Legislative History for Connecticut Act

HB 5423 P.A. 185 1994

Sen: 2736-2737, 2943-2945 (5)

House 1921-1922, 4104-4134 (33)

Housing 107-114, 117-128, 139-145 (27)

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SENATE

PROCEEDINGS
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and gas utilities.

It allows district heating and cooling companies to participate in the program and it also allows companies to include fuel conversation as part of their plans. It also requires that the appliance and equipment meet federal energy efficiency standards and I would urge passage of the bill.

THE CHAIR:

Thank you very much. Would anybody else wish to remark on Senate Calendar 668? Are there any further remarks on Senate Calendar 668? If not, Senator Peters, would you like to make a motion to place Senate Calendar 668 on the Consent Calendar?

SENATOR PETERS:

I so move. Thank you very much.

THE CHAIR:

Thank you very much, Senator. Is there any objection to placing Senate Calendar 668, Substitute for House Bill No. 7069, on the Consent Calendar? Is there any objection? Any objection? Hearing none, so ordered.

THE CLERK:

Calendar No. 669, File No. 1048, Substitute for House Bill 5702, AN ACT CONCERNING EMERGENCY MORTGAGE ASSISTANCE. (As amended by House Amendment Schedules

"A" and "B").

Favorable Report of the Committee on Banks.

THE CHAIR:

Thank you very much. The Chair would recognize Senator Milner.

SENATOR MILNER:

Madam President, I move acceptance of the Joint Committee's Favorable Report in concurrence with the House and passage of the bill.

THE CHAIR:

Thank you very much, Senator. Do you wish to remark further?

SENATOR MILNER:

Yes, Madam President. This is another program that will help in the economic times we have now. The bill creates a program to help people who cannot pay their mortgages due to financial circumstances beyond their control. CHFA must run the program within available funds. The bill specifies criteria for determining financial hardship and calculating the amount of mortgage assistance payments CHFA can make on a mortgager's behalf.

Mortgagers and homeowners qualify for assistance if they occupy one or two family homes, including single family condominium units.

Madam President, I move adoption of the bill.

THE CHAIR:

Thank you very much. Would anybody else wish to remark on Calendar 669? Are there any further remarks? Any further remarks on Senate Calendar 699, Substitute for House Bill 5702? If not, Senator Milner, would you like to make a motion to place this on the Consent Calendar?

SENATOR MILNER:

So moved, Madam President.

THE CHAIR:

Is there any objection to placing Senate Calendar 669, Substitute for House Bill 5702, on the Consent Calendar? Is there any objection? Any objection? Hearing none, so ordered.

THE CLERK:

Calling from Senate Agenda #1, Substitute House Bill 7148, AN ACT CONCERNING ADMINISTRATIVE PER SE LICENSE HEARINGS BEFORE THE COMMISSIONER OF MOTOR VEHICLES. (As amended by House Amendment Schedule "A").

Favorable Report of the Committee on Public Health.

THE CHAIR:

Thank you very much. The Chair would recognize Senator Meotti.

SENATOR MEOTTI:

THE CLERK:

Calendar No. 632, Substitute for House Bill 5922.

Calendar Page 5, Calendar No. 647, Substitute for House Bill 6947. Calendar 648, Substitute for House Bill 7232. Calendar 651, Substitute for House Bill 6619.

Calendar Page 6, Calendar 659, Substitute for House Bill 6364. Calendar 660, Substitute for House Bill 7177. Calendar 661, Substitute for House Bill 5082.

Calendar Page 7, Calendar No. 662, Substitute for House Bill 5522. Calendar 666, Substitute for House Bill 6944. Calendar 668, Substitute for House Bill 7069. Calendar 669, Substitute for House Bill 5702. Calendar Page 13, Calendar No. 557, Substitute for House Bill 7265.

And, Madam President, we go to the Agendas. Agenda #1, Substitute for House Bill 7125. Substitute for House Bill 7148.

Agenda #2, Substitute for House Bill 5961.

Agenda #3, Substitute for House Bill 6976.

Agenda #4, House Bill 5313. House Bill 7252. Substitute for House Bill 6829. And Substitute for Senate Bill 748.

Madam President, I believe that completes the -- on the fourth Agenda I believe I said said Substitute for

House Bill 7251. If I didn't, that's what I meant. That completes the second Consent Calendar.

THE CHAIR:

Thank you very much. Mr. Clerk. You've heard the items that have been placed on Consent Calendar No. 2 for today, Wednesday, June 9, 1993. The machine is on. You may record your vote.

Senator Fleming. Senator Fleming. That's all right. We just want you to record your vote if you choose to. Have all Senators voted and are your votes properly recorded? Have all Senators voted and are your votes properly recorded? The machine is closed.

The result of the vote:

36 Yea

0 Nay

0 Absent

Consent Calendar No. 2 is adopted.

Senator DiBella.

SENATOR DIBELLA:

Thank you, Madam President. Could we recess until 9:15?

THE CHAIR:

Thank you very much. Senator Aniskovich, before we recess.

SENATOR ANISKOVICH:

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Committee on Planning and Development.

DEPUTY SPEAKER PUDLIN:

Motion is to refer to Planning and Development. Hearing no objections, so moved.

CLERK:

On Page 16, Calendar 591, Substitute for House Bill 5702, AN ACT CONCERNING EMERGENCY MORTGAGE ASSISTANCE. Favorable Report of the Committee on Finance, Revenue and Bonding.

DEPUTY SPEAKER PUDLIN:

Representative Luby.

REP. LUBY: (82nd)

Mr. Speaker.

DEPUTY SPEAKER PUDLIN:

Representative Luby.

REP. LUBY: (82nd)

I would ask that that matter be passed temporarily.

DEPUTY SPEAKER PUDLIN:

Hearing no objection, the matter is PTd.

REP. LUBY: (82nd)

Mr. Speaker, would the Clerk please call Calendar 581.

CLERK:

On Page 14, Calendar 581, Substitute for House Bill 6944, AN ACT ESTABLISHING A COMMUNITY ECONOMIC

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SPEAKER RITTER:

Without objection, so ordered.

CLERK:

Calendar 590, Substitute for House Bill 7051, AN ACT CONCERNING EMPLOYER ASSISTED HOUSING.

REP. LUBY: (82nd)

Mr. Speaker, I move that that matter be passed temporarily.

SPEAKER RITTER:

Without objection, so ordered.

CLERK:

Calendar 591, Sub titute for House Bill 5702 AN G MERG N Y M E .

SPEAKER RITTER:

Representative Luby.

REP. LUBY: (82nd)

I move that that matter be referred to the Committee on Judiciary.

SPEAKER RITTER:

Without objection, so ordered.

CLERK:

Calendar 592, Substitute for House Bill 7135, AN ACT CONCERNING EDUCATIONAL SERVICES FOR 18 TO 21 YEAR OLDS IN DEPARTMENT OF MENTAL HEALTH FACILITIES.

SPEAKER RITTER:

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8375-8781

Committee on Planning and Development.

DEPUTY SPEAKER LYONS:

Question before the Chamber is on referral to Planning and Development. Is there objection? Hearing none, so ordered.

CLERK:

On page 59 -- I am sorry. On page 32, Calendar 591, substitute for House Bill 5702, AN ACT CONCERNING EMERGENCY MORTGAGE ASSISTANCE. Favorable report of the Committee on Judiciary.

DEPUTY SPEAKER LYONS:

Representative Luby.

REP. LUBY: (82nd)

Madam Speaker, I move that that matter be referred to the Committee on Banks.

DEPUTY SPEAKER LYONS:

Question before the Chamber is on referral to Banks. Is there objection? Hearing none, so ordered.

CLERK:

On page 32. Calendar 593, Substitute for House Bill 7114, AN ACT ASSISTING CONNECTICUT COMMUNITIES SEEKING ECONOMIC STABILITY. Favorable report of the Committee on Labor and Public Employees.

DEPUTY SPEAKER LYONS:

Representative Luby.

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SB57, as amended by Senate "A"

Total Number Voting	145
Necessary for Passage	73
Those voting Yea	144
Those voting Nay	1
Those absent and not voting	6

SPEAKER RITTER:

The bill, as amended, passes.

Clerk, please continue the Call of the Calendar.

CLERK:

Calendar 591, Page 19, Substitute HB5702, AN ACT CONCERNING EMERGENCY MORTGAGE ASSISTANCE. Favorable Report of the Committee on Banks.

SPEAKER RITTER:

The Honorable Chair of the Housing Committee, Representative Alex Knopp of the 137th. You have the Floor, sir.

REP. KNOPP: (137th)

Thank you, Mr. Speaker. I move acceptance of the joint committee's favorable report and passage of the bill.

SPEAKER RITTER:

Acceptance and passage. Please proceed, sir.

REP. KNOPP: (137th)

Thank you, Mr. Speaker. Mr. Speaker, as many of us

have remarked during the session and have acted with bills, Connecticut has been smacked in the face by the recession over the last several years, losing 200,000 jobs in the last four years.

A significant impact of this high unemployment and under employment rate is the impact on homeowners in Connecticut. Earlier today we acted on an emergency certified bill that establishes a first time in the nation program to help families refinance their mortgages, so that they are not draining their family budgets and are able to prevent default and foreclosure.

But there are many families in Connecticut who, because of layoffs or other problems, now find themselves in default of their mortgages, and facing foreclosure and possible loss of their home. This year there are 14,000 foreclosure actions pending in the Superior Courts in Connecticut. According to the National Mortgage Bankers Association, Connecticut was among the four peak states in the country in the proportion of mortgages that were in foreclosure in the second quarter of 1992.

With recent other announced layoffs, the cutbacks and reductions in salaries and benefits at Pratt & Whitney and elsewhere, this program will only grow

worse. The proposal before us is a cooperative effort, been worked out on a bipartisan basis with the Housing Committee and other committees and has been negotiated in most respects over a long period of time, with the Connecticut Mortgage Bankers Association in Connecticut.

We feel that this has produced a program that will benefit consumers, protect homeowners, protect the state, meet the needs of the secondary finance market and of the banker, and at the same time, provide some protection for an unfortunately limited number of families in Connecticut.

Mr. Speaker, the Clerk has an amendment, LCO6243. May he call or may I be permitted to summarize?

SPEAKER RITTER:

Clerk has Amendment LCO6243 which will be designated House "A". The Clerk will please call and Representative Knopp would like to summarize.

CLERK:

LCO6243, House "A" offered by Representative Knopp.

SPEAKER RITTER:

Representative Knopp.

REP. KNOPP: (137th)

Thank you, Mr. Speaker. Since this is a strike everything after the enacting clause, I'd like to go

over the provisions of this amendment. It is very similar to file 798 in your file books. I asked the Office of Legislative Research to prepare an updated summary of the amendment and I had them placed in everyone's desk about two hours ago. That's an OLR report, 93R0714.

Mr. Speaker, this amendment would establish the Emergency Mortgage Assistance Program. It defines key terms that are in the files for who the mortgagee and mortgagor, what constitutes a financial hardship and so on. The heart of the amendment is the requirement that a bank, when it begins a foreclosure action, must notify the mortgagor or the homeowner of the availability of the Emergency Mortgage Assistance Program and inform the homeowner of how to inquire and make application for that program.

There is a procedure set out that within 30 days, if an application isn't made, CHFA must review the application. If the decision is to reject it, then the foreclosure can go forward. If the decision is to grant assistance, then it becomes a new loan against the property. CHFA is authorized to make up to 36 months of emergency mortgage payments to the bank with the homeowner making payments to CHFA up to 35% of the homeowner's income.

CHFA makes the payments to the bank for a period of 36 months, up to 36 months, based on underwriting criteria that include a lien on the home, repayment of the loan and other criteria. Hopefully, if the homeowner is able to get back on his feet after the period of 36 months, for example, in an under employment type of situation, then the homeowner would then be current with the mortgage, could hopefully then resume mortgage payments to the bank on his or her own, and the funds advanced by CHFA would become a secured lien against the property.

Following the pay off of the mortgage, the homeowner would be required to make payments to CHFA up to 35% of his or her income and if down the road the bank is paid off, the homeowner will be required to pay a comparable amount to CHFA to retire the CHFA outstanding loan.

That is the heart of the program. There are also some other changes to indicate what happens in case of default, authorized CHFA to make procedures, any repayments under this go back into CHFA into a revolving fund to make additional payments.

Mr. Speaker, I move its adoption.

SPEAKER RITTER:

The question is on adoption. Will you remark

further. Representative Maddox.

REP. MADDOX: (66th)

Thank you, Mr. Speaker. A few questions, if I may, through you, to the proponent. The first question, through you, Mr. Speaker, is Representative Knopp, when CHFA comes in and provides this loan, would there first be a requirement to determine or assistance, the equity in the property?

An example. Let's suppose that someone purchased a house for $100,000. They had an $80,000 mortgage on the property, still owed $80,000 on the property and the equity there was $20,000. Would that mean that the amount of secured debt could not exceed $20,000? Through you, Mr. Speaker.

SPEAKER RITTER:

Representative Knopp.

REP. KNOPP: (137th)

That would certainly be one criteria in terms of making the validity of a CHFA loan. Hypothetically the homeowner might have other property that for some reason could not be sold and reduced to a liquid asset that could be utilized, so that's another possibility. But the intent of this so that these be secured loans, that would be repaid, and if there were not enough property against which to secure the CHFA loan, it

would be unwise for CHFA to make that loan.

REP. MADDOX: (66th)

So then, Mr. Speaker, through you, legislative intent, this must be a secured loan, there must be enough equity there. If not, basically they would not qualify for the program. Is that correct? Through you, Mr. Speaker.

REP. KNOPP: (137th)

Through you, Mr. Speaker, in essence, yes. As I indicated, it may be that for one reason or other, there may be some other property that can be reduced, but the ideal be that all of the CHFA loan would be secured by property of the mortgagor.

REP. MADDOX: (66th)

Now, Representative Knopp, obviously I haven't had the opportunity to go through this whole amendment, so I apologize if it's in the analysis here. But in the event, then, of foreclosure, could you explain, would this new CHFA loan subordinate a first or second mortgage? Through you, Mr. Speaker.

SPEAKER RITTER:

Representative Knopp.

REP. KNOPP: (137th)

Could I ask the gentleman to repeat his question to clarify when the foreclosure would occur?

REP. MADDOX: (66th)

Okay. Let's suppose that CHFA comes in, provides some assistance, places obviously a lien on the property and then a couple years down the road, this individual, for whatever reason, entered, required foreclosure. What would be the pecking order? Normally it would be, as you know, an IRS lien followed by a state lien, followed by a first mortgage, second mortgage. Would CHFA be behind that or should CHFA subordinate a first or second mortgage? Through you, Mr. Speaker.

REP. KNOPP: (137th)

Through you, Mr. Speaker, beginning on line 368, it's very clear that the CHFA loan would take its priority behind the first or second mortgage lien on the property. Obviously if this were not the case, then this program would not have the ability to work out a cooperative program with mortgage bankers.

So, the mortgage of CHFA does not take priority over any other mortgage or lien in effect, against the property on the date that the emergency mortgage lien is recorded. Through you, Mr. Speaker.

SPEAKER RITTER:

Representative Maddox.

REP. MADDOX: (66th)

Through you, Mr. Speaker, how would circumstances change at all in the event of bankruptcy?

REP. KNOPP: (137th)

Through you, Mr. Speaker, it would seem clear that the statute that gives CHFA the authority to place lien on the property is limited by the provisions I just gave you and would not take priority over the other lien by Connecticut statute.

REP. MADDOX: (66th)

I do understand that, Representative Knopp, but through you, Mr. Speaker, my question is this. Let's suppose a couple years down the road the situation continues to deteriorate in this individual's case and this individual files for, let's say, liquidation bankruptcy.

There, for whatever reasons, are not enough assets then to cover everyone and how would then the state's or CHFA's interest in that case be dealt with? Through you, Mr. Speaker.

REP. KNOPP: (137th)

Through you, Mr. Speaker, if there were enough equity in the property to satisfy the secured liens, then CHFA would have its place as a secured creditor. If for some reason the value of the property were to fall precipitously and liquidation of that property did

not satisfy the secured creditors and CHFA was behind the first or second mortgage, then hypothetically those funds could not be repaid to CHFA.

REP. MADDOX: (66th)

Okay. Through you, Mr. Speaker, obviously now CHFA's primary function, as you know, has been the financing of first, single family and two family residences. That's their primary purpose. How much money are they allowed to divert into this program? Through you, Mr. Speaker.

REP. KNOPP: (137th)

Through you, Mr. Speaker, the intent was to have existing bonding authorization in the amount of a maximum of $4 million.

SPEAKER RITTER:

Representative Maddox.

REP. MADDOX: (66th)

Through you, Mr. Speaker, how would that be determined? First come, first served?

SPEAKER RITTER:

Representative Knopp.

REP. KNOPP: (137TH)

Through you, Mr. Speaker, yes.

REP. MADDOX: (66TH)

Okay, so it will be a $4 million, we're creating a

separate of CHFA's $53 million or whatever their program is, we're pulling $4 million of that out for this program. Is this program sunsetted at all? Through you, Mr. Speaker.

REP. KNOPP: (137TH)

Through you, Mr. Speaker, no, it is not, because obviously the liens that CHFA will be placing on the properties could be liens of 10, 20, 25 or more years. To sunset the program might, in some way, indicate that those would be expiring. So, there's no year or two year limit on the program as there was in the Emergency Refinance measure that we passed this morning, but obviously this will be limited by the availability of funds. These go into a revolving fund. When they're repaid, then hopefully if the underwriting is done correctly and repayments can be made into CHFA, the revolving fund would be able to make new funds available to other families in need. Through you, Mr. Speaker.

REP. MADDOX: (66TH)

And through you, Mr. Speaker, the interest rate that can be charged on that, is CHFA allowed to determine that based upon the risk of this undertaking? Through you, Mr. Speaker.

REP. KNOPP: (137TH)

Through you, Mr. Speaker, the interest that CHFA is allowed to charge on its loan is determined on the basis of its cost of borrowing and that section in the amendment is found beginning on line 362.

REP. MADDOX: (66TH)

So, through you, Mr. Speaker, there really, it's no different than there is for primary or two family homes, there's no additional risk assessment. Correct? Through you, Mr. Speaker.

REP. KNOPP: (137TH)

There's no additional risk assessment in terms of the interest rate. There may be additional risk assessment in terms of the underwriting and who to give the loan to in the first place.

REP. MADDOX: (66TH)

Okay. I must admit, obviously, if I raised concerns at the Finance Committee on this, on the program, I do thank Representative Knopp for answering his questions. I have some general concerns on entering in down this road. To be very honest, it's been my concern during the entire legislative session that we seem to be becoming the State of Connecticut Savings and Loan Institution. That is a real concern of mine.

With this program, while valid in certain cases, I

think we need to go extremely carefully here, ladies and gentlemen. What we're going to be doing now is taking, it would seem to me, we're going to be intervening at the point the bank is sending a notice off saying, "We're coming to foreclose." So we're saying to individuals as opposed to sitting down and attempting to work out the situation with the bank, we're first going to start bailing out some of the bank's bad loans. That concerns me.

Secondly, obviously, certain individuals by and large, I know that there's some penalties in here, we're reviewing it quickly, for misrepresenting their financial condition, but there seems to be not to necessarily be an incentive if people know this program is out there, to attempt to bring their own fiscal house in order.

Thirdly, we are diverting, and I think that that's fairly important, $4 million and not a great amount of money, I admit, but still $4 million that could be used to build new houses or renovate existing houses. That money, ladies and gentlemen, will have an economic impact upon our economy. This simply here, is not going to have any multiplier economic impact. It will, of course, have an economic impact on those families directly being benefitted by the program.

It would appear to me at this time, I will listen to Floor Debate and maybe can be convinced otherwise that this is still an idea whose time may not yet have come, and I'll yield the Floor now, Mr. Speaker, to other people who wish to speak.

SPEAKER RITTER:

Thank you, sir. Representative Nystrom.

REP. NYSTROM: (46th)

Thank you, Mr. Speaker. Rising in support of the amendment, I'll say, if I could, I'd like to ask a question or two, through you, to Representative Knopp.

SPEAKER RITTER:

Please proceed, sir.

REP. NYSTROM: (46th)

Thank you, Mr. Speaker. Through you, Representative Knopp, this bill clearly received most of the attention in committee this session and I would just like to reaffirm that those parties which sought its passage are in fact, still in support. In fact, we're involved in the drafting and composition of the language that's before us and that would be the Banker's Association of Connecticut, the Connecticut Mortgage Bankers and CHFA itself.

Through you, Mr. Speaker.

SPEAKER RITTER:

Representative Knopp.

REP. KNOPP: (137TH)

Thank you, Mr. Speaker. Those parties were involved in what they called a cooperative effort. I also want to say this was a bipartisan effort. Representative Nystrom and other Republican members of the Housing Committee played a big role in drafting this and supporting this. I want to thank him, also.

SPEAKER RITTER:

Representative Nystrom.

REP. NYSTROM: (46th)

Okay. I'd like to address a concern that was, the sunset concern raised by Representative Maddox. That's not in here, but I would point out that there are limits as to the length of time an individual can receive assistance under this program. I would also point out that there are requirements for a periodic review during that 36 month period of time when assistance is provided and that in fact, if there are changes determined by the people in charge of the review, namely CHFA, that assistance is no longer needed, then it would be stopped.

So someone who is concerned about someone getting assistance who may no longer need it, that's why the review period is here in the bill.

I think the bill is needed. I support its passage and I would urge all members to do so. Thank you.

SPEAKER RITTER:

Thank you, sir. Representative Farr.

REP. FARR: (19TH)

Yes. Thank you, Mr. Speaker. Through you, Mr. Speaker, a few questions to Representative Knopp. Representative Knopp, I have a couple of questions and concerns. My concerns are primarily as to how this bill affects foreclosure law in Connecticut. As I understand it, this bill is effective July 1, and it talks about the fact that you have to give notice 30 days prior to the commencement of an action.

Since the bill is effective July 1, I would assume that July 1, nobody will be able to issue a writ in a foreclosure action until they, at that point, begin the notice requirement. So, from July 1, the whole month of July there will be no foreclosure actions initiated because you'll have to give them notice, and then in August will begin to commence foreclosure actions.

Through you, Mr. Speaker, to Representative Knopp, is that correct as to how this process begins?

REP. KNOPP: (137TH)

Through you, Mr. Speaker, I have to say that the gentleman has not stated quite accurately the

provisions of the bill. Beginning on line 81 - excuse me, of the amendment - beginning on line 81, it's clear that there can be no judgment of strict foreclosure, nor judgment ordering a foreclosure nor judgment ordering a foreclosure by sale, entered into any action commenced on or after January 1, 1994.

That's when this would begin to take effect. So this has no affect on any mortgage pending prior to, for any foreclosure action commenced prior to January 1, 1994. Any foreclosure action entered in court prior to January 1, 1994 is completely unaffected by the provisions of this amendment, if it were to become the bill. That was done very carefully to make sure there'd be no reach back of any pending action. Through you, Mr. Speaker.

REP. FARR: (19TH)

Through you, then, Mr. Speaker, to Representative Knopp. As I understand the effective dates, January 1, 1994, the program will be set up. There will be a program set up. Section 3 talks about commencing a foreclosure action, and as I read that language, section 3, the bill says it's effective July 1, 1993 and section 3 says, any mortgagee who desires to foreclose upon any eligible mortgage shall give notice to the mortgagor by certified mail.

There's nothing that I saw in here that says that that section is effective January 1. It appears to me that that section, the notice requirement begins on July 1, and yet the program is not set up until January 1. Through you, Mr. Speaker, to Representative Knopp. Am I missing something?

SPEAKER RITTER:

Representative Knopp.

REP. KNOPP: (137TH)

Through you, Mr. Speaker, I think it's quite clear that the program is going to begin January 1, 1994, that the provisions regarding the requirements of notice begin with foreclosure actions commenced on or after January 1, 1994 and it has no affect on any foreclosure action filed previously.

I think section 3, read in the context of sections 2a and b, is clear as to that. That is the absolute intent of this bill.

REP. FARR: (19TH)

Mr. Speaker, it does appear to me that this bill, this amendment is badly flawed in terms of its effective dates, because if you read section 2, it sets up the program and I understand the intent was to set up the program on January 1, 1994 and the prohibition in section 2 is against judgments for strict

foreclosure, ordering a foreclosure sale, can't be entered after January 1, 1994.

The notice requirement in section 3, is effective immediately. Now that would mean that in July 1, you're supposed to be giving notice to a program that doesn't exist. If you're going to seek a judgment of foreclosure, it usually takes you three or four months anyway before you get to the point to ask for a judgment of closure during the course of the litigation and if you wanted to seek, to get a judgment of foreclosure after January 1, 1994, one would presume that you would have had to commence the action probably by September of 1993.

So, as I read this, if you're going to commence that action, if you're going to commence that action September of 1993, you give notice. They're supposed to be notified of a program. The program doesn't exist and then by January 4th, you could get a judgment. But it's very unclear what happens when you give notice to the non-existent program.

I have another question, another concern. As I read the bill, or the amendment, it talks about the fact that in section b on line 118, it talks about the fact that in order to get a foreclosure, through you, Mr. Speaker, to Representative Knopp.

SPEAKER RITTER:

Please proceed.

REP. FARR: (19TH)

In order to get a foreclosure, there has to be, it says that, on line 127, provided the mortgagee files an affidavit with the court, stating that the notice provisions of section a of this section have been complied with - I have no problem with that - and that either no application was made for relief or that a determination of ineligibility was made.

Now, how is somebody holding a mortgage going to submit an affidavit, that the individual, the mortgagor was rejected by, on the application? How are you going to get that information that they were rejected, or how are you going to know whether they filed an application? I don't understand how the mortgagee can submit such an affidavit and of course, there'd be no incentive for the mortgagor to do so. Through you, Mr. Speaker, to Representative Knopp. Could you please explain how that works?

SPEAKER RITTER:

Representative Knopp.

REP. KNOPP: (137TH)

Through you, Mr. Speaker, because CHFA has an obligation under the amendment to inform the mortgagee

of that fact.

REP. FARR: (19TH)

I was looking for that. I was hoping that was there. I wonder if you could tell me where that is, because, so I could make reference to it. I apologize.

SPEAKER RITTER:

Representative Knopp.

REP. KNOPP: (137TH)

Mr. Speaker, could the Chamber just give me a moment to find the exact line.

REP. FARR: (19TH)

Somebody has pointed out that on 146, it makes the notice that the application has been made. I don't know, but I haven't found anything saying the application has been disapproved. Through you, Mr. Speaker, to Representative Knopp.

SPEAKER RITTER:

Representative Knopp.

REP. KNOPP: (137TH)

Mr. Speaker, if the gentleman will turn to line 399, one of the explicit requirements for the CHFA procedures to be adopted is a procedure to inform the mortgagee that an application has been received and of the authority's determination of eligibility. Through you, Mr. Speaker.

And as for the question, if the gentleman would like, I'd be glad to try to complete my answer to the previous question, if he would like, regarding the effective date of the act.

REP. FARR: (19TH)

Yes, thank you.

REP. KNOPP: (137TH)

Through you, Mr. Speaker, the reason why the effective date of the act is before the procedures would begin is that CHFA has to be authorized to begin preparing procedures and forms. Beginning on line 90, I think it's clear that the only mortgages that we're talking about here regarding the notice and so on, are an eligible mortgage, and there can be no eligible mortgage outside of the context of the program of eligibilities set up by the amendment and by the bill which begins on about line 175.

SPEAKER RITTER:

Representative Farr.

REP. FARR: (19TH)

Yes.

REP. KNOPP: (137TH)

I'm sorry. Just to finish, Mr. Speaker, again, in reviewing this numerous times with the mortgage bankers association and others that concern about it somehow

becoming effective prior to January 1 was never expressed to us.

SPEAKER RITTER:

Representative Farr.

REP. FARR: (19TH)

Well I appreciate that. I think. Unfortunately, my experience up here has been that in the last days of the session, we often have major bills that get passed, and then we find out later what they did.

I think it's unfortunate. I have a lot of concerns, primarily about the affect on mortgage laws in Connecticut on this section. I understand Representative Knopp's explanation as to why he thinks this isn't effective and it may very well be that that would be true, but it would seem to me that the drafting of this leaves a lot to be desired in terms of determining when the bill starts and what mortgages would be affected, what foreclosures would be affected.

I also point out that the other concern about the affidavit, while Representative Knopp says you get notice, I guess the affidavit, and unfortunately, that's not well drafted either, because I think the affidavit should not be that no application was made or that a determination of ineligibility was made, but rather an affidavit that no notice that an application

was made, or that no notice of eligibility was received.

That would seem to work. But by doing the reverse of this, you're asking the lender to make an application, to make an affidavit that no application was made, simply based upon the fact that he didn't get notice. That doesn't give him the basis for making affidavit that no application was made. He can make an affidavit that he didn't receive the notice.

I have a lot of concerns with the drafting because we're talking about affecting every foreclosure action on every residential mortgage in Connecticut and I think we may have some potential flaws. It's regrettable that we're doing that this late in the session. Thank you.

SPEAKER RITTER:

Thank you, Sir. Anybody else? Representative Miller.

REP. MILLER: (122nd)

Thank you, Mr. Speaker. A question to the proponent.

SPEAKER RITTER:

Please proceed, Sir.

REP. MILLER: (122nd)

If my property were liened by an Indian tribe,

could I qualify for this program?

REP. KNOPP: (137th)

Could the gentleman repeat his question, please.

SPEAKER RITTER:

Representative Miller, can you please repeat the question?

REP. MILLER: (122nd)

Surely, Mr. Speaker. If my home were liened by an Indian tribe, would I qualify for this program?

SPEAKER RITTER:

Representative Knopp.

REP. KNOPP: (137th)

Through you, Mr. Speaker. I guess answering the question as explicitly as I can, if the amount of the equity in the home after the lien of the Indian tribe were calculated were enough to sustain the repayment, of the mortgage, then I suppose yes.

I think if the gentleman means sort of the Indians liening the home, if they claimed the home as part of their formal tribal territory and therefore were a cloud in the title, what would be the effect and I confess I don't know the answer to that question, but I'll certainly want to have Representative Radcliffe as my attorney.

REP. MILLER: (122nd)

Another question, by the way.

SPEAKER RITTER:

Please proceed, Representative Miller.

REP. MILLER: (122nd)

If I did qualify in the program, I did get funds, and the time it took to resolve this matter took 10 or 15 years, what would be my status in that program as far as foreclosure goes, or any other --

REP. KNOPP: (137th)

Through you, Mr. Speaker, the maximum amount of mortgage assistance under this program is 36 months, either consecutively or in total, and therefore, at the end of 36 months, the financial commitment of the State would end. Hopefully, the underwriting would have been done well enough and the lien secured on the home so that ultimately, the State would be repaid.

The intent of the program is to bring the mortgage current so that at the end of the 36 months the homeowner is able to resume payment of the mortgage with the bank on regular terms. When that mortgage were paid off, if all were going well, when that mortgage were paid off, and the CHFA lien had not, for example, then the homeowner would be required to pay to CHFA, the same, no less than the amount he was paying the bank on a monthly basis. And, if the homeowner

was able to afford it, while he was paying off the mortgage to the bank, he would be required to pay CHFA the amount, the difference between the amount he was paying the bank and 35% of his income, whatever that amount would be.

REP. MILLER: (122nd)

Thank you. Thank you, Mr. Speaker.

SPEAKER RITTER:

Thank you. Anybody else on this amendment? I'm sorry, Representative Holbrook, Sir, I apologize.

REP. HOLBROOK: (35th)

Thank you, Mr. Speaker. I'd like to speak in favor of this. I believe it fits very nicely with the bill we passed, I believe it was last week. I can't remember, I've lost track of time, the homestead exemption act and it deals only with hardships. I didn't bring it out in debate on the homestead exemption act, but Connecticut ranks third in the United States on bankruptcies.

It deals with extreme hardships. I don't believe that there are any real exposure, there is any real exposure for the State of Connecticut. The State is very well protected. I think it's a very well thought out piece of legislation and it certainly can be beneficial to many of our citizens who have been faced

with hardship and it's something that we can do to help these individuals through these hard economic times and I hope that the members will support this piece of legislation. Thank you.

SPEAKER RITTER:

Will you remark further on House Amendment "A". If not, I'll try your minds. All in favor, please -- oh, I'm sorry, Representative Metz.

REP. METZ: (101st)

Mr. Speaker, I respectfully disagree with Representative Holbrook. I favor plans that will help our banks to recover, that will give some assistance to people who are having problems paying their mortgage.

But as Representative Maddox has stated, I really don't like plans that involve beyond the point of necessity the direct investment of State money or bond money. I don't think we should be in the business of competing with the banks or simply taking over their bad loans.

I think systems where we guarantee loans or otherwise cover the risk that would allow banks to move into the lending business more than they have been are helpful, but I think that this is a bad sort of program to get started with.

I also agree with Representative Farr with respect

to the many procedural problems he points out with our current foreclosure practices. I think it would cause a great deal of disruption in that area which is already a hardship to the banks, and I don't think that this program would help that.

Moreover, I would say that one of the worst lending practices a bank can adopt is to lend money to someone to cover his mortgage payments because he can't cover his mortgage payments himself. You're simply putting him deeper into the hole and by the time he gets to the end of the road, he finds he can't pay off either loan, we have a bigger problem at the end than we did at the beginning.

But primarily, I have a question about this program. I am really confused by the fiscal impact statement that's in the book. The fiscal impact statement obviously directed to the file copy and maybe there's something in the amendment that changed it. But when I compare this analysis that was handed out to the fiscal impact statement, I notice that the fiscal impact statement says that there is a potential future cost to the State, but in fact the program could become self-sustaining because as people pay money back it goes into the program.

But I don't see how this program could possibly be

self-sustaining when the interest rate that is to be charged to the borrower is exactly the same as the interest rate at which the State will borrow the money, and in fact if that's a fluctuating rate it's not impossible that the bank, that the State might sell its bonds at a higher interest rate than it might currently be able to require of someone paying back these loans.

In addition, we're going to have administrative costs for the loans. There's an inevitable loss percentage in any mortgage program. There would have to be a discounting for that. There are administration expenses, people to run the program. And in addition, the program provides that there are no repayments whatsoever under this program until the borrower's earnings are great enough so that his entire mortgage payment, including this loan, do not exceed 35% of his income.

That would mean that it could be a matter of many, many years, not just necessarily the 36 months described by Representative Knopp before any money came back at all. So that if we were counting on this fund to make further loans, what in fact we're going to have is a wasting fund, it would seem to me that could be extremely expensive.

And since I don't see anything in the fiscal note

that would indicate just how expensive this would be, particularly if the program were broadened, I think we're really stepping into a very risky program here that could end up costing the State a great deal of money and may have questionable benefits. Thank you, Mr. Speaker.

DEPUTY SPEAKER PUDLIN:

Will you remark further? Representative Rennie.

REP. RENNIE: (14th)

Thank you, Mr. Speaker. Mr. Speaker, we've been discussing this program, some of the details of this program, yet we're not really talking very much about actual sums of money. And I'm wondering if I may inquire of Representative Knopp, through you, section 5 of this amendment sets forth a formula determining the maximum payments to be made each month under this program, and I wonder if you could tell me, under this formula, what are the maximum payments that could be made each month on behalf of a property owner?

DEPUTY SPEAKER PUDLIN:

Representative Knopp.

REP. KNOPP: (137th)

Through you, Mr. Speaker. The bill has, the amendment has in it, limitations on the size of the emergency mortgage assistance that can be made. That

is for two reasons. First, to try to target this assistance to people of the greatest need, and second, to try to spread the benefits as broadly as possible.

The formula that is in the amendment on section 5 and was also in the file copy, indicates that the maximum monthly payment would be derived from a formula made up of, beginning with 140% of annual area median income, the maximum amount on an annual basis would be 28% of that, which is the upper limit on family income which is generally used for housing expenses when making a mortgage, and that divided by 12 would be the monthly amount.

In terms of, there are a number of different regions in the State that have different median incomes and I can't say on this date what any particular one would be, necessarily, but for example in Fairfield where you have the median income of $80,000, the maximum monthly payment would be $2,613 and in Windham where the average median income is $40,000, the monthly payment would be $1,307 for the maximum monthly amount. Through you, Mr. Speaker.

REP. RENNIE: (14th)

Thank you, Mr. Speaker. Then I guess if I understand this correctly, then, for 36 months as this program stands now, if someone in Fairfield were to

qualify for the upper limit of this program, we would be paying $31,000 a year in over 3 years, a year, so in 3 years we'd be paying approximately $94,000 in mortgage assistance. $94,000 is a lot of money in a mortgage assistance.

I'll tell you, for the State to be paying $2600 a month for someone's mortgage is, I think, would strike most of my constituents as something other than middle class mortgage relief and that apparently is what this proposes to do.

I don't think that this part of the proposal is very tightly drawn. We could be getting ourselves into spending a lot of money on homes that I think we might not traditionally consider to be likely candidates for some sort of State mortgage relief.

I'm wondering also, prompted by Representative Holbrook's comments, whether or not if for instance a homeowner has a first and second mortgage on their property and then they undertake to become part of this CHFA program, would the State have to be somehow put behind the homestead exemption that was recently enacted? I don't recall the details of that, but I know that it does seem to have a fairly high place in line on our, under our property arrangements and I'm wondering if that homestead exemption would stand in

the way of the CHFA secured interest. That is to Representative Knopp, through you, Mr. Speaker.

SPEAKER RITTER:

Representative Knopp.

REP. KNOPP: (137th)

Through you, Mr. Speaker, my recollection of Representative Holbrook's proposal, which I want to commend him for, was that the homestead exemption would be calculated after the determination of the secured creditors. So to the extent that CHFA is a secured creditor, then that homestead exemption would not reduce the funds otherwise available. Through you, Mr. Speaker, and if Representative Holbrook has a different recollection, I stand to be corrected.

SPEAKER RITTER:

Representative Rennie, you have the floor.

REP. RENNIE: (14th)

Thank you, Mr. Speaker. Is there, the issue of an equity requirement was raised by Representative Maddox and it was not quite clear on the answer to that. Is there a place in this amendment that sets forth that there is a requirement that the homeowner have some equity in the property when applying for this program? Through you, Mr. Speaker.

SPEAKER RITTER:

Representative Knopp.

REP. KNOPP: (137th)

Through you, Mr. Speaker, on line 368 there is a requirement that the mortgage be secured by a lien on the mortgagor's real property. We're talking about CHF determining its underwriting standards. It would be nonsensical to allow and require them to have a lien on property on which there was no equity. Through you, Mr. Speaker.

REP. RENNIE: (14th)

Thank you, Representative Knopp. I wonder if nonsensical is really an appropriate phrase to be using since if, for instance we are to put $100,000 into someone's house and mortgage payments, they are very unlikely to have any equity left at the end of that and I don't see any underwriting standards set forth here, and I'm just wondering how we can be sure when CHFA begins to make decisions on who's going to eligible for this, how we're going to know whether or not that property has equity to cover what could be quite significant expenses over up to 36 months, and I don't think that's at all clear in this proposal.

In addition to that, there are a number of definitions that are set out in this proposal that are troublesome. For instance, the first definition is

aggregate family income. And that includes the total of income for persons residing in the same household as the mortgagor. And it struck me as I was reading this that if someone has purchased a home and perhaps a parent has co-signed a mortgage on this and doesn't live in that home, that the child who does live there, perhaps with their family, this program will only include consideration of the income of that child and yet the parent who is also obligated on the mortgage might be able to pay the mortgage, but then under this program might not have to, therefore relieving them of a burden that they had anticipated undertaking.

Also, there is an exclusion of earnings for members of the family who are gainfully employed, other than the chief wage earner. And that can be a significant amount of money. If the chief wage earner, for instance, makes $40,000 and someone else in the family is making $30,000, that $30,000 under this can be excluded under this formula and it may be discretionary but nevertheless it can happen and if it is excluded, then the, then ultimately it's the State of Connecticut that is making the contribution to that mortgage.

And finally, Mr. Speaker, in section 8, the CHFA has to undertake whether or not there's a reasonable prospect that the mortgagor as determined by the

authority, will be able to repay the emergency mortgage assistance within a reasonable amount of time and I'm wondering, it strikes me that given the uncertainty that those who would take advantage of this program are facing, that that really is a task that unless there are many accurate crystal balls at CHFA that is going to be a very elusive task and perhaps one that realistically simply is not going to be able to be achieved.

I think that we all would like to see people assisted who are having trouble making their mortgage payments. But in some instances, this is going to lead to them becoming deeper in debt without the prospect of repayment, and that may be an unintended consequence of this good intention, but it nevertheless is, I think, a realistic assessment of what may happen under this program which I think is not as carefully drawn as we might hope and I think that is something that ought to be defeated and in fact, Mr. Speaker, I think when we have a vote on this amendment that we ought to have a roll call.

SPEAKER RITTER:

Will you remark further? If not, I'm sorry, you asked for a roll call. I apologize. Representative Rennie has asked for a roll. All in favor of a roll

call signify by saying aye.

REPRESENTATIVES:

Aye.

SPEAKER RITTER:

There will be a roll call. Anybody else commenting on this bill? Representative Knopp, to wrap up.

REP. KNOPP: (137th)

Thank you, Mr. Speaker. Mr. Speaker, I would like to respond to a couple of the comments that have been made. This proposal before us is based on a program of emergency mortgage assistance in Pennsylvania. It's been in effect since 1984. There have been big, over 14,000 emergency mortgage assistance payments granted under this without any undue problems for the secondary markets for banks for foreclosure actions at all.

Representative Maddox indicated why are we going to kind of rush in and not let the banks get involved. Well, the initial provision under the amendment is to have the bank and the mortgagor hold a meeting or have a meeting between a consumer counselor and the mortgagor to try to work out the problem without ever getting to the stage of emergency mortgage assistance, and that's an important first element.

Representative Metz suggested, why are we competing

with banks. Well, just the opposite. We're not competing with banks. We're trying to assist the homeowner in saving his equity that he may have built up over 20 years of faithful payments, but now perhaps Pratt & Whitney or some other employer has required the cutback in salary that that homeowner would not be able to afford keeping up those payments. We want to save the equity in the home, and we want to help the bank also get over this problem. That's why the beneficiaries of this program are both the homeowner and the bank.

We're not taking over bad loans. We're helping the consumer get over a bad period to get back on his feet so the bank and the homeowner can resume, hopefully, their formerly healthy financial situation.

In terms of being self-sustaining, again, the program requires that repayments to CHFA go into the program to be used again and whether or not that's actually self-sustaining, one can't predict, but the idea is to use the resources, both the principal and the amount of interest paid by the homeowner.

In terms of this being some kind of open-ended problem that could cost the State huge amounts of money in response to a question from Representative Maddox, I said there was a finite limit of $4 million in bonding

funds already authorized to the Department of Housing for CHFA, so there is a finite limit on this program.

And finally, Mr. Speaker, perhaps most important, the question was, of what economic benefit is this to the State. And apart from the benefit to the families, I think this is really the main thing we learned in the Housing Committee. When you have so many talented and skilled workers, whether at Pratt & Whitney or insurance companies or in defense plants, in Hartford or New London or Norwalk, or anywhere in the State, when these homeowners lose their homes because of their being underemployed or unemployed, when you lose your home, there's a high chance you will leave the State.

And skilled workers, and skilled white collar employees leave the State because they've lost their homes and the State did nothing to help them, we will end up much poorer for it. This is a small program to help an unfortunately few number of people to keep their homes during a rough period so that these people will stay in the State and give our economy the benefit of their skills and their contributions that they've developed over the years.

That's why this is a part of our response, as I mentioned in my opening remarks, to the recession, to

Pratt & Whitney, to defense layoffs. This is part, the housing part of response to that in addition to what we did this morning, to prevent people from getting into the problem of foreclosure and default to begin with.

The best emergency mortgage program we can have is to get people jobs. But when the economy in the State cannot do that for everybody, then we have to take other measures and I think the program before us is an important response to helping working families in Connecticut get through this tough time and I urge my colleagues to support its adoption.

REP. DEPINO: (97th)

Mr. Speaker. Mr. Speaker.

SPEAKER RITTER:

Representative DePino.

REP. DEPINO: (97th)

Thank you, Mr. Speaker. I rise just to say a couple of brief comments. First comment, good idea, Representative Knopp. I wholeheartedly support it.

Second comment, Mr. Speaker. I have people in my district now that are losing their homes because of a myriad of problems. Not only the economy, but there's another problem that hasn't been mentioned in the debate. High municipal taxes.

The district I represent, single family homeowners

in my district pay between $4,000 and $6,000 a year to live in the City of New Haven. $4,000 and $6,000 a year, $100 to $150 a week out of their take home pay. People in my district who bough homes in 1988, 1987, 1986, and paid $150,000 or $200,000 for their properties now are faced with paying high taxes based on a flawed assessment and they can't do two things.

If they lost their job, they can't own their home anymore because they can't make their mortgage commitment and they can't sell their home, because they've lost equity and in the City of New Haven right now, I submit to you that there are more homes for sale than anywhere in the State of Connecticut.

It's a chronic problem. This legislation offers these folks a bit of a way out, a ray of hope, that hopefully this recession will end, that these folks will be able to get on to gain better employment, or other employment, and that we will have the opportunity somewhere down the road to do a small thing now to save off a large expense later.

Because when someone loses their home, we incur extra inordinate amount of legal expenses. We lose city taxes. Property depreciates. Neighborhoods deteriorate, and some families end up homeless, and the bill is much larger then.

I think this is a very practical, simple idea that deserves not only our support, but a chance for the people that I, and we all represent in this Chamber. Thank you, Mr. Speaker.

SPEAKER RITTER:

Representative Nystrom.

REP. NYSTROM: (46th)

Thank you, Mr. Speaker. Very briefly, in support, again. I want to highlight again a part that Representative Knopp mentioned and that was section 3, part a which talks about the mediation intervention, I'll call it. That's similar to a state that we passed several years ago where we sought to intervene before people became homeless who were renting apartments.

Language within this amendment mirrors that, in that it requires that the people sit down with a consumer credit counseling, go over their entire financial ability, determine what can be done within their own structure prior to any entrance into this program of emergency mortgage assistance, and I think that should be highlighted again.

I'd also like to say that while, that this particular concept in fact was, I believe, a Republican proposal at the beginning of the session. Now, I'm not

going to present that it's in the language that was presented, but I can tell you that the industry itself has their hands all over this.

So if you're concerned about the industry, you should know that they were at the table throughout the entire process. And I do not think that the industry is going to back a proposal that they think is not sound, particularly in this climate that we now see ourselves in.

I don't want to offend anybody here, but foreclosure is probably the last thing that you want to see happen to you or your family. I suppose if you're part of that system of foreclosure, from whatever end, I don't know how you feel about it. But I think it's the last thing we want people to face, and if we can provide some assistance, I think we ought to take that step.

Again, I urge adoption of the amendment. Thank you.

REP. WOLLENBERG: (21st)

Mr. Speaker.

SPEAKER RITTER:

Representative Wollenberg.

REP. KNOPP: (137th)

Thank you, Mr. Speaker. Mr. Speaker, a little

while ago we passed a bill that would allow for some funds for refinancing and it seemed that accolades were properly given to those who developed that, because it was a program where people lacking equity could not refinance this, allowed them to refinance, pay less interest and keep their homes and do other things.

This bill contrarily takes, I think it takes a whole different tack in a whole different direction. I know it does. Banks probably are dancing in the streets because these bad loans they have out on real property they don't want anyway can be taken care of now for a while. This is a windfall to anybody with a mortgage, I would imagine they've pulled back some foreclosure proceedings just to wait until January because they don't want these properties, ladies and gentlemen, contrary to what some people may believe. They want to be paid.

And we're doing that. There are a few things in this bill that I don't quite understand because basically what we're doing here can already be done. And I would like to start by asking a few questions of Representative Knopp, through you, Mr. Speaker.

SPEAKER RITTER:

Please proceed.

REP. WOLLENBERG: (21st)

Thank you, Mr. Speaker. Representative Knopp, through you, Mr. Speaker, just a couple of minor things but on line 49 you refer to a common interest community, utility expenses, heating expenses and so on. Does that indicate that there may be some interest in just common interest communities, or is this probably all inclusive language. Through you, Mr. Speaker.

SPEAKER RITTER:

Representative Knopp.

REP. KNOPP: (137th)

Through you, Mr. Speaker, it's intended to be all inclusive language.

REP. WOLLENBERG: (21st)

Thank you. Another question through you, please, Mr. Speaker.

SPEAKER RITTER:

Proceed.

REP. WOLLENBERG: (21st)

Representative Knopp on line 63,d, on line 62 d, and then continued, divorce or loss of support payments, divorce in most cases is something imposed upon oneself and why are we including that? The others all seem to be things that one might not have any control over, through you, Mr. Speaker, why are we

including divorce in this?

REP. KNOPP: (137th)

Through you, Mr. Speaker, the intent here was to list a kind of significant changes in financial hardship and it's possible that divorce could be initiated, for example, by a spouse who has the greater income and that the other spouse did not necessarily seek that divorce. Through you, Mr. Speaker.

REP. WOLLENBERG: (21st)

Thank you, Representative Knopp. Representative Knopp, through you, Mr. Speaker, could you just run through a foreclosure procedure as you understand it today, if I own house A and I were to not make my payments for a month or so and give me a timetable on what actually happens.

And the purpose for me asking this is, I think that it parallels in many cases, or will exceed what you're doing here. Through you, Mr. Speaker, could you give me that scenario on how that happens?

REP. KNOPP: (137th)

Through you, Mr. Speaker, let's assume we're in January 1, 1994 and that the practice of most lending institutions, I believe, is not to generally initiate these foreclosure proceedings until at least 60 days of delinquency. So whatever period that occurs, let's say

60 days, if the bank then wishes to begin a foreclosure, it would have to send a notice to the mortgagor or homeowner, that the bank was intending to initiate foreclosure and in that notice to the homeowner would have to be the information set out beginning in line 107.

The mortgagor, after receiving that notice, would have 30 days to go through the counseling procedure, which would be either a face to face or telephone conversation with the mortgagee or a consultation with an accredited consumer credit counseling agency, and within that 30 days to contact the CHFA.

Following its receipt of the application, CHFA would have 30 days to approve or disapprove the application. Meanwhile, the foreclosure action has been filed and there are no limitations in this proceeding other than that a judgment could not enter in that case, but of course it would not have entered most likely in any event. Within 8 days after receiving the application, CHFA would have to notify the mortgagee and CHFA would then have to decide within 30 days. If it decided in favor of it, then the mortgage could be brought up and there would be no default in that case.

If the authority decided either not to approve the application or in fact never had to receive an

application then the foreclosure could proceed according to customary practice. Through you, Mr. Speaker.

REP. WOLLENBERG: (21st)

Thank you, Representative Knopp. And through you, Mr. Speaker, a question then to Representative Knopp. Representative Knopp, is there anything that you have just told me other than the piece about applying to the authority that isn't normally done in a foreclosure? Through you, Mr. Speaker.

REP. KNOPP: (137th)

Through you, Mr. Speaker, well, hypothetically, I suppose many of those things could happen. I mean, the bank and the mortgagor could meet to try to come up with an agreement to work out, if they wanted to. In terms of the mortgagor receiving notice of an emergency mortgage program, I don't think that would occur, customarily.

REP. WOLLENBERG: (21st)

That's why I said other than that piece, Sir.

REP. KNOPP: (137th)

Sorry. What the procedure does is to set out a series of procedures with very quick deadlines so that in fact what we're seeking is relatively minimal impact on the foreclosure process through this and if

therefore that has been achieved, then I think that's one reason why the proposal has not been considered to have a detrimental effect on the mortgage market in Connecticut.

REP. WOLLENBERG: (21st)

Through you, Mr. Speaker to Representative Knopp, thank you. Representative Knopp, then other than, as the question I asked was, other than the piece about applying to the authority, this is the way foreclosures work anyway, isn't it, and aren't we just rewriting the foreclosure procedure which we know well and has been carried out? Through you, Mr. Speaker.

REP. KNOPP: (137th)

Through you, Mr. Speaker, I believe the procedure here parallels foreclosure actions and that's why I think it's a reasonable procedure to initiate and to help regulate the application for assistance. Through you, Mr. Speaker.

REP. WOLLENBERG: (21st)

Well, through you, Mr. Speaker to Representative Knopp. Representative Knopp, then why is it necessary to do this part of it? We'll get to the other part of it later. Why is it necessary to do all this? Through you, Mr. Speaker.

SPEAKER RITTER:

Representative Knopp.

REP. KNOPP: (137th)

It's simply necessary so that there could be an effective procedure for the program, and that all the parties know where they stand and determinations have to get made as early as possible and there's the least impact, reasonably to be expected, on the foreclosure process, still allowing for notification and determination by CHFA of the application.

SPEAKER RITTER:

Representative Wollenberg.

REP. WOLLENBERG: (21st)

But, through you, Mr. Speaker.

SPEAKER RITTER:

Please proceed.

REP. WOLLENBERG: (21st)

To Representative Knopp. Representative Knopp, that whole point is, this is what we do now. Up to this point is what we do now, and I just don't understand why we're cluttering up a statute with 3 or 4 pages of new law if that's what we do now, and I don't think you disagree with that.

Other than the piece for the CHFA, which could be a short sentence. Through you, Mr. Speaker.

SPEAKER RITTER:

Representative Knopp.

REP. KNOPP: (137th)

Mr. Speaker, I, the conclusion I reach is that we've managed to come up with a process that closely parallels the way the foreclosure process works so that we could make this determination expeditiously and with relatively little impact on the ability of banks to secure their interest in the event these loans are not available to their mortgagor. That's why I think this amendment is a worthy one.

REP. WOLLENBERG: (21st)

Thank you, Representative Knopp. Through you, Mr. Speaker.

SPEAKER RITTER:

Please proceed.

REP. WOLLENBERG: (21st)

To Representative Knopp, section d page 5, line 143, Representative Knopp, through you, Mr. Speaker, no person receiving relief under this section included in this act may file a defense to any action for a foreclosure of the mortgage for which such relief was provided.

Why would you file, as I understand it, the foreclosure has been abated if relief is provided. Therefore, why would you be filing a defense if it has

been abated? Through you, Mr. Speaker.

SPEAKER RITTER:

Representative Knopp.

REP. KNOPP: (137th)

Through you, Mr. Speaker. It may be that the financial condition --

SPEAKER RITTER:

One second please. (Gavel)

REP. KNOPP: (137th)

Through you, Mr. Speaker, it may be that the financial condition of the mortgagor will change or worsen and maybe at the end of the 36 months for some reason the mortgage is not able to resume enough of a full payment and in that event, the, by receiving benefits under this program, that's why we're requiring that the waiver of defenses be in the amendment.

REP. WOLLENBERG: (21st)

Through you, Mr. Speaker to Representative Knopp. But Representative Knopp, if it develops that there's a defense to the foreclosure, if after the three years it's brought, and by exercising that defense the mortgagor can recover, why, I don't understand why we wouldn't let him exercise the defense.

I mean, the bank has not given up anything to go through this. They've gotten 3 years that they probably

wouldn't have gotten and saved a lot of expenses. Why wouldn't we let somebody exercise a defense? Through you, Mr. Speaker.

REP. KNOPP: (137th)

Through you, Mr. Speaker, we're requiring that judgment be made in advance. If there is a valid defense then the homeowner can exercise it at the foreclosure action, but we're not requiring anybody to apply for emergency mortgage assistance. And if there is what they regard as a valid defense, they can assert it.

The bank is giving up by participating in a notification process and the time, it's got a relatively little impact, but we thought that it was reasonable to say that in those situations in which there is an application made and it's approved, that the defenses should be waived. That's just a judgment we made in terms of having banks participate.

REP. WOLLENBERG: (21st)

Through you, Mr. Speaker to Representative Knopp. But Representative Knopp, you're taking a very valuable right away from someone where they could recover and I don't see what the bank has given up, as we discussed earlier. You're telling me that the bank gave up a great deal by having to give notice. I have a note here

says they have to give notice anyway.

I don't see what the bank has given up at all and you're asking the mortgagor to give up a very, very important right in the defense to a foreclosure. Maybe that you know, it was fraudulently done from the beginning with some mortgage company. We've had those lately, and it just seems unbelievable to me that they could not exercise it if the defense arose.

I think it's a mistake. I think it ought to be taken out of here at least. Through you, Mr. Speaker.

REP. KNOPP: (137th)

Well, through you, Mr. Speaker, nothing here prevents a person from asserting a defense. The only preclusion is if you receive the emergency mortgage benefits if that's the case. If there is a valid defense and the mortgage was fraudulently entered into, then that can be asserted when the bank attempts to foreclose initially.

REP. WOLLENBERG: (21st)

Through you, Mr. Speaker to Representative Knopp.

SPEAKER RITTER:

Please proceed.

REP. WOLLENBERG: (21st)

I have applied for the relief. I've gotten the relief. The 3 years pass. I can't do any more.

There's a foreclosure. I can't file a defense. I didn't know about the defense until I was into this thing. Why can't I file a defense, Representative Knopp? It just doesn't make sense to me. Through you, Mr. Speaker.

SPEAKER RITTER:

Representative Knopp.

REP. KNOPP: (137th)

Through you, Mr. Speaker, that's just a judgment that was made based on participation of the banks and the experience in Pennsylvania and what we thought was a reasonable balance. And I respect you may disagree.

REP. WOLLENBERG: (21st)

Thank you, Mr. Speaker. I don't think it's any answer. I don't think it makes any sense. We'll go on. Through you, Mr. Speaker, throughout, to Representative Knopp. Throughout this whole document, you talk about filing assets and applying, the application for the loan shall consider certain things. Isn't this all contained now in a normal application form? Isn't this all contained now in documents that bank require through financial statements and so on, if they're doing their job? Through you, Mr. Speaker.

SPEAKER RITTER:

Representative Knopp.

REP. KNOPP: (137th)

Through you, Mr. Speaker, it may be that some of them are. I'm not familiar, if all of them would be covered in terms of the timing of when those statements would be submitted.

REP. WOLLENBERG: (21st)

Through you, Mr. Speaker to Representative Knopp.

SPEAKER RITTER:

You have the floor.

REP. WOLLENBERG: (21st)

Representative Knopp, do you know of a bank that does not require an application for a loan or a financial statement before it gives a loan? They don't have that in their file if they make a loan. Do you know of any that don't do that. You're indicating to me that maybe they do or maybe they don't. Do you know any that don't do that? Through you, Mr. Speaker.

SPEAKER RITTER:

Representative Knopp.

REP. KNOPP: (137th)

Through you, Mr. Speaker, obviously they all do. But in this case, the original loan for the bank may have come 15 years ago. Are you saying to me that the information that we're requiring as of today should not be required because it was provided 15 years ago to the

bank. That was my answer. I did not say that some do, some don't.

REP. WOLLENBERG: (21st)

Okay, I misunderstood. Through you, Mr. Speaker to Representative Knopp.

SPEAKER RITTER:

Please proceed.

REP. WOLLENBERG: (21st)

Representative Knopp, it's my understanding that when the authority is entering into this transaction, that they are starting a new, so to speak, and they're going to ask for the financial, and they're going to ask for the loan application, that's the one that I'm referring to, not the one 15 years ago that the bank wrote. So that, do you know of any bank that when they make the loan just as any, in this instance, they wouldn't require the regular financial statement and the regular loan application, which would include all this information.

And nowhere when you apply with a bank now do you have all this information given. I don't understand why we need all of this. This seems like a normal transaction. Tell me if it's not.

SPEAKER RITTER:

Representative Knopp.

REP. KNOPP: (137th)

Through you, Mr. Speaker, it's the CHFA that's requiring the information, because they will be doing the underwriting. This information is provided to CHFA. They're the ones that are initiating the new loan of mortgage payments. They have to evaluate the risk. They have to make the judgment of whether the mortgagor can make the repayment.

Now, why shouldn't the State protect itself by requiring that before it loaned money, that it have the recipient of that loan provide up to date and complete financial information. I don't understand why you think that shouldn't be provided to the State.

REP. WOLLENBERG: (21st)

Through you, Mr. Speaker, just to retort. I think it should, and I think it is, and I think the forms are there and I don't think we need all this in this document. That was my point.

On line 231, Representative Knopp, a question through you, Mr. Speaker.

SPEAKER RITTER:

Please proceed.

REP. WOLLENBERG: (21st)

The mortgagor has had a favorable residential mortgage credit history for the previous 5 years or a

period of ownership, whichever is less, so that if a person buys a home and 2 months later he's in trouble, he can avail himself of this program, is that not so?

SPEAKER RITTER:

Representative Knopp.

REP. KNOPP: (137th)

Through you, Mr. Speaker, the intent of this program is to help homeowners who have substantial equity in their homes and who have been homeowners for some period of time. We discussed whether to have a limitation of a period of ownership. Somehow that was 5 years or something, we decided we would leave that to the discretion of CHFA. Through you, Mr. Speaker.

REP. WOLLENBERG: (21st)

Through you, Mr. Speaker to Representative Knopp. Can you point out to me, Representative Knopp where it shows that there needs to be substantial equity in the property before CHFA can act? I missed that, if it's in the document. Through you, Mr. Speaker.

REP. KNOPP: (137th)

Through you, Mr. Speaker, as I mentioned earlier as part of the requirement that CHFA have a lien for the repayment of any mortgage assistance, so that it would have to be equity in the property to cover the amount of the emergency mortgage assistance, and again, the

whole intent of this program is to help people who have been going through a period of hardship who have a credit history and who have you know, a mortgage history.

We decided to give CHFA considerable discretion, but if your question is will there be people who owned a house for one month who are going to come in for assistance, I don't think those are going to be the highest priorities of CHFA.

REP. WOLLENBERG: (21st)

Through you, Mr. Speaker.

SPEAKER RITTER:

Please proceed.

REP. WOLLENBERG: (21st)

I've asked you to point out to me where it says there must be substantial equity. You said there must be substantial equity, Representative Knopp, and I haven't seen that. I want you to point that out to me, number one, and number two, I don't see where CHFA is precluded from giving anyone assistance if they've only owned the home for one or two months.

And three, you're saying that they must be credit worthy, and if they've only owned a home for a month or two, what, is there any credit worthy test that's in this and can you show me where that is. I'd like to

see where it is in the document because if it's not in this document, then it's not in the law and I don't think it's enforceable. Through you, Mr. Speaker.

SPEAKER RITTER:

Representative Knopp.

REP. KNOPP: (137th)

Through you, Mr. Speaker, as I indicated previously, there is a requirement that the loan be secured by a lien and therefore there would have to be equity to cover that. Again, the statute does not require that there be a minimum period of home ownership, but in determining the ability of repayment, one of the criteria is that on line 229 that the mortgagor has had favorable residential mortgage credit history for the previous 5 years for example.

And obviously, the shorter the period of ownership, the less it would, that period of favorable residential mortgage credit history would be a meaningful criteria, which is just common sense.

REP. WOLLENBERG: (21st)

Through you, Mr. Speaker to Representative Knopp.

SPEAKER RITTER:

Please proceed.

REP. WOLLENBERG: (21st)

Representative Knopp, you and I have been doing

this long enough so we know that you don't read common sense into anything that says so clearly, and I read, mortgagors had favorable residential mortgage for the previous 5 years or a period of ownership, whichever is less, and if it's 2 months, that's the period, that's what it says here. It's not common sense or anything. It's the letter of the law.

That's my concern about this. It's the letter of the law and the 3 questions I asked you, I think the answer to all of them were no, although you didn't answer them no.

I have another question. Through you, Mr. Speaker, to Representative Knopp.

SPEAKER RITTER:

Please proceed.

REP. WOLLENBERG: (21st)

Nowhere in the document, Representative Knopp, through you, Mr. Speaker, does it say that there has to be equity. So I'm going to assume that there doesn't have to be any equity. As a matter of fact, it might even be under water just like we had the other ones in the earlier bill.

You make provision in here for people to repay this amount. Can you tell me how you expect these people to repay the amount of they, for 36 months have their

mortgage paid, they still are not out of the bad straits that they were in. Is there some kind of a lien or some kind of an attachment you put somewhere? How can you secure the repayment of that amount? Through you, Mr. Speaker.

SPEAKER RITTER:

Representative Knopp.

REP. KNOPP: (137th)

Thank you, Mr. Speaker. As I've indicated to 3 other previous people who have asked the question, there is a provision for the, indeed a requirement that CHFA impose a lien to secure the repayment and the lien requirement is found, beginning on line 368 and the, as it were the underwriting requirements in terms of granting a loan, made throughout, are that CHFA has to determine that there's a reasonable prospect of being able to repay, beginning in line 225. Through you, Mr. Speaker.

SPEAKER RITTER:

Representative Wollenberg.

REP. WOLLENBERG: (21st)

Through you, Mr. Speaker to Representative Knopp. Then Representative Knopp, if there is no equity, it seems to me it would be rather foolish to put the lien on and waste even the recording of that, but if there

is no equity, is the lien of any value? Through you, Mr. Speaker.

SPEAKER RITTER:

Representative Knopp.

REP. KNOPP: (137th)

Through you, Mr. Speaker, obviously not.

REP. WOLLENBERG: (21st)

Through you, Mr. Speaker, to Representative Knopp. Then what avenue are you going to use to recover the money under all this repayment language. Through you, Mr. Speaker.

SPEAKER RITTER:

Representative Knopp.

REP. KNOPP: (137th)

Mr. Speaker, in that case, hopefully CHFA would not have made the loan.

REP. WOLLENBERG: (21st)

Through you, Mr. Speaker to Representative Knopp. Representative Knopp, can you tell me where in this document it says that if there's no equity in the property, CHFA will not make the loan.

SPEAKER RITTER:

Representative Knopp.

REP. KNOPP: (137th)

Through you, Mr. Speaker, there's a requirement

that CHFA make efforts to determine that the reasonable repayment, there's a requirement to lien to secure the debt and if there's no equity to make the lien worthwhile, then that would mean a high probability to a point of certainty that that loan would not be made.

SPEAKER RITTER:

Representative Wollenberg.

REP. WOLLENBERG: (21st)

Through you, Mr. Speaker. Then Representative Knopp, aren't we defeating the purpose for doing this bill at all? Then we're not doing it to really help people save their homes because unless they have equity and if they have equity, other arrangements probably can be made. But this is not then what I thought it was, something to help people save their homes, because certainly other arrangements could be made if they have equity. Through you, Mr. Speaker.

REP. KNOPP: (137th)

Through you, Mr. Speaker, that's simply not the case. The situation in which a person has faithfully been paying a mortgage for many years has suddenly experienced either a layoff or as more likely to be the case in terms of the financing here, a reduction in income, those are people we're trying to help.

There's to be a very limited number of people who

will be able to be served by this because of the limit we have put on in terms of the $4 million of bonding. For example, at a mortgage emergency mortgage assistance payments of $206 a month, if that were to go for the full 36 months, that would help about 550 households.

That person who has put a lot of equity into their home, has paid the mortgage for 15 years, now has a reduction benefits at Pratt & Whitney and these were the witnesses who came to the Housing Committee. A buyer at Pratt & Whitney who had been there for 25 years and now was laid off, and other people who had reductions in their income who come to us and say, help us save our home because right now we don't have the ability to refinance on our own because we don't have the income to do it, and we need help.

And the purpose of this is to help homeowners over that period. When you've been paying on a 20 year mortgage, you're paying for 15 years on that because you've been working at Pratt & Whitney, or working at Travelers, you do have equity in that home, and that's the kind of situation in which the State will be secured in its repayment and you'll be helping that homeowner over a difficult period to make his payments.

That's the purpose of this, and I realize that with

any piece of complicated legislation, one can come up with absurd hypothetical situations of owning a home for one month and that kind of thing. That's why, you know, generally in legislation one tries to have a rule of reasonableness, and again, any complicated scheme lends itself to strange hypothetical situations.

The kind of thing we're aiming at, the kind of thing that happened in Pennsylvania with 14,000 payments of assistance, is to help those people who have been homeowners, who have a good credit history, who would be able to repay, who do have equity, but because of the crisis of economy are not able to do it on their own, just as those people we helped this morning are not able to do it on their own, we helped them and we ought to help these working people as well.

REP. WOLLENBERG: (21st)

Through you a question to Representative Knopp. Through you to Representative Knopp. Mr. Speaker. Thank you. Representative Knopp, I may have missed it, but I think you said it applied only to mortgages executed after January 1, 1994, is that right?

REP. KNOPP: (137th)

Through you, Mr. Speaker, the answer is no. I said it would only apply to foreclosure actions filed after January 1, 1994.

REP. WOLLENBERG: (21st)

Through you, Mr. Speaker, Representative Knopp, then if there are mortgages out that have been assigned two or three times and we know that happens these days, and they're now held by some California mortgage company, do you think they're going to be obliged to honor the law we've set up today? Through you, Mr. Speaker.

REP. KNOPP: (137th)

Through you, Mr. Speaker, yes.

REP. WOLLENBERG: (21st)

Through you Mr. Speaker to Representative Knopp. Why?

REP. KNOPP: (137th)

Through you, Mr. Speaker, because the land is in Connecticut.

REP. WOLLENBERG: (21st)

Through you, Mr. Speaker to Representative Knopp.

SPEAKER RITTER:

Please proceed.

REP. WOLLENBERG: (21st)

Representative Knopp, is there any concern on your part with interference with contract with people who have bought in good faith, a mortgage in Connecticut under certain terms of that contract and now the State

of Connecticut changes the rules of that contract? Does it bother you at all that there might be something wrong with that with regard to interference with contract? Through you, Mr. Speaker.

REP. KNOPP: (137th)

Through you, Mr. Speaker, no. For two reasons. First, I have to say in all of our hearings at which numerous bankers and representatives of bankers' associations, testified that it was not brought up.

Second, the bank is being made whole. I don't think there's any loss to the bank in this situation. I don't think there's any prejudice to the bank in that situation and therefore I don't think there is that element of unfairness.

REP. WOLLENBERG: (21st)

Then, through you, Mr. Speaker to Representative Knopp. Representative Knopp, we started this by saying I didn't think that there was anything in here that was strange or different than what we do now with banking and you indicated that there was. You indicated that there were things that were different.

And now you're saying you don't think they benefit, and there's no deterrent here for them. Then why are we doing this for the bank. Why don't we just leave it up to them voluntarily to do this. Through you, Mr.

Speaker.

REP. WOLLENBERG: (21st)

Through you, Mr. Speaker, I feel the gentleman has mischaracterized my remarks, I'm sure unintentionally. I didn't say, what I said was that this, we try to come up with a process that closely parallels what occurs in foreclosures now so that there would not be any undue interference with that process in terms of working out the application and decision on this mortgage. That's what I said, not that it was strange. I don't remember what you said. I'd appreciate it if you wouldn't mischaracterize my response.

I've tried to come up with a procedure that closely parallels, that would be the least prejudice to the bank in the event that the application for emergency systems is not approved.

The reason why we need this is that we want to help those families stay in Connecticut and keep their homes when a bank may decide to go to foreclosure. And we think that a period of 36 months or some other reasonable period to help these families is an important response to this recession. That's why we are trying to offer the help for those families, and we can't do it in a way that would cause a financial hardship to the bank. Otherwise, that might injure the

ability of residents from Connecticut who are credit worthy, to obtain new mortgages.

REP. WOLLENBERG: (21st)

Thank you, Representative Knopp. Mr. Speaker, members of the Chamber, the reason I've tried to go through this was because I don't think we're doing that much here with regard to changing what banks are doing today. The foreclosure procedure of banks is, as Representative Knopp has represented, is the same. This is nothing more than if you're in foreclosure and there's reinstatement you pay up, you pay everything up, you get reinstated and you go on.

In this case, CHFA has a piece of this. That's the new piece. CHFA is going to pay. Nothing else changes in the foreclosure procedure and CHFA is going to pay money that's put into the coffers by the people of the State of Connecticut and probably the State of Connecticut and the people are never going to get it back.

This is not unusual. People are being foreclosed today. There are many, many foreclosures. Representative Knopp gave us four reasons why they should do this and one was because they can't pay. Another was, if they have equity in their property. I forget what the other two are, but anyway, as he

mentioned them, they're the three I asked him to point out in this document where the State was protected, and it's not in the document, the State is not protected. The $36,000 or $31,000 or whatever it is they put out is gone. There is no way to protect it under this document.

It's nothing more than a giveaway program. I've been in this business a long while. I see these foreclosures. You can go down to the Hartford court any day and see the list. It probably runs 80, 90 or 100 pages today, that Short Calendar Foreclosures, that's how many there are in this State. They're ramping. People cannot make the payments. They are losing their houses, yes.

But to put it in the lap of the State of Connecticut is wrong. That's, it's nothing more than that. You're not going to save these houses. Thirty-six months is not going to be enough. It's not going to let these people out. They don't have equity in their property, there's no way to recover the money.

Ladies and gentlemen, this is a giveaway program. It's another one of these things that is nice and soft and fuzzy and warm. And we're going to feel good after we've done it.

People have stood up here and said, this is a great

bill. The mortgage bill we did before this was a great bill. Someone was very innovative in that. It makes a lot of sense. It makes a lot of sense to the people, to the State of Connecticut. This one does not.

It doesn't even affect that many people. But we can go away from here and see the headlong, mortgage relief granted. We do that so much and we spend the money of the people in this way so often. It's not going to go in the right pocket. People don't even have to have a credit rating to get this. They can own a home for one or two months. They can get this money.

There's nothing to look at. Ladies and gentlemen, this is a bill that's concocted to make us feel good and that's all. It shouldn't be done. This is, banks can do this. Let's leave it to the private enterprise to do it as they are today.

If there's a hope of someone recovering and paying the banks go along. If there's no hope, they say come on, let's get the property off the market, let's get it off the rolls, let's do something with it. And that's the way it really works and that's the way it can work. This will not work that way. There are so many loopholes in it that we shouldn't even consider it. Thank you very much.

SPEAKER RITTER:

Thank you, Sir. I think we're ready for a vote. Staff and guests-- Representative Gilligan.

REP. GILLIGAN: (28th)

Mr. Speaker. Ladies and gentlemen of the House, forgive me. I know the debate's been long. I'm not going to ask a lot of questions, but I think it's fair to take a minute to talk about the bill that's before us.

And I would like to share with you the reasons why I can't support this amendment and they're entirely different from those of Representative Wollenberg. I'd also like to comment on what I've heard in the exchange between Representative Wollenberg and Representative Knopp.

It is clear that this bill will help banks, and of course it will help those distressed borrowers who will apply to CHFA for it. I think the flaw in this amendment is simply one that it ignores the fact that we in this country have a system for mortgages which is a national system. That is, the mortgages that originated in the 50 states are sold to large wholesale purchasers like Fannie Mae and Freddie Mac.

What this bill will do, I am concerned about, will help those that have existing mortgages and it will help those banks that hold existing mortgages. But it

is going to send a very bad signal to those young couples who'd like to be first time home buyers. We all know that capital if very portable. If we in the northeast are suffering from the economic distress that everyone is aware of and declining property values, if you're a national investor and you have choices between placing your capital in the northeast, and specifically in the State of Connecticut viz-a-viz North Carolina, the midwest, or any other part of the region, would you put your capital into a state where you could not realize upon your collateral without going through a very elaborate, very difficult to understand, definitions of aggregate family income and so on and so forth.

I think that is a big mistake to impose upon, or place into this bill, a foreclosure moratorium portion. As far as a voluntary program, I would be 100% in favor of this. If those banks and those borrowers can get together with CHFA and let those homeowners keep their homes, I think we ought to try to do that.

But to help a very few people we'll be injuring a great number of people as far as mortgage availability is concerned and for that reason alone I can't support this amendment. Thank you, Mr. Speaker.

SPEAKER RITTER:

Will you remark further?

REP. KNOPP: (137th)

Mr. Speaker.

SPEAKER RITTER:

Representative Knopp for the third time. Do I hear objection? Please proceed.

REP. KNOPP: (137th)

Mr. Speaker, I believe that the proponent is customarily afforded an opportunity to wrap up the debate and I thought we had that earlier.

Three quick things. It's a difficult thing to argue when Representative Wollenberg argues that what we're calling for in the bill is already done now and Representative Gilligan says if we do what's called for in the bill it will dry up capital and credit in Connecticut. Both can't be true and in fact, neither are.

The mortgage bankers we have dealt with believe that the process we have come up with is a way to balance the needs of Connecticut to protect homeowners and access to the secondary market, and there is no concern that we have heard from the mortgage bankers in Connecticut that this will dry up credit or prevent anyone from getting a mortgage.

And finally, these loans for Connecticut will be

secured on property that has equity that's required in the bill and any statement to the contrary is not true. This will help the workers of Connecticut who need help now and protect the taxpayers. I believe it's a good program and I believe it will be adopted.

SPEAKER RITTER:

Okay, I think we're ready. Staff and guests come to the well of the House. The machine will be opened.

CLERK:

The House of Representatives is voting by roll. Members to the Chamber. The House is voting by roll.

SPEAKER RITTER:

Have all the members voted? Please check the roll call machine to make sure your vote is properly cast. If your vote's properly cast, the machine will be locked. The Clerk will please take a tally.

The Clerk please announce the tally.

CLERK:

House "A" to House Bill 5702.

Total number voting	147
Necessary for adoption	74
Those voting yea	91
Those voting nay	56
Those absent and not voting	4

SPEAKER RITTER:

House "A" is adopted. Will you remark further on this bill as amended? Representative Rennie.

REP. RENNIE: (14th)

Thank you, Mr. Speaker. Mr. Speaker, the Clerk has an amendment, LCO Number 7518. Would he please call and I be allowed to summarize.

SPEAKER RITTER:

The Clerk has amendment LCO7518 designated House "A". If she may call, Representative Rennie would like to summarize. House "B". Thank you.

CLERK:

LCO7518 designated House Amendment "B" offered by Representative Rennie.

SPEAKER RITTER:

Representative Rennie.

REP. RENNIE: (14th)

Thank you, Mr. Speaker. Mr. Speaker, this amendment would simply make the program voluntary on the part of mortgagees and I move its adoption.

SPEAKER RITTER:

The question is on adoption. Will you remark further?

REP. RENNIE: (14th)

Yes. Mr. Speaker, I think the adoption of this

amendment would alleviate a number of the concerns that have been expressed during the debate on this, well, the bill now as amended and I think that by making the participation in the CHFA program voluntary, it simply resolves some of the uncomfortable and unknown answers to some of the questions that have been raised in the debate that preceded this amendment.

SPEAKER RITTER:

Will you remark further on House Amendment "B"? Representative Knopp.

REP. KNOPP: (137th)

Thank you, Mr. Speaker. We just had a two hour debate on the amendment which would become the bill. The whole purpose of the amendment was to strengthen the ability of the program. This amendment would, I think, undermine it. I think we have already debated this amendment because this is what Representative Rennie essentially did in the file copy of the Banks Committee and I think the amendment rejected this and I hope we can reject it again without undue delay.

SPEAKER RITTER:

Will you remark further? Representative Varese.

REP. VARESE: (112th)

Thank you, Mr. Speaker. Mr. Speaker, I stand in support of this amendment and the reason that I do

stand in support of this amendment is because we don't make this voluntary, and if we have a situation whereas an example, People's Bank gives a mortgage out, if People's Bank cannot assign that mortgage to some out of state company because that company will not take that loan as a result of this new obligation, we're going to find that People's Bank, instead of giving out 100 loans is going to be limited to giving out 10 loans, and that goes for other banks within the State also.

So what in essence it's going to do is, it's going to dry up the mortgage market so that the consumers here in the State of Connecticut will not be able to get the loans that would be necessary in order for them to purchase the real estate. And I ask respectfully that you support this amendment. Thank you, Mr. Speaker.

SPEAKER RITTER:

Will you remark further?

REP. WOLLENBERG: (21st)

Yes, Mr. Speaker. Mr. Speaker, I think Representative Rennie has said it, that this melds the CHFA and the private mortgage companies to work this out between them and I think that's where it should be. I think all the superfluous language I talked about as Representative Knopp and I debated this bill, this

takes care of it.

They get together, the CHFA program is there. Now the banks with the CHFA and the program works. Let's let the people who know what they're doing set up this program and work it.

It can take care of Representative Gilligan's problem because those mortgages that they may not, they may show, they may not be going to assign. They may keep those mortgages. But that's a decision they can make. It's in the right place in this amendment. It's with the private, banks and it's also with CHFA.

We talk about a melding of private industry and government. This is one case where it can happen and work properly. I think it's a good amendment. We should pass it.

REP. TULISANO: (29th)

Mr. Speaker.

SPEAKER RITTER:

Representative Tulisano.

REP. TULISANO: (29th)

Mr. Speaker, I rise to oppose the amendment. Certainly, the bill as we know it forged over two or three years, is designed to have forced participation, certainly, and certainly when that was designed, I know the proponents from last year through this year, myself

included, did talk to representatives of the industry.

And as I understand it, there is no opposition to this matter and I think that what we have raised is a false facade of fear, Mr. Wollenberg.

Mr. Speaker, as in every piece of legislation we have here, there are, every one has its ups and downs, its pros and cons. And for the fear that some people might not wish to participate, the assurance that there is some protection that this bill gives them, also encourages people to participate in the Connecticut mortgage market.

Thank you, Mr. Speaker, and I urge rejection of this amendment.

SPEAKER RITTER:

Thank you. Representative Maddox.

REP. MADDOX: (66th)

Thank you, Mr. Speaker. I stand to support the amendment and I think we ought to go back to reality. Earlier in the debate on the previous amendment, Representative Knopp said the maximum benefit could be, I believe, about $2600 a month for a home in Fairfield County. I'm not going to suggest all of the mortgage guarantees would be there in Fairfield County, but if they were, that would mean only 40 mortgages, or 50 mortgages in the State could be guaranteed throughout

the three year period with the amount of money we're allocating here.

If spread throughout the State, the total maximum amount that could maybe be guaranteed is, I don't know, 200 or 300 mortgages, so in that sense, it is truly insignificant. That being the case, I don't understand the concern with obviously making it a voluntary program and I can't believe we wouldn't have 300 or 400 applicants through the banks that would volunteer to enter into this and work out a situation as providing a tool.

What does concern me, however, Mr. Speaker, is the point that Representative Gilligan mentioned earlier and I quite frankly had not thought of, is what it could do and the message we could send.

I am reminded of the fact that when this Legislature a few sessions ago decided to cap interest rates, we ended up exporting several hundred jobs out of State because the credit card companies simply pulled up roots and left and all that capital flowed out of State.

I would hate to think that an action here that's going to only have a minor benefit on 200 or 300 individuals throughout the State could have such a negative impact on the flow of capital we may have in

this State when we're already at a point of, we've lost several million, probably billions of dollars in capital over the last few years.

We have a very severe credit crisis here. Obviously, disruption in the market place. Go and aggravate that situation and not improve it. So I think it would be in our best interests and that of the State of Connecticut to adopt the amendment. Thank you.

REP. KNOPP: (137th)

Mr. Speaker.

SPEAKER RITTER:

Representative Knopp.

REP. KNOPP: (137th)

Let's call for a recorded vote, please.

SPEAKER RITTER:

All those who would elect a roll call signify by saying aye.

REPRESENTATIVES:

Aye.

SPEAKER RITTER:

Twenty percent not being met. Anyone else want to comment on this bill? If not, I'll try your minds. All in favor of House Amendment "B" signify by saying aye.

REPRESENTATIVES:

Aye.

SPEAKER RITTER:

All opposed, nay.

REPRESENTATIVES:

No.

SPEAKER RITTER:

The ayes have it. House "B" is adopted. Do you care to comment on this bill? If not, staff and guests come to the well of the House. The machine will be opened.

CLERK:

The House of Representatives is voting by roll. Members to the Chamber. The House is voting by roll.

SPEAKER RITTER:

Have all members voted? Please check the roll call machine to make sure your vote is properly cast. The machine will be locked. The Clerk please take a tally.

Representative Davino.

REP. DAVINO: (71st)

Mr. Speaker. In the affirmative.

SPEAKER RITTER:

Deputy Speaker Coleman.

REP. COLEMAN: (1st)

Mr. Speaker, in the affirmative, please.

SPEAKER RITTER:

Affirmative. Representative LeBeau.

REP. LEBEAU: (11th)

Mr. Speaker, in the affirmative.

SPEAKER RITTER:

In the affirmative. Representative Hartley.

REP. HARTLEY: (73rd)

Thank you, Mr. Speaker, in the affirmative.

SPEAKER RITTER:

In the affirmative. Anybody else?

REP. DEPINO: (97th)

Mr. Speaker.

SPEAKER RITTER:

Representative DePino.

REP. DEPINO: (97th)

Thank you. In the affirmative, please.

SPEAKER RITTER:

In the affirmative. Anybody else? The Clerk please announce the tally.

CLERK:

House Bill 5702 as amended by House Amendment Schedule "A".

Total number voting	149
Necessary for passage	75
Those voting yea	147
Those voting nay	2
Those absent and not voting	2

SPEAKER RITTER:

The bill as amended passes. At this time the Chair would like to appoint another Committee on Conference which was necessitated by disagreeing action. This is Calendar 282, File 942, AN ACT REQUIRING LICENSED MOTOR VEHICLE DEALERS TO DISCLOSE WHETHER A VEHICLE HAS BEEN TOTALLED, as amended by House Amendment Schedule "A". The Senate rejected House Amendment Schedule "A" on June 3rd and the House readopted House Amendment Schedule "A" on June 4th. HB 7265

I'd like to ask the Conference Committee to be composed of Chairman, John Wayne Fox, Representative Esposito and Representative Munns. And if they could meet with their Senate colleagues as soon as possible to resolve this matter, the Chair would be in your gratitude.

At this point, we'll take a point of personal privilege. Representative Godfrey.

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GARY KING: Good afternoon, Chairman Knopp and members of the committee. My name is Gary King. I'm president of CHFA. I'm glad to be here today with you to share with you the authority's perspectives on two bills. One is HB5701, AN ACT CONCERNING EMERGENCY MORTGAGE ASSISTANCE, and the additional bill is HB5704, AN ACT CONCERNING SUBORDINATION OF USE RESTRICTIONS UNDER THE LAND BANK TRUST PROGRAM. HB 5702

I've provided written copies of my testimony to the committee and I would just like to summarize a few points on each bill to highlight the points in our testimony.

In terms of the Emergency Mortgage Assistance Bill, HB5702 this bill has been around since 1991 and the Authority has been involved with this legislation since that time. Most of the concerns that the Authority has raised over the years on this bill have been addressed in the bill as drafted at the present time. There remain, however, three points which I'd like to share with you that are of concern to the Authority.

The first point is that the bill calls for the Authority making certain judgments and determinations within a 30-day period and we feel that it is necessary to allow the authority 30 business day or 45 calendar days in order to discharge these responsibilities about making a determination on the mortgage application.

The second point that I'd like to highlight is that the bill, as presently drafted, excluded mortgages that have private mortgage insurance and FHA insurance from receiving assistance under this Act. We understand the exclusion and agree with the exclusion for FHA because FHA has a similar type of program as part of its insurance requirements and individuals that are in some type of default situation can get forebearance from FHA on that mortgage.

However, the exclusion of the private mortgage insurance we have questions about because private mortgage insurance in many ways is obtained and used by first-time homebuyers, homebuyers of lower income, homebuyers with two people working, trying to support the mortgage and it seems to me that the intent of this legislation is to help people

through a tough time for a period of time to keep their home and we would wonder why people that have private mortgage insurance would be excluded from this bill.

And we would suggest that the committee may wish to consider this anomaly and strike this exclusion from the bill. It's Section 4d3, line 179.

The third point that I'd like to raise is that under Section 5a of the bill the Authority would be required to, in all instances after the original payment to the mortgagee, the bank, to make payment to the mortgagee in an amount equal to the full amount due pursuant to the terms of the mortgage.

Simply put, what this means is that CHFA would have to pay the bank and this requirement seems to apply whether or not the Authority has received the money from the person who is in the home and we would want to see that the fact is that of the person who has received the mortgage assistance is not paying us, then we would not have to pay the bank. This would have certain budgetary implications for the Authority which I don't like.

So those are essentially the three points about that bill. I'd like to move on to HB5704. Basically CHFA supports this bill. As I'm sure you are aware, the department and CHFA have worked closely over the years to develop homeownership opportunities. The Department of Housing provides basically a grant to nonprofits for the land and on many of these developments, CHFA provides the construction financing for the development of the housing, the buildings that go on the land, and in addition to that, we often provide the permanent mortgage loans for the people buying the houses.

And we have had running issues with FHA over the years in terms of getting mortgage insurance. FHA insurance is the preferred type of mortgage insurance for this type of housing and the bill, from our point of view, would remove a potential impediment from the Authority and DOH financing homeownership developments on land trust land. So we support that bill. I'd be happy to answer any questions.

REP. KNOPP: Thank you, Gary. In terms of your comment about the mortgage assistance, that the Authority would not be required to make a payment to the mortgagee until they receive funds from the mortgagor. What if it's a situation where the mortgagor may over the several year period be able to come up to full payment, but can't make the initial payment for the arrears? Would requiring that as a precondition close out a large number of potential beneficiaries who might be able to get back on track over the 36 months, but couldn't do it with an initial payment to bring it up to full? HB 5702

GARY KING: I understand, I think, the point. I'm focusing in on individuals that have already received mortgage assistance for that up to 36-month period and they've worked out a certain financial arrangement or payment plan with the Authority and in turn become in violation of that agreed payment plan. That would be basically a condition of default under the Emergency Mortgage Assistance and we would see that the normal recourse of foreclosing on the family or the occupants would apply here and basically the deal would be over and the Authority shouldn't need to advance monies. The bank would have recourse through its normal foreclosure activities.

So I'm only talking about after all the parties have come to an agreement and the homeowner violates the agreement.

REP. KNOPP: Thank you. That clarifies it. Any questions for Mr. King? And I have another question, if I could, Commissioner. One of the things that troubles me about the bill is that there is no income limit for the applicant. I'm sure we could all come up with absurd examples, but you know, hypothetically people with extremely expensive homes with huge mortgages could apply for assistance under this program.

Do you think the program would at all be effective in any kind of technical or acceptability to bank's perspective if there were income limits on the applicants so that this would apply to, you know, primarily low income and moderate income persons and not to the very wealthy?

GARY KING: The -- my response to that is that the Authority by statute is limited to providing assistance to people of low and moderate income and also we're talking about a problem that's quite large across the state potentially and you often get into a situation of needing to ration scarce resources and one of our concerns is that, you know, how much money is available to help how many people.

I guess the thrust of my comments about including people on private mortgage insurance goes to kind of the same point. We see this bill as most helping first those people of the modest means, the first-time homebuyers. I don't know quite what the impact of such a restriction would be to the banks and their interest in what the financial impact is. I think there's a secondary benefit to the banks. CHFA is also a lender, but we are, you know, in the low and moderate income area, but I do not see any impediment for the administration of the bill if such a limit was placed on it.

REP. KNOPP: Right now (inaudible, mic not on) that in fact the bill would not give you discretion to approve emergency assistance to moderate income applicants and to deny it to the very wealthy, as I read it.

GARY KING: Only to the extent, I think it says you get into trouble due to circumstances beyond your control and it would only be if the wealthy had circumstances beyond their control versus another, but I agree with you. I don't see that limitation in the bill at the present time.

REP. KNOPP: My only reason for raising it is that I think the $4 million would go a lot further, it could help more people with smaller mortgages than helping a fewer people with huge mortgages, I think.

Are there other questions for Mr. King? Representative Nystrom.

REP. NYSTROM: Thank you, Mr. Chairman. Mr. King, would there be limits as to the amount on a per family basis that would be available?

GARY KING: I think the bill says that there has to be reasonable expectation that the funds can be paid back within a 36-month period. I see that as a significant limitation on how much they lend. You have to have the expectation that you have it paid back.

Obviously the circumstances of things, you know, like unemployment, those types of things, where the income is reduced so you have to realistically expect that the amount of money in some way would be limited, but I think right now, as the bill is worded, it would be restricted to the circumstances of the individual family's ability to pay it back, if I'm responding directly to your point.

REP. NYSTROM: Thank you.

REP. KNOPP: Any other questions? What's the status of the Reverse Annuity Program that CHFA used to have? Is it active in any way now?

GARY KING: It is not active. The Authority, from the period of 1985 through 1990 made approximately $85 million of Reverse Annuity Mortgages to the elderly. These Reverse Annuity Mortgages paid people an income stream for a period of five to ten years depending upon the circumstances of the elderly family.

We made about 800 loans and I guess about ten to fifteen percent of these were to people in long term care situations, keeping them out of nursing homes. It was a very effective program. What happened is when we made our donation to the state back in 1990 of about $55 million to $80 million, depending on various accounting situations, circumstances, we were required to shut down all of our special programs.

We basically were funding that on an as-you-go basis. In other words, we don't have to put out the whole $85 million in one year. It left us with an unfunded liability at the time we shut the program down of nearly $60 million and so it was no choice but to shut the program down.

Subsequent to that, the federal government established what's referred to as the Heckham Program, Home Equity Conversion Mortgage I believe is what it's called. That is a very complicated mortgage program. The Authority examined whether or not it could go into that business and tried to do a few pilot loans, but we found it didn't work.

So at the present time the program is shut down. We have been having conversations with a representative of several banks to see if they would be willing to provide us some seed capital of approximately $5 million to reopen the program on a limited basis, focused in on long term care, but basically, realistically, it requires capital from a source outside of CHFA for us to go back into this very successful program.

REP. KNOPP: Any further questions from members of the committee? Thank you very much.

GARY KING: Thank you.

REP. KNOPP: Our next witness is Council Anthony DiPentima. Did I pronounce your name right?

COUNCILMAN ANTHONY DIPENTIMA: That's close enough. Thank you. Mr. Chairman, members of the Select Committee on Housing, thank you for allowing me to speak. I've just been made aware of this bill and I would like to make a brief presentation concerning that.

I'm Tony DiPentima of the Hartford City Council, Chairman of the City of Hartford Legislation Relation Committee and I'm here to speak in support of Proposed HB5702, AN ACT CONCERNING THE EMERGENCY MORTGAGE ASSISTANCE.

At the onset let me say having reviewed the bill that I must say emphatically that Hartford needs this bill, not only Hartford, but the entire State of Connecticut needs this bill. With over 200,000 jobs lost in the state since 1989 and the recession continuing to erode our local economy and state economy, I believe we just, as public officials, provide any protection possible to vulnerable victims and citizens of our city and town and state

that are still involved in this horrible recession as it impacts them, especially as residential homeowners.

Unemployed and underemployed workers are losing their homes at an alarming rate. I don't know what good it is for our state to watch idly while families are being put out of their homes. I believe that allowing for this type of emergency mortgage protection, as proposed in HB5702, will help keep families in their home, keep our neighborhood stabilized, protect the municipal tax base.

Housing foreclosed on by the Resolution Trust Corporation pay no property taxes and make no mortgage payments. It seems to me under that scenario everyone loses.

Providing a buffer for these types of homeowners, victims of an economic condition in which they have no control over, will hopefully begin to stabilize our economy and ensure neighborhood stability.

At present, ladies and gentlemen, the City of Hartford is holding back on the foreclosure of one, two and three family houses delinquent on property taxes because of our understanding of the situation. However, the impact of the situation on our Grand List is severe.

We understand that we do not know where these people will go if we put them out of their homes. The obvious alternatives are either shelters or public housing. Hartford has approximately 225 apartments and commercial properties that are currently under foreclosure accounting for a tax loss of in excess of $15 million. We need the relief provided in Proposed HB5702 if for nothing else than to protect and preserve our housing stock and our property tax base and at the same time helping our residential homeowners. At the very least we believe that helping these people is the most humane thing that we can do.

Ladies and gentlemen, I do ask for your favorable consideration of Proposed HB5702. I'd be happy to entertain any questions if any are deemed necessary.

REP. KNOPP: Thank you, Councilman. If you could leave a copy of your statement so that we could make copies for members of the committee.

COUNCILMAN ANTHONY DIPENTIMA: Thank you, Mr. Chairman.

REP. KNOPP: Are there any questions? Representative.

REP. GARVEY: Hi, I'm Jean Garvey.

COUNCILMAN ANTHONY DIPENTIMA: Yes, ma'am.

REP. GARVEY: I wonder if you could just tell me the number that you said are presently at a possible foreclosure or --.

COUNCILMAN ANTHONY DIPENTIMA: 225 apartments and commercial properties, ma'am.

REP. GARVEY: Approximately how many of those are owner-occupied buildings?

COUNCILMAN ANTHONY DIPENTIMA: I asked that specific question. I have someone here from the City of Hartford Tax Department. I do not have a specific number for you. I attempted to get that number. I could possibly have that -- is it possible that we can get that?

: An estimate of 80 percent of that is --.

COUNCILMAN ANTHONY DIPENTIMA: Eighty percent?

REP. GARVEY: Is owner-occupied?

COUNCILMAN ANTHONY DIPENTIMA: Yes, ma'am.

REP. GARVEY: Thank you.

COUNCILMAN ANTHONY DIPENTIMA: Thank you, Mr. Chairman.

REP. KNOPP: Any further questions for --? Thank you. Thank you very much for your time. Senator Aniskovich.

SEN. ANISKOVICH: Thank you, Mr. Chairman. Senator Milner, Representative Knopp, Vice Chairperson Poss, I am here today to testify in support of HB5706, AN ACT ESTABLISHING A FIRST TIME HOMEBUYER TAX CREDIT AGAINST THE STATE PERSONAL INCOME TAX.

the homebuilding industry in this state. I'd be happy to answer any questions. There's a copy of my testimony there.

REP. KNOPP: Thank you very much, Senator. Are there any questions?

SEN. ANISKOVICH: Thank you very much.

REP. KNOPP: Thank you very much for coming. Are there any other state agency heads, legislators or municipal officials who would like to testify? Are there any? Representative, have you come to testify or --?

: I wasn't intending to.

REP. KNOPP: Is there someone from Bloomfield city government who would like to testify? If you would like to, you can do it now. Okay. All right, then we'll go to members of the public, and again, we request you try to keep your statement to no more than five minutes. It doesn't have to be five minutes. If you feel you can refer to us what some other witness has said who came before you. Jeff Briggs and would you please, when you come to the microphone, identify yourself by your name and your address and then the organization? Thank you.

JEFFREY BRIGGS: Thank you, Mr. Chairman. Senator Milner, Representative Knopp, my name is Jeffrey L. Briggs. I'm a Senior Vice President with Citibank Mortgage Company in Waterbury, Connecticut and I'm here testifying on behalf of the Connecticut Mortgage Banker's Association in support of HB5702.

The Connecticut Mortgage Bankers Association feels that HB5702, which offers emergency mortgage assistance is largely representative of the cooperative effort that took place between the Mortgage Bankers Association, consumer representatives and members of the ad hoc group of the legislature that was put together during the last legislative session.

All of those individuals work together closely to develop legislation that would provide emergency relief to qualified Connecticut homeowners. We believe that HB5702 is representative of that cooperative effort.

Of significant concern to the Mortgage Bankers Association is the perception that many of the secondary market investors have that believe the foreclosure process in Connecticut is cumbersome and time consuming. It is important that the final draft of this legislation, through its various procedural requirements not worsen that perception.

Another concern relates to the fact that the granting of assistance payments constitutes additional debt to the consumer. We believe that it is of the utmost importance that homeowners understand that this assistance is a debt and that it will be secured by an additional mortgage against their property.

Subject to the foregoing comments, the Connecticut Mortgage Bankers Association supports this bill and believes that it can be beneficial to both the consumers and the lenders. Copies of my testimony will be provided and I will be pleased to answer any questions you may have.

REP. KNOPP: Thank you very much. I think the participation of your organization would be very important to the future course of this bill. I don't know whether you heard my earlier question to the president of CHFA. Would the imposition of income limits on the sort of past income of the mortgagor affect how you would view this bill so that the bonded funds could reach more mortgagors as smaller mortgages rather than fewer mortgagors and bigger mortgages?

JEFFREY BRIGGS: I think that the people who would be coming forward seeking assistance under this bill might be classified as formerly wealthy as opposed to currently wealthy and that would be the consideration I would ask you to make. Do you want to block someone's participation by virtue of the fact that they were once more advantaged than many of us?

There was a question about mortgage insurance.

REP. KNOPP: Do you want to respond to that comment?

JEFFREY BRIGGS: Yes, I would like to make some comment to that. The comment why mortgage insurance was or might be excluded, I think originally this bill was patterned after some legislation that was introduced and passed in Pennsylvania that excluded that population of borrowers. From a lender standpoint, the concern that we would have would be whether or not the inclusion of that population of borrowers would affect the availability of mortgage insurance in Connecticut for future borrowers or whether or not there would be a pricing differential that would result -- that ultimately would have us future borrowers paying for that in the tomorrow's as opposed to the yesterday's.

REP. KNOPP: Could you explain the (inaudible, mic not on)?

JEFFREY BRIGGS: The mortgage insurance that we're talking, typically if a borrower doesn't have a large downpayment or a downpayment which is equal to 20 percent of the appraised value or greater, mortgage insurance will be required and that insurance guarantees the lender the availability of an insurance claim should there be a default and a foreclosure.

To the extent that the mortgage insurance providers who are private insurance companies view the inclusion of the insured loans in the act as being something that creates additional cost for them or additional risk or exposure, they may decline to issue coverage in the state in the future or price it in such a fashion to make it more onerous for the Connecticut consumer and that's the principal concern, not any intent to exclude them by virtue of the fact that they have mortgage insurance.

Additionally, one factor inasmuch as these assistance payments are borrowing that it is expected will be repaid. Those individuals that have mortgage insurance do, as a matter of fact, have a lesser equity position in their property and the inclusion of mortgage assistance payments on top of that may limit options that those borrowers have later. If they need to sell their property they now have further encumbered it and being able to sell it becomes less likely. So those are the concerns as it relates to the mortgage insurance --.

REP. KNOPP: Could I just ask, wouldn't the other side of the coin also apply that there would be hypothetically, hopefully fewer foreclosures, fewer defaults, private mortgage insurance companies would be called upon less to pay into their policies if this kind of assistance were provided to people with PMI?

JEFFREY BRIGGS: Theoretically it could work that way. What we haven't at this point obtained is any feedback from those mortgage insurers regarding how they might act and after I leave here, that's what I'm going to do first is to see how the insurance companies would respond.

REP. KNOPP: (inaudible, mic not on) -- learning anything that you'd find out about that. Representative Garvey.

REP. GARVEY: Mr. Chairman, I wondered if consideration would be given in this bill to the restructuring of loans where if the loan were in trouble because of a high interest rate, is that the problem with most of these loans, and if so, would a restructuring of this loan take place at the same time to make it more cost effective for this person to be able to carry on there?

JEFFREY BRIGGS: We view this legislation as being one more tool. There are restructurings taking place where they're possible. Reasons for people being behind in payments is not necessarily interest rate. A lot of the loans that are delinquent are very reasonable in their rate. It's just that people have found it difficult to remain employed, marriages break up. People have taken on debt when things were better for them and when their incomes are reduced, they're no longer able to pay all the debt that they've incurred and those are the primary reasons for a delinquency, but yes, we do modifications where we can. We work with people where we can. This provides us with one more tool. I think it will enable us as a group to help more people and that's why we favor it.

REP. KNOPP: Any further questions? Representative Nystrom.

REP. NYSTROM: Thank you, Mr. Chairman. Getting back to the prior discussion, just so that it's clear in my mind, do you favor a limitation for access to this program if it's adopted for people who have or were at higher income levels?

JEFFREY BRIGGS: I think that --.

REP. NYSTROM: I think I heard you say that, but I wasn't sure if that was a definite recommendation of this committee.

JEFFREY BRIGGS: I think in the establishment of the criteria that CHFA needs to go through that I would favor them looking at a current situation as opposed to a prior situation. I think that's where help could be offered. I'd hate to exclude someone who had a bona fide need and was a demonstrated hardship by virtue of the fact that they used to be something that they are no longer.

REP. NYSTROM: So you're saying that person should be included?

JEFFREY BRIGGS: Considered on the basis of their current position.

REP. NYSTROM: Okay, thank you.

REP. KNOPP: Any further questions? Representative Joyce.

REP. JOYCE: Yes, maybe I'm not the person to ask this, but is this only for CHFA mortgages or is it for any mortgages? Because that came up a little earlier, that it was only for CHFA.

JEFFREY BRIGGS: No, sir, it would be for Connecticut homeowners. CHFA was identified as the administrator of the program.

REP. JOYCE: So actually it would be for any mortgage. It could be used for any mortgages. It would not be only CHFA.

JEFFREY BRIGGS: That's correct. Owner-occupied in the State of Connecticut.

REP. JOYCE: Thank you.

JEFFREY BRIGGS: You're welcome.

REP. KNOPP: Any further questions? Mr. Briggs, could you leave a copy of your testimony with our clerk and we'll have to get back --.

JEFFREY BRIGGS: Yes, we will. Thank you very much.

REP. KNOPP: I think it's very important people have your testimony particularly.

JEFFREY BRIGGS: Okay, thank you.

REP. KNOPP: Any further -- no further questions? Thank you very much.

JEFFREY BRIGGS: Thank you.

REP. KNOPP: The next witness is Mr. Nick Carbone. And while Nick is coming to the microphone, I'd ask anybody who brings written testimony who didn't make copies to try to leave your original if you can with our clerk so that we can have copies prepared. Thank you. HB5702

NICK CARBONE: Good afternoon, Chairman, members of the committee. I have no written testimony, but just some notes. When an economy loses 200,000 jobs since February of 1989 and the people who have lost their jobs with massive layoffs become a victim of a recession, I think we have to rethink what we do as a state.

In the structural unemployment that is predicted, layoffs announced by companies in Connecticut, we're looking forward to another 50,000 jobs lost this year and possibly a year out another 100,000. So our total job base is down.

I've been involved in real estate and from that have come in contact with a lot of people. There's a great deal of pain with people who have jobs who have purchased homes, both people working and all of a sudden one individual or both individuals of those families lose their jobs and now the place where they are living is in jeopardy and it's going to take a while to get out of that recession. So the need for this legislation is critical for

people who are victims of the recession and there's 200,000 to date. There'll be another 50,000 this year and there will be more the following year.

What can we do creatively to help these people through this situation? And that's the Mortgage Assistance Act. Now I would ask that congress do this except the recession has not hit equally all the states. If you look at the maps, Connecticut is one of the most recessed states.

So the federal government isn't going to do a Mortgage Assistance Program that they did in the 1930s to help with the Depression where the federal government had a Mortgage Assistance Program for people laid off, because Connecticut is one of the few states that's true unemployment and job loss is so great, I think Connecticut has to do something to help its own and these are people who have worked all their lives.

As I understand the act, you have to use up all your other liquid assets before you apply for this program. So when you apply for this program, you're savings and money that you've had, had to be disposed of. Now you're down to the point where you have no more money left and I've known people, and I know people now who have been out of work for two years. They look diligent. They don't collect unemployment. Myself, I'm the head of a small business. I've taken myself off of salary for 18 months. I still have two employees. I'm not eligible for unemployment compensation. I've used all of my assets because I've guaranteed a mortgage. I have very little assets left.

Now I have a house that has a very small mortgage. It's prime for someone who would want to foreclose on it because they could sell it at a profit. I can't borrow because I have no income to borrow. So I can't borrow against the equity of my home even though I'm out of work and even though my mortgage is less than 10 percent of the amount of the value. I have never mortgaged my house, but I can't borrow against it. I have no income. I'm ineligible. I have no credit left.

So I can't sell my house. I've had it on the market over a year and a half. Okay? And anybody who tells you that people who are about to lose their house haven't tried to sell it when they've lost their jobs, the retail market of homes, there's a surplus of homes because of all the people who have lost their jobs in the state, you can't sell your home even at a great discount. I'm willing to sell my home for one-third less than the city has assessed it for in 1988, 1989. I can't sell my home.

So that is the type of pain that's out there. So what I would ask the committee do two things as they review the bill. As I understand it, you have to list all your assets. If they're liquid and you have any liquid assets, you're not going to get assistance until they're gone. So I would not worry about the past income limits.

Number two, I'd make the bill effective upon adoption and I would ask that the CHFA implement the program by July 1st. Okay? Because we can't wait until 1994. Particularly in the last quarter we had a 50 percent in bankruptcy filings and we have more people in the state because of our long recession hurting and our delinquency rate is at an all time high.

Number two, I would put more money -- you're asking the state to bond money. This is the most productive program you can bond for. So it would increase the limits from $4 million to $10 million or $15 million and I would ask an assessment of how many people would be eligible for this and these are people who have worked to earn their homes, live in Connecticut, pay taxes, are not eligible for welfare, are ineligible now for unemployment compensation, who have used up their life savings and besides going through the hardship of a job and family income are now going through the hardship of not going where they're going to live. This is absolutely critical if this is a state that has any compassion at all. Thank you.

REP. KNOPP: Thank you, Mr. Carbone. Are there any questions for Mr. Carbone? Thank you very much, Nick. What I will do is I will call the next witness and give the name of the person who will follow that person so you can be prepared to come

to testify. The next witness will be Rick Redniss and he will be followed by David Shaiken. Please identify yourself and your address, we'd appreciate it very much.

RICHARD REDNISS: Mr. Chairman and members of the committee, thank you. It's a pleasure to be here. My name is Richard Redniss. My company is Parsons, Bromfield, Redniss and Meade out of Stamford. I am President. I live in Stamford. I am also here as Chairman of Government Affairs for the State of Connecticut Homebuilders and I have several other hats that I do wear.

I am here to testify on behalf of HB5701, which is subdivision and site plan extension. For those of you who may remember, we had a similar bill we all worked together. It became PA91-153 which extended the site plan and subdivisions from five years to seven years for those approvals prior to October 1, 1989 which gave us through until 1996, seven years from 1989.

The bill before you seeks not to extend beyond 1996, but only seeks to add three years retroactively for the older approved subdivisions, those unfortunately subdivisions and site plans that were approved from 1986 through 1989 when we weren't sure what was going to happen and after 1989 we certainly know what did happen.

So there are many people, industries and individuals. I would like to cite four general categories of what's at stake. I think this committee is very familiar with the plight of the industry, but I'd like to cite the four basic categories.

One is the general economy, the jobs in the future that these unfinished site plans and subdivisions represent, owners with life savings and the values of land. Now the values of land have a big effect on the banking industry and the lending industry because many loans were made for approved projects and I think you are all familiar enough with the savings and loan crisis we have in our economy that we can no longer absorb any other losses to that industry and if the mortgages that were secured by approvals are jeopardized further, we will have further problems in that industry.

Similarly, the municipalities have taxed property based on certain approvals and certain expectations. If these approvals are lost, then the entire tax structure of that approval will then be jeopardized. It will go back to raw land which is taxed at a far lower level. So municipalities are affected by this and the residents of unfinished site plans and projects and subdivisions are also affected because perhaps amenity packages haven't been completed or other aspects of their thought to be community have not been completed and it's important for them and their stability that eventually over time we be allowed to complete what was started from 1986 to 1989 and for those reasons we would ask you to favorably look upon this bill. Thank you.

REP. KNOPP: Thank you very much. Are there questions? Thank you. We appreciate your testimony very much.

RICHARD REDNISS: Thank you.

REP. KNOPP: The next witness will be David Shaiken followed by Don Buck

ATTY. DAVID SHAIKEN: Mr. Chairman and members of the committee, good afternoon. My name is David Shaiken. I am a lawyer in Hartford, Connecticut. My practice is limited almost exclusively to representing financially distressed companies and individuals. I am here to provide my emphatic support to HB5702, the Emergency Mortgage Assistance Act.

In the brief time I have, I have submitted more extensive testimony previously, in the brief time that I have this afternoon, I'd like to give you a very brief introduction or background to the situation out there, discuss briefly how this bill will help and make four proposals to strengthen the bill.

As I think all of you are aware, as has been much reported in the press and as others have said here this afternoon, we are experiencing in this state a foreclosure crisis and a mortgage default crisis, both in terms of the rate at which foreclosures and mortgage defaults have increased and also the absolute number of those defaults and foreclosures.

We are also experiencing a bankruptcy crisis for individuals. Anybody who wants to take a walk over to the U.S. Bankruptcy Court in Hartford any Friday morning or Tuesday afternoon and see debtors waiting in the hallway to have their cases heard I think will appreciate the level of crisis that we have.

One of the results of workers and homeowners losing their homes is that it's often the last even before they leave Connecticut in search of employment and better opportunities in other parts of the country. This hurts the state. It lowers our tax base and also dilutes our workforce. We are losing talented people who are never going to return to Connecticut.

The House Bill helps this situation in several important ways. First of all, as some of you may be aware, the United States Bankruptcy Code, Chapter 13, provides some remedy to a limited class of people to save their homes when their mortgages are in default. However, Chapter 13 does no good for a debtor with insufficient income to make his current mortgage payments. Without the lender's consent you can't save a home in Chapter 13 unless you can make your current payments. This bill addresses that problem by providing that CHFA would make the current payments.

In addition, Congress has set debt limits on eligibility for Chapter 13 which have hurt Connecticut residents terribly because of the high prices that our houses have brought through the 1980s. If you have more than $350,000 of secured debt, which includes mortgage debt, car loans, etc., you are ineligible for Chapter 13. That takes a class of homeowner immediately out of the Chapter 13 remedy altogether. The result is foreclosure. Foreclosure hurts the banks. I don't think it does most banking institutions much good to own a residential home. It hurts the homeowner and of course it hurts the State of Connecticut, as I've mentioned.

Therefore, I think this bill is an excellent proposal and one that I hope that the legislature can act on quickly.

Briefly, I have four proposals that I feel would strengthen the bill considerably. The bill contains an exclusion, as I understand it, for homes which contain a mortgage securing a business related debt. I ask the committee to consider not excluding people who have secured debts of a corporation that they own.

In order for a small business to borrow money in Connecticut or anywhere else these days, you have to give a mortgage on your personal assets as well as on your corporate assets and I see no reason to exclude people whose businesses have gone bad and therefore have lost income simply because they're in that situation. They should be treated, in my opinion, the same as other individual borrowers.

Secondly, this bill contains a provision excluding from the program individuals who have filed or asserted defenses in a foreclosure action brought by a lender. I strongly oppose that bill. I don't think the legislature should, in essence, force a person to waive his constitutional rights to defend litigation. This is an alternative program to foreclosure. The two halves, foreclosure or mortgage assistance, need not be mutually exclusive certainly as a matter of law and I think it's bad policy to make them so.

Second to last, I think the bill should state explicitly that an individual who has in the past filed for bankruptcy is not necessarily excluded from mortgage assistance under the act. People who file for bankruptcy have had their debts previously discharged sometimes represent the most credit worthy borrowers because of the fact that they are debt free and the fact that they can't refile for bankruptcy for six years thereafter.

Lastly, the bill contains provisions stating that a foreclosure judgment may not be entered until a period of time passes after notice is given of the program to the borrower. I would suggest the bill be amended to say that a foreclosure case cannot be started because once the case is started, most individuals feel relatively powerless, extremely threatened by the bank and the court system and our backed terribly into a corner. I would, however, support the bill to be changed this way.

Let's say a bank can't start a foreclosure until the CHFA acts. However, if the bank is willing to give up its right to obtain a deficiency judgment in the foreclosure action, then I say, let the foreclosure go forward after a period of time, say, 30 days after the notice of the program is given.

So drawing a little bit on a comment that the gentleman from the Mortgage Bankers Association made earlier, let's not slow the foreclosure process up. If banks want it to more it quickly, let them give up the deficiency rights.

Those constitute my prepared comments for this afternoon. I'd be very happy to answer any questions.

REP. KNOPP: Thank you very much.

ATTY. DAVID SHAIKEN: Thank you.

REP. KNOPP: Do you have any comment or experience in terms of how, in the foreclosure cases you've been involved in, what response or role private mortgage insurance has played in any of the workouts or negotiations at the Bankruptcy Court, for example?

ATTY. DAVID SHAIKEN: Not specifically in the Bankruptcy Court. Of course, the private mortgage insurer ends up subrogated to the mortgagee's rights if it has to pay. My experience has been mixed. Sometimes the availability of the existence of the private mortgage insurance helps and other times it's a third party that as a debtor's lawyer I have to deal with who mucks up the works.

I've had a situation in particular where I could have struck a deal with a lender, but the private mortgage insurer refused to allow, in essence, us to give a deed to the house to the bank instead of having the bank foreclose because, in their opinion, it would have been to their detriment.

So other than that, I don't really have too many comments on private mortgage insurance.

REP. KNOPP: Are there questions from members of the committee? Representative.

REP. GARVEY: I don't know if you would be the person --.

REP. KNOPP: I'm sorry, would you please state your name, Representative Garvey.

REP. GARVEY: Representative Garvey.

ATTY. DAVID SHAIKEN: Good afternoon.

REP. GARVEY: Now I forget what I was going to ask. Wait a minute.

REP. KNOPP: I'm sorry.

REP. GARVEY: I lost it. I'll think of it.

REP. KNOPP: Representative Nystrom.

REP. NYSTROM: Thank you, Alex. You mentioned specifically an income level or a level of debt, namely $350,000. Am I correct to believe that you feel that someone who has that amount of debt outstanding should be eligible for this program?

ATTY. DAVID SHAIKEN: Yes, let me clarify. That is my position, yes. Let me clarify that. The Bankruptcy Code limits Chapter 13 relief to people with less than $350,000 of secured debt and also less than $100,000 of unsecured debt, such as credit cards, bank notes.

Yes, and my position is, as other people have suggested here this afternoon, I don't think this program should be conditioned upon how large a house you bought in the past at a time when you had the income to support it.

There are other provisions in the bill that I think would get at making the person who has been chronically a problem borrower ineligible for the program. CHFA has ample authority under this bill to deny applications due to poor credit risk or due to a chronically bad credit history over a lengthy period of time.

So I would not be in favor of setting an income limit or an absolute dollar debt limit.

REP. NYSTROM: But would that not -- if we adopted a policy that provided that type of access, would that not diminish our ability to help more people, and that seems to be the business the state wants to be known for, helping as many people as possible? If we're providing assistance for people in that situation, to some extent we're certainly limiting the number of people we can serve. How are we to balance that policy?

I understand where you're coming from, considering who you represent and what you deal with as far as Chapter 13 and so forth, which I don't have a lot of background or information on. I need to learn more, but how do we balance that interest that the state certainly needs to try to serve as many of its citizens as possible?

If we were to adopt a policy that provided unlimited eligibility, we wouldn't serve too many people because I think people of higher income, whether it's current or prior probably have greater access to other services and would find an easier route to getting qualified than someone of lesser means? Just a thought.

ATTY. DAVID SHAIKEN: I'd like to respond to that in several ways. First of all, the bill as currently drafted does not set a limit. There is broad discretion given to CHFA to administer the program. I suppose the legislature could put something in the bill, charging the CHFA to administer the bill so that a cross section of residents are served. I guess I don't personally agree that the state should serve in every instance as many people as possible. It should be fair and serve people in a representative fashion.

I'd also like to add, as my written comments, to make the point. A lot of the people that I council in my line of work are people who managed in the 1980s to buy a machine shop. They used to be line workers. They buy a machine shop or set up an excavation company and they did okay. You know, they made money because they made some money in their small business.

These people, despite the fact that they've lost their businesses, are some of the most creative, energetic people this state has and to lose them out of our workforce permanently I think would be very bad for our economy and for our society, so I suggest that some assistance should be given to such people even if they have a high mortgage debt.

Having said that, I don't disagree that the thrust of this should be to help your average property owner who doesn't have a half a million dollar mortgage on his house, but has under a $200,000 mortgage. I can't disagree with that, but don't cut the others out completely.

REP. GARVEY: So then your possible recommendation you just made is that as CHFA has been structured in the past with a certain amount of money aside at different income levels, that that pattern could be followed here?

ATTY. DAVID SHAIKEN: Yes, I mean from my perspective I think that would be fair. I'd much rather see that, let me say, than excluding people altogether.

REP. NYSTROM: Thank you.

REP. KNOPP: Representative Garvey.

REP. GARVEY: I remembered my question. Knowing that the value of real estate in the State of Connecticut has dropped substantially over the past few years, how would you address the ratio of loan to value if the value of the property was placed in, you know, the loan was placed when the value of the property was substantially higher? Are you addressing that in this scenario?

ATTY. DAVID SHAIKEN: All right, I have not addressed that in my comments and I don't think the bill addresses that either. The state is proposing to take a subordinate mortgage. It's proposing to advance principal for the payment, in many cases, of mostly interest. So although some of the monthly payments you're making are reducing the prior obligation, thus increasing your equity position, probably not much in many cases, I think that's a question of how much risk in order to do the amount of good this program is going to do, which I think is substantial, how much risk is the

state going to take and I think the bill addresses that by directing CHFA only to make these loans to people, who after rather full financial disclosure and counseling show that they have an ability to start making their payments current after a period of time and to pay the CHFA back, but I mean no one should make any mistake, you're taking a second or third mortgage position in exchange for your loan.

A query of whether the CHFA could get concessions out of a first mortgagee in exchange for providing this assistance, but that's a discussion perhaps for another day, one that I haven't thought through.

REP. GARVEY: I see this as a very valuable bill, but I also see it as a very risky possibility if it were not carefully addressed on that particular issue. Thank you.

REP. KNOPP: That's a valid point. Representative Poss.

REP. POSS: I wonder if you could give me a little more explanation about the (inaudible, mic not on) deficiency rights mean.

ATTY. DAVID SHAIKEN: Okay, the way current law is if a person defaults under a mortgage and if a mortgage note provides a notice period, which most mortgages today do because they're traded in a secondary market and that's the form that's used, once that notice period passes and the payment has not been brought current, the mortgagee has the right to start a foreclosure lawsuit. In Connecticut foreclosure is done by court process.

This bill states that a judgment, the conclusion of that foreclosure cannot occur until the lender provides notice to the borrower that he may have rights under the CHFA program that he may pursue.

REP. POSS: There's a delay --.

ATTY. DAVID SHAIKEN: There's a delay, a short delay as it's drafted, in my opinion. My suggestion is that once the foreclosure case begins, most borrowers are, in terms of ability to make decisions, ability

to think rationally due to the high emotions involved, are really not in a great position then to go and apply for this type of program.

My suggestion is let's, on the one hand, say to lenders, you cannot start a foreclosure case at all. You may not bring the foreclosure lawsuit until the borrower has gone through this program and CHFA has either approved or disapproved the application. However, something you should also be aware of is that Connecticut law says that when a bank forecloses a mortgage, if the value of the house is less than the amount owed on the mortgage, there's a deficiency and the lender has the right to then get a judgment against the borrower for the deficiency, attach his wages, take his other property, what have you.

I'm saying if the banks don't want to wait for the CHFA process to be gone through, then this bill ought to say you can start your foreclosure once you've given notice of the program and say 30 days have passed, so to the borrower can get in there and apply, but if you want to start your foreclosure before CHFA has made its decision, it is my suggestion that the bank then should be barred from receiving a deficiency judgment under Connecticut law.

Keep in mind, the right to get a deficiency is statutory, and in my view, it is not necessary that Connecticut law provide for that and I'm saying if the banks are going to get the benefits under this program, there ought to be some things they give up as well. That's my --.

REP. POSS: (inaudible, mic not on)

ATTY. DAVID SHAIKEN: Correct, and there are states in this country that do not provide for deficiencies. The bank gets the house and that's it. I'm not today advocating that across the board, but I think there are some circumstances where that should be the case in Connecticut.

REP. KNOPP: Representative Joyce.

REP. JOYCE: Representative Joyce of the 25th District. I'm just wondering, do you have the reference on the business debts?

ATTY. DAVID SHAIKEN: In the bill?

REP. JOYCE: What section that's in, in the bill?

ATTY. DAVID SHAIKEN: I can provide it to you. I did not bring my annotated copy of the bill to the table with me. Hang on a second, it's in the definition of eligible mortgage. It would be in Section 4, Subsection d, Subsection 10, I believe, anyway, line 237. The language, if you track it, "No emergency mortgage assistant payments may be provided," on that line 164, "unless the authority finds that," and then you go down to line 237, "the mortgagor has not mortgaged the real property for commercial or business purposes."

That would wipe out every small business owner who has a line of credit or other bank loan, virtually every, in the state and I don't think those people should be excluded and they're not all high rollers. Many of them make middle class incomes.

REP. JOYCE: Your second recommendation and the fourth recommendation kind of overlap. I think if you had the fourth, you wouldn't need the second probably, would you? Or am I missing something?

ATTY. DAVID SHAIKEN: Well, the third and the fourth, you say?

REP. JOYCE: The second and the fourth.

ATTY. DAVID SHAIKEN: The second and the fourth. Well, no, I don't think so. In other words, you may have somebody who has not -- who has applied for assistance under this program. There is no foreclosure case pending, so there is no defenses to assert, but they have a second mortgage on their home securing business debt.

REP. JOYCE: No, I mean just your second recommendation and the fourth recommendation. If you had the fourth recommendation, you wouldn't need the second recommendation, I presume?

ATTY. DAVID SHAIKEN: No, the second recommendation says that people who have filed defenses to a foreclosure case, my recommendation addresses that

issue, should be excluded from the program. I see that as a separate issue from the issue of a person having mortgaged his house for business debt.

REP. JOYCE: No, but the fourth recommendation says that they can't file -- the bank can't file for foreclosure. I assume that if they can't file before he --.

ATTY. DAVID SHAIKEN: Oh, before he goes through the program.

REP. JOYCE: He wouldn't have any debt for -- or am I missing something in that?

ATTY. DAVID SHAIKEN: No, because if -- well, let me think here. The language on the defenses, I might add, the language on the defenses is rather broad. I don't know if that applies to just the current delinquency, if the bank had a prior foreclosure case. I guess I'm reacting both specifically to what it implies and also the general issue as to whether the legislation should prevent someone from defending a lawsuit.

I guess I can't --. If you're asking me if we had number four in, could I give up on number two, number four would be of very significant benefit, but I'm very reluctant to give up on number two, so I'll have to stick on that.

REP. KNOPP: Representative Nystrom.

REP. NYSTROM: Representative Nystrom. You mentioned that you have a concern if someone is already holding a second mortgage, whether it's on a business or the home itself. You feel that under the language structured here they're not eligible. Is that correct?

ATTY. DAVID SHAIKEN: I think that's what it says, yes.

REP. NYSTROM: Okay, I believe it says that as well, but doesn't that make some sense considering that the amount of that second mortgage probably represents the amount of equity that was available within that property to a maximum degree and that's what they're allowed to borrow at that time and therefore I mean how far you stretch the rope.

ATTY. DAVID SHAIKEN: Yes, I guess I'd rather not see that determined in one sentence of a statute. I think that the CHFA is unlikely to make a loan where you have a house worth $150,000, a first mortgage of $140,000 and a half a million dollar second securing business debts.

I might add that suppose you have a corporation that's operating, but the person has trouble at home because, as someone else testified, he hasn't taken income for 18 months. Suppose the corporate assets are more than sufficient to pay off the loan because typically you have corporate assets that can be applied to the debt plus the house, the second mortgage. Why should that person be excluded? In other words, that second mortgage may never need to be looked to for payment.

So I think there are a lot of scenarios under which it would be very unfair to exclude business owners from the availability of protection under this bill. I urge the committee to give some serious thought to that particular provision.

REP. NYSTROM: Thank you.

ATTY. DAVID SHAIKEN: Thank you very much.

REP. KNOPP: Representative DiMeo.

REP. DIMEO: Mr. Chairman, I have some concerns that I'd like to have elucidated and they're in the realm of the economic reality of what's happening in the State of Connecticut and throughout the northeast which tie into a question which was asked before, but I think we've -- Representative Garvey, regarding the problem of decreased values on housing and generally in real estate, but specifically now in housing you may have a depreciation of anywhere between 60 to 40 percent on the value of a structure and the loan deficiency may be quite significant and what we're not doing here is saying to the banks, "What are you going to do and workup?"

We have two beneficiaries here. One is the homeowner, which I am quite sympathetic to, and also I'm sympathetic to the strengths of the banks

in the State of Connecticut, but quite frankly, the bank itself is not making any workout effort necessarily.

I personally think that if we're going to have the state put its nose down to the wheel on this, which I still have reservations from an economic point of view and not from the point of view of wanting to help, I think we need a light more insight and a little more as to the economic reality of what this is going to mean. It just may not work with the conditions we have back to. The state might just as well make a grant from where it's beginning -- where I'm beginning to sit on this issue because we'll never recover those dollars. There's no way we can with the economy in the state that it is and future state that it is. Now I'm looking down the road a minimum of five to ten years and we know what's happened. Our economists have lectured us already.

What do you see in that regard. There's an economic reality here. We may not, from the state's point of view, ever recover these dollars.

ATTY. DAVID SHAIKEN: Well, the state is going to have a mortgage and I think your comment about depreciation of real estate goes to the issue as to whether that mortgage, whether there's equity to pay that mortgage ultimately if the property were liquidated.

And I said earlier, I acknowledge, that the State of Connecticut, under this bill, takes a subordinate position and it's really beyond my competence to testify as to whether the state should do that with taxpayer money. I'm a taxpayer. I would happily pay taxes for that.

I would like to urge you to consider this. Most home mortgages are a minimum of 15, oftentimes 30 years. If you have a borrower who, for example, under this bill, goes through a short period of time where they have difficulty getting back on their feet, to have a person lose her home because she had a bad year out of a 30 year relationship that she's entered into with a bank is a very difficult result, and the social cost of that, in my opinion, is high.

I guess, Representative DiMeo, it's my view that the state is going to pay at some point one way or the other. Whether we have this program or not, the social costs are high. You know, you have a woman who has been divorced --.

REP. DIMEO: It's the astronomical deficiencies that I see myself. It is a serious hardship. It's certainly one that we should be considering. I don't want to exacerbate the problem with the state as a whole, but my concern, Mr. Chairman, is the economic reality of this bill and maybe we can get some projections in that regard. I would like to see some because I would like to see a bill of this type in place to help our distressed citizens. We all know what that condition is out there, but the state itself is distressed.

REP. DIMEO: Thank you.

REP. KNOPP: I just -- obviously we're in a public hearing and there will be a committee meeting subsequently which members can give their views up or down on the bill or amendments and so on, so this is not the last opportunity to make one's views known.

(cass 2)

REP. DIMEO: In that regard, Mr. Chairman, if there are any other people out here that intend to give any testimony regarding this, if they could address that issue, I would appreciate it. Thank you.

REP. KNOPP: All right. I wonder if I could ask you a question. I'm going to play sort of devil's advocate for a minute, if I can. I understand that you're here as an advocate and you've been a very articulate one. I think the number of questions to you indicates the interest your testimony has elicited.

In terms of the question of defenses to foreclosure, your second recommendation, couldn't one say that the state is offering these troubled mortgagors a significant benefit that you feel is certainly worth the taxpayer risk and that in exchange for that, this should not just be one additional supplemental benefit on top of all of the other defenses and other responses of a

mortgagor, but that in exchange for this benefit there ought to be some increased finality about the process so that indeed there is a decision that a mortgagor has to make about whether or not there can be repayment of this assistance so that if there were no defense to foreclosure barred, there's no reason in the world why any mortgagor wouldn't apply for this program.

Now maybe that's something if we had all the money in the world we would want to encourage, but could one say, again, from the point of view of an argument for the moment that the function of a defense to foreclosure, being in the bill is that it requires the mortgagor to make a very serious decision about whether or not there is a valid defense to the foreclosure and to make a decision prior to asking the state for this assistance so that if for some reason it doesn't work out, the banks would not be in the situation of the normal delay and litigation following the 36 months.

Isn't that a valid reason for having it whether or not it's a reason that you feel is justified?

ATTY. DAVID SHAIKEN: Well, you know, it's difficult to separate the two parts of that question out, whether it's valid or it's justified.

I would point out, however, in response that I think that although this bill is a significant benefit to borrowers, it is not an insignificant benefit to this state's financial institutions, which I take it is why the Connecticut Mortgage Bankers Association testified in support of it, because under this bill banks would have cash flow on loans that would otherwise be no cash flow loans.

So I think that cuts both ways and all I'm asking is that we preserve the status quo as far as litigation goes because I view that as a matter between two private parties, a bank and the homeowner, rather than insert the CHFA or the state into the middle of that.

There may be other things that you want to undertake to require from borrowers and I would be happy to give that some reflection and address the committee on that at a later date. There may be

some things that borrowers should have to do and I don't -- and I think that we could work something like that into the bill, but to take away my right, if I'm a borrower, to defend a foreclosure action, I think is a very draconian requirement and it concerns me deeply.

REP. KNOPP: Thank you. Are there any further questions? Thank you very much. You've been very helpful.

ATTY. DAVID SHAIKEN: Thank you very much, Representative and members of the committee.

REP. KNOPP: The next witness will be Don Buck followed by Joseph Calvo. Is Mr. Buck here? Is Mr. Buck in the room? All right, if not, then we'll call on Mr. Calvo and, Tim, do you want to testify with him or separately? To be followed by Mr. Fusari. Please identify yourself and your organization.

JOSEPH CALVO: Thank you, Representative Knopp and Senator Milner. I appreciate the opportunity to testify here this afternoon. My name is Joseph Calvo. I am President of the Connecticut Association of Realtors.

I'd like to comment on two of the bills before you here this afternoon, HB5701 and HB5706. Regarding HB5701, AN ACT CONCERNING EXTENSION OF CERTAIN SUBDIVISION AND SITE PLAN APPROVALS, this bill simply supports the life of already approved subdivisions and site plans by three years, provided that they were locally approved on or before October 1, 1989.

This bill recognizes those projects begun before the full brunt of the recession was known. This legislation gives a little extra time to builders who have already paid the application fees, complied with public notice and hearing requirements, conducted environmental impact studies and have borne the increased carrying costs of land ready to be improved and added to local tax rolls.

Most economists have predicted a slow recovery from the recession that will lack the buoyancy of

REP. KNOPP: The next witness is Norman Novau, followed by Dan Gagnon.

NORMAN NOVAK: Mr. Chairman and members of the committee, my name is Norman Novak. I live in Simsbury and I am here to speak to the personal feeling about HB5702. I've been unemployed since last August when Sage-Allen finished moving its corporate offices to Syracuse, New York. My wife's job will be eliminated next Friday when G. Fox moves to Boston. We like living in Connecticut, but I'm concerned we may not be able to survive. Taxpayers like my wife and I need this bill as a safety net to prevent financial disaster. That's all I have to say.

REP. KNOPP: Thank you. I wonder if I could ask you a question then from one of the previous witnesses raised. Suppose that as a condition of applying for this and receiving this assistance you had to essentially agree that if it didn't work out, the bank could foreclose on your home without any further extended litigation, that you would waive all of your defenses to that? Is that something that you would feel coerced into accepting because of your need for emergency assistance or do you feel that there would be no basic defense anyway and you wouldn't be giving up that much?

NORMAN NOVAK: I think I would be -- I would definitely try all other avenues of assistance or try to work it out every way possible before I went to this point to look for this emergency assistance and I wouldn't feel that, you know, I had left any stone unturned if it did not work out.

REP. KNOPP: Thank you. Are there any questions for Mr. Novak? Thank you very much for your time. I appreciate it very much. The next speaker is Mr. Gagnon followed by Mr. Vargas.

DAN GAGNON: Mr. Chairman, members of the committee, my name is Dan Gagnon from Gagnon Homes, Inc., in Wethersfield. I'm a builder and remodeler and I'm here to talk regarding HB5700.

I'm here today to express my concern for amending the sales and use tax on repair and maintenance activities enacted on October 1, 1991. This

JOSEPH AGRO: Mr. Chairman, if I might, may I speak briefly just on the HB5706 -- excuse me -- HB5701, AN ACT CONCERNING EXTENSION OF CERTAIN SUBDIVISION AND SITE PLAN APPROVALS. And there were comments made earlier and I would like to add just briefly to them, if I may.

REP. KNOPP: Very briefly, I hope.

JOSEPH AGRO: Yes. As a businessperson and the difficulty of financing projects, construction projects and developing housing projects at this time, I think that one of the basic ideas that's in protection by this bill is the protection of the colateral of the bank and the value of the lots that have been established on a record map with the community. These approvals are most important to keep in place and I participated in the discussion two years ago when this bill, the original portion of this bill was passed and I think that if we look at the five year tenure of the original legislation, that the five years of the value of an approval should under normal circumstances bridged any low spot in the economy and given us one or both ends of a high spot to perform well in.

I would suggest that the span of this downtrend of the economy and the banking industry and the difficulty of financing in our business has been -- the loop has obviously been lengthened and I would suggest that without the knowledge of any major difficulties from the original two year extension being present that all the efforts should be given by this committee to move forward on this bill also and I thank you.

REP. KNOPP: That's an excellent point. Thank you. Any questions? Thank you. I'd like to call up Mr. Martocchio and Mr. Cashman. Would you mind coming up together?

: I wouldn't like to, but I will. (laughter)

REP. KNOPP: Or you could wait until 5:30, one or the other, or to be followed by Mr. Levitt.

TED MARTOCCHIO: My name is Ted Martocchio, President of the Greater Hartford Building Trades Council and I'd like to thank you for allowing us to testify here today.

SEAN CASHMAN: My name is Sean Cashman. I'm the President of the Connecticut State Building and Construction Trades Council.

TED MARTOCCHIO: Mr. Chairman, members of the committee, we together represent over 50,000 construction workers in the State of Connecticut and I'd like you to know if you don't already know that approximately 50 percent of those people are unemployed. Many of them have been unemployed in excess of one year. Many have been unemployed approaching two years and the reason that we're here today is to express our support for HB5702, having to do with emergency mortgage assistance.

I can tell you from first-hand knowledge that we have many members, many of our people who are suffering under this unemployment that are indeed losing their homes. Some are in the process of foreclosure as we speak. Some have lost their families. There's been divorces. It's a sad state of affairs out there and any assistance that the state could lend to these people with regard to their mortgage payments certainly couldn't be more timely. There's an urgent out there. There's an urgent need for employment, as all know, that we're all desperately working on, but this bill comes at the right time, actually it's even late, to try to assist these very people and others who are caught up in this severe economy.

I can speak from first-hand knowledge, I have someone very close to me who is experiencing the very thing that this bill speaks to, so I would just say without taking up much more time and being redundant that we do support this bill wholeheartedly. We would support some measures to make it even a better bill. Fifteen thousand people in the Greater Hartford Area that I represent support HB5702. Thank you.

SEAN CASHMAN: I would not like to go over the ground that Ted has mentioned, and I don't know the intricacies of the monies concerning this bill, but I do know that as we sit here we speak as the organized section of the construction industry and we're really not here to talk about that. We're talking about all workers, whether they're represented by a union or not, that are facing some tremendously difficult times.

The recovery is a long way away in our industry and it is one of the generators for recovery for the state. The building -- the large buildings here, we have enough, as one indication, one survey indicated that there's a five-year surplus of office space within probably a 25 mile radius. The home building has been indicated previously by other testimony is that we're all suffering greatly.

As it was the largest industry in the State of Connecticut, it employed everybody that spoke here today, lawyers, insurance people, bonding issues, bonding people, construction workers, surveyors, architects. This industry has been drastically hit, very, very difficult. We need the support of every state legislator to ensure the opportunity for the people that in fact do own their homes to continue that. Thank you very much.

REP. KNOPP: Thank you for coming today. Are there questions or other witness? Thank you very much.

TED MARTOCCHIO: Thank you.

REP. KNOPP: The next witness will be Don Leavitt followed by Mike Coyne.

DONALD LEAVITT: Mr. Chairman and members of the committee, my name is Don Leavitt and I'm the owner of Magee Siding & Construction of Wethersfield. I'm speaking here today in support of HB5700. Contrary to popular belief, the home improvement industry consists of many small companies struggling to survive. Most small business owners perform many different jobs in the course of a single day in order to cut costs. With this tax we are now being asked to become accountants and tax collectors or hire the necessary personnel and firms at a time when we can least afford it.

As it is, most small business owners are now spending more time than ever before to create and generate leads and create jobs in a struggling economy. Every time a home improvement occurs, no matter how small, jobs are created and additional products are sold.

REP. KNOPP: Thank you very much. Any questions? Thank you.

DONALD LEAVITT: Thank you.

REP. KNOPP: I'd just like to indicate again, if you have written testimony and have submitted it, if you care to summarize it rather than read it, I think it might help with the hearing. The next witness will be Mike Coyne followed by the gentleman from the Home Builders Association.

MICHAEL COYNE: Good afternoon. My name is Michael Coyne. I'm Chairman of the Hartford Housing Authority Board of Commissioners and I come here to speak on behalf of HB5702. As the Chairman of the Commissioners and conferring with the Director, John Wardlaw, in the Hartford Housing Authority, we are very pleased to see this bill proposed and we are extremely in favor of it.

We have worked very diligently in the last few years to start a pilot program for homeownership with residents in the City of Hartford and public housing. It has been a very successful program. We have secured low interest loans for some of our residents who are now homeowners that are becoming a very active part of the community.

I was extremely pleased to hear the banking and the lending institution is in support of this bill because what it will do is it will ensure for us that these people who we are trying to help in public housing secure homeownership possibly not lose these houses. I'm a homeowner myself, I live in Hartford, and I know what some of the struggles are of people living in the inner cities, the large cities, who are losing their jobs, as has been previously testified, and I don't want to be repetitive. The amount of jobs that are being lost due to unemployment is a disaster and people who do live here and love the state want to continue to stay here, so we in the Housing Authority are in favor of this bill. Thank you.

REP. KNOPP: Thank you very much. Any questions?

SENATOR MILNER: Just a quick one.

REP. KNOPP: Senator Thirman.

SENATOR MILNER: Excuse me, Senator Milner. Under your program basically how many people have you assisted under this program and I know you have a long waiting list and how many people do you think will benefit that are presently in public housing in the City of Hartford?

MICHAEL COYNE: The pilot program roughly benefitted 20 people that started off where we secured the low interest rates and that has been successful. We are in the process of securing more of that. We hope to do another pilot program, Senator Milner, with the same amount and more as long as we can secure the financing to do that.

REP. KNOPP: Any further questions? Thank you very much for coming.

MICHAEL COYNE: Thank you.

REP. KNOPP: Mr. Effren, Mr. Lauzier and Mr. Bradfield. I'm sure there's not all that much more that needs to be said. (laughter) Welcome to the committee.

JERRY EFFREN: Mr. Chairman, again I find myself at the point at which it's necessary to speed things along. I would like you to consider HB5700 and HB5701 and HB5706. I'd like you to think -- I know you referred this to House Bill. I'd like you to refer to it and think about it in terms of homebuyer and homebuilder because these are the two constituents that I think will be positively affected. HB5706

I will not reiterate the need to have housing lead our state into a sustainable recovery. You've heard that over and over in terms of creating jobs and growth. We do need to look short term, as I mentioned at my last testimony, because many of us will not be around in the long term. So we need to create a window of opportunity.

I think that the fact that this will generate 2,700 jobs with 1,000 single family homes, the other statistics that you have been given are important, but in terms of the tax credit, certainly no one expects that this will create some mass rush to buy and produce housing.

than to rent and this $1,500 little tax incentive might help because one thing that's a little tough is the state income tax, the way it's constructed today. There is no mortgage interest deduction.

So what I'm constantly trying to convince people that the way to go is to buy a home as opposed to rent, I can't tell them that there's a state tax benefit right now. There's a federal tax benefit because they're going to be able to deduct their mortgage interest, but there isn't a deduction for state. So this is a way of sorting of building it in a bit to the state tax code.

REP. KNOPP: Thank you. All right, any questions from members of the committee? Thank you very much. The next witness is Raphie Podolsky, followed by Al Hanbury. Let me indicate, Raphie, before you speak, that there are 11 witness left who have signed up.

ATTY. RAPHAEL PODOLSKY: Do I take it there's a message there, Mr. Chairman? (laughter) My name is Raphel Podolsky. I am an attorney with the Legal Assistance Resource Center, which is a resource program connected to the Legal Aid and Legal Services Programs in Connecticut and in that capacity we represent low income tenants, low income renters, low income homeowners in some cases and it's in that capacity that I come to testify today.

There are two bills that I want to speak on. The first one is HB5702, that's the principal one, and then I have a couple of brief comments on HB5704. HB5702 deals with foreclosure protections. You've had a number of witnesses speak on that. Listening to the other witnesses, I was struck by the fact that in some ways my testimony is similar to, I believe it's Mr. Shaiken, who I do not know and had not heard of prior to this hearing.

One of the things I wanted to say as I listened to some of those witnesses is that I think this is a very, very important bill because I think there's a tremendous need for some kind of capacity in the state to deal with the high number of foreclosures. I think that people need to recognize it's not a panacea and a couple of the witnesses who spoke were saying something like we've got a lot of

unemployed people that haven't had jobs for years and we need this bill. I mean I think we very much need the bill, but the reality is, and this will go to a couple of things that Representative DiMeo said at one point, the reality is that in order to use the bill, there must be a reasonable prospect that within a three-year period the person is going to be able to resume full payments on the loan.

And to the extent someone is unemployed, even though they may have once had a good job, but they are in an industry that doesn't seem to be reemploying people and there's no particular prospect for at least an equivalent job at the same income level in the future. The reality is this bill is not designed to truly help that particular person. It's designed for the person who suffered in some form a temporary loss of income, temporary meaning three years or less, and is a reasonable likelihood that within three years they're going to be back in the position to support a mortgage at the same level before this whole process started.

So I just think that while I think the bill is important, I don't think it helps us to try and say that it's going to be able to do things it can't do. Having said that, I think this is a win/win bill. It's win from the point of view of debtors, who are the people that I represent, who are unable to meet payment obligations and it's win from the point of view of the lending industry because it provides them with essentially a cash flow on that property so it doesn't turn into a nonperforming piece of property.

For those of you who are new to the General Assembly, I think you should know that this bill almost passed last year and legislators who were in the House last year may know that approximately ten minutes to midnight on the Wednesday that was the last day of the regular legislative session, this bill passed the House unanimously.

The Senate, however, was already into adjournment mode and there was no practical way at that point in time to move the bill to the Senate for Senate action. It went through, I believe, five different

committees. I mean it had to go through Finance and Banks, I mean so that you should just know this was a bill that very, very nearly passed last year.

The comments that I want to make about it actually, because you've heard much about the need, are some of the suggestions I would make for things where you may want to make some changes in the bill.

First of all, Section 9 of the bill, as written, repeals an existing law that's sometimes called the Unemployed Homeowners Protection Act. That is an act that provides a six month window for potential restructuring of the loan. It has not proved very useful because it is extremely restrictive and therefore is very hard for any debtor who is in foreclosure to be able to use that procedure. However, it's the only procedure that exists for someone right now.

This bill, if it goes through, would provide $4 million in state funds. That is not going to come close to reaching the need and this will be a very selective program because there will be many more applicants than $4 million can cover and what that means to me is there will be many people who in theory would qualify for this, but in practice, there won't be any money for them. This bill repeals the old Unemployed Homeowners Protection Act. I think it's important that you should keep that act so that there will be something available for those people who are not able to get money under this program. That's one change I would make in the bill.

The second change has been mentioned by several others. There's no reason that I can see for excluding from the act someone whose mortgage is insured with private mortgage insurance and that's especially important from the perspective of the constituency I represent which is going to be the very low income homeowner. I don't think -- you have the capacity, in effect, to be writing this bill as it's now written, that that category of homeowner won't get picked up at all by the act and I think it's really important you at least make it possible for them to apply and be considered.

The third change deals with this conversation you've had about the issue of where does this trigger in, in relationship to a foreclosure? At one point in an early draft a year ago it specifically said you go through this procedure first. If a person applies for it, they can apply for it. If they get turned down, then you move with the foreclosure action. That's the way it ought to be. And as I believe Representative Joyce pointed out, if you don't do that, there's this problem with this provision about you can't make a defense because if you make a defense, you're not eligible, but you don't know if you're going -- if you're eligible or not until CHFA acts on your application and they may turn you down not because you're not eligible, but because they don't happen to have enough money to cover every applicant and to put someone in the position -- I mean in reality very few people have foreclosure defenses. Most people -- most foreclosures, procedurally, there will be a Motion for Disclosure of Defense and at that point there is no disclosure of defense and you're not dealing with defenses, but occasionally there may be defenses.

People have made defenses about fraud by the lender. I mean there are possibilities. It is not reasonable, in my opinion, to cut somebody off from making a defense before they know one way or the other whether they're going to get the assistance. If you wanted to say that a person that is approved for assistance and receives assistance cannot then default on their repayment arrangement and then turn around and make a defense, I don't think that's a problem. I mean I think that's not an outrageous provision, but to force the homeowner upfront to waive his defenses not knowing if he's going to get assistance, I don't think that's fair. So I would make that change.

And I think that the best way you do that, which then sort of eliminates the drafting problem, is you simply say these things are -- as I believe they were originally intended, to take place before the foreclosure action starts and the way the bill is worded, if there is no application made within the application period, the lender can move ahead with the foreclosure, can start the foreclosure. I think you'd find that a better and a cleaner way to do it.

Representative DiMeo asked about the degree of risk because it is conceivable that you could insert into this bill some kind of a debt to value ratio. I'm just concerned that that's going to cut out circumstances that you shouldn't cut out. My experience with CHFA, which is the administering agency, is that it is a very, very fiscally cautious entity.

I mean some of us who have been critical of CHFA at times have complained that they too much follow sort of the mentality -- a banker's mentality unless the housing -- a housing mentality. I don't want to overstate that because we're all so very pleased with many of the things CHFA has done, but given that there is room for CHFA to accept or reject, and particularly around the standard of what is the likelihood that this person will be able to resume full payments in three years and given at least my expectation that there will be many more applications that can be handled out of $4 million, so there will inherently be a selection of the fiscally most prudent lending.

While I understand the concern, I also don't think that it's going to play itself out in reality. I think what's going to happen is, is that CHFA will factor all those things into that decision and that in the end they are going to choose what for them is the relatively least risk precisely because that's the way they function in general and CHFA is not a money give away agency, I assure you, and that's not -- I realize that's not a fully satisfactory answer to the question, but I think that just in terms of assessing the reality, as the committee folds in reality factors, one reality factor is this bill chooses a very cautious administering agency to make the loan decisions, loan application decisions, and that, in and of itself, is at least one form of protection.

I have submitted written testimony to the committee and I have listed out a few other suggested changes I would make and unless you want me to go through every one now, I was just going to leave that to my written testimony.

REP. KNOPP: That would be appropriate, Raphie, thank you.

ATTY. RAPHAEL PODOLSKY: Just one other bill I want to speak on briefly, but perhaps if there's a question on this bill, I could respond now.

REP. KNOPP: Why don't you just make your brief comments and we'll have questions --?

ATTY. RAPHAEL PODOLSKY: Okay, HB5704 deals with subordination of use restrictions and in my written testimony I have a recommended committee action which I have never previously ever recommended to a committee before and the recommendation was caution and the reason is that I think there is a genuine problem. I am a little bit concerned about the solution. I honestly do not know if there is any alternative to this solution. The problem is -- the general rule is, is that we put use restrictions on these state-funded properties to make sure that somebody doesn't just take them and sell them for some other purpose so that with the Land Trust Program, Land Bank Program, you want to preserve the housing that's going to be put on that land as low and moderate income housing essentially forever.

So we put those restrictions on. We don't want to be waiving those restrictions easily. The problem we are being told is that to get federal mortgage insurance, that that is a restriction that they don't want because they want the capacity, if there's a foreclosure on the property, to be able to take the property and sell it for any purpose whatsoever.

Ten years ago we didn't worry about that because we didn't think these properties were going to get foreclosed. Now it's a source of nervousness because foreclosures are very real and the danger is that you take the property that has been bought with land trust money -- land bank money and now it ends up in foreclosure and the commissioner has waived the use restrictions, which means it can be sold for a shopping center or it can be sold for upper income housing.

I don't know how to balance those things out and I don't know, for example, to what extent there would be other kinds of mortgage insurance that would be available. I just don't have the answers to those questions and my recommendation to the committee on

this bill is, is that you should explore some of those issues before you decide that this is a bill that you should do.

The commissioner in his testimony was correct that a year or two ago I had the identical language placed in the Surplus Housing Program Bill. I do not believe that those of us who look at the issues from the perspective of low income housing fully understood at the time that bill went through what its implications were. I don't think we fully understood what it was that was being waived by the bill so that we now have a little better understanding of what the legislature did a year or two ago and that again leads to the recommendation of caution in terms of expanding that to other programs.

REP. KNOPP: Thank you, Raphie. Senator Scarpetti.

SEN. SCARPETTI: Raph, thank you. It was very interesting. Did I understand you correctly? Do you not think the low income people will benefit by this as much because of the monies?

ATTY. RAPHAEL PODOLSKY: Well, there are a couple kinds of problems. One is inherently low income people tend to be greater risks than higher income people and therefore there is always the danger that CHFA, in administering the program, is reluctant to accept an application from somebody who is low income because they won't believe they'll be able to get back on their feet. HB5702

But on the other hand, a low income person is likely to have a less expensive house and a smaller mortgage and therefore it would take less money in order to accomplish the reinstatement purposes and so that may counterbalance. What I was concerned about, though, was there are some provisions in the bill that would tend to exclude them and the most important of those provisions is the one that says any loan, any mortgage which is insured with the private mortgage insurance is not eligible to participate in this Emergency Foreclosure Assistance Program.

(cass 3)

You have private mortgage assistance normally when you've got less than a 20 percent downpayment and so the people who have less than a 20 percent downpayment are typically going to be lower income people and so that provision tends to exclude them.

To the best of my knowledge, I mean I'm not sure why that provision is in there. Last year CHFA recommended that it be removed. I don't think it's going to have any impact on the price of mortgage insurance because, as Representative Knopp pointed out, it actually makes things better for the lender, not worse, because it creates the opportunity of preserving marginal mortgage payments without a foreclosure, so I guess I just don't see any downside at all to having that covered.

SEN. SCARPETTI: Good. Okay, thank you.

REP. KNOPP: Any further questions? Thank you very much, Raphie.

ATTY. RAPHAEL PODOLSKY: Thank you very much.

REP. KNOPP: The next witness will be Mr. Hanbury, followed by Mr. Fardman.

ALAN HANBURY: Good afternoon, Mr. Chairman, members of this committee. I'm Alan Hanbury. I'm the Treasurer of the House of Hanbury Builders in Newington, Connecticut. We're a medium-sized remodeling company doing all phases of remodeling, not just re-roofing, re-siding, and I'm here to address the problems in terms of the bookkeeping to accurately reflect our sales tax liability. HB 5700

Most companies that do just roofing on existing houses, it's pretty clearcut. They do a re-roof, they've got to pay the tax. Let me give you a scenario. We're doing a re-roof because we've added an addition on the back of the house. We had to tie into this particular roof.

Now we've bought the materials and they've all been delivered at once, but I didn't go ahead and decide exactly how much went on the roof that was existing and how much was go on the new roof. I didn't lay out how much drip edge, eave edge, roll vent, ridge vent, nails, black paper, valley material. Excuse

REP. KNOPP: Thank you very much.

GINNY LABELLA: Any questions?

REP. KNOPP: Just so people know, of course, the state is on a July 1 to June 30th fiscal year and it may not be easy, even if this bill is supported, to make that change in the middle of a fiscal year rather than to start at a new fiscal year, so you might want to be a little cautious in --.

GINNY LABELLA: Well, it was in the paper. People do read it.

REP. KNOPP: Okay, thank you. Any questions?

GINNY LABELLA: Yes, okay.

REP. KNOPP: Thank you very much for waiting. Ron Thomas, followed by Paul St. Onge.

RON THOMAS: Good afternoon, Representative Knopp. I'll be very brief because I know you all are ready to go. My name is Ron Thomas. I'm the Legislative Associate with the Connecticut Conference of Municipalities, CCM, and we are Connecticut's association of cities and towns.

I'd like to speak about a couple of bills of concern to CCM. One is HB5701 concerning the extension of certain subdivision and site plan approvals. We ask that you amend this bill. While we're very pleased with the effort to sort of ease the burden that's been placed on businesses and people during this recession, we'd like for you to sort of amend it by authorizing municipalities to develop a procedure to review the circumstance surrounding a particular application for extension, then allow us to make a determination.

This allows those in need of an extension to receive it and permit cities and towns, those most knowledgeable, of the particulars of an application to play a role.

The second bill is HB5706, establishing a first-time homebuyer tax credit against the state personal income tax. We urge you to favorably report this bill. We think it would benefit homeowners, oftentimes younger ones who are just barely able to make mortgage payments and it will

also help cities and towns by increasing the Grand List which in turn controls -- it would help control spiraling property taxes.

The last two bills are HB5702, AN ACT CONCERNING EMERGENCY MORTGAGE ASSISTANCE, and HB5703, AN ACT CONCERNING AN AFFORDABLE HOUSING DEMONSTRATION PROGRAM. We urge you to favorably report those two bills. I'm available for any questions you might have.

REP. KNOPP: Thank you, Ron. Could you submit some language about the subdivision and site plan extension in the near future for us to look at?

RON THOMAS: Sure, sure. I can have it for you by Monday.

REP. KNOPP: Okay.

RON THOMAS: Thank you.

REP. KNOPP: Any other questions from members of the committee? Thank you very much, Ron. Mr. St. Onge, followed by Mr. Miller.

PAUL ST. ONGE: Good afternoon. I'm happy to have the opportunity to be here to speak on behalf of HB5700. My name is Paul St. Onge. I own All Season Construction Company in West Hartford and I'm a full line remodeling contractor. You perhaps have my written testimony, so I won't go -- you do. All right, just in a quick summary, I think this tax single out older homes, owners of older homes and places an undue burden on them versus newer homes.

Roofing -- the tax relates primarily to roofing, siding, painting, paving and perhaps landscaping. These are expenditures that are not necessarily discretionary. They are, for the most part, necessary maintenance items. You don't often hear the comment, "Honey, I think maybe we ought to change the color of the roof this year," or perhaps, you know, "Let's redo that driveway over." These items are done when they're needed. Chances are, you want to put it off as long as you can. So we're singling out these activities. They're

REP. JOYCE: I think that's the intent, though, that you can pass that on to the consumer, but anyway --.

BOB HANBURY: Okay.

REP. KNOPP: Thank you. Any further questions? All right thank you very much.

BOB HANBURY: Sure, thank you.

REP. KNOPP: Mr. Murray, followed by Mr. Uccello. Is Mr. Murray still here? All right, Mr. Uccello. Mr. Robert Nelson, followed by Mr. Klemos.

EVERETT ROBERT NELSON: Mr. Chairman, members of the committee, my name is Everett Robert Nelson. I reside in Manchester, Connecticut and I'm here today to support HB5702. I was made aware of the provisions last night and I'm really not sure about all the details, but my particular circumstances are that I've been unemployed for ten months now and I have two more months to go on unemployment and at that particular point -- and there are no real good prospects of a job at this point and at that juncture there's a possibility that I won't be able to make my mortgage payments and that I might lose my condominium and I do want to work. That's something I want to do and so hopefully this bill could help someone like me out or people in my circumstances.

REP. KNOPP: Let me ask you a question I've asked a previous witness. If the condition, among others, of your getting this assistance were that you had to agree to give up any of your possible legal defense to foreclosure, recognizing that there probably aren't very many of those that succeed, would you feel that that requirement was coercive because of the fact you need the assistance so badly you'd do almost anything to get it?

EVERETT ROBERT NELSON: Sir, would this be by the bank or would this be by the state? In other words, who would be foreclosing?

REP. KNOPP: Well, the bank would be -- hypothetically the bank would be foreclosing.

EVERETT ROBERT NELSON: Right.

REP. KNOPP: And in order for you to stave that off for 36 months of emergency assistance from the state, you would have to agree to give up any defense to the bank's foreclosure action which you might have, which as, Attorney Podolsky said earlier, there really aren't very many in practice. Now would you feel that condition of your giving up hypothetical defenses, would you feel coerced into doing that because you need the assistance so badly you would do almost anything to get it?

EVERETT ROBERT NELSON: That's a tough question to answer. I feel that, you know, hopefully I would be employed within 36 months and I would be able to, you know, continue payments and if it meant -- if it came down to that, the answer is probably I would go along with that. As reluctant as I would be to do that, I would anyway.

REP. KNOPP: Any further questions? Thank you very much for waiting.

EVERETT ROBERT NELSON: Could I ask a question?

REP. KNOPP: Please.

EVERETT ROBERT NELSON: What is the earliest this bill could possibly go into effect?

REP. KNOPP: Well, it's, you know, when the legislature passes it and the governor signs it and see if CHFA can float the bonds for the $4 million, but I don't think it's imminent in the sense of --.

EVERETT ROBERT NELSON: So like six months to a year or something like that, sir? Is that what we're looking at?

REP. KNOPP: I think that's not an inaccurate assessment.

EVERETT ROBERT NELSON: I see. Thank you very much.

REP. KNOPP: Okay, thank you. And the final witness who has signed up is Mr. Klemos, whether he's here or not. Is there anyone in the room who would like to testify who hasn't? Yes.

ELAINE SUMMERS: I thought I had signed up. Maybe I signed on the wrong --.

REP. KNOPP: All right, would you want to come forward and testify and just be sure to give us your name into the microphone now. I apologize if I skipped you.

ELAINE SUMMERS: I just wonder why there are two chairs. Is this if you're going to talk to yourself?

REP. KNOPP: (inaudible, mic not on).

ELAINE SUMMERS: Okay. I also have some copies here. My name is Elaine Summers and I would like to speak on behalf of Raised HB5702, the act concerning emergency mortgage assistance and I would like to speak in favor of it. Mr. Nelson was someone who I had asked to please come in today to speak with you.

I had run for state office last fall and one of the reasons why I had put my name in the running was I was very concerned about the economic situation in Connecticut and how I was seeing it impacting on individuals and families throughout the state.

During the five or six months that I was out there and speaking with people and it was in the Town of Simsbury --.

REP. KNOPP: While you're speaking, could you give your testimony to the clerk?

ELAINE SUMMERS: Certainly.

REP. KNOPP: Thank you.

ELAINE SUMMERS: I'm not reading directly from it. If you prefer that I do, I'd be happy to do that.

REP. KNOPP: (inaudible, mic not on).

ELAINE SUMMERS: Okay. One of the things that I found out when I was speaking to individuals was the number of households that were being affected by job losses or business failures in a town that is as "affluent" as Simsbury is. I found in some areas that there were as many as one out of four households where one individual was out of work.

Often they would try to find some type of part-time employment or temporary position, but I kept finding as I went door to door.

I had worked on trying to get this bill passed last year and regretted that it hadn't, so I think it's very important. I think it can impact in a way that could really help a lot of people that are still struggling who may be able to pay the mortgage for now, but the three areas that they expressed the most concern was the lack of job opportunities, the problems with getting medical coverage or medical benefits for their families and the third was the chance of losing their home and everything that they had put into it.

In Simsbury, in the past, there were only two or three foreclosures a year. In speaking with people in Town Hall, as of today, I heard that that number has tripled. I can tell you of several different instances and I list a couple in here, where people have approached me who have already lost their homes or are about to. So I would strongly urge you to pass this bill.

I have figures in here that also pertain to the number of mortgages and how much of that has increased. It's up to every one in 63. In particular, I think this bill is aimed at the average citizen, the person who has been the backbone of our economy in Connecticut and those are the people who never thought they'd have to ask for help who are now asking for your help, so I would strongly urge you to pass this.

One other thing I wanted to mention is that there are people who I have spoken to in the last few days since the public hearing date was set who did not feel comfortable coming forward and speaking with you and that's really why I'm here because I feel like I had made a personal commitment to those people to be here and to be their voice. I regret that you don't have their faces here or their kids' faces because I think that in itself has a very strong impact, but please remember that.

REP. KNOPP: If the bill does move forward, you may want to have those people contact their own legislators because I think that kind of intervention later in the process would be very

meaningful. Thank you very much. Are there questions for Ms. Summers? Thank you very much for waiting. Sorry, Representative Joyce.

REP. JOYCE: I have a question for you really. I was wondering (inaudible, mic not on) -- any owner-occupied (inaudible). I was just wondering does that include condominiums? (inaudible, mic not on). I would assume the intent is, but does it or doesn't it?

REP. GARVEY: Mr. Chairman.

REP. KNOPP: Yes, Representative Garvey.

REP. GARVEY: May I just put my two cents in?

REP. KNOPP: Well, I'll tell you, in fact, let me ask, why don't we do this. Why don't we close the hearing so that people don't feel they have to stay and continue the conversation? Would that be all right?

REP. JOYCE: Sure.

REP. KNOPP: Is there anybody else in the room who would like to testify? Thank you very much. We will declare the hearing closed and stay for this discussion. I think it's an important point Ray has raised.

Legal Assistance Resource Center ❖ of Connecticut, Inc. ❖

80 Jefferson Street ❖ Hartford, Connecticut 06106
(203) 278-5688 ❖ FAX (203) 278-2957

TESTIMONY OF RAPHAEL L. PODOLSKY
Housing Committee Public Hearing
January 21, 1993

H.B. 5702 -- Relief for homeowners facing foreclosure

Recommended Committee action: APPROVAL OF THE BILL

Connecticut's recession has produced an enormous increase in the rate of foreclosure on homeowners, as more and more people can neither pay for their houses nor sell them. Connecticut has an Unemployed Homeowners Protection Act, but its availability is so narrowly restricted that it is extremely difficult to use.

This bill, which is based on a Pennsylvania law, creates a real remedy for homeowners who suffer a temporary loss of income. It is a win/win bill for homeowners and banks. The bill makes $4,000,000 in state general obligation bonds available to the Connecticut Housing Finance Authority to operate a program by which homeowners who have suffered income losses can restructure their mortgages over a 36-month period. Stated simply, CHFA pays the bank, the homeowner pays CHFA 35% of income each month, and any shortfall becomes a deferred 9% loan from CHFA. After a maximum of three years, the homeowner resumes payments on his mortgage to the bank, applying anything above 35% of his income to the CHFA loan. If CHFA has not been paid back by the time the mortgage is paid off, the homeowner continues paying to CHFA until the debt is erased. All money repaid to CHFA can be recycled.

Because the $4,000,000 contained in this bill is small compared with the number of homeowners facing foreclosure, this bill is more a demonstration program than a full-scale solution to the problem. Nevertheless, it is a real and very important step towards keeping homeowners in temporary financial distress from losing their homes.

In each of the last two years, a version of this bill has reached the floor of the General Assembly but died at the last second. Last year, it passed the House unanimously at 10 minutes before midnight on the last day of the session, too late to be taken up by the Senate. It is time that this bill be adopted.

Note: The reverse side of this testimony contains recommendations for changes in the specific wording of the act.

Suggested changes in H.B. 5702

1. Initiation of foreclosure action (l. 77): Lines 77-78 should read: "NO FORECLOSURE ACTION MAY BE COMMENCED AND no judgment of strict foreclosure...." The existing language implies that the action could be begun, as long as no final judgment enters. This would be inconsistent with §4(d) (l. 161-164), which precludes commencing a foreclosure action while an application for assistance is pending. Otherwise, a problem would be created by §3(d) (l. 128-131), which makes a homeowner ineligible for assistance if he files a defense. Section 3(d) assumes that no foreclosure action will be filed until the homeowner knows whether or not he will be receiving mortgage assistance.

2. Private mortgage insurance (l. 177-179): There is no reason to exclude homeowners with private mortgage insurance. These lines should be deleted.

3. Recent homebuyers and small arrearages (l. 219-234): Section 4(b)(8) is confusing and needs to be reworded. As written, it seems to exclude the homeowner who has owned the home for less than five years and has less than 10% equity in the property, even if this is his first delinquency. This will tend across-the-board to exclude families in special first-time homebuyer programs. In addition, the five-year "favorable residential mortgage credit history" referred to in l. 224 should be deleted, since it seems to contradict the reference at l. 228-230 to the homeowners' having been delinquent by 30 days no more than twice during the previous two years. The "twice-delinquent" standard should also be changed to 60 days as a fairer measure of homeowners with a history of significant delinquency.

4. Security for business loan (l. 237-238): Section 4(b)(10) excludes the owner of a small business who has pledged his home as collateral for a business debt. It is still his home that is at risk, however, and it is therefore not clear why emergency mortgage assistance should be denied to prevent its loss.

5. Previous application (l. 239-244): The exclusion of §4(b)(11) should be limited to homeowners who have previously received assistance and failed to reinstate, not to those who have merely applied.

6. Unemployed Homeowners Protection Act (l. 423-424): The Unemployed Homeowners Protection Act should not be repealed. The $4,000,000 provided in the bill will reach only a small percentage of the thousands of homeowners facing foreclosure. If the average CHFA loan turns out to be $25,000, the money would cover only 160 homeowners. Even at $10,000 per foreclosure it would reach only 400 homeowners. While the Unemployed Homeowners Protection Act contains restrictions which make it difficult to use (and it should therefore be liberalized), it is the only relief available to homeowners once the $4,000,000 CHFA money is exhausted. Its repeal would deny to those who cannot get emergency mortgage assistance payments what little debtor relief the statutes presently offer.

STATEMENT
REGARDING RAISED BILL NO. 5702
AN ACT CONERNING EMERGENCY MORTGAGE ASSISTANCE

PUBLIC HEARING
HOUSING COMMITTEE
January 21, 1993

Statement of
Elaine C. Summers

My name is Elaine Summers. I am from Simsbury, Connecticut and I am here today to speak in favor of Raised Bill No. 5702. Last year, I entered the race for a state office and I did so in great part because I was deeply concerned with the devastating toll of the recession on our citizens and our businesses. As I campaigned, rang doorbells, stood outside grocery stores and coffee stops, I became painfully aware of the number of people who had been personally effected, in even so "affluent" a town as Simsbury. In virtually every neighborhood, families told me of job losses or family owned businesses which were straining to survive. In some areas, I began to count about one in every four households had been impacted by the economic slide.

Although most of the families with whom I spoke could get by for a short while, the lack of employment opportunities was significantly prolonging the length of time it was taking to find new employment. The three most significant concerns that were brought up time and time again were their fear of not finding new employment, their potential inability to pay for medical coverage for their families and the potential for losing all that they had worked for and invested in their homes.

According to the National Mortgage Bankers Association, Connecticut was among the four peak states for the proportion of mortgages that were in foreclosure for the second quarter of 1992. The rate was 1.59 percent or one in every 63 loans. One year prior, the rate had been 0.86 or one in every 116. Five years prior, foreclosures were only about one in every 500. These figures do not reflect the number of loans over 90 days in arrears for which a repayment schedule had been worked out with a lender.

These figures do not bode well for the high number of people who have lost their jobs through no fault of their own. Less than a month ago, Ensign-Bickford, Simsbury's second largest taxpayer, laid off 25 workers from its 300 worker aerospace division. More may be anticipated.

The structural nature of Connecticut's recession has left many workers high and dry; all economic brackets are effected. I found that a lot of people were left reeling, they had played by the rules, they had worked all their lives, and had payed their dues. These are the very people who have built Connecticut to be one of the best places to live in the nation. Suddenly, they found they had been left in the cold, and could lose everything.

I addressed an unemployed support group in Simsbury last night and informed them about this bill. I was approached afterwards by one person who wanted to know when it would be effective. After telling him the anticipated date, he walked away, shaking his head, saying "I'm afraid that would probably be too late." There is a need for this bill.

One of the most poignant moments of my campaign was immediately following an education debate. Two young girls approached me with their mother. They had attended the debate as part of their DAP (divergent activities program). They approached me and critiqued my performance! One of the girls then continued, telling me how she was glad I had mentioned families who were out of work and how her friend's parents had lost their jobs. She spoke of how they had held a tag sale for all of their property, followed shortly thereafter by the loss of their home to foreclosure. They had left Connecticut shortly thereafter, moving in with the grandparents. The family broke up the couple eventually divorced. She asked me to see if I could do something, to help people so it would not happen to others.

There are many other stories, some perhaps not so dramatic. The stories of the everyday work-a-day worker, the men and women who keep our country going, who have always been there for others, but now, for a change, need our help -- your help. Perhaps they will not need to use this public act, they will find that job for which they're searching. But I think that somehow -- sometimes it helps when you're just struggling to stay afloat economically, to know there's a life jacket in the water next to you, just in case you start to go down.

Unfortunately, there is still a perceived stigma for many people in standing up and telling their stories. That is why I am here today, to be their voice, to urge your passage of Raised Bill No. 5702.

CONNECTICUT HOUSING FINANCE AUTHORITY

STATEMENT OF GARY E. KING

PRESIDENT-EXECUTIVE DIRECTOR

CONNECTICUT HOUSING FINANCE AUTHORITY

regarding Raised Bill No.5702

"AN ACT CONCERNING EMERGENCY MORTGAGE ASSISTANCE"

Chairman Milner and Chairman Knopp, and Members of the Committee, I am Gary E. King, President Executive-Director of the Connecticut Housing Finance Authority. I am glad to be here today to share with you the perspectives of the Authority on several aspects of Raised Bill No.5701- "An Act Providing Emergency Mortgage Assistance".

The purpose of offering these perspectives is to help the Committee insure that the Bill before you achieves what you intend. As the Bill makes the Authority the administrative agent for the program we have a particular interest in seeing that the legislation itself is structured to ensure the possibility of the intended results. Therefore my comments will address more operational and technical issues and their possible effects where appropriate.

The Authority's involvement with this legislation dates from the 1991 Session of the General Assembly when this possibility of Emergency Mortgage Assistance was raised for the first time. Again, during the 1992 Session we offered some assistance and input as the bill progressed through the legislative process.

Through this process many of the concerns that the Authority has expressed have been addressed. However there are a few outstanding issues which I would like to bring to the Committee's attention.

First, the Bill requires that the Authority undertake a series of actions and make several determinations within a thirty calendar day period commencing with the date of application. These determinations include the applicant's eligibility, financial condition, ability to repay the loan, future prospects for repayment, and the development or approval of a written repayment plan. In some cases making these determinations and resolving these issues may be more involved than required to originate the first mortgage.

The thirty day period allowed for these determinations is not sufficient. We feel that it is necessary to allow the Authority

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thirty (30) business days or forty-five (45) calendar days in order to discharge these responsibilities adequately. This is a fair period of time to allow, particularly if the Authority determines that an appraisal of the real property is required to determine the equity value of assets held by the applicant according to Section 4(c)(1). We ask that Section 4 (d) of the Bill be amended to read "thirty (30) business days or forty-five (45) calendar days" rather than thirty calendar days.

Second, the Bill as drafted precludes applications from mortgagors with mortgages for which the institution has obtained either FHA or private mortgage insurance coverage. As FHA mortgagors have access to a separate remedy process we understand well and support their exclusion. However, if the Committee's intent is to allow the applicant mortgagor to retain title to the property it is difficult to understand the exclusion of those applicants with mortgages insured by private mortgage insurance carriers.

It is important to understand the essential purpose of mortgage insurance. Even though the mortgagor pays the premium, mortgage insurance is obtained by the lending institution for its benefit, to protect its asset, the mortgage. Typically, the institution cannot benefit from this insurance until it has received any proceeds due from the sale of the property obtained through foreclosure or by other means.

Therefore, the presence of private mortgage insurance is of no practical assistance to the mortgagor facing foreclosure since his or her original interest must be extinguished in order for the bank to realize the benefit of any insurance coverage. In fact, the presence of such mortgage insurance where there is little or no equity in the property could actually serve as an incentive to initiate foreclosure quickly in order to minimize losses.

By maintaining the exclusion for privately insured mortgages many applicants could be denied access to the program which could prove to be the only means of retaining their home. Conversely, by allowing mortgages for which the institution had, but dropped, private mortgage insurance coverage, the Bill as drafted allows institutions the possibility of recovering funds they might very well be forced to write-off otherwise. These practical results do not seem consistent if the intent of the Bill is to help mortgagors retain their homes. The Committee may wish to consider this anomaly and strike this exclusion from the Bill at Section 4 (d)(3) at line 179.

Third, under Section 5 (a) of the Bill requires the Authority, in all instances after the original payment to the mortgagee, to

make payment to the mortgagee in an amount equal to the full amount due pursuant to the terms of the mortgage. This requirement applies whether or not the Authority is in receipt of the payment due from the mortgagor.

This could complicate budgeting considerations for the program and raise the prospect that the Authority could be required to continue to advance funds after the mortgagor may have abandoned the new payment plan agreed to under the program. This issue could be addressed through amending Sec. 5 (a) at line 264 to read "Upon receipt of payment in full by the mortgagor the Authority shall pay...".

Additionally, it needs to be understood that the Authority is liable for payments to mortgagees only to the extent that funds are provided by the State of Connecticut and program payments to mortgagees do not constitute an obligation of the Authority per se. We will make this point clear to all parties in our documentation if necessary.

I thank the Committee for the opportunity to share these perspectives and issues with you and I am glad to address any questions that you might have with regard to this Bill.

Court of Common Council

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CITY OF HARTFORD

550 MAIN STREET
HARTFORD, CONNECTICUT 06103

Carrie Saxon Perry, Mayor
Henrietta Milward, Deputy Mayor
Yolanda Castillo, Majority Leader
Eugenio Caro, Sr., Councilman
Fernando Comulada, Councilman
Anthony DiPentima, Councilman
Nicholas Fusco, Councilman
Elizabeth Horton Sheff, Councilwoman
Sandra E. Little, Councilwoman
Louise B. Simmons, Councilwoman

Clerk
Daniel M. Carey

January 21, 1993

Honorable Senator Thirman Milner
Honorable State Representative Alex Knopp
Co-Chairmen, Select Committee on Housing
Connecticut General Assembly
Hartford, Connecticut

Senator Milner, Representative Knopp, members of the Select Committee on Housing. I am Hartford City Councilman Tony DiPentima, Chairman of the Council's Legislative Relations Committee. I speak to you this afternoon in support of Proposed House Bill 5702, AN ACT CONCERNING EMERGENCY MORTGAGE ASSISTANCE.

Hartford needs this bill. The State of Connecticut needs this bill. With over 200,000 jobs lost in this state since 1989, and the recession continuing to erode our economy, we must, as public officials, provide any protection possible to the most vulnerable victims of this recession, our residential homeowners.

Unemployed and underemployed workers are loosing their homes at an alarming rate. What good is it for our state to watch idly by while families are being put our of their homes. Allowing for the type of emergency mortgage protection as proposed in 5702 will help keep families in their homes, keep our neighborhoods stabilized, and protect municipal tax bases Housing foreclosed on by the RTC (Resolution Trust Corporation) pay no property taxes and make no mortgage payments. Everyone loses. Providing a buffer for these homeowners, victims of an economic condition in which they have had no control over, will hopefully begin to stabilize our economy.

At present, the City of Hartford is holding back on foreclosure on 1, 2, and 3 family housing delinquent on property taxes because of our understanding of the situation. Where will our people go if put out of their homes? To shelters and public housing? Hartford has approximately 225 apartment and commercial properties under foreclosure, accounting for a tax loss of $15 million dollars. We need the relief provided in Proposed House Bill 5702, if for nothing else than to protect and preserve our housing stock and property tax base. At the same time, helping our residential homeowner is the humane thing to do. I ask for your favorable consideration of Proposed House Bill 5702.

Respectfullly submitted,

Anthony F. DiPentima

Anthony F. DiPentima
Hartford City Councilman

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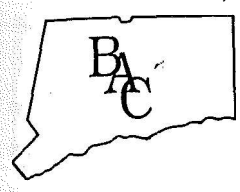


THE BANKS' ASSOCIATION OF CONNECTICUT

HB 5702

TO: Select Committee on Housing

RE: Foreclosure Issues in Connecticut

FROM: The Banks' Association of Connecticut
Contact: Gerald M. Noonan

Real Estate foreclosures in Connecticut have increased steadily since 1987. Connecticut now ranks fourth in the nation in the number of foreclosures. The states fifteen judicial districts had 14,044 foreclosures as of June 30, 1992.

A number of factors contributed to this rapid increase in the foreclosure rate. The nationwide recession and the resulting loss of personal income, has overloaded the debt of homeowners, and is certainly a major factor. The loss of jobs through layoffs and the depressed business environment adds to the problem. Depreciated property values have also had a major impact and make it difficult for homeowners to refinance at lower rates, because the property no longer is worth the original value.

A more obscure reason for the increased foreclosure rate is that more banks have tried to avoid foreclosures for as long as possible, hoping for the states economic situation to improve. But, due to the extended recession, the ability of many banks to "carry" delinquent loans makes foreclosure unavoidable in many cases. Exacerbating the problem are the "secondary market guidelines which form the industry standards that most lenders apply to their mortgage loans. While the secondary market allows for an uninterrupted flow of mortgage lending monies into the state, market investors require a quick resolution of a delinquent loan, thereby limiting the flexibility of many lenders to restructure or carry delinquent debts.

Foreclosure is the absolute last resort for a bank to recover a debt. Many homeowners do not realize that the last thing a banker wants to do is own, manage, or liquidate a property. Bankers are in the business of lending money,

(203) 527-5161 450 Church Street Hartford, Connecticut 06103 FAX: (203) 527-5140

not managing and selling property. To help in avoiding foreclosures, guidelines for working with delinquent homeowners were endorsed last year by all the banking associations in the state. The guidelines provide lenders with a checklist of options for working with homeowners. One of the most important options for both the bank and borrower is establish early contact to discuss the delinquency. The homeowner has to address the arrearage before it becomes insurmountable. Consumer counseling is available through many banks and through HUD Homeownership counseling agencies across the state.

Once a foreclosure is begun, it typically takes 9 months to 1 year to move it through the state's court system. This time figure is based on a 1991 BAC study. With the 70% increase in foreclosure actions since the, further lengthening of the court process seems inevitable.

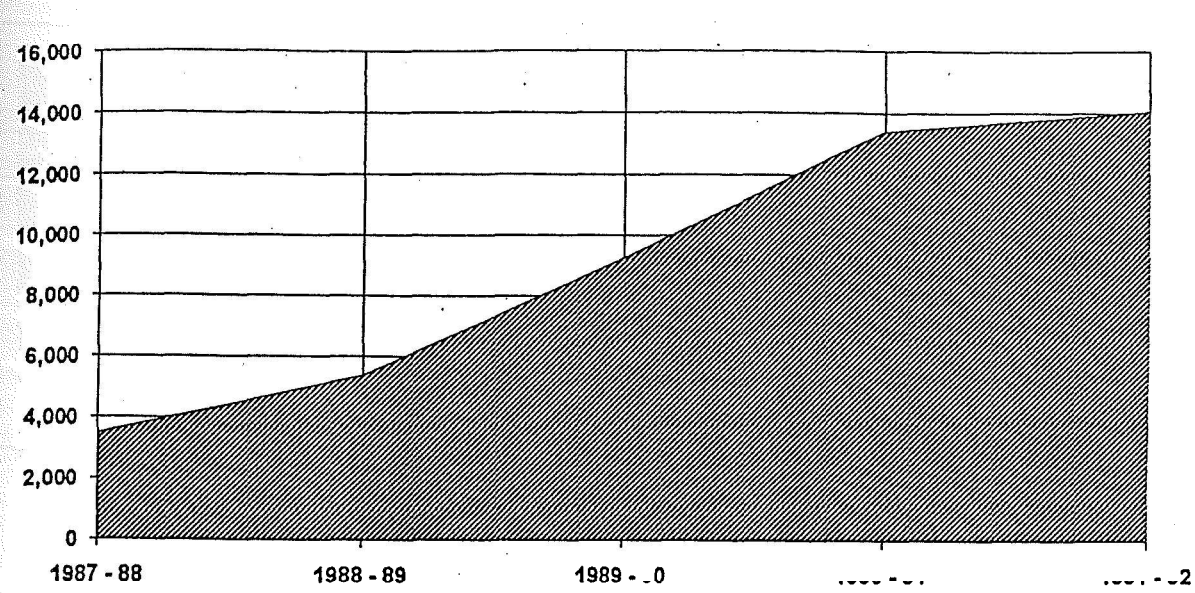
After a court completes the foreclosure action the property may either be sold or in strict foreclosure the title transferred to the bank. When title is transferred, the property becomes part of the banks Real Estate Owned (REO) category. Now that the bank owns the property it is responsible for its upkeep, which consists of paying the taxes, insurance, utilities and any necessary repairs to prepare it for sale. The longer the bank has to keep the property the more costly the original loan becomes.

Once REO property is ready for sale, the amount of time it takes to sell it depends on its desirability to potential buyers. Single family homes have typically sold the quickest while condominiums and multifamilies take the longest.

It is paramount to have the foreclosure process work as effectively as possible for both existing and potential homeowners. A quick process allows for the rapid supply of mortgage monies to future homeowners. It is in the consumers and the Banking Industry's best interest to work together toward this goal.

The Banks' Association of Connecticut and its membership looks forward to contributing its resources towards the best resolution of this issue.

ANNUAL REAL ESTATE FORECLOSURES IN CONNECTICUT*



		Judicial District	1992 Foreclosures	
Fairfield / Litchfield		Danbury	670	
		Bridgeport	1,767	
		Stamford	1,116	
		Litchfield	677	
	Total			4,230
New Haven		Ansonia / Milford	557	
		New Haven	2,467	
		Waterbury	934	
		Meriden	290	
	Total			4,248
Hartford		Hartford	2,163	
		New Britian	922	
		Putnam	392	
		Rockville	458	
	Total			3,935
New London		New London	550	
		Middletown	639	
		Norwich	442	
	Total			1,631
	TOTAL			**14,044**

Jeff Briggs

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Statement of the

CONNECTICUT BANKERS ASSOCIATION

HOUSING COMMITTEE

Raised Bill No. 5702

AN ACT CONCERNING EMERGENCY MORTGAGE ASSISTANCE

January 21, 1992

* * * * * *

The Connecticut Bankers Association is the senior banking trade association in Connecticut. Our members hold over 95% of the commercial banking assets in the state and include most of the largest banking institutions in the state as well as a great many community based organizations.

We certainly applaud the goal of Raised Bill 5702. As mortgagees, our members are already working very hard to try and assure that any mortgagor who has fallen on hard times, and has a reasonable prospect of returning to financial health, does not loose their home. Our association last year endorsed voluntary guidelines for mortgagees to follow in the process of working with defaulting borrowers to assure that every reasonable effort is made to work out the problem. Bankers do not want to own real estate.

It is also important to note that the majority of residential mortgages are sold by the original lender into the "secondary market". It is this ability of lenders to sell these loans, recover their funds, and relend those dollars, that makes this such a competitive marketplace. This competitive market place clearly is to the benefit of the vast majority of mortgage borrowers, who benefit from lower mortgage rates.

The entities that buy mortgages in the secondary market are very concerned about state laws that may impede their ability to recover their collateral in the event of a default.

It is very important that any mortgage assistance program for defaulting borrowers not affect the operation of this secondary market, or unduly delay the process of collateral recovery in those cases where there is little hope of restoring the borrower to financial stability.

We stand ready to work with the members of the Committee to try and craft a proposal that will address the issues presented in the proposed bill. At the same time, we feel it is critically important to preserve the benefits of the existing marketplace for the over 90% of the mortgage borrowers who do not default on their loans.

TESTIMONY IN SUPPORT OF THE EMERGENCY MORTGAGE ASSISTANCE ACT

HOUSE BILL NUMBER 5702

SELECT COMMITTEE ON HOUSING

CONNECTICUT GENERAL ASSEMBLY

JANUARY 21, 1993

DAVID M. S. SHAIKEN, ESQ.
DAVID M. S. SHAIKEN, P.C.
10 COLUMBUS BOULEVARD
HARTFORD, CT 06106
(203) 725-6872

I. INTRODUCTORY REMARKS: HOUSE BILL NUMBER 5702 ADDRESSES AN URGENT ECONOMIC AND SOCIAL PROBLEM IN CONNECTICUT

I practice law in Hartford, Connecticut. My practice is limited almost exclusively to the representation of financially distressed businesses and individuals in bankruptcy cases, foreclosure cases, the consensual restructuring of debts, and related commercial and litigation matters.

House Bill Number 5702, the Emergency Mortgage Assistance Act (the "Act"), is one of the most important bills to come before the General Assembly regarding the State's economy in some time. The skyrocketing rate, and absolute number, of home mortgage defaults, home mortgage foreclosures, and consumer bankruptcy cases are ample evidence of the housing and mortgage foreclosure crisis in our state. Anyone who doubts that we have such a crisis need only attend a foreclosure calendar call in any Judicial District, or the chapter 13 calendar at the United States Bankruptcy court.

As people lose their businesses and jobs, and in turn their homes, they are forced to a lower standard of living than they have previously enjoyed, and leave the State in search of better opportunities in other parts of the country. Often, the decision to leave Connecticut is made once a borrower's home has been lost

to foreclosure. As a result, Connecticut loses valuable skilled workers who permanently remove themselves from our economy. This downward spiral negatively affects our economy, our State's revenue stream (due to a reduced tax base), and causes a malaise in our business and social environments.

II. WHY HOUSE BILL NUMBER 5702 DESERVES THE LEGISLATURE'S VIGOROUS SUPPORT

In many instances, a homeowner falls behind in mortgage payments due to death in his family, loss of work, his company going out of business, disability, or divorce, all of which are circumstances beyond his control. These circumstances do not make the borrower a bad person, and given some time for a breathing spell, often he can get back to work, get well, restructure family income, and get back on his feet to make current monthly mortgage payments.

While the United States Bankruptcy Code offers some relief to homeowner debtors, it is an imperfect remedy. For many individuals, bankruptcy is the end of their financial road. In particular, chapter 13 of the Bankruptcy Code, a common haven for borrowers trying to forestall foreclosure and cure mortgage defaults, provides no relief to a family with insufficient income to meet current mortgage obligations, and is wholly unavailable to

individuals with more than $100,000.00 in unsecured debts or more than $350,000.00 in secured debts, including mortgages. These debt limits, coupled with the requirement that an individual who wishes to save his home from foreclosure have sufficient income to pay his mortgage obligations on a current basis, renders chapter 13 ineffective for the majority of debtors who seek protection under that chapter of the Bankruptcy Code.

The Emergency Mortgage Assistance Act fills this gap in the Bankruptcy Code by, in effect, providing additional cash flow in the form of a CHFA loan to financially distressed borrowers. Many people who have insufficient current income to qualify for chapter 13 relief would be aided by the Act.

Today, in the absence of the Act, many defaulting homeowners have no chance to save their homes. Accordingly, banks foreclose. It does banks practically no good to take title to residential properties through foreclosure. But in today's regulatory environment banks cannot work with borrowers to give them a breathing spell. Banks are under tremendous pressure to liquidate expeditiously problem loans.

Borrowers are not helped by the dislocation caused by losing their homes. It is bad for the court system to have so many foreclosure cases crowding the docket. And individuals' relocation outside of Connecticut reduces the State's tax base and work force.

No segment of society is benefitted by the current spate of foreclosures. Foreclosure is particularly tragic for those borrowers who, given a breathing period, can cure defaults and make current mortgage payments.

In sum, foreclosure is a poor remedy for all concerned, but parties are pushed toward foreclosure by our state's lack of alternatives to this outcome.

The Emergency Mortgage Assistance Act provides another method for borrowers, lenders and society to deal with mortgage defaults, a method that benefits all parties. Under the Act:

1. Banks get their mortgages paid timely.
2. Borrowers retain ownership of their homes.
3. The state retains its tax base and curtails erosion of its work force.

III. RECOMMENDATIONS FOR STRENGTHENING THE BILL

My support and enthusiasm for House Bill 5702 is qualified only by the following recommendations for strengthening the bill.

First, the Legislature should extend the program to include homes with mortgages securing business-related loans, a class of homes excluded under the bill's current draft. There is no reason

not to include this class of people, and small business owners are among the hardest hit by our depressed economy. In my experience as a bankruptcy/insolvency lawyer, most of the business borrowers in the State are small, family-owned businesses, businesses owned by men and women who are essentially blue collar workers who managed to buy or establish a machine shop, a subcontracting company, or a retail store, and who invested all of their savings in the venture. These owners have invariably mortgaged their homes to secure a guaranty of their business's bank debt.

Small business owners, even owners of failed small businesses, represent the most innovative, industrious, energetic and dynamic segment of our work force. If they stay in Connecticut, their unique experiences acquired by running their companies makes them invaluable, insightful, productive workers in the future. We should provide these people with the same programs we provide to other mortgage borrowers.

Second, I strongly oppose the provision of the bill making ineligible any mortgagor who has already filed defenses to a foreclosure action. The State should not condition eligibility for debt relief upon a borrower's forbearance from exercising his constitutional rights to defend litigation and be heard. The Emergency Mortgage Assistance Act provides an alternative to litigation, but those alternatives need not be mutually exclusive. In addition, let us not overlook the tremendous boon this bill is

to banks: under the bill the State is going to make mortgage payments to the banks. The benefit of payment by the State is sufficient and banks should not obtain further leverage in foreclosure litigation through this bill.

Third, the bill should provide expressly that the mere prior filing of a bankruptcy petition by a borrower does not exclude a borrower from taking advantage of the Act. Bankruptcy leaves most individual borrowers financially stronger than they were before they filed for bankruptcy, due to the discharge of their debts. Therefore, most individual borrowers are better credit risks after they file for bankruptcy than before. In addition, an individual who receives a discharge is barred under the United States Bankruptcy Code from filing another bankruptcy case for six years. Therefore the bankruptcy risk of underwriting the credit for a post-bankruptcy debtor is greatly reduced.

Fourth, the bill conditions conclusion of a foreclosure case upon a lender's compliance with the notice provisions of the Act, and action by CHFA within a specified time period on the borrower's application for emergency mortgage assistance. A better balance between lenders' and borrowers' interests could be achieved if the bill:

1. prohibited a lender from commencing a foreclosure case before thirty days after service of the notice required under the Act; and

2. prohibited a lender from commencing a foreclosure case before CHFA has acted on the borrower's application for emergency mortgage assistance, or the running of an applicable time period following the borrower's application. Notwithstanding such a provision, Lenders should be permitted to commence a foreclosure case after the time period set forth in (1) above prior to CHFA's decision, provided that if the Lender chooses not to wait for CHFA's decision, the Lender shall be barred from seeking a deficiency judgment.

This amendment to the Act would reduce the overcrowding of the State court foreclosure docket by avoiding the filing of foreclosure cases in instances where CHFA ultimately chooses to approve the borrower's application.

With the amendments discussed above, the Emergency Mortgage Assistance Act would be significantly enhanced to the benefit of all.

IV. CONCLUSION

For all of the foregoing reasons, I urge consideration of the amendments proposed above and adoption of the Emergency Mortgage Assistance Act.