



NEW YORK STATE SENATOR

Jeffrey D. Klein

State Senate Democratic Conference Supports Subprime Mortgage Moratorium

JEFFREY D. KLEIN May 13, 2008

Reforms would provide immediate assistance to homeowners facing foreclosure

(Albany, NY) State Senate Democratic Conference Members today called for the passage of bipartisan legislation to impose a one-year delay on foreclosure proceedings to allow New York families victimized by predatory lending to avoid the loss of their homes.

“In the first quarter of 2008 the rate of foreclosures throughout the state has increased by forty percent,” said Senate Democratic Leader Malcolm A. Smith (D-St. Albans). “As legislators, we have an obligation to our constituents and must act now to pass legislation which immediately provides relief to homeowners faced with losing their homes.”

Senate Democrats urged their Republican colleagues to support the bipartisan legislation, which could prevent up to 125,000 foreclosures in the next year. Senate Democrats recommended comprehensive reforms to protect homeowners and strengthen communities. Without the reforms, property values are expected to decline by an average of \$18,000 as a result of subprime foreclosures, leading to a \$65 billion decline in the statewide tax base.

“The subprime foreclosure crisis is at full tilt, with dire projections for ever-increasing foreclosures over the next year,” said Senator Martin Connor, a Manhattan Democrat and ranking member of the Senate Banks Committee.

“The Governor and the Legislature have appropriated funds to help homeowners negotiate mortgage

terms,” Senator Connor said. “The one-year moratorium is essential to stave off disaster and buy time for the other measures to save family homes.”

Senate Democratic Conference members have first-hand experience in preventing foreclosures and saving family homes. The Conference, joined by the State Banking Department and other state officials, last year created the Operation Protect Your Home initiative which has helped over 1,600 working families avoid foreclosure. The initiative included bipartisan workshops from New York City to Buffalo where homeowners meet with lenders from around the country to discuss, and when possible, modify their mortgage terms.

Still, thousands more New York families now face foreclosure, and need immediate help.

Senate Deputy Democratic Leader Jeff Klein (D-Bronx) said: **"The time to act is now. Lenders must open their mortgage portfolios and restructure loans to keep families in their homes wherever possible. Bank purchasers and trustees of troubled mortgages must declare a moratorium on foreclosures to allow homeowners time to modify their loans and protect the equity in their homes."**

ACORN President Bertha Lewis said: “This legislation will finally create a real incentive for lenders to get serious about adjusting subprime loans for thousands of New Yorkers in crisis. The depth of this crisis and the costs to the state demand that New York slam on the brakes on home foreclosure so that we can buy both borrowers and lenders the time to work out individual loans. If the Senate Majority is serious they will join Senator Smith and his colleagues and pass this legislation today. We cannot wait.”

Last week, the State Assembly passed moratorium legislation with a vote of 126 to 11, signaling strong bipartisan support. Senate Democrats and their allies called today for swift passage of the same-as Senate bill (S. 6724-B, Padavan).

Senate Democrats also called for passage of their comprehensive reform package, which would provide real relief to homeowners and communities during the moratorium period. The package includes:

- Quick distribution of \$25 million included in this year’s state budget for counseling and legal representation for families facing foreclosure;

- Passage of legislation to require upkeep and maintenance of foreclosed properties;
- Passage of legislation imposing a fiduciary duty on mortgage brokers;
- Required education and financial literacy assistance for subprime homebuyers.

Senator Smith concluded: “If this package is approved, victims of predatory lending will not have to worry about being evicted from their homes in a matter of days or months. We want to “press pause” on foreclosures, and give them a fair opportunity to save their homes.”