



General Assembly

February Session, 2008

**Committee Bill No. 208**

LCO No. 2598

\*02598SB00208PD\_\*

Referred to Committee on Planning and Development

Introduced by:

(PD)

**AN ACT PROHIBITING PENALTIES FOR PREPAYMENT OF CERTAIN MORTGAGE LOANS AND AUTHORIZING BONDS OF THE STATE FOR THE EMERGENCY MORTGAGE ASSISTANCE PAYMENT PROGRAM.**

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

1 Section 1. (NEW) (*Effective October 1, 2008*) (a) As used in this  
2 section:

3 (1) "Subprime" means:

4 (A) In the case of an adjustable rate loan secured by a first lien on a  
5 dwelling, a loan for which the APR is greater than two percentage  
6 points above the yield on United States Treasury securities having  
7 comparable periods of maturity as of the fifteenth day of the preceding  
8 month if the rate is set between the first and the fourteenth day of the  
9 month, and as of the fifteenth day of the current month if the rate is set  
10 on or after the fifteenth day.

11 (B) For all other loans secured by a first lien on a dwelling, a loan for  
12 which the APR is greater than three percentage points above the yield  
13 on United States Treasury securities having comparable periods of

14 maturity as of the fifteenth day of the preceding month if the rate is set  
15 between the first and the fourteenth day of the month, and as of the  
16 fifteenth day of the current month if the rate is set on or after the  
17 fifteenth day.

18 (C) For loans secured by a subordinate lien on a dwelling, a loan for  
19 which the APR is greater than five percentage points above the yield  
20 on United States Treasury securities having comparable periods of  
21 maturity as of the fifteenth day of the preceding month if the rate is set  
22 between the first and the fourteenth day of the month, and as of the  
23 fifteenth day of the current month if the rate is set on or after the  
24 fifteenth day; and

25 (2) "Nontraditional mortgage" has the same meaning as set forth in  
26 the "Interagency Guidance on Nontraditional Mortgage Product  
27 Risks", 71 Federal Register 58609 (Oct. 4, 2006), as amended from time  
28 to time.

29 (b) No prepayment fee or penalty may be charged or collected  
30 under the terms of a subprime or nontraditional mortgage loan when  
31 the mortgagee requires that payments be accelerated. Any prepayment  
32 fee, penalty or charge in violation of this section shall be void and  
33 unenforceable.

34 Sec. 2. (*Effective July 1, 2008*) (a) For the purposes described in  
35 subsection (b) of this section, the State Bond Commission shall have  
36 the power, from time to time, to authorize the issuance of bonds of the  
37 state in one or more series and in principal amounts not exceeding in  
38 the aggregate fifty million dollars.

39 (b) The proceeds of the sale of said bonds, to the extent of the  
40 amount stated in subsection (a) of this section, shall be used by the  
41 Connecticut Housing Finance Authority for the purpose of  
42 recapitalization of the emergency mortgage assistance payment  
43 program established pursuant to sections 8-265cc to 8-265kk, inclusive,  
44 of the general statutes.

45 (c) All provisions of section 3-20 of the general statutes, or the  
 46 exercise of any right or power granted thereby, which are not  
 47 inconsistent with the provisions of this section are hereby adopted and  
 48 shall apply to all bonds authorized by the State Bond Commission  
 49 pursuant to this section, and temporary notes in anticipation of the  
 50 money to be derived from the sale of any such bonds so authorized  
 51 may be issued in accordance with said section 3-20 and from time to  
 52 time renewed. Such bonds shall mature at such time or times not  
 53 exceeding twenty years from their respective dates as may be provided  
 54 in or pursuant to the resolution or resolutions of the State Bond  
 55 Commission authorizing such bonds. None of said bonds shall be  
 56 authorized except upon a finding by the State Bond Commission that  
 57 there has been filed with it a request for such authorization which is  
 58 signed by or on behalf of the Secretary of the Office of Policy and  
 59 Management and states such terms and conditions as said commission,  
 60 in its discretion, may require. Said bonds issued pursuant to this  
 61 section shall be general obligations of the state and the full faith and  
 62 credit of the state of Connecticut are pledged for the payment of the  
 63 principal of and interest on said bonds as the same become due, and  
 64 accordingly and as part of the contract of the state with the holders of  
 65 said bonds, appropriation of all amounts necessary for punctual  
 66 payment of such principal and interest is hereby made, and the State  
 67 Treasurer shall pay such principal and interest as the same become  
 68 due.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2008</i>	New section
Sec. 2	<i>July 1, 2008</i>	New section

**Statement of Purpose:**

To prohibit mortgage companies from charging prepayment penalties and to provide funds for assistance to homeowners affected by subprime mortgage lending, predatory lending and other mortgage situations resulting in crises or emergencies.

*[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.]*

Co-Sponsors: SEN. COLEMAN, 2nd Dist.

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