

## Testimony in support of HB 6662

### **H.B. 6662 AN ACT CONCERNING THE RECOUPMENT OF MONEYS OWED TO A UNIT OWNERS' ASSOCIATION DUE TO NONPAYMENT OF ASSESSMENTS.**

My name is Daniel Rys. I am a Vice President of Windsor Federal Savings and Loan. I have been in the banking and financial service industry in Connecticut for 39 years. I have been the Senior Loan Officer of two Connecticut Banks responsible for residential, consumer, and commercial lending and all parts of loan servicing including collections and foreclosures.

I support proposed bill HB 6662 however I would like to propose an amendment that calls for the 6 month priority to apply to each foreclosure action.

For the past 10 years I have concentrated my career on providing loans to community associations to help them finance capital improvement projects. The loan helps unit owners pay the assessment over time rather than paying a sometimes large lump sum assessment.

The banks I have worked for providing these loans have relied on the fact the State of Connecticut provides a 6 month priority lien to the community association for past due common fees ahead of a residential first mortgage in each foreclosure action. This system has worked well for many years even though the foreclosure process sometimes lasted longer than six months. This has been the pattern and practice for the residential and commercial lenders in the industry and the banks' lobby has been silent on this issue.

A recent court decision challenged the validity of the 6 month lien priority in every foreclosure action and stated the priority only applies once for the life of the mortgage. The lender can then leave the foreclosure in process for as many years as they would like. The result of this decision puts the burden of maintaining the unit on the remaining unit owners in the community.

Let's suppose I am a unit owner in a community association and I have a mortgage on my unit and then I stop paying my mortgage and common fees. Based on this new decision, my lender can start a foreclosure and pay the 6 months of common fees to the association once. The lender will take the amount of the fees it paid, the past due payments and the costs of legal action and add them to the end of my mortgage. I can then make an arrangement with the lender to leave the foreclosure in place and pay the lender my monthly payments which will be easier to make now that I do not have to pay common fees to the association. The rest of the unit owners will pay to maintain my unit and the lender's collateral. Several years from now when and if I build equity in my unit I can either sell it, the lender will complete their foreclosure, or the association can pay the legal fees to foreclose.

Community associations represent on average one fourth of the households in each Connecticut Town. For example, 35% of the households in Stamford are in community associations. By not amending this bill or approving legislation to make the 6 month lien priority valid for every foreclosure action, the burden of maintaining a lender's collateral will rest on the remaining unit owners in each community.

You have an opportunity here by amending this bill to help one fourth of the households in your districts by relieving them of an unnecessary financial burden that could last for years. Amending this bill will put the system back to the status quo.

Thank you for your time.