



CONNECTICUT BANKERS ASSOCIATION

MARCH 11, 2013

TO: MEMBERS OF THE PLANNING AND DEVELOPMENT COMMITTEE

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

RE: House Bill 6235: 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 seventy 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 urge this Committee to vote against House Bill 6235 for a variety of reasons.

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.

This Bill will create unnecessary title risks. If an assignment is not recorded, because someone forgot, e.g. the closing attorney, there would be a break in the chain of title which could cause delays or cancellations in the mortgage closing process. These title risks could ultimately be borne by Connecticut homeowners and the banks that lend to them.

Damaging to the Secondary Mortgage Market

Both these measures would be *disruptive* to the efficiency of the secondary mortgage market system (which involves assignments of the mortgage debt) and how that system buys (or doesn't buy) mortgages made in the State. ***This system is essential because it supplies continuous low-cost mortgage financing in Connecticut.*** Make no mistake – without the secondary mortgage market replenishing the money banks and lenders use to originate loans, home mortgages would be much more costly (higher interest rates and down payments), and less available (because banks won't be able to replenish the money to relend). ***More costly and less available loans is the very definition of a credit crunch.***

Costly for home buyers

Unfortunately, this Bill would make Connecticut an inhospitable state by driving-up the cost of home financing for all Connecticut homebuyers, and creating additional and unacceptable layers of risk for lenders and investors who buy mortgages.

A case in point is the recent Federal Housing Finance Agency proposal to **impose a 52% surcharge on the guarantee fees charged by Fannie Mae and Freddie Mac for mortgages made in the State.** That's increase, which we understand will be implemented, came about because of an almost 2 year delay in Connecticut foreclosures. This bill will only add to the cost and delay of that process and if enacted, may very well cause the FHFA to increase the guarantee fee up to 79% as will be the case in New York State.

Borrowers already receive notice of who owns and who services their loan

The bill's provisions 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, **every borrower receives notice whenever legal title to their mortgage debt is transferred (sold).** That notification clearly provides name and 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).**

For all of these reasons, we urge the Committee members to oppose House Bill 6235.