AN ACT to amend the banking law, in relation to the forbearance of residential mortgage payments

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. The banking law is amended by adding a new section 9-x to read as follows:

§ 9-x. Mortgage forbearance. 1. As used in this section, the following terms shall have the following meanings:

(a) "Covered period" means the period during which the restrictions constituting New York on PAUSE, as defined by executive order number 202.31 of two thousand twenty, applied in the county of the applicant's residence;

(b) "Qualified mortgagor" means an individual who resides in New York whose principal dwelling is encumbered by a home loan pursuant to paragraph (a) of subdivision six of section thirteen hundred four of the real property actions and proceedings law or whose principal dwelling is a co-operative unit whose shares are encumbered by any loan otherwise meeting the requirements of a home loan under paragraph (a) of subdivision six of section thirteen hundred four of the real property actions and proceedings law, from or serviced by a regulated institution;

(c) "Regulated institution" means any New York regulated banking organization as defined under this chapter and any New York regulated mortgage servicer entity subject to the authority of the department; and

(d) "Trial period plan" means an agreement whereby the mortgagor is required to make trial payments in full and on-time in order to be considered for a permanent loan modification.

EXPLANATION--Matter in italics (underscored) is new; matter in brackets [ ] is old law to be omitted.
2. Notwithstanding any other provision of law, New York regulated institutions shall:

(a) make applications for forbearance of any payment due on a residential mortgage of a property located in New York widely available to any qualified mortgagor including those who are already in arrears or on a trial period plan or who have applied for loss mitigation and who demonstrate financial hardship during the covered period; and

(b) grant such forbearance for a period of one hundred eighty days to any such qualified mortgagor, including those who are already in arrears or on a trial period plan or who have applied for loss mitigation and who demonstrate financial hardship, with the option to extend an additional one hundred eighty days.

(c) Such forbearance may be backdated to March seventh, two thousand twenty.

(d) The request for forbearance under this section shall be a presumptive demonstration of hardship for the purposes of this section.

3. Notwithstanding any other provision of law, any mortgage forbearance granted by a regulated institution pursuant to executive order number 202.9 of two thousand twenty, this section, or any other law, rule or regulation to the qualified mortgagor as a result of financial hardship during the covered period shall be subject to the following provisions:

(a) the mortgagor shall have the option to extend the term of the loan for the length of the period of forbearance. The regulated institution shall waive interest on the principal for the term of the forbearance and waive any late fees accumulated as a result of the forbearance; or

(b) the mortgagor shall have the option to defer arrears accumulated during the forbearance period as a non-interest bearing balloon payment payable at the maturity of the loan or at the time the loan is satisfied through a refinance or sale of the property. Any late fees accumulated as a result of the forbearance shall be waived.

(c) The exercising of options provided for in paragraph (a) or (b) of this subdivision by a qualified mortgagor shall not be reported negatively to any credit bureau by any regulated institution.

4. Notwithstanding any other provision of law, adherence with this section shall be a condition precedent to commencing a foreclosure action stemming from missed payments which would have otherwise been subject to this section. A defendant may raise the violation of this section as a defense to a foreclosure action commenced on the defendant's property when such action is based on missed payments that would have otherwise been subject to this section.

5. Notwithstanding anything to the contrary in this section, this section shall not apply to, and does not affect any mortgage loans made, insured, or securitized by any agency or instrumentality of the United States, any government sponsored enterprise, or a federal home loan bank, or the rights and obligations of any lender, issuer, servicer or trustee of such obligations, including servicers for the Government National Mortgage Association.

§ 2. This act shall take effect immediately.