

RICHARD BLUMENTHAL
ATTORNEY GENERAL



55 Elm Street
P.O. Box 120
Hartford, CT 06141-0120

Office of The Attorney General
State of Connecticut

*TESTIMONY OF
ATTORNEY GENERAL RICHARD BLUMENTHAL
BEFORE THE BANKS COMMITTEE
MARCH 11, 2010*

I appreciate the opportunity to support House Bill 5410, An Act Concerning Modifications to the Foreclosure Mediation Program.

This proposal makes permanent the highly successful mandatory mediation program for homeowners facing foreclosure. The proposal also adopts the federal protections for tenants who live in buildings that have been foreclosed and clarifies the state cash for keys program.

My office has worked with hundreds of homeowners facing foreclosure, assisting them with their banks or lending companies in an effort to help these families keep their homes. In many cases, we have been successful in heading off foreclosure.

Two years ago, I successfully supported legislation to establish a mandatory foreclosure mediation program within the court system. This mediation program has served as a backstop, preventing runaway foreclosure actions that become finalized before the homeowner realizes the seriousness of this court proceeding. Hundreds of homeowners have received a fair opportunity to keep their homes through this mediation process. At the time the General Assembly passed this law, policymakers anticipated the housing foreclosure crisis would abate within two years. Regrettably, there has been no sign of significant easing of the number of foreclosure cases.

House Bill 5410 continues this highly successful program indefinitely.

This proposal also enacts federal protections contained in the Protecting Tenants at Foreclosure Act.

Mindless and needless automatic evictions after foreclosure by the lending institution benefit no one -- devastating tenants and the neighborhood. These fast-track evictions not only harm tenants, but turn vacant properties into eyesores and even crime havens, diminishing values neighborhood wide.

By adopting the provisions in section 3 of House Bill 5410, tenants will be able to remain in their homes a little longer, providing them with sufficient time to secure alternative housing -- providing extra income to the new property owner, and benefiting the community as a whole. Foreclosures not only devastate property owners, but also tenants whose lives are unfairly uprooted and incredibly inconvenienced. Searching for alternative housing can be difficult,

costly and time-consuming -- requiring reasonable advance notice before eviction, which House Bill 5410 provides.

Two months ago, I sent notices to more than 30 realtors, banks and law firms after legal aid attorneys had found numerous violations of the federal Protecting Tenants in Foreclosure Act (PTFA) -- tenants being evicted without proper notice of their rights even though they were protected from eviction by the federal law. I have received very positive responses from nearly all the companies and individuals to whom we sent letters. Most of the banks, law firms, and real estate companies have assured us that they will fulfill their obligations under the PTFA. They understand the need to protect tenants of foreclosed properties from quick evictions. Many have notified me of the additional steps they will take to ensure that the rights of tenants under the PTFA are protected.

Adopting a state law with similar protections will greatly assist tenants to stay in their rental units when the property is foreclosed, especially considering that the federal law sunsets in 2012.

Finally, section 4 of House Bill 5410 clarifies that the amount of money a landlord may offer a tenant in exchange for the tenant vacating the rental unit prior to the end of a lease must be the greater of the security deposit and interest, two months' rent or \$2,000.

I urge the committee's favorable consideration of House Bill 5410.