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Joint Budget Hearings on 2016-2017 Executive Budget Proposal

Testimony of Raun Rasmussen Executive Director, Legal Services NYC

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My name is Raun Rasmussen. I am the Executive Director of Legal Services NYC (LSNYC). Thank you for the opportunity to testify today about the housing needs of low-income New Yorkers and about what New York State can do to address those needs.

LSNYC fights poverty and seeks justice for low-income New Yorkers. For nearly 50 years, we have challenged systemic injustice and helped clients meet basic needs for housing, high-quality education, health care, family stability, and economic security. LSNYC is the largest civil legal services provider in the country, with deep roots in all of the communities we serve. Our staff of 400 helps more than 80,000 New Yorkers annually in all five boroughs of the City; more than 25,000 of those helped are children. Thousands of our clients are threatened with eviction and foreclosure; without our assistance many would end up in the shelter system.

New York's Affordable Housing Crisis

New York State is facing a serious affordable housing crisis. Statewide, more than half of renters are rent burdened, paying more than 30% of their income on housing costs. In New York City, almost 80% of low-income households are moderately or severely rent burdened. More than 80,000 state residents are homeless on any given night, and, especially in New York City, even many of those lucky enough to have a rental subsidy have difficulty finding an affordable apartment.

The reality for low-income homeowners is equally stark. New York's economy and communities are still suffering from the devastating effects of the 2008 financial crisis. Tens of thousands of New York City families are in foreclosure, while many more struggle to make monthly mortgage payments that far exceed 30% of household income. More than 41,000 new foreclosure actions were filed in 2015, nearly double the pre-crisis number. Thousands of homes, with many more thousands of apartments, are caught in foreclosure "limbo"; servicers refuse to modify mortgages that could be

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affordable, and pools of these mortgages are being packaged and sold to “investors” who are looking for a quick profit. Communities across the state are forced to cope with vacant and abandoned properties that, left unrepaired, are sources of blight and crime and reduce other property values.

Community Reinvestment Fund

One hundred million in funding for the Community Restoration Fund would help communities address the destabilizing consequences of the foreclosure crisis.

Over the last year, Fannie Mae, Freddie Mac, and the FHA have begun to sell distressed loans at sizable discounts to investors, including some to nonprofits and other mission-driven purchasers. This shift provides a major opportunity to work with homeowners at risk of foreclosure to provide an affordable mortgage modification that will allow them to keep their homes. If the State does not act now to support the purchase of these notes by the Community Reinvestment Fund, tens of thousands of once-affordable homes will go to investors; these homes will never return to the middle-class.

The Community Restoration Fund will address diverse community needs across New York by purchasing mortgage notes on 1-4 family homes at discounted rates, either through note purchases or other types of distressed sales such as auctions. Homes acquired by the fund will then have a range of disposition pathways:

- Mortgages can be modified so they are affordable by providing principal reduction and housing counseling to homeowners.
- Homes can be rented to current homeowners with an option to purchase at a later time.
- Local, nonprofit development efforts can be funded to restore vacant properties as affordable housing available for purchase or rent.
- Homes that are beyond repair can be demolished.

The Community Restoration Fund will deter speculation and property flipping in low- and moderate-income neighborhoods, help communities reduce blight, and restore desperately needed property tax income to the counties and towns.

Investing now will also likely bring additional funds to New York State. Under many existing bank mortgage settlements, banks have incentives to contribute funds to entities like the Community Restoration Fund. As a result, the State’s initial investment can be leveraged with contributions from banks. Over time, the Community Restoration Fund will become a self-sustaining revolving loan fund. As homes are developed or refinanced, the fund will benefit from returns from stabilized properties; these funds can in turn be used to assist more New Yorkers.

Funding the Community Restoration Fund at \$100 million will prevent unnecessary foreclosures and allow communities to make decisions about how best to restore their homes and neighborhoods.

Homelessness Prevention

Driven by a relentlessly accelerating housing market, rents in New York City continue to soar far beyond the means of low and middle-income families, leading to ever higher rates of homelessness. City government has made valiant efforts to address this problem through greatly expanded anti-eviction legal services funding and a variety of City-funded housing subsidy programs designed to place homeless families in permanent housing and prevent at risk families from entering shelter. But the City

cannot address this problem alone: State welfare levels have fallen far behind skyrocketing rents, and vitally needed State housing subsidies were allowed to expire at a time when they were most needed.

The Shelter Allowance is Inadequate: The public assistance shelter allowance for a family of three was raised to \$400 per month back in 2003, and has not increased since. Today the shelter allowance is only 25 percent of HUD's Fair Market Rent for a two bedroom apartment (\$1571).

The Family Eviction Prevention Subsidy is Insufficient: In recognition of the inadequacy of the shelter allowance, in 2003, the Legislature created the Family Eviction Prevention Supplement ("FEPS") that provided increased shelter payments, though only to those families on the brink of eviction in Housing Court. However, even those increased shelter levels (\$850 for a family of three) were out of date from their inception, and are even more grossly inadequate now: they barely cover half the cost of HUD's Fair Market Rent of \$1,571.

Additional State Housing Subsidies Have Been Eliminated: Although rents and homelessness have risen relentlessly, the U.S. Congress has refused to increase funding for Section 8 vouchers, widely recognized as one of the most effective anti-homelessness programs in the country. New York previously experimented with its own Advantage subsidy program, but reduced its effectiveness by limiting payments to periods of only a few years, and then unwisely eliminated the program altogether. Although the City's new Living in Communities (LINC) program is endeavoring to fill some of the gap left behind by Advantage's demise, a new and expanded State subsidy program is urgently needed – one that will subsidize rents at HUD's Fair Market levels and will continue those subsidies until families are able to afford their rents based on their own income.

By failing to keep shelter payments and rent subsidies in line with rising rents, the State ensures that public assistance families will lose apartments even where the rents are well below market. Homeless shelter costs will continue to soar; and every apartment vacated by a public assistance family will no longer be affordable to a low income family—upon vacature, landlords immediately increase the rent and attempt to remove the unit from rent regulation.

The cost of increasing rent payments is more than offset by reduced homeless shelter costs and by prevention of the loss of affordable housing.

Conclusion

Our housing work keeps families in safe, affordable housing and out of the shelter system. We are proud to have the capacity to prevent homelessness, and to address a broad range of legal needs to help our clients and their communities. We welcome the opportunity to partner with you and our many other colleagues across the state in this life-saving work.

