
OLR Bill Analysis

sHB 6494

AN ACT CONCERNING THE DOWN PAYMENT ASSISTANCE PROGRAM AND AFFORDABILITY INCENTIVE ZONES.

SUMMARY

This bill requires the Connecticut Housing Finance Authority (CHFA), by October 1, 2021, to establish certain guidelines for issuing loans under its homeownership loan program (also called the “Downpayment Assistance Program,” see BACKGROUND).

The bill requires the guidelines to allow CHFA, subject to existing limitations, to provide loans to borrowers with a debt-to-income ratio up to the highest ratio allowed for residential mortgage loans by the Federal Housing Administration, Federal National Mortgage Association (Fannie Mae), and Federal Home Loan Mortgage Corporation (Freddie Mac). The guidelines must also allow CHFA to consider (1) an application regardless of the borrower’s credit score and (2) nontraditional credit references, such as proof of employment or rental and utility payments.

The bill requires loans under the program to include customary and reasonable closing costs if the (1) borrower requests it and (2) loan amount, including the closing costs, does not exceed the maximum allowed loan amount under CHFA’s procedures and guidelines. By law and excluding loans for condominium conversions, the total loan amount generally cannot exceed 25% of the home’s acquisition cost or value after rehabilitation, if greater.

The bill also allows CHFA to establish affordability incentive zones under the homeownership loan program to incentivize home purchases in municipalities that are subject to the affordable housing appeals procedure (see BACKGROUND).

Lastly, the bill makes technical and conforming changes.

EFFECTIVE DATE: Upon passage

AFFORDABILITY INCENTIVE ZONES

The bill authorizes CHFA to expand access to the homeownership loan program in affordability incentive zones by using different lending guidelines than those that are used for buying homes in other areas. This may include (1) increasing eligibility limits for a home's purchase price or the maximum loan amount or (2) decreasing the loan's interest rate.

If CHFA decides to establish zones, the bill allows a municipality that is subject to the affordable housing appeals procedure and not already designated as an affordability incentive zone to ask CHFA, in writing, to be considered one. At its discretion, CHFA may grant a request after considering available program funding.

BACKGROUND

Affordable Housing

By law, the Department of Housing (DOH) annually publishes a list of housing stock in each municipality that qualifies as affordable housing under the Affordable Housing Land Use Appeals Procedure (CGS §§ 8-30g(k) & 8-37qqq(a)(2)(D)). Under CGS § 8-30g, municipalities where at least 10% of housing is deemed affordable are generally exempt from the law's appeals procedure.

Affordable housing stock that counts toward the 10% includes: (1) certain types of government-assisted housing, (2) housing currently financed by CHFA mortgages, (3) housing subject to deeds and conditions restricting its sale or rental to low- and moderate-income people, and (4) mobile homes or accessory apartments subject to certain deed restrictions.

Homeownership Loan Program

CHFA administers the Downpayment Assistance Program to provide, based on financial need, a low-interest loan or deferred loan to help purchase a home or rehabilitate a one-to-four-family home, provided the loan recipient lives in one of the units. The program uses

resources allocated by the State Bond Commission to DOH.

COMMITTEE ACTION

Banking Committee

Joint Favorable Substitute

Yea 18 Nay 0 (03/17/2021)