Connecticut Mortgage
Bankers Association, Inc.

Opening Doors

February 25, 2014

TO: Banks Committee

FROM: The Connecticut Mortgage Bankers Association, Inc.

RE: Statement In Opposition to Senate Bill No.130 (LCO No. 363), An Act Concerning The Payment of First or Secondary Mortgage Loan Proceeds by Wire Transfer

The Connecticut Mortgage Bankers Association, Inc. ("CMBA"), which numbers over one hundred fifty organizations and 700 individuals, is a non-profit association formed in 1984. The two principal purposes of the CMBA are to promote the welfare of the mortgage lending industry in Connecticut and to improve its service to the citizens of Connecticut. The CMBA is Connecticut's only trade association dedicated exclusively to the mortgage banking industry in the State of Connecticut.

For the reasons stated below, the CMBA opposes Senate Bill No. 130.

The CMBA recognizes the need to ensure the proper functioning of the residential mortgage credit markets to serve current and prospective borrowers.

The CMBA has had the opportunity to review S.B. No. 130. The CMBA supports measures to maintain residential mortgage credit availability for the citizens of Connecticut.

Senate Bill No. 130 would obligate lenders making residential mortgage loans in Connecticut that choose to utilize wire transfers to send loan proceeds to a mortgagee's attorney to transfer the loan proceeds to the bank that holds the account of the mortgagee's attorney by a wire transfer not later than the scheduled date and time of the closing of the loan or, in the case of a mortgage refinancing where any right of rescission under 12 CFR 226.23 has terminated not later than the disbursement date.

Given the intense regulatory and investor scrutiny to which mortgage lenders have been subject in recent years, mortgage lenders are reluctant to fund loans (i.e. by initiating wires to the closing agent's bank) until the final loan documentation has been submitted to the lender for review and approval. Given the spate of legislative, regulatory and judicial actions against lenders for failure to insist on tight underwriting and closing practices, and the increased incident of investor repurchase demands, lenders today are justifiably concerned that if they fund a loan before they receive the final loan documents for review and the loan documentation proves to be deficient in some respect, that they will be subject to a variety of material adverse consequences. Accordingly, lenders generally insist on seeing copies of the actual closing documents

before initiating the funding wire. If lenders were required to initiate wires before the final loan documents are available for their review, lenders may insist on escrow closings which, contrary to longstanding Connecticut residential closing practice, would require delivery of all closing documents into escrow prior to closing and funding of the loan.

For these reasons, the CMBA opposes S.B. 130.