garment center, as had her mother, and while demurring on the effect her occupation had on her, remains very elegant in her dress, always sporting a beret to top it off. She is out and about every day, down to the corner store to get her Daily News, which, on the day we visited her, was half read by noontime and very neatly folded on her coffee table in an equally neat apartment. She still does some of her own shopping and "lots of telephoning" to keep up with her friends. Indeed a true Logan's Hero, as are they all.

# Development News



### Clouds on the Horizon?
### From Jamie Fenwick, Director of Development

Typically, the Parodneck Foundation generates between 20 and 30% of its budget from grants provided by corporations, individuals, foundations, and government. The balance of our income is "earned" by providing direct services, usually under a government contact.

This year reaching that level will be a challenge to as the philanthropic climate has changed dramatically. Charitable giving peaked in 2000 at the height of the dot com boom and then declined for several years. It recently begun a resurgence, but with a considerably different color. For example, traditional areas of concern like the arts, urban development, the humanities and even many health areas have seen a decline in giving Newer areas grabbing a share have included the environment, job development and training, criminal justice and youth activities. Funding for housing and the provision of many related services to low-income communities has been declining or only stable.

Many of the trends we noted last year -- new young foundations outside New York City and bank consolidation -- continue in effect but clearly the most important has been the credit and financial crisis which has affected the nation. We thus saw grants from long established bank contacts diminish or decrease, and in at least one case a strong bank supporter was swallowed up by another. Of great pleasure however, is noting the support of some of the smaller banks, even when absorbed by larger competitors, thus indicating to us that those with their ears closest to the ground understand our important role. Foundation support will also inevitably decline as their own portfolios, and thus giving, have this past year generally decreased from 20% to 50%. We note, however, a strong supporting grant from the New York Community Trust to fund CATCH's membership development activities, specifically a Member Asset Survey to identify opportunities for using members' individual strengths, talents, and capacities for our mutual benefit and that of the community.

Nonetheless, we will continue to develop relations with the existing philanthropic community, seek out some of the newcomers and present our efforts in different ways. While some traditional sources of funding may have evaporated, the current foreclosure crisis has generated potential new sources of funding, primarily governmental. For example, four new government programs provide opportunities for funding and we were able to tap into three of them, two from the State (SONYMA and DHCR) and one City based, the Center for New York City Neighborhoods.

We have also upgraded our web site-- for example, we now have a section devoted to "Parodneck in the Community", press coverage and useful housing links for our clients, see http://www.parodneckfoundation.org/ResourcesUpdates.html and are planning to add blog capacities soon in the New Year. Already we see the web site generating large numbers of inquiries from citizens facing foreclosure.

## Lending Department News, continued from page 4

The Lending Department has significantly reorganized its staff to ensure that we remain able to service senior homeowners facing the current mortgage crisis and rising costs for home upkeep. Two new members include Cassandra Jones as Intake Coordinator and Gerald Carter as a Remediation Specialist. Our first staffing task was to increase our intervention activity in the foreclosure hot zones where targeted and victimized seniors live---Central Brooklyn, Southeast Queens and parts of Central and Northern Bronx. This required a staff capable of doing both foreclosure interventions and home repair loan originations. We now have the core of this staff in place and are expanding our capacity to provide "doorstep interventions".

We strive to consistently offer high quality interventions including mortgage loss mitigation options amenable to the senior and their bank. We have an extensive track record of making the case for favorable modifications which can include transferring missed payments into the principal and significantly reducing onerous and permanent fixed interest rates and payments. And when homeownership no longer becomes a viable option, we expect to collaborate with our local network partners to assist with the social service issues of seniors' relocations.

Our staff offers intervention counseling, the most basic being collecting the senior's financial and budget information for evaluation to implement an action plan. For most of our clients we carefully walk them through an action plan which includes Parodneck guiding negotiations with lenders and creditors to make their home ownership more affordable. There is nothing more rewarding than witnessing the sense of relief and reduction in anxiety that a senior experiences after a successful strategy meeting when they realize that we have solutions that they can literally live with.

# Parodneck in the News ....see our website to access referenced links

www.parodneckfoundation.org

**Wall Street Journal Profile.** On November 15th, the Journal profiled Dorothy Womble, 89, and Gloria O'Loughlin, 88, both residents of CATCH's Logan Gardens, among a group of four seniors who had survived the Great Depression. See the full article Memories of the Depression Still Sear

**Parodneck urges Congress to consider "bottom-up" approach to bail-out of the financial services industry.** On Sept 25th, a letter, BailoutLettertoCongress, was sent from the Foundation to twelve New York area members of Congress on the House Financial Services and Senate Banking Committees and their Chairs and Ranking members. It offers an alternative perspective on the bail-out of the financial services industry -- a "bottom up" approach that should be considered as well as the "top-down" approaches currently under discussion. If you have comments, please send them to: ccollier@parodneckfoundation.org or hderienzo@parodneckfoundation.org

**"Where the Foreclosures Are" - Parodneck on the Brian Lehrer Show on WNYC-** April 11/08. "Dwayne Jones, Director of Lending at the Parodneck Foundation, a nonprofit that does foreclosure default and intervention counseling, and Eileen Markey, freelance journalist, talk about the neighborhoods that are hit the hardest by the subprime mortgage crisis". Listen to the interview here.

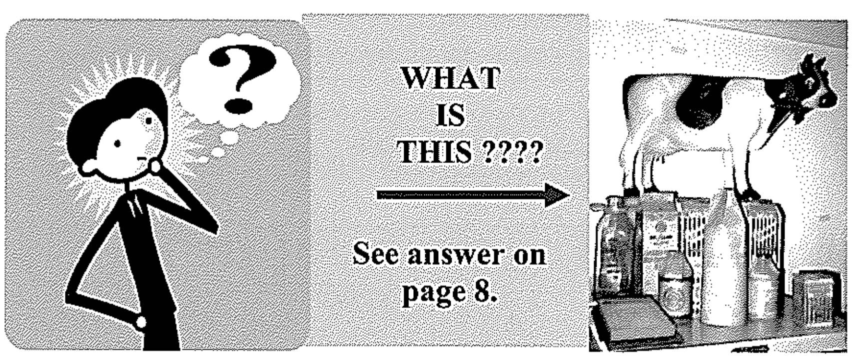
**History of Milk!** The Food Museum (http://www.nyfoodmuseum.com), a lively and interesting New York City-based online museum is planning an exhibit on the history of the Consumer-Farmer Milk Cooperative and the Consumer-Farmer Foundation, the precursors of the Parodneck Foundation. Their interest in the history of milk in New York City led them to "rediscover" both organizations and their founder Meyer Parodneck. We have helped them with access to our archives and are looking forward to their exhibit in 2009. In the Museum's recent newsletter, FoodMuseumNewsletter2 they have presented an interesting history of the early "Milk Wars" of the 1930s and Meyer Parodneck's role in them.

Logan Gardens Rededication on NY1News On Thursday, March 20th, nearly a hundred invited guests, dignitaries and residents rededicated Logan Gardens at West 131st Street in Harlem in honor of Dr. Arthur C. Logan. The former distressed apartment building has been transformed by CATCH into a thriving home for 102 senior and disabled residents. The event also celebrated and revived a part of Harlem history that had been lost. The building once housed Knickerbocker Hospital, whose guiding force was Dr. Logan, a leading civil rights activist and prominent surgeon, as well as personal physician to such luminaries as Dr. Martin Luther King and Duke Ellington. Dr. Logan was also a tireless advocate for the poor.

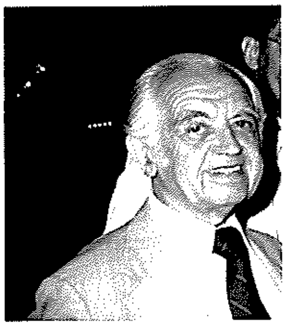
L'EXPRESS **Parodneck receives substantial coverage in major French newsweekly L'Express** Feb. 7, 2008. Titled "The American Nightmare", the article quoted extensively from Parodneck staff and our remediation clients. Its headline read .*"The poorest, generally immigrants and minorities, have found themselves trapped by high risk loans that unscrupulous lenders sold them. Thus tens of thousands of New Yorkers were plunged into a downward spiral of poverty".*

"INSIDE NEWS"

Congratulation to Ismael Laboy, Fiscal Officer, and his new bride, Elizabeth Laboy



# Who is Meyer Parodneck?



Meyer Parodneck was born in Poland and as a child immigrated to the US and grew up on the Lower East Side. He experienced the effect of poverty and poor housing conditions on his family and fellow citizens and after his dream of becoming an engineer was frustrated by the anti-Jewish bias of the day, he enrolled in and graduated from law school. He became a successful entrepreneur with a variety of small businesses. During the Depression he saw the effects of, and began working against, the injustices of homeowners losing their homes through foreclosure. He visited Europe where he saw the potential of cooperatives as a powerful counter-balance to the monopolies and trusts of the day. During this period he joined the Consumer-Federation of America and became a recognized consumer advocate.

A visit from an economist hired by New York Settlement Houses to study the impact of milk prices on poor children convinced him that there had to be a consumer-oriented solution. So he set out to counter the milk trusts of the day which were limiting supply and increasing prices. He founded the Consumer-Farmer Milk Cooperative, Inc., in 1937 which linked upstate producers and downstate consumers directly into one cooperative organization. It did provide a balance, assuring a low cost supply of milk to hundreds of thousands of New Yorkers. Shortly after its inception, he became its full-time president.

By the late 1960s, prices had lowered and milk was again widely available, so the cooperative sold its assets (including $500,000 from the milk trust in return for Meyer's promise never to compete with them again) and donated the proceeds to the newly formed Consumer-Farmer Foundation, Inc. (1970) which would use its newly acquired resources to address Meyer's longstanding interest in the housing conditions of low-income New Yorkers.

The Foundation went on to support self-help and cooperative housing efforts throughout the city, but our predecessor corporation, the Consumer-Farmer Cooperative, Inc., represents the foundation of our current efforts. The story of the Cooperative can now be viewed at http://www.nyfoodmuseum.com

# Literary News

*Mr. Harold DeRienzo with his family during the book signing party for "The Concept of Community, Lessons from the Bronx ", held at and sponsored by the Fund For the City of New York.*

**Harry DeRienzo** authors book on community development entitled "The Concept of Community, Lessons from the Bronx " which was published in English (2/08) by an Italian publisher, IPOC Press, and is now available in the US. A dust jacket quote by former City Planning Commissioner Ron Shiffman, describes the book as " *a wonderful hands-on blend of theory, practice and community history woven together by an abridged autobiography of a truly special and dedicated community builder*.". For more information visit the publisher's website www.ipocpress.it or the Parodneck Foundation website. "The Concept of Community" is not stocked at bookstores, but can be ordered online at Amazon.com, Powells.com, or from Barnes and Noble.

A review in City Limits WEEKLY (June 9, 2008) *by Roberta Brandes Gratz* said "*Now, 30 years later, DeRienzo has written a terrific book, "The Concept of Community: Lessons from the Bronx," a book that tells the incredible story of how Banana Kelly was one of the critical successes lighting the way for the community-led resurgence of the Bronx - a resurgence initiated by local people whom everyone officially had given up on. This self-organized, citizen-motivated movement made it possible for developers and investors to follow (and then attempt to take full credit for the rejuvenation visible today)*".

**ANSWER: What is this?** (pg 7) Why, it's Cora the Cow , of course............ proudly guarding her collection of milk bottles and cartons found among memorabilia from the Consumer-Farmer Cooperative, the milk cooperative which was the forerunner of the Parodneck Foundation. Visit : http://www.nyfoodmuseum.com

# Chasing Democracy

**By Harold DeRienzo, General Counsel and Past President**

This country has experienced an election of historical significance on many fronts, beyond the election of this nation's first African American president. African Americans and young people came out to vote in record numbers. Political organizers, using every available tool of mass communication, produced millions of volunteers who put in countless hours working the streets, running phone banks, raising money, correcting politically-generated promotional distortions and increasing awareness of what was possible.

Now that the election is over, there is an optimism that is pervasive within the progressive community. If I were to describe it, I would say that we believe we have achieved the democratic infrastructure necessary to finally compete with the tens of thousands of lobbyists that form the permanent underbelly of political transactions in Washington, DC. By these accounts, transformed organizers and the millions of volunteers they coalesced will now be able to bring democracy back to the people – encouraging elected officials from the top down to do the right thing; prepared to punish elected officials from the top down for doing the wrong thing. What is wrong with this picture?

The problem I see is that there is an assumption that our democracy consists of an infrastructure of democratic institutions emanating from the ground and extending through local, regional, interstate, and federal levels of operational practice. But this is not the case. As I stated more thoroughly in my recently published book, *The Concept of Community: Lessons from the Bronx* (IPOC Press 2008), there is a direct correlation between politics and the economy. Political structures, systems and processes are not formed through some collective goodwill, sense of tradition, wishful thinking, or eloquent expressions of our best instincts. Our political infrastructure is a direct derivation of our economic systems. To the extent that we have local economy, we have local community and some relative degree of local political power. To the extent economy is centralized and aggregated under the control of a small minority of the population, we have economic and political power concentrated there as well.

So in order to really see a systemic change in our political system, there must be a systemic change in our economic system. Such a change would end our sole reliance on two economic variables as the underpinning of all of our economic policies – those two variables being (1) "price" as low as possible, and (2) "profit" as high as possible. Such a change would value and therefore officially encourage local economy, in the context of regional economies, in the context of national and global economies. Such a change would see a more equitable distribution of opportunity and wealth and a systemic return to the possibility of democracy in true sense of the word (from the Greek – demos: people; kratos: power).

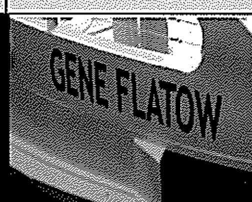
## Board Corner

### Elizabeth-Ann Rodriguez

A long time board member was honored by Asian Americans for Equality at their 34th Annual Lunar New Year Celebration. AAFE honors individuals who have made exceptional contributions in the struggle for equality and the well being of our community.

The banquet is an honored tradition at AAFE at which it recognizes and honors the partnerships that have been formed to strengthen our community and our City. The theme for this year's event was "*Increasing Community Influence through Innovative Leadership*"

### Gene Flatow, The Water Taxi




On November 9th, 2008, board member Eugenia M. Flatow had a NY Water Taxi boat named after her.

The boat is a state-of-the-art catamaran with the cleanest engine in the harbor. Many friends and colleagues from both her housing and environmental work came for the christening cruise of the Lower Harbor.

# *Thank you to our sponsors and partners*

*The Parodneck Foundation would like to thank the foundations and corporations listed below. Each of them generously supported our efforts during 2007 and 2008. Without that support, we would never have been able to do the things you are reading about in this newsletter.*

— THE ALTMAN FOUNDATION —

—— ASTORIA FEDERAL SAVINGS BANK —

— BANK OF NEW YORK MELLON CORPORATION —

— BEYOND SHELTER COALITION —

— CAPITAL ONE FOUNDATION—

— CENTER FOR NEW YORK CITY NEIGHBORHOODS —

—CITIGROUP—

—ENTERPRISE FOUNDATION—

—JEAN AND LOUIS DREYFUS FOUNDATION —

— FUND FOR THE CITY OF NEW YORK —

— HSBC BANK U.S.A. —

— INDEPENDENCE COMMUNITY FOUNDATION —

— JPMORGAN CHASE FOUNDATION —

— M &T CHARITABLE FOUNDATION. —

—NEW YORK CITY COUNCIL-HONORABLE. ROBERT JACKSON—

— NEW YORK CITY DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT —

— NEW YORK STATE AFFORDABLE HOUSING CORPORATION —

—NEW YORK STATE HOUSING FINANCE AGENCY/SONYMA—

— NEW YORK STATE DEPARTMENT OF HOUSING AND COMMUNITY RENEWAL —

— NEW YORK COMMUNITY TRUST —

—QUEENS BOROUGH PRESIDENT HELEN MARSHALL—

— WASHINGTON MUTUAL FOUNDATION —

— WELLS FARGO HOUSING FOUNDATION —

**PARODNECK FOUNDATION 2008 BOARD OF DIRECTORS**

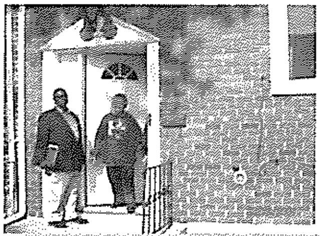
| | | |
|---|---|---|
| Irma Rodriguez | Chairperson | Queens Community House |
| Jordi Reyes-Montblanc | Vice Chairperson | WestSide HDFC Council |
| Mark B. Anderson | Treasurer | Private Consultant |
| Harold DeRienzo | Assistant Treasurer | The Parodneck Foundation |
| Eugenia M. Flatow | Secretary | NY Soil & Water Conservation District |
| Irma J. Lawrence | Assistant Secretary | Retired civil servant |
| Carlton Collier | Board Member and CEO | The Parodneck Foundation |
| Elizabeth Ann Rodriguez | Board Member | Federal Reserve Bank of New York |
| Greg Carlson | Board Member | Carlson Realty |
| Marcia Evans | Board Member | Central Harlem Mutual Housing Assoc. |
| Patrice Havelka | Board Member | Washington Mutual Bank |
| Dr. Harold Wattel | Director Emeritus | Retired Dean at Hofstra University |

***(Institutional affiliations are provided only for purposes of identification)***

# Parodneck's Citywide Remediation Project

*On October 28th, **BBC TV** presented a report, **US Pensioner's Mortgage Woes"**, http://news.bbc.co.uk/2/hi/business/7694526.stm, on the mortgage foreclosure crisis. The two minute segment interviewed several experts as well as our client, Frances McDonald, and Parodneck staff.*

++++++++++++++++++++++++++++++++++++++++



Gerald Carter and Frances McDonald in front of her home

Parodneck's remediation specialists educate and counsel hundreds of home-owners, individually or in groups, on the dangers of predatory lending. Of this large group, we typically process around 100 formal applications for remediation each year. In our last newsletter, we presented the story of a family from Brooklyn and how they were helped by our program.

We now showcase another story that illustrates how the process works at its best, with a homeowner ultimately being able to extract herself from a complex set of financial obligations of which she was not fully aware, and equally, to use creative solutions to solve her problems.

Ms. Frances McDonald, an 84-year-old senior from Queens, came to the Foundation in the fall of 2008 for counseling and relief from an adjustable rate mortgage. She has lived for the past 42 years in a one-family home with her adult disabled son. In June of 2007 she entered into an adjustable rate mortgage which was initially affordable due to its low introductory rate. By June of 2008, she realized that the payments had become unaffordable, and after exhausting her savings, she fell behind in her mortgage payments.

When she contacted us in September 2008, she was several payments behind. She spoke with Remediation Specialist Gerald Carter and together they created an action plan that included a request for a modification agreement from her lender. The modification was approved and her 6.5% interest rate was reduced to 4.5% for 5 years. Her account was also brought up to date which took her out of delinquency. In the meantime, Ms. McDonald was also referred to a reverse mortgage lender, because in looking at her fixed income, we realized that although the modification payments were affordable they were a tight fit and could become a problem should some unforeseen expenses arise. Ms. McDonald closed on her reverse mortgage in October and now has the financial stability and safety net that allows her to reside in her home and keep up with her household expenses.

We are expecting to be assisting Ms. McDonald in the coming year through our SCHAP program to make some minor repairs on her home that she had been unable to afford. We also note that our extensive work in Queens merited a Queens Borough President's award of $20,000 from Queens Borough President Helen Marshall which she announced in her State of the Borough address in January.

## NO PLACE LIKE HOME!

We were aware that the temporary relocation of senior tenants at Logan Gardens during our renovation and the adjustment to their new homes would benefit from targeted social service support. We sought support from the federal Housing Department to fund a service coordinator for the tenants as well as the many new arrivals at this older building acquired in 2005.

DeWayne Robinson, a seasoned social worker (Lehman College) with over 30 years in the field, is now vigorously filling that role and is responsible for providing and monitoring all social services for the residents. Of note is the way Dewayne has started an intergenerational program in which grade three, four and five students volunteer to spend time with the seniors after school in the building's common room where they all engage in painting, knitting, gardening, and other activities. He has also arranged for the services of a nurse, Mary Simmons, RN, from the Lincoln Square Neighborhood Center, to counsel residents about diabetes and other health issues. He is also a member of the Diabetes Empowerment and Education Program Coalition at St. Luke's Hospital, which gives him access to other health resources he can channel to residents.

DeWayne says there are other things he wants to accomplish. For example, he is working on getting computers installed in the Logan Gardens community room and enlisting teaching help so that seniors can enter the internet age with confidence. DeWayne's efforts have not gone unnoticed by the larger community. He was chosen as the head of the citywide Service Coordinator program which links his peers at HUD projects throughout the city as well as coordinators from NYCHA facilities.

Logan Garden residents meet and greet.

# GENERAL INFORMATION

If you or your agency is interested in having Parodneck
do a presentation on any of our programs, feel free to contact us
at: 212-431-9700, ext. 313
or email us at: **info@parodneckfoundation.org**
or at:**info@catchnyc.org**

Visit our websites
**www.parodneckfoundation.org**
**www.catchnyc.org**

**2008**

| PROGRAM | BUILDINGS | UNITS | INVESTED |
|---|---|---|---|
| CATCH Portfolio | 62 | 911 | $82,708,459 |

**2008**

| PROGRAM | BUILDINGS | UNITS | AMOUNT |
|---|---|---|---|
| SCHAP Loans | 10 | 17 | $274,578 |

**2008**
**REMEDIATION PROGRAM**

**Preliminary Consultations:**
134 cases with $44.7 million in mortgage debt
**Results:**
10 affordable loan modifications
36 active negotiations with lenders
44 pending assignment to servicers/lenders

THE PARODNECK FOUNDATION
121 SIXTH AVENUE, SUITE 501
NEW YORK, NY 10013

**Non-Profit Org**
**U.S. Postage**
**PAID**
**New York, NY**
**Permit No. 7736**

NUMBER 72 2008

# HOUSING & COMMUNITIES

THE ANNUAL PUBLICATION OF THE PARODNECK FOUNDATION

*WORKING WITH PEOPLE TO BUILD BETTER HOUSING FOR BETTER COMMUNITIES*

## Farewell to Jordi Reyes-Montblanc

It is with great sadness and a profound sense of loss that we report the passing of our longtime board member, Vice Chairman, and friend, Jordi Reyes-Montblanc in late December. He was 65.


Jordi Reyes-Montblanc, center, at the opening of Logan Gardens, with Senator Chuck Schumer, Congressman Charles Rangel and other elected and community leaders in 2005.

We first became aware of Jordi as a tireless crusader for the preservation and promotion of HDFCs (Housing Development Fund Corporations) in New York City about 15 years ago. As most of our readers know, HDFCs are an important part of the affordable housing sector, representing over 20,000 low and moderate income households living in not-for-profit rental, mutual housing and limited equity cooperative housing. In 1988, Jordi was among the tenant leaders of 601 West 136th Street who successfully petitioned the city for entry into the Tenant Interim Lease Program. After a lot of work, which involved uniting a tenant body and enlisting the support of suspicious commercial tenants, Jordi's building became a cooperative in May of 1993.

Jordi with Irma Rodriquez, Parodneck Foundation Chairperson, and also Executive Director of Queens Community House

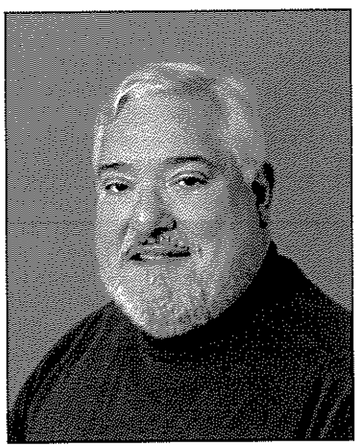
Having received a first-hand education into the makings of a successful cooperative, Jordi took this valuable experience and turned it into a force for the development of new, and preservation of older, HDFCs by founding the HDFC Coalition. This later became the HDFC Council, serving as a membership organization for the public promotion of HDFCs; as a forum for the sharing of ideas and experiences; as a means for mobilizing opinion and action on issues of greatest concern to HDFCs and affordable housing in general; as a unified economic and political force to be reckoned with, and as a means of enhancing the capacity of HDFCs to monitor and provide technical assistance to their own members. *Continued over.........*

L-R: Thomasina White, Parodneck staff, and Consumer Advisory Committee members: The late, Jacqueline Rhoden, Marie Morency, Jordi Reyes-Montblanc, Cleveland Irons, and seated, Marcia Evans.

Through his work, Jordi operated at the forefront of HDFC governance, economic viability, and public advocacy. He sought and obtained tax benefits for HDFCs that invested in capital improvements resulting in making their buildings more energy efficient. In fact, 601 West 136th Street is one of the first cooperatives in New York City to install "smart meters," allowing residents to take advantage of low electrical rates during non-peak hours.

Jordi often visited Albany seeking legislation of benefit to the HDFC sector and fought tirelessly for increased funding from NYSERDA and other sources to enhance the efficiency and viability of HDFCs. Jordi also often traveled to Washington and was deeply involved in successful efforts for IRS rule changes that ultimately helped low income HDFCs in gentrifying areas to remain affordable. Jordi was involved in civil suits against the New York City Water Board, when it was clear that their policies or capital programs would negatively impact on not-for-profit and cooperative HDFCs.

And whenever there was an HDFC in trouble, Jordi was there to help. Call him any time and ask to meet during the day, in the evening, on weekends – Jordi was there BUT ONLY IF THE GROUP WAS WILLING TO HELP ITSELF! Jordi did not suffer fools gladly, especially when seeking help represented little more than an avoidance of work and responsibility. Any groups that were not up to the task never saw the second meeting with Jordi. Many of those who were up to the task benefited greatly from his input, his advice, his devotion and his experience.



Later in life, mutual housing became a passion for Jordi as well. His "hard knock" experience with distressed HDFCs helped him recognize the value of resident participatory control through mutual housing. Starting as a "Consumer Advisory Member" for the Parodneck Foundation and CATCH (our affiliated mutual housing association with over 800 units citywide) Jordi became an active advocate of mutual housing as an appropriate alternative to cooperatives where the number or commitment of residents was not there or there was no ongoing outside institutional support. A few years ago, in recognition of his commitment and dedication, Jordi was elected Vice Chairman of the Parodneck Foundation and CATCH.

Jordi will be greatly missed, but his work and dedication will remain a source of inspiration and guidance for us all.

Jordi is survived by his wife, Kathleen, his son, Jeff, his daughter-in-law, and two grandchildren. Please visit the Parodneck Foundation website, which will post the time and place for Jordi's memorial service.

## The Senior Citizen Homeowners Assistance Program (SCHAP)

The Senior Citizen Homeowner Assistance Program (SCHAP) provides low- and no-interest affordable home improvement loans, hands-on technical assistance, and social service referrals to home-owning senior citizens in need of help with necessary home repairs.

The SCHAP program plays a crucial role in helping seniors retain and improve their homes, avoid premature institutionalization, and maintain their independence and dignity. It also restores dilapidated buildings and contributes to neighborhood stabilization throughout New York City. Over 1,100 homeowners have been assisted to date.

To be eligible, a senior must reside in any of the five boroughs in the City of New York, be at least 60 years old, and have been an owner-occupant of a one-to four-family home for at least two years.

**To reach us by Subway:**

A, C, E, or 1 train to Canal Street Station. Walk two blocks north of Canal Street.

E or C train to Spring Street. Walk two blocks south of Spring Street.

**ACT NOW AND CALL TODAY 212-431-9700**

THE PARODNECK FOUNDATION
121 SIXTH AVENUE, SUITE 501
NEW YORK, NY 10013
Working With People To Build Better Housing For *Better* Communities

Non-Profit Org
U.S. Postage PAID
New York, NY
Permit No. 7736

# Difficulty with unaffordable home loan payments???

# THERE IS HELP through The NEW YORK MORTGAGE REMEDIATION PROJECT

*Ruth Wells obtained affordable re-financing and a SCHAP loan covering the cost of home renovations.*

121 SIXTH AVENUE, SUITE 501
NEW YORK, NEW YORK 10013

Phone: 212-431-9700
Fax: 212-431-9783
E-mail: info@parodneckfoundation.org
Website: www.parodneckfoundation.org

# HELPING HOMEOWNERS SAVE THEIR HOME

## THE NEW YORK MORTGAGE REMEDIATION PROJECT

The New York Remediation Program has grown out of our work with senior homeowners. During the late 1990s, our Senior Citizen Homeowner Assistant Program (SCHAP) staff began to receive many calls from applicants who had been defrauded into taking on unnecessary debt burdens and were at risk of losing their homes through foreclosure proceedings.

Because the SCHAP program's resources could not provide adequate assistance in these cases, the Parodneck Foundation developed a new comprehensive program for remedying the damage caused by predatory lending. This project draws on the combined resources of financial institutions, legal service providers, and community-based organizations to provide qualifying seniors with comprehensive financial assistance packages that restructure and reduce their debt, as well as completing any necessary home improvements.

## FORECLOSURE COUNSELING AND DEFAULT INTERVENTION

As a result of our experience with seniors in trouble with their home loans we provide Foreclosure Counseling and Default Intervention for 1-4 family homeowners of all ages.

For additional information on free services to prevent foreclosure, call 311 and ask for the Center for New York City Neighborhoods (CNYCN).

## TROUBLE WITH YOUR MORTGAGE

If you are having trouble with your mortgage and are worried about losing your home, do not panic. While not everyone will be able to save their home help is available and there may be a solution to your situation - your home and family's financial future are at stake.

Falling behind on your mortgage or confronting an interest rate reset need not mean you will lose your home. A counselor at Parodneck Foundation is here to help you contact your lender or servicer and explore affordable loan payment options.

Parodneck will walk you through the steps necessary to keep your home, including:

- In-depth financial counseling
- Access to community resources
- Working with your lender
- Information about the foreclosure process
- Access to financial assistance


DON'T LOSE YOUR HOME!!!!!!

Call today 212-431-9700

## REQUIRED DOCUMENTS

- Proof of age (i. e: copy of birth certificate, pension or social security documentation, drivers license or passport).
- Proof of current personal and rental income for all members of the household (copies of W2 forms, tax returns, pension or social security award letters). If rental units are present, copies of rent receipts and lease.
- Copies of all mortgage statements or court/bank notices regarding mortgage .
- Copies of current fuel and utility bills.
- Copy of home insurance policy
- Copies of bank/assets/retirement/ investment statements
- Copies of all closing documents related to problem mortgage.
- Copy of all consumer debt statements. i.e. credit cards; past due accounts; collection acct's; student loans; car payments, child support etc...

**PARODNECK FOUNDATION CAN PROVIDE YOU WITH FREE:**

- One on one counseling
- A review of your home loan documents
- Financial & Budget Planning
- Neighborworks Certified Counselors available to advise you about options and help you develop action plans.

**We can also answer questions on President Obama's** " Making Home Affordable Plan"

## THE PARODNECK FOUNDATION BOARD OF DIRECTORS

Irma Rodriquez, Chair

Jordi Reyes-Montblanc, Vice Chair

Harold DeRienzo, General Counsel

Mark Anderson, Treasurer

Eugenia Flatow, Secretary

Irma J. Lawrence, Assistant Secretary

Carlton Collier

Elizabeth Ann Rodriquez

Greg Carlson

Marcia Evans

Patrice Havelka

## EXECUTIVE STAFF

Carlton Collier, Executive Director

Harold DeRienzo, General Counsel

Dwayne Jones, Director of Lending

Ismael Laboy Chief Fiscal Manager

Tadessech Scott, Project Manager

Thomasina White, Asst Director of Compliance

## CONSUMER ADVISORY COMMITTEE

Marie Morency

Marcia Evans

Rabbi Friedman

Irma J. Lawrence

Jordi Reyes-Montblanc

Marie Thompson

Cleveland Irons

THE PARODNECK FOUNDATION
121 Sixth Avenue, Suite 501
New York, NY 10013

Updated 9/08

# THE PARODNECK FOUNDATION

## FOR SELF-HELP HOUSING AND COMMUNITY DEVELOPMENT

*Working with people to build better communities.*

121 Sixth Avenue, Suite 501
New York, NY 10013
phone: (212) 431-9700 / fax: (212) 431-9783
e-mail: info@parodneckfoundation.org
website: www.parodneckfoundation.org

# THE PARODNECK FOUNDATION

For over three decades, the Parodneck Foundation for Self-Help Housing and Community Development, Inc. has played a leading role in providing financial, technical and organizing assistance to New York City's housing and community development efforts. Founded in 1970 from the proceeds of the sale of a milk cooperative, the Foundation is a city-wide, tax-exempt, not-for-profit organization. Our mission is to provide low and moderate-income residents with resources and support that will enable them to create, own, and/or manage their own housing and improve their neighborhoods.


Tenant Norman Sellers in front of the CATCH affiliated building at 226 Bradhurst Avenue

## THE HDFC SUPPORT PROGRAM

In the 1970's, The Parodneck Foundation was one of the first organizations to recognize the potential of New York City's fledgling sweat equity housing movement. Three decades later, the Foundation's HDFC Support Program still provides financial assistance and technical support to tenant-owned limited-equity cooperatives (HDFC) and tenant-controlled rentals.


Victor Cruz and Gloria Constanza, Manager and President, respectively, of the 309-13 East Houston Street HDFC

## THE SCHAP PROGRAM

The Senior Citizen Homeowner Assistance Program (SCHAP) provides low- and no-interest affordable loans, hands-on technical assistance, and social service referrals to home-owning senior citizens in need of help making necessary renovations. The SCHAP program plays a crucial role in helping seniors retain and improve their homes, avoid premature institutionalization, and maintain their independence and dignity. It also restores dilapidated buildings and contributes to neighborhood stabilization throughout New York City. Over 1,100 homeowners have been assisted to date. To be eligible, a senior must reside in any of the five boroughs in the City of New York, be at least 60 years old, and have been an owner-occupant of a one-to four-family home for at least two years.


HPD Commissioner Jerilyn Perine speaking at the press conference to announce the New York Remediation Project's expansion into Queens

## THE NEW YORK REMEDIATION PROJECT

The New York Remediation Program has grown out of our work with senior homeowners. During the late 1990s the SCHAP staff began to receive many calls from applicants who had been defrauded into taking on unnecessary debt burdens and were at risk of losing their homes through foreclosure proceedings. Because the SCHAP program's resources could not provide adequate assistance in these cases, the Parodneck Foundation developed a new comprehensive program for remedying the damage caused by predatory lending. This project draws on the combined resources of financial institutions, legal service providers, and community-based organizations to provide qualifying seniors with comprehensive financial assistance packages that restructure and reduce their debt, as well as completing any necessary home improvements.


In the fall of 2002 Ruth Wells obtained affordable re-financing and a SCHAP loan covering the cost of home renovations.

## The CATCH MUTUAL HOUSING PROGRAM

The Parodneck Foundation serves as the lead agency for Community Assisted Tenant Controlled Housing, Inc. (CATCH), a mutual housing association that identifies distressed buildings and works with their residents to renovate and convert them into decent affordable housing.


Before and after gut rehabilitation in CATCH-affiliated buildings in Central Harlem

CATCH has rescued extremely troubled buildings with problems including negligent landlords, code violations, and drug trafficking. CATCH has fully renovated 52 buildings with just over Eight hundred units, with more projects currently in progress. CATCH facilitates the development of community leadership and empowerment by placing these buildings under the control of affiliated, resident-led mutual housing associations.

# THE COUNCIL
# THE CITY OF NEW YORK

**Appearance Card**

I intend to appear and speak on Int. No. ________ Res. No. ________

☐ in favor ☐ in opposition

*Date:* 6-18-09

(PLEASE PRINT)

Name: Michael Hickey, Exec. Director

Address:

I represent: Center For NYC Neighborhoods

Address:

# THE COUNCIL
# THE CITY OF NEW YORK

**Appearance Card**

I intend to appear and speak on Int. No. ________ Res. No. ________

☐ in favor ☐ in opposition

*Date:* 6-18-09

(PLEASE PRINT)

Name: Josiah Madar

Address:

I represent: The Furman Center

Address:

# THE COUNCIL
# THE CITY OF NEW YORK

**Appearance Card**

I intend to appear and speak on Int. No. ________ Res. No. ________

☐ in favor ☐ in opposition

*Date:* 6-18-09

(PLEASE PRINT)

Name: Amy Armstrong

Address:

I represent: The Furman Center

Address:

*Please complete this card and return to the Sergeant-at-Arms*

# THE COUNCIL
# THE CITY OF NEW YORK

**Appearance Card**

I intend to appear and speak on Int. No. ______ Res. No. ______

☐ in favor ☐ in opposition

*Date:* 6-18-09

(PLEASE PRINT)

**Name:** FRITZ WALTER

**Address:**

**I represent:** C.E.E.F./C.W.E.

**Address:**

# THE COUNCIL
# THE CITY OF NEW YORK

**Appearance Card**

I intend to appear and speak on Int. No. ______ Res. No. ______

☐ in favor ☐ in opposition

*Date:* 6-18-09

(PLEASE PRINT)

**Name:** DAVID AVILES

**Address:**

**I represent:** COMMUNITY ENRICHMENT & EDUCATION FOUNDATION (CEEF) & CWE

**Address:**

# THE COUNCIL
# THE CITY OF NEW YORK

**Appearance Card**

I intend to appear and speak on Int. No. ______ Res. No. ______

☐ in favor ☐ in opposition

*Date:* 6-18-09

(PLEASE PRINT)

**Name:** Sabnna Hannam

**Address:**

**I represent:** CEEF/CWE

**Address:**

*Please complete this card and return to the Sergeant-at-Arms*

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ______ Res. No. ______

☐ in favor ☐ in opposition

Date: 6-18-09

(PLEASE PRINT)

Name: Carmela Huang

Address: ______

I represent: Urban Justice Center

Address: ______

Please complete this card and return to the Sergeant-at-Arms

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ______ Res. No. ______

☐ in favor ☐ in opposition

Date: 6-18-09

(PLEASE PRINT)

Name: Seema Agnani

Address: ______

I represent: Chhaya CDC

Address: ______

Please complete this card and return to the Sergeant-at-Arms

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ______ Res. No. ______
☐ in favor ☐ in opposition

Date: 6-18-09

(PLEASE PRINT)

Name: April Newbauer

Address:

I represent: Legal Aid Society

Address: Queens Civil Practice

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ______ Res. No. ______
☐ in favor ☐ in opposition

Date: 6-18-09

(PLEASE PRINT)

Name: Adam Cohen, Staff Attorney

Address:

I represent: MFY Legal Services

Address:

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ______ Res. No. ______
☐ in favor ☐ in opposition

Date: 6-18-09

(PLEASE PRINT)

Name: Martha Keys

Address:

I represent: Supreme Choice Home Realty

Address:

*Please complete this card and return to the Sergeant-at-Arms*

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ______ Res. No. ______
☐ in favor ☐ in opposition

Date: 6-18-09

(PLEASE PRINT)

Name: Gabriel Maldonado

Address:

I represent: C.E.E.F.

Address:

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ______ Res. No. ______
☐ in favor ☐ in opposition

Date: 6-18-09

(PLEASE PRINT)

Name: Tracey Glover

Address:

I represent: C.E.E.F. / C.W.E.

Address:

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ______ Res. No. ______
☐ in favor ☐ in opposition

Date: 6-18-09

(PLEASE PRINT)

Name: Benjamin Dulchin

Address:

I represent: Assoc. for Neighborhood + Housing Development

Address:

*Please complete this card and return to the Sergeant-at-Arms*

THE COUNCIL
THE CITY OF NEW YORK

*Appearance Card*

I intend to appear and speak on Int. No. ________ Res. No. ________
☐ in favor ☐ in opposition

*Date:* 6-18-09

(PLEASE PRINT)

Name: Dwayne Jones

Address:

I represent: Director of Lending, The

Address: Parodneck Foundation

*Please complete this card and return to the Sergeant-at-Arms*

THE COUNCIL
THE CITY OF NEW YORK

*Appearance Card*

I intend to appear and speak on Int. No. ________ Res. No. ________
☐ in favor ☐ in opposition

*Date:* 6-18-09

(PLEASE PRINT)

Name: Victoria Adams

Address:

I represent: self

Address:

*Please complete this card and return to the Sergeant-at-Arms*