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*TESTIMONY OF
ATTORNEY GENERAL RICHARD BLUMENTHAL
BEFORE THE BANKS COMMITTEE
FEBRUARY 28, 2008*

I appreciate the opportunity to support Senate Bill 423, An Act Concerning Foreclosure Prevention and Responsible Lending.

This legislation mandates greater responsibility for lenders and loan brokers to extend credit to borrowers who can reasonably afford to repay their mortgages and prohibits most egregious anti-consumer mortgage practices.

Under this proposal, mortgage brokers would have a clear, indisputable duty to act in the borrower's best interest. A lender must engage in fair dealing and make certain the mortgage is reasonably advantageous to the consumer. The legislation prohibits mortgage churning, and loans that borrowers have no reasonable likelihood of repaying. For subprime loans -- involved in many home foreclosures -- the legislation requires the creditor to escrow insurance and tax payments and provide the borrower with a list of housing counselors. It limits balloon or adjusted mortgage payments of more than two times the regular payments.

Importantly, Senate Bill 423 provides a private right of action by a borrower who suffers damages. In addition, the Attorney General and the Banking Commissioner may prosecute violations.

Even as the Banks Committee considers House Bill 5577 to address the immediate concerns of homeowners in distress, Senate Bill 423 seeks to ensure that the mortgage debacle will not reoccur.

Over recent months, my office has assisted numerous homeowners facing foreclosure. We have been shocked by some of the mortgage terms and lending decisions by mortgage companies. This measure will help stop them.

I urge the committee's favorable consideration of Senate Bill 423.