



NEW YORK STATE SENATOR

Jeffrey D. Klein

## Subprime Scrooges

JEFFREY D. KLEIN December 4, 2008



Senator Jeffrey Klein Releases Top Ten Banks Responsible for Foreclosing on New Yorkers  
During the Holiday Season

Calls on State to Mandate Banks to Modify Loans

NEW YORK- With the US economy officially in a recession and the holiday season in full swing, ten banks will issue just under 5,000 notices of foreclosure to New York families despite receiving \$122,099,000,000 in the taxpayer funded bailout. Today, Klein released the

top ten banks responsible for the most foreclosure filings from October-November in New York City, Westchester, and Long Island. Klein proposed to standardize Operation Protect Your Home, a foreclosure prevention forum, to help stem the rising tide of foreclosures in the State by requiring lenders to meet with borrowers and work out mutually beneficial ways to avoid foreclosure.

Klein's report found that in New York City the top ten banks responsible for the most foreclosures from October-November 2008 are: US Bank, Deutsche Bank, Wells Fargo, HSBC, Bank of America, JP Morgan Chase, Bank of New York, Indymac, Citigroup, Capitol One.

The filings break down as follows: Nassau County (1,033), Suffolk County (762), Queens County (1,291), Kings County (569), Richmond County (301), Bronx County (214), New York County (102), Westchester County (331).

In September, Congress passed a \$700 billion bailout package which relieved major mortgage banks of the growing burden caused by the dissolution of the credit market. However, average Americans remain dogged by financial failure and pending foreclosure. Despite the federal government's rhetoric toward home retention, little has actually been done to incentivize banks to modify mortgages and keep people in their homes. The banks listed in Klein's report, or Subprime Scrooges, have received billions in taxpayer monies, yet continue to file foreclosure proceedings rather than use programs like the federally funded Hope for Homeowners, to help distressed borrowers.

"This is socialism for the banks and capitalism for everyone else. We need to refocus the banks on loan modification and make the state a stakeholder so as to wield homeownership as a responsible investment rather than a financial scalpel," said Senator Klein.

In 2008, the New York State Senate worked with the New York State Banking Department and over 15 lending institutions to create Operation Protect Your Home. From the Bronx to Buffalo, distressed homeowners from all over the state attended one-on-one modification meetings with their lenders in seven counties. More than 3,500 at risk mortgages were discussed for modification under this program.

Governor Patterson's 2008 subprime lending law made formal settlement conferences between lenders and borrowers mandatory within 60 days of a foreclosure filing on any subprime or non-traditional mortgage. Senator Klein however, will introduce new legislation in January 2009 to extend this protection to all residential mortgage borrowers. Lenders will also be offered the option of satisfying this obligation by participating in a series of state sponsored Operation Protect Your Home events throughout the state for lenders serving large numbers of New York properties; Operation Protect Your Home is likely to be the most efficient way to connect directly with their borrowers. It will also keep more New Yorkers in their homes by facilitating direct contact before at risk mortgages reach the foreclosure stage

In addition, Klein proposed that State of New York Mortgage Agency (SONYMA) start refinancing troubled borrowers into 30 year fixed rate mortgages. Currently, SONYMA offers financing only to first time homeowners. Under Klein's proposal, the home would be appraised at the time of the SONYMA refinancing and the mortgage would be up to 90 % of the value of the mortgage. By empowering the agency to help any and all homeowners, the state would have a share in the equity of the home, and upon sale or refinancing it would benefit from the home's appreciated value.

All lenders would be required to work with SONYMA to determine if the homeowner qualifies for this refinancing option.

Klein lastly renewed his call for the Legislature to pass the Neighborhood Preservation Act S.7028 (Klein) which would allow a municipality to enforce safety and habitability requirements for every bank owned property. New York neighborhoods are experiencing the effects of the foreclosure crisis as homes fall into disrepair and drag down property values.