



General Assembly

January Session, 2025

Raised Bill No. 6992

LCO No. 5117



Referred to Committee on BANKING

Introduced by:
(BA)

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

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

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

108 term and amortization schedule of the loan being made by the
109 participating eligible financial institution.

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

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

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

137 (c) The authority may terminate any loan guarantee if the financial
138 institution misrepresents any information pertaining to the guarantee or

139 fails to comply with any requirement of this section in connection with
140 the guarantee of the underlying loan.

141 (d) The total amount of claims processed by the authority and paid
142 by the Comptroller to honor loan guarantees under this section shall not
143 exceed ten million dollars. When the total amount of claims processed
144 by the authority and paid by the Comptroller reaches ten million
145 dollars, the authority shall immediately cease to process claims and shall
146 notify the Comptroller and each eligible financial institution
147 participating in the program that the authority has ceased honoring loan
148 guarantees.

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

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

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

161 (a) There is created a body politic and corporate to be known as the
162 "Connecticut Housing Finance Authority". Said authority is constituted
163 a public instrumentality and political subdivision of this state and the
164 exercise by the authority of the powers conferred by this chapter and
165 sections 1 to 6, inclusive, of this act shall be deemed and held to be the
166 performance of an essential public and governmental function. The
167 Connecticut Housing Finance Authority shall not be construed to be a
168 department, institution or agency of the state. The board of directors of
169 the authority shall consist of sixteen members as follows: (1) The

170 Commissioner of Economic and Community Development, the
171 Commissioner of Housing, the Secretary of the Office of Policy and
172 Management, the Banking Commissioner and the State Treasurer, ex
173 officio, or their designees, with the right to vote, (2) seven members to
174 be appointed by the Governor, and (3) four members appointed as
175 follows: One by the president pro tempore of the Senate, one by the
176 speaker of the House of Representatives, one by the minority leader of
177 the Senate and one by the minority leader of the House of
178 Representatives. The member initially appointed by the speaker of the
179 House of Representatives shall serve a term of five years; the member
180 initially appointed by the president pro tempore of the Senate shall
181 serve a term of four years. The members initially appointed by the
182 Senate minority leader shall serve a term of three years. The member
183 initially appointed by the minority leader of the House of
184 Representatives shall serve a term of two years. Thereafter, each
185 member appointed by a member of the General Assembly shall serve a
186 term of five years. The members appointed by the Governor and the
187 members of the General Assembly shall be appointed in accordance
188 with section 4-9b and among them be experienced in all aspects of
189 housing, including housing design, development, finance, management
190 and state and municipal finance, and at least one of whom shall be
191 selected from among the officers or employees of the state. At least one
192 shall have experience in the provision of housing to very low, low and
193 moderate income families. On or before July first, annually, the
194 Governor shall appoint a member for a term of five years from said July
195 first to succeed the member whose term expires and until such
196 member's successor has been appointed, except that in 1974 and 1995
197 and quinquennially thereafter, the Governor shall appoint two
198 members. The chairperson of the board shall be appointed by the
199 Governor. The board shall annually elect one of its appointed members
200 as vice-chairperson of the board. Members shall receive no
201 compensation for the performance of their duties hereunder but shall be
202 reimbursed for necessary expenses incurred in the performance thereof.
203 The Governor or appointing member of the General Assembly, as the

204 case may be, shall fill any vacancy for the unexpired term. A member of
 205 the board shall be eligible for reappointment. Any member of the board
 206 may be removed by the Governor or appointing member of the General
 207 Assembly, as the case may be, for misfeasance, malfeasance or wilful
 208 neglect of duty. Each member of the board before entering upon such
 209 member's duties shall take and subscribe the oath of affirmation
 210 required by article XI, section 1, of the State Constitution. A record of
 211 each such oath shall be filed in the office of the Secretary of the State.
 212 Each ex-officio member may designate such member's deputy or any
 213 member of such member's staff to represent such member at meetings
 214 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 Purpose:

To establish the "Homes for CT" loan program to assist eligible borrowers to obtain funding necessary for the construction of residential buildings.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]