

# Connecticut (CT) Foreclosure Laws

When you develop a definite plan of action with well-timed, well-informed steps, you can stop the foreclosure process and save your home. We have outlined the foreclosure process for the state of Connecticut.

**Judicial foreclosure available:**yes

**Non-judicial foreclosure available:**yes

## Preferred Method

Judicial foreclosure. Connecticut allows foreclosure by two strange judicial methods, strict foreclosure and decree of sale.

## Strict Foreclosure

Connecticut is one of the few states that still uses strict foreclosure. In strict foreclosure, there is not foreclosure sale at all, not even at the courthouse steps. The lender must go to court and obtain a court order showing the borrower to be in default under the terms of the mortgage. At that point, title shifts to the lender. However, the borrower has a length of time set by the court to redeem the property. If the borrower fails to come up with the money during that time, then the borrower is forever barred from asserting a claim to the property and title becomes absolute in the lender. From that date, the lender has one month to record a certificate of foreclosure describing the premises, the mortgage, the foreclosure proceedings, and the date title became absolute. If the lender demands possession in the foreclosure suit, the court may issue an execution of ejectment against the person in possession of the property. Possession may also be obtained by peaceable entry, unless the mortgage says otherwise. The disadvantage to the borrower is that the lender obtains title to land that might be worth much more than what was owed on the original loan. This is fort of windfall profit for the lender.

## Decree of Sale

Upon motion by any party, a court may allow a mortgage to be foreclosed by a decree of sale. In a decree of sale, the court will appoint a committee to sell the property. The court also sets the time and manner of the sale. The court further appoints three appraisers. The borrower may stop the proceedings at any time by paying the balance due on the loan. If not, the committee will make the sale. Afterwards, the sale will be ratified by the court which executes a deed to the purchaser. The grantee in the deed may obtain possession of the property by court order. A supplemental judgment can direct the distribution of the proceeds of the sale. The lender

need only bring those proceeds to court which exceed the balance due on the loan, which included interests and costs.

### **Special Protections for Unemployed Borrowers**

If a residential borrower has lived in the home as a principal residence for at least two years, and the borrower (1) has not had a foreclosure action commenced against him or her in the past seven years, and (2) is unemployed or underemployed as defined by law, then the borrower can claim protection from foreclosure under Connecticut statutes. Borrowers are underemployed or unemployed under Connecticut law if the aggregate earned income of all the homeowners of the real property during the year preceding the foreclosure was under \$50,000 and less than 75 percent of the average aggregate annual income during the two years prior to one year before foreclosure.

### **Eligibility**

A court may decide that borrowers are eligible for special protection after considering two criteria: (1) the likelihood the borrower will be able to make timely payments on a restructured mortgage by the time a restructuring period ends and the likelihood of a substantial prejudice to a lender or a subordinate lien holder due to the restructuring of the mortgage debt.

### **Protection from Foreclosure**

Under Connecticut law borrowers can get two forms of protection: foreclosure is stopped during the restructuring period. Which may last up to six months, and borrowers can obtain court ordered restructuring of their mortgage so as to eliminate overdue payments.

### **Restructuring the Loan**

The ceiling for restructured debt is either (1) the amount of the original debt or (2) 90 percent of the fair market value of the property as determined by an appraiser at the time of the restructure. No additional debt may be restructured. Missed payments can be added to the balance of the loan in a Connecticut restructure. However, the borrower must pay interest on the amount in arrears that is added to the loan. Interest accrues on any sums added to the old mortgage debt at the end of the restructuring period, which may be fixed or variable, depending on the original note. A composite rate must be used on fixed rate loans so that the restructured debt must pay current interest rates which the main part of the loan continues at its original rate. Such composite rates are not necessary for variable interest rate loans.

## **Deficiency Judgment**

The strict foreclosure proceeding does not include an action against the borrower for payment, but the lender can sue the borrower directly. In an independent action brought prior to or during the strict foreclosure proceeding. Once the borrowers time limit to pay the balance due on the loan expires, the lender obtains title to the property. If the property is worth more than the balance owed on the loan, the lender cannot sue for a deficiency. Please note, the lender receives all the equity in the property without paying anything in this situation. In proceedings to foreclosure by sale rather than by strict foreclosure, additional proceedings to collect a debt from the borrower are stayed during the suit seeking a sale. If the proceeds of the sale exceed the appraised value of the property , but are not enough to pay the lenders past due loan balance, then a deficiency judgment may be rendered against the borrower. If at the court-ordered sale, the property is sold for less than the appraised value, then no other proceedings to collect the debt from the borrower may be undertaken until one-half the difference between the debt and the appraised value is subtracted from what the borrower owes the lender.

## **Redemption**

Redemption is determined by the court in strict foreclosure. Redemption by a junior lien holder is subject to any prior liens.