

Testimony in Opposition to the Reappointment of Jorge Perez as Commissioner of the Department of Banking, Submitted by John C. Dilorio

Co-Chairs Duff and Concepcion, Vice Chairs Looney and Godfrey, Ranking Members Kelly and Yaccarino, and members of the Executive and Legislative Nominations Committee, I submit the following testimony in opposition to Jorge Perez being reappointed as Commissioner of the Department of Banking. I hoped to testify as well, but other obligations on February 7<sup>th</sup> render me unavailable. I am happy to meet with the Committee another time to answer questions, and submit evidence that cannot be submitted publicly, at this time. It should be noted for the record I made several offers to submit certain evidence under seal, to both this committee and the Banking Committee. Those offers were either ignored, or rejected.

Mr. Perez took office in 2015, and since that time has abused his power , at the expense of Connecticut taxpayers on multiple occasions.

Great Plains Lending V. Perez et al

<https://civillinquiry.jud.ct.gov/CaseDetail/PublicCaseDetail.aspx?DocketNo=HHBCV176038913S>

Mr. Perez was found to improperly ignore sovereign immunity, and improperly pursue a related individual. After six years of improper prosecution, at significant cost to our taxpayers, the case was dismissed. At first glance, some may admire this action as an effort to curb “payday lending”. I too find such lending activities to be a rather distasteful abuse of low-income consumers. That said, it does not mean state officials can ignore the law, or be ignorant of the law; and in turn pursue companies and individuals beyond its jurisdiction, or beyond what this legislature enacts and intends. Such behavior is not in the best interest of Connecticut, and with Jorge Perez, it seems to be habit.

The Pennsylvania Higher Education Assistance Agency V. Perez et al

[https://www.pacermonitor.com/public/case/24963910/Pennsylvania\\_Higher\\_Education\\_Assistance\\_Agency\\_v\\_Perez\\_et\\_al](https://www.pacermonitor.com/public/case/24963910/Pennsylvania_Higher_Education_Assistance_Agency_v_Perez_et_al)

Again, Perez, and his Consumer Credit Division try to reach beyond their statutory and jurisdictional authority. This time, the delusions of grandeur stoked the belief that the Department could access confidential US Department of Education documents, on demand. Again, this time in Federal Court, Mr. Perez was rebuked. Again, the taxpayers of Connecticut were burdened by the hubris, and incompetence of Jorge Perez, and his Consumer Credit Division.

1<sup>st</sup> Alliance Lending, LLC V. Perez, et al (pending)

<https://civilinquiry.jud.ct.gov/CaseDetail/PublicCaseDetail.aspx?DocketNo=HHBCV216066325S>

1<sup>st</sup> Alliance alleges multiple abuses of discretion, and that Mr. Perez once again exceeded his jurisdictional and statutory authority. 1<sup>st</sup> Alliance has fully briefed the matter, and the States response is due 2/17/2023.

<https://civilinquiry.jud.ct.gov/DocumentInquiry/DocumentInquiry.aspx?DocumentNo=23964475>

We expect this case will be decided by the Honorable John Cordani this coming late Spring, or Summer. Mr. Perez's irrational pursuit of 1<sup>st</sup> Alliance did millions of dollars in economic damage to Connecticut. That damage, and clear misconduct of Mr. Perez and his Consumer Credit Division is laid out hereafter.

1<sup>st</sup> Alliance Lending, LLC was an independent mortgage bank, both incorporated and based here in Connecticut. At its peak, 1<sup>st</sup> Alliance had fifty million dollars in annual revenue, and 170+ employees based in East Hartford. 1<sup>st</sup> Alliance generated millions in tax revenues for the State from 2005 - 2018, and was well known as a generous corporate citizen. Today, it has no assets and no employees, as it shuttered in December of 2019, liquidating all its assets to Connecticut's Department of Economic and Community Development. Mr. Perez forced this end, and did so in clear conflict with both law and Connecticut's interests. The following timeline breaks down the process used by Perez, and the Consumer Credit Division, to destroy a company that "pissed them off" because it chose to defend its business model instead accepting an illegal gag order. (we have proof of this on video)

Timeline -

May 2018 - the Department performs an "examination" of 1<sup>st</sup> Alliance and determines that a certain class of employee, known as Home Loan Consultants, needed to be licensed under CT's mortgage licensing statutes. Under oath, the examiner in charge testified that he did not examine 1<sup>st</sup> Alliance's policies and procedures, and did not interview 1<sup>st</sup> Alliance management or compliance staff about its licensing practices. He further testified that management ***instructed him not to do so***. The examination was deeply flawed, and incomplete.

August 2018 - 1<sup>st</sup> Alliance disagrees with the Department's interpretation of the S.A.F.E. act, but changes its practices in CT to comply. As of August 2018, Home Loan Consultants, hereafter HLC's, did not interact with Connecticut consumers. Connecticut represented 7% of our business, so the change however silly, did not cause irreparable harm.

September 2018 - The law in question is a model state law, meaning the language is shared by many states. This meant any settlement with the Department, hereafter DOB, could have repercussions throughout the country if not crafted reasonably. In short, the DOB insisted on a gag order that would have prevented 1<sup>st</sup> Alliance from defending its

business model with other States. Seeing as it was in contract with DECD, and many of the jobs to be created under the contract were HLC positions, 1<sup>st</sup> Alliance had no choice but to defend its model. The DOB refused to remove the gag clause from the proposed consent order. This was a turning point.

October 2018 - The DOB began recruiting other states to join their cause, instead of removing the gag order, and letting 1<sup>st</sup> Alliance operate in the rest of the country, employing Connecticut residents.

December 2018 - DOB filed a public notice, ripe with misrepresentations about 1<sup>st</sup> Alliances business model.

January 2019 - Instead of moving quickly towards the February hearing posted in its Notice, the DOB punts, and instead refers 1<sup>st</sup> Alliance to the Multi State Mortgage Committee. So here we are 8 months in, and instead of simply removing a gag order, they try to incite regulatory Armageddon against 1<sup>st</sup> Alliance, a company under contract with DECD to remake a blighted CT downtown. Between December of 2018 and January of 2019, the DOB had presented its case both publicly and privately to regulators throughout the country. ( we have proof via out of state FOI responses)

April 2019 - Iowa completes an exam of 1<sup>st</sup> Alliance, and finds it compliant with the same licensing language used in CT. In response, DOB employees Carmine Costa and Richard Cortes try to intervene in the Iowa exam, and convince Iowa's director to reopen the exam. Iowa looks again, **and still finds 1<sup>st</sup> Alliance compliant despite the bizarre interference.** (we have proof of this on audio tape)

June 2019 - New Hampshire completes a comprehensive exam of 1<sup>st</sup> Alliance, and is a member of the MMC. New Hampshire finds 1<sup>st</sup> Alliance compliant with the same model language used in CT. Vermont completes a desk exam of 1<sup>st</sup> Alliance and finds 1<sup>st</sup> Alliance compliant with the same model language used in CT. Pennsylvania examines 1<sup>st</sup> Alliance and finds 1<sup>st</sup> Alliance compliant with the same model language used in CT. The Non-Depository Supervisory Committee reviews the examination material from the MMC exam inspired by Mr. Perez, and determines our practices did not warrant an enforcement action. As a side note, Massachusetts did an very comprehensive on-site, CFPB grade examination of 1<sup>st</sup> Alliance in 2017 - and found it compliant with the same model language used in CT. So at the end of June 2019, 1<sup>st</sup> Alliance is on course to recover from Perez's gross misconduct. But Mr. Perez has other plans, and instead of simply accepting 1<sup>st</sup> Alliances license surrender, he chooses gamesmanship to kill the company. This is where Mr. Perez crossed the line from unethical bully to an irrational regulator that likely broke many laws, including violations of basic civil rights. (we have several audio recordings and correspondences to prove all this)

July 2019 - Knowing all the above, Perez files a new Public Notice. The Department, having failed in its first attempt to misrepresent 1<sup>st</sup> Alliance to regulators, recruits an old CFPB friend, Don Gordon Jr. to carry its water. Mr. Gordon has since been removed from the 1<sup>st</sup> Alliance case, and the CFPB is becoming wise to the Departments systemic

deception. On July 26<sup>th</sup>, 1<sup>st</sup> Alliance funded its last loan in Connecticut, and surrendered its license. (1<sup>st</sup> Alliance has documentation that it can submit under seal at this time, due to ongoing litigation)

August 2019 - Perez suspends 1<sup>st</sup> Alliances license, even though 1<sup>st</sup> Alliance had stopped all mortgage related activities with Connecticut consumers before surrendering its license.

October 2019 - Perez revokes 1<sup>st</sup> Alliances license, for having a license without a bond. We surrendered our license, and stopped all mortgage related activity in CT before the bond expired. (proof of mal intent within the Department is available)

September 2019 - April 2022 - The administrative process under the UAPA took 32 months. Absurd on its face. This alone should disqualify Mr. Perez as incompetent and/or lacking the character and demeanor required of such a powerful position. The inept decision is currently under appeal, and at very least, this committee should hold Mr. Perez's confirmation until the court opines on his conduct.

Here again, like the other cases noted above, Perez et al are enforcing laws in contradiction of legislative language and intent. The DOB appears to see itself as a national regulator, and in this case, acted against CT's own interests in furtherance that delusion. Jorge Perez's misconduct is consistent, exposing Connecticut to excessive legal fees and other legal jeopardy.

Consequences of Mr. Perez's misconduct:

- DECD loses \$1,500,000
- Connecticut loses many multiples of that in tax revenue
- CT spends enormous resources on litigation (both historic and future)
- CT loses 200-300 jobs
- Former 1<sup>st</sup> Alliance employees lose an employer that provided them with no premium, no deductible health insurance, and paid family leave without a 50 basis point deduction from their paycheck
- Downtown Putnam loses redevelopment project
- 1<sup>st</sup> Alliance shareholders are robbed of millions in equity and future opportunity
- Make a Wish Foundation, Hole in the Wall Gang, and the Pan Mass Challenge lose a generous sponsor in the war on cancer.

What did CT gain? Jorge Perez and Carmine Costa get to save face for a period, and get to "weaponize" the Government in their efforts to "get even" with 1<sup>st</sup> Alliance for "pissing them off". (proof available under seal) Not sure how a company committed to minority lending can piss off a guy like Perez - seeing as his former employer blatantly discriminated against Connecticut's Black and Latin American citizens; for which he did absolutely nothing.

This is the type of thing that should “piss off” Mr. Perez.

<https://www.ctfairhousing.org/wp-content/uploads/2018/10/001-Complaint-and-Exhibits.pdf>

If defending oneself and exercising free speech rights offends Mr. Perez to this extent, he simply does not have the intellect nor the demeanor to hold such power. Mr. Perez is an intemperate bully, and should not be our Commissioner of Banking. His misconduct has caused enormous damage to Connecticut, and simply can't be tolerated.

Connecticut can do better than Jorge Perez.