

March 4, 2011

To: Members of the Judiciary Committee

Fr: Connecticut Bankers Association
Contact: Tom Mongellow, Fritz Conway

Re: S. B. 950 AAC THE DUTIES OF A MORTGAGEE IN A FORECLOSURE ACTION ON RESIDENTIAL REAL PROPERTY

Position: Oppose

While S. B. 950 notification provisions are well intentioned, the banking industry is opposed to the bill for a number of reasons. The bill creates new State mandates and duties for all mortgage lenders and servicers to adhere to, and failure to do so would result in even further delays in the State's already onerous foreclosure process (over one year based on a recent report by the Commercial Record). The bill's penalty provisions are unfair, have the potential to be arbitrary and will ultimately encourage additional frivolous borrower actions to delay the process. This will only serve to further clog the Court's already overburdened foreclosure docket. The additional notice provisions of the bill will confuse borrowers by competing with the Judicial Department's Mediation program application and potentially reduce or delay the number of borrowers applying for that important and successful program. The end result is negative for homeowners, lenders/servicers and the State.

Negative Impacts of Foreclosure Delays

There are many public policy issues surrounding delays in the foreclosure process including, protection of the existing housing stock; anti-blight issues surrounding vacant or abandoned properties; depreciation of housing prices which prolong negative equity situations for existing homeowners; reduced home sales due to market uncertainty; predictability in foreclosure process to recover and remarket a property; and maintaining a steady supply of mortgage capital for consumers. With each additional foreclosure notice, motion, procedure and ultimate delay, the above public policy issues grow.

May Run Counter to National Efforts on Mortgage Servicing

On a national level, banking regulators are currently addressing this issue, without negatively impacting the predictability of the foreclosure process. They are developing new rules and guidelines on the servicing of mortgages including, according to reports, borrower contact during the foreclosures process

In addition, the National Association of Attorney Generals is attempting to accomplish the same result through negotiations with the nation's largest mortgage servicers.

If S. B. 950 were to pass, CT law could quickly and unnecessarily become, ambiguous or non-compliant with federal rules, guidelines or agreements, that servicers will be required to adhere to.

We urge the Committee to let these national efforts take effect and not take action on the S.B. 950.