



House of Representatives

General Assembly

File No. 195

January Session, 2025

Substitute House Bill No. 6992

House of Representatives, March 24, 2025

The Committee on Banking reported through REP. DOUCETTE of the 13th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT ESTABLISHING THE HOMES FOR CT LOAN PROGRAM.

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

1 Section 1. (NEW) (*Effective from passage*) As used in this section and
2 sections 2 to 6, inclusive, of this act:

3 (1) "Authority" means the Connecticut Housing Finance Authority
4 created under section 8-244 of the general statutes, as amended by this
5 act;

6 (2) "Bank" means a bank or an out-of-state bank, each as defined in
7 section 36a-2 of the general statutes;

8 (3) "Credit union" means a Connecticut credit union or a federal
9 credit union, each as defined in section 36a-2 of the general statutes;

10 (4) "Department" means the Department of Banking;

11 (5) "Eligible borrower" means the owner or developer of a new
12 construction residential building;

13 (6) "Eligible financial institution" means a bank or credit union that
14 has a physical presence in this state; and

15 (7) "Residential building" has the same meaning as provided in
16 section 8-440 of the general statutes.

17 Sec. 2. (NEW) (*Effective from passage*) (a) The authority shall
18 administer a "Homes for CT" loan program to assist eligible borrowers
19 to obtain funding necessary for the construction of residential buildings
20 by: (1) Guaranteeing the repayment of loans made by eligible financial
21 institutions to eligible borrowers, which loans may have loan-to-value
22 ratios in excess of typical underwriting standards, and (2) providing to
23 eligible borrowers additional loans that shall be subordinate to the loans
24 made to such eligible borrowers by eligible financial institutions. Subject
25 to the cessation of new claim approvals under subsection (d) of section
26 4 of this act, the authority shall submit all processed claims to the
27 Comptroller, who shall pay from the General Fund any and all claims
28 submitted by the authority.

29 (b) (1) Except as provided in subsection (d) of this section, any eligible
30 financial institution may participate in the program after providing the
31 department and the authority with advance written notice of the eligible
32 financial institution's intention to participate in the program. Such
33 notice shall be in the form and manner prescribed by the department
34 and the authority, and shall include contact information for the eligible
35 financial institution. Nothing in this section shall be construed to
36 preclude an eligible financial institution that has elected to participate
37 in the program from issuing loans to eligible borrowers outside of the
38 program.

39 (2) An eligible financial institution may suspend its participation in,
40 or withdraw from, the program five business days after providing
41 advance written notice to the department and the authority specifying
42 the date on which such suspension or withdrawal becomes effective.
43 Such withdrawal or suspension shall not affect the eligible financial
44 institution's ability to submit a guarantee claim on any loan for which
45 the eligible financial institution provided notice to the authority

46 pursuant to subsection (d) of this section prior to the effective date of
47 the withdrawal or suspension.

48 (3) Not later than September 1, 2025, the department and the
49 authority shall each publish on their Internet web sites a summary of
50 the program and a list of the eligible financial institutions that have
51 elected to participate in the program. The list shall be updated from time
52 to time and shall include the contact information of each participating
53 eligible financial institution. The department shall also provide
54 information concerning the program to mortgage servicers licensed
55 pursuant to section 36a-718 of the general statutes.

56 (c) (1) The authority may develop, in consultation with
57 representatives from the banking industry, one or more standard
58 promissory note and mortgage deed forms that may be used by eligible
59 financial institutions making loans pursuant to section 3 of this act.

60 (2) Not later than September 1, 2025, the authority shall develop, in
61 consultation with representatives from the banking industry, (A)
62 reasonable standards that an eligible financial institution may rely upon
63 to demonstrate good faith collection efforts, as described in subsection
64 (a) of section 4 of this act, and (B) a readily accessible communication
65 portal by which participating eligible financial institutions may verify
66 in real time the total dollar amount of loans that have been reported to
67 the authority pursuant to subsection (d) of this section and the total
68 dollar amount of claims submitted to the Comptroller pursuant to
69 subsection (a) of section 4 of this act.

70 (3) The forms and standards developed pursuant to this subsection
71 shall, to the maximum extent feasible, be closely aligned with existing
72 forms, policies and procedures used by eligible financial institutions
73 participating in the program, but shall not require post-delinquency
74 collection efforts extending beyond ninety days.

75 (d) Each eligible financial institution that makes a loan pursuant to
76 section 3 of this act shall notify the authority, in writing, not later than
77 one business day after making the loan. Such written notice shall specify

78 the amount of the loan and any other information about the eligible
79 borrower and the loan the authority may request. When the total
80 amount of loans reported to the authority reaches one hundred million
81 dollars, the authority shall immediately close participation in the
82 program and notify each eligible financial institution participating in the
83 program. A participating eligible financial institution may condition the
84 availability of any loan commitment on the availability of the program.

85 Sec. 3. (NEW) (*Effective from passage*) Each eligible financial institution
86 that is participating in the program may make loans to an eligible
87 borrower under the program, provided:

88 (1) The eligible borrower (A) demonstrates to the satisfaction of the
89 eligible financial institution and the authority that the proposed
90 development of residential buildings meets the criteria for such a
91 development, which criteria shall be established by the authority, and
92 (B) shall provide to the authority a covenant that the residential
93 buildings, when offered for sale to the public, shall be sold only to
94 homebuyers participating in a homebuyer loan program administered
95 by the authority.

96 (2) The loan shall (A) be secured by a mortgage deed on the eligible
97 borrower's residential buildings and all related improvements under
98 development by the eligible borrower, (B) be made in accordance with
99 the eligible financial institution's underwriting policy and standards,
100 except that the loan may have a loan-to-value ratio in excess of typical
101 underwriting standards, and (C) bear interest at a rate that does not
102 exceed the applicable rate of the Federal Home Loan Bank of Boston for
103 Amortizing Advances through the New England Fund program. For the
104 purposes of this subdivision, "applicable rate" means the New England
105 Fund rate that (i) is published on the Internet web site of the Federal
106 Home Loan Bank of Boston as of the date the interest rate is locked in
107 by the eligible borrower and eligible financial institution, and (ii) has an
108 advance term and amortization schedule that most closely corresponds
109 to the term and amortization schedule of the loan being made by the
110 participating eligible financial institution.

111 (3) The loan proceeds shall be used by the eligible borrower only for
112 eligible construction expenses. For the purposes of this subdivision,
113 "eligible construction expenses" means expenses that are (A) necessary
114 to complete the construction of a residential building, or (B) necessary
115 to construct any improvements related to a residential building.

116 Sec. 4. (NEW) (*Effective from passage*) (a) An eligible financial
117 institution that has made a good faith effort to collect the outstanding
118 principal from a loan issued pursuant to section 3 of this act may make
119 a claim to the authority for recovery of an amount equal to the
120 outstanding principal for such loan. Except as provided in subsection
121 (d) of this section, if the eligible financial institution demonstrates to the
122 satisfaction of the authority that the eligible financial institution has
123 made a good faith effort to collect the outstanding principal from the
124 eligible borrower in accordance with the eligible financial institution's
125 loan servicing and collection policies, the authority shall process and
126 submit the claim to the Comptroller for payment. Upon payment of a
127 claim by the Comptroller, and as a condition of such payment, (1) the
128 loan shall be assigned to the state, and (2) the authority, as agent for the
129 state, shall have the right to continue collection efforts on the loan. Any
130 amount necessary for payment by the Comptroller to honor loan
131 guarantees under this section shall be deemed appropriated from the
132 General Fund, and any funds collected by the authority in accordance
133 with this subsection shall be deposited to the General Fund.

134 (b) The authority shall maintain records in the regular course of
135 administration of the program, including, but not limited to, a record of
136 loans issued and of payments made to honor loan guarantees issued
137 under this section.

138 (c) The authority may terminate any loan guarantee if the eligible
139 financial institution misrepresents any information pertaining to the
140 guarantee or fails to comply with any requirement of this section in
141 connection with the guarantee of the underlying loan.

142 (d) The total amount of claims processed by the authority and paid
143 by the Comptroller to honor loan guarantees under this section shall not

144 exceed ten million dollars. When the total amount of claims processed
145 by the authority and paid by the Comptroller reaches ten million
146 dollars, the authority shall immediately cease to process claims and shall
147 notify the Comptroller and each eligible financial institution
148 participating in the program that the authority has ceased honoring loan
149 guarantees.

150 Sec. 5. (NEW) (*Effective from passage*) The authority may provide to
151 eligible borrowers loans in addition to the loans made to such eligible
152 borrowers by eligible financial institutions pursuant to section 3 of this
153 act. The loans made by the authority shall be subordinate to the loans
154 made by eligible financial institutions, and may have debt-to-value
155 ratios in excess of typical underwriting standards.

156 Sec. 6. (NEW) (*Effective from passage*) The Comptroller, the authority
157 and the department may enter into a memorandum of understanding to
158 carry out the provisions of this section and sections 1 to 5, inclusive, of
159 this act.

160 Sec. 7. Subsection (a) of section 8-244 of the general statutes is
161 repealed and the following is substituted in lieu thereof (*Effective from*
162 *passage*):

163 (a) There is created a body politic and corporate to be known as the
164 "Connecticut Housing Finance Authority". Said authority is constituted
165 a public instrumentality and political subdivision of this state and the
166 exercise by the authority of the powers conferred by this chapter and
167 sections 1 to 6, inclusive, of this act shall be deemed and held to be the
168 performance of an essential public and governmental function. The
169 Connecticut Housing Finance Authority shall not be construed to be a
170 department, institution or agency of the state. The board of directors of
171 the authority shall consist of sixteen members as follows: (1) The
172 Commissioner of Economic and Community Development, the
173 Commissioner of Housing, the Secretary of the Office of Policy and
174 Management, the Banking Commissioner and the State Treasurer, ex
175 officio, or their designees, with the right to vote, (2) seven members to
176 be appointed by the Governor, and (3) four members appointed as

177 follows: One by the president pro tempore of the Senate, one by the
178 speaker of the House of Representatives, one by the minority leader of
179 the Senate and one by the minority leader of the House of
180 Representatives. The member initially appointed by the speaker of the
181 House of Representatives shall serve a term of five years; the member
182 initially appointed by the president pro tempore of the Senate shall
183 serve a term of four years. The members initially appointed by the
184 Senate minority leader shall serve a term of three years. The member
185 initially appointed by the minority leader of the House of
186 Representatives shall serve a term of two years. Thereafter, each
187 member appointed by a member of the General Assembly shall serve a
188 term of five years. The members appointed by the Governor and the
189 members of the General Assembly shall be appointed in accordance
190 with section 4-9b and among them be experienced in all aspects of
191 housing, including housing design, development, finance, management
192 and state and municipal finance, and at least one of whom shall be
193 selected from among the officers or employees of the state. At least one
194 shall have experience in the provision of housing to very low, low and
195 moderate income families. On or before July first, annually, the
196 Governor shall appoint a member for a term of five years from said July
197 first to succeed the member whose term expires and until such
198 member's successor has been appointed, except that in 1974 and 1995
199 and quinquennially thereafter, the Governor shall appoint two
200 members. The chairperson of the board shall be appointed by the
201 Governor. The board shall annually elect one of its appointed members
202 as vice-chairperson of the board. Members shall receive no
203 compensation for the performance of their duties hereunder but shall be
204 reimbursed for necessary expenses incurred in the performance thereof.
205 The Governor or appointing member of the General Assembly, as the
206 case may be, shall fill any vacancy for the unexpired term. A member of
207 the board shall be eligible for reappointment. Any member of the board
208 may be removed by the Governor or appointing member of the General
209 Assembly, as the case may be, for misfeasance, malfeasance or wilful
210 neglect of duty. Each member of the board before entering upon such
211 member's duties shall take and subscribe the oath of affirmation

212 required by article XI, section 1, of the State Constitution. A record of
 213 each such oath shall be filed in the office of the Secretary of the State.
 214 Each ex-officio member may designate such member's deputy or any
 215 member of such member's staff to represent such member at meetings
 216 of the board with full power to act and vote on such member's behalf.

This act shall take effect as follows and shall amend the following sections:

| | | |
|-----------|---------------------|-------------|
| Section 1 | <i>from passage</i> | New section |
| Sec. 2 | <i>from passage</i> | New section |
| Sec. 3 | <i>from passage</i> | New section |
| Sec. 4 | <i>from passage</i> | New section |
| Sec. 5 | <i>from passage</i> | New section |
| Sec. 6 | <i>from passage</i> | New section |
| Sec. 7 | <i>from passage</i> | 8-244(a) |

Statement of Legislative Commissioners:

In Sections 2(d) and 3(3), "borrower" was changed to "eligible borrower" for consistency; in Section 3, "may make loans to an eligible borrower" was changed to "may make loans to an eligible borrower under the program" for clarity; in Sections 3(1)(A), 3(2)(C)(i) and 4(c), "financial institution" was changed to "eligible financial institution" for consistency; in Section 3(1)(A), "which shall" was changed to "which criteria shall" for clarity; in Section 3(2)(C), "bear an interest rate that" was changed to "bear interest at a rate that" for clarity; and in Section 4(a), "the financial institution's" was changed to "the eligible financial institution's" for consistency.

BA *Joint Favorable Subst. -LCO*

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 26 \$ | FY 27 \$ |
|--|-----------------------------|------------------|----------|
| Comptroller | GF - Potential Cost | up to 10 million | |
| Resources of the General Fund | GF - Potential Revenue Gain | up to 10 million | |
| Connecticut Housing Finance Authority (CHFA) | CHFA - Cost/Revenue Impact | 300,000 | 300,000 |

Note: GF=General Fund; CHFA=Resources of CHFA

Municipal Impact: None

Explanation

The bill, which requires the Connecticut Housing Finance Authority (CHFA) to establish the Homes for CT Loan Program and the Office of the State Comptroller to guarantee the program, results in (1) a potential cost of up to a cumulative total of \$10 million to the General Fund, (2) a potential revenue gain of up to a cumulative total of \$10 million to the General Fund, and (3) an estimated annual cost of \$300,000 to CHFA's own resources associated with developing, marketing, and administering a program to construct residential buildings.

Loan Guarantee

CHFA may allow up to \$100 million to be loaned under this program and will guarantee the loans. The bill caps the payable claims and associated potential cost at \$10 million. Claims will ultimately be paid out of the General Fund by the comptroller. Annual expenditures for this program begin in FY 26 and are dependent on the number of claims

paid.

Loans that are reimbursed to the lending financial institution will be assumed by CHFA. Any funds CHFA receives from collection efforts will be deposited in the General Fund resulting in a potential revenue gain of up to \$10 million beginning in FY 26.

Program and Administration

CHFA will incur costs to hire additional staff or to contract with necessary third parties to manage the development, marketing, and administration of the Homes for CT Loan Program.¹ It is anticipated CHFA will require up to two full time positions; however, the staff necessary could vary depending on the ultimate demand for loans through participating financial institutions, the claims made under the loan guarantee, and the need for collection efforts by CHFA.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the demand for loans and claims made under the loan guarantee. Payments from the Office of the State Comptroller will cease once \$10 million is expended.

¹ CHFA is a quasi-public authority that issues its own federally tax-exempt and taxable mortgage revenue bonds. The authority pays its operating expenses using funds derived from the excess of interest income from loans over bond interest expenses.

OLR Bill Analysis**sHB 6992*****AN ACT ESTABLISHING THE HOMES FOR CT LOAN PROGRAM.*****SUMMARY**

This bill requires the Connecticut Housing Finance Authority (CHFA) to administer a loan program that helps owners or developers get funding to build new residential buildings (i.e. single- or multi-family residential units, including condominiums or units in common interest communities, or buildings with one or more of these units). CHFA must do this by (1) guaranteeing loan repayment, up to certain thresholds, for participating banks and credit unions that give loans to these borrowers and (2) making additional subordinate loans (see COMMENT). The bill allows both the bank or credit union and CHFA loans to have loan-to-value ratios exceeding typical underwriting standards.

The bill caps the total amount of (1) program loans at \$100 million and (2) claims paid to honor loan guarantees at \$10 million. And among other things, it:

1. limits the use of program loans to expenses needed to complete residential building construction or improve a residential building;
2. establishes requirements for participating in the program and receiving a loan guarantee payment, including making good faith collection efforts;
3. allows CHFA to end a loan guarantee with a bank or credit union if it misrepresents information about the guarantee or fails to comply with the bill's good faith collection requirements;

4. requires CHFA to keep program administration records, including a record of the issued loans and loan guarantee payments made; and
5. authorizes the comptroller, CHFA, and the Department of Banking (DOB) to enter into a memorandum of understanding to carry out the bill's requirements.

EFFECTIVE DATE: Upon passage

PROGRAM ADMINISTRATION

Lender Participation

Under the bill, banks and credit unions with a physical presence in Connecticut may participate in the program if they first notify DOB and CHFA of their intent to do so. The bill requires DOB and CHFA to set the process for the notice, which must include the institution's contact information.

The bill requires DOB and CHFA, by September 1, 2025, to publish on their websites a (1) program summary and (2) list of the participating banks and credit unions, with the contact information for each, which DOB and CHFA must update. DOB must also give information about the program to state-licensed mortgage servicers.

The bill allows the participating banks and credit unions to suspend their involvement in or withdraw from the program, but not until five business days after notifying DOB and CHFA in writing of the date it will take effect. The bill specifies that a suspension or withdrawal does not affect the ability to submit a guarantee claim for a loan that was properly noticed to CHFA before the suspension or withdrawal took effect.

The bill specifies that a bank's or credit union's program participation does not stop it from issuing loans to this same category of borrowers apart from the program.

Program Capacity

The bill requires a bank or credit union that makes a loan under the program to notify CHFA in writing within one business day of doing so. The notice must include the loan amount and any other information about the borrower and the loan that CHFA requests.

The bill caps the total amount of loans under the program at \$100 million. CHFA must immediately close participation in the program when this threshold is reached, based on the loan notices it receives, and notify the participating banks and credit unions. Correspondingly, the bill allows banks and credit unions to condition loan commitments on the program's availability.

Loan Requirements

Under the bill, for a participating bank and credit union to make a loan under the program, the borrower must (1) show the bank or credit union and CHFA that its project meets the criteria for a residential building development, which CHFA must set, and (2) give CHFA a covenant that the buildings, when offered for sale to the public, will only be sold to participants of a CHFA-administered homebuyer loan program. The bill requires that a mortgage deed on the borrower's residential buildings and all related improvements under development secure the loan.

The bill requires banks and credit unions to follow their underwriting policies and standards when making these loans, other than using a loan-to-value ratio that exceeds typical standards. It caps the loans' interest rates at the applicable rate of the Federal Home Loan Bank of Boston (FHLBank Boston) for Amortizing Advances through the New England Fund program. This rate is that which (1) is on FHLBank Boston's website on the date the borrower and bank or credit union lock in the rate and (2) has an advance term and amortization schedule that most closely matches the loan's term and schedule.

Standard Procedures and Documents

The bill requires CHFA, by September 1, 2025, to develop the

following for participating banks and credit unions:

1. reasonable standards to show good faith collection efforts of outstanding loan principal without required efforts for after 90 days' post-delinquency and
2. a readily accessible communication portal to verify in real time the total amount of program loans reported to CHFA and claims submitted to the comptroller.

It allows CHFA to develop standard promissory note and mortgage deed forms that can be used by the participating banks and credit unions.

Under the bill, the standards and forms must be (1) developed in consultation with banking industry representatives and (2) to the maximum extent feasible, closely aligned with the participating bank and credit unions' forms, policies, and procedures, except the bill prohibits them from requiring post-delinquency collection efforts that extend beyond 90 days.

Loan Guarantees

Under the bill, a participating bank or credit union may make a claim to CHFA to recover the outstanding principal on a defaulted loan, but only after it has made a good faith effort to collect it and can show to CHFA that it has done this. The collection efforts must be done according to the bank's or credit union's loan servicing and collection policies.

The bill requires CHFA to submit accepted claims to the comptroller for payment, which are paid from the General Fund. It caps the amount of claims that CHFA may process and have paid to honor the program's loan guarantees at \$10 million. When this threshold is met, CHFA must immediately stop processing claims and notify the comptroller and the participating banks and credit unions that it will no longer honor guarantees.

Under the bill, once the comptroller pays the claim, the loan tied to it is assigned to the state and CHFA assumes the loan's collection rights. Any funds CHFA receives from collection efforts on these loans must be deposited in the General Fund.

COMMENT***Internal Conflict Regarding CHFA's Loan Issuing Authority***

The bill requires CHFA to administer the program, in part, by giving additional loans to eligible borrowers that are subordinate to those issued by the participating banks and credit unions. However, a separate section of the bill allows, rather than requires CHFA to issue these loans.

COMMITTEE ACTION

Banking Committee

Joint Favorable

Yea 12 Nay 0 (03/06/2025)