



## Connecticut Fair Housing Center

### TESTIMONY OF ATTORNEY JEFF GENTES IN SUPPORT OF S.B. 630 AND IN OPPOSITION TO H.B. 5414 AND H.B. 5418

Co-Chairs Duff and Tong, Members of the Committee, thank you for the opportunity to speak. I'm Jeff Gentes, and I'm the Managing Attorney for Foreclosure Prevention at the Connecticut Fair Housing Center. We support S.B. 360, and oppose H.B. 5414 and H.B. 5418.

The Center is the only nonprofit in Connecticut providing representation and advocacy for homeowners facing foreclosure. Through intakes and clinics, we have reached homeowners in 159 towns since 2010, and have spoken with more than 500 people facing foreclosure in 2012 alone. We continue to see a crisis: one in 13 Connecticut homeowners with a mortgage is at least 90 days behind, and we won't see the midpoint of the foreclosure crisis until later this year.

#### Senate Bill 360

In particular, we have seen a persistent need for a program for homeowners facing long-term unemployment. Many of these homeowners can benefit from the state's Emergency Mortgage Assistance Program - EMAP. Thanks to the good work of this Banks Committee, EMAP was resurrected in 2008. Since then EMAP has directly helped about 500 households, and indirectly helped another 1000 by providing the infrastructure for a similar federal program last year. Along with Representative Alberts, I served on a task force you created to review EMAP. On the task force we recommended building on EMAP's success by reauthorizing it to help another 750 households and expanding it to homeowners with FHA loans. Senate Bill 360 adopts those recommendations, and we ask you to support the bill. We also support the task force's recommendation to increase the state's CHFA/HUD-approved housing counselors so that they can help thousands of homeowners access critical foreclosure prevention resources like EMAP.

#### House Bill 5414

Most homeowners we see have escrow accounts with their mortgage company for taxes and insurance, and House Bill 5414 would allow mortgage servicers to keep most of the interest in those accounts. I've attached an escrow statement to my testimony for an average homeowner. This homeowner would lose \$30 annually under this bill. The more mortgages a company services, the more of that \$30 per homeowner it could make. You may recall that, under the AG settlement, the big 5 servicers will pay \$1500 to about 7500 Connecticut residents who lost their homes to foreclosure, or a total about \$11.25 million in the next three years. We estimate, under this bill, those same five would make \$18 million in the next three years. We don't think this is the time to essentially reimburse the big 5 for these payouts, and we strongly oppose H.B. 5414.

#### House Bill 5418

Section 10 of H.B. 5418 would amend existing law to allow a lender to increase a loan's interest rate if a homeowner fell behind on a modified loan. This will hurt homeowners who've fallen on difficult times, and will not help prevent foreclosures. We ask you to oppose this bill.

Thank you again for your time this afternoon.

### Calculations for House Bill 5414

For the homeowner listed in the attached escrow analysis:

- \$2,266.21 = average escrow balance over 12 months
- \$33.99 = interest earned at 1.5% (current floor)
- \$ 3.85 = estimated interest earned were H.B. 5414 enacted (0.17%)  
\$30 approximate loss to homeowner with an escrow account

Total number of first-lien mortgages in Connecticut = 522,687

Source: Mortgage Bankers Association, National Delinquency Survey, Fourth Quarter 2011

If we conservatively estimated that sixty percent of first-lien mortgagors had an escrow account, there would be  $522,687 * 60\% = \underline{313,612}$  escrow accounts.

The biggest five mortgage servicers have about sixty-five percent of the market. If we assume they have the same proportion of escrow accounts as other servicers, they would have 65% of 313,612, or 203,848 escrow accounts.

The potential gain to the big 5 banks of \$30 per escrow account, per year would be  $\$30 * 203,848$ , or \$6,115,400 annually.

Were interest rates to remain roughly the same over the next three years, the big 5 banks could realize  $3 * \$6,115,400$ , or \$18,346,200 over that three-year period.

ANTICIPATED ESCROW ACCOUNT DISBURSEMENTS

TAXES	\$3,765.63
HAZARD INS	\$500.00
FLOOD INS	\$1,576.00

ANNUAL ESCROW ACCOUNT DISCLOSURE STATEMENT  
AND CHANGE OF PAYMENT NOTICE PREPARED FOR:

Loan Number: [REDACTED]

STATEMENT RELEASE DATE 09/13/11

NEW MONTHLY PAYMENT IS AS FOLLOWS:

Principal and Interest	\$751.17
Required Escrow Payment	\$486.80
Shortage/Surplus Spread	\$ .00
Buydown or Assistance Payments	\$ .00
Other	\$ .00

TOTAL MONTHLY PAYMENT	\$1,237.97
NEW PAYMENT EFFECTIVE DATE:	11/01/11

ENFIELD CT 06082  
[REDACTED]

[REDACTED] has completed an analysis of your escrow account, and has adjusted your mortgage payment to reflect changes in your real estate taxes or property insurance. The escrow items to be disbursed from your account are itemized below. If you have questions regarding this analysis, please write our Customer Service Department at [REDACTED] or call [REDACTED] Monday through Sunday, 7:00 am to 10:00 pm, Eastern Standard Time.

ANNUAL ESCROW ACCOUNT PROJECTION FOR THE COMING YEAR

This is an estimate of activity in your escrow account during the coming year, based on payments anticipated to be made from your account.

MONTH	PAYMENTS TO ESCROW ACCOUNT	PAYMENTS FROM				ESCROW ACCOUNT		
		MIP/PMI	TAXES	ESCROW ACCOUNT	HAZ. INS.	SPECIAL	PROJECTED BALANCE	REQUIRED
INITIAL DEPOSIT								
NOV	\$486.80						\$1460.37	\$1460.43
DEC	\$486.80						\$1947.17	\$1947.23
JAN	\$486.80		\$1757.69				\$2433.97	\$2434.03
FEB	\$486.80						\$1163.08	\$1163.14
MAR	\$486.80						\$1649.88	\$1649.94
APR	\$486.80						\$2136.68	\$2136.74
MAY	\$486.80						\$2623.48	\$2623.54
JUN	\$486.80						\$3110.28	\$3110.34
JUL	\$486.80		\$2007.94				\$3597.08	\$3597.14
AUG	\$486.80						\$2075.94	\$2076.00
SEP	\$486.80			\$1576.00	\$500.00		\$2562.74	\$2562.80
OCT	\$486.80						\$973.54	\$973.60
							\$1460.34	\$1460.40

Indicates a projected low point of \$973.54. Your required reserve balance is \$973.60 based on [REDACTED] policy allowable under your mortgage contract, state or federal regulations. The difference between the projected low point and the required reserve balance is \$0.06. This is your shortage which has been prorated, added to our monthly payment and will be collected from you over a 00 month period. The terms of your loan may result in changes to the monthly principal and interest payment(s) during the year.

Please keep this statement for comparison with the actual activity in your account at the end of the next escrow accounting computation year.

ESCROW SHORTAGE REPAYMENT FORM

Loan Number: [REDACTED]  
Mortgage: [REDACTED] \$ .06-

Name: [REDACTED]

If escrow shortage has been spread over a 00 month period resulting in an increase to your monthly payment. If you choose to pay your escrow shortage amount in a lump sum, please mail this coupon with your remittance to the following address.

ESCROW DEPARTMENT

Your payment will be reduced by the prorated monthly/biweekly shortage. Please reference your loan number on check.

Loan Number: [REDACTED]

Name: [REDACTED]

ANNUAL ESCROW ACCOUNT DISCLOSURE STATEMENT - ACCOUNT HISTORY

This is a statement of actual activity in your escrow account from 10/11 through 10/11. Last years' projections are next to the actual activity. Your monthly mortgage payment for the past year was \$1237.96 of which \$751.17 was for principal and interest and \$486.79 went into your escrow account. An asterisk (\*) indicates a difference between a projected disbursement and actual activity. A "Y" indicates an estimated payment or disbursement amount.

MONTH	PAYMENTS TO ESCROW ACCOUNT		PAYMENTS FROM ESCROW ACCOUNT		DESCRIPTION	ESCROW BALANCE COMPARISON	
	PROJECTED	ACTUAL	PROJECTED	ACTUAL		PROJECTED	ACTUAL
STARTING BAL						\$973.58	\$973.58
OCT	\$486.79	\$486.79				\$1460.37	\$1460.37
NOV	\$486.79					\$1947.16	\$0.00
DEC	\$486.79					\$2433.95	\$0.00
JAN	\$486.79		\$1757.69		TOWN TAX	\$1163.05	\$0.00
FEB	\$486.79					\$1649.84	\$0.00
MAR	\$486.79					\$2136.63	\$0.00
APR	\$486.79					\$2623.42	\$0.00
MAY	\$486.79					\$3110.21	\$0.00
JUN	\$486.79					\$3597.00	\$0.00
JUL	\$486.79		\$2007.94		TOWN TAX	\$2075.85	\$0.00
AUG	\$486.79					\$2562.64	\$0.00
SEP	\$486.79		\$500.00		HAZARD INSUR	\$2549.43	\$0.00
SEP			\$1576.00		FLOOD INSURA	\$973.43	\$0.00

Last year, we anticipated that payments from your escrow account would be made during this period equaling \$5841.63. Under federal law, your lowest monthly balance should not have exceeded \$973.58 or 1/6TH of anticipated payments from the account, unless your mortgage contract or state law specified a lower amount. Under your mortgage contract and/or state law, your lowest monthly balance should not have exceeded \$973.58.

Your actual lowest monthly balance was greater than \$973.58. The items with an asterisk on your account history may explain this, if you would like a further explanation, please call our toll-free number: [REDACTED]