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NEW YORK STATE**

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HOUSING BUDGET TESTIMONY

Submitted by:
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December 18, 2007

Black Rock-Riverside Neighborhood
Housing Services [Buffalo]

Broadway-Fillmore Neighborhood
Housing Services [Buffalo]

Chautauqua Home Rehabilitation
and Improvement Corporation

Community Development
Corporation of Long Island

Home HeadQuarters [Syracuse]

Housing Assistance Program of
Essex County

Housing Resources of Columbia
County

Hudson River Housing
[Poughkeepsie]

Ithaca Neighborhood Housing
Services

Kensington-Bailey Neighborhood
Housing Services [Buffalo]

Neighborhood Housing Services of
New York City:

NHS of Bedford-Stuyvesant

NHS of East Flatbush

NHS of Jamaica

NHS of North Bronx

NHS of Northern Queens

NHS of South Bronx

NHS of Staten Island

Neighborhood Housing Services of
South Buffalo

NeighborWorks® Home Resources
[Olean]

NeighborWorks® Rochester

Niagara Falls Neighborhood
Housing Services

Opportunities for Chenango

Rural Opportunities, Inc. [Rochester]

Rural Ulster Preservation Company

St. Lawrence County Housing
Council

Steuben Churchpeople Against
Poverty

Syracuse Model Neighborhood
Corporation

Troy Rehabilitation & Improvement
Program

UNHS NeighborWorks®

HomeOwnership Center [Utica]

West Side Neighborhood Housing
Services [Buffalo]

*There are more than 240 NeighborWorks®
organizations in all 50 states revitalizing communi-
ties through partnerships between residents, business,
government and other private and public entities.*

Good afternoon and thank you for holding this hearing to gather recommendations for the State's investment in housing.

My name is Hilary Lamishaw. I represent the NeighborWorks® Alliance of NYS, which includes twenty-four chartered groups in the State that are members of the national NeighborWorks® America network. These groups – called NeighborWorks® organizations (NWOs) -- are not-for-profit community-based organizations located throughout the state in urban, suburban and rural areas.

NWO's basic business model is a partnership between an area's stakeholders, the private sector and, of course, the public sector. With support from NeighborWorks® America and in some cases, NYS' Neighborhood and Rural Preservation Program funds, NWOs leverage private dollars in order to create new sustainable home ownership opportunities, revitalize distressed communities, and develop and manage properties.

Many of these organizations are stalwarts of their communities and have been around for decades. We've weathered the ups and downs of the real estate market, the years when affordable housing was a focus, the decades when it wasn't, and what we're here to say today is: our communities need help.

Given the limited time we have today, I won't spend it listing the myriad of issues facing people and communities; you've heard it and the governor reiterated it in his comments at the Housing Conference last week. Furthermore, we applaud his efforts to date which focused on increasing efficiencies with the State's housing programs.

The NeighborWorks® Alliance is a member of a new and diverse coalition called the *New York State Coalition for Excellence in Homeownership Education (CXHE)*. This was formed to "ensure that comprehensive and quality financial literacy, pre- and post-purchase homeownership education and counseling services are available to all New Yorkers." Founding members of the Coalition include DHCR, the Banking Department, HFA/SONYMA, NeighborWorks® America, NeighborWorks® Alliance, the Rural Housing Coalition, lenders and housing counseling agencies. We intend to assure that housing counseling agencies meet the national standards for quality services; have access to training and accreditation; are able to increase their capacity to meet the need; have the opportunity for housing counselors to network and share best practices; and elevate the professionalism of the industry to eliminate the revolving door of skilled staff due to low salaries. We intend to mirror the smart move that other states have taken in creating a Homeownership Collaborative, which I'll address later.

One of the first steps the Coalition for Excellence has taken is to conduct an extensive survey of housing counseling agencies. The results of this survey and other research is compiled into a report that I'm proud to share with you entitled "The Current State of Homeownership Education and Counseling Services in New York State," which I have attached to my testimony. The report also includes information about the value proposition of homeownership counseling and policy recommendations to improve access to homeownership counseling.

To begin, we call for the governor to:

Fund Homeownership Education and Counseling at \$6M and a Statewide Collaborative at \$500,000

This State is facing a crisis of impending foreclosures that will reach inconceivable numbers in the coming months. We recognize that the State has devised a number of strategies to deal with

it, including making Banking Department funding available to assist with foreclosure prevention counseling and legal services.

While that's good, it's not enough. We want to ensure that the crisis doesn't blind us to the need for a long-term sustainable homeownership strategy. The State needs to adopt a two-prong approach: a subprime crisis management plan and a comprehensive strategy that restores home ownership as a neighborhood revitalization strategy as well as a personal asset-building one.

We believe that a core component of the second prong already exists. It just needs additional resources to expand its reach and breadth. It's called homeownership education and counseling.

Homeownership counseling benefits consumers, lenders, communities and the State. We know that educated consumers are not the homeowners who are facing foreclosure today. Studies show that those who seek housing counseling prior to buying a home have lower delinquency and default rates and improved financial health. Counseling improves credit scores, enabling consumers to access conventional loans and avoid risky loans. Even after purchasing, homeowners know they can go back to their housing counselor if they have questions about home equity loans, home repair needs, contractors, or property tax issues. Housing counselors typically go to closings with their clients and some have recounted that they – not the attorneys – have on occasion noticed that closing documents and their terms have been changed.

Counseling is the single simplest way to help people make smart choices.

We estimate that there are 170 community-based nonprofit housing counseling agencies providing services in New York State today. The recent survey of these groups at the request of DHCR's Section 8 to Homeownership Unit resulted in a 71% response rate. Here are some of the findings:

- a majority of them (97%) provide one-on-one counseling with consumers while 75% provide group workshops;
- most groups (91%) serve first-time homebuyers, 82% do default and foreclosure counseling, and 73% serve current homeowners seeking to refinance;
- the median number of counseling staff was two full-time equivalent (FTE) and the average number was 3.5 FTEs; and
- homeownership counseling staff salaries are low relative to the general population with comparable educational attainment, resulting in frequent staff turnover.

Based on the data collected, we estimate that these counseling agencies assist 20,300 households with homeownership counseling annually and help 8500 families to purchase homes each year. Unfortunately, that number of new homeowners compares miserably with numbers provided in the governor's comments last week: that 7300 residents of NYC alone experienced foreclosure on their homes in the third quarter of 2007 alone.

But 8500 people were helped to make smart choices in buying homes each year. I'd like to give you a bird's eye view of one agency's production. Here is a quick look at the HomeOwnership Center operated by Troy Rehabilitation and Improvement Program.

In 2006, TRIP's homeownership staff (one director and two counselors) counseled 927 people, resulting in 65 homebuyers. (Some of those who were counseled will become homeowners after repairing their credit or finding for the right house for them. In other cases, however, people may realized – or been told -- that home ownership is not for them for any number of reasons; that

should be viewed as a positive outcome.) The average household income of those sixty-five homebuyers was \$36,035 or 54% of area median income. The average purchase price was \$119,850. Their average credit score rose some 70 points to 740 as a result of the counseling. In terms of economic development, those 65 homebuyers resulted in:

- Real Estate Commissions Generated \$ 471,257
- Bank Fees Generated \$ 37,465
- Other Settlement Charges Generated \$ 569,435
- Average 1st Year Spending \$ 222,516
(Appliances, furniture, etc.; based on a 1995 Consumer Expenditure Survey
Analysis for First Time Buyers with Income under \$35,000.)
- Typical First Mortgage \$ 108,752
- Total of Mortgages Leveraged \$ 7,068,848
- Present Value of Interest Revenue \$ 3,895,092
- Total Wealth Created for all Buyers in 10 years \$ 4,051,195

And most importantly, TRIP's customers – like the vast majority of people who receive homeownership counseling – are not facing defaults or foreclosures. They are successful homeowners who know where to turn IF they end up facing problems, and long before those problems would become crises.

The State's investment of \$6 million for homeownership counseling would on average provide \$50,000 in additional funding to each of the 120 counseling agencies. We believe the impact of that will help put homeownership back on track as a key step for the security of families, communities and the State.

Additionally, we urge NYS to follow the examples of several other states that have successful homeownership collaboratives designed to provide support services to the nonprofit housing counseling agencies. There is a chapter in the report about other state's efforts and the benefits of this approach. We are seeking \$500,000 to create the infrastructure of a NYS Homeownership Collaborative that would improve the overall quality assurance of the local counseling agencies, increase the capacity of the delivery network by creating service efficiencies where possible, attract additional resources, and increase production of homeownership counseling and education.

Here are a number of other recommendations from the NeighborWorks Alliance to ensure that all New Yorkers have access to safe, decent and affordable housing:

Fund the NYS CDFI Fund at \$5 Million

NYS' CDFI Fund, created by Chapter 186 of the laws of 2007, is another strategy to make resources available for housing needs. CDFIs (Community Development Financial Institutions) are financial institutions with a special mission of serving underserved communities and people of modest means through loans to consumers, homeowners, small businesses, or community groups. These are loans that would not have been made by conventional lenders because of risk, strict underwriting criteria, or lack of access.

There are a total of 110 CDFIs in New York State, eight of which are NeighborWorks® organizations. While some of the NWOs do business lending, they all make loans available to

assist with downpayments or closing costs and for home repairs. And frankly, looking at the condition of much of our housing stock today, purchasing an existing home in an affordable range demands that funds are needed to bring it up to code.

The State's previous "CDFI Fund" was limited to women-and minority-owned business lending that had a \$1.5M setaside in ESDC. That meant that those CDFIs in the state that did housing lending, for instance, were unable to apply for the state funds. We applaud the creation of the new State CDFI fund that allows CDFIs to engage in the full range of activities that are typical of them.

But increased resources are needed. To expand the list of eligible activities without the necessary resources just pits one need against another. The good news, though, is that each dollar invested by the will leverage on average \$27 in private capital investment (as estimated by the U.S. Treasury Department). Furthermore, state dollars can attract greater amounts of the federal CDFI Fund, which requires a one-to-one match with non-federal dollars. The best news: we expect that appropriations to the federal CDFI Fund will reach an all-time high this year.

Create a Housing Trust Fund with Dedicated Revenues

We support the concept proposed by the Empire State Housing Alliance for a Housing Investment Fund to be initially seeded at \$100 million. This Fund would receive dedicated financing from a variety of sources tied to housing markets, making a logical connection between housing markets and affordable housing resources. This system would remove politics from addressing the need for people to be adequately and safely housed. We also like that the ESHA proposal allows for a great deal of flexibility in funded projects or programs. This will help local communities, some of which find that the state's current programs don't allow for the flexibility of smaller projects or innovative programs. Another important principle of the ESHA proposal is that the housing assisted with State resources have permanent affordability, so that we don't lose the investment over time. And, just to be clear, we support a Dedicated Housing Trust Fund as an addition to the State's existing housing programs, not to supplant them.

Increase funding to the State's Core Housing Programs

The Neighborhood and Rural Preservation Programs provide critical operating funds -- a minimum of \$65,000 annually -- to some 230 community-based organizations that deliver services tailored to meet the specific housing and community issues facing that geographic area. Many of the neighborhood and rural preservation companies are now quite sophisticated, doing complicated development deals that aren't otherwise done by the market. For the most part, these preservation companies engage in unsexy, often unprofitable, yet necessary services that don't pay for themselves yet offer untold value to customers and the State. And although the NPC and RPC funding may appear miniscule in comparison to the larger organizations' overall budgets, the funding is invaluable since it is discretionary, flexible, and consistent to those groups in good standing.

NPCs or RPCs own and manage some of the state's subsidized rental housing, which is a difficult job given the complexity of issues facing many of our lower-income tenants today, such as mental health issues, no secure employment, low wages, physical limitations. We all know that theoretically, rental management is supposed to be self-sufficient; however, the reality is

quite different. Exacerbating the situation is the condition of some of our housing developments – those that were rehabbed twenty or more years ago are ready for the next go-around. In general, we have an aging physical infrastructure fraught with lead and asbestos – both subject to federal and state regulations, which, while important for workers and tenants safety, are putting the costs of rehab out of reach.

We are participating in the Task Forces that are reviewing the programs and ensuring their effectiveness. The programs have evolved quite a bit in the past three decades and we welcomed the opportunity to seek improvements in them.

The governor's stable funding of the Neighborhood and Rural Preservation Programs last year was also welcomed. However, given the demands that we're seeing in communities, we urge him to increase his support above the base level which will then:

- increase funding to each group so that they can increase their capacity to better meet the local needs, and
- fund additional groups that have been providing excellent services to their communities but have been unable to gain access to the Neighborhood or Rural Preservation Programs funds in the past.

Similarly, we urge the governor to increase funding to the State's capital housing programs. The demand for is great and growing, both because of the age of the housing stock, the lack of affordability in some areas of the State, the rising costs of lead and asbestos remediation, the list goes on. Additionally, we know that properties will be available as a result of the foreclosure crisis; resources must be available so that not-for-profits can preserve them for affordable housing – either for home ownership or rental – in order to help stem the abandonment that could decimate communities.

Thank you for the opportunity to testify today and for the State's renewed interest in affordable housing.