

Banking Committee JOINT FAVORABLE REPORT

Bill No.: HB-5090

AN ACT CONCERNING MORTGAGE FORBEARANCE AND CRUMBLING

Title: CONCRETE FOUNDATIONS.

Vote Date: 2/23/2021

Vote Action: Joint Favorable Substitute

PH Date: 2/18/2021

File No.: 47

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SPONSORS OF BILL:

Banking Committee
Rep. Tom Delnicki

REASONS FOR BILL:

In the ongoing crumbling foundations saga, it became necessary to require new residential mortgages - issued by Connecticut banks and credit unions - to grant forbearance 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. 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. It is designed to coincide with other similar programs. (passed on Consent)

RESPONSE FROM ADMINISTRATION/AGENCY:

None Expressed

NATURE AND SOURCES OF SUPPORT:

Several residents/homeowners who own homes with crumbling foundations testified or submitted testimony in support of this bill. They all stated that the ability to get forbearance for the time that they must move out of the home and pay for another place to live would be an amazing help during this difficult time.

Lisa A. Burns
Alyson Dettore – Vernon
Diane and Paul Glohosky – Vernon
Diane Lux – Vernon
Debra MacCoy – Vernon
Rahael and Maria Paxi – South Windsor
Mary Gretchen Shea – Vernon
Don Waterfield – Tolland

Jeff Gentes – CT Fair Housing Center – in support of the bill but urges us to consider including the New Jersey model which includes all banks (not just CT Banks and Credit Unions) He testified that to date NJ's law has not faced any legal challenge. This model would provide help to homeowners now, rather than future homeowners and would treat all mortgage lenders equally.

Sarah Poriss, Esq. – Attorney who works exclusively with clients who are in foreclosure. In support of the bill "Since homeowners with a crumbling foundation and mortgage have already lost all of their equity, a four-month forbearance will allow the homeowner to save those payments so at least they recoup some benefit of their bargain under their mortgage loan contract.

NATURE AND SOURCES OF OPPOSITION:

Tom Mongello, Art Corey – CT Bankers Association – Made 3 points: 1. This bill would only apply to CT chartered banks which would create an uneven playing field. 2. The programs being administered by CFSIC and CHFA are doing a good job at relieving much of the economic hardship experience by many homeowners impacted 3. "We believe CT banks should be able to work with borrowers to decide the best approach to resolving issues a borrower may be having making payments. A mandate like the one proposed by this bill may encourage borrowers to choose forbearance even though deferring payment may not be financially appropriate for their individual situation."

Ralph H. Tulis, P.E.- Structures Consulting – He is opposed in the current form. He isn't a financial advisor so doesn't know the mortgage aspect of this, but as an engineer whose primary focus has been this issue since 2010, he believes there is an issue with some of the language. Specifically, the references to the Chief Building Inspector.

"However, the only situation where the 'chief building inspector' (hereinafter Building Official) will document that a dwelling's foundation REQUIRES repair would be when it is readily apparent that life safety is involved. I have examined well over 600 foundations since 2015 and can count on one hand the number where there MIGHT be a safety concern. In those few cases a sudden, life threatening collapse is simply not going to occur, barring an extreme external event such as a tornado or earthquake. A Building Official is NOT going to document that repairs are required simply because some distress is apparent that may be attributable to the presence of pyrrhotite. Based upon CFSIC's requirement, that determination is made by a licensed professional engineer OR a CFSIC-trained home inspector. Further, if it is the Building Official's documentation that triggers forbearance, what good is that if no claim has been filed and approved by CFSIC? I would suggest that the Committee seek some input from the State Building Official before finalizing this language. I feel that sentence (2) should

be eliminated from this bill, and that forbearance should be applicable ONLY after CFSIC has accepted and approved a claim AND when the first payment is due to the approved contractor."

Reported by: Dawn Marzik

Date: 3/24/2021