AN ACT CONCERNING DEFICIENCY JUDGMENTS AND CRUMBLING FOUNDATIONS.

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

That section 49-14 of the general statutes be amended to provide that (1) no deficiency judgment may be sought or enforced against any one or more individual mortgagors, mortgage borrowers or guarantors, where the deficiency arises from an impairment to the fair market value of real estate due to the presence of a failed or failing residential foundation associated with the presence of pyrrhotite, provided the mortgage lender is named an insured or additional insured party under a homeowner's insurance policy; (2) in the case of any strict foreclosure, judicial foreclosure, deed-in-lieu of foreclosure or other compromise on a mortgage obligation where subdivision (1) of this section would apply, no mortgage lender may report to any credit reporting agency or otherwise publicly disclose such foreclosure or compromise as being subject to deficiency and shall report any mortgage default as arising from a casualty and subject to pending insured recovery; and (3) no mortgage lender shall deny the extension of mortgage credit on a first mortgage loan with respect to a primary
Proposed Bill No. 5163

LCO No. 420

residence based in whole or in part on any mortgage default, foreclosure, deed-in-lieu of foreclosure or other mortgage compromise described in subdivision (2) of this section and any such lender having improperly denied credit shall be penalized up to ten thousand dollars per violation by the Department of Banking.

Statement of Purpose:

To protect mortgagors harmed by crumbling foundations.