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Group seeks sponsor for legislation on anti-abusive subprime lending

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A coalition of 131 civic and community groups is calling for New York lawmakers to pass a bill aimed at stopping abusive subprime lending practices.

The alliance, New Yorkers For Responsible Lending, has drafted the legislation, but has not yet found a sponsor in either the state Senate or Assembly. Bill Ferris, spokesman for AARP in Albany, N.Y., said the coalition is in talks with the administration of Gov. Eliot Spitzer and the banking committees of both houses.

Provisions include a requirement that lenders verify a borrower's ability to repay the loan, both at the outset and when the interest rate changes; a legal duty for brokers to act in the borrower's interest; a requirement that lenders put property taxes and mortgage insurance in escrow; and prohibitions against abusive terms such as balloon payments, prepayment penalties and negative amortization.

"The Legislature must act now to stem the foreclosure crisis that's been mounting in our state," said Sarah Ludwig, executive director of the Neighborhood Economic Development Project, a coalition member in New York City. "The coalition's bill updates our existing laws in New York, which do not capture the array of abusive practices that now pervade the subprime and exotic mortgage markets."

The problem has gotten the attention of legislators. The state Assembly has scheduled a hearing for May 29 in Albany, to examine subprime lending practices in the state and discuss what improvements should be made in law or regulation. The hearing is the first in a series, but future dates and locations have yet to be announced.

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