



General Assembly

January Session, 2025

Substitute Bill No. 6992



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:		
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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*