



FURMAN CENTER
FOR REAL ESTATE & URBAN POLICY
NEW YORK UNIVERSITY
SCHOOL OF LAW • WAGNER SCHOOL OF PUBLIC SERVICE



Recent Foreclosure Trends in New York City

Engaging Hard-to-Reach and Vulnerable
Homeowners & The Impact of Foreclosures on
Tenants

Queens, New York
September 29, 2010

NYU's Furman Center for Real Estate and Urban Policy

Since its founding in 1995, the Furman Center for Real Estate and Urban Policy has become the leading academic research center in New York City devoted to the public policy aspects of land use, real estate development and housing. The Furman Center, a joint research center of NYU Law School and the Robert F. Wagner School of Public Service, is dedicated to:

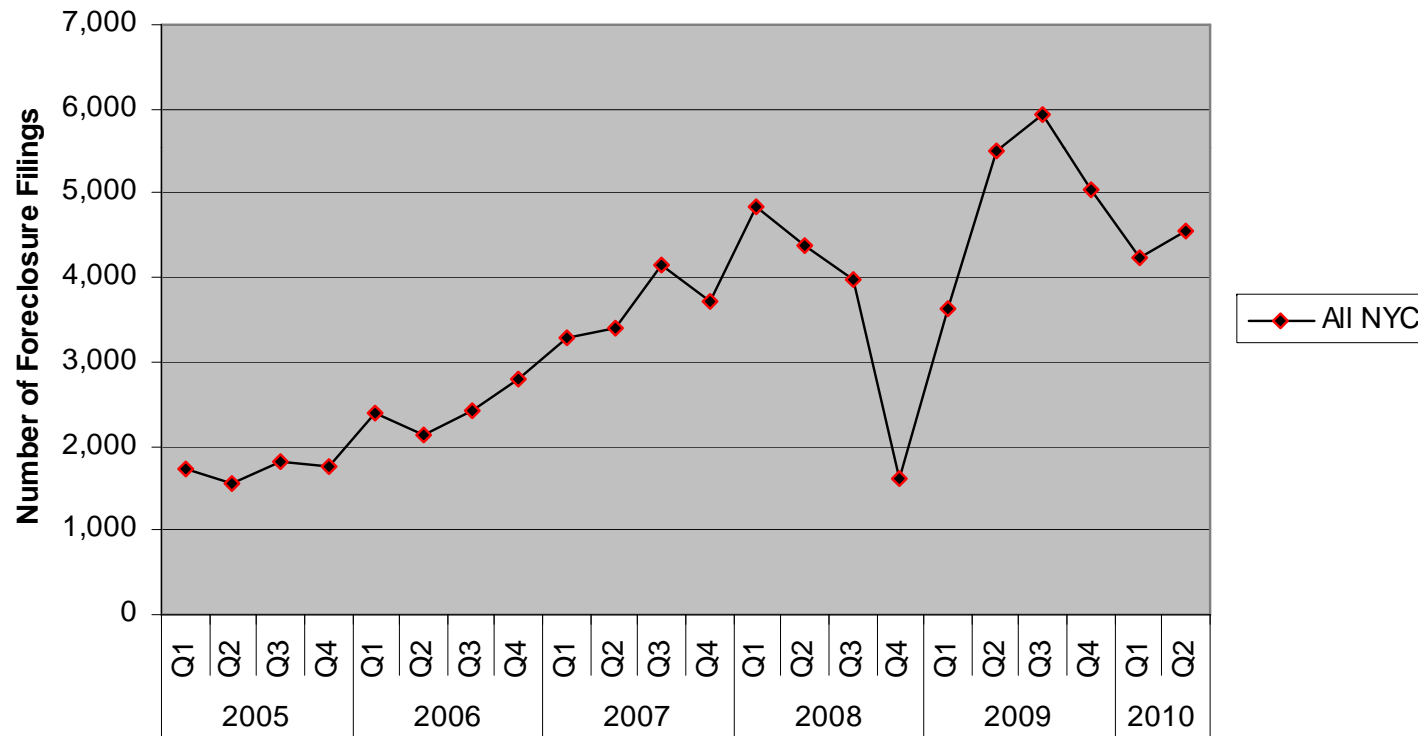
- Providing objective academic and empirical research
- Promoting frank and productive discussions
- Presenting essential data and analysis

Who Are the Victims of Foreclosure?

- **Homeowners**
- Neighboring Property Owners (reduced property values and potentially increased crime)
- Local Taxpayers (reduced tax collection and increased local government expenditures)
- **Tenants**
- Lenders

Recent Foreclosures Trends, NYC

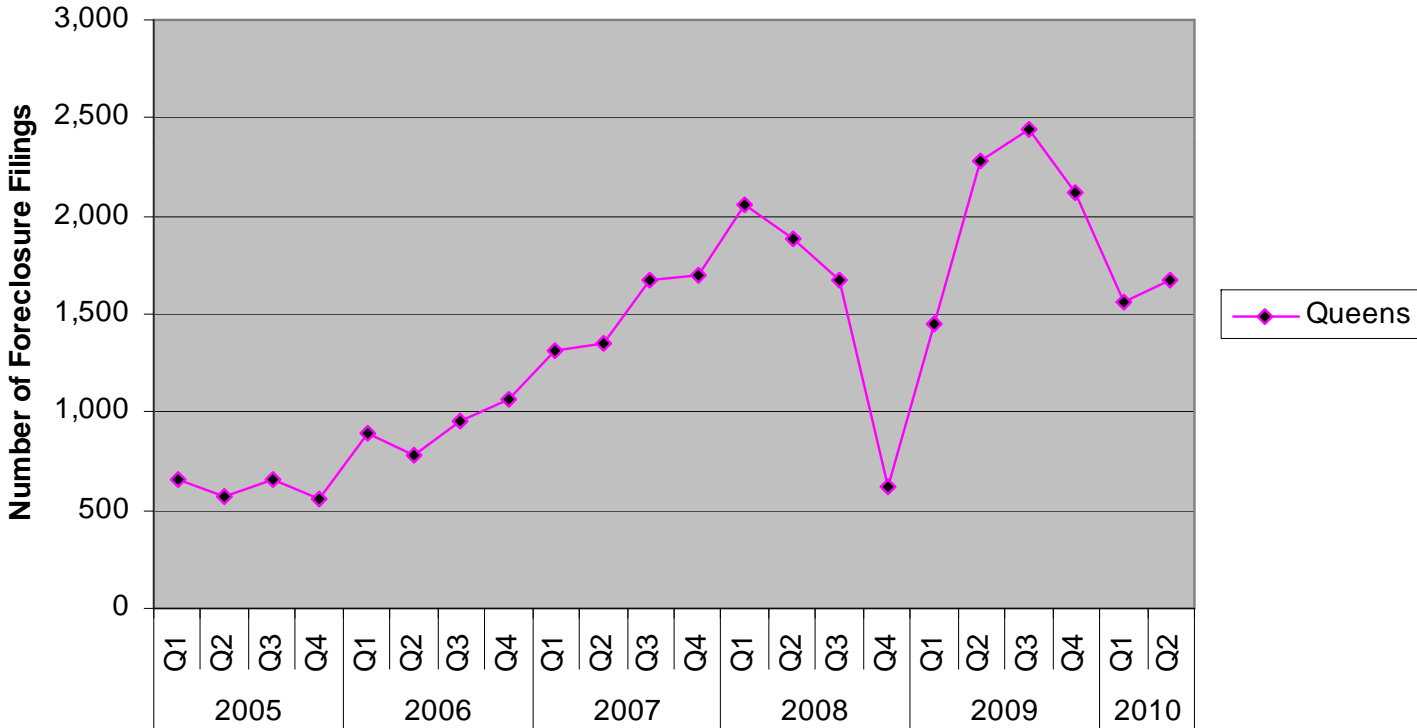
Number of Foreclosure Filings on All Property Types, by Quarter



Source: Public Data Corporation and Furman Center

Recent Foreclosures Trends, Queens

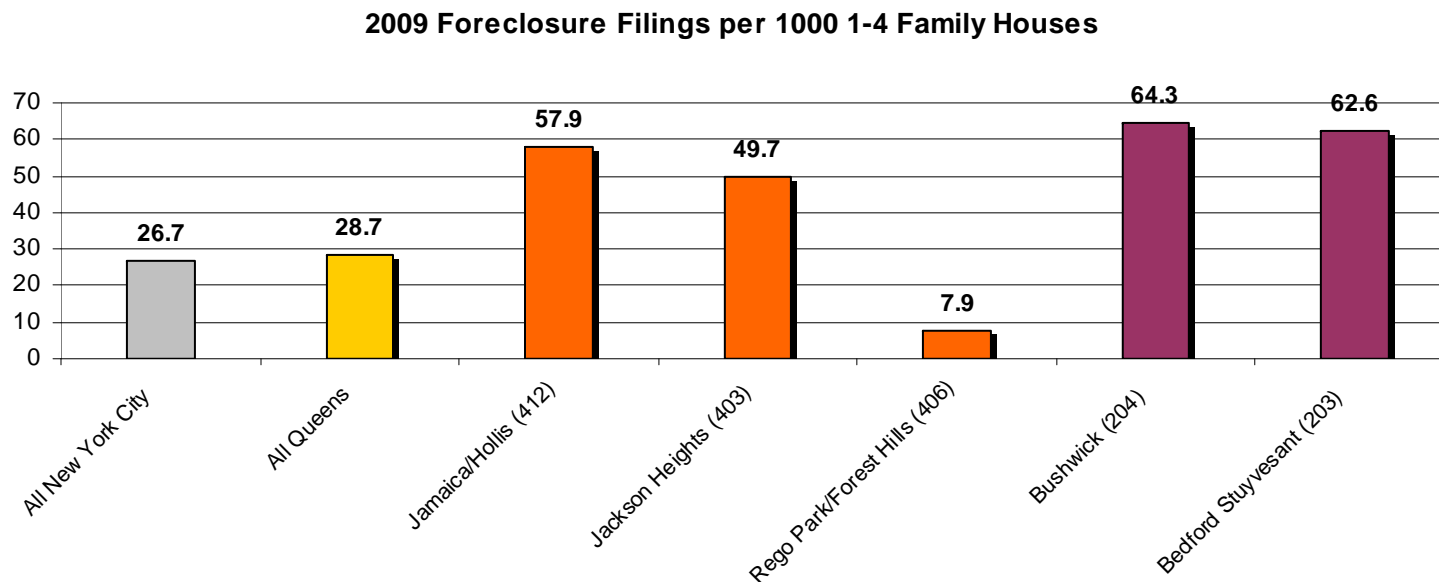
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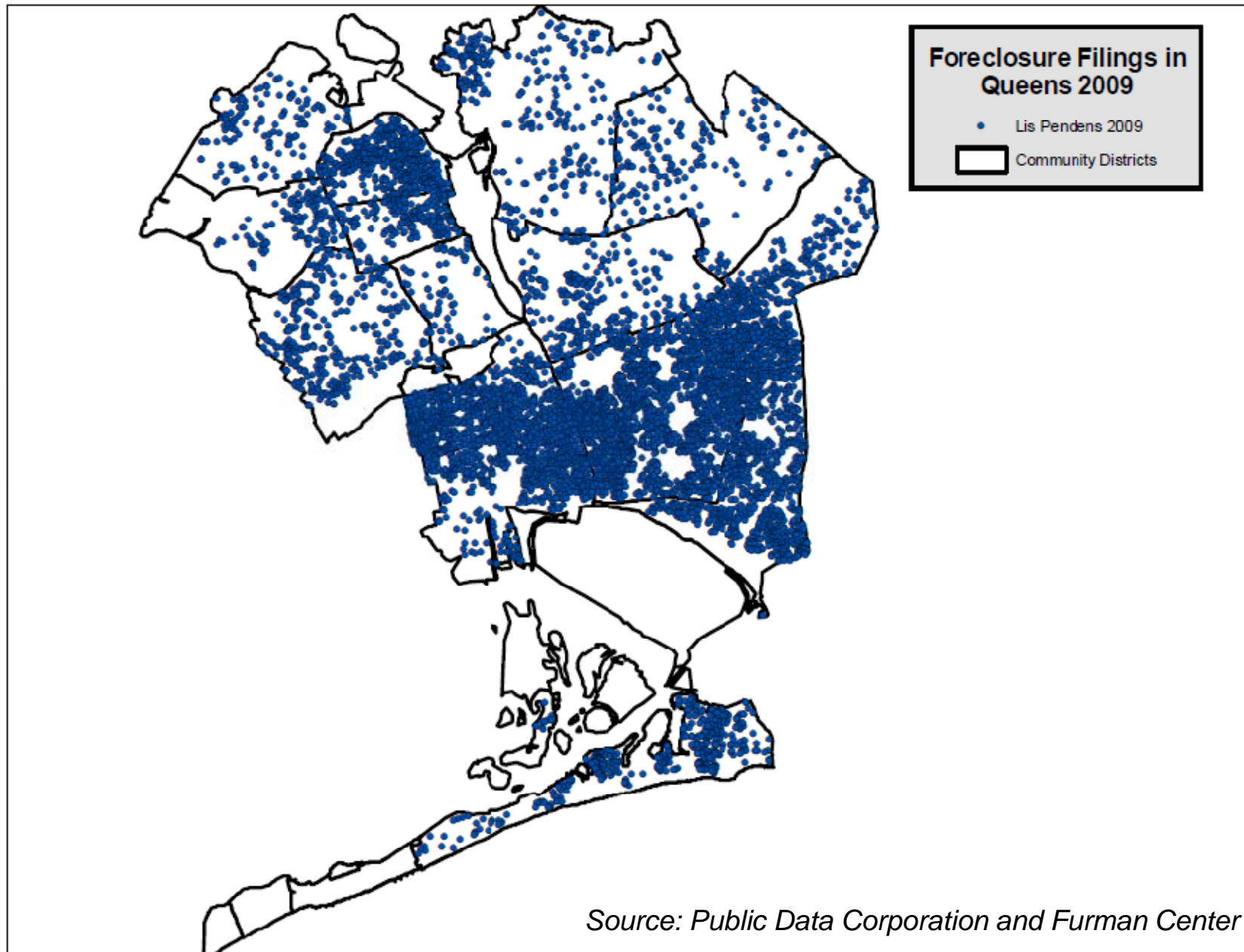
Source: Public Data Corporation and Furman Center

Foreclosures in Queens Neighborhoods

- In Queens, the concentration of foreclosures (per 1000 1-4 family homes) varies widely from neighborhood to neighborhood.



Source: *Public Data Corporation and Furman Center*



The Foreclosure Process

(in summary)

- Homeowner falls behind on mortgage payments;
- Lender sends 90 day pre-foreclosure notice to homeowner and NYS;
- Lender/servicer commences a foreclosure action and files a “lis pendens” in the public records;
- If the homeowner cannot modify, refinance, or sell, the foreclosure action progresses and the property goes to auction (historically 12-18 months after the foreclosure process began, or longer);
- At auction, the property is bought by a new owner or acquired by the lender (i.e., the property becomes “REO”).

What Happens to Tenants When the Landlord Is Foreclosed on?

- Traditional rule and industry practice in NY and most other states:
 - ❑ after a foreclosure auction, the new owner could terminate the lease;
 - ❑ tenants could be evicted with very little notice after a completed foreclosure;
 - ❑ in smaller buildings, new owners evicted tenants to make the property more marketable, to rehab or to use the home themselves;
- But important exceptions and new protections...

What Happens to Tenants When the Landlord Is Foreclosed on?

- Section 8 and rent-regulated tenants are generally protected from eviction, which should help many NYC tenants;
- May, 2009, new national law: Protecting Tenants at Foreclosure Act (part of the Helping Families Save Their Homes Act of 2009 (SB 896)):
 - ❑ Requires that existing lease be honored or, if longer, 90 day notice before eviction;
- December, 2009, new state law: Chapter 507 of 2009 Laws:
 - ❑ Requires that existing lease be honored or, if longer, 90 day notice before eviction (mirrors federal law);
 - ❑ Foreclosing lenders must give notice of tenant rights to renters;
 - ❑ If landlord abandons the building, foreclosing lender must maintain it for benefit of tenants between foreclosure judgment and auction.

What Happens to Tenants When the Landlord Is Foreclosed on?

- But tenants are still at risk:
 - During the foreclosure process, utility shut-offs and lack of repairs or maintenance
 - After an auction sale:
 - Intimidation/lies
 - Cash for keys
 - Need to move (eventually)
 - If tenant is forced to move:
 - Lives disrupted
 - Children may be pulled out of school
 - Difficulty paying moving expenses and finding a new affordable apartment
 - If eviction, goes on record; makes it difficult to rent again
 - Loss of security deposit

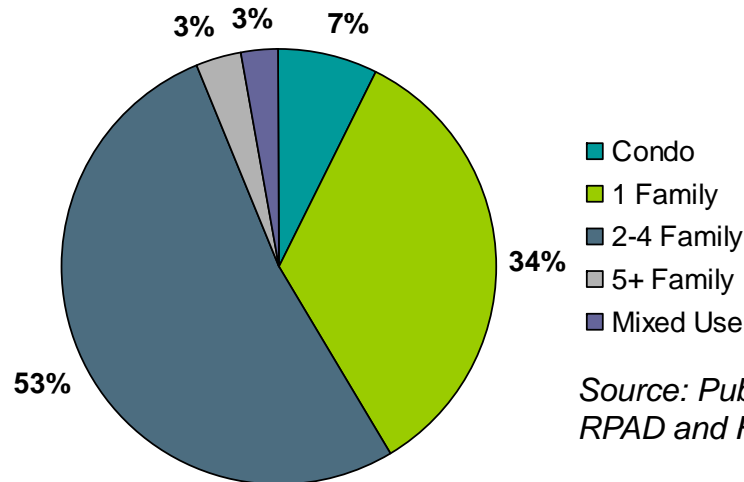
Tenants Affected by Foreclosure Around the Country

- Nationally, many foreclosure filings are on rental properties; recent estimates:
 - 18% of all foreclosure filings (MBA; 2007)
 - 20% (NLIHC; 2008)
 - 31% (RealtyTrac; 2008)
- Many foreclosures involve multi-unit properties:
 - Nearly half of the foreclosures in Massachusetts in 2007 were on multi-unit buildings (Gerardi and Willen, 2008)
 - 32% of foreclosure filings in Chicago in 2008 were on 2-6 unit buildings (Woodstock Institute)

Tenants Affected by Foreclosure in NYC

- 56% of the foreclosure filings in NYC in 2009 were on multifamily properties (mostly 2-4 unit properties)

NYC Properties Entering Foreclosure in 2009



Source: Public Data Corporation, RPAD and Furman Center

- In Queens, about half of the properties entering foreclosure in 2009 had more than one unit.

Tenants Affected by Foreclosure in New York City

- At least 25,000 of the 46,000 units in properties that entered the foreclosure process in 2009 were rental units.

Estimated number of rental units affected by foreclosure each year

	2007	2008	2009	Q1-Q2 2010
Bronx	2,424	2,716	4,390	2,017
Brooklyn	6,966	6,868	10,377	4,938
Manhattan	1,075	1,252	3,811	1,387*
Queens	3,706	4,113	5,682	2,352
Staten Island	472	574	767	349
NYC	14,643	15,523	25,027	11,043*

*Excludes 11,367 units in Stuyvesant Town/Peter Cooper Village

Source: Public Data Corporation, RPAD and Furman Center

Policy Proposals

- Foreclosure Prevention
- Informing Tenants and Homeowners
 - Outreach and information
- Ensuring Continued Utility Provision and Emergency Repairs
- Protecting Tenants and Buildings After Foreclosure
 - Monitoring troubled buildings
 - Helping tenants stay in buildings or move to better ones

Concluding Thoughts

- New policies and legislation have paid better attention to renters
- For renters, many problems are caused not by the foreclosure itself but by the landlord's financial distress
- What will become of larger overleveraged buildings?
- Still a lot to learn about the outcomes of tenant households after foreclosure: what percentage have been displaced? How are children's education outcomes affected? How many households become homeless? How many households leave the city or double-up with relatives?

For More Information

- For Data and Policy Information:
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