

March 25, 2011

To: Members of the Judiciary Committee

Fr: Connecticut Bankers Association

Contacts: Tom Mongellow, Fritz Conway

Re: Senate Bill 1212, An Act Concerning Protections For Renters After The Foreclosure Of A Building In Which They Are Living.

Position: Oppose

The bill's underlying purpose is to protect the multi-family housing stock across the State, and we applaud that goal. However, the method it uses to accomplish that goal – significantly expanding tenant rights – is flawed and may actually accelerate the degradation of multifamily properties, instead of stabilizing and maintaining that housing. The bill inappropriately expands recently enacted tenant rights under State law. For these reasons, we respectfully oppose Senate Bill 1212.

The bill ignores the fact that *not all "bona fide tenants" are tenants in good standing*. Many times, tenants stop paying rent when they find out the property is in foreclosure – *exacerbating the ability of the property owner to maintain their property, or to have any hope of reinstating the mortgage*.

The underlying reason for many multifamily properties falling into disrepair is the fact that *multifamily foreclosures in our State take too long to complete* (one year on average according to the Commercial Record), *and property maintenance may have been ignored for over a year* leading to health or safety code violations - that need to be rectified before the property can be reoccupied. Meaning that, in many cases *new owners may need to rehab the property* to make it compliant with health and safety codes.

The unfortunate result of this bill would be to *force a new owner or foreclosing lender to pay for relocation expenses if they have to rehab a property, because they have to honor a pre-existing lease – potentially for a tenant who is not paying rent or may be contributing to the properties decline*.

What potential buyer of a multifamily property would purchase a property in need of significant repair with the added expense and complexities of the S. B. 1212's provisions?

The *unintended consequences of this bill will be to exacerbate the very problem its trying to solve* - degradation of the of multi-family housing stock throughout the state.

A SOLUTION TO MAINTAINING MULTIFAMILY HOUSING STOCK

We are confident that a significant solution to this issue is to shorten the foreclosure process on multifamily properties by *instituting a Commercial Foreclosure by Power of Sale Statute in Connecticut*.

Many other states have just such a law, which allows lenders to quickly, secure, maintain and resell the property before it falls into disrepair.

We would look forward to working with the committee on this concept and have prepared sample language based on other state laws, should the Committee wish to review it.

Tenants already have expanded protections under the Federal Act (referenced in S.B. 1212) and importantly, existing State law now contains new tenant rights which were recently enacted after considerable negotiations between tenant advocates, the Legislature, lenders and property owners. For example the new State law provides that after a foreclosure is completed, the new owner can offer a tenant a relocation incentive payment of \$2000 or for two months of their existing rent, to assist in moving to another property. Or if it is necessary for the tenant to move out of the property, tenants who have leases now have two months after a foreclosure is completed to relocate. Tenants who have a month-to-month lease have 30 days notice – which is exactly what they agreed to when they originally moved into the property.

For all the above reasons, we urge your opposition to S. B. 1212 and ask for the Committee's consideration of a shortening the foreclosure time frame on multifamily properties.