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Speaking in Support of House Bill 6752

Members of the committee, thank you for allowing me to speak today. My name is Nic Gerschman and I am speaking in support of House Bill 6752. I am a second year student at Yale Law School, and a law student intern in the Mortgage Foreclosure Litigation Clinic. Our clinic represents homeowners facing foreclosure, and helps guide homeowners through the mediation program. We strongly support House Bill 6752.

My classmate Aurelia told you how important the Foreclosure Mediation Program was to Barbara and her family. I'd like to talk about how important the program has been to thousands of other Connecticut families, and why it is important to maintain this vital resource.

Barbara's case is not an outlier. Over 21,000 homeowners have successfully completed mediation since 2008. 85 percent of these cases have ended in settlement. In 69 percent of all mediation cases, homeowners have remained in their homes. Of homeowners who stay in their homes, 83 percent receive a loan modification.²

These statistics are more than just numbers. They represent thousands of Connecticut families enjoying the stability of staying in their homes, and thousands of neighborhoods spared the danger and blight of empty houses. They represent local governments retaining their tax base and avoiding the massive costs associated with vacant properties. And, importantly, each of these thousands of avoided evictions is a boon to the lender, who is spared a costly, wasteful, and inefficient foreclosure auction.

These benefits are felt across Connecticut, but they are especially important for middle class families and communities. The mediation program is used by more middle-class families than any other group.³

I'd like to talk about three reasons why the mediation program is as good an idea for Connecticut today as it was the day the legislature first created it. First, the mediation program remains important because, while the economy and housing market is improving, we are not out of the woods yet. Foreclosures have fallen from their peak in 2009, but foreclosure rates are still higher than pre-crisis years. More worryingly, rates have been trending upward since 2011.⁴ What was true in 2009 is still true today: failing

¹ Mr. Gerschman is a student at Yale Law School. This testimony was prepared through the Mortgage Foreclosure Litigation Clinic under the supervision of J.L. Pottenger, Jr., Nathan Baker Clinical Professor of Law.

² Hon. Patrick L. Carroll, III, Foreclosure Mediation Program: Report to the Banks Committee of the General Assembly, Appendix E, (Feb. 2015)

³ Gloria Jean Gong and Carl Brinton, State Justice Institute, Connecticut Judicial Branch Mortgage Foreclosure Mediation Program Evaluation, 19 (Oct. 2014)

⁴ *Id.* at 15.

to provide a forum for mutually beneficial settlements between lenders and homeowners can only prolong turmoil in the housing market, and the very real costs that come with it.

Second, even in a healthy market, the cost of foreclosure for homeowners, financial institutions, local governments, and neighborhoods is immense. Connecticut's mediation program has served as a national model. Several states have moved towards implementing mediation programs in just the last two years, even after having weathered the worst of the foreclosure crisis.⁵ Policy makers in these states have looked to the Connecticut example and decided that a foreclosure mediation program is valuable in both good times and bad times. In fact, Connecticut is an outlier; most states' mediation programs do not have a sunset date. It would be a shame for Connecticut to lose its position as a leader on this issue.

Third, history has taught us that we cannot predict when the next foreclosure crisis will hit. But cyclical economic downturns have a predictable effect: they stretch family finances and lead to a spike in foreclosure. Maintaining a robust, effective mediation program in place in advance of the next crisis will help protect Connecticut homeowners, lenders, neighborhoods, and local governments. The alternative, disbanding the program and allowing valuable institutional knowledge to fade, would be a step backward, and leave Connecticut unprepared for future downturns.

Homeownership, as many have noted, is a piece of the American dream. But the path to that dream is not always easy. Working at the Mortgage Foreclosure Litigation Clinic, I have seen just how valuable the Connecticut's foreclosure mediation program is. The program is an effective, and cost-effective, tool that helps keep families on their personal path to the dream of homeownership, and the stability, security, and community that comes with it. We ask that you support House Bill 6752 to ensure that this vital program continues. Thank you.

⁵ *Id.* at 5.