



NEW YORK STATE SENATOR

Malcolm Smith

State Senate Democrats Urge Predatory Lending Reforms In Washington, D.c.

MALCOLM A. SMITH October 15, 2007

State Senate Democratic Leader Malcolm A. Smith (D-St. Albans) joined several members of the State Senate Democratic Conference on a trip to the nation's capital this week where they sought Congressional support for predatory lending reforms in response to fallout from the subprime mortgage meltdown that has cost thousands of New Yorkers their homes and jobs.

The Democratic Conference has stood at the forefront of efforts to address the foreclosure crisis in New York, sponsoring several statewide hearings in recent months to solicit testimony from victims and housing experts with an eye toward developing legislative remedies. Unfortunately, U.S. Supreme Court precedent has made it difficult for states to adopt legislation that affects federally chartered banks.

"Clearly we need to work closely with our federal counterparts in order to fully enact comprehensive mortgage lending reforms that effectively avert the alarming pace of home foreclosures, which has robbed the American Dream from thousands of people in New York State," said Smith.

The urgent need for predatory lending reforms was identified earlier this year when State

Senate Deputy Democratic Leader Jeff Klein (D-Bronx/Westchester) prepared a report indicating that more than 19,000 families issued subprime mortgages in the Metropolitan New York area will face foreclosure this year.

Klein's report prompted the Senate Democratic Conference's development of a Predatory Lending Mitigation Program in May. It includes measures to provide training and assistance to borrowers and enact regulations that make it difficult for lenders to take advantage of consumers.

"As we've toured the state in recent months and hear the tragic stories of crafty maneuvering by unscrupulous lenders to put the squeeze on borrowers, it is clear that decisive steps must be taken," said Klein. "We hope to partner with Washington in those efforts."

Senator Liz Krueger (D-Manhattan) said: "The American Dream of homeownership is a key tenet of the Senate Democratic Conference's platform. We will continue to put the issue front and center during the coming months. A fair, honest and transparent home mortgage financing infrastructure is critical for the social and financial stability of our communities."

Senator John Sabini (D-Queens) said: "While New York State's foreclosure rate was fairly modest as recently as 2001, we have seen the hobbling effect of predatory lending practices knock our state into fifth place for the highest subprime foreclosure rate in the nation last year."

Senator Efrain Gonzalez (D-Bronx) said: "The predatory lending practices of some subprime lenders is despicable. It has been clearly documented that these unscrupulous lenders prey on predominately low-income, minority neighborhoods whose residents are more likely to

rely on mortgages with much higher rates and origination fees than what conventional banks offer. This is fundamentally a social justice issue."

Senator William Stachowski (D-Buffalo) said: "The ins and outs of home financing can be exceedingly complex even with the help of trained professionals. Raising awareness about the pitfalls of predatory lending and investing in programs to help borrowers avoid those pitfalls is simply not enough. Policy and regulatory changes need to complement consumer vigilance."

Legislative outcomes sought by Senate Democrats at the federal level include requiring loan originators to create escrow accounts to pay hazard insurance on subprime loans as well as measures that: prohibit originators from influencing appraisal processes, criminalize mortgage fraud and create a fair dealing standard for all originators.

This week's visit was the Senate Democrats' second trip to Washington, D.C. in recent months. The current gathering follows a series of meetings Senate Democrats had in June with members of New York's Congressional delegation and several other key Democratic elected leaders to hammer out an agenda rooted in shared goals.

"It is unfortunate that while Albany remains in a state of legislative paralysis, those of us seeking real progress have had to turn to our nation's Capital in order to achieve real results for New York State," Smith said. "It is time for Albany legislators to get back to work so that New York can be a place where families live, grow and thrive."

On Thursday, Senate Democrats launched a campaign urging a return to session on October 22 so that the Legislature can act on important measures like paid family leave, judicial pay raises and property tax rebates for seniors.

In addition to predatory lending, the coalition of 17 Senate Democrats visiting Washington today plan to lobby members of Congress to override President Bush's veto of the State Children's Health Insurance Program (SCHIP) and advocate for additional Homeland Security investments.