



House of Representatives

General Assembly

File No. 47

January Session, 2021

Substitute House Bill No. 5090

House of Representatives, March 16, 2021

The Committee on Banking reported through REP. DOUCETTE of the 13th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING MORTGAGE FORBEARANCE AND CRUMBLING CONCRETE FOUNDATIONS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2021*) (a) As used in this section:

2 (1) "Captive insurance company" means the captive insurance
3 company established pursuant to section 38a-91vv of the general
4 statutes;

5 (2) "Connecticut bank" and "Connecticut credit union" have the same
6 meanings as provided in section 36a-2 of the general statutes;

7 (3) "Dwelling" has the same meaning as provided in section 36a-485
8 of the general statutes;

9 (4) "Forbearance" means the temporary suspension of periodic
10 payments called for by a residential mortgage loan, including, but not
11 limited to, interest, installments of principal, taxes and assessments,
12 mortgage insurance premiums and hazard insurance premiums;

13 (5) "Mortgagor" means any person to whom a residential mortgage
14 loan has been issued and who resides in the dwelling upon which such
15 residential mortgage loan is subject;

16 (6) "Participation agreement" means an agreement by the captive
17 insurance company to pay for a portion of the cost to repair or replace a
18 concrete foundation that has deteriorated due to the presence of
19 pyrrhotite; and

20 (7) "Residential mortgage loan" has the same meaning as provided in
21 section 36a-485 of the general statutes.

22 (b) Each residential mortgage loan issued by a Connecticut bank or
23 Connecticut credit union on or after October 1, 2021, shall include a
24 provision requiring the bank or credit union to grant a request by the
25 mortgagor for forbearance, provided the mortgagor (1) has a
26 participation agreement with the captive insurance company relating to
27 the mortgagor's dwelling, and (2) is required to vacate the dwelling
28 while the dwelling's concrete foundation is repaired or replaced. Such
29 forbearance shall commence on the date the mortgagor vacates the
30 dwelling and shall end on the date the building inspector of the
31 municipality in which the dwelling is located issues a certificate of
32 completion or a certificate of occupancy for the completion of such
33 repairs or replacement, or one hundred twenty days after the date the
34 forbearance commenced, whichever is earlier.

35 (c) Nothing in this section shall be construed as limiting any financial
36 institution from providing forbearance to any mortgagor in the state
37 who has been issued a residential mortgage loan prior to October 1,
38 2021, and whose dwelling requires repairs because it contains a concrete
39 foundation that has deteriorated in whole or in part due to the presence
40 of pyrrhotite.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2021	New section

Statement of Legislative Commissioners:

In Subsecs. (a)(4) and (c), "mortgage" was changed to "residential mortgage loan" for consistency.

BA *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

The bill does not result in a fiscal impact to the State or municipalities as it concerns interactions between private entities and individuals. The bill requires Connecticut banks and credit unions to include a provision in residential mortgages that they will grant a request for forbearance (for up to 180 days) for the time a mortgagor must vacate their residence as a result of foundation remediation through the Connecticut Foundation Solutions Indemnity Company, Inc.

The Out Years

State Impact: None

Municipal Impact: None

OLR Bill Analysis**sHB 5090*****AN ACT CONCERNING MORTGAGE FORBEARANCE AND CRUMBLING CONCRETE FOUNDATIONS.*****SUMMARY**

This bill requires new residential mortgages issued by Connecticut banks and credit unions to grant forbearance (i.e., a temporary suspension of payments) for up to 120 days to borrowers who request it if they must leave their home while the home's pyrrhotite-damaged (i.e., crumbling) concrete foundation is being repaired or replaced.

The bill applies to residential mortgage loans issued on or after October 1, 2021, that are (1) primarily for personal, family, or household use and (2) secured by a mortgage, deed of trust, or other equivalent consensual security interest on a dwelling (e.g., condominium or cooperative unit or a one-to-four family house).

To be eligible for forbearance, a borrower must have a Connecticut Foundation Solutions Indemnity Company (CFSIC) participation agreement and be required to vacate the dwelling while the foundation is repaired or replaced. CFSIC is the captive insurer established to assist homeowners with crumbling concrete foundations. A "participation agreement" is an agreement from CFSIC stating it will pay part of the foundation's repair or replacement cost.

Under the bill, forbearance begins when the borrower vacates the dwelling and ends 120 days later or when the municipality's building inspector issues a certificate of completion or occupancy, whichever occurs first.

The bill does not limit any financial institution from providing mortgage forbearance to a Connecticut borrower with a crumbling

concrete foundation whose mortgage was issued before October 1, 2021.

EFFECTIVE DATE: October 1, 2021

COMMITTEE ACTION

Banking Committee

Joint Favorable Substitute

Yea 18 Nay 0 (02/23/2021)