



House of Representatives

General Assembly

File No. 242

January Session, 2019

House Bill No. 5969

House of Representatives, April 1, 2019

The Committee on Banking reported through REP. SANTIAGO, E. of the 130th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT ESTABLISHING A COLLAPSING FOUNDATIONS LOAN PROGRAM TO PROVIDE LOW-INTEREST LOANS TO CERTAIN PROPERTY OWNERS.

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

1 Section 1. (NEW) (*Effective October 1, 2019*) (a) For the purposes of
2 this section:

3 (1) "Authority" means the Connecticut Housing Finance Authority
4 created under section 8-244 of the general statutes;

5 (2) "Captive insurance company" means the captive insurance
6 company established pursuant to section 38a-91vv of the general
7 statutes;

8 (3) "Eligible borrower" means the owner of a residential building
9 who (A) has received the maximum amount of financial assistance
10 provided by the captive insurance company for the purpose of
11 repairing or replacing a concrete foundation that has deteriorated due
12 to the presence of pyrrhotite, and (B) requires additional funding for

13 such repair or replacement;

14 (4) "Supplemental collapsing foundation loan" means a loan issued
15 by the authority to an eligible borrower under the Collapsing
16 Foundations Low-Interest Loan Program;

17 (5) "Residential building" means a one-family, two-family, three-
18 family or four-family dwelling including, but not limited to, a
19 condominium unit or dwelling in a planned unit development.

20 (b) Not later than January 1, 2020, the authority shall develop and
21 implement the Collapsing Foundations Low-Interest Loan Program in
22 accordance with this section. The program shall offer, within available
23 funds, supplemental collapsing foundation loans for the purpose of
24 assisting eligible borrowers in obtaining necessary funding for the
25 repair or replacement of a concrete foundation that has deteriorated
26 due to the presence of pyrrhotite.

27 (c) Each supplemental collapsing foundation loan shall have the
28 terms and conditions, and shall be subject to the eligibility, loan
29 approval, credit and other underwriting requirements established by
30 the authority, provided each such loan shall (1) not exceed seventy-five
31 thousand dollars, (2) not contain a fee or penalty for the prepayment or
32 early payment of the loan, (3) bear an interest rate of not more than one
33 per cent per annum, and (4) be serviced by the authority or its agents.

34 (d) An application for a supplemental collapsing foundation loan
35 shall be submitted on a form prescribed by the authority and shall
36 contain such information as the authority may require, including, but
37 not limited to, documentation verifying that the applicant (1) received
38 the maximum amount of financial assistance provided by the captive
39 insurance company for the purpose of repairing or replacing a
40 foundation that has deteriorated due to the presence of pyrrhotite, and
41 (2) requires additional funding for such repair or replacement. The
42 applicant shall complete and sign the application subject to the penalty
43 for false statement under section 53a-157b of the general statutes. The
44 authority may deny an application that misrepresents any financial or

45 other pertinent information.

46 (e) The authority shall not issue more than twenty-five million
47 dollars of supplemental collapsing foundation loans under the
48 program in any calendar year.

49 (f) The authority shall maintain records in the regular course of
50 administration of the program, including, but not limited to, a record
51 of loans issued under this section and of payments received on such
52 loans. Not later than January 1, 2021, and annually thereafter, the
53 authority shall report to the joint standing committees of the General
54 Assembly having cognizance of matters relating to banking and
55 housing, in accordance with section 11-4a of the general statutes,
56 regarding the status of the program.

57 (g) The authority shall adopt written procedures in accordance with
58 section 1-121 of the general statutes to implement the provisions of this
59 section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2019	New section

BA *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: None

Municipal Impact: None

Explanation

The bill is not anticipated to result in a fiscal impact because there is no identified funding source for the Collapsing Foundations Low-Interest Loan Program it requires the Connecticut Housing Finance Authority (CHFA) to implement. Without funding, there can be no lending activity.

The bill specifies that CHFA shall offer, within available funds, supplemental collapsing foundation loans to certain eligible borrowers. CHFA, a quasi-public state agency, currently provides first-time homebuyer mortgage loans at below-market rates by issuing mostly tax-exempt bonds under a Master Bond Resolution. The Resolution and Internal Revenue Code place restrictions on the type of lending that can be done with the proceeds of these bonds. The lending required in the bill is not a permitted use under these rules.

Given that the interest rate permitted (not more than 1% per year) is considerably lower than current market rates, it is very unlikely that private lenders would provide these loans through CHFA.

The Out Years

State Impact: None

Municipal Impact: None

Sources: Connecticut Housing Finance Authority

OLR Bill Analysis**HB 5969*****AN ACT ESTABLISHING A COLLAPSING FOUNDATIONS LOAN PROGRAM TO PROVIDE LOW-INTEREST LOANS TO CERTAIN PROPERTY OWNERS.*****SUMMARY**

This bill requires the Connecticut Housing Finance Authority (CHFA) to establish the Collapsing Foundations Low-Interest Loan Program to provide loans to owners of residential buildings (i.e., one- to four-family dwellings, including condominium units and planned unit development dwellings) with pyrrhotite-damaged concrete foundations.

The bill requires CHFA to offer, within available funds, low-interest loans to repair or replace concrete foundations that have deteriorated due to the presence of pyrrhotite to borrowers who:

1. have received the maximum financial assistance amount from the Connecticut Foundations Solutions Indemnity Corporation (CFSIC, see BACKGROUND) (presumably this refers to \$175,000, which is the largest amount CFSIC can award to a single claimant), and
2. require additional funding to repair or replace a pyrrhotite-damaged foundation.

Up to \$25 million in total loans may be issued per calendar year through the program, which must be developed and implemented by January 1, 2020.

EFFECTIVE DATE: October 1, 2019

COLLAPSING FOUNDATION LOW-INTEREST LOAN PROGRAM

Under the bill, loans can be up to \$75,000 (“supplemental collapsing foundation loans”) and must be serviced by CHFA or its agents. These supplemental loans cannot have prepayment or early payment fees or penalties, or annual interest rates greater than 1%, but are otherwise subject to CHFA’s terms, conditions, eligibility, loan approval, and credit and underwriting requirements. The bill requires CHFA to adopt written implementing procedures.

Application

Supplemental loan applications must be submitted to CHFA on a form it prescribes and contain any information it requires, including documentation verifying that the applicant (1) received the maximum amount of financial assistance from CFSIC and (2) requires additional funding for concrete foundation repair or replacement.

Under the bill, the applicant must complete and sign the application. Intentionally making false statements on the application is a Class A misdemeanor, punishable by up to one year imprisonment, up to a \$2,000 fine, or both. The authority may deny an application that misrepresents any financial or other pertinent information.

Record Retention and Reporting

Under the bill, CHFA must maintain program administration records, including loans issued and repayments. CHFA must report annually to the Banking and Housing committees on the program’s status, with the first report due by January 1, 2021.

BACKGROUND

Connecticut Foundations Solutions Indemnity Corporation (CFSIC)

PA 17-2, June Special Session (§§ 334-336), established CFSIC as a captive insurer to provide financial assistance to owners of residential buildings with crumbling concrete foundations (CGS § 38a-91vv). Under its current structure, CFSIC provides eligible homeowners up to \$175,000 towards a foundation repair or replacement.

Related Program

By law, the Collapsing Foundations Credit Enhancement Program assists eligible borrowers with obtaining funding necessary to replace or repair crumbling concrete foundations. The program must make one or more financial products or credit enhancements available, including loan guarantees that may enable participating lenders to make qualifying loans with loan-to-value ratios in excess of regulatory standards. Lenders participating in the program must offer qualifying loans with interest rates at least 0.5% below market rates. CHFA administers the program (CGS § 8-442).

COMMITTEE ACTION

Banking Committee

Joint Favorable

Yea 15 Nay 0 (03/12/2019)