

## Gov's plan is one to bet on

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Thursday, January 10th 2008, 4:00 AM

Buried in a speech crammed with big ideas, Gov. Spitzer devoted just about one minute of Wednesday's State of the State address to a banking reform proposal that could help tens of thousands of New Yorkers at risk of losing their homes to foreclosure.

Spitzer's brief mention of his plan drew little more than a smattering of polite applause from the assembled Senate and Assembly members, which is too bad. The idea deserves a standing ovation.

Last year, Albany dithered while foreclosure actions proceeded against an estimated 28,000 homeowners statewide. With a similar number forecast for 2008, Spitzer - in a move reminiscent of his days as a hard-hitting, pro-consumer attorney general - is calling for a crackdown on shady mortgage brokers, careless bankers and less-than-truthful borrowers.

The Spitzer bill would legally require mortgage brokers to act in the best interest of borrowers and require clear disclosure of all hidden fees and potential interest-rate hikes. That would make it illegal to steer borrowers to high-cost, risky subprime loans if they actually qualify for lower-cost credit - and make it easier for defrauded borrowers to sue brokers who cheat them.

Lenders would be required to send out an early notice to borrowers who fall behind on their mortgages, along with the phone numbers of government-approved financial counselors to help homeowners make repayment arrangements.

Borrowers would be barred from getting a mortgage unless they can demonstrate an ability to repay it in a worst-case scenario. That would cut down on borrowers getting mortgages they can barely afford, only to lose their homes when variable-rate mortgages change to a higher interest rate.

Most important, Spitzer would define mortgage fraud and make it a crime. That would make it easier for the state's district attorneys to prosecute crooked brokers and lenders and put them out of business.

Details of the final bill are still being worked out, but consumer-rights groups are already cheering Spitzer's move.

"He's on the right track," says Sarah Ludwig of New Yorkers for Responsible Lending, a statewide coalition of nonprofit advocacy organizations. "[The year] 2008 is going to be worse than last year, when 14,000 foreclosure actions were filed in New York City alone. The situation is beyond critical."

The new Spitzer plan makes up for last year's anemic Keep the Dream program, which offered refinancing only to borrowers who hadn't fallen behind on their loans - a group, by definition, in little need of government help. Months after the program's debut, only two people had applied.

The plan also augments Attorney General Andrew Cuomo's tough investigation of real estate appraisers accused of deliberately inflating estimates of home prices to help lenders and brokers earn higher fees.

In keeping with this year's attempt to heal divisions with the Legislature, Spitzer publicly praised Assemblyman Darryl Towns, who last year introduced a bill to close mortgage loopholes and rescue defaulting borrowers, and state Sen. Jeff Klein, who's been holding hearings around the state on the crisis.

We're still weeks away from a comprehensive solution to the subprime mess because Spitzer, Cuomo, Towns and Klein all have different ideas about the best way to attack the problem.

The Towns bill, for instance, calls for a \$180 million appropriation to refinance some loans and pay for counseling, which may be a heavy lift in a tight budget year. And the Republican-run state Senate hasn't introduced a bill or even held formal hearings yet.

But by putting forward a plan and announcing it as a priority for this year, Spitzer has signaled he intends to break the logjam. Given the urgency of the crisis, that alone is worth a round of applause.

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