



HALT
THE GOVERNOR'S INTERAGENCY
TASK FORCE
TO HALT ABUSIVE LENDING TRANSACTIONS

REPORT AS OF DECEMBER 31, 2008

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INCLUDING A REPORT ON
THE FORECLOSURE PREVENTION SERVICES PROGRAM

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I. EXECUTIVE SUMMARY

Purpose of the Report

The purpose of the following report is two-fold: first, it is offered as a means to brief the Governor, the Executive Chamber, and the New York State Assembly and Senate on the coordinated state response being made to the foreclosure crisis in New York. Such response has been facilitated by the members of the Governor's Interagency Task Force to Halt Abusive Lending Transactions (HALT). Additionally, this report is submitted in response to the 2008-09 state budget which requires the Housing Trust Fund Corporation, in consultation with the Division of Housing and Community Renewal, the Banking Department, and the Office of Court Administration, to provide a report by December 31, 2008, to the Governor, the Speaker of the Assembly, and the temporary President of the Senate, outlining the use of funds allocated for subprime foreclosure prevention services.

The budget directed that the report include the contract amount for each provider receiving grant funds, the foreclosure prevention services to be provided, the number of persons and households to be served, as well as the number that could not be served. Additionally, the report must address: the number of mortgage defaults in the state and the causes of such defaults; the unmet needs that exist in the state due to defaults on loans and foreclosures of homes; the rates of foreclosure; the need for direct assistance to homeowners; and the ability of homeowners to successfully comply with mortgage terms or negotiate changes in their mortgages in order to remain in their homes.

Since the HALT Task Force is charged with providing a coordinated state government response to the turmoil in the mortgage market, a consolidated report is the most cost effective and streamlined manner in which to provide both an overview of the state's response and the information required as a part of the budget.

New York's Response to the Crisis

In the time period since the prior HALT report in April of this year, the subprime crisis has triggered grave circumstances in the broader lending and financial markets, undermining the stability of the international financial system. The federal government has taken historic steps to support the markets, in particular through the Emergency Economic Stabilization Act of 2008 that passed in October; while New York supports these actions taken to date, there remains much more to be done.

Unfreezing credit markets is vital, but achieving lasting stability will require a solution that addresses the origins of the problem: the escalating numbers of families in New York and across the nation who are losing their most valuable asset - their homes. Through the Task Force agency members, the state has developed one of the most comprehensive and coordinated responses to the foreclosure crisis in the U.S.

The state's leadership on these issues is particularly exemplified by the passage of Governor's Paterson's mortgage reform legislation. New York was one of the first states

to recognize the risks of subprime lending, and had previously developed anti-predatory lending regulations through Section 6-1 of the Banking Law which addresses high-cost loans. The current legislation passed in July expands these critical protections to a wider range of subprime borrowers and includes progressive changes to the foreclosure legal process, building on New York's solid foundation of consumer protection. The state's extensive experience with predatory lending prevention and regulation of subprime lending, as well as the other protections achieved through the Governor's new legislation could serve as model resources in developing national minimum standards for mortgage lending.

In addition to the implementation of the new mortgage legislation, this report highlights additional components of the state's ongoing foreclosure prevention strategy, including:

1. Mortgage Data Collection and Analysis- Through the Banking Department, the state has completed a comprehensive analysis of the mortgage market in New York. Such data is particularly vital in developing policies and programs related to foreclosure prevention.

- As of the third quarter of 2008, almost 45,000 New York homes were in some stage of the foreclosure process, a 43% increase over 2007.
- Subprime adjustable rate loans are the primary driver of delinquencies and foreclosures in the state, with nearly one-third of such loans 90 or more days past due or in foreclosure as of the third quarter of this year.
- The mortgage market contracted in 2007 in response to the financial turmoil; new originations dropped by almost 22%.

2. Grants to Non-Profits for Foreclosure Prevention Services – The Housing Trust Fund Corporation/Division of Housing and Community Renewal (DHCR), the Banking Department and SONYMA each have developed and administered programs which provide grant funds to non-profit organizations to provide foreclosure prevention assistance to New York homeowners facing foreclosure. Under all three programs, more than \$23.8 million has been awarded. Through close cooperation, the three state agencies have insured that foreclosure prevention services are available in every county in the state.

- Under the Subprime Foreclosure Prevention Services Program, provided for in the state budget and administered by the Housing Trust Fund/DHCR, 53 grant awards have been made to date totaling \$21.2 million.
- The Banking Department's Foreclosure Counseling Program awarded over \$2 million dollars to 22 grantees in 2008.
- SONYMA, through the federally funded National Foreclosure Mitigation Counseling Program – 1st round, has already distributed over \$800,000 to 19 non-profits across the state. An additional \$1.7 million will be distributed in 2009.

3. Passage and Implementation of the Governor's Subprime Legislation – In July of 2008, the New York State Legislature approved the Governor's Subprime Legislation.

This legislation included measures to assist existing homeowners who are facing foreclosure, as well as regulations to help prevent such a crisis from occurring in the future. The Office of Court Administration and the Banking Department have begun implementation of key provision of the legislation, including:

- Pre-foreclosure notices to homeowners with subprime or nontraditional mortgage, directing them to local foreclosure prevention services 90 days prior to the start of any foreclosure action.
- Mandatory settlement conferences for all owner-occupied 1-4 family properties, in which homeowners and lenders are brought together in court to determine whether a settlement can be achieved prior to the commencement of the foreclosure action.

4. Consumer Services- To assist homeowners, new programs to provide options for subprime borrowers and prevent unnecessary foreclosures have been developed, and intensive outreach is occurring around the state. The Banking Department has been coordinating with servicers and lenders to facilitate loan modifications whenever possible.

- The Banking Department has conducted eight foreclosure prevention forums around the state through its Operation Protect Your Home campaign. At these forums, borrowers at risk of foreclosure, foreclosure prevention counselors, and loan servicers have been brought together to arrange loan modifications and other solutions to help homeowners avoid foreclosure.
- Statewide, nearly 36,000 borrowers received solicitations to participate in Operation Protect Your Home forums this year.

5. Enforcement- Supervisory standards and enforcement efforts have been heightened, including implementation of a licensing system and enforcement actions in instances of mortgage fraud.

- The Banking Department's Mortgage Fraud Unit has been convening monthly meetings of federal, state, and city law enforcement agencies to coordinate efforts in combating mortgage fraud, and has also provided training sessions for law enforcement across the state.
- The Banking Department's Mortgage Banking Division and the Department of State have conducted joint investigations of "one-stop-shops" that offer both real estate services and financial services, leading to over \$250,000 in consumer restitution.
- New York is one of the first states to participate in the National Mortgage Licensing System, a multi-state project to register individual loan originators. The Banking Department has nearly 10,000 applications in process, and expects to enroll 20,000 by January 2010.

6. Neighborhood Stabilization Initiative- *nyhomes*, in conjunction with the Banking Department and several downstate counties, has recently launched a \$110 million dollar

effort to enable localities and housing groups to address the effects of foreclosed and abandoned homes on communities.

While serious challenges for mortgage consumers and the market remain, the coordinated efforts of the Task Force members and the foreclosure prevention services facilitated through the state's grant programs have already made significant strides in developing effective solutions. The HALT Task Force members remain committed to continuing to implement this multi-faceted strategy, which remains flexible to adapt to the changing dynamics of the foreclosure crisis and the weakening economy.

I. INTRODUCTION

The Economic Dimensions of the Mortgage Crisis

The prior HALT reports detail the origins of the subprime problem, the impact on financial products beyond residential mortgages, and the increasing risk to the real economy. During the second half of this year, conditions in the financial markets deteriorated further and precipitously. A crisis that began as and remains a threat to homeowners on Main Street has now expanded to engulf Wall Street.

With the loss of the five main independent investment banks to bankruptcy, merger, or conversion to commercial bank holding company status, Wall Street has been utterly transformed. Even government-sponsored entities (GSEs) such as Fannie Mae and Freddie Mac have been caught in the downward spiral caused by liquidity issues, write-downs in the value of mortgage-related assets, capital shortfalls, and declining share prices. These GSEs are now under a federal conservator.

There has been action by the federal government throughout the same time period to try to unfreeze credit markets- including rate cuts, new facilities to increase liquidity, expansions of deposit insurance, and the \$700 billion relief package approved in the Emergency Economic Stabilization Act. Yet despite this wide range of responses by the Treasury Department, the Federal Reserve, the FDIC, as well as central bankers and finance ministers world-wide, the credit markets are only just beginning to thaw.

The reorganization of the country's largest financial houses and substantial federal investments may well yield greater stability long-term, but only if proper regulatory restraints and consumer protections are established nationwide. In the near-term, the market gyrations jeopardize retirement savings, pension funds, student loans, the revenues of state and local governments, and the fiscal condition of the nation. And families in New York and across America continue to lose their homes through foreclosure at an increasing rate.

These sobering economic realities highlight the great and continuing need for effective and compassionate state responses to this crisis. Through initiatives such as grants through the Subprime Foreclosure Prevention Services Program and HALT efforts, New York is taking the right steps to help our residents and our state economy in these challenging times.

Task Force Organization and Goals

The Task Force unites all of the state agencies and departments that relate to the mortgage market. In addition to members of the Governor's Executive Chamber, the Task Force consists of the following:

The New York State Banking Department
The Department of State
The State of New York Mortgage Agency- *nyhomes*

The Division of Human Rights
The Consumer Protection Board
The Division of Housing and Community Renewal
The Governor's Office of Regulatory Reform

Given the Banking Department's lead role in the mortgage market through chartering, licensing, and supervising the state's financial institutions, Superintendent Richard H. Neiman serves as the Task Force chairman.

In order to channel the efforts of these diverse agencies into their most appropriate area of contribution and to ensure a comprehensive state approach, a set of six concrete and unified priorities for the Task Force was developed:

1. Analyzing foreclosure and lending data to identify the borrowers and communities most at-risk;
2. Developing loan and refinance programs to help certain homeowners whose current loans are inappropriate for their financial circumstances;
3. Creating statewide outreach and educational campaigns to assist the state's most vulnerable borrowers;
4. Proposing legislative and regulatory changes that enhance statewide consumer protection;
5. Identifying lenders, industry participants and others who benefit from steering minorities, recent immigrants, senior citizens, members of low income communities or military families into inappropriate loan products; and
6. Pursuing enforcement actions against those engaging in wrongful conduct and, where appropriate, coordinating these actions with other federal, state and local law enforcement agencies.

Identification of these six core priorities further led to the formation of key objectives and action items, which form the main body of this report.

III. MORTGAGE DATA

The foreclosure crisis is both contributing to and being exacerbated by weakening home prices; as property values decline, even prime borrowers may be left owing more than their homes are worth. In this negative equity situation, opportunities to avoid foreclosure through refinancing are extremely limited or unavailable. Foreclosures in turn depress neighboring property values, creating a self-reinforcing cycle. While property values have been more stable in New York compared to national trends, the cooling in the housing market is evident.

Housing Market Trends

The results for the third quarter of 2008 demonstrate the sluggishness in New York's housing market. Permits approved for new home construction declined by almost 32% in New York over the prior year. This is comparable to the approximately 35% decrease nationwide over the same time period. Existing home sales also declined by 27,600 in the Northeast and 794,000 in the U.S. over the year. There are two primary benchmarks for gauging home price trends, and both recorded declines. The Case-Shiller Home Price Index declined by 7% in New York, but this was modest compared to the 21% decline nationwide. The Office of Federal Housing Enterprise Oversight (OFHEO) Home Price Index declined by just under 4% in New York from third quarter 2007 to third quarter 2008, with the steepest decline occurring in the Poughkeepsie-Newburgh Metropolitan Statistical Area at almost 20%.

Building Permits Approved					
	3Q2006	3Q2007	3Q2008	% Change 3Q2006-3Q2007	% Change 3Q2007-3Q2008
US (in 000's)	430,000	331,000	217,000	-23.0%	-34.6%
Northeast	42,337	36,896	23,128	-12.8%	-37.3%
New York	13,826	13,170	9,008	-4.7%	-31.6%

Source: US Census Bureau

Housing Units Started					
<i>(in 000's)</i>	3Q2006	3Q2007	3Q2008	% Change 3Q2006-3Q2007	% Change 3Q2007-3Q2008
US	426	325	220	-23.7%	-32.3%
Northeast	37	32	36	-13.5%	12.5%

Source: US Census Bureau (Seasonally Adjusted. Data for NYS is not available)

Existing Home Sales						
<i>(in 000's)</i>	3Q2006	3Q2007	3Q2008	Jul-08	Aug-08	Sep-08
US	6,287	5,457	4,663	5,020	4,350	4,620
Northeast	1,050	977	717	910	620	620
New York	299.6	289.6	262	N/A	N/A	N/A

Source: National Association of Realtors. (Seasonally Adjusted, Annual Rate)

Case and Shiller Home Price Index								
<i>(in 000's)</i>	3Q2006	3Q2007	3Q2008	Jul-08	Aug-08	Sep-08	% Change 3Q2006-3Q2007	% Change 3Q2007-3Q2008
US	225.6	223.7	176.2	178.6	176.6	173.3	-0.8%	-21.3%
NY	214.6	207.3	192.5	193.3	192.8	191.3	-3.4%	-7.1%

Source: Standard and Poor's / Case-Shiller

Median Sales Prices of Homes Sold					
<i>(in 000's)</i>	3Q2006	3Q2007	3Q2008	% Change 3Q2006- 3Q2007	% Change 3Q2007- 3Q2008
US	246,3	242,2	234,1	-1.7%	-3.3%
Northeast	344,6	304,9	361,4	-11.5%	18.5%

Source: US Census Bureau

OFHEO Home Price Index					
<i>(in 000's)</i>	3Q2006	3Q2007	3Q2008	% Change 3Q2006-3Q2007	% Change 3Q2007-3Q2008
US	379.4	387.3	369.4	2.1%	-4.6%
Northeast	615.2	611.5	585.2	-0.6%	-4.3%
NY	650.1	661.3	636.1	1.7%	-3.8%
Albany-Schenectady- Troy	191.9	201.1	200.91	4.8%	-0.10%
Binghamton	166.3	176.7	189.25	6.2%	7.10%
Buffalo-Niagara Falls	141.1	146.1	149.95	3.6%	2.61%
Elmira	147.1	152.5	150.27	3.7%	-1.48%
Glens Falls	203.3	216.7	221.4	6.6%	2.15%
Ithaca	194.0	193.8	202.03	-0.1%	4.25%
Kingston	273.8	276.6	262.5	1.0%	-5.10%
Poughkeepsie-Newburgh	297.7	297.0	238.08	-0.2%	-19.85%
Rochester	136.9	139.6	139.41	2.0%	-0.14%
Syracuse	157.3	162.0	166.24	3.0%	2.60%
Utica-Rome	155.2	167.4	170.35	7.8%	1.75%
Nassau-Suffolk	297.5	295.7	277.76	-0.6%	-6.07%
New York-White Plains-Wayne	271.9	276.1	263.07	1.6%	-4.72%

Source: OFHEO

Originations- All Loans

Information on new loan originations is provided through Home Mortgage Disclosure Act (HMDA) data. This data is submitted by individual lenders to their federal supervisor, and is published every fall with the results for the previous year.

The results for calendar year 2007, therefore, have just been released and indicate that new loan activity was down by almost 22% over 2006, and nearly 27% over two years.

	2005	2006	2007
All New York State Originations	544,386	509,923	398,600

From HMDA data

Nearly half of these loans were for home purchases, while refinancing loans accounted for 39.5% and 13% were for home improvement. There was a slight decline in the percentage of refinancing loans and a small increase in both home purchase and home improvement loans in 2007 compared to 2006. Almost all new origination for 2007, or 94%, were for 1-4 family residences.

Originations- State Supervisory Share

A follow-up issue to the size of the market for new mortgages relates to the scope of state supervision. Institutions supervised by the Banking Department accounted for just over one-quarter of all originations at 27%, while federally regulated institutions accounted for almost 73%. In 2006, the state supervisory share was higher, at 40%; additional review is planned to explore this finding further. With the aggressive assertion of preemption by federal regulators, the percentage of mortgage loans subject to state consumer protection laws has also been contracting.

Loans Originated in New York by HMDA Reporters in 2007					
Institution Supervisory Type	Home Purchase	Home Improvement	Refinancing	Total Loans Originated	Percent of Originations by Supervisory Type
NYSBD Institutions	50,737	7,735	49,579	108,051	27.1%
Other Institutions	138,533	44,283	107,772	290,588	72.9%
Total Originations	189,270	52,018	157,351	398,639	100.0%

HMDA 2007

Originations by Lender Type						
Lender Type	NYSBD Supervised	Other Agencies	Total Originations	% of Total Originations by Lender Type	% of NYSD Originations by Lender Type	% of Other Agency Originations by Lender Type
Commercial Banks	12,919	135,811	148,730	37.3%	12.0%	46.7%
Savings Banks	7,343	71,868	79,211	19.9%	6.8%	24.7%
Credit Unions	3,267	21,781	25,048	6.3%	3.0%	7.5%
Mortgage Bankers	84,512	60,880	145,392	36.5%	78.2%	21.0%
Other Institutions	10	248	258	0.1%	0.0%	0.1%
Total Originations	108,051	290,588	398,639	100.0%	100.0%	100.0%

HMDA 2007

Originations- Higher-Cost Loans

A “higher-cost” loan under HMDA 2007 is one where the annual percentage rate exceeds the yield on a treasury security of corresponding maturity by more than 3% for a first lien or 5% for a subordinate lien. These standards have since been amended by the federal regulators, and will be reflected in the 2008 data released next year. The Governor’s new mortgage legislation also creates a category of subprime or higher-cost loans using a

more refined threshold than the HMDA 2007 standard. With the time lag in data reporting, the HMDA 2007 standard is the closest proxy currently available and is the definition of the term “higher-cost” or “subprime” throughout this section of the report.

New loan activity in 2007 indicates a sharp drop in higher-cost or subprime originations. This may reflect natural contraction in the market, due to increased defaults, lack of liquidity, and enhanced underwriting standards.

Higher-Cost Loans, 1-4 Family, Owner-Occupied			
	2006	2007	% change
Total high cost loans	125,856	60,840	-51.7%
Home purchase	56,414	20,529	-63.6%
Refinancing	59,925	32,586	-45.6%
Home Improvement	9,517	7,725	-18.8%

HMDA 2006, 2007

The distribution of higher-cost home purchase loans by income category indicates that more than 65% were made to borrowers who reported incomes ranging from \$25,000 to \$125,000. Borrowers reporting incomes between \$121,000 and \$125,000, as well as those with incomes of \$151,000 to over \$200,000, accounted for only 18% in each of those income categories.

Originations- Adjustable Rate Mortgages

Adjustable rate mortgages and nontraditional loans such as interest-only products have been a particular contributor to the foreclosure crisis, as rates reset or loans begin to amortize and many borrowers face payment shock. The federal HMDA data, however, does not include a code for differentiating adjustable rate from fixed rate loans.

The Banking Department has begun to fill this information gap, and amended the volume of operations reports (VOOR) required to be filed by state-supervised mortgage bankers to include this product distinction, as well as the time period until the first rate reset. This new information will be critical for the state in anticipating the scale of potential waves of defaults for adjustable rate loans in the near future.

Among first lien loans originated by mortgage bankers in 2007, almost 81% were fixed rate, 10% were adjustable rate, and 9% were interest-only loans. Over 55% of the adjustable rate loans have initial fixed rate periods of three years or less, the category most likely to include low introductory “teaser rates.”

Originations by Loan Product			
	Number	Dollar	Percent
Fixed rate loans	66,564	15,068,382,438	80.6%
Adjustable rate loans	8,515	3,024,425,187	10.3%
Interest only loans	7,479	3,337,853,577	9.1%

2007 VOOR

Adjustable Rate Resets for Loans Originated in 2007			
	Number	Dollar	Percent
ARM with Initial Fixed Term 36 Months or Less	4,362	1,597,558,379	55.4%
ARM with Initial Fixed Term More than 36 Months	3,514	1,423,372,042	44.6%

2007 VOOR

Originations- Piggy-Back Loans

The new VOOR data also captures information on “piggy-back” loans, where a junior lien is closed simultaneously with the primary first lien mortgage. In a typical piggy-back transaction, the first lien amount covers 80% of the home value, with additional proceeds coming from the junior lien. This arrangement avoids the expense of private mortgage insurance for borrowers, but it may mask the true risk profile of the primary mortgage, as the borrower has reduced or no equity. In 2007, there were 4,367 piggy-back loans reported under the New York VOOR, totaling \$621,318,312.

Delinquencies

According to the Mortgage Banker's *National Delinquency Survey*, the percent of loans 90 or more days past due continues to increase across the board.

Percent of Loans Past Due 90 Days or More					
	Q3 2007	4Q 2007	1Q 2008	2Q 2008	3Q 2008
All loans - NY	0.93	1.10	1.08	1.20	1.61
All loans - US	1.26	1.58	1.56	1.75	2.20
All subprime loans - NY	3.40	4.14	4.20	4.53	5.65
All subprime loans - US	4.49	5.79	5.68	6.04	7.01
All prime loans - NY	0.37	0.45	0.44	0.53	0.80
All prime loans - US	0.52	0.71	0.77	0.93	1.29

From the MBA National Delinquency Survey

The trends were starker for loans categorized by the survey as “seriously delinquent,” which includes the 90 or more day past due category and loans in the foreclosure process. Subprime adjustable rate loans were the primary driver, with nearly one-third of such loans listed as seriously delinquent during the third quarter of 2008. This exceeds the rate for the nation.

Fixed-Rate Loans: Percent Seriously Delinquent						
	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008	3Q 2008
Subprime Fixed-Rate Mortgages - NY	5.63	6.28	7.56	8.07	8.88	10.17
Subprime Fixed-Rate Mortgage - US	5.84	6.61	8.18	8.73	9.60	11.28
Prime Fixed-Rate Mortgage - NY	0.63	0.75	0.86	0.92	1.06	1.34
Prime Fixed-Rate Mortgage -US	0.67	0.83	0.99	1.11	1.30	1.65

From the MBA National Delinquency Survey

Adjustable-Rate Loans: Percent Seriously Delinquent						
	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008	3Q 2008
Subprime Adjustable-Rate Mortgage - NY	14.2	17.59	22.17	25.99	29.5	32.18
Subprime Adjustable-Rate Mortgage - US	12.4	15.63	20.43	24.11	26.77	28.84
Prime Adjustable-Rate Mortgage – NY	2.07	2.64	3.29	3.88	4.55	5.46
Prime Adjustable-Rate Mortgage – US	2.02	3.12	4.22	5.43	6.78	8.09

From the MBA National Delinquency Survey

Another particular concern is the uptick in serious delinquencies for prime mortgage loans. While the serious delinquency rates for prime are not as large in absolute terms as for subprime loans, the percentage change from the prior year shows a substantial increase. This increase was most pronounced for adjustable rate prime loans, with serious delinquencies increasing over 106% from the third quarter in 2007.

New York Prime Loans Seriously Delinquent			
	3Q 2008	3Q 2007	% change from 3Q 2007 to 3Q 2008
Prime- All Loans	1.89	1.02	85.3%
Prime- Fixed Rate	1.34	0.75	78.7%
Prime- Adjustable Rate	5.46	2.64	106.8%

From the MBA National Delinquency Survey

Foreclosures

The following chart displays historical foreclosure trends from the Mortgage Banker's *National Delinquency Survey*. Subprime adjustable rate loans are again the primary issue. Nearly 25% of New York subprime adjustable rate loans are in the foreclosure process, again exceeding the national rate of approximately 21%.

Percent of Loans in Foreclosure at End of Quarter: All Types								
	Subprime Fixed-Rate		Prime Fixed-Rate		Subprime Adjustable-Rate		Prime Adjustable-Rate	
	New York	U.S.	New York	U.S.	New York	U.S.	New York	U.S.
Q1 2006	2.47	3.18	0.34	0.34	4.72	3.73	0.60	0.49
Q2 2006	2.60	3.05	0.34	0.34	4.85	3.88	0.70	0.56
Q3 2006	2.71	3.00	0.37	0.29	5.76	4.68	0.82	0.70
Q4 2006	2.83	3.19	0.39	0.39	7.07	5.62	1.05	0.92
Q1 2007	3.01	3.29	0.40	0.38	8.04	6.46	1.27	1.09
Q2 2007	2.97	2.85	0.39	0.41	10.40	8.02	1.33	1.29
Q3 2007	3.39	3.12	0.45	0.48	13.25	10.38	1.89	2.04
Q4 2007	4.11	3.77	0.50	0.55	16.70	13.43	2.33	2.59
1Q 2008	4.61	4.46	0.59	0.67	20.34	17.09	2.81	3.45
2Q 2008	5.12	4.88	0.65	0.76	23.36	19.41	3.26	4.33
3Q 2008	5.49	5.42	0.71	0.86	24.51	20.65	3.57	4.83

From the MBA National Delinquency Survey

Additional information on individual foreclosures filings at the county level is available from RealtyTrac®. As the company notes on their website, increases in their published foreclosure statistics may reflect changes in data collection techniques as well as higher foreclosure rates. The Banking Department is networking with non-profits and local governments to supplement this data as possible. Nevertheless, the estimates provided by RealtyTrac® are the most comprehensive statewide source of foreclosure data currently available.

According to RealtyTrac®, there were almost 39,000 New York homes in some stage of the foreclosure process in calendar year 2007. This represented a 10% increase over 2006 and a 55% increase over 2005.

2007	Total Filings	Unique Addresses	Ratio- 1 in X Households	% Change over 2006	% Change over 2005
NY	57,350	38,688	1 in 200	10%	55%
US	2,203,295	1,285,873	1 in 96	75%	149%

Source: RealtyTrac®

As of the third quarter of 2008, there were already almost 45,000 households in some stage of the foreclosure process, a 43% increase over 2007 and the year is not yet over. Even so, New York is not one of the hardest-hit states, ranking only 39th in the nation for the third quarter of 2008.

Year-to-Date 3Q 2008	Unique Addresses	Ratio- 1 in X Households	Unique Addresses for YTD 2007	% Change over YTD 2007
NY	44,879	1 in 175	31,400	43%
US	2,155,189	1 in 59	1,020,123	111%

Source: RealtyTrac®

Considering just the third quarter of 2008, however, foreclosure filings had dropped 10% from their second quarter high of 16,025 filings.

3Q 2008	Unique Addresses	% Change over 2Q 2008	% Change over 3Q 2007
NY	14,477	-10%	19%
US	765,558	3.5%	71%

Source: RealtyTrac®

Once again there is a noticeable deterioration in the prime market. Foreclosure filings from prime adjustable rate mortgages have increased almost 89% from the third quarter of 2007 to the third quarter of 2008.

New York Prime Loans in Foreclosure			
	3Q 2008	3Q 2007	% change from 3Q 2007 to 3Q 2008
Prime- All Loans	1.09	0.65	67.7%
Prime- Fixed Rate	0.71	0.45	57.8%
Prime- Adjustable Rate	3.57	1.89	88.9%

Source: MBA National Delinquency Survey

Foreclosures are also highly geographically concentrated, with pockets of the state being disproportionately impacted. The top ten counties for foreclosure filings account for 79% of the state total. Queens and Brooklyn alone account for over 25% of all filings, with the rest of Long Island representing another 20% of the state total.

County Name	Lis Pends	Notice of Sale	Bank-Owned Real Estate	3Q 2008 Total Filings	% of Total NY	% Change vs 2Q 2008	% Change vs 3Q 2007	Year-to-Date 2008
Queens	1693	354	300	2347	16.2%	-12.8%	34.3%	7,743
Suffolk	1310	90	169	1569	10.8%	-20.1%	-19.4%	5,621
Kings	1260	145	90	1495	10.3%	-24.5%	-7.7%	5,391
Erie	629	343	257	1229	8.5%	149.8%	152.9%	2,184
Nassau	898	104	122	1124	7.8%	-15.7%	10.8%	3,722
Monroe	595	29	257	881	6.1%	-0.8%	715.7%	2,625
Westchester	459	282	81	822	5.7%	-3.4%	34.8%	2,429
Richmond	416	204	80	700	4.8%	-12.1%	53.5%	2,233
Orange	412	177	60	649	4.5%	50.9%	260.6%	1,301
Bronx	497	82	42	621	4.3%	-8.3%	7.6%	1,990
Sub-Total	8169	1810	1458	11437	79.00%	-5.5%	11.4%	35,239
Other 52 Counties	1322	967	751	3040	21.00%	-22.4%	62.6%	9,640
Total New York State	9491	2777	2209	14477	100.00%	-9.70%	19.30%	44,879

Source: RealtyTrac®

A chart with foreclosure filing data for all 62 counties in New York is included in this report as an Appendix.

IV. GRANTS FOR FORECLOSURE PREVENTION SERVICES

With tens of thousands of New York homes at risk of foreclosure, borrowers are in even greater need of housing counseling and support. Yet, the foreclosure crisis has strained the already limited capacity of housing counselors, legal services attorneys and other advocates to provide borrowers with the necessary help to prevent foreclosures. The availability of trained mortgage counselors, attorneys and advocates is an important element in supporting and educating New Yorkers. As caseloads have grown, the sustained ability of these agencies to respond to this increasing demand for services is a critical issue.

There is an urgent need among local non-profit counseling and advocacy organizations for 1) additional resources to expand their ability to deliver necessary foreclosure prevention assistance to borrowers, and 2) training regarding the foreclosure process and foreclosure prevention strategies. In response to this need, the state has made substantial commitments to support capacity for these community organizations via grant programs offered through the following agencies:

1. The Division of Housing and Community Renewal. DHCR administers the state's \$25 million Subprime Foreclosure Prevention Services Program, which provides grants for direct consumer services, as well as training and technical assistance.
2. The Banking Department. The Banking Department is providing an additional \$2 million in grants for foreclosure prevention, recouped from settlement based on prior predatory lending enforcement actions.
3. The State of New York Mortgage Agency. SONYMA has distributed over \$120,000 in its own funds as a match to the more than \$750,000 in federal funds it has distributed through the federal National Foreclosure Mitigation Counseling program. SONYMA will distribute almost \$1.7 million in counseling and legal assistance funds in 2009.

The Division of Housing and Community Renewal – NYS Subprime Foreclosure Prevention Services Program

The 2008-09 NYS budget included \$25 million to help homeowners in NYS, who entered into a subprime or unconventional mortgage, by providing counseling and legal services. The budget directed that the NYS Housing Trust Fund Corporation ("HTFC"), in consultation with the NYS Division of Housing and Community Renewal ("DHCR"), the NYS Banking Department and the Office of Court Administration,

“administer a subprime foreclosure prevention services program which shall provide assistance related to foreclosure prevention to homeowners who entered into subprime or unconventional mortgages, including grants and aid to non-profit organizations to provide counseling, mediation, legal representation, and negotiation on behalf of borrowers facing default or foreclosure.”

In addition to the grants to non-profits, the budget provided that such funding would also provide “*training and support for counselors, mediators, and lawyers regarding such assistance to homeowners, and credit counseling.*”

Request for Proposals Process for Grants to Not for Profits

On June 18th, 2008, the NYS Housing Trust Fund Corporation (“HTFC”)/NYS Division of Housing and Community Renewal (“DHCR”), in consultation with the NYS Banking Department and the Office of Court Administration, released a Request for Proposals (RFP) seeking organizations to provide outreach and education, counseling, mediation, legal representation and court-based services on behalf of New York homeowners who hold a subprime or unconventional mortgage. Under the RFP, \$20 million of the \$25 million budget allocation was offered in a continuous, open window submission process whereby applications would be accepted and funded until all of the funding had been disbursed.

Eligible applicants under the RFP must be non-profit entities with active New York State Charities registration numbers, or an approved exemption thereof, which have experience or are partnering with an entity that has experience providing community outreach, education, direct housing counseling, mediation, legal services, and court-based services.

An overriding goal of the RFP was to create a continuum of necessary foreclosure prevention services in every part of the state. The continuum of services sought in the RFP included outreach/education, counseling, legal representation, and court-based services.

The RFP strongly encouraged collaborative proposals by multiple applicants to achieve coverage of all necessary services in an efficient manner that decreased duplication and maximized the impact of public resources. The most successful proposals support the goal of preserving homeownership and strive to stabilize communities that face a high rate of foreclosures.

Additionally, the RFP sought applicants that could demonstrate an ability to quickly make proposed services available to the community. Proposals were required to provide services for a period of 24 months. Those proposals which build sustainable organizational capacity are preferred.

Application scoring criteria included applicant experience, needs proposed to be served, collaboration among non-profits to provide all necessary services, and the efficiency of the proposal. Since the RFP is an open window, continuous process applications that are not selected to receive funding may resubmit following technical assistance from HTFC/DHCR.

In July, DHCR staff held eight (8) application workshops in Albany, Kingston, Syracuse, Rochester, Buffalo, Hauppauge, Manhattan, and Saranac Lake to ensure that not for profits understood the process for applying for funds. More than 220 people attended the informational sessions.

Grants to Not for Profits – Applications and Awards to Date

Since release of the RFP on June 18th, 2008, HTFC has received sixty-one (61) direct services proposals totaling \$33.9 million. From the proposals received, fifty-three (53) grant awards have been made totaling \$21.2 million. Awards to date have funded foreclosure prevention services in fifty-eight (58) counties including the ten (10) counties in New York which accounted for eighty-one (81%) of all lis pendens filings for the 18 month period ending June 30, 2008. By February of 2009, HTFC expects to have funded prevention programs in each county.

With the emphasis on collaboration among non-profit organizations in the RFP, the funding awards made to date actually are providing funding resources to more than one hundred-twenty (120) non-profit organizations through partnership arrangements among the organizations. In addition to the direct funding partnerships, there are countless more collaborations where non-profits are sharing resources, information, and services to leverage their ability to assist homeowners within their geographic service areas.

Many proposals receiving funding have developed very entrepreneurial approaches to providing the full spectrum of services to homeowners including education/outreach, counseling, and legal services through partnerships and collaborations among non-profits who possess different expertise and provide different types of services. Many of the awardees or their partners have also received funding for foreclosure prevention services from other sources including the NYS Banking Department, the Center for New York City Neighborhoods, the National Mitigation Foreclosure Counseling Program, or HUD. Eighteen (18) out of fifty-three (53) awardees, as well thirty-one (31) partners in foreclosure proposals, are Neighborhood or Rural Preservation companies under the Preservation Program administered by DHCR.

The following chart summarizes the grant awards made to date. For full descriptions of the proposals which have received funding to date, please go to the DHCR web site at www.nysdhcr.gov.

2008 Subprime Foreclosure Prevention Services Program			
Name of Awardees	Service Areas	Award	Partners/ Collaborators
ACORN Housing Inc.	5 Boroughs, Nassau & Suffolk counties	\$365,000	ACORN Housing Corp. & NY ACORN Housing Corp.
Albany County Rural Housing Alliance	Albany, Columbia, Fulton, Montgomery, Rennselaer, Schenectady	\$357,000	Affordable Housing Partnership, Better Neighborhoods, Inc., Troy Rehabilitation & Improvement Program
Asian Americans for Equality	5 boroughs	\$600,000	AAFE Community Development Fund
Bridge Street Development (Coalition for the Improvement of Bedford Stuyvesant)	Brooklyn	\$480,000	Pratt Area Community Council, Bedford-Stuyvesant Restoration Corp., NHS Bedford Stuyvesant, Bedford Stuyvesant Legal Services
Brooklyn Cooperative Federal Credit Union	Brooklyn and Queens	\$75,000	South Brooklyn Legal Services

Name of Awardees	Service Areas	Award	Partners/ Collaborators
Brooklyn Housing & Family Services	Brooklyn (Flatbush, E. Flatbush, E. New York, Bushwick, Brownsville, Williamsburg, Cypress Hills & Canarsie)	\$720,000	Brooklyn Legal Services Corp A
CAMBA, Inc.	Brooklyn, Staten Island & Queens	\$500,000	MFY Legal Services
Center for New York City Neighborhoods	5 boroughs	\$645,000	
CDC of Long Island	Nassau & Suffolk counties	\$516,000	Central Islip Civic Council & Nassau Suffolk Law Services Committee, Inc.
CHANGER	Brooklyn (East New York & Canarsie) & Queens (Springfield Gardens, St. Albans, Rosedale, and South Ozone)	\$300,000	Common Law
City Bar Justice Center	5 boroughs	\$380,000	New York County Lawyers Association, Brooklyn Bar, Association Volunteer Lawyers Project, Queens County Bar Association, MFY Legal Services, and the Center for New York City Neighborhoods
Community Action of Wyoming County	Genesee and Wyoming counties	\$85,000	Oak Orchard Legal Services
Community Housing Innovation (CHI)	Westchester County	\$240,000	
Economic Opportunity Council of Suffolk, Inc.	Suffolk & Nassau counties	\$475,000	Economic Opportunity Council of Nassau
Empire Justice Center - Rochester	Monroe, Livingston, Ontario, Orleans & Wayne counties	\$700,000	The Housing Council & The Legal Aid Society
Erasmus Neighborhood Federation	Brooklyn (Northeast Flatbush, Flatbush, Rugby, East New York, Highland Park, New Lots, Starrett City, Crown Heights, Prospect Heights, Wingate, Canarsie and Flatlands)	\$475,000	NHS of East Flatbush
Greater Sheepshead Bay Development Corp.	Brooklyn (Gerritsen Beach, Gravesend, Homecrest & Sheepshead Bay)	\$446,000	Midwood Development Corporation & Legal Services of NYC
Home Headquarters, Inc.	Onondaga, Oswego, Cortland, Cayuga	\$350,000	NorthEast Hawley Development Association, Syracuse Cooperative FCU, Legal Services of Central New York, Hiscock Legal Aid Society, Syracuse United Neighbors
Hudson River Housing, Inc.	Dutchess, Orange, Sullivan & Ulster counties	\$660,000	Rural Ulster Preservation Company, Rural Sullivan Housing Corp. & Legal Services of the Hudson Valley
Human Development Services of Westchester	Westchester county	\$175,000	Westchester County Bar Association
La Fuerza Unida, Inc.	Nassau & Suffolk counties	\$370,000	Hispanic Brotherhood of Rockville Centre
Legal Aid Society of Northeastern New York (Capital District)	Albany, Columbia, Fulton, Montgomery, Rennselaer, Schenectady	\$310,000	The Legal Project of the Capital District Women's Bar Association & Empire Justice
Legal Aid Society of Northeastern New York (North Country)	Clinton, Essex, Franklin, Hamilton, Saratoga, St. Lawrence, Warren and Washington Counties	\$140,000	Housing Assistance Program of Essex County, St. Lawrence Housing Council, Friends of the North Country, Albany County Rural Housing Alliance

Name of Awardees	Service Areas	Award	Partners/ Collaborators
Legal Assistance of Western New York, Inc.	Allegany, Cattaraugus, Chautauqua, Chemung, Livingston, Ontario, Schuyler, Seneca, Steuben, Tioga, Tompkins, Wayne & Yates counties	\$370,000	ACCORD Corporation, Catholic Charities of Chemung/Schuyler, Cattaraugus Community Action, Chautauqua Home Rehabilitation and Improvement, Keuka Housing, Rural Opportunities, Rural Revitalization Corp., Seneca Housing, Inc., Tri County Housing Council
LIFE, Inc.	portions of Queens and Nassau	\$700,000	First Baptist Church Education Outreach Center
Long Island Housing Partnership	Nassau & Suffolk counties	\$575,000	Nassau Suffolk Law Services Committee, Inc.
Marketview Heights Association	Part of Monroe including Rochester, Irondequoit, Greece, Gates, Henrietta, Brighton	\$170,000	Empire Justice Center
Metro Interfaith Housing Management Corp.	Broome & Tioga Counties	\$65,000	Legal Assistance of Western New York, Inc. Tioga Opportunities, Inc.
Nassau Suffolk Law Services Committee, Inc.	Nassau & Suffolk counties	\$705,000	Long Island Housing Partnership, CDC of Long Island, Nassau County Office of Housing and Homeless Services, & Long Island Housing Services
Nassau Suffolk Partnership Housing Development Fund Company	Nassau County	\$425,000	Nassau County Home Ownership Center
Neighborhood Economic Development Advocacy	Brooklyn and Queens	\$580,000	Asociacion Tepeyac BWICA Educational Fund Chhaya CDC Jamaica Service Program for Older Adults Margert Community Corporation Neighbors Helping Neighbors
New York Legal Assistance Group	5 Boroughs	\$475,000	West Bronx Housing & Resource Center, NHS Jamaica, Council of Jewish Community Orgs.
New York Mortgage Coalition	Nassau, Suffolk, Kings, Queens, Richmond, New York, Bronx, Orange, Rockland, Dutchess, Putnam & Westchester counties	\$575,000	Association for Neighborhood & Housing Development New York Legal Assistance Group AFE Community Development Fund Cypress Hills Local Development Corporation Housing Action Council Long Island Housing Partnership Margert Community Corporation Neighbors Helping Neighbors NHS of Jamaica Pratt Area Community Council 1199 SEIU Benefit and Pension Fund
NHS of Jamaica, Inc.	Queens	\$510,000	NHS of Northern Queens, Queens Community House, Queens Legal Services, New York Legal Assistance Group
NHS of NYC	Bronx	\$525,000	NHS North Bronx & South Bronx, Mount Hope Housing Co., Neighborhood Initiative Dev. Corp., Insight for New Housing Inc.

Name of Awardees	Service Areas	Award	Partners/ Collaborators
Niagara Falls NHS	Niagara	\$205,000	Niagara County Legal Aid, The Legal Aid Bureau of Buffalo, Legal Services for the Elderly, Disabled or Disadvantaged of WNY
Nos Quedamos	Bronx	\$210,000	
Opportunities for Chenango, Inc.	Chenango, Ostego, Delaware, Broome & Madison counties	\$180,000	The Legal Aid Society of Mid-New York
Putnam County Housing Corp.	Putnam county	\$195,000	Legal Services of Hudson Valley
Queens Legal Services	Queens	\$417,000	NHS Jamaica
Regional Economic Community Action Program, Inc.	Orange county	\$175,000	Rural Development Advisory Corporation
Ridgewood Bushwick Senior Citizens Council Inc.	portions of Brooklyn and Queens	\$540,000	Queens Multi-Service Center, Northern Bushwick Residents Association & Southside Williamsburg Task Force
Rockaway Development and Revitalization	Queens & Nassau counties	\$435,000	Roosevelt Assistance Corp.
Rockland Housing Action Coalition, Inc.	Rockland & Orange counties	\$350,000	Legal Services of Rockland County
South Brooklyn Legal Services	Brooklyn	\$475,000	Brooklyn Bar Association Volunteer Lawyers
Staten Island Legal Services	Staten Island	\$440,000	New York ACORN Housing Corp.
The Legal Aid Society	Bronx, Brooklyn, Staten Island, and Queens	\$750,000	NEDAP, NHS of NYC, NHS Jamaica, NHS Bronx & North Bronx, Queens Legal Services for the Elderly
The Parondeck Foundation	5 Boroughs	\$150,000	Queens Legal Aid Society, Legal Services of New York, South Brooklyn Legal Services, St. Johns Elder Law Clinic
United Tenants of Albany	Albany, Columbia, Fulton, Montgomery, Rensselaer, Schenectady counties	\$68,000	Affordable Housing Partnership, Better Neighborhoods, Inc., Troy Rehabilitation & Improvement Program, Albany County Rural Alliance
Utica NHS	Oneida, Herkimer & Madison counties	\$170,000	Legal Aid of Mid-New York
West Bronx Housing and Neighborhood Resource Center	Bronx	\$175,000	University Neighborhood Housing Program
Westchester Residential Opportunities, Inc.	Westchester	\$545,000	Legal Services of the Hudson Valley
Western New York Law Center, Inc.	Erie County	\$700,000	Homefront Inc., The Legal Aid Bureau of Buffalo, Legal Services for the Elderly, Disabled & Disadvantaged of Buffalo

Services to be Provided to Homeowners

Following the release of the RFP on June 18th, the first proposals were approved for funding in August and grant agreements were executed by the end of September. Therefore, most organizations receiving funding under the Program had not begun to offer services by the end of the 4th quarter as they were filling staff positions. Under the Program requirements, awardees will be providing quarterly reports to DHCR outlining the services provided to homeowners and the eventual outcomes resulting from such services. The first quarterly report from awardees is due on January 15, 2009.

Each proposal was required to state the proposed services they would provide under the Program and to identify the number of homeowners to receive each type of service. Below please find a chart which identifies services proposed by grant awardees.

Homeowners to be Served Under the NYS Subprime Foreclosure Prevention Program				
Awardees	Education/ Outreach	Counseling	Legal Consultation	Legal Representation
Acorn Housing Inc.	1,385	1,385	*	*
Albany County Rural Housing Alliance (Capital District)	400	400	*	*
Asian Americans for Equality	5,000	750	*	*
Brooklyn Cooperative Federal Credit Union	560	480 240 in Loan mods	*	*
Brooklyn Housing & Family Services	*	1,000	75	*
Bridge Street Development	2,000	2,000	200	200
CAMBA, Inc.	*	*	300	300
CDC of Long Island	*	760	*	30
Center for New York City Neighborhoods C.H.A.N.G.E.R.	575	575	*	*
City Bar Justice Center	*	200	200	16
Community Action of Wyoming County	100	100	30	30
Community Housing Innovations, Inc.	400	400	265	
Economic Opportunity of Suffolk, Inc.	2,375	2,375	*	*
Empire Justice Center, Rochester	*	240	150	180
Erasmus Neighborhood Federation	3,000	500	100	100
Greater Sheepshead Bay Development Corp.	*	275	35	*
Home Headquarters	140	140	*	*
Hudson River Housing	1,296	1,296	75	*
Human Development Services of Westchester	300	300	*	*
La Fuerza Unida, Inc.	480	984	*	*
Legal Aid Society of Northeastern New York (Capital District)	*	*	225	225
Legal Aid Society of Northeastern New York (North Country)	*	*	75	75
Legal Assistance of Western New York	*	*	250	250
LIFE, Inc.	3,200	300	200	200
Long Island Housing Partnership	redevelopment of website	675	*	*
Marketview Heights Association	220	220	6	6
Metro Interfaith Management Corp.	216	216	*	*
Nassau/Suffolk Law Services Committee	*	*	300	300
Nassau/Suffolk Partnership Housing Development Fund Co.	2,540	2,540	300	300
Neighborhood Development Economic Advocacy (NEDAP)	11,500	1,152	*	*
New York Legal Assistance Group	300	*	550	550
New York Mortgage Coalition	8 workshops per month	3,600	*	*
NHS of Jamaica, Inc.	600	600	*	*
NHS of NYC	3,000	400	*	*
Niagara Falls NHS	1,030	1,030	150	150
Nos Quedamos	3,000	3,000	*	*
Opportunities for Chenango	90	90	*	*
The Parodneck Foundation	650	650	*	*
Putnam County Housing Corp.	300	300	300	300
Queens Legal Services Corp.	*	*	1,300	1,300
Regional Economic Community Action Program, Inc.	500	500	*	*
Ridgewood Bushwick Senior Citizens Council	*	250	200	50

Awardees	Education/ Outreach	Counseling	Legal Consultation	Legal Representation
Rockland Housing Action Coalition	600	600	600	600
Rockaway Development and Revitalization	400	50	*	*
South Brooklyn Legal Services	*	*	3,376	3,376
Staten Island Legal Services	450		108	108
The Legal Aid Society	*	*	280	280
United Tenants of Albany	400	100	*	*
Utica NHS	1,250	1,250	125	*
West Bronx Housing & Neighborhood Resource Center	200	200	*	*
Westchester Residential Opportunities	750	750	75	75
Western New York Law Center, Inc.	4,000	4,000	200	200
* Service being provided by partner or collaborator				

Training for Non-Profit Foreclosure Prevention Service Providers

In addition to the direct services grants to non-profits, the 2008-09 NYS budget directed that training and support be provided to foreclosure prevention service providers. In response to the budget directive, the HTFC has developed a two-year training plan to increase the capacity and collective skill set of non-profit agencies engaged in foreclosure prevention activities on behalf of New York homeowners.

The direct services RFP identified a continuum of foreclosure prevention services that includes education/outreach, counseling, and legal/court-based services. Because these services are primarily provided by housing counseling and legal services organization, HTFC determined that a training plan needed to be developed for both counseling and legal service organizations.

Housing Counseling Training

For housing counseling agencies, HTFC has entered into a two-year contract with Neighbor@Works America. Developed by Congress in 1978, Neighbor@Works is a nationally recognized non-profit which provides training, support and technical assistance to non-profits throughout the U.S. who are engaged in various community development efforts. The NeighborWorks Center for Homeownership Education and Counseling (NCHEC) is the premier source for homeownership and foreclosure prevention counseling. NCHEC provides training to thousands of homeownership counseling professionals each year at various locations across the country.

The two-year single source contract, executed in July of 2008, has been crafted as a comprehensive foreclosure/default counseling training program that will provide housing counselors and their sponsor agencies with the expertise to design, develop and implement effective foreclosure mitigation programs and services in response to local community needs. Additionally, the training regimen will ensure that the foreclosure prevention services provided to New York homeowners is consistent, uniform and professional. Neighbor@Works was selected as a single source contractor because of their extensive national experience, outstanding copyrighted foreclosure curriculum, as well as the fact that DHCR was not able to identify any other contractor that was currently providing the required, comprehensive foreclosure mitigation training.

To develop the most appropriate training curriculum for counselors, Neighbor@Works America commissioned a survey of all counseling organizations in New York to determine their existing skill level as well as to determine their need for specific training. A copy of the report can be found at www.nysdhcr.gov. Prior to the completion of the report, the first two training events (“*Homeownership Lending Basics*”) were offered during the first two weeks of November. Both events, one in Syracuse and one in New York, were sold out events.

The first training that will be offered as a result of the survey will be a week-long session to be held in Albany during the week of January 12th. Courses to be offered at the training will include:

- *Advance Foreclosure Intervention and Default Counseling Intervention Certification, Part 1*
- *Advanced Foreclosure Case Study*
- *Effective Group and Telephone Foreclosure Counseling*
- *Credit Counseling for Maximum Results*

Planning is underway for future courses that will meet the needs identified in the survey. In addition to the live courses, DHCR is able to offer the Neighbor@Works’ “Foreclosure Basics” E-Learning course to any housing counselor in the state. To see a full description of the content of the courses to be offered, please go to www.nw.org/foreclosuresolutions/counseling/counseling.asp

DHCR will maintain a complete listing of all training opportunities for counselors on its web site at www.nysdhcr.gov.

Legal Services Training

To meet the training needs of legal service providers, on July 14, 2008, the HTFC sought proposals from qualified applicants to provide training to attorneys. The RFP required that submissions demonstrate expertise and experience providing training to practicing attorneys. Consistent with the training for housing counselors, HTFC required that the training be provided throughout the state for a period of two years.

On October 21st, 2008, HTFC authorized the execution of a contract for legal services training with Empire Justice Center. Partners to the Empire Justice Center proposal include Legal Services NYC, Neighborhood Economic Development Advocacy Project and the Western New York Law Center.

The following courses will be offered as part of the contract:

- *How to Set Up a Foreclosure Prevention Unit*
- *Issues and Concerns in Newly Created Foreclosure Prevention Units*
- *How to Set Up a Pro Bono Foreclosure Prevention Panel*

- *Foreclosure Basics I/Dealing with Foreclosures*
- *Foreclosure Basics –Part II and III*
- *Litigation Issues/Updates*
- *Finding the Owner of the Loan- the Securitization Process*
- *Representing Homeowners at the Mandatory Settlement Conferences*

The first training events for attorneys (“*How to Set up a Foreclosure Prevention Unit*” and “*How to Set up a Pro Bono Foreclosure Prevention Panel*”) occurred in December, and interest from both legal service and pro bono attorneys has been extremely strong. For a listing of upcoming trainings for attorneys, please see www.nysdhcr.gov.

Unmet Needs

In addition to the information provided above, the 2008-09 budget directed that the year end report on the program should identify “*the unmet needs that exist in the state due to defaults on loans, foreclosures of homes, rates of foreclosures, the need for direct assistance to homeowners, and the ability of homeowners to successfully comply with mortgage terms or negotiate changes in their mortgages in order to remain in their homes.*”

As stated earlier in the report, many of the contracts with grant awardees were only executed within the last month and therefore there are no reporting results yet from not for profits on their foreclosure services provided to homeowners. Most programs have just begun to retain new staff funded through the program. As documented in chapter III of this report, it is apparent that the foreclosure crisis and instances of default continue, but it is too early to determine the outcomes based upon the foreclosure prevention services funded under the program or the remaining needs that exist.

DHCR has reached out to some of the not for profit counselors and attorneys funded under the program as a means to gather anecdotal information on what is happening “on the ground.” But, it is important to note that the information may not represent the experience or perspective of all foreclosure prevention service providers across the state.

Some recent issues raised and feedback provided by foreclosure prevention services providers include:

- The vast majority of homeowners who they are seeing are facing foreclosure due to some type of economic situation (i.e. job loss, inability to pay taxes, emergency health care costs, etc.);
- Service providers are struggling with ways in which to reach homeowners to let them know that free, professional assistance is available; many homeowners are not responding to notices or direct mail.

- A public awareness campaign with a global message to consumers to urge them to respond to the letters they receive in the mail regarding their home mortgage and to seek assistance was suggested.
- They are struggling with finding a contact person at the lending institution or servicing entity who can discuss the potential for a loan modification on behalf of a borrower; providers, who are trying to assist homeowners, are experiencing three to six month delays in getting responses from lenders/servicers.
- Many awardees have been working to create an opportunity to share best practices including foreclosure prevention tools, negotiation strategies, positive outcomes, etc. They are also seeking efficient ways to regularly access quality, trustworthy, relevant and up-to-the-minute information about changes in the industry and foreclosure data, impact of federal and state legislation, new mortgage re-finance products, and changes in foreclosure court proceedings among other things.
- To assist housing counselors engaged in foreclosure prevention, the newly formed NYS Coalition for Excellence in Home Ownership Education (CXHE) has posted a temporary foreclosure prevention communications hub and created a blog at <http://cxhe.wordpress.com> for postings of current information and communication among and between housing counselors.
- Many providers are being requested to assist tenants who are being dislocated due to foreclosures.
- Many providers feel that the mandatory settlement conferences are going to provide very good opportunities for resolution for homeowners; a statewide coalition of providers has been organized to disseminate information and share information on the mandatory settlement conferences.

Once grant awardees begin providing their quarterly reports to DHCR beginning in January, DHCR will be able to provide better information on all reporting requirements outlined in the budget.

The Banking Department Foreclosure Counseling Program

Review of Program Parameters

The Banking Department issued a Request for Proposals (RFP) on February 13, 2008, to further help non-profit community and advocacy groups obtain the additional staffing, resources and tools needed to deal with homeowners with mortgage distress issues. The funds were allocated from settlement funds recouped from prior enforcement actions by the Department.

Qualified bidders could submit proposals for funds to support an expansion of existing housing counseling, legal assistance and advocacy programs throughout New York State to provide direct services to prevent foreclosure. The Department encouraged proposals to target communities or groups facing foreclosures, including in particular, those that

focus on low- to moderate income (LMI) communities and constituents. Proposals were to support the goals of preserving home ownership, engaging in loss mitigation and other foreclosure prevention services to stabilize communities with high foreclosure rates.

Programs that could be replicated and expanded and that are expected to produce a lasting effect in a community were preferred. It is very important that results be measurable with regard to both how many people have been reached through the program and results achieved. Proposals were required to include a methodology for quantifying results. All proposals also had to include a clear explanation of the program goals, the expected outcome and a detailed description of how these outcomes would be measured and what specific metrics would be used.

Eligibility Criteria

Non-profit entities, tax-exempt under section 501(a) of the Internal Revenue Code, or any successor provision, with active New York State Charities registration numbers, or an approved exemption thereof, that have experience in the provision of housing counseling, advocacy and/or legal services were eligible to participate in the bidding process. Organizations that have demonstrated ability and track record in providing foreclosure prevention and intervention services such as loan servicing, engaging in loss mitigation and defending foreclosure actions and that are looking to expand their services to address increasing demand were encouraged to apply.

Services provided should address the needs of the community. Proposals that include partnerships with qualified community, non-profit and/or legal services organizations in order to make available an array of foreclosure prevention services that might not be provided by a single source were encouraged. Partnerships with banks and other financial institutions were also encouraged. Programs should be available to the community quickly to address the immediate needs created by the rise in foreclosure activity.

The Banking Department recognized that given the rapid increase in housing delinquencies and foreclosures, even community organizations with a demonstrated history of providing housing counseling, advocacy or legal services may only have limited experience in providing foreclosure prevention and intervention services. If these organizations were looking to meet the growing needs of their communities by offering or expanding the delivery of such services they were also encouraged to apply.

Funding Distribution

The maximum amount to be awarded for any one grant is \$100,000. The maximum number of awards to a single organization is capped at two regardless of the total award amount(s). The total funds available for awards were \$2 million. These funds have been allocated by regions into three discreet funding pools, taking into consideration the foreclosure rates, existing resources and geographic areas to be served.

Pool A. Comprised of Bronx, Kings, New York, Queens, and Richmond counties will have \$800,000 of the total amount available.

Pool B. Comprised of Nassau, Suffolk, Dutchess, Orange, Putnam, Rockland, Sullivan, Ulster, and Westchester counties will have \$533,300 of the total amount available.

Pool C. Defined as every other county not previously listed within the state of New York, will have \$666,700 of the total amount available.

If, after rank ordering proposals eligible for award in any funding pool, the total funds available in the pool were not exhausted, the remaining funds were used to fund proposals from the other pools based upon highest overall score.

It is expected that applicants would make every effort to receive funding for foreclosure prevention services from other sources to increase the sustainability of their services. Matching funds could come from any private or public source. Funds received as a result of this RFP may count as "matching funds" toward other matching fund programs subject to the terms and conditions of the program. Likewise, grant funds received from another program may be counted as the match for purposes of this RFP. Matching funds need not be new resources but must be related to foreclosure counseling, mitigation or advocacy.

Awards

New York State Banking Department Foreclosure Counseling Program				
Organization	Award	Pool	Area Served	Collaborative Partners Listed in Proposals
City Bar Justice Center	\$100,000.00	A	5 Boroughs	Various Legal and Community organizations, Courts system in southern and eastern districts of New York.
Legal Services of New York - Staten Island	\$100,000.00	A	Borough of Staten Island	NYCCHR NHS, Northfield Community LDC, Legal Services NYC and Couth Brooklyn Legal Services
Cypress Hills Local Development Corp	\$100,000.00	A	Eastern Brooklyn	Brooklyn Legal Services Corporation A South Brooklyn Legal Services. HRA Jobs Centers, Legal Services of New York, New York Mortgage Coalition, Neighborhood Housing Services Of Bedford-Stuyvesant, Community Environmental Center.
South Brooklyn Legal Services	\$100,000.00	A	Western and South Brooklyn	Parodneck Foundation. Neighborhood Economic Development Advocacy Project (NEDAP), Preserving Asses and Community Equity (PACE)
Legal Services of New York - Bronx	\$100,000.00	A	Bronx County	Citizens Advice Bureau, HELP USA, High bridge Community Life Center, Bronx Elder Abuse Task Force, and Jewish Child Care Association.
Nassau/Suffolk Law Services Committee Inc	\$79,500.00	B	Nassau and Suffolk County	Long Island Housing Services Inc., Long Island Housing Partnerships inc., Homeownership Center of the Nassau County Office of Housing and Homeless Services.
Community Development Corporation of Long Island	\$100,000.00	B	Nassau and Suffolk County	Suffolk Bar Association and the Nassau Bar Association, Various banking, mortgage and insurance organizations.
The Rural Ulster Preservation Company	\$100,000.00	B	Ulster, Orange and Sullivan Counties	Legal Services of the Hudson Valley
Legal Aid Society of Northeastern New York Inc	\$25,000.00	C	Fulton County	Fulton County Community Heritage Corporation, Fulton County Office of Aging.
The Housing Council	\$100,000.00	C	Monroe County	Empire Justice Center, and the Legal Aid Society of Northeastern New York.
Chautauqua Home Rehabilitation	\$44,000.00	C	Chautauqua County.	HSBC, M&T Mortgages Corporation, Lake Shore Savings Bank, Jamestown Savings Bank, NeighborWorks America, Chautauqua County Office For the Aging.

Organization	Award	Pool	Area Served	Collaborative Partners Listed in Proposals
Belmont Housing Resources for Western New York	\$100,000.00	C	Erie, Niagara, Wyoming, Genesee and Orleans Counties.	Legal Aid Bureau, Legal Services for the Elderly, Disabled or Disadvantaged
Keuka Housing Council, Inc	\$100,000.00	C	Ontario, Seneca, Wayne and Yates Counties.	Community Action in Self Help Inc., Legal Assistance of the Finger Lakes.
Brooklyn Cooperative	\$93,750.00	A	Bushwick, Bedford Stuyvesant in Brooklyn. Community boards 3 and 4 in Kings county.	Various community based organizations, Make the Road New York Bedford-Stuyvesant Restoration Corporation, Pratt Area Community Council, Black Veterans of Social Justice.
Neighborhood Housing Services of New York City Inc	\$100,000.00	A	Bronx, New York, Queens, and Richmond Counties.	NHS of Jamaica, NHS of Northern Queens, NHS of South Bronx, NYS Bedford-Stuyvesant, NHS of East Flatbush, NHS of Staten Island and NHS Homeownership Center.
The Legal Aid Society	\$100,000.00	A	Bronx	Legal Services NYC, NEDAP, NYC Department of Housing Preservation and Development, Citizens Advice Bureau, and Neighborhood Housing Services of NYC
Housing Action Council	\$100,000.00	B	Westchester Bronx, Rockland, Putnam, Dutchess and Orange Counties	Community Capital Recourse, Greenpath Debt Solutions, Legal Services of the Hudson Valley.
Rockland Housing Action Coalition Inc	\$100,000.00	B	Rockland, Westchester, Orange, Ulster County	Head Start of Rockland, Cornell Cooperative Extension of Rockland, Konbit Neg Lakay, various government and community organization
Cypress Hills Local Development Corp	\$100,000.00	A	Eastern Brooklyn	Brooklyn Legal Services Corporation A South Brooklyn Legal Services. HRA Jobs Centers, Legal Services of New York, New York Mortgage Coalition, Neighborhood Housing Services Of Bedford-Stuyvesant, Community Environmental Center.
South Brooklyn Legal Services	\$100,000.00	A	Western and South Brooklyn	Parodneck Foundation. Neighborhood Economic Development Advocacy Project (NEDAP), Preserving Asses and Community Equity (PACE)
Homefront	\$100,000.00	C	Buffalo, Erie County	Western New York Law Center
Home Save Coalition	\$100,000.00	C	Albany, Schenectady, Rensselaer, Saratoga Counties	The Affordable Housing Partnership is the lead agency, collaborating Albany County Rural Housing Alliance, Better Neighborhoods Inc., Troy Rehabilitation and Improvement Program (TRIP) Inc., Homeownership Center, Empire Justice Center, Legal Aid Society of Northeastern New York.

SONYMA Grant Programs

National Foreclosure Mitigation Counseling Program (NFMC)

In response to the nationwide foreclosure crisis, Congress passed legislation in December of 2007, creating the National Foreclosure Mitigation Counseling (NFMC) program and authorizing the use of \$180 million for housing counseling and legal services. SONYMA has participated in this program, and obtained NFMC funds on behalf of New York.

NFMC Awards- First Round

In March of 2008, SONYMA announced that it had received a \$747,718 Federal grant to expand foreclosure prevention counseling efforts across New York State. The funds are being used to help 19 non-profit counseling organizations provide additional counseling to homeowners in danger of foreclosure. In addition, SONYMA provided a matching grant of over \$120,000 so that a total of over \$865,000 in new funds was awarded. Almost 90% had been distributed to date.

National Foreclosure Mitigation Counseling- SONYMA- 1st Round		
Awardees	Amount	Client Goal
Albany County Rural Housing Alliance (Capital District)	\$13,409.00	34
ACORN	\$47,146.00	139
Belmont Shelter	\$7,410	35
Better Neighborhoods	\$19,762	40
Bishop Sheen	\$8,045	38
Brooklyn Housing & Family Services	\$64,438	198
Chautauqua Opportunities	\$18,703	52
Friends of the North Country	\$11,151	32
The Housing Council	\$179,058	403
Housing Help	\$34,160	45
Keuka Housing Council	\$12,421	46
Long Island Housing Services	\$64,367	173
Nassau County Office of Housing & Homeless Services	\$38,324	152
HDSW	\$7,834	19
The Parodneck Foundation	\$44,464	134
Putnam County Housing Corp.	\$14,045	49
Rockaway Development and Revitalization	\$25,337	106
Rockland Housing Action Coalition	\$108,691	399
Rural Opportunities	\$18,138	66
Westchester Residential Opportunities	\$94,363	191

NFMC Awards- Second Round

Based on an award letter of December 3, 2008 from NeighborWorks, SONYMA plans to distribute a total of \$1,435,966 in counseling grant funds and \$218,692 in legal assistance funds for the National Foreclosure Counseling Mitigation Program Round 2 over the course of 2009. This total includes SONYMA's matching grant of \$211,848. This money will be distributed over the course of the year in five draws.

National Foreclosure Mitigation Counseling- SONYMA- 2nd Round			
Awardees	Amount	Area Served	Client Goal
ACORN Housing Corp. NY	\$63,569.27	New York City Area/Long Island	138
Albany County Rural Housing Alliance, Inc.	\$21,601.21	Albany-Schenectady-Troy	39
American Debt Resources	\$128,578.62	New York City Area/Long Island	375
Belmont Shelter Corp	\$4,114.52	Buffalo-Niagara Falls	20
Better Neighborhoods, Inc.	\$6,583.23	Rural	16
Bishop Sheen Ecumenical Housing Foundation, Inc.	\$10,903.47	Elmira, Ithaca, Rochester, and zip code 14613	53
Brooklyn Housing & Family Services, Inc.	\$301,799.73	New York City Area/Long Island	621
	Legal Grant: \$101,939.03		160
Brooklyn Neighborhood Improvement Association, Inc.	\$95,456.77	New York City Area/Long Island	305
The Housing Council	\$243,579.33	Buffalo-Niagara Falls, Rochester, and zip code 14613	443
Keuka Housing Council, Inc.	\$18,926.77	Rural	52
Long Island Housing Services	\$109,651.84	New York City Area/Long Island	322
Nassau County Office of Housing & Homeless Services	\$111,297.65	New York City Area/Long Island	292
Parodneck Foundation	\$92,988.06	New York City Area/Long Island	226
PathStone Corporation	\$17,692.42	Poughkeepsie-Newburgh-Middletown, Rural, Rochester, and zip code 14613	62
Putnam County Housing	\$15,223.71	Poughkeepsie-Newburgh-Middletown, New York City Area/Long Island	47
Rockland Housing Action Coalition, Inc.	\$193,999.42	Poughkeepsie-Newburgh-Middletown, New York City Area/Long Island	490
	Legal Grant: \$107,432.76		150

V. IMPLEMENTATION OF THE GOVERNOR'S SUBPRIME LEGISLATION

The state's response has been particularly innovative in the area of legislation, with the Banking Department and the HALT agencies providing input and technical expertise into the drafting of the Governor's subprime legislation. This legislation is the most comprehensive mortgage reform in the nation, and tackles the mortgage problem from both sides: there are provisions designed to help existing homeowners to avoid foreclosure, as well as new standards to help prevent future crises. The legislation closely aligns with consumers' needs, whether they already have a mortgage or are shopping for credit. For example:

1. *To help existing borrowers and prevent unnecessary foreclosures*, the Governor's legislation amends the foreclosure and other real property laws to provide additional opportunities for a loan modification or other workout solution. These provisions became effective September 1, 2008. First, a pre-foreclosure notice is required for subprime and nontraditional loans, which includes contact information for local credit counselors. Second, a mandatory settlement conference for all one-to-four family owner-occupied homes offers another window to prevent foreclosure, even after proceedings have commenced. The legislation also protects vulnerable consumers from foreclosure rescue scams, by prohibiting up-front fees and requiring a written contract for services.
2. *To help ensure that a similar mortgage crisis never happens again*, the Governor's legislation expands coverage of the state's existing anti-predatory lending law to include loans up to the conforming loan limit, and creates a new category of subprime loans subject to additional standards as of September 1, 2008. For subprime loans, examples include prohibiting prepayment penalties and abusive forms of yield spread premiums, and the lender must ascertain the borrower's ability to pay. For all loans, a new broker duty of care to consumers is established.

Other features, such as the registration of servicers beginning July 1, 2009 and the criminalization of mortgage fraud as of November 1, 2008, are further deterrents. The registration of mortgage servicers will allow the Banking Department to collect critical data for monitoring industry loss mitigation efforts. This builds on the work of the State Foreclosure Prevention Working Group, comprised of attorneys general and state banking supervisors, which has encouraged servicers to share this information with the public sector. However, some firms elected not to participate in this voluntary program.

With record numbers of New York households and whole communities at risk, swift and effective implementation of these new protections is a top priority for the Banking Department.

Implementation

Most provisions of the legislation became effective on September 1, 2008. The main exception is the move to register mortgage servicers for the first time, which does not take effect until July 1, 2009. The 2009 effective date is intended to provide the Banking Department sufficient time to develop the necessary rulemaking to establish registration procedures.

To assist the industry in preparing for these effective dates and to ensure compliance with the new mortgage standards contained in the legislation, the Banking Department issued a detailed Industry Letter on August 27, 2008 which is also available on the agency website (www.banking.state.ny.us). This letter was sent to all relevant supervised institutions, related industry groups, consumer groups, and media outlets. The Department's website has also been updated to provide reference tools, such as the regional lists of housing counselors and the index rates used to determine whether a particular loan is a covered transaction.

Extensive industry education is also ongoing, especially through dialogue with institutions that have questions regarding compliance in specific operational situations. The Banking Department values this educational aspect of its mission, to help prevent future violations and enforcement issues. A detailed list of frequently asked questions with responses is being added to the Department's website, based on common issues raised by supervised institutions. The proper method for applying index rates to determine whether a loan is a covered transaction has generated numerous questions. The new rules for distressed property consultants and relationship to mortgage bankers, brokers, and attorneys who offer similar services has also been a frequent topic. As the legislation has just become effective, evaluation of industry compliance will be a focus of the next cycle of examinations conducted by the Department.

Impact

In evaluating the impact of the legislation over time, we should be guided by the original construct used to develop the bill: to protect consumers while maintaining access to affordable credit.

1. *On the consumer protection front*, there are initial signs that the notice requirements and mandatory settlement conference may be reducing foreclosures. The rate of foreclosure filings in the third quarter of 2008 is down 10% from its high in the second quarter. Since the law was only in effect for one month in the third quarter, however, a review of the numbers in the fourth quarter of this year and the first quarter of 2009 will provide a fuller assessment over a longer period. While this recent change in foreclosure trends is good news, the level of filings in New York is simply back to where it was during the first quarter, which is still 20% more than last year, and remains unacceptably high.
2. *In terms of the impact on credit and mortgage lending levels*, financial institutions are not required to submit Home Mortgage Disclosure Act (HMDA) data for 2008 until next spring. But anecdotal evidence gathered from in-depth conversations

with supervised institutions and other regulators indicates that the subprime market experienced a natural self-correction apart from the law, with originations of subprime loans dwindling due to lack of investor interest. There is a nationwide pullback in lending, even to creditworthy borrowers, that is due to the general instability in the financial markets.

There has also been a significant net decrease in the number of mortgage bankers and mortgage brokers operating in the state. This trend began in the first quarter of 2007, apart from the new legislation, and appears to be driven by the turmoil in the financial markets. Many licensees are experiencing particular difficulty in obtaining warehouse lines of credit and surety bonds.

The most immediate market reaction to the legislation has been the decision by Fannie Mae and Freddie Mac not to purchase New York subprime loans. This decision, while disappointing, was not unexpected, as the government-sponsored entities (GSEs) already did not purchase loans covered by the state's high-cost, anti-predatory lending statute. The Banking Department is still in conversation with Fannie Mae and Freddie Mac, to encourage them to revisit this decision. The ultimate impact is expected to be minimal in either case, as the GSEs only purchased a small fraction of subprime originations in the state, even at the height of the housing boom.

With new standards in place to improve underwriting and address conflicts of interest, such as the new broker duty of care, the state's immediate emphasis remains on avoiding preventable foreclosures.

Court-Based Services

A major component of the Governor's legislation is the mandatory settlement conference requirement. This provides a second opportunity to find a foreclosure alternative, even after the pre-foreclosure notice has been sent and proceedings have commenced. The Office of Court Administration has been proactive in supporting court intervention in the foreclosure process, and has primary responsibility for administering these settlement conferences.

Beginning in June of 2008, the New York State Unified Court System issued a report entitled "*Residential Mortgage Foreclosures: Promoting Early Court Intervention*," which outlined the parameters of a statewide program for cases involving foreclosures on residential one-to-four family homes. The Court's plan was a response to the record rates of residential foreclosure cases being filed in New York, particularly in Queens County. After meeting with defendant-homeowner advocates, lenders' representatives, and banking industry representatives, it was decided that a settlement conference early in the foreclosure litigation process could be beneficial to both homeowners and lenders.

In Queens County, the Queens Residential Mortgage Foreclosures Program provides Queens homeowner-defendants the opportunity for a court-based settlement conference and was established as a pilot to assist in the development of the statewide legislation.

Now, with the passage of the Governor's legislation, after September 1, 2008 the court must schedule such a conference within 60 days of the filing of proof of service of the complaint for all 1-4 family, owner-occupied properties. Additionally, for pending residential foreclosure cases involving subprime or high-cost loans obtained between January 1, 2003 and September 1, 2008, the defendant/homeowners may request such a settlement conference. At the settlement conference, the plaintiff, or a representative appearing on its behalf, must have the authority to dispose of the matter. Representatives for plaintiffs may attend in person, via telephone conference call, or via video-conference. For those borrowers who cannot afford an attorney, the court may appoint one.

To facilitate these conferences for eligible cases already in progress, the Office of Court Administration is conducting centralized outreach to defendants. Defendants throughout the state are being contacted by mail and advised of their right to an in-court settlement conference and of the availability of local homeowner assistance, including legal service providers and housing counseling services. For post September 1, 2008 cases, however, the court will automatically schedule a settlement conference within 60 days of plaintiff's filing of proof of service.

The Unified Court System is also developing a public education outreach program that includes sponsorship of and participation in local public informational sessions to inform affected homeowners of the availability of assistance and to offer procedural information. This is part of an ongoing public education effort that will be offered based upon local needs.

To further ensure that the conferences are meaningful opportunities to reach resolution, coordination is underway with the New York State Judicial Institute, legal service providers and plaintiffs' representatives to provide training to judges and court personnel. Training will include a foreclosure primer, updates on foreclosure law, and a preview of issues that may arise at settlement conferences.

In addition, in an effort to increase the availability of legal representation for defendants in foreclosure cases, the Office of Court Administration is coordinating with pro bono lawyers' groups and local Bar Associations to enlist the assistance of volunteer attorneys.

While progress has been made, the rate of new foreclosure filings is simply outstripping the pace of the industry's loss mitigation efforts, and this emphasizes the need for broad public sector intervention to complement the legislation.

VI. CONSUMER SERVICES

New York has taken proactive steps to prevent unnecessary foreclosures through a wide range of consumer services, in addition to the substantial grants programs for counseling. The state response also includes direct outreach to affected borrowers, the development of innovative loan programs, and efforts to reform mortgage servicing practices.

Direct Outreach- Operation Protect Your Home

The centerpiece of the Banking Department's current outreach efforts is a statewide campaign called Operation Protect Your Home, sponsored with local legislators. These are unique, day-long events where homeowners meet face-to-face with servicers to arrange modifications or other workouts. Consumer counselors are also present on-site to provide services. Through this initiative, approximately 36,000 New York borrowers have been contacted to give them the opportunity to participate and hopefully prevent foreclosure.

Location	Date	Number of Solicitations
Bronx	February 23, 2008	2,700
Staten Island	February 24, 2008	1,900
Queens	March 1, 2008	9,100
Brooklyn	March 2, 2008	7,500
Westchester	April 5, 2008	1,400
Buffalo/Western NY	May 10, 2008	1,700
Nassau County	June 7, 2008	4,500
Suffolk County	September 27, 2008	7,000
<i>Total Homeowners Contacted</i>		<i>35,800</i>

Direct Outreach- Public Service Ad Campaign

The Banking Department launched a public service ad (PSA) campaign to stem foreclosures in early December, which encourages borrowers to contact the Department for direct information as well as referral assistance. The two 10-second spots, which will run on an electronic billboard in Times Square through January 4, 2009, were reformatted for use in local television, radio, and print media across the state. The Ad has been picked up by five television networks, four radio networks and two internet news sites, and television and radio networks indicated their intention to run the ad on multiple stations. The PSA was developed at no cost to the state, and was produced using funds earmarked for PSAs that resulted from an enforcement action against a mortgage broker.

Loan Programs- SONYMA's "Keep the Dream"

In September 2007, SONYMA developed the "Keep the Dream" refinance program, for at-risk borrowers in the early stage of delinquency. This is the first time SONYMA has ever offered a refinancing product. In December of 2007 and early 2008, in order to increase the reach of the program, SONYMA adopted the following program changes:

- Expanded eligibility to include owners of two-, three- and four-family homes in addition to single-family homes, condos and co-ops;
- Expanded eligibility to allow lower FICO credit scores (570 for single family homes, coops and condos);
- Increased the number of participating lenders by adding CitiMortgage Inc., Countrywide Home Loans Inc. and JPMorgan Chase to the program's lending network; and
- Initiated a direct mail campaign to potential borrowers with assistance from the largest servicers.

Despite these changes, Keep the Dream remains undersubscribed.

Loan/Grant Programs that Address the Results of the Foreclosure Crisis

nyhomes' Neighborhood Stabilization Initiative

In addition to the Keep the Dream refinance program, *nyhomes* is launching a multi-faceted Neighborhood Stabilization Initiative (NSI), a post-foreclosure intervention project developed in partnership with the Banking Department.

The goal of NSI is to match eligible homebuyers with discounted foreclosed bank-owned properties (REO) to prevent blight. This initiative preserves homeownership by salvaging these properties from unscrupulous investors or property flippers, who may only make cosmetic repairs and resell at inflated prices. A unique feature of New York's approach is the inclusion of funds for rehabilitation, as many foreclosed homes are not in move-in condition. There are four major categories of assistance:

1. Preferential SONYMA interest rate;
2. Preferential PMI rate and underwriting;
3. \$110 million in State/Federal dollars for acquisition and rehabilitation; and
4. Marketing campaigns to educate buyers, brokers and counselors.

The available funds from *nyhomes* and local partners include:

- \$54 million in federal Neighborhood Stabilization Program (NSP) funds allocated to New York State and administered by *nyhomes*;
- \$56 million in federal Neighborhood Stabilization Program (NSP) funds allocated directly to localities ((New York City, Nassau County, Orange County, Suffolk County, Town of Babylon, Town of Islip); and,
- \$10 million from the New York State Affordable Housing Corporation (AHC).

A first meeting with the top mortgage servicers and lenders in the country was held at the Banking Department on October 21, to obtain their commitment to partner with the state

in the sale of REO. The initial reception was very positive, with constructive feedback. Next steps include individual contact with the lenders and servicers to reach agreement on outstanding issues such as property valuation and pricing methodology, the components of a “first look” component to screen properties for the program, and standardization of processes and documents.

A Request for Proposals was released on December 17, soliciting applications from local governments and housing groups for the state’s portion of the federal money (\$54 million) and the AHC Money (\$10 million). The responses are due back on or before February 10, 2008 and awards will be made as soon as possible thereafter.

Mortgage Servicing- Loan Modifications

New York has been tireless in calling for systematic approaches to loan modifications and in holding the industry accountable for its loss mitigation efforts. A particular area for action has been through participation in the State Foreclosure Prevention Working Group, a cooperative dialogue between state officials and mortgage servicers that began September 2007. Since October 2007, the Working Group has been collecting data from the largest subprime mortgage servicers, with 13 of the largest 20 servicers participating, representing approximately 60% of subprime mortgage loans serviced nationwide.

The State Foreclosure Working Group is led by representatives of the Attorneys General of 11 states (Arizona, California, Colorado, Iowa, Illinois, Massachusetts, Michigan, New York, North Carolina, Ohio and Texas), two state banking departments (New York and North Carolina), and the Conference of State Bank Supervisors.

The Group’s first report was issued February 7, 2008, and the second on April 22, 2008. Copies of all three reports are available on the Banking Department’s website or through the Conference of State Bank Supervisors at www.csbs.org.

Results from the third report dated September 29, 2008 indicate that industry measures to keep homeowners out of foreclosure have slipped, and are failing to keep pace with the increasing rate of loan delinquencies. Based on data collected from subprime mortgage servicers for the period February through May 2008, the Working Group’s third “*Analysis of Subprime Mortgage Servicing Performance*,” notes the following key findings:

1. **Nearly eight out of ten seriously delinquent homeowners are not on track for any loss mitigation outcome.** Previously, seven out of ten homeowners were not on track for any loss mitigation outcome. This already disappointing ratio has become even worse, with 40,000 fewer loans in loss mitigation in May 2008 than in January 2008.
2. **New efforts to prevent foreclosures are on the decline, despite a temporary increase in loan modifications through the 2nd Quarter of 2008.** The number of homeowners working toward a loan modification has fallen to a level not seen since late in 2007. This 28% decline of loan modifications *in process* between January and May stands in stark contrast to the 51% increase in loan

modifications *closed* over this same period. This declining trend of new loans *in process* suggests that current loan modification approaches have been tailored to a limited group of homeowners. Instead of expanding loan modification options to reach a broader set of homeowners, more loss mitigation is being directed to selling homes short of foreclosure. In January, modifications in process outnumbered short sales in process by four to one; in May, that ratio had dropped to two to one.

3. **One out of five loan modifications made in the past year is currently delinquent.** The high number of previously-modified loans currently delinquent indicates that a significant number of modifications offered to homeowners has not been sustainable. Recent reports identify that many loan modifications are not providing any monthly payment relief to struggling homeowners. The concern is that unrealistic or ‘band-aid’ modifications have only exacerbated and prolonged the current foreclosure crisis.
4. **Three hundred thousand subprime loans are in the process of foreclosure as of the end of May 2008.** Thirty-eight percent (38%) of seriously delinquent subprime loans are in the process of foreclosure, with over 131,000 foreclosures completed on subprime loans in May 2008 alone.

Recent federal government interventions in the mortgage and financial markets offer an opportunity to develop more options for homeowners and better systematic loan modification approaches. The HALT Task Force agencies hope that recently enacted federal legislation to provide a new federally-guaranteed refinance program (Hope for Homeowners) will increase the level of refinancing for poorly performing subprime loans; however, the ultimate impact of that program has not yet been seen.

While the federal government deals with the broader implications of the recent financial markets crisis, state and local governments continue to implement new and innovative approaches to slow the pace of foreclosures that are devastating their communities.

VII. ENFORCEMENT

Mortgage Fraud Prevention- The Banking Department's Mortgage Fraud Unit

On the enforcement side, the Banking Department's Criminal Investigations Bureau (CIB) houses the Mortgage Fraud Unit, a dedicated team of experts that address the deceptive and even illegal aspects of the subprime crisis.

The Unit is also one of the founders the Mortgage Fraud Working Group, comprised of federal, state and city law enforcement agencies. The Group's goals are to exchange ideas and coordinate efforts in combating mortgage fraud throughout the state. The Banking Department has been hosting the monthly meetings of the group, with the most recent being held on December 2, 2008.

Attendees include agents, investigators, attorneys and senior staff from the New York State Banking Department, Federal Bureau of Investigations, United States Secret Service, Housing and Urban Development Office of Inspector General, Federal Deposit Insurance Corporation Office of Inspector General, New York City Department of Investigations, New York City Police Department, United States Attorney's Office Eastern District of New York, United State Attorney's Office Southern District of New York, Freddie Mac, Internal Revenue Service Criminal Investigations, Rockland County District Attorney's Office, United States Postal Inspection Service, and New York State Department of State.

The Unit has also developed a full day training course in mortgage fraud for law enforcement. The course provides an overview of the mortgage industry and useful tools and methods in identifying and investigating mortgage fraud. CIB in conjunction with the Division of Criminal Justice Services has presented five full day training sessions this fall to approximately 250 individuals at five locations throughout the state.

Mortgage Fraud Prevention- Banking Department and the Department of State

The Banking Department's Mortgage Banking Division is also partnering with the Department of State to review the operations of "one-stop-shops." The joint initiative was designed to identify whether consumers were being steered into particular mortgage brokers and/or attorneys by real estate firms. The initial phase of the project disclosed a general failure of these one-stop-shops to clearly inform consumers of their role as a dual agent or to properly disclose broker compensation. To date, these reviews have led to over \$250,000 in consumer restitution.

National Mortgage Licensing System (NMLS)

A major component of the anti-fraud campaign includes New York's participation in the National Mortgage Licensing System (NMLS), a state-run project to register individual loan originators. This system includes extensive security measures and educational requirements. New York was one of the first states to launch the new system and it is

estimated that 20,000 mortgage loan originators in the state will be registered by January 2010.

The recently passed federal SAFE Mortgage Licensing Act of 2008 is also impacting the state's effort to register mortgage loan originators. The SAFE Act provides for a federal backup system, should an individual state fail to join the NMLS or fail to adopt comparable standards for originators. New York will need to amend aspects of our registration standards, in particular the education requirement, to conform with the federal law. With nearly 10,000 originators already in process, implementation of the NMLS is a major feature of the Department's effort to strengthen oversight and enforcement.

CONCLUSION

New York's actions highlight the role for multiple, aggressive efforts across a broad range of issues, from pre-foreclosure to the treatment of bank-owned properties and abandoned homes. And the state has brought together the diverse stakeholders and services providers that are needed to develop lasting solutions, including bank regulators, housing finance agencies, community and church groups, and the lending industry.

A problem as complex as the mortgage crisis is beyond the authority or resources of any one state agency. Indeed, no single state can completely resolve issues impacting the national housing market; constructive engagement with the federal government is vital. This much needed state-federal cooperation has also been hindered by aggressive federal assertion of preemption. The Governor and the Banking Superintendent have emphasized the need to move beyond regulatory turf issues, to put philosophical differences aside and cooperate in rebuilding the housing market.

While encouraging the federal government to work with the states, rather than thwart local consumer protection efforts, New York has nonetheless moved forward with its own highly coordinated agenda at the state level.

What New York has achieved in spearheading this coordinated and comprehensive approach demonstrates the enduring relevance of state supervision, and serves as a model for what could be replicated at the national level.

APPENDIX

Foreclosure Chart for All New York Counties

3Q 2008	3Q 2008 Total Filings	Percent of Total State Filings	2Q 2008 Total Filings	% change from 2Q 2008 to 3Q 2008	3Q 2007 Total Filings	% Change from 3Q 2007 to 3Q 2008	Year-to-Date 2008 (Jan-Sept)
Albany	262	1.8%	562	-53.4%	53	394.3%	1,129
Allegany	5	0.0%	16	-68.8%	5	0.0%	33
Bronx	621	4.3%	677	-8.3%	769	-19.2%	1,990
Broome	173	1.2%	111	55.9%	50	246.0%	358
Cattaraugus	10	0.1%	89	-88.8%	21	-52.4%	121
Cayuga	36	0.2%	19	89.5%	23	56.5%	90
Chautauqua	27	0.2%	13	107.7%	10	170.0%	62
Chemung	21	0.1%	16	31.3%	5	320.0%	48
Chenango	4	0.0%	4	0.0%	1	300.0%	14
Clinton	24	0.2%	15	60.0%	8	200.0%	48
Columbia	17	0.1%	5	240.0%	1	1600.0%	29
Cortland	5	0.0%	14	-64.3%	10	-50.0%	33
Delaware	4	0.0%	2	100.0%	1	300.0%	10
Dutchess	349	2.4%	585	-40.3%	115	203.5%	1,039
Erie	1,229	8.5%	492	149.8%	354	247.2%	2,184
Essex	13	0.1%	6	116.7%	4	225.0%	22
Franklin	2	0.0%	3	-33.3%	1	100.0%	12
Fulton	10	0.1%	15	-33.3%	17	-41.2%	47
Genesee	54	0.4%	98	-44.9%	10	440.0%	188
Greene	11	0.1%	28	-60.7%	36	-69.4%	43
Hamilton	0	0.0%	0	**	0	*	1
Herkimer	10	0.1%	9	11.1%	10	0.0%	22
Jefferson	14	0.1%	5	180.0%	10	40.0%	22
Kings	1,495	10.3%	1,981	-24.5%	1,995	-25.1%	5,391
Lewis	0	0.0%	9	-100.0%	2	-100.0%	10
Livingston	55	0.4%	47	17.0%	4	1275.0%	111
Madison	2	0.0%	1	100.0%	5	-60.0%	12
Monroe	881	6.1%	888	-0.8%	568	55.1%	2,625
Montgomery	27	0.2%	11	145.5%	11	145.5%	59
Nassau	1,124	7.8%	1,334	-15.7%	1,162	-3.3%	3,722
New York	175	1.2%	234	-25.2%	307	-43.0%	635
Niagara	281	1.9%	188	49.5%	292	-3.8%	683
Oneida	16	0.1%	41	-61.0%	25	-36.0%	78
Onondaga	209	1.4%	179	16.8%	61	242.6%	590
Ontario	67	0.5%	63	6.3%	4	1575.0%	146
Orange	649	4.5%	430	50.9%	166	291.0%	1,301
Orleans	37	0.3%	45	-17.8%	20	85.0%	122
Oswego	66	0.5%	151	-56.3%	90	-26.7%	319
Otsego	1	0.0%	4	**	0		15
Putnam	136	0.9%	166	-18.1%	108	25.9%	459
Queens	2,347	16.2%	2,692	-12.8%	2,340	0.3%	7,743
Rensselaer	71	0.5%	100	-29.0%	45	57.8%	233
Richmond	700	4.8%	796	-12.1%	549	27.5%	2,233
Rockland	253	1.7%	262	-3.4%	239	5.9%	823
Saint Lawrence	22	0.2%	17	29.4%	10	120.0%	49
Saratoga	92	0.6%	284	-67.6%	85	8.2%	513
Schenectady	124	0.9%	101	22.8%	51	143.1%	326

3Q 2008	3Q 2008 Total Filings	Percent of Total State Filings	2Q 2008 Total Filings	% change from 2Q 2008 to 3Q 2008	3Q 2007 Total Filings	% Change from 3Q 2007 to 3Q 2008	Year-to-Date 2008 (Jan-Sept)
Schoharie	4	0.0%	15	-73.3%	0		22
Schuyler	4	0.0%	2	100.0%	1	300.0%	9
Seneca	1	0.0%	3	-66.7%	0		9
Steuben	11	0.1%	20	-45.0%	8	37.5%	49
Suffolk	1,569	10.8%	1,964	-20.1%	1,938	-19.0%	5,621
Sullivan	35	0.2%	81	-56.8%	14	150.0%	172
Tioga	2	0.0%	7	-71.4%	2	0.0%	14
Tompkins	9	0.1%	5	80.0%	12	-25.0%	24
Ulster	116	0.8%	122	-4.9%	42	176.2%	350
Warren	39	0.3%	19	105.3%	4	875.0%	77
Washington	24	0.2%	27	-11.1%	5	380.0%	72
Wayne	84	0.6%	81	3.7%	20	320.0%	232
Westchester	822	5.7%	851	-3.4%	427	92.5%	2,429
Wyoming	16	0.1%	18	-11.1%	12	33.3%	41
Yates	10	0.1%	2	400.0%	0		15
Grand Total	14,477	100.0%	16,025	-9.7%	12,138	19.3%	44,879

* Percent change not calculated because the prior time period for comparison had zero filings

** Less than 0.1%

Source: RealtyTrac®