

## General Assembly

## Substitute Bill No. 201

February Session, 2024



## AN ACT CONCERNING THE ATTORNEY GENERAL'S RECOMMENDATIONS REGARDING PRICE DISCLOSURE, SERVICE AGREEMENTS, THE NEW HOME CONSTRUCTION GUARANTY FUND AND THE CONNECTICUT UNFAIR TRADE PRACTICES ACT.

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

- 1 Section 1. (NEW) (Effective October 1, 2024) (a) For the purposes of this
- 2 section, "person" means an individual, corporation, limited liability
- 3 company, trust, partnership, incorporated or unincorporated
- 4 association or other legal entity doing business in this state.
- 5 (b) No person shall advertise, display or offer any price in trade or
- 6 commerce in this state unless such price clearly and conspicuously
- 7 discloses the total price, which total price shall include all mandatory
- 8 fees and charges other than any applicable tax imposed by a
- 9 government entity.
- 10 (c) A violation of subsection (b) of this section shall be deemed an
- 11 unfair or deceptive trade practice under subsection (a) of section 42-110b
- of the general statutes.
- Sec. 2. (NEW) (Effective July 1, 2024) For the purposes of this section
- and sections 3 to 7, inclusive, of this act:
- 15 (1) "Person" has the same meaning as provided in section 20-329a of

- 16 the general statutes;
- 17 (2) "Record" means to present any instrument to a town clerk for 18 placement in the land records pursuant to section 7-24 of the general 19 statutes:
- 20 (3) "Residential real property" means one-family to four-family residential real estate located in this state;
- 22 (4) "Service agreement" means any contract under which a service 23 provider agrees to provide any service to any person in this state in 24 connection with any maintenance, purchase or sale of residential real 25 property;
- 26 (5) "Service provider" means any person that provides, or agrees to 27 provide, any service to any other person in this state in connection with 28 any maintenance, purchase or sale of residential real property; and
  - (6) "Unfair service agreement" means any service agreement that (A) is entered into on or after July 1, 2024, (B) does not require the service provider that is a party to such agreement to perform any part of any service pursuant to such agreement within the one-year period immediately following the date on which the parties to such agreement entered into such agreement, and (C) (i) purports to run with the land or bind future owners of interests in the residential real property that is the subject of such agreement, (ii) allows for any assignment of any right to provide any service under such agreement without first providing notice to, and obtaining consent from, the owner of the residential real property that is the subject of such agreement, or (iii) purports to create any lien or encumbrance upon, or other security interest in, the residential real property that is the subject of such agreement.
- Sec. 3. (NEW) (*Effective July 1, 2024*) (a) No service provider shall enter into any unfair service agreement with any person who holds any interest in residential real property.
- 45 (b) No unfair service agreement shall be enforceable.

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- (c) A violation of subsection (a) of this section shall be deemed an unfair or deceptive trade practice under subsection (a) of section 42-110b of the general statutes.
- Sec. 4. (NEW) (*Effective July 1, 2024*) No person shall record, or cause to be recorded, any unfair service agreement or any notice or memorandum thereof. If any such agreement, notice or memorandum is recorded, such agreement, notice or memorandum shall not be deemed to provide actual or constructive notice to an otherwise bona fide purchaser or creditor of the residential real property that is the subject of such agreement. Notwithstanding the provisions of section 7-24 of the general statutes, a town clerk may refuse to receive any unfair service agreement, or any notice or memorandum thereof, for recording.
- Sec. 5. (NEW) (Effective July 1, 2024) (a) If any unfair service agreement, or any notice or memorandum thereof, is recorded, any person with an interest in the residential real property that is the subject of such agreement or the Attorney General may apply to the Superior Court for an order declaring such agreement to be unenforceable. Upon presentment of such order to the town clerk of the town in which such agreement, notice or memorandum is recorded, the recording of such agreement, notice or memorandum shall be discharged.
  - (b) If any unfair service agreement, or any notice or memorandum thereof, is recorded, any person with an interest in the residential real property that is the subject of such agreement may recover such actual damages, costs and attorney's fees as may be proven against the service provider that recorded such agreement or caused such agreement to be recorded.
  - Sec. 6. (NEW) (*Effective July 1, 2024*) (a) Not later than July 31, 2024, each service provider that entered into a service agreement on or before June 30, 2024, shall record a notice of such service agreement with the town clerk of the town in which the residential real property that is the subject of such service agreement is located.

- (b) Each notice recorded pursuant to subsection (a) of this section shall include (1) the title "Notice of Service Agreement" printed in not less than fourteen-point bold type, (2) a legal description of the residential real property that is the subject of the service agreement, (3) the amount of the fee specified in the service agreement or the method by which such fee shall be calculated, (4) the date or circumstances under which the obligation set forth in the service agreement shall expire, (5) the name, address and telephone number of the service provider, and (6) if the service provider is (A) an individual, the notarized signature of the individual, or (B) an entity, the notarized signature of an authorized officer or employee of the entity.
- (c) If a service provider fails to record the notice required under subsections (a) and (b) of this section on or before July 31, 2024, the service agreement shall be void and unenforceable and any interest in the residential real property that is the subject of such service agreement may be conveyed free and clear of such service agreement.
- 93 Sec. 7. (NEW) (*Effective July 1, 2024*) No provision of sections 3 to 6, inclusive, of this act shall be construed to:
  - (1) Apply to any (A) home warranty or similar product that covers the cost of maintaining any major home system, including, but not limited to, the cost of any electrical, plumbing or heating, ventilation and air conditioning work, for a fixed period, (B) insurance contract, (C) option or right of first refusal to purchase residential real property, (D) declaration, as defined in section 47-202 of the general statutes, (E) maintenance or repair agreement entered into by an association, as defined in section 47-202 of the general statutes, (F) mortgage loan or any commitment to make or receive any such loan, (G) security agreement (i) relating to any sale or rental of any personal property or fixture, and (ii) governed by the Uniform Commercial Code, or (H) cable, electrical, sewer, telephone, water or other regulated utility service provider; or
    - (2) Impair the rights granted by any mechanic's lien placed upon any

- residential real property pursuant to chapter 847 of the general statutes.
- Sec. 8. Section 20-417a of the general statutes is repealed and the
- 111 following is substituted in lieu thereof (*Effective from passage*):
- As used in this section and sections 20-417b to 20-417j, inclusive:
- 113 (1) "Certificate" means a certificate of registration issued under section 20-417b;
- 115 (2) "Commissioner" means the Commissioner of Consumer
- 116 Protection or any person designated by the commissioner to administer
- and enforce this section and sections 20-417b to 20-417j, inclusive;
- 118 (3) "Completion" means the stage of construction of a new home in
- 119 which the new home construction contractor is in receipt of the
- 120 certificate of occupancy for such new home issued by the municipality
- in which such new home is constructed;
- 122 (4) "Consumer" means the buyer or prospective buyer, or the buyer's
- or prospective buyer's heirs or designated representatives, of any new
- home or the owner of property on which a new home is being or will be
- 125 constructed regardless of whether such owner obtains a building permit
- as the owner of the premises affected pursuant to section 29-263;
- [(3)] (5) "Contract" means any agreement between a new home
- 128 construction contractor and a consumer for the construction or sale of a
- new home or any portion of a new home prior to occupancy;
- [(4)] (6) "Engage in the business" means that the person engages in
- the business for the purpose of compensation or profit;
- 132 (7) "New home" means any newly constructed (A) single-family
- dwelling unit, (B) dwelling consisting of not more than two units, or (C)
- unit, common element or limited common element in a condominium,
- as defined in section 47-68a, or in a common interest community, as
- defined in section 47-202;

- [(5)] (8) "New home construction contractor" means any person who contracts with a consumer to construct or sell a new home or any portion of a new home prior to occupancy;
- [(6) "New home" means any newly constructed (A) single-family dwelling unit, (B) dwelling consisting of not more than two units, or (C) unit, common element or limited common element in a condominium, as defined in section 47-68a, or in a common interest community, as defined in section 47-202;]
- [(7)] (9) "Person" means one or more individuals, partnerships, associations, corporations, limited liability companies, business trusts, legal representatives or any organized group of persons; and
  - [(8) "Consumer" means the buyer or prospective buyer, or the buyer's or prospective buyer's heirs or designated representatives, of any new home or the owner of property on which a new home is being or will be constructed regardless of whether such owner obtains a building permit as the owner of the premises affected pursuant to section 29-263; and
    - (9) "Completion" means the stage of construction of a new home in which the new home construction contractor is in receipt of the certificate of occupancy for such new home issued by the municipality in which such new home is constructed.]
  - (10) "Proprietor" means an individual who (A) has an ownership interest in a business entity that holds or has held a certificate issued under section 20-417b, and (B) has been found by a court of competent jurisdiction to have violated any provision of this chapter related to the conduct of a business entity holding a certificate or that has held a certificate issued under section 20-417b within the two years of the effective date of entering into a contract with a consumer harmed by the actions of such business entity or the owner of such business entity.
  - Sec. 9. Section 20-417i of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

- (a) The commissioner shall establish and maintain the New HomeConstruction Guaranty Fund.
- (b) Each person who receives a certificate pursuant to sections 20-417a to 20-417j, inclusive, as amended by this act, shall pay a fee of two hundred forty dollars annually to the New Home Construction Guaranty Fund. Such fees shall be payable with the fee for an application for a certificate or renewal of a certificate.
  - (c) (1) For fiscal years commencing on or after July 1, 2003, payments received under subsection (b) of this section shall be credited to the New Home Construction Guaranty Fund until the balance in the fund equals seven hundred fifty thousand dollars. Annually, if the balance in the fund exceeds seven hundred fifty thousand dollars, the first three hundred thousand dollars of the excess shall be deposited in the consumer protection enforcement account established in section 21a-8a. On June 1, 2004, and each June first thereafter, if the balance in the fund exceeds seven hundred fifty thousand dollars, the excess shall be deposited in the General Fund.
    - (2) Any money in the New Home Construction Guaranty Fund may be invested or reinvested in the same manner as funds of the state employees retirement system and the interest arising from such investments shall be credited to the fund.
    - (d) Whenever a consumer obtains a binding arbitration decision, a court judgment, order or decree against or regarding any new home construction contractor holding a certificate or who has held a certificate under sections 20-417a to 20-417j, inclusive, as amended by this act, or against a proprietor, within two years of the date [of entering] such contractor entered into the contract with the consumer, for loss or damages sustained by reason of any violation of the provisions of sections 20-417a to 20-417j, inclusive, as amended by this act, by a person holding a certificate under said sections, such consumer may, upon the final determination of, or expiration of time for taking, an appeal in connection with any such decision, judgment, order or decree, apply to

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the commissioner for an order directing payment out of the New Home Construction Guaranty Fund of the amount, not exceeding thirty thousand dollars, unpaid upon the decision, judgment, order or decree for actual damages and costs taxed by the court against such contractor or proprietor, exclusive of punitive damages. The application shall be made on forms provided by the commissioner and shall be accompanied by a copy of the decision, court judgment, order or decree obtained against the new home construction contractor or proprietor together with a statement signed and sworn to by the consumer, affirming that the consumer has: (1) Complied with all the requirements of this subsection; (2) obtained a decision, judgment, order or decree stating the amount of the decision, judgment, order or decree and the amount owing on the decision, judgment, order or decree at the date of application; and (3) made a good faith effort to satisfy any such decision, judgment, order or decree in accordance with the provisions of chapter 906, which effort may include causing to be issued a writ of execution upon such decision, judgment, order or decree, [but] provided the officer executing the same has made a return showing that no bank accounts or personal property of such contractor liable to be levied upon in satisfaction of the decision, judgment, order or decree could be found, or that the amount realized on the sale of them or of such of them as were found, under the execution, was insufficient to satisfy the actual damage portion of the decision, judgment, order or decree or stating the amount realized and the balance remaining due on the decision, judgment, order or decree after application on the decision, judgment, order or decree of the amount realized, except that the requirements of this subdivision shall not apply to a judgment, order or decree obtained by the consumer in small claims court. A true and attested copy of such executing officer's return, when required, shall be attached to such application. Whenever the consumer satisfies the commissioner or the commissioner's designee that it is not practicable to comply with the requirements of subdivision (3) of this subsection and that the consumer has taken all reasonable steps to collect the amount of the decision, judgment, order or decree or the unsatisfied part of the decision, judgment, order or decree and has been unable to collect the same, the

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commissioner or the commissioner's designee may, in the commissioner's or the commissioner's designee's discretion, dispense with the necessity for complying with such requirement. No application for an order directing payment out of the fund shall be made later than two years from the final determination of, or expiration of time for taking, an appeal of such decision, court judgment, order or decree and no such application shall be for an amount in excess of thirty thousand dollars.

- (e) Upon receipt of such application together with such copy of the decision, court judgment, order or decree, statement and, except as otherwise provided in subsection (d) of this section, true and attested copy of the executing officer's return, the commissioner or the commissioner's designee shall inspect such documents for their veracity and upon a determination that such documents are complete and authentic and that the consumer has not been paid, the commissioner shall order payment out of the New Home Construction Guaranty Fund of the amount not exceeding thirty thousand dollars unpaid upon the decision, judgment, order or decree for actual damages and costs taxed by the court against the contractor <u>or proprietor</u>, exclusive of punitive damages.
- (f) [Beginning] (1) During the period beginning on October 1, 2000, and ending on the date immediately preceding the effective date of this section, whenever a consumer is awarded an order of restitution against any new home construction contractor for loss or damages sustained as a result of any violation of the provisions of sections 20-417a to 20-417j, inclusive, as amended by this act, by a person holding a certificate or who has held a certificate under said sections within two years of the date of entering into the contract with the consumer, in [(1)] (A) a proceeding brought by the commissioner pursuant to subsection [(h)] (i) of this section or subsection (d) of section 42-110d, [(2)] (B) a proceeding brought by the Attorney General pursuant to subsection (a) of section 42-110m, as amended by this act, or subsection (d) of section 42-110d, or [(3)] (C) a criminal proceeding pursuant to section 20-417e, such

consumer may, upon the final determination of, or expiration of time for taking, an appeal in connection with any such order of restitution, apply to the commissioner for an order directing payment out of the New Home Construction Guaranty Fund of the amount not exceeding thirty thousand dollars unpaid upon the order of restitution. The commissioner may issue such order upon a determination that the consumer has not been paid.

- (2) Beginning on the effective date of this section, whenever a consumer is awarded an order of restitution against any new home construction contractor or proprietor for loss or damages sustained as a result of any violation of the provisions of sections 20-417a to 20-417j, inclusive, as amended by this act, by a person holding a certificate or who has held a certificate under said sections within two years of the date such contractor entered into the contract with the consumer, in (A) a proceeding brought by the commissioner pursuant to subsection (i) of this section or subsection (d) of section 42-110d, (B) a proceeding brought by the Attorney General pursuant to subsection (a) of section 42-110m, as amended by this act, or subsection (d) of section 42-110d, or (C) a criminal proceeding pursuant to section 20-417e, such consumer may, upon the final determination of, or expiration of time for taking, an appeal in connection with any such order of restitution, apply to the commissioner for an order directing payment out of the New Home Construction Guaranty Fund of the amount not exceeding thirty thousand dollars unpaid upon the order of restitution. The commissioner may issue such order upon a determination that the consumer has not been paid.
- (g) Whenever the commissioner orders payment to a consumer out of the New Home Construction Guaranty Fund based upon a decision, judgment, order or decree of restitution, the contractor and proprietor shall be liable for the resulting debt to the New Home Construction Guaranty Fund.
- [(g)] (h) Before the commissioner may issue any order directing payment out of the New Home Construction Guaranty Fund to a

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consumer pursuant to subsection (e) or (f) of this section, the commissioner shall first notify the new home construction contractor of the consumer's application for an order directing payment out of the fund and of the new home construction contractor's right to a hearing to contest the disbursement in the event that such contractor or proprietor has already paid the consumer. Such notice shall be given to the new home construction contractor not later than fifteen days after receipt by the commissioner of the consumer's application for an order directing payment out of the fund. If the new home construction contractor requests a hearing, in writing, by certified mail not later than fifteen days after receiving the notice from the commissioner, the commissioner shall grant such request and shall conduct a hearing in accordance with the provisions of chapter 54. If the commissioner does not receive a written request for a hearing by certified mail from the new home construction contractor on or before the fifteenth day from the contractor's receipt of such notice, the commissioner shall conclude that the consumer has not been paid, and the commissioner shall issue an order directing payment out of the fund for the amount not exceeding thirty thousand dollars unpaid upon the judgment, order or decree for actual damages and costs taxed by the court against the new home construction contractor or proprietor, exclusive of punitive damages, or for the amount not exceeding thirty thousand dollars unpaid upon the order of restitution.

[(h)] (i) The commissioner or the commissioner's designee may proceed against any new home construction contractor holding a certificate or who has held a certificate under sections 20-417a to 20-417j, inclusive, as amended by this act, within two years of the effective date of entering into the contract with the consumer, for an order of restitution arising from loss or damages sustained by any consumer as a result of any violation of the provisions of said sections 20-417a to 20-417j, inclusive, by the contractor or proprietor. Any such proceeding shall be held in accordance with the provisions of chapter 54. In the course of such proceeding, the commissioner or the commissioner's designee shall decide whether to (1) exercise the powers specified in

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section 20-417c, (2) order restitution arising from loss or damages sustained by any consumer as a result of any violation of the provisions of sections 20-417a to 20-417j, inclusive, as amended by this act, and (3) order payment out of the New Home Construction Guaranty Fund. Notwithstanding the provisions of chapter 54, the decision of the commissioner or the commissioner's designee shall be final with respect to any proceeding to order payment out of the fund and the commissioner and the commissioner's designee shall not be subject to the requirements of chapter 54 as such requirements relate to an appeal from any such decision. The commissioner or the commissioner's designee may hear complaints of all consumers submitting claims against a single new home construction contractor in one proceeding.

- [(i)] (j) No application for an order directing payment out of the New Home Construction Guaranty Fund shall be made later than two years from the final determination of, or expiration of time for, an appeal in connection with any judgment, order or decree of restitution, and no such application shall be for an amount in excess of thirty thousand dollars.
- [(j)] (k) In order to preserve the integrity of the New Home Construction Guaranty Fund, the commissioner, in the commissioner's sole discretion, may order payment out of the fund of an amount less than the actual loss or damages incurred by the consumer or less than the order of restitution awarded by the commissioner or the Superior Court. In no event shall any payment out of the fund be in excess of thirty thousand dollars for any single claim by a consumer.
- [(k)] (1) If the money deposited in the New Home Construction Guaranty Fund is insufficient to satisfy any duly authorized claim or portion of a claim, the commissioner shall, when sufficient money has been deposited in the fund, satisfy such unpaid claims or portions of claims not exceeding thirty thousand dollars, in the order that such claims or portions of claims were originally determined.
- [(l)] (m) Whenever the commissioner has caused any sum to be paid

from the New Home Construction Guaranty Fund to a consumer, the commissioner shall be subrogated to all of the rights of the consumer up to the amount paid plus reasonable interest, and prior to receipt of any payment from the fund, the consumer shall assign all of the consumer's right, title and interest in the claim up to such amount to the commissioner, and any amount and interest recovered by the commissioner on the claim shall be deposited in the fund.

[(m)] (n) If the commissioner orders the payment of any amount as a result of a guaranty fund claim against a new home construction contractor or proprietor, the commissioner shall determine if such contractor is possessed of assets liable to be sold or applied in satisfaction of the claim on the New Home Construction Guaranty Fund. If the commissioner discovers any such assets, the commissioner may request that the Attorney General take any action necessary for the reimbursement of the fund.

[(n)] (o) If the commissioner orders the payment of an amount as a result of a guaranty fund claim against a new home construction contractor, the commissioner may, after notice and hearing in accordance with the provisions of chapter 54, revoke the certificate of such contractor and such contractor shall not be eligible to receive a new or renewed certificate until such contractor has repaid such amount in full, plus interest from the time such payment is made from the New Home Construction Guaranty Fund, at a rate to be in accordance with section 37-3b, except that the commissioner may, in the commissioner's sole discretion, permit a new home construction contractor to receive a new or renewed certificate after such contractor has entered into an agreement with the commissioner whereby such contractor agrees to repay the fund in full in the form of periodic payments over a set period of time. Any such agreement shall include a provision providing for the summary suspension of any and all certificates held by the new home construction contractor if payment is not made in accordance with the terms of the agreement.

Sec. 10. Section 42-110j of the general statutes is repealed and the

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following is substituted in lieu thereof (*Effective from passage*):

In the administration of this chapter, the commissioner may accept an assurance of voluntary compliance with respect to any method, act or practice deemed in violation of this chapter from any person alleged to be engaged or to have been engaged in such method, act or practice. Such assurance may include an amount as restitution to aggrieved persons and for investigative costs. No such assurance of voluntary compliance shall be considered an admission of violation for any purpose. Matters thus closed may at any time be reopened by the commissioner for further proceedings in the public interest. In the event of any violation of the terms of an assurance of voluntary compliance accepted under this section, the commissioner may proceed as provided in sections 42-110d and 42-110e or may request that the Attorney General apply in the name of the state to the Superior Court for relief from such violation consistent with section 42-110m, as amended by this act.

- Sec. 11. Subsection (a) of section 42-110m of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):
  - (a) Whenever the commissioner has reason to believe that any person has been engaged or is engaged in an alleged violation of any provision of this chapter said commissioner may proceed as provided in sections 42-110d and 42-110e or may request the Attorney General to apply in the name of the state of Connecticut to the Superior Court for an order temporarily or permanently restraining and enjoining the continuance of such act or acts or for an order directing restitution and the appointment of a receiver in appropriate instances, or both. Proof of public interest or public injury shall not be required in any action brought pursuant to section 42-110d, section 42-110e or this section. Such action may include an application to enforce any term of an assurance of voluntary compliance accepted under section 42-110j, as amended by this act. The court may award the relief applied for or so much as it may deem proper including reasonable attorney's fees,

accounting and such other relief as may be granted in equity. In such action the commissioner shall be responsible for all necessary investigative support.

Sec. 12. Subsection (b) of section 42-1100 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(b) In any action brought under section 42-110m, as amended by this act, if the court finds that a person is wilfully using or has wilfully used a method, act or practice prohibited by section 42-110b, the Attorney General, upon petition to the court, may recover, on behalf of the state, a civil penalty of not more than five thousand dollars for each violation. For purposes of this subsection, a wilful violation occurs when: [the] (1) The party committing the violation knew or should have known that his conduct was a violation of section 42-110b; or (2) a person violates the terms of an assurance of voluntary compliance accepted under section 42-110j, as amended by this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2024	New section
Sec. 2	July 1, 2024	New section
Sec. 3	July 1, 2024	New section
Sec. 4	July 1, 2024	New section
Sec. 5	July 1, 2024	New section
Sec. 6	July 1, 2024	New section
Sec. 7	July 1, 2024	New section
Sec. 8	from passage	20-417a
Sec. 9	from passage	20-417i
Sec. 10	from passage	42-110j
Sec. 11	from passage	42-110m(a)
Sec. 12	from passage	42-110o(b)

## Statement of Legislative Commissioners:

In Section 4, "constructive notice against" was changed to "constructive notice to" for consistency; in Sections 8(10)(A) and 8(10)(B), "certificate

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<u>under this chapter</u>" was changed to "<u>certificate issued under section 20-417b</u>" for accuracy; in Section 8(10)(B), "<u>an owner harmed</u>" was changed to "<u>a consumer harmed</u>" for consistency; and in Section 9(d)(3), "decree but" was changed to "decree [but] <u>provided</u>" for consistency with standard drafting conventions.

**GL** Joint Favorable Subst.