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)