



Senate

General Assembly

File No. 149

January Session, 2013

Senate Bill No. 845

Senate, March 26, 2013

The Committee on Housing reported through SEN. BARTOLOMEO of the 13th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT INCREASING ACCESS TO AFFORDABLE HOUSING.

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

1 Section 1. Section 8-251 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2013*):

3 (a) In order to provide additional construction and permanent
4 financing for housing in this state, the authority is authorized to make
5 commitments to purchase, and to purchase, service and sell mortgages
6 and to make loans directly upon the security of any mortgage, and to
7 make commitments to purchase, and to purchase and sell participation
8 sale certificates representing interests in mortgages, provided the
9 underlying mortgage loans shall have been made and shall be used
10 solely to finance or refinance the construction, rehabilitation, purchase
11 or leasing of housing in this state, and provided further the aggregate
12 amount of permanent mortgages, mortgage-backed securities and
13 participation sale certificates representing interests in mortgages
14 purchased, and permanent loans made by the authority which are not
15 directly or indirectly insured or guaranteed by any department,

16 agency, instrumentality of the United States of America, or public
 17 corporation chartered by the Congress of the United States, including
 18 but not limited to the Federal Home Loan Mortgage Corporation, or
 19 which are not insured or guaranteed by any department, agency or
 20 instrumentality of the state, any insurance company licensed to do
 21 business in the state and authorized to underwrite mortgage insurance
 22 or by the authority shall not at any one time exceed [one billion five
 23 hundred] two billion two hundred fifty million dollars.

24 (b) For the purpose of encouraging balanced community
 25 development in urban areas and increasing the supply and availability
 26 of mortgage financing for the residents of urban areas, the authority is
 27 authorized to make commitments to purchase, and to purchase, urban
 28 area mortgages or to make loans directly upon the security of urban
 29 area mortgages or to make loans for, or to purchase, urban area
 30 mortgages under terms and conditions requiring the proceeds thereof
 31 to be used for the making of additional urban area mortgages, subject
 32 to the provisions of section 8-250.

33 (c) For the purpose of assisting Connecticut residents to purchase
 34 mobile manufactured homes to be located in a manufactured housing
 35 community, the authority shall set aside not less than two million
 36 dollars to be used to provide loans directly to such residents. Such
 37 loans shall not require the purchase of private mortgage insurance,
 38 and shall accept an annual renewable lease for the lot on which such
 39 home is located.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2013	8-251

HSG *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: Connecticut Housing Finance Authority – See below

Municipal Impact: None

Explanation

The bill increases the statutory limit on uninsured mortgages which the Connecticut Housing Finance Authority (CHFA) can hold from \$1.5 billion to \$2.25 billion.¹

The agency currently holds a total of about \$3.8 billion in loans, of which about \$1.2 billion is uninsured (about 32% of the portfolio). The bill increases the statutory limit on uninsured mortgages to \$2.25 billion (about 59% of the portfolio).

Increasing the amount of uninsured mortgages that CHFA can hold by 50% is not expected to have any General Fund impact (see Background below). While it could increase the possibility that a significant number of mortgages that CHFA holds could default at the same time, it does not appear to be likely because CHFA has a high credit rating from the agencies that evaluate its bonds. The high rating indicates that the overall quality of the assets in CHFA's portfolio is considered to be at low risk of default. Thus, even if a large number of uninsured mortgages defaulted, in all likelihood CHFA would still be able to use payments from the remainder of its portfolio to make its debt service payments. When the level of uninsured mortgages that CHFA can hold was increased by 50% (from \$1.0 billion to \$1.5 billion) in 2008, there was no General Fund impact and no impact on CHFA's

¹ Uninsured mortgages are those not directly or indirectly guaranteed or insured by any public agency or private company.

bond rating.

As of 2/1/13, CHFA had \$3.5 billion in outstanding SCRF-backed bonds under its Housing Mortgage Finance Program and \$63.6 million under its Special Needs Housing Mortgage Finance Program.

Background

CHFA issues its own bonds to purchase mortgages and uses payments from the mortgages to pay debt service on the bonds. The state backs the bonds with a special capital reserve fund (SCRF) so CHFA can issue them at a lower interest rate. If a large number of mortgages defaulted: (1) CHFA was unable to make the debt service payments itself, (2) the SCRF would be used to make them and (3) the state would be required to refill the SCRF with General Fund resources if it fell below a certain level.²

The Out Years

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

² CHFA is currently required to maintain a combined balance of about \$290 million in the reserve accounts for the SCRF-backed bonds. The actual value of CHFA's reserve accounts is \$640 million, giving the agency more than twice the coverage required.

OLR Bill Analysis**SB 845*****AN ACT INCREASING ACCESS TO AFFORDABLE HOUSING.*****SUMMARY:**

This bill increases, from \$1.5 billion to \$2.25 billion, the maximum amount of uninsured mortgage purchases and loans that the Connecticut Housing Finance Authority (CHFA) can make that are not insured or guaranteed by a (1) federal or state agency, department, or instrumentality; (2) congressionally-chartered public corporation; (3) Connecticut-licensed mortgage insurance company; or (4) CHFA.

EFFECTIVE DATE: July 1, 2013

COMMITTEE ACTION

Housing Committee

Joint Favorable

Yea 12 Nay 0 (03/12/2013)