

MARCH 16, 2012

TO: MEMBERS OF THE PLANNING AND DEVELOPMENT COMMITTEE

FROM: CONNECTICUT BANKERS ASSOCIATION
CONTACTS: TOM MONGELLOW, FRITZ CONWAY

RE: SB 407: AN ACT CONCERNING THE ASSIGNMENT OF MORTGAGE DEBTS

POSITION: OPPOSE

The Connecticut Bankers Association (“CBA”) is an industry association that represents the interests of roughly sixty banks that do business in the State of Connecticut. Our member banks play a critical role in serving the home mortgage financing needs of Connecticut residents. As an active participant in the mortgage industry, we strongly encourage this Committee to vote against SB 407.

This Bill would ostensibly compel the recording of any *assignment* of the “mortgage debt”. In addition, the Bill would impose significant penalties if the recording of any such assignments is delayed. Both these measures would be disruptive to the efficiency of the secondary market system (which involves assignments of the mortgage debt). This system is essential to the supply of low-cost mortgage financing in Connecticut. The Bill would make Connecticut an inhospitable state within the context of the current secondary market system, thereby potentially driving-up the cost of home financing for Connecticut residents.

In addition, the measures would serve no useful purpose for Connecticut residents. This is not a matter of transparency. Connecticut residents do not need to have assignments recorded on the land records in order to learn who owns their debt. Currently, under the Truth-in-Lending Act, borrowers receive notice whenever legal title to their mortgage debt is transferred (providing contact information). In addition, under the Real Estate Settlement Procedures Act, borrowers receive notice whenever the servicing of their loan is transferred (again, providing contact information for the new servicer).

Finally, the Bill has the potential to create unnecessary title risks. These title risks could ultimately be borne by Connecticut homeowners.

For all of these reasons, we urge the Committee members to oppose SB 407.