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Banking Committee, Connecticut General Assembly

Re: Senate Bill 409, "An Act Concerning The Assignment Of Certain Liens And Expanding Homeowner Protections Under The Emergency Mortgage Assistance Program"

This testimony is being submitted in opposition of Senate Bill 40, An Act Concerning The Assignment Of Certain Liens And Expanding Homeowner Protections Under The Emergency Mortgage Assistance Program.

As President of the Connecticut Tax Collectors' Association, Inc, and as tax collector for the City of Danbury, I respectfully request that you reject Senate Bill 409. This bill would prohibit assigning tax liens of \$5,000 or less, require the purchasers of tax liens to "evaluate" a delinquent homeowner's "willingness and ability to repay the debt", and cap the attorney's fees and pre-assignment interest awardable to them. It would also require both assignees and municipalities themselves to participate in a pre-foreclosure mediation program administered by the Connecticut Housing Finance Authority designed for defaulted mortgages.

There are a number of municipalities including cities such as Hartford, Bridgeport, and Danbury that rely on this collection tool as its primary method of recovering delinquent taxes. These assignments are purchased by corporate investors who are bound by contract with the municipality, protecting delinquent taxpayers. These investors are interested in these liens so that they may earn the post-assignment interest. This is both as a profit, and to cover the costs of time and expense in taking over the responsibility of collecting.

The large majority of annual real estate liens on residential properties are below \$5,000. By imposing the \$5,000 minimum, reducing pre-assignment interest, and capping attorney fees, this bill would effectively repeal General Statute Section 12-195h. In

addition, it would remove the key method by which municipalities depend on in order to ensure their budgets are funded.

Senate Bill 409 would also impose excessive burdens and costs on municipalities for undertaking routine tax enforcement. First, it would require municipalities to send every delinquent taxpayer a pre-suit demand by return-receipt mail, which currently costs at least \$6.74, rather than by first-class mail for \$0.49 as is currently required by General Statutes Section 12-155. This is a more than thirteen-fold cost increase for mailings which can easily number in the thousands in larger municipalities every year. Second, it would require municipalities to conduct in-person or telephonic mediations with each taxpayer to “restructure” the debt in a manner acceptable to CHFA, requiring additional staff and wages plus training in this new job duty. Third, it would prohibit the entry of a foreclosure judgment while the delinquent taxpayer applies for a CHFA loan, increasing the time during which the municipality’s budget remains underfunded. All of this would constitute a series of unfunded mandates to municipalities likely to exceed tens or hundreds of thousands of dollars in losses and expenses every year. Unlike most mortgageholders, municipalities are not for-profit entities equipped to administer these functions and absorb these costs. Municipalities would instead need to raise revenue for them by increasing taxes on everyone else who pays their tax bills on time. Senate Bill 409 would also take the unprecedented step of imposing liability against municipalities 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 municipalities 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.

There are a number of state and local relief programs already available for delinquent taxpayers. The elderly, disabled, low-income, veterans, and others with demonstrated need are eligible for several types of tax and foreclosure relief. In 2013, Public Act 13-276 (which was written and supported by the Connecticut Tax Collectors Association) authorized town abatement committees to delay and reduce liability for taxes and/or interest in cases of individual need, and also incentivized mortgageholders to redeem properties slated for tax sale on behalf of delinquent homeowners. Unlike private mortgagees, municipalities and officials are also constrained by constitutional due process requirements which provide enhanced protections to delinquent taxpayers during every stage of tax assessment and collection.

Simply put, taxes are not the same as mortgages. While mortgages involve consensual loans of money by private entities for profit, taxes are mandatory contributions to governmental administration overseen by public officials who have no personal profit

incentive for abuse. Tax collections are regulated by their own strict set of procedural laws which allow local governments to collect the funds they need to operate and already provide reasonable protections to taxpayers. While private lenders are free to negotiate principal, interest, and other loan terms with their customers, municipalities are legally obligated to impose and collect taxes consistently and uniformly, and to do so solely for the benefit of their communities.

Senate Bill 409 would impose unnecessary and extremely undesirable changes to the tax collection laws which would detrimentally impact Connecticut's municipalities and the ability of their personnel to effectively perform their duties. I urge you to please reject Senate Bill 409.