

February 19, 2013

Testimony of William J. McCue
McCue Mortgage Company, New Britain, Ct

Concerning: Opposition to House Bill 6355,
An Act Concerning Homeowner Protection Rights

My name is William J. McCue. I own and operate the McCue Mortgage Company. Our Office is in New Britain. We are licensed by the Department of Banking to originate, sell, and service home loans throughout the State of Connecticut. I am a lifelong resident of Connecticut and New Britain. I am a Member of the Connecticut Mortgage Bankers Association and am a member and currently serve on the Board of Directors of The Mortgage Bankers Association of America. I am here to testify on Bill 6355.

The McCue Mortgage Co. was founded by my father in 1949. The company was designated at that time as the first Loan Correspondent for the State of Connecticut under a program run by Dept. of Public Works established to make home loans to finance first home purchases for veterans who had returned from WWII. Since that time

we have participated in all State home financing programs including our current involvement in the Connecticut Housing Finance Authority first time home buyer program. We have originated and serviced all of these loans.

Originating, selling and servicing loans places us in the position of being an intermediary between customers and investors. When we deal with our delinquent borrowers we must do so in accordance with the requirements of our investors, because, they own the loans.

Further, virtually all of our loans are low downpayment loans and therefore require mortgage insurance. In order to keep the insurance in place to protect our investors from loss we must also comply with the rules the mortgage insurers impose when dealing with delinquent loans. The mortgage insurers we use most frequently are FHA (Federal Housing Administration), VA (Veterans Administration) and various PMIs (private mortgage insurance companies).

These insurers have very detailed rules on how delinquent loans will be administered. This effort, referred to as "Loss

Mitigation” serve two purposes, to preserve the home form foreclosure and to prevent the insurer from having to pay a claim.

Overwhelmingly, our loans are insured by FHA. When an FHA loan goes into default we are required before commencing foreclosure to use the following tools to attempt to end the default:

1. Repayment Plan
2. Special Forbearance
3. Loan Modification plan
4. Filing a Partial Claim with the Insurer which may also include a modification
5. EMAP State Program that brings the borrower current through a non-interest accruing loan and may also include subsidizing the monthly payment
6. SHORT SALE.

All of these steps must be completed before the foreclosure begins. If the defaulted borrower is responding to our communication efforts each of these

plans will be evaluated and determined unworkable before the next possible plan is evaluated.

When there are no other Loss Mitigation options that are workable, we commence foreclosure. Current Connecticut law mandates Mediation at the outset of the foreclosure process. The Mediation sessions are primarily an effort on the part of the *mediator* to go through the process we have already been through with the borrower in an effort to keep the borrower in the home. This process generally entails a borrower claim that his or her financial condition has changed and they should be reconsidered. The mediator delays the process while the new documentation is gathered. This includes additional Mediation sessions, where *almost always no new information is received which would bring the borrowers to Loss Mitigation eligibility.* Mediation then usually continues for 4-5 sessions with the sessions occurring in thirty day intervals. That means four to five more months - with no payments made - added to the five to seven months of no payments that precedes the commencement of foreclosure. That means

approximately one year of no mortgage, insurance or property tax payments before the foreclosure begins.

Almost No borrower can recover from a 12 month delinquency without the help of outside sources - all of which have been reviewed and the borrower determined unqualified in the first 4-5 months.

Now the process returns to the courts for several more months before judgment is entered on our behalf.

The best part of two years will pass before we can recover our investor's losses though the filing of insurance claims or sale of the property.

The intent of this legislation is to shorten this process. We are in favor of the intent.

This legislation does not accomplish the intent because:

1. It gives more authority to the Mediator who is the prime cause of the delays
2. It gives authority to impose severe penalties on the lender and no penalty can be imposed on other parties. This suggests that the cause for the delay is the lenders and servicers. This is not so.

3. The lopsidedness of the penalties suggests a different intent. That intent is to keep the borrower in the house longer notwithstanding the continuation of the default in the loan.

The real result will be:

1. Longer and more costly foreclosures
2. Continued deterioration of the homes that these borrowers occupy as they neglect maintenance knowing that they will eventually lose the home for failure to pay.
3. Continued growth in the cost of operating the Judicial Dept. caused by unnecessary delays and unnecessary staff.
4. Delay of the defaulted borrower rebuilding his or her credit score and financial future.
5. Loss of attractiveness of Connecticut as a place to make mortgage loans.

I urge the Committees opposition to this legislation as drafted and would be happy to answer any questions you may have.