



NEW YORK STATE SENATOR

Joseph P. Addabbo Jr.

Addabbo: Senate Moves to Empower Homeowners Facing Foreclosure

JOSEPH P. ADDABBO JR July 13, 2010

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Law Penalizes Lenders Who Fail to Engage in Good-Faith Foreclosure Settlement Negotiations

Queens, NY, July 12, 2010 – NYS Senator Joseph P. Addabbo, Jr., announced today that in an effort to help more New Yorkers remain in their homes, the New York State Senate passed critical legislation that he supported (S7798A), empowering homeowners facing foreclosure to take action when lenders fail to meet their obligation of entering into good-faith settlement negotiations at “settlement conferences.”

Tens of thousands of families across New York and especially in Queens, have lost their homes in recent years as a result of unethical subprime mortgage practices. “No community is immune from being a victim of foreclosures.” Addabbo stated. “I am hopeful that this bill will provide the much needed, common sense protection many people seek from unfortunate, and sometimes unintended, financial situations.”

According to the Senator, numerous residents are disadvantaged by those lenders operating under the guise of helping people remain in their homes but who are in fact, not following ethical business practices, further endangering these families.

This legislation sets up three obligations of a lender at a settlement conference:

- To appear with authority to execute a settlement with the homeowner;
- To negotiate in good faith; and
- To meet any deadline for the production of documents or evidence.

Senator Addabbo noted that helping families avoid foreclosure has significant benefits for the entire community – not just the family facing homelessness. Foreclosed homes tend to lower local property values and services may be cut as a result of properties coming off the local tax rolls.

In Addabbo's Senate District 15, the highest foreclosure rates occurred in Ozone Park, Richmond Hill, South Ozone Park, Woodhaven, with lower rates of foreclosure in Ridgewood. His district also includes parts of similarly affected Elmhurst, Forest Hills and Kew Gardens.

Addabbo noted, "The spike in home foreclosures as a result of widespread subprime lending has hit every corner of my district. With unemployment figures still high, we have only recently seen a slight dip in foreclosures in Queens, as overwhelmed banks, in reaction to the state's new foreclosure protection laws, are slowing down foreclosures to deal with a backlog of unpaid mortgages and move forward with good faith settlements. Many of my constituents have seen property values decrease and crime rise in neighborhoods with many boarded up properties. Tenants and whole communities are affected when foreclosed homeowners abandon their properties. Lowering the alarming rate of foreclosures and helping families in Queens to save their homes and even their communities remain priorities for me in order to build the foundation for a lasting, sustainable economic recovery."

This new legislation strengthens the Foreclosure Prevention and Responsible Lending Act of 2008 which set up a mandatory settlement conference process for all homeowners facing foreclosure. That law requires parties to bring key documents to the conference, and obliges both parties to negotiate in good faith in order to reach a mutually agreeable resolution with the goal to reduce foreclosures. Many lenders disregarded the law, sending subcontracted attorneys to settlement conferences and foreclosure proceedings who have neither the preparation nor the authority to negotiate with homeowners.

According to a study conducted by the Center for New York City Neighborhoods, of the nearly 800 settlement conferences they studied in 2009 in New York City courts, only 3% resulted in any kind of settlement. The study also showed that lawyers sent by lenders only had a copy of an offer already made to the lender 3% of the time, knew the status of an offer with the lender 6% of the time, and only had a phone number to call someone with authority to settle in 13% of the conferences.

“The laws on the books are intended to aid homeowners who need assistance in a tough time,” said Addabbo. “Homeowners don’t receive this aid when lenders choose to flout our laws. Their behavior wastes the homeowner’s time, the court’s time, and if the home is lost, hurts the entire economy.”

The Senate’s new legislation states that the second time the lender fails to meet the obligations as set out, the homeowner automatically makes a motion for an order to dismiss the foreclosure action, unless waived by the homeowner in writing by advice of counsel. Upon the third failure by the lender, the court shall grant the defendant’s motion except on good cause shown by the lender.

“This bill sets up strict rules governing foreclosure proceedings and gives lenders a strong incentive to come to settlement conferences prepared to engage in constructive negotiations,” Addabbo concluded. “This will help fulfill the original intent of helping people access the support and guidance they need to remain in their homes.”

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