



Connecticut Fair Housing Center

TESTIMONY OF ATTY. PAMELA HELLER IN OPPOSITION TO HOUSE BILL 5456: AN ACT CONCERNING DEFICIENCY JUDGMENTS IN TAX LIEN FORECLOSURES

Good Morning, Co-Chairs Cassano and Gentile, and distinguished members of the Committee, thank you for the opportunity to speak today. My name is Pamela Heller, and I'm a foreclosure prevention attorney for the Connecticut Fair Housing Center. I am here today in opposition to House Bill No. 5456: AN ACT CONCERNING DEFICIENCY JUDGMENTS IN TAX LIEN FORECLOSURES. As an attorney who represents and speaks to hundreds of homeowners facing foreclosure, I am concerned about the impact this bill would have on my most vulnerable clients.

The Connecticut Fair Housing Center is the only nonprofit in Connecticut providing representation and advocacy for homeowners facing foreclosure. Through intakes and clinics, we have reached homeowners in 159 towns since 2010, and have spoken with more than 500 people facing foreclosure in 2012 alone. We continue to see a crisis: one in 13 Connecticut homeowners with a mortgage is at least 90 days behind, and we won't see the midpoint of the foreclosure crisis until later this year.

Although the majority of our work involves mortgage foreclosure cases, we speak to many homeowners facing tax lien foreclosure. Inevitably, these callers are some of our state's most vulnerable citizens, including the elderly and those suffering from permanent reductions in income due to long term unemployment or disability. Folks living in the most impoverished areas, places that also typically have high tax burdens, are most likely to face a deficiency judgment under this proposed change to the law.

The current law does not allow deficiency judgments in municipal tax lien foreclosure cases. If any debt is still owed after the foreclosure, the municipality would need to bring a separate action against the former homeowner. We do not know how often these types of actions are brought, but because most municipalities would bring a foreclosure action long before the taxes owed exceed the value of the property, we cannot believe that requiring a separate action for the collection poses a tremendous burden on our towns and cities.

At the same time, we recognize the need for municipalities to maintain their revenue collection, and we do not want them to be burdened by the inability to collect money that is owed to them. Certain changes to this bill could go a long way to protect people who are already burdened by significant financial, as well as physical and emotional, hardships. We would support an exception for owner-occupied homes, as well as a requirement that the right to collect the deficiency judgment not be farmed out to debt-collection firms. Too often, these firms engage in aggressive and often illegal debt collection tactics. Once the debt is sold by the town, there is little that can be done to stop those collectors from acting irresponsibly. I have included sample language below.

Thank you for your time, and. I ask that you oppose House Bill 5456 in its current form. I'm happy to answer any questions you may have.

SAMPLE LANGUAGE

If the proceeds of the sale of real estate, except for a one-to-four family dwelling occupied by the owner or mortgagor of such dwelling, are not sufficient to pay in full the amount secured by any tax lien thereby foreclosed, the court having jurisdiction shall determine the deficiency and thereupon, by motion made within 30 days of the sale, may render judgment for the deficiency against any party liable to pay the same who is party to the action and has been served with process or has appeared therein. All persons liable to pay the debt secured by the lien may be made parties. No municipality bringing such foreclosure action may sell the debt or the right to collect the debt to any third party.