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Pass N.Y. housing bill that protects lenders, borrowers

Both Congress and the state Legislature thus far have failed to enact credit reform that protects borrowers and lenders while ending the abuses that have marked the foreclosure crisis.

This problem has festered for years without an adequate legislative response. Foreclosures rose by 90 percent in Monroe County between 2005 and 2007. And there's been little abatement this year.

Action is imperative.

Gov. Paterson has a balanced approach on the table that, with some negotiation, can achieve worthy reform goals. An early move in the Assembly to impose a moratorium on foreclosures has faded, fortunately. That tactic could strangle credit markets in very uncertain economic times.

Perhaps state action will wake up Congress. Washington has focused more on how to apportion a multibillion-dollar bailout than on a substantive legislative attack on reckless lending practices.

It's important that government on all levels step firmly but cautiously — preventing abuse with adequately enforced regulations without damaging the legitimate and essential credit markets.

The crux of a reform package in New York should be to impose responsibility on lenders and borrowers. Both sides should approach home mortgage debt with common sense, not just a dollar and a dream.

Immediate reform should focus on the lender-borrower relationship in the housing market. But the model should be adaptable to all credit markets. New Yorkers, and all Americans, should save more and borrow less, and government should do a better job upholding that principle.

The governor's bill rightly seeks to improve the basic consumer relationship. It requires a lender-borrower settlement conference before foreclosure with the intent of mitigating debt and preserving home ownership. Homeowners will have access to independent, state-paid counseling services based at nonprofit agencies. Full disclosure will be the standard.

The lenders, to their credit, are amenable to these tougher regulations so long as they do not unnecessarily crimp the credit markets.

That's the balance lawmakers must find as they work out the details. They have less than a month to do so.