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

1 Strike everything after the enacting clause and substitute the following in lieu thereof:

3 "Section 1. (NEW) (Effective from passage) As used in this section and sections 2 to 5, inclusive, of this act:

5 (1) "Authority" means the Connecticut Housing Finance Authority created under section 8-244 of the general statutes, as amended by this act;
(2) "Bank" means a bank or an out-of-state bank, each as defined in section 36a-2 of the general statutes;

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

(4) "Credit union" means a Connecticut credit union or a federal credit union, each as defined in section 36a-2 of the general statutes;

(5) "Department" means the Department of Banking;

(6) "Eligible borrower" means the owner and occupant of a residential building who has received a participation agreement from the captive insurance company;

(7) "Eligible financial institution" means a bank or credit union that has a physical presence in this state;

(8) "Participation agreement" means an agreement by the captive insurance company to pay for a portion of the cost to repair or replace a concrete foundation that has deteriorated due to the presence of pyrrhotite;

(9) "Residential building" means (A) a single-family or multifamily residential dwelling, including, but not limited to, (i) a residential unit in a condominium, as such terms are defined or used in section 47-68a of the general statutes, and (ii) a unit that is used for residential purposes and located in a common interest community, as such terms are defined in section 47-202 of the general statutes, and (B) a building containing one or more of the residential dwellings described in subparagraph (A) of this subdivision.

Sec. 2. (NEW) (Effective from passage) (a) The authority shall administer a supplemental collapsing foundation loan program to guarantee the repayment of loans made by an eligible financial institution to an eligible borrower pursuant to sections 1 to 5, inclusive, of this act. Subject to the cessation of new claim approvals under
subsection (d) of section 4 of this act, the authority shall submit all
processed claims to the Comptroller, who shall pay from the General
Fund any and all claims submitted by the authority.

(b) (1) Except as provided in subsection (d) of this section, any
eligible financial institution may participate in the loan guarantee
program after providing the department and the authority with
advance written notice of the eligible financial institution's intention to
participate in the program. Such notice shall be in the form and
manner prescribed by the department and the authority, and shall
include contact information for the eligible financial institution.
Nothing in this section shall be construed to preclude an eligible
financial institution that has elected to participate in the program from
issuing loans to eligible borrowers outside of the loan guarantee
program.

(2) An eligible financial institution may suspend its participation in,
or withdraw from, the loan guarantee program five business days after
providing advance written notice to the department and the authority
specifying the date on which such suspension or withdrawal becomes
effective. Such withdrawal or suspension shall not affect the eligible
financial institution's ability to submit a guarantee claim on any loan
for which the eligible financial institution provided notice to the
authority pursuant to subsection (d) of this section prior to the
effective date of the withdrawal or suspension.

(3) Not later than September 1, 2019, the department and the
authority shall each publish on their Internet web sites a summary of
the program and a list of the eligible financial institutions that have
elected to participate in the program. The list shall be updated from
time to time and shall include the contact information of each
participating eligible financial institution. The department shall also
provide information concerning the loan guarantee program to
mortgage servicers licensed pursuant to section 36a-718 of the general
statutes.
(c) (1) The authority may develop, in consultation with representatives from the banking industry, one or more standard promissory note and mortgage deed forms that may be used by eligible financial institutions making loans under the program pursuant to section 3 of this act.

(2) Not later than September 1, 2019, the authority shall develop, in consultation with representatives from the banking industry, (A) reasonable standards an eligible financial institution may rely upon to demonstrate good faith collection efforts described in subsection (a) of section 4 of this act, and (B) a readily accessible communication portal by which participating eligible financial institutions may verify in real time the total dollar amount of loans that have been reported to the authority pursuant to subsection (d) of this section and the total dollar amount of claims submitted to the Comptroller pursuant to subsection (a) of section 4 of this act. The forms and standards developed pursuant to this section shall, to the maximum extent feasible, be closely aligned with existing forms, policies and procedures used by eligible financial institutions participating in the program, but shall not require post-delinquency collection efforts extending beyond ninety days.

(d) Each eligible financial institution that makes a loan pursuant to section 3 of this act, shall notify the authority in writing not later than one business day after making the loan, specifying the amount of the loan and any other information about the borrower and the loan the authority may request. When the total amount of loans reported to the authority reaches twenty million dollars, the authority shall immediately close participation in the program under subsection (a) of this section and notify each eligible financial institution participating in the program. A participating eligible financial institution may condition the availability of any loan commitment on the availability of the loan guarantee program.

Sec. 3. (NEW) (Effective from passage) Each eligible financial institution that is participating in the program may make loans to an
eligible borrower, provided:

(1) The eligible borrower demonstrates to the satisfaction of the financial institution that the borrower has a participation agreement with the captive insurance company and requires additional funding to repair or replace a concrete foundation that has deteriorated due to the presence of pyrrhotite.

(2) The loan shall (A) be secured by a mortgage deed on the eligible borrower's residential building, (B) be made in accordance with the eligible financial institution's underwriting policy and standards, (C) be in an amount not to exceed seventy-five thousand dollars, and (D) bear an interest rate that does not exceed the applicable rate of the Federal Home Loan Bank of Boston for Amortizing Advances through the New England Fund program. For the purposes of this subdivision, "applicable rate" means the New England Fund rate that (i) is published on the Internet web site of the Federal Home Loan Bank of Boston as of the date the interest rate is locked-in by the eligible borrower and financial institution, and (ii) has an advance term and amortization schedule that most closely corresponds to the term and amortization schedule of the loan being made by the participating eligible financial institution.

(3) The eligible financial institution may recover up to eight hundred dollars from the eligible borrower for expenses paid by the eligible financial institution to third parties for services related to processing the application and closing the loan, including obtaining a credit report, flood certification, title search, appraisal or other valuation, and any recording fees. Such expenses may be financed as part of the loan subject to the seventy-five-thousand-dollar limit described in subparagraph (C) of subdivision (2) of this subsection or paid separately by the eligible borrower.

(4) The loan agreement shall require the eligible borrower to repay the loan in full not later than twenty years after the date the loan is issued.
(5) The loan proceeds shall be used by the borrower only for eligible repair expenses. For the purposes of this subdivision, "eligible repair expenses" shall be limited to repair or replacement expenses (A) that are necessary to complete the repair or replacement of the foundation, and (B) which are otherwise necessary to restore the functionality and appearance of the property to the extent that the functionality and appearance of the property were compromised by the deterioration of the foundation or the demolition and construction process, including, but not limited to, the repair or replacement of wall framing, drywall, paint and other wall finishes, porches or decks, gutters, landscaping, outbuildings or sheds and swimming pools. "Eligible repair expenses" do not include any costs associated with significant upgrades to the property that are not otherwise included in subparagraphs (A) and (B) of this subdivision. A participating eligible financial institution may decline an application for a loan under the program that includes a request to fund expenses associated with upgrades to the property that may not qualify as eligible repair expenses, but the failure to do so shall not affect the ability of the eligible financial institution to include the loan in the loan guarantee program for the full amount of principal extended to the eligible borrower.

Sec. 4. (NEW) (Effective from passage) (a) An eligible financial institution that has made a good faith effort to collect the outstanding principal from a loan issued pursuant to section 3 of this act may make a claim to the authority for recovery of an amount equal to the outstanding principal for such loan. Except as provided in subsection (d) of this section, if the eligible financial institution demonstrates to the satisfaction of the authority that the eligible financial institution has made a good faith effort to collect the outstanding principal from the eligible borrower in accordance with the financial institution's loan servicing and collection policies, the authority shall process and submit the claim to the Comptroller for payment. Upon payment of a claim by the Comptroller, and as a condition of such payment, (1) the loan shall be assigned to the state, and (2) the authority, as agent for the state, shall have the right to continue collection efforts on the loan.
Any amount necessary for payment by the Comptroller to honor loan guarantees under this section shall be deemed appropriated from the General Fund, and any funds collected by the authority in accordance with this subsection shall be deposited to the General Fund.

(b) The authority shall maintain records in the regular course of administration of the loan guarantee program, including a record of loans issued and of payments made to honor loan guarantees issued under this section.

(c) The authority may terminate any loan guarantee if the financial institution misrepresents any information pertaining to the guarantee or fails to comply with any requirements of this section in connection with the guarantee of the underlying loan.

(d) The total amount of claims processed by the authority and paid by the Comptroller to honor loan guarantees under this section shall not exceed two million dollars. When the total amount of claims processed by the authority and paid by the Comptroller reaches two million dollars, the authority shall immediately cease to process claims and shall notify the Comptroller and each eligible financial institution participating in the program that the authority has ceased honoring loan guarantees.

Sec. 5. (NEW) (Effective from passage) The Comptroller, the authority and the department may enter into a memorandum of understanding to carry out the provisions of this act.

Sec. 6. Subsection (a) of section 8-244 of the general statutes is repealed and the following is substituted in lieu thereof (Effective from passage):

(a) There is created a body politic and corporate to be known as the "Connecticut Housing Finance Authority". Said authority is constituted a public instrumentality and political subdivision of this state and the exercise by the authority of the powers conferred by this chapter and sections 1 to 5, inclusive, of this act, shall be deemed and held to be the
performance of an essential public and governmental function. The
Connecticut Housing Finance Authority shall not be construed to be a
department, institution or agency of the state. The board of directors of
the authority shall consist of sixteen members as follows: (1) The
Commissioner of Economic and Community Development, the
Commissioner of Housing, the Secretary of the Office of Policy and
Management, the Banking Commissioner and the State Treasurer, ex
officio, or their designees, with the right to vote, (2) seven members to
be appointed by the Governor, and (3) four members appointed as
follows: One by the president pro tempore of the Senate, one by the
speaker of the House of Representatives, one by the minority leader of
the Senate and one by the minority leader of the House of
Representatives. The member initially appointed by the speaker of the
House of Representatives shall serve a term of five years; the member
initially appointed by the president pro tempore of the Senate shall
serve a term of four years. The members initially appointed by the
Senate minority leader shall serve a term of three years. The member
initially appointed by the minority leader of the House of
Representatives shall serve a term of two years. Thereafter, each
member appointed by a member of the General Assembly shall serve a
term of five years. The members appointed by the Governor and the
members of the General Assembly shall be appointed in accordance
with section 4-9b and among them be experienced in all aspects of
housing, including housing design, development, finance,
management and state and municipal finance, and at least one of
whom shall be selected from among the officers or employees of the
state. At least one shall have experience in the provision of housing to
very low, low and moderate income families. On or before July first,
annually, the Governor shall appoint a member for a term of five years
from said July first to succeed the member whose term expires and
until such member's successor has been appointed, except that in 1974
and 1995 and quinquennially thereafter, the Governor shall appoint
two members. The chairperson of the board shall be appointed by the
Governor. The board shall annually elect one of its appointed members
as vice-chairperson of the board. Members shall receive no
compensation for the performance of their duties hereunder but shall be reimbursed for necessary expenses incurred in the performance thereof. The Governor or appointing member of the General Assembly, as the case may be, shall fill any vacancy for the unexpired term. A member of the board shall be eligible for reappointment. Any member of the board may be removed by the Governor or appointing member of the General Assembly, as the case may be, for misfeasance, malfeasance or willful neglect of duty. Each member of the board before entering upon such member's duties shall take and subscribe the oath of affirmation required by article XI, section 1, of the State Constitution. A record of each such oath shall be filed in the office of the Secretary of the State. Each ex-officio member may designate such member's deputy or any member of such member's staff to represent such member at meetings of the board with full power to act and vote on such member's behalf."

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