



Legislation Text

File #: Res 0093-2002, **Version:** A

Res. No. 93-A

Resolution calling upon the New York State Legislature to pass legislation regulating high-cost home loans in order to eliminate predatory lending practices.

By Council Members Comrie, Sears and the Speaker (Council Member Miller), Baez, Barron, Davis, Diaz, Foster, Jackson, Koppell, Monserrate, Reed, Rivera, Sanders and Eva. S. Moskowitz; also Council Members Addabbo, Seabrook and Stewart.

Whereas, New York State has seen a significant increase in the number of financial institutions offering high-interest-rate home equity loans to individuals; and

Whereas, This practice is referred to as subprime lending; and

Whereas, The subprime refinance mortgage market rose from \$35 billion to \$160 billion from 1994 to 1999; and

Whereas, The borrowers of these funds are considered a higher default risk; and

Whereas, Although subprime loans can be beneficial to borrowers, it has become apparent that a portion of the subprime lending industry has engaged in conduct that is predatory in nature; and

Whereas, Predatory subprime lenders are often assisted by unscrupulous mortgage brokers and home improvement contractors; and

Whereas, These parties engage in high-pressure sales tactics that result in the imposition of burdensome loan agreement terms without adequate disclosure; and

Whereas, These predatory loans result in owners being stripped of their equity and the risk of foreclosure; and

Whereas, The groups most often targeted by predatory lenders are low-income New Yorkers in traditionally under-served neighborhoods, immigrants and seniors; and

Whereas, Home-improvement contractors and mortgage brokers have reportedly convinced these populations who are particularly susceptible to sales coercion and deception, that their homes are in desperate need of repairs; and

Whereas, These contractors and brokers then arrange for loans at high rates of interest which then send many homeowners into foreclosure; and

Whereas, Lending patterns differ greatly in black and white neighborhoods; and

Whereas, Thirty-nine percent of the home purchase and refinance mortgages issued in upper-income predominantly black neighborhoods were issued by subprime lenders as compared to only nine percent in comparable white neighborhoods; and

Whereas, Between one-third and one-half of subprime borrowers in New York would actually qualify for prime loans; and

Whereas, The number of foreclosures in the refinance portion of the subprime market rose 42% from 1993 to 1999; and

Whereas, Existing State regulations regarding certain subprime home loans, defined as "high-cost-home loans," have been found to provide loopholes for predatory lenders; and

Whereas, The New York State Legislature is presently considering legislation on the issue of high-cost home loans that would prohibit certain loan practices that have been found to be predatory; and

Whereas, The New York State Legislature has the power to regulate the New York State banking industry, which includes New York City; and

Whereas, Borrowers need greater protections than those presently afforded; now, therefore, be it

Resolved, that the Council of the city of New York calls upon the New York State Legislature to pass legislation regulating high cost home loans in order to eliminate predatory lending practices.