

Crumbling Foundations Funding Shut Off For Now

by Hugh McQuaid | Oct 20, 2020 5:00am



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After helping more than 230 families replace their homes' crumbling foundations, the captive insurance company managing the fund to assist homeowners has run out of money and "turned off the faucet" until next summer.

The Connecticut Foundation Solutions Indemnity Company has suspended the new application process for homeowners seeking financial assistance to replace their failing foundations. This is the fourth time applications have been put on hold because of funding gaps since the program's inception in January of 2019.

The program is funded through a combination of a \$12 Healthy Homes surcharge on homeowner insurance policies and \$100 million in bonding by the state. To date, the company has received \$80 million of the bonded funds and \$10.6 million from the annual surcharges.

CFSIC Superintendent Michael Maglaras said the company had put that money to work by committing to guaranteed loans for 548 repair projects that have already succeeded in assisting 233 families replace their foundations. For the time being, the money has run dry, he said.

"I can't spend more money than I have. So we've shut the process off again. When will I

open it up? I'll open it up again next June when we get the next Healthy Homes transfer money. We hope it's another \$10.6 million and when, in July, we get the last \$20 million of that \$100 million bond funding, we'll open our doors right up again," Maglaras said in a phone interview Monday.



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[A Stafford home in the midst of a foundation replacement by Newcity Builders on Acorn Drive in March 2019](#)

Following a previous suspension, the company began taking applications again at the end of June. Maglaras said it took about nine weeks to make agreements to participate in enough crumbling foundation projects to use up the available funds.

During that period, the company moved down a waiting list that went back to September of last year. They made it as far as people who had signed up in February. That's where they will pick up again next year when more funding becomes available.

"We spent all of the \$10.6 million we can spend, leaving enough to keep the company so I don't have to fire everybody," he said. "We spend that money down. What that means is dozens and dozens of homeowners have participation agreements. Their contractors have deposits. Construction can begin right now."

Lawmakers made a small but significant change to the program during a special legislative session earlier this month. The **new law** expands access to the program for condo associations, who had previously been capped at borrowing \$75,000. Now they are permitted to borrow \$75,000 per building. Maglaras said CFSIC has signed participation agreements with six condo associations. The agreements cover repairs to 91 condo units, he said.

“It made a real difference to condos. It enables our money to go further and it enables condos to get low-interest loans per building as opposed to per association,” he said.

Although access to the program has expanded, there are no immediate plans to expand state funding. Maglaras said the annual surcharge, which this year provided \$10.6 million, is scheduled to continue for the next 10 years.

Maglaras said he has not yet approached Gov. Ned Lamont’s administration to seek more borrowing for the program with the \$100 million in bonding nearly gone, but he intends to. He views the federal government as another potential resource for funding.

However, President Donald Trump’s administration has not been receptive to supporting the program and Maglaras said he’s waiting to see the results of the coming presidential election before pursuing that further. Under a different administration, there might be an opportunity to lobby for funding under the Federal Emergency Management Agency, he said.

“This is a natural disaster,” he said. In the next 15 years, as many as 6,000 foundations in Connecticut may need to be replaced, he said.

“You don’t make pyrrhotite,” the mineral responsible for the foundation issues, “in an oven the way you bake cookies. Pyrrhotite comes out of the ground. And the loss of your equity in your home, the great emotional distress which you go through, the fact that commercial insurance companies won’t honor your claims for pyrrhotite-related foundation impairment, this makes it a natural disaster,” he said.