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## **OLR Bill Analysis**

### **HB 5163**

#### ***AN ACT CONCERNING DEFICIENCY JUDGMENTS AND RESIDENTIAL PROPERTIES WITH A CONCRETE FOUNDATION AFFECTED BY PYRRHOTITE.***

#### **SUMMARY**

This bill prohibits a court from granting a deficiency judgement as a part of a mortgage foreclosure proceeding on a residential mortgage loan originated on or after October 1, 2019, where the mortgaged property has a concrete foundation that has deteriorated due to pyrrhotite. (A deficiency judgement is a court order against a debtor for the unpaid balance of the debt if the foreclosure sale does not provide the full amount of the debt owed.)

The bill also prohibits:

1. mortgage lenders, correspondent lenders, or servicers from reporting to a credit rating agency or otherwise publicly disclosing that a residential mortgage loan entered on or after October 1, 2019, is subject to a deficiency judgement where the mortgaged property has a deteriorated concrete foundation due to pyrrhotite; and
2. mortgage lenders or correspondent lenders from denying a residential mortgage loan application on the sole basis that the applicant was previously involved in certain actions involving residential real estate with a concrete foundation that deteriorated due to pyrrhotite.

The bill also makes several technical changes.

EFFECTIVE DATE: October 1, 2019

#### **LOAN APPLICATIONS**

Under the bill, a mortgage lender or correspondent lender may not deny a residential mortgage loan application on the sole basis that (1) the applicant previously defaulted on a residential mortgage loan secured by residential property, conveyed residential real estate by a deed in lieu of foreclosure or by short sale, or had a final judgement of foreclosure entered against him or her, and (2) the residential property involved in the default, conveyance, or foreclosure had a deteriorated concrete foundation due to pyrrhotite. The bill subjects violators to a civil penalty of up to \$10,000 per violation.

## **BACKGROUND**

### ***Pyrrhotite***

Pyrrhotite is a naturally occurring iron sulfide mineral. An investigation by the state consumer protection department and the Attorney General's office found that there is a crumbling foundation problem in northeastern Connecticut that stems from the presence of pyrrhotite in the stone aggregate used to produce concrete poured for certain foundations in parts of the state, beginning in the early 1980s.

## **COMMITTEE ACTION**

Banking Committee

Joint Favorable

Yea 15    Nay 0    (03/12/2019)