

Governor David A. Paterson today signed into law a critical subprime lending reform bill which directly addresses the mortgage crisis in New York State. The Governor signed the bill in Queens, one of the areas in New York that has been hit hardest by the foreclosure crisis. The new law will immediately help protect people from losing their homes and mandates reforms to help avoid a similar crisis in the future. The bill also takes into consideration the importance of striking the right balance between consumer protection and the availability of affordable credit.

This bill – passed by the state Legislature in June – works in two ways: immediately helping to prevent New Yorkers from losing their homes by assisting those who are currently facing foreclosure, and by attacking flaws in New York’s banking regulations to prevent such a crisis from happening again.

The bill requires lenders to send a pre-foreclosure notice to borrowers at least 90 days before foreclosure proceedings may be initiated. This will encourage homeowners to seek help prior to the initiation of foreclosure proceedings. The bill would also require lenders to list in the notice government-approved housing counselors serving the borrower’s area.

The bill establishes a mandatory settlement conference for foreclosure proceedings involving homeowners with certain subprime loans. For homeowners who cannot afford an attorney, the court, under certain circumstances, may appoint one.

The bill requires plaintiffs in an action against a homeowner to make an affirmative allegation that they have standing to bring the foreclosure action and have complied with certain applicable laws. Ownership of the mortgage and the note is sometimes uncertain, which has lead to questionable foreclosure practices.

The bill includes provisions to address foreclosure rescue scams intended to take advantage of borrowers when they are most vulnerable. This bill will prohibit upfront fees and require a written contract from so-called “distressed property consultants.”

[Read the full press release from the Governor's Office.](#)

Through our Foreclosure Prevention Projects, Legal Services NYC is at the forefront of the national fight against predatory lending practices in the subprime lending market. Predatory lending practices lead to foreclosure, homelessness, financial devastation and loss of hard-earned equity (which is the sole source of wealth for many lower income homeowners), displacement of long-time residents and destabilization of neighborhoods.

Legal Services NYC's work includes providing legal assistance, including advice, advocacy and litigation services, to homeowners; providing advice and assistance to community-based organizations on specific cases; and helping to coordinate and provide training for foreclosure prevention advocates throughout the City.

Foreclosure Assistance programs are offered at [Legal Services NYC- Bronx](#), [Brooklyn Legal Services Corporation A](#), [South Brooklyn Legal Services](#), and [Staten Island Legal Services](#).