

Wanted: State's Mr. Fixit

By Errol Louis

June 5th 2008

Every day brings the state Legislature a day closer to adjournment without passing measures to protect thousands of New Yorkers facing the loss of their homes through mortgage foreclosure.

The pols, you see, must handle the urgent business of getting reelected. To that end, they will be crisscrossing their districts gathering nominating petitions to secure a place on the ballot this fall.

But in their haste to get out of Albany and attend to their own survival, the pols must quit dithering and take action. Now.

There's no single cause for foreclosures, although it now seems clear that lax regulation of the real estate industry over the last decade set off a rush by banks, brokers, appraisers and a cottage industry of con men to peddle overpriced loans to people who now find themselves unable to repay.

The results have been catastrophic.

According to Crain's New York Business, the number of foreclosures in New York City shot up an incredible 66% in the first quarter of this year. Statewide, the first quarter saw more than 14,000 foreclosures - an average of 157 a day, Saturday and Sunday included.

That translates into thousands of lives disrupted, many facing bankruptcy and even homelessness. And it's not just a personal crisis: According to a study by the Pew Charitable Trusts, the rising tide of foreclosures in New York could mean a loss of \$65 billion in state and local tax revenue - money for schools, parks, libraries and other civic necessities.

And homeowners who avoided high debt and think foreclosure is somebody else's problem should be aware that property values are plunging - an average of \$18,000 per home, by Pew's estimate - in areas with a high rate of foreclosure.

All the more reason Gov. Paterson and the Legislature have to take action.

"If they leave before resolving this, it would be a scandal for New York," says Sarah Ludwig of New Yorkers for Responsible Lending, a statewide coalition of pro-consumer

nonprofit groups. "All the intellectual work has been done. They have in their hands exactly what they need to pass strong legislation."

One bill, proposed by Assemblyman Jim Brennan of Brooklyn and backed by the advocacy group ACORN, would impose a one-year moratorium on foreclosures to give families immediate relief.

Another, introduced by Assembly Banking Committee Chairman Darryl Towns and state Sen. Jeff Klein, would require lenders to offer borrowers the best loan they qualify for - a way to end the practice, common among banks and brokers, of steering applicants with good credit into overpriced loans.

And Paterson has inherited a thoughtful bill, introduced by Eliot Spitzer earlier this year, that would give strapped homeowners a warning 60 days before foreclosure to give them a final chance to negotiate with their lenders. At present, most foreclosures in New York take place by default, meaning people are losing their homes without ever showing up in court to make a deal.

The governor's bill would also create a mandatory, court-supervised loan resolution conference before foreclosure that would allow the bank and borrower to work out a solution.

These are all great ideas. But they won't mean anything if Paterson and the Legislature don't take action.

"The governor needs to step forward. He has to see this is a crisis," says Ludwig.

Specifically, Paterson must prod the Legislature into an intense bill-drafting session to reconcile the various proposals into a single, robust rescue package.

It's not too late to get it done. Failure to take action would be, as Ludwig says, nothing short of scandalous.

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