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CENTER FOR NYC NEIGHBORHOODS STATEMENT ON GOVERNOR CUOMO'S MORTGAGE REGULATIONS

NEW YORK, NY – Today, Governor Andrew M. Cuomo and Benjamin M. Lawskey, the Superintendent of the Department of Financial Services, announced a proposal that would authorize shared appreciation mortgage modifications in New York State. Shared appreciation mortgage modifications enable lenders and holders of mortgages to forgive a portion of principal owed by homeowners while retaining a portion of the appreciation in home price should the value of the home rise prior to sale or refinancing. Reducing mortgage principal through shared appreciation mortgage modifications also reduces monthly payments for homeowners, making them affordable and allowing homeowners to remain in their homes.

Christie Peale, Executive Director at the Center for New York City Neighborhoods, said “We applaud Governor Cuomo’s actions today. Underwater homeowners—those who owe more than their homes are worth—are often beyond the reach of national foreclosure prevention programs, are more likely to fall behind on mortgage payments, and more likely to face foreclosure. The regulations proposed today will provide relief for the homeowners who need it most.”

After working with tens of thousands of homeowners, the Center for New York City Neighborhoods has learned that principal reduction - a key component of shared appreciation mortgage modifications - is the gold standard when it comes to preventing foreclosures. Helping homeowners remain in their homes is essential for those communities that have been destabilized by the foreclosure crisis. Shared appreciation mortgage modifications can also benefit lenders by providing them a reasonable rate of return on investment and allowing them to avoid the costly foreclosure process.

New research has demonstrated that principal reduction is the most effective way to keep underwater homeowners from losing their homes:

- A recent Standard & Poors analysis has shown that the likelihood of a new default is much lower for borrowers who obtain a principal reduction, and that these borrowers generally have a better chance of staying current on their mortgages afterward.
- A government analysis of outcomes from the Home Affordable Modification Program (HAMP) found that homeowners who receive principal reductions are more likely to remain current on their mortgage payments than homeowners who received loan modifications without principal reductions. The study determined that homeowners who received loan modifications with principal reductions were 24% less likely to redefault than those who received a modification with payment reductions, but neither forgiveness nor forbearance.

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About the Center for New York City Neighborhoods

The Center for NYC Neighborhoods was created in 2008 in response to the foreclosure crisis through the collaborative efforts of Mayor Bloomberg, the New York City Council, community advocates, foundations and corporate leaders. The Center's mission is to promote and protect affordable and sustainable homeownership in New York City. As the central hub of a diverse network of service providers, the Center leverages private and public resources to ensure that homeowners citywide have access to high quality foreclosure prevention services. Visit cnycn.org or twitter.com/cnycn for more information.