

Judiciary Committee JOINT FAVORABLE REPORT

Bill No.: HB-6466

AN ACT CONCERNING PROPERTY THAT IS EXEMPT FROM A JUDGMENT

Title: CREDITOR.

Vote Date: 4/5/2021

Vote Action: Joint Favorable

PH Date: 3/3/2021

File No.: 574

***Disclaimer:** The following JOINT FAVORABLE Report is prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose.*

SPONSORS OF BILL:

The Judiciary Committee

REASONS FOR BILL:

Currently the value of personal and real property that is exempt from creditors in a bankruptcy proceeding is lower than that of many other states, and most of the surrounding states. This difference may cause residents to leave the state if they need to file for bankruptcy or lose their primary residency. The proposed legislation is an effort to increase the value of certain personal and real property that shall be exempt from a judgment creditor during bankruptcy as well as the cash surrender value of a life insurance policy.

RESPONSE FROM ADMINISTRATION/AGENCY:

None stated.

NATURE AND SOURCES OF SUPPORT:

Action Advocacy, P.C., Attorney, David F. Falvey, Esquire; supports this bill stating that the current homestead exemptions and other exemptions have forced Connecticut residents to leave the state. It is stated that residents move to other states who have more favorable bankruptcy laws in order to protect their homes and assets.

National Association of Consumer Advocates, Co-Chair and Attorney, Lorraine Martinez Bellamy; supports this bill stating that the homestead exemption and auto exemption are out of date and both received a "D" rating from the National Consumer Law Center. It is also stated that the current homestead and auto exemptions put families at risk of losing their primary residence and car during the bankruptcy process and increasing the values of these

exemptions would be a benefit to the states' residents during a difficult time – and more closely align these exemptions to those in other states.

National Association of Insurance and Financial Advisors (NAIFA) – Connecticut; supports this bill stating that currently all of Connecticut's neighboring states protect 100% cash value of whole life insurance policies whereas Connecticut only protects \$4,000 which is a disadvantage to residents going through the process. It is stated that if the creditor can pursue the cash value of the life insured policy, the policy may ultimately collapse and may cause additional issues for the insured. It is also stated that the cash value of a life insurance policy should be protected like the assets of a 401K or IRA.

Connecticut Legal Services, Attorney and Policy Advocate, Raphael L. Podolsky; supports this bill stating that currently 21 states have a higher homestead exemption and 37 states have a higher motor vehicle exemption during the bankruptcy policy. It is also noted that the National Consumer Loan Center gives Connecticut a "D" rating and that the current homestead exemption is less than 50% of the state's median home prices.

Susan M. Williams, LLC., Attorney, Susan M. Williams; supports this bill stating that the last homestead exemption increase was 28 years ago. It is also stated that valuations of homes have increased since 1993 and the homestead should be increased to reflect that increase as well.

Ledyard, Connecticut Resident, Johnny Armaos; supports this bill stating that Connecticut's homestead exemption is \$75,000 whereas Rhode Island and Massachusetts have a \$500,000 homestead exemption. It is also stated that adequate protection should be given to residents.

Duggan Bertsch Attorneys and Councilors at Law; supports this bill by providing a state by state analysis that is used by residents in bankruptcy proceedings.

NATURE AND SOURCES OF OPPOSITION:

None stated.

Reported by: Richard O'Neil, Assistant Clerk

Date: April 13, 2021