

Austerity measures threaten legal aid for New Yorkers facing foreclosure

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As the economic crisis continues to take its toll on working families in New York, the state's foreclosure-prevention programs and homeowner-counseling agencies are now coming under attack.

The attacks come as part of an austerity campaign led by Democratic Governor Andrew Cuomo, whose budget includes cuts to education and health care while cutting taxes for the state's wealthiest residents.

The austerity budget has put at risk at least 120 legal aid and homeowner-counseling agencies across New York State that thousands of homeowners in financial straits depend on to keep their homes when facing foreclosure. Since 2009, federal stimulus spending has made funding available for urgently needed foreclosure-prevention programs. The funding will no longer be available at the end of the year. Approximately 3,000 New Yorkers have benefited from these services over the past two years. Many pro bono lawyers across the state have already stopped taking on new clients, according to the *New York Times*.

A handful of Democrats in the State Assembly made a vain attempt to add \$4 million in foreclosure-related spending to make funding available during the three-month gap between the end of the calendar year and the beginning of the next fiscal year in April. Supporters of the program fear that if funding is halted even briefly, it may be difficult if not impossible to secure permanent financing for it in the future. Assemblyman Vito J. Lopez from Brooklyn inserted a \$1.5 million earmark in the budget for the programs as part of a stop-gap effort to get adequate funding, but this attempt failed after Governor Cuomo vetoed the money.

"That veto almost makes it impossible for us to have a support system available for people that have such a need," Lopez said at the time.

Around 40,000 homeowners across the New York State are presently fighting foreclosures. In New York City, the boroughs of Queens and Brooklyn have been the worst affected by the foreclosure crisis. More than 11,000 homeowners in Queens are currently facing foreclosure. The county has the second-highest foreclosure rate in the state, behind Suffolk County in suburban Long Island.

"In Queens, residents in middle-class enclaves like Jamaica and St. Albans complain that the values of their homes are dropping monthly due to foreclosures in their midst, while their once-tidy communities are becoming blighted by boarded-up houses with unmowed lawns," according to the *Times*.

The Furman Center for Real Estate and Urban Policy at the New

York University School of Law has warned that foreclosures will have serious social consequences, including the further decline in house prices, an increase in crime, and children being forced to change schools.

"We are hardly at the end of the foreclosure tsunami.... There continue to be a lot of people losing their homes. The numbers have softened, but the crisis is not over," said Vicki Been, co-director of the Furman Center.

Queens Legal Services is one of many groups whose future is threatened by Cuomo's austerity budget. The agency's program director, Jennifer Ching, fears she may not have money to pay staff by the end of the year. "It is incredibly disappointing that the governor, a former son of Queens and former housing secretary under President [Bill] Clinton, can cut the last line of defense for people who are about to lose their homes," she told the *Times*. The agency has helped hundreds of low-income homeowners across Queens keep their homes since the onset of the financial crisis.

The *World Socialist Web Site* spoke with Jessica Yager, director of the Foreclosure Prevention Project at Queens Legal Services.

"The proposed cuts will be devastating for our agency and for the local community," she said.

"We help people facing foreclosure defend themselves in court and also help them with loan modifications. Most of them are victims of predatory lending, and our aim is to keep them in their homes. We have been very successful in our efforts to help people keep their homes and these cuts will make it very difficult for us to continue our work. They claim we already have enough staff and resources, but this is definitely not the case."

Yager stated that the economic crisis has increased demand for the agency's services over the past two years. "There are definitely a lot more people in need of our services due to the financial crisis, but this is also the first time cuts have been proposed for foreclosure assistance programs."

"Our main source of funding is the state, agencies like ours and non-profits in general are always coming under attack, but this latest proposal is on another level."

Yager and staff members at Queens Legal Services are surprised that a Democratic governor would impose such drastic austerity measures in the middle of an economic slump. "We expected much more from Cuomo, especially since he was the housing secretary under Clinton. He's been a major disappointment. This crisis isn't being taken seriously at all."

Two years ago, Queens Legal Services helped Luis Mendoza, a

64-year-old truck driver, keep his home after he was served with court papers warning him that he faced foreclosure. The group represented Mendoza at his settlement hearing with Deutsche Bank and helped him apply for a loan modification under an Obama administration program intended to provide a safety net for homeowners.

"I didn't know where I would go, with six people, if we got kicked out," Mendoza told the *Times*. "It was my dream to buy a house for my kids."

However, most homeowners are not as fortunate as Mendoza. The Obama administration's \$30 billion Home Affordable Modification Program (HAMP) has offered assistance to only a fraction of those in desperate need of help. The program is unable to prevent most foreclosures, and few people are able to get permanent loan modifications, leaving homeowners in New York and around the country frustrated and increasingly desperate.

According to a June 9 report released by the US Federal Reserve, falling home prices reduced average homeowner equity to 38 percent of property value in the first quarter, approaching the lowest level since the Second World War. Over 28 percent of homeowners with mortgages were underwater in the same quarter, according to Zillow Inc., a Seattle-based real estate data company. Another report released by CoreLogic in May found that 23 percent of homeowners owed more than their properties were worth.

President Obama has ruled out any policies to address the crisis facing working people, after continuing the Wall Street bailout and extending the Bush-era tax cuts for the rich.

Working class New Yorkers facing foreclosure have limited options. It is nearly impossible to acquire affordable housing in the city, with most families and individuals forced to wait years for a decent and affordable place to live. The city's homeless shelters can no longer accommodate the swelling number of people in need of their services. Last year saw a record number of homeless individuals and families sleeping in the city's shelters, with more than 113,000 individuals and 40,000 children having slept in one of the emergency shelters at some point. Moreover, the majority of those applying for emergency shelter last year were turned away.

Housing crisis in Queens, New York

Reporters for the WSWs spoke to residents of the Jamaica and St. Albans neighborhoods of Queens. St. Albans is one of the neighborhoods worst hit by the housing crisis. For-sale signs and boarded up houses can be seen on one street after another.

In Jamaica, Vishnu Radhay, who immigrated to the US from Trinidad 42 years ago, described how difficult it was for him to make his mortgage payments. "I have a mortgage, but my credit isn't so great. I can't get a better rate because Citigroup won't refinance it," he said. "I used to work for them in the printing department.

"You have to pay \$700 just to apply for refinancing, and then there's a fifty-fifty chance they'll refinance it. I might've been

able to get a better rate when I worked for them, but now it's too late."

Radhay described how the financial crash of 2008 affected his life.

"I lost around \$50,000 on my 401(k). When they laid us off, they kept \$22,000 and claimed it was for taxes. I'm on disability now so I'm on a fixed rate. I pay \$1,500 a month just for the mortgage. It's very hard to keep up with the payments, ask anyone here and they have the same problem. It's not right. I tried to apply for Medicaid, but they said my income is \$100 too much. It's ridiculous."

Radhay expressed his anger at the entire political establishment. "Why didn't they see this crisis coming, I don't understand," he said. "A Democrat is in power now, but we have the same problems leftover from the Bush years. Both parties are always arguing, but they are both to blame for all this. These people don't think about the poor man."

Jacqueline Nelligan, a superintendent of three houses in St. Albans facing foreclosure, discussed her problems with the WSWs.

"The landlord for these houses is experiencing foreclosures. He divided the houses into rooms, and rented them. The tenants were paying the rent bill, but the electricity was still being cut because the landlord wasn't paying the bill. People stopped paying rent when their gas was cut off; you need gas to live here in the winter. I had to put the lights in my name to keep them on.

"There are nine people living in this one house. I pay \$400 a month, if I moved to another place now, it would be \$1,000 a month. I can't pay that. 21st Century just put a for-sale sign in the yard when I was in California. The bank owns the house now. I'm waiting for a court issue because they can't sell the house with people living in it. No one, other than me, pays the rent. They stay here still because they have no place to move. I'm staying here until they give me back my deposit."

Nelligan described how the housing crisis has transformed the neighborhood in recent years. "The houses being foreclosed bring in crime and drug users to the neighborhood," she said.

"I've lived here 10 years and it was a community. Now it has changed. I'm trying to save money to move somewhere else.

"If there weren't so many budget cuts, there wouldn't be so many foreclosures. You try and get help, and they cannot find you a job or you get one but only for a few months. I'm just another citizen who pays their taxes, to Obama I'm just another number. He's just trying to maintain his level. The rich get richer and the poor keep getting poorer. I think both parties suck."

As WSWs reporters were leaving, they came across a real estate agent who was about to show a foreclosed home to a prospective buyer. She didn't have time to talk, but when asked if there were many people facing foreclosure in the area, her response was "thousands."



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