



House of Representatives

General Assembly

File No. 185

February Session, 2026

Substitute House Bill No. 5224

House of Representatives, March 26, 2026

The Committee on General Law reported through REP. LEMAR of the 96th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING THE DEPARTMENT OF CONSUMER PROTECTION'S RECOMMENDATIONS REGARDING VARIOUS GUARANTY FUNDS.

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

1 Section 1. Section 20-324a of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective from passage*):

3 The commission shall establish, and the department shall maintain, a
4 Real Estate Guaranty Fund from which, subject to the provisions of this
5 section and sections 20-324b to 20-324i, inclusive, any person aggrieved
6 by any action of a real estate licensee, duly licensed in this state under
7 section 20-312, by reason of the embezzlement of money or property, or
8 money or property unlawfully obtained from any person by false
9 pretenses, artifice or forgery or by reason of any fraud,
10 misrepresentation or deceit by or on the part of any such real estate
11 licensee or the unlicensed employee of any such real estate licensee, may
12 recover, upon approval by the [commission] department of an
13 application brought pursuant to the provisions of section 20-324e, as

14 amended by this act, compensation in an amount not exceeding in the
15 aggregate the sum of twenty-five thousand dollars in connection with
16 any one real estate transaction or claim, regardless of the number of
17 persons aggrieved or parcels of real estate involved in such real estate
18 transaction or claim.

19 Sec. 2. Section 20-324c of the general statutes is repealed and the
20 following is substituted in lieu thereof (*Effective from passage*):

21 The [commission] department shall maintain the Real Estate
22 Guaranty Fund at a level not to exceed five hundred thousand dollars
23 and to this intent moneys received under section 20-324b shall be
24 credited to said fund whenever the fund balance is below five hundred
25 thousand dollars. Any such moneys may be invested or reinvested in
26 the same manner as funds of the state employees retirement system. The
27 interest arising from such investments shall be credited to the Real
28 Estate Guaranty Fund whenever the fund balance is below five hundred
29 thousand dollars, and to the General Fund whenever the fund balance
30 is equal to or greater than five hundred thousand dollars. Any moneys
31 received under section 20-324b not required to maintain the Real Estate
32 Guaranty Fund balance shall be deposited to the General Fund. All
33 moneys in the Real Estate Guaranty Fund in excess of five hundred
34 thousand dollars, shall be transferred by the State Treasurer to the
35 General Fund.

36 Sec. 3. Section 20-324d of the general statutes is repealed and the
37 following is substituted in lieu thereof (*Effective from passage*):

38 No application to recover compensation under sections 20-324a to 20-
39 324i, inclusive, as amended by this act, which might subsequently result
40 in an order for collection from the Real Estate Guaranty Fund shall be
41 brought later than two years from the final determination of, or
42 expiration of time for appeal in connection with, any binding arbitration
43 decision or any court judgment, order or decree.

44 Sec. 4. Subsection (e) of section 20-324e of the 2026 supplement to the
45 general statutes is repealed and the following is substituted in lieu

46 thereof (*Effective from passage*):

47 (e) If the [department] Department of Consumer Protection pays
48 from the Real Estate Guaranty Fund any amount in settlement of a claim
49 or toward satisfaction of a decision, judgment, order or decree against a
50 real estate licensee or an unlicensed employee of a real estate licensee
51 pursuant to an order under subsection (d) of this section, such person
52 shall not be eligible to receive a new license until such person has repaid
53 such amount in full [,] plus interest at the rate of ten per cent per year,
54 which interest shall accrue from the date on which the Department of
55 Consumer Protection makes such payment from the fund until the date
56 on which the Commissioner of Consumer Protection refers the unpaid
57 amount to the Department of Administrative Services for collection. A
58 discharge in bankruptcy shall not relieve a person from the penalties
59 and disabilities provided in this subsection.

60 Sec. 5. Section 20-324f of the general statutes is repealed and the
61 following is substituted in lieu thereof (*Effective from passage*):

62 Any person filing with the [commission] department any notice,
63 statement or other document required under the provisions of section
64 20-324e, as amended by this act, which is false or untrue or contains any
65 material misstatement of fact shall be fined not less than two hundred
66 dollars.

67 Sec. 6. Section 20-324h of the general statutes is repealed and the
68 following is substituted in lieu thereof (*Effective from passage*):

69 When the [commission] department has caused to be paid from the
70 Real Estate Guaranty Fund any sum to the [judgment] creditor under a
71 decision, judgment, order or decree, the [commission] department shall
72 be subrogated to all of the rights of the [judgment] creditor up to the
73 amount paid, and the [judgment] creditor shall assign all of [his] the
74 creditor's right, title and interest in the decision, judgment, order or
75 decree up to such amount paid to the [commission] department, and
76 any amount and interest recovered by the [commission] department on
77 the decision, judgment, order or decree shall be deposited to the fund.

78 Sec. 7. Subsection (o) of section 20-417i of the 2026 supplement to the
79 general statutes is repealed and the following is substituted in lieu
80 thereof (*Effective from passage*):

81 (o) If the commissioner orders the payment of an amount as a result
82 of a guaranty fund claim against a new home construction contractor,
83 the commissioner may, after notice and hearing in accordance with the
84 provisions of chapter 54, revoke the certificate of such contractor and
85 such contractor shall not be eligible to receive a new or renewed
86 certificate until such contractor has repaid such amount in full [,] plus
87 interest [from the time such payment is made from the New Home
88 Construction Guaranty Fund,] at a rate to be in accordance with section
89 37-3b, [except that] which interest shall accrue from the date on which
90 such payment is made from the New Home Construction Guaranty
91 Fund until the date on which the commissioner refers the unpaid
92 amount to the Department of Administrative Services for collection.
93 Notwithstanding the provisions of this subsection, the commissioner
94 may, in the commissioner's sole discretion, permit a new home
95 construction contractor to receive a new or renewed certificate after such
96 contractor has entered into an agreement with the commissioner
97 whereby such contractor agrees to repay the fund in full in the form of
98 periodic payments over a set period of time. Any such agreement shall
99 include a provision providing for the summary suspension of any and
100 all certificates held by the new home construction contractor if payment
101 is not made in accordance with the terms of the agreement.

102 Sec. 8. Subsections (d) to (p), inclusive, of section 20-432 of the general
103 statutes are repealed and the following is substituted in lieu thereof
104 (*Effective from passage*):

105 (d) Whenever an owner obtains a binding arbitration decision, a court
106 judgment, order or decree against any contractor holding a certificate or
107 who has held a certificate under this chapter, or against a proprietor,
108 within two years of the date such contractor entered into the contract
109 with the owner, for loss or damages sustained by reason of performance
110 of or offering to perform a home improvement within this state by a

111 contractor holding a certificate under this chapter, such owner may,
112 upon the final determination of, or expiration of time for, taking an
113 appeal in connection with any such decision, judgment, order or decree,
114 apply to the commissioner for an order directing payment out of said
115 guaranty fund of the amount unpaid upon the decision, judgment,
116 order or decree, for actual damages and costs taxed by the court against
117 the contractor or proprietor, exclusive of punitive damages. The
118 application shall be made on forms provided by the commissioner and
119 shall be accompanied by a copy of the decision, court judgment, order
120 or decree obtained against the contractor or proprietor together with a
121 statement signed and sworn to by the owner, affirming that the owner
122 has made a good faith effort to satisfy such decision, judgment, order or
123 decree in accordance with the provisions of chapter 906. Such good faith
124 effort may include causing to be issued a writ of execution upon such
125 decision, judgment, order or decree, provided the officer executing such
126 writ has made a return (1) showing that no bank accounts or personal
127 property of the contractor or proprietor liable to be levied upon in
128 satisfaction of such decision, judgment, order or decree could be found,
129 or that the amount realized on the sale of such accounts or property or
130 of such accounts or property as were found, under the execution, was
131 insufficient to satisfy the actual damage portion of such decision,
132 judgment, order or decree, or (2) stating the amount realized and the
133 balance remaining due on such decision, judgment, order or decree after
134 such application on such decision, judgment, order or decree of the
135 amount realized. The requirements of this subsection shall not apply to
136 a judgment, order or decree obtained by the owner in small claims court.
137 No application for an order directing payment out of the guaranty fund
138 shall be made later than two years after the final determination of, or
139 expiration of time for, taking an appeal of [said] such decision, court
140 judgment, order or decree.

141 (e) Upon receipt of [said] such application together with [said] such
142 copy of the decision, court judgment, order or decree, such statement
143 and, except as provided in subsection (d) of this section, such true and
144 attested copy of the executing officer's return, the commissioner or the
145 commissioner's designee shall inspect such documents for their veracity

146 and upon a determination that such documents are complete and
147 authentic, and a determination that the owner has not been paid, the
148 commissioner shall order payment out of the guaranty fund of the
149 amount unpaid upon the decision, judgment, order or decree for actual
150 damages and costs taxed by the court against the contractor or, if the
151 contractor is a business entity, a proprietor, exclusive of punitive
152 damages.

153 (f) Whenever an owner is awarded an order of restitution against any
154 contractor or, if the contractor is a business entity, any proprietor for
155 loss or damages sustained by reason of performance of or offering to
156 perform a home improvement in this state by a contractor holding a
157 certificate or who has held a certificate under this chapter within two
158 years of the date of entering into the contract with the owner, in a
159 proceeding brought by the commissioner pursuant to this section or
160 subsection (d) of section 42-110d, or in a proceeding brought by the
161 Attorney General pursuant to subsection (a) of section 42-110m or
162 subsection (d) of section 42-110d, or a criminal proceeding pursuant to
163 section 20-427, such owner may, upon the final determination of, or
164 expiration of time for, taking an appeal in connection with any such
165 order of restitution, apply to the commissioner for an order directing
166 payment out of said guaranty fund of the amount unpaid upon the
167 order of restitution. The commissioner may issue [said] such order upon
168 a determination that the owner has not been paid.

169 (g) Whenever the commissioner orders payment to an owner out of
170 the guaranty fund based upon a decision, court judgment, order or
171 decree of restitution against any [proprietor] individual or business
172 entity that holds or has held a certificate under this chapter, such
173 [proprietor and the] individual or business entity [that holds or held a
174 certificate under this chapter] shall be liable for the resulting debt to the
175 guaranty fund.

176 (h) Before the commissioner may issue any order directing payment
177 out of the guaranty fund to an owner pursuant to subsection (e) or (f) of
178 this section, the commissioner shall first notify the contractor of the

179 owner's application for an order directing payment out of the guaranty
180 fund and of the contractor's right to a hearing to contest the
181 disbursement in the event that the contractor or proprietor has already
182 paid the owner or is complying with a payment schedule in accordance
183 with a court judgment, order or decree. Such notice shall be given to the
184 contractor not later than fifteen days after receipt by the commissioner
185 of the owner's application for an order directing payment out of the
186 guaranty fund. If the contractor requests a hearing, in writing, by
187 certified mail not later than fifteen days after receiving the notice from
188 the commissioner, the commissioner shall grant such request and shall
189 conduct a hearing in accordance with the provisions of chapter 54. If the
190 commissioner does not receive a request by certified mail from the
191 contractor for a hearing not later than fifteen days after the contractor's
192 receipt of such notice, the commissioner shall determine that the owner
193 has not been paid, and the commissioner shall issue an order directing
194 payment out of the guaranty fund for the amount unpaid upon the
195 judgment, order or decree for actual damages and costs taxed by the
196 court against the contractor or proprietor, exclusive of punitive
197 damages, or for the amount unpaid upon the order of restitution.

198 (i) The commissioner or the commissioner's designee may proceed
199 against any contractor holding a certificate or who has held a certificate
200 under this chapter within the past two years of the effective date of
201 entering into the contract with the owner, for an order of restitution
202 arising from loss or damages sustained by any person by reason of such
203 contractor's or the proprietor's performance of or offering to perform a
204 home improvement in this state. Any such proceeding shall be held in
205 accordance with the provisions of chapter 54. In the course of such
206 proceeding, the commissioner or the commissioner's designee shall
207 decide whether to exercise the commissioner's powers pursuant to
208 section 20-426; whether to order restitution arising from loss or damages
209 sustained by any person by reason of such contractor's or proprietor's
210 performance or offering to perform a home improvement in this state;
211 and whether to order payment out of the guaranty fund.
212 Notwithstanding the provisions of chapter 54, the decision of the
213 commissioner or the commissioner's designee shall be final with respect

214 to any proceeding to order payment out of the guaranty fund and the
215 commissioner and the commissioner's designee shall not be subject to
216 the requirements of chapter 54 as they relate to appeal from any such
217 decision. The commissioner or the commissioner's designee may hear
218 complaints of all owners submitting claims against a single contractor
219 in one proceeding.

220 (j) No application for an order directing payment out of the guaranty
221 fund shall be made later than two years from the final determination of,
222 or expiration of time for, appeal in connection with any decision,
223 judgment, order or decree of restitution.

224 (k) Whenever the owner satisfies the commissioner or the
225 commissioner's designee that it is not practicable to comply with the
226 requirements of subsection (d) of this section and that the owner has
227 taken all reasonable steps to collect the amount of the decision,
228 judgment, order or decree or the unsatisfied part thereof and has been
229 unable to collect the same, the commissioner or the commissioner's
230 designee may, in the commissioner's or such designee's discretion,
231 dispense with the necessity for complying with such requirement.

232 (l) In order to preserve the integrity of the guaranty fund, the
233 commissioner, in the commissioner's sole discretion, may order
234 payment out of said fund of an amount less than the actual loss or
235 damages incurred by the owner or less than the order of restitution
236 awarded by the commissioner or the Superior Court. In no event shall
237 any payment out of said guaranty fund be in excess of twenty-five
238 thousand dollars for any single claim by an owner.

239 (m) If the money deposited in the guaranty fund is insufficient to
240 satisfy any duly authorized claim or portion thereof, the commissioner
241 shall, when sufficient money has been deposited in the fund, satisfy
242 such unpaid claims or portions thereof, in the order that such claims or
243 portions thereof were originally determined.

244 (n) Whenever the commissioner has caused any sum to be paid from
245 the guaranty fund to an owner, the commissioner shall be subrogated to

246 all of the rights of the owner up to the amount paid plus reasonable
247 interest, and prior to receipt of any payment from the guaranty fund,
248 the owner shall assign all of [this] the owner's right, title and interest in
249 the claim up to such amount to the commissioner, and any amount and
250 interest recovered by the commissioner on the claim shall be deposited
251 to the guaranty fund.

252 (o) If the commissioner orders the payment of any amount as a result
253 of a guaranty fund claim against a contractor or proprietor, the
254 commissioner shall determine if the contractor is possessed of assets
255 liable to be sold or applied in satisfaction of the claim on the guaranty
256 fund. If the commissioner discovers any such assets, the commissioner
257 may request that the Attorney General take any action necessary for the
258 reimbursement of the guaranty fund.

259 (p) If the commissioner orders the payment of an amount as a result
260 of a guaranty fund claim against a contractor, the commissioner may,
261 after notice and hearing in accordance with the provisions of chapter 54,
262 revoke the certificate of the contractor. [and the] Any contractor, or any
263 individual who has an ownership interest in a business entity that holds
264 or has held a certificate under this chapter, shall not be eligible to receive
265 a new or renewed certificate until the contractor or individual has
266 repaid such amount in full [,] plus interest [from the time said payment
267 is made from the guaranty fund,] at a rate to be in accordance with
268 section 37-3b, [except that] which interest shall accrue from the date on
269 which payment is made from the guaranty fund until the commissioner
270 refers the unpaid amount to the Department of Administrative Services
271 for collection. Notwithstanding the provisions of this subsection, the
272 commissioner may, in the commissioner's sole discretion, permit a
273 contractor to receive a new or renewed certificate after that contractor
274 has entered into an agreement with the commissioner whereby the
275 contractor agrees to repay the guaranty fund in full in the form of
276 periodic payments over a set period of time. Any such agreement shall
277 include a provision providing for the summary suspension of any and
278 all certificates held by the contractor if payment is not made in
279 accordance with the terms of the agreement.

280 Sec. 9. Subsection (h) of section 21a-226 of the 2026 supplement to the
281 general statutes is repealed and the following is substituted in lieu
282 thereof (*Effective from passage*):

283 (h) If the [commissioner] Department of Consumer Protection pays
284 any amount as a result of a claim against a health club pursuant to an
285 order under subsection (g) of this section, the health club shall [pay]
286 repay the amount due plus interest at the rate of ten per cent per year,
287 which interest shall accrue from the date on which the Department of
288 Consumer Protection makes such payment from the guaranty fund until
289 the date on which the Commissioner of Consumer Protection refers the
290 unpaid amount to the Department of Administrative Services for
291 collection. A health club shall not be eligible to receive a new or renewed
292 license until the health club has repaid such amount in full. All funds
293 [paid] repaid pursuant to this subsection shall be deposited in the
294 guaranty fund.

295 Sec. 10. Section 20-324g of the general statutes is repealed. (*Effective*
296 *from passage*)

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	20-324a
Sec. 2	<i>from passage</i>	20-324c
Sec. 3	<i>from passage</i>	20-324d
Sec. 4	<i>from passage</i>	20-324e(e)
Sec. 5	<i>from passage</i>	20-324f
Sec. 6	<i>from passage</i>	20-324h
Sec. 7	<i>from passage</i>	20-417i(o)
Sec. 8	<i>from passage</i>	20-432(d) to (p)
Sec. 9	<i>from passage</i>	21a-226(h)
Sec. 10	<i>from passage</i>	Repealer section

Statement of Legislative Commissioners:

In Section 4(e), "repaid in full, plus" was changed to "repaid such amount in full [,] plus" for clarity and internal consistency; in Sections 7(o) and 8(p), "to the contrary" was deleted for consistency with standard drafting conventions; in Section 8(d)(2), "such" was added

before "application" for clarity; and in Section 9(h), "shall pay" was changed to "shall [pay] repay" and "funds paid" was changed to "funds [paid] repaid" for internal consistency.

GL *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 27 \$	FY 28 \$
Consumer Protection, Dept.	Various Guaranty Funds - Potential Revenue Loss	See Below	See Below

Note: Various=Various

Municipal Impact: None

Explanation

The bill specifies that interest charged to a person who caused harm resulting in a payment from a Department of Consumer Protection (DCP) Guaranty Fund¹ stops accruing once DCP transfers the unpaid amount to the Department of Administrative Services (DAS). This results in a potential revenue loss to the Guaranty Funds to the extent DCP transfers unpaid amounts to DAS.

The bill also makes various changes to the DCP guaranty funds that result in no fiscal impact to the state.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the number of unpaid amounts transferred to DAS.

¹These include the Real Estate Guaranty Fund, New Home Construction Guaranty Fund, Home Improvement Guaranty Fund, and the Health Club Guaranty Fund.

OLR Bill Analysis**sHB 5224****AN ACT CONCERNING THE DEPARTMENT OF CONSUMER PROTECTION'S RECOMMENDATIONS REGARDING VARIOUS GUARANTY FUNDS.****SUMMARY**

This bill makes a number of changes to various guaranty funds. It:

1. transfers, from the Real Estate Commission to the Department of Consumer Protection (DCP), responsibility for maintaining and operating the Real Estate Guaranty Fund, and makes conforming and technical changes to fund procedures (§§ 1-6 & 10);
2. specifies that the interest charged a person who caused harm resulting in an award from the Real Estate Guaranty Fund, New Home Construction Guaranty Fund, Home Improvement Guaranty Fund, or Health Club Guaranty Fund accrues until DCP refers the unpaid amount to the Department of Administrative Services for collection (as under existing law, interest generally begins to accrue when a fund makes a payment) (§§ 4, 7-9); and
3. requires an applicant for an award from the Home Improvement Guaranty Fund to provide a signed, sworn statement that he or she made a good faith effort to collect what is owed before receiving a payment from the fund and changes some of the provisions on repayments to the fund (§ 8).

EFFECTIVE DATE: Upon passage

§§ 3 & 6 — REAL ESTATE GUARANTY FUND CONFORMING CHANGES

PA 25-111, § 5, allowed someone to apply to the Real Estate Guaranty

fund based on an arbitration decision, administrative decision, or a court order or decree, in addition to a court judgment which was previously allowed. The bill makes conforming changes to require, as with court judgments under existing law, that someone applying to the fund based on a binding arbitration decision or court order or decree apply within two years after the final determination or the end of the time to appeal. The bill also makes similar changes regarding the fund's ability to recover payments based on each of these events, and not just judgments.

§ 8 — HOME IMPROVEMENT GUARANTY FUND

Good Faith Effort to Collect

The bill requires an applicant for an award from the Home Improvement Guaranty Fund to provide a signed, sworn statement that he or she made a good faith effort to collect what the home improvement contractor or proprietor owes using court procedures, such as a writ of execution (this does not apply when the application is based on a small claims court judgment, order, or decree against the contractor or proprietor). The bill requires an application to include a statement from the officer executing a writ of execution indicating:

1. that the officer could not find sufficient funds in a contractor's or proprietor's bank account or from levying their personal property to satisfy the actual damages under the court ruling and
2. the amount collected and the amount remaining due.

Repayment Requirements

Under current law, after payment from the fund based on a decision or court ruling against a proprietor (an owner of a business that is or was a registered home improvement contractor), the proprietor and the business entity that is or was registered are both liable to repay the fund. The bill instead makes either an individual or a business entity that is or was registered liable based on a decision or court ruling against the individual or entity.

Under existing law, if the DCP commissioner revokes a contractor's

registration after making a payment from the fund based on a claim against the contractor, DCP cannot issue the contractor a registration until the contractor repays the fund with interest. The bill also prohibits registering an individual with an ownership interest in a business entity that has or had a registration until the contractor or individual repays the fund with interest.

BACKGROUND

Guaranty Funds

The law establishes certain funds, such as the Real Estate Guaranty Fund, New Home Construction Guaranty Fund, Home Improvement Guaranty Fund, and Health Club Guaranty Fund, to pay consumers harmed by the conduct of certain licensees. Consumers can generally apply to one of these funds to recover damages awarded in an arbitration decision or a court proceeding against the licensee that the consumer has been unable to recover from the licensee. Generally, the licensee must pay back the fund for the amount the fund pays the consumer plus interest.

COMMITTEE ACTION

General Law Committee

Joint Favorable Substitute

Yea 20 Nay 0 (03/11/2026)