

OFFICE OF FISCAL ANALYSIS

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sHB-6494

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

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 22 \$	FY 23 \$
CHFA	Other - Potential Cost	See Below	See Below
Treasurer, Debt Serv.	GF - Potential Cost	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill makes changes to the down payment assistance program (DAP), administered by the Connecticut Housing Finance Authority (CHFA) in conjunction with its first-time homebuyer mortgage loans, which may result in greater DAP costs.¹ The program is administered as a revolving loan fund but has required state bond funds to recapitalize it in recent years. The additional DAP costs would be in the form of more or larger loans under the program, not greater administration costs for CHFA.

First, the bill requires CHFA to include closing costs in the loan amount, when requested by the buyer, if the total loan amount is within the program's guidelines. Currently, CHFA's guidelines allow

¹ CHFA is a quasi-public authority that issues its own federally tax-exempt mortgage revenue bonds. The authority pays its operating expenses using funds derived from the excess of interest income from loans over bond interest expenses.

the inclusion of closing costs in such a case but do not require it.

Second, the bill allows CHFA to establish affordability incentive zones under DAP with alternative lending guidelines, such as a higher total loan amount than the \$20,000 currently permitted per homebuyer. To the extent that CHFA establishes such zones with more generous terms and municipalities participate, CHFA would loan more funds per year and draw down the pool of existing capital more quickly.

DAP is partially funded through General Obligation (GO) bond funds. As of March 1, 2021, unallocated bond balance available to the program is \$9 million. The bill does not change GO bond authorizations relevant to the program. Future General Fund debt service costs may be incurred sooner under the bill to the degree that it causes authorized GO bond funds to be expended more rapidly than they otherwise would have been.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to CHFA lending guidelines and the terms of any bonds issued.

Sources: Connecticut Housing Finance Authority