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Wider Mortgage Relief Proposed

State Advocates Seek Industry Reform; Lawmakers Push \$100 Million In Aid

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Lawmakers and housing advocates stepped up plans at the state Capitol Wednesday to aid Connecticut homeowners struggling to make their mortgage payments and to reshape the state's home lending industry.

After criticizing Gov. M. Jodi Rell's \$50 million mortgage bailout program because it fails to reach enough of those in need, two key Democrats on Wednesday pushed an emergency relief plan for Connecticut residents that includes a \$100 million mortgage assistance loan program.

Sen. Bob Duff, D-Norwalk, and Rep. Ryan Barry, D-Manchester, the co-chairmen of the General Assembly's banks committee, said their proposal would aid a range of homeowners, not just those with

subprime mortgages whose interest rates are shooting up.

Separately, The Connecticut Fair Housing Center, a private advocacy group, presented a multipart proposal designed to curb predatory lending and other industry practices that contributed to the mortgage crisis.

Under the Fair Housing Center plan, lenders would be banned from refinancing without a "tangible benefit" to the borrower, and from approving loans without a "reasonable belief" that the borrower has the ability to repay, among other measures.

The plan would also ban certain loan terms that increase the chance of default, such as prepayment penalties, "balloon" payments and default interest rates.

That plan, which Attorney General Richard Blumenthal largely supported on Wednesday, is one of several that have been floated, or will be introduced, in the legislature in the coming weeks — including a plan by Rell. There are also federal proposals, addressing both the crisis for borrowers and reforms for the industry.

Duff and Barry had been critical of the governor's \$50 million CT Families program. A story in Wednesday's Courant showed that only 25 people qualified for the program, out of more than 1,000 who had made inquiries.

"The idea is to be very flexible. We don't want a lot of mandates from the legislature in how the money is going to be used," Duff said Wednesday. "A committee would be charged with dispersing the funds to help people in a number of different ways. And this could be for anybody struggling to pay their mortgage."

That might include funding a local foreclosure hot line, paying for attorneys to guide those facing foreclosure, providing loans for those who are behind on their mortgage payments "or other ways we can help stabilize the housing industry," Duff said.

The funding, which would need approval from the General Assembly, as well as Rell, is part of a wider emergency relief plan that includes tax relief and energy assistance for Connecticut residents. The mortgage plan would set aside \$35 million for each of the first two years of the program, and \$15 million for 2010 and 2011. Anyone who receives assistance would be required to repay the money, Duff said.

"Sure, there are people out there who shouldn't have been given a loan to begin with, but there are a lot of people out there who lose their jobs, have medical bills or other life circumstances who require assistance," he said. "That's who this money is for."

Duff and others have criticized the CT Families program, which the governor rolled out late last year as a cornerstone of her administration's mortgage crisis plan. But so far, eight weeks into the program, only 25 loans have been approved. Rell's office and state housing officials have defended the program, saying it was not intended to rescue the thousands of homeowners struggling to make mortgage payments.

Chris Cooper, a spokesman for Rell, said Wednesday that the program will not be immediately revised.

"While 25 isn't as much as we'd like, the program is new, and they want to wait the next month or two to see if they can hit their targets," Cooper said of the program, which is being run by the Connecticut Housing Finance Authority. The goal is to help as many as 400 homeowners.

Blumenthal criticized the federal response to the crisis, saying the 30-day reprieve from foreclosures, which the Bush administration proposed Tuesday, was a "shoestring" measure that would not fully address the problem.

"The states must take the lead because the federal government is failing to do so," Blumenthal said.

Blumenthal said he would introduce more specific measures next week.

The Connecticut Fair Housing Center, which provides legal representation for victims of discrimination, developed the bill in response to numerous calls from consumers who said they had been hoodwinked into mortgages they couldn't afford. The bill looked to legislation in states where anti-predatory lending bills had already been passed, including Ohio, Minnesota and North Carolina, as a guide, said Erin Kemple, executive director of the center.

"One of the things that we're trying to do is make sure we don't get to that point where there's massive loss and foreclosures," Kemple said. "Our bill is the best consumer bill that's out there."

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Connecticut Democrats push state stimulus plan. Page B1

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