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**Testimony Before the Committee on Banks in Support of S.B. 423,**
**An Act Concerning Foreclosure Prevention and Responsible Lending**
**Submitted by Maggie Adair, Policy Director**
**Connecticut Association for Human Services**
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CAHS is a statewide nonprofit organization that works to end poverty and engage, empower, and equip all families in Connecticut to achieve financial security. CAHS is submitting testimony in support of **S.B. 423, An Act Concerning Foreclosure Prevention and Responsible Lending.**

This bill would regulate mortgage products that increase the risk of foreclosure. By prohibiting refinancing of "special" mortgages without mandatory counseling from a HUD-approved nonprofit housing counselor, the risk of foreclosure in Connecticut would decrease significantly. The bill also requires a mandatory escrow of property taxes and homeowners for subprime loans, and would require mandatory disclosure of the list of HUD approved nonprofit housing counselors for subprime loans.

The bill also regulates adjustable rate mortgages which currently have a 72% greater risk of foreclosure rate than fixed rate mortgages. Additionally S.B. 423 bans the use of many abusive practices: such as "churning;" lending when the borrower does not have the ability to repay; and encouragement of default when refinancing. The bill would aim to do away with certain loan terms that greatly increase the frequency of default, such as prepayment penalties, balloon payments, negative pay off and default of interest rates. Finally the bill would create accountability for mortgage brokers, lenders, and assignees.

Foreclosures in Connecticut are significantly increasing and are predicted to continue. Between October 2007 and December 2009, 21,000 adjustable rate mortgages will rise, and therefore augment the likelihood of foreclosure. Of the adjustable rate mortgages in Connecticut, almost 90% of them are subprime. These subprime loans have accounted for 6 out of 10 foreclosures since mid-2006 and 7 out of 10 foreclosures in the second quarter of 2007.

Not only does a foreclosure have a devastating impact on family and community stability, it also has the potential to have a negative effect on neighboring property values, reducing them by as much as $100,000 or more. This bill would provide assistance for homeowners who are having trouble making mortgage payments regardless of credit rating, and would also place restrictions on lenders.