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# Foreclosures jump on Long Island, upstate

**Governor implements initiatives to prevent fraudulent lending practices**

**By Abby Luby**

Nevada, California and Florida may top foreclosure lists, but New York's stats are jumping. The first three quarters of this year saw 40,418 foreclosures, up from 38,170 over the same period in 2006, according to a third-quarter report by RealtyTrac, an online marketplace for foreclosure properties.

The 40,418 foreclosures for January through September include 30,812 default notices, 7,075 auction notices and 2,531 bank repossessions.

Foreclosure filings have climbed steadily in several counties upstate, particularly ones with large minority constituencies. A just-released report from PropertyShark.com, a research firm, details data on foreclosures that have been auctioned in the last 12 months in counties outside New York City. The report cites Erie County, whose county seat is Buffalo, as leading the rankings, with 1,767 new foreclosures auctioned.

Nassau County on Long Island is second with 1,275, followed by Suffolk County with 851 foreclosures.

In New York State, lenders must go through the court system to foreclose, said Ryan Slack, CEO of PropertyShark.com. "These numbers indicate an upward trend as one would expect, with the most recent quarter being the worst, according to our records."

Closer to the city in Westchester County, according to PropertyShark.com, 461 foreclosures were reported in the last year, closely followed by Orange County with 418.

Outside of New York City, Suffolk, Nassau, Westchester and Erie counties are the most populous counties in the state.

In a separate report titled "Subprime Spillover," released last month by the Center for Responsible Lending, the total number of homes expected to be lost to foreclosures is 1,665 in Westchester and 1,156 in Orange County, followed by 1,061 in Monroe and 1,023 in Erie. Those projections were based on the number of subprime loans taken during 2005 and 2006.

To address the problem, last month Governor Eliot Spitzer set up a special task force called HALT (Halt Abusive Lending Transactions) that seeks to protect buyers from fraudulent lending practices and prevent foreclosures. State Banking Superintendent Richard Neiman is the chair of the HALT Task Force; so far, $100 million is targeted for HALT's "Keep the Dream" refinancing program for homeowners with risky mortgages who want to avoid possible foreclosure.

"This is money for people who get into trouble," said Jackie McCormack, HALT's director of communications. "With the support of the banks, we can encourage the mortgage servicer to apply for mass modifications for lenders or consumers that are coming up on difficult situations -- either in repaying or who are starting to be delinquent. We want to address the problem before it happens."

McCormack explained that last month, a matching grant program, with a kitty of at least $1 million, was set up to give financial support and counseling.

As of January 2008, the New York State banking department will clamp down on mortgage loan originators before they are authorized to work anywhere in the state, a reform that has been in the works for some time.

"We haven't done a 'fitness of character' with loan originators before," said McCormack. "Fingerprinting, background and credit checks [will be] done before a mortgage loan originator will be authorized to work in the state of New York. It adds a higher level of security for the industry."

Priscilla Almodovar, president and CEO of the New York State Housing Finance Agency, is also the president and chief executive officer of SONYMA, the program that runs "Keep the Dream." Almodovar said that it has a deal where Fannie Mae will buy up $100 million worth of mortgages that are in the $200,000 to $300,000 range, with about a $400,000 maximum mortgage.

"This could help up to 300 to 500 families if we are successful," said Almodovar, "but the program has only been up and running for eight weeks. So far, one mortgage has been processed under the program, and two more are in the pipeline."

Soon to be announced is the lowering of FICO credit scores for people who have low credit ratings and need to refinance their delinquent mortgages.

"We hope to help people who have FICO scores below 620," explained Almodovar. "This will apply statewide."

Recently, three out-of-state servicers have offered to comb their databases for New York State borrowers and send out information about SONYMA to troubled mortgage holders. Almodovar is particularly excited about this effort because servicers are offering to do this for free.

"These servicers and lenders are coming under attack to proactively refinance these products, and this gives them a product to refinance," she said. "Some of these lenders don't want these mortgages anymore, and there is a tightening of capital. It's great if they can recommend us to their borrowers."

A light local burden

As bad as the national mortgage headlines are, it "appears to be that New York is not in a foreclosure crisis," said Slack. "The totals are pretty low compared to other states."

The damage is limited because New York State did not undergo the speculative rush that states like Nevada and Florida did. "Outside of the high values in New York City, Long Island and Westchester, speculation is not common," noted Slack. "Upstate has been economically distressed for some time, and therefore has not been an attractive destination for speculative capital."

In addition, the state's handling of foreclosures and auction system is conservative. "This gives the homeowner a lot of time to work out the problem or sell their property at market value rather than let it go to auction," said Slack.

Also, local banks in some counties have been scrupulous about taking risks, said Gerald Jacobowitz, senior partner at Jacobowitz & Gubits, the largest legal firm practicing real estate in Orange County.

"The number of foreclosures don't seem to be held by local banks," said Jacobowitz. "They are lenders from all over the place.

"Our banks," he continued, "have a large number of pending applications for residential mortgages. Sales have been up 7 to 8 percent in 2007."

Karl Case, a professor of economics at Wellesley College, also sees a light at the end of the tunnel. Case said, "In two years, this will be cleared up. There will be a substantial number of people hurt along the way, but we are already writing better, new mortgages. It's not going to be like it was two years ago, when you could qualify for a new mortgage if you could breathe."

It's all "too little, too late," said Kathleen Day of the Center for Responsible Lending. Day said that Congress needs to make a small change in the bankruptcy law so bankruptcy judges can restructure mortgages on primary residences in the same way they restructure loans against other assets like vacation homes and recreational vehicles.

"They can't do it on a primary home, which we think is crazy," said Day. "We estimate that if this change was made, it wouldn't cost taxpayers anything, but would allow some 600,000 families to stay in their homes rather than face foreclosure."

Day claimed that the industry is drumming up scare tactics in response to proposed legislations. "The reason there's a credit crunch now is because of these irresponsible lending practices, and garbage mortgages have come home to roost. They are saying that it will freeze the market, dry up credit -- but [the] industry's already done that with this irresponsible lending."