

Water liens could trigger rash of foreclosures on low-income housing units

Clare Trapasso

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Theresa Brathwaite panicked when her name appeared in her local newspaper last year alongside thousands of city property owners with delinquent water and sewer bills.

Brathwaite, 73, who lives on her Social Security income, owed about \$3,000. That debt almost cost her the four-story Bedford-Stuyvesant, Brooklyn, brownstone she'd called home for more than 50 years.

"I was devastated," said Brathwaite, who fell behind on her bills because of high heating oil costs and other rising living expenses. "I only get one check and it has to go so many different ways."

Since May 2008, the city has sold almost 3,200 water liens, primarily in low-income and working-class neighborhoods in Brooklyn, Queens and the Bronx. Before then, water liens were sold only with property tax liens.

Water liens can be sold to private collection entities when property owners - residential or commercial - are delinquent on their bills for \$1,000 or more for 12 months.

If property owners are unable to pay the liens - plus fees and double-digit interest charges - their properties could go into foreclosure.

Advocates predict the first wave of these foreclosures could hit as soon as the end of the year.

"The very neighborhoods that were victims of predatory lending and are suffering foreclosures are now being hit by city tax lien sales," said April Tyler, the state and local campaigns coordinator for the Neighborhood Economic Development Advocacy Project.

"It increases the pool of people that are in danger of losing their homes," said City Councilman Al Vann (D-Bedford-Stuyvesant).

He introduced a bill in August that would expand the eligibility for lien sale exemptions. It would also require the city to wait three years before selling water liens.

Currently, owners of one-family homes, low-income seniors and low-income disabled are exempt from water lien sales.

But not everyone eligible for an exemption is getting one, Vann said, because it's up to the individual to report their status to the city. And once a lien is sold, it's often very difficult to get the property out of arrears, he said.

Vann's bill is expected to be approved by the end of the year.

City officials stressed that the vast majority of property owners settle their debts before their water liens are ever sold.

Almost 1,900 water liens were sold in May, according to the city Department of Finance. That's up by almost 600 from May 2008.

But it's a small percentage of the thousands of properties initially listed as owing the city back water bills, officials said.

"The lien sale is an enforcement tool," said Steven Lawitts, acting commissioner of the Department of Environmental Protection. "Nearly 90% of our customers pay their water charges on time. If the other 10 to 12% are seriously delinquent, the result is the ones who pay on time...are going to be paying for the water their delinquent neighbors use."

The Council approved the sale of water liens - independent of property tax liens - in late 2007 to avoid a substantial midyear water rate hike. The first sale was in May 2008 - the same year that water rates were jacked up 14.5%.

Laura Lugo's home in Corona, Queens, almost went into foreclosure because she owed some \$13,000 in back water bills due to a mixup with a former tenant.

"I never imaged they could do a foreclosure on the house," said Lugo, 45, who received notices that her house was about to be put into foreclosure after her lien was sold. "I was very worried."

The Legal Aid Society helped her keep her home by working out a 15-year payment plan with the collection agency.

Brathwaite also was saved - before her lien was sold. She worked out a payment plan with the city to settle her debt.

"I wish they would take these liens off these buildings - especially for seniors," she said.

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