

Lawmakers wrangle over foreclosure proposals

Advocacy groups fear legislative session will end without measures being passed to address issue

By Chris Churchill

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ALBANY -- Debate over proposed foreclosure laws is heating up as the legislative session prepares to wind down.

At least two bills are under consideration: One would freeze all foreclosures for a year, while another, proposed by Gov. David Paterson, would impose strict new rules on the mortgage industry.

Bankers and brokers consider the first measure Draconian. And they're not particularly fond of the second bill.

But housing advocates and many nonprofit groups are pressing lawmakers to take action as foreclosures increase statewide.

Lois Aronstein, director of AARP in New York state, urged on Tuesday passage of Paterson's bill.

"With only eight official legislative days left in 2008, our elected officials must come to an agreement on a final comprehensive foreclosure prevention bill," she said in a prepared statement. "Anything short of that should be deemed a failure."

And members of ACORN, the Association of Community Organizations for Reform Now, which is based in New York City and describes itself as a social-justice group, rallied at the Capitol on Tuesday for both bills.

Among them was Kevin Chaires of Schenectady, who says his Hamilton Hill neighborhood has been hammered by foreclosures. "I've lost a lot of good neighbors," he said.

But bankers are warning that the legislation might make lending so onerous that financial institutions will tighten lending standards. That, they say, could drag down a housing market that is already slowing.

The Paterson proposal, concerned with foreclosures caused by the so-called subprime loans given mostly to low-income homeowners, would impose restrictions and regulations on a category of loans it calls "nonconventional."

But John Scarchilli, chief executive of Pioneer Bank in Troy and chairman of the New York Bankers Association, said many traditional home mortgages could also be deemed nonconventional under the law -- making them harder to get.

Bankers also fear that whatever law emerges in New York state -- the nation's banking center -- will influence national foreclosure legislation brewing in Congress.

Michael Smith, president of the state bankers association, said the impact of New York's legislative mistakes could therefore be magnified.

In New York, the state Assembly, controlled by Democrats, is considered enthusiastic about foreclosure legislation. It has, in fact, already passed the freeze and other measures.

The Republican-controlled state Senate is more reluctant, and observers say it will not pass the freeze.

Still, Mark Hansen, spokesman for Senate Majority Leader Joseph L. Bruno, said Republicans are studying Paterson's proposal and "hope (to) get a result before the end of the session that would address the issue."

Paterson's bill also strengthens the state's anti-predatory-lending law, establishes a "reasonable ability to repay" standard for loans, and requires the registration of mortgage loan servicers, among other steps.

Sarah Ludwig, head of New Yorkers for Responsible Lending, a New York City-based coalition of community groups, said the Paterson proposal may not go far enough for the group's liking, but can form a basis for a quality foreclosure measure.

"It would be a disaster if they (lawmakers) come out of this session without legislation," she said. "We've been calling it a scandal."

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