



Home foreclosures, mortgage fraud on the rise in New York

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ALBANY - A report issued yesterday by the state Commission of Investigation found that home foreclosures have risen an alarming 14 percent in New York in recent months, with most cases in the [New York City area](#).

The report finds loopholes in state law are aiding the [mortgage](#) meltdown, despite attempts by the state Legislature to strengthen laws to protect homeowners.

As has been the case nationally, the problem stems from homebuyers entering into risky subprime loans with variable [interest rates](#). In 2007, the report found, 59 percent of foreclosure filings in New York involved subprime loans.

The problem was exacerbated in places with high home prices, where buyers often were overextending themselves financially and where unscrupulous mortgage brokers pushed people into untenable loans, the report indicates.

In 2007, New York City accounted for half of foreclosure filings in the state. Brooklyn and Queens together had 36 percent of the total filings, ranking first and second, respectively. Suffolk and Nassau counties ranked third and fourth.

For the first quarter of this year, Westchester ranked sixth in the number of foreclosure filings, with 732, or 5.2 percent of the total statewide. Rockland ranked 11th and Putnam ranked 16th.

Monroe County and the city of Rochester ranked fifth statewide with 815 foreclosure filings in the first quarter of the calendar year, which ended March 31. In 2007, the county had about 2,000 foreclosure filings - tops in upstate New York.

The report also cites urban communities as having the potential to be hit hard by [subprime mortgages](#). Borrowers in African-American and Hispanic communities have been more than twice as likely to take on subprime mortgages, the report found. Also, minorities who are eligible for safer loans were more often pushed into taking out high-risk subprime loans with variable interest rates by "shady mortgage brokers," the report state

"We are seeing foreclosures among New York's subprime mortgage holders at alarming rates, a situation made far worse by unscrupulous appraisers and brokers," said Investigations Commission Chairman Alfred Lerner.

The state has had more than 50,000 homes go into foreclosure in the past year or so. State officials estimate 38,000 more could face foreclosure this year.

Gov. David Paterson is expected soon to sign into a law a package of measures to deal with the housing woes. The Legislature and Paterson agreed to create a 90-day safety period for homeowners who face foreclosure, letting them work with [banks](#) on their options. The new laws also make illegal more types of unscrupulous loan practices, such as criminally charging lenders who coax families into deals in which they are clearly unable to afford adjustable-rate mortgages.

"The law that the governor is going to sign is landmark legislation," said Sarah Ludwig, co-executive director of the Neighborhood Economic Development Advocacy Project in New York City. "But it's going to be very important to have enforcement of the law."

The report calls for greater action by the state, largely because federal banking laws often supersede safeguards in state laws.

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