

CITY COUNCIL  
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

of the

COMMITTEE ON CONSUMER AFFAIRS

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October 27, 2009  
Start: 10:54 am  
Recess: 11:03 am

HELD AT: Council Chambers  
City Hall

B E F O R E: LEROY G. COMRIE, JR.  
Chairperson

COUNCIL MEMBERS:  
Charles Barron  
G. Oliver Koppell  
John C. Liu  
James F. Gennaro

CHAIRPERSON COMRIE: Good morning.

I am Leroy Comrie, I'm the Chair of the Committee on Consumer Affairs. Today we'll be voting on Introductory Bill 1070-A, a Local Law to amend the Administrative Code of the City of New York in relation to distressed property consultants.

We've been joined today by Council Member Charles Barron, who was just teaching class, and Council Member Oliver Koppell.

Over the past 10 years, many homeowners who obtained subprime mortgages during better economic times are now finding themselves in dire circumstances. The interest rates have gone above and beyond what they can afford, their mortgages exceed the property value of their home, and they're on the brink of foreclosure.

These New Yorkers often find the need to re-modify their loan to keep their homes and, as a result, they turn to experts who may successfully negotiate with lenders to lower interest rates, have smaller monthly payments, or change an adjustable rate mortgage into a fixed one.

Fortunately, many nonprofits

1  
2 provide this service for free, however, there is a  
3 growing industry of for-profit firms who often  
4 charge between 1 to 1.5% of the total mortgage.  
5 Although this industry is legal, there are major  
6 legitimate criticisms of the way they conduct  
7 business. Many firms intimate that they are  
8 government and nonprofit providers, giving the  
9 impression that they are endorsed by them. Often,  
10 these firms do not produce real results, which can  
11 lead to the waste of homeowner's time, money, and  
12 ultimately their home.

13 Intro 1070-A would strengthen  
14 existing state legislation by mandating that a  
15 distressed property consultant who advertises  
16 their services disclose state law, which notes  
17 that they are prohibited from receiving money  
18 prior to the completion of services and acting  
19 without a written consent and a written contract.  
20 Advertisements must also disclose that hiring a  
21 consultant does not stop the foreclosure process,  
22 nor can a consultant guarantee any particular  
23 result.

24 I would like to thank everyone for  
25 appearing today, and everyone that helped put this

1  
2 bill together. I would now ask my colleagues if  
3 they would like to make any statements before we  
4 vote on Intro 1070-A.

5 COUNCIL MEMBER KOPPELL: Mr.  
6 Chairman, if I may.

7 CHAIRPERSON COMRIE: Yes.

8 COUNCIL MEMBER KOPPELL: This is  
9 very good legislation. Unfortunately, there are  
10 predators out there that are preying on people who  
11 are in financial distress. I know I've discussed  
12 with you, Mr. Chairman, and others the so-called  
13 credit counseling agency industry, which, again,  
14 there are firms, legitimate nonprofit providers  
15 who help people with respect to credit problems,  
16 but a whole host of entrepreneurs have developed  
17 who take advantage of people who are in distress  
18 financially, charge large fees, promise all kinds  
19 of results and, in the end. in most cases don't  
20 provide any real assistance, and oftentimes  
21 prevent those people who are in distress from  
22 getting the assistance that they should be  
23 getting.

24 And this area of these foreclosure  
25 consultants is a similar area and anything we can

1  
2 do to warn people about dealing with these people,  
3 and Albany has put together some reasonable  
4 regulations here, which we make reference to.

5 I'm mentioning to you again as I  
6 did in our private consultations concerning this  
7 bill, the other industries now, which are these  
8 folks who are negotiating with people who are  
9 overdue on their credit cards and promising people  
10 that they can renegotiate the debt, cut down on  
11 the amount due, cut down on the interest rates,  
12 and so on. Again, there should be rules similar  
13 rules that you make reference to in this bill,  
14 rules that say they shouldn't be paid until they  
15 finish providing their services, that they don't  
16 promise results and get people to put upfront  
17 payments where they tell people, oh, we'll cut  
18 your debt in half, when there's no way that they  
19 could be able to do that. You know, if they say  
20 we'll cut your debt in half and once we cut your  
21 debt in half, you'll owe us \$1,000, that's fine.  
22 But that's not what they do, they say, give me the  
23 \$1,000 and we'll cut your debt in half and then  
24 the debt never gets cut in half, and that's what's  
25 happening.

1  
2           So I hope that--I know the staff is  
3 looking at the possibility of our doing  
4 legislation here, there is a bill in Albany, but  
5 it's, for the moment, not moving. So I would like  
6 us to look at that area immediately 'cause there  
7 are people being taken advantage of on a daily  
8 basis. You all hear the ads on the radio and many  
9 of them are these predators, just like the ones  
10 involved in this bill. But I compliment you for  
11 doing this bill.

12           CHAIRPERSON COMRIE: Thank you,  
13 thank you, Council Member Koppell. Council Member  
14 Barron.

15           COUNCIL MEMBER BARRON: Mr.  
16 Chairman, I want to also compliment you on this  
17 bill.

18           As we remember in 2002 when this  
19 City Council had one of the strongest predatory  
20 lending bills in the country actually pass, vetoed  
21 by the Mayor, we overrode the veto, and then the  
22 Mayor took us to court and said it was more of a  
23 state responsibility than the City responsibility,  
24 and got that strong predatory lending bill wiped  
25 off the records. Shortly thereafter, over 40,000

1  
2 families went into foreclosure, then came these  
3 kinds of predators along with that.

4 So I think this bill is timely. In  
5 East New York, we have a lot of foreclosures we've  
6 been working on, a staff member of mine, my Chief  
7 of Staff, Joy Simmons, actually along with some of  
8 her classmates, she's taken up urban planning,  
9 they did a film called, Subprimed, and it's an  
10 excellent film that gets to this very issue of  
11 some of the predators that are still out there.

12 There's a group out there that  
13 cause themselves HPD, and you would think it was  
14 the City agency, but then it has LLC underneath of  
15 it, but HPD is big on the sign and then LLC  
16 whatever, to fool people into thinking it's a City  
17 agency that they're getting this assistance from.

18 So this Bill is more than timely  
19 and hopefully it will put these predators in check  
20 and bring some protection to our communities. And  
21 I congratulate you once again on a well-thought-  
22 out bill.

23 CHAIRPERSON COMRIE: Thank you,  
24 thank you both. We've been joined by Council  
25 Member John Liu.

1  
2 I just want to remind people that  
3 if they are constituents or individuals that are  
4 having a problem with their home loans and they  
5 need to get their property adjusted, that they  
6 should use the free service, you can contact the  
7 Center for New York City Neighborhoods through 311  
8 and they can refer you to a free service. I would  
9 also remind you that the free services take time,  
10 it's not instant, but they will not take money  
11 from you and wind up 9 times out of 10 you're not  
12 getting the service you need, you're not getting  
13 the payment, they're not calling the mortgage  
14 companies, and you're winding up paying for  
15 nothing.

16 So, with that, I'm going to thank  
17 everyone that was involved in the bill, Council  
18 Member James Sanders who is a sponsor of the bill,  
19 I was happy to push it through the Committee as  
20 quickly as possible. And we'll work with everyone  
21 that is trying to do anything to try to help blunt  
22 this market because it is taking properties away  
23 from people who are in distress. With that, I'll  
24 ask the Clerk to call the roll.

25 WILLIAM MARTIN: William Martin,



1  
2 Committee Clerk, roll call on the Committee on  
3 Consumer Affairs. Introduction 1070-A. Council  
4 Member Comrie.

5 CHAIRPERSON COMRIE: Aye.

6 WILLIAM MARTIN: Barron.

7 COUNCIL MEMBER BARRON: Aye.

8 WILLIAM MARTIN: Koppell.

9 COUNCIL MEMBER KOPPELL: I vote aye  
10 and would like to be added as a cosponsor of the  
11 measure.

12 COUNCIL MEMBER BARRON: Well excuse  
13 me, if I'm not on it already, yes.

14 WILLIAM MARTIN: Liu.

15 COUNCIL MEMBER LIU: Yes, and  
16 please add me as a cosponsor as well.

17 WILLIAM MARTIN: By a vote of four  
18 in the affirmative, zero in the negative, no  
19 abstentions, item is adopted. Council Members,  
20 please sign the Committee report. Thank you.

21 CHAIRPERSON COMRIE: Okay. We're  
22 going to keep the Committee open for the hour  
23 maximum 'cause Council Member Gennaro is on his  
24 way. There was a major accident on the BQE, I  
25 just avoided it, so I know he's having a difficult

2 time getting here from Queens, but he very much  
3 wants to vote on the bill.

4 With that, the Committee meeting is  
5 adjourned, and I want to thank everyone that was  
6 involved in making this a reality, thank you.  
7 Consumer Affairs Committee for October 27th is  
8 hereby adjourned and the Land Use Committee is  
9 beginning promptly in the next room.

10 [Pause]

11 WILLIAM MARTIN: Council Member  
12 Gennaro.

13 COUNCIL MEMBER GENNARO: Yes.

14 WILLIAM MARTIN: Final vote on the  
15 Committee on Consumer Affairs is now five in the  
16 affirmative, zero in the negative, and no  
17 abstention.

18 MALE VOICE: This hearing is now  
19 adjourned.

20 COUNCIL MEMBER GENNARO: This  
21 hearing is now adjourned.

C E R T I F I C A T E

I, Tammy Wittman, certify that the foregoing transcript is a true and accurate record of the proceedings. I further certify that I am not related to any of the parties to this action by blood or marriage, and that I am in no way interested in the outcome of this matter.

Signature Tammy Wittman

Date November 4, 2009