



PA 20-3, September 2020 Special Session—HB 7004
Emergency Certification

AN ACT CONCERNING ELIGIBILITY FOR THE SUPPLEMENTAL COLLAPSING FOUNDATION LOAN PROGRAM

SUMMARY: This act expands eligibility for the Supplemental Collapsing Foundation Loan Program to include:

1. condominium and common interest ownership associations (“associations”) with a participation agreement from the Connecticut Foundation Solutions Indemnity Company (CFSIC) and
2. residential association unit owners and occupants without a CFSIC participation agreement, if the association that the unit is a part of has one covering it.

By law, the Connecticut Housing Finance Authority administers the supplemental loan program to guarantee loans made to owners and occupants of eligible buildings with pyrrhotite-damaged (“crumbling”) concrete foundations. CFSIC is the captive insurer established to assist homeowners with crumbling foundations. A participation agreement provides that CFSIC will pay part of a foundation’s repair or replacement cost.

EFFECTIVE DATE: Upon passage

SUPPLEMENTAL LOAN REQUIREMENTS

Under the act, loans to associations must be secured with any of, or a 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 act 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 participation agreement. (The same per-building limit applies to other eligible buildings under existing law.)

The act generally subjects supplemental loans made to associations and to association unit owners or occupants to the same requirements applicable under existing law for eligible borrowers. Thus, these loans:

1. apply toward the program’s aggregate maximum loan amount (\$20 million);
2. must be repaid within 20 years and made in accordance with the lending institution’s underwriting policy and standards; and
3. have maximum closing costs of \$800 and interest rates no greater than that of loans with similar terms and an amortization schedule offered by the Federal Home Loan Bank of Boston for Amortizing Advances through the

OLR PUBLIC ACT SUMMARY

New England Fund program.

By law and unchanged by the act, 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. The law’s non-exhaustive list of eligible expenses includes repairing or replacing wall framing, drywall, paint and other wall finishes, porches, decks, gutters, landscaping, outbuildings, sheds, and swimming pools.