

# Legal Assistance Resource Center

## ❖ of Connecticut, Inc. ❖

363 Main Street, Suite 301 ❖ Hartford, Connecticut 06106  
phone (860) 616-4472 ❖ cell (860) 836-6355 ❖ RPodolsky@LARCC.org

### H.B. 6751 and H.B. 6752 – Foreclosure Mediation Program

#### Testimony of Raphael L. Podolsky

Banking Committee public hearing -- February 24, 2015

<p><u>Recommended Committee action:</u>    <b>APPROVE H.B. 6752</b>     <b>REJECT H.B. 6751</b></p>
---

The Foreclosure Mediation Program (FMP) was created in 2008 in response to the foreclosure crisis. The program partially levels the playing field between banks and homeowners by providing in-court mediation in foreclosure actions against owners of owner-occupied one- to four-family houses. Its goal is to provide a vehicle for allowing homeowners to keep their homes when possible and to ease the loss of the home when not possible. The program has proved to be both an enormous success and a national model. The Judicial Branch recently reported that, since 2008, more than 21,000 cases have been mediated, that about 85% of the mediated cases resulted in settlements, and that more than 80% of the settled cases resulted in the homeowner being able to stay in the home, largely through loan modification. I have attached a chart from the Judicial Branch summarizing this data.

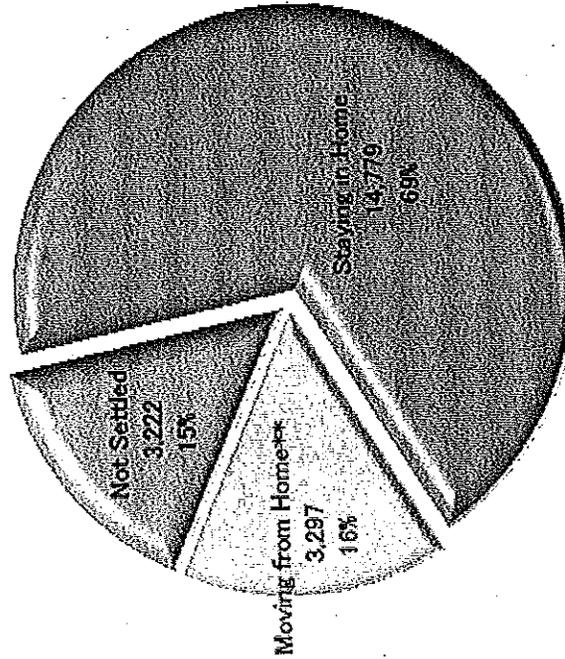
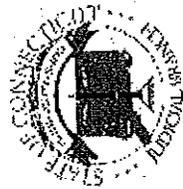
Preservation of homeownership is beneficial not only for the individual homeowner. It also helps communities avoid the consequences of property abandonment and allows the lender to avoid non-performing mortgages which harm its own financial status. Indeed, the history of the past decade shows how lenders have sometimes been blind to their own self-interest and have resisted modifications that would actually help them, as well as the homeowner. Unless the General Assembly acts, the program will sunset on June 30, 2016.

Although it was the foreclosure crisis that generated the program, there is no good reason to terminate the program. While the number of cases requiring mediation may rise or fall as the economy changes (and the number of foreclosures still remains high), in-court mediation will remain essential to protect homeowners whenever they face a foreclosure. Connecticut's two other major in-court mediation systems – housing mediation for landlord-tenant cases and Family Relations Office mediation in family cases, both of which are highly successful and highly regarded – are long-standing, permanent parts of the judicial system and not based on the existence of a "crisis." The General Assembly has extended the FMP three times already. It is now time to recognize that the need for the program is on-going, that it is a program that has met all reasonable tests for success, and that it should be made permanent. For that reason, the Committee should approve H.B. 6752 and reject H.B. 6751.

# Foreclosure Mediation Program

## Case Outcomes

July 1, 2008 through December 31, 2014

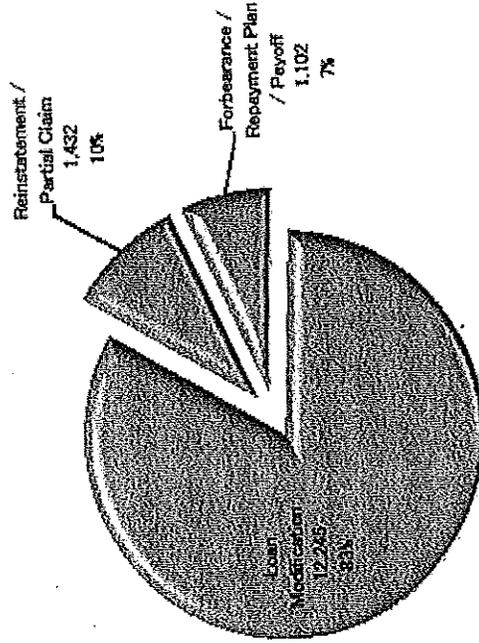


21,298

cases have completed mediation

85%

settlement rate\*



Staying in Home  
outcome distribution

\* Settlement Rate is "Moving from Home" plus "Staying in Home" divided by cases that have completed mediation.  
 \*\* "Moving from Home" includes: Agreements for a Short Sale, a Deed In Lieu, or Extension of the Law Day or Sale Date.

# Legal Assistance Resource Center

## ❖ of Connecticut, Inc. ❖

363 Main Street, Suite 301 ❖ Hartford, Connecticut 06106  
phone (860) 616-4472 ❖ cell (860) 836-6355 ❖ RPodolsky@LARCC.org

### S.B. 923 -- Small Loan Act revisions

#### Testimony of Raphael L. Podolsky

Banking Committee public hearing -- February 24, 2015

**Recommended Committee action: APPROVAL OF THE BILL**

This bill makes clear that loans made in violation of the Small Loan Act are void and cannot be collected. This maximizes the Banking Department's ability to order full restitution and to investigate and enforce the Small Loan Act on those who promote, support, or assist unlicensed lenders. The bill thereby strengthens the enforcement powers of the Banking Commissioner to protect consumers from usurious lending.

