

COMMUNITY AND ECONOMIC DEVELOPMENT CLINIC

YALE LAW SCHOOL

Testimony Supporting

S.B. No. 1212, An Act Concerning Protections for Renters After the Foreclosure of a Building in Which They Are Living

Testimony of Caroline Novogrod¹
To the Joint Committee on Judiciary
March 25, 2011

Senator Coleman, Representative Fox, and distinguished members of the Judiciary Committee: I appreciate the opportunity to speak to you today in support of the passage of Bill 1212.

My name is Caroline Novogrod, and I am one of the students in the Community and Economic Development Clinic at Yale Law School. I live in New Haven, in the districts of Senator Martin Looney and Representative Gary Holder-Winfield.

I am speaking on behalf of the ROOF Project (Real Options, Overcoming Foreclosure), a city-wide, collaborative effort to stabilize our communities started in 2008. ROOF Partners help identify and implement comprehensive responses to the mortgage foreclosure crisis. We strive to balance community needs with those of struggling mortgage holders. From the beginning of our efforts during the early stages of this crisis, our goal has been to preserve our neighborhoods by mitigating the consequences for the community of the placement of one more vacant home on the market. That is why I have come before you today, to speak about how all Connecticut residents stand to gain from this bill's passage.

The damage that the mortgage crisis is imposing on unwitting renters has drawn national attention.² Early on in the crisis, as a result of banks' and servicers' automatic eviction policies, responsible, rent-paying tenants were being summarily evicted from the homes that they occupied. While both Connecticut and the federal government have taken steps to address this issue, many of these tenants still face serious problems. Many tenants do not even know that the home that they are living in is in foreclosure, making it even more difficult for them to find alternative housing before being evicted.³ Servicers or their agents often provide misinformation when dealing with renters. The harmful effects of these policies and actions by servicers reach far beyond the individual homeowner, damaging neighborhoods and communities, as well as the sales prospects of lenders. We strongly believe that Bill 1212 is still necessary both to stop further decline in our state's neighborhoods, and to protect Connecticut renters.

¹ This testimony was prepared through the Yale Law School Community and Economic Development Clinic under the supervision of Robin Golden.

² See, e.g., John Leland, *The Rent is All Paid Up, But Eviction Still Looms*, N.Y. Times, May 1, 2009, <http://www.nytimes.com/2009/05/02/us/02renters.html>; Stephanie Armour, *Renters Can't Escape Housing Foreclosure Crisis*, USA TODAY, Apr. 25, 2008, http://www.usatoday.com/money/economy/housing/2008-04-21-rent-rising-eviction_N.htm.

³ NATIONAL LAW CENTER ON HOMELESSNESS AND POVERTY, *STAYING HOME: THE RIGHTS OF RENTERS LIVING IN FORECLOSED PROPERTIES 2* (2010) [hereinafter *Staying Home*].

Properties left empty after foreclosure and eviction suffer steep deterioration both from neglect and purposeful looting. In our three hardest hit neighborhoods, we have seen property value declines of 40-50% on multifamily homes. Throughout New Haven, the losses on individual properties have been as high as 90% following the removal of tenants.

Vacant, foreclosed properties impose costs on neighboring homes and municipal governments. A single foreclosure can impose as much as \$220,000 in reduced property value and equity for surrounding homes, according to one statistic.⁴ That same foreclosure can directly cost local government as much as \$34,000 for basic inspection and maintenance, responsibilities that cities are often forced to take on because the lender-owners fail to do so.

ROOF had direct experience with the debilitating costs of vacancy on houses. Through our implementation of the Neighborhood Stabilization Program, we identified, purchased and resold certain real-estate owned (REO) properties to non-profit developers and also provided them with funds to rehabilitate the properties. Consider just one of the properties in the program, a four-unit house in a historic neighborhood that lay vacant for just three months before ROOF purchased it. By then, it had already suffered serious damage, including exposure to rainwater and resulting mold infestation because the windows were left unsecured. We finally purchased the property for \$98,000, which is \$220,000 less than the property was purchased back in 2004. Over \$400,000 of our already limited NSP funds has gone into a gut renovation of the property.

This deterioration is preventable. Many of the foreclosed homes would not face vandalism if tenants were allowed to remain in the homes until and unless a new buyer required that the building be vacant. We believe that Bill 1212 will help to forestall property deterioration, and thus support the efforts of realtors to market Connecticut properties. Tenant occupants stave off vandals and looters, and keep properties in livable condition. They are a readily available fire alarm, alerting owners to problems in the building.

Retaining tenants can also help property sales in other ways. Avoiding vacancies helps to maintain communities by limiting the cumulative consequences that multiple foreclosures can have on neighborhoods.⁵ Responsible tenants can also be presented as a benefit to potential investors, who have the option of buying an investment property with an income stream built in.

The time to act is now. Connecticut has been a leader in this country in terms of implementing a successful mortgage mediation program and in taking bold steps that proved effective in addressing this national crisis. We ask that Connecticut once again move towards a position of leadership, and demonstrate its commitment to its residents, by adopting Bill 1212.

⁴ Neighborworks America, Foreclosure Statistics, http://www.fdic.gov/about/comein/files/foreclosure_statistics.pdf.

⁵ MAYA BRENNAN, CENTER FOR HOUSING POLICY, STABILIZING COMMUNITIES AFFECTED BY FORECLOSURES: LESSONS LEARNED FROM VACANT AND ABANDONED PROPERTIES INITIATIVES, http://www.housingpolicy.org/assets/foreclosure-response/StabilizingCommunities_LessonsfromVacantProperties.pdf.