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February 28, 2008

**Connecticut General Assembly
Banking Committee, 11 a.m., Room 2B**

**Senator Bob Duff, Co-Chairman
Representative Ryan P. Barry, Co-Chairman
Senator Joseph J. Crisco, Vice Chair
Representative Douglas McCrory, Vice Chair**

I am here to speak on behalf of House Bill 5577: An Act Concerning Responsible Lending and Economic Security.

What brings me here today is the component of HB 5577 that I feel is both forward thinking and essential: inclusion of the Workforce Development Boards and by extension the CTWorks Career Development Centers as part of the strategy to help borrowers already in foreclosure and to prevent more foreclosures from happening.

The state of Connecticut is to be commended for its efforts to date including convening the Sub-Prime Mortgage Task Force and creating the \$50 million CT FAMILIES program through Connecticut Housing Finance Authority.

In its final report, the Taskforce acknowledged that a stable housing market is critical to a strong and growing economy. I submit that a stable and clear career path is critical to stable housing.

In ongoing studies in Chicago and Minneapolis-St. Paul, surveys of borrowers reveal that loss of a job or decreased income are top reasons for delinquency. In a study by Chicago's Home Ownership Preservation Initiative, loss of a job was cited by 47 percent of borrowers as the cause of their delinquency, while just 20 percent cited unfair loan terms.

In Connecticut, a review of unemployment rates in the 30 communities with the largest number of active sub-prime loans revealed that the metropolitan

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centers topping the sub-prime list also have the highest unemployment rates. We took an average of the benchmarked unemployment rates for the years 2001-2006, the same years studied by the Taskforce. Bridgeport, New Haven, Waterbury, and Hartford (which rank first, second, third and fifth in the number of sub-prime loans in Connecticut) had the highest average unemployment rates. The smaller city of New Britain made the top 10 for number of subprime loans and had the fifth highest average unemployment rate between 2001-2006. (see attached table).

Partnering with the Workforce Development Boards by funding the Mortgage Crisis Job Training Teams will allow us to focus on these pockets of unemployment. State dollars would be unencumbered by income restrictions imposed by the federal Workforce Investment Act, or WIA. For instance, a family of four earning more than \$46,102 a year is ineligible under WIA for most services at *CTWorks* (for a full description of WIA income guidelines, see attached). The Mortgage Crisis Job Training Teams will allow us to open our doors to sub-prime borrowers in every community regardless of income.

We already have a presence where the need is the greatest. Bridgeport, New Haven, Waterbury, Hartford, New Britain and 12 other cities on the Top 30 sub-prime list have *CT Works* Centers located within their borders, including Stamford, Danbury, Meriden, East Hartford, Bristol, Manchester, Hamden, Norwich, Torrington, Enfield, Middletown and New London.

We can create a program that is statewide, or pilot this program in the Workforce Development Board regions hardest-hit – Southwest and North Central – to develop a track record of success that can be duplicated in every *CTWorks* Center. From the list of Top 30 towns, the Southwest region has the greatest number of active sub-prime loans at 13,721, while the North Central region has 11,453. South Central follows close behind with 11,218. The North West region has 8,059 and the Eastern region has 1,584.

The Workforce Development Boards have a mandate to help employees and job seekers, but it is also part of our mission to foster strong relationships with businesses in our regions, including those in financial services and banking. Each Workforce Board can build upon relationships with local lending institutions to enable good faith community re-investment.

The Taskforce estimates that the 71,000 active subprime mortgages in Connecticut are worth a combined \$1.5 billion. The latest estimate is that at 8.4 percent are seriously delinquent, meaning they are at least 90 days past due. In the coming 12 to 24 months, delinquencies will be affected by the growing number of adjustable rate mortgages reaching their initial reset dates. The Taskforce estimates that just over 21,000 adjustable rate subprime loans in Connecticut will reach their reset dates between October 2007 and October 2009. The National Center for Responsible Lending estimates that 10 to 16 percent of resets in metro areas of Connecticut will result in foreclosure.

This is troubling news not only for borrowers, but for the financial institutions that made the mortgages. The financial services industry is a crucial part of the Connecticut economy, especially in the Southwest and North Central regions.

In pursuing the dream of homeownership, studies have shown sub-prime borrowers are younger, have lower credit ratings, and live in cities with high unemployment rates. Young borrowers are more likely to have less personal wealth, less established careers, and lower income. Many may be unemployed, underemployed or in need of a second job. Many have greater potential than what they are working or earning at now. The Mortgage Crisis Job Training Teams can build on the outplacement, apprenticeships, incumbent training and tax incentive programs already in place at *CTWorks*, plus specialize to include financial literacy and credit repair training, as well as help borrowers find ways to meet their financial obligations.

In closing, you have a choice to test this for a year in regions most acutely affected, or to fund Job Training Teams across the entire state. We estimate the cost to provide effective retraining, case management and family services to be \$3,000 to \$4,000 per family. We estimate starting the program in one region would cost \$500,000, \$1 million for a pilot in the two hardest-hit (Southwest and North Central). If it is your wish to begin on a statewide level, we estimate that somewhere between \$2 and \$2.5 million would be needed. I am confident that either project can begin as soon as July 1.

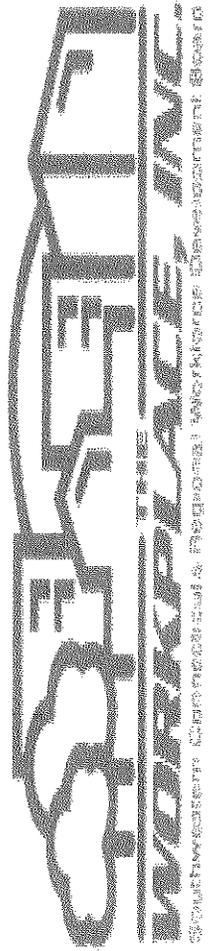
We anticipate that the banks to be active partners in this endeavor. We expect they will refer to the Workforce Boards those borrowers who would like to be part of the program. The Workforce Boards can work with the

lending institutions, particularly those that are part of the federal banking system, to arrange for support under their philanthropic programs.

This strategy of helping borrowers through a partnership with the state, the Workforce Boards and the lending institutions is cutting edge. It can be a model for the nation. It will help people to combat this issue, get beyond it, and do so with hope and dignity.

Thank You.

Respectfully submitted by Joseph M. Carbone, President & Chief Executive Officer, The WorkPlace, Inc.



Top 30	Town	Active Sub-Prime Loans	Estimated Resets Likely To Foreclose: 10-16 Percent (NCRL)	2001-2006 Average Unemployment Rate	2007 December Unemployment Rate	Workforce Board Region
1	Bridgeport	5,213	512-834	7.2	7	SW
2	New Haven	3,998	400-640	6.5	7.1	SC
3	Waterbury	3,333	333-533	7.3	7.6	NW
4	Stamford	2,599	260-416	3.9	3.6	SW
5	Hartford	2,573	257-412	9.1	9.3	NC
6	West Haven	1,946	195-311	5	5.1	SC
7	Norwalk	1,923	192-308	3.9	3.9	SW
8	Danbury	1,854	185-297	3.7	3.6	NW
9	Meriden	1,757	176-281	5.1	5.5	SC
10	New Britain	1,717	172-275	6.9	7.2	NC
11	Easton	1,614	161-258	3.1	3.3	SW
12	E. Hartford	1,504	150-241	5.2	5.9	NC
13	Bristol	1,377	138-220	5	5.1	NC
14	Manchester	1,126	113-180	4.4	4.4	NC
15	Hamden	1,064	106-170	4.2	4.3	SC
16	Darien	986	99-158	3	2.8	SW
17	Millford	972	97-156	4	3.8	SC
18	New Milford	969	97-155	3.4	3.3	NW
19	Naugatuck	953	95-152	5.2	5.4	NW
20	Norwich	953	95-152	5	5.3	East
21	Torrington	950	95-152	5.4	5.1	NW
22	Enfield	905	91-145	4.6	4.9	NC
23	Windsor	843	84-135	4.4	4	NC
24	Middletown	813	81-130	5.1	4.3	SC
25	Greenwich	776	78-124	3	2.9	SW
26	Bloomfield	727	73-116	5.5	5.2	NC
27	W. Hartford	681	68-109	3.9	3.9	NC
28	Wallingford	668	67-107	3.9	3.9	SC
29	New London	631	63-101	5.5	5.9	East
30	Shelton	610	61-98	4.2	4	SW

Sources:
 Unemployment Rates, CT Department of Labor
 Subprime Communities List: Governor's Sub-Prime Mortgage Taskforce Final Report