



STATE OF CONNECTICUT
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Testimony of the Honorable Patrick L. Carroll III
Housing Committee Public Hearing
February 17, 2015

Raised H.B. 6762, An Act Concerning the Foreclosure Mediation Program

Thank you for the opportunity to submit written testimony on behalf of the Judicial Branch in support of **House Bill 6762, An Act Concerning the Foreclosure Mediation Program**, which would eliminate the sunset provision and allow the program to continue beyond July 1, 2016.

By way of background, the Foreclosure Mediation Program, the nation's first state-wide mediation program, was established by the General Assembly in 2008, in response to the record number of foreclosure cases filed in our courts. The goal of the program was to assist homeowners and lenders achieve a mutually agreeable resolution to a mortgage foreclosure action through the mediation process. Specifically, mediators help the parties (the homeowner and the lender) determine whether they can reach an agreement that will avoid foreclosure or whether they can reach an agreement that expedites the foreclosure in a manner acceptable to both parties. Since the inception of the program, more than 31,000 cases have been mediated.

Data indicates that there is a compelling need for the Foreclosure Mediation Program to continue beyond July 1, 2016. Although initially established to address the surging foreclosure crisis in 2008, the need for the program has never abated. In fact, while the number of homeowners determined to be eligible for the program, and subsequently placed in the program, decreased between 2008 and 2011, we have seen a resurgence in the 2012 and 2013 calendar years. From the perspective of the Judicial Branch, it is clear that a new reality has taken hold, and while foreclosure cases may ebb and flow, a permanent mechanism, such as the Foreclosure Mediation Program is needed to effectively address foreclosure matters filed with our courts.

In addition to the continuing need for the program, we believe the program has been successful, by many measures. First, the program is highly successful with 85% of those who complete mediation from July 1, 2008 through December 31, 2014, ending with a settlement. Mediators work diligently and fairly to make this possible. In some instances, the settlement may be home retention with a loan modification, in other instances, the settlement may be a non-home retention option, such as short sales, deeds-in-lieu of foreclosure, and stipulated timetables for judgment. While foreclosure in some cases is unavoidable, in cases that are settled by foreclosure program mediators, 69% of program participants were able to stay in their homes.

Second, the program enhances access to justice, as mediators ensure that all parties understand the process, any loss mitigation options and available community based resources. This is particularly critical when you consider that there was at least one self-represented party in 74% of the cases participating in the program from its inception through December 31, 2014. For comparison purposes, only 25% of all civil cases have at least one self-represented party.

Third, as noted above, the need for the program has not abated. Thousands of parties are currently participated in the program, and we believe that it is fair to conclude that thousands more could ultimately benefit from it. These homeowners deserve to benefit from the program, just as others before them have benefitted from the assistance provided by our mediators.

In summary, the need for the Foreclosure Mediation Program still exists and we believe that the program should become permanent. To this end, the Judicial Branch submitted as part of its legislative package a bill that would also eliminate the sunset provision. The bill - House Bill 6782, *An Act Eliminating the Sunset Date for the Foreclosure Mediation Program* - was recently raised by the Judiciary Committee.

Thank you for the opportunity to provide written testimony in support of House Bill 6762. We look forward to working with this bill's proponents, the proponents of a similar bill raised by the Banking Committee, as well as members of the Judiciary Committee, to ensure the continuity of the Foreclosure Mediation Program.