Connecticut
Fair Housing Center

Outline for CFHC Comments at June 15, 2020
Banking Committee Informational Hearing

Intro – our role in the mortgage market

Economic Emergency
- Hitting self-employed, $40K or less, disproportionately POC, 40% of lost jobs not coming back
- April had biggest documented one-month spike in mortgage delinquency
    - Particularly acute in low down payment loans (designed for low-wealth borrowers) – FHA and VA
- Number of forbearance requests suggests we could be at Great Recession levels of serious delinquency by Labor Day
- Mortgage industry has not performed well this century
- Keeping mediation program in place was critical

Because of this, broad-based policy is constitutionally permissible + within your powers
- Distinct from health emergency or Governor's EO powers

To complement what fed gov't has done, and to stave off needless foreclosures, recommend:
- Fannie & Freddie require modest workouts – market interest rate, term extensions, no principal reduction
    - Well within what "good banks" should already be doing
- Require loan workouts at Fannie/Freddie level from entities that are regulated by state (i.e., can't claim federal preemption)
    - State-chartered banks/credit unions
    - Nonbank-serviced loans in trust, held by outside investors, etc.
        - Many landlords, people who survived their subprime loan, had loans sold off by federal gov't to private market/bottom feeders
        - Structure disincentivizes forbearance
- Provide for consumers to enforce the rules and for DOB to supervise + enforce

DOB Mortgage Relief Program
- Problems with foreclosure moratorium
    - Update from letter: 10 (or 11) institutions, including at least 8 of the 33 participating banks + 2 credit unions
- 120-day "pause" on foreclosures for COVID hardships (forbearance) vs. fed rules
- Recent extension: major dropoff in participation
    - Voluntary signup was major issue with federal gov't response last decade
- No apparent penalties, unknown enforcement, limited (if any) consumer remedies

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