

March 8, 2016

**To: Members of the Banking Committee**

**Fr: Connecticut Bankers Association**

**Contacts: Tom Mongellow, Fritz Conway**

**Re: S.B. No. 408, AN ACT CONCERNING THE PROTECTION OF DELINQUENT HOMEOWNERS**

**Position: Support**

This bill would provide residential homeowners who have a foreclosure action filed against them, with a reduction in the interest rate for past due municipal property taxes from 18% down to 12%. This reduction would occur upon the filing of the foreclosure with the courts.

The 18% rate is used on a statewide basis (mandated by statute except for the larger major cities) as an *incentive* to pay delinquent taxes. And, that rate was enacted during a much higher interest rate environment.

When a homeowner is foreclosed upon, they no longer have the ability to pay those taxes - or the extremely high interest on the delinquent amount. At this point, the 18% incentive becomes a long term financial punishment.

That interest rate continues and compounds for the duration of the foreclosure, which in Connecticut can average just under three years. Towards the end of the foreclosure an unsurmountable amount of interest must be paid by the homeowner to make the mortgage current and avoid foreclosure.

In cases where the property is sold by a foreclosure-by-sale, the buyer of the property, who had nothing to do with the delinquent taxes, must under law pay the 18% accrued and compounded interest. In many cases, those taxes are so high that no one will purchase the property, which can result in blighted or abandoned properties.

For these reasons we urge your support of Senate Bill 408.