



Senate

General Assembly

File No. 638

February Session, 2008

Substitute Senate Bill No. 2

Senate, April 17, 2008

The Committee on Finance, Revenue and Bonding reported through SEN. DAILY of the 33rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING AN EMERGENCY RELIEF PLAN FOR CONNECTICUT FAMILIES FOR HOUSING COSTS AND ENHANCEMENTS TO SUPPORTIVE HOUSING.

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

1 Section 1. Section 8-265cc of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective from passage*):

3 As used in sections 8-265cc to 8-265kk, inclusive, as amended by this
4 act:

5 (1) "Aggregate family income" means the total income of persons
6 residing in the same household as the mortgagor and any other
7 resident of the household declared by the mortgagor as a dependent
8 for federal tax purposes, from whatever source derived, including, but
9 not limited to, pensions, annuities, retirement benefits and Social
10 Security benefits, provided the authority may exclude from income (A)
11 reasonable allowances for dependents, (B) reasonable allowances for

12 medical expenses, (C) all or any part of the earnings of gainfully
13 employed minors or family members other than the chief wage earner,
14 (D) income not regularly received, and (E) such other expenses as the
15 authority may allow;

16 (2) "Authority" means the Connecticut Housing Finance Authority
17 as created under section 8-244;

18 (3) "Mortgage" means a mortgage deed or other instrument which
19 constitutes a first or second consensual lien on one or two-family
20 owner-occupied residential real property, including single-family units
21 in a common interest community, located in this state;

22 (4) "Mortgagee" means the original lender under a mortgage, or its
23 successors, who agrees to participate in the program established
24 pursuant to sections 8-265cc to 8-265kk, inclusive, as amended by this
25 act, or an assignee of a mortgage who agrees to participate in the
26 program;

27 (5) "Mortgagor" means the owner-occupant of one or two-family
28 residential real property located in this state who is also the borrower
29 under a mortgage encumbering such real property;

30 (6) "Housing expense" means the sum of the mortgagor's monthly
31 maintenance expense in a common interest community, utility
32 expense, heating expense, hazard insurance payment, taxes and
33 required mortgage payment, including escrows;

34 (7) "Financial hardship due to circumstances beyond the
35 mortgagor's control" means a significant curtailment of at least twenty-
36 five per cent of aggregate family household income which cannot be or
37 could not have been alleviated by the liquidation of assets by the
38 mortgagor and is related to one or more of the following: (A)
39 Unemployment or underemployment of one or more of the
40 mortgagors; (B) a loss, reduction or delay in receipt of such federal,
41 state or municipal benefits as Social Security, supplemental security
42 income, public assistance and government pensions; (C) a loss,

43 reduction or delay in receipt of such private benefits as pension,
44 annuity or retirement benefits; (D) divorce or a loss of support
45 payments; (E) disability, illness or death of a mortgagor; (F) uninsured
46 damage to the mortgaged property which affects liveability and
47 necessitates costly repairs; or (G) expenses related to the disability,
48 illness or death of a member of the mortgagor's family, but is not
49 related to accumulation of installment debt incurred for recreational or
50 nonessential items prior to the occurrence of the alleged circumstances
51 beyond the mortgagor's control in an amount that would have caused
52 the mortgagor's total debt service to exceed sixty per cent of aggregate
53 family income at that time;

54 (8) "Consumer credit counseling agency" means a nonprofit
55 corporation or governmental agency located in this state which has
56 been designated by the authority to provide homeowners' emergency
57 mortgage assistance program counseling. A qualified consumer credit
58 counseling agency must either be certified as a housing counseling
59 agency by the federal Department of Housing and Urban
60 Development or otherwise determined accepted by the authority;

61 (9) "Subprime" means:

62 (A) In the case of an adjustable rate loan secured by a first lien on a
63 dwelling, a loan for which the annual percentage rate is greater than
64 two percentage points above the yield on United States Treasury
65 securities having comparable periods of maturity as of the fifteenth
66 day of the preceding month if the rate is set between the first and the
67 fourteenth day of the month, and as of the fifteenth day of the current
68 month if the rate is set on or after the fifteenth day.

69 (B) For all other loans secured by a first lien on a dwelling, a loan for
70 which the annual percentage rate is greater than three percentage
71 points above the yield on United States Treasury securities having
72 comparable periods of maturity as of the fifteenth day of the preceding
73 month if the rate is set between the first and the fourteenth day of the
74 month, and as of the fifteenth day of the current month if the rate is set
75 on or after the fifteenth day.

76 (C) For loans secured by a subordinate lien on a dwelling, a loan for
77 which the annual percentage rate is greater than five percentage points
78 above the yield on United States Treasury securities having
79 comparable periods of maturity as of the fifteenth day of the preceding
80 month if the rate is set between the first and the fourteenth day of the
81 month, and as of the fifteenth day of the current month if the rate is set
82 on or after the fifteenth day.

83 Sec. 2. Section 8-265dd of the general statutes is repealed and the
84 following is substituted in lieu thereof (*Effective from passage*):

85 (a) Not later than January 1, 1994, the authority shall establish,
86 within available funds, a program to provide emergency mortgage
87 assistance payments to mortgagors in accordance with the provisions
88 of sections 8-265cc to 8-265kk, inclusive, as amended by this act. Any
89 necessary and related administrative and operational expenses
90 incurred by the authority in implementing the program may be paid
91 from funds made available for the program.

92 (b) Notwithstanding any provision of the general statutes or any
93 rule of law to the contrary, on and after the date a mortgagee agrees to
94 participation in the program established pursuant to sections 8-265cc
95 to 8-265kk, inclusive, as amended by this act, no judgment of strict
96 foreclosure nor any judgment ordering a foreclosure sale shall be
97 entered in any action instituted by the mortgagee to foreclose a
98 mortgage commenced on or after such date, for the foreclosure of an
99 eligible mortgage unless (1) notice to the mortgagor has been given by
100 the mortgagee in accordance with section 8-265ee and the time for
101 response has expired and (2) a determination has been made on the
102 mortgagor's application for emergency mortgage assistance payments
103 in accordance with section 8-265ff or the applicable time periods set
104 forth in said sections 8-265cc to 8-265kk, inclusive, as amended by this
105 act, have expired, whichever is earlier. For purposes of this section and
106 sections 8-265ee to 8-265kk, inclusive, an "eligible mortgage" is a
107 mortgage which satisfies the standards contained in subdivisions (1),
108 (3), (8) and (10) to (13), inclusive, of subsection (d) of section 8-265ff.

109 (c) As part of the emergency mortgage assistance payment program
110 established under sections 8-265cc to 8-265kk, inclusive, as amended
111 by this act, and within available funds, the authority shall provide
112 mortgage assistance to mortgagors with subprime mortgage loans.

113 Sec. 3. (*Effective July 1, 2008*) (a) For the purposes described in
114 subsection (b) of this section, the State Bond Commission shall have
115 the power, from time to time, to authorize the issuance of bonds of the
116 state in one or more series and in principal amounts not exceeding in
117 the aggregate one hundred million dollars.

118 (b) The proceeds of the sale of said bonds, to the extent of the
119 amount stated in subsection (a) of this section, shall be used by the
120 Connecticut Housing Finance Authority for recapitalization of the
121 emergency mortgage assistance payment program established
122 pursuant to sections 8-265dd to 8-265kk, inclusive, of the general
123 statutes, as amended by this act, for mortgage assistance to mortgagors
124 with subprime mortgage loans.

125 (c) All provisions of section 3-20 of the general statutes, or the
126 exercise of any right or power granted thereby, which are not
127 inconsistent with the provisions of this section are hereby adopted and
128 shall apply to all bonds authorized by the State Bond Commission
129 pursuant to this section, and temporary notes in anticipation of the
130 money to be derived from the sale of any such bonds so authorized
131 may be issued in accordance with said section 3-20 and from time to
132 time renewed. Such bonds shall mature at such time or times not
133 exceeding twenty years from their respective dates as may be provided
134 in or pursuant to the resolution or resolutions of the State Bond
135 Commission authorizing such bonds. None of said bonds shall be
136 authorized except upon a finding by the State Bond Commission that
137 there has been filed with it a request for such authorization which is
138 signed by or on behalf of the Secretary of the Office of Policy and
139 Management and states such terms and conditions as said commission,
140 in its discretion, may require. Said bonds issued pursuant to this
141 section shall be general obligations of the state and the full faith and

142 credit of the state of Connecticut are pledged for the payment of the
143 principal of and interest on said bonds as the same become due, and
144 accordingly and as part of the contract of the state with the holders of
145 said bonds, appropriation of all amounts necessary for punctual
146 payment of such principal and interest is hereby made, and the State
147 Treasurer shall pay such principal and interest as the same become
148 due.

149 Sec. 4. Section 17a-485c of the general statutes is repealed and the
150 following is substituted in lieu thereof (*Effective from passage*):

151 (a) The Commissioner of Mental Health and Addiction Services, in
152 collaboration with the Commissioners of Social Services, Children and
153 Families and Economic and Community Development and the
154 Connecticut Housing Finance Authority, shall establish a Supportive
155 Housing Initiative to provide additional units of affordable housing
156 and support services to eligible persons. The Supportive Housing
157 Initiative shall be implemented in two phases with the first phase to be
158 known as the Supportive Housing Pilots Initiative and the second
159 phase to be known as the Next Steps Initiative.

160 (b) The Supportive Housing Pilots Initiative shall provide up to six
161 hundred fifty additional units of affordable housing and support
162 services to eligible households, as defined in section 17a-484a, and to
163 persons with serious mental health needs who are community-
164 supervised offenders supervised by the executive or judicial branch.
165 Such housing shall be permanent supportive housing or transitional
166 living programs, and the permanent supportive housing may include
167 both individuals and families with special needs and individuals and
168 families without such needs.

169 [(c) Not later than January 1, 2002, the Secretary of the Office of
170 Policy and Management and the Commissioner of Mental Health and
171 Addiction Services shall enter into a memorandum of understanding
172 with the Departments of Social Services and Economic and
173 Community Development and the Connecticut Housing Finance
174 Authority. The memorandum of understanding shall provide that: (1)

175 A collaborative plan shall be submitted with specific timetables to
176 create up to six hundred fifty dwelling units of supportive housing,
177 which may include the construction of up to three hundred new units
178 of supportive housing; (2) the Department of Social Services may
179 provide project-based rental subsidy certificates; (3) the Connecticut
180 Housing Finance Authority and the Department of Economic and
181 Community Development shall provide grants, mortgage loans and
182 tax credits that offer a viable financing package, including capitalized
183 operating reserves, for the construction of up to three hundred new
184 units of supportive housing; (4) the Department of Mental Health and
185 Addiction Services shall provide annual grants to the projects for
186 supportive services during the term of any mortgage loan; (5) there
187 shall be a plan for private and federal predevelopment financing and
188 financing from nonstate sources for grants and loans from private
189 investment through federal and state tax credit programs and federal
190 project-based rental subsidies; and (6) not later than July 1, 2002, the
191 Connecticut Housing Finance Authority shall issue a request for
192 proposals by persons or entities interested in participating in such
193 initiative with priority given to applicants that include organizations
194 deemed qualified to provide services by the Department of Mental
195 Health and Addiction Services pursuant to a request for qualifications.
196 The Connecticut Housing Finance Authority shall review and
197 underwrite projects developed under the Supportive Housing Pilots
198 Initiative.]

199 [(d)] (c) The Next Steps Initiative shall provide up to [five hundred]
200 one thousand additional units of affordable housing and support
201 services to: (1) Eligible households, as defined in section 17a-484a; (2)
202 families who are eligible under the state plan for the federal temporary
203 assistance for needy families program; (3) adults who are eighteen to
204 twenty-three years of age, inclusive, and who are homeless, or at risk
205 for becoming homeless because they are transitioning from foster care
206 or other residential programs; and (4) persons with serious mental
207 health needs who are community-supervised offenders supervised by
208 the executive or judicial branch. Such housing shall be permanent
209 supportive housing and may include both individuals and families

210 with special needs and individuals and families without such needs.

211 [(e) Not later than October 1, 2005, the Secretary of the Office of
212 Policy and Management and the Commissioner of Mental Health and
213 Addiction Services shall enter into a memorandum of understanding
214 with the Departments of Social Services, Children and Families and
215 Economic and Community Development and the Connecticut Housing
216 Finance Authority. The memorandum of understanding shall provide
217 that: (1) A collaborative plan shall be submitted with specific
218 timetables to create up to five hundred dwelling units of supportive
219 housing under the Next Steps Initiative; (2) the Department of Social
220 Services may provide subsidies, including, but not limited to, project-
221 based rental subsidy certificates during the term of any mortgage loan,
222 that may include payments to fund reasonable repair and replacement
223 reserves; (3) the Connecticut Housing Finance Authority and the
224 Department of Economic and Community Development may provide
225 grants, mortgage loans or tax credits, or any combination thereof that
226 offer a viable financing package, including capitalized operating
227 reserves; (4) the Departments of Mental Health and Addiction Services,
228 Social Services and Children and Families may provide annual grants
229 to the projects for supportive services during the term of any mortgage
230 loan; (5) there shall be a plan for private and federal predevelopment
231 financing and financing from nonstate sources for grants and loans
232 from private investment through federal and state tax credit programs
233 and federal project-based rental subsidies; and (6) the parties to the
234 memorandum of understanding may include such other provisions to
235 the memorandum of understanding that the parties find: (A)
236 Necessary to assure the effectuation of the Supportive Housing
237 Initiative, and (B) appropriate for repayment of state assistance to the
238 state, as a result of payment of mortgage loans by the Connecticut
239 Housing Finance Authority from federal or other sources of revenue, if
240 any. Not later than January 1, 2006, the]

241 (d) The Connecticut Housing Finance Authority shall issue one or
242 more requests for proposals by persons or entities interested in
243 participating in such initiative with priority given to applicants that

244 include organizations deemed qualified to provide services by the
245 Departments of Mental Health and Addiction Services, Social Services
246 and Children and Families. The Connecticut Housing Finance
247 Authority shall review and underwrite projects developed under the
248 Supportive Housing Initiative. For purposes of this subsection, "state
249 assistance" means a payment by the state of actual debt service,
250 comprised of principal, interest, interest rate swap payments, liquidity
251 fees, letter of credit fees, trustee fees, and other similar bond-related
252 expenses.

253 [(f) Not later than January 1, 2006, the Commissioners of Mental
254 Health and Addiction Services, Children and Families, Social Services
255 and Economic and Community Development and the Connecticut
256 Housing Finance Authority shall submit an interim status report
257 relative to the Supportive Housing Initiative established under this
258 section to the joint standing committees of the General Assembly
259 having cognizance of matters relating to public health, human services,
260 finance, revenue and bonding and appropriations and the budgets of
261 state agencies. Not later than January 1, 2007, the Commissioners of
262 Mental Health and Addiction Services and Economic and Community
263 Development and the Connecticut Housing Finance Authority shall
264 submit a final report to said committees with respect to the Supportive
265 Housing Initiative and the report shall include, but not be limited to,
266 information indicating (1) the number and location of the units of
267 supportive housing created, (2) the number of individuals served, (3)
268 the number and type of services offered, and (4) the estimated amount
269 of cost avoidance achieved as a direct result of such initiative.]

270 Sec. 5. Section 17a-485e of the general statutes is repealed and the
271 following is substituted in lieu thereof (*Effective from passage*):

272 (a) For purposes of this section "state assistance" means a payment
273 by the state of actual debt service, comprised of principal, interest,
274 interest rate swap payments, liquidity fees, letter of credit fees, trustee
275 fees, and other similar bond-related expenses.

276 (b) [On and after January 1, 2006, the] The State Bond Commission

277 may authorize the State Treasurer and the Secretary of the Office of
278 Policy and Management to enter into a contract or contracts to provide
279 state assistance on bonds issued by the Connecticut Housing Finance
280 Authority as provided in this section. If so authorized by the State
281 Bond Commission, the state, acting by and through the Secretary of the
282 Office of Policy and Management and State Treasurer, shall enter into
283 a contract or contracts with the Connecticut Housing Finance
284 Authority that provide the state shall pay to said authority state
285 assistance on bonds issued by said authority for purposes of providing
286 funds for mortgage loans made by said authority pursuant to the
287 provisions of section 17a-485c, as amended by this act, funds for
288 reasonable repair and replacement reserves and costs of issuance in an
289 aggregate principal amount not to exceed [seventy] one hundred five
290 million dollars. Any provision of such a contract entered into
291 providing for payments equal to annual debt service shall constitute a
292 full faith and credit obligation of the state and as part of the contract of
293 the state with the holders of any bonds or refunding bonds, as
294 applicable, appropriation of all amounts necessary to meet punctually
295 the terms of such contract is hereby made and the State Treasurer shall
296 pay such amounts as the same become due. The Connecticut Housing
297 Finance Authority may pledge such state assistance as security for the
298 payment of such bonds or refunding bonds issued by said authority.
299 Any bonds so issued for the Supportive Housing Initiative by the
300 Connecticut Housing Finance Authority and at any time outstanding
301 may at any time or from time to time be refunded, in whole or in part,
302 by the Connecticut Housing Finance Authority by the issuance of its
303 refunding bonds in such amounts as the authority may deem
304 necessary or appropriate but not exceeding an amount sufficient to
305 refund the principal amount of the bonds to be so refunded, any
306 unpaid interest thereon, and any premiums, commissions and costs of
307 issuance necessary to be paid in connection therewith. The state, acting
308 by and through the Office of Policy and Management and the State
309 Treasurer and without further authorization, may execute an
310 amendment to any contract providing state assistance as required in
311 connection with such refunding bonds.

312 (c) Notwithstanding any contract entered into by the state with the
313 Connecticut Housing Finance Authority for state assistance the bonds
314 or refunding bonds to which such state assistance applies shall not
315 constitute bonds or notes issued or guaranteed by the state within the
316 meaning of section 3-21.

317 Sec. 6. (*Effective from passage*) The sum of two million two hundred
318 four thousand dollars is appropriated to the Department of Economic
319 and Community Development, from the General Fund, for the fiscal
320 year ending June 30, 2008, for the public housing payment in lieu of
321 taxes program established under subsection (b) of section 8-216 of the
322 general statutes.

323 Sec. 7. (*Effective from passage*) The sum of one million seven hundred
324 four thousand eight hundred ninety dollars is appropriated to the
325 Department of Economic and Community Development, from the
326 General Fund, for the fiscal year ending June 30, 2008, for the low and
327 moderate income tax abatement program established under subsection
328 (a) of section 8-216 of the general statutes.

329 Sec. 8. (*Effective July 1, 2008*) The sum of two million two hundred
330 four thousand dollars is appropriated to the Department of Economic
331 and Community Development, from the General Fund, for the fiscal
332 year ending June 30, 2009, for the public housing payment in lieu of
333 taxes program established under subsection (b) of section 8-216 of the
334 general statutes.

335 Sec. 9. (*Effective July 1, 2008*) The sum of one million seven hundred
336 four thousand eight hundred ninety dollars is appropriated to the
337 Department of Economic and Community Development, from the
338 General Fund, for the fiscal year ending June 30, 2009, for the low and
339 moderate income tax abatement program established under subsection
340 (a) of section 8-216 of the general statutes.

<p>This act shall take effect as follows and shall amend the following sections:</p>
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Section 1	<i>from passage</i>	8-265cc
Sec. 2	<i>from passage</i>	8-265dd
Sec. 3	<i>July 1, 2008</i>	New section
Sec. 4	<i>from passage</i>	17a-485c
Sec. 5	<i>from passage</i>	17a-485e
Sec. 6	<i>from passage</i>	New section
Sec. 7	<i>from passage</i>	New section
Sec. 8	<i>July 1, 2008</i>	New section
Sec. 9	<i>July 1, 2008</i>	New section

Statement of Legislative Commissioners:

In section 1, "APR" was changed to "annual percentage rate" for clarity.

PD *Joint Favorable C/R*

FIN

FIN *Joint Favorable Subst.-LCO*

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 chamber thereof for any purpose:

OFA Fiscal Note

State Impact: See Below

Municipal Impact: See Below

Explanation

Section 2 requires the Connecticut Housing Finance Authority (CHFA) to provide mortgage assistance to mortgagors with subprime mortgage loans, within available funds. CHFA administered the Emergency Mortgage Assistance Payment Program in 1994 and 1995 at a cost of \$420,000 associated with temporary staff. CGS 8-265dd permits any necessary and related administrative and operational expenses incurred by CHFA, in implementing the program, to be paid from available program funds.

Section 3 authorizes \$100 million in General Obligation (GO) bonds to recapitalize the emergency mortgage assistance payment program, which is administered by CHFA. The total General Fund debt service cost for principal and interest payments on this amount over 20 years assuming a 5.0% interest rate, is \$152.5 million. The first year that the state will experience costs associated with the bonds depends on when they are allocated through the State Bond Commission and when the funds are expended.

Section 4 increases from 500 to 1,000 the number of housing units allowable under the Next Steps Initiative supportive housing program. Currently, there are 851 housing units within the Next Steps Initiative that are state supported. Of this total, 400 units are newly budgeted in PA 07-1 JSS, the biennial budget, (250 scattered units and 150 development units). Increasing the number of supportive housing units beyond the current level would depend on the availability of future resources. Various agencies are involved in the Next Steps

Initiative including: the Departments of Mental Health and Addiction Services, Social Services, Children and Families and Economic and Community Development; and the Connecticut Housing Finance Authority.

Section 5 obligates the state to pay the debt service on an additional \$35 million in bonds issued by Connecticut Housing Finance Authority (CHFA) for the supportive housing program. Assuming that CHFA issues the bonds at a 5.0% interest rate over 20 years, the total General Fund debt service cost for principal and interest payments is \$53.4 million. The first year that the state will experience costs associated with the bonds depends on when they are allocated through the State Bond Commission and when the CHFA bonds are issued.

Sections 6 through **9** of the bill appropriate funding in both FY 08 and FY 09 to the Department of Economic and Community Development (DECD) for the moderate rental housing Payment-in-Lieu-of-Taxes (PILOT) and the Tax Abatement programs in the amounts of \$2.2 million and \$1.7 million, respectively.

PA 08-1, "AAC Payment in Lieu of Taxes for Public Housing and the Low and Moderate Income Tax Abatement Program," provides \$2.2 million for the PILOT and \$1.7 million for the Tax Abatement programs in FY 08.

The budget bill, sHB 5021 as favorably reported by the Appropriations Committee, contains \$2.2 million for the PILOT and \$1.7 million for the Tax Abatement programs in FY 09.

The bill makes other minor and technical changes that have no fiscal impact.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation. In addition, the ongoing

impact to the General Fund is the cost of paying debt service on \$135 million in bonds over 20 years.

OLR Bill Analysis**sSB 2*****AN ACT CONCERNING AN EMERGENCY RELIEF PLAN FOR CONNECTICUT FAMILIES FOR HOUSING COSTS AND ENHANCEMENTS TO SUPPORTIVE HOUSING.*****SUMMARY:**

This bill provides funding for three housing programs. It authorizes up to \$100 million in bonds to help subprime mortgagors under the framework of the Connecticut Housing Finance Authority's (CHFA) Emergency Mortgage Assistance Program. It also appropriates \$3.9 million each in FY 08 and 09 for payments in lieu of taxes (PILOT) for tax-abated public and privately owned moderate rental housing.

Lastly, the bill authorizes the Department of Mental Health and Addiction Services (DMHAS) to provide an additional 500 "Next Steps" supportive housing units for people with mental illness. Funding for these units comes from mortgages, tax credits, and grants from CHFA and the Department of Economic and Community Development (DECD). The bill authorizes the state to provide annual debt service payments on an additional \$35 million in bonds issued by CHFA. It also makes technical changes.

EFFECTIVE DATE: Upon passage, except for the subprime mortgage bond authorization and the FY 09 PILOT appropriation, which take effect July 1, 2008.

SUBPRIME MORTGAGES***Eligible Mortgages***

The bill provides technical and financial assistance to people with subprime mortgages. A mortgage is generally considered to be subprime if the borrower has a weak credit history and the lender correspondingly set the interest rate higher than the prime rate.

Under the bill, a mortgage falls into this category depending on the status of the lien, whether the interest rate is adjustable, and the extent to which that rate exceeds the yield for U.S. treasury securities having comparable periods of maturity. The rate comparisons are based on (1) the 15th day of the preceding month if the rate is set between the first and the 14th day of the month and (2) the 15th day of the current month if the rate is set on or after that day. Table 1 identifies the bill's criteria for determining if a mortgage is subprime.

Table 1: Subprime Mortgage Criteria

<i>Lien Status</i>	<i>Mortgage Type</i>	<i>Interest Rate</i>
First lien	Adjustable rate mortgage	Greater than 2% points above the yield on U.S. Treasury securities
	Other mortgage	Greater than 3% points above the yield on U.S. Treasury securities
Subordinate lien	Any type	Greater than 5% points above the yield on U.S. Treasury securities

Eligibility

The bill requires CHFA to assist borrowers with subprime mortgages under the framework of its Emergency Mortgage Assistance Program. Consequently, borrowers must meet that program's existing criteria. Among other things, borrowers qualify for assistance if:

1. they occupy one- or two-family homes, including single-family condominium units;
2. they cannot pay their mortgages due to financial circumstances beyond their control; and
3. their lenders agree to participate in the program.

A borrower's eligibility also depends on whether there is a reasonable prospect that the borrower will be able to resume payments and prepay CHFA. He or she must be able to resume full mortgage payments within 36 months after receiving mortgage assistance payments. And he or she must be able to pay off the mortgage by its maturity date by level monthly payments of principal and interest, subject only to changes in payment amounts required by the mortgage agreement. The borrower must do this according to the plan formulated or approved by CHFA.

Participating lenders must notify borrowers about the program. They must also notify a borrower in default before foreclosing on the property. A borrower must obtain credit counseling before applying for emergency mortgage assistance.

Emergency Mortgage Assistance

The emergency mortgage assistance covers the difference between what a household can afford to pay and the actual amount due. A borrower receiving the assistance makes mortgage payments to CHFA instead of the lender. These payments, when combined with other housing expenses, cannot exceed 35% of the borrower's aggregate family income. CHFA adds the amount needed to equal the full mortgage payment and remits the total to the lender.

CHFA can make these payments for no more than 36 consecutive or nonconsecutive months and must secure them with the mortgaged property. The difference between the borrower's payments and CHFA's contribution constitutes a loan, which the borrower must repay with interest set in the mortgage assistance agreement.

MODERATE RENTAL HOUSING PILOTS

The bill appropriates funds in FYs 08 and 09 for moderate rental housing PILOTS under two statutory programs.

State-Funded Moderate Rental Housing Projects

One program exempts public housing authorities and other entities operating moderate rental housing projects developed with state funds

from paying property taxes and other municipal charges. But it requires them to make payments in lieu of these taxes and charges to their respective towns. The payments equal 12.5% of the rent they collect from this housing. It also allows the DECD commissioner to reimburse the towns for the revenue loss. The bill appropriates \$2,204,000 million in both FYs 08 and 09 each for these reimbursements.

Privately Owned Moderate Rental Housing

The other program allows towns to adopt ordinances abating the property taxes on multifamily housing if the owner agrees to keep the rents affordable to low- and moderate-income people. It also allows the DECD commissioner to reimburse the towns for the revenue loss. The bill appropriates \$1,704,890 million in both FYs 08 and 09 for these reimbursements.

SUPPORTIVE HOUSING

The bill expands the Next Steps supportive housing program for people with mental illness. The law initially required the DMHAS commissioner to provide up to 650 units in a pilot program. It subsequently required him to provide an additional 500 units in the Next Steps Initiative. He had to develop the units under a memorandum of understanding with several state agencies, including the Office of Policy and Management (OPM), DECD, and CHFA, that allowed DECD and CHFA to help finance the units.

The bill requires DMHAS to provide up 500 additional units. It also increases the level of state financial assistance for the annual debt service on the bonds CHFA issues to fund the units. The law allows the treasurer and the OPM secretary to pay the debt service on the bonds. Current law authorizes the state to pay the debt service on up to \$70 million in bonds CHFA issues for the units. The bill increases this total by \$35 million, to \$105 million.

BACKGROUND

Public Act 08-1 transfers FY 08 appropriations for the same amounts

as the bill for the public and privately owned moderate rental housing PILOTs. It also protects tenants in both types of housing from rent increases in FY 08 by prohibiting housing authorities, towns, and private owners from taking specified actions.

Related Bill

sSB 495 (File 177), as amended by Senate “A,” eliminates the sunset on PILOTs for privately owned moderate rental housing. Under current law, the DECD commission may provide these PILOTs for up to 40 consecutive years. The bill also allows her to reimburse towns for the tax-exemption on state-funded moderate rental housing that was redeveloped and transferred to a private entity with her approval.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Change of Reference
Yea 20 Nay 0 (03/05/2008)

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 38 Nay 15 (04/01/2008)