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 LeavesProperty
- Foreclosure not complete
- Bank Pays Taxes



New Zombie Legislation

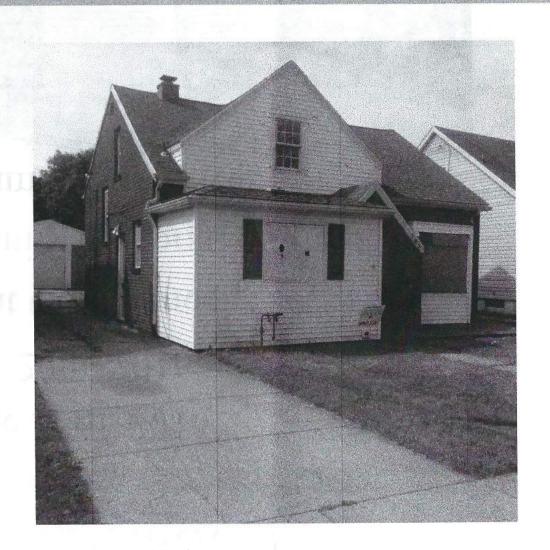
- Signed into law June 23rd, 2016
- Effective December 20th, 2016
- Improves Settlement Conference process
- Creates the Community Restoration Fund
- Establishes a Consumer Bill of Rights



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.

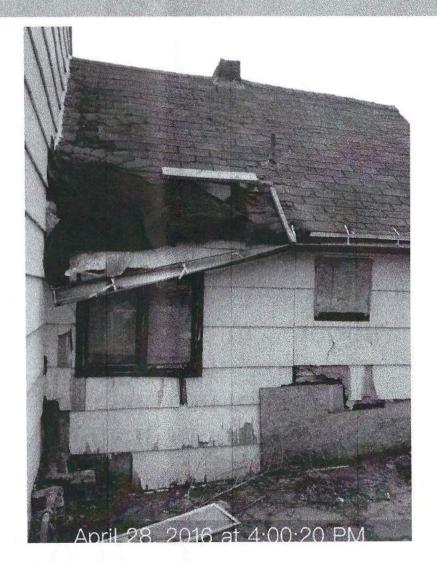
Banks are required to report their vacant properties to DFS starting December 20th, 2016.

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

- 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.