



NEW YORK STATE SENATOR

Shirley L. Huntley

Prohibit Brokers and Lenders From Deceiving Borrowers

SHIRLEY L. HUNTLEY March 29, 2012

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News From New York State

Senator Shirley L. Huntley

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****PRESS RELEASE****

Senator Shirley L. Huntley Passes Legislation to Prohibit Brokers and Lenders From Deceiving Borrowers

Law would prohibit mortgage brokers or lenders from receiving unjust compensation on home loans.

(Albany, NY) Senator Shirley L. Huntley (D-Jamaica) announced that the New York State Senate passed legislation, S. 886, to protect potential homeowners from being directed into a loan with higher payments or rates due to the compensation a mortgage broker or lender would receive. These unfair practices are termed as yield spread premiums (YSP), and have grown exponentially within the last decade.

“Buying a new home can be a stressful and agonizing process,” Senator Huntley explained. “And the notion that a mortgage broker could get away with by not being completely honest with their client is an injustice that no potential home owner should have to worry about.”

Yield spread premiums or YSP's are a form of compensation that a mortgage broker receives from the original lender for selling an interest rate to a borrower. According to a letter addressed to Federal Reserve Chairman in 2008, YSP's provide an inappropriate financial incentive for mortgage brokers.

Under the new law, banning the use of yield spread premiums will prohibit mortgage brokers or mortgage lenders from receiving compensation that is based on or varies with the terms of any home loan.

The borough of Queens has been growing steadily over the years and has now become the second most populated borough in New York City behind Brooklyn. Many new families and individuals are moving to Queens seeking to buy homes. The ban on YSP's will allow these residents to purchase homes without being overburdened by unfair interest rates.

“By eliminating YSP's, we are taking the necessary steps in protecting our future home owners,” Senator Huntley concluded. “I am proud that this regrettably common and misleading practice will no longer be tolerated in New York State.”

The bill is awaiting action in the assembly.