

February 24, 2008

TO: Banks Committee

FROM: The Connecticut Mortgage Bankers Association, Inc.

RE: Statement Concerning Raised Bill No. 950, (LCO No. 3513), An Act Concerning the Department of Banking's Proposal For Consumer Credit Licensees and Governor's Bill No. 6366 (LCO No. 3032), An Act Concerning Consumer Credit Licensees

The Connecticut Mortgage Bankers Association, Inc. ("CMBA"), which numbers over one hundred twenty organizations and 575 individuals, is a non-profit association formed in 1984. The two principal purposes of the CMBA are to promote the welfare of the mortgage lending industry in Connecticut and to improve its service to the citizens of Connecticut. The CMBA is Connecticut's only trade association dedicated exclusively to the mortgage banking industry in the State of Connecticut.

The CMBA recognizes the challenges facing many Connecticut residents and the need to ensure the proper functioning of the credit markets to serve current and prospective borrowers. The CMBA has had the opportunity to review Raised Bill No. 950 and Governor's Bill No. 6366 (the "Consumer Credit Bills") and other legislative proposals. The CMBA supports measures to maintain credit availability for the citizens of Connecticut.

The CMBA generally supports the Consumer Credit Bills to ensure the meaningful regulation of the consumer credit industry in the State of Connecticut. The CMBA proposes modifications to the Consumer Credit Bills, which are discussed below. (For ease of reference, the comments below refer to Sections in Bill 950 but not to the comparable Sections in Bill 6366.)

- Specific Exclusion from "Debt Adjustment" for Activities of Mortgage Lenders, Brokers, Servicers and Title Companies. Section 22 of Raised Bill No. 949 would amend and broaden the definition of "debt adjustment" (for which a license is needed and can only be issued to non-profit entities). The definition would include negotiating the terms of a debtor's obligations with a creditor, including the terms of a loan on property securing the debtor's obligation. The CMBA supports the regulation of persons who act or who claim to act on behalf of a debtor to negotiate the terms of a debtor's debts. The proposed amendments to the definition could, however, be construed as also encompass within the term "debt adjustment" the activities of persons who are mortgage lenders, mortgage brokers, mortgage loan servicers (or any one else acting on behalf of a creditor) as well as title insurance companies and settlement agents that close loans which repay or restructure a debtor's debts. To avoid that unintended result, the CMBA supports modifications to Bill No. 950 to add a specific exclusion for such persons.

- Exclusion from Small Loan Law for Licensed Mortgage Loan Originators and Second Mortgage Lenders. Connecticut General Statutes Sections 36a-555 et seq. (Connecticut's Small

Loan Law) generally prohibits persons from making “small loans” (loans of less than \$15,000 at interest rates in excess of 12% per annum) unless the person is licensed. Exemptions currently apply to banks and licensed lenders when making first mortgage loans and, prior to 2008, secondary mortgage loans. To correct what appears to have been an unintended change in 2008, the CMBA proposes that Raised Bill No. 949 re-institute an exemption for licensed mortgage lenders when making secondary mortgage loans. Raised Bill No. 949 would also prohibit a person from offering, brokering or assisting a borrower in obtaining a “small loan” unless licensed or exempt. Accordingly, the CMBA proposes that the list of exemptions be expanded to also exempt licensed mortgage loan originators when originating a mortgage loan for a licensed mortgage lender.