



The Department of Finance Deed Theft Hearing Testimony

Good afternoon, Chair Hudson and Chair Menin, as well as the members of the Aging committee and the Consumer and Worker Protection committee. My name is Colette McCain-Jacques, and I am the City Register for the NYC Department of Finance.

Since 2014, the Department of Finance, in both the City Register and the Sheriff's Office, have been focused on confronting the root causes of deed fraud that target our most vulnerable New Yorkers. As many of you know, there are heart breaking stories where older New Yorkers, living on a fixed income, are coerced into signing a document that eventually leads to them giving away their property for either no money or a fraction of what it is truly worth. This issue impacts New Yorkers across all five boroughs.

Before I jump into the root causes and the signs of potential deed fraud, I'd like to take a step back and explain the role that the Office of City Register plays. Each year, well between 300,000 and 500,000 documents are processed by the office that include all different actions against properties, including the recording of deeds which are made available for public inspection. For example, if a property owner refinances their mortgage or transfers a deed, these actions require a filing with the Office of the City Register, which means it needs to be processed by a member of my staff.

The office of the City Register plays a ministerial role in the recording of deeds. The office is limited by state law. State law requires the City Register to perform the ministerial act of recording a deed as long as it is in recordable form, meaning that it (i) is certified by a public notary; (ii) has a seller's signature and a buyer's signature under certain circumstances; and (iii) includes all other required legal documents. The City Register does not have discretion with respect to recording of deeds that meet these requirements.

Although the Office of the City Register is limited by State law, there are still proactive steps the Department of Finance has taken to help prevent deed fraud.

We have trained City Register staff to better detect documents that may be forged or fraudulent and put in place several safeguards, including the involvement of the Sheriff's Office in the review process.

After an internal review of our recording process, we discovered that quitclaim deeds are the most common type of deed used by perpetrators of deed fraud. The staff now pays particular attention to these submissions. When the staff identifies a discrepancy that appears to indicate possible fraud, they refer it to the Sheriff's Office for review.

Examples of other types of recordings that would trigger an additional review are those with a sale price far below market value, multiple transfers between LLCs within a short period of time, and transfers by people or entities suspected of committing or known to have committed deed fraud in the past. These safeguards have been in effect since July 2014, when we increased our focus on deed fraud, and we continue to make improvements as we see patterns that need to be addressed. In addition, as part of the review process, City Register staff verifies the notary information on the New York State Attorney General's Office website, and discrepancies are sent to the Sheriff's Office for closer review.

We also automatically inform property owners by mail when a deed is filed against their property. The earlier that someone catches fraudulent activity, the more quickly the problem can be addressed.

In addition to our efforts in my office, the Sheriff's office plays a vital role in handling the potential fraudulent cases. Since 2014, the Sheriff's Office has taken many proactive measures to reduce deed fraud and investigate crimes related to deed fraud. We are hopeful that with the State taking important steps to expand deed theft protections and creating harsher penalties for the perpetrators, we will continue to see a decrease in cases. Our investigations in the past ten years have resulted in the arrest of 58 suspects tied to fraudulent property transactions. The total value of these properties was in excess of \$52,000,000.

Our most effective enforcement tool is proactive outreach and empowerment of homeowners before they are put in a compromised situation. The Department of Finance's Outreach Unit has been informing event attendees

about deed fraud and how to prevent it since early 2016. Their work has reached over 100,000 taxpayers at over 1,800 events.

DOF has partnered with the Department of Aging, HPD, and DCWP for housing resource fairs to provide education for older New Yorkers, including deed theft education. Agency partnerships as well as elected partnerships are the most important types of outreach the city can do.

I would like to thank Borough President Reynoso for recently inviting us to a town hall where our outreach team spoke with New Yorkers directly about how to protect themselves from deed fraud.

In addition to the outreach team, the Office of the Taxpayer Advocate has conducted outreach events with the IRS, New York State, other government agencies, and not-for-profit partners on the topic of deed fraud. During these events they educate tax professionals and taxpayers on the topic of deed fraud and encourage everyone to be vigilant about fraud prevention.

During the outreach sessions, we give presentations which include a section on deed fraud and what people can do to protect their properties. The Outreach Unit has distributed tens of thousands of copies of our deed fraud guide, which is available in 10 languages at www.nyc.gov/finance.

Over the past few years, the Outreach Unit has also conducted hundreds of train-the-trainer sessions, at which they educate elected officials and community-based organizations on the topic of deed fraud. This is an ongoing effort, and we encourage members interested to contact us to schedule a session.

Turning to today's legislation, the Administration supports the intent of both bills up for consideration today, with proposed amendments.

Introduction 888 would require DCWP to ensure that parties that make unsolicited offers to purchase residential property, provide the owners with a disclosure of the market value of the property. It would also require DCWP to establish a database of residential property market values. While DCWP agrees with the goal of providing potential sellers with important information regarding their homes, especially in the case of unsolicited offers, we are concerned that an

approach focused on DCWP assessing home market values would be unreliable for home sellers.

Instead, we recommend that any business or person making an offer to purchase a residential property be required to provide the owners with an itemization of their rights and protections as prospective sellers. This would fall in line with existing practices that DCWP has successfully established in the used car, paid tax preparer, and debt collection industries.

Introduction 901 would require DCWP's office of financial empowerment to provide counseling to homeowners, in coordination with HPD's office of the homeowner advocate. DCWP's financial empowerment centers do not provide mortgage counseling, housing scam prevention or home repair financing. These services, including legal services support, are offered by HPD in collaboration with community-based organizations, such as the Center for NYC Neighborhoods. Our colleagues at HPD can further elaborate on that specific work. The Administration believes this legislation presents an exciting opportunity develop a deeper partnership between these two agencies, leverage their respective networks to support more communities in New York City, and achieve the goals of this legislation. The Administration remains committed to uplifting New Yorkers as they build and protect their assets through these resources

I want to thank the Council for allowing me to speak today and I hope that our testimony has given you a useful overview of where we stand regarding deed fraud. I will take any questions you may have at this point.