

Testimony Supporting
S.B. No. 951 (Raised), An Act Concerning Neighborhood Protection
Testimony of Sameera Fazili
To the Banks Committee
February 24, 2009

Senator Duff, Representative Ryan, and distinguished members of the Banks Committee: I appreciate the opportunity to speak to you today in support of the passage of Senate Bill No. 951.

My name is Sameera Fazili and I am the Ludwig Community Development Fellow and a Clinical Lecturer in Law at the Yale Law School, where I co-teach the Community and Economic Development Clinic at the Jerome N. Frank Legal Services Organization. I am also a resident of New Haven.

By now we are all well aware of the effect the mortgage foreclosure crisis is having on homeowners and cities across the nation and across this state. This bill provides an important tool for cities that need to manage vacant properties. The management of vacant properties is critical to help prevent both the crime that accompanies abandoned properties and the rapid decline in local real estate values from blight.

This bill addresses an important problem cities face in the current crisis: lack of accountability or responsiveness by the owners of the vacant property after a foreclosure. Due to securitization of mortgages, after foreclosure the ownership of the property is transferred to a securitization trust. These trusts are managed by investment banks, such as Deutsche Bank or Bank of New York, who now have portfolios of thousands of vacant properties scattered throughout the United States. When local city code officials attempt to contact the owners to have properties kept up to code, they are unable to reach any person with authority who actually manages the building or can remedy any defects.

By requiring a local property manager to be registered, this bill gives city officials a person they can contact who can actually remedy the problem at hand. The bill could be further strengthened if it required the servicer of the securitization trust to be listed. The servicer is the actor in a securitization trust who is actually responsible for management of the properties after foreclosure. The listed owner—the investment bank—has little power or authority to manage the property. Instead, the documents that govern a securitization trust place that responsibility in the hands of servicers. However, it is very difficult currently to find out the name of the servicer on a given property, since their names are not listed on many public records. Therefore, to truly hold the securitization trusts accountable for the vacant properties that are accumulating in our cities, the bill should require servicers to be listed so that cities can directly contact and negotiate with servicers.

This bill will also help strengthen the Neighborhood Stabilization Programs (NSP) that cities are now administering through money provided by the Department of Housing and Urban Development and the Connecticut Department of Economic and Community Development. As part of NSP, Connecticut cities have created programs to take vacant property and put them back

into productive use. This bill can help strengthen local NSP efforts, and enable Connecticut cities to more efficiently spend the federal dollars allocated for neighborhood stabilization efforts. By having a contact person at the trustee investment bank and a local property manager, cities can more easily contact the people they must negotiate with to purchase properties bulk or wholesale. The legislation can better serve the needs of the local NSP effort by starting earlier than October 1st. I urge you to therefore move the effective date earlier, to July 1st, to enable cities to incorporate the new powers into their NSP plans.

This bill is an important bill to help Connecticut manage the fallout from the foreclosure crisis and to ensure that our neighborhoods stay healthy. I urge you to pass this bill and lead the nation in managing the foreclosure crisis.