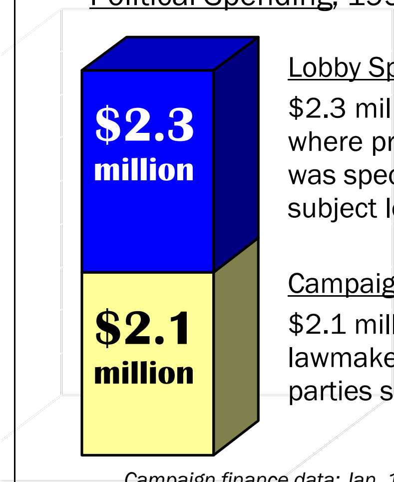
CONNECT THE DOTS in NYS: Money in Politics

Special Interests Spend Millions in Albany to Fight Anti-Predatory Lending Law

$4,469,000 in Financial Industry Political Spending, 1999-mid 2002



Lobby Spending

$2.3 million since 1999, where predatory lending was specifically cited as a subject lobbied on

Campaign Donations

$2.1 million to NYS lawmakers and political parties since 1999

Campaign finance data: Jan. 1, 1999-July 15, 2002
Lobbying data: Jan. 1, 1999-June 30, 2002

Predatory lending — unethical and abusive loans that take advantage of the borrower — has finally been curbed in New York State. Legislation passed in Albany and in New York City to hold lenders accountable, but only after years of stagnation as special interests spent heavily in Albany. Why did it take lawmakers so long to tackle this pernicious problem? The cycle is familiar in Albany, and it illustrates the need for reform. While victims struggled to keep their homes in the face of unaffordable loan payments and unreasonable fees, New York's lawmakers were collecting campaign cash from the financial giants that profit from predatory lending.

Predatory Lending is Big Business

Small lending firms and mortgage brokers are often funded or owned by big mortgage institutions. Furthermore, mortgages are often bundled together and sold as investments by major financial institutions, such as investment banks. This means that *commercial banking institutions, Wall Street investment houses, and bond insurers* now have a big stake in the predatory lending market.

Legislation Lingered While Victims Suffered

While the number of predatory lending victims was soaring in New York, important legislation was being delayed in Albany. In 2001, the State Assembly passed a bill that would prohibit some of the most egregious predatory practices and provide greater protection for borrowers. The State Senate Banks Committee held hearings on the bill in March 2002. Soon after, Banks Chair Sen. Farley said the bill would probably be altered before passing the Senate, in response to concerns from the financial services industry. In July, the Senate finally passed the bill, but also passed a series of amendments that would severely weaken the original legislation and restrict the ability of localities to pass their own anti-predatory lending laws.

The logjam broke as public outcry grew during an election season. In October 2002, with the gubernatorial election looming and pressure from anti-predatory lending advocates growing, Governor Pataki signed the stronger version of the bill. Meanwhile, the New York City Council passed strong anti-predatory lending legislation that prohibits the city from doing business with predatory lenders. But the financial services industry is still lobbying hard behind Albany's notorious closed doors to weaken the new restrictions.

TOP RECIPIENTS OF INDUSTRY CAMPAIGN CASH

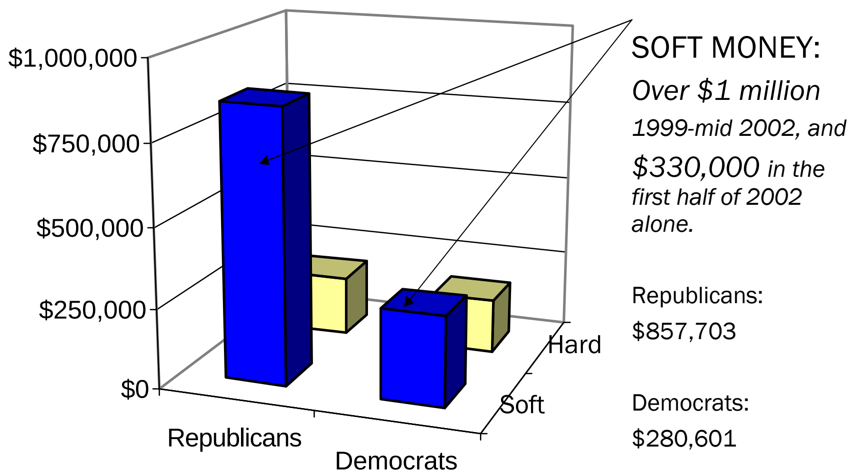
$$$ Governor Pataki leads the pack with $108,800 since 1999, plus more than half a million dollars to the Republican State Committee, a party account under his control. In the first six months of 2002 alone, Gov. Pataki received $59,000 from mortgage and financial and his State Committee was given $153,163.

$$ Rounding out the top five are Senator Joseph Bruno at $29,700; Comptroller Carl McCall at $29,500; Senator Hugh Farley, chair of the Senate Banks Committee, at $25,500; and Attorney General Eliot Spitzer at $19,200.

$ By contrast, the Assembly Banks Committee Chair, Aurelia Greene, has received only $12,050 from the industry since 1999. Assemblymember Greene is a Bronx Democrat and a sponsor of several anti-predatory lending bills. Under her leadership, the Assembly passed significant anti-predatory lending legislation, which came out of the Banks Committee, two years in a row.

Donations + Dysfunction = Delays in Albany

The Soft Money Loophole: Wide Open in New York State



Note: Includes donations to party committees only. Does not include donations to individuals.

New York State campaign finance law prohibits corporations from making more than $5,000 total in campaign donations in a year. But this limit does not include "soft money" — donations made to a party's "housekeeping account" rather than to an individual. This loophole allowed financial services corporations to vastly exceed the $5,000 limit, in many cases spending $100,000 or more apiece.

In total, the financial services industry has given over $1 million in soft money to political parties in New York State since 1999. In the first half of 2002 alone, soft money donations totaled $330,000. Soft money makes it possible for corporations to spend huge sums, evading current campaign finance laws.

One of the biggest soft money sources is Freddie Mac, the stockholder-owned corporation chartered by Congress to support homeownership. Freddie Mac supplies lenders with the money to make mortgages and packages mortgages into marketable securities. Its presence in the home loan market is so huge that it has financed the mortgage of one out of six American homes.

Freddie Mac is plainly interested in what New York lawmakers are doing. Earlier this year (March 2002), two days after the State Senate held a hearing on a predatory lending bill the Assembly passed in 2001, *Freddie Mac made what is by far the largest corporate contribution from the financial services industry in New York State: $100,000 to the NYS Senate Republican Campaign Committee*.

This was Freddie Mac's second soft-money mega-gift to the Republicans in two years. The corporation made a $100,000 donation to Gov. Pataki's Republican State Committee in October 2000, about the time when the state Banking Department was releasing new rules regulating high-cost lending.

Only one other corporate contribution matches the level reached by Freddie Mac: *J.P. Morgan Chase gave $100,000 to Gov. Pataki's Republican State Committee* in June 2002.

In many cases corporate interests give generously to both parties, indicating that they're not supporting an ideology so much as they are hoping to buy access and attention from lawmakers. For instance, in October 2000, Lehman Brothers gave $10,000 to accounts designated for the majority party in each house: the Democratic Assembly Campaign Committee and the NYS Senate Republican Conference Committee. In July 2000, Merrill Lynch gave $15,000 each to the same two party accounts.

Trade groups are also speaking up in Albany. *The NY Bankers Association spent over $1.3 million lobbying in Albany* from 1999 until mid-2002 and lists predatory lending as a subject of interest on every lobby report. Similarly, the Empire State Mortgage Bankers Association has spent over $138,000. The Bond Market Association filed its first lobby report in 2002, listing predatory lending as the only subject lobbied on. Total spent from January to June? Over $30,000.

Wealthy corporate executives make individual soft money contributions that sometimes climb into the six figures. In November 2000, Leslie Quick, head of Quick and Reilly (now part of Fleet) gave $200,000 in soft money to the Governor's Republican State Committee.

It's Time to Get Money Out of Politics in New York

Legislation that is crucial to the quality of life of all New Yorkers is stalled in New York government year after year. Why? Because our elected officials are answering the call of expensive corporate lobbyists and wealthy campaign donors, instead of responding to the needs of the people they are elected to represent.

Contact us for information about how money in politics is having an impact on issues that matter to you, and educate your members, colleagues, and coalition partners about the influence of money in politics. Join our Connect the Dots coalition by calling 1-800-300-8707.

This fact sheet is part of a series called CONNECT THE DOTS, which aims to show how money in politics impacts on issues New Yorkers care about. For more information or to join Common Cause/NY's CONNECT THE DOTS coalition, call 1-800-300-8707.

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