



General Assembly

Substitute Bill No. 208

February Session, 2008

* _____SB00208FIN____042208_____*

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 in a mortgage
32 refinance, sale of the real property mortgaged or foreclosure action.
33 Any prepayment fee, penalty or charge in violation of this section shall
34 be void and unenforceable.

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

40 (b) The proceeds of the sale of said bonds, to the extent of the
41 amount stated in subsection (a) of this section, shall be used by the
42 Connecticut Housing Finance Authority for the purpose of
43 recapitalization of the emergency mortgage assistance payment
44 program established pursuant to sections 8-265cc to 8-265kk, inclusive,
45 of the general statutes or the 2008 supplement to the general statutes.

46 (c) All provisions of section 3-20 of the general statutes, or the
47 exercise of any right or power granted thereby, which are not
48 inconsistent with the provisions of this section are hereby adopted and
49 shall apply to all bonds authorized by the State Bond Commission

