



NEW YORKERS FOR RESPONSIBLE LENDING

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NYRL MISSION

New Yorkers for Responsible Lending (NYRL) is a state-wide coalition that promotes access to fair and affordable financial services and the preservation of assets for all New Yorkers and their communities. NYRL is committed to fighting predatory practices in the financial services industry through policy reform, education and outreach, research and direct services. NYRL members represent 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.

NYRL 2007 – 2008 Priorities

Mortgage Issues

Deed Theft Scams

NYRL calls for vigorous enforcement of New York's Home Equity Theft Prevention Act, which went into law on February 1, 2007. The law combats abuses perpetuated by "foreclosure rescue" companies that target vulnerable homeowners facing foreclosure. The companies promise to pay off the homeowner's mortgage or tax arrears, and stop the foreclosure and save the home. These scammers typically use false promises to take title to the home, cash out on the property, and evict the homeowner. The homeowner not only loses her home, but also all of her equity. NYRL calls on District Attorney Offices statewide to actively investigate and prosecute deed theft cases. NYRL also promotes outreach and education on the new law, for real estate brokers, lenders, elected officials, and homeowners.

Property Flipping

NYRL opposes "property flipping," the resale of homes often based on inflated appraisals. Property flippers re-sell acquired properties in poor condition to first-time homebuyers at fraudulently inflated values, colluding with appraisers, lenders and attorneys. Property flipping particularly affects first-time homebuyers and has had a grave impact on communities throughout New York State. NYRL urges the Department of State, and law enforcement agencies, including the State Attorney General and district attorneys offices, to aggressively enforce laws against fraudulent over-appraisals.

Mortgage Refinancing Scams & Federal Preemption

New York State's anti-predatory lending law, Banking Law 6-l, which went into effect in April 2003, has greatly curbed high-cost predatory lending in New York State on loans under \$300,000. Because housing prices have skyrocketed in areas such as New York City, however, many homeowners are left vulnerable to predatory practices that the law intended to stop. In Brooklyn, New York, for example, two-family homes in low- to moderate-income neighborhoods are selling for more than \$400,000 and low income homeowners routinely have mortgages in excess of \$300,000. NYRL calls for the principal amount in Banking Law 6-l to be increased so that all New Yorkers are protected from high cost predatory loans.

Predatory Foreclosure Consultants

NYRL supports state legislation to protect homeowners from predatory practices of unscrupulous foreclosure consultants. As foreclosure rates rise, more and more individuals and companies are marketing themselves as specialists in foreclosure prevention. These consultants induce homeowners to purchase services through misrepresentations, fraud and deception. The homeowner is led to believe that purchasing the consultant's services will save her home when in reality the consultant does nothing to assist the homeowner and the homeowner loses her home. Fees vary, and though typically around \$2,500-\$5,000, there is no limit. One homeowner in foreclosure paid a foreclosure consultant \$15,000 because she believed he was refinancing her mortgage. After making several mortgage payments to him, she lost her home to foreclosure.

Consumer Finance Issues

Tax Refund Anticipation Loans

NYRL supports legislative efforts that not only require heightened disclosures for, but also prohibit abusive refund anticipation loans, as well as related pay stub and holiday loan products. Tax refund anticipation loans, or "Rapid Refunds," have drained hundreds of millions of dollars from New York's communities through exorbitant fees and triple-digit interest rates charged by these unlicensed lenders. IRS data show that in New York State 77% of these loans were made to low-income tax filers. NYRL supports the efforts of the hundreds of free tax preparation sites throughout New York State and of Community Development Credit Unions that offer sound, affordable, short-term loans to low-income New Yorkers.

Payday Lending

NYRL opposes any and all efforts to permit payday lending in New York State, including, for example, exempting payday lenders from New York State's 25% small loan usury cap. NYRL supports continued prohibition of out-of-state banking corporations from making payday loans in New York. NYRL also supports small community-based financial institutions that offer alternative emergency loans at affordable rates.

Protecting Exempt Income from Abusive Debt Collection

NYRL supports legislation that would prevent the restraint of bank accounts that contain statutorily-exempt income, and streamline the process for account holders to obtain release of their accounts. Because of loopholes in the law governing procedures for enforcing money judgments, creditors routinely restrain bank accounts that contain exempt subsistence income protected from debt collection under federal and state law.

This practice causes severe hardship to the low-income account holders, who can't buy food or pay rent because their account is frozen. Many low income account holders are unable to navigate the complex and lengthy procedures necessary to obtain release of their bank accounts. Even when they are able to get the funds released, banks deduct fees from the accounts for processing the restraint or for checks bounced during the period of the restraint.

Rent-to-Own Stores

NYRL opposes rent-to-own stores' targeted exploitation of low-income consumers. Individuals who are unable to purchase household items outright, or are unable to obtain credit to finance such purchases, turn to rent-to-own stores who are notorious for their abusive practices, including: overstating the "cash price" for items to gouge borrowers, repossessing items without notice, and misrepresenting refurbished items as new. These businesses have found ways to circumvent regulations designed to check their practices. NYRL urges the state legislature to institute more effective regulation to put an end to the exploitative practices of rent-to-own centers.

"Bounce Protection" Loans

NYRL strongly encourages the state legislature to restore our state's prohibition against "bounce protection," which the New York State Banking Department removed through regulatory action in 2006. Bounce protection is a high cost, often usurious, overdraft loan tacked onto checking accounts, typically without notice to consumers, and at a cost that is not reasonably related to any risk incurred by the bank. Misrepresented as a 'courtesy' service by the bank, bounce protection amounts to an extremely lucrative profit-generating program for the banking industry, which disproportionately affects low- and moderate-income consumers.

Insurance Issues

Property Insurance Access and Availability

Availability of affordable, quality home property insurance is critical to improving access to homeownership. NYRL opposes underwriting practices that result in disproportionately adverse impacts on low-income residents and communities of color. Such underwriting practices may constitute de facto discrimination and violate the Fair Housing Act.

Property Insurance Data Disclosure

To measure and address potential discriminatory practices in the property insurance industry, NYRL supports legislation requiring residential property insurers operating in New York State to publicly disclose data on the type and pricing of every property insurance policy issued, cancelled and non-renewed, combined with a geographic identifier. NYRL believes that public provision of such data will help curb practices that, in effect, redline certain communities in our state, and will significantly increase availability of quality, affordable homeowners insurance in low-income neighborhoods and communities of color.

New York's FAIR Plan

NYRL supports legislation that would make permanent the authorization for the New York Property Insurance Underwriting Association (NYPIUA). NYPIUA, which administers the FAIR (Fair Access to Insurance Requirements) Plan in New York, is the insurer of last resort for 57,000 homes and small businesses statewide that have not been able to acquire property insurance on the open market. Of the states that have FAIR Plans, only New York and Alabama have failed to provide permanent authorization for these important underwriting entities.

Insurer Investments in Underserved Communities

Almost all consumers and communities in New York State contribute, through various types of insurance premiums, to enormous sums available to insurance companies for investment. NYRL supports legislation that would require insurance companies to invest a portion of their investments in community development initiatives in New York's underserved communities. NYRL believes that, like banks' obligations under the Community Reinvestment Act, insurance companies also have a responsibility to invest in New York's underserved neighborhoods. Insurance companies should be required to invest a portion of the premiums paid by New York consumers back into New York communities, consistent with safe and sound business practices.