

PA12-106

HB5414

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opposed to that. I just think we were trying to target this group. If this Committee sees fit to expand it slightly, I understand that. I was just trying to explain to you why we focused on -- on credit unions. And, as always, it's so nice to work with you because you -- you are always trying to think of, first of all, where you are. And then how to make something work. And, so, I expect this committee will look at this bill and try to make it work as best as it can.

REP. ROVERO: Thank you, Mr. Chair.

SENATOR DUFF: Thank you, Representative.

Any other questions from members of the Committee?

Thank you, Senator.

Okay. We'll now move to the public portion of the hearing.

David Wiese. Would you turn on your microphone, please. Thank you, sir.

DAVID WIESE: There we go. Chairman Duff, Chairman Tong, members of the Committee, thank you for having me today. My name is Dave Wiese. I'm outside general counsel for the Connecticut Banker's Association.

As many of you know, it's an industry association that represents approximately 60 banks that are proud to do business here in the State of Connecticut.

Today, I'm here to talk about a couple of different bills, four to be precise. I know my time is limited, so, I'll try to keep my remarks limited. But, of course, I'll be happy to answer any questions you may have.

SB 359 HB 5414
HB 5417 HB 5418

The first bill I'd like to talk about is Senate Bill 359, AN ACT CONCERNING FINANCIAL LITERACY. I guess my comment on this is just to say this is really just a spectacular idea. You know, if you think about the, you know, the decisions that one has to make in one's life as an adult, financial decisions are often times some of the most important decisions you make; buying a home, buying a car, getting a credit card, getting a student loan, saving money. These are all things that, you know, are not skill sets that are engrained in you. They're, frankly, practical lessons that should be taught in our schools so that our students here in Connecticut as they become young adults and begin to, you know, participate in the market place, they're able to make intelligent, informed choices. I just think this is really long overdue. And we applaud the proponents of this bills and simply say to you, you know, let us know what we can do to help.

The next bill I'd like to talk about is House Bill 5414, AN ACT CONCERNING THE ELIMINATION OF INTEREST RATES FLOOR ON ESCROW ACCOUNTS. As many of you know, financial institutions frequently escrow on behalf of borrowers the taxes and insurance to ensure that those obligations get paid. And it's a great budgeting tool. It's, in fact, it's a spectacular budgeting tool for borrowers. We have a lot of borrowers who want to have their accounts escrowed.

Most states don't require the payment of interest on escrow. Connecticut does require the payment of interest on escrow. When the legislation was first enacted, it contained a floor of 1.5 percent. That was a very, very different time from a respective of where we are in market rates.

The general formula under the current state laws it's the -- it's generally tied to a savings rate that's published by the Federal Reserve Board then plugged into a formula by the Department of Banking. And then, again, there's a floor of 1.5 percent.

So, right now, we're paying close to 10 times the market rate on these escrow accounts which is really just, you know, entirely out of whack for us. And, frankly, you know, escrowing for these accounts is an expensive proposition for us. So, it sort of adds insult to injury to be paying that.

But, very importantly, under Federal law, Federally chartered institutions, there's an express regulation that says state laws which mandate the payment of interest on escrow accounts is preempted by federal law. So, who's left to have to comply with this law and be competitively disadvantaged. Well, that's the state charter banks that this state -- they are so valued. So, we very much urge you to support this bill which would eliminate the floor on escrow accounts.

SENATOR DUFF: Dave, you've been rang over here. It's hard to hear. It's a very small little buzzer.

DAVID WIESE: Okay.

SENATOR DUFF: We've got to definitely invest in another one. So, if you could just wrap it up, I'd appreciate it.

DAVID WIESE: Sure. The next bill I'm going to talk about very, very quickly is House Bill 5417, AN ACT CONCERNING BROKER PRICE OPINIONS. As you all know, we support this bill.

As you all know, realtors and brokers are only permitted to issue value opinions under circumstances. We would like to expand that to allow for broker price opinions to be used. And what we're interested in primarily is the ability to use these types of opinions in connection with loan modifications, refinancing, and short sales of troubled loans.

This is something that we're very concerned about in Connecticut. We want to do this efficiently, cost effectively, reduce cost for the borrowers that are in these troubled situations. And Broker Price Opinions is a efficient, reliable, and cost effective way to do that. So, we support that measure.

The final one I'm going to mention only in really just to suggest that I open myself up for questions is House Bill 5418 which is ACT CONCERNING THE MODERNIZATION OF CERTAIN BANKING LAWS here in Connecticut. It's a lengthy bill. It has a lot of assorted provisions. It's designed to modernize, improve, and clarify Connecticut law. I'm not going to -- I can't go into detail without spending a lot of time on this. So, I simply just say we support this wholeheartedly. And, certainly, I'm available to answer questions you may have regarding that bill or any other bill you'd like to ask me questions about.

SENATOR DUFF: Thank you, David.

Any questions from members of the Committee?
We appreciate your testimony. Any questions?

Representative Rovero.

REP. ROVERO: I'll keep quiet. Sorry, Mr. Chairman.

HB 5414

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lk/gbr BANKS COMMITTEE

March 15, 2012
3:30 P.M.

What is going to be the minimum interest rate
on House Bill 5414?

DAVID WIESE: The current average savings rate
across America for commercial banks is .16
percent.

REP. ROVERO: Is what?

DAVID WIESE: .16 percent.

REP. ROVERO: Okay. And that's what you would be
paying?

DAVID WIESE: that's what you would -- remove the
floor, and that's what you would be pegged to,
at least in today's market environment.

REP. ROVERO: So, I understand, you're talking 16
basis points?

DAVID WIESE: Sixteen basis points, but we're --
versus what we're currently paying which is 1.
-- state-chartered banks are paying which is
1.5

REP. ROVERO: Okay. Thank you very much.

Thank you, Madam -- Mr. Chairman.

SENATOR DUFF: Thank you, Representative.

Any other questions?

Thank you, Dave. Thank you.

Anthony Lombardi, you all may come up if you'd
like. Good afternoon.

ANTHONY LOMBARDI: Good afternoon. Thank you, Mr.
Chairman, members of the Committee for allowing
us to testify in support of House Bill 5415.

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lk/gbr BANKS COMMITTEE

March 15, 2012
3:30 P.M.

Finally, the Bureau of Consumer Financial Protection, an outgrowth of the Wall Street Reform and Consumer Protection Act does have a provision calling for a study to be done by the Director of Regulations that affect qualified intermediaries exchange facilitators.

We have offered our services to the Director. We've met with the CFPB. But the great concern there is that venue jurisdiction of the Consumer Financial Protection Bureau will be limited to consumers which are defined under the act as predominately individuals. And taxpayers of all flavors take advantage of 1031 exchange from individuals to small business, medium size, and large corporations and everything in between all manner of entities.

SENATOR DUFF: Thank you very much. And we appreciate your trying to put some parameters around this business, especially as we've seen that it's unregulated. And as a group, you're trying to, you know, raise the bar and protect -- what you do in protect consumers at the same time. And we appreciate that.

Any questions from members of the Committee?

Thank you, very much.

SUZANNE BAKER: Thank you.

SENATOR DUFF: Jeff Gentes.

JEFF GENTES: Good afternoon --

SENATOR DUFF: Good afternoon.

JEFF GENTES: -- co-chairs Duff, Tong, other members of the Committee. Thank you for the opportunity to speak today. My name is Jeff Gentes. I'm the managing attorney for

SB 360 HB 5414

HB 5418

days ago. And we don't see a sign of -- the most I've seen is two studies showing that we're hitting the midpoint of the entire crisis later this year. So, we still have a long ways to go. There still a demand for this EMAP program.

We'd also support the task force recommendation, though it's not incorporated into this bill, to increase the number of CHFA and HUD approved housing counselors who are there to provide resources for homeowners who are facing foreclosure. Whether it's EMAP, whether it's working directly with their lender on a modification, housing counselors do a great deal of work. They do it for free. And they're crucial resource has to support them as well.

Just quickly on two other bills, House Bill 5414 is the escrow interest rate bill that was mentioned earlier. I just ran some numbers. An average homeowner would lose about \$30 under this bill. Given that homeowners are often required to have escrow accounts as a condition of their mortgage, we ask, at a minimum, you keep that in mind that there is a -- that this is a zero sum transfer from the banks to the homeowners or from the homeowners to the banks rather under this bill. And we oppose it to that reason.

Under 5418, it had -- it's a series of, as I mentioned, is a modernization of the banking statutes. Section 10, in particular, goes back and revises one of the sections that had been negotiated and agreed upon back in 2008 as part of the Anti-Predatory Lending Bill would allow people who've gotten modifications to their loan to have the interest rate shoot back up when they go into default. We don't think that would help homeowners. We don't think that

with identity theft and just being responsible and credit card debt and understanding how those interest charges can really sink a ship literally.

So, thank you very much for your efforts.

LOU GOLDEN: You're very welcome.

REP. WIDLITZ: I look forward to supporting it.

LOU GOLDEN: Thank you.

SENATOR DUFF: Thank you, Representative. Any other questions? Thank you, sir.

Rafie.

RAFIE PODALSKY: Thank you, Senator Duff and members of the Committee. My name is Rafie Podalsky. I'm a lawyer with the Legal Assistance Resource Center in Hartford which is part of the Legal Aid Programs. In the context of this Committee, we represent low income consumers and low income renters.

My written testimony covers six bills. I'm going to try to move that very quickly. In summary, we've submitted written testimony in favor of Senate Bill 360, opposed to Senate Bill 361, 362, House Bill 5414, and to Section 10 of House Bill 5418. And I will say, having listened to the earlier testimony, we also oppose deletion of lines 91 to 92 from House Bill number 5419.

In regards to Senate Bill 361 which deals with check cashing fees, what the bill does is it raises the maximum by 50 percent. That's to say from 2 percent of the amount cashed to 3 percent. It also removes the dollar limit on the cashing of private checks. So, for

example, the cash -- a company could charge \$60 to cash a \$2,000 income tax refund, charge \$36 to cash a \$1,200 payroll check. And the irony of this is those are checks that have a very little -- a low chance of bouncing because it's not a straight -- in many of those checks are not straight person-to-person checks which would be the highest risk checks. We believe that that should be left is. It's my understanding the Banking Commissioner also opposes this bill.

Second bill, Senate Bill 362 which deals with debt negotiators. You've heard a recent witness on that. The bill would change -- would override the Commissioner's regulations and allow charges of up to 30 percent. This is an industry that has had a history of a lot of problems. Of a lot -- part of that history has been large fees with minimal results. I'm not familiar in any detail with the FDC rules. You had a suggestion from the industry that you should adopt FDC rules instead of this statute. If there's any thought of doing that, I would urge you to not to address it this year, but to do some studying over a longer period of time to see if that makes any sense in Connecticut.

But we definitely support leaving -- for now, at least leaving the statute as is. We, therefore, oppose the bill. And, again, it's my understanding that the Banking Commissioner has the same view.

House Bill number 5414 is the bill concerning mortgage escrow interest. I would just say to you that what the interest that a bank pays on a deposit of a mortgage -- a mortgagor is not the same kind of situation as what a landlord pays a tenant because a landlord is not a bank. He has to go to a bank to get the interest. The bank controls its own rates.

You took -- you repealed the 1.5 percent minimum on residential security deposits last year. But in reality, we've identified half a dozen banks including TD Bank and Webster Bank that had accounts back then, notwithstanding the low general savings account rates that paid landlords 1.5 percent interest. So, we know that it can be done. And here you're dealing with situations with the bank is in a position to set its rates.

I will try and sum up quickly. In regard to House Bill 5419 which is the one dealing with cash advance, contracts, whatever you may do with this bill, we believe you should maintain some sort of rate cap over the entire structure. And, frankly, we do not fully understand why they are not under the state usury laws now. As far as I can tell, these are loans. Even though, there's conditional loans and they have to be paid back under certain circumstances, but they're loans nevertheless.

In regard to 5418, I would support the testimony of Attorney Jeff Gentes who spoke earlier that, at the very least suggest that Section 10 should be removed from the bill. Having the rate rise back up is not necessarily a good idea.

And with that, I guess I will conclude. And thank you very much for the opportunity to testify. I'd be happy to ask -- answer questions if I could.

SENATOR DUFF: Thank you very much. I appreciate your testimony.

Any questions from members of the Committee.



Connecticut Fair Housing Center

TESTIMONY OF ATTORNEY JEFF GENTES IN SUPPORT OF S.B. 630 AND IN OPPOSITION TO H.B. 5414 AND H.B. 5418

Co-Chairs Duff and Tong, Members of the Committee, thank you for the opportunity to speak. I'm Jeff Gentes, and I'm the Managing Attorney for Foreclosure Prevention at the Connecticut Fair Housing Center. We support S.B. 360, and oppose H.B. 5414 and H.B. 5418.

The Center is the only nonprofit in Connecticut providing representation and advocacy for homeowners facing foreclosure. Through intakes and clinics, we have reached homeowners in 159 towns since 2010, and have spoken with more than 500 people facing foreclosure in 2012 alone. We continue to see a crisis: one in 13 Connecticut homeowners with a mortgage is at least 90 days behind, and we won't see the midpoint of the foreclosure crisis until later this year.

Senate Bill 360

In particular, we have seen a persistent need for a program for homeowners facing long-term unemployment. Many of these homeowners can benefit from the state's Emergency Mortgage Assistance Program - EMAP. Thanks to the good work of this Banks Committee, EMAP was resurrected in 2008. Since then EMAP has directly helped about 500 households, and indirectly helped another 1000 by providing the infrastructure for a similar federal program last year. Along with Representative Alberts, I served on a task force you created to review EMAP. On the task force we recommended building on EMAP's success by reauthorizing it to help another 750 households and expanding it to homeowners with FHA loans. Senate Bill 360 adopts those recommendations, and we ask you to support the bill. We also support the task force's recommendation to increase the state's CHFA/HUD-approved housing counselors so that they can help thousands of homeowners access critical foreclosure prevention resources like EMAP.

House Bill 5414

Most homeowners we see have escrow accounts with their mortgage company for taxes and insurance, and House Bill 5414 would allow mortgage servicers to keep most of the interest in those accounts. I've attached an escrow statement to my testimony for an average homeowner. This homeowner would lose \$30 annually under this bill. The more mortgages a company services, the more of that \$30 per homeowner it could make. You may recall that, under the AG settlement, the big 5 servicers will pay \$1500 to about 7500 Connecticut residents who lost their homes to foreclosure, or a total about \$11.25 million in the next three years. We estimate, under this bill, those same five would make \$18 million in the next three years. We don't think this is the time to essentially reimburse the big 5 for these payouts, and we strongly oppose H.B. 5414.

House Bill 5418

Section 10 of H.B. 5418 would amend existing law to allow a lender to increase a loan's interest rate if a homeowner fell behind on a modified loan. This will hurt homeowners who've fallen on difficult times, and will not help prevent foreclosures. We ask you to oppose this bill.

Thank you again for your time this afternoon.

Calculations for House Bill 5414

For the homeowner listed in the attached escrow analysis:

- \$2,266.21 = average escrow balance over 12 months
 - \$33.99 = interest earned at 1.5% (current floor)
 - \$ 3.85 = estimated interest earned were H.B. 5414 enacted (0.17%)
- \$30 approximate loss to homeowner with an escrow account

Total number of first-lien mortgages in Connecticut = 522,687

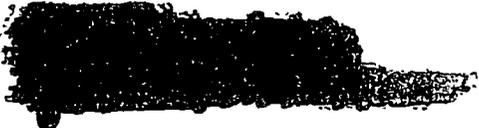
Source: Mortgage Bankers Association, National Delinquency Survey, Fourth Quarter 2011

If we conservatively estimated that sixty percent of first-lien mortgagors had an escrow account, there would be $522,687 * 60\% = \underline{313,612}$ escrow accounts.

The biggest five mortgage servicers have about sixty-five percent of the market. If we assume they have the same proportion of escrow accounts as other servicers, they would have 65% of 313,612, or 203,848 escrow accounts.

The potential gain to the big 5 banks of \$30 per escrow account, per year would be $\$30 * 203,848$, or \$6,115,400 annually.

Were interest rates to remain roughly the same over the next three years, the big 5 banks could realize $3 * \$6,115,400$, or \$18,346,200 over that three-year period.



ANTICIPATED ESCROW ACCOUNT DISBURSEMENTS

TAXES	\$3,765.63
HAZARD INS	\$500.00
FLOOD INS	\$1,576.00

ANNUAL ESCROW ACCOUNT DISCLOSURE STATEMENT AND CHANGE OF PAYMENT NOTICE PREPARED FOR:

Loan Number: [REDACTED]

STATEMENT RELEASE DATE 09/13/11

NEW MONTHLY PAYMENT IS AS FOLLOWS:

Principal and Interest	\$751.17
Required Escrow Payment	\$486.80
Shortage/Surplus Spread	\$.00
Buydown or Assistance Payments	\$.00
Other	\$.00

ENFIELD CT 06082



TOTAL MONTHLY PAYMENT \$1,237.97
 NEW PAYMENT EFFECTIVE DATE 11/01/11

[REDACTED] has completed an analysis of your escrow account, and has adjusted your mortgage payment to reflect changes in your real estate taxes or property insurance. The escrow items to be disbursed from your account are itemized below. If you have questions regarding this analysis, please write our Customer Service Department at [REDACTED] or call [REDACTED] Monday through Sunday, 7:00 am to 10:00 pm, Eastern Standard Time.

ANNUAL ESCROW ACCOUNT PROJECTION FOR THE COMING YEAR

This is an estimate of activity in your escrow account during the coming year, based on payments anticipated to be made from your account.

MONTH	PAYMENTS TO ESCROW ACCOUNT	PAYMENTS FROM ESCROW ACCOUNT				ESCROW ACCOUNT BALANCE	
		MIP/PMI	TAXES	FLOOD	HAZ. INS	SPECIAL	PROJECTED
INITIAL DEPOSIT						\$1460.37	\$1460.43
NOV	\$486.80					\$1947.17	\$1947.23
DEC	\$486.80					\$2433.97	\$2434.03
JAN	\$486.80		\$1757.69			\$1163.08	\$1163.14
FEB	\$486.80					\$1649.88	\$1649.94
MAR	\$486.80					\$2136.68	\$2136.74
APR	\$486.80					\$2623.48	\$2623.54
MAY	\$486.80					\$3110.28	\$3110.34
JUN	\$486.80					\$3597.08	\$3597.14
JUL	\$486.80		\$2007.94			\$2075.84	\$2076.00
AUG	\$486.80					\$2562.74	\$2562.80
SEP	\$486.80			\$1576.00	\$500.00	\$473.54	\$473.60
OCT	\$486.80					\$1460.34	\$1460.40

Indicates a projected low point of \$973.54. Your required reserve balance is \$973.60 based on [REDACTED] policy allowable under your mortgage contract, state or federal regulations. The difference between the projected low point and the required reserve balance is \$0.06. This is your shortage which has been prorated, added to our monthly payment and will be collected from you over a 00 month period. The terms of your loan may result in changes to the monthly principal and interest payment(s) during the year.

Please keep this statement for comparison with the actual activity in your account at the end of the next escrow accounting computation year.

ESCROW SHORTAGE REPAYMENT FORM

Loan Number: [REDACTED]
 Mortgage: \$.06-

Name: [REDACTED]

Your escrow shortage has been spread over a 00 month period resulting in an increase to your monthly payment. If you choose to pay your escrow shortage amount in a lump sum, please mail this coupon with your remittance to the following address:

ESCROW DEPARTMENT



Your payment will be reduced by the prorated monthly/biweekly shortage. Please reference your loan number on check.

Loan Number: [REDACTED]

Name: [REDACTED]

ANNUAL ESCROW ACCOUNT DISCLOSURE STATEMENT - ACCOUNT HISTORY

This is a statement of actual activity in your escrow account from 10/11 through 10/11. Last year's projections are next to the actual activity. Your monthly mortgage payment for the past year was \$1237.96 of which \$751.17 was for principal and interest and \$486.79 went into your escrow account. An asterisk (*) indicates a difference between a projected disbursement and actual activity. A "Y" indicates an estimated payment or disbursement amount.

MONTH	PAYMENTS TO ESCROW ACCOUNT		PAYMENTS FROM ESCROW ACCOUNT		DESCRIPTION	ESCROW BALANCE COMPARISON	
	PROJECTED	ACTUAL	PROJECTED	ACTUAL		PROJECTED	ACTUAL
STARTING BAL						\$973.58	\$973.58
OCT	\$486.79	\$486.79	Y			\$1460.37	\$1460.37
NOV	\$486.79		*Y			\$1947.16	\$0.00
DEC	\$486.79		*Y			\$2433.95	\$0.00
JAN	\$486.79		*	\$1757.69	TOWN TAX	\$1163.05	\$0.00
FEB	\$486.79		*Y			\$1649.84	\$0.00
MAR	\$486.79		*Y			\$2136.63	\$0.00
APR	\$486.79		*Y			\$2623.42	\$0.00
MAY	\$486.79		*Y			\$3110.21	\$0.00
JUN	\$486.79		*Y			\$3597.00	\$0.00
JUL	\$486.79		*	\$2007.94	TOWN TAX	\$2075.85	\$0.00
AUG	\$486.79		*Y			\$2562.64	\$0.00
SEP	\$486.79		*	\$500.00	HAZARD INSUR	\$2549.43	\$0.00
SEP				\$1576.00	FLOOD INSURA	\$973.43	\$0.00

Last year, we anticipated that payments from your escrow account would be made during this period equaling \$5841.63. Under federal law, your lowest monthly balance should not have exceeded \$973.58 or 1/6TH of anticipated payments from the account, unless your mortgage contract or state law specified a lower amount. Under your mortgage contract and/or state law, your lowest monthly balance should not have exceeded \$973.58.

Your actual lowest monthly balance was greater than \$973.58. The items with an asterisk on your account history may explain this, if you would like a further explanation, please call our toll-free number: [REDACTED]

Legal Assistance Resource Center

❖ of Connecticut, Inc. ❖

44 Capitol Avenue, Suite 301 ❖ Hartford, Connecticut 06106
 (860) 278-5688 x203 ❖ cell (860) 836-6355 ❖ fax (860) 278-2957 ❖ RPodolsky@LARCC.org

SB 360
 HB 5418

Testimony of Raphael L. Podolsky

Banks Committee public hearing -- March 15, 2012

S.B. 362 -- Debt negotiators

OPPOSE

~~Debt negotiators are entities that offer to negotiate debt reductions for consumers~~
 who are behind in their payments. These are the entities on the radio saying, "Do you have more than \$10,000 in credit card debt? We can save you half of what you owe!!!" The industry has a history of charging high fees while producing minimal results. They have sometimes induced debtors to stop paying their credit card bills so as to build up a fund from which to negotiate, in the process thereby increasing the debt itself through late fees and collection costs. Abusive industry practices led to the passage in 2009 of P.A. 09-208, a strong act that gives the Banking Commissioner the power to protect consumer debtors. S.B. 362 would allow debt negotiators to charge fees of up to 30% of the debt reduction, a tripling to the present maximum. We oppose any weakening of the protections of the existing statute.

H.B. 5419 -- Cash advance contracts

CLARIFICATION REQUIRED

Cash advance contracts provide advance payments to personal injury plaintiffs in return for the contractual right to be repaid from the proceeds of successful litigation, plus a substantial fee. Such contracts attempt to be written so as to avoid the state's 12% usury rate, although it is not clear to us that they succeed in doing so. H.B. 5419 clearly treats a cash advance contract as a loan subject to the usury laws, thereby imposing a 12% limit on fees. We support this provision. We also presume that the bill protects the right of personal injury plaintiffs to retain all funds (except for the regulated fees) which they may win in excess of the amount advanced. It is not clear from the wording of lines 3-10, however, that any such surplus goes to the personal injury plaintiff, rather than to the cash advancer. If this bill moves forward, that language should be clarified.

H.B. 5414 -- Mortgage escrow account interest rate minimum

OPPOSE

The Landlord-Tenant Act, which requires that interest be paid on security deposits at no less than an index rate declared by the Banking Commissioner, used to prohibit the rate from going below 1.5%. That minimum for residential security deposits was repealed last year, in large part on the theory that landlords could not obtain such rates from banks. This bill now proposed to eliminate the 1.5% minimum on mortgage tax and insurance escrow accounts, presumably on the ground that they are the same as security deposits. We oppose the bill because there are fundamental differences between these escrow accounts and residential security deposit accounts. The landlords who must pay interest on security deposit accounts are customers of the bank which generates the interest and are fully independent of the bank. Mortgage escrow accounts, in contrast, are held by the bank

(continued on the reverse side)

itself, which is in a position to pay whatever rates it chooses. Indeed, it was established last year that some banks (e.g., TD Bank and Webster) did pay 1.5% interest on security deposit accounts, notwithstanding the low interest rates on savings accounts generally. Because the interest payor is not independent of the bank, the 1.5% minimum for mortgage escrow accounts should be retained.

S.B. 360 -- Recommendations of the CHFA Task Force

SUPPORT

The Emergency Mortgage Assistance Program (EMAP) provides interim financial assistance to homeowners facing foreclosure so that they can maintain mortgage payments for up to five years and thereby avoid loss of their home. The payments become liens on the property to be repaid at a later date. S.B. 360 makes modest changes to EMAP to make it more accessible to such homeowners. These include allowing homeowners with FHA-insured mortgages to apply, permitting homeowners receiving EMAP assistance to defend the foreclosure, and promoting greater distribution of the Judicial Branch form directing homeowners to community-based counseling and other resources. The bill also assures the continuation of the EMAP program by authorizing the bonding of \$60 million to fund additional assistance. Much of this money will ultimately be repaid to the state when the homeowner's financial situation stabilizes or when the property is sold. EMAP is a critical part of the state's foreclosure prevention program, and we strongly support this bill.

H.B. 5418 -- Modernization of the banking statutes

AMEND

Section 10 of this bill, as we understand it, permits a troubled mortgage loan that has been renegotiated or refinanced with a reduced interest rate to have a provision allowing a rate increase if the debtor defaults on the renegotiated loan. We recommend that any such increase be capped at the interest rate of the original loan.



CONNECTICUT BANKERS ASSOCIATION

March 15, 2012

To: Members of the Banks Committee

Fr: Connecticut Bankers Association
Contacts: Tom Mongellow, Fritz Conway

Re: H.B. No. 5414 (RAISED) AN ACT CONCERNING THE ELIMINATION OF THE INTEREST RATE FLOOR FOR TAX AND INSURANCE ESCROW ACCOUNTS

POSITION: SUPPORT

This bill would repeal the State mandated price control on the minimum amount of interest that must be paid on tax and insurance escrow accounts associated with consumer mortgages.

The existing law is unfair to state chartered institutions because federal law (12 CFR 34.4(6)) clearly preempts any state law's ability to implement price controls on this service for federal banks. This means that only state chartered banks and credit unions are mandated to pay this very high minimum interest rate.

The average market rate is determined each year by the Department of Banking and this year it is .16%. With the price control floor of 1.5%, that means that state chartered banks have to pay almost *ten times* more than the current market interest rate currently is.

The legislature addressed this issue last year for the Landlords across the State, when a bill was passed that changed the interest rate on Landlord/Tenant Security Deposits to that market rate, and the interest rate floor was removed.

The industry proposes that the interest rate floor of one and one-half percent on tax and insurance escrow accounts be repealed, and that the law's existing average market rate of interest be used in place of it.

We urge the committee to provide relief for State Chartered banks from this price control by supporting House bill 5414.

H – 1133

**CONNECTICUT
GENERAL ASSEMBLY
HOUSE**

**PROCEEDINGS
2012**

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that has been added? What would be a possible mechanism in that community beyond the one being presented here? Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE:

Representative Berger. Representative Roldan.

REP. ROLDAN (4th):

Madam Speaker, at this point I will retract my question and yield back to you. Thank you, Madam Speaker.

DEPUTY SPEAKER ORANGE:

Thank you, Sir. Representative Brendan Sharkey.

REP. SHARKEY (88th):

Madam Speaker, I would move that we pass this bill temporarily.

DEPUTY SPEAKER ORANGE:

The motion is to pass this bill temporarily. Is there objection? Is there objection? Seeing none, hearing none, the bill is passed temporarily.

Will the Clerk please call calendar number 198.

THE CLERK:

On page eight, calendar 198 House Bill number 5414, AN ACT CONCERNING THE ELIMINATION OF THE INTEREST RATE FLOOR FOR TAX AND ESCROW ACCOUNTS. Favorable report by the committee on banks.

DEPUTY SPEAKER ORANGE:

Representative William Tong, you have the floor,
Sir.

REP. TONG (147th):

Good afternoon, Madam Speaker.

DEPUTY SPEAKER ORANGE:

Good afternoon.

REP. TONG (147th):

I move acceptance of the joint committee's
favorable report and passage of the bill.

DEPUTY SPEAKER ORANGE:

The question before the Chamber is passage of the
bill, acceptance of the bill. Will you remark,
Representative Tong?

REP. TONG (147th):

Thank you, Madam Speaker. This is a bill to help
our community banks here in Connecticut which are the
credit engine of our recovery to be more competitive
with their national, federally chartered counterparts.

Right now our federally chartered banks have no
interest rate floor that they have to pay on escrow
accounts that they have to pay for taxes and insurance
whereas our community banks, State chartered here in
Connecticut have to pay a percentage point and a half

which makes them uncompetitive in this environment.

Madam, the Clerk has an amendment, LCO number 3071. I ask that the Clerk please call the amendment and I be allowed to summarize.

DEPUTY SPEAKER ORANGE:

Will the Clerk please call LCO number 3071 which will be designated as House Amendment schedule A.

THE CLERK:

LCO 3071, House A offered by Representative Tong, Senator Duff, Representative Alberts and Senator Frantz.

DEPUTY SPEAKER ORANGE:

Representative Tong.

REP. TONG (147th):

Thank you, Madam Speaker. This is a bill supported in a bipartisan way by the leadership of the banks committee. It is a strike all and becomes the bill. It essentially does two things. It makes sure that whatever you have now in terms of interest on your tax and insurance account stays the same. You're grandfathered.

But going forward after October 1, 2012 you'll be paid the deposit index which is an average of all savings deposit interest rates set by the federal

reserve and that will be what you'll be at a minimum entitled to on your tax and insurance escrow accounts.

I move adoption.

DEPUTY SPEAKER ORANGE:

The question before the Chamber is on adoption. Will you remark further, Representative Tong? No. Representative Alberts of the 50th, you have the floor, Sir.

REP. ALBERTS (50th):

Thank you, Madam Speaker. This is a good amendment that's before us. Once we vote favorably on the amendment as the Chair of the banks committee has said this will become the bill and I urge my colleagues to support it. Thank you.

DEPUTY SPEAKER ORANGE:

Thank you, Sir. Will you care to remark further on Amendment Schedule A? will you care to remark on House A? If not, let me try your minds. All those in favor please signify by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER ORANGE:

All those opposed nay. The ayes have it. The amendment is adopted. Will you care to remark further

on the bill as amended? Will you care to remark further on the bill as amended? Will you care to remark? If not, staff and guests please come to the well of the House. Members please take your seats. The machine will be opened.

THE CLERK:

The House of Representatives is voting by roll call. Members to the Chamber. The House is taking a roll call vote. Members to the Chamber please.

DEPUTY SPEAKER ORANGE:

Have all members voted? Have all members voted? Please check the board to determine if your vote has been properly cast. If so, the machine will be locked and the Clerk will take a tally. And will the Clerk please announce the tally?

THE CLERK:

House Bill 5414 as amended by House A.

Total Number voting	148
Necessary for adoption	75
Those voting Yea	141
Those voting Nay	7
Those absent and not voting	3

DEPUTY SPEAKER ORANGE:

~~The bill as amended passes.~~ Will the Clerk
please call calendar number 191.

THE CLERK:

On page seven, calendar 191 House Bill number 54-
-DEPUTY SPEAKER ORANGE:

Mr. Clerk, hang on a sec. I apologize, Mr.
Clerk. Will the Clerk please call calendar 142.

THE CLERK:

On page 40, calendar 142 substitute for House
Bill number 5224, AN ACT ESTABLISHING AN URBAN
REVITALIZATION PILOT PROGRAM. Favorable report by the
committee on finance.

DEPUTY SPEAKER ORANGE:

Representative Melissa Olson. Oh my goodness.
Representative Melissa Riley, the distinguished Deputy
Majority Leader.

REP. RILEY (46th):

Thank you, Madam Speaker. Madam Speaker, I move
that this matter be referred to the commerce
committee.

DEPUTY SPEAKER ORANGE:

Is there objection? Is there objection? Without
objection so ordered. Will the Clerk please call
calendar number 256.

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**CONNECTICUT
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THE CHAIR:

So ordered, sir.

SENATOR LOONEY:

Thank you, Madam President.

A second item on calendar page 16 is Calendar 446, House Bill 5395. Move to place the item on the consent calendar.

THE CHAIR:

So ordered, sir.

SENATOR LOONEY:

Thank you, Madam President.

Also calendar page 16, Calendar 448, House Bill 5414. Move to place this item on the consent calendar.

THE CHAIR:

So ordered, sir.

SENATOR LOONEY:

Thank you, Madam President.

Moving to calendar page 17, Calendar 451, House Bill 5548. Move to place the item on the consent calendar.

THE CHAIR:

So ordered, sir.

SENATOR LOONEY:

Thank you, Madam President.

Moving to calendar page 18, Calendar 456, House Bill 5285. Move to place the item on the consent calendar.

THE CHAIR:

So ordered, sir.

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On page 13, Calendar 426, House Bill 5443; on page 14, Calendar 438, House Bill 5347; Page 14, Calendar 439, House Bill 5388; page 15, Calendar 441, House Bill 5501.

Also on page 15, Calendar 442, House Bill 5536; page 16, Calendar 445, House Bill 5145; page 16, Calendar 446, House Bill 5395; on page 16, Calendar 448, House Bill 5414; page 17, Calendar 451, House Bill 5548; page 18, Calendar 456, House Bill 5285.

Also on page 18, Calendar 458, House Bill 5031; on page 20, Calendar 468, House Bill 5217; page 21, Calendar 471, House Bill 5164; page 22, Calendar 476, House Bill 5263.

On page 23, Calendar 485, House Bill 5237. On page 25, Calendar 497, House Bill 5512; page 26, Calendar 502, House Bill 5497; page 26, Calendar 503, House Bill 5409.

On page 28, Calendar 512, House Bill 5424. And on page 30, Calendar 522, House Bill 5289.

THE CHAIR:

That seems correct.

Mr. Clerk, would you please call for a roll call vote on the consent calendar. (Inaudible.)

THE CLERK:

Immediate roll call has been ordered in the Senate. Will senators please return to the Chamber. Immediate roll call has been ordered in the Senate.

THE CHAIR:

Senator Gomes, would you like to vote, please. Thank you.

If all members have voted, if all members have voted, the machine will be closed.

Mr. Clerk, would you please call a tally.

THE CLERK:

On today's consent calendar,

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Total Number Voting	35	
Necessary for passage	18	
Those Voting Yea	35	
Those Voting Nay	0	
Those Absent and Not Voting		1

THE CHAIR:

The consent calendar passes.

Are there any points of personal privilege or announcements? Are there any points of personal privilege or announcements?

Senator Looney.

SENATOR LOONEY:

Thank you, Madam President.

Yes, Madam President, if there are no announcements or points of personal privilege, we will, of course, be in session tomorrow -- or actually it's later today but -- but not on Thursday. But --

THE CHAIR:

Okay. Promise?

SENATOR LOONEY:

-- we will -- we will convene later this morning. We will have a -- announce the Democratic caucus at eleven followed by session at noon today.

Thank you, Madam President.

With that, would move the Senate stand adjourned, subject to the call of the chair.

THE CHAIR:

So ordered, sir. Everybody drive safely.

On motion of Senator Looney of the 11th, the Senate, at 12:32 a.m. adjourned subject to the call of the chair.