



State of the State Address Fact Sheet: **Sub-Prime Lending Legislation**

“We also must continue our shared efforts to make sure New Yorkers don’t fall victim to the subprime lending crisis...I will send you a bill that amends state foreclosure law to provide additional protections for homeowners.”

-Governor Eliot Spitzer (January 9, 2008)

The Challenge

- Home foreclosure trends throughout the country have hit an all-time high bringing personal tragedy to working-class communities. New York State is no exception.
- As of the close of the third quarter in 2007, 1 out of every 100 homes in New York State, and 1 out of every 40 homes in New York City had a foreclosure filing.

Our Approach

- Working with Legislative leaders, who have worked hard to address this crisis, the Governor will propose new legislation aimed at stabilizing the sub-prime mortgage crisis and bringing relief and protection to home-owners throughout the State. The legislation will:
 - Require lenders to send pre-foreclosure notices to homeowners at least 60 days before a lender can start foreclosure proceedings. If the borrower engages a housing counselor or reaches out to the lender the lender will be precluded from initiating or continuing a foreclosure action against the borrower for a specified period of time;
 - Require lenders to prove that they have ownership of the note and mortgage when they initiate foreclosure proceedings;
 - Enhance lender liability laws;
 - Create the specific crime of mortgage fraud;
 - Protect borrowers from foreclosure scams targeting homeowners in default;
 - Require lenders, when making a lending decision, to ensure that the borrower has a reasonable ability to repay a loan, and to act in the borrowers interest; and,
 - Create additional protections against high cost mortgages for home purchases.
- In March 2007, Governor Spitzer created the multi-agency Halt Abusive Lending Transactions (“HALT”) Task Force to address the sub-prime lending crisis throughout the state.

- In July 2007, Governor Spitzer and the HALT Task Force announced a \$100 million “Keep the Dream” refinancing program targeting low-, moderate- and middle-income homeowners, which offers homeowners the opportunity to refinance to avoid possible foreclosure.
- In November 2007, Governor Spitzer directed the Banking Department to make available an additional \$2 million for mortgage counseling. Governor Spitzer also called on mortgage servicers nationwide to delay mortgage resets and work with borrowers to modify loan terms.
- Throughout this crisis, Governor Spitzer has consistently appealed and will continue to pressure the federal government to take steps nationally to assist borrowers in avoiding foreclosure.