

OFFICE OF FISCAL ANALYSIS

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<http://www.cga.ct.gov/ofa>

HB-5969

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

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

Primary Analyst: MP
Contributing Analyst(s):
Reviewer: PR

3/28/19

State Impact: None

Municipal Impact: None

Sources: Connecticut Housing Finance Authority