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Schumer, Klein: crackdown on 'unethical' lenders

By David Freedlander, amNewYork Staff Writer

dfreedlander@amny.com

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With its robust real estate market, New York City has only recently begun to feel ripples from the waves of foreclosures sweeping the nation, but a housing crisis is coming soon, state and federal lawmakers said on Sunday.

In back-to-back news conferences in the city, Sen. Charles Schumer, (D-New York), and State Sen. Jeff Klein (D-Bronx/Westchester) brought new attention to what they say are deceptive and predatory lending practices by subprime mortgage lenders.

Foreclosures in the city are up 80% since February, and New York State as a whole is on pace to exceed last year's number of mortgage foreclosure filings by 60%, according to reports released by both offices.

Schumer noted that even as millions of homeowners across the country face foreclosure, loan companies such as LendingTree and Countrywide continue to flood the airwaves with advertisements trolling for clients with bad credit.

"Lenders are continuing to advertise subprime loans as if everything were hunky-dory," he said. "Unscrupulous lenders are going out of their way to push high-risk loans and preventing mortgage holders from refinancing."

Neither LendingTree nor Countrywide responded to requests for comment.

Klein warned that the looming foreclosure crisis could have a dire impact on the city's economic health.

"Just because you aren't in foreclosure doesn't mean that this won't affect you," he said. "We could see a drop in real estate values over the next couple of years ... and it will

have a tremendous impact on the financial markets."

Subprime mortgages are typically given at a low-interest rate to people with poor credit, and then increase greatly within a few years, leaving homeowners with bills they can't afford to pay.

Klein's report showed that it is typically poor and minority homeowners who face the greatest risk of foreclosure.

"It is unacceptable to remain idle as thousands of New Yorkers lose hold of the American Dream and slip noiselessly into economic depression," he said.

Jeff Guarino, managing director of Gotham Capital Mortgage, said the near bankruptcy of lending companies last week has brought the issue to a head.

"People want to address it now. The whole industry is under a microscope," he said.

Hank Sheinkopf, a political consultant, saw significance in the dueling news conferences beyond warnings of a coming downturn in the housing market.

"They are trying to create a populist, class-conscious argument, which is always smart for Democrats," he said. "Who gets disproportionately hurt in this? People with low-incomes who should be voting Democratic. The time to get them is now."

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