



**Testimony, AARP Connecticut  
On S.B. 21, An Act Concerning Mortgage Lending  
Banks Committee  
February 21, 2007**

AARP Connecticut appreciates the opportunity to comment on the above reference bill concerning mortgage lending. This bill is timely and addresses a problem that has negatively impacted Connecticut citizens and those around the country. We commend the governor, drafters, and potential sponsors for providing comprehensive steps to remedy the abuses in the lending industry.

This bill proposes improvements to the current law that will enhance the likelihood that borrowers will receive appropriate loan products. However, there are areas of the bill that require improvement if this proposal is to provide the consumer protections that are demanded by the complexity of the current mortgage market.

There is no curtailment of yield spread premiums. They provide a clear incentive to brokers to work against the interest of the borrower in receiving the best rate possible. They need, at a minimum, to be included in a cap on points and fees.

There is no effective assignee liability provision. This is absolutely essential in markets where virtually all loans are rapidly sold into the secondary market and the borrower is without defenses against the current holder in a foreclosure. Fundamental fairness dictates that the liability should follow the loan. This has worked well in other states, (New Mexico and North Carolina for example), despite the dire prognostications from the industry. This provision must be coupled with an equally clear private right of action.

There is no clear obligation for the broker/lender to put the borrower in the best loan possible that he has the ability to repay. Other states that have recently, or are currently drafting bills, have included a standard of care provision that does impose a fiduciary relationship between the two entities. In light of recent abuses this is essential and not onerous.

Non-traditional "designer" mortgages are the most recent product of a lending industry that is insufficiently regulated. They are harmful, have been the cause of much of the current mortgage crisis, and must be regulated in this bill to give it the full complement of effectiveness required to address the breath of the problem.

AARP and its coalition partners look forward to working with you on these and other aspects of the bill. As currently drafted, the bill provides a good framework with which to work to produce the best law the citizens of Connecticut need and deserve. Thank you for your consideration.