

**TESTIMONY OF RICHARD E. MELLIN
REGARDING RAISED SENATE BILL No. 409**

**An Act Concerning the Assignment of Certain Liens and Expanding
Homeowner Protections Under the Emergency Mortgage Assistance
Program.”**

I am Richard E. Mellin, Mellin & Associates LLC, a property management firm based in Redding, CT serving the greater Danbury area. My partner and I manage large condominiums with almost one thousand units. We have been managing community association properties for 30 years.

Mellin & Associates LLC is a proud member of the Connecticut Chapter of Community Associations Institute. I serve on the organization’s Legislative Action Committee and in the past chaired the organization’s Managers Council that represents hundreds of licensed community association managers.

I urge this Committee to reject Sections 2 through 9 of Senate Bill 409, “An Act Concerning the Assignment of Certain Liens and Expanding Homeowner Protections Under the Emergency Mortgage Assistance Program.” This bill would require condominiums and other common interest ownership communities to participate in a pre-foreclosure mediation program administered by the Connecticut Housing Finance Authority designed for defaulted mortgages.

Unlike the multi-million dollar financial institutions administering mortgages for profit, which are the primary subjects of CHFA’s existing program, condominium associations are neighborhood organizations run by volunteers who want to help administer and improve their local communities. When a unit owner fails to pay the common charges as required by the community’s declaration, the association must attempt to recover the resulting shortfall in its budget which must otherwise be paid by all of that person’s fellow owners.

The association must respond quickly, both because it is legally obligated to continue funding the maintenance and communal expenses for the delinquent owner’s unit and all of the others, and because the statutory priority of its liens expires after only nine months. If persuasion and demands fail, the association has no choice but to start foreclosure proceedings against the delinquent owner. Even though the unpaid common charge debt is almost always dramatically smaller than a defaulted mortgage, the foreclosure procedure generally involves the same expenses such as title search, court, marshal, attorney, and appraisal fees.

Sections 2 through 9 of Senate Bill 409 would impose additional burdens and costs on community associations for doing so. First, it would require community boards to conduct in-person or telephonic mediations with each delinquent owner to “restructure” the debt in a manner acceptable to CHFA, even though board members are unpaid volunteers who have not been trained to perform such a duty. Second, the bill would prohibit the entry of a foreclosure judgment while the delinquent owner applies for a CHFA loan, increasing the time during which the association’s budget remains underfunded and cutting into its nine-month priority cap.

The association would often be forced to bring a second foreclosure while the first remains pending to preserve its priority lien as to the ensuing nine months of unpaid common charges. Unlike most mortgage holders, associations are not for-profit entities equipped to administer these functions and absorb these costs. Associations would instead need to raise

revenue for them by increasing common charges on the other owners who pay their common charges on time.

Senate Bill 409 would also take the unprecedented step of imposing liability against associations for compensatory and punitive damages plus attorney's fees under the Connecticut Unfair Trade Practices Act for failure to comply with these new mandates, forcing associations to defend lawsuits brought for perceived violations of a law which was designed for, and is currently limited to, the entrepreneurial aspects of business enterprises.

Condominium dues are simply not the same as mortgages. While mortgages involve loans of money by private entities for profit, common charges are what every purchaser of a home in a common interest community agrees to contribute to shared maintenance and expenses.

Common charge collections are regulated by their own set of procedures in the Common Interest Ownership Act which allow associations to collect the funds they need to operate and already provide reasonable protections to delinquent owners. While private lenders are free to negotiate principal, interest, and other loan terms with their customers, community associations are usually obligated by their declarations and bylaws to impose and collect common charges consistently and uniformly, and to do so solely for the benefit of their communities.

Senate Bill 409 would impose unnecessary and extremely costly obstacles to the collection of common charges in condominiums and other common interest communities which are not imposed by other states. I urge you to please reject Senate Bill 409.

If you have any questions, please do not hesitate to contact me. Thank you.

Respectfully Submitted,

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