



NEW YORKERS FOR RESPONSIBLE LENDING

NEWS RELEASE

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NEW YORK STATE FAIR LENDING COALITION UNVEILS MODEL BILL TO END SUBPRIME LENDING ABUSES AND FORECLOSURES

Groups Call on State Lawmakers & Governor to End Abusive Subprime Lending

MAY 23, 2007 - New Yorkers for Responsible Lending (NYRL) unveiled new legislation today in Albany to end abusive subprime lending and foreclosures. The coalition, comprised of 131 civic and community groups from across New York State, called on state legislators and the governor to pass the bill this legislative session before any more New Yorkers lose their homes.

“The legislature must act now to stem the foreclosure crisis that’s been mounting in our state,” said Sarah Ludwig, executive director of the Neighborhood Economic Development Advocacy Project. “The coalition’s bill updates our existing laws in New York, which do not capture the array of abusive practices that now pervade the subprime and exotic mortgage lending markets.”

“We are seeing a range of abusive and fraudulent mortgage lending practices, from rampant broker fraud to lenders making unaffordable, high-cost mortgages that virtually guarantee homeowners will lose their homes,” said Meghan Faux, co-director of the Foreclosure Prevention Project at South Brooklyn Legal Services.

“My broker lied to me about the terms of the mortgage and now I am in a mortgage I can’t afford,” said Edward Jordan, a 78-year-old retired U.S. post office worker. “I had a fixed rate mortgage before and would never have refinanced into this mortgage had I know the true terms. Now I can’t sleep at night because I am worried about losing my house.”

Key provisions of the bill include:

- A requirement that lenders verify borrowers’ ability to repay the loan both at the loan’s outset and, for adjustable rate mortgages, when the interest rate resets;
- A legal duty on the part of brokers to act in the borrower’s interest;
- A requirement that lenders escrow property taxes and mortgage insurance, for subprime and exotic mortgages;
- Prohibitions against abusive terms in subprime and exotic mortgages, such as balloon payments, prepayment penalties, negative amortization, mandatory arbitration, and yield spread premiums;
- Enforcement by the NYS Attorney General, Banking Superintendent, and any party to a loan covered under the law.

“This piece of legislation will go a long way in curbing abusive lending practices that affect so many older persons and those on fixed incomes in our state,” said Geneva Conway, AARP Member and Volunteer. “We need to act now to end these abusive practices, so no more people will lose their homes.”

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New Yorkers for Responsible Lending is a coalition of 131 New York community financial institutions, community-based organizations, affordable housing and first time homebuyer groups, advocates for seniors, legal services organizations, and community reinvestment, fair lending, and consumer advocacy groups. www.nedap.org/nyrl.html.