



Sub-Prime Mortgage Task Force  
Activities Update  
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## Sub-Prime Mortgage Task Force Activities Update



### Executive Summary

Governor Rell's Sub-Prime Mortgage Task Force issued its Final Report on November 9, 2007, with implementation of many Task Force recommendations starting immediately thereafter. Legislation was passed in May 2008 that further implemented many of the Task Force's recommendations. This brief report:

- Reviews progress in implementing Task Force recommendations,
- Reviews major legislation passed by the General Assembly during the 2008 Session, and;
- Provides updated analysis on sub-prime lending in Connecticut.

### Progress on Task Force Recommendations

In its November 2007 Final Report, the Sub-prime Mortgage Task Force made the following major recommendations:

- Implement a public awareness campaign urging lenders and borrowers to work together to avoid foreclosure and maintain homeownership.
- Add capacity to the State's housing counseling infrastructure to support borrowers in this process.
- Sponsor a mortgage refinance program to assist borrowers who used a sub-prime mortgage to purchase their first home, as well as mortgage programs that can serve as a reasonable substitute for the credit once available through the sub-prime mortgage market.
- Initiate regulatory, policy and consumer education and protection measures to help prevent a recurrence of the problems resulting from sub-prime lending practices of recent years.

Since the issuance of the Final Report, the Connecticut Housing Finance Authority (CHFA) and the Department of Banking have been working to implement the Task Force recommendations.

CHFA has undertaken the following steps in furtherance of the Task Force's goals:

- Worked with the Department of Banking and various partners to implement Task Force recommendations concerning public awareness campaigns, housing fairs and servicer meetings. Worked with loan servicers to encourage loan modifications and expanded counseling services and homebuyer education programs.
- Designed and implemented the CT FAMLIES program in order to assist qualified homeowners who are struggling with their mortgage payments to refinance into a more reasonable payment plan so more homeowners can stay in their homes.
- Continued to provide research and analysis services as recommended by the Task Force and updated the sub-prime data in this report.



## Sub-Prime Mortgage Task Force Activities Update



The Department of Banking has undertaken the following actions to support the Task Force's recommendations:

- Introduced legislation (S.B. 21, An Act Concerning Mortgage Lending) proposing additional consumer protections and underwriting guidelines in the laws that regulate mortgage lending, many of which are included in P.A. 08-176, An Act Concerning Responsible Lending and Economic Security.
- Established in August 2007 a foreclosure hotline for Connecticut consumers to call for information on legal help available or housing advocacy groups that may help in advising people of their legal rights.
- Helped to inform distressed borrowers, through its Consumer Affairs Division, of the need to contact their lenders and request loan modifications or other concessionary terms that may remedy an impending past due problem or foreclosure.

Further discussion on the work undertaken to implement Task Force recommendations, as well as an update of some of the basic research undertaken by the Task Force follows.

### **Recommendations of the Research & Analysis and Program & Product Development Sub-Committees:**

*1. Develop And Implement A Public Awareness Campaign To Encourage Sub-prime Borrowers And Their Loan Servicers To Work Together To Modify, Restructure Or Refinance Their Mortgages*

CHFA developed and implemented a public awareness campaign to encourage sub-prime borrowers to work with their lenders early in the delinquency and foreclosure process in order to modify or restructure their mortgages. This campaign entailed radio public service announcements, establishment of a call and referral center at CHFA and informational housing fairs held throughout the State. Participants in these housing fairs included the Federal Housing Administration (FHA), the State Department of Banking, major loan servicers, housing counseling agencies, CT FAMLIES program lenders and CHFA. Together they offered guidance and assistance to homeowners and referrals to programs and services relevant to particular homeowner circumstances, including refinancing into an FHA*Secure* or CT FAMLIES mortgage.

As part of this awareness campaign, CHFA hosted Housing Fairs that focused on assisting borrowers impacted by sub-prime lending. The events were scheduled for Fridays and Saturdays in Norwich, Waterbury, Hartford, Bridgeport and New Haven from March through May. A public service announcement was also recorded by the Governor and aired prior to each event.

These events had 45 minute informational sessions that ran concurrently in order for attendees to have the opportunity to participate in several sessions. Informational seminars were hosted by CHFA and FHA to discuss both the CT FAMLIES Program and the FHA*Secure* Program. Delinquency intervention counseling agencies discussed financial and credit counseling, as well as scheduled individual appointments with borrowers. Connecticut Fair Housing and the Department of Banking also discussed predatory lending.



## Sub-Prime Mortgage Task Force Activities Update



In addition to the informational seminars, many of the major servicers who made sub-prime loans in Connecticut agreed to have staff available to meet with their sub-prime clients to discuss possible modifications or workout agreements. The following servicers agreed to attend the events and send letters to their borrowers inviting them to the Housing Fairs.

<b>Sub-prime Servicer</b>	<b>Sub-prime Loans in Connecticut</b>	<b>Modifications Completed</b>	<b>Modifications in Process</b>
Countrywide	2,412	191	1,224
Chase	1,767	*	*
EMC Mortgage	1,686	*	*
Indymac Bank	505	12	18
Option One Mortgage	7,260	139	533
Saxon Mortgage	1,609	53	127
Wells Fargo	3,251	194	241
<b>Total</b>	<b>18,490</b>	<b>589</b>	<b>1,663</b>

*\*Updated information was not available at the time the Activities Update was prepared.*

Attendance at the five housing fairs held in March, April and May included over 700 borrowers who were directly impacted by sub-prime lending. CHFA staff have begun planning another series of housing events which will take place in local communities as well as additional urban centers.

CHFA is also working with the City of Hartford to host a Foreclosure Prevention Seminar on June 28, 2008. The City will mail out 5,000 post cards to Hartford homeowners who purchased or refinanced in the last three years.

### *2. Convene A Meeting Of The Leading Mortgage Servicers In Connecticut To Encourage Their Support For And Cooperation In The Modification Of Sub-prime Mortgage Loans For Distressed Borrowers*

The Authority convened meetings of major mortgage servicers in Connecticut on November 29 and 30, 2007 with 10 national mortgage loan servicing firms participating. These firms demonstrated understanding of the problems facing sub-prime borrowers and a commitment to work with their troubled borrowers. Major loan servicers participated in informational housing fairs held by CHFA throughout the State to discuss workouts and modifications, if necessary, with their borrowers. Additionally, many of these lenders sent letters to their sub-prime borrowers urging those experiencing difficulty to attend these fairs to meet with the servicers to determine the options available to them. Borrowers calling CHFA's call center have often been referred to housing counseling agencies or their loan servicer for file review. Many have been successful in reaching agreement on a workout or modification. To date the loan servicers working with CHFA indicate that they have already modified or are working to modify over 2,250 sub-prime mortgage loans. CHAF expects this activity to increase as more adjustable rate loans reach their reset dates.



3. *Expand Housing Counseling In Order To Assist Borrowers In Working With Their Mortgage Loan Servicers*

In November 2007 CHFA approved \$1.0 million in funding to increase the capacity of the State's housing counseling agencies. Nine delinquency intervention counseling agencies responded to CHFA's request for capacity building funding and \$897,000 of funding was granted. CHFA also executed a \$135,000 Memorandum of Understanding with NeighborWorks® America for the HOPE Hotline. There are nine counseling agencies assigned to handle referrals from the HOPE hotline and work with borrowers who attended the CT FAMLIES housing fairs. There are currently 999 families receiving counseling as a result of CHFA's outreach efforts.

4. *Develop And Implement A New State-Sponsored Refinance Mortgage Program*

On December 10, 2007 CHFA initiated the CT FAMLIES program providing \$50 million in first mortgage funding and \$4,000,000 in second mortgage funding to refinance qualified borrowers who used an adjustable rate sub-prime mortgage to purchase their home. CHFA established an outreach effort and call center to publicize the program. From the time the call center was established in November 2007 through May 2008, CHFA has fielded over 5,490 phone calls with responses providing information about the program. To date, 66 CT FAMLIES loans have been reserved totaling \$14.1 million.

The passage of P.A. 08-176 reduced the initial authorization for the CT FAMLIES program to \$40 million. The other \$10 million was transferred to the HERO Program. Please see the *Review of Major Legislation* section for more information.

5. *Provide Additional Home Mortgage Financing Programs Through CHFA To Help Meet The Current Demand For An Alternative To Sub-prime Mortgages*

CHFA continues to review program options to provide additional home mortgage financing programs to meet the current demand for credit resulting from the sub-prime crisis. In conjunction with P.A. 08-176, CHFA is working towards a loan purchase program to acquire Connecticut sub-prime mortgage loans at a discount, reworking the terms and conditions in order to allow current sub-prime borrowers to remain in their homes. Please see the *Review of Major Legislation* section under the HERO Program for more information. Also, CHFA will continue to review possible options to provide additional mortgage financing to low- and moderate-income homebuyers who could have obtained mortgage credit in the past and are reasonable credit risks, but have been shut out of the market recently due to a tightening of qualification standards.



6. *Maintain And Expand The Home Mortgage Lending Programs of CHFA To Assist Low- And Moderate-Income First-Time Homebuyers*

Due to restrictions on the amount of tax-exempt bond issuing capacity available to CHFA in 2008 it is estimated that CHFA will be able to assist about 2,750 low- and moderate-income first-time homebuyers compared to 4,000 in 2007. CHFA is using all possible means to leverage its existing financial capacity to provide additional home mortgage credit and advocate for additional tax-exempt bond resources to be made available under Federal law to enable the Authority to assist its low- and moderate-income constituency, as well as to refinance troubled sub-prime homeowners. The availability of additional tax-exempt bonding capacity and current market conditions for taxable financing are currently limiting the Authority's capacity to provide additional mortgage financing for purchase and refinancing.

7. *Continue and Expand Research on Sub-prime Lending in Connecticut*

CHFA has continued to support research into sub-prime lending and its implications in Connecticut in support of the efforts of the Governor's Sub-prime Mortgage Task Force. This includes periodically updating the analysis provided to the Task Force, such as this report, as well as additional perspectives on the impact of sub-prime lending on Connecticut homeowners and communities.

8. *Continue Program Development Efforts To Assist Borrowers And Communities*

In addition to offering the CT FAMLIES program, expanded counseling and additional mortgage financing programming, CHFA continues to review evolving sub-prime and housing market conditions to identify program improvements and additional programming measures that could mitigate the impact of sub-prime lending.

9. *Enhance Borrower and Homebuyer Education Efforts*

CHFA continues to review its sub-prime program experience to identify opportunities to strengthen its borrower and homebuyer education efforts.



**Recommendations of the Committee on Policy Regulation & Consumer Education:**

*1. Increase Surety Bond Requirements For Mortgage Lenders And Brokers*

Proposed by Governor Rell to increase the bonding requirement for mortgage lenders and brokers from \$40,000 to \$60,000, S.B. 21, An Act Concerning Mortgage Lending, was not reported out of the Banks Committee and, as a result, will not be enacted. P.A.08-176, An Act Concerning Responsible Lending and Economic Security, increases the bonding requirement for mortgage lenders to \$80,000 effective August 1, 2009.

*2. Increase Net Worth Requirements for Mortgage Lenders and Brokers*

P.A.08-176 increases the net worth requirement for correspondent lenders and mortgage brokers from \$25,000 to \$50,000 effective March 2, 2009.

*3. Strengthen State Background Checks For Those Seeking Licenses And Registration As Mortgage Professionals*

The Department of Banking implemented the LexisNexis Accurant Program which provides the capability to conduct limited national criminal background checks on licensees and registrants. Connecticut will participate in the Nationwide Mortgage Licensing System effective July 1, 2008. A formal criminal background process, including FBI fingerprinting, is a planned part of the Nationwide System and is expected to be developed in a few years.

*4. Develop And Implement Training And Education Requirements For Mortgage Professionals*

This was considered, but not passed by the General Assembly.

*5. Issue Mortgage Underwriting Guidelines Through The State Department Of Banking*

P.A.08-176 will require all lenders and correspondent lenders to adopt a policy detailing underwriting practices for non-traditional and sub-prime products. These practices must comply with national guidelines as set forth in Non-Traditional and Sub-prime Lending directives issued by CSBS/AARMR/NACCA. For non-prime loans, the guidelines and P.A.08-176 require underwriting at the fully indexed rate, consideration of taxes and insurance and the escrowing thereof, testing for reasonableness of transactions, providing a tangible net benefit to the borrower and the ability to repay and other verifications of income and assets. Similar provisions apply to mortgage brokers relating to the gathering and processing of information used by lenders in the granting of mortgage loans.

*6. Limit The Use Of "Low Documentation" Or "No Documentation" Mortgage Loans*

P.A.08-176 requires lenders and brokers to take steps to verify the accuracy and completeness of information provided by or on behalf of non-prime borrowers using tax returns, consumer reports, payroll receipts, bank records, reasonable alternative methods or reasonable third party verifications.



7. *Strengthen Mortgage Disclosure Requirements*

P.A.08-176 strengthens mortgage disclosure requirements to fully inform borrowers of the risks that they are taking in incurring mortgage debt, focusing on those terms and conditions that govern rate and payment changes, maximum payments, maximum charges, fees, commissions and costs.

8. *Enact a Connecticut Mortgage Fraud Statute*

S.B. 21, An Act Concerning Mortgage Lending introduced at the request of the Governor would have made mortgage fraud a class D felony, significantly increasing the penalty for fraud perpetrated in obtaining and making mortgage loans. This bill was not reported out of the Banks Committee for consideration by the full General Assembly.

**Review of Major State Legislation:**

**P.A. 08-176, An Act Concerning Responsible Lending and Economic Security**

The General Assembly and Governor Rell were responsive to the needs of Connecticut borrowers who have been impacted by the sub-prime mortgage crisis. To assist borrowers, the Legislature passed, and Governor Rell signed into law, Public Act 08-176, An Act Concerning Responsible Lending and Economic Security. This bill supported CHFA in continuing to offer the CT FAMLIES program, which was created at Governor Rell's direction in response to a recommendation by the Task Force. P.A. 08-176 also established several programs, to be administered by CHFA, which will assist borrowers with sub-prime mortgages. Additionally, the bill provided for a foreclosure mediation process, created a mortgage crisis job training program, established limitations on sub-prime lending origination and amended various state banking laws regarding mortgage originators and brokers and real estate brokers.

**CT FAMLIES Program**

Under the Act, CHFA will continue to implement the CT FAMLIES program using \$40 million of CHFA's initial \$50 million authorization. The other \$10 million will be used for the HERO program. Under the CT FAMLIES program, CHFA will refinance a qualified borrower's sub-prime loan into a 30-year fixed rate CHFA loan. The interest rate is the same as CHFA's Homebuyer Mortgage Program loan. CT FAMLIES loans are FHA-insured in accordance with FHASecure. Second mortgage financing is also available under the CT FAMLIES program.

**Homeowner's Equity Recovery Opportunity Loan Program**

Under the Act, CHFA is to develop and implement a new Homeowner's Equity Recovery Opportunity Loan ("HERO") program by July 1, 2008, in an initial amount of \$30 million. The legislation authorizes CHFA to purchase first or second mortgages on one- to four-family owner-occupied residences directly from the lender and make first mortgages for up to 30 years to eligible borrowers at rates determined by CHFA.



### **Emergency Mortgage Assistance Program**

The Emergency Mortgage Assistance Program (“EMAP”) which CHFA currently administers was modified under the Act and established as a revolving loan fund. Borrowers who experience financial hardship due to circumstances beyond their control are eligible for EMAP. Under the Act, the definition of “hardship” was modified to include a reduction in income caused by a significant increase in first or second mortgage payments on a one- to four-family owner-occupied residence. Previously, lender participation in EMAP was voluntary; under P.A.08-176, participation is mandatory. A judgment of foreclosure may not be entered in any action commenced after July 1, 2008 unless the lender has given notice to the borrower of the right to attempt to resolve the delinquency or default and to apply for a CHFA EMAP loan. Under the Act, emergency mortgage assistance payments will be made for up to five years.

The Act provides \$64 million for EMAP. CHFA will issue taxable bonds and the State will pay the CHFA annual debt service on the bonds, up to \$50 million. The State Banking Fund will provide \$14 million for EMAP.

### **Foreclosed Residential Property Purchase Program**

P.A.08-176 authorizes CHFA to develop and implement a program to purchase foreclosed residential real property to provide affordable and supportive housing. CHFA is to report to the General Assembly Committees on Banks and Planning and Development and to the Select Committee on Housing by January 1, 2009.

### **Mortgage Crisis Job Training Program**

The Act charges the WorkPlace, Inc., in conjunction with other regional workforce development boards and one-stop centers, with establishing a mortgage crisis job training program. Three teams are to be established for different areas of the State. WorkPlace, Inc. will arrange financial literacy and credit counseling for participants in the program with CHFA. Eligible borrowers will be referred by a CHFA lender or need to demonstrate an imminent need to increase earnings to avoid delinquency or foreclosure. CHFA and WorkPlace, Inc. must submit a report on implementation of the program to the Banks and Planning and Development Committees of the General Assembly, as well as to the Select Committee on Housing, by January 1, 2009.

### **Foreclosure Mediation Program**

P.A.08-176 creates a foreclosure mediation program in each judicial district in actions to foreclose mortgages on residential real property, effective July 1, 2008 to July 1, 2010. Lenders must give notice to borrowers of the program with the foreclosure complaint. Borrowers then have 15 days to submit a foreclosure mediation request form. Mediation will be conducted by foreclosure mediators employed by the Judicial Branch who are trained in mediation and have knowledge of community-based resources and mortgage assistance programs, including the CT FAMILIES, HERO and EMAP programs.

### **Banking Modifications**

P.A.08-176 creates a new class of mortgage loans called “nonprime loans” which falls between the “prime” and “high cost” loan categories. Nonprime loans are loans where the difference between the APR for the loan or extension of credit and the yield on the United States Treasury security having a comparable period of maturity is either 3% or more on first mortgages or 5% or more on secondary mortgages. The term “lender” is defined to include banks, credit unions and mortgage companies. P.A.08-176 requires additional disclosure and imposes new standards on mortgage lenders and brokers.



## Sub-Prime Mortgage Task Force Activities Update



P.A.08-176 prohibits lenders from engaging in any misleading, deceptive or untruthful conduct in any transaction, practice or course of business in connection with the making of a nonprime loan and imposes a duty of good faith on mortgage lenders and brokers. The bill prohibits lenders from making nonprime loans unless the lender reasonably believes that the consumer can repay the loan. In determining ability to pay, the lender is required to make a reasonable effort to verify the information submitted by the consumer. If a loan is an ARM, the lender must underwrite the repayment schedule using the fully indexed rate.

P.A.08-176 prohibits lenders from offering nonprime loans or high cost home loans that contain a prepayment penalty. In addition, lenders are prohibited from making and brokers are prohibited from offering a nonprime loan unless it provides the borrower a tangible net benefit. It requires brokers to use reasonable care, skill and to act in good faith and fair dealing, make a reasonable effort to secure a mortgage that is in the best interests of the borrower, ensure that the cost of credit is reasonably appropriate for the borrower and if more than one mortgage is to be made by different lenders, to notify the other lenders of the payment obligations before closing.

The bill gives consumers a private right of action and beginning January 1, 2010, lenders will be required to escrow property taxes and homeowner's insurance for nonprime first mortgage loans except for FHA loans and home equity loans that are marketed as subordinate lien home equity loans. Also, the bill prohibits mortgage brokers, real estate brokers and real estate salespersons from influencing residential real estate appraisals and provides penalties for a violation.

The bill also contains material changes to the existing licensing scheme for mortgage companies and loan originators and moves the effective date for joining the National Mortgage Licensing System to July 1, 2008. P.A.08-176 changes the licensing term from a two year term to an annual renewal beginning on January 1, 2009. Beginning July 1, 2008 first and secondary mortgage activity is combined into one license for Lender, Correspondent Lender and Mortgage Broker licensees and the licensing fees will increase from \$400 to \$800 for lenders, \$200 to \$400 for brokers and \$50 to \$100 for loan originators. Starting on March 1, 2009 the tangible net worth requirement for brokers will increase from \$25,000 to \$50,000. The surety bond for lenders and brokers will be increased from \$40,000 to \$80,000 starting on August 1, 2009.

P.A.08-176 establishes a 13 member Commission on Nontraditional Loans and Home Equity Lines of Credit chaired by the Banking Commissioner to review nontraditional loan and home equity line of credit activity in Connecticut. The committee is required to report its findings and recommendations to the Banks Committee by January 1, 2009.



### Updated Research and Analysis

The Governor's Task Force Final Report contained analysis of sub-prime lending in Connecticut based on data from First American Loan Performance, a leading national provider of sub-prime mortgage data and analysis. CHFA has received new and additional data from First American Loan Performance and updated the analysis presented in the Final Task Force Report.

- Based on updated data, as of December 31, 2007 there were 76,820 active sub-prime loans in Connecticut documented by Loan Performance, compared to about 71,000 loans documented in March of 2007.
  - Between March and December of 2007 additional loans were originated and Loan Performance entered additional data that had not been entered into their system over the past two years.
- The number of sub-prime originations in 2007 has decreased significantly from more than 46,000 in 2005 and more than 40,000 in 2006 to about 9,200 in 2007.
- The majority of homeowners used a sub-prime loan to refinance their home and take-out additional cash, about a third of homeowners used a sub-prime loan to purchase a home and a small percentage used a sub-prime mortgage to refinance their home without getting additional cash
- There were significantly fewer 2-Year Hybrid loans (2/28 adjustable loans) originated in 2007 than there were in 2006
  - 2-Year Hybrid loans continue to become delinquent and go into foreclosure at significantly higher rates than other types of loans
- The majority of interest rate resets from adjustable loans will continue to occur through 2008 and the first half of 2009, with more loans resetting over a longer period than was indicated by the March 2007 data.

A detailed summary of the most recent data on sub-prime activity in Connecticut as well as a detailed description of the Task Force recommendations and their current status follows.

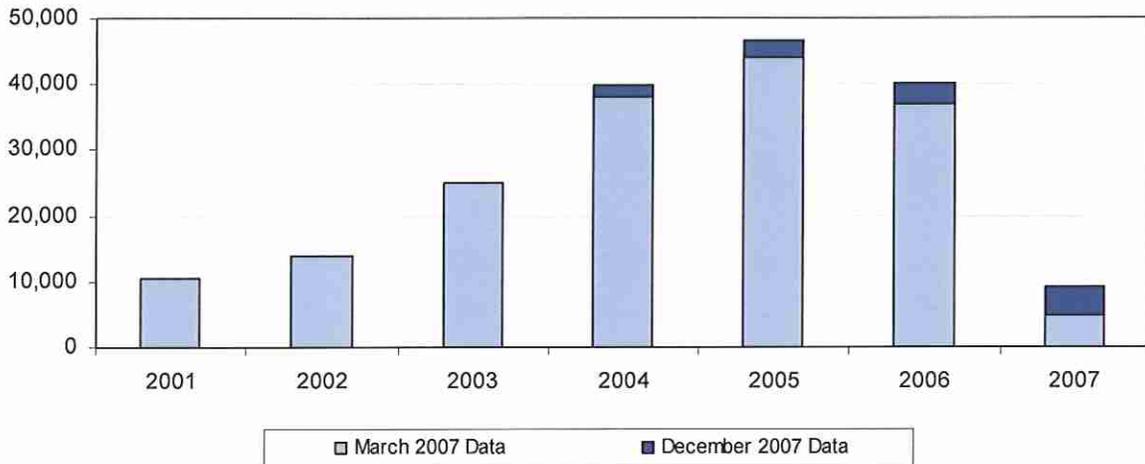
The following analysis updates the major research findings of the Task Force Final Report and provides some additional data on the number of home mortgage foreclosures in Connecticut.



**Number of Sub-Prime Originations:**

Most sub-prime loans were originated during 2004, 2005 and 2006. During 2007, about 9,200 sub-prime loans were originated which is considerably less than the previous year when about 40,000 loans were originated.

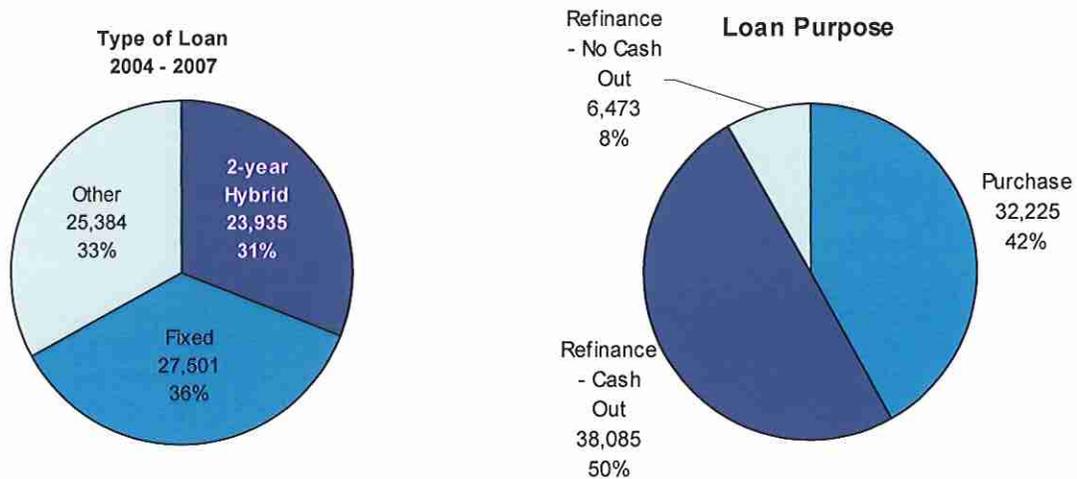
Number of Sub-Prime Loans Originated in Connecticut by Year of Origination



Source: First American Loan Performance, December 2007 and March 2007

**Loan Types and Purposes:**

About a third of the active sub-prime loans in Connecticut are 2-year Hybrids. The majority of people used their sub-prime loan to refinance a home and take cash out for other purposes.



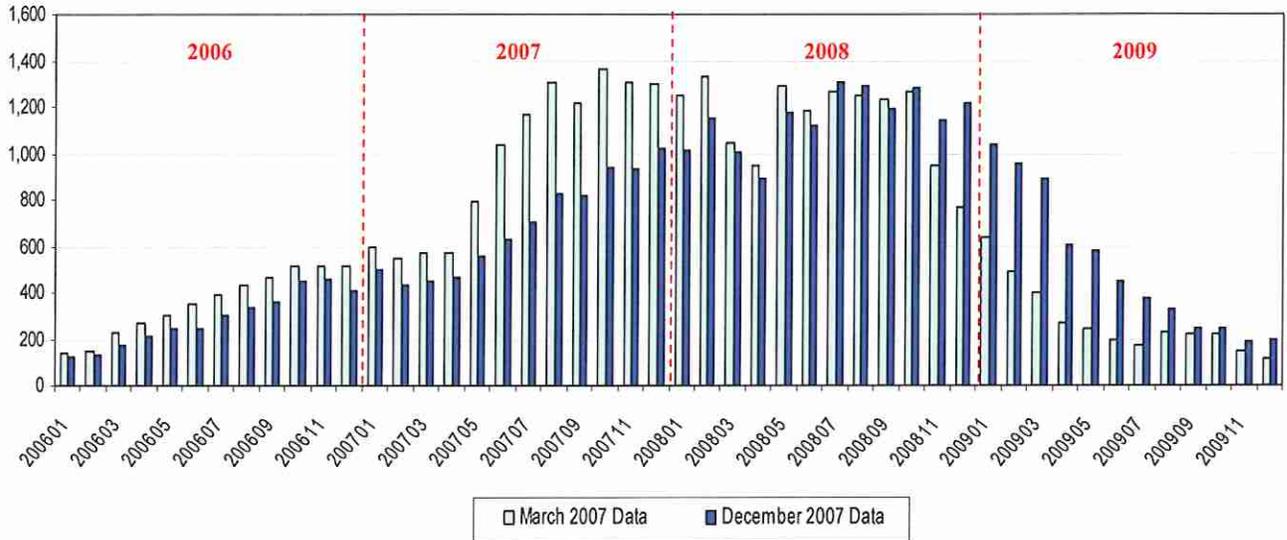
Source: First American Loan Performance, December 2007



**Timing of Resets for Sub-Prime Loans:**

2-year Hybrid loans are loans that have a fixed rate for 2 years and then reset to another rate in their third year. Many of these loans will continue to reset through 2008 and into the first quarter of 2009. Previous data indicated that most of these loans would be resetting through 2008. Updated data indicates that there will be more resets over a longer period of time.

Timing of Interest Rate Resets  
March 2007 Data vs. December 2007 Data

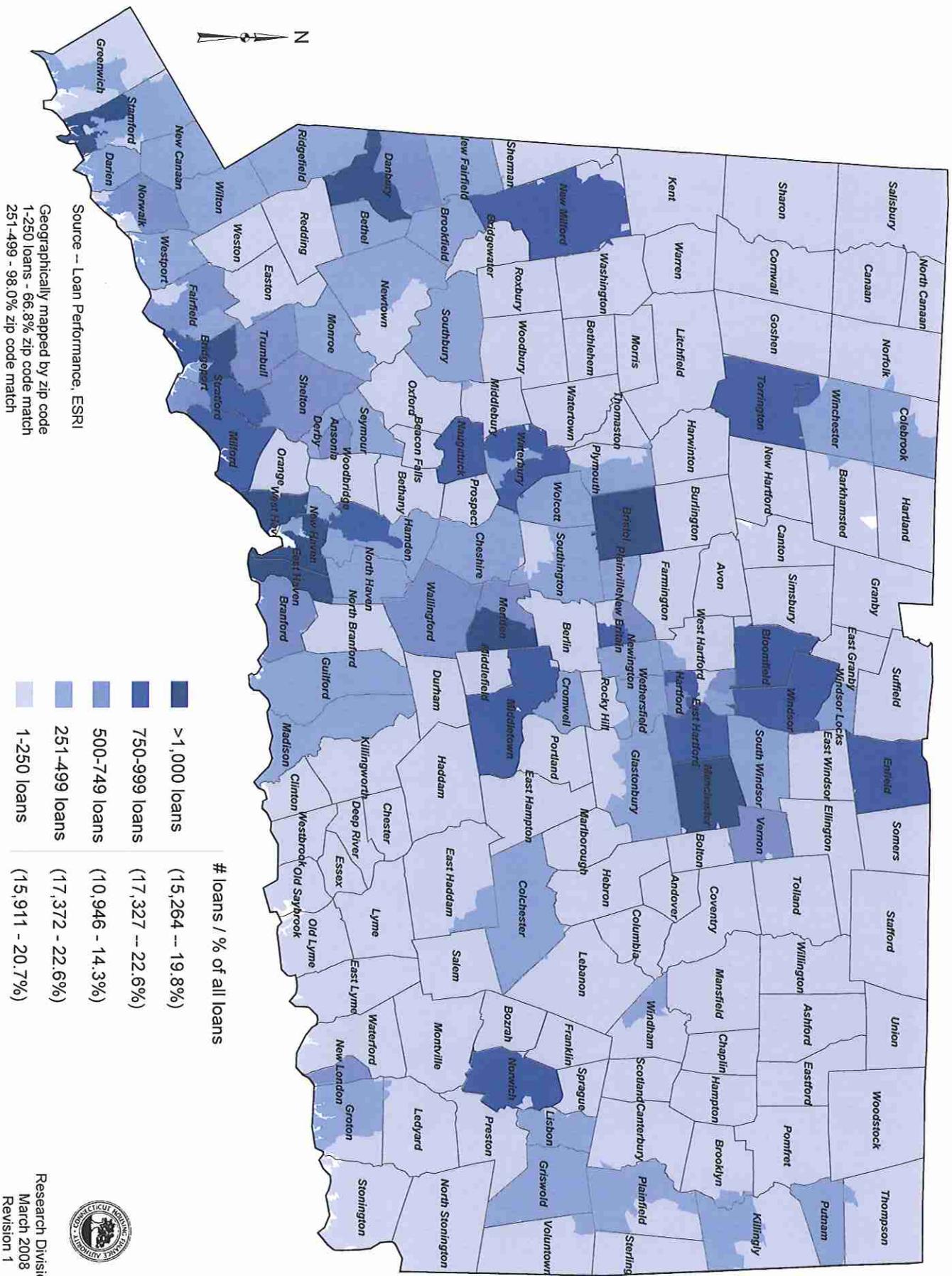


Source: First American Loan Performance, December 2007 and March 2007

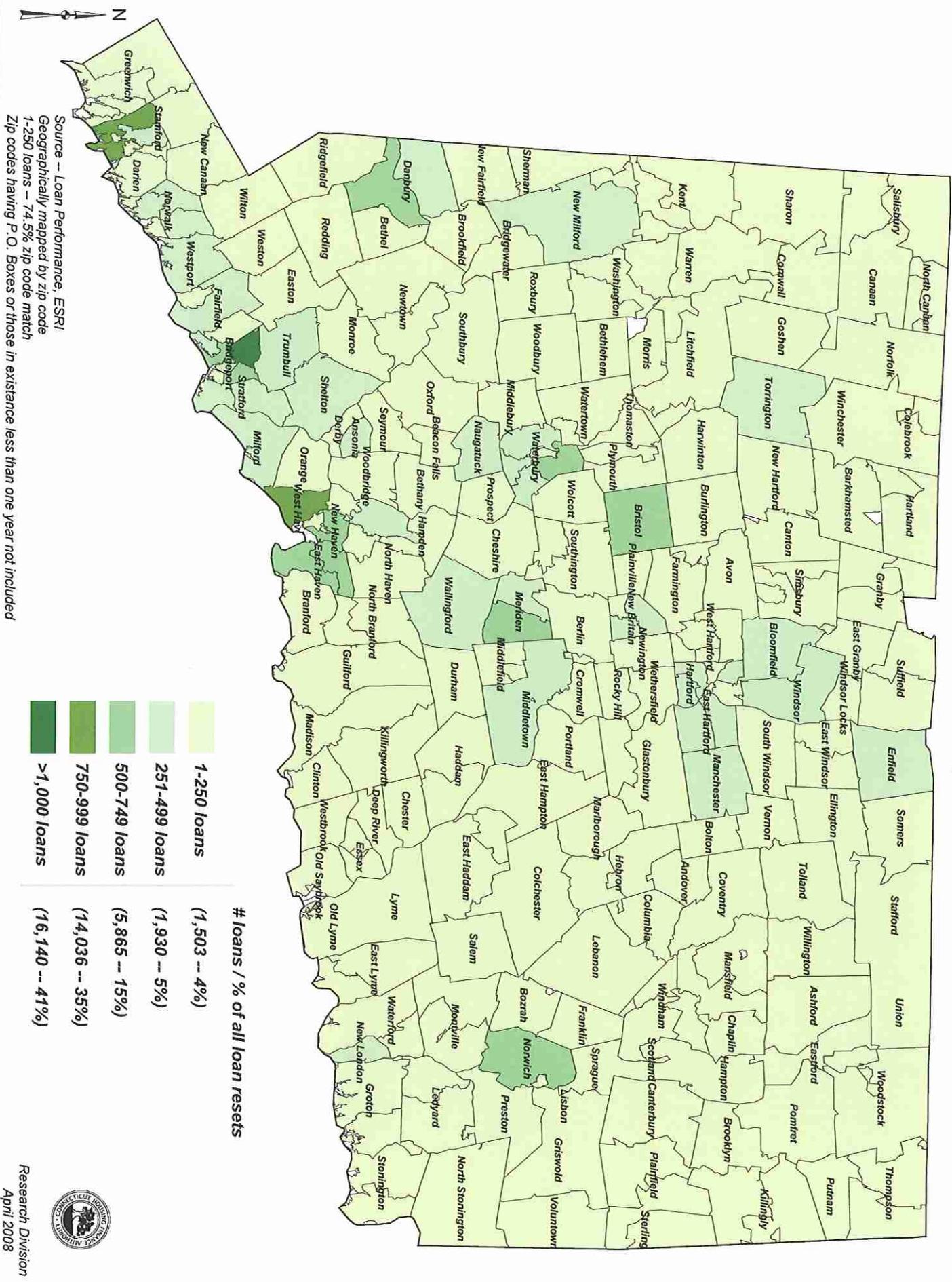
**Geography of Connecticut Sub-Prime Mortgage Lending:**

Maps on the following pages show the December 31, 2007 distribution of sub-prime loans, sub-prime delinquencies and sub-prime adjustable rate resets across Connecticut. Sub-prime loans are found throughout the state with the largest concentrations being in urban areas and in large suburbs that surround major urban areas in Connecticut. Delinquencies are more concentrated in urban areas. There are significant resets pending in area that are currently experiencing higher sub-prime foreclosure activity.

# 76,820 Active Subprime Loans as of 12.31.2007

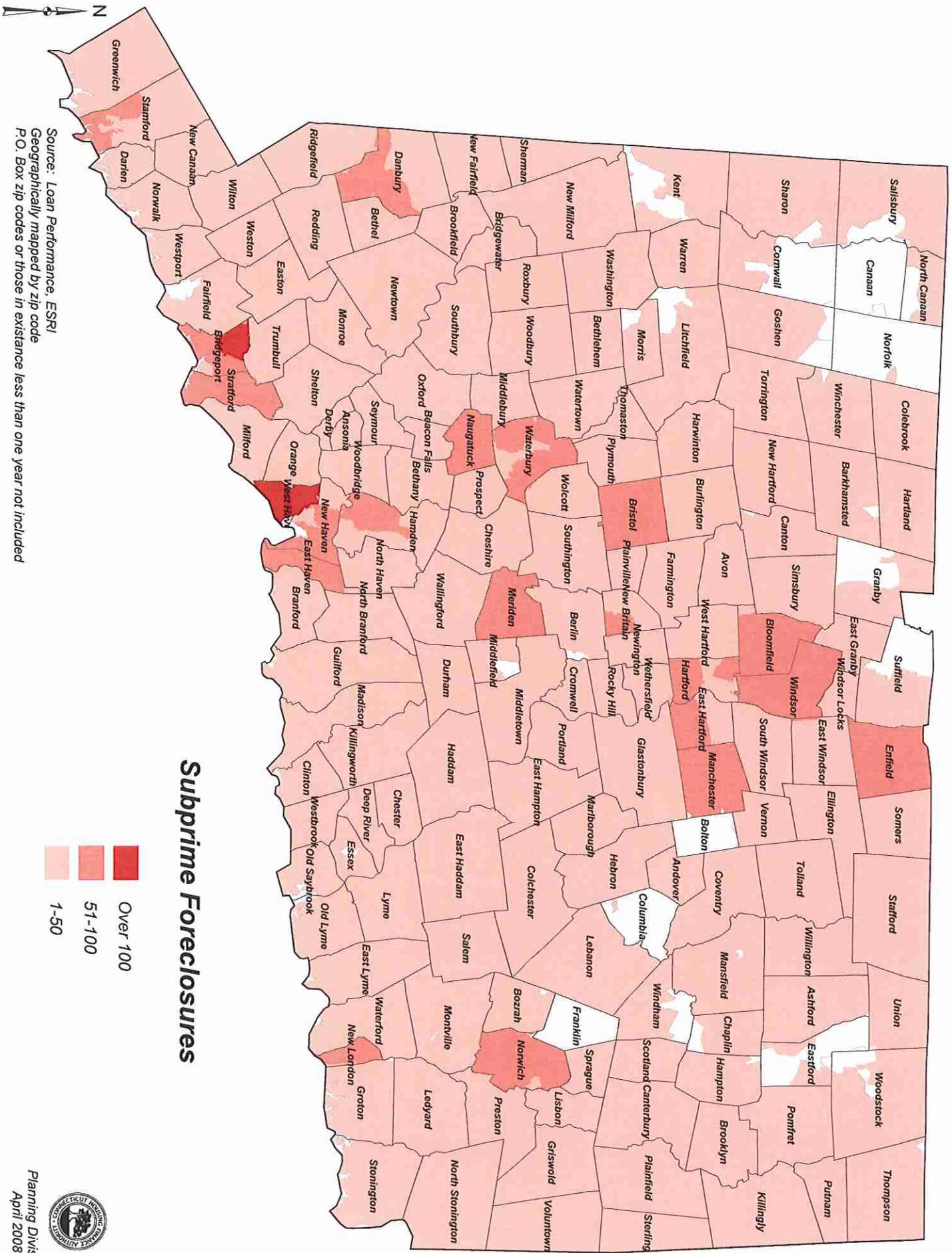


# All Connecticut Subprime Resets



Source – Loan Performance, ESRI  
 Geographically mapped by zip code  
 1-250 loans – 74.5% zip code match  
 Zip codes having P. O. Boxes or those in existence less than one year not included



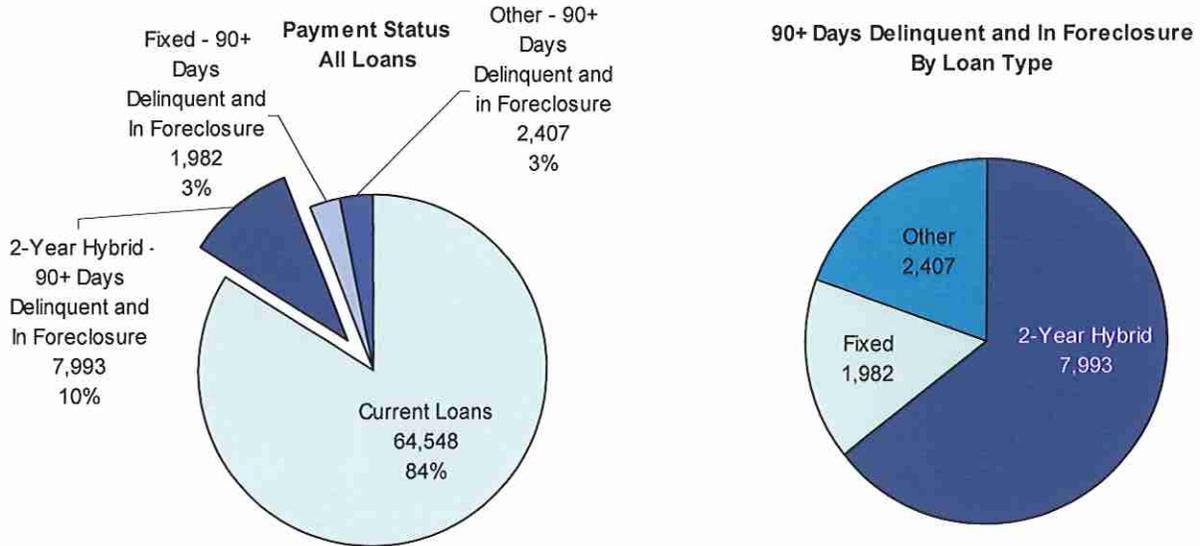


Source: Loan Performance, ESRI  
Geographically mapped by zip code  
P.O. Box zip codes or those in existence less than one year not included



**Sub-Prime Delinquencies and Foreclosures:**

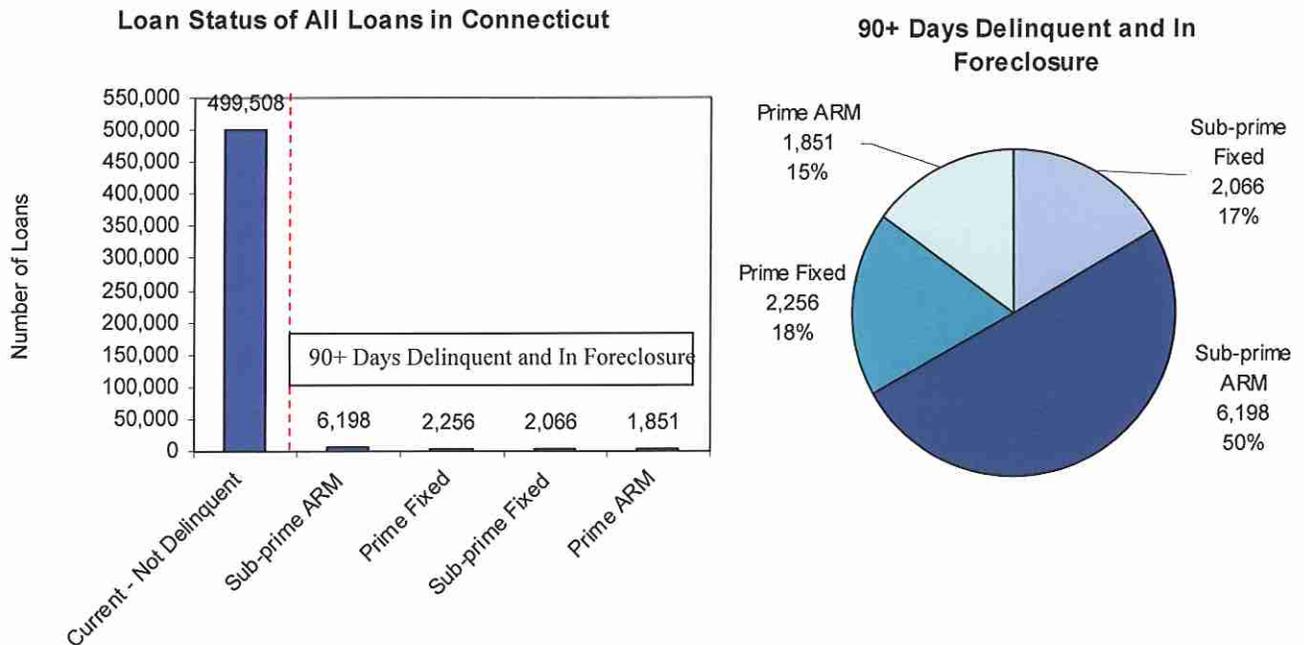
About 15% of all sub-prime loans in Connecticut were seriously delinquent as of December 2007. Though only about 31% of all sub-prime loans are 2-year adjustable loans, these loans represented most of the seriously delinquent subprime loans in Connecticut.



Source: First American Loan Performance, December 2007

**Prime and Sub-Prime Delinquencies and Foreclosures:**

Considering the full range of active loans in Connecticut, including prime and sub-prime loans, delinquencies and foreclosures are a small part of the whole and are concentrated mainly in the adjustable rate sub-prime loans. Though sub-prime adjustable rate mortgages are 6 % of all active loans in Connecticut they represent 45% of all seriously delinquent loans. The table on the following page shows how Connecticut's seriously delinquent loan experience compares with other states.



Source: Mortgage Banker's National Delinquency Survey, 4Q 2007



## Sub-Prime Mortgage Task Force Activities Update



4Q 2006				4Q 2007			
		All Loans				All Loans	
Rank	State	# Loans	% Seriously Delinquent	Rank	State	# Loans	% Seriously Delinquent
	<b>United States</b>	<b>43,481,836</b>	<b>2.21</b>		<b>United States</b>	<b>45,987,858</b>	<b>3.62</b>
1	Mississippi	231,951	5.30	1	Michigan	1,535,931	5.93
2	Ohio	1,434,657	5.12	2	Ohio	1,548,184	5.89
3	Louisiana	434,554	4.98	3	Indiana	880,951	5.57
4	Indiana	798,270	4.70	4	Mississippi	255,726	5.28
5	Michigan	1,517,299	4.17	5	Florida	3,585,614	5.19
6	Kentucky	413,675	3.13	6	Nevada	574,507	5.01
7	Georgia	1,554,568	2.97	7	Louisiana	479,735	4.09
8	Tennessee	808,857	2.92	8	Illinois	1,739,977	3.98
9	Pennsylvania	1,467,455	2.90	9	Georgia	1,690,823	3.97
10	Oklahoma	395,211	2.88	10	Rhode Island	141,797	3.90
11	Texas	2,903,440	2.85	11	Kentucky	446,646	3.86
12	South Carolina	612,660	2.75	12	California	5,956,487	3.83
13	Alabama	558,508	2.63	13	Alabama	616,958	3.73
14	Illinois	1,677,856	2.56	14	Tennessee	876,268	3.54
15	West Virginia	122,382	2.43	15	Maine	144,679	3.50
16	Colorado	990,505	2.41	16	Oklahoma	434,425	3.39
17	Iowa	343,381	2.35	17	Minnesota	925,044	3.39
18	Kansas	319,709	2.31	18	Wisconsin	622,755	3.38
19	North Carolina	1,319,967	2.31	19	Pennsylvania	1,558,949	3.34
20	Missouri	844,864	2.26	20	South Carolina	664,545	3.28
21	Arkansas	285,972	2.20	21	New Hampshire	203,666	3.24
22	Nebraska	205,010	2.19	22	Massachusetts	845,027	3.17
23	Wisconsin	567,488	2.18	23	Texas	3,148,587	3.16
24	Maine	132,716	2.11	24	New Jersey	1,292,704	3.10
25	Minnesota	897,375	1.97	25	Iowa	349,510	3.09
26	New York	2,027,327	1.92	26	Colorado	1,040,260	3.08
27	Rhode Island	135,426	1.82	27	Arizona	1,239,336	3.07
28	Massachusetts	797,615	1.74	28	Missouri	900,184	3.04
29	New Jersey	1,226,097	1.74	29	New York	2,052,243	3.02
30	Delaware	152,843	1.73	30	West Virginia	133,388	3.00
31	Florida	3,342,330	1.55	31	Delaware	178,768	2.95
32	Nevada	527,868	1.52	32	Kansas	340,925	2.84
33	New Mexico	242,963	1.49	33	Arkansas	311,869	2.71
34	Connecticut	525,657	1.47	34	North Carolina	1,414,575	2.62
35	South Dakota	77,974	1.41	35	Nebraska	211,685	2.60
36	New Hampshire	188,313	1.41	36	Maryland	1,082,308	2.54
37	Utah	409,757	1.26	37	Connecticut	545,765	2.53
38	Vermont	60,575	1.21	38	Virginia	1,425,934	2.13
39	Maryland	1,048,196	1.19	39	District of Columbia	94,969	2.07
40	California	5,589,325	1.06	40	Vermont	67,201	2.00
41	District of Columbia	92,270	1.02	41	New Mexico	261,005	1.90
42	North Dakota	51,043	0.97	42	South Dakota	85,487	1.83
43	Idaho	250,574	0.95	43	Hawaii	185,177	1.73
44	Virginia	1,367,043	0.94	44	Idaho	268,029	1.60
45	Washington	1,153,256	0.90	45	Utah	444,645	1.58
46	Montana	128,554	0.88	46	Montana	138,354	1.53
47	Alaska	89,824	0.87	47	Washington	1,212,018	1.39
48	Arizona	1,128,660	0.85	48	North Dakota	65,065	1.37
49	Wyoming	67,189	0.78	49	Wyoming	70,888	1.36
50	Oregon	612,049	0.76	50	Oregon	649,826	1.32
51	Hawaii	171,716	0.66	51	Alaska	93,811	1.21

Source: Mortgage Banker's National Delinquency Survey, 4Q 2007 and 4Q 2006

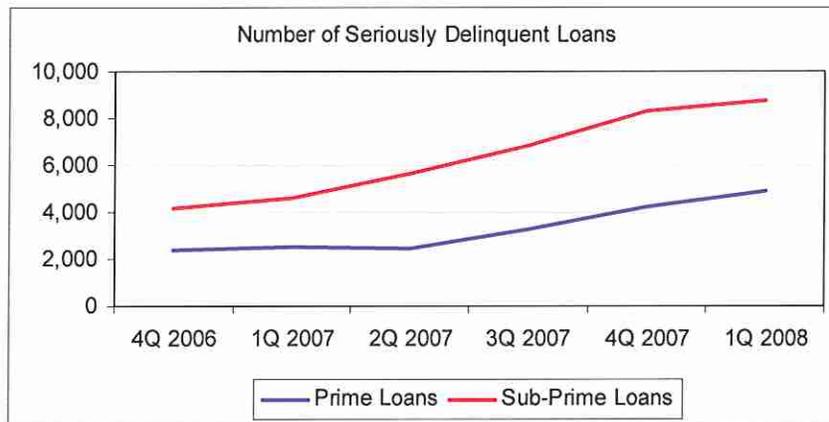


**Connecticut Foreclosure Trends:**

Although foreclosures in Connecticut are at lower levels than in many other states, foreclosures are increasing. According to The Mortgage Banker’s National Delinquency Survey, the total number of foreclosures has almost doubled over the past 18 months.

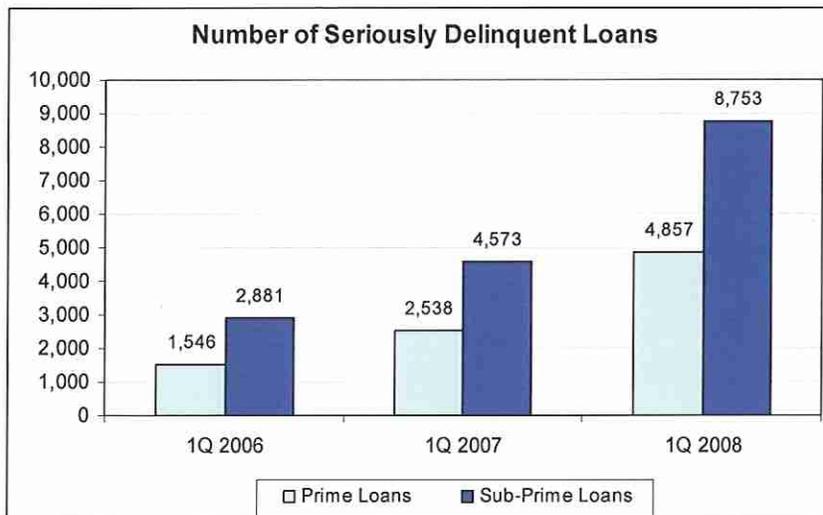
Number of Loans 90+Days Delinquent and In Foreclosure						
	4Q 2006	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008
Prime Loans	2,363	2,538	2,457	3,274	4,205	4,857
Sub-Prime Loans	4,171	4,573	5,616	6,842	8,267	8,753
Total (including FHA and VA Loans)	7,684	8,093	9,107	11,213	13,718	14,931

Source: Mortgage Banker’s National Delinquency Survey



Source: Mortgage Banker’s National Delinquency Survey

When looking at the number of seriously delinquent loans from the same quarter over a three year period, the increase in the number of seriously delinquent loans becomes apparent.



Source: Mortgage Banker’s National Delinquency Survey