Chairpersons Duff and Barry, members of the committee; my name is Richard Tracy and I represent the Connecticut Society of Mortgage Brokers. Today I wish to comment on Raised Bill 5577.

I commend the committee for developing a Bill that includes such innovative programs as REAL, HERO and EMAP. It is my hope that when implemented these programs will provide relief and hope for Connecticut homeowners experiencing distress because of difficulties related to their mortgage. On behalf of the Society, I offer our assistance.

I also am encouraged as I read the balance of the bill. The approach of the bill's authors in crafting a bill directed at addressing the challenges facing the mortgage business is balanced and fair. I am particularly pleased with the inclusion of section sixteen that introduces the concept of required education for participants in the mortgage industry. There are two sections the committee may wish to address. First, the wording looks to education requirements for "licensed entities in the mortgage lending business." Please consider that mortgage Originators are not at this time licensed and might therefore be exempt from this section. Second, the Society suggests that the required content be more specifically developed to include topics focusing on State and Federal regulations. Perhaps it might be appropriate to assign to the Commissioner's office the responsibility to decide on subject topics.

Finally, I urge the committee to consider the impact of defining a Non-prime loan based on the triggers included in the current draft. These triggers mirror Federal Reserve guidelines. It is our position that these triggers levels, originally developed four years ago are no longer appropriate. The economic environment at the time these trigger were settled on was one of more available credit and significantly lower costs of credit. The spread between mortgage interest rates and Treasury yields was much lower. One impact of the credit crunch is that the costs of securing mortgage financing have increased.

Mortgage interest rates and costs are now affected by an increase in mortgage insurance premiums and the application of risked based pricing by FNMA and Freddie Mac that is FICO score based. It is significant to note that FNMA's risked based pricing now adds to the cost of loans with FICO scores less than 700. Because the FICO threshold for the best pricing is set at 700 Connecticut mortgage applicants will be affected given that the average FICO score in Connecticut, based on the web site freecreditreport.com, is 694. The result of these increased costs is that the spread between mortgage rates and treasury yields is higher, thus setting the beginning point of the trigger calculation closer to the non-prime threshold.

I respectfully request that the committee consider changing the threshold numbers to five and seven. Alternatively, given the affect that changes in the economy and mortgage costs have on the spread between mortgage interest rates and treasury yields perhaps the responsibility for setting the trigger levels should be assigned to the Commissioner and be required to be reviewed annually.

I am also concerned regarding identifying the measurement index and I ask that you more clearly define the source of the data against which a trigger will be measured. Treasury instruments are reported in many places and often in a different format. The committee may wish to also rely specifically on H-15.