

## State Legislature must act now on foreclosure crisis

By Ellie Pepper  
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New York has officially entered the foreclosure crisis. It has moved beyond being just a problem for individual families losing their equity, losing their homes and losing their communities. Foreclosures are impacting all of us.

In recent years, we have seen an increase in the number of subprime mortgages at the same time as we have witnessed an increase in delinquency and foreclosure rates. And the numbers are only escalating. In October 2007, the Federal Reserve Bank released information about the number of subprime loans and rates of delinquency in New York. In the city of Schenectady alone, it was 2 percent (1,297) of the total population of the city-held mortgages that were subprime first-lien owner-occupied loans. At the time of the report, 4 percent (53) of these homes had already been taken by foreclosure, another 8 percent (98) were in the midst of foreclosure, and 28 percent (362) were at least 30 days behind with mortgage payments. Since the report was released, another 143 ARMs have reset from the initial teaser rate to the much higher adjustable rate. Another 171 will reset between September and October of this year.

Montgomery County is a rural area with its largest city, Amsterdam, having a population of approximately 17,000. According to the same report referenced above, 4 percent (737) of the city's population held subprime first-lien owner-occupied loans. Of those, 4 percent (26) had already been taken in foreclosure, 7 percent (51) were in the process of foreclosure and 23 percent (168) were at least 30 days late with their mortgage payment. In a small, rural city with mounting financial difficulties, every foreclosure is particularly devastating.

The industry continues to cry that "regulation will dry up credit." But it has been the very lack of regulation in the market that has led to today's crisis. Proposals that are on the desks of state legislators today provide for the most basic level of protections for consumers — including requiring lenders to make loans borrowers can afford.

The governor's proposal, which has been introduced by Sen. Hugh Farley, provides for these basic protections. The bill would get rid of the worst abuses in the lending industry — practices that our local banks already consider bad lending practices. It provides critical protections that will prevent foreclosures in the short term. There are no handouts, just common-sense solutions. For instance, the bill requires lenders to send a notice to homeowners before they foreclose with the contact information for housing counselors in their area and establishes a settlement conference process to bring lenders and homeowners together. For example, in Schenectady and Montgomery counties, homeowners could be referred to Better Neighborhoods, Inc., a HUD-certified Housing Counseling Agency.

The subprime meltdown and the foreclosure crisis have been making headlines for more than a year now and New Yorkers deserve a legislative response this year. This problem can't wait for the next legislative session in January 2009. If the legislature waits, at least another 30,000 homes across New York State could conceivably go into foreclosure.