



## **Testimony in Support of House Bill 7032: An Act Concerning Court Authority to Withhold Interest Payments in Foreclosure Proceedings**

Good afternoon Senator Coleman, Representative Tong, and distinguished members of the Judiciary Committee. My name is Pamela Heller, and I am a staff attorney at the Connecticut Fair Housing Center. I am here to testify in support of House Bill 7032: An Act Concerning Court Authority to Withhold Interest Payments in Foreclosure Proceedings. This act would allow courts to withhold interest payments as a sanction against a mortgagee for engaging in conduct contrary to objectives of the foreclosure mediation program. We strongly support the intent of this bill to provide a greater range of remedies to courts when mortgagees behave badly in mediation, and recommend some improvements that would more effectively accomplish that purpose. Banks are already essentially withholding interest from themselves by refusing to accept payments from homeowners; they should instead be barred from collecting or charging interest or other fees when they fail to comply with our mediation statute.

A recent report to the Banks Committee reviewing the foreclosure mediation program shows that in more than 50% of cases, the mortgagee does not even provide basic documentation in a timely manner. The report also revealed that mortgagees are more likely than homeowners to fail to engage in conduct consistent with the mediation program and to lack the ability to mediate. Nearly 30% of the time, mortgagees fail to respond to the homeowner's request, compared to only 2% of homeowners who fail to respond to a mortgagee's offer.

When homeowners face unnecessary delay by their banks, the cost to them can quickly jump into the thousands of dollars. A bank's failure to comply with the mediation rules – which

are consistent with federal regulations that banks should already be following even outside of mediation – costs homeowners additional interest, time off work, emotional distress, risk of marital problems, and the hassle of extra paperwork. Bank noncompliance costs the Judicial Branch as well, clogging dockets and reducing efficiency. Taxpayers and the general public then bear some burden, yet banks are rarely held accountable for that cost.

Courts currently have within their equitable powers the authority to bar interest as a sanction, though few have taken that step. The legislature’s codification of that authority will make it clear that banks can face meaningful consequences when their delay costs homeowners, the courts, and the taxpayers of this state. Barring the charging of interest, not just withholding interest that is due, might be enough to get the attention of institutions that seem unconcerned with the current de minimis consequences for their actions.

We urge the committee to adopt HB 7032 with revised language: “to bar mortgagees from charging or collecting interests or fees” as a possible sanction. Thank you for your time and consideration.