

Albany is subpar on subprime

By Errol Louis, Daily News Columnist

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Nothing illustrates Albany's broken, dysfunctional political culture better than the state Legislature's refusal to address New York's mortgage meltdown by leaving thousands of New Yorkers to cope with fraud, foreclosure and financial ruin on their own.

While pols were wasting months bickering about Senate Majority Leader Joe Bruno's use of state aircraft and troopers and the wisdom or folly of granting driver's licenses to illegal immigrants, New York's mortgage disaster spun out of control and is now hitting the city and state economies like a blow to the gut.

An estimated 28,000 homes are heading for foreclosure this year, more than half of them in the five boroughs. Personal bankruptcy filings in New York City shot up nearly 70% over the past year to more than 10,000, according to a startling report in Crain's New York Business. Many of those filings were made by desperate, overstretched families trying to delay the loss of their homes.

Waves of foreclosures will knock down property values in many neighborhoods. And it will take years of litigation to sort out the many cases of outright fraud in which brokers tricked low-income and elderly borrowers into taking loans they could not afford.

Financial institutions that extended shaky mortgages have problems of their own. BusinessWeek reports an estimated 130,000 layoffs in the finance sector this year - much of it linked to the collapse of the subprime mortgage market - including hundreds at firms like Morgan Stanley, Bear Stearns and Merrill Lynch.

It's the biggest jobs hit on Wall Street since 2001.

And, as I've noted before, billions of dollars worth of bundled subprime mortgages have been sold to the pension funds, mutual funds and other pools of capital that pay retirement benefits.

Nobody knows exactly how bad the losses in these funds will be, but almost anybody with a pension or 401(k) plan should expect to take a hit sooner or later.

You'd think this swelling tidal wave of red ink and personal pain would be enough to get state leaders busy with hearings, reports and legislation to figure out what went wrong, how to fix it - and above all, how to help people save their homes.

You'd be wrong.

Democrats in the state Assembly and Senate - led by Sen. Jeff Klein of the Bronx - have held hearings all over the state on the subprime crisis. This morning, in fact, Klein is holding a hearing in Buffalo, and plans to release a report showing that more than 600 foreclosed homes have been auctioned in Erie County this year.

The Assembly, working with consumer-rights groups like the Neighborhood Economic Development Advocacy Project, has introduced a package of reforms to help end the foreclosure crisis, including tighter regulation of property appraisers and a requirement that mortgage brokers act in the best interest of borrowers.

Klein has tried to introduce a similar reform package in the Senate, but the Republican-led body hasn't held a single official hearing on the foreclosure crisis - and a spokesman for state Sen. Hugh Farley, chairman of the Senate Banks Committee, told me there are no plans to do so.

That neglect is inexcusable, particularly because the mortgage crisis is hammering families in the upstate communities represented by Farley and Bruno. According to Klein's office, the Albany-Schenectady area had 536 foreclosures in the first half of 2006, a number that more than doubled to 1,017 in the second half of the year.

"I'm afraid the Republicans still won't want to pass this legislation" when the Senate reconvenes in 2008, says Klein.

That leaves thousands of New Yorkers out in the cold when it comes to saving their homes. They will discover, the hard way, the high cost of Albany inaction.

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