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NYC Groups Commend the City Council for Protecting Low Income and Senior Homeowners by Reforming the City's Tax and Water Lien Sale

March 2, 2011—Legal Services NYC, the Neighborhood Economic Development Advocacy Project (NEDAP), and the Legal Aid Society applaud the New York City Council for their successful work in passing meaningful legislation that will help prevent seniors and low income New Yorkers from losing their homes because of past due tax and water bills. The new law reforms NYC's "Lien Sale" program, through which it privatizes the collection of these debts.

In recent years, our offices have received hundreds of calls from homeowners, mostly elderly, who have been threatened with foreclosure because of a tax or water lien. Many should have been exempt from the lien sale due to age and income, but either did not receive proper notification of the exemption, or did not understand the notices sent to them. Many of these homeowners paid off their mortgage years ago but were struggling to meet their current expenses on a limited income.

“The liens that have been sold were disproportionately concentrated in communities of color in NYC—the same communities already hard hit by predatory lending and foreclosure, as well as unemployment, underemployment, and the other numerous effects of the recession,” said Josh Zinner, Co-Director of NEDAP.

“These protections were desperately needed,” said Oda Friedheim, Supervising Attorney of the Foreclosure Prevention Unit at Legal Aid. “With astronomical fees and interest rates of 18%, the liens that were sold caused substantial financial harm for the families and seniors that were most struggling to stay afloat and make ends meet in tough economic times.”

The newly passed legislation will expand notification to four notices sent to the homeowner; provide targeted outreach to homeowners who may be eligible for exemptions; significantly decrease the interest rate charged on liens that have been sold to third parties; increase transparency and accountability for fees that are charged after the liens have been sold, to prevent fee-gouging by the third parties who purchase the liens; and provide affordable payment plans for homeowners who are very low income.

“The changes in the law will significantly increase the transparency and fairness of the tax and water lien sale,” said Meghan Faux, Director of the Foreclosure Prevention Project at South Brooklyn Legal Services, a program of Legal Services NYC. “We commend the city for its commitment to protecting vulnerable residents and restoring balance to the lien sale process.”