

NY Assembly OKs foreclosure moratorium

Daniel Massey
May 7, 2008

The state Assembly overwhelmingly passed a bill Wednesday that would impose a one-year moratorium on foreclosures, likely setting the stage for a struggle in the Republican-controlled Senate, where the proposal faces uncertain prospects.

The battle over the moratorium bill is just one that will play out in Albany over the next two months as legislators work to address the growing foreclosure crisis and housing activists and mortgage industry insiders make their voices heard.

The moratorium bill, which was approved by a vote of 118 to 10, will give borrowers of subprime loans facing foreclosure a 12-month reprieve as long as they make minimum monthly payments determined by a judge. The bill generally defines a subprime loan as one with an annual percentage rate of 3 or more points above the yield on treasury securities.

“The purpose is to buy time while other efforts across the state and nation continue to work on a resolution of the crisis,” says Assemblyman James Brennan, D-Brooklyn, who introduced the bill.

Legislators approved the measure along with a package of three other bills that address issues surrounding subprime mortgages. A proposal by Sen. Darryl Towns, D-Brooklyn, will force lenders to provide borrowers with the most favorable loans for which they are qualified. A bill introduced by Majority Leader Sheldon Silver, D-Manhattan, will establish a fund to provide temporary financial assistance to homeowners with subprime or unconventional mortgages facing foreclosure. The third requires mortgage lenders and brokers to provide borrowers with a mortgage bill of rights pamphlet, which must be signed prior to mortgage application.

The prospect of a moratorium has drawn the ire of the mortgage industry, which has been lobbying legislators to abandon the idea. Lenders claim a freeze on foreclosures would drive up the costs and risks associated with obtaining mortgage financing for all New Yorkers.

“It’s not going to address the biggest problem out there facing homeowners having trouble, which is promoting conversation between borrower and lender to work out their

loan,” says Paul Richman, vice president of state government affairs for the Mortgage Bankers Association.


The moratorium bill was introduced in the Senate by State Sen. Frank Padavan, R-Queens, but neither Banking Committee Chairman Hugh Farley nor Housing Committee Chairman John Bonacic, also Republicans, have signed on as co-sponsors. It is unclear if Senate Majority Leader Joseph Bruno will bring the bill to a floor vote.

“We’ve seen no action by the senate Republicans to move this,” says State Sen. Liz Krueger, D-Manhattan.

With today’s passage in the Assembly the housing group Acorn, which had advocated strongly for the moratorium, turned its attention to the Senate. “If Senator Padavan and his colleagues are serious, they will follow the Assembly’s lead and pass this legislation without delay,” says executive director Bertha Lewis.

Meanwhile, the Senate Banking Committee has scheduled a hearing for Monday on Gov. David Paterson’s bill to address the mounting foreclosure crisis. The bill would require lenders to send a notice at least 60 days prior to beginning a residential foreclosure action and mandates that a conference be held between borrower and lender in front of a judge to work on a settlement. It also protects borrowers against unscrupulous lenders.

Housing advocates say the Paterson bill does not go far enough in protecting borrowers, but mortgage industry insiders say it goes too far and will inhibit lenders’ ability to provide credit.

“The industry’s answer is we don’t need regulation, but that’s what they were saying ten years ago and you see the mess we’ve gotten into,” says Josh Zinner, co-director of the Neighborhood Economic Development Advocacy Project. 

This document is provided for "fair use" not-for-profit, educational purposes (and other related purposes). If you wish to use this copyrighted material for purposes of your own that go beyond "fair use," you must obtain permission from the copyright owner.