

Testimony

Local Law 4 of 2012 Reporting Requirements Report and Advisory Board Review Commission

Presented by: Elizabeth Johnson
September 28, 2022

Good afternoon, members of the Report and Advisory Board Review Commission. I am Elizabeth Johnson, the Director of Strategic Initiatives for the Office of Neighborhood Strategies at HPD. Thank you for the opportunity to discuss the challenges posed by the reporting requirements under Local Law 4 of 2012. The reports required under Local Law 4 are onerous to produce; do not accurately illustrate the foreclosure landscape in New York City; and are duplicative of existing, publicly available data. Better, more comprehensive data exist to achieve the goal of Local Law 4, and to provide HPD and the public with accurate, up-to-date information about foreclosure activity in New York City.

The City Council passed Local Law 4 in the wake of the Great Recession's foreclosure crisis to provide HPD with timely data on residential foreclosures across the city. In addition to requiring mortgagees to report any foreclosure actions they undertake in NYC, the law requires HPD to maintain on its website monthly and quarterly aggregate reports on foreclosures as reported to HPD. The purpose of the public reporting requirement is to inform the public of which neighborhoods are suffering from high incidences of foreclosure.

While the pursuit of reliable data on foreclosures is worthwhile and valuable, the data collected through Local Law 4 are error-prone, incomplete, and duplicative. The resulting reports are not comprehensive and of little value to the public in terms of understanding foreclosures in NYC and developing targeted strategies to address them. This shortcoming of the reports is rooted in the data collection method mandated by Local Law 4, which requires mortgagees to self-report foreclosures, rather than relying on more comprehensive administrative data from the court system.

Ensuring that mortgagees comply with the law requires HPD to conduct regular compliance checks of the information that mortgagees report. HPD identifies unreported foreclosures by comparing Local Law 4 data to foreclosure filings information obtained from the Office of Court Administration (OCA) through a third-party data provider, PropertyShark. HPD then notifies mortgagees of their noncompliance and does significant follow-up to ensure mortgagees add their unreported foreclosure actions to the Local Law 4 database. These compliance checks are marginally impactful; in the most recent quarter for which data are available, HPD's compliance check resulted in mortgagees registering only 24% of previously unreported foreclosures in that quarter. HPD estimates that staff spend 60 to 70 hours per quarter on these compliance checks. Given our limited staff capacity and resources, this time could be better spent on programs, like the Homeowner Help Desk, that connect residents facing housing instability with community-based organizations to provide resources and support and our preservation loan programs, including HomeFix.



Given the challenges posed by data collection, the Local Law 4 reports will continue to be incomplete, unreliable, and misleading. This means that the picture HPD is painting through its reporting gives the public an inaccurate accounting of foreclosure activity in NYC. It only provides information that mortgagees choose to report and misses a huge amount of the activity in the mortgage market. Even with an additional infusion of resources, the data in these reports likely will never be comprehensive or useful for policy analysis, research, or program development. The costs to produce these reports outweigh the benefits the data produce.

Accurate, timely, and complete data on foreclosure are vital to keeping New Yorkers stably and safely housed; a complete accounting of foreclosure actions in NYC is available through court filings in New York State Supreme Court, which are managed by OCA. Because OCA data cover all foreclosure actions in NYC, they provide the most complete and reliable source of public information on foreclosures and far more accurate than the self-reported data that HPD can share under Local Law 4. State Supreme Court filings, including foreclosure actions, are digitized and publicly available on the State Supreme Court's eCourts website.

In recent months, HPD has engaged OCA in conversations about obtaining aggregate foreclosure data directly. Such a partnership would ensure HPD has access to a comprehensive dataset on foreclosure filings that we can use to inform existing and emerging housing stability programs, free of many of the data compromises discussed earlier. The conversation is ongoing, but OCA has indicated an openness to exploring a data-sharing agreement with us and we will continue to discuss the structure of such an agreement. The public may access disaggregated foreclosure filings data on the eCourts website immediately; what information HPD will be able to share publicly will depend on the negotiation of our data-sharing agreement with OCA. We look forward to continuing and strengthening our partnership with OCA so that we can provide the most impactful foreclosure-prevention policies and programs without duplicating existing information and resources.

We appreciate the opportunity to present these reports and the Commission's consideration to waive them. Our team has invested significant time and staff capacity into improving the comprehensiveness, accuracy, and utility of these reports and we strongly believe that the costs required to create and publish these reports far outweigh the benefits of the data produced. While Local Law 4 will never produce sufficiently reliable foreclosure data, the Office of Court Administration produces a complete, publicly available accounting of foreclosure filings in NYC; we look forward to working with OCA to use their data to support HPD's foreclosure-prevention efforts. We share the Commission's goal of improving operational efficiency to maximize agency impact, and we welcome future collaboration. Thank you for the opportunity to testify.

