

# THE WALL STREET JOURNAL.

## **Albany Attacks New York**

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Attacking Wall Street is almost a national pastime. But who would have guessed that one of the most anti-investor responses to the housing downturn would be enacted in New York State? Within days, Governor David Paterson is expected to sign a bill destined to wreak further havoc on the value of the mortgage-backed securities held by New York financial houses. This is like the French attacking pinot noir.

Last month, the state Assembly overwhelmingly passed a bill allowing judges to prevent foreclosure on a subprime borrower for one year while lowering the monthly interest rate. Judges can then extend the foreclosure prohibition -- and the low rate -- for up to three years. Senate sponsor Frank Padavan is now negotiating with the Governor to complete a bill by Monday's scheduled end of the legislative session.

Creating more doubt among mortgage investors as to whether they'll be repaid will not only erode the value of today's mortgage-backed securities. It will also raise costs for tomorrow's borrowers, as lenders demand more compensation for added risk. When the U.S. House Judiciary Committee considered a similar plan last fall, more than a dozen Blue Dog Democrats arose in opposition.

According to RealtyTrac's latest report on foreclosure filings, New York ranks in the bottom half of states and is home to none of the hardest-hit metro areas. In May, less than 0.1% of New York households received a foreclosure filing. While New York has 6.3% of America's housing units, it has only 5% of America's subprime mortgages.

Meanwhile, New York is home to 100% of the country's largest investment banks, and Wall Street workers generate 20% of state income tax collections. Albany's pols might enjoy taking a whack at bank balance sheets, but they will also whack the profits of businesses that fund their political largesse.