



State of Connecticut
HOUSE OF REPRESENTATIVES
STATE CAPITOL
HARTFORD, CONNECTICUT 06106-1591

REPRESENTATIVE MINNIE GONZALEZ
THIRD DISTRICT

LEGISLATIVE OFFICE BUILDING
ROOM 4039
HARTFORD, CT 06106-1591
HOME: (860) 236-9654
CAPITOL: (860) 240-8585
FAX: (860) 240-0067
E-mail: Minnie.Gonzalez@cga.ct.gov

DEPUTY MAJORITY WHIP AT LARGE

MEMBER
APPROPRIATIONS COMMITTEE
JUDICIARY COMMITTEE
PUBLIC SAFETY AND SECURITY COMMITTEE

Testimony
Representative Minnie Gonzalez
3rd District, Hartford
February 28, 2008

HB 5577, "AN ACT CONCERNING RESPONSIBLE LENDING AND ECONOMIC SECURITY"

Chairman Duff, Chairman Barry, and Honorable Members of the Banks Committee, I wish to express my strong support for House Bill #5577, and I would like to thank the chairmen and committee members for bringing this proposal forward for a public hearing. However, I would like for you to consider the following concepts to be included in this bill:

Predatory sub-prime lenders have issued mortgages without such escrow accounts which forced the purchasers into tax foreclosures. Purchasers were unaware that the escrow accounts were never opened. I believe **all mortgages which do not have an insurance and property tax escrow account should be outlawed.**

Sub-prime lenders have also been found to have used unscrupulous practices amounting to deception and even fraud. We should require stricter License and regulation of all mortgage brokers and their agents. This includes: **1) All must be bonded; 2) All must maintain an office within the state of Connecticut; 3) Brokers must have a net worth of at least \$10 million or must have posted a surety bond for that amount; 4) Agents must post a surety bond equal to the mean single-family house price in Connecticut as posted by the State Banking Department each year; 5) Agents must have at least 4 weeks of training, including ethics classes; 6) All brokers and agents must have national background checks.**

Predatory lenders have also issued mortgages to borrowers with no documentation of their income or ability to pay the mortgages. Proper underwriting standards must be required to ensure that potential borrowers can meet the 30% standard at the highest interest level that the mortgage can attain.

It must be required that no mortgage may be underwritten with payments which exceed 30% of the borrower's household income. Such payments must include all principle and interest, property taxes, insurance, and all utilities. In distressed cities and communities FHA underwriting standards must be followed.

Additionally, predatory lenders offered mortgages to unqualified purchasers at low teaser rates. Those rates would quickly escalate to unaffordable levels, and the prepayment penalties would make it impossible for the purchasers to pay off the original mortgage. **The prepayment penalties that predatory lenders require, which have been outlawed in other states, need to be outlawed here in Connecticut.**

The governor's task force reported that it is estimated there are about 71,000 active sub-prime mortgages in Connecticut, with outstanding balances totaling more than \$15 billion. Over 8% of these mortgages are now seriously delinquent. The task force also reported that there is a concentration of sub-prime mortgages in communities with a higher than average number of low and moderate income households, minority households, and affordable single-family housing.

In closing, I would like to reiterate the importance of this legislation and thank the chairs and members for giving me the opportunity to testify today.

Truly yours,

A handwritten signature in cursive script that reads "Minnie Gonzalez".

Minnie Gonzalez
State Representative