

## Spitzer, Cuomo try to limit impact of sub-prime mortgage market meltdown

By Joseph Spector, Albany Bureau

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ALBANY - Gov. Eliot Spitzer and Attorney General Andrew Cuomo said Thursday that they will jointly work on remedies to the subprime mortgage crisis that is crippling the housing market in New York and across the country.

Spitzer and Cuomo wrote a joint letter to Congress asking for additional federal attention to the issue, saying that there is "an enforcement gap" left by federal regulators, who oversee nationally chartered banks.

The Democratic governor also announced a \$2 million matching grant fund to help counseling groups and legal-aid societies assist homeowners facing delinquency or foreclosure. The state aid, which will come from settlements from enforcements actions by the Banking Department, would have to be matched by local donations to the groups.

Cuomo and Spitzer said they will work with the state Legislature to adopt laws that would better protect homeowners from unscrupulous loan practices. Earlier this year, the governor established a Halt Abusive Lending Transactions (HALT) Task Force.

The joint announcement comes after months of some tension between Spitzer and Cuomo, who is rumored as a potential Democratic rival to Spitzer's reelection bid in 2010.

In July, Cuomo released a report that found Spitzer's aides acted inappropriately when they sought to compile documents to show Senate Republican Leader Joseph Bruno was illegally using state aircraft for political purposes.

But Spitzer and Cuomo vowed Thursday to work together on the subprime mortgage issue.

"Foreclosures not only rock individual homeowners, but entire communities and the state at large," Spitzer said. "This is a complex issue that requires a comprehensive government response."

Cuomo, meanwhile, is coming under fire from some economic analysts over his aggressive investigation of the mortgage-loan industry.

CNBC stock analyst Jim Cramer on Wednesday night said Cuomo is out "to shut down the mortgage market" after the attorney general Wednesday announced plans to subpoena records from Fannie Mae and Freddie Mac, the government-backed lenders, to determine whether banks inflated home values to boost profits.

Steve Gutch, director of research at Clover Capital Management Inc. in Rochester, warned that Cuomo's investigation could lead to more lending woes as banks would have to take on more "bad" loans.

"Everyone wants to blame the lenders, but nobody wants to blame the consumer for taking out a \$300,000 mortgage when they only make \$40,000 a year," Gutch said.

Still, civic and community groups hailed the announcement by Spitzer and Cuomo. Groups last week called on the governor to create a \$100 million fund to help limit the rising number of New Yorkers facing foreclosures.

"We have a mess and very serious profound problem, and we have to work together to solve it," said Sarah Ludwig, executive director of the Neighborhood Economic Development Advocacy Project, a Manhattan-based group.

According to RealtyTrac, an online marketplace for foreclosure properties, New York has had more than 60,000 foreclosures so far this year - far surpassing the 49,000 for all of 2006.

A spokesman for the Democratic-controlled Assembly said Thursday it supports Spitzer's plan. The spokesman for the Republican-led Senate said that house passed legislation last year that was enacted into law that increased regulations and accountability of mortgage brokers, but would review the governor's plans.

Earlier this year, the state established a \$100 million "Keep the Dream" refinancing program to offer homeowners with risky mortgages the opportunity to refinance and avoid possible foreclosure.

Cuomo's probes, coupled with a decline in the value of the U.S. dollar, contributed to a stock-market plunge Wednesday as investors warned of an economic slowdown. Markets continued to slide Thursday after Federal Reserve Chairman Ben Bernanke said the U.S. economy is likely to "slow noticeably" this quarter.

Last week, Cuomo filed suit against a major real estate appraisal company, alleging the company colluded with Washington Mutual, the largest savings and loan in the country, to inflate the appraised value of homes.

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