



**AFRICAN-AMERICAN AFFAIRS COMMISSION
STATE CAPITOL
HARTFORD, CONNECTICUT 06106-1591
(860) 240-8555
FAX (860) 240-8444**

Testimony before the Banks Committee

LOB – RM 2B

11.00 AM

Good afternoon Senator Duff, Representative Barry and members of this Committee. My name is Frank Sykes and I am the Legislative Analyst representing the African-American Affairs Commission (AAAC). The Commission is thankful to be a participating in this public hearing concerning foreclosures and speaks in support of

SB. 423 – An act concerning foreclosure prevention and responsible lending

The Commission is a member of the State Anti-Predatory Lending Task Force set up to address abusive lending practices in the state and has testified on numerous occasions on issues pertaining to predatory lending, refund anticipation loans (RAL's) etc. We are all aware of the surge in the number of foreclosures nationwide. Connecticut had the 17th highest foreclosure rate in the

nation in 2006.¹ There is no doubt that this sub prime crisis is affecting everyone regardless of race, income or social class. However it is clear that the vast majority of sub-prime lending occurs in communities of color and it's in the sub-prime market that predatory lending occurs. While we are unaware at this time of the exact number of minorities facing foreclosure, Acorn a community organization, in a report titled the "Great Divide" highlighted some of these disparities. That report demonstrated that even for wealthier blacks with higher incomes, rejection rates for conventional mortgage loans were still much higher than their non black counterparts.² A more recent comprehensive study by the National Community Reinvestment Coalition further highlighted these disparities. In that study 43 percent of African-Americans received high cost loans compared to 17 percent for whites in a number of sampled towns in the state over a certain period.³ These lending disparities did not disappear even after controlling for the creditworthiness of the borrower.

We commend the hard work the Governor's Task force has done in examining and analyzing the extent of foreclosures and its impact on diverse populations in the state. However we urge that more attention be given to preventing foreclosures before homeowners endure the painful process of forbearance, loss mitigation etc. Much too often the emphasis is on rescuing homeowners from foreclosure. Unfortunately in most cases the home owner's credit has already been ruined. To avoid foreclosures altogether the burden of responsibility must fall equally on the lending institution. While we acknowledge and respect the principles of buyer beware, for the sake of fairness, the time has come for the mortgage industry to be also accountable for its own actions. Sub prime lending in some cases is needed but must be conducted in a fair and responsible manner.

¹ Realty Trac, *Foreclosure Rates*

² Acorn, *The Great Divide, Home Purchase Mortgage Lending Nationally in 68 Metropolitan Areas*

³ National Community Reinvestment Coalition, *Income is No Shield Against Racial Differences in Lending*

The following recommendations therefore are worth considering if there already aren't addressed in the bill: Allowing homeowners to defend or opt out themselves against foreclosures if there is evidence that the loan was predatory, Licensing of mortgage brokers to instill and moral responsibility, Stronger and more transparent loan disclosure forms and free and voluntary counseling by a HUD certified counselor should be available to borrowers of high cost loans.

Thank you for the opportunity to testify.