

Temporary halt to foreclosures urged for NY

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A coalition of 143 New York nonprofits called for a moratorium on foreclosures to give a \$275 billion mortgage relief plan unveiled Wednesday by President Barack Obama a chance to work.

New Yorkers for Responsible Lending wants mortgage lenders and servicers to halt foreclosure actions on all primary residences in the state until at least eight weeks after the Obama administration's proposal takes effect early next month.

"Even if Obama's plan is put into place quickly, it's going to take time for lenders to do modifications," said Josh Zinner, co-director of the Neighborhood Economic Development Advocacy Project. "It's absolutely critical that there be a foreclosure freeze to give this plan a chance to work."

More than 32% of all subprime adjustable rate mortgages were seriously delinquent or in foreclosure in New York at the end of 2008, according to Mr. Zinner's organization, meaning thousands of residents are in jeopardy of losing their homes.

Citigroup Inc. and J.P. Morgan Chase & Co. have already pledged to halt foreclosures until at least early March 2009. Industry groups say such moves should be left to the financial institutions.

"Some banks have already announced voluntary action, and that is a decision that should be made freely by each institution," said Michael Smith, chief executive of the New York Bankers Association. "New York law already has the longest foreclosure period in the nation."

Mr. Obama's strategy, known as the Homeowner Affordability and Stability Plan, is expected to launch March 4. The initiative could help up to 9 million Americans avoid foreclosure. It will especially target some 5 million homeowners who may owe more on their mortgages than their homes are currently worth and whose mortgages are owned or guaranteed by Fannie Mae or Freddie Mac, refinancing their home purchases into new 15- or 30-year loans with fixed interest rates.

The plan also includes a \$200 billion increase in the Treasury Department's funding commitment to Fannie Mae and Freddie Mac—an attempt to strengthen the mortgage market.

It also offers \$75 billion in help to borrowers who are already behind on their mortgage payments or who are struggling to keep their loans current. Under this part of the plan, which could help as many as 4 million homeowners, lenders will receive financial incentives from the federal government of up to \$1,000 per loan to modify existing first mortgages, plus other potential payments. Homeowners would also receive incentives for staying current with payments.

Another key component of the plan would allow judges to modify mortgages in bankruptcy court, though this provision requires approval by Congress.

The financial services industry has lobbied heavily against the proposed changes in bankruptcy law.

Yet Mr. Zinner says the proposed changes are necessary to pressure lenders to take modifications seriously.

"If changes in bankruptcy law are put into effect, it will lead servicers to do more modifications through this plan," he said. "It's the critical stick that's needed for this to have a chance of being effective."

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