



Neighborhood Economic Development Advocacy Project

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Re: Public Comments on 2005 Proposed Consolidated Plan

On behalf of the Neighborhood Economic Development Advocacy Project (NEDAP), we write to comment on the proposed Community Development Block Grants (CDBG) as set forth in the 2005 Proposed Consolidated Plan for New York City.

Our comments focus on predatory mortgage lending as a serious community development problem. We emphatically recommend increased CDBG funding for preventive outreach and education, loan and credit counseling, and foreclosure prevention legal services in communities where predatory lending abuses are prevalent.

NEDAP is a resource and advocacy center that works with community groups to promote community reinvestment and financial justice in low income neighborhoods in New York City. Established in 1995, NEDAP trains community-based organizations on financial justice issues, documents lending and foreclosure patterns, and convenes groups in coalition to press for policy reform and corporate and regulatory accountability.

Since 1999, NEDAP has engaged in extensive education and outreach on predatory lending and trained thousands of lower income first-time homebuyers and existing homeowners. As part of our HUD-funded Fair Housing Outreach and Education Program, NEDAP has also mapped patterns of discrimination in the home purchase lending and refinancing markets in New York.

Predatory lending is an especially challenging issue for all of us – it connotes a range of unscrupulous, deceptive, and discriminatory lending practices in the refinancing, home equity, and home purchase lending arenas. Hundreds of New York homeowners – particularly seniors – lose their homes to foreclosure each year as a result of predatory lending. First-time homebuyers who live in lower income communities are also at risk of abusive and discriminatory lending practices. We have seen in recent years a disturbing wave of residential foreclosures heavily concentrated in communities of color, such as southeast Queens and Central Brooklyn, where homeownership rates are relatively high in the context of NYC.

Predatory mortgage lending remains a serious problem in New York. In addition to the well-documented refinancing scams that have proliferated since the mid-1990s, lending abuses such as property flipping and deed theft are on the rise in New York City. Increased CDBG funding is necessary to prevent predatory lending abuses that affect thousands of New York City homeowners and destabilize entire communities.

Our organization believes that more CDBG funding should be earmarked for groups that provide crucial fair housing services and education, particularly predatory lending prevention efforts, fair lending education campaigns, large-scale outreach, and support for legal services offices in lower income communities.

Predatory refinancing loans occur overwhelmingly in the subprime market, whose share of the overall mortgage market increased several times over from 1994 to the present. A recent report found that in New York, “black neighborhoods alone carry almost 50% of all the subprime lending in New York City,” and “accounted for 23% of all refinances in the New York metropolitan area but 49% of all subprime refinances.” NEDAP’s research has shown that there is a remarkably high concentration of foreclosure actions filed in predominantly African-American and Caribbean communities of Central Brooklyn and Southeast Queens -- the very communities in which subprime lending dominates the market.

Predatory lending in the refinancing market strips equity that homeowners have built up sometimes over generations, equity that homeowners could leverage for home repairs, education expenses and the like. Predatory lending also saps wealth from entire neighborhoods. According to the Center for Responsible Lending, U.S. borrowers lose \$9.1 billion annually to predatory lending practices. Funding for effective preventive outreach and education pales in comparison to this significant estimation of loss for consumers.

From a public policy perspective, the cost to the public of countering the effects of predatory lending, through foreclosure prevention and loan remediation, is significantly greater than the cost of prevention. CDBG funds would be more effectively spent on prevention of predatory lending abuses in the first place.

The Five-Year plan calls for increased efforts to prevent discrimination in housing and to provide fair housing counseling. It also outlines the need for outreach to elderly constituents in New York, who are often approached and aggrieved by predatory lenders. These efforts should begin immediately with the assistance of the CDBG program. NEDAP calls on HUD to increase CDBG funding for outreach and education, as well as foreclosure prevention and loan remediation efforts as we work to combat predatory lending in our city. We hope you will not hesitate to contact NEDAP if you have questions or would like additional information.