

**ISSUE: Gov. Paterson seeks help for at-risk homeowners.**

**THE STAKES: The Legislature should not leave town without acting.**

New York has an opportunity to become a model for regulating the subprime mortgage market and helping homeowners facing foreclosure. But time is running short. In just a few days, the Legislature is expected to break for the summer. That means state lawmakers must act quickly on a promising housing reform bill put forth by Governor Paterson. With some fine-tuning, the measure would go a long way toward addressing the abuses that have marked the subprime meltdown that has ravaged housing markets across the nation.

Ideally, Congress would address the problem because of its national scope. But that does not seem likely anytime soon, given the White House objections to reform measures advanced in the House and Senate. Thus, it's up to the states to protect consumers.

Nobody wins when a home goes into foreclosure. The owner loses his or her residence, while the neighbors see the value of their homes decrease. The lender loses money if the home is sold for less than the mortgage. Localities see their tax base decline as home values sag.

The governor's bill provides help for homeowners in distress, along with long-term reforms to guard against the kind of aggressive lending practices that contributed to the subprime crisis. It would require lenders to verify a borrower's ability to pay. It also encourages lenders to work out settlements with borrowers in distress and to provide early notice of state-paid help available from local nonprofit housing counseling agencies.

If there's a drawback to this bill, it is how it defines a nonconventional mortgage, as any loan with an annual percentage rate that is more than 3 percent above the benchmark Treasury yield. That could mean a mortgage with an interest rate of 7 percent, or lower, would be considered nonconventional, even though only those with good credit would be likely to qualify for such a rate.

If such a strict definition of nonconventional loans were to become law, many borrowers would be unable to qualify for prime mortgages. At the same time, many thrift institutions and other responsible lenders might be reluctant to offer loans if their portfolios were to become stocked with nonconventional mortgages.

This isn't an insurmountable obstacle. Some good-faith bargaining between the governor's office and legislative leaders should be all that's needed to reach a compromise.

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