

June 19, 2009

Richard H. Neiman
Superintendent of Banks
New York State Banking Department
One State Street
New York, NY 10004-1511

Re: **Objection to application by Reliance First Capital, LLC to engage in the business of a Mortgage Banker under Article 12-D of the New York State Banking Law**

Dear Superintendent Neiman and the New York State Banking Board:

The undersigned non-profit organizations and elected officials write to object strenuously to the application for a Mortgage Banker license by Hugh Miller, Richard Blass, Marc Evan Miller, Lee Lawrence Miller, Jonathan Ilany, and Matthew Joseph Marz, as Reliance First Capital, LLC. We strongly urge you to deny the application based on your obligation under Banking Law Article 12-D, § 589, to consider, when issuing a license, whether the “financial responsibility, experience, character, and general fitness” of the applicant(s) “are such as to command the confidence of the community and to warrant belief that the business will be operated honestly, fairly, and efficiently within the purpose of this article.”

The applicants were the founders, officers, and principals of Delta Funding Corporation (“Delta”), which engaged in notoriously abusive and predatory lending practices throughout New York and other states. Specifically, Hugh Miller was Delta’s Chief Executive Officer; Richard Blass was the Chief Financial Officer; and Marc Evan Miller and Lee Lawrence Miller were both Senior Vice Presidents. Delta filed for federal bankruptcy protection in December 2007.

Particularly throughout the 1990s, Delta engaged in deceptive and predatory lending practices that had an especially devastating effect on communities of color in New York City and other cities. The most harmful of these practices were the widespread extension of mortgage loans that were unaffordable at their inception and thus destined to go into default; repeated and pervasive refinancing, or “loan flipping,” which stripped equity from individuals and communities and led to large numbers of foreclosures; and the payment of highly inflated brokers fees, including yield spread premium payments for steering borrowers to higher cost loans than they otherwise would have qualified for. Delta worked extensively with a limited number of mortgage brokers who typically used “bait and switch” and other deceptive tactics to lure borrowers into harmful Delta loans.

Delta’s unscrupulous lending practices led to disproportionately high rates of default and foreclosure in communities of color and elsewhere. Virtually all of the Delta borrowers facing foreclosure who contacted legal services and other non-profit service providers, such as South Brooklyn Legal Services’ Foreclosure Prevention Project, were people of color. Many of these

borrowers were women and were elderly and/or financially unsophisticated, with limited education; had difficulty comprehending both the loan documents and the details of the transaction; and were not represented by counsel at closing.

The New York Attorney General, in a complaint filed in federal court in August 1999, alleged that Delta Funding and its brokers “have engaged in a pattern and practice of targeting low-income minority homeowners and inducing them into illegal, discriminatory, and fraudulent high-cost mortgage loans, which defendants have reason to know these borrowers either cannot repay or can repay only through extreme personal and financial privation.” See Complaint in People of the State of New York v. Delta Funding Corp., 4951 CV 1999. The complaint further alleges that “in the process of selling high-cost mortgage loans to minority homeowners, defendants charge excessive and, at times, illegal fees,” and that in New York, Delta Funding “market[s] and solicit[s] high-cost mortgage loans almost exclusively in minority neighborhoods, thereby disproportionately affecting racial minority homeowners -- specifically African-American homeowners -- in violation of federal law.”

In a complaint filed in March 2000, the United States Department of Justice alleged that Delta Funding’s “practice of approving loans without regard to borrowers' ability to repay has exposed borrowers to unwarranted risk of default and foreclosure,” and that in violation of federal civil rights laws, “Delta has subjected its African American female borrowers to terms and conditions for home mortgage loans that resulted in those borrowers paying more for their loans than similarly situated white male borrowers.” See Complaint in United States v. Delta Funding Corp., 1872 CV 2000.

The New York State Banking Department, the U.S. Federal Trade Commission, and the U.S. Department of Housing and Urban Development also investigated Delta for similar egregious violations of state and federal law. Ultimately, Delta settled with the five agencies, which resulted in a court monitor and monetary relief for certain Delta borrowers. When Delta filed for bankruptcy in 2007, however, borrowers who were receiving an ongoing subsidy on their monthly payments from Delta lost the subsidy to which they had been entitled under the terms of the settlement. Even after the settlement, and after three years under a court monitor, legal services offices reported that Delta continued to engage in abusive lending practices.

In short, the “financial responsibility, experience, character, and general fitness” of the applicant(s) do not “command the confidence of the community,” nor do they “warrant belief that the business will be operated honestly, fairly, and efficiently within the purpose of this article.” As such, the applicants’ license to operate Reliance First Capital, LLC as a Mortgage Banker in New York should be denied pursuant to Article 12-D, § 589 of the Banking Law.

The granting of a Mortgage Banker license to the Miller family and other long-time Delta principals and officers would be a gross affront to the New York individuals and communities that were grievously harmed by Delta’s unscrupulous, predatory, and discriminatory lending practices.

If you have any questions, or want further information regarding Delta Funding's lending practices in New York City and State, please contact Josh Zinner of the Neighborhood Economic Development Advocacy Project (NEDAP), at 212-680-5100.

Sincerely,

NYS Senator Liz Krueger
NYS Senator Velmanette Montgomery
NYS Assembly Member James F. Brennan
NYS Assembly Member Barbara M. Clark
NYS Assembly Member Annette M. Robinson
NYC Public Advocate Betsy Gotbaum
NYC Council Member Charles Barron
NYC Council Member Robert Jackson
NYC Council Member John C. Liu
NYC Council Member Kendall Stewart
NYC Council Member Peter F. Vallone Jr.
NYC Council Member Al Vann
NYC Council Member Thomas White Jr.

AARP

Albany County Rural Housing Alliance, Inc.
Association for Neighborhood and Housing Development
Better Neighborhoods, Inc.
Brooklyn Cooperative Federal Credit Union
Brooklyn Legal Services Corporation A.

CHANGER

Chautauqua Home Rehabilitation and Improvement Corporation
Chhaya Community Development Corporation
Community Development Corporation of Long Island
Cypress Hills Local Development Corporation
D.C. 37 Municipal Employees Legal Services
Empire Justice Center
Fair Housing Council of Central New York
Fifth Avenue Committee
JASA/ Legal Services for the Elderly in Queens
Long Island Housing Services, Inc.
Margert Community Corporation
MFY Legal Services, Inc.
Neighborhood Economic Development Advocacy Project (NEDAP)
Neighbors Helping Neighbors
New York Legal Assistance Group
NYPIRG

Parodneck Foundation
PathStone
Pratt Area Community Council
Queens Legal Services
Rensselaer County Housing Resources
South Brooklyn Legal Services
Staten Island Legal Services
The Legal Aid Society
Troy Rehabilitation and Improvement Program
University Neighborhood Housing Program
Western New York Law Center

cc: Governor David A. Paterson
Attorney General Andrew M. Cuomo
Priscilla Almodovar, President and CEO, New York State Housing Finance Agency
Rholda Ricketts, Deputy Superintendent of Mortgage Banking
Jane Azia, Director of Non-Depository Institutions and Consumer Protection