

Legal Assistance Resource Center ❖ of Connecticut, Inc. ❖

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H.B. 5456 -- Deficiency judgments in tax lien foreclosures

Planning and Development Committee public hearing -- March 16, 2012

Testimony of Raphael L. Podolsky

Recommended Committee action: NO ACTION ON THE BILL

This bill would overturn the established rule that a deficiency judgment cannot be obtained as part of a tax lien foreclosure. The practical effect of the bill is to encourage deficiency judgments in such cases and thereby compound the problems faced by homeowners who lose their houses to tax foreclosure. Tax foreclosures are not covered by the Superior Court mediation system (the Foreclosure Mediation Program is available only for mortgage foreclosures, even for owner-occupants of one- to four-family houses). C.G.S. 12-181 is not the only municipal foreclosure statute that precludes obtaining a deficiency judgment as part of the action. The same is true for "summary" foreclosures under C.G.S. 12-182. A deficiency judgment may lead to long-term wage executions or force residents of the municipality into bankruptcy. Moreover, the foreclosure crisis in which we now find ourselves is driven by high unemployment, which makes it difficult for many to meet their mortgage and tax-related obligations; and, even with low interest rates, refinancing to a lower monthly payment is nearly impossible. The foreclosure crisis also reveals the lingering aftereffects of the period of aggressive subprime mortgage lending. The 2012 legislative sessions would seem to be the worst of all times to adopt legislation that would encourage municipalities, after foreclosing on a resident's home, to now also obtain a deficiency judgment and attach the resident's wages.

If this bill moves forward, the Committee should look at ways to limit its harsh impact on homeowners (or, more accurately, former homeowners. For example, any bill should exempt owner-occupants of one- to four-family buildings and should continue to prohibit obtaining a deficiency judgment in a C.G.S. 12-181 action on tax liens that have been sold or assigned to a third party.