



## Neighborhood Economic Development Advocacy Project

73 Spring Street, Suite 506, New York, NY 10012  
Tel: (212) 680-5100 Fax: (212) 680-5104  
www.nedap.org

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**For more information:**  
Sarah Ludwig or Josh Zinner, 212-680-5100

### **NEDAP Lauds Governor & Legislature for Striking Agreement on Subprime Lending Legislation**

*Group Cautions that Details of Law Will Determine its Effectiveness*

NEDAP congratulates the Governor and Legislature for reaching agreement yesterday on a new law to address the subprime lending and foreclosure crises in New York State. The new law will provide an excellent framework for responsible lending going forward, and help ensure that New York homeowners get a fair shake in the foreclosure process. NEDAP urges the Governor and Legislature to craft final language for the new law that does not in any way diminish its strength.

The law will go a long way to restoring sound underwriting practices in New York State, and to providing strong protections to subprime borrowers. First and foremost, it will require that subprime lenders verify that borrowers can afford to repay their loans, and will prevent subprime lenders from refinancing a loan to a borrower's detriment. It will curb abusive practices by mortgage brokers by giving mortgage brokers a legal duty to act in a borrower's interest.

The new law will also require mortgage servicers to send a pre-foreclosure notice to borrowers at least 90 days before foreclosure proceedings may be initiated. When a foreclosure action has been filed, the law will require that the servicer participate in a mandatory settlement conference before a judge, with the aim of working out an agreement that enables the borrower to stay in her home.

Though the specific language of the law is not yet available, NEDAP is discouraged that the new law reportedly will not include a "private right of action," which means that homeowners will be able to bring legal claims against abusive lenders only if they are in foreclosure. Borrowers who have been made illegal loans, but who are not in foreclosure, will not be able to raise claims under the new law. NEDAP is also concerned that the new law will not cover many "non-traditional mortgages," such as Option ARMs and interest-only mortgages, which are among the most abusive loan products sold to New York homeowners in recent years.

Overall, the new law contains many strong protections for New York homeowners, and NEDAP congratulates Governor Paterson, Senate Majority Leader Bruno, and Assembly Speaker Silver for their leadership.

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*NEDAP, an economic justice resource and advocacy center, has been at the forefront of combating abusive and discriminatory lending practices in New York City and State. For more information, please visit [www.nedap.org](http://www.nedap.org)*