

January 16, 2018

Tom DiNapoli  
State Comptroller  
59 Maiden Lane,  
New York, NY 10038

Dear Comptroller DiNapoli,

The New York State Common Retirement Fund, of which you are the sole trustee, is a major investor with both The Blackstone Group and TPG Capital, two large private equity managers.

We write to direct your urgent attention to the destructive role of these companies in the current crisis in Puerto Rico, in which massive hurricane damage and economic loss is being exploited by private equity funds seeking huge profits from human suffering.

Recent media accounts have highlighted the roles that TPG and Blackstone are playing in driving the foreclosure crisis in Puerto Rico.

From the New York Times, Dec. 16, 2017, “The Next Crisis for Puerto Rico: A Crush of Foreclosures”:

“Blackstone owns a company, Finance of America Reverse, that specializes in a type of home loan called a reverse mortgage, which is guaranteed by the federal government.

There are 10,000 reverse mortgages in Puerto Rico, and Finance of America controls about 40 percent of the market, according to the Department of Housing and Urban Development, which oversees the government insurance fund that guarantees a lender will be repaid on a reverse mortgage.

Court records show that the Blackstone-controlled company is aggressive in its pursuit of — and foreclosures on — borrowers.”

From The Intercept, Dec. 22, 2017, “Puerto Rico Homeowners Brace for Another Disaster: Foreclosures”:

“Roosevelt Cayman Asset Co., has 289 active foreclosure cases in federal court and another 56 in local Puerto Rican courts. Federal courts, typically not a venue for foreclosure cases, are seen as faster than local courts, so offshore companies like Roosevelt lean heavily on them.

Roosevelt is an affiliate of Rushmore Loan Management Services, which in turn services loans owned by private equity giant TPG Capital, managers of \$73 billion in assets.”

In December, the watchdog group Hedge Clippers, which we help lead, released a report “Private Equity and Puerto Rico: How a TPG Capital Affiliate is Buying Up Mortgages and Foreclosing on Island Residents” (enclosed).

Even prior to recent hurricanes, Puerto Rico has faced an unprecedented foreclosure crisis that has destabilized families and communities. In June 2017, an average of 18 families lost homes every day to foreclosure in Puerto Rico, more than double the rate a decade ago during the global financial crisis. A

record 5,424 homes were foreclosed last year, up 130 percent from nearly a decade ago, when the government first began tracking those numbers.[i]

After the hurricanes, the foreclosure crisis has gotten even worse.

Recently, community groups and Puerto Rican diaspora groups sent letters to TPG Capital and Blackstone Group requesting meetings to discuss their foreclosure practices and plans. TPG Capital responded and has put a temporary halt (though March) on many, but not all, of its foreclosure cases in Puerto Rico. Blackstone has not yet responded.

Foreclosures and exploitation by TPG and Blackstone's foreclosures are not limited to Puerto Rico.

TPG affiliate Rushmore has acquired at least 2,533 delinquent mortgages from Freddie Mac, including 291 mortgages in New York.

Of the 2,533 mortgages, Rushmore had foreclosed on around 694 (27%) as of the end of 2016, even though it had only held the mortgages for between 7 and 8 months. Rushmore appears to have foreclosed on homeowners significantly faster than average: for both loan sales it participated in, Freddie Mac SPO 2016#1 and Freddie Mac SPO 2015#7, Rushmore had the highest foreclosure rates among buyers at the end of 2016. During the same period, Rushmore had modified only 149 loans.[ii]

Rushmore has also purchased 4,511 mortgages from the US Department of Housing and Urban Development, including 514 mortgages in New York.[iii]

Blackstone affiliate Bayview Asset Management has acquired at least 32,000 mortgages from the U.S. Dept. of Housing and Urban Development (HUD) and Freddie Mac, at least 2,500 of which are in New York.[iv] Bayview Loan Servicing, the servicing arm of Bayview Asset Management, has filed more than 660 suits in New York in the last two years.[v]. Blackstone's Finance of America has filed more than 190 suits in New York in the last two years.[vi]

For example, in July 2015 Bayview Asset Management purchased 1,540 mortgages, 338 of which are in New York, in mortgage pool 102, as part of HUD's SFLS 2015-1 loan sale. Bayview purchased these mortgages for just 56% of the unpaid principal balance on the mortgages -- a steep discount.[vii]

Yet as of January 2017, HUD reported that one third (33%) of the mortgages in Pool 102 had been foreclosed on while Bayview had modified just 9%.[viii]

TPG and Blackstone are exploiting families in Puerto Rico and here in New York. One possible reason for the reckless exploitation may be the lack of people of color, including Puerto Ricans, and women in executive positions at these companies. Their business practices and their business ethics are alarming -- we think it's time for action by principled shareholders and elected officials.

Puerto Rico faces continuing devastation, and Puerto Ricans should not lose their homes -- we should rebuild them. Families right here in New York are losing their homes needlessly -- we should rebuild our communities.

On behalf of those targeted for foreclosure on by TPG and Blackstone, we ask that your office halt further investments with these firms until they provide a path for families to stay in their homes -- and that you work with us and affected communities to demand action and reform from these companies.

Sincerely,

Center for Popular Democracy

Citizen Action of New York

Hedge Clipper

Labor Council for Latin American Advancement NYC Chapter

Make The Road New York

New Economy Project

New York Communities for Change

Strong Economy for all Coalition

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<sup>[i]</sup> “Puerto Rico Grapples With Foreclosure Crisis as Thousands Lose Homes,” Associated Press, June 21, 2017.

<sup>[ii]</sup> FHFA Enterprise Non-Performing Loan Sales Report, December 2016.

<sup>[iii]</sup> [HVLS 2017-1 sales results summary](#) , [HVLS 2017-2 sales results summary](#), [SFLS 2016-2 sales results summary](#).

<sup>[iv]</sup> HUD post-sale reports for [HVLS 2017-2](#) [SFLS 2016-2](#) [SFLS 2016-1](#) [SFLS 2016-1](#) [SFLS 2015-1](#) [SFLS 2014-2, Part 2](#) [SFLS 2014-1](#) [SFLS 2013-1](#) [SFLS 2013-2](#) [SFLS 2012-3](#) [SFLS 2012-2](#)

<sup>[v]</sup> [courtlink.lexisnexis.com](http://courtlink.lexisnexis.com), accessed Jan 9, 2017.

<sup>[vi]</sup> [courtlink.lexisnexis.com](http://courtlink.lexisnexis.com), accessed Jan 9, 2017.

<sup>[vii]</sup> HUD SFLS-2015-1 sale report, July 16, 2015.

<sup>[viii]</sup> Appendices to the Report to the Commissioner on Post-Sale Reporting Distressed Asset Stabilization Program, HUD, March 2017.