



Legislation Text

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Res. No. 745

Resolution calling on the New York State Legislature, the Governor and the Attorney General to allocate funds received through settlements with lending institutions for subprime and predatory loans to those communities most affected by these loans and the foreclosure crisis.

By Council Members Miller, Richards, Barron, Rose, Garodnick, Eugene, Mendez and Torres

Whereas, Many lenders used subprime or “predatory” loans-loans offered at a higher rate to persons who do not qualify for prime rate loans because of factors that may result in persons defaulting on repayments-when offering mortgages to first-time homeowners; and

Whereas, Millions of homeowners, up to 50% of which were first time buyers, defaulted on their loans and lost their homes to foreclosures between 2007 and 2012; and

Whereas, These foreclosures and a nationwide decline in housing values triggered the collapse of mortgage-backed securities and drove the global economic crisis of 2008; and

Whereas, While federal measures were put in place to help defaulting borrowers, the national foreclosure crisis did not begin to abate until major mortgage lenders were held accountable through historic settlements of lawsuits brought by regulators; and

Whereas, In 2010 the New York State attorney general, with several other state attorneys general, investigated lenders and mortgage-servicing banks for illegal practices during foreclosure proceedings; and

Whereas, As a result of these investigations the state attorneys general joined with the United States Justice Department and filed a lawsuit against the largest lenders and servicers; and

Whereas, The lenders settled out of court and agreed to provide over \$50 billion in relief to distressed borrowers and direct payments to signing states and the federal government, an agreement known as the

National Mortgage Servicing Settlement; and

Whereas, According to Attorney General (AG) Eric Schneiderman, out of the National Mortgage Servicing Settlement, New York State was allocated more than \$500 million for loan modifications and refinancing and over \$100 million to pay for legal services and housing counseling for borrowers facing foreclosure; and

Whereas, New York State was also allocated nearly \$1 billion from settlements of other foreclosure-related litigation against individual banks in 2013 and 2014; and

Whereas, All of the settlement rulings state that the majority of the settlement money should go to direct consumer relief, address properties in foreclosure proceedings, refinance loans, and increase funding to legal service providers, housing counseling agencies, land banks and/or other community development non-profits; and

Whereas, As agreed by Governor Andrew Cuomo and AG Eric Schneiderman, half of the mortgage settlement funds received by New York State in 2014 went into the state's general budget and half went to the Attorney General's Office; and

Whereas, According to the 2015-2016 New York State approved budget, less than \$100 million of the \$248 million of the settlement funds in the general budget being used for housing purposes is going toward mortgage assistance programs; and

Whereas, According to Corelogic, a leading global property information, analytics and data-enabled service provider, New York State had the second highest foreclosure rate in the country with 4% of the state's mortgaged homes in foreclosure as of February 2015; and

Whereas, According to Realty Trac, a clearinghouse for home buyers, investors and other real estate professionals, in March 2015, foreclosure filings were up by 16.44% in New York State from February 2015, and up by 41.62% from March 2014, with 1 in every 1556 homes in New York State receiving a foreclosure filing; and

Whereas, According to the Center for New York City Neighborhoods (CNYCN), between April 2013 and March 2015 more than 28,866 1-4 family households in New York City went into foreclosure; and

Whereas, According to a New York State Association of Realtors article, foreclosure filings in New York State rose in the first 3 months of 2015; therefore be it

Resolved, That the Council of the City of New York calls on the New York State Legislature, the Governor and the Attorney General to allocate funds received through settlements with lending institutions for subprime and predatory loans to those communities most affected by these loans and the foreclosure crisis.

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