

February 19, 2008

TO: Housing Committee

FROM: The Connecticut Mortgage Bankers Association, Inc.

RE: Statement Regarding Committee Bill No.6143, (LCO No.2947), An Act Concerning Protections for a Tenant Whose Landlord is Subject to a Foreclosure Action

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 residential mortgage credit markets to serve current and prospective borrowers.

The CMBA has had the opportunity to review Committee Bill No. 6143 and other legislative proposals. The CMBA supports measures to maintain residential mortgage credit availability for the citizens of Connecticut.

Committee Bill No. 6143 would alter longstanding Connecticut common law and impede the ability of lenders to realize on the collateral which secures their loans by subjecting lender's rights to the mortgaged property to the rights of the tenants, even when those tenants have not entered into leases prior to the inception of the mortgage. This proposed change would effectively put lenders in the position of being a landlord with respect to tenants. As a result, lenders are less likely to in the first instance make loans on rental properties due to the additional risks which they would face.

In addition, Committee Bill No. 6143 would effectively require that lenders enter into leases with occupants of a foreclosed property. This policy would restrict the ability of the lender, upon taking title to the foreclosed property, to sell the property to a new owner which might seek to repair or rehabilitate the property, free from any tenants. As a result, the rehabilitation of rental property can be impeded by this bill. This deferral of repairs and rehabilitation will also have an adverse impact on the neighborhoods in which such properties are located. Moreover, prospective purchasers of foreclosed properties may be likely to offer lower prices for properties with such tenants, which would serve to reduce the amount of conveyance taxes payable to the state and town.

Bill 6143 would also obligate first mortgage lenders who are foreclosing on residential real estate to be responsible for making emergency repairs to the property. This requirement would likewise subject lenders to an obligation which is a landlord's obligation rather than a lender's obligation. This bill would result in lenders applying stricter underwriting requirements

to borrowers, which would only serve to restrict the availability of housing credit and increase the costs on financing homes in Connecticut.

For these reasons, the CMBA opposes Committee Bill 6143.