



General Assembly

Amendment

January Session, 2025

LCO No. 8656



Offered by:

REP. DOUCETTE, 13th Dist.

REP. DELNICKI, 14th Dist.

To: Subst. House Bill No. **6992**

File No. 195

Cal. No. 148

"AN ACT ESTABLISHING THE HOMES FOR CT LOAN PROGRAM."

1 Strike everything after the enacting clause and substitute the
2 following in lieu thereof:

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

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

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

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

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

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

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

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

19 Sec. 2. (NEW) (*Effective from passage*) (a) The authority shall
20 administer a "Homes for CT" loan program to assist eligible borrowers
21 to obtain funding necessary for the construction of residential buildings
22 by guaranteeing the repayment of loans made by eligible financial
23 institutions to eligible borrowers, which loans (1) may have loan-to-
24 value ratios in excess of typical underwriting standards, and (2) shall be
25 subject to any conditions or limitations established by the authority, in
26 consultation with representatives from the banking industry, and
27 published on the authority's Internet web site. Under the program, the
28 authority may also provide to eligible borrowers additional loans that
29 shall be subordinate to the loans made to such eligible borrowers by
30 eligible financial institutions. In accordance with the provisions of
31 subsection (a) of section 4 of this act, the authority shall process claims
32 for the recovery of the outstanding principal amount of the loans made
33 by eligible financial institutions and submit such claims to the
34 Comptroller for payment. Subject to the cessation of the processing of
35 such claims under subsection (d) of section 4 of this act, the Comptroller
36 shall pay from the General Fund all such claims that are submitted by
37 the authority.

38 (b) (1) Except as provided in subsection (e) of this section, any eligible
39 financial institution may participate in the program after providing the
40 department and the authority with advance written notice of the eligible
41 financial institution's intention to participate in the program. Such
42 notice shall be in the form and manner prescribed by the department
43 and the authority, and shall include contact information for the eligible
44 financial institution. Nothing in this section shall be construed to

45 preclude an eligible financial institution that has elected to participate
46 in the program from issuing loans to eligible borrowers outside of the
47 program.

48 (2) An eligible financial institution may suspend its participation in,
49 or withdraw from, the program after giving advance written notice to
50 the department and the authority that specifies the date when such
51 suspension or withdrawal will become effective, provided such date
52 shall be at least five business days after the date when such notice is
53 given. Such withdrawal or suspension shall not affect the eligible
54 financial institution's ability to submit a guarantee claim on any loan for
55 which the eligible financial institution provided notice to the authority
56 pursuant to subdivision (1) of subsection (d) of this section prior to the
57 effective date of the withdrawal or suspension.

58 (3) Not later than October 1, 2025, the department and the authority
59 shall each publish on their Internet web sites a summary of the program
60 and a list of the eligible financial institutions that have elected to
61 participate in the program. The list shall be updated from time to time
62 and shall include the contact information of each participating eligible
63 financial institution. The department shall also provide information
64 concerning the program to mortgage servicers licensed pursuant to
65 section 36a-718 of the general statutes.

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

70 (2) Not later than October 1, 2025, the authority shall develop, in
71 consultation with representatives from the banking industry, (A)
72 reasonable standards that an eligible financial institution may rely upon
73 to demonstrate that such eligible financial institution made good faith
74 collection efforts in accordance with the provisions of subsection (a) of
75 section 4 of this act, and (B) a readily accessible communication portal
76 by which participating eligible financial institutions may verify the most

77 recently available total dollar amount of (i) loans of which the authority
78 has been notified pursuant to subdivision (1) of subsection (d) of this
79 section, and (ii) claims submitted to the Comptroller pursuant to
80 subsection (a) of section 4 of this act.

81 (3) The forms and standards developed pursuant to this subsection
82 shall, to the extent feasible, be closely aligned with industry standards,
83 but shall not require post-delinquency collection efforts extending
84 beyond ninety days.

85 (d) Each eligible financial institution that agrees to make a loan to an
86 eligible borrower pursuant to section 3 of this act shall:

87 (1) Not later than one business day after agreeing to make the loan,
88 provide to the authority written notice that specifies the amount of the
89 loan and any other information about the eligible borrower and the loan
90 that the authority may request;

91 (2) Not later than seven business days after agreeing to make the loan,
92 provide to the authority a copy of the promissory note for such loan and
93 the mortgage deed that secures such promissory note; and

94 (3) On a monthly basis, provide to the authority a written report
95 disclosing the status of the loan, including, but not limited to, the
96 principal amount, the outstanding balance and the amount of any funds
97 that the eligible financial institution has agreed to lend to the eligible
98 borrower but has not yet disbursed.

99 (e) When the total amount of loans reported to the authority,
100 including outstanding loans and loans that eligible financial institutions
101 have agreed to make, reaches one hundred million dollars, the authority
102 shall immediately close participation in the program and notify each
103 eligible financial institution participating in the program. A
104 participating eligible financial institution may condition the availability
105 of any loan agreement on the availability of the program.

106 Sec. 3. (NEW) (*Effective from passage*) Each eligible financial institution

107 that participates in the program administered by the authority pursuant
108 to subsection (a) of section 2 of this act may make loans to an eligible
109 borrower under the program, provided:

110 (1) The eligible borrower (A) demonstrates to the satisfaction of the
111 eligible financial institution that the proposed development of
112 residential buildings meets the standards for such a development,
113 which standards shall be established by the authority, and (B) shall
114 provide to the authority a covenant that each dwelling unit, as defined
115 in section 47a-1 of the general statutes, in such residential buildings,
116 when offered for sale to the public, shall be sold only to individuals
117 participating in a homebuyer loan program administered by the
118 authority.

119 (2) The loan shall (A) be secured by a mortgage deed on the eligible
120 borrower's residential buildings and all related improvements under
121 development by the eligible borrower, (B) be made in accordance with
122 the eligible financial institution's underwriting policy and standards,
123 except that the loan may have a loan-to-value ratio in excess of typical
124 underwriting standards, and (C) bear interest at a rate that does not
125 exceed the applicable rate of the Federal Home Loan Bank of Boston for
126 short-term or long-term advances through the New England Fund
127 program. For the purposes of this subdivision, "applicable rate" means
128 the New England Fund rate that (i) is published on the Internet web site
129 of the Federal Home Loan Bank of Boston as of the date the interest rate
130 is locked in by the eligible borrower and eligible financial institution,
131 and (ii) has an advance term that most closely corresponds to the term
132 of the loan being made by the participating eligible financial institution.

133 (3) The loan proceeds shall be used by the eligible borrower only for
134 eligible construction expenses. For the purposes of this subdivision,
135 "eligible construction expenses" means (A) expenses that are necessary
136 to (i) complete the construction of a residential building, or (ii) construct
137 any improvements related to a residential building, and (B) any other
138 expenses the authority determines to be necessary.

139 Sec. 4. (NEW) (*Effective from passage*) (a) An eligible financial
140 institution that has made a good faith effort to collect the outstanding
141 principal from a loan made pursuant to section 3 of this act may make a
142 claim to the authority for recovery of an amount equal to the
143 outstanding principal for such loan. Except as provided in subsection
144 (d) of this section, if the eligible financial institution demonstrates to the
145 satisfaction of the authority that the eligible financial institution made a
146 good faith effort in accordance with the eligible financial institution's
147 loan servicing and collection policies to collect the outstanding principal
148 from the eligible borrower and any person other than the authority who
149 issued a guarantee of the loan and the loan has been delinquent for four
150 consecutive months, the authority shall submit the claim to the
151 Comptroller for payment. Upon payment of a claim by the Comptroller,
152 and as a condition of such payment, (1) the loan, including, but not
153 limited to, any guarantee of the loan issued by a person other than the
154 authority, shall be assigned to the state, and (2) the authority, as agent
155 for the state, shall have the right to continue collection efforts on the
156 loan. Any amount necessary for payment by the Comptroller to honor
157 loan guarantees under this section shall be deemed appropriated from
158 the General Fund, and any funds collected by the authority in
159 accordance with this subsection shall be deposited to the General Fund.

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

164 (c) The authority may terminate any loan guarantee if the eligible
165 financial institution misrepresents any information pertaining to the
166 guarantee or fails to comply with any requirement of this section in
167 connection with the guarantee of the underlying loan.

168 (d) The total amount of claims processed by the authority and paid
169 by the Comptroller to honor loan guarantees under this section shall not
170 exceed ten million dollars. When the total amount of claims processed
171 by the authority and paid by the Comptroller reaches ten million

172 dollars, the authority shall immediately cease to process claims and shall
173 notify the Comptroller and each eligible financial institution
174 participating in the program that the authority has ceased honoring loan
175 guarantees under the program.

176 Sec. 5. (NEW) (*Effective from passage*) Under the program administered
177 by the authority pursuant to subsection (a) of section 2 of this act, the
178 authority may, within available resources, make loans to eligible
179 borrowers that are in addition to the loans made to such eligible
180 borrowers by eligible financial institutions pursuant to section 3 of this
181 act. The loans made by the authority shall be (1) subordinate to the loans
182 made by eligible financial institutions, and (2) subject to such terms as
183 the authority may establish, including, but not limited to, loan amounts,
184 interest rates and terms to maturity.

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

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

192 (a) There is created a body politic and corporate to be known as the
193 "Connecticut Housing Finance Authority". Said authority is constituted
194 a public instrumentality and political subdivision of this state and the
195 exercise by the authority of the powers conferred by this chapter and
196 sections 1 to 6, inclusive, of this act shall be deemed and held to be the
197 performance of an essential public and governmental function. The
198 Connecticut Housing Finance Authority shall not be construed to be a
199 department, institution or agency of the state. The board of directors of
200 the authority shall consist of sixteen members as follows: (1) The
201 Commissioner of Economic and Community Development, the
202 Commissioner of Housing, the Secretary of the Office of Policy and
203 Management, the Banking Commissioner and the State Treasurer, ex

204 officio, or their designees, with the right to vote, (2) seven members to
205 be appointed by the Governor, and (3) four members appointed as
206 follows: One by the president pro tempore of the Senate, one by the
207 speaker of the House of Representatives, one by the minority leader of
208 the Senate and one by the minority leader of the House of
209 Representatives. The member initially appointed by the speaker of the
210 House of Representatives shall serve a term of five years; the member
211 initially appointed by the president pro tempore of the Senate shall
212 serve a term of four years. The members initially appointed by the
213 Senate minority leader shall serve a term of three years. The member
214 initially appointed by the minority leader of the House of
215 Representatives shall serve a term of two years. Thereafter, each
216 member appointed by a member of the General Assembly shall serve a
217 term of five years. The members appointed by the Governor and the
218 members of the General Assembly shall be appointed in accordance
219 with section 4-9b and among them be experienced in all aspects of
220 housing, including housing design, development, finance, management
221 and state and municipal finance, and at least one of whom shall be
222 selected from among the officers or employees of the state. At least one
223 shall have experience in the provision of housing to very low, low and
224 moderate income families. On or before July first, annually, the
225 Governor shall appoint a member for a term of five years from said July
226 first to succeed the member whose term expires and until such
227 member's successor has been appointed, except that in 1974 and 1995
228 and quinquennially thereafter, the Governor shall appoint two
229 members. The chairperson of the board shall be appointed by the
230 Governor. The board shall annually elect one of its appointed members
231 as vice-chairperson of the board. Members shall receive no
232 compensation for the performance of their duties hereunder but shall be
233 reimbursed for necessary expenses incurred in the performance thereof.
234 The Governor or appointing member of the General Assembly, as the
235 case may be, shall fill any vacancy for the unexpired term. A member of
236 the board shall be eligible for reappointment. Any member of the board
237 may be removed by the Governor or appointing member of the General
238 Assembly, as the case may be, for misfeasance, malfeasance or wilful

239 neglect of duty. Each member of the board before entering upon such
240 member's duties shall take and subscribe the oath of affirmation
241 required by article XI, section 1, of the State Constitution. A record of
242 each such oath shall be filed in the office of the Secretary of the State.
243 Each ex-officio member may designate such member's deputy or any
244 member of such member's staff to represent such member at meetings
245 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)