



## Senate

General Assembly

**File No. 43**

February Session, 2000

Substitute Senate Bill No. 75

*Senate, March 10, 2000*

The Committee on Planning and Development reported through SEN. COLEMAN of the 2<sup>nd</sup> Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

### ***An Act Establishing A Pilot Program Of Home Purchasing Assistance For Teachers.***

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

- 1 Section 1. (NEW) (a) For purposes of this section:
- 2 (1) "Applicant" means a teacher certified by the State Board of
- 3 Education, pursuant to section 10-145b of the general statutes, as
- 4 amended, who is employed by a local or regional board of education
- 5 and applies for a loan under the home purchasing assistance program,
- 6 established pursuant to subsection (b) of this section, for the purpose
- 7 of financing the purchase of real estate;
- 8 (2) "Authority" means the Connecticut Housing Finance Authority;
- 9 (3) "Municipality" means a town that, by resolution of its legislative
- 10 body, elects to participate in the program established in accordance
- 11 with subsection (b) of this section and that is eligible for a priority

12 school district grant under section 10-266p of the general statutes, as  
13 amended, or for a transitional school district grant under section 10-  
14 263c of the general statutes, as amended; and

15 (4) "Real estate" means a one, two or three-family residence located  
16 in a municipality.

17 (b) The Connecticut Housing Finance Authority shall develop and,  
18 in cooperation with municipalities, administer a pilot program of  
19 home purchasing assistance. The purpose of the program shall be to  
20 encourage teachers to purchase and live in residential property located  
21 in the municipality by which they are employed. The authority shall  
22 implement the pilot program in an amount not to exceed ten million  
23 dollars and in a manner designed to facilitate the purchase of real  
24 estate in municipalities by providing low-interest loans to teachers in  
25 accordance with the provisions of this section. The pilot program shall  
26 commence on January 1, 2001, and terminate on December 31, 2003.

27 (c) To be eligible for assistance under subsection (e) or (f) of this  
28 section, an applicant shall: (1) Be a teacher employed by a local or  
29 regional board of education on a full-time or part-time basis; (2) certify  
30 intent to use the funds in connection with the purchase of real estate  
31 located in the municipality by which such applicant is employed as  
32 provided by this section; (3) certify intent to own and reside in such  
33 real estate on a permanent and full-time basis for at least seven years;  
34 (4) take title in such applicant's name and be the grantee or borrower,  
35 as the case may be, under this section; and (5) in the case of a loan,  
36 agree to make monthly loan payments for a period not to exceed thirty  
37 years in the manner prescribed by the authority pursuant to  
38 procedures adopted by the authority in accordance with subsection (i)  
39 of this section.

40 (d) A municipality may participate in the pilot program by (1)  
41 enrolling in the program established under this section in accordance  
42 with written procedures of the authority, and (2) advising each

43 applicant of the availability of down payment assistance under section  
44 8-286 of the general statutes and low-interest loans through the  
45 authority.

46 (e) (1) A municipality may make grants to applicants to pay for  
47 reasonable and bona fide closing costs, as described in subsection (i) of  
48 section 36a-563 of the general statutes. The authority may provide a  
49 preference for loans under this section to applicants for loans for real  
50 estate located in a municipality in which grants are offered under this  
51 subsection.

52 (2) If a grantee ceases to be a teacher prior to the end of the seventh  
53 year after the date on which such grant is made, or ceases to live in the  
54 residential property purchased with assistance provided under this  
55 section, the grantee shall reimburse the municipality for the amount of  
56 the grant within thirty days of receipt of written notice from the  
57 municipality that such reimbursement is due.

58 (f) Any applicant shall be eligible for a loan for down payment  
59 assistance under section 8-286 of the general statutes, except that the  
60 provisions of regulations adopted under section 8-289 of the general  
61 statutes concerning household income and equity contributions shall  
62 not apply to an applicant.

63 (g) The authority shall issue mortgage revenue bonds pursuant to 26  
64 USC Section 143 to provide sufficient funds for loans under this  
65 section. The interest rate on such loans shall be the lowest practicable  
66 which would create an incentive for applicants. Such loans shall satisfy  
67 the requirements of 26 USC Section 143, including, but not limited to,  
68 requirements for residence, sales, income and three-year requirements,  
69 as applicable, and the requirements of the Connecticut Housing  
70 Finance Home Mortgage Loan Program.

71 (h) The authority shall submit a report on the program to the  
72 General Assembly on or before October 1, 2001, and annually

73 thereafter. Such report shall include programmatic data and may  
74 include recommendations for modifications to the program.

75 (i) The authority shall adopt written procedures in accordance with  
76 section 1-121 of the general statutes establishing procedures for the  
77 application and distribution of loans pursuant to subsection (f) of this  
78 section and the conditions for such loans.

79 Sec. 2. This act shall take effect July 1, 2000.

**Statement of Legislative Commissioners:**

In subdivision (4) of subsection (a) and subsection (b) of section 1, "participating" was deleted before "municipality" for clarity and in subsection (f), after "Any applicant" the phrase "for a loan under this section" and after "an applicant" the phrase ", as defined in subsection (a) of this section" were deleted for clarity.

**PD Committee Vote:** Yea 17 Nay 0 JFS

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

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**OFA Fiscal Note**

**State Impact:** Indeterminate Cost (Bond Funds)

**Affected Agencies:** Connecticut Housing Finance Authority,  
Department of Economic and Community  
Development

**Municipal Impact:** Potential Cost

**Explanation**

**State Impact:**

This bill establishes a pilot program for home purchasing assistance for public school teachers in priority and transitional school districts. Eligible teachers could receive low-interest loans from the Connecticut Housing Finance Authority (CHFA), down payment assistance, and help with reasonable closing costs from any eligible municipality that chooses to participate. As the down payment assistance program is funded through state bonds allocated to the Department of Economic and Community Development, additional bonding costs are expected to result for the state. The extent of these additional costs cannot be determined as it is contingent upon the number of interested teachers and the average loan amount.

Connecticut Housing Finance Authority

The bill allows CHFA to expend up to \$10 million from revenue bonds

to implement the pilot purchase program. This is expected to increase the volume of bonds that are issued by CHFA, which in turn may increase the debt service costs to the Authority. The Authority may incur additional costs if it issues subsidies as a means of keeping the program's interest rates at the "lowest practicable" level, as required by the bill.

Although the issuance of bonds by CHFA has no direct fiscal impact upon the state, CHFA's bonds are considered contingent liabilities of the state. Any actual liability to the state would only result in the event that CHFA's capital reserve fund fell below the minimum reserve level requirement.

***Municipal Impact:***

Municipalities with priority or transitional school districts may choose to participate in this pilot program by assisting teachers with reasonable and bona fide closing costs. Those municipalities that choose to participate will incur additional costs. The extent of these costs cannot be determined as they are dependent upon the number of teachers that participate in the program as well as any specific monetary limits that a municipality may set as a condition of its participation.

**OLR Bill Analysis**

sSB 75

***AN ACT ESTABLISHING A PILOT PROGRAM OF HOME PURCHASING ASSISTANCE FOR TEACHERS.*****SUMMARY:**

This bill requires the Connecticut Housing Finance Authority (CHFA) to implement a pilot program to help public school teachers in certain districts buy homes where they work. The teacher must be employed in a priority or transitional school district and meet other requirements. Under the program, CHFA can provide low-interest loans, while participating municipalities can provide grants for closing costs. CHFA can spend up to \$10 million on this pilot program, using revenue bonds to pay for it. The program must run from January 1, 2001 through December 31, 2003.

Eligible municipalities can participate in the program by (1) enrolling in accordance with CHFA's written procedures (the equivalent of regulations for quasi-public bodies) and (2) advising applicants of the program and CHFA's existing down payment assistance program.

EFFECTIVE DATE: July 1, 2000

**CHFA RESPONSIBILITIES**

Under the bill, CHFA must develop a program to help teachers buy and live in property in the municipality where they are employed. The program is available to certified teachers employed by priority and transitional school districts in municipalities that choose to participate in it. CHFA must operate the program in cooperation with the participating municipalities. It must implement the program to facilitate the purchase of residential property by providing low-interest loans.

CHFA must issue mortgage revenue bonds to pay for the loans. The loans must meet the requirements of federal law governing tax-exempt

bond issuances. Among other things, this law requires that:

1. all of the loans go to people whose family income is no more than 115% of the state median family income;
2. at least 95% of the net bond proceeds be used for loans that go to people who have been homeowners for no more than three years , subject to certain exceptions;
3. the purchase price of each home funded under the program is no more than 90% of the average area purchase price; and
4. the funded home is a single-family residence that can reasonably expected to become the teacher's principal residence (this requirement appears to supersede a provision in the bill that makes two-and-three unit buildings eligible for the program).

The loans also must meet the requirements of the existing Connecticut Housing Finance Home Mortgage Loan Program. The interest rate on the loans must be the lowest practicable to provide an incentive for applicants.

CHFA must adopt procedures governing loan application and distribution processes and loan conditions. It must report to the legislature on the program by October 1 annually, starting in 2001. The report must include data on the program and may include recommendations to modify the program.

### **TYPES OF ASSISTANCE**

Under the bill, any applicant for a low-interest loan "shall be eligible" for a loan under the existing down payment assistance program, but the income and equity contribution requirements of the existing program do not apply. This appears to mean that anyone who applies for a loan under the new program is eligible for a loan under the existing program. However, this provision could be read to require that a person be eligible under the existing program in order to qualify for the new program.

A municipality can provide grants to applicants to pay for reasonable

and bona fide closing costs. These include various fees and taxes and the cost of the appraisal. CHFA can give preference in issuing loans to applicants in municipalities that offer grants.

A grantee must repay the grant if she (1) ceases being a teacher within seven years of receiving the grant or (2) moves out of the home purchased under the program. The repayment must be made within 30 days of the teacher's receipt of a notice from the municipality stating that it is due.

### **ELIGIBILITY REQUIREMENTS**

To be eligible for assistance, the teacher must be certified by the State Board of Education and be employed full- or part-time by a local or regional school board. The teacher also must:

1. certify that she intends to use the money in connection with the purchase of real estate in the municipality where she works;
2. certify that she intends to own and live in the home on a permanent, full-time basis for at least seven years;
3. take title to the home in her name and be the grantee or borrower;  
and
4. in the case of a loan, agree to make payments over a period of up to 30 years in accordance with procedures adopted by CHFA.

### **BACKGROUND**

#### ***Priority and Transitional School Districts***

Priority school districts are those that are the largest and most economically and educationally needy. Currently, these districts are: Bloomfield, Bridgeport, Danbury, East Hartford, Hartford, Meriden, New Britain, New Haven, New London, Norwalk, Stamford, Waterbury, West Haven, and Windham. Transitional districts are those that are somewhat less needy. Currently they are: Ansonia, Bristol, Derby, Groton, Hamden, Killingly, Manchester, Middletown, Norwich, Putnam, Stratford, and West Hartford. Both

types of districts are eligible for grants which can be used for dropout prevention and other specified programs.

**COMMITTEE ACTION**

Planning and Development Committee

Joint Favorable Substitute

Yea 17      Nay 0