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## **OLR Bill Analysis**

### **sSB 1212**

#### ***AN ACT CONCERNING PROTECTIONS FOR RENTERS AFTER THE FORECLOSURE OF A BUILDING IN WHICH THEY ARE LIVING.***

#### **SUMMARY:**

This bill allows certain tenants who live in multi-family buildings that have been foreclosed upon to continue to live there unless (1) the foreclosing party has entered into an agreement to sell the building in which the buyer requires the building to be vacant as a condition of sale or (2) there is good cause to evict the tenant (e.g., nonpayment of rent). The bill applies in addition to existing law's protections for tenants of foreclosed properties.

The bill provides that disputes about the rental amount when such a tenant is occupying a property after foreclosure may be resolved by a fair rent commission, where available, or a Superior Court.

The bill specifies that the bill, existing law's protections for tenants of foreclosed properties, and the federal Protecting Tenants at Foreclosure Act (see BACKGROUND) do not limit or supersede a tenant's rights under any law (including existing protections for certain tenants who are at least age 62, blind, or disabled) to continue to occupy a foreclosed property.

It also specifies that it does not prevent a foreclosing party from negotiating an incentive agreement (i.e., "cash for keys") for the tenant to vacate the property (see BACKGROUND), as long as the foreclosing party clearly informs the tenant that, under the bill, the tenant cannot be evicted without cause.

EFFECTIVE DATE: July 1, 2011

## **PROTECTIONS FOR TENANTS OF MULTI-FAMILY BUILDINGS IN FORECLOSURE**

When a mortgage or lien on a multi-family residential property is foreclosed upon, and there is a tenant living there when absolute title vests in the mortgagee, lienholder, or successor in interest (i.e., one who follows another in ownership or control of property), the bill prohibits (1) a foreclosing party from applying to eject the tenant or a court from issuing such an ejection order or (2) bringing any eviction action against the tenant, except for either of the following reasons:

1. good cause (see below), which means they cannot be evicted because their lease expires, or
2. the foreclosing entity has an agreement to sell the premises to a bona fide buyer who makes vacancy a condition of the sale (a "bona fide" buyer is one who (a) is not a parent or subsidiary organization of, or otherwise affiliated with, the foreclosing party and (b) has entered into an agreement to buy the property in an arms-length transaction for a price that is not substantially below fair market value).

Good cause includes (1) nonpayment of rent; (2) refusal to agree to a fair and equitable rent increase; (3) material noncompliance with specified duties the law imposes on tenants, if such noncompliance materially affects (a) other tenants' health and safety or (b) the premises' physical condition; (4) voiding the rental agreement by using the premises for certain illegal activities for which the tenant was convicted; (5) material noncompliance with (a) the rental agreement or (b) the landlord's rules and regulations adopted according to law; (6) the landlord's permanent removal of the dwelling unit from the housing market; or (7) the landlord's bona fide intention to use the unit as his or her principal residence.

These protections apply to "bona fide" tenants, i.e., those that (1) are someone other than the mortgagor (borrower) or property owner and (2) have leased the property in an arms-length transaction.

If the foreclosing party brings an eviction action because he or she

has entered into a sale agreement with a buyer who requires the building to be vacant as a condition of sale, the same time frames apply as in existing law for tenants of foreclosed property. That is, if the tenant entered into a written rental agreement more than 60 days before the start of the foreclosure action, eviction proceedings are prohibited until the lease expires or 60 days after the foreclosing party or successor in interest obtains absolute title, whichever occurs first. For other tenants, eviction proceedings are prohibited for 30 days after the foreclosing party or successor in interest obtains absolute title.

Under existing law, unchanged by the bill, these time frames apply to all bona fide tenants (including tenants of single-family units) after foreclosure, unless there are other specified grounds to evict them, including (1) nonpayment of rent, (2) breach of the lease or rental agreement, (3) nuisance or serious nuisance, (4) breach of statutory duties, (5) occupying the dwelling when they never had a right or privilege to do so, or (6) using the premises for certain illegal activities for which the tenant was convicted (CGS § 47a-20e).

## **BACKGROUND**

### ***Tenants of Foreclosed Homes – “Cash for Keys”***

By law, the minimum incentive that a mortgagee or other successor in interest may offer a tenant to vacate a foreclosed residential property must equal the greater of (1) double the security deposit and interest that would be legally due the tenant upon termination of the tenancy, (2) two months’ rent, or (3) \$2,000 (CGS § 47a-20f).

### ***Federal Protecting Tenants at Foreclosure Act***

The Protecting Tenants at Foreclosure Act (Pub. L. 111-22) (2009) (codified at 12 U.S.C. 5220 note) requires an immediate successor in interest of a foreclosed residential property to provide bona fide tenants with 90 days notice before eviction. The act allows such tenants who entered leases before the notice of foreclosure to occupy the property until the lease term ends, unless the unit is sold to a buyer who will occupy it (in that case, 90 days notice of the eviction is required). The act specifies that it does not affect state or local laws that provide longer time periods or additional protections for tenants. It

has a sunset date of December 31, 2014.

**COMMITTEE ACTION**

Judiciary Committee

Joint Favorable Substitute

Yea 36 Nay 6 (04/15/2011)