



Coalition Wants New Laws Against Predatory Lending

Karen DeWitt

ALBANY, NEW YORK (2007-05-23) A coalition of groups is pushing legislation to crack down on predatory lending practices in New York that they say has caused an epidemic of foreclosures.

Edward Jordan, a retired postal service worker, owns a three story brownstone in the Bedford Stuyvesant neighborhood of Brooklyn. When his granddaughter, who lives in the first floor apartment, lost her job earlier this year and could no longer pay rent, he decided to re-finance his 6.125% mortgage loan to help make his monthly payments. Jordan said a company named APEX told him he could get a 1% interest rate mortgage.

"I didn't understand everything she said," said Jordan, who said he relied on the broker's assurances that the loan was everything she had promised.

"At the closing, the bank lawyer told me that I was getting \$180,000 in cash. I was very surprised," he said.

Jordan was even more surprised to learn that his interest rate was 8%, and could go up even higher, that he'd paid \$20,000 in closing costs, and the broker had lied, and inflated his income on the forms, so it looked like he could afford the loan.

Victor Ortiz, a school custodian from Rochester, said he had good credit and little debt. He had a 12.5%, 15-year mortgage, and decided to look into getting a lower rate. He talked to a broker, but rejected the loans offered as too costly. Then, he said the broker called him back, with an offer that seemed too good to be true. It was. He thought he was getting a fixed rate, low interest mortgage, with the taxes and insurance escrowed, and the ability to pay off the loan early. Instead he got an adjustable rate mortgage that starts at over 8%, no escrowed account for taxes, and he would face penalties if he tried to pay it back early.

"I will almost pay an extra \$100,000 to pay off my balance," said Ortiz.

While both Jordan and Ortiz are being assisted by legal justice centers, their lawyers say there is little recourse in the courts, because there are few laws against any of the practices employed by the lending companies and brokers.

Sarah Ludwig, with the Neighborhood Economic Development Advocacy Project, says Jordan and Ortiz are among thousands of New Yorkers who've signed up for loans that they can't afford to pay back. She says while it's clear crimes are being committed, it's often hard to prove.

"You end up in these situations where it's 'he said, she said'", said Ludwig. "It is fraud. There's no question. Some of us believe it's criminal fraud."

New York has an anti-predatory lending law, but advocates say it has not kept pace with the newest shady practices. They want new laws that say lenders have to actually verify that borrowers can repay the loan

when the interest rate spikes. Brokers would also have to, by law, act in the borrowers best interests. Balloon mortgages, and penalties for trying to pay off the loan early would be prohibited. The Attorney General and State Banking Superintendent would enforce the laws.

Governor Spitzer has set up a task force to study the problem of predatory lending, but the group has not yet produced legislation. The groups say they realize, with just 15 days left in the legislative session, their measures stand little chance of becoming law.

In the meantime, Ortiz says he feels "embarrassed" about getting himself into a bad financial deal, and Jordan says he can't sleep nights because he worries about losing his home.

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