
OLR Bill Analysis**HB 7004*****Emergency Certification******AN ACT CONCERNING ELIGIBILITY FOR THE SUPPLEMENTAL COLLAPSING FOUNDATION LOAN PROGRAM.*****SUMMARY**

This bill expands eligibility for the Supplemental Collapsing Foundation Loan Program to include condominium and common interest ownership associations (“associations”). It also makes an owner or occupant of a single- or multifamily residential dwelling in an association eligible for the program even without a participation agreement with the Connecticut Foundation Solutions Indemnity Company (CFSIC, the captive insurer established to assist homeowners with pyrrhotite-damaged, also referred to as crumbling, concrete foundations), if the association the unit is a part of has one covering it. (A participation agreement is an agreement stating CFSIC will pay part of the foundation’s repair or replacement cost.) By law, the Connecticut Housing Finance Authority must administer the supplemental loan program to guarantee loans made by banks and credit unions in Connecticut to owners and occupants of eligible buildings with these crumbling foundations.

EFFECTIVE DATE: Upon passage

SUPPLEMENTAL LOANS TO ASSOCIATIONS

Under the bill, loans to associations must be secured with any combination of the following: (1) a real property mortgage deed; (2) an encumbrance on the association’s common elements; (3) a security interest in the association’s income, including receivables or unit owner assessments; or (4) a security interest in equipment purchased or financed with loan proceeds.

The bill limits the total amount of loans made to a single association to the product of \$75,000 multiplied by the total number of buildings with affected units, as specified in the CFSIC participation agreement. (The same per-building limit applies to other eligible buildings under existing law.)

The bill generally subjects supplemental loans made to associations to the same requirements applicable under existing law. Thus, these loans:

1. apply toward the program's aggregate maximum loan amount (\$20 million);
2. have a maximum closing cost of \$800, a term of up to 20 years, and must be made in accordance with the lending institution's underwriting policy and standards; and
3. have an interest rate equal to or less than that of a loan with similar terms and amortization schedule offered by the Federal Home Loan Bank of Boston for Amortizing Advances through the New England Fund program.

By law and unchanged by the bill, loan proceeds may be used for "eligible repair expenses" that are (1) necessary to complete a foundation repair or replacement or (2) otherwise necessary to restore the property's functionality and appearance, to the extent they were damaged by the foundation's deterioration or the demolition and construction process. Eligible expenses include repairing or replacing wall framing, drywall, paint and other wall finishes, porches, decks, gutters, landscaping, outbuildings, sheds, and swimming pools.