

THE FORECLOSURE RELIEF  
ACT OF 2016:  
WHAT DOES IT MEAN FOR  
YOUR COMMUNITY?

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# What Is A Zombie Foreclosure?

- Homeowner Defaults
- Occupant Leaves Property
- Foreclosure not complete
- Bank Pays Taxes





# New Zombie Legislation

- Signed into law June 23rd, 2016
- Effective December 20th, 2016
- Improves Settlement Conference process
- Creates the Community Restoration Fund
- Establishes a Consumer Bill of Rights





# Responsible Parties

Since 2010 RPAPL 1307 has required banks to maintain vacant properties once a judgment of foreclosure was signed.

The most significant change coming from the new law is that it requires a servicer maintain vacant property once a loan is delinquent.





# Establishing Vacancy

Servicer must conduct the first exterior inspection: within first 90 days of delinquency.

During the duration of the delinquency, servicer must conduct exterior inspections every 25-35 days at different times of day to verify occupancy.

7 days after the property is identified as vacant a notice must be posted declaring it vacant with the servicer's toll free number





# Maintenance Requirements to Begin 7 Days After Notice Posted to Property

- Replace one door lock;
- Secure, replace, or board up broken doors or windows;
- Secure pools, wells, septic tanks, etc.;
- Prevent harmful gases, steam, vapor where possible;
- Winterize home
- Provide basic utilities
- Remove / remediate health & safety issues (including code violations)
- Prevent growth of mold
- Respond to government inquiries
- Ensure notices are posted and visible

# Fines For Non-Compliance

- Violations can be heard by officer or court of competent jurisdiction.
- Fines can be up to \$500 a day per property.
- The Superintendent of the NYS Department of Financial Services can also issue fines for violations.
- Municipalities can also enforce the maintenance requirements by bringing an action against the servicer.
- If an emergency situation arises, a municipality can cure the emergency and bring an action against the servicer to recover the costs.



# Expedited Foreclosure on Vacant and Abandoned Properties

- Foreclosure auctions must happen within 90 days of the date of judgment of foreclosure.
- REO properties must be listed for sale within 180 days of the execution of the deed or 90 days after the completion of rehab.





# State Vacant Property Registry

- The Department of Financial Services has established a vacant property registry.
- Banks are required to report their vacant properties to DFS starting December 20th, 2016.
- Information reported must include; lender info / entity responsible for maintenance, foreclosure info, and last known address of mortgagor(s).
- Municipalities or public officials can request the list of vacant properties within their jurisdiction
- DFS has established a hot line for community members to report issues with zombies.



# Improvements to Settlement Conference

- Changes wording in default notices.
- Language access.
- Short Sales & Deed and Lieu of Foreclosure.
- Expanded penalties for Plaintiff Bad Faith.





# Best Practices for Municipalities

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- Request zombie property data from DFS.
- Track and monitor foreclosure activity.
- Encourage community members to file complaints against zombie properties with DFS.
- Establish process by which community members can report vacant properties to the municipality.
- Educate community members on a homeowner's right to remain in the property throughout the foreclosure process.
- Provide homeowners with contact information for local legal services to assist with foreclosure issues.
- Fine servicers often.