

# Banking Committee JOINT FAVORABLE REPORT

**Bill No.:** HB-6996

**Title:** AN ACT EXTENDING THE FORECLOSURE MEDIATION PROGRAM.

**Vote Date:** 3/5/2019

**Vote Action:** Joint Favorable

**PH Date:** 2/7/2019

**File No.:** 85

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## **SPONSORS OF BILL:**

The Banking Committee

## **REASONS FOR BILL:**

The Foreclosure Mediation Program was created in 2008 by the Connecticut General Assembly in response to the housing crisis as an emergency and temporary solution. This bill would extend the foreclosure mediation program by four years, from 2019 to 2023.

## **RESPONSE FROM ADMINISTRATION/AGENCY:**

James W. Abrams, Chief Administrative Judge, State of Connecticut Judicial Branch; states that if the program is extended, considerations should be made including the elimination of the requirement in subsection (d) in section (2) that the Chief Court Administrator must prepare and submit statistical report about the program annually which is time consuming. It was also stated that another consideration to be made is restoration of Banking Fund resources to operate the program, which is necessary to continue its operation of the program.

## **NATURE AND SOURCES OF SUPPORT:**

AARP of Connecticut; supports this bill with recommendations to making the program permanent, stating that the collapse of the housing market and increase in foreclosures has had a devastating impact on older Americans and public perception of older homeowners is that there is financial security which has resulted in unaffordable loans in homeowners.

Kathleen Flaherty, Esq., Executive Director, Connecticut Legal Rights Project, Inc.; supports this bill, citing that the Foreclosure Mediation Program was established to assist homeowners and lenders achieve a mutually agreeable resolution to a mortgage foreclosure action

through the mediation process, which has been a success. It is stated that the program saves court resources and should become a permanent program.

Jeff Gentes, Managing Attorney, Connecticut Fair Housing Center, supports this bill with recommendations to making the program permanent, stating that the need for the Foreclosure Mediation Program will never go away and mediation is needed to help seniors age in place. It is stated that mediators help find solutions that eluded banks and homeowners before foreclosures begin.

Raphael Podolsky, Public Policy Advocate, Connecticut Legal Services; supports this bill with recommendations to making the program permanent, stating that the Foreclosure Mediation Program has been successful with a settlement rate of 86%, resulting in the homeowner staying in the home. It was stated that the program results in true negotiation that results in a work-out, noting that other court-based mediation programs are permanent.

Sarah Poriss, Attorney, Attorney at Law, LLC.; supports this bill, stating that as a solo attorney with many clients who have crumbling foundations it will benefit many, both homeowners and lenders. It is expressed that now that the Home Affordable Modification Program has ended, extending the Foreclosure Mediation Program is important for homeowners and mediators to work effectively with homeowners to continue to save homes.

#### **NATURE AND SOURCES OF OPPOSITION:**

Connecticut Realtors; opposes this bill, stating that the process causes Connecticut to be one of the slowest foreclosure states in the country. It was stated that mediation adds significant time to foreclosure proceedings, which can add years to the process and no restriction on repeated participation and extending the program would not make good fiscal sense.

Thomas S. Mongellow, Executive Vice President, Connecticut Bankers Association; opposes this bill, expressing concern that the volume of foreclosures has receded back to pre-crisis levels and the program is no longer needed. It was stated that the Foreclosure Mediation Program's \$3 million in funding should be used for assisting homeowners before they are impacted by foreclosure, in which several state programs exist that are designed to accomplish such goals.

Tom Madden, Manager of Collections, Nutmeg State Financial Credit Union; opposes this bill, stating the unintended consequences experienced due to this program. It was expressed that due to the size of the Nutmeg State Financial Credit Union, a one-size-fits-all solution does not work.

Kelly Ramsey Fuhlbrigge, Vice President-Government Relations, The Credit Union League of Connecticut; opposes this bill, expressing concern of unintended consequences for credit unions due to the program lengthening the process already used by credit unions working to help members remain in homes. It was stated that the process has resulted in additional expenses, having adverse effects on Connecticut's Credit Unions and consumers.

**Reported by: Zoë Gluck**

**Date: 3/19/19**